MIRAE ASSET Securities

[2025: Volume 15]

MIRAE ASSET MINUTES

Biweekly strategy meeting recap

IT Hardware
LG Innotek

Semiconductors
Samsung Electronics

EV Batteries
LG Energy Solution

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Growing need for risk management as expectations weaken

Top stories

IT Hardware — Junseo Park

- While global IT device/set demand in 2H25 remains uncertain, shipments of Apple's new models will likely grow 3.4% YoY (taking into account the 2.75-year replacement cycle for Pro models).
- Following a three-week delay in shipments in 2Q25 (due to price negotiations), companies in Apple's value chain are likely to deliver solid 3Q25 earnings on the recognition of deferred volumes.
- Our top pick is LG Innotek with a target price of W220,000. The firm's earnings should improve in 2H25 on rising shipments to its key North American customer. It should also see slight M/S gains (amid US-China tensions) and a rising mix of high-end products. Positive price and volume trends should drive continued growth in 2026.

Semiconductors — Young-gun Kim

- Big tech investments remain strong. Alphabet revised up its annual capex guidance, and Meta raised the bottom end of its annual capex guidance range.
- Demand is solid, while supply constraints persist across the value chain. Demand should continue to outpace supply through 1H26.
- Our top pick is Samsung Electronics (SEC) with a target price of W88,000 (recently raised from W78,000). The recent chip supply contract with Tesla reaffirms the company's strong technological capabilities.
- The deal with Tesla should lay the groundwork for further customer base expansion. Going forward, SEC may begin to supply 12-layer HBM3E chips, and its recent timely delivery of HBM4 samples could help it gain ground in the HBM market next year.

EV Batteries — Chuljoong Kim

- It is time to reassess the value of Korean cell makers' North American ESS battery businesses. Despite downward revisions to EV demand forecasts, solid ESS growth should lead to stronger-than-feared earnings in 2026.
- We expect ESS battery mass production in North America to yield OP margins in the 20–30% range (including the AMPC).
- Our top pick is LG Energy Solution (LGES) with a target price of W530,000. We expect US ESS customers to rapidly shift away from Chinese suppliers, benefiting Korean companies. Indeed, this shift appears to be underway, as evidenced by LGES's recent battery deal with Tesla.

Top picks

HD HHI	Hyundai Rotem	Samsung Electronics New	LG Innotek New	LG Energy Solution
Samsung Biologics	LigaChem Biosciences	NAVER	Netmarble	SM Entertainment
			KB Financial Group Removed	Classys Removed

Growing need for risk management as expectations weaken

Investment ideas

- Both the Korean and US stock markets, which had been showing strength, pulled back sharply late last week. In Korea, expectations for market-friendly policies had fueled a broad rally following the Jun. 3 presidential election, but the administration's proposed tax reforms appeared to contradict its earlier pro-market pledges. In the US, Jul. jobs data undermined confidence in the strength of job creation, reigniting recession concerns.
- In both markets, valuations had become somewhat stretched, heightening correction risks. In the US, concerns are mounting over tariff-driven inflation pressures, while in Korea, downside risks to corporate earnings could dampen stock market momentum in 2H25.
- If the US begins to experience stagflation-like conditions, the Fed could find it harder to lower rates, leading to downside pressure on equities. Accordingly, CPI data for Jul.-Aug. (due before the Sep. FOMC meeting) will be crucial in determining the market's direction.
- Given reduced upside potential and heightened volatility risks, we believe equity portfolios should lean more toward stable/defensive plays. At the same time, tactical flexibility remains important, as Fed rate cut expectations could persist. Alongside a top-down approach, we advise selectively adding companies with strong earnings turnaround potential, which could help generate returns above the market.

Top 10 picks: Changes and comments

- For our top 10 picks, we added LG Innotek and SEC while removing KB Financial Group (KBFG) and Classys. These changes are mainly based on expectations for earnings turnarounds.
- LG Innotek is likely to deliver an earnings turnaround, supported by iPhone 17 launch effects. SEC also looks well-positioned due to continued strength in semiconductor demand and the recent foundry deal with Tesla (which could prompt upward revisions to earnings estimates).
- HD Hyundai Heavy Industries (HD HHI) and Hyundai Rotem remain among our top picks, as they are leading players in key industries (shipbuilding and defense). We also keep SM Entertainment and Samsung Biologics due to their continued positive earnings momentum.
- Meanwhile, LGES, which was added to our top 10 picks two weeks ago, has displayed a strong rally. We recently lifted our target price on the stock; the outlook remains strong due to expectations for increased LFP battery revenue in the North American ESS market.

Electrical/Electronic Components

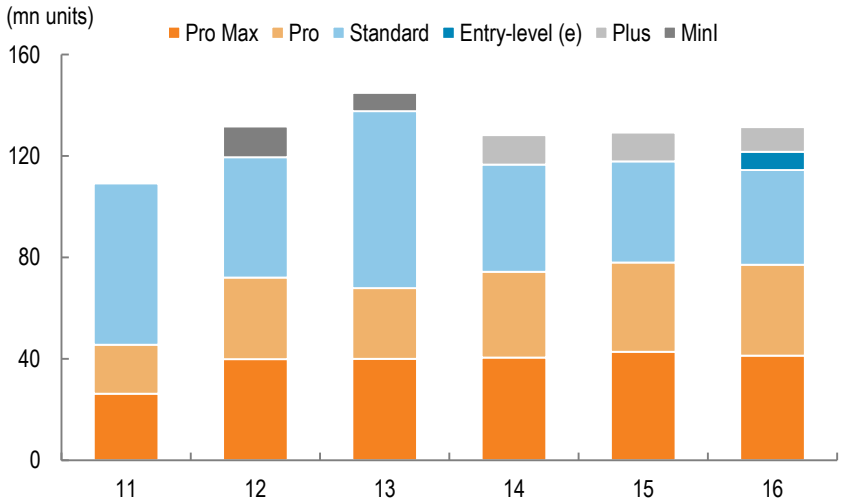
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New findings

- In 2025, global smartphone shipments are expected to remain flat YoY, while AI server shipments should remain strong, supported by increased capex at cloud service providers.
- While overall device demand is likely to remain soft, global iPhone shipments are projected to expand to 91mn units in 2H25 (vs. 88mn units in 2H24). This growth will likely be supported by replacement demand, as the Pro lineup is reaching the end of its typical 2.75-year upgrade cycle.
- In 2Q25, component shipments to Apple were delayed by about three weeks due to price negotiations. In 3Q25, the recognition of deferred volumes should support solid earnings for companies in Apple's value chain.
- Samsung Display is expected to be the exclusive supplier of foldable displays for Apple's new products. Key beneficiaries will likely include BH, LG Innotek, and Fine Technix.

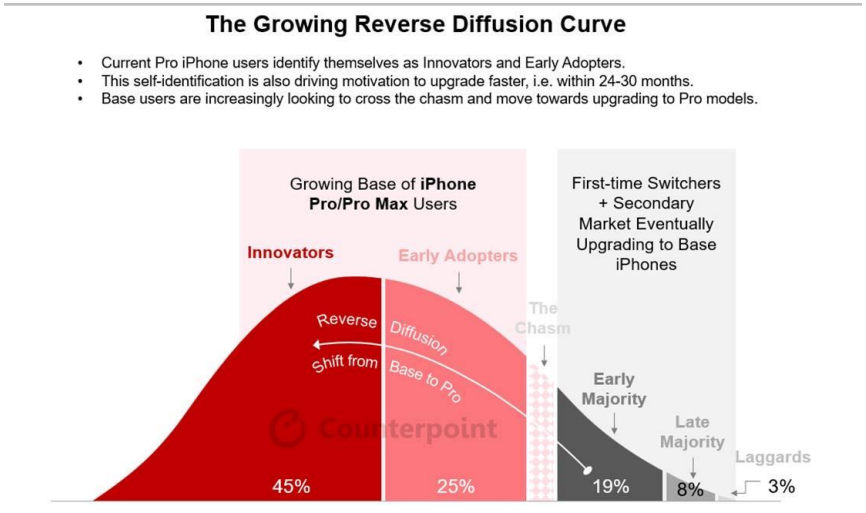
Key charts

Revenue breakdown by iPhone model



Source: Counterpoint, Mirae Asset Securities Research

Replacement cycle for iPhone Pro models is around 2.75 years



Source: Counterpoint, Mirae Asset Securities Research

LG Innotek

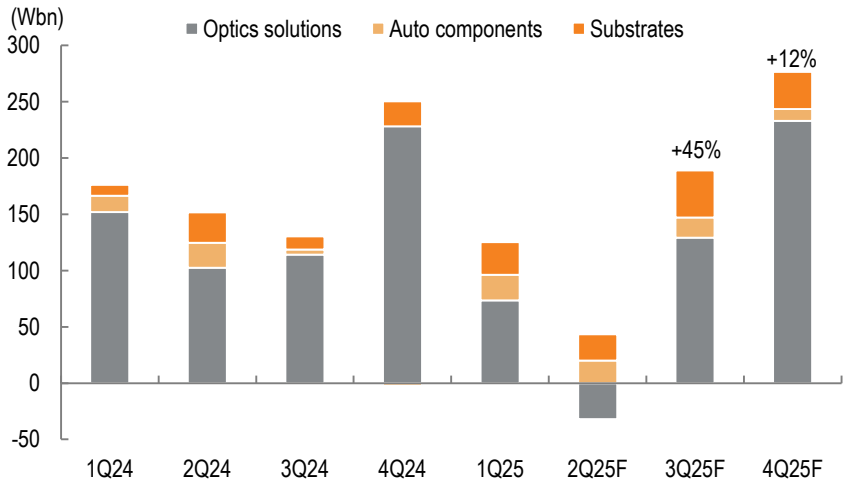
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Top pick

- We forecast LG Innotek to deliver solid OP growth in 3Q25 (+44.9% YoY) and 4Q25 (+11.6% YoY), with sharper growth in 3Q25 due to a low YoY base.
- The company is likely to benefit from higher downstream volume (with shipments of the iPhone 17 projected to increase 3.4% YoY compared to its predecessor). It is also likely to see slight M/S gains (due to US-China tensions) and a growing mix of high-end products (amid replacement demand for iPhone Pro models).
- The optics solutions unit should continue solid growth in 2026. Camera spec upgrades (e.g., variable aperture lenses and slimmer modules) should support ASP growth, and the company is likely to maintain a high M/S within its key North American customer's supply chain even after the launch of foldable models.
- The stock has historically shown a strong correlation with 12MF EPS (0.91). With earnings likely to grow in 2026, we see ample upside for the stock.

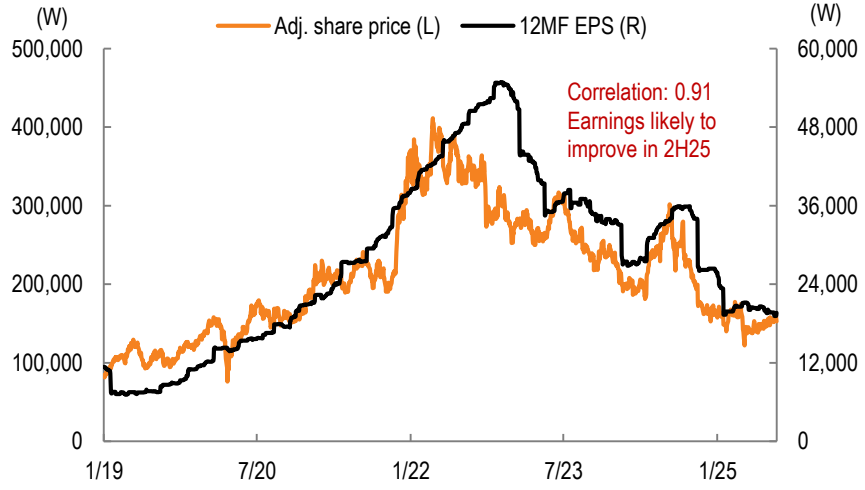
Key charts

LG Innotek: Quarterly OP forecasts by business



Source: LG Innotek, Mirae Asset Securities Research

LG Innotek: 12-month forward EPS vs. share price



Source: Mirae Asset Securities Research

Semiconductors

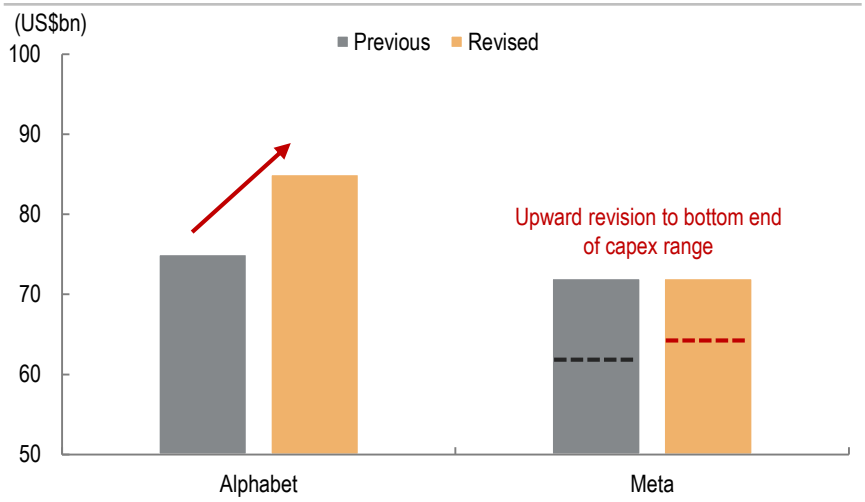
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New findings

- Big tech companies are continuing to ramp up AI-related investments. Alphabet revised up its full-year capex guidance from US$75bn to US$85bn, and Meta raised the bottom end of its full-year capex guidance range from US$64bn to US$66bn. Spending is increasingly being concentrated on AI, underscoring the growing bifurcation of demand across the semiconductor industry.
- On the supply side, constraints persist across the value chain (power limitations, chip yield issues, delays in new product releases, etc.). In particular, substrate shortages could delay the expansion of CoWoS capacity. All in all, demand should continue to outpace supply at least through 1H26.
- Meanwhile, most market participants expect semiconductor tariffs to settle at around 15%. Given the US's reliance on Korea for key semiconductor products, semiconductor tariffs are unlikely to be higher than base tariff levels.

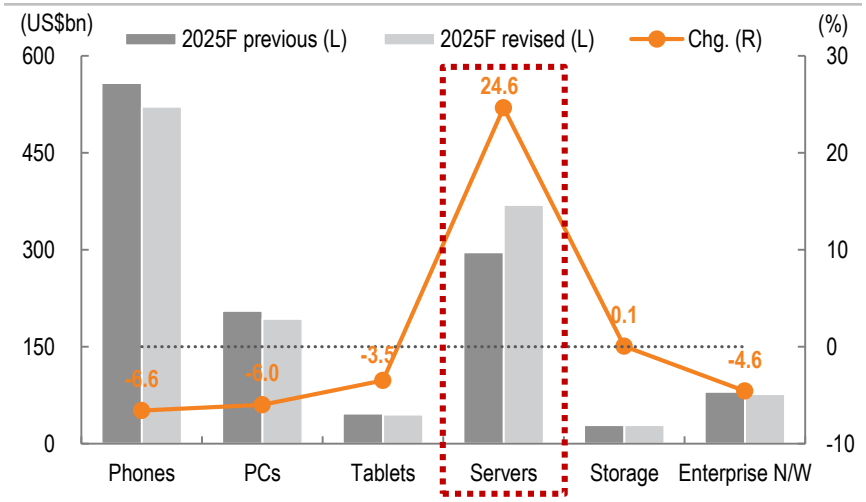
Key charts

Alphabet and Meta raise their full-year capex guidance



Source: Mirae Asset Securities Research

Change in IT spending outlook



Note: Forecasts made in 2Q25 vs. forecasts made in 1Q25
Source: Mirae Asset Securities Research

Samsung Electronics

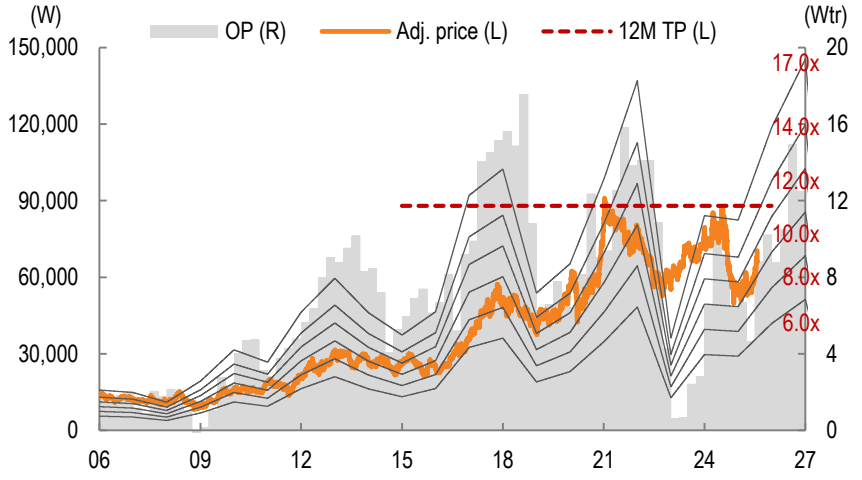
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Top pick

- Our target price for SEC is W88,000. The recent chip supply contract with Tesla marks a formal recognition of SEC's technological capabilities by a leading AI-focused big tech firm. Foundry shipments to Tesla are expected to ramp up in earnest from 2027. While the deal is unlikely to boost earnings in the near term, we expect it to lay the groundwork for further customer base expansion.
- For 3Q25, we estimate bit growth at +7.6% for DRAM and +5% for NAND, supported by strong demand from AI servers and the rollout of new PC products. We also expect ASPs to rise, given healthy inventory levels (below normal for DRAM and normal for NAND) and limited growth in supply. It is also positive that provisioning (recorded in the previous quarter) has been completed.
- In 2026, we expect the company to gain ground in the HBM market. It is well-positioned to begin supplying 12-layer HBM3E chips and has already supplied HBM4 samples. Notably, the combination of advanced-node foundry operations (now with a major customer onboard) and HBM represents a business model that is unprecedented in the industry; if this model gains traction, it could offer meaningful valuation upside.

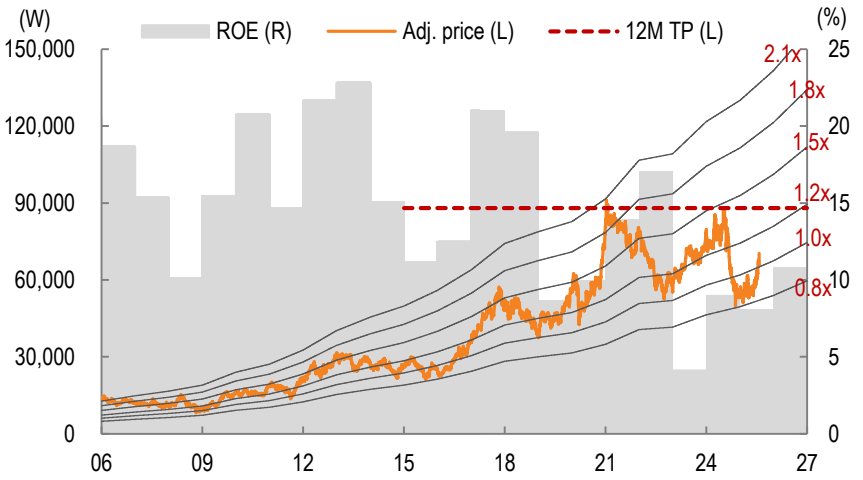
Key charts

SEC: 12-month forward P/E band chart



Source: Mirae Asset Securities Research

SEC: 12-month forward P/B band chart



Source: Mirae Asset Securities Research

EV Batteries

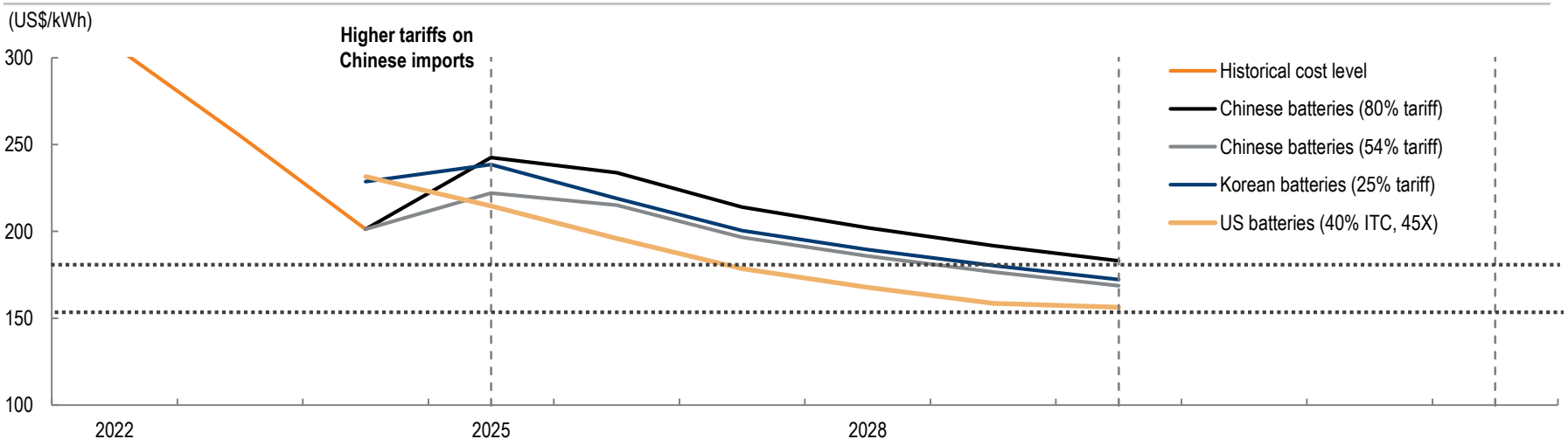
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New findings

- We believe it is time to reassess the value of Korean cell makers' North American ESS battery businesses. We expect the revenue/profit mix of ESS operations to rise sharply from 2026.
- ESS demand in North America is likely to be pulled forward through 2027 as companies rush to qualify for tax credits (ITC, PTC, and AMPC) before they are phased out.
- Chinese ESS products are unlikely to gain meaningful traction in the US market due to tariffs and policy restrictions (e.g., loss of eligibility for credits if a high share of components comes from prohibited foreign entities).
- We believe LGES's ESS-use LFP battery supply contract with Tesla (signed on Jul. 30) is clear evidence of the changing competitive landscape in the US market.
- We expect LFP battery momentum from North America to continue going forward.

Key charts

ESS costs in the US market: US < Korea < China



Source: BNEF, Mirae Asset Securities Research

LG Energy Solution

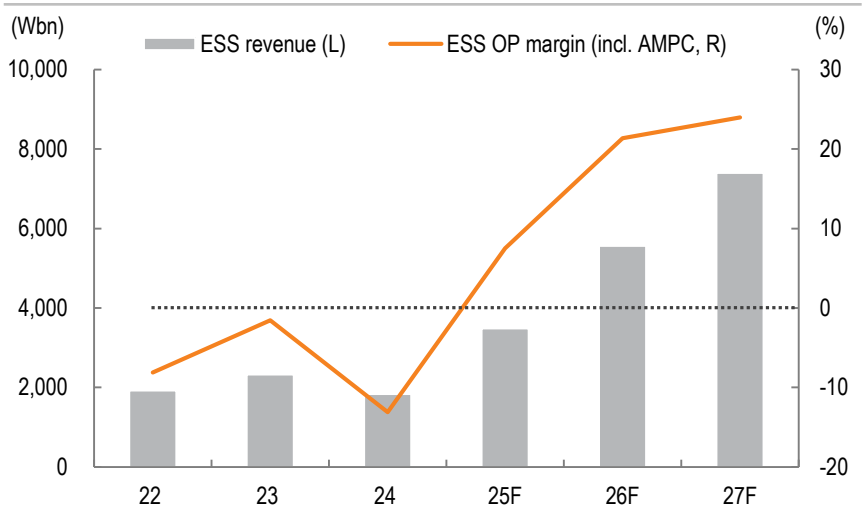
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Top pick

- We estimate the value of LGES's ESS battery business at over W40tr. In 2026, we expect ESS operations to yield an OP margin of over 20% (AMPC included).
- For North American ESS operations, assuming an ASP of US$200 and an AMPC of US$45/kWh, we believe that an OP margin above 25% is theoretically achievable.
- LGES signed an ESS-use LFP battery supply contract with Tesla. This is a significant development, as it suggests that even companies that have been relatively friendly toward China are inevitably moving away from Chinese suppliers due to US-China trade tensions. Accordingly, Korean battery cell makers will likely continue securing LFP battery orders in North America.
- On Jul. 28, we lifted our target price on LGES to W530,000 (from W420,000), as we revised up our target EV/EBITDA multiple for the ESS business (to 20x).

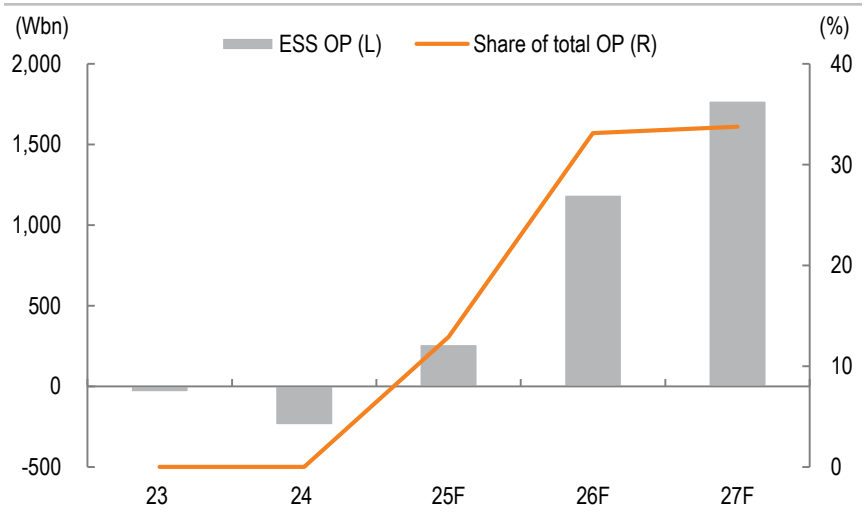
Key charts

LGES: ESS revenue and OP margin forecasts



Source: LGES, Mirae Asset Securities Research

LGES: ESS's OP share (AMPC included) to increase



Source: Mirae Asset Securities Research

Biweekly strategy meeting minutes

Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Energy	Jinho Lee	- Solar PV: The OBBB's passage and Trump's recent executive orders should make it increasingly difficult for solar products that involve China at any stage of production to enter the US market; as a result, solar companies with low exposure to Chinese components are likely to outperform in the near term - Wind: The onshore market should remain strong; in the US, demand is being pulled forward as developers rush to meet tax credit eligibility requirements (i.e., 5% safe harbor rule); this should benefit companies across the related value chain; that said, estimates for the offshore market will likely continue to be lowered	[Short term] OCI Holdings (prev. Hanwha Solutions) [Medium term] Hanwha Solutions	**OCI Holdings** - US policies aimed at excluding China from key supply chains should boost demand for non-China polysilicon; we forecast earnings to pick up from the 2Q25 bottom, with utilization likely to normalize to 90% from Sep.; the ongoing re-rating across global polysilicon producers should also positively affect supply/demand dynamics **Hanwha Solutions** - TPO-related subsidies will remain in place through 2027, and the short-term front-loading of demand should drive an increase in US module prices, supporting continued business growth
Oil Refining/ Chemicals	Jinho Lee	- Oil refining: 2Q25 results were sluggish due to simultaneous declines in oil prices and the USD/KRW rate; however, 2Q likely marked a bottom; refining margins remain solid, and oil prices are expected to rise in 2H25 due to an earlier-than-expected end to OPEC+'s output hikes and declining US shale output - Chemicals: Our rating for 2H25 remains Neutral; while spreads may improve if the global economy recovers, persistent oversupply from China should limit the extent of earnings improvement	[Short term] S-Oil [Medium term] S-Oil	**S-Oil** - The company is likely to benefit from a rebound in crack spreads thanks to its high proportion of upgrading facilities; middle distillate inventories in the US have fallen to a five-year low, suggesting further upside to margins; attractive valuation (P/B of 0.8x)

Biweekly strategy meeting minutes

Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Defense/ Aerospace	Dong-ho Jeong	- The 2Q25 earnings season is underway; Hanwha Aerospace beat the OP consensus by 20% and is likely to continue delivering solid QoQ/YoY growth in defense; the stock remains our second-most preferred pick; on the other hand, we lowered our ratings on Hanwha Systems (missed OP consensus by 56%) and KAI (beat by 24%) to Hold, as the stocks face earnings uncertainty and valuation pressure (limiting upside) - On Aug. 1, Hyundai Rotem signed a follow-up K2 tank contract with Poland worth W9tr—the largest single defense export deal in Korea's history; the deal includes 116 K2GF units (to be delivered by 2027), 64 K2PL units (2028-30), and 81 support vehicles (25 engineering vehicles, 25 bridge-laying vehicles, and 31 recovery vehicles), along with logistics/training equipment, ammunition, and technology transfers; given this strong export momentum, Hyundai Rotem remains our top pick in the defense space - A key catalyst for 2025 is Saudi Arabia's final selection of a preferred defense cooperation partner by year-end; the potential scale of related procurement projects is likely to exceed W40tr; if entry into the Middle East becomes visible, Korean defense firms should see strong earnings momentum and re-ratings	[Short term] **Hyundai Rotem** [Medium term] **Hyundai Rotem**	**Hyundai Rotem** - Follow-up K2 contract with Poland worth W9tr signed on Aug. 1; with deliveries scheduled for 2026–30, the deal is likely to add W1.8tr to annual revenue and W720bn to OP (OP margin of 40%), supporting medium/long-term earnings growth - The company is actively pursuing a deal to supply over 500 K2 tanks to Saudi Arabia (potential order size estimated at W12.5tr); a shortlist is expected by end-2025 or early 2026, with the main contract potentially being signed as early as next year; for Romania, a contract for 250 units is expected in 2026 (while a preliminary agreement this year would be a positive surprise) - HD Hyundai Infracore and MNC Solution (key suppliers) are currently doubling their capacity (targeting 2H26–27 deliveries), and Hyundai Rotem also appears to be expanding its capacity from 120 to 240 units; this suggests that defense revenue could double and total OP could exceed W2tr by 2027

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Shipbuilding	Dong-ho Jeong	- The newbuilding price index declined 0.51p WoW to 186.15p; order placements remain subdued ahead of the Oct. implementation of USTR port entry measures and the IMO's MEPC 84th session - A US$150bn fund is being formed to support Korea-US shipbuilding cooperation; the initiative—backed by public financing—could eventually lead to orders for US strategic merchant vessels, naval ships, auxiliary vessels, and MRO services - The EU has committed to buying US$750bn worth of US energy products from 2026 to 2028 ($250bn annually), which is more than 10 times the existing level; this could cause a shortage of ships capable of transporting crude oil, LNG, and refined products, triggering newbuilding demand; as these vessels would be carrying US products, orders would more likely go to Korean shipbuilders than to Chinese ones	[Short term] HD HHI [Medium term] HD HHI	**HD Hyundai Heavy Industries** - 2Q25 review: Revenue of W4.15tr (+7% YoY; 1.2% above consensus) and OP of W471.5bn (+141% YoY; 2.9% above consensus); one-off items included FX-related losses of W29.3bn and a W7bn gain from a change order on the offshore Shenandoah project - In 2H25, QoQ profit growth should accelerate on a rising mix of high-priced, higher-margin vessels; average shipbuilding prices are likely to increase 2-3% QoQ; in 4Q25, we expect the share of gas carriers to rise to 84% and that of container ships to fall to 16%, further supporting margin expansion - As of end-Jun., cumulative orders totaled US$8bn, representing 64% of the full-year guidance (US$12.6bn); we see ample room for a valuation re-rating, given: 1) medium/long-term supply shortages in shipbuilding; 2) the strong turnaround unfolding across the shipbuilding sector; and 3) emerging growth in the global naval ship market
Construction/ Building Materials	Ki Ryong Kim	- Since the government announced household debt control measures on Jun. 27, Seoul apartment price growth has slowed (from +0.40% WoW on Jun. 30 to +0.12% WoW on Jul. 28), weighing on investor sentiment in the construction sector - There is ongoing caution in the market over the possibility of further real estate demand-suppression measures, such as the potential application of DSR rules to *jeonse* loans, the expansion of regulated zones, and tighter LTV requirements - Major construction firms have completed announcing 2Q earnings; while housing cost ratios improved, overseas cost issues weighed on results - Stocks will likely diverge depending on the presence of nuclear momentum and the strength of earnings turnarounds; based on these factors, we prefer Hyundai E&C, followed by DL E&C and Daewoo E&C - On Jul. 31, DL E&C announced a W34.4bn treasury share buyback plan (to be executed between Aug. 1 and Dec. 24, 2025), in line with its previously disclosed shareholder return policy	[Short term] Daewoo E&C [Medium term] Hyundai E&C	**Daewoo E&C** - 2Q25 OP came in at W82.2bn (-21.6% YoY), falling 18% short of the consensus (W100.6bn); despite housing cost ratio improvement, earnings were weighed down by roughly W50bn in provisions for unsold housing and additional cost recognition at domestic and overseas civil engineering sites - The firm secured a Turkmenistan fertilizer plant order in 2Q25; a potential contract for the Czech nuclear power plant (in cooperation with KHNP) in 3Q25 could help further fill the overseas order void and boost nuclear power momentum **Hyundai E&C** - 2Q25 OP was in line with the consensus; the domestic housing mix improved, but cost increases at sites in Saudi Arabia and Qatar were headwinds; reflecting cost risks in 2H25, we revised down our full-year OP estimate from W1tr to W920bn - Although full-year OP may miss the guidance, the overall earnings turnaround trajectory and nuclear expectations remain intact; while the stock is pulling back following a sharp rally in 1H25, we see room for further multiple expansion as progress in nuclear projects becomes visible

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Steel	Ki Ryong Kim	- On Jul. 24, the KTC announced a preliminary decision to recommend provisional antidumping duties on hot-rolled steel imported from China (28.16–33.1%) and Japan (31.58–33.57%); the recommended duties should lead to reduced import volumes and higher prices, supporting margins for domestic steelmakers - The trade agreement between Korea and the US did not address tariffs on key items (e.g., steel and aluminum); as such, the tariff rate on Korean steel exports to the US remains unchanged at 50% - On Jul. 30, a Chinese news agency reported that the China Iron and Steel Association had urged steelmakers to rationalize production and adjust export strategies; this further reaffirms the Chinese government's commitment to output reductions - According to the World Steel Association, China's crude steel output in May and Jun. declined 6.8% and 9.2% YoY, respectively—sharper drops than the global averages (-3.8% and -6.2%, respectively)	[Short term] Hyundai Steel [Medium term] Hyundai Steel	**Hyundai Steel** - 2Q25 consolidated OP was W101.8bn, growing 3.9% YoY and swinging to positive territory QoQ; however, on a standalone basis, the firm posted an operating loss of W7.5bn (remaining in the red QoQ) due to continued construction market weakness and narrower spreads for long products - The preliminary ruling in the antidumping case targeting hot-rolled steel imports is favorable - Looking ahead, the likely resolution of funding uncertainties related to the US electric arc furnace project should also serve as a potential catalyst for the stock
Power Equipment	Yunju Cho	- Most US-listed utility companies highlighted strong demand from data centers during their 2Q earnings calls; several announced the signing of 1GW+ data center contracts, prompting grid infrastructure investment plans; for instance, Xcel Energy unveiled a US$45bn capex plan spanning five years (from 2025); these developments point to the onset of a large-scale power grid investment cycle - On its earnings call, Amazon said that demand for AWS was outpacing supply and cited power supply as the most significant bottleneck	[Short term] HD Hyundai Electric (prev. Hyosung Heavy) [Medium term] Hyosung Heavy	**HD Hyundai Electric** - 2Q25 review: Consolidated OP slowed due to intercompany adjustments, but standalone OP margin climbed 2.7%p QoQ to 27.7%, confirming that the high-margin order backlog is steadily contributing to earnings - US tariffs finalized at 15%; talks with customers regarding compensation for tariff costs seem to be progressing smoothly, suggesting potential upside to profitability **Hyosung Heavy Industries** - 2Q25 review: The power systems business (within the heavy industries division) posted a record-high OP margin of 18.7% (+4.3%p QoQ); out of total orders in 2Q25 (W2.2tr), over W1tr came from North America, highlighting growing US exposure - The firm plans to invest W250bn through 2027 to expand its HVDC transformer capacity; it also plans to invest W60bn in domestic facilities to meet rising US demand for high-voltage circuit breakers (likely to boost annual revenue by W340bn) - We see potential for additional nuclear-related order wins in the US (worth roughly W260bn) in 2H25; if secured, these could support visible earnings improvement through 2027

Biweekly strategy meeting minutes

Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Transportation	Jay JH Ryu	- Shipping: The SCFI declined 2.6% WoW; that said, rates remain stable on European routes, and the overall index remains 20% above its previous low - Airlines: The Baltic Air Freight Index declined at a slower pace, with rates on major routes rising or holding steady - UPS reported disappointing earnings and suspended forward guidance for the remainder of 2025, raising concerns over the impact of tariffs; that said, we still expect passenger demand to rebound in 2H - The BDI recovered to 2,000p, down 10% from its recent peak but still showing resilience despite the off-season; drivers include higher coal demand in China (due to extreme heat) and expectations for further stimulus ahead of China's Politburo meeting and fourth plenary session; over the medium/long term, supply is likely to tighten as the demolition of older ships increases and the IMO carbon tax scheme takes effect, supporting freight rates	[Short term] Korean Air [Medium term] HMM	**Korean Air** - Concerns persist over cargo weakness due to tariffs (with UPS's weak earnings adding to negative sentiment) - Nevertheless, with strong Asia demand and business travel emerging as positive drivers, Korean Air is well-positioned to become a top investment choice in the Asian airline sector **HMM** - Uncertainty remains over 2Q25 earnings; while the company likely benefited from some front-loaded shipping demand in May amid the US-China tariff reprieve, the overall decline in freight rates likely weighed on results - Despite container market weakness, the stock has shown resilience thanks to: 1) a W2tr share buyback/cancellation planned for 2H; 2) KDB's decision to exclude its stake in HMM from BIS ratio calculations (relieving pressure on the bank to offload its stake); and 3) the possibility of accelerated relocation to Busan if the government proceeds with a special bill to create a maritime hub city
Utilities	Jay JH Ryu	- KEPCO's electricity sales volume recovered slightly in May (+0.4% YoY); the earlier-than-usual heat wave in Jun. suggests sales could rebound sharply - Momentum behind potential electricity rate hikes has weakened; ASP growth is set to slow due to the easing of the tiered pricing system in Jul.-Sep. and a tough comparison arising from price hikes for industrial electricity in 4Q24 - KOGAS's sales volume continued to fall in Jun. (-12.4% YoY), driven by weakness in the industrial and power generation segments; a cut in wholesale natural gas prices is needed to restore price competitiveness; despite the increasing likelihood of US LNG imports, a cautious stance is still warranted - Falling oil prices should help ease the burden from receivables; that said, it should take some time before receivables start to decrease meaningfully	[Short term] KEPCO KPS [Medium term] POSCO International	**KEPCO KPS** - Domestic conditions remain favorable; the importance of nuclear power continues to be highlighted by both the Korean government and overseas markets - KHNP is expected to win more overseas orders (beyond the Dukovany project); revenue generation is expected under potential pilot operation/maintenance contracts **POSCO International** - While 2Q25 power generation earnings slowed due to a drop in the SMP, upstream operations (Myanmar gas project, Senex Energy, etc.) reported solid earnings - The stock is currently being driven by expectations for participation in a new LNG project; if the acquisition of a North American project becomes visible in 2H, the firm's strength in upstream/midstream operations would stand out - Valuation remains attractive, with the stock trading at an EV/EBITDA of less than 9x (40% below Japanese peers); valuation discount likely to ease

Biweekly strategy meeting minutes

Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Autos	Jinsuk Kim	- The US tariff on autos has been cut from 25% to 15%, reducing HMC's estimated tariff-related OP impact by W2tr (from W5tr to W3tr) and Kia's by W1.3tr (from W4tr to W2.7tr); for Kia, the benefit could rise to W1.6tr if tariffs on Mexico are also reduced by 10%p; while there are some concerns the HMG's previous 2.5%p tariff advantage over European and Japanese counterparts has disappeared, the group's price competitiveness remains strong (with prices about 20% lower than the US industry-wide ASP and 8% lower than same-class model ASPs); some rivals started to raise prices by 1% or more in May-Jul. - Attractive 2025F dividend yields of over 6% (close to the pandemic-era high of 7%) should provide strong downside support to auto stocks - Price increases by US rivals could prompt rapid shifts in M/S; we expect HMG's US M/S to rise; with North America representing 60% of HMG's OP, a 1%p rise in M/S could add at least W1tr to OP	[Short term] Hyundai Motor [Medium term] Hyundai Motor	**Hyundai Motor** - HMC reported decent 2Q25 earnings; roughly 40% of the negative tariff impact was offset by inventory normalization, strong HEV sales, lower incentives, and favorable FX - Automakers began to raise prices in the US in Jul.; we expect HMG to gain share in the US, as it did during the global financial crisis and COVID-19 periods - We forecast DPS to hold steady YoY despite the impact of tariffs (2025F dividend yield of over 6%) - We project HMC's US M/S to increase in 2025, led by its competitive HEV/BEV models, new model releases (Palisade and Tucson), etc.; it is also likely to display above-industry BEV sales growth, aided by the Ioniq 9 launch and IRA subsidies (Ioniq 5 has also become eligible for IRA subsidies) - An Investor Day event is likely to be held in 3Q; key points to watch include the North American M/S strategy, EV road map, and updates on Boston Dynamics
Cosmetics/ Apparel	Songyi Bae	- Cosmetics exports in Jul. (preliminary) rose 18% YoY to US$807.3mn, driven by strong growth in the US (+22% YoY to US$167.9mn; a record high) and Japan (+15% YoY to US$70.4mn); however, exports to China remained weak (-18% YoY to US$114.9mn) - The cosmetics sector is trading at a 12MF P/E of 10.9x - Most export brands have low cost ratios and flexible cost structures (with a high proportion of variable SG&A expenses), limiting the impact of tariffs; even if increased costs are passed through to prices, Korean cosmetics should remain cost competitive - Apparel sales at department stores have shown a slight turnaround since May, but the rebound is weaker compared to other discretionary and durable goods due to the off-season; that said, summer items (e.g., swimwear) are showing a clear recovery	[Short term] Cosmecca Korea [Medium term] Kolmar Korea	**Cosmecca Korea** - 2Q25 results are likely to beat the consensus; earnings recovery is gaining momentum - Domestic orders are recovering following inventory drawdowns at top-tier customers; key customers are placing orders for new products (in addition to restocking inventory) - In 2Q25, the US business likely returned to growth for the first time in five quarters on the end of inventory drawdowns, channel expansion efforts (beauty-specialized retailers/online → national retailers/offline), and new product launches **Kolmar Korea** - Earnings are improving; indie brands continue to see robust growth, and sun care products likely benefited from peak seasonality in 2Q25 - The second US plant (capacity of about 120mn units) began operating in Jul.; while related costs could increase in 2H25, the new plant is likely to help capture local demand - Meanwhile, the management dispute has intensified

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Retail	Songyi Bae	- In Jul., the consumer sentiment index rose to 111p (+2p MoM)—the highest level since the post-pandemic reopening (Jun. 2021); increases in the current economic conditions (+12p MoM to 86p) and consumer spending outlook (+1p MoM to 111p) indices point to a potential strong rebound in discretionary consumption - The W14tr cash voucher program is likely to contribute around 5% to consumption from Jul. 21 to Nov. 30; also, the increase in foot traffic spurred by the cash vouchers could lead to more spending beyond the voucher value itself, amplifying the overall boost to domestic demand - In Jul., same-store sales (SSS) growth (YoY) was -0.9% at department stores, -2.8% at hypermarkets, and -0.7% at convenience stores - Department store sales recovered to mid/high-single-digit growth in Jul.; as a domestic-oriented industry, department stores are minimally affected by tariffs	[Short term] Hyundai Department Store [Medium term] Shinsegae	**Hyundai Department Store** - With no renovation-related disruptions and strong contributions from big branches in the Seoul metro area, HDS is showing a stronger early 3Q25 rebound than peers - SSS growth (YoY) was +5% in Jun. and +7% in Jul.; the firm has also defended margins through cost-cutting efforts - In 1Q25, department store SSS growth was +1% YoY, and OP growth was flat (excl. one-offs); given current trends, earnings growth is likely; the firm is still aiming to break even in 2H25 **Shinsegae** - 2Q25 results will likely reflect headwinds from weak consumer sentiment through mid-May and sluggishness at Shinsegae International's fashion division; however, duty-free losses likely narrowed - In 1Q25, department store SSS growth was flat, and OP (excluding one-offs) declined 5% YoY - That said, department stores should see gradual improvement, aided by recovering sentiment and rising discretionary goods consumption (as well as a low 2H24 base)

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Entertainment	Gyuyeon Kim	- Although albums and Korean-made merchandise are subject to US tariffs, the impact should be limited, as: 1) the US accounts for a small portion of overall album sales; and 2) concert-related merchandise can be locally produced via outsourcing - Earlier concerns that Korea-US trade talks could end up escalating tensions with China have eased, as the negotiations centered on investment agreements (e.g., US energy purchases) rather than military/security issues; as a result, investor sentiment is recovering - Artists under JYP (Twice, Xdinary Heroes, and KickFlip) and HYBE (BoyNextDoor and Katseye) recently performed at Lollapalooza Chicago—another factor supporting sentiment - Major companies are set to release 2Q25 results (Aug. 5 for Dear U, Aug. 6 for SM and HYBE, and Aug. 13 for JYP); the key focus will be potential 2H25 guidance upgrades, particularly for merchandise	[Short term] **SM Entertainment** [Medium term] HYBE	**SM Entertainment** - SM is the most likely to deliver a 2Q25 earnings surprise; we estimate OP at W40bn (vs. consensus of W39bn); the consensus is trending upward - Robust album and merchandise sales (which generate strong operating leverage) likely drove earnings; the growing contribution of newer artists is encouraging - Tencent Music Entertainment is set to announce 2Q25 results on Aug. 12; there is a chance the company could again highlight collaborations with SM in China (as it did in 1Q25) **HYBE** - 2Q25 earnings may come in weaker than expected; we estimate OP at W66.4bn (vs. consensus of W67.6bn); the consensus is trending downward - Big Hit is scheduled to debut a new boy group on Aug. 18; HYBE America is set to announce a new project
Media	Gyuyeon Kim	- Expected 2Q25 earnings weakness is weighing on sentiment; however, momentum could resume in 2H25 as global projects get underway - *Kpopped*—a competition show in which veteran Western artists team up with K-pop groups to reimagine their hit songs with a K-pop twist—is set to premiere on Apple TV on Aug. 29 - The show (co-produced with CJ ENM) will also be available on Tving, which has a content partnership with Apple TV - The Japanese remake of *Marry My Husband* (co-produced by Studio Dragon) became the most-watched series ever on Japan's Amazon Prime, demonstrating the strong potential for further Korean content expansion	[Short term] CJ ENM [Medium term] Studio Dragon	**CJ ENM** - Global momentum looks strong, with *Kpopped* (Apple TV), *Boys II Planet* (Korea-China), and *Unpretty Rapstar* (Korea-Japan) scheduled to air in 2H25 - The company (via tvN) is collaborating with Wavve (e.g., *Love, Take Two*); efforts to streamline operations are also ongoing - The company remains a key beneficiary of the government's drive to foster a globally competitive Korean OTT platform and boost Korean content exports **Studio Dragon** - The return of CJ ENM's Wed.-Thurs. primetime drama slots and increased OTT programming are likely to drive a clear earnings rebound - The success of the Japanese remake of *Marry My Husband* has proved the company's production capabilities, raising the potential for further global expansion (especially in Japan)

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Medtech	Choong-hyun Kim, CFA	- Aesthetics: Volatility is rising ahead of earnings releases; but given the potential for a significant rise in beauty tourism demand in 2H25 (amid visa-free entry for Chinese tourists and ahead of the expiration of VAT refunds for beauty-related procedures), share price volatility around earnings releases could present a buying opportunity; Hugel and L&C Bio are emerging as potential alternatives to PharmaResearch, but further earnings confirmations are needed - Diagnostics: Seegene deserves attention as a rotation play (amid a potential shift away from beauty devices); its 2Q25 results will be key; top line likely declined QoQ (as 2Q is an off-season for PCR firms), but if margins held up well, Seegene could gain attention as an earnings recovery play heading into peak season - Digital health: Seers Technology's patient monitoring solutions (developed in partnership with Daewoong Pharmaceutical) continue to perform well; notably, the firm is expected to achieve profitability within just one year of its IPO (a rare feat for firms listed via the special listing program)	[Short term] Classys [Medium term] PharmaResearch	**Classys** - 2Q25 results are likely to meet the consensus - New product launches in major markets should drive momentum in 2H25; in Europe, Volnewmer was launched in May, and the release of Shurink Universe is planned for 3Q25; Quadessy was released in Korea in Jul. and is planned for release in the US in 3Q25 - In 2025, Classys is likely to become the domestic leader in terms of total aesthetic device revenue, aided by new product momentum and direct sales in Japan **PharmaResearch** - Since announcing the cancellation of its planned spin-off, PharmaResearch has seen heightened share price volatility - The firm should continue to deliver earnings growth this year, as its lineup of original brands allows it to benefit significantly from inbound beauty tourism - However, the stock's demanding valuation makes it hard to justify aggressive buying - In the near term, momentum could come from a partnership with a European distributor and potential inclusion in the MSCI; over the longer term, potential catalysts include botulinum toxin capacity expansion, a strengthening presence in Europe, and M&As - With VAT refunds for beauty procedures set to expire, beauty tourism demand could strengthen further in 2H25

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Pharma/Biotech	Seung-min Kim	- Trump sent letters to the CEOs of 17 big pharma firms, urging them to cut US prescription drug prices to international levels and submit binding commitments by Sep. 29; this step was taken because the administration found their voluntary proposals insufficient; the renewed focus on drug price cuts has weighed on shares of global big pharmas - Meanwhile, pharmaceuticals were not included in the Korea-US tariff agreement, but Korea was assured that its pharma products would not be treated less favorably than those of other countries; overall, we expect the announcement to lift uncertainty and help improve sentiment on the sector - The sector is making significant strides across commercialization, manufacturing, and development; among commercialized products, Lazcluze (Yuhan), Xcopri (SK Biopharmaceuticals), and Zymfentra (Celltrion) warrant attention; in manufacturing, key variables include US reshoring efforts and the possible revival of the Biosecure Act, which could benefit Samsung Biologics and Yuhan Chemical; on the development side, notable players include ABL Bio (BBB shuttle platform out-licensing track record), D&D Pharmatech (oral platform tech transfer agreement with Metsera), LigaChem ("BioBest" strategy), and AprilBio (interim phase 1b results for APB-A1, licensed to Lundbeck, expected in 3Q25)	[Short term] **Samsung Biologics** [Medium term] Yuhan	**Samsung Biologics** - 2Q25 review: Non-consolidated revenue of W1.01tr (+25% YoY; 6% below consensus), OP of W477bn (+45% YoY; 9% above consensus), and OP margin of 47% (+6.4%p YoY) - While top line was weighed down slightly by the deferral of some batch revenue recognition to 3Q25, margins improved significantly thanks to the faster-than-expected ramp-up of Plant 4 and the resulting operating leverage - Based on 1H25 results, the company raised its 2025 revenue growth guidance to 25–30% (from 20–25%) - Looking ahead, key points/events to watch include US tariff developments and the company's strategic response (e.g., potential investments in the US), additional order wins with the startup of Plant 5, the announcement of Plant 6 investment plans, and business development strategies for new subsidiaries under Samsung Epis Holdings **Yuhan** - 2Q25 review: Consolidated revenue of W579bn (+10% YoY; in line with consensus) and OP of W49.9bn (+169% YoY; 15% above consensus) - Earnings momentum will likely continue into 3Q25, driven by a US$30mn milestone payment tied to the European launch of lazertinib and robust overseas API growth - Key events/catalysts include: 1) the FDA's approval decision on amivantamab SC (late fall); 2) final OS data from the MARIPOSA trial (4Q25) and potential inclusion of the amivantamab-lazertinib combo as a preferred first-line treatment in the NCCN guidelines; 3) additional API orders at Yuhan Chemical; and 4) phase 1 atopic dermatitis data for lesigercept (timing to be determined) - Yuhan Chemical plans to invest in a 290,000-liter facility (HC building) at its Hwaseong plant, bringing total capacity to 1.29mn liters; this appears to be a proactive investment aimed at meeting growing demand from global pharma firms for clinical phase 3 and commercial-scale production

Biweekly strategy meeting minutes

Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Global Biotech	Mihwa Seo	- Trump sent letters to the CEOs of 17 big pharma firms, urging them to cut US prescription drug prices to international levels and submit binding commitments by Sep. 29; this, along with renewed concerns over tariffs on drug imports, is weighing on sentiment across the pharma/biotech sector - Historically, many licensing deals have been concentrated in 2H, suggesting that interest in biotech firms is likely to grow as the year progresses (particularly for those with proprietary technologies, which are less exposed to tariff-related risks) - Key clinical trial data from LigaChem, AprilBio, and Alteogen are likely to be announced in 2H25, offering potential momentum for the sector	[Short term] Hugel [Medium term] **LigaChem Biosciences**	**Hugel** - We expect below-consensus 2Q25 results, with revenue of W110.1bn (+15.4% YoY; vs. consensus of W118.1bn) and OP of W53.9bn (+26.9% YoY; vs. consensus of W59bn) - US botulinum toxin exports should rise steadily through 4Q25; shipments to China should remain steady, while exports to Brazil (which decreased temporarily due to a change in the company's local partner) are likely to pick up from 3Q25 - The current economic slowdown could work in Hugel's favor, as more consumers are likely to opt for mid-priced products **LigaChem Biosciences** - There is strong demand for Daiichi Sankyo's Trop2 ADC Datroway (a competitor to one of LigaChem's candidates); 1Q25 sales were JPY5.3bn (full-year guidance: JPY21.6bn) - Interim phase 1 trial results for IKS014 (HER2 ADC) showed partial responses in four out of five patients previously treated with Enhertu - We see ample momentum in 2H; for LCB14 (HER2 ADC), both a regulatory filing in China and the release of Australian phase 1 results are expected; for LCB84 (Trop2 ADC), a phase 1 trial is likely to be completed, and a phase 2 trial should subsequently begin; for LCB71 (ROR1 ADC), interim results from a phase 1b trial will be announced at the ASH meeting

Biweekly strategy meeting minutes

Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Banks	Tae Joon Jeong, CFA	- Among financials, bank stocks are currently the most attractive, offering the highest shareholder return yields while trading at the lowest P/B multiples - Banks are proactively communicating plans to accelerate shareholder returns, raising expectations that shareholder return yields will continue to trend upward - Bank stocks fell sharply recently as optimism over tax reforms dissipated; however, this has enhanced their relative appeal, considering their focus on share buybacks - Given the dividend-focused shareholder return policies of securities and insurance firms, banks could benefit from rotation within the financial sector	[Short term] KB Financial [Medium term] KB Financial	**KB Financial Group** - During its 2Q25 earnings call, the group announced an W850bn share buyback/cancellation plan for 2H25, in line with market expectations; as a result, we forecast the full-year shareholder return ratio to reach 53% - This sets a new benchmark for shareholder returns in the banking sector; the stock is likely to receive growing interest from long-term investors who prioritize sustained growth in shareholder returns - KBFG remains committed to honoring its previously outlined shareholder return framework, even amid a steeper-than-expected increase in the scale of returns; we are encouraged by the group's disciplined and predictable execution of its shareholder return policy
Securities	Tae Joon Jeong, CFA	- The securities sector's P/B has risen to nearly 1x, supported by a bullish stock market, expanded shareholder returns, and stablecoin-related expectations - All in all, we believe the sector's undervaluation has largely been addressed (considering that most securities firms' value enhancement plans have set the threshold for unwinding undervaluation at 1x P/B) - Since the 2008 financial crisis, toughening capital regulations have lowered the sustainable ROE for securities firms, making it difficult to justify valuations above 1x P/B	[Short term] NH Investment & Securities [Medium term] NH Investment & Securities	**NH Investment & Securities** - The company announced a W650bn rights offering to meet the equity capital requirement for entry into the IMA business - We believe the impact on the firm will be neutral, as: 1) the entire amount will be covered by its parent company; 2) the issuance price was set at the recent closing price, limiting BPS dilution; and 3) the offering will not affect its shareholder return policy - In fact, the move could prove to be positive if the IMA business leads to earnings improvement

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Insurance	Tae Joon Jeong, CFA	- Insurance stocks have rallied recently due to signs that regulators may slow the pace of capital adequacy tightening as well as hopes for shareholder-friendly measures such as mandatory share cancellation and separate taxation on dividends; that said, we believe these positives have mostly been priced into shares - The rally has mostly benefited insurers with weak or no shareholder return plans due to expectations that government pressure will force them to sharply increase shareholder returns; thus, ironically, Meritz has underperformed despite being the insurer most committed to enhancing shareholder value - With expectations now largely priced in, the market will increasingly demand tangible follow-through; unless insurers begin to meaningfully increase shareholder returns, they could face growing investor skepticism	[Short term] Meritz Financial Group [Medium term] Meritz Financial Group	**Meritz Financial Group** - The recent rally in insurance stocks (amid expectations for shareholder-friendly policy changes) has not benefited Meritz much because it has little room to further improve its shareholder return policy; that said, if peers fail to meet expectations after policy changes are enacted, Meritz's strong shareholder returns could come back into focus - Our target P/B is 2.28x, which corresponds to a P/E of 10x; we believe this relatively high valuation is warranted for two reasons: 1) Meritz continues to actively implement shareholder return measures focused on steady share buybacks/cancellations; and 2) it communicates its plans and progress transparently
Financial Services	Zuyeon Park	**Domestic payments** - In Jul., the consumer sentiment index rose 2.1p MoM to 110.8p, the highest level since the post-COVID-19 economic reopening (Jun. 2021) - Retail sales in Jun. totaled W53.3tr (+1.5% YoY), with online consumption reaching W21.9tr (+1.8% YoY) **Stablecoins** - On Jul. 28, Korea's ruling and opposition parties introduced competing bills to establish a legal framework for won-based stablecoins: the Act on the Issuance and Distribution of Stable Value Digital Assets (Democratic Party) and the Act on Payment Innovation Using Value-Pegged Digital Assets (People Power Party)	[Short term] NHN KCP [Medium term] NHN KCP	**NHN KCP** - The most stable listed payment gateway company; expected to benefit from a recovery in domestic consumption resulting from stimulus measures (vouchers, etc.) - The company continues to draw attention due to expectations related to stablecoins; the government's favorable position is unlikely to change in the near term; related legislation is pending

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Semiconductors	Young-gun Kim	- Recent capex trends at big tech firms indicate ongoing investments in AI infrastructure; this has led to an acceleration in AI-related demand across the industry, though the benefits are increasingly concentrated among a handful of players; meanwhile, concerns are emerging over potential delays to CoWoS capacity expansion due to substrate shortages; the current supply-constrained environment could persist through 1H26 - Most market participants expect semiconductor tariffs to be around 15%, though some estimates range as high as 25%; given the structure of the global semiconductor supply chain, the imposition of tariffs significantly higher than base tariff levels seems unlikely; sentiment should improve once related uncertainties are resolved	[Short term] **Samsung Electronics** [Medium term] SK Hynix	**Samsung Electronics** - Our TP is W88,000; the chip supply contract with Tesla is significant in that it marks a formal recognition of SEC's tech capabilities by a leading AI-focused firm - Foundry revenue from Tesla is likely to increase in earnest from 2027; the combination of advanced-node foundry operations (now with a major customer onboard) and HBM forms a business model that is unprecedented in the industry, pointing to significant valuation upside potential **SK Hynix** - Our TP is W300,000; much of the anticipated earnings and valuation upside has already been priced in - For HBM4, we expect the firm to secure an initial M/S of over 80% in 4Q25, but this should gradually decline to around 60% through 2026 - To support a further re-rating, we believe the firm needs to maintain its HBM M/S following the introduction of HBM4E and implement additional shareholder return measures
EV Batteries	Chuljoong Kim	- The ESS market is booming in North America; at LGES and Samsung SDI, the profit mix of ESS-use batteries is set to increase meaningfully from 2026; we forecast ESS OP margin (AMPC included) at 20–30% - LGES has secured ESS-use LFP battery orders in North America (bound for Tesla) - If the Chinese government intervenes to control supply, ASP should rise, and order volumes are likely to recover - The UK, Germany, France, and Sweden have already announced the resumption of EV subsidies, and Italy is expected to follow suit in the coming days - The EU is preparing legislation that could require rental/corporate fleets to switch to EVs	[Short term] **LG Energy Solution** [Medium term] **LG Energy Solution**	**LG Energy Solution** - Solid earnings are likely in 2H25, driven by ESS and small-sized batteries (for Tesla) - Revenue recognition for LFP batteries (EV and ESS) will begin in earnest in 2H25 - The company is likely to maintain a competitive edge in securing orders thanks to its preemptive US investments and continued moves to limit China's influence - EV demand volatility in the US (due to the OBBB) requires continued monitoring

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Battery Equipment	Junseo Park	- Overall, downstream capex cuts are likely leading to heavy downward pricing pressure; we continue to favor electrode fabrication companies - Dry process technology is expected to be commercialized before all-solid-state batteries - Dry processes can also be applied to all-solid-state battery production - Dry process adoption could help reduce electrode fabrication costs (excluding the mixing process) by 17-30%	[Short term] People & Technology [Medium term] People & Technology	**People & Technology** - The company has pushed into the foil business, with plans to produce 50,000 tonnes of battery/alloy foil; the new materials business is set to gain momentum - Despite downstream uncertainties, we expect earnings to improve this year - The firm's customer base is diversifying; orders from emerging economies (India, etc.) are growing as customers in these regions build out their production lines - While the pace of capacity expansion in the battery industry is slowing amid downstream capex cuts and bankruptcy filings by newer entrants, dry process orders are increasing
Electrical/ Electronic Components	Junseo Park	- In 2025, global smartphone shipments are expected to remain flat YoY, while AI server shipments should remain strong, supported by increased capex at cloud service providers - While overall device demand is likely to remain soft, global iPhone shipments are projected to reach 91mn units in 2H25 (vs. 88mn units in 2H24) - Despite a three-week delay in shipments due to price negotiations, companies in Apple's value chain are expected to report solid 3Q25 earnings - The direct impact of tariffs on components is limited, but component suppliers are facing some downward pricing pressure - For IT-use MLCCs, weaker demand is limiting the potential for ASP hikes; in contrast, demand and ASPs are rising for automotive and AI server-related MLCCs - Samsung Display is expected to be the exclusive supplier of foldable displays for Apple's new products; companies in the related supply chain stand to benefit	[Short term] **LG Innotek** (prev. SEMCO) [Medium term] SEMCO	**LG Innotek** - We expect OP to improve YoY in 2H25 - iPhone production volume is projected to grow 3.4% YoY in 2H - The replacement cycle for the iPhone Pro line is around 2.75 years; demand for high-end models is likely to continue expanding - As the stock has historically shown a strong correlation with 12MF EPS, we foresee steady share price gains - The company is likely to be a key beneficiary of foldable smartphone launches and camera spec upgrades (e.g., variable aperture lenses) **Samsung Electro-Mechanics** - Demand for high-value-added automotive/AI server MLCCs is growing steadily - Oversupply in the FC-BGA market should ease from 2026, and the company's annual share of FC-BGA is forecast to exceed that of other BGA products - In 3Q25, we expect solid operational metrics (94% utilization and inventory of four weeks) and seasonally strong MLCC demand to support earnings improvement

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Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Battery Metals/Materials	YooJin Choi	Battery Metals - Spot and futures prices of lithium carbonate and lithium hydroxide continue to rise due to supply adjustments at eight lithium producers in Yichun; signs of government-led supply tightening are becoming increasingly evident - Growing ESS demand could serve as an upside catalyst for prices Battery Materials - Suppliers with advanced technologies in silicon-based anode materials, CNT conductive additives, and precursors deserve attention - The long-term outlook for top-tier players that have made preemptive investments remains intact	[Short term] Daejoo Electronic Materials [Medium term] Advanced Nano Products	**Daejoo Electronic Materials** - In 2Q25, we estimate that silicon oxide anode materials shipments jumped 100% YoY - We note potential for adoption in 46-series cells **Advanced Nano Products** - In 2Q25, we estimate shipments of CNT conductive additives expanded 50% YoY - The share of CNT conductive additive shipments to domestic battery cell customers (for use in anode materials) is increasing
Internet	HeeSeok Lim	- Ad market growth is likely to recover from 3–4% YoY in 1H25 to over 5% YoY in 2H25 - E-commerce market conditions should rebound sharply in 2H25, supported by a low base (arising from the Tmon/WeMakePrice crisis) and government stimulus - AI should remain a key driver of positive sentiment; for Kakao, a major upcoming event is the launch of services under development with OpenAI - Kakao plans to revamp its app in Sep. (replacing the Open Chat tab with a feed-style content page) and launch an AI agent service in Nov.–Dec. - NAVER remains our top pick, given its attractive valuation; among small/mid-cap names, we favor Cafe24	[Short term] NAVER [Medium term] NAVER	**NAVER** - The stock is hovering around 19x 2025F P/E, which we view as undemanding - However, a further re-rating will likely depend on confirmation of accelerating GMV growth and M/S gains - With the growth of NAVER Plus Store (commerce app) gaining momentum, GMV growth is likely to pick up in 2H25 - Compared to Google, declining search queries are less of a concern for NAVER, as more than 80% of user time on the platform is spent on vertical services - We expect in-line results for 2Q25; in 2H25, earnings are likely to strengthen on a commerce rebound

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Top story A Top 10 pick

Sector	Analyst	Sector comments	Top picks	Stock-specific comments
Games	HeeSeok Lim	- Profitability is steadily improving across the gaming sector, driven by ongoing cost structure optimization and a reduction in labor expense pressures through AI adoption - Companies that are nimbly adapting to the industry-wide trend of declining player engagement should see their valuations re-rate higher - Netmarble is set to benefit from potential app store commission cuts and thus also deserves continued attention - Investors should also monitor companies with major new releases scheduled for this year, including NCsoft (*Aion 2*) and Netmarble (*The Seven Deadly Sins: Origin*) - Among large-cap names, Netmarble is our top pick due to its earnings and new title momentum for 2H25; among small/mid-cap names, we prefer Wemade	[Short term] **Netmarble** [Medium term] **Netmarble**	**Netmarble** - A re-rating appears likely due to the rising success rate of new titles and continued cost optimization; the stock is trading at a 2025F P/E of 19x - 2Q25 earnings could surprise to the upside, driven by the full-quarter contribution of *RF Online* and new title releases (e.g., *Seven Knights Re: Birth)* - Labor expense pressures are likely to ease further; in addition, the success of new titles based on original IP should help to reduce the burden of royalty payments - New title momentum is set to build in 2H25 with the releases of *Mongil: Star Dive* (3Q25) and *The Seven Deadly Sins: Origin* (4Q25) - If app store fees are lowered, Netmarble would be the biggest beneficiary given its high mobile exposure

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
OCI Holdings (010060)			
	07/25/25	Buy	128,000
	04/15/25	Buy	93,000
	02/11/25	Buy	100,000
	08/06/24	Buy	98,000
	07/12/24	Buy	133,000
	04/12/24	Buy	143,000
	10/27/23	Buy	165,000
	07/20/23	Buy	186,000
Hanwha Solutions (009830)			
	07/31/25	Buy	38,000
	05/15/25	Buy	51,000
	04/25/25	Buy	38,000
	04/15/25	Buy	29,000
	02/07/25	Buy	26,000
	01/08/25	Buy	23,000
	10/31/24	Buy	28,000
	07/26/24	Buy	35,000
	07/05/24	Buy	39,000
	05/27/24	Buy	45,000
	05/16/24	Trading Buy	33,000
	04/26/24	Trading Buy	28,000
	02/23/24	Trading Buy	33,000
	01/12/24	Buy	51,000
	11/23/23	Buy	46,000
	11/01/23	Buy	40,000
	07/31/23	Buy	45,000
S-Oil (010950)			
	07/14/25	Buy	82,000
	05/27/25	Buy	68,000
	04/29/25	Buy	64,000
	10/08/24	Buy	79,000
	07/15/24	Buy	85,000
	04/26/24	Buy	89,000
	01/29/24	Buy	104,000
	10/30/23	Buy	87,000
	04/27/23	Buy	94,000
Hyundai Rotem (064350)			
	07/03/25	Buy	300,000
	05/19/25	Buy	170,000
	03/14/25	Buy	140,000
	02/07/25	Buy	96,000
	11/22/24	Buy	85,000
	10/15/24	Buy	78,000
	07/29/24	Buy	65,000
	04/01/24	Buy	48,000
	09/20/23	Buy	37,000
HD Hyundai Heavy Industries (329180)			
	04/28/25	Buy	610,000
	02/17/25	Buy	470,000
	01/17/25	Buy	383,000
	11/11/24	Buy	260,000
	09/14/22	No Coverage	
Daewoo E&C (047040)			
	05/29/25	Buy	5,600
	11/21/24	Buy	4,300
	10/31/24	Trading Buy	4,300
	05/02/24	Buy	4,900
	01/31/24	Buy	5,400
	11/23/23	Buy	5,800
	04/28/23	No Coverage	
Hyundai E&C (000720)			
	07/11/25	Buy	96,000
	05/29/25	Buy	73,000
	04/11/25	Buy	50,000
	02/18/25	Buy	46,000
	01/10/25	Buy	36,000
	07/08/24	Buy	41,000

Appendix 1

Company	Date	Rating	TP (W)
	01/24/24	Buy	46,000
	11/23/23	Buy	54,000
	04/28/23	No Coverage	
Hyundai Steel (004020)			
	07/08/25	Buy	46,000
	04/02/25	Buy	36,000
	09/14/22	No Coverage	
HD Hyundai Electric (267260)			
	07/23/25	Buy	580,000
	04/23/25	Buy	450,000
	01/20/25	Buy	510,000
	09/26/24	Buy	490,000
	04/24/24	Buy	300,000
	03/20/24	Buy	185,000
	02/16/24	Buy	150,000
	01/24/24	Buy	120,000
	11/27/23	Buy	107,000
Hyosung Heavy Industries (298040)			
	07/10/25	Buy	1,220,000
	02/04/25	Buy	600,000
	01/20/25	Buy	580,000
	11/01/24	Buy	520,000
	09/26/24	Buy	460,000
Korean Air (003490)			
	04/14/25	Buy	30,000
	11/07/24	Buy	33,000
	01/31/24	Buy	30,000
	01/10/24	One year	32,000
	01/10/23	Buy	32,000
HMM (011200)			
	05/15/25	Buy	29,000
	03/11/25	Buy	27,000
	02/25/25	Buy	25,000
	01/23/25	Trading Buy	22,000

Company	Date	Rating	TP (W)
	11/14/24	Trading Buy	20,000
	08/11/24	One year	18,000
	08/11/23	Hold	18,000
	07/24/23	Hold	20,000
KEPCO KPS (051600)			
	11/12/24	Buy	55,000
	09/24/24	Buy	50,000
	03/28/24	One year	44,000
	03/28/23	Buy	44,000
POSCO International (047050)			
	04/24/25	Buy	59,000
	02/04/25	Buy	55,000
	07/26/24	Buy	65,000
	04/26/24	Buy	60,000
	10/31/23	Buy	65,000
	04/27/23	Buy	35,000
Hyundai Motor (005380)			
	04/25/25	Buy	320,000
	10/25/24	Buy	360,000
	07/09/24	Buy	385,000
	04/29/24	Buy	350,000
	04/26/24	No Coverage	
	04/26/23	Buy	250,000
Cosmecca Korea (241710)			
	07/08/25	Buy	80,000
	05/13/25	Buy	70,000
	11/18/24	Buy	90,000
	08/13/24	Buy	120,000
	07/12/24	Buy	100,000
Kolmar Korea (161890)			
	05/12/25	Buy	110,000
	04/04/25	Buy	92,000
	01/13/25	Buy	80,000
	11/18/24	Buy	74,000

Appendix 1

Company	Date	Rating	TP (W)
	08/12/24	Buy	85,000
	01/05/24	Buy	75,000
	08/14/23	Buy	74,000
	07/04/23	Buy	57,000
Hyundai Department Store (069960)			
	06/17/25	Buy	100,000
	04/02/25	Buy	85,000
	01/24/25	Buy	70,000
	10/10/24	Buy	60,000
	05/10/24	Buy	65,000
	01/16/24	Buy	70,000
	10/18/23	Buy	85,000
	09/19/22	No Coverage	
Shinsegae (004170)			
	05/15/25	Buy	200,000
	11/22/24	Buy	170,000
	10/10/24	Buy	210,000
	05/09/24	Buy	220,000
	01/17/24	Buy	210,000
	10/18/23	Buy	250,000
	05/30/23	Buy	270,000
SM Entertainment (041510)			
	06/23/25	Buy	180,000
	05/08/25	Buy	160,000
	04/15/25	Buy	150,000
	02/11/25	Buy	120,000
	12/16/24	Buy	104,000
	10/21/24	Buy	94,000
	05/09/24	Buy	110,000
	04/17/24	Buy	94,000
	02/13/24	Buy	117,000
	11/27/23	Buy	130,000
	10/11/22	No Coverage	
HYBE (352820)			
	06/23/25	Buy	390,000
	02/26/25	Buy	310,000
	10/14/24	Buy	270,000
	07/08/24	Buy	300,000
	11/27/23	Buy	320,000
	07/31/23	No Coverage	
CJ ENM (035760)			
	06/23/25	Buy	100,000
	05/09/25	Buy	75,000
	11/18/24	Buy	80,000
	07/31/23	No Coverage	
Studio Dragon (253450)			
	06/23/25	Buy	71,000
	05/09/25	Buy	63,000
	02/13/25	Buy	59,000
	11/18/24	Buy	61,000
	07/31/23	No Coverage	
Classys (214150)			
	05/20/25	Buy	83,000
	10/18/24	Buy	74,000
	08/22/24	Buy	67,000
	05/13/24	Buy	60,000
	05/08/24	Buy	50,000
	02/15/24	Buy	45,000
	11/08/23	Buy	48,000
	08/14/23	Buy	42,000
	05/25/23	Buy	32,000
PharmaResearch (214450)			
	07/23/25	Buy	670,000
	05/20/25	Buy	520,000
	03/31/25	Buy	440,000
	02/11/25	Buy	360,000
	11/20/24	Buy	290,000
	08/22/24	Buy	260,000

Appendix 1

Company	Date	Rating	TP (W)
Samsung Biologics (207940)			
	07/24/25	Buy	1,400,000
	10/22/24	Buy	1,350,000
	01/30/24	One year	1,100,000
	01/30/23	Buy	1,100,000
Yuhan (000100)			
	07/31/25	Buy	170,000
	05/09/25	Buy	160,000
	02/24/25	Buy	165,000
	08/21/24	Buy	116,000
	07/10/24	Buy	107,000
	06/03/24	Buy	105,000
	05/02/24	Buy	95,000
	02/07/24	Buy	85,000
	11/01/23	Buy	81,352
	07/31/23	Buy	95,708
Hugel (145020)			
	05/20/25	Buy	480,000
	11/07/24	Buy	410,000
	08/22/24	Buy	360,000
LigaChem Biosciences (141080)			
	10/25/24	Buy	170,000
	05/29/24	Buy	86,000
KB Financial Group (105560)			
	07/14/25	Buy	167,000
	11/04/24	Buy	120,000
	07/08/24	Buy	110,000
	06/10/24	Buy	100,000
	01/08/24	No Coverage	
	10/25/23	Buy	72,000
	07/20/23	Buy	63,000
NH Investment & Securities (005940)			
	07/07/25	Buy	24,000
	03/10/25	Buy	18,000
	11/11/24	Buy	17,000
	07/03/24	Buy	16,000
	06/10/24	Buy	15,000
	01/08/24	No Coverage	
	05/31/23	Buy	13,000
Meritz Financial Group (138040)			
	07/21/25	Buy	145,000
	02/20/25	Trading Buy	136,000
	01/20/25	Trading Buy	130,000
	11/18/24	Buy	130,000
	09/19/24	Buy	120,000
	07/15/24	Buy	110,000
	06/10/24	Buy	100,000
NHN KCP (060250)			
	11/18/24	Buy	10,000
Samsung Electronics (005930)			
	08/01/25	Buy	88,000
	07/14/25	Buy	78,000
	02/03/25	Buy	80,000
	11/14/24	Buy	84,000
	05/16/24	Buy	110,000
	01/03/24	Buy	105,000
	07/10/23	Buy	90,000
SK Hynix (000660)			
	07/14/25	Hold	300,000
	04/25/25	Buy	244,000
	01/24/25	Buy	277,000
	10/24/24	Buy	270,000
	07/25/24	Buy	260,000
	05/16/24	Buy	240,000
	04/26/24	Buy	220,000
	03/05/24	Buy	200,000
	12/29/23	Buy	173,000
	06/12/23	Buy	150,000

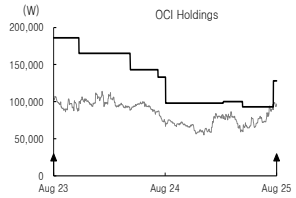
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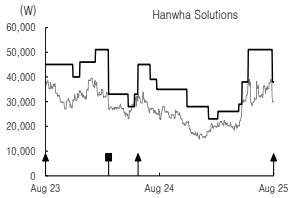
Company	Date	Rating	TP (W)
LG Energy Solution (373220)			
	07/28/25	Buy	530,000
	07/18/25	Buy	420,000
	06/05/25	Buy	390,000
	05/02/25	Buy	440,000
	01/09/25	Buy	480,000
	09/30/24	Buy	510,000
	07/26/24	Buy	420,000
	03/13/24	Buy	540,000
	01/30/24	Buy	500,000
	11/17/23	Buy	590,000
	04/10/23	Buy	900,000
People & Technology (137400)			
	11/12/24	Buy	66,000
	06/11/24	Buy	96,700
	05/30/24	Buy	84,000
	03/05/24	Buy	60,000
	11/13/23	Buy	80,000
	07/13/23	Buy	92,000
LG Innotek (011070)			
	06/23/25	Buy	220,000
	04/24/25	Buy	210,000
	04/03/25	Buy	205,000
	01/10/25	Buy	230,000
	10/24/24	Buy	280,000
	07/25/24	Buy	350,000
	06/27/24	Buy	330,000
	01/29/24	Buy	280,000
	11/28/23	Buy	350,000
	07/31/23	No Coverage	
Samsung Electro-Mechanics (009150)			
	07/07/25	Buy	180,000
	07/03/25	One year	200,000
	07/03/24	Buy	200,000

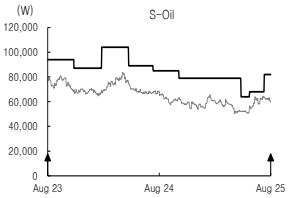
Company	Date	Rating	TP (W)
	11/28/23	Buy	190,000
	07/31/23	No Coverage	
Daejoo Electronic Materials (078600)			
	05/12/25	Buy	115,000
	11/25/24	Buy	125,000
	08/14/24	Buy	167,000
	07/23/24	Buy	150,000
	12/30/10	One year	
Advanced Nano Products (121600)			
	04/29/25	Buy	75,000
	11/25/24	Buy	100,000
	07/23/24	Buy	135,000
	05/26/22	One year	
NAVER (035420)			
	03/06/25	Buy	310,000
	02/07/25	Buy	290,000
	11/08/24	Buy	280,000
	08/09/24	Buy	260,000
	07/25/24	Buy	245,000
	07/08/24	Buy	240,000
	05/13/24	Buy	255,000
	05/03/24	Buy	290,000
	03/11/24	Buy	260,000
	02/02/24	Buy	310,000
	08/07/23	Buy	290,000
	02/06/23	Buy	280,000
Netmarble (251270)			
	06/09/25	Buy	75,000
	05/09/25	Buy	65,000
	02/14/25	Buy	63,000
	11/25/24	Buy	62,000
	11/08/24	Trading Buy	62,000
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	07/15/24	Trading Buy	70,000

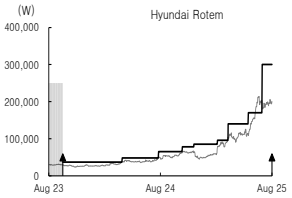
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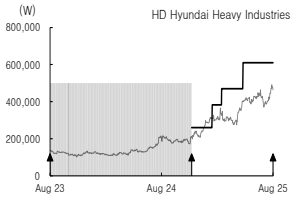
Company	Date	Rating	TP (W)
	02/08/24	Trading Buy	68,000
	11/27/23	Buy	68,000
	08/09/23	Buy	58,000
	03/15/23	Buy	70,000
BH (090460)			
	02/27/25	Buy	22,000
	07/03/24	Buy	30,000
	05/03/24	Buy	27,000
	11/28/23	Buy	30,000
	07/31/23	No Coverage	
	04/28/23	No Coverage	

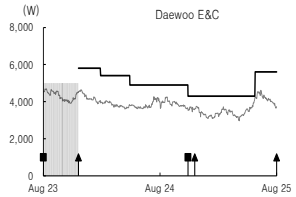


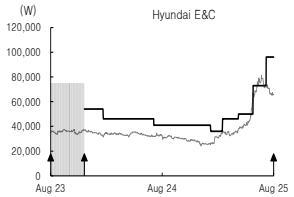


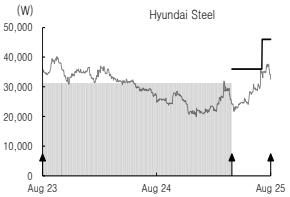


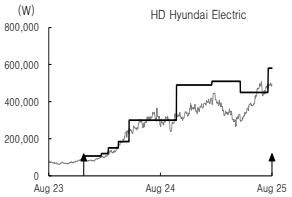


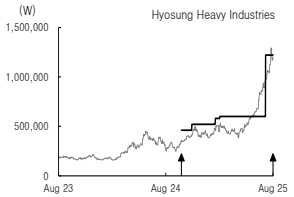


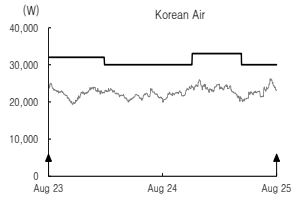


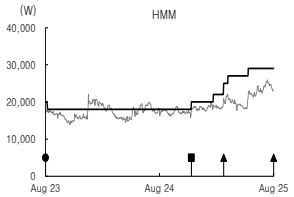


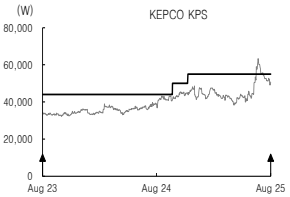


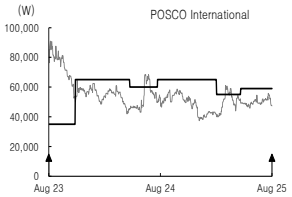


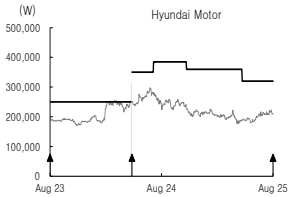


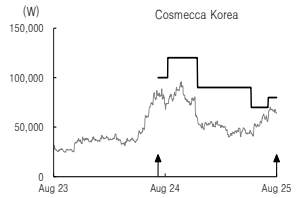


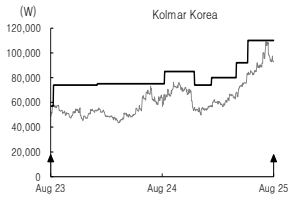


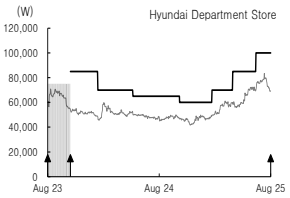


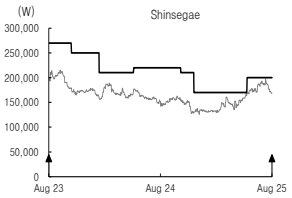


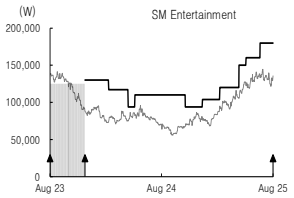




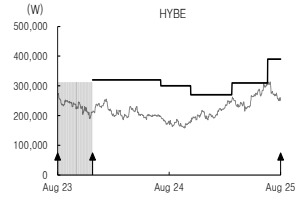


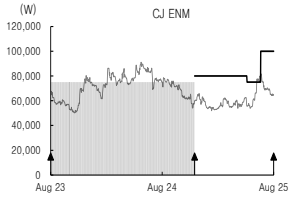


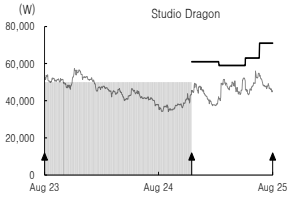


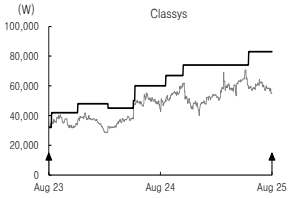


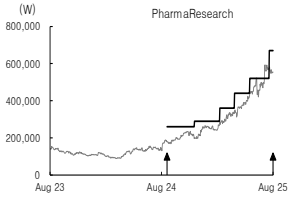
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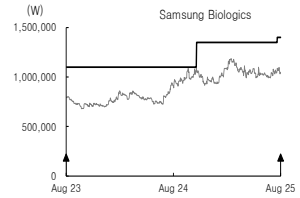

(W)
HYBE
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400,000
300,000
200,000
100,000
0
Aug 23
Aug 24
Aug 25

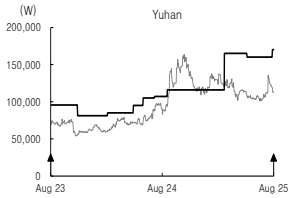

(W)
CJ ENM
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80,000
60,000
40,000
20,000
0
Aug 23
Aug 24
Aug 25

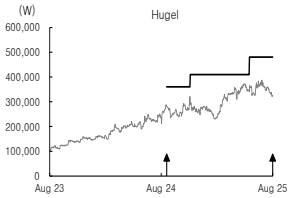

(W)
Studio Dragon
80,000
60,000
40,000
20,000
0
Aug 23
Aug 24
Aug 25

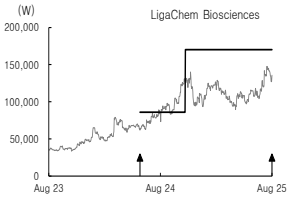

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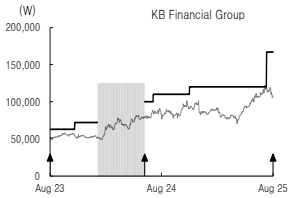

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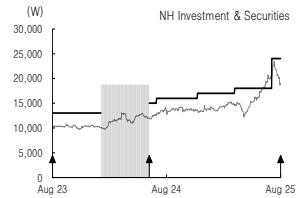

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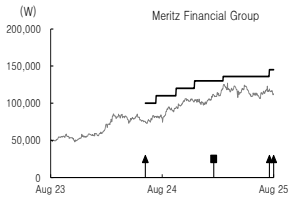

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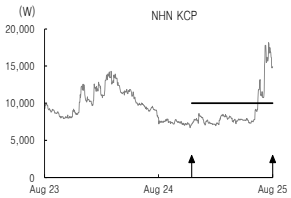

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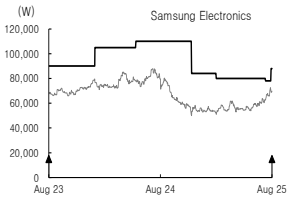

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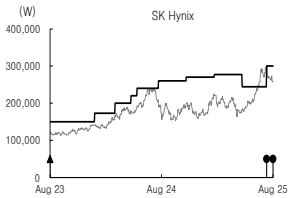

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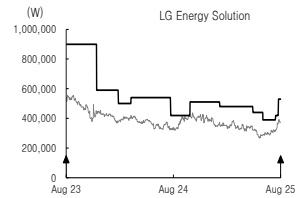

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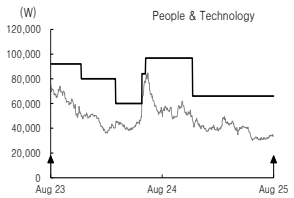

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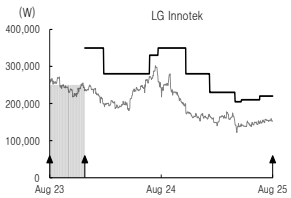

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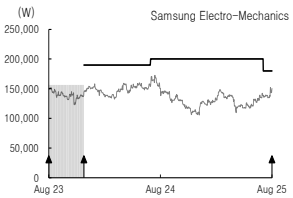

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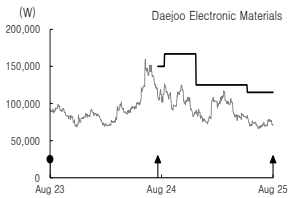

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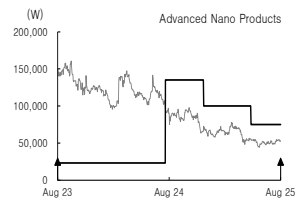

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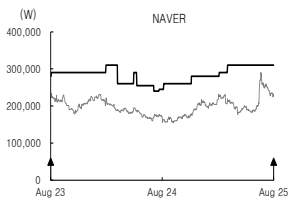

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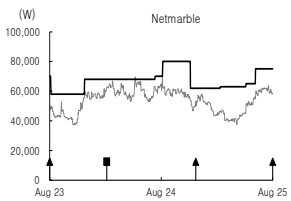

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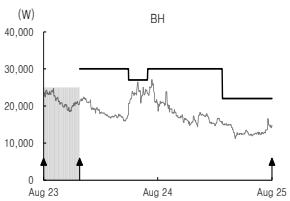

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Aug 24
Aug 25


(W)
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Aug 25


(W)
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Aug 25


(W)
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(W)
Netmarble
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40,000
20,000
0
Aug 23
Aug 24
Aug 25


(W)
BH
40,000
30,000
20,000
10,000
0
Aug 23
Aug 24
Aug 25

Appendix 1

Stock ratings	
Buy	Expected 12-month return: +20% or greater
Hold	Expected 12-month return: Greater than -10% and less than +10%
Sell	Expected 12-month return: -10% or less

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

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.
Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

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	84.91%	5.59%	8.94%	0.56%
Investment banking services	88.89%	0%	11.11%	0%

* Based on recommendations in the last 12-months (as of June 30, 2025)

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