COMPANY UPDATE

2026. 2. 4

Tech Team

Donghwan Oh
Senior Analyst
dh1.oh@samsung.com

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Lotte Innovate (286940)

Subsidiary profitability to push shares higher

- Lotte Innovate's revenue growth stalled in 2024 due to sluggish performances from group affiliates, but operating profit surged 22% in 2025 thanks to improved profitability at EVSIS.
- Its growth driver is the top- and bottom-line improvement at subsidiary EVSIS (a manufacturer of EV chargers). If restructuring efforts at subsidiary Caliverse (metaverse platform) succeed, the parent's operating profit could improve, enhancing its investment appeal.

WHAT'S THE STORY?

Company overview: Lotte Innovate, established in 1996, is an IT service company under the Lotte Group. It provides system integration (SI) and system maintenance (SM) services to group affiliates such as Lotte Shopping, Lotte Hotel, and Lotte Chilsung Beverage, as well as non-captive clients. Since its IPO in 2018, Lotte Innovate's revenue increased at a CAGR of 8% through 2023. But growth stalled in 2024 due to sluggish performances of the captive clients. In 2025, operating profit grew 22% y-y on reduced losses at EVSIS.

Expanding data center business: Lotte Innovate operates four data centers in Seoul, Daejeon, and Yongin, offering cloud and colocation services. In December, it signed a contract with Korea Alternative Asset Management to manage a data center, with expected operating revenue of KRW69.5b over a five-and-a-half-year period starting in 2030. The firm is also in talks with other asset management firms for additional contracts. It is considering building new data centers on underutilized land in Seoul and Yongin.

(Continued on the next page)

AT A GLANCE

Not rated

Target price	n/a
Current price	KRW21,850
Market Cap	KRW330.58b/USD225.76m
Shares (float)	15,129,367 (33.1%)
52-week high/low	KRW26,700/KRW16,500
Avg daily trading value (60-day)	KRW0.5b/ USD0.3m

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Innovate (%)	11.6	5.8	11.8
Vs Kospi (%pts)	-2.8	-33.3	-43.1

SAMSUNG vs THE STREET

No of estimates	3
Target price	27,833
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2021	2022	2023	2024
Revenue	930	1,048	1,197	1,180
Operating profit	40	34	57	26
Net Profit	35	28	41	7
EPS (adj) (KRW)	2,251	1,980	2,728	845
EPS (adj) growth (%)	16.0	(12.0)	37.7	(69.0)
EBITDA margin (%)	8.8	7.6	8.8	7.3
ROE (%)	8.2	7.1	10.0	3.1
P/E (adj) (x)	16.1	11.9	10.7	22.9
P/B (x)	1.3	0.8	1.1	0.7
EV/EBITDA (x)	6.3	5.2	4.9	4.7
Dividend yield (%)	1.9	3.0	3.4	3.6

Source: Company data, Samsung Securities

EV charging business—profitability improving: EVSIS produces EV fast chargers and offers EV charge point operator (CPO) services. Backed by a rising penetration of EVs, its revenue rose 10.2% y-y in 2024 and 2.5% y-y in 2025. While topline growth slowed on its efforts to lift profitability, operating losses narrowed from KRW13.3b to KRW6b during the same period. The subsidiary should be able to register stable revenue growth and better profitability in 2026.

Reducing Caliverse's losses key to share-price rerating: Lotte Innovate's operating margin stood at 2.7% last year, only half the industry average, largely due to heavy operating losses at subsidiaries EVSIS and Caliverse. While EVSIS is showing signs of profitability improvement with increasing revenue, the real key to the company's earnings normalization should be profitability hike in Caliverse. Given that Caliverse's operating loss reached KRW20b in 2025 alone, Lotte Innovate's investment appeal should increase if restructuring measures (eg, liquidation or sale) proceed.

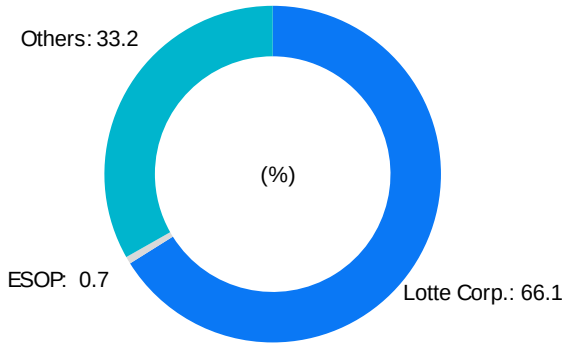
Company overview

Lotte Innovate, established in 1996, is an IT service company under the Lotte Group. It provides system integration (SI) and system maintenance (SM) services to group affiliates such as Lotte Shopping, Lotte Hotel, and Lotte Chilsung Beverage, as well as non-captive clients. To expand its business portfolio, the company acquired: 1) VisionVR (now Caliverse; a VR content production company) in 2021; and 2) Jungang Control (now EVSIS; a manufacturer of electric vehicle chargers) in 2022.

Since its IPO in 2018, Lotte Innovate's revenue increased at a CAGR of 8% through 2023, driven by increasing IT service demand from group affiliates and strategic M&A activities. However, growth stalled in 2024 due to sluggish performances of the captive clients.

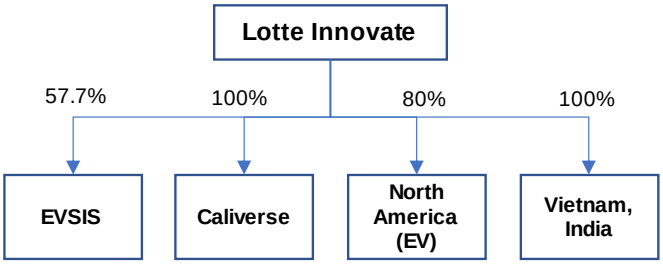
In 2024, the parent's SI and SM operations maintained stable operating margins of 5-6%, but losses from subsidiaries Caliverse and EVSIS dragged down the consolidated operating margin to the 2% range. Consolidated operating profit remained volatile, largely influenced by the performances of the subsidiaries. In 2025, operating profit grew 22% y-y thanks to reduced losses at EVSIS.

Lotte Innovate: Shareholder structure



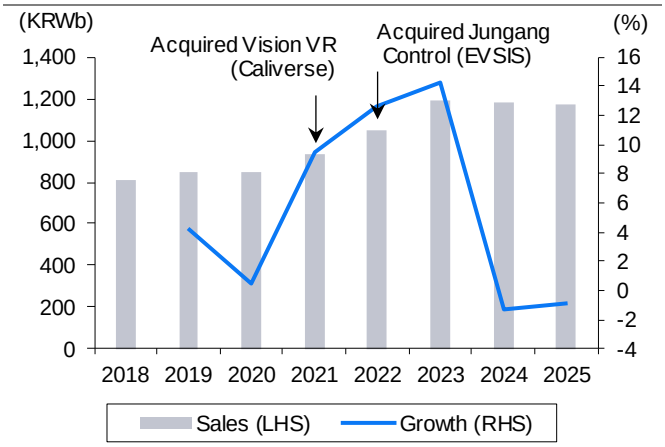
Source: Company data, Samsung Securities

Lotte Innovate: Major subsidiaries



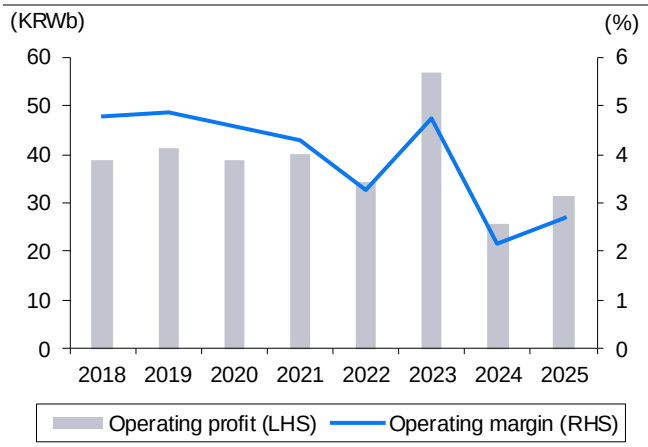
Source: Company data, Samsung Securities

Lotte Innovate: Consolidated revenue



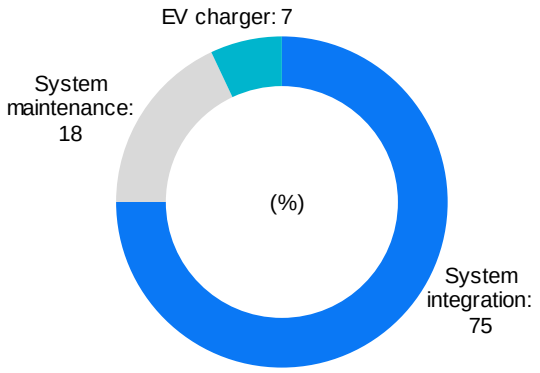
Source: Company data, Samsung Securities

Lotte Innovate: Consolidated operating profit



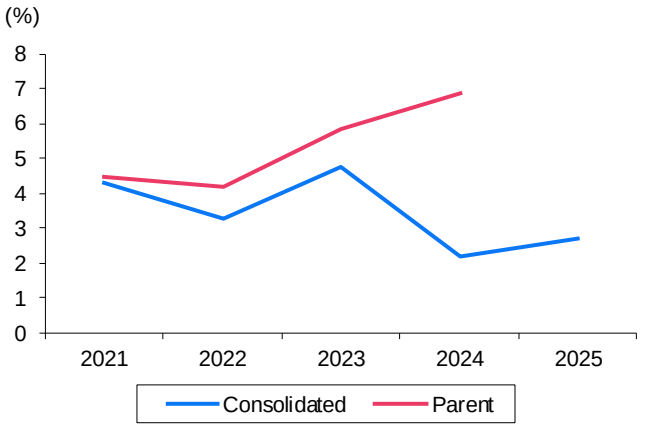
Source: Company data, Samsung Securities

Lotte Innovate: Revenue mix



Source: Company data, Samsung Securities

Lotte Innovate: Operating margin



Source: Company data, Samsung Securities

Data center revenue—stable

Lotte Innovate operates four data centers in Seoul, Daejeon, and Yongin, offering cloud and colocation services. These data centers generate stable revenue, and the company is leveraging its operational expertise to expand into data center operation and maintenance (O&M) services. In December, it signed a contract with Korea Alternative Asset Management to manage a data center, with expected operating revenue of KRW69.5b over a five-and-a-half-year period starting in 2030. The company is also in talks with other asset management firms for additional contracts.

Additionally, Lotte Innovate is considering building new data centers on underutilized land in Seoul and Yongin. Construction should begin once power supply issues are resolved. The addition of these new facilities is projected to generate KRW30b-KRW40b in annual revenue.

Lotte Innovate: Data centers

Source: Company data, Samsung Securities

EVSIS: A new growth engine

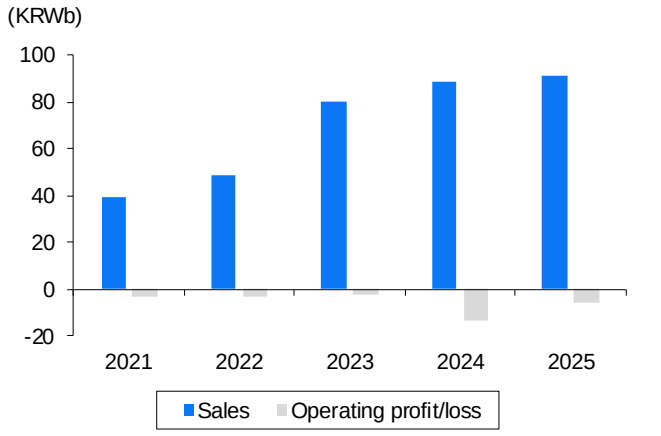
EVSIS (previously known as Jungang Control) was acquired in 2022 for KRW69b (a 71.1% stake). The subsidiary produces EV fast chargers and offers EV charge point operator (CPO) services. Around 90% of its revenue comes from EV charger manufacturing.

Its revenue climbed from KRW48.9b in 2022 to KRW80.4b in 2023, as the acquisition by Lotte Innovate helped expand its presence in Lotte Group retail locations. In 2024, it set up a subsidiary in North America to sell fast-chargers and made KRW7.9b in overseas revenue in 2025.

EVSIS last year focused on improving profitability by reducing low-margin contracts and prioritizing high-margin projects such as public fast-charger installations under the Ministry of Environment. As a result, the topline growth slowed from 10.2% in 2024 to 2.5% in 2025, but operating losses narrowed from KRW13.3b to KRW6b during the same period.

While the global market is experiencing a chasm in the adoption curve for EVs, the rollout of EV charging infrastructure (driven by CPOs) has been accelerating. With charging fees on the rise, domestic CPOs are enjoying profitability improvement. EVSIS should be able to register stable revenue growth and better profitability in 2026.

EVSIS: Sales and operating profit/loss

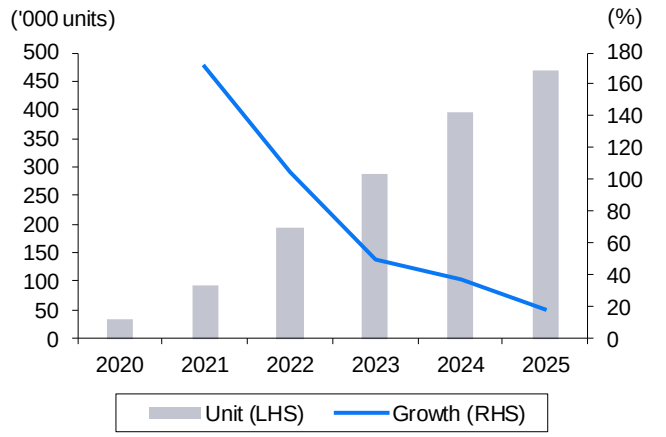


Source: Company data, Samsung Securities

EVSIS: Fast-charger models

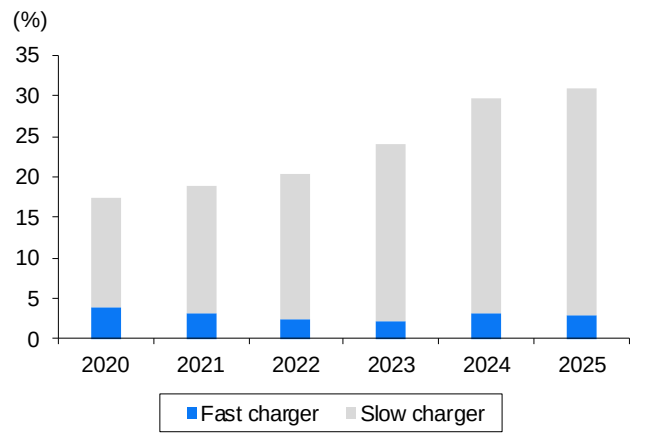
Source: Company data, Samsung Securities

Domestic EV charger deployment



Source: Company data, Samsung Securities

Domestic EV charger penetration rate



Source: Company data, Samsung Securities

Domestic charge point operator (CPO) rankings

	Fast				Slow		
Rank	Operator	Units	Share	Rank	Operator	Units	Share
1	Chaevi	5,948	24%	1	GS ChargEV	68,312	23%
2	SK Electlink	5,150	21%	2	PowerCube Korea	48,100	16%
3	EVSIS	3,102	12%	3	Everon	46,970	16%
4	Pumpkin	2,484	10%	4	LG U+ VoltUp	35,853	12%
5	GS ChargEV	1,587	6%	5	Pluglink	35,782	12%
6	Blue Networks	1,413	6%	6	NICE Infra	17,247	6%
7	Humax EV	1,390	6%	7	Humax EV	16,694	6%
8	Korea EV Charging Service	1,304	5%	8	EZCharger	13,143	4%
9	EZCharger	1,283	5%	9	Hyundai Engineering	8,206	3%
10	LS E-Link	1,195	5%	10	Chaevi	8,199	3%

Note: As of Jan 2026
Source: EMOTIONSPLACE

Ministry of Environment: EV charging infrastructure budget

(KRWb)	2024	2025	2026
Fast	247.5	375.7	383.2
Medium-speed			30
Slow	184	243	132.5
Total	**431.5**	**618.7**	**545.7**

Source: Ministry of Environment

Earnings turnaround at Caliverse key to stock-price re-rating

Lotte Innovate acquired Vision VR in 2021 for KRW12b. After conducting a KRW25b rights offering in 2023, Vision VR launched its VR-based metaverse platform in 2024 and rebranded itself as Caliverse. While sales have been gradually increasing through in-platform advertising, most of the revenue comes from related companies. With operating costs significantly outpacing sales, Caliverse suffered an operating loss of KRW20b in 2025.

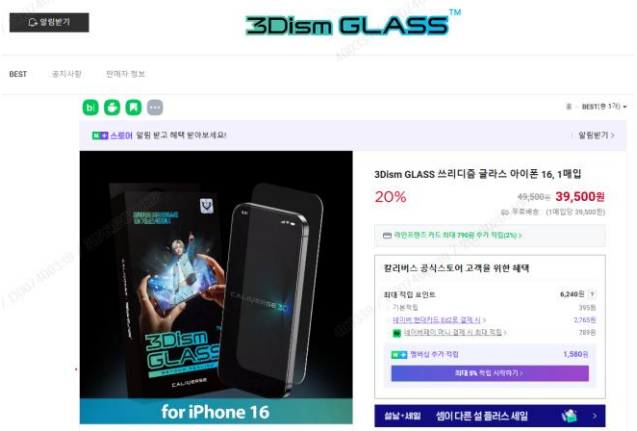
Caliverse launched a 3D film for smartphones in Dec 2025 and plans to expand revenue through partnerships with content companies. However, given the shrinking VR market—even Meta, the market leader, has abandoned its metaverse ambitions—normalizing the business appears to be challenging. Given Caliverse's annual operating loss of KRW20b, if Caliverse undergoes restructuring (eg, sale or liquidation), Lotte Innovate's consolidated operating profit could double quickly.

Currently, Lotte Innovate trades at a 2025 P/E of 16.7x, similar to Samsung SDS and LG CNS. However, if Caliverse's losses are eliminated, its P/E could drop to half its current level, significantly increasing the stock's upside potential. As the company's overall performance hinges on the profitability of its subsidiaries, management needs to take swift and decisive action.

Caliverse: VR-based metaverse service

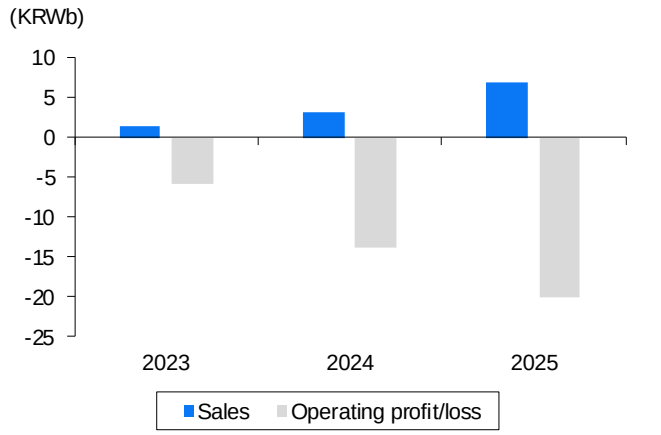
Source: Company data, Samsung Securities

Caliverse: 3D glass film



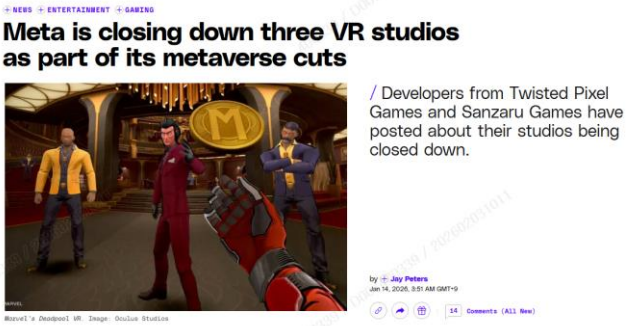
Source: Company data, Samsung Securities

Caliverse: Sales and operating profit/loss



Source: Company data, Samsung Securities

Meta: Scaling back VR operations

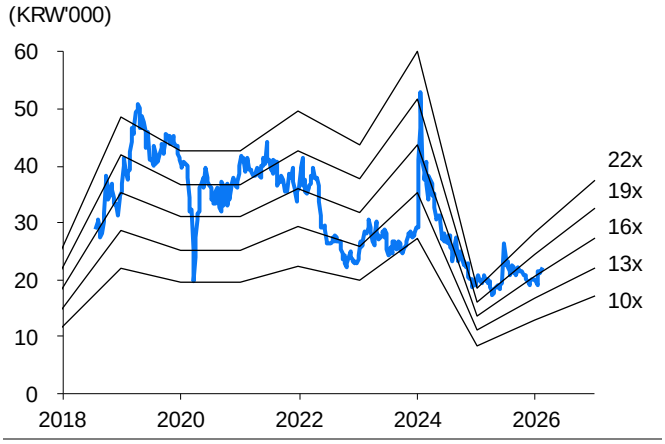

NEWS ENTERTAINMENT GAMING

Meta is closing down three VR studios as part of its metaverse cuts

/ Developers from Twisted Pixel Games and Sanzaru Games have posted about their studios being closed down.

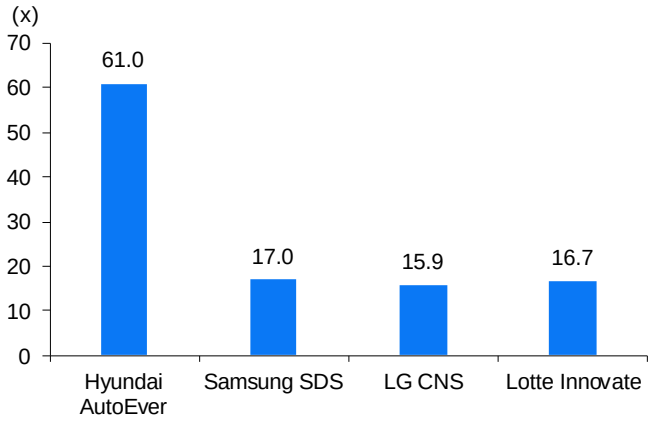
Source: Press, Samsung Securities

Lotte Innovate: P/E band



Source: Company data, Samsung Securities

Major IT services peers: 2025 P/E



Note: Based on 2025 preliminary results
Source: Bloomberg, Samsung Securities

Quarterly and annual results

(KRWb)	2023	2024	2025P	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25P
Sales	**1,196.7**	**1,180.4**	**1,170.3**	**276.5**	**286.5**	**288.0**	**329.3**	**284.8**	**280.8**	**277.5**	**327.3**
Cost of goods sold	1,071.6	1,074.2	1,063.1	249.4	259.3	259.4	306.1	260.3	252.8	252.5	297.5
SG&A expenses	68.2	80.4	75.8	18.2	21.4	20.4	20.5	17.5	19.9	18.3	20.0
Operating profit	**56.9**	**25.7**	**31.4**	**9.0**	**5.8**	**8.3**	**2.6**	**7.0**	**8.0**	**6.6**	**9.8**
Pre-tax profit	54.0	16.7	20.9	7.9	4.6	6.0	-1.8	5.6	4.7	6.0	4.6
Net profit	40.7	7.2	3.1	5.4	2.4	3.8	-4.3	3.4	2.6	4.0	-7.0
Net profit (controlling)	42.0	12.8	4.7	6.5	3.5	5.3	-2.4	4.5	3.7	4.8	-8.4
Adjusted EPS (KRW)	2,728	845	312	421.5	227.0	352.7	-160.6	299.6	246.7	319.1	-553.2
Margins (%)											
Operating profit	4.8	2.2	2.7	3.2	2.0	2.9	0.8	2.4	2.9	2.4	3.0
Pre-tax profit	4.5	1.4	1.8	2.9	1.6	2.1	-0.5	2.0	1.7	2.2	1.4
Net profit	3.4	0.6	0.3	1.9	0.8	1.3	-1.3	1.2	0.9	1.5	-2.1
Net profit (controlling)	3.5	1.1	0.4	2.3	1.2	1.9	-0.7	1.6	1.3	1.7	-2.6

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31	2020	2021	2022	2023	2024
Sales	**850**	**930**	**1,048**	**1,197**	**1,180**
Cost of goods sold	781	854	954	1,072	1,074
Gross profit	**69**	**76**	**94**	**125**	**106**
Gross margin (%)	8.1	8.1	8.9	10.5	9.0
SG&A expenses	30	36	59	68	80
Operating profit	**39**	**40**	**34**	**57**	**26**
Operating margin (%)	4.6	4.3	3.3	4.8	2.2
Non-operating gains (losses)	**(1)**	**4**	**2**	**(3)**	**(9)**
Financial profit	2	1	9	4	4
Financial costs	1	1	5	7	12
Equity-method gains (losses)	0	0	0	0	0
Other	(2)	5	(2)	0	(1)
Pre-tax profit	**38**	**44**	**36**	**54**	**17**
Taxes	8	10	8	13	9
Effective tax rate (%)	21.5	21.8	21.7	24.6	56.7
Profit from continuing operations	30	35	28	41	7
Profit from discontinued operations	0	0	0	0	0
Net profit	**30**	**35**	**28**	**41**	**7**
Net margin (%)	3.5	3.7	2.7	3.4	0.6
Net profit (controlling interests)	30	35	30	42	13
Net profit (non-controlling interests)	0	0	(2)	(1)	(6)
EBITDA	76	82	80	105	86
EBITDA margin (%)	9.0	8.8	7.6	8.8	7.3
EPS (parent-based) (KRW)	n/a	n/a	n/a	n/a	n/a
EPS (consolidated) (KRW)	n/a	n/a	n/a	n/a	n/a
Adjusted EPS (KRW)*	n/a	n/a	n/a	n/a	n/a

Balance sheet

Year-end Dec 31	2020	2021	2022	2023	2024
Current assets	**283**	**349**	**366**	**421**	**394**
Cash & equivalents	38	147	83	117	106
Accounts receivable	102	129	183	168	181
Inventories	13	8	37	38	29
Other current assets	130	65	64	99	79
Fixed assets	**366**	**401**	**506**	**523**	**556**
Investment assets	10	18	24	21	18
Tangible assets	290	291	303	353	378
Intangible assets	26	44	110	116	125
Other long-term assets	39	48	68	32	35
Total assets	**650**	**750**	**872**	**944**	**951**
Current liabilities	**227**	**211**	**278**	**351**	**309**
Accounts payable	117	121	132	153	123
Short-term debt	0	0	7	14	9
Other current liabilities	110	90	139	184	178
Long-term liabilities	**9**	**106**	**140**	**142**	**191**
Bonds & long-term debt	0	100	90	87	132
Other long-term liabilities	9	6	50	55	60
Total liabilities	**236**	**317**	**418**	**493**	**501**
Owners of parent equity	**413**	**433**	**425**	**417**	**419**
Capital stock	77	77	77	77	76
Capital surplus	312	312	312	312	312
Retained earnings	91	110	126	127	129
Other	(67)	(66)	(91)	(99)	(97)
Non-controlling interests' equity	**0**	**0**	**29**	**34**	**30**
Total equity	**413**	**433**	**454**	**451**	**450**
Net debt	(46)	(43)	28	26	78

Cash flow statement

Year-end Dec 31	2020	2021	2022	2023	2024
Cash flow from operations	**(14)**	**87**	**14**	**113**	**51**
Net profit	30	35	28	41	7
Non-cash profit and expenses	66	58	67	79	104
Depreciation	30	34	35	37	47
Amortization	8	8	11	11	13
Other	28	17	21	31	44
Changes in A/L from operating activities	(106)	3	(78)	(3)	(50)
Cash flow from investments	**(23)**	**(123)**	**(101)**	**(93)**	**(78)**
Change in tangible assets	(65)	(37)	(35)	(82)	(63)
Change in financial assets	50	10	(7)	(0)	(3)
Other	(8)	(96)	(59)	(11)	(12)
Cash flow from financing	**(15)**	**85**	**23**	**14**	**15**
Change in debt	(2)	101	10	35	45
Change in equity	n/a	n/a	n/a	n/a	n/a
Dividends	(11)	(11)	(11)	(11)	(15)
Other	n/a	n/a	n/a	n/a	n/a
Change in cash	(112)	49	(64)	34	(11)
Cash at beginning of year	150	97	147	83	117
Cash at end of year	38	147	83	117	106
Gross cash flow	**95**	**93**	**95**	**120**	**111**
Free cash flow	**(80)**	**50**	**(21)**	**31**	**(12)**

Financial ratios

Year-end Dec 31	2020	2021	2022	2023	2024
Growth (%)					
Sales	0.5	9.5	12.7	14.2	(1.4)
Operating profit	(5.7)	3.1	(14.3)	66.3	(54.8)
Net profit	(43.6)	16.0	(18.1)	43.5	(82.2)
Adjusted EPS**	nm	nm	nm	nm	nm
Per-share data (KRW)					
EPS (parent-based)	n/a	n/a	n/a	n/a	n/a
EPS (consolidated)	n/a	n/a	n/a	n/a	n/a
Adjusted EPS**	n/a	n/a	n/a	n/a	n/a
BVPS	n/a	n/a	n/a	n/a	n/a
DPS (common)	n/a	n/a	n/a	n/a	n/a
Valuations (x)					
P/E***	n/a	n/a	n/a	n/a	n/a
P/B***	n/a	n/a	n/a	n/a	n/a
EV/EBITDA	(0.6)	(0.5)	0.7	0.6	1.3
Ratios (%)					
ROE	7.4	8.2	7.1	10.0	3.1
ROA	4.4	5.0	3.5	4.5	0.8
ROIC	12.9	9.2	6.5	8.9	2.2
Payout ratio	n/a	n/a	n/a	n/a	n/a
Dividend yield (common)	n/a	n/a	n/a	n/a	n/a
Net debt to equity	(11.2)	(9.9)	6.2	5.8	17.4
Interest coverage (x)	188.9	62.7	8.1	10.2	0.0

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities

Compliance notice

- As of 2/3 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 2/3 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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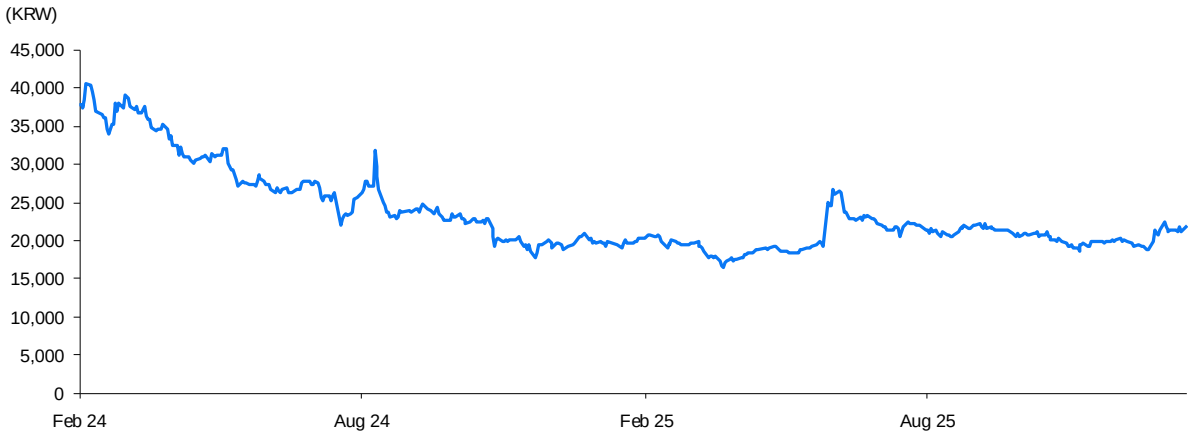
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/2/3
Recommendation	Not Rated
Target price (KRW)	n/a
Gap* (average)	
(max or min)**	

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
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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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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