COMPANY UPDATE

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EV/Mobility Team

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Shinheung SEC (243840)

ESS/EV utilization recovery still on track

- Shinheung SEC's 1Q consolidated operating results missed market expectations.
- The top-line growth should improve on clients' ESS production expansion in North America and improving utilization for Europe-bound EVs.
- We raise our target price to KRW9,700 and maintain BUY rating.

WHAT'S THE STORY?

1Q review: Shinheung SEC reported 1Q consolidated sales of KRW123.7b and an operating profit of KRW1.6b (54.3% below FnGuide-based consensus of KRW3.5b). Sales expanded 21.4% q-q as: 1) large-cap assembly sales for clients' ESS systems grew 23% q-q; and 2) can-type product sales also increased 21% q-q on a 174% q-q jump in Hungary-bound sales (though accounting for a small portion in sales). However, operating margin came in at mere 1.3% due to recognition of the one-off cost reflected in high-cost inventories. Excluding the one-off, operating margin would have been around mid-3% level, in line with expectations.in underlying margins were around mid-3%,

Sales outlook bright: We forecast the full-year sales will expand 32% y-y to KRW539.4b for two reasons. First, large-cap assembly sales should climb 29.5% y-y as customers expand ESS cell production lines in North America and launch volume EV models in Europe. Second, demand for small cylindrical CID products should increase 57% annually, fueled by: 1) increased shipments of 1865 and 2170 cells for battery backup unit (BBU) applications; and 2) growing demand for professional-grade power tools used in data center construction.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW9,700	15.2%
Current price	KRW8,420	
Market cap	KRW324.66b/USD216.4m	
Shares (float)	38,558,235 (42.8%)	
52-week high/low	KRW11,300/KRW3,800	
Avg daily trading value (60-day)	KRW6.2b/ USD4.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinheung SEC (%)	-8.5	66.4	108.9
Vs Kosdaq (%pts)	-3.6	31.6	36.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	9,700	7,700	26.0%
2026E EPS	150	171	-12.3%
2027E EPS	287	330	-13.0%

SAMSUNG vs THE STREET

No of estimates	2
Target price	8,850
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	123.7	19.5	21.4	4.7	4.7
Operating profit	1.6	nm	-70.3	-54.9	-54.3
Pre-tax profit	10.6	nm	-12.4	199.1	n/a
Net profit	8.7	nm	10.7	91.5	n/a
Margins (%)					
Operating profit	1.3				
Pre-tax profit	8.6				
Net profit	7.0				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	n/a	56.2	29.3
P/B	0.6	1.1	1.0
EV/EBITDA	7.4	7.8	7.0
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	nm	nm	91.9
ROE (%)	-1.6	1.9	3.5
Per-share data (KRW)			
EPS	-128	150	287
BVPS	7,821	7,971	8,258
DPS	0	0	0

Maintaining BUY rating and raising target price to KRW9,700: We revise up our target price by 26% to KRW9,700, reflecting an 8% upward revision to our EPS forecast (from KRW171 to KRW184) and a 15% increase in our target P/E multiple (from 45x to 53x). We reiterate our BUY rating, as improving shipment trends for ESS and EV batteries point to sustained earnings momentum.

Quarterly results

(KRWb)	1Q26	1Q25	4Q25	Chg	
				(% y-y)	(% q-q)
Sales	123.7	103.5	101.9	19.5	21.4
Operating profit	1.6	-4.3	5.4	Turned pos	-70.4
Pre-tax profit	10.6	-2.0	12.1	Turned pos	-12.5
Net profit	8.7	-4.8	7.9	Turned pos	11.3
Margins (%)					
Operating profit	1.3	-4.1	5.3		
Pre-tax profit	8.6	-1.9	11.9		
Net profit	7.1	-4.7	7.7		

Source: Company data

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	500.8	539.4	7.7%	599.0	624.8	4.3%
Operating profit	21.3	20.6	-3.4%	29.6	28.4	-4.1%
Pre-tax profit	9.1	8.2	-10.1%	17.6	16.3	-7.4%
Net profit	7.7	6.8	-12.2%	14.9	13.0	-12.8%

Source: Samsung Securities estimates

Target-price calculation

(KRW)		Note
EPS	184	2026E-2027E
Target P/E (x)	52.2	2026E average of peer group (materials, equipment, and parts firms) (Excludes outliers with P/E ratios exceeding 200x)
Fair value per share	9,613	
Target price	**9,700**	
Current price	8,300	As of May 15 close
Upside (%)	16.9	

Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**103.5**	**102.7**	**100.2**	**101.9**	**123.7**	**129.1**	**136.0**	**150.6**	**142.9**	**156.8**	**160.1**	**165.0**	**408.2**	**539.4**	**624.8**
Small cylindrical CID	11.0	18.9	21.5	22.0	25.3	27.7	33.4	28.9	28.8	34.0	36.7	31.4	73.4	115.3	131.0
Large square cap assembly	83.5	76.0	71.5	71.9	88.5	94.1	94.1	115.5	100.6	109.4	109.4	118.1	302.9	392.2	437.6
Large square can	3.1	2.8	1.1	1.1	3.0	2.4	2.8	1.2	8.5	7.9	7.9	7.3	8.2	9.4	31.5
Small cylindrical NS assembly	4.1	3.9	4.7	4.8	4.9	3.8	4.3	4.1	3.8	4.1	4.7	6.2	15.5	17.1	18.8
Other	1.8	1.1	1.3	2.0	1.9	1.2	1.3	1.0	1.2	1.3	1.5	2.0	6.2	5.4	5.9
Operating profit	**-4.3**	**2.1**	**2.7**	**5.4**	**1.6**	**3.9**	**6.1**	**9.0**	**4.3**	**7.1**	**8.8**	**8.2**	**5.9**	**20.6**	**28.4**
Operating margin (%)	-4.1	2.1	2.7	5.3	1.3	3.0	4.5	6.0	3.0	4.5	5.5	5.0	1.5	3.8	4.5

Source: Company data, Samsung Securities estimate

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**433**	**408**	**539**	**625**	**673**
Cost of goods sold	382	368	475	546	586
Gross profit	**51**	**40**	**65**	**79**	**86**
Gross margin (%)	11.8	9.9	12.0	12.6	12.8
SG&A expenses	38	34	44	51	54
Operating profit	**13**	**6**	**21**	**28**	**32**
Operating margin (%)	3.0	1.5	3.8	4.5	4.8
Non-operating gains (losses)	**9**	**-2**	**-12**	**-12**	**-16**
Financial profit	1	1	1	1	2
Financial costs	18	20	20	19	18
Equity-method gains (losses)	0	0	0	0	0
Other	26	18	6	5	0
Pre-tax profit	**22**	**4**	**8**	**16**	**16**
Taxes	1	10	1	3	4
Effective tax rate (%)	2.3	231.4	17.0	20.0	22.0
Profit from continuing operations	22	-6	7	13	13
Profit from discontinued operations	0	0	0	0	0
Net profit	**22**	**-6**	**7**	**13**	**13**
Net margin (%)	5.1	-1.4	1.3	2.1	1.9
Net profit (controlling interests)	22	-6	7	13	13
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	71	72	82	86	86
EBITDA margin (%)	16.3	17.6	15.3	13.8	12.8
EPS (parent-based) (KRW)	481	-128	150	287	280
EPS (consolidated) (KRW)	481	-128	150	287	280
Adjusted EPS (KRW)*	481	-128	150	287	280

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**208**	**215**	**243**	**274**	**308**
Cash & equivalents	113	109	107	116	138
Accounts receivable	33	38	46	54	58
Inventories	53	53	70	81	87
Other current assets	10	15	20	23	25
Fixed assets	**667**	**661**	**630**	**597**	**563**
Investment assets	1	1	1	1	1
Tangible assets	650	644	613	580	547
Intangible assets	2	2	2	2	1
Other long-term assets	14	14	14	14	14
Total assets	**876**	**876**	**873**	**871**	**871**
Current liabilities	**289**	**310**	**298**	**302**	**289**
Accounts payable	23	21	29	33	36
Short-term debt	193	201	201	201	201
Other current liabilities	74	88	68	68	52
Long-term liabilities	**228**	**212**	**214**	**195**	**196**
Bonds & long-term debt	217	204	204	184	184
Other long-term liabilities	12	8	10	11	12
Total liabilities	**517**	**522**	**512**	**498**	**485**
Owners of parent equity	**358**	**354**	**361**	**374**	**386**
Capital stock	23	23	23	23	23
Capital surplus	166	166	166	166	166
Retained earnings	161	149	156	169	182
Other	9	16	16	16	16
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**358**	**354**	**361**	**374**	**386**
Net debt	343	347	317	278	236

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**67**	**52**	**60**	**63**	**62**
Net profit	22	-6	7	13	13
Non-cash profit and expenses	55	76	81	78	73
Depreciation	57	65	61	58	54
Amortization	0	1	0	0	0
Other	-2	10	19	20	19
Changes in A/L from operating activities	11	9	-8	-8	-4
Cash flow from investments	**-88**	**-48**	**-32**	**-27**	**-21**
Change in tangible assets	-87	-43	-30	-25	-20
Change in financial assets	-3	-5	-3	-2	-1
Other	2	0	1	0	0
Cash flow from financing	**16**	**-15**	**-30**	**-27**	**-20**
Change in debt	58	5	-30	-27	-20
Change in equity	-0	-0	0	0	0
Dividends	-4	-3	0	0	0
Other	-38	-17	0	0	0
Change in cash	3	-4	-2	10	21
Cash at beginning of year	110	113	109	107	116
Cash at end of year	113	109	107	116	138
Gross cash flow	**77**	**70**	**87**	**91**	**86**
Free cash flow	**-21**	**3**	**30**	**38**	**42**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-19.8	-5.7	32.1	15.8	7.6
Operating profit	-69.8	-55.0	247.9	37.7	13.3
Net profit	-29.0	nm	nm	91.9	-2.5
Adjusted EPS**	-29.1	nm	nm	91.9	-2.5
Per-share data (KRW)					
EPS (parent-based)	481	-128	150	287	280
EPS (consolidated)	481	-128	150	287	280
Adjusted EPS**	481	-128	150	287	280
BVPS	7,920	7,821	7,971	8,258	8,538
DPS (common)	66	0	0	0	0
Valuations (x)					
P/E***	10.6	n/a	56.2	29.3	30.0
P/B***	0.6	0.6	1.1	1.0	1.0
EV/EBITDA	7.7	7.4	7.8	7.0	6.5
Ratios (%)					
ROE	6.3	-1.6	1.9	3.5	3.3
ROA	2.6	-0.7	0.8	1.5	1.5
ROIC	1.9	-1.1	2.5	3.4	4.0
Payout ratio	11.6	0.0	0.0	0.0	0.0
Dividend yield (common)	1.3	0.0	0.0	0.0	0.0
Net debt to equity	95.6	98.0	87.8	74.5	61.1
Interest coverage (x)	0.7	0.3	1.0	1.5	1.8

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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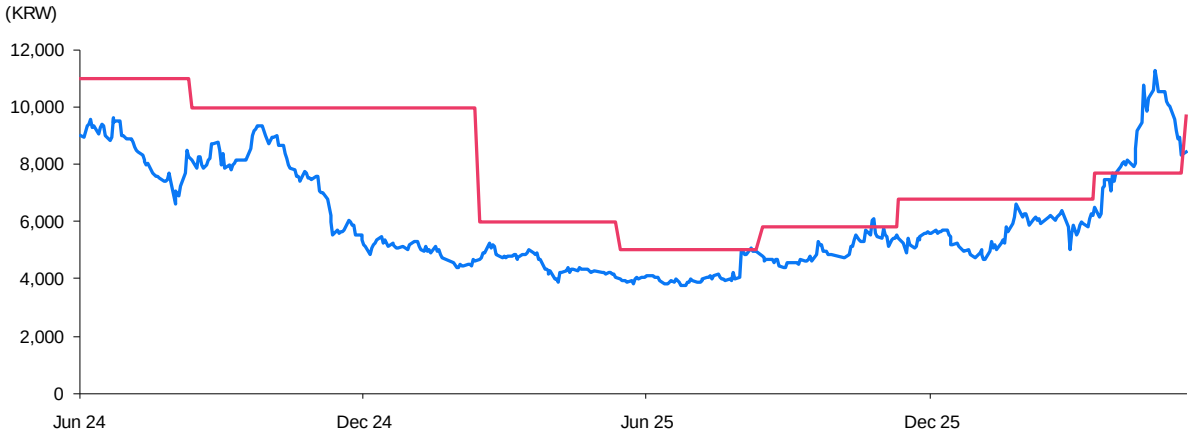
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/16	8/16	2025/2/17	5/19	8/18	11/14	2026/3/20	5/18
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	11000	10000	6000	5000	5800	6800	7700	9700
Gap* (average)	-22.22	-34.18	-24.39	-17.81	-13.48	-17.63	13.87	
(max or min)**	-12.36	-6.30	-12.17	1.60	5.00	-2.65	46.75	

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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Industry

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* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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