COMPANY UPDATE

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EV/Mobility Team

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AT A GLANCE

HOLD

Target price	**KRW10,000**	**22.9%**
Current price	**KRW8,140**	
Market cap	KRW284.25b/USD205.01m	
Shares (float)	34,920,410 (49.1%)	
52-week high/low	KRW15,550/KRW6,720	
Avg daily trading value (60-day)	KRW12.0b/ USD8.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hwashin (%)	5.2	-35.9	-9.2
Vs Kospi (%pts)	2.7	-46.1	-58.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	BUY	
Target price	10,000	16,000	-37.5%
2026E EPS	1,912	2,167	-11.8%
2027E EPS	1,989	2,370	-16.1%

SAMSUNG vs THE STREET

No of estimates	1
Target price	10,000
Recommendation	3.0

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

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Hwashin (010690)

2Q review; US utilization recovery is key

- Hwashin's 2Q results were weighed down by lower utilization rates at manufacturing facilities in key markets, the US and Korea.
- Hyundai Motor Group Metaplant America (HMGMA) began producing the Kia Sportage Hybrid in 2H, but is unlikely to add Hyundai Motor (HMC) models to its production lineup before 2027.
- Growth in battery case sales and benefits from US market co-entry—once investment narratives—have been delayed, leaving only optimism around potential new robot-related product orders. We downgrade the stock to HOLD.

WHAT'S THE STORY?

Cutting earnings estimates and target price: We lower our earnings estimates and target price for Hwashin, reflecting production reductions at Hyundai Motor (HMC).

- **Lowering target price by 37.5% to KRW10,000:** We cut our target P/E multiple by 20% to 5.2x (from 6.2x previously), reflecting earnings deceleration and erosion of investment narratives, and apply this to our 2026-2027 estimates. Our target P/E of 5.2x is at the lower end of the 5-7x average P/E range for small- and mid-sized automotive parts suppliers (FnGuide).
- **Two investment narratives undermined:** 1) HMC/Kia's EV sales fell short of expectations due to competition from China; and 2) Hwashin invested in a US manufacturing facility to support Hyundai Motor Group Meta Plant America (HMGMA), but slowing EV demand has prevented it from easing the pressure from rising depreciation. Hwashin's core business revolves around stamping panels from diverse materials using large presses—a process that carries heavy depreciation costs. Profitability hinges almost entirely on utilization rates.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	498.4	1.5	-1.4	-5.2	n/a
Operating profit	5.8	-78.1	-65.8	-72.4	n/a
Pre-tax profit	14.7	nm	-60.8	-21.1	n/a
Net profit	7.0	nm	-75.3	-49.9	n/a
Margins (%)					
Operating profit	1.2				
Pre-tax profit	2.9				
Net profit	1.4				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	4.3	4.3	4.1
P/B	0.5	0.4	0.4
EV/EBITDA	4.6	5.9	4.4
Div yield (%)	2.0	2.1	2.2
EPS growth (% y-y)	24.5	0.1	4.1
ROE (%)	12.3	11.1	10.5
Per-share data (KRW)			
EPS	1,910	1,912	1,989
BVPS	16,443	18,164	19,993
DPS	170	170	180

Samsung Securities

2Q earnings shock: Even though 2Q is typically the peak season for auto demand, Hwashin's sales came in lower than in 1Q.

- **US sales slow:** Sales in the US market slowed to KRW161b (up 3.2% q-q but down 5.6% y-y), due to a drop in production volume at the HMGMA.
- **Korea sales slow:** Sales in Korea fell 3.5%y-y to KRW171b. Battery pack sales also declined 11.6% y-y to KRW14.4b, due to weaker EV sales at HMC.
- **New plant's depreciation cost strains margins: In** 2Q, HMC/Kia's US production totaled 188,000 units (flat q-q but down 7% y-y). HMGMA's output declined to 11,224 units (up 175% q-q but down 49% y-y), reflecting softer demand for EVs. In July, HMGMA began assembling the Kia Sportage Hybrid. Its utilization should rise further in 2027, when HMC's hybrid models are added to the production lineup.

Hwashin: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,452	1,467	1,502	1,500	1,450	1,365	1,423	1,480	1,425
Sales	473	491	486	512	506	498	500	505	1,712	1,962	2,009	2,201
Chg (% y-y)	13.9	14.4	16.1	14.1	6.8	1.5	2.9	-1.4	-5.0	14.6	2.4	9.6
Gross profit	55	52	42	68	47	40	51	46	168	216	184	237
Operating profit	30	26	12	34	17	6	19	16	65	102	58	96
Chg (% y-y)	44.6	8.7	83.4	150.1	-44.3	-78.1	64.3	-52.8	-22.0	56.9	-43.6	66.3
Pre-tax profit	35	-1	22	27	38	15	22	19	76	82	94	98
Net profit	29	0	18	19	28	7	17	15	54	67	67	69
Chg (% y-y)	-0.8	-98.3	Turned pos	5.2	-2.8	2,713	-6.3	-24.7	-30.7	24.5	0.1	4.1
Margins (%)												
Gross profit	11.5	10.7	8.6	13.2	9.3	8.0	10.2	9.2	9.8	11.0	9.2	10.8
Operating profit	6.4	5.4	2.4	6.6	3.4	1.2	3.8	3.2	3.8	5.2	2.9	4.4
Net profit	6.1	0.1	3.7	3.8	5.6	1.4	3.4	2.9	3.1	3.4	3.3	3.2
Sales, by region												
Korea	164	177	172	185	203	171	171	167	600	698	712	747
US	172	176	173	183	161	166	174	188	571	704	690	773
India	84	80	80	83	81	87	87	87	321	326	343	377
Brazil	35	36	42	41	41	56	52	43	148	154	192	211
China	18	21	19	20	18	17	15	19	70	77	70	73
Other	1	1	1	1	1	1	1	1	3	3	3	20
Sales contribution, by region (%)												
Korea	34.6	36.0	35.3	36.1	40.1	34.2	34.2	33.1	35.0	35.5	35.4	33.9
US	36.3	35.9	35.7	35.6	31.9	33.4	34.9	37.2	33.3	35.9	34.3	35.1
India	17.7	16.3	16.4	16.1	16.1	17.5	17.4	17.2	18.7	16.6	17.1	17.1
Brazil	7.4	7.3	8.6	8.0	8.2	11.3	10.3	8.5	8.6	7.8	9.6	9.6
China	3.7	4.2	3.8	4.0	3.6	3.5	3.0	3.8	4.1	3.9	3.5	3.3

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**1,712**	**1,962**	**2,009**	**2,201**	**2,413**
Cost of goods sold	1,545	1,746	1,825	1,964	2,153
Gross profit	**168**	**216**	**184**	**237**	**260**
Gross margin (%)	9.8	11.0	9.2	10.8	10.8
SG&A expenses	102	114	127	141	157
Operating profit	**65**	**102**	**58**	**96**	**103**
Operating margin (%)	3.8	5.2	2.9	4.4	4.3
Non-operating gains (losses)	**11**	**-20**	**36**	**2**	**6**
Financial profit	70	37	11	11	11
Financial costs	63	50	29	27	27
Equity-method gains (losses)	-1	-5	-2	-2	0
Other	5	-3	55	21	22
Pre-tax profit	**76**	**82**	**94**	**98**	**109**
Taxes	22	15	27	28	31
Effective tax rate (%)	29.4	18.8	29.0	29.0	29.0
Profit from continuing operations	54	67	67	69	77
Profit from discontinued operations	0	0	0	0	0
Net profit	**54**	**67**	**67**	**69**	**77**
Net margin (%)	3.1	3.4	3.3	3.2	3.2
Net profit (controlling interests)	54	67	67	69	77
Net profit (non-controlling interests)	-0	-0	0	0	0
EBITDA	129	171	131	172	181
EBITDA margin (%)	7.5	8.7	6.5	7.8	7.5
EPS (parent-based) (KRW)	1,534	1,910	1,912	1,989	2,206
EPS (consolidated) (KRW)	1,534	1,910	1,912	1,989	2,206
Adjusted EPS (KRW)*	1,534	1,910	1,912	1,989	2,206

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**600**	**755**	**724**	**787**	**861**
Cash & equivalents	166	238	194	206	224
Accounts receivable	203	215	220	241	264
Inventories	210	280	286	314	344
Other current assets	21	23	24	26	28
Fixed assets	**722**	**804**	**851**	**878**	**902**
Investment assets	32	30	30	33	36
Tangible assets	619	703	750	774	796
Intangible assets	3	5	5	5	4
Other long-term assets	68	66	66	66	66
Total assets	**1,322**	**1,559**	**1,575**	**1,664**	**1,763**
Current liabilities	**669**	**653**	**609**	**632**	**659**
Accounts payable	130	126	129	142	155
Short-term debt	290	359	359	359	359
Other current liabilities	248	167	120	131	144
Long-term liabilities	**135**	**335**	**336**	**337**	**339**
Bonds & long-term debt	111	308	308	308	308
Other long-term liabilities	24	27	28	29	31
Total liabilities	**804**	**988**	**944**	**970**	**998**
Owners of parent equity	**517**	**571**	**631**	**695**	**766**
Capital stock	17	17	17	17	17
Capital surplus	26	26	26	26	26
Retained earnings	455	519	579	643	714
Other	19	10	9	9	9
Non-controlling interests' equity	**-0**	**-0**	**-0**	**-0**	**-0**
Total equity	**517**	**571**	**631**	**695**	**765**
Net debt	356	489	483	471	453

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**137**	**42**	**136**	**122**	**128**
Net profit	54	67	67	69	77
Non-cash profit and expenses	97	109	120	123	126
Depreciation	64	68	73	76	78
Amortization	0	0	0	0	0
Other	33	41	46	47	48
Changes in A/L from operating activities	21	-92	-6	-25	-28
Cash flow from investments	**-224**	**-173**	**-121**	**-102**	**-102**
Change in tangible assets	-222	-170	-120	-100	-100
Change in financial assets	-3	-3	-1	-2	-2
Other	-0	0	0	0	-0
Cash flow from financing	**-7**	**204**	**-56**	**-6**	**-6**
Change in debt	23	205	-50	0	0
Change in equity	0	-0	0	0	0
Dividends	-5	-5	-6	-6	-6
Other	-25	4	0	0	0
Change in cash	-80	71	-43	12	18
Cash at beginning of year	247	166	238	194	206
Cash at end of year	166	238	194	206	224
Gross cash flow	**150**	**176**	**186**	**193**	**203**
Free cash flow	**-96**	**-146**	**16**	**22**	**28**

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	-5.0	14.6	2.4	9.6	9.6
Operating profit	-22.0	56.9	-43.6	66.3	6.9
Net profit	-30.7	24.5	0.1	4.1	10.9
Adjusted EPS**	-30.7	24.5	0.1	4.1	10.9
Per-share data (KRW)					
EPS (parent-based)	1,534	1,910	1,912	1,989	2,206
EPS (consolidated)	1,534	1,910	1,912	1,989	2,206
Adjusted EPS**	1,534	1,910	1,912	1,989	2,206
BVPS	14,891	16,443	18,164	19,993	22,030
DPS (common)	150	170	170	180	200
Valuations (x)					
P/E***	4.5	4.3	4.3	4.1	3.7
P/B***	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	4.6	4.6	5.9	4.4	4.1
Ratios (%)					
ROE	11.1	12.3	11.1	10.5	10.6
ROA	4.3	4.6	4.3	4.3	4.5
ROIC	6.2	9.0	3.9	6.2	6.3
Payout ratio	9.7	8.9	8.8	9.0	9.0
Dividend yield (common)	2.2	2.0	2.1	2.2	2.5
Net debt to equity	68.8	85.7	76.5	67.8	59.2
Interest coverage (x)	2.5	4.0	2.0	3.5	3.7

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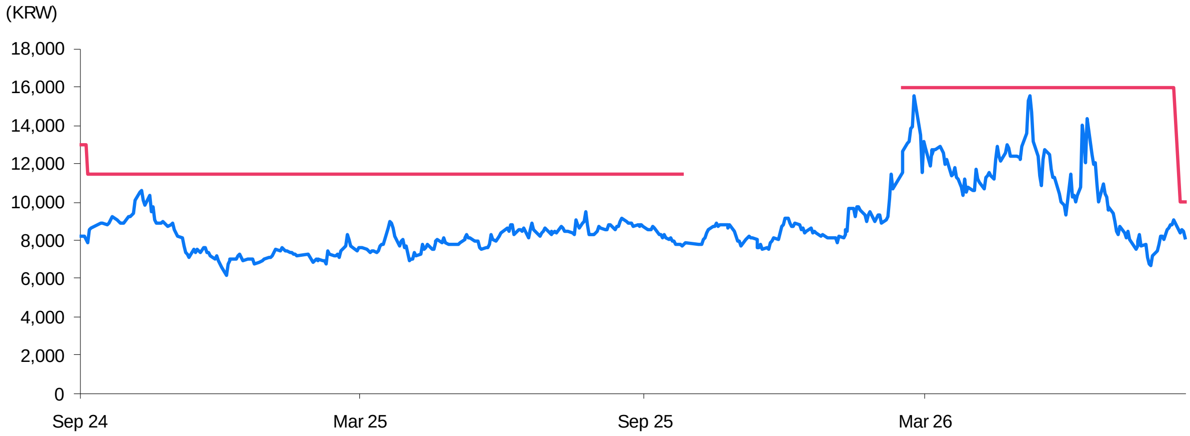
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/8/19	9/11	2026/2/19	8/18
Recommendation	BUY	BUY	BUY	HOLD
Target price (KRW)	13000	11500	16000	10000
Gap* (average)	-31.78	-29.77	-31.18	
(max or min)**	-26.08	-7.74	-2.81	

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

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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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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