COMPANY UPDATE

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Industrial Team

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▶ AT A GLANCE

BUY

Target price	**KRW1,360,000 15.5%**
Current price	**KRW1,177,000**
Market cap	KRW60.7t/USD43.4b
Shares (float)	51,563,401 (62.7%)
52-week high/low	KRW1,537,000/KRW810,000
Avg daily trading value (60-day)	KRW254.2b/ USD181.8m

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Hanwha Aerospace (%)	24.8	2.4	42.3
Vs Kospi (%pts)	31.6	-10.1	-30.7

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	1,360,000	1,360,000	0.0%
2026E EPS	39,926	39,926	0.0%
2027E EPS	52,460	52,460	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	17
Target price	1,628,235
Recommendation	4.0

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

Samsung Securities

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Hanwha Aerospace (012450)

A step closer to US self-propelled howitzer deal

- Hanwha Aerospace has been selected to supply prototypes for the US self-propelled howitzer modernization program.
- Although the final supplier decision remains some way off and the program must clear several additional stages, securing the prototype contract is already a strong positive signal.

WHAT'S THE STORY?

To supply prototypes for US self-propelled howitzer modernization program: Hanwha Aerospace has been selected as the sole supplier of prototypes for the US Army's Mobile Tactical Cannon program. The company is scheduled to deliver six prototype units, and the US Army has an option for an additional twelve. The contract is reportedly worth up to USD230m. The US Army plans to operate the prototypes for approximately three years to evaluate performance, after which a decision will be made on whether to proceed with full-scale production.

Even prototype selection carries positive implications: The US program is reported as a major initiative to acquire up to 500 self-propelled howitzers. However, Hanwha Aerospace is currently at the prototype supplier stage, and the final contract award for full-scale production is still pending. Nevertheless, being named the sole supplier of prototypes is a strong positive signal. Previously, the market had expected the US to select multiple prototype suppliers to maintain competition.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	26,703	31,909	35,186	40,304
Operating profit	3,089	4,496	5,720	7,157
Net profit (adj)	1,405	2,059	2,705	3,463
EPS (adj) (KRW)	27,247	39,926	52,460	67,153
EPS (adj) growth (% y-y)	-46.0	46.5	31.4	28.0
EBITDA margin (%)	14.8	16.1	18.2	19.5
ROE (%)	19.1	19.6	21.7	23.1
P/E (adj) (x)	42.1	28.7	21.8	17.1
P/B (x)	6.1	5.2	4.4	3.6
EV/EBITDA (x)	17.8	13.6	10.5	8.3
Dividend yield (%)	0.6	0.7	0.9	1.0

Source: Company data, Samsung Securities estimates

Being selected as the single provider significantly increases Hanwha Aerospace's likelihood of being chosen as the final production contractor. It is also positive that the company has outperformed European and US defense firms in this competition. Importantly, this milestone demonstrates Hanwha Aerospace's competitive capability in the wheeled self-propelled howitzer segment, which distinct from its traditional tracked systems. If Hanwha Aerospace's product is selected for full-scale production, it would mark the first time a Korean weapon system is adopted at scale by the US military. Beyond symbolic value, success in this program would create favorable momentum for additional exports to other markets. Adoption by the US Army would enhance brand recognition globally and enable cost advantages through economies of scale. Meanwhile, Korea's defense industry is pursuing multiple export projects, but it has generally been slow to convert these into final contracts. Hanwha Aerospace stands out among major Korean defense firms as the only one to have secured multiple export contracts this year.

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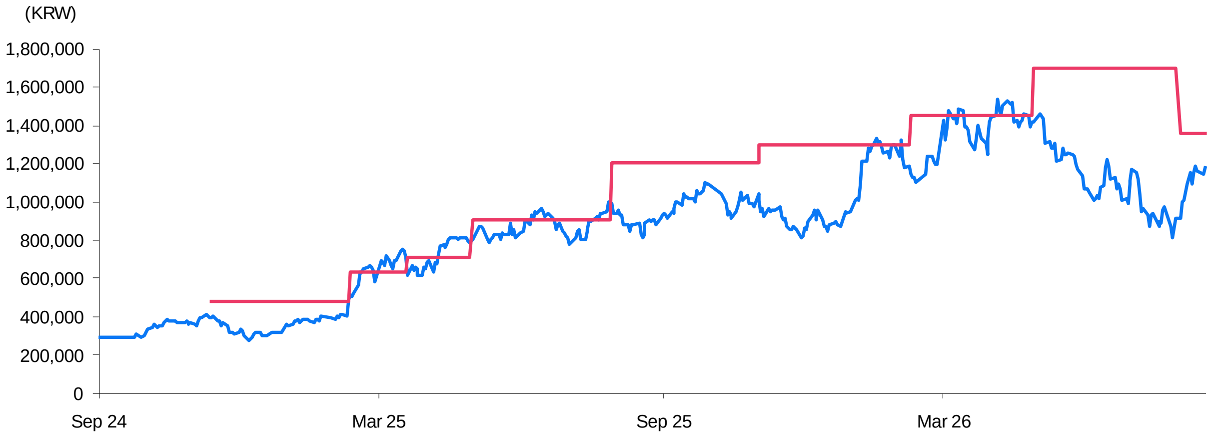
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/11/14	2025/2/12	3/21	5/2	5/23	7/31	11/4	2026/2/10	4/30	8/3
Recommendation	BUY	BUY	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	482506	630212	713912	905929	905929	1210000	1300000	1450000	1700000	1360000
Gap* (average)	-26.78	4.57	2.22	-8.44	-2.38	-20.34	-20.45	-5.23	-35.39	
(max or min)**	1.63	19.37	14.48	-3.26	10.16	-8.51	2.31	6.00	-13.82	

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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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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