COMPANY UPDATE

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Kumho Petrochemical (011780)

1Q preview: Suffers as raw material prices surge

- We believe Kumho Petrochemical will post a 1Q operating profit of KRW60.4b—missing consensus (KRW73.4b) by 18%—as soaring butadiene prices squeezed margins.
- Reflecting the probable miss earnings, we cut our 2026 ROE forecast and lower our target price by 8% to KRW175,000. Yet, our BUY rating remains unchanged since the firm's ability to pass on rising costs from 2Q26 and the prospect of its 2026 ROE recovery remain compelling.

WHAT'S THE STORY?

1Q preview—earnings hit by soaring butadiene cost: We believe Kumho Petrochemical will post a 1Q operating profit of KRW60.4b (up 3,782% q-q), missing consensus (KRW73.4b; FnGuide) by 18%. The miss likely stemmed from a sharp, short-term spike in butadiene prices, which outpaced the company's gradual price hikes.

- At the synthetic rubber and synthetic resin divisions, operating profit likely came in at KRW16b (operating margin down 0.2%pts q-q to 2.4%) and KRW5.5b (operating margin up 5.7%pts q-q to 2.1%). Although one-off factors dissipated q-q, the butadiene cost surge likely weighed on profitability.
- Phenol subsidiary Kumho P&B likely incurred an operating loss of KRW18.6b (operating margin up 1.4%pts q-q to -4.7%). Weak phenol/acetone spreads likely kept it in the red.
- Operating profit at Kumho Polychem likely stood at KRW17.7b (operating margin down 2%pts q-q to 8.7%).

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	6,915	7,435	7,818	7,982
Operating profit	272	310	373	439
Net profit (adj)	291	405	426	443
EPS (adj) (KRW)	9,843	14,279	15,601	16,217
EPS (adj) growth (% y-y)	-13.1	45.1	9.3	4.0
EBITDA margin (%)	8.5	8.3	8.5	9.0
ROE (%)	4.7	6.4	6.4	6.3
P/E (adj) (x)	12.3	9.4	8.6	8.2
P/B (x)	0.5	0.5	0.5	0.5
EV/EBITDA (x)	5.5	5.6	4.8	4.0
Dividend yield (%)	1.4	1.9	1.9	1.9

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW175,000	30.9%
Current price	**KRW133,700**	
Market cap	KRW3.4t/USD2.3b	
Shares (float)	25,157,325 (59.3%)	
52-week high/low	KRW153,400/KRW103,600	
Avg daily trading value (60-day)	KRW16.7b/ USD11.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kumho Petrochemical (%)	15.0	22.1	15.3
Vs Kospi (%pts)	3.6	-26.7	-53.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	175,000	190,000	-7.9%
2026E EPS	14,279	14,279	0.0%
2027E EPS	15,601	15,601	0.0%

SAMSUNG vs THE STREET

No of estimates	13
Target price	174,308
Recommendation	3.9

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

- The energy and 'others' divisions likely recorded a combined operating profit of KRW39.9b (operating margin up 21.5%pts q-q to 20.1%) on elimination of one-off costs recognized in 4Q25.

NB Latex export prices jump in April: Following the escalation of conflict in the Middle East, soaring butadiene prices and supply disruptions forced Kumho Petrochemical to cut utilization rates and mark up prices. As a result, NB Latex export prices leapt 79% to USD1,548/tonne in April (based on Apr 1-10 data) from USD864/tonne in March. While full April export volume remains to be confirmed, we believe the company is now actively passing on higher costs to clients from 2Q26.

View—ROE to trend higher in 2026: Reflecting sluggish 1Q results, we revise down 2026 ROE forecast from 7% to 6.4% and lower our forward P/B multiple from 0.67x to 0.61x (0.75 standard deviation below its post-2013 average), which pushes our target price down 8% (from KRW190,000 to KRW175,000). However, our BUY rating remains unchanged, as operating results should head north from 2Q and the firm's full-year ROE recovery should be still on track.

Kumho Petrochemical: P/B valuation

(KRW)	Old	New	Details
Target P/B (x)	0.67	0.61	0.75 standard deviations below post-2013 average
12MF BPS	282,823	287,262	Revised up by 2.0%; assuming the cancellation of 10.1% (3/4 of the 13.4% treasury shares)
Fair price per share	**190,805**	**175,587**	
Target price	**190,000**	**175,000**	**Revised down by 8.0%**
Current price		133,700	As of Apr 15 close
Upside (%)		30.9	
2026 implied P/E (x)	13.3	12.3	
2027 implied P/E (x)	12.2	11.2	

Source: Samsung Securities estimates

Kumho Petrochemical: Quarterly results

(KRWb)	1Q26E	4Q25	1Q25	Consensus	Diff (%)		
					(% q-q)	(% y-y)	Consensus
Sales	1,742	1,590	1,908	1,713	9.6	-8.7	1.7
Operating profit	60	2	121	73	3,782.4	-49.9	-17.7
Pre-tax profit	80	-4	157	93	To turn pos	-48.8	-13.5
Net profit	67	1	125	83	4,553.2	-46.2	-19.1
Attributable to parent	67	1	125	81	4,618.3	-46.3	-17.5
Margins (%)							
Operating profit	3.5	0.1	6.3	4.3			
Pre-tax profit	4.6	-0.3	8.2	5.4			
Net profit	3.9	0.1	6.5	4.8			
Attributable to parent	3.9	0.1	6.5	4.8			

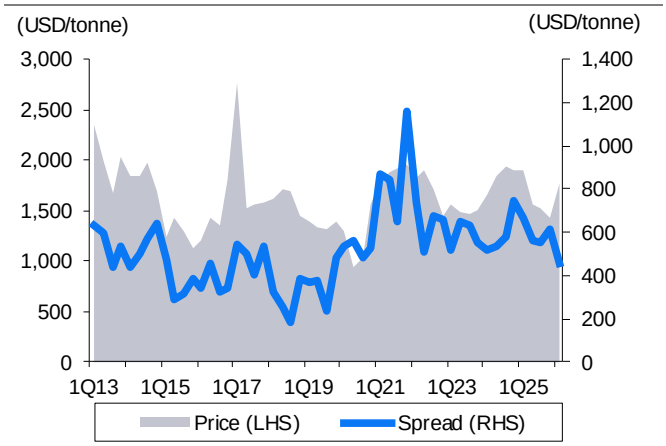
Source: Company data, FnGuide, Samsung Securities estimates

Kumho Petrochemical: Quarterly results, by division

(KRWb)	1Q26E	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**1,742**	**1,590**	**1,908**	**9.6**	**-8.7**
Synthetic rubber	675	607	757	11.1	-10.9
Synthetic resin	268	266	336	0.8	-20.1
Kumho P&B	396	365	432	8.6	-8.3
Kumho Polychem	204	186	188	10.0	8.7
Energy/others	199	166	196	19.6	1.6
Operating income	**60**	**2**	**121**	**3,782.4**	**-49.9**
Synthetic rubber	16	16	46	1.0	-65.3
Synthetic resin	6	-10	5	To turn pos	6.3
Kumho P&B	-19	-22	2	To remain neg	To turn neg
Kumho Polychem	18	20	24	-10.6	-25.9
Energy/others	40	-2	44	To turn pos	-8.6
Pre-tax profit	80	-4	157	To turn pos	-48.8
Net income	**67**	**1**	**125**	**4,553.2**	**-46.2**
Margins (%)					
Operating profit	3.5	0.1	6.3		
Synthetic rubber	2.4	2.6	6.1		
Synthetic resin	2.1	-3.6	1.5		
Kumho P&B	-4.7	-6.1	0.4		
Kumho Polychem	8.7	10.7	12.7		
Energy/others	20.1	-1.4	22.3		
Pre-tax profit	4.6	-0.3	8.2		
Net profit	3.9	0.1	6.5		

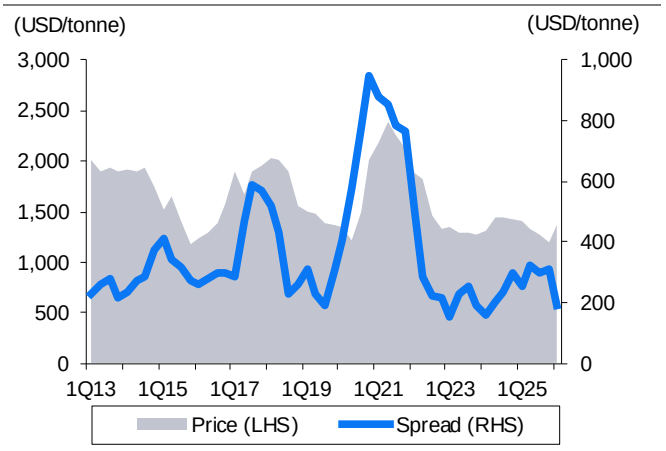
Source: Company data, Samsung Securities estimates

SBR prices vs SBR-SM/BD spread*



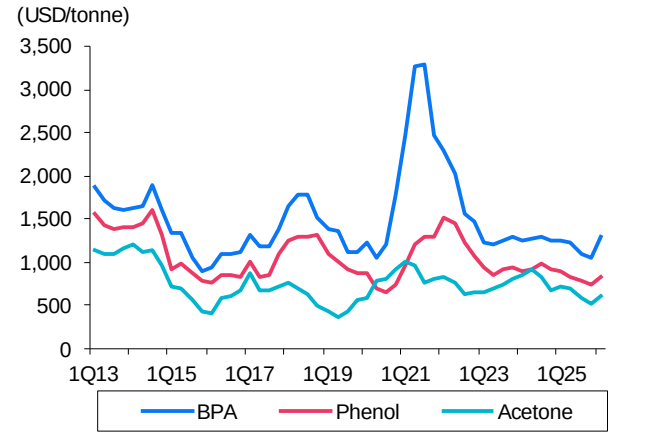
Source: Industry data, Samsung Securities

ABS prices vs ABS-AN/SM/BD spread*



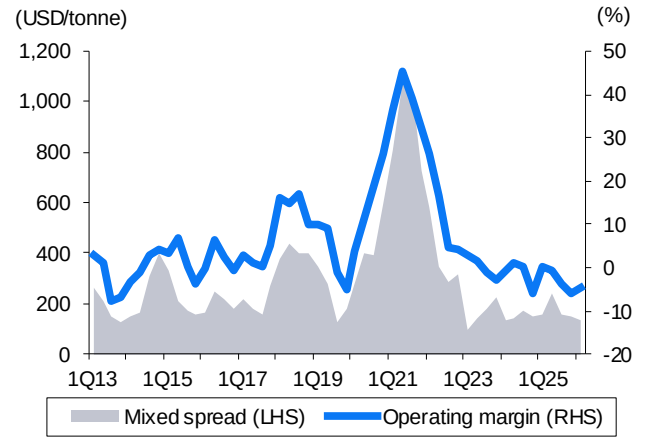
Source: Industry data, Samsung Securities

Prices of phenol and related products



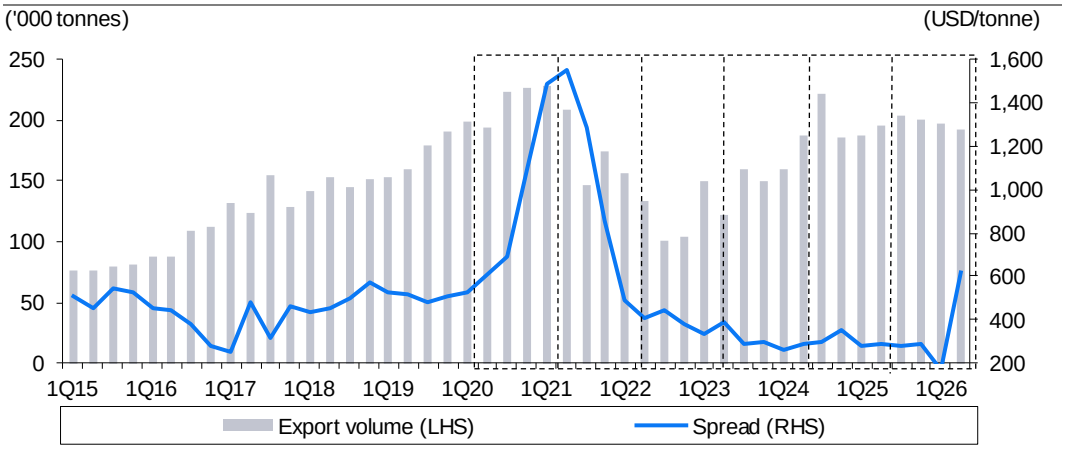
Source: Industry data, Cischem, Samsung Securities

Kumho P&B: Mixed spread and operating margin



Source: Company data, Samsung Securities

NB latex: Quarterly volume and spread



Source: KITA, TRASS, Platts, Samsung Securities

Kumho Petrochemical: 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	1,459	1,420	1,380	1,335	1,365	1,422	1,398	1,335
Sales	**1,908**	**1,773**	**1,644**	**1,590**	**1,742**	**1,690**	**2,081**	**1,921**	**7,155**	**6,915**	**7,435**	**7,818**
Chg (% q-q)	5.6	-7.1	-7.3	-3.3	9.6	-3.0	23.1	-7.7				
Chg (% y-y)	14.4	-4.3	-10.1	-12.0	-8.7	-4.7	26.6	20.8	13.2	-3.4	7.5	5.2
Synthetic rubber	757	675	632	607	675	656	790	719	2,795	2,671	2,839	2,903
Synthetic resin	336	298	273	266	268	280	392	352	1,283	1,173	1,291	1,413
Kumho P&B	432	433	379	365	396	363	506	452	1,635	1,608	1,717	1,818
Kumho Polychem	188	181	175	186	204	204	204	204	668	729	817	915
Energy/others	196	187	185	166	199	188	189	194	774	734	770	769
Operating profit	**121**	**65**	**84**	**2**	**60**	**104**	**101**	**45**	**273**	**272**	**310**	**373**
Chg (% q-q)	1,109.5	-45.9	29.4	-98.2	3,782.4	71.3	-2.5	-55.3				
Chg (% y-y)	53.4	-45.3	29.7	-84.4	-49.9	58.7	19.5	2,797.0	-24.0	-0.4	14.0	20.5
Synthetic rubber	46	9	31	16	16	41	27	12	101	102	96	106
Chg (% q-q)	150.0	-81.5	267.1	-49.4	1.0	157.7	-33.8	-56.5				
Chg (% y-y)	83.3	-81.8	191.6	-14.1	-65.3	384.0	-12.7	-25.0	4.1	0.7	-5.2	10.5
Synthetic resin	5	5	4	-10	6	7	4	-8	-18	5	9	2
Chg (% q-q)	Turned pos	1.9	-17.0	Turned neg	To turn pos	32.0	-46.7	To turn neg				
Chg (% y-y)	Turned pos	341.7	Turned pos	Remained neg	6.3	37.7	-11.7	To remain neg	Remained neg	Turned pos	69.8	-79.1
Kumho P&B	2	-2	-14	-22	-19	-13	0	-14	-18	-37	-47	-13
Chg (% q-q)	Turned pos	Turned neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	To remain neg				
Chg (% y-y)	Turned pos	Turned neg	Turned neg	Remained neg	To turn neg	To remain neg	To remain neg	To remain neg	Turned neg	Remained neg	To remain neg	To remain neg
Kumho Polychem	24	15	20	20	18	23	22	18	70	79	81	98
Chg (% q-q)	127.6	-37.2	34.7	-2.0	-10.6	28.8	-1.8	-18.2				
Chg (% y-y)	3.0	-33.0	44.3	88.6	-25.9	52.1	10.9	-7.5	-18.9	12.6	3.0	20.7
Energy/others	44	39	43	-2	40	45	48	37	138	123	170	180
Chg (% q-q)	204.8	-34.5	-11.9	-42.4	123.8	42.4	15.2	8.7				
Chg (% y-y)	54.4	20.3	-29.2	1.2	-25.7	61.7	111.5	298.9	-38.1	9.8	69.6	13.3
Pre-tax profit	157	68	128	-4	80	152	147	107	408	349	486	511
Chg (% q-q)	-61.4	-57.1	90.1	Turned neg	-76.9	88.6	-3.3	-27.5				
Chg (% y-y)	30.7	-56.6	108.3	Turned neg	-48.8	124.7	14.4	To turn pos	-16.0	-14.4	39.2	5.2
Net profit	**125**	**58**	**107**	**1**	**67**	**127**	**122**	**89**	**349**	**291**	**405**	**426**
Chg (% q-q)	103.5	-53.8	85.2	-98.7	4,553.2	88.6	-3.3	-27.5				
Chg (% y-y)	21.7	-56.1	101.2	-97.6	-46.2	119.3	14.5	6,059.3	-22.0	-16.5	39.2	5.2
Attrib. to parent company	125	58	107	1	67	127	122	89	349	291	405	426
Margins (%)												
Operating profit	6.3	3.7	5.1	0.1	3.5	6.1	4.8	2.3	3.8	3.9	4.2	4.8
Synthetic rubber	6.1	1.3	4.9	2.6	2.4	6.3	3.4	1.6	3.6	3.8	3.4	3.7
Synthetic resin	1.5	1.8	1.6	-3.6	2.1	2.6	1.0	-2.1	-1.4	0.5	0.7	0.1
Kumho P&B	0.4	-0.5	-3.8	-6.1	-4.7	-3.6	-0.1	-3.2	-1.1	-2.3	-2.7	-0.7
Kumho Polychem	12.7	8.3	11.5	10.7	8.7	11.2	11.0	9.0	10.5	10.8	9.9	10.7
Energy/others	22.3	20.7	23.3	-1.4	20.1	24.2	25.2	19.0	17.9	16.8	22.1	23.4
Pre-tax profit	8.2	3.8	7.8	-0.3	4.6	9.0	7.1	5.5	5.7	5.0	6.5	6.5
Net profit	6.5	3.3	6.5	0.1	3.9	7.5	5.9	4.6	4.9	4.2	5.4	5.4

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**7,155**	**6,915**	**7,435**	**7,818**	**7,982**
Cost of goods sold	6,569	6,311	6,768	7,069	7,160
Gross profit	**586**	**604**	**667**	**749**	**822**
Gross margin (%)	8.2	8.7	9.0	9.6	10.3
SG&A expenses	313	332	357	375	383
Operating profit	**273**	**272**	**310**	**373**	**439**
Operating margin (%)	3.8	3.9	4.2	4.8	5.5
Non-operating gains (losses)	**135**	**77**	**176**	**137**	**92**
Financial profit	77	54	121	48	47
Financial costs	70	70	70	67	66
Equity-method gains (losses)	93	131	151	166	111
Other	33	-38	-26	-9	0
Pre-tax profit	**408**	**349**	**486**	**511**	**531**
Taxes	59	58	81	85	88
Effective tax rate (%)	14.5	16.6	16.6	16.6	16.6
Profit from continuing operations	349	291	405	426	443
Profit from discontinued operations	0	0	0	0	0
Net profit	**349**	**291**	**405**	**426**	**443**
Net margin (%)	4.9	4.2	5.4	5.4	5.5
Net profit (controlling interests)	349	291	405	426	443
Net profit (non-controlling interests)	-0	-0	-0	-0	-0
EBITDA	548	589	614	666	721
EBITDA margin (%)	7.7	8.5	8.3	8.5	9.0
EPS (parent-based) (KRW)	11,321	9,843	14,279	15,601	16,217
EPS (consolidated) (KRW)	11,320	9,843	14,278	15,600	16,217
Adjusted EPS (KRW)*	11,321	9,843	14,279	15,601	16,217

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**2,711**	**2,742**	**2,873**	**3,232**	**3,604**
Cash & equivalents	429	650	494	730	1,050
Accounts receivable	869	725	857	901	920
Inventories	958	859	977	1,027	1,049
Other current assets	454	507	545	573	585
Fixed assets	**5,629**	**5,733**	**5,800**	**5,857**	**5,887**
Investment assets	1,213	1,411	1,500	1,566	1,594
Tangible assets	4,102	3,927	3,912	3,909	3,915
Intangible assets	38	42	34	28	24
Other long-term assets	277	354	354	354	354
Total assets	**8,340**	**8,474**	**8,673**	**9,089**	**9,491**
Current liabilities	**1,534**	**1,366**	**1,291**	**1,343**	**1,365**
Accounts payable	544	419	450	473	483
Short-term debt	346	288	288	288	288
Other current liabilities	645	660	554	582	595
Long-term liabilities	**764**	**861**	**884**	**900**	**907**
Bonds & long-term debt	428	447	447	447	447
Other long-term liabilities	336	414	437	453	460
Total liabilities	**2,298**	**2,228**	**2,175**	**2,243**	**2,272**
Owners of parent equity	**6,038**	**6,245**	**6,497**	**6,845**	**7,217**
Capital stock	167	167	167	167	167
Capital surplus	404	403	403	403	403
Retained earnings	5,571	5,743	6,104	6,466	6,845
Other	-104	-68	-178	-192	-198
Non-controlling interests' equity	**4**	**1**	**1**	**1**	**1**
Total equity	**6,042**	**6,247**	**6,498**	**6,846**	**7,219**
Net debt	160	-77	-98	-358	-688

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**322**	**715**	**383**	**507**	**592**
Net profit	349	291	405	426	443
Non-cash profit and expenses	251	355	191	161	205
Depreciation	267	308	297	287	278
Amortization	9	10	7	6	4
Other	-24	38	-113	-132	-77
Changes in A/L from operating activities	-297	84	-164	-31	-13
Cash flow from investments	**-259**	**-373**	**-324**	**-308**	**-292**
Change in tangible assets	-435	-194	-282	-283	-284
Change in financial assets	185	-83	-34	-25	-11
Other	-10	-96	-8	-0	3
Cash flow from financing	**-91**	**-121**	**-188**	**-63**	**-64**
Change in debt	60	66	-144	1	0
Change in equity	-0	-0	0	0	0
Dividends	-77	-58	-44	-64	-64
Other	-73	-130	0	-0	0
Change in cash	-23	221	-156	236	319
Cash at beginning of year	452	429	650	494	730
Cash at end of year	429	650	494	730	1,050
Gross cash flow	**599**	**646**	**596**	**587**	**648**
Free cash flow	**-114**	**521**	**101**	**224**	**308**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	13.2	-3.4	7.5	5.2	2.1
Operating profit	-24.0	-0.4	14.0	20.5	17.6
Net profit	-22.0	-16.5	39.2	5.2	4.0
Adjusted EPS**	-18.4	-13.1	45.1	9.3	4.0
Per-share data (KRW)					
EPS (parent-based)	11,321	9,843	14,279	15,601	16,217
EPS (consolidated)	11,320	9,843	14,278	15,600	16,217
Adjusted EPS**	11,321	9,843	14,279	15,601	16,217
BVPS	232,363	244,373	254,429	268,032	282,629
DPS (common)	2,200	1,700	2,500	2,500	2,500
Valuations (x)					
P/E***	8.0	12.3	9.4	8.6	8.2
P/B***	0.4	0.5	0.5	0.5	0.5
EV/EBITDA	5.1	5.5	5.6	4.8	4.0
Ratios (%)					
ROE	5.9	4.7	6.4	6.4	6.3
ROA	4.3	3.5	4.7	4.8	4.8
ROIC	4.7	4.5	5.2	6.1	7.2
Payout ratio	14.5	13.2	13.9	13.2	12.7
Dividend yield (common)	2.4	1.4	1.9	1.9	1.9
Net debt to equity	2.7	-1.2	-1.5	-5.2	-9.5
Interest coverage (x)	8.2	6.2	7.4	9.7	11.4

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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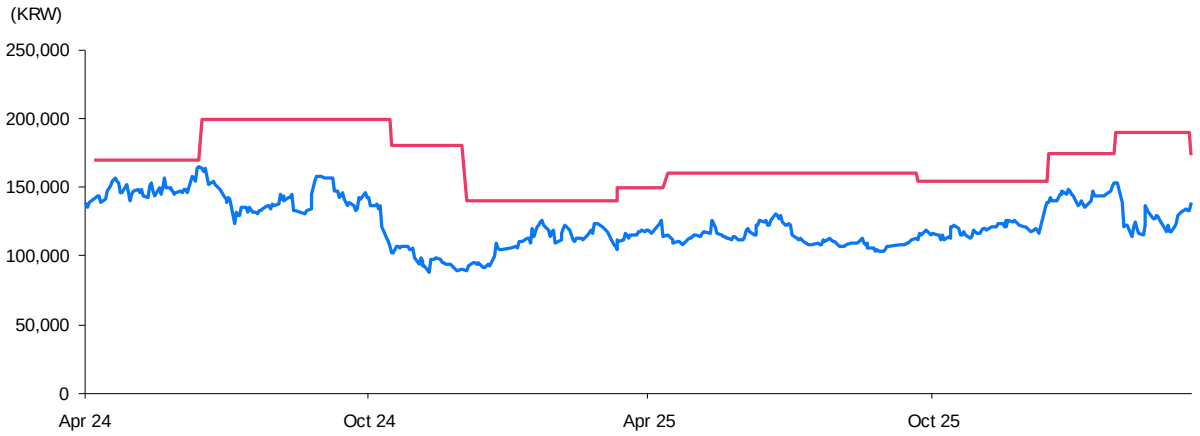
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/29	5/7	7/15	11/14	2025/1/2	4/10	5/12	10/21	2026/1/14	2/26	4/16
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	154000	170000	200000	180000	140000	150000	160000	155000	175000	190000	175000
Gap* (average)	-11.30	-12.30	-30.01	-45.45	-20.78	-22.09	-29.07	-22.94	-18.07	-33.52	
(max or min)**	4.87	-2.82	-18.05	-40.33	-10.21	-15.67	-18.56	-10.52	-12.63	-19.26	

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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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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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