COMPANY UPDATE

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EV/Mobility Team

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Shinheung SEC (243840)

BBU and ESS as key growth drivers

- The most notable development at Shinheung SEC in 2025 was the 4Q surge in small N-CID sales.
- Its earnings performance should improve in 2026, on greater BBU- and North American ESS-bound sales.
- We raise our target price to KRW7,700 and maintain BUY.

WHAT'S THE STORY?

2025 review: Shinheung SEC reported consolidated sales of KRW408.2b and an operating profit of KRW5.9b. Sales contracted 6% y-y, as utilization rates declined due to sluggish demand upstream. Operating profit fell 55% y-y, as the company recorded a loss in 1Q due to customer inventory adjustments, despite returning to profitability in 2Q-4Q. A key highlight was the rapid growth of small N-CID products, whose share of total sales expanded from 10% in 1Q to 22% in 4Q, driven by improved shipments for power tools and rising demand for battery backup unit (BBU) applications.

Volumes for use in BBUs and US ESS to expand in 2026: Anticipated Growth from BBU and North American ESS Shipments: We raise our 2026 sales and operating profit forecasts to KRW500.8b and KRW21.3b, respectively, as we now expect: 1) small N-CID sales to jump 49% y-y, driven by strong demand for products integrated into 1865 cells used in data center BBUs, coupled with clients' upcoming mass production of higher-power 2170 cells for BBU applications; and 2) large-cap assembly sales to grow 19% y-y, supported by clients' increasing shipments of North American ESS-bound products.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW7,700	18.8%
Current price	**KRW6,480**	
Market cap	KRW249.86b/USD166.51m	
Shares (float)	38,558,235 (42.8%)	
52-week high/low	KRW6,620/KRW3,800	
Avg daily trading value (60-day)	KRW2.3b/ USD1.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinheung SEC (%)	4.3	39.4	32.5
Vs Kosdaq (%pts)	3.7	3.6	-17.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	7,700	6,800	13.2%
2025E EPS	-128	-133	-3.8%
2026E EPS	171	146	17.1%

SAMSUNG vs THE STREET

No of estimates	2
Target price	8,850
Recommendation	4.0

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	101.9	29.0	1.7	4.9	nm
Operating profit	5.4	nm	98.9	456.1	nm
Pre-tax profit	12.1	58.5	104.2	797.9	nm
Net profit	7.9	-15.3	136.2	3.1	nm
Margins (%)					
Operating profit	5.3				
Pre-tax profit	11.9				
Net profit	7.7				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	10.6	n/a	38.0
P/B	0.6	0.6	0.8
EV/EBITDA	7.7	8.8	7.9
Div yield (%)	1.3	1.4	1.0
EPS growth (% y-y)	-29.1	nm	nm
ROE (%)	6.3	-1.6	2.2
Per-share data (KRW)			
EPS	481	-128	171
BVPS	7,920	7,726	7,830
DPS	66	66	66

Raising target price to KRW7,700 and maintaining BUY: We raise our target price by 13%. Our new target price is based on our revised 2026 EPS forecast (up from KRW146 to KRW171), applying a target P/E multiple of 45x (peer group's average 2026 P/E). We maintain BUY, anticipating pronounced earnings improvement, given that its clients are increasing volumes of cylindrical cells deployed in data center BBUs while signing new ESS contracts with North American energy companies.

Quarterly results

(KRWb)	4Q25	4Q24	3Q25	Chg	
				(% y-y)	(% q-q)
Sales	101.9	78.9	100.2	29.0	1.7
Operating profit	5.4	-4.6	2.7	Turned pos	98.9
Pre-tax profit	12.1	7.6	5.9	58.5	104.2
Net profit	7.9	9.3	3.3	-15.3	136.2
Margins (%)					
Operating profit	5.3	-5.8	2.7		
Pre-tax profit	11.9	9.7	5.9		
Net profit	7.7	11.8	3.3		

Source: Company data

Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	403.5	408.2	1.2	485.5	500.8	3.2
Operating profit	1.5	5.9	290.0	20.1	21.3	6.4
Pre-tax profit	-6.3	4.4	nm	7.8	9.1	16.4
Net profit	-6.0	-5.8	nm	6.6	7.7	16.4

Source: Samsung Securities estimates

Target-price calculation

(KRW)		Note
EPS	171	2026E EPS
Target P/E (x)	45.2	2026E average of peer group (materials, equipment, parts)
Fair value per share	7,716	
Target price	**7,700**	
Current price	6,200	As of Mar 19 close
Upside (%)	24.2%	

Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**147.9**	**114.1**	**91.9**	**78.9**	**103.5**	**102.7**	**100.2**	**101.9**	**118.1**	**119.8**	**126.4**	**136.4**	**432.8**	**408.2**	**500.8**
Small cylindrical CID	31.7	29.8	14.9	11.7	11.0	18.9	21.5	22.0	21.9	26.2	31.7	29.5	88.1	73.4	109.3
Large square cap assembly	101.3	71.4	68.0	58.6	83.5	76.0	71.5	71.9	89.9	86.3	86.3	97.1	299.2	302.9	359.5
Large square can	12.3	6.9	5.0	3.4	3.1	2.8	1.1	1.1	1.9	2.4	2.8	2.4	27.6	8.2	9.4
Small cylindrical NS assembly	2.0	3.8	3.7	4.5	4.1	3.9	4.7	4.8	3.4	3.8	4.3	5.6	14.1	15.5	17.1
Other	0.6	2.1	0.3	0.7	1.8	1.1	1.3	2.0	1.1	1.2	1.3	1.8	3.6	6.2	5.4
Operating profit	**10.2**	**6.1**	**1.3**	**-4.5**	**-4.3**	**2.1**	**2.7**	**5.4**	**3.5**	**5.4**	**7.0**	**5.5**	**13.2**	**5.9**	**21.3**
Operating margin (%)	6.9	5.4	1.5	-5.8	-4.1	2.1	2.7	5.3	3.0	4.5	5.5	4.0	3.0	1.5	4.3

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**540**	**433**	**408**	**501**	**599**
Cost of goods sold	453	382	366	436	518
Gross profit	**87**	**51**	**42**	**65**	**81**
Gross margin (%)	16.0	11.8	10.2	12.9	13.5
SG&A expenses	43	38	36	43	51
Operating profit	**44**	**13**	**6**	**21**	**30**
Operating margin (%)	8.1	3.0	1.5	4.3	4.9
Non-operating gains (losses)	**-8**	**9**	**-2**	**-12**	**-12**
Financial profit	3	1	1	1	1
Financial costs	15	18	19	18	18
Equity-method gains (losses)	0	0	6	0	0
Other	5	26	10	5	5
Pre-tax profit	**36**	**22**	**4**	**9**	**18**
Taxes	5	1	10	1	3
Effective tax rate (%)	12.9	2.3	231.4	15.0	15.0
Profit from continuing operations	31	22	-6	8	15
Profit from discontinued operations	0	0	0	0	0
Net profit	**31**	**22**	**-6**	**8**	**15**
Net margin (%)	5.7	5.1	-1.4	1.5	2.5
Net profit (controlling interests)	31	22	-6	8	15
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	89	71	63	75	81
EBITDA margin (%)	16.4	16.3	15.3	15.0	13.4
EPS (parent-based) (KRW)	679	481	-128	171	330
EPS (consolidated) (KRW)	679	481	-128	171	330
Adjusted EPS (KRW)*	679	481	-128	171	330

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**254**	**208**	**169**	**217**	**271**
Cash & equivalents	110	113	54	76	102
Accounts receivable	95	33	60	74	88
Inventories	43	53	45	55	66
Other current assets	6	10	10	12	14
Fixed assets	**586**	**667**	**661**	**632**	**607**
Investment assets	1	1	1	1	2
Tangible assets	575	650	644	615	590
Intangible assets	1	2	2	2	2
Other long-term assets	9	14	14	14	14
Total assets	**840**	**876**	**830**	**849**	**877**
Current liabilities	**305**	**289**	**252**	**266**	**280**
Accounts payable	31	23	25	31	37
Short-term debt	181	193	193	193	193
Other current liabilities	92	74	34	42	50
Long-term liabilities	**197**	**228**	**228**	**229**	**231**
Bonds & long-term debt	185	217	217	217	217
Other long-term liabilities	13	12	11	13	14
Total liabilities	**502**	**517**	**480**	**495**	**511**
Owners of parent equity	**338**	**358**	**350**	**354**	**366**
Capital stock	23	23	23	23	23
Capital surplus	166	166	166	166	166
Retained earnings	145	161	152	157	169
Other	5	9	9	9	9
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**338**	**358**	**350**	**354**	**366**
Net debt	290	343	364	342	317

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**56**	**67**	**32**	**49**	**53**
Net profit	31	22	-6	8	15
Non-cash profit and expenses	62	55	85	72	71
Depreciation	45	57	56	53	51
Amortization	0	0	0	0	0
Other	17	-2	28	19	20
Changes in A/L from operating activities	-19	11	-19	-12	-13
Cash flow from investments	**-157**	**-88**	**-50**	**-26**	**-26**
Change in tangible assets	-165	-87	-50	-25	-25
Change in financial assets	-0	-3	0	-1	-1
Other	9	2	-0	-0	0
Cash flow from financing	**126**	**16**	**-41**	**-2**	**-1**
Change in debt	140	58	-38	1	2
Change in equity	1	-0	0	0	0
Dividends	-3	-4	-3	-3	-3
Other	-12	-38	0	0	0
Change in cash	26	3	-59	22	26
Cash at beginning of year	84	110	113	54	76
Cash at end of year	110	113	54	76	102
Gross cash flow	**93**	**77**	**79**	**80**	**86**
Free cash flow	**-112**	**-21**	**-18**	**24**	**28**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	13.0	-19.8	-5.7	22.7	19.6
Operating profit	40.7	-69.8	-55.0	260.1	38.8
Net profit	57.8	-29.0	nm	nm	93.4
Adjusted EPS**	57.7	-29.1	nm	nm	93.4
Per-share data (KRW)					
EPS (parent-based)	679	481	-128	171	330
EPS (consolidated)	679	481	-128	171	330
Adjusted EPS**	679	481	-128	171	330
BVPS	7,407	7,920	7,726	7,830	8,094
DPS (common)	86	66	66	66	66
Valuations (x)					
P/E***	13.8	10.6	n/a	38.0	19.6
P/B***	1.3	0.6	0.6	0.8	0.8
EV/EBITDA	7.4	7.7	8.8	7.9	7.0
Ratios (%)					
ROE	9.6	6.3	-1.6	2.2	4.1
ROA	4.1	2.6	-0.7	0.9	1.7
ROIC	6.9	1.9	-1.1	2.6	3.7
Payout ratio	10.8	11.6	-43.8	33.0	17.0
Dividend yield (common)	0.9	1.3	1.4	1.0	1.0
Net debt to equity	85.9	95.6	104.0	96.6	86.6
Interest coverage (x)	2.9	0.7	0.3	1.2	1.6

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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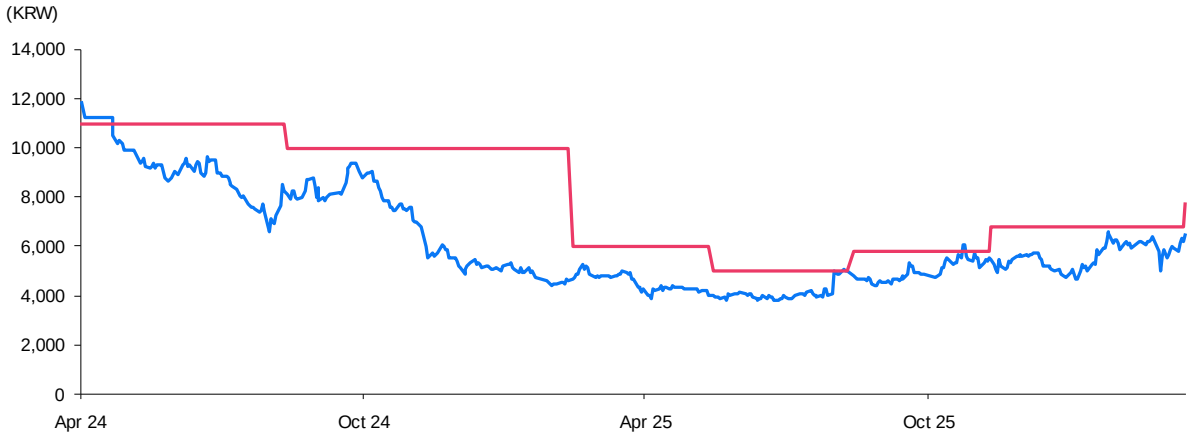
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/15	2024/5/16	8/16	2025/2/17	5/19	8/18	11/14	2026/3/20
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	11000	11000	10000	6000	5000	5800	6800	7700
Gap* (average)	-12.23	-22.22	-34.18	-24.39	-17.81	-13.48	-17.63	
(max or min)**	14.91	-12.36	-6.30	-12.17	1.60	5.00	-2.65	

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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Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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