COMPANY UPDATE

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EV/Mobility Team

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SFA Engineering (056190)

Undervalued despite strong order momentum

- SFA Engineering reported 1Q results that missed market expectations.
- Full-year new order volume should rise 55% y-y, fueled by demand from robotic logistic and fuel cell markets.
- The stock currently trades at 0.8x 2026 P/B. We maintain our target price of KRW37,000 and BUY rating.

WHAT'S THE STORY?

1Q results miss market expectations: SFA Engineering reported 1Q consolidated sales of KRW361.1b and an operating profit of KRW15.4b, the latter missing FnGuide consensus of KRW25.8b. The parent's operating profit held steady q-q. But consolidated subsidiary SFA Semicon recorded a deeper-than-expected loss, with a margin of -5.8%, probably due to a less favorable product mix in the quarter. Another subsidiary CIS (providing equipment for rechargeable batteries) also showed sluggish sales and weak profitability.

Full-year new orders to rise 55% y-y, fueled by demand from robotic logistic and fuel cell markets: In 1Q, 44% of orders came from the robotics material handling (RMH) market and 18% from the fuel cell market. For the full year, order intake is likely to reach KRW1.1t (up 55% from last year's KRW736.5b), supported by further order potential in RMH and fuel cells, as well as anticipated new orders from Chinese display manufacturers.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW37,000	37.8%
Current price	**KRW26,850**	
Market cap	KRW964.15b/USD642.64m	
Shares (float)	35,908,760 (34.2%)	
52-week high/low	KRW35,650/KRW20,250	
Avg daily trading value (60-day)	KRW3.9b/ USD2.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SFA Engineering (%)	-9.0	28.2	21.2
Vs Kosdaq (%pts)	-4.2	1.4	-20.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	37,000	37,000	0.0%
2026E EPS	2,095	3,031	-30.9%
2027E EPS	3,438	3,413	0.7%

SAMSUNG vs THE STREET

No of estimates	2
Target price	38,500
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	361.1	-9.4	-8.2	2.6	-0.9
Operating profit	15.4	-47.0	71.3	-41.8	-40.2
Pre-tax profit	22.2	-21.6	225.8	-17.1	0.9
Net profit	20.4	-5.2	360.6	73.3	n/a
Margins (%)					
Operating profit	4.3				
Pre-tax profit	6.1				
Net profit	5.6				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	15.2	12.8	7.8
P/B	0.7	0.8	0.7
EV/EBITDA	7.9	7.8	5.6
Div yield (%)	4.1	3.5	3.5
EPS growth (% y-y)	nm	36.5	64.1
ROE (%)	6.1	8.2	12.4
Per-share data (KRW)			
EPS	1,534	2,095	3,438
BVPS	32,160	33,906	37,381
DPS	950	950	950

Maintaining target price and BUY: We leave our target price at KRW37,000, derived by applying our target EV/EBITDA multiple of 5.9x to our 12-month forward EBITDA forecast of KRW200.6b. Our EBITDA estimate has fallen 16% (from KRW239.6b to KRW200.6b) due to underperformance of consolidated subsidiaries. Although the peer group EV/EBITDA multiple jumped (from 7.1x to 11.8x; Bloomberg) amid a rally in semiconductor equipment stocks, discount rate adjustment (from 30% to 50%) became unavoidable due to weak rechargeable battery market conditions and insufficient profitability improvement at the semiconductor subsidiary. We maintain our BUY rating, given its potential to win more subsea cable orders to support AI power infrastructure in 2H, and its robust net cash position (estimated at KRW108.3b in 2026). The value of its equity stakes in two consolidated subsidiaries (KRW1.1t) already exceeds the parent's current market cap (KRW1t), suggesting the stock is undervalued.

1Q review

(KRWb)	1Q25	1Q25	4Q25	Chg (%)	
				(% y-y)	(% q-q)
Sales	361.1	398.4	393.6	-9.3	-8.2
Operating profit	15.4	29.0	9.0	-46.8	71.9
Pre-tax profit	22.2	28.3	6.8	-21.7	225.1
Net profit	20.4	21.5	4.4	-5.0	361.4
Margins (%)					
Operating profit	4.3	7.3	2.3		
Pre-tax profit	6.1	7.1	1.7		
Net profit	5.7	5.4	1.1		

Source: Company data

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	1,607.3	1,631.0	1.5	1,626.6	1,644.5	1.1
Operating profit	102.4	89.7	-12.4	161.4	154.4	-4.3
Pre-tax profit	103.3	64.3	-37.7	166.5	158.5	-4.8
Net profit	80.6	52.8	-34.4	129.8	123.7	-4.8

Source: Samsung Securities estimates

Target-price calculation

(KRWb)		Note
EBITDA	200.6	12-month forward
EV/EBITDA multiple	5.9	50% discount to 2026E average of peer group (50% discount reflects week battery demand and subsidiary drag)
Adjusted operating value (A)	2,377.1	
Non-operating value (B)	1,188.5	
Net cash	108.3	As of end-2026
Total value to shareholders (A+B)	108.3	
Fair value per share (KRW)	1,296.8	Based on 35,909,000 outstanding shares
Target price (KRW)	**36,113**	
Current price (KRW)	37,000	As of May 15, 2026
Upside (%)	28,750	

Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
New orders	184.3	140.9	100.7	310.7	217.9	320.0	300.0	300.0	270.0	300.0	300.0	250.0	736.5	1,137.9	1,120.0
Parent sales	199.0	222.7	196.4	172.1	189.5	206.5	258.6	218.7	219.7	242.6	311.8	254.4	790.2	873.2	1,028.6
Consolidated sales	**398.4**	**445.0**	**394.0**	**393.6**	**361.1**	**365.3**	**457.8**	**454.2**	**409.9**	**441.6**	**553.2**	**508.7**	**1,631.0**	**1,638.4**	**1,913.4**
Operating profit	**29.0**	**21.1**	**26.7**	**12.8**	**15.4**	**20.4**	**38.2**	**36.0**	**27.7**	**43.0**	**59.6**	**48.3**	**89.7**	**110.1**	**178.6**
Margin (%)	7.3	4.7	6.8	3.3	4.3	5.6	8.3	7.9	6.8	9.7	10.8	9.5	5.5	6.7	9.3

Note: SFA Semicon has been consolidated starting from 2016; SNU precision has been consolidated starting from 2017
Source: Company data, Samsung Securities estimates

SFA Engineering: Market cap vs equity value of listed subsidiaries and cash

Category	Listed subsidiary	Stake	Market cap (KRWb)	Equity value & appraised value (KRWb)
1) Equity value in listed subsidiaries	SFA Semicon	55.20%	1,417.2	782.3
	CIS	33.20%	1,049.9	348.9
2) SFA's net cash (as of end-2026)				108.3
Total value (1 + 2)				**1,239.5**
SFA market cap*				**1,012.6**

Note: * As of May 15, 2026
Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,045**	**1,631**	**1,638**	**1,913**	**2,160**
Cost of goods sold	1,816	1,448	1,432	1,624	1,814
Gross profit	**229**	**183**	**207**	**289**	**346**
Gross margin (%)	11.2	11.2	12.6	15.1	16.0
SG&A expenses	278	97	97	111	123
Operating profit	**-48**	**86**	**110**	**179**	**223**
Operating margin (%)	-2.4	5.3	6.7	9.3	10.3
Non-operating gains (losses)	**-8**	**-14**	**-1**	**1**	**4**
Financial profit	23	12	8	9	11
Financial costs	22	15	9	8	8
Equity-method gains (losses)	0	0	0	0	0
Other	-9	-12	-0	0	0
Pre-tax profit	**-57**	**72**	**110**	**180**	**227**
Taxes	-25	20	24	40	54
Effective tax rate (%)	43.5	27.3	22.0	22.0	23.8
Profit from continuing operations	-44	52	85	140	173
Profit from discontinued operations	12	0	0	0	0
Net profit	**-32**	**52**	**85**	**140**	**173**
Net margin (%)	-1.6	3.2	5.2	7.3	8.0
Net profit (controlling interests)	-73	55	75	123	152
Net profit (non-controlling interests)	40	-3	10	17	21
EBITDA	47	175	190	252	289
EBITDA margin (%)	2.3	10.7	11.6	13.1	13.4
EPS (parent-based) (KRW)	-2,022	1,534	2,095	3,438	4,236
EPS (consolidated) (KRW)	-894	1,451	2,380	3,907	4,813
Adjusted EPS (KRW)*	-2,022	1,534	2,095	3,438	4,236

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,381**	**1,193**	**1,283**	**1,524**	**1,787**
Cash & equivalents	339	296	285	363	480
Accounts receivable	220	234	228	266	300
Inventories	458	251	356	416	469
Other current assets	365	412	414	479	537
Fixed assets	**1,099**	**1,069**	**1,010**	**969**	**930**
Investment assets	22	30	30	33	35
Tangible assets	668	677	653	631	606
Intangible assets	284	258	232	211	194
Other long-term assets	125	104	94	94	94
Total assets	**2,480**	**2,262**	**2,293**	**2,493**	**2,717**
Current liabilities	**816**	**559**	**530**	**605**	**673**
Accounts payable	138	99	119	139	157
Short-term debt	50	77	77	77	77
Other current liabilities	628	382	334	389	439
Long-term liabilities	**142**	**193**	**193**	**204**	**214**
Bonds & long-term debt	30	95	95	95	95
Other long-term liabilities	112	98	98	109	119
Total liabilities	**957**	**752**	**723**	**810**	**887**
Owners of parent equity	**905**	**897**	**946**	**1,043**	**1,168**
Capital stock	18	18	18	18	18
Capital surplus	40	40	40	40	40
Retained earnings	994	1,039	1,087	1,184	1,310
Other	-147	-200	-200	-200	-200
Non-controlling interests' equity	**617**	**613**	**623**	**640**	**661**
Total equity	**1,522**	**1,510**	**1,569**	**1,683**	**1,829**
Net debt	-73	-69	-108	-192	-313

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**403**	**152**	**86**	**142**	**175**
Net profit	-32	52	85	140	173
Non-cash profit and expenses	352	103	105	111	117
Depreciation	64	57	55	52	49
Amortization	31	31	26	21	17
Other	257	15	25	38	50
Changes in A/L from operating activities	100	37	-79	-71	-64
Cash flow from investments	**-90**	**-93**	**-30**	**-38**	**-32**
Change in tangible assets	-94	-87	-30	-30	-25
Change in financial assets	7	-24	-0	-8	-7
Other	-3	18	0	-0	0
Cash flow from financing	**-243**	**-101**	**-76**	**-26**	**-26**
Change in debt	-147	-28	-50	0	0
Change in equity	0	0	0	0	0
Dividends	-12	-11	-27	-27	-27
Other	-84	-63	0	0	-0
Change in cash	76	-43	-11	78	117
Cash at beginning of year	263	339	296	285	363
Cash at end of year	339	296	285	363	480
Gross cash flow	**320**	**156**	**190**	**252**	**289**
Free cash flow	**308**	**60**	**56**	**112**	**150**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	9.9	-20.3	0.5	16.8	12.9
Operating profit	nm	nm	28.2	62.2	24.9
Net profit	nm	nm	64.0	64.1	23.2
Adjusted EPS**	nm	nm	36.5	64.1	23.2
Per-share data (KRW)					
EPS (parent-based)	-2,022	1,534	2,095	3,438	4,236
EPS (consolidated)	-894	1,451	2,380	3,907	4,813
Adjusted EPS**	-2,022	1,534	2,095	3,438	4,236
BVPS	29,975	32,160	33,906	37,381	41,883
DPS (common)	270	950	950	950	950
Valuations (x)					
P/E***	n/a	15.2	12.8	7.8	6.3
P/B***	0.7	0.7	0.8	0.7	0.6
EV/EBITDA	26.5	7.9	7.8	5.6	4.5
Ratios (%)					
ROE	-7.5	6.1	8.2	12.4	13.8
ROA	-1.2	2.2	3.8	5.9	6.6
ROIC	-2.0	4.5	6.2	9.9	11.8
Payout ratio	-12.1	48.5	35.2	21.5	17.4
Dividend yield (common)	1.4	4.1	3.5	3.5	3.5
Net debt to equity	-4.8	-4.6	-6.9	-11.4	-17.1
Interest coverage (x)	-3.5	8.6	12.9	23.3	29.1

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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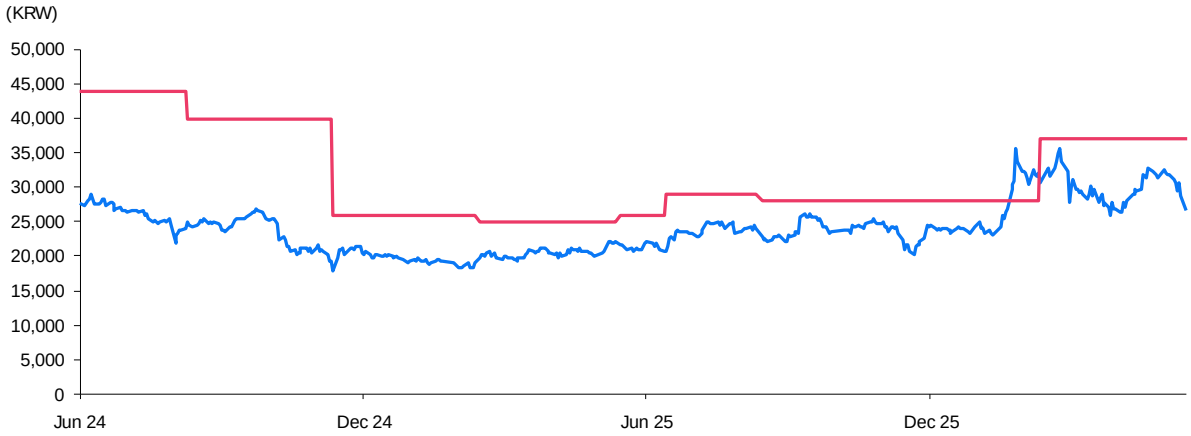

Rating changes over past two years (adjusted share prices)

Date	2024/5/13	8/13	11/15	2025/2/17	5/19	6/17	8/18	2026/2/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	44000	40000	26000	25000	26000	29000	28000	37000
Gap* (average)	-39.18	-41.66	-24.17	-18.03	-18.03	-17.85	-11.65	
(max or min)**	-33.64	-33.13	-17.88	-11.40	-14.81	-13.79	27.14	

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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