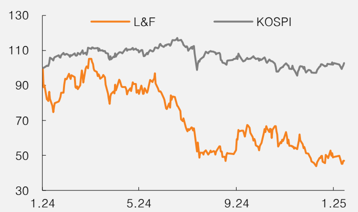
MIRAE ASSET Securities

Equity Research
February 7, 2025

(Maintain)	Buy
Target price	▼ W130,000
Current price (2/6/25)	W83,000
Upside	56.6%

OP (25F, Wbn)	-29
Consensus OP (25F, Wbn)	-29
EPS growth (25F, %)	RR
Market EPS growth (25F, %)	16.5
P/E (25F, x)	-
Market P/E (25F, x)	9.2
KOSPI	2,536.75
Market cap (Wbn)	3,013
Shares (mn)	36
Free float (%)	68.7
Foreign ownership (%)	21.2
Beta (12M)	2.12
52-week low (W)	77,500
52-week high (W)	186,300

(%)	1M	6M	12M
Absolute	-3.4	-18.2	-37.3
Relative	-5.2	-18.7	-36.3



Mirae Asset Securities Co., Ltd.

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066970 KS · EV Batteries

L&F

Risk of heightened volatility in the near term; rebound expected to begin in March

Lower TP to W130,000

We cut our target price on L&F to W130,000 (from W150,000), as we revised down our 2026F EPS by 13%. From March, the firm should begin supplying materials for LG Energy Solutions' (LGES) upgraded 2170 cells (for Tesla), driving meaningful shipment growth. In addition, it has been striving to secure medium/long-term orders—including direct supply to a North American OEM (rollover), additional orders from LGES/Tesla (rollover), supply to a Japanese customer for North America-bound 4680 cells (new), and supply to a domestic cell maker for LFP batteries (new)—and the results of these efforts should become clear from 2Q25. Meanwhile, the stock's potential MSCI removal, while unrelated to fundamentals, could heighten near-term volatility; we thus recommend buying shares after this issue is resolved.

Earnings to recover to break-even level in 2Q25

In 1Q25, earnings are likely to remain sluggish due to the recognition of inventory valuation losses; we forecast revenue at W382bn (+5% QoQ) and operating loss at W76.4bn (remaining in the red). In 2Q25, however, we expect earnings to recover to around breakeven on a 50% QoQ increase in shipments. With LGES set to start shipments of upgraded 2170 cells in March, L&F will likely start delivering 95 NCMA nickel products from late February to early March. Moreover, from 2Q25, headwinds that have persisted for the past two years (e.g., Tesla's weak sales, increased share of LFP batteries within Tesla, and a declining NCMA cathode market share) should ease gradually amid Tesla's ramp-up of production for the new Model Y.

Ongoing efforts to win orders and further customer diversification in 2026

L&F is focusing its order efforts on four key areas: 1) additional orders from LGES for its upgraded 2170 cells and 4680 cells (Ochang plant); 2) direct supply to a North American OEM; 3) new orders for 4680 NCMA products from a Japanese customer; and 4) new orders for LFP cathode materials from a domestic customer. Among them, the first two would be rollover orders from existing contracts and thus seem highly likely to materialize. For potential new orders, we believe sample testing is currently underway. We believe product/customer diversification will gain traction in 2026, increasing visibility on medium/long-term revenue growth. In particular, risks associated with overreliance on a single product/customer should gradually diminish amid: 1) the start of deliveries to SK On for its joint venture with Hyundai Motor Group (for which orders have already been secured); and 2) the potential supply of LFP cathode materials to a domestic customer.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	3,887	4,644	1,907	2,117	3,869
OP (Wbn)	266	-222	-510	-29	183
OP margin (%)	6.8	-4.8	-26.7	-1.4	4.7
NP (Wbn)	270	-194	-365	-34	137
EPS (W)	7,526	-5,372	-10,053	-931	3,787
ROE (%)	28.3	-16.4	-39.9	-4.7	18.0
P/E (x)	23.1	-	-	-	21.9
P/B (x)	4.9	6.7	4.0	4.3	3.6
Dividend yield (%)	0.3	0.0	0.0	0.0	0.0

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

Table 1. Valuation table

	Value	Notes
2026F EPS (W)	3,750	Lowered by 13%
Target P/E (x)	35	
Target price (W)	130,000	
Current price (W)	83000	
Upside (%)	57	

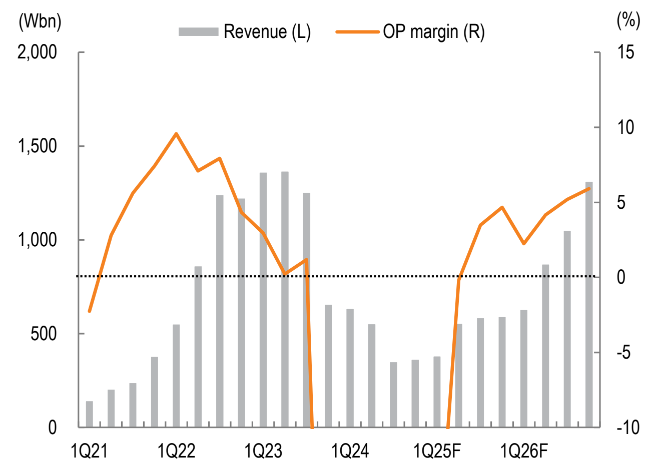
Source: Mirae Asset Securities Research

Table 2. Quarterly and annual earnings (Wbn, %)

	1Q24	2Q24	3Q24	4Q24	1Q25F	2Q25F	3Q25F	4Q25F	2023	2024	2025F
Revenue	635.7	714.1	815.6	1,060.3	1,102.3	1,254.1	1,470.5	1,583.4	4,644.0	3,225.8	5,410.3
OP	-203.8	-57.5	9.2	27.3	33.5	41.4	67.3	81.0	-222.3	-224.7	223.1
Pretax profit	-155.2	-76.2	-9.7	4.2	4.7	14.0	39.5	50.0	-295.7	-236.9	108.3
NP	-116.4	-68.8	-8.9	3.5	3.8	11.2	31.6	40.0	-194.3	-190.6	86.5
OP margin	-32.1	-8.0	1.1	2.6	3.0	3.3	4.6	5.1	-4.8	-7.0	4.1
Pretax margin	-24.4	-10.7	-1.2	0.4	0.4	1.1	2.7	3.2	-6.4	-7.3	2.0
Net margin	-18.3	-9.6	-1.1	0.3	0.3	0.9	2.1	2.5	-4.2	-5.9	1.6
Growth (QoQ/YoY)											
Revenue	-3.3	-12.7	-36.6	3.9	4.6	45.5	5.6	1.0	19.6	-58.9	11.0
OP	RR	RR	RR	RR	RR	RR	TTB	35.6	TTR	RR	RR
Pretax profit	RR	RR	RR	RR	RR	RR	TTB	39.7	TTR	RR	RR
NP	RR	RR	RR	RR	RR	RR	TTB	39.7	TTR	RR	RR

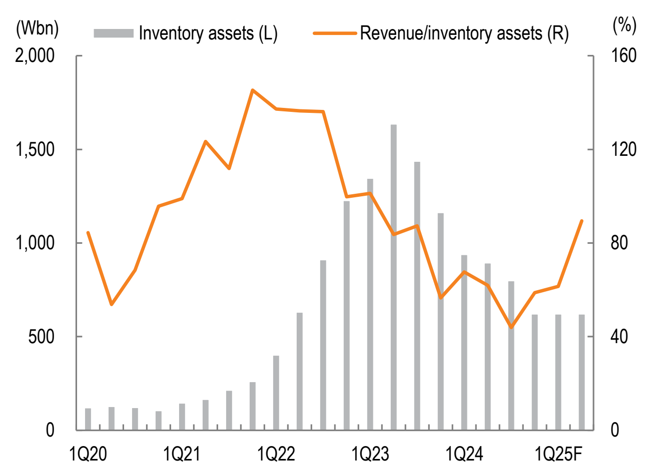
Source: Company data, Mirae Asset Securities Research

Figure 1. Quarterly revenue and OP margin



Source: Mirae Asset Securities Research

Figure 2. Inventory asset trends



Source: Mirae Asset Securities Research

L&F (066970 KS)

Income statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Revenue	**4,644**	**1,907**	**2,117**	**3,869**
Cost of revenue	**4,784**	**2,324**	**2,055**	**3,582**
GP	**-140**	**-417**	**62**	**287**
SG&A expenses	**83**	**94**	**91**	**104**
OP (adj.)	**-222**	**-510**	**-29**	**183**
OP	**-222**	**-510**	**-29**	**183**
Non-operating profit	**-74**	**-5**	**-30**	**-19**
Net financial income	-70	0	-70	-59
Net income from associates	0	0	0	0
Pretax profit	-296	-515	-59	164
Income tax	-101	-148	-25	25
Profit from continuing operations	-195	-368	-34	139
Profit from discontinued operations	0	0	0	0
NP	**-195**	**-368**	**-34**	**139**
Attributable to owners	-194	-365	-34	137
Attributable to minority interests	-1	-3	0	2
Total comprehensive income	**-199**	**-368**	**-34**	**139**
Attributable to owners	-198	-365	-34	137
Attributable to minority interests	-1	-3	0	2
EBITDA	-176	-449	39	263
FCF	-857	59	-200	-165
EBITDA margin (%)	-3.8	-23.5	1.8	6.8
OP margin (%)	-4.8	-26.7	-1.4	4.7
Net margin (%)	-4.2	-19.1	-1.6	3.5

Balance sheet (summarized)

(Wbn)	2023	2024	2025F	2026F
Current assets	**1,969**	**1,317**	**1,410**	**1,763**
Cash & equivalents	241	397	126	52
AR & other receivables	426	298	536	740
Inventory	1,163	622	747	971
Other current assets	139	0	1	0
Non-current assets	**1,382**	**1,604**	**1,535**	**1,655**
Investments in associates	88	88	88	88
PP&E	1,120	1,236	1,170	1,292
Intangible assets	12	16	14	12
Total assets	**3,351**	**2,921**	**2,945**	**3,418**
Current liabilities	**1,747**	**1,731**	**1,788**	**1,970**
AP & other payables	182	79	129	286
Short-term financial liabilities	1,543	1,639	1,639	1,639
Other current liabilities	22	13	20	45
Non-current liabilities	**494**	**449**	**450**	**603**
Long-term financial liabilities	491	448	448	598
Other non-current liabilities	3	1	2	5
Total liabilities	**2,241**	**2,180**	**2,238**	**2,573**
Equity attributable to owners	**1,097**	**731**	**697**	**834**
Capital stock	18	18	18	18
Capital surplus	704	703	703	703
Retained earnings	358	-7	-41	97
Minority interests	**13**	**10**	**9**	**11**
Shareholders' equity	**1,110**	**741**	**706**	**845**

Cash flow statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Operating cash flow	**-375**	**241**	**-200**	**35**
NP	-195	-368	-34	139
Non-cash income/expenses	15	-58	113	164
Depreciation	44	59	66	78
Amortization	2	3	3	2
Other	-31	-120	44	84
Chg. in working capital	-24	671	-305	-244
Chg. in AR & other receivables	370	-24	-238	-204
Chg. in inventory	64	541	-124	-224
Chg. in AP & other payables	-448	-39	49	157
Income tax	-121	39	25	-25
Cash flow from investing activities	**-561**	**-162**	**13**	**-191**
Chg. in PP&E	-482	-182	0	-200
Chg. in intangible assets	-4	-2	0	0
Chg. in financial assets	-16	18	0	0
Other	-59	4	13	9
Cash flow from financing activities	**1,050**	**71**	**-83**	**81**
Chg. in financial liabilities	1,056	52	0	150
Chg. in equity	39	-1	0	0
Dividends	-17	0	0	0
Other	-28	20	-83	-69
Chg. in cash	**121**	**155**	**-270**	**-74**
Beginning balance	120	241	397	126
Ending balance	241	397	126	52

Key valuation metrics/ratios

	2023	2024	2025F	2026F
P/E (x)	-	-	-	21.9
P/CF (x)	-	-	38.1	9.9
P/B (x)	6.7	4.0	4.3	3.6
EV/EBITDA (x)	-	-	127.2	19.8
EPS (W)	-5,372	-10,053	-931	3,787
CFPS (W)	-4,978	-11,737	2,181	8,353
BPS (W)	30,468	20,334	19,403	23,190
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	19.5	-58.9	11.0	82.7
EBITDA growth (%)	TTR	RR	TTB	571.8
OP growth (%)	TTR	RR	RR	TTB
EPS growth (%)	TTR	RR	RR	TTB
AR turnover (x)	7.6	5.3	5.1	6.1
Inventory turnover (x)	3.9	2.1	3.1	4.5
AP turnover (x)	12.9	20.9	19.7	17.3
ROA (%)	-6.1	-11.7	-1.2	4.4
ROE (%)	-16.4	-39.9	-4.7	18.0
ROIC (%)	-6.2	-19.8	-0.8	6.2
Debt-to-equity ratio (%)	201.9	294.4	316.8	304.3
Current ratio (%)	112.7	76.1	78.8	89.5
Net debt-to-equity ratio (%)	159.9	228.2	277.5	258.4
Interest coverage ratio (x)	-2.8	0.0	-0.4	2.7

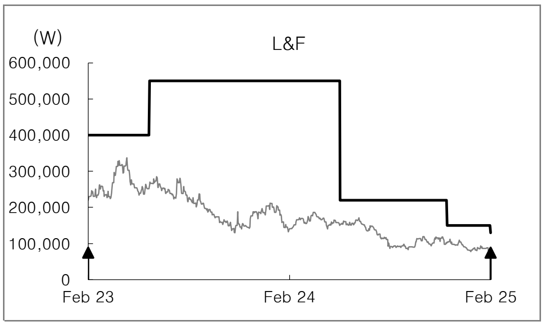
Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
L&F (066970)	02/07/25	Buy	130,000
	11/20/24	Buy	150,000
	05/10/24	Buy	220,000
	05/30/23	Buy	550,000
	05/16/23	One year	400,000
	05/16/22	Buy	400,000



Stock ratings	
Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings	
Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (─), TP (▬), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (♦)
* Our investment rating is a guide to the expected return of the stock over the next 12 months.
* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.
* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.
* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	84.62%	7.14%	8.24%	0%
Investment banking services	85.71%	0%	14.29%	0%

* Based on recommendations in the last 12-months (as of December 31, 2024)

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