SECTOR UPDATE

2026. 7. 10

Industrial Team

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AT A GLANCE

Posco Holdings (005490 KS, 297,000)		
Target price	KRW480,000	61.6%
BUY		
Hyundai Steel (004020 KS, 26,000)		
Target price	KRW44,000	69.2%
BUY		
Seah Besteel Holdings (001430 KS, 30,350)		
Target price	KRW50,000	64.7%
BUY		
Poongsan (103140 KS, 61,500)		
Target price	KRW95,000	54.5%
BUY		
Korea Zinc (010130 KS, 1,003,000)		
Target price	n/a	
Not Rated		

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Steel/Nonferrous Metals (NEUTRAL)

Focus on companies with earnings momentum

- Demand for steel in China remains weak due to a delayed recovery at downstream industries and a lack of economic stimulus measures. Heightened trade protectionism (against Chinese steelmakers) is likely to sustain the decline in China's steel production and exports this year.
- At the regional level, steel prices and steelmakers' stocks are diverging, driven by differences in: 1) the intensity of protectionist policies; and 2) regional demand. Korea's steel industry is seeing price hikes for some products.
- Non-ferrous metal prices are expected to remain supported by a tight supply. However, within the steel and metals sector, selective stock picking is advised—investors ought to focus on firms whose earnings are clearly recovering.

§(The Korean version of this report was published on Jun 26, 2026)

WHAT'S THE STORY?

In China's steel market, focus more on supply-side developments than on demand trends: Steel demand in China continues to languish. China's manufacturing PMI is still without clear direction, while key downstream sectors—real estate and infrastructure investments—have yet to rebound in earnest. Market confidence in the introduction of aggressive stimulus measures remains limited. Under such conditions and in order to gauge shifts in China's steel market, supply-side developments, rather than demand trends, warrant greater attention. Notably, China's steel exports y-y turned negative over Jan-May 2026 after rising y-y in 2024 and 2025—a positive signal that is mostly attributable to heightened trade protectionism by multiple nations over the past 1-2 years. However, as the steel demand recovery in China remains sluggish, more aggressive production cuts—amid declining exports, driven by shifts in the external environmental—are likely to be the catalyst for a sustained rebound in Chinese steel prices.

(Continued on the next page)

Notable regional divergence in steelmakers' share performance: Recent steel-price trends underscore a pronounced regional divergence. While steel prices in China have stalled, those in the US and Europe have risen steadily. Korea's distribution prices (particularly for hot-rolled coil and rebar) have been experiencing upwards pressure. This divergence reflects differing intensities of protectionist policies: 1) the US imposed a 50% tariff on all steel imports in Jun 2025; 2) the EU plans to implement a stricter trade-related quota (TRQ) system in July, reducing duty-free quotas and raising tariffs on excess imports; and 3) Korea has applied tariffs on Chinese and Japanese hot-rolled steel imports since 2025. As a result, steelmakers' share performances have increasingly adopted regional disparity. In Korea, investor attention is expected to shift towards producers of galvanized and color-coated steel—firms that are already subject to preliminary anti-dumping duties by other nations—and towards makers of specialty steel bars, which products are currently under active anti-dumping investigations.

Need for selective stock picking based on clear earnings momentum: The tight supply of ore concentrate should continue to buoy prices of non-ferrous metals. However, major domestic non-ferrous metal companies are facing headwinds—including weakening short-term earnings momentum (*eg*, Korea Zinc) and uncertainty surrounding business restructuring (*eg*, Poongsan). Given these factors, we favor steel companies whose earnings likely bottomed out in 1Q and that are expected to see a h-h hike in their earnings in 2H on the back of rising domestic steel prices.

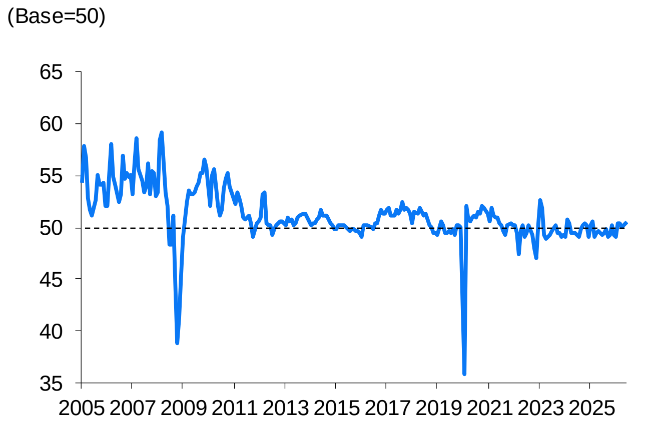
China's steel industry: Watch supply side closer than demand side in 2H

Decline in China's steel exports encouraging, but China's steel market needs more time to fully recover

China's steel exports fall first time in three years—a welcome development

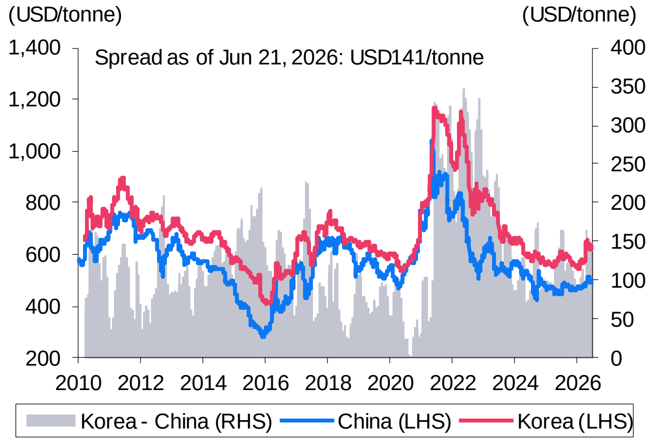
China's steel production has steadily declined since peaking in 2020, and steel prices in China have remained weak over the past five years, failing to rebound significantly. This weakness reflects demand shrinking even faster than supply cuts, prompting China's steel industry to attempt to offset its supply-demand imbalance by boosting exports. China's response has not only caused global steel-price weakness but has also spurred several countries to strengthen their import tariffs on Chinese steel (to protect their domestic industries). These trends became increasingly visible across the global steel sector in 2024. The US imposition of a 50% tariff on steel imports in 2025 and the EU's strengthened steel safeguard quota system (from Jul 2026) are widely seen as targeted efforts to curb low-priced Chinese steel imports. As a result, China's steel exports have shown a meaningful decline this year for the first time in three years—a development that offers some relief to Korea's steel industry, which industry is affected heavily by Chinese steel imports.

China: Manufacturing PMI



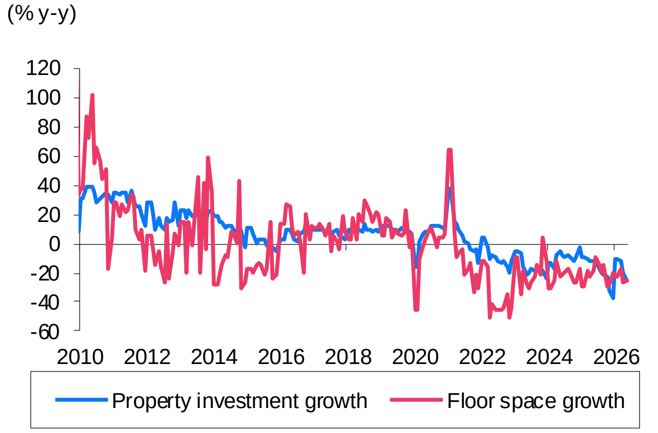
Source: Bloomberg, Samsung Securities

HRC price: China vs Korea



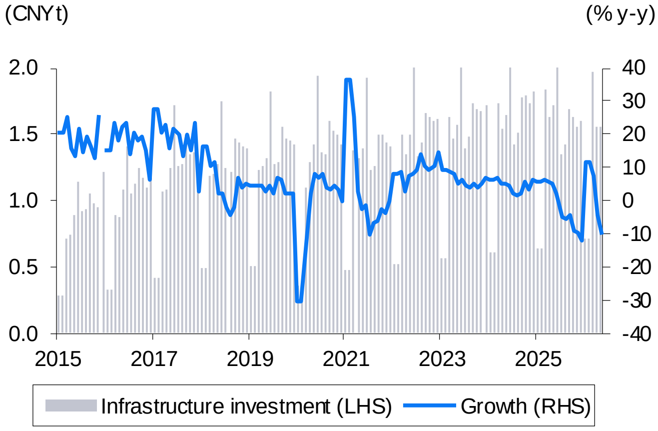
Source: Bloomberg, KOSA, Samsung Securities

China: Property investments vs construction start area



Source: CEIC, Samsung Securities

China: Infrastructure investments



Source: CEIC, Samsung Securities

Steel demand outlook

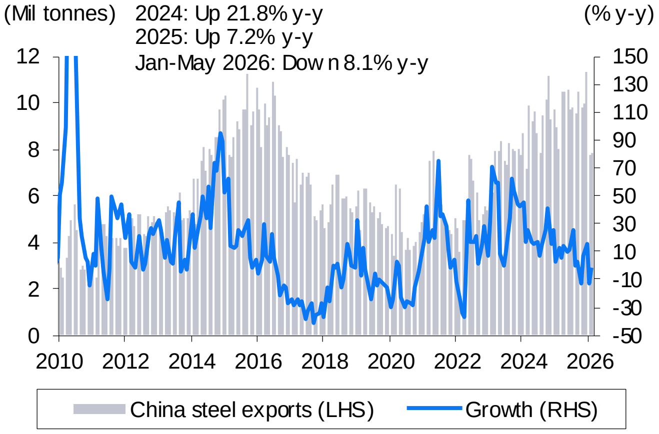
Chg (% y-y)	Construction area	Manufacturing capex	Automobile production	Infrastructure investments*	Aggregate growth rate of downstream industries	Nominal demand	Real steel demand growth
2014	-12.5	12.9	6.8	19.9	0.9	2.2	-4.1
2015	-14.3	10.6	4.6	-9.7	-7.5	-5.4	-5.4
2016	8.5	3.8	13.7	17.4	10.4	1.2	1.3
2017	7.3	7.8	3.6	17.8	9.1	10.2	13.6
2018	15.9	9.5	-3.1	3.8	10.3	11.2	8.1
2019	8.3	3.1	-8.1	3.8	5.4	7.5	9.1
2020	-8.8	-2.2	-1.9	0.9	-4.8	10.3	10.6
2021	-11.4	13.5	3.9	0.4	-3.9	-5.5	-5.4
2022	-39.4	9.1	2.3	9.4	-8.8	-2.4	-2.9
2023	-20.9	6.5	11.9	5.9	-1.2	-2.7	-2.3
2024	-22.5	9.2	4.6	4.4	-1.1	-3.2	-5.4
2025	**-20.5**	**0.6**	**9.3**	**-2.2**	**-3.8**	**-6.9**	**-3.4**
Jan-May 2026	**-22.7**	**-0.4**	**-4.2**	**0.6**	**-3.9**		
2026E	**-15.0**	**3.0**	**3.0**	**5.0**	**1.2**		**0.0**

Note: *Infrastructure investment updates discontinued in 2017;
Monthly infrastructure investment growth rate applied
Source: CEIC, Samsung Securities estimates

China: Steel production

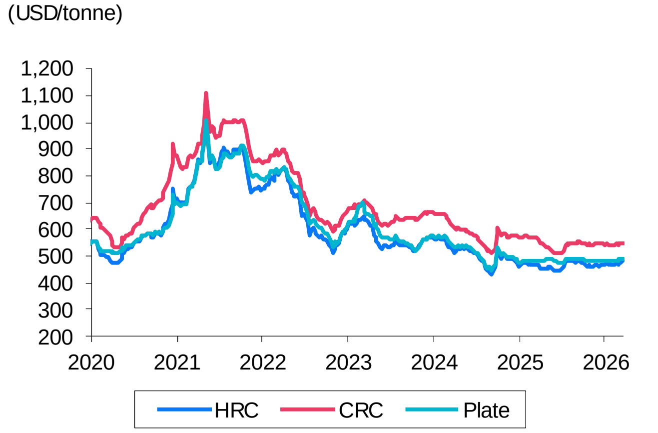
Source: Bloomberg, Samsung Securities

China: Steel exports



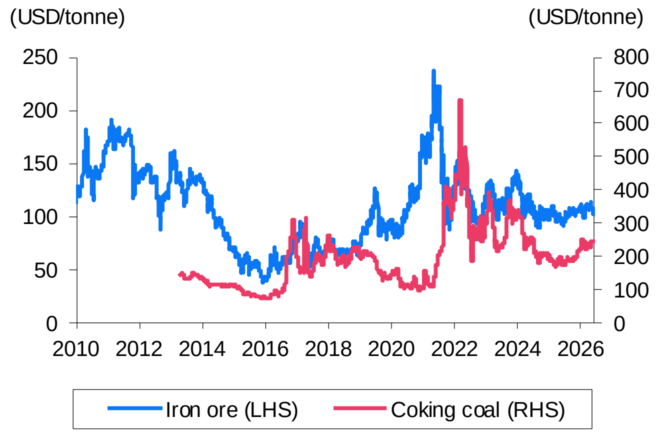
Source: Bloomberg, Samsung Securities

China: HRC vs CRC vs plates



Source: Bloomberg, Samsung Securities

Iron ore vs coking coal



Source: MetalBulletin, Samsung Securities

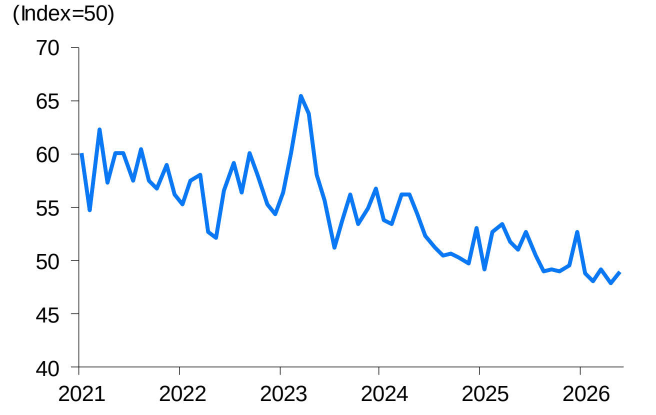
Given supply-demand shifts, China's steel market needs more time to recover

While the decline in steel exports from China is a welcome development, China's steel demand has shown little sign of recovering. The manufacturing PMI trend this year in China has not demonstrated a sustained rebound, and it is unclear just when real estate or infrastructure investments (two key drivers of steel demand) may recover. While China's broader economic recovery remains tepid, no aggressive stimulus measures (particularly infrastructure investment policies capable of reviving steel demand) have yet been introduced, cooling the outlook for a recovery in steel demand.

China: New orders PMI vs new export orders PMI

Source: Bloomberg

China: Construction PMI



Source: Bloomberg

Although China's steel production has been cut further ytd, steel prices in China have yet to rebound significantly. Given that raw-material prices (for steel) have been rising since 4Q25, the prospect of a steel-spread recovery remains distant. This implies that steel-production cuts in China have not been sufficient to resolve the supply-demand imbalance. Therefore, for China's steel market to truly improve amid rising global trade barriers, the industry may need to pursue more aggressive production cuts. However, since the Chinese government has not yet clearly signaled its commitment to deeper production cuts (or restructuring), the industry remains reliant on steelmakers' individual decisions. As a result, structural improvements in China's steel market—through the alleviation of supply-demand imbalances—need more time to come to the fore.

Korean steel market bottoming out

Global steel industry: Regional divergence deepens

Protectionism fuels regional disparities

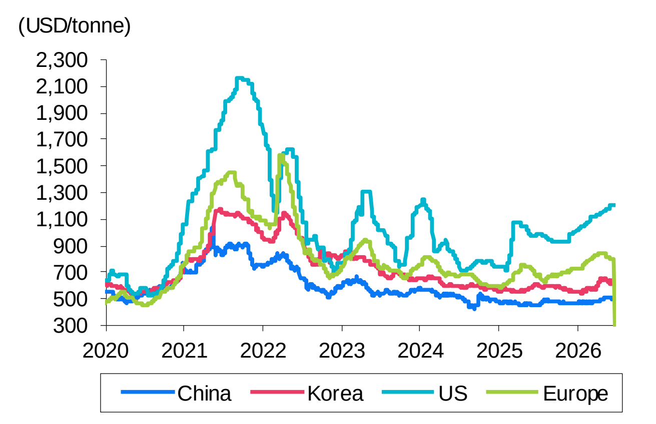
One of the most significant developments in the global steel industry this year has been the deepening discrepancies across regions. Steel prices in the US and Europe have been notably strong since Jan 2026, and Korea has also seen price increases—particularly for products subject to anti-dumping duties. Although the ability to pass on higher energy costs (driven by the US-Iran conflict) may partially explain these disparate regional trends, in our eyes the underlying driver of the disparities is the intensity of each region's protectionist policies. The US, which has imposed a 50% tariff on all steel imports since 2025, has faced steel supply shortages this year, leading to pronounced price increases. Meanwhile, the EU announced that it will adopt a tightened trade-related quota (TRQ) system on Jul 1, 2026, reducing the duty-free quota by 47% (vs previous levels) and raising tariffs on imports exceeding the quota from 25% to 50%. These measures have already contributed to upwards pressure on steel prices in Europe. This regional steel-price divergence is now clearly reflected in the stock performance of steelmakers in each market.

Korea: Steel exports (USD basis)

	Total	US-bound	EU-bound	China-bound	Japan-bound	Southeast Asia-bound	Other
(USDm)							
2023	29,889	3,782	4,045	2,903	3,519	5,434	10,206
2024	28,515	3,545	4,116	2,493	3,383	5,245	9,732
2025	26,403	3,044	3,596	2,121	2,909	5,109	9,624
2026*	11,061	1,701	1,589	962	1,103	2,002	3,704
Chg (% y-y)							
2024	(4.6)	(6.3)	1.8	(14.1)	(3.9)	(3.5)	(4.6)
2025	(7.4)	(14.1)	(12.6)	(14.9)	(14.0)	(2.6)	(1.1)
2026*	(2.6)	19.6	1.2	9.6	(12.2)	(7.3)	(9.0)

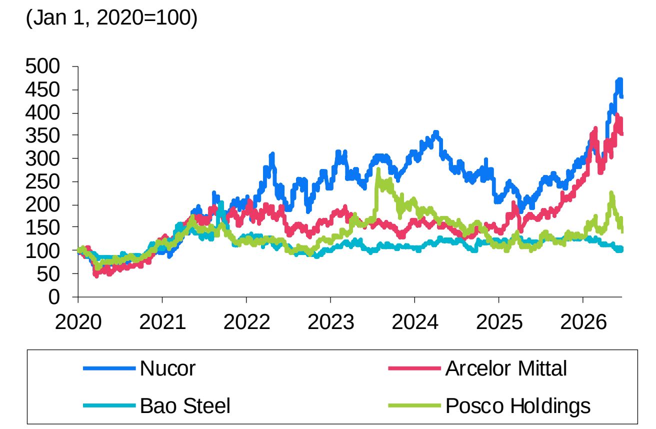
Note: * As of May 2026
Source: KOSA, Samsung Securities

HRC price: China VS Korea VS US VS Europe



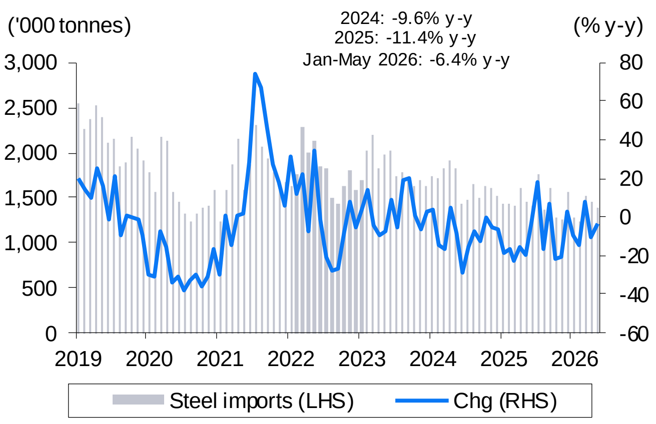
Source: Bloomberg, Samsung Securities

Global steel companies' share performance



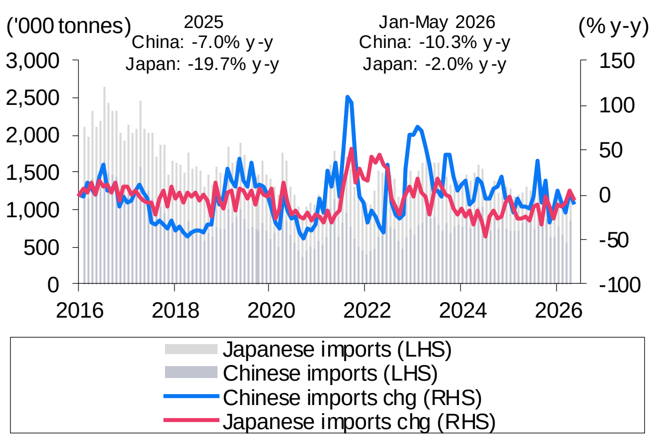
Source: Bloomberg, Samsung Securities

Korea: Steel imports



Source: KOSA, Samsung Securities

Korea: Steel imports from China/Japan



Source: KOSA, Samsung Securities

Korea's steel industry: Needs to balance domestic protection with shifting export conditions

These global shifts are a double-edged sword for Korea's steel industry, creating various challenges and opportunities. The rising trade barriers in the US (higher import taxes) and stricter barriers in the EU (from Jul 1, 2026) remain critical challenges. In 2025, the US accounted for 9% of Korea's steel exports, Korea's US-bound sales volume fell 8.2%, and ASPs on US-bound Korean-made steel slid 6.5%. Over January-May, Korea's US-bound exports surged 56% y-y, but the US-bound steel ASP dropped 23% y-y—the export surge was driven by volume growth and underpinned by price competitiveness rather than higher value. (For reference, of the 640,000-tonne increase in the US-bound exports over January-May, rebar accounted for 420,000 tonnes).

In 2025, the EU accounted for 14% of Korea's steel exports, with Korea's export volume sliding 8% y-y and ASPs (on Europe-bound steel) shrinking 5% y-y due to weak demand in Europe. With the new TRQ system coming into effect on Jul 1, 2026, further export volume declines are likely. While the application of the new safeguards for FTA partners remains unresolved, the upcoming implementation of the carbon border adjustment mechanism (CBAM) should add further pressure. To defend their exports, Korean steelmakers must step up their efforts to maintain export competitiveness. As seen in the US, price competitiveness remains key, but agility in identifying rising steel demand from downstream industries and aligning product offerings with regional demand trends is paramount.

Korea: Steel exports (volume basis)

	Total	US-bound	EU-bound	China-bound	Japan-bound	Southeast Asia-bound	Other
('000 tonnes)							
2023	27,341	2,592	3,699	2,357	3,615	5,099	9,980
2024	28,350	2,766	4,223	2,069	3,674	5,533	10,086
2025	28,249	2,540	3,884	1,811	3,384	5,901	10,728
2026*	11,969	1,790	1,657	683	1,354	2,305	4,180
Chg (% y-y)							
2024	3.7	6.7	14.2	(12.2)	1.6	8.5	1.1
2025	(0.4)	(8.2)	(8.0)	(12.4)	(7.9)	6.7	6.4
2026*	(1.0)	55.8	(8.8)	(9.1)	(5.0)	(6.0)	(7.0)

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

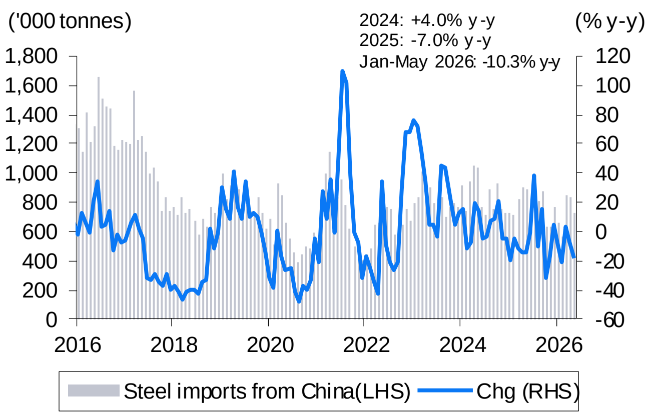
Korea: Steel exports (ASP basis)

	Total	US-bound	EU-bound	China-bound	Japan-bound	Southeast Asia-bound	Other
(USD/tonne)							
2023	1,093	1,459	1,094	1,232	974	1,066	1,023
2024	1,006	1,282	975	1,205	921	948	965
2025	935	1,198	926	1,171	859	866	897
2026*	924	950	959	1,407	815	868	886
Chg (% y-y)							
2024	(8.0)	(12.2)	(10.9)	(2.1)	(5.4)	(11.1)	(5.6)
2025	(7.1)	(6.5)	(5.0)	(2.8)	(6.7)	(8.7)	(7.0)
2026*	(1.6)	(23.2)	10.9	20.6	(7.6)	(1.4)	(2.2)

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

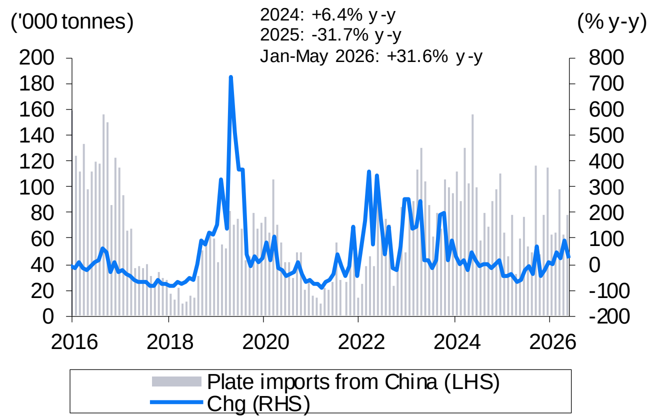
Meanwhile, Korea itself has been intensifying protectionist measures since 2025—anti-dumping duties have been imposed on Chinese plates and Japanese/Chinese hot-rolled (HR) steel. Of note, the imposition of duties on hot-rolled steel since Sep 2025 has led to a sharp decline in Chinese imports and a steep rise in domestic distribution prices. Additionally, provisional anti-dumping duties on Chinese galvanized and color-coated steel were imposed in Apr 2026, and an anti-dumping investigation into Chinese specialty steel bars began in May 2026 (with a preliminary ruling expected between August-October). As such, protectionist measures for the steel industry remain ongoing. Despite challenging export conditions, tariff-driven domestic price increases have emerged for certain products, leading to expectations that Korea's major steelmakers, after posting weak 1Q results, may have seen their earnings begin to normalize in 2Q26.

Korea: Steel imports from China



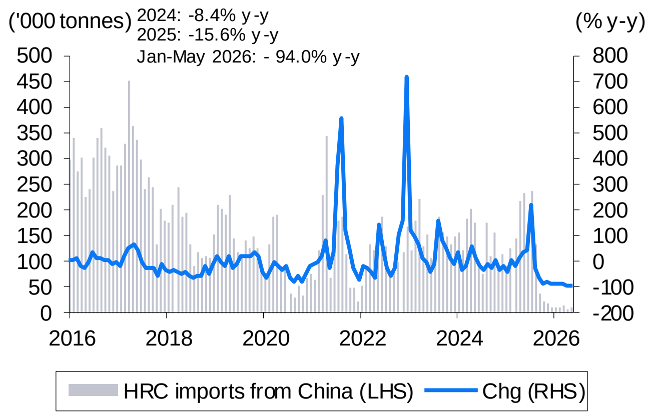
Source: KOSA, Samsung Securities

Korea: Steel plate imports from China



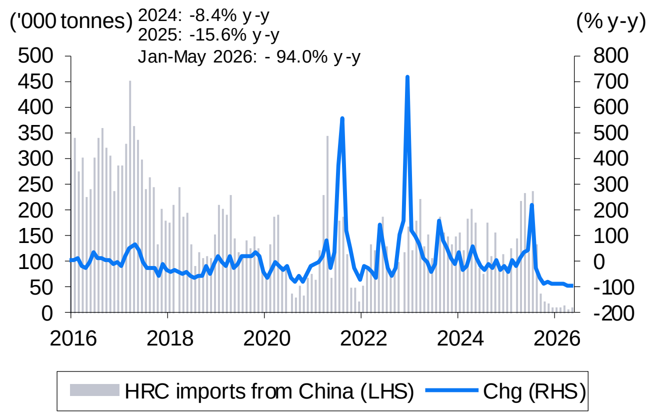
Source: KOSA, Samsung Securities

Korea: HRC imports from China



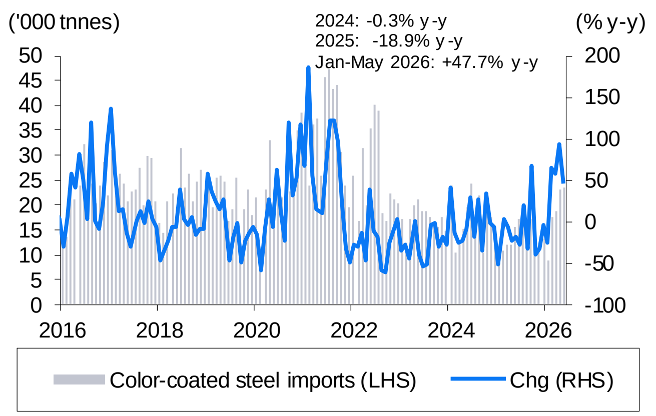
Source: KOSA, Samsung Securities

Korea: Special steel bar imports from China



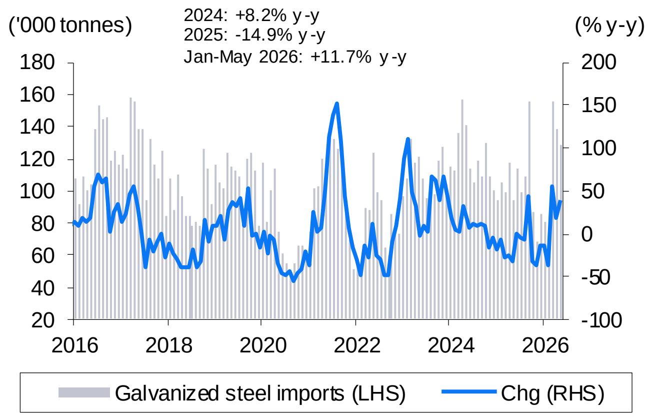
Source: KOSA, Samsung Securities

Korea: Color-coated steel imports



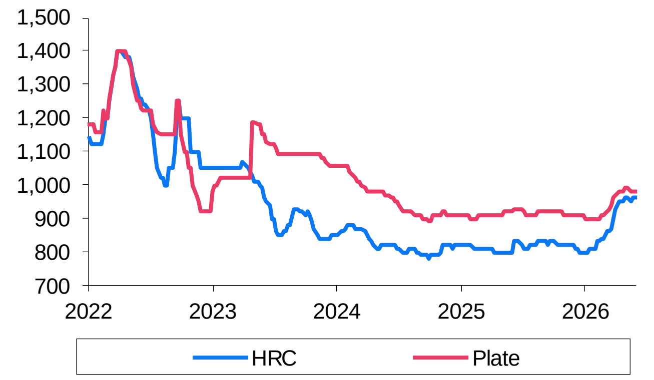
Source: KOSA, Samsung Securities

Korea: Galvanized steel imports



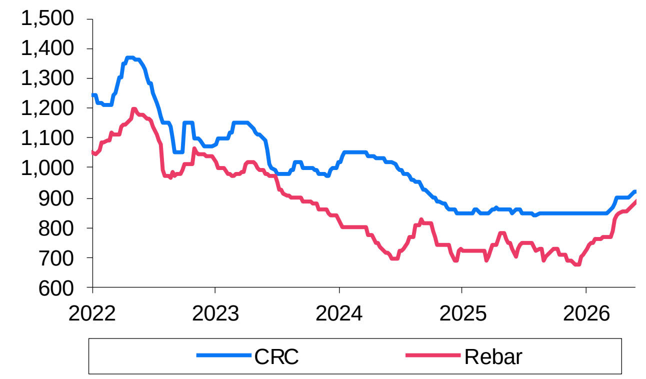
Source: KOSA, Samsung Securities

Korea: HRC price vs steel plate price



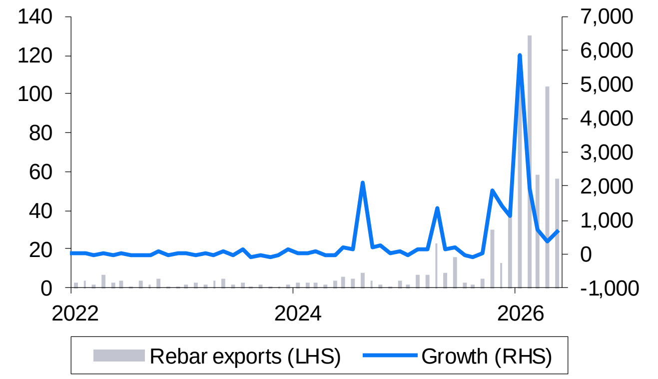
Source: SteelDaily, Samsung Securities

Korea: CRC price vs rebar price



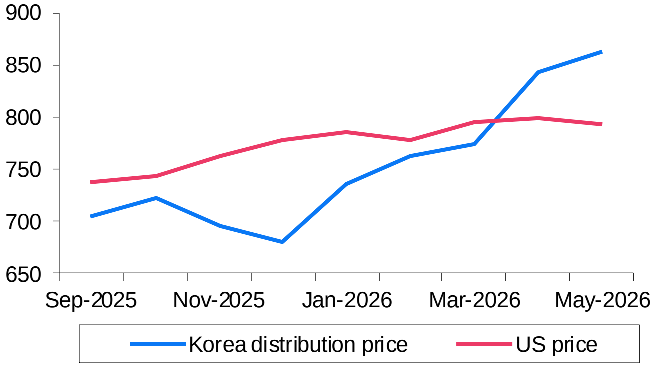
Source: SteelDaily, Samsung Securities

Korea: Rebar exports



Source: KOSA, Samsung Securities

Rebar price: Korea VS US



Source: KOSA, SteelDaily, Samsung Securities

Korea: AD duty actions on steel

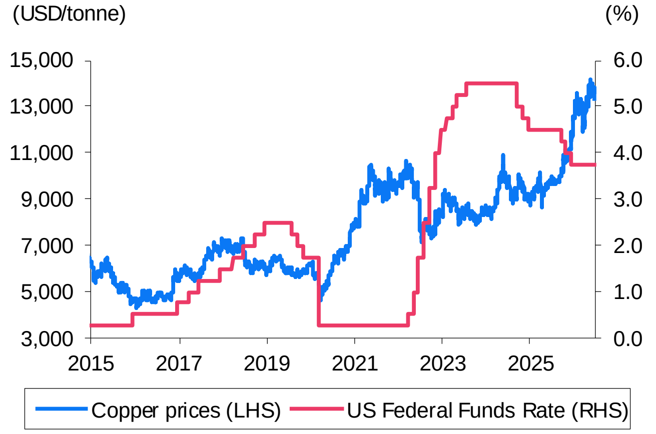
Date	Action	Notes
Feb 20, 2025	Preliminary AD determination on Chinese plates (27.91-38.02%)	Final: Aug 28, 2025 Duty rate range: 27.91-34.10% (by supplier) Duration: 5 years
Jul 24, 2025	Preliminary AD on Chinese & Japanese HRC (China 28.61-33.1%, Japan: 31.58-33.57%)	Final: 2025.09.23 Duty rate range: Up to 33.57% Duration: From Jan 22, 2026 (4 months)
Apr 16, 2026	Preliminary AD on Chinese coated/color sheet (22.34-33.67%)	Petitioners: Dongkuk CM, KG Steel, Seah CM
May 7, 2026	KTC decision to investigate Chinese specialty steel bars	Petitioners: Seah Besteel, Seah Changwon Special Steel

Source: Samsung Securities

Non-ferrous metal prices have experienced increased volatility since March due to the US-Iran conflict. Prices of base metals (*eg*, copper and zinc) remain supported by the tight ore concentrate supply, but the strong upwards price trend observed over the past 18 months appears to have been temporarily paused. Meanwhile, inflationary concerns (stemming from higher energy prices) have contributed to a stronger US dollar, leading to continued corrections in precious metal prices. Earnings momentum at domestic non-ferrous metal producers has been weakening in 2026.

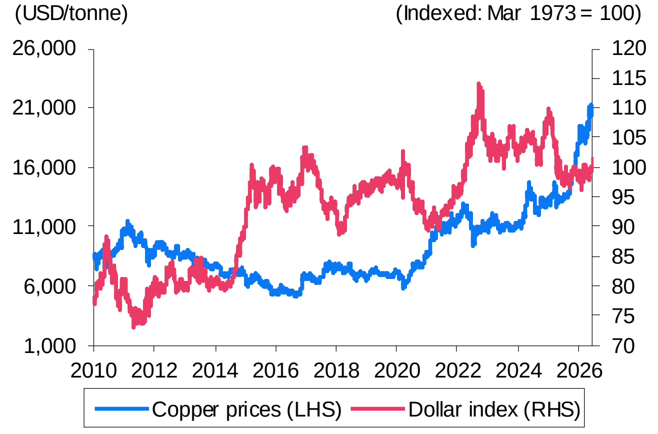
Therefore, within the steel and metals sector, steelmakers appear to be better positioned for earnings growth than non-ferrous producers. Given that key companies in the sector are also influenced by individual factors (*ie*, ones beyond macro trends), selective stock picking is warranted. We favor Posco Holdings, which trades at a P/B of just 0.5x, despite the growing earnings potential of both its steel and lithium businesses. Hyundai Steel's earnings-recovery prospects are tied to market conditions and the potential revaluation of its investment assets. At Seah Besteel Holdings, the utilization of its US specialty alloy plant (to come online in 2H26) should prove key to its earnings in 2H26. For Poongsan, clarity regarding the sale of its defense business remains the key issue to resolve.

US Federal Funds Rate vs copper price



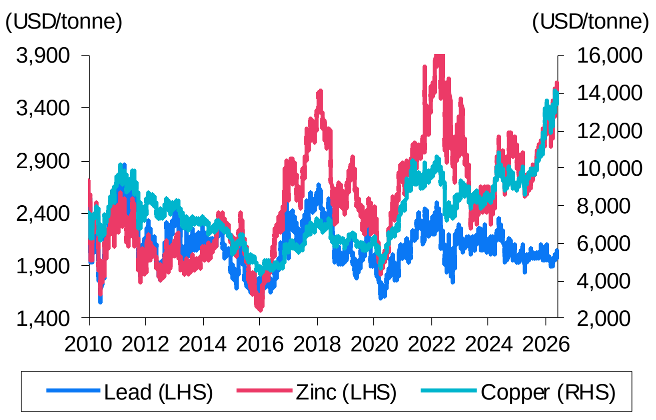
Source: Bloomberg, Samsung Securities

Dollar index vs copper price



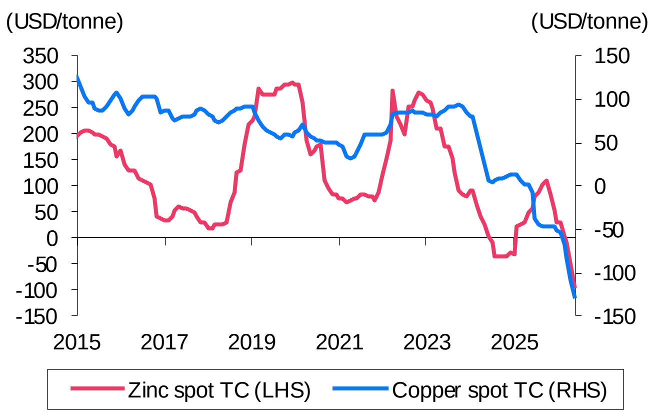
Source: Bloomberg, Samsung Securities

Nonferrous metals price



Source: Bloomberg, Samsung Securities

Spot TC: Zinc vs copper



Source: Bloomberg, Samsung Securities

Coverage: Quarterly results and forecasts

(KRWb)	1Q26	2Q26E			3Q26E			2025	2026E			2027E		
	Actual	Samsung	Consensus	Diff	Samsung	Consensus	Diff	Actual	Samsung	Consensus	Diff	Samsung	Consensus	Diff
Sales														
Posco	17,876	18,111	18,099	0.1%	18,430	18,350	0.4%	69,095	72,784	72,884	-0.1%	75,003	75,811	-1.1%
Hyundai Steel	5,740	6,290	6,194	1.5%	6,238	6,016	3.7%	22,733	24,208	23,920	1.2%	24,861	24,628	0.9%
Korea Zinc	6,072	nm	5,710	nm	nm	5,606	nm	16,588	nm	22,962	nm	nm	23,615	nm
Poongsan	1,271	1,479	1,531	-3.4%	1,579	1,557	1.4%	5,049	6,051	6,113	-1%	6,127	6,335	-3.3%
Seah Besteel	968	1,076	1,023	5.2%	1,020	971	5%	3,652	4,031	3,904	3.2%	4,211	4,233	-0.5%
Operating profit														
Posco	707	749	756	-0.9%	816	917	-11%	1,827	3,091	3,249	-4.9%	4,360	4,019	8.5%
Hyundai Steel	16	71	119	-40%	102	153	-33.6%	219	361	475	-24.1%	824	768	7.3%
Korea Zinc	746	nm	548	nm	nm	512	nm	1,232	nm	2,257	nm	nm	2,101	nm
Poongsan	90	103	83	23.2%	89	86	3.6%	297	350	360	-2.9%	304	363	-16.2%
Seah Besteel	31	54	50	7%	39	37	4.3%	98	148	147	0.8%	192	206	-6.6%
Net profit														
Posco	543	528	473	11.5%	565	587	-3.8%	504	2,238	2,038	9.8%	3,110	2,529	23%
Hyundai Steel	-39	16	43	-61.7%	33	88	-62.6%	1	113	202	-44.2%	469	429	9.3%
Korea Zinc	354	nm	317	nm	nm	292	nm	770	nm	1,268	nm	nm	1,221	nm
Poongsan	78	69	49	41.8%	60	55	8.1%	147	250	248	0.8%	198	250	-20.7%
Seah Besteel	22	33	31	8.5%	22	25	-12%	56	89	90	-0.8%	116	123	-5.5%

Source: QuantiWise, Samsung Securities estimates

Global peer valuation

(x)	P/E		P/B		ROE (%)		EV/EBITDA		EPS CAGR (%)	
	2026E	2027E	2026E	2027E	2026E	2027E	2026E	2027E	2026E	2027E
Posco	12.2	9.7	0.4	0.4	3.5	4.2	5.9	5.3	50.3	22.4
Hyundai Steel	18.3	8.7	0.2	0.2	1.0	2.1	5.7	4.9	210.8	53.9
Poongsan	7.1	6.7	0.7	0.6	10.3	10.0	5.9	5.6	11.7	6.8
Seah Besteel	12.6	9.6	0.6	0.6	4.2	5.8	8.3	6.7	33.0	32.2
Korea Zinc	17.7	18.5	1.8	1.7	11.2	9.8	9.4	10.8	22.1	0.2
Baosteel	10.0	8.8	0.6	0.5	5.6	6.2	4.3	3.8	13.3	10.7
Angang	N/A	N/A	0.4	0.5	(10.9)	(2.8)	N/A	10.6	(38.2)	N/A
Hesteel	13.3	10.0	0.3	0.3	2.7	3.3	N/A	N/A	31.9	N/A
Nippon Steel	9.0	7.5	0.5	0.5	6.6	7.0	5.8	5.3	N/A	4.4
JFE	7.5	7.0	0.4	0.4	5.0	5.5	6.4	6.1	34.2	6.7
Tata Steel	12.6	11.2	2.1	1.8	17.0	17.0	7.1	6.5	34.4	9.0
SAIL	11.9	11.2	1.1	1.0	10.6	10.0	6.3	6.5	37.9	(2.8)
JSW	40.4	31.2	3.0	2.7	7.7	9.0	14.6	13.8	18.9	29.7
Nucor	15.8	14.4	2.4	2.2	16.0	15.7	8.8	8.1	48.3	4.1
Arcelor Mittal	13.1	9.2	0.8	0.8	6.5	8.6	6.9	5.5	31.3	22.4
Global average	14.8	12.3	1.2	1.1	6.7	8.0	7.5	7.3	23.5	10.5

Source: Bloomberg, Samsung Securities

COMPANY UPDATE

2026. 7. 10

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Posco Holdings (005490)

Market conditions poised to turn around

- China's steel market still shows no clear signs of recovery, and this trend is likely to persist through 2H26.
- But earnings at Posco Holdings' steel business should gradually improve from 2Q, supported by strengthening protectionist trade policies.
- This year, the earnings resilience of its lithium business should be tested. A recovery in earnings—driven by rebounding lithium prices and higher utilization rates at its brine operation in Argentina—would be a positive sign.

AT A GLANCE

BUY

Target price	KRW480,000	61.6%
Current price	KRW297,000	
Market cap	KRW23.5t/USD15.6b	
Shares (float)	79,241,527 (85.5%)	
52-week high/low	KRW535,000/KRW263,000	
Avg daily trading value (60-day)	KRW214.3b/ USD142.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Posco Holdings (%)	-18.5	-2.3	-4.8
Vs Kospi (%pts)	-9.5	-38.6	-59.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	480,000	480,000	0.0%
2026E EPS	30,257	30,257	0.0%
2027E EPS	39,058	39,058	0.0%

SAMSUNG vs THE STREET

No of estimates	17
Target price	575,706
Recommendation	4.0

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

WHAT'S THE STORY?

Steel conditions in China deserve less attention than Korea's price trends: China's real estate and infrastructure investment indicators have not shown any meaningful recovery, a concerning trend that suggests a cautious outlook for Chinese steel demand in 2H26. A notable shift ytd has been the decline in China's steel exports, driven by rising global trade protectionism. The global steel industry is seeing regional price divergences, shaped by the disparate intensity of trade barriers, a trend that has also been reflected in stock-price movements. In Korea, strengthened trade protections have contributed to rising domestic distribution prices for select steel products this year. Earnings at Posco Holdings' steel business should gradually improve, with 1Q26 likely marking the bottom.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	69,095	72,784	75,003	76,294
Operating profit (KRWb)	1,827	3,091	4,360	4,742
Net profit (adj) (KRWb)	504	2,238	3,110	3,374
EPS (adj) (KRW)	8,085	30,257	39,058	42,581
EPS (adj) growth (% y-y)	-38.2	274.3	29.1	9.0
EBITDA margin (%)	8.7	10.2	11.9	12.4
ROE (%)	1.2	3.6	5.3	5.5
P/E (adj) (x)	37.7	10.6	8.2	7.6
P/B (x)	0.4	0.5	0.4	0.4
EV/EBITDA (x)	7.5	6.2	5.3	4.9
Dividend yield (%)	3.3	3.0	3.0	3.0

Source: Company data, Samsung Securities estimates

Maintain Buy: Earnings at the lithium business are poised to improve alongside valuation expansion. The company's lithium business recorded an operating loss of more than KRW400b last year, but its losses have likely shrunk significantly since end-1Q26. Particularly encouraging is the fact that the brine operation in Argentina moved into the black in March, with utilization rates rising to 70%. With average lithium prices in 2Q higher than those seen in March, the Argentinian brine operation appears set to perform much better this year. Lithium prices have recently pulled back—driven by market fatigue from the rapid price rallies and resumption of lithium production in Australia—but are unlikely to revert below the 1Q26 average price of USD21,000/tonne given sustained strong ESS demand. If the profitability of the Argentinian brine operation rises to levels similar to that at global lithium producers, it could help expand Posco Holdings' valuation. Given the firm's somewhat lethargic earnings recovery, we lower our full-year operating profit forecast by 12% and cut our target by 11% to KRW480,000. But we maintain BUY as both the steel and lithium businesses appear to be passing their cyclical troughs.

Posco Holdings: Results and forecasts (consolidated)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**17,436.8**	**17,555.6**	**17,261.0**	**16,841.5**	**17,876.1**	**18,111.1**	**18,429.6**	**18,366.8**	**69,094.9**	**72,783.6**	**75,002.8**
Steel	8,884.5	8,854.1	8,702.2	8,280.9	8,925.3	9,240.3	9,448.9	9,547.2	34,721.6	37,161.8	38,237.5
Trading	7,008.9	7,056.5	7,269.5	6,848.7	7,431.6	7,447.7	7,642.7	7,465.3	28,183.5	29,987.3	31,176.1
Construction	1,183.5	1,235.5	777.5	777.5	820.7	862.3	805.6	805.6	3,973.9	3,294.2	3,410.5
Other	360.0	409.6	512.0	934.4	698.6	560.8	532.4	548.6	2,216.0	2,340.3	2,178.8
Operating profit	**568.4**	**607.2**	**638.8**	**12.7**	**706.8**	**749.0**	**815.8**	**819.5**	**1,827.1**	**3,091.1**	**4,359.9**
Steel	424.4	596.7	656.8	247.9	324.7	383.5	426.4	513.2	1,925.8	1,647.8	2,952.7
Trading	189.4	233.0	235.2	134.8	306.8	279.9	292.3	198.1	792.4	1,077.1	1,028.7
Construction	26.6	-88.4	-192.4	-187.4	55.6	42.2	33.5	26.4	-441.5	157.7	150.0
Other	-72.0	-134.1	-60.8	-182.6	19.7	43.4	63.5	81.8	-449.6	208.5	228.4
Net profit	**344.2**	**83.8**	**386.9**	**-310.6**	**543.4**	**527.7**	**564.8**	**602.6**	**504.4**	**2,238.4**	**3,110.0**
Chg (% y-y)											
Sales	**-3.4**	**-5.2**	**-5.8**	**-5.4**	**2.5**	**3.2**	**6.8**	**9.1**	**-4.9**	**5.3**	**3.0**
Steel	-5.8	-3.8	-7.2	-9.9	0.5	4.4	8.6	15.3	-6.6	7.0	2.9
Trading	8.7	1.3	3.0	5.2	6.0	5.5	5.1	9.0	4.5	6.4	4.0
Construction	-31.8	-36.9	-49.8	-54.4	-30.7	-30.2	3.6	3.6	-42.8	-17.1	3.5
Other	-17.7	6.5	48.2	134.1	94.1	36.9	4.0	-41.3	41.5	5.6	-6.9
Operating profit	**-2.5**	**-19.3**	**-14.0**	**-86.7**	**24.3**	**23.4**	**27.7**	**n/a**	**-15.9**	**69.2**	**41.0**
Steel	42.7	38.0	52.0	-18.6	-23.5	-35.7	-35.1	107.1	31.3	-14.4	79.2
Trading	-2.7	-13.4	-14.9	111.2	61.9	20.1	24.3	46.9	-1.4	35.9	-4.5
Construction	-25.9	n/a	n/a	n/a	108.9	n/a	n/a	n/a	n/a	n/a	-4.9
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net profit	**-43.4**	**-84.6**	**-22.1**	**n/a**	**57.9**	**529.4**	**46.0**	**n/a**	**-46.8**	**343.8**	**38.9**
Margins (%)											
Operating profit	**3.3**	**3.5**	**3.7**	**0.1**	**4.0**	**4.1**	**4.4**	**4.5**	**2.6**	**4.2**	**5.8**
Steel	4.8	6.7	7.5	3.0	3.6	4.2	4.5	5.4	5.5	4.4	7.7
Trading	2.7	3.3	3.2	2.0	4.1	3.8	3.8	2.7	2.8	3.6	3.3
Construction	2.2	-7.2	-24.7	-24.1	6.8	4.9	4.2	3.3	-11.1	4.8	4.4
Other	-20.0	-32.8	-11.9	-19.5	2.8	7.7	11.9	14.9	-20.3	8.9	10.5
Net profit	**2.0**	**0.5**	**2.2**	**-1.8**	**3.0**	**2.9**	**3.1**	**3.3**	**0.7**	**3.1**	**4.1**

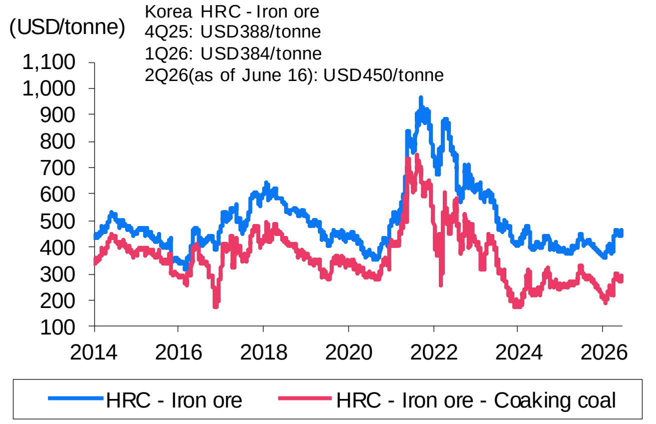
Source: Company data, Samsung Securities estimates

Posco Holdings: Sum-of-the-parts valuation

(KRWb)	
Listed*	**8,420.4**
Unlisted	**30,643.5**
Posco (steel)	23,812.0
Equity	36,803.7
Target P/B (x)**	0.65
Posco E&C	615.6
Equity	3,077.8
Target P/B (x)	0.2
Lithium business	5,449.5
Equity	3,377.0
Target P/B (x)***	1.6
Other unlisted subsidiaries	766.4
Equity	7,663.9
Target P/B (x)	0.1
Net cash	**1,499.4**
Treasury shares****	**1,174.8**
Equity value	**41,738.0**
Outstanding shares	79,241,527
Target price (KRW)	**540,000**

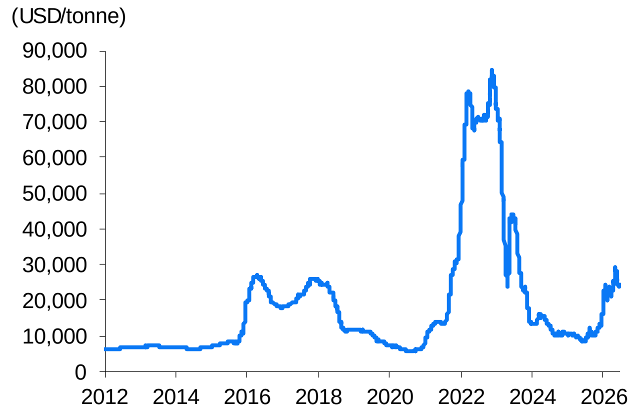
Note: *50% discount to equity value of listed subsidiaries (based on June 25 closing prices);
**Based on global peer valuation and ROE;
***50% discount to global peer average to reflect historically relatively low ROE;
****30% discount to market value
Source: Bloomberg, Samsung Securities estimates

Korea: Steel spread trend



Source: Bloomberg, Stee Daily, Samsung Securities

Lithium carbonate price trend



Source: Bloomberg, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**72,688**	**69,095**	**72,784**	**75,003**	**76,294**
Cost of goods sold	67,275	63,929	66,362	67,168	67,924
Gross profit	**5,413**	**5,166**	**6,422**	**7,835**	**8,370**
Gross margin (%)	7.4	7.5	8.8	10.4	11.0
SG&A expenses	3,239	3,339	3,331	3,475	3,627
Operating profit	**2,174**	**1,827**	**3,091**	**4,360**	**4,742**
Operating margin (%)	3.0	2.6	4.2	5.8	6.2
Non-operating gains (losses)	**-922**	**-720**	**87**	**83**	**78**
Financial profit	5,212	3,222	2,888	1,806	1,750
Financial costs	5,081	3,910	2,906	1,728	1,676
Equity-method gains (losses)	-256	350	390	414	414
Other	-797	-382	-284	-409	-409
Pre-tax profit	**1,251**	**1,107**	**3,178**	**4,443**	**4,820**
Taxes	304	602	940	1,333	1,446
Effective tax rate (%)	24.3	54.4	29.6	30.0	30.0
Profit from continuing operations	948	504	2,238	3,110	3,374
Profit from discontinued operations	0	0	0	0	0
Net profit	**948**	**504**	**2,238**	**3,110**	**3,374**
Net margin (%)	1.3	0.7	3.1	4.1	4.4
Net profit (controlling interests)	1,095	658	1,860	3,110	3,374
Net profit (non-controlling interests)	-147	-153	378	0	0
EBITDA	6,158	5,986	7,456	8,911	9,458
EBITDA margin (%)	8.5	8.7	10.2	11.9	12.4
EPS (parent-based) (KRW)	13,073	8,085	30,257	39,247	42,581
EPS (consolidated) (KRW)	11,314	6,201	28,102	39,247	42,581
Adjusted EPS (KRW)*	13,073	8,085	30,257	39,058	42,581

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**44,030**	**43,484**	**44,857**	**46,209**	**48,070**
Cash & equivalents	6,768	7,050	6,607	6,704	7,649
Accounts receivable	9,333	9,604	10,762	11,656	12,147
Inventories	14,143	13,624	14,546	15,235	16,026
Other current assets	13,785	13,206	12,941	12,614	12,248
Fixed assets	**59,374**	**61,709**	**64,133**	**66,698**	**68,230**
Investment assets	8,015	8,824	14,669	15,528	15,528
Tangible assets	39,847	42,293	43,971	45,676	47,209
Intangible assets	4,775	5,494	5,494	5,494	5,494
Other long-term assets	6,738	5,099	-0	-0	-0
Total assets	**103,404**	**105,192**	**108,990**	**112,907**	**116,301**
Current liabilities	**22,780**	**23,132**	**24,345**	**25,476**	**26,273**
Accounts payable	6,159	5,107	5,944	6,653	7,020
Short-term debt	5,733	7,432	7,432	7,432	7,432
Other current liabilities	10,888	10,593	10,970	11,391	11,820
Long-term liabilities	**19,174**	**19,683**	**20,587**	**20,739**	**20,702**
Bonds & long-term debt	14,882	16,375	16,916	16,916	16,916
Other long-term liabilities	4,292	3,309	3,671	3,823	3,786
Total liabilities	**41,954**	**42,815**	**44,939**	**46,223**	**46,984**
Owners of parent equity	**55,394**	**55,730**	**57,271**	**59,768**	**62,262**
Capital stock	482	482	482	482	482
Capital surplus	1,649	1,685	1,685	1,685	1,685
Retained earnings	53,658	53,177	54,718	57,215	59,710
Other	-395	385	385	385	385
Non-controlling interests' equity	**6,056**	**6,648**	**6,780**	**6,916**	**7,054**
Total equity	**61,450**	**62,378**	**64,051**	**66,684**	**69,317**
Net debt	11,444	13,793	14,029	14,433	13,989

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**6,664**	**4,572**	**7,024**	**8,177**	**8,683**
Net profit	948	504	2,238	3,110	3,374
Non-cash profit and expenses	5,646	5,939	6,364	6,159	6,391
Depreciation	3,531	3,693	3,899	4,086	4,250
Amortization	454	466	466	466	466
Other	1,661	1,780	1,999	1,607	1,675
Changes in A/L from operating activities	337	-805	-1,578	-1,092	-1,082
Cash flow from investments	**-4,487**	**-6,687**	**-7,071**	**-7,268**	**-6,659**
Change in tangible assets	-7,626	-5,451	-6,777	-6,957	-6,336
Change in financial assets	2,884	-823	206	206	206
Other	254	-414	-500	-516	-528
Cash flow from financing	**-2,302**	**2,403**	**-389**	**-806**	**-1,073**
Change in debt	-125	2,886	502	0	0
Change in equity	-14	36	0	0	0
Dividends	-844	-915	0	0	0
Other	-1,318	396	-891	-806	-1,073
Change in cash	97	282	-442	97	945
Cash at beginning of year	6,671	6,768	7,050	6,607	6,704
Cash at end of year	6,768	7,050	6,607	6,704	7,649
Gross cash flow	**6,594**	**6,444**	**8,602**	**9,269**	**9,765**
Free cash flow	**-1,006**	**-1,093**	**161**	**1,105**	**2,208**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-5.8	-4.9	5.3	3.0	1.7
Operating profit	-38.5	-15.9	69.2	41.0	8.8
Net profit	-48.7	-46.8	343.8	38.9	8.5
Adjusted EPS**	-34.9	-38.2	274.3	29.1	9.0
Per-share data (KRW)					
EPS (parent-based)	13,073	8,085	30,257	39,247	42,581
EPS (consolidated)	11,314	6,201	28,102	39,247	42,581
Adjusted EPS**	13,073	8,085	30,257	39,058	42,581
BVPS	732,527	736,969	713,016	790,364	823,349
DPS (common)	10,000	10,000	9,500	9,500	9,500
Valuations (x)					
P/E***	19.4	37.7	10.6	8.2	7.6
P/B***	0.3	0.4	0.5	0.4	0.4
EV/EBITDA	6.2	7.5	6.2	5.3	4.9
Ratios (%)					
ROE	2.0	1.2	3.6	5.3	5.5
ROA	0.9	0.5	2.1	2.8	2.9
ROIC	2.7	1.3	3.7	5.7	6.0
Payout ratio	913.3	1,520.6	138.0	23.1	21.3
Dividend yield (common)	3.9	3.3	3.0	3.0	3.0
Net debt to equity	18.6	22.1	21.9	21.6	20.2
Interest coverage (x)	2.1	1.7	2.9	4.2	4.9

COMPANY UPDATE

2026. 7. 10

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Hyundai Steel (004020)

Earnings to perk up in 2H

- Hyundai Steel's operating results should head north from 2Q, backed by rising domestic prices of HRC and rebar.
- While higher US steel prices enhance the long-term viability of the steelmaker's planned electric arc furnace investment in the US, the three-year timeline to completion suggest that this factor has not been fully priced in.
- The recent rally for firms in which Hyundai Steel holds stakes (*eg*, Hyundai Mobis) is a positive development. However, it should take some time for global steel market conditions to improve given difficult supply-demand dynamics. We advise adopting a trading-oriented approach in the near term.

AT A GLANCE

BUY

Target price	KRW44,000	69.2%
Current price	**KRW26,000**	
Market cap	KRW3.5t/USD2.3b	
Shares (float)	133,445,785 (62.6%)	
52-week high/low	KRW46,500/KRW26,000	
Avg daily trading value (60-day)	KRW43.5b/ USD28.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Steel (%)	-22.3	-11.0	-22.3
Vs Kospi (%pts)	-13.7	-44.0	-66.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	44,000	51,000	-13.7%
2026E EPS	1,006	1,006	0.0%
2027E EPS	3,362	3,362	0.0%

SAMSUNG vs THE STREET

No of estimates	16
Target price	51,931
Recommendation	3.9

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

WHAT'S THE STORY?

Rising domestic steel prices to drive up earnings gradually: Since Korea began to impose anti-dumping duties on Chinese HRC (Sep 2025), imports from China have sharply declined, pushing up domestic distribution prices. Although blast-furnace input costs likely increased q-q in 2Q26, we believe spreads expanded on the back of rising ASPs. Given the lag between raw-material cost increases and price adjustments, we believe further spread expansion will be seen in 2H26. Meanwhile, Korea's US-bound rebar exports have surged, as: 1) US demand for rebar remains robust, thanks in part to data-center constructions; and 2) new US tariffs were placed on rebar exports from Egypt and Algeria early this year. These strong exports from Korea have reduced the domestic rebar supply, further supporting higher domestic prices and benefiting Hyundai Steel's profitability. Thanks to these tailwinds, we forecast that the steelmaker's earnings will recover steadily after bottoming in 1Q26.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	22,733	24,208	24,861	25,194
Operating profit (KRWb)	219	361	824	906
Net profit (adj) (KRWb)	1	113	469	528
EPS (adj) (KRW)	-52	1,006	3,362	3,804
EPS (adj) growth (% y-y)	nm	nm	234.1	13.2
EBITDA margin (%)	8.7	8.4	10.4	10.9
ROE (%)	-0.0	0.7	2.3	2.5
P/E (adj) (x)	n/a	28.2	8.4	7.5
P/B (x)	0.2	0.2	0.2	0.2
EV/EBITDA (x)	6.2	5.6	4.4	4.1
Dividend yield (%)	1.6	2.6	2.6	2.6

Source: Company data, Samsung Securities estimates

Maintaining BUY: The recent surge in US steel prices has enhanced the long-term viability of Hyundai Steel's planned electric arc furnace (EAF) investment in the US. However, with its commercial operation still three years away, this new business is unlikely to be meaningfully reflected in the firm's valuation anytime soon. On a positive note, the recent rally for firms in which Hyundai Steel holds investments—including its 6% stake in Hyundai Mobis—has alleviated concerns over the potential for any financial strain (for Korea Zinc) to emerge due to the US EAF project. We revise down our 2026 operating profit forecast by 14% to account for higher raw-material costs, and also cut our target price by 14% to KRW44,000. Nevertheless, with the stock now trading at a P/B of just 0.19x following the recent price correction, downside appears to be limited. We reiterate BUY.

Hyundai Steel: Results and forecasts (parent basis)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**4,289.9**	**4,680.0**	**4,532.5**	**4,297.7**	**4,474.4**	**5,003.0**	**4,944.8**	**4,622.9**	**17,800.1**	**19,045.1**	**19,742.9**
Gross profit	**186.1**	**237.0**	**309.4**	**354.5**	**194.2**	**285.4**	**329.5**	**388.0**	**1,086.9**	**1,197.2**	**1,742.1**
Operating profit	**-56.1**	**-7.5**	**47.1**	**105.7**	**-72.5**	**32.5**	**57.9**	**131.9**	**89.2**	**149.8**	**659.7**
Pre-tax profit	-62.3	-62.3	5.8	14.5	-48.7	-9.7	12.5	113.7	-104.4	67.7	536.8
Net profit	-38.0	-18.2	-2.7	17.9	-23.5	-7.0	9.1	82.4	-40.9	61.0	389.2
Chg (% y-y)											
Sales	-11.0	-3.5	1.6	-4.1	4.3	6.9	9.1	7.6	-4.4	7.0	3.7
Operating profit	n/a	n/a	46.9	n/a	n/a	n/a	22.9	24.8	496.1	67.9	340.3
Net profit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	359.5	n/a	n/a	538.4
Margins (%)											
Gross profit	4.3	5.1	6.8	8.2	4.3	5.7	6.7	8.4	6.1	6.3	8.8
Operating profit	**-1.3**	**-0.2**	**1.0**	**2.5**	**-1.6**	**0.6**	**1.2**	**2.9**	**0.5**	**0.8**	**3.3**
Net profit	-0.9	-0.4	-0.1	0.4	-0.5	-0.1	0.2	1.8	-0.2	0.3	2.0
Roll margin											
Carbon steel sales (KRWb)	2,737.4	3,036.9	3,011.7	2,779.1	2,949.9	3,223.2	3,228.1	2,929.9	11,565.1	12,331.0	12,636.9
Carbon steel sales volume ('000 tonnes)	2,681.0	2,955.0	2,897.0	2,599.0	2,820.0	2,992.0	2,927.2	2,663.9	11,132.0	11,403.1	11,499.2
Carbon steel ASP	1,021.0	1,027.7	1,039.6	1,069.3	1,046.1	1,077.2	1,102.8	1,099.9	1,038.9	1,081.4	1,098.9
Raw material price	546.6	536.4	518.9	523.8	566.0	596.0	609.0	587.8	531.4	589.7	544.5
BF roll margin (KRW1,000/tonne)	474.4	491.3	520.7	545.5	480.1	481.2	493.8	512.1	507.5	491.7	554.5
(Chg q-q)	-16.8	16.9	29.4	24.8	-65.5	1.2	12.5	18.3	23.8	-15.8	62.8
Long product sales (KRWb)	1,086.6	1,168.6	1,075.7	1,079.7	1,075.0	1,291.8	1,254.9	1,254.6	4,410.6	4,876.3	5,246.6
Long product sales volume ('000 tonnes)	1,068.5	1,173.5	1,082.1	1,073.8	1,058.5	1,187.5	1,114.6	1,120.4	4,397.9	4,481.1	4,649.7
Long product ASP	1,016.9	995.8	994.1	1,005.6	1,015.6	1,087.8	1,125.9	1,119.8	1,002.9	1,088.2	1,128.4
Raw material prices	500.5	479.5	478.3	480.0	498.0	529.5	544.0	550.0	484.6	530.4	550.0
EF roll margin (KRW1,000/tonne)	516.4	516.3	515.8	525.6	517.6	558.3	581.9	569.8	518.3	557.8	578.4
(Chg q-q)	-5.9	-0.0	-0.5	9.7	-8.0	40.7	23.6	-12.1	12.1	39.5	20.6
Average roll margin (KRW1,000/tonne)	486.4	498.4	519.4	539.7	490.3	503.1	518.1	529.2	510.6	510.3	561.4
(Chg q-q)	-13.3	12.1	21.0	20.3	-49.4	12.8	14.9	11.1	20.5	-0.2	51.0
Operating profit (KRWb)	-56.1	-7.5	47.1	105.7	-72.5	32.5	57.9	131.9	89.2	149.8	659.7
Operating profit per tonne*	-12.8	0.8	15.1	32.1	-15.5	9.0	15.7	36.3	5.7	9.4	40.9
(Chg q-q)	24.1	13.5	14.3	17.0	-47.6	24.5	6.7	20.6	4.8	3.7	31.4

Note: *Excludes specialty steel unit

Source: Company data, Samsung Securities estimates

Hyundai Steel: Results and forecasts (consolidated)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**5,563.5**	**5,945.6**	**5,734.4**	**5,489.8**	**5,739.7**	**6,289.7**	**6,238.2**	**5,940.7**	**22,733.2**	**24,208.3**	**24,860.8**
Parent	4,289.9	4,680.0	4,532.5	4,297.7	4,474.4	5,003.0	4,944.8	4,622.9	17,800.1	19,045.1	19,742.9
Subsidiaries	1,273.6	1,265.6	1,201.9	1,192.1	1,265.3	1,286.7	1,293.4	1,317.8	4,933.1	5,163.2	5,118.0
Gross profit	**291.9**	**411.8**	**425.3**	**375.4**	**352.6**	**394.7**	**447.7**	**517.1**	**1,504.3**	**1,712.1**	**2,231.5**
Parent	186.1	237.0	309.4	354.5	194.2	285.4	329.5	388.0	1,086.9	1,197.2	1,742.1
Subsidiaries	105.8	174.8	116.0	20.9	158.4	109.3	118.2	129.1	417.4	514.9	489.4
Operating profit	**-19.0**	**101.8**	**93.2**	**43.3**	**15.7**	**71.3**	**101.7**	**172.0**	**219.2**	**360.7**	**824.3**
Parent	-56.1	-7.5	47.1	105.7	-72.5	32.5	57.9	131.9	89.2	149.8	659.7
Subsidiaries	37.1	109.2	46.1	-62.5	88.2	38.9	43.8	40.1	130.0	210.9	164.6
Pre-tax profit	-67.0	5.8	30.0	-12.1	-32.1	22.6	45.3	141.8	-43.2	177.7	646.3
Parent	-62.3	-62.3	5.8	14.5	-48.7	-9.7	12.5	113.7	-104.4	67.7	536.8
Subsidiaries	-4.6	68.1	24.3	-26.6	16.7	32.3	32.8	28.2	61.2	110.0	109.6
Net profit	-54.4	37.4	17.8	0.6	-39.3	16.4	32.9	102.8	1.4	112.8	468.6
Parent	-38.0	-18.2	-2.7	17.9	-23.5	-7.0	9.1	82.4	-40.9	61.0	389.2
Subsidiaries	-16.4	55.6	20.5	-17.4	-15.8	23.4	23.8	20.4	42.3	51.8	79.4
Net profit (controlling interests)	-55.1	33.8	17.1	-2.7	-41.0	11.4	27.9	97.8	-6.9	96.1	448.6
Chg (% y-y)											
Sales	-6.5	-1.6	2.0	-2.2	3.2	5.8	8.8	8.2	-2.1	6.5	2.7
Operating profit	n/a	3.9	80.9	n/a	n/a	-29.9	9.1	297.6	37.5	64.5	128.5
Net profit	n/a	2,664.6	n/a	n/a	n/a	-56.2	84.5	n/a	-84.2	n/a	315.6
Net profit (controlling interests)	n/a	n/a	n/a	n/a	n/a	-66.4	63.5	n/a	n/a	n/a	366.7
Margins (%)											
Gross profit	5.2	6.9	7.4	6.8	6.1	6.3	7.2	8.7	6.6	7.1	9.0
Operating profit	-0.3	1.7	1.6	0.8	0.3	1.1	1.6	2.9	1.0	1.5	3.3
Net profit	-1.0	0.6	0.3	-0.0	-0.7	0.2	0.4	1.6	0.0	0.5	1.9

Source: Company data, Samsung Securities estimates

Hyundai Steel: P/B valuation

(KRWb)	
Consolidated business value	**5,941**
- 2026E Book value	19,821
- Target P/B (x)*	0.30
Shares	133,445,785
Target price (KRW)	**44,000**

Note: *Applying target P/B, reflecting ROE estimate comparison with global peer
Source: Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**23,226**	**22,733**	**24,208**	**24,861**	**25,194**
Cost of goods sold	21,832	21,229	22,496	22,629	22,820
Gross profit	**1,394**	**1,504**	**1,712**	**2,231**	**2,374**
Gross margin (%)	6.0	6.6	7.1	9.0	9.4
SG&A expenses	1,234	1,285	1,351	1,407	1,468
Operating profit	**159**	**219**	**361**	**824**	**906**
Operating margin (%)	0.7	1.0	1.5	3.3	3.6
Non-operating gains (losses)	**-219**	**-262**	**-183**	**-178**	**-178**
Financial profit	384	452	220	164	164
Financial costs	664	651	447	364	364
Equity-method gains (losses)	12	5	22	22	22
Other	49	-68	23	-0	-0
Pre-tax profit	**-59**	**-43**	**178**	**646**	**728**
Taxes	-68	-45	65	178	200
Effective tax rate (%)	114.8	103.2	36.5	27.5	27.5
Profit from continuing operations	9	1	113	469	528
Profit from discontinued operations	0	0	0	0	0
Net profit	**9**	**1**	**113**	**469**	**528**
Net margin (%)	0.0	0.0	0.5	1.9	2.1
Net profit (controlling interests)	-12	-7	96	449	508
Net profit (non-controlling interests)	20	8	17	20	20
EBITDA	1,870	1,981	2,024	2,577	2,747
EBITDA margin (%)	8.1	8.7	8.4	10.4	10.9
EPS (parent-based) (KRW)	-87	-52	1,006	3,362	3,804
EPS (consolidated) (KRW)	66	10	845	3,512	3,954
Adjusted EPS (KRW)*	-87	-52	1,006	3,362	3,804

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**11,460**	**11,318**	**11,715**	**12,087**	**12,254**
Cash & equivalents	1,296	1,343	1,326	1,290	1,234
Accounts receivable	2,524	2,358	2,495	2,614	2,698
Inventories	6,291	5,740	5,993	6,261	6,378
Other current assets	1,350	1,876	1,901	1,922	1,944
Fixed assets	**23,284**	**23,125**	**23,198**	**23,428**	**23,688**
Investment assets	2,292	2,830	1,835	1,849	1,863
Tangible assets	18,431	17,835	18,012	18,228	18,474
Intangible assets	1,402	1,320	1,320	1,320	1,320
Other long-term assets	1,160	1,140	2,031	2,031	2,031
Total assets	**34,744**	**34,442**	**34,913**	**35,515**	**35,942**
Current liabilities	**7,699**	**7,411**	**7,856**	**8,111**	**8,285**
Accounts payable	1,467	1,533	1,632	1,728	1,806
Short-term debt	1,216	1,216	1,216	1,216	1,216
Other current liabilities	5,017	4,662	5,007	5,167	5,263
Long-term liabilities	**7,711**	**7,192**	**7,170**	**7,114**	**6,938**
Bonds & long-term debt	6,159	5,816	5,816	5,816	5,816
Other long-term liabilities	1,552	1,375	1,354	1,298	1,122
Total liabilities	**15,410**	**14,602**	**15,026**	**15,225**	**15,223**
Owners of parent equity	**18,918**	**19,371**	**19,418**	**19,821**	**20,250**
Capital stock	667	667	667	667	667
Capital surplus	3,905	3,871	3,871	3,871	3,871
Retained earnings	13,400	13,303	13,350	13,753	14,182
Other	946	1,529	1,529	1,529	1,529
Non-controlling interests' equity	**415**	**469**	**469**	**469**	**469**
Total equity	**19,334**	**19,840**	**19,887**	**20,290**	**20,719**
Net debt	8,258	7,769	7,043	7,079	7,134

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**1,777**	**2,053**	**1,945**	**2,312**	**2,611**
Net profit	9	1	113	469	528
Non-cash profit and expenses	1,921	2,193	2,027	2,157	2,268
Depreciation	1,621	1,666	1,615	1,703	1,787
Amortization	90	96	48	50	53
Other	210	431	364	404	428
Changes in A/L from operating activities	276	86	-194	-314	-185
Cash flow from investments	**-1,503**	**-1,578**	**-2,038**	**-2,424**	**-2,709**
Change in tangible assets	-1,650	-1,475	-1,962	-2,345	-2,630
Change in financial assets	-285	327	-62	-62	-62
Other	432	-430	-14	-17	-16
Cash flow from financing	**-354**	**-385**	**119**	**119**	**86**
Change in debt	-33	-563	0	0	0
Change in equity	-1	-34	0	0	0
Dividends	-132	-100	0	0	0
Other	-188	312	119	119	86
Change in cash	-90	47	-17	-37	-55
Cash at beginning of year	1,386	1,296	1,343	1,326	1,290
Cash at end of year	1,296	1,343	1,326	1,290	1,234
Gross cash flow	**1,930**	**2,194**	**2,140**	**2,626**	**2,796**
Free cash flow	**105**	**561**	**-37**	**-53**	**-39**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-10.4	-2.1	6.5	2.7	1.3
Operating profit	-80.0	37.5	64.5	128.5	9.9
Net profit	-98.0	-84.2	8,017.8	315.6	12.6
Adjusted EPS**	nm	nm	nm	234.1	13.2
Per-share data (KRW)					
EPS (parent-based)	-87	-52	1,006	3,362	3,804
EPS (consolidated)	66	10	845	3,512	3,954
Adjusted EPS**	-87	-52	1,006	3,362	3,804
BVPS	143,815	147,255	148,852	150,674	153,935
DPS (common)	750	500	750	750	750
Valuations (x)					
P/E***	n/a	n/a	28.2	8.4	7.5
P/B***	0.1	0.2	0.2	0.2	0.2
EV/EBITDA	6.1	6.2	5.6	4.4	4.1
Ratios (%)					
ROE	-0.1	-0.0	0.7	2.3	2.5
ROA	0.0	0.0	0.3	1.3	1.5
ROIC	-0.1	-0.0	0.9	2.4	2.6
Payout ratio	-849.0	-951.0	33.0	20.5	n/a
Dividend yield (common)	3.6	1.6	2.6	2.6	2.6
Net debt to equity	42.7	39.2	35.4	34.9	34.4
Interest coverage (x)	0.4	0.6	1.0	2.3	2.5

COMPANY UPDATE

2026. 7. 10

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Seah Besteel Holdings (001430)

Utilization rate at new plant to prove key

- Seah Besteel Holdings' recent stock decline is attributed to concerns over: 1) the end of an event-driven catalyst (SpaceX's IPO); and 2) its earnings performance (when the firm's new US plant is ramped up).
- While lower utilization rates during the US plant's ramp-up may temporarily pressure the firm's earnings, demand for specialty alloys should stay strong.
- Considering the early-stage nature of the US operation, we apply a higher discount to the US plant's valuation, resulting in a 43% reduction in our target price. We, however, maintain our BUY rating for the stock.

AT A GLANCE

BUY

Target price	KRW50,000	64.7%
Current price	**KRW30,350**	
Market cap	KRW1.1t/USD0.7b	
Shares (float)	35,862,119 (35.3%)	
52-week high/low	KRW90,300/KRW23,500	
Avg daily trading value (60-day)	KRW17.3b/ USD11.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Seah Besteel Holdings (%)	-33.8	-50.8	-6.0
Vs Kospi (%pts)	-26.5	-69.1	-59.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	50,000	87,000	-42.5%
2026E EPS	2,587	2,587	0.0%
2027E EPS	3,244	3,244	0.0%

SAMSUNG vs THE STREET

No of estimates	10
Target price	80,250
Recommendation	3.9

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

WHAT'S THE STORY?

Stock decline looks excessive from a long-term perspective: As Seah Besteel's shares had been steadily rising since late 2025 (on the growing likelihood of SpaceX's IPO), the correction observed since mid-May likely reflects two factors: 1) concerns over the ending of the event-driven catalyst (SpaceX's IPO); and 2) worries regarding the early-stage operational performance of the company's new specialty alloy plant in the US (set to begin operations in 2H26). While new facilities typically book lower utilization rates during their ramp-up phase—leading to higher fixed-cost burdens—sustained aerospace and defense-related sales growth combined with strong profitability at its global peers (*eg*, Carpenter Technology and ATI) suggest that robust demand for specialty alloys will persist. Thus, the short-term ramp-up challenges do not raise significant concerns.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	3,652	4,031	4,211	4,346
Operating profit (KRWb)	98	148	192	198
Net profit (adj) (KRWb)	56	89	116	121
EPS (adj) (KRW)	1,567	2,587	3,244	3,378
EPS (adj) growth (% y-y)	177.7	65.1	25.4	4.1
EBITDA margin (%)	6.2	6.4	7.3	7.3
ROE (%)	2.9	4.5	5.8	5.8
P/E (adj) (x)	32.0	12.5	10.0	9.6
P/B (x)	0.9	0.6	0.6	0.6
EV/EBITDA (x)	12.7	8.4	7.1	6.8
Dividend yield (%)	2.4	3.7	4.0	4.3

Source: Company data, Samsung Securities estimates

Fundamentals for core business also set to improve: In 2Q26, the company initiated full-blown price increases for its products, driven by rising costs of scrap iron and nickel (two of its important raw materials). Furthermore, a domestic anti-dumping investigation into Chinese specialty steel bars, initiated in May, may result in the imposition of anti-dumping duties over August-October—a development that could provide additional support to domestic pricing power and profitability. Although we cut our target price by 43% to KRW50,000—reflecting a higher valuation discount of 50% (up from 30%) to account for early-stage risks associated with the US plant—we maintain BUY to factor in the enduring demand outlook for specialty alloys and the anticipated improvement in the performance of its core business.

Seah Besteel Holdings: Results and forecasts (consolidated)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**899.9**	**964.5**	**925.9**	**861.3**	**967.6**	**1,075.8**	**1,020.4**	**966.7**	**3,651.6**	**4,030.5**	**4,210.8**
Parent company	498.3	541.6	496.6	464.2	528.4	562.2	534.1	517.0	2,000.8	2,141.7	2,210.5
Subsidiary	401.6	422.9	429.3	397.0	439.2	513.6	486.3	449.7	1,650.8	1,888.8	2,000.3
Gross profit	74.9	95.0	77.9	67.3	84.2	97.7	81.5	68.0	315.1	331.3	357.2
Parent company	34.1	51.3	32.4	29.1	40.4	53.4	47.2	38.1	147.0	179.1	193.2
Subsidiary	40.8	43.7	45.4	38.2	43.8	44.3	34.3	29.9	168.0	152.2	164.0
Operating profit	**18.1**	**44.5**	**27.0**	**8.9**	**31.1**	**53.6**	**38.5**	**24.6**	**98.4**	**147.8**	**192.5**
Parent company	5.2	22.0	4.6	0.3	10.7	23.4	18.5	8.6	32.1	61.2	72.4
Subsidiary	12.9	22.5	22.4	8.5	20.4	30.2	20.0	16.0	66.3	86.6	120.0
Pre-tax profit	8.9	24.4	46.3	8.3	30.8	45.8	30.6	16.4	87.8	123.6	160.4
Parent company	0.5	19.8	-2.7	-7.0	4.4	18.3	13.4	4.3	10.6	40.4	54.4
Subsidiary	8.4	4.6	49.0	15.2	26.4	27.5	17.2	12.1	77.2	83.2	106.1
Net profit	**6.0**	**18.2**	**33.9**	**-1.9**	**21.9**	**33.2**	**22.2**	**11.9**	**56.1**	**89.2**	**116.3**
Parent company	1.9	10.7	17.1	9.4	9.4	13.7	10.1	3.2	39.0	36.4	40.8
Subsidiary	4.1	7.5	16.8	-11.3	12.5	19.5	12.1	8.7	17.1	52.8	75.5
Net profit (controlling interests)	**6.1**	**17.9**	**33.7**	**-1.5**	**21.7**	**33.2**	**22.2**	**11.9**	**56.2**	**89.0**	**116.3**
Change (% y-y)											
Sales	**-5.6**	**-0.6**	**4.8**	**3.8**	**7.5**	**11.5**	**10.2**	**12.2**	**0.4**	**10.4**	**4.5**
Parent company	-9.3	-1.9	4.8	3.3	6.0	3.8	7.6	11.4	-1.2	7.0	3.2
Subsidiary	-0.5	1.2	4.8	4.4	9.4	21.5	13.3	13.3	2.5	14.4	5.9
Operating profit	**-14.9**	**-30.1**	**10.4**	**n/a**	**71.7**	**20.5**	**42.9**	**178.0**	**88.1**	**50.2**	**30.2**
Parent company	-8.6	-50.4	-65.4	n/a	106.2	6.1	306.3	2,564.1	-22.8	90.7	18.3
Subsidiary	-17.2	16.5	99.3	n/a	57.9	34.6	-10.8	87.7	518.0	30.6	38.6
Net profit	**-62.6**	**-61.0**	**197.9**	**n/a**	**264.7**	**82.5**	**-34.4**	**n/a**	**176.9**	**58.9**	**30.4**
Parent company	-64.7	-68.8	201.5	n/a	404.7	28.1	n/a	n/a	30.9	-6.7	12.0
Subsidiary	n/a	-39.4	194.3	n/a	n/a	160.6	-27.7	n/a	n/a	207.9	43.1
Net profit (controlling interests)	**-62.2**	**-61.6**	**200.7**	**n/a**	**256.5**	**85.6**	**-34.1**	**n/a**	**177.7**	**58.4**	**30.7**
Margins (%)											
Operating profit	**2.0**	**4.6**	**2.9**	**1.0**	**3.2**	**5.0**	**3.8**	**2.5**	**2.7**	**3.7**	**4.6**
Parent company	1.0	4.1	0.9	0.1	2.0	4.2	3.5	1.7	1.6	2.9	3.3
Subsidiary	3.2	5.3	5.2	2.1	4.6	5.9	4.1	3.6	4.0	4.6	6.0
Net profit	**0.7**	**1.9**	**3.7**	**-0.2**	**2.3**	**3.1**	**2.2**	**1.2**	**1.5**	**2.2**	**2.8**
Parent company	0.4	2.0	3.4	2.0	1.8	2.4	1.9	0.6	1.9	1.7	1.8
Subsidiary	1.0	1.8	3.9	-2.8	2.8	3.8	2.5	1.9	1.0	2.8	3.8
Net profit (controlling interests)	**0.7**	**1.9**	**3.6**	**-0.2**	**2.2**	**3.1**	**2.2**	**1.2**	**1.5**	**2.2**	**2.8**

Source: Company data, Samsung Securities estimates

2027E: Valuations of global specialty alloy peers

(x)	P/E	P/B	ROE (%)	EV/EBITDA	OPM (%)
Seah Besteel Holdings	**10.6**	**0.6**	**5.8**	**7.0**	**4.6**
Carpenter Technology	44.5	10.2	25.4	28.0	24.5
ATI	36.4	11.1	33.2	23.0	18.9
Average	**40.5**	**10.6**	**29.3**	**25.5**	**21.7**

Source: Bloomberg, Samsung Securities estimates

Seah Besteel Holdings: P/B valuation

	(KRWb)
Total enterprise value	**1,779.3**
Core business value	**988.5**
Average net asset value (2026-2027)	2,013.5
Target P/B (x)	0.5
US specialty alloy plant value	**790.8**
Number of shares	35,862,119
Target price (KRW)	**50,000**

Note: * Apply 30% premium to the average P/B from 2013-2015, when ROE was rising
Source: Samsung Securities

US specialty alloy plant value

	(KRWb)
Sales	**300**
ASP ('000 KRW/tonne)*	50,000
Quantity (tonne)	6,000
Operating profit	**52**
OPM (%)**	17
Net profit	39
Target P/E (x)* **	**20**
Value	**791**

Note: * Wide ASP range for nickel alloy steel (KRW20m-100m/tonne), using assumption
** Apply 20% discount to global peer average operating margin assuming time for normalized production
*** Apply 50% discount to average P/E of global peers
Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**3,636**	**3,652**	**4,031**	**4,211**	**4,346**
Cost of goods sold	3,378	3,337	3,699	3,854	3,980
Gross profit	**258**	**315**	**331**	**357**	**366**
Gross margin (%)	7.1	8.6	8.2	8.5	8.4
SG&A expenses	206	217	183	165	168
Operating profit	**52**	**98**	**148**	**192**	**198**
Operating margin (%)	1.4	2.7	3.7	4.6	4.6
Non-operating gains (losses)	**-29**	**-11**	**-24**	**-32**	**-31**
Financial profit	83	45	29	6	6
Financial costs	84	75	53	38	37
Equity-method gains (losses)	-4	-4	-1	0	0
Other	-25	23	0	-0	-0
Pre-tax profit	**23**	**88**	**124**	**160**	**167**
Taxes	3	32	34	44	46
Effective tax rate (%)	12.7	36.1	27.9	27.5	27.5
Profit from continuing operations	20	56	89	116	121
Profit from discontinued operations	0	0	0	0	0
Net profit	**20**	**56**	**89**	**116**	**121**
Net margin (%)	0.6	1.5	2.2	2.8	2.8
Net profit (controlling interests)	20	56	89	116	121
Net profit (non-controlling interests)	0	-0	0	0	0
EBITDA	169	225	260	308	316
EBITDA margin (%)	4.7	6.2	6.4	7.3	7.3
EPS (parent-based) (KRW)	564	1,567	2,587	3,244	3,378
EPS (consolidated) (KRW)	565	1,565	2,482	3,244	3,378
Adjusted EPS (KRW)*	564	1,567	2,587	3,244	3,378

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,713**	**1,703**	**1,777**	**1,853**	**1,939**
Cash & equivalents	264	233	241	241	271
Accounts receivable	396	400	428	456	476
Inventories	970	976	1,012	1,058	1,091
Other current assets	83	95	96	98	101
Fixed assets	**2,114**	**2,211**	**2,208**	**2,234**	**2,258**
Investment assets	192	259	343	351	359
Tangible assets	1,683	1,766	1,777	1,791	1,803
Intangible assets	77	75	75	75	75
Other long-term assets	161	110	13	17	21
Total assets	**3,827**	**3,915**	**3,986**	**4,087**	**4,197**
Current liabilities	**1,137**	**917**	**992**	**1,037**	**1,079**
Accounts payable	230	249	290	312	332
Short-term debt	142	116	116	116	116
Other current liabilities	765	552	587	610	631
Long-term liabilities	**658**	**1,045**	**1,009**	**987**	**976**
Bonds & long-term debt	490	852	854	854	854
Other long-term liabilities	168	193	155	133	122
Total liabilities	**1,795**	**1,962**	**2,001**	**2,025**	**2,055**
Owners of parent equity	**1,940**	**1,943**	**1,975**	**2,052**	**2,132**
Capital stock	219	219	219	219	219
Capital surplus	306	306	306	306	306
Retained earnings	1,264	1,265	1,316	1,394	1,473
Other	151	153	134	134	134
Non-controlling interests' equity	**92**	**10**	**10**	**10**	**10**
Total equity	**2,031**	**1,953**	**1,984**	**2,062**	**2,141**
Net debt	772	1,050	1,016	1,016	987

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**0**	**0**	**283**	**257**	**275**
Net profit	20	56	89	116	121
Non-cash profit and expenses	243	170	204	190	187
Depreciation	113	118	111	115	117
Amortization	4	8	1	1	1
Other	126	44	92	75	70
Changes in A/L from operating activities	137	-50	-10	-49	-33
Cash flow from investments	**-248**	**-242**	**-202**	**-184**	**-170**
Change in tangible assets	-165	-186	-198	-180	-166
Change in financial assets	-21	-0	8	8	8
Other	-63	-55	-12	-12	-12
Cash flow from financing	**91**	**97**	**-73**	**-73**	**-76**
Change in debt	150	227	0	0	0
Change in equity	0	0	0	0	0
Dividends	-37	-39	0	0	0
Other	-22	-92	-73	-73	-76
Change in cash	166	-31	8	0	29
Cash at beginning of year	97	264	233	241	241
Cash at end of year	264	233	241	241	271
Gross cash flow	**263**	**226**	**293**	**306**	**309**
Free cash flow	**0**	**0**	**75**	**72**	**103**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-11.0	0.4	10.4	4.5	3.2
Operating profit	-73.4	88.1	50.2	30.2	3.1
Net profit	-83.9	176.9	58.9	30.4	4.1
Adjusted EPS**	-84.5	177.7	65.1	25.4	4.1
Per-share data (KRW)					
EPS (parent-based)	564	1,567	2,587	3,244	3,378
EPS (consolidated)	565	1,565	2,482	3,244	3,378
Adjusted EPS**	564	1,567	2,587	3,244	3,378
BVPS	54,089	54,192	54,626	56,145	58,335
DPS (common)	1,200	1,200	1,200	1,300	1,400
Valuations (x)					
P/E***	35.0	32.0	12.5	10.0	9.6
P/B***	0.4	0.9	0.6	0.6	0.6
EV/EBITDA	9.3	12.7	8.4	7.1	6.8
Ratios (%)					
ROE	1.0	2.9	4.5	5.8	5.8
ROA	0.5	1.5	2.3	2.9	2.9
ROIC	1.6	2.2	3.9	5.3	5.4
Payout ratio	190.4	68.6	43.3	35.9	37.1
Dividend yield (common)	6.1	2.4	3.7	4.0	4.3
Net debt to equity	38.0	53.8	51.2	49.3	46.1
Interest coverage (x)	1.5	2.2	3.7	5.1	5.4

COMPANY UPDATE

2026. 7. 10

Industrial Team

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AT A GLANCE

BUY

Target price	**KRW95,000**	**54.5%**
Current price	**KRW61,500**	
Market cap	KRW1.7t/USD1.1b	
Shares (float)	28,024,278 (59.4%)	
52-week high/low	KRW165,000/KRW61,500	
Avg daily trading value (60-day)	KRW13.7b/ USD9.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Poongsan (%)	-11.0	-49.1	-51.9
Vs Kospi (%pts)	-1.2	-68.0	-79.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	95,000	140,000	-32.1%
2026E EPS	8,563	8,563	0.0%
2027E EPS	7,106	7,106	0.0%

SAMSUNG vs THE STREET

No of estimates	12
Target price	136,283
Recommendation	3.8

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

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Poongsan (103140)

Uncertainty for defense business needs to clear

- Considering the won-dollar rate and copper-price trends, margins at Poongsan's copper business likely remained resilient in 2Q. A recovery in its defense sales is more likely to materialize in 2H than in 1H.
- Its core earnings should remain robust, but uncertainty surrounding the defense business is expected to continue weighing on its shares.
- The company's valuation appeal may only return once management-related risks tied to the divestiture of the defense business have been resolved (regardless of whether the business is actually sold).

WHAT'S THE STORY?

Earnings rely more on copper business than defense business in 2Q: Even though non-ferrous metal prices have become more volatile since the start of the US-Iran conflict, copper prices have remained strong thanks to the tight supply. Additionally, the sustained won weakness (vs the US dollar) is likely providing a sustained tailwind for Poongsan's copper business. As guidance has its defense sales recovering more noticeably in 2H, we think Poongsan's 2Q results were once again driven more by its copper business than by its defense business (as seen in 1Q). (While inherently subject to high monthly volatility, Korea's ammunition exports over April-May fell 71% y-y to USD60m, making it difficult to confidently predict a significant q-q rebound in Poongsan's defense exports in 2Q.)

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	5,049	6,051	6,127	6,241
Operating profit (KRWb)	297	350	304	363
Net profit (adj) (KRWb)	147	250	198	243
EPS (adj) (KRW)	5,251	8,563	7,106	8,691
EPS (adj) growth (% y-y)	-37.7	63.1	-17.0	22.3
EBITDA margin (%)	7.7	7.3	6.4	7.2
ROE (%)	6.5	10.0	7.7	9.0
P/E (adj) (x)	20.3	8.0	9.7	7.9
P/B (x)	1.3	0.8	0.8	0.7
EV/EBITDA (x)	9.9	6.3	7.2	6.3
Dividend yield (%)	1.6	3.9	3.9	3.9

Source: Company data, Samsung Securities estimates

Samsung Securities

Management risk resolution needed to unlock valuation appeal: Poongsan trades at a 2026 P/E of 7.8x, a 76% discount to the K-defense industry. While this valuation may appear attractive at first glance, it is important to remember that uncertainties surrounding the potential sale of the defense business have not been fully resolved. The firm's valuation appeal may only return once management-related risks tied to the defense business's divestiture have been resolved. Increasing the discount applied to Poongsan's defense business from 20% to 50%, we cut our target by 33% to KRW95,000.

Poongsan: Results and forecasts (parent basis)

(KRWb)	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**968.8**	**1,167.3**	**1,271.2**	**1,414.1**	**1,048.0**	**1,211.9**	**1,245.2**	**1,391.7**	**3,849.1**	**4,821.5**	**4,896.8**
Copper business	809.5	896.2	885.5	885.7	838.4	893.1	861.8	864.9	2,650.6	3,477.0	3,458.1
Defense business	159.2	271.1	385.8	528.4	209.6	318.7	383.4	526.8	1,198.5	1,344.5	1,438.6
Exports	566.6	642.4	676.4	692.3	603.6	665.8	680.8	697.9	2,065.7	2,577.7	2,648.2
Copper business	481.9	503.3	495.1	526.5	502.0	498.9	481.4	515.5	1,499.2	2,006.8	1,997.8
Defense business	84.7	139.1	181.3	165.8	101.6	166.9	199.4	182.4	566.5	570.9	650.4
Domestic	402.2	525.0	594.8	721.8	444.4	546.0	564.4	693.8	1,783.4	2,243.8	2,248.6
Copper business	327.7	393.0	390.3	359.2	336.4	394.2	380.4	349.3	1,151.4	1,470.2	1,460.3
Defense business	74.5	132.0	204.5	362.6	108.0	151.8	184.0	344.4	632.0	773.6	788.3
Gross profit	131.5	122.5	125.7	124.0	67.0	110.1	142.1	147.0	430.7	503.7	466.1
Operating profit	**87.3**	**89.2**	**80.6**	**58.2**	**21.3**	**75.6**	**95.4**	**79.0**	**247.2**	**315.3**	**271.3**
Pre-tax profit	99.5	68.8	60.8	38.2	1.0	55.2	75.6	59.0	187.4	267.2	190.8
Net profit	**78.0**	**52.3**	**46.2**	**29.0**	**0.8**	**42.0**	**57.4**	**44.8**	**147.4**	**205.5**	**145.0**
Chg (% y-y)											
Sales	**17.2**	**15.1**	**45.9**	**24.3**	**8.2**	**3.8**	**-2.0**	**-1.6**	**9.9**	**25.3**	**1.6**
Copper business	30.5	34.5	37.9	22.7	3.6	-0.3	-2.7	-2.4	14.6	31.2	-0.5
Defense business	-22.6	-22.0	68.3	27.1	31.6	17.6	-0.6	-0.3	0.8	12.2	7.0
Exports	34.2	12.6	43.0	15.4	6.5	3.7	0.7	0.8	1.9	24.8	2.7
Copper business	43.1	35.3	37.6	22.3	4.2	-0.9	-2.8	-2.1	13.9	33.9	-0.4
Defense business	-0.7	-30.0	60.0	-2.0	20.0	20.0	10.0	10.0	-20.3	0.8	13.9
Domestic	-0.5	18.4	49.4	34.3	10.5	4.0	-5.1	-3.9	20.8	25.8	0.2
Copper business	15.5	33.5	38.3	23.4	2.7	0.3	-2.6	-2.7	15.4	27.7	-0.7
Defense business	-38.2	-11.4	76.3	47.1	44.9	15.0	-10.0	-5.0	32.2	22.4	1.9
Gross profit	58.7	-4.5	46.2	-7.2	-49.1	-10.2	13.0	18.6	-14.2	17.0	-7.5
Operating profit	95.2	1.4	90.1	-19.2	-75.6	-15.2	18.4	35.7	-21.3	27.6	-14.0
Pre-tax profit	96.5	-8.2	46.6	87.9	-99.0	-19.7	24.4	54.5	-41.0	42.6	-28.6
Net profit	87.7	-18.6	41.7	220.0	-99.0	-19.7	24.4	54.5	-37.4	39.4	-29.4
Margins (%)											
Gross profit	13.6	10.5	9.9	8.8	6.4	9.1	11.4	10.6	11.2	10.4	9.5
Operating profit	9.0	7.6	6.3	4.1	2.0	6.2	7.7	5.7	6.4	6.5	5.5
Pre-tax profit	10.3	5.9	4.8	2.7	0.1	4.6	6.1	4.2	4.9	5.5	3.9
Net profit	8.1	4.5	3.6	2.1	0.1	3.5	4.6	3.2	3.8	4.3	3.0

Source: Company data, Samsung Securities estimates

Poongsan: Results and forecasts (consolidated)

(KRWb)	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**1,270.9**	**1,478.5**	**1,578.5**	**1,722.7**	**1,357.1**	**1,522.8**	**1,549.4**	**1,698.1**	**5,048.6**	**6,050.7**	**6,127.4**
Parent	968.8	1,167.3	1,271.2	1,414.1	1,048.0	1,211.9	1,245.2	1,391.7	3,849.1	4,821.5	4,896.8
Subsidiaries	302.1	311.2	307.3	308.6	309.0	311.0	304.2	306.4	1,199.5	1,229.2	1,230.7
Gross profit	170.3	163.4	156.8	158.3	110.7	144.7	172.9	181.1	574.8	648.8	609.3
Parent	131.5	122.5	125.7	124.0	67.0	110.1	142.1	147.0	430.7	503.7	466.1
Subsidiaries	38.8	40.9	31.1	34.3	43.7	34.6	30.8	34.1	144.1	145.1	143.2
Operating profit	**90.2**	**102.8**	**89.3**	**67.3**	**29.8**	**83.4**	**102.9**	**88.3**	**297.4**	**349.5**	**304.3**
Parent	87.3	89.2	80.6	58.2	21.3	75.6	95.4	79.0	247.2	315.3	271.3
Subsidiaries	2.8	13.6	8.7	9.1	8.5	7.8	7.5	9.3	50.3	34.2	33.1
Pre-tax profit	101.1	92.4	79.5	57.2	19.7	73.2	93.3	78.4	235.5	330.2	264.6
Parent	99.5	68.8	60.8	38.2	1.0	55.2	75.6	59.0	187.4	267.2	190.8
Subsidiaries	1.6	23.7	18.7	19.0	18.7	18.0	17.7	19.4	48.2	62.9	73.8
Net profit	**78.0**	**69.3**	**59.6**	**42.9**	**14.8**	**54.9**	**70.0**	**58.8**	**147.2**	**249.8**	**198.4**
Parent	78.0	52.3	46.2	29.0	0.8	42.0	57.4	44.8	147.4	205.5	145.0
Subsidiaries	-0.0	17.1	13.4	13.9	14.0	13.0	12.5	14.0	-0.2	44.3	53.4
Net profit attributable to parent company	78.0	69.3	59.6	42.9	14.8	54.9	70.0	58.8	147.2	249.8	198.4
Chg (% y-y)											
Sales	9.9	14.3	34.4	20.9	6.8	3.0	-1.8	-1.4	10.9	19.8	1.3
Operating profit	29.3	9.8	109.7	-26.5	-67.0	-18.9	15.2	31.2	-8.1	17.5	-12.9
Net profit	87.7	8.0	82.9	385.8	-81.0	-20.8	17.4	37.1	-37.7	69.8	-20.6
Net profit attributable to parent company	87.7	8.0	82.9	385.8	-81.0	-20.8	17.4	37.1	-37.7	69.8	-20.6
Margins (%)											
Gross profit	13.4	11.1	9.9	9.2	8.2	9.5	11.2	10.7	11.4	10.7	9.9
Operating profit	7.1	7.0	5.7	3.9	2.2	5.5	6.6	5.2	5.9	5.8	5.0
Net profit	6.1	4.7	3.8	2.5	1.1	3.6	4.5	3.5	2.9	4.1	3.2

Source: Company data, Samsung Securities estimates

Global peer valuations

2026E valuation (x)	P/E	P/B	ROE (%)	EV/EBITDA	2025-2027 EPS CAGR (%)
Poongsan	**7.8**	**0.8**	**10.0**	**6.2**	**16.8**
LIG D&A	44.8	10.0	24.3	28.0	31.8
Hanwha Aerospace*	24.4	4.7	21.6	12.8	41.4
KAI	41.6	6.7	17.2	27.1	56.1
Hyundai Rotem*	21.0	5.1	27.2	14.5	30.9
K-defense average	**33.0**	**6.6**	**22.6**	**20.6**	**40.0**
Vale	7.7	1.6	22.6	4.7	-4.3
Rio Tinto	11.1	2.2	21.0	6.1	14.0
BHP Group	15.5	3.7	24.4	6.9	14.3
Glencore	11.9	1.9	16.4	5.3	84.6
Boliden	12.7	1.8	14.4	6.2	34.4
Major miner average	**11.8**	**2.2**	**19.8**	**5.8**	**28.6**
Rheinmetall	25.6	6.9	30.2	13.8	42.3
BAE Systems	21.9	4.3	19.7	12.7	12.8

Note: *Poongsan is trading at a 76% discount to the K-defense average and a 66% discount to the Hanwha Aerospace/Hyundai Rotem average

Source: Bloomberg, Samsung Securities estimates

Poongsan: SOTP valuation

(KRWb)	
Enterprise value	**2,590.1**
1) Defense business	1,389.8
- 2026E net profit	122.4
- Target P/E*	11.4
2) Copper business	1,200.3
- 2026E net profit	127.4
- Target P/E**	9.4
Outstanding shares	28,024,278
Target price (KRW)	**95,000**

Note: *Discounted 50% to peer average to reflect order structure;
**Discounted 20% to peer average to reflect business scale
Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**4,554**	**5,049**	**6,051**	**6,127**	**6,241**
Cost of goods sold	3,938	4,474	5,402	5,518	5,567
Gross profit	**616**	**575**	**649**	**609**	**674**
Gross margin (%)	13.5	11.4	10.7	9.9	10.8
SG&A expenses	292	277	299	305	311
Operating profit	**324**	**297**	**350**	**304**	**363**
Operating margin (%)	7.1	5.9	5.8	5.0	5.8
Non-operating gains (losses)	**-5**	**-62**	**-19**	**-40**	**-39**
Financial profit	19	16	22	7	7
Financial costs	47	47	51	36	35
Equity-method gains (losses)	0	1	1	0	0
Other	23	-32	9	-11	-11
Pre-tax profit	**318**	**236**	**330**	**265**	**324**
Taxes	82	88	80	66	81
Effective tax rate (%)	25.8	37.5	24.3	25.0	25.0
Profit from continuing operations	236	147	250	198	243
Profit from discontinued operations	0	0	0	0	0
Net profit	**236**	**147**	**250**	**198**	**243**
Net margin (%)	5.2	2.9	4.1	3.2	3.9
Net profit (controlling interests)	236	147	250	198	243
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	413	388	440	394	451
EBITDA margin (%)	9.1	7.7	7.3	6.4	7.2
EPS (parent-based) (KRW)	8,423	5,251	8,563	7,106	8,691
EPS (consolidated) (KRW)	8,423	5,251	8,914	7,081	8,665
Adjusted EPS (KRW)*	8,423	5,251	8,563	7,106	8,691

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**2,562**	**2,763**	**2,938**	**3,051**	**3,220**
Cash & equivalents	345	239	207	142	138
Accounts receivable	602	797	880	961	1,034
Inventories	1,459	1,623	1,705	1,811	1,889
Other current assets	155	104	146	137	159
Fixed assets	**1,535**	**1,566**	**1,679**	**1,792**	**1,905**
Investment assets	48	21	185	219	254
Tangible assets	1,309	1,387	1,464	1,540	1,615
Intangible assets	13	18	18	18	18
Other long-term assets	165	140	13	15	18
Total assets	**4,097**	**4,329**	**4,617**	**4,843**	**5,125**
Current liabilities	**1,359**	**1,450**	**1,558**	**1,646**	**1,751**
Accounts payable	185	158	223	275	338
Short-term debt	393	535	535	535	535
Other current liabilities	780	757	800	837	877
Long-term liabilities	**539**	**581**	**557**	**572**	**583**
Bonds & long-term debt	240	422	422	422	422
Other long-term liabilities	299	159	135	150	160
Total liabilities	**1,897**	**2,031**	**2,116**	**2,219**	**2,333**
Owners of parent equity	**2,199**	**2,298**	**2,502**	**2,624**	**2,791**
Capital stock	140	140	140	140	140
Capital surplus	495	495	495	495	495
Retained earnings	1,491	1,592	1,796	1,918	2,086
Other	74	71	71	71	71
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**2,199**	**2,298**	**2,502**	**2,624**	**2,791**
Net debt	480	845	854	919	922

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**40**	**-168**	**261**	**253**	**317**
Net profit	236	147	250	198	243
Non-cash profit and expenses	252	275	216	249	245
Depreciation	89	90	91	90	89
Amortization	1	0	0	0	0
Other	162	184	125	159	156
Changes in A/L from operating activities	-343	-397	-205	-195	-170
Cash flow from investments	**-217**	**-177**	**-226**	**-224**	**-224**
Change in tangible assets	-195	-179	-179	-176	-176
Change in financial assets	-17	27	-45	-45	-45
Other	-5	-25	-2	-3	-4
Cash flow from financing	**90**	**279**	**-28**	**-56**	**-58**
Change in debt	136	258	-2	0	0
Change in equity	0	0	0	0	0
Dividends	0	0	0	0	0
Other	-46	21	-26	-56	-58
Change in cash	-63	-106	-32	-66	-3
Cash at beginning of year	408	345	239	207	142
Cash at end of year	345	239	207	142	138
Gross cash flow	**488**	**422**	**466**	**447**	**488**
Free cash flow	**-156**	**-353**	**80**	**73**	**138**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	10.4	10.9	19.8	1.3	1.8
Operating profit	41.6	-8.1	17.5	-12.9	19.1
Net profit	50.9	-37.7	69.8	-20.6	22.4
Adjusted EPS**	48.2	-37.7	63.1	-17.0	22.3
Per-share data (KRW)					
EPS (parent-based)	8,423	5,251	8,563	7,106	8,691
EPS (consolidated)	8,423	5,251	8,914	7,081	8,665
Adjusted EPS**	8,423	5,251	8,563	7,106	8,691
BVPS	80,518	84,137	85,634	91,453	96,626
DPS (common)	2,600	1,700	2,700	2,700	2,700
Valuations (x)					
P/E***	5.9	20.3	8.0	9.7	7.9
P/B***	0.6	1.3	0.8	0.8	0.7
EV/EBITDA	4.5	9.9	6.3	7.2	6.3
Ratios (%)					
ROE	11.3	6.5	10.0	7.7	9.0
ROA	6.1	3.5	5.6	4.2	4.9
ROIC	9.7	6.2	9.4	9.2	10.6
Payout ratio	30.1	31.6	30.3	38.1	31.2
Dividend yield (common)	5.2	1.6	3.9	3.9	3.9
Net debt to equity	21.8	36.8	34.1	35.0	33.0
Interest coverage (x)	8.6	8.0	9.6	8.5	10.3

COMPANY UPDATE

2026. 7. 10

Industrial Team

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AT A GLANCE

Not Rated

Target price	n/a
Current price	**KRW1,003,000**
Market cap	KRW20.9t/USD13.9b
Shares (float)	20,872,969 (56.6%)
52-week high/low	KRW2,115,000/KRW759,000
Avg daily trading value (60-day)	KRW41.1b/ USD27.3m

ONE-YEAR PERFORMANCE

	1M	6M	12M
Korea Zinc (%)	-17.2	-12.2	17.6
Vs Kospi (%pts)	-8.1	-44.8	-49.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	Not Rated	Not Rated	
Target price	n/a	n/a	n/a
2024E EPS	31,314	31,314	0.0%
2025E EPS	34,823	34,823	0.0%

SAMSUNG vs THE STREET

No of estimates	5
Target price	1,791,600
Recommendation	4.0

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

Samsung Securities

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Korea Zinc (010130)

Near-term PM prices, longer term investments

- Following the escalation of the US-Iran conflict, precious-metal prices have remained highly volatile, suggesting that Korea Zinc's 2Q results fell q-q.
- Nevertheless, the firm's earnings are expected to remain elevated, as: 1) base- and precious-metal prices remain above their historical averages; and 2) tight concentrate supply conditions persist.
- The company's USD7.4b investment in a new integrated smelter in the US should take some time to be reflected in its enterprise value. Close monitoring of the project's progress is advised.

WHAT'S THE STORY?

Precious-metal prices increasingly volatile: Korea Zinc's 1Q26 consolidated operating profit made a new high, fueled by a weak won and sharp rally in precious-metal prices. However, since the outbreak of the Iran war in March, precious metals have corrected significantly and remain subject to elevated price swings. This has set the stage for a q-q drop in Korea Zinc's 2Q results. Yet, the firm's earnings (which moved up a level in 2H25) should remain elevated for a while longer, as: 1) base- and precious-metal prices are still above their long-term averages; and 2) base-metal prices have limited downside (given structural supply constraints).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2023	2024E	2025E	2026E
Revenue (KRWb)	9,705	11,722	12,032	11,944
Operating profit (KRWb)	660	947	959	975
Net profit (adj) (KRWb)	533	660	732	733
EPS (adj) (KRW)	26,127	31,314	34,823	34,877
EPS (adj) growth (% y-y)	-35.6	19.9	11.2	0.2
EBITDA margin (%)	10.1	11.3	11.3	11.7
ROE (%)	5.7	6.8	7.2	7.0
P/E (adj) (x)	19.1	32.1	37.8	31.9
P/B (x)	1.1	2.1	2.6	2.1
EV/EBITDA (x)	11.0	15.1	17.5	16.0
Dividend yield (%)	3.0	1.5	1.1	1.3

Source: Company data, Samsung Securities estimates

Check on operating results and US smelter project progress: Korea Zinc's competitive edge lies in its proprietary smelting technology, which has helped it deliver superior (and stable) margins in the business of zinc and lead refining. The company has leveraged this strength to expand into copper and nickel refining, and has finalized a plan to build a fully-integrated US smelter capable of recovering rare metals as byproducts. The USD7.4b US investment, while technically compelling given the company's proven capabilities, is still too distant to be fully reflected in the firm's enterprise value. Meanwhile, another key near-term catalyst to watch is the ramp-up in its copper production capacity—it is retooling its three Fumer refineries, the first of which is expected to come online this year. The stock is trading at a 2026 FnGuide-based P/E of 20.8x (P/B of 2.1x for a ROE of 9.9%).

Korea Zinc: Results and forecasts (non-consolidated)

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2024	2025
Sales	**1,813.6**	**1,987.7**	**2,029.3**	**2,258.4**	**2,388.6**	**2,461.4**	**2,609.2**	**3,075.0**	**4,294.5**	**8,089.0**	**10,534.2**
Zinc	597.0	599.0	593.0	773.0	656.0	620.0	609.0	670.0	785.0	2,562.0	2,555.0
Lead	353.0	369.0	334.0	364.0	339.0	317.0	310.0	328.0	375.0	1,420.0	1,294.0
Silver	501.0	586.0	655.0	641.0	747.0	772.0	828.0	1,131.0	2,202.0	2,383.0	3,478.0
Gold	155.0	172.0	188.0	233.0	358.0	415.0	548.0	630.0	617.0	748.0	1,951.0
Other	207.6	261.7	259.3	247.4	288.6	337.4	314.2	316.0	315.5	976.0	1,256.2
Growth (% y-y)	**-0.1**	**11.2**	**13.8**	**18.5**	**31.7**	**23.8**	**28.6**	**36.2**	**79.8**	**10.9**	**30.2**
Zinc	-12.3	-8.3	8.4	34.0	9.9	3.5	2.7	-13.3	19.7	4.2	-0.3
Lead	26.1	28.1	1.8	-10.3	-4.0	-14.1	-7.2	-9.9	10.6	9.1	-8.9
Silver	23.4	30.8	19.7	22.8	49.1	31.7	26.4	76.4	194.8	23.9	46.0
Gold	-33.2	-8.5	8.0	44.7	131.0	141.3	191.5	170.4	72.3	-0.9	160.8
Other	-3.8	24.4	38.7	3.1	39.0	28.9	21.2	27.8	9.3	14.4	28.7
Volume (tonne)											
Zinc	168,921	152,430	145,723	175,987	146,489	150,651	149,981	142,374	157,448	643,061	589,495
Lead	115,293	112,500	102,953	114,916	104,452	100,055	99,511	101,319	111,968	445,662	405,337
Silver	501	497	511	464	515	520	501	511	594	1,973	2,047
Gold	2	2	2	2	2	3	4	3	3	7	12
ASP (KRW'000/tonne)											
Zinc	3,534.2	3,929.7	4,069.4	4,392.4	4,478.2	4,115.5	4,060.5	4,705.9	4,985.8	3,984.1	4,334.2
Lead	3,061.8	3,280.0	3,244.2	3,167.5	3,245.5	3,168.3	3,115.2	3,237.3	3,349.2	3,186.3	3,192.4
Silver (KRW'000/kg)	1,000.3	1,180.0	1,281.3	1,380.7	1,451.4	1,484.1	1,654.1	2,212.3	3,706.4	1,207.9	1,699.4
Gold (KRW'000/kg)	88,419.9	103,179.4	108,046.0	119,303.6	144,064.4	148,214.3	153,072.6	193,846.2	228,687.9	105,159.6	161,040.0
Gross profit	**236.6**	**301.0**	**235.9**	**267.1**	**352.1**	**333.0**	**292.8**	**483.7**	**804.8**	**1,040.6**	**1,461.5**
GPM (%)	13.0	15.1	11.6	11.8	14.7	13.5	11.2	15.7	18.7	12.9	13.9
Growth (% y-y)	25.1	50.9	16.2	0.1	48.8	10.6	24.1	81.1	128.6	21.2	40.4
Operating profit	**190.7**	**257.4**	**179.2**	**186.7**	**272.7**	**266.5**	**235.2**	**405.2**	**693.3**	**813.9**	**1,179.6**
OPM (%)	10.5	12.9	8.8	8.3	11.4	10.8	9.0	13.2	16.1	10.1	11.2
Growth (% y-y)	23.1	56.3	7.5	-15.6	43.0	3.5	31.2	117.1	154.2	15.1	44.9
Pre-tax profit	**161.8**	**266.1**	**263.3**	**-164.0**	**276.4**	**430.2**	**102.3**	**227.6**	**543.4**	**527.1**	**1,036.5**
Margin (%)	8.9	13.4	13.0	-7.3	11.6	17.5	3.9	7.4	12.7	6.5	9.8
Growth (% y-y)	-15.6	41.6	97.5	-160.2	70.8	61.7	-61.2	-238.8	96.6	-32.9	96.6
Net profit	**140.0**	**198.2**	**195.1**	**-104.1**	**205.5**	**328.1**	**77.7**	**160.4**	**396.5**	**429.2**	**771.6**
NPM (%)	7.7	10.0	9.6	-4.6	8.6	13.3	3.0	5.2	9.2	5.3	7.3
Growth (% y-y)	-3.6	39.9	93.1	-152.6	46.7	65.5	-60.2	-254.1	93.0	-26.7	79.7

Source: Company data, Samsung Securities

Korea Zinc: Results and forecasts (consolidated)

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2024	2025
Sales	**2,375.4**	**3,058.2**	**3,206.7**	**3,412.7**	**3,832.8**	**3,825.4**	**4,159.8**	**4,769.9**	**6,072.0**	**12,052.9**	**16,587.9**
Parent	1,813.6	1,987.7	2,029.3	2,258.4	2,388.6	2,461.4	2,609.2	3,075.0	4,294.5	8,089.0	10,534.2
Subsidiaries	561.7	1,070.4	1,177.4	1,154.4	1,444.2	1,364.0	1,550.6	1,694.8	1,777.5	3,963.9	6,053.6
Gross profit	**266.3**	**361.5**	**265.0**	**248.0**	**406.2**	**389.5**	**390.3**	**615.5**	**953.4**	**1,140.8**	**1,801.5**
Parent	236.6	301.0	235.9	267.1	352.1	333.0	292.8	483.7	804.8	1,040.6	1,461.5
Subsidiaries	29.7	60.5	29.1	-19.1	54.1	56.6	97.5	131.9	148.5	100.2	340.0
Operating profit	**184.5**	**268.7**	**150.0**	**120.3**	**271.1**	**258.9**	**273.4**	**428.5**	**746.1**	**723.5**	**1,231.9**
Parent	190.7	257.4	179.2	186.7	272.7	266.5	235.2	405.2	693.3	813.9	1,179.6
Subsidiaries	-6.1	11.4	-29.2	-66.4	-1.6	-7.6	38.2	23.3	52.8	-90.4	52.4
Pre-tax profit	**152.9**	**250.7**	**218.8**	**-329.9**	**238.7**	**422.9**	**98.8**	**268.5**	**517.8**	**292.5**	**1,029.0**
Parent	161.8	266.1	263.3	-164.0	276.4	430.2	102.3	227.6	543.4	527.1	1,036.5
Subsidiaries	-8.9	-15.5	-44.5	-165.8	-37.7	-7.3	-3.4	40.9	-25.7	-234.6	-7.6
Net profit	**112.4**	**175.5**	**152.8**	**-245.9**	**162.5**	**329.7**	**70.7**	**207.3**	**354.0**	**194.8**	**770.2**
Parent	140.0	198.2	195.1	-104.1	205.5	328.1	77.7	160.4	396.5	429.2	771.6
Subsidiaries	-27.6	-22.7	-42.3	-141.9	-43.0	1.7	-6.9	46.9	-42.4	-234.5	-1.3
Attribute to parent	**106.8**	**176.7**	**156.3**	**-248.8**	**162.5**	**331.1**	**72.2**	**209.2**	**354.6**	**190.9**	**775.0**
Growth (% y-y)											
Sales	-6.0	23.8	39.8	41.3	61.4	25.1	29.7	39.8	58.4	24.2	37.6
Operating profit	26.6	72.6	-6.5	-39.3	46.9	-3.7	82.3	256.4	175.2	9.6	70.3
Net profit	-18.8	41.3	96.5	n/a	44.6	87.9	-53.7	n/a	117.9	-63.5	295.4
Attribute to parent	-23.6	46.6	102.7	n/a	52.1	87.4	-53.8	n/a	118.2	-63.8	305.9
Margin (%)											
GPM	11.2	11.8	8.3	7.3	10.6	10.2	9.4	12.9	15.7	9.5	10.9
OPM	7.8	8.8	4.7	3.5	7.1	6.8	6.6	9.0	12.3	6.0	7.4
NPM	4.7	5.7	4.8	-7.2	4.2	8.6	1.7	4.3	5.8	1.6	4.6

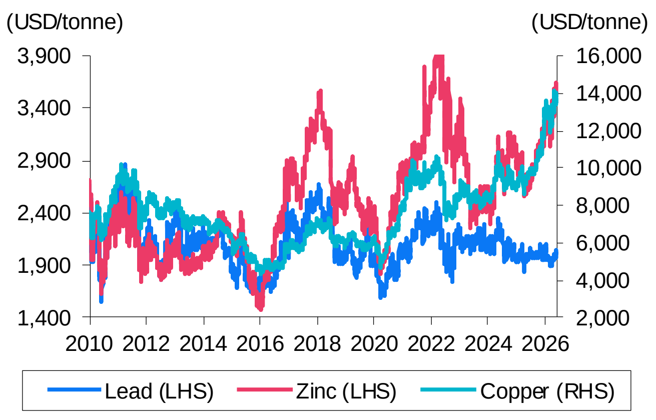
Source: Company data, Samsung Securities

Korea Zinc: Forecasts (consensus)

(KRWb)	2023	2024	2025	2026E*	2027E*
Sales	**9,704.5**	**12,052.9**	**16,587.9**	**22,962.1**	**23,614.8**
Gross profit	961.9	1,140.8	1,801.5	2,996.1	2,882.9
Operating profit	**659.9**	**723.5**	**1,231.9**	**2,256.9**	**2,100.8**
OPM (%)	6.8	6.0	7.4	9.8	8.9
EBITDA	978.9	1,076.2	1,594.0	2,640.3	2,599.0
Pre-tax profit	728.1	292.5	1,029.0	1,746.4	1,657.7
Net profit	533.4	194.8	770.2	1,268.3	1,220.7
Attribute to parent	527.3	190.9	775.0	1,274.7	1,226.7
Asset	12,046.1	14,792.3	20,395.7	23,001.1	25,255.2
Liabilities	2,404.1	7,196.9	9,211.5	9,913.4	11,363.8
Equity	9,642.0	7,595.4	11,184.2	13,087.7	13,891.4
Parent equity	9,390.2	7,333.6	10,937.7	12,847.2	13,657.2
ROE (%)	5.7	2.3	8.5	9.9	9.0
Valuation (x)					
P/E				20.8	21.6
P/B				2.1	1.9

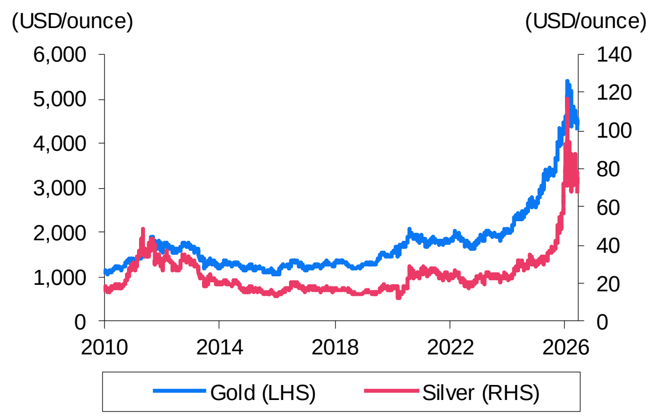
Source: FnGuide

Nonferrous metal prices



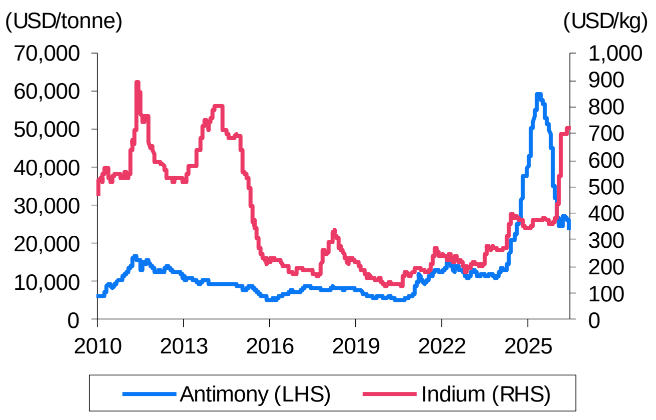
Source: Bloomberg, Samsung Securities

Precious-metal prices



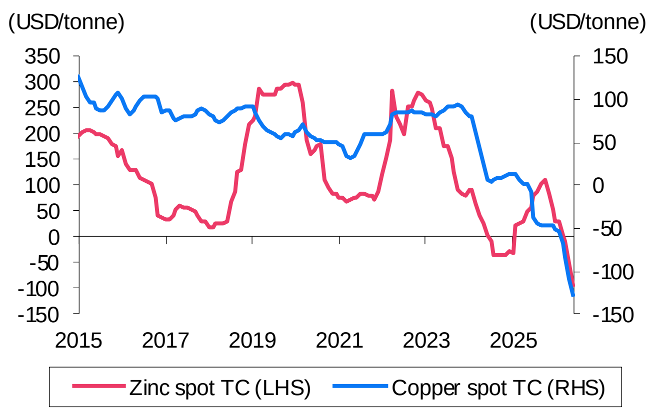
Source: Bloomberg, Samsung Securities

Prices of rare metals



Source: Bloomberg, Samsung Securities

Spot TC: Zinc vs copper



Source: Metal Bulletin, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2022	2023	2024E	2025E	2026E
Sales	**11,219**	**9,705**	**11,722**	**12,032**	**11,944**
Cost of goods sold	10,050	8,743	10,395	10,671	10,563
Gross profit	**1,169**	**962**	**1,327**	**1,361**	**1,382**
Gross margin (%)	10.4	9.9	11.3	11.3	11.6
SG&A expenses	250	302	380	402	406
Operating profit	**919**	**660**	**947**	**959**	**975**
Operating margin (%)	8.2	6.8	8.1	8.0	8.2
Non-operating gains (losses)	**-38**	**68**	**-21**	**67**	**52**
Financial profit	332	323	251	278	263
Financial costs	366	207	221	201	201
Equity-method gains (losses)	30	-29	-12	-12	-12
Other	-33	-19	-38	2	2
Pre-tax profit	**881**	**728**	**926**	**1,026**	**1,028**
Taxes	83	195	266	294	295
Effective tax rate (%)	9.4	26.7	28.7	28.7	28.7
Profit from continuing operations	798	533	660	732	733
Profit from discontinued operations	0	0	0	0	0
Net profit	**798**	**533**	**660**	**732**	**733**
Net margin (%)	7.1	5.5	5.6	6.1	6.1
Net profit (controlling interests)	781	527	651	721	722
Net profit (non-controlling interests)	18	6	17	10	11
EBITDA	1,223	979	1,320	1,354	1,397
EBITDA margin (%)	10.9	10.1	11.3	11.3	11.7
EPS (parent-based) (KRW)	40,572	26,127	31,314	34,823	34,877
EPS (consolidated) (KRW)	41,490	26,430	31,787	35,339	35,393
Adjusted EPS (KRW)*	40,572	26,127	31,314	34,823	34,877

Balance sheet

Year-end Dec 31 (KRWb)	2022	2023	2024E	2025E	2026E
Current assets	**6,071**	**5,572**	**5,749**	**6,100**	**6,381**
Cash & equivalents	781	677	630	638	653
Accounts receivable	616	535	664	789	883
Inventories	2,825	2,638	2,867	3,081	3,229
Other current assets	1,849	1,722	1,588	1,592	1,616
Fixed assets	**6,027**	**6,474**	**6,844**	**7,119**	**7,400**
Investment assets	1,206	1,521	1,805	1,892	1,983
Tangible assets	3,694	3,869	4,156	4,345	4,534
Intangible assets	851	883	883	883	883
Other long-term assets	275	202	0	0	0
Total assets	**12,098**	**12,046**	**12,592**	**13,219**	**13,781**
Current liabilities	**2,319**	**1,903**	**2,228**	**2,355**	**2,458**
Accounts payable	956	903	1,075	1,170	1,253
Short-term debt	792	619	719	719	719
Other current liabilities	571	380	434	465	486
Long-term liabilities	**547**	**501**	**375**	**455**	**490**
Bonds & long-term debt	209	169	169	169	169
Other long-term liabilities	338	332	206	286	322
Total liabilities	**2,866**	**2,404**	**2,604**	**2,809**	**2,949**
Owners of parent equity	**9,043**	**9,390**	**9,737**	**10,158**	**10,580**
Capital stock	99	105	104	104	104
Capital surplus	1,086	1,622	1,556	1,556	1,556
Retained earnings	7,953	7,843	8,190	8,611	9,033
Other	-96	-179	-112	-112	-112
Non-controlling interests' equity	**189**	**252**	**252**	**252**	**252**
Total equity	**9,232**	**9,642**	**9,989**	**10,410**	**10,832**
Net debt	134	110	-1,166	-1,174	-1,188

Cash flow statement

Year-end Dec 31 (KRWb)	2022	2023	2024E	2025E	2026E
Cash flow from operations	**782**	**821**	**963**	**920**	**930**
Net profit	798	533	660	732	733
Non-cash profit and expenses	409	435	490	419	375
Depreciation	298	312	367	388	415
Amortization	5	7	7	7	7
Other	105	116	117	24	-47
Changes in A/L from operating activities	-113	239	-188	-231	-177
Cash flow from investments	**-1,794**	**-622**	**-740**	**-614**	**-618**
Change in tangible assets	-373	-416	-959	-633	-635
Change in financial assets	45	-36	232	32	32
Other	-1,466	-171	-13	-13	-15
Cash flow from financing	**1,296**	**-316**	**-282**	**-311**	**-311**
Change in debt	574	-78	98	0	0
Change in equity	1,033	541	-67	0	0
Dividends	-355	-599	0	0	0
Other	44	-179	-314	-311	-311
Change in cash	315	-104	-47	8	14
Cash at beginning of year	466	781	677	630	638
Cash at end of year	781	677	630	638	653
Gross cash flow	**1,207**	**968**	**1,151**	**1,151**	**1,107**
Free cash flow	**409**	**402**	**3**	**285**	**293**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2022	2023	2024E	2025E	2026E
Growth (%)					
Sales	12.5	-13.5	20.8	2.6	-0.7
Operating profit	-16.1	-28.2	43.5	1.3	1.7
Net profit	-1.6	-33.2	23.8	10.8	0.2
Adjusted EPS**	-5.1	-35.6	19.9	11.2	0.2
Per-share data (KRW)					
EPS (parent-based)	40,572	26,127	31,314	34,823	34,877
EPS (consolidated)	41,490	26,430	31,787	35,339	35,393
Adjusted EPS**	40,572	26,127	31,314	34,823	34,877
BVPS	455,251	451,351	476,985	497,613	518,295
DPS (common)	20,000	15,000	15,000	15,000	15,000
Valuations (x)					
P/E***	13.9	19.1	32.1	37.8	31.9
P/B***	1.2	1.1	2.1	2.6	2.1
EV/EBITDA	9.4	11.0	15.1	17.5	16.0
Ratios (%)					
ROE	9.4	5.7	6.8	7.2	7.0
ROA	7.2	4.4	5.4	5.7	5.4
ROIC	13.1	6.9	11.0	13.0	12.6
Payout ratio	50.9	57.4	63.5	57.0	56.9
Dividend yield (common)	3.5	3.0	1.5	1.1	1.3
Net debt to equity	1.4	1.1	-11.7	-11.3	-11.0
Interest coverage (x)	26.7	15.6	22.4	22.7	23.1

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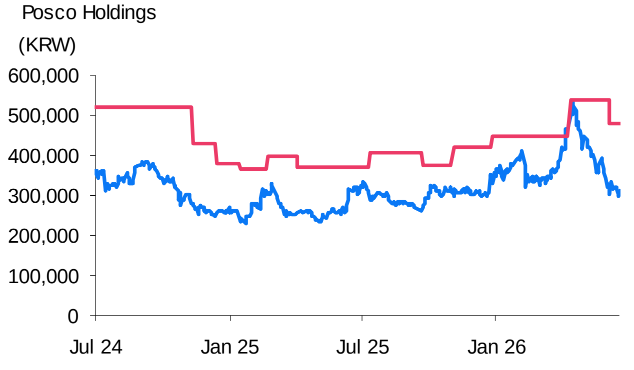
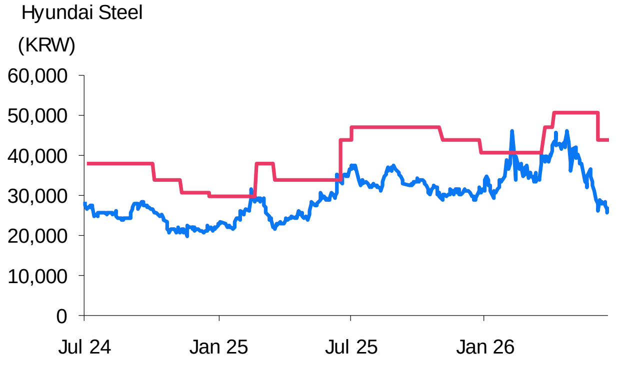
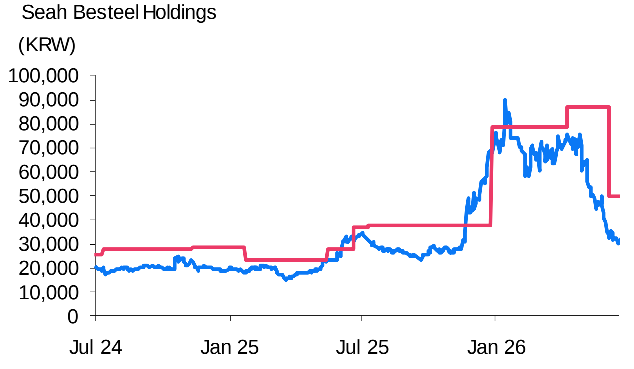
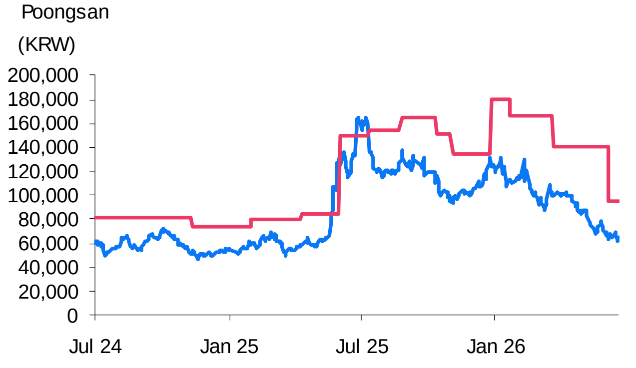
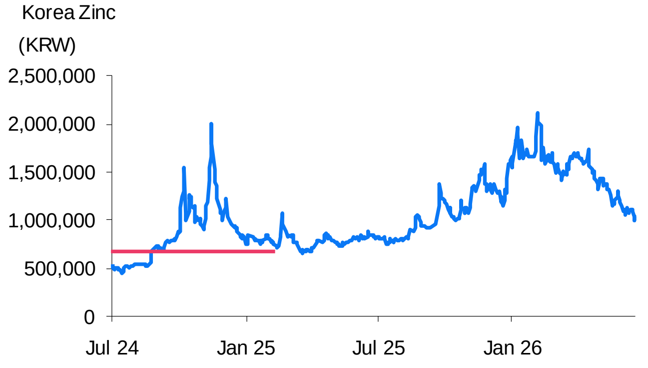
Target price changes in past two years











Rating changes over past two years (adjusted share prices)

Posco Holdings

Date	2024/7/1	12/2	2025/1/3	2/4	3/14	4/25	8/1	10/13	11/24	2026/1/16	5/4	6/26
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	520000	430000	380000	365000	400000	370000	410000	375000	420000	450000	540000	480000
Gap* (average)	-33.75	-38.55	-31.43	-26.15	-30.72	-25.24	-29.73	-17.87	-25.64	-18.19	-23.01	
(max or min)**	-24.62	-35.93	-28.68	-13.15	-17.00	-9.46	-24.63	-12.80	-16.07	4.22	-0.93	

Hyundai Steel

Date	2024/7/1	10/25	12/2	2025/1/9	3/14	4/8	7/8	7/24	11/24	2026/1/16	4/13	4/27
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	38000	34000	31000	30000	38000	34000	44000	47000	44000	41000	47000	51000
Gap* (average)	-29.71	-32.37	-30.44	-18.38	-29.88	-21.00	-19.98	-28.39	-30.38	-14.43	-14.63	-24.81
(max or min)**	-22.76	-24.41	-26.77	6.17	-22.37	4.56	-14.89	-20.00	-27.05	13.41	-9.57	-9.51
Date	6/26											
Recommendation	BUY											
Target price (KRW)	44000											
Gap* (average)												
(max or min)**												

Seah Besteel Holdings

Date	2024/7/1	8/1	12/2	2025/2/12	6/5	7/11	7/31	2026/1/16	4/30	6/26
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	25500	27500	28500	23500	28000	37000	38000	78500	87000	50000
Gap* (average)	-21.83	-26.25	-31.15	-20.15	-0.22	-10.24	-14.23	-10.35	-35.65	
(max or min)**	-17.65	-10.91	-20.88	-0.43	19.46	-7.16	81.05	15.03	-13.22	

Rating changes over past two years (adjusted share prices)

Poongsan

Date	2024/5/22	12/2	2025/2/20	5/2	6/23	8/1	9/15	11/3	11/24	2026/1/16	2/12	4/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	82000	73000	80000	85000	150000	155000	165000	151000	135000	180000	167000	140000
Gap* (average)	-25.26	-27.48	-25.43	-13.70	-5.09	-21.59	-24.93	-32.49	-20.72	-33.37	-37.23	-38.53
(max or min)**	-12.07	-16.44	-13.25	48.82	10.00	-12.58	-16.48	-26.49	-2.89	-27.11	-21.80	-27.07
Date	6/26											
Recommendation	BUY											
Target price (KRW)	95000											
Gap* (average)												
(max or min)**												

Korea Zinc

Date	2024/5/22	2026/7/7
Recommendation	BUY	Not Rated
Target price (KRW)	670000	n/a
Gap* (average)	16.31	
(max or min)**	198.51	

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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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

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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 (85.5%)·HOLD (14.5%)·SELL (0%)

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