Samsung Electro-Mechanics Co Ltd (009150)

Earnings mix shifting toward high-value AI infrastructure components

FQ3 2026 Earnings Review
Period ended 2026-09-30
Reported 2026-10-27

1 | KEY RESULTS VS. CONSENSUS

Metric	Reported	Consensus	vs. Cons.
Revenue (KRW)	3.76 trillion	3.81 trillion	-1.2%
Operating Income (KRW)	690.96 billion	638.2 billion	+8.3%
Net Income (KRW)	468.66 billion	496 billion	-5.5%
DIVISION REVENUE			
Component Solutions	KRW 1,883.0 billion		
Package Solutions	KRW 939.0 billion		
Optical Solutions	KRW 941.3 billion		

2 | GUIDANCE AND OUTLOOK

Management gave no numerical fourth-quarter or 2027 target. It expects another out-of-the-ordinary sequential top-line increase in Q4, with MLCC and FCBGA shortages deepening relative to Q3, higher ASPs, and improving mix; automotive-camera demand is expected to be roughly stable and BGA demand similar to Q3. For 2027 it expects a record-setting year with growth each quarter from Q1, long-term agreements covering more than 60% of next year's MLCC revenue, silicon-capacitor mass production, and staged substrate capacity additions from 2027 with meaningful revenue contribution from 2028. Capital expenditure will exceed the original plan; no revised figure was given.

3 | EARNINGS ANALYSIS

THE BEAT WAS MONETIZATION, NOT VOLUME. Revenue fell about KRW 46.7 billion short of Bloomberg consensus while operating profit exceeded it by about KRW 52.8 billion; the actual operating margin of 18.36% beat the roughly 16.75% implied by consensus by 1.61 percentage points. Gross profit supplied about 89% of the sequential profit increase. Sequential incremental operating margin was about 81.9% and the year-over-year figure about 49.3%, conversion rates the summary treats as unsuited to steady-state modeling.

MIX IS MOVING TO COMPONENTS AND SUBSTRATES. Components and package solutions produced about 75.0% of revenue, up from 70.0% in Q2 and 68.3% a year earlier, and about 131% of sequential consolidated growth before the optical decline. Optical solutions fell to about 25.0% of revenue. Divisional operating profits were not disclosed, so the consolidated improvement cannot be allocated precisely among MLCCs, substrates, and cameras.

ASP GAINS MIX PRICING WITH CAPACITY EROSION. Blended MLCC ASP rose double digits sequentially on richer mix and advanced products including the 1005-size 47 µF part. Mix-led gains can persist while technical requirements rise, but high-end production erodes effective capacity: demanding specifications consume more resources per saleable unit, so nominal additions relieve less than headline scale suggests. Shipments rose and MLCC inventory fell; no shipment, utilization, or lead-time figures were disclosed.

AGREEMENTS GIVE VISIBILITY, NOT DISCLOSED PROTECTION. About 50 customers have signed or are negotiating long-term agreements for high-end MLCCs, and prepared remarks expected LTAs to exceed 60% of next year's MLCC revenue. A previously disclosed AI-server MLCC agreement covers about KRW 1.0722 trillion for 2027. The call disclosed no minimum purchase obligations, take-or-pay terms, cancellation penalties, or price-reset mechanisms, so the agreements evidence visibility rather than guaranteed backlog.

CASH IS FUNDING CAPACITY AHEAD OF ITS REVENUE. Operating cash flow of about KRW 1,145.2 billion less asset purchases of KRW 862.7 billion left about KRW 282.5 billion, down 8.9% year over year despite operating profit more than doubling; cash investment ran at about 22.9% of revenue and 3.3x depreciation. The KRW 6.8 trillion substrate program's major projects complete from 2028, so scarcity economics and the investment burden run in parallel for several years.

4 | KEY READ-THROUGHS

PASSIVE COMPONENTS: HIGH-END MLCC ECONOMICS ARE IMPROVING FASTER THAN SERVER UNIT DEMAND

Murata Manufacturing (6981: Japan), Taiyo Yuden (6976: Japan) | Positive | High for advanced-capacitor businesses

SEMCO reported double-digit sequential blended ASP growth, rising shipments, falling inventory, and demand exceeding capacity, with LTAs spanning about 50 customers. Murata's October 28 commentary cited stronger-than-anticipated AI demand and an additional ¥80 billion of capacitor investment; Taiyo Yuden has projected AI-server MLCC demand growth well above server-unit growth. The boundary is qualification, not commodity MLCCs.

ADVANCED PACKAGE SUBSTRATES: SCARCITY SHOULD SUPPORT PRICING BEFORE MAJOR CAPACITY ARRIVES

Ibiden (4062: Japan), Unimicron Technology (3037: Taiwan) | Positive | High for ABF-substrate operations

Package-solutions revenue rose about 22% sequentially and 58% year over year, management expects Q4 FCBGA supply to stay tight, and price negotiations are under way. NVIDIA's October 21 program names both companies; Unimicron's added capacity contributes from Q2 2027 and Ibiden's Ono expansion ramps from Q1 2028, leaving a scarcity window first.

ADVANCED MATERIALS: AJINOMOTO'S AI EARNINGS EXPOSURE EXCEEDS ITS REVENUE MIX

Ajinomoto (2802: Japan) | Positive | High for electronic materials

Larger substrates and more layers raise consumption of qualified build-up dielectric per package. Ajinomoto's Functional Materials were about ¥33.1 billion of ¥412.1 billion June-quarter revenue, roughly 8%, but about ¥19.1 billion of ¥60.1 billion business profit, roughly 32%, so consolidated profit sensitivity is disproportionate to the revenue share.

SMARTPHONE OPTICS: COMPONENT INFLATION IS PRESSURING CONSUMER HARDWARE

Sunny Optical Technology (2382.HK: China) | Negative | Material at the handset business

SEMCO linked weaker smartphone demand to handset prices raised by memory costs; optical revenue fell about 9% sequentially despite foldable demand and a 200 MP folded-zoom module entering mass production. Handset products were about 60% of Sunny Optical's first-half revenue, and its handset revenue fell about 0.8% as lower shipments met higher ASPs.

Prepared from the company's earnings release and earnings call transcript. Figures as reported by the company. For information only. Not investment advice.