COMPANY UPDATE

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EV/Mobility Team

Hyunryul Cho
Senior Analyst
hyunryul.cho@samsung.com

Wonyoung Kim
Research Associate
wonyoung10.kim@samsung.com

TKG Huchems (069260)

Earnings to recover over the next 2-3 years

- TKG Huchems is a specialty chemicals company producing nitric acid, ammonium nitrate, as well as DNT and MNB (key feedstocks for TDI and MDI, respectively), using ammonia as the main raw material.
- Conditions look set to improve: 1) global TDI and MDI capacity additions are expected to be limited over 2026-2028; 2) profitability of MNB and DNT are likely to improve on better supply-demand dynamics. A rebound in carbon credit prices would also provide additional upside.
- While the firm's earnings turned down over 2023-2025, we expect its earnings to begin recovering from 2026 (driven by the two aforestated factors). TKG Huchems is trading at a 12-month forward P/B of 0.77x.

WHAT'S THE STORY?

Company overview: TKG Huchems was spun off from Namhae Chemical in 2002 and is engaged in the production of key materials for the specialty chemicals industry. The company imports ammonia to produce nitric acid, which is then used to make DNT (dinitrotoluene; a feedstock for TDI), MNB (mononitrobenzene; a feedstock for MDI), and ammonium nitrate. DNT is supplied to Hanwha Solutions and OCI (both firms produce TDI), while MNB is sold to Kumho Mitsui Chemicals (a producer of MDI). Nitric acid is sold under long-term supply contracts to European chemical firms. TKG Huchems' businesses span the NT segment (DNT, MNB), the NA segment (nitric acid and ammonium nitrate), and others (electronic materials, ammonia, and carbon credits).

(Continued on the next page)

AT A GLANCE

Not Rated

Target price	n/a
Current price	KRW18,670
Market Cap	KRW763.2b/USD519.61m
Shares (float)	40,878,588 (50.4%)
52-week high/low	KRW19,030/KRW14,380
Avg daily trading value (60-day)	KRW1.2b/ USD0.8m

ONE-YEAR PERFORMANCE

	1M	6M	12M
TKG Huchems (%)	7.3	14.6	1.7
Vs Kospi (%pts)	4.8	-21.4	-39.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	Not Rated		
Target price	n/a		
2025E EPS	n/a		
2026E EPS	n/a		

SAMSUNG vs THE STREET

No of estimates	3
Target price	23,000
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2021	2022	2023	2024
Revenue (KRWb)	861	1,236	1,053	1,188
Operating profit (KRWb)	93	117	121	81
Net Profit (KRWb)	78	82	135	77
EPS (adj) (KRW)	1,851	1,999	3,297	1,900
EPS (adj) growth (%)	52.6	8.0	64.9	(42.4)
EBITDA margin (%)	14.3	11.7	13.8	10.7
ROE (%)	11.1	11.4	17.1	9.1
P/E (adj) (x)	n/a	n/a	n/a	n/a
P/B (x)	n/a	n/a	n/a	n/a
EV/EBITDA (x)	(2.1)	(1.3)	(1.5)	(0.5)
Dividend yield (%)	n/a	n/a	n/a	n/a

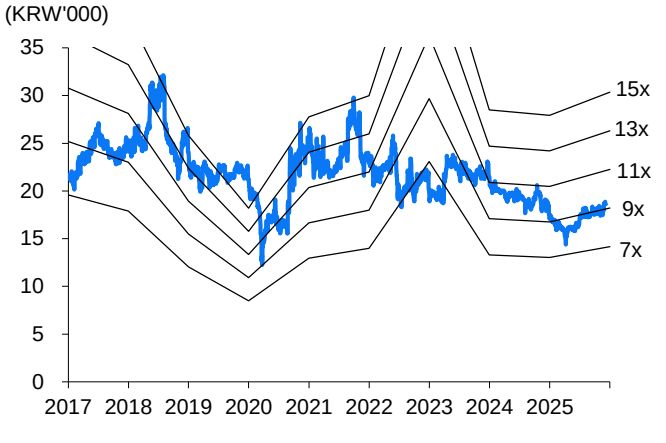
Source: Company data, Samsung Securities estimates

Beneficiary of improving supply-demand conditions for TDI and MDI: TDI and MDI, which are used in polyurethane production, have suffered from deteriorating market conditions over the past four to five years due to large-scale capacity additions. As a result, profitability of the company's NT business, which produces key feedstocks (DNT and MNB) for TDI and MDI, declined to 1-2% over 2024-2025 (vs 6-8% over 2021-2023). With limited new capacity additions for TDI and MDI expected over 2026-2028, the supply-demand balance for these products should improve, which should support a recovery in profitability of the NT segment.

Potential rebound in Korean carbon credit prices: In November last year, the Korean government announced its 2035 Nationally Determined Contribution (NDC). Under the previous NDC, Korea targeted a 40% reduction in greenhouse gas emissions versus 2018 levels by 2030. Under the newly announced 2035 NDC, the reduction target has been raised carbon credit prices rose from KRW25,000 per tonne in early 2019 to KRW40,000 in 2020, but have since declined to around KRW11,000. The company currently holds carbon credit certificates for about 1m tonnes *pa*, which credits are expected to remain in place through 2030. Operating profit from the 'Others' segment, including carbon credit sales, declined sharply from KRW38bn in 2020 (when carbon credit prices were near KRW30,000-40,000 per tonne) to KRW0.8bn in 2024. With expectations of a rebound in carbon credit prices, further earnings improvement is anticipated.

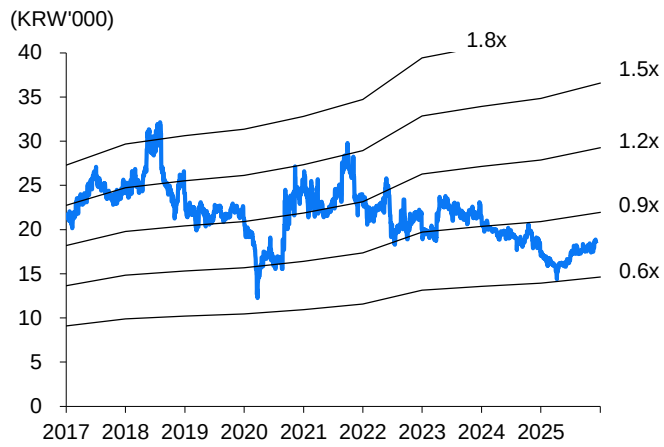
ROE recovery phase to begin from 2026: The company's ROE declined for two consecutive years, from 11.4% in 2022 and 17.1% in 2023 to 9.1% in 2024 and 8.7% in 2025E (FnGuide consensus). Based on the two factors discussed above, we expect its ROE to recover over the next two- to three years (from 2026). The company's 12-month forward P/B: 1) averaged 1.17x over 2021-2022, when its ROE was maintained at around 11%; and 2) currently stands at 0.77x—an undemanding level that does not reflect potential ROE improvements. Accordingly, its valuation should re-rate once signs of an ROE recovery become visible.

TKG Huchems: 12-month forward P/E



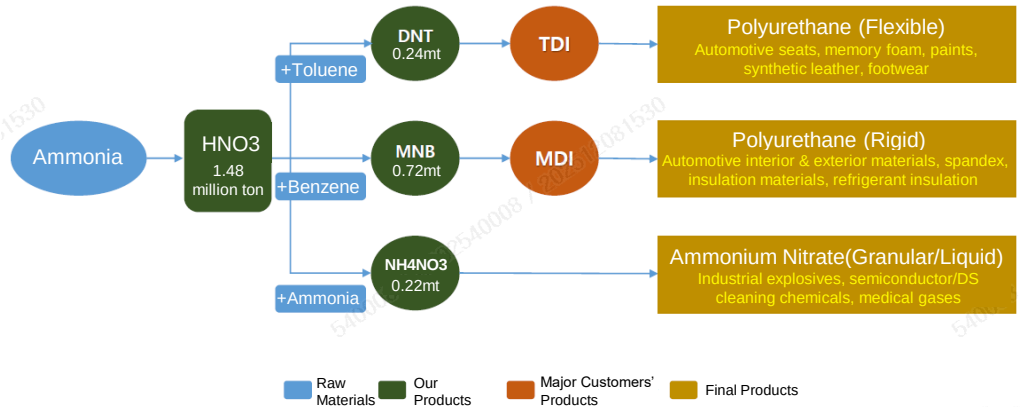
Note: EPS of 2026 is based on consensus
Source: QuantiWise, Samsung Securities

TKG Huchems: 12-month forward P/B



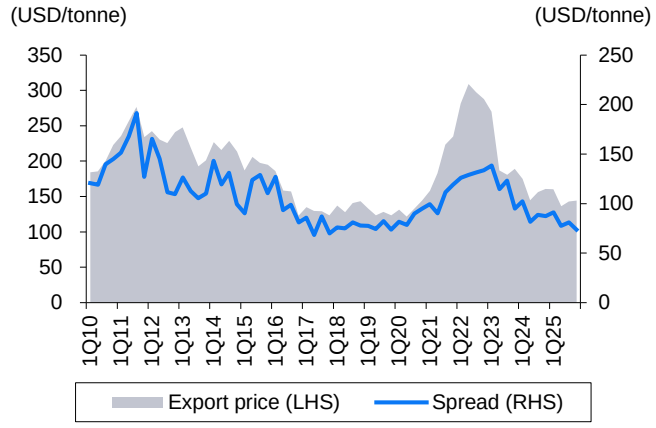
Note: BVPS of 2026 is based on consensus
Source: QuantiWise, Samsung Securities

TKG Huchems: Major product process flow



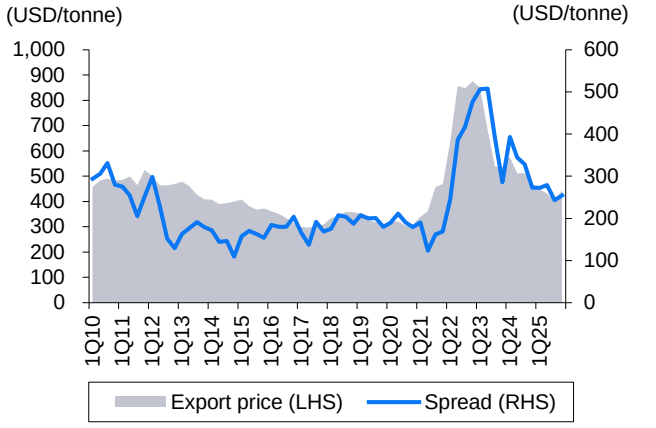
Source: Company data, Samsung Securities

Nitric acid: Export prices and nitric acid-ammonia spread



Source: KITA, Samsung Securities

NH_4NO_3: Export prices and NH_4NO_3-ammonia spread



Source: KITA, Samsung Securities

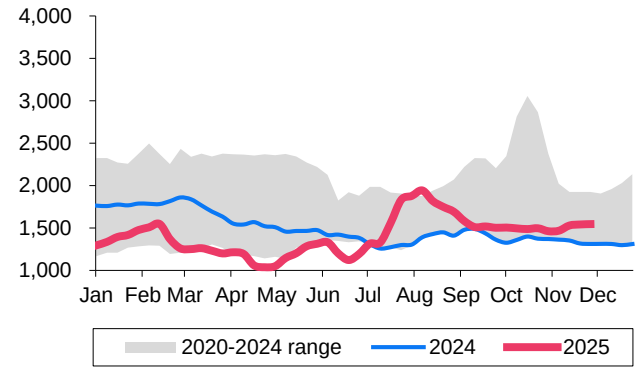
Korean market: Price of carbon credits

Note: Unit is KRW/tonne

Source: Korea Energy Convergence Association, Samsung Securities

TDI-toluene spread (Hanwha Solutions/OCI)

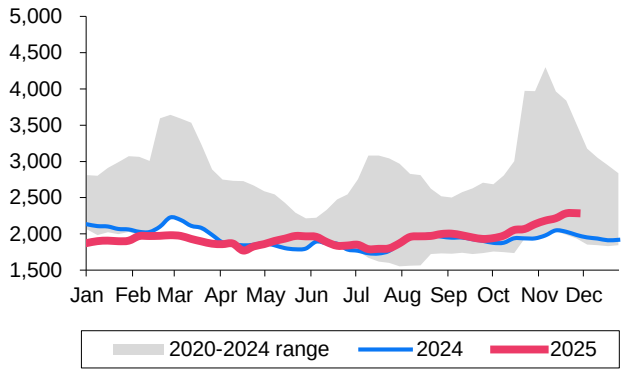
(USD/tonne)



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

MDI-benzene spread (KKPC)

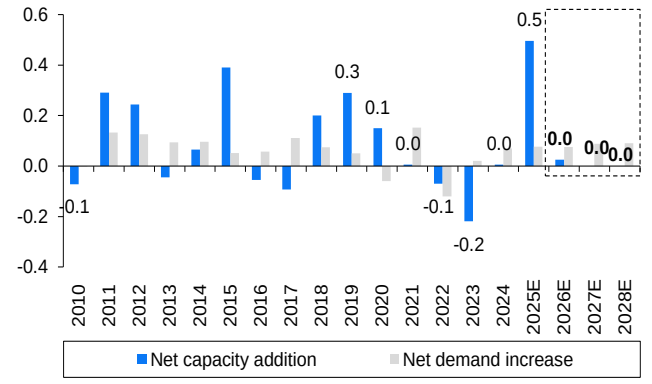
(USD/tonne)



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

TDI: Net capacity changes and demand changes

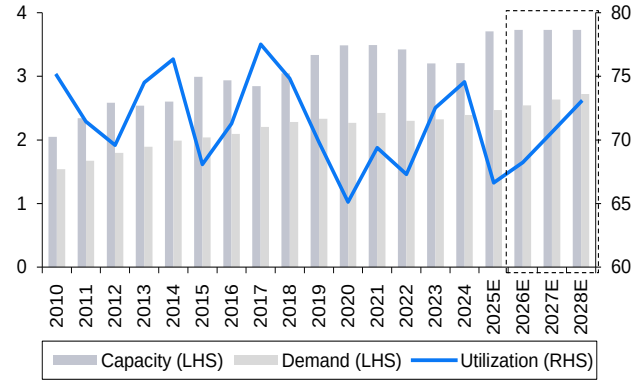
(Mil tonnes)



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

TDI: Global supply-demand balance

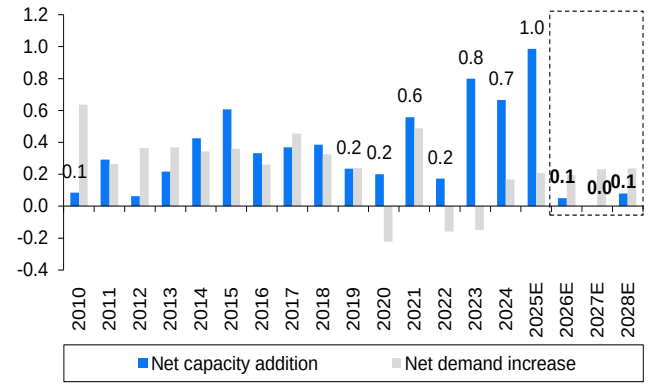
(Mil tonnes) (%)



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

MDI: Net capacity changes and demand changes

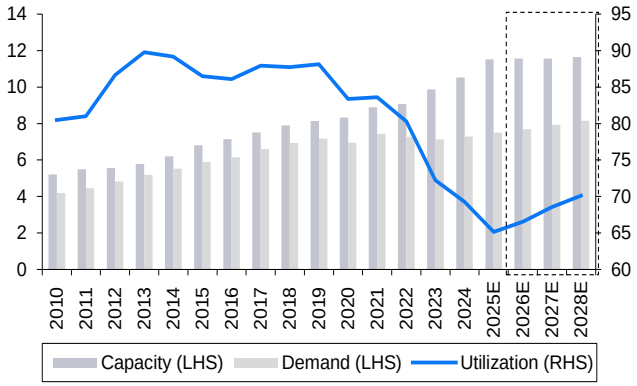
(Mil tonnes)



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

MDI: Global supply-demand balance

(Mil tonnes) (%)



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

TKG Huchems: Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	2022	2023	2024	2025E
KRW/USD (average)	1,329	1,371	1,358	1,400	1,453	1,401	1,387	1,292	1,306	1,365	1,408
Sales	**301**	**281**	**295**	**312**	**269**	**290**	**292**	**1,236**	**1,053**	**1,188**	**1,154**
Growth (% q-q)	36.0	-6.7	5.0	5.8	-13.7	7.8	0.5				
Growth (% y-y)	-4.4	0.3	24.4	41.0	-10.5	3.4	-1.0	43.5	-14.8	12.9	-2.9
NT Series	187	196	195	203	172	197	203	737	669	781	772
NA Series	107	79	93	93	83	79	76	442	350	372	316
Others	7	6	7	16	15	15	14	56	34	35	78
EBITDA	**41**	**33**	**30**	**23**	**26**	**35**	**40**	**144**	**146**	**127**	**124**
Growth (% q-q)	776.2	-19.1	-8.5	-22.0	10.6	35.7	12.5				
Growth (% y-y)	-25.7	-33.6	-18.2	406.3	-36.1	7.1	31.7	17.0	1.0	-12.7	-2.7
Operating profit	32	21	20	8	13	22	26	117	121	81	68
Growth (% q-q)	Turned pos	-31.9	-9.0	-58.0	53.5	74.3	20.0				
Growth (% y-y)	-35.1	-50.9	-35.8	Turned pos	-60.0	2.3	35.0	25.4	3.5	-33.3	-15.9
NT Series	10	2	5	-5	0	5	10	57	40	12	10
Growth (% q-q)	Turned pos	-75.8	98.6	Turned neg	Turned pos	1,119.8	105.8				
Growth (% y-y)	-53.2	-85.0	-57.2	Remained neg	-96.1	95.4	102.4	8.4	-29.6	-69.7	-13.9
NA Series	21	18	14	15	12	16	16	56	74	68	57
Growth (% q-q)	205.4	-12.3	-22.9	4.5	-16.8	31.1	2.0				
Growth (% y-y)	-19.2	-26.7	-14.4	115.9	-41.2	-12.1	16.2	128.1	31.4	-8.2	-16.0
Others	1	1	1	-2	0	1	1	4	7	1	1
Growth (% q-q)	Turned pos	-9.2	-9.0	Turned neg	Remained neg	Remained neg	-60.0				
Growth (% y-y)	-51.3	-71.9	-74.3	Remained neg	Remained neg	53.5	-32.5	-75.4	81.1	-88.9	-28.6
Pre-tax profit	38	28	23	11	18	24	37	106	153	100	88
Growth (% q-q)	-74.9	-27.5	-17.5	-53.0	-81.6	28.2	55.9				
Growth (% y-y)	-32.9	-45.1	-29.6	-14.3	-52.2	-15.5	59.7	0.9	327.6	193.7	-11.9
Net profit	**30**	**21**	**18**	**8**	**14**	**18**	**28**	**82**	**135**	**77**	**67**
Growth (% q-q)	-77.5	-29.5	-15.9	-57.5	-82.0	29.3	56.7				
Growth (% y-y)	-32.7	-46.9	-38.6	-61.8	-54.0	-15.6	57.2	5.5	64.7	-42.5	-13.6
Attributable to parent	**30**	**21**	**18**	**8**	**14**	**18**	**28**	**82**	**135**	**78**	**68**
Margins (%)											
EBITDA	13.5	11.7	10.2	7.5	9.6	12.1	13.6	11.7	13.8	10.7	10.7
Operating profit	10.5	7.7	6.6	2.6	4.7	7.6	9.0	9.5	11.5	6.8	5.9
NT Series	5.2	1.2	2.4	-2.3	0.2	2.3	4.7	7.7	6.0	1.6	1.4
NA Series	19.5	23.1	15.1	15.8	14.8	20.4	21.6	12.7	21.2	18.2	18.1
Others	13.9	15.0	11.6	-11.2	0.0	9.0	3.9	7.1	21.2	2.3	0.7
Pre-tax profit	12.8	9.9	7.8	3.5	6.8	8.1	12.6	8.5	14.6	8.4	7.6
Net profit	10.1	7.6	6.1	2.5	5.2	6.2	9.7	6.6	12.8	6.5	5.8

Note: The 2025E figures are estimated by applying the 2025 YTD (1Q–3Q) growth rate to the full-year 2024 results.
Source: Company data, Samsung Securities

Income statement

Year-end Dec 31	2020	2021	2022	2023	2024
Sales	**594**	**861**	**1,236**	**1,053**	**1,188**
Cost of goods sold	464	732	1,079	886	1,060
Gross profit	**130**	**129**	**157**	**166**	**128**
Gross margin (%)	21.8	15.0	12.7	15.8	10.8
SG&A expenses	34	36	40	45	47
Operating profit	**95**	**93**	**117**	**121**	**81**
Operating margin (%)	16.0	10.8	9.5	11.5	6.8
Non-operating Gains (Losses)	**(19)**	**11**	**(12)**	**32**	**19**
Financial Profit	8	10	12	24	26
Financial Costs	4	3	13	2	10
Gains (Losses) in Equity Method	(2)	(1)	(2)	(1)	(0)
Other	(21)	5	(8)	11	3
Pre-tax profit	**76**	**105**	**106**	**153**	**100**
Taxes	26	27	24	19	23
Effective tax rate (%)	34.4	25.9	22.5	12.1	22.7
Profit from continuing operations	50	78	82	135	77
Profit from discontinued operations	0	0	0	0	0
Net profit	**50**	**78**	**82**	**135**	**77**
Net margin (%)	8.4	9.0	6.6	12.8	6.5
Net profit (Controlling Interests)	50	76	82	135	78
Net profit (Non-controlling Interests)	0	2	0	0	(0)
EBITDA	127	123	144	146	127
EBITDA margin (%)	21.3	14.3	11.7	13.8	10.7
EPS (parent) (KRW)	1,213	1,851	1,999	3,297	1,900
EPS (consolidated) (KRW)	1,218	1,897	2,001	3,297	1,895
Adjusted EPS (KRW)*	1,213	1,851	1,999	3,297	1,900

Balance sheet

Year-end Dec 31	2020	2021	2022	2023	2024
Current assets	**435**	**520**	**514**	**540**	**461**
Cash & equivalents	29	9	37	70	28
Accounts receivable	65	100	157	137	123
Inventories	28	49	66	58	65
Other current assets	313	363	254	275	246
Fixed assets	**432**	**429**	**427**	**560**	**707**
Investment assets	176	177	96	136	153
Tangible assets	200	196	270	361	429
Intangible assets	10	7	8	8	69
Other long-term assets	46	49	54	55	56
Total assets	**867**	**949**	**941**	**1,100**	**1,168**
Current liabilities	**91**	**183**	**157**	**212**	**236**
Accounts payable	38	74	88	152	99
Short-term debt	5	7	17	5	34
Other current liabilities	48	102	52	55	102
Long-term liabilities	**89**	**46**	**45**	**47**	**58**
Bond & long-term debt	50	12	15	15	18
Other long-term liabilities	39	34	30	32	40
Total liabilities	**179**	**230**	**201**	**259**	**293**
Owners of parent equity	**668**	**699**	**740**	**840**	**868**
Capital stock	41	41	41	41	41
Capital surplus	190	190	190	190	190
Retained earnings	493	529	574	669	707
Other	(56)	(61)	(65)	(60)	(70)
Non-controlling interests equity	**19**	**20**	**0**	**0**	**7**
Total equity	**687**	**720**	**740**	**840**	**875**
Net debt	(258)	(275)	(189)	(224)	(67)

Cash flow statement

Year-end Dec 31	2020	2021	2022	2023	2024
Cash flow from operations	**91**	**84**	**44**	**222**	**79**
Net profit	50	78	82	135	77
Non-Cash Profit and Expense	77	47	68	14	53
Depreciation	31	30	27	24	46
Amortization	0	0	0	0	1
Others	46	17	40	(11)	7
Changes in A/L from Operating Activities	(11)	(20)	(85)	89	(44)
Cash flow from investments	**10**	**(75)**	**63**	**(139)**	**(75)**
Change in Tangible Assets	(21)	(24)	(91)	(112)	(33)
Change in Financial Assets	20	4	221	5	20
Other	10	(54)	(67)	(33)	(62)
Cash flow from financing	**(93)**	**(29)**	**(80)**	**(49)**	**(46)**
Change in debt	(66)	13	(38)	(7)	91
Change in equity	n/a	n/a	n/a	n/a	n/a
Dividends	(38)	(38)	(38)	(38)	(38)
Other	n/a	n/a	n/a	n/a	n/a
Change in cash	7	(20)	28	33	(42)
Cash at beginning of year	22	29	9	37	70
Cash at end of year	29	9	37	70	28
Gross cash flow	**127**	**125**	**149**	**149**	**131**
Free cash flow	**70**	**59**	**(47)**	**107**	**46**

Financial ratios

Year-end Dec 31	2020	2021	2022	2023	2024
Growth (%)					
Sales	(10.0)	45.1	43.5	(14.8)	12.9
Operating profit	(10.4)	(1.9)	25.4	3.5	(33.3)
Net profit	(29.2)	55.8	5.5	64.7	(42.5)
Adjusted EPS**	(29.5)	52.6	8.0	64.9	(42.4)
Per share data (KRW)					
EPS (parent)	1,213	1,851	1,999	3,297	1,900
EPS (consolidated)	1,218	1,897	2,001	3,297	1,895
Adjusted EPS **	1,213	1,851	1,999	3,297	1,900
BPS	16,973	17,759	18,796	21,342	22,041
DPS (common)	n/a	n/a	n/a	n/a	n/a
Valuations (x)					
P/E***	n/a	n/a	n/a	n/a	n/a
P/B***	n/a	n/a	n/a	n/a	n/a
EV/EBITDA	(1.9)	(2.1)	(1.3)	(1.5)	(0.5)
Ratios					
ROE (%)	7.5	11.1	11.4	17.1	9.1
ROA (%)	5.6	8.5	8.7	13.2	6.8
ROIC (%)	25.0	27.4	26.1	23.6	11.4
Payout ratio (%)	n/a	n/a	n/a	n/a	n/a
Dividend yield (Common, %)	n/a	n/a	n/a	n/a	n/a
Net debt to equity (%)	(37.6)	(38.2)	(25.6)	(26.6)	(7.7)
Interest coverage (x)	40.5	49.7	183.5	522.2	41.1

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

Source: Company data, Samsung Securities estimates

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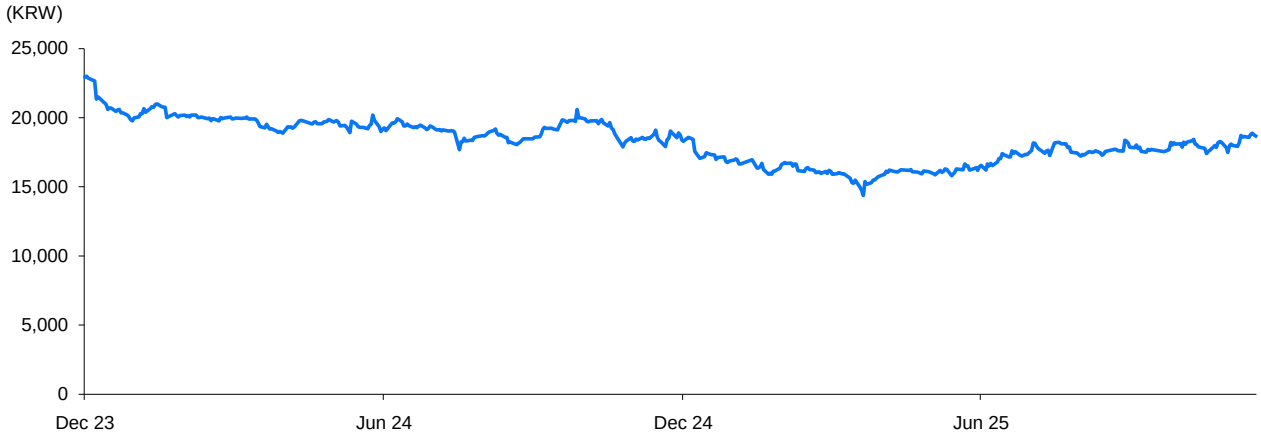
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2025/12/8
Recommendation	Not Rated
Target price (KRW)	n/a
Gap* (average)	
(max or min)**	

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

Samsung Securities uses the following investment ratings*

Company

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

Industry

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

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

Percentage of ratings in 12 months prior to 2025.09.30

BUY (83.5%)·HOLD (16.5%)·SELL (0%)

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General

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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