COMPANY UPDATE

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HPSP (403870)

Equipment to be used across more applications

- HPSP reported in-line 1Q results, but sales likely started coming in from new customers—an encouraging sign.
- Its HPA equipment is poised for broader adoption across customers and applications beginning in 2H.
- We raise our target price to KRW65,000 and maintain BUY.

WHAT'S THE STORY?

1Q review: HPSP reported 1Q sales of KRW31.9b (down 39% q-q) and an operating profit of KRW16.1b (for a margin of 50.5%), in line with consensus. The market was already anticipating a 1Q drop in profits due to major customers' fab schedules. Still, it is encouraging that sales likely started coming in from new clients.

2026 outlook: We revise up our full-year 2026 outlook, forecasting sales of KRW249.7b (up 44% y-y) and an operating profit of KRW136.1b (for a margin of 54.5%). Existing customers are increasing orders, and there is still strong confidence that new customers and new applications will contribute sales. Fab schedules point to a concentration of advanced foundry and DRAM/NAND investments in 2H. A prolonged dollar strength could provide upside to profitability.

Raising target price: We raise our target price to KRW65,000—and maintain BUY—reflecting an upward revision to our 2026 EPS estimate and a higher target multiple of 43x 2026 P/E, aligned with ASML's (FactSet). Although the overhang risk from the largest shareholder has weighed on sentiment since early this year, we believe this risk has already been priced in, especially given the stock's underperformance relative to other equipment peers. Notably, the long-awaited expectations that the company will benefit from process migration and build position in the memory supply chain are finally beginning to materialize.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW65,000	31.3%
Current price	**KRW49,500**	
Market cap	KRW4.1t/USD2.7b	
Shares (float)	82,300,000 (78.3%)	
52-week high/low	KRW56,600/KRW21,300	
Avg daily trading value (60-day)	KRW161.2b/ USD107.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HPSP (%)	16.3	59.2	106.7
Vs Kosdaq (%pts)	18.7	26.5	34.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	65,000	55,000	18.2%
2026E EPS	1,505	1,367	10.1%
2027E EPS	1,696	1,682	0.8%

SAMSUNG vs THE STREET

No of estimates	5
Target price	61,800
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	31.9	-13.4	-39.4	-2.8	-2.2
Operating profit	16.1	-13.7	-41.2	-3.0	2.4
Pre-tax profit	19.1	-4.5	-35.7	-0.0	8.2
Net profit	24.9	63.6	6.8	66.6	97.6
Margins (%)					
Operating profit	50.5				
Pre-tax profit	59.9				
Net profit	77.8				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	37.2	32.9	29.2
P/B	8.8	11.6	9.2
EV/EBITDA	27.1	27.6	21.8
Div yield (%)	1.5	1.2	1.4
EPS growth (% y-y)	-14.7	67.1	12.7
ROE (%)	24.8	37.6	35.2
Per-share data (KRW)			
EPS	901	1,505	1,696
BVPS	3,819	4,271	5,367
DPS	500	600	700

Summary income statement

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**36.9**	**51.3**	**32.0**	**52.7**	**31.9**	**46.9**	**79.7**	**91.2**	**173.0**	**249.7**	**303.3**
Growth (% y-y)	-2.3	88.0	-35.5	-20.9	-13.4	-8.7	148.8	73.1	-4.7	44.4	21.4
Growth (% q-q)	-44.6	39.2	-37.6	64.4	-39.4	46.7	70.1	14.4			
Cost of goods sold	9.9	13.5	9.4	13.9	7.0	11.8	22.3	25.5	46.7	66.6	81.8
Gross profit	**27.0**	**37.9**	**22.6**	**38.8**	**24.9**	**35.1**	**57.4**	**65.7**	**126.3**	**183.1**	**221.5**
Gross margin (%)	73.2	73.7	70.5	73.7	78.0	74.8	72.0	72.1	73.0	73.3	73.0
SG&A expenses	8.3	9.2	7.5	11.4	8.8	11.7	12.0	14.6	36.4	47.0	52.2
Operating profit	**18.7**	**28.6**	**15.1**	**27.4**	**16.1**	**23.4**	**45.4**	**51.1**	**89.9**	**136.1**	**169.3**
Operating margin (%)	50.7	55.8	47.1	52.1	50.5	49.9	57.0	56.1	52.0	54.5	55.8
Non-operating profit	1.3	-1.7	2.6	2.3	3.0	2.4	2.4	2.2	4.4	10.0	9.7
Pre-tax profit	**20.0**	**26.9**	**17.7**	**29.8**	**19.1**	**25.8**	**47.8**	**53.3**	**94.4**	**146.1**	**179.0**
Pre-tax margin (%)	54.3	52.4	55.1	56.5	59.9	55.0	60.0	58.5	54.5	58.5	59.0
Net profit	**15.2**	**20.7**	**13.5**	**23.3**	**24.9**	**20.1**	**37.3**	**41.6**	**72.7**	**123.9**	**139.6**
Net margin (%)	41.2	40.3	42.1	44.2	77.8	42.9	46.8	45.6	42.0	49.6	46.0
EPS (KRW)	**188**	**257**	**167**	**288**	**302**	**244**	**453**	**506**	**901**	**1,505**	**1,696**
Growth (% y-y)	-26.9	46.6	-21.6	-31.0	60.3	-4.8	171.5	75.5	-14.7	67.1	12.7
Growth (% q-q)	-54.8	36.2	-34.9	72.5	4.9	-19.1	85.6	11.5			

Source: Company data, Samsung Securities estimates

Sales, by division

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Equipment	31.0	47.8	27.6	47.7	28.4	42.8	74.8	85.7	154.1	231.7	281.3
Other	5.9	3.6	4.4	5.0	3.5	4.1	4.9	5.5	18.9	18.0	22.0
Total	36.9	51.3	32.0	52.7	31.9	46.9	79.7	91.2	173.0	249.7	303.3
Growth (% y-y)											
Equipment	-9.5	97.0	-39.8	-23.5	-8.3	-10.4	170.8	79.7	-7.6	50.4	21.4
Other	68.5	16.9	16.0	16.1	-40.3	14.0	11.3	10.0	28.7	-4.6	22.2
Total	-2.3	88.0	-35.5	-20.9	-13.4	-8.7	148.8	73.1	-4.7	44.4	21.4
Growth (% q-q)											
Equipment	-50.2	54.1	-42.2	72.6	-40.4	50.5	74.8	14.6			
Other	36.8	-39.3	23.9	12.8	-29.7	15.9	21.0	11.5			
Total	-44.6	39.2	-37.6	64.4	-39.4	46.7	70.1	14.4			

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**179**	**181**	**173**	**250**	**303**
Cost of goods sold	60	52	47	67	82
Gross profit	**119**	**130**	**126**	**183**	**221**
Gross margin (%)	66.2	71.5	73.0	73.3	73.0
SG&A expenses	23	36	36	47	52
Operating profit	**95**	**94**	**90**	**136**	**169**
Operating margin (%)	53.2	51.8	52.0	54.5	55.8
Non-operating gains (losses)	**9**	**20**	**4**	**10**	**10**
Financial profit	8	7	5	6	6
Financial costs	0	0	0	0	0
Equity-method gains (losses)	0	0	0	0	0
Other	1	13	-1	4	4
Pre-tax profit	**104**	**114**	**94**	**146**	**179**
Taxes	24	28	22	22	39
Effective tax rate (%)	22.8	24.2	23.0	15.2	22.0
Profit from continuing operations	80	86	73	124	140
Profit from discontinued operations	0	0	0	0	0
Net profit	**80**	**86**	**73**	**124**	**140**
Net margin (%)	44.9	47.6	42.0	49.6	46.0
Net profit (controlling interests)	80	86	73	124	140
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	97	98	94	140	173
EBITDA margin (%)	53.9	53.8	54.5	56.0	57.2
EPS (parent-based) (KRW)	990	1,056	901	1,505	1,696
EPS (consolidated) (KRW)	990	1,056	901	1,505	1,696
Adjusted EPS (KRW)*	990	1,056	901	1,505	1,696

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**276**	**238**	**289**	**353**	**437**
Cash & equivalents	43	61	94	117	201
Accounts receivable	2	10	23	30	31
Inventories	24	23	16	40	39
Other current assets	206	144	156	166	166
Fixed assets	**45**	**82**	**81**	**99**	**105**
Investment assets	0	0	0	0	0
Tangible assets	40	49	48	51	57
Intangible assets	2	2	1	0	0
Other long-term assets	3	31	31	48	48
Total assets	**321**	**320**	**370**	**452**	**542**
Current liabilities	**42**	**41**	**61**	**98**	**98**
Accounts payable	6	2	2	7	7
Short-term debt	0	0	0	0	0
Other current liabilities	35	39	59	91	91
Long-term liabilities	**2**	**1**	**1**	**2**	**2**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	2	1	1	2	2
Total liabilities	**44**	**42**	**61**	**100**	**100**
Owners of parent equity	**277**	**278**	**308**	**351**	**442**
Capital stock	41	42	42	42	42
Capital surplus	59	61	63	64	64
Retained earnings	175	253	278	268	358
Other	2	-78	-74	-22	-22
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**277**	**278**	**308**	**351**	**442**
Net debt	-228	-188	-238	-265	-350

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**66**	**84**	**100**	**82**	**144**
Net profit	80	86	73	124	140
Non-cash profit and expenses	23	21	28	4	4
Depreciation	1	4	4	4	4
Amortization	0	0	0	0	0
Other	21	17	24	0	0
Changes in A/L from operating activities	-13	-9	22	-45	0
Cash flow from investments	**-148**	**20**	**-19**	**-21**	**-10**
Change in tangible assets	-25	-43	-2	-21	-10
Change in financial assets	-122	59	-17	0	0
Other	-1	4	0	0	0
Cash flow from financing	**-4**	**-94**	**-48**	**-40**	**-49**
Change in debt	-1	-1	-1	0	0
Change in equity	6	2	2	0	0
Dividends	-2	-7	-48	-40	-49
Other	-8	-88	-1	1	0
Change in cash	-87	18	33	23	84
Cash at beginning of year	130	43	61	94	117
Cash at end of year	43	61	94	117	201
Gross cash flow	**103**	**107**	**101**	**128**	**144**
Free cash flow	**42**	**41**	**98**	**76**	**134**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	12.4	1.3	-4.7	44.4	21.4
Operating profit	11.8	-1.3	-4.3	51.4	24.4
Net profit	21.9	7.3	-15.8	70.5	12.7
Adjusted EPS**	9.5	6.7	-14.7	67.1	12.7
Per-share data (KRW)					
EPS (parent-based)	990	1,056	901	1,505	1,696
EPS (consolidated)	990	1,056	901	1,505	1,696
Adjusted EPS**	990	1,056	901	1,505	1,696
BVPS	3,410	3,417	3,819	4,271	5,367
DPS (common)	150	600	500	600	700
Valuations (x)					
P/E***	44.3	24.7	37.2	32.9	29.2
P/B***	12.9	7.6	8.8	11.6	9.2
EV/EBITDA	34.5	20.2	27.1	27.6	21.8
Ratios (%)					
ROE	34.0	31.1	24.8	37.6	35.2
ROA	27.7	26.9	21.1	30.2	28.1
ROIC	267.2	126.4	133.2	228.7	212.7
Payout ratio	9.3	55.9	55.7	39.9	41.3
Dividend yield (common)	0.3	2.3	1.5	1.2	1.4
Net debt to equity	-82.3	-67.7	-77.3	-75.5	-79.1
Interest coverage (x)	558.2	919.9	1,516.9	n/a	n/a

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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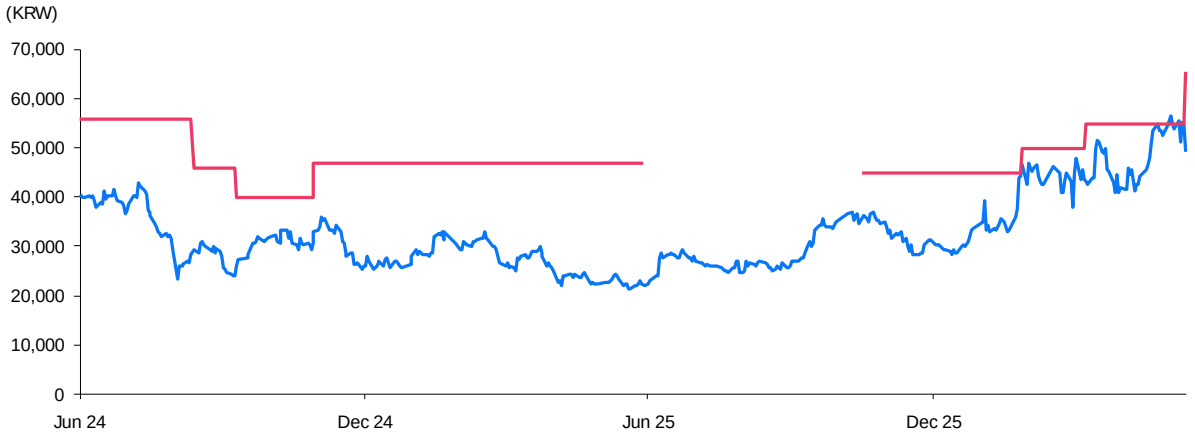
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/12/4	2024/8/16	9/12	11/1	2025/10/20	2026/1/30	3/12	5/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	56000	46000	40000	47000	45000	50000	55000	65000
Gap* (average)	-22.11	-39.37	-22.77	-41.64	-27.34	-11.73	-12.76	
(max or min)**	12.68	-32.93	-16.38	-23.83	-1.44	-4.30	2.91	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Percentage of ratings in 12 months prior to 2026.03.31

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