COMPANY UPDATE

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Industrial Team

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Posco International (047050)

Solid earnings create opportunities

- We forecast Posco International's 2Q operating profit to come in at KRW373.9b, in line with consensus.
- The energy business is anticipated to benefit from the strong seasonality of the Myanmar gas field, alongside stronger power generation results driven by higher SMP prices. The global business is also expected to maintain solid performance led by robust steel trading.
- While the potential for major shareholder divestment, aligned with the group's broader strategy, is a concern, we maintain BUY on the stock, as the improved earnings stability should continue to support valuation appeal.

AT A GLANCE

BUY

Target price	KRW84,000	62.5%
Current price	KRW51,700	
Market cap	KRW9.1t/USD6.1b	
Shares (float)	175,922,788 (26.1%)	
52-week high/low	KRW87,300/KRW45,650	
Avg daily trading value (60-day)	KRW40.3b/ USD27.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Posco International (%)	-2.8	-17.5	1.0
Vs Kospi (%pts)	30.3	-39.9	-52.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	84,000	104,000	-19.2%
2026E EPS	5,193	5,123	1.4%
2027E EPS	5,191	5,044	2.9%

SAMSUNG vs THE STREET

No of estimates	14
Target price	97,429
Recommendation	4.0

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

WHAT'S THE STORY?

Earnings to remain solid in 2Q: We forecast Posco International's consolidated 2Q sales and operating profit to come in at KRW8.4t (up 0.3% q-q) and KRW373.9b (up 4.6% q-q), respectively, the latter in line with consensus (FnGuide). In the energy business, the Myanmar gas field should deliver robust profits on strong seasonality (with the highest cost recovery rate allowed) and power generation (despite being an off-season) should perform well due to higher SMP prices. The improved contribution from PT Prime Agri Resources (PT. PAR; the Indonesian palm oil plantation acquired at end-2025) should also support stronger results. Although steel trading performance in the global business may soften in 2H due to stricter EU steel safeguard measures starting in July, greater attention should be paid to long-term structural improvements in the business portfolio, including the strengthening of the LNG value chain and the accelerated development of the rare earths value chain.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	32,374	33,607	34,406	35,343
Operating profit	1,165	1,407	1,472	1,504
Net profit (adj)	703	908	913	930
EPS (adj) (KRW)	3,712	5,193	5,191	5,285
EPS (adj) growth (% y-y)	26.9	39.9	-0.0	1.8
EBITDA margin (%)	5.3	6.0	6.1	6.0
ROE (%)	9.3	11.3	10.6	10.2
P/E (adj) (x)	13.4	10.0	10.0	9.8
P/B (x)	1.3	1.1	1.1	1.0
EV/EBITDA (x)	8.6	7.4	7.0	6.8
Dividend yield (%)	3.7	4.6	4.6	4.8

Source: Company data, Samsung Securities estimates

Maintaining BUY: Posco Holdings, the major shareholder, recently announced its intention to reduce its stake in the company from the current 70.7% to 50% by end-2027. Given the uncertainty surrounding the exact method of reduction, we widen the discount relative to global peer valuations and lower our target price by 19% to KRW84,000. However, we maintain BUY, as: 1) the company's business portfolio should sustain stable earnings momentum; and 2) the major shareholder's stake reduction is unlikely to be executed imminently, with the stock's current valuation sitting at the lower end of the three-year range.

Posco International: Sum-of-the-parts valuation

(KRWb)	
Global business	11,935.6
2027E EBITDA	1,035.5
EV/EBITDA* (x)	11.5
Energy business	7,239.1
2027E EBITDA	1,129.9
EV/EBITDA** (x)	6.4
Net debt	4,472.4
Treasury shares (value)	197.5
Enterprise value	14,899.8
Outstanding shares	175,922,788
Target price (KRW)	**84,000**

Note: *Discounted 25% to global peer average to reflect revenue scale and uncertainty over the controlling shareholder's stake sale;
**Discounted 20% to global peer average to reflect uncertainty over the controlling shareholder's stake sale
Source: Bloomberg, Samsung Securities estimates

Global peer valuations

(KRWb) (2027E)	Sales	Operating profit	Net profit	EPS growth (CAGR*, %)	P/E (x)	ROE (%)	P/B (x)	EBITDA growth (CAGR*, %)	EV/EBITDA (x)	OPM (%)
Posco International	**34,406**	**1,472**	**913**	**0.9**	**10.1**	**10.6**	**1.1**	**3.9**	**6.3**	**4.3**
Mitsubishi	201,152	6,985	10,219	2.7	14.5	11.3	1.6	0.5	18.7	3.5
Mitsui	141,391	5,682	9,329	5.7	12.9	11.0	1.4	0.2	18.1	4.0
Marubeni	82,174	3,483	5,742	6.4	13.3	12.9	1.6	(3.3)	19.4	4.2
Sumitomo	73,230	4,884	6,192	6.4	11.1	13.0	1.4	6.1	14.0	6.7
Itochu	146,703	7,597	9,123	6.2	13.1	14.2	1.8	6.1	14.8	5.2
Toyota Tsusho	116,309	6,013	4,170	10.1	13.0	15.5	1.9	5.7	8.6	5.2
Sojitz	28,663	1,054	1,236	7.5	8.0	11.3	0.9	3.9	13.9	3.7
Japanese trading companies average				**6.4**	**12.3**	**12.7**	**1.5**	**2.7**	**15.4**	**4.6**
BP	307,053	34,504	15,853	1287.7	10.2	13.6	1.5	(8.9)	3.7	11.2
EQT	13,680	5,883	3,880	13.3	11.5	9.7	1.0	5.5	5.7	43.0
Southwestern Energy	7,543	2,539	1,656	n/a	n/a	21.1	n/a	23.1	n/a	33.7
Antero Resources	10,011	2,672	1,946	44.5	7.8	13.6	1.1	5.4	4.3	26.7
Exxon Mobil	558,623	86,831	63,740	25.8	13.6	15.0	2.1	(3.1)	7.1	15.5
Range Resources	5,418	1,858	1,373	21.1	8.9	17.3	1.5	2.9	5.0	34.3
Chevron	303,036	52,196	35,376	36.1	14.7	12.5	1.9	(6.9)	6.4	17.2
Cheniere Energy	34,053	9,203	4,757	(18.4)	15.9	65.9	7.1	(0.7)	10.3	27.0
Shell	437,071	55,347	35,488	20.3	9.6	12.6	1.2	(5.3)	4.4	12.7
Total Energies	319,323	45,533	30,278	24.9	8.7	15.1	1.3	(6.5)	4.8	14.3
Excelerate Energy	2,624	600	317	32.8	16.7	8.3	1.0	13.7	12.0	22.9
The Willams	20,614	7,930	4,787	9.7	28.9	22.1	6.6	12.3	14.0	38.5
Kinder Morgan	27,624	8,112	5,068	4.8	21.4	11.0	2.2	3.5	11.7	29.4
Energy Transfer	167,998	17,556	9,612	14.3	12.5	16.6	2.0	2.4	8.2	10.5
TC Energy Corp	17,669	9,640	4,314	9.3	24.7	14.4	3.9	4.7	14.6	54.6
LNG companies average				**109.0**	**14.7**	**17.9**	**2.5**	**2.8**	**8.0**	**26.1**

Note: *2026-2028 CAGR
Source: Bloomberg, Samsung Securities estimates

Posco International: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**8,153.7**	**8,144.1**	**8,248.3**	**7,827.5**	**8,410.4**	**8,432.5**	**8,472.6**	**8,291.5**	**32,373.6**	**33,607.0**	**34,405.6**
Energy	**858.2**	**921.2**	**1,226.3**	**988.0**	**1,118.0**	**1,023.1**	**1,258.2**	**1,167.7**	**3,993.7**	**4,567.0**	**4,937.3**
E&P	151.3	203.2	151.2	145.0	155.7	348.6	336.2	332.7	650.7	1,173.1	1,468.9
LNG	138.5	133.2	470.4	320.4	367.6	235.4	434.6	407.1	1,062.5	1,444.7	1,609.4
Power generation	465.4	480.4	488.1	395.9	454.9	424.3	475.8	417.1	1,829.8	1,772.1	1,804.1
Other (Investment/Fuel cell)	21.8	14.6	11.3	10.7	16.5	14.9	11.5	10.9	58.4	53.8	54.9
Global	**9,745.9**	**9,755.6**	**9,583.0**	**9,475.9**	**10,054.6**	**10,005.5**	**9,810.6**	**9,719.9**	**38,560.4**	**39,590.6**	**39,852.9**
Steel	4,995.7	5,116.5	5,159.6	4,798.2	5,186.0	5,115.3	4,877.0	4,776.7	20,070.0	19,955.0	19,865.9
Food	964.4	678.6	755.1	909.0	857.5	871.4	904.8	927.9	3,307.1	3,561.7	3,714.3
Posco Mobility Solution	286.2	309.7	305.9	385.5	313.2	320.8	330.8	317.4	1,287.3	1,282.2	1,481.0
Trading	3,186.4	3,351.0	3,252.0	3,308.2	3,438.6	3,438.6	3,438.6	3,438.6	13,097.6	13,754.4	13,754.4
Other	-290.9	-304.3	-493.7	-529.1	-344.8	-344.8	-344.8	-344.8	(1,618.0)	(1,379.1)	(1,379.1)
Operating profit	**270.2**	**313.7**	**315.9**	**265.5**	**357.5**	**373.9**	**387.4**	**288.3**	**1,165.3**	**1,407.0**	**1,472.1**
Energy	**135.0**	**164.6**	**197.4**	**144.9**	**173.2**	**201.1**	**223.7**	**130.6**	**641.9**	**728.6**	**783.2**
E&P	79.8	131.9	82.0	62.4	76.7	141.6	110.6	85.2	356.1	414.0	442.3
LNG	8.9	11.7	23.2	14.1	19.0	21.9	23.6	19.9	57.9	84.4	110.0
Power generation	31.7	14.3	65.7	2.5	43.4	16.9	68.8	4.7	114.2	133.8	134.6
Other (Investment/Fuel cell)	14.6	6.7	26.5	65.9	34.1	20.8	20.8	20.8	113.7	96.4	96.4
Global	**130.6**	**155.5**	**114.2**	**130.6**	**181.6**	**172.8**	**163.6**	**157.7**	**530.9**	**675.7**	**688.8**
Steel	69.1	94.8	94.4	64.0	79.3	68.1	57.8	56.6	322.3	261.8	235.1
Food	4.8	4.5	-7.6	-17.1	0.1	25.1	36.8	32.1	(15.4)	94.0	115.7
Posco Mobility Solution	-0.3	3.9	2.3	-4.1	0.7	1.4	2.4	2.3	1.8	6.9	16.1
Trading	27.4	24.2	21.5	34.0	27.6	20.7	20.7	20.7	107.1	89.8	82.9
Other	29.6	28.1	3.6	53.8	73.9	57.4	46.0	46.0	115.1	223.2	239.0
Operating margin (%)	**3.3**	**3.9**	**3.8**	**3.4**	**4.3**	**4.4**	**4.6**	**3.5**	**3.6**	**4.2**	**4.3**
Energy	**15.7**	**17.9**	**16.1**	**14.7**	**15.5**	**19.7**	**17.8**	**11.2**	**16.1**	**16.0**	**15.9**
E&P	52.7	64.9	54.2	43.0	49.3	40.6	32.9	25.6	54.7	35.3	30.1
LNG	6.4	8.8	4.9	4.4	5.2	9.3	5.4	4.9	5.4	5.8	6.8
Power generation	6.8	3.0	13.5	0.6	9.5	4.0	14.5	1.1	6.2	7.6	7.5
Other (Investment/Fuel cell)	67.0	45.9	234.5	615.9	206.7	139.4	180.1	190.2	194.7	179.0	175.5
Global	**1.3**	**1.6**	**1.2**	**1.4**	**1.8**	**1.7**	**1.7**	**1.6**	**1.4**	**1.7**	**1.7**
Steel	1.4	1.9	1.8	1.3	1.5	1.3	1.2	1.2	1.6	1.3	1.2
Food	0.5	0.7	-1.0	-1.9	0.0	2.9	4.1	3.5	(0.5)	2.6	3.1
Posco Mobility Solution	-0.1	1.3	0.8	-1.1	0.2	0.4	0.7	0.7	0.1	0.5	1.1
Trading	0.9	0.7	0.7	1.0	0.8	0.6	0.6	0.6	0.8	0.7	0.6
Other	4.9	4.7	0.6	8.9	12.2	9.5	7.6	7.6	4.8	9.2	9.9

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**32,261**	**32,374**	**33,607**	**34,406**	**35,343**
Cost of goods sold	30,338	30,438	31,375	32,066	32,927
Gross profit	**1,923**	**1,936**	**2,232**	**2,339**	**2,416**
Gross margin (%)	6.0	6.0	6.6	6.8	6.8
SG&A expenses	765	770	825	867	912
Operating profit	**1,158**	**1,165**	**1,407**	**1,472**	**1,504**
Operating margin (%)	3.6	3.6	4.2	4.3	4.3
Non-operating gains (losses)	**-451**	**-330**	**-168**	**-167**	**-176**
Financial profit	1,433	1,238	940	487	477
Financial costs	1,709	1,573	1,155	692	684
Equity-method gains (losses)	128	68	81	86	85
Other	-303	-62	-35	-48	-54
Pre-tax profit	**707**	**835**	**1,239**	**1,305**	**1,328**
Taxes	202	132	329	391	398
Effective tax rate (%)	28.6	15.8	26.6	30.0	30.0
Profit from continuing operations	560	703	909	913	930
Profit from discontinued operations	-56	0	0	0	0
Net profit	**503**	**703**	**908**	**913**	**930**
Net margin (%)	1.6	2.2	2.7	2.7	2.6
Net profit (controlling interests)	515	614	884	895	911
Net profit (non-controlling interests)	-11	89	24	18	19
EBITDA	1,669	1,721	2,017	2,087	2,126
EBITDA margin (%)	5.2	5.3	6.0	6.1	6.0
EPS (parent-based) (KRW)	2,925	3,491	5,193	5,191	5,285
EPS (consolidated) (KRW)	2,862	3,999	5,164	5,191	5,285
Adjusted EPS (KRW)*	2,925	3,712	5,193	5,191	5,285

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**8,268**	**7,556**	**7,918**	**8,199**	**8,648**
Cash & equivalents	1,057	1,171	1,269	1,350	1,460
Accounts receivable	4,183	4,204	4,309	4,381	4,541
Inventories	2,081	1,736	1,845	1,943	2,080
Other current assets	947	444	495	525	568
Fixed assets	**9,068**	**11,197**	**11,365**	**11,490**	**11,597**
Investment assets	814	2,797	2,831	2,831	2,831
Tangible assets	4,241	5,070	5,232	5,355	5,454
Intangible assets	2,553	3,235	3,235	3,235	3,235
Other long-term assets	1,461	95	67	68	77
Total assets	**17,336**	**18,753**	**19,284**	**19,689**	**20,245**
Current liabilities	**6,660**	**6,612**	**6,550**	**6,464**	**6,513**
Accounts payable	2,098	2,200	2,261	2,315	2,402
Short-term debt	1,600	1,793	1,793	1,793	1,793
Other current liabilities	2,962	2,620	2,496	2,357	2,318
Long-term liabilities	**3,327**	**4,326**	**4,326**	**4,326**	**4,326**
Bonds & long-term debt	2,708	3,157	3,157	3,157	3,157
Other long-term liabilities	619	1,169	1,169	1,169	1,169
Total liabilities	**9,987**	**10,940**	**10,878**	**10,792**	**10,841**
Owners of parent equity	**6,545**	**6,708**	**7,302**	**7,793**	**8,300**
Capital stock	880	880	880	880	880
Capital surplus	1,837	1,851	1,851	1,851	1,851
Retained earnings	3,635	3,836	4,429	4,920	5,427
Other	193	142	142	142	142
Non-controlling interests' equity	**805**	**1,104**	**1,104**	**1,104**	**1,104**
Total equity	**7,349**	**7,813**	**8,406**	**8,897**	**9,404**
Net debt	5,155	4,945	4,656	4,474	4,264

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**877**	**1,942**	**2,247**	**2,044**	**2,001**
Net profit	503	703	908	913	930
Non-cash profit and expenses	1,260	1,154	1,453	1,196	1,212
Depreciation	279	298	353	358	365
Amortization	232	257	257	257	257
Other	749	598	843	581	590
Changes in A/L from operating activities	-558	506	-114	-66	-141
Cash flow from investments	**-846**	**-1,330**	**-1,617**	**-1,413**	**-1,342**
Change in tangible assets	-722	-1,560	-1,920	-1,694	-1,623
Change in financial assets	-38	611	638	638	638
Other	-86	-380	-334	-357	-357
Cash flow from financing	**-176**	**-465**	**-501**	**-517**	**-517**
Change in debt	146	-48	-192	-100	-100
Change in equity	11	0	0	0	0
Dividends	-177	0	0	0	0
Other	-156	-418	-310	-417	-417
Change in cash	-80	114	97	82	110
Cash at beginning of year	1,137	1,057	1,171	1,269	1,350
Cash at end of year	1,057	1,171	1,269	1,350	1,460
Gross cash flow	**1,764**	**1,857**	**2,361**	**2,110**	**2,142**
Free cash flow	**122**	**211**	**256**	**259**	**267**

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	-2.6	0.3	3.8	2.4	2.7
Operating profit	-0.5	0.6	20.7	4.6	2.2
Net profit	-26.0	39.7	29.1	0.5	1.8
Adjusted EPS**	-26.7	26.9	39.9	-0.0	1.8
Per-share data (KRW)					
EPS (parent-based)	2,925	3,491	5,193	5,191	5,285
EPS (consolidated)	2,862	3,999	5,164	5,191	5,285
Adjusted EPS**	2,925	3,712	5,193	5,191	5,285
BVPS	38,397	39,358	46,095	49,177	52,015
DPS (common)	1,550	1,850	2,400	2,400	2,500
Valuations (x)					
P/E***	13.6	13.4	10.0	10.0	9.8
P/B***	1.0	1.3	1.1	1.1	1.0
EV/EBITDA	7.7	8.6	7.4	7.0	6.8
Ratios (%)					
ROE	8.1	9.3	11.3	10.6	10.2
ROA	3.0	3.9	4.8	4.7	4.7
ROIC	7.9	10.2	13.0	12.8	12.9
Payout ratio	51.3	51.3	47.8	47.2	48.3
Dividend yield (common)	3.9	3.7	4.6	4.6	4.8
Net debt to equity	70.1	63.3	55.4	50.3	45.3
Interest coverage (x)	4.0	4.4	5.1	5.6	5.9

Compliance notice

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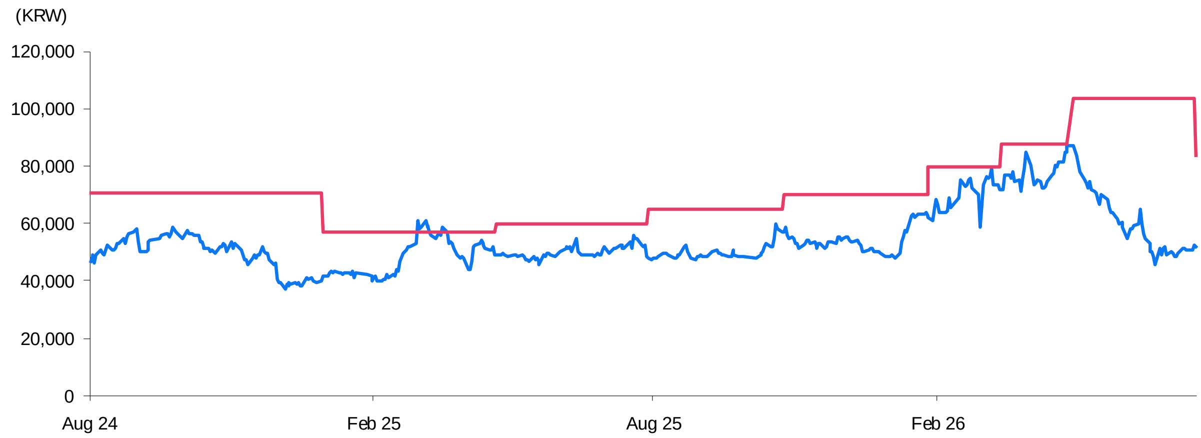
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/8	2025/1/3	4/25	8/1	10/28	2026/1/30	3/18	5/4	7/22
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	71000	57000	60000	65000	70000	80000	88000	104000	84000
Gap* (average)	-29.17	-14.95	-16.46	-23.25	-22.45	-12.33	-12.06	-42.71	
(max or min)**	-17.61	7.02	-7.17	-8.00	-8.71	-0.63	-0.80	-19.62	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

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

Percentage of ratings in 12 months prior to 2026.06.30

BUY (85.5%)·HOLD (14.5%)·SELL (0%)

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