COMPANY UPDATE

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LG Electronics (066570)

Hardware partners in the AI ecosystem

- LG Electronics' risks are already reflected in the market. As the company strengthens its position in robotics, data center cooling, and vehicle component solutions, these new growth drivers should increasingly be priced in.
- We slightly raise our 2026 operating profit estimate to KRW3.9t, increase our target price to KRW170,000, and maintain a BUY rating.

WHAT'S THE STORY?

Investment strategy—Risks priced in, opportunities ahead: The risks facing LG Electronics (LGE)—tariffs, Middle East geopolitical tensions, rising memory semiconductor prices, and weak TV demand—have long been reflected in its stock price and earnings estimates. In contrast, the company's growth opportunities remain largely unpriced. While LGE has not directly benefited from the AI boom, it is now strategically integrating AI into its core businesses and expanding its ecosystem into home robotics, HVAC systems, and smart factories. As tangible progress emerges in these areas, the market is likely to begin pricing in their potential. Meanwhile, previously feared risks—such as tariffs—are now being viewed as potential upside catalysts, particularly through the prospect of tariff rebates that could lift profitability.

We revise up our 2026 operating profit forecast slightly to KRW3.9t and also apply a target P/E multiple of 11x, reflecting better visibility into new business lines and a broader valuation re-rating. We, accordingly, increase our target price to KRW170,000 and maintain BUY rating.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025	2026E	2027E
Revenue	87,728	89,201	96,653	99,616
Operating profit	3,420	2,478	3,873	4,094
Net profit (adj)	591	1,220	2,481	2,835
EPS (adj) (KRW)	2,032	5,321	15,719	17,961
EPS (adj) growth (% y-y)	-48.4	161.8	195.4	14.3
EBITDA margin (%)	7.9	6.8	7.9	7.7
ROE (%)	1.8	4.3	11.2	11.6
P/E (adj) (x)	41.1	17.3	9.0	7.8
P/B (x)	0.7	0.7	1.0	0.9
EV/EBITDA (x)	3.7	4.2	4.0	3.5
Dividend yield (%)	1.2	1.5	1.0	1.0

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW170,000	20.7%
Current price	**KRW140,900**	
Market cap	KRW23.0t/USD15.5b	
Shares (float)	162,884,638 (64.5%)	
52-week high/low	KRW146,700/KRW69,000	
Avg daily trading value (60-day)	KRW192.9b/ USD130.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Electronics (%)	30.1	60.8	97.3
Vs Kospi (%pts)	4.0	-0.4	-23.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	170,000	140,000	21.4%
2026E EPS	15,719	15,511	1.3%
2027E EPS	17,961	17,710	1.4%

SAMSUNG vs THE STREET

No of estimates	20
Target price	136,050
Recommendation	4.0

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

Strategic collaboration with Nvidia—A glimpse into new business direction: In its recent earnings call, LGE outlined a strategic expansion of its partnership with Nvidia—shifting from traditional product collaboration into the realm of Physical AI. The firm is now engaged in joint R&D and co-developing references across robotics, AI data centers, and mobility solutions. Its robotics division is already using Nvidia's Isaac platform and Jetson Thor chips to develop its CLOiD robot. As synergies materialize—through improved robot performance, expanded data center cooling offerings, and enhanced smart factory capabilities—we expect these advancements to be gradually priced in the market.

1Q review—Proving structural improvement amid headwinds: LGE reported 1Q sales of KRW23.7t (up 4.4% y-y) and an operating profit of KRW1.67t, for an operating margin of 7.1%. This solid results came despite headwinds from higher raw material and logistics costs, the full impact of US tariffs, and heightened geopolitical uncertainty from the Middle East conflict. Notably, both The home appliance solution (HS) and vehicle component solutions (VS) divisions hit all-time high sales, with the VS division also posting its highest-ever quarterly operating profit.

- **HS:** The HS division defended earnings—despite sluggish consumer sentiment—through a stronger premium product mix and improved cost efficiency (eg, logistics cost).
- **MS:** The media entertainment solution (MS) business turned profitable following operational optimization in 2H25. The turnaround was driven by stronger TV and PC sales. The division aims to achieve n full-year operating profit.
- **VS:** Sales rose 8% y-y on a healthy backlog of high-margin orders. Its Hungarian plant should come online in late 2026.
- **ES:** The Eco Solution (ES) business is exposed to the construction market downturn and worsening geopolitical risks. However, data center-related orders tripled y-y and Chilean sales are projected to exceed KRW1t.

LG Electronics: Target-price calculation

(KRW)		Notes
EPS	15,719	2026E
Target P/E (x)	11.0	
Fair price per share	172,909	
Target price	**170,000**	
Current price	140,900	
Upside (%)	20.7	

Source: Samsung Securities estimates

LG Electronics: 1Q results

(KRWb)	1Q26	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: Revisions to full-year forecasts

(KRWb)	Old		New		Diff (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Sales	94,706	97,893	96,653	99,616	2.1	1.8
Operating profit	3,838	3,961	3,873	4,094	0.9	3.4
Pre-tax profit	3,138	3,583	3,181	3,634	1.4	1.4
Net profit	2,448	2,795	2,481	2,835	1.3	1.4

Source: Company data, Samsung Securities

LG Electronics: Revisions to forecasts

(KRWb)	1Q26		2026E		1Q26		2026E	
	Old	New	Old	New	Diff	Diff (%)	Diff	Diff (%)
Sales	**23,733**	**23,733**	**94,706**	**96,653**	**0.0**	**0.0**		**1,946.4**
HS	6,979	6,943	27,760	27,447	-36.0	-0.5		-312.7
MS	5,216	5,169	20,109	20,748	-46.2	-0.9		638.6
VS	3,121	3,064	11,986	12,080	-57.0	-1.8		94.6
ES	2,810	2,822	9,720	9,442	12.3	0.4		-278.5
Other	383	304	1,895	1,815	-79.8	-20.8		-79.8
LG Innotek	5,342	5,535	23,714	25,577	192.8	3.6		1,862.9
Operating profit	**1,673.6**	**1,673.6**	**3,838.1**	**3,873.0**	**0.0**	**0.0**		**34.9**
HS	614.4	569.7	1,251.8	1,122.3	-44.7	-7.3		-129.5
MS	391.2	371.8	312.6	243.3	-19.4	-5.0		-69.3
VS	191.0	211.6	717.8	855.0	20.6	10.8		137.3
ES	248.0	248.5	705.6	650.0	0.5	0.2		-55.6
Other	10.0	-25.9	-80.0	-115.9	-35.9	-359.0		-35.9
LG Innotek	210.0	295.3	897.0	1,097.5	85.3	40.6		200.5
Operating margin (%)	**7.1**	**7.1**	**4.1**	**4.0**	**0.0**			**(0.0)**

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**	**23,162**	**24,143**	**25,614**	**25,569**	**23,079**	**24,953**	**26,015**	**89,201**	**96,653**	**99,616**
HS	6,697	6,594	6,580	6,254	6,943	6,951	7,086	6,467	7,113	7,034	7,242	6,575	26,126	27,447	27,964
MS	4,950	4,393	4,653	5,430	5,169	5,075	5,020	5,483	5,237	5,019	5,029	5,622	19,426	20,748	20,907
VS	2,843	2,849	2,647	2,796	3,064	3,101	2,926	2,989	3,119	3,234	3,113	3,105	11,136	12,080	12,571
ES	3,054	2,644	2,167	1,457	2,822	2,735	2,341	1,544	3,174	2,938	2,476	1,638	9,323	9,442	10,226
Other	365	458	586	431	304	481	557	474	334	529	612	521	1,840	1,815	1,997
LG Innotek	4,983	3,856	5,369	7,610	5,535	4,926	6,336	8,781	6,712	4,436	6,601	8,679	21,818	25,577	26,428
Operating profit															
Total	**1,259**	**639**	**689**	**-109**	**1,674**	**1,019**	**1,075**	**106**	**1,651**	**1,121**	**1,180**	**141**	**2,478**	**3,873**	**4,094**
HS	645	440	366	-171	570	369	377	-194	600	389	409	-195	1,279	1,122	1,203
MS	5	-192	-303	-262	372	41	50	-219	193	55	60	-208	-751	243	101
VS	125	126	150	158	212	232	211	201	224	259	240	224	559	855	948
ES	407	251	133	-143	249	251	187	-37	282	300	199	-39	647	650	742
Other	-47	-1	132	-26	-26	-30	-20	-40	-10	-27	-18	-36	58	-116	-91
LG Innotek	125	11	204	325	295	150	264	389	357	139	284	389	665	1,098	1,168
Operating margin (%)															
Total	**5.5**	**3.1**	**3.1**	**-0.5**	**7.1**	**4.4**	**4.5**	**0.4**	**6.5**	**4.9**	**4.7**	**0.5**	**2.8**	**4.0**	**4.1**
HS	9.6	6.7	5.6	-2.7	8.2	5.3	5.3	-3.0	8.4	5.5	5.6	-3.0	4.9	4.1	4.3
MS	0.1	-4.4	-6.5	-4.8	7.2	0.8	1.0	-4.0	3.7	1.1	1.2	-3.7	-3.9	1.2	0.5
VS	4.4	4.4	5.7	5.7	6.9	7.5	7.2	6.7	7.2	8.0	7.7	7.2	5.0	7.1	7.5
ES	13.3	9.5	6.1	-9.8	8.8	9.2	8.0	-2.4	8.9	10.2	8.0	-2.4	6.9	6.9	7.3
Other	-12.9	-0.3	22.6	-6.1	-8.5	-6.2	-3.6	-8.4	-3.0	-5.1	-2.9	-6.9	3.2	-6.4	-4.6
LG Innotek	2.5	0.3	3.8	4.3	5.3	3.0	4.2	4.4	5.3	3.1	4.3	4.5	3.0	4.3	4.4

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**	**96,653**	**99,616**
Cost of goods sold	62,461	66,349	68,359	73,216	75,184
Gross profit	**19,801**	**21,379**	**20,842**	**23,437**	**24,432**
Gross margin (%)	24.1	24.4	23.4	24.2	24.5
SG&A expenses	16,148	17,960	18,363	19,564	20,339
Operating profit	**3,653**	**3,420**	**2,478**	**3,873**	**4,094**
Operating margin (%)	4.4	3.9	2.8	4.0	4.1
Non-operating gains (losses)	**-1,782**	**-2,366**	**-650**	**-692**	**-460**
Financial profit	1,280	1,168	1,061	1,545	1,508
Financial costs	1,381	1,133	1,440	1,464	1,366
Equity-method gains (losses)	-1,045	-992	111	-211	-25
Other	-636	-1,409	-382	-562	-577
Pre-tax profit	**1,871**	**1,054**	**1,829**	**3,181**	**3,634**
Taxes	757	463	608	700	800
Effective tax rate (%)	40.5	43.9	33.3	22.0	22.0
Profit from continuing operations	1,258	873	1,228	2,481	2,835
Profit from discontinued operations	-107	-282	-8	0	0
Net profit	**1,151**	**591**	**1,220**	**2,481**	**2,835**
Net margin (%)	1.4	0.7	1.4	2.6	2.8
Net profit (controlling interests)	713	368	961	2,830	3,234
Net profit (non-controlling interests)	438	224	260	-350	-400
EBITDA	6,870	6,954	6,080	7,635	7,691
EBITDA margin (%)	8.4	7.9	6.8	7.9	7.7
EPS (parent-based) (KRW)	3,942	2,032	5,321	15,719	17,961
EPS (consolidated) (KRW)	6,363	3,270	6,761	13,777	15,742
Adjusted EPS (KRW)*	3,942	2,032	5,321	15,719	17,961

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**30,341**	**33,924**	**34,870**	**40,157**	**43,914**
Cash & equivalents	8,488	7,573	8,770	11,753	15,065
Accounts receivable	9,265	10,536	11,161	12,162	12,353
Inventories	9,125	10,729	11,085	12,103	12,293
Other current assets	3,463	5,086	3,854	4,139	4,204
Fixed assets	**29,900**	**31,706**	**33,750**	**32,638**	**31,900**
Investment assets	4,762	4,043	4,041	4,299	4,358
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**	**72,795**	**75,814**
Current liabilities	**24,160**	**27,307**	**27,183**	**29,009**	**29,425**
Accounts payable	9,427	9,885	10,582	11,364	11,542
Short-term debt	708	564	482	482	482
Other current liabilities	14,025	16,858	16,119	17,163	17,401
Long-term liabilities	**12,582**	**13,110**	**12,885**	**13,015**	**13,044**
Bonds & long-term debt	10,719	11,093	10,180	10,180	10,180
Other long-term liabilities	1,863	2,017	2,705	2,835	2,864
Total liabilities	**36,742**	**40,418**	**40,068**	**42,024**	**42,469**
Owners of parent equity	**19,665**	**20,995**	**23,887**	**26,456**	**29,429**
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	19,988	22,961
Other	-466	768	1,235	1,235	1,235
Non-controlling interests' equity	**3,834**	**4,217**	**4,665**	**4,315**	**3,915**
Total equity	**23,499**	**25,212**	**28,552**	**30,771**	**33,345**
Net debt	6,018	6,833	5,180	2,223	-1,082

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**5,914**	**3,843**	**4,281**	**6,085**	**6,498**
Net profit	1,151	591	1,220	2,481	2,835
Non-cash profit and expenses	7,119	8,141	6,451	4,773	4,407
Depreciation	2,704	2,993	3,040	3,217	3,127
Amortization	513	541	562	545	469
Other	3,902	4,607	2,849	1,010	810
Changes in A/L from operating activities	-1,218	-3,797	-2,043	-375	-6
Cash flow from investments	**-5,290**	**-4,212**	**-3,014**	**-2,857**	**-2,813**
Change in tangible assets	-3,223	-2,315	-2,514	-2,800	-2,800
Change in financial assets	-993	-275	1,100	-57	-13
Other	-1,074	-1,622	-1,600	-0	-0
Cash flow from financing	**1,503**	**-705**	**-319**	**-230**	**-254**
Change in debt	2,414	727	-1,279	32	7
Change in equity	-23	-55	1,359	0	0
Dividends	-241	-317	-266	-261	-261
Other	-646	-1,060	-133	0	0
Change in cash	2,165	-915	1,197	2,984	3,312
Cash at beginning of year	6,322	8,488	7,573	8,770	11,753
Cash at end of year	8,488	7,573	8,770	11,753	15,065
Gross cash flow	**8,270**	**8,732**	**7,671**	**7,254**	**7,241**
Free cash flow	**2,644**	**1,486**	**1,665**	**3,285**	**3,698**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-1.4	6.6	1.7	8.4	3.1
Operating profit	2.9	-6.4	-27.5	56.3	5.7
Net profit	-38.2	-48.6	106.4	103.3	14.3
Adjusted EPS**	-40.4	-48.4	161.8	195.4	14.3
Per-share data (KRW)					
EPS (parent-based)	3,942	2,032	5,321	15,719	17,961
EPS (consolidated)	6,363	3,270	6,761	13,777	15,742
Adjusted EPS**	3,942	2,032	5,321	15,719	17,961
BVPS	109,209	116,595	132,659	147,296	163,847
DPS (common)	800	1,000	1,350	1,450	1,450
Valuations (x)					
P/E***	25.8	41.1	17.3	9.0	7.8
P/B***	0.9	0.7	0.7	1.0	0.9
EV/EBITDA	4.0	3.7	4.2	4.0	3.5
Ratios (%)					
ROE	3.7	1.8	4.3	11.2	11.6
ROA	2.0	0.9	1.8	3.5	3.8
ROIC	9.9	9.0	6.0	10.6	11.5
Payout ratio	18.3	44.3	22.9	8.3	7.3
Dividend yield (common)	0.8	1.2	1.5	1.0	1.0
Net debt to equity	25.6	27.1	18.1	7.2	-3.2
Interest coverage (x)	6.8	6.0	4.1	6.3	6.7

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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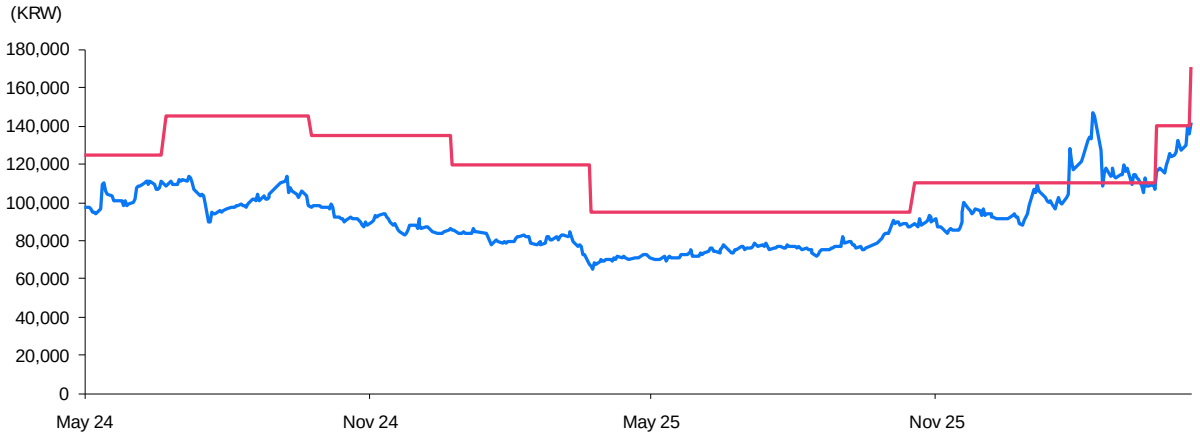
Target price changes in past two years



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	4/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	125000	145000	135000	120000	95000	110000	140000	170000
Gap* (average)	-21.37	-28.78	-33.09	-32.58	-20.31	-6.89	-9.98	
(max or min)**	-10.88	-21.45	-26.30	-28.00	-4.21	33.36	0.00	

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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