

Mirae Asset Securities Co., Ltd.

Yongdai Park yongdai.park@miraeasset.com

Zuyeon Park park.zuyeon@miraeasset.com



016360 KS • Securities

Samsung Securities

Outstanding risk management

(Maintain)

Buy

Target price

W49,000

Upside

33.3%

Current price (8/8/23)

W36,750

KOSPI	2,573.98	Market cap (Wbn)	3,282	Shares outstanding (mn)	89	Foreign ownership (%)	33.3
-------	----------	------------------	-------	-------------------------	----	-----------------------	------

Report summary

2Q23 review

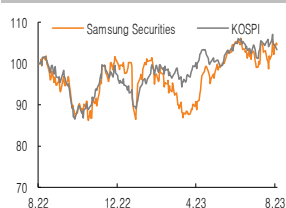
For 2Q23, Samsung Securities reported net profit of W151.5bn (+11% YoY, -40% QoQ), 5% above the consensus. Despite losses related to the contract for difference (CFD) issue, the company delivered sound results, supported by a 15% QoQ increase in net fee/commission income amid robust growth in market trading value. M&A advisory income expanded 32% QoQ, driven by an increase in structured finance income.

Maintain as our top pick

We expect Samsung Securities' risk management capabilities to come into focus, given its: 1) relatively sound project finance (PF) portfolio compared to rivals; and 2) limited exposure to overseas real estate, which is an area of growing concern. We expect the firm to maintain steady margins, aided by its strong competitiveness in the retail segment. Meanwhile, dividend expectations should increase as the end of the year approaches; for 2023, we estimate dividend yield at 7.6%. We believe the company has the greatest dividend appeal among brokerage firms under our coverage. We maintain Samsung Securities as our top pick in the securities sector..

Key data

Price performance



(%)	1M	6M	12M
Absolute	5.6	5.2	4.6
Relative	3.7	1.5	1.3

Earnings and valuation metrics

(Dec.)	2021	2022	2023F	2024F	2025F
Net operating revenue (Wbn)	2,242	1,401	1,815	1,839	1,884
OP (Wbn)	1,309	578	967	979	1,018
NP (Wbn)	965	422	719	725	754
EPS (W)	10,810	4,730	8,050	8,116	8,439
BPS (W)	68,096	69,383	76,154	81,470	87,009
P/E (x)	4.2	6.6	4.5	4.4	4.3
P/B (x)	0.7	0.5	0.5	0.4	0.4
ROE (%)	16.9	6.9	11.1	10.3	10.0
Dividend yield (%)	8.5	5.4	7.6	7.9	8.2
Shareholders' equity (Wbn)	6,081	6,196	6,801	7,275	7,770

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

2Q23 review

Net profit of W151.5bn (+11% YoY, -40% QoQ), 5% above the consensus

1) Net commission income came in at W127.9bn (+15% QoQ). Fee income from domestic stock brokerage services expanded 19% QoQ to W99.8bn amid increased trading value, driving overall growth. Meanwhile, fee income from overseas stock brokerage services increased only 3% QoQ to W28.1bn, as market trading value decreased 1% QoQ. On the other hand, customer deposits for overseas stock investments rose 14% QoQ.

We find Samsung Securities' strong competitiveness in the retail segment particularly encouraging. In 2Q23, retail customer assets expanded 4% QoQ to W287tr, and the number of customers with assets of W100mn or more increased 6% QoQ.

2) Fee/commission income from financial product sales declined 7% QoQ to W69.6bn.

3) Trading income and net interest income fell 59% QoQ to W128.3bn, mainly due to higher bond yields and an unfavorable comparison. Although losses from the CFD event were not specified, we estimate the amount at W40-50bn.

4) M&A advisory income expanded 32% QoQ to W59.6bn. Growth was driven by structured finance income, which expanded 41% QoQ to W49.9bn on the back of new PF deals and the extension of existing deals.

Maintain as our top pick

Reiterate Buy with TP of W49,000

Despite the recognition of losses related to the CFD event, Samsung Securities delivered sound quarterly results. While the company has a relatively high real estate PF loan balance, it has the smallest amount of non-performing assets among major domestic securities firms, demonstrating its superb risk management capabilities. We see a low risk of additional provisioning or loss recognition. We also find it positive that Samsung Securities is less exposed than rivals to overseas real estate, which is an area of growing concern. We expect the firm to maintain steady margins, aided by its strong competitiveness in the retail segment. Meanwhile, dividend expectations should increase as the end of the year approaches; for 2023, we estimate dividend yield at 7.6%. We believe the company has the greatest dividend appeal among brokerage firms under our coverage. We maintain Samsung Securities as our top pick in the securities sector.

Table 1. 2Q23 review (non-consolidated)

(Wbn, %)

	2Q22	3Q22	4Q22	1Q23	2Q23	YoY	QoQ
Net operating revenue	340.5	344.1	207.5	543.4	383.3	12.6	-29.5
Net brokerage income	102.1	89.3	78.3	111.4	127.9	25.2	14.8
Income from financial product sales	72.6	72.2	67.7	75.0	69.6	-4.2	-7.3
Trading/interest income	84.6	126.7	28.8	313.9	128.3	51.6	-59.1
IB	82.5	51.6	36.6	45.2	59.6	-27.7	31.9
Other income	12.4	18.2	8.0	11.3	12.4	-0.4	9.2
Commission expenses	-13.7	-13.8	-12.0	-13.4	-14.4	4.9	7.8
Operating expenses	177.8	199.5	207.6	220.9	196.5	10.5	-11.1
SG&A expenses	81.6	81.1	91.9	69.4	78.8	-3.5	13.5
OP	162.7	144.6	-0.1	322.5	186.9	14.9	-42.1
Pretax profit	160.7	143.3	-3.1	327.2	186.2	15.9	-43.1
Taxes	41.8	29.4	2.7	89.7	47.3	13.1	-47.3
NP	118.9	113.8	-5.8	237.4	139.0	16.8	-41.5

Source: Company data, Mirae Asset Securities Research

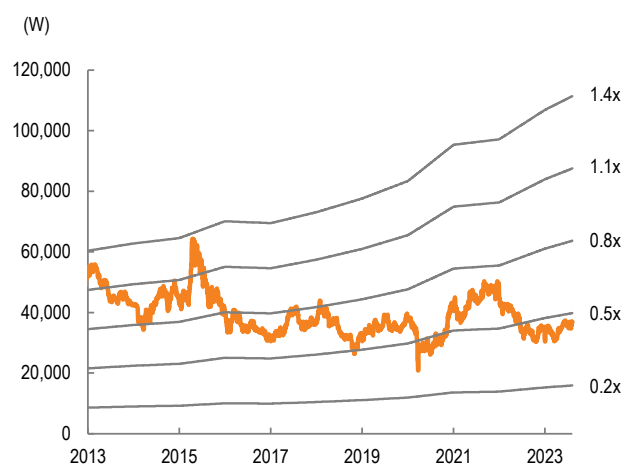
Table 2. 2Q23 review (consolidated)

(Wbn, %)

	2Q22	3Q22	4Q22	1Q23	2Q23	YoY	QoQ
Net operating revenue	368.6	367.5	247.9	576.2	414.0	12.3	-28.2
Net brokerage income	115.1	103.3	93.1	125.2	140.0	21.7	11.9
Income from financial product sales	72.6	72.2	67.7	75.0	69.6	-4.2	-7.2
Trading and interest income	119.7	150.8	59.4	340.4	155.6	30.0	-54.3
IB	62.9	35.0	21.9	27.0	40.2	-36.2	48.7
Other income	20.6	13.1	19.0	14.8	18.4	-10.6	24.8
Commission expenses	-22.4	-6.9	-13.2	-6.1	-9.8	-56.3	60.3
Operating expenses	185.9	211.3	221.0	234.6	213.6	14.9	-9.0
SG&A expenses	83.0	84.4	95.8	73.4	86.5	4.2	17.8
OP	182.8	156.2	26.9	341.6	200.4	9.7	-41.3
Pretax profit	182.4	156.1	19.8	347.0	203.2	11.4	-41.5
Income tax expense	45.6	32.6	9.4	94.4	51.6	13.2	-45.3
NP	136.8	123.5	10.4	252.6	151.5	10.8	-40.0
NP attributable to owners	136.8	123.5	10.4	252.6	151.5	10.8	-40.0

Source: Company data, Mirae Asset Securities Research

Figure 1. 12-month forward P/B band chart



Source: Company data, Mirae Asset Securities Research

Figure 2. 12-month forward P/B ± 2 SD

Source: Company data, Mirae Asset Securities Research

Samsung Securities (016360 KS)

Balance sheet (summarized)

(Wbn)	2022	2023F	2024F	2025F
Cash & deposits	9,965	9,633	9,823	10,029
Securities	31,100	33,940	34,853	35,816
Short-term trading	26,279	30,045	30,938	31,878
Available-for-sale	4,645	3,699	3,699	3,699
Equity-method	176	196	216	239
Structured	0	0	0	0
Derivatives	839	737	813	898
Loans	7,499	7,958	8,305	8,514
Tangible assets	106	90	90	90
CMA assets (merchant bank accounts)	0	0	0	0
Lease assets (merchant bank accounts)	0	0	0	0
Other assets	4,339	9,062	9,523	10,009
Total assets	53,848	61,419	63,408	65,356
Deposits	13,359	14,459	14,860	14,860
Borrowings	29,930	31,336	32,449	33,901
Other liabilities	4,364	8,824	8,824	8,824
Total liabilities	47,652	54,618	56,133	57,586
Equity capital	458	458	458	458
Capital surplus	1,743	1,743	1,743	1,743
Capital adj.	-59	-59	-59	-59
AOI	220	258	258	258
Retained earnings	3,832	4,399	4,874	5,369
Total shareholders' equity	6,196	6,801	7,275	7,770

Income statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Net operating revenue	1,401	1,815	1,839	1,884
Net fee & commission income	714	845	894	948
Net brokerage	331	433	441	451
Asset management	105	108	111	110
Underwriting	155	185	207	229
Securities lending fee income	0	0	0	0
Other commissions	123	119	135	157
Net interest income	621	603	593	650
Net prop trading income	65	367	352	285
Other	0	0	0	0
SG&A expenses	822	848	859	866
Wages	424	457	456	460
IT costs	95	100	101	102
Fixed costs	28	30	29	29
Variable costs	275	261	273	274
Bad debt expenses	0	0	0	0
OP	578	967	979	1,018
Non-operating profit	-3	8	0	0
Recurring profit	575	975	979	1,018
Taxes	152	257	255	265
NP	422	719	725	754
NP attributable to owners	422	719	725	754

Key ratios/growth metrics

	2022	2023F	2024F	2025F
Growth (%)				
Total assets	-18.0	14.1	3.2	3.1
Customer deposits	-23.3	5.7	2.6	0.0
Total shareholders' equity	1.9	9.8	7.0	6.8
Net commission income	-35.9	18.3	5.8	6.0
Net operating income	-37.5	29.6	1.3	2.5
OP	-55.8	67.3	1.3	4.0
NP	-56.2	70.2	0.8	4.0
Profitability (%)				
ROE	6.9	11.1	10.3	10.0
ROA	0.7	1.2	1.2	1.2

Efficiency (%)

Net operating revenue/SG&A	170.3	214.1	214.0	217.6
Fee & commission income/SG&A	86.8	99.6	104.1	109.5

Source: Company data, Mirae Asset Securities Research estimates

Key ratios/indicators

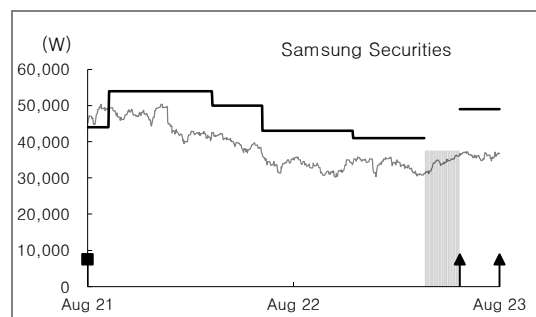
	2022	2023F	2024F	2025F
Stability (%)				
Reserve ratio	1,251.4	1,383.3	1,486.8	1,594.7
Net debt-to-equity ratio	257.5	318.8	305.1	295.5
Indicators (W, x)				
EPS	4,730	8,050	8,116	8,439
BPS	69,383	76,154	81,470	87,009
P/E	6.6	4.5	4.4	4.3
P/B	0.5	0.5	0.4	0.4
DPS (W)				
Common	1,700	2,800	2,900	3,000
Preferred	0	0	0	0
Dividend yield (%)				
Common	5.4	7.6	7.9	8.2
Preferred	-	-	-	-
Dividend payout ratio (%)	35.9	34.8	35.7	35.5

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
Samsung Securities (016360)	05/31/23	Buy	49,000
	03/30/23	No Coverage	
	11/23/22	Trading Buy	41,000
	06/15/22	Trading Buy	43,000
	03/18/22	Trading Buy	50,000
	09/16/21	Trading Buy	54,000
	03/29/21	Trading Buy	44,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	89.09%	7.88%	2.42%	0.61%
Investment banking services	100%	0%	0%	0%

* Based on recommendations in the last 12-months (as of June 30, 2023)

Disclosures

As of the publication date, Mirae Asset Securities Co., Ltd. and/or its affiliates do not have any special interest with the subject company and do not own 1% or more of the subject company's shares outstanding.

Analyst certification

The research analysts who prepared this report (the "Analysts") are registered with the Korea Financial Investment Association and are subject to Korean securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws or regulations thereof. Each Analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the personal views of the Analyst about any and all of the issuers and securities named in this report and (ii) no part of the compensation of the Analyst was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report. Mirae Asset Securities Co., Ltd. ("Mirae Asset Securities") policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst's area of coverage, and the Analysts do not serve as an officer, director, or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. Like all employees of Mirae Asset Securities, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading, and private client divisions. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or Mirae Asset Securities except as otherwise stated herein.

Disclaimers

This report was prepared by Mirae Asset Securities, a broker-dealer registered in the Republic of Korea and a member of the Korea Exchange. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and Mirae Asset Securities makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein or of any translation into English from the Korean language. In case of an English translation of a report prepared in the Korean language, the original Korean language report may have been made available to investors in advance of this report. The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws, and accounting principles, and no person whose receipt or use of this report would violate any laws or regulations or subject Mirae Asset Securities or any of its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person, and such person shall not be treated as a client of Mirae Asset Securities by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. Mirae Asset Securities, its affiliates, and their directors, officers, employees, and agents do not accept any liability for any loss arising out of the use hereof.

Mirae Asset Securities may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views, and analytical methods of the analysts who prepared them. Mirae Asset Securities may make investment decisions that are inconsistent with the opinions and views expressed in this research report. Mirae Asset Securities, its affiliates, and their directors, officers, employees, and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. Mirae Asset Securities and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making, or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of Mirae Asset Securities. For further information regarding company-specific information as it pertains to the representations and disclosures in this Appendix 1, please contact compliance@miraeasset.us.com or +1 (212) 407-1000.

Distribution

United Kingdom: This report is being distributed by Mirae Asset Securities (UK) Ltd. in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), and (ii) high net worth companies and other persons to whom it may lawfully be communicated, falling within Article 49(2)(A) to (E) of the Order (all such persons together being referred to as "Relevant Persons"). This report is directed only at Relevant Persons. Any person who is not a Relevant Person should not act or rely on this report or any of its contents.

United States: Mirae Asset Securities is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This report is distributed in the U.S. by Mirae Asset Securities (USA) Inc., a member of FINRA/SIPC, to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6(b)(4) under the U.S. Securities Exchange Act of 1934, as amended. All U.S. persons that receive this document by their acceptance hereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Mirae Asset Securities or its affiliates. Any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Mirae Asset Securities (USA) Inc. Mirae Asset Securities (USA) Inc. accepts responsibility for the contents of this report in the U.S., subject to the terms hereof, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Mirae Asset Securities. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. persons absent registration or an applicable exemption from the registration requirements.

Hong Kong: This report is distributed in Hong Kong by Mirae Asset Securities (HK) Limited, which is regulated by the Hong Kong Securities and Futures Commission. The contents of this report have not been reviewed by any regulatory authority in Hong Kong. This report is for distribution only to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person.

India: This report is being distributed by Mirae Asset Capital Markets (India) Private Limited ("MACM") in India to the customers based in India and is personal information only for those authorised recipient(s). MACM is inter alia a Securities and Exchange Board of India ("SEBI") registered Research Analyst in India and is not registered outside India. MACM and Mirae Asset, Korea are group entities. MACM makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein. The user assumes the entire risk of any use made of this information. This report has been provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipient must read the entire Appendix 1 to the report carefully for Important Disclosures & Disclaimers.

All other jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Mirae Asset Securities or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Mirae Asset Securities and its affiliates to any registration or licensing requirement within such jurisdiction.

Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul) One-Asia Equity Sales Team Mirae Asset Center 1 Building 26 Eulji-ro 5-gil, Jung-gu, Seoul 04539 Korea Tel: 82-2-3774-2124	Mirae Asset Securities (HK) Ltd. Units 8501, 8507-8508, 85/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong Tel: 852-2845-6332	Mirae Asset Securities (UK) Ltd. 41st Floor, Tower 42 25 Old Broad Street, London EC2N 1HQ United Kingdom Tel: 44-20-7982-8000
Mirae Asset Securities (USA) Inc. 810 Seventh Avenue, 37th Floor New York, NY 10019 USA Tel: 1-212-407-1000	Mirae Asset Wealth Management (Brazil) CCTVM Rua Funchal, 418, 18th Floor, E-Tower Building Vila Olimpia Sao Paulo - SP 04551-060 Brazil Tel: 55-11-2789-2100	PT. Mirae Asset Sekuritas Indonesia District 8, Treasury Tower Building Lt. 50 Sudirman Central Business District Jl. Jend. Sudirman, Kav. 52-54 Jakarta Selatan 12190 Indonesia Tel: 62-21-5088-7000
Mirae Asset Securities (Singapore) Pte. Ltd. 6 Battery Road, #11-01 Singapore 049909 Republic of Singapore Tel: 65-6671-9845	Mirae Asset Securities (Vietnam) LLC 7F, Saigon Royal Building 91 Pasteur St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3911-0633 (ext.110)	Mirae Asset Securities Mongolia UTsK LLC #406, Blue Sky Tower, Peace Avenue 17 1 Khoroo, Sukhbaatar District Ulaanbaatar 14240 Mongolia Tel: 976-7011-0806
Mirae Asset Investment Advisory (Beijing) Co., Ltd 2401B, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699	Beijing Representative Office 2401A, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699 (ext. 3300)	Shanghai Representative Office 38T31, 38F, Shanghai World Financial Center 100 Century Avenue, Pudong New Area Shanghai 200120 China Tel: 86-21-5013-6392
Ho Chi Minh Representative Office 7F, Saigon Royal Building 91 Pasteur St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3910-7715	Mirae Asset Capital Markets (India) Pvt Ltd 1st Floor, Tower 4, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai - 400 070 India Tel: 91-22-62661300 / 48821300	