COMPANY UPDATE

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Lotte Chemical (011170)

3Q review; fundamentals weak but shares strong

- Lotte Chemical reported a 3Q operating loss of KRW132.6b (narrowing KRW117.9b q-q), in line with consensus (loss of KRW129b). The difference from our forecast (loss of KRW154.2b) mainly resulted from olefin and aromatics businesses.
- Reflecting the recent strength of the Korean stock market and improving investor sentiment toward low-P/B stocks, we raise our target price. But improvement in fundamentals remains lacking to support share price gains. We maintain HOLD.

AT A GLANCE

HOLD

Target price	KRW90,000	6.1%
Current price	**KRW84,800**	
Market cap	KRW3.6t/USD2.5b	
Shares (float)	42,775,419 (44.0%)	
52-week high/low	KRW84,800/KRW53,400	
Avg daily trading value (60-day)	KRW12.4b/ USD8.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Chemical (%)	29.7	30.3	9.6
Vs Kospi (%pts)	12.8	-18.2	-34.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	90,000	71,000	26.8%
2025E EPS	-19,710	-19,710	0.0%
2026E EPS	-6,695	-6,695	0.0%

SAMSUNG vs THE STREET

No of estimates	16
Target price	88,063
Recommendation	3.6

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

WHAT'S THE STORY?

3Q results in line with consensus: Lotte Chemical reported a 3Q operating loss of KRW132.6b (narrowing KRW117.9b q-q), meeting consensus (loss of KRW128.6b; FnGuide) and edging our forecast (loss of KRW154.2b). Its basic chemicals businesses (olefin, aromatics, LC Titan and LC USA) saw their combined operating loss narrow by KRW93.7b q-q to KRW122.5b, with the sharp improvement stemming from the low base (scheduled maintenance at the Daesan plant; disrupted operations at LC USA) rather than from a market recovery. HDPE, PP, and ad butadiene spreads tightened 2%, 3%, and 9% q-q, respectively, in 3Q. At Lotte Advanced Materials, operating profit increased 3% q-q to KRW57.5b, despite a fall in demand from downstream industries, as sales of high-value-added products supported profitability. Lotte Energy Materials stayed in the red with an operating loss of KRW34.3b (narrowing KRW3.2b q-q), impacted by clients' inventory destocking.

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	4,786.1	-13.2	17.2	0.0	2.8
Operating profit	-132.6	nm	nm	nm	nm
Pre-tax profit	-245.6	nm	nm	nm	nm
Net profit	-163.6	nm	nm	nm	nm
Margins (%)					
Operating profit	-2.8				
Pre-tax profit	-5.1				
Net profit	-3.4				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	n/a	n/a	n/a
P/B	0.2	0.3	0.3
EV/EBITDA	41.4	35.7	17.4
Div yield (%)	3.3	1.2	1.2
EPS growth (% y-y)	nm	nm	nm
ROE (%)	-11.4	-6.0	-2.1
Per-share data (KRW)			
EPS	-39,988	-19,710	-6,695
BVPS	340,367	320,992	313,201
DPS	2,000	1,000	1,000

4Q preview—results to miss consensus: We expect Lotte Chemical to post a 4Q operating loss of KRW207.9b, missing consensus (loss of KRW103.6b; FnGuide). We believe: 1) its basic chemicals businesses will widen their combined operating loss by KRW58.4b q-q to KRW180.9b, with market conditions likely to weaken following China's recent introduction of new NCC capacities and given the cost of starting up a new plant in Indonesia; and 2) Lotte Advanced Materials will see operating profit drop 30% q-q to KRW40.6b, alongside declining sales on weak seasonality and scheduled maintenance.

View—improvement in fundamentals limited to support share price gains: Reflecting the recent strength of the Korean stock market and improving investor sentiment toward low-P/B stocks, we revise up our target forward P/B multiple from 0.22x to 0.29x (1.5 standard deviation below post-2013 average) and our target price (from KRW71,000 to KRW90,000). But operating loss is likely to deepen with the startup of a new Indonesian plant (KRW150-200b pa), while Asian chemical market conditions are set to worsen—limiting improvements in fundamentals corresponding to share price gains. We maintain our HOLD rating.

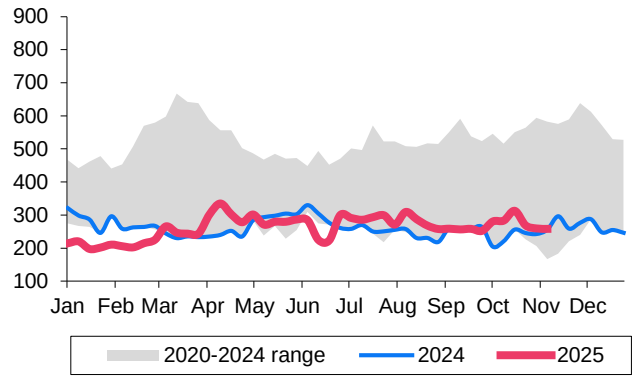
Table 1. Lotte Chemical: P/B valuation

(KRW)	Old	New	Note
Target P/B (x)	0.22	0.29	1.5 STD below post-2013 average P/B
Forward BVPS	326,723	316,766	Revised down 3.0%
Fair price per share	**70,752**	**90,292**	
Target price	**71,000**	**90,000**	**Revised up 26.8%**
Current price		84,800	As of Nov 12 close
Upside (%)		6.1	
2026 implied P/E (x)	nm	nm	
2027 implied P/E (x)	nm	nm	

Source: Samsung Securities estimates

Chart 1. HDPE-naphtha spread

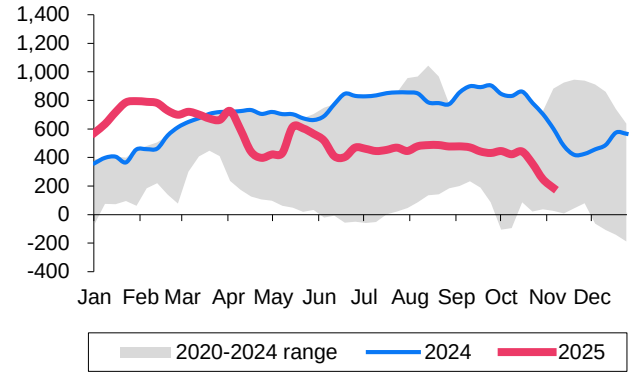
(USD/tonne)



Source: S&P Global Platts, Samsung Securities

Chart 2. Butadiene-naphtha spread

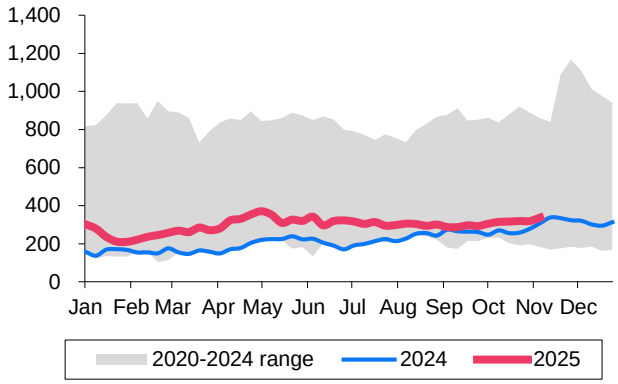
(USD/tonne)



Source: S&P Global Platts, Samsung Securities

Chart 3. ABS-AN/BD/SM spread

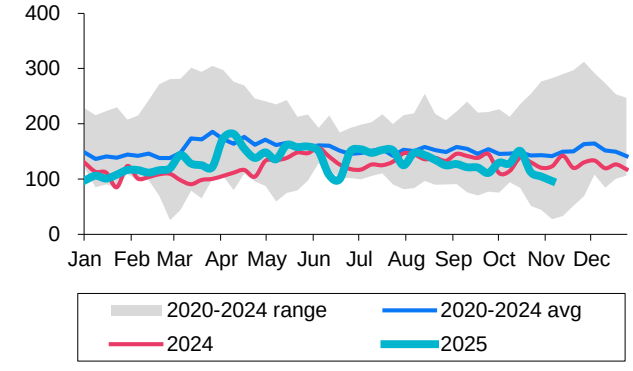
(USD/tonne)



Source: S&P Global Platts, Samsung Securities

Chart 4. Lotte Chemical: Mixed spread (spot)

(USD/tonne)



Source: S&P Global Platts, Samsung Securities

Table 2. Lotte Chemical: Quarterly results and forecasts

(KRWb)	3Q25	2Q25	3Q24	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	4,786	4,197	5,200	4,655	4,228	14.0	-8.0	2.8	13.2
Operating profit	-133	-250	-414	-129	-154	Remained neg	Remained neg	Remained neg	Remained neg
Pre-tax profit	-246	-507	-715	-232	-224	Remained neg	Remained neg	Remained neg	Remained neg
Net profit	-164	-471	-514	-161	-210	Remained neg	Remained neg	Remained neg	Remained neg
Attributable to parent	-118	-405	-447	-152	-189	Remained neg	Remained neg	Remained neg	Remained neg
Margins (%)									
Operating profit	-2.8	-6.0	-8.0	-2.8	-3.6				
Pre-tax profit	-5.1	-12.1	-13.7	-5.0	-5.3				
Net profit	-3.4	-11.2	-9.9	-3.5	-5.0				
Attributable to parent	-2.5	-9.6	-8.6	-3.3	-4.5				

Source: Company data, FnGuide, Samsung Securities estimates

Table 3. Lotte Chemical: Quarterly results and forecasts, by division

(KRWb)	3Q25	2Q25	3Q24	Chg (% q-q)	Chg (% y-y)
Sales	**4,786**	**4,197**	**5,200**	**14.0**	**-8.0**
Olefin	2,112	1,751	2,287	20.6	-7.7
Aromatic	312	357	610	-12.6	-48.9
LC Titan	806	466	587	72.9	37.3
Lotte Advanced Materials	1,022	1,046	1,122	-2.2	-8.9
LC USA	154	114	144	35.1	6.6
Lotte Fine Chemical	443	425	420	4.4	5.5
Lotte Energy Materials	144	205	211	-29.9	-32.0
Operating profit	**-133**	**-250**	**-414**	**Remained neg**	**Remained neg**
Olefin	-76	-128	-180	Remained neg	Remained neg
Aromatic	12	3	-15	310.7	Turned pos
LC Titan	-51	-52	-63	Remained neg	Remained neg
Lotte Advanced Materials	58	56	38	2.7	50.9
LC USA	-7	-38	-107	Remained neg	Remained neg
Lotte Fine Chemical	28	9	10	216.8	167.3
Lotte Energy Materials	-34	-31	-32	Remained neg	Remained neg
Pre-tax profit	-246	-507	-715	Remained neg	Remained neg
Net profit	**-164**	**-471**	**-514**	**Remained neg**	**Remained neg**
Margins (%)					
Operating profit	-2.8	-6.0	-8.0		
Olefin	-3.6	-7.3	-7.9		
Aromatic	3.7	0.8	-2.5		
LC Titan	-6.3	-11.2	-10.7		
Lotte Advanced Materials	5.6	5.4	3.4		
LC USA	-4.5	-33.7	-74.2		
Lotte Fine Chemical	6.2	2.1	2.5		
Lotte Energy Materials	-23.9	-15.2	-15.0		
Pre-tax profit	-5.1	-12.1	-13.7		
Net profit	-3.4	-11.2	-9.9		

Source: Company data, Samsung Securities estimates

Table 4. Lotte Chemical: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	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	**4,790**	**4,197**	**4,786**	**4,865**	**4,835**	**4,757**	**4,742**	**4,732**	**19,949**	**20,430**	**18,638**	**19,066**
Chg (% q-q)	-8.0	-12.4	14.0	1.7	-0.6	-1.6	-0.3	-0.2				
Chg (% y-y)	-5.8	-15.0	-8.0	-6.6	0.9	13.3	-0.9	-2.7	-7.8	2.4	-8.8	2.3
Olefin	2,200	1,751	2,112	1,972	1,954	1,916	1,897	1,878	8,414	8,920	8,035	7,644
Aromatic	514	357	312	301	298	292	289	286	2,774	2,366	1,483	1,165
LC Titan	487	466	806	1,010	1,000	981	985	975	2,196	2,216	2,769	3,941
Lotte Advanced Materials	1,108	1,046	1,022	985	976	957	947	938	4,184	4,382	4,161	3,818
LC USA	155	114	154	136	135	132	131	130	540	590	559	528
Lotte Fine Chemical	446	425	443	453	446	454	449	465	1,769	1,671	1,767	1,815
Lotte Energy Materials	158	205	144	173	192	191	209	226	809	902	680	818
Operating profit	**-127**	**-250**	**-133**	**-208**	**-142**	**-85**	**-102**	**-71**	**-333**	**-894**	**-718**	**-400**
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Olefin	-77	-128	-76	-106	-76	-49	-58	-44	-175	-407	-387	-227
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Aromatic	15	3	12	5	5	8	-3	1	-27	-35	33	11
Chg (% q-q)	Turnedpos	-80.7	310.7	-59.8	-1.2	82.6	Toturnneg	Toturnpos				
Chg (% y-y)	Turnedpos	-42.9	Turnedpos	Toturnpos	-68.5	198.0	Toturnneg	-75.4	Remainedneg	Remainedneg	Toturnpos	-66.8
LC Titan	-41	-52	-51	-73	-77	-75	-72	-60	-254	-262	-217	-284
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Lotte Advanced Materials	73	56	58	41	55	59	48	50	233	188	227	212
Chg (% q-q)	145.5	-23.2	2.7	-29.5	35.5	7.3	-18.7	4.9				
Chg (% y-y)	64.2	-26.0	50.9	36.6	-24.6	5.3	-16.6	24.1	36.8	-19.2	20.8	-6.5
LC USA	-5	-38	-7	-6	-5	-5	-5	-5	-45	-107	-56	-20
Chg (% q-q)	Turnedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Toturnneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Lotte Fine Chemical	19	9	28	26	31	35	42	38	155	50	81	145
Chg (% q-q)	54.4	-53.6	216.8	-6.0	17.8	13.2	20.0	-8.7				
Chg (% y-y)	74.3	-49.1	167.3	113.2	62.8	297.1	50.4	46.2	83.8	-67.5	60.9	78.4
Lotte Energy Materials	-46	-31	-34	-33	-22	-6	-1	-0	6	-64	-144	-29
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg				
Chg (% y-y)	Turnedneg	Turnedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg		Turnedneg	Toremainneg	Toremainneg
Pre-tax profit	-241	-507	-246	-228	-183	-124	-132	-105	-452	-2,258	-1,222	-544
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Net profit	**-246**	**-471**	**-164**	**-152**	**-122**	**-83**	**-88**	**-70**	**-39**	**-1,826**	**-1,037**	**-362**
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Toremainneg	Turnedneg	Remainedneg	Toremainneg	Toremainneg
Attributable to parent	-191	-405	-118	-130	-96	-61	-70	-60	-50	-1,711	-843	-286
Margins (%)												
Operating profit	-2.6	-6.0	-2.8	-4.3	-2.9	-1.8	-2.1	-1.5	-1.7	-4.4	-3.8	-2.1
Olefin	-3.5	-7.3	-3.6	-5.4	-3.9	-2.6	-3.1	-2.3	-2.1	-4.6	-4.8	-3.0
Aromatic	2.8	0.8	3.7	1.5	1.5	2.9	-1.0	0.4	-1.0	-1.5	2.3	1.0
LC Titan	-8.4	-11.2	-6.3	-7.3	-7.7	-7.7	-7.3	-6.1	-11.6	-11.8	-7.8	-7.2
Lotte Advanced Materials	6.6	5.4	5.6	4.1	5.6	6.2	5.1	5.4	5.6	4.3	5.5	5.6
LC USA	-3.1	-33.7	-4.5	-4.5	-3.7	-3.8	-4.0	-3.6	-8.4	-18.1	-10.1	-3.8
Lotte Fine Chemical	4.2	2.1	6.2	5.7	6.9	7.6	9.2	8.2	8.8	3.0	4.6	8.0
Lotte Energy Materials	-29.1	-15.2	-23.9	-18.9	-11.7	-3.0	-0.4	-0.2	0.7	-7.1	-21.2	-3.6
Pre-tax profit	-5.0	-12.1	-5.1	-4.7	-3.8	-2.6	-2.8	-2.2	-2.3	-11.1	-6.6	-2.9
Net profit	-5.1	-11.2	-3.4	-3.1	-2.5	-1.7	-1.9	-1.5	-0.2	-8.9	-5.6	-1.9

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**19,946**	**20,430**	**18,638**	**19,066**	**19,165**
Cost of goods sold	19,165	20,101	18,253	18,331	18,226
Gross profit	**781**	**330**	**385**	**736**	**939**
Gross margin (%)	3.9	1.6	2.1	3.9	4.9
SG&A expenses	1,129	1,224	1,103	1,135	1,138
Operating profit	**-348**	**-894**	**-718**	**-400**	**-199**
Operating margin (%)	-1.7	-4.4	-3.8	-2.1	-1.0
Non-operating gains (losses)	**-105**	**-1,364**	**-504**	**-144**	**-167**
Financial profit	510	445	224	410	312
Financial costs	735	802	601	601	596
Equity-method gains (losses)	20	-121	-133	-27	15
Other	100	-886	6	74	101
Pre-tax profit	**-452**	**-2,258**	**-1,222**	**-544**	**-366**
Taxes	-413	-433	-185	-182	-122
Effective tax rate (%)	91.3	19.2	15.2	33.4	33.4
Profit from continuing operations	-39	-1,826	-1,037	-362	-244
Profit from discontinued operations	0	0	0	0	0
Net profit	**-39**	**-1,826**	**-1,037**	**-362**	**-244**
Net margin (%)	-0.2	-8.9	-5.6	-1.9	-1.3
Net profit (controlling interests)	-50	-1,711	-843	-286	-79
Net profit (non-controlling interests)	11	-115	-193	-76	-165
EBITDA	825	397	481	979	1,340
EBITDA margin (%)	4.1	1.9	2.6	5.1	7.0
EPS (parent-based) (KRW)	-1,194	-39,988	-19,710	-6,695	-1,844
EPS (consolidated) (KRW)	-936	-42,678	-24,233	-8,467	-5,697
Adjusted EPS (KRW)*	-1,194	-39,988	-19,710	-6,695	-1,844

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**9,814**	**8,983**	**8,334**	**8,223**	**8,356**
Cash & equivalents	2,702	2,112	2,061	1,808	1,907
Accounts receivable	2,267	2,088	1,905	1,949	1,959
Inventories	2,802	2,818	2,571	2,630	2,644
Other current assets	2,044	1,965	1,796	1,837	1,846
Fixed assets	**23,662**	**25,569**	**25,373**	**24,952**	**24,203**
Investment assets	4,494	4,656	4,288	4,376	4,396
Tangible assets	14,273	16,085	16,443	16,101	15,480
Intangible assets	3,732	3,314	3,126	2,960	2,812
Other long-term assets	1,163	1,515	1,515	1,515	1,515
Total assets	**33,476**	**34,552**	**33,707**	**33,175**	**32,559**
Current liabilities	**6,524**	**8,502**	**8,030**	**7,750**	**7,411**
Accounts payable	1,354	1,276	1,164	1,191	1,197
Short-term debt	3,444	2,788	3,288	3,288	3,288
Other current liabilities	1,725	4,439	3,579	3,271	2,927
Long-term liabilities	**6,720**	**6,062**	**6,699**	**6,852**	**6,860**
Bonds & long-term debt	5,708	5,131	5,151	5,171	5,171
Other long-term liabilities	1,013	931	1,548	1,681	1,689
Total liabilities	**13,244**	**14,564**	**14,729**	**14,602**	**14,271**
Owners of parent equity	**15,543**	**14,352**	**13,535**	**13,207**	**13,086**
Capital stock	214	214	214	214	214
Capital surplus	1,943	1,730	1,730	1,730	1,730
Retained earnings	12,965	11,062	10,156	9,828	9,707
Other	422	1,346	1,435	1,435	1,435
Non-controlling interests' equity	**4,689**	**5,636**	**5,442**	**5,366**	**5,202**
Total equity	**20,233**	**19,988**	**18,977**	**18,573**	**18,287**
Net debt	5,919	8,212	8,118	8,038	7,583

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**790**	**1,542**	**1,353**	**1,254**	**1,409**
Net profit	-39	-1,826	-1,037	-362	-244
Non-cash profit and expenses	909	2,392	1,296	1,370	1,539
Depreciation	987	1,079	1,011	1,212	1,391
Amortization	185	211	188	167	148
Other	-263	1,101	97	-8	-0
Changes in A/L from operating activities	110	1,029	908	64	-8
Cash flow from investments	**-5,075**	**-1,948**	**-923**	**-614**	**-491**
Change in tangible assets	-3,548	-2,224	-1,370	-870	-770
Change in financial assets	-634	-105	149	-35	-8
Other	-892	381	299	291	287
Cash flow from financing	**4,196**	**-188**	**-775**	**-785**	**-815**
Change in debt	3,589	1,648	-263	-306	-349
Change in equity	1,160	-213	0	0	0
Dividends	-190	-225	-63	-42	-42
Other	-363	-1,398	-448	-437	-424
Change in cash	-108	-590	-50	-254	100
Cash at beginning of year	2,810	2,702	2,112	2,061	1,808
Cash at end of year	2,702	2,112	2,061	1,808	1,907
Gross cash flow	**870**	**566**	**259**	**1,008**	**1,295**
Free cash flow	**-2,850**	**-696**	**-17**	**384**	**639**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-10.5	2.4	-8.8	2.3	0.5
Operating profit	nm	nm	nm	nm	nm
Net profit	nm	nm	nm	nm	nm
Adjusted EPS**	nm	nm	nm	nm	nm
Per-share data (KRW)					
EPS (parent-based)	-1,194	-39,988	-19,710	-6,695	-1,844
EPS (consolidated)	-936	-42,678	-24,233	-8,467	-5,697
Adjusted EPS**	-1,194	-39,988	-19,710	-6,695	-1,844
BVPS	368,608	340,367	320,992	313,201	310,330
DPS (common)	3,500	2,000	1,000	1,000	1,000
Valuations (x)					
P/E***	n/a	n/a	n/a	n/a	n/a
P/B***	0.4	0.2	0.3	0.3	0.3
EV/EBITDA	20.8	41.4	35.7	17.4	12.2
Ratios (%)					
ROE	-0.3	-11.4	-6.0	-2.1	-0.6
ROA	-0.1	-5.4	-3.0	-1.1	-0.7
ROIC	-0.2	-3.2	-2.6	-1.2	-0.6
Payout ratio	-295.0	-4.9	-5.0	-14.7	-53.5
Dividend yield (common)	2.3	3.3	1.2	1.2	1.2
Net debt to equity	29.3	41.1	42.8	43.3	41.5
Interest coverage (x)	-0.9	-2.1	-1.6	-0.9	-0.5

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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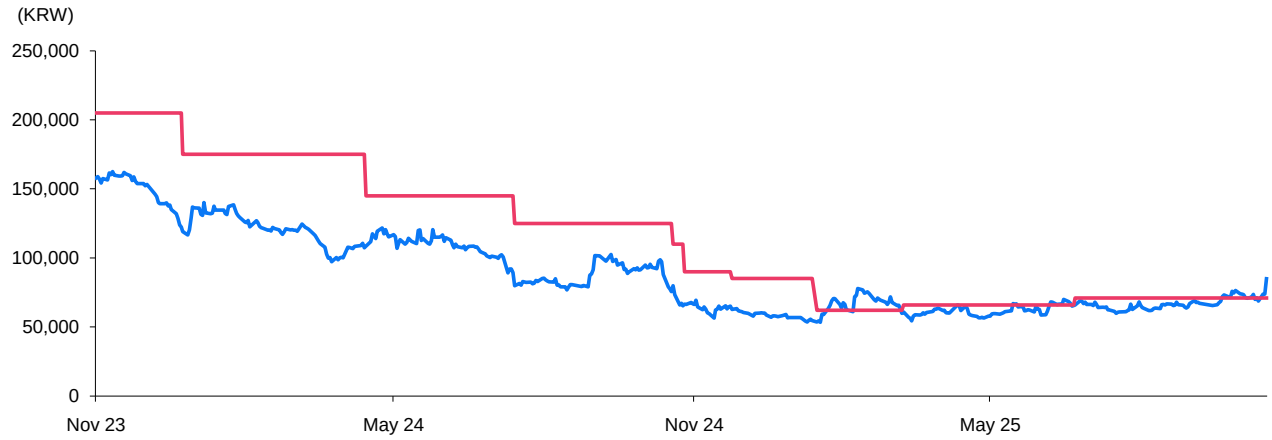
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/10	2024/1/19	5/10	8/9	11/14	11/21	12/20	2025/2/10	4/4	7/18	11/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	205000	175000	145000	125000	110000	90000	85000	62000	66000	71000	90000
Gap* (average)	-26.60	-31.14	-24.60	-29.79	-38.25	-29.01	-31.50	8.77	-6.29	-5.38	
(max or min)**	-20.68	-19.94	-16.07	-18.08	-33.27	-22.89	-25.53	25.65	6.06	19.44	

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

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* 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

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