SECTOR UPDATE

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Rechargeable Batteries (OVERWEIGHT)

Dialogue with the market #61: Fino's strength and non-Chinese LFP supply chain

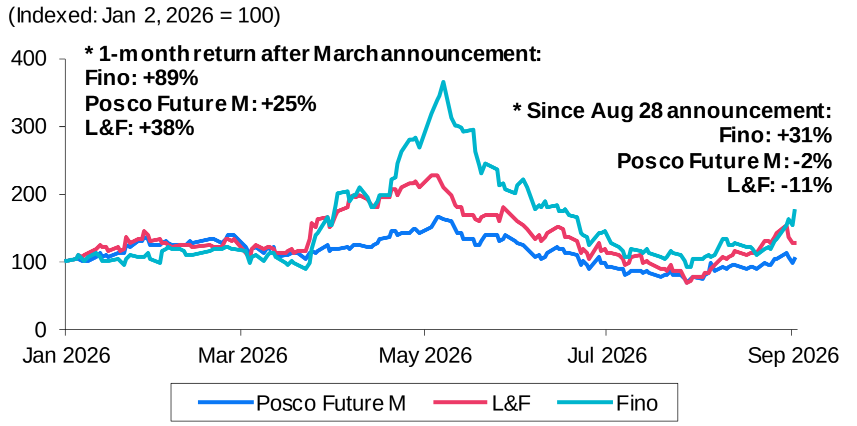
- Shares in Fino have surged following a rights offering in August and on rising expectations that it will benefit from the rechargeable battery sector taking steps to reduce its dependence on Chinese supply chains.
- Fino will likely remain a Foreign-Influenced Entities (FIE) despite the recent rights issuance, and CNP New Materials Technology faces ongoing *de facto* control risks even with a change in its majority shareholder.
- Fino may further restructure its equity in order to meet AMPC eligibility requirements, potentially creating a more favorable share-price environment for Korean LFP cathode producers.

WHAT'S THE STORY?

Introduction: In this, the 61st report in our Dialogue with the Market series, amid growing US demand for energy storage systems (ESS) and increasing pressure to shed Chinese supply chains, we examine the drivers behind Fino's share-price rally and what it signals for Korea's LFP cathode material ecosystem. Though still majority-owned by a Chinese parent, Fino has raised capital through two rights offerings this year, diluting the parent's stake. At the same time, Fino has become the major shareholder of CNP New Materials Technology, a joint venture (JV) with a Korean firm that is set to expand LFP cathode material production facilities in Pohang (Korea). This report explores the significance of the JV and the implications of changes in Fino's ownership structure for Korea's secondary battery industry.

(Continued on the next page)

Share performance before and after Fino's equity offering announcements



Source: Bloomberg, Samsung Securities

Fino's surge reflects sector's shift away from Chinese supply chains: Following Fino's announcement of a KRW15b third-party rights offering (which it made after the market closed on Aug 28), its stock price rose 31% over the next four trading days (through Sep 4). Fino, which purchases ternary precursor materials from its parent company and sells them to cathode material manufacturers, conducted a KRW70b third-party rights offering in March. Fino's stock surged 88% over a one-month period following the disclosure, significantly outperforming its key cathode material peers—Posco Future M (+25%) and L&F (+38%). While this August third-party rights offering was smaller than the March one, the market appears to believe that this latest capital raise could improve the order prospects for domestic cathode materials makers, particularly those preparing to produce LFP cathode materials

Fino becomes largest shareholder of CNP New Materials Technology: CNP New Materials Technology is a joint venture (JV) between CNGR (CNGR HK HNE; CNGR Hong Kong Hongchuang New Energy; the global leader in precursor materials), Fino (CNGR's Korean-listed subsidiary), and Posco Future M (a makers of cathode materials). On Jun 11, Fino acquired a 46% stake in CNGR, increasing its ownership in CNP New Materials Technology to 75%.

While Fino had previously only supplied NCM precursors made by CNGR to Korean cathode material manufacturers, now it also directly produces LFP cathode materials in Korea through its consolidated subsidiary CNP New Materials Technology. As of end-1H, Zoomwe HK NET (Zoomwe Hong Kong New Energy Technology; 100%-owned by CNGR) held a 25.62% stake in Fino (the largest shareholder) and CNGR HK HNE (the second-largest shareholder) held an 11.09% stake in Fino, giving CNGR a total stake of 36.71%. CNGR's equity stake in Fino changed in 1H due to a KRW70b third-party rights offering. The newly-issued shares relating to the KRW15b third-party rights offering (which was announced on Aug 28) has diluted Zoomwe HK HNE's stake in Fino to 24.8% and shrunk CNGR's total stake to 35.6%.

Fino: Ownership changes following third-party placements

Base Date	Dec 31, 2025		Jun 30, 2026		After September capital increase
Zoomwe HK NET*(%)	31.37	→	25.62	→	24.8
CNGR HK HNE (%)	13.58	→	11.09	→	10.7
Combined (%)	44.95		36.71		35.6

Note: *Zoomwe HK NET is a 100% owned subsidiary of CNGR
Source: DART, Samsung Securities estimates

CNP New Materials Technology: Ownership changes

Shareholder	Stake (%)		
	Before	Jun 11, 2026	After
CNGR HK HNE	51	→	5
Fino	29	→	75
Posco Future M	20	→	20

Source: Posco Future M, Samsung Securities

Fino unlikely to qualify for AMPC under OBBBA Act even after third-party rights issue: The OBBBA Act imposes strict eligibility criteria for qualifying components, prohibiting the use of materials sourced from Prohibited Foreign Entities (PFEs)—a broad regulatory concept encompassing both Specified Foreign Entities (SFEs) and Foreign-Influenced Entities (FIEs). An FIE is defined not only as an entity directly owned by an SFE, but also as a company under substantial *de facto* control—whether through capital ownership, contractual control, or technology licensing—by a country that hs been designated as a foreign adversary.

OBBBA: PFE definition and criteria

Category	Definition / criteria
Prohibited Foreign Entity (PFE)	Entities classified as an SFE or FIE
Specified Foreign Entity (SFE)	FEOCs, Chinese military companies, and other Foreign-Controlled Entities*
Foreign-Influenced Entity (FIE)	Meets either of the following: (1) Ownership/control: SFE holds executive appointment rights; single SFE ownership ≥25%; aggregate SFEs ownership ≥ 40%; or debt held by SFEs ≥ 15% (2) Effective control: SFE exercises effective control over the production/operation of a taxpayer's qualified facilities, energy storage technology, or qualified components

Note: * Foreign-Controlled Entity refers to: ① Government of a covered nation, ② Agencies or subordinates of such government, ③ Nationals of a covered nation, ④ Entities established under the laws of or with a principal place of business in a covered nation, ⑤ Entities controlled by any of the above (①-④)

Source: US Congress, Samsung Securities

To qualify for Advanced Manufacturing Production Credits (AMPC), a component must meet a Material Assistance Cost Ratio (MACR) threshold—the proportion of materials sourced from PFEs must remain below specified annual limits. For Korean battery cell makers, the requirement is:

- 2026: ≤40% PFE-sourced materials (≥60% non-PFE)
- 2027: ≤35% PFE (≥65% non-PFE)
- 2028: ≤30% PFE (≥70% non-PFE)
- 2029: ≤20% PFE (≥80% non-PFE)
- 2030 and beyond: ≤15% PFE (≥85% non-PFE)

MACR formula and annual thresholds for AMPC

Category	Criteria	Details
Applicable metric	MACR	(Total direct material cost – PFE attributed direct material cost) ÷ Total direct material cost
Annual MACR threshold	2026	≥60%
	2027	≥65%
	2028	≥70%
	2029	≥80%
	2030 onward	≥85%

Source: IRS, Samsung Securities

At end-August, Fino completed a third-party rights offering to Cosmo Advanced Materials & Technology. Post-issuance, Zoomwe HK NET's direct stake in Fino fell from 25% to 24.82%, and its total stake (including that held by CNGR HK HNE) dropped to 35.6%. However, Zoomwe HK NET is 100% owned by CNGR, and CNGR HK HNE is also wholly owned by CNGR. As such, both entities are classified as SFEs under the Act. Under US Internal Revenue Code Section 318's attribution rules, if a shareholder owns more than 50% of an intermediate entity, all shares held by that intermediate entity are attributed proportionally to the ultimate shareholder. Applying this principal, the 35.6% stake in Fino (owned by Zoomwe HK NET and CNGR HK HNE) is fully attributed to CNGR (as the ultimate parent). Therefore, Fino is deemed an FIE and, by extension, a PFE under the OBBBA Act's framework.

CNP New Materials Technology may be deemed a FIE regardless of its legal ownership structure: CNP New Materials Technology is 75%-owned by Fino—the sole majority shareholder—and CNGR HK HNE (an SFE) holds only a 5% stake in it directly, resulting in a combined direct/indirect SFE attribution below the regulatory threshold. But the entity could still be classified as an FIE under the Act's *de facto* control test.

De facto control is triggered not by equity ownership alone, but by contractual or technological control exercised by an SFE over critical operations. Fino, as the 75% owner of CNP New Materials Technology, is the exclusive supplier of LFP precursors—the core raw material for LFP cathode production. Since CNGR, Fino's ultimate controlling shareholder and an SFE, may exert influence over CNP New Materials Technology's procurement of raw materials, production volumes, or sales destinations through contractual arrangements, US authorities could interpret this as effective control. In such a case, CNP New Materials Technology may be deemed an FIE under the Act's anti-circumvention clauses, regardless of its legal ownership structure.

Furthermore, to qualify for AMPC, battery cell makers in the US that purchase cathodes made by CNP New Materials Technology must ensure that material assistance from PFEs (*ie*, Fino) remains below statutory MACR thresholds. CNP New Materials Technology is subject to mandatory supplier certification requirements, obliging it to trace and disclose the origin of all inputs. As a result, the cost of LFP precursors supplied by Fino—embedded in CNP New Materials Technology's cathode pricing—is fully attributed as PFE-sourced content. This directly inflates the MACR for the end customer (the cell manufacturer), making it harder for them to: 1) meet the annual non-PFE threshold; and 2) be eligible for the tax credit.

Securing eligible LFP precursors remains a critical issue as Korean cathode manufacturers expand LFP production capacity: CNP New Materials Technology, a JV established exclusively for LFP cathode production, plans to invest more than KRW500b over 2026-2030 to build 50,000 tonnes of capacity in Pohang (Korea), with Phase 1 targeting 15,000 tonnes and the start of commercial production in 2027. The output from this JV is expected to be primarily sold to the US plants run by Korean cathode producers. Considering Korean cathode material makers' planned LFP cathode capacity expansions—L&F (Phase 1: 30,000 tonnes to come online in 3Q26) and Posco Future M (initial capacity: 15,000 tonnes to come online at end-2026)—the availability of AMPC-compliant LFP precursors should become a key risk factor.

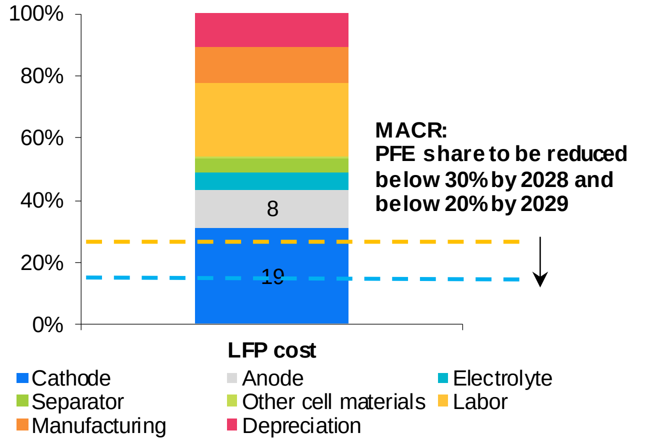
For LFP cell manufacturers that intend to scale production in the US (to meet AMPC requirements), securing not only Korean-sourced cathodes but also access to the upstream LFP precursor supply chain (which is responsible for a large portion of cathode costs) is essential. In the near term, Korean firms attempting to meet US ESS demand will likely remain dependent on Chinese LFP precursor and cathode suppliers, such as Changzhou Liyuan (a subsidiary of China's Lopal Tech), CNGR, and Zaisen Nengyuan (a 100% subsidiary of China's Longbai). However, from 2028, when the AMPC eligibility threshold requires at least 70% non-PFE content (*ie*, Chinese-sourced costs below 30%), Korean firms will need new non-PFE supply chains for LFP precursors and cathodes to stay competitive in the US.

LFP cell materials: Cost breakdown

Component	Cost (USD/kWh)	Cost weighting (%)
Cathode	**19**	**31%**
Anode	**8**	**12%**
Electrolyte	3	6%
Separator	3	4%
Other	0	1%
Labor	14	24%
Manufacturing overhead	7	11%
Depreciation	7	11%
Total	61	100%

Note: *Costs for components other than cathodes and anodes are estimated based on BNEF's North American NMC811 cell manufacturing cost assumptions; **Cathode costs are based on LFP material pricing; anode costs incorporate natural and synthetic graphite market prices, with an assumed tariff rate of 43%
Source: BNEF, Samsung Securities estimates

Dependence on Chinese materials must be under 30% by 2028



Source: BNEF, Samsung Securities

Implications for Korean rechargeable battery sector—A change in Fino's shareholder structure could enhance market sentiment towards domestic battery makers and support Korean LFP cathode producers: Fino's rights issuances in 2026, aimed at aligning its shareholder structure with US tax credit requirements, have been positively received by the market, contributing to a sharp rise in its stock price. However, despite its recent additional capital increase (the August issue), Fino remains unlikely to escape classification as a PFE under the OBBBA Act given CNGR's entrenched control over it. As such, the market appears to have already priced in the immediate impact of the August rights issue.

That said, a plausible scenario involves Fino selling shares to Korean entities as they are classified as non-PFEs—either through direct equity sales or third-party allotments—to reduce the Chinese-held stake below 25%. From an investment perspective, trimming the Chinese stake in Fino could create positive spillover effects for the Korean cathode producers that are preparing LFP cathode material production, such as L&F and Posco Future M, whose stock movements have so far been more muted than Fino's. If Fino successfully sheds its FIE status, it could emerge as a credible AMPC-compliant supplier of LFP precursors. Additionally, Cosmo Advanced Materials & Technology, which has not yet launched full-scale LFP cathode production but did participate in Fino's rights issue (acquiring a stake in the firm) warrants attention. As battery makers in the US accelerate their efforts to de-risk supply chains away from China, Cosmo Advanced Materials & Technology could gain additional traction.

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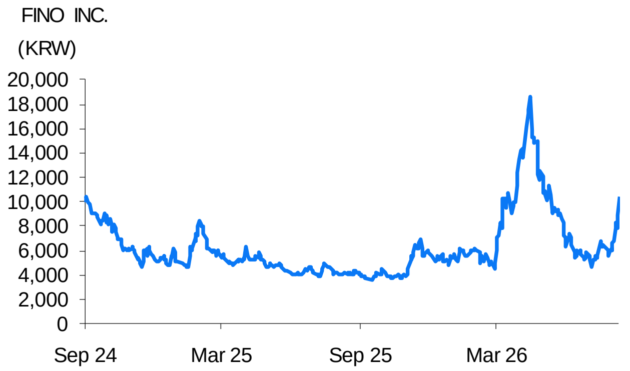
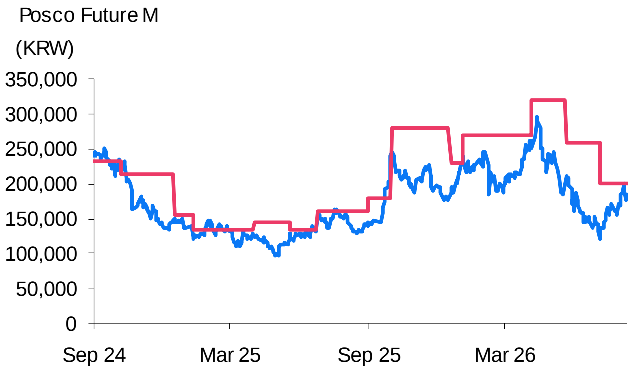
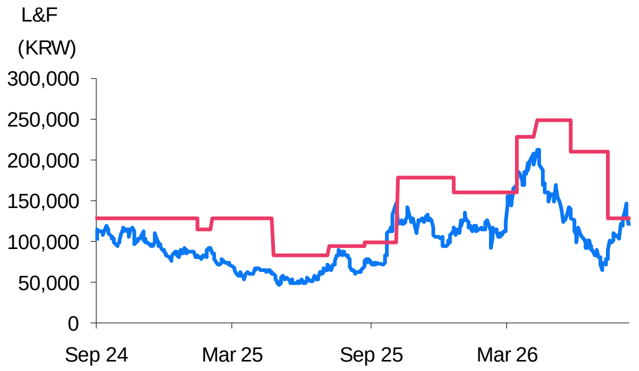
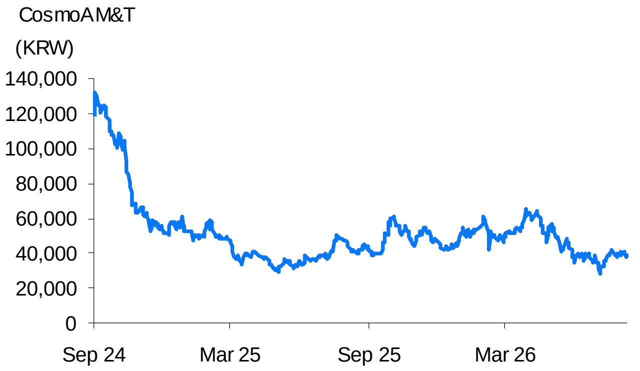
Target price changes in past two years









Rating changes over past two years (adjusted share prices)

Fino

Date	2026/9/7
Recommendation	Not Rated
Target price (KRW)	n/a
Gap* (average)	
(max or min)**	

Posco Future M

Date	2024/7/26	10/31	2025/1/9	2/4	4/25	6/12	6/19	7/18	9/24	10/27	2026/1/12	1/29
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	232636	213249	155090	135704	145397	135704	135704	160000	180000	280000	230000	271000
Gap* (average)	-5.42	-21.06	-8.54	-4.86	-22.52	-11.07	-4.71	-9.28	-3.74	-26.75	-9.45	-18.72
(max or min)**	7.71	-37.32	-2.62	9.29	-13.20	-9.21	2.43	2.00	34.44	-13.93	4.13	-2.95
Date	4/30	6/15	7/31									
Recommendation	BUY	BUY	BUY									
Target price (KRW)	320000	260000	200000									
Gap* (average)	-26.42	-38.12										
(max or min)**	-7.50	-19.42										

L&F

Date	2024/8/7	2025/2/6	2/25	5/19	7/31	9/17	10/30	2026/1/13	4/7	5/4	6/18	8/7
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	130000	115000	130000	83000	95000	100000	180000	160000	230000	250000	210000	130000
Gap* (average)	-25.00	-26.56	-48.64	-34.18	-22.96	-5.18	-33.95	-23.13	-17.90	-37.01	-55.28	
(max or min)**	-8.15	-20.26	-33.77	-13.25	-4.74	47.00	-21.33	6.63	-9.13	-15.00	-38.76	

Cosmo AM&T

Date	2026/9/7
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

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Industry

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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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