COMPANY UPDATE

2026. 5. 19

EV/Mobility Team

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Duksan Neolux (213420)

Black PDL expansion, subsidiary sales growth ahead

- Duksan Neolux reported 1Q results that beat market expectations.
- We expect black PDL to be adopted across a broader range of smartphones. Its consolidated subsidiary is likely to enjoy order-based sales growth.
- We raise our target price to KRW62,000 and maintain BUY.

WHAT'S THE STORY?

1Q results beat market expectations: Duksan Neolux reported 1Q consolidated sales of KRW72.9b and an operating profit of KRW17.1b, the latter beating FnGuide consensus of KRW15.3b. The parent (which runs the core OLED materials business) posted sales of KRW47.1b (up 24% y-y)—driven by increased demand for flagship smartphones, with the black pixel define layer (PDL) product line estimated to have grown significantly above the parent's average growth rate—and an operating profit of KRW11.6b (up 17% y-y), for an operating margin of 24.6%. Meanwhile, Hyundai Heavy Industries Turbomachinery (HHI-TMC), which has been consolidated in 2Q25, reported KRW25.7b in sales and KRW6.7b in operating profit for 1Q. Sales declined 58% q-q, but operating profit rose (from KRW6.2b to KRW6.7b)—unusual given that TMC's full-year 2025 operating margin averaged 11%. This is likely due to the project-based nature of the plant business, where delays in delivery led to lower incurred costs. This is likely due to the nature of plant projects, where delays in delivery led to lower incurred costs.

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AT A GLANCE

BUY

Target price	KRW62,000	37.5%
Current price	**KRW45,100**	
Market cap	KRW1.1t/USD0.7b	
Shares (float)	24,831,179 (54.9%)	
52-week high/low	KRW55,800/KRW31,550	
Avg daily trading value (60-day)	KRW12.3b/ USD8.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Duksan Neolux (%)	-19.2	15.3	35.0
Vs Kosdaq (%pts)	-14.9	-8.8	-11.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	62,000	53,000	17.0%
2026E EPS	3,035	2,703	12.3%
2027E EPS	3,763	3,545	6.1%

SAMSUNG vs THE STREET

No of estimates	5
Target price	65,000
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	72.9	92.1	-42.6	-14.6	-7.4
Operating profit	17.1	72.8	-25.9	11.8	11.6
Pre-tax profit	20.7	136.4	-16.5	25.8	28.2
Net profit	16.8	105.0	-26.0	16.2	18.7
Margins (%)					
Operating profit	23.5				
Pre-tax profit	28.4				
Net profit	23.0				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	17.0	14.9	12.0
P/B	2.0	2.1	1.8
EV/EBITDA	10.6	9.7	7.6
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	16.2	41.7	24.0
ROE (%)	12.5	15.4	16.3
Per-share data (KRW)			
EPS	2,142	3,035	3,763
BVPS	18,395	21,463	25,267
DPS	0	0	0

Black PDL expansion and consolidated subsidiary's order-based sales growth: We expect parent-company sales to grow 15% y-y, as black PDL—initially deployed on the S26—is set to expand to flagship foldables and laptops this year. Meanwhile, TMC has secured about KRW330b in orders by the end of 1Q, and those orders will start turning into sales in 2H. As a result, TMC's full-year sales are likely to reach KRW186.2b (up 17% y-y).

Raising target price to KRW62,000 and maintaining BUY: We raise our target price by 17%, reflecting a 19% increase in our forward EPS estimate (from KRW2,703 to KRW3,214). We maintain our BUY rating, as: 1) the OLED materials business is entering a seasonally strong period; and 2) earnings momentum at consolidated subsidiary TMC is set to become more evident in 2H.

1Q review

(KRWb)	1Q26	1Q25	4Q25	Chg*	
				(% y-y)	(% q-q)
Sales	72.9	37.9	127.1	92.1	-42.7
Operating profit	17.1	9.9	23.1	72.7	-25.9
Pre-tax profit	20.7	8.8	24.8	136.4	-16.5
Net profit	16.8	8.2	22.7	105.0	-26.0
Margins (%)					
Operating profit	23.5	26.1	18.1		
Pre-tax profit	28.4	23.1	19.5		
Net profit	23.1	21.6	17.9		

Note: *Consolidated subsidiary Hyundai Heavy Industries Turbomachinery included from 2Q25
Source: Company data, Samsung Securities

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New*	Diff (%)	Old	New	Diff (%)
Sales	416.9	419.1	0.5	510.7	516.6	1.2
Operating profit	83.1	83.8	0.8	107.6	102.0	-5.2
Pre-tax profit	86.0	90.1	4.7	113.3	112.1	-1.1
Net profit	73.0	76.4	4.8	95.7	94.8	-1.0

Note: *Hyundai Heavy Industries Turbomachinery consolidated from 2Q
Source: Samsung Securities estimates

Target-price calculation

(KRW)		Notes
EPS	3,214	12-month forward
Target P/E (x)	20	Average of OLED peer group
Fair equity value per share	62,694	
Target price	**62,000**	
Current price	47,100	As of May 15, 2026
Upside (%)	32	

Source: Samsung Securities estimates, Bloomberg

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**37.9**	**80.9**	**98.3**	**127.1**	**72.9**	**92.4**	**116.7**	**137.1**	**91.7**	**120.8**	**142.9**	**161.2**	**344.3**	**419.1**	**516.6**
Duksan Neolux (parent basis)	37.9	47.7	51.5	65.1	47.1	51.4	66.4	67.9	62.9	65.4	83.1	83.6	202.3	232.8	295.0
Hyundai Heavy Industries Turbomachinery*		33.3	46.8	61.9	25.8	41.0	50.3	69.2	28.8	55.4	59.8	77.6	142.0	186.2	221.6
Operating profit	**9.9**	**10.3**	**17.5**	**25.6**	**17.1**	**17.8**	**22.3**	**26.6**	**18.7**	**23.2**	**29.9**	**30.3**	**63.3**	**83.8**	**102.0**
Margin (%)	26.2	12.7	17.8	20.2	23.5	19.2	19.1	19.4	20.3	19.2	20.9	18.8	18.4	20.0	19.8

Note: *Consolidated subsidiary from 2Q25

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**212**	**344**	**419**	**517**	**549**
Cost of goods sold	131	228	270	335	350
Gross profit	**82**	**116**	**149**	**181**	**200**
Gross margin (%)	38.4	33.7	35.7	35.1	36.4
SG&A expenses	29	55	66	79	84
Operating profit	**52**	**61**	**84**	**102**	**116**
Operating margin (%)	24.7	17.6	20.0	19.8	21.1
Non-operating gains (losses)	**1**	**4**	**6**	**10**	**15**
Financial profit	8	10	14	18	23
Financial costs	4	7	8	8	8
Equity-method gains (losses)	-1	4	0	0	0
Other	-2	-3	0	-0	0
Pre-tax profit	**54**	**64**	**90**	**112**	**131**
Taxes	8	10	14	17	20
Effective tax rate (%)	15.1	16.1	15.1	15.4	15.6
Profit from continuing operations	46	54	76	95	111
Profit from discontinued operations	0	0	0	0	0
Net profit	**46**	**54**	**76**	**95**	**111**
Net margin (%)	21.6	15.7	18.2	18.3	20.2
Net profit (controlling interests)	46	53	75	93	109
Net profit (non-controlling interests)	-0	1	1	1	2
EBITDA	62	77	100	117	130
EBITDA margin (%)	29.4	22.5	23.8	22.7	23.6
EPS (parent-based) (KRW)	1,843	2,142	3,035	3,763	4,394
EPS (consolidated) (KRW)	1,843	2,173	3,079	3,817	4,458
Adjusted EPS (KRW)*	1,843	2,142	3,035	3,763	4,394

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**124**	**393**	**493**	**617**	**749**
Cash & equivalents	71	126	171	223	331
Accounts receivable	15	66	80	98	105
Inventories	32	66	80	99	105
Other current assets	7	135	162	197	208
Fixed assets	**328**	**321**	**321**	**323**	**312**
Investment assets	142	35	41	48	51
Tangible assets	112	135	134	134	124
Intangible assets	60	132	127	123	118
Other long-term assets	15	19	19	19	19
Total assets	**452**	**714**	**814**	**940**	**1,061**
Current liabilities	**23**	**108**	**126**	**151**	**159**
Accounts payable	4	31	38	46	49
Short-term debt	0	0	0	0	0
Other current liabilities	20	77	88	104	110
Long-term liabilities	**30**	**135**	**141**	**148**	**150**
Bonds & long-term debt	22	62	62	62	62
Other long-term liabilities	8	74	79	86	88
Total liabilities	**53**	**244**	**267**	**298**	**309**
Owners of parent equity	**399**	**452**	**527**	**621**	**730**
Capital stock	5	5	5	5	5
Capital surplus	141	141	141	141	141
Retained earnings	262	315	391	484	593
Other	-9	-9	-9	-9	-9
Non-controlling interests' equity	**0**	**19**	**20**	**21**	**23**
Total equity	**399**	**470**	**547**	**642**	**752**
Net debt	-49	-101	-170	-253	-371

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**59**	**61**	**84**	**99**	**120**
Net profit	46	54	76	95	111
Non-cash profit and expenses	19	34	23	22	19
Depreciation	8	11	11	11	10
Amortization	2	6	5	5	4
Other	9	17	7	7	5
Changes in A/L from operating activities	-6	-20	-8	-10	-3
Cash flow from investments	**-27**	**-59**	**-36**	**-44**	**-11**
Change in tangible assets	-14	-12	-10	-10	0
Change in financial assets	-3	-13	-27	-35	-12
Other	-10	-34	1	1	1
Cash flow from financing	**-1**	**54**	**-1**	**0**	**0**
Change in debt	-0	111	-1	0	0
Change in equity	0	0	0	0	0
Dividends	0	0	0	0	0
Other	-1	-57	-0	0	0
Change in cash	32	55	45	52	108
Cash at beginning of year	40	71	126	171	223
Cash at end of year	71	126	171	223	331
Gross cash flow	**65**	**88**	**99**	**117**	**129**
Free cash flow	**43**	**48**	**74**	**89**	**120**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	29.7	62.2	21.7	23.3	6.3
Operating profit	59.4	15.8	37.9	21.8	13.7
Net profit	27.8	17.9	41.7	24.0	16.8
Adjusted EPS**	27.8	16.2	41.7	24.0	16.8
Per-share data (KRW)					
EPS (parent-based)	1,843	2,142	3,035	3,763	4,394
EPS (consolidated)	1,843	2,173	3,079	3,817	4,458
Adjusted EPS**	1,843	2,142	3,035	3,763	4,394
BVPS	16,240	18,395	21,463	25,267	29,710
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	15.1	17.0	14.9	12.0	10.3
P/B***	1.7	2.0	2.1	1.8	1.5
EV/EBITDA	10.2	10.6	9.7	7.6	5.9
Ratios (%)					
ROE	12.2	12.5	15.4	16.3	16.2
ROA	10.7	9.3	10.0	10.8	11.1
ROIC	21.4	18.0	20.1	23.7	26.8
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	-12.3	-21.5	-31.1	-39.4	-49.3
Interest coverage (x)	64.6	12.7	10.3	12.6	14.3

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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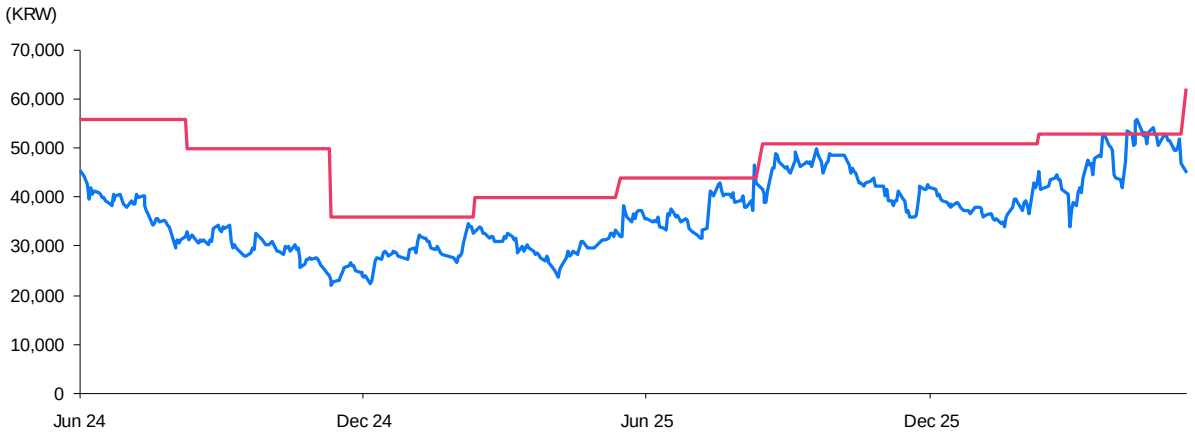
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/13	2024/8/13	11/13	2025/2/14	5/19	8/18	2026/2/12	5/18
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	56000	50000	36000	40000	44000	51000	53000	62000
Gap* (average)	-28.42	-40.51	-22.85	-25.54	-15.83	-18.64	-10.19	
(max or min)**	-14.73	-31.20	-4.17	-15.50	5.91	-2.25	5.28	

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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Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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