COMPANY UPDATE

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EV/Mobility Team

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S-Oil (010950)

4Q preview: Refining margins offset oil price drop

- We now expect S-Oil to post a 4Q operating profit of KRW406.8b (up 78% q-q), beating FnGuide consensus of KRW294.4b by 38%. Improving refining margins likely offset the negative impact of falling oil prices.
- Refining margins should stay solid throughout 1H26, and low oil prices mean a favorable business environment for the company. We maintain our target price of KRW110,000 on S-Oil, which remains our top pick.

WHAT'S THE STORY?

4Q preview: We now expect S-Oil to post a 4Q operating profit of KRW406.8b (up 78% q-q), topping FnGuide consensus of KRW294.4b, given the upward revision to refining earnings estimates and the refining margin improvement (that likely offset the impact from oil price drop and inventory valuation loss).

- **Refining unit:** S-Oil's refining unit likely saw an operating profit of KRW296.7b in 4Q (up 157% q-q). Although the won depreciated sharply against the US dollar in 4Q, the company recorded an inventory valuation loss of KRW80.6b (down KRW82.6b q-q from a KRW2b gain in 3Q) as Dubai oil prices fell from an average of USD69.9b/bbl in September to USD629/bbl in December. Negative lag effects (down from USD0.2/bbl in 3Q to -USD2.6/bbl) were negated by improving spot refining margin (up from USD11.5/bbl to USD17.1/bbl during the same period). The refined margin hit post-3Q23 high, backed by q-q improvements not only in diesel (up USD5.3/bbl) and kerosene (up USD8.2/bbl), but also in gasoline (up USD5.2/bbl).

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW110,000	32.5%
Current price	**KRW83,000**	
Market cap	KRW9.3t/USD6.5b	
Shares (float)	112,582,792 (36.6%)	
52-week high/low	KRW90,000/KRW50,400	
Avg daily trading value (60-day)	KRW28.4b/ USD19.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
S-Oil (%)	8.2	38.6	51.5
Vs Kospi (%pts)	0.8	1.0	-13.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	110,000	110,000	0.0%
2025E EPS	1,416	1,416	0.0%
2026E EPS	6,122	6,122	0.0%

SAMSUNG vs THE STREET

No of estimates	18
Target price	97,722
Recommendation	3.9

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	36,637	33,966	29,513	28,125
Operating profit	422	270	1,126	1,077
Net profit (adj)	-193	165	714	553
EPS (adj) (KRW)	-1,656	1,416	6,122	4,746
EPS (adj) growth (% y-y)	nm	nm	332.4	-22.5
EBITDA margin (%)	3.2	3.0	6.3	6.4
ROE (%)	-2.2	1.9	7.7	5.7
P/E (adj) (x)	n/a	58.6	13.6	17.5
P/B (x)	0.7	1.1	1.0	1.0
EV/EBITDA (x)	10.5	18.0	9.7	9.7
Dividend yield (%)	0.2	0.3	1.4	1.4

Source: Company data, Samsung Securities estimates

- **Petrochemical unit:** Despite q-q improvements in spreads on PO and PX (24% and 7% q-q, each, from USD421/bbl to USD520/bbl and from USD228/bbl to USD245/bbl), we believe the petrochemical business saw operating losses widen KRW8.3b q-q to USD28.2b, as spreads on benzene and PP weakened 25% and 20% q-q, respectively, from USD137/bbl to USD103/bbl, and from USD276/bbl to USD221/bbl.
- **Lube base oil unit:** Operating profit at the lube base oil unit likely rose 4% q-q to KRW138.4b in 4Q thanks to some time lag effect (approximately 3 months) between changes in the raw material prices and the product price adjustments.

View—Low oil prices suggest a favorable operating environment in 2026: S-Oil's complex refining margin surged from USD12.5/bbl in September to USD19.9/bbl in November before moderating to USD15.1/bbl in December. This was driven by concerns over a rise in supply (amid growing expectations about a Russia-Ukraine ceasefire) and slowing year-end demand. Nevertheless, supply of kerosene and diesel should remain tight through 1H26 due to the EU's stricter sanctions on Russia from 1Q26. Refining margins should stay solid on strong seasonality. Additionally, Dubai crude oil prices closed at USD61.6/bbl at end-2025, significantly lower than USD75.9/bbl at end-2024. Considering OPEC+'s decision to postpone production increases and other supply control measures, we believe the drop in oil prices will be just modest in 2026. This implies that negative impact on S-Oil could be limited. Considering the favorable business environment, we maintain our target price for S-Oil and keep it as our sector top pick.

Table 1. S-Oil: 4Q preview

(KRWb)	4Q25E	3Q25	4Q24	Consensus	Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	8,511	8,415	8,917	8,445	1.1	-4.6	0.8
Operating income	407	229	222	294	77.5	82.9	38.2
Pre-tax income	275	81	-246	259	237.3	To turn pos	6.1
Net income	213	63	-132	156	237.3	To turn pos	36.7
Attributable to parent	213	63	-132	149	237.3	To turn pos	43.0
Margins (%)							
Operating income	4.8	2.7	2.5	3.5			
Pre-tax income	3.2	1.0	-2.8	3.1			
Net income	2.5	0.8	-1.5	1.8			
Attributable to parent	2.5	0.8	-1.5	1.8			

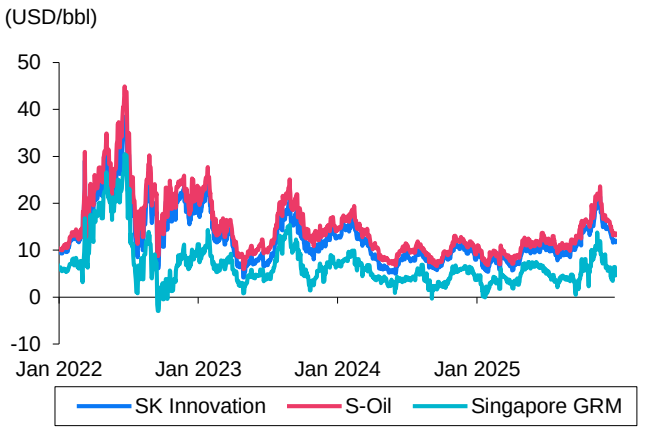
Source: Company data, FnGuide, Samsung Securities estimates

Table 2. S-Oil: 4Q preview, by division

(KRWb)	4Q25E	3Q25	4Q24	Chg (% q-q)	Chg (% y-y)
Sales	**8,511**	**8,415**	**8,917**	**1.1**	**-4.6**
Refining	6,798	6,694	7,014	1.5	-3.1
Petrochemical	1,038	1,016	1,096	2.2	-5.3
Lube base oil	675	705	807	-4.2	-16.4
Operating income	**407**	**229**	**222**	**77.5**	**82.9**
Refining	297	115	145	156.9	104.7
Petrochemical	-28	-20	-36	To remain neg	To remain neg
Lube base oil	138	134	113	3.5	22.4
Pre-tax income	275	81	-246	237.3	To turn pos
Net income	**213**	**63**	**-132**	**237.3**	**To turn pos**
Margins (%)					
Operating income	4.8	2.7	2.5		
Refining	4.4	1.7	2.1		
Petrochemical	-2.7	-2.0	-3.2		
Lube base oil	20.5	19.0	14.0		
Pre-tax income	3.2	1.0	-2.8		
Net income	2.5	0.8	-1.5		

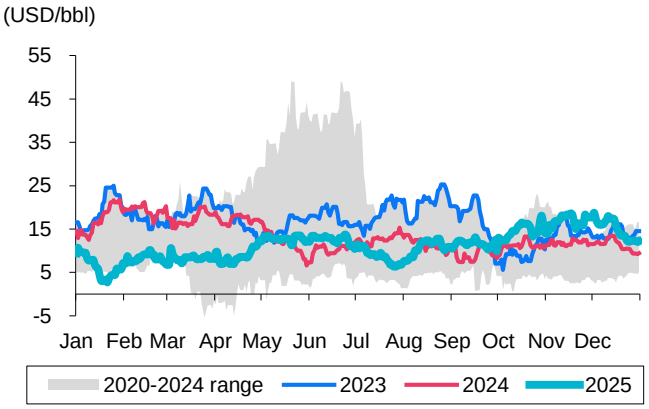
Source: Company data, Samsung Securities

Chart 1. Mixed margin at Korean refiners vs Singapore GRM



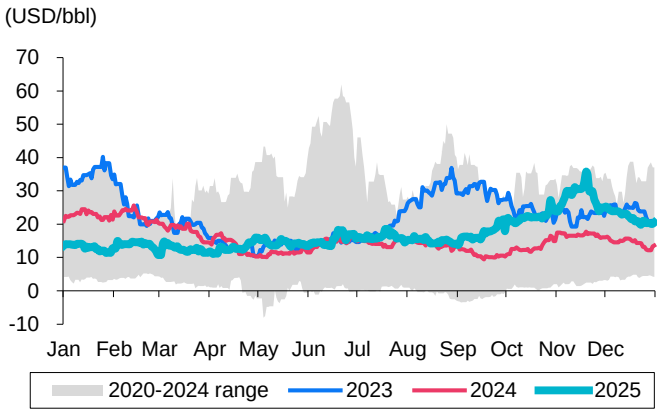
Source: Company data, DataStream, Samsung Securities

Chart 2. Gasoline: Spot refining margin vs Dubai oil



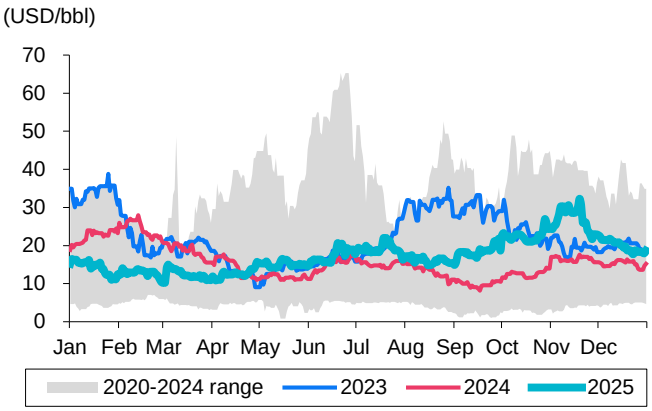
Source: Petronet, Samsung Securities

Chart 3. Kerosene: Spot refining margin vs Dubai oil



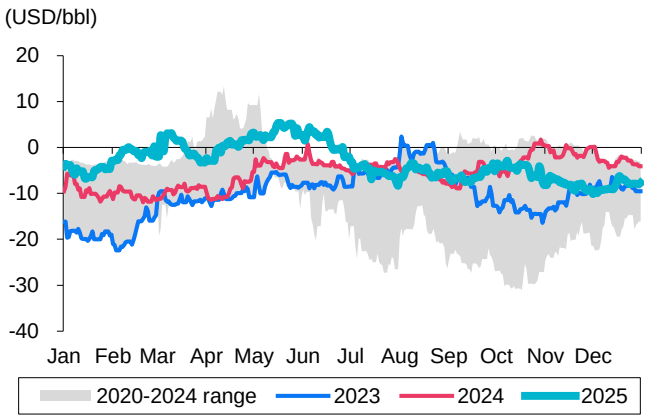
Source: Petronet, Samsung Securities

Chart 4. Diesel: Spot refining margin vs Dubai oil



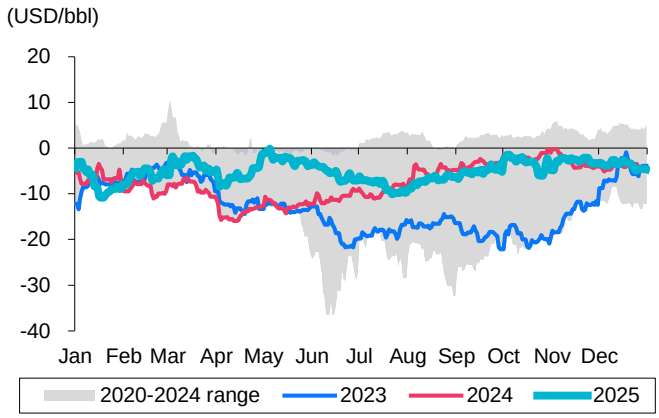
Source: Petronet, Samsung Securities

Chart 5. Bunker-C: Spot refining margin vs Dubai oil



Source: Petronet, Samsung Securities

Chart 6. Naphtha: Spot refining margin vs Dubai oil



Source: Petronet, Samsung Securities

Table 3. 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	1,449	1,430	1,390	1,350	1,315	1,306	1,365	1,422	1,371
Sales	**8,991**	**8,049**	**8,415**	**8,511**	**7,778**	**7,460**	**7,268**	**7,007**	**35,727**	**36,637**	**33,966**	**29,513**
Growth (% q-q)	0.8	-10.5	4.6	1.1	-8.6	-4.1	-2.6	-3.6				
Growth (% y-y)	-3.4	-15.9	-4.8	-4.6	-13.5	-7.3	-13.6	-17.7	-15.8	2.5	-7.3	-13.1
Refining	7,072	6,260	6,694	6,798	6,080	5,792	5,639	5,430	28,257	28,805	26,824	22,941
Petrochemical	1,128	1,034	1,016	1,038	1,024	991	967	946	4,385	4,703	4,216	3,928
Lube base oil	791	755	705	675	673	676	662	632	3,085	3,130	2,925	2,643
Operating income	**-22**	**-344**	**229**	**407**	**397**	**259**	**275**	**194**	**1,355**	**422**	**270**	**1,126**
Growth (% q-q)	Turned neg	Remained neg	Turned pos	77.5	-2.3	-34.7	6.2	-29.5				
Growth (% y-y)	Turned neg	Turned neg	Turned pos	82.9	To turn pos	To turn pos	20.1	-52.3	-60.2	-68.8	-35.9	316.4
Refining	-57	-441	115	297	269	109	111	67	353	-273	-86	556
Growth (% q-q)	Turned neg	Remained neg	Turned pos	156.9	-9.3	-59.5	1.5	-39.4				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	104.7	To turn pos	To turn pos	-4.1	-77.4	-84.9	Turned neg	To remain neg	To turn pos
Petrochemical	-75	-35	-20	-28	4	16	11	8	191	127	-157	39
Growth (% q-q)	Remained neg	Remained neg	Remained neg	To remain neg	To turn pos	297.4	-29.5	-24.8				
Growth (% y-y)	Turned neg	Turned neg	Turned neg	To remain neg	To turn pos	To turn pos	To turn pos	To turn pos	Turned pos	-33.2	To turn neg	To turn pos
Lube base oil	110	132	134	138	124	134	153	119	810	568	513	531
Growth (% q-q)	-2.9	20.1	1.4	3.5	-10.2	8.3	14.1	-22.6				
Growth (% y-y)	-29.5	-9.6	-13.1	22.4	13.2	2.0	14.8	-14.2	-27.0	-29.9	-9.7	3.4
Pre-tax income	-67	-106	81	275	361	227	240	142	1,132	-333	183	970
Growth (% q-q)	Remained neg	Remained neg	Turned pos	237.3	97.8	-37.2	5.5	-40.7				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	To turn pos	To turn pos	To turn pos	194.1	-48.3	-5.4	Turned neg	-19.6	To turn pos
Net income	**-45**	**-67**	**63**	**213**	**266**	**167**	**176**	**105**	**949**	**-193**	**165**	**714**
Growth (% q-q)	Remained neg	Remained neg	Turned pos	237.3	61.1	-37.2	5.5	-40.7				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	To turn pos	To turn pos	To turn pos	178.9	-51.0	9.0	Turned neg	-0.7	To turn pos
Attributable to parent	-45	-67	63	213	266	167	176	105	949	-193	165	714
Margins (%)												
Operating income	-0.2	-4.3	2.7	4.8	5.1	3.5	3.8	2.8	3.8	1.2	0.8	3.8
Refining	-0.8	-7.0	1.7	4.4	4.4	1.9	2.0	1.2	1.3	-0.9	-0.3	2.4
Petrochemical	-6.6	-3.4	-2.0	-2.7	0.4	1.6	1.2	0.9	4.3	2.7	-3.7	1.0
Lube base oil	13.9	17.5	19.0	20.5	18.4	19.9	23.2	18.8	26.3	18.2	17.5	20.1
Pre-tax income	-0.7	-1.3	1.0	3.2	4.6	3.0	3.3	2.0	3.2	-0.9	0.5	3.3
Net income	-0.5	-0.8	0.8	2.5	3.4	2.2	2.4	1.5	2.7	-0.5	0.5	2.4

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**35,727**	**36,637**	**33,966**	**29,513**	**28,125**
Cost of goods sold	33,621	35,411	32,951	27,739	26,431
Gross profit	**2,106**	**1,226**	**1,015**	**1,773**	**1,694**
Gross margin (%)	5.9	3.3	3.0	6.0	6.0
SG&A expenses	751	804	745	647	617
Operating profit	**1,355**	**422**	**270**	**1,126**	**1,077**
Operating margin (%)	3.8	1.2	0.8	3.8	3.8
Non-operating gains (losses)	**-223**	**-755**	**-88**	**-156**	**-325**
Financial profit	299	389	715	515	298
Financial costs	500	833	547	464	442
Equity-method gains (losses)	2	6	6	6	6
Other	-24	-317	-262	-214	-187
Pre-tax profit	**1,132**	**-333**	**183**	**970**	**752**
Taxes	183	-139	18	256	199
Effective tax rate (%)	16.2	41.9	9.6	26.4	26.4
Profit from continuing operations	949	-193	165	714	553
Profit from discontinued operations	0	0	0	0	0
Net profit	**949**	**-193**	**165**	**714**	**553**
Net margin (%)	2.7	-0.5	0.5	2.4	2.0
Net profit (controlling interests)	949	-193	165	714	553
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	2,074	1,174	1,026	1,855	1,798
EBITDA margin (%)	5.8	3.2	3.0	6.3	6.4
EPS (parent-based) (KRW)	8,137	-1,656	1,416	6,122	4,746
EPS (consolidated) (KRW)	8,137	-1,656	1,416	6,122	4,746
Adjusted EPS (KRW)*	8,137	-1,656	1,416	6,122	4,746

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**9,648**	**10,048**	**7,615**	**8,942**	**9,243**
Cash & equivalents	1,963	1,946	299	2,749	3,469
Accounts receivable	2,308	2,171	1,817	1,416	1,222
Inventories	4,639	4,493	4,165	3,619	3,449
Other current assets	738	1,438	1,333	1,158	1,104
Fixed assets	**11,928**	**14,403**	**17,790**	**18,198**	**18,024**
Investment assets	168	203	195	183	179
Tangible assets	11,152	13,582	16,986	17,415	17,253
Intangible assets	116	149	139	130	122
Other long-term assets	493	470	470	470	470
Total assets	**21,576**	**24,451**	**25,405**	**27,141**	**27,267**
Current liabilities	**9,255**	**11,657**	**10,440**	**9,511**	**9,221**
Accounts payable	3,989	4,982	4,618	4,013	3,824
Short-term debt	2,142	3,355	3,355	3,355	3,355
Other current liabilities	3,123	3,320	2,466	2,143	2,042
Long-term liabilities	**3,284**	**4,099**	**6,087**	**8,067**	**8,061**
Bonds & long-term debt	2,837	3,791	5,791	7,791	7,791
Other long-term liabilities	447	308	296	276	270
Total liabilities	**12,539**	**15,756**	**16,527**	**17,578**	**17,282**
Owners of parent equity	**9,038**	**8,696**	**8,878**	**9,563**	**9,985**
Capital stock	292	292	292	292	292
Capital surplus	1,332	1,332	1,332	1,332	1,332
Retained earnings	7,380	7,030	7,181	7,866	8,288
Other	35	42	74	74	74
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**9,038**	**8,696**	**8,878**	**9,563**	**9,985**
Net debt	3,839	6,001	8,988	8,538	7,819

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**2,526**	**1,468**	**1,573**	**1,948**	**1,672**
Net profit	949	-193	165	714	553
Non-cash profit and expenses	995	1,328	1,201	1,310	1,187
Depreciation	711	741	746	720	712
Amortization	8	11	10	9	8
Other	276	576	445	581	467
Changes in A/L from operating activities	1,473	829	217	174	123
Cash flow from investments	**-2,066**	**-3,027**	**-4,582**	**-1,473**	**-827**
Change in tangible assets	-2,165	-3,038	-4,150	-1,150	-550
Change in financial assets	151	-57	9	15	5
Other	-52	68	-441	-338	-282
Cash flow from financing	**193**	**1,539**	**1,321**	**1,964**	**-133**
Change in debt	618	2,167	1,336	1,993	-2
Change in equity	0	0	0	0	0
Dividends	-373	-189	-15	-29	-131
Other	-53	-439	0	0	-0
Change in cash	653	-17	-1,647	2,450	720
Cash at beginning of year	1,310	1,963	1,946	299	2,749
Cash at end of year	1,963	1,946	299	2,749	3,469
Gross cash flow	**1,944**	**1,135**	**1,366**	**2,024**	**1,741**
Free cash flow	**340**	**-1,574**	**-2,577**	**798**	**1,122**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-15.8	2.5	-7.3	-13.1	-4.7
Operating profit	-60.2	-68.8	-35.9	316.4	-4.4
Net profit	-54.9	nm	nm	332.4	-22.5
Adjusted EPS**	-54.9	nm	nm	332.4	-22.5
Per-share data (KRW)					
EPS (parent-based)	8,137	-1,656	1,416	6,122	4,746
EPS (consolidated)	8,137	-1,656	1,416	6,122	4,746
Adjusted EPS**	8,137	-1,656	1,416	6,122	4,746
BVPS	77,629	74,692	76,261	82,141	85,769
DPS (common)	1,700	125	250	1,125	1,125
Valuations (x)					
P/E***	8.6	n/a	58.6	13.6	17.5
P/B***	0.9	0.7	1.1	1.0	1.0
EV/EBITDA	5.7	10.5	18.0	9.7	9.7
Ratios (%)					
ROE	10.8	-2.2	1.9	7.7	5.7
ROA	4.6	-0.8	0.7	2.7	2.0
ROIC	9.0	1.8	1.5	4.6	4.5
Payout ratio	20.2	-7.3	17.0	17.7	22.9
Dividend yield (common)	2.4	0.2	0.3	1.4	1.4
Net debt to equity	42.5	69.0	101.2	89.3	78.3
Interest coverage (x)	5.7	1.5	n/a	n/a	n/a

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

Source: Company data, Samsung Securities estimates

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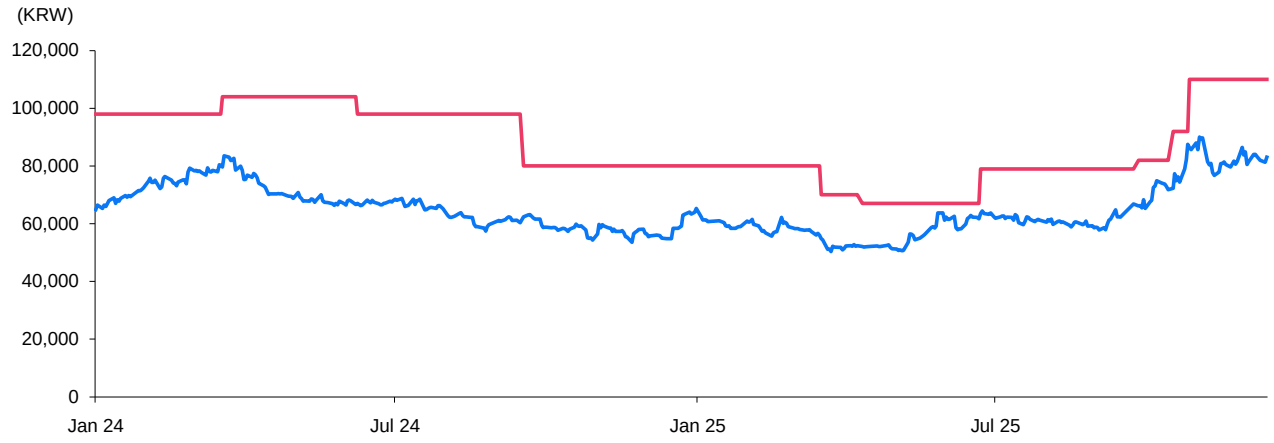
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/9/27	2024/4/4	6/25	10/4	2025/4/3	4/28	7/9	10/13	11/3	11/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	98000	104000	98000	80000	70000	67000	79000	82000	92000	110000
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	

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

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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 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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