COMPANY UPDATE

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LS Electric (010120)

Earnings carried forward, enhancing 2026 growth visibility

- LS Electric's 3Q operating profit missed consensus by 10%, due to tariff costs.
- We believe the firm will be able to recoup a significant portion of the tariff costs, given that the firm is experiencing a seller's market. Estimates for 2026 earnings (the base of the current valuation) are open to upward revisions.
- We raise our target price for the firm to reflect an upward revision to our 2026 earnings estimate and a rise in the sector-wide valuation.

▶ AT A GLANCE

BUY

Target price	KRW400,000	25.2%
Current price	**KRW319,500**	
Market cap	KRW9.6t/USD6.7b	
Shares (float)	30,000,000 (50.6%)	
52-week high/low	KRW329,000/KRW131,300	
Avg daily trading value (60-day)	KRW54.4b/ USD38.1m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
LS Electric (%)	9.0	85.1	106.9
Vs Kospi (%pts)	-2.6	18.5	37.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	400,000	352,000	13.6%
2025E EPS	9,638	10,135	-4.9%
2026E EPS	14,118	12,741	10.8%

▶ SAMSUNG vs THE STREET

No of estimates	16
Target price	356,375
Recommendation	4.0

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

WHAT'S THE STORY?

3Q review: LS Electric's 3Q operating profit missed consensus by 10%, due to tariff costs (excluding these costs, the result would have beat consensus). We believe the firm will be able to recoup a significant portion of the tariff costs via ASP hikes and negotiations with clients, given that the industry is in a seller's market. The firm enjoyed solid orders as well in the quarter. We particularly find it positive that the firm saw diversification in its order mix in terms of both client and end industry. That the firm's sales grew q-q in 3Q despite seasonality also proved the solid order trend.

Visibility for 2026 growth higher: We expect the firm's overall operating margin to reach a double-digit figure next year for the first time since 2010, assuming that profitability at the electric division (power transformers and power distribution equipment) will improve and that the renewable energy division will narrow its loss. We believe the firm will be able to see a double-digit operating margin next year regardless, as long as this year's tariff costs translate to 2026 earnings. The firm's 3Q earnings missing the consensus simply suggests that earnings have been carried forward. We slightly cut our 2025 earnings estimate but raise our 2026 earnings estimate (the base of the current valuation) by 11%.

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,216	19.1	1.9	2.1	-0.1
Operating profit	101	51.7	-7.2	-3.9	-10.0
Pre-tax profit	92	71.0	-12.1	4.4	-9.8
Net profit	66	97.7	-0.9	-1.6	-14.4
Margins (%)					
Operating profit	8.3				
Pre-tax profit	7.5				
Net profit	5.5				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuations (x)			
P/E	40.2	33.2	22.6
P/B	5.2	4.7	4.1
EV/EBITDA	20.1	17.2	12.9
Div yield (%)	0.9	0.9	1.1
EPS growth (% y-y)	15.9	21.1	46.5
ROE (%)	13.4	14.9	19.2
Per-share data (KRW)			
EPS	7,957	9,638	14,118
BVPS	61,292	68,203	78,822
DPS	2,900	3,000	3,500

What drives sector-wide valuation rise: We lift our target price for the firm to KRW400,000, to reflect our upward revision for 2026 earnings estimate, a change in our valuation base from 2025 to 2026 earnings estimate, and a rise in the valuations of its domestic and overseas rivals. Shares in power equipment companies, which weakened in 1H due to tariff-related worries, have sharply recovered of late, which we attribute to market anticipation that tariff burden can translate to ASP hikes. Rather, it is likely that tariff will serve as justification for further ASP hikes. Our target P/E multiple of 28x is the average at which European power equipment companies with similar business structure are trading (based on Bloomberg consensus)—discounted vs the averages for Korean peers (with high exposure to ultra-high-voltage products) and the overall machinery sector. Still, we see plenty of upside potential, even if factoring in the firm's diversified business structure as a discount factor.

LS Electric 3Q review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	1,216	1,193	1.9	1,021	19.1	1,217	-0.1	1,191	2.1
Operating profit	101	109	-7.2	66	51.7	112	-10.0	105	-3.9
Pre-tax profit	92	104	-12.1	54	71.0	102	-9.8	88	4.4
Net profit*	66	67	-0.9	34	97.7	78	-14.4	68	-1.6
Margins (%)									
Operating profit	8.3	9.1		6.5		9.2		8.8	
Pre-tax profit	7.5	8.7		5.2		8.3		7.4	
Net profit*	5.5	5.6		3.3		6.4		5.7	

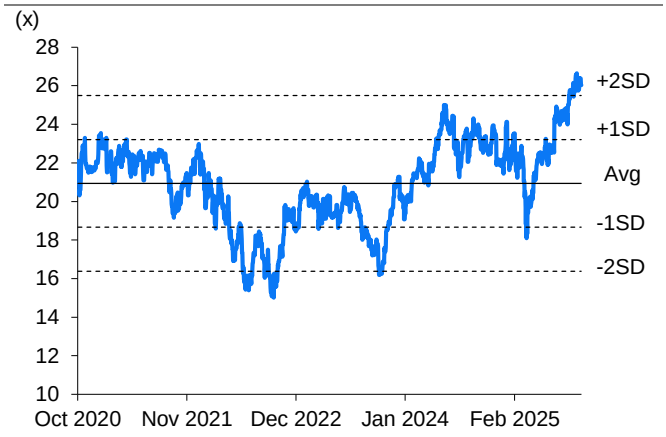
Note: *Controlling
Source: Company data, FnGuide, Samsung Securities estimates

LS Electric: Sales breakdown by business

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)
Sales	1,216	1,193	2.0	1,021	19.1
Electric division	737	812	-9.3	640	15.1
Excluding renewable energy	691	747	-7.5	580	19.1
Automation	88	86	1.9	77	13.5
Subsidiaries	392	294	33.0	304	29.0
Margins (%)					
Electric division	10.0	11.2		8.4	
Excluding renewable energy	12.4	13.4		10.0	
Automation	2.7	5.2		-0.6	
Subsidiaries	0.2	2.2		-0.5	

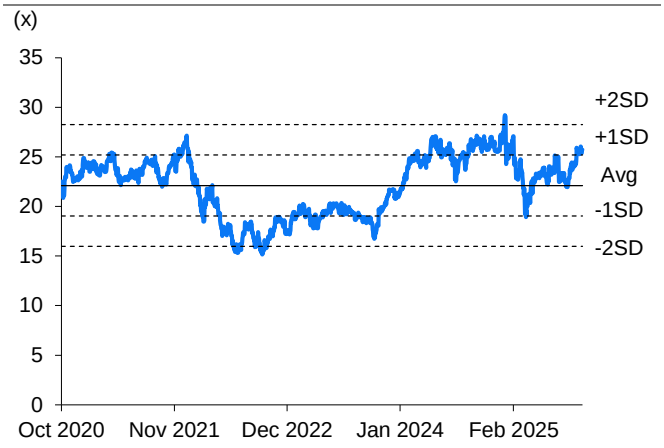
Source: Company data

ABB: 1-year forward P/E



Source: Bloomberg

Schneider Electric: 1-year forward P/E



Source: Bloomberg

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**4,230**	**4,552**	**4,943**	**5,804**	**6,164**
Cost of goods sold	3,457	3,644	3,950	4,576	4,801
Gross profit	**773**	**908**	**993**	**1,229**	**1,363**
Gross margin (%)	18.3	19.9	20.1	21.2	22.1
SG&A expenses	449	518	560	634	677
Operating profit	**325**	**390**	**434**	**595**	**685**
Operating margin (%)	7.7	8.6	8.8	10.2	11.1
Non-operating gains (losses)	**-61**	**-56**	**-45**	**-30**	**-17**
Financial profit	25	39	51	45	47
Financial costs	47	55	62	56	55
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	-39	-40	-35	-19	-9
Pre-tax profit	**264**	**333**	**389**	**565**	**668**
Taxes	56	91	101	141	167
Effective tax rate (%)	21.3	27.3	26.0	25.0	25.0
Profit from continuing operations	208	242	288	424	501
Profit from discontinued operations	-0	0	0	0	0
Net profit	**208**	**242**	**288**	**424**	**501**
Net margin (%)	4.9	5.3	5.8	7.3	8.1
Net profit (controlling interests)	206	239	289	424	501
Net profit (non-controlling interests)	2	4	-1	0	0
EBITDA	427	503	569	742	844
EBITDA margin (%)	10.1	11.1	11.5	12.8	13.7
EPS (parent-based) (KRW)	6,865	7,957	9,638	14,118	16,707
EPS (consolidated) (KRW)	6,922	8,075	9,590	14,118	16,707
Adjusted EPS (KRW)*	6,865	7,957	9,638	14,118	16,707

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,605**	**3,052**	**3,187**	**3,750**	**4,316**
Cash & equivalents	584	660	890	1,058	1,458
Accounts receivable	782	1,020	907	1,065	1,131
Inventories	528	510	554	650	691
Other current assets	711	862	836	976	1,036
Fixed assets	**1,128**	**1,433**	**1,556**	**1,607**	**1,646**
Investment assets	128	151	151	151	151
Tangible assets	682	861	1,012	1,086	1,147
Intangible assets	94	188	160	136	115
Other long-term assets	224	233	233	233	233
Total assets	**3,733**	**4,485**	**4,744**	**5,357**	**5,962**
Current liabilities	**1,449**	**1,846**	**1,805**	**2,019**	**2,106**
Accounts payable	369	408	406	477	507
Short-term debt	277	381	280	275	275
Other current liabilities	803	1,057	1,118	1,267	1,325
Long-term liabilities	**560**	**749**	**842**	**921**	**1,044**
Bonds & long-term debt	514	569	569	519	509
Other long-term liabilities	46	179	272	402	534
Total liabilities	**2,009**	**2,595**	**2,646**	**2,941**	**3,150**
Owners of parent equity	**1,713**	**1,839**	**2,046**	**2,365**	**2,761**
Capital stock	150	150	150	150	150
Capital surplus	-13	-24	-24	-24	-24
Retained earnings	1,597	1,743	1,943	2,261	2,657
Other	-22	-31	-22	-22	-22
Non-controlling interests' equity	**11**	**51**	**51**	**51**	**51**
Total equity	**1,724**	**1,890**	**2,097**	**2,416**	**2,812**
Net debt	343	475	138	-92	-507

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**215**	**230**	**603**	**432**	**618**
Net profit	208	242	288	424	501
Non-cash profit and expenses	206	213	156	176	192
Depreciation	91	102	120	134	148
Amortization	11	12	15	13	11
Other	104	99	20	29	33
Changes in A/L from operating activities	-199	-225	160	-167	-75
Cash flow from investments	**-193**	**-256**	**-272**	**-209**	**-209**
Change in tangible assets	-111	-144	-272	-209	-209
Change in financial assets	9	12	0	0	0
Other	-91	-124	0	0	0
Cash flow from financing	**3**	**82**	**-101**	**-55**	**-10**
Change in debt	69	336	-101	-55	-10
Change in equity	-6	-11	0	0	0
Dividends	-32	-83	0	0	0
Other	-28	-160	0	0	0
Change in cash	28	76	230	168	399
Cash at beginning of year	556	584	660	890	1,058
Cash at end of year	584	660	890	1,058	1,458
Gross cash flow	**414**	**455**	**443**	**599**	**693**
Free cash flow	**102**	**85**	**330**	**222**	**408**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	25.3	7.6	8.6	17.4	6.2
Operating profit	73.2	20.0	11.2	37.2	15.2
Net profit	127.7	16.6	18.8	47.2	18.3
Adjusted EPS**	128.1	15.9	21.1	46.5	18.3
Per-share data (KRW)					
EPS (parent-based)	6,865	7,957	9,638	14,118	16,707
EPS (consolidated)	6,922	8,075	9,590	14,118	16,707
Adjusted EPS**	6,865	7,957	9,638	14,118	16,707
BVPS	57,092	61,292	68,203	78,822	92,028
DPS (common)	2,800	2,900	3,000	3,500	3,500
Valuations (x)					
P/E***	46.5	40.2	33.2	22.6	19.1
P/B***	5.6	5.2	4.7	4.1	3.5
EV/EBITDA	23.3	20.1	17.2	12.9	10.8
Ratios (%)					
ROE	12.6	13.4	14.9	19.2	19.6
ROA	5.8	5.8	6.3	8.4	8.9
ROIC	13.2	12.0	13.1	17.4	18.9
Payout ratio	40.8	36.4	31.1	24.8	20.9
Dividend yield (common)	0.9	0.9	0.9	1.1	1.1
Net debt to equity	19.9	25.1	6.6	-3.8	-18.0
Interest coverage (x)	7.7	8.9	8.4	12.3	14.7

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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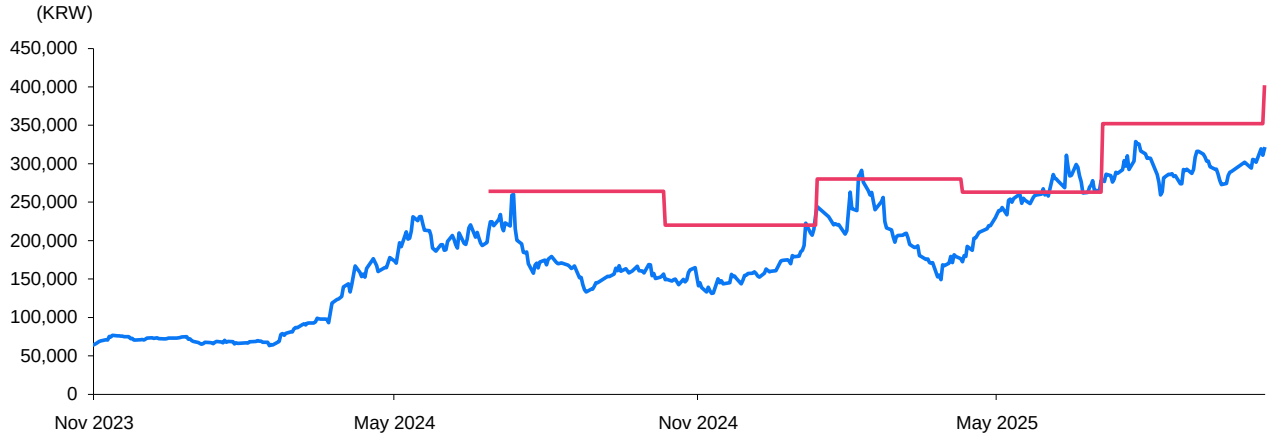

Rating changes over past two years (adjusted share prices)

Date	2024/7/10	10/24	2025/1/24	4/22	7/16	10/23
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	264000	220000	280000	263000	352000	400000
Gap* (average)	-34.42	-27.05	-24.72	-3.63	-16.25	
(max or min)**	-1.52	5.45	4.11	18.25	-6.53	

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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Industry

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* 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 2024.12.31

BUY (77.6%) | HOLD (22.4%) | SELL (0.0%)

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