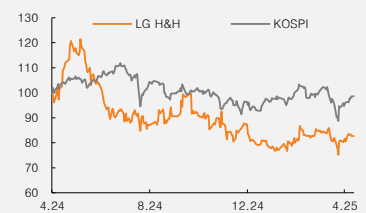


(Upgrade)	<b>Buy</b>
Target price	<b>▲ W400,000</b>
Current price (4/28/25)	W319,000
Upside	25.4%

OP (25F, Wbn)	499
Consensus OP (25F, Wbn)	482
EPS growth (25F, %)	64.7
Market EPS growth (25F, %)	26.5
P/E (25F, x)	18.1
Market P/E (25F, x)	9.2
KOSPI	2,548.86

Market cap (Wbn)	4,982
Shares (mn)	16
Free float (%)	59.8
Foreign ownership (%)	28.2
Beta (12M)	0.56
52-week low (W)	290,000
52-week high (W)	469,000

(%)	1M	6M	12M
Absolute	-3.8	-9.2	-18.6
Relative	-3.4	-7.0	-15.2



Mirae Asset Securities Co., Ltd.

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# LG H&H

## Structural improvements increasing the likelihood of an earnings recovery

### 1Q25 review: Cosmetics and household goods see encouraging overseas growth

For 1Q25, LG H&H reported above-consensus results, with revenue of W1.7tr (-2% YoY) and operating profit of W142.4bn (-6% YoY). Strength in overseas markets helped offset weakness in the domestic and duty-free segments.

Overseas, the company recorded YoY revenue growth in the US (+3%), Japan (+23%), and other regions (+6%), with only China showing a decline (-4%). While the majority of non-China revenue came from acquired brands (making it difficult to isolate the performance of LG H&H's in-house brands), we estimate that in-house brands continued strong growth in non-China markets. It is particularly encouraging that total overseas sales have returned to positive growth, driven by efficiency gains from acquired brands combined with robust growth from in-house brands. Even in China, the firm returned to profitability on more efficient marketing spend (which pushed down overall cosmetics marketing expenses by 10%, despite increased marketing elsewhere). While China revenue fell slightly, we believe the performance was still solid considering the marketing/investment reductions. All in all, we believe the China market is recovering from a bottom.

### Visible non-China growth and strengthening product strategies/brand portfolio

We expect in-house brands to continue strong growth in non-China markets, helping to sustain earnings momentum. This year, the revenue share of in-house brands is expected to rise to 30% in North America (from 11% in 2023 and 23% in 2024) and to 20% in Japan (from 7% in 2023 and 14% in 2024). Even if revenue from acquired brands weakens, overall revenue in these regions should grow on the back of in-house brands.

We believe LG H&H's in-house brands are delivering strong growth thanks to their differentiated market positioning. As a latecomer in non-China markets, the company strategically targeted niche categories with lower competition—an approach that has allowed it to rapidly gain market share and achieve balanced growth across all major brands (double-digit growth for CNP, The Face Shop, and VDL, triple-digit growth for Hince, and solid gains for Dr. Groot and Euthymol).

### Raise TP to W400,000 and upgrade to Buy

Reflecting upward earnings forecast revisions, we raise our target price for LG H&H to W400,000 (from W350,000) and upgrade the stock to Buy (from Hold). Earnings resilience in China has strengthened, and the high-growth Japan business reported a high-single-digit margin in 1Q25. Depending on the performance of in-house brands, profit improvements could accelerate. All in all, earnings are very likely to turn around in 2H25 (following massive China losses in 2H24). Valuation also looks undemanding, with the stock currently trading at a 12-month forward P/E of 16x.

(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	6,805	6,812	6,764	6,847	6,957
OP (Wbn)	487	459	499	517	530
OP margin (%)	7.2	6.7	7.4	7.6	7.6
NP (Wbn)	143	189	312	325	335
EPS (W)	8,057	10,675	17,582	18,320	18,900
ROE (%)	2.7	3.4	5.5	5.5	5.4
P/E (x)	44.1	28.6	18.1	17.4	16.9
P/B (x)	1.1	1.0	1.0	0.9	0.9
Dividend yield (%)	1.0	1.1	1.9	1.9	2.0

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

**Table 1. Annual earnings and forecasts**

(Wbn)

	2022	2023	2024	2025F	2026F	2027F
Revenue	7,186	6,805	6,812	6,764	6,847	6,957
Cosmetics	3,212	2,816	2,842	2,810	2,877	2,934
HDB	2,210	2,182	2,145	2,187	2,225	2,259
Beverages	1,764	1,807	1,825	1,766	1,745	1,764
OP	711	487	459	499	517	530
Cosmetics	309	147	162	203	218	224
HDB	190	126	130	139	145	151
Beverages	212	215	168	156	154	155
Pretax profit	418	276	317	431	450	464
NP	258	164	204	319	333	343
NP (owners of the parent)	237	143	189	311	325	335
OP margin (%)	9.9	7.2	6.7	7.4	7.5	7.6
Cosmetics	9.6	5.2	5.7	7.2	7.6	7.6
HDB	8.6	5.8	6.0	6.4	6.5	6.7
Beverages	12.0	11.9	9.2	8.8	8.8	8.8
Revenue growth (% YoY)	(11.2)	(5.3)	0.1	(0.7)	1.2	1.6
Cosmetics	(27.7)	(12.3)	0.9	(1.1)	2.4	2.0
HDB	7.4	(1.3)	(1.7)	2.0	1.7	1.5
Beverages	10.8	2.4	1.0	(3.2)	(1.2)	1.1
OP growth (% YoY)	(44.9)	(31.5)	(5.7)	8.6	3.7	2.5
Cosmetics	(64.7)	(52.6)	10.2	25.6	7.4	3.0
HDB	(9.0)	(33.9)	3.2	7.6	4.4	3.9
Beverages	3.8	1.4	(21.8)	(7.1)	(1.7)	0.6
NP growth (% YoY)	(72.0)	(39.7)	32.5	64.7	4.2	3.2

Source: Company data, Mirae Asset Securities Research

**Table 2. Quarterly earnings and forecasts**

(Wbn)

	1Q24	2Q24	3Q24	4Q24	2024	1Q25P	2Q25F	3Q25F	4Q25F	2025F
Revenue	1,729	1,760	1,714	1,610	6,812	1,698	1,693	1,682	1,691	6,764
Cosmetics	733	759	651	699	2,842	708	695	621	786	2,810
HDB	561	522	563	500	2,145	573	535	571	508	2,187
Beverages	434	479	500	411	1,825	416	462	490	397	1,766
OP	151	159	106	43	459	142	136	138	82	499
Cosmetics	66	73	11	11	162	59	52	43	49	203
HDB	32	34	41	22	130	37	36	43	23	139
Beverages	53	52	54	10	168	47	48	51	10	156
Pretax profit	148	150	104	(84)	317	142	133	141	15	431
NP	113	107	74	(90)	204	104	100	106	10	319
NP (owners of the parent)	107	100	68	(86)	189	98	99	105	10	311
OP margin (%)	8.7	9.0	6.2	2.7	6.7	8.4	8.0	8.2	4.9	7.4
Cosmetics	9.0	9.6	1.8	1.6	5.7	8.3	7.4	7.0	6.2	7.2
HDB	5.7	6.5	7.3	4.4	6.0	6.4	6.8	7.6	4.6	6.4
Beverages	12.1	10.9	10.7	2.5	9.2	11.3	10.3	10.5	2.6	8.8
Revenue growth (% YoY)	2.7	(2.7)	(1.9)	2.7	0.1	(1.8)	(3.8)	(1.8)	5.1	(0.7)
Cosmetics	4.5	(2.7)	(2.9)	5.4	0.9	(3.4)	(8.4)	(4.6)	12.4	(1.1)
HDB	(0.3)	(4.5)	(1.3)	(0.7)	(1.7)	2.2	2.6	1.5	1.7	2.0
Beverages	3.6	(0.5)	(1.1)	2.6	1.0	(4.1)	(3.5)	(2.0)	(3.3)	(3.2)
OP growth (% YoY)	3.5	0.4	(17.4)	(20.7)	(5.7)	(5.7)	(14.4)	30.2	89.8	8.6
Cosmetics	8.3	4.0	42.5	50.7	10.2	(11.2)	(28.9)	279.6	344.4	25.6
HDB	(2.4)	22.8	(11.8)	22.0	3.2	13.7	6.8	5.4	4.1	7.6
Beverages	1.0	(13.6)	(27.5)	(65.1)	(21.8)	(10.7)	(8.3)	(4.0)	1.5	(7.1)
NP growth (% YoY)	16.6	12.5	(19.5)	RR	32.5	(7.8)	(1.5)	54.4	TTB	64.7

Source: Company data, Mirae Asset Securities Research

**Table 3. Cosmetics revenue and forecasts**

(Wbn)

	1Q24	2Q24	3Q24	4Q24	1Q25P	2Q25F	3Q25F	4Q25F	2024	2025F	2026F
Revenue	733	759	651	699	708	695	621	786	2,842	2,810	2,877
Duty-free	172	182	169	77	135	129	122	97	600	482	434
Door-to-door	88	99	59	70	81	86	52	61	315	280	256
Department stores	29	30	26	21	32	30	26	21	107	108	109
China	166	167	117	238	156	158	108	238	688	660	667
Other	277	281	280	294	304	293	313	370	1,132	1,280	1,410
Growth (% YoY)	4.5	(2.7)	(2.9)	5.4	(3.4)	(8.4)	(4.6)	12.4	0.9	(1.1)	2.4
Duty-free	(9.2)	(24.7)	(23.5)	(10.8)	(21.7)	(29.3)	(28.0)	25.8	(18.8)	(19.7)	(9.9)
Door-to-door	(5.5)	5.2	(32.8)	(12.2)	(7.4)	(13.0)	(10.8)	(12.8)	(10.9)	(11.0)	(8.8)
Department stores	(2.1)	(14.4)	(2.9)	5.4	8.7	(2.0)	(2.0)	(1.6)	(4.9)	1.0	0.9
China	6.0	9.2	18.3	23.6	(6.4)	(5.3)	(8.1)	0.1	14.5	(4.2)	1.2
Other	19.5	9.6	18.5	3.0	9.7	4.2	12.0	25.8	12.1	13.1	10.2
% of revenue											
Duty-free	23.5	24.0	26.0	11.0	19.0	18.5	19.6	12.3	21.1	17.2	15.1
Door-to-door	12.0	13.0	9.0	10.0	11.5	12.3	8.4	7.8	11.1	10.0	8.9
Department stores	4.0	4.0	4.0	3.0	4.5	4.3	4.1	2.6	3.8	3.8	3.8
China	22.7	22.0	18.0	34.0	22.0	22.7	17.3	30.3	24.2	23.5	23.2
Other	37.9	37.0	43.0	42.0	43.0	42.1	50.5	47.0	39.8	45.6	49.0

Note: Others = Online, H&B, ex-China Exports

Source: Company data, Mirae Asset Securities Research

**Table 4. Revenue forecasts by region**

(Wbn)

	1Q24	2Q24	3Q24	4Q24	1Q25P	2Q25F	3Q25F	4Q25F	2024	2025F	2026F
Revenue	514	520	460	615	536	531	468	641	2,110	2,176	2,281
China	214	202	154	276	205	195	146	278	846	823	837
North America	122	132	125	143	125	134	130	152	522	541	576
Japan	93	94	96	104	115	100	101	110	388	426	442
Other	86	92	85	92	91	101	92	101	355	386	426
Growth (% YoY)	2.5	(1.6)	3.5	8.9	4.2	2.1	1.7	4.2	3.4	3.1	4.8
China	9.9	5.6	12.1	20.8	(4.2)	(3.7)	(5.2)	0.6	12.5	(2.7)	1.7
North America	(10.9)	(16.6)	(16.0)	(10.8)	3.0	2.2	3.5	6.2	(13.6)	3.8	6.4
Japan	3.6	(4.7)	10.0	5.9	23.2	6.6	5.0	5.3	3.5	9.8	3.8
Other	6.3	14.0	20.1	18.5	6.2	10.0	7.9	10.5	14.5	8.7	10.4
% of revenue											
China	41.5	38.9	33.4	44.9	38.2	36.6	31.2	43.3	40.1	37.8	36.7
North America	23.6	25.3	27.2	23.3	23.4	25.3	27.7	23.7	24.7	24.9	25.3
Japan	18.1	18.1	20.9	16.9	21.4	18.9	21.6	17.1	18.4	19.6	19.4
Other	16.7	17.7	18.4	14.9	17.1	19.1	19.6	15.8	16.8	17.7	18.7

Source: Company data, Mirae Asset Securities Research

**Table 5. Valuation table**

(W)

	Value	Notes
12MF EPS	20,222	
Target P/E (x)	20	20% premium to sector avg.; turnaround expected
Fair value per share	404,436	
Target price	400,000	
Current price	319,000	
Upside (%)	25.4	

Source: Mirae Asset Securities Research

LG H&H (051900 KS)

**Income statement (summarized)**

(Wbn)	2024	2025F	2026F	2027F
<b>Revenue</b>	<b>6,812</b>	<b>6,764</b>	<b>6,847</b>	<b>6,957</b>
<b>Cost of revenue</b>	<b>3,251</b>	<b>3,225</b>	<b>3,261</b>	<b>3,310</b>
<b>GP</b>	<b>3,561</b>	<b>3,539</b>	<b>3,586</b>	<b>3,647</b>
<b>SG&amp;A expenses</b>	<b>3,102</b>	<b>3,041</b>	<b>3,069</b>	<b>3,118</b>
<b>OP (adj.)</b>	<b>459</b>	<b>499</b>	<b>517</b>	<b>530</b>
<b>OP</b>	<b>459</b>	<b>499</b>	<b>517</b>	<b>530</b>
<b>Non-operating profit</b>	<b>-142</b>	<b>-68</b>	<b>-67</b>	<b>-66</b>
Net financial income	16	30	41	54
Net income from associates	6	6	6	6
Pretax profit	317	431	450	464
Income tax	113	112	117	121
Profit from continuing operations	204	319	333	343
Profit from discontinued operations	0	0	0	0
<b>NP</b>	<b>204</b>	<b>319</b>	<b>333</b>	<b>343</b>
Attributable to owners	189	312	325	335
Attributable to minority interests	15	8	8	8
<b>Total comprehensive income</b>	<b>251</b>	<b>319</b>	<b>333</b>	<b>343</b>
Attributable to owners	229	326	340	351
Attributable to minority interests	22	-7	-7	-8
EBITDA	715	736	726	715
FCF	396	431	530	514
EBITDA margin (%)	10.5	10.9	10.6	10.3
OP margin (%)	6.7	7.4	7.6	7.6
Net margin (%)	2.8	4.6	4.7	4.8

**Balance sheet (summarized)**

(Wbn)	2024	2025F	2026F	2027F
<b>Current assets</b>	<b>2,856</b>	<b>3,303</b>	<b>3,748</b>	<b>4,184</b>
Cash & equivalents	1,253	1,619	2,044	2,453
AR & other receivables	589	619	626	636
Inventory	922	969	981	997
Other current assets	92	96	97	98
<b>Non-current assets</b>	<b>4,550</b>	<b>4,426</b>	<b>4,227</b>	<b>4,053</b>
Investments in associates	58	61	62	63
PP&E	2,226	2,121	1,943	1,788
Intangible assets	1,964	1,942	1,921	1,901
<b>Total assets</b>	<b>7,406</b>	<b>7,728</b>	<b>7,975</b>	<b>8,237</b>
<b>Current liabilities</b>	<b>1,296</b>	<b>1,349</b>	<b>1,361</b>	<b>1,379</b>
AP & other payables	428	450	455	463
Short-term financial liabilities	457	467	468	472
Other current liabilities	411	432	438	444
<b>Non-current liabilities</b>	<b>424</b>	<b>436</b>	<b>440</b>	<b>444</b>
Long-term financial liabilities	178	178	178	178
Other non-current liabilities	246	258	262	266
<b>Total liabilities</b>	<b>1,720</b>	<b>1,785</b>	<b>1,800</b>	<b>1,823</b>
<b>Equity attributable to owners</b>	<b>5,566</b>	<b>5,816</b>	<b>6,040</b>	<b>6,271</b>
Capital stock	89	89	89	89
Capital surplus	97	97	97	97
Retained earnings	5,696	5,948	6,172	6,404
<b>Minority interests</b>	<b>120</b>	<b>127</b>	<b>135</b>	<b>144</b>
<b>Shareholders' equity</b>	<b>5,686</b>	<b>5,943</b>	<b>6,175</b>	<b>6,415</b>

**Cash flow statement (summarized)**

(Wbn)	2024	2025F	2026F	2027F
<b>Operating cash flow</b>	<b>528</b>	<b>531</b>	<b>530</b>	<b>514</b>
NP	204	319	333	343
Non-cash income/expenses	513	320	279	246
Depreciation	221	205	178	155
Amortization	34	32	31	31
Other	258	83	70	60
Chg. in working capital	-114	-25	-6	-9
Chg. in AR & other receivables	-33	-29	-7	-10
Chg. in inventory	-3	-47	-12	-16
Chg. in AP & other payables	-33	12	3	4
Income tax	-104	-112	-117	-121
<b>Cash flow from investing activities</b>	<b>-152</b>	<b>-143</b>	<b>-25</b>	<b>-28</b>
Chg. in PP&E	-130	-100	0	0
Chg. in intangible assets	-16	-10	-10	-10
Chg. in financial assets	0	-1	0	0
Other	-6	-32	-15	-18
<b>Cash flow from financing activities</b>	<b>-53</b>	<b>-127</b>	<b>-169</b>	<b>-179</b>
Chg. in financial liabilities	94	11	1	4
Chg. in equity	0	0	0	0
Dividends	-60	-59	-101	-104
Other	-87	-79	-69	-79
<b>Chg. in cash</b>	<b>343</b>	<b>366</b>	<b>425</b>	<b>409</b>
Beginning balance	910	1,253	1,619	2,044
Ending balance	1,253	1,619	2,044	2,453

Source: Company data, Mirae Asset Securities Research estimates

**Key valuation metrics/ratios**

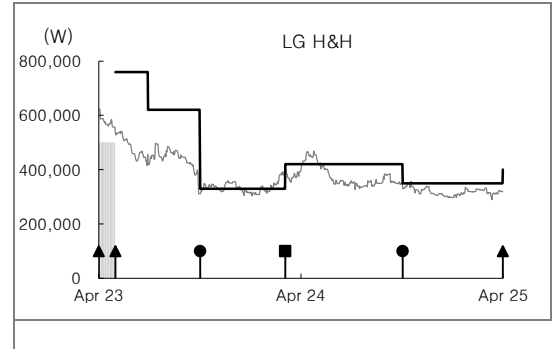
	2024	2025F	2026F	2027F
P/E (x)	28.6	18.1	17.4	16.9
P/CF (x)	7.5	8.8	9.2	9.6
P/B (x)	1.0	1.0	0.9	0.9
EV/EBITDA (x)	6.3	5.9	5.5	5.0
EPS (W)	10,675	17,582	18,320	18,900
CFPS (W)	40,435	36,061	34,513	33,234
BPS (W)	318,161	332,232	344,872	357,926
DPS (W)	3,500	6,000	6,200	6,400
Dividend payout ratio (%)	25.2	27.6	27.3	27.3
Dividend yield (%)	1.1	1.9	1.9	2.0
Revenue growth (%)	0.1	-0.7	1.2	1.6
EBITDA growth (%)	-5.6	2.9	-1.3	-1.5
OP growth (%)	-5.7	8.6	3.7	2.5
EPS growth (%)	32.5	64.7	4.2	3.2
AR turnover (x)	12.3	11.4	11.2	11.3
Inventory turnover (x)	7.5	7.2	7.0	7.0
AP turnover (x)	13.4	13.6	13.4	13.4
ROA (%)	2.8	4.2	4.2	4.2
ROE (%)	3.4	5.5	5.5	5.4
ROIC (%)	5.7	7.4	7.8	8.3
Debt-to-equity ratio (%)	30.2	30.0	29.2	28.4
Current ratio (%)	220.4	244.8	275.5	303.5
Net debt-to-equity ratio (%)	-11.2	-16.7	-23.0	-28.4
Interest coverage ratio (x)	26.6	34.4	35.3	36.1

# Appendix 1

## Important disclosures and disclaimers

### Two-year rating and TP history

Company	Date	Rating	TP (W)
LG H&H (051900)	04/29/25	Buy	400,000
	10/30/24	Hold	350,000
	04/01/24	Trading Buy	420,000
	10/30/23	Hold	330,000
	07/28/23	Buy	620,000
	05/30/23	Buy	760,000
	03/31/23	No Coverage	



### 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)

### Disclosures

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