COMPANY UPDATE

2026. 7. 1

EV/Mobility Team

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AT A GLANCE

BUY

Target price	KRW5,000	29%
Current price	**KRW3,875**	
Market cap	KRW4.0t/USD2.6b	
Shares (float)	1,026,262,552 (47.5%)	
52-week high/low	KRW5,730/KRW2,800	
Avg daily trading value (60-day)	KRW128.2b/ USD83.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hanon Systems (%)	-31.2	28.7	33.4
Vs Kospi (%pts)	-30.5	-35.3	-51.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	HOLD	
Target price	5,000	4,000	25.0%
2026E EPS	235	178	32.0%
2027E EPS	259	253	2.4%

SAMSUNG vs THE STREET

No of estimates	16
Target price	5,053
Recommendation	3.5

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

Samsung Securities

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Hanon Systems (018880)

Company visit takeaways: Confidence restored

- We believe Hanon Systems' 2Q operating results beat consensus thanks to the second wave of EV demand and continued cost-cutting efforts. The company is set to deliver four consecutive quarters of earnings growth (3Q25-2Q26), reinforcing investor confidence.
- With its operating results stabilizing, the company appears to be better positioned to advance its new business initiatives (*ie*, thermal management solutions for energy storage systems and aftermarket services).
- We raise our target by 25% to KRW5,000 and upgrade the stock to BUY.

WHAT'S THE STORY?

Raising target price and upgrading to BUY to reflect earnings growth: Hanon Systems is benefitting from growing EV demand in Europe and has been cutting its costs.

- **Raising target price 25% to KRW5,000:** Our new target price is based on a 1.3x P/B multiple applied to the average of our 2026 and 2027 BVPS forecasts. Our target P/B (1.3x) stands at the lower end of its five-year range. The company had traded at the highest valuation premium among parts makers, on expectations of earnings growth as a thermal management company in the EV era. Most of its customers are still legacy automakers, though we expect it to diversify its client base towards pure-play EV makers such as Tesla and BYD (both are clients of its largest shareholder Hankook Tire & Technology). Additionally, Hanon Systems is well-positioned to expand into the ESS thermal management market, leveraging its core EV technologies.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	10,884	11,241	11,792	12,399
Operating profit (KRWb)	270	464	499	558
Net profit (adj) (KRWb)	-197	246	271	324
EPS (adj) (KRW)	-257	235	259	310
EPS (adj) growth (% y-y)	nm	nm	9.9	19.8
EBITDA margin (%)	9.3	9.9	9.0	8.6
ROE (%)	-6.0	6.2	6.4	7.3
P/E (adj) (x)	n/a	16.5	15.0	12.5
P/B (x)	0.8	1.0	0.9	0.9
EV/EBITDA (x)	5.0	5.8	5.5	5.0
Dividend yield (%)	0.0	0.0	2.6	2.6

Source: Company data, Samsung Securities estimates

- **Upgrading to BUY:** We upgrade the stock to BUY for two reasons. First, Hanon Systems is set to deliver four consecutive quarters of earnings growth (3Q25-2Q26), even as the portion of R&D costs capitalized fell from 50% to the 30% range. The company is on track to achieve a 4% operating margin in 2026, a threshold that should enable it to fully cover its annual interest expense (KRW200b) using operating profit alone. Its debt level should decline gradually. Second, sustained profitability should unlock the ability to invest in new businesses that possess high growth potential.

2Q preview—to meet consensus: We believe Hanon Systems' quarterly operating profit exceeded KRW100b, backed by: 1) stronger EV sales by its European customers and by Kia; and 2) continued cost optimization efforts.

- We estimate the firm's 2Q sales amounted to KRW2.91t (up 6.1% q-q and 2% y-y) and its operating profit reached KRW113b (up 16.5% q-q and 75.7% y-y), for an operating margin of 3.9%. According to FnGuide, 2Q consensus has its sales at KRW2.94t and operating profit at KRW108.6b, implying an operating margin of 3.68%.
- **Aluminum price:** Aluminum cost fluctuations are passed through to the firm's clients with around a 3-month lag.
- **Restructuring:** Hanon Systems' total headcount has shrunk 10% since Hankook Tire & Technology acquired a stake in the firm, with significant cuts having taken place in high-cost Europe. Its warehouse network was consolidated from 70 to fewer than 35 (more than a 50% reduction). It continues to run 50 facilities across 21 countries, and consolidation of these facilities is tricky due to customer-specific part configurations and localized production requirements.
- **To maintain supply portion on technological prowess and despite competition with Hyundai Wia:** While Hyundai Wia benefits from its position within the Hyundai Motor Group (HMG), Hanon Systems has maintained its dominant position as a supplier of critical thermal systems, meeting: 1) 100% of Genesis's thermal system needs; 2) 90% of E-GMP-based EV's thermal system needs; and 3) 60-70% of HMG's entire thermal system needs. This leadership reflects a meaningful technological edge, particularly in flagship models.

  A tender to supply thermal systems for Hyundai Motor's eM platform is set to be made in 2H26. We anticipate Hanon Systems will continue to meet 60-70% of HMG's thermal system needs, as thermal management has evolved from a convenience feature into a core system. Moreover, automakers are increasingly prioritizing suppliers with proven reliability and the ability to absorb recall risks.

New businesses: Hanon Systems aims to expand its revenue base by entering two new growth areas—aftermarket service (A/S) and ESS thermal management—targeting a combined sales contribution of up to 10% of its total sales over the medium term.

- **North American A/S market:** Rising average vehicle age (12.5 years) and persistent inflationary pressure are fueling growth of the out-of-warranty repair market. While Hyundai Mobis focuses on warranty-period services, Hanon Systems strategically targets the out-of-warranty segment.
- **Entering the ESS thermal management market amid rapid ESS market growth:** The ESS market, particularly in relation to data centers, is experiencing high growth. In 2H, the company is expected to enter the ESS A/S market. Competitors such as Mahle and Denso have already entered the ESS thermal management A/S market, and Hanon Systems plans to benchmark their strategies.

Hanon Systems is evaluating its entry into the ESS thermal management segment, and will likely focus on liquid immersion cooling. By making modest adjustments to its existing thermal management capabilities, we believe its entry into this market is feasible.

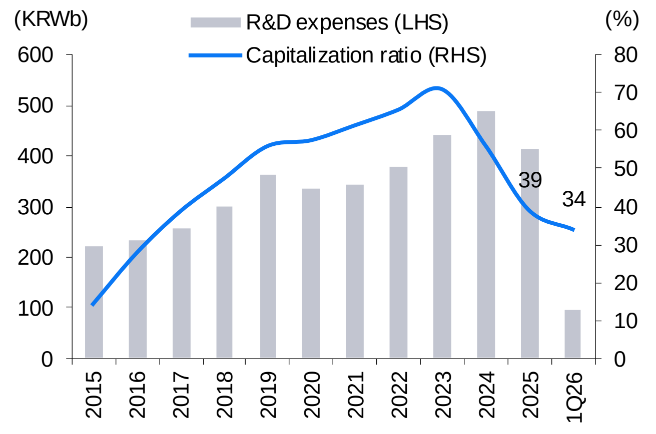
While Hanon Systems is exploring opportunities in the ESS business, no discussions have taken place with Ford regarding the Korean firm's participation in the US automaker's ESS initiative. Ford's current ESS partner is CATL, which Chinese firm possesses both battery manufacturing capabilities and proprietary thermal management IP.

- **Robotics thermal management—limited role expected:** Speculation exists surrounding Hanon Systems' potentially entering the robot thermal management segment, but the firm has so far not pursued this avenue. We believe robotics thermal control is predominantly air-cooled, not liquid-based, due to weight and complexity constraints. Thermal management in robots is increasingly integrated into core design elements (robot design, actuators, and MLCCs), reducing the need for dedicated thermal components. While high-performance inference chips may require localized cooling, the overall role of thermal systems suppliers in robotics is limited vs that for EVs.

Put option by its second-largest shareholder: If earnings growth drives the stock above KRW5,000, the likelihood that Hahn & Company (Hanon Systems' second-largest shareholder) will exercise its put option should decline.

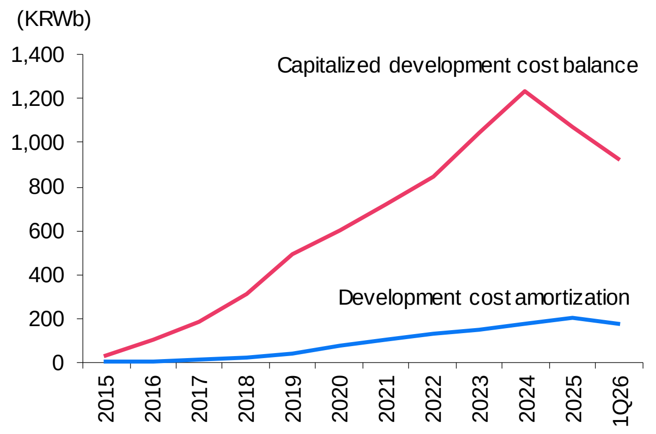
- Hahn & Company holds a put option to sell up to 40% of its remaining stake in Hanon Systems (58.718m shares; KRW305.3b) to Hankook Tire & Technology (Hanon Systems' largest shareholder) over Jan 11-Feb 11, 2027 (a one-month period). The put option would allow Hahn & Company to sell these shares at a fixed strike price of KRW5,200/share.

Hanon Systems: R&D expenses and capitalization ratio



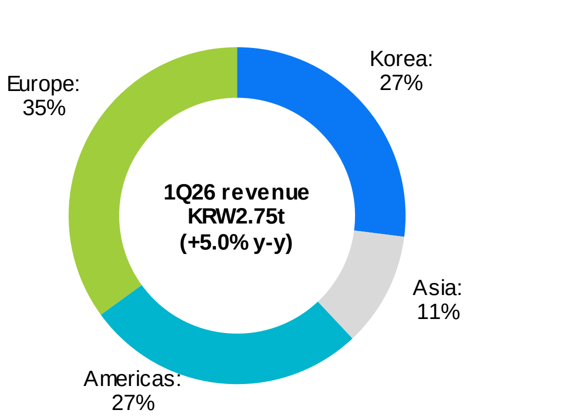
Source: Company data, Samsung Securities estimates

Hanon Systems: Development cost balance and amortization



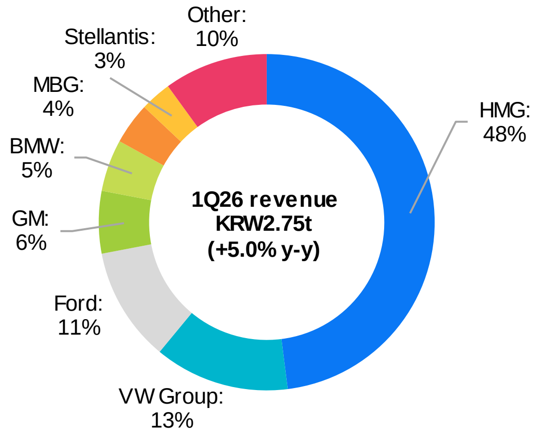
Source: Company data, Samsung Securities estimates

Hanon Systems: Sales, by region



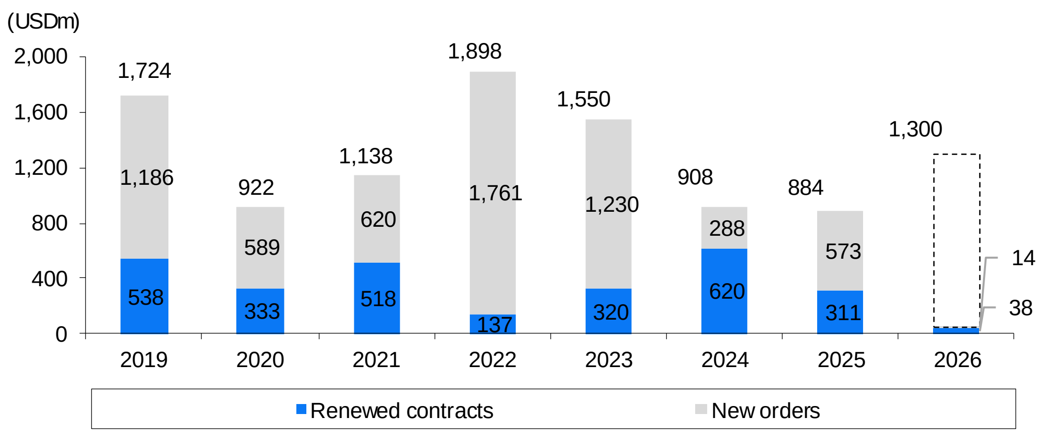
Source: Company data, Samsung Securities

Hanon Systems: Sales, by customer



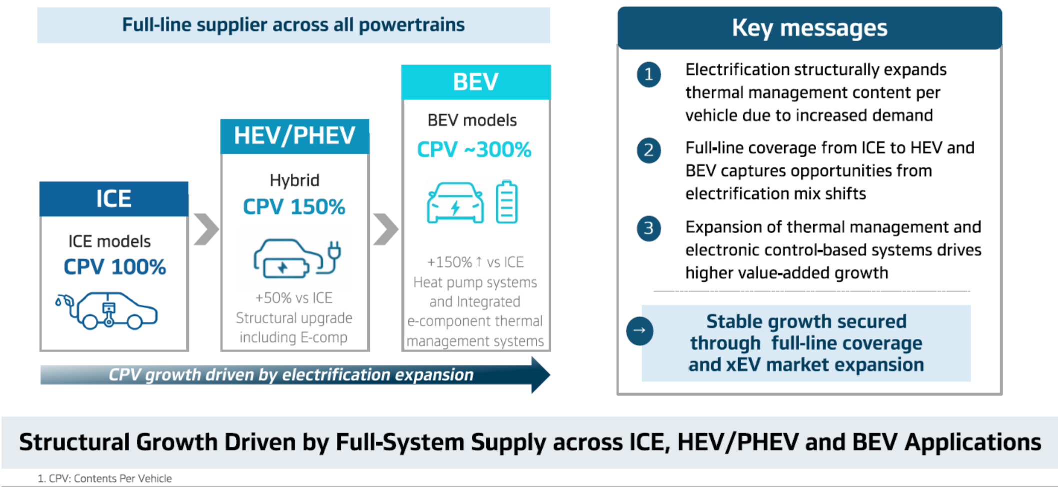
Source: Company data, Samsung Securities

Hanon Systems: New orders taken vs xEV portion



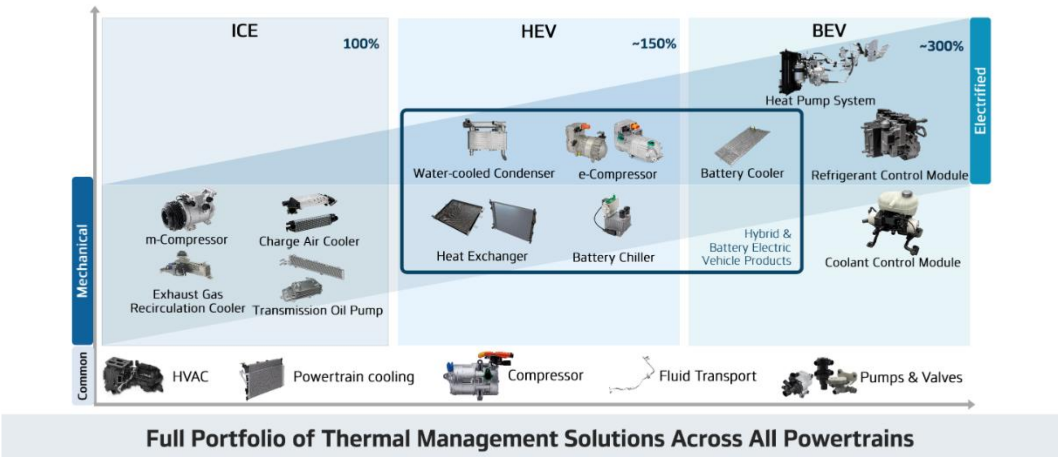
Source: Company data, Samsung Securities

Hanon Systems: Full-line supply capability across all powertrains



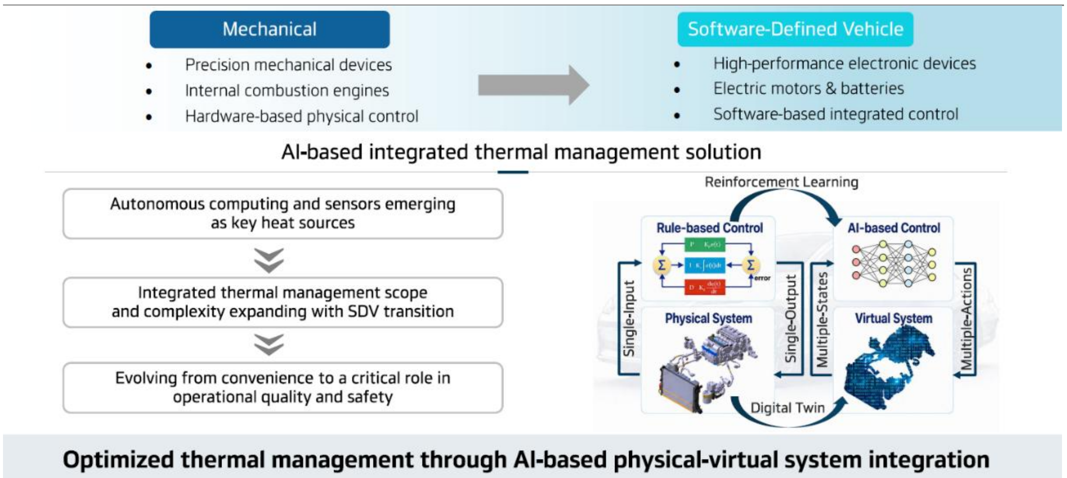
Source: Company data

Hanon Systems: Product portfolio



Source: Company data

Hanon Systems: Full-line supply capability across all powertrains



Source: Company data

Hanon Systems: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (avg)	1,453	1,401	1,387	1,452	1,467	1,450	1,430	1,420	1,365	1,423	1,442	1,390
Sales	2,617	2,858	2,706	2,703	2,748	2,917	2,741	2,835	9,999	10,884	11,241	11,792
Chg (% y-y)	8.8	11.7	8.3	6.6	-3.8	7.8	1.4	3.1	5.0	8.9	3.3	4.9
Korea	949	1,050	1,004	927	862	918	772	972	3,625	3,930	3,524	3,615
China	454	480	493	458	293	307	328	306	1,720	1,885	1,234	1,278
North America	772	810	802	784	817	898	904	705	2,502	3,167	3,324	3,759
EU	1,379	1,526	1,397	1,432	1,778	1,838	1,770	1,785	5,065	5,733	7,172	7,243
Adjustments	-936	-1,007	-990	-898	-1,002	-1,044	-1,032	-935	-3,391	-3,831	-4,012	-4,103
Gross profit	190	254	288	278	288	296	285	355	812	1,010	1,224	1,318
Operating profit	21	64	95	90	97	113	104	150	96	270	464	499
Chg (% y-y)	-67.7	-10.2	-1.0	-165.2	51.1	18.5	15.8	54.6	-66.3	183.0	71.7	7.4
Korea	26	53	41	-9	29	32	21	17	-7	112	99	134
China	21	16	35	23	15	9	7	9	51	95	40	56
North America	-13	-12	17	71	25	27	27	21	49	64	100	169
EU	-18	35	11	-7	71	55	44	36	52	22	206	181
Adjustments	5	-29	-10	10	-42	-10	5	67	-50	-23	20	-41
Pre-tax profit	-17.3	-26	91	-183	107.5	99	63	123	-330	-135	392	352
Net profit	-23	-15	55	-215	67	62	39	77	-359	-197	246	271
Controlling profit	-24	-16	55	-213	67	61	39	76	-363	-199	242	265
Chg (% y-y)	nm	nm	nm	nm	nm	nm	-29.2	nm	nm	nm	nm	9.7
Margins (%)												
Gross profit	7.3	8.9	10.6	10.3	10.5	10.1	10.4	12.5	8.1	9.3	10.9	11.2
Operating profit	0.8	2.2	3.5	3.3	3.5	3.9	3.8	5.3	1.0	2.5	4.1	4.2
Net profit	-0.9	-0.5	2.0	-8.0	2.5	2.1	1.4	2.7	-3.6	-1.8	2.2	2.3
Controlling profit	-0.9	-0.6	2.0	-7.9	2.4	2.1	1.4	2.7	-3.6	-1.8	2.2	2.2

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**9,999**	**10,884**	**11,241**	**11,792**	**12,399**
Cost of goods sold	9,187	9,874	10,017	10,474	10,992
Gross profit	**812**	**1,010**	**1,224**	**1,318**	**1,407**
Gross margin (%)	8.1	9.3	10.9	11.2	11.3
SG&A expenses	717	740	760	820	849
Operating profit	**96**	**270**	**464**	**499**	**558**
Operating margin (%)	1.0	2.5	4.1	4.2	4.5
Non-operating gains (losses)	**-435**	**-405**	**-72**	**-147**	**-137**
Financial profit	189	223	28	37	54
Financial costs	470	338	197	179	179
Equity-method gains (losses)	13	11	0	0	0
Other	-167	-301	97	-6	-12
Pre-tax profit	**-339**	**-135**	**392**	**352**	**421**
Taxes	20	62	146	81	97
Effective tax rate (%)	-5.8	-46.3	37.2	23.0	23.0
Profit from continuing operations	-349	-197	246	271	324
Profit from discontinued operations	-9	0	0	0	0
Net profit	**-359**	**-197**	**246**	**271**	**324**
Net margin (%)	-3.6	-1.8	2.2	2.3	2.6
Net profit (controlling interests)	-363	-199	241	265	318
Net profit (non-controlling interests)	5	1	5	5	6
EBITDA	747	1,012	1,110	1,066	1,060
EBITDA margin (%)	7.5	9.3	9.9	9.0	8.6
EPS (parent-based) (KRW)	-594	-257	235	259	310
EPS (consolidated) (KRW)	-587	-255	240	264	316
Adjusted EPS (KRW)*	-594	-257	235	259	310

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**4,439**	**4,413**	**4,535**	**5,305**	**5,974**
Cash & equivalents	1,346	925	933	1,527	2,002
Accounts receivable	1,259	1,437	1,484	1,557	1,637
Inventories	1,241	1,405	1,451	1,522	1,600
Other current assets	592	646	667	699	734
Fixed assets	**6,181**	**6,080**	**5,637**	**5,276**	**4,980**
Investment assets	113	111	114	120	126
Tangible assets	2,864	2,724	2,479	2,279	2,117
Intangible assets	2,351	2,185	1,984	1,817	1,677
Other long-term assets	853	1,060	1,060	1,060	1,060
Total assets	**10,620**	**10,492**	**10,172**	**10,581**	**10,954**
Current liabilities	**5,034**	**3,985**	**3,402**	**3,515**	**3,639**
Accounts payable	1,354	1,205	1,244	1,305	1,373
Short-term debt	1,902	1,008	1,108	1,108	1,108
Other current liabilities	1,778	1,772	1,050	1,101	1,158
Long-term liabilities	**2,588**	**2,594**	**2,611**	**2,636**	**2,664**
Bonds & long-term debt	1,704	1,545	1,545	1,545	1,545
Other long-term liabilities	884	1,050	1,066	1,091	1,119
Total liabilities	**7,622**	**6,579**	**6,013**	**6,151**	**6,302**
Owners of parent equity	**2,853**	**3,768**	**4,009**	**4,274**	**4,490**
Capital stock	68	103	103	103	103
Capital surplus	561	1,504	1,504	1,504	1,504
Retained earnings	1,702	1,521	1,762	2,027	2,242
Other	523	640	640	640	640
Non-controlling interests' equity	**145**	**145**	**150**	**156**	**162**
Total equity	**2,999**	**3,913**	**4,159**	**4,430**	**4,652**
Net debt	3,358	2,937	2,274	1,680	1,205

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**569**	**112**	**867**	**799**	**784**
Net profit	-359	-197	246	271	324
Non-cash profit and expenses	1,208	1,318	955	783	718
Depreciation	443	503	446	400	362
Amortization	208	239	200	168	140
Other	557	576	309	216	216
Changes in A/L from operating activities	31	-700	-25	-38	-42
Cash flow from investments	**-733**	**-547**	**-200**	**-201**	**-201**
Change in tangible assets	-372	-244	-200	-200	-200
Change in financial assets	-0	8	-0	-1	-1
Other	-360	-311	0	0	0
Cash flow from financing	**651**	**1**	**-655**	**0**	**-102**
Change in debt	529	-850	-655	0	0
Change in equity	599	978	-0	0	0
Dividends	-46	-2	0	0	-103
Other	-431	-126	0	0	0
Change in cash	568	-422	8	594	476
Cash at beginning of year	779	1,346	925	933	1,527
Cash at end of year	1,346	925	933	1,527	2,003
Gross cash flow	**850**	**1,121**	**1,201**	**1,054**	**1,043**
Free cash flow	**184**	**-181**	**667**	**599**	**584**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	5.0	8.9	3.3	4.9	5.1
Operating profit	-66.3	183.0	71.7	7.4	11.9
Net profit	nm	nm	nm	9.9	19.8
Adjusted EPS**	nm	nm	nm	9.9	19.8
Per-share data (KRW)					
EPS (parent-based)	-594	-257	235	259	310
EPS (consolidated)	-587	-255	240	264	316
Adjusted EPS**	-594	-257	235	259	310
BVPS	3,697	3,671	3,907	4,165	4,375
DPS (common)	0	0	0	100	100
Valuations (x)					
P/E***	n/a	n/a	16.5	15.0	12.5
P/B***	1.0	0.8	1.0	0.9	0.9
EV/EBITDA	7.6	5.0	5.8	5.5	5.0
Ratios (%)					
ROE	-13.9	-6.0	6.2	6.4	7.3
ROA	-3.6	-1.9	2.4	2.6	3.0
ROIC	1.6	5.8	4.2	5.9	6.8
Payout ratio	0.0	0.0	0.0	38.7	32.3
Dividend yield (common)	0.0	0.0	0.0	2.6	2.6
Net debt to equity	112.0	75.1	54.7	37.9	25.9
Interest coverage (x)	0.4	1.1	2.4	2.8	3.1

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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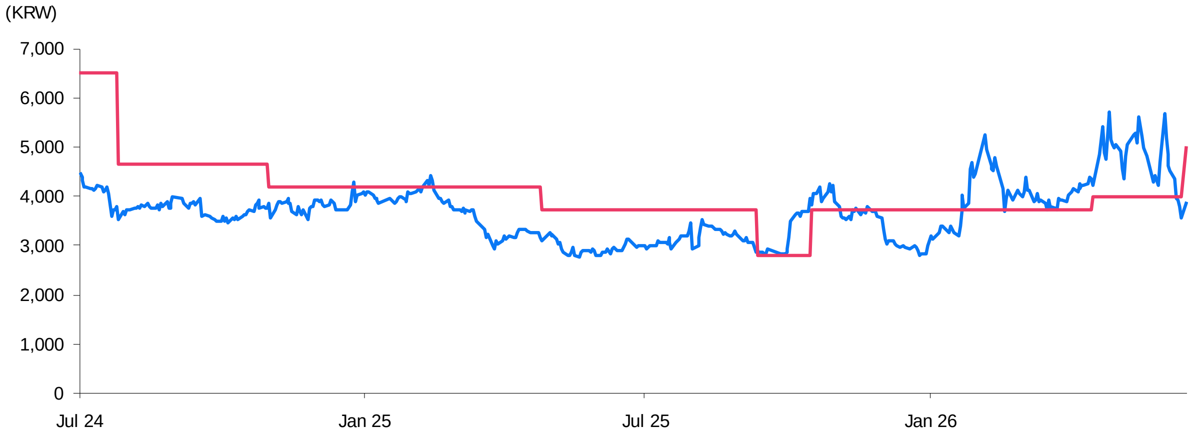
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/15	8/9	11/14	2025/5/9	9/25	10/30	11/14	2026/4/30	6/29
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY
Target price (KRW)	6507	4648	4183	3718	2789	3718	3718	4000	5000
Gap* (average)	-24.54	-19.82	-10.70	-17.47	17.07	10.12	0.73	19.62	
(max or min)**	-7.29	-13.81	6.00	-5.12	1.65	4.63	-24.69	-11.00	

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

Samsung Securities uses the following investment ratings*

Company

BUY Expected to increase in value by 15% or more within 12 months and is highly attractive within sector

HOLD Expected to increase/decrease in value by less than 15% within 12 months

SELL Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT Expected to outperform market by 5% or more within 12 months

NEUTRAL Expected to outperform/underperform market by less than 5% within 12 months

UNDERWEIGHT Expected to underperform market by 5% or more within 12 months

* 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 2026.06.30

BUY (85.2%)·HOLD (14.8%)·SELL (0%)

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