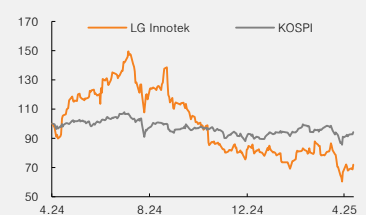


| | |
|-------------------------|-------------------|
| (Maintain) | Buy |
| Target price | ▲ W210,000 |
| Current price (4/23/25) | W145,500 |
| Upside | 44.3% |

| | |
|----------------------------|----------|
| OP (25F, Wbn) | 631 |
| Consensus OP (25F, Wbn) | 683 |
| EPS growth (25F, %) | 7.3 |
| Market EPS growth (25F, %) | 24.5 |
| P/E (25F, x) | 7.1 |
| Market P/E (25F, x) | 9.1 |
| KOSPI | 2,525.56 |

| | |
|-----------------------|---------|
| Market cap (Wbn) | 3,444 |
| Shares (mn) | 24 |
| Free float (%) | 59.2 |
| Foreign ownership (%) | 22.9 |
| Beta (12M) | 1.38 |
| 52-week low (W) | 122,000 |
| 52-week high (W) | 302,000 |

| (%) | 1M | 6M | 12M |
|----------|-------|-------|-------|
| Absolute | -10.8 | -27.1 | -22.3 |
| Relative | -6.7 | -25.0 | -19.3 |



Mirae Asset Securities Co., Ltd.

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LG Innotek

Laying the groundwork for growth in 2026

1Q25 review: Solid top line vs. margin squeeze from rising costs and competition

For 1Q25, LG Innotek posted above-consensus results, with revenue of W4.9tr (+15% YoY) and operating profit of W125.1bn (-29% YoY). Top-line growth was supported by a weaker won, a customer's launch of a mid-range model, and preemptive purchases for premium models (ahead of tariffs). However, profitability worsened YoY due to higher raw material costs and intense competition (which pushed down blended ASP). By division, we estimate OP margin at 2% for optical solutions, 4% for auto components, and 10% for substrates. The auto components unit likely benefited from a favorable product mix (higher share of high-margin lighting solutions), and the substrates unit likely held up well due to solid demand in both the display and substrate segments.

2Q25 preview: OP to seasonally weaken

For 2Q25, we expect the firm to post revenue of W3.9tr (-15% YoY) and operating profit of W68.2bn (-55% YoY). For the optical solutions unit, we expect operating profit to fall to W6bn due to seasonal weakness and continued pressure on ASP from competition. Meanwhile, for auto components, we look for solid operating profit of W20.5bn on strong sales of lighting solutions and communications modules. Indeed, the auto components unit is seeing structural improvement in profitability due to a shift toward higher-value products. We also expect the package substrates unit to hold up relatively well (with operating profit of W41.7bn) thanks to a downstream recovery.

Laying the groundwork for 2026 via cost savings and market share defense

This year, LG Innotek is focused on defending its market share amid growing competition from new entrants. In an effort to cut costs, the firm plans to increase the share of production in Vietnam to 40% (from the current 30%). Looking to 2026, we expect the firm to benefit from both increased shipment volumes and higher prices; demand drivers will likely include new form factors, the global Siri update, and the integration of AI features. In addition, both front and rear camera modules are expected to receive spec upgrades, supporting earnings growth.

Raise TP to W210,000; the stock remains undervalued

We maintain our Buy rating on LG Innotek and raise our target price to W210,000 (from W205,000), as we revised up our earnings estimates to reflect product mix improvements in automotive components and a margin recovery in substrates. The stock is trading well below historical levels (more than one standard deviation below the five-year average for P/E and more than two standard deviations below for P/B). Historically, the stock has shown a strong historical correlation with 12-month forward EPS; as such, we see ample re-rating potential once earnings momentum becomes more visible.

| (Dec.) | 2023 | 2024 | 2025F | 2026F | 2027F |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (Wbn) | 20,605 | 21,201 | 20,702 | 20,990 | 21,438 |
| OP (Wbn) | 831 | 706 | 631 | 835 | 910 |
| OP margin (%) | 4.0 | 3.3 | 3.0 | 4.0 | 4.2 |
| NP (Wbn) | 565 | 449 | 482 | 645 | 716 |
| EPS (W) | 23,881 | 18,983 | 20,372 | 27,253 | 30,264 |
| ROE (%) | 12.6 | 8.9 | 8.7 | 10.6 | 10.8 |
| P/E (x) | 10.0 | 8.5 | 7.1 | 5.3 | 4.8 |
| P/B (x) | 1.2 | 0.7 | 0.6 | 0.6 | 0.5 |
| Dividend yield (%) | 1.1 | 1.3 | 1.4 | 1.4 | 1.4 |

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

Table 1. 1Q25 review

(Wbn, %, %p)

| | 1Q24 | 4Q24 | 1Q25P | | | | |
|--------------------|---------|---------|-------------|-------|-------|------------|-------|
| | | | Preliminary | QoQ | YoY | Consensus. | Diff. |
| Revenue | 4,333.6 | 6,626.8 | 4,982.8 | -24.8 | 15.0 | 4,461.2 | 11.7 |
| OP | 176.0 | 247.9 | 125.1 | -49.6 | -29.0 | 106.5 | 17.4 |
| OP margin | 4.1 | 3.7 | 2.5 | -1.6 | -1.2 | 2.4 | 0.1 |
| Pretax profit | 164.3 | 176.4 | 131.6 | -25.4 | -19.9 | 96.7 | 82.5 |
| NP attr. to owners | 138.5 | 106.9 | 97.4 | -8.9 | -29.7 | 74.0 | 44.5 |
| Net margin | 3.2 | 1.6 | 2.0 | -1.2 | 0.3 | 1.7 | 0.5 |

Source: Company data, Mirae Asset Securities Research

Table 2. Quarterly and annual earnings

(Wbn)

| | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25P | 2Q25F | 3Q25F | 4Q25F | 2024 | 2025F | 2026F |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|
| Revenue | 4,334 | 4,555 | 5,685 | 6,627 | 4,983 | 3,857 | 5,551 | 6,311 | 21,201 | 20,702 | 20,990 |
| Optical solutions | 3,514 | 3,680 | 4,837 | 5,769 | 4,138 | 2,983 | 4,633 | 5,374 | 17,800 | 17,128 | 17,159 |
| Auto components | 491 | 497 | 478 | 475 | 468 | 477 | 491 | 491 | 1,941 | 1,927 | 2,073 |
| Substrates | 328 | 378 | 370 | 383 | 377 | 397 | 427 | 446 | 1,460 | 1,647 | 1,757 |
| OP | 176 | 152 | 130 | 248 | 125 | 68 | 180 | 258 | 706 | 631 | 835 |
| Optical solutions | 152 | 103 | 114 | 228 | 70 | 6 | 116 | 210 | 597 | 402 | 575 |
| Auto components | 15 | 22 | 5 | -2 | 19 | 21 | 20 | 10 | 39 | 69 | 85 |
| Substrates | 10 | 27 | 12 | 22 | 36 | 42 | 44 | 39 | 71 | 160 | 176 |
| Pretax profit | 164 | 124 | 124 | 176 | 132 | 73 | 188 | 259 | 589 | 652 | 872 |
| NP attributable to owners | 138 | 99 | 105 | 107 | 97 | 54 | 139 | 192 | 449 | 482 | 645 |
| EPS (W) | 5,851 | 4,178 | 4,436 | 4,518 | 4,116 | 2,271 | 5,874 | 8,114 | 18,983 | 20,375 | 27,256 |
| OP margin | 4% | 3% | 2% | 4% | 3% | 2% | 3% | 4% | 3% | 3% | 4% |
| Optical solutions | 4% | 3% | 2% | 4% | 2% | 0% | 2% | 4% | 3% | 2% | 3% |
| Auto components | 3% | 4% | 1% | -1% | 4% | 4% | 4% | 2% | 2% | 4% | 4% |
| Substrates | 3% | 7% | 3% | 6% | 10% | 11% | 10% | 9% | 5% | 10% | 10% |
| QoQ/YoY | | | | | | | | | | | |
| Revenue | -43% | 5% | 25% | 17% | -25% | -23% | 44% | 14% | 3% | -2% | 1% |
| OP | -64% | -14% | -14% | 90% | -50% | -45% | 163% | 44% | -15% | -11% | 32% |
| NP attr. to owners | -61% | -29% | 6% | 2% | -9% | -45% | 159% | 38% | -21% | 7% | 34% |

Source: Company data, Mirae Asset Securities Research

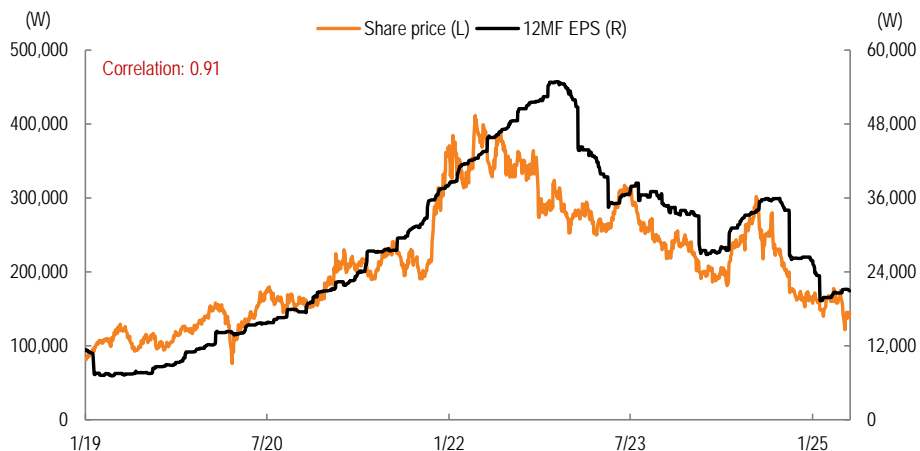
Table 3. Earnings forecast revisions

(Wbn)

| | Revised | | | Previous | | | Chg. | | |
|-------------------|---------|--------|--------|----------|--------|--------|--------|--------|--------|
| | 2Q25F | 2025F | 2026F | 2Q25F | 2025F | 2026F | 2Q25F | 2025F | 2026F |
| Revenue | 3,857 | 20,702 | 20,990 | 4,577 | 21,565 | 21,979 | -15.7% | -4.0% | -4.5% |
| Optical solutions | 2,983 | 17,128 | 17,159 | 3,727 | 18,082 | 18,223 | -20.0% | -5.3% | -5.8% |
| Auto components | 477 | 1,927 | 2,073 | 408 | 1,546 | 1,646 | 16.9% | 24.6% | 25.9% |
| Substrates | 354 | 1,447 | 1,570 | 372 | 1,367 | 1,459 | -4.9% | 5.8% | 7.6% |
| OP | 68 | 631 | 835 | 71 | 657 | 851 | -4.0% | -4.0% | -1.8% |
| Optical solutions | 6 | 402 | 575 | 7 | 533 | 665 | -14.8% | -24.6% | -13.5% |
| Auto components | 21 | 69 | 85 | 22 | 19 | 40 | -6.8% | 264.0% | 111.5% |
| Substrates | 42 | 160 | 176 | 92 | 99 | 140 | -54.6% | 61.7% | 25.7% |
| Pretax profit | 73 | 652 | 872 | 92 | 99 | 140 | -21.1% | 558.1% | 522.6% |
| NP | 54 | 482 | 645 | 83 | 676 | 819 | -35.3% | -28.7% | -21.2% |
| EPS (W) | 2,271 | 20,375 | 27,256 | 2,874 | 19,284 | 25,596 | -21.0% | 5.7% | 6.5% |

Source: Mirae Asset Securities Research

Figure 1. Strong correlation between share price and 12-month forward EPS: Earnings momentum to be priced in toward 2H25



Source: Bloomberg, Mirae Asset Securities Research

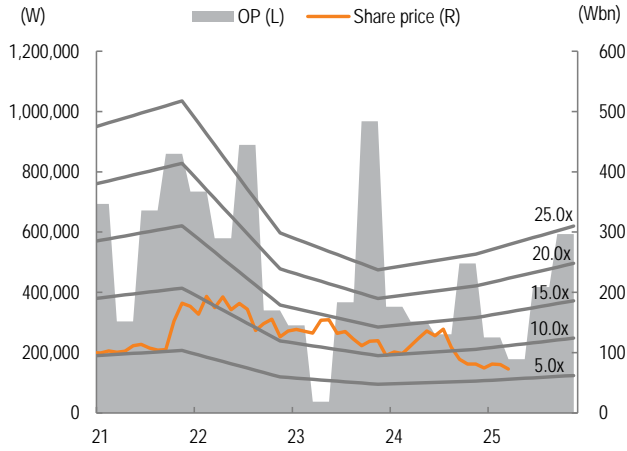
Table 4. SOTP TP calculation

(Wbn)

| | 2025F EBITDA | EV/EBITDA (x) | Value | Notes |
|----------------------|--------------|---------------|---------|--|
| Optical solutions | 1,406 | 3.5 | 4,921 | Avg. EV/EBITDA of Mcnex and Partron |
| Auto components | 109 | 4.3 | 467 | Peer avg. |
| Substrates | 429 | 3.4 | 1,460 | 30% discount to avg. multiple of Ibiden, Shinko, SEMCO, and Kinsus |
| Fair value | | | 5,452 | 20% discount |
| Total liabilities | | | 445 | |
| Total value | | | 5,006 | |
| No. of shares (mn) | | | 24 | |
| TP (W) | | | 210,000 | |
| CP (W) | | | 145,500 | |
| Upside potential (%) | | | 44% | |

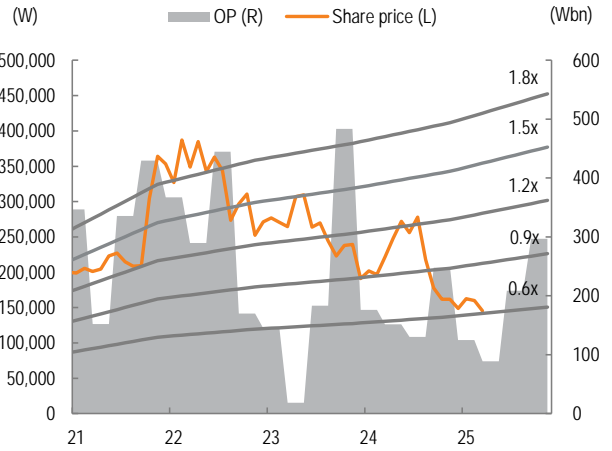
Source: Mirae Asset Securities Research

Figure 2. 12-month forward P/E and OP



Source: QuantiWise, Mirae Asset Securities Research

Figure 3. 12-month forward P/B and OP



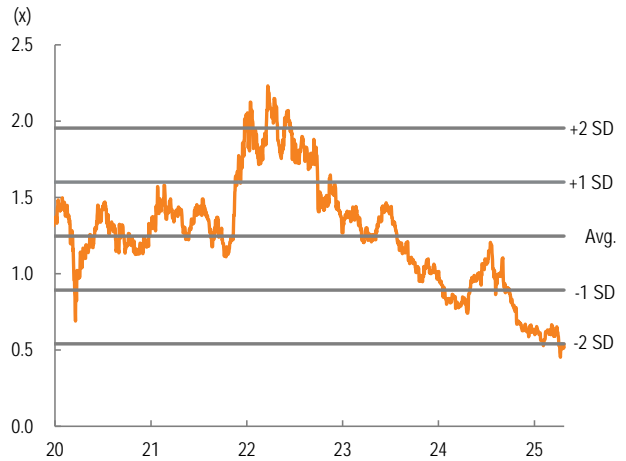
Source: QuantiWise, Mirae Asset Securities Research

Figure 4. 12-month forward P/E ±2 SD



Source: QuantiWise, Mirae Asset Securities Research

Figure 5. -month forward P/B ±2 SD



Source: QuantiWise, Mirae Asset Securities Research

LG Innotek (011070 KS)

Income statement (summarized)

| (Wbn) | 2024 | 2025F | 2026F | 2027F |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Revenue | 21,201 | 20,702 | 20,990 | 21,438 |
| Cost of revenue | 19,457 | 18,622 | 18,685 | 19,027 |
| GP | 1,744 | 2,080 | 2,305 | 2,411 |
| SG&A expenses | 1,038 | 1,449 | 1,469 | 1,501 |
| OP (adj.) | 706 | 631 | 835 | 910 |
| OP | 706 | 631 | 835 | 910 |
| Non-operating profit | -117 | 21 | 37 | 58 |
| Net financial income | -74 | -53 | -38 | -16 |
| Net income from associates | 0 | 0 | 0 | 0 |
| Pretax profit | 589 | 652 | 872 | 968 |
| Income tax | 140 | 169 | 227 | 252 |
| Profit from continuing operations | 449 | 482 | 645 | 716 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 |
| NP | 449 | 482 | 645 | 716 |
| Attributable to owners | 449 | 482 | 645 | 716 |
| Attributable to minority interests | 0 | 0 | 0 | 0 |
| Total comprehensive income | 701 | 482 | 645 | 716 |
| Attributable to owners | 701 | 482 | 645 | 716 |
| Attributable to minority interests | 0 | 0 | 0 | 0 |
| EBITDA | 1,986 | 2,132 | 2,472 | 2,703 |
| FCF | 231 | 959 | 458 | 872 |
| EBITDA margin (%) | 9.4 | 10.3 | 11.8 | 12.6 |
| OP margin (%) | 3.3 | 3.0 | 4.0 | 4.2 |
| Net margin (%) | 2.1 | 2.3 | 3.1 | 3.3 |

Balance sheet (summarized)

| (Wbn) | 2024 | 2025F | 2026F | 2027F |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Current assets | 5,853 | 6,901 | 8,329 | 9,593 |
| Cash & equivalents | 1,329 | 2,207 | 2,530 | 3,266 |
| AR & other receivables | 2,809 | 2,313 | 3,023 | 3,312 |
| Inventory | 1,575 | 2,244 | 2,625 | 2,860 |
| Other current assets | 140 | 137 | 151 | 155 |
| Non-current assets | 5,525 | 4,913 | 4,171 | 3,279 |
| Investments in associates | 0 | 0 | 0 | 0 |
| PP&E | 4,480 | 3,837 | 3,060 | 2,129 |
| Intangible assets | 219 | 193 | 166 | 138 |
| Total assets | 11,378 | 11,814 | 12,500 | 12,873 |
| Current liabilities | 3,955 | 3,958 | 4,101 | 3,859 |
| AP & other payables | 2,737 | 2,854 | 2,897 | 2,754 |
| Short-term financial liabilities | 693 | 608 | 674 | 614 |
| Other current liabilities | 525 | 496 | 530 | 491 |
| Non-current liabilities | 2,069 | 2,069 | 2,069 | 2,069 |
| Long-term financial liabilities | 2,007 | 2,012 | 2,009 | 2,010 |
| Other non-current liabilities | 62 | 57 | 60 | 59 |
| Total liabilities | 6,024 | 6,028 | 6,170 | 5,928 |
| Equity attributable to owners | 5,354 | 5,787 | 6,330 | 6,944 |
| Capital stock | 118 | 118 | 118 | 118 |
| Capital surplus | 1,134 | 1,251 | 1,251 | 1,251 |
| Retained earnings | 3,868 | 4,301 | 4,844 | 5,459 |
| Minority interests | 0 | 0 | 0 | 0 |
| Shareholders' equity | 5,354 | 5,787 | 6,330 | 6,944 |

Cash flow statement (summarized)

| (Wbn) | 2024 | 2025F | 2026F | 2027F |
|--|--------------|--------------|--------------|--------------|
| Operating cash flow | 1,110 | 1,759 | 1,258 | 1,672 |
| NP | 449 | 482 | 645 | 716 |
| Non-cash income/expenses | 1,547 | 1,724 | 1,901 | 2,061 |
| Depreciation | 1,229 | 1,443 | 1,577 | 1,731 |
| Amortization | 51 | 58 | 60 | 63 |
| Other | 267 | 223 | 264 | 267 |
| Chg. in working capital | -816 | -86 | -1,023 | -709 |
| Chg. in AR & other receivables | -285 | 512 | -708 | -278 |
| Chg. in inventory | 9 | -669 | -381 | -235 |
| Chg. in AP & other payables | -494 | 50 | 57 | -127 |
| Income tax | -118 | -169 | -227 | -252 |
| Cash flow from investing activities | -969 | -832 | -833 | -834 |
| Chg. in PP&E | -872 | -1,443 | -1,577 | -1,731 |
| Chg. in intangible assets | -70 | 31 | 33 | 34 |
| Chg. in financial assets | -18 | 612 | 743 | 896 |
| Other | -9 | -32 | -32 | -33 |
| Cash flow from financing activities | -220 | -49 | -102 | -102 |
| Chg. in financial liabilities | -69 | 0 | 64 | -59 |
| Chg. in equity | 0 | 0 | 0 | 0 |
| Dividends | -62 | -49 | -102 | -102 |
| Other | -89 | 0 | -64 | 59 |
| Chg. in cash | -60 | 877 | 323 | 736 |
| Beginning balance | 1,390 | 1,329 | 2,207 | 2,530 |
| Ending balance | 1,329 | 2,207 | 2,530 | 3,266 |

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

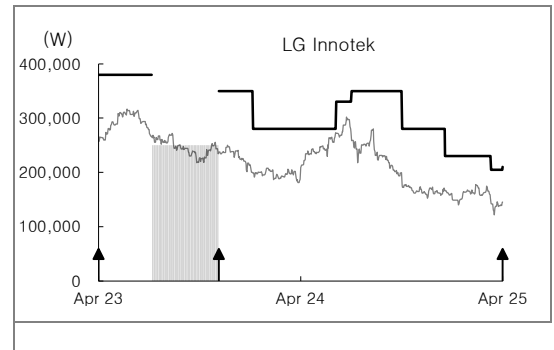
| | 2024 | 2025F | 2026F | 2027F |
|------------------------------|---------|---------|---------|---------|
| P/E (x) | 8.5 | 6.8 | 5.1 | 4.6 |
| P/CF (x) | 1.9 | 1.5 | 1.3 | 1.2 |
| P/B (x) | 0.7 | 0.6 | 0.5 | 0.5 |
| EV/EBITDA (x) | 2.6 | 1.7 | 1.4 | 1.0 |
| EPS (W) | 18,983 | 20,372 | 27,253 | 30,264 |
| CFPS (W) | 84,347 | 93,198 | 107,573 | 117,337 |
| BPS (W) | 226,229 | 239,595 | 262,548 | 288,512 |
| DPS (W) | 2,090 | 2,090 | 2,090 | 2,090 |
| Dividend payout ratio (%) | 11.0 | 10.3 | 7.7 | 6.9 |
| Dividend yield (%) | 1.3 | 1.2 | 1.2 | 1.2 |
| Revenue growth (%) | 2.9 | -2.4 | 1.4 | 2.1 |
| EBITDA growth (%) | 5.8 | 7.3 | 16.0 | 9.3 |
| OP growth (%) | -15.0 | -10.6 | 32.4 | 8.9 |
| EPS growth (%) | -20.5 | 7.3 | 33.8 | 11.0 |
| AR turnover (x) | 8.4 | 8.2 | 8.0 | 6.9 |
| Inventory turnover (x) | 13.5 | 10.8 | 8.6 | 7.8 |
| AP turnover (x) | 8.2 | 8.2 | 8.1 | 8.3 |
| ROA (%) | 4.0 | 4.2 | 5.3 | 5.6 |
| ROE (%) | 8.9 | 8.7 | 10.6 | 10.8 |
| ROIC (%) | 8.9 | 11.8 | 9.8 | 10.6 |
| Debt-to-equity ratio (%) | 112.5 | 104.2 | 97.5 | 85.4 |
| Current ratio (%) | 148.0 | 174.4 | 203.1 | 248.6 |
| Net debt-to-equity ratio (%) | 25.4 | 6.9 | 2.2 | -9.5 |
| Interest coverage ratio (x) | 6.2 | 8.1 | 10.7 | 10.2 |

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

| Company | Date | Rating | TP (W) |
|---------------------|----------|-------------|---------|
| LG Innotek (011070) | 04/24/25 | Buy | 210,000 |
| | 04/03/25 | Buy | 205,000 |
| | 01/10/25 | Buy | 230,000 |
| | 10/24/24 | Buy | 280,000 |
| | 07/25/24 | Buy | 350,000 |
| | 06/27/24 | Buy | 330,000 |
| | 01/29/24 | Buy | 280,000 |
| | 11/28/23 | Buy | 350,000 |
| | 07/31/23 | No Coverage | |
| | 10/27/22 | Buy | 380,000 |



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 | 83.98% | 6.63% | 8.84% | 0.55% |
| Investment banking services | 88.24% | 0% | 11.76% | 0% |

* Based on recommendations in the last 12-months (as of March 31, 2025)

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