COMPANY UPDATE

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LS Electric (010120)

Strong earnings keep the story intact

- LS Electric delivered strong 2Q results, underpinned by sustained growth in core businesses.
- Its 2Q order intake significantly exceeded expectations, driven by strong wins in short-lead-time projects—a positive development.
- Unlike competitors, the company has a short lag between order booking and revenue recognition, enabling upward revisions to near-term earnings forecasts based on order momentum. Given this dynamic, we maintain BUY, even amid valuation pressures.

AT A GLANCE

BUY

Target price	KRW260,000	16.3%
Current price	**KRW223,500**	
Market cap	KRW33.5t/USD22.8b	
Shares (float)	150,000,000 (50.7%)	
52-week high/low	KRW318,500/KRW51,900	
Avg daily trading value (60-day)	KRW316.5b/ USD215.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LS Electric (%)	-3.9	119.5	299.1
Vs Kospi (%pts)	11.1	54.4	79.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	260,000	220,000	18.2%
2026E EPS	3,805	3,443	10.5%
2027E EPS	5,587	4,323	29.2%

SAMSUNG vs THE STREET

No of estimates	15
Target price	266,000
Recommendation	4.0

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

WHAT'S THE STORY?

2Q review—Delivers strong earnings performance: LS Electric reported that its 2Q operating profit surged 64% y-y, exceeding elevated consensus by 9%. Core electric business continued its growth momentum. Within the business, the power equipment segment maintained its margin, despite temporary spikes in raw material costs. With raw material prices stabilizing and higher-margin projects beginning to contribute to revenue, we expect simultaneous growth in both sales and profitability in 2H. Meanwhile, profitability in the automation business rebounded, and earnings from the renewable energy business and subsidiaries (both previously drags on overall earnings) also improved.

Strong order momentum: 2Q orders reached KRW2.1t—a 243% y-y and 92% q-q increase. Cumulative orders for 1H already reached 85% of full-year 2025 levels. Full-year 2026 orders are now projected to reach KRW6t, 1.6x that of 2025. Notably, the proportion of orders related to data centers has expanded significantly—a positive development. Data center projects typically have short lead times, meaning revenue and profit contributions will arrive earlier than anticipated. Unlike competitors, LS Electric's short cycle should provide a solid foundation for upward revisions to near-term earnings forecasts.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	1,577	32.2	14.6	4.0	5.4
Operating profit	179	64.4	41.0	16.2	8.9
Pre-tax profit	157	50.9	2.2	5.7	-4.9
Net profit	119	76.8	-1.6	4.7	-2.8
Margins (%)					
Operating profit	11.3				
Pre-tax profit	10.0				
Net profit	7.5				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	23.4	58.7	40.0
P/B	3.2	13.3	10.4
EV/EBITDA	61.1	37.9	26.2
Div yield (%)	1.3	0.3	0.4
EPS growth (% y-y)	20.1	-60.2	46.9
ROE (%)	14.7	24.8	29.1
Per-share data (KRW)			
EPS	9,554	3,805	5,587
BVPS	68,992	16,857	21,544
DPS	3,000	700	900

Samsung Securities

Maintaining BUY despite valuation burden: We significantly raise our earnings outlook and increase our target price to KRW260,000 (derived by first discounting 2028 EPS—reflecting planned capacity expansion—at WACC, then applying the 2026 Korean industrial equipment sector average P/E of 36.5x, FnGuide). The stock now trades at a substantial premium to domestic peers, driven by data center momentum. This premium is also interpreted as a valuation burden. Nevertheless, we maintain BUY, noting that the valuation premium may ease over time led by the strength of the order pipeline and continued upward earnings revisions. Near-term profits should benefit from stabilizing raw material costs; long-term profits could see further upside from expanded US capacity investments. As time passes, future earnings increasingly drive valuation, and valuation is ultimately determined by growth. Even without further earnings upgrades, LS Electric's earnings growth remains higher than peers. Valuation multiples for 'overseas' peers also remain robust.

LS Electric: 2Q review

(KRWb)	2Q26	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung Securities	Diff (%)
Sales	1,577	1,377	14.6	1,193	32.2	1,497	5.4	1,517	4.0
Operating profit	179	127	41.0	109	64.4	164	8.9	154	16.2
Pre-tax profit	157	154	2.2	104	50.9	165	-4.9	149	5.7
Net profit	119	121	-1.6	67	76.8	122	-2.8	113	4.7
Margins (%)									
Operating profit	11.3	9.2		9.1		11.0		10.1	
Pre-tax profit	10.0	11.2		8.7		11.0		9.8	
Net profit	7.5	8.8		5.6		8.2		7.5	

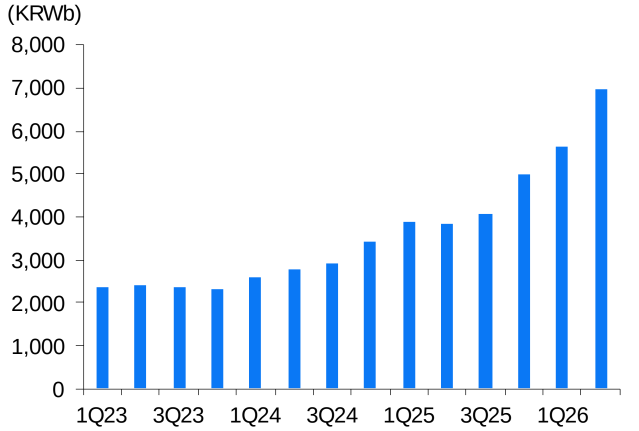
Source: FnGuide, Samsung Securities estimates

LS Electric: Divisional results

(KRWb)	2Q26	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)
Sales	1,577	1,377	14.6	1,193	32.2
Electric*	1,091	958	13.9	812	34.4
Excluding renewables	1,017	911	11.6	747	36.0
Automation	98	82	19.2	86	13.5
Subsidiaries	388	336	15.4	294	31.6
Operating margin (%)					
Electric*	12.6	11.0		11.2	
Excluding renewables	13.6	12.6		13.4	
Automation	9.6	3.2		5.2	
Subsidiaries	3.3	-0.7		2.2	

Note: *Including electric power equipment, electric infrastructure, and renewables
Source: Company data

LS Electric: Order backlog



Source: Company data

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**4,552**	**4,966**	**6,517**	**7,915**	**10,180**
Cost of goods sold	3,644	3,914	5,005	5,919	7,538
Gross profit	**908**	**1,051**	**1,513**	**1,997**	**2,643**
Gross margin (%)	19.9	21.2	23.2	25.2	26.0
SG&A expenses	518	625	759	884	1,075
Operating profit	**390**	**426**	**753**	**1,112**	**1,567**
Operating margin (%)	8.6	8.6	11.6	14.1	15.4
Non-operating gains (losses)	**-56**	**-16**	**-15**	**-17**	**-2**
Financial profit	39	29	46	57	50
Financial costs	55	60	53	52	51
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	-40	15	-7	-22	0
Pre-tax profit	**333**	**410**	**739**	**1,096**	**1,566**
Taxes	91	126	174	257	368
Effective tax rate (%)	27.3	30.7	23.5	23.5	23.5
Profit from continuing operations	242	284	565	838	1,198
Profit from discontinued operations	0	0	0	0	0
Net profit	**242**	**284**	**565**	**838**	**1,198**
Net margin (%)	5.3	5.7	8.7	10.6	11.8
Net profit (controlling interests)	239	287	571	838	1,198
Net profit (non-controlling interests)	4	-2	-6	0	0
EBITDA	503	559	898	1,281	1,761
EBITDA margin (%)	11.1	11.3	13.8	16.2	17.3
EPS (parent-based) (KRW)	7,957	9,554	3,805	5,587	7,986
EPS (consolidated) (KRW)	8,075	9,475	3,767	5,587	7,986
Adjusted EPS (KRW)*	7,957	230	300	443	776

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**3,052**	**3,357**	**4,096**	**5,173**	**6,869**
Cash & equivalents	660	763	819	1,225	1,829
Accounts receivable	1,020	982	1,196	1,453	1,869
Inventories	510	553	726	881	1,133
Other current assets	862	1,059	1,356	1,614	2,039
Fixed assets	**1,433**	**1,600**	**1,766**	**1,958**	**2,126**
Investment assets	151	223	223	222	222
Tangible assets	861	979	1,151	1,348	1,520
Intangible assets	188	175	170	165	161
Other long-term assets	233	223	223	223	223
Total assets	**4,485**	**4,957**	**5,863**	**7,131**	**8,995**
Current liabilities	**1,846**	**1,865**	**2,152**	**2,480**	**3,012**
Accounts payable	408	440	536	651	837
Short-term debt	381	302	275	275	275
Other current liabilities	1,057	1,122	1,342	1,555	1,900
Long-term liabilities	**749**	**951**	**1,110**	**1,348**	**1,662**
Bonds & long-term debt	569	773	723	713	703
Other long-term liabilities	179	178	387	635	959
Total liabilities	**2,595**	**2,815**	**3,262**	**3,828**	**4,674**
Owners of parent equity	**1,839**	**2,070**	**2,529**	**3,232**	**4,249**
Capital stock	150	150	150	150	150
Capital surplus	-24	-18	-18	-18	-18
Retained earnings	1,743	1,939	2,405	3,108	4,126
Other	-31	-1	-8	-8	-8
Non-controlling interests' equity	**51**	**72**	**72**	**72**	**72**
Total equity	**1,890**	**2,141**	**2,600**	**3,303**	**4,321**
Net debt	475	542	399	-16	-634

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**230**	**300**	**443**	**776**	**973**
Net profit	242	284	565	838	1,198
Non-cash profit and expenses	350	370	237	281	332
Depreciation	102	116	138	162	187
Amortization	12	16	7	7	6
Other	236	237	93	112	138
Changes in A/L from operating activities	-225	-175	-359	-343	-556
Cash flow from investments	**-256**	**-250**	**-310**	**-360**	**-360**
Change in tangible assets	-144	-200	-309	-359	-359
Change in financial assets	12	-70	-0	-0	-0
Other	-124	20	0	0	0
Cash flow from financing	**82**	**59**	**-77**	**-10**	**-10**
Change in debt	336	116	-77	-10	-10
Change in equity	-11	6	0	0	0
Dividends	-83	-87	0	0	0
Other	-160	24	0	0	0
Change in cash	76	103	56	406	604
Cash at beginning of year	584	660	763	819	1,225
Cash at end of year	660	763	819	1,225	1,829
Gross cash flow	**592**	**654**	**802**	**1,119**	**1,530**
Free cash flow	**85**	**99**	**133**	**416**	**613**

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	7.6	9.1	31.2	21.5	28.6
Operating profit	20.0	9.4	76.7	47.7	40.9
Net profit	16.6	17.3	98.8	48.3	42.9
Adjusted EPS**	15.9	20.1	-60.2	46.9	42.9
Per-share data (KRW)					
EPS (parent-based)	7,957	9,554	3,805	5,587	7,986
EPS (consolidated)	8,075	9,475	3,767	5,587	7,986
Adjusted EPS**	7,957	9,554	3,805	5,587	7,986
BVPS	61,292	68,992	16,857	21,544	28,330
DPS (common)	2,900	3,000	700	900	1,200
Valuations (x)					
P/E***	28.1	23.4	58.7	40.0	28.0
P/B***	3.6	3.2	13.3	10.4	7.9
EV/EBITDA	67.6	61.1	37.9	26.2	18.7
Ratios (%)					
ROE	13.4	14.7	24.8	29.1	32.0
ROA	5.8	6.1	10.5	12.9	14.9
ROIC	12.0	11.7	19.9	24.4	29.1
Payout ratio	36.4	31.4	18.4	16.1	15.0
Dividend yield (common)	1.3	1.3	0.3	0.4	0.5
Net debt to equity	25.1	25.3	15.4	-0.5	-14.7
Interest coverage (x)	8.9	8.2	14.1	21.6	30.7

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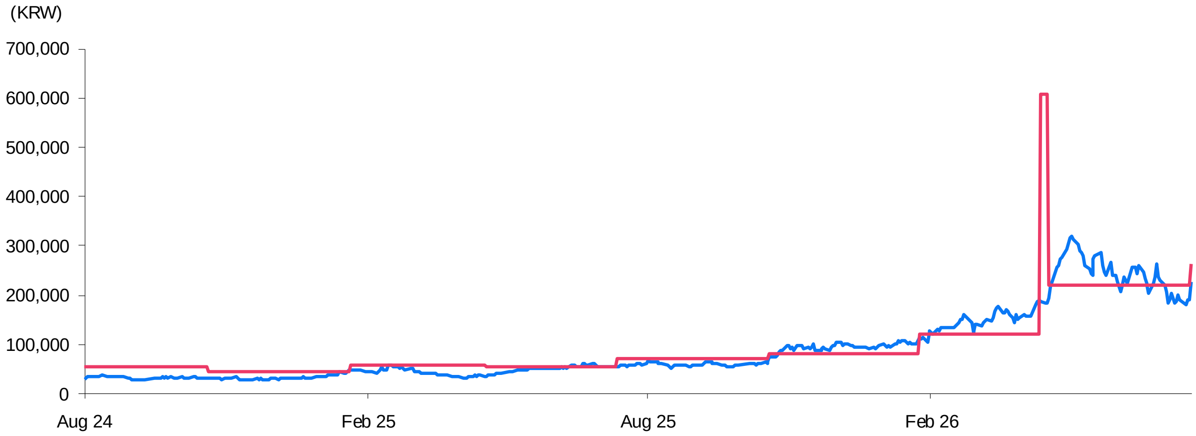
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/10	10/24	2025/1/24	4/22	7/16	10/23	2026/1/28	4/22	7/24
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	52800	44000	56000	52600	70400	80000	121600	220000	260000
Gap* (average)	-34.42	-27.05	-24.72	-3.63	-16.14	19.07	23.74	9.65	
(max or min)**	-1.52	5.45	4.11	18.25	-6.53	34.75	55.10	44.77	

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

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
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* 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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