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Samsung SDI | Asia Pacific

# Key Takeaways from K-Talk

We recently hosted Samsung SDI in our K-Talk webcast and followed up with a company visit. We highlight key takeaways from the recent engagements.

## Key Takeaways

- 2Q26 performance appears to be tracking broadly in-line with guidance - QoQ improvements are coming from all segments with the BBU leading the way.
- SDI has applied for US tariff refunds but the timing and magnitude of recognition is unconfirmed at this point.
- The company is looking to expand its US ESS capacity to mid-30GWh by end-2027 but room for additional expansion beyond that remains less clear.

**Mid Q update:** Management maintained its guidance of moderate QoQ revenue growth with a narrowing of operating losses for 2Q26 (vs -4.4% OPM in 1Q26). The small-sized segment appears to be tracking mildly better on robust BBU (battery backup unit) momentum but this is being offset by mildly softer Energy Storage System (ESS) revenue growth, partly due to a delay in construction of a domestic ESS project from late 2Q26 to 3Q26. Revenue momentum for other segments, such as automotive (-10% QoQ) and electronic materials (+MSD QoQ), appear to be tracking largely in line with its initial guidance. Meanwhile, the company acknowledged there is a possibility of it recognizing US tariff refunds as early as 2Q26. This, coupled with FX tailwinds, could provide room for mild upside risks to near-term earnings, though the timing and magnitude of refunds remains unconfirmed.

**ESS capacity expansion:** SDI reiterated its 2026 YE US ESS capacity guidance of 30GWh. It plans to add two LFP production lines at the Stellantis JV plant in 2H26, in addition to its existing NCA line while maintaining one line for EV production. However, citing weaker demand for nickel cobalt aluminum (NCA) batteries in ESS applications, SDI plans to also covert this NCA line into an LFP (lithium ferro phosphate) line next year, bringing overall US ESS capacity to mid-30GWh by 2027YE. SDI is interested in additional ESS capacity expansions yet, with both JV partners (GM and Stellantis) showing limited willingness to commit on additional JV plant construction, its ESS capacity expansion plan beyond mid-30GWh may take longer to materialize. Separately, its proposed stake sale of Samsung Display by end of this year remains on schedule.

**Maintain OW:** SDI shares have corrected ~20% from their recent peak (vs KOSPI +1%). At 16x EV/EBITDA on 2027e, its absolute valuation remains elevated. However, we continue to prefer Samsung SDI among KR battery makers given its exposure to: 1) BBU/UPS (uninterruptible power supply) segments, which are more geared towards AIDC; 2) EU EV market, which offers a relatively better policy backdrop vs the US; and 3) limited share overhang (eg LGES).

MORGAN STANLEY & CO. INTERNATIONAL PLC, SEOUL BRANCH+

Young Suk Shin

Equity Analyst

Young.Shin@morganstanley.com

+82 2 399-4994

Chan Park

Research Associate

Chan.Park1@morganstanley.com

+82 2 399-9920



**Samsung SDI (006400.KS, 006400 KP)**

S. Korea Autos & Shared Mobility | S. Korea

Stock Rating	Overweight
Industry View	In-Line
Price target	W850,000
Up/downside to price target (%)	54
Shr price, close (Jun 15, 2026)	W553,000
52-Week Range	W723,000-165,900
Sh out, dil, curr (mn)	81
Mkt cap, curr (bn)	W44,564
EV, curr (bn)	W42,764
Avg daily trading value (bn)	W259

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (W)**	(8,059)	4,323	11,163	16,831
Prior EPS (W)**	-	-	-	-
EPS (W)§	(8,454)	4,190	16,448	24,041
Revenue, net (W bn)	13,267	15,627	18,309	20,786
EBITDA (W bn)	381	2,375	3,405	4,163
ModelWare net inc (W bn)	(939)	348	900	1,356
P/E	NM	127.9	49.5	32.9
P/BV	1.0	2.0	2.0	1.9
RNOA (%)	(6.8)	0.6	3.7	5.8
ROE (%)	(4.8)	1.6	4.1	6.0
EV/EBITDA*	86.0	22.6	15.9	12.9
Div yld (%)	0.3	0.0	0.0	0.0
FCF yld ratio (%)	(15.0)	(3.6)	(1.9)	(0.6)
Leverage (EOP) (%)	(18.3)	(14.4)	(13.0)	(14.1)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

\*\* = Based on consensus methodology

§ = Consensus data is provided by Refinitiv Estimates

\* = GAAP or approximated based on GAAP

e = Morgan Stanley Research estimates

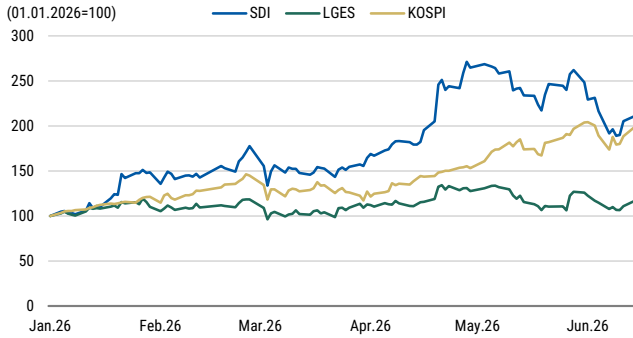
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# Key Exhibits

**Exhibit 1:** SDI: Share price performance vs LGES



Source: WiseFN, Morgan Stanley Research

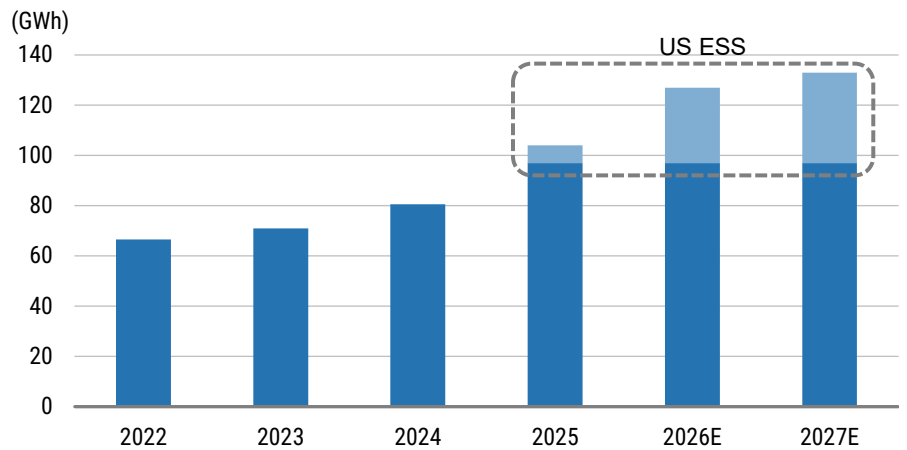
**Exhibit 2:** SDI: NTM EV/EBITDA



Source: WiseFN, Morgan Stanley Research estimates

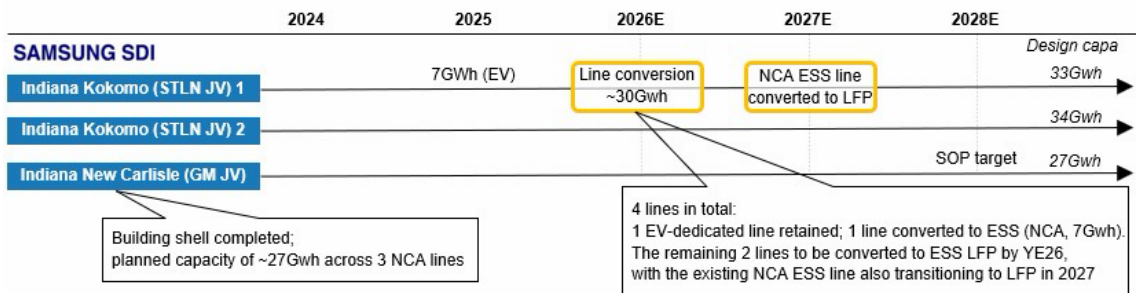
**Exhibit 3:**

SDI: Battery capacity expansion plan



Source: Company data, e = Morgan Stanley Research estimates

**Exhibit 4:** SDI: US battery production sites



Source: Company data, e = Morgan Stanley Research estimates

## Valuation Methodology and Risks

### **Samsung SDI (006400.KS)**

We apply a target EV/EBITDA of 23x, a mid-point between historical avg. and +1SD, on 27E EBITDA. Following consecutive quarters of earnings beats led by robust ESS demand and bottoming EV losses, we are increasingly constructive on SDI's path toward a return to quarterly profitability by 2H26. Further, we assume a disposal of 25% of Samsung Display stake in our price target.

#### **Risks to Upside**

- Technology breakthrough in solid state batteries.
- Faster-than-expected EV recovery.
- Stronger ESS operating leverage.
- Full disposal of SDC stake.

#### **Risks to Downside**

- Slower-than-expected EV recovery with limited volume growth.
- Weaker-than-expected ESS margin expansion due to fierce competition.
- Any delays in SDC stake sale.

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	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

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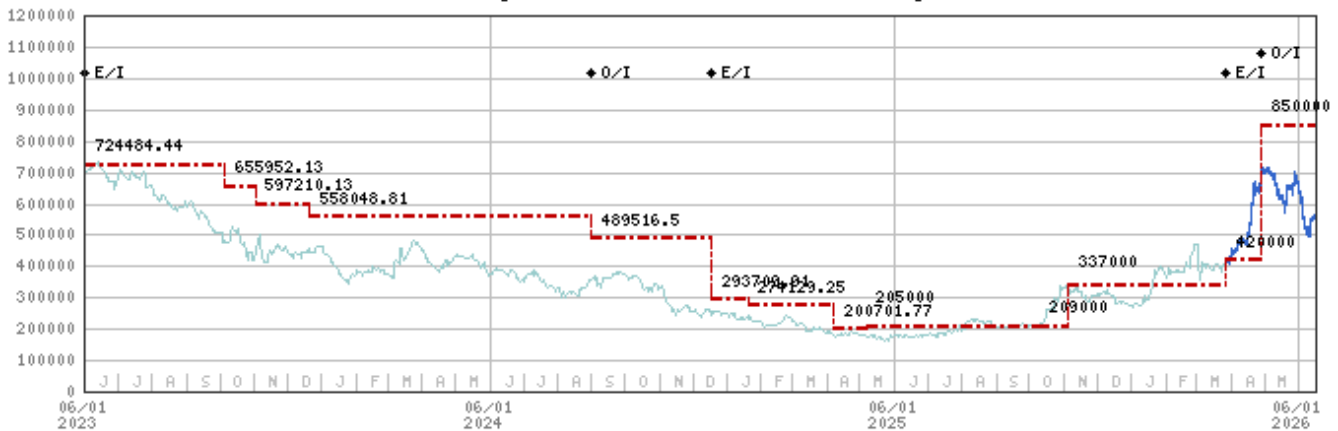
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Samsung SDI (006400.KS) - As of 06/16/26 GMT in KRW  
 Industry : S. Korea Autos & Shared Mobility



Stock Rating History: 6/1/21 : U/I; 10/26/21 : E/I; 9/1/24 : O/I; 12/18/24 : E/I; 3/27/26 : E/I; 4/28/26 : O/I  
 Price Target History: 5/30/21 : 538468.13; 7/27/21 : 587419.81; 10/26/21 : 704903.75; 3/18/22 : 538468.13; 7/11/22 : 548258.5;  
 10/26/22 : 607000.44; 11/29/22 : 636371.44; 3/10/23 : 724484.44; 10/6/23 : 655952.13; 11/2/23 : 597210.13; 12/21/23 : 558048.81;  
 9/1/24 : 489516.5; 12/18/24 : 293709.91; 1/20/25 : 274129.25; 4/7/25 : 200701.77; 5/7/25 : 205000; 10/10/25 : 209000;  
 11/5/25 : 337000; 3/27/26 : 420000; 4/28/26 : 850000

Source: Morgan Stanley Research Date Format: MM/DD/YY Price Target -- No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —  
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### INDUSTRY COVERAGE: S. Korea Autos & Shared Mobility

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/15/2026)
<b>Young Suk Shin</b>		
Hankook Tire & Technology Co Ltd (161390.KS)	O (11/10/2025)	W73,500
Hanon Systems (018880.KS)	U (01/14/2022)	W5,680
Hyundai MOBIS (012330.KS)	O (01/24/2025)	W640,000
Hyundai Motor (005380.KS)	O (11/27/2024)	W647,000
Kia Corp. (000270.KS)	O (04/26/2022)	W167,500
LG Energy Solution (373220.KS)	E (04/03/2025)	W420,500
Mando (204320.KS)	E (02/05/2024)	W70,600
Samsung SDI (006400.KS)	O (04/28/2026)	W553,000
SNT Motiv Co. Ltd. (064960.KS)	E (05/01/2026)	W31,100

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.