COMPANY UPDATE

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TKG Huchems (069260)

NDR takeaways: Focus on dividend policy and earnings growth in 2026

- During a non-deal roadshow (NDR) for domestic institutional investors (Feb 12–13), investors expressed keen interest in whether the firm might increase its dividend payout and whether its earnings might turn around in 2026.
- TKG Huchems' ROE should rise this year on improving TDI market conditions and increasing demand for MDI.
- The stock has limited downside thanks to its current dividend yield of 5%.

WHAT'S THE STORY?

View—ROE recovery phase to begin in 2026: TKG Huchems' ROE has declined for two consecutive years—from 17.1% in 2023 to 9.1% in 2024 and 6.9% in 2025. However, thanks to limited TDI and MDI capacity expansions and a recovery in carbon credit prices, the company should see its ROE recover over the next two to three years (from 2026). The firm's 12-month forward P/B: 1) averaged 1.17x over 2021-2022, when its ROE was around 11%; and 2) currently stands at 0.83x—an undemanding level that does not reflect potential ROE improvements. Accordingly, its valuation should re-rate once signs emerge of an ROE recovery.

(Continued on the next page)

AT A GLANCE

Not Rated

Target price	n/a
Current price	KRW20,100
Market cap	KRW821.66b/USD568.43m
Shares (float)	40,878,588 (50.4%)
52-week high/low	KRW21,200/KRW14,380
Avg daily trading value (60-day)	KRW2.1b/ USD1.4m

ONE-YEAR PERFORMANCE

	1M	6M	12M
TKG Huchems (%)	9.1	16.2	20.6
Vs Kospi (%pts)	-5.7	-35.5	-43.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	Not Rated	Not Rated	
Target price	n/a	n/a	n/a
2020E EPS	1,485	1,485	0.0%
2021E EPS	1,376	1,376	0.0%

SAMSUNG vs THE STREET

No of estimates	2
Target price	23,000
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

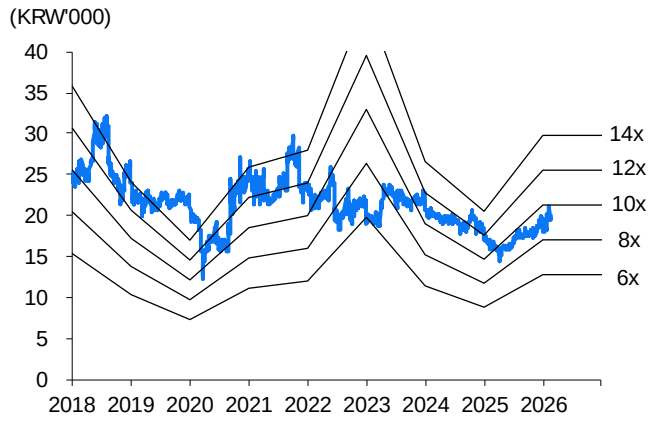
	2022	2023	2024	2025P
Revenue (KRWb)	1,236	1,053	1,188	1,128
Operating profit (KRWb)	117	121	81	66
Net profit (adj) (KRWb)	82	135	77	59
EPS (adj) (KRW)	1,999	3,297	1,900	1,465
EPS (adj) growth (% y-y)	8.0	64.9	(42.4)	(22.9)
EBITDA margin (%)	11.7	13.8	10.7	10.4
ROE (%)	11.4	17.1	9.1	6.9
P/E (adj) (x)	10.0	6.5	9.0	13.6
P/B (x)	1.0	1.0	0.8	0.9
EV/EBITDA (x)	4.4	4.5	5.0	6.2
Dividend yield (%)	5.0	4.7	5.9	5.0

Source: Company data, Samsung Securities estimates

NDR Takeaways: During the NDR for domestic institutional investors (which was held over Feb 12-13), investors expressed keen interest in whether the firm might increase its dividend payout and whether its earnings might turn around this year.

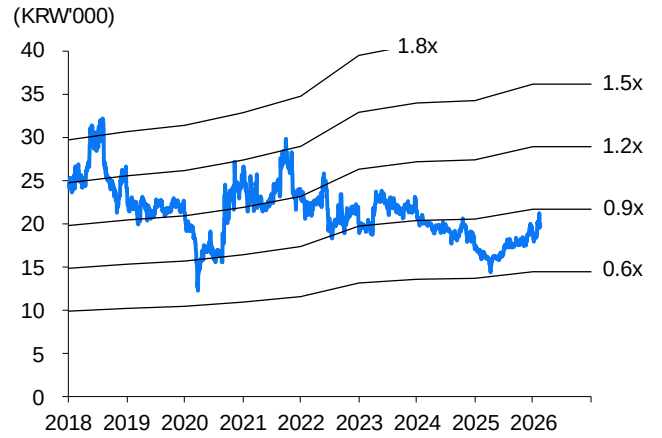
- **4Q review:** TKG Huchems' 4Q operating profit came to KRW4.6b, down 83% q-q and missing FnGuide-based consensus of KRW17.3b. This decline was caused by reduced DNT sales volume, which fall stemmed from regular maintenance work at Hanwha Solutions' TDI plant (resulting in higher fixed costs and lower profitability). Its sales volume dipped 11% q-q, while its sales shrank 5% q-q. Its earnings should normalize in 1Q on an absence of regular maintenance work.
- **Dividends:** TKG Huchems has decided to pay a dividend of KRW1,000 per share for 2025, representing a payout ratio of 64%. This marks the seventh consecutive year (since 2019) its DPS has stood at KRW1,000, fueling expectations of dividend increases as its earnings improve. Over the past five years, the firm has maintained an average payout ratio of 51%, and it may use future earnings growth to pay higher dividends or carry out more share buybacks (and cancellations). Additionally, as its payout ratio stands above 40%, the company is eligible for the separate taxation of dividend income (the policy will be applied to dividends paid from 2026).
- **2026 earnings:** The company's operating profit declined from KRW121.2b in 2023 (for an operating margin of 11.5%) to KRW80.8b in 2024 (6.8%) and to KRW67.9b in 2025 (5.9%). In 2026, earnings at the NT business (DNT and MNB) should head north thanks to: 1) improvements in TDI market conditions; and 2) an MDI capacity expansion by a client (100,000 tonnes of extra capacity from 4Q26). Adding 100,000 tonnes of MDI capacity should lift TKG Huchems' sales and operating profit by KRW100b *pa* and KRW5b *pa*, respectively. With limited TDI and MDI capacity additions expected over 2026-2028, MNB (an intermediate product for MDI) margins should remain stable, while DNT (an intermediate for TDI) should benefit from the TDI-toluene spread widening. As a result, the company is well positioned to benefit from a recovery in TDI market conditions.
- **Carbon credits:** TKG Huchems currently holds carbon credit certificates for about 1m tonnes *pa*, but it has not sold any since 2022 due to their low prices. However, with the start of the fourth phase of Korea's emissions trading scheme (2026-2030), free carbon credit certificate allocations (as a portion of all carbon credit certificates) should gradually decrease. In the third phase, the paid allocation share was 10%, but for the power sector, it should rise to 15% this year and reach 50% by 2030. For non-power sectors, the paid allocation should remain at 15% until 2030. As a result, domestic carbon credit prices have risen 20% ytd to KRW12,000 (vs KRW10,000 per tonne at end-2025). If the firm sells all of its credit carbon credit certificates (1m tonnes) for KRW20,000/tonne, it could generate an additional KRW20b in profit *pa*.

TKG Huchems: 12-month forward P/E



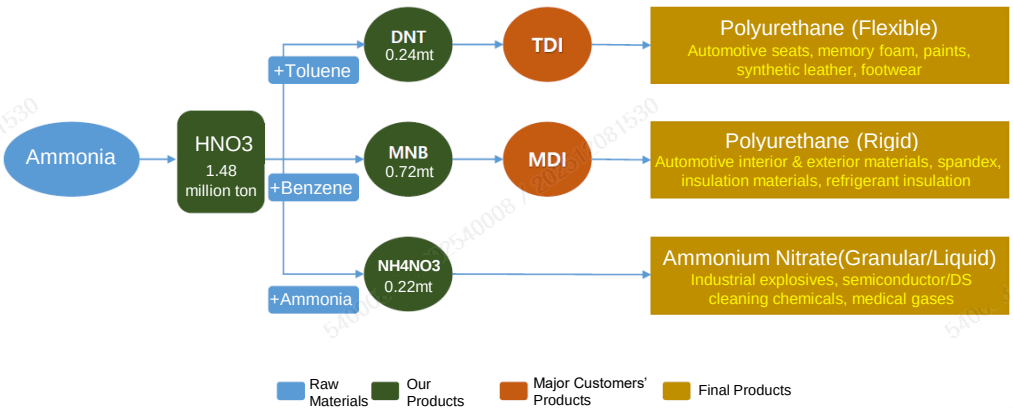
Note: 2026E EPS is based on consensus; 2027E EPS assumes the same level as 2026 due to the absence of consensus.
Source: QuantiWise, Samsung Securities

TKG Huchems: 12-month forward P/B



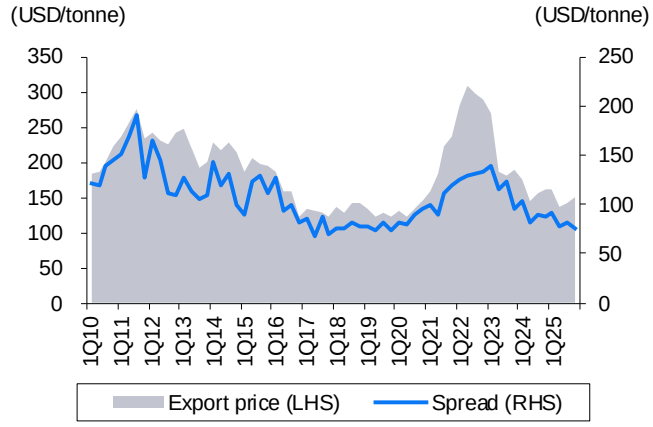
Note: 2026E BVPS is based on consensus; 2027E BVPS assumes the same level as 2026 due to the absence of consensus.
Source: QuantiWise, Samsung Securities

TKG Huchems: Major product process flow



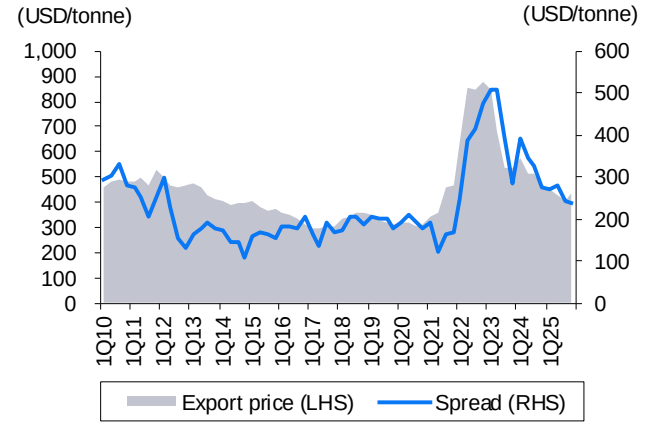
Source: Company data, Samsung Securities

Nitric acid: Export prices and nitric acid-ammonia spread



Source: KITA, Samsung Securities

NH_4NO_3: Export prices and NH_4NO_3-ammonia spread

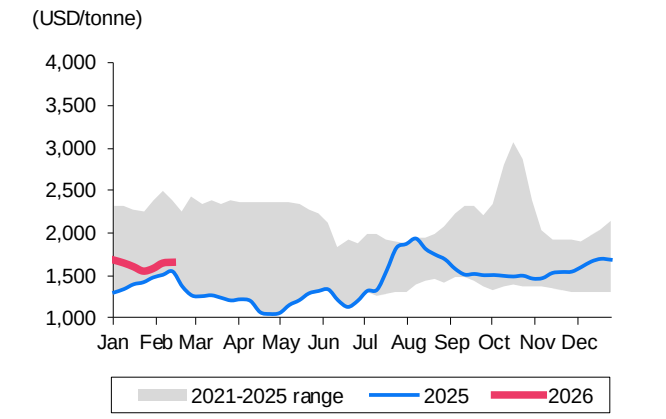


Source: KITA, Samsung Securities

Korean market: Price of carbon credits

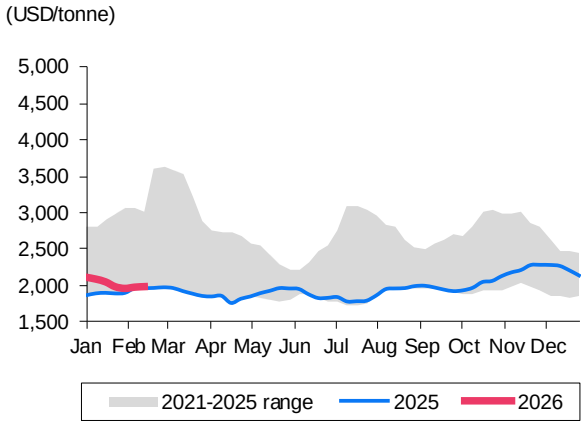
Note: Unit is KRW/tonne
Source: Korea Energy Convergence Association, Samsung Securities

TDI-toluene spread (Hanwha Solutions/OCI)



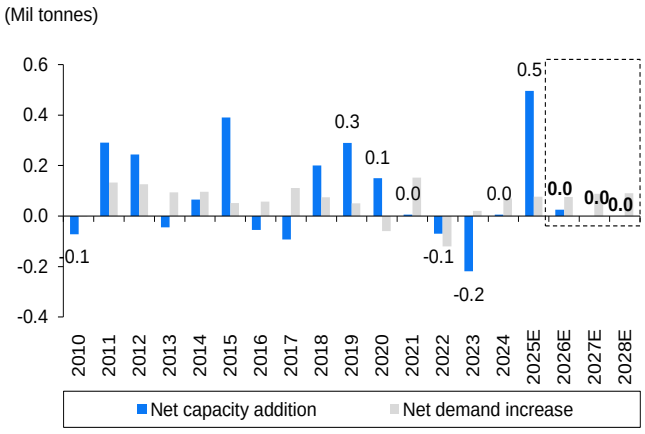
Source: Cischem, S&P Global Platts, Samsung Securities

MDI-benzene spread (KKPC)



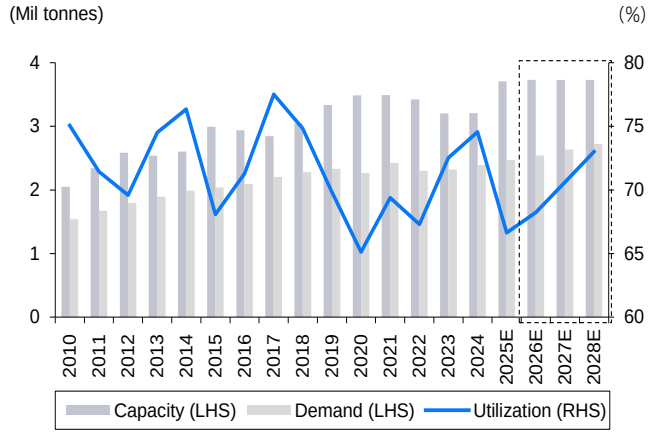
Source: Cischem, S&P Global Platts, Samsung Securities

TDI: Changes in net capacity and demand



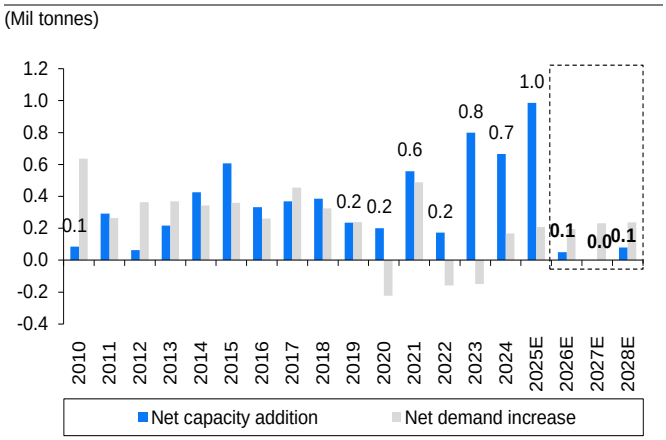
Source: S&P Global Platts, ICIS, Samsung Securities

TDI: Global supply-demand balance



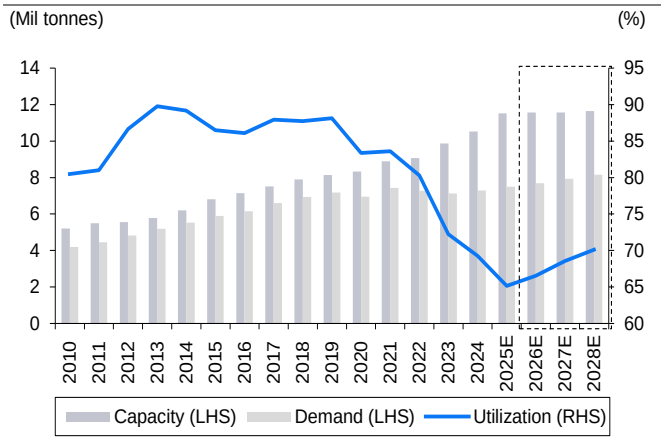
Source: S&P Global Platts, ICIS, Samsung Securities

MDI: Changes in net capacity and demand



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

MDI: Global supply-demand balance



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

TKG Huchems: Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25P	2022	2023	2024	2025P
KRW/USD (average)	1,329	1,371	1,358	1,400	1,453	1,401	1,387	1,449	1,292	1,306	1,365	1,422
Sales	**301**	**281**	**295**	**312**	**269**	**290**	**292**	**276**	**1,236**	**1,053**	**1,188**	**1,128**
Growth (% q-q)	36.0	-6.7	5.0	5.8	-13.7	7.8	0.5	-5.2				
Growth (% y-y)	-4.4	0.3	24.4	41.0	-10.5	3.4	-1.0	-11.4	43.5	-14.8	12.9	-5.1
NT Series	187	196	195	203	172	197	203	195	737	669	781	767
NA Series	107	79	93	93	83	79	76	70	442	350	372	307
Others	7	6	7	16	15	15	14	11	56	34	35	54
EBITDA	**41**	**33**	**30**	**23**	**26**	**35**	**40**	**16**	**144**	**146**	**127**	**117**
Growth (% q-q)	776.2	-19.1	-8.5	-22.0	10.6	35.7	12.5	-59.6				
Growth (% y-y)	-25.7	-33.6	-18.2	406.3	-36.1	7.1	31.7	-31.8	17.0	1.0	-12.7	-8.1
Operating profit	**32**	**21**	**20**	**8**	**13**	**22**	**26**	**5**	**117**	**121**	**81**	**66**
Growth (% q-q)	Turned pos	-31.9	-9.0	-58.0	53.5	74.3	20.0	-82.5				
Growth (% y-y)	-35.1	-50.9	-35.8	Turned pos	-60.0	2.3	35.0	-43.9	25.4	3.5	-33.3	-18.8
NT Series	10	2	5	-5	0	5	10	1	57	40	12	15
Growth (% q-q)	Turned pos	-75.8	98.6	Turned neg	Turned pos	1,119.8	105.8	-91.5				
Growth (% y-y)	-53.2	-85.0	-57.2	Remained neg	-96.1	95.4	102.4	Turned pos	8.4	-29.6	-69.7	26.3
NA Series	21	18	14	15	12	16	16	4	56	74	68	48
Growth (% q-q)	205.4	-12.3	-22.9	4.5	-16.8	31.1	2.0	-77.4				
Growth (% y-y)	-19.2	-26.7	-14.4	115.9	-41.2	-12.1	16.2	-74.9	128.1	31.4	-8.2	-28.8
Others	1	1	1	-2	0	1	1	0	4	7	1	2
Growth (% q-q)	Turned pos	-9.2	-9.0	Turned neg	Remained neg	Remained neg	-60.0	-81.1				
Growth (% y-y)	-51.3	-71.9	-74.3	Remained neg	Remained neg	53.5	-32.5	Turned pos	-75.4	81.1	-88.9	141.0
Pre-tax profit	38	28	23	11	18	24	37	1	106	153	100	80
Growth (% q-q)	-74.9	-27.5	-17.5	-53.0	-81.6	28.2	55.9	-97.2				
Growth (% y-y)	-32.9	-45.1	-29.6	-14.3	-52.2	-15.5	59.7	-90.3	0.9	327.6	193.7	113.2
Net profit	**30**	**21**	**18**	**8**	**14**	**18**	**28**	**-1**	**82**	**135**	**77**	**59**
Growth (% q-q)	-77.5	-29.5	-15.9	-57.5	-82.0	29.3	56.7	Turned neg				
Growth (% y-y)	-32.7	-46.9	-38.6	-61.8	-54.0	-15.6	57.2	Turned neg	5.5	64.7	-42.5	-23.6
Attributable to parent	**30**	**21**	**18**	**8**	**14**	**18**	**28**	**-1**	**82**	**135**	**78**	**60**
Margins (%)												
EBITDA	13.5	11.7	10.2	7.5	9.6	12.1	13.6	5.8	11.7	13.8	10.7	10.4
Operating profit	10.5	7.7	6.6	2.6	4.7	7.6	9.0	1.7	9.5	11.5	6.8	5.8
NT Series	5.2	1.2	2.4	-2.3	0.2	2.3	4.7	0.4	7.7	6.0	1.6	2.0
NA Series	19.5	23.1	15.1	15.8	14.8	20.4	21.6	5.3	12.7	21.2	18.2	15.8
Others	13.9	15.0	11.6	-11.2	0.0	9.0	3.9	0.9	7.1	21.2	2.3	3.6
Pre-tax profit	12.8	9.9	7.8	3.5	6.8	8.1	12.6	0.4	8.5	14.6	8.4	7.1
Net profit	10.1	7.6	6.1	2.5	5.2	6.2	9.7	-0.4	6.6	12.8	6.5	5.3

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025P
Sales	**861**	**1,236**	**1,053**	**1,188**	**1,128**
Cost of goods sold	732	1,079	886	1,060	1,006
Gross profit	**129**	**157**	**166**	**128**	**122**
Gross margin (%)	15.0	12.7	15.8	10.8	10.8
SG&A expenses	36	40	45	47	56
Operating profit	**93**	**117**	**121**	**81**	**66**
Operating margin (%)	10.8	9.5	11.5	6.8	5.8
Non-operating gains (losses)	**11**	**(12)**	**32**	**19**	**14**
Financial profit	10	12	24	26	19
Financial costs	3	13	2	10	3
Equity-method gains (losses)	(1)	(2)	(1)	(0)	3
Other	5	(8)	11	3	(5)
Pre-tax profit	**105**	**106**	**153**	**100**	**80**
Taxes	27	24	19	23	21
Effective tax rate (%)	25.9	22.5	12.1	22.7	25.8
Profit from continuing operations	78	82	135	77	59
Profit from discontinued operations	0	0	0	0	0
Net profit	**78**	**82**	**135**	**77**	**59**
Net margin (%)	9.0	6.6	12.8	6.5	5.3
Net profit (controlling interests)	76	82	135	78	60
Net profit (non-controlling interests)	2	0	0	(0)	(1)
EBITDA	123	144	146	127	117
EBITDA margin (%)	14.3	11.7	13.8	10.7	10.4
EPS (parent-based) (KRW)	1,851	1,999	3,297	1,900	1,465
EPS (consolidated) (KRW)	1,897	2,001	3,297	1,895	1,448
Adjusted EPS (KRW)*	1,851	1,999	3,297	1,900	1,465

Balance sheet

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025P
Current assets	**520**	**514**	**540**	**461**	**471**
Cash & equivalents	9	37	70	28	57
Accounts receivable	100	157	137	123	116
Inventories	49	66	58	65	62
Other current assets	363	254	275	246	236
Fixed assets	**429**	**427**	**560**	**707**	**689**
Investment assets	177	96	136	153	152
Tangible assets	196	270	361	429	413
Intangible assets	7	8	8	69	68
Other long-term assets	49	54	55	56	56
Total assets	**949**	**941**	**1,100**	**1,168**	**1,160**
Current liabilities	**183**	**157**	**212**	**236**	**222**
Accounts payable	74	88	152	99	94
Short-term debt	7	17	5	34	34
Other current liabilities	102	52	55	102	94
Long-term liabilities	**46**	**45**	**47**	**58**	**56**
Bonds & long-term debt	12	15	15	18	18
Other long-term liabilities	34	30	32	40	39
Total liabilities	**230**	**201**	**259**	**293**	**279**
Owners of parent equity	**699**	**740**	**840**	**868**	**875**
Capital stock	41	41	41	41	41
Capital surplus	190	190	190	190	190
Retained earnings	529	574	669	707	729
Other	(61)	(65)	(60)	(70)	(85)
Non-controlling interests' equity	**20**	**0**	**0**	**7**	**6**
Total equity	**720**	**740**	**840**	**875**	**881**
Net debt	(275)	(189)	(224)	(67)	(95)

Cash flow statement

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025P
Cash flow from operations	**84**	**44**	**222**	**79**	**113**
Net profit	78	82	135	77	59
Non-cash profit and expenses	47	68	14	53	64
Depreciation	30	27	24	46	51
Amortization	0	0	0	1	1
Other	17	40	(11)	7	13
Changes in A/L from operating activities	(20)	(85)	89	(44)	3
Cash flow from investments	**(75)**	**63**	**(139)**	**(75)**	**(25)**
Change in tangible assets	(24)	(91)	(112)	(33)	(34)
Change in financial assets	4	221	5	20	9
Other	(54)	(67)	(33)	(62)	0
Cash flow from financing	**(29)**	**(80)**	**(49)**	**(46)**	**(44)**
Change in debt	13	(38)	(7)	91	(6)
Change in equity	0	(0)	0	0	0
Dividends	(38)	(38)	(38)	(38)	(38)
Other	(4)	(3)	(4)	(98)	0
Change in cash	(20)	28	33	(42)	30
Cash at beginning of year	29	9	37	70	28
Cash at end of year	9	37	70	28	57
Gross cash flow	**125**	**149**	**149**	**131**	**124**
Free cash flow	**59**	**(47)**	**107**	**46**	**79**

Financial ratios

Year-end Dec 31	2021	2022	2023	2024	2025P
Growth (%)					
Sales	45.1	43.5	(14.8)	12.9	(5.1)
Operating profit	(1.9)	25.4	3.5	(33.3)	(18.8)
Net profit	55.8	5.5	64.7	(42.5)	(23.6)
Adjusted EPS**	52.6	8.0	64.9	(42.4)	(22.9)
Per-share data (KRW)					
EPS (parent-based)	1,851	1,999	3,297	1,900	1,465
EPS (consolidated)	1,897	2,001	3,297	1,895	1,448
Adjusted EPS**	1,851	1,999	3,297	1,900	1,465
BVPS	18,226	19,290	21,904	22,621	22,804
DPS (common)	1,000	1,000	1,000	1,000	1,000
Valuations (x)					
P/E***	12.5	10.0	6.5	9.0	13.6
P/B***	1.3	1.0	1.0	0.8	0.9
EV/EBITDA	5.6	4.4	4.5	5.0	6.2
Ratios (%)					
ROE	11.1	11.4	17.1	9.1	6.9
ROA	8.5	8.7	13.2	6.8	5.1
ROIC	27.4	27.3	25.6	12.3	8.4
Payout ratio	50.7	47.0	28.5	49.4	64.1
Dividend yield (common)	4.3	5.0	4.7	5.9	5.0
Net debt to equity	(38.2)	(25.6)	(26.6)	(7.7)	(10.7)
Interest coverage (x)	49.7	183.5	522.2	41.1	21.6

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 2/19 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 2/19 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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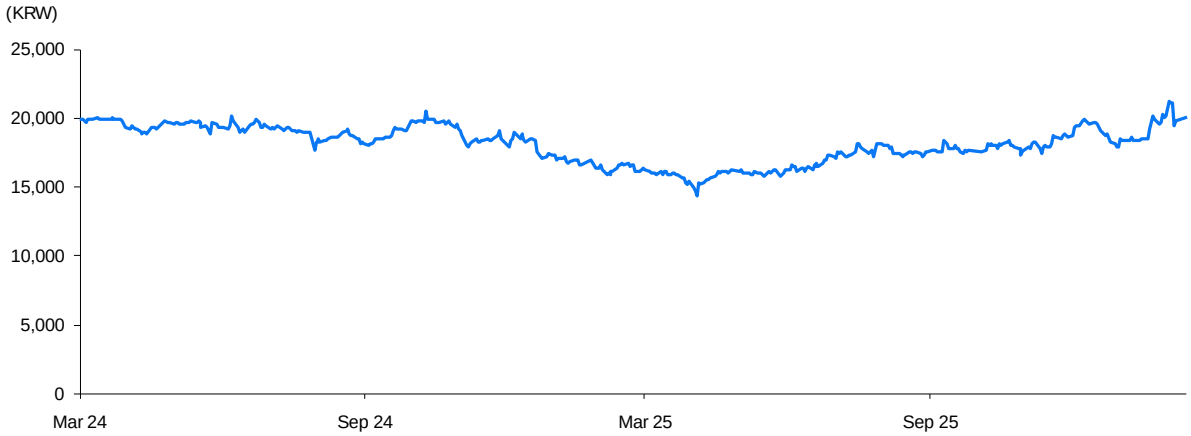
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/2/20
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

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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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