COMPANY UPDATE

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EV/Mobility Team

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Korea Petrochemical (006650)

3Q preview: Logs first profit in 2 years

- Korea Petrochemical likely booked an earnings surprise in 3Q, with its operating income moving into the black for the first time in eight quarters.
- We revise down our 2025 and 2026 earnings estimates (vs our April estimates) but raise our target price from KRW115,000 to KRW150,000 to factor in favorable investor sentiment towards the chemical sector and expectations of an earnings turnaround. We maintain BUY.

▶ AT A GLANCE

BUY

Target price	KRW150,000	24%
Current price	**KRW121,000**	
Market cap	KRW786.5b/USD554.19m	
Shares (float)	6,500,000 (53.5%)	
52-week high/low	KRW126,100/KRW68,700	
Avg daily trading value (60-day)	KRW4.4b/ USD3.1m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Korea Petrochemical (%)	6.1	40.0	19.1
Vs Kospi (%pts)	-4.1	-8.8	-19.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	150,000	115,000	30.4%
2025E EPS	3,072	3,072	0.0%
2026E EPS	10,796	10,796	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	6
Target price	158,000
Recommendation	3.8

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

3Q preview—to beat consensus: We believe Korea Petrochemical will report a 3Q operating profit of KRW16.7b (up KRW21.3b q-q; topping FnGuide-based consensus of KRW12.7b by 31%), marking its first operating profit since 3Q23. The pharmaceutical operation likely logged an operating loss of KRW7.9b (narrowing KRW14b q-q) thanks to lower depreciation costs following the end of the depreciation period for some facilities. Operating profit at the industrial gas likely fell 6% q-q to KRW1.8b. Meanwhile, Hanju Corp's (which has been subject to consolidated accounting from May) utilities services business likely saw an operating profit of KRW18.9b (up 50% q-q) and its salt business likely recorded an operating profit of KRW3.8b (up 50% q-q).

Consolidated subsidiary Hanju Corp: After Korea Petrochemical's stake in Hanju Corp rose from 49.24% to 50.13% in April, Hanju Corp became subject to consolidated accounting from May. For reference, the consolidated subsidiary: 1) generates electricity and steam using bituminous coal; and 2) extracts salt from seawater. This change should expand Korea Petrochemical's operating profit by KRW61.1b in 2025 and KRW91.1b in 2026 but should have little impact on its net profit attributable to controlling shareholders—most of the equity-method gains disappear.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	2,800	3,433	3,633	3,634
Operating profit (KRWb)	-60	26	125	144
Net profit (adj) (KRWb)	-9	45	107	121
EPS (adj) (KRW)	-1,312	3,072	10,796	13,189
EPS (adj) growth (% y-y)	nm	nm	251.5	22.2
EBITDA margin (%)	4.3	6.4	9.1	9.6
ROE (%)	-0.5	1.1	3.8	4.5
P/E (adj) (x)	n/a	39.4	11.2	9.2
P/B (x)	0.3	0.4	0.4	0.4
EV/EBITDA (x)	4.6	4.3	2.7	2.2
Dividend yield (%)	1.3	1.1	2.3	2.9

Source: Company data, Samsung Securities estimates

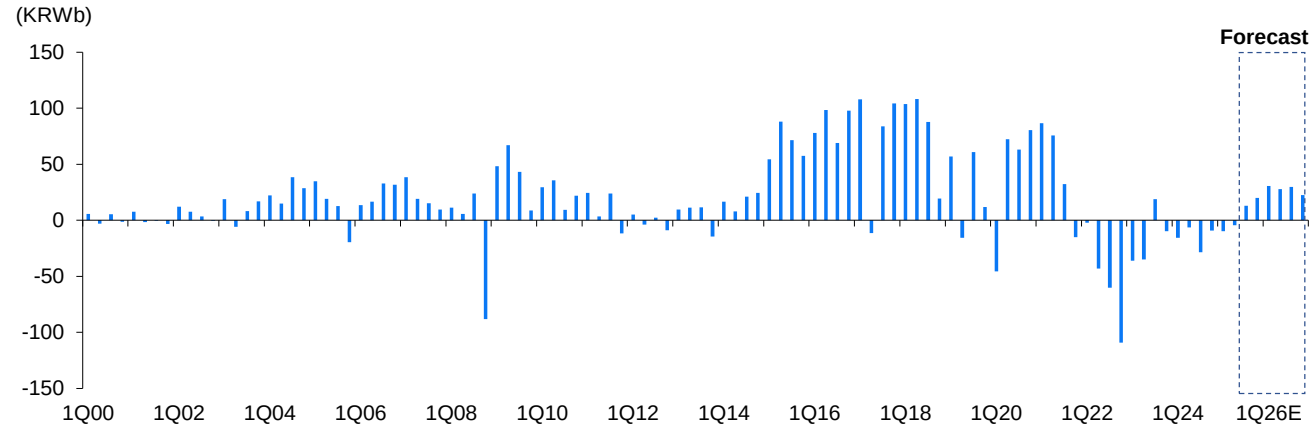
View—Upbeat towards earnings improvement: Reflecting on the 2Q operating loss, we reduce our 2025 and 2026 operating profit forecasts by 45% and 10%, respectively. However, with sentiment towards the petrochemical industry improving coupled with rising expectations (over the past three months) towards the firm booking a profit, we revise up our target P/B (from 0.38x to 0.48x; 0.75 standard deviations beneath its post-2010 average) and increase our target price by 30% (from KRW115,000 to KRW150,000). Although petrochemical industry conditions remain sluggish, Korea Petrochemical's improving fundamentals stand out (vs its peers'), as evidenced by the firm's likely: 1) turning to an operating profit y-y in 3Q; and 2) ability to sustain a net profit attributable to controlling shareholders (for four straight quarters). Net profit attributable to controlling shareholders has likely remained in the black thanks to: 1) the addition of the utility and salt businesses; and 2) the reduced cost burden at the petrochemical unit. We reiterate BUY.

KPIC: P/B valuation

(KRW)	Old	New	Details
Target P/B (x)	0.38	0.48	0.75 standard deviations below its post-2010 average
Forward BVPS	301,205	304,979	**Revised up 1.3%**
Fair price per share	**114,759**	**147,320**	
Target price	**115,000**	**150,000**	**Revised up 30.4%**
Current price		121,000	As of Oct 20 close
Upside (%)		24.0	
2025 implied P/E (x)	37.4	48.8	
2026 implied P/E (x)	10.7	13.9	

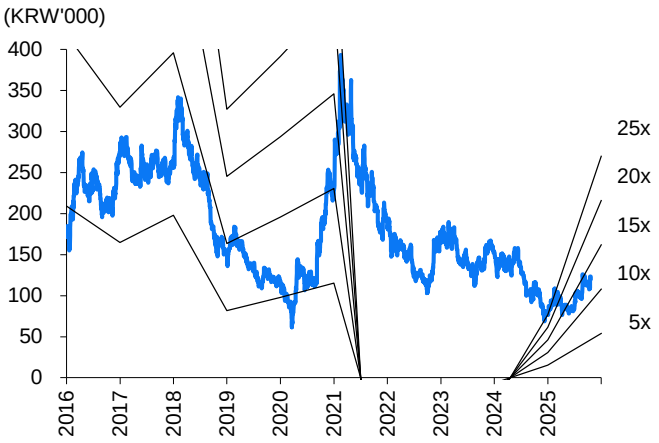
Source: Samsung Securities estimates

KPIC: Quarterly operating income



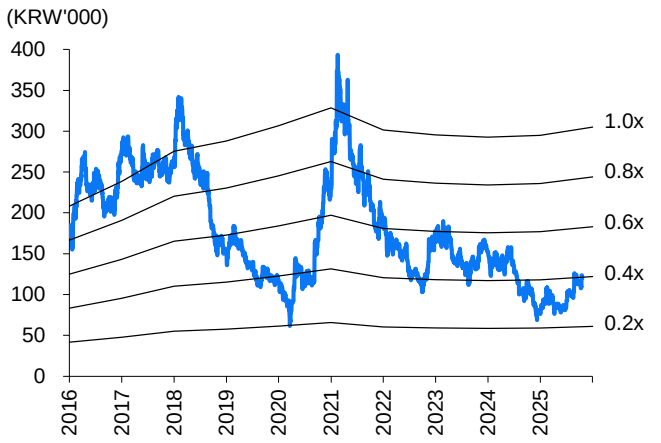
Source: Company data, Samsung Securities estimates

KPIC: 12M forward P/E band chart



Source: Samsung Securities estimates

KPIC: 12M forward P/B band chart



Source: Samsung Securities estimates

KPIC: Quarterly results

(KRWb)	3Q25E	2Q25	3Q24	Consensus	Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	917	847	683	904	8.3	34.3	1.4
Operating income	17	-5	-29	13	To turn pos	To turn pos	31.0
Pre-tax income	16	10	-26	23	66.9	To turn pos	-30.2
Net income	13	8	-20	13	66.9	To turn pos	2.2
Attributable to parent	4	1	-20	13	180.7	To turn pos	-69.8
Margins (%)							
Operating income	1.8	-0.5	-4.2	1.4			
Pre-tax income	1.7	1.1	-3.9	2.5			
Net income	1.4	0.9	-3.0	1.4			
Attributable to parent	0.4	0.2	-3.0	1.5			

Source: Company data, FnGuide, Samsung Securities

KPIC: Quarterly results, by division

(KRWb)	3Q25E	2Q25	3Q24	Growth (% q-q)	Growth (% y-y)
Sales	**917**	**847**	**683**	**8.3**	**34.3**
Petrochemicals	711	712	678	-0.2	4.8
Industrial gases (Korea Airtech)	14	15	12	-5.6	18.9
Utility (Hanju)	199	133		50.0	
Salt (Hanju)	16	11		50.0	
Operating income	**17**	**-5**	**-29**	**To turn pos**	**To turn pos**
Petrochemicals	-8	-22	-30	To remain neg	To remain neg
Industrial gases (Korea Airtech)	2	2	1	-5.6	80.2
Utility (Hanju)	19	13		50.0	
Salt (Hanju)	4	3		50.0	
Pre-tax income	16	10	-26	66.9	To turn pos
Net income	**13**	**8**	**-20**	**66.9**	**To turn pos**
Attributable to parent	**4**	**1**	**-20**	**180.7**	**To turn pos**
Margins (%)					
Operating income	1.8	-0.5	-4.2		
Petrochemicals	-1.1	-3.1	-4.4		
Industrial gases (Korea Airtech)	12.3	12.3	8.1		
Utility (Hanju)	9.5	9.5			
Salt (Hanju)	23.4	23.4			
Pre-tax income	1.7	1.1	-3.9		
Net income	1.4	0.9	-3.0		
Attributable to parent	1.8	1.1	-3.0		

Source: Company data, Samsung Securities estimates

KPIC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2023	2024	2025E	2026E
KRW/USD (average)	1,453	1,401	1,387	1,390	1,370	1,350	1,330	1,310	1,306	1,365	1,408	1,340
Sales	**742**	**847**	**917**	**928**	**923**	**911**	**902**	**897**	**2,500**	**2,800**	**3,433**	**3,633**
Growth (% q-q)	4.1	14.2	8.3	1.3	-0.6	-1.3	-0.9	-0.5				
Growth (% y-y)	11.8	14.2	34.3	30.4	24.4	7.5	-1.6	-3.3	12.5	12.0	22.6	5.8
Petrochemicals	736	712	711	716	709	696	689	682	2,479	2,779	2,874	2,777
Industrial gases (Korea Airtech)	15	15	14	16	17	18	16	19	54	52	60	69
Utility (Hanju)		133	199	204	204	204	204	204			537	817
Salt (Hanju)		11	16	16	16	16	16	16			44	65
EBITDA	**34**	**44**	**67**	**75**	**86**	**83**	**84**	**77**	**119**	**120**	**220**	**331**
Growth (% q-q)	-3.1	30.0	53.4	11.4	15.2	-4.0	1.7	-8.9				
Growth (% y-y)	14.7	12.1	304.6	115.4	156.0	89.0	25.3	2.5	Turned pos	0.9	83.3	50.3
Operating income	**-10**	**-5**	**17**	**24**	**34**	**31**	**33**	**26**	**-62**	**-60**	**26**	**125**
Growth (% q-q)	Remained neg	Remained neg	To turn pos	42.2	44.5	-8.2	6.1	-21.7				
Growth (% y-y)	Remained neg	Remained neg	To turn pos	To turn pos	To turn pos	To turn pos	100.1	10.2	Remained neg	Remained neg	To turn pos	382.9
Petrochemicals	-12	-22	-8	-1	10	6	9	1	-67	-65	-42	26
Growth (% q-q)	Remained neg	Remained neg	To turn pos	42.2	44.5	-8.2	6.1	-21.7				
Growth (% y-y)	Remained neg	Remained neg	To turn pos	To turn pos	To turn pos	To turn pos	100.1	10.2	Remained neg	Remained neg	To turn pos	382.9
Industrial gases (Korea Airtech)	2	2	2	1	2	2	2	2	4	5	7	8
Growth (% q-q)	Remained neg	Remained neg	To turn pos	42.2	44.5	-8.2	6.1	-21.7				
Growth (% y-y)	Remained neg	Remained neg	To turn pos	To turn pos	To turn pos	To turn pos	100.1	10.2	Remained neg	Remained neg	To turn pos	382.9
Utility (Hanju)		13	19	19	19	19	19	19			51	76
Growth (% q-q)			To turn pos	42.2	44.5	-8.2	6.1	-21.7				
Growth (% y-y)						To turn pos	100.1	10.2			To turn pos	382.9
Salt (Hanju)		3	4	4	4	4	4	4			10	15
Growth (% q-q)			To turn pos	42.2	44.5	-8.2	6.1	-21.7				
Growth (% y-y)						To turn pos	100.1	10.2			To turn pos	382.9
Pre-tax income	3	10	16	25	35	32	34	28	-50	-33	54	128
Growth (% q-q)	Turned pos	179.5	66.9	58.1	-35.4	-8.1	5.9	-18.6				
Growth (% y-y)	Turned pos	Turned pos	To turn pos	321.3	923.0	236.6	113.5	10.0	Turned neg	Remained neg	To turn pos	466.7
Net income	**3**	**8**	**13**	**21**	**29**	**27**	**28**	**23**	**-29**	**-9**	**45**	**107**
Growth (% q-q)	Turned pos	164.8	66.9	58.1	-35.4	-8.1	5.9	-18.6				
Growth (% y-y)	Turned pos	Turned pos	To turn pos	3.1	872.7	237.8	114.3	10.3	Remained neg	Remained neg	To turn pos	138.1
Attributable to parent	3	1	4	11	20	17	19	14	-29	-9	20	70
Margins (%)												
EBITDA	4.6	5.2	7.3	8.1	9.4	9.1	9.4	8.6	4.8	4.3	6.4	9.1
Operating income	-1.3	-0.5	1.8	2.6	3.7	3.5	3.7	2.9	-2.5	-2.1	0.8	3.4
Petrochemicals	-1.6	-3.1	-1.1	-0.1	1.4	0.9	1.3	0.2	-2.7	-2.3	-1.5	0.9
Industrial gases (Korea Airtech)	12.8	12.3	12.3	8.4	11.5	11.5	11.5	12.3	8.0	9.9	11.4	11.7
Utility (Hanju)		9.5	9.5	9.5	9.3	9.3	9.3	9.3			9.5	9.3
Salt (Hanju)		23.4	23.4	23.4	23.2	23.2	23.2	23.2			23.4	23.2
Pre-tax income	0.5	1.1	1.7	2.7	3.8	3.5	3.8	3.1	-2.0	-1.2	1.6	3.5
Net income	0.4	0.9	1.4	2.2	3.1	2.9	3.1	2.6	-1.2	-0.3	1.3	2.9

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,500**	**2,800**	**3,433**	**3,633**	**3,634**
Cost of goods sold	2,512	2,809	3,343	3,440	3,423
Gross profit	**-12**	**-9**	**90**	**192**	**211**
Gross margin (%)	-0.5	-0.3	2.6	5.3	5.8
SG&A expenses	51	51	64	67	67
Operating profit	**-62**	**-60**	**26**	**125**	**144**
Operating margin (%)	-2.5	-2.1	0.8	3.4	4.0
Non-operating gains (losses)	**12**	**27**	**28**	**3**	**2**
Financial profit	17	24	11	16	16
Financial costs	20	21	15	15	15
Equity-method gains (losses)	13	23	16	0	0
Other	3	1	16	1	1
Pre-tax profit	**-50**	**-33**	**54**	**128**	**146**
Taxes	-21	-24	9	22	25
Effective tax rate (%)	41.8	74.1	16.9	16.9	16.9
Profit from continuing operations	-29	-9	45	107	121
Profit from discontinued operations	0	0	0	0	0
Net profit	**-29**	**-9**	**45**	**107**	**121**
Net margin (%)	-1.2	-0.3	1.3	2.9	3.3
Net profit (controlling interests)	-29	-9	20	70	86
Net profit (non-controlling interests)	0	0	25	36	36
EBITDA	119	120	220	331	349
EBITDA margin (%)	4.8	4.3	6.4	9.1	9.6
EPS (parent-based) (KRW)	-4,468	-1,312	3,072	10,796	13,189
EPS (consolidated) (KRW)	-4,468	-1,312	6,881	16,387	18,671
Adjusted EPS (KRW)*	-4,468	-1,312	3,072	10,796	13,189

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**502**	**628**	**633**	**767**	**902**
Cash & equivalents	34	109	21	119	254
Accounts receivable	214	215	240	254	254
Inventories	211	240	294	311	312
Other current assets	43	64	78	83	83
Fixed assets	**1,694**	**1,592**	**1,676**	**1,655**	**1,624**
Investment assets	244	267	328	347	347
Tangible assets	1,393	1,261	1,285	1,246	1,215
Intangible assets	9	9	8	8	8
Other long-term assets	48	54	54	54	54
Total assets	**2,196**	**2,220**	**2,308**	**2,422**	**2,526**
Current liabilities	**288**	**307**	**353**	**367**	**368**
Accounts payable	131	153	187	198	198
Short-term debt	92	61	111	111	111
Other current liabilities	66	93	55	58	58
Long-term liabilities	**83**	**105**	**109**	**110**	**110**
Bonds & long-term debt	32	85	85	85	85
Other long-term liabilities	52	20	24	25	25
Total liabilities	**372**	**412**	**462**	**478**	**478**
Owners of parent equity	**1,825**	**1,808**	**1,821**	**1,884**	**1,952**
Capital stock	41	41	41	41	41
Capital surplus	264	264	264	264	264
Retained earnings	1,525	1,505	1,519	1,581	1,649
Other	-5	-3	-3	-3	-3
Non-controlling interests' equity	**0**	**0**	**25**	**61**	**97**
Total equity	**1,825**	**1,808**	**1,846**	**1,945**	**2,049**
Net debt	113	50	132	30	-104

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**86**	**133**	**174**	**281**	**313**
Net profit	-29	-9	45	107	121
Non-cash profit and expenses	126	144	174	213	211
Depreciation	181	180	194	205	205
Amortization	0	0	0	0	0
Other	-55	-36	-20	7	6
Changes in A/L from operating activities	-13	-3	-36	-18	-0
Cash flow from investments	**-159**	**-91**	**-217**	**-156**	**-161**
Change in tangible assets	-113	-59	-218	-166	-174
Change in financial assets	-6	-32	-12	-4	-0
Other	-40	0	13	13	13
Cash flow from financing	**68**	**32**	**-5**	**-8**	**-17**
Change in debt	67	42	2	0	0
Change in equity	0	0	0	0	0
Dividends	-6	-6	-6	-8	-17
Other	8	-4	0	0	0
Change in cash	-5	75	-88	99	135
Cash at beginning of year	39	34	109	21	119
Cash at end of year	34	109	21	119	254
Gross cash flow	**97**	**136**	**219**	**319**	**333**
Free cash flow	**-27**	**74**	**-43**	**115**	**139**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	12.5	12.0	22.6	5.8	0.0
Operating profit	nm	nm	nm	382.9	14.7
Net profit	nm	nm	nm	138.1	13.9
Adjusted EPS**	nm	nm	nm	251.5	22.2
Per-share data (KRW)					
EPS (parent-based)	-4,468	-1,312	3,072	10,796	13,189
EPS (consolidated)	-4,468	-1,312	6,881	16,387	18,671
Adjusted EPS**	-4,468	-1,312	3,072	10,796	13,189
BVPS	295,460	292,683	294,916	304,979	316,059
DPS (common)	1,000	1,000	1,300	2,800	3,500
Valuations (x)					
P/E***	n/a	n/a	39.4	11.2	9.2
P/B***	0.5	0.3	0.4	0.4	0.4
EV/EBITDA	9.3	4.6	4.3	2.7	2.2
Ratios (%)					
ROE	-1.6	-0.5	1.1	3.8	4.5
ROA	-1.3	-0.4	2.0	4.5	4.9
ROIC	-2.1	-0.9	1.3	6.4	7.4
Payout ratio	-21.3	-72.4	40.2	24.6	25.2
Dividend yield (common)	0.7	1.3	1.1	2.3	2.9
Net debt to equity	6.2	2.8	7.1	1.6	-5.1
Interest coverage (x)	-10.9	-8.3	3.2	15.3	17.6

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Compliance notice

- As of 10/20 2025, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 10/20 2025, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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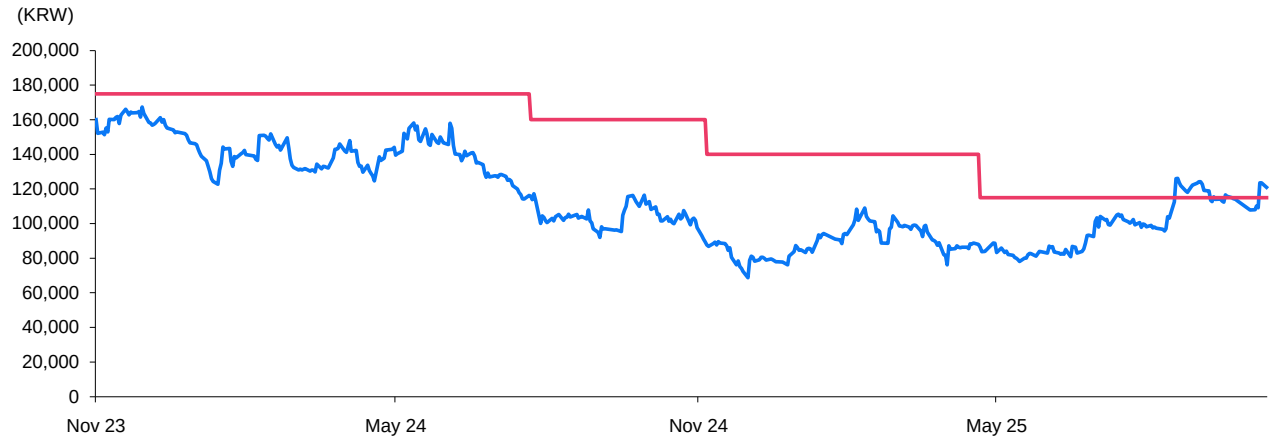
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/8/14	10/30	2024/7/30	11/14	2025/4/29	10/21
Recommendation	HOLD	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	145000	175000	160000	140000	115000	150000
Gap* (average)	-8.36	-18.32	-35.28	-36.33	-13.38	
(max or min)**	1.03	-4.40	-26.75	-22.14	9.65	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.09.30

BUY (83.5%)·HOLD (16.5%)·SELL (0%)

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