COMPANY UPDATE

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LIG Defense & Aerospace

(079550)

Earnings confirm overseas demand

- LIG Defense & Aerospace (LIG D&A) reported a positive 1Q earnings surprise, driven by an increased export share of sales.
- The early delivery of products to overseas markets, as reported by the media, was confirmed in 1Q results.
- Given the substantial order backlog, long-term growth prospects remain intact, but the sharp share price surge of late has created near-term valuation headwinds. Although we raise our target price for the stock, we downgrade it to HOLD.

WHAT'S THE STORY?

Early delivery confirmed by 1Q results: LIG Defense & Aerospace's (LIG D&A) 1Q operating profit beat market consensus by 46%. This was driven by an increase in an export share to 34.7% (up from 27% in 4Q25 and 20% in 1Q25). Some domestic delivery volumes were converted to exports, and additional export orders were recognized as revenue rapidly. The early delivery of products to overseas markets, as reported by the media, was confirmed in 1Q results. In addition, reduction in fixed costs (via operating leverage) and favorable exchange rates also contributed. We raise our full-year 2026 earnings forecast by 22% to reflect the strong 1Q performance and the early sales contribution from export orders.

Long-term growth outlook remains intact: The company still holds an order backlog equivalent to five times its expected 2026 sales. Notably, high-margin export orders account for 56% of this backlog. The company has also commenced large-scale capex to convert backlog into revenue, with capacity expansion projected to take effect from 2028.

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW950,000	9.7%
Current price	KRW866,000	
Market cap	KRW19.1t/USD13.1b	
Shares (float)	22,000,000 (60.9%)	
52-week high/low	KRW1,020,000/KRW336,500	
Avg daily trading value (60-day)	KRW366.7b/ USD252.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LIG Defense & Aerospace (%)	4.7	115.7	157.4
Vs Kospi (%pts)	-23.2	13.9	-11.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	BUY	
Target price	950,000	540,000	75.9%
2026E EPS	18,531	15,151	22.3%
2027E EPS	24,681	20,824	18.5%

SAMSUNG vs THE STREET

No of estimates	15
Target price	955,333
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,168	28.7	-16.9	12.2	7.0
Operating profit	171	56.1	342.4	105.5	45.9
Pre-tax profit	177	79.3	nm	109.3	48.3
Net profit	140	69.9	2,919.0	109.6	42.0
Margins (%)					
Operating profit	14.7				
Pre-tax profit	15.1				
Net profit	12.0				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	75.2	46.7	35.1
P/B	13.3	10.8	8.7
EV/EBITDA	44.5	28.2	21.6
Div yield (%)	0.3	0.4	0.5
EPS growth (% y-y)	14.3	60.9	33.2
ROE (%)	19.2	25.6	27.4
Per-share data (KRW)			
EPS	11,516	18,531	24,681
BVPS	65,005	79,836	100,017
DPS	2,950	3,700	4,500

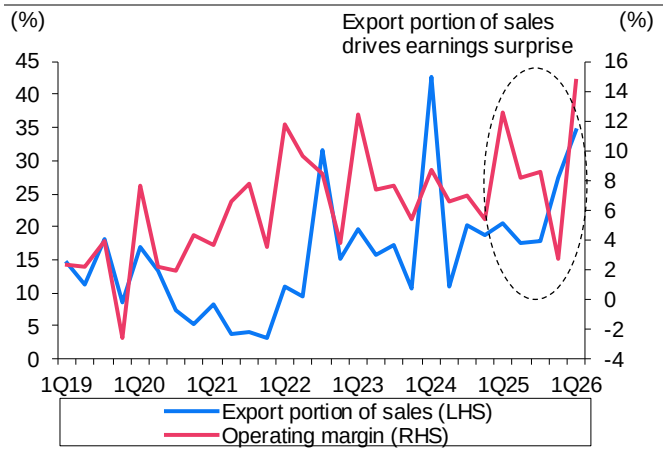
Verification of next quarter's performance required before revisiting valuation and investment recommendation: We raise our target price for the stock to KRW950,000 (based on 51x 2026 P/E, the average for the KRX Machinery & Equipment index), reflecting the 1Q strong results, rising export demand, and the sector's valuation surge. However, given the significant share price appreciation (up 106% ytd and 70% since the Iran conflict), we see limited upside in the near term. Thus, we downgrade the stock to HOLD. Additionally, the valuation gap with global peers remains a short-term headwind. Easing of valuation concerns should require either: 1) further rerating of domestic and overseas competitors; or 2) additional upward revisions to earnings forecasts (which necessitate confirmation of the sustainability of early export deliveries and potential additional revenue from expanded capacity utilization). Given the stock's substantial price run-up, waiting to confirm next quarter's results should be a prudent strategy.

LIG D&A: 1Q results

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung Securities	Diff (%)
Sales	1,168	1,405	-16.9	908	28.7	1,091	7.0	1,041	12.2
Operating profit	171	39	342.4	110	56.1	117	45.9	83	105.5
Pre-tax profit	177	-16	nm	99	79.3	119	48.3	84	109.3
Net profit	140	5	2,919.0	82	69.9	99	42.0	67	109.6
Margins (%)									
Operating profit	14.7	2.8		12.1		10.7		8.0	
Pre-tax profit	15.1	-1.1		10.9		10.9		8.1	
Net profit	12.0	0.3		9.1		9.0		6.4	

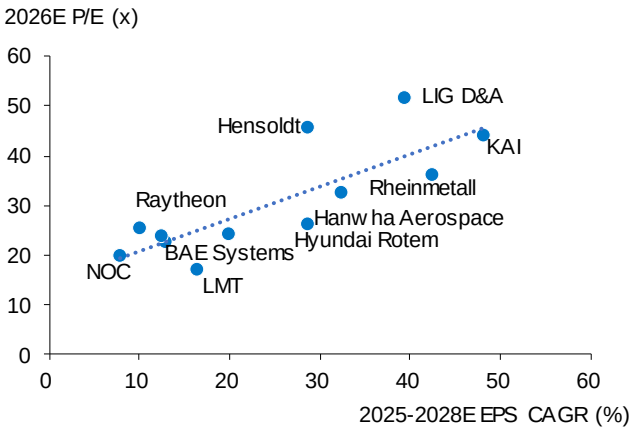
Source: FnGuide, Samsung Securities estimates

LIG D&A: Operating margin vs export portion of sales



Source: Company data

Major defense peers: EPS growth vs P/E multiple



Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**3,276**	**4,307**	**5,120**	**6,047**	**7,099**
Cost of goods sold	2,824	3,644	4,231	4,929	5,717
Gross profit	**453**	**663**	**889**	**1,118**	**1,381**
Gross margin (%)	13.8	15.4	17.4	18.5	19.5
SG&A expenses	223	343	397	454	519
Operating profit	**230**	**319**	**492**	**664**	**863**
Operating margin (%)	7.0	7.4	9.6	11.0	12.2
Non-operating gains (losses)	**-20**	**-41**	**14**	**24**	**10**
Financial profit	28	74	87	101	34
Financial costs	85	35	73	78	24
Equity-method gains (losses)	0	0	0	0	0
Other	36	-80	0	0	0
Pre-tax profit	**210**	**278**	**506**	**687**	**872**
Taxes	-7	41	106	144	183
Effective tax rate (%)	-3.3	14.7	21.0	21.0	21.0
Profit from continuing operations	217	237	400	543	689
Profit from discontinued operations	0	0	0	0	0
Net profit	**217**	**237**	**400**	**543**	**689**
Net margin (%)	6.6	5.5	7.8	9.0	9.7
Net profit (controlling interests)	222	253	408	543	689
Net profit (non-controlling interests)	-5	-16	-8	0	0
EBITDA	309	444	672	870	1,069
EBITDA margin (%)	9.4	10.3	13.1	14.4	15.1
EPS (parent-based) (KRW)	10,078	11,516	18,531	24,681	31,330
EPS (consolidated) (KRW)	9,848	10,795	18,168	24,681	31,330
Adjusted EPS (KRW)*	10,078	11,516	18,531	24,681	31,330

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**3,895**	**5,622**	**6,040**	**7,246**	**9,014**
Cash & equivalents	547	125	852	954	1,634
Accounts receivable	364	511	631	746	875
Inventories	364	593	421	497	583
Other current assets	2,620	4,393	4,137	5,050	5,922
Fixed assets	**2,231**	**2,443**	**2,827**	**3,176**	**3,369**
Investment assets	80	87	80	80	80
Tangible assets	1,371	1,533	1,935	2,262	2,430
Intangible assets	629	647	629	652	676
Other long-term assets	150	175	183	183	183
Total assets	**6,125**	**8,065**	**8,867**	**10,422**	**12,384**
Current liabilities	**4,617**	**6,216**	**6,655**	**7,639**	**8,842**
Accounts payable	364	509	605	714	838
Short-term debt	163	568	450	400	350
Other current liabilities	4,090	5,139	5,601	6,525	7,654
Long-term liabilities	**271**	**373**	**409**	**537**	**727**
Bonds & long-term debt	188	255	280	360	440
Other long-term liabilities	83	118	129	177	287
Total liabilities	**4,888**	**6,589**	**7,065**	**8,176**	**9,569**
Owners of parent equity	**1,211**	**1,430**	**1,756**	**2,200**	**2,769**
Capital stock	110	110	110	110	110
Capital surplus	142	153	153	153	153
Retained earnings	907	1,106	1,432	1,876	2,444
Other	51	61	61	61	61
Non-controlling interests' equity	**27**	**46**	**46**	**46**	**46**
Total equity	**1,237**	**1,476**	**1,802**	**2,246**	**2,815**
Net debt	-176	704	-129	-208	-860

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**952**	**-584**	**1,435**	**659**	**1,074**
Net profit	217	237	400	543	689
Non-cash profit and expenses	130	284	156	179	218
Depreciation	68	89	114	139	157
Amortization	11	35	36	35	37
Other	51	159	6	5	24
Changes in A/L from operating activities	605	-1,105	879	-63	167
Cash flow from investments	**-978**	**-276**	**-516**	**-466**	**-326**
Change in tangible assets	-497	-166	-516	-466	-326
Change in financial assets	-4	-14	0	0	0
Other	-477	-96	0	0	0
Cash flow from financing	**122**	**439**	**-192**	**-91**	**-69**
Change in debt	186	559	-93	30	30
Change in equity	0	11	0	0	0
Dividends	-52	-64	-81	-99	-121
Other	-12	-66	-18	-22	22
Change in cash	102	-422	726	102	679
Cash at beginning of year	445	547	125	852	954
Cash at end of year	547	125	852	954	1,634
Gross cash flow	**347**	**521**	**556**	**722**	**907**
Free cash flow	**455**	**-754**	**915**	**189**	**744**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	41.9	31.5	18.9	18.1	17.4
Operating profit	23.3	39.0	53.9	35.0	30.0
Net profit	23.8	9.6	68.3	35.9	26.9
Adjusted EPS**	26.7	14.3	60.9	33.2	26.9
Per-share data (KRW)					
EPS (parent-based)	10,078	11,516	18,531	24,681	31,330
EPS (consolidated)	9,848	10,795	18,168	24,681	31,330
Adjusted EPS**	10,078	11,516	18,531	24,681	31,330
BVPS	55,031	65,005	79,836	100,017	125,847
DPS (common)	2,400	2,950	3,700	4,500	5,500
Valuations (x)					
P/E***	85.9	75.2	46.7	35.1	27.6
P/B***	15.7	13.3	10.8	8.7	6.9
EV/EBITDA	61.1	44.5	28.2	21.6	17.0
Ratios (%)					
ROE	19.6	19.2	25.6	27.4	27.7
ROA	4.5	3.6	4.8	5.6	6.0
ROIC	24.2	15.8	0.0	0.0	0.0
Payout ratio	23.8	25.6	20.0	18.2	17.6
Dividend yield (common)	0.3	0.3	0.4	0.5	0.6
Net debt to equity	-14.2	47.7	-7.1	-9.2	-30.5
Interest coverage (x)	19.2	25.3	20.2	28.4	35.5

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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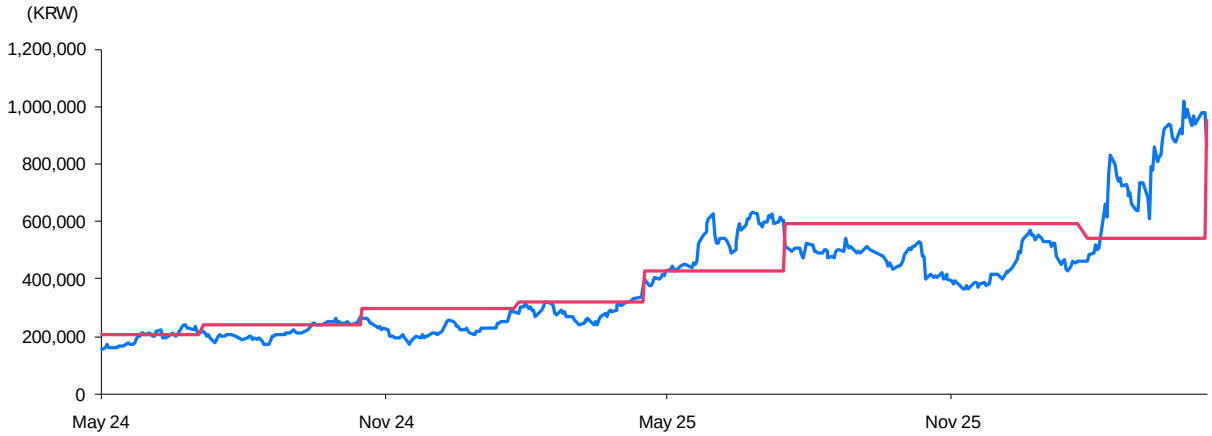

Rating changes over past two years (adjusted share prices)

Date	2024/4/2	7/29	11/8	2025/2/17	5/9	8/8	11/7	2026/2/19	5/8
Recommendation	BUY	BUY	BUY	BUY	BUY	HOLD	BUY	BUY	HOLD
Target price (KRW)	205000	240000	300000	320000	430000	595000	595000	540000	950000
Gap* (average)	-10.44	-9.45	-25.01	-10.10	21.59	-17.12	-25.25	44.60	
(max or min)**	16.83	12.08	-3.33	16.41	46.74	-8.91	-4.20	88.89	

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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Industry

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Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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