COMPANY UPDATE

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Vitzrocell (082920)

Pullbacks offer a buying opportunity

- Vitzrocell's 2Q results missed market expectations, but if excluding one-offs, profitability improved q-q.
- Expecting sustained growth in high-temperature batteries, we raise our full-year earnings outlook.
- We cut our target price to KRW43,000 but maintain BUY.

AT A GLANCE

BUY

Target price	KRW43,000	47%
Current price	**KRW29,250**	
Market cap	KRW1.3t/USD0.9b	
Shares (float)	45,139,477 (61.7%)	
52-week high/low	KRW64,100/KRW12,844	
Avg daily trading value (60-day)	KRW26.4b/ USD17.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Vitzrocell (%)	-32.0	44.4	87.9
Vs Kosdaq (%pts)	-12.3	86.6	103.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	43,000	53,000	-18.9%
2026E EPS	1,782	1,782	0.0%
2027E EPS	2,147	2,147	0.0%

SAMSUNG vs THE STREET

No of estimates	2
Target price	61,500
Recommendation	4.0

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

WHAT'S THE STORY?

2Q results miss market expectations: Vitzrocell reported 2Q sales of KRW76.3b and an operating profit of KRW19.6b, the latter below the market consensus (KRW22.6b; FnGuide). This shortfall was due to one-off costs of approximately KRW4b, including employee incentives. Excluding these one-offs, profitability exceeded the prior quarter's level. By segment, the core bobbin battery business (representing 44% of sales) grew 12% y-y, while the lucrative high-temperature battery business (representing 35% of sales) surged 102% y-y, boosting profitability from main operations.

Raising full-year outlook to reflect sustained growth in high-temperature batteries: We revise up our full-year 2026 outlook. We now expect sales to grow 32% y-y to KRW321.6b, with operating profit reaching KRW98b for an operating margin of 30.5%—the highest annual margin on record. The full-year impact of consolidating the Canadian battery pack maker acquired last year, combined with the impact of a fire at a North American competitor this year, are likely to fuel growth and margin expansion in the high-temperature battery segment during 2H.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	76.3	35.0	11.8	-1.9	2.9
Operating profit	19.6	21.5	-3.4	-13.1	-13.8
Pre-tax profit	20.4	56.3	-22.3	-12.7	-25.7
Net profit	16.6	63.3	-17.9	-16.2	-11.7
Margins (%)					
Operating profit	25.7				
Pre-tax profit	26.7				
Net profit	21.8				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	14.0	16.4	13.6
P/B	2.4	3.3	2.7
EV/EBITDA	8.0	10.3	8.3
Div yield (%)	1.5	1.1	1.4
EPS growth (% y-y)	10.5	42.0	20.5
ROE (%)	18.6	22.1	22.0
Per-share data (KRW)			
EPS	1,256	1,782	2,147
BVPS	7,355	8,917	10,753
DPS	260	330	400

Samsung Securities

Cutting target price to KRW43,000 but maintaining BUY: We cut our target price to reflect a decline in the average P/E multiple of the rechargeable battery peer group (from 52.6x to 40.3x; Bloomberg). The Middle East war, one of the factors that fueled the 1H stock price rally, entered ceasefire negotiations in mid-June, making it difficult to avoid a stock price correction (43% decline from Jun 1 to Jul 22). However, we view this pullback as a favorable entry point and maintain our BUY rating, as the initiative to develop new business in lithium capacitors for AIDC servers remains ongoing and, with a net cash position (estimated KRW181.3b in 2026) and rising profitability in the primary battery business, valuation pressure should diminish markedly.

2Q review

(KRWb)	2Q26P	2Q25	1Q26	Chg	
				(% y-y)	(% q-q)
Sales	76.3	56.5	68.3	35.0	11.8
Operating profit	19.6	16.1	20.3	21.3	(3.5)
Pre-tax profit	20.4	13.1	26.3	56.0	(22.4)
Net profit	16.6	10.2	20.2	63.1	(18.0)
Margins (%)					
Operating profit	25.6	28.5	29.7		
Pre-tax profit	26.7	23.1	38.5		
Net profit	21.7	18.0	29.6		

Source: Company data, Samsung Securities

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	311.2	321.6	3.3	372.4	384.9	3.3
Operating profit	91.9	98.0	6.6	110.4	118.4	7.2
Pre-tax profit	94.7	100.7	6.4	114.0	122.0	7.1
Net profit	75.8	80.6	6.4	90.5	96.9	7.1

Source: Samsung Securities estimates

Target-price calculation

(KRW)		Note
EPS	2,147	2027E EPS
Target P/E (x)	20.1	50% discount* to the average 2026 P/E of 52.6x of peers in the rechargeable batteries
Fair value per share	43,258	
Target price	**43,000**	
Current price	29,250	As of Jul 22, 2026 close
Upside (%)	47.0%	

Note: * Considering the current business structure with a high proportion of primary battery business (est. 95%)
Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Revenue	**53.9**	**56.5**	**55.3**	**77.3**	**68.3**	**76.3**	**82.0**	**95.0**	**85.3**	**96.2**	**98.3**	**105.1**	**243.1**	**321.6**	**384.9**
Smart grid	31.1	30.2	30.7	32.6	33.0	33.9	35.8	40.5	38.5	41.9	41.9	45.2	124.6	143.2	167.6
Oil and gas	8.8	11.6	12.4	17.1	17.2	23.3	22.2	19.6	18.5	25.7	27.8	30.9	49.9	82.3	102.9
Defense	10.9	12.0	9.3	22.4	13.9	15.0	19.8	30.5	23.8	23.8	23.8	23.8	54.7	79.3	95.1
Other	3.1	2.8	2.9	5.2	4.2	4.1	4.2	4.3	4.4	4.8	4.8	5.2	14.0	16.8	19.3
Operating profit	**15.1**	**16.1**	**16.7**	**21.4**	**20.3**	**19.6**	**25.8**	**32.3**	**24.9**	**28.9**	**30.5**	**34.2**	**69.3**	**98.0**	**118.4**
Operating margin (%)	27.9	28.5	30.2	27.6	29.7	25.6	31.5	34.0	29.2	30.0	31.0	32.5	28.5	30.5	30.8

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**211**	**243**	**322**	**385**	**451**
Cost of goods sold	140	152	195	233	273
Gross profit	**70**	**91**	**126**	**152**	**178**
Gross margin (%)	33.4	37.5	39.3	39.5	39.5
SG&A expenses	19	22	29	34	39
Operating profit	**52**	**69**	**98**	**118**	**139**
Operating margin (%)	24.6	28.5	30.5	30.8	30.8
Non-operating gains (losses)	**13**	**3**	**3**	**4**	**5**
Financial profit	10	7	3	4	5
Financial costs	3	5	0	0	0
Equity-method gains (losses)	-0	-0	0	0	0
Other	6	1	0	0	-0
Pre-tax profit	**64**	**72**	**101**	**122**	**144**
Taxes	13	15	20	25	30
Effective tax rate (%)	20.5	21.2	19.9	20.6	20.6
Profit from continuing operations	51	57	81	97	114
Profit from discontinued operations	0	0	0	0	0
Net profit	**51**	**57**	**81**	**97**	**114**
Net margin (%)	24.3	23.4	25.1	25.2	25.3
Net profit (controlling interests)	51	57	81	97	114
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	66	82	111	132	152
EBITDA margin (%)	31.4	33.5	34.5	34.3	33.6
EPS (parent-based) (KRW)	1,136	1,256	1,782	2,147	2,526
EPS (consolidated) (KRW)	1,136	1,256	1,782	2,147	2,526
Adjusted EPS (KRW)*	1,136	1,256	1,782	2,147	2,526

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**238**	**252**	**322**	**405**	**507**
Cash & equivalents	28	24	20	44	84
Accounts receivable	35	40	53	64	75
Inventories	46	59	78	93	109
Other current assets	128	129	170	204	239
Fixed assets	**80**	**119**	**129**	**138**	**142**
Investment assets	12	26	35	41	49
Tangible assets	64	67	70	73	71
Intangible assets	3	21	20	19	18
Other long-term assets	1	4	4	4	4
Total assets	**318**	**371**	**451**	**543**	**649**
Current liabilities	**33**	**35**	**44**	**53**	**62**
Accounts payable	10	8	11	13	16
Short-term debt	0	2	2	2	2
Other current liabilities	22	24	31	38	44
Long-term liabilities	**2**	**6**	**7**	**8**	**10**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	2	6	7	8	10
Total liabilities	**35**	**40**	**52**	**61**	**71**
Owners of parent equity	**283**	**330**	**399**	**481**	**577**
Capital stock	11	23	23	23	23
Capital surplus	40	28	28	28	28
Retained earnings	238	285	354	436	532
Other	-6	-5	-6	-6	-6
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**283**	**330**	**399**	**481**	**577**
Net debt	-151	-145	-181	-238	-311

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**60**	**64**	**72**	**93**	**109**
Net profit	51	57	81	97	114
Non-cash profit and expenses	23	28	30	35	38
Depreciation	13	11	12	12	12
Amortization	1	1	1	1	1
Other	9	16	17	21	25
Changes in A/L from operating activities	-9	-8	-22	-17	-18
Cash flow from investments	**-62**	**-59**	**-64**	**-54**	**-51**
Change in tangible assets	-4	-11	-15	-15	-10
Change in financial assets	-63	-15	-49	-39	-41
Other	5	-33	0	0	-0
Cash flow from financing	**-6**	**-9**	**-12**	**-15**	**-18**
Change in debt	-4	3	-0	0	0
Change in equity	4	-0	0	0	0
Dividends	-6	-10	-12	-15	-18
Other	-1	-1	0	0	0
Change in cash	-8	-4	-4	24	40
Cash at beginning of year	36	28	24	20	44
Cash at end of year	28	24	20	44	84
Gross cash flow	**74**	**85**	**111**	**132**	**152**
Free cash flow	**56**	**52**	**57**	**78**	**99**

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	19.6	15.3	32.3	19.7	17.2
Operating profit	37.7	33.4	41.4	20.9	17.2
Net profit	42.2	11.1	41.6	20.2	17.6
Adjusted EPS**	37.5	10.5	42.0	20.5	17.6
Per-share data (KRW)					
EPS (parent-based)	1,136	1,256	1,782	2,147	2,526
EPS (consolidated)	1,136	1,256	1,782	2,147	2,526
Adjusted EPS**	1,136	1,256	1,782	2,147	2,526
BVPS	6,355	7,355	8,917	10,753	12,901
DPS (common)	232	260	330	400	450
Valuations (x)					
P/E***	9.4	14.0	16.4	13.6	11.6
P/B***	1.7	2.4	3.3	2.7	2.3
EV/EBITDA	5.0	8.0	10.3	8.3	6.7
Ratios (%)					
ROE	19.9	18.6	22.1	22.0	21.5
ROA	17.9	16.5	19.6	19.5	19.1
ROIC	33.1	38.4	44.6	47.3	50.7
Payout ratio	20.2	20.5	18.3	18.5	17.7
Dividend yield (common)	2.2	1.5	1.1	1.4	1.5
Net debt to equity	-53.4	-43.9	-45.4	-49.4	-53.9
Interest coverage (x)	265.3	370.1	327.5	423.5	496.3

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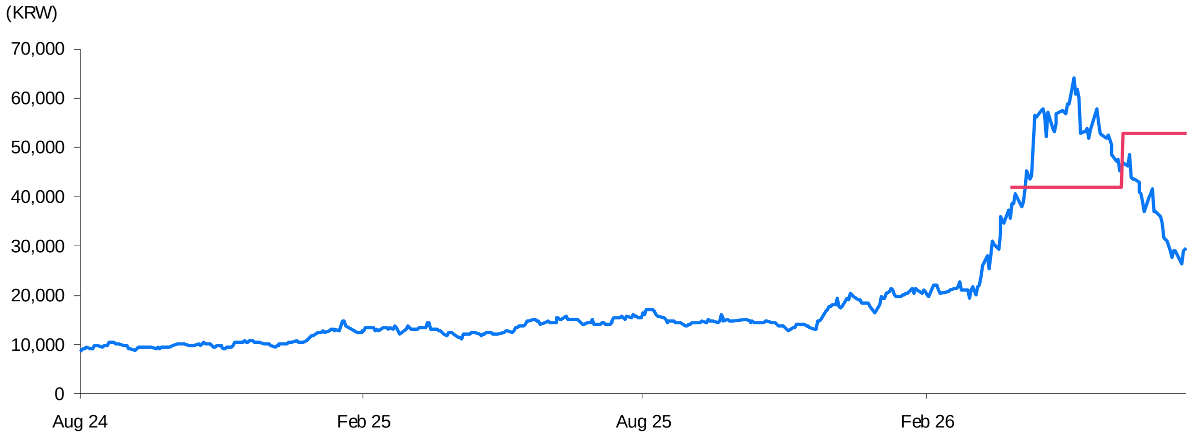
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/4/1	6/12	7/23
Recommendation	BUY	BUY	BUY
Target price (KRW)	42000	53000	43000
Gap* (average)	23.59	-31.12	
(max or min)**	52.62	-8.58	

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

Industry

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

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

Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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