COMPANY UPDATE

2026. 3. 3

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S-Oil (010950)

Conflict in the Middle East to tighten refined product supply

- The US and Israel launched preemptive strikes on Iran on Feb 28, prompting Iranian retaliatory action and escalating tensions across the Middle East. In the near term, refined-product supply is likely to tighten more than crude suppl.
- We raise our 2026 ROE forecast for S-Oil from 9% to 11.7%, increase our target price by 12% to KRW140,000 (based on a P/B valuation), and keep the stock as our top pick.

WHAT'S THE STORY?

Middle East conflict to tighten refined-product supply: Following US and Israeli airstrikes on Iran on Feb 28, Iran launched retaliatory attacks across the region, primarily targeting US assets, heightening the risk of broader conflict. 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. Even absent a blockade of the Strait of Hormuz, the accumulation of these disruptions may tighten refined-product supply relative to crude.

(Continued on the next page)

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AT A GLANCE

BUY

Target price	KRW140,000	27.3%
Current price	KRW110,000	
Market cap	KRW12.4t/USD8.6b	
Shares (float)	112,582,792 (36.6%)	
52-week high/low	KRW120,000/KRW50,400	
Avg daily trading value (60-day)	KRW29.1b/ USD20.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
S-Oil (%)	8.4	82.1	91.0
Vs Kospi (%pts)	-11.7	-7.0	-19.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	140,000	140,000	0.0%
2025E EPS	1,860	1,860	0.0%
2026E EPS	9,446	9,446	0.0%

SAMSUNG vs THE STREET

No of estimates	16
Target price	120,938
Recommendation	3.9

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	36,637	34,247	32,790	30,760
Operating profit	422	288	1,658	1,382
Net profit (adj)	-193	217	1,101	792
EPS (adj) (KRW)	-1,656	1,860	9,446	6,791
EPS (adj) growth (% y-y)	nm	nm	407.8	-28.1
EBITDA margin (%)	3.2	3.0	7.3	6.8
ROE (%)	-2.2	2.5	11.7	7.8
P/E (adj) (x)	n/a	44.6	11.6	16.2
P/B (x)	0.7	1.1	1.3	1.2
EV/EBITDA (x)	10.5	17.7	8.7	9.5
Dividend yield (%)	0.2	0.5	2.3	1.5

Source: Company data, Samsung Securities estimates

1Q preview: We now expect S-Oil to post a 1Q operating profit of KRW595.8b, up 40% q-q and beating FnGuide consensus of KRW386.8b by 54%—most of this surprise being driven by refining. Although spot refining margins are expected to narrow by USD2.8/bbl q-q (from USD17.1/bbl to USD14.3/bbl), the rebound in oil prices over the past two months should lift inventory valuation gains sharply to KRW62.9b (a KRW150.6b q-q swing from an KRW87.7b loss in 4Q25) alongside positive lag effects (improving from -USD2.6/bbl in 4Q25 to USD3.2/bbl). The petrochemical division should also enjoy a return to profitability on improved aromatics spreads (benzene and PX).

Geopolitical opportunities expected: As we anticipate further upside to oil prices and refining margins in the near term, we raise our 2026 ROE forecast from 9% to 11.7%, increase our 12-month forward target P/B multiple from 1.39x to 1.64x (0.25 standard deviations above the post-2010 average), and lift our target price from KRW125,000 to KRW140,000. Should war in the Middle East drag on, S-Oil's Asia-based refining footprint—with significant exposure to kerosene and diesel—should serve as a geopolitical advantage.

S-Oil: P/B valuation

(KRW)	Old	New	Details
Target P/B (x)	1.39	1.64	Average P/B since 2010: +0.25STD
Forward BVPS	89,937	86,067	Revised down by 4.3%
Fair price per share	125,453	141,277	
Target price	125,000	140,000	**Revised up 12.0%**
Current price		110,000	
Upside (%)		27.3	
2026 implied P/E (x)	13.2	14.8	
2027 implied P/E (x)	18.4	20.6	

Source: Samsung Securities estimates

S-Oil: 1Q preview

(KRWb)	1Q26E	4Q25	1Q25	Consensus	Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	8,651	8,793	8,991	8,221	-1.6	-3.8	5.2
Operating income	596	424	-22	387	40.4	To turn pos	54.1
Pre-tax income	517	318	-67	334	62.7	To turn pos	55.0
Net income	369	265	-45	261	39.3	To turn pos	41.2
Attributable to parent	369	265	-45	231	39.3	To turn pos	59.7
Margins (%)							
Operating income	6.9	4.8	-0.2	4.7			
Pre-tax income	6.0	3.6	-0.7	4.1			
Net income	4.3	3.0	-0.5	3.2			
Attributable to parent	4.3	3.0	-0.5	2.8			

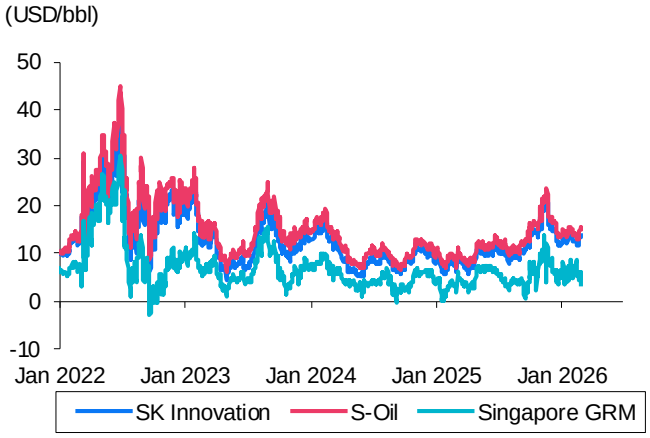
Source: Company data, FnGuide, Samsung Securities estimates

S-Oil: 1Q preview, by division

(KRWb)	1Q26E	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**8,651**	**8,793**	**8,991**	**-1.6**	**-3.8**
Refining	6,660	6,979	7,072	-4.6	-5.8
Petrochemical	1,238	1,056	1,128	17.2	9.7
Lube base oil	753	757	791	-0.6	-4.7
Operating income	**596**	**424**	**-22**	**40.4**	**To turn pos**
Refining	423	225	-57	87.9	To turn pos
Petrochemical	33	-8	-75	To turn pos	To turn pos
Lube base oil	139	207	110	-32.6	27.1
Pre-tax income	517	318	-67	62.7	To turn pos
Net income	**369**	**265**	**-45**	**39.3**	**To turn pos**
Margins (%)					
Operating income	6.9	4.8	-0.2		
Refining	6.4	3.2	-0.8		
Petrochemical	2.7	-0.7	-6.6		
Lube base oil	18.5	27.3	13.9		
Pre-tax income	6.0	3.6	-0.7		
Net income	4.3	3.0	-0.5		

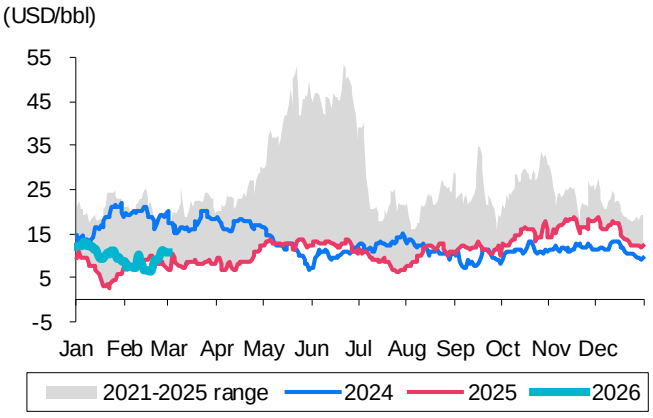
Source: Company data, Samsung Securities

Mixed margin at Korean refiners vs Singapore GRM



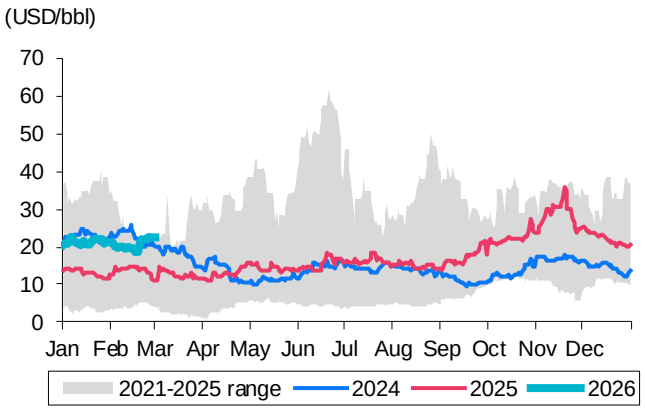
Source: Company data, DataStream, Samsung Securities

Gasoline: Spot refining margin vs Dubai oil



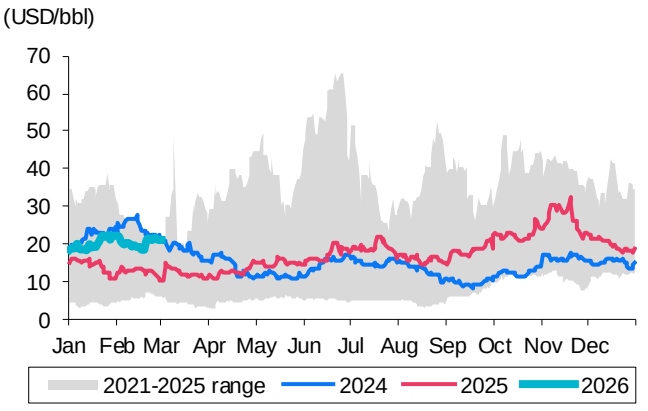
Source: Petronet, Samsung Securities

Kerosene: Spot refining margin vs Dubai oil



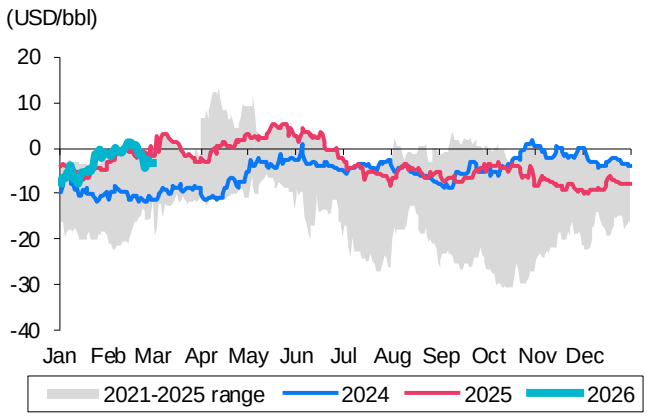
Source: Petronet, Samsung Securities

Diesel: Spot refining margin vs Dubai oil



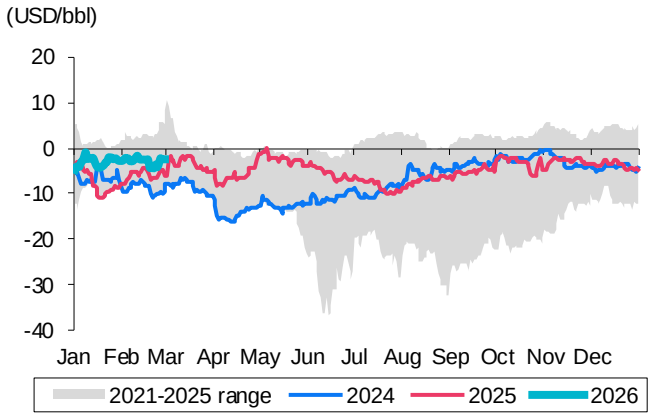
Source: Petronet, Samsung Securities

Bunker-C: Spot refining margin vs Dubai oil



Source: Petronet, Samsung Securities

Naphtha: Spot refining margin vs Dubai oil



Source: Petronet, Samsung Securities

S-Oil: 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	**8,991**	**8,049**	**8,415**	**8,793**	**8,651**	**8,470**	**7,921**	**7,748**	**36,637**	**34,247**	**32,790**	**30,760**
Growth (% q-q)	0.8	-10.5	4.6	4.5	-1.6	-2.1	-6.5	-2.2				
Growth (% y-y)	-3.4	-15.9	-4.8	-1.4	-3.8	5.2	-5.9	-11.9	2.5	-6.5	-4.3	-6.2
Refining	7,072	6,260	6,694	6,979	6,660	6,529	6,038	5,934	28,805	27,005	25,162	23,442
Petrochemical	1,128	1,034	1,016	1,056	1,238	1,190	1,152	1,128	4,703	4,234	4,708	4,532
Lube base oil	791	755	705	757	753	751	730	686	3,130	3,007	2,921	2,786
Operating income	**-22**	**-344**	**229**	**424**	**596**	**498**	**233**	**330**	**422**	**288**	**1,658**	**1,382**
Growth (% q-q)	Turned neg	Remained neg	Turned pos	85.2	40.4	-16.4	-53.2	41.7				
Growth (% y-y)	Turned neg	Turned neg	Turned pos	90.9	To turn pos	To turn pos	1.7	-22.2	-68.8	-31.7	475.2	-16.6
Refining	-57	-441	115	225	423	376	118	192	-273	-157	1,109	755
Growth (% q-q)	Turned neg	Remained neg	Turned pos	95.1	87.9	-11.1	-68.7	62.7				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	55.4	To turn pos	To turn pos	2.0	-15.0	Turned neg	Remained neg	To turn pos	-31.9
Petrochemical	-75	-35	-20	-8	33	26	20	17	127	-137	96	153
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	To turn pos	-22.8	-21.7	-14.7				
Growth (% y-y)	Turned neg	Turned neg	Turned neg	Remained neg	To turn pos	To turn pos	To turn pos	To turn pos	-33.2	Turned neg	To turn pos	59.9
Lube base oil	110	132	134	207	139	97	95	122	568	582	453	474
Growth (% q-q)	-2.9	20.1	1.4	54.9	-32.6	-30.7	-1.3	27.8				
Growth (% y-y)	-29.5	-9.6	-13.1	83.2	27.1	-26.7	-28.7	-41.2	-29.9	2.4	-22.2	4.6
Pre-tax income	-67	-106	81	318	517	502	234	290	-333	226	1,543	1,110
Growth (% q-q)	Remained neg	Remained neg	Turned pos	290.2	129.2	-2.9	-53.4	23.9				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	Turned pos	To turn pos	To turn pos	187.1	-8.8	Turned neg	-0.6	To turn pos	114.5
Net income	**-45**	**-67**	**63**	**265**	**369**	**358**	**167**	**207**	**-193**	**217**	**1,101**	**792**
Growth (% q-q)	Remained neg	Remained neg	Turned pos	319.3	70.2	-2.9	-53.4	23.9				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	Turned pos	To turn pos	To turn pos	164.1	-21.9	Turned neg	30.5	To turn pos	114.5
Attributable to parent	-45	-67	63	265	369	358	167	207	-193	217	1,101	792
Margins (%)												
Operating income	-0.2	-4.3	2.7	4.8	6.9	5.9	2.9	4.3	1.2	0.8	5.1	4.5
Refining	-0.8	-7.0	1.7	3.2	6.4	5.8	2.0	3.2	-0.9	-0.6	4.4	3.2
Petrochemical	-6.6	-3.4	-2.0	-0.7	2.7	2.1	1.7	1.5	2.7	-3.2	2.0	3.4
Lube base oil	13.9	17.5	19.0	27.3	18.5	12.9	13.0	17.7	18.2	19.4	15.5	17.0
Pre-tax income	-0.7	-1.3	1.0	3.6	6.0	5.9	3.0	3.7	-0.9	0.7	4.7	3.6
Net income	-0.5	-0.8	0.8	3.0	4.3	4.2	2.1	2.7	-0.5	0.6	3.4	2.6

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**35,727**	**36,637**	**34,247**	**32,790**	**30,760**
Cost of goods sold	33,621	35,411	33,208	30,413	28,703
Gross profit	**2,106**	**1,226**	**1,039**	**2,377**	**2,057**
Gross margin (%)	5.9	3.3	3.0	7.2	6.7
SG&A expenses	751	804	751	719	674
Operating profit	**1,355**	**422**	**288**	**1,658**	**1,382**
Operating margin (%)	3.8	1.2	0.8	5.1	4.5
Non-operating gains (losses)	**-223**	**-755**	**-62**	**-114**	**-273**
Financial profit	299	389	758	557	351
Financial costs	500	833	555	464	442
Equity-method gains (losses)	2	6	6	6	6
Other	-24	-317	-272	-214	-187
Pre-tax profit	**1,132**	**-333**	**226**	**1,543**	**1,110**
Taxes	183	-139	9	442	318
Effective tax rate (%)	16.2	41.9	3.9	28.6	28.6
Profit from continuing operations	949	-193	217	1,101	792
Profit from discontinued operations	0	0	0	0	0
Net profit	**949**	**-193**	**217**	**1,101**	**792**
Net margin (%)	2.7	-0.5	0.6	3.4	2.6
Net profit (controlling interests)	949	-193	217	1,101	792
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	2,074	1,174	1,044	2,387	2,103
EBITDA margin (%)	5.8	3.2	3.0	7.3	6.8
EPS (parent-based) (KRW)	8,137	-1,656	1,860	9,446	6,791
EPS (consolidated) (KRW)	8,137	-1,656	1,860	9,446	6,791
Adjusted EPS (KRW)*	8,137	-1,656	1,860	9,446	6,791

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**9,648**	**10,048**	**7,726**	**10,003**	**10,282**
Cash & equivalents	1,963	1,946	348	3,104	3,953
Accounts receivable	2,308	2,171	1,834	1,591	1,349
Inventories	4,639	4,493	4,200	4,021	3,772
Other current assets	738	1,438	1,344	1,287	1,207
Fixed assets	**11,928**	**14,403**	**17,791**	**18,208**	**18,032**
Investment assets	168	203	196	192	186
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**	**25,517**	**28,211**	**28,314**
Current liabilities	**9,255**	**11,657**	**10,498**	**10,194**	**9,771**
Accounts payable	3,989	4,982	4,657	4,459	4,182
Short-term debt	2,142	3,355	3,355	3,355	3,355
Other current liabilities	3,123	3,320	2,487	2,381	2,234
Long-term liabilities	**3,284**	**4,099**	**6,088**	**8,082**	**8,073**
Bonds & long-term debt	2,837	3,791	5,791	7,791	7,791
Other long-term liabilities	447	308	297	291	281
Total liabilities	**12,539**	**15,756**	**16,587**	**18,276**	**17,844**
Owners of parent equity	**9,038**	**8,696**	**8,930**	**9,935**	**10,470**
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	7,233	8,237	8,773
Other	35	42	74	74	74
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**9,038**	**8,696**	**8,930**	**9,935**	**10,470**
Net debt	3,839	6,001	8,939	8,183	7,334

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**2,526**	**1,468**	**1,639**	**2,331**	**1,925**
Net profit	949	-193	217	1,101	792
Non-cash profit and expenses	995	1,328	1,209	1,495	1,306
Depreciation	711	741	746	720	712
Amortization	8	11	10	9	8
Other	276	576	453	767	586
Changes in A/L from operating activities	1,473	829	215	168	138
Cash flow from investments	**-2,066**	**-3,027**	**-4,600**	**-1,483**	**-825**
Change in tangible assets	-2,165	-3,038	-4,150	-1,150	-550
Change in financial assets	151	-57	8	5	7
Other	-52	68	-458	-338	-282
Cash flow from financing	**193**	**1,539**	**1,322**	**1,901**	**-259**
Change in debt	618	2,167	1,336	1,998	-3
Change in equity	0	0	0	0	0
Dividends	-373	-189	-15	-97	-256
Other	-53	-439	0	-0	0
Change in cash	653	-17	-1,598	2,756	849
Cash at beginning of year	1,310	1,963	1,946	348	3,104
Cash at end of year	1,963	1,946	348	3,104	3,953
Gross cash flow	**1,944**	**1,135**	**1,426**	**2,597**	**2,098**
Free cash flow	**340**	**-1,574**	**-2,511**	**1,181**	**1,375**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-15.8	2.5	-6.5	-4.3	-6.2
Operating profit	-60.2	-68.8	-31.7	475.2	-16.6
Net profit	-54.9	nm	nm	407.8	-28.1
Adjusted EPS**	-54.9	nm	nm	407.8	-28.1
Per-share data (KRW)					
EPS (parent-based)	8,137	-1,656	1,860	9,446	6,791
EPS (consolidated)	8,137	-1,656	1,860	9,446	6,791
Adjusted EPS**	8,137	-1,656	1,860	9,446	6,791
BVPS	77,629	74,692	76,706	85,335	89,937
DPS (common)	1,700	125	455	2,500	1,700
Valuations (x)					
P/E***	8.6	n/a	44.6	11.6	16.2
P/B***	0.9	0.7	1.1	1.3	1.2
EV/EBITDA	5.7	10.5	17.7	8.7	9.5
Ratios (%)					
ROE	10.8	-2.2	2.5	11.7	7.8
ROA	4.6	-0.8	0.9	4.1	2.8
ROIC	9.0	1.8	1.7	6.6	5.5
Payout ratio	20.2	-7.3	23.6	25.6	24.2
Dividend yield (common)	2.4	0.2	0.5	2.3	1.5
Net debt to equity	42.5	69.0	100.1	82.4	70.0
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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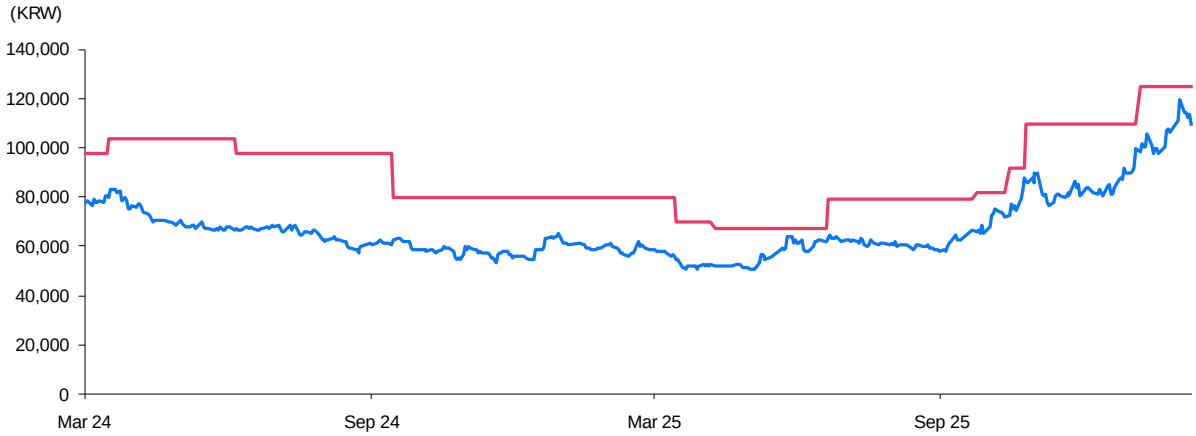
Target price changes in past two years



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	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	

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
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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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