

Samsung Electro-Mechanics

Silicon capacitor paves new business model on top of stronger MLCC/Substrate cycle; PT hike to W1.45mn

SEMCO's key operations (MLCC/Substrate) are seeing stronger traction upon robust orders (both GPU/CPU), pricing (mix improvement and like-for-like increase in long-tail customers) and reported new business initiatives (silicon capacitor, fabless business model) today. These trends signal a dramatic earnings growth trajectory and indicate healthy customer diversification. With significant FCF and ROE improvement, we believe SEMCO is in a multiple expansion stage and raise our PT to W1.45mn following 5-25% FY26E-28E EPS upward revision (JPMe: 11-51% ahead of consensus) and higher valuation multiple. SEMCO remains a preferred buy idea (SEMCO's shares +226% YTD vs. Kospi +57%) from Korea Tech H/W coverage and we recommend investors accumulate.

- Entering the silicon capacitor business with large volume mass production: US\$1+bn revenue opportunity ahead.** Silicon capacitors are passive electronic components manufactured on silicon wafers offering superior resistance and inductance performance ideal for space-constrained and high-frequency applications (high-performance compute chips). Murata (OW, covered by Akinori Kanemoto) and TSMC (OW, covered by Gokul Hariharan) are the main players in the market and SEMCO will be joining as a new supplier working with a foundry customer targeting ASIC as the final end customer. The company announced a US\$1bn order for 2027E-2028E today ([link](#)) and we estimate 20% OPM on this project. This opens up a new growth opportunity for the company to expand its product portfolio from mainly ceramic capacitors and move into a fabless solution provider, in our view. We view SEMCO's transition as very positive and view there are further growth opportunities as the silicon capacitor market growth accelerates.
- Stronger substrate order; favorable pricing environment continues.** The company is planning to invest US\$1.2bn to expand FC-BGA (ABF substrate) capacity in Vietnam ([link](#)) and additional facility utilization in Korea is under review. AI demand broadening out from GPU to CPU is creating tighter S-D in the ABF substrate industry and we already witness signs of higher-than-expected pricing adjustments for existing customers which could significantly improve the margin profile on top of product mix improvements (new GPU and ASIC grade ABF will be priced at a premium and margin accretive to SEMCO). We forecast ABF revenue rising to W6trn in FY28E from W3.2trn in FY26E (37% CAGR in the next two years) with sharp margin improvement from 15% to 26%.
- MLCC price hike for ODM market has begun, watch out for IT MLCC pricing trend from 2H26.** MLCC price rebound has begun not only from automotive and server applications but also in the ODM market ([link](#)). Rise in capacity mix towards high-end specialty MLCC applications (e.g. 1005 48uf) also shifts the leading MLCC suppliers' capacity reallocation, we think there is a high chance that the distributor market MLCC price quote will rise in the foreseeable future. We view the price increase inflection point to be different

Overweight

009150.KS, 009150 KS

Price (20 May 26):W1,069,000

▲ Price Target (Jun-27):W1,450,000
Prior (Jun-27):W980,000

Technology - Semiconductors

Jay Kwon ^{AC}

(82-2) 758-5725

jay.h.kwon@jpmorgan.com

Sangsik Lee

(82-2) 758 5146

sangsik.lee@jpmorgan.com

J.P. Morgan Securities (Far East) Limited, Seoul Branch

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (W)	18,102	18,934	4.6%
Adj. EPS - 27E (W)	32,141	39,448	22.7%

Quarterly Forecasts (FYE Dec)

Adj. EPS (W)	2025A	2026E	2027E
Q1	1,776	3,212A	7,608
Q2	1,605	4,140	9,344
Q3	2,836	5,442	10,970
Q4	2,837	6,140	11,526
FY	9,054	18,934	39,448

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	73	52	45	46	62
Growth	38	68	53	77	40
Momentum	3	21	58	75	29
Quality	61	51	40	47	26
Low Vol	62	34	24	31	27
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.

Price Performance



	YTD	1m	3m	12m
Abs	318.4%	56.5%	184.3%	795.3%
Rel	247.3%	40.6%	160.2%	618.2%

Company Data

Shares O/S (mn)	78
52-week range (W)	1,133,000-116,200
Market cap (\$ mn)	54,993
Exchange rate	1,507.43
Free float (%)	62.9%
3M ADV (mn)	1.46
3M ADV (\$ mn)	595.2
Volatility (90 Day)	87
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	13,763	18,380	22,121
Adj. EBIT	913	1,753	3,795	5,154
Adj. EBITDA	1,775	2,787	5,130	6,910
Adj. net income	702	1,468	3,059	4,127
Adj. EPS	9,054	18,934	39,448	53,226
BBG EPS	8,885	16,621	25,892	33,750
Cashflow from operations	1,394	1,884	3,386	4,902
FCFF	246	(211)	(818)	1,307
Margins and Growth				
Revenue Growth Y/Y (%)	9.9%	21.6%	33.5%	20.4%
EBIT margin	8.1%	12.7%	20.6%	23.3%
EBIT Growth Y/Y (%)	24.3%	92.0%	116.4%	35.8%
EBITDA margin	15.7%	20.3%	27.9%	31.2%
EBITDA Growth Y/Y (%)	18.5%	57.0%	84.0%	34.7%
Net margin	6.2%	10.7%	16.6%	18.7%
Adj. EPS growth	3.9%	109.1%	108.3%	34.9%
Ratios				
Adj. tax rate	18.3%	20.2%	20.2%	20.2%
Interest cover	449.1	NM	NM	1,002.2
Net debt/Equity	NM	NM	0.0	NM
Net debt/EBITDA	NM	NM	0.1	NM
ROE	8%	14%	25%	26%
Valuation				
FCFF yield	0.3%	-0.3%	-1.0%	1.6%
Dividend yield	0.2%	0.2%	0.2%	0.2%
EV/Revenue	7.3	6.0	4.6	3.7
EV/EBITDA	46.4	29.7	16.3	12.0
Adj. P/E	118.1	56.5	27.1	20.1

Summary Investment Thesis and Valuation

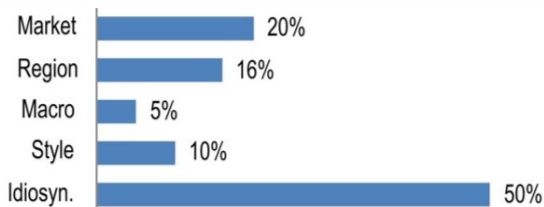
Investment Thesis

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 Jun-27 PT of W1.45M is based on 29.5x FTM P/E (40% premium to peak FTM P/E of 21x during the 2016-2018 cycle) to reflect business and customer diversification amidst stronger pricing/margin cycles at both MLCC/Substrate in the next three years.

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

('25-'28 cycle driven by AI demand resulting in effective capacity shrink vs. '17-'18 cycle owing to product end of life related to just-in-case purchases aided by first EV demand pickup) and view the current cycle to be more sustainable. Including the silicon capacitor business, we forecast component solutions business revenue moving up to W12.2trn by FY28E (vs. W6.6trn in FY26E) and estimate quarterly peak margin at 30% (vs. 37% in 3Q18).

- **Key risks and future catalysts.** We estimate FY26E-28E cycle capex (over W10trn) and capital intensity (19%) to be at the highest level vs. previous cycles. While the majority of demand appears to be backed up by strong order commitments (incl. LTA) from AI customers, revenue concentration risk could be greater upon unexpected demand weakness. Both ABF and MLCC S-D appear extremely tight (27E tightness likely to be worse vs. 26E) and we currently model in a favorable pricing outlook. Unexpectedly higher supply growth (risk mostly heading into 2H28E as supply additions happen) could be viewed as a key risk. Next key catalysts are: a) official capex plan announcement (parameter to assess FCF generation visibility) and b) AI server grade content and spec roadmap and related design win update (both at MLCC/Substrate).

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	13,763	18,380	22,121	13,484	16,333	19,233	2.1	12.5	15.0
Package Solutions	3,207	4,324	6,015	3,102	3,774	4,777	3.4	14.6	25.9
Component Solutions	6,641	10,190	12,328	6,500	8,738	10,679	2.2	16.6	15.4
Module	3,915	3,865	3,778	3,882	3,821	3,778	0.8	1.2	0.0
EBIT	1,753	3,795	5,154	1,662	3,004	3,975	5.5	26.3	29.6
Package Solutions	497	1,078	1,541	452	848	1,091	10.0	27.1	41.3
Component Solutions	1,133	2,598	3,494	1,087	2,039	2,766	4.2	27.4	26.3
Module	126	119	119	126	118	119	0.5	0.9	0.0
Operating Margin (%)	12.7	20.6	23.3	12.3	18.4	20.7	0.4%p	2.3%p	2.6%p
Package Solutions	15.5	24.9	25.6	14.6	22.5	22.8	0.9%p	2.5%p	2.8%p
Component Solutions	17.1	25.5	28.3	16.7	23.3	25.9	0.3%p	2.2%p	2.4%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	1,468	3,059	4,127	1,404	2,492	3,298	4.6	22.7	25.2
NP margin (%)	10.7	16.6	18.7	10.4	15.3	17.1	0.3%p	1.4%p	1.5%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	3,297	13,763	18,380	22,121	3,270	13,583	16,247	19,190	1%	1%	13%	15%
OP	390	1,753	3,795	5,154	381	1,637	2,617	3,471	3%	7%	45%	48%
NP	321	1,468	3,059	4,127	296	1,324	2,089	2,729	9%	11%	46%	51%

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

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

W bn	14-16	17-19	20-22	23-25	26E-28E
<u>Capex</u>					
Component	1,089	1,899	1,367	1,026	4,000
Module	621	760	137	191	400
Substrate	887	484	1,262	1,181	5,200
Others/R&D	486	368	372	388	500
Sum total	3,084	3,512	3,139	2,786	10,100
<u>Mix</u>					
Component	35%	54%	44%	37%	40%
Module	20%	22%	4%	7%	4%
Substrate	29%	14%	40%	42%	51%
Others/R&D	16%	10%	12%	14%	5%
<u>Revenue</u>					
Component	5,839	9,095	12,555	13,564	29,159
Module	8,007	9,589	8,935	10,901	11,558
Substrate	4,463	4,388	5,818	6,054	13,547
Others	0	0	0	0	0
Sum total	18,310	23,072	27,308	30,518	54,264
<u>Capex-to-Sales</u>					
Component	19%	21%	11%	8%	14%
Module	8%	8%	2%	2%	3%
Substrate	20%	11%	22%	20%	38%
Sum total	17%	15%	11%	9%	19%
<u>OP</u>					
Component	405	1,867	2,239	1,427	7,224
Module	157	356	426	353	364
Substrate	(182)	(167)	789	507	3,116
Sum total	391	2,058	3,457	2,288	10,702
<u>OP Mix, %</u>					
Component	104%	91%	65%	62%	68%
Module	40%	17%	12%	15%	3%
Substrate	-47%	-8%	23%	22%	29%
Sum total	100%	100%	100%	100%	100%
<u>OPM, %</u>					
Component	7%	21%	18%	11%	25%
Module	2%	4%	5%	3%	3%
Substrate	-4%	-4%	14%	8%	23%
Sum total	2%	9%	13%	7%	20%
<u>ROE, %</u>					
ROE, %	4%	9%	14%	7%	22%
<u>EBITDA margin, %</u>					
EBITDA margin, %	12%	18%	22%	15%	27%
<u>FCF</u>					
FCF	(1,079)	126	2,017	1,512	2,469

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

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	2,400	4,150	3,550
Component	291	245	211	396	483	230	911	758	419	509	439	141	163	722	1,200	1,400	1,400
Module	133	187	278	289	54	416	124	220	70	27	41	48	28	116	100	150	150
Substrate	277	440	273	386	229	330	92	62	146	223	894	747	259	175	1,000	2,400	1,800
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	13,763	18,380	22,121
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	6,641	10,190	12,328
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	3,915	3,865	3,778
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	3,207	4,324	6,015
Others (incl. R&D)																	
Capex-to-Sales, %	10%	11%	14%	19%	17%	16%	15%	14%	9%	10%	16%	11%	6%	10%	17%	23%	16%
Component	15%	13%	11%	20%	25%	10%	26%	24%	11%	11%	11%	4%	4%	14%	18%	14%	11%
Module	3%	4%	11%	11%	2%	14%	4%	7%	2%	1%	1%	1%	1%	3%	3%	4%	4%
Substrate	13%	24%	17%	25%	17%	23%	6%	4%	8%	11%	43%	43%	13%	8%	31%	55%	30%
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%	53%	49%	49%	49%	42%	37%	34%
Auto	5%	9%	8%	8%	16%	21%	23%	26%	29%	31%	32%
Industrial	15%	20%	22%	21%	18%	19%	19%	19%	24%	29%	32%
Commodity	19%	17%	15%	14%	13%	12%	10%	7%	5%	3%	2%

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

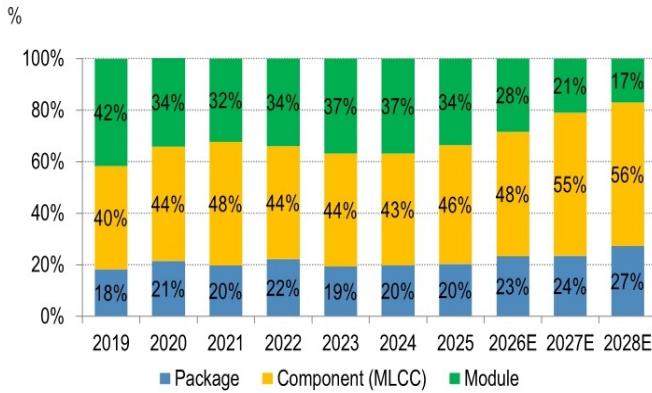
Table 6: SEMCO: Packaging solution revenue breakdown OP/OPM

	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	3.2	4.3	6.0
FC-CSP (BT)	0.5	0.7	0.8	1.1	1.3	0.9	1.1	1.1	1.1	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	4.8
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	1.5
OPM, %	-8%	3%	6%	11%	22%	11%	9%	7%	15%	25%	26%

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

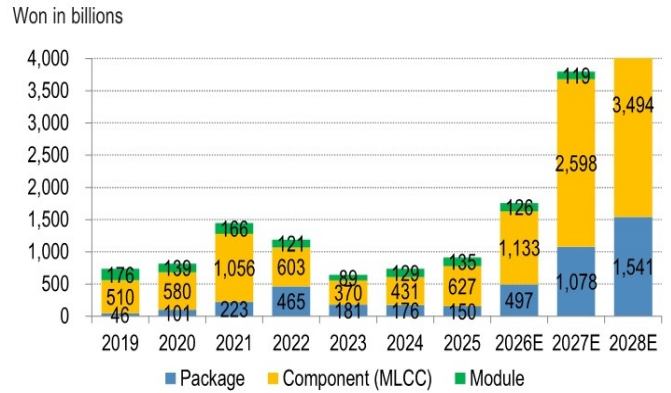
Key business and share price charts

Figure 1: SEMCO: Sales mix by division



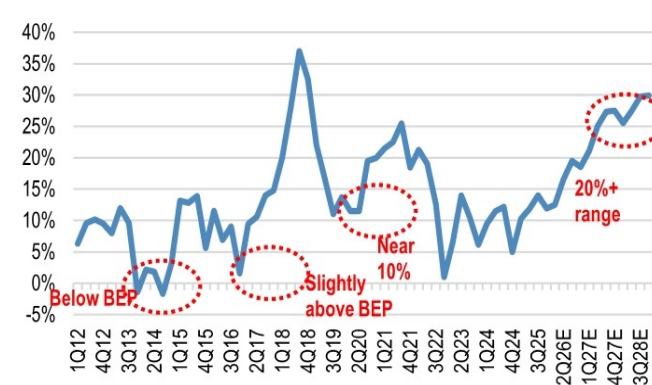
Source: Company data, J.P. Morgan estimates.

Figure 2: SEMCO: OP contribution by division



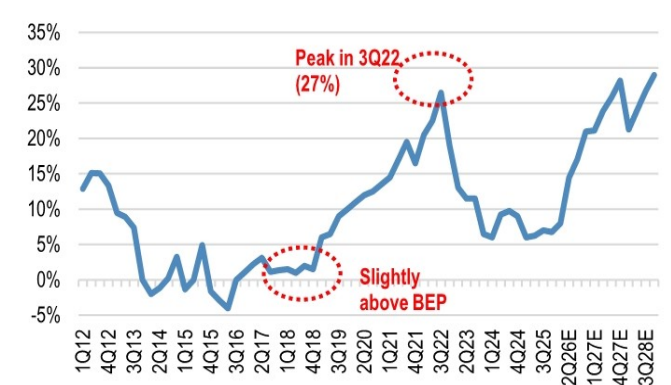
Source: Company data, J.P. Morgan estimates.

Figure 3: SEMCO: Component solution OPM trend



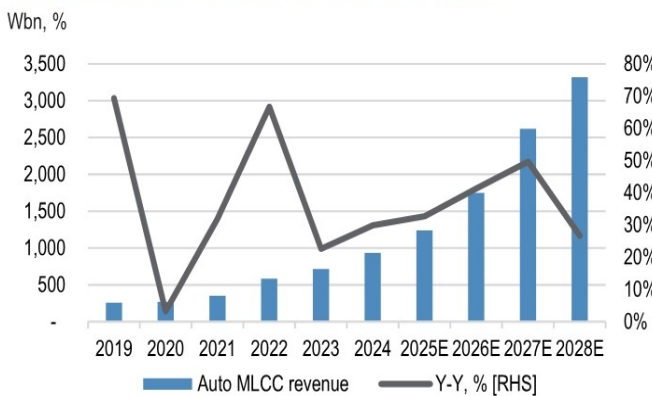
Source: Company data, J.P. Morgan estimates.

Figure 4: SEMCO: Package substrate OPM trend



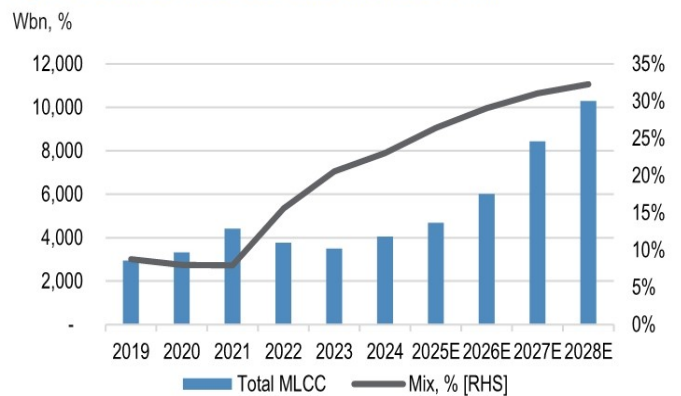
Source: Company data, J.P. Morgan estimates.

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



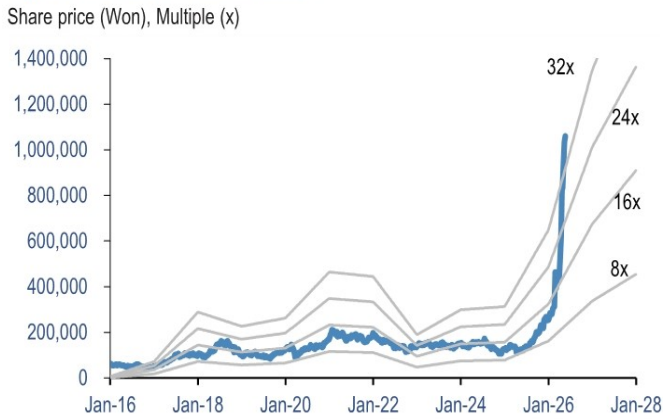
Source: Company data, J.P. Morgan estimates.

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



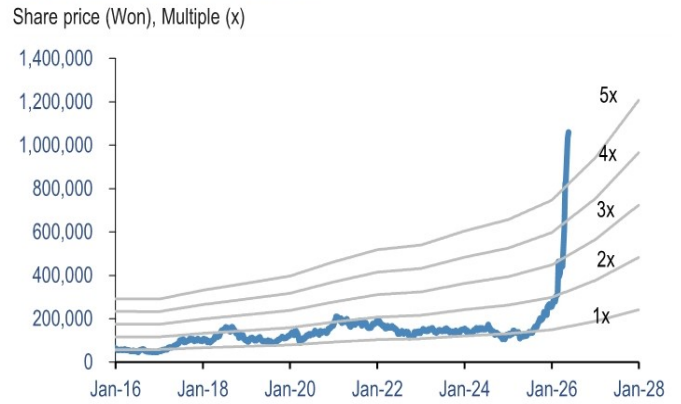
Source: Company data, J.P. Morgan estimates.

Figure 7: SEMCO – FTM P/E band



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

Figure 8: SEMCO – FTM P/B band



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

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



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



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



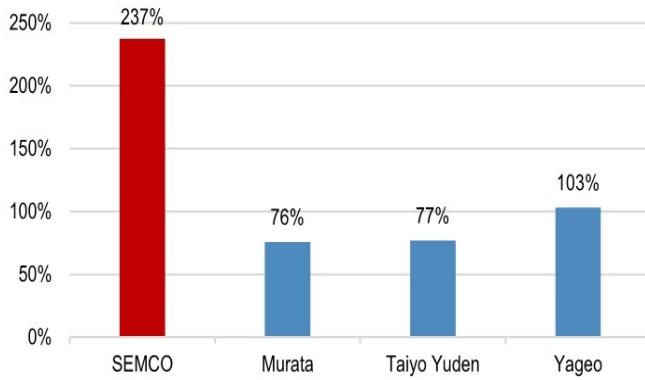
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: The periods from 2Q25E onward are JPMe. Past results are not an indicator of future performance.

Figure 12: SEMCO: Share price vs. quarterly OPM



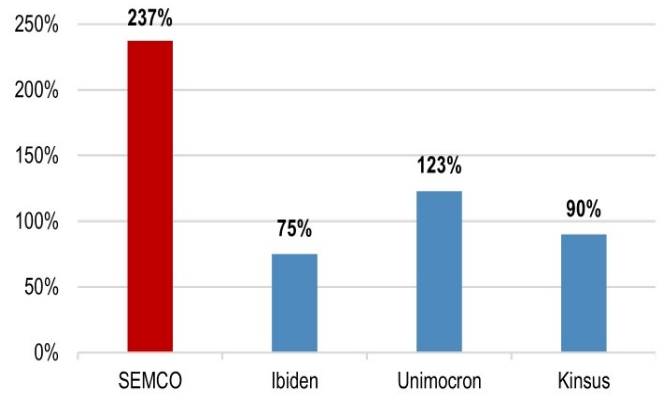
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: The periods from 2Q25E onward are JPMe. Past results are not an indicator of future performance.

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



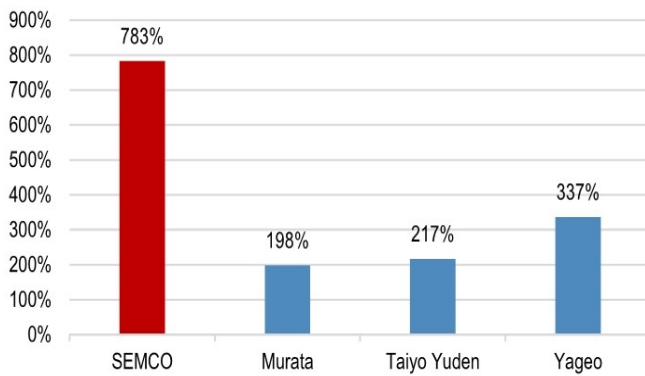
Source: Bloomberg Finance L.P. Note: Past results are not an indicator of future performance.

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



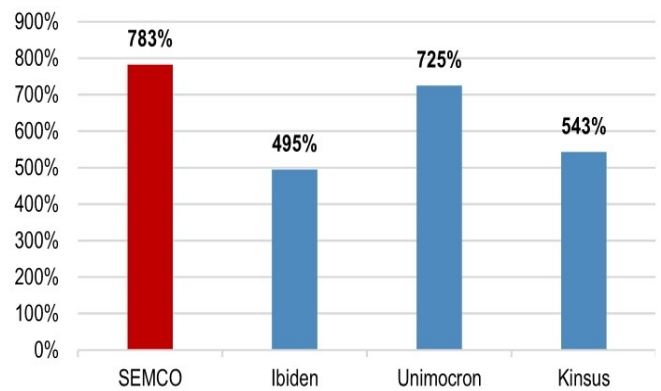
Source: Bloomberg Finance L.P. Note: Past results are not an indicator of future performance.

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.

Jay Kwon ^{AC}
(82-2) 758-5725
jay.h.kwon@jpmorgan.com

Asia Pacific Equity Research
20 May 2026

J.P.Morgan

Table 7: SEMCO: Earnings model

Won in billions, year-end December

	2025				2026E				2027E				2023	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	3,297	3,588	3,669	4,315	4,509	4,843	4,713	8,909	10,294	11,314	13,763	18,380	22,121
Substrate	499	565	593	645	725	769	814	899	980	1,059	1,103	1,182	1,717	2,035	2,302	3,207	4,324	6,015
MLCC	1,216	1,281	1,381	1,320	1,409	1,558	1,773	1,902	2,207	2,495	2,754	2,734	3,903	4,462	5,198	6,641	10,190	12,328
Module	1,023	939	915	937	1,076	970	1,001	868	1,128	954	986	797	3,289	3,797	3,814	3,915	3,865	3,778
Others	0	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)	(271)	(282)	(300)	(321)	(345)	(369)	(765)	(764)	(862)	(1,034)	(1,335)	(1,756)
COGS	(2,230)	(2,219)	(2,289)	(2,300)	(2,549)	(2,503)	(2,650)	(2,653)	(3,072)	(3,063)	(3,201)	(3,031)	(7,189)	(8,335)	(9,037)	(10,355)	(12,367)	(14,299)
Gross Profit	509	565	601	603	660	794	937	1,016	1,243	1,446	1,642	1,682	1,721	1,959	2,277	3,408	6,013	7,822
Operating Expense	(308)	(352)	(340)	(363)	(380)	(404)	(430)	(440)	(522)	(545)	(583)	(568)	(1,081)	(1,224)	(1,364)	(1,654)	(2,218)	(2,669)
EBIT	201	213	260	239	281	390	507	576	721	901	1,059	1,114	639	735	913	1,753	3,795	5,154
Substrate	30	35	42	44	58	111	139	189	207	253	285	333	181	176	150	497	1,078	1,541
MLCC	125	152	193	157	176	258	346	353	466	627	753	752	370	431	627	1,133	2,598	3,494
Module	46	25	26	38	49	21	22	34	48	22	21	28	89	129	135	126	119	119
Others	(0)	1	(0)	1	(2)	0	0	0	0	0	0	0	(0)	(1)	1	(2)	0	0
Net Interest Income	(4)	(5)	(1)	7	7	10	8	7	8	2	(1)	(4)	(15)	(1)	(4)	31	5	(7)
Net Other Income	(23)	(36)	23	23	29	21	30	33	33	39	41	44	(82)	63	(14)	113	158	190
Pre Tax Profit	174	171	282	269	316	421	545	615	762	943	1,099	1,154	543	797	896	1,898	3,957	5,337
Tax	(32)	(34)	(57)	(41)	(64)	(85)	(110)	(124)	(154)	(190)	(222)	(233)	(85)	(132)	(164)	(383)	(798)	(1,077)
Net Profit	138	124	220	220	249	321	422	476	590	725	851	894	425	676	702	1,468	3,059	4,127
EPS (W)	1,775	1,604	2,834	2,835	3,210	4,138	5,439	6,135	7,603	9,337	10,963	11,518	5,473	8,707	9,047	18,921	39,420	53,189
Margins (%)																		
Gross Margin	19	20	21	21	21	24	26	28	29	32	34	36	19	19	20	25	33	35
Operating Margin	7	8	9	8	9	12	14	16	17	20	22	24	7	7	8	13	21	23
EBITDA Margin	15	15	17	16	16	20	22	23	24	27	29	31	16	15	16	20	28	31
Net Margin	5	4	8	8	8	10	12	13	14	16	18	19	5	7	6	11	17	19
Divisional Margin (%)																		
Substrate	6	6	7	7	8	14	17	21	21	24	26	28	11	9	7	15	25	26
MLCC	10	12	14	12	13	17	19	19	21	25	27	28	9	10	12	17	25	28
Module	5	3	3	4	5	2	2	4	4	2	2	4	3	3	4	3	3	3
Sequential Growth (%)																		
Revenue	10	2	4	0	11	3	9	2	18	4	7	(3)	(5)	16	10	22	34	20
Gross Profit	16	11	6	0	10	20	18	8	22	16	14	2	(24)	14	16	50	76	30
EBIT	74	6	22	(8)	17	39	30	14	25	25	18	5	(46)	15	24	92	116	36
Net Profit	(34)	(10)	77	0	13	29	31	13	24	23	17	5	(58)	59	4	109	108	35
EPS	(34)	(10)	77	0	13	29	31	13	24	23	17	5	(58)	59	4	109	108	35

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

Investment Thesis, Valuation and Risks

Samsung Electro-Mechanics *(Overweight; Price Target: W1,450,000)*

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 Jun-27 PT of W1.45M is based on 29.5x FTM P/E (40% premium to peak FTM P/E of 21x during the 2016-2018 cycle) to reflect business and customer diversification amidst stronger pricing/margin cycles at both MLCC/Substrate in the next three years.

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	Cash Flow Statement	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	8,909	10,294	11,314	13,763	18,380	Cash flow from operating activities	1,051	993	1,394	1,884	3,386
COGS	(6,423)	(7,571)	(8,175)	(9,321)	(11,032)	o/w Depreciation & amortization	765	764	862	1,034	1,335
Gross profit	1,721	1,959	2,277	3,408	6,013	o/w Changes in working capital	(173)	(436)	(201)	(665)	(1,108)
SG&A	(281)	(331)	(388)	(472)	(643)	Cash flow from investing activities	(1,106)	(1,215)	(1,460)	(1,982)	(4,200)
Adj. EBITDA	1,405	1,499	1,775	2,787	5,130	o/w Capital expenditure	(1,133)	(1,094)	(1,151)	(2,070)	(4,200)
D&A	(765)	(764)	(862)	(1,034)	(1,335)	as % of sales	12.7%	10.6%	10.2%	15.0%	22.9%
Adj. EBIT	639	735	913	1,753	3,795	Cash flow from financing activities	47	566	754	401	(218)
Net Interest	(15)	(1)	(4)	31	5	o/w Dividends paid	(159)	(87)	(136)	(183)	(218)
Adj. PBT	543	797	896	1,898	3,957	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(85)	(132)	(164)	(383)	(798)	o/w Net debt issued/(repaid)	169	246	705	543	0
Minority Interest	(28)	14	(25)	(41)	(95)	Net change in cash	(8)	344	688	303	(1,033)
Adj. Net Income	425	676	702	1,468	3,059	Adj. Free cash flow to firm	(70)	(100)	246	(211)	(818)
Reported EPS	5,477	8,713	9,054	18,934	39,448	y/y Growth	-44.5%	42.2%	-346.1%	-185.8%	287.1%
Adj. EPS	5,477	8,713	9,054	18,934	39,448						
DPS	2,100	2,100	2,100	2,100	2,100						
Payout ratio	38.3%	24.1%	23.2%	11.1%	5.3%						
Shares outstanding	78	78	78	78	78						
Balance Sheet	FY23A	FY24A	FY25A	FY26E	FY27E	Ratio Analysis	FY23A	FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	1,669	2,013	2,701	3,004	1,971	Gross margin	19.3%	19.0%	20.1%	24.8%	32.7%
Accounts receivable	1,235	1,484	1,855	2,368	3,042	EBITDA margin	15.8%	14.6%	15.7%	20.3%	27.9%
Inventories	2,120	2,251	2,413	2,793	3,381	EBIT margin	7.2%	7.1%	8.1%	12.7%	20.6%
Other current assets	185	143	128	160	206	Net profit margin	4.8%	6.6%	6.2%	10.7%	16.6%
Current assets	5,208	5,892	7,098	8,325	8,600	ROE	6%	8%	8%	14%	25%
PP&E	5,603	5,933	6,222	7,258	10,123	ROA	3.7%	5.5%	5.1%	9.4%	16.7%
LT investments	695	822	1,124	1,033	1,033	ROCE	5.9%	6.2%	6.8%	11.3%	20.6%
Other non current assets	151	146	152	156	156	SG&A/Sales	3.2%	3.2%	3.4%	3.4%	3.5%
Total assets	11,658	12,792	14,596	16,772	19,912	Net debt/Equity	NM	NM	NM	NM	0.0
						Net debt/EBITDA	NM	NM	NM	NM	0.1
Short term borrowings	1,305	1,558	2,003	2,447	2,447	Sales/Assets (x)	0.8	0.8	0.8	0.9	1.0
Payables	1,283	1,157	1,412	1,632	1,831	Assets/Equity (x)	1.5	1.5	1.5	1.5	1.5
Other short term liabilities	312	342	404	444	444	Interest cover (x)	96.2	2,190.5	449.1	NM	NM
Current liabilities	2,900	3,057	3,819	4,523	4,723	Operating leverage	840.6%	96.2%	244.8%	425.0%	347.1%
Long-term debt	217	0	0	0	0	Tax rate	15.6%	16.6%	18.3%	20.2%	20.2%
Other long term liabilities	511	720	979	1,078	1,078	Revenue y/y Growth	-5.5%	15.5%	9.9%	21.6%	33.5%
Total liabilities	3,628	3,777	4,799	5,601	5,801	EBITDA y/y Growth	-29.4%	6.7%	18.5%	57.0%	84.0%
Shareholders' equity	7,848	8,789	9,542	10,856	13,702	EPS y/y Growth	-57.7%	59.1%	3.9%	109.1%	108.3%
Minority interests	183	227	256	315	409						
Total liabilities & equity	11,658	12,792	14,596	16,772	19,912	Valuation	FY23A	FY24A	FY25A	FY26E	FY27E
BVPS	98,845	110,417	119,749	135,938	171,414	P/E (x)	195.2	122.7	118.1	56.5	27.1
y/y Growth	3.8%	11.7%	8.5%	13.5%	26.1%	P/BV (x)	10.8	9.7	8.9	7.9	6.2
Net debt/(cash)	(148)	(455)	(698)	(557)	476	EV/EBITDA (x)	59.0	55.2	46.4	29.7	16.3
						Dividend Yield	0.2%	0.2%	0.2%	0.2%	0.2%

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

Companies Discussed in This Report (all prices in this report as of market close on 20 May 2026, unless otherwise indicated)
Murata Manufacturing (6981)(6981.T/¥6,164/OW), TSMC(2330.TW/NT\$2,185.00/OW)

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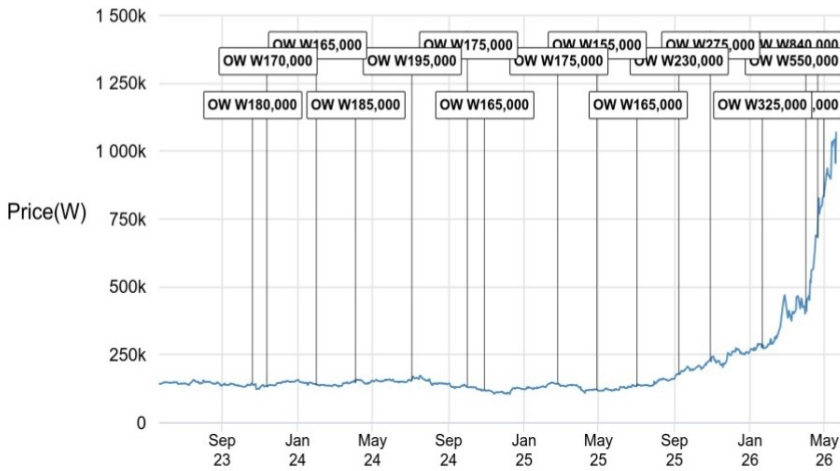
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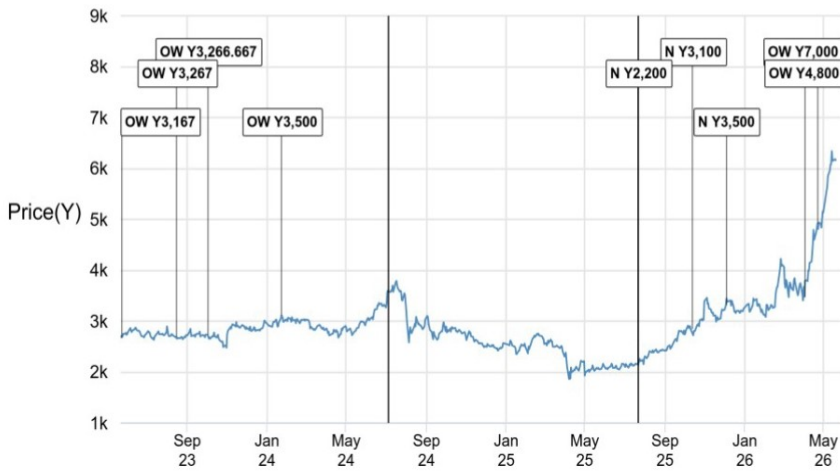
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Samsung Electro-Mechanics (009150.KS, 009150 KS) Price Chart



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.

Murata Manufacturing (6981) (6981.T, 6981 JP) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jan 24, 2002. All share prices are as of market close on the previous business day. Break in coverage Jul 04, 2024 - Jul 22, 2025.

TSMC (2330.TW, 2330 TT) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Apr 28, 2002. All share prices are as of market close on the previous business day.

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