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

Lotte Fine Chemical (004000)

4Q review: Impacted by one-off costs

- Lotte Fine Chemical (LFC) reported a 4Q operating profit of KRW19.3b (down 30% q-q), missing consensus by 26%, due to the execution of one-off costs.
- Despite a potentially slow earnings recovery in 1Q, ROE should continue improving in 2026. We maintain our target price and BUY rating.

WHAT'S THE STORY?

4Q results miss consensus: Lotte Fine Chemical (LFC) reported a 4Q operating profit of KRW19.3b (down 30% q-q), missing consensus (KRW26.1b; FnGuide) by 26% and our estimate (KRW26b) by 26%. This miss is primarily due to the execution of one-off personnel-related costs. Operating profit at the chlorine relatives business likely dropped 57% q-q to KRW1.5b, impacted by weaker caustic soda prices and one-off costs. In 4Q, the ECH-propylene spread widened 10% q-q from USD990/tonne to USD1,085/tonne, but caustic soda prices declined 4% q-q from USD391/tonne to USD377/tonne. Operating profit at the cellulose relatives business likely shrank 25% q-q to KRW7b, as the decline in pharmaceutical- and food-grade sales adversely impacted profitability mix. At the ammonia relatives business, operating profit likely fell 27% q-q to KRW10.8b, on the absence of large trading gains recorded in the previous quarter.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW60,000	18.8%
Current price	**KRW50,500**	
Market cap	KRW1.3t/USD0.9b	
Shares (float)	25,800,000 (55.2%)	
52-week high/low	KRW50,500/KRW30,700	
Avg daily trading value (60-day)	KRW2.6b/ USD1.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Fine Chemical (%)	17.6	23.0	30.2
Vs Kospi (%pts)	-5.7	-27.9	-39.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	60,000	60,000	0.0%
2025E EPS	4,168	4,168	0.0%
2026E EPS	6,047	6,047	0.0%

SAMSUNG vs THE STREET

No of estimates	8
Target price	60,625
Recommendation	4.0

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	439.1	2.4	-1.0	0.0	-0.8
Operating profit	19.3	58.7	-30.0	-0.0	-26.0
Pre-tax profit	30.0	nm	-15.8	-0.0	-23.1
Net profit	28.4	nm	-19.4	-0.0	-16.6
Margins (%)					
Operating profit	4.4				
Pre-tax profit	6.8				
Net profit	6.5				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	27.9	10.7	8.4
P/B	0.4	0.5	0.5
EV/EBITDA	4.4	4.5	4.3
Div yield (%)	3.6	3.4	4.0
EPS growth (% y-y)	-80.0	195.6	45.1
ROE (%)	1.5	4.5	6.3
Per-share data (KRW)			
EPS	1,410	4,168	6,047
BVPS	92,999	95,203	99,828
DPS	1,400	1,500	2,000

1Q preview—results to miss consensus: We expect LFC to post a 1Q operating profit of KRW23.8b, up 23% q-q but missing consensus (KRW27.9b; FnGuide) by 15%. The chlorine relatives business will likely recover sharply, generating an operating profit of KRW5.7b (up 278% q-q), driven by the dissipation of one-off costs and further improvement in the ECH spread. Operating profit at the cellulose relatives business should rebound 13% q-q to KRW7.9b. At the ammonia relatives business, operating profit is likely to fall slightly by 6% q-q to KRW10.2b.

View—ROE to keep improving in 2026 despite slow recovery: Although 1Q earnings will unlikely recover as much as anticipated, our target price remains at KRW60,000, as we shift the base period for our forward BPS estimate, which moves our BPS estimate up 2%, while keeping our target P/B multiple at 0.59x. We expect the company's ROE to recover from 4.5% in 2025 up to 6.3% in 2026. The stock is currently trading at forward P/B of 0.5x, which we view as undemanding, considering that it traded at a forward P/B of 0.77x in 2022 when it achieved a similar ROE of 6.5%.

Lotte Fine Chemical: Quarterly results

(KRWb)	4Q25	3Q25	4Q24	Consensus	Samsung	Diff (%)			
						q-q	y-y	Consensus	Samsung
Sales	439.1	443.4	428.6	442.7	453.0	-1.0	2.4	-0.8	-3.1
Operating profit	19.3	27.6	12.2	26.1	26.0	-30.0	58.7	-26.0	-25.8
Pre-tax profit	30.0	35.6	-40.3	39.0	56.0	-15.8	Turned pos	-23.1	-46.4
Net profit	28.4	35.2	-18.8	34.0	48.0	-19.4	Turned pos	-16.6	-40.8
Attributable to parent	28.4	35.2	-18.8	32.7	48.0	-19.4	Turned pos	-13.1	-40.8
Margins (%)									
Operating profit	4.4	6.2	2.8	5.9	5.7				
Pre-tax profit	6.8	8.0	-9.4	8.8	12.4				
Net profit	6.5	7.9	-4.4	7.7	10.5				
Attributable to parent	6.5	7.9	-4.4	7.4	10.5				

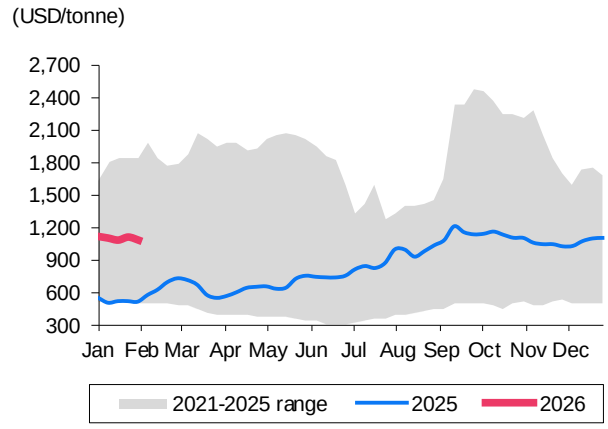
Source: Company data, FnGuide, Samsung Securities estimates

Lotte Fine Chemical: 4Q review, by division

(KRWb)	4Q25	3Q25	4Q24	Chg (% q-q)	Chg (% y-y)
Sales	**439.1**	**443.4**	**428.6**	**-1.0**	**2.4**
Chlorine	172.9	175.5	162.4	-1.5	6.5
Cellulose	121.2	134.7	127.3	-10.0	-4.8
Ammonia trading	145.0	133.2	138.9	8.9	4.4
Operating profit	**19.3**	**27.6**	**12.2**	**-30.0**	**58.7**
Chlorine	1.5	3.5	-12.3	-56.8	Turned pos
Cellulose	7.0	9.3	11.4	-24.7	-38.5
Ammonia trading	10.8	14.8	12.8	-27.0	-16.0
Pre-tax profit	30.0	35.6	-40.3	-15.8	Turned pos
Net profit	**28.4**	**35.2**	**-18.8**	**-19.4**	**Turned pos**
Margins (%)					
Operating profit	4.4	6.2	2.8		
Chlorine	0.9	2.0	-7.5		
Cellulose	5.8	6.9	8.9		
Ammonia trading	7.4	11.1	9.2		
Pre-tax profit	6.8	8.0	-9.4		
Net profit	6.5	7.9	-4.4		

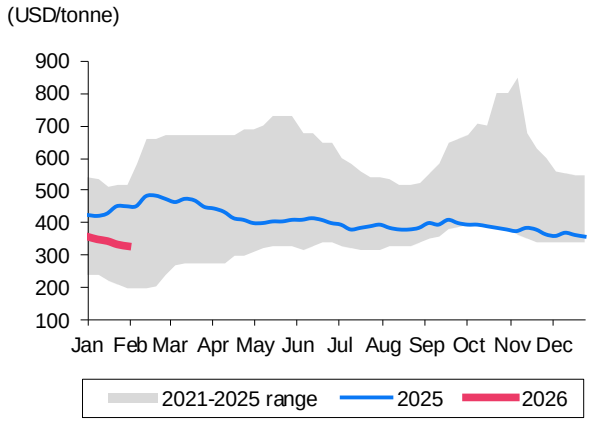
Note: Divisional operating profit figures are our estimates
Source: Company data, Samsung Securities estimates

ECH-propylene spread trend (Lotte Fine Chemical)



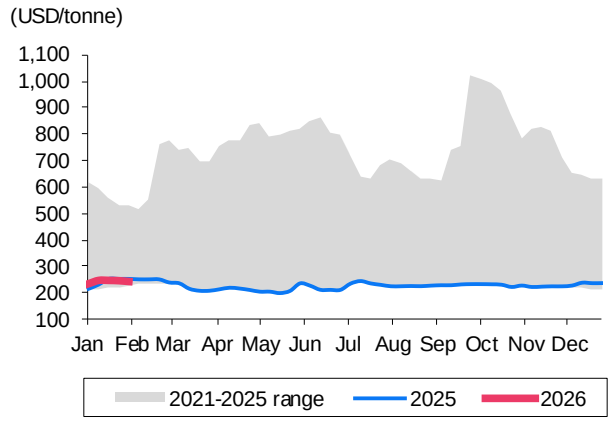
Source: Cischem, S&P Global Platts, Samsung Securities

Caustic soda price trend (LG Chem/Hanwha Solutions/LFC)



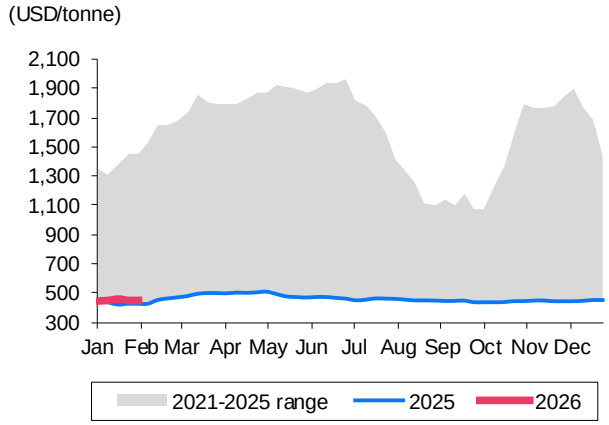
Source: Cischem, S&P Global Platts, Samsung Securities

AA-methanol spread trend (Lotte Fine Chemical)



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

VAM-AA spread trend (Lotte Fine Chemical)



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

Lotte Fine Chemical: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,449	1,450	1,400	1,350	1,315	1,365	1,422	1,379	1,315
Sales	**446**	**425**	**443**	**439**	**494**	**496**	**482**	**469**	**1,671**	**1,753**	**1,940**	**1,996**
Growth (% q-q)	4.0	-4.7	4.4	-1.0	12.4	0.4	-2.8	-2.7				
Growth (% y-y)	11.6	0.6	5.5	2.4	10.8	16.7	8.7	6.8	-5.5	4.9	10.7	2.9
Chlorine	150	140	176	173	175	173	169	166	555	638	682	673
Cellulose	127	137	135	121	150	158	156	144	529	521	608	666
Ammonia trading	160	138	133	145	169	166	157	158	556	576	650	657
Electronic materials	9	9							31	18		
Operating profit	**19**	**9**	**28**	**19**	**24**	**32**	**33**	**28**	**50**	**74**	**116**	**150**
Growth (% q-q)	54.4	-53.6	216.5	-30.0	23.4	35.6	0.8	-15.1				
Growth (% y-y)	74.3	-49.1	167.0	58.7	26.8	270.6	18.0	43.1	-67.5	47.6	56.4	28.9
Chlorine	-6	-6	4	2	6	4	6	9	-55	-7	25	47
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-56.8	277.9	-22.7	33.8	52.7				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	Turned pos	To turn pos	To turn pos	68.8	496.7	Turned neg	Remained neg	To turn pos	88.6
Cellulose	12	7	9	7	8	17	17	8	57	57	51	62
Growth (% q-q)	6.4	-42.5	33.6	-24.7	13.0	120.8	-2.5	-51.0				
Growth (% y-y)	3.4	-54.4	-49.4	-38.5	-34.7	150.8	83.0	19.1	-43.5	0.0	-10.5	23.0
Ammonia trading	14	12	15	11	10	10	10	10	45	51	40	40
Growth (% q-q)	7.7	-14.8	25.3	-27.0	-5.5	2.2	-7.6	6.7				
Growth (% y-y)	-4.3	8.4	107.8	-16.0	-26.3	-11.6	-34.9	-4.8	3.5	13.0	-20.9	-0.5
Electronic materials	-1	-4							3	-5		
Growth (% q-q)	Turned neg	Remained neg										
Growth (% y-y)	Turned neg	Turned neg							-68.0	Turned neg		
Pre-tax profit	34	18	36	30	41	47	41	43	26	118	172	196
Growth (% q-q)	30.1	-46.0	94.9	-15.8	-65.1	14.0	-13.0	5.1				
Growth (% y-y)	-68.0	-66.8	Turned pos	Turned pos	21.5	156.6	14.5	43.0	-89.7	352.2	45.8	14.1
Net profit	**28**	**16**	**35**	**28**	**38**	**42**	**37**	**39**	**36**	**108**	**156**	**178**
Growth (% q-q)	-22.0	-45.3	126.9	-19.4	-65.1	12.4	-11.8	4.6				
Growth (% y-y)	-66.0	-64.1	Turned pos	Turned pos	32.3	172.0	5.8	37.2	-80.0	195.6	45.1	14.2
Attributable to parent	28	16	35	28	38	42	37	39	36	108	156	178
Margins (%)												
Operating profit	4.2	2.1	6.2	4.4	4.8	6.5	6.8	5.9	3.0	4.2	6.0	7.5
Chlorine	-4.1	-4.6	2.0	0.9	3.3	2.6	3.5	5.4	-9.8	-1.2	3.7	7.0
Cellulose	9.5	5.1	6.9	5.8	5.3	11.1	10.9	5.8	10.7	10.9	8.3	9.4
Ammonia trading	8.6	8.5	11.1	7.4	6.0	6.3	6.1	6.5	8.1	8.9	6.2	6.1
Electronic materials	-12.4	-40.2							9.4	-26.7		
Pre-tax profit	7.6	4.3	8.0	6.8	8.3	9.5	8.5	9.2	1.6	6.7	8.9	9.8
Net profit	6.4	3.7	7.9	6.5	7.6	8.5	7.7	8.3	2.2	6.1	8.0	8.9

Note: Divisional operating profit figures are our estimates
Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**1,769**	**1,671**	**1,753**	**1,940**	**1,996**
Cost of goods sold	1,486	1,491	1,547	1,677	1,696
Gross profit	**283**	**179**	**206**	**263**	**300**
Gross margin (%)	16.0	10.7	11.7	13.5	15.0
SG&A expenses	128	129	131	146	150
Operating profit	**155**	**50**	**74**	**116**	**150**
Operating margin (%)	8.8	3.0	4.2	6.0	7.5
Non-operating gains (losses)	**98**	**-24**	**43**	**56**	**46**
Financial profit	58	46	25	35	25
Financial costs	43	102	0	0	0
Equity-method gains (losses)	45	19	20	24	24
Other	37	13	-2	-3	-2
Pre-tax profit	**253**	**26**	**118**	**172**	**196**
Taxes	71	-10	10	16	18
Effective tax rate (%)	28.0	-39.6	8.7	9.2	9.2
Profit from continuing operations	182	36	108	156	178
Profit from discontinued operations	0	0	0	0	0
Net profit	**182**	**36**	**108**	**156**	**178**
Net margin (%)	10.3	2.2	6.1	8.0	8.9
Net profit (controlling interests)	182	36	108	156	178
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	293	210	223	257	284
EBITDA margin (%)	16.6	12.6	12.7	13.3	14.2
EPS (parent-based) (KRW)	7,055	1,410	4,168	6,047	6,903
EPS (consolidated) (KRW)	7,055	1,410	4,168	6,047	6,903
Adjusted EPS (KRW)*	7,055	1,410	4,168	6,047	6,903

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,347**	**1,046**	**1,113**	**1,233**	**1,382**
Cash & equivalents	461	298	336	390	519
Accounts receivable	247	261	274	303	312
Inventories	306	304	319	353	364
Other current assets	332	182	183	187	187
Fixed assets	**1,336**	**1,668**	**1,666**	**1,685**	**1,669**
Investment assets	433	527	552	609	626
Tangible assets	784	848	824	788	758
Intangible assets	21	23	19	17	14
Other long-term assets	99	271	271	271	271
Total assets	**2,683**	**2,714**	**2,779**	**2,918**	**3,051**
Current liabilities	**282**	**178**	**186**	**206**	**212**
Accounts payable	105	48	51	56	58
Short-term debt	1	1	1	1	1
Other current liabilities	177	129	135	149	154
Long-term liabilities	**18**	**167**	**168**	**169**	**169**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	18	167	168	169	169
Total liabilities	**300**	**345**	**354**	**375**	**382**
Owners of parent equity	**2,383**	**2,369**	**2,425**	**2,543**	**2,670**
Capital stock	129	129	129	129	129
Capital surplus	331	331	331	331	331
Retained earnings	1,952	1,933	2,005	2,123	2,250
Other	-29	-25	-40	-40	-40
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**2,383**	**2,369**	**2,425**	**2,543**	**2,670**
Net debt	-736	-100	-136	-186	-313

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**224**	**160**	**211**	**220**	**270**
Net profit	182	36	108	156	178
Non-cash profit and expenses	126	206	99	94	88
Depreciation	135	156	146	138	132
Amortization	3	4	3	3	2
Other	-12	47	-50	-47	-46
Changes in A/L from operating activities	-55	-83	-22	-50	-15
Cash flow from investments	**-233**	**-244**	**-128**	**-122**	**-105**
Change in tangible assets	-65	-198	-122	-102	-102
Change in financial assets	-300	100	-10	-23	-7
Other	133	-146	4	3	4
Cash flow from financing	**-109**	**-79**	**-34**	**-34**	**-50**
Change in debt	-1	173	2	5	1
Change in equity	0	0	0	0	0
Dividends	-89	-51	-36	-38	-51
Other	-18	-202	0	0	0
Change in cash	-117	-162	38	54	129
Cash at beginning of year	578	461	298	336	390
Cash at end of year	461	298	336	390	519
Gross cash flow	**308**	**243**	**206**	**250**	**267**
Free cash flow	**124**	**-38**	**89**	**118**	**168**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-28.2	-5.5	4.9	10.7	2.9
Operating profit	-61.7	-67.5	47.6	56.4	28.9
Net profit	24.5	-80.0	195.6	45.1	14.2
Adjusted EPS**	24.5	-80.0	195.6	45.1	14.2
Per-share data (KRW)					
EPS (parent-based)	7,055	1,410	4,168	6,047	6,903
EPS (consolidated)	7,055	1,410	4,168	6,047	6,903
Adjusted EPS**	7,055	1,410	4,168	6,047	6,903
BVPS	93,569	92,999	95,203	99,828	104,821
DPS (common)	2,000	1,400	1,500	2,000	2,500
Valuations (x)					
P/E***	8.2	27.9	10.7	8.4	7.3
P/B***	0.6	0.4	0.5	0.5	0.5
EV/EBITDA	2.6	4.4	4.5	4.3	3.5
Ratios (%)					
ROE	7.8	1.5	4.5	6.3	6.8
ROA	6.8	1.3	3.9	5.5	6.0
ROIC	9.9	5.2	4.5	6.9	8.9
Payout ratio	28.0	98.0	35.5	32.7	35.8
Dividend yield (common)	3.4	3.6	3.4	4.0	5.0
Net debt to equity	-30.9	-4.2	-5.6	-7.3	-11.7
Interest coverage (x)	184.9	7.1	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

Compliance notice

- As of 2/4 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 2/4 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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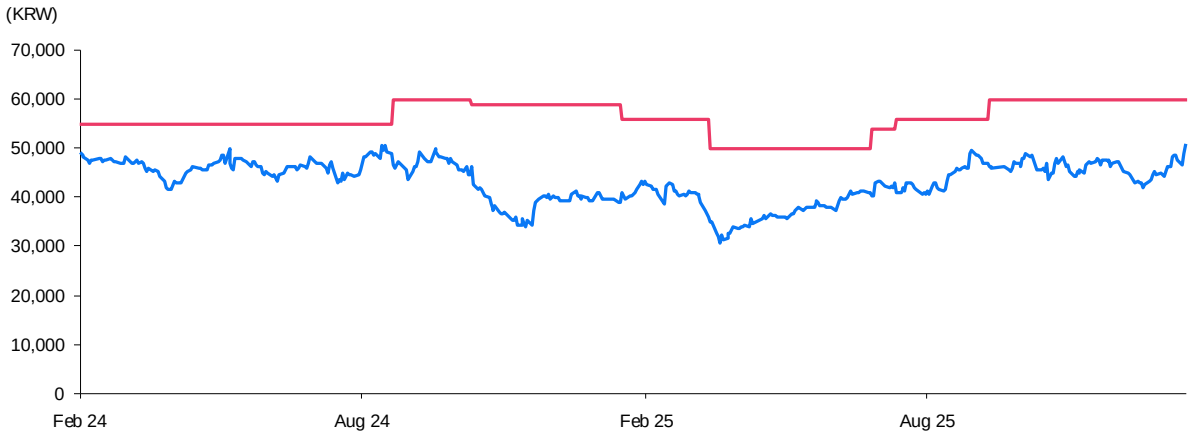
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/19	6/28	9/10	10/31	2025/2/5	4/3	7/16	8/1	9/30
Recommendation	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	55000	55000	60000	59000	56000	50000	54000	56000	60000
Gap* (average)	-14.95	-15.25	-22.06	-34.41	-27.10	-26.49	-21.44	-21.38	
(max or min)**	-6.91	-8.00	-16.83	-27.71	-22.68	-17.30	-19.81	-11.79	

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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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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