

COMPANY UPDATE

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EV/Mobility Team

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▶ AT A GLANCE

BUY

Target price **KRW510,000** **43.9%**

Current price **KRW354,500**

Market cap	KRW83.0t/USD54.2b
Shares (float)	234,000,000 (20.3%)
52-week high/low	KRW514,000/KRW305,000
Avg daily trading value (60-day)	KRW220.2b/ USD143.9m

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Energy Solution (%)	-14.4	-6.2	14.2
Vs Kospi (%pts)	-13.2	-47.3	-56.7

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	600,000	600,000	0.0%
2026E EPS	-1,065	-509	109.2%
2027E EPS	10,749	11,589	-7.2%

▶ SAMSUNG vs THE STREET

No of estimates	23
Target price	575,261
Recommendation	4.0

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



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LG Energy Solution (373220)

2Q results hit by ESS production disruption

- LG Energy Solution reported 2Q preliminary results on Jul 7. Its operating profit came in at KRW113.3b (+KRW321.1b q-q), below consensus (KRW203.4b), due to the deferral of certain compensation receipts and disrupted ESS production.
- We cut our target price to KRW510,000, reflecting a recent drop in its peers' multiples and our revised 2027 EPS estimate. But we maintain BUY rating on prospect of solid 2H earnings.

WHAT'S THE STORY?

View - 2H earnings momentum solid: We cut our target price to KRW510,000, reflecting a recent drop in its peers' multiples and our revised 2027 EPS estimate. Yet, our BUY rating remains unchanged, as: 1) ESS new orders (equivalent to 90% of the full-year order target) are concentrated in 2H; and 2) production bottlenecks affecting ESS modules and packs should resolve in 4Q, driving up the Advanced Manufacturing Production Credits (AMPCs; created under the US Inflation Reduction Act) and other profitability.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	23,672	30,319	42,215	52,130
Operating profit (KRWb)	1,346	1,165	4,897	7,505
Net profit (adj) (KRWb)	81	-133	3,662	6,358
EPS (adj) (KRW)	-4,585	-1,065	10,749	20,218
EPS (adj) growth (% y-y)	nm	nm	nm	88.1
EBITDA margin (%)	14.3	19.4	26.8	17.7
ROE (%)	-5.2	-1.2	11.9	19.0
P/E (adj) (x)	n/a	n/a	33.0	17.5
P/B (x)	4.3	4.2	3.7	3.0
EV/EBITDA (x)	33.6	19.1	9.7	11.2
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

2Q preliminary results miss consensus: LGES reported 2Q sales of KRW7.56t (+15% q-q), beating consensus by 6%. But its operating profit of KRW113.3b (+KRW321.1b q-q) is 44% below consensus (KRW203.4b; FnGuide). The operating profit reflects an estimated operating profit of KRW149.7b (OPM of 6.4%) from the small battery business, operating loss of KRW187.6b (OPM of -18.6%) from the EV battery business, an operating loss of KRW89.8b (OPM of -4.3%) from the ESS business, and KRW241b (+27% q-q) in IRA AMPC. Operating profit fell short of our estimate (KRW226.1b) by KRW112.8b—specifically, operating loss from the EV battery business and AMPC fell short by a respective KRW46.9b and KRW55.5b. Some of compensation payments to the EV battery business were delayed to 3Q, while persistent production bottlenecks among outsourced ESS battery module and pack suppliers led to lower-than-anticipated AMPC receipts.

ESS production disruptions to ease in 2H26: LGES is rapidly scaling up its North American ESS production capacity. While its ESS cell manufacturing remains on track, the firm missed its production targets in 1Q and 2Q due to the bottlenecks at third-party module and pack suppliers. Sebang Global Battery’s subsidiary is set to begin pilot production of ESS modules for LGES from 3Q. As a result, the impact of LGES’s ESS shipment delays should be largely resolved by 4Q.

LG Energy Solution: P/E and P/B valuations

(KRW)	Value	Note
P/E valuation		
12MF net profit (KRWb)	2,515	Based on the average net profit attributable to controlling shareholders for 2027
Total number of shares ('000)	234,000	
12MF EPS	10,749	Based on the average net profit attributable to controlling shareholders for 2027; Revised down from KRW12,085
Target P/E (x)	47.8	Trading at an 70% premium to global peers (CATL, BYD, Eve Energy, Samsung SDI); Revised down from 52.3x
Fair value per share (A)	513,592	
P/B valuation		
12MF book value (KRWb)	22,482	Based on the average equity attributable to controlling shareholders for 2027
Total number of shares ('000)	234,000	
12MF BVPS	96,076	Based on the average equity attributable to controlling shareholders for 2027; Revised down from KRW99,013
Target P/B (x)	5.3	Trading at an 70% premium to global peers (CATL, BYD, Eve Energy); Revised up from 5.9x
Fair value per share (B)	510,418	
Average fair value per share [(A+B)/2]	512,005	
Target price (KRW)	510,000	Revised down by 15% from KRW600,000
Current price (KRW)	354,500	As of Jul 6 close
Upside (%)	43.9	
2026 implied P/E (x)	nm	
2027 implied P/E (x)	47.4	
2026 implied P/B (x)	6.0	
2027 implied P/B (x)	5.3	

Source: Bloomberg, Samsung Securities estimates

LG Energy Solution: 2Q preliminary results and estimates*

(KRWb)	2Q26P	1Q26	2Q25	Consensus	Samsung	Diff (%)			
						Chg (q-q)		Chg (y-y)	
						Consensus	Samsung	Consensus	Samsung
Sales	7,560	6,555	5,598	7,184	7,887	15.3	35.0	5.2	-4.1
Operating profit	113	-208	34	203	226	Turned pos	228.9	44.3	-49.9
Pre-tax profit	-141	-859	-27	-24	65	Remained neg	Remained neg	Remained neg	Turned neg
Net profit	-128	-944	91	76	58	Remained neg	Remained neg	Turned neg	Turned neg
Attributable to parent	-122	-676	-297	2	-0	Remained neg	Remained neg	Turned neg	Remained neg
Margins (%)									
Operating profit	1.5	-3.2	0.6	2.8	2.9				
Pre-tax profit	-1.9	-13.1	-0.5	-0.3	0.8				
Net profit	-1.7	-14.4	1.6	1.1	0.7				
Attributable to parent	-1.6	-10.3	-5.3	0.0	-0.0				

Note: *Sales and operating profit figures published by company—other figures are our estimates
Source: Company data, FnGuide, Samsung Securities estimates

LG Energy Solution: 2Q estimates, by division

(KRWb)	2Q26P	1Q26	2Q25	Chg (% q-q)	Chg (% y-y)
Sales	7,560	6,555	5,598	15.3	35.0
Small batteries	2,337	1,999	1,095	16.9	113.5
EV batteries	3,126	2,950	4,087	6.0	-23.5
ESS	2,097	1,606	417	30.6	403.4
Operating profit	113	-208	34	Turned pos	228.9
Small batteries	150	134	-366	11.8	Turned pos
EV batteries	-188	-310	-91	Remained neg	Remained neg
ESS	-90	-222	0	Remained neg	BR
IRAAMPC	241	190	491	27.0	-50.9
Pre-tax profit	-141	-859	-27	Remained neg	Remained neg
Net profit	-128	-944	91	Remained neg	Turned neg
Margins (%)					
Operating profit	1.5	-3.2	0.6		
Small batteries	6.4	6.7	-33.4		
EV batteries	-6.0	-10.5	-2.2		
ESS	-4.3	-13.8	0.0		
Pre-tax profit	-1.9	-13.1	-0.5		
Net profit	-1.7	-14.4	1.6		

Note: Based on consolidated sales and operating profit, as reported by the company
Source: Company data, Samsung Securities estimates

LG Energy Solution: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,452	1,467	1,502	1,440	1,380	1,365	1,423	1,447	1,380
Sales	7,180	5,598	6,065	6,474	6,555	7,560	7,738	8,466	25,620	25,319	30,319	42,215
Growth (% q-q)	11.3	-22.0	8.3	6.7	1.2	15.3	2.4	9.4				
Growth (% y-y)	17.2	-9.1	-11.8	0.4	-8.7	35.0	27.6	30.8	-24.1	-1.2	19.8	39.2
Small batteries	2,103	1,095	1,653	1,976	1,999	2,337	2,300	2,246	7,363	6,826	8,882	9,363
Growth (% q-q)	29.9	-47.9	51.0	19.5	1.2	16.9	-1.6	-2.3				
Growth (% y-y)	-3.3	-40.8	-3.9	22.0	-4.9	113.5	39.1	13.7	-22.9	-7.3	30.1	5.4
EV batteries	4,568	4,087	3,784	3,068	2,950	3,126	2,837	2,814	16,408	15,508	11,727	12,971
Growth (% q-q)	8.9	-10.5	-7.4	-18.9	-3.9	6.0	-9.2	-0.8				
Growth (% y-y)	22.2	2.0	-15.3	-26.8	-35.4	-23.5	-25.0	-8.3	-24.5	-5.5	-24.4	10.6
ESS batteries	510	417	628	1,431	1,606	2,097	2,601	3,406	1,849	2,985	9,710	19,881
Growth (% q-q)	-20.2	-18.3	50.8	127.8	12.3	30.6	24.1	30.9				
Growth (% y-y)	137.7	35.2	-8.7	124.0	215.0	403.4	314.1	138.1	-24.5	61.4	225.3	104.8
EBITDA	1,689	917	1,519	913	887	1,293	1,748	1,940	3,621	5,037	5,868	11,319
Growth (% q-q)	166.6	-45.7	65.6	-39.9	-2.8	45.8	35.2	11.0				
Growth (% y-y)	106.9	-1.4	22.4	44.1	-47.5	40.9	15.1	112.6	-18.6	39.1	16.5	92.9
Operating profit	832	34	601	-122	-208	113	572	688	575	1,346	1,165	4,897
Growth (% q-q)	Tunedpos	-95.9	1,645.8	Tunedneg	Remainedneg	Tunedpos	404.9	20.2				
Growth (% y-y)	429.0	-82.4	34.1	Remainedneg	Tunedneg	228.9	-4.9	FB	-73.4	134.0	-13.4	320.3
Small batteries	581	-366	115	126	134	150	209	115	195	457	608	602
Growth (% q-q)	Tunedpos	Tunedneg	Tunedpos	9.7	6.3	11.8	39.9	-45.2				
Growth (% y-y)	639.3	Tunedneg	48.9	Tunedpos	-77.0	Tunedpos	82.3	90	-74.3	134.7	33.1	-0.9
EV batteries	-107	-91	87	-488	-310	-188	-10	-9	-880	-599	-517	-21
Growth (% q-q)	Remainedneg	Remainedneg	Tunedpos	Tunedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg				
Growth (% y-y)	Remainedneg	Remainedneg	Tunedpos	Remainedneg	Remainedneg	Remainedneg	Tolumneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
ESS batteries	-99	0	34	-93	-222	-90	-33	58	-219	-158	-286	351
Growth (% q-q)	Remainedneg	Tunedpos	81,331.0	Tunedneg	Remainedneg	Remainedneg	Toremainneg	Tolumpos				
Growth (% y-y)	Remainedneg	Tunedpos	49,214.9	Remainedneg	Remainedneg	Tunedneg	Tolumneg	Tolumpos	Tunedneg	Remainedneg	Toremainneg	Tolumpos
AMPC	458	491	365	333	190	241	406	524	1,480	1,647	1,361	3,966
Growth (% q-q)	21.3	7.2	-25.5	-8.9	-43.0	27.0	68.5	29.0				
Growth (% y-y)	142.2	9.6	-21.6	-11.8	-58.6	-50.9	11.1	57.4	118.7	11.3	-17.4	191.5
Pre-tax profit	365	-27	553	-476	-859	-141	740	301	349	414	41	4,062
Growth (% q-q)	4.5	Tunedneg	Tunedpos	Tunedneg	Tunedneg	Remainedneg	Tolumpos	-59.3				
Growth (% y-y)	63.7	Tunedneg	63.0	Remainedneg	Tunedneg	Remainedneg	33.9	Tolumpos	-82.9	18.7	-90.1	9,803.2
Net profit	227	91	536	-772	-944	-128	667	271	339	81	-133	3,662
Growth (% q-q)	-33.1	-60.0	491.7	Tunedneg	Tunedneg	Remainedneg	Tolumpos	-59.3				
Growth (% y-y)	6.8	Tunedpos	-4.5	Remainedneg	Tunedneg	Tunedneg	24.5	Tolumpos	-79.3	-76.1	Tolumneg	Tolumpos
Attributable to parent	-146	-297	247	-877	-676	-122	464	85	-1,019	-1,073	-249	2,515
Margins (%)												
EBITDA	23.5	16.4	25.0	14.1	13.5	17.1	22.6	22.9	14.1	19.9	19.4	26.8
Operating profit	11.6	0.6	9.9	-1.9	-3.2	1.5	7.4	8.1	2.2	5.3	3.8	11.6
Small batteries	27.6	-33.4	6.9	6.4	6.7	6.4	9.1	5.1	2.6	6.7	6.8	6.4
EV batteries	-2.4	-2.2	2.3	-15.9	-10.5	-6.0	-0.4	-0.3	-5.4	-3.9	-4.4	-0.2
ESS batteries	-19.5	0.0	5.4	-6.5	-13.8	-4.3	-1.3	1.7	-11.9	-5.3	-3.0	1.8
Pre-tax profit	5.1	-0.5	9.1	-7.4	-13.1	-1.9	9.6	3.6	1.4	1.6	0.1	9.6
Net profit	3.2	1.6	8.8	-11.9	-14.4	-1.7	8.6	3.2	1.3	0.3	-0.4	8.7

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	25,620	23,672	30,319	42,215	52,130
Cost of goods sold	22,214	19,440	25,176	33,788	41,444
Gross profit	3,406	4,232	5,144	8,427	10,687
Gross margin (%)	13.3	17.9	17.0	20.0	20.5
SG&A expenses	4,311	4,533	5,339	7,496	9,219
Operating profit	575	1,346	1,165	4,897	7,505
Operating margin (%)	2.2	5.7	3.8	11.6	14.4
Non-operating gains (losses)	-227	-932	-1,124	-835	-605
Financial profit	1,048	1,018	117	272	558
Financial costs	1,261	1,104	953	944	991
Equity-method gains (losses)	-49	-2	-2	-2	-2
Other	35	-844	-286	-162	-171
Pre-tax profit	349	414	41	4,062	6,899
Taxes	10	333	174	400	541
Effective tax rate (%)	2.9	80.5	424.1	9.8	7.8
Profit from continuing operations	339	81	-133	3,662	6,358
Profit from discontinued operations	0	0	0	0	0
Net profit	339	81	-133	3,662	6,358
Net margin (%)	1.3	0.3	-0.4	8.7	12.2
Net profit (controlling interests)	-1,019	-1,073	-249	2,515	4,731
Net profit (non-controlling interests)	1,357	1,154	116	1,147	1,627
EBITDA	3,621	3,391	5,868	11,319	9,241
EBITDA margin (%)	14.1	14.3	19.4	26.8	17.7
EPS (parent-based) (KRW)	-4,354	-4,585	-1,065	10,749	20,218
EPS (consolidated) (KRW)	1,447	345	-568	15,651	27,171
Adjusted EPS (KRW)*	-4,354	-4,585	-1,065	10,749	20,218

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	5,112	4,432	4,155	9,217	13,406
Net profit	339	81	-133	3,662	6,358
Non-cash profit and expenses	4,984	5,524	5,758	7,572	8,722
Depreciation	2,856	3,414	4,444	6,179	7,544
Amortization	190	278	259	243	229
Other	1,939	1,832	1,055	1,151	949
Changes in A/L from operating activities	691	-365	-472	-845	-704
Cash flow from investments	-12,065	-10,881	-6,387	-5,852	-5,258
Change in tangible assets	-12,324	-10,758	-6,000	-5,400	-4,860
Change in financial assets	-277	-167	-181	-325	-271
Other	536	44	-206	-127	-127
Cash flow from financing	5,382	6,286	-1,657	1,178	1,229
Change in debt	4,383	7,124	-1,657	1,178	1,229
Change in equity	0	0	0	0	0
Dividends	0	0	0	0	0
Other	998	-838	0	0	0
Change in cash	-1,170	-119	-3,061	4,503	9,342
Cash at beginning of year	5,069	3,899	3,779	719	5,221
Cash at end of year	3,899	3,779	719	5,221	14,563
Gross cash flow	5,323	5,604	5,625	11,235	15,080
Free cash flow	-7,287	-6,402	-1,845	3,817	8,546

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	15,327	18,412	19,461	31,317	46,788
Cash & equivalents	3,899	3,779	719	5,221	14,563
Accounts receivable	4,944	4,311	5,522	7,688	9,494
Inventories	4,552	4,350	5,572	7,758	9,581
Other current assets	1,932	5,971	7,648	10,649	13,150
Fixed assets	44,979	48,736	49,521	48,990	46,510
Investment assets	1,272	1,522	1,712	2,052	2,336
Tangible assets	38,350	40,795	42,351	41,572	38,888
Intangible assets	1,285	1,592	1,483	1,390	1,311
Other long-term assets	4,073	4,827	3,975	3,975	3,975
Total assets	60,307	67,148	68,981	80,306	93,298
Current liabilities	12,055	16,785	15,947	21,064	25,304
Accounts payable	2,705	2,153	2,757	3,839	4,741
Short-term debt	1,291	2,681	2,681	2,681	2,681
Other current liabilities	8,058	11,952	10,509	14,544	17,883
Long-term liabilities	17,285	21,041	23,846	26,392	28,785
Bonds & long-term debt	12,641	15,513	17,530	18,665	19,883
Other long-term liabilities	4,644	5,528	6,316	7,727	8,902
Total liabilities	29,340	37,826	39,793	47,455	54,089
Owners of parent equity	21,116	20,216	19,966	22,482	27,213
Capital stock	117	117	117	117	117
Capital surplus	17,165	17,165	17,165	17,165	17,165
Retained earnings	1,397	332	83	2,598	7,329
Other	2,437	2,602	2,602	2,602	2,602
Non-controlling interests' equity	9,850	9,106	9,222	10,369	11,996
Total equity	30,967	29,322	29,189	32,851	39,209
Net debt	11,493	18,690	20,080	16,732	8,599

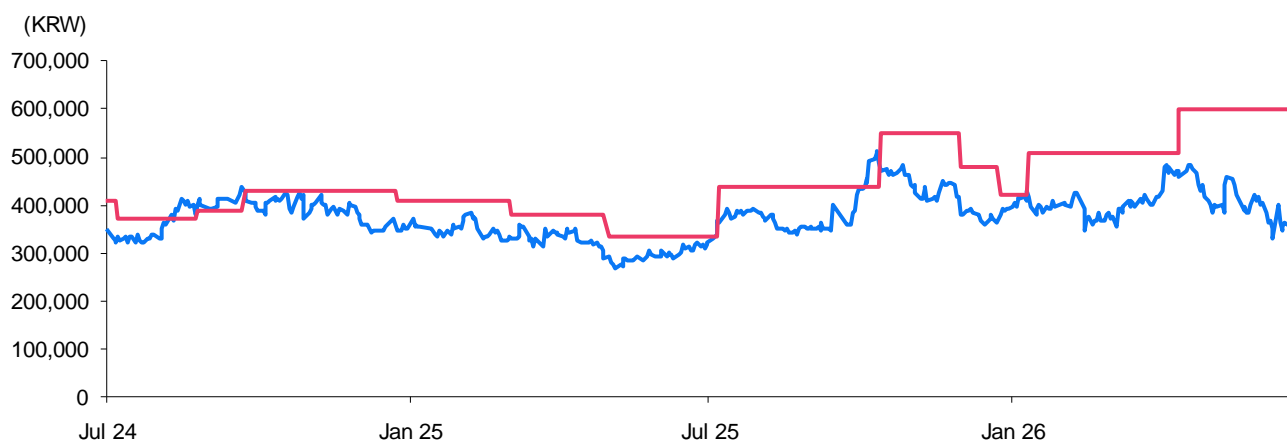
Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-24.1	-7.6	28.1	39.2	23.5
Operating profit	-73.4	134.0	-13.4	320.3	53.2
Net profit	-79.3	-76.1	nm	nm	73.6
Adjusted EPS**	nm	nm	nm	nm	88.1
Per-share data (KRW)					
EPS (parent-based)	-4,354	-4,585	-1,065	10,749	20,218
EPS (consolidated)	1,447	345	-568	15,651	27,171
Adjusted EPS**	-4,354	-4,585	-1,065	10,749	20,218
BVPS	90,240	86,391	85,326	96,076	116,294
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	n/a	n/a	33.0	17.5
P/B***	3.9	4.3	4.2	3.7	3.0
EV/EBITDA	28.4	33.6	19.1	9.7	11.2
Ratios (%)					
ROE	-4.9	-5.2	-1.2	11.9	19.0
ROA	0.6	0.1	-0.2	4.9	7.3
ROIC	1.5	0.6	-7.5	8.4	12.9
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	37.1	63.7	68.8	50.9	21.9
Interest coverage (x)	1.0	1.6	1.2	5.2	7.6

Compliance notice

- As of 7/6 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 7/6 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/6/20	7/8	7/25	9/11	10/10	2025/1/10	3/21	5/19	7/25	10/31	12/18	2026/1/12
Recommendation	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	HOLD	HOLD	HOLD
Target price (KRW)	470000	410000	370000	390000	430000	410000	380000	335000	440000	550000	480000	420000
Gap* (average)	-27.55	-15.22	-3.89	5.00	-9.14	-14.77	-12.67	-10.19	-12.74	-19.50	-21.65	-3.83
(max or min)**	-23.62	-8.54	11.35	0.38	-0.70	-5.98	-5.26	9.85	16.82	-11.91	-18.65	2.62

Date	1/29	4/30	7/7
Recommendation	BUY	BUY	BUY
Target price (KRW)	510000	600000	510000
Gap* (average)	-20.82	-32.15	
(max or min)**	-5.00	-19.50	

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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- HOLD** Expected to increase/decrease in value by less than 15% within 12 months
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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 2026.06.30

BUY(85.5%) HOLD(14.5%) SELL(0%)

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General

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