COMPANY UPDATE

2026. 8. 3

Industrial Team

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Poongsan (103140)

Management risk must ease before valuation rerates

- Poongsan reported a 2Q26 consolidated operating profit of KRW125.2b, exceeding consensus by 51%.
- The earnings surprise owed much to hikes in the won-denominated copper prices and a recovery in defense exports.
- In 2H26, defense earnings should improve h-h. The stock is trading at a deep discount to its peers in spite of the current order backlogs. Yet, easing management risk remains essential.

AT A GLANCE

BUY

Target price	KRW95,000	33.4%
Current price	**KRW71,200**	
Market cap	KRW2.0t/USD1.4b	
Shares (float)	28,024,278 (59.4%)	
52-week high/low	KRW160,800/KRW57,700	
Avg daily trading value (60-day)	KRW10.9b/ USD7.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Poongsan (%)	10.6	-45.7	-55.7
Vs Kospi (%pts)	42.1	-57.0	-78.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	95,000	95,000	0.0%
2026E EPS	9,902	8,563	15.6%
2027E EPS	7,287	7,106	2.5%

SAMSUNG vs THE STREET

No of estimates	8
Target price	110,463
Recommendation	3.9

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

WHAT'S THE STORY?

2Q review: Poongsan's 2Q26 consolidated sales and operating profit climbed 15.7% and 38.9% q-q, respectively, to KRW1.5t and KRW125.2b—the latter beating consensus by 51%. The copper processing business delivered another quarter of remarkable results on increases in the won-denominated copper prices. Defense earnings, which softened in 1Q26, showed signs of recovery, primarily driven by exports. For 3Q26, copper processing earnings should remain robust based on stable commodity prices. We expect 2H26 defense earnings to expand h-h, aided by easing delays in domestic testing and the recovery in exports to non-US markets.

(Continued on the next page)

Poongsan 2Q26 review

(KRWb)	2Q26	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	1,470.3	1,270.9	15.7	1,294.0	13.6	1,494.0	-1.6	1,478.5	-0.6
Operating profit	125.2	90.2	38.8	93.6	33.8	83.0	50.8	102.8	21.8
Pre-tax profit	109.0	101.1	7.8	77.4	40.8	74.2	46.8	92.4	17.9
Net profit	81.8	78.0	4.9	64.2	27.4	54.7	49.5	69.3	18.0
Margins (%)									
Operating profit	8.5	7.1		7.2		5.6		7.0	
Pre-tax profit	7.4	8.0		6.0		5.0		6.2	
Net profit	5.6	6.1		5.0		3.7		4.7	

Source: Company data, Samsung Securities estimates

Valuations

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS (KRW)	EPS growth (% y-y)	P/E (x)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
2024	4,554	324	318	236	8,019	41.1	5.9	474	4.5	0.6	10.8
2025	5,049	297	236	147	5,209	-35.0	20.3	824	9.9	1.3	6.5
2026E	6,152	405	380	287	9,902	90.1	7.2	831	5.7	0.8	11.5
2027E	6,269	311	271	204	7,287	-26.4	9.8	844	7.1	0.8	11.5
2028E	6,383	369	331	248	8,873	21.8	8.0	831	6.1	0.7	7.8

Source: Company data, Samsung Securities estimates

Reducing the management risk—key to unlocking valuation upside: With the confirmed order backlog for large-caliber artillery shells destined for Poland (KRW1.2t in contracts during 2025-2031), the company's defense earnings should remain solid in the medium term. The stock is trading at a 2027 P/E of 9.8x, 52% below the domestic defense peers' average. We do not see its valuation burdensome. However, uncertainty around potential divestment of the defense business and investments in non-core investments means that meaningful progress in reducing management risk remains a prerequisite for re-rating.

Poongsan: Results and forecasts (parent basis)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2025	2026E	2027E
Sales	**826.4**	**1,014.0**	**871.4**	**1,137.3**	**968.8**	**1,122.3**	**1,247.6**	**1,476.2**	**3,849.1**	**4,814.9**	**4,898.7**
Copper business	620.5	666.2	642.1	721.7	809.5	931.0	895.9	919.1	2,650.6	3,555.6	3,554.5
Defense business	205.9	347.8	229.3	415.6	159.2	191.3	351.7	557.1	1,198.5	1,259.3	1,344.2
Exports	422.1	570.7	473.2	599.8	566.6	677.2	670.9	737.9	2,065.7	2,652.5	2,734.1
Copper business	336.8	372.0	359.9	430.6	481.9	547.8	489.6	543.3	1,499.2	2,062.6	2,061.1
Defense business	85.3	198.7	113.3	169.2	84.7	129.4	181.3	194.6	566.5	590.0	673.0
Domestic	404.3	443.3	398.2	537.6	402.2	445.1	576.7	738.4	1,783.4	2,162.4	2,164.7
Copper business	283.7	294.2	282.2	291.1	327.7	383.2	406.3	375.8	1,151.4	1,493.0	1,493.4
Defense business	120.6	149.1	116.0	246.4	74.5	61.9	170.4	362.6	632.0	669.4	671.3
Gross profit	82.8	128.3	86.0	133.6	131.5	137.3	142.6	127.8	430.7	539.1	446.4
Operating profit	**44.7**	**88.0**	**42.4**	**72.0**	**87.3**	**101.0**	**97.5**	**62.0**	**247.2**	**347.8**	**251.6**
Pre-tax profit	50.6	74.9	41.5	20.3	99.5	104.3	77.6	42.0	187.4	323.4	171.1
Net profit	**41.6**	**64.2**	**32.6**	**9.1**	**78.0**	**82.5**	**59.0**	**31.9**	**147.4**	**251.4**	**130.0**
Chg (% y-y)											
Sales	**15.6**	**3.7**	**5.0**	**16.0**	**17.2**	**10.7**	**43.2**	**29.8**	**9.9**	**25.1**	**1.7**
Copper business	15.3	4.6	15.6	23.8	30.5	39.7	39.5	27.4	14.6	34.1	-0.0
Defense business	16.5	2.1	-16.4	4.5	-22.6	-45.0	53.4	34.1	0.8	5.1	6.7
Exports	7.2	-2.7	-2.7	7.1	34.2	18.7	41.8	23.0	1.9	28.4	3.1
Copper business	12.8	3.4	12.8	27.2	43.1	47.3	36.1	26.2	13.9	37.6	-0.1
Defense business	-10.4	-12.3	-32.4	-23.7	-0.7	-34.9	60.0	15.0	-20.3	4.1	14.1
Domestic	25.8	13.3	16.0	28.0	-0.5	0.4	44.8	37.4	20.8	21.3	0.1
Copper business	18.3	6.1	19.3	19.2	15.5	30.2	44.0	29.1	15.4	29.7	0.0
Defense business	48.0	30.8	8.8	40.1	-38.2	-58.5	46.9	47.1	32.2	5.9	0.3
Gross profit	17.7	-28.3	-22.5	-5.7	58.7	7.0	65.9	-4.4	-14.2	25.2	-17.2
Operating profit	27.0	-37.6	-40.0	7.1	95.2	14.8	130.0	-14.0	-21.3	40.7	-27.7
Pre-tax profit	9.5	-50.1	-34.5	-64.9	96.5	39.2	87.3	106.7	-41.0	72.6	-47.1
Net profit	12.6	-42.3	-31.6	-77.2	87.7	28.5	81.1	252.0	-37.4	70.6	-48.3
Margins (%)											
Gross profit	10.0	12.7	9.9	11.7	13.6	12.2	11.4	8.7	11.2	11.2	9.1
Operating profit	5.4	8.7	4.9	6.3	9.0	9.0	7.8	4.2	6.4	7.2	5.1
Pre-tax profit	6.1	7.4	4.8	1.8	10.3	9.3	6.2	2.8	4.9	6.7	3.5
Net profit	5.0	6.3	3.7	0.8	8.1	7.3	4.7	2.2	3.8	5.2	2.7

Source: Company data, Samsung Securities estimates

Poongsan: Results and forecasts (consolidated)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2025	2026E	2027E
Sales	**1,155.9**	**1,294.0**	**1,174.2**	**1,424.5**	**1,270.9**	**1,470.3**	**1,591.3**	**1,819.8**	**5,048.6**	**6,152.3**	**6,269.2**
Parent	826.4	1,014.0	871.4	1,137.3	968.8	1,122.3	1,247.6	1,476.2	3,849.1	4,814.9	4,898.7
Subsidiaries	329.5	280.0	302.8	287.2	302.1	348.1	343.7	343.5	1,199.5	1,337.4	1,370.5
Gross profit	130.2	153.6	108.5	182.4	170.3	189.0	180.0	168.6	574.8	707.8	616.1
Parent	82.8	128.3	86.0	133.6	131.5	137.3	142.6	127.8	430.7	539.1	446.4
Subsidiaries	47.4	25.3	22.6	48.8	38.8	51.8	37.4	40.8	144.1	168.7	169.7
Operating profit	**69.7**	**93.6**	**42.6**	**91.5**	**90.2**	**125.2**	**112.4**	**77.5**	**297.4**	**405.3**	**311.1**
Parent	44.7	88.0	42.4	72.0	87.3	101.0	97.5	62.0	247.2	347.8	251.6
Subsidiaries	25.0	5.6	0.2	19.5	2.8	24.2	14.9	15.5	50.3	57.5	59.5
Pre-tax profit	57.8	77.4	40.7	59.6	101.1	109.0	102.7	67.4	235.5	380.2	271.3
Parent	50.6	74.9	41.5	20.3	99.5	104.3	77.6	42.0	187.4	323.4	171.1
Subsidiaries	7.2	2.5	-0.7	39.3	1.6	4.7	25.0	25.4	48.2	56.8	100.2
Net profit	**41.6**	**64.2**	**32.6**	**8.8**	**78.0**	**82.5**	**77.0**	**50.6**	**147.2**	**288.0**	**203.5**
Parent	41.6	64.2	32.6	9.1	78.0	82.5	59.0	31.9	147.4	251.4	130.0
Subsidiaries	0.0	0.0	-0.0	-0.2	-0.0	-0.0	18.0	18.6	-0.2	36.6	73.5
Net profit attributable to parent company	41.6	64.2	32.6	8.8	78.0	82.5	77.0	50.6	147.2	288.0	203.5
Chg (% y-y)											
Sales	20.0	4.9	4.0	16.0	9.9	13.6	35.5	27.7	10.9	21.9	1.9
Operating profit	28.5	-42.0	-42.7	170.3	29.3	33.8	164.0	-15.3	-8.1	36.3	-23.2
Net profit	12.6	-42.3	-31.6	-78.1	87.7	28.5	136.3	472.9	-37.7	95.7	-29.3
Net profit attributable to parent company	12.6	-42.3	-31.6	-78.1	87.7	28.5	136.3	472.9	-37.7	95.7	-29.3
Margins (%)											
Gross profit	11.3	11.9	9.2	12.8	13.4	12.9	11.3	9.3	11.4	11.5	9.8
Operating profit	6.0	7.2	3.6	6.4	7.1	8.5	7.1	4.3	5.9	6.6	5.0
Net profit	3.6	5.0	2.8	0.6	6.1	5.6	4.8	2.8	2.9	4.7	3.2

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**4,554**	**5,049**	**6,152**	**6,269**	**6,383**
Cost of goods sold	3,938	4,474	5,445	5,653	5,702
Gross profit	**616**	**575**	**708**	**616**	**681**
Gross margin (%)	13.5	11.4	11.5	9.8	10.7
SG&A expenses	292	277	302	305	311
Operating profit	**324**	**297**	**405**	**311**	**369**
Operating margin (%)	7.1	5.9	6.6	5.0	5.8
Non-operating gains (losses)	**-5**	**-62**	**-25**	**-40**	**-39**
Financial profit	19	16	22	7	7
Financial costs	47	47	51	36	35
Equity-method gains (losses)	0	1	1	0	0
Other	23	-32	4	-11	-11
Pre-tax profit	**318**	**236**	**380**	**271**	**331**
Taxes	82	88	93	68	83
Effective tax rate (%)	25.8	37.5	24.4	25.0	25.0
Profit from continuing operations	236	147	287	204	248
Profit from discontinued operations	0	0	0	0	0
Net profit	**236**	**147**	**287**	**204**	**248**
Net margin (%)	5.2	2.9	4.7	3.2	3.9
Net profit (controlling interests)	236	147	288	204	248
Net profit (non-controlling interests)	0	0	-1	0	0
EBITDA	413	388	496	401	459
EBITDA margin (%)	9.1	7.7	8.1	6.4	7.2
EPS (parent-based) (KRW)	8,423	5,251	9,902	7,287	8,873
EPS (consolidated) (KRW)	8,423	5,251	10,253	7,262	8,847
Adjusted EPS (KRW)*	8,019	5,209	9,902	7,287	8,873

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**2,562**	**2,763**	**2,979**	**3,098**	**3,271**
Cash & equivalents	345	239	230	216	230
Accounts receivable	602	797	869	929	999
Inventories	1,459	1,623	1,734	1,814	1,880
Other current assets	155	104	147	139	161
Fixed assets	**1,535**	**1,566**	**1,681**	**1,795**	**1,910**
Investment assets	48	21	185	219	254
Tangible assets	1,309	1,387	1,465	1,543	1,620
Intangible assets	13	18	18	18	18
Other long-term assets	165	140	13	15	18
Total assets	**4,097**	**4,329**	**4,660**	**4,893**	**5,181**
Current liabilities	**1,359**	**1,450**	**1,566**	**1,658**	**1,765**
Accounts payable	185	158	227	281	346
Short-term debt	393	535	535	535	535
Other current liabilities	780	757	804	842	884
Long-term liabilities	**539**	**581**	**555**	**568**	**577**
Bonds & long-term debt	240	422	422	422	422
Other long-term liabilities	299	159	133	146	154
Total liabilities	**1,897**	**2,031**	**2,121**	**2,226**	**2,342**
Owners of parent equity	**2,199**	**2,298**	**2,539**	**2,667**	**2,839**
Capital stock	140	140	140	140	140
Capital surplus	495	495	495	495	495
Retained earnings	1,491	1,592	1,833	1,961	2,133
Other	74	71	71	71	71
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**2,199**	**2,298**	**2,539**	**2,667**	**2,839**
Net debt	480	845	831	844	831

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**40**	**-168**	**287**	**309**	**338**
Net profit	236	147	287	204	248
Non-cash profit and expenses	252	275	216	249	245
Depreciation	89	90	91	90	89
Amortization	1	0	0	0	0
Other	162	184	125	159	156
Changes in A/L from operating activities	-343	-397	-217	-144	-155
Cash flow from investments	**-217**	**-177**	**-229**	**-228**	**-228**
Change in tangible assets	-195	-179	-182	-180	-180
Change in financial assets	-17	27	-45	-45	-45
Other	-5	-25	-2	-3	-4
Cash flow from financing	**90**	**279**	**-28**	**-56**	**-58**
Change in debt	136	258	-2	0	0
Change in equity	0	0	0	0	0
Dividends	-33	-71	-46	-76	-76
Other	-13	92	20	20	18
Change in cash	-63	-106	-9	-13	14
Cash at beginning of year	408	345	239	230	216
Cash at end of year	345	239	230	216	230
Gross cash flow	**488**	**422**	**503**	**453**	**493**
Free cash flow	**-156**	**-353**	**102**	**126**	**155**

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	10.4	10.9	21.9	1.9	1.8
Operating profit	41.6	-8.1	36.3	-23.2	18.7
Net profit	50.9	-37.7	95.2	-29.2	21.8
Adjusted EPS**	41.1	-35.0	90.1	-26.4	21.8
Per-share data (KRW)					
EPS (parent-based)	8,423	5,251	9,902	7,287	8,873
EPS (consolidated)	8,423	5,251	10,253	7,262	8,847
Adjusted EPS**	8,019	5,209	9,902	7,287	8,873
BVPS	74,315	80,242	86,303	92,882	98,236
DPS (common)	2,600	1,700	2,700	2,700	2,700
Valuations (x)					
P/E***	5.9	20.3	7.2	9.8	8.0
P/B***	0.6	1.3	0.8	0.8	0.7
EV/EBITDA	4.5	9.9	5.7	7.1	6.1
Ratios (%)					
ROE	10.8	6.5	11.5	11.5	7.8
ROA	6.1	3.5	6.4	4.3	4.9
ROIC	9.7	6.2	10.9	9.4	10.9
Payout ratio	30.1	31.6	26.3	37.2	30.5
Dividend yield (common)	5.2	1.6	3.8	3.8	3.8
Net debt to equity	21.8	36.8	32.7	31.7	29.3
Interest coverage (x)	8.6	8.0	11.1	8.7	10.5

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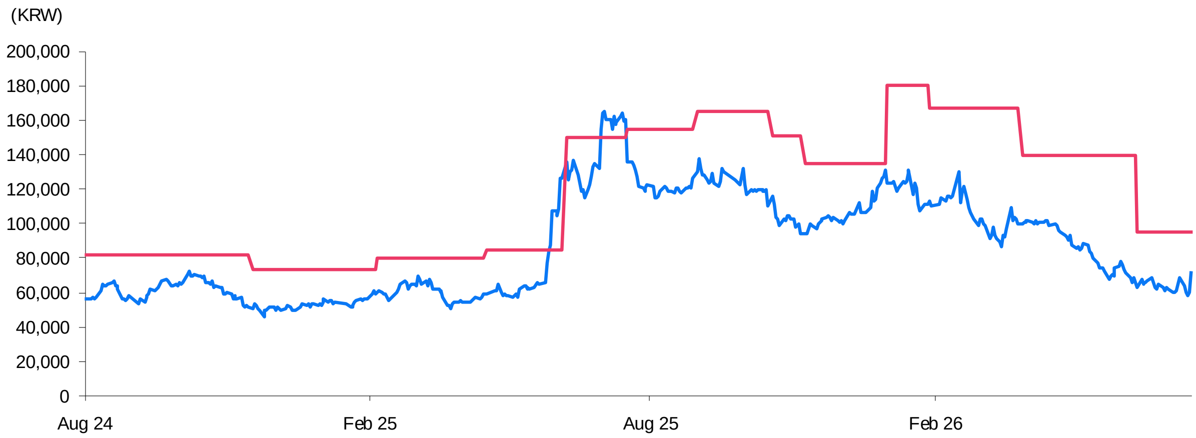
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/22	12/2	2025/2/20	5/2	6/23	8/1	9/15	11/3	11/24	2026/1/16	2/12	4/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	82000	73000	80000	85000	150000	155000	165000	151000	135000	180000	167000	140000
Gap* (average)	-25.26	-27.48	-25.43	-13.70	-5.09	-21.59	-24.93	-32.49	-20.72	-33.37	-37.23	-38.53
(max or min)**	-12.07	-16.44	-13.25	48.82	10.00	-12.58	-16.48	-26.49	-2.89	-27.11	-21.80	-27.07

Date	6/26
Recommendation	BUY
Target price (KRW)	95000
Gap* (average)	
(max or min)**	

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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