COMPANY UPDATE

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EV/Mobility Team

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LG Chem (051910)

4Q preview: Battery operations underperform

- We expect LG Chem to report a 4Q operating loss of KRW233.7b (with operating income deteriorating KRW913.4b q-q), missing FnGuide-based consensus (operating loss of KRW13.6b) due to: 1) the chemicals business turning unprofitable q-q; and 2) continued weakness at the company's battery-related operations.
- Given the pullback in its subsidiary's shares, we cut our 12-month target price (based on a SOTP valuation) for the stock. We, however, maintain BUY—we expect its discount to NAV to shrink in 2026 on sustained equity sales.

AT A GLANCE

BUY

Target price	KRW420,000	30.6%
Current price	KRW321,500	
Market cap	KRW22.7t/USD15.5b	
Shares (float)	70,592,343 (65.0%)	
52-week high/low	KRW419,500/KRW182,400	
Avg daily trading value (60-day)	KRW134.9b/ USD91.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Chem (%)	-13.5	18.2	31.2
Vs Kospi (%pts)	-22.0	-18.8	-28.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	420,000	500,000	-16.0%
2025E EPS	-11,789	-11,789	0.0%
2026E EPS	11,250	11,250	0.0%

SAMSUNG vs THE STREET

No of estimates	17
Target price	462,529
Recommendation	3.8

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

WHAT'S THE STORY?

4Q preview—operating income to miss: We expect LG Chem to report a 4Q operating loss of KRW233.7b (with operating income falling KRW913.4b q-q), missing FnGuide-based consensus (operating loss of KRW13.6b). The probable miss is attributable to: 1) the chemicals business turning unprofitable q-q; and 2) continued weakness at the company's battery-related operations (both its cell subsidiary and materials business).

- **Chemicals:** The chemicals division likely logged an operating loss of KRW80.4b (with operating income deteriorating KRW109.5b q-q) due to negative lag effects (on falling naphtha prices) and decreasing spreads on major products. While ABS spreads widened 3% q-q to USD309/tonne (vs USD300/tonne in 3Q), the LLDPE spread narrowed 6% q-q to USD249/tonne (vs USD265/tonne in 3Q), the PVC spread fell 5% q-q USD392/tonne (vs USD412/tonne in 3Q), and PP spreads contracted 20% q-q to USD221/tonne (vs USD276/tonne in 3Q).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	48,916	46,188	48,775	55,317
Operating profit (KRWb)	917	1,360	2,387	5,823
Net profit (adj) (KRWb)	515	168	1,264	4,316
EPS (adj) (KRW)	-8,825	-11,789	11,250	38,785
EPS (adj) growth (% y-y)	nm	nm	nm	244.7
EBITDA margin (%)	8.4	11.1	13.6	13.7
ROE (%)	-2.1	-2.8	2.7	8.8
P/E (adj) (x)	n/a	n/a	28.6	8.3
P/B (x)	0.6	0.8	0.8	0.7
EV/EBITDA (x)	12.9	12.8	10.2	8.6
Dividend yield (%)	0.4	0.3	1.2	3.4

Source: Company data, Samsung Securities estimates

- **Advanced materials:** The advanced materials division's operating loss likely came to USD11.7b (with its operating income deteriorating KRW19b q-q). The cathode materials unit likely saw sales of KRW0.14t (down 4% q-q) and an operating loss of KRW51.8b (deteriorating KRW12.2b q-q) for a margin of -38.1%. We now believe the cathode materials unit's: 1) ASP slid 1% q-q; 2) sales volume shrank 7% q-q (vs our previous forecast of it staying flat q-q; on reduced EV demand in the US) and 3) utilization reached 14%. Other advanced materials (besides cathode materials) likely contributed sales of KRW0.7t (flat q-q) and an operating profit of KRW40.1b (down 15% q-q) for a margin of 5.7%.
- **Battery:** The battery subsidiary (LGES) announced its 4Q preliminary results on Jan 9, declaring an operating loss of KRW122b (its operating income deteriorated KRW723.3b q-q and missed consensus of an operating loss of KRW23.1b). The q-q turn to loss is attributed to a high base (one-off gains were booked in 3Q25) and a sharp decline in US EV sales.
- **Life Sciences:** Operating profit at the life sciences division likely hit KRW9.6b (down 90% q-q) as profit normalized—one-off gains were seen in 3Q25.

View—Short-term catalysts tied to equity sales rather than fundamentals: Recent stock price pullbacks at its subsidiary have prompted us to downwardly revise LG Chem's equity value (from KRW24.3t to KRW19.8t) and trim our target price by 16% (from KRW500,000 to KRW420,000). The impact of the sharp decline in US EV demand is gradually affecting the Korean battery value chain, and uncertainty surrounding various issues (*eg*, production halts, delays in new plant startups, and the postponement/cancellation of EV launches) should persist through 1H26. Moreover, weakness at three of the company's core businesses (sustainability materials, advanced materials, and life chemicals) is deepening, suggesting that equity sales will be sustained this year to support the firm's financial structure and adjust its core business portfolio. We thus maintain our BUY rating for the stock given the potential decline in its discount to NAV (through continued equity sales) rather than given expectations of quick recovery in its fundamentals.

LG Chem: Sum-of-the-parts valuation

(KRWb)	Forward EBITDA	Multiple (x)	Enterprise value	Note
Operating value (A)				
Chemicals	951	5.9	5,616	Peers (global NCCs/ECCs)
Advanced Materials	709	10.1	7,169	Peers (display materials manufacturers and cathode materials manufacturers*); **Revised down from 10.4x**
Batteries			19,806	**Application of holding company discount**; Revised down from KRW24.3t**
Farm Hannong	93	7.7	711	30% premium to chemicals division;
Life Sciences	290	7.7	2,222	30% premium to chemicals division;
Total	**2,043**	**7.7**	**35,524**	
Asset value (B)			**2,464**	**30% discount**
Net debt (C)			**7,412**	**Based on end-2026 excludes LG Energy Solution's net debt.**
Market capitalization of preferred shares (D)			**1,166**	**As of Jan 9 close**
Fair market capitalization (E = A + B - C - D)			**29,409**	
Outstanding shares ('000)			70,592	
Fair price (KRW)			416,612	
Target price (KRW)			**420,000**	**Revised down by 16% from KRW500,000**
Current price (KRW)			312,500	As of Jan 9 close
Upside (%)			34.4	
2026 implied P/E (x)			37.3	
2027 implied P/E (x)			10.8	
2026 implied P/B (x)			0.99	
2027 implied P/B (x)			0.92	

Note: * Weighted average of display materials companies (88%) and secondary battery cathode materials companies (12%).
** Net asset value (NAV) discount applied to equity holdings based on the average share price over the past one month.
From a mid- to long-term perspective, an 85% discount is applied to the 60% stake required to maintain control, while a 35% discount is applied to the remaining stake, reflecting potential liquidity.
Accordingly, the final NAV discount rate for the stake is set at 73%.

Source: Bloomberg, Samsung Securities estimates

LG Chem: Quarterly results

(KRWb)	4Q25E	3Q25	4Q24	Consensus	Diff (%)		
					q-q	y-y	Consensus
Sales	11,453	11,196	12,498	11,059	2.3	-8.4	3.6
Operating profit	-234	680	-219	-14	To turn neg	To remain neg	To remain neg
Pre-tax profit	-585	457	-1,124	-184	To turn neg	To remain neg	To remain neg
Net profit	-445	447	-899	-157	To turn neg	To remain neg	To remain neg
Attributable to parent	-500	119	-1,055	-264	To turn neg	To remain neg	To remain neg
Margins (%)							
Operating profit	-2.0	6.1	-1.8	-0.1			
Pre-tax profit	-5.1	4.1	-9.0	-1.7			
Net profit	-3.9	4.0	-7.2	-1.4			
Attributable to parent	-4.4	1.1	-8.4	-2.4			

Source: Company data, FnGuide, Samsung Securities estimates

LG Chem: Quarterly results, by division

(KRWb)	4Q25E	3Q25	4Q24	Chg (% q-q)	Chg (% y-y)
Sales	**11,453**	**11,196**	**12,498**	**2.3**	**-8.4**
Chemicals	4,443	4,461	4,886	-0.4	-9.1
Advanced Materials	836	838	1,389	-0.2	-39.8
Batteries	6,142	5,700	6,451	7.7	-4.8
Farm Hannong	172	102	165	69.2	4.1
Life Sciences	320	375	338	-14.6	-5.3
Operating profit	**-234**	**680**	**-219**	**To turn neg**	**To remain neg**
Chemicals	-80	29	-101	To turn neg	To remain neg
Advanced Materials	-12	7	48	To turn neg	To turn neg
Batteries	-122	601	-226	To turn neg	To remain neg
Farm Hannong	9	-20	9	To turn pos	4.1
Life Sciences	10	101	-1	-90.4	To turn pos
Cons. Adjustment	-39	-39	52	To remain neg	To turn neg
Pre-tax profit	-585	457	-1,124	To turn neg	To remain neg
Net profit	**-445**	**447**	**-899**	**To turn neg**	**To remain neg**
Margins (%)					
Operating profit	-2.0	6.1	-1.8		
Chemicals	-1.8	0.7	-2.1		
Advanced Materials	-1.4	0.9	3.5		
Batteries	-2.0	10.5	-3.5		
Farm Hannong	5.5	-19.7	5.5		
Life Sciences	3.0	26.9	-0.3		
Pre-tax profit	-5.1	4.1	-9.0		
Net profit	-3.9	4.0	-7.2		

Source: Company data, Samsung Securities

LG Chem: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,449	1,430	1,390	1,350	1,315	1,365	1,422	1,371	1,315
Sales	**12,121**	**11,418**	**11,196**	**11,453**	**11,356**	**11,928**	**12,426**	**13,065**	**48,916**	**46,188**	**48,775**	**55,317**
Growth (% q-q)	-3.0	-5.8	-1.9	2.3	-0.8	5.0	4.2	5.1				
Growth (% y-y)	4.9	-6.7	-11.3	-8.4	-6.3	4.5	11.0	14.1	-11.5	-5.6	5.6	13.4
Chemicals	4,782	4,696	4,461	4,443	4,163	3,944	3,715	3,424	19,160	18,382	15,246	13,395
Advanced Materials	1,440	1,061	838	836	910	1,008	1,048	1,224	6,412	4,175	4,190	4,813
Batteries	6,265	5,565	5,700	6,142	6,230	6,905	7,834	8,619	25,620	23,672	29,588	37,611
Farm Hannong	246	242	102	172	251	245	109	172	762	762	777	808
Life Sciences	286	337	375	320	320	415	382	369	1,334	1,317	1,485	1,675
Operating profit	**438**	**477**	**680**	**-234**	**219**	**443**	**803**	**923**	**917**	**1,360**	**2,387**	**5,823**
Growth (% q-q)	Turned pos	8.9	42.6	To turn neg	To turn pos	102.8	81.1	15.0				
Growth (% y-y)	72.3	21.5	38.9	To remain neg	-50.1	-7.0	18.1	To turn pos	-63.8	48.4	75.4	143.9
Chemicals	-57	-90	29	-80.4	-16	6	11	-33	-105	-198	-31	48
Growth (% q-q)	Remained neg	Remained neg	Turned pos	To turn neg	To remain neg	To turn pos	82.5	To turn neg				
Growth (% y-y)	Remained neg	Turned neg	Turned pos	To remain neg	To remain neg	To turn pos	-61.8	To remain neg	Remained neg	To remain neg	To remain neg	To turn pos
Advanced Materials	118	71	7	-12	29	45	64	80	510	185	219	322
Growth (% q-q)	146.0	-39.9	-89.7	To turn neg	To turn pos	57.0	41.5	25.1				
Growth (% y-y)	-17.0	-58.3	-95.1	To turn neg	-75.5	-36.0	779.4	To turn pos	-12.7	-63.8	18.6	47.0
Batteries	375	492	601	-122	196	389	763	881	575	1,346	2,230	5,446
Growth (% q-q)	Turned pos	31.4	22.2	To turn neg	To turn pos	98.2	96.0	15.5				
Growth (% y-y)	138.1	152.0	34.1	To remain neg	-47.6	-20.9	26.9	To turn pos	-73.4	134.0	65.6	144.3
Farm Hannong	31	13	-20	9	34	17	-20	9	44	33	39	38
Growth (% q-q)	243.3	-59.5	Turned neg	To turn pos	258.3	-50.5	To turn neg	To turn pos				
Growth (% y-y)	-11.5	-37.5	Remained neg	4.1	8.6	32.9	To remain neg	0.0	-2.4	-25.4	19.3	-3.5
Life Sciences	-13	25	101	10	7	18	16	16	110	121	57	96
Growth (% q-q)	Remained neg	Turned pos	308.9	-90.4	-25.8	146.3	-6.8	-3.5				
Growth (% y-y)	Turned neg	-77.4	Turned pos	To turn pos	To turn pos	-28.6	-83.7	64.2	287.2	10.1	-53.2	68.5
Consol. Adj.	-16	-33	-39	-39	-32	-32	-32	-32	-218	-126	-126	-126
Growth (% q-q)	Turned neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	To turn neg	To remain neg	To remain neg	To remain neg	To remain neg	Remained neg	To remain neg	To remain neg	To remain neg
Pre-tax profit	437	-185	457	-585	-3	209	558	677	-268	124	1,441	4,922
Growth (% q-q)	Turned pos	Turned neg	Turned pos	To turn neg	To turn neg	To turn pos	167.0	21.3				
Growth (% y-y)	40.3	Turned neg	23.3	To remain neg	To turn neg	To turn pos	22.1	To turn pos	Turned neg	To turn pos	1,058.5	241.6
Net profit	**260**	**-112**	**447**	**-445**	**-2**	**183**	**489**	**593**	**515**	**168**	**1,264**	**4,316**
Growth (% q-q)	-49.4	Turned neg	Turned pos	To turn neg	To turn neg	To turn pos	167.0	21.3				
Growth (% y-y)	-23.8	Turned neg	-55.8	To remain neg	To turn neg	To turn pos	9.4	To turn pos	-74.9	-67.3	650.7	241.6
Attributable to parent	-108	-434	119	-500	-8	155	332	402	-691	-923	881	3,036
Margins (%)												
Operating profit	3.6	4.2	6.1	-2.0	1.9	3.7	6.5	7.1	1.9	2.9	4.9	10.5
Chemicals	-1.2	-1.9	0.7	-1.8	-0.4	0.2	0.3	-1.0	-0.5	-1.1	-0.2	0.4
Advanced Materials	8.2	6.7	0.9	-1.4	3.2	4.5	6.1	6.6	8.0	4.4	5.2	6.7
Batteries	6.0	8.8	10.5	-2.0	3.2	5.6	9.7	10.2	2.2	5.7	7.5	14.5
Farm Hannong	12.6	5.2	-19.7	5.5	13.4	6.8	-18.7	5.5	5.8	4.3	5.0	4.7
Life Sciences	-4.7	7.3	26.9	3.0	2.2	4.2	4.3	4.3	8.3	9.2	3.8	5.7
Pre-tax profit	3.6	-1.6	4.1	-5.1	0.0	1.8	4.5	5.2	-0.5	0.3	3.0	8.9
Net profit	2.1	-1.0	4.0	-3.9	0.0	1.5	3.9	4.5	1.1	0.4	2.6	7.8

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**55,250**	**48,916**	**46,188**	**48,775**	**55,317**
Cost of goods sold	46,464	41,380	39,027	40,273	45,077
Gross profit	**8,786**	**7,536**	**7,161**	**8,502**	**10,240**
Gross margin (%)	15.9	15.4	15.5	17.4	18.5
SG&A expenses	6,934	8,100	7,447	7,907	8,944
Operating profit	**2,529**	**917**	**1,360**	**2,387**	**5,823**
Operating margin (%)	4.6	1.9	2.9	4.9	10.5
Non-operating gains (losses)	**-39**	**-324**	**-1,243**	**-946**	**-900**
Financial profit	1,787	2,119	-911	-901	-871
Financial costs	1,665	2,715	0	0	0
Equity-method gains (losses)	-33	-25	-103	-11	-12
Other	-128	297	-229	-34	-17
Pre-tax profit	**2,490**	**593**	**117**	**1,441**	**4,922**
Taxes	433	61	-54	177	606
Effective tax rate (%)	17.4	10.3	-46.5	12.3	12.3
Profit from continuing operations	2,066	-329	179	1,264	4,316
Profit from discontinued operations	-12	844	-11	0	0
Net profit	**2,053**	**515**	**168**	**1,264**	**4,316**
Net margin (%)	3.7	1.1	0.4	2.6	7.8
Net profit (controlling interests)	1,338	-691	-923	881	3,036
Net profit (non-controlling interests)	716	1,206	1,091	383	1,280
EBITDA	5,810	4,119	5,106	6,646	7,594
EBITDA margin (%)	10.5	8.4	11.1	13.6	13.7
EPS (parent-based) (KRW)	17,090	-8,825	-11,789	11,250	38,785
EPS (consolidated) (KRW)	26,231	6,579	2,150	16,141	55,137
Adjusted EPS (KRW)*	17,090	-8,825	-11,789	11,250	38,785

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**28,859**	**27,816**	**23,194**	**23,645**	**31,391**
Cash & equivalents	9,085	7,855	4,386	3,783	8,866
Accounts receivable	8,083	8,166	7,671	8,101	9,188
Inventories	9,375	8,847	8,354	8,822	10,005
Other current assets	2,316	2,947	2,783	2,939	3,333
Fixed assets	**48,607**	**66,042**	**71,643**	**75,393**	**75,655**
Investment assets	2,512	3,626	3,519	3,621	3,877
Tangible assets	38,950	54,570	60,690	64,691	64,996
Intangible assets	3,693	3,619	3,208	2,856	2,556
Other long-term assets	3,453	4,226	4,226	4,226	4,226
Total assets	**77,467**	**93,858**	**94,836**	**99,038**	**107,046**
Current liabilities	**18,391**	**21,086**	**22,196**	**25,003**	**28,477**
Accounts payable	4,118	3,682	3,477	3,671	4,164
Short-term debt	1,875	1,812	2,512	3,212	3,212
Other current liabilities	12,398	15,592	16,208	18,120	21,101
Long-term liabilities	**18,138**	**24,777**	**24,555**	**24,765**	**25,297**
Bonds & long-term debt	14,459	18,981	18,981	18,981	18,981
Other long-term liabilities	3,679	5,795	5,573	5,784	6,316
Total liabilities	**36,529**	**45,862**	**46,751**	**49,768**	**53,774**
Owners of parent equity	**32,193**	**33,284**	**32,283**	**33,085**	**35,807**
Capital stock	391	391	391	391	391
Capital surplus	11,572	11,569	11,569	11,569	11,569
Retained earnings	19,651	18,592	17,591	18,393	21,115
Other	578	2,732	2,732	2,732	2,732
Non-controlling interests' equity	**8,746**	**14,711**	**15,802**	**16,185**	**17,465**
Total equity	**40,938**	**47,995**	**48,085**	**49,270**	**53,273**
Net debt	13,269	19,483	24,819	27,511	24,091

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**7,536**	**7,012**	**4,276**	**5,760**	**8,912**
Net profit	2,053	515	168	1,264	4,316
Non-cash profit and expenses	5,233	6,195	3,865	4,784	5,506
Depreciation	3,559	4,200	4,981	5,699	5,997
Amortization	399	482	412	352	300
Other	1,276	1,513	-1,528	-1,266	-792
Changes in A/L from operating activities	1,415	1,448	175	-127	-320
Cash flow from investments	**-13,170**	**-13,663**	**-9,455**	**-8,339**	**-5,103**
Change in tangible assets	-12,849	-14,493	-11,100	-9,700	-6,303
Change in financial assets	230	-770	81	-77	-194
Other	-551	1,600	1,564	1,438	1,394
Cash flow from financing	**6,158**	**4,821**	**1,764**	**2,034**	**1,407**
Change in debt	6,547	5,219	1,842	2,113	1,720
Change in equity	3	-3	0	0	0
Dividends	-1,104	-367	-79	-79	-313
Other	712	-27	0	-0	-0
Change in cash	587	-1,230	-3,469	-603	5,083
Cash at beginning of year	8,498	9,085	7,855	4,386	3,783
Cash at end of year	9,085	7,855	4,386	3,783	8,866
Gross cash flow	**7,287**	**6,710**	**4,033**	**6,048**	**9,822**
Free cash flow	**-5,423**	**-7,603**	**-6,824**	**-3,940**	**2,609**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	8.4	-11.5	-5.6	5.6	13.4
Operating profit	-15.1	-63.8	48.4	75.4	143.9
Net profit	-6.5	-74.9	-67.3	650.7	241.6
Adjusted EPS**	-27.5	nm	nm	nm	244.7
Per-share data (KRW)					
EPS (parent-based)	17,090	-8,825	-11,789	11,250	38,785
EPS (consolidated)	26,231	6,579	2,150	16,141	55,137
Adjusted EPS**	17,090	-8,825	-11,789	11,250	38,785
BVPS	411,275	425,221	412,426	422,672	457,455
DPS (common)	3,500	1,000	1,000	4,000	11,000
Valuations (x)					
P/E***	29.2	n/a	n/a	28.6	8.3
P/B***	1.2	0.6	0.8	0.8	0.7
EV/EBITDA	10.3	12.9	12.8	10.2	8.6
Ratios (%)					
ROE	4.2	-2.1	-2.8	2.7	8.8
ROA	2.8	0.6	0.2	1.3	4.2
ROIC	4.4	1.9	2.8	2.8	6.7
Payout ratio	18.5	-10.2	-7.6	32.1	25.6
Dividend yield (common)	0.7	0.4	0.3	1.2	3.4
Net debt to equity	32.4	40.6	51.6	55.8	45.2
Interest coverage (x)	3.9	1.0	n/a	n/a	n/a

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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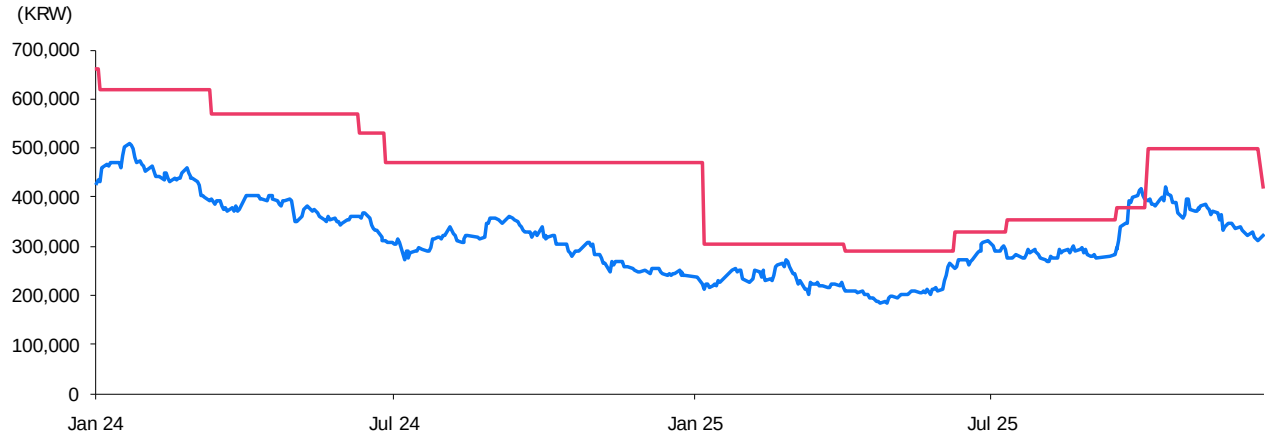
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/10	2/1	4/9	7/9	7/25	2025/2/4	5/2	7/8	8/8	10/14	11/3	2026/1/12
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	660000	620000	570000	530000	470000	305000	290000	330000	355000	380000	500000	420000
Gap* (average)	-36.47	-27.03	-34.08	-35.93	-37.05	-23.11	-28.41	-12.72	-20.02	-1.68	-26.61	
(max or min)**	-30.38	-18.06	-28.95	-30.66	-23.19	-10.82	-8.79	-5.15	-15.21	9.74	-16.10	

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
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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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