COMPANY UPDATE

2026. 5. 19

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Lotte Energy Materials (020150)

AI circuit foil upbeat, but elecfoil lagging

- Lotte Energy Materials' 1Q results beat consensus, but excluding one-offs, they would have been in line with it.
- Growth in high-margin AI circuit foil shipments is positive, but costs have risen due to the ramp-up of Malaysia Plant #5.
- Although we raise our target price for the stock to KRW63,000, we maintain our HOLD rating.

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WHAT'S THE STORY?

1Q results beat consensus: Lotte Energy Materials reported 1Q sales of KRW159.8b and an operating loss of KRW5b, the latter beating FnGuide consensus of an operating loss of KRW22.5b. Copper foil shipments fell 5% y-y—while AI-use circuit foil shipments remained flat q-q, elecfoil volumes dropped, weighed on by lower-than-expected EV demand from a key client. Excluding one-off gains (KRW18b) from raw material lag effects (stemming from copper price hike) and a reversal of inventory revaluation allowance, core operating profitability would have remained in line with market expectations.

Expectations for high-margin AI circuit foil ramp-up vs cost pressures from Malaysia Plant #5: High-grade HVLP1 circuit boards for AI applications have begun volume shipments, with full-scale production of HVLP3–4 grades expected in 2H, which should drive revenue growth and margin improvement. Elecfoil demand is also supported by increasing shipments to North American ESS and power tool customers. However, full-scale operation of Malaysia Plant #5 has led to higher depreciation and initial ramp-up costs, making profitability improvement unlikely before 3Q.

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW63,000	5.4%
Current price	**KRW59,800**	
Market cap	KRW3.1t/USD2.1b	
Shares (float)	52,365,463 (53.0%)	
52-week high/low	KRW78,500/KRW19,730	
Avg daily trading value (60-day)	KRW20.9b/ USD14.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Energy Materials (%)	13.0	71.3	184.8
Vs Kospi (%pts)	-6.9	-9.9	-0.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	63,000	48,000	31.3%
2026E EPS	-544	-544	0.0%
2027E EPS	437	437	0.0%

SAMSUNG vs THE STREET

No of estimates	13
Target price	81,085
Recommendation	3.9

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	159.8	1.2	-6.5	0.0	-8.1
Operating profit	-5.0	nm	nm	nm	nm
Pre-tax profit	10.9	nm	nm	0.1	nm
Net profit	3.9	nm	nm	0.3	nm
Margins (%)					
Operating profit	-3.1				
Pre-tax profit	6.8				
Net profit	2.4				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	n/a	n/a	136.9
P/B	1.0	1.9	1.9
EV/EBITDA	n/a	47.8	21.9
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	nm	nm	nm
ROE (%)	-10.5	-1.7	1.4
Per-share data (KRW)			
EPS	-3,065	-544	437
BVPS	31,623	30,875	31,311
DPS	0	0	0

Raising target price to KRW63,000, but maintaining HOLD: We raise our target price for the stock by 31% to KRW63,000, reflecting an increase in the target P/B multiple from 1.6x to 2.0x, driven by a rise in the peer group average P/B (from 3.6x to 4.3x; Bloomberg). We maintain our HOLD rating. Although the stock has already surged 88% since April on AI circuit foil growth expectations, meaningful profit improvement in the core elecfoil segment remains uncertain and requires further monitoring.

1Q review

(KRWb)	1Q26	1Q25	4Q25	Chg	
				(% y-y)	(% q-q)
Sales	159.8	158.0	170.9	1.2	-6.5
Operating profit	-5.0	-46.0	-33.8	Remained neg	Remained neg
Pre-tax profit	10.9	-64.9	-31.6	Turned pos	Turned pos
Net profit	3.9	-54.8	-36.4	Turned pos	Turned pos
Margins (%)					
Operating profit	-3.1	-29.1	-19.8		
Pre-tax profit	6.8	-41.1	-18.5		
Net profit	2.4	-34.7	-21.3		

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	910.2	898.2	-1.3	1,147.8	1,147.8	0.0
Operating profit	-49.8	-35.4	nm	35.3	35.3	0.0
Pre-tax profit	-50.1	-36.4	nm	29.8	28.2	-5.3
Net profit	-41.6	-30.2	nm	26.8	25.4	-5.3

Source: Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	158.0	204.9	143.7	170.9	159.8	208.0	255.8	274.6	234.3	278.3	321.5	313.7	677.5	898.2	1,147.8
Operating profit	-46.0	-31.1	-34.3	-33.8	-5.0	-22.9	-10.2	2.7	4.7	8.3	12.9	9.4	-145.2	-35.4	35.3
Operating margin (%)	-29.1	-15.2	-23.9	-19.8	-3.1	-11.0	-4.0	1.0	2.0	3.0	4.0	3.0	-21.4	-3.9	3.1

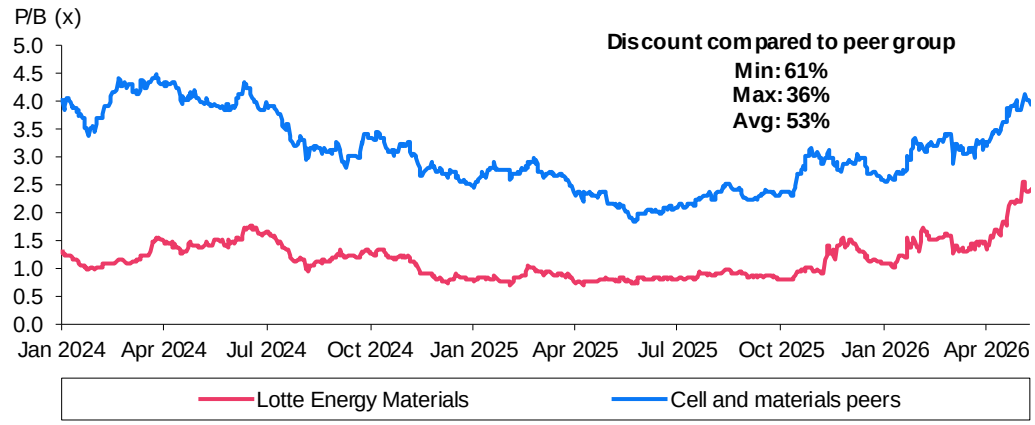
Source: Company data, Samsung Securities estimates

Target-price calculation

(KRW)		
BVPS	30,984	2026E-2027E
Target P/B (x)	2.0	53.2% discount to 2026E average (4.3x) of peers (cell & materials companies) (53.2% is the average discount over Nov 10, 2025-May 8, 2026)
Fair value per share	62,464	
Target price	**63,000**	
Current price	71,400	As of May 8 close
Upside (%)	-11.8%	

Source: Bloomberg, Samsung Securities estimates

P/B ratio: Lotte Energy Materials vs peer group



Source: Bloomberg, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**902**	**678**	**898**	**1,148**	**1,330**
Cost of goods sold	891	744	830	980	1,116
Gross profit	**11**	**-67**	**69**	**168**	**213**
Gross margin (%)	1.3	-9.9	7.6	14.7	16.1
SG&A expenses	76	78	104	133	154
Operating profit	**-64**	**-145**	**-35**	**35**	**60**
Operating margin (%)	-7.1	-21.4	-3.9	3.1	4.5
Non-operating gains (losses)	**48**	**-50**	**-1**	**-7**	**-9**
Financial profit	83	23	13	15	18
Financial costs	38	74	14	22	27
Equity-method gains (losses)	0	0	0	0	0
Other	3	1	-0	-0	-0
Pre-tax profit	**-16**	**-195**	**-36**	**28**	**50**
Taxes	-45	-28	-6	3	5
Effective tax rate (%)	278.4	14.3	17.0	10.0	10.0
Profit from continuing operations	29	-167	-30	25	45
Profit from discontinued operations	0	0	0	0	0
Net profit	**29**	**-167**	**-30**	**25**	**45**
Net margin (%)	3.2	-24.7	-3.4	2.2	3.4
Net profit (controlling interests)	6	-158	-28	23	41
Net profit (non-controlling interests)	22	-10	-2	3	5
EBITDA	22	-52	65	143	159
EBITDA margin (%)	2.4	-7.7	7.3	12.5	11.9
EPS (parent-based) (KRW)	137	-3,065	-544	437	776
EPS (consolidated) (KRW)	625	-3,252	-577	485	862
Adjusted EPS (KRW)*	137	-3,065	-544	437	776

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,031**	**959**	**1,236**	**1,548**	**1,799**
Cash & equivalents	419	105	42	36	48
Accounts receivable	164	105	179	228	264
Inventories	333	299	419	522	604
Other current assets	115	450	596	762	883
Fixed assets	**1,251**	**1,250**	**1,251**	**1,195**	**1,148**
Investment assets	24	26	28	30	32
Tangible assets	1,128	1,081	1,085	1,031	986
Intangible assets	29	38	33	29	25
Other long-term assets	70	105	105	105	105
Total assets	**2,282**	**2,209**	**2,486**	**2,743**	**2,947**
Current liabilities	**118**	**202**	**276**	**305**	**427**
Accounts payable	16	22	25	32	37
Short-term debt	18	19	169	169	269
Other current liabilities	84	162	82	105	122
Long-term liabilities	**262**	**213**	**458**	**660**	**697**
Bonds & long-term debt	107	63	263	413	413
Other long-term liabilities	156	150	195	247	284
Total liabilities	**380**	**415**	**734**	**965**	**1,124**
Owners of parent equity	**1,334**	**1,656**	**1,617**	**1,640**	**1,680**
Capital stock	23	26	26	26	26
Capital surplus	929	1,198	1,198	1,198	1,198
Retained earnings	237	84	55	78	119
Other	144	348	338	338	338
Non-controlling interests' equity	**568**	**138**	**136**	**138**	**143**
Total equity	**1,902**	**1,793**	**1,753**	**1,778**	**1,823**
Net debt	-346	-318	-137	-130	-151

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**87**	**-11**	**-69**	**46**	**73**
Net profit	29	-167	-30	25	45
Non-cash profit and expenses	34	101	96	118	113
Depreciation	85	88	96	104	95
Amortization	1	6	5	4	4
Other	-53	8	-5	10	14
Changes in A/L from operating activities	29	71	-139	-88	-72
Cash flow from investments	**97**	**-374**	**-236**	**-204**	**-162**
Change in tangible assets	-87	-63	-100	-50	-50
Change in financial assets	10	-336	-136	-154	-112
Other	174	25	0	0	-0
Cash flow from financing	**-345**	**48**	**252**	**152**	**102**
Change in debt	-78	49	252	152	102
Change in equity	-209	272	0	0	0
Dividends	-9	0	0	0	0
Other	-49	-273	0	0	0
Change in cash	-133	-314	-63	-6	12
Cash at beginning of year	552	419	105	42	36
Cash at end of year	419	105	42	36	48
Gross cash flow	**62**	**-66**	**65**	**143**	**159**
Free cash flow	**-9**	**-74**	**-169**	**-4**	**23**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	11.5	-24.9	32.6	27.8	15.8
Operating profit	nm	nm	nm	nm	68.6
Net profit	nm	nm	nm	nm	77.7
Adjusted EPS**	nm	nm	nm	nm	77.7
Per-share data (KRW)					
EPS (parent-based)	137	-3,065	-544	437	776
EPS (consolidated)	625	-3,252	-577	485	862
Adjusted EPS**	137	-3,065	-544	437	776
BVPS	28,922	31,623	30,875	31,311	32,088
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	172.8	n/a	n/a	136.9	77.1
P/B***	0.8	1.0	1.9	1.9	1.9
EV/EBITDA	60.5	n/a	47.8	21.9	19.7
Ratios (%)					
ROE	0.5	-10.5	-1.7	1.4	2.4
ROA	1.2	-7.4	-1.3	1.0	1.6
ROIC	7.4	-8.0	-1.8	1.8	3.0
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	-18.2	-17.7	-7.8	-7.3	-8.3
Interest coverage (x)	-4.9	-19.9	-2.6	1.6	2.2

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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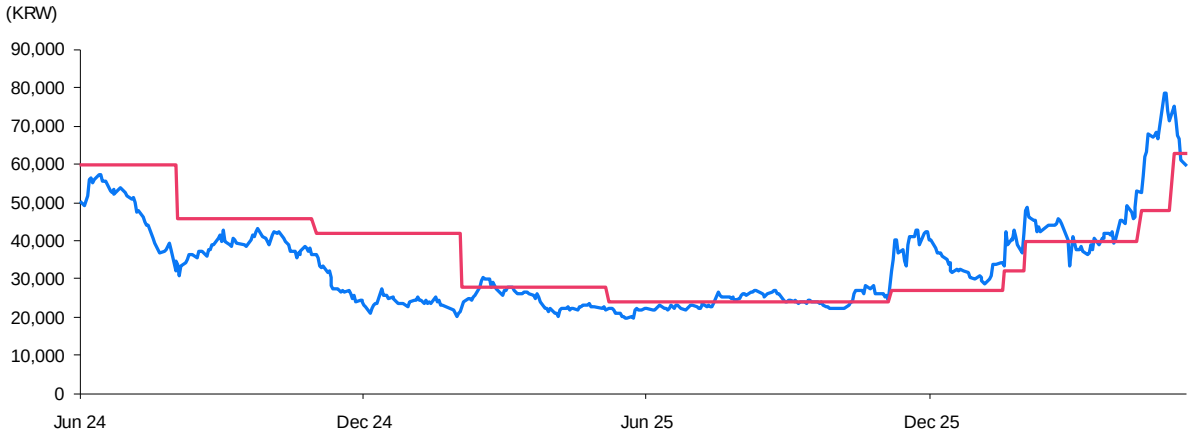

Rating changes over past two years (adjusted share prices)

Date	2024/4/1	8/7	11/4	2025/2/6	5/12	11/10	2026/1/21	2/4	4/20	5/11
Recommendation	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	60000	46000	42000	28000	24000	27000	32000	40000	48000	63000
Gap* (average)	-21.48	-15.99	-39.51	-11.41	0.15	31.34	26.27	6.08	42.74	
(max or min)**	-4.50	-6.09	-14.88	8.93	17.50	6.48	15.00	-16.88	18.13	

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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