COMPANY UPDATE

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Naver (035420)

A year of investment to secure growth drivers

- Naver's 2Q sales grew 16.2% y-y, backed by solid growth in commerce. Yet, its operating profit remained flat y-y due to higher costs related with N Pay Connect terminals and World Cup broadcasting rights and growing investments in AI infrastructure.
- The increasing investments should weigh on 2026 earnings but we reiterate BUY rating as new growth engines—including AI Factory, AI Search Ad, commerce, and offline payments—are gaining clear momentum.

▶ AT A GLANCE

BUY

Target price	KRW280,000	32.4%
Current price	**KRW211,500**	
Market cap	KRW33.2t/USD23.4b	
Shares (float)	159,318,055 (87.2%)	
52-week high/low	KRW287,000/KRW183,200	
Avg daily trading value (60-day)	KRW504.9b/ USD356.0m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Naver (%)	10.6	-16.7	-7.8
Vs Kospi (%pts)	31.2	-29.9	-53.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	280,000	280,000	0.0%
2026E EPS	12,775	10,600	20.5%
2027E EPS	14,583	12,157	20.0%

▶ SAMSUNG vs THE STREET

No of estimates	22
Target price	329,682
Recommendation	4.0

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

WHAT'S THE STORY?

2Q review—increased investment slows the pace of earnings growth: Naver's 2Q sales grew 16.2% y-y (meeting consensus) on broad-based growth across e-commerce, payment, and enterprise services. Ad rose 7.5% y-y, decelerating slightly q-q, but service revenue (e-commerce) climbed 28.5% y-y, driving platform sales. Smart store GMV expanded 15.5%, backed by enhanced membership benefits and improved delivery. C2C e-commerce sales surged 75% y-y, fueled by Poshmark app redesign and robust transactions of trading cards at SODA. Although the extension of useful life for GPU and other computing assets from five to six years reduced infrastructure cost growth to 11%, higher spending on N Pay Connect terminal deployment and World Cup broadcasting rights kept 2Q operating profit flat y-y.

AI Factory—Customer acquisition to be critical: Naver's AI Factory is scheduled to commence operations in 1H27 and is poised to become its new growth driver. Through an asset-light model where GPU assets are not directly owned by Naver but sourced via financial institutions like Brookfield, the company aims to achieve double-digit profitability. Securing customer agreements should be a decisive factor going forward, with the scale of revenue depending on the timing and size of customer contracts.

(Continued on the next page)

SUMMARY 2Q26 RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	3,388.8	16.3	4.6	0.2	0.7
Operating profit	520.3	-0.2	-4.0	-1.7	-8.0
Pre-tax profit	902.0	31.9	129.2	38.7	37.3
Net profit	704.3	41.6	142.0	46.4	45.5
Margins (%)					
Operating profit	15.4				
Pre-tax profit	26.6				
Net profit	20.8				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	17.2	16.6	14.5
P/B	1.3	1.0	0.9
EV/EBITDA	11.9	13.4	11.2
Div yield (%)	1.1	1.3	1.3
EPS growth (% y-y)	24.9	-9.2	14.1
ROE (%)	7.4	7.6	8.2
Per-share data (KRW)			
EPS	14,071	12,775	14,583
BVPS	184,396	206,680	232,794
DPS	2,630	2,658	2,658

Samsung Securities

AI Search Ad—clear monetization potential: Since its launch on Jun 25, Naver AI tab has surpassed 10m monthly active users by early August, and click-through rates (CTR) for shopping and local content exceeded 40%. AI Briefing Ad, introduced in July, achieves a 30% higher CPC than traditional search ads, and also shows over 30% CTR. Its revenue contribution remains modest now but should expand gradually since high efficiency of AI Search is confirmed.

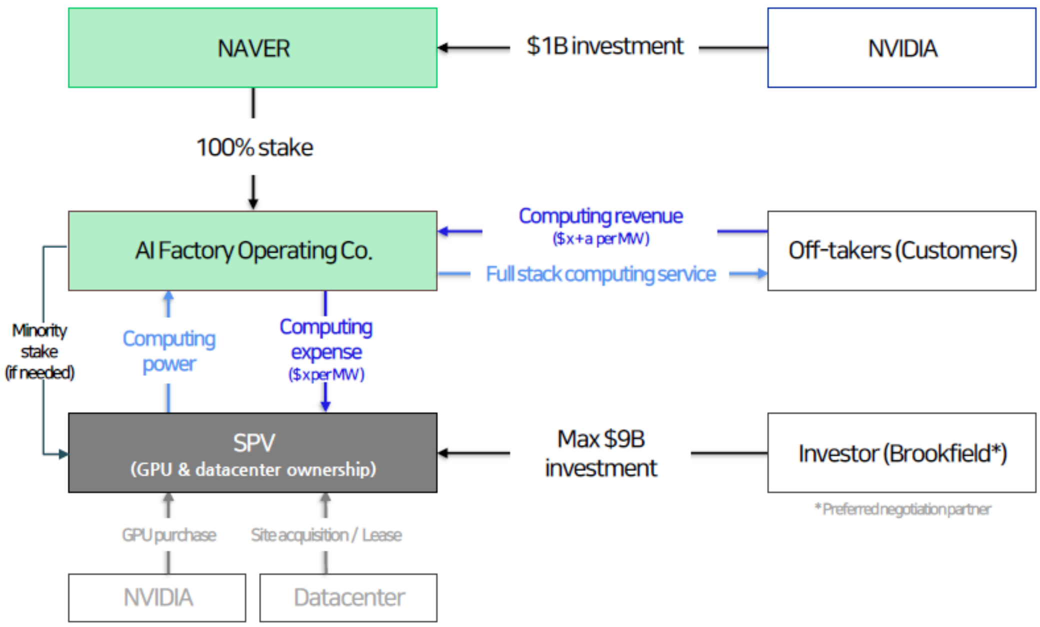
2026—a year of strategic investment: We maintain our target price of KRW280,000 (based on 19.5x 2027 P/E, the global platform average). This year, its huge investments should keep weighing on earnings growth. However, strategic spending on AI Factory, offline payment infrastructure, AI Search, e-commerce logistics, and CHZZK is strengthening the company's long-term growth profile. Believing that these new businesses will make visible sales and margin contributions from 2027, we keep the stock at BUY rating.

2Q review

(KRWb)	2Q26			Diff (%)		2Q25	1Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**3,388.8**	**3,383.4**	**3,366.2**	**0.2**	**0.7**	**2,915.1**	**3,241.1**	**16.2**	**4.6**
Naver Platform	1,902.2	1,929.0		(1.4)		1,693.1	1,839.8	12.3	3.4
Financial Platform	470.7	477.8		(1.5)		405.6	459.7	16.0	2.4
C2C Commerce	397.9	373.3		6.6		227.5	351.1	74.9	13.3
Content	464.3	451.1		2.9		462.1	440.1	0.5	5.5
Enterprise	153.7	152.1		1.1		126.7	150.5	21.3	2.2
Operating expenses	**2,868.4**	**2,854.3**		**0.5**		**2,393.5**	**2,699.3**	**19.8**	**6.3**
Development & operations	786.9	764.0		3.0		683.1	748.9	15.2	5.1
Partner	1,256.8	1,268.2		(0.9)		1,030.2	1,188.0	22.0	5.8
Infrastructure	219.8	280.8		(21.7)		197.7	250.8	11.2	(12.3)
Marketing	604.9	541.3		11.7		482.4	511.7	25.4	18.2
Operating profit	**520.3**	**529.1**	**565.7**	**(1.7)**	**(8.0)**	**521.6**	**541.8**	**(0.2)**	**(4.0)**
Pre-tax profit	902.0	650.3	657.2	38.7	37.3	683.6	393.5	32.0	129.2
Net profit	704.3	481.2	484.2	46.4	45.5	497.4	291.0	41.6	142.0
Net profit (controlling)	698.6	476.4	479.2	46.6	45.8	488.8	285.3	42.9	144.8
Margins (%)									
Operating profit	15.4	16.3	16.8			17.9	16.7		
Pre-tax profit	26.6	20.0	19.5			23.5	12.1		
Net profit	20.8	14.8	14.4			17.1	9.0		
Net profit (controlling)	20.6	14.7	14.2			16.8	8.8		

Source: Company data, FnGuide, Samsung Securities estimates

Naver's AI Factory: Phase 1 business structure



Source: Company data

AI Factory: The key growth driver

Naver plans to establish its AI Factory as a core long-term growth driver, built on strategic partnerships with Nvidia and Brookfield. The company aims to scale its service capacity from 55 MW in 1H27 to 100 MW by end-2027, and 200 MW by 2028, with a long-term goal of becoming a global AI infrastructure provider with 1 GW capacity. Under an asset-light model, Brookfield should procure GPU and computing assets via a special-purpose vehicle (SPV), while Naver should handle operations and customer services. This structure should minimize Naver's upfront capital expenditure while retaining full control over revenue and costs generated by the AI Factory, which flow through its operating company (OpCo). Post-stabilization, the business targets double-digit operating margins and long-term profitability exceeding 20%. Most of the required data center space--up to 200 MW--has been secured through colocation agreements, positioning Naver for a faster market entry than its competitors. Naver's strategic equity relationship with Nvidia ensures reliable GPU access, while combining its own demand with external customer demand helps secure initial utilization rates—a key differentiator. Leveraging its domestic operations as a reference, Naver intends to expand into overseas markets with high sovereign AI demand, such as the Middle East. All told, future customer acquisition and long-term contract signings should be critical to realizing the AI Factory's full value.

Assessing the potential of AI Tab and AI Search advertising

The early usage metrics and advertising monetization results from Naver's AI Tab suggest that its generative AI investments are beginning to translate into tangible platform growth. Launched on Jun 25, Naver's AI Tab surpassed 10m monthly active users by early August, with weekly return rates more than doubling since the initial test phase. Notably, CTR for shopping and local content exceeded 40%, indicating that AI-powered search is moving beyond information retrieval to directly driving transactions. Launched in late July, AI Briefing Ads have also shown strong initial performance: CPC and CTR are each over 30% higher than traditional search ads, while purchase conversion rates are more than triple. To minimize cannibalization of existing search advertising, Naver is strategically expanding new ad inventory primarily around informational queries—historically difficult to monetize—thereby unlocking new revenue streams without displacing core ad formats. Looking ahead, we believe the user intent understanding and recommendation capabilities honed through AI search could be applied broadly across Naver's existing search advertising ecosystem, offering further efficiency gains. Given Naver's full-funnel ecosystem—integrating search, shopping, Places, and payments—the broader adoption of AI agents is likely to drive not only advertising growth but also commerce volume and payment transaction value.

Sustained high growth in e-commerce

In 2Q, Naver Smart Store's GMV grew 15.5% y-y, continuing to lead as the company's most resilient core business. Three growth pillars—Plus Store app, membership, and N Delivery—are reinforcing one another in a virtuous cycle, structurally strengthening Naver's e-commerce competitiveness. The Plus Store app's GMV expanded over 35% y-y, significantly outpacing overall total Smart Store's growth. Its return customer acquisition rate was nearly four times higher than new user acquisition. App users also demonstrate higher purchase frequency and average order value compared to web users, confirming the app's success in boosting loyal customers' spending. Membership adoption is tightly integrated with app usage: approximately 80% of app-based buyers are now members. Since delivery benefits were reinforced, N Delivery membership customers have increased their purchase frequency by 29%. N Delivery's GMV rose 76% y-y in June, with coverage exceeding 20% of Smart Store transactions—year-end target of 25% seems attainable. Although the rollout of unlimited free returns & delivery for members was delayed due to cost concerns, the company may reconsider this initiative if the ongoing investment in its own logistics centers reduces fulfillment expenses. In the interim, the company is going to launch exclusive benefits for members in October: faster return processing and dawn delivery. These enhancements should sustain the e-commerce virtuous cycle (app engagement → membership conversion → improved delivery experience → higher purchase frequency) in 2H26.

N Pay Connect—a new growth engine

Naver has been aggressively rolling out N Pay Connect terminals since 2Q26. Far beyond a simple offline payment device, N Pay Connect is positioned as a strategic platform to extend Naver's online data advantages into the offline world. While Korea's offline commerce market is more than three times larger than its online counterpart, digitalization and data structuring remain underdeveloped—creating significant untapped potential for Naver. By linking in-store visits, orders, payments, and promotional responses to Naver IDs, the company aims to unify online and offline user behavior data into a single, end-to-end data stream—from search and reservation to purchase, payment, and repeat visits. This integrated data layer should not only enhance the personalization and execution capabilities of future AI agents but also significantly improve the precision of Naver's existing advertising targeting. In the early phase, Naver should expand merchant adoption by integrating N Pay Connect with its Places platform. Over time, the business model should expand into SaaS offerings for merchants—including CRM tools, customer and location analytics, coupon management, and store operation software. Further down the line, the platform should enable financial services such as: 1) loans and insurance based on merchant sales data; and 2) new advertising products tied to offline purchase conversion metrics. Given Naver's target of growing Naver ID-based offline payment volume to KRW130t within five years, we believe—despite short-term cost burden—N Pay Connect could evolve into a powerful, interconnected revenue engine spanning payments, advertising, SaaS, and financial intermediation in the long term.

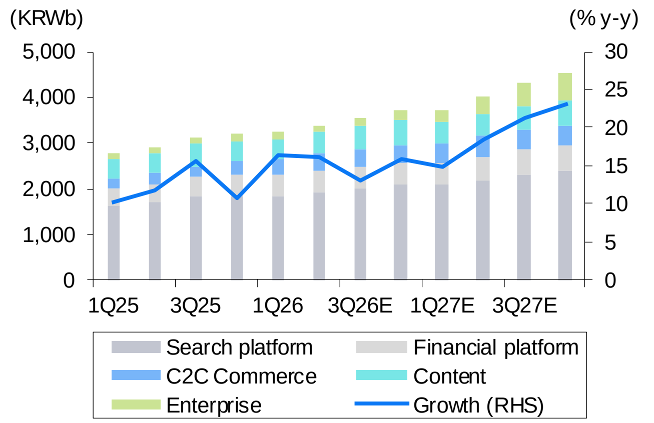
Strategic investment expansion weighs on short-term profitability

While 2Q sales expanded 16.2% y-y, operating profit remained flat y-y. Simultaneous increases in investments across N Pay Connect terminal deployment, World Cup broadcasting rights, e-commerce marketing, and AI infrastructure pressured profitability, causing Naver's platform and financial platform operating margins to decline by 4.2pts and 4.9pts y-y, respectively. In particular, actual cost burden remained higher than reported operating profit suggests, because extension of the useful life of GPU and CPU assets from five to six years in 2Q reduces annual depreciation expense by around KRW100b. Naver has also signaled that it will accelerate N Pay Connect terminal rollout in 2H26, implying further near-term pressure on operating profit and margins h-h. Free cash flow also declined to KRW46.3b in 2Q, reflecting higher spending on GPU and CPU. However, the AI Factory and e-commerce logistics are designed with an asset-light model, limiting the risk of massive capex spikes. Since the company views 2026 as the peak year for investment intensity, investors need to monitor whether the growth rate of these costs will begin to slow from 2027 and new revenue streams will also start contributing meaningfully to profitability.

Maintaining BUY as long-term growth catalysts strengthen

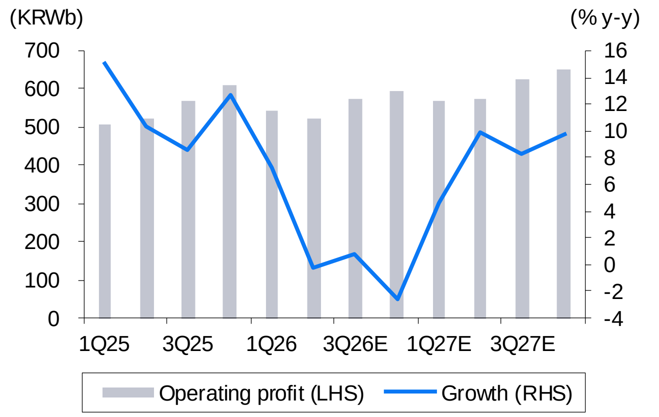
Despite the prospect of sluggish near-term earnings, we maintain BUY rating on Naver in consideration of: 1) improving growth rates in core businesses (eg, advertising and e-commerce); and 2) AI Search traffic and monetization potential. Notably, the high CTR for shopping and place results in the AI tab, combined with strong purchase conversion rates from AI Briefing Ads, confirm that AI investments are no longer purely cost centers—they are actively enhancing ad and commerce revenue. Meanwhile, offline data accumulated through N Pay Connect should lay the foundation for long-term growth by strengthening network effects of its ecosystem that encompasses AI Agents, advertising, merchant solutions, SaaS, and financial services. The AI Factory, with its asset-light model and targeted long-term operating margin of over 20%, is poised to generate actual revenue from 2027 onward. Once customer adoption is confirmed, the value of this new business could be priced in the market in earnest. Meantime, short-term headwinds remain: the possibility of downward revisions to earnings estimates (due to increasing costs in 2H26) and the lack of specific details regarding AI Factory's customers and contract terms. That said, given the simultaneous strengthening of both the core business's recovery and the long-term growth portfolio (spanning AI search, offline payments, and AI infrastructure), we advise investors to focus on growth potential from 2027 over sluggish near-term earnings.

Quarterly sales, by division



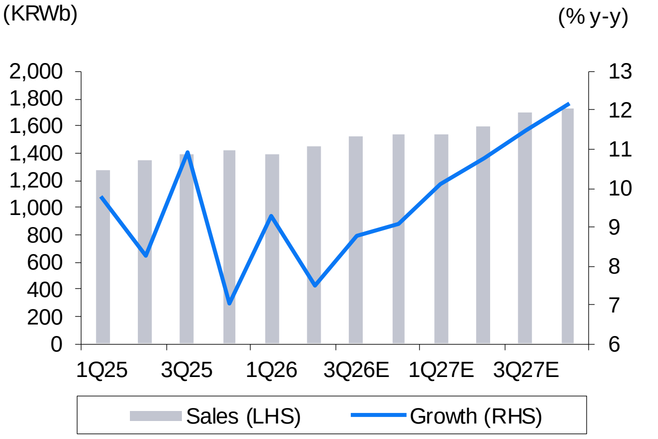
Source: Company data, Samsung Securities

Quarterly operating profit



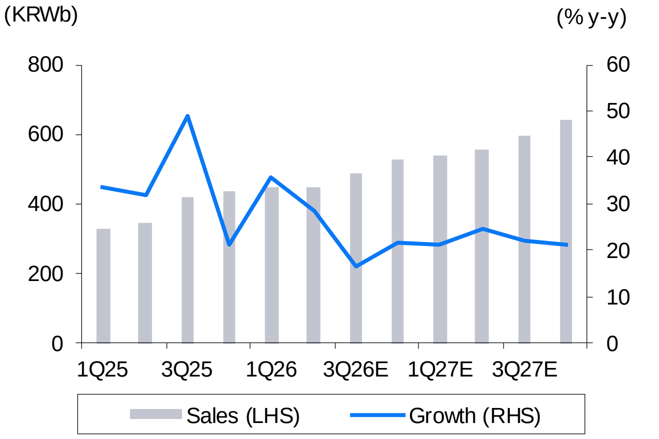
Source: Company data, Samsung Securities

Advertising sales



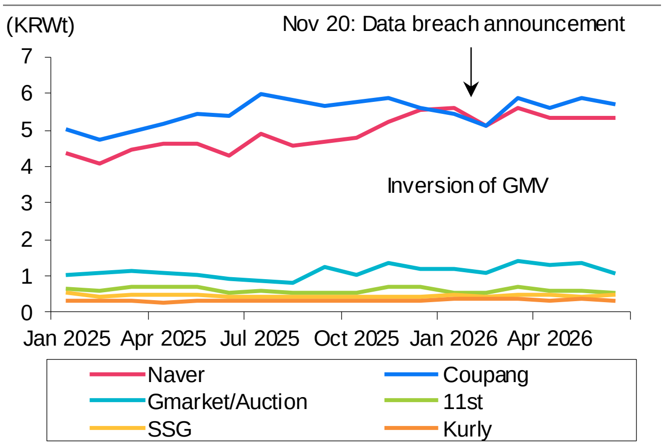
Source: Company data, Samsung Securities

Service sales



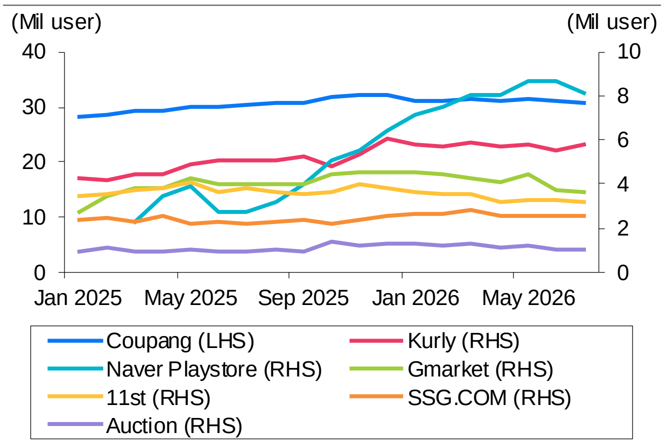
Source: Company data, Samsung Securities

Monthly GMV, by player



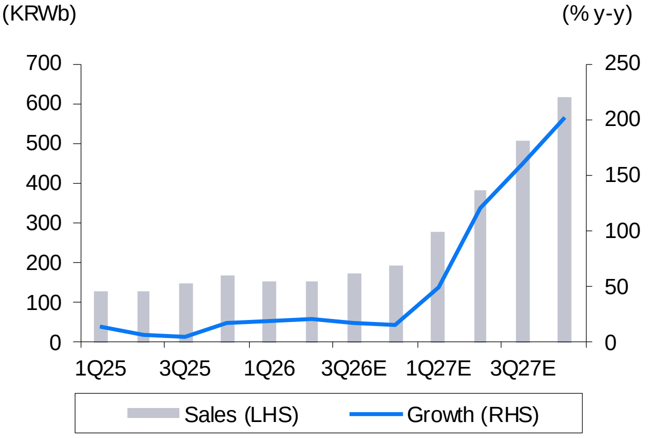
Source: Wise retail

E-commerce mobile app MAU



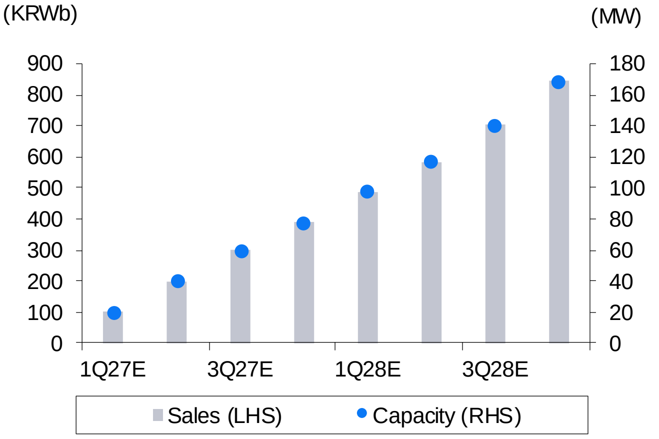
Source: Sensor Tower

Enterprise sales



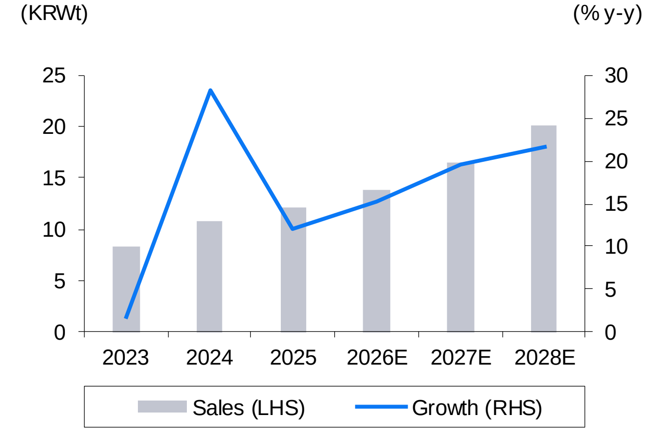
Source: Company data, Samsung Securities

AI Factory sales



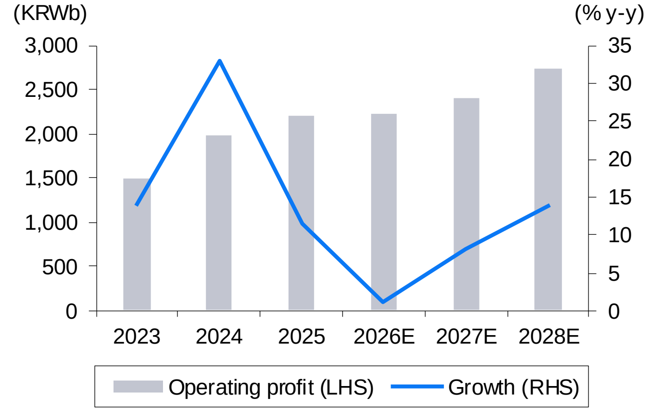
Source: Company data, Samsung Securities

Annual sales



Source: Company data, Samsung Securities

Annual operating profit



Source: Company data, Samsung Securities

Valuation

(KRW)	
2027E EPS	14,583
Target P/E* (x)	19.5
Fair value per share	284,091
Target price	**280,000**
Current price	226,000
Upside (%)	23.9%

Note: *2027 peer average;
Based on Aug 6 closing price
Source: Samsung Securities

Global peers: P/E and P/S valuations

(x)	P/E		P/S	
	2026E	**2027E**	**2026E**	**2027E**
Alphabet	18.7	21.6	10.1	8.1
Meta Platforms	16.9	15.5	5.9	4.9
Amazon	18.7	22.0	3.5	3.1
Microsoft	29.5	25.3	11.3	9.5
Baidu	15.1	12.9	1.9	1.8
Average	**19.8**	**19.5**	**6.6**	**5.5**

Note: Based on Aug 6 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	**2,787**	**2,915**	**3,138**	**3,195**	**3,241**	3,389	3,545	3,699	3,719	4,012	4,296	4,548
Naver Platform	1,013	1,037	1,060	1,060	1,840	1,902	2,008	2,073	2,075	2,157	2,291	2,372
Financial Platform	788	861	985	1,054	460	471	484	503	497	534	551	566
C2C Commerce	393	412	433	453	351	398	379	381	408	461	437	434
Content	459	474	509	457	440	464	502	550	461	479	513	561
Enterprise	134	132	150	172	150	154	171	192	278	381	504	615
Operating expenses	**2,281**	**2,394**	**2,567**	**2,584**	**2,699**	**2,868**	**2,969**	**3,104**	**3,153**	**3,440**	**3,673**	**3,895**
Development & operations	688	699	750	759	749	787	804	816	834	853	880	893
Partner	974	1,014	1,097	1,114	1,188	1,257	1,308	1,371	1,419	1,592	1,733	1,861
Infrastructure	189	198	219	205	251	220	237	259	286	321	352	373
Marketing	430	482	502	506	512	605	620	658	614	674	709	769
Operating profit	**505**	**522**	**571**	**611**	**542**	**520**	**575**	**595**	**566**	**572**	**623**	**653**
Pre-tax profit	580	684	857	300	393	902	810	908	840	852	923	1,022
Net profit	424	497	735	163	291	704	599	672	622	631	683	756
Net profit (controlling)	425	489	726	313	285	699	594	667	617	626	677	750
Adjusted EPS (KRW)	2,586	3,334	4,842	4,289	2,163	4,031	3,507	3,180	3,546	3,593	3,874	3,570
Margins (%)												
Operating profit	18.1	17.9	18.2	19.1	16.7	15.4	16.2	16.1	15.2	14.3	14.5	14.4
Pre-tax profit	20.8	23.5	27.3	9.4	12.1	26.6	22.8	24.6	22.6	21.2	21.5	22.5
Net profit	15.2	17.1	23.4	5.1	9.0	20.8	16.9	18.2	16.7	15.7	15.9	16.6
Net profit (controlling)	15.2	16.8	23.1	9.8	8.8	20.6	16.8	18.0	16.6	15.6	15.8	16.5

Source: Company data, Samsung Securities

Revisions to full-year forecasts

(KRWb)	2026E			2027E			2028E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**13,929**	**13,873**	**(0.4)**	**16,689**	**16,576**	**(0.7)**	**20,303**	**20,169**	**(0.7)**
Naver Platform	7,897	7,823	(0.9)	9,016	8,895	(1.3)	10,298	10,163	(1.3)
Financial Platform	1,941	1,918	(1.2)	2,188	2,148	(1.9)	2,473	2,420	(2.1)
C2C Commerce	1,484	1,509	1.7	1,712	1,741	1.6	1,955	1,987	1.7
Content	1,941	1,956	0.8	1,997	2,015	0.9	2,049	2,068	0.9
Enterprise	666	668	0.3	1,776	1,778	0.1	3,529	3,531	0.1
Operating expenses	**11,618**	**11,642**	**0.2**	**14,160**	**14,162**	**0.0**	**17,258**	**17,424**	**1.0**
Development & operations	3,086	3,155	2.3	3,361	3,460	2.9	3,674	3,781	2.9
Partner	5,099	5,124	0.5	6,532	6,604	1.1	8,473	8,598	1.5
Infrastructure	1,171	967	(17.4)	1,483	1,333	(10.2)	1,745	1,700	(2.5)
Marketing	2,262	2,395	5.9	2,784	2,765	(0.7)	3,366	3,344	(0.7)
Operating profit	**2,311**	**2,232**	**(3.4)**	**2,529**	**2,414**	**(4.5)**	**3,045**	**2,745**	**(9.8)**
Pre-tax profit	2,515	3,014	19.8	2,975	3,637	22.3	3,572	4,212	17.9
Net profit	1,861	2,267	21.8	2,201	2,691	22.3	2,643	3,117	17.9
Net profit (controlling)	1,839	2,245	22.1	2,179	2,670	22.5	2,617	3,092	18.1
Adjusted EPS (KRW)	10,600	12,775	20.5	12,157	14,583	19.9	14,466	16,632	15.0
Margins (%)									
Operating profit	16.8	16.1		16.1	14.6		15.4	13.6	
Pre-tax profit	18.5	21.7		19.6	21.9		19.6	20.9	
Net profit	13.7	16.3		14.5	16.2		14.5	15.5	
Net profit (controlling)	13.5	16.2		14.4	16.1		14.4	15.3	

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**10,738**	**12,035**	**13,873**	**16,576**	**20,169**
Cost of goods sold	0	0	0	0	0
Gross profit	**10,738**	**12,035**	**13,873**	**16,576**	**20,169**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	8,758	9,827	11,642	14,162	17,424
Operating profit	**1,979**	**2,208**	**2,232**	**2,414**	**2,745**
Operating margin (%)	18.4	18.3	16.1	14.6	13.6
Non-operating gains (losses)	**343**	**212**	**782**	**1,223**	**1,467**
Financial profit	633	807	1,300	1,557	1,786
Financial costs	579	562	536	501	506
Equity-method gains (losses)	145	495	308	414	431
Other	144	-528	-291	-247	-244
Pre-tax profit	**2,322**	**2,420**	**3,014**	**3,637**	**4,212**
Taxes	390	601	747	946	1,095
Effective tax rate (%)	16.8	24.8	24.8	26.0	26.0
Profit from continuing operations	1,932	1,819	2,267	2,691	3,117
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,932**	**1,819**	**2,267**	**2,691**	**3,117**
Net margin (%)	18.0	15.1	16.3	16.2	15.5
Net profit (controlling interests)	1,923	1,953	2,245	2,670	3,092
Net profit (non-controlling interests)	9	-134	22	22	25
EBITDA	2,653	2,953	2,232	2,414	2,745
EBITDA margin (%)	24.7	24.5	16.1	14.6	13.6
EPS (parent-based) (KRW)	11,913	12,376	14,378	17,555	20,330
EPS (consolidated) (KRW)	11,967	11,524	14,516	17,697	20,495
Adjusted EPS (KRW)*	11,265	14,071	12,775	14,583	16,632

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**9,375**	**10,928**	**13,150**	**16,636**	**20,789**
Cash & equivalents	4,196	5,984	7,391	9,694	12,505
Accounts receivable	478	492	281	345	418
Inventories	22	20	37	45	55
Other current assets	4,680	4,433	5,442	6,552	7,811
Fixed assets	**28,793**	**30,156**	**35,002**	**36,164**	**37,398**
Investment assets	20,910	21,394	24,707	25,869	27,103
Tangible assets	2,910	3,608	3,837	3,837	3,837
Intangible assets	3,657	3,421	4,556	4,556	4,556
Other long-term assets	1,316	1,733	1,902	1,902	1,902
Total assets	**38,168**	**41,084**	**48,152**	**52,800**	**58,188**
Current liabilities	**6,092**	**8,019**	**10,274**	**11,959**	**13,870**
Accounts payable	0	0	0	0	0
Short-term debt	135	132	2,326	2,326	2,326
Other current liabilities	5,957	7,887	7,947	9,632	11,544
Long-term liabilities	**5,075**	**4,113**	**4,973**	**5,629**	**6,373**
Bonds & long-term debt	2,870	1,256	1,120	1,120	1,120
Other long-term liabilities	2,204	2,856	3,853	4,509	5,253
Total liabilities	**11,167**	**12,131**	**15,247**	**17,588**	**20,244**
Owners of parent equity	**25,460**	**27,582**	**31,425**	**33,709**	**36,416**
Capital stock	16	16	16	16	16
Capital surplus	1,423	1,586	1,604	1,604	1,604
Retained earnings	25,965	27,626	29,477	31,762	34,469
Other	-1,944	-1,647	327	327	327
Non-controlling interests' equity	**1,541**	**1,371**	**1,481**	**1,503**	**1,528**
Total equity	**27,001**	**28,953**	**32,906**	**35,212**	**37,944**
Net debt	-3,321	-4,221	-4,801	-7,568	-10,906

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**2,590**	**3,096**	**3,046**	**4,290**	**4,925**
Net profit	1,932	1,819	2,267	2,691	3,117
Non-cash profit and expenses	1,003	1,362	627	629	694
Depreciation	609	680	0	0	0
Amortization	65	65	0	0	0
Other	329	617	627	629	694
Changes in A/L from operating activities	152	462	629	1,623	1,841
Cash flow from investments	**-1,340**	**-744**	**-1,021**	**-530**	**-603**
Change in tangible assets	-522	-1,220	-403	0	0
Change in financial assets	-2,225	449	200	-560	-635
Other	1,407	28	-817	29	32
Cash flow from financing	**-770**	**-524**	**57**	**-445**	**-438**
Change in debt	-377	372	739	69	78
Change in equity	180	164	18	0	0
Dividends	-119	-168	-394	-385	-385
Other	-454	-891	-306	-129	-131
Change in cash	619	1,788	1,407	2,303	2,811
Cash at beginning of year	3,576	4,196	5,984	7,391	9,694
Cash at end of year	4,196	5,984	7,391	9,694	12,505
Gross cash flow	**2,935**	**3,181**	**2,893**	**3,320**	**3,811**
Free cash flow	**2,036**	**1,861**	**2,628**	**4,290**	**4,925**

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	11.0	12.1	15.3	19.5	21.7
Operating profit	32.9	11.6	1.1	8.2	13.7
Net profit	96.1	-5.9	24.6	18.7	15.8
Adjusted EPS**	60.5	24.9	-9.2	14.1	14.1
Per-share data (KRW)					
EPS (parent-based)	11,913	12,376	14,378	17,555	20,330
EPS (consolidated)	11,967	11,524	14,516	17,697	20,495
Adjusted EPS**	11,265	14,071	12,775	14,583	16,632
BVPS	170,953	184,396	206,680	232,794	251,487
DPS (common)	1,130	2,630	2,658	2,658	2,658
Valuations (x)					
P/E***	17.7	17.2	16.6	14.5	12.7
P/B***	1.2	1.3	1.0	0.9	0.8
EV/EBITDA	11.2	11.9	13.4	11.2	8.7
Ratios (%)					
ROE	7.9	7.4	7.6	8.2	8.8
ROA	5.2	4.6	5.1	5.3	5.6
ROIC	39.7	37.7	32.5	34.3	48.6
Payout ratio	8.8	20.2	17.1	14.4	12.4
Dividend yield (common)	0.6	1.1	1.3	1.3	1.3
Net debt to equity	-12.3	-14.6	-14.6	-21.5	-28.7
Interest coverage (x)	18.9	20.3	17.5	18.7	20.9

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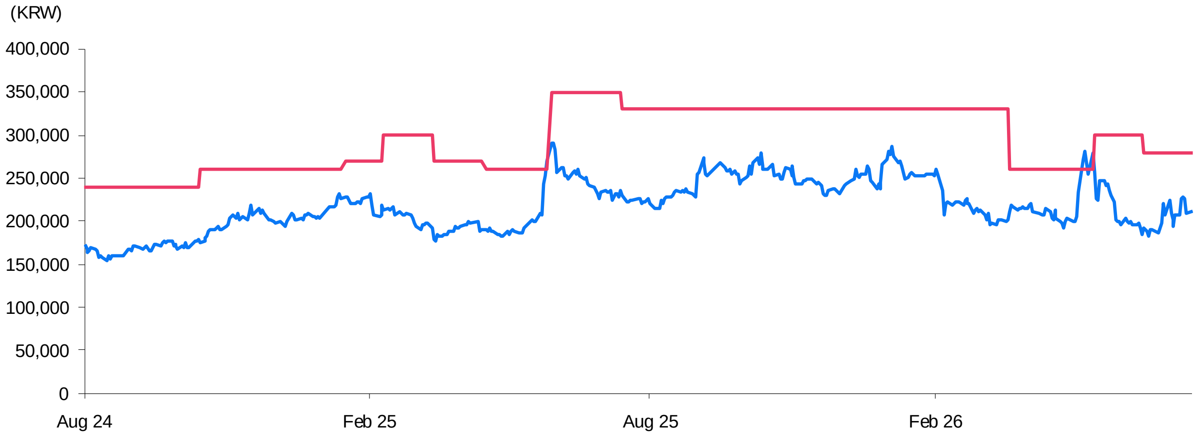
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/16	8/12	11/8	2025/2/10	3/7	4/8	5/12	6/23	8/8	2026/4/15	6/9	7/10
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	250000	240000	260000	270000	300000	270000	260000	350000	330000	260000	300000	280000
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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