COMPANY UPDATE

2026. 1. 16

EV/Mobility Team

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Korea Petrochemical (006650)

4Q preview: Differentiated profitability sustained

- Korea Petrochemical likely recorded a 4Q operating profit of KRW33.2b (down 23% q-q; beating FnGuide-based consensus by 5%). The solid earnings—despite falling naphtha prices—likely owed much to robust sales of high-value-added products.
- Factoring in our revised 2026 ROE forecast, we increase our target price by 15% from KRW170,000 to KRW195,000. The firm's differentiated profitability remains a key investment point. We keep the stock at BUY.

WHAT'S THE STORY?

4Q preview—earnings meet consensus: We believe Korea Petrochemical will report a 4Q operating profit of KRW33.2b (down 23% q-q; 5% above FnGuide-based consensus of KRW31.7b). Its operating results likely proved relatively strong—most chemical companies likely missed market expectations on negative inventory effects (due to falling naphtha prices). The discrepancy is attributable to the firm's: 1) reduced depreciation costs (the depreciation period for some equipment has ended); and 2) strong sales of high-value-added products. The petrochemicals operation likely saw an operating profit of KRW5b (down 48% q-q), despite negative inventory effects (stemming from lower naphtha prices), thanks to robust sales of high-margin products and lower depreciation expenses. Operating profit at the industrial gas business likely fell 11% q-q to KRW1.8b. Meanwhile at Hanju Corp (subject to consolidated accounting from May), its utilities services business likely saw an operating profit of KRW23.4b (down 17% q-q) and its salt business likely recorded an operating profit of KRW3b (flat q-q).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	2,800	3,369	3,438	3,390
Operating profit (KRWb)	-60	62	162	173
Net profit (adj) (KRWb)	-9	82	141	150
EPS (adj) (KRW)	-1,312	8,126	14,072	15,639
EPS (adj) growth (% y-y)	nm	nm	73.2	11.1
EBITDA margin (%)	4.3	6.7	9.6	10.0
ROE (%)	-0.5	2.9	4.8	5.1
P/E (adj) (x)	n/a	17.8	11.3	10.2
P/B (x)	0.3	0.5	0.5	0.5
EV/EBITDA (x)	4.6	4.8	3.4	3.0
Dividend yield (%)	1.3	0.9	1.8	2.2

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW195,000	22.5%
Current price	KRW159,200	
Market cap	KRW1.0t/USD0.7b	
Shares (float)	6,500,000 (53.9%)	
52-week high/low	KRW159,200/KRW76,200	
Avg daily trading value (60-day)	KRW7.6b/ USD5.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Korea Petrochemical (%)	2.1	55.6	85.8
Vs Kospi (%pts)	-13.0	4.3	-3.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	195,000	170,000	14.7%
2025E EPS	8,126	8,126	0.0%
2026E EPS	14,072	14,072	0.0%

SAMSUNG vs THE STREET

No of estimates	8
Target price	188,750
Recommendation	3.9

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

High-value-added products key to differentiated profitability: The fact that Korea Petrochemical (which operates naphtha cracking facilities) likely remained in the black in both 3Q and 4Q stands out as many of its competitors likely incurred operating losses during the period. We attribute its likely staying in the black to rising demand from power infrastructure components—*eg*, PE/PP for battery separators, flame-retardant PP for ESS modules, and PP for capacitors—which has improved its profitability. We estimate high-value-added polymers (PE/PP) accounted for roughly 20–30% of the firm's 4Q sales.

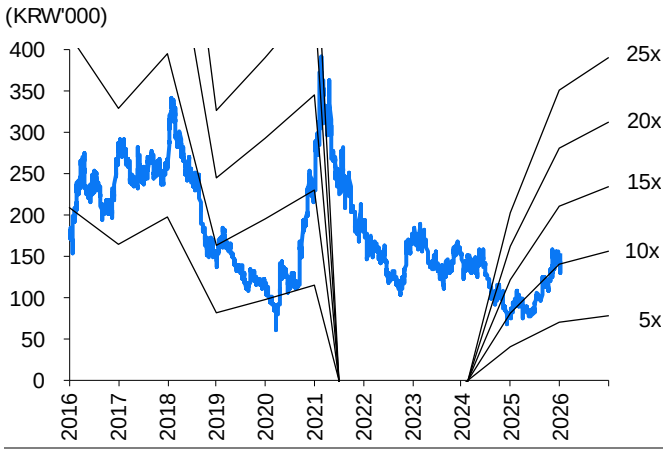
View—armed with attractive product portfolio: Reflecting our revised 2026 earnings and ROE estimates, we raise our target P/B (from 0.55x to 0.59x; 0.25 standard deviations beneath its post-2010 average) and increase our target price by 15% (from KRW170,000 to KRW195,000). We are upbeat about the firm's ability to maintain profitability amid a challenging environment, which it has been able to do thanks to its advanced high-value product portfolio. We reiterate BUY.

KPIC: P/B valuation

(KRW)	Old	New	Details
Target P/B (x)	0.55	0.59	0.25 standard deviations below its post-2010 average
Forward BVPS	313,746	327,405	**Revised up by 4.4%**
Fair price per share	**172,048**	**193,620**	
Target price	**170,000**	**195,000**	**Revised up by 14.7%**
Current price		151,500	As of Jan 14 close
Upside (%)		28.7	
2026 implied P/E (x)	12.1	13.9	
2027 implied P/E (x)	10.9	12.5	

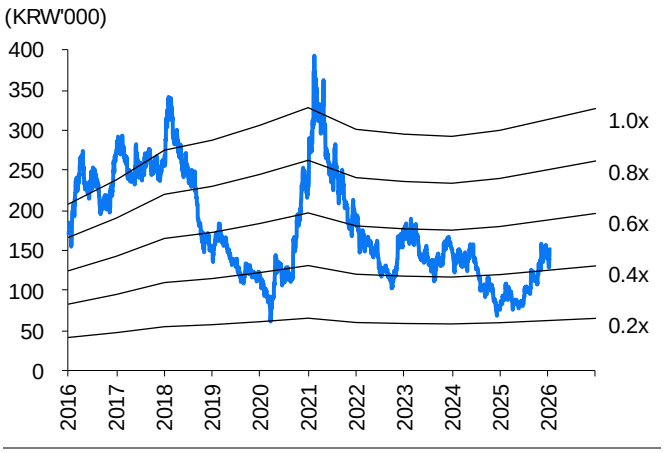
Source: Samsung Securities estimates

KPIC: 12M forward P/E band chart



Source: Samsung Securities estimates

KPIC: 12M forward P/B band chart



Source: Samsung Securities estimates

KPIC: Quarterly results

(KRWb)	4Q25E	3Q25	4Q24	Consensus	Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	871.0	909.9	712.1	893.7	-4.3	22.3	-2.5
Operating income	33.2	42.8	-9.3	31.7	-22.6	To turn pos	4.7
Pre-tax income	35.1	46.3	6.0	30.1	-24.2	489.9	16.7
Net income	29.1	42.4	20.1	28.0	-31.4	44.4	3.8
Attributable to parent	18.5	29.9	20.1	19.0	-37.9	-7.9	-2.2
Margins (%)							
Operating income	3.8	4.7	-1.3	3.5			
Pre-tax income	4.0	5.1	0.8	3.4			
Net income	3.3	4.7	2.8	3.1			
Attributable to parent	2.1	3.3	2.8	2.1			

Source: Company data, FnGuide, Samsung Securities

KPIC: Quarterly results, by division

(KRWb)	4Q25E	3Q25	4Q24	Growth (% q-q)	Growth (% y-y)
Sales	**871.0**	**909.9**	**712.1**	**-4.3**	**22.3**
Petrochemicals	691.7	706.9	706.4	-2.1	-2.1
Industrial gases (Korea Airtech)	14.1	16.0	14.2	-11.9	-0.7
Utility (Hanju)	183.8	205.6		-10.6	
Salt (Hanju)	15.5	15.5		0.0	
Operating income	**33.2**	**42.8**	**-9.3**	**-22.6**	**To turn pos**
Petrochemicals	5.0	9.6	-10.7	-48.1	To turn pos
Industrial gases (Korea Airtech)	1.8	2.0	1.3	-11.3	34.7
Utility (Hanju)	23.4	28.2		-17.1	
Salt (Hanju)	3.0	3.0		0.0	
Pre-tax income	35.1	46.3	6.0	-24.2	489.9
Net income	**29.1**	**42.4**	**20.1**	**-31.4**	**44.4**
Attributable to parent	**18.5**	**29.9**	**20.1**	**-37.9**	**-7.9**
Margins (%)					
Operating income	3.8	4.7	-1.3		
Petrochemicals	0.7	1.4	-1.5		
Industrial gases (Korea Airtech)	12.9	12.8	9.5		
Utility (Hanju)	12.7	13.7			
Salt (Hanju)	19.5	19.5			
Pre-tax income	4.0	5.1	0.8		
Net income	3.3	4.7	2.8		
Attributable to parent	4.2	6.0	2.8		

Source: Company data, Samsung Securities estimates

KPIC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,449	1,430	1,390	1,350	1,315	1,365	1,422	1,371	1,315
Sales	**742**	**847**	**910**	**871**	**887**	**866**	**849**	**836**	**2,800**	**3,369**	**3,438**	**3,390**
Growth (% q-q)	4.1	14.2	7.5	-4.3	1.8	-2.4	-1.9	-1.6				
Growth (% y-y)	11.8	14.2	33.3	22.3	19.6	2.3	-6.7	-4.0	12.0	20.3	2.0	-1.4
Petrochemicals	736	712	707	692	686	665	649	635	2,779	2,847	2,635	2,576
Industrial gases (Korea Airtech)	15	15	16	14	17	18	17	17	52	60	69	80
Utility (Hanju)		133	206	184	202	202	202	202		522	809	809
Salt (Hanju)		11	15	15	15	15	15	15		42	62	62
EBITDA	**34**	**44**	**80**	**69**	**88**	**84**	**83**	**75**	**120**	**226**	**330**	**339**
Growth (% q-q)	-3.1	30.0	81.9	-14.1	27.7	-4.4	-0.6	-9.8				
Growth (% y-y)	14.7	12.1	379.5	96.8	159.3	90.7	4.3	9.5	0.9	88.3	45.8	2.7
Operating income	**-10**	**-5**	**43**	**33**	**44**	**41**	**42**	**34**	**-60**	**62**	**162**	**173**
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-22.6	33.5	-6.4	0.8	-17.9				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	To turn pos	To turn pos	To turn pos	-2.6	3.3	Remained neg	To turn pos	162.7	7.0
Petrochemicals	-12	-22	10	5	12	8	9	1	-65	-19	29	41
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-22.6	33.5	-6.4	0.8	-17.9				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	To turn pos	To turn pos	To turn pos	-2.6	3.3	Remained neg	To turn pos	162.7	7.0
Industrial gases (Korea Airtech)	2	2	2	2	2	2	2	2	5	8	9	11
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-22.6	33.5	-6.4	0.8	-17.9				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	To turn pos	To turn pos	To turn pos	-2.6	3.3	Remained neg	To turn pos	162.7	7.0
Utility (Hanju)		13	28	23	28	28	28	28		64	111	109
Growth (% q-q)			Turned pos	-22.6	33.5	-6.4	0.8	-17.9				
Growth (% y-y)						To turn pos	-2.6	3.3		To turn pos	162.7	7.0
Salt (Hanju)		3	3	3	3	3	3	3		9	13	12
Growth (% q-q)			Turned pos	-22.6	33.5	-6.4	0.8	-17.9				
Growth (% y-y)						To turn pos	-2.6	3.3		To turn pos	162.7	7.0
Pre-tax income	3	10	46	35	46	43	44	37	-33	94	170	181
Growth (% q-q)	Turned pos	179.5	387.5	-24.2	-51.3	-5.7	0.3	-14.6				
Growth (% y-y)	Turned pos	Turned pos	Turned pos	489.9	1,251.8	356.1	-6.1	5.8	Remained neg	To turn pos	651.3	To turn pos
Net income	**3**	**8**	**42**	**29**	**38**	**36**	**36**	**31**	**-9**	**82**	**141**	**150**
Growth (% q-q)	Turned pos	164.8	438.3	-31.4	-53.7	-5.7	0.3	-14.6				
Growth (% y-y)	Turned pos	Turned pos	Turned pos	44.4	1,180.9	356.1	-15.0	5.8	Remained neg	To turn pos	71.1	6.7
Attributable to parent	3	1	30	19	26	24	24	18	-9	53	91	102
Margins (%)												
EBITDA	4.6	5.2	8.8	7.9	9.9	9.7	9.8	9.0	4.3	6.7	9.6	10.0
Operating income	-1.3	-0.5	4.7	3.8	5.0	4.8	4.9	4.1	-2.1	1.8	4.7	5.1
Petrochemicals	-1.6	-3.1	1.4	0.7	1.7	1.2	1.3	0.2	-2.3	-0.7	1.1	1.6
Industrial gases (Korea Airtech)	12.8	12.3	12.8	12.9	12.8	12.8	12.8	13.6	9.9	12.7	13.0	13.3
Utility (Hanju)		9.5	13.7	12.7	13.7	13.7	13.7	13.7		12.3	13.7	13.5
Salt (Hanju)		23.4	19.5	19.5	20.3	20.3	20.3	20.3		20.5	20.3	20.1
Pre-tax income	0.5	1.1	5.1	4.0	5.2	5.0	5.1	4.4	-1.2	2.8	4.9	5.4
Net income	0.4	0.9	4.7	3.3	4.3	4.1	4.2	3.7	-0.3	2.4	4.1	4.4

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,500**	**2,800**	**3,369**	**3,438**	**3,390**
Cost of goods sold	2,512	2,809	3,245	3,213	3,154
Gross profit	**-12**	**-9**	**125**	**225**	**236**
Gross margin (%)	-0.5	-0.3	3.7	6.5	7.0
SG&A expenses	51	51	63	63	63
Operating profit	**-62**	**-60**	**62**	**162**	**173**
Operating margin (%)	-2.5	-2.1	1.8	4.7	5.1
Non-operating gains (losses)	**12**	**27**	**33**	**8**	**8**
Financial profit	17	24	14	18	18
Financial costs	20	21	15	15	15
Equity-method gains (losses)	13	23	19	6	6
Other	3	1	15	-0	-0
Pre-tax profit	**-50**	**-33**	**94**	**170**	**181**
Taxes	-21	-24	12	29	31
Effective tax rate (%)	41.8	74.1	12.8	17.2	17.2
Profit from continuing operations	-29	-9	82	141	150
Profit from discontinued operations	0	0	0	0	0
Net profit	**-29**	**-9**	**82**	**141**	**150**
Net margin (%)	-1.2	-0.3	2.4	4.1	4.4
Net profit (controlling interests)	-29	-9	53	91	102
Net profit (non-controlling interests)	0	0	29	49	49
EBITDA	119	120	226	330	339
EBITDA margin (%)	4.8	4.3	6.7	9.6	10.0
EPS (parent-based) (KRW)	-4,468	-1,312	8,126	14,072	15,639
EPS (consolidated) (KRW)	-4,468	-1,312	12,655	21,648	23,108
Adjusted EPS (KRW)*	-4,468	-1,312	8,126	14,072	15,639

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**502**	**628**	**642**	**775**	**900**
Cash & equivalents	34	109	39	160	294
Accounts receivable	214	215	237	242	239
Inventories	211	240	289	295	291
Other current assets	43	64	77	78	77
Fixed assets	**1,694**	**1,592**	**1,699**	**1,704**	**1,708**
Investment assets	244	267	322	328	324
Tangible assets	1,393	1,261	1,315	1,313	1,322
Intangible assets	9	9	8	8	8
Other long-term assets	48	54	54	54	54
Total assets	**2,196**	**2,220**	**2,341**	**2,479**	**2,608**
Current liabilities	**288**	**307**	**349**	**354**	**350**
Accounts payable	131	153	184	187	185
Short-term debt	92	61	111	111	111
Other current liabilities	66	93	54	55	54
Long-term liabilities	**83**	**105**	**108**	**109**	**109**
Bonds & long-term debt	32	85	85	85	85
Other long-term liabilities	52	20	23	24	24
Total liabilities	**372**	**412**	**457**	**463**	**459**
Owners of parent equity	**1,825**	**1,808**	**1,854**	**1,938**	**2,022**
Capital stock	41	41	41	41	41
Capital surplus	264	264	264	264	264
Retained earnings	1,525	1,505	1,552	1,635	1,719
Other	-5	-3	-3	-3	-3
Non-controlling interests' equity	**0**	**0**	**29**	**79**	**127**
Total equity	**1,825**	**1,808**	**1,884**	**2,016**	**2,149**
Net debt	113	50	114	-8	-141

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**86**	**133**	**183**	**283**	**301**
Net profit	-29	-9	82	141	150
Non-cash profit and expenses	126	144	145	176	171
Depreciation	181	180	165	168	166
Amortization	0	0	0	0	0
Other	-55	-36	-20	8	5
Changes in A/L from operating activities	-13	-3	-32	-6	4
Cash flow from investments	**-159**	**-91**	**-216**	**-154**	**-160**
Change in tangible assets	-113	-59	-218	-166	-174
Change in financial assets	-6	-32	-10	-1	1
Other	-40	0	13	13	13
Cash flow from financing	**68**	**32**	**-5**	**-8**	**-17**
Change in debt	67	42	2	0	0
Change in equity	0	0	0	0	0
Dividends	-6	-6	-6	-8	-17
Other	8	-4	0	0	0
Change in cash	-5	75	-70	121	134
Cash at beginning of year	39	34	109	39	160
Cash at end of year	34	109	39	160	294
Gross cash flow	**97**	**136**	**227**	**317**	**321**
Free cash flow	**-27**	**74**	**-35**	**117**	**126**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	12.5	12.0	20.3	2.0	-1.4
Operating profit	nm	nm	nm	162.7	7.0
Net profit	nm	nm	nm	71.1	6.7
Adjusted EPS**	nm	nm	nm	73.2	11.1
Per-share data (KRW)					
EPS (parent-based)	-4,468	-1,312	8,126	14,072	15,639
EPS (consolidated)	-4,468	-1,312	12,655	21,648	23,108
Adjusted EPS**	-4,468	-1,312	8,126	14,072	15,639
BVPS	295,460	292,683	300,235	313,746	327,405
DPS (common)	1,000	1,000	1,300	2,800	3,500
Valuations (x)					
P/E***	n/a	n/a	17.8	11.3	10.2
P/B***	0.5	0.3	0.5	0.5	0.5
EV/EBITDA	9.3	4.6	4.8	3.4	3.0
Ratios (%)					
ROE	-1.6	-0.5	2.9	4.8	5.1
ROA	-1.3	-0.4	3.6	5.8	5.9
ROIC	-2.1	-0.9	3.3	8.0	8.6
Payout ratio	-21.3	-72.4	15.2	18.9	21.3
Dividend yield (common)	0.7	1.3	0.9	1.8	2.2
Net debt to equity	6.2	2.8	6.1	-0.4	-6.6
Interest coverage (x)	-10.9	-8.3	7.6	19.8	21.2

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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- As of 1/15 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 1/15 2026, 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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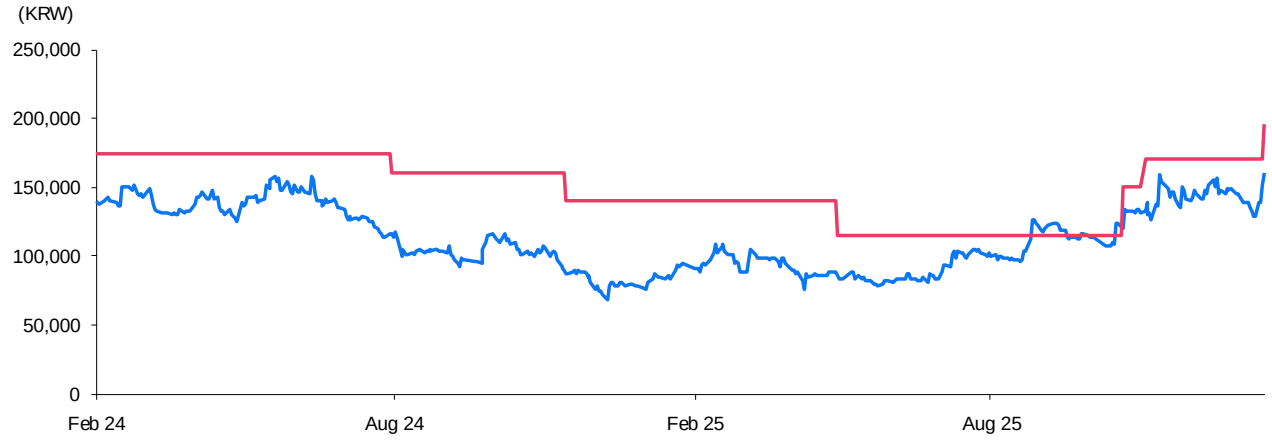
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/30	2024/7/30	11/14	2025/4/29	10/21	11/3	2026/1/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	175000	160000	140000	115000	150000	170000	195000
Gap* (average)	-18.32	-35.28	-36.33	-13.38	-11.42	-15.68	
(max or min)**	-4.40	-26.75	-22.14	9.65	-10.33	-6.65	

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 2025.12.31

BUY (85.8%)·HOLD (14.2%)·SELL (0%)

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