COMPANY UPDATE

2025. 11. 11

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Lotte Energy Materials (020150)

Rising demand for AI-use circuit foil vs falling demand for EV-use copper foil

- Lotte Energy Materials reported in-line 3Q results.
- A hike in demand for AI-use circuit foil is positive, but operating loss seems inevitable in 2025 given poor EV-use copper foil demand.
- Although we raise our target price for the stock to KRW27,000, we maintain our HOLD rating.

EV/Mobility Team

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AT A GLANCE

HOLD

Target price	KRW27,000	-15.6%
Current price	KRW32,000	
Market cap	KRW1.7t/USD1.2b	
Shares (float)	52,365,463 (53.0%)	
52-week high/low	KRW33,200/KRW19,730	
Avg daily trading value (60-day)	KRW3.2b/ USD2.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Energy Materials (%)	43.2	45.5	-3.6
Vs Kospi (%pts)	26.9	-8.0	-39.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	27,000	24,000	12.5%
2025E EPS	-1,522	-1,128	34.9%
2026E EPS	-270	546	-149.5%

SAMSUNG vs THE STREET

No of estimates	3
Target price	29,667
Recommendation	4.0

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

WHAT'S THE STORY?

3Q results in line with consensus: Lotte Energy Materials reported 3Q sales of KRW143.7b and an operating loss of KRW34.3b, the latter in line with FnGuide consensus of an operating loss of KRW34.3b. Operating loss widened q-q, hit by utilization rate falling on poor EV-use copper foil demand.

Hike in demand for AI-use circuit foil positive: Demand for hyper very low profile (HVLP) copper foil for AI applications (eg, GPU, switch, router parts) is on the rise in line with the hike in AI data center investment. Also, noteworthy is that the company plans to expand its (AI-use) circuit foil capacity at its Iksan factory (Korea's only circuit foil manufacturing base) by 1.7x by 2026 to meet clients' need to secure a non-Chinese supply chain. All told, the firm should enjoy sales growth.

Mix improvement (eg, increased portion of ESS-use copper foil and high value-added products) positive; to suffer loss in 2025-2026: The company should see a mix improvement (eg, increased portions of ESS-use copper foil and high value-added, AI-use circuit foil), but due to poor EV-use copper foil demand, hike in utilization rate (if any) should be gradual, with loss-making remaining intact until end-1H26. The company should post 2026 sales of KRW905.4b and an operating loss of KRW15.9b.

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	143.7	-32.0	-29.9	-34.6	-15.0
Operating profit	-34.3	nm	nm	nm	nm
Pre-tax profit	-34.0	nm	nm	nm	nm
Net profit	-24.5	nm	nm	nm	nm
Margins (%)					
Operating profit	-23.9				
Pre-tax profit	-23.7				
Net profit	-17.0				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	172.8	n/a	n/a
P/B	0.8	1.3	1.4
EV/EBITDA	60.5	n/a	27.9
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	nm	nm	nm
ROE (%)	0.5	-6.1	-1.1
Per-share data (KRW)			
EPS	137	-1,522	-270
BVPS	28,922	23,769	23,499
DPS	0	0	0

Maintaining HOLD with KRW27,000 target price: Although we revise down our 2026 BVPS estimate for the company from KRW24,687 to KRW23,499 to reflect our new earnings forecasts, we raise our target price for the stock by 12.5% to KRW27,000, as its peers' P/B multiple has risen from 2.2x to 3x. We maintain our HOLD rating, expecting that it will take some time for the company to turn around, despite anticipation for mix improvement (driven by AI-use circuit foil demand hike), due to weak demand for EV-use copper foil.

3Q review

(KRWb)	3Q25P	3Q24	2Q25	Chg	
				(% y-y)	(% q-q)
Sales	143.7	211.4	204.9	-32.0	-29.9
Operating profit	-34.3	-31.7	-31.1	Remained neg	Remained neg
Pre-tax profit	-34.0	-1.4	-64.6	Remained neg	Remained neg
Net profit	-24.5	6.5	-51.4	Turned neg	Remained neg
Margins (%)					
Operating profit	-23.9	-15.0	-15.2		
Pre-tax profit	-23.7	-0.7	-31.5		
Net profit	-17.0	3.1	-25.1		

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	867.9	703.4	-19.0	1003.5	905.4	-9.8
Operating profit	-104.8	-140.9	nm	34.2	-15.9	Turned neg
Pre-tax profit	-101.8	-137.2	nm	33.5	-16.5	Turned neg
Net profit	-61.1	-82.3	nm	30.1	-14.9	Turned neg

Source: Samsung Securities estimates

Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25P	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	241.7	262.7	211.4	186.4	158.0	204.9	143.7	196.8	196.8	219.5	241.2	247.8	902.2	703.4	905.4
Operating profit	4.3	3.0	-31.7	-40.1	-46.0	-31.1	-34.3	-29.5	-19.7	-11.0	4.8	9.9	-64.5	-140.9	-15.9
Operating margin (%)	1.8	1.1	-15.0	-21.5	-29.1	-15.2	-23.9	-15.0	-10.0	-5.0	2.0	4.0	-7.1	-20.0	-1.8

Source: Company data, Samsung Securities estimates

Target-price calculation

(KRW)		
BVPS	23,499	2026E BVPS estimate
Target P/B (x)	1.1	62% discount to 2025E average of peer group (cell & materials companies) (62% is the stock's average discount over May 7, 2025 – Nov 7, 2025)
Fair value per share	26,946	
Target price	**27,000**	
Current price	24,650	As of Nov 7, close
Upside (%)	9.5	

Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**809**	**902**	**703**	**905**	**1,160**
Cost of goods sold	740	891	785	845	1,015
Gross profit	**69**	**11**	**-82**	**60**	**145**
Gross margin (%)	8.6	1.3	-11.6	6.7	12.5
SG&A expenses	58	76	59	76	98
Operating profit	**12**	**-64**	**-141**	**-16**	**47**
Operating margin (%)	1.5	-7.1	-20.0	-1.8	4.1
Non-operating gains (losses)	**-49**	**48**	**4**	**-1**	**-1**
Financial profit	52	83	19	18	15
Financial costs	106	38	15	19	16
Equity-method gains (losses)	0	0	0	0	0
Other	4	3	0	0	-0
Pre-tax profit	**-37**	**-16**	**-137**	**-17**	**46**
Taxes	8	-45	-55	-2	7
Effective tax rate (%)	-20.7	278.4	40.0	10.0	15.0
Profit from continuing operations	-45	29	-82	-15	39
Profit from discontinued operations	0	0	0	0	0
Net profit	**-45**	**29**	**-82**	**-15**	**39**
Net margin (%)	-5.6	3.2	-11.7	-1.6	3.4
Net profit (controlling interests)	-33	6	-78	-14	35
Net profit (non-controlling interests)	-13	22	-4	-1	4
EBITDA	89	22	-53	73	132
EBITDA margin (%)	11.0	2.4	-7.6	8.1	11.4
EPS (parent-based) (KRW)	-706	137	-1,522	-270	676
EPS (consolidated) (KRW)	-979	625	-1,602	-284	752
Adjusted EPS (KRW)*	-706	137	-1,522	-270	676

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,262**	**1,031**	**1,030**	**1,008**	**1,100**
Cash & equivalents	552	419	536	372	285
Accounts receivable	196	164	140	181	231
Inventories	345	333	264	340	436
Other current assets	169	115	90	116	148
Fixed assets	**1,130**	**1,251**	**1,262**	**1,274**	**1,240**
Investment assets	96	24	22	24	25
Tangible assets	1,000	1,128	1,141	1,153	1,119
Intangible assets	12	29	29	28	27
Other long-term assets	22	70	70	70	70
Total assets	**2,392**	**2,282**	**2,292**	**2,282**	**2,340**
Current liabilities	**333**	**118**	**151**	**175**	**205**
Accounts payable	30	16	18	23	29
Short-term debt	146	18	68	68	68
Other current liabilities	157	84	65	84	108
Long-term liabilities	**94**	**262**	**332**	**313**	**302**
Bonds & long-term debt	6	107	207	157	107
Other long-term liabilities	88	156	125	156	195
Total liabilities	**426**	**380**	**483**	**488**	**507**
Owners of parent equity	**1,433**	**1,334**	**1,245**	**1,231**	**1,266**
Capital stock	23	23	23	23	23
Capital surplus	1,138	929	929	929	929
Retained earnings	243	237	159	145	181
Other	29	144	133	133	133
Non-controlling interests' equity	**532**	**568**	**564**	**563**	**567**
Total equity	**1,966**	**1,902**	**1,809**	**1,794**	**1,833**
Net debt	-345	-346	-298	-199	-182

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**-90**	**87**	**61**	**3**	**34**
Net profit	-45	29	-82	-15	39
Non-cash profit and expenses	149	34	29	88	93
Depreciation	76	85	87	88	84
Amortization	1	1	1	1	1
Other	72	-53	-59	-1	8
Changes in A/L from operating activities	-173	29	56	-72	-90
Cash flow from investments	**472**	**97**	**-82**	**-118**	**-73**
Change in tangible assets	-186	-87	-100	-100	-50
Change in financial assets	-65	10	18	-18	-23
Other	723	174	0	0	0
Cash flow from financing	**-29**	**-345**	**148**	**-48**	**-48**
Change in debt	-24	-78	148	-48	-48
Change in equity	-3	-209	0	0	0
Dividends	-14	-9	0	0	0
Other	11	-49	0	0	0
Change in cash	351	-133	117	-164	-87
Cash at beginning of year	201	552	419	536	372
Cash at end of year	552	419	536	372	285
Gross cash flow	**104**	**62**	**-53**	**73**	**132**
Free cash flow	**-309**	**-9**	**-39**	**-97**	**-16**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	10.9	11.5	-22.0	28.7	28.1
Operating profit	-86.1	nm	nm	nm	nm
Net profit	nm	nm	nm	nm	nm
Adjusted EPS**	nm	nm	nm	nm	nm
Per-share data (KRW)					
EPS (parent-based)	-706	137	-1,522	-270	676
EPS (consolidated)	-979	625	-1,602	-284	752
Adjusted EPS**	-706	137	-1,522	-270	676
BVPS	31,088	28,922	23,769	23,499	24,176
DPS (common)	200	0	0	0	0
Valuations (x)					
P/E***	n/a	172.8	n/a	n/a	47.3
P/B***	1.4	0.8	1.3	1.4	1.3
EV/EBITDA	24.0	60.5	n/a	27.9	15.6
Ratios (%)					
ROE	-2.2	0.5	-6.1	-1.1	2.8
ROA	-1.9	1.2	-3.6	-0.6	1.7
ROIC	1.0	7.5	-5.4	-0.9	2.4
Payout ratio	-28.3	0.0	0.0	0.0	0.0
Dividend yield (common)	0.5	0.0	0.0	0.0	0.0
Net debt to equity	-17.5	-18.2	-16.5	-11.1	-9.9
Interest coverage (x)	0.9	-4.9	-9.1	-0.8	3.0

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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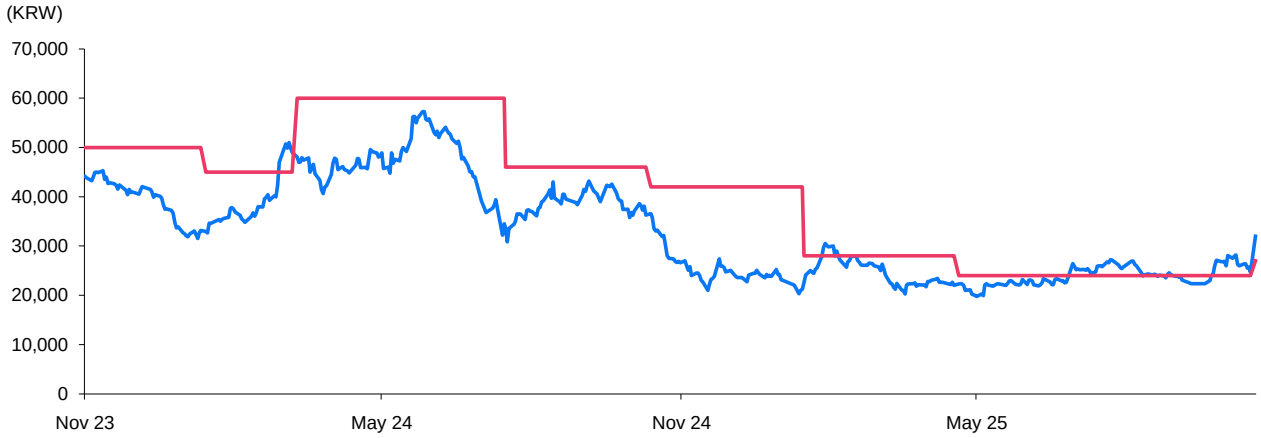
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/8	2024/2/5	4/1	8/7	11/4	2025/2/6	5/12	11/10
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD
Target price (KRW)	50000	45000	60000	46000	42000	28000	24000	27000
Gap* (average)	-20.45	-12.40	-21.48	-15.99	-39.51	-11.41	0.15	
(max or min)**	-9.40	13.33	-4.50	-6.09	-14.88	8.93	17.50	

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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Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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