SECTOR UPDATE

2026. 3. 3

EV/Mobility Team

Hyunryul Cho
Senior Analyst
hyunryul.cho@samsung.com

Wonyoung Kim
Research Associate
wonyoung10.kim@samsung.com

Scan to go to
Research Center report database

Oil Refining/Chemicals

(OVERWEIGHT)

War in the Middle East to lift refining margins, hurt chemicals

- Following US and Israeli airstrikes on Iran on Feb 28, Iran has launched retaliatory attacks across the Middle East, heightening the risk of broader conflict. Several fossil fuel facilities were damaged or forced to suspend operations.
- Across the crude-refining-chemical value chain, we expect refined products to see the largest price gains, followed by crude oil, with chemicals lagging. Refining margins should expand in the near term, while chemical margins compress.

AT A GLANCE

S-Oil (010950 KS, 110,000)		
Target price	KRW140,000	27.3%
BUY		
LG Chem (051910 KS, 417,500)		
Target price	KRW390,000	-6.6%
HOLD		
Lotte Chemical (011170 KS, 95,900)		
Target price	KRW92,000	-4.1%
HOLD		

WHAT'S THE STORY?

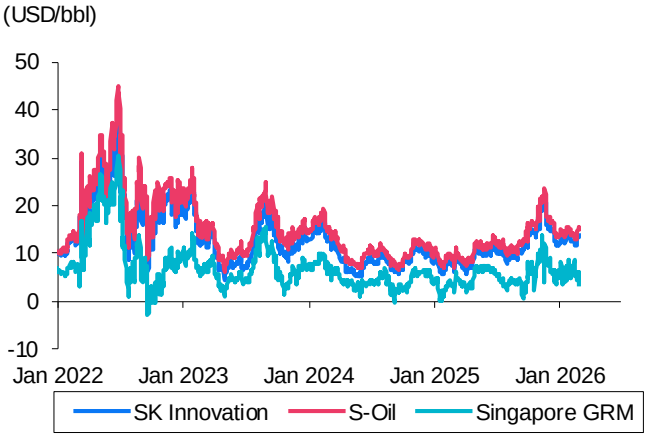
Middle East conflict a more tangible risk than last year: After the Feb 28 US and Israeli strikes, Iran retaliated across the region, primarily targeting US assets, materially raising escalation risks. Notably, Saudi Aramco's Ras Tanura refinery (550,000 bpd; 17% of Saudi Arabia's 3.33m bpd refining capacity) and Qatar Energy's LNG facilities (19% of global LNG exports) have been temporarily shut following drone strikes. OPEC+ has agreed to raise output by 206,000 bpd starting in April. Meanwhile, the Strait of Hormuz remains open, but elevated military tensions and surging maritime insurance and freight rates have materially reduced fossil fuel logistics. In our view, the current situation poses a more credible supply risk than the Israel-Iran tensions in Jun 2025.

View—refining margins up short term; chemical margins under pressure: A full closure of the Strait of Hormuz would disrupt roughly 20% of global crude shipments, triggering sharp price spikes across crude, refined products, and chemicals. However, with the US reportedly aiming to end hostilities within four weeks, we see this as a short-lived shock. Absent a full Hormuz closure, refined products should see the strongest price response given supply disruptions at LNG and refining facilities. Crude would likely follow, while chemical product prices would only partially reflect higher naphtha costs. Therefore, the net effect should be near-term margin expansion for refiners—particularly those heavily exposed to diesel and kerosene—and margin squeeze for chemicals firms (particularly those using naphtha crackers).

(Continued on the next page)

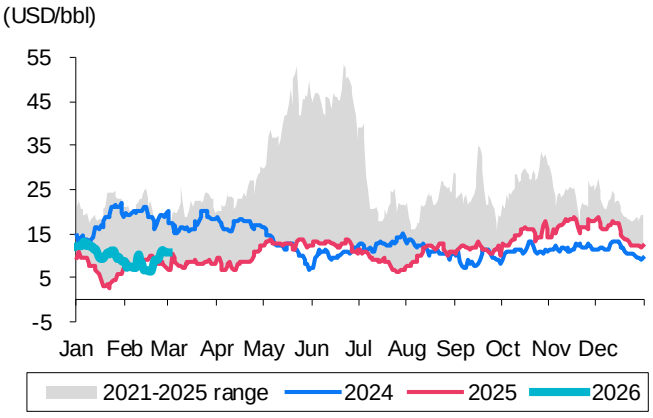
- **Hormuz closure—broadly similar impact on refining and chemicals:** Theoretically, a full shutdown could disrupt global crude shipments by approximately 20% (or 20m bpd), with the most immediate effect on crude prices. Since refiners rely heavily on imported crude, they would be directly affected. However, following sanctions on Russia, Korean chemical producers have increasingly sourced naphtha from Middle Eastern suppliers in addition to local refiners. Thus, the impact of a full closure of Hormuz on the refining and chemical sectors would be broadly similar.
- **Refining—supply tightness to be most acute in short term:** The shutdown of Ras Tanura refinery has already disrupted kerosene supply to Europe. The temporary halt at Qatar Energy's LNG production facilities is likely to lift European and global gas prices, increasing demand for alternative fuels such as diesel and HSFO. As a result, refined product prices should rise more sharply than crude prices in the near term.
- **Chemical price increases to be more muted than naphtha price increases:** While higher crude prices will lift naphtha costs, chemical product price increases should be more muted, as the petrochemical industry has access to alternative feedstock sources (*ie*, other than naphtha). In the short term, it seems inevitable that spot spreads will hold steady or narrow.

Mixed margin at Korean refiners vs Singapore GRM



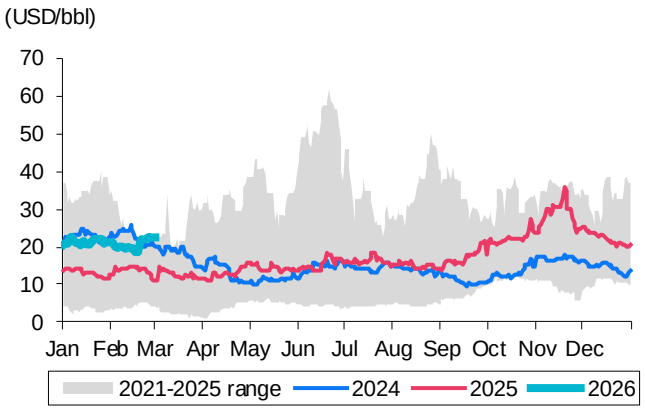
Source: Company data, DataStream, Samsung Securities

Gasoline: Spot refining margin vs Dubai oil



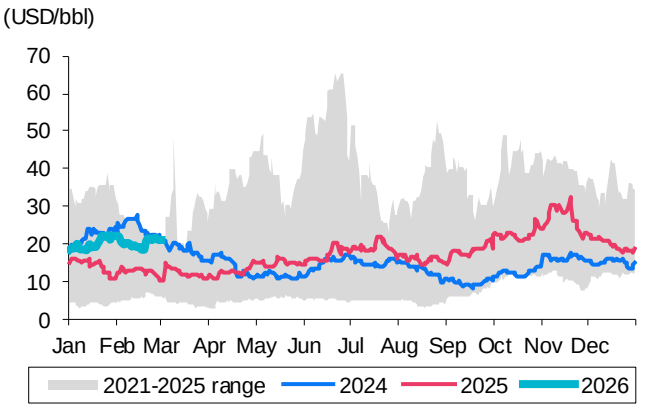
Source: Petronet, Samsung Securities

Kerosene: Spot refining margin vs Dubai oil



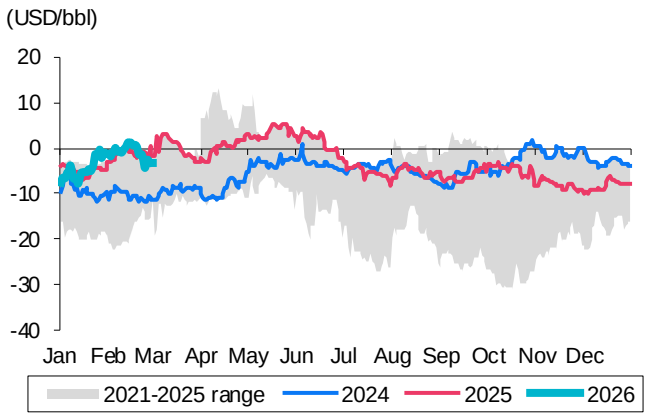
Source: Petronet, Samsung Securities

Diesel: Spot refining margin vs Dubai oil



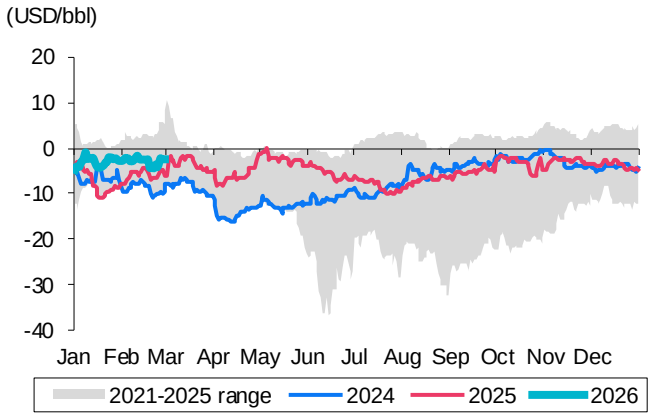
Source: Petronet, Samsung Securities

Bunker-C: Spot refining margin vs Dubai oil



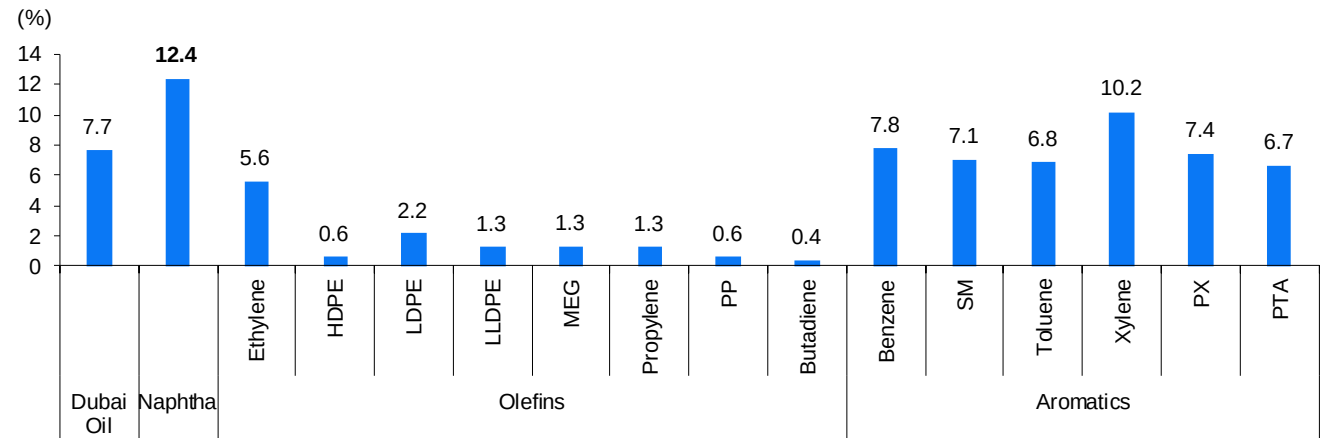
Source: Petronet, Samsung Securities

Naphtha: Spot refining margin vs Dubai oil



Source: Petronet, Samsung Securities

Asian chemical price performances on Mar 2 (% d-d)

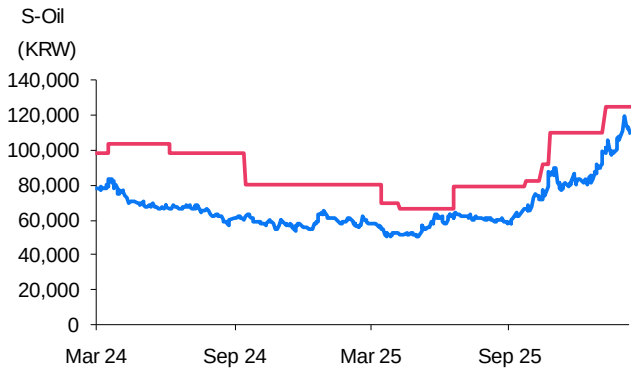


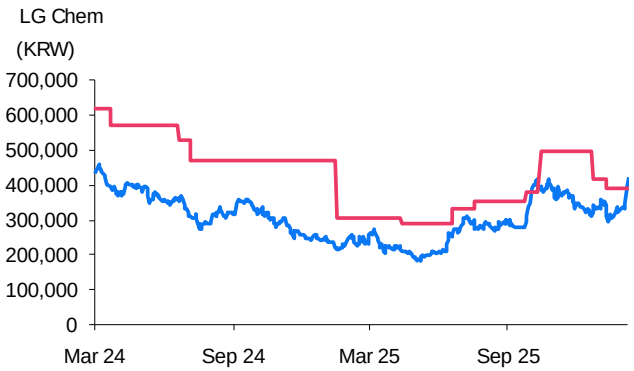
Source: S&P Global Platts, Samsung Securities

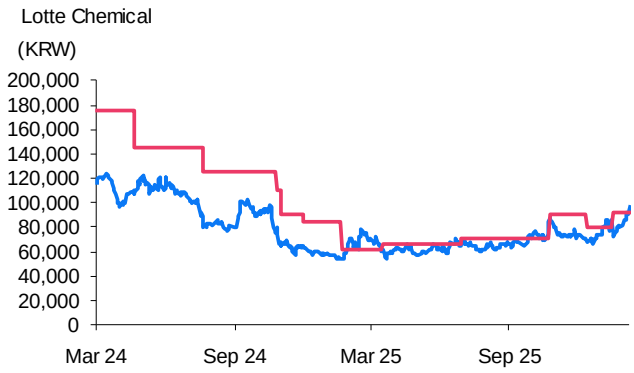
Compliance notice

- As of 2/27 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 2/27 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.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.
- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
- This material has not been distributed to institutional investors or other third parties prior to its publication.

Target price changes in past two years







Rating changes over past two years (adjusted share prices)

S-Oil												
Date	2023/9/27	2024/4/4	6/25	10/4	2025/4/3	4/28	7/9	10/13	11/3	11/13	2026/1/26	3/3
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	98000	104000	98000	80000	70000	67000	79000	82000	92000	110000	125000	140000
Gap* (average)	-27.68	-31.26	-34.27	-26.70	-25.77	-15.35	-22.55	-13.94	-14.35	-23.17	-15.34	
(max or min)**	-17.96	-19.71	-29.80	-18.38	-22.29	-4.93	-15.44	-8.66	-4.89	-9.55	-4.00	
LG Chem												
Date	2024/2/1	4/9	7/9	7/25	2025/2/4	5/2	7/8	8/8	10/14	11/3	2026/1/12	1/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD
Target price (KRW)	620000	570000	530000	470000	305000	290000	330000	355000	380000	500000	420000	390000
Gap* (average)	-27.03	-34.08	-35.93	-37.05	-23.11	-28.41	-12.72	-20.02	-1.68	-26.61	-18.52	
(max or min)**	-18.06	-28.95	-30.66	-23.19	-10.82	-8.79	-5.15	-15.21	9.74	-16.10	-14.76	
Lotte Chemical												
Date	2024/1/19	5/10	8/9	11/14	11/21	12/20	2025/2/10	4/4	7/18	11/13	12/31	2026/2/5
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	175000	145000	125000	110000	90000	85000	62000	66000	71000	90000	80000	92000
Gap* (average)	-31.14	-24.60	-29.79	-38.25	-29.01	-31.50	8.77	-6.29	-5.38	-16.66	-5.60	
(max or min)**	-19.94	-16.07	-18.08	-33.27	-22.89	-25.53	25.65	6.06	19.44	-5.33	8.00	

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%)

Global Disclosures & Disclaimers

General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd.. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc

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

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA