COMPANY UPDATE

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EV/Mobility Team

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SKCHEMICALS (285130)

Collaboration between two businesses

- We initiate coverage of SK Chemicals at BUY with a 12-month target price of KRW85,000.
- The firm should continue to enjoy solid profitability growth thanks to its specialty chemical business, and unlock its hidden value via its utility supply business and via the utilization of its stake in a subsidiary.

WHAT'S THE STORY?

Unlocking hidden value: We initiate coverage of SK Chemicals at BUY with a 12-month target price of KRW85,000. We use a sum-of-the-parts (SOTP) valuation to calculate our target price, as the firm has a complex business structure. For each business unit, we use the multiples of its domestic and overseas peers to calculate its value. For the firm's stake in SK Bioscience, we apply a 90% discount to its NAV. We believe the hidden value in the firm will be unlocked via: 1) its utility supply subsidiary's opening a new power plant in 4Q25; and 2) expectations for a narrowing of the NAV discount applied to its stake in SK Bioscience (as the firm should utilize its stake in the pharma subsidiary to issue EBs as underlying assets).

Korea's most profitable specialty chemical company: The Green Chemicals division runs a copolyester/monomer business, which area is dominated by a few global players (including Green Chemicals). In particular, thanks to the firm's increasing exposure to high value-added applications (cosmetics/home appliances), its operating margin should rise to 17.3% in 2025. The firm's main rival Eastman (US) is having difficulty selling its products in China, which may create an opportunity for SK Chemicals to expand its market share there.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	1,737	2,280	2,559	2,603
Operating profit (KRWb)	-45	35	110	181
Net profit (adj) (KRWb)	-4	40	95	134
EPS (adj) (KRW)	456	2,813	5,518	7,455
EPS (adj) growth (% y-y)	-77.8	516.5	96.1	35.1
EBITDA margin (%)	5.2	9.7	13.3	16.3
ROE (%)	0.4	2.5	4.7	6.1
P/E (adj) (x)	97.1	21.7	11.1	8.2
P/B (x)	0.4	0.5	0.5	0.5
EV/EBITDA (x)	21.1	11.7	7.9	6.6
Dividend yield (%)	2.6	1.7	2.9	4.1

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW85,000	39.1%
Current price	KRW61,100	
Market cap	KRW1.1t/USD0.8b	
Shares (float)	17,253,783 (57.1%)	
52-week high/low	KRW76,700/KRW33,800	
Avg daily trading value (60-day)	KRW3.1b/ USD2.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SKCHEMICALS (%)	-5.9	65.6	19.6
Vs Kospi (%pts)	-15.0	7.8	-18.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	85,000	85,000	0.0%
2025E EPS	2,813	2,813	0.0%
2026E EPS	5,518	5,518	0.0%

SAMSUNG vs THE STREET

No of estimates	3
Target price	89,333
Recommendation	4.0

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

Full-blown expansion of utility supply business: SK Multi Utility—SK Chemicals' utility supply subsidiary—is converting its existing coal-fired power generation facilities (steam production capacity of 490 tonnes/hr and electricity production capacity of 27 MW) into LNG/LPG-powered combined cycle power facilities (steam production capacity of 240 tonnes/hr and electricity production capacity of 300 MW). The new facilities should come online in November. Upon their launch, the electricity portion of the subsidiary's total sales should rise from 3% now to more than 80%. We forecast the subsidiary's 2026 sales and operating margin at KRW343b (up 155%) and 9.9% (up 12.9%pts), respectively, and expect it to make a notable contribution to SK Chemicals' earnings.

Utilization of stake in subsidiary: SK Chemicals issued KRW220b in exchangeable bonds (EBs), using a 4.9% stake in subsidiary SK Bioscience (3.82m common shares). Although the EB exchange for SK Bioscience shares requires monitoring, with the exchange price staying higher than SK Bioscience's current share price, the move marks SK Chemicals' attempt to efficiently utilize its stake in a subsidiary. SK Chemicals would have another 43% upside from our target price (which we derived based on a NAV discount of 90%) if its NAV discount falls to 65%.

Valuation and target price calculation

Unlocking hidden value

Initiating coverage at BUY with KRW85,000 target price

We initiate coverage of SK Chemicals at BUY with a 12-month target price of KRW85,000. We calculate our target based on a sum-of-the-parts (SOTP) valuation to reflect its complex business structure—consisting of Green Chemicals, Life Science, and SK Multi Utility (which runs a utility supply business).

In calculating the value of each business, we apply target EV/EBITDA multiples for each division to our 12-month forward EBITDA forecasts. Our target EV/EBITDA multiples are based on its peer valuations—we select: 1) Eastman Chemical for the Green Chemicals division; 2) Daewoong Pharmaceutical for the Life Science division; and 3) SK Gas for the utility supply business (SK Gas operates an LPG/LNG-powered combined heat & power (CHP) plant in Ulsan).

Meanwhile, we apply a 90% discount to the NAV for the firm's stake in SK Bioscience (vs the usual 60-70% discount for holding companies) as the two companies are listed as business entities, creating dual listing risk.

We believe SK Chemicals' hidden value will gradually be unlocked. First, the firm's stake in SK Bioscience has started to be utilized (they are being used as the underlying assets for the exchange bonds (EBs) that the firm recently issued), which should narrow the NAV discount we apply to the biotech subsidiary. Second, SK Multi Utility should open several CHP plants, bolstering its sales and profitability. Thus, the enterprise value of SK Multi Utility—which we estimate at KRW495b (equating to 21% of our enterprise value estimate for SK Chemicals)—should draw attention.

KCC: Peer valuation, by division

(x)	Currency	Share	Price performance (%)				Market cap	P/E			P/B			EV/EBITDA		
		Price	1W	1M	3M	YTD	(USDb)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E
Green Chemicals								**8.3**	**10.7**	**9.0**	**1.29**	**1.22**	**1.16**	**6.6**	**7.5**	**6.7**
Eastman Chemical	USD	62.7	(3.7)	(8.0)	(17.7)	(31.3)	7.2	8.3	10.7	9.0	1.29	1.22	1.16	6.6	7.5	6.7
Pharma								**27.6**	**11.2**	**9.8**	**1.83**	**1.66**	**1.43**	**10.8**	**9.3**	**8.5**
Daewoong Pharmaceutical	KRW	132,900	(6.1)	(3.3)	(7.3)	5.1	1.1	27.6	11.2	9.8	1.83	1.66	1.43	10.8	9.3	8.5
Power generation								**12.9**	**8.0**	**7.2**	**0.82**	**0.74**	**0.68**	**10.9**	**6.3**	**6.3**
SK Gas	KRW	227,000	(5.0)	(7.2)	(8.7)	9.7	1.5	12.9	8.0	7.2	0.82	0.74	0.68	10.9	6.3	6.3

Note: Based on Bloomberg consensus of Sep 26

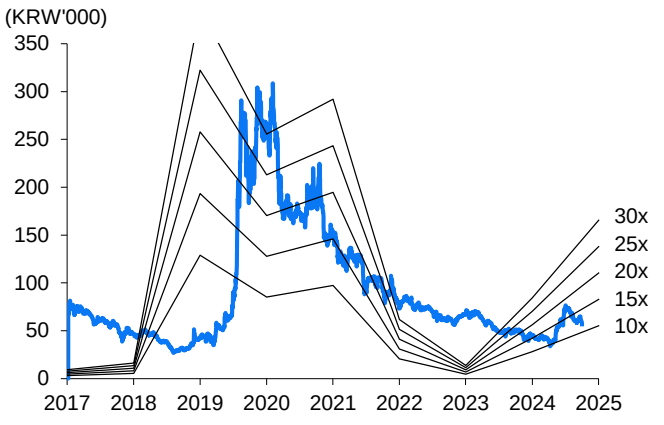
Source: Bloomberg, Samsung Securities

SK Chemical: SOTP valuation

(KRWb)	12MF EBITDA	Multiples (x)	EV	Details
Operating value (A)				
Green Chemicals	220	6.0	1,325	Peers (Eastman): 10% discount applied
Life Science - Pharma	39	8.5	330	Peers (Daewoong Pharmaceutical)
Life Science – SK Bioscience			256	Equity stake (66.4% holding): 90% discount applied*
SK Multi Utility	80	6.2	495	Peers (SK Gas)
Total	**339**	**7.1**	**2,405**	
Asset value (B)			50	Investment assets: 50% discount applied
Net debt (C)			938	Based on our 2025 year-end estimates; SK Bioscience net debt excluded**
Preferred shares market cap (D)			52	As of Oct 1 close
Fair market capitalization (E = A + B – C -D)			**1,465**	
Shares outstanding ('000)			17,254	
Fair price (KRW)			84,921	
Fair market value per share (KRW)			**85,000**	
Current price (KRW)			56,600	As of Oct 1 close
Upside (%)			50.2	
2025 implied P/E (x)			30.2	
2026 implied P/E (x)			15.4	
2025 implied P/B (x)			0.73	
2026 implied P/B (x)			0.70	

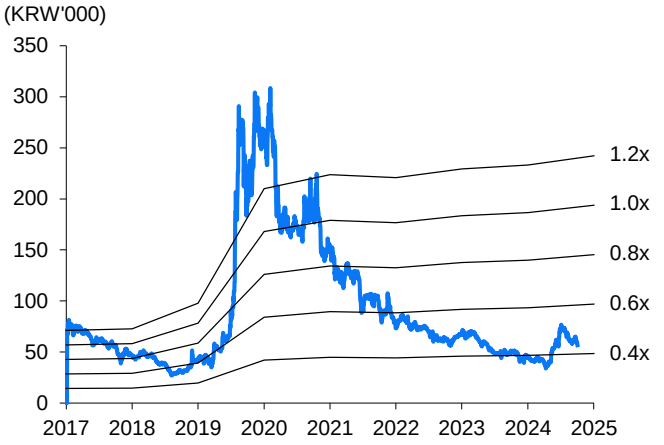
Note: * NAV discount rate of 90% applied to listed company shares
** No need for additional deduction of liabilities since enterprise value was calculated based on SK Bioscience's equity value (market capitalization)
Source: Bloomberg, Samsung Securities estimates

SK Chemical: 12M forward P/E



Source: QuantiWise, Samsung Securities

SK Chemical: 12M forward P/B



Source: QuantiWise, Samsung Securities

SK Chemicals: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2023	2024	2025E	2026E
KRW/USD (average)	1,453	1,399	1,385	1,340	1,320	1,310	1,300	1,285	1,306	1,365	1,394	1,304
Sales	**537**	**597**	**564**	**582**	**618**	**637**	**632**	**680**	**1,749**	**1,737**	**2,280**	**2,559**
Chg (% q-q)	4.1	11.2	-5.4	3.1	6.1	3.1	-0.7	7.7				
Chg (% y-y)	40.9	44.2	32.4	12.9	15.1	6.7	12.0	16.9	-4.4	-0.7	31.3	12.2
1. Green Chemicals	257	270	265	281	276	270	269	266	904	995	1,074	1,081
1-1. Copolyester/Monomer	232	242	241	256	250	241	244	240	809	910	971	975
1-2. Others	25	28	24	25	26	29	25	26	95	85	102	107
2. Life Science	252	289	265	260	266	280	272	319	746	625	1,066	1,129
2-1. Pharma	97	127	107	101	101	113	105	122	376	357	433	433
2-2. SK Bioscience	155	162	157	159	165	167	167	197	370	268	633	696
3. SK Multi Utility	34	30	34	37	74	86	90	94	136	127	134	343
EBITDA	**69**	**44**	**50**	**58**	**82**	**84**	**89**	**86**	**196**	**90**	**220**	**341**
Chg (% q-q)	348.0	-36.1	14.6	15.0	42.9	1.7	6.6	-3.9				
Chg (% y-y)	204.7	11.7	273.9	277.1	20.3	91.6	78.2	48.8	-39.1	-53.9	143.5	55.1
1. Green Chemicals	52	43	46	49	57	53	56	54	137	163	191	220
1-1. Copolyester/Monomer	64	58	58	61	67	65	65	64	159	186	241	262
1-2. Others	-12	-15	-12	-12	-10	-11	-10	-10	-22	-24	-50	-41
2. Life Science	-10	-29	-22	-22	-14	-14	-14	-17	20	-119	-83	-58
2-1. Pharma	5	8	7	7	6	7	7	8	32	19	27	28
2-2. SK Bioscience	-15	-37	-28	-29	-20	-21	-21	-24	-12	-138	-110	-86
3. SK Multi Utility	-1	-3	-2	1	3	8	11	12	3	-3	-4	34
Operating profit	**24**	**-1**	**4**	**8**	**24**	**26**	**31**	**28**	**83**	**-45**	**35**	**110**
Chg (% q-q)	Turned pos	Turned neg	To turn pos	128.1	191.9	9.0	19.7	-10.1				
Chg (% y-y)	Turned pos	Turned neg	To turn pos	To turn pos	-0.7	To turn pos	768.9	242.6	-63.9	Turned neg	To turn pos	213.0
1. Green Chemicals	32	23	27	28	33	30	33	32	70	89	110	128
1-1. Copolyester/Monomer	46	40	40	42	46	44	45	44	99	119	168	178
1-2. Others	-14	-17	-13	-14	-12	-14	-12	-12	-29	-30	-58	-50
2. Life Science	-10	-29	-22	-22	-14	-14	-14	-17	20	-119	-83	-58
2-1. Pharma	5	8	7	7	6	7	7	8	32	19	27	28
2-2. SK Bioscience	-15	-37	-28	-29	-20	-21	-21	-24	-12	-138	-110	-86
3. SK Multi Utility	-1	-3	-2	1	3	8	11	12	3	-3	-4	34
Pre-tax profit	20	-4	17	-2	21	27	35	21	52	-27	31	104
Net profit	**21**	**8**	**12**	**-2**	**19**	**25**	**32**	**19**	**48**	**-4**	**40**	**95**
Attrib. to parent company	20	14	17	3	22	28	35	22	40	9	54	107
Margins (%)												
EBITDA	12.8	7.3	8.9	9.9	13.3	13.2	14.1	12.6	11.2	5.2	9.7	13.3
Operating profit	4.5	-0.2	0.6	1.4	3.9	4.1	5.0	4.2	4.8	-2.6	1.5	4.3
1. Green Chemicals	12.4	8.4	10.0	10.1	12.1	11.2	12.2	12.0	7.7	8.9	10.2	11.9
1-1. Copolyester/Monomer	19.6	16.5	16.5	16.5	18.3	18.3	18.3	18.3	12.2	13.1	17.3	18.3
1-2. Others	-54.6	-60.6	-55.6	-55.6	-46.7	-46.7	-46.7	-46.7	-31.1	-35.2	-56.7	-46.7
2. Life Science	-38.7	-10.1	-8.1	-8.6	-5.3	-4.9	-5.2	-5.2	2.6	-19.1	-7.8	-5.2
2-1. Pharma	5.6	6.5	6.5	6.5	6.3	6.3	6.3	6.3	8.4	5.4	6.3	6.4
2-2. SK Bioscience	-9.8	-23.1	-18.1	-18.1	-12.4	-12.4	-12.4	-12.4	-3.2	-51.7	-17.4	-12.4
3. SK Multi Utility	-2.2	-8.6	-4.6	2.4	4.4	9.4	12.4	12.4	2.4	-2.1	-3.0	9.9
Pre-tax profit	3.6	-0.7	3.1	-0.4	3.4	4.2	5.6	3.0	3.0	-1.6	1.3	4.0
Net profit	3.9	1.4	2.1	-0.3	3.1	3.9	5.1	2.8	2.7	-0.3	1.7	3.7

Source: SK Chemical, Samsung Securities estimates

Investment points

Collaboration between special chemicals and utility supply business

Specialty chemical business posting highest profitability in sector

SK Chemicals runs a specialty chemical business that generates the highest profitability in the domestic chemical sector, and its profitability has kept improving as of late amid an increasing high value-added portion of its sales. The firm's chemical business (Green Chemicals) focuses on copolyester and monomer (a raw material for copolyester).

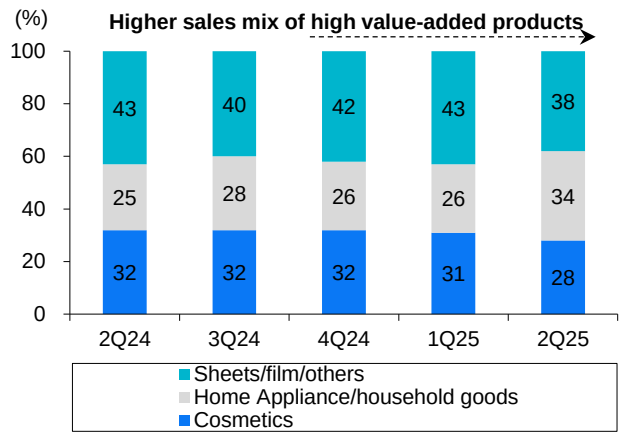
Copolyester is produced by modifying the structure of a standard polymer such as polyethylene terephthalate (PET)—its components (monomers) are linked by ester groups with third glycols. Polyethylene terephthalate glycol-modified (PETG) is a key copolyester product and its industry-specific derivatives include poly cyclohexylenedimethylene terephthalate glycol-modified (PCTG), poly cyclohexylenedimethylene terephthalate (PCT), and poly cyclohexylenedimethylene terephthalate acid (PCTA). Focusing on PETG, SK Chemicals became one of a few players to enter the global copolyester market, which used to be dominated by Eastman Chemical (US). The firm also sells monomers (a key raw material for PETG)—*ie*, DMT and cyclohexanedimethanol (CHDM)—to external clients.

Since SK Chemicals is one of only a few copolyester manufacturers across the globe, the firm has enjoyed robust profitability. Recently, its profitability has been improving further thanks to its increasing exposure to high value-added products. The copolyester/monomer business at the Green Chemicals division has seen its operating margin top 10% since 2020. We expect the copolyester/monomer business's operating margin to improve from 12.2% in 2023 and 13.1% in 2024 to 17.3% in 2025 (vs 18% in 1H25).

The y-y improvement in the firm's profitability is attributable to growing sales (following a monomer capacity expansion in 2024), sales mix improvements, and rising demand amid stricter regulations (relating to the environment and toxicity). In particular, since US specialty chemical company Eastman (the firm's rival) has had difficulty selling its products to Chinese clients due to the US-China tariff wars, SK Chemicals has been expanding its market share in China.

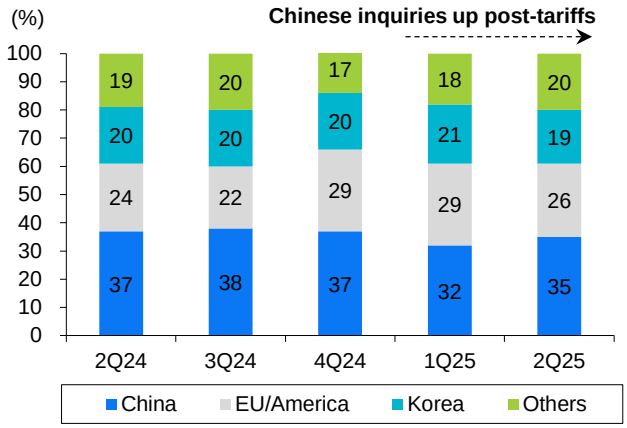
The business's improving profitability can be confirmed by changes in its sales mix (by application). Its copolyester is used in cosmetics, consumer electronics/household goods, and sheets/films/others. Products used in cosmetics and consumer electronics/household goods are high value-added ones, and those used in sheets/films/others are considered low-value added. The cosmetics and consumer electronics/household goods portion of the firm's sales increased from 57% in 2Q24 to 62% in 2Q25, while the sheets/films/others portion declined from 43% to 38% over the same period.

SK Chemicals' copolyester: Sales portion, by application



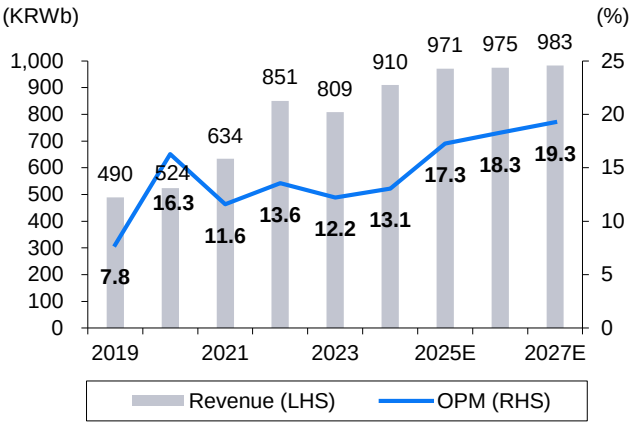
Source: SK Chemical, Samsung Securities

SK Chemicals' copolyester: Sales portion, by region



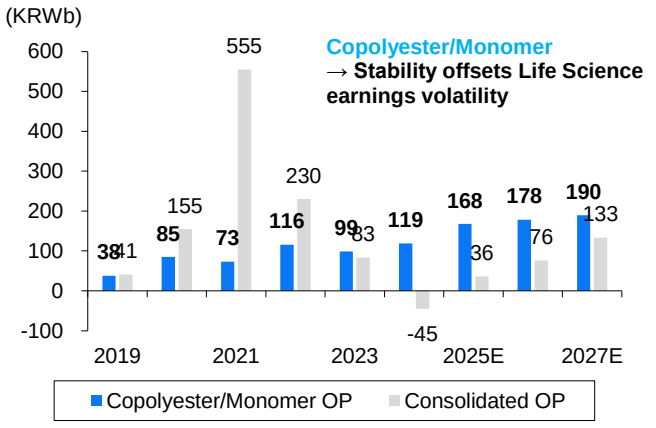
Source: SK Chemical, Samsung Securities

SK Chemicals' copolyester/monomer: Results and forecasts



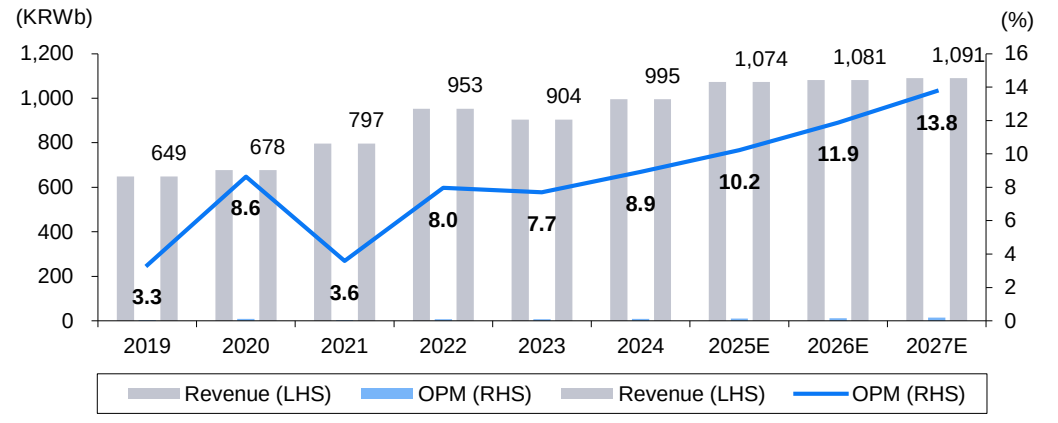
Source: SK Chemical, Samsung Securities

SK Chemicals' copolyester/monomer: Operating profit contribution



Source: SK Chemical, Samsung Securities

SK Chemicals' Green Chemicals division: Results and forecasts



Source: SK Chemical, Samsung Securities

Full-blown expansion of utility supply business

The company's second investment point is the likely expansion of its utility supply business upon the launch of its new facilities (*eg*, an eco-friendly LNG-powered CHP plant) in November. The business currently makes an insignificant contribution to SK Chemicals' earnings, but this should change upon the plant's commercial launch.

The company has thus far operated coal-powered power generation facilities to meet electricity and steam demand from the Ulsan industrial complex (steam production capacity of 490 tonnes/hr, electricity production capacity of 27 MW). When it made the coal-powered plant investment, coal was relatively cheap and easy to get, and carbon emission-related costs were low due to lack of environmental regulations. Back then, it was economical to run coal-powered plants.

The business environment, however, began changing in 2020, prompting the company to make investments in new facilities. Amid the global push for carbon neutrality and the Korean government's commitment to a carbon neutrality target, the company—to avoid carbon emission-related cost hikes—joined the global trend towards phasing out coal. The firm split its utility supply business into a new entity (*ie*, SK Multi Utility) in 2021 and decided to convert SK Multi Utility's existing coal-fired power generation facilities (producing steam and electricity) into LNG/LPG-fired CHP plants.

The LNG/LPG-fired CHP plants, which involve a total investment of KRW672.6b, have the capacity of generating 240 tonnes of steam per hour and 300 MW of electricity (vs 490 tonnes of steam per hour and 27 MW of electricity at its existing coal-powered plants). While the existing coal-fired plants focus on steam generation (although electricity was generated from high-pressure steam via a small turbine), the LNG/LPG-fired CHP plants will focus on electricity generation.

We forecast SK Multi Utility's earnings will surge following the commercial launch of the new facilities. Over 2022-2025, SK Multi Utility reported sales of KRW130b *pa* and an operating margin of -2% to +2%, with steam and electricity accounting for 97-100% and 0-3% of its total sales, respectively. But from November, when its LNG/LPG-fired CHP plants come online, the electricity portion of its total sales should hit 80%, shrinking its steam sales portion to 20% or below. Backed by the 11x hike in electricity production capacity, its sales should surpass KRW300b *pa*. We forecast SK Multi Utility's 2026 and 2027 sales at KRW343b (up 155%) and KRW377b (up 10%), respectively, and its 2026 and 2027 operating margin at 9.9% (up 12.9%pts) and 12.7% (up 2.7%pts), respectively.

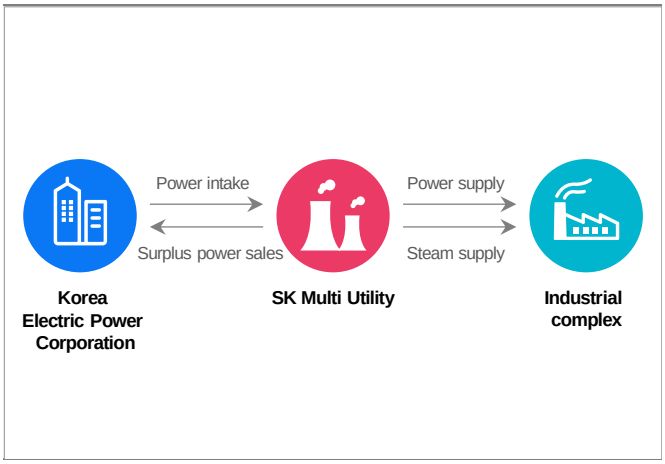
Looking at earnings at affiliate SK Gas confirms our bullish stance on SK Multi Utility's profitability. SK Gas' LNG/LPG-powered CHP plant in Ulsan (Ulsan GPS; electricity generation capacity of 1,227 MW) began operating in earnest in 2H24. The plant is about 4x larger than SK Multi Utility's in terms of capacity, but operates the same business model. Following the launch of the plant, SK Gas posted 2H24 sales of KRW177.3b and an operating profit of KRW27.8b (OPM of 15.7%), and 1H25 sales of KRW327.2b and an operating profit of KRW54.3b (OPM of 16.6%). All told, we believe our 2026 and 2027 operating margin targets for SK Multi Utility (9.9% and 12.7%, respectively) are easily achievable.

SK Multi Utility: LNG/LPG Combined Heat & Power Plant

(KRWb)	Details
Business overview	- Conversion of aging coal-fired power facilities to LNG/LPG combined power generation facilities and establishment of an eco-friendly district energy system - Secure competitiveness in stable supply of industrial power and steam within the district
Total investment (KRWb)	672.6
Expected effects	- Eco-friendly energy transition reflecting carbon neutrality policy - Stable revenue generation through direct electricity/steam sales to demand sources as a district energy operator
Production capacity (existing)*	Steam: 490 tonnes/hour, electricity: 27 MW
Production capacity (new)	Steam: 240 tonnes/hour, electricity: 300 MW
Timeline	
Dec 2021	Establishment of SK Multi Utility through physical spin-off from SK Chemicals
Jun 2022	EPC contract for LNG combined heat & power plant
Oct 2024	Start of trial run
Nov 2025	Commencement of full commercial operation

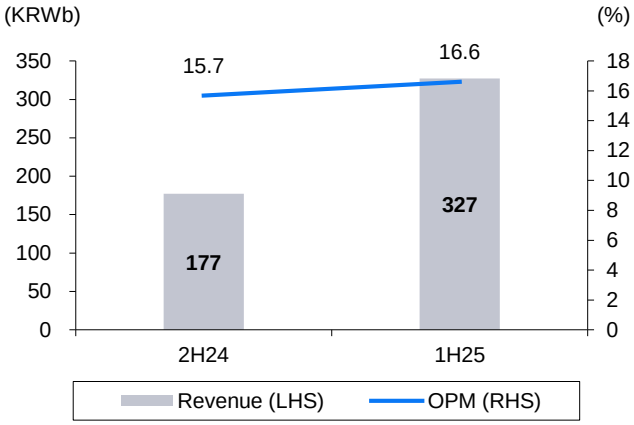
Note: * Existing facilities will be gradually decommissioned following the operation of the new facilities
Source: SK Chemical, Samsung Securities

SK Multi Utility: District Energy Business Overview



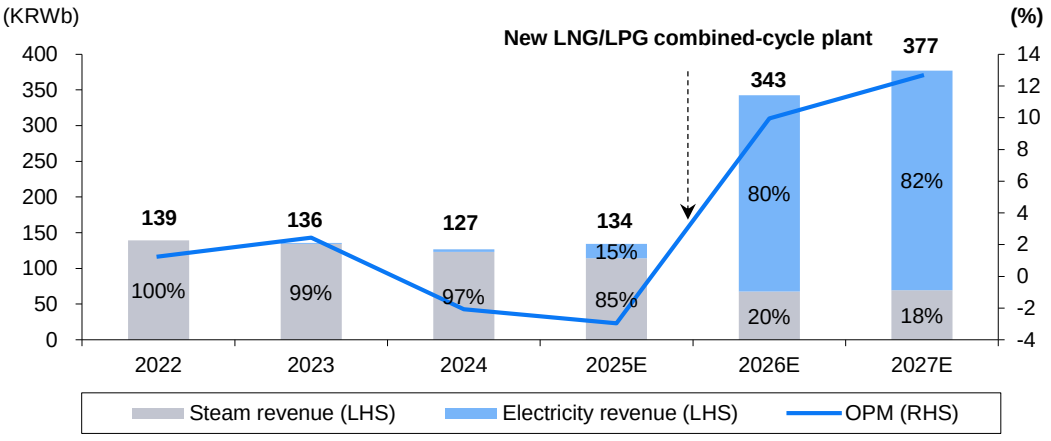
Source: SK Multi Utility, Samsung Securities

SK Gas LNG/LPG power plants: Results and forecasts



Source: SK Gas, Samsung Securities

SK Multi Utility: Results and forecasts



Source: SK Chemical, Samsung Securities

Utilizing stake in subsidiary

The company's third investment point is its move of utilizing its stake in a subsidiary. In Jul 2018, the company split its vaccine business into a new entity (SK Bioscience). SK Bioscience went public in Mar 2021 amid high interest in vaccine companies. The outbreak of COVID-19 in 2020 drew attention to its vaccine business, and the company signed CMO agreements with global pharmas, such as AstraZeneca and Novavax, to produce the latter's COVID-19 vaccines.

SK Bioscience's IPO price was set at KRW65,000/share for a market cap of KRW5.1t. In a block deal in Sep 2021, SK Chemicals sold 7.65m shares of SK Bioscience for KRW497.3b in cash. Since then, the firm has not sold any of its SK Bioscience stake, though activist funds, in a bid to enhance shareholder value, have urged SK Chemicals to sell more of its stake. Instead, SK Chemicals has responded to such pressure by conducting a bonus issue and announcing a new dividend policy. This has caused the NAV discount (for the value of SK Chemicals' stake in SK Bioscience) to narrow.

Things have begun changing as of late. A key example is SK Chemicals' issuance of exchangeable bonds (EBs) in Sep 2025, using its stake in subsidiary SK Bioscience to secure financing. SK Chemicals issued KRW220b in EBs, using a 4.9% stake in SK Bioscience (3.82m common shares) as the underlying asset, with the exchange period spanning Nov 20, 2025-Oct 20, 2028. Since the exchange price (KRW57,555 per share) is 23% higher than SK Bioscience's current price (KRW46,800), the EB exchange should require SK Bioscience's stock price to rise to the exchange price. We see the move (albeit falling short of an outright stake sale) as meaningful as it marks SK Chemicals' attempt to efficiently utilize its stake in a subsidiary (asset monetization). When valuing SK Chemicals, we conservatively calculate the value of its stake in SK Bioscience by applying a 90% discount to NAV. If the NAV discount narrows to 65% upon the successful sale of the stake, SK Chemicals would have an additional 43% upside from our target price.

SK Chemicals: Details of EBs backed by stake in SK Bioscience

(KRWb)	Details
Total amount of exchangeable bonds	220
Coupon rate	0%
Maturity date	Oct 20, 2030
Exchange price	KRW57,555
Total outstanding shares of SK Bioscience (ownership)	78,369,145 (100%)
SK Chemicals' existing holdings in SK Bioscience (ownership)	52,059,724 (66.4%)
Shares subject to exchange (ownership)	3,822,430 (4.9%)
Exchange request period start date	Nov 20, 2025
Exchange request period end date	Sep 20, 2030

Source: SK Chemicals, Samsung Securities

SK Chemicals: Impact of changes in NAV discount on corporate valuation of stake in SK Bioscience

NAV Discount Rate	Value of SK Bioscience stake (KRWb)	Fair market cap (KRWb)	Fair price (KRW)	vs Our Target Price
90%	256	1,479	**85,723**	0%
85%	385	1,608	**93,173**	8%
80%	514	1,736	**100,642**	17%
75%	643	1,865	**108,115**	26%
70%	772	1,995	**115,620**	34%
65%	903	2,125	**123,170**	43%

Source: SK Chemicals, Samsung Securities estimates

Appendix

Company overview

Company overview

SK Chemicals started out in the polyester fiber business in 1969 under the name Sunkyong Fibers, and acquired Samshin Pharmaceutical in 1987 to enter the pharmaceutical business. It changed its name to SK Chemicals in 1998 and spun off its polyester fiber business in 2000 (to set up a JV with Samyang) as it suffered from profitability deterioration due to the growing supply from China.

As the flagship textile business saw weakening competitiveness, the firm overhauled its business structure—*ie*, restructuring the textile business, and upgrading its fine chemicals and life science businesses. In the fine chemicals segment, driven by a need to create a new business with technological competitiveness, the firm eyed the polyethylene terephthalate glycol (PETG) market, which was dominated by Eastman (US)—PETG is derived from PET by incorporating CHDM (1.4-cyclohexanedimethanol). The PETG market was growing robustly (showing an annual growth rate of over 10%) and needed a second manufacturer to compete with Eastman.

PETG, a high-performance copolyester plastic material, is an amorphous resin produced by adding CHDM as a comonomer. This makes it suitable for thick transparent sheets and containers that are difficult to manufacture with conventional PET. It can produce transparent products of any thickness without crystallization-induced whitening. Its outstanding transparency and chemical resistance make it ideal for a wide range of applications, including high-end cosmetic containers, building materials, advertising, and home appliance components.

SK Chemicals decided in 1999 to construct its first PETG plant in Ulsan to enter the copolyester market, and opened the plant in 2001. The firm opened a second plant in 2012 and a third plant in 2017, thus further consolidating its presence in the specialty chemical market.

The firm's businesses consist of Green Chemicals, Life Science, and SK Multi Utility (the utility supply business). The Green Chemicals division runs the copolyester/monomer business and other businesses (*eg*, biopolyol and chemically recycled plastic materials), and the Life Science division has the pharma business and SK Bioscience. SK Bioscience (listed) and SK Multi Utility (unlisted) are separate subsidiaries.

SK Chemicals: Major milestones

Year	Details	Year	Details
1969	Established Sunkyung Synthetic Fibers	2010	Divested SK Keris (Indonesia PET resin plant) and SK Eurochem (Poland PET resin plant)
1987	Acquired Samsin Pharmaceutical	2012	Completed Andong L House (vaccine facility); commenced operation of PETG Plant No.2
1998	Renamed company SK Chemicals	2013	Established Initz (PPS joint venture with Teijin, Japan)
1999	Developed Sunpla (3rd-generation platinum-based anticancer drug), world's first	2017	Transitioned to holding company structure (SK Discovery as holding company, SK Chemicals as operating entity); commenced PETG Plant No.3
2000	Spun off polyester fiber division and formed JV Huvis with Samyang Corporation	2018	Spun off vaccine business (SK Bioscience)
2001	Began operation of PETG Plant No.1	2019	Merged Initz (PPS business)
2002	Launched Joins (osteoarthritis treatment)	2020	Divested bioenergy business
2005	Carved out petrochemical business (SK Petrochemical; DMT business) and merged SK Pharmaceutical	2021	Divested PPS business; resumed operation of PETG Plant No.3
2006	Merged Dongsin Pharmaceutical (vaccines, plasma products); developed biodiesel production technology	2023	Established Shuye-SK Circular Materials (Shantou)
2009	Launched Ecozen, world's first eco-friendly, heat-resistant copolyester		

Source: SK Chemicals, Samsung Securities

The Green Chemicals division runs the copolyester/monomer business and other businesses. For the copolyester/monomer business, the firm uses PTA MEG and CHDM as raw materials to manufacture copolyester, and manufactures monomers for in-house consumption and sells them to external clients. Copolyester products include PETG and PCTG (named Skygreen), and monomer products include DMT (SKYDMT) and CHDM (SKYCHDM). Other businesses consist of PO3G (ECOTRION, a 100% bio-based polyol derived from plants), chemically recycled PET (SKYPET CR), a polyester resin for coating and adhesive purposes (SKYBON), and a thermoplastic polyester elastomer (SKYPEL).

The pharma business in the Life Science division manufactures and sells natural and synthetic drug products (*eg*, arthritis treatments and drugs to improve blood circulation). JOINS, launched in 2002, is the first natural product-based new drug approved in Korea for the treatment of arthritis. Ginexin-F is SK Chemicals' flagship brand and the market leader in the blood circulation improvement segment. Manufactured using patented technology that extracts active ingredients such as ginkgolides from ginkgo biloba leaves, Ginexin-F helps lower blood viscosity and dilate blood vessels. Other products include Trast (a patch-type treatment for knee osteoarthritis) and Wondron Patch (Korea's first patch-type dementia treatment). SK Bioscience (66.4% owned by SK Chemicals)—another key business in the Life Science division—was spun off from SK Chemicals in 2018 and listed on the Kospi in Mar 2021. SK Bioscience's sales and profitability jumped during the COVID-19 era on surging vaccine CMO orders, but a post-COVID plunge in vaccine demand hurt the firm's earnings. In Oct 2024, it acquired IDT Biologika GmbH, purchasing a 60% stake in the German CDMO firm for KRW356.4b, which helped boost its top-line growth. It has been struggling to overcome its weakness as a CMO.

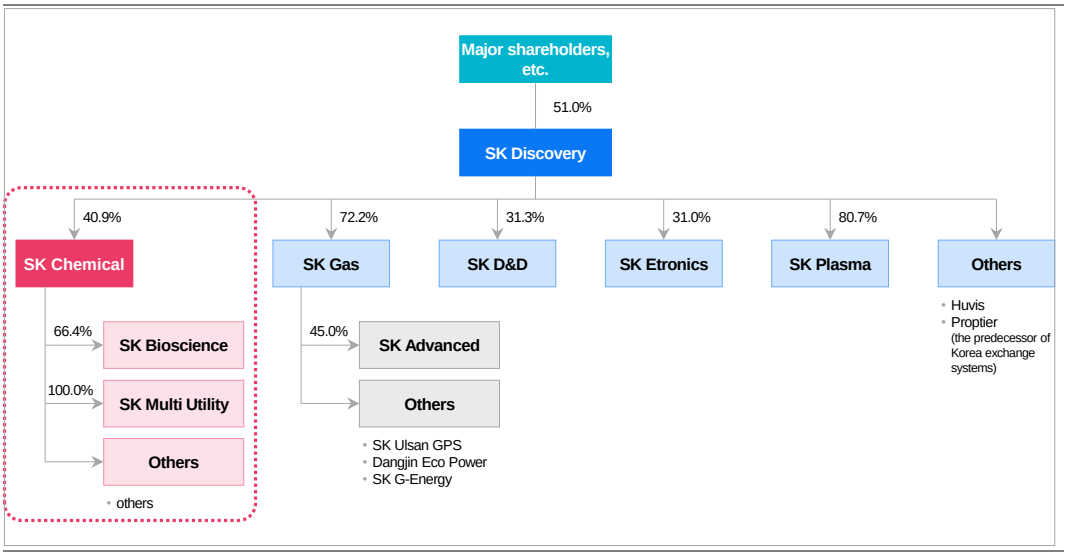
SK Multi Utility was spun off from SK Chemicals in Dec 2021 to manage its utility supply business. The company generated steam and electricity at its coal-fired power generation facilities (490 tonnes of steam/hr, 27 WM of electricity), and its new eco-friendly facilities (the LNG/LPG CHP; investment of KRW672.7b; 240 tonnes of steam/hr, 300 MW of electricity) should come online in November. The new facilities should see a hike in the electricity portion of sales. The commercial launch of the new facilities should help SK Discovery Group complete its LNG value chain. While SK Gas remains in charge of LNG unloading, storage, and send-outs (via the construction of Korea Energy Terminal, a JV with Korea National Oil Corporation), SK Gas and SK Multi Utility should be in charge of LNG power generation/sales by running LPG/LNG-powered CHP plant (1.2 GW & 0.3 GW capacity, respectively).

SK Chemicals: Revenue and outlook by major business

Business division	Products	Sales					Sales portion (%)				
		2023	2024	2025E	2026E	2027E	2023	2024	2025E	2026E	2027E
Green Chemicals		**904**	**995**	**1,074**	**1,081**	**1,091**	**50.6**	**57.0**	**47.2**	**42.4**	**42.0**
Copolyester/Monomer	PETG, PCTG, DMT, CHDM	809	910	971	975	983	45.3	52.1	42.7	38.2	37.9
Others	Bio polyols, chemically recycled PET, high-molecular polyester resins, thermoplastic elastomers	95	85	102	107	107	5.3	4.9	4.5	4.2	4.1
Life Science		**746**	**625**	**1,066**	**1,129**	**1,129**	**41.8**	**35.8**	**46.9**	**44.2**	**43.5**
Pharma	Osteoarthritis treatments, blood circulation enhancers, patch-type arthritis and dementia drugs	376	357	433	433	433	21.1	20.5	19.0	17.0	16.7
SK Bioscience (listed; 66% stake)	Vaccines, CMO, CDMO (60% stake in IDT Biologika)	370	268	633	696	696	20.7	15.3	27.8	27.3	26.8
Power Generation		**136**	**127**	**134**	**343**	**377**	**7.6**	**7.2**	**5.9**	**13.4**	**14.5**
SK Multi Utility (unlisted; 100% stake)	LPG/LNG-powered CHP plant	136	127	134	343	377	7.6	7.2	5.9	13.4	14.5

Source: SK Chemicals, Samsung Securities estimates

SK Discovery: Corporate governance structure



Source: SK Discovery, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**1,749**	**1,737**	**2,280**	**2,559**	**2,603**
Cost of goods sold	1,276	1,341	1,667	1,800	1,762
Gross profit	**473**	**396**	**613**	**759**	**841**
Gross margin (%)	27.0	22.8	26.9	29.7	32.3
SG&A expenses	390	441	577	649	660
Operating profit	**83**	**-45**	**35**	**110**	**181**
Operating margin (%)	4.8	-2.6	1.5	4.3	7.0
Non-operating gains (losses)	**-31**	**18**	**-4**	**-7**	**-10**
Financial profit	129	98	41	33	33
Financial costs	125	92	54	40	43
Equity-method gains (losses)	-3	-1	-1	-1	-1
Other	-32	13	10	1	1
Pre-tax profit	**52**	**-27**	**31**	**104**	**171**
Taxes	5	-23	-9	9	37
Effective tax rate (%)	8.7	84.1	-29.5	8.7	21.4
Profit from continuing operations	48	-4	40	95	134
Profit from discontinued operations	0	0	0	0	0
Net profit	**48**	**-4**	**40**	**95**	**134**
Net margin (%)	2.7	-0.3	1.7	3.7	5.2
Net profit (controlling interests)	40	9	54	107	144
Net profit (non-controlling interests)	8	-13	-15	-12	-10
EBITDA	196	90	220	341	424
EBITDA margin (%)	11.2	5.2	9.7	13.3	16.3
EPS (parent-based) (KRW)	2,058	456	2,813	5,518	7,455
EPS (consolidated) (KRW)	2,470	-225	2,052	4,881	6,935
Adjusted EPS (KRW)*	2,058	456	2,813	5,518	7,455

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,204**	**2,386**	**2,663**	**2,885**	**3,031**
Cash & equivalents	396	542	243	169	269
Accounts receivable	154	258	338	379	386
Inventories	377	565	742	833	847
Other current assets	1,278	1,020	1,340	1,504	1,529
Fixed assets	**1,954**	**2,981**	**3,272**	**3,455**	**3,623**
Investment assets	119	105	111	114	115
Tangible assets	1,602	2,459	2,681	2,837	2,982
Intangible assets	54	163	186	209	232
Other long-term assets	179	254	294	294	294
Total assets	**4,159**	**5,367**	**5,935**	**6,340**	**6,654**
Current liabilities	**830**	**983**	**1,328**	**1,478**	**1,528**
Accounts payable	113	118	155	174	177
Short-term debt	264	303	453	483	513
Other current liabilities	454	562	721	821	838
Long-term liabilities	**653**	**1,351**	**1,552**	**1,733**	**1,896**
Bonds & long-term debt	637	1,203	1,363	1,523	1,683
Other long-term liabilities	16	148	189	210	213
Total liabilities	**1,483**	**2,334**	**2,880**	**3,211**	**3,424**
Owners of parent equity	**2,119**	**2,201**	**2,237**	**2,324**	**2,435**
Capital stock	99	99	99	99	99
Capital surplus	1,212	1,240	1,240	1,240	1,240
Retained earnings	867	861	893	980	1,091
Other	-59	1	5	5	5
Non-controlling interests' equity	**557**	**832**	**818**	**805**	**795**
Total equity	**2,676**	**3,033**	**3,055**	**3,129**	**3,230**
Net debt	-491	270	640	799	875

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**146**	**-89**	**126**	**270**	**368**
Net profit	48	-4	40	95	134
Non-cash profit and expenses	185	23	177	235	277
Depreciation	100	119	168	214	226
Amortization	13	17	17	17	17
Other	72	-112	-8	4	35
Changes in A/L from operating activities	-22	-70	-101	-52	-8
Cash flow from investments	**-510**	**-157**	**-741**	**-544**	**-430**
Change in tangible assets	-389	-405	-390	-371	-371
Change in financial assets	-1,193	349	-269	-138	-22
Other	1,072	-102	-81	-35	-38
Cash flow from financing	**356**	**380**	**314**	**203**	**163**
Change in debt	383	554	337	223	197
Change in equity	13	28	0	0	0
Dividends	-30	-18	-22	-20	-34
Other	-11	-184	-0	-0	0
Change in cash	-11	138	-300	-74	100
Cash at beginning of year	407	404	542	243	169
Cash at end of year	396	542	243	169	269
Gross cash flow	**232**	**19**	**217**	**329**	**412**
Free cash flow	**-243**	**-511**	**-264**	**-101**	**-2**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-4.4	-0.7	31.3	12.2	1.7
Operating profit	-63.9	nm	nm	213.0	64.4
Net profit	-79.3	nm	nm	137.8	42.1
Adjusted EPS**	-78.9	-77.8	516.5	96.1	35.1
Per-share data (KRW)					
EPS (parent-based)	2,058	456	2,813	5,518	7,455
EPS (consolidated)	2,470	-225	2,052	4,881	6,935
Adjusted EPS**	2,058	456	2,813	5,518	7,455
BVPS	110,405	114,678	116,588	121,103	126,873
DPS (common)	650	1,150	1,050	1,750	2,500
Valuations (x)					
P/E***	32.7	97.1	21.7	11.1	8.2
P/B***	0.6	0.4	0.5	0.5	0.5
EV/EBITDA	6.6	21.1	11.7	7.9	6.6
Ratios (%)					
ROE	1.9	0.4	2.5	4.7	6.1
ROA	1.2	-0.1	0.7	1.5	2.1
ROIC	4.2	-0.3	1.3	2.7	3.6
Payout ratio	28.1	224.1	33.2	28.2	29.8
Dividend yield (common)	1.0	2.6	1.7	2.9	4.1
Net debt to equity	-18.3	8.9	20.9	25.5	27.1
Interest coverage (x)	2.6	-1.1	n/a	n/a	n/a

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

Source: Company data, Samsung Securities estimates

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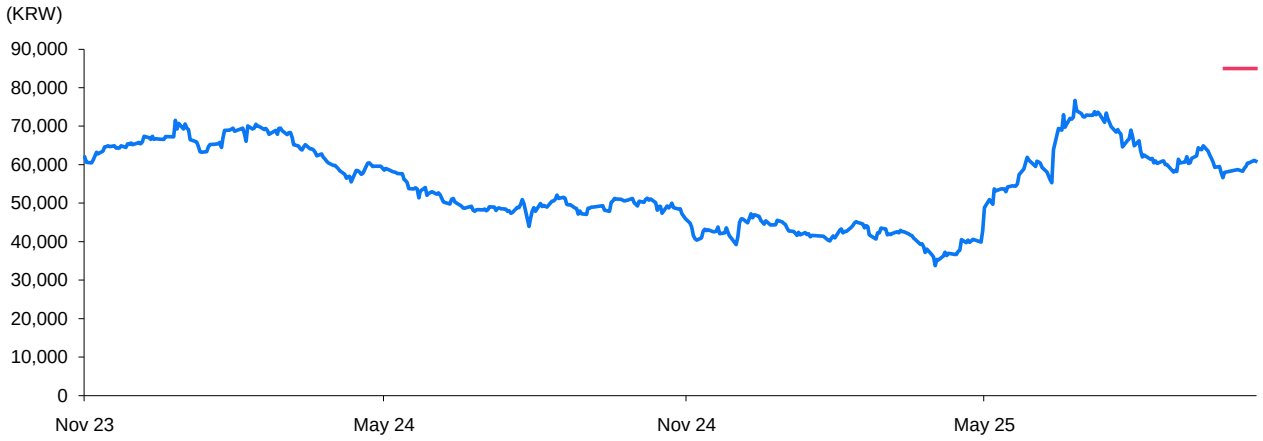
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2025/10/2
Recommendation	BUY
Target price (KRW)	85000
Gap* (average)	
(max or min)**	

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

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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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