

LG Display

1H24 loss likely larger vs consensus, but cash flow looks better

Reiterate Rating: UNDERPERFORM | PO: 10,000 KRW | Price: 13,740 KRW

Too early to expect meaningful OP generation

We reiterate U/P on LG Display (LGD). Our analysis still indicates large loss in 1H24, and minimal OP in 2H24 and even 2025. Guidance (24 Jan) presents 30%+ sales contraction in 1Q24 (shipment/ASP down 10%/25% QoQ). Since fixed cost remains high, we assume 1Q24 OP loss of W0.6tn (consensus W0.4tn loss). We also assume 2Q OP loss remains high (W0.5tn) given limited recovery of OLED TV shipment and low impact of new iPad OLED (still in start-up period). Our PO is unchanged, but we use higher target P/B (0.69x vs 0.55x previously) following new share issuance (40% dilution, effective March; better cash flow, but ~30% book-value erosion seen). Our significant cut to 2024-25 EPS estimate is also related to the new shares and 2-4ppt lower OPM.

Cash flow looks better due to new shares and capex cut

True, LGD's operating cash flow slightly improved in 4Q23 on the back of OP generation (OP W0.13tn vs large losses through 1H/3Q23), lower capex spend (sub-W1.0tn vs depreciation/amortization W1.1tn), and inventory liquidation (iPhone 15 OLED). However, net debt still shows W13.4tn (record-high) given extra cash spend to reduce payables. Management sees W1.4tn cash proceeds from the new share issuance (1Q24) but which will be quickly used for capex spend (new 6G fab for iPad), working capital increase, and debt repayments. Net debt will still remain high at W11-12tn in 2024-25, in our view.

Risks of Apple/Samsung orders and China fab disposal

We believe new OLED panel orders for iPad (4mn/6mn units in 2024/25 likely for LGD) and Samsung TV (~1mn pa) will not warrant strong growth. Samsung Display is also expected to supply OLED panels for the new iPad (at least 3-4mn units pa in 2024-25). We also worry about the low margin of OLED TV panels for Samsung (price-cut pressure; Samsung can also use in-house OLED or China LCD). We also assume LGD will try to sell its China LCD fab (book value low-W1.0tn) to focus on OLED, but the disposal gains are likely to be minimal (only low-W1.0tn cash proceeds if the bidder uses 1.0x fair P/B).

Estimates (Dec) (W)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - bn)	-3,072	-2,734	-1,199	-407	-321
EPS	-8,584	-7,640	-2,398	-815	-641
EPS Change (YoY)	NM	11%	69%	66%	21%
Dividend / Share	0	0	0	0	0
ADR EPS (US\$)	-3.32	-2.92	-0.90	-0.31	-0.24
ADR Dividend / Share (US\$)	0	0	0	0	0
Valuation (Dec)					
EV / EBITDA*	7.9x	11.5x	5.0x	4.2x	4.2x
Free Cash Flow Yield*	-42.1%	-38.2%	20.9%	29.7%	25.0%

* For full definitions of *IQmethod*SM measures, see page 19.

25 January 2024

Equity

Key Changes

(W)	Previous	Current
2024E EPS	-1,466	-2,398
2025E EPS	-526	-815
2026E EPS	NA	-641
2024E EBITDA (m)	4,496,002	3,941,199
2025E EBITDA (m)	4,800,653	4,708,905
2026E EBITDA (m)	NA	4,645,722

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Stock Data

Price (Common / ADR)	13,740 KRW / 5.17 USD
Price Objective	10,000 KRW / 4.10 USD
Date Established	27-Oct-2022 / 27-Jan-2023
Investment Opinion	B-3-9 / C-3-9
52-Week Range	10,940 KRW-17,300 KRW
Market Value (mn)	3,687 USD
Market Value (mn)	4,916,388 KRW
Shares Outstanding (mn)	357.8 / 715.6
Average Daily Value (mn)	20.34 USD
Free Float	57.7%
BofA Ticker / Exchange	LPHLF / KSC
BofA Ticker / Exchange	LPL / NYS
Bloomberg / Reuters	034220 KS / 034220.KS
ROE (2024E)	-16.4%
Net Dbt to Eqty (Dec-2023A)	152.4%

ASP: Average selling price**LCD:** Liquid-crystal display**OLED:** Organic light-emitting diode**OPM:** Operating profit margin

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Refer to important disclosures on page 20 to 23. Analyst Certification on page 17. Price Objective Basis/Risk on page 17.

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Timestamp: 24 January 2024 10:10AM EST

iQprofileSM LG Display

Key Income Statement Data (Dec)

(W Billions)

	2022A	2023A	2024E	2025E	2026E
Sales	26,152	21,331	22,331	22,401	23,491
Gross Profit	1,124	345	2,466	3,446	3,555
Sell General & Admin Expense	(3,209)	(2,855)	(3,122)	(3,245)	(3,316)
Operating Profit	(2,085)	(2,510)	(656)	201	239
Net Interest & Other Income	(1,348)	(829)	(765)	(670)	(615)
Associates	NA	NA	NA	NA	NA
Pretax Income	(3,433)	(3,339)	(1,421)	(469)	(376)
Tax (expense) / Benefit	238	763	284	94	75
Net Income (Adjusted)	(3,072)	(2,734)	(1,199)	(407)	(321)
Average Fully Diluted Shares Outstanding	0.358	0.358	0.500	0.500	0.500

Key Cash Flow Statement Data

Net Income	(3,072)	(2,734)	(1,199)	(407)	(321)
Depreciation & Amortization	4,557	4,214	4,597	4,508	4,406
Change in Working Capital	1,545	(266)	(120)	(342)	(356)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(20)	406	0	0	0
Cash Flow from Operations	3,011	1,620	3,278	3,759	3,730
Capital Expenditure	(5,079)	(3,500)	(2,250)	(2,300)	(2,500)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	(1,621)	735	0	0	0
Cash Flow from Investing	(6,700)	(2,765)	(2,250)	(2,300)	(2,500)
Shares Issue / (Repurchase)	0	0	1,422	0	0
Cost of Dividends Paid	(233)	0	0	0	0
Cash Flow from Financing	1,946	1,290	741	(1,187)	(1,238)
Free Cash Flow	(2,068)	(1,880)	1,028	1,459	1,230
Net Debt	11,444	13,366	11,470	10,554	9,842
Change in Net Debt	4,045	1,367	(2,450)	(1,459)	(1,230)

Key Balance Sheet Data

Property, Plant & Equipment	20,947	20,713	19,009	17,419	16,106
Other Non-Current Assets	5,295	5,543	5,332	5,130	4,936
Trade Receivables	2,359	3,218	2,870	2,800	2,732
Cash & Equivalents	3,547	3,163	4,378	4,106	3,580
Other Current Assets	3,538	3,122	2,874	2,768	2,710
Total Assets	35,686	35,759	34,463	32,224	30,066
Long-Term Debt	9,557	11,349	10,961	10,048	9,068
Other Non-Current Liabilities	848	1,755	1,634	1,506	1,388
Short-Term Debt	5,434	5,180	4,887	4,612	4,355
Other Current Liabilities	8,527	8,705	7,989	7,471	6,989
Total Liabilities	24,367	26,989	25,471	23,639	21,801
Total Equity	11,319	8,770	8,993	8,586	8,265
Total Equity & Liabilities	35,686	35,759	34,463	32,224	30,066

iQmethodSM - Bus Performance*

Return On Capital Employed	-6.8%	-7.1%	-2.0%	0.6%	0.8%
Return On Equity	-26.7%	-32.0%	-16.4%	-5.7%	-4.7%
Operating Margin	-8.0%	-11.8%	-2.9%	0.9%	1.0%
EBITDA Margin	9.5%	8.0%	17.6%	21.0%	19.8%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	1.3x	1.0x	0.6x	0.6x	0.7x
Tax Rate (Reported)	6.9%	22.8%	20.0%	20.0%	20.0%
Net Debt-to-Equity Ratio	101.1%	152.4%	127.5%	122.9%	119.1%
Interest Cover	-22.3x	-5.4x	-1.0x	0.3x	0.4x

Key Metrics

* For full definitions of iQmethodSM measures, see page 19.

Company Sector

Electronics

Company Description

LG Display is one of the world's largest display panel makers. LG Electronics, which owns a 38% stake in the company, is the major customer followed by Apple, China OEMs, etc. OLED for TV (55", 65", 77") and smartphone (plastic/foldable) are management's new focus areas. Major production facilities are located in Korea (Paju, Gumi), but China fab and back-end facilities are also important for local OEMs. ADR (LPL US) is listed on NYSE.

Investment Rationale

Our Underperform rating is based on weak earnings momentum (even in 2H24 and 2025) and high debt. New shares (effective March 2024) also suggest stock overhang and EPS dilution risk.

Stock Data

Shares / ADR	0.50
Price to Book Value	0.7x

Key Changes

(US\$)	Previous	Current
2024E EPS	-0.55	-0.90
2025E EPS	-0.20	-0.31
2026E EPS	NA	-0.24

Too early to say Buy due to debt and loss

We reiterate U/P on LG Display (LGD). Our analysis still indicates large loss in 1H24 and minimal OP in 2H24 and even 2025. Management's new guidance (24 Jan) presents 30%+ sales contraction in 1Q24 (shipment/ASP down 10%/25%). Since fixed cost remains high (due to high depreciation and overhead cost), we assume 1Q24 OP loss of W0.6tn (consensus W0.4tn loss; our earlier estimate W0.1tn loss). The key contributors likely are weaker-than-seasonal Apple business (iPhone), price competition (with Samsung Display and BOE), and start-up cost of new 6G fab (mainly for Apple's new OLED iPad). We also assume 2Q OP loss remains high (-W0.5tn) given limited recovery of OLED TV besides Apple business (still low impact of new iPad OLED – sub-1.0mn units for 2Q; no recovery of iPhone OLED orders QoQ due to seasonality).

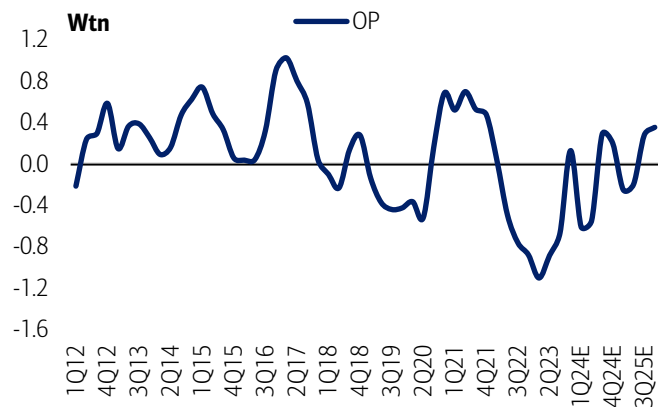
True, we assume OP generation in 2H24 but total amount will be only W0.5tn – not enough to expect meaningful net profit generation (ROE still minimal). Our PO of W10,000 (27% downside seen) is unchanged, but we raise the target P/B from 0.55x to 0.69x due mainly to diluted book value with the new shares (40% dilution; to be listed in March). Our significant cut to 2024-25E EPS is mostly based on the new share issuance and 2-4ppt lower margin assumptions (price competition with Samsung Display and even BOE).

True, LGD's operating cash flow slightly improved in 4Q23 on the back of OP generation (OP W0.13tn vs large losses through 1H/3Q23), lower capex spend (sub-W1.0tn vs depreciation/amortization W1.1tn), and inventory liquidation (well-delivered iPhone 15 OLED panels, in our view). However, net debt is still almost record-high at W13.4tn (nearly flat QoQ) given extra cash spend to reduce payables. Management sees W1.4tn cash proceeds from the new share issuance (1Q24) but which will be quickly used for capex spend (new 6G fab for iPad), working capital increase, and debt repayments. Net debt will still remain high at W11-12tn in 2024-25, in our view.

We believe new OLED panel orders for iPad (4mn/6mn units in 2024/25 likely for LGD) and Samsung TV (~1mn pa) will not warrant strong growth. Samsung Display is also expected to supply OLED panels for the new iPad (at least 3-4mn units pa in 2024-25). We also worry about the low margin profile of OLED TV panels for Samsung (severe price-cut pressure; Samsung can also use in-house OLED or China LCD for its high-end TV). We also assume LGD has a plan to sell its China LCD fab (book value low-W1.0tn) to focus on OLED, but the asset-disposal gains are likely to be minimal (despite W1.0tn+ cash proceeds at 1x fair P/B) given underutilized capacity and operating loss.

Exhibit 1: LG Display – Quarterly OP trend

1H large loss and 2H small profit still remain as concerns

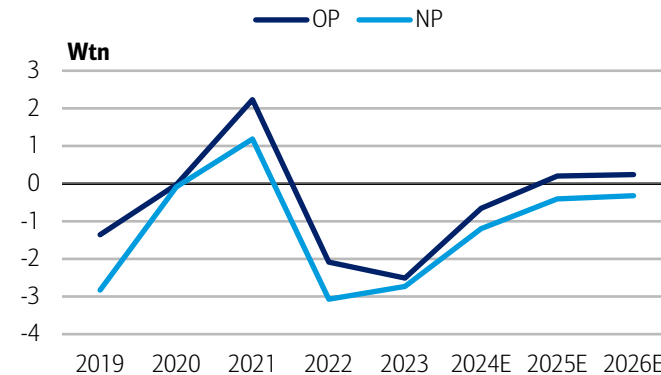


Source: Company, BofA Global Research estimates

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Exhibit 2: LG Display – Annual OP and NP trends

Annual OP should be more than W1.0tn to see 2-3% ROE given high interest expenses (W0.5tn+ pa)



Source: Company, BofA Global Research estimates

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Key tables/charts after 4Q23 results

Exhibit 3: LG Display – Earnings revisions

4Q23 OP turnaround (W0.13tn) was in-line with management's guidance during 3Q earnings call and street estimates; however, we continue to assume large loss in 1H24 and minimal OP generation in 2H24-2025 due to low margin (of OLED TV panels and even new iPad OLED)

Wbn, Won	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2018	2019	2020	2021	2022	2023	2024E	2025E
EPS - fully diluted																
New	-3,392	-2,398	-2,012	163	-1,349	-1,252	163	40	-579	-7,908	-250	3,315	-8,584	-7,640	-2,398	-815
Old	-3,392	-2,398	-2,012	-164	-816	-697	125	-79	-579	-7,908	-250	3,315	-8,584	-7,967	-1,466	-526
Difference	n/a	n/a	n/a	n/a	n/a	n/a	30%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sales																
New	4,411	4,739	4,785	7,396	5,056	4,919	5,783	6,573	24,337	23,476	24,230	29,878	26,152	21,331	22,331	22,401
Old	4,411	4,739	4,785	7,019	4,993	4,702	5,665	6,076	24,337	23,476	24,230	29,878	26,152	20,954	21,436	21,481
Difference	n/a	n/a	n/a	5%	1%	5%	2%	8%	n/a	n/a	n/a	n/a	n/a	2%	4%	4%
OP																
New	-1,098	-881	-662	132	-604	-545	289	204	93	-1,359	-29	2,231	-2,085	-2,510	-656	201
Old	-1,098	-881	-662	154	-132	-74	283	182	93	-1,359	-29	2,231	-2,085	-2,488	259	585
Difference	n/a	n/a	n/a	-14%	n/a	n/a	2%	12%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-66%
OP margin																
New	-24.9%	-18.6%	-13.8%	1.8%	-12.0%	-11.1%	5.0%	3.1%	0.4%	-5.8%	-0.1%	7.5%	-8.0%	-11.8%	-2.9%	0.9%
Old	-24.9%	-18.6%	-13.8%	2.2%	-2.7%	-1.6%	5.0%	3.0%	0.4%	-5.8%	-0.1%	7.5%	-8.0%	-11.9%	1.2%	2.7%
Difference	n/a	n/a	n/a	-0.4%	-9.3%	-9.5%	0.0%	0.1%	n/a	n/a	n/a	n/a	n/a	0.1%	-4.1%	-1.8%
Net non-opex																
New	376	-4	344	113	195	200	190	180	184	1,985	566	512	1,348	829	765	670
Old	376	-4	344	190	195	200	190	180	184	1,985	566	512	1,348	907	765	670
Difference	n/a	n/a	n/a	-41%	0%	0%	0%	0%	n/a	n/a	n/a	n/a	n/a	-9%	0%	0%
Pre-tax income																
New	-1,475	-877	-1,006	19	-799	-745	99	24	-91	-3,344	-595	1,719	-3,433	-3,339	-1,421	-469
Old	-1,475	-877	-1,006	-36	-327	-274	93	2	-91	-3,344	-595	1,719	-3,433	-3,394	-506	-85
Difference	n/a	n/a	n/a	n/a	n/a	n/a	6%	946%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tax rate - effective																
New	21.8%	20.3%	23.0%	-166.1%	20.0%	20.0%	20.0%	20.0%	-96.4%	14.1%	88.1%	22.4%	6.9%	22.8%	20.0%	20.0%
Old	21.8%	20.3%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	-96.4%	14.1%	88.1%	22.4%	6.9%	21.8%	20.0%	20.0%
Difference %pt	n/a	n/a	n/a	-186.1%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	n/a	n/a	n/a	1.1%	0.0%	0.0%
NP ex minority int																
New	-1,214	-858	-720	58	-674	-626	81	20	-207	-2,830	-89	1,186	-3,072	-2,734	-1,199	-407
Old	-1,214	-858	-720	-59	-292	-249	45	-28	-207	-2,830	-89	1,186	-3,072	-2,851	-525	-188
Difference	n/a	n/a	n/a	n/a	n/a	n/a	82%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ROE - annualized																
New	-48.9%	-33.1%	-40.8%	2.8%	-33.8%	-31.3%	4.3%	1.0%	-1.3%	-25.3%	-0.6%	10.2%	-32.3%	-35.9%	-15.3%	-5.4%
Old	-48.9%	-33.1%	-41.1%	-1.6%	-15.0%	-13.1%	4.5%	0.1%	-1.3%	-25.3%	-0.6%	10.2%	-32.3%	-37.3%	-6.1%	-1.1%
Difference	n/a	n/a	n/a	4.4%	-18.8%	-18.2%	-0.2%	0.9%	n/a	n/a	n/a	n/a	n/a	1.4%	-9.2%	-4.3%
EBITDA																
New	-80	130	382	1,272	544	612	1,439	1,347	3,647	2,336	4,106	6,731	2,472	1,704	3,941	4,709
Old	-80	130	382	1,205	926	992	1,343	1,236	3,647	2,336	4,106	6,731	2,472	1,637	4,496	4,801
Difference	n/a	n/a	n/a	6%	-41%	-38%	7%	9%	n/a	n/a	n/a	n/a	n/a	4%	-12%	-2%
Capex spend																
New	1,303	879	584	735	700	600	450	500	7,942	6,927	2,604	3,141	5,079	3,500	2,250	2,300
Old	1,303	879	541	778	800	900	500	300	7,942	6,927	2,604	3,141	5,079	3,500	2,500	2,500
Difference	n/a	n/a	n/a	-6%	-13%	-33%	-10%	67%	n/a	n/a	n/a	n/a	n/a	0%	-10%	-8%
Net debt																
New	13,286	13,568	13,400	13,366	11,949	12,372	11,839	11,470	6,141	10,066	9,772	8,379	11,444	13,366	11,470	10,554
Old	13,286	13,568	13,400	13,491	13,338	13,744	13,159	12,640	6,141	10,066	9,772	8,379	11,444	13,491	12,640	11,745
Difference	n/a	n/a	n/a	-1%	-10%	-10%	-10%	-9%	n/a	n/a	n/a	n/a	n/a	-1%	-9%	-10%
BVPS - O/S shr based																
New	25,061	22,076	20,420	20,084	15,868	14,616	14,779	14,819	39,068	31,694	31,863	36,664	27,611	20,084	14,819	14,004
Old	25,061	22,076	20,064	19,899	19,084	18,387	18,512	18,433	39,068	31,694	31,863	36,664	27,611	19,899	18,433	17,907
Difference	n/a	n/a	n/a	1%	-17%	-21%	-20%	-20%	n/a	n/a	n/a	n/a	n/a	1%	-20%	-22%

Source: Company, BofA Global Research estimates

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Exhibit 4: LG Display – Key assumptions revisions

4Q23 shipment increase mostly driven by iPhone 15 (yield improvement), but 1H24 headwinds seen (low season for Apple business, and competition with Samsung Display)

QoQ/YoY	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2018	2019	2020	2021	2022	2023	2024E	2025E
New																
Shipments (000s m2)	-46.8%	11.2%	0.9%	18.9%	-15.1%	3.0%	11.0%	5.0%	1.3%	-8.9%	-20.1%	14.7%	-10.5%	-39.1%	8.4%	5.2%
ASP (US\$/m2)	20.1%	-5.5%	0.1%	32.3%	-20.1%	-4.8%	7.0%	10.0%	-12.1%	0.7%	31.0%	9.2%	-13.0%	36.4%	-1.9%	0.1%
Full cost (US\$/m2)	33.9%	-10.3%	-3.9%	14.2%	-8.9%	-5.5%	-8.5%	12.2%	-3.9%	6.9%	23.9%	0.9%	1.5%	41.2%	-9.6%	-3.6%
Old																
Shipments (000s m2)	-46.8%	11.2%	0.9%	25.0%	-15.3%	1.0%	11.0%	5.0%	1.3%	-8.9%	-20.1%	14.7%	-10.5%	-38.2%	10.4%	8.3%
ASP (US\$/m2)	20.1%	-5.5%	0.1%	18.0%	-15.0%	-4.8%	10.0%	4.0%	-12.1%	0.7%	31.0%	9.2%	-13.0%	31.4%	-3.5%	-4.0%
Full cost (US\$/m2)	33.9%	-10.3%	-3.9%	1.4%	-10.8%	-5.7%	2.9%	6.2%	-3.9%	6.9%	23.9%	0.9%	1.5%	36.2%	-14.8%	-5.4%
Difference																
Shipments (000s m2)	nm	nm	nm	-6.1%	0.2%	2.0%	0.0%	0.0%	nm	nm	nm	nm	nm	-0.9%	-1.9%	-3.1%
ASP (US\$/m2)	nm	nm	nm	14.3%	-5.1%	0.0%	-3.0%	6.0%	nm	nm	nm	nm	nm	4.9%	1.7%	4.1%
Full cost (US\$/m2)	nm	nm	nm	12.8%	1.9%	0.3%	-11.4%	6.0%	nm	nm	nm	nm	nm	5.0%	5.2%	1.8%

Source: Company, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 5: LG Display – Consensus vs our estimates

Our estimates for 2024 quarters are more conservative vs consensus due to lower margin assumptions particularly OLED TV and new iPad OLED

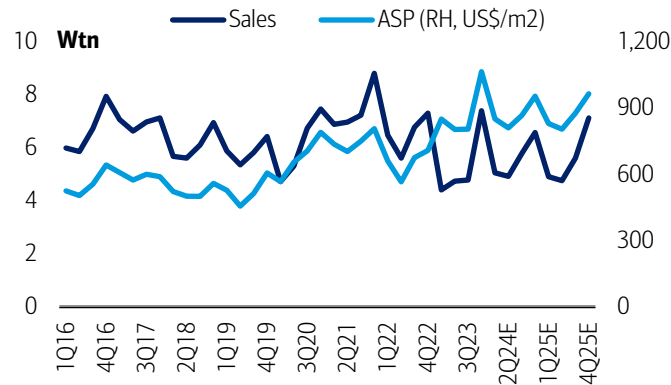
(Won, Wbn)	1Q23	2Q23	3Q23	4Q23	1Q24E			2Q24E			2023E			2024E		
	Actual	Actual	Actual	Actual	Our est	Cons	Diff	Our est	Cons	Diff	Our est	Cons	Diff	Our est	Cons	Diff
Sales	4,411	4,739	4,785	7,396	5,056	5,120	-1%	4,919	5,203	-5%	21,331	22,199	-4%	22,331	23,447	-5%
GM	-8.7%	-3.6%	0.8%	11.7%	2.8%	6.9%	-4.1%	4.3%	9.0%	-4.7%	1.6%	4.9%	-3.3%	11.0%	12.3%	-1.2%
OP	-1,098	-881	-662	132	-604	-422	n/a	-545	-367	n/a	-2,510	-2,205	n/a	-656	-220	n/a
OPM	-24.9%	-18.6%	-13.8%	1.8%	-12.0%	-8.2%	-4%	-11.1%	-7.1%	-4%	-11.8%	-9.9%	-2%	-2.9%	-0.9%	-2%
Net non-opex	376	-4	344	113	195	1,165	-83%	200	1,232	-84%	829	227	266%	765	-7	n/a
Pre-tax	-1,475	-877	-1,006	19	-799	743	n/a	-745	865	n/a	-3,339	-2,431	n/a	-1,421	-213	n/a
Effective tax rate	18%	2%	28%	-206%	16%	54%	-38%	16%	52%	-36%	18%	17%	1%	16%	-219%	234%
NP ex minority	-1,214	-858	-720	58	-674	345	n/a	-626	417	n/a	-2,734	-2,023	n/a	-1,199	-679	n/a
EPS	-3,392	-2,398	-2,012	163	-1,666	-978	n/a	-1,252	-638	n/a	-7,640	-4,808	n/a	-2,518	-9,010	n/a
BVPS	25,061	22,076	20,420	20,084	15,868	26,985	-41%	14,616	33,331	-56%	20,084	20,146	0%	14,819	19,187	-23%

Source: Company, BofA Global Research estimate

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Exhibit 6: LG Display – Quarterly sales and panel ASP trend

Sales upside relatively limited due to weak demand and price competition

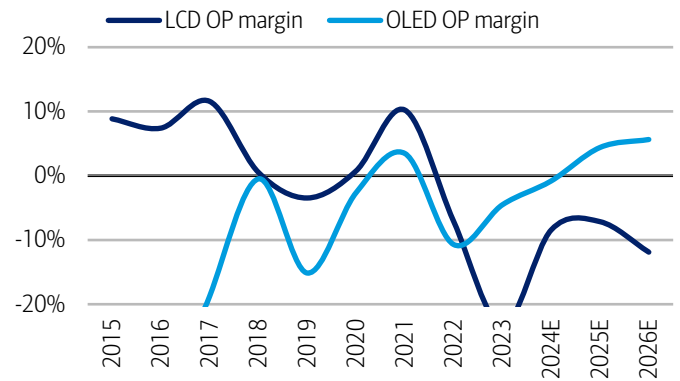


Source: Company reports, BofA Global Research estimates

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Exhibit 7: LG Display – OP margin by product

OLED margin can improve but insufficient to offset LCD loss

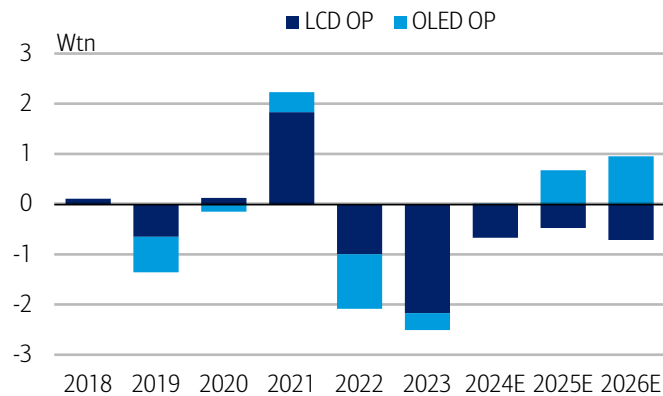


Source: Company reports, BofA Global Research estimates

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Exhibit 8: LG Display – Annual OP mix trend

OLED profit generation still minimal in 2024E and likely to gradually increase in 2025-26E

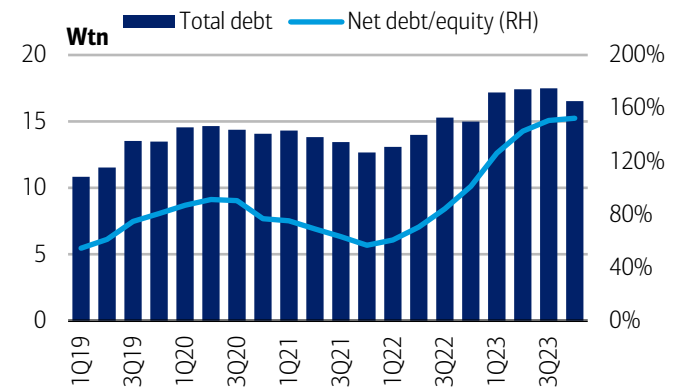


Source: Company, BofA Global Research estimates

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Exhibit 9: LG Display – High debt structure still poses a risk

As of 4Q23, total debt remains high at W16.5tn (cash only W3.2tn) with record-high net debt/equity ratio (152%)

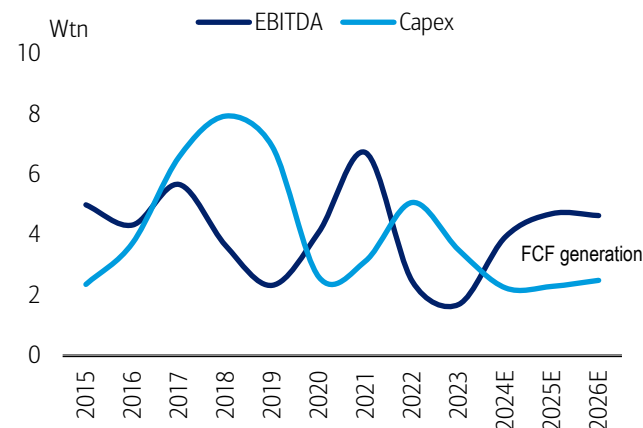


Source: Company, BofA Global Research estimates

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Exhibit 10: LG Display – EBITDA and capex trend

More aggressive capex cut necessary for FCF generation

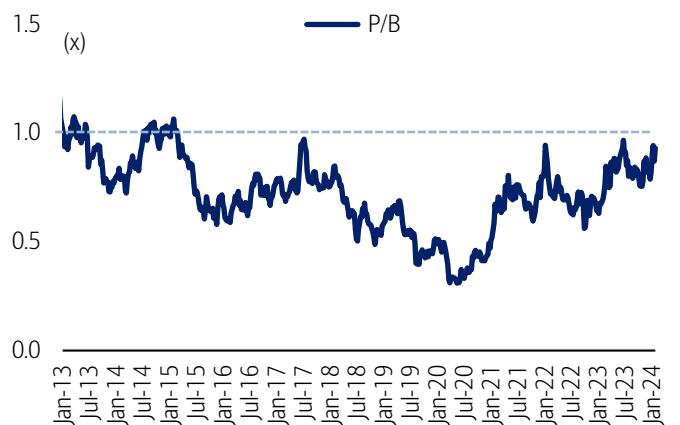


Source: Company reports, BofA Global Research estimates

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Exhibit 11: LG Display – 12-month forward P/B

Current P/B shows already near 1.0x, which is much higher than historical avg (0.6x)



Source: Company reports, BofA Global Research estimates

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Valuation

Exhibit 12: LG Display – Valuation multiples at current price and PO

Our PO of W10k is based on 0.69x 2024-25E P/B

(x)	2020	2021	2022	2023	2024E	2025E	2024-25 avg
Current							
P/E	nm	4.1	nm	nm	nm	nm	
P/B	0.4	0.37	0.50	0.68	0.93	0.98	0.95
EV/EBITDA	6.0	3.7	10.0	14.4	6.2	5.2	5.7
EV/Sales	1.0	0.8	0.9	1.2	1.1	1.1	1.1
PO basis							
P/E	nm	3.0	nm	nm	nm	nm	
P/B	0.3	0.27	0.36	0.50	0.67	0.71	0.69
EV/EBITDA	5.7	3.5	9.4	13.7	5.9	4.9	5.4
EV/Sales	1.0	0.8	0.9	1.1	1.0	1.0	1.0

Source: BofA Global Research estimates

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Exhibit 13: LG Display – Historical valuation at year-average/high/low share prices

Historical 10-year average of P/B is ~0.7x vs high/low of 0.8x/0.4x

Won, Wbn	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	5-yr avg 2019-23	10-yr avg 2014-23
ROE (NP/equity)	2.3%	3.9%	8.0%	8.4%	7.2%	13.5%	-1.3%	-25.3%	-0.6%	10.2%	-32.3%	-35.9%	-16.8%	-4.8%
Based on year-avg shr price														
P/E	41.9	23.6	12.1	10.2	10.6	6.2	nm	nm	nm	6.7	nm	nm	6.7	9.2
P/BV	1.0	0.9	0.9	0.8	0.7	0.8	0.6	0.5	0.4	0.6	0.6	0.7	0.6	0.7
EV/Sales	0.6	0.6	0.7	0.6	0.6	0.7	0.8	1.0	1.0	0.8	0.9	1.2	1.0	0.8
EV/EBITDA	3.1	3.3	3.6	3.3	3.9	3.5	5.2	9.8	5.7	3.7	9.9	14.5	8.7	6.3
Based on year-high shr price														
P/E	55.5	27.8	14.3	13.7	12.7	7.7	nm	nm	nm	8.2	nm	nm	8.2	11.3
P/BV	1.3	1.1	1.1	1.1	0.9	1.0	0.9	0.7	0.6	0.7	0.9	0.9	0.8	0.9
EV/Sales	0.7	0.7	0.7	0.7	0.7	0.8	0.9	1.1	1.0	0.9	1.1	1.2	1.1	0.9
EV/EBITDA	3.7	3.6	4.0	4.0	4.4	4.0	6.3	10.6	6.1	4.0	11.2	15.2	9.4	7.0
Based on year-low shr price														
P/E	30.8	18.7	9.2	7.6	8.3	5.4	nm	nm	nm	5.3	nm	nm	5.3	7.2
P/BV	0.7	0.8	0.7	0.6	0.6	0.7	0.4	0.4	0.3	0.5	0.4	0.6	0.4	0.5
EV/Sales	0.5	0.5	0.6	0.5	0.6	0.7	0.7	0.9	0.9	0.8	0.9	1.1	0.9	0.8
EV/EBITDA	2.7	2.8	3.1	2.8	3.5	3.3	4.6	9.1	5.2	3.4	9.2	14.0	8.2	5.8

Source: Company reports, BofA Global Research estimates

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Exhibit 14: LG Display – Discounted cash flow (DCF) valuation (2024-29E)

PO of W10k due to low growth/margin, heavy capex burden and high debt

(Wtn, %)	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E
Sales	26.15	21.33	22.33	22.40	23.49	24.20	24.92	25.67
Sales growth	-12%	-18%	5%	0%	5%	3%	3%	3%
OP	-2.09	-2.51	-0.66	0.20	0.24	0.68	0.87	1.03
OP margin	-8.0%	-11.8%	-2.9%	0.9%	1.0%	2.8%	3.5%	4.0%
Dep/amort	4.56	4.21	4.60	4.51	4.41	4.14	3.73	3.36
EBITDA	2.47	1.70	3.94	4.71	4.65	4.82	4.60	4.38
Capex	5.08	3.50	2.25	2.30	2.50	2.50	2.50	2.50
Tax	-0.24	-0.76	-0.28	-0.09	-0.08	0.17	0.22	0.26
Changes in NWC	1.55	-0.27	-0.12	-0.34	-0.36	0.05	0.05	0.05
FCF	-3.91	-0.77	2.10	2.84	2.58	2.10	1.83	1.58
Discount factor		1.00	0.90	0.82	0.74	0.67	0.61	0.55
PV of FCF			1.90	2.33	1.91	1.41	1.11	0.87
PV of 2024-29E FCF		9.52						
Terminal value								18.35
1.5% perpetual growth								18.91
4x EV/EBITDA								17.79
PV of TV		10.08						
Biz value		19.60						
Net debt (4Q23)		13.37						
Minority interest		1.20						
FV for shareholders		5.04						
Per share FV (diluted*)		10,075						
PO		10,000						
PO vs FV		-1%						
Current share price		13,740						
PO upside		-27%						

*40% dilution with new shares assumed

Source: Company, BofA Global Research estimates

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Exhibit 15: Peer valuation comparison

LGD's P/B lower than China/Taiwan panel makers' due to significantly lower ROE and high debt

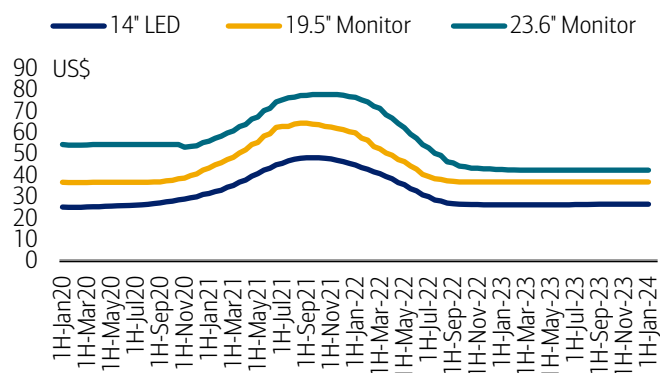
Company	Ticker	Rating	Shr px Local	M. cap US\$bn	P/E			P/BV			EV/EBITDA			ROE			Div. yield		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Display																			
LG Display	LPHLF	B-3-9	13,740	3.7	NM	NM	NM	0.7	0.7	0.7	11.5	5.0	4.2	-32.0%	-16.4%	-5.7%	0.0%	0.0%	0.0%
AUO	AUOTF	B-2-8	18.95	4.7	NM	NM	NM	0.9	1.0	1.1	14.3	11.0	9.7	-11.1%	-7.3%	-7.1%	2.7%	1.6%	1.4%
BOE	XCJQF	B-1-8	3.66	19.1	1,086.0	143.1	58.3	1.0	1.0	1.0	7.1	6.3	7.0	0.1%	0.7%	1.8%	0.0%	0.0%	0.0%
Glass																			
Corning	GLW	B-1-7	30.30	25.9	17.8	15.4	13.8	2.3	2.2	2.1	10.1	9.5	9.2	12.5%	14.4%	15.0%	3.9%	4.3%	4.7%
Korea tech																			
Samsung	SSNLF	A-1-7	74,000	331.3	44.4	18.7	10.7	1.4	1.3	1.2	9.8	6.2	4.5	3.2%	7.4%	12.0%	2.0%	2.0%	2.0%
SK Hynix	HXSCF	B-1-8	141,500	77.3	NM	19.6	8.5	1.9	1.8	1.5	24.5	6.1	4.4	-14.2%	9.1%	18.5%	0.8%	0.8%	0.8%
LGE	LGEAF	B-1-8	93,900	11.5	18.2	9.8	7.8	0.8	0.7	0.6	3.8	3.8	3.5	4.7%	8.1%	9.3%	0.7%	0.7%	0.7%
LGI	XLGQF	B-1-7	213,500	3.8	8.5	5.9	5.2	1.0	0.9	0.8	3.8	3.1	2.9	12.8%	15.9%	15.7%	1.9%	2.1%	2.3%
SEMCO	SMSGF	B-1-8	145,800	8.2	23.3	14.0	9.8	1.4	1.3	1.1	7.0	5.4	4.4	6.3%	9.8%	12.7%	1.0%	1.4%	1.7%
Samsung SDI	SSDIF	B-1-7	354,000	18.3	11.1	10.4	9.2	1.3	1.2	1.0	9.3	7.8	6.9	12.0%	11.4%	11.4%	0.3%	0.3%	0.3%
Seoul Semi	SLSOF	B-3-8	11,140	0.5	115.0	38.5	36.0	1.0	1.0	0.9	17.4	8.7	7.2	0.8%	2.4%	2.5%	0.9%	0.9%	0.9%
Non-Korea tech																			
Apple	AAPL	B-1-7	195.18	3,017.9	31.8	29.0	25.6	48.6	32.7	23.7	23.5	21.7	19.6	171.9%	134.9%	105.0%	0.5%	0.5%	0.5%
Sony	SNEJF	B-1-7	14,535	123.5	20.4	18.9	17.0	2.4	2.1	1.9	7.6	7.1	6.8	11.9%	11.9%	12.0%	0.6%	0.6%	0.6%
Hon Hai	HNHAF	A-2-7	100.50	44.5	10.9	10.0	9.0	0.9	0.9	0.8	7.3	6.6	5.7	8.6%	9.0%	9.5%	5.7%	5.2%	5.5%

Source: Companies, Bloomberg, BofA Global Research estimates

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Exhibit 16: IT panel price trend – US\$/panel

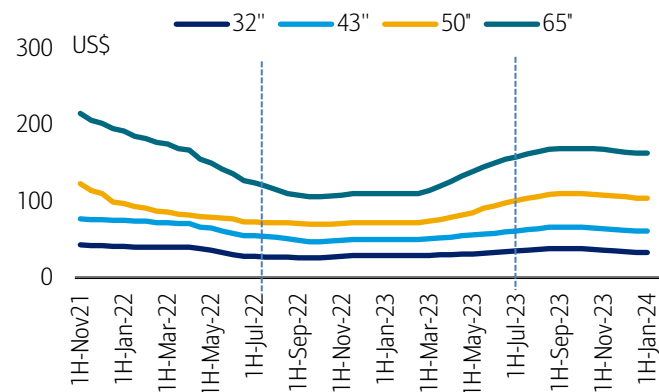
IT panel prices remained flat; no recovery even as of Nov/Dec 23 (high season)



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Exhibit 17: TV panel price trend – US\$/panel

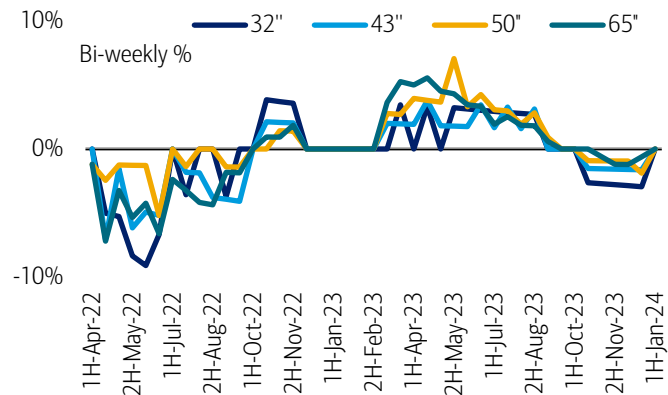
TV panel price remained flat as of early Jan after Oct-Dec corrections



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Exhibit 18: LCD TV panel price trend (bi-weekly sequential)

Broadly weak (Oct-Dec and 1H-Jan) vs Mar-Sept 2023 recovery period



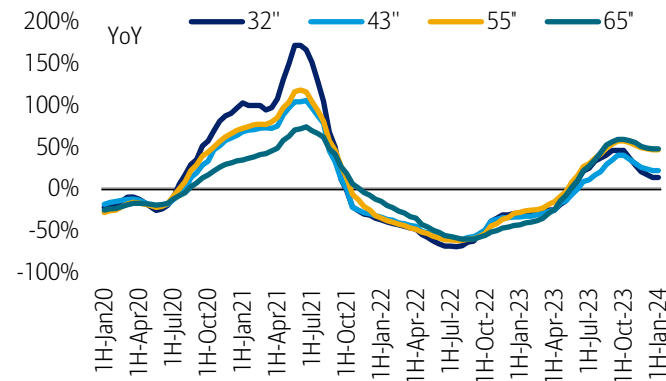
Panel price update from WitsView as of 5 Jan 2023

Source: WitsView, BofA Global Research

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Exhibit 19: LCD TV panel price trend (YoY)

Current prices still slightly higher than year ago but muted trend seen



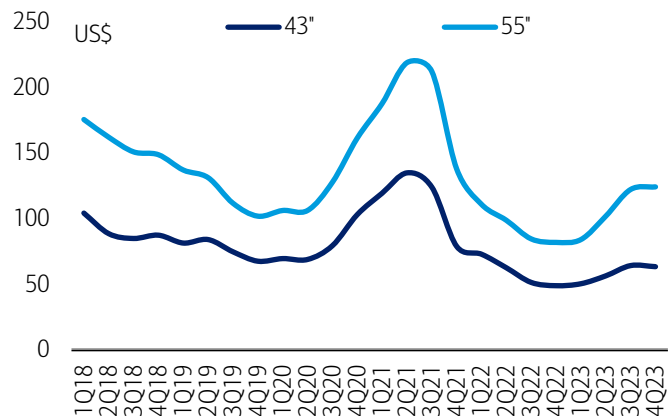
Panel price update from WitsView as of 5 Jan 2023

Source: WitsView, BofA Global Research

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Exhibit 20: LCD TV panel price – quarterly-average

Price recovery seen in 1Q-3Q23, but remained flat in 4Q

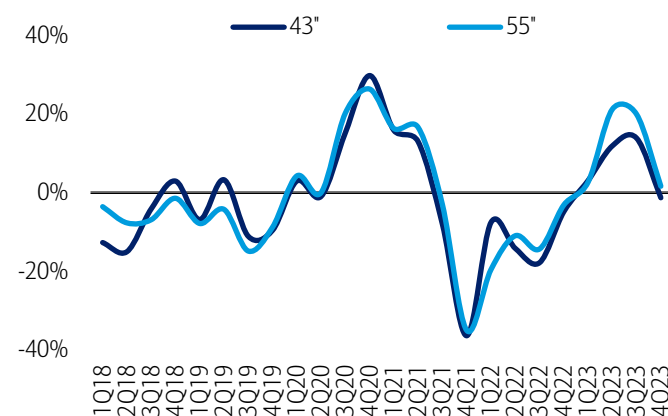


Source: WitsView, BofA Global Research

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Exhibit 21: LCD TV panel price quarter-average - QoQ change

Muted QoQ price growth in 4Q

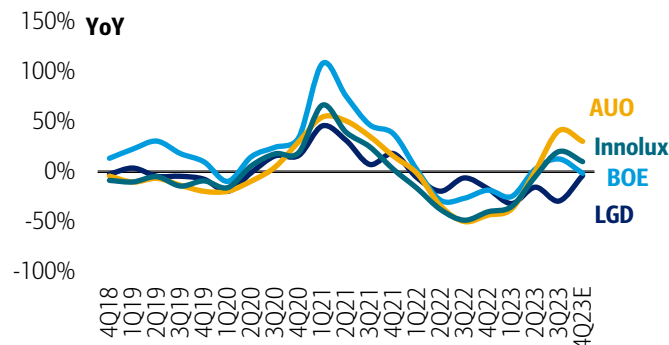


Source: WitsView, BofA Global Research

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Exhibit 22: LCD panel makers - quarterly sales YoY trend

Sales broadly weak across all LCD panel makers due to declining panel prices and weak demand



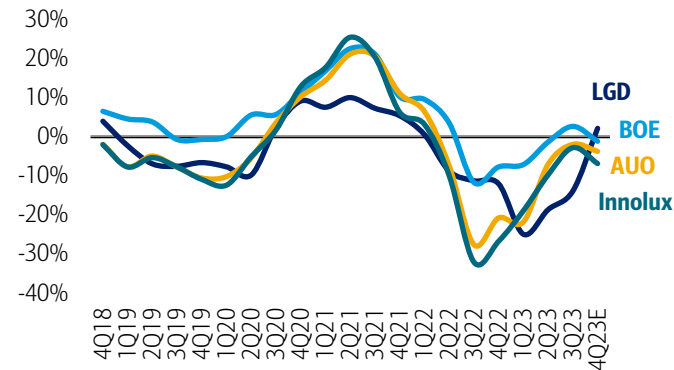
*3Q23 estimate for BOE, AUO and Innolux

Source: Companies, BofA Global Research estimates

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Exhibit 23: LCD panel makers - OP margin trend

Margin squeeze seen among panel makers due to lower panel prices



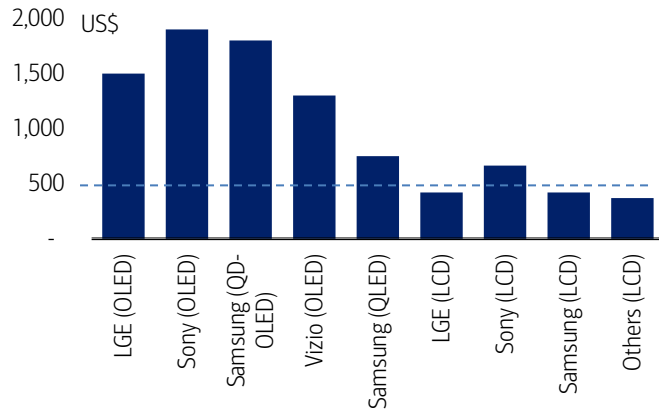
*3Q23 estimate for BOE, AUO and Innolux

Source: Companies, BofA Global Research estimates

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Exhibit 24: 65" TV retail price comparison – BestBuy US

OLED TV prices are 2-3x higher than LCD due to high cost



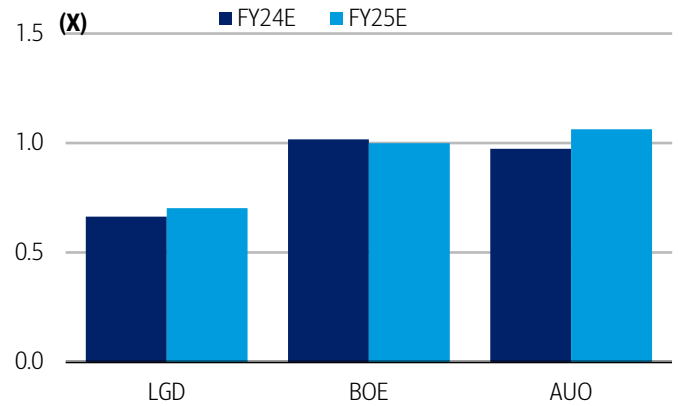
*Price update as of Jan 2024

Source: BestBuy, BofA Global Research

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Exhibit 25: Panel makers' P/B valuation comparison

LGD's P/B already lower than peers', but negative OP and high debt make the stock unattractive



Source: Companies, BofA Global Research estimates

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Exhibit 26: LG Display – LCD capacity

Korea fabs are mainly for IT panels (8G) vs TV by China fab (8G); 5-6G capacity still used for automotive LCD

Line	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2019	2020	2021	2022	2023	2024E	2025E	2026E
K subs/month																
P4 5G	0	0	0	0	0	0	0	0	69	0	0	0	0	0	0	0
P5 5G	50	50	50	50	50	50	50	50	80	50	50	50	50	50	50	50
P6 6G	43	41	38	35	30	30	30	30	50	50	50	46	39	30	30	30
P62 6G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
P7 7G	50	0	0	0	0	0	0	0	213	115	143	125	13	0	0	0
P81 8G	0	0	0	0	0	0	0	0	100	0	0	0	0	0	0	0
P82 8G	0	0	0	0	0	0	0	0	93	0	0	0	0	0	0	0
P83 8G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
P98 8G	90	90	90	90	90	90	90	90	62	67	76	87	90	90	90	90
Guangzhou 8G	100	100	100	100	100	100	100	100	210	210	210	191	100	100	100	100
AP2 LTPS 4G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AP3 LTPS 6G	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
Total	353	301	298	295	290	290	290	290	896	512	548	520	312	290	290	290
Growth - sequential	-17%	-15%	-1%	-1%	-2%	0%	0%	0%	-16%	-43%	7%	-5%	-40%	-7%	0%	0%
Area (mn m2)																
P4 5G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P5 5G	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.11	0.07	0.07	0.07	0.07	0.07	0.07	0.07
P6 6G	0.12	0.11	0.11	0.10	0.08	0.08	0.08	0.08	0.14	0.14	0.14	0.13	0.11	0.08	0.08	0.08
P62 6G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P7 7G	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	0.50	0.63	0.55	0.05	0.00	0.00	0.00
P81 8G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P82 8G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P83 8G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P98 8G	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.34	0.37	0.42	0.48	0.50	0.50	0.50	0.50
Guangzhou 8G	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	1.16	1.16	1.16	1.05	0.55	0.55	0.55	0.55
AP2 LTPS 4G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AP3 LTPS 6G	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Total	1.47	1.24	1.23	1.22	1.21	1.21	1.21	1.21	3.78	2.25	2.42	2.29	1.29	1.21	1.21	1.21
Growth - sequential	-20%	-15%	-1%	-1%	-1%	0%	0%	0%	-12%	-40%	7%	-5%	-44%	-6%	0%	0%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 27: LG Display – OLED capacity

New capacity expansion (capex increase) will be 6G driven (Apple products); TV capacity expansion already well executed in 2020-21 via Guangzhou fab China

Line	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2019	2020	2021	2022	2023	2024E	2025E	2026E
K subs/mon																
E2 4.5G	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
E5 6G	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
E6-1 6G	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
E6-2+ 6G	15	23	30	30	38	45	45	45	7	15	15	15	24	43	45	56
E3 8G	0	0	0	0	0	0	0	0	8	4	0	0	0	0	0	0
E4 8G	90	95	100	100	100	100	100	100	62	74	80	86	96	100	100	100
Guangzhou 8G	90	90	90	90	90	90	90	90	18	54	75	90	90	90	90	90
New P10 6G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New P10 10.5G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	239	252	264	264	272	279	279	279	139	191	214	235	255	277	279	290
Growth	0%	5%	5%	0%	3%	3%	0%	0%	41%	38%	12%	10%	8%	9%	1%	4%
Area (mn m2)																
E2 4.5G	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
E5 6G	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
E6-1 6G	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
E6-2+ 6G	0.04	0.06	0.08	0.08	0.11	0.12	0.12	0.12	0.02	0.04	0.04	0.04	0.07	0.12	0.12	0.16
E3 8G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.02	0.00	0.00	0.00	0.00	0.00	0.00
E4 8G	0.50	0.52	0.55	0.55	0.55	0.55	0.55	0.55	0.34	0.41	0.44	0.47	0.53	0.55	0.55	0.55
Guangzhou 8G	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.10	0.30	0.41	0.50	0.50	0.50	0.50	0.50
New P10 6G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New P10 10.5G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	1.12	1.17	1.22	1.22	1.24	1.26	1.26	1.26	0.59	0.86	0.99	1.10	1.18	1.26	1.26	1.29
Growth	0%	4%	4%	0%	2%	2%	0%	0%	42%	45%	15%	12%	7%	6%	0%	2%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 28: LG Display – Key assumptions

4Q23 shipment growth can be explained by Apple's iPhone 15 (yield improvement) but 1H24 correction also assumed (low season for Apple business and price competition with Samsung Display)

	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2018	2019	2020	2021	2022	2023	2024E	2025E
Shipments (000s m2)	4,200	4,670	4,710	5,600	4,754	4,897	5,436	5,707	42,190	38,422	30,700	35,210	31,500	19,180	20,795	21,874
ASP (US\$/m2)	850	803	804	1,064	850	810	866	953	521	524	687	750	652	890	873	874
Full cost (US\$/m2)	1,062	952	915	1,045	952	899	823	924	519	555	688	694	704	994	899	866
Implied sales (US\$m)	3,570	3,750	3,787	5,958	4,042	3,965	4,710	5,440	21,979	20,148	21,084	26,397	20,552	17,065	18,157	19,124
FX (W/US\$, avg)	1,276	1,316	1,313	1,321	1,295	1,285	1,265	1,240	1,100	1,166	1,180	1,144	1,292	1,307	1,271	1,208
Implied sales (Wbn)	4,555	4,933	4,973	7,874	5,234	5,096	5,958	6,745	24,212	23,477	24,725	30,259	26,582	22,335	23,033	23,074
Reported sales (Wbn)	4,411	4,739	4,785	7,396	5,056	4,919	5,783	6,573	24,337	23,476	24,230	29,878	26,152	21,331	22,331	22,401
Reported OP (Wbn)	-1,098	-881	-662	132	-604	-545	289	204	93	-1,359	-29	2,231	-2,085	-2,510	-656	201
Seq growth (QoQ, YoY)																
Shipments (000s m2)	-47%	11%	1%	19%	-15%	3%	11%	5%	1%	-9%	-20%	15%	-11%	-39%	8%	5%
ASP (US\$/m2)	20%	-6%	0%	32%	-20%	-5%	7%	10%	-12%	1%	31%	9%	-13%	36%	-2%	0%
Full cost (US\$/m2)	34%	-10%	-4%	14%	-9%	-5%	-8%	12%	-4%	7%	24%	1%	2%	41%	-10%	-4%
Implied sales (US\$m)	-36%	5%	1%	57%	-32%	-2%	19%	16%	-11%	-8%	5%	25%	-22%	-17%	6%	5%
FX (W/US\$, avg)	-6%	3%	0%	1%	-2%	-1%	-2%	-2%	-3%	6%	1%	-3%	13%	1%	-3%	-5%
Implied sales (Wbn)	-40%	8%	1%	58%	-34%	-3%	17%	13%	-13%	-3%	5%	22%	-12%	-16%	3%	0%
Reported sales (Wbn)	-40%	7%	1%	55%	-32%	-3%	18%	14%	-12%	-4%	3%	23%	-12%	-18%	5%	0%
Clean OP (ex-exceptionals, Wbn)	nm	nm	nm	nm	nm	nm	nm	-30%	-96%	nm	nm	nm	nm	nm	nm	nm

Source: Company, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 29: LG Display – OLED sales/OP breakdown based on our own shipment/ASP/margin assumptions, thus mix ratio can be different vs actual results

OLED sales contribution to be 60-70% in 2024-25 given LCD TV capacity shutdown

(Wtn)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Implied sales by application									
LCD sales total	20.98	18.76	16.60	17.92	14.09	9.31	7.93	6.65	6.00
OLED sales total	3.35	4.71	7.63	11.96	12.06	12.02	14.40	15.75	17.49
TV	2.54	2.72	3.56	5.73	4.67	3.32	3.68	3.88	4.21
Smartphone	0.39	1.12	2.83	4.67	5.23	6.50	7.21	7.82	8.64
Tablet	0.00	0.00	0.00	0.00	0.00	0.00	1.21	1.63	1.85
Watch	0.43	0.87	1.24	1.46	1.94	1.89	1.83	1.69	1.68
Notebook	0.00	0.00	0.00	0.00	0.00	0.02	0.06	0.10	0.13
PC monitor	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.09	0.15
Auto	0.00	0.00	0.00	0.09	0.21	0.29	0.38	0.54	0.83
% of OLED to sales	14%	20%	31%	40%	46%	56%	64%	70%	74%
Total sales (LCD+OLED)	24.34	23.48	24.23	29.88	26.15	21.33	22.33	22.40	23.49
OP by application									
LCD OP	0.11	-0.65	0.12	1.83	-1.00	-2.17	-0.67	-0.48	-0.71
OLED OP	-0.02	-0.71	-0.15	0.40	-1.09	-0.34	0.01	0.68	0.95
TV	0.00	-0.03	-0.28	0.11	-0.70	-0.66	-0.48	0.08	0.17
Smartphone	-0.02	-0.70	0.07	0.20	-0.52	0.16	0.30	0.35	0.48
Tablet	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.08	0.11
Watch	0.01	0.02	0.06	0.07	0.12	0.13	0.11	0.10	0.10
Notebook	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
PC monitor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Auto	0.00	0.00	0.00	0.01	0.02	0.03	0.04	0.05	0.08
% of OLED to OP	n/a	n/a	n/a	18%	52%	14%	-2%	337%	398%
Total OP (LCD+OLED)	0.09	-1.36	-0.03	2.23	-2.09	-2.51	-0.66	0.20	0.24

*including OLED restructuring charges; OLED OP (clean) ex-exceptional basis

**OLED contribution is implied sales basis; thus, it may differ from LG Display's OLED mix from earnings release

Source: Company, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 30: LG Display – Income statement

2024 annual OP loss (-W0.66tn) clearly less severe than 2022-23 large loss, but insufficient to cover well high interest expense (W0.8tn+/-), thus net profit and ROE will continuously be negative

(W bn)	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales total	4,411	4,739	4,785	7,396	5,056	4,919	5,783	6,573	23,476	24,230	29,878	26,152	21,331	22,331	22,401	23,491
FX (W/US\$)	1,276	1,316	1,313	1,321	1,295	1,285	1,265	1,240	1,166	1,180	1,144	1,292	1,307	1,271	1,208	1,200
COGS	4,794	4,911	4,748	6,532	4,915	4,707	4,723	5,521	21,607	21,588	24,573	25,028	20,986	19,866	18,955	19,936
Gross profit	-383	-173	37	864	141	212	1,061	1,051	1,868	2,643	5,305	1,124	345	2,466	3,446	3,555
SG&A expenses	715	709	699	732	746	757	772	848	3,228	2,672	3,074	3,209	2,855	3,122	3,245	3,316
Operating profit	-1,098	-881	-662	132	-604	-545	289	204	-1,359	-29	2,231	-2,085	-2,510	-656	201	239
Depreciation & amort	1,018	1,011	1,044	1,140	1,148	1,156	1,150	1,143	3,695	4,135	4,501	4,557	4,214	4,597	4,508	4,406
EBITDA	-80	130	382	1,272	544	612	1,439	1,347	2,336	4,106	6,731	2,472	1,704	3,941	4,709	4,646
Net Financial income	-154	22	-163	-170	-175	-180	-170	-160	-167	-364	-491	-93	-464	-685	-590	-535
Equity method gains	-1	0	2	0	0	0	0	0	12	13	8	6	1	0	0	0
Other non op gains	-222	-18	-184	57	-20	-20	-20	-20	-1,830	-215	-29	-1,261	-366	-80	-80	-80
Pre-tax income	-1,475	-877	-1,006	19	-799	-745	99	24	-3,344	-595	1,719	-3,433	-3,339	-1,421	-469	-376
Income taxes	-322	-178	-231	-32	-160	-149	20	5	-472	-524	385	-238	-763	-284	-94	-75
Effective tax rate (%)	22%	20%	23%	-166%	20%	20%	20%	20%	14%	88%	22%	7%	23%	20%	20%	20%
NP (incl. minority int)	-1,153	-699	-775	51	-639	-596	79	19	-2,872	-71	1,334	-3,196	-2,577	-1,137	-375	-301
Minority interest	61	159	-55	-8	35	30	-2	-1	-42	19	147	-124	157	62	32	20
NP after minority interest	-1,214	-858	-720	58	-674	-626	81	20	-2,830	-89	1,186	-3,072	-2,734	-1,199	-407	-321
EPS (fully diluted)	-3,392	-2,398	-2,012	163	-1,349	-1,252	163	40	-7,908	-250	3,315	-8,584	-7,640	-2,398	-815	-641
ROE (annualized)	-49%	-33%	-41%	3%	-34%	-31%	4%	1%	-25%	-1%	10%	-32%	-36%	-15%	-5%	-4%
% to sales total																
Gross profit	-9%	-4%	1%	12%	3%	4%	18%	16%	8%	11%	18%	4%	2%	11%	15%	15%
SG&A	16%	15%	15%	10%	15%	15%	13%	13%	14%	11%	10%	12%	13%	14%	14%	14%
Operating profit	-25%	-19%	-14%	2%	-12%	-11%	5%	3%	-6%	0%	7%	-8%	-12%	-3%	1%	1%
Depreciation & amort	23%	21%	22%	15%	23%	24%	20%	17%	16%	17%	15%	17%	20%	21%	20%	19%
EBITDA	-2%	3%	8%	17%	11%	12%	25%	20%	10%	17%	23%	9%	8%	18%	21%	20%
Pre-tax income	-33%	-19%	-21%	0%	-16%	-15%	2%	0%	-14%	-2%	6%	-13%	-16%	-6%	-2%	-2%
NP after minority interest	-28%	-18%	-15%	1%	-13%	-13%	1%	0%	-12%	0%	4%	-12%	-13%	-5%	-2%	-1%

Source: Company, BofA Global Research estimates

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Exhibit 31: LG Display – Balance sheet

High net debt-to-equity ratio should decrease thanks to new share issuance of W1.4tn+/- (mostly done deal given primary issuance taken by local brokers)

(W bn)	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2019	2020	2021	2022	2023	2024E	2025E	2026E
Current assets total	9,854	10,655	10,506	9,503	10,144	9,506	9,867	10,122	10,248	11,099	13,187	9,444	9,503	10,122	9,675	9,023
Cash & equivalents	3,894	3,853	4,087	3,163	4,407	3,812	4,176	4,378	3,415	4,297	4,285	3,547	3,163	4,378	4,106	3,580
Trade receivables	2,382	3,486	2,351	3,218	2,735	2,763	2,707	2,870	3,154	3,518	4,575	2,359	3,218	2,870	2,800	2,732
Inventory	2,811	2,682	3,349	2,528	2,402	2,282	2,327	2,211	2,051	2,171	3,350	2,873	2,528	2,211	2,078	1,992
Other current assets	767	634	719	594	600	650	657	663	1,628	1,115	977	665	594	663	690	718
Non-current assets total	26,791	26,717	27,031	26,256	25,918	25,470	24,878	24,341	25,326	23,972	24,967	26,242	26,256	24,341	22,549	21,043
Long-term investments	93	92	94	95	96	97	98	99	110	115	127	109	95	99	103	107
Tangible fixed assets	21,174	20,837	20,953	20,713	20,428	20,033	19,494	19,009	22,088	20,147	20,558	20,947	20,713	19,009	17,419	16,106
Intangible fixed assets	1,731	1,736	1,735	1,718	1,701	1,684	1,667	1,650	873	1,020	1,645	1,753	1,718	1,650	1,585	1,523
Other long-term assets	3,792	4,053	4,249	3,730	3,693	3,656	3,619	3,583	2,256	2,690	2,637	3,433	3,730	3,583	3,442	3,306
Assets total	36,644	37,372	37,538	35,759	36,061	34,976	34,745	34,463	35,575	35,072	38,155	35,686	35,759	34,463	32,224	30,066
Current liabilities total	12,758	13,202	14,560	13,885	13,556	13,194	12,996	12,876	10,985	11,007	13,995	13,962	13,885	12,876	12,084	11,344
Trade payables	3,935	4,481	4,702	4,175	3,966	3,768	3,730	3,768	2,618	3,779	4,814	4,062	4,175	3,768	3,578	3,398
ST debts	5,214	4,939	5,403	5,180	5,105	5,031	4,958	4,887	1,940	3,101	4,007	5,434	5,180	4,887	4,612	4,355
Others	3,609	3,781	4,454	4,530	4,485	4,395	4,307	4,221	6,427	4,127	5,174	4,466	4,530	4,221	3,893	3,591
Non-current liabilities	13,357	14,659	14,088	13,104	12,988	12,890	12,777	12,595	12,101	11,328	9,397	10,405	13,104	12,595	11,555	10,456
LT debts	11,966	12,481	12,084	11,349	11,251	11,153	11,056	10,961	11,541	10,968	8,657	9,557	11,349	10,961	10,048	9,068
Others	1,392	2,178	2,003	1,755	1,737	1,737	1,720	1,634	560	359	741	848	1,755	1,634	1,506	1,388
Liabilities total	26,115	27,861	28,648	26,989	26,544	26,085	25,772	25,471	23,086	22,335	23,392	24,367	26,989	25,471	23,639	21,801
Paid-in capital	1,789	1,789	1,789	1,789	2,500	2,500	2,500	2,500	1,789	1,789	1,789	1,789	1,789	2,500	2,500	2,500
Capital surplus	2,251	2,251	2,251	2,251	2,962	2,962	2,962	2,962	2,251	2,251	2,251	2,251	2,251	2,962	2,962	2,962
Retained earnings	4,146	3,287	2,567	2,625	1,951	1,325	1,407	1,427	7,503	7,524	8,542	5,360	2,625	1,427	1,019	699
Capital adjustments	782	572	699	521	521	521	521	521	-203	-163	537	480	521	521	521	521
Minority interests	1,561	1,612	1,584	1,584	1,584	1,584	1,584	1,584	1,148	1,336	1,644	1,440	1,584	1,584	1,584	1,584
Net assets total	10,529	9,511	8,890	8,770	9,517	8,892	8,973	8,993	12,488	12,737	14,763	11,319	8,770	8,993	8,586	8,265
Total equity ex-minority	8,967	7,899	7,307	7,186	7,934	7,308	7,389	7,409	11,340	11,401	13,119	9,880	7,186	7,409	7,002	6,681
BVPS	25,061	22,076	20,420	20,084	15,868	14,616	14,779	14,819	31,694	31,863	36,664	27,611	20,084	14,819	14,004	13,363
D/E Analysis																
Cash & investments	-3,894	-3,853	-4,087	-3,163	-4,407	-3,812	-4,176	-4,378	-3,415	-4,297	-4,285	-3,547	-3,163	-4,378	-4,106	-3,580
Gross debts	17,180	17,421	17,487	16,529	16,355	16,184	16,015	15,848	13,481	14,069	12,664	14,991	16,529	15,848	14,661	13,423
Net debts	13,286	13,568	13,400	13,366	11,949	12,372	11,839	11,470	10,066	9,772	8,379	11,444	13,366	11,470	10,554	9,842
Net D/E ratio	126%	143%	151%	152%	126%	139%	132%	128%	81%	77%	57%	101%	152%	128%	123%	119%

Source: Company, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 32: LG Display – Cash flow statement and adjusted FCF calculation

FCF generation possible if capex spend remains low at W2tn+/- pa

(W bn)	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2019	2020	2021	2022	2023	2024E	2025E	2026E
Cash Flow from Operating activities	-574	761	988	445	823	285	1,109	1,062	2,707	2,287	5,753	3,011	1,620	3,278	3,759	3,730
NP	-1,214	-858	-720	58	-674	-626	81	20	-2,830	-89	1,186	-3,072	-2,734	-1,199	-407	-321
Depreciation	848	843	878	975	985	995	990	985	3,269	3,727	3,978	3,987	3,544	3,954	3,890	3,813
Amortization	170	168	167	165	163	162	160	158	426	408	523	570	670	643	618	594
Changes in working capital	-1,046	-124	1,277	-373	349	-245	-122	-101	168	-1,108	-18	1,545	-266	-120	-342	-356
Ex-cash current assets	5,959	6,802	6,419	6,340	5,737	5,694	5,691	5,744	5,691	5,744	5,572	5,627	5,467	5,568	0	4,864
Ex-debt current liabilities	7,544	8,262	9,157	8,705	8,451	8,163	8,037	7,989	9,045	7,906	9,988	8,527	8,705	7,989	7,471	6,989
Others	668	732	-613	-381	0	0	0	0	1,673	-650	85	-20	406	0	0	0
Cash Flow from Investing activities	-918	-866	-247	-735	-700	-600	-450	-500	-6,758	-2,319	-4,263	-6,700	-2,765	-2,250	-2,300	-2,500
Fixed assets	-1,303	-879	-584	-735	-700	-600	-450	-500	-6,927	-2,604	-3,141	-5,079	-3,500	-2,250	-2,300	-2,500
Investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	385	12	337	0	0	0	0	0	169	284	-1,122	-1,621	735	0	0	0
Cash Flow from Financing activities	1,829	349	-167	-582	1,248	-171	-169	-167	4,988	932	-2,466	1,946	1,429	741	-1,187	-1,238
Short-term debt	-220	-275	463	-223	-75	-74	-73	-71	386	1,161	907	1,427	-254	-293	-275	-257
Long-term debt	2,409	515	-397	-735	-98	-98	-97	-96	4,511	-573	-2,312	901	1,792	-388	-913	-981
Stock Issuance	0	0	0	0	1,422	0	0	0	0	0	0	0	0	1,422	0	0
Dividend	0	0	0	0	0	0	0	0	0	0	0	-233	0	0	0	0
Others	-616	0	0	0	0	0	0	0	-877	1,137	-109	-285	-616	0	0	0
FX Impact	50	-78	53	0	0	0	0	0	32	-17	299	26	25	0	0	0
Net change in Cash	388	166	628	-872	1,371	-486	489	395	969	882	-677	-1,717	310	1,769	272	-8
Cash at beginning of the period	1,903	2,291	2,457	3,084	2,213	3,584	3,098	3,587	2,443	3,415	4,297	4,285	3,547	3,163	4,378	4,106
Cash at the end of the period	2,291	2,457	3,084	2,213	3,584	3,098	3,587	3,982	3,415	4,297	4,285	3,547	3,163	4,378	4,106	3,580
Adjusted free cash flow																
Sales	4,411	4,739	4,785	7,396	5,056	4,919	5,783	6,573	23,476	24,230	29,878	26,152	21,331	22,331	22,401	23,491
OP	-1,098	-881	-662	132	-604	-545	289	204	-1,359	-29	2,231	-2,085	-2,510	-656	201	239
Dep/amort	1,018	1,011	1,044	1,140	1,148	1,156	1,150	1,143	3,695	4,135	4,501	4,557	4,214	4,597	4,508	4,406
EBITDA	-80	130	382	1,272	544	612	1,439	1,347	2,336	4,106	6,731	2,472	1,704	3,941	4,709	4,646
Capex	1,303	879	584	735	700	600	450	500	6,927	2,604	3,141	5,079	3,500	2,250	2,300	2,500
NWC increase	-1,046	-124	1,277	-373	349	-245	-122	-101	168	-1,108	-18	1,545	-266	-120	-342	-356
Tax	-322	-178	-231	-32	-160	-149	20	5	-472	-524	385	-238	-763	-284	-94	-75
FCF	-16	-446	-1,248	941	-345	406	1,092	944	-4,287	3,135	3,223	-3,914	-768	2,096	2,845	2,577
Adj FCF ex NWC impact	-1,061	-570	29	569	4	160	969	842	-4,119	2,027	3,205	-2,369	-1,034	1,975	2,503	2,221

Source: Company, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

LG Display (LPHLF / LPL)

Our PO of W10,000 (ADR US\$4.1) is derived from 0.69x 2024-25E P/B (higher than the previous target of 0.55x due to the new share issuance), which is close to 2014-23 historical average. It is too early to expect re-rating (1.0x fair P/B) due to high debt and low margin/ROE profile.

Downside risks are longer LCD downturn, limited improvement of OLED margin, heavy capex spend, and higher interest expense (due to large amount of debt).

Upside risks are mostly related to LCD cycle (strong turnaround) and OLED margin improvement.

Analyst Certification

We, Simon Woo, CFA and Matt Shin, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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APR - Technology Hardware Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Asustek	AKCPF	2357 TT	Robert Cheng
	BOE Technology Group Co., Ltd	XCJQF	000725 CH	Brad Lin
	BYD Electronic	BYDIF	285 HK	Katherine Zhu
	Crystal-Optech	XMKAF	002273 CH	Katherine Zhu
	Delta Electronics Inc.	DLTEF	2308 TT	Robert Cheng
	DS Precision	XBASF	002384 CH	Mike Yang
	Elite Material	ETMCF	2383 TT	Mike Yang
	Foxconn Industrial Internet	XDAZF	601138 CH	Robert Cheng
	Gold Circuit	GOCCF	2368 TT	Doris Kao
	Inovance Technology	XMYRF	300124 CH	Ming Hsun Lee, CFA
	Largan Precision	LGANF	3008 TT	Robert Cheng
	LG Electronics	LGEAF	066570 KS	Simon Woo, CFA
	LG Innotek	XLGQF	011070 KS	Simon Woo, CFA
	Lianchuang Electronic	XWOFF	002036 CH	Katherine Zhu
	Lite-On Tech	LOTZF	2301 TT	Doris Kao
	Lotes	ZYZTF	3533 TT	Doris Kao
	Luxshare	XNJQF	002475 CH	Robert Cheng
	Quanta Computer	QUCPF	2382 TT	Robert Cheng
	Samsung Electro-Mechanics	SMSGF	009150 KS	Simon Woo, CFA
	Samsung SDI	SSDIF	006400 KS	Simon Woo, CFA
	Samsung SDS	XWPBF	018260 KS	Simon Woo, CFA
	Shennan Circuits	XAMKF	002916 CH	Doris Kao
	Transsion	XCINF	688036 CH	Robert Cheng
	Unimicron	UMCRF	3037 TT	Mike Yang
	Universal Display	OLED	OLED US	Simon Woo, CFA



APR - Technology Hardware Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Wistron	WICOF	3231 TT	Doris Kao
	Wiwynn	XWIQF	6669 TT	Robert Cheng
	Zhongji Innolight	XZICF	300308 CH	Katherine Zhu

NEUTRAL

	AU Optronics	AUOTF	2409 TT	Brad Lin
	AU Optronics	AUOTY	AUOTY US	Brad Lin
	E Ink Holdings	PVWIF	8069 TT	Doris Kao
	Ennostar	XENOF	3714 TT	Katherine Zhu
	Everwin Precision	XSHZF	300115 CH	Katherine Zhu
	Hon Hai Precision Industry	HNHAF	2317 TT	Robert Cheng
	Innolux Corporation	CMLXY	3481 TT	Brad Lin
	Lenovo Group	LNVGf	992 HK	Robert Cheng
	Lenovo Group	LNVGy	LNVGy US	Robert Cheng
	NYPcB	NANYF	8046 TT	Mike Yang
	Sunny Optical	SNPTF	2382 HK	Katherine Zhu
	TCL Technology Group Corp	XTOOF	000100 CH	Brad Lin
	Xiaomi Corporation	XIACF	1810 HK	Robert Cheng
	Yageo	YGEQF	2327 TT	Robert Cheng
	Zhen Ding Tech	XFAGF	4958 TT	Doris Kao
	ZTE Corporation	SHZZF	000063 CH	Katherine Zhu
	ZTE Corporation	ZTCOF	763 HK	Katherine Zhu

UNDERPERFORM

	AAC Technologies	AACAF	2018 HK	Katherine Zhu
	Acer	ASIYF	2353 TT	Robert Cheng
	Advantech	ADTEF	2395 TT	Robert Cheng
	BizLink	BIZLF	3665 TT	Doris Kao
	Catcher Tech	CHERF	2474 TT	Robert Cheng
	Compal Electron	XLCPF	2324 TT	Doris Kao
	Duksan Neolux	XDSXF	213420 KS	Simon Woo, CFA
	Genius Electronic Optical	GNSEF	3406 TT	Robert Cheng
	Goertek	XGKCF	002241 CH	Robert Cheng
	Kinsus	KNSUF	3189 TT	Mike Yang
	LG Display	LPHLF	034220 KS	Simon Woo, CFA
	LG Display-ADR	LPL	LPL US	Simon Woo, CFA
	Pegatron	PGTRF	4938 TT	Robert Cheng
	Sanan Opto	XEQYF	600703 CH	Katherine Zhu
	Seoul Semiconductor	SLSOF	046890 KS	Simon Woo, CFA
	Shengyi	DGUNF	600183 CH	Mike Yang
	Sunway Communications	XWSVF	300136 CH	Robert Cheng
	Tianma	XVZLF	000050 CH	Brad Lin

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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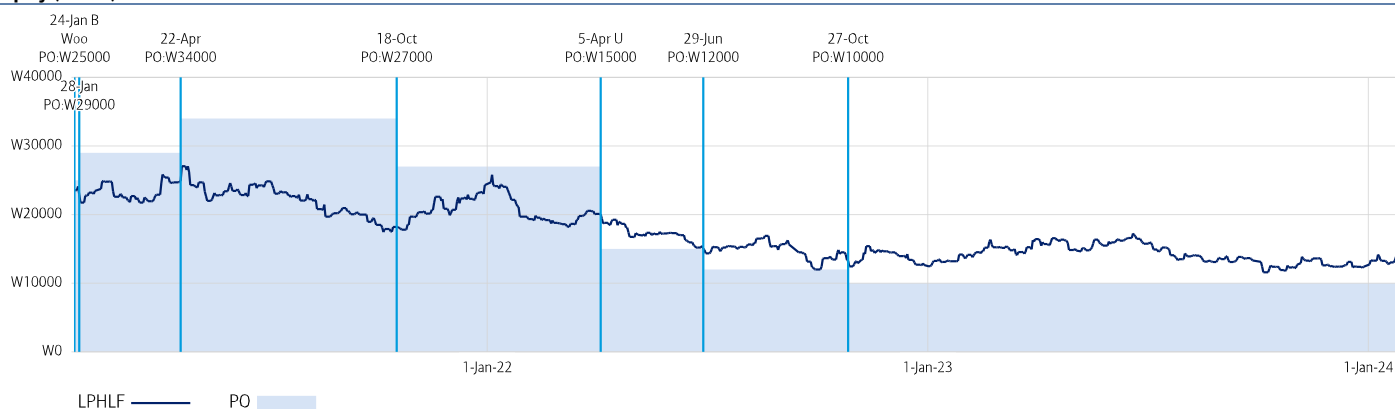
LG Display-ADR (LPL) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

LG Display (LPHLF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Electronics Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	32	54.24%	Buy	13	40.63%
Hold	11	18.64%	Hold	3	27.27%
Sell	16	27.12%	Sell	4	25.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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