COMPANY UPDATE

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Alternative Investment Team

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Hyundai E&C (000720)

Holds operating profit guidance steady despite 2Q beat

- Hyundai E&C logged consolidated 2Q operating profit of KRW261.8b, which topped consensus by 23.6% as improved profitability in the housing/architecture segment more than offset one-off costs in the infrastructure and plant divisions.
- Despite the remarkable quarterly results, the constructor maintained its full-year operating profit guidance of KRW800b. We believe 2H earnings will diminish h-h.
- We cut our target price to KRW103,000 (based on 1.2x 2026 P/B) and maintain HOLD rating. We may upgrade the stock to BUY rating when stable, visible improvement in earnings momentum emerges.

▶ AT A GLANCE

HOLD

Target price	KRW103,000	8.9%
Current price	**KRW94,600**	
Market cap	KRW10.5t/USD7.4b	
Shares (float)	111,355,765 (65.1%)	
52-week high/low	KRW188,700/KRW54,400	
Avg daily trading value (60-day)	KRW112.4b/ USD79.0m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai E&C (%)	-17.2	-7.8	40.1
Vs Kospi (%pts)	6.5	-27.0	-31.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	103,000	165,000	-37.6%
2026E EPS	4,452	5,497	-19.0%
2027E EPS	6,272	6,278	-0.1%

▶ SAMSUNG vs THE STREET

No of estimates	18
Target price	197,111
Recommendation	3.9

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

WHAT'S THE STORY?

2Q review—beat consensus: Hyundai E&C reported consolidated 2Q26 sales of KRW6.84t (down 11.4% y-y) and an operating profit of KRW261.8b (up 20.6 % y-y; 23.6% above FnGuide consensus of KRW210.5b). The beat was driven by improved profitability in the housing/architecture segment, which offset one-off costs in the infrastructure and plant divisions.

Full-year guidance unchanged despite strong 1H performance of housing/architecture segment: The housing/architecture segment posted a gross margin of 13.2% in 2Q, lifting the 1H gross margin to 9.2%. However, management expects the segment's 2H margin to stay similar to 1H levels, implying lower segment profitability in 3Q-4Q compared to 2Q. Meantime, while 1H operating profit totaled KRW442.7b (55.3% of the full-year guidance), Hyundai E&C cited external macroeconomic uncertainties and high-cost ongoing projects as reasons for maintaining its original KRW800b target. All things considered, we forecast the constructor's 2H operating profit will diminish h-h.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	6,842.3	-11.4	8.9	1.6	1.0
Operating profit	261.8	20.6	44.7	20.2	23.6
Pre-tax profit	240.3	20.1	-12.1	8.9	8.7
Net profit	156.9	-1.1	-24.1	-3.4	-4.1
Margins (%)					
Operating profit	3.8				
Pre-tax profit	3.5				
Net profit	2.3				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	21.1	21.3	15.1
P/B	1.0	1.1	1.1
EV/EBITDA	9.4	9.6	6.8
Div yield (%)	1.1	0.8	0.8
EPS growth (% y-y)	nm	34.1	40.9
ROE (%)	4.6	5.6	7.2
Per-share data (KRW)			
EPS	3,320	4,452	6,272
BVPS	73,523	84,159	89,631
DPS	800	800	800

Samsung Securities

Project pipeline remains robust despite nuclear order delays: Major nuclear projects—ie, the Palisades SMR-300 FOAK Project (US), the Kozloduy nuclear project in Bulgaria, and the Fermi America nuclear project—have been delayed beyond initial timelines. However, these are being offset by significant wins—ie, the US steel plant for Hyundai Steel (KRW5.4t) and the seawater treatment facility in Iraq (KRW3t)—along with large-scale engineering contracts secured by Hyundai Engineering in the US and Kazakhstan. As of 1H, cumulative order intake reached 68.3% of the full-year guidance. With additional momentum expected from housing and data center projects in 2H, exceeding the guidance remains a plausible scenario.

Valuation still burdensome: We cut our target price to KRW103,000 (based on a 1.2x 2026 P/B). The stock is still trading at a premium of more than 80% above its historical ROE-P/B fair value range (2007–2023). Given this valuation premium and the absence of clear earnings momentum, we keep the stock at HOLD rating. We may upgrade the stock to BUY rating when stable, visible improvement in earnings momentum emerges.

Hyundai E&C: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2023	2024	2025	2026E	2027E
Sales	**7,455.6**	**7,720.7**	**7,826.5**	**8,060.1**	**6,281.3**	**6,842.3**	**6,969.7**	**6,930.1**	**29,651.4**	**32,670.3**	**31,062.9**	**27,023.3**	**27,883.9**
Growth (% y-y)	-12.8	-10.4	-5.2	11.2	-15.8	-11.4	-10.9	-14.0	39.6	10.2	-4.9	-13.0	3.2
Hyundai E&C	**3,890.9**	**4,154.3**	**4,342.3**	**4,124.9**	**3,613.0**	**3,975.2**	**4,098.7**	**4,130.6**	**15,778.8**	**16,730.1**	**16,512.4**	**15,817.5**	**17,357.0**
Growth (% y-y)	-6.7	-3.9	5.1	0.4	-7.1	-4.3	-5.6	0.1	31.7	6.0	-1.3	-4.2	9.7
Infra	**419.4**	**421.0**	**490.9**	**524.7**	**423.3**	**504.2**	**545.2**	**551.4**	**1,719.2**	**1,803.3**	**1,856.0**	**2,024.1**	**2,243.5**
Growth (% y-y)	-3.4	13.7	-11.5	18.1	0.9	19.8	11.1	5.1	6.5	4.9	2.9	9.1	10.8
H&B	**2,298.1**	**2,403.6**	**2,555.5**	**2,061.8**	**1,871.8**	**2,278.8**	**2,388.5**	**2,489.1**	**10,720.8**	**10,935.1**	**9,319.0**	**9,028.2**	**10,640.5**
Growth (% y-y)	-17.6	-18.1	-1.7	-21.0	-18.6	-5.2	-6.5	20.7	36.7	2.0	-14.8	-3.1	17.9
Plant/New Energy	**1,137.5**	**1,284.2**	**1,269.1**	**1,457.9**	**1,276.1**	**1,037.4**	**1,165.0**	**1,090.1**	**2,977.7**	**3,880.2**	**5,148.7**	**4,568.6**	**4,473.0**
Growth (% y-y)	23.4	30.9	35.4	40.3	12.2	-19.2	-8.2	-25.2	23.8	30.3	32.7	-11.3	-2.1
HEC	**3,366.8**	**3,411.9**	**3,314.1**	**3,803.7**	**2,536.5**	**2,667.7**	**2,668.0**	**2,597.6**	**13,066.3**	**14,760.4**	**13,896.5**	**10,469.8**	**9,714.8**
Growth (% y-y)	-17.8	-16.0	-12.5	35.3	-24.7	-21.8	-19.5	-31.7	48.2	13.0	-5.9	-24.7	-7.2
Other	**233.8**	**200.0**	**196.9**	**212.0**	**173.6**	**275.3**	**284.6**	**284.1**	**1,167.4**	**1,291.3**	**842.7**	**1,017.5**	**1,157.6**
Growth (% y-y)	-22.8	-26.4	-47.4	-38.0	-25.8	37.7	44.6	34.0	108.5	10.6	-34.7	20.7	13.8
Gross profit	**513.5**	**468.5**	**389.9**	**608.4**	**505.2**	**545.2**	**436.7**	**485.2**	**1,702.8**	**-216.9**	**1,980.3**	**1,972.3**	**2,381.5**
Hyundai E&C	211.8	184.2	178.5	356.1	257.0	210.7	141.7	189.6	850.9	348.8	894.4	799.0	1,194.8
Infra	36.1	25.7	47.1	2.6	34.7	-27.2	25.1	28.1	76.6	156.4	111.5	60.7	125.8
H&B	98.8	132.2	130.3	235.0	82.4	300.8	207.8	229.0	576.7	367.1	596.4	820.0	1,059.6
Plant/New Energy	51.2	-3.9	-16.5	37.9	122.5	-134.9	-34.9	-10.9	98.9	-292.1	68.7	-58.2	247.5
HEC	239.0	235.4	175.6	262.5	230.8	304.1	264.1	265.0	641.4	-790.6	912.6	1,064.0	1,063.3
Other	88.4	79.0	53.4	70.4	34.8	23.5	56.2	56.2	309.2	342.3	291.1	170.7	230.8
Gross margin (%)	**6.9**	**6.1**	**5.0**	**7.5**	**8.0**	**8.0**	**6.3**	**7.0**	**5.7**	**-0.7**	**6.4**	**7.3**	**8.5**
Hyundai E&C	5.4	4.4	4.1	8.6	7.1	5.3	3.5	4.6	5.4	2.1	5.4	5.1	6.9
Infra	8.6	6.1	9.6	0.5	8.2	-5.4	4.6	5.1	4.5	8.7	6.0	3.0	5.6
H&B	4.3	5.5	5.1	11.4	4.4	13.2	8.7	9.2	5.4	3.4	6.4	9.1	10.0
Plant/New Energy	4.5	-0.3	-1.3	2.6	9.6	-13.0	-3.0	-1.0	3.3	-7.5	1.3	-1.3	5.5
HEC	7.1	6.9	5.3	6.9	9.1	11.4	9.9	10.2	4.9	-5.4	6.6	10.2	10.9
Other	37.8	39.5	27.1	33.2	20.1	8.5	19.7	19.8	26.5	26.5	34.5	16.8	19.9
Operating profit	**213.7**	**217.0**	**103.5**	**118.8**	**180.9**	**261.8**	**151.8**	**206.9**	**785.4**	**-1,263.4**	**653.0**	**801.4**	**1,130.6**
Operating margin (%)	2.9	2.8	1.3	1.5	2.9	3.8	2.2	3.0	2.6	-3.9	2.1	3.0	4.1
Net profit	**166.7**	**158.6**	**67.8**	**165.9**	**206.8**	**156.9**	**89.9**	**144.3**	**654.3**	**-766.2**	**559.1**	**597.9**	**784.3**
Net margin (%)	2.2	2.1	0.9	2.1	3.3	2.3	1.3	2.1	2.2	-2.3	1.8	2.2	2.8

Source: Company data, Samsung Securities

Hyundai E&C: Valuation

(KRW)		Note
BVPS	86,226	12-month forward
Target P/B (x)	1.2	Applied 88% premium to P/B multiple derived from ROE-P/B regression analysis
Target price	**103,000**	
Recent price	94,600	**As of Jul 31 close**
Upside (%)	8.9	

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**29,651**	**32,670**	**31,063**	**27,023**	**27,884**
Cost of goods sold	27,949	32,887	29,083	25,051	25,502
Gross profit	**1,703**	**-217**	**1,980**	**1,972**	**2,382**
Gross margin (%)	5.7	-0.7	6.4	7.3	8.5
SG&A expenses	917	1,046	1,327	1,171	1,251
Operating profit	**785**	**-1,263**	**653**	**801**	**1,131**
Operating margin (%)	2.6	-3.9	2.1	3.0	4.1
Non-operating gains (losses)	**154**	**278**	**-6**	**71**	**48**
Financial profit	295	360	259	251	253
Financial costs	141	172	203	196	194
Equity-method gains (losses)	-5	6	-7	2	0
Other	6	84	-55	14	-12
Pre-tax profit	**940**	**-986**	**647**	**872**	**1,179**
Taxes	285	-219	88	275	394
Effective tax rate (%)	30.4	22.3	13.6	31.5	33.5
Profit from continuing operations	654	-766	559	598	784
Profit from discontinued operations	0	0	0	0	0
Net profit	**654**	**-766**	**559**	**598**	**784**
Net margin (%)	2.2	-2.3	1.8	2.2	2.8
Net profit (controlling interests)	536	-169	373	500	705
Net profit (non-controlling interests)	118	-598	186	97	79
EBITDA	982	-1,042	854	1,016	1,322
EBITDA margin (%)	3.3	-3.2	2.7	3.8	4.7
EPS (parent-based) (KRW)	4,767	-1,500	3,320	4,452	6,272
EPS (consolidated) (KRW)	5,820	-6,816	4,973	5,319	6,977
Adjusted EPS (KRW)*	4,767	-1,500	3,320	4,452	6,272

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**18,613**	**21,101**	**21,958**	**20,972**	**22,066**
Cash & equivalents	4,206	5,130	4,813	6,230	7,043
Accounts receivable	2	5	3	2	2
Inventories	816	777	747	642	655
Other current assets	13,590	15,189	16,396	14,097	14,366
Fixed assets	**5,101**	**5,905**	**5,834**	**6,427**	**6,251**
Investment assets	1,217	1,390	1,284	1,190	1,205
Tangible assets	1,205	1,289	1,225	1,568	1,387
Intangible assets	724	751	765	754	744
Other long-term assets	1,955	2,475	2,560	2,914	2,914
Total assets	**23,714**	**27,005**	**27,792**	**27,399**	**28,317**
Current liabilities	**10,357**	**14,664**	**14,843**	**13,282**	**13,489**
Accounts payable	3,959	4,039	3,966	3,410	3,475
Short-term debt	249	745	1,195	1,508	1,508
Other current liabilities	6,149	9,880	9,682	8,364	8,506
Long-term liabilities	**2,902**	**2,672**	**2,836**	**2,697**	**2,713**
Bonds & long-term debt	1,771	1,526	1,727	1,734	1,734
Other long-term liabilities	1,132	1,146	1,109	963	980
Total liabilities	**13,259**	**17,336**	**17,679**	**15,979**	**16,203**
Owners of parent equity	**8,137**	**8,025**	**8,265**	**9,460**	**10,075**
Capital stock	562	562	562	562	562
Capital surplus	1,095	1,095	1,095	1,095	1,095
Retained earnings	6,420	6,130	6,403	7,131	7,746
Other	59	238	204	672	672
Non-controlling interests' equity	**2,319**	**1,644**	**1,848**	**1,959**	**2,039**
Total equity	**10,456**	**9,669**	**10,113**	**11,420**	**12,114**
Net debt	-2,687	-2,236	-1,712	-2,785	-3,614

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**-715**	**-119**	**-748**	**976**	**923**
Net profit	654	-766	559	598	784
Non-cash profit and expenses	557	258	671	488	546
Depreciation	187	211	190	205	181
Amortization	10	10	11	10	10
Other	360	36	470	273	355
Changes in A/L from operating activities	-1,816	588	-1,991	209	-42
Cash flow from investments	**563**	**212**	**25**	**144**	**-17**
Change in tangible assets	-184	-173	-87	-48	0
Change in financial assets	772	90	-149	241	-28
Other	-25	295	261	-49	11
Cash flow from financing	**366**	**734**	**434**	**121**	**-89**
Change in debt	547	1,101	451	204	1
Change in equity	0	-0	0	0	0
Dividends	-95	-95	-69	-90	-90
Other	-86	-272	52	7	-0
Change in cash	232	925	-318	1,417	813
Cash at beginning of year	3,974	4,206	5,130	4,813	6,230
Cash at end of year	4,206	5,130	4,813	6,230	7,043
Gross cash flow	**1,211**	**-508**	**1,230**	**1,086**	**1,330**
Free cash flow	**-937**	**-298**	**-855**	**927**	**923**

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	2025	2026E	2027E
Growth (%)					
Sales	39.6	10.2	-4.9	-13.0	3.2
Operating profit	36.6	nm	nm	22.7	41.1
Net profit	38.9	nm	nm	6.9	31.2
Adjusted EPS**	31.1	nm	nm	34.1	40.9
Per-share data (KRW)					
EPS (parent-based)	4,767	-1,500	3,320	4,452	6,272
EPS (consolidated)	5,820	-6,816	4,973	5,319	6,977
Adjusted EPS**	4,767	-1,500	3,320	4,452	6,272
BVPS	72,383	71,394	73,523	84,159	89,631
DPS (common)	600	600	800	800	800
Valuations (x)					
P/E***	7.3	n/a	21.1	21.3	15.1
P/B***	0.5	0.4	1.0	1.1	1.1
EV/EBITDA	3.6	n/a	9.4	9.6	6.8
Ratios (%)					
ROE	6.8	-2.1	4.6	5.6	7.2
ROA	2.9	-3.0	2.0	2.2	2.8
ROIC	8.8	-14.3	8.1	7.6	10.6
Payout ratio	12.5	-39.6	23.9	17.8	12.6
Dividend yield (common)	1.7	2.4	1.1	0.8	0.8
Net debt to equity	-25.7	-23.1	-16.9	-24.4	-29.8
Interest coverage (x)	12.3	-12.6	5.3	4.5	6.4

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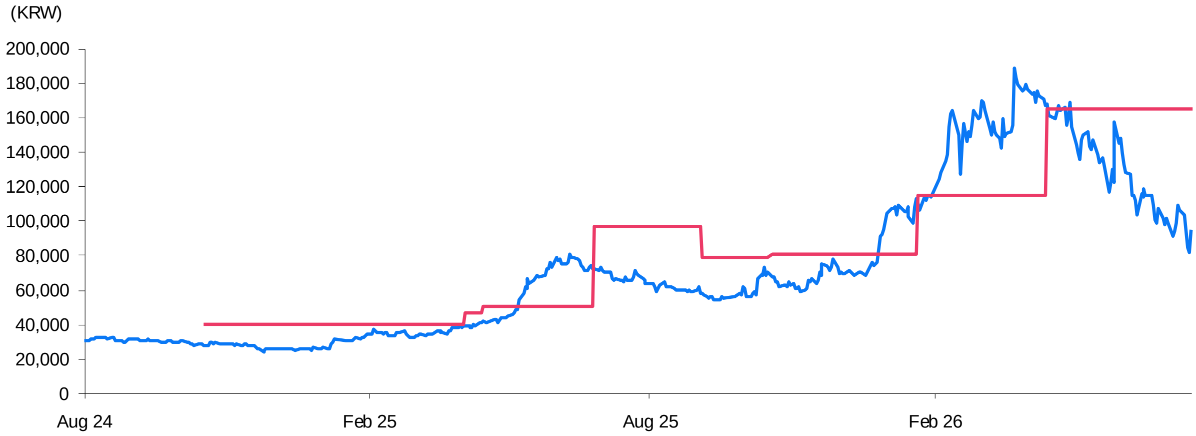
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/11/1	2025/4/18	4/30	7/11	9/18	11/3	2026/2/5	4/29	8/3
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD
Target price (KRW)	40000	47000	51000	97000	79000	81000	115000	165000	103000
Gap* (average)	-23.12	-15.68	25.83	-33.67	-24.26	-3.57	34.01	-23.25	
(max or min)**	-1.25	-12.45	59.02	-24.12	-6.96	39.51	64.09	-50.48	

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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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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