Q1 2025 LG Electronics Earnings Call

Company Participants

- Mr. Changtae Kim, CFO
- Mr. I-Keoun Kim, SVP
- Mr. Sang Ho Park, SVP
- Mr. Ju Yong Kim, VP
- Mr. Donghoon Shin, VP
- Mr. Choong Hyun Park, VP
- Mr. Hong Su Lee, VP
- Mr. Wonjae Park, VP
- Mr. Young Kyoon Kim, VP
- Mr. Sung Min Hong, Division Leader
- Mr. Seunghyun Kim, Head of IR Communication Team

Wonjae Park

Good afternoon. My name is Wonjae Park from Investor Relations. Thank you for joining our earnings call for the first quarter of 2025. With me are CFO and EVP of LG Electronics Chang-Tae Kim, SVP of HS Company, I-Kueon Kim; SVP of MS Company, Sang-Ho Park; VP of VS Company, Ju Yong Kim; VP of ES Company, Dong Hoon Shin; VP of Corporate Business Management, Choong-Hyun Park; VP of Accounting, Hong Su Lee; VP of Finance, Young Kyoon Kim; and Head of ESG Strategy, Sung-min Hong.

Here's today's presentation agenda. First, our CFO will outline the overall performance of the first quarter and the second quarter outlook for 2025. Then I'll present financial highlights of the first quarter. Subsequently, each business will take turns to deliver its results and outlook. After that, we will conclude with an overview of our ESG activities and achievements. Please note that all statements we make today regarding the financial results of the first quarter are subject to change in accordance with the result of the external review. Uncertainties in the market and changes in strategies may cause our results to be different from the outlook and forward-looking statements made today.

Now let us begin with the performance of the first quarter of 2025 and the outlook for the second quarter.

Kim Chang Tae

Good afternoon. My name is Chang-Tae Kim, CFO of LG Electronics. In Q1, we faced numerous challenges, including a decline in consumer sentiment due to changes in U.S. trade policies, delays in the recovery of vehicle demand, particularly for EVs, intensified competition and fluctuations in FX rates. Despite these headwinds, our Q1 revenues saw year-over-year growth fueled by our ongoing portfolio transformation initiatives that emphasize B2B subscription services and the webOS platform. Operating profit was impacted by a year-over-year increase in logistics costs and rising expenses associated with tariff risks. However, we also benefited from several positive developments, including sales growth, an increased contribution from our HVAC business and improved profitability in our vehicle component segment. Additionally, our cost cutting measures helped us maintain a stable level of operating profit. Notably, our HS, VS and ES companies achieved a record high quarterly sales with VS and ES in particular, reporting their highest quarterly operating profit to date.

In Q2, we expect that uncertainties in the global economy will persist, driven by tariff risks and related shifts in the global supply chain. These factors may dampen overall consumer sentiment, potentially hindering the recovery of demand in our key businesses. Furthermore, high FX, volatility and rising cost could exert additional pressure on our operations. To navigate these challenges, we are closely monitoring the risks associated with changes in U.S. tariff policies. At the same time, we are developing strategies based on various scenarios, including production, relocation and optimization, to ensure agility in responding to any changes.

In light of concerns over a lagging economy and stagnant demand growth, we aim to strengthen our position in the premium market by introducing product tailored to regions and segments along with differentiated sales strategies. Additionally, we plan to expand sales of mass-tier products targeting the volume zone segment. We will maintain the high growth of our HVAC business and continue to drive growth momentum by transforming our portfolio, emphasizing subscription services and the web OS platform. Finally, to mitigate the effects of FX volatility and rising cost pressures, we will focus on enhancing operational efficiencies to ensure solid growth and stable profitability. Thank you.

Wonjae Park

I'll now briefly review the Q1 performance of the enterprise wide operations in each business. Our consolidated financial results for Q1 of 2025 are KRW22.74 trillion in sales and KRW1.26 trillion in operating profit. HS recorded KRW6.7 trillion in sales and KRW644. 6 billion in operating profit. MS recorded KRW4.95 trillion in sales and KRW4.9 billion in operating profit. VS recorded KRW2.84 trillion in sales and KRW125.1 billion in operating profit. Last but not least, ES recorded KRW3.54 trillion in sales and KRW406.7 billion in operating profit. This marks its first quarterly sales exceeding KRW3 trillion and its first operating profit over KRW400 billion.

In Q1 of 2025, we achieved the highest first quarter sales in our history with operating profit surpassing KRW1 trillion for six consecutive years. This notable accomplishment is a result of qualitative growth stemming from our portfolio transition to B2B and subscription services.

Allow me to elaborate on the Q1 performance of these segments. In the Automotive Electronics and HVAC sectors, which are the cornerstones of our B2B operations, we recorded the highest quarterly sales and operating profit to date. VS Company experienced growth driven by robust sales in the IVI business, while ES Company also reported an increase in sales of system ACs and industrial air solutions. As a result, our overall B2B sales continue to grow solidly both quarter-over-quarter and year-over-year. In Korea, our subscription business continues to thrive, achieving over 30% year-over-year increase in sales, fueled by the growth in premium and service CareShip accounts. Although still in its early stages, our international subscription business is expanding its target markets. Our strategy to broaden the product portfolio is proving effective, leading to a significant year-over-year increase. As a result of this rapid growth in overseas markets, the share of overseas sales within our subscription revenue has also risen year-over-year. We remain committed to enhancing our business outcomes by further advancing our portfolio.

Let's move on to the profit and loss and cash flow for Q1. Reflecting financial income and expense, equity method gain and loss, other non-operating income and expense, corporate income tax and income and loss from discontinued operations, we posted KRW875.6 billion in net income. Next, on cash flow. Q1 cash flow from operating activities was KRW485.7 billion, and cash flow from investment activities was negative KRW988.5 billion, resulting in net cash flow of negative KRW347.1 billion. When reflecting cash flow from financial activities of negative KRW240.9 billion, cash balance at the end of Q1 came to stand at KRW6.99

trillion, a KRW588 billion decrease from the previous quarter. Next is the key financial position and indicators for the Q1 of 2025. As of the end of Q1, our assets stand at KRW65.9 trillion, liabilities at KRW39.7 trillion and equity at KRW26.2 trillion. In terms of leverage ratio, specifically liability to the equity, debt to equity and net debt to equity, we are maintaining a healthy financial condition.

Now, let's turn the call over to each business for its Q1 results and the outlook for Q2. We'll begin with HS Company.

I-Keuon Kim

Let me present the Q1 results of the HS business. The global appliance market is undergoing a delayed recovery due to shift in US tariff policy and ongoing geopolitical challenges. Nevertheless, our business has achieved a record high quarterly sales driven by the launch of market-specific models, a focus on volume-zone segments and the growth in our online and subscription businesses. Despite ongoing cost pressures, particularly in logistics, we have improved our operating profit year-over-year, thanks to increased sales, better cost structure and efficient management of competition costs.

Next, I'll discuss the outlook for Q2. Changes in U.S. tariff policy are likely to heighten uncertainties in the global economy, which has traditionally depended on distinct roles among trading countries and regions. This shift is expected to intensify competition among companies. In response to these market changes, we plan to launch new products and expand our volume-zone lineups while maintaining our premium market position and further developing our online and subscription businesses to sustain sales growth. To mitigate tariff risks, we will optimize our production footprint and enhance cost competitiveness through effective cost-cutting measures. We will also optimize competition costs to ensure our operating profit remains at or above last year's levels.

Sang Ho Park

Next is the Q1 results of our Media Solutions business. Sales declined quarter-over-quarter as we entered the off-peak season. While our webOS platform business achieved solid growth, declining consumer sentiment negatively impacted hardware sales, resulting in year-over-year declines. Operating profit saw a slight increase quarter-over-quarter due to enhanced cost efficiency. However, it experienced a year-over-year drop as cost pressures, including rising LCD panel prices and increased marketing expenditures to address heightened competition continued to mount.

Now let's move on to the Q2 outlook. As major markets experience a contraction in consumption, TV demand is expected to remain stagnant, mirroring last year's levels. This raises concerns about intensified competition. Conversely, demand in the IT and ID markets is likely to see slow year-over-year growth as the replacement cycle begins. To achieve meaningful results following our organizational redesign into MS company, we are focusing on structural improvements including enhancing cost competitiveness through synergies among our businesses. We aim to improve our product mix by prioritizing the sales of high value-added products across our businesses. For webOS, we will maintain our growth momentum through regional expansion and an increase in embedded devices and strategic partnerships. These initiatives will serve as a foundation for enhancing our sales and profitability.

Ju Young Kim

Let me outline the Q1 results of VS company. Thanks to our sales expansion to our OEMs in Europe and an increase in sales driven by a stable order backlog, we achieved the highest quarterly sales to date, maintaining growth both quarter-over-quarter and year-over-year. In terms of operating profit, we reached the highest quarterly figure to date, reflecting improvement in both sales and product mix with gains observed quarter-over-quarter and year-over-year. Now let's move on to the Q2 outlook. Demand for vehicles is expected to remain stagnant due to macroeconomic uncertainties stemming from U.S. tariff risks and sluggish EV demand. In response, we will sustain our sales momentum based on a healthy order backlog and optimize our operations, while improving the efficiency of resource management to establish a solid foundation for profitability.

Donghoon Shin

As a newly established company, I would like to briefly introduce the history, competitiveness and business strategy of ES Company before discussing our Q1 performance and outlook for Q2. We began our journey in 1990 by producing residential ACs. In 2000, we expanded into commercial spaces, serving small and medium-sized buildings and schools. By 2010, we further broadened our focus to industrial and power generation sectors catering to large factories and nuclear power plants. Since 2020, we have evolved our business model beyond product sales to include subscription services and AI-driven data center heat management solutions.

This impressive growth can be attributed to our three key competitive advantages. First, we manufacture core HVAC components, including efficient inverters, compressors, heat exchangers, fan and motors all recognized for their superior performance. Second, to ensure optimized supply across regions, we have established 12 global production sites, which allows us to respond swiftly to changes in policies, geopolitical issues or logistics challenges. Third, our advanced AI Air Solution designed for customer care, facilitates pleasant and energy-efficient autonomous operation. Leveraging the strength, ES Company is committed to accelerating the growth of our B2B business. Finally, we aim to maintain market leadership by leveraging our product excellence in the residential segment, which is our flagship area, while expediting growth in the overseas commercial market with region-specific products. In the industrial and power generation sector, we plan to speed up the development of new growth engines to outpace market growth.

Now, let me present our Q1 results. Sales grew notably in emerging markets like Asia, India and Latin America, driven by our expanded price coverage of wall-mounted models. The successful launch of residential ACs and new air purifiers in Korea also contributed to our record quarterly sales. Although we faced challenges from rising raw material costs, higher marketing expenses and other fixed costs impacting profitability, we still reached our highest quarterly operating profits to date fueled by double-digit sales growth and resulting in a year-over-year improvement.

Next, I'll discuss outlook for Q2. We anticipate that some uncertainties in the global trading environment, a decline in consumer sentiment and stagnant demand may adversely affect our business conditions. In response, we will strive to sustain growth by promoting new residential ACs in Korea and enhancing our online sales initiatives. In overseas markets, we plan to closely monitor our tariff issues to optimize our production and supply chain while also focusing on growing our B2B project orders for commercial ACs in emerging markets to effectively mitigate risks. Through these initiatives, we aim to achieve year-over-year growth in sales and further improve our operating profit.

Sung Min Hong

Last but not least, our ESG activities and achievements. LGE is widely recognized for its sustainable products and brand competitiveness.

For six consecutive years, we have been recognized as one of the most reliable appliance brands in the annual consumer reports rankings. Our dedication to resource circulation is exemplified by our 8 TV models, which have received the E-Cycle excellent product certification for three consecutive years from E-Cycle governance. We are also leading initiatives aimed at introducing products that enhance quality of life and improving service accessibility for all. We are the first global appliance company to participate in CSUN AT 2025 showcasing our accessibility solutions, including the comfort kit, height adjustable kiosk with tactile keypad and LG ThinQ app that allows users to control appliances with voice commands. We signed an MOU with the Korean Intellectual Property Office to jointly explore ideas for enhancing accessibility in home appliances. Our efforts in these initiatives have been widely recognized.

In the 2024 S&P Global Corporate Sustainability Assessment, we scored 77, the highest in the home appliance and leisure goods industry, and were recognized in the top 1% of the sustainability yearbook 2025 for two consecutive years. Furthermore, we received a platinum rating from EcoVadis awarded to the top 1% of companies in sustainable assessments. As a Smart Life solutions company, we are dedicated to driving sustainable growth and enhancing competitiveness through sustainable technologies and initiatives that improve the quality of life for all.

Wonjae Park

This brings us to the end of LG Electronics' first quarter earnings release and the second quarter outlook for 2025.

We will now take questions. Operator, please commence with the Q&A session.

Operator

Now Q&A session will begin. The first question will be provided by Sowon Kim from Kiwoom Securities. Please go ahead with your question.

Q – Sowon Kim

Thank you for taking my questions. I have two questions, one on the company, the other for VS Company. My first question is on the Indian IPO, there's news on how there will be postponements or delays on the Indian IPO. Can you add color to your progress on the Indian IPO? My second question is for the VS Company, it seems that you have had a good quarter for the first quarter. Could you highlight some of your outlooks on the revenue and operating profit for the year?

A - Kim Chang Tae

Yes. I'm the CFO, and I will be answering the question on the Indian IPO. The growth potential held by India has recently attracted many interest from investors home and abroad. And following the IPOs of major companies in Korea, we too are aware of the rising public interest on the prospects of listing our Indian subsidiary, which has unique strength in the strong Indian market. We understand there are a lot of speculation on our time line for the IPO amidst uncertainties in the macroeconomic landscape. LGE filed the preliminary documents required for IPO, the draft red herring prospectus with the Securities and Exchange Board of India on December 6, 2024, and procedures for the Indian IPO are still currently underway.

With regards to the final decisions on the listing and the timing, given our stable financial structure and the continued business progress achieved by the Indian subsidiary, we will not be pressured to list immediately. Instead, our final decisions will be made upon a comprehensive assessment on, number one, the market conditions that ensure a proper valuation for the Indian subsidiary and number two, an optimal timing where we can generate maximum synergy with the IPO.

A – Ju Young Kim

Let me answer your question on the outlook for the VS Company. Despite the sluggish demand for vehicles in the U.S., owing to lackluster EV demand and hikes in tariffs, our 2025 revenue will stand at or above what we saw last year. For operating profit, we see headwinds that may erode our profitability such as uncertainty driven impacts on revenue and rising cost for projects in the pipeline and those on R&D for STB's. However, we will be poised to improve profitability, YoY, drawing on a better product mix and streamlined internal operations. Thank you.

Seunghyun Kim

Next question, please.

Operator

The following question will be presented by Dongwon Kim from KB Securities. Please go ahead with your question.

Q - Dongwon Kim

Thank you for taking my questions. I have two questions, one for the HS company and the second for the MS company. My first question for the HS company consists of three parts. First, what implications will the US tariffs have on LGE? And what strategies is LGE forming to navigate these challenges? Second, are there plans to increase the production of LGE's Tennessee plant and how much can the volume cover in terms of sales in the US? And thirdly, are there strategies to increase investment and production levels in the US plant going forward? The second question to the MS company is, could you provide a breakdown of the projections for the OLED TV market demand and LGE's OLED TV volumes, sales and profitability for 2025? Also, what kind of strategies is LG taking to improve profitability in the OLED TV business?

A – I-Keuon Kim

LGE is continuously reviewing and devising response plans at a companywide level for possible scenarios that may occur to effectively navigate new U.S. tariff policies. With these measures, we aim to uphold our competitive position in the U.S. market and minimize risks posed by tariffs. First, regarding the optimization of our production sites, we plan to fully utilize our Mexico and U.S. plants to avoid the burden of increased tariffs. For products manufactured in countries that have been hit with high tariffs, we will optimize our production site operations by leveraging our swing production system supported by our global production network to secure cost competitiveness. Furthermore, we are reviewing measures to increase the price to some extent by engaging in talks with channel distributors.

Regarding swing production, we are looking into increasing the production volume by transferring the washing machine and dryer volume to the Tennessee plant. With the rise in volume, it is expected that this will be able to cover up to a high 10% of LGE's home appliance sales from the U.S. market. Regarding the possibility of increasing production and expanding facilities in the U.S., we are currently assessing and comparing the competitiveness of our existing production plants against a variety of scenarios to respond flexibly to any alterations made to the U.S. trade policies.

A – Sang Ho Park

Now to answer your second question headed towards the MS Company. While the general demand for TVs is leveling off, projections from leading market research companies suggest that in 2025, the demand for OLED TVs is expected to reach mid-6 million units. OLED TV demand is projected to show robust growth with an anticipated growth rate of a high single-digit figure. Major TV manufacturers, including LGE are launching new OLED TVs every year as premium products and the persistent demand for OLED TVs from customers desiring the ultimate viewing experience implies that OLED TV sales will likely continue to rise. Despite facing numerous challenges from competitors in recent years, we have successfully maintained a market share exceeding 50% largely due to the strong brand awareness, we built over 12 consecutive years as the leading seller for our customers and channel distribution. Looking ahead, we intend to uphold our reputation as the beloved number one OLED TV brand for our customers. While competition in the market is expected to grow stronger as competitors expand their OLED TV lineups, we will secure profitability by optimizing our marketing resources through a comprehensive assessment of our resource distribution.

Seunghyun Kim

Next question please.

Operator

The following question will be presented by Kangho Park from Daishin Securities. Please go ahead with your question.

Q – Kangho Park

Thank you for taking my questions. I have two questions, one for the HS Company and the second for the ES Company. For the HS Company, what is LGE's strategy to address the possibility of decline in exports to the US with the recent enactment of tariff measures and the concerns over intensifying competition with Chinese manufacturers in other regions such as Southeast Asia and Europe? My second question is headed towards the ES Company. It is a newly established company and we don't have a lot of data on hand. So if possible, could you please go over the ES Companies annual revenue and operating profit projections for 2025 and 2026? And if possible, I would greatly appreciate it if you could in particular walk us through the order amounts and trends related to data center chillers.

A – I-Keuon Kim

First, let me answer your first question to the HS Company. Chinese home appliance manufacturers have been rapidly expanding their reach into overseas markets beyond the US with competition intensifying even before the recent changes in the US trade policies.
Also, it is believed that the scale and severity of the tariff increase will escalate in the future. Despite the growing unpredictability and the global business landscape, we still see promising business opportunities in the market. A few examples are we recognize potential in areas that remain untapped in terms of product and market channel distribution and new business sectors. We see qualitative increase in demand with a growing penetration of home appliances in the global South countries. We see opportunities and strengthening product leadership and LGE's premium products with rising income polarization.

And lastly, we plan to venture into new markets such as Central Asia and the Caribbean and explore possibilities to boost sales.

As a result, LGE aims to implement strategies tailored to specific regions and segments. For example, in Southeast Asia, we are committed to strengthening our competitiveness in existing business areas while also introducing and expanding our subscription business in countries such as Malaysia, to respond to Chinese players. In Europe, we plan to raise entry barriers against Chinese manufacturers and the premium segment by leveraging our strengths in energy, high efficiency and high capacity products. At the same time, we aim to accelerate efforts to target Chinese manufacturers in the volume zone through aggressive cost reduction activities and strengthening our outsourcing business with ODMs and JDMs.

A – Donghoon Shin

Now let me answer your question towards the ES company. Although the business environment is fraught with uncertainty, we project that the U.S. company sales will continue to see a robust growth trajectory in 2025, driven by improvements in business capabilities resulting from organizational changes. Projections suggest that profitability will fall within the range of high single digits to low teens, supported by sales growth and increase in the sales of high-margin products such as commercial air conditioners and chillers. In Q1 of this year, our sales rate reached KRW3 trillion for the first time, surpassing our expectations, thanks to strong sales of residential air conditioners. Despite the tough market landscape caused by fast-changing tariff policies following the second term of the Trump administration and ongoing geopolitical issues in Europe and the Middle East, we are actively responding these policy shifts and maintaining our business operations by securing cost competitiveness.

Moving forward, we will continue to expand our subscription business in the home appliance sector, encourage the growth of maintenance and repair services for commercial appliances, support the adoption of ecofriendly and energy-efficient system air conditioners and further develop our chillers for data centers. Through these efforts, we intend to achieve over KRW10 trillion in annual sales and secure a double-digit operating profit rate by 2026. While I cannot provide you with detailed figures regarding the order amounts for the data center business, we are striving to achieve over 190% growth compared to the previous year. We are concentrating on enhancing order volumes in North America and Asia to build a solid base for growth in the data center cooling business. We are also looking at strengthening partnerships with other companies such as Microsoft to expand our data center business in North America a prominent global markets. We plan to seek out further orders in various other regions as well.

Seunghyun Kim

Next question, please.

Operator

The following question will be presented by Sungkyu Kim from Daiwa Securities. Please go ahead with your question.

Q - Sungkyu Kim

Thank you for taking my question. I have two questions, one for the MS Company and the second for the ES Company. The first question for the MS Company is how does the recent collaboration with Microsoft create synergies for the company's AI TVs and webOS business? And the second question for the ES Company is likewise how are discussions evolving with companies such as Microsoft regarding cooling solutions for AI data centers and quantum computing projects. You also mentioned data center chillers. And so in addition to the recent order for data center chillers in the U.S. Are there any other notable milestones achieved?

A – Sang Ho Park

First, let me answer your question towards the MS Company regarding Microsoft collaboration. Through a strategic partnership with Microsoft, LG Smart TV aims to promote newly adopted features through marketing to set us apart from other brands. LG AI TV customers can now experience a cutting-edge interface that is perceptive, smart and packed with services. If we break it down into details, first, with the help of Microsoft's AI solutions like Acer, AI and copilots, LG AI TV will be able to better understand indicate and detailed voice commands from users and offer enhanced conversational AI services such as searching for information, summarizing knowledge and recommending schedules.

Also, users can play high-quality Xbox games on the webOS platform without a separate console device through Xbox cloud gaming. Furthermore, users can also enjoy efficient home office features with Windows apps with Cloud PC services. We will continue to strengthen the competitiveness of LG AI TV by introducing more user-friendly and appealing features and experiences through strategic partnerships with innovative firms like Microsoft.

A – Donghoon Shin

Now to answer your question towards the ES Company, to answer your first part of the question regarding the cooling solutions for AI data centers, first and foremost, let me touch upon LGE's development direction for our data center cooling solution technology. We are focused on developing highly efficient liquid cooling solutions for AI data centers and striving to maximize energy efficiency to strengthen our product competitiveness. Microsoft is also seeking highly efficient green cooling solutions. Which has led to ongoing talks about possible collaborative projects, that leverage our technological strengths.

For quantum computing, Microsoft offers the Azure Quantum Platform, which delivers a range of resources and simulation tools for quantum computing, such as ion traps and superconducting cubits. LGE aims to utilize this platform to gain a deeper understanding of quantum computing technology and to explore and develop quantum algorithms, that are applicable to the HVAC business. To foster a strong basis for developments in the data center cooling business, we are making concerted efforts to strengthen collaborations with not only Microsoft but also other companies. As well as focusing on increasing our order volume in regions beyond North America and particularly in Asia.

Seunghyun Kim

Next question, please.

Operator

Currently, there are no participants with questions.

The following question will be presented by Jay Hyun Kwon from JP Morgan. Please go ahead with your question.

Q - Jay Hyun Kwon

Thank you for taking my question. I have one question. Especially with regards to the overall effects of tariffs, I believe that due to the tariffs, there will be pressures on costs, especially towards your customers. For example, with TV sets, it could be geared towards components and for other businesses, it could affect your relationship that you have with their customers or clients. So where is your discussion on pressures towards cost going? And you've mentioned previously for the HS Company that you are considering may be on raising the cost of your products. Other than the HS Company, what direction you may be taking towards dealing with their cost due to the tariffs?

A – I-Kueon Kim

For the HS Company, yes, we have taken into consideration the customers and the channel distribution because of the increase in tariffs. And we are still in discussions of how this will impact the second quarter. So for the second quarter, we have a road map for increasing our prices, and we have preparations and set for - and we have talked with this with our partners. However, for the third and fourth quarters, we do not know the full impact of the reciprocal tariffs. So we still have to have discussions with our partners.

So lastly, while we have completed our discussions with price negotiations and sales promotions, we still have issues with inventory. We have not made any additional discussions on inventory issues, and we will complete this by April and May. And we also will include topics like shipping and production as well. So we have to wait until April and May.

A – Sang Ho Park

As for the MS Company, we realized that this is a very important issue. And we want to mention that not only HS and MS Company are looking at this, but LGE is looking at the tariff issues company-wide and coming up with scenarios.

I think your question is regarding the concerns of rising prices that will affect our customers and by immediately raising the prices wouldn't it affect our customers, I think that in order to respond to tariffs, not only is increasing the prices will be the only option. And we think that for the MS Company, for TVs in particular, we have a very flexible production system. We want to promote our flexibility. And I think that our flexible production system will make us stay competitive, amongst other competitors in the market. We want to state that our first strategy was to have a very flexible production system, and we're also looking at various solutions to make our cost more efficient, and we're also looking into strengthening our sales activities to handle the tariff issues. In summary, we want to say that we are looking in various measures -- at various measures to fight our competition. And we not only have a flexible response plan to respond to the market changes, but we are also looking into raising the prices to some extent.

Seunghyun Kim

Next question, please.

Operator

Currently, there are no participants with questions.

Wonjae Park

This brings us to the end of LG Electronics earnings release conference call for the first quarter of 2025. For further questions, please contact the IR team. Thank you.