Korea batteries

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EQUITY: ALTERNATIVE ENERGY

NIFA takeaways – Korea cathode companies

Quick Note

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LG Chem (051910 KS, Buy), L&F (066970 KS, Buy), and EcoproBM (247540 KS, Buy) attended the Nomura Investment Forum Asia (NIFA) 2026 in Singapore, held over 2-5 June. We note these three cathode companies are taking varying strategic paths to achieve growth and profitability. The following are the key takeaways from the meetings.

Ecopro BM (EBM) – Hungary cathode plant as a growth driver

Of 244k tpa cathode capacity of EBM, 54ktpa is based in Hungary, with the first line scheduled to commence operations in June, while the second line is expected to start in 2H26E, according to the company. Meanwhile, EBM is working to convert the third line into NCM (nickel cobalt manganese) production with an aim to supply to non-Korea battery plants in Europe. With a concentrated product mix on high-nickel (rather than mid-nickel or LFP) cathode for EV applications, EBM looks well positioned to benefit from the European EV/battery industry, which is witnessing a revival of consumer subsides in the UK/Germany, and a regulatory environment that requires on-shore supply-chain installations (*link*). Europe's electric vehicle (EV) subsidies are making a comeback. EBM is strengthening upstream/metal integration through Ecopro Group's ~10% stake in Indonesia nickel smelters whose combined capacity is 150k tpa. The Ecopro Group is evaluating Phase 2 investments. In our view, EBM's near-term priorities are the successful ramp-up of the Hungary plant, solid-state cathode from 2027, and the expansion of its Indonesian nickel smelting operations, rather than LFP investments.

L&F – commercializing first Korean LFP cathode in 3Q26

We project L&F's shipment volumes to rise by 19% y-y to 80k tonne in 2026F, as we expect ~85% of revenue to stem from LG Energy Solution ([373220 KS, Buy] with Tesla [TSLA US, Not rated] being the end-customer. Management noted that L&F would be taking its LFP cathode capacity of 60k tpa in Korea with 30ktpa likely to be commercialized in 3Q26E, and the remaining 30ktpa in 1H27E. Initial production will be supplied to Samsung SDI's (006400 KS, Buy) US ESS battery business under the long-term supply agreement signed in March 2026 (*link*). L&F sounded optimistic about the LFP cathode profitability outlook, assuming ASP of USD11/kg, although overall profitability likely favors high-nickel cathodes. We believe L&F is well positioned to capture the rapid growth of the US ESS market, which is a large consumer of cost-competitive LFP batteries. As Samsung SDI expands its US ESS footprint, L&F's LFP business could emerge as a meaningful growth contributor; longer out, we see a likelihood of its LFP applications extending to EVs. L&F is working to diversify its LFP customer base, in our view, which may require additional capex if contracts are signed. On the technology front, it is pursuing precursor-free LFP. Cathode production consists of: (1) making NCM precursor, (2) mix precursor with lithium, and (3) high-temperature calcination. Precursor-free LFP means skipping the mixing ingredient part and finalizing much of production in the calcination process. However, technologically, it is challenging as one has to mix metals uniformly, add lithium and also form crystal structure all at once. However, L&F and other industry peers are working to eliminate the calcination process with a goal of lowering cost and reducing dependency in imported Chinese precursor. The company is also working to produce sodium batteries, which can be swing produced from the LFP line.

LG Chem – Cathode volume improvement, chem restructuring, better TSR

LGC expects cathode shipment recovery to accelerate in 2H26E, supported by the ramp-up of North American battery production and the start of mass production for 2170 cell supplies in 3Q26E. While current utilization is low, improving volumes should drive a gradual recovery in profitability. Management – the new CEO Dong-chun Kim – regards cathode and

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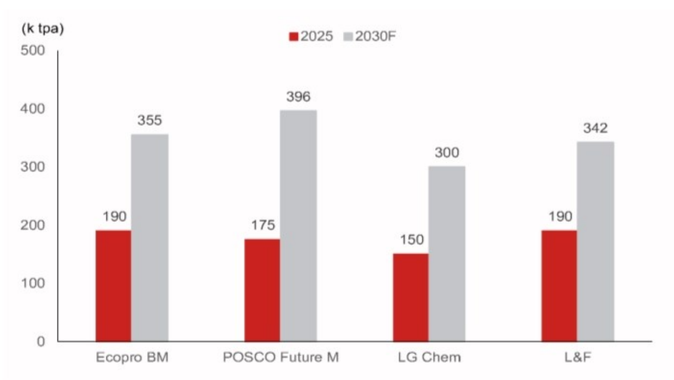
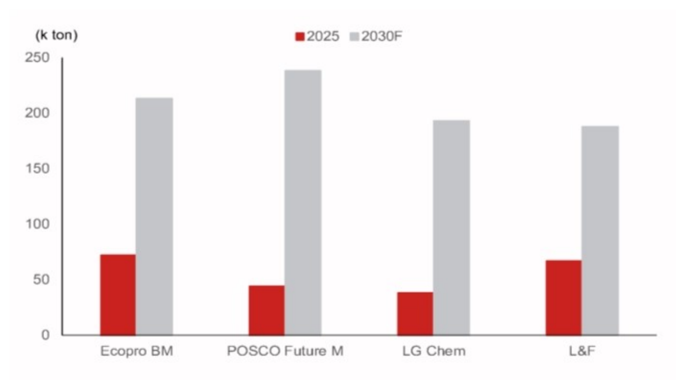
electronics materials as a key growth driver. In addition to existing nickel-based cathode, LGC is preparing to commercialize LFP cathode, possibly by 2027-28E. In battery materials, management acknowledged that its competing peer company gained an early advantage in a leading electric vehicle (EV) OEM customer, but expects LGC's position to improve, targeting a roughly 50:50 share over time (i.e. LGC and competitors share to be roughly 50:50). In ensuring better shareholder returns, LGC: (1) has linked management compensation metrics to ratios such as >10% ROE, (2) is monitoring its NAV discount at the board level, (3) has reiterated plans to reduce its LG Energy Solution (LGES) stake to 70% over the next five years. On the chemical business, management outlined a restructuring plan centered on forming a JV and rationalizing naphtha cracker (NCC) capacity. The objective is to consolidate roughly 4.0mn tonne of NCC capacity and shut down about 1.0mn tonne, addressing industry oversupply and weak ethylene economics. Management believes significant cost reductions can be achieved through restructuring.

Fig. 1: Korea cathode players: capacity expansion



Source: Company data, Nomura estimates

Fig. 2: Korea cathode players: shipment forecasts



Source: Company data, Nomura estimates

Appendix A-1

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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
POSCO Future M	003670 KS	KRW 187,700	08-Jun-2026	Neutral	N/A	
LG Chem	051910 KS	KRW 321,000	08-Jun-2026	Buy	N/A	
L&F	066970 KS	KRW 124,600	08-Jun-2026	Buy	N/A	
EcoproBM	247540 KS	KRW 159,700	08-Jun-2026	Buy	N/A	
LG Energy Solution	373220 KS	KRW 388,500	08-Jun-2026	Buy	N/A	

POSCO Future M (003670 KS) **KRW 187,700 (08-Jun-2026)** Neutral (Sector rating: N/A)

Rating and target price chart (three year history)

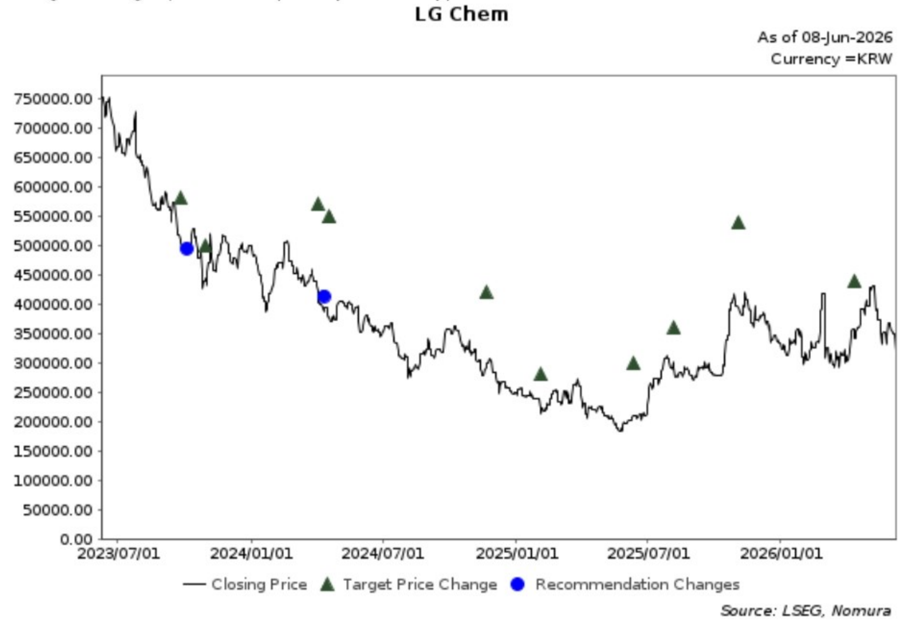
Date	Rating	Target price	Closing price
19-Mar-26		200,000.00	198,000.00
27-Oct-25		240,000.00	245,500.00
09-Apr-25		120,000.00	117,772.00
30-Oct-24		240,000.00	221,490.00
02-Apr-24		300,000.00	278,195.00
24-Oct-23		340,000.00	295,643.00
26-Sep-23		420,000.00	356,710.00
24-Jul-23	Neutral		525,371.00
24-Jul-23		520,000.00	525,371.00
23-Jun-23		470,000.00	363,495.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of KRW200,000 is based on DCF methodology. EV valuation currently stands at KRW20.7tn, based on our cathode/anode capacity estimates of 620k/180k tpa for 2035F, EBIT margin of 5.1% (average of 2025-2035F) and a WACC of 6.1%. Our benchmark index is KOSPI 200.
Risks that may impede the achievement of the target price Downside risk — weak 1H26 earnings, lack of meaningful cathode contract win; upside – further order win from global EV OEMs to supply anode or LFP cathode.

LG Chem (051910 KS) **KRW 321,000 (08-Jun-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
13-Apr-26		440,000.00	340,000.00
03-Nov-25		540,000.00	393,000.00
07-Aug-25		360,000.00	292,500.00
12-Jun-25		300,000.00	210,500.00
04-Feb-25		280,000.00	213,000.00
20-Nov-24		420,000.00	291,500.00
18-Apr-24		550,000.00	378,500.00
02-Apr-24	Buy		424,000.00
02-Apr-24		570,000.00	424,000.00
30-Oct-23		500,000.00	445,000.00
26-Sep-23	Neutral		505,000.00
26-Sep-23		580,000.00	505,000.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our SOTP-based target price of KRW440,000 is based on: 1) chemicals business target enterprise value (EV) of KRW2.9tn; 2) battery valuation of KRW46.9tn, applying 40% discount to LGES market cap (79.4% stake); 3) advanced materials KRW5.4tn; 4) agro chem/pharma KRW0.9tn. Our benchmark index is KOSPI 200.
Risks that may impede the achievement of the target price Downside risks: further chemical margin weakness

L&F (066970 KS) **KRW 124,600 (08-Jun-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)

Date	Rating	Target price	Closing price
01-Apr-26	Buy		147,400.00
01-Apr-26		200,000.00	147,400.00
30-Jul-25		80,000.00	72,000.00
09-Apr-25		65,000.00	54,000.00
20-Oct-24	Neutral		98,700.00
20-Oct-24		110,000.00	98,700.00
01-Feb-24		240,000.00	152,900.00
26-Sep-23		290,000.00	170,800.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of KRW200,000 is based on discounted cashflow valuation, where we assume: 1) cathode capacity of 220k/410k tpa in 2026F/35F (2025: 190k tpa); 2) cathode shipments increasing 16% p.a. and ASP decline of 3% p.a. in 2026-35F; 3) average EBIT margin of 5.3% for 2026-35F; and 4) WACC of 5.8%
Risks that may impede the achievement of the target price Downside risks: contract cancellation with battery or OEM customers.

EcoproBM (247540 KS) **KRW 159,700 (08-Jun-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)

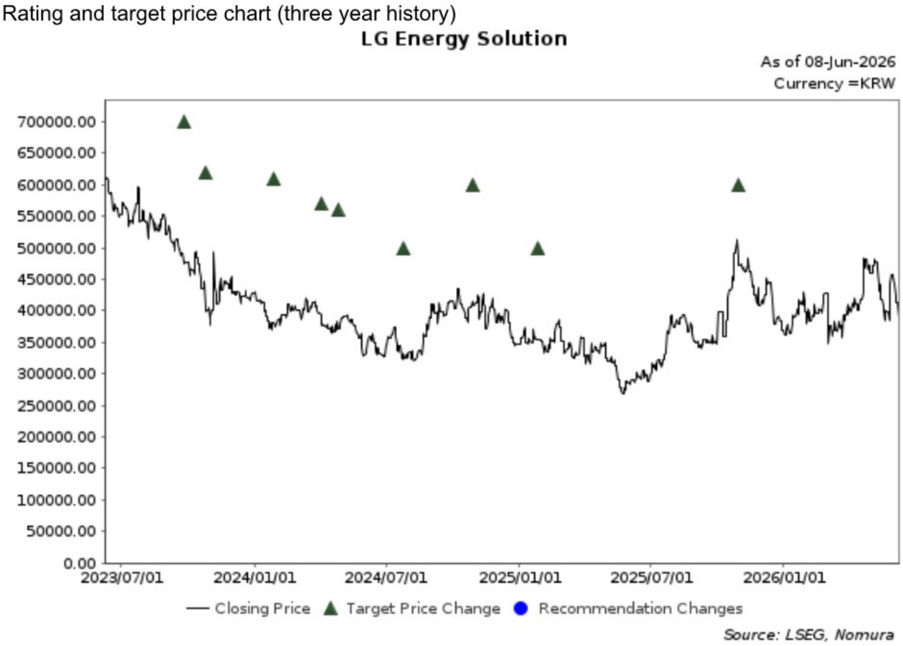
Date	Rating	Target price	Closing price
29-Apr-26		280,000.00	212,500.00
09-Apr-26		270,000.00	206,000.00
04-Nov-25		200,000.00	161,800.00
05-Aug-25	Buy		124,500.00
05-Aug-25		150,000.00	124,500.00
09-Apr-25	Neutral		94,700.00
09-Apr-25		100,000.00	94,700.00
01-Nov-24	Buy		169,700.00
01-Nov-24		240,000.00	169,700.00
07-Nov-23	Neutral		284,500.00
07-Nov-23		290,000.00	284,500.00
23-Jun-23		350,000.00	263,000.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of KRW280,000 is based on DCF method where we assume cathode valuation (EV) at KRW29.2tn, EBIT margin of 6.1% (average 2026F-35F) and WACC of 6.1%. Our benchmark index is KOSPI 200.
Risks that may impede the achievement of the target price Downside risks: the company's strategic focus/priority of high nickel and solid state batteries may come at the expense of capturing LFP demand.

LG Energy Solution (373220 KS) **KRW 388,500 (08-Jun-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
30-Oct-25		600,000.00	486,500.00
27-Jan-25		500,000.00	353,500.00
28-Oct-24		600,000.00	416,500.00
25-Jul-24		500,000.00	332,500.00
25-Apr-24		560,000.00	372,500.00
02-Apr-24		570,000.00	393,000.00
28-Jan-24		610,000.00	381,000.00
25-Oct-23		620,000.00	409,500.00
26-Sep-23		700,000.00	475,500.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of KRW600,000 is based on a DCF model, assuming: 1) cumulative IRA tax credit (AMPC) of KRW11.3tn over 2026-30F ; 2) an ASP decline of 4% p.a. over 2026-35F; 3) a consolidated shipment increase of 16% p.a. over 2026-35F; 4) an increase in EV/ESS/small-size battery capacity to 266GWh/271GWh/130GWh by 2035F (2026F: 150GWh/60GWh /90GWh).
Risks that may impede the achievement of the target price Downside risk stems from unexpected costs associated with asset write-downs and weaker than expected demand.

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