COMPANY UPDATE

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HPSP (403870)

2Q review; explosive growth on the horizon

- HPSP reported an earnings surprise for 2Q, driven by favorable forex rates and the reversal of stock-based compensation expenses.
- We revise up our 2027 forecasts to reflect the firm's rising penetration in the NAND market and capacity ramp-ups in the foundry and DRAM segments.
- We maintain our BUY rating and KRW65,000 target price. HPSP is our top pick.

AT A GLANCE

BUY

Target price	KRW65,000	60.9%
Current price	**KRW40,400**	
Market cap	KRW3.3t/USD2.3b	
Shares (float)	82,300,000 (78.4%)	
52-week high/low	KRW83,500/KRW25,000	
Avg daily trading value (60-day)	KRW275.7b/ USD194.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HPSP (%)	-3.8	-5.2	49.1
Vs Kosdaq (%pts)	-12.8	21.3	40.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	65,000	65,000	0.0%
2026E EPS	1,579	1,505	4.9%
2027E EPS	2,160	1,696	27.3%

SAMSUNG vs THE STREET

No of estimates	6
Target price	68,000
Recommendation	4.0

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

WHAT'S THE STORY?

2Q review: HPSP reported 2Q sales of KRW46.1b (up 4.4% q-q). While absolute sales volume remained modest, sales were generated across all applications, and favorable forex rates provided additional tailwinds. Operating margin expanded to 61%, beating consensus by a huge margin. The earnings surprise owed much to strong operating leverage and the reversal of stock-based compensation expense. Even excluding this reversal, 2Q results would have still exceeded FnGuide-based consensus.

Revising up 2027 forecasts sharply: We just finetune our 2026 sales forecast and increase our operating profit estimate by 5% to reflect 2Q results. Full-year sales are now expected to be heavily concentrated in 4Q26 due to equipment setup delays, and sales growth across all applications should remain on track for 3Q as well.

We raise our 2027 sales and operating profit forecasts by 24% and 28%, respectively, as: 1) its penetration in the NAND market should rise; and 2) sales to foundry and DRAM customers are also expected to grow steadily, aligned with their respective capacity expansion timelines; and 3) the recent announcement from a North American non-memory chipmaker signaling increased capex suggest further upside potential to earnings forecasts.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	46.1	-10.2	44.4	-1.6	3.8
Operating profit	28.3	-1.1	75.5	21.1	24.6
Pre-tax profit	30.9	14.8	61.4	19.8	23.5
Net profit	24.1	16.4	-3.0	19.9	21.9
Margins (%)					
Operating profit	61.4				
Pre-tax profit	66.9				
Net profit	52.3				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	37.2	25.6	18.7
P/B	8.8	8.4	6.3
EV/EBITDA	27.1	20.9	13.4
Div yield (%)	1.5	1.5	1.7
EPS growth (% y-y)	-14.7	75.2	36.8
ROE (%)	24.8	36.7	38.5
Per-share data (KRW)			
EPS	901	1,579	2,160
BVPS	3,819	4,820	6,394
DPS	500	600	700

Top pick: We maintain our BUY rating and KRW65,000 target price and recommend HPSP as our sector top pick. The target is based on a 30x P/E on our 2027 EPS estimate, aligned with ASML's current valuation (FactSet). While ASML's multiple has compressed, the upward revision to HPSP's earnings more than offsets this headwind.

Recent patent litigation has sparked concerns over HPSP's competitive moat and whether it merits a valuation parity with ASML. However, HPSP remains the only supplier with high-pressure annealing tools deployed at scale in production lines. Such concerns appear overstated: ASML itself faced de-rating pressure following news of Chinese lithography development, yet recovered later. With customer adoption and end-use applications broadening in tandem, we believe this is the inflection point to focus on HPSP's accelerating growth trajectory.

Summary income statement

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E
Sales	**36.9**	**51.3**	**32.0**	**52.7**	**31.9**	**46.1**	**52.9**	**119.5**	**173.0**	**250.5**	**374.9**
Growth (% y-y)	-2.3	88.0	-35.5	-20.9	-13.4	-10.2	65.2	126.8	-4.7	44.8	49.7
Growth (% q-q)	-44.6	39.2	-37.6	64.4	-39.4	44.4	14.8	125.8			
Cost of goods sold	9.9	13.5	9.4	13.9	7.0	12.6	15.0	33.9	46.7	68.6	107.4
Gross profit	**27.0**	**37.9**	**22.6**	**38.8**	**24.9**	**33.5**	**37.9**	**85.6**	**126.3**	**181.9**	**267.4**
Gross margin (%)	73.2	73.7	70.5	73.7	78.0	72.6	71.6	71.6	73.0	72.6	71.3
SG&A expenses	8.3	9.2	7.5	11.4	8.8	5.2	10.5	15.1	36.4	39.5	51.5
Operating profit	**18.7**	**28.6**	**15.1**	**27.4**	**16.1**	**28.3**	**27.4**	**70.5**	**89.9**	**142.4**	**215.9**
Operating margin (%)	50.7	55.8	47.1	52.1	50.5	61.4	51.8	59.0	52.0	56.8	57.6
Non-operating profit	1.3	-1.7	2.6	2.3	3.0	2.6	2.3	2.1	4.4	10.0	9.4
Pre-tax profit	**20.0**	**26.9**	**17.7**	**29.8**	**19.1**	**30.9**	**29.7**	**72.6**	**94.4**	**152.4**	**225.3**
Pre-tax margin (%)	54.3	52.4	55.1	56.5	59.9	66.9	56.2	60.8	54.5	60.8	60.1
Net profit	**15.2**	**20.7**	**13.5**	**23.3**	**24.9**	**24.1**	**23.2**	**56.7**	**72.7**	**128.8**	**175.7**
Net margin (%)	41.2	40.3	42.1	44.2	77.8	52.3	43.8	47.4	42.0	51.4	46.9
EPS (KRW)	**188**	**257**	**167**	**288**	**302**	**296**	**285**	**696**	**901**	**1,579**	**2,160**
Growth (% y-y)	-26.9	46.6	-21.6	-31.0	60.3	15.4	70.6	141.8	-14.7	75.2	36.8
Growth (% q-q)	-54.8	36.2	-34.9	72.5	4.9	-1.9	-3.8	144.3			

Source: Company data, Samsung Securities estimates

Sales, by division

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E
Equipment	31.0	47.8	27.6	47.7	28.4	41.2	48.0	114.0	154.1	231.6	352.0
Other	5.9	3.6	4.4	5.0	3.5	4.9	4.9	5.5	18.9	18.9	22.9
Total	36.9	51.3	32.0	52.7	31.9	46.1	52.9	119.5	173.0	250.5	374.9
Growth (% y-y)											
Equipment	-9.5	97.0	-39.8	-23.5	-8.3	-13.8	73.8	139.1	-7.6	50.3	52.0
Other	68.5	16.9	16.0	16.1	-40.3	38.0	11.3	10.0	28.7	-0.1	21.2
Total	-2.3	88.0	-35.5	-20.9	-13.4	-10.2	65.2	126.8	-4.7	44.8	49.7
Growth (% q-q)											
Equipment	-50.2	54.1	-42.2	72.6	-40.4	44.9	16.5	137.5			
Other	36.8	-39.3	23.9	12.8	-29.7	40.3	-0.0	11.5			
Total	-44.6	39.2	-37.6	64.4	-39.4	44.4	14.8	125.8			

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**181**	**173**	**250**	**375**	**461**
Cost of goods sold	52	47	69	107	132
Gross profit	**130**	**126**	**182**	**267**	**330**
Gross margin (%)	71.5	73.0	72.6	71.3	71.5
SG&A expenses	36	36	40	52	61
Operating profit	**94**	**90**	**142**	**216**	**268**
Operating margin (%)	51.8	52.0	56.8	57.6	58.2
Non-operating gains (losses)	**20**	**4**	**10**	**9**	**9**
Financial profit	7	5	5	5	5
Financial costs	0	0	0	0	0
Equity-method gains (losses)	0	0	0	0	0
Other	13	-1	5	4	3
Pre-tax profit	**114**	**94**	**152**	**225**	**277**
Taxes	28	22	24	50	61
Effective tax rate (%)	24.2	23.0	15.5	22.0	22.0
Profit from continuing operations	86	73	129	176	216
Profit from discontinued operations	0	0	0	0	0
Net profit	**86**	**73**	**129**	**176**	**216**
Net margin (%)	47.6	42.0	51.4	46.9	46.8
Net profit (controlling interests)	86	73	129	176	216
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	98	94	147	221	274
EBITDA margin (%)	53.8	54.5	58.8	59.0	59.4
EPS (parent-based) (KRW)	1,056	901	1,579	2,160	2,655
EPS (consolidated) (KRW)	1,056	901	1,579	2,160	2,655
Adjusted EPS (KRW)*	1,056	901	1,579	2,160	2,655

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**238**	**289**	**397**	**518**	**676**
Cash & equivalents	61	94	103	208	342
Accounts receivable	10	23	40	36	42
Inventories	23	16	56	79	90
Other current assets	144	156	198	195	201
Fixed assets	**82**	**81**	**97**	**102**	**106**
Investment assets	0	0	0	0	0
Tangible assets	49	48	51	56	60
Intangible assets	2	1	1	0	0
Other long-term assets	31	31	45	45	45
Total assets	**320**	**370**	**494**	**620**	**782**
Current liabilities	**41**	**61**	**99**	**97**	**100**
Accounts payable	2	2	19	17	20
Short-term debt	0	0	0	0	0
Other current liabilities	39	59	80	80	80
Long-term liabilities	**1**	**1**	**2**	**2**	**2**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	1	1	2	2	2
Total liabilities	**42**	**61**	**101**	**99**	**102**
Owners of parent equity	**278**	**308**	**393**	**520**	**679**
Capital stock	42	42	42	42	42
Capital surplus	61	63	64	64	64
Retained earnings	253	278	313	440	599
Other	-78	-74	-26	-26	-26
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**278**	**308**	**393**	**520**	**679**
Net debt	-188	-238	-262	-364	-504

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**84**	**100**	**66**	**164**	**201**
Net profit	86	73	129	176	216
Non-cash profit and expenses	21	28	5	5	6
Depreciation	4	4	5	5	6
Amortization	0	0	0	0	0
Other	17	24	0	0	0
Changes in A/L from operating activities	-9	22	-68	-17	-21
Cash flow from investments	**20**	**-19**	**-19**	**-10**	**-10**
Change in tangible assets	-43	-2	-19	-10	-10
Change in financial assets	59	-17	0	0	0
Other	4	0	0	0	0
Cash flow from financing	**-94**	**-48**	**-40**	**-49**	**-57**
Change in debt	-1	-1	0	0	0
Change in equity	2	2	0	0	0
Dividends	-7	-48	-40	-49	-57
Other	-88	-1	0	0	0
Change in cash	18	33	9	105	134
Cash at beginning of year	43	61	94	103	208
Cash at end of year	61	94	103	208	342
Gross cash flow	**107**	**101**	**134**	**181**	**222**
Free cash flow	**41**	**98**	**61**	**154**	**191**

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	1.3	-4.7	44.8	49.7	23.0
Operating profit	-1.3	-4.3	58.3	51.7	24.2
Net profit	7.3	-15.8	77.3	36.4	22.9
Adjusted EPS**	6.7	-14.7	75.2	36.8	22.9
Per-share data (KRW)					
EPS (parent-based)	1,056	901	1,579	2,160	2,655
EPS (consolidated)	1,056	901	1,579	2,160	2,655
Adjusted EPS**	1,056	901	1,579	2,160	2,655
BVPS	3,417	3,819	4,820	6,394	8,349
DPS (common)	600	500	600	700	800
Valuations (x)					
P/E***	24.7	37.2	25.6	18.7	15.2
P/B***	7.6	8.8	8.4	6.3	4.8
EV/EBITDA	20.2	27.1	20.9	13.4	10.3
Ratios (%)					
ROE	31.1	24.8	36.7	38.5	36.0
ROA	26.9	21.1	29.8	31.6	30.8
ROIC	126.4	133.2	164.6	144.2	150.9
Payout ratio	55.9	55.7	37.9	32.4	30.1
Dividend yield (common)	2.3	1.5	1.5	1.7	2.0
Net debt to equity	-67.7	-77.3	-66.6	-70.0	-74.2
Interest coverage (x)	919.9	1,516.9	3,763.7	n/a	n/a

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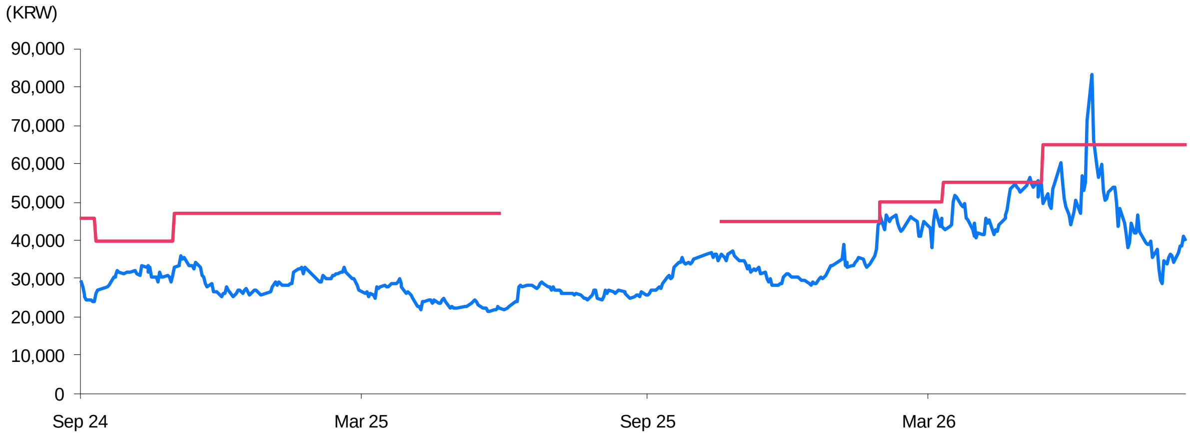

Rating changes over past two years (adjusted share prices)

Date	2024/8/16	9/12	11/1	10/20	2026/1/30	3/12	5/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	46000	40000	47000	45000	50000	55000	65000
Gap* (average)	-39.37	-22.77	-41.64	-27.34	-11.73	-12.76	
(max or min)**	-32.93	-16.38	-23.83	-1.44	-4.30	2.91	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
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