COMPANY UPDATE

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Tech Team

Richard Moon
Senior Analyst
joonho.moon@samsung.com

Seungho Jeong
Research Associate
seungho1.jeong@samsung.com

TES (095610)

2Q review: Positive on both internal and external fronts

- TES's 2Q revenue exceeded consensus by 11%, but operating profit met expectations due to a temporary spike in R&D expenses.
- Attention should be given to the growing contribution from BSD equipment sales, as well as accelerated capacity expansion across all key customers.
- We raise our target price to KRW200,000 and maintain our BUY rating.

WHAT'S THE STORY?

2Q review: TES reported 2Q revenue of KRW123.7b, up 27% q-q and exceeding FnGuide consensus by 11%. Domestic sales rose q-q across all key customers as expected, while a surprise KRW10b in revenue was generated from overseas clients. Order backlog increased by KRW61.4b. However, operating profit only met consensus, as R&D expenses surged sharply from KRW8.4b in 1Q to KRW16.3b due to one-off costs associated with preparing new demo equipment. Despite this, margin likely improved by over 3%pts, reflecting favorable product mix. Additionally, the company booked a one-off non-operating gain resulting from significant revaluation gains on financial assets.

Raising 2026-2027 earnings forecasts: We raise our 2026 revenue and operating profit forecasts by 5% and 3%, respectively, and increase our 2027 forecasts by 11% and 12%. This reflects accelerating domestic DRAM capacity expansion plans, coupled with overseas customers successfully securing funding and expanding capital investments. In the NAND segment, continued upgrades are driving strong performance without requiring new capacity additions. Moreover, starting in 2H, BSD equipment is expected to begin making meaningful contributions to profitability as its applications expand into DRAM and foundry segments. The market's confidence in TES's potential for further market share gains remains well-founded.

(Continued on the next page)

AT A GLANCE

BUY

Target price	**KRW200,000**	**37.1%**
Current price	**KRW145,900**	
Market cap	KRW2.8t/USD2.0b	
Shares (float)	19,360,000 (62.1%)	
52-week high/low	KRW217,500/KRW26,500	
Avg daily trading value (60-day)	KRW89.2b/ USD63.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
TES (%)	-17.9	120.4	450.6
Vs Kosdaq (%pts)	-19.9	188.9	417.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	200,000	150,000	33.3%
2026E EPS	6,002	5,069	18.4%
2027E EPS	6,826	5,785	18.0%

SAMSUNG vs THE STREET

No of estimates	9
Target price	195,889
Recommendation	4.0

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

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	123.7	50.7	27.2	11.6	10.8
Operating profit	26.0	27.8	17.2	5.1	-1.3
Pre-tax profit	42.9	98.6	49.2	60.1	42.6
Net profit	34.0	80.1	38.5	58.5	30.6
Margins (%)					
Operating profit	21.0				
Pre-tax profit	34.7				
Net profit	27.5				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	13.7	24.3	21.4
P/B	2.0	5.0	4.2
EV/EBITDA	12.4	23.8	17.6
Div yield (%)	1.9	0.7	0.8
EPS growth (% y-y)	33.4	85.0	13.7
ROE (%)	15.8	23.5	21.3
Per-share data (KRW)			
EPS	3,244	6,002	6,826
BVPS	22,323	29,066	34,892
DPS	850	1,000	1,200

Samsung Securities

Raising target price: We raise our target price for TES to KRW200,000 and maintain our BUY rating. The target price is derived by applying the average P/E multiple of 30x (based on FactSet) to our 2027 EPS estimate, reflecting the valuation level of the top five global front-end equipment peers. Historically, TES traded at a discount relative to peers due to a limited product portfolio and high reliance on NAND. However, three key developments justify a re-rating: 1) its equipment portfolio is now diversifying beyond NAND; 2) DRAM-related revenue is approaching twice the level of NAND sales; and 3) the company has regained the capability to re-enter non-memory markets. We no longer believe a historical discount is warranted given these structural improvements.

Summary income statement

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E
Sales	**84.5**	**82.1**	**67.6**	**117.0**	**97.2**	**123.7**	**122.3**	**125.4**	**351.1**	**468.7**	**575.2**
Growth (% y-y)	100.4	35.6	33.0	35.1	15.1	50.7	81.0	7.2	46.3	33.5	22.7
Growth (% q-q)	-2.4	-2.9	-17.7	73.1	-16.9	27.2	-1.1	2.6			
Cost of goods sold	61.7	54.9	52.0	90.4	67.6	87.1	82.3	90.0	259.0	327.0	392.4
Gross profit	**22.8**	**27.2**	**15.5**	**26.5**	**29.7**	**36.5**	**40.0**	**35.4**	**92.1**	**141.6**	**182.9**
Gross margin (%)	27.0	33.1	23.0	22.7	30.5	29.5	32.7	28.2	26.2	30.2	31.8
SG&A expenses	6.6	6.8	7.1	13.8	7.5	10.5	9.7	13.6	34.3	41.3	48.8
Operating profit	**16.3**	**20.4**	**8.4**	**12.8**	**22.2**	**26.0**	**30.4**	**21.8**	**57.8**	**100.4**	**134.1**
Operating margin (%)	19.3	24.8	12.5	10.9	22.8	21.0	24.8	17.4	16.5	21.4	23.3
Non-operating profit	-0.9	1.3	5.5	2.1	6.6	16.9	3.7	4.0	7.9	31.1	17.2
Pre-tax profit	**15.3**	**21.6**	**13.9**	**14.9**	**28.8**	**42.9**	**34.0**	**25.8**	**65.8**	**131.5**	**151.3**
Pre-tax margin (%)	18.2	26.4	20.6	12.7	29.6	34.7	27.8	20.5	18.7	28.1	26.3
Net profit	**15.9**	**18.9**	**12.1**	**10.1**	**24.6**	**34.0**	**27.2**	**20.6**	**56.9**	**106.4**	**121.0**
Net margin (%)	18.8	23.0	17.9	8.6	25.3	27.5	22.3	16.4	16.2	22.7	21.0
EPS (KRW)	**904**	**1,077**	**690**	**572**	**1,386**	**1,919**	**1,535**	**1,162**	**3,244**	**6,002**	**6,826**
Growth (% y-y)	129.9	46.3	385.9	-50.6	53.3	78.1	122.6	103.0	33.4	85.0	13.7
Growth (% q-q)	-22.0	19.1	-36.0	-17.0	142.1	38.5	-20.0	-24.3			

Source: Company data, Samsung Securities estimates

Sales, by segment

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E
Semiconductor	84.2	81.8	67.3	110.5	97.0	123.3	121.9	122.4	343.7	464.6	569.9
Display	0.3	0.3	0.3	6.5	0.3	0.4	0.4	3.0	7.4	4.1	5.4
Total	84.5	82.1	67.6	117.0	97.2	123.7	122.3	125.4	351.1	468.7	575.2
Share (%)											
Semiconductor	99.6	99.6	99.6	94.4	99.7	99.7	99.7	97.6	97.9	99.1	99.1
Display	0.4	0.4	0.4	5.6	0.3	0.3	0.3	2.4	2.1	0.9	0.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Growth (% y-y)											
Semiconductor	101.0	35.5	32.9	32.1	15.2	50.8	81.2	10.8	45.3	35.2	22.7
Display	9.5	58.7	68.1	120.5	-18.9	28.6	46.0	-53.9	106.0	-45.2	32.0
Total	100.4	35.6	33.0	35.1	15.1	50.7	81.0	7.2	46.3	33.5	22.7
Growth (% q-q)											
Semiconductor	0.6	-2.9	-17.7	64.2	-12.2	27.1	-1.1	0.4			
Display	-89.4	-0.3	-11.9	2,273.4	-96.1	58.1	0.0	650.0			
Total	-2.4	-2.9	-17.7	73.1	-16.9	27.2	-1.1	2.6			

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**240**	**351**	**469**	**575**	**730**
Cost of goods sold	176	259	327	392	488
Gross profit	**65**	**92**	**142**	**183**	**242**
Gross margin (%)	26.9	26.2	30.2	31.8	33.2
SG&A expenses	26	34	41	49	56
Operating profit	**38**	**58**	**100**	**134**	**186**
Operating margin (%)	16.0	16.5	21.4	23.3	25.5
Non-operating gains (losses)	**11**	**8**	**31**	**17**	**21**
Financial profit	17	19	36	25	28
Financial costs	4	9	9	8	8
Equity-method gains (losses)	0	0	0	0	0
Other	-1	-2	4	0	1
Pre-tax profit	**50**	**66**	**132**	**151**	**207**
Taxes	7	9	25	30	41
Effective tax rate (%)	14.4	13.5	19.1	20.0	20.0
Profit from continuing operations	43	57	106	121	166
Profit from discontinued operations	0	0	0	0	0
Net profit	**43**	**57**	**106**	**121**	**166**
Net margin (%)	17.8	16.2	22.7	21.0	22.7
Net profit (controlling interests)	43	57	106	121	166
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	44	66	112	146	198
EBITDA margin (%)	18.4	18.7	23.8	25.4	27.1
EPS (parent-based) (KRW)	2,432	3,244	6,002	6,826	9,343
EPS (consolidated) (KRW)	2,432	3,244	6,002	6,826	9,343
Adjusted EPS (KRW)*	2,432	3,244	6,002	6,826	9,343

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**183**	**215**	**339**	**444**	**590**
Cash & equivalents	12	12	104	188	305
Accounts receivable	35	26	28	36	46
Inventories	41	43	68	70	78
Other current assets	95	134	139	150	161
Fixed assets	**198**	**272**	**275**	**279**	**283**
Investment assets	71	117	117	117	117
Tangible assets	110	136	142	146	150
Intangible assets	5	5	6	5	5
Other long-term assets	13	14	11	11	11
Total assets	**381**	**487**	**614**	**723**	**872**
Current liabilities	**37**	**48**	**83**	**88**	**93**
Accounts payable	13	1	30	35	41
Short-term debt	6	6	6	6	6
Other current liabilities	18	41	47	47	47
Long-term liabilities	**13**	**48**	**16**	**16**	**16**
Bonds & long-term debt	10	46	13	13	13
Other long-term liabilities	3	2	2	2	2
Total liabilities	**51**	**96**	**98**	**104**	**109**
Owners of parent equity	**331**	**392**	**515**	**619**	**763**
Capital stock	10	10	10	10	10
Capital surplus	57	64	77	77	77
Retained earnings	320	356	454	558	702
Other	-57	-39	-25	-25	-25
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**331**	**392**	**515**	**619**	**763**
Net debt	-48	-61	-166	-261	-388

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**31**	**82**	**106**	**117**	**154**
Net profit	43	57	106	121	166
Non-cash profit and expenses	6	23	11	12	12
Depreciation	5	7	11	11	12
Amortization	1	0	0	0	0
Other	-0	15	0	0	0
Changes in A/L from operating activities	-25	-4	-12	-16	-24
Cash flow from investments	**-50**	**-118**	**2**	**-15**	**-16**
Change in tangible assets	-55	-33	2	-15	-16
Change in financial assets	16	-52	0	0	0
Other	-12	-33	0	0	0
Cash flow from financing	**10**	**36**	**-16**	**-18**	**-21**
Change in debt	16	41	-27	0	0
Change in equity	0	7	0	0	0
Dividends	-9	-11	-15	-18	-21
Other	3	-1	26	0	0
Change in cash	-9	0	92	84	117
Cash at beginning of year	21	12	12	104	188
Cash at end of year	12	12	104	188	305
Gross cash flow	**48**	**80**	**118**	**133**	**178**
Free cash flow	**-24**	**50**	**92**	**102**	**138**

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	63.4	46.3	33.5	22.7	26.9
Operating profit	nm	50.3	73.6	33.5	38.6
Net profit	2,623.8	33.4	87.0	13.7	36.9
Adjusted EPS**	2,632.6	33.4	85.0	13.7	36.9
Per-share data (KRW)					
EPS (parent-based)	2,432	3,244	6,002	6,826	9,343
EPS (consolidated)	2,432	3,244	6,002	6,826	9,343
Adjusted EPS**	2,432	3,244	6,002	6,826	9,343
BVPS	18,843	22,323	29,066	34,892	43,035
DPS (common)	600	850	1,000	1,200	1,500
Valuations (x)					
P/E***	6.4	13.7	24.3	21.4	15.6
P/B***	0.8	2.0	5.0	4.2	3.4
EV/EBITDA	5.8	12.4	23.8	17.6	12.3
Ratios (%)					
ROE	13.6	15.8	23.5	21.3	24.0
ROA	12.1	13.1	19.3	18.1	20.8
ROIC	21.5	25.8	38.4	47.6	62.4
Payout ratio	24.7	26.5	16.7	17.6	16.1
Dividend yield (common)	3.9	1.9	0.7	0.8	1.0
Net debt to equity	-14.4	-15.6	-32.2	-42.1	-50.9
Interest coverage (x)	490.4	91.2	91.5	174.9	242.5

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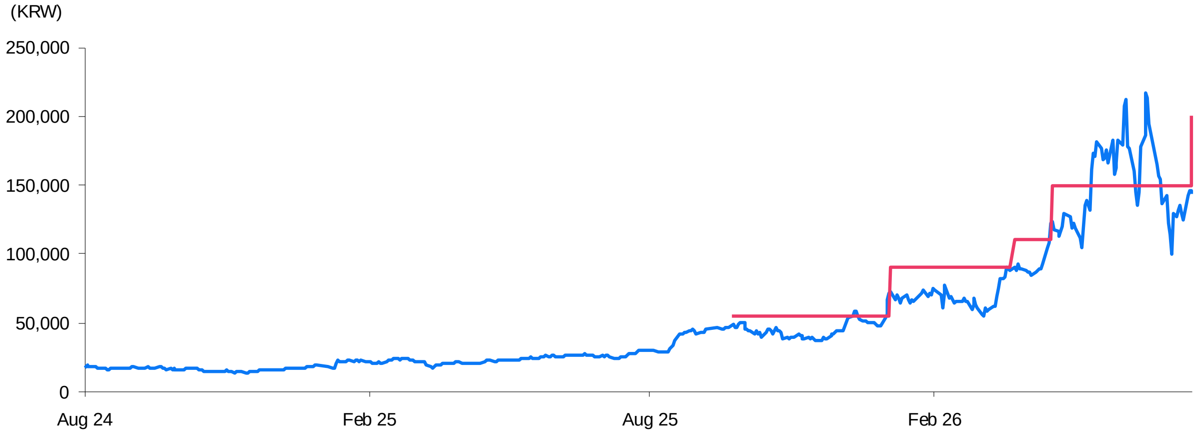
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2025/10/20	2026/1/30	4/20	5/14	8/13
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	55000	90000	110000	150000	200000
Gap* (average)	-17.44	-23.44	-15.05	0.86	
(max or min)**	30.91	0.11	11.36	45.00	

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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Percentage of ratings in 12 months prior to 2026.06.30

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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