COMPANY UPDATE

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EV/Mobility Team

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Lotte Fine Chemical (004000)

1Q preview: Earnings beat consensus

- We believe Lotte Fine Chemical posted a 1Q operating profit of KRW29.4b, beating consensus by 15%.
- Raising our 2026 ROE forecast, we lift our target price (based on ROE-P/B valuation) by 8%. Strengths in AA and VAM, if sustained, could unlock further EPS upside. We maintain our BUY rating.

WHAT'S THE STORY?

1Q preview—results beat consensus: We expect Lotte Fine Chemical (LFC) to post a 1Q operating profit of KRW29.4b (up 52% q-q), beating consensus (KRW26.5b; FnGuide) by 15%. Specifically, operating profit at the chlorine relatives business likely rose 206% q-q to KRW5.8b, with profitability enhanced by a further rebound in ECH spreads. The ECH-propylene spread in 1Q widened 3% q-q (from USD1,085/tonne to USD1,113/tonne). Operating profit at the cellulose relatives business likely increased 43% q-q to KRW9.5b, driven by client inventory restocking demand. At the ammonia relatives business, operating profit likely grew 31% q-q to KRW14.2b, supported by higher distribution volumes following the price surge in ammonia after the Middle East war.

AA and VAM strengths bode well: In 2025, AA-methanol and VAM-AA spreads averaged USD226/tonne and USD456/tonne, respectively. So far in 2026, these spreads have widened to USD240/tonne and USD653/tonne—with April alone seeing averages of USD337/tonne and USD1,171/tonne, respectively. For context, when spreads reached USD378/tonne and USD1,171/tonne in 2022, the company's equity-method income amounted to KRW209b, compared to just KRW20b in 2025. If March-April spread levels are sustained, a significant upward revision to equity-method income would be possible.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025	2026E	2027E
Revenue (KRWb)	1,671	1,753	1,965	2,020
Operating profit (KRWb)	50	74	127	161
Net profit (adj) (KRWb)	36	106	174	198
EPS (adj) (KRW)	1,410	4,112	6,746	7,663
EPS (adj) growth (% y-y)	-80.0	191.6	64.0	13.6
EBITDA margin (%)	12.6	13.6	14.2	15.1
ROE (%)	1.5	4.4	7.0	7.5
P/E (adj) (x)	27.9	10.8	7.5	6.6
P/B (x)	0.4	0.5	0.5	0.5
EV/EBITDA (x)	4.4	4.4	4.1	3.2
Dividend yield (%)	3.6	3.4	3.9	4.9

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW65,000	28.2%
Current price	KRW50,700	
Market cap	KRW1.3t/USD0.9b	
Shares (float)	25,800,000 (55.2%)	
52-week high/low	KRW54,700/KRW31,350	
Avg daily trading value (60-day)	KRW4.7b/ USD3.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Fine Chemical (%)	-1.4	11.4	61.7
Vs Kospi (%pts)	-6.8	-31.2	-32.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	65,000	60,000	8.3%
2025E EPS	4,112	4,112	0.0%
2026E EPS	6,746	6,746	0.0%

SAMSUNG vs THE STREET

No of estimates	7
Target price	62,143
Recommendation	4.0

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

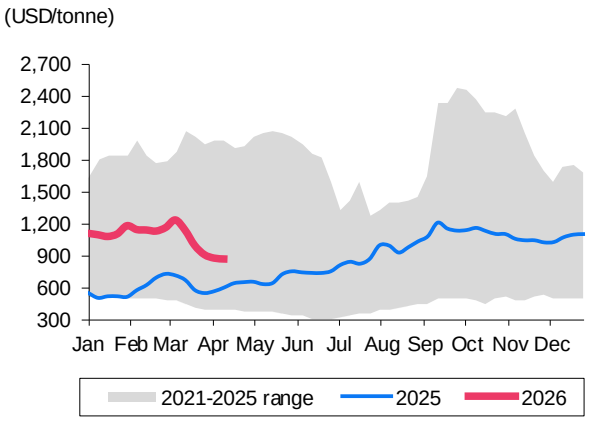
View—ROE improvement to gain momentum in 2026: Supported by recovery not only in chlorine relatives but also in cellulose relatives, we raise our 2026 ROE forecast from 6.3% to 7.0%. This leads us to lift our target P/B multiple from 0.59x to 0.64x (the average P/B in 2023 when ROE was at a similar level) and our target price from KRW60,000 to KRW65,000. Strengths in AA and VAM, if sustained, could unlike further EPS upside. We maintain our BUY rating.

Lotte Fine Chemical: P/B valuation

(KRW)	Old	New	Note
Target P/B (x)	0.59	0.64	2023 average P/B (ROE 7.8%)
Forward BVPS	102,288	101,903	Revised down by 0.4%
Fair price per share	**59,928**	**64,781**	
Target price	**60,000**	**65,000**	**Revised up by 8.3%**
Current price		50,700	As of Apr 13 close
Upside (%)		28.2	
2026 implied P/E (x)	8.9	9.7	
2027 implied P/E (x)	7.8	8.5	

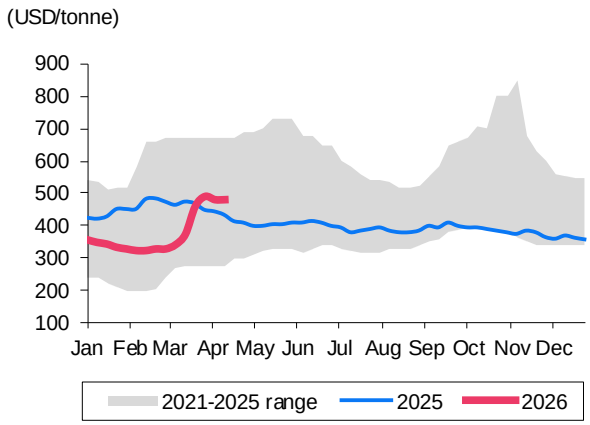
Source: Samsung Securities estimates

ECH-propylene spread (Lotte Fine Chemical)



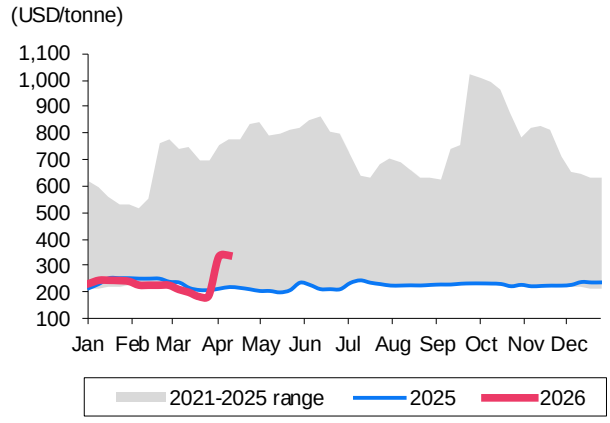
Source: Cischem, S&P Global Platts, Samsung Securities

Caustic soda prices (LG Chem/Hanwha Solutions/LFC)



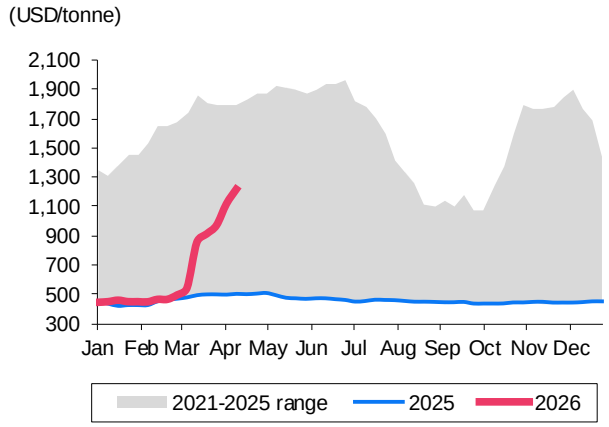
Source: Cischem, S&P Global Platts, Samsung Securities

AA-methanol spread (Lotte Fine Chemical)



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

VAM-AA spread (Lotte Fine Chemical)



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

Lotte Fine Chemical: Quarterly results

(KRWb)	1Q26E	4Q25	1Q25 Consensus		Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	498.6	439.1	445.6	474.6	13.6	11.9	5.1
Operating profit	29.5	19.3	18.8	25.6	52.9	57.1	15.1
Pre-tax profit	48.5	30.0	33.9	38.5	61.7	43.1	25.8
Net profit	43.7	27.0	28.4	35.6	61.9	53.8	22.7
Attributable to parent	43.7	27.0	28.4	30.2	61.9	53.8	44.7
Margins (%)							
Operating profit	5.9	4.4	4.2	5.4			
Pre-tax profit	9.7	6.8	7.6	8.1			
Net profit	8.8	6.1	6.4	7.5			
Attributable to parent	8.8	6.1	6.4	6.4			

Source: Company data, FnGuide, Samsung Securities estimates

Lotte Fine Chemical: 1Q preview, by division

(KRWb)	1Q26E	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**498.6**	**439.1**	**445.6**	**13.6**	**11.9**
Chlorine	175.3	172.9	149.5	1.4	17.2
Cellulose	146.5	121.2	127.4	20.9	15.0
Ammonia trading	176.9	145.0	160.1	22.0	10.5
Operating profit	**29.5**	**19.3**	**18.8**	**52.9**	**57.1**
Chlorine	5.4	1.5	-6.1	258.7	To turn pos
Cellulose	9.9	7.0	12.1	41.8	-18.0
Ammonia trading	14.2	10.8	13.8	31.2	2.4
Pre-tax profit	48.5	30.0	33.9	61.7	43.1
Net profit	**43.7**	**27.0**	**28.4**	**61.9**	**53.8**
Margins (%)					
Operating profit	5.9	4.4	4.2		
Chlorine	3.1	0.9	-4.1		
Cellulose	6.8	5.8	9.5		
Ammonia trading	8.0	7.4	8.6		
Pre-tax profit	9.7	6.8	7.6		
Net profit	8.8	6.1	6.4		

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

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	1,452	1,467	1,420	1,380	1,335	1,365	1,423	1,401	1,335
Sales	**446**	**425**	**443**	**439**	**499**	**502**	**490**	**475**	**1,671**	**1,753**	**1,965**	**2,020**
Growth (% q-q)	4.0	-4.7	4.4	-1.0	13.6	0.6	-2.3	-3.1				
Growth (% y-y)	11.6	0.6	5.5	2.4	11.9	18.1	10.5	8.1	-5.5	4.9	12.1	2.8
Chlorine	150	140	176	173	175	173	170	167	555	638	685	675
Cellulose	127	137	135	121	146	155	154	142	529	521	597	655
Ammonia trading	160	138	133	145	177	174	166	166	556	576	683	690
Electronic materials	9	9							31	18		
Operating profit	**19**	**9**	**28**	**19**	**29**	**34**	**34**	**30**	**50**	**74**	**127**	**161**
Growth (% q-q)	54.4	-53.6	216.5	-30.0	52.3	15.0	1.2	-12.0				
Growth (% y-y)	74.3	-49.1	167.0	58.6	56.5	287.9	24.0	55.9	-67.5	47.6	71.4	26.4
Chlorine	-6	-6	4	2	6	6	8	11	-55	-7	31	57
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-49.7	206.3	9.1	23.7	37.2				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	Turned pos	To turn pos	To turn pos	108.1	467.2	Turned neg	Remained neg	To turn pos	85.6
Cellulose	12	7	9	7	9	17	17	9	57	35	53	64
Growth (% q-q)	6.4	-42.5	33.6	-28.7	43.0	80.6	-2.0	-45.4				
Growth (% y-y)	3.4	-54.4	-49.4	-41.7	-21.7	146.0	80.4	38.1	-43.5	-38.3	50.1	22.3
Ammonia trading	14	12	15	11	14	10	10	10	45	51	44	40
Growth (% q-q)	7.7	-14.8	23.3	-25.8	31.2	-26.6	-7.3	6.4				
Growth (% y-y)	-4.3	8.4	104.5	-16.0	2.4	-11.9	-33.7	-5.0	3.5	12.5	-12.8	-9.5
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	48	57	43	43	26	118	191	216
Growth (% q-q)	30.1	-46.0	94.9	-15.9	-58.9	18.7	-25.9	0.5				
Growth (% y-y)	-68.0	-66.8	Turned pos	Turned pos	42.8	214.0	19.3	42.5	-89.7	352.1	62.2	13.3
Net profit	**28**	**16**	**35**	**27**	**44**	**52**	**39**	**39**	**36**	**106**	**174**	**198**
Growth (% q-q)	-22.0	-45.3	126.9	-23.4	-58.9	19.8	-24.7	-0.9				
Growth (% y-y)	-66.0	-64.1	Turned pos	Turned pos	53.5	236.3	11.6	44.4	-80.0	191.6	64.0	13.6
Attributable to parent	28	16	35	27	44	52	39	39	36	106	174	198
Margins (%)												
Operating profit	4.2	2.1	6.2	4.4	5.9	6.7	7.0	6.3	3.0	4.2	6.5	8.0
Chlorine	-4.1	-4.6	2.1	1.1	3.3	3.6	4.6	6.4	-9.8	-1.1	4.5	8.4
Cellulose	9.5	5.1	6.9	5.5	6.5	11.1	10.9	6.5	10.7	6.7	8.8	9.8
Ammonia trading	8.6	8.5	10.9	7.4	8.0	6.0	5.8	6.2	8.1	8.8	6.5	5.8
Electronic materials	-12.4	-40.2							9.4	-26.8		
Pre-tax profit	7.6	4.3	8.0	6.8	9.7	11.4	8.7	9.0	1.6	6.7	9.7	10.7
Net profit	6.4	3.7	7.9	6.1	8.7	10.4	8.0	8.2	2.2	6.1	8.9	9.8

Note: Operating profit by division is based on our estimates.
Starting from 3Q25, the profit and loss attribution for the electronic materials business has been reclassified to the chlorine division.
Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**1,769**	**1,671**	**1,753**	**1,965**	**2,020**
Cost of goods sold	1,486	1,491	1,547	1,688	1,707
Gross profit	**283**	**179**	**205**	**277**	**313**
Gross margin (%)	16.0	10.7	11.7	14.1	15.5
SG&A expenses	128	129	131	149	152
Operating profit	**155**	**50**	**74**	**127**	**161**
Operating margin (%)	8.8	3.0	4.2	6.5	8.0
Non-operating gains (losses)	**98**	**-24**	**43**	**64**	**55**
Financial profit	58	46	33	34	25
Financial costs	43	102	8	0	0
Equity-method gains (losses)	45	19	20	37	37
Other	37	13	-1	-7	-7
Pre-tax profit	**253**	**26**	**118**	**191**	**216**
Taxes	71	-10	12	17	19
Effective tax rate (%)	28.0	-39.6	9.9	8.9	8.6
Profit from continuing operations	182	36	106	174	198
Profit from discontinued operations	0	0	0	0	0
Net profit	**182**	**36**	**106**	**174**	**198**
Net margin (%)	10.3	2.2	6.1	8.9	9.8
Net profit (controlling interests)	182	36	106	174	198
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	293	210	239	278	305
EBITDA margin (%)	16.6	12.6	13.6	14.2	15.1
EPS (parent-based) (KRW)	7,055	1,410	4,112	6,746	7,663
EPS (consolidated) (KRW)	7,055	1,410	4,112	6,746	7,663
Adjusted EPS (KRW)*	7,055	1,410	4,112	6,746	7,663

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**1,347**	**1,046**	**1,061**	**1,199**	**1,379**
Cash & equivalents	461	298	172	232	392
Accounts receivable	247	261	265	297	306
Inventories	306	304	343	385	395
Other current assets	332	182	281	285	286
Fixed assets	**1,336**	**1,668**	**1,685**	**1,698**	**1,673**
Investment assets	433	527	526	588	604
Tangible assets	784	848	976	931	892
Intangible assets	21	23	20	16	13
Other long-term assets	99	271	164	164	164
Total assets	**2,683**	**2,714**	**2,746**	**2,897**	**3,052**
Current liabilities	**282**	**178**	**250**	**280**	**288**
Accounts payable	105	48	119	133	137
Short-term debt	1	1	1	1	1
Other current liabilities	177	129	130	146	150
Long-term liabilities	**18**	**167**	**61**	**63**	**63**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	18	167	61	63	63
Total liabilities	**300**	**345**	**310**	**342**	**351**
Owners of parent equity	**2,383**	**2,369**	**2,436**	**2,555**	**2,701**
Capital stock	129	129	129	129	129
Capital surplus	331	331	331	331	331
Retained earnings	1,952	1,933	2,001	2,137	2,283
Other	-29	-25	-25	-42	-42
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**2,383**	**2,369**	**2,436**	**2,555**	**2,701**
Net debt	-736	-100	-106	-163	-323

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**224**	**160**	**301**	**237**	**289**
Net profit	182	36	106	174	198
Non-cash profit and expenses	126	206	151	109	104
Depreciation	135	156	160	147	141
Amortization	3	4	4	3	3
Other	-12	47	-13	-41	-40
Changes in A/L from operating activities	-55	-83	9	-49	-13
Cash flow from investments	**-233**	**-244**	**-359**	**-124**	**-106**
Change in tangible assets	-65	-198	-272	-102	-102
Change in financial assets	-300	100	-0	-25	-6
Other	133	-146	-87	2	3
Cash flow from financing	**-109**	**-79**	**-69**	**-36**	**-50**
Change in debt	-1	173	-131	3	1
Change in equity	0	0	0	0	0
Dividends	-89	-51	-36	-38	-51
Other	-18	-202	98	0	-0
Change in cash	-117	-162	-126	60	160
Cash at beginning of year	578	461	298	172	232
Cash at end of year	461	298	172	232	392
Gross cash flow	**308**	**243**	**257**	**283**	**301**
Free cash flow	**124**	**-38**	**29**	**135**	**187**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-28.2	-5.5	4.9	12.1	2.8
Operating profit	-61.7	-67.5	47.6	71.4	26.4
Net profit	24.5	-80.0	191.6	64.0	13.6
Adjusted EPS**	24.5	-80.0	191.6	64.0	13.6
Per-share data (KRW)					
EPS (parent-based)	7,055	1,410	4,112	6,746	7,663
EPS (consolidated)	7,055	1,410	4,112	6,746	7,663
Adjusted EPS**	7,055	1,410	4,112	6,746	7,663
BVPS	93,569	92,999	95,632	100,302	106,064
DPS (common)	2,000	1,400	1,500	2,000	2,500
Valuations (x)					
P/E***	8.2	27.9	10.8	7.5	6.6
P/B***	0.6	0.4	0.5	0.5	0.5
EV/EBITDA	2.6	4.4	4.4	4.1	3.2
Ratios (%)					
ROE	7.8	1.5	4.4	7.0	7.5
ROA	6.8	1.3	3.9	6.2	6.6
ROIC	9.9	5.2	4.4	7.7	9.9
Payout ratio	28.0	98.0	36.0	29.3	32.2
Dividend yield (common)	3.4	3.6	3.4	3.9	4.9
Net debt to equity	-30.9	-4.2	-4.4	-6.4	-12.0
Interest coverage (x)	184.9	7.1	9.5	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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- As of 4/13 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
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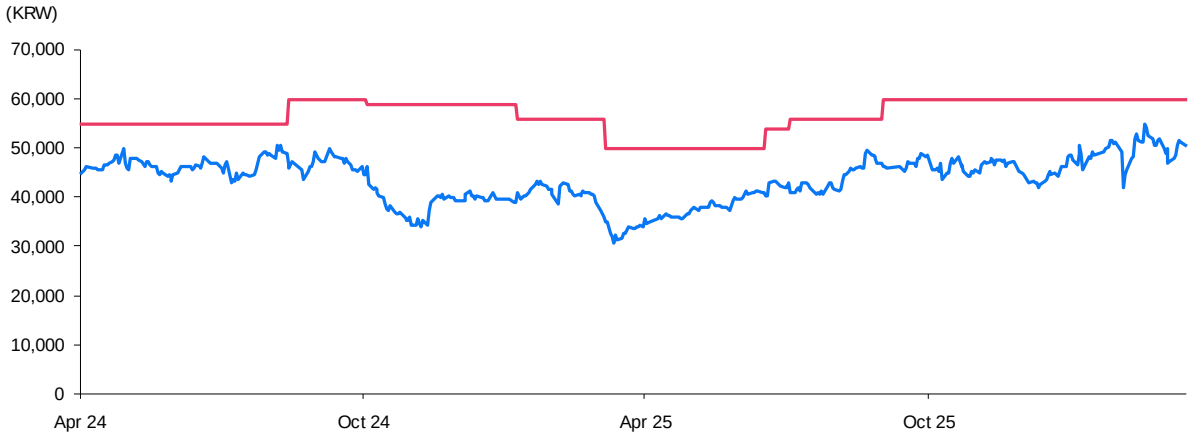
Target price changes in past two years



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	2026/4/14
Recommendation	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	55000	55000	60000	59000	56000	50000	54000	56000	60000	65000
Gap* (average)	-14.95	-15.25	-22.06	-34.41	-27.10	-26.49	-21.44	-21.38	-21.06	
(max or min)**	-6.91	-8.00	-16.83	-27.71	-22.68	-17.30	-19.81	-11.79	-8.83	

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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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