COMPANY UPDATE

2025. 12. 18

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LG Energy Solution (373220)

European utilization recovery to be delayed due to termination of contract with Ford

- LG Energy Solution's (LGES) European EV battery supply contract with Ford has been terminated, the battery maker disclosed on Dec 17. The contract had been secured to support a recovery in utilization at LGES's European plants, and carried an average supply volume of 12.5 GWh *pa*.
- Reflecting the contract termination (to reduce LGES's sales and earnings from 2027) in our forecasts, we cut our target price by 13% and maintain HOLD.

EV/Mobility Team

Hyunryul Cho
Senior Analyst
hyunryul.cho@samsung.com

Wonyoung Kim
Research Associate
wonyoung10.kim@samsung.com

AT A GLANCE

HOLD

Target price	KRW480,000	15.5%
Current price	KRW415,500	
Market cap	KRW97.2t/USD65.7b	
Shares (float)	234,000,000 (20.2%)	
52-week high/low	KRW514,000/KRW268,000	
Avg daily trading value (60-day)	KRW168.8b/ USD114.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Energy Solution (%)	-10.3	41.3	8.6
Vs Kospi (%pts)	-9.5	2.8	-34.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	480,000	550,000	-12.7%
2025E EPS	-3,369	-3,369	0.0%
2026E EPS	4,830	4,830	0.0%

SAMSUNG vs THE STREET

No of estimates	22
Target price	570,524
Recommendation	3.9

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

LGES terminates one European contract with Ford: Over the past 18 months, LGES had secured six contracts to address low utilization at its European plants. The termination of the largest contract (among the six) compels us to downwardly adjust our 2027 (and beyond) revenue projections.

- **Overview and background of contract termination:** In Oct 2024, LGES signed two European commercial EV battery supply contracts with Ford: 1) 75 GWh over 6 years; and 2) 32 GWh over 4.3 years. On Dec 17, the company disclosed the termination of the 75 GWh contract. This follows Ford's announcement the day before (the 16th) that it will discontinue the F-150 Lightning and withdraw plans to launch electric trucks and vans—we attribute these actions to the battery supply contract's termination. Through the disclosure, LGES revealed that the terminated 75 GWh contract (with an average supply of 12.5 GWh *pa*) represented a total supply value of KRW9.6t. Assuming the same pricing, the 32 GWh contract would be worth around KRW4.1t.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	25,620	23,541	28,266	35,835
Operating profit (KRWb)	575	1,377	2,476	5,633
Net profit (adj) (KRWb)	339	356	1,686	4,435
EPS (adj) (KRW)	-4,354	-3,369	4,830	13,180
EPS (adj) growth (% y-y)	nm	nm	nm	172.9
EBITDA margin (%)	14.1	21.2	23.8	30.5
ROE (%)	-4.9	-3.8	5.4	13.4
P/E (adj) (x)	n/a	n/a	86.0	31.5
P/B (x)	3.9	4.8	4.5	4.0
EV/EBITDA (x)	28.4	25.1	18.8	11.3
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

- **Normalization of European plants' utilization to be delayed:** Since Jul 2024, LGES has secured six contracts to deal with the low utilization at its European plants (total capacity of 80 GWh). On an annualized basis, the combined supply volume of these six contracts is 35.9 GWh (45% of its capacity), dropping to 23.4 GWh (29% of capacity) following the contract termination. Given that batteries associated with the (now terminated) contract were set to start being supplied in Jan 2027, it should be difficult for LGES to quickly replace the lost volume, pushing back the timing of the recovery in plant utilization.
- **High-nickel battery portion to shrink in near term:** Strategic shifts by global automakers, triggered by the rollback of EV policies in the US and slowing EV demand growth in Europe, can be summarized as follows. Automakers are: 1) adopting mid- to low-cost batteries for mass-market segments; and 2) pursuing cost efficiency in high-performance and luxury segments through large-format cylindrical batteries (the 46-series). In other words, demand for high-nickel batteries remains resilient within just the 46-series cylindrical format at this stage. Unless EV demand growth accelerates again and automakers once again start pushing high-nickel battery EVs, the high-nickel battery portion of EV batteries is likely to weaken noticeably in the near term.

Lowering 2027 earnings forecasts following contract termination: Reflecting the termination of the supply contract (which was set to begin in Jan 2027) and stripping out the partial sharing of IRA AMPCs (assumed at 25%) from US ESS battery sales from 2026, we lower our earnings forecasts for LGES. We also trim our target P/E and P/B multiples, resulting in a 13% cut in our target price (from KRW550,000 to KRW480,000). While a profit recovery, driven by LGES's strength in ESS battery production in the US remains a positive factor, weak EV demand in both the US and Europe could intensify through 1H26. We therefore maintain our HOLD rating.

LG Energy Solution: New orders to improve utilization at European plants

Disclosure date	Counterparty	Sales region	Contract start	Contract end	Contract term (yrs)	Order value (KRWb)	Order volume (GWh)	Average annual supply (GWh)	Portion of existing EU capacity (%)	Form factor	Chemistry
Jul-2024	Renault	Europe	2025-11	2030-12	5.2		39.0	7.5	9.4%	Pouch	LFP
Oct-2024	Ford	Europe	2027-01	2032-12	6.0	9,603	75.0	12.5	15.6%	Pouch	Mid-nickel
Oct-2024	Ford	Europe	2026-10	2030-12	4.3	4,097	32.0	7.5	9.4%	Pouch	Mid-nickel
Jun-2025	Chery	Europe	2026-01	2030-12	5.0		8.0	1.6	2%	46-series	High-nickel
Sep-2025	Mercedes-Benz	Europe	2028-08	2035-12	7.4		32.0	4.3	5.4%	46-series	High-nickel
Dec-2025	Mercedes-Benz	Europe/ North America	2028-03	2035-06	7.3	2,060	17.5	2.4	3%	Pouch	Mid-nickel / LFP
Total (before termination)							**203.5**	**35.9**	**44.8%**		
Total (after termination)							**128.5**	**23.4**	**29.2%**		

Note: The terminated supply contract is shaded.

Source: LG Energy Solution; Samsung Securities estimates.

LG Energy Solution: P/E and P/B valuations

(KRW)	Value	Note
P/E valuation		
12MF net profit (KRWb)	2,124	Based on the average net profit attributable to controlling shareholders for 2026-2027
Total number of shares ('000)	234,000	
12MF EPS	9,076	Based on the average net profit attributable to controlling shareholders for 2026-2027
Target P/E (x)	39.4	Trading at an 50% premium to global peers (CATL, BYD, Eve Energy, Samsung SDI); **Revised down from 44.6x**
Fair value per share - (A)	**357,295**	
P/B valuation		
12MF book value (KRWb)	23,000	Based on the average equity attributable to controlling shareholders for 2026-2027
Total number of shares ('000)	234,000	
12MF BVPS	98,292	Based on the average equity attributable to controlling shareholders for 2026-2027
Target P/B (x)	6.0	Trading at an 60% premium to global peers (CATL, BYD, Eve Energy, Samsung SDI); **Revised down from 6.4x**
Fair value per share - (B)	**593,663**	
Average fair value per share - ((A+B)/2)	**475,479**	
Target price (KRW)	**480,000**	**Revised down by 13% from KRW550,000**
Current price (KRW)	415,500	As of Dec 17 close
Upside (%)	15.5	
2026 implied P/E (x)	99.4	
2027 implied P/E (x)	36.4	
2026 implied P/B (x)	5.2	
2027 implied P/B (x)	4.6	

Source: Bloomberg, Samsung Securities estimates

LGES: Simulation of tax credit benefits under IRA

(GWh)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Advanced Manufacturing Production Credits													
Battery cell (USD/kWh)			35.0	35.0	35.0	35.0	35.0	35.0	26.3	17.5	8.8	0.0	
Battery module (USD/kWh)			10.0	10.0	10.0	10.0	10.0	10.0	7.5	5.0	2.5	0.0	
LGES US battery capacity													
Total	**5**	**15**	**45**	**70**	**92**	**174**	**226**	**274**	**274**	**274**	**274**	**274**	
Michigan (100%)	5	5	5	5	5	25	25	25	25	25	25	25	
Michigan ESS (100%)					17	17	33	33	33	33	33	33	
Ultium Cells #1 (50%)		10	40	45	45	45	45	45	45	45	45	45	
Ultium Cells #2 (50%)				20	20	20	30	40	40	40	40	40	
L-H Battery (50%)					5	15	20	30	30	30	30	30	
Nextstar Energy (51%)						17	17	35	35	35	35	35	
Arizona (100%)						36	36	36	36	36	36	36	
HL-GA Battery (50%)							20	30	30	30	30	30	
LGES US battery operating rate													
Total	**80%**	**43%**	**49%**	**53%**	**40%**	**30%**	**51%**	**50%**	**58%**	**65%**	**71%**	**73%**	
Michigan (100%)	80%	80%	80%	29%	65%	33%	53%	58%	63%	68%	73%	75%	
Michigan ESS (100%)					16%	84%	76%	91%	91%	91%	91%	91%	
Ultium Cells #1 (50%)		25%	43%	59%	49%	23%	37%	42%	52%	62%	66%	66%	
Ultium Cells #2 (50%)				21%	20%	12%	27%	30%	40%	50%	60%	70%	
L-H Battery (50%)					1%	30%	54%	64%	69%	74%	79%	84%	
Nextstar Energy (51%)						33%	41%	21%	26%	31%	41%	41%	
Arizona (100%)						1%	36%	61%	76%	81%	86%	86%	
HL-GA Battery (50%)							35%	50%	65%	75%	85%	85%	
LGES US battery production													
Total	**4**	**7**	**15**	**31**	**32**	**40**	**93**	**133**	**156**	**174**	**190**	**196**	
Michigan (100%)	4	4	4	1	3	5	13	14	16	17	18	19	
Michigan ESS (100%)					3	14	25	30	30	30	30	30	
Ultium Cells #1 (50%)		3	11	25	22	11	17	19	23	28	30	30	
Ultium Cells #2 (50%)				4	4	2	7	12	16	20	24	28	
L-H Battery (50%)						3	10	19	21	22	24	25	
Nextstar Energy (51%)						5	5	4	6	8	11	11	
Arizona (100%)						0	10	19	24	26	28	28	
HL-GA Battery (50%)							7	15	20	23	26	26	
LGES IRA tax credit benefits (total; USDm)													
Total			**517**	**1,081**	**1,169**	**1,449**	**3,561**	**5,486**	**6,382**	**5,298**	**3,864**	**1,989**	**30,796**
Battery cell			517	1,074	1,125	1,246	3,001	4,651	5,451	4,555	3,331	1,718	26,669
Battery module			0	7	44	203	559	835	931	743	534	271	4,127
LGES IRA tax credit benefits (total; KRWb)													
Total			**677**	**1,480**	**1,661**	**1,968**	**4,682**	**7,132**	**8,297**	**6,887**	**5,024**	**2,586**	**40,393**
Battery cell			677	1,470	1,598	1,692	3,947	6,046	7,087	5,922	4,330	2,233	35,002
Battery module			0	10	62	275	735	1,086	1,210	966	694	353	5,391
LGES IRA tax credit benefits (controlling interests; USDm)													
Total			**329**	**314**	**482**	**1,214**	**3,006**	**4,850**	**5,422**	**4,354**	**3,103**	**1,587**	**24,660**
Battery cell			329	307	438	1,026	2,529	4,097	4,592	3,701	2,643	1,354	21,016
Battery module			0	7	44	188	476	753	830	653	460	232	3,644
LGES IRA tax credit benefits (controlling interests; KRWb)													
Total			**427**	**408**	**627**	**1,578**	**3,907**	**6,305**	**7,049**	**5,661**	**4,034**	**2,063**	**32,058**
Battery cell			427	399	570	1,334	3,288	5,326	5,970	4,812	3,436	1,760	27,321
Battery module			0	9	57	245	619	979	1,079	849	598	302	4,737
Present value* of IRA tax credit benefits (controlling interests; KRWb)													
Total			**427**	**408**	**597**	**1,431**	**3,375**	**5,187**	**5,523**	**4,224**	**2,867**	**1,396**	**25,436**
Battery cell			427	399	543	1,210	2,840	4,381	4,677	3,591	2,442	1,192	21,702
Battery module			0	9	54	222	535	806	845	633	425	205	3,734

Note: *Discounted to the beginning of 2025, using a discount rate of 5% / Source: Samsung Securities estimates

LG Energy Solution: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,447	1,430	1,390	1,350	1,315	1,365	1,422	1,371	1,315
Sales	**6,265**	**5,565**	**5,700**	**6,011**	**5,941**	**6,588**	**7,490**	**8,247**	**25,620**	**23,541**	**28,266**	**35,835**
Growth (% q-q)	-2.9	-11.2	2.4	5.5	-1.2	10.9	13.7	10.1				
Growth (% y-y)	2.2	-9.7	-17.1	-6.8	-5.2	18.4	31.4	37.2	-24.1	-8.1	20.1	26.8
Small batteries	1,710	1,553	1,653	1,969	1,781	1,849	1,979	1,980	7,363	6,885	7,590	7,332
Growth (% q-q)	5.6	-9.2	6.5	19.1	-9.6	3.8	7.0	0.1				
Growth (% y-y)	-21.4	-16.0	-3.9	21.6	4.1	19.1	19.7	0.6	-22.9	-6.5	10.2	-3.4
EV batteries	4,110	3,623	3,466	2,834	2,746	3,011	3,270	3,534	16,408	14,032	12,561	16,872
Growth (% q-q)	-2.0	-11.8	-4.3	-18.2	-3.1	9.7	8.6	8.1				
Growth (% y-y)	9.9	-9.5	-22.5	-32.4	-33.2	-16.9	-5.6	24.7	-24.5	-14.5	-10.5	34.3
ESS	445	390	581	1,208	1,415	1,727	2,241	2,732	1,849	2,624	8,115	11,631
Growth (% q-q)	-30.4	-12.4	49.2	107.8	17.1	22.1	29.8	21.9				
Growth (% y-y)	107.4	26.4	-15.5	89.1	218.1	343.3	285.4	126.2	-24.5	41.9	209.3	43.3
EBITDA	**1,231**	**1,375**	**1,519**	**865**	**1,189**	**1,521**	**1,914**	**2,116**	**3,621**	**4,989**	**6,740**	**10,932**
Growth (% q-q)	94.3	11.7	10.5	-43.1	37.5	27.9	25.8	10.5				
Growth (% y-y)	50.8	47.8	22.4	36.5	-3.4	10.6	26.0	144.7	-18.6	37.8	35.1	62.2
Operating profit	**375**	**492**	**601**	**-91**	**254**	**510**	**795**	**916**	**575**	**1,377**	**2,476**	**5,633**
Growth (% q-q)	Turned pos	31.4	22.2	To turn neg	To turn pos	100.9	55.8	15.3				
Growth (% y-y)	138.1	152.0	34.1	To remain neg	-32.2	3.7	32.2	To turn pos	-73.4	139.4	79.7	127.5
Small batteries	117	92	115	157	97	119	187	108	195	480	511	438
Growth (% q-q)	Turned pos	-21.7	25.2	36.3	-38.0	22.9	56.8	-42.3				
Growth (% y-y)	49.1	41.9	48.9	To turn pos	-17.2	30.0	62.8	-31.1	-74.3	146.9	6.4	-14.4
EV batteries	-107	-91	87	-496	-206	-105	-33	18	-880	-607	-326	36
Growth (% q-q)	Remained neg	Remained neg	Turned pos	To turn neg	To remain neg	To remain neg	To remain neg	To turn pos				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	To remain neg	To remain neg	To remain neg	To turn neg	To turn pos	Turned neg	To remain neg	To remain neg	To turn pos
ESS	-93	0	34	-98	52	67	94	109	-219	-157	323	477
Growth (% q-q)	Remained neg	Turned pos	17,509.7	To turn neg	To turn pos	28.7	39.7	16.1				
Growth (% y-y)	Remained neg	Turned pos	49,773.0	To remain neg	To turn pos	34,478.1	174.4	To turn pos	Turned neg	To remain neg	To turn pos	47.6
AMPC	458	491	365	347	311	429	547	681	1,480	1,661	1,968	4,682
Growth (% q-q)	21.3	7.2	-25.5	-5.2	-10.4	38.2	27.4	24.7				
Growth (% y-y)	142.2	9.6	-21.6	-8.1	-32.1	-12.6	49.5	96.6	118.7	12.2	18.5	138.0
Pre-tax profit	**365**	**-27**	**553**	**-512**	**131**	**380**	**656**	**763**	**349**	**378**	**1,931**	**4,966**
Growth (% q-q)	4.5	Turned neg	Turned pos	To turn neg	-65.2	189.3	72.7	16.2				
Growth (% y-y)	63.7	Turned neg	63.0	To remain neg	-64.0	To turn pos	18.8	To turn pos	-82.9	8.3	411.1	157.2
Net profit	**227**	**91**	**536**	**-497**	**115**	**332**	**573**	**666**	**339**	**356**	**1,686**	**4,435**
Growth (% q-q)	-33.1	-60.0	491.7	To turn neg	-67.8	189.3	72.7	16.2				
Growth (% y-y)	6.8	Turned pos	-4.5	To remain neg	-49.4	266.2	6.9	To turn pos	-79.3	5.2	373.1	163.1
Attributable to parent	-146	-297	247	-592	48	214	407	462	-1,019	-788	1,130	3,084
Margins (%)												
EBITDA	19.6	24.7	26.6	14.4	20.0	23.1	25.6	25.7	14.1	21.2	23.8	30.5
Operating profit	6.0	8.8	10.5	-1.5	4.3	7.7	10.6	11.1	2.2	5.9	8.8	15.7
Small batteries	6.9	5.9	6.9	7.9	5.4	6.4	9.4	5.4	2.6	7.0	6.7	6.0
EV batteries	-2.6	-2.5	2.5	-17.5	-7.5	-3.5	-1.0	0.5	-5.4	-4.3	-2.6	0.2
ESS	-21.0	0.1	5.9	-8.1	3.7	3.9	4.2	4.0	-11.9	-6.0	4.0	4.1
Pre-tax profit	5.8	-0.5	9.7	-8.5	2.2	5.8	8.8	9.3	1.4	1.6	6.8	13.9
Net profit	3.6	1.6	9.4	-8.3	1.9	5.0	7.7	8.1	1.3	1.5	6.0	12.4

Source: Company data, Samsung Securities estimates

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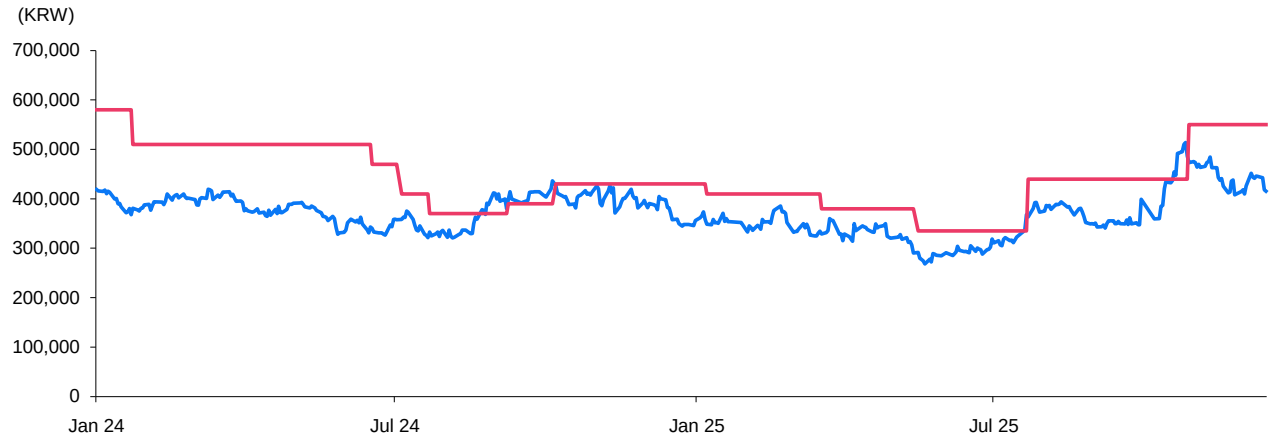
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/12/14	2024/1/26	6/20	7/8	7/25	9/11	10/10	2025/1/10	3/21	5/19	7/25	10/31
Recommendation	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	HOLD
Target price (KRW)	580000	510000	470000	410000	370000	390000	430000	410000	380000	335000	440000	550000
Gap* (average)	-29.64	-25.18	-27.55	-15.22	-3.89	5.00	-9.14	-14.77	-12.67	-10.19	-12.74	-19.50
(max or min)**	-25.43	-17.75	-23.62	-8.54	11.35	0.38	-0.70	-5.98	-5.26	9.85	16.82	-11.91
Date	12/18											
Recommendation	HOLD											
Target price (KRW)	480000											
Gap* (average)												
(max or min)**												

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.09.30

BUY (83.5%)·HOLD (16.5%)·SELL (0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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