COMPANY UPDATE

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ST Pharm (237690)

One-off cost weighs, but growth story intact

- **2Q review:** ST Pharm's 2Q results came in below consensus due to one-off costs. But our full-year earnings forecasts remain unchanged.
- **Maintaining BUY but cutting target price to KRW140,000:** Our target price cut reflects a sector-wide valuation adjustment, not a change in earnings outlook. The underlying growth story remains intact.

WHAT'S THE STORY?

2Q review: ST Pharm reported 2Q consolidated sales of KRW108.5b (up 58.9% y-y and 62% q-q) and an operating profit of KRW18.3b (up 41.7% y-y and 58.8% q-q). For a certain product, fixed costs that had built up over more than 8 months were recognized all at once in 2Q, adding KRW5b to expenses. But once the product moves to full-scale commercialization, the manufacturing line will be changed, so future costs will not rise like this again. The oligonucleotide business made KRW79.6b in sales (up 83.1% y-y and 97% q-q), thanks to contributions from 13 new projects after the second oligonucleotide facility started operating. The small-molecule business made KRW17.5b in sales (up 162.1% y-y and 280.4% q-q), as commercialization picked up speed. Sales from ADC linkers also emerged for the first time. As of end-2Q, order backlog stands at USD296m.

2026 outlook: We expect ST Pharm to achieve 2026 sales of KRW416.1b (up 25.4% y-y) and an operating profit of KRW71.2b (up 29.5% y-y)—largely unchanged from earlier forecasts even with one-off costs. With the full-scale launch of large lines at the second oligonucleotide facility in 2H, the earlier recognition of fixed costs will amplify operating leverage. Specifically, we estimate oligonucleotide CMO sales at KRW281b (up 18.2% y-y) and small-molecule CMO sales at KRW67.1b (up 155.1% y-y; driven by full-scale commercialization of two key programs).

(Continued on the next page)

AT A GLANCE

BUY

Target price	**KRW140,000**	**65.3%**
Current price	**KRW84,700**	
Market cap	KRW1.8t/USD1.3b	
Shares (float)	20,876,638 (62.1%)	
52-week high/low	KRW168,700/KRW82,700	
Avg daily trading value (60-day)	KRW17.5b/ USD12.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
ST Pharm (%)	-35.9	-46.9	-1.6
Vs Kosdaq (%pts)	-9.0	-5.4	22.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	140,000	200,000	-30.0%
2026E EPS	3,476	3,508	-0.9%
2027E EPS	5,243	4,952	5.9%

SAMSUNG vs THE STREET

No of estimates	14
Target price	204,071
Recommendation	4.0

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

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	108.5	58.9	62.0	13.2	3.4
Operating profit	18.3	41.7	58.8	-10.0	-7.8
Pre-tax profit	18.1	162.4	2.7	-25.9	10.6
Net profit (controlling)	13.2	143.5	-12.3	-30.8	-14.8
Margins (%)					
Operating profit	16.9				
Pre-tax profit	16.7				
Net profit (controlling)	12.2				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	44.1	24.4	16.2
P/B	4.2	2.6	2.3
EV/EBITDA	29.8	16.4	11.7
Div yield (%)	0.4	0.6	0.6
EPS growth (% y-y)	52.0	28.5	50.8
ROE (%)	10.0	11.5	15.2
Per-share data (KRW)			
EPS	2,706	3,476	5,243
BVPS	28,666	32,046	36,789
DPS	500	500	500

Samsung Securities

Maintaining BUY but cutting target price to KRW140,000: Following an upgrade in consensus estimates, market expectations for 2Q results increased—so when actual 2Q results came in below, the stock adjusted downward. This was compounded by a broader valuation pullback across the healthcare sector. We are not lowering our earnings forecasts—they remain nearly unchanged. Instead, we raise our DCF discount rate (WACC; from 7.9% to 10%), which moves our target price lower. We do not see earnings risk, but rather believe the entire healthcare sector is undergoing a valuation adjustment. The simultaneous growth of oligonucleotide and small-molecule businesses, along with a rising share of high-value-added products, continues to support a secular growth story. We expect a meaningful valuation re-rating in 2027, as the company's high-growth trajectory becomes evident.

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**274**	**332**	**416**	**521**	**650**
Cost of goods sold	178	195	256	324	397
Gross profit	**96**	**136**	**160**	**198**	**253**
Gross margin (%)	35.1	41.1	38.4	37.9	39.0
SG&A expenses	68	81	89	92	107
Operating profit	**28**	**55**	**71**	**105**	**146**
Operating margin (%)	10.1	16.6	17.1	20.2	22.5
Non-operating gains (losses)	**15**	**4**	**27**	**35**	**56**
Financial profit	35	18	41	50	58
Financial costs	19	13	13	14	1
Equity-method gains (losses)	0	0	0	0	0
Other	-2	-1	-1	-1	-1
Pre-tax profit	**43**	**59**	**98**	**140**	**202**
Taxes	10	4	20	31	44
Effective tax rate (%)	24.1	7.1	20.2	22.0	22.0
Profit from continuing operations	32	55	73	109	160
Profit from discontinued operations	0	0	0	0	0
Net profit	**32**	**55**	**73**	**109**	**160**
Net margin (%)	11.9	16.5	17.4	21.0	24.6
Net profit (controlling interests)	35	55	72	109	160
Net profit (non-controlling interests)	-2	-0	0	0	0
EBITDA	53	85	105	137	175
EBITDA margin (%)	19.5	25.6	25.1	26.3	27.0
EPS (parent-based) (KRW)	1,780	2,706	3,476	5,243	7,645
EPS (consolidated) (KRW)	1,664	2,684	3,480	5,243	7,645
Adjusted EPS (KRW)*	1,780	2,706	3,476	5,243	7,645

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**330**	**373**	**522**	**675**	**901**
Cash & equivalents	63	31	165	284	471
Accounts receivable	68	97	41	46	52
Inventories	127	169	213	239	269
Other current assets	72	76	104	106	109
Fixed assets	**392**	**410**	**400**	**369**	**340**
Investment assets	26	12	9	9	10
Tangible assets	336	357	353	322	294
Intangible assets	17	17	16	15	14
Other long-term assets	13	24	22	22	22
Total assets	**722**	**783**	**922**	**1,044**	**1,241**
Current liabilities	**133**	**165**	**228**	**247**	**290**
Accounts payable	11	12	20	23	29
Short-term debt	30	31	31	31	31
Other current liabilities	93	122	176	193	230
Long-term liabilities	**86**	**25**	**26**	**29**	**35**
Bonds & long-term debt	43	0	0	0	0
Other long-term liabilities	42	25	26	29	35
Total liabilities	**219**	**190**	**254**	**276**	**326**
Owners of parent equity	**503**	**593**	**669**	**768**	**916**
Capital stock	10	10	10	10	10
Capital surplus	316	358	374	374	374
Retained earnings	159	204	266	365	514
Other	18	21	18	18	17
Non-controlling interests' equity	**-0**	**-0**	**-0**	**-0**	**-0**
Total equity	**503**	**593**	**669**	**768**	**916**
Net debt	62	63	-54	-168	-345

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**109**	**14**	**166**	**113**	**171**
Net profit	32	55	73	109	160
Non-cash profit and expenses	45	48	47	50	56
Depreciation	25	28	32	31	28
Amortization	1	1	1	1	1
Other	20	18	14	18	26
Changes in A/L from operating activities	37	-79	63	-16	0
Cash flow from investments	**-87**	**-26**	**-38**	**13**	**18**
Change in tangible assets	-83	-47	-29	0	0
Change in financial assets	24	22	-4	-1	-1
Other	-28	-2	-5	14	19
Cash flow from financing	**-11**	**-20**	**-4**	**-7**	**-1**
Change in debt	-75	-41	21	5	11
Change in equity	90	43	16	0	0
Dividends	-9	-10	-10	-10	-10
Other	-17	-12	-31	-1	-1
Change in cash	13	-33	135	118	187
Cash at beginning of year	50	63	31	165	284
Cash at end of year	63	31	165	284	471
Gross cash flow	**78**	**102**	**120**	**160**	**215**
Free cash flow	**27**	**-33**	**137**	**113**	**171**

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	-3.9	21.2	25.4	25.3	24.6
Operating profit	-17.4	98.4	29.5	47.7	39.1
Net profit	85.3	68.1	33.0	50.9	45.8
Adjusted EPS**	71.0	52.0	28.5	50.8	45.8
Per-share data (KRW)					
EPS (parent-based)	1,780	2,706	3,476	5,243	7,645
EPS (consolidated)	1,664	2,684	3,480	5,243	7,645
Adjusted EPS**	1,780	2,706	3,476	5,243	7,645
BVPS	24,966	28,666	32,046	36,789	43,879
DPS (common)	500	500	500	500	500
Valuations (x)					
P/E***	50.0	44.1	24.4	16.2	11.1
P/B***	3.6	4.2	2.6	2.3	1.9
EV/EBITDA	34.8	29.8	16.4	11.7	8.1
Ratios (%)					
ROE	7.8	10.0	11.5	15.2	19.0
ROA	4.6	7.3	8.5	11.1	14.0
ROIC	4.2	9.3	10.2	15.7	22.6
Payout ratio	29.0	18.9	14.4	9.5	6.5
Dividend yield (common)	0.6	0.4	0.6	0.6	0.6
Net debt to equity	12.3	10.6	-8.1	-21.9	-37.7
Interest coverage (x)	3.6	13.6	62.1	88.0	114.6

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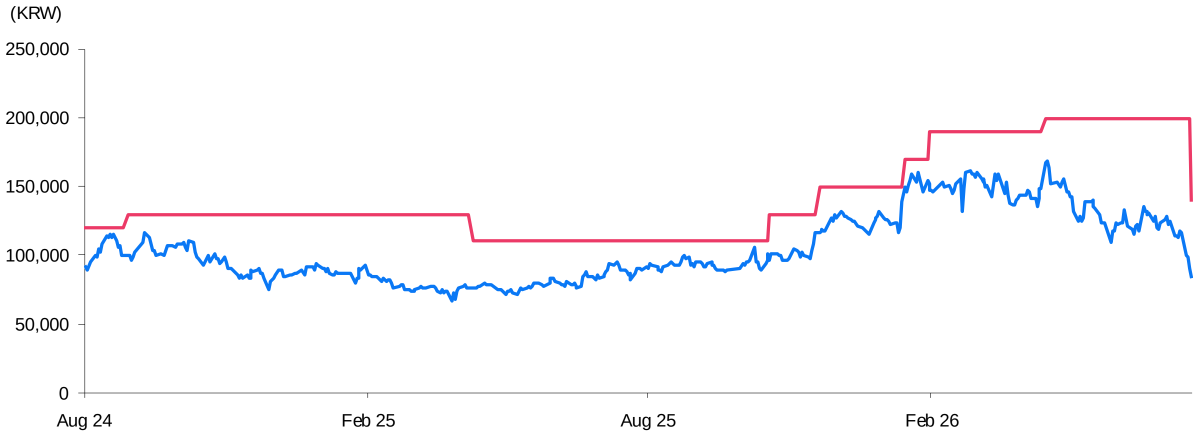
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/6/13	9/9	2025/4/21	10/30	12/1	2026/1/26	2/10	4/27	7/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	120000	130000	110000	130000	150000	170000	190000	200000	140000
Gap* (average)	-21.35	-32.21	-21.42	-22.04	-16.82	-9.79	-21.80	-35.87	
(max or min)**	-3.83	-10.00	-3.91	-10.00	-6.93	-5.53	-14.68	-15.65	

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

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* 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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