COMPANY UPDATE

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Silicon2 (257720)

Showcasing platform power

- 2Q26 review: Silicon2' 2Q results exceeded consensus, driven by broad-based export growth across all regions except the Middle East, successfully offsetting rising costs.
- Maintaining BUY and raising target price to KRW55,000: Amid broadening earnings growth across the global cosmetics value chain (from brands to ODMs to distributors), Silicon2 remains the most undervalued segment given its underlying profitability and growth momentum. As the industry enters the peak season in 3Q, the stock merits close attention.

WHAT'S THE STORY?

2Q results: Silicon2 reported 2Q revenue of KRW402.6b (up 51.8% y-y, up 16.2% q-q) and operating profit of KRW83b (up 59.0% y-y, up 28.6% q-q), with an operating margin of 20.6%. Despite a significant increase in shipping costs (KRW13.5b, up 74% y-y), favorable exchange rates and synchronized growth across the US, Europe, and Asia enabled strong operating leverage, significantly exceeding consensus. Regionally, the Europe business generated KRW173.4b in revenue (up 62% y-y, up 7% q-q), maintaining its position as the largest revenue contributor at 43.1% of total sales. Penetration into national retailers such as Boots UK and Superdrug continued. The slower q-q growth in Europe was due to delayed inbound shipments from bulk inventory purchases, with the deferred volume expected to be recognized in 3Q26. The North America business recorded KRW87.3b in revenue (up 79% y-y, up 36% q-q), marking the second consecutive quarter as the fastest-growing region. Growth was driven by orders from Ulta and Target, increased demand from iHerb, and new local orders from premium channels such as Nordstrom, surpassing initial expectations. The Asia business posted KRW57.5b in sales (up 29% y-y, up 30% q-q), led by B2C channels including TikTok Shop and Shopee. Other regions also posted growth—eg, Latin America (KRW24.4b, up 76% y-y). The Middle East (KRW26.0b, down 7% y-y) was the only region to decline.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	402.6	51.8	16.2	9.0	5.7
Operating profit	83.0	59.0	28.6	22.8	16.4
Pre-tax profit	92.0	109.8	28.3	68.6	18.1
Net profit	72.3	103.2	33.1	67.4	67.4
Margins (%)					
Operating profit	20.6				
Pre-tax profit	22.9				
Net profit	18.0				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	14.8	10.7	8.7
P/B	5.5	3.9	2.8
EV/EBITDA	11.3	8.7	6.4
Div yield (%)	0.8	0.9	1.0
EPS growth (% y-y)	31.1	46.0	23.8
ROE (%)	46.9	43.7	37.4
Per-share data (KRW)			
EPS	2,609	3,808	4,714
BVPS	6,976	10,472	14,816
DPS	306	350	400

AT A GLANCE

BUY

Target price	KRW55,000	34.8%
Current price	**KRW40,800**	
Market cap	KRW2.7t/USD1.9b	
Shares (float)	65,576,252 (56.4%)	
52-week high/low	KRW54,200/KRW30,400	
Avg daily trading value (60-day)	KRW27.3b/ USD19.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Silicon2 (%)	6.4	-5.1	-6.5
Vs Kosdaq (%pts)	-1.3	21.8	-11.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	55,000	50,000	10.0%
2026E EPS	3,808	3,236	17.7%
2027E EPS	4,714	4,174	12.9%

SAMSUNG vs THE STREET

No of estimates	8
Target price	55,500
Recommendation	4.0

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

Samsung Securities

Maintaining BUY and raising target price: Reflecting the strong 2Q results and the accelerating operating leverage expected into 2027, we raise our 2026 and 2027 operating profit estimates by 10% and 13%, respectively, and raise our target price (based on a 12-month forward P/E) to KRW55,000. While earnings growth is broadening across the global cosmetics value chain—from brands to ODMs to distributors—Silicon2 remains the most undervalued segment. The company, however, has a solid market presence, supported by two key structural advantages: 1) the company benefits directly from rising global demand for Korean cosmetics, independent of individual brand sales volatility; and 2) the number of mid-sized brands seeking cost-efficient distribution through local retail channels far exceeds those pursuing direct- to- retail models, reinforcing Silicon2's indispensable role as a scalable logistics and supply partner. Since 2026, entry into high-impact national retailers such as Target, Ulta, and Boots has significantly improved order stability. As these relationships mature and scale, margin volatility should gradually ease.

Silicon2: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2023	2024	2025E	2026E	2027E
Sales	**245.7**	**265.3**	**299.4**	**305.9**	**346.6**	**402.6**	**455.9**	**431.1**	**342.9**	**691.5**	**1,116.3**	**1,636.0**	**2,167.0**
US/Canada	45.2	48.9	72.6	66.3	64.3	87.3	95.0	72.0	130.9	221.6	233.0	318.6	385.5
Europe	81.3	107.3	101.9	115.4	161.8	173.4	210.0	201.1	53.3	162.7	405.9	746.3	1,007.5
Asia	52.9	44.7	52.8	51.5	44.4	57.5	61.2	60.5	101.5	151.4	201.9	223.6	250.4
Middle East	32.3	28.0	30.5	26.7	25.0	26.0	25.0	37.0	10.5	64.2	117.5	113.0	197.8
Oceania	6.8	6.7	8.2	8.5	7.6	7.9	9.7	9.2	18.7	27.2	30.2	34.4	38.2
CIS	12.0	12.8	14.8	17.3	21.9	22.4	25.3	19.0	15.0	28.4	56.9	88.6	127.1
Africa	2.7	3.0	3.3	4.0	3.6	3.6	4.5	5.5	5.0	9.1	13.0	17.2	24.3
Central and South America	12.5	13.9	15.3	16.2	17.9	24.4	25.2	26.8	8.0	26.9	57.9	94.3	136.2
Gross profit	**77.7**	**87.3**	**94.5**	**87.3**	**103.9**	**129.0**	**136.8**	**128.5**	**115.1**	**232.8**	**346.8**	**498.1**	**671.8**
Operating profit	**47.7**	**52.2**	**63.1**	**42.4**	**64.5**	**83.0**	**83.0**	**65.5**	**47.8**	**137.6**	**205.4**	**296.0**	**394.4**
Net profit	**38.8**	**35.6**	**58.4**	**35.8**	**54.3**	**72.3**	**69.0**	**54.1**	**38.0**	**120.7**	**168.6**	**249.7**	**309.2**
Margins (%)													
Gross profit	31.6	32.9	31.6	28.5	30.0	32.0	30.0	29.8	33.6	33.7	31.1	30.4	31.0
Operating profit	19.4	19.7	21.1	13.9	18.6	20.6	18.2	15.2	13.9	19.9	18.4	18.1	18.2
Net profit	15.8	13.4	19.5	11.7	15.7	18.0	15.1	12.5	11.1	17.5	15.1	15.3	14.3
Growth (% y-y)													
Sales	63.9	46.3	60.4	76.3	41.1	51.8	52.3	40.9	107.5	101.7	61.4	46.6	32.5
US/Canada	-20.6	-21.6	11.7	77.7	42.3	78.5	30.9	8.6	147.4	69.3	5.1	36.7	21.0
Europe	187.3	141.7	137.5	145.0	99.0	61.6	106.1	74.3	177.6	205.3	149.5	83.9	35.0
Asia	42.6	19.5	50.0	23.5	-16.1	28.6	15.9	17.5	66.4	49.2	33.4	10.7	12.0
Middle East	226.3	93.1	54.8	32.8	-22.6	-7.1	-18.0	38.6	262.1	511.4	83.0	-3.8	75.0
Oceania	13.3	8.1	9.3	13.3	11.8	17.9	18.3	8.2	79.8	45.5	11.0	13.9	11.1
CIS	96.7	50.6	150.8	119.0	82.5	75.0	70.9	9.8	24.0	89.3	100.4	55.7	43.5
Africa	42.1	76.5	50.0	21.2	33.3	20.0	36.4	37.5	61.3	82.0	42.9	32.3	41.0
Central and South America	234.7	121.8	84.6	87.6	43.5	75.7	65.0	64.9	116.8	238.2	115.0	62.9	44.4
Gross profit	53.5	41.8	46.5	55.4	33.8	47.7	44.8	47.2	118.1	102.3	48.9	43.7	34.9
Operating profit	62.1	34.0	48.1	59.4	35.2	59.0	31.6	54.6	235.8	187.8	49.3	44.1	33.2
Net profit	51.9	6.7	95.6	11.9	40.1	103.2	18.1	51.1	240.8	217.6	39.6	48.1	23.8
Growth (% q-q)													
Sales	41.6	8.0	12.8	2.2	13.3	16.2	13.2	-5.4					
US/Canada	21.2	8.2	48.5	-8.7	-3.0	35.8	8.8	-24.2					
Europe	72.6	32.0	-5.0	13.2	40.2	7.2	21.1	-4.2					
Asia	26.9	-15.5	18.1	-2.5	-13.8	29.5	6.4	-1.1					
Middle East	60.7	-13.3	8.9	-12.5	-6.4	4.0	-3.8	48.0					
Oceania	-9.3	-1.5	22.4	3.7	-10.6	3.9	22.8	-5.2					
CIS	51.9	6.7	15.6	16.9	26.6	2.3	12.9	-24.9					
Africa	-18.2	11.1	10.0	21.2	-10.0	0.0	25.0	22.2					
Central and South America	44.1	11.3	10.0	6.4	10.2	36.3	3.3	6.3					
Gross profit	38.3	12.5	8.2	-7.6	19.0	24.2	6.0	-6.1					
Operating profit	79.5	9.3	20.9	-32.8	52.3	28.6	0.0	-21.0					
Net profit	21.2	-8.2	64.1	-38.7	51.8	33.1	-4.7	-21.6					
Sales contributions (%)													
US/Canada	18.4	18.4	24.3	21.7	18.6	21.7	20.8	16.7	38.2	32.0	20.9	19.5	17.8
Europe	33.1	40.4	34.0	37.7	46.7	43.1	46.1	46.6	15.5	23.5	36.4	45.6	46.5
Asia	21.5	16.8	17.6	16.8	12.8	14.3	13.4	14.0	29.6	21.9	18.1	13.7	11.6
Middle East	13.1	10.6	10.2	8.7	7.2	6.5	5.5	8.6	3.1	9.3	10.5	6.9	9.1
Oceania	2.8	2.5	2.7	2.8	2.2	2.0	2.1	2.1	5.5	3.9	2.7	2.1	1.8
CIS	4.9	4.8	4.9	5.7	6.3	5.6	5.5	4.4	4.4	4.1	5.1	5.4	5.9
Africa	1.1	1.1	1.1	1.3	1.0	0.9	1.0	1.3	1.5	1.3	1.2	1.1	1.1
Central and South America	5.1	5.2	5.1	5.3	5.2	6.1	5.5	6.2	2.3	3.9	5.2	5.8	6.3

Source: Company data, Samsung Securities

Silicon2: Valuation

(KRW)	Calculation	Value
Forward EPS	(A = B x D + C x (1 - D))	4,364
2026E EPS	(B)	3,808
2027E EPS	(C)	4,714
2026 weighting	(D)	38.7%
Target P/E multiple* (x)	(E)	12.6
Target price	(A x E)	55,000

Note: *10% discount to global cosmetics industry peer average, reflecting Silicon2's need to secure large, stable customers
Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**692**	**1,116**	**1,636**	**2,167**	**2,795**
Cost of goods sold	459	770	1,138	1,495	1,928
Gross profit	**233**	**347**	**498**	**672**	**866**
Gross margin (%)	33.7	31.1	30.4	31.0	31.0
SG&A expenses	95	141	202	277	355
Operating profit	**138**	**205**	**296**	**394**	**511**
Operating margin (%)	19.9	18.4	18.1	18.2	18.3
Non-operating gains (losses)	**11**	**11**	**24**	**3**	**3**
Financial profit	21	39	2	2	2
Financial costs	13	36	2	2	2
Equity-method gains (losses)	1	1	3	3	3
Other	2	7	21	0	0
Pre-tax profit	**149**	**217**	**320**	**397**	**514**
Taxes	28	48	70	88	114
Effective tax rate (%)	18.8	22.2	21.9	22.2	22.2
Profit from continuing operations	121	169	250	309	400
Profit from discontinued operations	0	0	0	0	0
Net profit	**121**	**169**	**250**	**309**	**400**
Net margin (%)	17.5	15.1	15.3	14.3	14.3
Net profit (controlling interests)	121	169	250	309	400
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	143	214	309	412	534
EBITDA margin (%)	20.7	19.2	18.9	19.0	19.1
EPS (parent-based) (KRW)	1,990	2,609	3,808	4,714	6,103
EPS (consolidated) (KRW)	1,990	2,609	3,808	4,714	6,103
Adjusted EPS (KRW)*	1,990	2,609	3,808	4,714	6,103

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**297**	**553**	**787**	**1,014**	**1,336**
Cash & equivalents	86	77	175	220	325
Accounts receivable	42	96	134	178	230
Inventories	146	300	436	574	740
Other current assets	23	79	42	42	42
Fixed assets	**161**	**157**	**166**	**236**	**306**
Investment assets	25	21	16	16	16
Tangible assets	107	108	118	188	258
Intangible assets	2	2	2	2	2
Other long-term assets	27	25	30	30	30
Total assets	**458**	**709**	**954**	**1,250**	**1,642**
Current liabilities	**189**	**122**	**180**	**196**	**211**
Accounts payable	1	6	19	25	32
Short-term debt	145	42	90	100	108
Other current liabilities	43	74	71	71	71
Long-term liabilities	**7**	**130**	**88**	**85**	**92**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	7	130	88	85	92
Total liabilities	**196**	**252**	**268**	**281**	**303**
Owners of parent equity	**262**	**457**	**685**	**970**	**1,339**
Capital stock	31	31	31	31	31
Capital surplus	31	58	58	58	58
Retained earnings	192	360	588	872	1,241
Other	9	9	9	9	9
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**262**	**457**	**685**	**970**	**1,339**
Net debt	68	60	11	-25	-121

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**60**	**1**	**69**	**119**	**179**
Net profit	121	169	250	309	400
Non-cash profit and expenses	30	60	14	18	23
Depreciation	6	9	13	17	22
Amortization	0	0	0	0	0
Other	24	52	1	1	1
Changes in A/L from operating activities	-65	-191	-158	-171	-207
Cash flow from investments	**-72**	**-43**	**2**	**-59**	**-53**
Change in tangible assets	-63	-7	-10	-70	-70
Change in financial assets	12	-42	0	0	0
Other	-21	6	11	11	17
Cash flow from financing	**81**	**34**	**27**	**-14**	**-23**
Change in debt	91	24	48	10	8
Change in equity	1	27	0	0	0
Dividends	0	0	-21	-24	-31
Other	-12	-17	0	0	0
Change in cash	69	-9	97	46	104
Cash at beginning of year	17	86	77	175	220
Cash at end of year	86	77	175	220	325
Gross cash flow	**150**	**229**	**263**	**327**	**423**
Free cash flow	**-16**	**-6**	**59**	**49**	**109**

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	101.7	61.4	46.6	32.5	29.0
Operating profit	187.8	49.3	44.1	33.2	29.7
Net profit	217.6	39.6	48.1	23.8	29.5
Adjusted EPS**	215.7	31.1	46.0	23.8	29.5
Per-share data (KRW)					
EPS (parent-based)	1,990	2,609	3,808	4,714	6,103
EPS (consolidated)	1,990	2,609	3,808	4,714	6,103
Adjusted EPS**	1,990	2,609	3,808	4,714	6,103
BVPS	4,297	6,976	10,472	14,816	20,459
DPS (common)	0	306	350	400	500
Valuations (x)					
P/E***	16.4	14.8	10.7	8.7	6.7
P/B***	7.6	5.5	3.9	2.8	2.0
EV/EBITDA	14.4	11.3	8.7	6.4	4.8
Ratios (%)					
ROE	60.9	46.9	43.7	37.4	34.7
ROA	35.9	28.9	30.0	28.0	27.7
ROIC	51.5	41.1	41.0	40.3	38.9
Payout ratio	0.0	11.1	9.2	8.5	8.2
Dividend yield (common)	0.0	0.8	0.9	1.0	1.2
Net debt to equity	25.9	13.1	1.6	-2.6	-9.0
Interest coverage (x)	24.7	24.5	53.2	70.9	91.9

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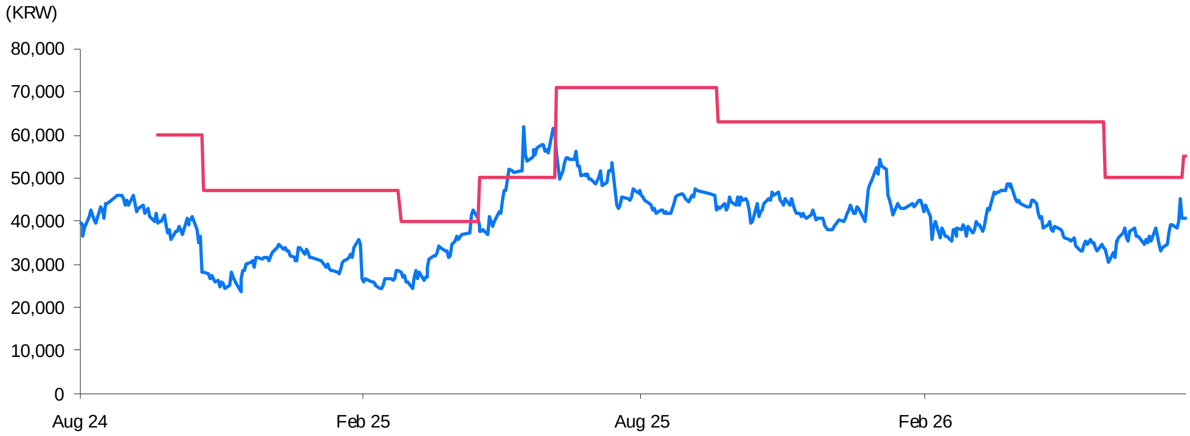
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/10/16	11/15	2025/3/24	5/13	7/2	10/15	2026/6/24	8/14
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	60000	47000	40000	50000	71000	63000	50000	55000
Gap* (average)	-36.45	-37.76	-20.46	-0.05	-33.10	-33.60	-27.36	
(max or min)**	-31.17	-23.51	6.63	23.60	-20.99	-13.97	-9.50	

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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