COMPANY UPDATE

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LG Electronics (066570)

Refocusing on B2B

- LG Electronics posted a 4Q25 operating loss of KRW109.4b due to proactive cost increases for workforce optimization.
- Attractive valuation already reflects concerns. We maintain our BUY rating on the stock with an unchanged target price of KRW110,000.

WHAT'S THE STORY?

Investment strategy: Despite challenges from weak consumer demand and rising costs, LG Electronics is restructuring its business toward B2B operations (eg. vehicle component solutions (VS) and heating, ventilation, and air conditioning (HVAC)). The proactive cost increases in 4Q25 for workforce optimization are seen as a precursor to earnings recovery. The competitiveness of the company's electronics affiliates is improving. Most importantly, the current valuation of 0.7x 2026 P/B and 8.2x P/E already reflects the market's concerns. We expect positive market response to the company's investments in future businesses such as robotics. We maintain our BUY rating for the company with an unchanged target price of KRW110,000.

4Q25 results–Temporary profitability decline: LG Electronics reported 4Q25 sales of KRW23.85t (up 5% q-q and 9% y-y) and an operating loss of KRW109.4b, with the loss below market expectations. Consumer demand for certain products weakened, and voluntary retirement costs expanded from the media entertainment solution (MS) division in 3Q to the entire company in 4Q, resulting in over KRW200b in expenses. Rising raw material costs, including LCD panels and metals, also impacted profitability. However, the VS division performed better than expected in terms of both sales and profitability.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	87,728	89,203	89,831	92,744
Operating profit (KRWb)	3,420	2,478	3,381	3,726
Net profit (adj) (KRWb)	591	1,268	2,410	3,039
EPS (adj) (KRW)	2,032	6,771	11,181	14,097
EPS (adj) growth (% y-y)	-48.4	233.2	65.1	26.1
EBITDA margin (%)	7.9	6.7	7.6	7.6
ROE (%)	1.8	5.7	8.8	10.2
P/E (adj) (x)	41.1	13.6	8.0	6.3
P/B (x)	0.7	0.8	0.7	0.6
EV/EBITDA (x)	3.7	5.0	4.0	3.4
Dividend yield (%)	1.2	1.2	1.3	1.3

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW110,000	23.5%
Current price	KRW89,100	
Market cap	KRW14.5t/USD9.9b	
Shares (float)	162,886,387 (64.7%)	
52-week high/low	KRW99,700/KRW64,700	
Avg daily trading value (60-day)	KRW71.5b/ USD49.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Electronics (%)	-6.7	20.9	3.8
Vs Kospi (%pts)	-15.7	-17.4	-42.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	110,000	110,000	0.0%
2025E EPS	6,771	8,935	-24.2%
2026E EPS	11,181	12,139	-7.9%

SAMSUNG vs THE STREET

No of estimates	20
Target price	113,850
Recommendation	4.0

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

- **HS division (Home appliances):** The online sales portion of the division increased, and subscription services continued to grow. The division booked a loss due to voluntary retirement costs, but this should be temporary.
- **MS division (TV):** Efforts to improve profitability are ongoing, but market conditions such as rising panel prices remain unfavorable, prolonging the recovery.
- **VS division (Vehicle component solutions):** Market share in ADAS and infotainment systems is rising, and order backlog remains solid. Concerns about slower growth in electric vehicle components have not had a significant impact.
- **Energy solution division (HVAC):** Seasonal weakness affected consumer products, but growth is expected in B2B areas such as data center-use HVAC systems over the long term.

LG Electronics: 4Q results

(KRWb)	4Q25	3Q25	4Q24	Diff	
				(% q-q)	(% y-y)
Sales	**23,854**	21,874	22,761	9.1	4.8
Operating profit	**-109**	689	135	Turned neg	Turned neg
Pre-tax profit	**-634**	558	-830	Turned neg	nm
Net profit	**-678**	461	-714	Turned neg	nm
Margins (%)					
Operating profit	**-0.5**	3.1	0.6		
Pre-tax profit	**-2.7**	2.5	-3.6		
Net profit	**-2.8**	2.1	-3.1		

Source: Company data, Samsung Securities

LG Electronics: Changes to full-year forecasts

(KRWb)	Old		New		Diff (%)	
	2025E	2026E	2025E	2026E	2025E	2026E
Sales	87,878	87,920	89,203	89,831	1.5	2.2
Operating profit	2,724	3,451	2,478	3,381	-9.0	-2.0
Pre-tax profit	1,950	2,554	1,800	2,254	-7.7	-11.7
Net profit	1,543	2,002	1,268	2,410	-17.8	20.4

Source: Company data, Samsung Securities

LG Electronics: Changes to forecasts

(KRWb)	4Q25		2025E		4Q25		2025E	
	Old	New	Old	New	Diff	Diff (%)	Diff	Diff (%)
Sales	**22,953**	**23,854**	**88,307**	**89,207**	**900.4**	**3.9**	**900.4**	**1.0**
HS	6,062	6,296	25,933	26,168	234.5	3.9	234.5	0.9
MS	5,359	5,472	19,355	19,468	113.3	2.1	113.3	0.6
VS	2,601	2,785	10,941	11,124	183.4	7.0	183.4	1.7
ES	1,558	1,483	9,424	9,349	-75.4	-4.8	-75.4	-0.8
Other	361	361	1,770	1,770	0.0	0.0	0.0	0.0
LG Innotek	7,145	7,545	21,353	21,753	400.0	5.6	400.0	1.9
Operating profit	**119.2**	**-109.4**	**2,706.6**	**2,478.0**	**-228.6**	**-191.8**	**-228.6**	**-8.4**
HS	8.0	-147.5	1,458.4	1,302.9	-155.6	-1,934.7	-155.6	-10.7
MS	-144.7	-218.9	-634.0	-708.2	-74.2	51.3	-74.2	11.7
VS	58.8	118.8	459.7	519.7	59.9	101.9	59.9	13.0
ES	-119.1	-127.2	671.0	662.9	-8.1	6.8	-8.1	-1.2
Other	-5.0	-40.0	79.2	44.2	-35.0	700.0	-35.0	-44.2
LG Innotek	318.0	308.0	658.4	648.4	-10.0	-3.1	-10.0	-1.5
Operating margin (%)	**0.5**	**(0.5)**	**5.5**	**2.8**	**(1.0)**		**(2.7)**	

Source: Company data, Samsung Securities

LG Electronics: Results and forecasts, by division

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	2025	2026	2027
Sales															
Total	**22,740**	**20,740**	**21,874**	**23,854**	**22,144**	**20,836**	**23,045**	**23,806**	**22,867**	**21,344**	**23,846**	**24,687**	**89,203**	**89,831**	**92,744**
HS	6,697	6,594	6,580	6,296	6,574	6,761	6,873	6,253	6,754	6,953	7,088	6,373	26,168	26,461	27,169
MS	4,950	4,393	4,653	5,472	4,437	3,985	4,406	5,139	4,453	3,923	4,364	5,284	19,468	17,967	18,024
VS	2,843	2,849	2,647	2,785	2,924	3,041	2,952	2,937	2,908	2,958	3,027	3,012	11,124	11,853	11,905
ES	3,054	2,644	2,167	1,483	3,146	2,859	2,367	1,572	3,409	3,087	2,563	1,698	9,349	9,944	10,757
Other	365	458	586	361	402	504	557	397	442	554	612	437	1,770	1,859	2,045
LG Innotek	4,983	3,856	5,369	7,545	4,766	3,775	5,997	7,612	5,004	3,964	6,297	7,993	21,753	22,150	23,258
Operating profit															
Total	**1,259**	**639**	**689**	**-109**	**1,220**	**991**	**984**	**186**	**1,344**	**1,071**	**1,075**	**236**	**2,478**	**3,381**	**3,726**
HS	645	440	366	-148	557	439	406	-127	615	468	442	-128	1,303	1,275	1,396
MS	5	-192	-303	-219	22	48	35	-103	31	59	44	-90	-708	2	44
VS	125	126	150	119	144	151	181	136	157	161	201	155	520	612	675
ES	407	251	133	-127	383	310	150	-32	418	337	164	-34	663	811	884
Other	-47	-1	132	-40	-20	-20	-20	-40	-18	-18	-18	-36	44	-100	-90
LG Innotek	125	11	204	308	132	60	229	350	139	63	240	368	648	771	810
Operating margin (%)															
Total	**5.5**	**3.1**	**3.1**	**-0.5**	**5.5**	**4.8**	**4.3**	**0.8**	**5.9**	**5.0**	**4.5**	**1.0**	**2.8**	**3.8**	**4.0**
HS	9.6	6.7	5.6	-2.3	8.5	6.5	5.9	-2.0	9.1	6.7	6.2	-2.0	5.0	4.8	5.1
MS	0.1	-4.4	-6.5	-4.0	0.5	1.2	0.8	-2.0	0.7	1.5	1.0	-1.7	-3.6	0.0	0.2
VS	4.4	4.4	5.7	4.3	4.9	5.0	6.1	4.6	5.4	5.4	6.7	5.1	4.7	5.2	5.7
ES	13.3	9.5	6.1	-8.6	12.2	10.8	6.3	-2.0	12.3	10.9	6.4	-2.0	7.1	8.2	8.2
Other	-12.9	-0.3	22.6	-11.1	-5.0	-4.0	-3.6	-10.1	-4.1	-3.2	-2.9	-8.2	2.5	-5.4	-4.4
LG Innotek	2.5	0.3	3.8	4.1	2.8	1.6	3.8	4.6	2.8	1.6	3.8	4.6	3.0	3.5	3.5

Note: Company sales reflect the sum of each division's sales, with internal sales between LG Electronics and LG Innotek eliminated
Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**82,263**	**87,728**	**89,203**	**89,831**	**92,744**
Cost of goods sold	62,461	66,349	68,556	68,336	70,157
Gross profit	**19,801**	**21,379**	**20,646**	**21,495**	**22,588**
Gross margin (%)	24.1	24.4	23.1	23.9	24.4
SG&A expenses	16,148	17,960	18,168	18,114	18,862
Operating profit	**3,653**	**3,420**	**2,478**	**3,381**	**3,726**
Operating margin (%)	4.4	3.9	2.8	3.8	4.0
Non-operating gains (losses)	**-1,782**	**-2,465**	**-678**	**-1,126**	**-883**
Financial profit	1,280	1,168	1,058	932	1,167
Financial costs	1,381	1,133	1,592	1,584	1,437
Equity-method gains (losses)	-1,045	-992	176	41	-25
Other	-636	-1,507	-321	-516	-589
Pre-tax profit	**1,871**	**955**	**1,800**	**2,254**	**2,842**
Taxes	757	463	539	-156	-196
Effective tax rate (%)	40.5	48.4	29.9	-6.9	-6.9
Profit from continuing operations	1,258	873	1,274	2,410	3,039
Profit from discontinued operations	-107	-282	-5	0	0
Net profit	**1,151**	**591**	**1,268**	**2,410**	**3,039**
Net margin (%)	1.4	0.7	1.4	2.7	3.3
Net profit (controlling interests)	713	368	1,222	2,013	2,538
Net profit (non-controlling interests)	438	224	46	397	500
EBITDA	6,870	6,954	5,992	6,833	7,087
EBITDA margin (%)	8.4	7.9	6.7	7.6	7.6
EPS (parent-based) (KRW)	3,942	2,032	6,771	11,181	14,097
EPS (consolidated) (KRW)	6,363	3,270	7,026	13,384	16,874
Adjusted EPS (KRW)*	3,942	2,032	6,771	11,181	14,097

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**30,341**	**33,924**	**32,106**	**34,905**	**39,130**
Cash & equivalents	8,488	7,573	3,558	6,414	9,584
Accounts receivable	9,265	10,536	11,650	11,627	12,058
Inventories	9,125	10,729	11,569	11,546	11,973
Other current assets	3,463	5,086	5,329	5,318	5,515
Fixed assets	**29,900**	**31,706**	**34,907**	**34,247**	**33,832**
Investment assets	4,762	4,043	4,243	4,235	4,381
Tangible assets	16,819	17,075	19,041	18,896	18,776
Intangible assets	2,868	3,519	3,855	3,347	2,907
Other long-term assets	5,451	7,069	7,768	7,768	7,768
Total assets	**60,241**	**65,630**	**67,013**	**69,153**	**72,961**
Current liabilities	**24,160**	**27,307**	**28,651**	**28,600**	**29,545**
Accounts payable	9,427	9,885	10,359	10,339	10,721
Short-term debt	708	564	941	941	941
Other current liabilities	14,025	16,858	17,351	17,321	17,883
Long-term liabilities	**12,582**	**13,110**	**12,120**	**12,118**	**12,160**
Bonds & long-term debt	10,719	11,093	10,060	10,060	10,060
Other long-term liabilities	1,863	2,017	2,061	2,058	2,100
Total liabilities	**36,742**	**40,418**	**40,771**	**40,718**	**41,705**
Owners of parent equity	**19,665**	**20,995**	**22,046**	**23,842**	**26,164**
Capital stock	904	904	904	904	904
Capital surplus	3,025	2,970	3,038	3,038	3,038
Retained earnings	16,201	16,353	17,459	19,256	21,577
Other	-466	768	644	644	644
Non-controlling interests' equity	**3,834**	**4,217**	**4,196**	**4,592**	**5,093**
Total equity	**23,499**	**25,212**	**26,241**	**28,435**	**31,256**
Net debt	6,018	6,833	9,954	7,098	3,909

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**5,914**	**3,843**	**3,516**	**5,852**	**6,398**
Net profit	1,151	591	1,268	2,410	3,039
Non-cash profit and expenses	7,119	8,141	5,396	3,539	3,318
Depreciation	2,704	2,993	2,963	2,944	2,921
Amortization	513	541	551	508	441
Other	3,902	4,607	1,881	87	-43
Changes in A/L from operating activities	-1,218	-3,797	-2,214	3	-48
Cash flow from investments	**-5,290**	**-4,212**	**-6,597**	**-2,796**	**-2,873**
Change in tangible assets	-3,223	-2,315	-5,015	-2,800	-2,800
Change in financial assets	-993	-275	-110	4	-73
Other	-1,074	-1,622	-1,473	0	0
Cash flow from financing	**1,503**	**-705**	**-1,457**	**-218**	**-202**
Change in debt	2,414	727	-852	-1	15
Change in equity	-23	-55	68	0	0
Dividends	-241	-317	-266	-217	-217
Other	-646	-1,060	-406	0	-0
Change in cash	2,165	-915	-4,015	2,856	3,170
Cash at beginning of year	6,322	8,488	7,573	3,558	6,414
Cash at end of year	8,488	7,573	3,558	6,414	9,584
Gross cash flow	**8,270**	**8,732**	**6,664**	**5,949**	**6,357**
Free cash flow	**2,644**	**1,486**	**-1,562**	**3,052**	**3,598**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-1.4	6.6	1.7	0.7	3.2
Operating profit	2.9	-6.4	-27.5	36.4	10.2
Net profit	-38.2	-48.6	114.5	90.0	26.1
Adjusted EPS**	-40.4	-48.4	233.2	65.1	26.1
Per-share data (KRW)					
EPS (parent-based)	3,942	2,032	6,771	11,181	14,097
EPS (consolidated)	6,363	3,270	7,026	13,384	16,874
Adjusted EPS**	3,942	2,032	6,771	11,181	14,097
BVPS	109,209	116,595	122,431	132,408	145,301
DPS (common)	800	1,000	1,100	1,200	1,200
Valuations (x)					
P/E***	25.8	41.1	13.6	8.0	6.3
P/B***	0.9	0.7	0.8	0.7	0.6
EV/EBITDA	4.0	3.7	5.0	4.0	3.4
Ratios (%)					
ROE	3.7	1.8	5.7	8.8	10.2
ROA	2.0	0.9	1.9	3.5	4.3
ROIC	9.9	9.0	6.0	11.8	13.2
Payout ratio	18.3	44.3	14.7	9.7	7.7
Dividend yield (common)	0.8	1.2	1.2	1.3	1.3
Net debt to equity	25.6	27.1	37.9	25.0	12.5
Interest coverage (x)	6.8	6.0	4.2	5.8	6.4

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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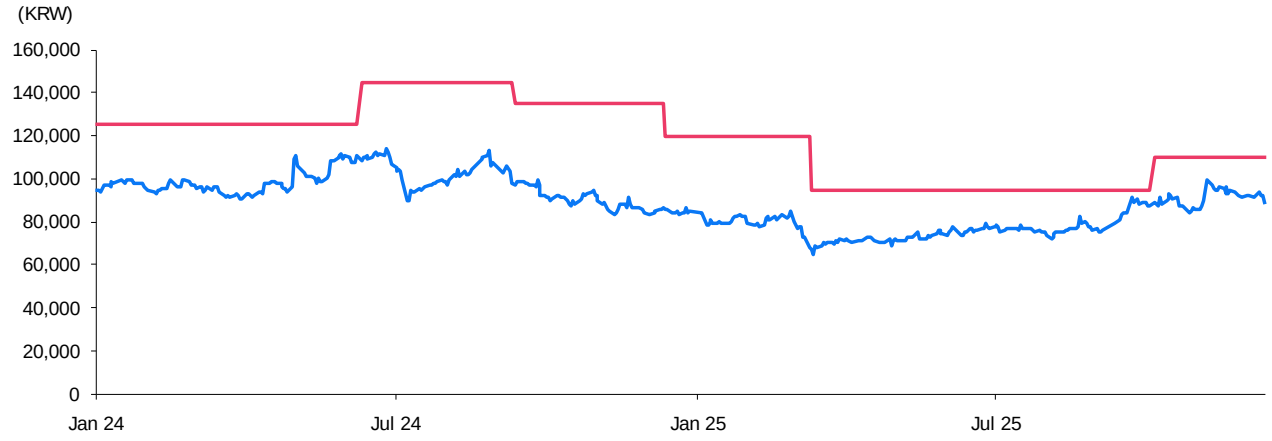
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/11	2024/1/26	7/8	10/10	2025/1/9	4/8	11/3
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	135000	125000	145000	135000	120000	95000	110000
Gap* (average)	-25.41	-21.37	-28.78	-33.09	-32.58	-20.31	
(max or min)**	-19.63	-10.88	-21.45	-26.30	-28.00	-4.21	

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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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 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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