COMPANY UPDATE

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LG Electronics (066570)

New growth drivers; now needs to prove itself

- LG Electronics (LGE) posted its highest quarterly sales on record in 1Q, with operating profit beating consensus by 21%.
- The normalization of its legacy business' earnings alone justifies our new target price of KRW140,000. To justify further multiple expansion, the company needs to demonstrate its competitiveness in new businesses.

WHAT'S THE STORY?

Investment strategy: LG Electronics (LGE) has long proven its ability to generate stable earnings through its premium brand positioning. The normalization of its TV business is a key catalyst—its turn to profitability in 1Q alone justifies our target price of KRW140,000. However, to unlock further valuation upside, LGE must demonstrate competitive advantage in new growth areas, not just in its core businesses. The most immediate opportunity is in heating, ventilation, and air conditioning (HVAC) systems for AI data centers, with robotics offering a longer-term upside.

LGE reported 1Q sales of KRW23.7t (up 4.4% y-y; the largest quarterly results) and an operating profit of KRW1.67t (beating FnGuide-based consensus by 21%), for an operating margin of 7.1%. This solid results came despite headwinds from higher raw material and logistics costs, tariffs, and geopolitical tensions. The gains owed much to stronger-than-expected results in TVs and vehicle component solutions (VS), fueled by robust sales volumes, disciplined cost management, and improved operational efficiency.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW140,000	30.7%
Current price	**KRW107,100**	
Market cap	KRW17.4t/USD11.6b	
Shares (float)	162,884,638 (64.5%)	
52-week high/low	KRW146,700/KRW64,700	
Avg daily trading value (60-day)	KRW196.5b/ USD130.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Electronics (%)	-9.2	40.2	57.3
Vs Kospi (%pts)	-7.7	-9.5	-33.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	140,000	110,000	27.3%
2026E EPS	15,511	8,872	74.8%
2027E EPS	17,710	11,020	60.7%

SAMSUNG vs THE STREET

No of estimates	20
Target price	125,300
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2024	2025	2026E	2027E
Revenue (KRWb)	87,728	89,201	94,706	97,893
Operating profit (KRWb)	3,420	2,478	3,838	3,961
Net profit (adj) (KRWb)	591	1,220	2,448	2,795
EPS (adj) (KRW)	2,032	5,321	15,511	17,710
EPS (adj) growth (% y-y)	-48.4	161.8	191.5	14.2
EBITDA margin (%)	7.9	6.8	8.0	7.7
ROE (%)	1.8	4.3	11.1	11.4
P/E (adj) (x)	41.1	17.3	6.9	6.0
P/B (x)	0.7	0.7	0.7	0.7
EV/EBITDA (x)	3.7	4.2	3.3	2.8
Dividend yield (%)	1.2	1.5	1.4	1.4

Source: Company data, Samsung Securities estimates

Raising target price to KRW140,000: We now forecast 2026 operating profit will reach KRW3.8t, up 9.2% from our prior estimate, reflecting earlier-than-anticipated stabilization in the media entertainment solution (MS) division. The VS division's earnings remains resilient, but sustained momentum should depend on continued growth in HVAC systems. Based on this revised earnings estimate, we raise our target price to KRW140,000 (based on 9x P/E) and maintain a BUY rating.

- **HS:** The home appliance solution (HS) division delivered 9% operating margin—despite rising input costs and tariffs—thanks to growth in online channels, subscription services, and premium product mix.
- **MS:** The MS operation returned to profitability q-q, driven by stronger premium TV sales, seasonal demand (back-to-school season), fixed-cost reductions, and better operational efficiency.
- **VS:** The VS division's sales and earnings topped consensus on steady order backlog, maintaining a consistent a mid-single-digit operating margin.
- **ES:** The home entertainment (ES) business faced near-term pricing pressure from the Middle East risks and fierce competition, but long-term potential remains strong, particularly in AI data centers.

LG Electronics: 1Q results

(KRWb)	1Q26P	4Q25	1Q25	Diff	
				(% q-q)	(% y-y)
Sales	**23,733**	23,852	22,740	-0.5	4.4
Operating profit	**1,674**	-109	1,259	Turned pos	32.9
Pre-tax profit	**1,272**	-605	1,116	Turned pos	14.0
Net profit	**992**	-726	876	Turned pos	13.3
Margins (%)					
Operating profit	**7.1**	-0.5	5.5		
Pre-tax profit	**5.4**	-2.5	4.9		
Net profit	**4.2**	-3.0	3.9		

Source: Company data, Samsung Securities

LG Electronics: Target-price calculation

(KRW)		Notes
EPS	15,511	2026E
Target P/E (x)	9.0	Average fwd P/E for the past 10 years
Fair price per share	139,599	
Target price	**140,000**	
Current price	107,100	
Upside (%)	30.7	

Source: Samsung Securities estimates

LG Electronics: Changes to full-year forecasts

(KRWb)	Old		New		Diff (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Sales	92,819	96,373	94,706	97,893	2.0	1.6
Operating profit	3,515	3,898	3,838	3,961	9.2	1.6
Pre-tax profit	2,452	3,045	3,138	3,583	28.0	17.7
Net profit	1,912	2,375	2,448	2,795	28.0	17.7

Source: Company data, Samsung Securities

LG Electronics: Changes to forecasts

(KRWb)	1Q26P		2026E		1Q26P		2026E	
	Old	New	Old	New	Diff	Diff (%)	Diff	Diff (%)
Sales	**23,368**	**23,733**	**92,819**	**94,706**	**364.9**	**1.6**	**1,887.5**	**2.0**
HS	6,923	6,979	27,188	27,760	56.1	0.8	571.9	2.1
MS	5,058	5,216	19,478	20,109	157.2	3.1	630.7	3.2
VS	2,785	3,121	11,294	11,986	336.5	12.1	692.0	6.1
ES	2,997	2,810	9,721	9,720	-186.5	-6.2	-1.0	0.0
Other	383	383	1,895	1,895	0.0	0.0	0.0	0.0
LG Innotek	5,342	5,342	23,714	23,714	0.0	0.0	0.0	0.0
Operating profit	**1,277.9**	**1,673.6**	**3,514.5**	**3,838.1**	**395.7**	**31.0**	**323.6**	**9.2**
HS	553.9	614.4	1,262.8	1,251.8	60.5	10.9	-11.0	-0.9
MS	50.6	391.2	7.2	312.6	340.6	673.3	305.4	4,243.9
VS	152.1	191.0	661.0	717.8	38.9	25.6	56.7	8.6
ES	365.1	248.0	809.7	705.6	-117.2	-32.1	-104.1	-12.9
Other	-20.0	10.0	-110.0	-80.0	30.0	-150.0	30.0	-27.3
LG Innotek	171.0	210.0	858.0	897.0	39.0	22.8	39.0	4.5
Operating margin (%)	**5.5**	**7.1**	**3.8**	**4.1**	**1.6**			

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**	**23,852**	**23,733**	**22,105**	**24,009**	**24,859**	**24,599**	**22,660**	**24,872**	**25,763**	**89,201**	**94,706**	**97,893**
HS	6,697	6,594	6,580	6,254	6,979	7,154	7,126	6,501	7,148	7,240	7,283	6,610	26,126	27,760	28,281
MS	4,950	4,393	4,653	5,430	5,216	4,576	4,852	5,466	5,287	4,498	4,863	5,605	19,426	20,109	20,253
VS	2,843	2,849	2,647	2,796	3,121	3,049	2,877	2,938	3,066	3,179	3,061	3,051	11,136	11,986	12,357
ES	3,054	2,644	2,167	1,457	2,810	2,919	2,407	1,584	3,191	3,095	2,547	1,682	9,323	9,720	10,515
Other	365	458	586	431	383	481	557	474	422	529	612	521	1,840	1,895	2,084
LG Innotek	4,983	3,856	5,369	7,610	5,342	4,031	6,318	8,023	5,609	4,233	6,634	8,424	21,818	23,714	24,900
Operating profit															
Total	**1,259**	**639**	**689**	**-109**	**1,674**	**1,088**	**1,024**	**53**	**1,559**	**1,176**	**1,121**	**105**	**2,478**	**3,838**	**3,961**
HS	645	440	366	-171	614	453	379	-194	645	474	411	-196	1,279	1,252	1,335
MS	5	-192	-303	-262	391	92	49	-219	211	103	58	-207	-751	313	166
VS	125	126	150	158	191	171	177	178	200	197	206	201	559	718	804
ES	407	251	133	-143	248	304	192	-38	283	325	204	-40	647	706	772
Other	-47	-1	132	-26	10	-30	-20	-40	-10	-27	-18	-36	58	-80	-91
LG Innotek	125	11	204	325	210	91	239	357	221	96	251	375	665	897	942
Operating margin (%)															
Total	**5.5**	**3.1**	**3.1**	**-0.5**	**7.1**	**4.9**	**4.3**	**0.2**	**6.3**	**5.2**	**4.5**	**0.4**	**2.8**	**4.1**	**4.0**
HS	9.6	6.7	5.6	-2.7	8.8	6.3	5.3	-3.0	9.0	6.5	5.6	-3.0	4.9	4.5	4.7
MS	0.1	-4.4	-6.5	-4.8	7.5	2.0	1.0	-4.0	4.0	2.3	1.2	-3.7	-3.9	1.6	0.8
VS	4.4	4.4	5.7	5.7	6.1	5.6	6.2	6.1	6.5	6.2	6.7	6.6	5.0	6.0	6.5
ES	13.3	9.5	6.1	-9.8	8.8	10.4	8.0	-2.4	8.9	10.5	8.0	-2.4	6.9	7.3	7.3
Other	-12.9	-0.3	22.6	-6.1	2.6	-6.2	-3.6	-8.4	-2.4	-5.1	-2.9	-6.9	3.2	-4.2	-4.4
LG Innotek	2.5	0.3	3.8	4.3	3.9	2.3	3.8	4.4	3.9	2.3	3.8	4.4	3.0	3.8	3.8

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	2025	2026E	2027E
Sales	**82,263**	**87,728**	**89,201**	**94,706**	**97,893**
Cost of goods sold	62,461	66,349	68,359	71,709	73,936
Gross profit	**19,801**	**21,379**	**20,842**	**22,997**	**23,957**
Gross margin (%)	24.1	24.4	23.4	24.3	24.5
SG&A expenses	16,148	17,960	18,363	19,159	19,996
Operating profit	**3,653**	**3,420**	**2,478**	**3,838**	**3,961**
Operating margin (%)	4.4	3.9	2.8	4.1	4.0
Non-operating gains (losses)	**-1,782**	**-2,366**	**-650**	**-700**	**-378**
Financial profit	1,280	1,168	1,061	1,131	1,372
Financial costs	1,381	1,133	1,440	1,563	1,398
Equity-method gains (losses)	-1,045	-992	111	45	-25
Other	-636	-1,409	-382	-311	-326
Pre-tax profit	**1,871**	**1,054**	**1,829**	**3,138**	**3,583**
Taxes	757	463	608	690	788
Effective tax rate (%)	40.5	43.9	33.3	22.0	22.0
Profit from continuing operations	1,258	873	1,228	2,448	2,795
Profit from discontinued operations	-107	-282	-8	0	0
Net profit	**1,151**	**591**	**1,220**	**2,448**	**2,795**
Net margin (%)	1.4	0.7	1.4	2.6	2.9
Net profit (controlling interests)	713	368	961	2,793	3,189
Net profit (non-controlling interests)	438	224	260	-345	-394
EBITDA	6,870	6,954	6,080	7,600	7,558
EBITDA margin (%)	8.4	7.9	6.8	8.0	7.7
EPS (parent-based) (KRW)	3,942	2,032	5,321	15,511	17,710
EPS (consolidated) (KRW)	6,363	3,270	6,761	13,595	15,522
Adjusted EPS (KRW)*	3,942	2,032	5,321	15,511	17,710

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**30,341**	**33,924**	**34,870**	**39,397**	**43,598**
Cash & equivalents	8,488	7,573	8,770	11,830	15,029
Accounts receivable	9,265	10,536	11,161	11,803	12,232
Inventories	9,125	10,729	11,085	11,746	12,173
Other current assets	3,463	5,086	3,854	4,017	4,163
Fixed assets	**29,900**	**31,706**	**33,750**	**32,527**	**31,863**
Investment assets	4,762	4,043	4,041	4,188	4,321
Tangible assets	16,819	17,075	16,714	16,297	15,970
Intangible assets	2,868	3,519	4,370	3,825	3,356
Other long-term assets	5,451	7,069	8,625	8,216	8,216
Total assets	**60,241**	**65,630**	**68,620**	**71,924**	**75,461**
Current liabilities	**24,160**	**27,307**	**27,183**	**28,227**	**29,163**
Accounts payable	9,427	9,885	10,582	11,029	11,430
Short-term debt	708	564	482	482	482
Other current liabilities	14,025	16,858	16,119	16,716	17,251
Long-term liabilities	**12,582**	**13,110**	**12,885**	**12,959**	**13,026**
Bonds & long-term debt	10,719	11,093	10,180	10,180	10,180
Other long-term liabilities	1,863	2,017	2,705	2,779	2,846
Total liabilities	**36,742**	**40,418**	**40,068**	**41,186**	**42,189**
Owners of parent equity	**19,665**	**20,995**	**23,887**	**26,419**	**29,346**
Capital stock	904	904	904	904	904
Capital surplus	3,025	2,970	4,329	4,329	4,329
Retained earnings	16,201	16,353	17,419	19,951	22,878
Other	-466	768	1,235	1,235	1,235
Non-controlling interests' equity	**3,834**	**4,217**	**4,665**	**4,320**	**3,926**
Total equity	**23,499**	**25,212**	**28,552**	**30,739**	**33,272**
Net debt	6,018	6,833	5,180	2,135	-1,050

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**5,914**	**3,843**	**4,281**	**5,850**	**6,451**
Net profit	1,151	591	1,220	2,448	2,795
Non-cash profit and expenses	7,119	8,141	6,451	4,544	4,391
Depreciation	2,704	2,993	3,040	3,217	3,127
Amortization	513	541	562	545	469
Other	3,902	4,607	2,849	782	794
Changes in A/L from operating activities	-1,218	-3,797	-2,043	-364	-13
Cash flow from investments	**-5,290**	**-4,212**	**-3,014**	**-2,833**	**-2,829**
Change in tangible assets	-3,223	-2,315	-2,514	-2,800	-2,800
Change in financial assets	-993	-275	1,100	-33	-29
Other	-1,074	-1,622	-1,600	-0	-0
Cash flow from financing	**1,503**	**-705**	**-319**	**-243**	**-245**
Change in debt	2,414	727	-1,279	18	16
Change in equity	-23	-55	1,359	0	0
Dividends	-241	-317	-266	-262	-261
Other	-646	-1,060	-133	0	0
Change in cash	2,165	-915	1,197	3,061	3,199
Cash at beginning of year	6,322	8,488	7,573	8,770	11,830
Cash at end of year	8,488	7,573	8,770	11,830	15,029
Gross cash flow	**8,270**	**8,732**	**7,671**	**6,992**	**7,186**
Free cash flow	**2,644**	**1,486**	**1,665**	**3,050**	**3,651**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-1.4	6.6	1.7	6.2	3.4
Operating profit	2.9	-6.4	-27.5	54.9	3.2
Net profit	-38.2	-48.6	106.4	100.6	14.2
Adjusted EPS**	-40.4	-48.4	161.8	191.5	14.2
Per-share data (KRW)					
EPS (parent-based)	3,942	2,032	5,321	15,511	17,710
EPS (consolidated)	6,363	3,270	6,761	13,595	15,522
Adjusted EPS**	3,942	2,032	5,321	15,511	17,710
BVPS	109,209	116,595	132,659	146,980	163,266
DPS (common)	800	1,000	1,350	1,450	1,450
Valuations (x)					
P/E***	25.8	41.1	17.3	6.9	6.0
P/B***	0.9	0.7	0.7	0.7	0.7
EV/EBITDA	4.0	3.7	4.2	3.3	2.8
Ratios (%)					
ROE	3.7	1.8	4.3	11.1	11.4
ROA	2.0	0.9	1.8	3.5	3.8
ROIC	9.9	9.0	6.0	10.6	11.1
Payout ratio	18.3	44.3	22.9	8.4	7.4
Dividend yield (common)	0.8	1.2	1.5	1.4	1.4
Net debt to equity	25.6	27.1	18.1	6.9	-3.2
Interest coverage (x)	6.8	6.0	4.1	6.2	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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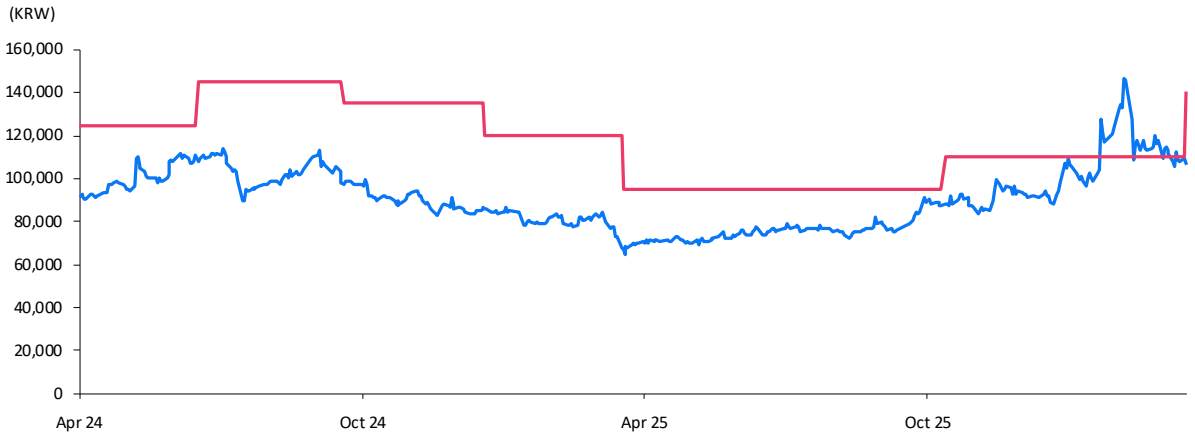
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/26	7/8	10/10	2025/1/9	4/8	11/3	2026/4/8
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	125000	145000	135000	120000	95000	110000	140000
Gap* (average)	-21.37	-28.78	-33.09	-32.58	-20.31	-6.89	
(max or min)**	-10.88	-21.45	-26.30	-28.00	-4.21	33.36	

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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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