SECTOR UPDATE

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EV/Mobility Team

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Oil Refining (OVERWEIGHT) / Chemicals (OVERWEIGHT)

2026 Outlook

Value stocks to return

Samsung Securities

2026 outlook: Value stocks to return

Looking ahead to 2026, we maintain our OVERWEIGHT rating on the chemicals sector, while upgrading the refining sector to OVERWEIGHT as supply disruptions for refined products have been deepening amid the application of stricter sanctions against Russia. Nevertheless, we prefer the chemicals sector over the refining industry.

In the refining sector, net capacity additions should prove limited due to increasing plant closures in DMs. In addition, the EU's tightened sanctions against Russia (from Jan 2026) should benefit refined products from Asia. Changing US EV policies should result in global transport fuel demand peaking later than previously expected (2029 rather than 2027).

The chemicals sector has benefited this year from weaker oil prices. But global demand growth continues to soften due to the US-led tariff war, and capacity additions—especially for commodity products—are likely to accelerate next year. As a result, profitability should prove more resilient for downstream players. The sector's return to bullish conditions (as seen in 2018 and 2021) would require global ethylene capacity cuts of 22m-33m tonnes (cuts of 0.25m tonnes *pa* are underway).

Within the chemicals sector, we believe momentum could build for a re-rating of companies that have long been viewed as value stocks. From a shareholder value enhancement perspective, the key beneficiaries are likely to be firms: 1) with a high percentage of treasury shares (KCC and Kumho Petrochemical); 2) whose investment assets exceed their market cap (KCC); and 3) with substantial discounts applied to the value of their stakes in listed subsidiaries (LG Chem, SK Chemicals).

In the refining sector, we favor S-Oil. In the chemicals sector, our top picks are LG Chem, KCC, and SK Chemicals, while our second top pick is Kumho Petrochemical.

We hope this report enhances your understanding of the two industries and helps your investment decisions.

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PART 01

Valuations and investment strategy

1) Sector investment strategy

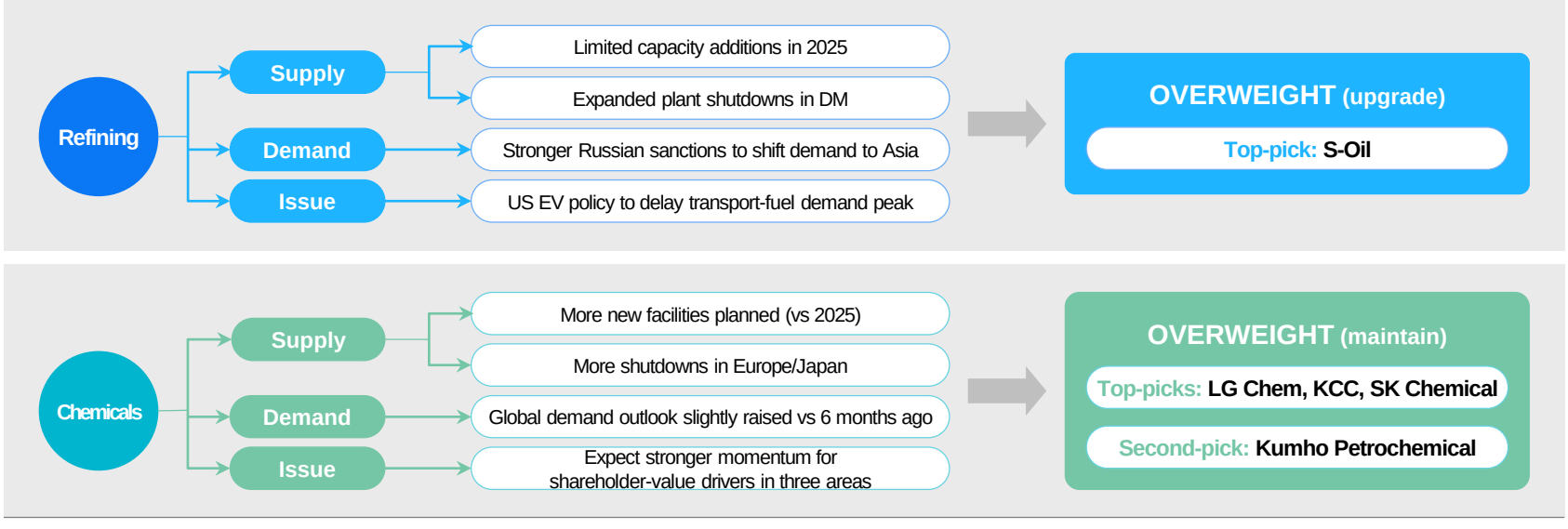
2) Top picks

1) Sector investment strategy

▶ Still preferring chemicals sector over refining industry

- We still prefer the chemicals sector over the refining industry, but upgrading the latter to OVERWEIGHT.
- In the refining sector, plant closures should continue in DMs, and additional sanctions against Russia (amid a continuation of the Russia-Ukraine war) should extend supply disruptions into 1H26.
- In the chemicals sector, capacity additions—especially for commodity products—are likely to accelerate next year despite softening demand growth. As a result, profitability should remain more resilient among downstream players next year.
- We believe chemicals firms are better than refiners in terms of shareholder value-related momentum (chemicals companies own a high portion of treasury stock, large investment assets (vs their market cap), and have large discounts applied to their subsidiary stake values).

Refining and chemicals: 2026 investment strategy



Source: Samsung Securities

2) Top picks

S-Oil, LG Chem, KCC, and SK Chemicals our top picks; Kumho Petrochemical our second top pick

- S-Oil is our top pick among refiners, as: 1) its rival is struggling with its new business; and 2) it should benefit more from a stronger refining margin (than its rival).
- In the chemicals sector, LG Chem, KCC, and SK Chemicals are our top picks. We like firms with momentum relating to shareholder value.
- We like: 1) LG Chem for the value of its stake in a subsidiary; 2) KCC for its assets and high portion of treasury shares; and 3) SK Chemicals for the narrowing discount that is applied to its stake in a subsidiary.
- Kumho Petrochemical is our second top pick given anticipation for additional share cancellations and of profitability improvement (following a recent decline in raw-material prices).

Companies in our universe: Valuations

(KRW)	Target P/B	Rating	Current price	Target price	Diff	P/E (x)			P/B (x)			ROE (%)		
	(x)				(%)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
SK Innovation	1.04	BUY	126,500	160,000	26.5	n/a	33.8	10.8	0.84	0.82	0.77	(4.5)	2.5	7.5
S-Oil	**1.34**	**BUY**	**87,500**	**110,000**	**25.7**	**54.7**	**14.8**	**18.0**	**1.14**	**1.07**	**1.02**	**2.1**	**7.5**	**5.8**
LG Chem	**1.17**	**BUY**	**393,500**	**500,000**	**27.1**	**n/a**	**26.3**	**7.6**	**0.95**	**0.92**	**0.83**	**(2.4)**	**3.6**	**11.4**
Hanwha Solutions	0.66	BUY	28,450	36,000	26.5	n/a	12.0	4.6	0.55	0.52	0.47	(4.3)	4.5	11.1
SKC	5.89	HOLD	123,000	135,000	9.8	n/a	n/a	171.9	4.43	5.37	5.19	(20.5)	(19.2)	3.4
KCC	**0.59**	**BUY**	**430,000**	**550,000**	**27.9**	**2.3**	**12.1**	**11.5**	**0.48**	**0.46**	**0.44**	**28.7**	**4.7**	**4.8**
Lotte Chemical	0.29	HOLD	84,800	90,000	6.1	n/a	n/a	n/a	0.26	0.27	0.27	(6.0)	(2.1)	(0.6)
Kumho Petrochemical	**0.57**	**BUY**	**120,700**	**155,000**	**28.4**	**9.6**	**7.6**	**7.4**	**0.49**	**0.45**	**0.44**	**6.0**	**7.0**	**6.5**
SK Chemicals	**0.78**	**BUY**	**76,000**	**96,000**	**26.3**	**16.7**	**13.0**	**9.2**	**0.64**	**0.61**	**0.58**	**3.9**	**4.9**	**6.5**
Lotte Fine Chemical	0.58	BUY	47,000	60,000	27.7	9.6	6.7	5.8	0.48	0.46	0.43	5.2	7.1	7.8
Korea Petrochemical	0.54	BUY	158,700	170,000	7.1	18.3	12.5	10.7	0.53	0.51	0.49	3.1	4.3	4.9
UNID	0.54	BUY	68,400	93,000	36.0	6.3	4.8	4.4	0.43	0.40	0.37	7.2	8.8	8.9
LG Energy Solutions	5.90	HOLD	475,500	550,000	15.7	n/a	94.1	30.4	5.39	5.10	4.37	(2.3)	5.6	15.5
L&F	7.99	BUY	130,700	180,000	37.7	n/a	50.7	34.4	6.62	5.80	4.90	(50.9)	13.2	16.7
SK IE Technology	1.06	HOLD	31,800	33,000	3.8	n/a	97.0	23.6	1.03	1.02	0.98	(4.4)	1.1	4.2

Note: As of Nov 12 close
Source: Samsung Securities estimates

PART
02

Oil Refining

1) 2025 review – Weak oil prices most noticeable

2) 2026 outlook – Supply disruptions likely amid stricter sanctions on Russia

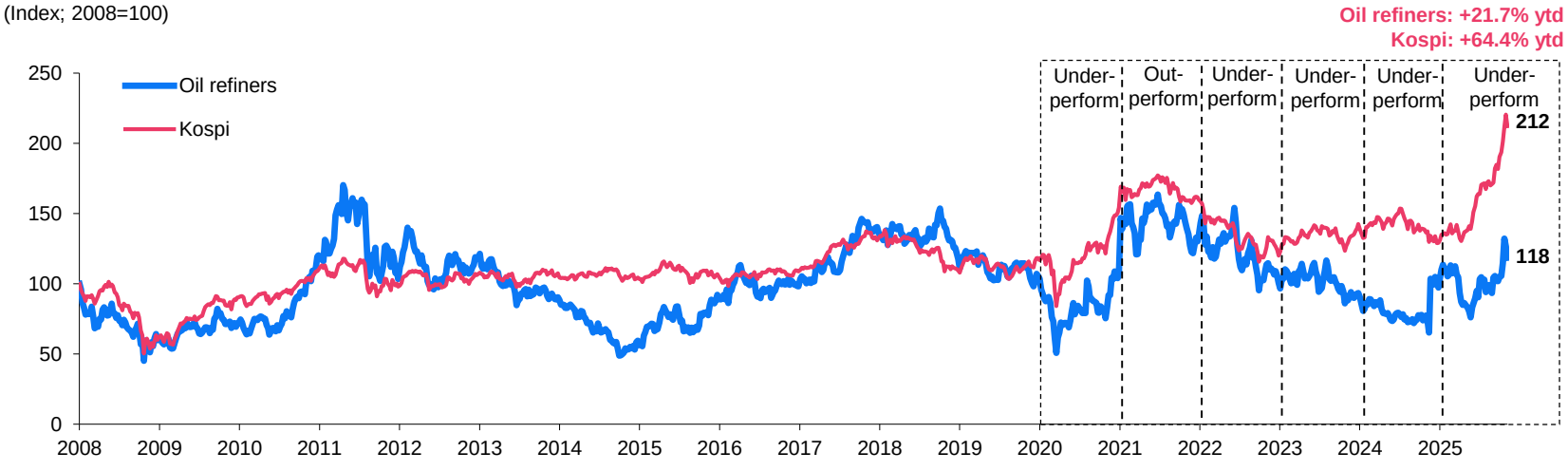
3) Issue – Impacts of end of US EV tax credits on refining demand

1) 2025 review: Refining shares underperform benchmark once again

▶ Refining sector underperforms Kospi once again in 2025, extending trend seen since 2022

- The combined market cap of Korea's two listed refiners (SK Innovation and S-Oil) is up 22% ytd (from KRW23.2t to KRW28.2t).
- During the same period, the Kospi gained 64%.
- By company, SK Innovation has risen 17% ytd and S-Oil has increased 35% ytd.
- GS Holdings is up 28% ytd, but HD Hyundai has surged159% ytd as the value of its non-refining subsidiaries has drawn attention.
- Shares suffered in 1H25 due to weak oil prices and a soft refining margin, but they have been recovering since September thanks to widening kerosene and diesel margins.

Post-2008 relative share performance: Korean refiners* vs Kospi



Note: *Combined market cap of SK Innovation and S-Oil. Excluding the effect of the 2024 merger between SK E&S and SK Innovation, the sector underperformed the Kospi.
Source: QuantiWise, Samsung Securities

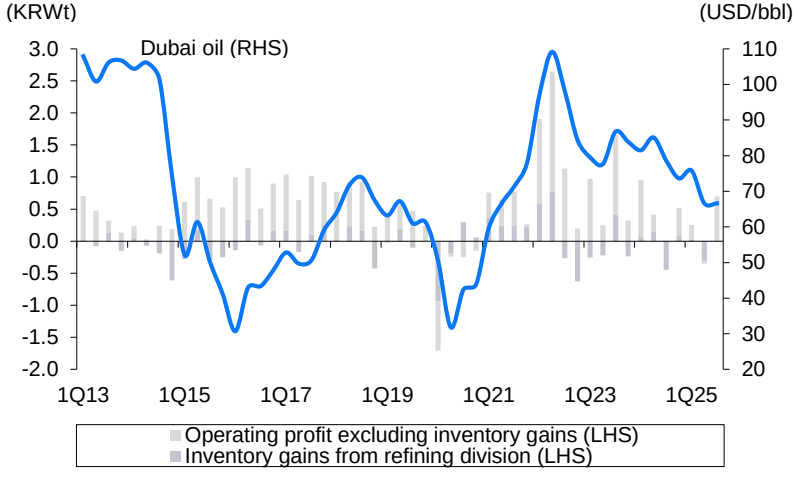
1) 2025 review – Profit slides on weak oil prices and soft refining margins

▶ Refiners' profit slides y-y on weak oil prices and soft refining margin

- We expect the two firms' combined operating loss (excluding earnings from SK Innovation's battery business) over 1Q-3Q25 to reach KRW0.39t (vs a KRW0.35t operating profit over 1Q-3Q24).
- Their combined inventory valuation losses narrowed to KRW0.22t over 1Q-3Q25 (vs a loss of KRW0.4t over 1Q-3Q24).
- Excluding inventory valuation effects, they made an operating loss of KRW0.17t over 1Q-3Q25 (vs KRW0.76t profit over 1Q-3Q24).
- In short, the projected operating profit dip in 2025 stems not only from falling oil prices but also from weaker refining margins.

SK Innovation:

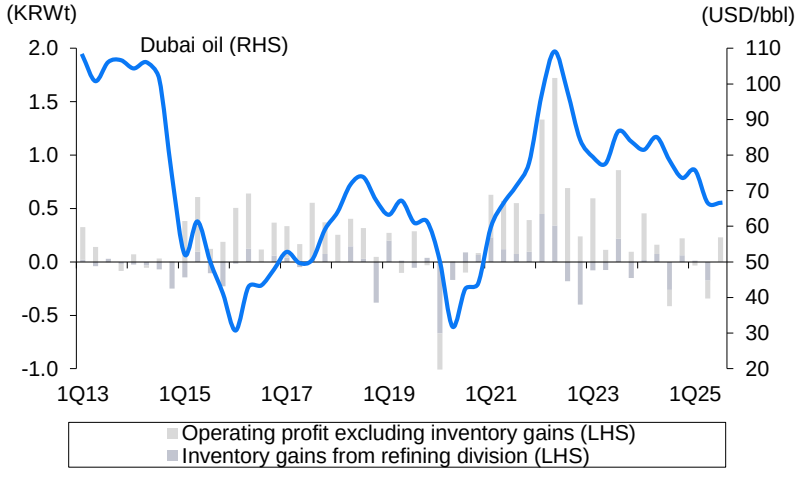
Impact of inventory valuation gains/losses on operating income



Note: Excluding SK On.
Source: Bloomberg, Company data, Samsung Securities

S-Oil:

Impact of inventory valuation gains/losses on operating income



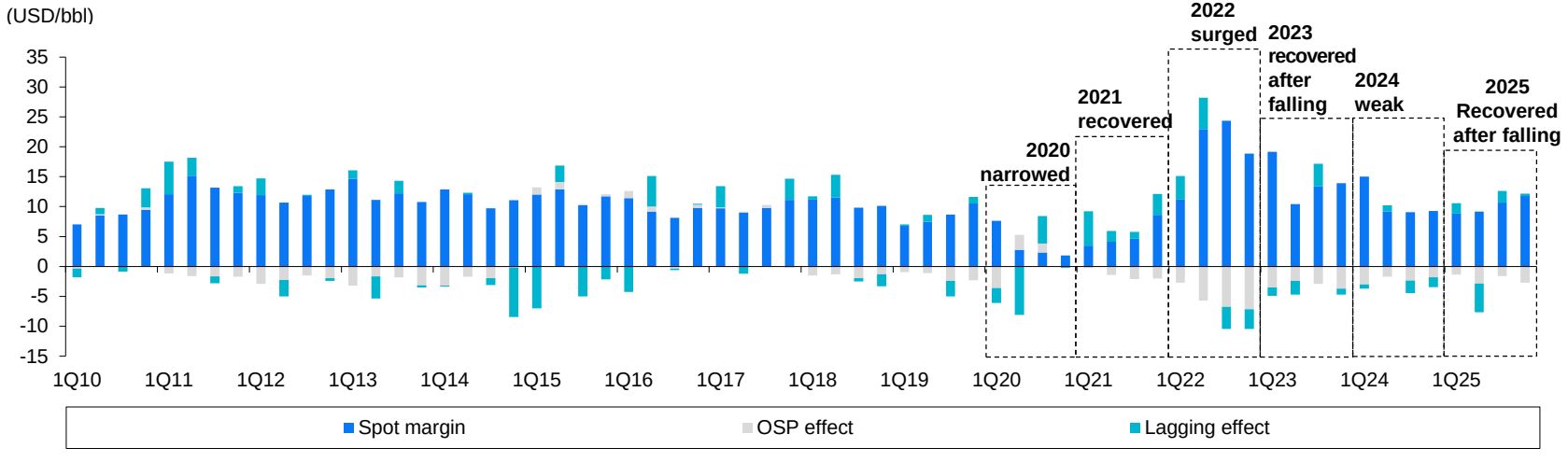
Source: Bloomberg, Company data, Samsung Securities

1) 2025 review: Earnings impacted by tariff concerns and geopolitical risk

▶ Refining profit in 2025 affected by tariff concerns in 1H and geopolitical risk in 2H

- The refining margin reflects spot margins, lag effects, and OSP effects.
- The refining margin averaged USD2/bbl in 2020, USD6.3/bbl in 2021, USD15/bbl in 2022, USD10.6/bbl in 2023, and USD7.7/bbl in 2024.
- After falling due to COVID-19 in 2020, the refining margin steadily recovered over 2021-2023 amid vaccine rollouts and the Ukraine invasion.
- The refining margin softened in 2024 as pent-up demand faded, and fell further over 1Q-3Q25 (averaging USD7.4/bbl).
- The refining margin remained weak in 1H25 (averaging USD6.7/bbl in1Q25 and USD6.2/bbl in 2Q25), but recovered to USD9.4/bbl in 3Q25. The 4Q figure (qtd) stands at USD6.7/bbl (or USD12.5/bbl, excluding negative lag effects).
- In 2H25, tariff concerns eased, and Middle East- and Russia-related geopolitical risk rose. Refining margins have recovered gradually as a result.

SK Innovation and S-Oil: Refining margin breakdown*



Note: * Reflects spot margins, OSP effects, and lag-related effects, but excludes inventory valuation gains/losses
Source: Samsung Securities

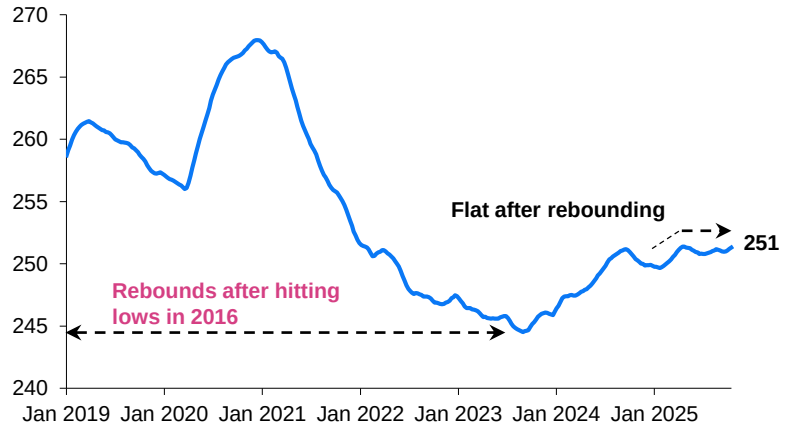
1) 2025 review: Inventory rebound stalls

▶ Rebound in inventories (since 2024) stalls or turns weak for some products

- The rebound in inventories of major refined products, after reaching record lows in 2023 (due to geopolitical events centering on Russia since 2021), has either stalled or turned weak (for some products).
- After rising 1.5% in 2024, the global gasoline inventory has gained 0.6% ytd (the pace of recovery has slowed).
- The global kerosene/diesel inventory (combined) has fallen 5% ytd after growing 5.9% in 2024.
- The downturn in the kerosene/diesel inventory suggests that the supply has tightened again (after easing in 2024).
- This is one of the reasons behind kerosene/diesel margins remaining lofty.

Global* light distillates: Inventory (gasoline)**

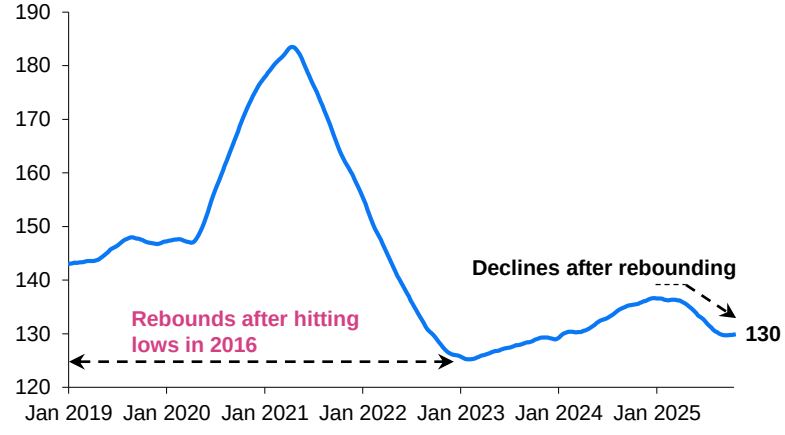
(Mil barrels)



Note: * Total of US, Singapore, UAE, and Europe / ** 52-week rolling average
Source: Enterprise Singapore, Platts, Samsung Securities

Global* middle distillates: Inventory (diesel and kerosene)**

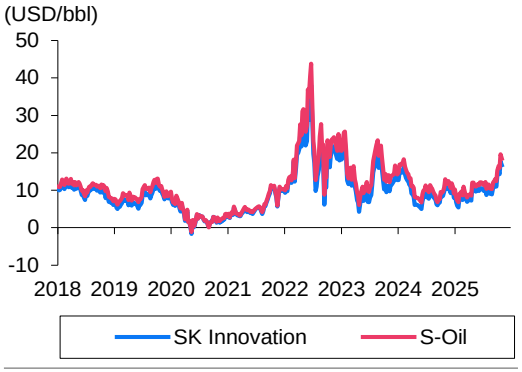
(Mil barrels)



Note: * Total of US, Singapore, UAE, and Europe / ** 52-week rolling average
Source: Enterprise Singapore, Platts, Samsung Securities

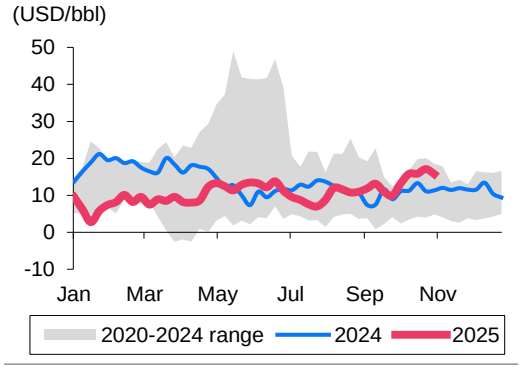
2) 2025 review: Refining margin, by product

SK Innovation and S-Oil: Mixed margin



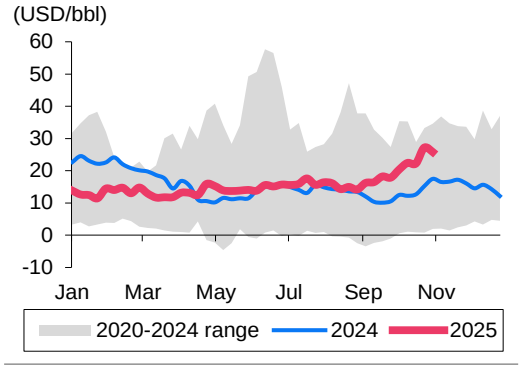
Source: Petronet, Samsung Securities

Gasoline: Spot refining margin



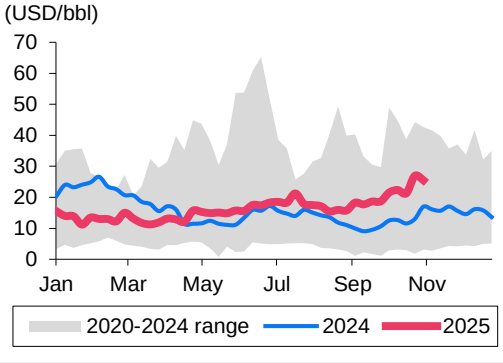
Source: Petronet, Samsung Securities

Kerosene: Spot refining margin



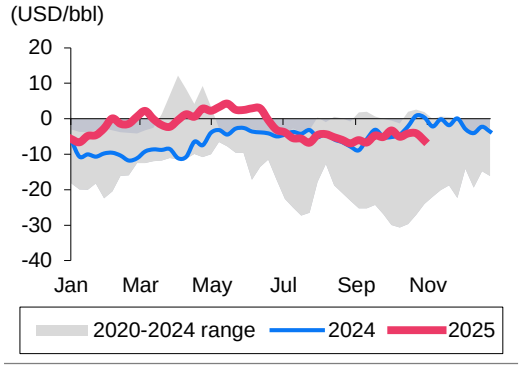
Source: Petronet, Samsung Securities

Diesel: Spot refining margin



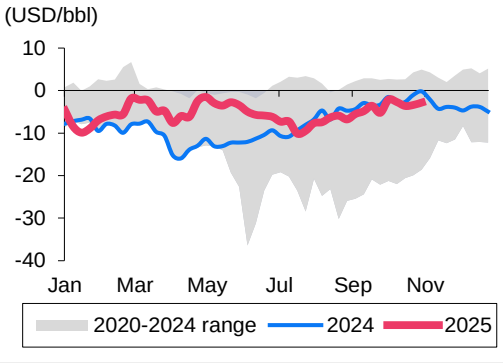
Source: Petronet, Samsung Securities

Bunker-C: Spot refining margin



Source: Petronet, Samsung Securities

Naphtha: Spot refining margin



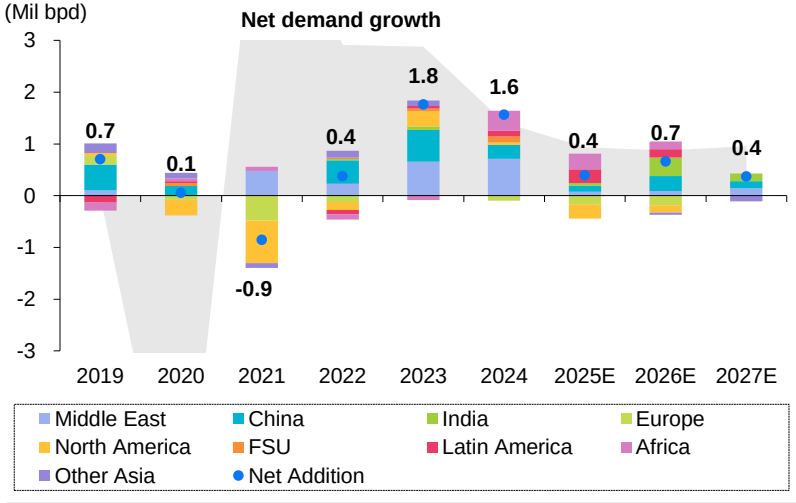
Source: Petronet, Samsung Securities

2) 2026 outlook: Supply – new capacity additions to be limited in 2026

▶ Net capacity additions to be limited once again in 2026

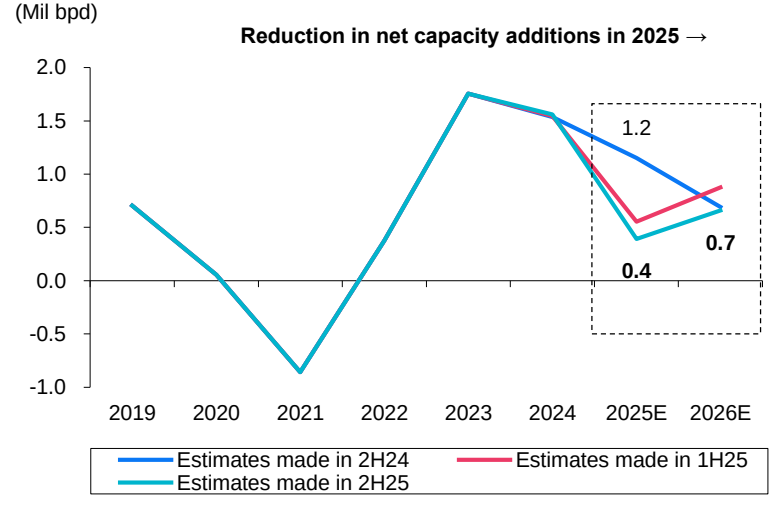
- Net changes in global refining capacity: -0.86m bpd in 2021, +0.38m bpd in 2022, +1.76m bpd in 2023, +1.56m bpd in 2024.
- Net capacity additions in 2025 were projected to reach 1.15m bpd a year ago, but the figure now stands at just +0.39m bpd…
- …because of delays in the startup of new facilities (including in Mexico) and a rise in plant closures in the US and Europe.
- Net capacity growth in 2026 is likely to reach 0.66m bpd (0.88m bpd expected six months ago) as even more plants are set to close in DMs.
- Net capacity additions *pa* should remain under 1m bpd over 2025-2026.

Global: Refining product supply-demand balance



Note: Adjusted capacity based on start-up period (effective additional capacity)
Source: Thai Oil, Samsung Securities

Global net refining capacity change forecasts for 2H24-2026



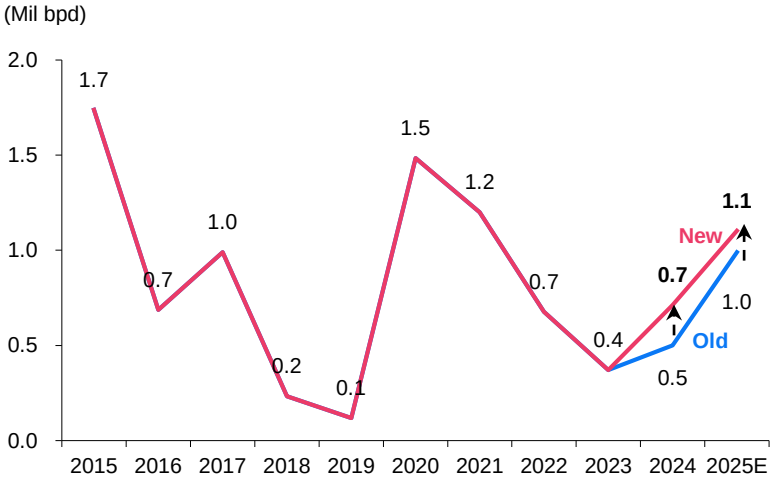
Source: Thai Oil, Samsung Securities

2) 2026 outlook: Supply – Capacity closures led by DMs

▶ Capacity closures accelerate as refining margin narrows

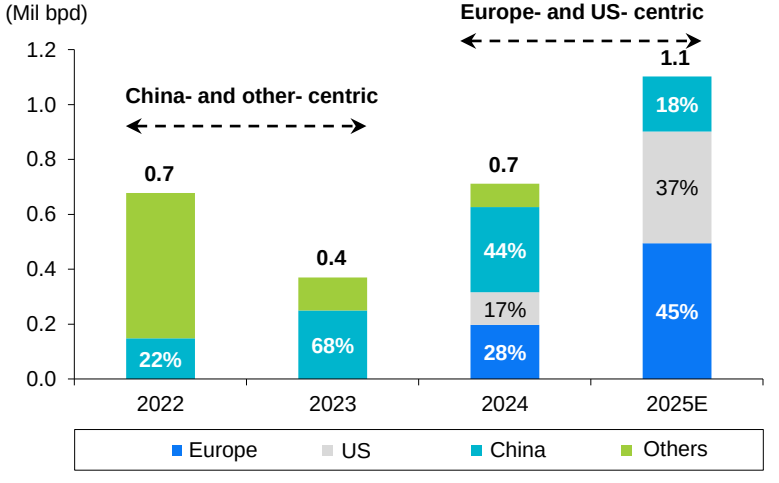
- Refinery closures surged over 2020-2022 (due to COVID-19) before plunging in 2023 as the refining margin improved.
- Capacity closures accelerated again in 2024 as the refining margin began to fall. Capacity closure estimates for 2024-2025 have been lifted.
- The recent refinery closures have been more evident in Europe and the US, as:
- 1) older facilities are located there and both regions are moving aggressively towards cleaner products; and
- 2) new facilities in Africa and the Middle East (targeting exports) are being ramped up, weakening the competitiveness of existing facilities.

Global refinery closures: Old projection vs new projection



Source: Bloomberg NEF, Samsung Securities

Regional refinery closures, 2022-2025



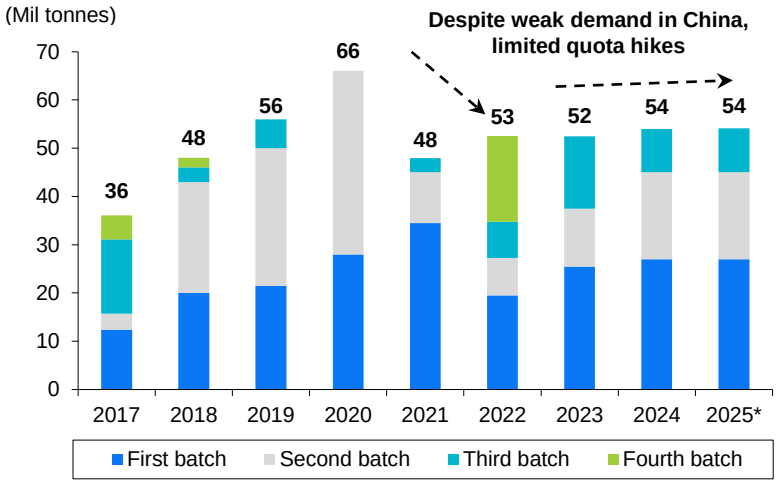
Source: Bloomberg NEF, Samsung Securities

2) 2026 outlook: Supply – Increasing likelihood of China cutting oil product export quotas

With actual exports falling short of quotas for 2 years, China is more likely to cut export quotas

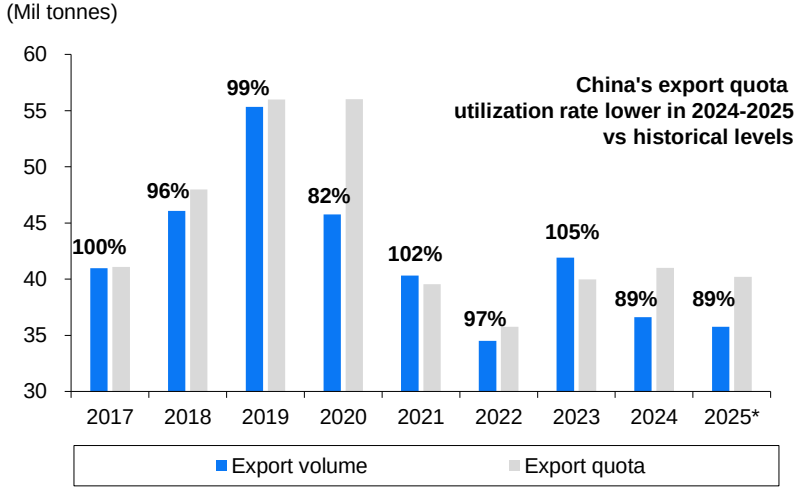
- China's export quotas for refined products are no longer expanding (as they did over 2017-2020) due to the introduction of decarbonization policies and further due to restructuring.
- Export quotas have remained below 55m tonnes *pa* since 2022 and were set at a similar level y-y this year.
- Meanwhile, actual exports of refined products from China have been sliding for two consecutive years (since 2023). The country's actual exports should remain around 89% of export quotas in 2025 for a second year.
- In Dec 2024, the export tax (VAT) rebate for refined products was reduced from 13% to 9%, further discouraging exports. On top of this, new refining capacity in China—mostly crude oil-to-chemicals (COTC)—should make it more likely that the country cuts its export quotas for refined products next year.

China: Refined oil products—export quotas



Note: *As of end-September
Source: JLC, Samsung Securities

China: Export quota utilization rate* for refined products



Note: *Export quota utilization rate = Export volume/export quota
Source: Bloomberg NEF, Samsung Securities

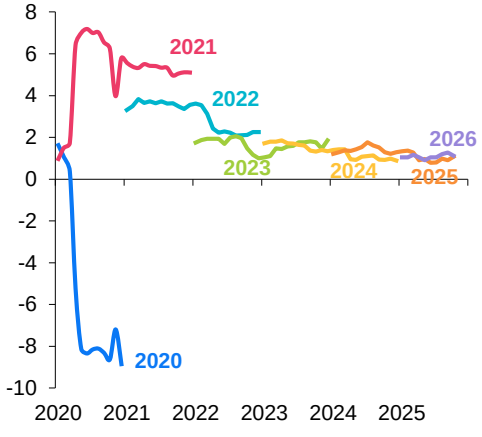
2) 2026 outlook: Demand to grow at similar pace y-y

▶ The world's three major energy agencies estimate 2026 crude demand will prove similar y-y

- The EIA has raised its 2026 net global crude demand growth forecast: +1.04m bpd in April (+1% y-y) vs +1.12m bpd in October (+1.1% y-y).
- The IEA has tinkered with its 2026 growth estimate: +0.69m bpd in April (+0.7% y-y) vs +0.7m bpd in October (+0.7% y-y).
- OPEC has raised its 2026 forecast from 1.28m bpd in April (+1.2% y-y) to +1.38m bpd in October (+1.3% y-y).
- All three firms have slighted lifted their 2026 forecasts vs the estimates they made six months ago (when US tariff-related worries escalated).

EIA forecasts: Net changes in global crude demand

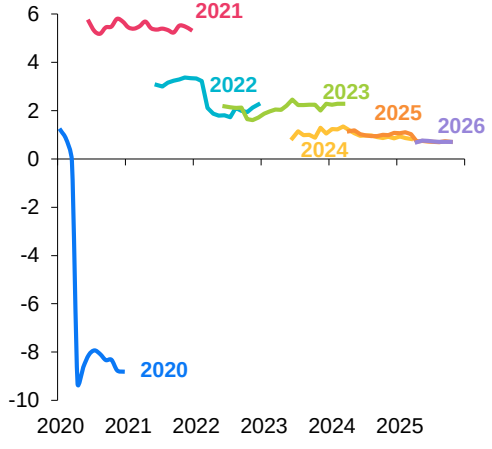
(Mil bpd)



Source: EIA, Samsung Securities

IEA forecasts: Net changes in global crude demand

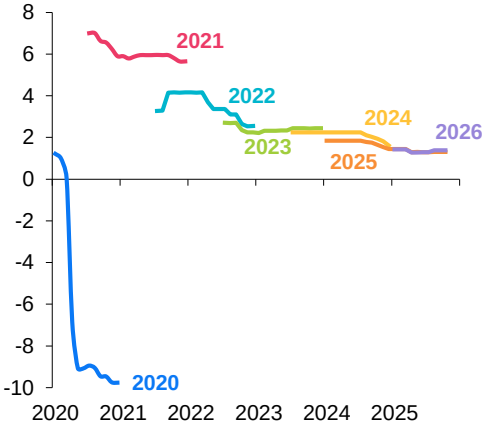
(Mil bpd)



Source: IEA, Samsung Securities

OPEC forecasts: Net changes in global crude demand

(Mil bpd)



Source: OPEC, Samsung Securities

2) 2026 outlook: Demand – tighter Russia sanctions to lift Asian refining demand

▶ EU's stricter sanctions against Russia to benefit Asian oil refined products

- The EU has banned imports of Russian crude and refined oil products since 2023 (after Russia invaded Ukraine in 2022).
- However, Indian and Turkish refiners have continued to export refined products made from cheap Russian crude to Europe.
- The EU has decided to extend its import ban to refined products made from Russian crude if processed in third countries (like India and Turkey) from Jan 2026.
- It is believed that 38% of the EU's diesel and kerosene imports (0.49m bpd; as of Sep 2025) were made from Russian crude and processed in India, Turkey, or other regions.
- Accordingly, the EU should look to other regions for diesel in 1H26. This bodes well for Asian refined products.
- One possibility is that if an agreement to end the Russian-Ukraine war is reached, the EU may relax sanctions against Russian energy.

EU/US: strengthened Russia-related energy sanctions effective after 2025

Sanctioning body	Measure	Scope	Effective Date	Notes
EU	Revision of crude price-cap mechanism	Changes in the crude price-cap benchmark	Jul 18, 2025	- Shift from a fixed cap (USD60/bbl) to a dynamic cap set 15% below the 3-month average price
EU	**Ban on imports of "third-country refined" petroleum products**	**Refined products**	**Jan 21, 2026**	**- Aimed at blocking indirect flows (*ie*, those via Indian/Turkish refining facilities)**
EU	Gradual phase-out of LNG imports	LNG	Apr 23, 2026 (short-term contracts end) Jan 1, 2027 (long-term contracts end)*	- Original plan targeted full halt of imports of Russian gas from 2028; timeline advanced by one year
EU	Tightened prohibition on transactions with state-owned oil companies (Rosneft, Gazprom Neft)	State-owned oil firms and banks	Oct 23, 2025	- Rosneft and Gazprom Neft lose previous exemption status
US	Addition of Rosneft and Lukoil to financial sanctions list	Rosneft, Lukoil and subsidiaries	Oct 22, 2025.	- Asset freeze and prohibition of transactions with US persons and US financial institutions

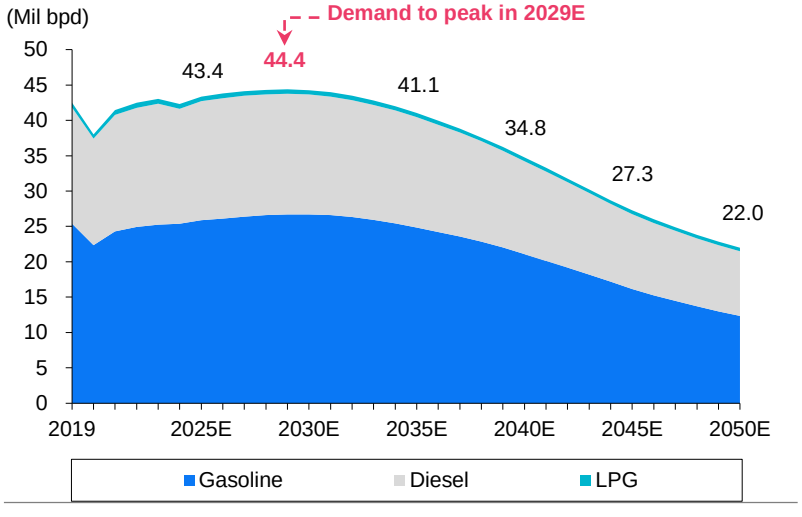
Source: Press release, Samsung Securities

3) Issue – Impact of end of US EV tax credits on refining demand

▶ Global transport fuel demand is now expected to peak in 2029 (previously expected to peak in 2027)

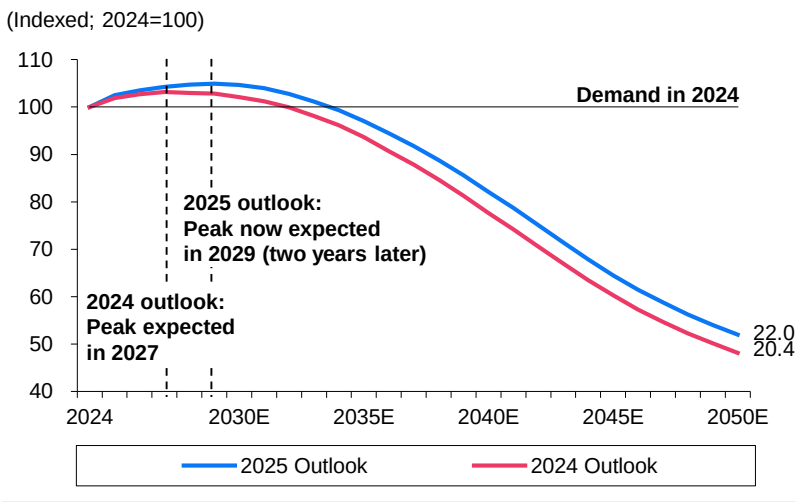
- Peak demand for global transport fuels (which segment accounts for more than 40% of global refining demand) should differ by country and depend on the pace of the nation's electrification.
- In 2024, global transport fuel demand was expected to peak in 2027, but changes in US EV policy this year have led to new forecasts.
- Bloomberg NEF now forecasts that global transport fuel demand will peak in 2029 (vs 2027 before) due to falling EV penetration rates in the US.
- Bloomberg NEF has raised its 2050 global transport fuel demand forecast by 8% from 20.4m bpd to 22m bpd, as it cut its US EV market outlook to reflect the end of EV tax credits this year.

Global transport fuel demand outlook



Source: Bloomberg NEF, Samsung Securities

Global transport fuel demand: Outlook as of 2025 vs as of 2024



Source: Bloomberg NEF, Samsung Securities

PART
03

Chemicals

1) 2025 review: Fundamentals continue to deteriorate

2) 2026 outlook: Supply-demand to improve for broadening range of products

3) Issue #1: Scenario-based estimate of how much restructuring is needed for sector to recover

4) Issue #2: Shareholder value enhancement momentum
— identifying beneficiaries

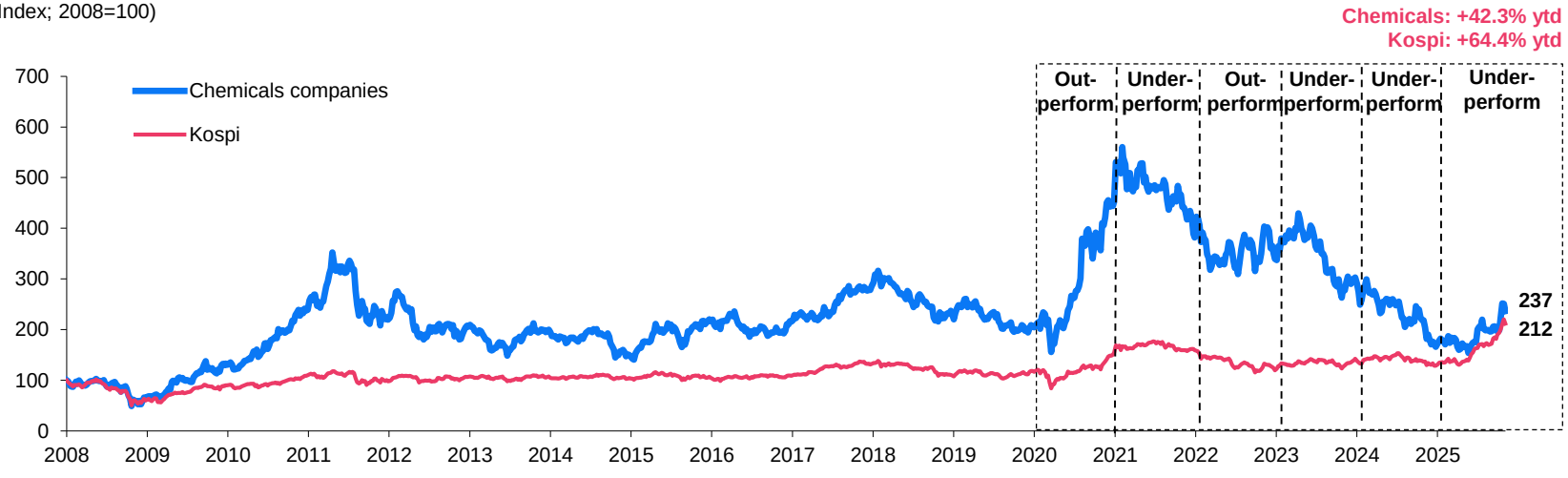
1) 2025 review: Chemicals underperform benchmark again, but stronger than refining

▶ Chemicals sector underperforms Kospi in 1H25, but outperforms refining sector

- The combined market cap of Korea's nine major chemicals firms—LG Chem Hanwha Solutions, SKC, KCC, Lotte Chemical, Kumho Petrochemical (KKPC), Lotte Fine Chemical (LFC), SK Chemicals and Korea Petrochemical (KPIC)—now stands at KRW50.5t, up 42% ytd (from KRW35.5t in January).
- During the same period, the Kospi has gained 64%.
- The chemicals sector (up 42% ytd) has outperformed the refining sector (up 22% ytd) due to the low base (it fell hard in 2024).

Post-2008 relative share performance: Korean chemicals firms* vs Kospi

(Index; 2008=100)



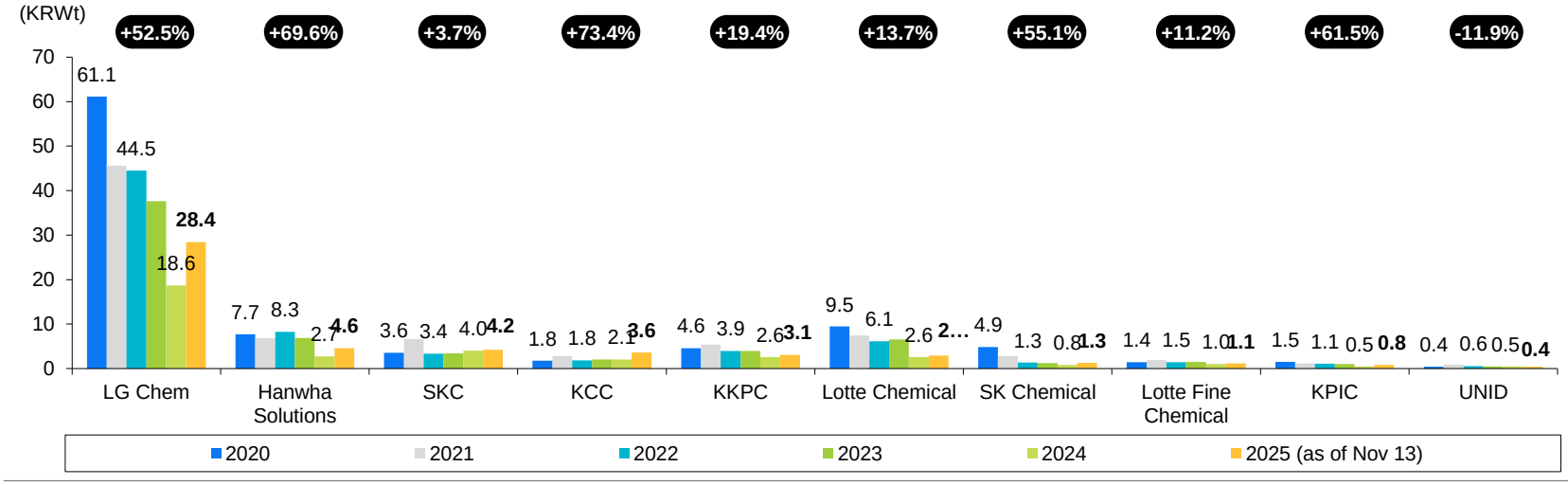
Note: *Combined market cap of LG Chem, Hanwha Solutions, SKC, KCC, Lotte Chemical, KKPC, Lotte Fine Chemical, SK Chemical and KPIC
Source: QuantiWise, Samsung Securities

1) 2025 review: Share-price gains driven primarily by non-chemical factors

▶ Sector market cap supported by LG Chem, Hanwha Solutions, and KCC's strong performance

- The combined market cap of the nine major chemicals firms has risen 42% ytd. LG Chem (+53%), Hanwha Solutions (+70%) and KCC (+73%) account for much of this ascent.
- LG Chem slumped through 1H25 before rebounding in 2H25 on the rising share price of its battery subsidiary and on the sale of some of its shares in the subsidiary (which action unlocked the asset's value).
- Hanwha Solutions surged in 1H25 on an earnings surprise before pulling back in 2H25 on earnings weakness. It is still up sharply ytd.
- KCC rallied on a rise in silicone and coatings earnings, growing expectations surrounding treasury share cancellations, and the rising value of its assets.
- Share-price gains at the three companies were driven by factors unrelated to petrochemicals.

Korean chemicals firms: Yearly changes in market cap



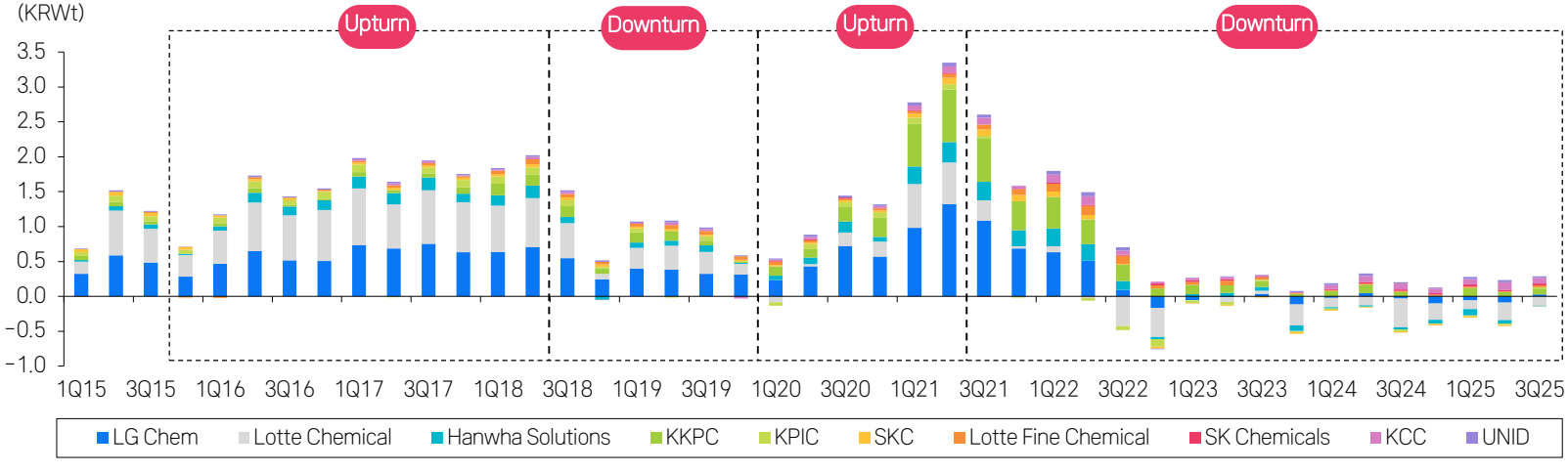
Source: QuantiWise, Samsung Securities

1) 2025 review: Fundamentals continue to deteriorate

▶Chemicals sector sees operating profit rise y-y

- The nine chemical firms' combined quarterly operating income tumbled from an average of KRW0.72t in 2022 to around breakeven in 2023 and to -KRW0.11t in 2024.
- Over 1Q-3Q25, their quarterly operating loss averaged KRW0.03t (narrowing KRW0.02t y-y) as softening oil prices eased their cost burden.
- Out of 10 major chemicals firms, only KCC, KKPC, SK Chemicals, LFC, and Unid reported profits in 3Q25. The rest remained neg.
- The recovery in profit from commodity chemicals (*eg*, NCC) has been limited, with only specialty chemicals demonstrating solid profit generation.

Korean chemicals companies: Quarterly operating income



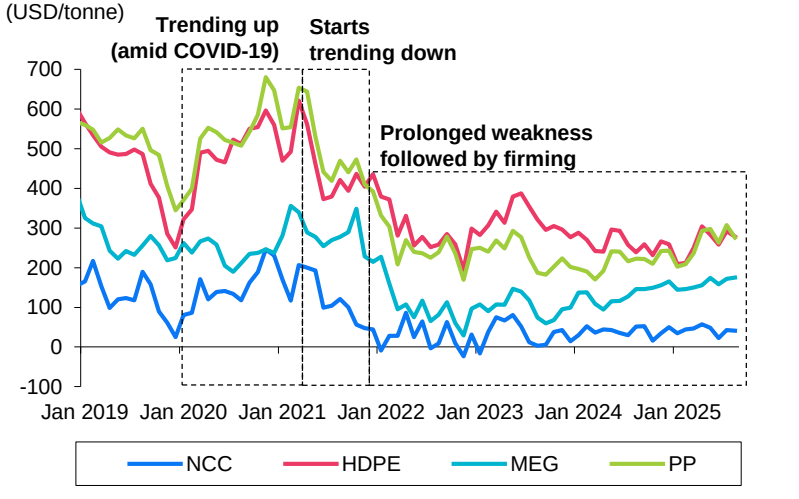
Note: LG Chem, Hanwha Solutions, and SK Chemicals are based on petrochemical metrics; KCC is based on combined silicone/coating metrics.
Source: Industry data, Samsung Securities

1) 2025 review: Besides weaker oil prices, recovery drivers limited

▶ The downturn is now more than three years old, and a meaningful recovery has been seen for few products

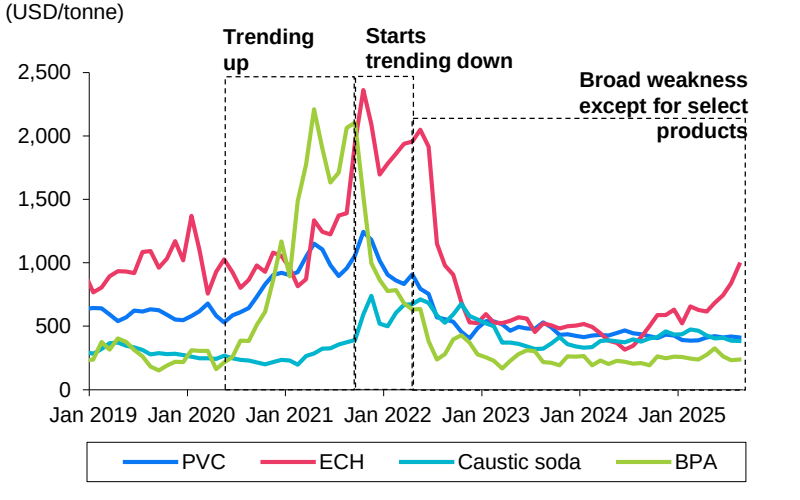
- Chemical product spreads have been shrinking since Mar 2021 (*ie*, they have been narrowing for 4 years and 8 months).
- The downturn owes to a combination of: 1) soft demand; 2) supply growth; and 3) weakened cost competitiveness.
- Oil prices slid 20% over January-October (from USD79.9/bbl to USD64.1/bbl). Naphtha prices dropped 15% during the same period.
- As a result, spreads on commodity (PE/PP) products slightly improved ytd, albeit to a smaller extent than the fall in feedstock prices.
- Among downstream products, only ECH spreads rose significantly, with other spreads remaining steady to soft.
- ECH spreads widened, as rising prices of glycerine (a competing feedstock to propylene) ended up boosting propylene-based ECH spreads.

Monthly spreads: NCC, HDPE, MEG, and PP



Source: Platts, Samsung Securities

Monthly spreads: PVC, ECH, caustic soda, and BPA



Source: Platts, Samsung Securities

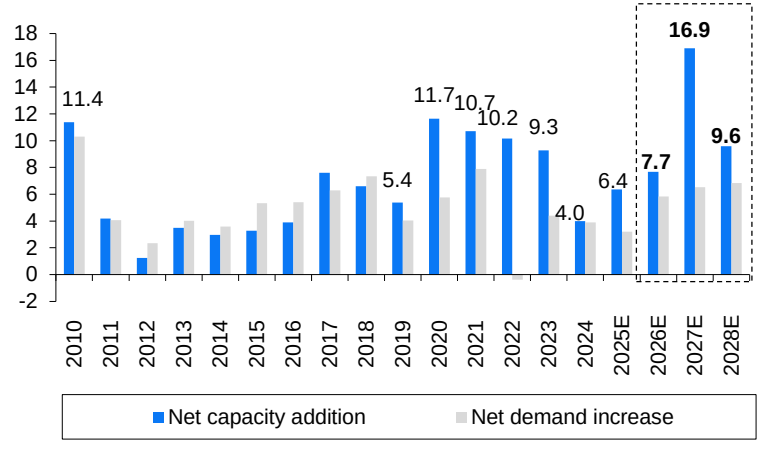
2) 2026 outlook: Supply – Ethylene

▶ Ethylene capacity expansions in 2026 to be smaller than previously forecast, but large growth possible in 2027

- The ethylene capacity is now expected to see a net rise of 7.68m tonnes in 2026 (+3.3%), less than that predicted 6 mths ago (+8.75m tonnes or +3.6%)…
- …probably as more old facilities are set to be closed (amid prolonged industry sluggishness).
- Ethylene demand is now projected to grow 5.84m tonnes in 2026 (+3.1%), down from an expected 6.74m tonnes (+3.6% y-y) six months ago.
- Meanwhile, ethylene capacity additions in 2027 are expected to reach a record 16.9m tonnes (+7% y-y), with some of the 2028 planned additions likely to be brought forward a year.
- In short, despite an acceleration in global ethylene capacity shutdowns, supply glut risk should persist through 2028 on the start of new plants.

Ethylene: Net capacity changes vs demand changes

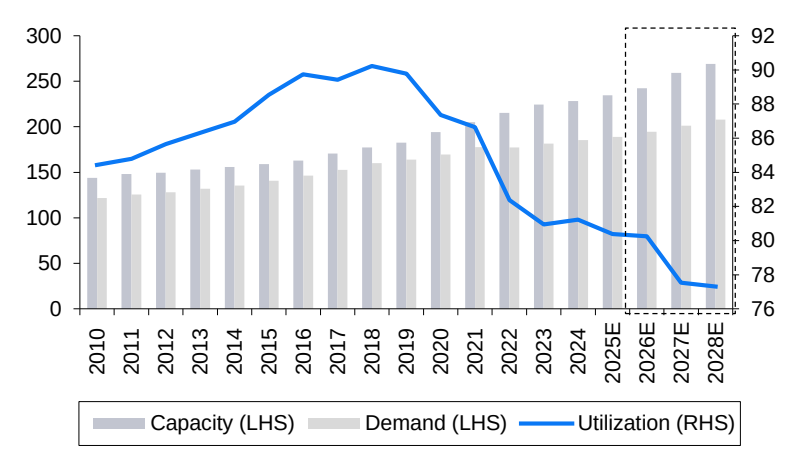
(Mil tonnes)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

Ethylene: Global supply-demand balance

(Mil tonnes) (%)



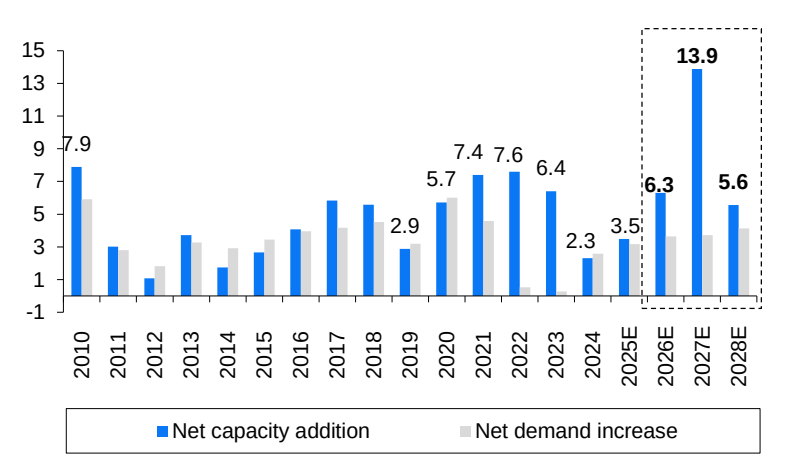
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – Polyethylene (PE)

Net PE capacity growth to accelerate over 2026-2028

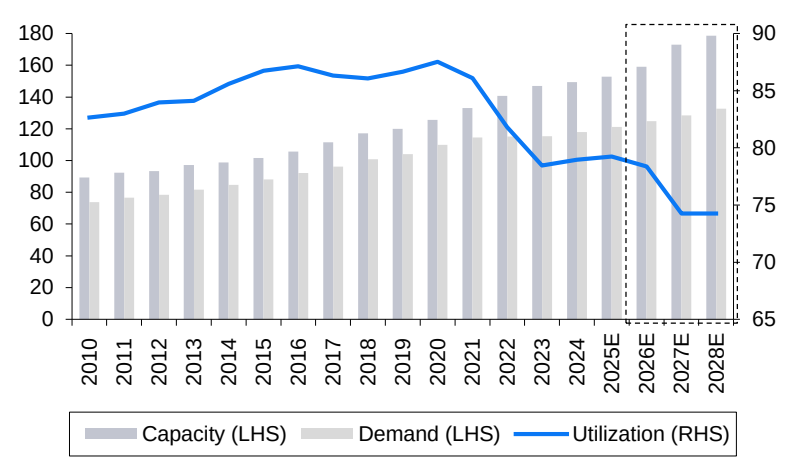
- PE capacity is expected to see a net increase of 6.31m tonnes in 2026 (+4.1%), with demand expected to grow 3.65m tonnes (+3%).
- The forecasts for net capacity increases and demand growth over 2025-2026 have been revised down, similar to the trends seen with ethylene. Plans for massive capacity additions in 2027 are also similar.
- Net PE capacity should grow 1.5-3.2% *pa* over 2024-2025, slower than the pace of growth over 2021-2023 (+5.4% *pa*). But sizable capacity additions are planned for 2026 (+5%) and 2027 (+6.8%), though whether they will actually happen remains to be seen.
- Net PE capacity should grow 13.88m tonnes in 2027 (+8.7%), almost three times the average additions over 2024-2025 (4.9m tonnes *pa*).
- Meanwhile, net demand growth is estimated at only 3.73m tonnes (+3%), pointing to an inevitable deterioration in supply-demand dynamics.

PE: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

PE: Global supply-demand balance

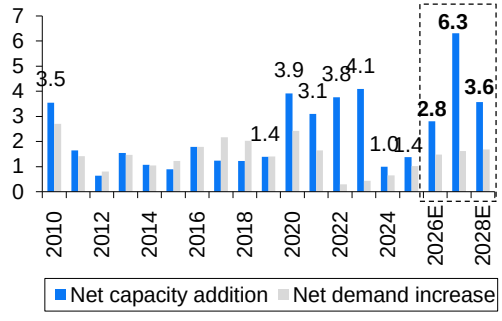


Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – Polyethylene (PE)

HDPE: Net changes in capacity & demand

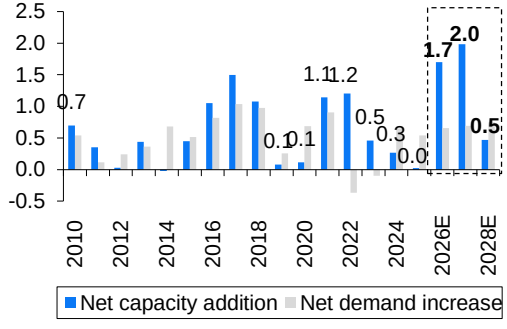
(Mil tonnes)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

LDPE: Net changes in capacity & demand

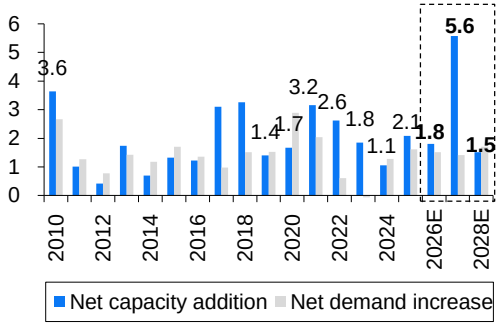
(Mil tonnes)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

LLDPE: Net changes in capacity & demand

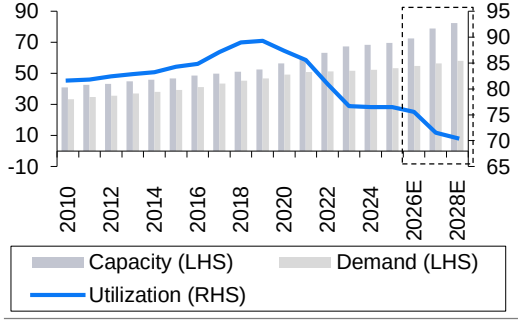
(Mil tonnes)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

HDPE: Global supply-demand balance

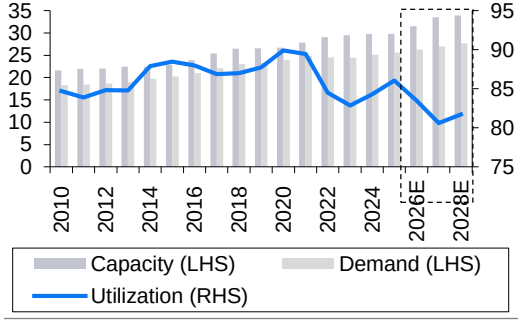
(Mil tonnes) (%)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

LDPE: Global supply-demand balance

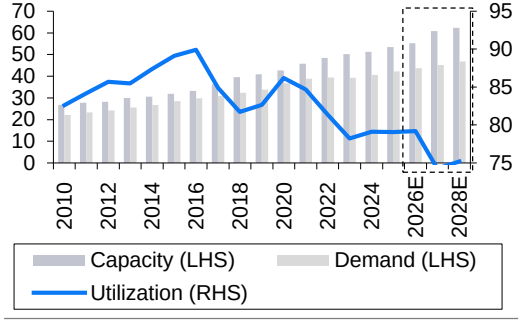
(Mil tonnes) (%)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

LLDPE: Global supply-demand balance

(Mil tonnes) (%)



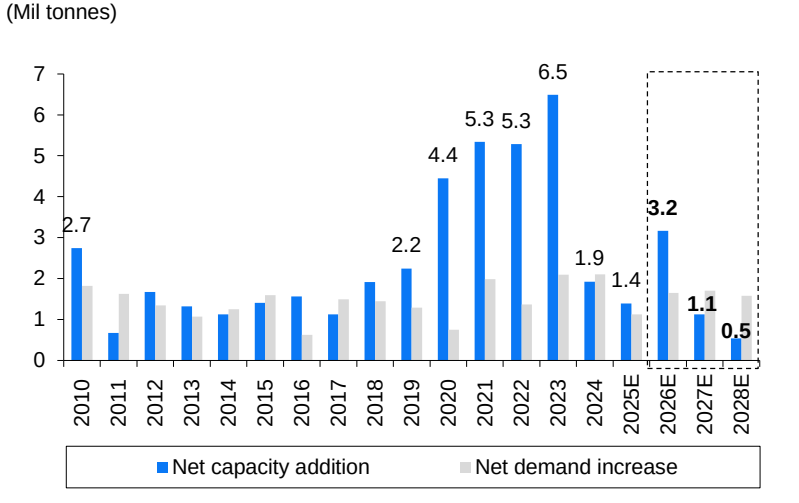
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – MEG

▶ MEG capacity to see steepest increase in three years

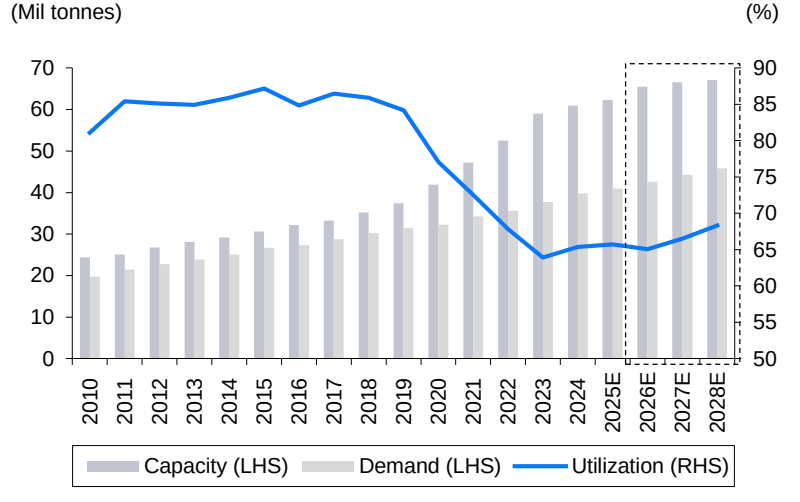
- In 2026, MEG capacity is projected to see a net hike of 3.17m tonnes (+5.1%), and demand is set to climb 1.65m tonnes (+4%).
- The massive capacity expansions over 2021-2023 (+12% *pa*) gave way to limited growth in 2024 (+3.3%) and 2025E (+2.3%).
- The first notable hike in net capacity growth since 2023 is expected in 2026 (+5.1%), which may result in a supply glut. Capacity additions should drop off from 2027.
- MEG net demand growth is expected to pick up from 2.8% in 2025 to 4% in 2026.

MEG: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

MEG: Global supply-demand balance



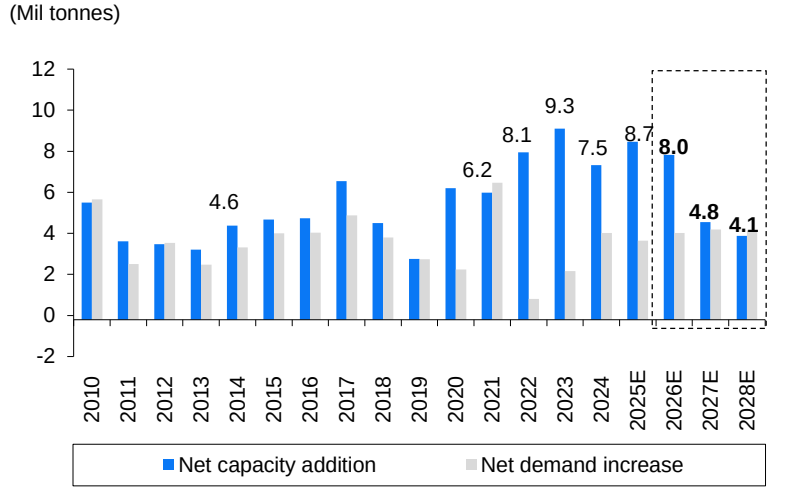
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – Propylene

▶ Propylene supply growth to outpace demand growth for the fifth consecutive year

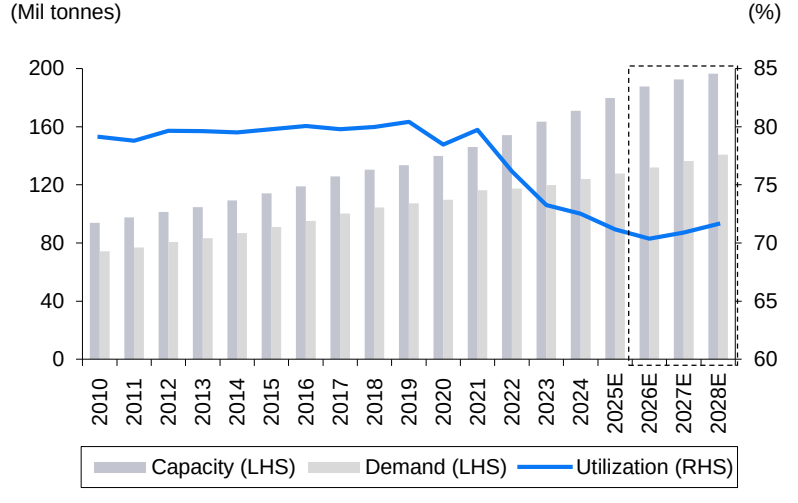
- Propylene capacity should see a net increase of 8.03m tonnes in 2026 (+4.5%) and PP demand is set to grow 4.21m tonnes (+2.7%).
- Over 2022-2026, capacity additions should continuously exceed demand growth, leading to a further drop in utilization rates.
- Net capacity additions in 2027 and 2028 are estimated at 4.76m tonnes (+2.5%) and 4.07m tonnes (+2.1%), respectively, suggesting that annual supply growth will come in below 3% for the first time since 2019.
- As the supply growth slows to below 3%, the supply-demand balance should gradually improve from 2027 (assuming stable demand growth).

Propylene: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

Propylene: Global supply-demand balance



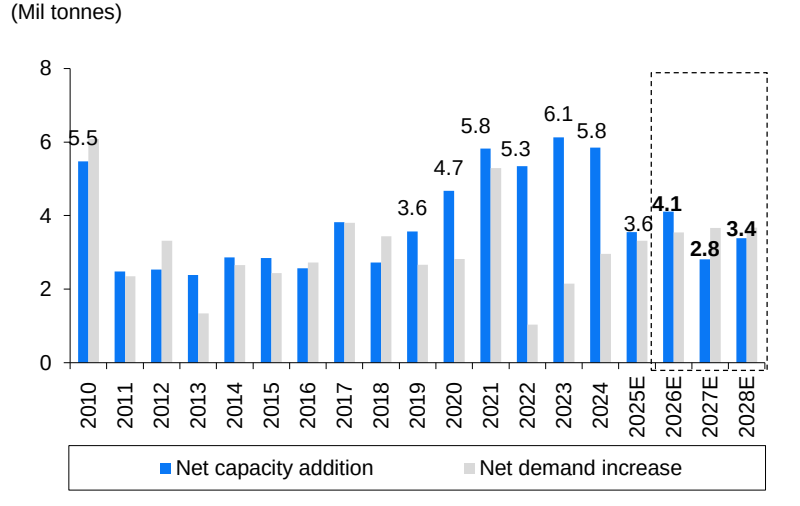
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – Polypropylene (PP)

Polypropylene supply burden to ease from 2027

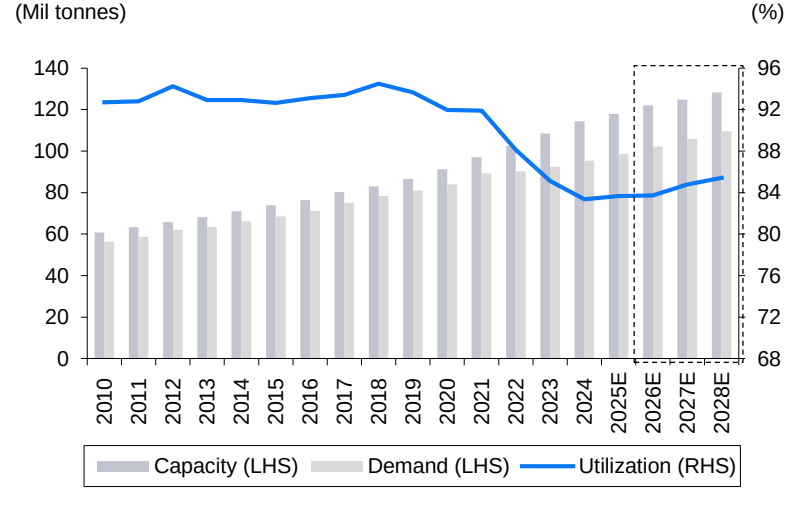
- Polypropylene (PP) capacity is expected to see a net increase of 4.11m tonnes in 2026 (+3.5%), and PP demand growth is expected to reach 3.54m tonnes (+3.6%).
- PP's 2026 capacity increase (+3.5%) is set to be smaller than the propylene supply growth (+4.5%), partly due to capacity expansions for other downstream products.
- PP supply growth should be relatively modest (+2.3% in 2027 and +2.7% in 2028).
- With PP supply pressure to ease from 2027, utilization rates should rebound.

PP: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

PP: Global supply-demand balance



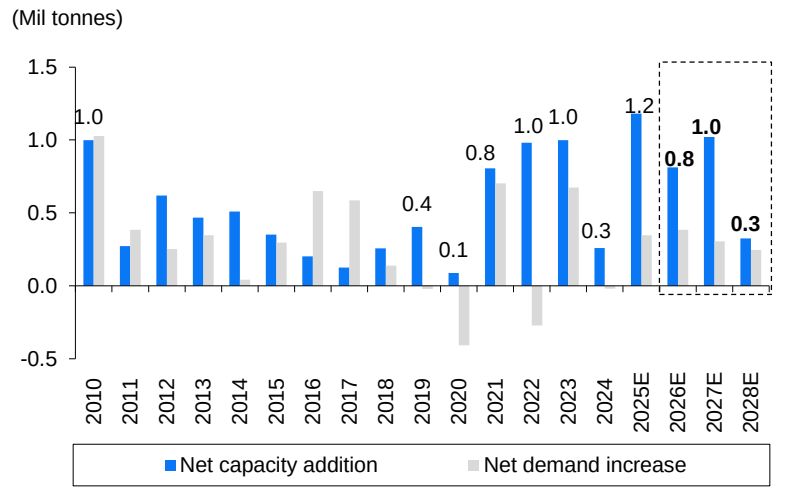
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – Butadiene

▶ Supply burden for butadiene to worsen over 2025-2027

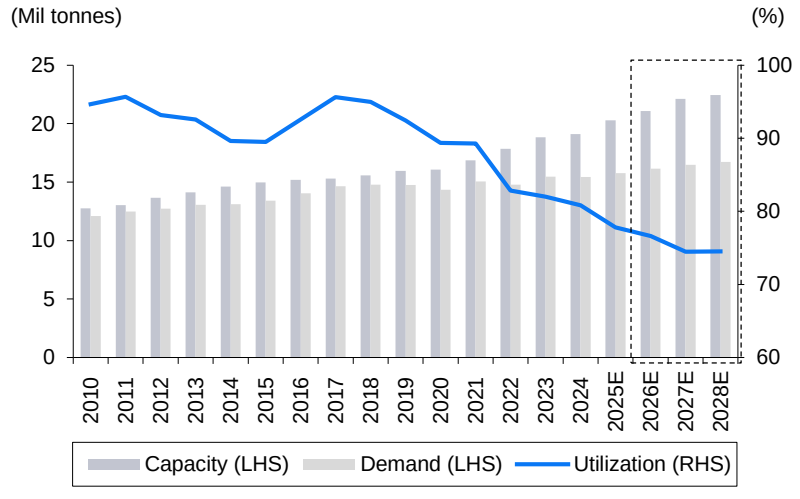
- Net butadiene capacity additions in 2024 were modest, increasing just 1.4% y-y.
- However, new additions should reach 1.18m tonnes in 2025 (+6.2%) and 0.81m tonnes in 2026 (+4%).
- In contrast, net demand growth is set to reach just 0.35m tonnes in 2025 (+2.2%) and 0.38m tonnes in 2026 (+2.4%), which should be insufficient to absorb the increased supply.
- New butadiene facilities, driven by continued NCC capacity expansions, are expected to be built in the coming years.

Butadiene: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

Butadiene: Global supply-demand balance



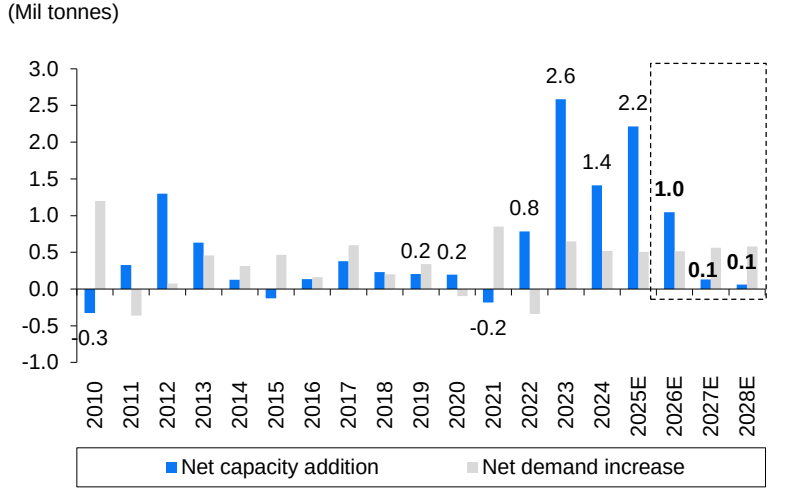
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – ABS

▶ Massive ABS capacity expansions to end in 2026

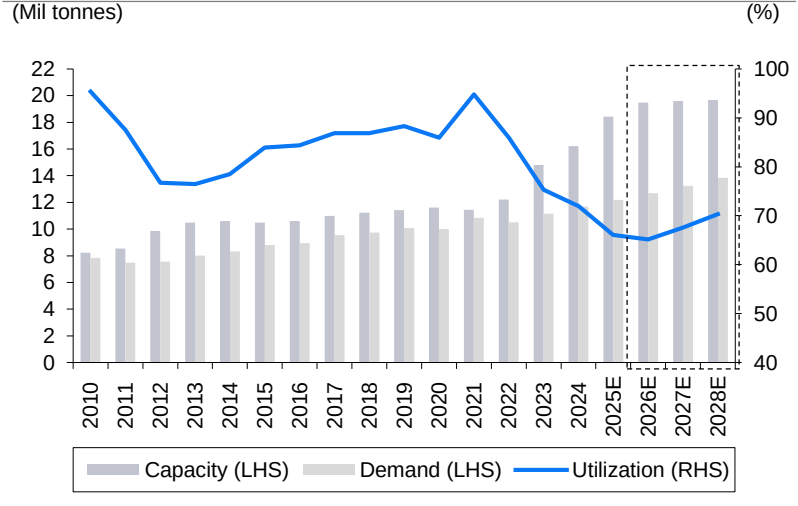
- In 2026, ABS capacity is expected to net grow 1.05m tonnes (+5.7%) and ABS demand should rise 0.52m tonnes (+4.2%).
- ABS net capacity growth was 6.8% in 2022, surged to 21.2% in 2023, and has since stayed at around 10% *pa*.
- These capacity expansions centered on large-scale projects by Chinese firms (they benefited during the COVID-19 period).
- Virtually no new capacity expansions are planned in 2027 and beyond, so the supply-demand balance should improve from 2027.

ABS: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

ABS: Global supply-demand balance



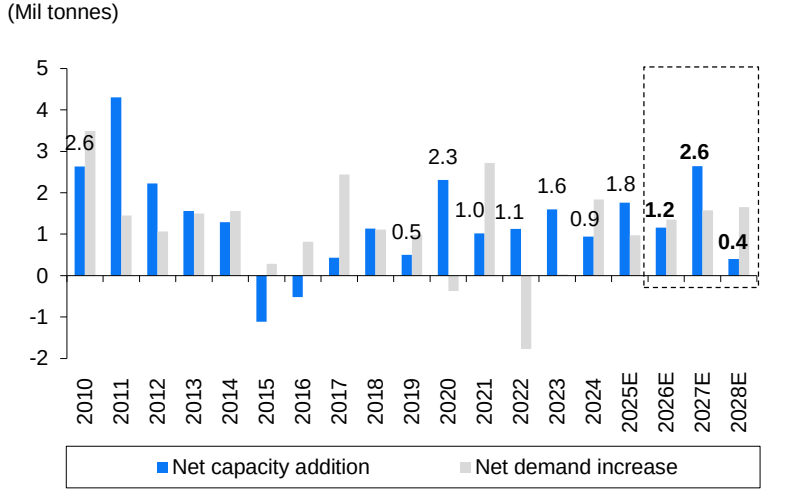
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – PVC

In 2026, demand should remain a more critical factor than supply in shaping the PVC supply-demand balance

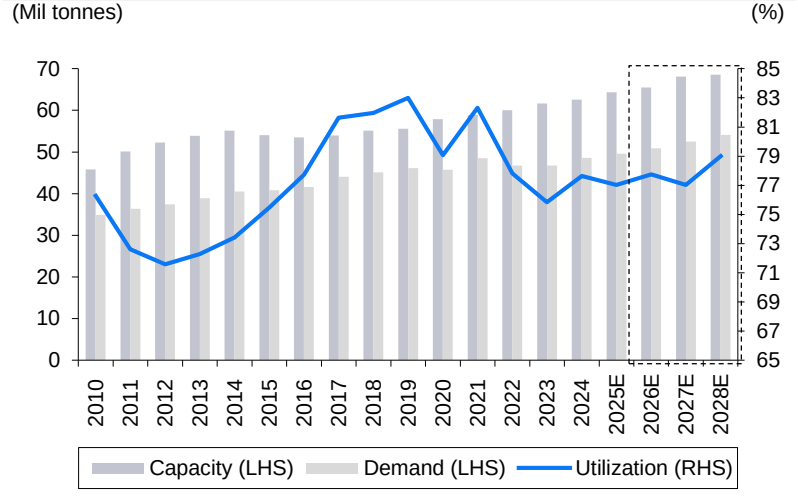
- PVC capacity is set to see a net increase of 1.16m tonnes in 2026 (+1.8%) vs a 2025 forecasted increase of 1.76m tonnes (+2.8%).
- PVC demand should expand 1.35m tonnes in 2026 (+2.7%). Therefore, the supply-demand balance should improve.
- PVC demand is heavily dependent on China's construction sector, and just how the sector fares should determine whether PVC supply-demand dynamics improve.
- In short, with limited new capacity expansions expected, demand should remain the dominant variable shaping the market.

PVC: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

PVC: Global supply-demand balance



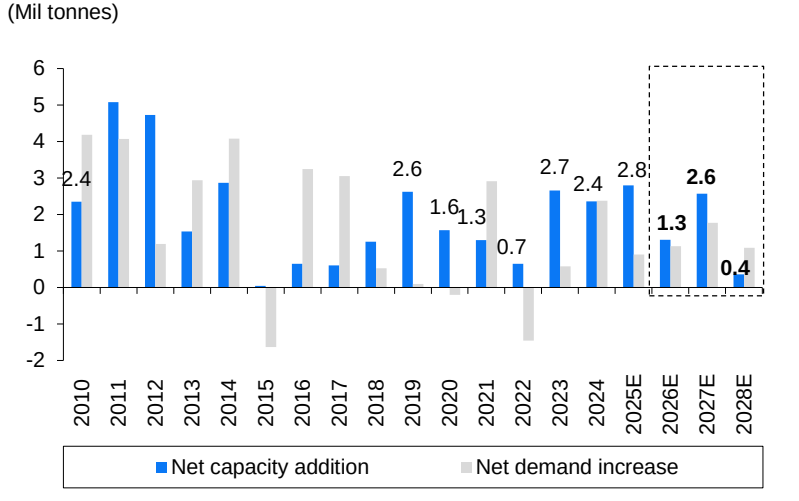
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – Caustic soda

▶ Caustic soda supply burden to ease in 2026

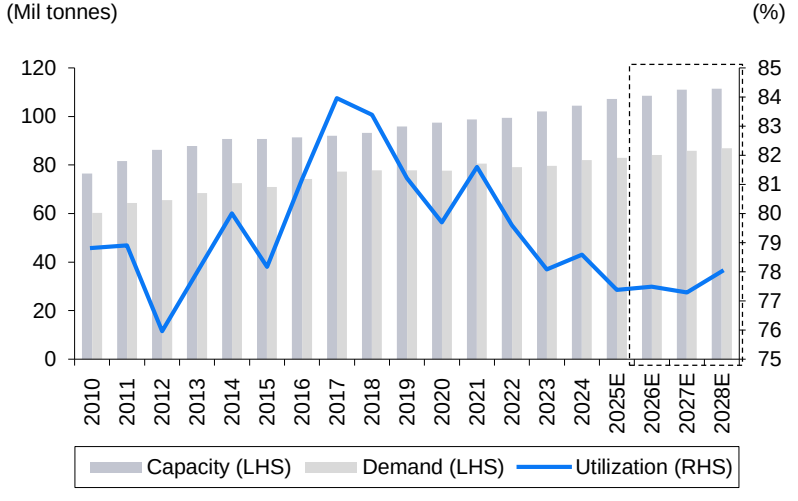
- Caustic soda capacity is expected to see a net increase of 1.31m tonnes in 2026 (+1.2%), with demand expanding by an estimated 1.13m tonnes (+1.4%).
- Similar to the case of PVC, the caustic soda supply burden should decline sharply in 2026 (vs 2025E, when supply expanded 2.7%).
- Demand grew only 0.9m tonnes (+1.1%) in 2025E. If demand recovers as expected, supply-demand dynamics could perk up in 2026.

Caustic soda: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

Caustic soda: Global supply-demand balance



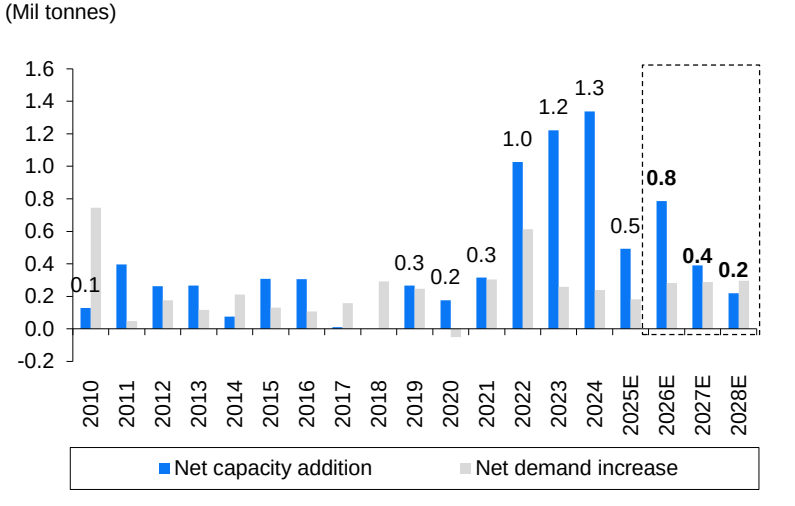
Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Supply – Bisphenol A (BPA)

▶ BPA supply to increase y-y

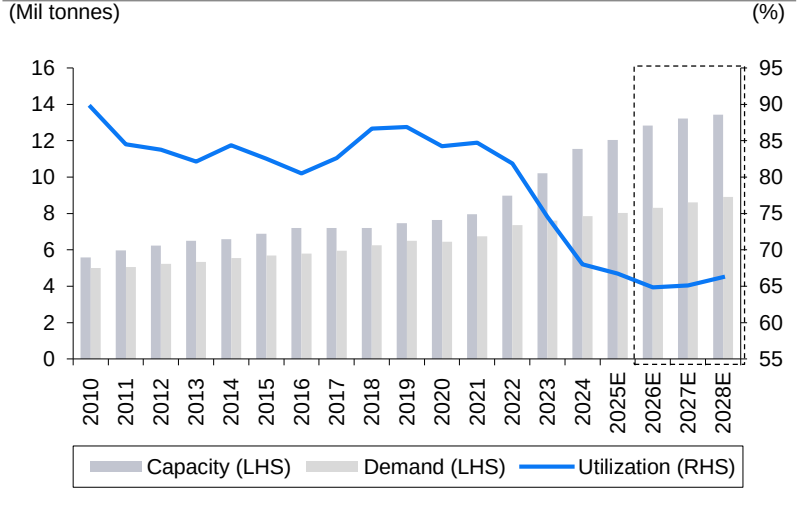
- Bisphenol A (BPA) capacity is set to see a net hike of 0.79m tonnes in 2026 (+6.5%) after rising 0.49m tonnes in 2025E (+4.3%).
- BPA demand increases are now forecast at 0.28m tonnes in 2026 (+3.5%), below the four-year average of 4.5%.
- BPA capacity expansions should slow, with net additions of 3% in 2027 and 1.7% in 2028.
- After hitting its nadir in 2026, BPA supply-demand dynamics should start recovering in 2027.

BPA: Net capacity changes and demand changes



Source: S&P Global Platts, ICIS, Samsung Securities estimates

BPA: Global supply-demand balance



Source: S&P Global Platts, ICIS, Samsung Securities estimates

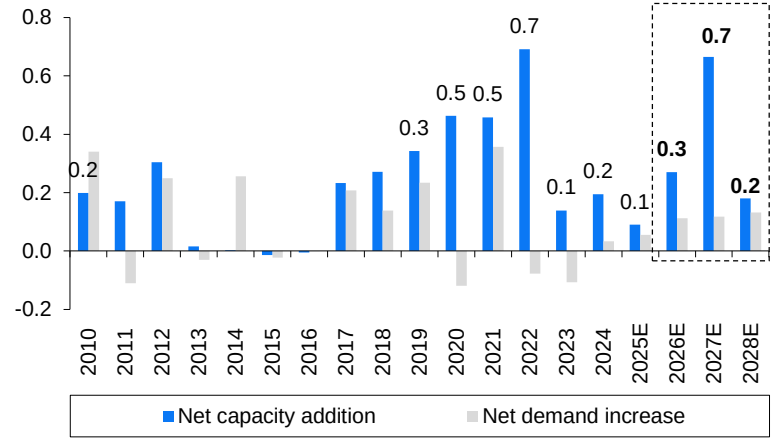
2) 2026 outlook: Supply – Polycarbonate (PC)

▶ Polycarbonate supply to expand over 2026-2027

- Polycarbonate (PC) capacity is forecast to see a net increase of 0.09m tonnes in 2025 (+1.2%) and 0.27m tonnes in 2026 (+3.5%).
- PC demand growth is estimated at 0.06m tonnes in 2025 (+1.2%) and 0.11m tonnes in 2026 (+2.4%).
- Supply pressure has remained limited in 2025 but should start building from 2026.
- In 2027, net capacity additions should reach 0.67m tonnes (+8.3%), further worsening the supply glut.

PC: Net capacity changes and demand changes

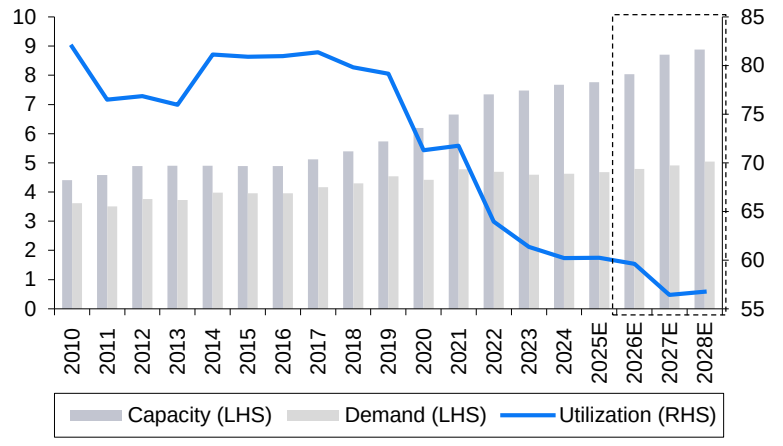
(Mil tonnes)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

PC: Global supply-demand balance

(Mil tonnes) (%)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

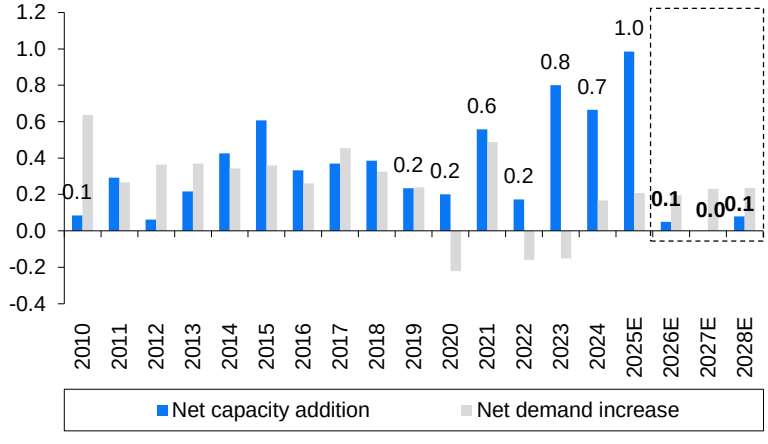
2) 2026 outlook: Supply – MDI

▶ MDI supply-demand balance to begin recovering from 2026

- MDI, a key material used in rigid polyurethane, has end-use applications across building materials (40%), bedding (25%), automobiles (15%), home appliances (10%), and other sectors (10%).
- In Korea, Kumho Mitsui Chemicals (subject to equity method accounting for Kumho Petrochemical) is the only maker of MDI.
- The global MDI capacity expanded 7-9% *pa* over 2023-2025 but should expand just 0.05m tonnes in 2026 (+0.7%) .
- MDI demand is expected to net grow 0.2m tonnes in 2026 (+2.6%) and 0.2m tonnes in 2027 (+3%), outpacing the supply growth.
- In short, the massive capacity expansions over the past three years should end, setting the stage for a recovery in market conditions from 2026.

MDI: Net capacity changes and demand changes

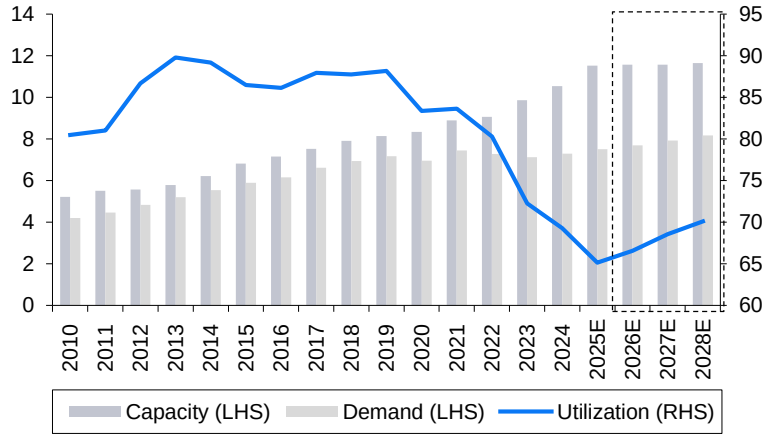
(Mil tonnes)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

MDI: Global supply-demand balance

(Mil tonnes) (%)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

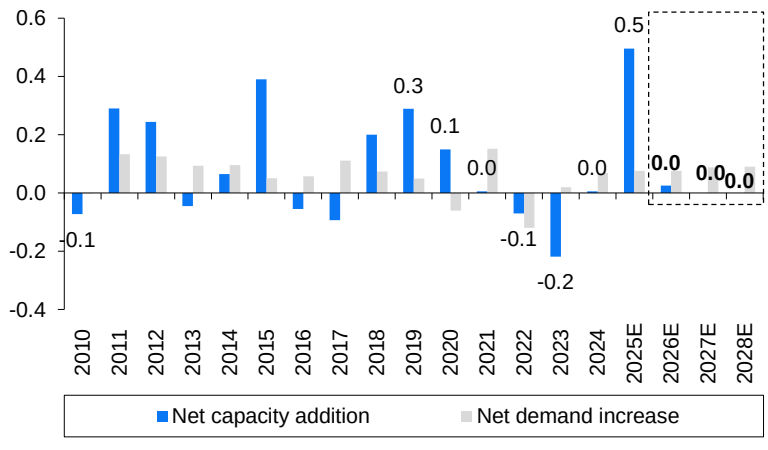
2) 2026 outlook: Supply – TDI

▶ TDI supply-demand balance to pick up from 2026

- TDI, a key raw material used in flexible polyurethane, is primarily consumed in bedding (35%), automobiles (20%), construction (15%), coatings (10%), and other sectors (20%).
- In Korea, TDI is produced mainly by Hanwha Solutions' basic materials division and by OCI.
- Due to its higher vapor toxicity (vs MDI), TDI is subject to stricter safety & environmental regulations, which have led to several plant closures.
- While global net capacity additions in 2026 should remain low at 0.03m tonnes (+0.7%), net demand growth is forecast at 0.08m tonnes (+3.1%). Virtually no expansion projects are planned over 2027-2029.
- Similar to MDI, large-scale TDI capacity expansions should end in 2025 and only limited capacity additions are anticipated over 2026-2028, paving the way for more balanced supply-demand dynamics.

TDI: Net capacity changes and demand changes

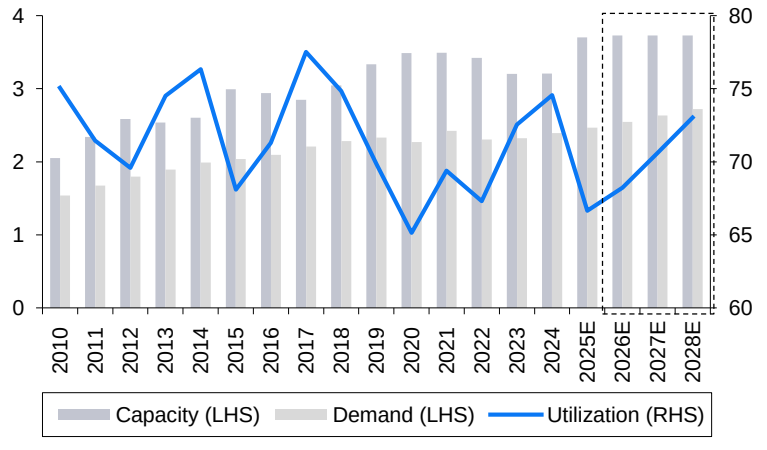
(Mil tonnes)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

TDI: Global supply-demand balance

(Mil tonnes) (%)



Source: S&P Global Platts, ICIS, Samsung Securities estimates

2) 2026 outlook: Global supply-demand dynamics, by product

▶ **2026-2027 supply-demand balance outlook better than that projected in May thanks to more plant closures and an easing of concerns over global demand**

- In the oil refining/chemicals industries, utilization rates not only reflect supply-demand dynamics but also serve as an indicator of industry conditions.
- The range of products expected to see better supply-demand dynamics over 2026-2027 narrowed in 1H25 but has expanded modestly in 2H25.
- This shift likely reflects: 1) the shutdowns of European and Asian facilities; and 2) an easing of concerns about the US-led tariff war.
- Supply-demand dynamics should improve for more products if the supply growth slows (on more plant closures or capacity expansion delays).

Main chemical products: Global utilization rates and forecasts

(%)	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	Growth (%pts y-y)			
											2025E	2026E	2027E	2028E
Ethylene	89.8	87.4	86.7	82.4	80.9	81.2	80.4	80.3	77.5	77.3	-0.8	-0.1	-2.7	-0.2
PE	86.7	87.5	86.1	81.8	78.4	79.0	79.2	78.4	74.3	74.3	**0.3**	-0.8	-4.1	**0.0**
HDPE	89.3	87.4	85.6	80.9	76.7	76.5	76.5	75.5	71.5	70.5	-0.1	-0.9	-4.0	-1.1
LDPE	87.7	89.9	89.5	84.5	82.9	84.3	86.0	83.5	80.6	81.7	**1.7**	-2.6	-2.9	**1.1**
LLDPE	82.6	86.2	84.7	81.3	78.2	79.1	79.0	79.2	74.3	75.2	-0.1	**0.2**	-4.9	0.9
MEG	84.2	77.1	72.5	67.8	63.9	65.4	65.7	65.0	66.5	68.3	**0.3**	-0.7	**1.5**	**1.8**
PVC	83.0	79.1	82.3	77.8	75.8	77.6	77.0	77.7	77.0	79.0	-0.6	**0.7**	-0.7	**2.0**
Caustic soda	81.2	79.7	81.6	79.6	78.1	78.6	77.4	77.5	77.3	78.0	-1.2	**0.1**	-0.2	**0.7**
Propylene	80.4	78.5	79.7	76.2	73.3	72.5	71.2	70.4	70.9	71.6	-1.4	-0.8	**0.5**	**0.7**
PP	93.7	92.0	91.9	88.1	85.1	83.4	83.7	83.7	84.8	85.4	**0.3**	**0.1**	**1.0**	**0.6**
BPA	86.9	84.2	84.7	81.8	74.6	68.0	66.7	64.8	65.1	66.2	-1.3	-1.9	**0.3**	**1.1**
AN	84.0	82.0	83.3	75.4	74.5	74.7	70.6	70.4	63.9	64.6	-4.1	-0.2	-6.4	**0.7**
Butadiene	92.4	89.4	89.3	82.8	82.0	80.8	77.8	76.6	74.5	74.5	-3.0	-1.2	-2.2	**0.0**
ABS	88.3	86.0	94.8	86.0	75.3	72.0	66.1	65.2	67.6	70.3	-5.9	-0.9	**2.4**	**2.7**
PC	79.2	71.3	71.8	64.0	61.3	60.2	60.2	59.6	56.4	56.8	**0.0**	-0.6	-3.2	**0.3**
MDI	88.1	83.4	83.6	80.3	72.2	69.3	65.1	66.5	68.5	70.1	-4.1	**1.4**	**2.0**	**1.6**
TDI	69.9	65.1	69.4	67.3	72.5	74.6	66.6	68.2	70.6	73.0	-7.9	**1.6**	**2.4**	**2.4**

Source: S&P Global Platts, ICIS, Samsung Securities

2) 2026 outlook: Supply – plant closures to continue

▶ Facility closures, which have been accelerating since 2024, to gradually increase in scale

- Facility closures began to accelerate in 2024 due to an extended global downturn for the chemicals industry (since 2021).
- Ethylene capacity closures announced in 2024 totaled 2.64m tonnes (about 1.1% of global capacity).
- Permanent closures, totaling 2.99m tonnes (about 1.3% of global capacity), have also been announced this year.
- Plant closures are focusing on Europe and Japan, as: 1) they are home to older facilities; 2) the small size of their plants deter reinvestments; and 3) challenges in terms of cost competitiveness exist in the two regions due to high energy costs.

Global chemical firms: Announced ethylene capacity closures (2024-2025)

Company	Region	Announcement date	Closure date	Capacity (kt)	Feedstock	Portion of global capacity (2025E, %)
ExxonMobil	Notre Dame, France	1H24	2H24	425	Naphtha	0.2
SABIC	Geleen, Netherlands	1H24	2Q24	575	Naphtha	0.3
Qenos	Botany Bay, Australia	1H24	2Q24	265	Naphtha	0.1
Mitsui/Idemitsu Kosan JV	Chiba, Japan	2H24	FY27	413	Naphtha	0.2
Eni	Brindisi, Italy	2H24	2025~26	468	Naphtha	0.2
Eni	Priolo, Italy	2H24	2025~26	490	Naphtha	0.2
Total announced in 2024				**2,636**		**1.1**
Maruzen	Chiba, Japan	1H25	FY26	525	Naphtha	0.2
TotalEnergies	Antwerp, Belgium	1H25	2027	550	Naphtha	0.2
ENEOS	Kawasaki, Japan	1H25	2027	443	Naphtha	0.2
SABIC	Wilton, UK	1H25	1H25	865	Naphtha	0.4
Dow	Bohlen, Germany	2H25	4Q27	610	Naphtha	0.4
Total announced in 2025 ytd				**2,993**		**1.3**

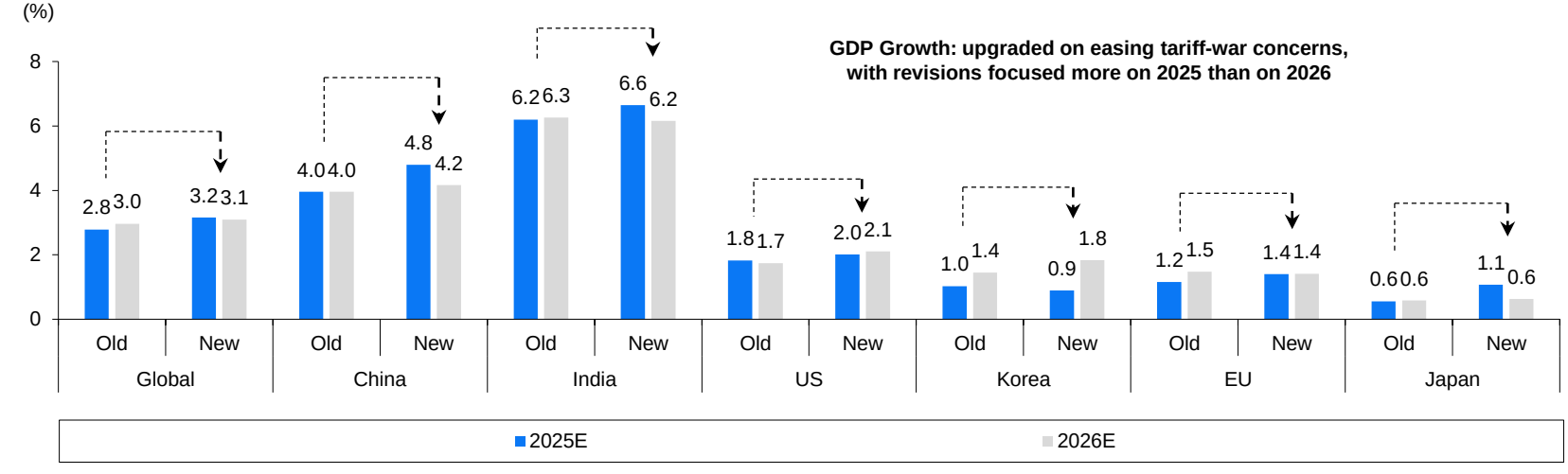
Source: S&P Global Platts, ICIS, Samsung Securities

2) 2026 outlook: Demand – economic growth estimates raised as tariff concerns ease

▶ Economic growth forecasts for 2025-2026 higher now than they were five months ago

- The IMF has revised up its global growth forecasts for 2025 to 3.2% and for 2026 to 3.1% (vs forecasts of 2.8% and 3% in April).
- It lifted its 2025 and 2026 growth forecasts for most nations, with hikes to its 2025 forecasts steeper than hikes to its 2026 estimates.
- Its growth forecasts were raised, as trade uncertainties stemming from the US-led tariff war eased.
- The upward revisions to China's economic growth outlook—a more critical factor for chemicals demand—has been significant, but the global chemicals demand recovery is expected to be very limited.

Global GDP growth outlook: May 2025 vs Oct 2025



Source: IMF, Samsung Securities

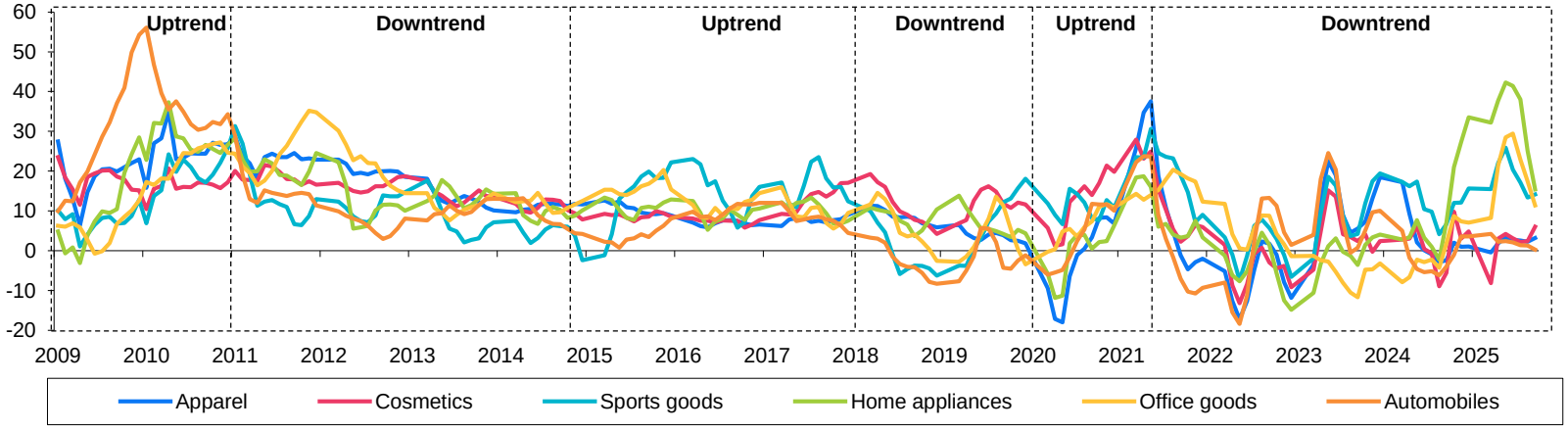
2) 2026 outlook: Demand – Chinese demand sees fading stimulus effects

▶ Chinese demand starts slowing in June after getting boost from consumption stimulus

- China's retail sales: +10.5% in 2021, -1% in 2022, +7.1% in 2023, and +3.5% in 2024.
- Notably, such sales expanded at a rate below +3% in mid-2024 (Jun-Sep) before recovering to the +5-6% range in 1H25 (supported by government stimulus measures including a consumer goods trade-in scheme). But the pace of growth started slowing in June and decelerated to +3.4% y-y in September.
- By product, retail sales growth clearly recovered for sporting goods, home appliances, construction materials, and office supplies, although the pace of growth started slowing in June.
- Retail sales growth of apparel and cosmetics has remained relatively strong.

China: Retail sales growth, by category

(% y-y, 3m moving average)



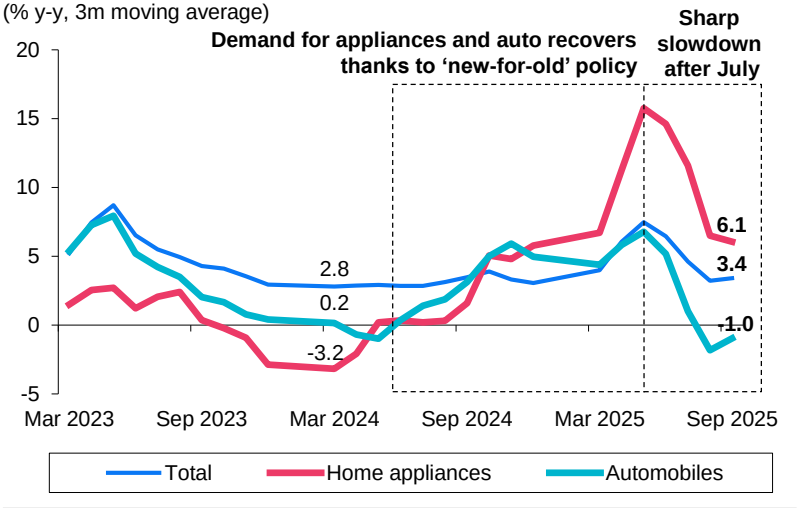
Source: CEIC, Samsung Securities

2) 2026 outlook: Demand – China's trade-in policy might be extended to 2026

Trade-in policy, which boosted Chinese retail sales 1%pts, is increasingly likely to be extended given Chinese consumption levels

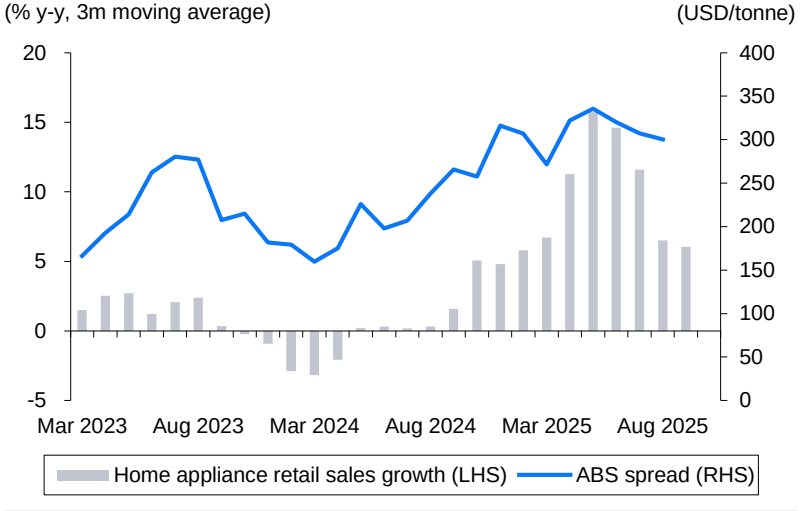
- China this year has expanded its trade-in policy (giving consumers subsidies to replace their old autos/home appliances with new ones) that began last year.
- The central government allocated CNY300b (KRW60t) this year vs CNY150b (KRW30t) in 2024.
- As a result, retail sales growth of home appliances and autos accelerated, with spreads on ABS/PS (which are heavily used in these products) also widening.
- Retail sales growth of these products began to slow in July, with spreads also narrowing. Demand may slow quickly if the trade-in policy is not extended.
- The gradual slowdown in Chinese real consumption has increased the likelihood of the trade-in policy being extended into next year.

China: Home appliances and autos* vs total retail sales growth*



Note: * 3-year average growth applied to adjust for base effects (e.g., Mar 2025 = CAGR from Mar 2022 to Mar 2025).
Source: CEIC, S&P Global Platts, Samsung Securities

China: Home appliances retail sales growth* vs ABS spread



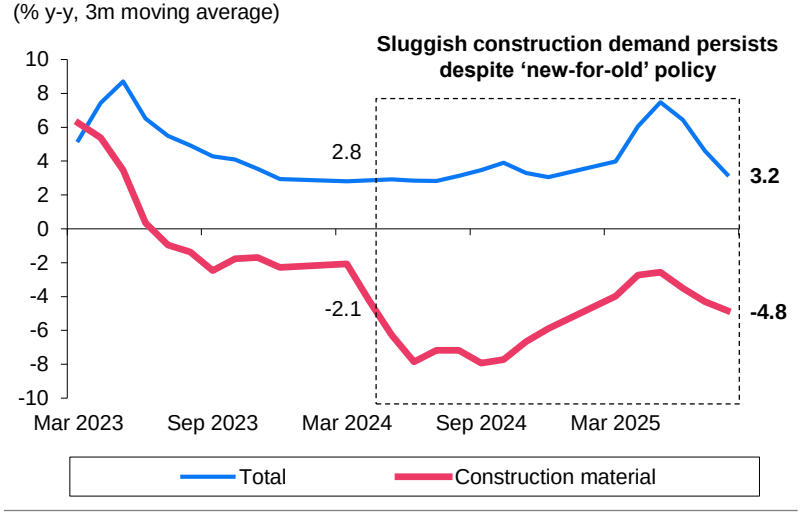
Note: * 3-year average growth applied to adjust for base effects (e.g., Mar 2025 = CAGR from Mar 2022 to Mar 2025).
Source: CEIC, S&P Global Platts, Samsung Securities

2) 2026 outlook: Demand – Chinese construction market remains sluggish

▶ Chinese construction market remains sluggish despite stimulus measures

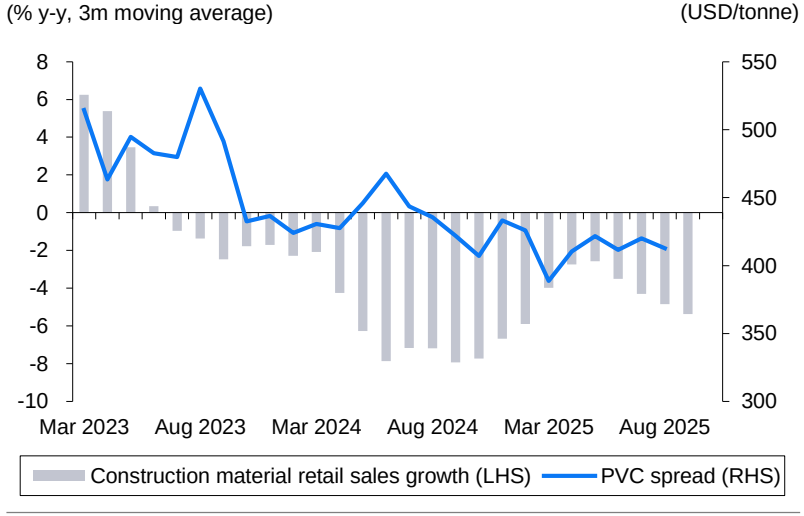
- On top of measures to boost consumer purchases of durable goods (home appliances and autos), China has laid out measures to stimulate its property market.
- Nonetheless, China's property market recovery remains tepid so far.
- Retail sales of construction materials ytd have not fallen as precipitously as last year, but they remain below the average figure and weakened in 2H25.
- As a result, PVC spreads, which are closely linked to construction demand, have also remained weak in 2H25.

China: Building materials* vs total retail sales growth*



Note: * 3-year average growth applied to adjust for base effects (e.g., Mar 2025 = CAGR from Mar 2022 to Mar 2025).
Source: CEIC, Samsung Securities

China: Building materials retail sales growth* vs PVC spread



Note: * 3-year average growth applied to adjust for base effects (e.g., Mar 2025 = CAGR from Mar 2022 to Mar 2025).
Source: CEIC, S&P Global Platts, Samsung Securities

3) Issue #1: Restructuring – how much is needed for sector recovery?

▶ **Even after 2.7m-3.7m tonnes of domestic ethylene capacity is closed, the chemicals sector would only see a limited recovery. Yet, shying away from restructuring would make things more challenging**

- Ten Korean chemical companies in August agreed to cut ethylene capacity by 2.7m-3.7m tonnes, and need to submit restructuring plans to the government by year-end.
- A reduction of 2.7m-3.7m tonnes would shrink domestic capacity (including S-Oil's new facility) 18-25% (or 14.6m tonnes).
- Within each of the Yeosu, Daesan, and Ulsan industrial complexes, 2-3 companies are discussing facility integrations, but disagreements persist over price.
- Even after a reduction of 2.7m-3.7m tonnes, the sector's recovery should be limited given aggressive new capacity additions in Asia (particularly in China and India).
- To orient the industry towards domestic demand, at least 10m tonnes of capacity needs to be closed. Implementing this round of restructuring is essential to enable future cuts.

Korean petrochemical companies: ethylene production capacity by region

(kt)	Company	As is (2024)		To be (2027E)	
		Capacity	Market share	Capacity	Market share
Yeosu	Yeochun NCC	2,285	17.9%	2,285	15.7%
	LG Chem	2,000	15.6%	2,000	13.7%
	Lotte Chemical	1,230	9.6%	1,230	8.4%
	GS Caltex	750	5.9%	750	5.1%
	Total	**6,265**	**48.9%**	**6,265**	**42.9%**
Daesan	Hanwha Total	1,525	11.9%	1,525	10.4%
	LG Chem	1,300	10.2%	1,300	8.9%
	Lotte Chemical	1,100	8.6%	1,100	7.5%
	HD Hyundai Chemical	850	6.6%	850	5.8%
	Total	**4,775**	**37.3%**	**4,775**	**32.7%**
Ulsan	KPIC	900	7.0%	900	6.2%
	SK Geocentric	660	5.2%	660	4.5%
	S-Oil	200	1.6%	2,000	13.7%
	Total	**1,760**	**13.8%**	**3,560**	**24.4%**
Korea total		**12,800**	**100.0%**	**14,600**	**100.0%**

Source: Korea Chemical Industry Association, Samsung Securities

Korea petrochemical industry: restructuring scenarios by industrial complex

	Naphtha import cost	Scenarios
Yeosu	High	- Discussions are under way to integrate LG Chem's Yeosu plant 2 with GS Caltex. As some facilities are planned to be shut down after integration, price negotiations may be prolonged.
Daesan	Medium	- Lotte Chemical plans to contribute/integrate its 1.1m tonne facility into HD Hyundai Chemical. In the JV contribution process, Lotte Chemical is expected to request increased cash compensation and employment protection.
Ulsan	Low	- SK Geocentric is seeking to sell its 660,000 tonne facility to Daelim Industrial (Daehan Chemical). Sale price negotiations may be prolonged.

Note: Based on domestic press release; not Samsung Securities' own projections.
Source: Press release, Samsung Securities

3) Issue #1: Restructuring – how much is needed for sector to recover?

▶ Capacity cuts of 22m-33m tonnes are required for the sector to return to conditions as seen in past uptrends

- The global ethylene utilization rate is set to reach 79% in 2030 (assuming demand grows at a 2024-2030 CAGR of 2.9%).
- During the two previous uptrends (in 2018 and 2021), utilization was 90.2% and 86.7%, respectively.
- Additional capacity cuts of: 1) 22m tonnes are required for the segment to return to utilization rates last seen in 2021; or 2) 33m tonnes are needed to return to utilization levels last seen in 2018 (assuming demand grows at a CAGR of 2.9%).
- Over the past five years (2019-2024), demand grew at a CAGR of just 2.5%. If demand continues to grow at this rate, additional capacity cuts would needed: 1) 28% extra (or 28m tonnes of capacity; a utilization of 86%); or 2) 17% extra (or 39m tonnes of capacity; assuming a utilization of 90%).

Global ethylene market: Estimated additional capacity cuts required for industry normalization

		Global ethylene utilization*											
		79%	**80%**	**81%**	**82%**	**83%**	**84%**	**85%**	**86%**	**87%**	**88%**	**89%**	**90%**
2024-2030E average annual demand growth (%)	**2.4**	8,273	10,943	14,243	17,464	20,606	23,674	26,670	**29,596**	32,455	35,248	37,979	**40,650**
	2.5	6,687	9,372	12,692	15,932	19,093	22,179	25,192	**28,135**	31,011	33,821	36,568	**39,254**
	2.6	5,093	7,794	11,134	14,392	17,572	20,676	23,707	**26,667**	29,559	32,386	35,149	**37,851**
	2.7	3,492	6,208	9,568	12,845	16,043	19,165	22,214	**25,192**	28,101	30,944	33,724	**36,441**
	2.8	1,882	4,615	7,994	11,290	14,507	17,648	20,714	**23,709**	26,636	29,496	32,291	**35,025**
	2.9	**0**	**2,751**	**6,153**	**9,472**	**12,711**	**15,873**	**18,960**	**21,976**	**24,922**	**27,802**	**30,616**	**33,368**
	3.0	(1,360)	1,404	4,823	8,158	11,413	14,590	17,693	**20,723**	23,684	26,577	29,406	**32,171**
	3.1	(2,993)	(213)	3,226	6,581	9,854	13,050	16,171	**19,219**	22,197	25,107	27,952	**30,734**
	3.2	(4,634)	(1,837)	1,621	4,995	8,288	11,503	14,642	**17,707**	20,703	23,630	26,492	**29,290**
	3.3	(6,283)	(3,470)	9	3,402	6,715	9,948	13,105	**16,189**	19,202	22,146	25,024	**27,838**
	3.4	(7,940)	(5,111)	(1,612)	1,802	5,133	8,385	11,561	**14,663**	17,693	20,654	23,549	**26,380**
	3.5	(9,605)	(6,759)	(3,240)	194	3,544	6,815	10,009	**13,129**	16,177	19,156	22,068	**24,915**

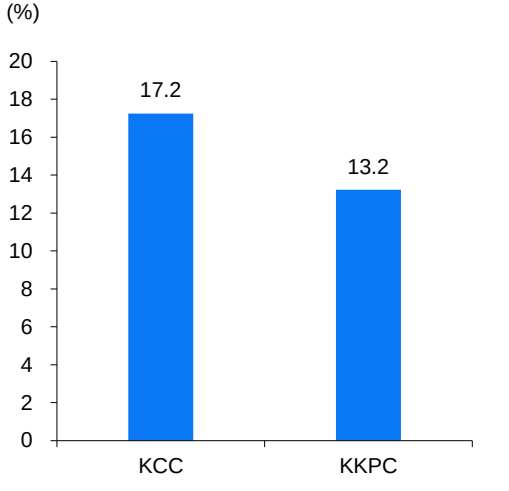
Note: *Estimated 2030 operating rate is 79%. the operating rate during the petrochemical uptrend in 2021 was 86%, and during the previous stronger upcycle in 2018 it was 90%.
Source: S&P Global Platts, Samsung Securities estimates

4) Issue #2: Shareholder value momentum warrants focus on three aspects

▶ Shareholder value enhancement momentum in the forms of treasury shares (cancellations), investment assets, and stakes in subsidiaries should attract investor attention

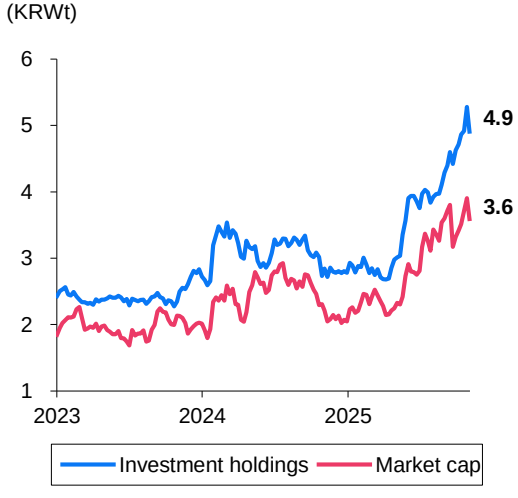
- As foreign investors' interest in the Korean stock market grows, momentum in terms of enhancing shareholder value should continue into 2026.
- There are three investment strategies to focus on in terms of enhancing shareholder value in the chemicals sector.
- 1) Companies with high treasury share portions, as they should benefit from expectations of treasury share cancellations (KCC 17%; KKPC 13%),
- 2) Firms whose investment assets top their market cap and who may see their valuation discount narrow (KCC: investment assets of KRW4.9t vs market cap of KRW3.6t).
- 3) Companies for whom substantial discounts are applied to their stakes in listed subsidiaries, and for whom monetization of these stakes could narrow the discount (LG Chem and SK Chemicals).

KCC/KKPC: Treasury shares as portion of total shares outstanding



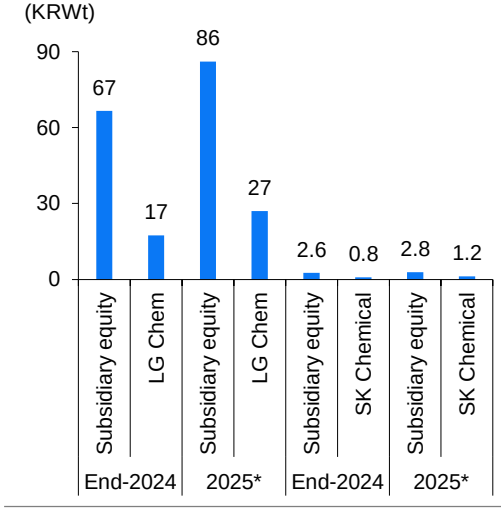
Source: Company data, Samsung Securities

KCC: Investment holdings vs market cap



Source: Quantiwise, Samsung Securities

LG Chem/SK Chemicals: Subsidiary equity vs market cap



Note: * As of Nov 13
Source: OPEC, Samsung Securities

PART 04

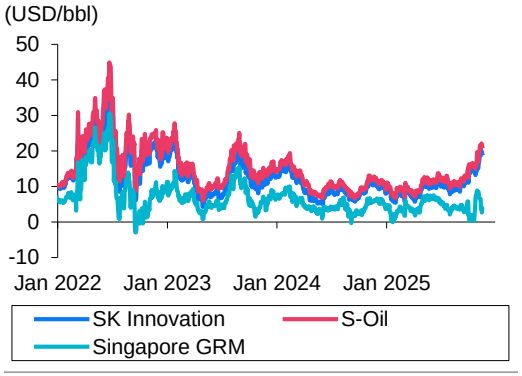
Appendix

1) Key indicators

2) Earnings forecasts

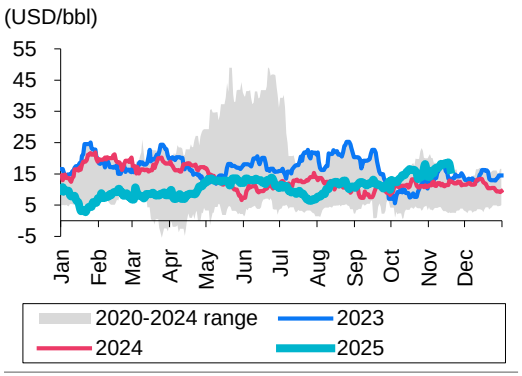
1) Key indicators: Mixed margin and product margin

SK Innovation and S-Oil: Mixed margin



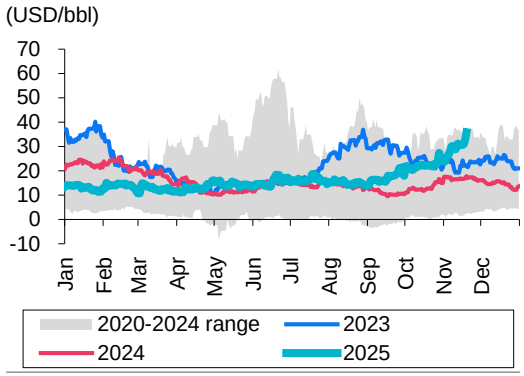
Source: Company data, DataStream, Samsung Securities

Gasoline: Spot refining margin vs Dubai oil



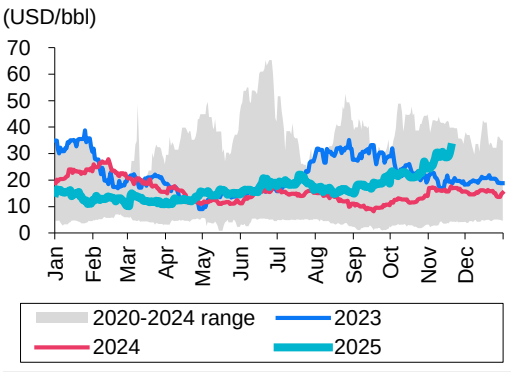
Source: Petronet, Samsung Securities

Kerosene: Spot refining margin vs Dubai oil



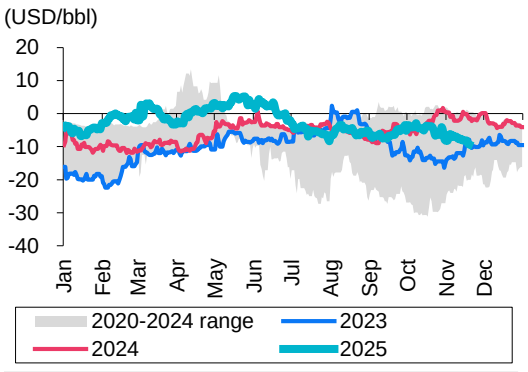
Source: Petronet, Samsung Securities

Diesel: Spot refining margin vs Dubai oil



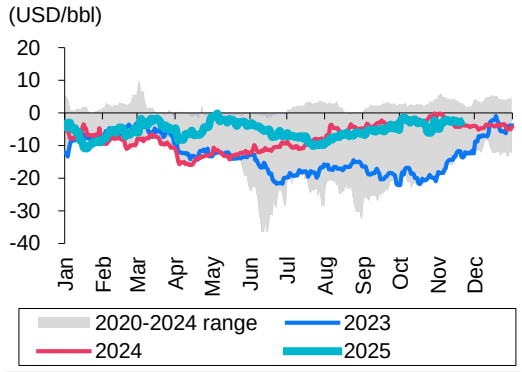
Source: Petronet, Samsung Securities

Bunker-C: Spot refining margin vs Dubai oil



Source: Petronet, Samsung Securities

Naphtha: Spot refining margin vs Dubai oil

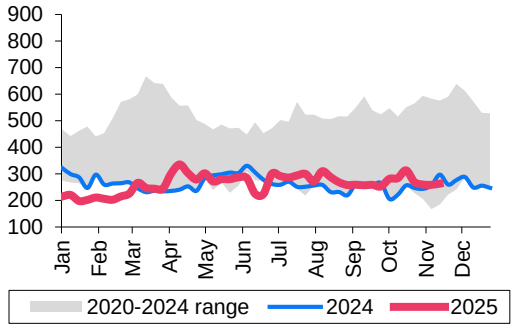


Source: Petronet, Samsung Securities

1) Key indicators: Chemical product spreads

HDPE-naphtha spread

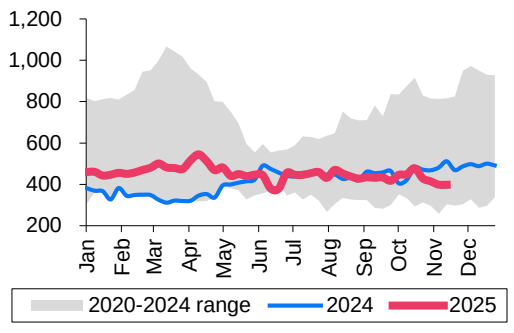
(USD/tonne)



Source: Platts, Samsung Securities

LDPE-naphtha spread

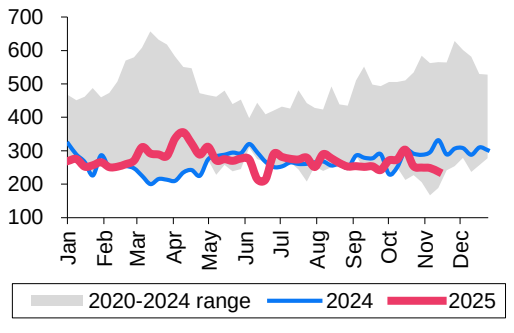
(USD/tonne)



Source: Platts, Samsung Securities

LLDPE-naphtha spread

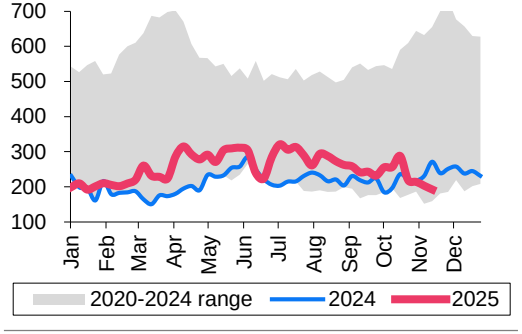
(USD/tonne)



Source: Platts, Samsung Securities

PP-naphtha spread

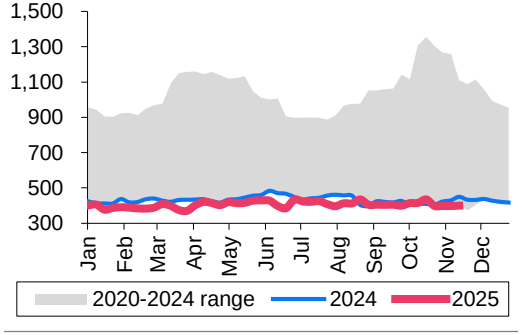
(USD/tonne)



Source: Platts, Samsung Securities

PVC-naphtha spread

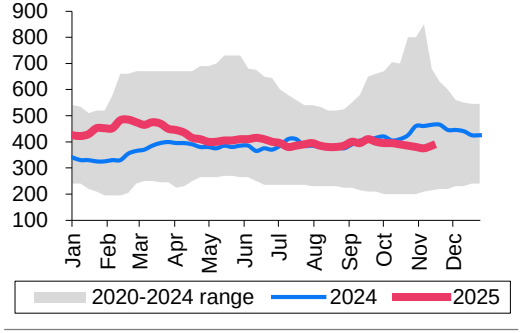
(USD/tonne)



Source: Platts, Samsung Securities

Caustic soda prices

(USD/tonne)

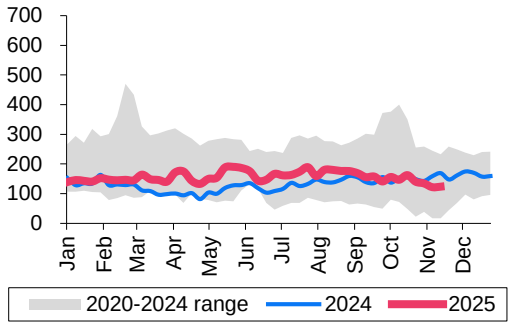


Source: Platts, Samsung Securities

1) Key indicators: Chemical product spreads

MEG-naphtha spread

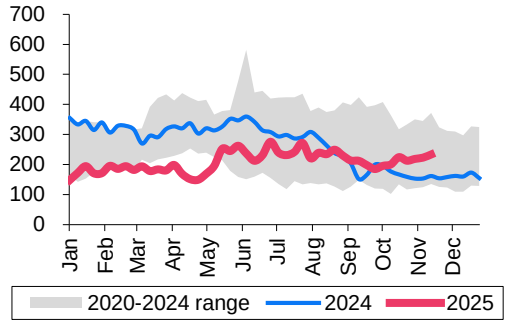
(USD/tonne)



Source: Platts, Samsung Securities

PX-naphtha spread

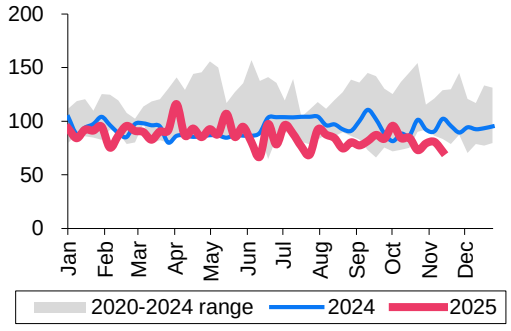
(USD/tonne)



Source: Platts, Samsung Securities

PTA-PX spread

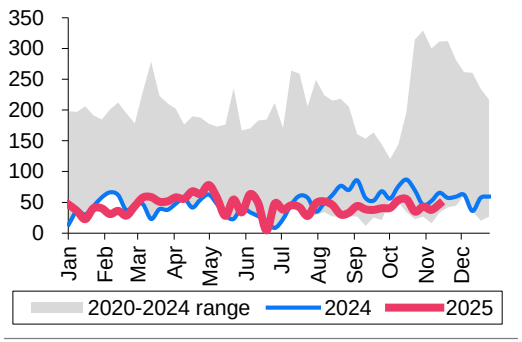
(USD/tonne)



Source: Platts, Samsung Securities

PET-MEG/PTA spread

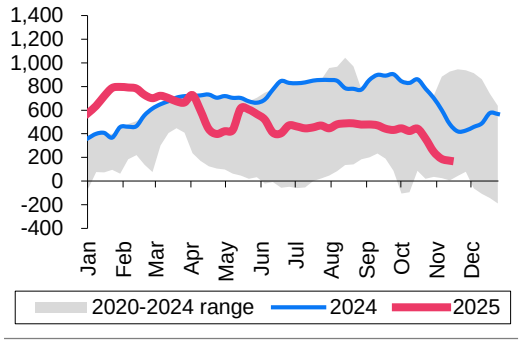
(USD/tonne)



Source: Platts, Samsung Securities

Butadiene-naphtha spread

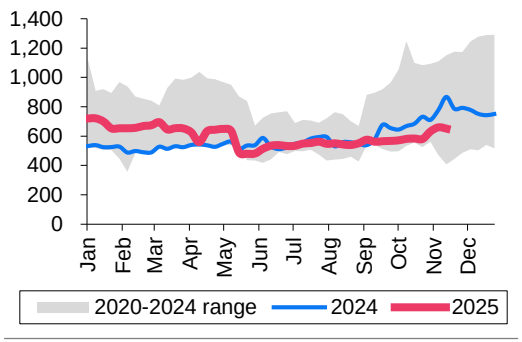
(USD/tonne)



Source: Platts, Samsung Securities

SBR-SM/BD spread

(USD/tonne)

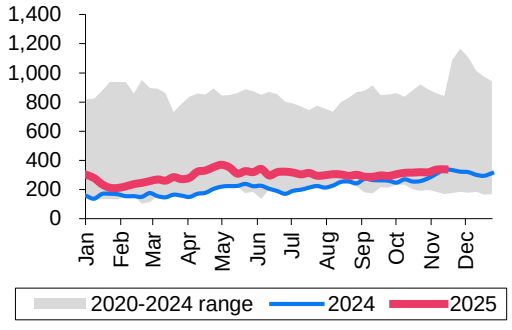


Source: Platts, Samsung Securities

1) Key indicators: Chemical product spreads

ABS-AN/BD/SM spread

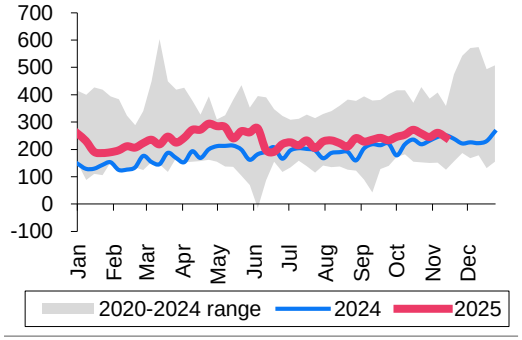
(USD/tonne)



Source: Platts, Samsung Securities

PS-SM spread

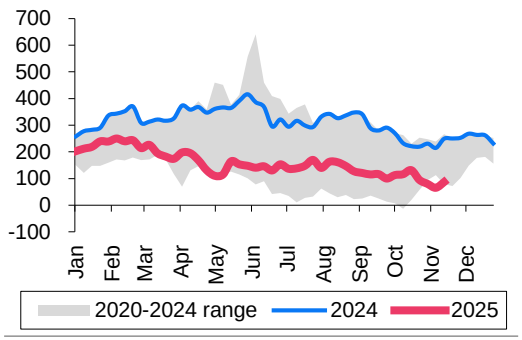
(USD/tonne)



Source: Platts, Samsung Securities

Benzene-naphtha spread

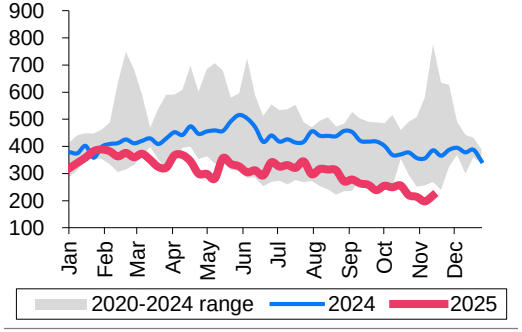
(USD/tonne)



Source: Platts, Samsung Securities

SM-naphtha spread

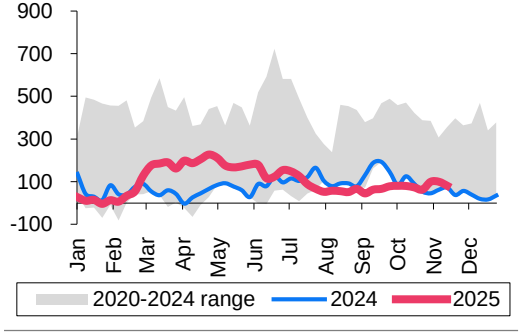
(USD/tonne)



Source: Platts, Samsung Securities

Phenol/acetone-propylene/benzene spread

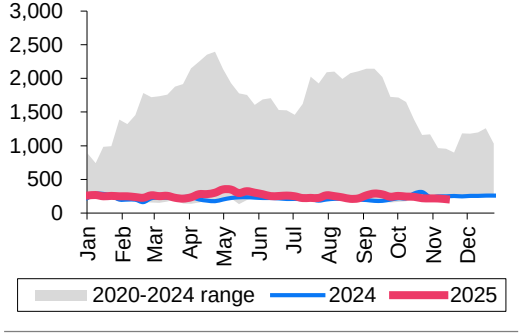
(USD/tonne)



Source: Platts, Samsung Securities

BPA-phenol/acetone spread

(USD/tonne)

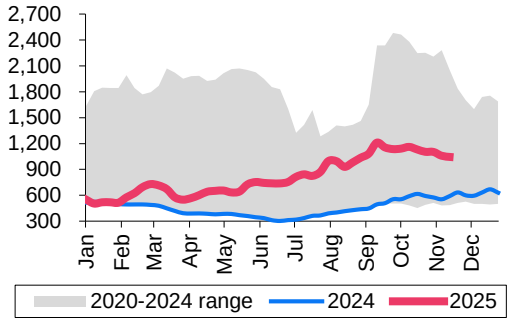


Source: Platts, Samsung Securities

1) Key indicators: Chemical product spreads

ECH-propylene spread

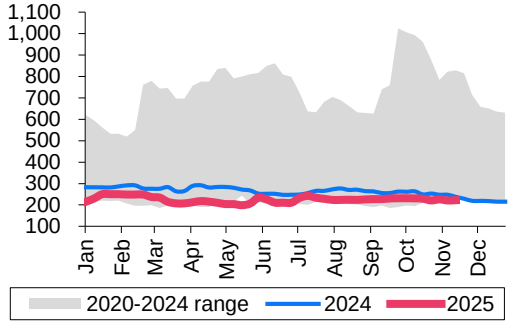
(USD/tonne)



Source: Platts, Samsung Securities

AA-methanol spread

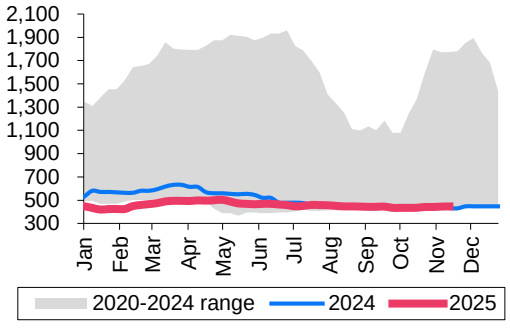
(USD/tonne)



Source: Platts, Samsung Securities

VAM-AA spread

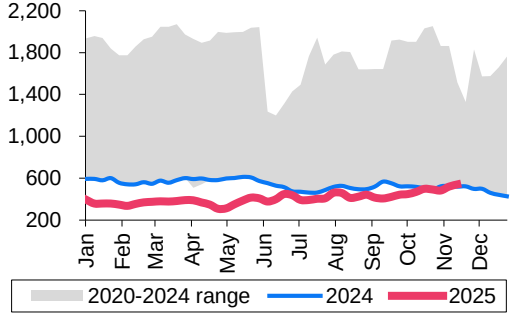
(USD/tonne)



Source: Platts, Samsung Securities

PO-propylene spread

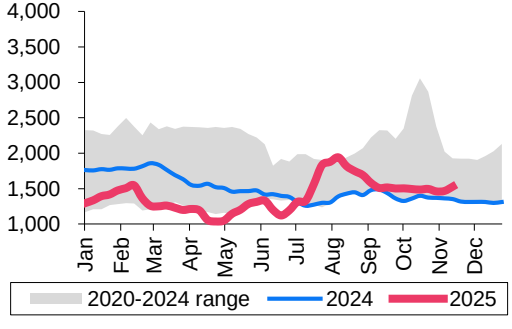
(USD/tonne)



Source: Platts, Samsung Securities

TDI-toluene spread

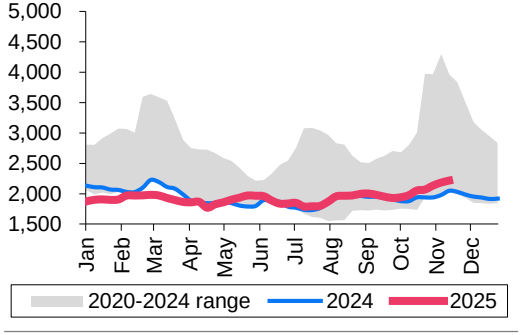
(USD/tonne)



Source: Platts, Samsung Securities

MDI-benzene spread

(USD/tonne)

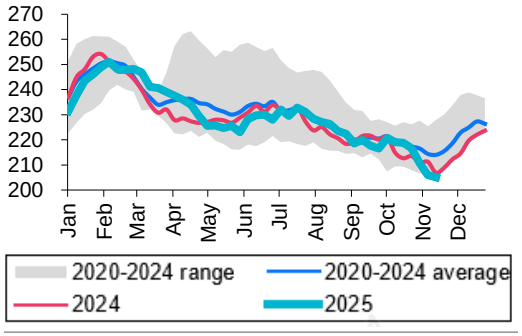


Source: Platts, Samsung Securities

1) Key indicators: Refining product inventories

US light distillates inventory (gasoline)

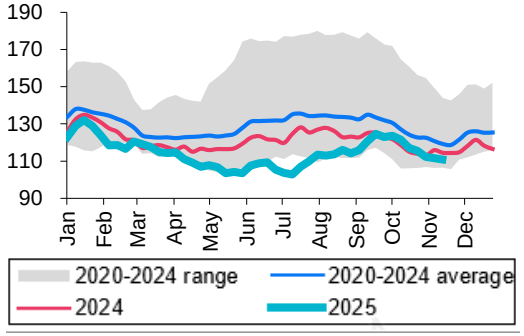
(Mil barrels)



Source: EIA, Samsung Securities

US middle distillates inventory (diesel and kerosene)

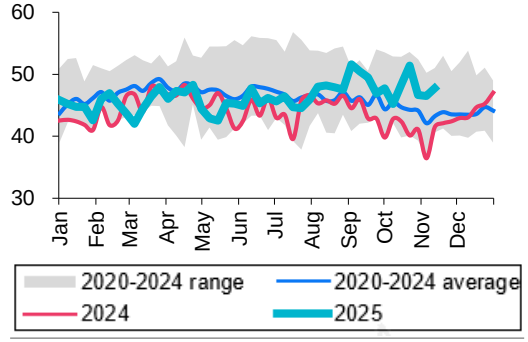
(Mil barrels)



Source: EIA, Samsung Securities

Singapore refined products inventory (light distillates + mid distillates + residue)

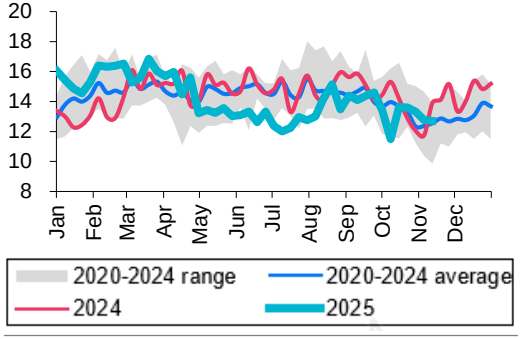
(Mil barrels)



Source: Enterprise Singapore, Samsung Securities

Singapore light distillates inventory (gasoline)

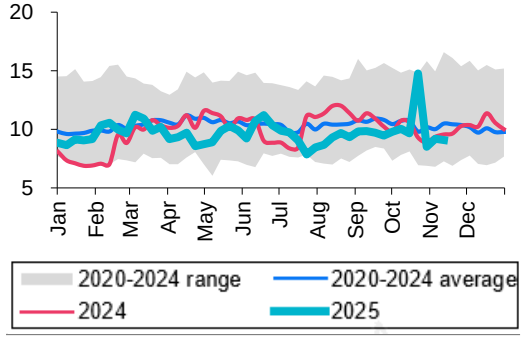
(Mil barrels)



Source: Enterprise Singapore, Samsung Securities

Singapore middle distillates inventory (diesel and kerosene)

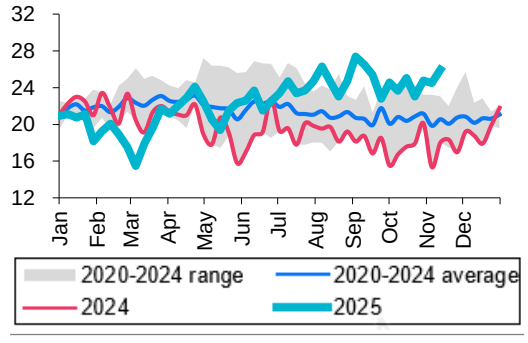
(Mil barrels)



Source: Enterprise Singapore, Samsung Securities

Singapore residue inventory (HSFO and LSFO)

(Mil barrels)

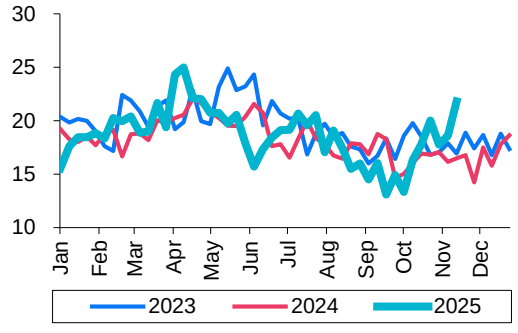


Source: Enterprise Singapore, Samsung Securities

1) Key indicators: Refining product inventories

Fujairah (UAE) refined products inventory (light distillates + mid distillates + residue)

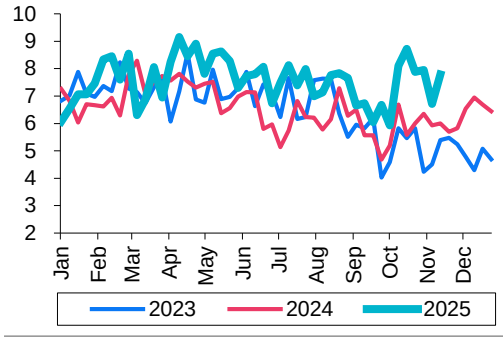
(Mil barrels)



Source: Bloomberg, Samsung Securities

Fujairah (UAE) light distillates inventory (gasoline)

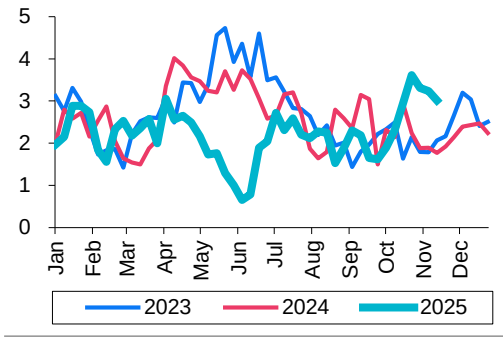
(Mil barrels)



Source: Bloomberg, Samsung Securities

Fujairah (UAE) middle distillates inventory (diesel and kerosene)

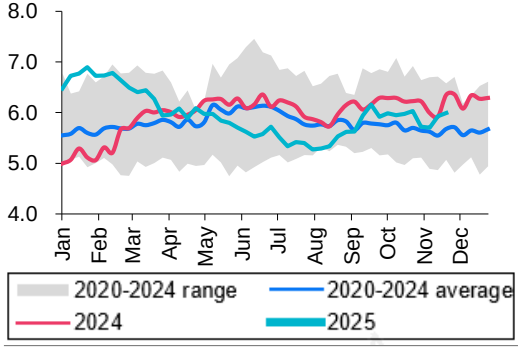
(Mil barrels)



Source: Bloomberg, Samsung Securities

ARA (Europe) refining product inventory

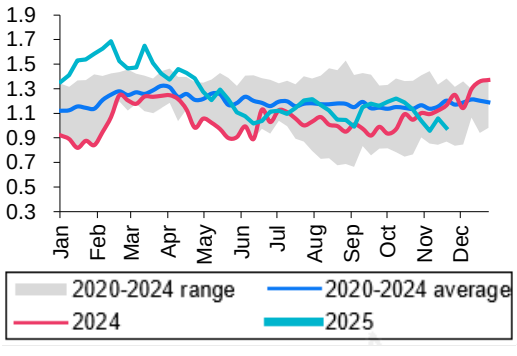
(Mil tonnes)



Source: Bloomberg, Samsung Securities

ARA (Europe) light distillates inventory

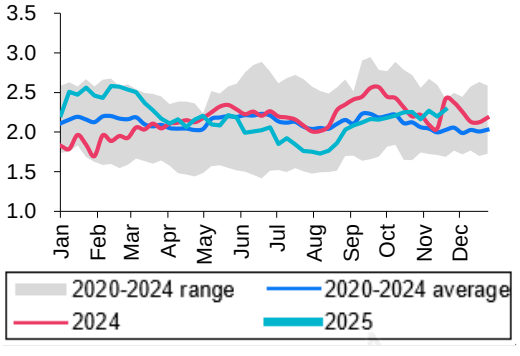
(Mil tonnes)



Source: Bloomberg, Samsung Securities

ARA (Europe) diesel inventory

(Mil tonnes)

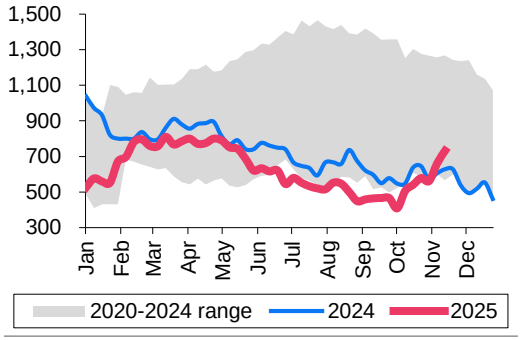


Source: Bloomberg, Samsung Securities

1) Key indicators: Chemical product inventories

MEG: China inventory

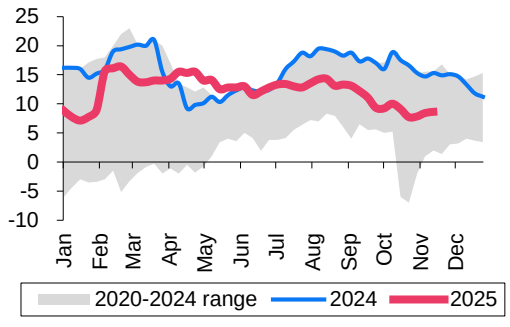
('000 tonnes)



Source: CCFEI, Samsung Securities

Polyester staple: China inventory

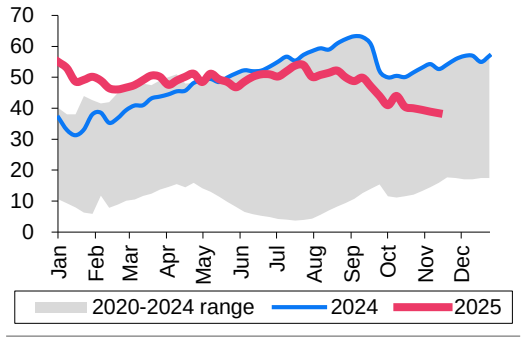
(Days)



Source: CCFEI, Samsung Securities

Spandex: China inventory

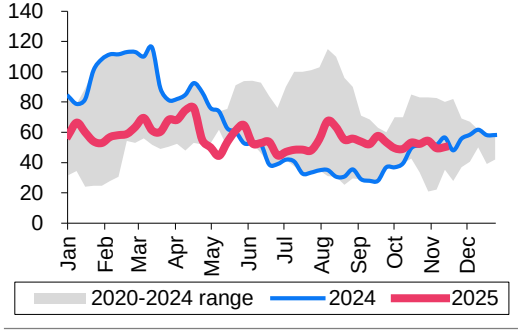
(Days)



Source: CCFEI, Samsung Securities

Toluene: China inventory

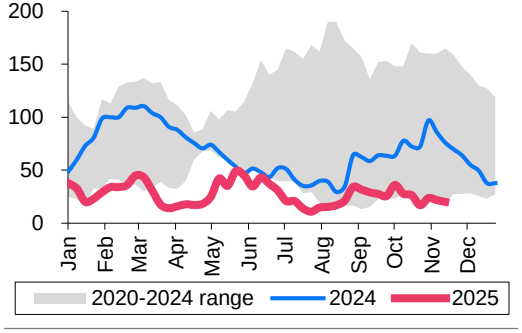
('000 tonnes)



Source: CCFEI, Samsung Securities

Xylene: China inventory

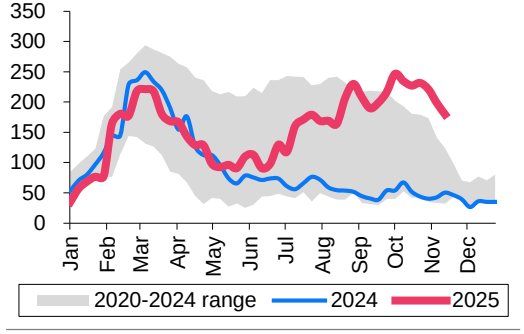
('000 tonnes)



Source: Platts, Samsung Securities

SM: China inventory

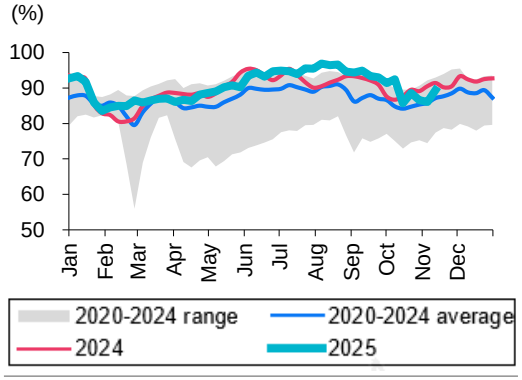
('000 tonnes)



Source: Platts, Samsung Securities

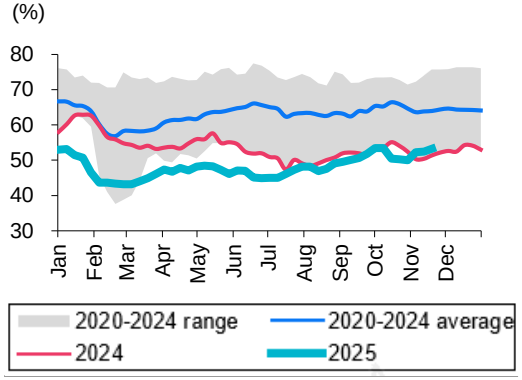
1) Key indicators: Refining/chemical product utilization rates

US refineries: Utilization rate



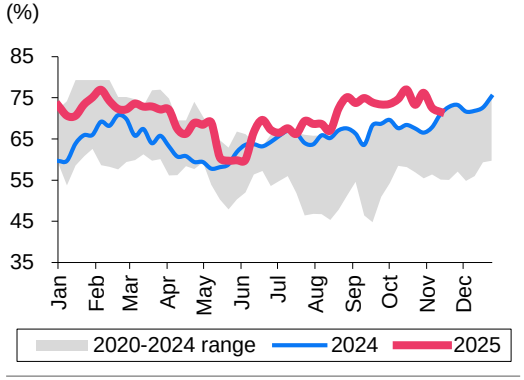
Source: EIA, Samsung Securities

China: Utilization rates at independent refiners in Shangdong area



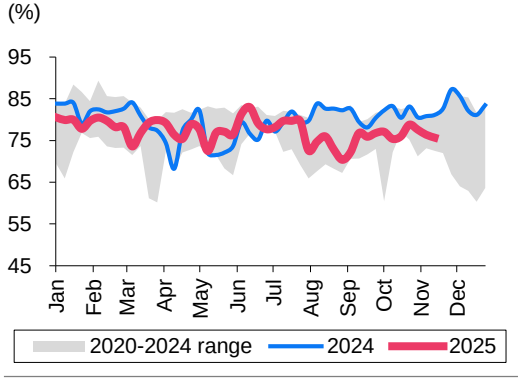
Source: Bloomberg, Samsung Securities

MEG: Utilization rates in China



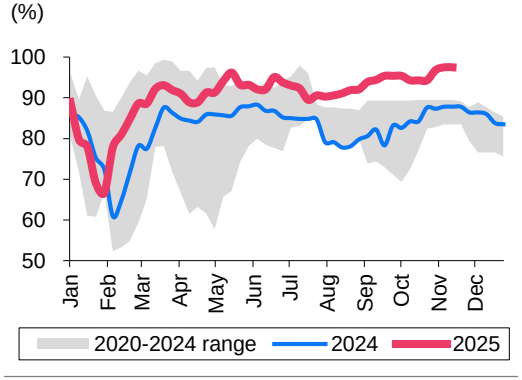
Source: CCFEI, Samsung Securities

PTA: Utilization rates in China



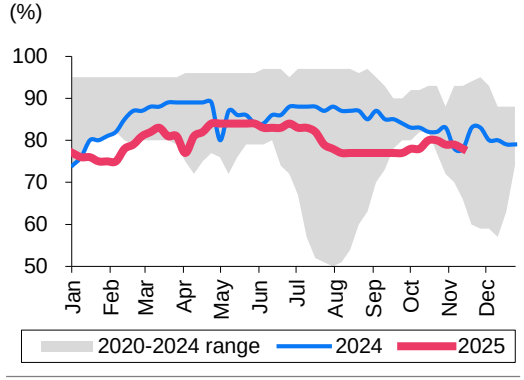
Source: CCFEI, Samsung Securities

Polyester staple: Utilization rates in China



Source: CCFEI, Samsung Securities

Spandex: Utilization rates in China

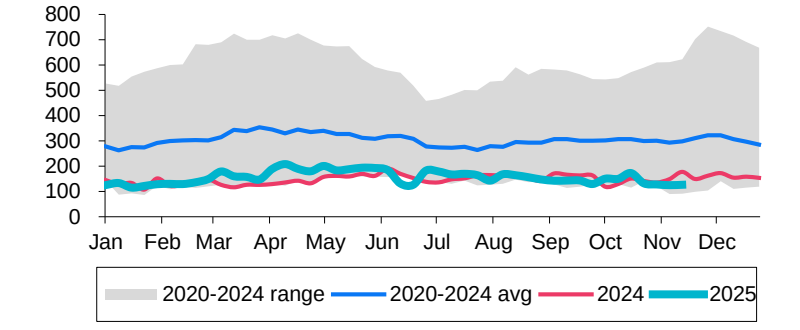


Source: CCFEI, Samsung Securities

1) Key indicators: Chemical companies' mixed spreads

LG Chem: Mixed spread

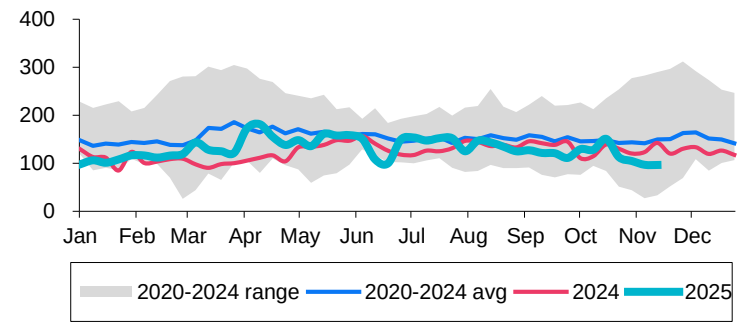
(USD/tonne)



Source: Samsung Securities estimates

Lotte Chemical: Mixed spread

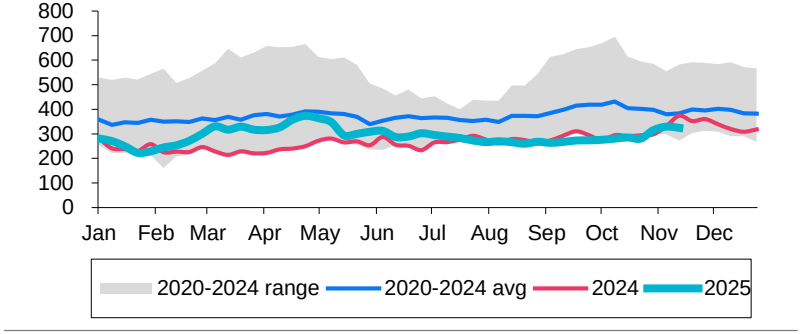
(USD/tonne)



Source: Samsung Securities estimates

Kumho Petrochemical: Mixed spread

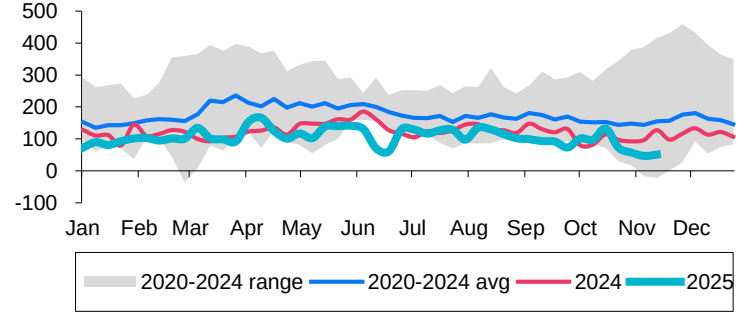
(USD/tonne)



Source: Samsung Securities estimates

Korea Petrochemical: Mixed spread

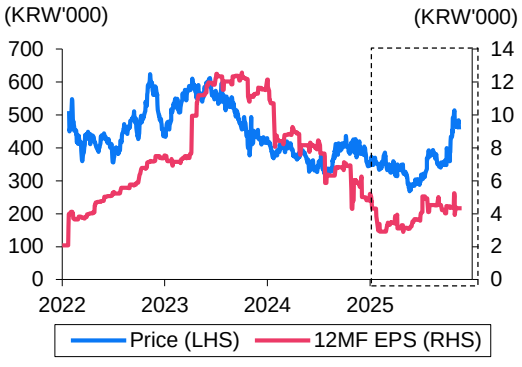
(USD/tonne)



Source: Samsung Securities estimates

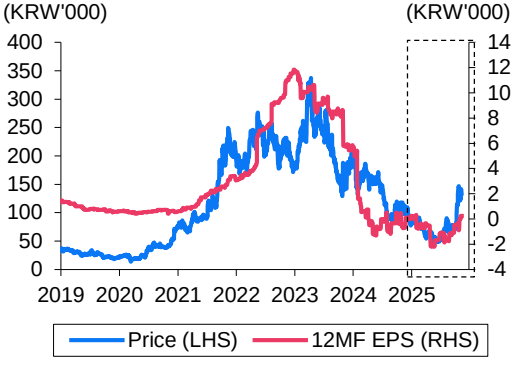
1) Key indicators: Covered companies—Forward EPS vs share price

LGES: Forward EPS vs share price



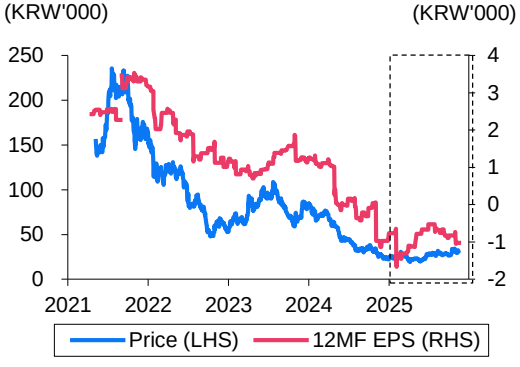
Source: QuantiWise, Samsung Securities

L&F: Forward EPS vs share price



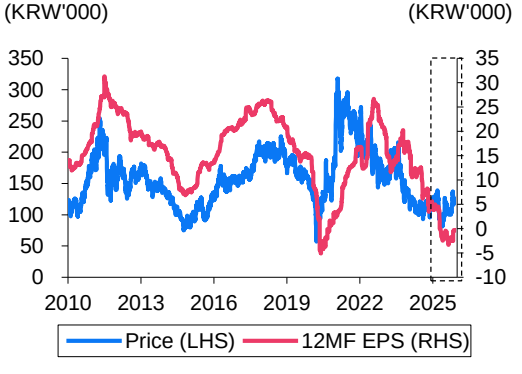
Source: QuantiWise, Samsung Securities

SK IET: Forward EPS vs share price



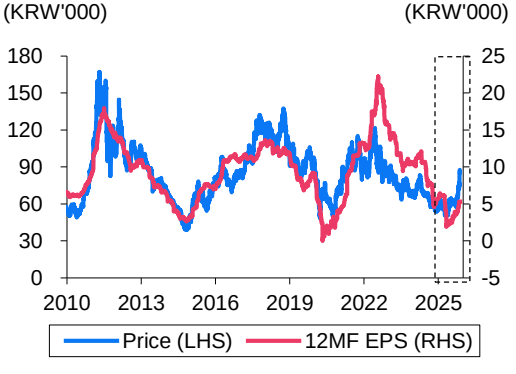
Source: QuantiWise, Samsung Securities

SK Innovation: Forward EPS vs share price



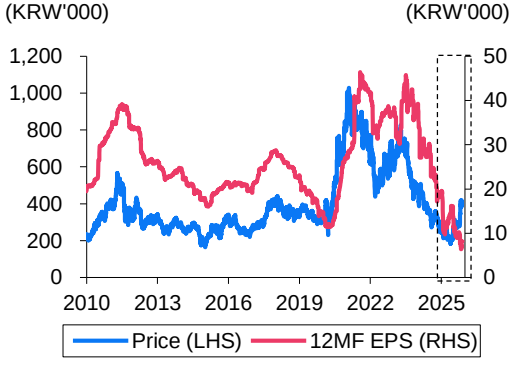
Source: QuantiWise, Samsung Securities

S-Oil: Forward EPS vs share price



Source: QuantiWise, Samsung Securities

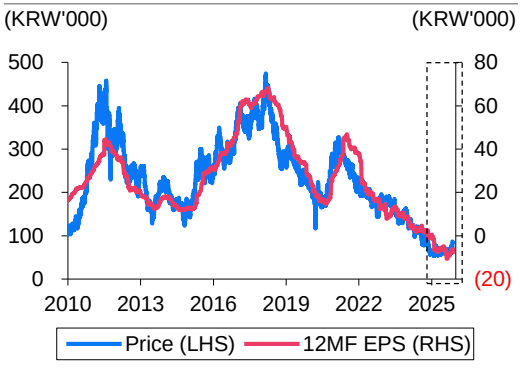
LG Chem: Forward EPS vs share price



Source: QuantiWise, Samsung Securities

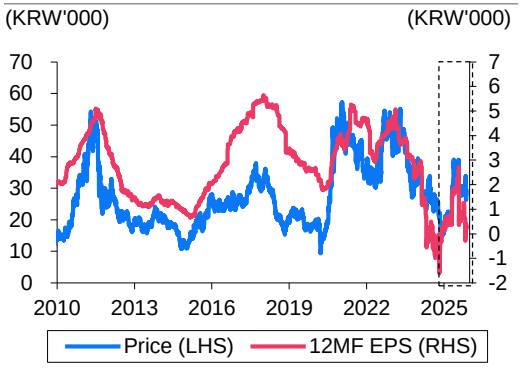
1) Key indicators: Covered companies—Forward EPS vs share price

Lotte Chemical: Forward EPS vs share price



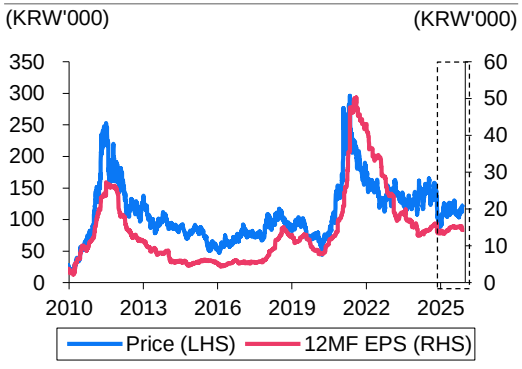
Source: QuantiWise, Samsung Securities

Hanwha Solutions: Forward EPS vs share price



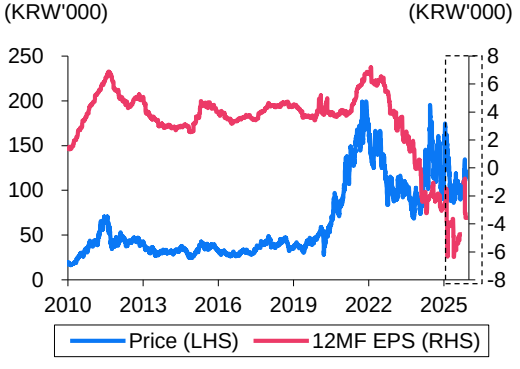
Source: QuantiWise, Samsung Securities

KKPC: Forward EPS vs share price



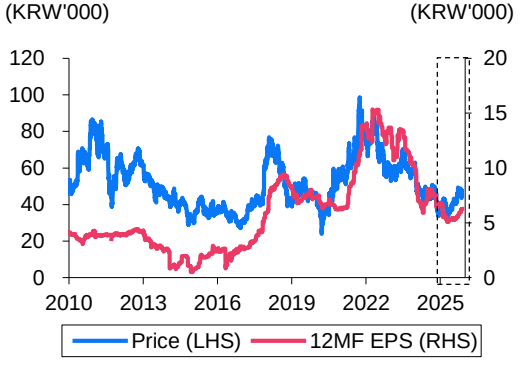
Source: QuantiWise, Samsung Securities

SKC: Forward EPS vs share price



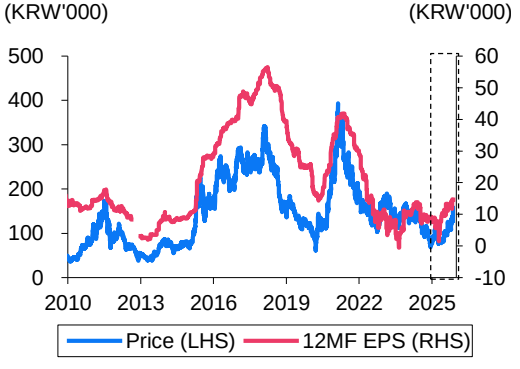
Source: QuantiWise, Samsung Securities

Lotte Fine Chemical: Forward EPS vs share price



Source: QuantiWise, Samsung Securities

KPIC: Forward EPS vs share price



Source: QuantiWise, Samsung Securities

2) Results and forecasts – LG Energy Solution

(KRWb)	1Q25	2Q25	3Q25P	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	**6,265**	**5,565**	**5,700**	**5,776**	**5,692**	**6,398**	**7,379**	**8,216**	**33,745**	**25,620**	**23,306**	**27,685**
Small batteries	1,710	1,553	1,653	1,892	1,706	1,796	1,950	1,973	9,550	7,363	6,808	7,425
EV batteries	4,110	3,623	3,466	2,723	2,631	2,925	3,222	3,521	21,745	16,408	13,922	12,298
ESS	445	390	581	1,161	1,355	1,677	2,208	2,722	2,450	1,849	2,576	7,962
EBITDA	**1,231**	**1,375**	**1,519**	**831**	**1,187**	**1,553**	**1,997**	**2,253**	**4,450**	**3,621**	**4,956**	**6,991**
Operating profit	**375**	**492**	**601**	**-87**	**291**	**572**	**895**	**1,059**	**2,163**	**575**	**1,381**	**2,817**
Small batteries	117	92	115	150	93	116	184	107	757	195	474	501
EV batteries	-107	-91	87	-477	-197	-102	-32	18	722	-880	-587	-314
ESS	-93	0	34	-94	50	65	93	109	7	-219	-153	317
IRA AMPC	458	491	366	333	346	493	650	825	677	1,480	1,647	2,313
Pre-tax profit	**365**	**-27**	**553**	**-192**	**162**	**447**	**770**	**943**	**2,043**	**349**	**698**	**2,321**
Net profit	**227**	**91**	**536**	**-187**	**143**	**396**	**681**	**835**	**1,638**	**339**	**667**	**2,055**
Net profit attributable to parent	-146	-297	272	-310	38	214	422	509	1,237	-1,019	-481	1,183
Margins (%)												
EBITDA	19.6	24.7	26.6	14.4	20.9	24.3	27.1	27.4	13.2	14.1	21.3	25.3
Operating profit	6.0	8.8	10.5	-1.5	5.1	8.9	12.1	12.9	6.4	2.2	5.9	10.2
Small batteries	6.9	5.9	6.9	7.9	5.4	6.4	9.4	5.4	7.9	2.6	7.0	6.7
EV batteries	-2.6	-2.5	2.5	-17.5	-7.5	-3.5	-1.0	0.5	3.3	-5.4	-4.2	-2.6
ESS	-21.0	0.1	5.9	-8.1	3.7	3.9	4.2	4.0	0.3	-11.9	-5.9	4.0
Pre-tax profit	5.8	-0.5	9.7	-3.3	2.8	7.0	10.4	11.5	6.1	1.4	3.0	8.4
Net profit	3.6	1.6	9.4	-3.2	2.5	6.2	9.2	10.2	4.9	1.3	2.9	7.4

Source: Company data, Samsung Securities estimates

2) Results and forecasts – SK On

(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	**14,877**	**13,682**	**14,831**	**14,584**	**13,900**	**13,955**	**14,038**	**13,986**	**12,897**	**14,035**	**57,974**	**55,879**
1. EV batteries	1,605	2,108	1,808	1,685	1,656	1,929	2,161	2,430	12,897	6,267	7,206	8,176
2. Trading International	13,272	11,575	13,023	12,898	12,244	12,026	11,877	11,557		7,768	50,768	47,703
EBITDA	**86**	**332**	**321**	**221**	**306**	**384**	**528**	**685**	**-5**	**-303**	**961**	**1,902**
Operating profit	**-163**	**62**	**14**	**-95**	**-17**	**39**	**160**	**297**	**-582**	**-1,087**	**-183**	**479**
1. EV batteries	-299	-66	-125	-233	-147	-89	33	174	-582	-1,127	-723	-30
1-1. EV batteries	-470	-340	-298	-379	-281	-231	-151	-48	-1,199	-1,419	-1,487	-711
1-2. IRA AMPC	171	273	173	146	134	142	184	222	617	292	763	681
2. Trading International	136	128	139	138	131	128	127	123		40	541	509
Pre-tax income	**-307**	**-464**	**-272**	**-686**	**-318**	**-262**	**-142**	**-5**	**-952**	**-2,330**	**-1,285**	**-727**
Net profit	**-254**	**-446**	**-262**	**-661**	**-306**	**-253**	**-137**	**-4**	**-757**	**-2,062**	**-1,179**	**-700**
Attributable to parent	-242	-139	-249	-629	-327	-270	-146	-5	-736	-1,984	-1,259	-747
Margins (%)												
EBITDA	0.6	2.4	2.2	1.5	2.2	2.8	3.8	4.9	0.0	-2.2	1.7	3.4
Operating profit	-1.1	0.5	0.1	-0.7	-0.1	0.3	1.1	2.1	-4.5	-7.7	-0.3	0.9
EV batteries (including IRA AMPC)	-18.6	-3.2	-6.9	-13.8	-8.9	-4.6	1.5	7.1	-4.5	-18.0	-10.0	-0.4
EV batteries (excluding IRA AMPC)	-29.3	-16.1	-16.5	-22.5	-17.0	-12.0	-7.0	-2.0	-9.3	-22.7	-20.6	-8.7
Trading International	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1		0.5	1.1	1.1
Pre-tax income	-2.1	-3.4	-1.8	-4.7	-2.3	-1.9	-1.0	0.0	-7.4	-16.6	-2.2	-1.3
Net profit	-1.7	-3.3	-1.8	-4.5	-2.2	-1.8	-1.0	0.0	-5.9	-14.7	-2.0	-1.3

Note: Excluding the impact of the SK Enterm merger
Source: Company data, Samsung Securities estimates

2) Results and forecasts – SK E&S

(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	**3,752**	**2,545**	**2,528**	**3,253**	**3,563**	**3,173**	**2,486**	**2,523**	**11,167**	**11,697**	**12,078**	**11,745**
LNG V/C	1,757	1,553	1,760	1,840	1,798	1,719	1,692	1,665	5,972	6,647	6,910	6,874
City gas	1,995	993	768	1,412	1,765	1,453	794	858	5,195	5,050	5,168	4,871
EBITDA	**372**	**236**	**376**	**341**	**441**	**342**	**274**	**280**	**1,863**	**1,672**	**1,324**	**1,338**
Operating profit	**193**	**115**	**255**	**187**	**272**	**191**	**156**	**160**	**1,332**	**1,116**	**750**	**779**
LNG V/C	71	79	251	167	176	150	147	144	1,182	951	567	617
City gas	123	36	5	20	96	42	9	16	149	165	184	162
Margins (%)												
EBITDA	9.9	9.3	14.9	10.5	12.4	10.8	11.0	11.1	16.7	14.3	11.0	11.4
Operating profit	5.1	4.5	10.1	5.7	7.6	6.0	6.3	6.3	11.9	9.5	6.2	6.6
LNG V/C	4.0	5.1	14.2	9.0	9.8	8.7	8.7	8.7	19.8	14.3	8.2	9.0
City gas	6.1	3.6	0.6	1.4	5.4	2.9	1.2	1.8	2.9	3.3	3.6	3.3

Note: Based on the corporate entity (SK E&S) prior to the merger with SK Innovation
Source: Company data, Samsung Securities estimates

2) Results and forecasts – SK Innovation

(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	**21,147**	**19,307**	**20,533**	**21,492**	**21,531**	**20,617**	**20,439**	**20,538**	**77,288**	**74,717**	**82,479**	**83,124**
Refining	11,918	11,119	12,422	12,670	12,249	11,780	12,017	11,922	47,551	49,840	48,129	47,968
Petrochemical	2,477	2,269	2,415	2,522	2,502	2,407	2,392	2,288	10,744	10,352	9,682	9,589
Lubricants	972	894	981	978	1,192	973	1,010	990	4,693	4,235	3,825	4,165
E&P	383	342	320	334	322	318	313	308	1,126	1,477	1,379	1,261
IE Technology	58	83	79	78	76	70	86	105	648	218	298	337
Battery	1,605	2,108	1,808	1,685	1,656	1,929	2,161	2,430	12,897	6,267	7,206	8,176
E&S	3,752	2,545	2,528	3,253	3,563	3,173	2,486	2,523	11,167	10,916	12,078	11,745
Operating profit	**-45**	**-418**	**573**	**294**	**434**	**410**	**590**	**666**	**1,904**	**315**	**405**	**2,100**
Refining	36	-466	304	246.2	120	186	222	157	811	461	120	685
Petrochemical	-114	-119	-37	-54.7	-48	-56	-29	-20	516	125	-324	-152
Lubricants	121	135	171	152.1	215	140	153	144	998	687	579	652
E&P	120	109	89	96.5	100	98	97	92	368	573	415	387
IE Technology	-55	-54	-50	-50.9	-27	-11	8	11	11	-283	-210	-19
Battery	-299	-66	-125	-232.8	-147	-89	33	174	-582	-1,127	-723	-30
E&S	193	115	255	186.6	272	191	156	160		1,125	750	779
Pre-tax profit	-332	-1,261	69	-2	121	102	281	356	932	-2,380	-1,527	860
Net profit	**-126**	**-1,032**	**-94**	**-2**	**100**	**85**	**234**	**296**	**555**	**-2,372**	**-1,254**	**715**
Net profit attributable to parent	-229	-772	-108	-2	94	77	209	259	256	-2,260	-1,111	638
Margins (%)												
Operating profit	-0.2	-2.2	2.8	1.4	2.0	2.0	2.9	3.2	2.5	0.4	0.5	2.5
Refining	0.3	-4.2	2.4	1.9	1.0	1.6	1.8	1.3	1.7	0.9	0.3	1.4
Petrochemical	-4.6	-5.2	-1.5	-2.2	-1.9	-2.3	-1.2	-0.9	4.8	1.2	-3.4	-1.6
Lubricants	12.5	15.1	17.4	15.6	18.1	14.4	15.2	14.5	21.3	16.2	15.1	15.7
E&P	31.4	31.9	27.9	28.9	30.9	30.9	30.9	29.9	32.7	38.8	30.1	30.7
IE Technology	-94.1	-64.9	-63.3	-65.7	-35.7	-15.7	9.3	10.3	1.7	-129.8	-70.4	-5.7
Battery	-18.6	-3.2	-6.9	-13.8	-8.9	-4.6	1.5	7.1	-4.5	-18.0	-10.0	-0.4
E&S	5.1	4.5	10.1	5.7	7.6	6.0	6.3	6.3	0.0	10.3	6.2	6.6
Pre-tax profit	-1.6	-6.5	0.3	-0.0	0.6	0.5	1.4	1.7	1.2	-3.2	-1.9	1.0
Net profit	-0.6	-5.3	-0.5	-0.0	0.5	0.4	1.1	1.4	0.7	-3.2	-1.5	0.9

Source: Company data, Samsung Securities estimates

2) Results and forecasts – L&F

(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	**365**	**520**	**652**	**638**	**615**	**630**	**694**	**740**	**4,644**	**1,907**	**2,175**	**2,679**
Growth (% q-q)	-0.2	42.6	25.4	-2.2	-3.5	2.3	10.3	6.5				
Growth (% y-y)	-42.6	-6.3	85.5	74.6	68.7	21.1	6.4	16.0	19.5	-58.9	14.0	23.2
EBITDA	**-118**	**-99**	**44**	**38**	**49**	**56**	**69**	**68**	**-176**	**-495**	**-135**	**242**
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-14.1	28.4	14.9	22.5	-0.7				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	To turn pos	To turn pos	To turn pos	55.3	79.4	Turned neg	Remained neg	To remain neg	To turn pos
Operating profit	**-140**	**-121**	**22**	**13**	**24**	**30**	**42**	**41**	**-222**	**-559**	**-226**	**137**
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-40.0	78.4	28.8	38.3	-3.2				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	To turn pos	To turn pos	To turn pos	90.5	207.5	Turned neg	Remained neg	To remain neg	To turn pos
Pre-tax income	**-145**	**-145**	**-102**	**-12**	**17**	**24**	**36**	**34**	**-296**	**-520**	**-374**	**111**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	To remain neg	To turn pos	39.8	48.8	-3.8				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	To remain neg	To turn pos	To turn pos	To turn pos	To turn pos	Turned neg	Remained neg	To remain neg	To turn pos
Net profit	**-111**	**-113**	**-118**	**-9**	**13**	**19**	**28**	**27**	**-195**	**-381**	**-322**	**86**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	To remain neg	To turn pos	39.8	48.8	-3.8				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	To remain neg	To turn pos	To turn pos	To turn pos	To turn pos	Turned neg	Remained neg	To remain neg	To turn pos
Net profit attributable to parent	-111	-112	-118	-9	14	20	30	29	-194	-378	-350	94
Margins (%)												
EBITDA	-32.4	-19.1	6.8	6.0	7.9	8.9	9.9	9.2	-3.8	-26.0	-6.2	9.0
Operating profit	-38.4	-23.3	3.4	2.1	3.8	4.8	6.1	5.5	-4.8	-29.3	-10.4	5.1
Pre-tax income	-39.9	-27.9	-15.6	-1.9	2.8	3.8	5.1	4.6	-6.4	-27.2	-17.2	4.1
Net profit	-30.5	-21.6	-18.1	-1.5	2.2	2.9	4.0	3.6	-4.2	-20.0	-14.8	3.2

Source: Company data, Samsung Securities estimates

2) Results and forecasts - SK IET

(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	**58**	**83**	**79**	**77.5**	**76**	**70**	**86**	**105**	**648**	**218**	**298**	**337**
Growth (% q-q)	-1.7	42.1	-4.4	-2.0	-1.9	-8.5	24.4	21.2				
Growth (% y-y)	26.2	34.1	55.8	30.8	30.5	-15.9	9.4	35.2	10.7	-66.4	36.6	13.2
EBITDA	**-33**	**-18**	**-12**	**-14**	**10**	**26**	**49**	**56**	**204**	**-135**	**-76**	**141**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	To remain neg	To turn pos	164.8	88.4	13.9				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	To remain neg	To turn pos	To turn pos	To turn pos	To turn pos	96.9	Turned neg	To remain neg	To turn pos
Operating profit	**-70**	**-54**	**-47**	**-51**	**-27**	**-11**	**8**	**11**	**50**	**-291**	**-222**	**-19**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	To turn pos	34.2				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	To turn pos	To turn pos	Turned pos	Turned neg	To remain neg	To remain neg
Pre-tax profit	**-47**	**-37**	**-58**	**-65**	**-15**	**1**	**20**	**22**	**117**	**-313**	**-187**	**27**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To turn pos	2,637.5	14.0				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To turn pos	To turn pos	To turn pos	Turned pos	Turned neg	To remain neg	To turn pos
Net profit	**-22**	**-19**	**-40**	**-45**	**-9**	**1**	**16**	**19**	**82**	**-247**	**-106**	**27**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To turn pos	2,637.5	14.0				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To turn pos	To turn pos	To turn pos	Turned pos	Turned neg	To remain neg	To turn pos
Net profit attributable to parent	-22	-19	-40	-45	-9	1	16	19	82	-247	-106	27
Margins (%)												
EBITDA	-56.2	-21.6	-14.9	-18.0	12.9	37.5	56.7	53.3	31.5	-61.8	-25.7	41.8
Operating profit	-119.6	-64.9	-59.7	-65.7	-35.7	-15.7	9.3	10.3	7.7	-133.6	-74.4	-5.7
Pre-tax profit	-80.5	-44.2	-73.2	-83.5	-20.4	1.0	22.8	21.4	18.0	-143.8	-62.8	8.1
Net profit	-37.2	-23.0	-50.6	-57.8	-11.6	0.9	18.9	17.8	12.7	-113.2	-35.7	8.0

Source: Company data, Samsung securities estimates

2) Results and forecasts - Hanwha Q Cells

(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	**1,599**	**1,446**	**1,752**	**1,777.1**	**1,665**	**1,721**	**1,608**	**1,774**	**6,616**	**5,780**	**6,574**	**6,768**
Module manufacturing / Other	587	573.9	432	198.8	576.4	590	465	604	4,566	2,542	1,792	2,235
Power generation business / EPC	419	394.2	819	1,227.9	607.7	626	613	613	2,050	2,960	2,860	2,460
Residential energy business	594	478.3	501	350.4	480.7	505	530	557		278	1,923	2,072
Operating profit	**136**	**156**	**8**	**-110**	**119**	**247**	**321**	**363**	**568**	**-259**	**190**	**1,050**
Module manufacturing / Other	-135	-20	-159	-162	-96	-51	-3	8	265	-959	-476	-143
Power generation business / EPC	-42	-61	19	-8	18	25	15	21	94	89	-93	80
Residential energy business	129	55	80	21	71	90	100	105		56	285	365
IRA AMPC	184	182	68	40	125	183	209	229	210	555	474	747
Margins (%)												
Operating profit	8.5	10.8	0.5	-6.2	7.1	14.3	20.0	20.5	8.6	-4.5	2.9	15.5
Module manufacturing / Other	-23.0	-3.4	-36.7	-81.7	-16.7	-8.7	-0.7	1.3	5.8	-37.7	-26.6	-6.4
Power generation business / EPC	-10.0	-15.6	2.3	-0.7	3.0	4.0	2.5	3.5	4.6	3.0	-3.2	3.3
Residential energy business	21.8	11.5	15.9	5.9	14.8	17.8	18.8	18.8		19.9	14.8	17.6

Source: Company data, Samsung Securities estimates

2) Results and forecasts - Hanwha Solutions

(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	**3,094**	**3,117**	**3,364**	**3,407**	**3,285**	**3,278**	**3,212**	**3,341**	**13,079**	**12,394**	**12,983**	**13,116**
Basic materials	1,074	1,239	1,160	1,169	1,155	1,132	1,121	1,110	5,097	4,817	4,642	4,518
Process materials	274	308	258	270	313	283	286	278	989	1,038	1,110	1,160
Solar	1,599	1,446	1,752	1,777	1,665	1,721	1,608	1,774	6,616	5,780	6,574	6,768
Other	148	124	195	191	152	143	197	179	587	773	657	671
Operating profit	**30**	**102**	**-7**	**-157**	**98**	**247**	**333**	**368**	**579**	**-300**	**-32**	**1,046**
Basic materials	-91	-47	-9	-44	-16	-1	13	7	60	-122	-191	3
Process materials	-2	10	4	9	8	13	11	10	64	24	20	43
Solar	136	156	8	-110	119	247	321	363	568	-259	190	1,050
Other	-13	-17	-10	-12	-12	-12	-12	-12	-88	55	-52	-49
Consolidation adjustments	0	-0	-0	-0	-0	-0	-0	-0	-25	2	-0	-0
Equity-method income	135	3	99	-51	-29	-27	-29	-58	83	-327	186	-143
Pre-tax profit	-68	-148	-40	-309	-22	128	212	219	132	-1,424	-566	538
Net profit	**-30**	**-178**	**5**	**-131**	**-9**	**105**	**174**	**180**	**-88**	**-1,369**	**-336**	**450**
Attributable to parent company	-44	-202	-12	-140	-18	97	165	171	-141	-1,404	-398	415
Margins (%)												
Operating profit	1.0	3.3	-0.2	-4.6	3.0	7.5	10.4	11.0	4.4	-2.4	-0.3	8.0
Basic materials	-8.5	-3.8	-0.8	-3.8	-1.4	-0.1	1.2	0.6	1.2	-2.5	-4.1	0.1
Process materials	-0.7	3.2	1.4	3.2	2.7	4.7	3.7	3.7	6.5	2.3	1.8	3.7
Solar	8.5	10.8	0.5	-6.2	7.1	14.3	20.0	20.5	8.6	-4.5	2.9	15.5
Other	-8.7	-13.8	-5.1	-6.2	-8.2	-8.7	-6.3	-6.9	-14.9	7.1	-7.9	-7.4
Pre-tax profit	-2.2	-4.8	-1.2	-9.1	-0.7	3.9	6.6	6.6	1.0	-11.5	-4.4	4.1
Net profit	-1.0	-5.7	0.1	-3.9	-0.3	3.2	5.4	5.4	-0.7	-11.0	-2.6	3.4

Source: Company data, Samsung Securities estimates

2) Results and forecasts - SKC

(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	**438**	**467**	**506**	**541**	**517**	**569**	**593**	**607**	**1,571**	**1,722**	**1,953**	**2,287**
Chemicals	295	275	274	277	273	288	287	285	812	1,187	1,121	1,133
Semiconductor materials	44	61	65	70	47	71	80	74	126	210	239	272
SK Nexilis	99	127	167	192	195	207	224	246	624	318	585	873
Absolics					8	16	40	47			0	111
Other	1	4	1	2	-6	-14	-38	-45	9	7	8	-103
Operating profit	**-74**	**-70**	**-53**	**-52**	**-32**	**-2**	**10**	**12**	**-214**	**-277**	**-250**	**-13**
Chemicals	-18	-16	-7	-14	-7	2	1	-0	-72	-53	-56	-5
Semiconductor materials	7	14	17	20	13	23	26	20	13	45	58	81
SK Nexilis	-35	-38	-35	-33	-14	-4	4	12	-58	-151	-140	-1
Absolics					0	1	4	4			0	9
Consolidation adjustments / other	-28	-30	-28	-25	-24	-24	-25	-24	-97	-118	-112	-96
Pre-tax profit	-127	-172	-131	-29	-73	-44	-31	-29	-399	-662	-459	-177
Net profit	**-118**	**-4**	**-99**	**-26**	**-66**	**-39**	**-28**	**-26**	**-326**	**-455**	**-411**	**-159**
Net profit attributable to parent	-105	3	-91	-25	-66	-41	-30	-28	-276	-443	-217	-166
Margins (%)												
Operating profit	-17.0	-15.0	-10.4	-9.7	-6.2	-0.4	1.7	1.9	-13.6	-16.1	-12.8	-0.6
Chemicals	-6.2	-5.8	-2.7	-5.0	-2.7	0.6	0.3	-0.1	-8.9	-4.4	-5.0	-0.4
Semiconductor materials	15.4	23.8	27.0	28.0	27.0	32.0	32.2	26.2	10.5	21.3	24.3	29.6
SK Nexilis	-35.1	-29.9	-21.0	-17.0	-7.0	-2.0	2.0	5.0	-9.3	-47.3	-24.0	-0.1
Absolics					3.0	6.0	9.0	9.0			0.0	8.1
Pre-tax profit	-29.0	-36.9	-25.8	-5.4	-14.1	-7.7	-5.3	-4.8	-25.4	-38.5	-23.5	-7.7
Net profit	-26.9	-0.9	-19.6	-4.9	-12.7	-6.9	-4.7	-4.3	-20.8	-26.4	-21.1	-7.0

Source: Company data, Samsung Securities estimates

2) Results and forecasts – Lotte Chemical

(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**
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 Energy	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**
Olefin	-77	-128	-76	-106	-76	-49	-58	-44	-175	-407	-387	-227
Aromatic	15	3	12	5	5	8	-3	1	-27	-35	33	11
LC Titan	-41	-52	-51	-73	-77	-75	-72	-60	-254	-262	-217	-284
Lotte Advanced Materials	73	56	58	41	55	59	48	50	233	188	227	212
LC USA	-5	-38	-7	-6	-5	-5	-5	-5	-45	-107	-56	-20
Lotte Energy	19	9	28	26	31	35	42	38	155	50	81	145
Lotte Energy Materials	-46	-31	-34	-33	-22	-6	-1	-0	6	-64	-144	-29
Pre-tax profit	-241	-507	-246	-228	-183	-124	-132	-105	-452	-2,258	-1,222	-544
Net profit	**-246**	**-471**	**-164**	**-152**	**-122**	**-83**	**-88**	**-70**	**-39**	**-1,826**	**-1,037**	**-362**
Net profit 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 Energy	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

2) Results and forecasts – Korea Petrochemical

(KRWb)	1Q25	2Q25	3Q25P	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**	**910**	**922**	**916**	**904**	**895**	**891**	**2,500**	**2,800**	**3,420**	**3,606**
Chemicals	736	712	704	709	702	689	683	676	2,479	2,779	2,861	2,750
Industrial Gas (Korea Air-Tech)	15	15	14	16	17	18	16	19	54	52	60	69
Group Energy (Hanju)		133	199	204	204	204	204	204			537	817
Salt (Hanju)		11	16	16	16	16	16	16			44	65
EBITDA	**34**	**44**	**93**	**88**	**90**	**87**	**88**	**81**	**119**	**120**	**259**	**347**
Operating profit	**-10**	**-5**	**43**	**38**	**39**	**36**	**38**	**30**	**-62**	**-60**	**66**	**143**
Chemicals	-12	-22	18	13	14	11	13	6	-67	-65	-2	44
Industrial Gas (Korea Air-Tech)	2	2	2	1	2	2	2	2	4	5	7	8
Group Energy (Hanju)		13	19	19	19	19	19	19			51	76
Salt (Hanju)		3	4	4	4	4	4	4			10	15
Pre-tax profit	3	10	46	43	44	41	43	36	-50	-33	102	163
Net profit	**3**	**8**	**42**	**31**	**32**	**30**	**31**	**26**	**-29**	**-9**	**85**	**119**
Net profit attributable to parent	3	1	30	22	23	21	22	17	-29	-9	56	82
Margins(%)												
EBITDA	4.6	5.2	10.2	9.6	9.9	9.6	9.9	9.1	4.8	4.3	7.6	9.6
Operating profit	-1.3	-0.5	4.7	4.1	4.2	4.0	4.2	3.4	-2.5	-2.1	1.9	4.0
Chemicals	-1.6	-3.1	2.6	1.8	2.0	1.6	1.9	0.8	-2.7	-2.3	-0.1	1.6
Industrial Gas (Korea Air-Tech)	12.8	12.3	12.3	8.4	11.5	11.5	11.5	12.3	8.0	9.9	11.4	11.7
Group Energy (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 profit	0.5	1.1	5.1	4.7	4.8	4.5	4.8	4.1	-2.0	-1.2	3.0	4.5
Net profit	0.4	0.9	4.7	3.4	3.5	3.3	3.5	3.0	-1.2	-0.3	2.5	3.3

Note: Segment results not yet disclosed; figures based on our estimates
Source: Company data, Samsung securities estimates

2) Results and forecasts - UNID

(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	**323**	**341**	**329**	**334**	**380**	**402**	**390**	**367**	**1,134**	**1,112**	**1,327**	**1,540**
Domestic	154	163	151	147	181	194	180	140	646	609	615	695
China	172	183	182	191	202	212	214	232	527	522	728	859
EBITDA	**44**	**48**	**34**	**32**	**48**	**54**	**54**	**47**	**81**	**149**	**158**	**204**
Domestic	26	28	20	16	26	31	26	16	57	89	89	99
China	17	20	12	13	19	21	25	26	21	60	62	90
Operating profit	**29**	**33**	**19**	**13**	**27**	**32**	**32**	**23**	**32**	**95**	**93**	**113**
Domestic	19	20	12	6	16	19	15	5	29	60	57	55
China	9	12	6	7	11	12	16	17	0	36	33	56
Pre-tax profit	28	34	23	14	28	32	35	28	23	87	99	123
Net profit	**22**	**24**	**17**	**11**	**22**	**25**	**27**	**22**	**16**	**76**	**74**	**96**
Attributable to parent	22	24	17	11	22	25	27	22	16	76	74	96
Margins (%)												
EBITDA	13.7	14.2	10.4	9.5	12.7	13.5	13.7	12.9	7.1	13.4	11.9	13.2
Domestic	17.0	17.0	13.2	10.7	14.5	15.8	14.3	11.4	8.8	14.5	14.6	14.2
China	9.9	10.9	6.4	6.7	9.3	9.7	11.5	11.4	4.0	11.6	8.5	10.5
Operating profit	8.9	9.6	5.7	3.8	7.1	7.9	8.1	6.3	2.8	8.6	7.0	7.4
Domestic	12.2	12.4	8.2	4.1	8.6	9.9	8.4	3.9	4.6	9.8	9.3	8.0
China	5.3	6.5	3.1	3.4	5.3	5.7	7.5	7.4	0.0	6.9	4.6	6.5
Pre-tax profit	8.8	10.0	7.0	4.2	7.4	8.0	8.9	7.5	2.0	7.8	7.5	8.0
Net profit	6.9	7.0	5.1	3.3	5.8	6.3	7.0	5.9	1.4	6.9	5.6	6.2

Source: Company data, Samsung securities estimates

PART 05

Company analysis

1) S-Oil
2) LG Chem
3) KCC
4) Kumho Petrochemical
5) SK Chemical
6) Lotte Fine Chemical

1) S-Oil (010950 | KRW80,900 | BUY | TP: KRW110,000)

Investment points

1. To benefit from robust Asian refining margins

Diesel and kerosene supply shortages should intensify due to seasonally-strong demand during the winter, Ukraine's attacks on Russian oil refining facilities, and the tightening of US and European sanctions against Russia. If refining margins for these products stay strong, Korean refiners (whose diesel + kerosene yield exceeds 50%) should benefit.

2. ROE to improve considerably in 2026

Although the firm's 2025 operating results should be affected by negative inventory effects (stemming from weak oil prices), we expect its ROE to climb from 2.1% in 2025 to 7.5% in 2026 because OPEC+'s recent decision (to pause oil production increases in 1Q26) should limit any downside for oil prices. Reflecting this improving ROE trend, we raise our forward P/B multiple from 1.12x to 1.38x (0.5 standard deviations below its post-2010 average) and our target price by 19.6% from KRW92,000 to KRW110,000.

Key information

Price as of Nov 26	KRW80,900
Market cap	KRW9.1t/USD6.2b
60-day average turnover	KRW26.4b/USD18.0m
52-week high/low	KRW90,000/KRW50,400
Dividend yield	0.3%
Free float	36.6%
Foreign ownership	76.8%

Share performance (%)	1M	3M	6M	12M
Absolute	8.0	32.8	50.9	38.3
Relative	7.5	6.6	0.8	-12.0

Key data

Year-end	Sales	Op profit	Pre-tax profit	Net profit*	EPS*	Chg	P/E	Net debt	EV/EBITDA	P/B	ROE
Dec-31	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(KRWb)	(x)	(x)	(%)
2023	35,727	1,355	1,132	949	8,137	-54.9	8.6	3,839	5.7	0.9	10.8
2024	36,637	422	-333	-193	-1,656	nm	n/a	6,001	10.5	0.7	-2.2
2025E	33,995	171	210	187	1,600	nm	55.9	8,967	20.7	1.2	2.1
2026E	31,330	999	939	691	5,922	270.2	15.1	8,549	10.9	1.1	7.5
2027E	30,474	1,097	772	568	4,869	-17.8	18.4	7,806	9.9	1.0	5.8

Note: *Attributable to parent company
Source: Company data, Samsung Securities estimates

1) S-Oil: 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	**8,991**	**8,049**	**8,415**	**8,541**	**8,071**	**7,879**	**7,786**	**7,594**	**35,727**	**36,637**	**33,995**	**31,330**
Refining	7,072	6,260	6,694	6,838	6,389	6,204	6,126	5,968	28,257	28,805	26,864	24,687
Petrochemical	1,128	1,034	1,016	1,019	1,006	987	976	966	4,385	4,703	4,197	3,935
Lube base oil	791	755	705	684	676	688	684	660	3,085	3,130	2,934	2,708
Operating profit	**-22**	**-344**	**229**	**308**	**364**	**193**	**262**	**180**	**1,355**	**422**	**171**	**999**
Refining	-57	-441	116	208	211	80	89	41	353	-273	-174	421
Petrochemical	-75	-35	-20	-25	-6	11	6	5	191	127	-154	16
Lube base oil	110	132	134	125	158	103	166	134	810	568	500	561
Pre-tax profit	-67	-106	81	302	354	180	245	160	1,132	-333	210	939
Net profit	**-45**	**-67**	**63**	**235**	**260**	**133**	**180**	**117**	**949**	**-193**	**187**	**691**
Net profit attributable to parent	-45	-67	63	235	260	133	180	117	949	-193	187	691
Margins (%)												
Operating profit	-0.2	-4.3	2.7	3.6	4.5	2.5	3.4	2.4	3.8	1.2	0.5	3.2
Refining	-0.8	-7.0	1.7	3.0	3.3	1.3	1.5	0.7	1.3	-0.9	-0.6	1.7
Petrochemical	-6.6	-3.4	-2.0	-2.5	-0.6	1.1	0.7	0.5	4.3	2.7	-3.7	0.4
Lube base oil	13.9	17.5	19.0	18.2	23.4	15.0	24.3	20.3	26.3	18.2	17.0	20.7
Pre-tax profit	-0.7	-1.3	1.0	3.5	4.4	2.3	3.1	2.1	3.2	-0.9	0.6	3.0
Net profit	-0.5	-0.8	0.8	2.7	3.2	1.7	2.3	1.5	2.7	-0.5	0.5	2.2

Source: Company data, Samsung securities estimates

2) LG Chem (051910 | KRW397,000 | BUY | TP: KRW500,000)

Investment points

1. NAV discount to narrow further

In 2025, LG Chem raised around KRW2t by monetizing a 2.5% stake in LG Energy Solution, and additional stake monetization appears possible in 2026. Pressure from activist investors for subsidiary stake sales to enhance shareholder value may also increase. Meanwhile, weakness in LG Chem's core business could prompt the company to leverage subsidiary stakes to pursue new business opportunities. Accordingly, we see room for the current 73% discount to NAV to narrow further.

2. Earnings pass bottom

Earnings at LG Chem's chemicals and advanced materials divisions (but excluding those from LGES) have likely passed bottom. In 2026, the chemicals division should reduce its losses by cutting utilization for commodity products and shifting towards higher-value products. The cathode materials unit, after bottoming in 2H25E, should see its sales volume rebound on the addition of non-captive clients.

Key information

Price as of Nov 26	KRW397,000
Market cap	KRW28.0t/USD19.1b
60-day average turnover	KRW123.8b/USD84.5m
52-week high/low	KRW419,500/KRW182,400
Dividend yield	0.3%
Free float	65.0%
Foreign ownership	34.6%

Share performance (%)	1M	3M	6M	12M
Absolute	-1.0	37.1	111.5	29.3
Relative	-1.5	10.1	41.2	-17.7

Key data

Year-end	Sales	Op profit	Pre-tax profit	Net profit*	EPS*	Chg	P/E	Net debt	EV/EBITDA	P/B	ROE
Dec-31	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(KRWb)	(x)	(x)	(%)
2023	55,250	2,529	2,490	2,053	17,090	-27.5	29.2	13,269	10.3	1.2	4.2
2024	48,916	917	593	515	-8,825	nm	n/a	19,483	12.9	0.6	-2.1
2025E	45,822	1,385	273	278	-10,221	nm	n/a	24,677	13.5	0.9	-2.4
2026E	47,420	2,936	2,115	2,042	14,948	nm	26.0	26,504	10.8	0.9	3.6
2027E	55,296	7,054	6,310	6,094	51,476	244.4	7.5	21,423	9.0	0.8	11.4

Note: *Attributable to parent company
Source: Company data, Samsung Securities estimates

2) LG Chem: 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	**12,121**	**11,418**	**11,196**	**11,087**	**10,856**	**11,520**	**12,148**	**12,896**	**55,250**	**48,916**	**45,822**	**47,420**
Chemicals	4,782	4,696	4,461	4,443	4,201	4,043	3,892	3,658	17,809	19,160	18,382	15,794
Advanced Materials	1,440	1,061	838	840	912	1,010	1,052	1,232	7,408	6,412	4,179	4,205
Batteries	6,265	5,565	5,700	5,776	5,692	6,398	7,379	8,216	33,745	25,620	23,306	27,685
Farm Hannong	246	242	102	172	251	245	109	172	782	762	762	777
Life Sciences	286	337	375	320	320	415	382	369	1,183	1,334	1,317	1,485
Operating profit	**438**	**477**	**680**	**-209**	**291**	**609**	**928**	**1,107**	**2,529**	**917**	**1,385**	**2,936**
Chemicals	-57	-90	29	-103	-38	-10	5	-27	-143	-105	-221	-70
Advanced Materials	118	71	7	1	29	45	64	81	585	510	197	219
Batteries	375	492	601	-87	291	572	895	1,059	2,163	575	1,381	2,817
Farm Hannong	31	13	-20	9	34	17	-20	9	45	44	33	39
Life Sciences	-13	25	101	10	7	18	16	16	28	110	121	57
Consolidation adjustments	-16	-33	-39	-39	-32	-32	-32	-32	-149	-218	-126	-126
Pre-tax profit	437	-185	457	-425	96	407	716	895	2,498	-268	284	2,115
Net profit	**260**	**-112**	**447**	**-318**	**93**	**393**	**692**	**865**	**2,053**	**515**	**278**	**2,042**
Attributable to parent company	-108	-434	184	-442	-12	211	433	539	1,338	-691	-800	1,170
Margins (%)												
Operating profit	3.6	4.2	6.1	-1.9	2.7	5.3	7.6	8.6	4.6	1.9	3.0	6.2
Chemicals	-1.2	-1.9	0.7	-2.3	-0.9	-0.3	0.1	-0.7	-0.8	-0.5	-1.2	-0.4
Advanced Materials	8.2	6.7	0.9	0.1	3.2	4.5	6.1	6.6	7.9	8.0	4.7	5.2
Batteries	6.0	8.8	10.5	-1.5	5.1	8.9	12.1	12.9	6.4	2.2	5.9	10.2
Farm Hannong	12.6	5.2	-19.7	5.5	13.4	6.8	-18.7	5.5	5.8	5.8	4.3	5.0
Life Sciences	-4.7	7.3	26.9	3.0	2.2	4.2	4.3	4.3	2.4	8.3	9.2	3.8
Pre-tax profit	3.6	-1.6	4.1	-3.8	0.9	3.5	5.9	6.9	4.5	-0.5	0.6	4.5
Net profit	2.1	-1.0	4.0	-2.9	0.9	3.4	5.7	6.7	3.7	1.1	0.6	4.3

Note: Operating profit by business division is based on our estimates
Source: Company data, Samsung Securities estimates

3) KCC (002380 | KRW415,000 | BUY | TP: KRW550,000)

Investment points

1. Most treasury shares in sector

KCC's treasury shares now represent 17.2% of its total shares outstanding—the highest in the sector. Theoretically, cancelling all of the treasury shares would boost its EPS by around 21%. Given that the treasury share utilization plan (announced in Sep 2025 but later scrapped) was expected to raise its EPS by 12%, any new plan to utilize these treasury shares would likely enhance its EPS by at least 12%.

2. Increasing momentum from investment assets

The market value of KCC's stakes in listed firms has jumped from KRW2.8t at end-2024 to KRW4.9t. We apply a 75% discount to the value of these stakes, which discount figure we may shrink if the company announces asset monetization plans. Additionally, should it liquidate these assets, roughly 75% of the proceeds could be unlocked in enterprise value. Factoring in the recent rallies of the firm's investment assets, we increase our target price by 6% from KRW520,000 to KRW550,000 (based on a sum-of-the-parts valuation).

Key information

Price as of Nov 26	KRW415,000
Market cap	KRW3.7t/USD2.5b
60-day average turnover	KRW14.6b/USD10.0m
52-week high/low	KRW453,000/KRW216,500
Dividend yield	2.4%
Free float	47.1%
Foreign ownership	12.4%

Share performance (%)	1M	3M	6M	12M
Absolute	-0.6	10.8	46.1	75.8
Relative	-1.1	-11.1	-2.4	11.9

Key data

Year-end Dec-31	Sales (KRWb)	Op profit (KRWb)	Pre-tax profit (KRWb)	Net profit* (KRWb)	EPS* (KRW)	Chg (% y-y)	P/E (x)	Net debt (KRWb)	EV/EBITDA (x)	P/B (x)	ROE (%)
2023	6,288	313	244	93	23,931	528.0	9.5	4,081	8.4	0.3	4.1
2024	6,659	471	470	293	34,948	46.0	6.7	4,537	7.3	0.3	6.1
2025E	6,558	458	2,404	1,674	188,380	439.0	2.2	4,047	8.3	0.5	28.7
2026E	6,628	507	441	316	35,570	-81.1	11.7	3,519	7.3	0.4	4.7
2027E	6,834	527	464	333	37,451	5.3	11.1	2,942	6.5	0.4	4.8

Note: *Attributable to parent company
Source: Company data, Samsung Securities estimates

3) KCC: Sum-of-the-parts valuation

(KRWb)	12MF EBITDA	Multiples (x)	EV	Details
Operating value (A)				
Silicone	381	8.1	3,099	Peers (Dow, Wacker, Shin-Etsu)
Building materials	176	5.7	1,011	Peers (LX Hausys, Nippon Sheet Glass, Saint Gobain, Owens Corning)
Coatings	250	9.6	2,409	Peers (Akzo Nobel, PPG Industries, Nippon Paint Holdings)
Others	106	7.8	829	Applying the average multiples to the silicone/building materials/coatings segment
Total	**913**	**8.0**	**7,348**	
Net Asset Value (B)			1,578	75%* discount on investment assets; **Revised up from KRW1.33t**
Net debt (C)			4,047	End 2025E
Fair market cap (E = A + B - C)			**4,879**	
Total shares outstanding ('000)			8,886	
Fair price (KRW)			549,015	
Target price (KRW)			**550,000**	**Revised up by 6% (from KRW520,000)**
Current price (KRW)			430,000	As of Nov 12 close
Upside (%)			27.9	
2026 implied P/E (x)			15.5	
2027 implied P/E (x)			14.7	
2026 implied P/B (x)			0.59	
2027 implied P/B (x)			0.57	

Note: * Applying a 75% NAV discount to the listed company's shares
Source: Bloomberg, Samsung Securities estimates

3) KCC: 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	**1,599**	**1,705**	**1,623**	**1,631**	**1,616**	**1,727**	**1,712**	**1,574**	**6,288**	**6,659**	**6,558**	**6,628**
Silicone	774	797	756	781	785	789	793	797	2,952	2,995	3,108	3,163
Building materials	232	252	247	242	242	258	273	291	1,118	1,097	973	1,063
Coatings	458	518	481	486	474	565	531	371	1,657	1,944	1,943	1,941
Others	135	138	139	123	115	115	115	115	561	623	535	460
Operating income	**103**	**140**	**117**	**97**	**117**	**146**	**143**	**101**	**313**	**471**	**458**	**507**
Silicone	21	41	26	28	30	35	35	29	-83	73	116	129
Building materials	24	32	32	26	27	35	38	35	193	174	114	135
Coatings	56	65	57	40	56	70	64	33	176	217	218	222
Others	-4	-1	0	-3	-1	1	2	-1	4	-12	-9	1
Consolidation adj.	8	4	2	5	5	5	5	5	23	20	19	20
Pre-tax income	75	1,267	479	582	89	135	122	95	244	470	2,404	441
Net income	**44**	**893**	**326**	**410**	**64**	**97**	**88**	**68**	**93**	**293**	**1,674**	**316**
Attributable to parents	44	893	326	410	64	97	88	68	213	311	1,674	316
Margins (%)												
Operating income	6.5	8.2	7.2	5.9	7.2	8.4	8.4	6.4	5.0	7.1	7.0	7.6
Silicone	2.7	5.1	3.5	3.6	3.8	4.4	4.4	3.6	-2.8	2.4	3.7	4.1
Building materials	10.2	12.7	13.1	10.9	11.2	13.7	13.9	11.9	17.3	15.8	11.7	12.7
Coatings	12.2	12.5	11.8	8.3	11.7	12.5	12.0	8.8	10.6	11.2	11.2	11.5
Others	-3.3	-0.7	-0.4	-2.4	-0.6	0.4	1.4	-0.6	0.7	-2.0	-1.6	0.2
Pre-tax income	4.7	74.3	29.5	35.7	5.5	7.8	7.1	6.0	3.9	7.1	36.6	6.7
Net income	2.8	52.4	20.1	25.2	4.0	5.6	5.1	4.3	1.5	4.4	25.5	4.8

Source: Company data, Samsung Securities estimates

4) Kumho Petrochemical (011780 | KRW118,400 | BUY | TP: KRW155,000)

Investment points

1. Holding high portion of treasury shares

Kumho Petrochemical's treasury shares account for 13.2% of its total shares outstanding. The firm has been purchasing and cancelling around 5% of its treasury shares *pa* (its 2024-2026 plan is to cancel 3% *pa*). Combined with a 3% cash dividend, its overall shareholder returns are about 8%. As the existing buyback and cancellation plan runs through 2026, any additional treasury share utilization plan should be announced in 2H26.

2. To benefit from weak butadiene prices

The ongoing global expansion of naphtha cracker capacity has expanded the butadiene supply, putting downward pressure on prices. While lower feedstock costs could trigger short-term negative inventory effects, the firm's profitability should improve around one quarter later. Continued butadiene supply growth in 2026 would further support the spread improvement trend.

Key information

Price as of Nov 26	KRW118,400
Market cap	KRW3.1t/USD2.1b
60-day average turnover	KRW9.9b/USD6.7m
52-week high/low	KRW130,300/KRW87,800
Dividend yield	2.7%
Free float	57.4%
Foreign ownership	21.2%

Share performance (%)	1M	3M	6M	12M
Absolute	1.2	5.9	5.1	12.8
Relative	0.7	-15.0	-29.9	-28.2

Key data

Year-end Dec-31	Sales (KRWb)	Op profit (KRWb)	Pre-tax profit (KRWb)	Net profit* (KRWb)	EPS* (KRW)	Chg (% y-y)	P/E (x)	Net debt (KRWb)	EV/EBITDA (x)	P/B (x)	ROE (%)
2023	6,323	359	485	447	13,880	-55.0	9.6	-107	6.4	0.6	7.8
2024	7,155	273	408	349	11,321	-18.4	8.0	160	5.1	0.4	5.9
2025E	6,947	336	451	371	12,549	10.8	9.4	-231	5.0	0.5	6.0
2026E	6,438	376	543	447	15,956	27.1	7.4	-645	4.1	0.4	7.0
2027E	6,524	400	530	436	16,272	2.0	7.3	-907	3.6	0.4	6.5

Note: *Attributable to parent company
Source: Company data, Samsung Securities estimates

4) Kumho Petrochemical: 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	**1,908**	**1,773**	**1,644**	**1,622**	**1,637**	**1,599**	**1,595**	**1,608**	**6,323**	**7,155**	**6,947**	**6,438**
Synthetic rubber	757	675	632	601	595	588	582	572	2,162	2,795	2,665	2,337
Synthetic resin	336	298	273	257	255	250	248	245	1,250	1,283	1,164	998
Energy	67	52	56	56	67	55	63	66	247	223	232	251
Kumho P&B	432	433	379	375	372	364	361	357	1,484	1,635	1,618	1,453
Kumho Polychem	188	181	175	191	206	206	206	206	645	668	735	823
Operating profit	**121**	**65**	**84**	**66**	**94**	**101**	**91**	**90**	**359**	**273**	**336**	**376**
Synthetic rubber	46	9	31	19	31	33	25	28	97	101	105	117
Synthetic resin	5	5	4	1	3	5	0	3	-6	-18	16	11
Energy	17	11	12	12	14	12	13	14	66	41	52	54
Kumho P&B	2	-2	-14	-16	-4	-1	0	-4	3	-18	-31	-9
Kumho Polychem	24	15	20	23	24	26	28	24	86	70	82	102
Pre-tax profit	157	68	128	98	132	139	128	144	485	408	451	543
Net profit	**125**	**58**	**107**	**81**	**108**	**115**	**105**	**119**	**447**	**349**	**371**	**447**
Net profit attributable to parent company	125	58	107	81	108	114	105	119	447	349	371	446
Margins (%)												
Operating profit	6.3	3.7	5.1	4.1	5.8	6.3	5.7	5.6	5.7	3.8	4.8	5.8
Synthetic rubber	6.1	1.3	4.9	3.2	5.2	5.6	4.3	4.8	4.5	3.6	3.9	5.0
Synthetic resin	1.5	1.8	1.6	0.5	1.3	2.0	0.0	1.3	-0.5	-1.4	1.4	1.1
Energy	25.2	21.9	21.5	21.5	21.5	21.5	21.5	21.5	26.7	18.3	22.6	21.5
Kumho P&B	0.4	-0.5	-3.8	-4.3	-1.0	-0.1	-0.1	-1.1	0.2	-1.1	-1.9	-0.6
Kumho Polychem	12.7	8.3	11.5	11.8	11.6	12.6	13.6	11.6	13.4	10.5	11.1	12.4
Pre-tax profit	8.2	3.8	7.8	6.0	8.0	8.7	8.0	9.0	7.7	5.7	6.5	8.4
Net profit	6.5	3.3	6.5	5.0	6.6	7.2	6.6	7.4	7.1	4.9	5.3	6.9

Source: Company data, Samsung Securities estimates

5) SK Chemical (285130 | KRW70,500 | BUY | TP: KRW96,000)

Investment points

1. New business to start contributing to earnings

SK Multi Utility, SK Chemicals' utility supply subsidiary, is converting its existing coal-fired power generation facilities into LNG/LPG-powered combined cycle power facilities. The new facilities should come online soon. Once they start operations, the electricity portion of the subsidiary's total sales should far outweigh its steam sales portion. SK Chemical's 2026 operating profit should reach KRW37.3b (up 423% y-y) vs a 2025E loss of KRW5b.

2. NAV discount to narrow further

For SK Chemical's stake in SK Bioscience, we apply a 90% discount to its NAV. This steep discount reflects the lack of prior stake sales. However, the EBs (issued in 2025) could be exercised, and shareholder pressure to monetize assets (to lift shareholder value) should rise. These developments could narrow the discount rate, prompting a revaluation of its enterprise value. Reflecting the subsidiary's recent share-price increase, we raise our SOTP-based target by 7% from KRW90,000 to KRW96,000.

Key information

Price as of Nov 26	KRW70,500
Market cap	KRW1.2t/USD0.8b
60-day average turnover	KRW5.4b/USD3.7m
52-week high/low	KRW79,800/KRW33,800
Dividend yield	0.9%
Free float	57.2%
Foreign ownership	11.5%

Share performance (%)	1M	3M	6M	12M
Absolute	4.1	15.6	29.4	65.5
Relative	3.6	-7.2	-13.6	5.3

Key data

Year-end Dec-31	Sales (KRWb)	Op profit (KRWb)	Pre-tax profit (KRWb)	Net profit* (KRWb)	EPS* (KRW)	Chg (% y-y)	P/E (x)	Net debt (KRWb)	EV/EBITDA (x)	P/B (x)	ROE (%)
2023	1,749	83	52	48	2,058	-78.9	32.7	-491	6.6	0.6	1.9
2024	1,737	-45	-27	-4	456	-77.8	97.1	270	21.1	0.4	0.4
2025E	2,398	49	45	84	4,555	898.3	16.2	607	11.7	0.6	3.9
2026E	2,607	119	122	102	5,850	28.4	12.6	747	8.5	0.6	4.9
2027E	2,652	195	190	150	8,219	40.5	9.0	807	6.9	0.6	6.5

Note: *Attributable to parent company
Source: Company data, Samsung Securities estimates

5) SK Chemical: Sum-of-the-parts valuation

(KRWb)	12MF EBITDA	Multiples (x)	EV	Details
Operating value (A)				
Green Chemicals	224	6.0	1,349	Peers (Eastman): 10% discount applied
Life Science - Pharma	46	8.5	393	Peers (Daewoong Pharmaceutical)
Life Science – SK Bioscience			289	Equity stake (66.4% holding): 90% discount applied*; revised up from KRW257b
SK Multi Utility	83	6.2	514	Peers (SK Gas)
Total	**354**	**7.2**	**2,545**	
Asset value (B)			70	30% discount applied to investment assets; revised up from KRW50b
Net debt (C)			900	Based on our 2025 year-end estimates; SK Bioscience net debt excluded**
Preferred shares market cap (D)			66	As of Nov 12 close
Fair market capitalization (E = A + B – C -D)			**1,649**	
Shares outstanding ('000)			17,254	
Fair price (KRW)			95,594	
Target price (KRW)			**96,000**	**Revised up by 7% (from KRW90,000)**
Current price (KRW)			76,100	As of Nov 12 close
Upside (%)			26.1	
2026 implied P/E (x)			16.4	
2027 implied P/E (x)			11.7	
2026 implied P/B (x)			0.78	
2027 implied P/B (x)			0.73	

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

5) SK Chemical: Results and forecasts

(KRWb))	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2023	2024	2025E	2026E
KRW/USD (average)	1,453	1,399	1,387	1,340	1,320	1,310	1,300	1,285	1,306	1,365	1,394	1,304
Sales	**536.6**	**596.9**	**609.9**	**654.9**	**621.7**	**640.5**	**649.1**	**719.5**	**1,748.8**	**1,736.8**	**2,398.3**	**2,607.0**
1. Green Chemicals	257.0	270.1	236.5	275.3	268.4	262.6	263.6	260.6	903.6	995.3	1,038.9	1,055.2
1-1. Copolyester/Monomer	232.0	241.7	208.5	246.5	240.7	231.7	235.0	231.2	809.0	909.9	928.7	938.6
1-2. Others	25.0	28.4	28.0	28.8	27.7	30.9	28.6	29.3	94.6	85.4	110.1	116.5
2. Life Science	251.9	289.3	288.6	293.4	273.8	286.6	289.8	359.2	745.6	624.8	1,123.2	1,185.5
2-1. Pharma	97.3	127.4	137.9	137.7	109.1	120.1	127.9	167.0	376.0	357.2	500.3	500.3
2-2. SK Bioscience	154.6	161.9	150.8	155.7	164.6	166.5	161.9	192.3	369.5	267.5	622.9	685.2
3. SK Multi Utility	34.4	29.6	72.5	76.1	73.6	85.5	89.8	93.8	135.8	126.5	212.6	342.7
Operating income	**24.3**	**-1.0**	**15.1**	**10.1**	**25.5**	**28.0**	**33.6**	**31.8**	**83.3**	**-45.2**	**48.5**	**118.9**
1. Green Chemicals	31.9	22.8	24.2	29.4	33.6	30.8	32.2	31.3	69.5	88.9	108.2	128.0
1-1. Copolyester/Monomer	45.5	40.0	34.4	39.9	43.8	42.2	42.8	42.1	98.9	118.9	159.8	170.9
1-2. Others	-13.6	-17.2	-10.2	-10.5	-10.2	-11.4	-10.6	-10.8	-29.4	-30.0	-51.6	-43.0
2. Life Science	-9.7	-29.2	-9.9	-20.4	-13.9	-13.5	-12.4	-13.8	19.5	-119.3	-69.1	-53.6
2-1. Pharma	5.5	8.2	9.5	7.4	6.7	7.3	7.8	10.2	31.5	19.2	30.6	32.1
2-2. SK Bioscience	-15.1	-37.4	-19.4	-27.8	-20.6	-20.8	-20.2	-24.0	-12.0	-138.4	-99.7	-85.7
3. SK Multi Utility	-0.8	-2.5	-1.2	-0.5	3.9	8.8	12.0	12.5	3.3	-2.6	-5.0	37.3
Pre-tax income	19.5	-3.9	19.5	9.6	24.5	30.6	37.0	29.8	52.4	-27.4	44.8	121.9
Net income	**21.1**	**8.2**	**47.9**	**6.4**	**20.4**	**25.5**	**30.8**	**24.8**	**47.8**	**-4.4**	**83.6**	**101.5**
Attributable to parents	20.0	14.0	42.9	11.4	23.3	28.4	33.7	28.2	39.9	8.8	88.3	113.6
Margins (%)												
Operating income	4.5	-0.2	2.5	1.5	4.1	4.4	5.2	4.4	4.8	-2.6	2.0	4.6
1. Green Chemicals	12.4	8.4	10.2	10.7	12.5	11.7	12.2	12.0	7.7	8.9	10.4	12.1
1-1. Copolyester/Monomer	19.6	16.5	16.5	16.2	18.2	18.2	18.2	18.2	12.2	13.1	17.2	18.2
1-2. Others	-54.6	-60.6	-36.6	-36.6	-36.9	-36.9	-36.9	-36.9	-31.1	-35.2	-46.9	-36.9
2. Life Science	-3.8	-10.1	-3.4	-6.9	-5.1	-4.7	-4.3	-3.8	2.6	-19.1	-6.2	-4.5
2-1. Pharma	5.6	6.5	6.9	5.4	6.1	6.1	6.1	6.1	8.4	5.4	6.1	6.4
2-2. SK Bioscience	-9.8	-23.1	-12.8	-17.8	-12.5	-12.5	-12.5	-12.5	-3.2	-51.7	-16.0	-12.5
3. SK Multi Utility	-2.2	-8.6	-1.7	-0.7	5.3	10.3	13.3	13.3	2.4	-2.1	-2.4	10.9
Pre-tax income	3.6	-0.7	3.2	1.5	3.9	4.8	5.7	4.1	3.0	-1.6	1.9	4.7
Net income	3.9	1.4	7.8	1.0	3.3	4.0	4.7	3.4	2.7	-0.3	3.5	3.9

Source: Company data, Samsung Securities estimates

6) Lotte Fine Chemical (004000 | KRW45,250 | BUY | TP: KRW60,000)

Investment points

1. Chlorine relatives business turns profitable

The chlorine relatives business returned to profitability in 3Q25 amid widening ECH spreads. If current ECH levels persist through next year, its earnings should keep improving. Operating profit at the chlorine relatives division should climb from KRW1b in 2025 (for a margin of 0.2%) to KRW53b in 2026 (8.6%) .

2. Food & pharma-grade cellulose capacity additions to boost profitability

Lotte Fine Chemical's cellulose business comprises industrial-grade and food & pharmaceutical-grade products, with the latter enjoying much higher profitability. The company now produces 12,000 tonnes of food & pharmaceutical-grade cellulose *pa*, and plans to add another 6,000 tonnes of capacity in 2H25 (to come online in 2026). This expansion should not only increase its sales volume but also lift its earnings.

Key information

Price as of Nov 26	KRW45,250
Market cap	KRW1.2t/USD0.8b
60-day average turnover	KRW3.3b/USD2.2m
52-week high/low	KRW49,400/KRW30,700
Dividend yield	3.8%
Free float	55.2%
Foreign ownership	19.9%

Share performance (%)	1M	3M	6M	12M
Absolute	-7.4	5.2	23.6	28.0
Relative	-7.8	-15.5	-17.5	-18.5

Key data

Year-end Dec-31	Sales (KRWb)	Op profit (KRWb)	Pre-tax profit (KRWb)	Net profit* (KRWb)	EPS* (KRW)	Chg (% y-y)	P/E (x)	Net debt (KRWb)	EV/EBITDA (x)	P/B (x)	ROE (%)
2023	1,769	155	253	182	7,055	24.5	8.2	-736	2.6	0.6	7.8
2024	1,671	50	26	36	1,410	-80.0	27.9	-100	4.4	0.4	1.5
2025E	1,767	81	144	127	4,915	248.6	9.5	-183	4.4	0.5	5.2
2026E	1,815	145	203	181	7,020	42.8	6.6	-316	3.1	0.5	7.1
2027E	1,905	185	235	210	8,128	15.8	5.7	-437	2.3	0.4	7.8

Note: *Attributable to parent company
Source: Company data, Samsung Securities estimates

6) Lotte Fine 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	**446**	**425**	**443**	**453**	**446**	**454**	**449**	**465**	**1,769**	**1,671**	**1,767**	**1,815**
Chlorine	150	140	167	168	153	152	152	162	569	545	625	619
Cellulose	127	137	135	137	135	145	145	145	498	529	536	569
Ammonia trading	160	138	133	136	149	149	143	144	661	556	567	585
Electronic materials	9	9	9	13	9	9	9	15	42	41	39	42
Operating profit	**19**	**9**	**28**	**26**	**31**	**35**	**42**	**38**	**155**	**50**	**81**	**145**
Chlorine	-6	-6	7	7	9	9	17	18	1	-55	1	53
Cellulose	12	7	9	11	13	16	15	11	100	57	39	56
Ammonia trading	14	12	15	12	10	10	10	10	44	45	52	40
Electronic materials	-1	-4	-3	-3	-1	-1	-1	-1	9	3	-11	-4
Pre-tax profit	34	18	36	56	47	48	49	58	253	26	144	203
Net profit	**28**	**16**	**35**	**48**	**42**	**43**	**45**	**52**	**182**	**36**	**127**	**181**
Net profit attributable to parent company	28	16	35	48	42	43	45	52	182	36	127	181
Margins (%)												
Operating profit	4.2	2.1	6.2	5.7	6.9	7.6	9.2	8.2	8.8	3.0	4.6	8.0
Chlorine	-4.1	-4.6	4.4	3.9	5.7	6.1	11.3	11.1	0.2	-10.1	0.2	8.6
Cellulose	9.5	5.1	6.5	7.9	9.7	11.1	10.5	7.9	20.2	10.7	7.2	9.8
Ammonia trading	8.6	8.5	11.2	8.5	6.8	7.0	6.8	6.8	6.6	8.1	9.2	6.8
Electronic materials	-12.4	-40.2	-38.5	-23.5	-15.5	-11.5	-7.5	-7.5	22.1	7.9	-28.3	-10.0
Pre-tax profit	7.6	4.3	8.0	12.4	10.6	10.6	11.0	12.5	14.3	1.6	8.1	11.2
Net profit	6.4	3.7	7.9	10.5	9.4	9.5	9.9	11.1	10.3	2.2	7.2	10.0

Note: Operating profit by business division is based on our estimates
Source: Company data, Samsung Securities estimates

Compliance Notice

- As of 11/26 2025, Kumho Petrochemical served as a trustee for the company covered in this report to acquire and dispose of its own shares.
- As of 11/26 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 11/26 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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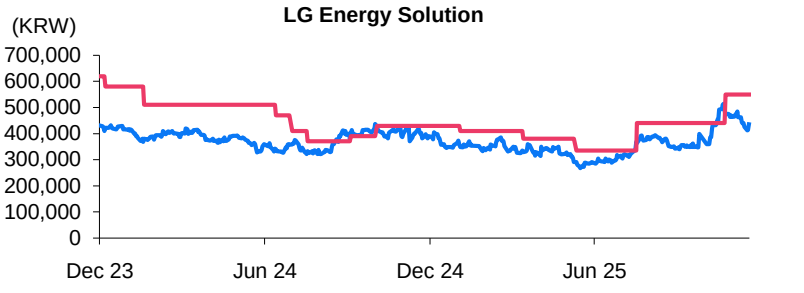
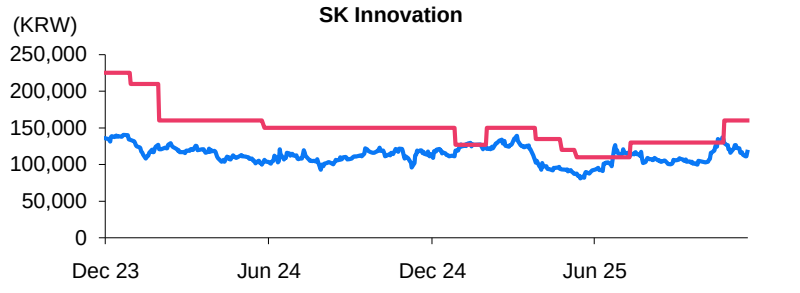
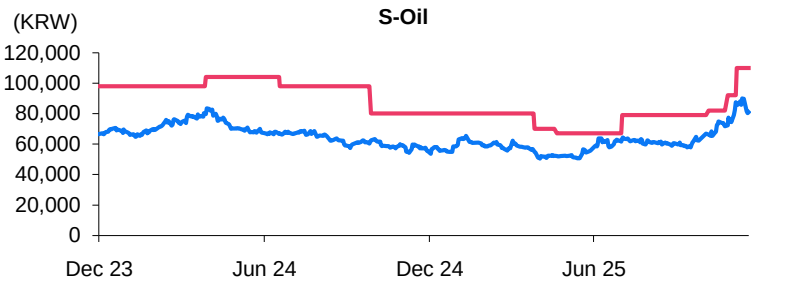
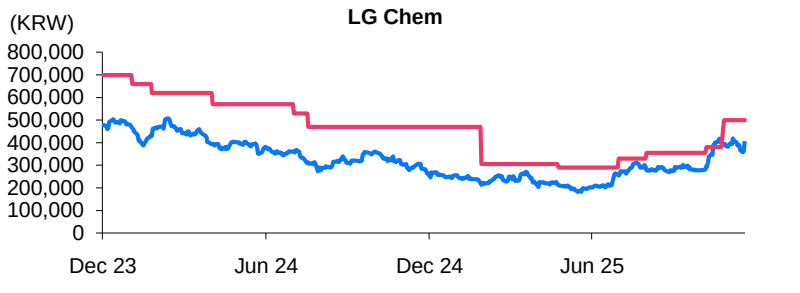
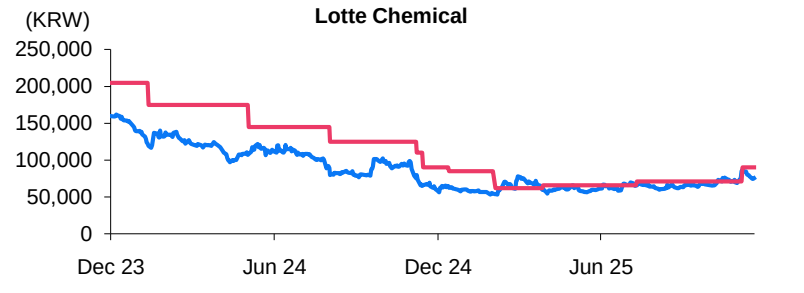
Target price changes in past two years

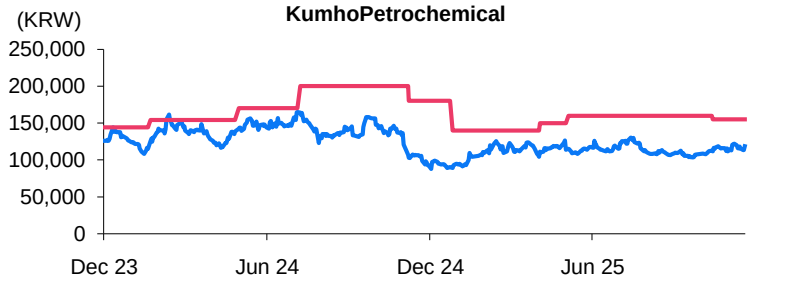




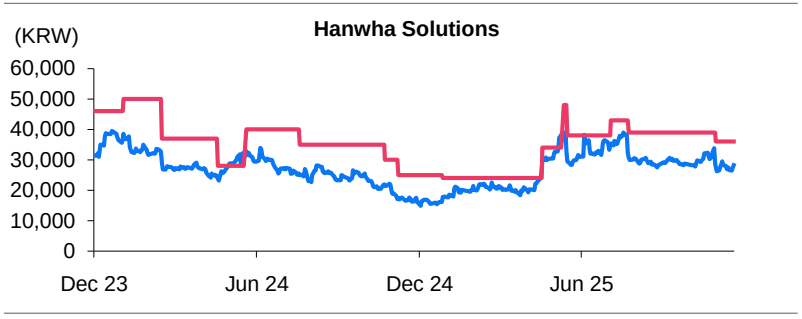


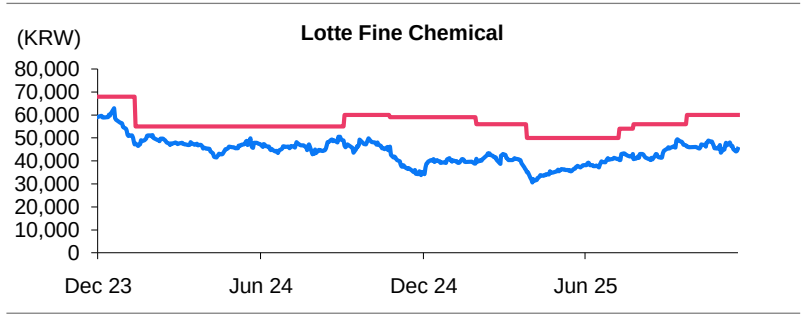


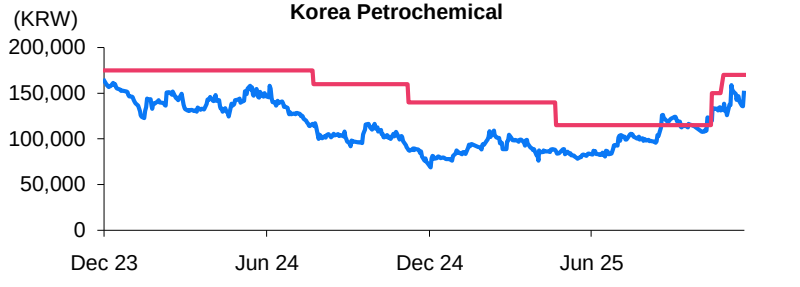


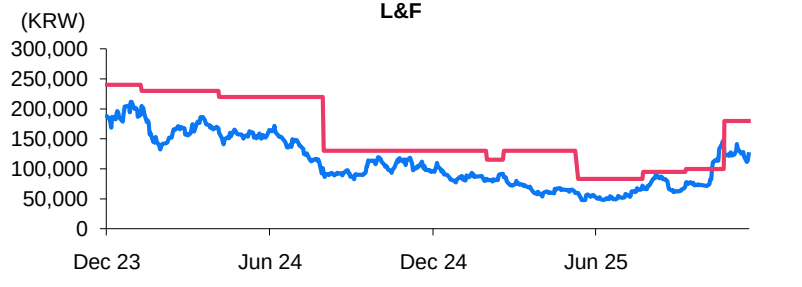


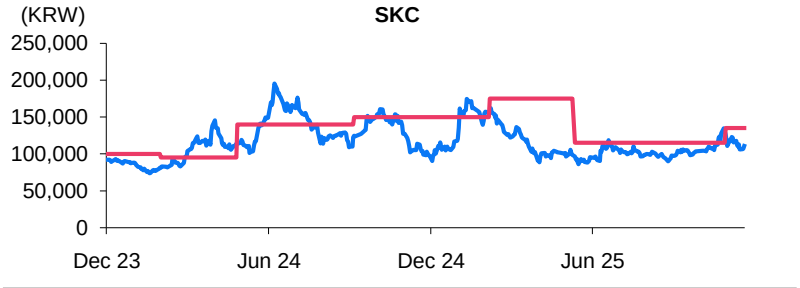
Target price changes in past two years

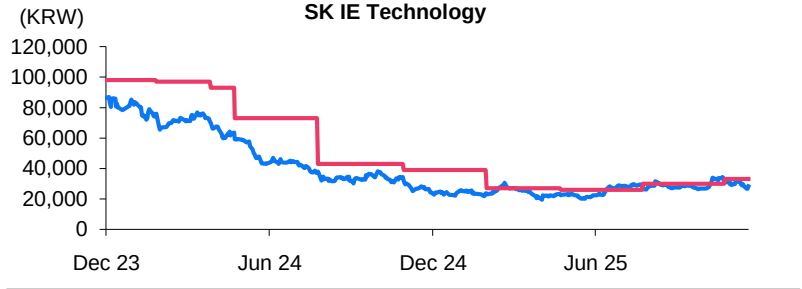




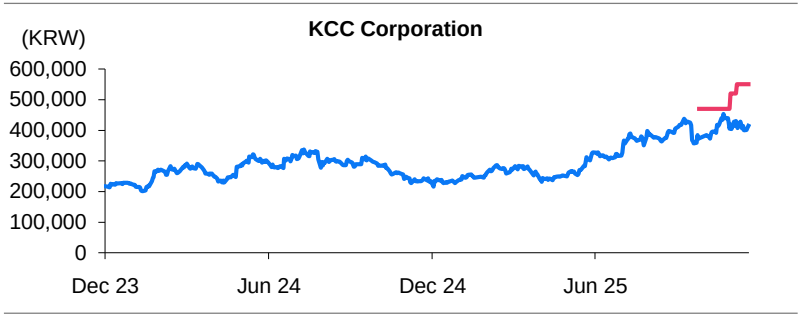


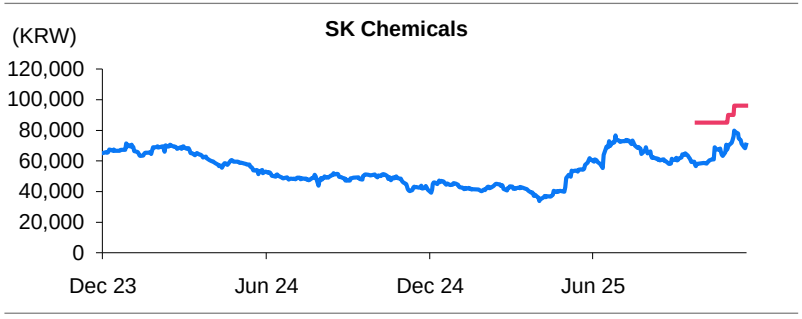


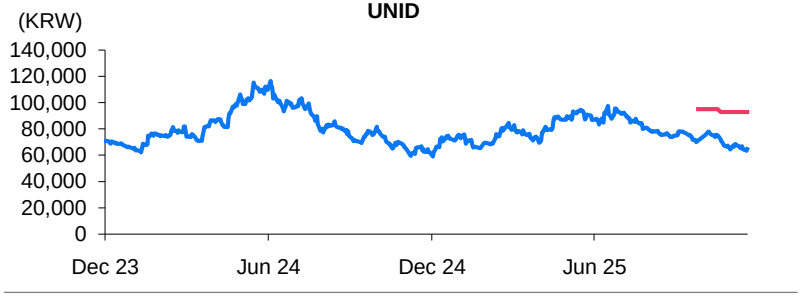




Target price changes in past two years







Rating changes over past two years (adjusted share prices)

LG Energy Solution												
Date	12/14	2024/1/26	6/20	7/8	7/25	9/11	10/10	2025/1/10	3/21	5/19	7/25	10/31
Reccommendation	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	HOLD
Target Price (KRW)	580,000	510,000	470,000	410,000	370,000	390,000	430,000	410,000	380,000	335,000	440,000	550,000
Gap* (average)	-29.64	-25.18	-27.55	-15.22	-3.89	5.00	-9.14	-14.77	-12.67	-10.19	-12.74	
(max or min)**	-25.43	-17.75	-23.62	-8.54	11.35	0.38	-0.70	-5.98	-5.26	9.85	16.82	

SK Innovation												
Date	2023/9/22	2024/1/5	2/6	6/3	2025/1/3	2/7	4/3	5/2	5/19	7/18	10/31	
Reccommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	
Target Price (KRW)	225,000	210,000	160,000	150,000	127,000	150,000	135,000	120,000	110,000	130,000	160,000	
Gap* (average)	-38.46	-42.80	-28.30	-25.91	-1.18	-15.83	-28.78	-24.41	-8.33	-15.70		
(max or min)**	-30.89	-37.14	-19.44	-18.00	1.89	-7.20	-22.00	-22.08	15.00	5.38		

S-oil												
Date	2023/9/27	2024/4/4	6/25	10/4	2025/4/3	4/28	7/9	10/13	11/3	11/13		
Reccommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY		
Target Price (KRW)	98,000	104,000	98,000	80,000	70,000	67,000	79,000	82,000	92,000	110,000		
Gap* (average)	-27.68	-31.26	-34.27	-26.70	-25.77	-15.35	-22.55	-13.94	-14.35			
(max or min)**	-17.96	-19.71	-29.80	-18.38	-22.29	-4.93	-15.44	-8.66	-4.89			

LG Chem												
Date	2023/10/30	2024/1/10	2/1	4/9	7/9	7/25	2025/2/4	5/2	7/8	8/8	10/14	11/3
Reccommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target Price (KRW)	700,000	660,000	620,000	570,000	530,000	470,000	305,000	290,000	330,000	355,000	380,000	500,000
Gap* (average)	-30.99	-36.47	-27.03	-34.08	-35.93	-37.05	-23.11	-28.41	-12.72	-20.02	-1.68	
(max or min)**	-25.57	-30.38	-18.06	-28.95	-30.66	-23.19	-10.82	-8.79	-5.15	-15.21	9.74	

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

Rating changes over past two years (adjusted share prices)

Lotte Chemical												
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	
Reccommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	
Target Price (KRW)	205,000	175,000	145,000	125,000	110,000	90,000	85,000	62,000	66,000	71,000	90,000	
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		
Kumho Petrochemical												
Date	2023/8/4	2024/1/29	5/7	7/15	11/14	2025/1/2	4/10	5/12	10/21			
Reccommendation	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY			
Target Price (KRW)	144,000	154,000	170,000	200,000	180,000	140,000	150,000	160,000	155,000			
Gap* (average)	-12.23	-11.30	-12.30	-30.01	-45.45	-20.78	-22.09	-29.07				
(max or min)**	0.14	4.87	-2.82	-18.05	-40.33	-10.21	-15.67	-18.56				
Hanwha Solutions												
Date	4/25	5/27	7/26	10/30	11/14	2025/1/3	4/25	5/19	5/23	7/11	7/31	11/6
Reccommendation	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target Price (KRW)	28,000	40,000	35,000	30,000	25,000	24,000	34,000	48,000	38,000	43,000	39,000	36,000
Gap* (average)	1.65	-28.46	-30.39	-33.88	-33.96	-14.79	-3.03	-25.24	-13.71	-14.92	-24.04	
(max or min)**	15.18	-15.25	-19.71	-26.17	-29.32	12.92	12.94	-20.94	0.66	-9.30	-13.33	
Lotte Fine Chemical												
Date	2023/10/12	2024/1/19	6/28	9/10	10/31	2025/2/5	4/3	7/16	8/1	9/30		
Reccommendation	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY		
Target Price (KRW)	68,000	55,000	55,000	60,000	59,000	56,000	50,000	54,000	56,000	60,000		
Gap* (average)	-16.25	-14.95	-15.25	-22.06	-34.41	-27.10	-26.49	-21.44	-21.38			
(max or min)**	-7.50	-6.91	-8.00	-16.83	-27.71	-22.68	-17.30	-19.81	-11.79			

Rating changes over past two years (adjusted share prices)

Korea Petrochemical										
Date	2023/10/30	2024/7/30	11/14	2025/4/29	10/21	11/3				
Reccommendation	BUY	BUY	BUY	BUY	BUY	BUY				
Target Price (KRW)	175,000	160,000	140,000	115,000	150,000	170,000				
Gap* (average)	-18.32	-35.28	-36.33	-13.38	-11.42					
(max or min)**	-4.40	-26.75	-22.14	9.65	-10.33					

L&F										
Date	2023/10/24	2024/1/16	4/12	8/7	2025/2/6	2/25	5/19	7/31	9/17	10/30
Reccommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target Price (KRW)	240,000	230,000	220,000	130,000	115,000	130,000	83,000	95,000	100,000	180,000
Gap* (average)	-28.79	-28.21	-34.28	-25.00	-26.56	-48.64	-34.18	-22.96	-5.18	
(max or min)**	-11.88	-12.39	-22.00	-8.15	-20.26	-33.77	-13.25	-4.74	47.00	

SKC										
Date	2023/10/31	2024/2/7	5/3	9/12	2025/2/12	5/19	11/5			
Reccommendation	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD			
Target Price (KRW)	100,000	95,000	140,000	150,000	175,000	115,000	135,000			
Gap* (average)	-12.34	13.07	-0.24	-12.47	-33.86	-11.14				
(max or min)**	2.80	52.95	39.50	16.33	-7.37	17.22				

SK IE Technology										
Date	2023/11/3	2024/2/2	4/3	4/30	8/1	11/5	2025/2/6	4/30	7/31	10/31
Reccommendation	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target Price (KRW)	98,000	97,000	93,000	73,000	43,000	39,000	27,000	26,000	30,000	33,000
Gap* (average)	-22.04	-25.90	-31.49	-37.20	-21.66	-35.43	-9.68	-3.53	-2.90	
(max or min)**	-11.22	-20.82	-26.77	-18.63	-11.40	-21.54	13.15	14.62	14.33	

Rating changes over past two years (adjusted share prices)

KCC			
Date	2025/10/2	11/6	11/13
Reccommendation	BUY	BUY	BUY
Target Price (KRW)	470,000	520,000	550,000
Gap* (average)	-12.30	-19.40	
(max or min)**	-3.62	-17.31	

SK Chemical			
Date	2025/10/2	11/6	11/13
Reccommendation	BUY	BUY	BUY
Target Price (KRW)	85,000	90,000	96,000
Gap* (average)	-24.71	-18.92	
(max or min)**	-16.82	-15.56	

UNID		
Date	2025/10/2	10/27
Reccommendation	BUY	BUY
Target Price (KRW)	95,000	93,000
Gap* (average)	-20.18	
(max or min)**	-17.79	

Rating changes over past two years (adjusted share prices)

Samsung Securities uses the following investment ratings.
* 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

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

Percentage of ratings in 12 months prior to 2025.03.31

BUY(79%)•HOLD(21%)•SELL(0%)

MEMO

Samsung Securities

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