COMPANY UPDATE

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EV/Mobility Team

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Shinheung SEC (243840)

Small products driving growth

- Shinheung SEC reported consensus-beating 2Q results.
- The company's small-product capacity expansion—driven by solid demand for BBUs—is positive.
- We cut our target price to KRW8,400 but maintain our BUY rating.

WHAT'S THE STORY?

2Q results beat consensus: Shinheung SEC reported 2Q consolidated sales of KRW131.6b and an operating profit of KRW5.2b, the latter topping FnGuide consensus of KRW4.5b. While sales of large cap Ass'y products dipping q-q, sales of small cylindrical battery-use current interrupt devices (CIDs) soared 32% q-q, driving operating margin up from 1.3% in 1Q (also hit by one-off costs) to 3.9%.

Large products face near-term growth headwinds; small products to drive growth, led by rising demand for BBUs: For small battery-use products, amid improved demand conditions in 2H for battery backup units (BBUs) and power tool batteries, shipments of 2170 cells—beyond the existing 1865—are expected to rise. Local production capacity in Malaysia is also projected to exceed prior estimates. For large square cap assembly products, demand from North American ESS customers is anticipated to strengthen in 4Q; however, European EV-related demand may lag behind initial expectations in 3Q. Taking these factors into account, we cut our 2026 revenue and operating profit forecasts by 4% and 3%, respectively, to KRW516.4b and KRW19.9b.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW8,400	66%
Current price	KRW5,060	
Market cap	KRW195.1b/USD141.13m	
Shares (float)	38,558,235 (42.8%)	
52-week high/low	KRW11,300/KRW3,640	
Avg daily trading value (60-day)	KRW1.2b/ USD0.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinheung SEC (%)	19.3	-18.0	8.7
Vs Kosdaq (%pts)	9.8	17.5	4.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	8,400	9,700	-13.4%
2026E EPS	137	137	0.0%
2027E EPS	286	286	0.0%

SAMSUNG vs THE STREET

No of estimates	2
Target price	9,200
Recommendation	4.0

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

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	131.6	28.1	6.4	0.0	4.4
Operating profit	5.2	143.1	226.6	0.1	15.6
Pre-tax profit	4.8	nm	-53.5	-0.4	77.8
Net profit	-0.2	nm	nm	nm	nm
Margins (%)					
Operating profit	4.0				
Pre-tax profit	3.6				
Net profit	-0.2				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	n/a	36.8	17.7
P/B	0.6	0.6	0.6
EV/EBITDA	7.4	6.2	5.5
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	nm	nm	108.4
ROE (%)	-1.6	1.7	3.5
Per-share data (KRW)			
EPS	-128	137	286
BVPS	7,821	7,958	8,244
DPS	0	0	0

Samsung Securities

Cutting target price but maintaining BUY: We cut our target price for Shinheung SEC by 13% to KRW8,400. While the weighted-average EPS used in our valuation (2026–2027 forecast) increased by 15% from KRW184 to KRW212, the target P/E—based on the peer group's 2026 average—declined by 23% from 52.2x to 40.0x. We maintain our BUY rating, as robust demand for ESS and BBU products from key customers is expected to drive sustained upside potential in the stock.

Quarterly results

(KRWb)	2Q26	2Q25	1Q26	Chg	
				(% y-y)	(% q-q)
Sales	131.6	102.7	123.7	28.1	6.4
Operating profit	5.2	2.1	1.6	142.9	226.3
Pre-tax profit	4.8	-11.6	10.3	Turned pos	-53.4
Net profit	-0.2	-12.2	8.5	Remained neg	Turned neg
Margins (%)					
Operating profit	3.9	2.1	1.3		
Pre-tax profit	3.7	-11.3	8.4		
Net profit	-0.1	-11.9	6.9		

Source: Company data

Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	539.4	516.4	-4.3%	624.8	623.1	-0.3%
Operating profit	20.6	19.9	-3.3%	28.4	28.3	-0.3%
Pre-tax profit	8.2	7.5	-8.3%	16.3	16.2	-0.4%
Net profit	6.8	6.2	-8.3%	13.0	13.0	-0.4%

Source: Samsung Securities estimates

Target-price calculation

(KRW)		Note
EPS	212	2026E-2027E weighted EPS
Target P/E (x)	40.0	2026E average of peer group (materials, equipment, parts)
Fair value per share	8,479	
Target price	**8,400**	
Current price	5,440	As of Aug 14 close
Upside (%)	54.4	

Note: *Excludes outliers trading at over 200x P/E; battery materials, components, and equipment value chain
Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**103.5**	**102.7**	**100.2**	**101.9**	**123.7**	**131.6**	**126.3**	**134.9**	**142.5**	**156.2**	**159.5**	**164.9**	**408.2**	**516.4**	**623.1**
Small cylindrical CID	11.0	18.9	21.5	22.0	25.3	33.3	33.4	31.8	27.7	32.7	35.3	30.2	73.4	123.8	125.9
Large square cap assembly	83.5	76.0	71.5	71.9	88.5	88.3	83.0	93.3	100.6	109.4	109.4	118.1	302.9	353.0	437.6
Large square can	3.1	2.8	1.1	1.1	3.0	2.7	3.5	4.9	8.5	7.9	7.9	7.3	8.2	14.2	31.5
Small cylindrical NS assembly	4.1	3.9	4.7	4.8	4.9	5.7	4.7	3.3	4.1	4.5	5.1	6.8	15.5	18.6	20.5
Other	1.8	1.1	1.3	2.0	1.9	1.6	1.7	1.7	1.5	1.7	1.9	2.5	6.2	6.9	7.5
Operating profit	**-4.3**	**2.1**	**2.7**	**5.4**	**1.6**	**5.2**	**5.1**	**8.1**	**4.3**	**7.0**	**8.8**	**8.2**	**5.9**	**19.9**	**28.3**
Operating margin (%)	-4.1	2.1	2.7	5.3	1.3	3.9	4.0	6.0	3.0	4.5	5.5	5.0	1.5	3.9	4.5

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**433**	**408**	**516**	**623**	**671**
Cost of goods sold	382	368	454	544	585
Gross profit	**51**	**40**	**62**	**79**	**86**
Gross margin (%)	11.8	9.9	12.1	12.6	12.8
SG&A expenses	38	34	42	50	54
Operating profit	**13**	**6**	**20**	**28**	**32**
Operating margin (%)	3.0	1.5	3.9	4.5	4.8
Non-operating gains (losses)	**9**	**-2**	**-12**	**-12**	**-16**
Financial profit	1	1	1	1	2
Financial costs	18	20	20	19	18
Equity-method gains (losses)	0	0	0	0	0
Other	26	18	6	5	0
Pre-tax profit	**22**	**4**	**7**	**16**	**16**
Taxes	1	10	1	3	4
Effective tax rate (%)	2.3	231.4	17.0	20.0	22.0
Profit from continuing operations	22	-6	6	13	13
Profit from discontinued operations	0	0	0	0	0
Net profit	**22**	**-6**	**6**	**13**	**13**
Net margin (%)	5.1	-1.4	1.2	2.1	1.9
Net profit (controlling interests)	22	-6	6	13	13
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	71	72	82	86	86
EBITDA margin (%)	16.3	17.6	15.8	13.8	12.8
EPS (parent-based) (KRW)	481	-128	137	286	279
EPS (consolidated) (KRW)	481	-128	137	286	279
Adjusted EPS (KRW)*	481	-128	137	286	279

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**208**	**215**	**239**	**274**	**307**
Cash & equivalents	113	109	109	116	137
Accounts receivable	33	38	44	54	58
Inventories	53	53	67	81	87
Other current assets	10	15	19	23	25
Fixed assets	**667**	**661**	**630**	**597**	**563**
Investment assets	1	1	1	1	1
Tangible assets	650	644	613	580	547
Intangible assets	2	2	2	2	1
Other long-term assets	14	14	14	14	14
Total assets	**876**	**876**	**869**	**870**	**870**
Current liabilities	**289**	**310**	**295**	**302**	**288**
Accounts payable	23	21	28	33	36
Short-term debt	193	201	201	201	201
Other current liabilities	74	88	67	68	52
Long-term liabilities	**228**	**212**	**214**	**195**	**196**
Bonds & long-term debt	217	204	204	184	184
Other long-term liabilities	12	8	9	11	12
Total liabilities	**517**	**522**	**509**	**497**	**484**
Owners of parent equity	**358**	**354**	**360**	**373**	**386**
Capital stock	23	23	23	23	23
Capital surplus	166	166	166	166	166
Retained earnings	161	149	156	169	181
Other	9	16	16	16	16
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**358**	**354**	**360**	**373**	**386**
Net debt	343	347	315	279	237

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**67**	**52**	**61**	**61**	**62**
Net profit	22	-6	6	13	13
Non-cash profit and expenses	55	76	81	78	73
Depreciation	57	65	61	58	54
Amortization	0	1	0	0	0
Other	-2	10	19	20	19
Changes in A/L from operating activities	11	9	-6	-9	-4
Cash flow from investments	**-88**	**-48**	**-31**	**-27**	**-21**
Change in tangible assets	-87	-43	-30	-25	-20
Change in financial assets	-3	-5	-2	-2	-1
Other	2	0	1	0	-0
Cash flow from financing	**16**	**-15**	**-30**	**-27**	**-20**
Change in debt	58	5	-30	-27	-20
Change in equity	-0	-0	0	0	0
Dividends	-4	-3	0	0	0
Other	-38	-17	0	0	0
Change in cash	3	-4	-0	7	21
Cash at beginning of year	110	113	109	109	116
Cash at end of year	113	109	109	116	137
Gross cash flow	**77**	**70**	**87**	**91**	**86**
Free cash flow	**-21**	**3**	**31**	**36**	**42**

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	-19.8	-5.7	26.5	20.6	7.7
Operating profit	-69.8	-55.0	236.3	42.1	13.4
Net profit	-29.0	nm	nm	108.4	-2.4
Adjusted EPS**	-29.1	nm	nm	108.4	-2.4
Per-share data (KRW)					
EPS (parent-based)	481	-128	137	286	279
EPS (consolidated)	481	-128	137	286	279
Adjusted EPS**	481	-128	137	286	279
BVPS	7,920	7,821	7,958	8,244	8,524
DPS (common)	66	0	0	0	0
Valuations (x)					
P/E***	10.6	n/a	36.8	17.7	18.1
P/B***	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	7.7	7.4	6.2	5.5	5.0
Ratios (%)					
ROE	6.3	-1.6	1.7	3.5	3.3
ROA	2.6	-0.7	0.7	1.5	1.5
ROIC	1.9	-1.1	2.4	3.4	4.0
Payout ratio	11.6	0.0	0.0	0.0	0.0
Dividend yield (common)	1.3	0.0	0.0	0.0	0.0
Net debt to equity	95.6	98.0	87.5	74.7	61.3
Interest coverage (x)	0.7	0.3	1.0	1.5	1.8

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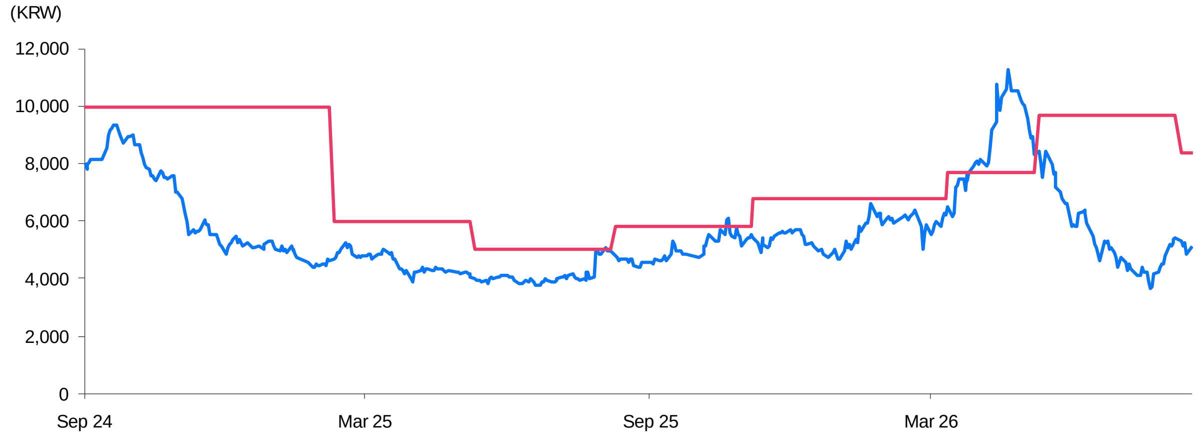
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/8/16	2025/2/17	5/19	8/18	11/14	2026/3/20	5/18	8/18
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	10000	6000	5000	5800	6800	7700	9700	8400
Gap* (average)	-34.18	-24.39	-17.81	-13.48	-17.63	13.87	-43.95	
(max or min)**	-6.30	-12.17	1.60	5.00	-2.65	46.75	-12.89	

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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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
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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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