J.P.Morgan

Asia Pacific Equity Research
12 June 2026

Samsung Electro-Mechanics

Leveraging up-cycle with full-scale price tailwind; PT hike to W2.4mn

Overweight

009150.KS, 009150 KS
Price (12 Jun 26):W1,704,000

▲**Price Target (Jun-27):W2,400,000**
Prior (Jun-27):W1,450,000

Technology - Semiconductors

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Based on our MLCC Industry S-D model launch, we believe SEMCO will seize a greater EPS growth opportunity than its peers based on its solid business execution (AI server grade MLCC design wins as well as new entry into silicon capacitor business). We believe capacity penalty/loss from the industry demand transition remains a key upside risk to investor expectations and lays the foundation for a greater MLCC margin profile in 2028E (OPM: 34%) vs. historical peak in 2018 (OPM: 31%). Furthermore, we have observed increasing ABF substrate order discussions beyond 2028E which could signal an extended up-cycle duration with favorable pricing and supply terms. These fundamental changes remain robust and we view SEMCO as having entered a new growth chapter which justifies a valuation multiple re-rating. We increase FY26-28E EPS by 3-22%, raise our June-27 PT to W2.4mn and recommend investors accumulate.

- **Higher capacity trade ratio bodes well for MLCC up-cycle, with renewed historical OPM in 2028E vs. 2018**. Relative to nameplate MLCC capacity, the realistic producible supply increase is limited due to higher yield challenges and the larger-sized MLCC production mix increase amid robust server compute grade MLCC demand. This has been the prevailing reason behind the large gap between SEMCO's effective UTR and headline UTR and we expect the gap to widen as SEMCO moves its production mix further towards AI server applications. Pricing and margin tailwinds are extremely favorable for the margin profile and we forecast industry S-D to turn into a multi-year shortage starting next year (*note*). We estimate the Auto/Industrial sales mix to rise to over 60% by 28E (from 47% in FY25) driving the component solution division margin to 32%, renewing the historical high 30% seen in FY18.
- **CPU demand tailwinds offer potential upside to ABF substrate and silicon capacitor**. 2026-27E ABF substrate capacity is almost fully booked and we see renewed pricing quotes in every new negotiation round. The product mix is sharply improving toward value-added design SKUs used for AI accelerator/ networking, and SEMCO is seeing stronger order commitments from key customers for new projects beyond 2028. This is a strong signal that ABF substrate growth can continue for a longer period and sets a strong investment case to accelerate capacity expansion. INTC's new foundry and packaging design win (*link*) also bodes well for potential additional order wins for the silicon capacitor business, in our view.
- **Key risks and catalysts.** SEMCO shares have risen 654% YTD, well outperforming the Kospi index and MLCC/ABF regional peers. We remain bullish on our EPS projections (10-44% ahead of FY26-28E consensus) and see share price upside potential from a multiple rating and due to the stretched valuation based on consensus EPS vs. industry peers and historical cycle. However, we see the risk-reward as less favorable vs. 3M ago when MLCC up-cycle expectations began. We would highlight SEMCO is the only component supplier with exposure to both capacitors and substrates which are

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (W)	18,934	19,570	3.4%
Adj. EPS - 27E (W)	39,448	41,174	4.4%

Quarterly Forecasts (FYE Dec)

Adj. EPS (W)

	2025A	2026E	2027E
Q1	1,776	3,212A	7,631
Q2	1,605	4,215	9,545
Q3	2,836	5,750	11,399
Q4	2,837	6,393	12,598
FY	9,054	19,570	41,174

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	74	55	46	44	61
Growth	37	57	49	58	40
Momentum	4	13	62	50	72
Quality	63	45	37	31	20
Low Vol	62	33	26	31	28
ESGQ	85	97	97	7	12

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 13 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance

	YTD	1m	3m	12m
Abs	566.9%	83.6%	322.3%	1196.8%
Rel	474.1%	77.3%	276.8%	1018.6%

Company Data

Shares O/S (mn)	78
52-week range (W)	2,192,000-124,000
Market cap ($ mn)	86,258
Exchange rate	1,531.91
Free float (%)	62.9%
3M ADV (mn)	1.79
3M ADV ($ mn)	1,302.7
Volatility (90 Day)	110
Index	KOSPI
BBG ANR (Buy | Hold | Sell)	31|0|0

Key Metrics (FYE Dec)

W in billions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	11,314	14,045	18,916	24,512
Adj. EBIT	913	1,817	3,982	6,376
Adj. EBITDA	1,775	2,855	5,388	8,335
Adj. net income	702	1,518	3,193	5,050
Adj. EPS	9,054	19,570	41,174	65,126
BBG EPS	8,885	16,966	29,654	40,375
Cashflow from operations	1,394	1,815	3,365	5,709
FCFF	246	(429)	(1,525)	1,255
Margins and Growth				
Revenue Growth Y/Y (%)	9.9%	24.1%	34.7%	29.6%
EBIT margin	8.1%	12.9%	21.0%	26.0%
EBIT Growth Y/Y (%)	24.3%	99.0%	119.1%	60.1%
EBITDA margin	15.7%	20.3%	28.5%	34.0%
EBITDA Growth Y/Y (%)	18.5%	60.8%	88.7%	54.7%
Net margin	6.2%	10.8%	16.9%	20.6%
Adj. EPS growth	3.9%	116.2%	110.4%	58.2%
Ratios				
Adj. tax rate	18.3%	20.2%	20.2%	20.2%
Interest cover	449.1	NM	431.9	145.9
Net debt/Equity	NM	NM	0.1	0.0
Net debt/EBITDA	NM	NM	0.3	0.1
ROE	8%	15%	26%	31%
Valuation				
FCFF yield	0.2%	-0.3%	-1.2%	0.9%
Dividend yield	0.1%	0.1%	0.1%	0.1%
EV/Revenue	11.6	9.4	7.1	5.4
EV/EBITDA	74.2	46.3	24.9	16.0
Adj. P/E	188.2	87.1	41.4	26.2

Summary Investment Thesis and Valuation

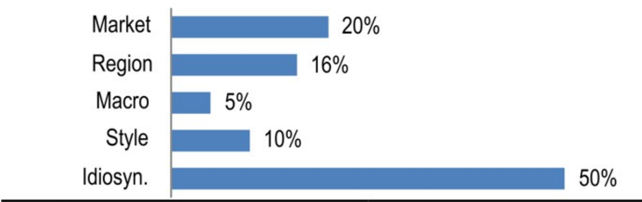
Investment Thesis

Our OW rating on SEMCO is based on: (1) MLCC product mix improvement toward Auto/Industrial, which should help generate higher margins in the mid- to long term; (2) an improving consumer (Mobile/PC) portion of MLCC demand after a year of de-stocking; and (3) business structure enhancement from substrate (more server) and camera modules (more automotive) to minimize cyclicality.

Valuation

Our June-27 PT of W2.4M is based on 35x FY28 P/E, a 67% premium to the 2016-2018 peak P/E multiple of 21x to reflect AI business transition, supply disruption and historical high ROE profile.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.57	0.44
Region: Korea	0.27	0.44
Macro:		
Generic 1st 'CO' Future	0.32	0.25
JPM China A-shares Sentiment	-0.27	-0.25
JPM Global Equity Sentiment	-0.15	-0.16
Quant Styles:		
Growth	0.29	0.26
Momentum	0.33	0.25
Quality	0.22	0.23

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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becoming an integral part of the AI ecosystem. We rate the potential business synergies high and expect continued positive new order wins to act as a strong share price driver in the next 3-6M.

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Estimate revisions

Table 1: SEMCO: Estimate revisions

Won in billions, year-end December

	Revised			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	**14,045**	**18,916**	**24,512**	**13,763**	**18,380**	**22,121**	**2.1**	**2.9**	**10.8**
Package Solutions	3,296	4,360	6,245	3,207	4,324	6,015	2.7	0.8	3.8
Component Solutions	6,819	10,669	14,425	6,641	10,190	12,328	2.7	4.7	17.0
Module	3,931	3,887	3,843	3,915	3,865	3,778	0.4	0.6	1.7
EBIT	**1,817**	**3,982**	**6,376**	**1,753**	**3,795**	**5,154**	**3.7**	**4.9**	**23.7**
Package Solutions	509	1,081	1,605	497	1,078	1,541	2.4	0.3	4.1
Component Solutions	1,184	2,781	4,651	1,133	2,598	3,494	4.5	7.0	33.1
Module	127	120	120	126	119	119	0.3	0.5	1.4
Operating Margin (%)	***12.9***	***21.0***	***26.0***	***12.7***	***20.6***	**23.3**	***0.2%p***	***0.4%p***	***2.7%p***
Package Solutions	*15.4*	*24.8*	*25.7*	*15.5*	*24.9*	*25.6*	*0.0%p*	*-0.1%p*	*0.1%p*
Component Solutions	*17.4*	*26.1*	*32.2*	*17.1*	*25.5*	*28.3*	*0.3%p*	*0.6%p*	*3.9%p*
Module	*3.2*	*3.1*	*3.1*	*3.2*	*3.1*	*3.1*	*0.0%p*	*0.0%p*	*0.0%p*
Net Profit	**1,518**	**3,193**	**5,050**	**1,468**	**3,059**	**4,127**	**3.4**	**4.4**	**22.4**
NP margin (%)	*10.8*	*16.9*	*20.6*	*10.7*	*16.6*	18.7	*0.1%p*	*0.2%p*	*1.9%p*

Source: J.P. Morgan estimates.

Table 2: SEMCO: J.P. Morgan vs. consensus estimates

Won in billions, year-end December

	JPM estimates				Market consensus				Difference			
	2Q26E	2026E	2027E	2028E	2Q26E	2026E	2027E	2028E	2Q26E	2026E	2027E	2028E
Sales	3,343	14,045	18,916	24,512	3,291	13,777	17,225	21,285	2%	2%	10%	15%
OP	398	1,817	3,982	6,376	389	1,689	3,021	4,416	2%	8%	32%	44%
NP	327	1,518	3,193	5,050	304	1,379	2,462	3,511	8%	10%	30%	44%

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

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Table 3: SEMCO: Capex/sales and FCF comparison across cycles

W bn

	14-16	17-19	20-22	23-25	26E-28E
Capex					
Component	1,089	1,899	1,367	1,026	4,500
Module	621	760	137	191	300
Substrate	887	484	1,262	1,181	6,400
Others/R&D	486	368	372	388	500
Sum total	**3,084**	**3,512**	**3,139**	**2,786**	**11,700**
Mix					
Component	35%	54%	44%	37%	38%
Module	20%	22%	4%	7%	3%
Substrate	29%	14%	40%	42%	55%
Others/R&D	16%	10%	12%	14%	4%
Revenue					
Component	5,839	9,095	12,555	13,564	31,912
Module	8,007	9,589	8,935	10,901	11,661
Substrate	4,463	4,388	5,818	6,054	13,900
Others	0	0	0	0	0
Sum total	**18,310**	**23,072**	**27,308**	**30,518**	**57,474**
Capex-to-Sales					
Component	19%	21%	11%	8%	14%
Module	8%	8%	2%	2%	3%
Substrate	20%	11%	22%	20%	46%
Sum total	**17%**	**15%**	**11%**	**9%**	**20%**
OP					
Component	405	1,867	2,239	1,427	8,616
Module	157	356	426	353	366
Substrate	(182)	(167)	789	507	3,195
Sum total	**391**	**2,058**	**3,457**	**2,288**	**12,175**
OP Mix, %					
Component	104%	91%	65%	62%	71%
Module	40%	17%	12%	15%	3%
Substrate	-47%	-8%	23%	22%	26%
Sum total	100%	100%	100%	100%	100%
OPM, %					
Component	7%	21%	18%	11%	27%
Module	2%	4%	5%	3%	3%
Substrate	-4%	-4%	14%	8%	23%
Sum total	**2%**	**9%**	**13%**	**7%**	**21%**
ROE, %	**4%**	**9%**	**14%**	**7%**	**24%**
EBITDA margin, %	**12%**	**18%**	**22%**	**15%**	**29%**
FCF	**(1,079)**	**126**	**2,017**	**1,512**	**2,332**

Source: Company data, J.P. Morgan estimates.

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Table 4: SEMCO: Capex/sales trend

W bn

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Capex	**754**	**944**	**836**	**1,196**	**1,052**	**1,113**	**1,252**	**1,147**	**720**	**927**	**1,491**	**1,019**	**612**	**1,155**	**2,600**	**4,800**	**4,300**
Component	291	245	211	396	483	230	911	758	419	509	439	141	163	722	1,200	1,800	1,500
Module	133	187	278	289	54	416	124	220	70	27	41	48	28	116	100	100	100
Substrate	277	440	273	386	229	330	92	62	146	223	894	747	259	175	1,200	2,700	2,500
Others (incl. R&D)	53	73	75	125	287	137	125	107	86	169	118	84	162	142	100	200	200
Sales	**7,913**	**8,257**	**6,100**	**6,176**	**6,033**	**6,838**	**8,193**	**8,041**	**8,209**	**9,675**	**9,425**	**8,909**	**10,294**	**11,314**	**14,045**	**18,916**	**24,512**
Component	1,876	1,895	1,883	2,028	1,929	2,338	3,545	3,212	3,645	4,778	4,132	3,903	4,462	5,198	6,819	10,669	14,425
Module	3,941	4,498	2,588	2,631	2,788	3,054	3,176	3,358	2,802	2,929	3,204	3,289	3,797	3,814	3,931	3,887	3,843
Substrate	2,096	1,865	1,630	1,517	1,317	1,447	1,472	1,470	1,761	1,968	2,088	1,717	2,035	2,302	3,296	4,360	6,245
Others (incl. R&D)																	
Capex-to-Sales, %	10%	11%	14%	19%	17%	16%	15%	14%	9%	10%	16%	11%	6%	10%	19%	25%	18%
Component	15%	13%	11%	20%	25%	10%	26%	24%	11%	11%	11%	4%	4%	14%	18%	17%	10%
Module	3%	4%	11%	11%	2%	14%	4%	7%	2%	1%	1%	1%	1%	3%	3%	3%	3%
Substrate	13%	24%	17%	25%	17%	23%	6%	4%	8%	11%	43%	43%	13%	8%	36%	62%	40%
Others (incl. R&D)																	

Source: Company data, J.P. Morgan estimates.

Table 5: SEMCO: MLCC sales mix trends by application

Sales mix	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
IT	61%	54%	55%	57%	52%	50%	49%	48%	42%	36%	31%
Auto	5%	9%	8%	8%	16%	21%	23%	27%	28%	30%	32%
Industrial	15%	20%	21%	21%	20%	19%	19%	20%	24%	29%	32%
Commodity	19%	18%	16%	14%	13%	10%	9%	5%	6%	5%	5%

Source: J.P. Morgan estimates, Company data.

Table 6: SEMCO: Packaging solution revenue breakdown OP/OPM

Wtrn, %

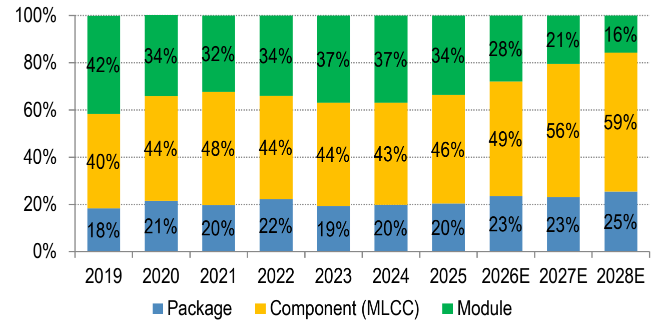
	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	**1.5**	**1.5**	**1.8**	**2.0**	**2.1**	**1.7**	**2.0**	**2.3**	**3.3**	**4.4**	**6.2**
FC-CSP (BT)	0.5	0.7	0.8	1.1	1.3	0.9	1.1	1.1	1.2	1.2	1.2
FC-BGA (ABF)	0.2	0.3	0.4	0.6	0.8	0.8	0.9	1.2	2.1	3.2	5.0
Others	0.7	0.5	0.5	0.3	-	-	-	-	-	-	-
OP	**(0.1)**	**0.0**	**0.1**	**0.2**	**0.5**	**0.2**	**0.2**	**0.2**	**0.5**	**1.1**	**1.6**
OPM, %	-8%	3%	6%	11%	22%	11%	9%	7%	15%	25%	26%

Source: J.P. Morgan estimates, Company data.

Key business and share price charts

Figure 1: SEMCO: Sales mix by division

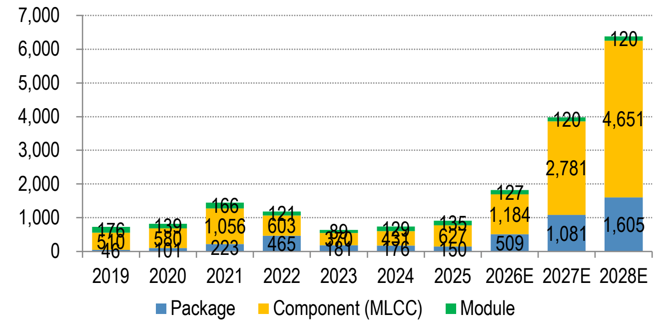
%



Source: Company data, J.P. Morgan estimates.

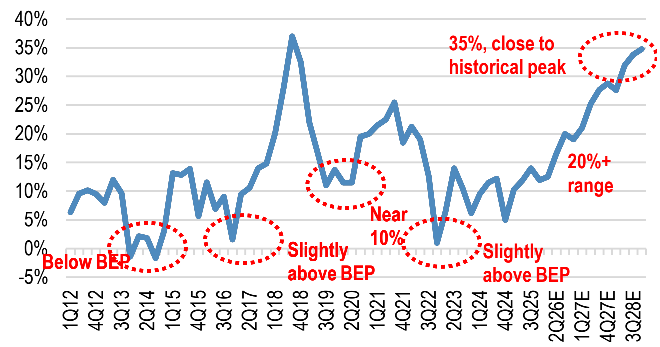
Figure 2: SEMCO: OP contribution by division

Won in billions



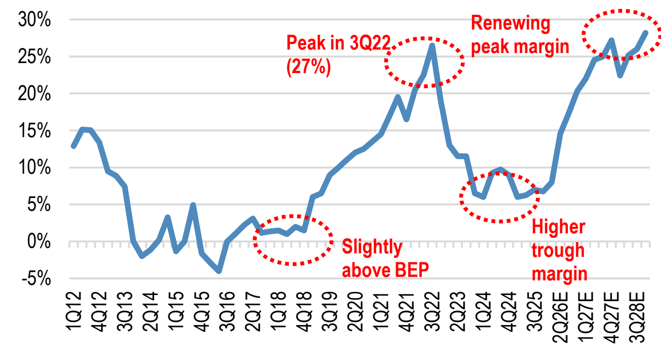
Source: Company data, J.P. Morgan estimates.

Figure 3: SEMCO: Component solution OPM trend



Source: Company data, J.P. Morgan estimates.

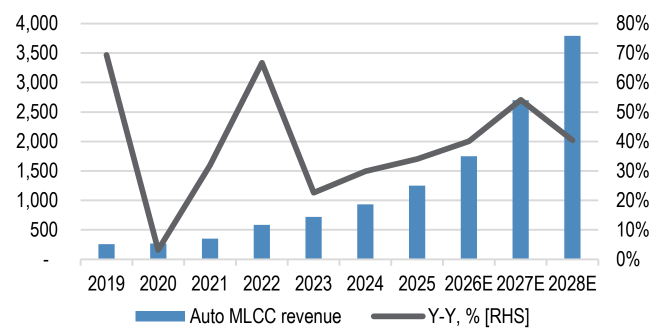
Figure 4: SEMCO: Package substrate OPM trend



Source: Company data, J.P. Morgan estimates.

Figure 5: SEMCO: Auto MLCC sales and Y/Y% growth

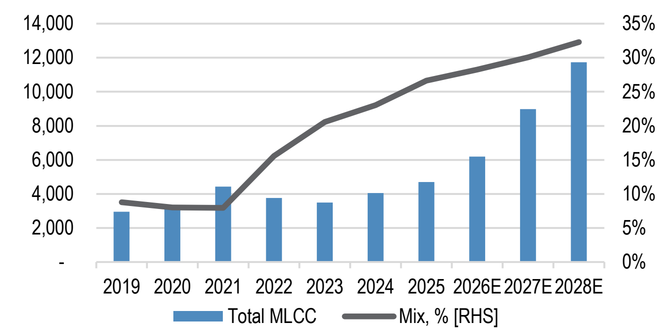
Wbn, %



Source: Company data, J.P. Morgan estimates.

Figure 6: SEMCO: MLCC total sales and MLCC % mix

Wbn, %



Source: Company data, J.P. Morgan estimates.

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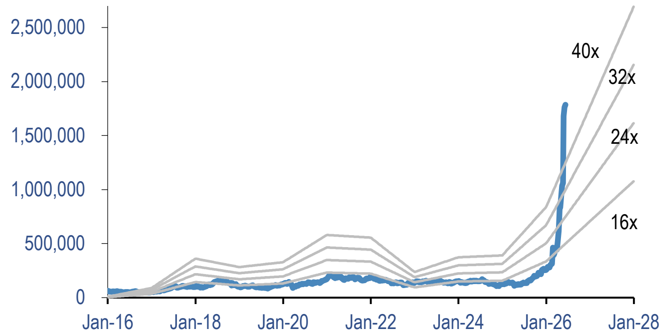
Figure 7: SEMCO – FTM P/E band

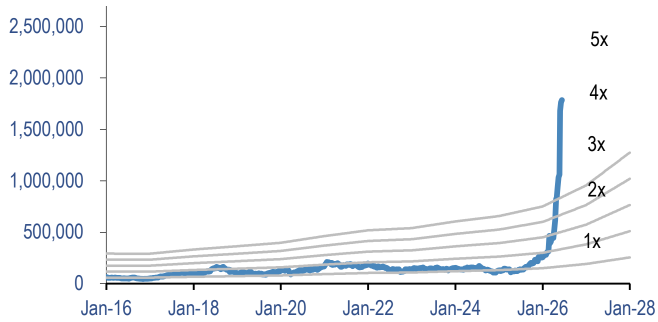
Share price (Won), Multiple (x)



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 8: SEMCO – FTM P/B band

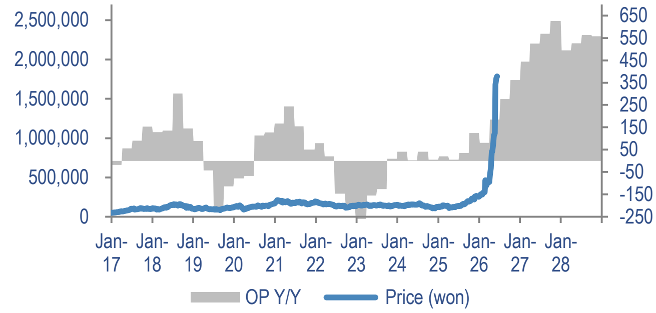
Share price (Won), Multiple (x)



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 9: SEMCO: Share price vs. quarterly OP y/y trend

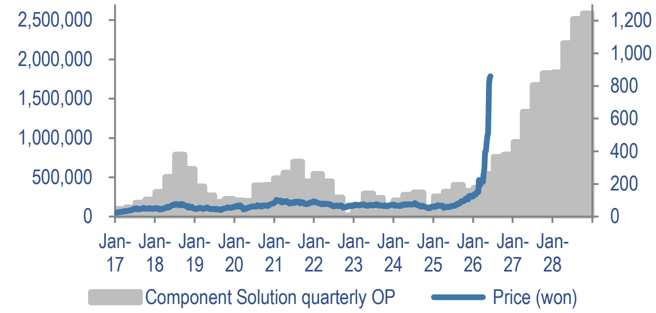
Won, Won in billions



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: The periods from 2Q25E onward are JPMe. Past results are not an indicator of future performance.

Figure 10: SEMCO: Share price vs. component solution quarterly OP

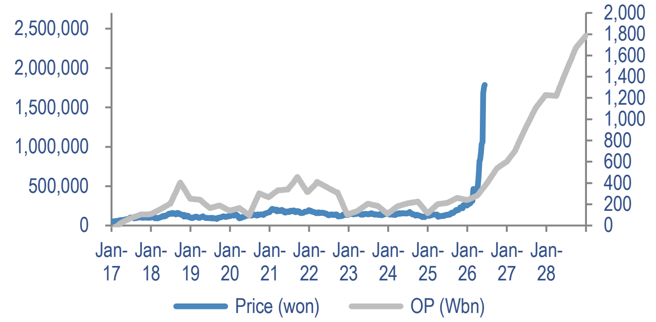
Won, Won in billions



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: The periods from 2Q25E onward are JPMe. Past results are not an indicator of future performance.

Figure 11: SEMCO: Share price vs. quarterly OP

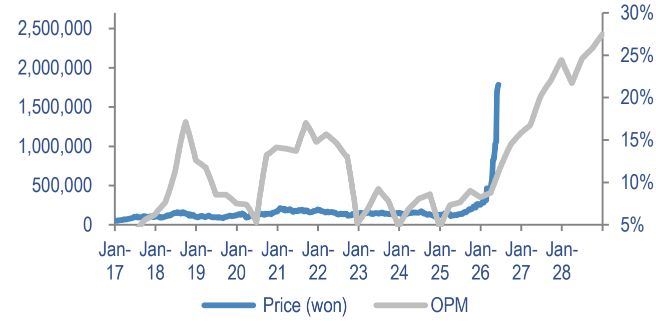
Won, Won in billions



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: The periods from 2Q25E onward are JPMe. Past results are not an indicator of future performance.

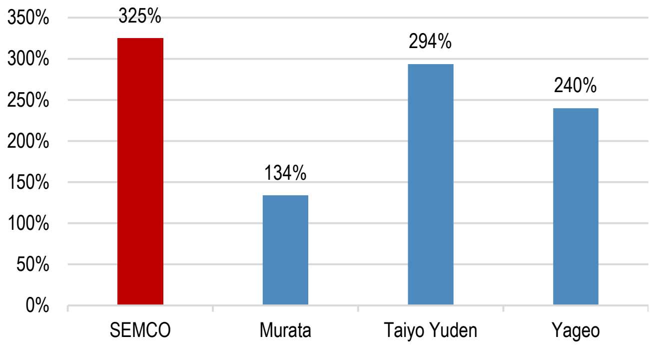
Figure 12: SEMCO: Share price vs. quarterly OPM

Won, OPM (%)



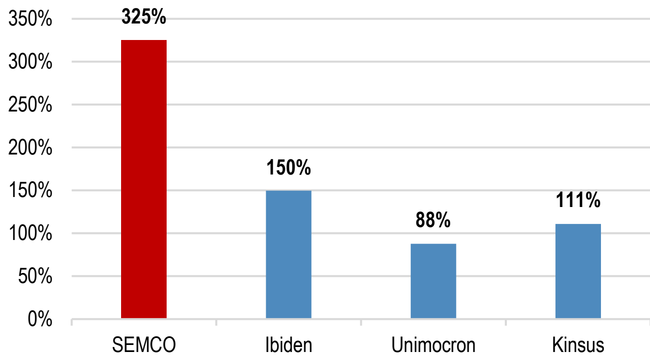
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: The periods from 2Q25E onward are JPMe. Past results are not an indicator of future performance.

Figure 13: Past 3M price performance: SEMCO vs. MLCC peers



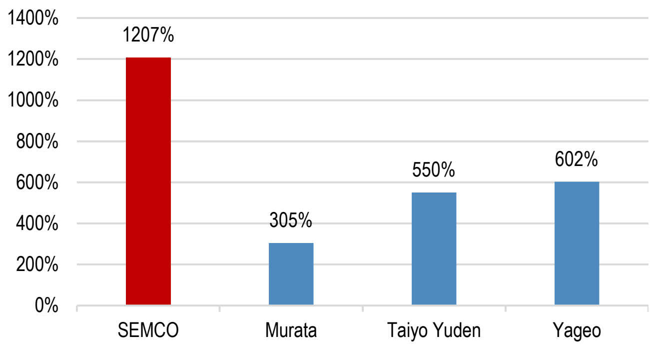
Source: Bloomberg Finance L.P. Note: Past results are not an indicator of future performance.

Figure 14: Past 3M price performance: SEMCO vs. substrate peers



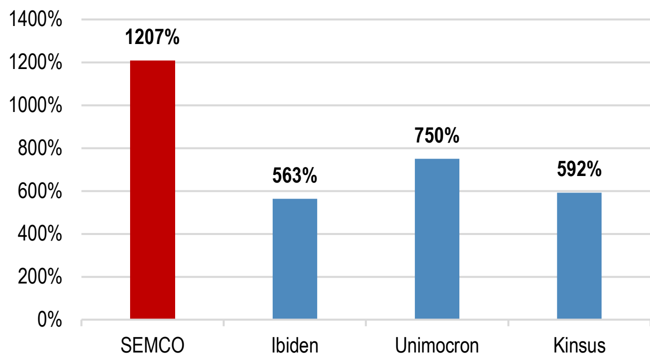
Source: Bloomberg Finance L.P. Note: Past results are not an indicator of future performance.

Figure 15: Past 12M price performance: SEMCO vs. MLCC peers



Source: Bloomberg Finance L.P. Note: Past results are not an indicator of future performance.

Figure 16: Past 12M price performance: SEMCO vs. substrate peers



Source: Bloomberg Finance L.P. Note: Past results are not an indicator of future performance.

Table 7: SEMCO: Earnings model

Won in billions, year-end December

	2025				2026E				2027E				2024	2025	2026E	2027E	2028E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE					
Revenue	**2,739**	**2,785**	**2,889**	**2,902**	**3,209**	**3,343**	**3,702**	**3,791**	**4,302**	**4,565**	**5,021**	**5,029**	**10,294**	**11,314**	**14,045**	**18,916**	**24,512**
Substrate	499	565	593	645	725	787	857	926	1,001	1,061	1,122	1,177	2,035	2,302	3,296	4,360	6,245
MLCC	1,216	1,281	1,381	1,320	1,409	1,580	1,838	1,993	2,166	2,544	2,908	3,050	4,462	5,198	6,819	10,669	14,425
Module	1,023	939	915	937	1,076	976	1,007	873	1,135	960	991	802	3,797	3,814	3,931	3,887	3,843
Others	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
Dep. & Amor. Expenses	(204)	(212)	(220)	(227)	(223)	(258)	(272)	(284)	(308)	(334)	(363)	(401)	(764)	(862)	(1,037)	(1,406)	(1,959)
COGS	(2,230)	(2,219)	(2,289)	(2,300)	(2,549)	(2,535)	(2,720)	(2,735)	(3,057)	(3,090)	(3,310)	(3,195)	(8,335)	(9,037)	(10,540)	(12,652)	(15,179)
Gross Profit	**509**	**565**	**601**	**603**	**660**	**807**	**982**	**1,056**	**1,245**	**1,475**	**1,711**	**1,834**	**1,959**	**2,277**	**3,506**	**6,265**	**9,333**
Operating Expense	(308)	(352)	(340)	(363)	(380)	(410)	(444)	(455)	(520)	(552)	(605)	(606)	(1,224)	(1,364)	(1,688)	(2,283)	(2,957)
EBIT	**201**	**213**	**260**	**239**	**281**	**398**	**538**	**601**	**724**	**923**	**1,106**	**1,227**	**735**	**913**	**1,817**	**3,982**	**6,376**
Substrate	30	35	42	44	58	115	148	188	220	260	281	320	176	150	509	1,081	1,605
MLCC	125	152	193	157	176	262	367	379	456	641	805	879	431	627	1,184	2,781	4,651
Module	46	25	26	38	49	21	22	34	49	22	21	29	129	135	127	120	120
Others	(0)	1	(0)	1	(2)	0	0	0	0	0	0	0	(1)	1	(2)	0	0
Net Interest Income	(4)	(5)	(1)	7	7	10	8	5	5	0	(6)	(12)	(1)	(4)	30	(12)	(57)
Net Other Income	(23)	(36)	23	23	29	21	30	34	35	39	42	46	63	(14)	114	161	210
Pre Tax Profit	174	171	282	269	316	429	576	640	764	963	1,142	1,262	797	896	1,961	4,130	6,529
Tax	(32)	(34)	(57)	(41)	(64)	(87)	(116)	(129)	(154)	(194)	(230)	(254)	(132)	(164)	(396)	(833)	(1,317)
Net Profit	**138**	**124**	**220**	**220**	**249**	**327**	**446**	**496**	**592**	**740**	**884**	**977**	**676**	**702**	**1,518**	**3,193**	**5,050**
EPS (W)	**1,895**	**1,785**	**3,025**	**3,026**	**3,426**	**4,569**	**6,134**	**6,819**	**8,141**	**10,255**	**12,160**	**13,439**	**9,342**	**9,731**	**20,949**	**43,995**	**69,547**
Margins (%)																	
Gross Margin	19	20	21	21	21	24	27	28	29	32	34	36	19	20	25	33	38
Operating Margin	7	8	9	8	9	12	15	16	17	20	22	24	7	8	13	21	26
EBITDA Margin	15	15	17	16	16	20	22	23	24	28	29	32	15	16	20	28	34
Net Margin	5	4	8	8	8	10	12	13	14	16	18	19	7	6	11	17	21
Divisional Margin (%)																	
Substrate	6	6	7	7	8	15	17	20	22	25	25	27	9	7	15	25	26
MLCC	10	12	14	12	13	17	20	19	21	25	28	29	10	12	17	26	32
Module	5	3	3	4	5	2	2	4	4	2	2	4	3	4	3	3	3
Sequential Growth (%)																	
Revenue	10	2	4	0	11	4	11	2	13	6	10	0	16	10	24	35	30
Gross Profit	16	11	6	0	10	22	22	8	18	18	16	7	14	16	54	79	49
EBIT	74	6	22	(8)	17	42	35	12	20	27	20	11	15	24	99	119	60
Net Profit	(34)	(10)	77	0	13	31	36	11	19	25	19	11	59	4	116	110	58
EPS	(34)	(6)	70	0	13	33	34	11	19	26	19	11	58	4	115	110	58

Source: Company data, J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Samsung Electro-Mechanics *(Overweight; Price Target: W2,400,000)*

Investment Thesis

Our OW rating on SEMCO is based on: (1) MLCC product mix improvement toward Auto/Industrial, which should help generate higher margins in the mid- to long term; (2) an improving consumer (Mobile/PC) portion of MLCC demand after a year of de-stocking; and (3) business structure enhancement from substrate (more server) and camera modules (more automotive) to minimize cyclicality.

Valuation

Our June-27 PT of W2.4M is based on 35x FY28 P/E, a 67% premium to the 2016-2018 peak P/E multiple of 21x to reflect AI business transition, supply disruption and historical high ROE profile.

Risks to Rating and Price Target

Key downside risks include: (1) greater competition in Auto/IT MLCC, translating into ASP declines and margin deterioration; (2) slower-than-expected Vietnam substrate ramp progress; and (3) a weaker-than-expected IT MLCC and substrate order recovery from China.

Samsung Electro-Mechanics: Summary of Financials

Income Statement	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	**8,909**	**10,294**	**11,314**	**14,045**	**18,916**
COGS	(6,423)	(7,571)	(8,175)	(9,502)	(11,245)
Gross profit	**1,721**	**1,959**	**2,277**	**3,506**	**6,265**
SG&A	(281)	(331)	(388)	(482)	(662)
Adj. EBITDA	**1,405**	**1,499**	**1,775**	**2,855**	**5,388**
D&A	(765)	(764)	(862)	(1,037)	(1,406)
Adj. EBIT	**639**	**735**	**913**	**1,817**	**3,982**
Net Interest	(15)	(1)	(4)	30	(12)
Adj. PBT	**543**	**797**	**896**	**1,961**	**4,130**
Tax	(85)	(132)	(164)	(396)	(833)
Minority Interest	(28)	14	(25)	(43)	(99)
Adj. Net Income	**425**	**676**	**702**	**1,518**	**3,193**
Reported EPS	5,477	8,713	9,054	19,570	41,174
Adj. EPS	**5,477**	**8,713**	**9,054**	**19,570**	**41,174**
DPS	**2,100**	**2,100**	**2,100**	**2,100**	**2,100**
Payout ratio	38.3%	24.1%	23.2%	10.7%	5.1%
Shares outstanding	78	78	78	78	78

Balance Sheet	FY23A	FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	1,669	2,013	2,701	2,785	1,032
Accounts receivable	1,235	1,484	1,855	2,447	3,245
Inventories	2,120	2,251	2,413	2,886	3,608
Other current assets	185	143	128	165	219
Current assets	**5,208**	**5,892**	**7,098**	**8,284**	**8,104**
PP&E	5,603	5,933	6,222	7,404	10,898
LT investments	695	822	1,124	1,033	1,033
Other non current assets	151	146	152	156	156
Total assets	**11,658**	**12,792**	**14,596**	**16,877**	**20,192**
Short term borrowings	1,305	1,558	2,003	2,447	2,447
Payables	1,283	1,157	1,412	1,687	1,923
Other short term liabilities	312	342	404	444	444
Current liabilities	**2,900**	**3,057**	**3,819**	**4,578**	**4,814**
Long-term debt	217	0	0	0	0
Other long term liabilities	511	720	979	1,078	1,078
Total liabilities	**3,628**	**3,777**	**4,799**	**5,656**	**5,892**
Shareholders' equity	7,848	8,789	9,542	10,905	13,885
Minority interests	183	227	256	316	415
Total liabilities & equity	**11,658**	**12,792**	**14,596**	**16,877**	**20,192**
BVPS	**98,845**	**110,417**	**119,749**	**136,553**	**173,702**
y/y Growth	*3.8%*	*11.7%*	*8.5%*	*14.0%*	*27.2%*
Net debt/(cash)	(148)	(455)	(698)	(338)	1,415

Cash Flow Statement	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operating activities	**1,051**	**993**	**1,394**	**1,815**	**3,365**
o/w Depreciation & amortization	765	764	862	1,037	1,406
o/w Changes in working capital	(173)	(436)	(201)	(788)	(1,338)
Cash flow from investing activities	**(1,106)**	**(1,215)**	**(1,460)**	**(2,132)**	**(4,900)**
o/w Capital expenditure	(1,133)	(1,094)	(1,151)	(2,220)	(4,900)
as % of sales	*12.7%*	*10.6%*	*10.2%*	*15.8%*	*25.9%*
Cash flow from financing activities	**47**	**566**	**754**	**401**	**(218)**
o/w Dividends paid	(159)	(87)	(136)	(183)	(218)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	169	246	705	543	0
Net change in cash	**(8)**	**344**	**688**	**84**	**(1,753)**
Adj. Free cash flow to firm	**(70)**	**(100)**	**246**	**(429)**	**(1,525)**
y/y Growth	*-44.5%*	*42.2%*	*-346.1%*	*-274.0%*	*255.8%*

Ratio Analysis	FY23A	FY24A	FY25A	FY26E	FY27E
Gross margin	19.3%	19.0%	20.1%	25.0%	33.1%
EBITDA margin	15.8%	14.6%	15.7%	20.3%	28.5%
EBIT margin	7.2%	7.1%	8.1%	12.9%	21.0%
Net profit margin	4.8%	6.6%	6.2%	10.8%	16.9%
ROE	6%	8%	8%	15%	26%
ROA	3.7%	5.5%	5.1%	9.6%	17.2%
ROCE	5.9%	6.2%	6.8%	11.7%	21.4%
SG&A/Sales	3.2%	3.2%	3.4%	3.4%	3.5%
Net debt/Equity	NM	NM	NM	NM	0.1
Net debt/EBITDA	NM	NM	NM	NM	0.3
Sales/Assets (x)	0.8	0.8	0.8	0.9	1.0
Assets/Equity (x)	1.5	1.5	1.5	1.5	1.5
Interest cover (x)	96.2	2,190.5	449.1	NM	431.9
Operating leverage	840.6%	96.2%	244.8%	410.1%	343.4%
Tax rate	15.6%	16.6%	18.3%	20.2%	20.2%
Revenue y/y Growth	-5.5%	15.5%	9.9%	24.1%	34.7%
EBITDA y/y Growth	-29.4%	6.7%	18.5%	60.8%	88.7%
EPS y/y Growth	-57.7%	59.1%	3.9%	116.2%	110.4%

Valuation	FY23A	FY24A	FY25A	FY26E	FY27E
P/E (x)	311.1	195.6	188.2	87.1	41.4
P/BV (x)	17.2	15.4	14.2	12.5	9.8
EV/EBITDA (x)	94.1	88.0	74.2	46.3	24.9
Dividend Yield	0.1%	0.1%	0.1%	0.1%	0.1%

Source: Company reports and J.P. Morgan estimates.
Note: W in billions (except per-share data).Fiscal year ends Dec. o/w - out of which

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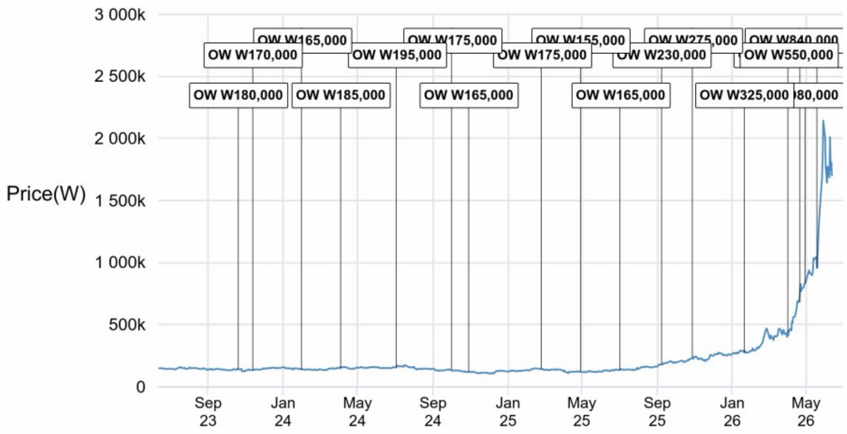
Samsung Electro-Mechanics (009150.KS, 009150 KS) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Oct 11, 2004. All share prices are as of market close on the previous business day.

Date	Rating	Price (W)	Price Target (W)
20-Oct-23	OW	142900	180,000
13-Nov-23	OW	134400	170,000
01-Feb-24	OW	139600	165,000
04-Apr-24	OW	148000	185,000
04-Jul-24	OW	154900	195,000
02-Oct-24	OW	132500	175,000
29-Oct-24	OW	121200	165,000
25-Feb-25	OW	143700	175,000
29-Apr-25	OW	121300	155,000
03-Jul-25	OW	134500	165,000
08-Sep-25	OW	178200	230,000
29-Oct-25	OW	232500	275,000
21-Jan-26	OW	276500	325,000
02-Apr-26	OW	442500	550,000
21-Apr-26	OW	683000	840,000
30-Apr-26	OW	833000	980,000
20-May-26	OW	956000	1,450,000

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IB clients**	83%	79%	74%
JPMS Equity Research Coverage*	49%	39%	13%
IB clients**	94%	93%	85%

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