COMPANY UPDATE

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Lotte Energy Materials (020150)

Shipments on the rise, but visibility needed

- We believe Lotte Energy Materials' 4Q results will miss market forecasts.
- Though the projected y-y jump in elecfoil and AI-use circuit foil shipments in 2026 is positive, we expect the firm to suffer an operating loss in 2026.
- We raise our target price to KRW32,000 but maintain our HOLD rating.

WHAT'S THE STORY?

4Q preview: We believe Lotte Energy Materials reported 4Q consolidated sales of KRW157b and an operating loss of KRW33b (vs FnGuide consensus of operating loss of KRW29.1b). Operating loss likely remained flat q-q, as copper foil shipments rose 9% q-q but utilization rates did not improve due to the firm's focus on inventory reduction. The increase in shipments was driven by the start of operations at a key client's North American ESS facility and growing mobile-use copper foil demand from China—both factors offsetting a drop in its shipments to a North American battery manufacturer.

To turn profitable in 2H, but annual loss to be inevitable: We forecast the company's copper foil shipments to grow by 45% y-y to 32,000 tonnes in 2026, led by: 1) elecfoil shipments up 22% y-y on increased shipments to North American ESS customers and rising demand from Chinese customers for European markets; and 2) AI-use circuit foil shipments up 65% y-y on increased AI accelerator-use demand. We also forecast the company's sales to rise 49% y-y to KRW987.4b in 2026, with ASP up 22% y-y led by rising copper prices. Still, 1H should remain challenging due to reduced demand from key North American customers, delaying a return to quarterly profitability until 2H. On an annual basis, we forecast the company to post an operating loss of KRW12.2b in 2026.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	902	664	987	1,063
Operating profit	-64	-144	-12	44
Net profit (adj)	29	-84	-12	36
EPS (adj) (KRW)	137	-1,557	-214	626
EPS (adj) growth (% y-y)	nm	nm	nm	nm
EBITDA margin (%)	2.4	-8.5	7.8	12.1
ROE (%)	0.5	-6.2	-0.9	2.6
P/E (adj) (x)	172.8	n/a	n/a	53.5
P/B (x)	0.8	1.3	1.4	1.4
EV/EBITDA (x)	60.5	n/a	27.9	16.4
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

EV/Mobility Team

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AT A GLANCE

HOLD

Target price	KRW32,000	-4.3%
Current price	KRW33,450	
Market cap	KRW1.8t/USD1.2b	
Shares (float)	52,365,463 (53.0%)	
52-week high/low	KRW42,800/KRW19,730	
Avg daily trading value (60-day)	KRW19.0b/ USD12.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Energy Materials (%)	5.9	26.5	38.2
Vs Kospi (%pts)	-13.3	-17.3	-29.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	32,000	27,000	18.5%
2025E EPS	-1,557	-1,557	0.0%
2026E EPS	-214	-214	0.0%

SAMSUNG vs THE STREET

No of estimates	10
Target price	39,600
Recommendation	3.7

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

Raising target proce but maintaining HOLD: We adjust up our target price for the stock to KRW32,000, as we raise our target P/B multiple from 1.1x to 1.4x, a 44% discount (the lower end of the past year discount band; due to expectations of AI-use circuit foil shipment growth and a turn to an operating profit in 2H) to peers' average P/B of 2.4x. We, however, maintain HOLD, as although the projected y-y shipment growth is positive, the extent of the 1H weakness still needs to be confirmed.

4Q preview

(KRWb)	4Q25E	4Q24	3Q25	Chg	
				(% y-y)	(% q-q)
Sales	156.9	186.4	143.7	-15.8	9.2
Operating profit	-33.0	-40.1	-34.3	Remained neg	Remained neg
Pre-tax profit	23.1	-38.5	-34.0	Turned pos	Turned pos
Net profit	46.5	14.8	-24.5	214.4	Turned pos
Margins (%)					
Operating profit	-21.0	-21.5	-23.9		
Pre-tax profit	14.7	-20.7	-23.7		
Net profit	29.6	7.9	-17.1		

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	703.4	663.6	-5.7	905.4	987.4	9.1
Operating profit	-140.9	-144.4	nm	-15.9	-12.2	nm
Pre-tax profit	-137.2	-140.4	nm	-16.5	-13.1	nm
Net profit	-82.3	-84.3	nm	-14.9	-11.8	nm

Source: Samsung Securities estimates

Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	241.7	262.7	211.4	186.4	158.0	204.9	143.7	157.0	202.9	227.7	282.2	274.6	902.2	663.6	987.4
Operating profit	4.3	3.0	-31.7	-40.1	-46.0	-31.1	-34.3	-33.0	-20.3	-11.4	8.5	11.0	-64.5	-144.4	-12.2
Operating margin (%)	1.8	1.1	-15.0	-21.5	-29.1	-15.2	-23.9	-21.0	-10.0	-5.0	3.0	4.0	-7.1	-21.8	-1.2

Source: Company data, Samsung Securities estimates

Target-price calculation

(KRW)		
BVPS	23,520	2026E BVPS estimate
Target P/B (x)	1.4	44% discount to average of peer group (cell & materials companies) (44% is the stock's lower bound discount over Jul 19, 2025-Jan 19, 2026)
Fair value per share	31,888	
Target price	**32,000**	
Current price	34,250	As of Jan 20 close
Upside (%)	-6.6	

Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**809**	**902**	**664**	**987**	**1,063**
Cost of goods sold	740	891	752	917	930
Gross profit	**69**	**11**	**-89**	**71**	**133**
Gross margin (%)	8.6	1.3	-13.3	7.2	12.5
SG&A expenses	58	76	56	83	89
Operating profit	**12**	**-64**	**-144**	**-12**	**44**
Operating margin (%)	1.5	-7.1	-21.8	-1.2	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**	**-140**	**-13**	**43**
Taxes	8	-45	-56	-1	6
Effective tax rate (%)	-20.7	278.4	40.0	10.0	15.0
Profit from continuing operations	-45	29	-84	-12	36
Profit from discontinued operations	0	0	0	0	0
Net profit	**-45**	**29**	**-84**	**-12**	**36**
Net margin (%)	-5.6	3.2	-12.7	-1.2	3.4
Net profit (controlling interests)	-33	6	-80	-11	33
Net profit (non-controlling interests)	-13	22	-4	-1	4
EBITDA	89	22	-57	77	129
EBITDA margin (%)	11.0	2.4	-8.5	7.8	12.1
EPS (parent-based) (KRW)	-706	137	-1,557	-214	626
EPS (consolidated) (KRW)	-979	625	-1,639	-225	695
Adjusted EPS (KRW)*	-706	137	-1,557	-214	626

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,262**	**1,031**	**1,018**	**1,031**	**1,073**
Cash & equivalents	552	419	551	337	325
Accounts receivable	196	164	132	197	212
Inventories	345	333	249	371	399
Other current assets	169	115	85	126	136
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**	**2,279**	**2,305**	**2,312**
Current liabilities	**333**	**118**	**146**	**185**	**194**
Accounts payable	30	16	17	25	27
Short-term debt	146	18	68	68	68
Other current liabilities	157	84	62	92	99
Long-term liabilities	**94**	**262**	**326**	**326**	**287**
Bonds & long-term debt	6	107	207	157	107
Other long-term liabilities	88	156	119	169	180
Total liabilities	**426**	**380**	**472**	**510**	**481**
Owners of parent equity	**1,433**	**1,334**	**1,243**	**1,232**	**1,264**
Capital stock	23	23	23	23	23
Capital surplus	1,138	929	929	929	929
Retained earnings	243	237	157	146	179
Other	29	144	133	133	133
Non-controlling interests' equity	**532**	**568**	**564**	**564**	**567**
Total equity	**1,966**	**1,902**	**1,807**	**1,795**	**1,832**
Net debt	-345	-346	-310	-171	-215

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**-90**	**87**	**74**	**-37**	**95**
Net profit	-45	29	-84	-12	36
Non-cash profit and expenses	149	34	28	89	92
Depreciation	76	85	87	88	84
Amortization	1	1	1	1	1
Other	72	-53	-60	-0	7
Changes in A/L from operating activities	-173	29	70	-115	-27
Cash flow from investments	**472**	**97**	**-78**	**-129**	**-57**
Change in tangible assets	-186	-87	-100	-100	-50
Change in financial assets	-65	10	22	-29	-7
Other	723	174	0	-0	0
Cash flow from financing	**-29**	**-345**	**148**	**-47**	**-49**
Change in debt	-24	-78	148	-47	-49
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	132	-214	-12
Cash at beginning of year	201	552	419	551	337
Cash at end of year	552	419	551	337	325
Gross cash flow	**104**	**62**	**-57**	**77**	**129**
Free cash flow	**-309**	**-9**	**-26**	**-137**	**45**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	10.9	11.5	-26.5	48.8	7.6
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	-1,557	-214	626
EPS (consolidated)	-979	625	-1,639	-225	695
Adjusted EPS**	-706	137	-1,557	-214	626
BVPS	31,088	28,922	23,734	23,520	24,146
DPS (common)	200	0	0	0	0
Valuations (x)					
P/E***	n/a	172.8	n/a	n/a	53.5
P/B***	1.4	0.8	1.3	1.4	1.4
EV/EBITDA	24.0	60.5	n/a	27.9	16.4
Ratios (%)					
ROE	-2.2	0.5	-6.2	-0.9	2.6
ROA	-1.9	1.2	-3.7	-0.5	1.6
ROIC	1.0	7.5	-5.6	-0.7	2.2
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	-17.2	-9.5	-11.7
Interest coverage (x)	0.9	-4.9	-9.3	-0.6	2.8

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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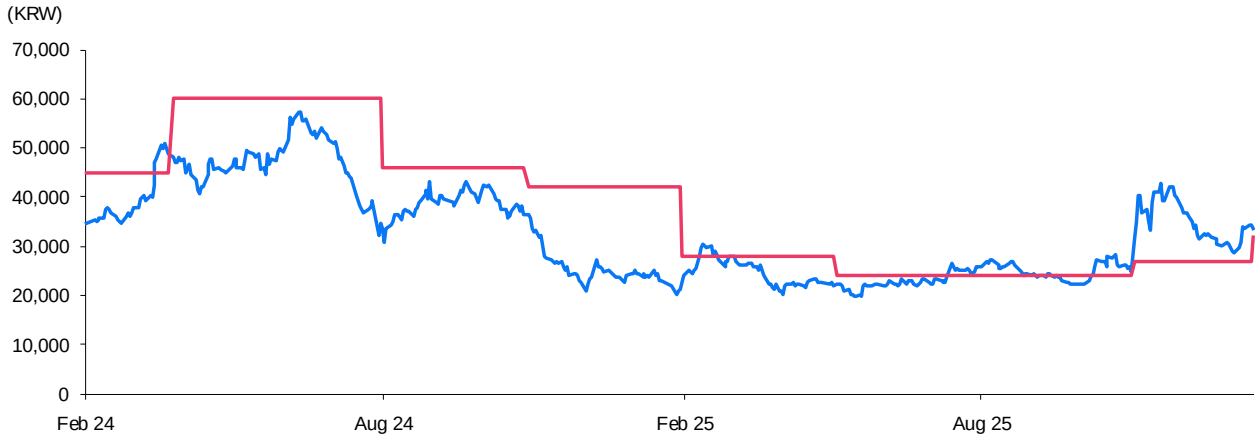
Target price changes in past two years



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	2026/1/21
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD
Target price (KRW)	50000	45000	60000	46000	42000	28000	24000	27000	32000
Gap* (average)	-20.45	-12.40	-21.48	-15.99	-39.51	-11.41	0.15	31.34	
(max or min)**	-9.40	13.33	-4.50	-6.09	-14.88	8.93	17.50	6.48	

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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Percentage of ratings in 12 months prior to 2025.12.31

BUY (85.8%)·HOLD (14.2%)·SELL (0%)

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