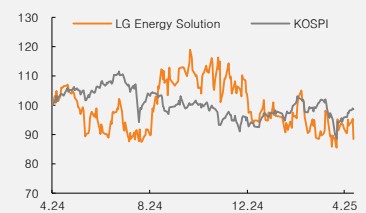


(Maintain)	Buy
Target price	▼ W440,000
Current price (4/30/25)	W324,500
Upside	35.6%

OP (25F, Wbn)	2,059
Consensus OP (25F, Wbn)	1,701
EPS growth (25F, %)	TTB
Market EPS growth (25F, %)	25.9
P/E (25F, x)	75.7
Market P/E (25F, x)	9.2
KOSPI	2,556.61

Market cap (Wbn)	75,933
Shares (mn)	234
Free float (%)	17.6
Foreign ownership (%)	4.3
Beta (12M)	1.06
52-week low (W)	314,000
52-week high (W)	436,500

(%)	1M	6M	12M
Absolute	-8.8	-21.1	-16.6
Relative	-8.8	-20.0	-12.2



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LG Energy Solution

Policy uncertainties persist, but key customers are holding up relatively well

Cut TP to W440,000

We maintain our Buy rating on LG Energy Solution (LGES) but lower our target price to W440,000 (from W480,000), as we trimmed our 2026 EBITDA estimate by 8% to reflect policy uncertainties and a potential slowdown in end-market demand. We also revised down our 2Q25 and 2025 revenue estimates by 13% and 8%, respectively, as key customers are likely to take a more conservative approach to inventory management in response to regulatory uncertainties. That said, we keep our operating profit estimates unchanged, as: 1) solid demand for GM's EVs is supporting higher AMPC recognition; and 2) profitability in the cylindrical battery segment is improving on new shipments to Tesla. We expect LGES to maintain relatively solid earnings, as its strong customer portfolio and proactive investments in the US make it well-positioned to benefit from subsidies. That said, in 2Q25, investors should monitor factors such as potential changes to Inflation Reduction Act (IRA) rules, details of demand stimulus measures under the European automotive industry action plan, and tariff developments. We retain the stock as our top pick in the sector and recommend gradually accumulating shares while monitoring policy developments.

1Q25 review: Above-consensus results

For 1Q25, LGES posted revenue of W6.3tr (-3% QoQ) and operating profit of W374.7bn (swinging to profit QoQ). Our operating profit estimates by division are: 1) W359bn (OP margin of 9%) for EV batteries (including AMPC); 2) -W86bn (OP margin of -15%) for ESS batteries; and 3) W101.2bn (OP margin of 6%) for small-sized batteries. AMPC recognition was higher than expected thanks to increased production/shipments at Ultium Cells along with sample shipments from the Michigan plant; excluding the AMPC, we estimate the EV battery division would have posted a loss of W98bn (OP margin of -2.4%). Mix/ASP also likely improved on new cylindrical battery shipments to Tesla, supporting profitability. While the overall industry remains sluggish and policy uncertainties persist, LGES's key customers are holding up relatively well.

2Q25 preview and 2025 outlook

For 2Q25, we look for revenue of W5.7tr (-10% QoQ) and operating profit of W379bn (flat QoQ). Policy uncertainties should lead to conservative inventory management at customers, weighing on revenue. Nevertheless, we keep our operating profit estimate unchanged due to: 1) solid EV sales at GM (which led us to revise up our AMPC estimate by W20bn); and 2) improved profitability stemming from new Tesla-bound shipments (which led us to raise our operating profit estimate for small-sized batteries by W40bn). For the full year, we look for revenue of W25.3tr (-1.3% YoY) and operating profit of W2.1tr (+258% YoY), which are 8% and 2% higher than our previous estimates, respectively.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	25,599	33,745	25,620	25,290	32,610
OP (Wbn)	1,214	2,163	575	2,059	3,690
OP margin (%)	4.7	6.4	2.2	8.1	11.3
NP (Wbn)	767	1,237	-1,019	1,003	1,937
EPS (W)	3,305	5,287	-4,354	4,286	8,276
ROE (%)	5.7	6.4	-4.9	4.6	8.4
P/E (x)	131.8	80.9	-	75.7	39.2
P/B (x)	5.4	5.0	3.9	3.4	3.2
Dividend yield (%)	0.0	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. TP calculation

(Wbn)

	EBITDA	EV/EBITDA (x)	Value	Notes
Total	7,786	15	116,785	-8% revision to 2026F EBITDA
Small-sized	1,548			
EV	3,552			
ESS	460			
IRA credits (2026F)	2,226			
2026F net debt			12,536	
Fair value			104,249	
No. of shares ('000)			234,000	
Target price (W)			440,000	

Source: Company data, Mirae Asset Securities Research

Table 2. Quarterly and annual earnings

(Wbn, %)

	1Q25	2Q25F	3Q25F	4Q25F	1Q26F	2Q26F	3Q26F	4Q26F	2024	2025F	2026F
Revenue	6,265	5,660	6,213	7,152	7,073	7,199	8,297	10,041	25,619	25,290	32,610
Small-sized batteries	1,652	1,697	1,946	2,331	2,232	2,273	2,540	2,975	7,511	7,626	10,021
EV	4,041	3,427	3,691	4,184	4,268	4,319	4,967	5,960	16,274	15,344	19,513
ESS	572	536	577	637	573	608	790	1,106	1,834	2,321	3,076
OP	375	379	568	738	750	749	989	1,201	575	2,059	3,690
Small-sized batteries	101	95	122	168	113	154	177	233	167	486	677
EV	-98	-111	-61	6	81	105	183	251	-831	-265	620
ESS	-86	0	17	32	11	30	47	77	-240	-37	167
IRA credits	458	395	490	531	544	460	582	640	1,480	1,874	2,226
OP margin	6.0	6.7	9.1	10.3	10.6	10.4	11.9	12.0	2.2	8.1	11.3
Small-sized batteries	6.1	5.6	6.3	7.2	5.1	6.8	7.0	7.8	2.2	6.4	6.8
EV	-2.4	-3.2	-1.7	0.1	1.9	2.4	3.7	4.2	-5.1	-1.7	3.2
ESS	-15.0	0.0	3.0	5.0	2.0	5.0	6.0	7.0	-13.1	-1.6	5.4
EBITDA	1,289	1,294	1,483	1,653	1,735	1,735	2,052	2,264	3,617	5,719	7,786
Small-sized batteries	318	312	339	386	330	372	395	451	1,019	1,354	1,548
EV	536	523	573	641	779	803	951	1,019	1,476	2,273	3,552
ESS	-22	63	81	95	81	100	124	154	-9	217	460
IRA credits	458	395	490	531	544	460	582	640	1,480	1,874	2,226

Source: Company data, Mirae Asset Securities Research

LG Energy Solution (373220 KS)

Income statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Revenue	33,745	25,620	25,290	32,610
Cost of revenue	28,802	22,214	20,991	26,976
GP	4,943	3,406	4,299	5,634
SG&A expenses	3,457	4,311	4,114	4,171
OP (adj.)	2,163	575	2,059	3,690
OP	2,163	575	2,059	3,690
Non-operating profit	-120	-226	166	164
Net financial income	-138	-341	-527	-570
Net income from associates	-32	-49	-40	-40
Pretax profit	2,043	349	2,225	3,854
Income tax	405	10	417	732
Profit from continuing operations	1,638	339	1,808	3,121
Profit from discontinued operations	0	0	0	0
NP	1,638	339	1,808	3,121
Attributable to owners	1,237	-1,019	1,003	1,937
Attributable to minority interests	401	1,357	805	1,185
Total comprehensive income	1,911	3,217	1,808	3,121
Attributable to owners	1,468	915	770	1,329
Attributable to minority interests	443	2,302	1,038	1,793
EBITDA	4,450	2,141	5,719	7,786
FCF	-5,479	-7,287	-1,340	933
EBITDA margin (%)	13.2	8.4	22.6	23.9
OP margin (%)	6.4	2.2	8.1	11.3
Net margin (%)	3.7	-4.0	4.0	5.9

Balance sheet (summarized)

(Wbn)	2023	2024	2025F	2026F
Current assets	17,208	15,327	15,673	21,662
Cash & equivalents	5,069	3,899	2,991	3,857
AR & other receivables	5,648	5,516	6,121	8,594
Inventory	5,396	4,552	5,053	7,094
Other current assets	1,095	1,360	1,508	2,117
Non-current assets	28,229	44,979	47,847	50,779
Investments in associates	224	62	69	97
PP&E	23,655	38,350	41,891	44,964
Intangible assets	876	1,285	1,083	914
Total assets	45,437	60,307	63,521	72,441
Current liabilities	10,937	12,055	13,093	17,377
AP & other payables	3,094	2,705	2,999	4,211
Short-term financial liabilities	3,219	2,491	2,492	2,492
Other current liabilities	4,624	6,859	7,602	10,674
Non-current liabilities	10,126	17,285	17,653	19,169
Long-term financial liabilities	7,790	12,901	13,901	13,901
Other non-current liabilities	2,336	4,384	3,752	5,268
Total liabilities	21,064	29,340	30,746	36,546
Equity attributable to owners	20,201	21,117	22,119	24,056
Capital stock	117	117	117	117
Capital surplus	17,165	17,165	17,165	17,165
Retained earnings	2,364	1,397	2,400	4,337
Minority interests	4,173	9,850	10,655	11,840
Shareholders' equity	24,374	30,967	32,774	35,896

Cash flow statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Operating cash flow	4,444	5,112	5,660	7,933
NP	1,638	339	1,808	3,121
Non-cash income/expenses	3,607	4,984	4,643	5,438
Depreciation	2,150	2,856	3,459	3,926
Amortization	137	190	201	170
Other	1,320	1,938	983	1,342
Chg. in working capital	-277	691	152	675
Chg. in AR & other receivables	-165	664	-543	-2,217
Chg. in inventory	1,934	984	-500	-2,041
Chg. in AP & other payables	-927	-924	294	1,212
Income tax	-726	-515	-417	-732
Cash flow from investing activities	-9,719	-12,065	-6,521	-7,000
Chg. in PP&E	-9,821	-12,324	-7,000	-7,000
Chg. in intangible assets	-101	-111	0	0
Chg. in financial assets	-114	-277	479	0
Other	317	647	0	0
Cash flow from financing activities	4,355	5,382	0	1
Chg. in financial liabilities	2,895	4,383	0	1
Chg. in equity	0	0	0	0
Dividends	0	0	0	0
Other	1,460	999	0	0
Chg. in cash	-869	-1,170	-907	866
Beginning balance	5,938	5,069	3,899	2,991
Ending balance	5,069	3,899	2,991	3,857

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

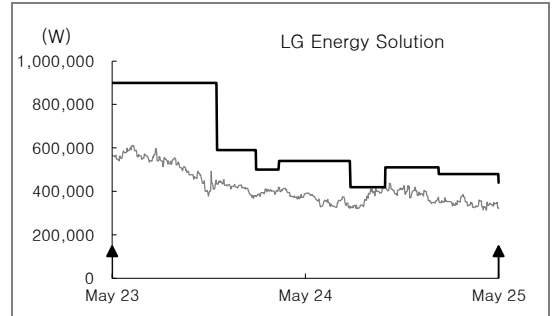
	2023	2024	2025F	2026F
P/E (x)	80.9	-	75.7	39.2
P/CF (x)	19.1	15.3	11.8	8.9
P/B (x)	5.0	3.9	3.4	3.2
EV/EBITDA (x)	24.7	48.0	17.5	12.9
EPS (W)	5,287	-4,354	4,286	8,276
CFPS (W)	22,414	22,748	27,570	36,580
BPS (W)	86,328	90,240	94,526	102,803
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	31.8	-24.1	-1.3	28.9
EBITDA growth (%)	45.6	-51.9	167.1	36.1
OP growth (%)	78.2	-73.4	257.9	79.2
EPS growth (%)	60.0	TTR	TTB	93.1
AR turnover (x)	6.8	5.1	4.8	4.9
Inventory turnover (x)	5.4	5.2	5.3	5.4
AP turnover (x)	8.3	7.7	7.4	7.5
ROA (%)	3.9	0.6	2.9	4.6
ROE (%)	6.4	-4.9	4.6	8.4
ROIC (%)	6.7	1.5	3.7	6.1
Debt-to-equity ratio (%)	86.4	94.7	93.8	101.8
Current ratio (%)	157.3	127.1	119.7	124.7
Net debt-to-equity ratio (%)	24.1	37.1	40.9	34.9
Interest coverage ratio (x)	6.9	1.0	3.2	5.7

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
LG Energy Solution (373220)	05/02/25	Buy	440,000
	01/09/25	Buy	480,000
	09/30/24	Buy	510,000
	07/26/24	Buy	420,000
	03/13/24	Buy	540,000
	01/30/24	Buy	500,000
	11/17/23	Buy	590,000
	04/10/23	Buy	900,000



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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