COMPANY UPDATE

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EV/Mobility Team

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LG Chem (051910)

1Q preview: Inventory effects defend earnings

- We expect LG Chem to report a 1Q operating loss of KRW120.8b (+KRW292.5b q-q), bettering consensus (loss of KRW189b). The chemicals division likely turned profitable on surging naphtha prices since March.
- Beyond favorable inventory effects from rising oil prices, there are little signs of improvement in core businesses. We will reassess our rating if a recovery in advanced materials becomes evident in 2H. We maintain our HOLD rating and target price.

WHAT'S THE STORY?

1Q preview—results ahead of consensus: We expect LG Chem to report a 1Q operating loss of KRW120.8b (+KRW292.5b q-q), bettering consensus (loss of KRW189b; FnGuide) on favorable inventory effects from surging naphtha prices amid the Middle East war.

- **Chemicals:** The chemicals division likely logged an operating profit of KRW74.5b (+KRW313.5b q-q). Despite tighter spreads on major products, it likely turned profitable, thanks to a positive lag effect from surging naphtha prices since March. While the spot spread on ABS fell 37% q-q (from USD309/tonne to USD193/tonne), the 1-month lagging spread on ABS rose 31% q-q (from USD288/tonne to USD377/tonne).

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW390,000	14.2%
Current price	**KRW341,500**	
Market cap	KRW24.1t/USD16.3b	
Shares (float)	70,592,343 (65.0%)	
52-week high/low	KRW419,500/KRW182,400	
Avg daily trading value (60-day)	KRW135.0b/ USD91.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Chem (%)	14.8	15.2	52.1
Vs Kospi (%pts)	5.5	-31.3	-37.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	390,000	390,000	0.0%
2026E EPS	-3,843	-3,843	0.0%
2027E EPS	31,020	31,020	0.0%

SAMSUNG vs THE STREET

No of estimates	16
Target price	432,938
Recommendation	3.9

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

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	45,932	48,408	56,296	63,443
Operating profit (KRWb)	1,181	1,355	5,432	8,188
Net profit (adj) (KRWb)	-977	98	3,646	5,779
EPS (adj) (KRW)	-23,242	-3,843	31,020	48,878
EPS (adj) growth (% y-y)	nm	nm	nm	57.6
EBITDA margin (%)	10.4	11.0	12.5	12.0
ROE (%)	-5.5	-0.9	7.2	10.6
P/E (adj) (x)	n/a	n/a	11.0	7.0
P/B (x)	0.8	0.8	0.8	0.7
EV/EBITDA (x)	13.0	12.6	9.4	8.3
Dividend yield (%)	0.6	0.6	2.6	2.6

Source: Company data, Samsung Securities estimates

- **Advanced materials:** The advanced materials division likely recorded an operating loss of KRW6.7b (+KRW43.3b q-q). The cathode materials unit likely generated sales of KRW0.15t (+67% q-q) and an operating loss of KRW46.8b (+KRW23.2b q-q) for a margin of -31.1%. We believe the cathode materials unit's: 1) ASP rose 10% q-q on strong raw material prices; and 2) its sales volume rebounded 50% q-q (utilization rate at 14%). Other advanced materials (besides cathode materials) likely contributed sales of KRW0.7t (+10% q-q) and an operating profit of KRW40.1b (+101% q-q) for a margin of 5.7%, regaining profitability q-q.
- **Batteries:** The battery subsidiary (LGES) announced its 1Q preliminary results on Apr 7, with an operating loss of KRW207.8b (-KRW85.8b q-q)—worse than recent consensus (loss of KRW121b) but in line with our forecast (loss of KRW225.9b). Fixed cost pressure likely increased due to the pause of operations at a JV with a North American automaker.
- **Life sciences:** The life sciences division likely registered an operating profit of KRW21.8b (+36% q-q). Reduced R&D spending q-q likely helped boost profitability.

View—still no clear signs of recovery in core businesses: With favorable inventory effects from the naphtha price surge extending beyond 1Q into 2Q, the chemicals division is likely to stay profitable through 2Q. But the same post-war surge in naphtha prices is squeezing spot spreads on key products, while naphtha feedstock shortages forced the temporary shutdown of Yeosu 2 plant as of Mar 23—part of Korea's total ethylene capacity of 3.38m tonnes (Yeosu 1 (1.25m tonnes), Yeosu 2 (0.8m tonnes), and Daesan (1.3m tonnes)). The remaining facilities are running at utilization below 70%. The cathode materials business will neither likely see meaningful utilization recovery within 1H. In sum, given that core businesses still show no clear signs of recovery, we remain cautious and will consider a rating upgrade if positive shifts in fundamentals materialize in the coming quarters. We maintain our HOLD rating and target price.

LG Chem: Quarterly results

(KRWb)	1Q26E	4Q25	1Q25	Consensus	Diff (%)		
					q-q	y-y	Consensus
Sales	11,783	11,197	12,121	11,122	5.2	-2.8	5.9
Operating profit	-121	-413	438	-189	To remain neg	To turn neg	To remain neg
Pre-tax profit	-397	-2,489	437	-465	To remain neg	To turn neg	To remain neg
Net profit	-401	-1,573	260	-388	To remain neg	To turn neg	To remain neg
Attributable to parent	-321	-1,397	-108	-417	To remain neg	To remain neg	To remain neg
Margins (%)							
Operating profit	-1.0	-3.7	3.6	-1.7			
Pre-tax profit	-3.4	-22.2	3.6	-4.2			
Net profit	-3.4	-14.0	2.1	-3.5			
Attributable to parent	-2.7	-12.5	-0.9	-3.7			

Source: Company data, FnGuide, Samsung Securities estimates

LG Chem: Quarterly results, by division

(KRWb)	1Q26E	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**11,783**	**11,197**	**12,121**	**5.2**	**-2.8**
Chemicals	4,264	3,947	4,782	8.0	-10.8
Advanced Materials	851	725	1,440	17.3	-40.9
Batteries	6,555	6,474	6,723	1.2	-2.5
Farm Hannong	263	185	246	42.1	6.8
Life Sciences	324	356	286	-9.0	13.4
Operating profit	**-121**	**-413**	**438**	**To remain neg**	**To turn neg**
Chemicals	75	-239	-57	To turn pos	To turn pos
Advanced Materials	-7	-50	118	To remain neg	To turn neg
Batteries	-208	-122	375	To remain neg	To turn neg
Farm Hannong	27	14	31	94.9	-11.7
Life Sciences	22	16	-13	36.3	To turn pos
Cons. Adjustment	-30	-32	-16	To remain neg	To remain neg
Pre-tax profit	-397	-2,489	437	To remain neg	To turn neg
Net profit	**-401**	**-1,573**	**260**	**To remain neg**	**To turn neg**
Margins (%)					
Operating profit	-1.0	-3.7	3.6		
Chemicals	1.7	-6.1	-1.2		
Advanced Materials	-0.8	-6.9	8.2		
Batteries	-3.2	-1.9	5.6		
Farm Hannong	10.4	7.6	12.6		
Life Sciences	6.7	4.5	-4.7		
Pre-tax profit	-3.4	-22.2	3.6		
Net profit	-3.4	-14.0	2.1		

Source: Company data, Samsung Securities

LG Chem: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,452	1,467	1,420	1,380	1,335	1,365	1,423	1,401	1,335
Sales	**12,121**	**11,418**	**11,196**	**11,197**	**11,783**	**11,797**	**12,154**	**12,674**	**48,700**	**45,932**	**48,408**	**56,296**
Growth (% q-q)	-1.3	-5.8	-1.9	0.0	5.2	0.1	3.0	4.3				
Growth (% y-y)	4.9	-6.7	-11.3	-8.8	-2.8	3.3	8.6	13.2	-11.9	-5.7	5.4	16.3
Chemicals	4,782	4,696	4,461	3,947	4,264	4,186	4,092	4,002	19,160	17,886	16,544	15,418
Advanced Materials	1,440	1,061	838	725	851	973	1,095	1,384	6,412	4,064	4,303	5,527
Batteries	6,723	6,056	6,065	6,474	6,555	6,532	7,192	7,628	25,620	25,319	27,907	36,515
Farm Hannong	246	242	102	185	263	257	115	187	762	775	822	887
Life Sciences	286	337	375	356	324	421	387	394	1,334	1,353	1,526	1,721
Operating profit	**438**	**477**	**680**	**-413**	**-121**	**162**	**556**	**758**	**875**	**1,181**	**1,355**	**5,432**
Growth (% q-q)	Turned pos	8.9	42.6	Turned neg	To remain neg	To turn pos	242.5	36.4				
Growth (% y-y)	72.3	21.5	38.9	Remained neg	To turn neg	-66.0	-18.3	To turn pos	-65.4	35.0	14.8	300.8
Chemicals	-57	-90	29	-239.0	75	48	-114	-70	-105	-357	-62	-13
Growth (% q-q)	Remained neg	Remained neg	Turned pos	Turned neg	To turn pos	-35.6	To turn neg	To remain neg				
Growth (% y-y)	Remained neg	Turned neg	Turned pos	Remained neg	To turn pos	To turn pos	To turn neg	To remain neg	Remained neg	Remained neg	To remain neg	To remain neg
Advanced Materials	118	71	7	-50	-7	21	35	62	510	146	111	269
Growth (% q-q)	146.0	-39.9	-89.7	Turned neg	To remain neg	To turn pos	62.0	78.6				
Growth (% y-y)	-17.0	-58.3	-95.1	Turned neg	To turn neg	-69.9	373.6	To turn pos	-12.7	-71.3	-24.1	142.3
Batteries	375	492	601	-122	-208	69	670	765	575	1,346	1,296	5,137
Growth (% q-q)	Turned pos	31.4	22.2	Turned neg	To remain neg	To turn pos	875.2	14.2				
Growth (% y-y)	138.1	152.0	34.1	Remained neg	To turn neg	-86.0	11.4	To turn pos	-73.4	134.0	-3.7	296.3
Farm Hannong	31	13	-20	14	27	17	-21	14	44	37	37	42
Growth (% q-q)	243.3	-59.5	Turned neg	Turned pos	94.9	-36.2	To turn neg	To turn pos				
Growth (% y-y)	-11.5	-37.5	Remained neg	55.6	-11.7	39.3	To remain neg	1.1	-2.4	-14.8	0.0	11.2
Life Sciences	-13	25	101	16	22	37	17	17	110	128	92	117
Growth (% q-q)	Remained neg	Turned pos	308.9	-84.1	36.3	68.6	-55.0	1.9				
Growth (% y-y)	Turned neg	-77.4	Turned pos	Turned pos	To turn pos	49.5	-83.5	5.4	287.2	15.9	-28.0	26.8
Consol. Adj.	-16	-33	-39	-32	-30	-30	-30	-30	-260	-120	-120	-120
Growth (% q-q)	Turned neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Turned neg	To remain neg	To remain neg	To remain neg	To remain neg	Remained neg	Remained neg	To remain neg	To remain neg
Pre-tax profit	437	-185	457	-2,489	-397	-125	264	465	-310	-1,780	207	4,331
Growth (% q-q)	Turned pos	Turned neg	Turned pos	Turned neg	To remain neg	To remain neg	To turn pos	76.3				
Growth (% y-y)	40.3	Turned neg	23.3	Remained neg	To turn neg	To remain neg	-42.3	To turn pos	Turned neg	Remained neg	To turn pos	1,989.6
Net profit	**260**	**-112**	**447**	**-1,573**	**-401**	**-126**	**226**	**399**	**515**	**-977**	**98**	**3,646**
Growth (% q-q)	-49.4	Turned neg	Turned pos	Turned neg	To remain neg	To remain neg	To turn pos	76.3				
Growth (% y-y)	-23.8	Turned neg	-55.8	Remained neg	To turn neg	To remain neg	-49.4	To turn pos	-74.9	Turned neg	To turn pos	3,611.8
Attributable to parent	-108	-434	119	-1,397	-321	-161	25	156	-691	-1,819	-301	2,428
Margins (%)												
Operating profit	3.6	4.2	6.1	-3.7	-1.0	1.4	4.6	6.0	1.8	2.6	2.8	9.6
Chemicals	-1.2	-1.9	0.7	-6.1	1.7	1.1	-2.8	-1.8	-0.5	-2.0	-0.4	-0.1
Advanced Materials	8.2	6.7	0.9	-6.9	-0.8	2.2	3.2	4.5	8.0	3.6	2.6	4.9
Batteries	5.6	8.1	9.9	-1.9	-3.2	1.1	9.3	10.0	2.2	5.3	4.6	14.1
Farm Hannong	12.6	5.2	-19.7	7.6	10.4	6.8	-18.7	7.6	5.8	4.8	4.6	4.7
Life Sciences	-4.7	7.3	26.9	4.5	6.7	8.7	4.3	4.3	8.3	9.4	6.0	6.8
Pre-tax profit	3.6	-1.6	4.1	-22.2	-3.4	-1.1	2.2	3.7	-0.6	-3.9	0.4	7.7
Net profit	2.1	-1.0	4.0	-14.0	-3.4	-1.1	1.9	3.1	1.1	-2.1	0.2	6.5

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**48,700**	**45,932**	**48,408**	**56,296**	**63,443**
Cost of goods sold	41,247	38,123	40,607	45,720	51,139
Gross profit	**7,452**	**7,809**	**7,802**	**10,576**	**12,304**
Gross margin (%)	15.3	17.0	16.1	18.8	19.4
SG&A expenses	8,057	8,275	7,848	9,102	10,271
Operating profit	**875**	**1,181**	**1,355**	**5,432**	**8,188**
Operating margin (%)	1.8	2.6	2.8	9.6	12.9
Non-operating gains (losses)	**-307**	**-2,142**	**-1,148**	**-1,100**	**-1,323**
Financial profit	2,112	1,945	-852	-817	-1,038
Financial costs	2,703	2,158	0	0	0
Equity-method gains (losses)	-25	-118	-12	-15	-16
Other	309	-1,810	-283	-269	-269
Pre-tax profit	**568**	**-961**	**207**	**4,331**	**6,865**
Taxes	53	16	109	685	1,086
Effective tax rate (%)	9.3	-1.7	52.6	15.8	15.8
Profit from continuing operations	-362	-1,796	98	3,646	5,779
Profit from discontinued operations	877	819	0	0	0
Net profit	**515**	**-977**	**98**	**3,646**	**5,779**
Net margin (%)	1.1	-2.1	0.2	6.5	9.1
Net profit (controlling interests)	-691	-1,819	-301	2,428	3,826
Net profit (non-controlling interests)	1,206	842	399	1,218	1,953
EBITDA	4,077	4,792	5,317	7,026	7,628
EBITDA margin (%)	8.4	10.4	11.0	12.5	12.0
EPS (parent-based) (KRW)	-8,825	-23,242	-3,843	31,020	48,878
EPS (consolidated) (KRW)	6,579	-12,481	1,255	46,581	73,829
Adjusted EPS (KRW)*	-8,825	-23,242	-3,843	31,020	48,878

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**27,816**	**32,527**	**33,404**	**41,277**	**52,060**
Cash & equivalents	7,855	9,900	8,798	12,661	19,811
Accounts receivable	8,166	6,725	7,847	9,125	10,284
Inventories	8,847	8,177	8,618	10,022	11,295
Other current assets	2,947	7,725	8,141	9,468	10,670
Fixed assets	**66,042**	**68,535**	**70,948**	**71,642**	**71,130**
Investment assets	3,626	3,347	3,423	3,666	3,885
Tangible assets	54,570	56,458	59,266	60,109	59,706
Intangible assets	3,619	3,502	3,032	2,639	2,312
Other long-term assets	4,226	5,228	5,228	5,228	5,228
Total assets	**93,858**	**101,062**	**104,352**	**112,918**	**123,190**
Current liabilities	**21,086**	**26,137**	**29,306**	**33,810**	**38,488**
Accounts payable	3,682	3,537	3,727	4,334	4,885
Short-term debt	1,812	3,273	3,973	3,973	3,973
Other current liabilities	15,592	19,327	21,606	25,502	29,630
Long-term liabilities	**24,777**	**27,819**	**27,999**	**28,572**	**29,091**
Bonds & long-term debt	18,981	21,183	21,183	21,183	21,183
Other long-term liabilities	5,795	6,636	6,816	7,389	7,908
Total liabilities	**45,862**	**53,956**	**57,305**	**62,382**	**67,579**
Owners of parent equity	**33,284**	**32,846**	**32,388**	**34,659**	**37,781**
Capital stock	391	391	391	391	391
Capital surplus	11,569	12,654	12,654	12,654	12,654
Retained earnings	18,592	16,999	16,541	18,813	21,934
Other	2,732	2,801	2,801	2,801	2,801
Non-controlling interests' equity	**14,711**	**14,260**	**14,659**	**15,877**	**17,830**
Total equity	**47,995**	**47,106**	**47,047**	**50,536**	**55,611**
Net debt	19,483	23,345	26,809	24,879	20,078

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**7,012**	**8,234**	**3,311**	**7,307**	**9,615**
Net profit	515	-977	98	3,646	5,779
Non-cash profit and expenses	6,709	9,379	4,301	5,198	5,693
Depreciation	4,200	4,694	4,893	5,160	5,267
Amortization	482	563	470	392	327
Other	2,026	4,121	-1,062	-354	98
Changes in A/L from operating activities	1,012	1,522	-992	-866	-785
Cash flow from investments	**-13,663**	**-12,471**	**-6,654**	**-5,359**	**-4,232**
Change in tangible assets	-14,493	-13,503	-7,700	-6,003	-4,864
Change in financial assets	-770	-855	-124	-396	-359
Other	1,600	1,887	1,170	1,040	991
Cash flow from financing	**4,821**	**6,243**	**2,273**	**1,991**	**1,838**
Change in debt	5,219	6,722	2,429	2,148	2,543
Change in equity	-3	1,085	0	0	0
Dividends	-367	-227	-157	-157	-705
Other	-27	-1,337	0	-0	0
Change in cash	-1,230	2,045	-1,102	3,864	7,150
Cash at beginning of year	9,085	7,855	9,900	8,798	12,661
Cash at end of year	7,855	9,900	8,798	12,661	19,811
Gross cash flow	**7,224**	**8,402**	**4,399**	**8,844**	**11,472**
Free cash flow	**-7,603**	**-5,427**	**-4,389**	**1,304**	**4,751**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-11.9	-5.7	5.4	16.3	12.7
Operating profit	-65.4	35.0	14.8	300.8	50.8
Net profit	-74.9	nm	nm	3,611.8	58.5
Adjusted EPS**	nm	nm	nm	nm	57.6
Per-share data (KRW)					
EPS (parent-based)	-8,825	-23,242	-3,843	31,020	48,878
EPS (consolidated)	6,579	-12,481	1,255	46,581	73,829
Adjusted EPS**	-8,825	-23,242	-3,843	31,020	48,878
BVPS	425,221	419,617	413,769	442,787	482,663
DPS (common)	1,000	2,000	2,000	9,000	9,000
Valuations (x)					
P/E***	n/a	n/a	n/a	11.0	7.0
P/B***	0.6	0.8	0.8	0.8	0.7
EV/EBITDA	13.0	13.0	12.6	9.4	8.3
Ratios (%)					
ROE	-2.1	-5.5	-0.9	7.2	10.6
ROA	0.6	-1.0	0.1	3.4	4.9
ROIC	1.7	1.7	0.9	6.1	9.0
Payout ratio	-10.2	-7.8	-46.9	26.2	16.6
Dividend yield (common)	0.4	0.6	0.6	2.6	2.6
Net debt to equity	40.6	49.6	57.0	49.2	36.1
Interest coverage (x)	0.9	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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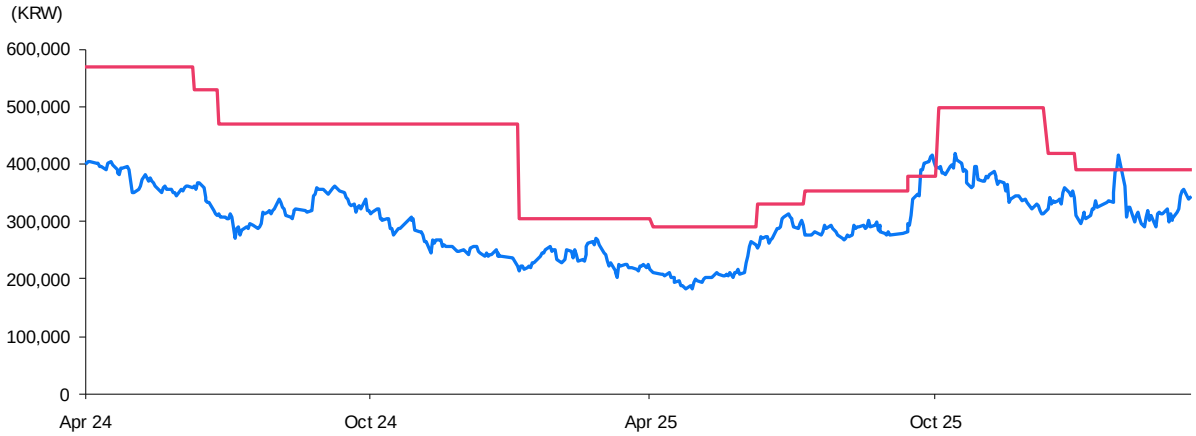
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/4/9	7/9	7/25	2025/2/4	5/2	7/8	8/8	10/14	11/3	2026/1/12	1/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD
Target price (KRW)	570000	530000	470000	305000	290000	330000	355000	380000	500000	420000	390000
Gap* (average)	-34.08	-35.93	-37.05	-23.11	-28.41	-12.72	-20.02	-1.68	-26.61	-18.52	
(max or min)**	-28.95	-30.66	-23.19	-10.82	-8.79	-5.15	-15.21	9.74	-16.10	-14.76	

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

Samsung Securities uses the following investment ratings*

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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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General

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