

# LG Electronics releases Q3 2023 financials

LG Electronics recently announced its Q3 2023 consolidated revenue of KRW 20,7tn and operating profit of KRW 996,7bn, both the second highest third-quarter figures in the company's history. The noteworthy performance was driven by both the company's core home appliance business and vehicle solutions, one of its future growth engines.



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Home appliances more than doubled its operating profit year-over-year while vehicle solutions recorded an all-time high operating profit.

The strong performance reflects the company's smooth progress in the execution of its future vision for 2030, leading to solid revenue and profits despite a prolonged economic slowdown.

The fundamentals of LG's 2030 vision, announced last July, is to focus on B2B expansion, non-hardware business model innovation as well as the development and acquisition of new growth engines with the aim to go beyond a home appliance company to truly become a Smart Life Solutions company capable of connecting and expanding diverse spaces and experiences.

The revenue growth was greatly bolstered by expansion in B2B, including automotive parts and HVAC systems – a key factor behind the second highest third-quarter figure in the company's history. Revenue in B2B grew significantly to account for approximately 35 percent of overall revenue this year.

## Stable revenue and profits

B2B segments are less influenced by economic conditions compared to B2C, and stable revenue and profits can be expected once the business is properly set up. Another merit is the lock-in effect that can help promote the development of a strong long-term relationship with clients and customers. LG plans to develop additional growth opportunities in the area by going beyond merely supplying B2B products to expand into providing high added-value business solutions in connection to the supplied products.

The goal will be to boost B2B revenue to over ₩40tn by 2030.

Third-quarter operating profit increased by more than 30% both year-over-year and quarter-over-quarter. A key contributor to the high profitability was the company's business model innovation – combining non-hardware solutions such as content and subscription services with traditional hardware products such as home appliances and TVs.

In the past, a one-off revenue was recorded when a product was sold. This has now transformed into generating recurring revenue from the use of solutions on platforms installed in the millions of products used by consumers of LG devices.

In developing and acquiring new growth engines, LG aims to focus on investing in promising businesses that not only show high potential but can also create synergy with existing businesses. Investment into electric vehicle charging is a prime illustration of such strategy. The company has plans for global expansion beginning next year in collaboration with diverse partners.

### **LG's 2030 vision**

The seamless operation and solid progress of the company's 2030 vision's three pillars – leading growth of company (B2B), generating profit (non-hardware) and boosting enterprise value (new growth engines) – is a strong demonstration of LG's advancement toward achieving Triple 7 (average growth rate and operating profit of 7 percent or more and enterprise value to EBITDA ratio of 7 or more).

LG will continue to focus on accelerating its business portfolio transformation efforts into the fourth quarter, seeking to maintain high-growth in B2B with vehicle component solutions taking the lead, while at the same time growing sales of key product lineups as the end-of-year peak season approaches.

Simultaneously, the company plans to optimize efficiencies through enhanced demand forecasting to support stable profitability going forward.

### **Home appliances and air solutions**

The LG Home Appliance & Air Solution Company generated third-quarter revenue of ₩7,46tn and an operating profit of ₩504,5bn. The operating profit more than doubled year-over-year, attributable to strong competitiveness in overall business operations including manufacturing, procurement and logistics.

Revenue maintained strong versus last year's third quarter, aided by strategic repositioning of product lineups in response to softened demand as well as expansion of B2B lineups including HVAC, parts and built-in appliances. LG plans to leverage the electrification and decarbonization trend in HVAC systems to accelerate its B2B growth momentum.

For example, in the United States, the company recently committed to a series of actions supporting California's goal to install six million electric heat pumps by 2030. LG is also actively expanding its HVAC portfolio with new Dedicated Outdoor Air Systems.

In the fourth quarter, the company will seek to spearhead a paradigm shift in home appliances with the LG ThinQ UP 2.0 expanding business into services and subscriptions. Four upgraded features for the ThinQ UP have already been released in North America, accelerating the speed of customer experience innovation.

## Vehicle segment

The LG Vehicle component Solutions Company's third-quarter revenue was ₩2,5tn and operating profit ₩134,9bn – the highest among all third-quarter revenue and operating profit. The company is accelerating its pace of growth based on stable management of its supply chain and an order backlog that is expected to reach ₩100tn by the end of the year.

The business unit is expected to exceed ₩10tn in annual revenue for the first time this year, setting the stage to become a key driving force in LG's overall growth. Growth is still expected to be high due to the accelerating transition to electric vehicles and soaring demand for high added-value parts, despite some concerns of a temporary slowdown of demand in the automotive parts industry.

In light of such developments, LG plans to maintain its growth momentum by focusing on high added-value projects and acceleration of regional production at the LG Magna plant in Ramos Arizpe, Mexico.

## Home entertainment solutions

The LG Home Entertainment Company recorded third-quarter revenue of ₩3,57tn and an operating profit of ₩110,7bn. The company maintained its profitable growth by effectively managing marketing expenses despite increased LCD panel prices, while also diversifying profit sources based on the growth of content and services business built on its smart TV platform. The company is accelerating its transition from a product-based business to a platform-based media and entertainment business as the content and services market continues to grow.

To this end, in addition to expanding collaboration with various content providers, the company is upgrading TV operating systems to expand the content experience of customers. The number of TVs powered by webOS, the foundation of LG's content and services business, is expected to reach 300 million units by 2026.

## Business solutions

The LG Business Solutions Company's third-quarter revenue was ₩1,33tn with an operating loss of ₩20,5bn. Both revenue and profitability weakened due to the softening of demand for IT products. As challenging business conditions persist, the company continues to innovate customer experiences with premium IT lineups such as commercial displays and foldable laptops that provide customized solutions, while also making progress in fostering the electric vehicle charger business, one of LG's new growth engines.

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