COMPANY UPDATE

2026. 8. 24

EV/Mobility Team

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AT A GLANCE

Not rated

Target price	n/a
Current price	**KRW44,200**
Market Cap	KRW2.6t/USD1.9b
Shares (float)	58,510,865 (36.3%)
52-week high/low	KRW62,800/KRW22,100
Avg daily trading value (60-day)	KRW10.4b/ USD7.5m

ONE-YEAR PERFORMANCE

	1M	6M	12M
DN Automotive (%)	21.1	40.8	77.9
Vs Kospi (%pts)	18.2	18.3	-19.2

SAMSUNG vs THE STREET

No of estimates	2
Target price	69,500
Recommendation	4.0

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

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DN Automotive (007340)

Machine tools business drives 2Q surprise

- DN Automotive enjoyed an earnings surprise in 2Q, with sales of KRW1.249t (+37.3% y-y), operating profit of KRW205.4b (+69% y-y), and operating margin of 16.4% (up 3%pts y-y).
- The earnings surprise was driven by the machine tools business, whose sales and operating profit leapt 62.3% and 75% y-y, respectively, and operating margin surged to 20% on increasing orders of high-margin products in the aerospace and defense sectors.
- New orders and backlog hit record highs in 2Q, suggesting continued earnings momentum in 2H26.

WHAT'S THE STORY?

2Q review: DN Automotive enjoyed an earnings surprise in 2Q.

- DN Automotive delivered remarkable results in 2Q, with sales of KRW1.249t (+37.3% y-y) and operating profit of KRW205.4b (+69% y-y), surpassing FnGuide consensus by 12.6% and 28.1%, respectively. Operating margin hit 16.4%, up 3%pts from 13.4% in 2Q25 and 2.2%pts from 14.2% in 1Q26. Pre-tax profit reached KRW213b (+204.5% y-y), and net profit came in at KRW158b (+195.3% y-y).

Earnings surprise led by machine tools business: The machine tools business posted revenue of KRW875b (+62.3% y-y and +34.6% q-q) and operating profit of KRW175b (+75% y-y and +59.1% q-q).

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2022	2023	2024	2025
Revenue	3,156	3,269	3,435	3,676
Operating profit	422	490	523	528
Net profit	185	283	318	325
EPS (adj) (KRW)	3,620	5,499	5,383	4,809
EPS (adj) growth (%)	123.8	51.9	(2.1)	(10.7)
EBITDA margin (%)	15.6	17.3	17.5	16.6
ROE (%)	22.8	27.3	19.8	15.0
P/E (adj) (x)	3.5	2.7	3.4	5.1
P/B (x)	0.6	0.6	0.5	0.6
EV/EBITDA (x)	6.0	4.9	5.0	5.5
Dividend yield (%)	3.9	4.1	5.5	4.1

Source: Company data, Samsung Securities estimates

- **Profitability improvement outpaces revenue growth:** Operating margin for the division surged to 20% in 2Q26, up from 18.6% in 2Q25 and 16.9% in 1Q26—reflecting significant improvement in profitability beyond topline growth. German machine tool manufacturer Heller's results are consolidated within the machine tools segment, and the parent-based results should be disclosed next week.
- **Product mix shift toward aerospace and defense:** While automotive parts manufacturers and industrial energy firms remain core customers for the machine tools business, demand from aerospace and defense has grown rapidly, now accounting for 15% and 10% of such sales, respectively. This diversification into higher-value industries is driving both sales expansion and margin improvement in tandem.
- **Automotive parts—a stable cash cow:** Automotive parts sales totaled KRW374.5b (+1.1% y-y), holding steady y-y. Sales of vibration-control components came in at KRW237.8b (+3.4% y-y), batteries at KRW74.3b (-26.4% y-y), and tire tubes at KRW62.4b (+60% y-y).

  The combined operating profit from automotive parts stood at around KRW30.5b (+36.4% y-y), with an operating margin of around 8%. While the machine tools business drives topline growth, the automotive parts business continues to serve as a reliable source of steady cash flow.

New orders secure future earnings visibility: Machine tool subsidiary DN Solutions' new orders have grown steadily: KRW2t in 2023 to KRW2.1t in 2024 and KRW2.3t in 2025. In 1Q26, new orders hit KRW653.1b (+13.5% y-y), rising to KRW778.2b when including Heller (+35.2% y-y).

- **2Q26 new orders and order backlog also reach record levels:** Details should be disclosed in next week's investor materials. Given the typical 6-12 month lead time between order placement and sales recognition in the machine tools business, this robust order pipeline provides clear visibility into 2H26 and 2027 earnings growth.

Investment points: Machine tool growth is now materializing in earnings

- The trajectory that starts from rising new orders for machine tools to sales growth and to margin expansion has become clearly evident in 2Q26 results. Importantly, growth is not merely volume-driven—it is underpinned by a strategic shift toward higher-margin downstream markets, with aerospace and defense now contributing meaningfully to the product mix. This has pushed operating margin in the machine tools segment to 20%.
- **Going forward, three key metrics should define earnings momentum:** 1) 2Q26 new orders and backlog levels; 2) increasing share of aerospace and defense orders; and 3) profitability trends across the machine tools segment, including Heller.
- **Undervalued:** DN Automotive is trading at around 40% discount to Japanese machine tool peers (trading at 20x P/E or higher) and lead-acid battery manufacturers.

2026 guidance: Although management has not issued formal guidance, it remains confident in earnings growth, led by the machine tools business. Supported by strong order momentum for machine tools, and by Heller's contribution, revenue is expected to grow by over 20% y-y, while operating margin should remain broadly stable.

- **Auto parts:** Revenue growth is expected to stall amid declining new orders, but operating margin should hold steady at around 8%.
- **Machine tools:** Strong orders and the Heller acquisition should drive robust revenue growth. However, operating margin is expected to remain at 18-19%, weighed down by ongoing losses at the German subsidiary.
- **FnGuide consensus:** Consensus forecasts 2026 sales of KRW4.4t (up 20.8% y-y) and operating profit of KRW623b (up 18% y-y), implying an operating margin of 14%. The stock is trading at 6.8x consensus P/E, still in line with typical automotive parts supplier valuations.

DN Automotive: Quarterly results

(KRWb)	2Q26	1Q26	2Q25	Chg (% q-q)	Chg (% y-y)	Consensus	
						2Q26	Diff (%)
Sales	1,249	1,018	910	22.8	37.3	1,109	12.6
Operating income	205	145	122	42.1	69.0	160	28.1
Pre-tax income	213	142	70	49.7	204.5	136	56.7
Net income	158	99	53	59.2	195.3	104	51.8
Margins (%)							
Operating income	16.4	14.2	13.4			14.5	
Pre-tax income	17.0	14.0	7.7			12.2	
Net income	12.6	9.7	5.9			9.4	

Source: Company data, FnGuide

DN Automotive: Results

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2022	2023	2024	2025
Revenue	**879**	**910**	**919**	**969**	**1,018**	**1,249**	**3,156**	**3,269**	**3,435**	**3,676**
Growth (% y-y)	12.5	2.8	8.2	5.3	15.8	37.3	239.0	3.6	5.1	7.0
Vibration management systems (VMS)	228	230	237	236	245	238	856	891	891	933
Battery total solutions (BTS)	100	101	95	89	86	74	303	276	373	387
Tire tubes	38	39	34	38	34	62	0	0	50	149
Machine tools	512	539	552	603	650	875	1,997	2,102	2,112	2,207
Gross profit	**240**	**233**	**224**	**270**	**300**	**380**	**733**	**603**	**580**	**608**
Operating profit	**138**	**122**	**119**	**150**	**145**	**205**	**422**	**490**	**523**	**528**
Growth (% y-y)	11.3	-18.1	-8.5	24.0	5.1	68.4	368.4	16.2	6.7	1.0
VMS + BTS	35	17	11	36	31	27	84	54	108	100
Tire tubes	4	5	4	4	4	3				
Machine tools	98	100	105	110	110	175	338	436	410	412
Pre-tax profit	**117**	**70**	**117**	**139**	**142**	**213**	**254**	**390**	**422**	**443**
Net profit	**87**	**53**	**78**	**106**	**99**	**158**	**185**	**283**	**318**	**325**
Net profit (controlling)	**76**	**45**	**67**	**94**	**87**	**141**	**181**	**275**	**285**	**282**
Margins										
Gross margin	27.3	25.6	24.4	27.9	29.5	30.4	432.7	18.4	16.9	16.5
Operating margin	15.7	13.4	12.9	15.5	14.2	16.4	13.4	15.0	15.2	14.4
VMS + BTS	10.7	5.1	3.3	11.1	9.4	8.7	7.2	4.6	8.5	7.6
Tire tubes	10.5	12.8	11.8	10.5	11.8	5.3	0.0	0.0	0.0	0.0
Machine tools	19.1	18.6	19.0	18.2	16.9	20.0	16.9	20.7	19.4	18.7
Net margin	9.9	5.8	8.5	10.9	9.7	12.6	5.9	8.7	9.3	8.8
Net margin (controlling)	8.6	4.9	7.3	9.7	8.5	11.3	5.7	8.4	8.3	7.7

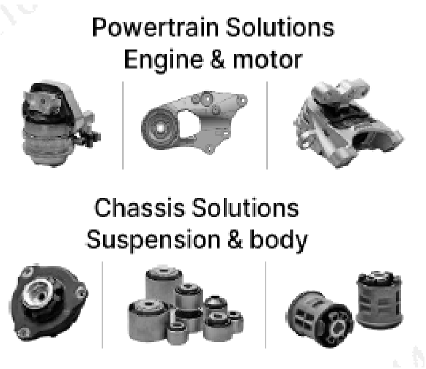
Source Company data, Samsung Securities

DN Automotive: Peer valuations

Company	Currency	Price	Performance (%)			Market cap		P/E (x)			P/B (x)			ROE (%)		
		(Local)	1M	3M	12M	(Local b)	(USDb)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Anti-vibration components																
Sumitomo Electric	JPY	2,377	-3.3	-21.5	141.7	7,548.8	47.4	23.7	21.6	17.8	2.9	2.6	2.4	13.2	12.3	14.0
Anhui Zhongding	CNY	22	11.5	24.2	14.8	28.6	4.2	16.4	14.5	12.6	1.8	1.6	1.4	10.8	11.1	11.6
Average								20.1	18.0	15.2	2.4	2.1	1.9	12.0	11.7	12.8
Automotive batteries																
GS Yuasa	JPY	5,569	-6.7	-11.4	85.3	559.4	3.5	16.7	13.5	12.3	1.5	1.3	1.2	9.0	10.0	10.0
Sebang global battery	KRW	57,300	7.3	-7.6	-10.9	794.2	0.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Exide Industries	INR	480	14.5	37.3	28.2	408.1	4.3	37.5	28.0	22.2	2.7	n/a	n/a	7.0	n/a	n/a
Amara Raja	INR	952	6.3	13.9	-0.1	174.1	1.8	n/a	19.9	17.1	2.2	2.0	1.8	9.9	10.0	11.2
Average								27.1	20.5	17.2	2.1	1.6	1.5	8.6	10.0	10.6
Machine tools																
DMG Mori	JPY	3,276	-7.4	-9.8	-5.8	466.3	2.9	29.2	19.8	15.4	1.5	1.4	1.4	5.5	8.1	9.7
Okuma	JPY	5,450	9.9	11.2	46.9	367.9	2.3	28.5	20.5	18.1	1.4	1.3	1.2	5.0	6.3	7.1
Makino	JPY	15,250	3.1	9.2	32.7	379.6	2.4	17.9	13.1	11.8	1.5	1.3	1.2	8.4	9.9	10.5
Amada	JPY	2,750	-4.1	-7.2	54.4	872.8	5.5	26.2	21.7	18.0	1.7	1.6	1.6	6.4	7.3	8.9
Average								25.4	18.8	15.8	1.5	1.4	1.4	6.3	7.9	9.0
DN Automotive	**KRW**	**50,300**	**35**	**4.7**	**102.4**	**2,943.1**	**2.1**	**8.4**	**7.9**	**7.3**	**1.2**	**1.1**	**0.9**	**16.1**	**14.7**	**14.0**

Source: Bloomberg, Samsung Securities

Anti-vibration products



Source: Company data

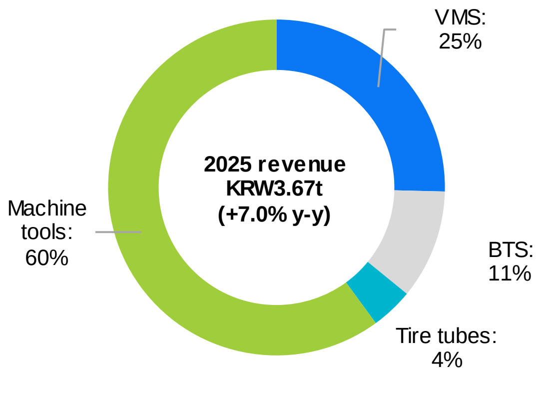
Lead-acid batteries for vehicles

Source: Company data

Tube products

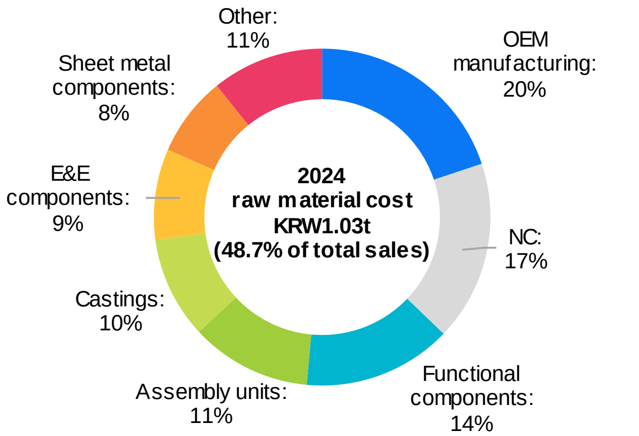
Source: Company data

DN Automotive: Sales, by division



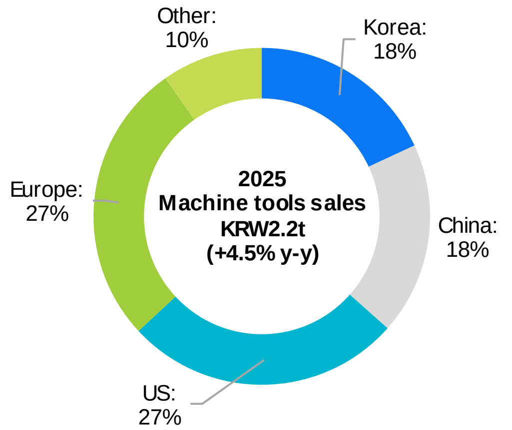
Source: Company data, Samsung Securities

DN Solutions: Cost breakdown (2024)



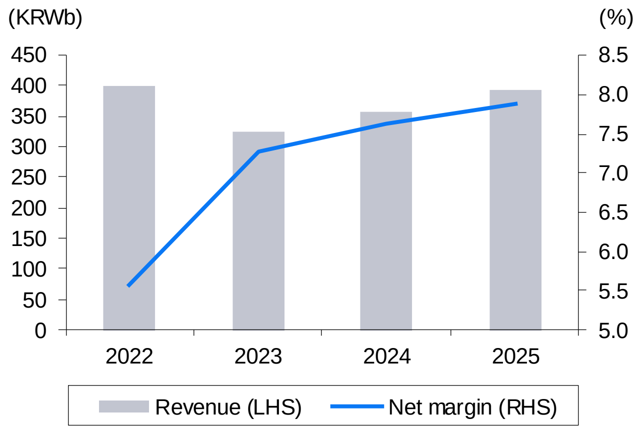
Source: Company data, Samsung Securities

DN Solutions: Sales, by region



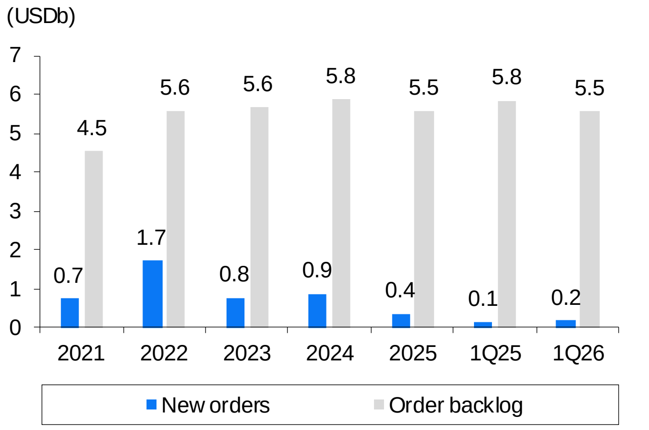
Source: Company data, Samsung Securities

DN Solutions China: Sales and net margin



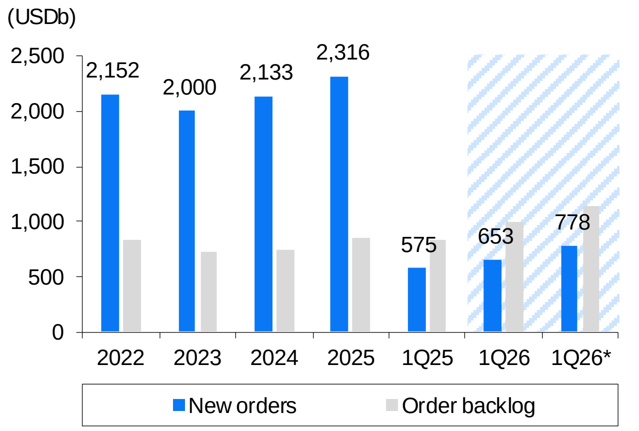
Source: Company data, Samsung Securities

Anti-vibration products: New orders and order backlog



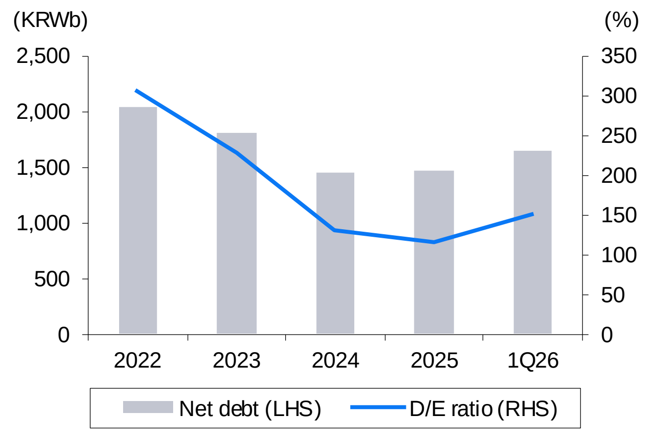
Source: Company data, Samsung Securities

Machine tools: New orders and order backlog



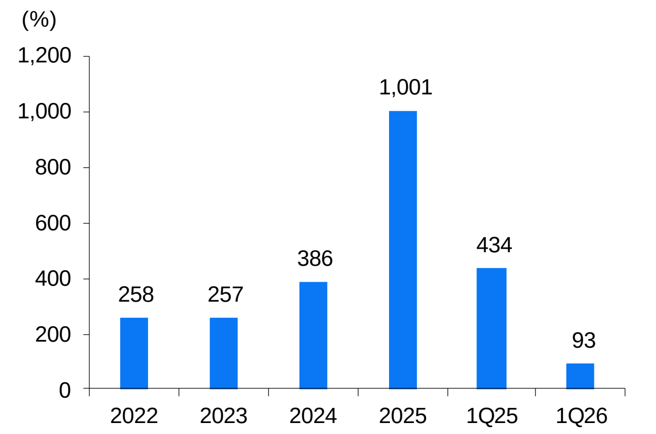
Source: Company data, Samsung Securities

DN Automotive: Consolidated financial structure



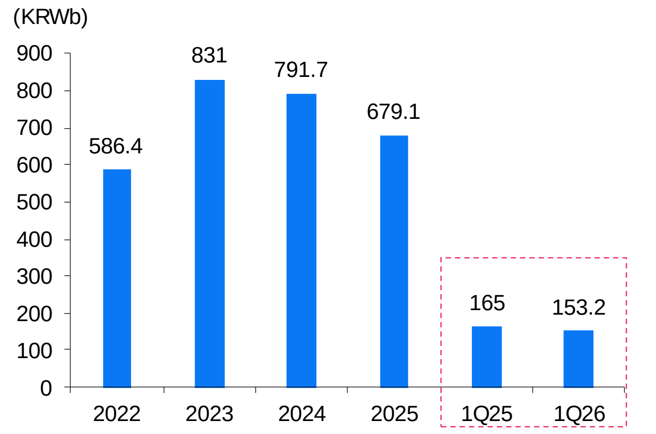
Source: Company data, Samsung Securities

Heller: Debt-to-equity ratio



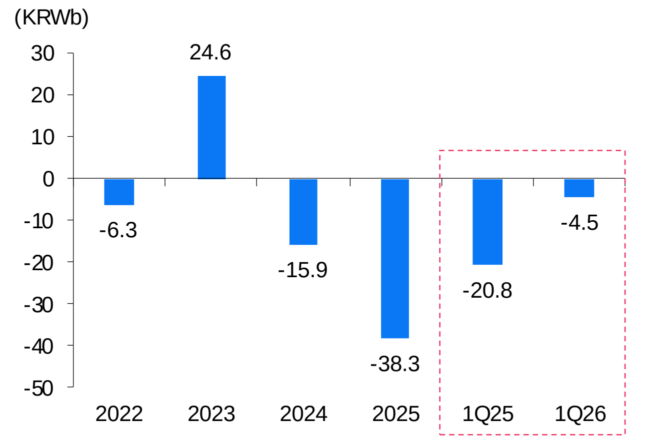
Source: Company data, Samsung Securities

Heller: Revenue



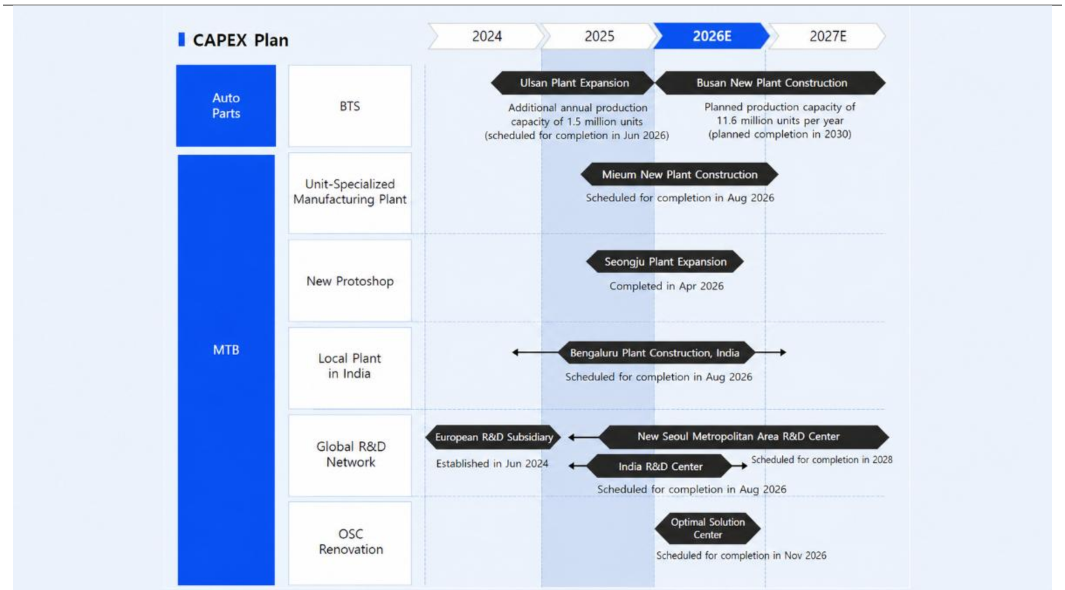
Source: Company data, Samsung Securities

Heller: EBIT



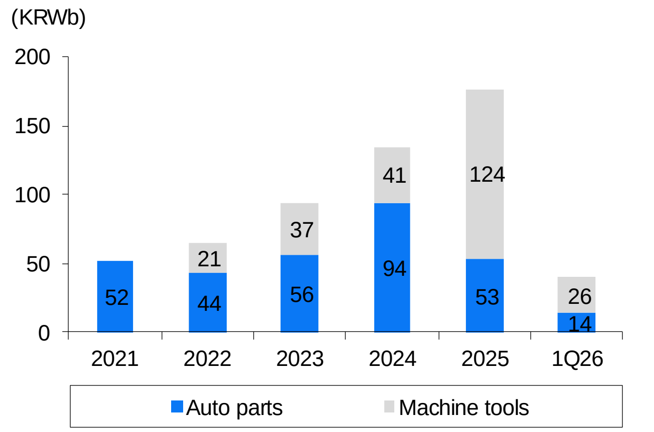
Source: Company data, Samsung Securities

DN Automotive: Capex plan



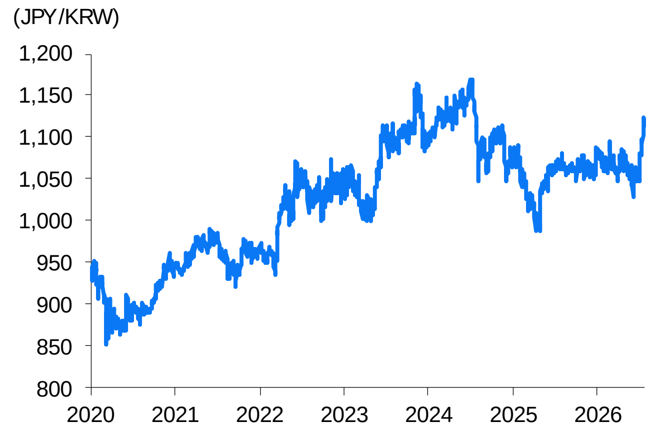
Source: Company data

DN Automotive: Capex



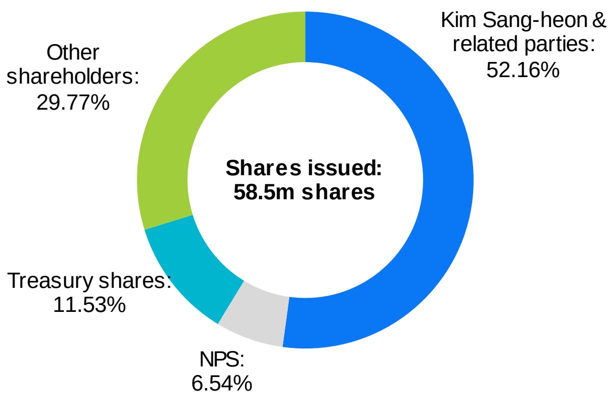
Source: Company data, Samsung Securities

JPY/KRW exchange rate



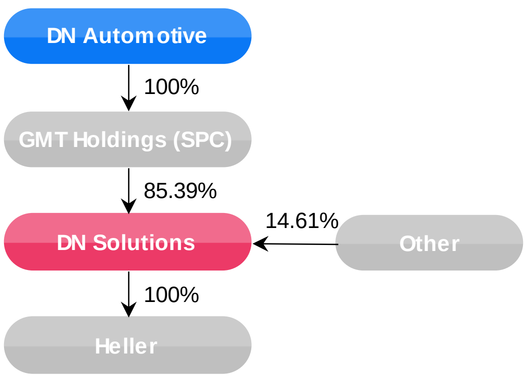
Source: Company data, Samsung Securities

DN Automotive: Governance structure



Source: Company data, Samsung Securities

DN Solutions: Governance structure



Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025
Sales	**931**	**3,156**	**3,269**	**3,435**	**3,676**
Cost of goods sold	781	2,424	2,444	2,538	2,709
Gross profit	**150**	**733**	**826**	**897**	**966**
Gross margin (%)	16.1	23.2	25.3	26.1	26.3
SG&A expenses	60	311	335	374	439
Operating profit	**90**	**422**	**490**	**523**	**528**
Operating margin (%)	9.6	13.4	15.0	15.2	14.4
Non-operating gains (losses)	**24**	**(168)**	**(100)**	**(101)**	**(85)**
Financial profit	5	8	14	16	10
Financial costs	5	114	142	120	96
Equity-method gains (losses)	0	0	0	0	0
Other	24	(62)	29	2	1
Pre-tax profit	**114**	**254**	**390**	**422**	**443**
Taxes	24	69	107	104	118
Effective tax rate (%)	21.2	27.1	27.3	24.6	26.7
Profit from continuing operations	70	185	283	318	325
Profit from discontinued operations	15	0	0	0	0
Net profit	**85**	**185**	**283**	**318**	**325**
Net margin (%)	9.1	5.9	8.7	9.3	8.8
Net profit (controlling interests)	81	181	275	285	282
Net profit (non-controlling interests)	4	4	9	33	43
EBITDA	127	492	567	602	611
EBITDA margin (%)	13.7	15.6	17.3	17.5	16.6
EPS (parent-based) (KRW)	1,618	3,620	5,499	5,383	4,809
EPS (consolidated) (KRW)	1,703	3,700	5,672	6,012	5,550
Adjusted EPS (KRW)*	1,618	3,620	5,499	5,383	4,809

Balance sheet

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025
Current assets	**1,077**	**1,776**	**1,740**	**1,965**	**2,085**
Cash & equivalents	572	509	442	364	388
Accounts receivable	161	385	414	585	610
Inventories	184	660	627	732	807
Other current assets	160	221	257	284	281
Fixed assets	**408**	**2,816**	**2,827**	**3,041**	**3,191**
Investment assets	92	81	71	75	76
Tangible assets	291	712	749	906	1,017
Intangible assets	21	1,984	1,969	1,959	1,950
Other long-term assets	5	40	38	102	148
Total assets	**1,485**	**4,592**	**4,567**	**5,006**	**5,276**
Current liabilities	**558**	**1,358**	**1,405**	**1,334**	**2,543**
Accounts payable	101	340	318	313	251
Short-term debt	393	521	543	561	642
Other current liabilities	64	497	544	460	1,650
Long-term liabilities	**213**	**2,102**	**1,768**	**1,501**	**283**
Bonds & long-term debt	203	2,007	1,680	1,379	156
Other long-term liabilities	10	95	88	122	128
Total liabilities	**771**	**3,460**	**3,173**	**2,835**	**2,826**
Owners of parent equity	**711**	**875**	**1,139**	**1,742**	**2,007**
Capital stock	5	5	5	6	6
Capital surplus	4	4	4	178	178
Retained earnings	979	1,150	1,397	1,835	2,080
Other	(277)	(284)	(267)	(278)	(257)
Non-controlling interests' equity	**3**	**257**	**255**	**429**	**442**
Total equity	**714**	**1,132**	**1,394**	**2,171**	**2,450**
Net debt	34	2,055	1,795	1,492	1,503

Cash flow statement

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025
Cash flow from operations	**41**	**153**	**356**	**197**	**259**
Net profit	85	185	283	318	325
Non-cash profit and expenses	59	341	320	342	345
Depreciation	34	50	54	58	61
Amortization	4	21	22	21	21
Other	22	271	243	263	262
Changes in A/L from operating activities	(82)	(212)	(59)	(218)	(157)
Cash flow from investments	**(68)**	**(1,746)**	**(90)**	**(49)**	**(182)**
Change in tangible assets	(30)	(53)	(88)	(125)	(167)
Change in financial assets	1	(151)	(42)	14	(11)
Other	(38)	(1,541)	40	62	(4)
Cash flow from financing	**445**	**1,540**	**(335)**	**(265)**	**(58)**
Change in debt	466	2,103	(286)	(394)	46
Change in equity	1	0	(0)	176	0
Dividends	(22)	(13)	(30)	(51)	(75)
Other	0	(550)	(18)	5	(29)
Change in cash	404	(62)	(67)	(78)	24
Cash at beginning of year	168	572	509	442	364
Cash at end of year	572	509	442	364	388
Gross cash flow	**144**	**526**	**603**	**660**	**670**
Free cash flow	**6**	**97**	**266**	**70**	**92**

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	2021	2022	2023	2024	2025
Growth (%)					
Sales	15.9	239.1	3.6	5.1	7.0
Operating profit	28.8	370.2	16.3	6.6	1.0
Net profit	75.7	117.3	53.3	12.3	2.1
Adjusted EPS**	76.0	123.8	51.9	(2.1)	(10.7)
Per-share data (KRW)					
EPS (parent-based)	1,618	3,620	5,499	5,383	4,809
EPS (consolidated)	1,703	3,700	5,672	6,012	5,550
Adjusted EPS**	1,618	3,620	5,499	5,383	4,809
BVPS	16,501	20,301	26,439	33,645	38,780
DPS (common)	400	500	600	1,000	1,000
Valuations (x)					
P/E***	8.9	3.5	2.7	3.4	5.1
P/B***	0.9	0.6	0.6	0.5	0.6
EV/EBITDA	5.9	6.0	4.9	5.0	5.5
Ratios (%)					
ROE	12.1	22.8	27.3	19.8	15.0
ROA	7.0	6.1	6.2	6.6	6.3
ROIC	11.7	16.0	11.2	11.5	10.2
Payout ratio	21.3	11.9	9.4	18.3	18.4
Dividend yield (common)	2.8	3.9	4.1	5.5	4.1
Net debt to equity	4.8	181.6	128.7	68.7	61.3
Interest coverage (x)	18.3	3.7	3.4	4.4	5.5

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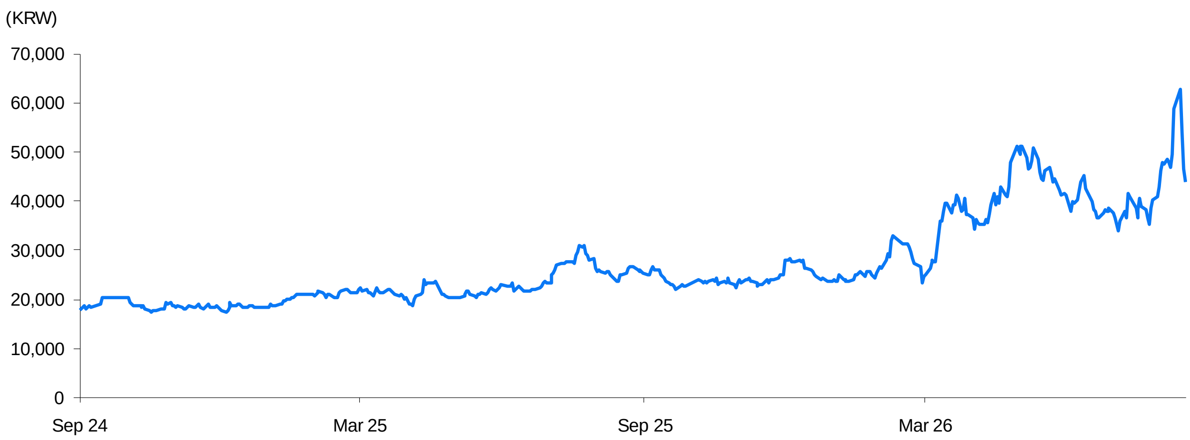
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/8/24
Recommendation	Not Rated
Target price (KRW)	n/a
Gap* (average)	
(max or min)**	

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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