COMPANY UPDATE

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LG Uplus (032640)

Robust shareholder returns, strong growth trajectory

- LG Uplus has just reaffirmed its commitment to enhancing corporate value by announcing a y-y hike in its share buyback program to KRW90b (vs KRW80b in 2025) and raising its interim dividend to KRW270 (vs KRW250).
- The company has announced an additional investment for Phase 2 of the Paju AI Data Center, bringing forward Phase 2's construction to rapidly secure capacity amid robust AI demand (as confirmed by Building 1 (Phase 1), which data center capacity it fully leased prior to its completion).

AT A GLANCE

BUY

Target price	KRW21,000	42.1%
Current price	**KRW14,780**	
Market cap	KRW6.3t/USD4.4b	
Shares (float)	424,427,732 (61.3%)	
52-week high/low	KRW17,810/KRW13,900	
Avg daily trading value (60-day)	KRW21.2b/ USD14.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Uplus (%)	5.6	-7.6	1.0
Vs Kospi (%pts)	35.7	-26.8	-50.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	21,000	21,000	0.0%
2026E EPS	1,786	1,786	0.0%
2027E EPS	1,948	1,948	0.0%

SAMSUNG vs THE STREET

No of estimates	18
Target price	19,917
Recommendation	3.9

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

WHAT'S THE STORY?

Reaffirms shareholder return commitment by expanding share buyback program: In line with the corporate value enhancement plan it announced in Nov 2024, LG Uplus has increased its 2026 share buyback target to KRW90b (the shares will be purchased over Aug 14, 2026-Feb 13, 2027), which is 8% larger than its 2025 buyback program (KRW80b). The company continues to maintain a policy of distributing over 40% of its parent-based net income as dividends, with an additional allocation of up to 20% for share buybacks. The KRW80b in shares it acquired as part of the 2025 buyback program were cancelled in May 2026, aligning with the company's shareholder return strategy. The simultaneous expansion of buybacks and share cancellations reaffirm the company's strong commitment to enhancing corporate value.

Increased interim dividend and optimism towards year-end dividend: LG Uplus distributes dividends twice a year, and said on Jul 29 that it will hike its interim dividend y-y in 2026.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	15,452	15,647	16,035	16,442
Operating profit (KRWb)	892	1,151	1,225	1,301
Net profit (adj) (KRWb)	509	738	799	860
EPS (adj) (KRW)	1,208	1,786	1,948	2,099
EPS (adj) growth (% y-y)	40.8	47.9	9.1	7.7
EBITDA margin (%)	23.2	24.7	24.6	24.3
ROE (%)	6.0	8.4	8.6	8.8
P/E (adj) (x)	12.2	8.3	7.6	7.0
P/B (x)	0.7	0.7	0.6	0.6
EV/EBITDA (x)	3.5	3.1	3.1	3.0
Dividend yield (%)	4.5	4.9	5.2	5.4

Source: Company data, Samsung Securities estimates

The record date is set for Aug 13 and the interim dividend (KRW270 for a total dividend payout of KRW114.6b) is scheduled to be distributed on Aug 28 (the 2025 interim dividend was KRW250 for a total payout of KRW107.5b). Given the firm's earnings growth and the direction of its shareholder return policy, the year-end dividend is likely to be increased y-y. Furthermore, as the number of outstanding shares falls (thanks to the share cancellations), the company is expected to continue lifting its DPS. Dividend increases combined with share buybacks demonstrate the continuous execution of the firm's corporate value enhancement plan. Based on our estimates and its current share price, LG Uplus offers a 2026 dividend yield of 4.9%, sustaining compelling shareholder returns.

Confirmed demand and accelerated AI data center expansion: LG Uplus has just announced that it will invest an additional KRW1.3t in the Paju AI data center to cover building work linked to Phase 2 of its capacity expansion. With capacity relating to Phase 1 (Building 1; targeting completion in Jun 2027) already fully leased, the company has decided to bring forward Phase 2 construction to meet surging AI demand. The investment covers construction of Buildings 2 and 3, as well as design work for Building 4, with the total investment amount projected at 130% of the original estimate (due to inflation and forex volatility). The Paju AI data center (Buildings 1-4) will be the largest hyperscale AI data center in the Seoul Metropolitan Area (SMA), with a projected total power capacity of 200 MW (128 MW for IT load). Considering the investment timeline, Phase 2 is expected to be completed around late 2028 to early 2029. Upon completion of Buildings 2 and 3, a total of 94 MW of power capacity (58 MW for IT load) should be added to the existing 51 MW (32 MW IT) from Building 1. The full leasing of capacity at Phase 1 before its completion confirms robust demand for AI infrastructure. This proactive capacity expansion (Phase 2) is a nimble response to rising AI data center demand and should brighten the firm's longer-term growth outlook. The company plans to secure a total of 600 MW of AI data center capacity by end-2030.

Table 1. Public disclosure on Paju AI data center Phase 2 construction

Category	Description
Investment target	Paju AI data center Phase 2 construction
Investment amount	KRW1.3489t
Purpose of investment	New AI data center construction due to increasing customer demand
Investment period	Aug 1, 2026 - Nov 30, 2028
Key notes	- Investment amount is set at 130% of the expected amount, in consideration of changes in prices and exchange rate. - Investment amount may vary depending on changes in the business environment during the execution process.

Note: Company data, Dart, Samsung Securities

Table 2. Paju AI data center capacity

Category	Power capacity	IT capacity
Building 1, Annex	51 MW	32 MW
Building 2 Building 3 Building 4	149 MW	95.7 MW
Total	200 MW	127.7 MW

Note: Company data, Samsung Securities

Chart 1. LG Uplus: Hyper-scale 'Paju AI Data Center' scheduled to open in 2H27

Note: Company data, Samsung Securities

Chart 2. LG Uplus: Announcement of The Ace on Trust Strategy - Transitioning to an AI Factory Operator

Note: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**14,625**	**15,452**	**15,647**	**16,035**	**16,442**
Cost of goods sold	0	0	0	0	0
Gross profit	**14,625**	**15,452**	**15,647**	**16,035**	**16,442**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	13,762	14,560	14,496	14,810	15,142
Operating profit	**863**	**892**	**1,151**	**1,225**	**1,301**
Operating margin (%)	5.9	5.8	7.4	7.6	7.9
Non-operating gains (losses)	**-413**	**-212**	**-193**	**-184**	**-179**
Financial profit	75	67	52	54	56
Financial costs	312	279	263	253	250
Equity-method gains (losses)	-2	-2	-7	-6	-6
Other	-174	2	25	21	21
Pre-tax profit	**451**	**680**	**958**	**1,041**	**1,122**
Taxes	136	171	220	243	262
Effective tax rate (%)	30.2	25.2	23.0	23.3	23.4
Profit from continuing operations	315	509	738	799	860
Profit from discontinued operations	0	0	0	0	0
Net profit	**315**	**509**	**738**	**799**	**860**
Net margin (%)	2.2	3.3	4.7	5.0	5.2
Net profit (controlling interests)	374	524	761	827	891
Net profit (non-controlling interests)	-60	-15	-24	-28	-31
EBITDA	3,527	3,589	3,866	3,938	3,998
EBITDA margin (%)	24.1	23.2	24.7	24.6	24.3
EPS (parent-based) (KRW)	858	1,208	1,786	1,948	2,099
EPS (consolidated) (KRW)	721	1,174	1,730	1,882	2,026
Adjusted EPS (KRW)*	858	1,208	1,786	1,948	2,099

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**5,264**	**5,414**	**6,003**	**6,338**	**6,575**
Cash & equivalents	896	794	865	873	882
Accounts receivable	1,694	1,681	1,845	1,963	2,035
Inventories	252	210	261	257	282
Other current assets	2,421	2,729	3,032	3,245	3,376
Fixed assets	**14,444**	**14,267**	**13,669**	**13,798**	**13,892**
Investment assets	335	357	369	365	369
Tangible assets	10,709	10,625	10,535	10,517	10,478
Intangible assets	1,805	1,460	1,553	1,555	1,542
Other long-term assets	1,595	1,826	1,212	1,361	1,503
Total assets	**19,708**	**19,682**	**19,672**	**20,136**	**20,467**
Current liabilities	**5,116**	**4,676**	**4,349**	**4,377**	**4,162**
Accounts payable	206	220	188	179	162
Short-term debt	0	0	0	0	0
Other current liabilities	4,910	4,457	4,160	4,198	4,000
Long-term liabilities	**5,823**	**5,938**	**5,804**	**5,756**	**5,768**
Bonds & long-term debt	4,489	4,468	4,468	4,468	4,468
Other long-term liabilities	1,334	1,470	1,336	1,287	1,300
Total liabilities	**10,939**	**10,614**	**10,153**	**10,132**	**9,930**
Owners of parent equity	**8,556**	**8,867**	**9,342**	**9,855**	**10,419**
Capital stock	2,574	2,574	2,574	2,574	2,574
Capital surplus	872	872	872	872	872
Retained earnings	5,204	5,474	5,956	6,469	7,032
Other	-93	-53	-59	-59	-59
Non-controlling interests' equity	**212**	**201**	**177**	**149**	**118**
Total equity	**8,768**	**9,068**	**9,519**	**10,004**	**10,536**
Net debt	6,168	6,104	5,655	5,678	5,521

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**3,335**	**2,964**	**2,849**	**3,131**	**3,277**
Net profit	315	509	738	799	860
Non-cash profit and expenses	5,760	5,960	3,128	3,144	3,148
Depreciation	2,180	2,210	2,189	2,184	2,175
Amortization	484	487	527	528	523
Other	3,097	3,263	412	432	450
Changes in A/L from operating activities	-2,355	-3,155	-601	-379	-282
Cash flow from investments	**-2,391**	**-2,019**	**-2,989**	**-2,858**	**-2,792**
Change in tangible assets	-1,896	-1,596	-2,099	-2,166	-2,136
Change in financial assets	11	-25	-13	-12	-4
Other	-506	-398	-877	-679	-652
Cash flow from financing	**-611**	**-1,045**	**-647**	**-270**	**-472**
Change in debt	-206	-139	-366	44	-145
Change in equity	35	0	0	0	0
Dividends	-284	-279	-280	-314	-327
Other	-155	-627	0	0	0
Change in cash	337	-102	70	8	8
Cash at beginning of year	560	896	794	865	873
Cash at end of year	896	794	865	873	881
Gross cash flow	**6,075**	**6,469**	**3,866**	**3,943**	**4,007**
Free cash flow	**1,420**	**1,352**	**750**	**964**	**1,141**

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	1.8	5.7	1.3	2.5	2.5
Operating profit	-13.5	3.4	29.0	6.5	6.2
Net profit	-50.1	61.9	44.9	8.2	7.6
Adjusted EPS**	-39.9	40.8	47.9	9.1	7.7
Per-share data (KRW)					
EPS (parent-based)	858	1,208	1,786	1,948	2,099
EPS (consolidated)	721	1,174	1,730	1,882	2,026
Adjusted EPS**	858	1,208	1,786	1,948	2,099
BVPS	19,906	20,826	22,010	23,219	24,548
DPS (common)	650	660	720	770	800
Valuations (x)					
P/E***	12.0	12.2	8.3	7.6	7.0
P/B***	0.5	0.7	0.7	0.6	0.6
EV/EBITDA	3.1	3.5	3.1	3.1	3.0
Ratios (%)					
ROE	4.4	6.0	8.4	8.6	8.8
ROA	1.6	2.6	3.8	4.0	4.2
ROIC	4.0	4.6	6.0	6.0	6.2
Payout ratio	74.6	53.7	40.1	39.5	38.1
Dividend yield (common)	6.3	4.5	4.9	5.2	5.4
Net debt to equity	70.3	67.3	59.4	56.8	52.4
Interest coverage (x)	3.1	3.4	4.6	5.0	5.4

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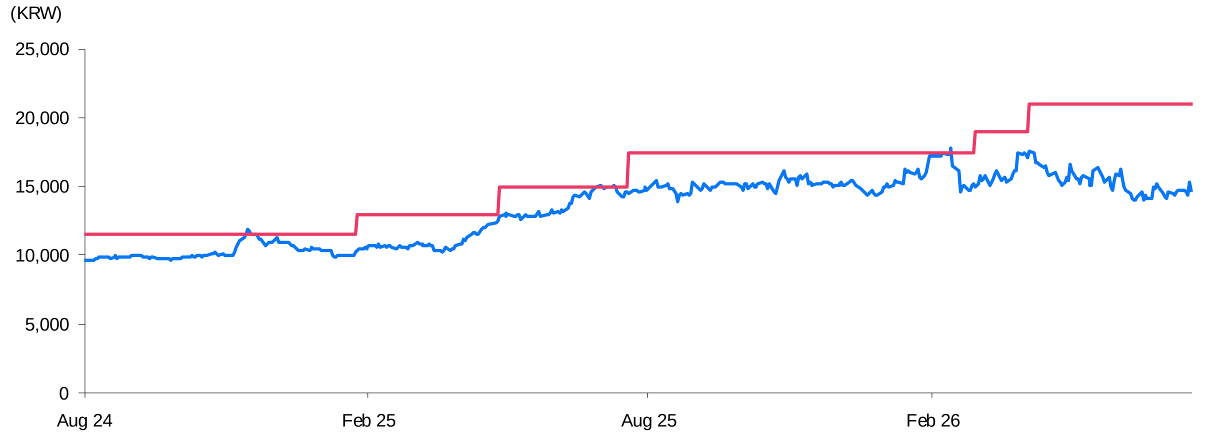
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/8	2024/11/8	2025/1/24	2/6	5/9	8/1	2026/3/13	4/17
Recommendation	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	11500	11500	11500	13000	15000	17500	19000	21000
Gap* (average)	-13.24	-6.94	-12.61	-16.36	-8.10	-12.78	-15.81	
(max or min)**	-8.70	3.48	-11.39	-3.92	0.80	1.77	-8.05	

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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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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