COMPANY UPDATE

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S-Oil (010950)

1Q preview: Positive earnings surprise

- We now expect S-Oil to post a 1Q operating profit of KRW1.18t, exceeding consensus by 104%, as the Middle East war tightened crude oil and refined product supplies (leading to favorable inventory effects and wider margins).
- We revise up our earnings forecasts, which leads us to raise our target price (based on ROE-P/B valuation) by 7%. Even amid raw material supply and policy uncertainties, benefits are likely to outweigh risks. We maintain our BUY rating.

WHAT'S THE STORY?

View—benefits to outweigh risks even amid multiple uncertainties: We revise up our 2026 earnings forecasts, which leads us to raise our 2026 ROE estimate (from 11.7% to 17.4%) and increase our target price by 7% (from KRW140,000 to KRW150,000; our target P/B multiple is left at 1.64x). Despite the prolonged Middle East war keeping international price-based margins elevated, uncertainties remain—including potential disruptions to raw material supply from June, a domestic fuel price cap, and the possibility of future export halts. However, the favorable lag effect from tight global supply, combined with a sharp rise in refining margins, should ultimately outweigh these negative factors. Additionally, inventory rebuilding to replenish stockpiles depleted after the war and ongoing disruptions to some production facilities could drive refining margins higher than pre-war levels. We maintain our BUY recommendation.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	34,247	42,924	38,586	38,385
Operating profit (KRWb)	236	2,476	1,519	1,614
Net profit (adj) (KRWb)	177	1,683	908	930
EPS (adj) (KRW)	1,518	14,431	7,785	7,979
EPS (adj) growth (% y-y)	nm	850.9	-46.1	2.5
EBITDA margin (%)	3.0	7.7	6.6	7.0
ROE (%)	2.0	17.4	8.4	8.1
P/E (adj) (x)	54.7	8.4	15.5	15.1
P/B (x)	1.1	1.3	1.3	1.2
EV/EBITDA (x)	15.0	5.3	6.6	5.8
Dividend yield (%)	0.4	2.1	1.4	1.4

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW150,000	24.3%
Current price	**KRW120,700**	
Market cap	KRW13.6t/USD9.2b	
Shares (float)	112,582,792 (36.6%)	
52-week high/low	KRW141,300/KRW50,600	
Avg daily trading value (60-day)	KRW110.5b/ USD74.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
S-Oil (%)	2.4	80.7	131.2
Vs Kospi (%pts)	-3.3	11.4	-3.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	150,000	140,000	7.1%
2026E EPS	14,431	14,431	0.0%
2027E EPS	7,785	7,785	0.0%

SAMSUNG vs THE STREET

No of estimates	18
Target price	127,333
Recommendation	3.9

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

1Q preview—results to significantly exceed consensus: We now expect S-Oil to post a 1Q operating profit of KRW1.18t (up 218% q-q), blowing past FnGuide consensus of KRW579.9b. The refining unit likely delivered a dramatic improvement in earnings, benefiting from favorable inventory effects and wider refining margins, amid elevated oil prices due to the Middle East war.

- **Refining unit:** S-Oil's refining unit likely saw an operating profit of KRW1.04b in 1Q (up 465% q-q). As Dubai oil prices surged from an average of USD63.3b/bbl in November-December to USD97.9/bbl in February-March, the refining unit likely recorded an inventory valuation gain of KRW774.3b (up KRW862b q-q from a KRW87.7b loss in 4Q25). The oil price rise also likely created a positive lag effect (up from -USD2.6/bbl in 4Q25 to USD22.5/bbl) and lifted spot refining margins (up from USD17.1/bbl in 4Q25 to USD23.3/bbl). These margin gains, though, were partially offset by losses from Korea's fuel price cap and scheduled maintenance on select production lines, which began in March.
- **Petrochemical unit:** We believe the petrochemical unit turned to an operating profit of KRW27.4b (up by KRW41.7b q-q), buoyed by q-q improvements in spreads on PO (up 8% q-q from USD520/bbl to USD561/bbl), benzene (up 16% q-q from USD103/bbl to USD120/bbl) and PX (up 8% q-q from USD245/bbl to USD263/bbl).
- **Lube base oil unit:** Operating profit at the lube base oil unit likely fell 41% q-q to KRW117.8b in 1Q. Short-term profitability erosion from rising oil prices look unavoidable, given an inherent time lag (approximately 3 months) between raw material price changes and product price adjustments.

S-Oil: P/B valuation

(KRW)	Old	New	Details
Target P/B (x)	1.64	1.64	Average P/B since 2010 – 0.25 std
Forward BVPS	86,067	91,741	Revised up 6.6%
Fair price per share	**141,277**	**150,268**	
Target price	**140,000**	**150,000**	**Revised up 7.1%**
Current price		120,700	
Upside (%)		24.3	
2026 implied P/E (x)	9.7	10.4	
2027 implied P/E (x)	18.0	19.3	

Source: Samsung Securities estimates

S-Oil: 1Q preview

(KRWb)	1Q26E	4Q25	1Q25	Consensus	Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	10,152	8,793	8,991	8,666	15.5	12.9	17.1
Operating income	1,184	372	-22	580	218.4	To turn pos	104.2
Pre-tax income	929	265	-67	594	250.0	To turn pos	56.4
Net income	676	225	-45	421	200.5	To turn pos	60.7
Attributable to parent	676	225	-45	289	200.5	To turn pos	133.7
Margins (%)							
Operating income	11.7	4.2	-0.2	6.7			
Pre-tax income	9.1	3.0	-0.7	6.9			
Net income	6.7	2.6	-0.5	4.9			
Attributable to parent	6.7	2.6	-0.5	3.3			

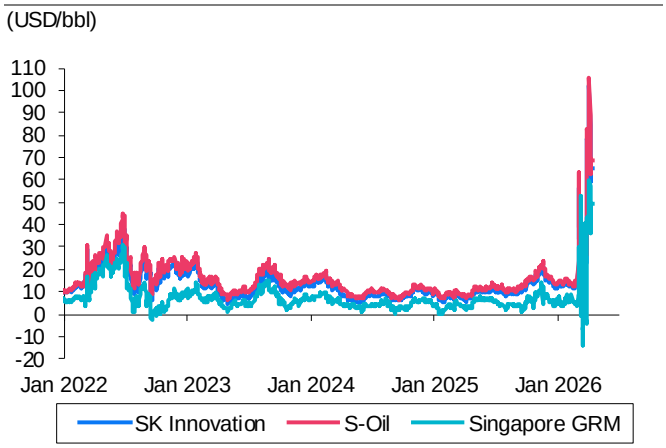
Source: Company data, FnGuide, Samsung Securities estimates

S-Oil: 1Q preview, by division

(KRWb)	1Q26E	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**10,152**	**8,793**	**8,991**	**15.5**	**12.9**
Refining	8,184	6,979	7,072	17.3	15.7
Petrochemical	1,237	1,056	1,128	17.1	9.7
Lube base oil	731	757	791	-3.5	-7.6
Operating income	**1,184**	**372**	**-22**	**218.4**	**To turn pos**
Refining	1,039	184	-57	465.2	To turn pos
Petrochemical	27	-14	-75	To turn pos	To turn pos
Lube base oil	118	202	110	-41.8	7.4
Pre-tax income	929	265	-67	250.0	To turn pos
Net income	**676**	**225**	**-45**	**200.5**	**To turn pos**
Margins (%)					
Operating income	11.7	4.2	-0.2		
Refining	12.7	2.6	-0.8		
Petrochemical	2.2	-1.4	-6.6		
Lube base oil	16.1	26.7	13.9		
Pre-tax income	9.1	3.0	-0.7		
Net income	6.7	2.6	-0.5		

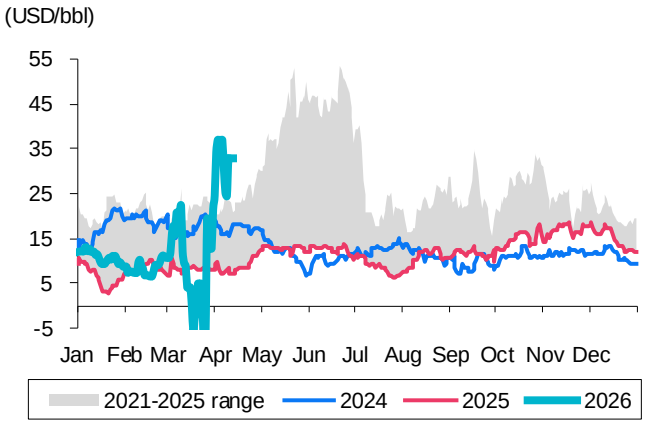
Source: Company data, Samsung Securities

Mixed margin at Korean refiners vs Singapore GRM



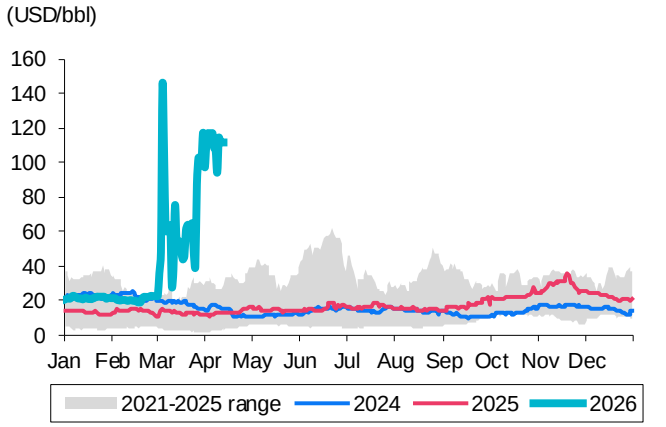
Source: Company data, DataStream, Samsung Securities

Gasoline: Spot refining margin vs Dubai oil



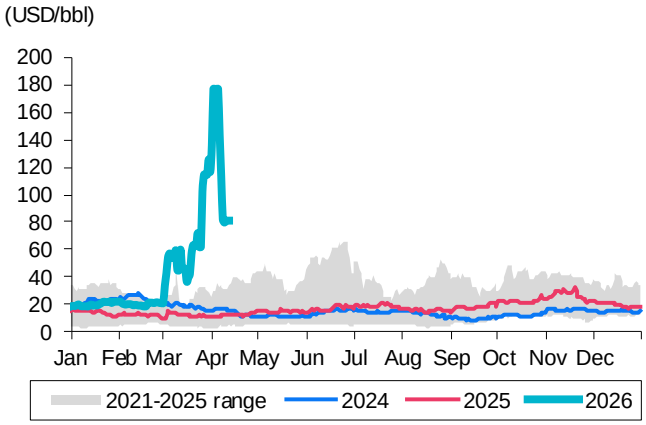
Source: Petronet, Samsung Securities

Kerosene: Spot refining margin vs Dubai oil



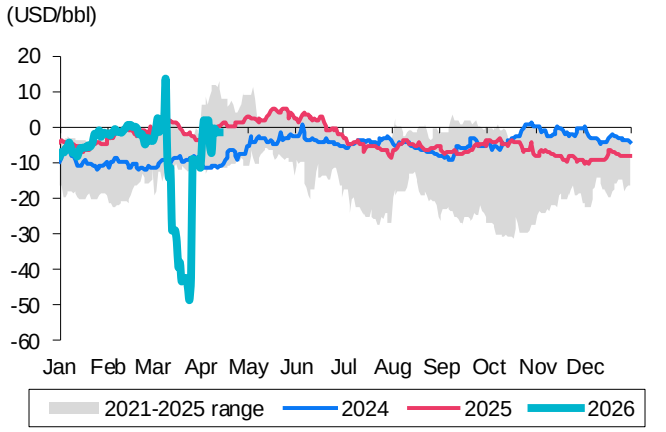
Source: Petronet, Samsung Securities

Diesel: Spot refining margin vs Dubai oil



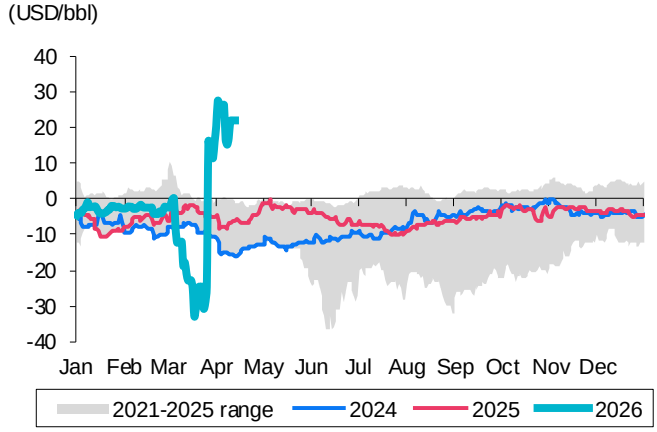
Source: Petronet, Samsung Securities

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	1,452	1,467	1,420	1,380	1,335	1,365	1,423	1,401	1,335
Sales	**8,991**	**8,049**	**8,415**	**8,793**	**10,152**	**12,953**	**10,483**	**9,336**	**36,637**	**34,247**	**42,924**	**38,586**
Growth (% q-q)	0.8	-10.5	4.6	4.5	15.5	27.6	-19.1	-10.9				
Growth (% y-y)	-3.4	-15.9	-4.8	-1.4	12.9	60.9	24.6	6.2	2.5	-6.5	25.3	-10.1
Refining	7,072	6,260	6,694	6,979	8,184	10,762	8,273	7,221	28,805	27,005	34,440	26,202
Petrochemical	1,128	1,034	1,016	1,056	1,237	1,322	1,349	1,300	4,703	4,234	5,209	9,104
Lube base oil	791	755	705	757	731	869	861	816	3,130	3,007	3,276	3,281
Operating income	**-22**	**-344**	**229**	**372**	**1,184**	**926**	**181**	**185**	**422**	**236**	**2,476**	**1,519**
Growth (% q-q)	Turned neg	Remained neg	Turned pos	62.3	218.4	-21.8	-80.5	2.5				
Growth (% y-y)	Turned neg	Turned neg	Turned pos	67.3	To turn pos	To turn pos	-21.2	-50.2	-68.8	-44.2	950.8	-38.6
Refining	-57	-441	115	184	1,039	758	19	41	-273	-199	1,858	865
Growth (% q-q)	Turned neg	Remained neg	Turned pos	59.2	465.2	-27.0	-97.5	116.0				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	26.8	To turn pos	To turn pos	-83.4	-77.5	Turned neg	Remained neg	To turn pos	-53.5
Petrochemical	-75	-35	-20	-14	27	19	21	16	127	-143	84	91
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	To turn pos	-30.2	12.4	-23.5				
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	8.1
Lube base oil	110	132	134	202	118	148	140	128	568	578	534	563
Growth (% q-q)	-2.9	20.1	1.4	51.5	-41.8	25.8	-5.5	-9.0				
Growth (% y-y)	-29.5	-9.6	-13.1	79.1	7.4	12.4	4.8	-37.0	-29.9	1.6	-7.6	5.5
Pre-tax income	-67	-106	81	265	929	1,056	156	170	-333	173	2,311	1,247
Growth (% q-q)	Remained neg	Remained neg	Turned pos	225.7	436.2	13.6	-85.2	9.1				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	Turned pos	To turn pos	To turn pos	91.6	-35.8	Turned neg	-23.8	To turn pos	34.2
Net income	**-45**	**-67**	**63**	**225**	**676**	**769**	**114**	**124**	**-193**	**177**	**1,683**	**908**
Growth (% q-q)	Remained neg	Remained neg	Turned pos	256.1	282.2	13.6	-85.2	9.1				
Growth (% y-y)	Turned neg	Remained neg	Turned pos	Turned pos	To turn pos	To turn pos	79.9	-44.9	Turned neg	6.5	To turn pos	34.2
Attributable to parent	-45	-67	63	225	676	769	114	124	-193	177	1,683	908
Margins (%)												
Operating income	-0.2	-4.3	2.7	4.2	11.7	7.1	1.7	2.0	1.2	0.7	5.8	3.9
Refining	-0.8	-7.0	1.7	2.6	12.7	7.0	0.2	0.6	-0.9	-0.7	5.4	3.3
Petrochemical	-6.6	-3.4	-2.0	-1.4	2.2	1.4	1.6	1.3	2.7	-3.4	1.6	1.0
Lube base oil	13.9	17.5	19.0	26.7	16.1	17.1	16.3	15.6	18.2	19.2	16.3	17.2
Pre-tax income	-0.7	-1.3	1.0	3.0	9.1	8.1	1.5	1.8	-0.9	0.5	5.4	3.2
Net income	-0.5	-0.8	0.8	2.6	6.7	5.9	1.1	1.3	-0.5	0.5	3.9	2.4

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**36,637**	**34,247**	**42,924**	**38,586**	**38,385**
Cost of goods sold	35,411	33,204	39,442	36,160	35,870
Gross profit	**1,226**	**1,043**	**3,482**	**2,427**	**2,515**
Gross margin (%)	3.3	3.0	8.1	6.3	6.6
SG&A expenses	804	808	1,006	907	901
Operating profit	**422**	**236**	**2,476**	**1,519**	**1,614**
Operating margin (%)	1.2	0.7	5.8	3.9	4.2
Non-operating gains (losses)	**-755**	**-62**	**-165**	**-273**	**-336**
Financial profit	389	483	212	18	-166
Financial costs	833	678	426	416	392
Equity-method gains (losses)	6	4	4	4	4
Other	-317	128	46	122	218
Pre-tax profit	**-333**	**173**	**2,311**	**1,247**	**1,278**
Taxes	-139	-4	628	339	347
Effective tax rate (%)	41.9	-2.2	27.2	27.2	27.2
Profit from continuing operations	-193	177	1,683	908	930
Profit from discontinued operations	0	0	0	0	0
Net profit	**-193**	**177**	**1,683**	**908**	**930**
Net margin (%)	-0.5	0.5	3.9	2.4	2.4
Net profit (controlling interests)	-193	177	1,683	908	930
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	1,174	1,043	3,319	2,562	2,706
EBITDA margin (%)	3.2	3.0	7.7	6.6	7.0
EPS (parent-based) (KRW)	-1,656	1,518	14,431	7,785	7,979
EPS (consolidated) (KRW)	-1,656	1,518	14,431	7,785	7,979
Adjusted EPS (KRW)*	-1,656	1,518	14,431	7,785	7,979

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**10,048**	**8,616**	**14,073**	**13,679**	**14,631**
Cash & equivalents	1,946	1,835	5,755	6,412	7,571
Accounts receivable	2,171	2,005	2,333	1,887	1,707
Inventories	4,493	4,164	5,220	4,692	4,668
Other current assets	1,438	611	766	689	685
Fixed assets	**14,403**	**17,941**	**18,270**	**18,066**	**17,789**
Investment assets	203	188	210	199	198
Tangible assets	13,582	16,990	17,310	17,129	16,862
Intangible assets	149	150	136	124	115
Other long-term assets	470	614	614	614	614
Total assets	**24,451**	**26,557**	**32,344**	**31,746**	**32,420**
Current liabilities	**11,657**	**12,211**	**14,340**	**13,110**	**13,053**
Accounts payable	4,982	6,982	8,751	7,866	7,825
Short-term debt	3,355	2,173	2,173	2,173	2,173
Other current liabilities	3,320	3,056	3,416	3,071	3,055
Long-term liabilities	**4,099**	**5,459**	**7,498**	**7,478**	**7,478**
Bonds & long-term debt	3,791	5,032	7,032	7,032	7,032
Other long-term liabilities	308	427	467	447	446
Total liabilities	**15,756**	**17,670**	**21,838**	**20,589**	**20,531**
Owners of parent equity	**8,696**	**8,887**	**10,506**	**11,157**	**11,890**
Capital stock	292	292	292	292	292
Capital surplus	1,332	1,332	1,332	1,332	1,332
Retained earnings	7,030	7,222	8,808	9,459	10,191
Other	42	43	75	75	75
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**8,696**	**8,887**	**10,506**	**11,157**	**11,890**
Net debt	6,001	6,065	3,837	3,169	2,009

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**1,468**	**3,942**	**3,465**	**1,665**	**1,940**
Net profit	-193	177	1,683	908	930
Non-cash profit and expenses	1,328	1,054	1,464	1,274	1,198
Depreciation	741	791	830	1,031	1,082
Amortization	11	16	14	12	10
Other	576	247	620	232	106
Changes in A/L from operating activities	829	3,091	938	-187	150
Cash flow from investments	**-3,027**	**-3,783**	**-1,176**	**-745**	**-586**
Change in tangible assets	-3,038	-3,906	-1,150	-850	-815
Change in financial assets	-57	35	-21	11	0
Other	68	88	-5	95	229
Cash flow from financing	**1,539**	**-270**	**1,606**	**-273**	**-199**
Change in debt	2,167	-68	1,703	-17	-1
Change in equity	0	0	0	0	0
Dividends	-189	-0	-97	-256	-198
Other	-439	-202	0	0	0
Change in cash	-17	-111	3,920	657	1,160
Cash at beginning of year	1,963	1,946	1,835	5,755	6,412
Cash at end of year	1,946	1,835	5,755	6,412	7,571
Gross cash flow	**1,135**	**1,231**	**3,146**	**2,182**	**2,128**
Free cash flow	**-1,574**	**36**	**2,315**	**815**	**1,125**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	2.5	-6.5	25.3	-10.1	-0.5
Operating profit	-68.8	-44.2	950.8	-38.6	6.2
Net profit	nm	nm	850.9	-46.1	2.5
Adjusted EPS**	nm	nm	850.9	-46.1	2.5
Per-share data (KRW)					
EPS (parent-based)	-1,656	1,518	14,431	7,785	7,979
EPS (consolidated)	-1,656	1,518	14,431	7,785	7,979
Adjusted EPS**	-1,656	1,518	14,431	7,785	7,979
BVPS	74,692	76,339	90,239	95,835	102,126
DPS (common)	125	330	2,500	1,700	1,700
Valuations (x)					
P/E***	n/a	54.7	8.4	15.5	15.1
P/B***	0.7	1.1	1.3	1.3	1.2
EV/EBITDA	10.5	15.0	5.3	6.6	5.8
Ratios (%)					
ROE	-2.2	2.0	17.4	8.4	8.1
ROA	-0.8	0.7	5.7	2.8	2.9
ROIC	1.8	1.6	12.4	7.8	8.4
Payout ratio	-7.3	21.0	16.7	21.1	20.6
Dividend yield (common)	0.2	0.4	2.1	1.4	1.4
Net debt to equity	69.0	68.2	36.5	28.4	16.9
Interest coverage (x)	1.5	0.9	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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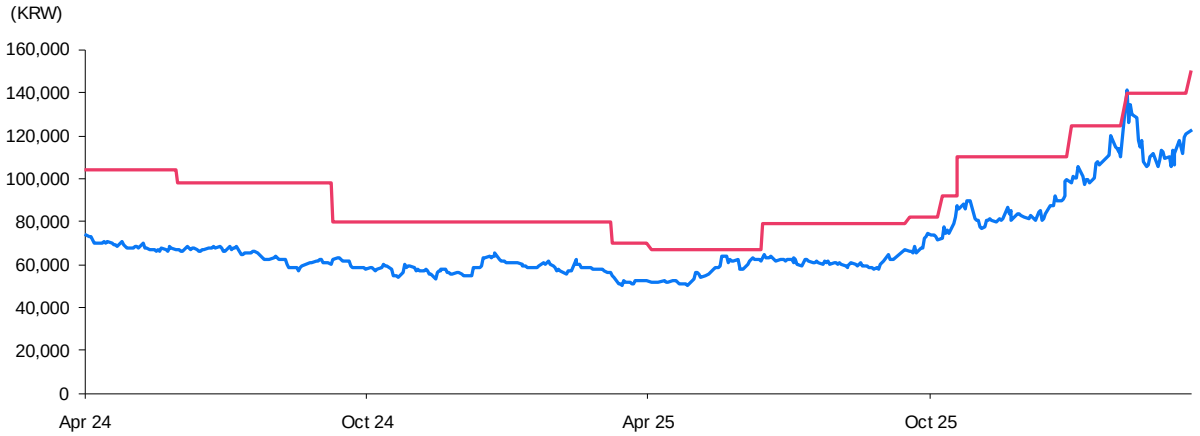
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/6/25	10/4	2025/4/3	4/28	7/9	10/13	11/3	11/13	2026/1/26	3/3	4/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	98000	80000	70000	67000	79000	82000	92000	110000	125000	140000	150000
Gap* (average)	-34.27	-26.70	-25.77	-15.35	-22.55	-13.94	-14.35	-23.17	-15.34	-18.24	
(max or min)**	-29.80	-18.38	-22.29	-4.93	-15.44	-8.66	-4.89	-9.55	-4.00	-24.79	

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

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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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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General

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