COMPANY UPDATE

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Tech Team

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AT A GLANCE

BUY

Target price	KRW86,000	37.6%
Current price	**KRW62,500**	
Market cap	KRW6.1t/USD4.3b	
Shares (float)	96,885,948 (49.7%)	
52-week high/low	KRW143,700/KRW55,400	
Avg daily trading value (60-day)	KRW204.2b/ USD143.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG CNS (%)	-20.7	-10.3	-11.1
Vs Kospi (%pts)	1.9	-29.0	-56.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	86,000	100,000	-14.0%
2026E EPS	4,535	4,880	-7.1%
2027E EPS	5,129	5,596	-8.3%

SAMSUNG vs THE STREET

No of estimates	10
Target price	98,300
Recommendation	4.0

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

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LG CNS (064400)

Short-term volatility; long-term growth intact

- LG CNS reported a 4.2% y-y growth in 2Q sales and a 9.2% y-y decline in operating profit, the latter missing consensus by 7.2%, due to partial delays in affiliate projects and a rising share of external sales.
- While near-term profit growth in 2H may fall below market expectations depending on the award of new DBO and financial sector projects, medium-to long-term growth drivers—including AIDC DBO, B2B AX, and physical AI—remain valid.

WHAT'S THE STORY?

Operating profit declines y-y in 2Q due to affiliate project delays: LG CNS reported that 2Q revenue rose 4.2% y-y, driven by strong sales from large financial sector projects. Cloud & AI revenue grew only 3.8% y-y due to delays in affiliate-led initiatives, while smart engineering revenue increased 3.0% y-y. Digital business services (DBS) revenue grew 6.0% y-y, supported by stable execution of major financial sector contracts. Operating profit declined 9.2% y-y, missing consensus by 7.2%, as higher investments in new services (eg, XPUWorks and PhysicalWorks), combined with an increasing share of external sales, weighed on margins.

2H recovery hinges on AIDC DBO project awards: The rebound in cloud & AI revenue in 2H should depend on the award of new AIDC design, build, and operation (DBO) contracts. LG CNS is currently developing several new DBO projects; however, approvals have been delayed due to power grid saturation in the Seoul Metropolitan Area. Given that large DBO projects generate tens of billions of won in revenue during the design and construction phases, successful commissioning of a new DBO project in 2H could drive cloud revenue growth into double digits.

(Continued on the next page)

SUMMARY 2Q26 RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	1,520.8	4.2	15.7	0.0	-2.4
Operating profit	127.8	-9.2	35.7	0.0	-7.2
Pre-tax profit	152.6	16.1	35.2	0.0	6.1
Net profit	118.7	19.9	46.7	-0.0	12.4
Margins (%)					
Operating profit	8.4				
Pre-tax profit	10.0				
Net profit	7.8				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	13.7	13.8	12.2
P/B	2.0	1.9	1.7
EV/EBITDA	7.4	6.8	6.3
Div yield (%)	3.0	3.1	3.3
EPS growth (% y-y)	7.1	1.3	13.1
ROE (%)	17.3	14.8	14.2
Per-share data (KRW)			
EPS	4,475	4,535	5,129
BVPS	30,270	33,265	36,217
DPS	1,850	1,943	2,040

Intensifying competition in financial sector bidding: Several major financial sector projects, including the account system update in Korea Federation of Community Credit Cooperatives (KRW337b), are scheduled for bidding in 2H. Winning this contract would significantly contribute to DBS revenue growth. However, aggressive bidding by competitors (eg, Samsung SDS and SK AX) in the financial IT services space raises risks of lower win rates and compressed profitability.

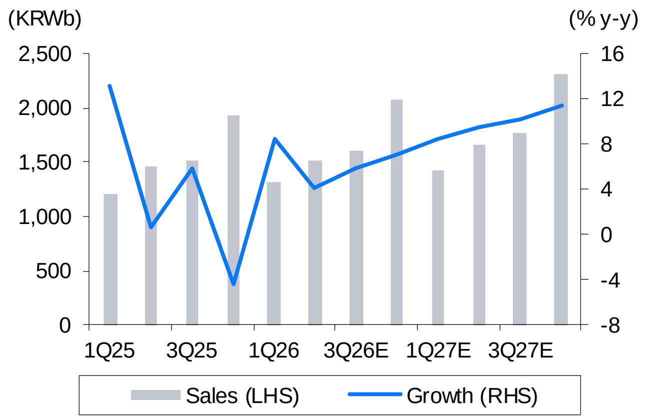
Divergence between short- and long-term growth prospects: Reflecting slower-than-expected affiliate revenue growth, we lower our 2H operating profit estimates by 7.8% and cut our target price by 14% from KRW100,000 to KRW86,000 (based on a target P/E of 18.1x applied to 12-month forward EPS, derived from a weighted average of peer group P/Es by business segment). While near-term earnings growth may fall below market expectations depending on project win outcomes, medium- to long-term growth drivers—including AIDC DBO, B2B AX, and physical AI—remain intact.

2Q review

(KRWb)	2Q26			Diff (%)		2Q25	1Q26	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Revenue	**1,520.8**	**1,552.6**	**1,558.7**	**-2.0**	**-2.4**	**1,460.2**	**1,315.0**	**4.2**	**15.7**
Cloud & AI	906.0	924.8		-2.0		872.4	765.4	3.8	18.4
Digital business services	340.2	353.1		-3.7		321.0	321.9	6.0	5.7
Smart engineering	274.6	274.7		0.0		266.7	227.8	3.0	20.5
Cost of goods sold	**1,287.6**	**1,312.0**		**-1.9**		**1,221.1**	**1,133.7**	**5.4**	**13.6**
SG&A expenses	**105.4**	**95.2**		**10.7**		**98.2**	**87.1**	**7.3**	**21.0**
Labor costs	45.6	45.8		-0.4		51.8	45.3	-11.8	0.8
Depreciation costs	3.7	3.8		-1.9		3.7	3.2	1.5	14.7
Payment commission	9.9	10.1		-2.0		5.7	8.6	74.7	15.7
Others	56.0	45.6		23.0		42.8	38.6	30.9	45.2
Operating profit	**127.8**	**145.5**	**137.7**	**-12.2**	**-7.2**	**140.8**	**94.2**	**-9.2**	**35.7**
Pre-tax profit	152.6	146.3	143.8	4.3	6.1	131.5	112.8	16.1	35.2
Net profit	118.7	108.3	105.7	9.7	12.4	99.0	80.9	19.9	46.7
Net profit (controlling interests)	118.5	107.7	104.1	10.1	13.9	98.7	80.5	20.1	47.3
Margin (%)									
Operating profit	8.4	9.4	8.8			9.6	7.2		
Pre-tax profit	10.0	9.4	9.2			9.0	8.6		
Net profit	7.8	7.0	6.8			6.8	6.2		
Net profit (controlling interests)	7.8	6.9	6.7			6.8	6.1		

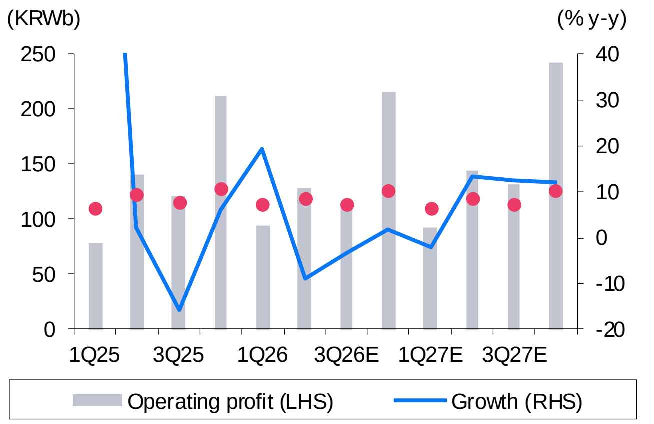
Source: Company data, FnGuide, Samsung Securities estimates

LG CNS: Sales



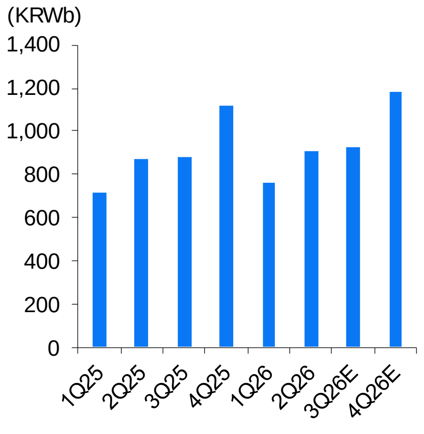
Source: Company data, Samsung Securities estimates

LG CNS: Operating profit



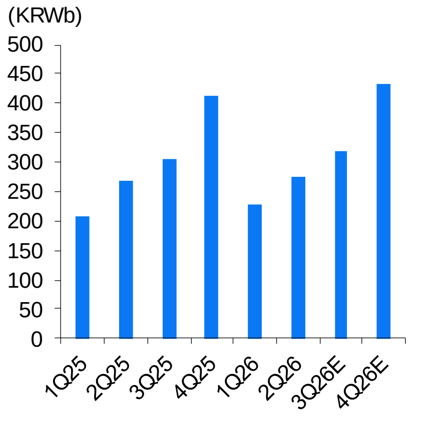
Source: Company data, Samsung Securities estimates

Cloud & AI division: Sales



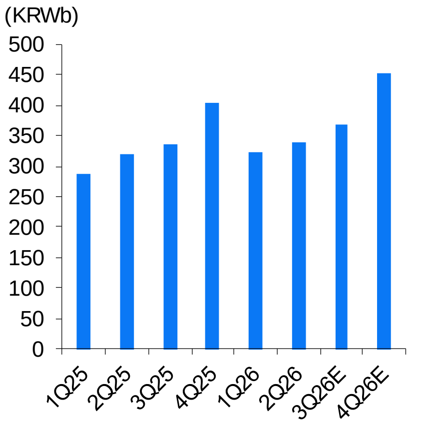
Source: Company data

Smart engineering division: Sales



Source: Company data

DBS division: Sales



Source: Company data

Special Act on the Promotion of the AI Data Center Industry

Category	Key Bill Details and Support Packages
Administrative Procedures	Introduction of one-stop integrated windows and timeout systems - MSIT to handle all permits, including power and construction - Automatic approval assumed if no decision is made within the statutory period
Power Regulation Deregulation	Special exemptions for non-metropolitan areas (Exemption from power system impact assessment - Exemption from mandatory power assessments when building AIDCs in provinces
Construction Standard Relaxation	Application of customized standards based on facility characteristics - Relaxation of mandatory requirements for parking lots, elevators, and art installations
Location Conditions	Deregulation of entry into port hinterland complexes - Entry into Type 1 port hinterland complexes allowed without export performance requirements
Financial Support	National-level financial and administrative support - Funding for infrastructure construction, provision of subsidies, and professional talent cultivation

Source: Company data, Samsung Securities

Namyangju Maseok X-AI Data Center Development Project

Category	Details
Project Name	X-AI Smart Data Center (or X-AI Smart Energy Data Center)
Location/Site	Dapnae-ri, Hwado-eup, Namyangju-si, Gyeonggi-do (Site area: 45,000㎡)
Power Capacity	60MW; Power supply and site secured within the SMA
Total Project Cost	Approx. KRW1t
Project Entity	Namyangju Maseok IDC LLC (SPC established by FND Partners)
Role of LG CNS	Strategic Investor (SI): Integrated design-build-operate (DBO) services, support for AI-dedicated infrastructure and energy efficiency technologies
Key Investors	5 companies including LG CNS, Anda Asset Management, Eugene Investment & Securities, Kiwoom Securities, and FND Partners
Timeline	- July 2026: Completion of 1st round of financing (KRW30b) - May 2027: Target for completion of administrative procedures (permits, etc.) and commencement of construction - Feb 2029: Target for start of commercial operations

Source: Company data, Samsung Securities

Status of next-generation system project orders in the financial sector

Financial institution	Project	Scale	Construction period
NH Bank	Project NEO / Next-Generation Accounting System Construction	Several hundred billion won. Reported as the largest single contract in the financial sector for next-generation systems. First-phase investment amount reported at approximately KRW305b	Jan 2026 - Apr 2028
KB Bank	Core Banking Modernization Phase 2	Total approximately KRW270b reported. Core banking sector at approximately KRW159b	2026 project award and initiation Dec 2027 stabilization target
Woori Bank	U to L / Accounting System Linux Migration and Core IT Infrastructure Restructuring	Projects initiated in 2026 are in the mid-to-late KRW20b range. Reports indicate U to L project may involve investments of more than KRW120b	Targeted to commence in 2026 and conclude by the first half of 2027
BNK Bank	Next-Generation Digital-Based Systems	PI consulting approximately KRW6b. The entire next-generation core business project may cost KRW200b-300b	2025 ISP → 2026 PI/main project Launch → 2027 possibility of Expansion
Woori Investment & Securities	Next-Generation New System Construction / Ledger and Business System Rebuild	Around KRW110b (industry estimates)	Sep 2025 - Jun 2028
Hyundai Motor Securities	Construction of next-generation ledger system	Reported investment of around KRW100b	Commenced work in 2H24 - Opening in Oct 2026
National Credit Union Central Association	Next-Generation Information System Implementation	Around KRW350b	Full-scale launch in 2027 - Open in the 2H 2029
Korea Federation of Community Credit Cooperatives	IFIS Next Generation / Integrated Financial Information System Enhancement	Around KRW170b reported	2026 main project announcement and order placement: 22 months for construction + 18 months for integrated maintenance
National Federation of Savings Banks	Account System Update	Scale undisclosed. Modernization of the existing information system is reportedly around KRW30b, while the latest accounting system modernization is reported as a separate large-scale project	Expected RFP for the main project from late June to early July 2026. Possibility of extending the construction phase to 2027

Source: Media materials, compiled by Samsung Securities

LG CNS: Valuation

	(KRW)
12-month forward EPS	4,770
Target P/E (x)	18.1
Appropriate stock price	86,367
Target price	**86,000**
Current stock price	58,200
Upside (%)	47.8%

Note: Weighted average of 12m forward P/E for domestic and global IT service and AI companies; Based on July 30 close
Source: Samsung Securities estimates

Peer companies: P/E multiples

(x)	2026E	2027E	Average	Weighting (%)	Weighted P/E
Domestic IT services	**14.4**	**12.0**	**13.8**	**50**	**6.9**
Samsung SDS	22.1	17.7	21.0	.	
Lotte Innovate	6.8	6.4	6.7		
Global AI consulting	**10.4**	**9.9**	**10.2**	**30**	**3.1**
Accenture	12.5	11.8	12.3		
Capgemini	8.2	8.1	8.2		
AI data center / infrastructure	**44.2**	**42.1**	**43.7**	**15**	**6.6**
Equinix	58.1	52.9	56.8		
Digital Realty	58.5	67.0	60.6		
Vertiv	34.3	26.2	32.3		
Schneider Electric	26.0	22.2	25.0		
Physical AI / smart factory	**33.4**	**24.7**	**31.3**	**5**	**1.6**
Siemens	24.5	21.3	23.7		
Rockwell Automation	35.3	31.5	34.3		
Nvidia	40.5	21.3	35.7		
Target P/E					18.1

Note: Based on July 30 close; weights allocated based on business proportions within LG CNS
Source: Bloomberg

Earnings estimates

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Revenue	**6,130**	**6,570**	**7,234**	**8,030**	**1,315**	**1,521**	**1,612**	**2,072**	**1,427**	**1,664**	**1,778**	**2,310**
Cloud & AI	3,587	3,799	4,190	4,721	765	906	923	1,185	827	988	1,016	1,339
Digital business services	1,349	1,500	1,661	1,802	322	340	370	452	354	378	415	497
Smart engineering	1,194	1,270	1,382	1,507	228	275	319	435	246	299	347	474
Cost of goods sold	**5,177**	**5,575**	**6,137**	**6,798**	**1,134**	**1,288**	**1,387**	**1,728**	**1,231**	**1,406**	**1,529**	**1,929**
SG&A expenses	**400**	**393**	**423**	**458**	**87**	**105**	**109**	**128**	**103**	**113**	**118**	**139**
Labor costs	203	184	193	203	45	46	46	47	47	48	48	49
Depreciation costs	14	16	18	20	3	4	4	5	4	4	4	6
Payment commission	26	43	47	52	9	10	10	13	9	11	12	15
Others	178	193	212	236	39	56	59	76	53	61	65	85
Operating profit	**552**	**601**	**673**	**774**	**94**	**128**	**116**	**216**	**92**	**145**	**131**	**242**
Pre-tax profit	593	636	711	825	113	153	123	225	99	154	139	255
Net profit	439	468	526	610	81	119	91	166	73	114	103	188
Net profit (controlling interests)	438	466	523	607	80	119	91	166	73	114	103	188
Adjusted EPS (KRW)	4,462	4,880	5,596	6,440	730	1,080	981	1,744	818	1,228	1,122	1,962
Margin (%)												
Operating profit	9.0	9.2	9.3	9.6	7.2	8.4	7.2	10.4	6.5	8.7	7.4	10.5
Pre-tax profit	9.7	9.7	9.8	10.3	8.6	10.0	7.6	10.8	6.9	9.3	7.8	11.0
Net profit	7.2	7.1	7.3	7.6	6.2	7.8	5.7	8.0	5.1	6.9	5.8	8.2
Net profit (controlling interests)	7.1	7.1	7.2	7.6	6.1	7.8	5.6	8.0	5.1	6.8	5.8	8.1

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2026E			2027E			2028E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Revenue	**6,570**	**6,520**	**-0.8**	**7,234**	**7,179**	**-0.8**	**8,030**	**7,970**	**-0.7**
Cloud & AI	3,799	3,780	-0.5	4,190	4,169	-0.5	4,721	4,698	-0.5
Digital business services	1,500	1,484	-1.1	1,661	1,643	-1.1	1,802	1,783	-1.1
Smart engineering	1,270	1,256	-1.1	1,382	1,367	-1.1	1,507	1,490	-1.1
Cost of goods sold	**5,575**	**5,536**	**-0.7**	**6,137**	**6,096**	**-0.7**	**6,798**	**6,783**	**-0.2**
SG&A expenses	**393**	**430**	**9.3**	**423**	**474**	**11.9**	**458**	**513**	**12.0**
Labor costs	184	184	-0.4	193	191	-1.0	203	200	-1.5
Depreciation costs	16	16	-0.7	18	18	-0.7	20	19	-0.7
Payment commission	43	42	-0.8	47	47	-0.8	52	52	-0.7
Others	193	230	19.5	212	264	24.6	236	294	24.6
Operating profit	**601**	**554**	**-7.8**	**673**	**610**	**-9.4**	**774**	**675**	**-12.8**
Pre-tax profit	636	613	-3.6	711	647	-9.0	825	723	-12.3
Net profit	468	457	-2.4	526	479	-9.0	610	535	-12.3
Net profit (controlling interests)	466	456	-2.1	523	478	-8.7	607	534	-12.0
Adjusted EPS (KRW)	4,880	4,535	-7.1	5,596	5,129	-8.3	6,440	5,690	-11.7
Margin (%)									
Operating profit	9.2	8.5		9.3	8.5		9.6	8.5	
Pre-tax profit	9.7	9.4		9.8	9.0		10.3	9.1	
Net profit	7.1	7.0		7.3	6.7		7.6	6.7	
Net profit (controlling interests)	7.1	7.0		7.2	6.7		7.6	6.7	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**5,983**	**6,130**	**6,520**	**7,179**	**7,970**
Cost of goods sold	5,051	5,177	5,536	6,096	6,783
Gross profit	**931**	**952**	**984**	**1,084**	**1,187**
Gross margin (%)	15.6	15.5	15.1	15.1	14.9
SG&A expenses	418	400	430	474	513
Operating profit	**513**	**552**	**554**	**610**	**675**
Operating margin (%)	8.6	9.0	8.5	8.5	8.5
Non-operating gains (losses)	**-27**	**41**	**59**	**37**	**49**
Financial profit	39	62	53	57	66
Financial costs	30	34	38	37	37
Equity-method gains (losses)	5	16	17	21	22
Other	-42	-4	28	-4	-2
Pre-tax profit	**485**	**593**	**613**	**647**	**723**
Taxes	121	154	156	168	188
Effective tax rate (%)	24.8	26.0	25.5	26.0	26.0
Profit from continuing operations	365	439	457	479	535
Profit from discontinued operations	0	0	0	0	0
Net profit	**365**	**439**	**457**	**479**	**535**
Net margin (%)	6.1	7.2	7.0	6.7	6.7
Net profit (controlling interests)	365	438	456	478	534
Net profit (non-controlling interests)	0	1	1	1	1
EBITDA	617	686	703	716	750
EBITDA margin (%)	10.3	11.2	10.8	10.0	9.4
EPS (parent-based) (KRW)	4,180	4,548	4,707	4,934	5,514
EPS (consolidated) (KRW)	4,185	4,561	4,718	4,942	5,524
Adjusted EPS (KRW)*	4,180	4,475	4,535	5,129	5,690

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**3,435**	**3,965**	**4,255**	**4,821**	**5,433**
Cash & equivalents	1,077	1,141	1,232	1,451	1,665
Accounts receivable	1,662	1,664	1,782	1,987	2,221
Inventories	46	61	65	72	81
Other current assets	651	1,099	1,176	1,312	1,466
Fixed assets	**1,069**	**1,320**	**1,203**	**1,117**	**1,064**
Investment assets	203	253	278	298	320
Tangible assets	545	536	426	329	261
Intangible assets	64	53	42	33	27
Other long-term assets	257	479	456	456	456
Total assets	**4,505**	**5,285**	**5,458**	**5,938**	**6,497**
Current liabilities	**1,852**	**1,861**	**1,746**	**1,934**	**2,149**
Accounts payable	794	664	711	793	886
Short-term debt	6	0	0	0	0
Other current liabilities	1,053	1,197	1,035	1,142	1,263
Long-term liabilities	**529**	**483**	**479**	**484**	**491**
Bonds & long-term debt	390	160	160	160	160
Other long-term liabilities	140	323	319	324	331
Total liabilities	**2,382**	**2,344**	**2,225**	**2,419**	**2,640**
Owners of parent equity	**2,115**	**2,933**	**3,223**	**3,509**	**3,846**
Capital stock	47	52	52	52	52
Capital surplus	35	624	624	624	624
Retained earnings	2,003	2,221	2,493	2,779	3,116
Other	30	36	54	54	54
Non-controlling interests' equity	**8**	**9**	**10**	**10**	**11**
Total equity	**2,123**	**2,941**	**3,232**	**3,519**	**3,857**
Net debt	-447	-908	-1,266	-1,552	-1,842

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**715**	**418**	**488**	**497**	**510**
Net profit	365	439	457	479	535
Non-cash profit and expenses	353	285	288	239	220
Depreciation	86	119	137	97	69
Amortization	18	15	12	9	6
Other	250	151	140	133	144
Changes in A/L from operating activities	121	-206	-91	-88	-100
Cash flow from investments	**-13**	**-530**	**-58**	**-68**	**-77**
Change in tangible assets	-30	-44	-8	0	0
Change in financial assets	78	-450	-39	-68	-77
Other	-61	-37	-12	0	0
Cash flow from financing	**-141**	**174**	**-442**	**-192**	**-198**
Change in debt	105	54	-229	0	0
Change in equity	0	594	0	0	0
Dividends	-133	-219	-183	-192	-198
Other	-114	-255	-29	0	0
Change in cash	572	64	91	219	214
Cash at beginning of year	505	1,077	1,141	1,232	1,451
Cash at end of year	1,077	1,141	1,232	1,451	1,665
Gross cash flow	**718**	**724**	**746**	**718**	**755**
Free cash flow	**685**	**374**	**480**	**497**	**510**

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	6.7	2.5	6.4	10.1	11.0
Operating profit	10.5	7.6	0.4	10.1	10.6
Net profit	9.8	20.3	4.1	4.7	11.8
Adjusted EPS**	9.7	7.1	1.3	13.1	10.9
Per-share data (KRW)					
EPS (parent-based)	4,180	4,548	4,707	4,934	5,514
EPS (consolidated)	4,185	4,561	4,718	4,942	5,524
Adjusted EPS**	4,180	4,475	4,535	5,129	5,690
BVPS	24,257	30,270	33,265	36,217	39,692
DPS (common)	1,672	1,850	1,943	2,040	2,040
Valuations (x)					
P/E***	n/a	13.7	13.8	12.2	11.0
P/B***	n/a	2.0	1.9	1.7	1.6
EV/EBITDA	-0.7-	7.4	6.8	6.3	5.6
Ratios (%)					
ROE	18.3	17.3	14.8	14.2	14.5
ROA	8.5	9.0	8.5	8.4	8.6
ROIC	25.1	25.3	23.8	26.5	29.0
Payout ratio	40.0	40.9	41.3	41.3	37.0
Dividend yield (common)	n/a	3.0	3.1	3.3	3.3
Net debt to equity	-21.1	-30.9	-39.2	-44.1	-47.8
Interest coverage (x)	19.2	21.3	23.7	27.5	30.4

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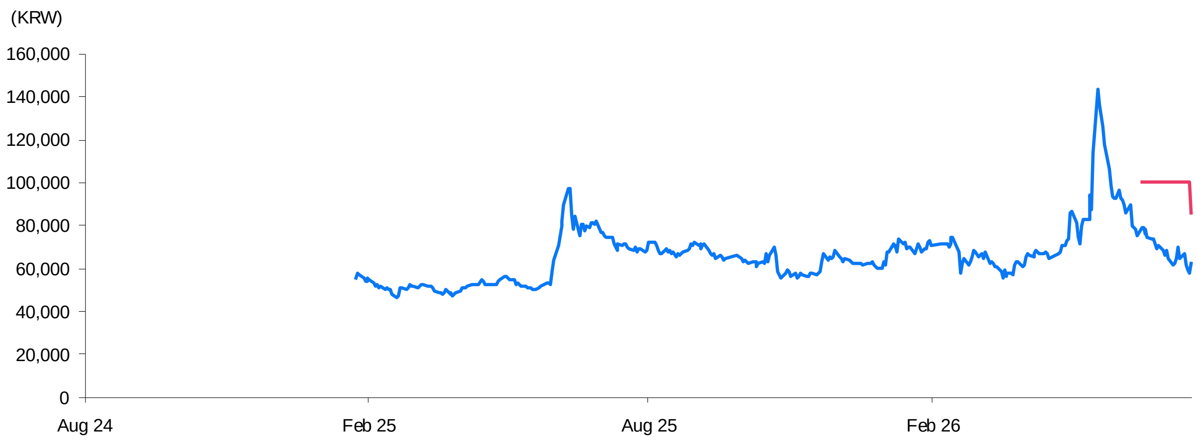
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/6/29	7/31
Recommendation	BUY	BUY
Target price (KRW)	100000	86000
Gap* (average)	-31.64	
(max or min)**	-21.20	

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 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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