COMPANY UPDATE

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EV/Mobility Team

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L&F (066970)

3Q preview; fundamentals improving rapidly

- We expect L&F to post a 3Q operating profit of KRW17.8b (+KRW139b q-q), beating consensus (KRW5b). It is poised to turn profitable for the first time in two years in 3Q, supported by an absence of inventory valuation losses (such losses were booked in 2Q) and sustained sales volume growth.
- Raising our 2026 profit forecast, we bump up our target price by 5% (from KRW95,000 to KRW100,000; EV/EBITDA valuation). We maintain BUY.

WHAT'S THE STORY?

3Q preview—results to beat consensus: We expect L&F to post an operating profit of KRW17.8b (OPM of 2.7%) in 3Q, beating consensus (KRW5b; FnGuide). It should turn profitable in 3Q for the first time in eight quarters—rising sales volume should push its utilization above breakeven levels—though we have its ASP slipping 6% q-q due to lower lithium prices. Its sales volume recovery (+36% q-q in 3Q) should continue (+55% q-q in 2Q). The firm's sales volume in 3Q should top 20,000 tonnes, the estimated breakeven level, returning the firm to an operating profit.

BWs successfully issued: L&F has successfully issued KRW300b worth of bonds with warrants (BWs). The bond component was listed on Sep 10, while the warrant component is set to be listed on Sep 22. The warrant gives the holder the right to purchase L&F shares at KRW50,002 (each), 29% lower than the current share price. If 100% of the warrants are exercised, the company's debt ratio and net debt ratio would fall from 462% and 357%, respectively, to 288% and 223%. On another positive note, short selling pressure from delta hedgers that existed prior to the BWs being listed has now dissipated.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	1,907	2,226	3,320	4,126
Operating profit (KRWb)	-559	-221	133	215
Net profit (adj) (KRWb)	-381	-188	111	173
EPS (adj) (KRW)	-10,416	-5,153	2,603	4,069
EPS (adj) growth (% y-y)	nm	nm	nm	56.3
EBITDA margin (%)	-26.0	-5.7	7.2	7.5
ROE (%)	-41.7	-24.3	12.5	16.8
P/E (adj) (x)	n/a	n/a	27.2	17.4
P/B (x)	3.8	3.4	3.0	2.5
EV/EBITDA (x)	n/a	n/a	16.3	12.2
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

▶ AT A GLANCE

BUY

Target price	KRW100,000	41.4%
Current price	KRW70,700	
Market cap	KRW2.6t/USD1.9b	
Shares (float)	36,316,174 (68.7%)	
52-week high/low	KRW119,400/KRW47,800	
Avg daily trading value (60-day)	KRW36.5b/ USD26.4m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
L&F (%)	-21.9	-3.7	-21.8
Vs Kospi (%pts)	-27.0	-28.3	-41.6

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	100,000	95,000	5.3%
2025E EPS	-5,153	-5,153	0.0%
2026E EPS	2,603	2,603	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	15
Target price	96,267
Recommendation	3.9

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

Differentiated demand environment outlook for next 12 months: The elimination of US EV tax credits is likely to weigh heavily on US demand for EVs from 4Q, but unlike its competitors, L&F has almost no exposure to the US EV market—its products are primarily used in a leading EV maker's vehicles that are sold in China and Europe. L&F's products are also used in this EV maker's recently launched derivative models (the Long Body and Plus versions).

Our view—recovery in L&F's fundamentals to outpace that at its peers: L&F's fundamentals should recover more rapidly than that at its competitors, given: 1) its client's (a leading EV maker) plan to ramp up sales from its European plant and its recent launch of derivative models (the Long Body and Plus versions); and 2) L&F's limited exposure to the US EV market. Furthermore, in 2026, it is expected to be the only Korean firm manufacturing LFP cathode materials, which exclusivity should power improvements in its fundamentals. Raising our 2026 EBITDA forecast by 12%, we bump up our target price by 5% from KRW95,000 to KRW100,000 (assuming the full conversion of KRW300b worth of BWs, which conversion would raise the number of shares outstanding). We maintain BUY.

Table 1. L&F: EV/EBITDA valuation

(KRWb)	2026E EBITDA	Multiples (x)	EV	Details
Operating value (A)				
Cathode materials	240	22.8	5,457	Peer (10% discount to global cathode materials firms*); **revised down from 23.5x**
Total	**240**	**22.8**	**5,457**	**2026E EBITDA; revised up by 12% from KRW215b**
Asset value (B)			**135**	30% discount to book value
Net debt (C)			**1,430**	End-2025E
Fair market capitalization (D=A+B-C)			**4,162**	
Shares outstanding ('000)			42,316	**Revised up from 36.3m shares (Full exercise of BWs valued at KRW300b assumed)**
Fair price (KRW)			98,352	
Fair market value per share (KRW)			**100,000**	**Revised up by 5% from KRW95,000**
Current price			70,700	As of Sep 16 close
Upside (%)			41.4	
2025 implied P/E (x)			n/a	
2026 implied P/E (x)			38.4	
2025 implied P/B (x)			4.8	
2026 implied P/B (x)			4.2	

Note: * Reflecting a 10% discount, given the excessive valuation of domestic companies relative to the average of global cathode material firms (Ecopro BM, Posco Future M, Cosmo Advanced Materials, Beijing Easpring, Ronbay).

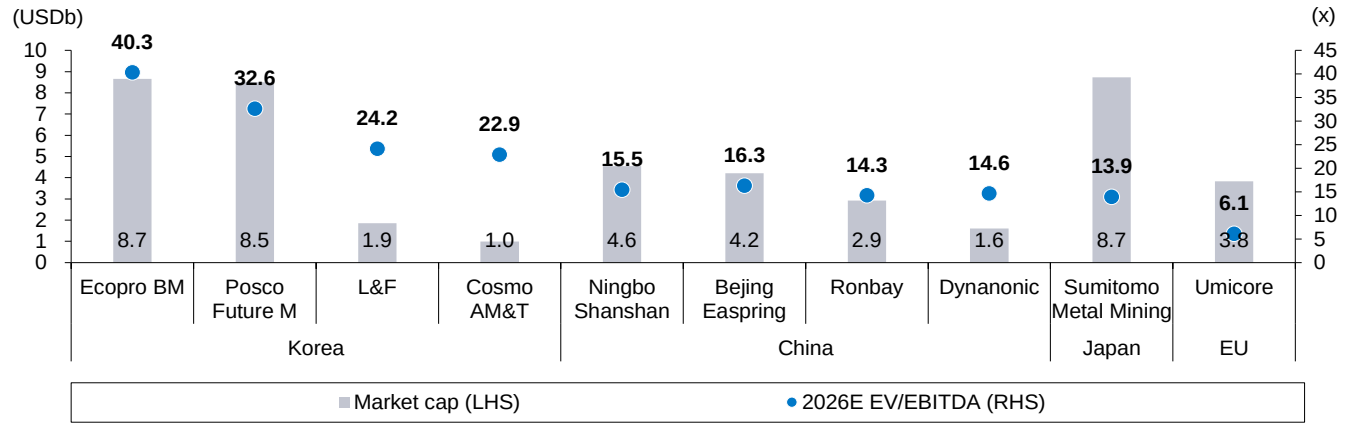
Source: Bloomberg, Samsung Securities estimates

Table 2. L&F: Quarterly results

(KRWb)	3Q25E	2Q25	3Q24	Consensus	Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	654	520	352	665	25.8	86.1	-1.6
Operating income	18	-121	-72	5	To turn pos	To turn pos	256.9
Pre-tax income	11	-145	-123	-6	To turn pos	To turn pos	To turn pos
Net income	9	-113	-77	-1	To turn pos	To turn pos	To turn pos
Attributable to parent	9	-112	-76	-6	To turn pos	To turn pos	To turn pos
Margins (%)							
Operating income	2.7	-23.3	-20.6	0.8			
Pre-tax income	1.6	-27.9	-35.1	-0.9			
Net income	1.4	-21.6	-21.9	-0.1			
Attributable to parent	1.4	-21.5	-21.6	-0.9			

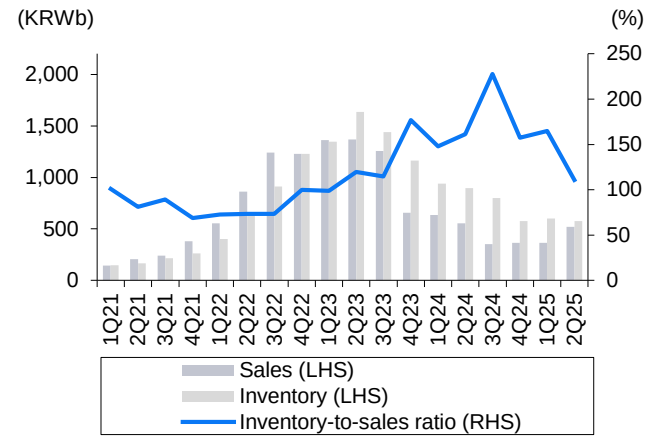
Source: Company data, FnGuide, Samsung Securities estimates

Chart 1. Global cathode material companies: 2026E EV/EBITDA



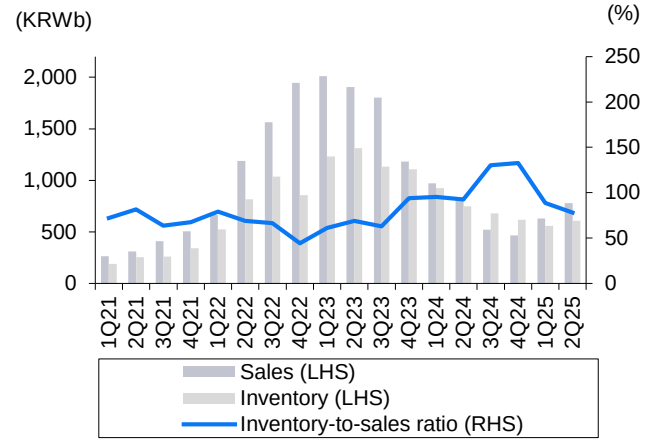
Source: Bloomberg, Samsung Securities

Chart 2. L&F: Quarterly revenue and inventory trends



Source: FnGuide, Samsung Securities

Chart 3. Ecopro BM: Quarterly revenue and inventory trends



Source: FnGuide, Samsung Securities

Table 3. L&F: Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	2023	2024	2025E	2026E
KRW/USD (average)	1,329	1,371	1,358	1,400	1,453	1,399	1,385	1,340	1,306	1,365	1,394	1,304
Sales	**636**	**555**	**352**	**365**	**365**	**520**	**654**	**687**	**4,644**	**1,907**	**2,226**	**3,320**
Growth (% q-q)	-3.3	-12.7	-36.6	3.9	-0.2	42.6	25.8	5.0				
Growth (% y-y)	-53.4	-59.4	-72.0	-44.4	-42.6	-6.3	86.1	88.1	19.5	-58.9	16.7	49.1
EBITDA	**-190**	**-70**	**-56**	**-180**	**-118**	**-99**	**42**	**48**	**-176**	**-495**	**-128**	**240**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To turn pos	15.0				
Growth (% y-y)	Turned neg	Turned neg	Turned neg	Remained neg	Remained neg	Remained neg	To turn pos	To turn pos	Turned neg	Remained neg	To remain neg	To turn pos
Operating profit	**-204**	**-84**	**-72**	**-198**	**-140**	**-121**	**18**	**23**	**-222**	**-559**	**-221**	**133**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To turn pos	28.0				
Growth (% y-y)	Turned neg	Turned neg	Turned neg	Remained neg	Remained neg	Remained neg	To turn pos	To turn pos	Turned neg	Remained neg	To remain neg	To turn pos
Pre-tax income	**-149**	**-100**	**-123**	**-148**	**-145**	**-145**	**11**	**31**	**-296**	**-520**	**-249**	**128**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To turn pos	186.1				
Growth (% y-y)	Remained neg	Turned neg	Turned neg	Remained neg	Remained neg	Remained neg	To turn pos	To turn pos	Turned neg	Remained neg	To remain neg	To turn pos
Net profit	**-112**	**-74**	**-77**	**-118**	**-111**	**-113**	**9**	**27**	**-195**	**-381**	**-188**	**111**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To turn pos	186.1				
Growth (% y-y)	Remained neg	Turned neg	Turned neg	Remained neg	Remained neg	Remained neg	To turn pos	To turn pos	Turned neg	Remained neg	To remain neg	To turn pos
Controlling net profit	-112	-74	-76	-117	-111	-112	9	26	-194	-378	-187	110
Margins (%)												
EBITDA	-29.8	-12.5	-16.1	-49.1	-32.4	-19.1	6.3	6.9	-3.8	-26.0	-5.7	7.2
Operating profit	-32.1	-15.2	-20.6	-54.3	-38.4	-23.3	2.7	3.3	-4.8	-29.3	-9.9	4.0
Pre-tax income	-23.4	-18.0	-35.1	-40.5	-39.9	-27.9	1.6	4.5	-6.4	-27.2	-11.2	3.8
Net profit	-17.6	-13.4	-21.9	-32.2	-30.5	-21.6	1.4	3.9	-4.2	-20.0	-8.4	3.3

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**4,644**	**1,907**	**2,226**	**3,320**	**4,126**
Cost of goods sold	4,784	2,371	2,328	3,020	3,716
Gross profit	**-140**	**-463**	**-101**	**301**	**409**
Gross margin (%)	-3.0	-24.3	-4.6	9.1	9.9
SG&A expenses	83	95	119	168	194
Operating profit	**-222**	**-559**	**-221**	**133**	**215**
Operating margin (%)	-4.8	-29.3	-9.9	4.0	5.2
Non-operating gains (losses)	**-73**	**39**	**-28**	**-5**	**-15**
Financial profit	49	258	84	104	116
Financial costs	106	244	110	122	137
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	-16	25	-3	13	6
Pre-tax profit	**-296**	**-520**	**-249**	**128**	**200**
Taxes	-101	-139	-61	17	27
Effective tax rate (%)	34.1	26.7	24.6	13.5	13.5
Profit from continuing operations	-195	-381	-188	111	173
Profit from discontinued operations	0	0	0	0	0
Net profit	**-195**	**-381**	**-188**	**111**	**173**
Net margin (%)	-4.2	-20.0	-8.4	3.3	4.2
Net profit (controlling interests)	-194	-378	-187	110	172
Net profit (non-controlling interests)	-1	-3	-1	0	1
EBITDA	-176	-495	-128	240	308
EBITDA margin (%)	-3.8	-26.0	-5.7	7.2	7.5
EPS (parent-based) (KRW)	-5,372	-10,416	-5,153	2,603	4,069
EPS (consolidated) (KRW)	-5,389	-10,493	-5,173	2,613	4,085
Adjusted EPS (KRW)*	-5,372	-10,416	-5,153	2,603	4,069

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,969**	**1,090**	**1,116**	**1,670**	**1,904**
Cash & equivalents	241	280	378	926	1,095
Accounts receivable	426	180	195	242	272
Inventories	1,163	575	479	408	423
Other current assets	139	56	65	93	114
Fixed assets	**1,382**	**1,710**	**1,800**	**1,928**	**1,993**
Investment assets	130	184	207	285	343
Tangible assets	1,120	1,260	1,329	1,381	1,390
Intangible assets	12	17	15	13	11
Other long-term assets	120	249	249	249	249
Total assets	**3,351**	**2,800**	**2,916**	**3,598**	**3,897**
Current liabilities	**1,747**	**1,552**	**1,555**	**2,124**	**2,248**
Accounts payable	143	78	91	136	169
Short-term debt	718	813	1,213	1,613	1,613
Other current liabilities	886	661	251	375	466
Long-term liabilities	**494**	**524**	**525**	**528**	**530**
Bonds & long-term debt	466	502	502	502	502
Other long-term liabilities	28	22	23	26	28
Total liabilities	**2,241**	**2,076**	**2,081**	**2,652**	**2,778**
Owners of parent equity	**1,097**	**714**	**826**	**937**	**1,109**
Capital stock	18	18	21	21	21
Capital surplus	704	702	999	999	999
Retained earnings	358	-23	-210	-100	73
Other	17	16	16	16	16
Non-controlling interests' equity	**13**	**10**	**9**	**9**	**10**
Total equity	**1,110**	**723**	**835**	**946**	**1,119**
Net debt	1,775	1,570	1,430	1,323	1,184

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**-375**	**281**	**14**	**332**	**284**
Net profit	-195	-381	-188	111	173
Non-cash profit and expenses	15	-77	116	210	210
Depreciation	44	60	90	105	91
Amortization	2	3	2	2	2
Other	-32	-140	23	104	117
Changes in A/L from operating activities	-24	776	118	125	31
Cash flow from investments	**-561**	**-240**	**-151**	**-146**	**-88**
Change in tangible assets	-482	-208	-160	-157	-100
Change in financial assets	-16	12	-0	-0	-0
Other	-64	-44	9	11	12
Cash flow from financing	**1,050**	**-20**	**259**	**441**	**30**
Change in debt	1,056	-179	-41	441	30
Change in equity	39	-2	300	0	0
Dividends	-17	0	0	0	0
Other	-28	160	0	0	0
Change in cash	121	38	99	548	169
Cash at beginning of year	120	241	280	378	926
Cash at end of year	241	280	378	926	1,095
Gross cash flow	**-180**	**-457**	**-72**	**321**	**383**
Free cash flow	**-857**	**73**	**-146**	**175**	**184**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	19.5	-58.9	16.7	49.1	24.2
Operating profit	nm	nm	nm	nm	61.4
Net profit	nm	nm	nm	nm	56.3
Adjusted EPS**	nm	nm	nm	nm	56.3
Per-share data (KRW)					
EPS (parent-based)	-5,372	-10,416	-5,153	2,603	4,069
EPS (consolidated)	-5,389	-10,493	-5,173	2,613	4,085
Adjusted EPS**	-5,372	-10,416	-5,153	2,603	4,069
BVPS	32,742	21,264	20,881	23,665	28,016
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	n/a	n/a	27.2	17.4
P/B***	6.2	3.8	3.4	3.0	2.5
EV/EBITDA	n/a	n/a	n/a	16.3	12.2
Ratios (%)					
ROE	-16.4	-41.7	-24.3	12.5	16.8
ROA	-6.1	-12.4	-6.6	3.4	4.6
ROIC	-6.2	-18.2	-9.0	6.5	10.7
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	159.9	217.0	171.2	139.8	105.8
Interest coverage (x)	-2.8	-5.3	-2.2	1.2	1.7

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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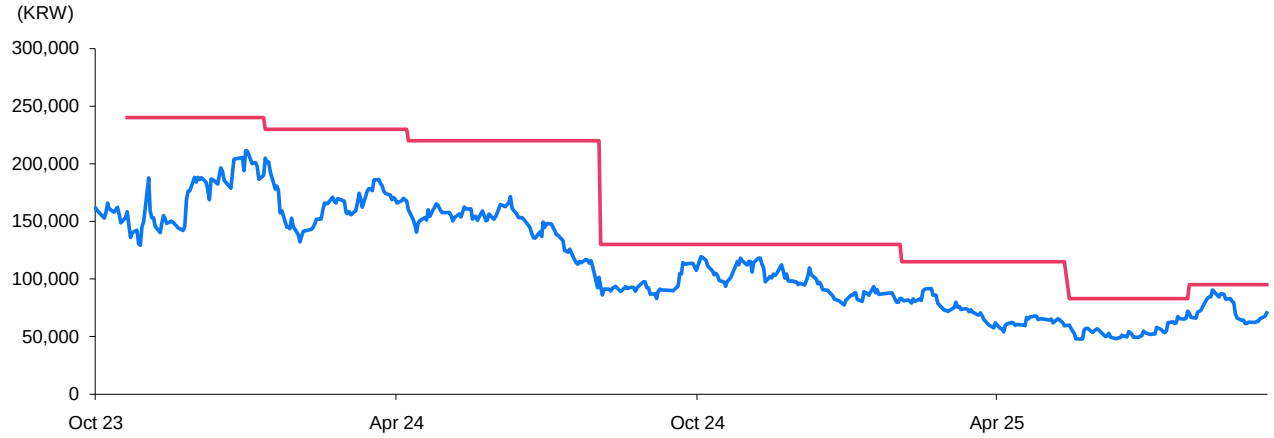
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/6/23	10/24	2024/1/16	4/12	8/7	2025/2/6	5/19	7/31	9/17
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	350000	240000	230000	220000	130000	115000	83000	95000	100000
Gap* (average)	-39.18	-28.79	-28.21	-34.28	-25.00	-38.94	-34.18	-22.96	
(max or min)**	-19.71	-11.88	-12.39	-22.00	-8.15	-20.26	-13.25	-4.74	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.06.30

BUY (81.8%)·HOLD (18.2%)·SELL (0%)

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