COMPANY UPDATE

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EV/Mobility Team

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AT A GLANCE

BUY

Target price	KRW28,000	55.2%
Current price	**KRW18,040**	
Market cap	KRW529.77b/USD362.24m	
Shares (float)	29,366,322 (45.7%)	
52-week high/low	KRW31,250/KRW14,920	
Avg daily trading value (60-day)	KRW3.8b/ USD2.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
PI Advanced Materials (%)	-3.0	9.3	-9.8
Vs Kospi (%pts)	35.5	-6.1	-51.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	28,000	31,000	-9.7%
2026E EPS	1,792	1,792	0.0%
2027E EPS	1,863	1,863	0.0%

SAMSUNG vs THE STREET

No of estimates	4
Target price	33,750
Recommendation	4.0

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

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PI Advanced Materials (178920)

Earnings strong despite sluggish item

- PI Advanced Materials reported consensus-beating 2Q earnings.
- Although demand for heat-resistant sheet–use PI films should remain subdued, stronger pricing power and an improved product mix should support full-year profitability.
- We cut our target price to KRW28,000, but maintain our BUY rating.

WHAT'S THE STORY?

2Q results top expectations: PI Advanced Materials reported 2Q sales of KRW77.5b and operating profit of KRW22.9b, the latter surpassing FnGuide consensus of KRW20b. Compared to 1Q (sales: KRW64.1b, operating profit: KRW14.0b), sales rose 7% while operating profit surged 63%. The 2Q operating margin of 29.6% was the highest since 2Q14 (33.6%). This strong profitability was driven not only by improved product mix but also by a 15–19% price increase for key products amid heightened geopolitical risks, while cost pass-through from raw materials lagged.

Weak demand for heat-resistance sheet-use PI films vs strong demand for high-margin FPCB-use PI films: We revise down our full-year 2026 sales forecast by 4% to KRW297.3b, while maintaining our operating profit forecast at KRW70.6b. We now forecast heat-resistance sheet-use PI film sales to be flat y-y in 2026, as: 1) such sales fell 20% y-y in 2Q due to Chinese manufacturers adopting more conservative purchasing behavior (amid chipflation linked to the Middle East conflict) and intensified competition among suppliers; and 2) demand in China should remain weak in 2H. In contrast, we forecast the FPCB-use PI film segment to benefit from growing sales of high-margin, ultra-thin PI films. All told, we believe that overall profitability is still expected to meet our prior forecast.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	77.5	6.9	21.0	0.0	n/a
Operating profit	22.9	41.6	63.0	-0.2	n/a
Pre-tax profit	22.9	53.0	66.0	-0.1	n/a
Net profit	17.5	48.6	65.8	0.2	n/a
Margins (%)					
Operating profit	29.5				
Pre-tax profit	29.5				
Net profit	22.6				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	15.1	10.1	9.7
P/B	1.3	1.3	1.2
EV/EBITDA	6.0	4.6	4.1
Div yield (%)	2.2	1.9	1.9
EPS growth (% y-y)	36.4	73.2	4.0
ROE (%)	8.8	14.0	13.0
Per-share data (KRW)			
EPS	1,035	1,792	1,863
BVPS	12,094	13,536	15,049
DPS	350	350	350

Cutting target price to KRW28,000, but maintaining BUY: We cut our target price by 9.7%, reflecting a 7.6% reduction in our 12-month forward EPS estimate. However, we maintain BUY, as the stock trades at a 2026 P/E of 10.6x, significantly below peer averages (DowDuPont: 19x, Toray: 21x).

2Q review

(KRWb)	2Q26P	2Q25	1Q26	Chg	
				(% y-y)	(% q-q)
Sales	77.5	72.5	64.1	6.9	21.0
Operating profit	22.9	16.2	14.0	41.9	63.3
Pre-tax profit	22.9	15.0	13.8	53.2	66.2
Net profit	17.5	11.8	10.6	48.4	65.5
Margins (%)					
Operating profit	29.6	22.3	21.9		
Pre-tax profit	29.6	20.7	21.5		
Net profit	22.5	16.2	16.5		

Source: Company data

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	310.2	297.3	-4.2	349.9	329.3	-5.9
Operating profit	69.2	70.6	1.9	71.9	70.7	-1.7
Pre-tax profit	68.8	70.2	2.0	73.0	71.8	-1.6
Net profit	51.6	52.6	2.0	55.6	54.7	-1.6

Source: Samsung Securities estimates

Target-price calculation

(KRW)		Note
EPS	1,655	12-month forward EPS
Target P/E (x)	17.2	Average 2026E P/E of global PI film firms
Fair value	28,420	
Target price (KRW)	**28,000**	
Current price (KRW)	19,080	As of Jul 27 close
Upside (%)	46.8%	

Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**64.1**	**72.5**	**68.4**	**58.4**	**64.1**	**77.5**	**79.7**	**75.9**	**68.9**	**87.4**	**90.0**	**83.1**	**263.4**	**297.3**	**329.3**
FPCB	31.8	29.5	28.7	30.8	33.1	34.3	34.4	40.0	34.8	37.7	37.9	40.0	120.8	141.9	150.4
Heat-resistance sheet	17.9	26.8	24.1	16.0	16.9	21.3	26.5	20.8	18.6	25.6	30.5	25.0	84.8	85.5	99.6
General industry	14.4	16.2	15.6	11.6	14.1	21.9	18.8	15.1	15.5	24.1	21.6	18.1	57.8	69.9	79.3
Operating income	**8.6**	**16.2**	**11.6**	**6.6**	**14.0**	**22.9**	**19.1**	**14.4**	**12.4**	**20.1**	**21.6**	**16.6**	**43.0**	**70.6**	**70.7**
Operating margin (%)	13.5	22.3	17.0	11.4	21.9	29.6	24.0	19.0	18.0	23.0	24.0	20.0	16.3	23.7	21.5

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**251**	**263**	**297**	**329**	**370**
Cost of goods sold	188	191	194	223	255
Gross profit	**63**	**72**	**103**	**106**	**115**
Gross margin (%)	25.0	27.4	34.6	32.2	31.1
SG&A expenses	29	29	32	35	39
Operating profit	**34**	**43**	**71**	**71**	**76**
Operating margin (%)	13.5	16.3	23.7	21.5	20.5
Non-operating gains (losses)	**-5**	**-3**	**-0**	**1**	**3**
Financial profit	2	3	2	3	4
Financial costs	7	5	2	2	2
Equity-method gains (losses)	0	0	0	0	0
Other	-0	-0	0	-0	-0
Pre-tax profit	**29**	**40**	**70**	**72**	**78**
Taxes	7	9	18	17	19
Effective tax rate (%)	23.3	23.2	25.0	23.8	24.0
Profit from continuing operations	22	30	53	55	59
Profit from discontinued operations	0	0	0	0	0
Net profit	**22**	**30**	**53**	**55**	**59**
Net margin (%)	8.9	11.5	17.7	16.6	16.1
Net profit (controlling interests)	22	30	53	55	59
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	66	77	101	99	102
EBITDA margin (%)	26.4	29.1	34.1	30.0	27.5
EPS (parent-based) (KRW)	758	1,035	1,792	1,863	2,023
EPS (consolidated) (KRW)	758	1,035	1,792	1,863	2,023
Adjusted EPS (KRW)*	758	1,035	1,792	1,863	2,023

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**160**	**123**	**186**	**261**	**340**
Cash & equivalents	83	51	102	167	235
Accounts receivable	36	36	41	45	51
Inventories	39	33	41	45	51
Other current assets	2	3	3	3	4
Fixed assets	**368**	**342**	**317**	**293**	**273**
Investment assets	1	1	1	2	2
Tangible assets	345	319	295	273	253
Intangible assets	11	10	8	6	5
Other long-term assets	11	13	13	13	13
Total assets	**528**	**465**	**503**	**555**	**613**
Current liabilities	**75**	**49**	**42**	**47**	**52**
Accounts payable	9	8	9	10	11
Short-term debt	24	0	0	0	0
Other current liabilities	41	41	33	37	41
Long-term liabilities	**118**	**60**	**63**	**66**	**70**
Bonds & long-term debt	96	34	34	34	34
Other long-term liabilities	21	26	29	32	36
Total liabilities	**193**	**110**	**105**	**113**	**122**
Owners of parent equity	**335**	**355**	**397**	**442**	**491**
Capital stock	15	15	15	15	15
Capital surplus	188	188	188	188	188
Retained earnings	211	231	273	318	367
Other	-78	-78	-78	-78	-78
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**335**	**355**	**397**	**442**	**491**
Net debt	59	-0	-63	-129	-196

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**55**	**78**	**78**	**81**	**83**
Net profit	22	30	53	55	59
Non-cash profit and expenses	45	47	49	44	42
Depreciation	30	31	29	27	25
Amortization	2	2	2	1	1
Other	12	14	18	16	16
Changes in A/L from operating activities	-8	6	-5	-2	-2
Cash flow from investments	**-13**	**-5**	**-5**	**-5**	**-5**
Change in tangible assets	-13	-4	-5	-5	-5
Change in financial assets	-1	-0	-0	-0	-0
Other	0	-1	0	-0	0
Cash flow from financing	**-16**	**-105**	**-22**	**-10**	**-10**
Change in debt	-15	-91	-12	0	0
Change in equity	0	0	0	0	0
Dividends	0	-10	-10	-10	-10
Other	-1	-4	0	0	-0
Change in cash	26	-32	51	66	68
Cash at beginning of year	56	83	51	102	167
Cash at end of year	83	51	102	167	235
Gross cash flow	**67**	**78**	**101**	**99**	**102**
Free cash flow	**42**	**74**	**73**	**76**	**78**

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	15.5	4.8	12.8	10.8	12.2
Operating profit	nm	27.2	63.9	0.2	7.0
Net profit	nm	36.4	73.2	4.0	8.6
Adjusted EPS**	nm	36.4	73.2	4.0	8.6
Per-share data (KRW)					
EPS (parent-based)	758	1,035	1,792	1,863	2,023
EPS (consolidated)	758	1,035	1,792	1,863	2,023
Adjusted EPS**	758	1,035	1,792	1,863	2,023
BVPS	11,413	12,094	13,536	15,049	16,723
DPS (common)	350	350	350	350	350
Valuations (x)					
P/E***	22.3	15.1	10.1	9.7	8.9
P/B***	1.5	1.3	1.3	1.2	1.1
EV/EBITDA	8.4	6.0	4.6	4.1	3.3
Ratios (%)					
ROE	6.9	8.8	14.0	13.0	12.7
ROA	4.3	6.1	10.9	10.3	10.2
ROIC	6.2	8.4	14.4	15.4	17.2
Payout ratio	46.1	33.8	19.5	18.8	17.3
Dividend yield (common)	2.1	2.2	1.9	1.9	1.9
Net debt to equity	17.6	-0.1	-15.9	-29.2	-40.0
Interest coverage (x)	6.7	9.8	34.4	39.5	42.0

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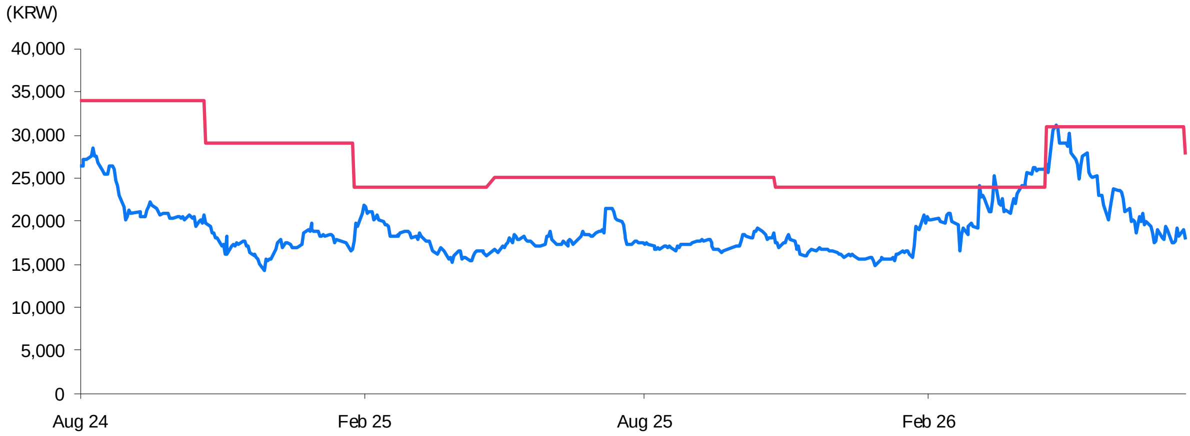
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/7	7/31	11/1	2025/2/5	5/7	11/5	2026/4/29	7/28
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	27000	34000	29000	24000	25000	24000	31000	28000
Gap* (average)	2.64	-31.83	-40.06	-25.24	-28.50	-20.93	-26.40	
(max or min)**	22.22	-14.12	-31.72	-8.75	-13.80	9.58	0.81	

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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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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