COMPANY UPDATE

2026. 7. 30

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Haesung DS (195870)

2Q review: New demand for lead frames

- Haesung DS' 2Q lead frame sales reached a quarterly record amid rising demand for semiconductors in AI and data center applications. Supported by the stabilization of LME prices after their 1Q surge and a favorable forex rate, the company returned to net profit.
- Package substrate sales edged lower q-q, despite price hikes and greater DDR5-related sales, due to softer demand for certain DDR5 products. Full-scale mass production of new DDR5 products is set to begin in 2H.
- While maintaining a strong position in the lead frame market, Haesung DS has revived performance in the package substrate segment. With the rising likelihood of heat slug mass production in 2H, entry into this new market is generating momentum.

AT A GLANCE

BUY

Target price	KRW70,000	83.5%
Current price	**KRW38,150**	
Market cap	KRW648.55b/USD451.2m	
Shares (float)	17,000,000 (61.8%)	
52-week high/low	KRW102,400/KRW22,000	
Avg daily trading value (60-day)	KRW20.1b/ USD14.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Haesung DS (%)	-45.9	-40.9	49.6
Vs Kospi (%pts)	-18.0	-44.8	-13.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	70,000	100,000	-30.0%
2026E EPS	4,660	4,262	9.3%
2027E EPS	8,227	6,465	27.3%

SAMSUNG vs THE STREET

No of estimates	10
Target price	101,050
Recommendation	4.0

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

WHAT'S THE STORY?

Reflecting fall in peer group valuation multiple: We derive our new target price by applying a P/E of 12x to our 2026-2027 average EPS forecast.

- **Cutting target price by 30% to KRW70,000:** Our new target P/E multiple, lowered by 35% to 12x, is the average of Haesung DS' 10-year historical P/E range and represents 50% discount to the peer group's average 2026-2027 P/E (Bloomberg).

  Haesung DS has traded at a 30-50% discount to its peers, largely due to: 1) the perception of stagnant global demand for lead frames—although the company is the world's second-largest player; and 2) its status as a latecomer in the packaging substrate segment.

  Amid extreme market volatility, valuation multiple has been adjusted downward. However, demand for lead frames is extending beyond automotive applications into data center power supply systems, while the expansion into heat slug products is strengthening earnings visibility.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	211.1	34.1	11.9	5.8	2.2
Operating profit	24.9	202.6	126.8	6.5	10.9
Pre-tax profit	24.3	nm	71.5	9.4	12.3
Net profit	19.1	nm	76.4	11.7	10.4
Margins (%)					
Operating profit	11.8				
Pre-tax profit	11.5				
Net profit	9.0				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	39.8	8.2	4.6
P/B	1.7	1.0	0.9
EV/EBITDA	10.2	4.8	3.0
Div yield (%)	1.6	2.6	3.1
EPS growth (% y-y)	-59.4	232.6	76.6
ROE (%)	4.3	13.3	20.3
Per-share data (KRW)			
EPS	1,401	4,660	8,227
BVPS	33,198	36,958	44,186
DPS	900	1,000	1,200

Samsung Securities

- **Lead frame used in data center power supply systems:** Each step of the power path [power supply unit (PSU) → 48V → power stage → GPU] needs MOSFETs, power stage ICs, rectifiers, DC-DC converters, and PMICs—and most of them are built using lead frame technology.
- **Heat slug mass production possible in 2H:** Heat slug shipments to smartphone semiconductor customers are likely to begin in 2H. As it secures global customers, it will use these engagements as reference cases to drive adoption in other products and expand customer base.

  Heat slug is a component that enhances thermal management in semiconductor packages by spreading heat across a larger surface area, significantly improving cooling efficiency. It typically involves either: 1) attaching a copper alloy metal block directly onto the chip or lead frame, channeling heat upward to a heatsink; or 2) redesigning the lead frame with multiple thermal pathways, enabling independent cooling for each die in high-power, multi-chip packages.
- **Oligopolistic market, but opportunity expanding to lead frame makers:** The heat slug market is dominated by Japan's Shinko, US-based Honeywell Advanced Materials, and Taiwan's Jentech Precision Industrial (collectively meeting 85% of global demand). With surging demand from AI servers, existing suppliers are struggling to keep pace with rising demand. Starting in 2025, major US tech companies have begun requesting lead frame manufacturers—whose underlying technologies are similar—to develop heat slug solutions. Taiwan's lead frame maker SDI has indicated in its earnings conference call that shipments to major tech clients will commence in 2Q, and projects this segment to become a core growth driver over the next three years.
- **Market outlook:** According to Data Insights Market, the global heat slug market is projected to grow from USD1.715b in 2025 to USD2.65b by 2033, representing a CAGR of 6.9%. If Haesung DS captures 5% of this market, it could generate an additional KRW100b-KRW200b in annual sales.

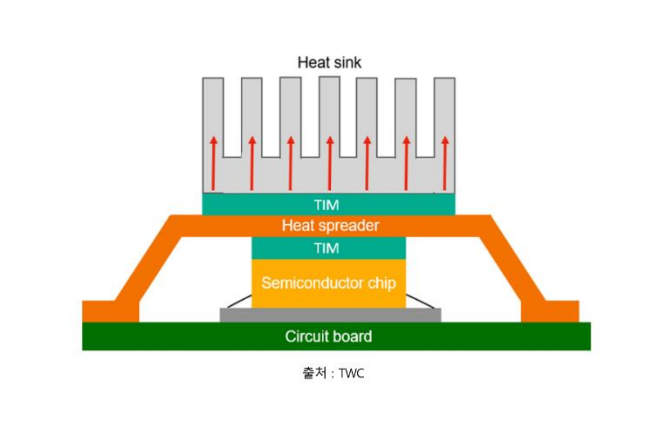
2Q review: Haesung DS restored profitability, backed by record quarterly sales in the lead frame segment and stabilized raw material prices.

- **Consolidated operating margin rebounds to 11.8%:** Haesung DS reported 2Q sales of KRW211.1b (up 11.9% q-q and 34.1% y-y) and an operating profit of KRW24.9b (up 126.4% q-q and 202.6% y-y) for an operating margin of 11.8%. Lead frame sales reached a quarterly record amid rising demand for semiconductors in automotive, AI, and data center applications. Improved profitability was supported by the stabilization of LME prices after their 1Q surge and a favorable forex environment.
- **Lead frame sales at KRW167.8b (up 16.7% q-q and 34.8%y-y):** Lead frames accounted for 78.1% of total sales. Automotive lead frame sales hit KRW103.3b (up 13.5% q-q and 27.2%y-y), while IT/consumer lead frame sales reached KRW64.5b (up 22.2% q-q and 49.0% y-y). Both automotive and IT/consumer segments achieved record quarterly sales, amid simultaneous growth in demand for semiconductors used in automotive, AI, and data center applications.
- **Package substrate sales at KRW47.1b (down 2.1% q-q but up 37.2% y-y):** Despite a 10% q-q price hike for products supplied to key customers, sales edged lower q-q due to softer demand for certain DDR5 products in mass production. Memory substrate sales rose to KRW38.8b (up 0.5% q-q and 53.4% y-y), while sales of other products fell to KRW8.3b (down 12.6% q-q and 7.8% y-y). The share of memory products increased 2%pts q-q to 82.3%.

- **Returns to net profit:** Over 95% of Haesung DS' sales are in US dollars. When the won weakens, the company records forex gains, which improves its non-operating income.

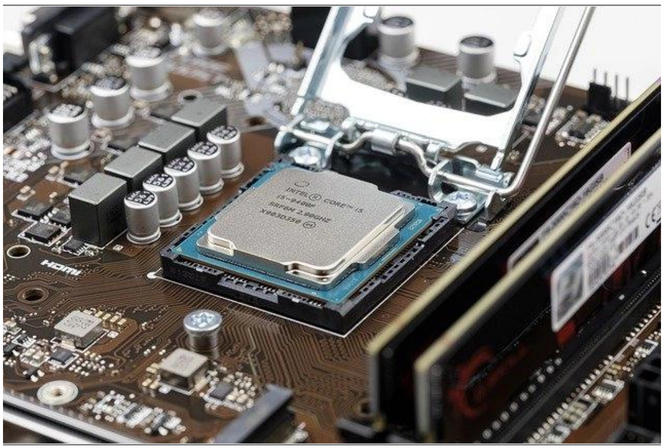
3Q preview: We expect Haesung DS to expand lead frame capacity amid continued growth in demand for semiconductors used in automotive, AI, and data center applications. Its package substrate business should turn profitable, as full-scale mass production of new DDR5 products begins. We expect sales and operating profit to come in at KRW238b (up 12.6% q-q and 34.1% y-y) and KRW32.7b (up 124% q-q and 83.9% y-y), respectively, for a margin of 13.8%. According to FnGuide consensus, sales will be KRW220b and operating profit KRW30.8b, for an operating margin of 13.9%.

Heat spreader structure



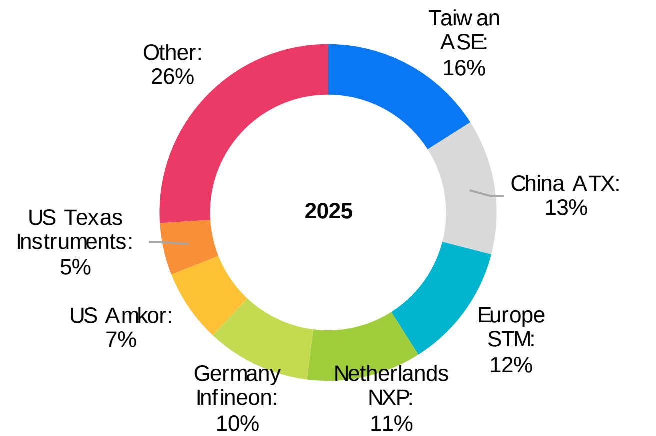
Source: TWC, Google Image

Intel CPU: Assembled with the heat spreader and heat sink



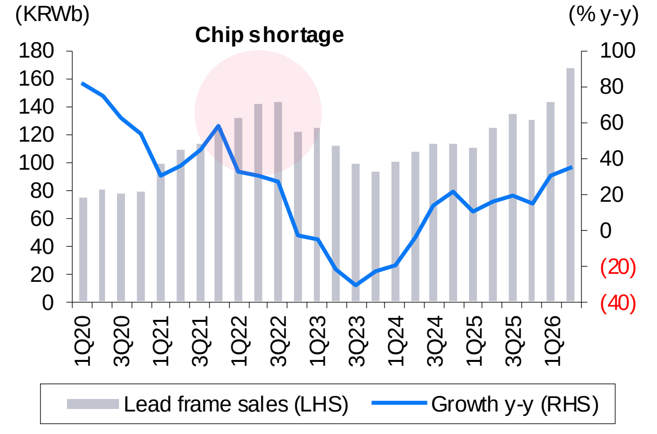
Source: Google Image

Haesung DS: Lead frame sales, by customer (2025)



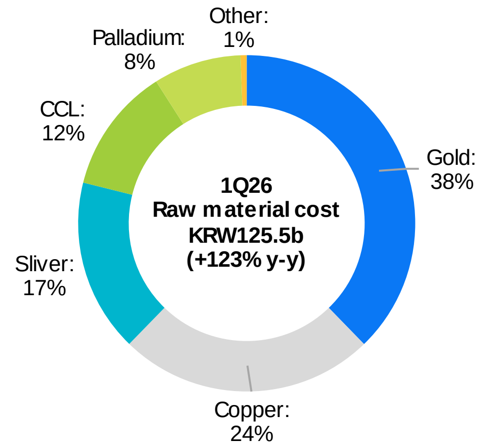
Source: Company data, Samsung Securities

Lead frame sales heading into chip shortage cycle



Source: Company data, Samsung Securities

Haesung DS: Composition of raw-material costs



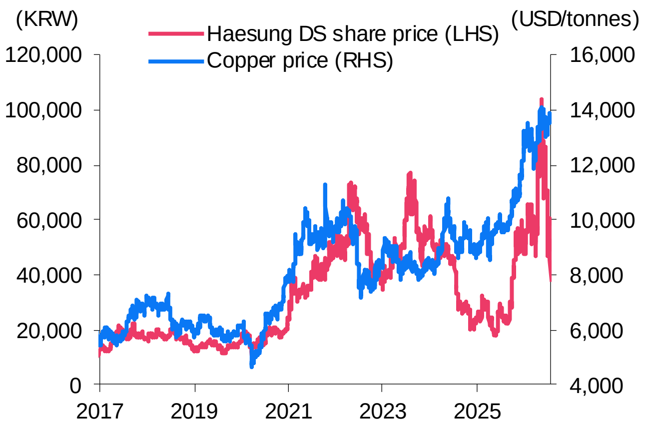
Source: Company data, Samsung Securities

Global lead frame market shares

(%)	Market share
Mitsui High-tec (Japan)	11
Haesung DS (Korea)	9
CWTC (Taiwan)	8
Shinko (Japan)	8

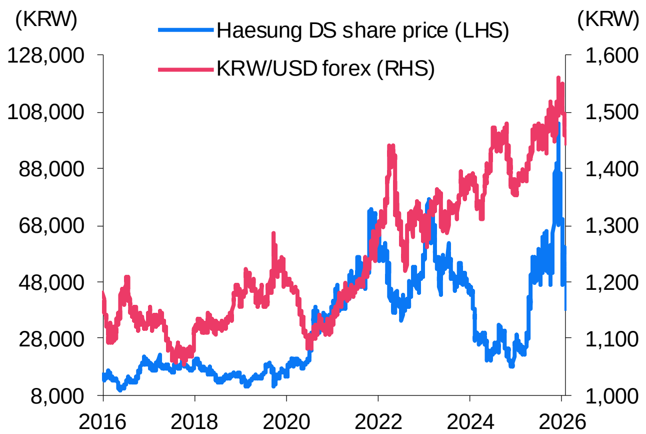
Source: Haesung DS, Samsung Securities

Haesung DS: Share price vs copper prices



Source: Bloomberg, Samsung Securities

Haesung DS: Share price vs KRW/USD exchange rate



Source: Bloomberg, Samsung Securities

Haesung DS: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (avg)	1,453	1,400	1,387	1,452	1,467	1,502	1,500	1,450	1,365	1,422	1,480	1,425
Revenue	137	157	179	180	189	211	238	231	603	653	869	1,074
Growth (% y-y)	-11.2	2.5	19.5	23.9	37.2	34.1	33.1	28.6	-10.3	8.4	33.0	23.6
Lead frame	111	124	135	131	144	168	178	163	434	501	653	791
Package substrate	28	34	47	51	48	47	60	68	169	160	223	283
Gross profit	14	22	27	35	23	40	48	52	111	98	163	244
Operating profit	0.4	8.2	16.1	21.8	11.0	24.9	32.7	34.6	56.9	46.5	103.3	176.8
Growth (% y-y)	-98.3	-54.3	37.6	247.7	3,037.1	202.6	103.0	58.8	-44.5	-18.3	122.2	71.2
Pre-tax profit	0.0	-0.8	18.8	14.6	14.2	24.3	33.8	28.8	67.0	32.6	101.2	178.6
Net profit	0.6	-0.4	14.1	9.6	10.8	19.1	26.6	22.6	58.7	23.8	79.2	139.9
Growth (% y-y)	-97.0	-102.1	136.1	-21.6	1,767.2	Turned pos	88.9	135.2	-30.5	-59.4	232.6	76.6
Controlling profit	0.6	-0.4	14.1	9.6	10.8	19.1	26.6	22.6	58.7	23.8	79.2	139.9
Growth (% y-y)	-97.0	-102.1	136.1	-21.6	1,767.2	Turned pos	88.9	135.2	-30.5	-59.4	232.6	76.6
Margins (% y-y)												
Gross profit	9.9	13.9	15.1	19.6	12.4	19.0	20.2	22.3	18.5	15.0	18.8	22.7
Operating profit	0.3	5.2	9.0	12.1	5.8	11.8	13.8	15.0	9.4	7.1	11.9	16.5
Pre-tax profit	0.0	-0.5	10.5	8.1	7.5	11.5	14.2	12.4	11.1	5.0	11.6	16.6
Controlling profit	0.4	-0.3	7.9	5.3	5.7	9.0	11.2	9.8	9.7	3.6	9.1	13.0

Source: Company data, Samsung Securities estimates

Global semiconductor substrate manufacturers: Valuations

Company		Stock price	Performance (%)			Market cap		P/E (x)			P/B (x)			ROE (%)		
		(Local)	1M	3M	YTD	(Local bil.)	(USDb)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Lead frame manufacturers																
Mitsui High-Tec	JPY	837	-15.5	25.5	6.9	165.2	1.0	16.2	13.3	12.3	1.3	1.3	1.2	8.6	9.2	10.7
SDI Electric	TWD	131	-33.9	-14.1	67.1	23.8	0.7	22.1	17.0	13.2	3.0	2.7	2.5	14.6	17.9	19.7
ASM Pacific	HKD	129.4	-40.4	-21.0	87.4	54.3	6.9	32.9	21.8	17.4	2.9	2.7	2.5	9.5	13.0	15.2
Ningbo Kangqiang	CNY	20.1	-44.7	-3.5	18.6	7.5	1.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average								23.7	17.4	14.3	2.4	2.2	2.1	10.9	13.4	15.2
Package Substrate manufactures																
Unimicron	TWD	688	-29.5	-14.3	395.3	1,093.1	33.6	42.2	20.3	12.7	8.6	6.9	4.9	21.5	36.4	41.1
Ibiden	JPY	13,465	-43.2	6.3	332.7	3,796.4	23.2	69.9	52.5	35.1	6.5	6.2	5.2	10.5	12.1	17.1
SEMCO*	KRW	988,000	-52.0	18.6	619.1	73,797.4	50.8	52.6	25.2	15.9	6.9	5.6	4.3	14.0	23.6	29.6
Kinsus	TWD	576	-28.9	13.4	462.1	303.5	9.3	55.1	23.2	11.6	6.8	5.6	4.3	13.6	24.0	36.0
LG Innotek	KRW	442,000	-52.0	-25.7	184.2	10,460.9	7.2	11.8	9.9	8.3	1.6	1.4	1.2	14.3	14.6	15.3
Simmtech	KRW	65,500	-48.2	-26.7	189.8	2,453.9	1.7	16.1	9.1	6.5	3.4	2.5	1.8	23.4	31.9	32.2
Daeduck Electronics	KRW	76,800	-41.9	-33.4	277.4	3,795.2	2.6	18.2	13.0	10.4	3.6	2.9	2.3	21.3	24.2	24.1
Korea Circuit	KRW	39,950	-55.7	-58.5	253.9	958.1	0.7	8.4	5.7	4.2	2.0	1.5	1.2	23.0	26.0	26.9
Average								34.3	19.9	13.1	4.9	4.1	3.1	17.7	24.1	27.8
Haesung DS	**KRW**	**38,850**	**-43.9**	**-49.5**	**59.2**	**660.5**	**0.5**	**8.3**	**5.8**	**4.7**	**1.0**	**0.9**	**0.8**	**13.3**	**16.6**	**17.8**

Note: *Samsung Electro-Mechanics
Source: Bloomberg, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**603**	**653**	**869**	**1,074**	**1,256**
Cost of goods sold	492	556	706	830	962
Gross profit	**111**	**98**	**163**	**244**	**294**
Gross margin (%)	18.5	15.0	18.8	22.7	23.4
SG&A expenses	55	51	60	67	75
Operating profit	**57**	**46**	**103**	**177**	**219**
Operating margin (%)	9.4	7.1	11.9	16.5	17.4
Non-operating gains (losses)	**10**	**-14**	**-2**	**2**	**-5**
Financial profit	3	2	2	2	3
Financial costs	3	7	8	8	8
Equity-method gains (losses)	0	0	0	0	0
Other	10	-9	5	8	-0
Pre-tax profit	**67**	**33**	**101**	**179**	**214**
Taxes	8	9	22	39	46
Effective tax rate (%)	12.3	26.9	21.7	21.7	21.7
Profit from continuing operations	59	24	79	140	168
Profit from discontinued operations	0	0	0	0	0
Net profit	**59**	**24**	**79**	**140**	**168**
Net margin (%)	9.7	3.6	9.1	13.0	13.3
Net profit (controlling interests)	59	24	79	140	168
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	107	104	164	237	279
EBITDA margin (%)	17.8	15.9	18.8	22.1	22.2
EPS (parent-based) (KRW)	3,453	1,401	4,660	8,227	9,857
EPS (consolidated) (KRW)	3,453	1,401	4,660	8,227	9,857
Adjusted EPS (KRW)*	3,453	1,401	4,660	8,227	9,857

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**322**	**386**	**449**	**601**	**775**
Cash & equivalents	84	108	80	145	241
Accounts receivable	117	136	181	224	262
Inventories	107	132	176	218	255
Other current assets	13	9	12	15	17
Fixed assets	**472**	**494**	**514**	**514**	**514**
Investment assets	0	0	0	0	0
Tangible assets	425	456	479	481	484
Intangible assets	32	23	20	18	15
Other long-term assets	15	15	15	15	15
Total assets	**794**	**881**	**963**	**1,116**	**1,289**
Current liabilities	**201**	**180**	**196**	**223**	**247**
Accounts payable	20	32	42	52	61
Short-term debt	73	81	81	81	81
Other current liabilities	108	67	73	90	105
Long-term liabilities	**36**	**137**	**139**	**142**	**144**
Bonds & long-term debt	26	120	120	120	120
Other long-term liabilities	10	17	19	22	24
Total liabilities	**238**	**316**	**335**	**365**	**391**
Owners of parent equity	**556**	**564**	**628**	**751**	**898**
Capital stock	85	85	85	85	85
Capital surplus	22	22	22	22	22
Retained earnings	449	457	521	644	791
Other	1	0	0	0	0
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**556**	**564**	**628**	**751**	**898**
Net debt	43	114	130	65	-31

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**61**	**67**	**79**	**142**	**176**
Net profit	59	24	79	140	168
Non-cash profit and expenses	73	87	89	105	111
Depreciation	48	54	57	57	58
Amortization	2	4	3	3	2
Other	23	29	29	45	51
Changes in A/L from operating activities	-60	-32	-61	-58	-51
Cash flow from investments	**-144**	**-119**	**-80**	**-60**	**-60**
Change in tangible assets	-148	-116	-80	-60	-60
Change in financial assets	-0	0	-0	-0	-0
Other	4	-2	0	-0	-0
Cash flow from financing	**27**	**76**	**-28**	**-17**	**-20**
Change in debt	47	95	-12	0	0
Change in equity	0	0	0	0	0
Dividends	-15	-14	-15	-17	-20
Other	-5	-5	0	0	0
Change in cash	-56	24	-29	65	96
Cash at beginning of year	140	84	108	80	145
Cash at end of year	84	108	80	145	241
Gross cash flow	**132**	**111**	**168**	**245**	**279**
Free cash flow	**-88**	**-50**	**-1**	**82**	**116**

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	-10.3	8.4	33.0	23.6	17.0
Operating profit	-44.5	-18.2	122.2	71.2	23.7
Net profit	-30.5	-59.4	232.6	76.6	19.8
Adjusted EPS**	-30.5	-59.4	232.6	76.6	19.8
Per-share data (KRW)					
EPS (parent-based)	3,453	1,401	4,660	8,227	9,857
EPS (consolidated)	3,453	1,401	4,660	8,227	9,857
Adjusted EPS**	3,453	1,401	4,660	8,227	9,857
BVPS	32,722	33,198	36,958	44,186	52,843
DPS (common)	800	900	1,000	1,200	1,200
Valuations (x)					
P/E***	6.8	39.8	8.2	4.6	3.9
P/B***	0.7	1.7	1.0	0.9	0.7
EV/EBITDA	4.1	10.2	4.8	3.0	2.2
Ratios (%)					
ROE	11.0	4.3	13.3	20.3	20.3
ROA	7.9	2.8	8.6	13.5	13.9
ROIC	9.5	5.3	11.2	17.5	20.2
Payout ratio	23.2	64.2	21.5	14.6	12.2
Dividend yield (common)	3.4	1.6	2.6	3.1	3.1
Net debt to equity	7.8	20.2	20.7	8.6	-3.4
Interest coverage (x)	17.9	6.9	12.4	21.9	27.1

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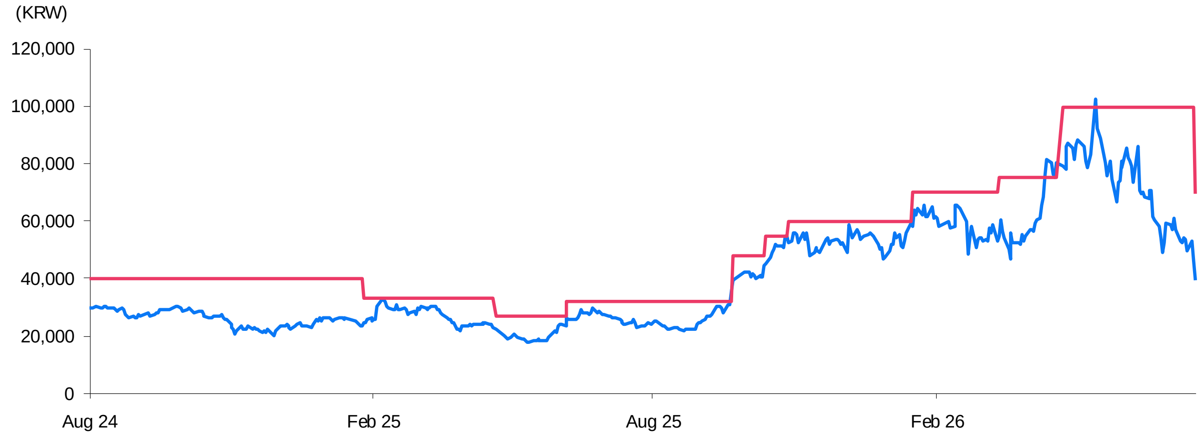
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/4/30	8/5	2025/2/5	5/2	6/17	10/2	10/24	11/7	2026/1/27	3/24	5/4	7/29
Recommendation	BUY	HOLD	BUY	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	70000	40000	33000	27000	32000	48000	55000	60000	70000	75000	100000	70000
Gap* (average)	-35.33	-34.76	-18.15	-26.39	-19.38	-13.50	-6.68	-11.60	-15.69	-18.40	-27.74	
(max or min)**	-26.86	-24.00	-1.06	-11.30	11.25	-6.77	0.00	-0.83	-6.14	8.93	2.40	

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
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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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