# **LG Electronics-Company Profile**

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#### **Key Information**

LG Electronics Ltd.(LGE)		
Revenues	2010: \$48.27B	
	2009: \$43.52B	
	2008: \$44.84B	
Revenue CAGR (2008 - 2010)	3.8%	
Net profit (2010)	\$1.14B	
Net profit CAGR (2008 - 2010)	67.2%	
R&D expenses (Percentage of Revenue)	2010:\$1397.35M (2.37%)	
	2009:\$1182.33M (2.29%)	
	2008: \$424.07M (0.82%)	
Number of employees	82,772	
Year Established	1958	
Headquarters	Seoul, South Korea	
Key People	Koo Bon-joon (CEO)	
Principal areas of business	Consumer Products Manufacturers: Consumer Electronics, Audio Equipment, Video Equipment, Appliances, Telecommunications Equipment	
Segmental breakdown based on turnover (2010)	Home Entertainment 20.48% Mobile Communications 12.84% Home App 9.90% Air Conditioning 4.47% Business Solution 4.48%	
Geographical breakdown based on turnover(2010)	Europe (17%) North America (22%) South America (13%) Korea (15%) P R China (8%) Asia (20%) ROW (5%)	
Main Subsidiaries (2010)	LG Display (37.9%) LG Innotek (50.60%)	
Recent Acquisition Summary	- Acquired Air-conditioning Division of LS Mtron for KRW 150 billion on 10th March 2011	
	- Acquired Rental Business of Healthcare Rental Co. Ltd.	
Recent License Deals Summary	- Rovi and LG Electronics signed a licensing deal on 22nd June 2011 to further integrate DivX Technology in LGs consumer electronics products	

#### Overview

#### Vision

LG Electronics continues to pursue its 21st century vision of becoming a worldwide leader in digital?ensuring customer satisfaction through innovative products and superior service while aiming to rank among the world?s top three electronics, information, and telecommunications firms by 2010.

#### Years in Business

53 Years

#### **Industry Type**

Consumer Products Manufacturers

- ? Consumer Electronics
- ? Audio Equipment
- ? Video Equipment
- ? Appliances
- ? Telecommunications Equipment

#### Stock Exchanges listed in with their codes

Primary Symbol & Exchange:066570 - Ordinary Shares ? Korea

Other Symbol & Exchange: LGLD - GDR - London

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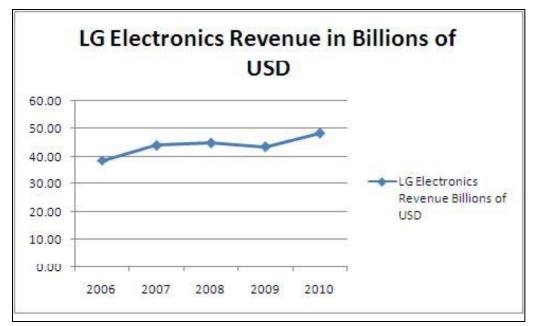
#### **Major Subsidiaries**

Sr. No	SUBSIDIARIES AND AFFILIATED COMPANIES	Stake
1	LG Display	38%
2	LG INNOTEK	48%
3	Hi Plaza	100%
4	Hi Business Logitics	100%
5	LG Ericsson	50%
6	Hi M Solutek	100%
7	Hi Tele Service	100%
8	LG Public Small Business Cooperation Fund	50%
9	Innovation Investment Fund	83%
10	K-TV Tech Investment Fund	100%

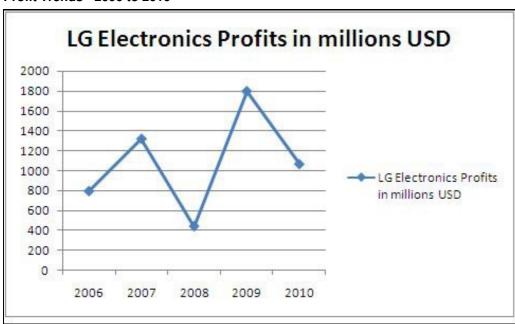
List of all subsidiaries (77)

## **Company Financials**

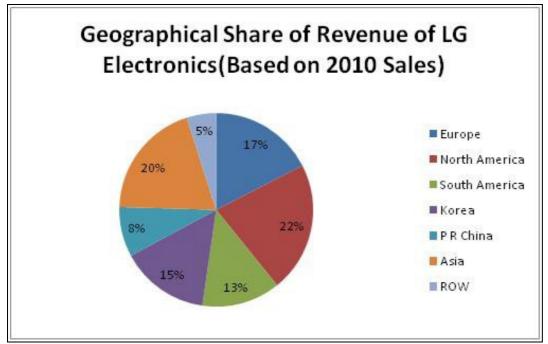
Revenue Trends - 2006 to 2010



Profit Trends - 2006 to 2010



**Geographical Analysis** 

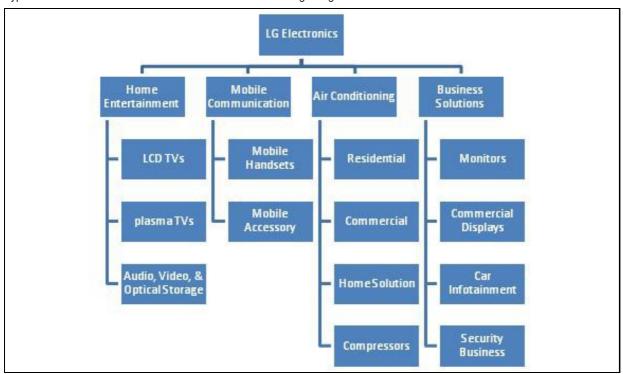


**Shareholding Pattern** 

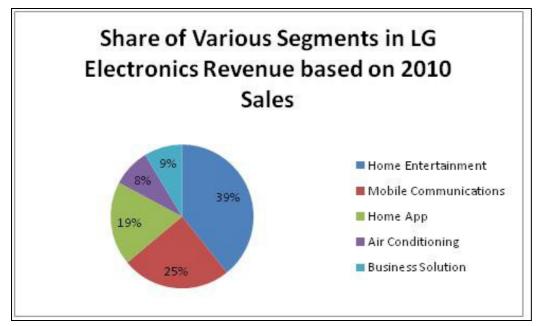
Major Shareholders	Stake
LG Corp.	34.80%
National Pension Service	5.04%

## **Major Segments of LG Electronics**

Typical Products of LG Electronics can be classified in following categories



Revenue Breakdown among Various Categories based on 2010 Sales



#### **Stock Performance of LG Electronics in 2010**

#### Stock Price:

? Share Price (20-May-10): 101,000

? 52-Week High (02-Sep-09): 148,500

? 52-Week Low (20-May-10): 101,000

? Currency: KRW

#### **Dividend Information:**

? Dividend: 1,750 KRW

? Pay Date: April 16, 2010

? Ex-Dividend Date: December 29, 2009

**SWOT Analysis of LG Electronics** 

# Strength

Market leader in Home Appliances segment

Manufacturing units in areas with tax-incentives

Wide range of product categories to cater to low, middle and high income groups

Widest distribution network in the industry (10,000 trade partners)

# **Opportunities**

Strategic Alliances

Home Appliances market is growing very fast.
Opportunities to launch new products

# **SWOT**

## Weaknesses

Export oriented company. Exposure to exchange risk

Heavy reliance on short term debts

## **Threats**

Price wars with its closest competitors

Competition from Indian and Chinese companies along

Exposure to cyclicality and volatility of industry through LG Display Subsidiary

## Porter's 5 Forces analysis- Display Industry

#### Threat of new entrants: Low

- Large Capital Requirements
- High economies of scale
- Existing Patents

# Bargaining power of buyer: High

- Bulk Purchases
- Price sensitivity
- · Likely backward integration

# Threat of Competitors: High

- Continuous innovation
- Buyerswitching cost is low
- High chances of vertical integration to optimize cost

## Bargaining power of supplier: Low

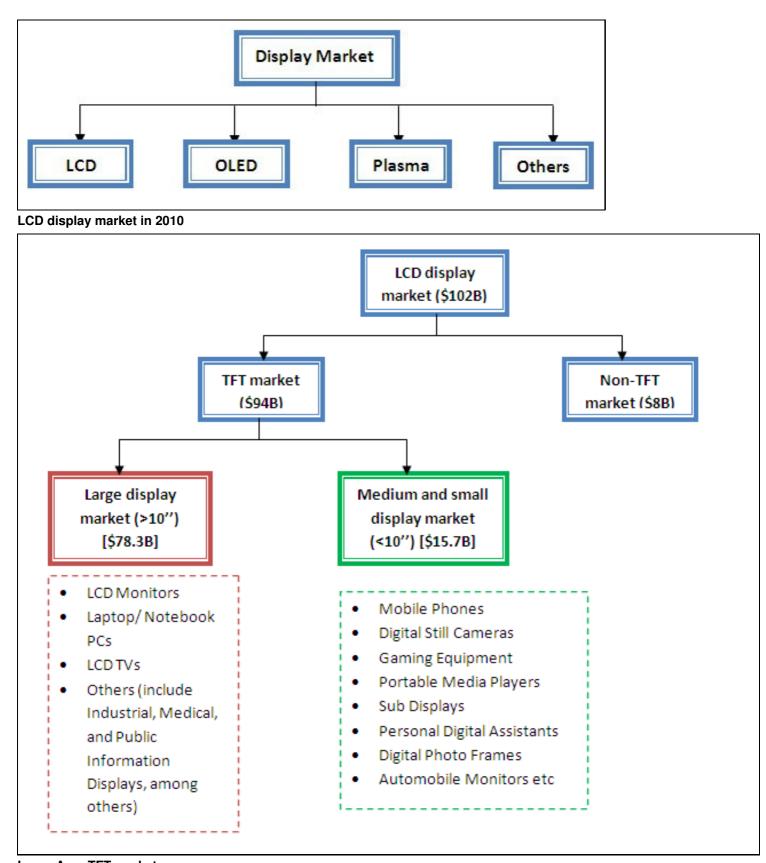
- Low product differentiation
- Switching cost is low
- Supplier concentration to firm concentration is high

# Threat of Substitutes: High

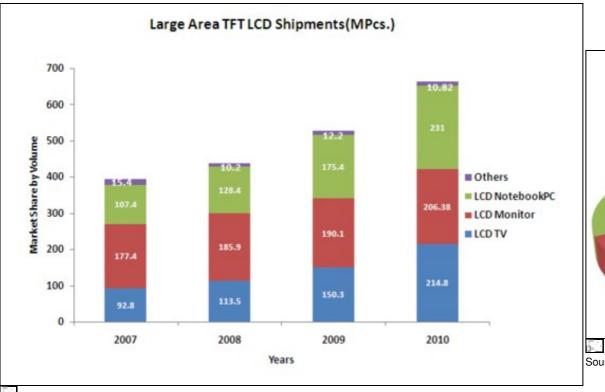
- Possibility of a Technology
   Substitute
- Relative price performance is high

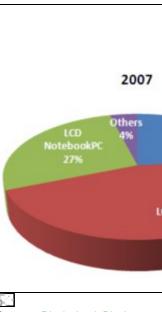
### **Analysis of display business**

LG Display accounted for approximately 30% of LGE's revenues in 2010. Display business is capital-intensive, competitive and cyclical.



Large Area TFT market





Sources: Displaybank, Displaysearc

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Year on year there was an increase in shipments for all the products of large area TFT LCD. In total the revenue grew by 25% in 2010 up from 20% in 2009. After recession and a laggard growth of 11.5% in 2008, the market has picked up and the revenue is growing.

- Market revenue overall is growing, but the most promising product and market that uses this technology is Television. With a growth of 42.9% in 2010 up from 32.4% in 2009, the market looks profitable.
  Notebook PC market also looks profitable, with a growth rate of 31.7%, but a decline from the previous year from 36.6%. The OLED technology is eating up the market share of the TFT LCD market share in this market.