COMPANY UPDATE

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S-1 (012750)

Defending earnings through better cost efficiency

- S-1's 2Q sales fell 1.3% y-y on sluggish sales at the security systems integration business. But its operating profit expanded 4.6% y-y on better cost efficiency.
- The company is improving its business portfolio and actively expanding into new growth areas based on AI and robotics.
- Its continued efforts to broaden its service offerings should strengthen operational fundamentals.

AT A GLANCE

BUY

Target price	KRW94,000	30%
Current price	**KRW72,300**	
Market cap	KRW2.7t/USD1.9b	
Shares (float)	37,999,178 (63.3%)	
52-week high/low	KRW94,100/KRW68,200	
Avg daily trading value (60-day)	KRW6.4b/ USD4.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
S-1 (%)	0.0	-16.0	-1.4
Vs Kospi (%pts)	27.2	-29.1	-51.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	94,000	103,000	-8.7%
2026E EPS	4,528	4,757	-4.8%
2027E EPS	5,488	5,722	-4.1%

SAMSUNG vs THE STREET

No of estimates	4
Target price	94,000
Recommendation	3.8

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

WHAT'S THE STORY?

2Q review: S-1 posted 2Q sales of KRW723.1b (down 1.3% y-y; missing consensus) and operating profit of KRW64.4b (up 4.6% y-y; meeting our estimate), for an operating margin of 8.9% (up 0.5%pt y-y). Growth momentum at the security services and building maintenance businesses remained solid. However, the company's 2Q sales shrank y-y as security system integration (SI) sales were sluggish on delays in recognizing sales from a battery plant project. Nevertheless, its 2Q operating profit improved y-y on efforts to boost cost efficiency.

Business portfolio to improve; security SI segment to perk up from 2H: The physical security business should keep growing on subscriber additions and ASP hikes. The company plans to expand its portfolio into AI-driven monitoring and fire/safety solutions. The infrastructure services business should leverage existing networks and consulting capabilities to increase the scope of services for existing customers and win large-scale projects, while optimizing operational efficiency to boost margins.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	2,889	2,930	3,040	3,141
Operating profit	235	209	255	264
Net profit (adj)	179	172	209	216
EPS (adj) (KRW)	4,699	4,528	5,488	5,685
EPS (adj) growth (% y-y)	1.0	-3.6	21.2	3.6
EBITDA margin (%)	14.1	13.1	14.2	14.1
ROE (%)	10.5	9.6	11.1	10.9
P/E (adj) (x)	15.3	15.7	13.0	12.5
P/B (x)	1.4	1.3	1.3	1.2
EV/EBITDA (x)	6.3	6.4	5.5	5.1
Dividend yield (%)	4.4	4.5	4.6	4.8

Source: Company data, Samsung Securities estimates

Samsung Securities

The security SI segment should recover gradually as it: 1) centers on taking more orders for AI-tailored solutions; and 2) should benefit from the phased execution of customers' investments (that were delayed earlier this year) from 2H26.

Striving to secure new growth drivers and reinforce fundamentals: As outlined in its corporate value enhancement plan, S-1 is actively expanding into new growth areas based on AI and robotics, while strengthening core businesses. However, reflecting the sales recognition delays, we revise down our 2026 and 2027 net profit estimates by 5% and 4%, respectively, and cut our target price by 9% to KRW94,000 (based on 12-month forward P/E of 18.4x; industry peers' average).

Table 1. Quarterly results and consensus

(KRWb)	2Q25	1Q26	2Q26	Chg (% q-q)	Chg (% y-y)	Consensus	Diff. (%)
Sales	732.7	673.7	723.1	7.3	-1.3	746.5	-3.1
Operating profit	61.6	20.7	64.4	210.4	4.6	56.3	14.3
Operating margin (%)	8.4	3.1	8.9	5.8	0.5	7.5	1.4
Pre-tax profit	69.5	23.9	67.3	181.1	-3.1	69.9	-3.7
Net profit (controlling)	52.1	21.5	46.8	117.1	-10.2	47.7	-2.0

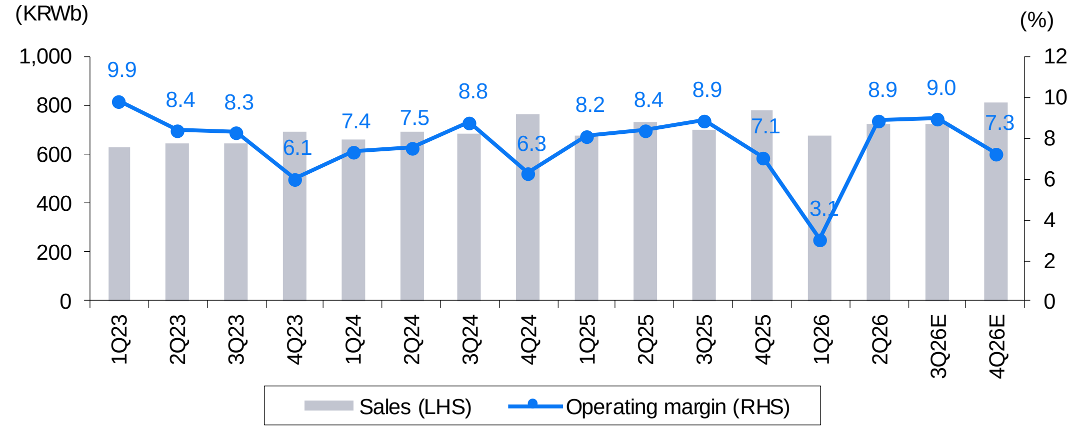
Source: Company data, FnGuide, Samsung Securities

Table 2. Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
Sales	**662.8**	**695.6**	**682.8**	**763.5**	**674.1**	**732.7**	**698.7**	**783.9**	**673.7**	**723.1**	**721.2**	**812.1**	**2,804.7**	**2,889.4**	**2,930.2**	**3,039.8**
Security services	**334.6**	**335.3**	**336.0**	**345.0**	**341.9**	**350.7**	**344.6**	**348.2**	**349.6**	**353.2**	**351.0**	**354.6**	**1,350.9**	**1,385.4**	**1,408.5**	**1,433.2**
Alarm/Information/IoT Security	309.2	311.5	312.9	318.5	318.0	324.5	321.3	324.0	325.9	327.3	327.6	329.8	1,252.1	1,287.8	1,310.5	1,334.4
Product	30.0	28.5	27.5	30.8	28.6	30.9	27.9	28.5	28.3	30.6	27.9	29.2	116.8	115.9	116.0	116.9
Infra services	**324.8**	**356.6**	**342.8**	**414.6**	**328.4**	**378.5**	**350.4**	**432.1**	**320.3**	**366.2**	**366.5**	**454.0**	**1,438.8**	**1,489.4**	**1,507.0**	**1,592.4**
Building management service	176.7	194.9	189.0	211.1	178.6	213.7	201.2	233.9	198.9	220.7	216.4	251.8	771.7	827.4	887.9	951.4
Security service & product sales	192.3	208.5	199.5	249.9	196.6	210.9	200.7	245.7	167.8	191.5	201.6	249.6	850.2	853.9	810.4	835.8
Integrated security	115.1	122.9	121.1	122.6	123.1	125.1	136.1	127.4	124.4	127.9	141.1	130.8	481.7	511.7	524.2	537.9
System Integration (SI)	77.2	85.6	78.4	127.3	73.5	85.8	64.6	118.3	43.4	63.6	60.5	118.8	368.5	342.2	286.2	297.8
Other	**3.4**	**3.8**	**3.9**	**3.9**	**3.8**	**3.5**	**3.7**	**3.6**	**3.2**	**3.9**	**3.6**	**3.5**	**15.0**	**14.6**	**14.2**	**14.2**
Operating profit	**48.8**	**52.3**	**60.2**	**47.9**	**55.1**	**61.6**	**62.1**	**55.8**	**20.7**	**64.4**	**64.8**	**59.3**	**209.2**	**234.6**	**209.2**	**254.7**
Operating margin (%)	7.4	7.5	8.8	6.3	8.2	8.4	8.9	7.1	3.1	8.9	9.0	7.3	7.5	8.1	7.1	8.4
EBT	54.3	56.0	59.0	52.0	55.0	69.5	64.1	51.0	23.9	67.3	68.5	68.3	221.4	239.6	228.1	277.1
Controlling net profit	**40.7**	**43.3**	**54.3**	**38.4**	**42.0**	**52.1**	**48.3**	**36.2**	**21.5**	**46.8**	**52.0**	**51.8**	**176.7**	**178.6**	**172.1**	**208.6**
Chg (% y-y)																
Sales	**4.8**	**7.2**	**5.8**	**10.0**	**1.7**	**5.3**	**2.3**	**2.7**	**-0.1**	**-1.3**	**3.2**	**3.6**	**7.0**	**3.0**	**1.4**	**3.7**
Security services	**5.2**	**5.0**	**2.7**	**3.3**	**2.2**	**4.6**	**2.6**	**0.9**	**2.3**	**0.7**	**1.9**	**1.8**	**4.0**	**2.6**	**1.7**	**1.8**
Alarm/Information/IoT Security	5.7	5.0	4.0	4.1	2.8	4.2	2.7	1.7	2.5	0.9	2.0	1.8	4.7	2.9	1.8	1.8
Product	0.7	7.5	-9.2	-2.5	-4.7	8.4	1.5	-7.5	-1.0	-1.0	0.0	2.6	-1.2	-0.8	0.1	0.7
Infra services	**4.3**	**9.4**	**9.0**	**16.2**	**1.1**	**6.1**	**2.2**	**4.2**	**-2.5**	**-3.2**	**4.6**	**5.1**	**9.9**	**3.5**	**1.2**	**5.7**
Building management service	7.2	7.0	11.6	12.8	1.1	9.6	6.5	10.8	11.4	3.3	7.6	7.7	9.7	7.2	7.3	7.2
Security service & Product sales	-1.2	10.4	5.3	17.4	2.2	1.2	0.6	-1.7	-14.6	-9.2	0.4	1.6	8.2	0.4	-5.1	3.1
Integrated security	-6.3	4.6	4.3	7.4	7.0	1.8	12.4	3.9	1.1	2.2	3.7	2.7	2.3	6.2	2.4	2.6
System Integration (SI)	7.7	19.9	6.8	29.0	-4.8	0.2	-17.6	-7.1	-41.0	-25.9	-6.4	0.4	16.9	-7.1	-16.3	4.1
Other	**12.6**	**8.6**	**8.3**	**25.8**	**11.8**	**-7.9**	**-5.1**	**-7.7**	**-15.7**	**11.4**	**-1.5**	**-3.0**	**13.5**	**-2.7**	**-2.5**	**-0.4**
Operating profit	**-21.9**	**-4.1**	**12.6**	**13.8**	**12.8**	**17.6**	**3.1**	**16.6**	**-62.3**	**4.6**	**4.4**	**6.2**	**-1.6**	**12.1**	**-10.8**	**21.7**
Operating margin (%)	-2.5	-0.9	0.5	0.2	0.8	0.9	0.1	0.9	-5.1	0.5	0.1	0.2	-0.7	0.7	-1.0	1.2
EBT	-13.9	3.3	6.9	19.0	1.3	24.1	8.5	-2.0	-56.5	-3.1	6.9	33.9	2.4	8.2	-4.8	21.5
Controlling net profit	**-15.4**	**5.5**	**28.1**	**-33.7**	**3.4**	**20.2**	**-11.1**	**-5.8**	**-48.8**	**-10.2**	**7.6**	**43.3**	**-6.7**	**1.0**	**-3.6**	**21.2**

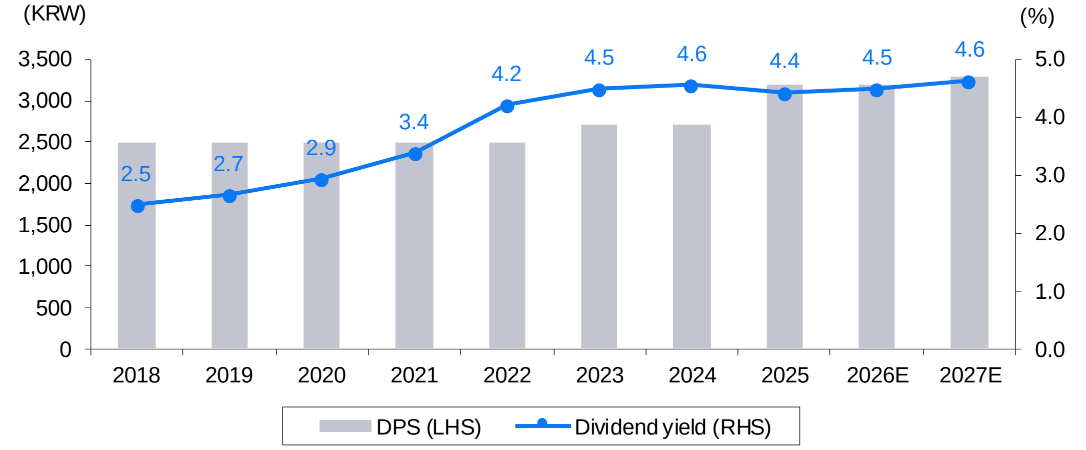
Source: Company data, Samsung Securities

Chart 1. Quarterly sales and operating margin



Source: Company data, Samsung Securities estimates

Chart 2. DPS and dividend yield



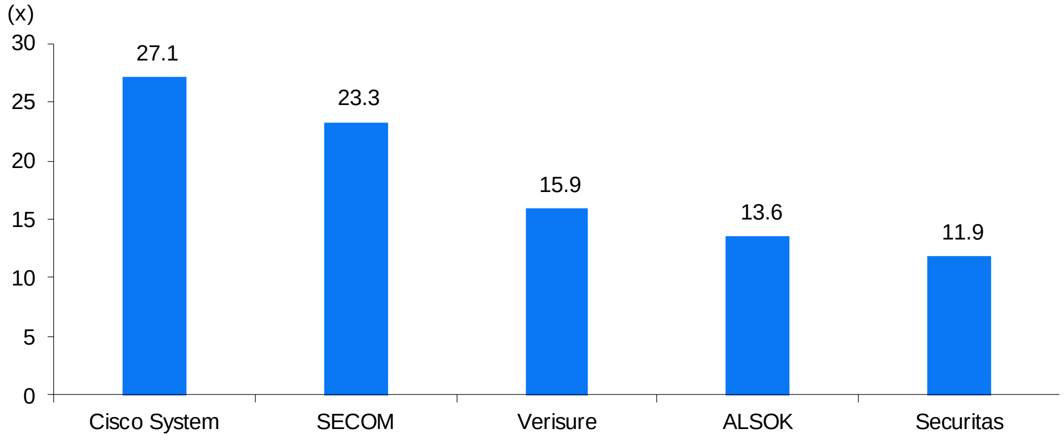
Source: Company data, Samsung Securities estimates

Table 3. 2026 corporate value-up plan

Category	Key details
Goals	1) Expand business areas with AI and robotics-based products/services 2) Continue to invest in new businesses and technologies for long-term growth 3) Maintain 2026 payout ratio at 50-60%
Strategies	1) [Security] - Shift from labor- to technology-driven operations; strengthen AI-based video security leadership 2) [Infrastructure] - Expand into integrated facility management and diversify business areas 3) Enhance competitiveness and profitability through AI and robotics 4) Secure future technologies via medium- to long-term M&A and strategic investments
High-dividend status	✓

Note: Corporate value-up plan disclosure (Mar 19, 2026)
Source: Dart, Samsung Securities

Chart 3. Peers: 2026E P/E



Note: Average 2026E P/E is 18.4x
Source: Factset, Samsung Securities

Table 4. Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Chg (%)	Old	New	Chg (%)
Sales	3,000.7	2,930.2	-2.4	3,162.9	3,039.8	-3.9
Operating profit	212.4	209.2	-1.5	262.1	254.7	-2.8
Operating margin (%, %pts)	*7.1*	*7.1*	*0.1*	*8.3*	*8.4*	*0.1*
Pre-tax profit	233.6	228.1	-2.4	285.5	277.1	-2.9
Net profit (controlling)	180.8	172.1	-4.8	217.4	208.6	-4.1

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,805**	**2,889**	**2,930**	**3,040**	**3,141**
Cost of goods sold	2,165	2,211	2,251	2,288	2,364
Gross profit	**640**	**679**	**679**	**752**	**777**
Gross margin (%)	22.8	23.5	23.2	24.7	24.7
SG&A expenses	431	444	470	497	513
Operating profit	**209**	**235**	**209**	**255**	**264**
Operating margin (%)	7.5	8.1	7.1	8.4	8.4
Non-operating gains (losses)	**12**	**5**	**19**	**22**	**23**
Financial profit	26	23	23	24	24
Financial costs	2	3	2	2	2
Equity-method gains (losses)	0	0	0	0	0
Other	-13	-15	-2	0	0
Pre-tax profit	**221**	**240**	**228**	**277**	**287**
Taxes	45	61	56	69	71
Effective tax rate (%)	20.2	25.5	24.6	24.7	24.7
Profit from continuing operations	177	179	172	209	216
Profit from discontinued operations	0	0	0	0	0
Net profit	**177**	**179**	**172**	**209**	**216**
Net margin (%)	6.3	6.2	5.9	6.9	6.9
Net profit (controlling interests)	177	179	172	209	216
Net profit (non-controlling interests)	-0	-0	-0	-0	-0
EBITDA	382	408	384	431	442
EBITDA margin (%)	13.6	14.1	13.1	14.2	14.1
EPS (parent-based) (KRW)	4,651	4,699	4,528	5,488	5,685
EPS (consolidated) (KRW)	4,651	4,699	4,528	5,488	5,685
Adjusted EPS (KRW)*	4,651	4,699	4,528	5,488	5,685

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,222**	**1,328**	**1,401**	**1,515**	**1,629**
Cash & equivalents	213	218	294	399	492
Accounts receivable	187	193	196	203	210
Inventories	17	13	13	14	14
Other current assets	805	903	898	899	912
Fixed assets	**1,101**	**1,104**	**1,100**	**1,103**	**1,107**
Investment assets	38	40	40	40	40
Tangible assets	480	488	490	493	496
Intangible assets	387	379	379	379	379
Other long-term assets	195	198	192	192	192
Total assets	**2,323**	**2,432**	**2,501**	**2,618**	**2,735**
Current liabilities	**497**	**513**	**511**	**523**	**531**
Accounts payable	141	149	148	152	153
Short-term debt	0	0	0	0	0
Other current liabilities	356	363	363	371	378
Long-term liabilities	**165**	**163**	**165**	**169**	**174**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	165	163	165	169	174
Total liabilities	**662**	**676**	**676**	**693**	**705**
Owners of parent equity	**1,661**	**1,756**	**1,825**	**1,926**	**2,030**
Capital stock	19	19	19	19	19
Capital surplus	193	193	193	193	193
Retained earnings	1,596	1,692	1,756	1,856	1,961
Other	-148	-148	-143	-143	-143
Non-controlling interests' equity	**0**	**0**	**0**	**-0**	**-0**
Total equity	**1,661**	**1,756**	**1,825**	**1,926**	**2,030**
Net debt	-156	-163	-238	-343	-435

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**377**	**369**	**335**	**378**	**388**
Net profit	177	179	172	209	216
Non-cash profit and expenses	258	288	197	209	210
Depreciation	173	174	175	176	177
Amortization	0	0	0	0	0
Other	86	114	22	33	33
Changes in A/L from operating activities	-57	-64	-12	-6	-5
Cash flow from investments	**-295**	**-253**	**-177**	**-179**	**-181**
Change in tangible assets	-155	-165	-177	-179	-181
Change in financial assets	0	0	0	0	0
Other	-139	-88	0	0	0
Cash flow from financing	**-112**	**-111**	**-108**	**-107**	**-111**
Change in debt	18	-1	0	1	1
Change in equity	0	0	0	0	0
Dividends	-91	-91	-108	-108	-112
Other	-38	-18	0	0	0
Change in cash	-29	5	76	106	93
Cash at beginning of year	242	213	218	294	399
Cash at end of year	213	218	294	399	492
Gross cash flow	**435**	**467**	**369**	**417**	**426**
Free cash flow	**221**	**179**	**158**	**199**	**207**

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	7.0	3.0	1.4	3.7	3.3
Operating profit	-1.6	12.1	-10.8	21.7	3.9
Net profit	-6.7	1.0	-3.6	21.2	3.6
Adjusted EPS**	-6.7	1.0	-3.6	21.2	3.6
Per-share data (KRW)					
EPS (parent-based)	4,651	4,699	4,528	5,488	5,685
EPS (consolidated)	4,651	4,699	4,528	5,488	5,685
Adjusted EPS**	4,651	4,699	4,528	5,488	5,685
BVPS	49,117	51,947	53,990	56,958	60,047
DPS (common)	2,700	3,200	3,200	3,300	3,400
Valuations (x)					
P/E***	12.7	15.3	16.0	13.2	12.7
P/B***	1.2	1.4	1.3	1.3	1.2
EV/EBITDA	5.5	6.3	6.5	5.6	5.2
Ratios (%)					
ROE	10.8	10.5	9.6	11.1	10.9
ROA	7.9	7.5	7.0	8.1	8.1
ROIC	17.7	18.5	16.6	19.8	20.3
Payout ratio	51.7	60.6	62.9	53.5	53.2
Dividend yield (common)	4.6	4.4	4.4	4.6	4.7
Net debt to equity	-9.4	-9.3	-13.0	-17.8	-21.4
Interest coverage (x)	214.0	120.9	108.9	131.4	134.8

Compliance notice

- As of 8/3 2026, Samsung Securities shared group affiliation with S-1.
- As of 8/3 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of S-1 would, if such debt instruments were converted, exceed 1% of the outstanding shares.
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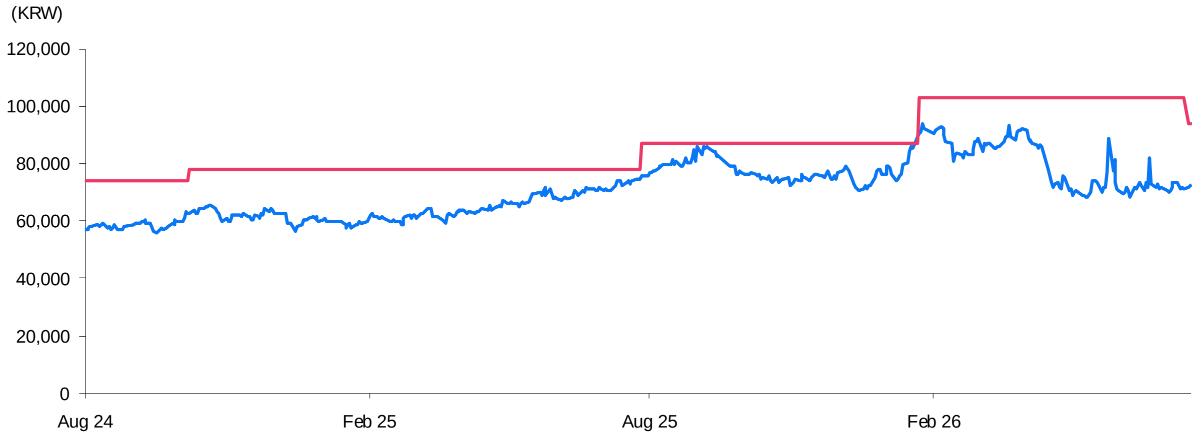
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/8/13	10/25	2025/8/14	2026/2/10	8/3
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	74000	78000	87500	103000	94000
Gap* (average)	-20.78	-17.40	-11.19	-22.65	
(max or min)**	-14.59	-4.10	2.17	-8.64	

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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