# COMPANY UPDATE

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**Alternative Investment Team**

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# Samsung E&A (028050)

## 2Q review: Group investments begin

- Samsung E&A delivered strong profitability across all segments. Its 2Q operating profit beat consensus by 24.8%.
- It has raised its full-year guidance for orders from affiliates from KRW3t to KRW7t. Affiliates are ramping up their investments, suggesting orders and earnings for the Advanced Tech division will far exceed earlier expectations over the next 2-3 years.
- Its big hydrocarbon project bids in 2H are going as planned. With major countries poised to intensify energy infrastructure investments post-war, order momentum for the Hydrocarbon and New Energy divisions remains solid.

### AT A GLANCE

**BUY**

| | | |
|---|---|---|
| Target price | KRW64,000 | 37.2% |
| **Current price** | **KRW46,650** | |
| Market cap | KRW9.1t/USD6.2b | |
| Shares (float) | 196,000,000 (79.4%) | |
| 52-week high/low | KRW64,400/KRW23,250 | |
| Avg daily trading value (60-day) | KRW138.5b/ USD94.5m | |

### ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|---|---|---|---|
| Samsung E&A (%) | 4.0 | 72.8 | 87.0 |
| Vs Kospi (%pts) | 20.2 | 21.5 | -16.1 |

### KEY CHANGES

| (KRW) | New | Old | Diff |
|---|---|---|---|
| Recommend. | BUY | BUY | |
| Target price | 64,000 | 64,000 | 0.0% |
| 2026E EPS | 3,968 | 3,665 | 8.3% |
| 2027E EPS | 5,569 | 4,286 | 29.9% |

### SAMSUNG vs THE STREET

| | |
|---|---|
| No of estimates | 19 |
| Target price | 67,079 |
| Recommendation | 4.0 |

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

### WHAT'S THE STORY?

**2Q results beat consensus:** Samsung E&A reported 2Q consolidated sales of KRW2.6t (up 19.8% y-y) and an operating profit of KRW273.1b (up 51% y-y; for an operating margin of 10.5%), the latter 24.8% above FnGuide consensus of KRW218.8b. The beat is attributed to sales growth in the Advanced Tech division, coupled with one-time gains—including settlement income—across multiple business units, delivering strong profitability.

**Advanced Tech momentum (tied to affiliates) much stronger than anticipated:** The Advanced Tech division in 2Q recorded sales of KRW838b (up 45.9%q-q) and new orders of KRW1.52t (up 76.8%q-q). With a gross margin of 17.2%, the division significantly outperformed other business units in profitability. The company has dramatically revised up its full-year guidance for orders from affiliates from KRW3t to KRW7t. Beyond the ongoing P5 fab project, plans are now taking shape for the P6 fab, the Yongin semiconductor cluster, and most recently, a new facility in the country's southwest.

*(Continued on the next page)*

### SUMMARY 2Q RESULTS

| (KRWb) | 2Q26 | Chg | | Diff (%) | |
|---|---|---|---|---|---|
| | | (% y-y) | (% q-q) | Samsung | Consensus |
| Sales | 2,609.3 | 19.8 | 15.1 | 3.4 | 3.7 |
| Operating profit | 273.1 | 51.0 | 45.1 | 24.4 | 24.8 |
| Pre-tax profit | 245.7 | 20.8 | 17.7 | 1.2 | 1.9 |
| Net profit | 182.5 | 28.8 | 11.8 | 2.1 | 1.6 |
| **Margins (%)** | | | | | |
| Operating profit | 10.5 | | | | |
| Pre-tax profit | 9.4 | | | | |
| Net profit | 7.0 | | | | |

Source: Company data, Fnguide, Samsung Securities estimates

### VALUATION SUMMARY

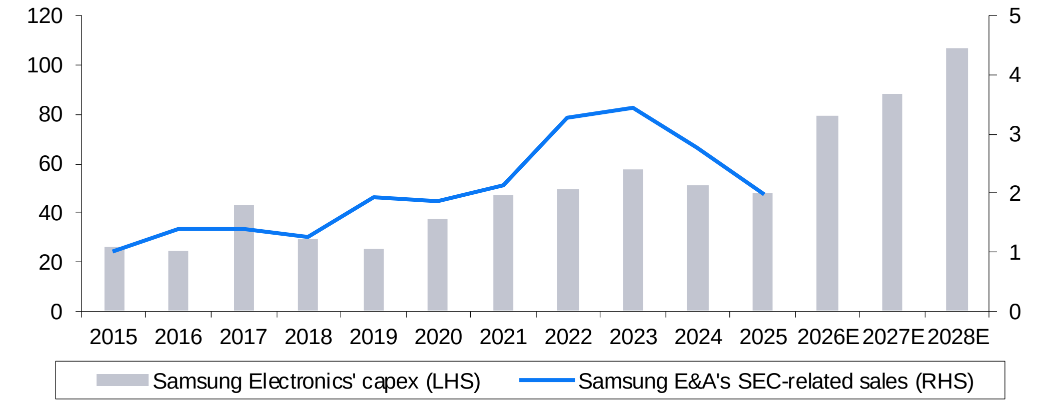
| | 2024 | 2025E | 2026E |
|---|---|---|---|
| **Valuation (x)** | | | |
| P/E | 4.3 | 7.6 | 11.8 |
| P/B | 0.8 | 1.0 | 1.7 |
| EV/EBITDA | 0.2 | 2.0 | 4.8 |
| Div yield (%) | 4.0 | 3.3 | 1.7 |
| EPS growth (% y-y) | 0.4 | -18.4 | 26.0 |
| ROE (%) | 19.6 | 13.8 | 15.3 |
| **Per-share data (KRW)** | | | |
| EPS | 3,862 | 3,150 | 3,968 |
| BVPS | 21,591 | 24,187 | 27,683 |
| DPS | 660 | 790 | 800 |

Samsung Securities

These developments signal a multi-year expansion in semiconductor fab orders. Additionally, expanding investments by Samsung Electro-Mechanics and Samsung Biologics further support the outlook for explosive orders from affiliates over the next 2–3 years. Given that the company's sales to Samsung Electronics have historically moved in tandem with Samsung Electronics' capex (see Figure 1), the company's earnings are likely to improve meaningfully starting in 2H.

**Hydrocarbon order momentum remains solid in 2H:** Key hydrocarbon project bids in 2H include Saudi SAN-6 (USD3-3.5b), Qatar Urea (USD2.5b), and Mexico Mexinol (USD2b). All are progressing as planned. With major countries poised to intensify energy infrastructure investments post-war, order momentum for the Hydrocarbon and New Energy divisions remains solid.

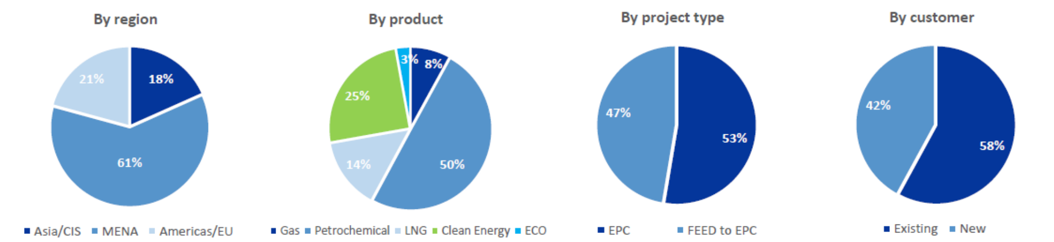
**Samsung Electronics' capex vs. Samsung E&A's SEC-related sales**




Note: Samsung Electronics' 2026-2028 capex estimates are based on Samsung Securities' estimates
Source: Quantiwise, Samsung E&A, Samsung Securities

**Samsung E&A's order pipeline**

| Hydrocarbon | | New Energy | | | Total |
|---|---|---|---|---|---|
| Gas | Petrochemicals | LNG | Clean Energy | ECO(Water) | |
| 1 projects (2 Bn USD) Saudi Khafji Pkg.1&2 | 4 projects (12.2 Bn USD) Including Saudi SAN7, Qatar Urea | 2 projects (3.5 Bn USD) Including Indonesia INPEX | 5 projects (6.1 Bn USD) Including Mexico Pacifico Mexinol | 2 projects (0.7 Bn USD) Including S.Korea Seongnam Environmental Restoration Center | • Total 14 projects (24.5 Bn USD) |




Source: Samsung E&A

## Samsung E&A: Results and forecasts

| (KRWb) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26P | 3Q26E | 4Q26E | 2024 | 2025 | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **2,098.0** | **2,178.0** | **1,995.6** | **2,757.2** | **2,267.4** | **2,609.3** | **2,824.5** | **2,982.1** | **9,966.6** | **9,028.8** | **10,683.3** | **13,892.0** |
| Growth (% y-y) | -12.0 | -18.9 | -13.9 | 6.9 | 8.1 | 19.8 | 41.5 | 8.2 | -6.2 | -9.4 | 18.3 | 30.0 |
| **Hydrocarbon** | **1,091.3** | **1,305.2** | **1,266.0** | **1,488.8** | **1,129.9** | **1,073.2** | **1,102.0** | **1,146.2** | **4,564.0** | **5,151.3** | **4,451.4** | **5,232.7** |
| Growth (% y-y) | 16.7 | 6.7 | 14.5 | 14.5 | 3.5 | -17.8 | -13.0 | -23.0 | -0.9 | 12.9 | -13.6 | 17.6 |
| **Advanced Tech** | **768.9** | **589.4** | **402.4** | **770.5** | **574.2** | **838.0** | **1,024.7** | **1,149.3** | **4,593.5** | **2,531.2** | **3,586.2** | **5,699.1** |
| Growth (% y-y) | -36.3 | -53.5 | -61.5 | -28.3 | -25.3 | 42.2 | 154.6 | 49.2 | -23.7 | -44.9 | 41.7 | 58.9 |
| **New Energy** | **237.8** | **283.4** | **327.2** | **497.9** | **563.3** | **698.1** | **697.8** | **686.5** | **809.1** | **1,346.3** | **2,645.7** | **2,960.2** |
| Growth (% y-y) | -1.9 | 44.3 | 97.1 | 143.7 | 136.9 | 146.3 | 113.3 | 37.9 | | 66.4 | 96.5 | 11.9 |
| **Gross profit** | **294.0** | **314.1** | **308.7** | **417.1** | **343.8** | **412.3** | **437.1** | **452.5** | **1,509.2** | **1,333.9** | **1,645.7** | **2,191.9** |
| Growth (% y-y) | -12.7 | -20.7 | -7.5 | -5.7 | 16.9 | 31.2 | 41.6 | 8.5 | 4.0 | -11.6 | 23.4 | 33.2 |
| Hydrocarbon | 131.8 | 179.7 | 184.3 | 243.5 | 244.5 | 159.8 | 169.9 | 170.4 | 837.1 | 739.3 | 744.6 | 835.0 |
| Advanced Tech | 117.2 | 72.5 | 39.5 | 125.2 | 126.2 | 144.4 | 172.3 | 196.2 | 537.8 | 354.4 | 639.1 | 976.6 |
| Non-hydrocarbon | 45.0 | 61.9 | 84.9 | 48.4 | -26.9 | 108.1 | 94.9 | 85.8 | 134.3 | 240.2 | 261.9 | 380.2 |
| **Gross margin (%)** | **14.0** | **14.4** | **15.5** | **15.1** | **15.2** | **15.8** | **15.5** | **15.2** | **15.1** | **14.8** | **15.4** | **15.8** |
| Hydrocarbon | 12.1 | 13.8 | 14.6 | 16.4 | 21.6 | 14.9 | 15.4 | 14.9 | 18.3 | 14.4 | 16.7 | 16.0 |
| Advanced Tech | 15.2 | 12.3 | 9.8 | 16.2 | 22.0 | 17.2 | 16.8 | 17.1 | 11.7 | 14.0 | 17.8 | 17.1 |
| Non-hydrocarbon | 18.9 | 21.9 | 26.0 | 9.7 | -4.8 | 15.5 | 13.6 | 12.5 | 16.6 | 17.8 | 9.9 | 12.8 |
| **Operating profit** | **157.3** | **180.9** | **176.5** | **277.4** | **188.2** | **273.1** | **288.7** | **283.0** | **971.6** | **792.1** | **1,033.0** | **1,395.2** |
| Growth (% y-y) | -24.9 | -31.1 | -13.4 | -6.2 | 19.6 | 51.0 | 63.5 | 2.0 | -2.2 | -18.5 | 30.4 | 35.1 |
| OP Margin (%) | 7.5 | 8.3 | 8.8 | 10.1 | 8.3 | 10.5 | 10.2 | 9.5 | 9.7 | 8.8 | 9.7 | 10.0 |
| **Net profit** | **157.2** | **141.7** | **157.4** | **192.0** | **163.3** | **182.5** | **231.6** | **231.0** | **638.7** | **648.3** | **808.4** | **1,145.4** |
| Growth (% y-y) | -4.2 | -31.0 | -0.6 | 72.9 | 3.9 | 28.8 | 47.2 | 20.3 | -8.2 | 1.5 | 24.7 | 41.7 |
| Net margin (%) | 7.5 | 6.5 | 7.9 | 7.0 | 7.2 | 7.0 | 8.2 | 7.7 | 6.4 | 7.2 | 7.6 | 8.2 |
| **Net profit attributable to controlling interests** | **150.6** | **140.7** | **141.9** | **184.3** | **155.6** | **181.3** | **220.7** | **220.2** | **756.9** | **617.5** | **777.7** | **1,091.5** |
| Growth (% y-y) | -7.0 | -55.4 | -13.3 | 59.0 | 3.3 | 28.9 | 55.5 | 19.4 | 0.4 | -18.4 | 26.0 | 40.3 |
| Net margin (%) | 7.2 | 6.5 | 7.1 | 6.7 | 6.9 | 6.9 | 7.8 | 7.4 | 7.6 | 6.8 | 7.3 | 7.9 |

Source: Company data, Samsung Securities

## Income statement

| Year-end Dec 31 (KRWb) | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|
| **Sales** | **10,625** | **9,967** | **9,029** | **10,683** | **13,892** |
| Cost of goods sold | 9,174 | 8,457 | 7,695 | 9,038 | 11,700 |
| **Gross profit** | **1,451** | **1,509** | **1,334** | **1,646** | **2,192** |
| Gross margin (%) | 13.7 | 15.1 | 14.8 | 15.4 | 15.8 |
| SG&A expenses | 458 | 538 | 542 | 613 | 797 |
| **Operating profit** | **993** | **972** | **792** | **1,033** | **1,395** |
| Operating margin (%) | 9.3 | 9.7 | 8.8 | 9.7 | 10.0 |
| **Non-operating gains (losses)** | **-60** | **-68** | **38** | **50** | **161** |
| Financial profit | 151 | 279 | 242 | 245 | 259 |
| Financial costs | 214 | 116 | 135 | 99 | 92 |
| Equity-method gains (losses) | 0 | 7 | 19 | -6 | 0 |
| Other | 2 | -237 | -87 | -90 | -6 |
| **Pre-tax profit** | **933** | **904** | **830** | **1,083** | **1,556** |
| Taxes | 237 | 265 | 182 | 275 | 411 |
| Effective tax rate (%) | 25.4 | 29.3 | 21.9 | 25.4 | 26.4 |
| Profit from continuing operations | 696 | 639 | 648 | 808 | 1,145 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **696** | **639** | **648** | **808** | **1,145** |
| Net margin (%) | 6.5 | 6.4 | 7.2 | 7.6 | 8.2 |
| Net profit (controlling interests) | 754 | 757 | 617 | 778 | 1,092 |
| Net profit (non-controlling interests) | -58 | -118 | 31 | 31 | 54 |
| EBITDA | 1,058 | 1,041 | 874 | 1,115 | 1,463 |
| EBITDA margin (%) | 10.0 | 10.4 | 9.7 | 10.4 | 10.5 |
| EPS (parent-based) (KRW) | 3,846 | 3,862 | 3,150 | 3,968 | 5,569 |
| EPS (consolidated) (KRW) | 3,549 | 3,259 | 3,308 | 4,124 | 5,844 |
| Adjusted EPS (KRW)* | 3,846 | 3,862 | 3,150 | 3,968 | 5,569 |

## Balance sheet

| Year-end Dec 31 (KRWb) | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|
| **Current assets** | **5,965** | **7,942** | **7,659** | **8,875** | **11,397** |
| Cash & equivalents | 915 | 2,596 | 862 | 1,523 | 2,161 |
| Accounts receivable | 2,101 | 3,505 | 2,918 | 3,156 | 3,965 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 2,949 | 1,841 | 3,879 | 4,195 | 5,271 |
| **Fixed assets** | **1,836** | **2,071** | **2,380** | **2,327** | **2,338** |
| Investment assets | 263 | 321 | 383 | 391 | 470 |
| Tangible assets | 430 | 443 | 507 | 487 | 443 |
| Intangible assets | 81 | 99 | 108 | 82 | 58 |
| Other long-term assets | 1,063 | 1,209 | 1,382 | 1,367 | 1,367 |
| **Total assets** | **7,801** | **10,013** | **10,040** | **11,203** | **13,735** |
| **Current liabilities** | **4,217** | **5,871** | **5,259** | **5,688** | **7,146** |
| Accounts payable | 875 | 800 | 1,010 | 1,093 | 1,373 |
| Short-term debt | 119 | 104 | 0 | 0 | 0 |
| Other current liabilities | 3,223 | 4,967 | 4,248 | 4,595 | 5,773 |
| **Long-term liabilities** | **286** | **246** | **335** | **356** | **442** |
| Bonds & long-term debt | 0 | 0 | 0 | 0 | 0 |
| Other long-term liabilities | 286 | 246 | 335 | 356 | 442 |
| **Total liabilities** | **4,503** | **6,118** | **5,593** | **6,044** | **7,587** |
| **Owners of parent equity** | **3,473** | **4,232** | **4,741** | **5,426** | **6,361** |
| Capital stock | 980 | 980 | 980 | 980 | 980 |
| Capital surplus | -22 | -22 | -67 | -67 | -67 |
| Retained earnings | 2,430 | 3,187 | 3,675 | 4,301 | 5,236 |
| Other | 85 | 86 | 152 | 212 | 212 |
| **Non-controlling interests' equity** | **-175** | **-336** | **-295** | **-267** | **-213** |
| **Total equity** | **3,298** | **3,896** | **4,446** | **5,159** | **6,148** |
| Net debt | -1,377 | -2,661 | -2,659 | -3,474 | -4,616 |

## Cash flow statement

| Year-end Dec 31 (KRWb) | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **-460** | **1,636** | **254** | **898** | **1,372** |
| Net profit | 696 | 639 | 648 | 808 | 1,145 |
| Non-cash profit and expenses | 520 | 449 | 393 | 355 | 341 |
| Depreciation | 44 | 43 | 47 | 48 | 44 |
| Amortization | 22 | 26 | 35 | 33 | 24 |
| Other | 455 | 379 | 311 | 273 | 273 |
| Changes in A/L from operating activities | -1,551 | 730 | -517 | -107 | 165 |
| **Cash flow from investments** | **16** | **-50** | **-1,709** | **-218** | **-586** |
| Change in tangible assets | -28 | -42 | -52 | -20 | 0 |
| Change in financial assets | 70 | 79 | -1,602 | -174 | -592 |
| Other | -26 | -87 | -56 | -24 | 6 |
| **Cash flow from financing** | **-123** | **-30** | **-264** | **-161** | **-74** |
| Change in debt | -130 | 319 | -141 | 21 | 83 |
| Change in equity | 0 | 0 | -45 | -0 | 0 |
| Dividends | 0 | -0 | -129 | -155 | -157 |
| Other | 7 | -348 | 52 | -27 | 0 |
| Change in cash | -497 | 1,681 | -1,734 | 662 | 637 |
| Cash at beginning of year | 1,412 | 915 | 2,596 | 862 | 1,523 |
| Cash at end of year | 915 | 2,596 | 862 | 1,523 | 2,161 |
| **Gross cash flow** | **1,216** | **1,087** | **1,041** | **1,163** | **1,486** |
| **Free cash flow** | **-488** | **1,593** | **201** | **878** | **1,372** |

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 | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | 5.7 | -6.2 | -9.4 | 18.3 | 30.0 |
| Operating profit | 41.3 | -2.2 | -18.5 | 30.4 | 35.1 |
| Net profit | 16.8 | -8.2 | 1.5 | 24.7 | 41.7 |
| Adjusted EPS** | 13.4 | 0.4 | -18.4 | 26.0 | 40.3 |
| **Per-share data (KRW)** | | | | | |
| EPS (parent-based) | 3,846 | 3,862 | 3,150 | 3,968 | 5,569 |
| EPS (consolidated) | 3,549 | 3,259 | 3,308 | 4,124 | 5,844 |
| Adjusted EPS** | 3,846 | 3,862 | 3,150 | 3,968 | 5,569 |
| BVPS | 17,721 | 21,591 | 24,187 | 27,683 | 32,452 |
| DPS (common) | 0 | 660 | 790 | 800 | 900 |
| **Valuations (x)** | | | | | |
| P/E*** | 7.5 | 4.3 | 7.6 | 11.8 | 8.4 |
| P/B*** | 1.6 | 0.8 | 1.0 | 1.7 | 1.4 |
| EV/EBITDA | 3.9 | 0.2 | 2.0 | 4.8 | 2.9 |
| **Ratios (%)** | | | | | |
| ROE | 24.4 | 19.6 | 13.8 | 15.3 | 18.5 |
| ROA | 8.9 | 7.2 | 6.5 | 7.6 | 9.2 |
| ROIC | 85.4 | 69.8 | 76.7 | 72.4 | 102.6 |
| Payout ratio | 0.0 | 17.1 | 25.1 | 20.2 | 16.2 |
| Dividend yield (common) | 0.0 | 4.0 | 3.3 | 1.7 | 1.9 |
| Net debt to equity | -41.7 | -68.3 | -59.8 | -67.3 | -75.1 |
| Interest coverage (x) | 43.4 | 68.9 | 479.6 | 821.4 | 876.9 |

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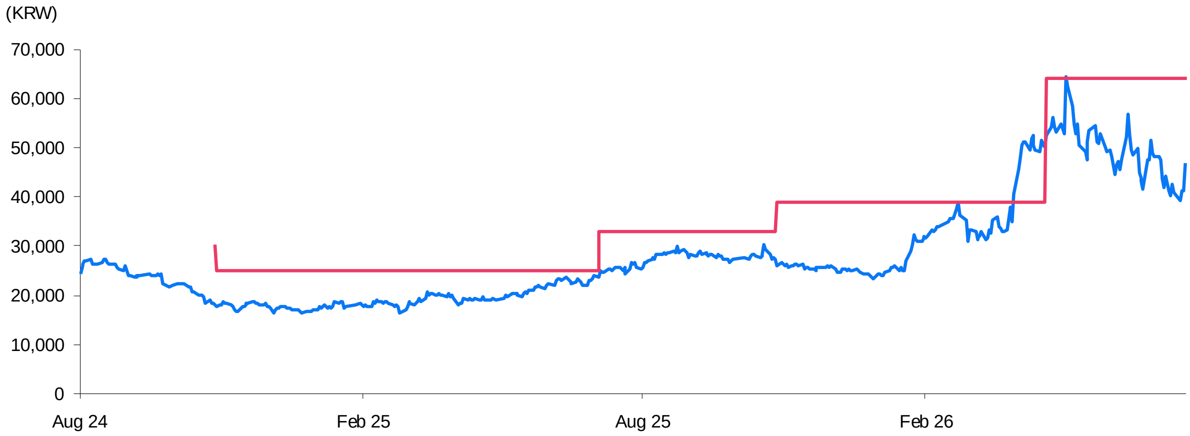
## Target price changes in past two years




## Rating changes over past two years (adjusted share prices)

| Date | 2024/1/31 | 11/1 | 2025/7/8 | 10/31 | 2026/4/24 |
|---|---|---|---|---|---|
| Recommendation | BUY | BUY | BUY | BUY | BUY |
| Target price (KRW) | 30000 | 25000 | 33000 | 39000 | 64000 |
| Gap* (average) | -18.02 | -23.14 | -17.00 | -19.15 | |
| (max or min)** | -5.00 | -4.40 | -8.18 | 34.36 | |

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

### Samsung Securities uses the following investment ratings*

**Company**

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

**Industry**

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

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

**Percentage of ratings in 12 months prior to 2026.06.30**

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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