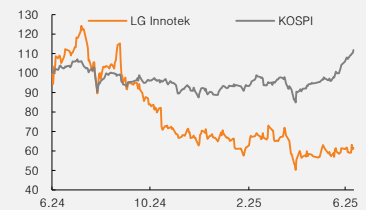


(Maintain)	<b>Buy</b>
Target price	<b>▲ W220,000</b>
Current price (6/20/25)	W149,700
Upside	47.0%

OP (25F, Wbn)	613
Consensus OP (25F, Wbn)	637
EPS growth (25F, %)	-4.8
Market EPS growth (25F, %)	25.7
P/E (25F, x)	8.3
Market P/E (25F, x)	11.0
KOSPI	3,021.84

Market cap (Wbn)	3,543
Shares (mn)	24
Free float (%)	59.2
Foreign ownership (%)	22.8
Beta (12M)	1.27
52-week low (W)	122,000
52-week high (W)	302,000

(%)	1M	6M	12M
Absolute	5.0	-7.0	-42.8
Relative	-9.6	-26.0	-46.8



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# LG Innotek

## Some patience needed

### 2Q25 preview: Earnings likely to miss consensus due to won appreciation

For 2Q25, we expect LG Innotek to post revenue of W3.9tr (-14% YoY) and operating profit of W52.6bn (-65% YoY). Our operating profit estimate is around 20% lower than the consensus, mainly due to a change in our USD/KRW rate assumption (from 1,430 to 1,380). While industry-wide price-cutting pressure on components has persisted in 2Q25 (following a temporary demand boost in 1Q25 driven by tariff uncertainty), demand for LG Innotek's camera modules appears to have held up better than feared. Nonetheless, given the unit's high exposure to FX volatility, downward earnings forecast revisions appear inevitable. Meanwhile, the substrates unit is likely to support earnings stability thanks to steady demand for display and package substrates.

### Structural improvements to continue

Order growth centered on higher-value products is driving structural improvement across business divisions. For 1Q25, the auto components division posted an OP margin of 4.9% on an increased mix of high-margin products. In particular, strong orders for advanced lighting solutions and communications modules are starting to translate into earnings, driving structural profitability improvement.

We expect the optical solutions unit to see increased shipment volumes in 2026, driven by camera spec upgrades at a key customer and the introduction of new form factors. In addition, the unit is laying a foundation for medium/long term growth by exploring new camera module applications, such as robotics.

### Still trading at a discount

We raise our target price for LG Innotek to W220,000 (from W210,000). While we cut our 2025 EPS estimate by 11%, we revised up our EV/EBITDA multiples for the camera module unit (from 3.5x to 4.0x) and the substrates unit (from 3.4x to 4.2x). For substrates, we conservatively applied a 30% discount to global peers, reflecting the company's low FC-BGA exposure. However, the discount could gradually narrow if the company successfully expands into CPU and GPU applications.

The stock is currently trading below five-year average levels (-1 SD based on P/E, -2 SD based on P/B) due to concerns over price-cutting pressure and a North American customer's sluggish China-bound shipments. However, we believe these concerns have already been priced in. As seen during past cycles, the stock could undergo a re-rating once a visible earnings recovery begins to take shape.

(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	20,605	21,201	21,240	21,680	22,210
OP (Wbn)	831	706	613	768	839
OP margin (%)	4.0	3.3	2.9	3.5	3.8
NP (Wbn)	565	449	428	538	653
EPS (W)	23,881	18,983	18,074	22,740	27,598
ROE (%)	12.6	8.9	7.8	9.1	10.2
P/E (x)	10.0	8.5	8.3	6.6	5.4
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. 2Q25 preview**

(Wbn, %, %p)

	2Q24	1Q25	2Q25F			Comparison	
			Mirae Asset	QoQ	YoY	Consensus	Diff.
Revenue	4,555.3	4,982.8	3,911.0	-21.5	-14.1	3,911.7	0.0
OP	151.7	125.1	52.6	-57.9	-65.3	66.1	-20.3
OP margin	3.3	2.5	1.3	-1.2	-2.0	1.7	-0.4
Pretax profit	123.6	103.8	33.0	-68.2	-73.3	51.2	-35.4
NP attr. to owners	98.9	85.6	27.1	-68.3	-72.6	36.3	-25.4
Net margin	2.2	1.7	0.7	-1.0	-1.5	0.9	-0.2

Source: Company data, Mirae Asset Securities Research

**Table 2. Quarterly and annual earnings**

(Wbn)

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25F	3Q25F	4Q25F	2024	2025F	2026F
Revenue	4,334	4,555	5,685	6,627	4,983	3,911	5,774	6,572	21,201	21,240	21,680
Optical solutions	3,514	3,680	4,837	5,769	4,138	3,052	4,883	5,672	17,800	17,745	18,011
Auto components	491	497	478	475	468	475	483	482	1,941	1,907	2,020
Substrates	328	378	370	383	377	385	408	418	1,460	1,588	1,650
OP	176	152	130	248	125	53	173	263	706	613	768
Optical solutions	152	103	114	228	73	9	122	221	597	426	547
Auto components	15	22	5	-2	23	14	17	9.6	39	64	73
Substrates	10	27	12	22	29	29	33	32	71	123	147
Pretax profit	164	124	124	176	104	33	153	238	589	527	688
NP attributable to owners	138	99	105	107	86	27	117	198	449	428	538
EPS (W)	5,851	4,178	4,436	4,518	3,617	1,146	4,944	8,368	18,983	18,076	22,743
OP margin	4%	3%	2%	4%	3%	1%	3%	4%	3%	3%	4%
Optical solutions	4%	3%	2%	4%	2%	0%	3%	4%	3%	2%	3%
Auto components	3%	4%	1%	-1%	5%	3%	4%	2%	2%	3%	4%
Substrates	3%	7%	3%	6%	8%	8%	8%	8%	5%	8%	9%
QoQ/YoY											
Revenue	-43%	5%	25%	17%	-25%	-22%	48%	14%	3%	0%	2%
OP	-64%	-14%	-14%	90%	-50%	-58%	228%	52%	-15%	-13%	25%
NP attr. to owners	-61%	-29%	6%	2%	-20%	-68%	332%	69%	-21%	-5%	26%

Source: Company data, Mirae Asset Securities Research

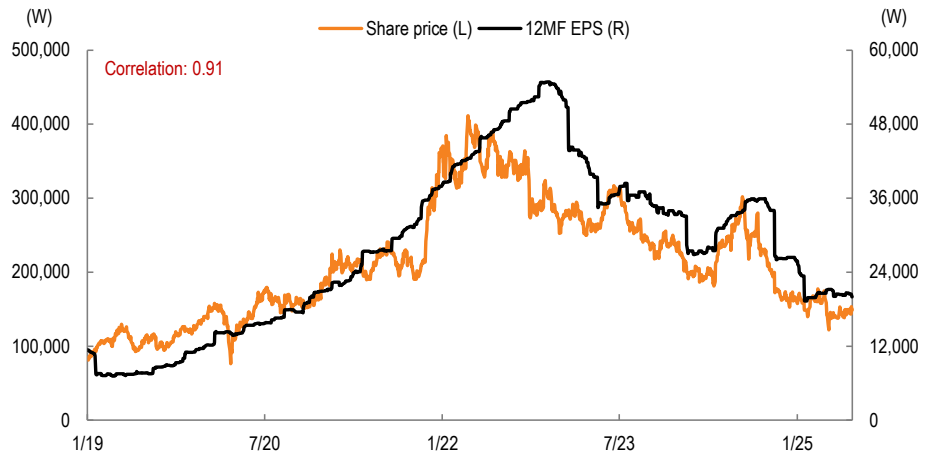
**Table 3. Earnings forecast revisions**

(Wbn)

	Revised			Previous			Chg.		
	2Q25F	2025F	2026F	2Q25F	2025F	2026F	2Q25F	2025F	2026F
Revenue	3,911.0	21,240.0	21,680.4	3,857.0	20,702.0	20,990.0	1.4%	2.6%	3.3%
Optical solutions	3,051.7	17,745.0	18,010.5	2,983.0	17,128.0	17,159.0	2.3%	3.6%	5.0%
Auto components	474.5	1,906.9	2,019.8	477.0	1,927.0	2,073.0	-0.5%	-1.0%	-2.6%
Substrates	341.5	1,360.1	1,462.5	354.0	1,447.0	1,570.0	-3.5%	-6.0%	-6.8%
OP	52.6	613.3	767.7	68.0	631.0	835.0	-22.6%	-2.8%	-8.1%
Optical solutions	9.2	425.9	547.0	6.0	402.0	575.0	52.6%	5.9%	-4.9%
Auto components	14.2	64.2	73.3	21.0	69.0	85.0	-32.2%	-7.0%	-13.8%
Substrates	29.3	123.3	147.4	42.0	160.0	176.0	-30.3%	-23.0%	-16.2%
Pretax profit	33.0	527.0	687.8	73.0	652.0	872.0	-54.7%	-19.2%	-21.1%
NP	27.1	427.8	538.2	54.0	482.0	645.0	-49.8%	-11.3%	-16.6%
EPS (W)	1,146	18,076	22,743	2,271	20,375	27,256	-49.6%	-11.3%	-16.6%

Source: Mirae Asset Securities Research

**Figure 1. Share price and 12-month forward EPS are strongly correlated; earnings momentum to be reflected in 2H25**



Source: Bloomberg, Mirae Asset Securities Research

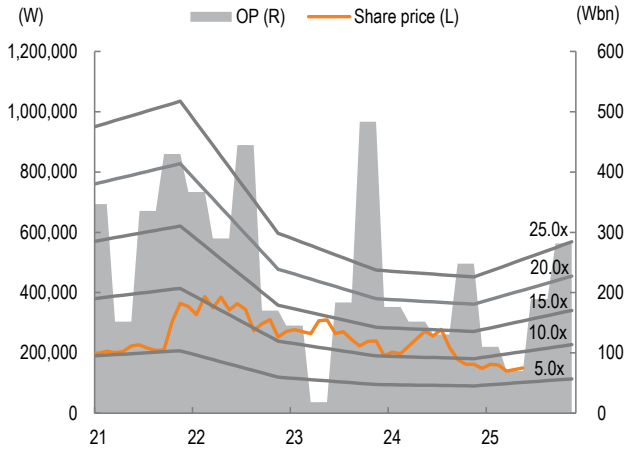
**Table 4. SOTP TP calculation**

(Wbn)

	2025F EBITDA	EV/EBITDA (x)	Value	Notes
Optical solutions	1,430	4.0	5,721	Avg. EV/EBITDA of MCNEX and Partron
Auto components	104	5.1	528	Peer avg.
Substrates	393	4.2	1,649	30% discount to avg. multiple of Ibiden, Shinko, SEMCO, and Kinsus
Total			6,279	20% discount
Liabilities			978	
Fair value			5,301	
No. of shares (mn)			24	
TP (W)			220,000	
CP (W)			149,700	
Upside potential (%)			47%	

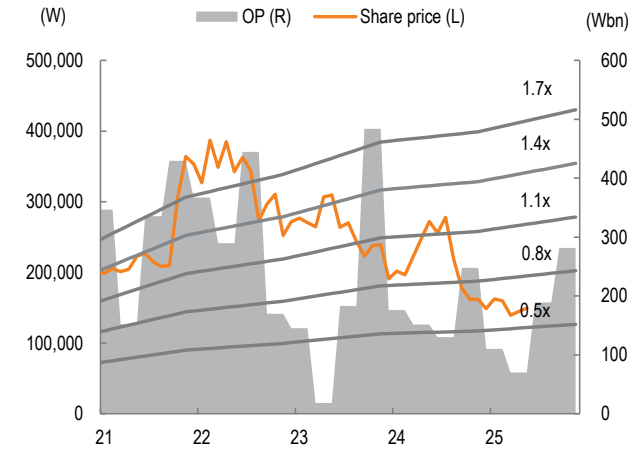
Source: Mirae Asset Securities Research

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



Source: QuantiWise, Mirae Asset Securities Research

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



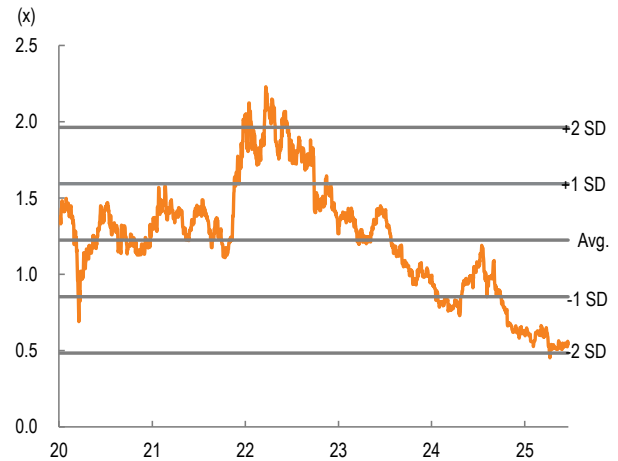
Source: QuantiWise, Mirae Asset Securities Research

**Figure 4. 12-month forward P/E ±2 SD**



Source: QuantiWise, Mirae Asset Securities Research

**Figure 5. 12-month forward P/B ±2 SD**



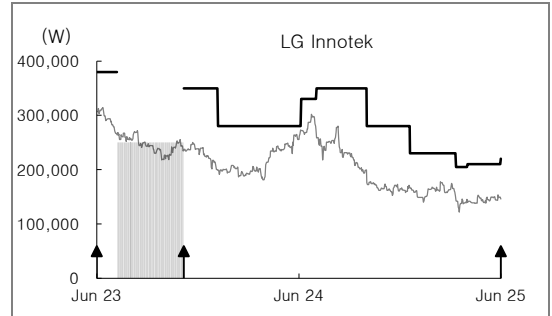
Source: QuantiWise, Mirae Asset Securities Research

# Appendix 1

## Important disclosures and disclaimers

### Two-year rating and TP history

Company	Date	Rating	TP (W)
LG Innotek (011070)	06/23/25	Buy	220,000
	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 return: +20% or greater
Hold	Expected 12-month return: Greater than -10% and less than +10%
Sell	Expected 12-month return: -10% or less

### 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

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.

Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

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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