COMPANY UPDATE

2026. 8. 3

Tech Team

Donghwan Oh
Senior Analyst
dh1.oh@samsung.com

Hyerim Yu
Research Associate
hyerim0705.yu@samsung.com

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Samsung SDS (018260)

Non-captive sales lift revenue but margins weaken

- Samsung SDS reported 2Q26 sales of KRW3.71t (up 6% y-y) on robust growth in the IT services and logistics operations. Its operating profit crept up 0.7% y-y (meeting consensus) on a rising share of low-margin non-captive sales.
- While the company has secured AI data centers as a new growth engine, profitability is likely to remain under pressure until the Haenam AI data center becomes operational in 2028. We advise investors to approach the stock with a medium- to long-term horizon.

AT A GLANCE

BUY

Target price	KRW230,000	11.7%
Current price	KRW206,000	
Market cap	KRW15.9t/USD11.2b	
Shares (float)	77,377,800 (51.0%)	
52-week high/low	KRW362,000/KRW145,900	
Avg daily trading value (60-day)	KRW155.6b/ USD109.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung SDS (%)	8.0	19.0	29.0
Vs Kospi (%pts)	38.8	-5.7	-36.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	230,000	230,000	0.0%
2026E EPS	9,153	9,413	-2.8%
2027E EPS	11,996	12,125	-1.1%

SAMSUNG vs THE STREET

No of estimates	13
Target price	258,692
Recommendation	4.0

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

WHAT'S THE STORY?

Profitability pressured by growing non-captive sales: Samsung SDS saw 2Q sales increase 5.9% y-y, supported by steady growth in both IT services (+5% y-y) and logistics (+6.6% y-y). IT services revenue expanded on strong demand for cloud solutions from non-captive clients (+17% y-y), while logistics revenue benefited from rising shipping freight rates and expansion of non-captive sales via Cello Square (digital forwarding service). The increasing proportion of lower-margin non-captive sales weighed on profitability, pushing down IT services operating profit by 0.3% y-y. Accordingly, the company's 2Q operating profit crept up just 0.7% y-y, meeting consensus.

Transitioning to an AI full-stack provider: Samsung SDS is evolving into a full-stack AI provider, offering integrated solutions that combine its own AI infrastructure, enterprise AI transformation services, and proprietary AI applications. Its AI infrastructure business—particularly GPU-as-a-Service (GPUaaS)—is expanding through a phased rollout: starting with the Dongtan AI data center in 2026, followed by Haenam in 2028 and Gumi in 2029. The company targets annual revenue of KRW6t by 2031 from this segment.

(Continued on the next page)

SUMMARY 2Q26 RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	3,717.8	5.9	10.9	-1.0	1.3
Operating profit	231.8	0.7	195.9	-5.5	-2.4
Pre-tax profit	259.3	9.6	99.4	-7.6	-5.7
Net profit	184.1	4.6	100.6	-11.3	-8.4
Margins (%)					
Operating profit	6.2				
Pre-tax profit	7.0				
Net profit	5.0				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	17.1	22.5	17.2
P/B	1.3	1.5	1.4
EV/EBITDA	5.1	6.3	4.6
Div yield (%)	1.9	1.7	1.9
EPS growth (% y-y)	7.9	-8.8	31.1
ROE (%)	7.9	7.0	8.7
Per-share data (KRW)			
EPS	10,037	9,153	11,996
BVPS	128,198	136,365	145,026
DPS	3,190	3,509	3,860

Samsung Securities

Need to enhance short-term profitability: To drive topline expansion, Samsung SDS is aggressively pursuing external projects, primarily in finance, defense, and public sectors. Notably, major financial sector contracts are expected in 2H26; if secured, these could enable the company to achieve its target of high single-digit growth for IT services revenue. However, the rising share of low-margin non-captive sales is likely to push the IT services operating margin down to around 10%.

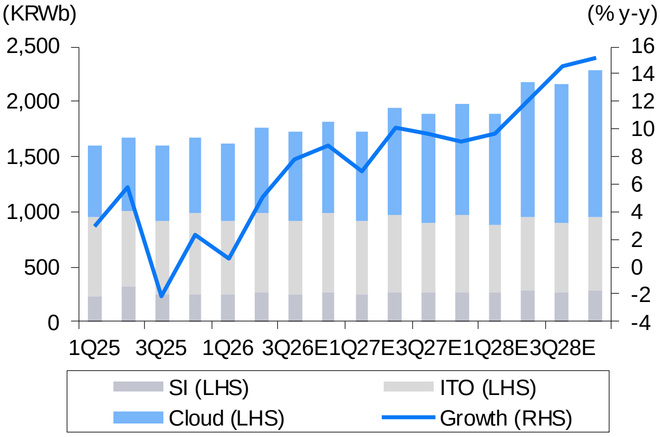
Medium- to long-term perspective—essential: We maintain BUY rating and KRW 30,000 target price (calculated by applying the domestic and foreign IT service peers' average 2027 P/E of 19.3x to 2027 EPS, which exclude one-off factors). However, as profitability is expected to remain pressured through 2028 due to the expansion of lower-margin non-captive sales, we advise investors to approach the stock with a medium- to long-term horizon.

2Q review

(KRWb)	2Q26			Diff (%)		2Q25	1Q26	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**3,718**	**3,757**	**3,621**	**(1.0)**	**2.7**	**3,512**	**3,353**	**5.9**	**10.9**
IT service	1,763	1,776		(0.8)		1,678	1,611	5.0	9.4
Logistics	1,955	1,980		(1.3)		1,834	1,742	6.6	12.2
Cost of goods sold	**3,188**	**3,223**		**(1.1)**		**2,989**	**2,959**	**6.7**	**7.8**
Operating expenses	**298**	**288**		**3.3**		**293**	**316**	**1.6**	**(5.7)**
Labor & welfare	228	211		8.2		183	218	24.5	4.7
R&D	25	23		8.2		23	23	5.5	4.7
D&A	17	17		0.0		17	16	(1.7)	3.9
Others	28	38		(25.9)		69	58	(59.6)	(51.9)
Operating profit	**232**	**245**	**235**	**(5.5)**	**(1.3)**	**230**	**78**	**0.7**	**195.9**
Pre-tax profit	259	281		(7.6)		237	130	9.6	99.4
Net profit	184	208	197	(11.3)	(6.8)	176	92	4.6	100.6
Net profit (controlling interests)	179	209	195	(14.3)	(8.0)	171	92	5.0	93.9
Margins (%)									
Operating profit	6.2	6.5	6.5			6.6	2.3		
Pre-tax profit	7.0	7.5	0.0			6.7	3.9		
Net profit	5.0	5.5	5.5			5.0	2.7		
Net profit (controlling)	4.8	5.6	5.4			4.9	2.8		

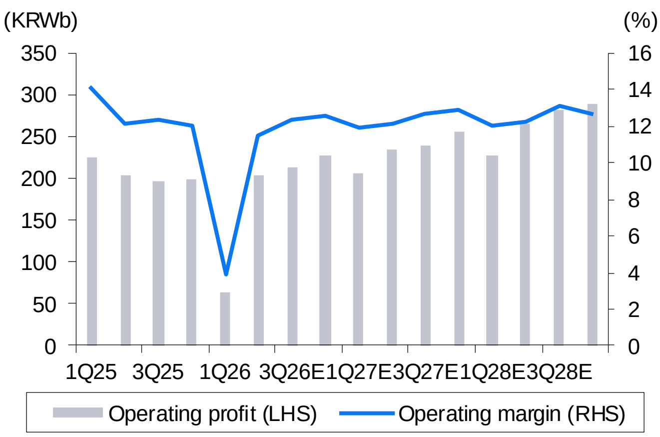
Source: Company data, FnGuide, Samsung Securities estimates

IT services: Quarterly sales



Source: Company data, Samsung Securities estimates

IT services: Quarterly operating profit



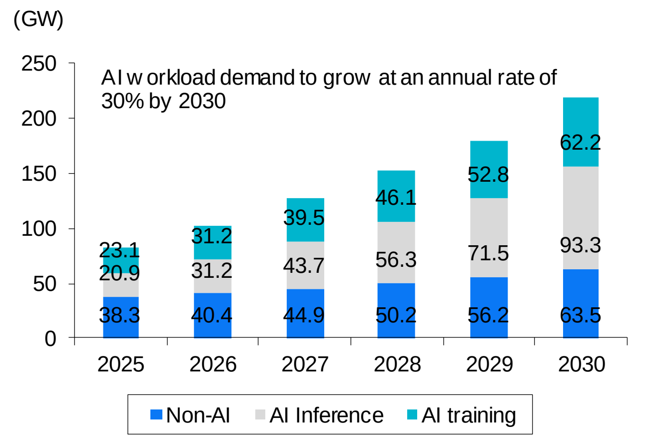
Source: Company data, Samsung Securities estimates

Samsung SDS AI data center expansion plan

Category	Announcement and Targets
Investment scale	Total investment of approx. KRW5t by 2031
Secured capacity	Secured capacity of approximately 800 MW (based on current 5 DCs, generating annual sales of approximately KRW1.1t)
Sales guideline	Capable of generating over KRW20b in annual sales per MW at full ramp-up.
Sales target	Targeting annual sales of approximately KRW6.6t by 2031.
DBO business target	Secure 500 MW by 2031, targeting approximately KRW1t in sales.
1st Expansion Project (2026-2029)	Dongtan AI DC (opening in early 2026) Korea AI Computing Center (planned completion in 2028) Gumi AI DC (targeted opening in 2029)
2nd Expansion Project (~2031)	Korea AI Computing Center 40 MW expansion Gumi AIDC 60 MW expansion Secure over 500 MW of AI data center DBO capacity by 2031.

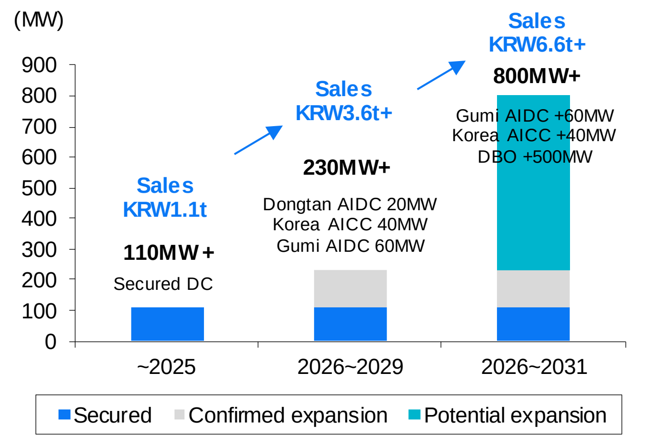
Source: Company data

Global AI workload demand



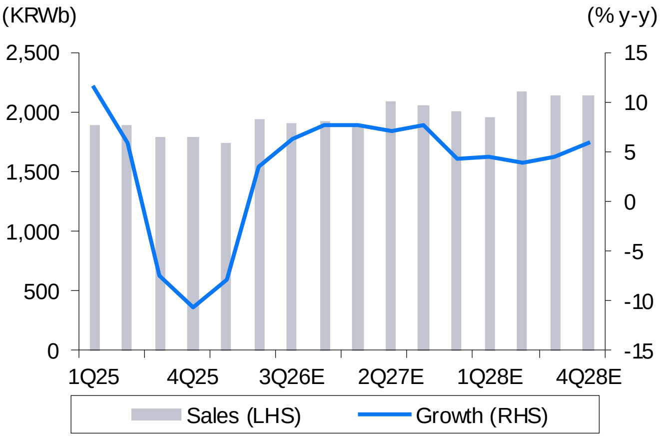
Source: McKinsey (2026.02 Workload Forecast)

Samsung SDS data center sales target



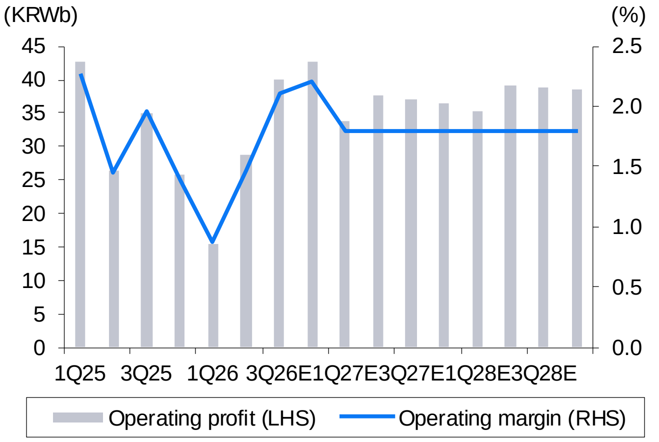
Source: Company data

Logistics: Quarterly sales



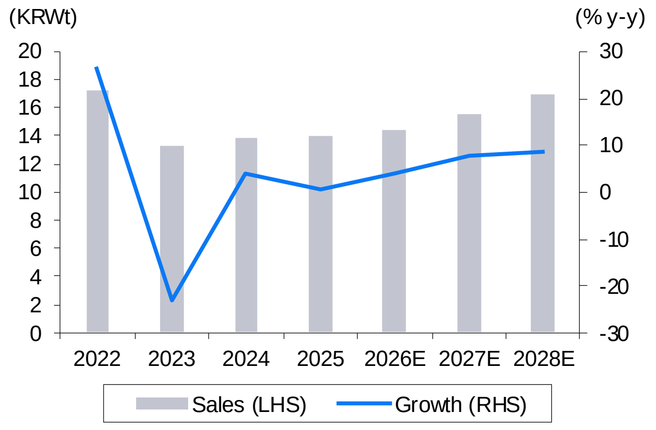
Source: Company data, Samsung Securities estimates

Logistics: Quarterly operating profit



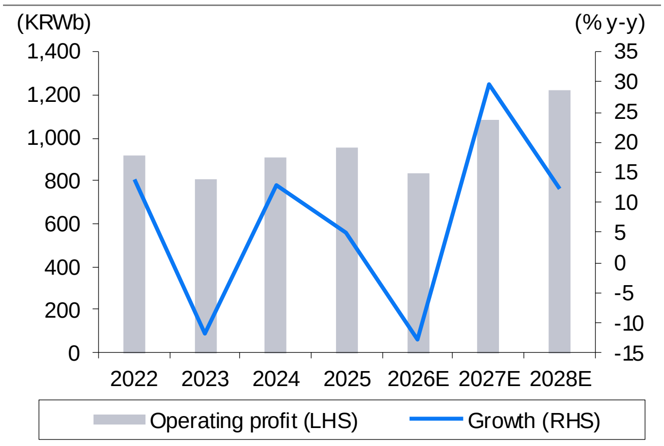
Source: Company data, Samsung Securities estimates

Annual sales



Source: Company data, Samsung Securities estimates

Annual operating profit



Source: Company data, Samsung Securities estimates

Samsung SDS valuation

(KRW)	
2027E EPS	11,996
Target P/E (x) *	19.3
Fair value	230,990
Target price	**230,000**
Current price	198,700
Upside (%)	15.8

Note: *Average 2027 P/E of global IT service peers; As of Jul 30
Source: Samsung Securities estimates

Major IT service peers: P/E valuation

(x)	2026E	2027E
LG CNS	12.2	10.7
Hyundai AutoEver	44.5	36.1
IBM	18.4	17.2
NTT INC	13.0	13.0
Average	**25.0**	**19.3**

Note: As of Jul 30
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	**3,490**	**3,512**	**3,391**	**3,537**	**3,353**	**3,718**	**3,631**	**3,752**	**3,600**	**4,036**	**3,947**	**4,004**
IT service	1,600	1,678	1,596	1,669	1,611	1,763	1,720	1,816	1,722	1,940	1,887	1,983
Logistics	1,889	1,834	1,796	1,868	1,742	1,955	1,911	1,936	1,878	2,096	2,059	2,021
Cost of goods sold	**2,944**	**2,989**	**2,894**	**3,023**	**2,959**	**3,188**	**3,115**	**3,204**	**3,082**	**3,479**	**3,382**	**3,411**
Operating expenses	**277**	**293**	**265**	**288**	**316**	**298**	**262**	**277**	**279**	**284**	**287**	**300**
Labor & welfare	182	183	172	181	218	228	217	229	232	233	236	247
R&D	21	23	23	24	23	25	23	25	25	25	25	27
D&A	17	17	17	17	16	17	18	19	19	20	21	23
Others	58	69	54	66	58	28	4	4	3	5	4	4
Operating profit	**269**	**230**	**232**	**226**	**78**	**232**	**254**	**271**	**239**	**273**	**277**	**292**
Pre-tax profit	302	237	278	259	130	259	298	317	289	322	330	349
Net profit	218	176	201	188	92	184	224	238	217	242	248	261
Net profit (controlling interests)	211	171	195	182	92	179	218	232	211	235	241	254
Adjusted EPS (KRW)	2,747	2,467	2,429	2,394	1,038	2,397	2,763	2,955	2,672	3,007	3,071	3,246
Margin (%)												
Operating margin	7.7	6.6	6.8	6.4	2.3	6.2	7.0	7.2	6.6	6.8	7.0	7.3
Pre-tax margin	8.6	6.7	8.2	7.3	3.9	7.0	8.2	8.5	8.0	8.0	8.4	8.7
Net profit margin	6.2	5.0	5.9	5.3	2.7	5.0	6.2	6.3	6.0	6.0	6.3	6.5
Net profit margin (controlling)	6.1	4.9	5.8	5.2	2.8	4.8	6.0	6.2	5.9	5.8	6.1	6.4

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2026E			2027E			2028E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**14,392**	**14,454**	**0.4**	**15,470**	**15,586**	**0.8**	**16,707**	**16,948**	**1.4**
IT service	6,848	6,910	0.9	7,355	7,532	2.4	8,204	8,507	3.7
Logistics	7,544	7,544	0.0	8,115	8,054	(0.7)	8,504	8,441	(0.7)
Cost of goods sold	**12,408**	**12,467**	**0.5**	**13,220**	**13,354**	**1.0**	**14,228**	**14,478**	**1.8**
Operating expenses	**1,153**	**1,152**	**(0.1)**	**1,178**	**1,150**	**(2.4)**	**1,288**	**1,251**	**(2.9)**
Labor & welfare	820	893	8.9	830	948	14.3	894	1,021	14.3
R&D	88	96	8.9	89	102	14.3	96	110	14.3
D&A	70	70	0.0	84	84	0.0	102	102	0.0
Others	176	94	(46.8)	176	16	(90.7)	196	18	(90.8)
Operating profit	830	835	0.6	1,071	1,082	1.0	1,191	1,218	2.3
Pre-tax profit	1,008	1,005	(0.3)	1,278	1,290	1.0	1,435	1,465	2.1
Net profit	741	738	(0.5)	946	968	2.3	1,062	1,099	3.5
Net profit (controlling interests)	746	721	(3.4)	952	941	(1.1)	1,068	1,069	0.0
Adjusted EPS (KRW)	9,413	9,153	(2.8)	12,125	11,996	(1.1)	13,639	13,649	0.1
Margins (%)									
Operating profit	5.8	5.8		6.9	6.9		7.1	7.2	
Pre-tax profit	7.0	7.0		8.3	8.3		8.6	8.6	
Net profit	5.2	5.1		6.1	6.2		6.4	6.5	
Net profit (controlling)	5.2	5.0		6.2	6.0		6.4	6.3	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**13,828**	**13,930**	**14,454**	**15,586**	**16,948**
Cost of goods sold	11,816	11,850	12,467	13,354	14,478
Gross profit	**2,012**	**2,080**	**1,987**	**2,232**	**2,470**
Gross margin (%)	14.6	14.9	13.7	14.3	14.6
SG&A expenses	1,101	1,123	1,152	1,150	1,251
Operating profit	**911**	**957**	**835**	**1,082**	**1,218**
Operating margin (%)	6.6	6.9	5.8	6.9	7.2
Non-operating gains (losses)	**192**	**119**	**170**	**208**	**247**
Financial profit	329	279	311	347	385
Financial costs	155	161	136	133	133
Equity-method gains (losses)	3	6	6	6	6
Other	15	-6	-11	-12	-12
Pre-tax profit	**1,103**	**1,076**	**1,005**	**1,290**	**1,465**
Taxes	313	293	267	323	366
Effective tax rate (%)	28.4	27.2	26.6	25.0	25.0
Profit from continuing operations	790	783	738	968	1,099
Profit from discontinued operations	0	0	0	0	0
Net profit	**790**	**783**	**738**	**968**	**1,099**
Net margin (%)	5.7	5.6	5.1	6.2	6.5
Net profit (controlling interests)	757	760	721	941	1,069
Net profit (non-controlling interests)	33	23	17	26	30
EBITDA	1,518	1,587	1,496	1,743	1,879
EBITDA margin (%)	11.0	11.4	10.4	11.2	11.1
EPS (parent-based) (KRW)	9,783	9,816	9,312	12,166	13,815
EPS (consolidated) (KRW)	10,203	10,115	9,531	12,506	14,201
Adjusted EPS (KRW)*	9,302	10,037	9,153	11,996	13,649

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**9,004**	**9,406**	**11,267**	**12,852**	**14,661**
Cash & equivalents	1,669	1,559	2,772	3,786	4,642
Accounts receivable	1,720	1,790	1,913	2,041	2,256
Inventories	19	15	24	26	29
Other current assets	5,596	6,042	6,558	6,998	7,734
Fixed assets	**4,235**	**4,048**	**3,432**	**2,780**	**2,134**
Investment assets	156	165	183	192	207
Tangible assets	1,774	1,752	1,258	623	-13
Intangible assets	814	824	808	782	756
Other long-term assets	1,490	1,307	1,183	1,183	1,183
Total assets	**13,238**	**13,454**	**14,699**	**15,632**	**16,795**
Current liabilities	**2,495**	**2,332**	**2,872**	**3,046**	**3,336**
Accounts payable	707	585	642	685	757
Short-term debt	0	0	0	0	0
Other current liabilities	1,788	1,747	2,230	2,361	2,579
Long-term liabilities	**1,037**	**859**	**886**	**907**	**943**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	1,037	859	886	907	943
Total liabilities	**3,533**	**3,191**	**3,757**	**3,953**	**4,280**
Owners of parent equity	**9,333**	**9,916**	**10,548**	**11,218**	**11,988**
Capital stock	39	39	39	39	39
Capital surplus	1,297	1,297	1,297	1,297	1,297
Retained earnings	7,995	8,530	9,004	9,674	10,444
Other	2	50	208	208	208
Non-controlling interests' equity	**372**	**347**	**344**	**371**	**400**
Total equity	**9,705**	**10,263**	**10,892**	**11,588**	**12,389**
Net debt	-5,040	-5,563	-6,868	-8,214	-9,624

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**1,238**	**1,203**	**1,285**	**1,569**	**1,671**
Net profit	790	783	738	968	1,099
Non-cash profit and expenses	891	920	887	783	788
Depreciation	553	599	635	635	635
Amortization	54	31	26	26	26
Other	284	290	226	122	127
Changes in A/L from operating activities	-252	-347	-181	-43	-72
Cash flow from investments	**-1,069**	**-824**	**-102**	**-312**	**-536**
Change in tangible assets	-473	-313	-67	0	0
Change in financial assets	-652	-466	-119	-331	-554
Other	56	-45	84	19	18
Cash flow from financing	**-423**	**-509**	**-312**	**-271**	**-299**
Change in debt	116	-167	26	0	0
Change in equity	0	0	0	0	0
Dividends	-216	-233	-247	-271	-299
Other	-323	-109	-92	0	0
Change in cash	-119	-110	1,164	975	821
Cash at beginning of year	1,788	1,669	1,559	2,723	3,698
Cash at end of year	1,669	1,559	2,723	3,698	4,519
Gross cash flow	**1,680**	**1,703**	**1,625**	**1,750**	**1,887**
Free cash flow	**763**	**888**	**1,216**	**1,569**	**1,671**

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	4.2	0.7	3.8	7.8	8.7
Operating profit	12.7	5.0	-12.8	29.6	12.6
Net profit	12.6	-0.9	-5.8	31.2	13.5
Adjusted EPS**	7.2	7.9	-8.8	31.1	13.8
Per-share data (KRW)					
EPS (parent-based)	9,783	9,816	9,312	12,166	13,815
EPS (consolidated)	10,203	10,115	9,531	12,506	14,201
Adjusted EPS**	9,302	10,037	9,153	11,996	13,649
BVPS	120,661	128,198	136,365	145,026	154,986
DPS (common)	2,900	3,190	3,509	3,860	3,860
Valuations (x)					
P/E***	13.7	17.1	22.5	17.2	15.1
P/B***	1.1	1.3	1.5	1.4	1.3
EV/EBITDA	3.4	5.1	6.3	4.6	3.6
Ratios (%)					
ROE	8.4	7.9	7.0	8.7	9.2
ROA	6.2	5.9	5.2	6.4	6.8
ROIC	14.3	14.8	13.9	21.3	28.2
Payout ratio	29.6	32.5	37.7	31.7	27.9
Dividend yield (common)	2.3	1.9	1.7	1.9	1.9
Net debt to equity	-51.9	-54.2	-63.1	-70.9	-77.7
Interest coverage (x)	18.2	18.9	16.1	20.7	23.3

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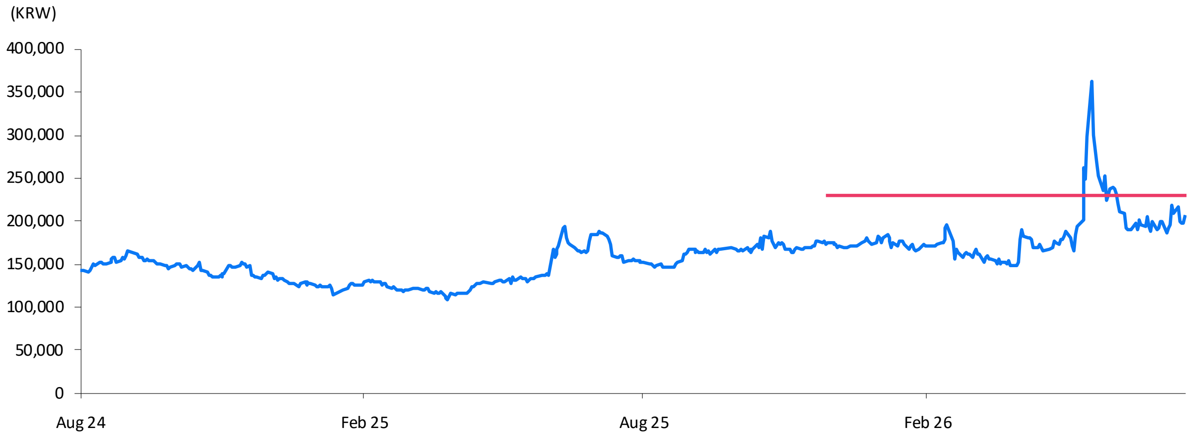
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	12/11
Recommendation	BUY
Target price (KRW)	230000
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

Samsung Securities uses the following investment ratings*

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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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

**For more information,
please call our sales representatives:**

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953