COMPANY UPDATE

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EV/Mobility Team

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SFA Engineering (056190)

2H orders rising; share cancellations ahead

- SFA Engineering reported 2Q results that topped market expectations.
- The company raised its parent-based full-year new order target from KRW1.1t to KRW1.2t. It is likely to cancel a large portion of its treasury shares within this year.
- We trim our target price to KRw35,000 and maintain BUY rating.

WHAT'S THE STORY?

2Q results beat consensus: SFA Engineering logged 2Q consolidated sales of KRW400b and an operating profit of KRW29b, the latter topping FnGuide consensus of KRW23.2b. The parent-based operating margin rose to 15.3% in 2Q (vs 10.8% in 1Q), driven by fat-margin semiconductor equipment and AI-enhanced robotic material handling. Consolidated subsidiary SFA Semicon saw revenue grow q-q but failed to narrow its loss due to one-off costs from production line upgrades. In contrast, SFA Nexel enjoyed a sharp q-q improvement in operating margin (from 4% in 1Q to 19.6% in 2Q), primarily on revenue recognition from completed individual equipment projects.

Revised full-year new order guidance and 2H earnings outlook: SFA Engineering has raised its parent-based full-year new order target from KRW1.1t to KRW1.2t, reflecting the expectations about MLCC logistics-related orders in 2H26, in addition to robotic material handling and fuel cells. We revise up our 2026 consolidated sales and operating profit estimates to KRW1.66t and KRW120.4b (the latter up 9% from our previous forecast) to factor in: 1) profitability improvement across a broader range of products at the parent; and 2) the possibility that SFA Semicon—previously burdened by costs from production line upgrades—could become profitable in 4Q on stabilization of production.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	400.0	-10.1	10.8	-0.0	n/a
Operating profit	29.0	37.3	87.7	0.0	n/a
Pre-tax profit	32.4	529.5	46.2	0.2	n/a
Net profit	23.3	806.7	14.0	-0.2	n/a
Margins (%)					
Operating profit	7.3				
Pre-tax profit	8.1				
Net profit	5.8				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	15.2	10.7	6.7
P/B	0.7	0.7	0.6
EV/EBITDA	7.9	6.8	5.0
Div yield (%)	4.1	4.0	4.0
EPS growth (% y-y)	nm	43.5	59.9
ROE (%)	6.1	8.6	12.7
Per-share data (KRW)			
EPS	1,534	2,203	3,522
BVPS	32,160	34,045	37,629
DPS	950	950	950

AT A GLANCE

BUY

Target price	KRW35,000	48.9%
Current price	**KRW23,500**	
Market cap	KRW843.86b/USD610.43m	
Shares (float)	35,908,760 (34.2%)	
52-week high/low	KRW35,650/KRW17,930	
Avg daily trading value (60-day)	KRW2.6b/ USD1.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SFA Engineering (%)	16.3	-30.4	6.3
Vs Kosdaq (%pts)	7.0	-0.3	2.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	35,000	37,000	-5.4%
2026E EPS	2,203	2,203	0.0%
2027E EPS	3,522	3,522	0.0%

SAMSUNG vs THE STREET

No of estimates	2
Target price	37,500
Recommendation	4.0

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

Samsung Securities

Trimming target price to KRW35,000 and maintaining BUY: We cut our target price by 5% to KRW35,000, as a higher discount rate (60% vs previously 50%) is applied to the peer group multiple to reflect the continued losses at SFA Semicon—despite a 13% increase in 12-month EBITDA forecast (from KRW200.6b to KRW227.5b). Yet, we maintain BUY rating for three reasons: 1) the parent's 2H new orders should expand 1.4x h-h; 2) the combined value of its equity holdings in two listed subsidiaries (KRW765.5b) and net cash holdings (KRW105.6b by end-2026) exceeds its current market cap of KRW840.2b; and 3) the company may cancel up to 19% of its treasury shares (excluding 3% reserved for employee compensation) within this year in accordance with the revised commercial act.

2Q review

(KRWb)	2Q26	2Q25	1Q26	Chg (%)	
				(% y-y)	(% q-q)
Sales	400.0	445.0	361.1		-10.1
Operating profit	29.0	21.1	15.4		37.3
Pre-tax profit	32.4	5.1	22.2		528.5
Net profit	23.3	2.6	20.4		808.4
Margins (%)					
Operating profit	7.2	4.7	4.3		
Pre-tax profit	8.1	1.2	6.1		
Net profit	5.8	0.6	5.7		

Source: Company data

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	1,638.4	1,664.9	1.6	1,913.4	1,943.2	1.6
Operating profit	110.1	120.4	9.3	178.6	185.5	3.8
Pre-tax profit	109.6	119.8	9.4	179.8	186.7	3.8
Net profit	85.5	89.9	5.2	140.3	143.7	2.5

Source: Samsung Securities estimates

Target-price calculation

(KRWb)		Note
EBITDA	227.5	12-month forward
EV/EBITDA multiple	5.73	60% discount to 2026E average of peer group (60% discount reflects week battery demand and subsidiary drag)
Adjusted operating value (A)	1,158.6	
Non-operating value (B)	105.6	
Net cash	105.6	As of end-2026
Total value to shareholders (A+B)	1,264.2	
Fair value per share (KRW)	35,205	Based on 35,909,000 outstanding shares
Target price (KRW)	**35,000**	
Current price (KRW)	23,400	As of Aug 12, 2026
Upside (%)	49.6	

Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
New orders	184.3	140.9	100.7	310.7	217.9	224.7	300.0	500.0	270.0	300.0	300.0	250.0	736.5	1,242.6	1,120.0
Parent sales	199.0	222.7	196.4	172.1	189.5	190.1	232.6	236.5	234.1	231.2	287.3	277.5	790.2	861.7	1,030.1
Consolidated sales	**398.4**	**445.0**	**394.0**	**393.6**	**361.1**	**400.0**	**431.7**	**472.0**	**424.3**	**458.4**	**528.7**	**531.7**	**1,631.0**	**1,664.9**	**1,943.2**
Operating profit	**29.0**	**21.1**	**26.7**	**12.8**	**15.4**	**29.0**	**37.2**	**38.7**	**31.5**	**43.6**	**59.5**	**50.9**	**89.7**	**120.4**	**185.5**
Margin (%)	7.3	4.7	6.8	3.3	4.3	7.2	8.6	8.2	7.4	9.5	11.3	9.6	5.5	7.2	9.5

Note: SFA Semicon has been consolidated starting from 2016; SNU precision has been consolidated starting from 2017
Source: Company data, Samsung Securities estimates

SFA Engineering: Market cap vs equity value of listed subsidiaries and cash

Category	Listed subsidiary	Stake	Market cap (KRWb)	Equity value & appraised value (KRWb)
1) Equity value in listed subsidiaries	SFA Semicon	55.20%	1,012.3	558.8
	CIS	33.2%	622.1	206.7
2) SFA's net cash (as of end-2026)				105.6
Total value (1 + 2)				**871.1**
SFA's market cap*				**840.2**

Note: * As of Aug 12, 2026
Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,045**	**1,631**	**1,665**	**1,943**	**2,199**
Cost of goods sold	1,816	1,448	1,447	1,645	1,841
Gross profit	**229**	**183**	**218**	**298**	**359**
Gross margin (%)	11.2	11.2	13.1	15.3	16.3
SG&A expenses	278	97	98	112	125
Operating profit	**-48**	**86**	**120**	**185**	**233**
Operating margin (%)	-2.4	5.3	7.2	9.5	10.6
Non-operating gains (losses)	**-8**	**-14**	**-1**	**1**	**4**
Financial profit	23	12	8	9	11
Financial costs	22	15	9	8	8
Equity-method gains (losses)	0	0	0	0	0
Other	-9	-12	-0	0	0
Pre-tax profit	**-57**	**72**	**120**	**187**	**237**
Taxes	-25	20	30	43	59
Effective tax rate (%)	43.5	27.3	25.0	23.0	25.0
Profit from continuing operations	-44	52	90	144	178
Profit from discontinued operations	12	0	0	0	0
Net profit	**-32**	**52**	**90**	**144**	**178**
Net margin (%)	-1.6	3.2	5.4	7.4	8.1
Net profit (controlling interests)	-73	55	79	126	156
Net profit (non-controlling interests)	40	-3	11	17	21
EBITDA	47	175	201	258	300
EBITDA margin (%)	2.3	10.7	12.0	13.3	13.6
EPS (parent-based) (KRW)	-2,022	1,534	2,203	3,522	4,353
EPS (consolidated) (KRW)	-894	1,451	2,503	4,003	4,946
Adjusted EPS (KRW)*	-2,022	1,534	2,203	3,522	4,353

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,381**	**1,193**	**1,296**	**1,541**	**1,812**
Cash & equivalents	339	296	282	363	482
Accounts receivable	220	234	231	270	306
Inventories	458	251	362	422	478
Other current assets	365	412	420	486	546
Fixed assets	**1,099**	**1,069**	**1,010**	**969**	**930**
Investment assets	22	30	31	33	35
Tangible assets	668	677	653	631	606
Intangible assets	284	258	232	211	194
Other long-term assets	125	104	94	94	94
Total assets	**2,480**	**2,262**	**2,305**	**2,510**	**2,742**
Current liabilities	**816**	**559**	**537**	**614**	**684**
Accounts payable	138	99	121	141	160
Short-term debt	50	77	77	77	77
Other current liabilities	628	382	339	395	447
Long-term liabilities	**142**	**193**	**194**	**206**	**216**
Bonds & long-term debt	30	95	95	95	95
Other long-term liabilities	112	98	99	111	121
Total liabilities	**957**	**752**	**732**	**819**	**900**
Owners of parent equity	**905**	**897**	**950**	**1,050**	**1,180**
Capital stock	18	18	18	18	18
Capital surplus	40	40	40	40	40
Retained earnings	994	1,039	1,091	1,191	1,321
Other	-147	-200	-200	-200	-200
Non-controlling interests' equity	**617**	**613**	**624**	**641**	**662**
Total equity	**1,522**	**1,510**	**1,574**	**1,691**	**1,842**
Net debt	-73	-69	-106	-192	-316

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**403**	**152**	**84**	**145**	**178**
Net profit	-32	52	90	144	178
Non-cash profit and expenses	352	103	111	115	122
Depreciation	64	57	55	52	49
Amortization	31	31	26	21	17
Other	257	15	31	42	56
Changes in A/L from operating activities	100	37	-86	-72	-66
Cash flow from investments	**-90**	**-93**	**-31**	**-38**	**-32**
Change in tangible assets	-94	-87	-30	-30	-25
Change in financial assets	7	-24	-1	-8	-7
Other	-3	18	0	0	-0
Cash flow from financing	**-243**	**-101**	**-76**	**-26**	**-26**
Change in debt	-147	-28	-50	0	0
Change in equity	0	0	0	0	0
Dividends	-12	-11	-27	-27	-27
Other	-84	-63	-0	-0	0
Change in cash	76	-43	-14	81	119
Cash at beginning of year	263	339	296	282	363
Cash at end of year	339	296	282	363	482
Gross cash flow	**320**	**156**	**201**	**258**	**300**
Free cash flow	**308**	**60**	**54**	**115**	**153**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	9.9	-20.3	2.1	16.7	13.2
Operating profit	nm	nm	40.2	54.1	25.8
Net profit	nm	nm	72.5	59.9	23.6
Adjusted EPS**	nm	nm	43.5	59.9	23.6
Per-share data (KRW)					
EPS (parent-based)	-2,022	1,534	2,203	3,522	4,353
EPS (consolidated)	-894	1,451	2,503	4,003	4,946
Adjusted EPS**	-2,022	1,534	2,203	3,522	4,353
BVPS	29,975	32,160	34,045	37,629	42,281
DPS (common)	270	950	950	950	950
Valuations (x)					
P/E***	n/a	15.2	10.7	6.7	5.4
P/B***	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	26.5	7.9	6.8	5.0	4.0
Ratios (%)					
ROE	-7.5	6.1	8.6	12.7	14.0
ROA	-1.2	2.2	3.9	6.0	6.8
ROIC	-2.0	4.5	6.5	10.1	12.0
Payout ratio	-12.1	48.5	33.5	21.0	17.0
Dividend yield (common)	1.4	4.1	4.0	4.0	4.0
Net debt to equity	-4.8	-4.6	-6.7	-11.3	-17.1
Interest coverage (x)	-3.5	8.6	14.1	24.2	30.4

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

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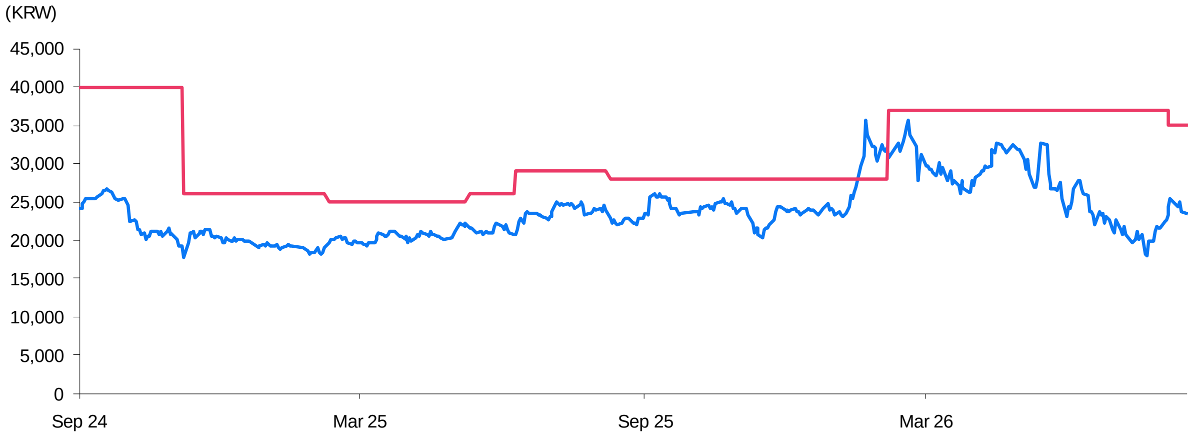

Rating changes over past two years (adjusted share prices)

Date	2024/8/13	11/15	2025/2/17	5/19	6/17	8/18	2026/2/13	8/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	40000	26000	25000	26000	29000	28000	37000	35000
Gap* (average)	-41.66	-24.17	-18.03	-18.03	-17.85	-11.65	-27.39	
(max or min)**	-33.13	-17.88	-11.40	-14.81	-13.79	27.14	-3.65	

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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