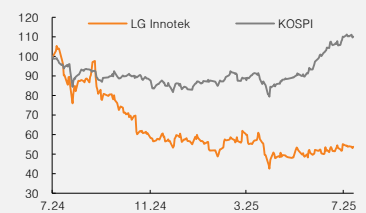


(Maintain)	Buy
Target price	₩220,000
Current price (7/23/25)	₩154,000
Upside	42.9%

OP (25F, Wbn)	602
Consensus OP (25F, Wbn)	598
EPS growth (25F, %)	-6.3
Market EPS growth (25F, %)	24.6
P/E (25F, x)	8.7
Market P/E (25F, x)	11.7
KOSPI	3,183.77

Market cap (Wbn)	3,645
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)	280,500

(%)	1M	6M	12M
Absolute	5.5	2.5	-45.1
Relative	-0.1	-19.0	-52.2



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LG Innotek

Recovery to begin in 2H25

2Q25 review: Sharp won appreciation and tariff risks weigh on earnings

For 2Q25, LG Innotek reported consolidated revenue of ₩3.9tr (-14% YoY) and operating profit of ₩11.4bn (-93% YoY), with the latter missing the consensus by 73%. The biggest drag was a decline in the USD/KRW rate, which averaged 1,402 in 2Q25 (vs. 1,450 in 1Q25). Because there is typically a lag of over a month between raw material purchases and related revenue recognition, products made with inputs bought at a higher USD/KRW rate were sold after the won had strengthened, compressing margins.

By division, OP margin was -1% for optical solutions, +4.3% for auto components, and +5.6% for substrates. Seasonal weakness weighed on the optical solutions division, but the impact was partly offset by improved profitability in auto components (aided by a favorable product mix and cost innovation) and substrates (supported by advance shipments of semiconductor substrates to a key North American customer).

Earnings recovery to begin in earnest in 2H25

The worst appears to be over; from 3Q25, we expect a gradual recovery in quarterly operating profit. While the company continues to face pricing pressure from North American customers due to tariffs, it is enhancing cost competitiveness by increasing the share of production in Vietnam. This, along with an expected pickup in shipment volumes (compared to last year), should support an earnings recovery in 2H25. Notably, losses in the FC-BGA business are likely to narrow as chipset shipments to North America begin, while in auto components, mix improvements are taking shape amid a rising share of high-margin products (e.g., lighting and communication modules).

We expect 2026 to mark the beginning of a structural growth trajectory. The optical solutions unit is likely to enter a phase where both ASP and volume grow in tandem, driven by: 1) foldable smartphone launches and camera spec upgrades (e.g., variable apertures lenses); and 2) the upcoming global Siri update, which could spur smartphone replacement demand. Meanwhile, the substrates unit is likely to enjoy structural growth centered on the FC-BGA segment, as CPU substrate supply to a North American customer is scheduled to begin in 2026.

Attractive valuation; accumulate shares in 2H25

Valuation is below five-year average levels (-1 SD based on P/E, -2 SD based on P/B); the stock is currently trading at a 2026F P/E of 6.4x and 2027F P/E of 5.4x. With sluggish 2Q25 results priced in, we see potential for a re-rating as 12-month forward EPS begins to visibly improve. With earnings set to recover from 3Q25 and key catalysts (including new device form factors) set to emerge in 2026, we believe the current share price is attractive.

(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	20,605	21,201	20,634	22,809	23,313
OP (Wbn)	831	706	602	810	877
OP margin (%)	4.0	3.3	2.9	3.6	3.8
NP (Wbn)	565	449	421	566	681
EPS (₩)	23,881	18,983	17,793	23,926	28,772
ROE (%)	12.6	8.9	7.6	9.6	10.6
P/E (x)	10.0	8.5	8.7	6.4	5.4
P/B (x)	1.2	0.7	0.7	0.6	0.6
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 review

(Wbn, %, %p)

	2Q24	1Q25	2Q25P			Comparison	
			Mirae Asset	QoQ	YoY	Consensus	Diff.
Revenue	4,555.3	4,982.8	3,934.6	-21.0	-13.6	3,818.3	3.0
OP	151.7	125.1	11.4	-90.9	-92.5	42.1	-73.0
OP margin	3.3	2.5	0.3	-2.2	-3.0	1.1	0.8
Pretax profit	123.6	103.8	-7.7	TTR	TTR	25.1	TTR
NP attr. to owners	98.9	85.6	-6.8	TTR	TTR	23.5	TTR
Net margin	2.2	1.7	-0.2	-1.9	-2.3	0.6	-0.8

Source: Company data, Mirae Asset Securities Research

Table 2. Quarterly and annual earnings

(Wbn)

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25P	3Q25F	4Q25F	2024	2025F	2026F
Revenue	4,333.6	4,555.3	5,685.1	6,626.8	4,982.8	3,934.6	4,838.8	6,877.8	21,200.8	20,634.0	22,809.3
Optical solutions	3,514.2	3,680.3	4,836.9	5,768.7	4,138.4	3,052.7	3,918.9	5,975.1	17,800.1	17,085.0	19,103.8
Auto components	491.2	496.7	477.9	474.8	467.5	465.7	471.8	472.0	1,940.6	1,877.0	1,965.8
Substrates	328.2	378.2	370.3	383.3	376.9	416.2	448.1	430.8	1,460.0	1,672.0	1,739.7
OP	176.0	151.7	130.4	247.9	125.1	11.4	189.0	276.6	706.0	602.1	810.1
Optical solutions	151.9	102.5	114.1	228.1	73.4	-32.0	129.3	233.0	596.6	403.7	579.1
Auto components	14.6	22.0	4.5	-2.4	22.9	20.0	17.9	10.4	38.7	71.2	79.7
Substrates	9.6	27.1	11.8	22.2	28.8	23.4	41.8	33.2	70.8	127.1	151.4
Pretax profit	164.3	123.6	124.5	176.4	103.8	-7.7	168.7	255.5	588.8	519.8	724.4
NP attributable to owners	138.5	98.9	105.0	106.9	85.6	-6.8	129.3	213.0	449.3	421.1	566.3
OP margin	4%	3%	2%	4%	3%	0%	4%	4%	3%	3%	4%
Optical solutions	4%	3%	2%	4%	2%	-1%	3%	4%	3%	2%	3%
Auto components	3%	4%	1%	-1%	5%	4%	4%	2%	2%	4%	4%
Substrates	3%	7%	3%	6%	8%	6%	9%	8%	5%	8%	9%
QoQ/YoY											
Revenue	-43%	5%	25%	17%	-25%	-21%	23%	42%	3%	-3%	11%
OP	-64%	-14%	-14%	90%	-50%	-91%	1,559%	46%	-15%	-15%	35%
NP attributable to owners	-61%	-29%	6%	2%	-20%	-108%	TTB	65%	-21%	-6%	34%

Source: Company data, Mirae Asset Securities Research

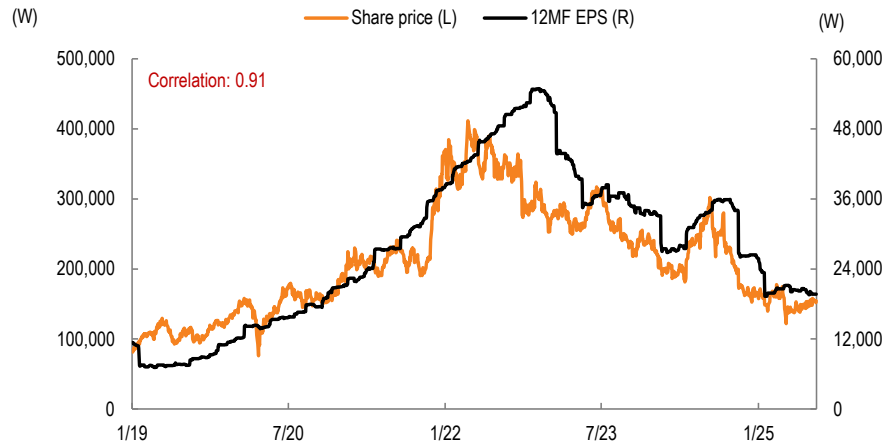
Table 3. Earnings forecast revisions

(Wbn)

	Revised			Previous			Chg.		
	2Q25F	2025F	2026F	2Q25F	2025F	2026F	2Q25F	2025F	2026F
Revenue	3,934.6	20,634.0	22,809.3	3,911.0	21,240.0	21,680.4	0.6%	-2.9%	5.2%
Optical solutions	3,052.7	17,085.0	19,103.8	3,051.7	17,745.0	18,010.5	0.0%	-3.7%	6.1%
Auto components	465.7	1,877.0	1,965.8	474.5	1,906.9	2,019.8	-1.9%	-1.6%	-2.7%
Substrates	416.2	1,672.0	1,739.7	341.5	1,360.1	1,462.5	21.9%	22.9%	19.0%
OP	11.4	602.1	810.1	52.6	613.3	767.7	-78.3%	-1.8%	5.5%
Optical solutions	(32.0)	403.7	579.1	9.2	425.9	547.0	n.m.	-5.2%	5.9%
Auto components	20.0	71.2	79.7	14.2	64.2	73.3	41.0%	11.0%	8.7%
Substrates	23.4	127.1	151.4	29.3	123.3	147.4	-20.2%	3.1%	2.7%
Pretax profit	(7.7)	519.8	724.4	33.0	527.0	687.8	n.m.	-1.4%	5.3%
NP	(6.8)	421.1	566.3	27.1	427.8	538.2	n.m.	-1.6%	5.2%
EPS (W)	(240)	17,793	23,926	1,146	18,076	22,743	n.m.	-1.6%	5.2%

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

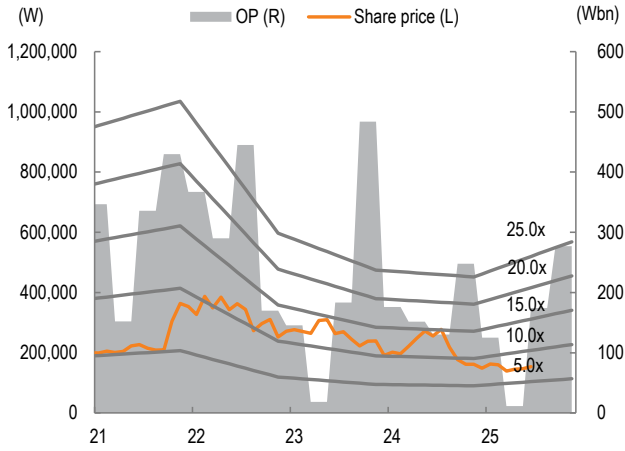
Table 4. SOTP TP calculation

(Wbn)

	2025F EBITDA	EV/EBITDA (x)	Value	Notes
Optical solutions	1,408	3.9	5,492	Avg. EV/EBITDA of Mcnex and Partron
Auto components	111	5.3	586	Peer avg.
Substrates	396	4.7	1,859	30% discount to avg. multiple of Ibiden, Shinko, SEMCO, and Kinsus
Fair value			6,311	20% discount
Total liabilities			1,093	
Total value			5,217	
No. of shares (mn)			24	
TP (W)			220,000	
CP (W)			154,000	
Upside potential (%)			43%	

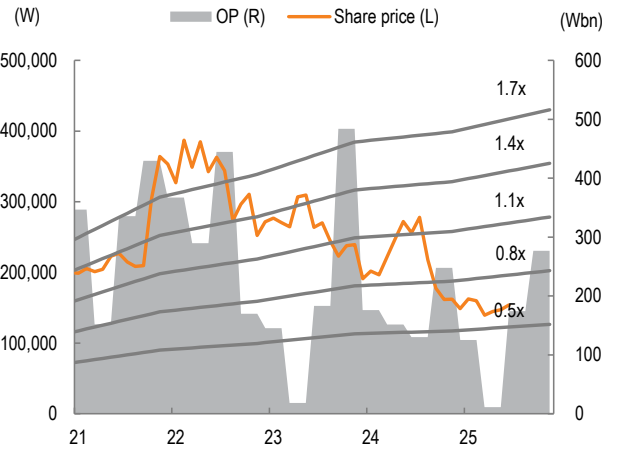
Source: Mirae Asset Securities Research

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



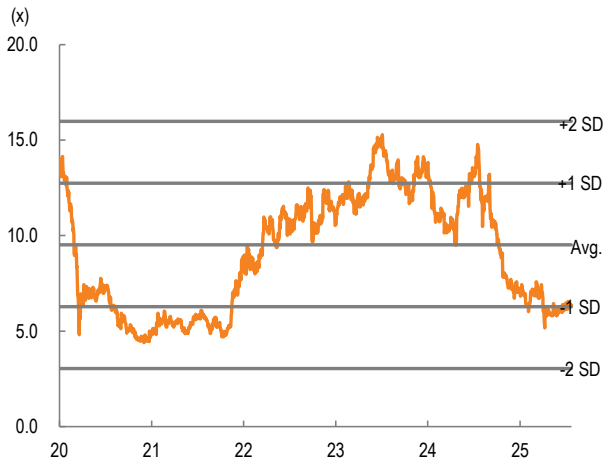
Source: QuantiWise, Mirae Asset Securities Research

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



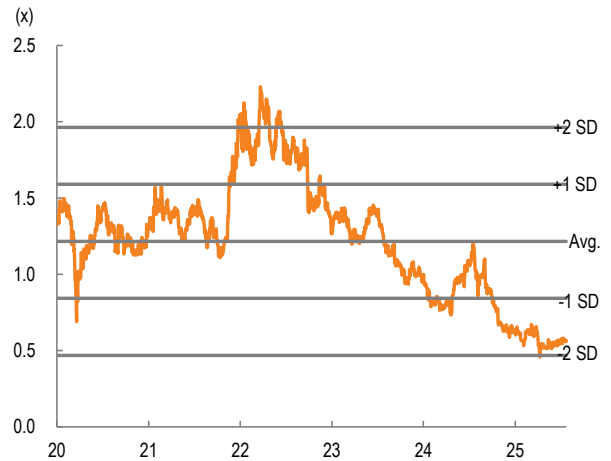
Source: QuantiWise, Mirae Asset Securities Research

Figure 4. 12-month forward P/E ±2 SD



Source: QuantiWise, Mirae Asset Securities Research

Figure 5. 12-month forward P/B ±2 SD



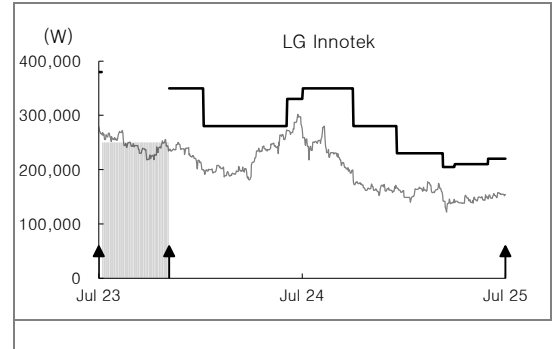
Source: QuantiWise, Mirae Asset Securities Research

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	84.91%	5.59%	8.94%	0.56%
Investment banking services	88.89%	0%	11.11%	0%

* Based on recommendations in the last 12-months (as of June 30, 2025)

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