COMPANY UPDATE

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Finance/Consumer Goods Team

Sewoong Park
Analyst
sewoong.park@samsung.com

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TCK (064760)

2Q review: Robust demand for SiC parts confirmed

- TCK reported a 2Q operating profit of KRW26.9b, missing consensus by 6% due mainly to changes in customer mix.
- Demand for SiC components remains robust. We forecast operating margin to recover to 32% in 3Q.
- We raise our target price to KRW225,000, reflecting a projected profitability gain driven by customer mix optimization in 2H.

AT A GLANCE

BUY

Target price	KRW225,000	34.5%
Current price*	**KRW167,300**	
Market cap	KRW2.6t/USD1.8b	
Shares (float)	11,179,416 (47.4%)	
52-week high/low	KRW348,500/KRW102,200	
Avg daily trading value (60-day)	KRW19.9b/ USD14.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
TCK (%)	-1.3	3.6	115.2
Vs Kosdaq (%pts)	-3.8	35.8	102.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	225,000	215,000	4.7%
2026E EPS	9,298	8,902	4.5%
2027E EPS	12,281	11,748	4.5%

SAMSUNG vs THE STREET

No of estimates	6
Target price	345,000
Recommendation	4.0

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

Note: *Current price as of the report publication date (Aug 10, 2206)

WHAT'S THE STORY?

2Q review—Robust demand for SiC components: TCK reported 2Q revenue of KRW94.9b (up 31% y-y, down 1% q-q) and an operating profit of KRW26.9b (up 38% y-y, down 6% q-q), the latter missing consensus by 6%. The q-q decline in top-line revenue was primarily driven by lower sales in the graphite segment. In contrast, sales of its core SiC components remained flat q-q; when accounting for the deferral of 4Q25 sales into 1Q26, this indicates sustained demand strength from key customers. SiC component order backlog also increased q-q (up from KRW81.9b in 1Q26). The operating margin declined 1.5%pts q-q to 28.3%, likely due to shifts in customer mix.

3Q preview – Expectations for margin recovery: The key driver for future earnings should be the pace of margin improvement. We forecast TCK to post 3Q revenue of KRW104.7b and an operating profit of KRW33.4b (for an operating margin of 31.9%), reflecting an anticipated increase in the proportion of sales to higher-margin, top-tier customers starting in 2H.

Raising target price by 5% to KRW225,000: We raise our target price by 5% to KRW225,000, reflecting modest upward revisions to 2026 and 2027 operating profit forecasts by 3.2% and 3.5%, respectively, to account for improved profitability from a better customer mix in 2H26. Meanwhile, our target P/E multiple remains unchanged at 21x, as the company's revenue structure remains heavily weighted toward NAND-related products, despite the positive mix shift.

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	94.9	30.6	-0.5	n/a	n/a
Operating profit	26.9	37.9	-5.8	n/a	n/a
Pre-tax profit	29.5	46.2	-7.0	n/a	n/a
Net profit	23.7	48.2	-5.6	n/a	n/a
Margins (%)					
Operating profit	28.3				
Pre-tax profit	31.1				
Net profit	25.0				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	23.7	24.6	18.6
P/B	2.9	4.2	3.5
EV/EBITDA	14.1	16.1	11.7
Div yield (%)	1.0	0.8	1.1
EPS growth (% y-y)	-2.8	55.1	32.1
ROE (%)	13.5	18.5	20.6
Per-share data (KRW)			
EPS	5,996	9,298	12,281
BVPS	48,606	54,289	64,669
DPS	1,430	1,900	2,500

Valuation

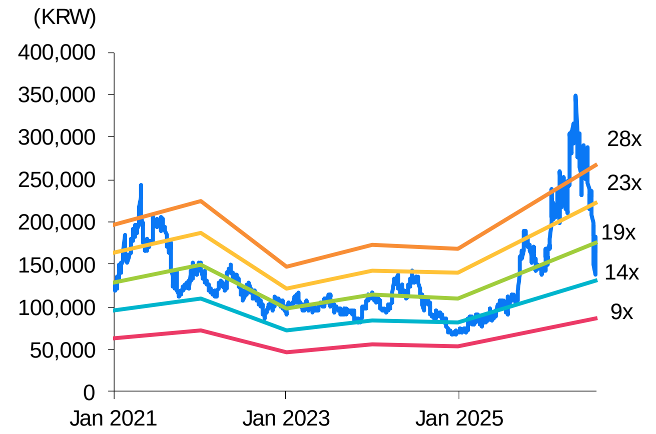
Raising target price: We raise our target price to KRW225,000, a 5% increase from the previous level. This adjustment reflects upward revisions of 3.2% and 3.5% to TCK's 2026 and 2027 operating profit estimates, respectively, driven by improved customer mix and resulting profitability gains in 2H26. Meanwhile, we maintain a Target P/E multiple of 21x, consistent with our prior report, as the customer mix improvement is offset by the continued NAND-centric sales structure.

Valuation

	TCK	Note
Target EPS (KRW)	10,789	Average EPS for 2026-2027
Current* P/E (x)	15.5	
Target P/E (x)	20.9	Midpoint between the 1-year average P/E and the average P/E plus 1 standard deviation
Target price (KRW	**225,000**	
Current stock price (KRW)	167,300	
Upside (%)	**34.5**	

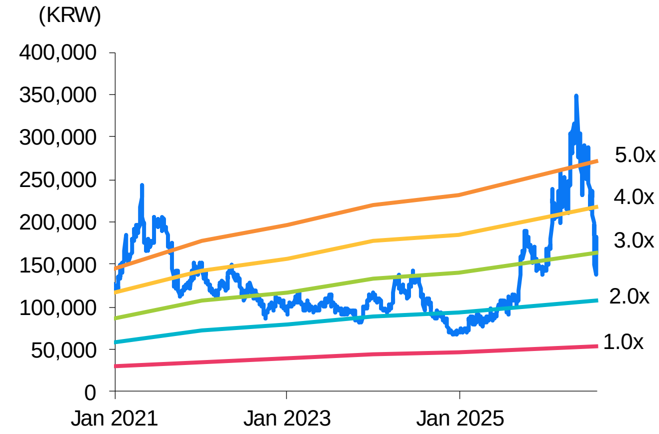
Note: Based on closing price as of Aug 7
Source: Samsung Securities estimates

P/E band chart



Source: WiseFn, Samsung Securities

P/B band chart



Source: WiseFn, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**276**	**301**	**399**	**475**	**576**
Cost of goods sold	172	192	248	277	329
Gross profit	**104**	**110**	**152**	**198**	**247**
Gross margin (%)	37.8	36.4	37.9	41.6	42.9
SG&A expenses	23	26	32	36	41
Operating profit	**81**	**84**	**120**	**161**	**206**
Operating margin (%)	29.3	27.8	30.0	34.0	35.8
Non-operating gains (losses)	**10**	**7**	**11**	**11**	**11**
Financial profit	9	8	8	9	9
Financial costs	0	0	0	0	0
Equity-method gains (losses)	0	0	0	0	0
Other	1	-1	2	2	2
Pre-tax profit	**91**	**91**	**130**	**172**	**217**
Taxes	19	21	26	35	44
Effective tax rate (%)	20.6	23.5	20.2	20.3	20.3
Profit from continuing operations	72	70	104	137	173
Profit from discontinued operations	0	0	0	0	0
Net profit	**72**	**70**	**104**	**137**	**173**
Net margin (%)	26.1	23.2	26.0	28.9	30.1
Net profit (controlling interests)	72	70	104	137	173
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	96	98	134	174	218
EBITDA margin (%)	34.8	32.5	33.6	36.7	37.8
EPS (parent-based) (KRW)	6,167	5,996	9,298	12,281	15,496
EPS (consolidated) (KRW)	6,167	5,996	9,298	12,281	15,496
Adjusted EPS (KRW)*	6,167	5,996	9,298	12,281	15,496

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**406**	**416**	**530**	**656**	**810**
Cash & equivalents	34	42	148	272	426
Accounts receivable	48	46	46	46	46
Inventories	69	85	86	87	87
Other current assets	255	243	250	250	250
Fixed assets	**158**	**152**	**142**	**133**	**126**
Investment assets	4	7	7	8	8
Tangible assets	150	142	131	122	114
Intangible assets	2	2	2	2	2
Other long-term assets	1	2	2	2	2
Total assets	**564**	**568**	**672**	**789**	**936**
Current liabilities	**45**	**45**	**60**	**60**	**61**
Accounts payable	10	12	12	12	12
Short-term debt	0	0	0	0	0
Other current liabilities	35	33	48	49	49
Long-term liabilities	**3**	**3**	**5**	**6**	**7**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	3	3	5	6	7
Total liabilities	**47**	**48**	**65**	**66**	**67**
Owners of parent equity	**516**	**519**	**607**	**723**	**868**
Capital stock	6	6	6	6	6
Capital surplus	6	6	6	6	6
Retained earnings	504	508	596	712	857
Other	-0	-0	-1	-1	-1
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**516**	**519**	**607**	**723**	**868**
Net debt	-284	-281	-394	-518	-672

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**74**	**54**	**119**	**150**	**186**
Net profit	72	70	104	137	173
Non-cash profit and expenses	34	32	40	48	56
Depreciation	15	14	14	13	11
Amortization	0	0	0	0	0
Other	19	18	26	35	44
Changes in A/L from operating activities	-11	-14	-3	-0	1
Cash flow from investments	**-72**	**4**	**-13**	**-4**	**-4**
Change in tangible assets	-7	-4	-4	-4	-4
Change in financial assets	-62	14	-8	-0	-1
Other	-3	-5	-1	0	-0
Cash flow from financing	**-0**	**-51**	**-17**	**-21**	**-28**
Change in debt	1	-1	0	0	0
Change in equity	0	0	0	0	0
Dividends	0	0	-16	-21	-28
Other	-1	-50	-1	0	0
Change in cash	2	8	106	125	154
Cash at beginning of year	32	34	42	148	272
Cash at end of year	34	42	148	272	426
Gross cash flow	**106**	**102**	**144**	**185**	**229**
Free cash flow	**67**	**50**	**115**	**146**	**182**

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	21.7	9.3	32.5	18.9	21.4
Operating profit	21.1	3.9	42.7	34.9	27.9
Net profit	17.6	-2.9	48.7	32.1	26.2
Adjusted EPS**	17.6	-2.8	55.1	32.1	26.2
Per-share data (KRW)					
EPS (parent-based)	6,167	5,996	9,298	12,281	15,496
EPS (consolidated)	6,167	5,996	9,298	12,281	15,496
Adjusted EPS**	6,167	5,996	9,298	12,281	15,496
BVPS	44,219	48,606	54,289	64,669	77,665
DPS (common)	1,410	1,430	1,900	2,500	3,100
Valuations (x)					
P/E***	11.5	23.7	24.6	18.6	14.8
P/B***	1.6	2.9	4.2	3.5	2.9
EV/EBITDA	5.7	14.1	16.1	11.7	8.7
Ratios (%)					
ROE	14.8	13.5	18.5	20.6	21.8
ROA	13.6	12.4	16.8	18.8	20.1
ROIC	27.6	27.6	43.0	62.5	83.2
Payout ratio	22.9	22.9	20.4	20.4	20.0
Dividend yield (common)	2.0	1.0	0.8	1.1	1.4
Net debt to equity	-55.1	-54.1	-64.9	-71.7	-77.4
Interest coverage (x)	2,525.7	2,262.2	n/a	n/a	n/a

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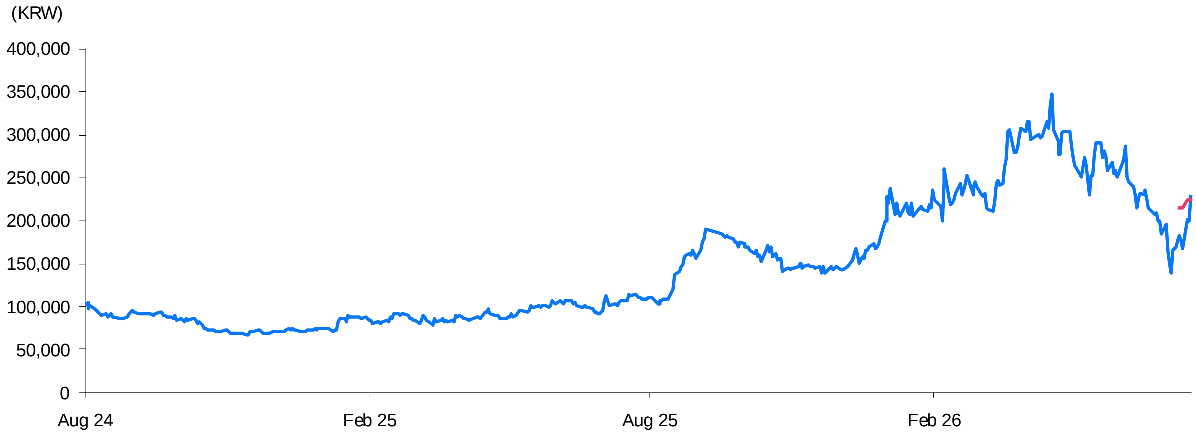

Rating changes over past two years (adjusted share prices)

Date	2026/8/5	8/10
Recommendation	BUY	BUY
Target price (KRW)	215000	225000
Gap* (average)	-19.74	
(max or min)**	-17.30	

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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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