COMPANY UPDATE

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LG Innotek (011070)

As concerns fade, clear path to earnings growth emerges

- Camera spec upgrades should help LG Innotek defend its ASP, playing a key role in boosting its 2026 earnings.
- We raise our 2026 operating profit forecast for the company to KRW858b. We also revise up our target price to KRW330,000 and maintain BUY.

WHAT'S THE STORY?

Investment opinion – Needs proof of non-mobile growth: The slowdown in mobile demand and the increasing cost burden of semiconductors for customers have raised concerns about the business environment for LG Innotek. We, however, expect the company's earnings growth to continue into 2026, with the growth boding well for the company in the current risk-on market. Also, a key to its re-rating should be how successfully the company transitions its business structure toward growth industries. In this context, we see the following as key share-price determinants: 1) recovery of AI competitiveness by core customers; 2) expansion speed of the robot-use camera market; and 3) growth of the AI substrate business.

Operating profit misses expectations in 4Q: LG Innotek reported 4Q sales of KRW7.6098t (up 42% q-q and up 15% y-y) and an operating profit of KRW324.7b (up 59% q-q and up 31% y-y; missing consensus by 12%). The shortfall, however, does not pose any concerns, as it was caused by employee bonus payment, not a structural issue. The company also booked a non-operating item (ie, one-off asset impairment loss in the package solution business), which, however, can be seen as a pre-emptive recognition of fixed costs.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW330,000	19.6%
Current price	**KRW276,000**	
Market cap	KRW6.5t/USD4.5b	
Shares (float)	23,667,107 (59.2%)	
52-week high/low	KRW294,500/KRW122,000	
Avg daily trading value (60-day)	KRW45.1b/ USD31.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Innotek (%)	1.3	80.0	85.7
Vs Kospi (%pts)	-15.5	16.3	-4.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	330,000	290,000	13.8%
2025E EPS	14,354	18,271	-21.4%
2026E EPS	24,272	23,324	4.1%

SAMSUNG vs THE STREET

No of estimates	21
Target price	329,476
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2023	2024	2025E	2026E
Revenue (KRWb)	20,605	21,201	21,897	23,714
Operating profit (KRWb)	831	706	665	858
Net profit (adj) (KRWb)	565	449	340	574
EPS (adj) (KRW)	23,881	18,983	14,354	24,272
EPS (adj) growth (% y-y)	-42.3	-20.5	-24.4	69.1
EBITDA margin (%)	9.1	9.4	8.1	8.1
ROE (%)	12.6	8.9	6.2	9.7
P/E (adj) (x)	10.0	8.5	18.9	11.4
P/B (x)	1.2	0.7	1.1	1.1
EV/EBITDA (x)	3.8	2.6	3.9	3.5
Dividend yield (%)	1.1	1.3	0.8	0.8

Source: Company data, Samsung Securities estimates

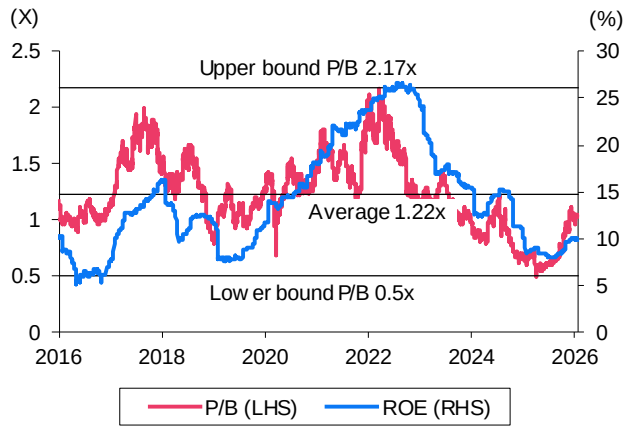
2026 outlook – Better than 2025: We expect continuous camera spec upgrades through 2027, which should support its price defense. With a focus on high-end models, we see that LG Innotek's market share will further improve in 2026. Reflecting higher-than-expected volume growth from key customers, we raise our 2026 operating profit forecast by 11% to KRW858b. We also raise our target price to KRW330,000 (assuming a ROE of 11%; setting target P/B ratio at 1.25x based on the relationship between P/B and ROE).

LG Innotek: Target-price calculation

		Notes
BVPS (KRW)	260,481	2026E
Target P/B (x)	1.3	
Fair price	338,626	
Target price	**330,000**	
Current price	276,000	
Upside potential (%)	26.8	

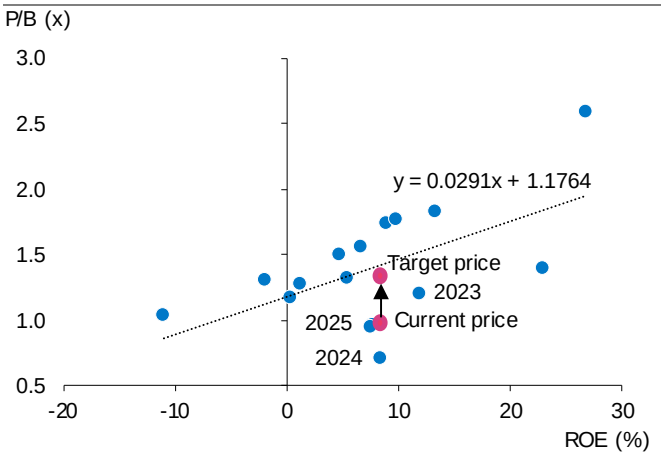
Source: Samsung Securities estimates

LG Innotek: Forward P/B vs ROE



Source: QuantiWise, Samsung Securities

LG Innotek: Correlation between P/B and ROE



Source: QuantiWise, Samsung Securities

4Q results

(KRWb)	4Q25	3Q25	4Q24	Diff (% q-q)	(% y-y)
Sales	**7,609.8**	5,369.4	6,626.9	41.7	14.8
Operating profit	**324.7**	203.8	247.9	59.4	31.0
Pre-tax profit	**155.6**	156.9	176.4	-0.8	-11.8
Net profit	**135.9**	128.4	106.9	5.8	27.1
Margins (%)					
Operating margin	**4.3**	3.8	3.7		
Pre-tax margin	**2.0**	2.9	2.7		
Net margin	**1.8**	2.4	1.6		

Source: Company data, Samsung Securities

Revisions to full-year forecasts

(KRWb)	Old		New		Diff (%)	
	2025E	2026E	2025E	2026E	2025E	2026E
Sales	21,432	22,150	21,897	23,714	2.2	7.1
Operating profit	658	770	665	858	1.0	11.3
Pre-tax profit	562	717	407	746	-27.6	4.1
Net profit	432	552	340	574	-21.4	4.1

Source: Samsung Securities estimates

LG Innotek: Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**4,334**	**4,555**	**5,685**	**6,627**	**4,983**	**3,935**	**5,369**	**7,610**	**5,342**	**4,031**	**6,318**	**8,023**	**21,201**	**21,897**	**23,714**
Module	3,514	3,680	4,837	5,769	4,138	3,053	4,481	6,646	4,381	3,049	5,335	7,059	17,800	18,319	19,824
Substrate	328	378	370	383	377	416	438	489	494	504	498	491	1,460	1,720	1,986
Component	491	497	478	475	467	466	451	474	467	479	485	474	1,941	1,858	1,904
Operating profit	**176**	**152**	**130**	**244**	**125**	**11**	**204**	**325**	**171**	**91**	**239**	**357**	**702**	**665**	**858**
Operating margin (%)	4.1	3.3	2.3	3.7	2.5	0.3	3.8	4.3	3.2	2.3	3.8	4.4	3.3	3.0	3.6

Note: Company sales are the value of eliminating internal sales after adding up the sales of each business
Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Sales	**19,589**	**20,605**	**21,201**	**21,897**	**23,714**
Cost of goods sold	17,215	18,742	19,457	20,160	21,695
Gross profit	**2,374**	**1,863**	**1,744**	**1,737**	**2,018**
Gross margin (%)	12.1	9.0	8.2	7.9	8.5
SG&A expenses	1,103	1,032	1,038	1,072	1,161
Operating profit	**1,272**	**831**	**706**	**665**	**858**
Operating margin (%)	6.5	4.0	3.3	3.0	3.6
Non-operating gains (losses)	**-1,272**	**-831**	**-706**	**-258**	**-112**
Financial profit	128	113	122	139	142
Financial costs	251	219	213	245	215
Equity-method gains (losses)	0	0	0	0	0
Other	-1,149	-725	-616	-152	-38
Pre-tax profit	**0**	**0**	**0**	**407**	**746**
Taxes	158	74	140	67	172
Effective tax rate (%)	n/a	n/a	n/a	16.5	23.0
Profit from continuing operations	977	565	449	340	574
Profit from discontinued operations	3	0	0	0	0
Net profit	**980**	**565**	**449**	**340**	**574**
Net margin (%)	5.0	2.7	2.1	1.6	2.4
Net profit (controlling interests)	980	565	449	340	574
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	2,157	1,877	1,986	1,783	1,919
EBITDA margin (%)	11.0	9.1	9.4	8.1	8.1
EPS (parent-based) (KRW)	41,401	23,881	18,983	14,354	24,272
EPS (consolidated) (KRW)	41,401	23,881	18,983	14,354	24,272
Adjusted EPS (KRW)*	41,401	23,881	18,983	14,354	24,272

Balance sheet

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Current assets	**4,714**	**5,349**	**5,853**	**6,600**	**7,198**
Cash & equivalents	578	1,390	1,329	1,931	2,015
Accounts receivable	1,793	2,251	2,784	2,873	3,239
Inventories	1,979	1,572	1,575	1,625	1,760
Other current assets	364	136	165	170	184
Fixed assets	**5,080**	**5,855**	**5,525**	**5,032**	**4,872**
Investment assets	119	145	182	187	198
Tangible assets	4,131	4,856	4,480	4,007	3,840
Intangible assets	204	222	219	194	190
Other long-term assets	626	633	644	644	644
Total assets	**9,794**	**11,204**	**11,378**	**11,631**	**12,070**
Current liabilities	**4,270**	**4,219**	**3,955**	**3,916**	**4,029**
Accounts payable	1,992	2,494	2,241	2,445	2,648
Short-term debt	208	39	73	73	73
Other current liabilities	2,070	1,687	1,640	1,397	1,307
Long-term liabilities	**1,257**	**2,271**	**2,069**	**2,072**	**1,877**
Bonds & long-term debt	1,214	2,189	1,968	1,968	1,768
Other long-term liabilities	43	82	102	104	109
Total liabilities	**5,528**	**6,490**	**6,024**	**5,987**	**5,906**
Owners of parent equity	**4,266**	**4,715**	**5,354**	**5,644**	**6,164**
Capital stock	118	118	118	118	118
Capital surplus	1,134	1,134	1,134	1,134	1,134
Retained earnings	2,969	3,414	3,868	4,158	4,678
Other	45	49	234	234	234
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**4,266**	**4,715**	**5,354**	**5,644**	**6,164**
Net debt	1,445	1,371	1,360	547	163

Cash flow statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Cash flow from operations	**1,515**	**2,104**	**1,110**	**1,488**	**1,340**
Net profit	980	565	449	340	574
Non-cash profit and expenses	1,163	1,343	1,547	1,246	1,274
Depreciation	841	1,000	1,229	1,072	1,017
Amortization	45	46	51	45	44
Other	278	297	267	128	212
Changes in A/L from operating activities	-403	341	-816	30	-296
Cash flow from investments	**-1,997**	**-1,904**	**-969**	**-624**	**-900**
Change in tangible assets	-1,706	-1,789	-872	-600	-850
Change in financial assets	-53	-21	-18	-5	-12
Other	-237	-95	-80	-19	-37
Cash flow from financing	**441**	**608**	**-220**	**-260**	**-354**
Change in debt	524	740	-69	-211	-299
Change in equity	0	0	0	0	0
Dividends	-71	-98	-62	-49	-54
Other	-12	-34	-89	0	0
Change in cash	12	812	-60	602	83
Cash at beginning of year	566	578	1,390	1,329	1,931
Cash at end of year	578	1,390	1,329	1,931	2,015
Gross cash flow	**2,143**	**1,909**	**1,996**	**1,586**	**1,848**
Free cash flow	**-202**	**305**	**231**	**888**	**490**

Financial ratios

Year-end Dec 31	2022	2023	2024	2025E	2026E
Growth (%)					
Sales	31.1	5.2	2.9	3.3	8.3
Operating profit	0.6	-34.7	-15.0	-5.8	29.0
Net profit	10.3	-42.3	-20.5	-24.4	69.1
Adjusted EPS**	10.3	-42.3	-20.5	-24.4	69.1
Per-share data (KRW)					
EPS (parent-based)	41,401	23,881	18,983	14,354	24,272
EPS (consolidated)	41,401	23,881	18,983	14,354	24,272
Adjusted EPS**	41,401	23,881	18,983	14,354	24,272
BVPS	180,261	199,226	226,240	238,505	260,481
DPS (common)	4,150	2,610	2,090	2,299	2,299
Valuations (x)					
P/E***	6.1	10.0	8.5	18.9	11.4
P/B***	1.4	1.2	0.7	1.1	1.1
EV/EBITDA	3.4	3.8	2.6	3.9	3.5
Ratios (%)					
ROE	25.9	12.6	8.9	6.2	9.7
ROA	11.2	5.4	4.0	3.0	4.8
ROIC	22.8	13.1	8.9	9.1	11.2
Payout ratio	10.0	10.9	11.0	16.0	9.5
Dividend yield (common)	1.6	1.1	1.3	0.8	0.8
Net debt to equity	33.9	29.1	25.4	9.7	2.6
Interest coverage (x)	23.6	8.2	6.2	6.2	8.9

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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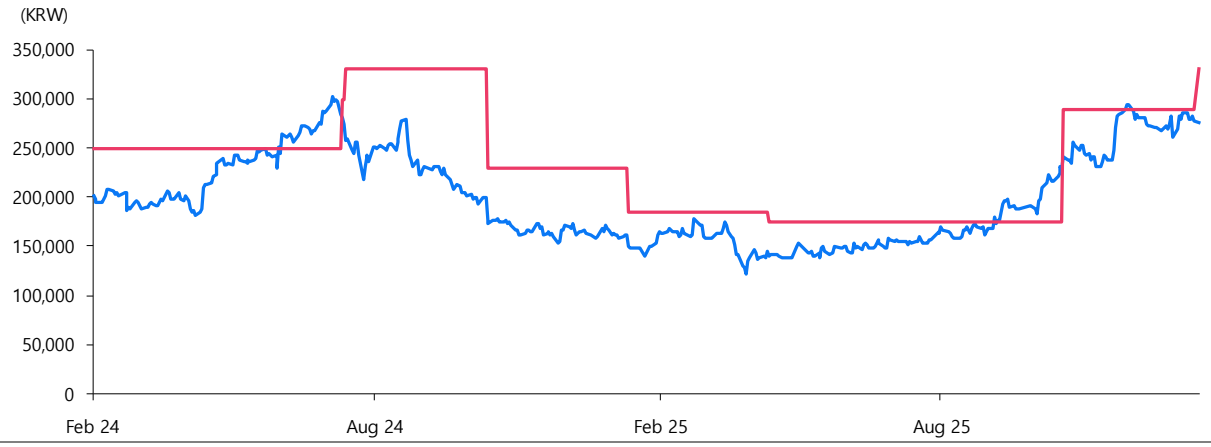

Rating changes over past two years (adjusted share prices)

Date	2024/1/26	7/23	7/25	10/24	2025/1/23	4/24	10/31	2026/1/27
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY
Target price (KRW)	250000	300000	330000	230000	185000	175000	290000	330000
Gap* (average)	-9.86	-8.50	-29.37	-27.66	-16.00	-6.34	-8.55	
(max or min)**	20.80	-8.50	-15.15	-22.78	-4.05	32.00	1.55	

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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