COMPANY UPDATE

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LG Electronics (066570)

Strengthened direction for new businesses

- LG Electronics' core business reaffirmed profit-generating ability in 2Q. We forecast the company's 2026 operating profit at KRW4.5t.
- While the company's clear commitment to new businesses supports potential premium valuation, the current stock price reflects only the core business fundamentals. We maintain our BUY rating with a target price of KRW210,000.

AT A GLANCE

BUY

Target price	KRW210,000	41.9%
Current price	**KRW148,000**	
Market cap	KRW24.1t/USD16.8b	
Shares (float)	162,884,638 (64.3%)	
52-week high/low	KRW392,500/KRW72,200	
Avg daily trading value (60-day)	KRW679.4b/ USD472.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Electronics (%)	-27.1	49.3	88.1
Vs Kospi (%pts)	10.5	39.5	9.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	210,000	240,000	-12.5%
2026E EPS	13,546	14,169	-4.4%
2027E EPS	16,603	15,442	7.5%

SAMSUNG vs THE STREET

No of estimates	20
Target price	218,250
Recommendation	4.0

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

WHAT'S THE STORY?

Investment view – Core business alone justifies valuation upside; new ventures are bonus: LG Electronics' current stock price has largely shed the premium previously driven by robotics-related optimism during the last rally. We believe that now, its core business alone offers strong upside potential. Given the company's clear commitment to new businesses, premium valuation could be reattached at any time to AI data center cooling solutions and humanoid robotics. As such, we see the current price level—after the premium has been removed—as an appropriate entry point. We maintain our BUY rating with a target price of KRW210,000 (based on 15x 2026 P/E).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025	2026E	2027E
Revenue (KRWb)	87,728	89,201	98,445	102,247
Operating profit (KRWb)	3,420	2,478	4,460	4,227
Net profit (adj) (KRWb)	591	1,220	2,662	3,051
EPS (adj) (KRW)	2,032	5,321	13,546	16,603
EPS (adj) growth (% y-y)	-48.4	161.8	154.6	22.6
EBITDA margin (%)	7.9	6.8	8.0	7.4
ROE (%)	1.8	4.3	9.6	10.5
P/E (adj) (x)	41.1	17.3	10.9	8.9
P/B (x)	0.7	0.7	1.0	0.9
EV/EBITDA (x)	3.7	4.2	4.2	3.9
Dividend yield (%)	1.2	1.5	1.0	1.0

Source: Company data, Samsung Securities estimates

2Q26 review – Strength of core business: LG Electronics reported 2Q sales of KRW23.8t (up 15% y-y) and operating profit of KRW1.579t (up 147% y-y). As previously mentioned in our preliminary 2Q result report, we estimate that the operating-profit figure incorporated approximately KRW400b in tariff refunds. Strong profitability in home appliances stood out, with TV margins benefiting from cost efficiency and product mix improvements, reducing concerns about earnings erosion. The stable earnings from the core business serve as a critical funding base for expansion into AI data center cooling and humanoid robotics and should form the foundation for potential multiple expansion.

We forecast 3Q26 operating profit at KRW1.06t and full-year 2026 operating profit at KRW4.46t. Even accounting for the projected absence of refunds, 3Q26 should deliver 54.3% y-y profit growth. The AI data center business is nearing a material sales inflection point and is anticipated to become a key catalyst for the stock price.

LG Electronics: Target-price calculation

(KRW)		Notes
EPS	13,546	2026E
Target P/E (x)	15.0	Average P/E for the last 10 years
Fair price per share	203,188	
Target price	**210,000**	
Current price	148,000	
Upside (%)	41.9	

Source: Samsung Securities estimates

LG Electronics: 2Q results

(KRWb)	2Q26	2Q25	1Q26	Diff	
				(% q-q)	(% y-y)
Sales	**23,826.5**	20,735.1	23,727.2	14.9	0.4
Operating profit	**1,579.0**	639.4	1,673.7	147.0	-5.7
Pre-tax profit	**1,239.4**	761.5	1,400.9	62.7	-11.5
Net profit	**781.3**	609.6	1,005.1	28.2	-22.3
Margins (%)					
Operating profit	**6.6**	3.1	7.1		
Pre-tax profit	**5.2**	3.7	5.9		
Net profit	**3.3**	2.9	4.2		

Source: Company data, Samsung Securities

LG Electronics: Changes to full-year forecasts

(KRWb)	Old		New		Diff (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Sales	97,618	100,804	98,445	102,247	0.8	1.4
Operating profit	4,433	4,099	4,460	4,227	0.6	3.1
Pre-tax profit	3,672	3,638	3,669	3,918	-0.1	7.7
Net profit	2,776	2,837	2,662	3,051	-4.1	7.5

Source: Company data, Samsung Securities

LG Electronics: Changes to forecasts

(KRWb)	2Q26		2026E		2Q26		2026E	
	Old	New	Old	New	Diff	Diff (%)	Diff	Diff (%)
Sales	**23,830**	**23,827**	**97,623**	**98,451**	**-3.2**	**-0.0**	**827.3**	**0.8**
HS	7,190	7,076	27,811	27,757	-113.8	-1.6	-53.2	-0.2
MS	5,108	5,115	20,900	21,376	7.0	0.1	475.8	2.3
VS	3,111	3,026	12,111	12,416	-85.4	-2.7	305.4	2.5
ES	2,713	2,726	9,454	9,357	13.2	0.5	-97.7	-1.0
Other	883	465	2,217	1,800	-417.5	-47.3	-417.5	-18.8
LG Innotek	4,926	5,527	25,577	26,209	601.8	12.2	632.2	2.5
Operating profit	**1,578.8**	**1,579.1**	**4,432.8**	**4,460.3**	**0.3**	**0.0**	**27.5**	**0.6**
HS	706.1	685.9	1,461.6	1,408.9	-20.2	-2.9	-52.7	-3.6
MS	280.9	219.4	481.7	392.3	-61.5	-21.9	-89.3	-18.5
VS	212.5	191.2	836.9	896.9	-21.3	-10.0	60.0	7.2
ES	249.3	235.8	649.1	588.3	-13.5	-5.4	-60.8	-9.4
Other	-19.7	-5.3	-105.6	-91.2	14.4	-73.1	14.4	-13.6
LG Innotek	149.7	245.8	1,097.5	1,243.7	96.1	64.2	146.1	13.3
Operating margin (%)	**6.6**	**6.6**	**4.5**	**4.5**	**0.0**		**(0.0)**	

Source: Company data, Samsung Securities

LG Electronics: Results and forecasts, by division

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	2025	2026	2027
Sales															
Total	**22,740**	**20,740**	**21,874**	**23,852**	**23,733**	**23,827**	**24,791**	**26,100**	**26,106**	**23,748**	**25,694**	**26,699**	**89,201**	**98,445**	**102,247**
HS	6,697	6,594	6,580	6,254	6,943	7,076	7,214	6,525	7,173	7,276	7,373	6,634	26,126	27,757	28,457
MS	4,950	4,393	4,653	5,430	5,169	5,115	5,322	5,770	5,411	5,155	5,370	5,946	19,426	21,376	21,882
VS	2,843	2,849	2,647	2,796	3,064	3,026	3,200	3,126	3,262	3,382	3,325	3,318	11,136	12,416	13,288
ES	3,054	2,644	2,167	1,457	2,822	2,726	2,273	1,535	3,196	2,949	2,421	1,629	9,323	9,357	10,196
Other	365	458	586	431	304	465	557	474	334	512	612	521	1,840	1,800	1,980
LG Innotek	4,983	3,856	5,369	7,610	5,535	5,527	6,351	8,796	6,852	4,587	6,717	8,778	21,818	26,209	26,934
Operating profit															
Total	**1,259**	**639**	**689**	**-109**	**1,674**	**1,579**	**1,063**	**145**	**1,695**	**1,131**	**1,188**	**213**	**2,478**	**4,460**	**4,227**
HS	645	440	366	-171	570	686	348	-195	605	355	380	-196	1,279	1,409	1,144
MS	5	-192	-303	-262	372	219	32	-231	200	57	43	-220	-751	392	79
VS	125	126	150	158	212	191	263	231	239	244	290	263	559	897	1,036
ES	407	251	133	-143	249	236	140	-36	283	285	151	-38	647	588	681
Other	-47	-1	132	-26	-26	-5	-20	-40	-10	-5	-18	-36	58	-91	-69
LG Innotek	125	11	204	325	295	246	293	410	372	189	336	434	665	1,244	1,332
Operating margin (%)															
Total	**5.5**	**3.1**	**3.1**	**-0.5**	**7.1**	**6.6**	**4.3**	**0.6**	**6.5**	**4.8**	**4.6**	**0.8**	**2.8**	**4.5**	**4.1**
HS	9.6	6.7	5.6	-2.7	8.2	9.7	4.8	-3.0	8.4	4.9	5.2	-3.0	4.9	5.1	4.0
MS	0.1	-4.4	-6.5	-4.8	7.2	4.3	0.6	-4.0	3.7	1.1	0.8	-3.7	-3.9	1.8	0.4
VS	4.4	4.4	5.7	5.7	6.9	6.3	8.2	7.4	7.3	7.2	8.7	7.9	5.0	7.2	7.8
ES	13.3	9.5	6.1	-9.8	8.8	8.6	6.2	-2.4	8.9	9.7	6.2	-2.3	6.9	6.3	6.7
Other	-12.9	-0.3	22.6	-6.1	-8.5	-1.1	-3.6	-8.4	-3.0	-0.9	-2.9	-6.9	3.2	-5.1	-3.5
LG Innotek	2.5	0.3	3.8	4.3	5.3	4.4	4.6	4.7	5.4	4.1	5.0	4.9	3.0	4.7	4.9

Note: Company sales reflect the sum of each division's sales, with internal sales between LG Electronics and LG Innotek eliminated
Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**82,263**	**87,728**	**89,201**	**98,445**	**102,247**
Cost of goods sold	62,461	66,349	68,359	74,007	77,127
Gross profit	**19,801**	**21,379**	**20,842**	**24,438**	**25,120**
Gross margin (%)	24.1	24.4	23.4	24.8	24.6
SG&A expenses	16,148	17,960	18,363	19,978	20,894
Operating profit	**3,653**	**3,420**	**2,478**	**4,460**	**4,227**
Operating margin (%)	4.4	3.9	2.8	4.5	4.1
Non-operating gains (losses)	**-1,782**	**-2,465**	**-652**	**-792**	**-309**
Financial profit	1,280	1,168	1,061	1,389	1,332
Financial costs	1,381	1,133	1,440	1,512	1,362
Equity-method gains (losses)	-1,045	-992	111	-167	-25
Other	-636	-1,507	-385	-502	-254
Pre-tax profit	**1,871**	**955**	**1,826**	**3,669**	**3,918**
Taxes	757	463	608	1,007	867
Effective tax rate (%)	40.5	48.4	33.3	27.4	22.1
Profit from continuing operations	1,258	873	1,228	2,662	3,051
Profit from discontinued operations	-107	-282	-8	0	0
Net profit	**1,151**	**591**	**1,220**	**2,662**	**3,051**
Net margin (%)	1.4	0.7	1.4	2.7	3.0
Net profit (controlling interests)	713	368	961	2,439	2,990
Net profit (non-controlling interests)	438	224	260	223	61
EBITDA	6,870	6,954	6,080	7,855	7,531
EBITDA margin (%)	8.4	7.9	6.8	8.0	7.4
EPS (parent-based) (KRW)	3,942	2,032	5,321	13,546	16,603
EPS (consolidated) (KRW)	6,363	3,270	6,761	14,782	16,942
Adjusted EPS (KRW)*	3,942	2,032	5,321	13,546	16,603

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**30,341**	**33,924**	**34,870**	**41,159**	**45,030**
Cash & equivalents	8,488	7,573	8,770	11,458	14,648
Accounts receivable	9,265	10,536	11,161	12,974	13,271
Inventories	9,125	10,729	11,085	12,510	12,797
Other current assets	3,463	5,086	3,854	4,218	4,314
Fixed assets	**29,900**	**31,706**	**33,750**	**33,544**	**33,127**
Investment assets	4,762	4,043	4,041	4,380	4,467
Tangible assets	16,819	17,075	16,714	16,489	16,583
Intangible assets	2,868	3,519	4,370	3,962	3,364
Other long-term assets	5,451	7,069	8,625	8,713	8,713
Total assets	**60,241**	**65,630**	**68,620**	**74,703**	**78,157**
Current liabilities	**24,160**	**27,307**	**27,183**	**29,759**	**30,380**
Accounts payable	9,427	9,885	10,582	11,579	11,845
Short-term debt	708	564	482	540	540
Other current liabilities	14,025	16,858	16,119	17,640	17,995
Long-term liabilities	**12,582**	**13,110**	**12,885**	**12,866**	**12,910**
Bonds & long-term debt	10,719	11,093	10,180	10,032	10,032
Other long-term liabilities	1,863	2,017	2,705	2,834	2,878
Total liabilities	**36,742**	**40,418**	**40,068**	**42,625**	**43,289**
Owners of parent equity	**19,665**	**20,995**	**23,887**	**27,086**	**29,815**
Capital stock	904	904	904	904	904
Capital surplus	3,025	2,970	4,329	4,329	4,329
Retained earnings	16,201	16,353	17,419	19,695	22,423
Other	-466	768	1,235	2,158	2,158
Non-controlling interests' equity	**3,834**	**4,217**	**4,665**	**4,992**	**5,053**
Total equity	**23,499**	**25,212**	**28,552**	**32,078**	**34,868**
Net debt	6,018	6,833	5,180	2,587	-593

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**5,914**	**3,843**	**4,281**	**5,551**	**6,409**
Net profit	1,151	591	1,220	2,662	3,051
Non-cash profit and expenses	7,119	8,141	6,451	5,117	4,113
Depreciation	2,704	2,993	3,040	2,690	2,706
Amortization	513	541	562	705	598
Other	3,902	4,607	2,849	1,722	808
Changes in A/L from operating activities	-1,218	-3,797	-2,043	-1,402	-26
Cash flow from investments	**-5,290**	**-4,212**	**-3,014**	**-2,808**	**-2,819**
Change in tangible assets	-3,223	-2,315	-2,514	-2,282	-2,800
Change in financial assets	-993	-275	1,100	-73	-19
Other	-1,074	-1,622	-1,600	-453	0
Cash flow from financing	**1,503**	**-705**	**-319**	**-560**	**-250**
Change in debt	2,414	727	-1,279	102	11
Change in equity	-23	-55	1,359	0	0
Dividends	-241	-317	-266	-261	-261
Other	-646	-1,060	-133	-401	-0
Change in cash	2,165	-915	1,197	2,688	3,190
Cash at beginning of year	6,322	8,488	7,573	8,770	11,458
Cash at end of year	8,488	7,573	8,770	11,458	14,648
Gross cash flow	**8,270**	**8,732**	**7,671**	**7,779**	**7,163**
Free cash flow	**2,644**	**1,486**	**1,665**	**3,261**	**3,609**

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	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-1.4	6.6	1.7	10.4	3.9
Operating profit	2.9	-6.4	-27.5	80.0	-5.2
Net profit	-38.2	-48.6	106.4	118.1	14.6
Adjusted EPS**	-40.4	-48.4	161.8	154.6	22.6
Per-share data (KRW)					
EPS (parent-based)	3,942	2,032	5,321	13,546	16,603
EPS (consolidated)	6,363	3,270	6,761	14,782	16,942
Adjusted EPS**	3,942	2,032	5,321	13,546	16,603
BVPS	109,209	116,595	132,659	151,035	166,250
DPS (common)	800	1,000	1,350	1,450	1,450
Valuations (x)					
P/E***	25.8	41.1	17.3	10.9	8.9
P/B***	0.9	0.7	0.7	1.0	0.9
EV/EBITDA	4.0	3.7	4.2	4.2	3.9
Ratios (%)					
ROE	3.7	1.8	4.3	9.6	10.5
ROA	2.0	0.9	1.8	3.7	4.0
ROIC	9.9	9.0	6.0	11.1	11.1
Payout ratio	18.3	44.3	22.9	9.6	7.9
Dividend yield (common)	0.8	1.2	1.5	1.0	1.0
Net debt to equity	25.6	27.1	18.1	8.1	-1.7
Interest coverage (x)	6.8	6.0	4.1	7.6	7.2

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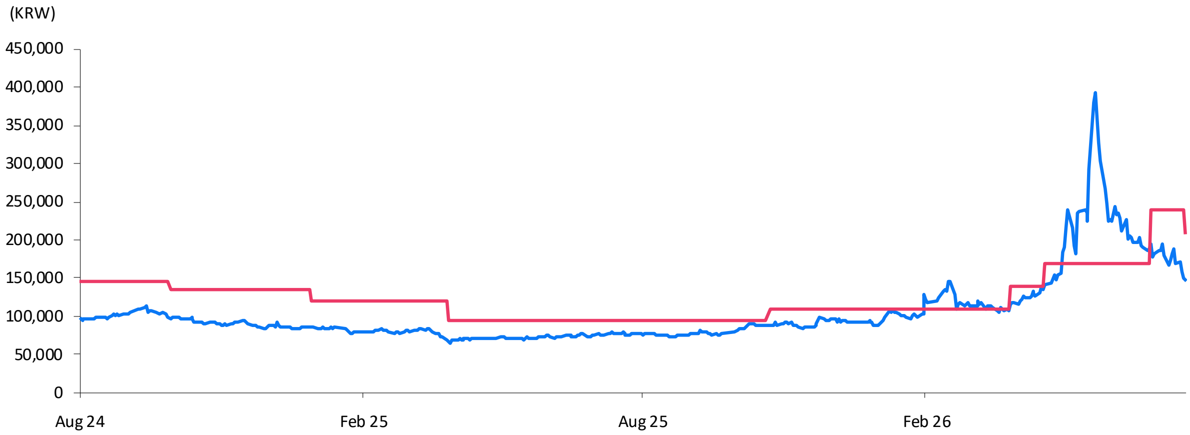
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/8	10/10	2025/1/9	4/8	11/3	2026/4/8	4/30	7/8	7/31
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	145000	135000	120000	95000	110000	140000	170000	240000	210000
Gap* (average)	-28.78	-33.09	-32.58	-20.31	-6.89	-9.98	30.72	-26.65	
(max or min)**	-21.45	-26.30	-28.00	-4.21	33.36	0.00	130.88	-19.17	

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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