COMPANY UPDATE

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SKC (011790)

1Q review: Chemical recovery drives earnings beat

- SKC reported a 1Q operating loss of KRW28.7b (narrowing KRW78.9b q-q), beating consensus (KRW50.4b loss) due to surprise earnings at the chemical unit.
- We raise our target price for the stock by 4% to reflect upward revisions in peer multiples. While quarterly earnings improvements are positive, the sustainability of this trend remains to be confirmed. We maintain our HOLD rating.

WHAT'S THE STORY?

View—Quarterly earnings improvements positive, but sustainability requires further confirmation: Reflecting recent valuation increases among peer companies, we raise our target price for SKC by 4% to KRW140,000 (based on SOTP valuation). While the recent earnings recovery is positive, it may be partially driven by short-term spillover effects from the Middle East conflict, and thus, the durability of profitability improvement needs to be verified. We shall upgrade the stock to BUY once a clear and visible path to operating profit turnaround emerges. Until then, we maintain HOLD.

1Q review—beats consensus: SKC reported a 1Q operating loss of KRW28.7b (narrowing KRW78.9b q-q), topping consensus (KRW50.4b loss, FnGuide) and our estimate (KRW50.4b loss). The majority of the upside, KRW18.6b of the KRW21.7b total beat, came from the chemicals unit.

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW140,000	12.3%
Current price	**KRW124,700**	
Market cap	KRW4.7t/USD3.2b	
Shares (float)	49,598,298 (50.7%)	
52-week high/low	KRW126,704/KRW80,835	
Avg daily trading value (60-day)	KRW39.1b/ USD26.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SKC (%)	34.4	17.7	27.1
Vs Kospi (%pts)	10.5	-28.1	-51.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	140,000	126,892	10.3%
2026E EPS	-6,240	-6,240	0.0%
2027E EPS	-1,352	-1,352	0.0%

SAMSUNG vs THE STREET

No of estimates	1
Target price	135,000
Recommendation	3.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	496.6	13.3	16.0	0.0	4.8
Operating profit	-28.7	nm	nm	nm	nm
Pre-tax profit	-68.9	nm	nm	nm	nm
Net profit	-77.0	nm	nm	nm	nm
Margins (%)					
Operating profit	-5.8				
Pre-tax profit	-13.9				
Net profit	-15.5				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	n/a	n/a	n/a
P/B	4.3	10.6	12.1
EV/EBITDA	n/a	72.1	30.0
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	nm	nm	nm
ROE (%)	-73.3	-41.6	-13.3
Per-share data (KRW)			
EPS	-18,219	-6,240	-1,352
BVPS	22,944	11,738	10,273
DPS	0	0	0

- **SK Nexilis:** SKC's wholly-owned copper foil subsidiary SK Nexilis posted an operating loss of KRW32.6b (the loss diminished KRW34.3b q-q; for an operating margin of -20.8%). Its sales volume climbed 26% q-q, driven by stronger demand for ESS products in North America. ESS-related sales now account for 47% of total.
- **Semiconductor materials:** Operating profit expanded 8% q-q to KRW23.6b (for an operating margin of 34.6%). While equipment sales declined q-q due to delays in the timing of customers' capex and order placement/delivery, socket sales remained solid on strong demand from AI data centers.
- **Chemicals:** The chemicals unit posted an operating profit of KRW9.6b (up KRW40.4b q-q). Growing sales of PG and rising SM prices—both driven by Middle East supply disruptions—were the primary contributors to the improvement.

2Q preview—Losses to narrow: We believe that SKC will further narrow operating loss by KRW12.8b q-q to KRW15.9b in 2Q. Operating loss at SK Nexilis should narrow by KRW3.6b q-q to KRW29b (for an operating margin of -12%), backed by: 1) a 50% q-q rebound in sales volume amid strong demand for ESS; and 2) operating margin improvements thanks to higher utilization rates at its lucrative Malaysia facility. The semiconductor materials business should maintain high profitability, growing operating profit by 2% q-q to KRW24b, whereas the chemicals unit should see its profit rise by KRW4.9b q-q to KRW14.5b on strong PG spreads.

SKC: Sum-of-the-parts valuation

(KRWb)	Forward EBITDA	Multiples (x)	EV	Note
Operating value (A)				
Chemicals	59	9.5	286	Peers (BASF, DowDuPont, LyondellBasell, Shin-Etsu)
Semiconductor materials			673	Applying a 70% NAV discount rate to the 45.03% stake in ISC
SK Nexilis	192	24.2	4,634	Peers (Korean copper foil makers**); **revised up from 19.8x**
Glass substrate*	77	38.5	2,961	Peers (100% premium on Substrate makers***); **revised up from 32.1x**
Silicon anode materials*	11	34.1	384	Peers (Korean cathode/anode makers****); **revised up from 32.1x**
Eco-friendly materials*	37	8.2	304	Peers (DowDuPont, Eastman Chemical); **revised down from 8.7x**
Total	**376**	**24.6**	**9,243**	
Asset value (B)			**116**	**30% discount**
Net debt (C)			**2,509**	**End-2025E**
Fair market cap (D=A+B-C)			**6,849**	
Outstanding shares ('000)			49,598	
Fair value per share (KRW)			138,090	
Target price (KRW)			**140,000**	**Revised up by 4% (from KRW135,000)**
Current price (KRW)			124,700	As of Apr 27 close
Upside (%)			12.3	
2026 implied P/E (x)			nm	
2027 implied P/E (x)			nm	
2026 implied P/B (x)			11.9	
2027 implied P/B (x)			13.6	

Note: *Present value discount of 2027 EBITDA;
**Lotte Energy Materials, Solus Advanced Materials;
***TSMC, DNP (Dai Nippon Printing), Jusung Engineering, EO Technics;
****Posco Future M, Ecopro BM, L&F, Chunbo

Source: Bloomberg, Samsung Securities estimates

SKC: Quarterly results

(KRWb)	1Q26	4Q25	1Q25	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	497	428	438	474	474	16.0	13.3	4.8	-20.8
Operating profit	-29	-108	-74	-50	-50	Remained neg	Remained neg	Remained neg	Remained neg
Pre-tax profit	-69	-469	-127	-97	-97	Remained neg	Remained neg	Remained neg	Remained neg
Net profit	-76	-499	-118	-97	-97	Remained neg	Remained neg	Remained neg	Remained neg
Attr. to parent	-82	-542	-105	-97	-97	Remained neg	Remained neg	Remained neg	Remained neg
Margins (%)									
Operating profit	-5.8	-25.1	-17.0	-10.5	-10.6				
Pre-tax profit	-13.9	-109.5	-29.0	-20.5	-20.4				
Net profit	-15.2	-116.4	-26.9	-20.5	-20.5				
Attr. to parent	-16.4	-126.6	-23.9	-20.5	-20.4				

Source: Company data, Samsung Securities estimates

SKC: Quarterly results, by division

(KRWb)	1Q26	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**497**	**428**	**438**	**16.0**	**13.3**
Chemicals	157	113	99	38.5	59.0
Semiconductor materials	68	72	44	-5.5	54.9
SK Nexilis	271	248	295	9.4	-8.2
Operating profit	**-29**	**-108**	**-74**	**Remained neg**	**Remained neg**
Chemicals	-33	-67	-35	Remained neg	Remained neg
Semiconductor materials	24	22	7	7.8	247.1
SK Nexilis	10	-31	-18	Turned pos	Turned pos
Other	-29	-32	-28	Remained neg	Remained neg
Pre-tax profit	-69	-469	-127	Remained neg	Remained neg
Net profit	**-76**	**-499**	**-118**	**Remained neg**	**Remained neg**
Margins (%)					
Operating profit	-5.8	-25.1	-17.0		
Chemicals	-20.8	-59.0	-35.1		
Semiconductor materials	34.6	30.3	15.4		
SK Nexilis	3.5	-12.4	-6.2		
Pre-tax profit	-13.9	-109.5	-29.0		
Net profit	-15.2	-116.4	-26.9		

Source: Company data, Samsung Securities

SKC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	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	**438**	**467**	**506**	**428**	**497**	**587**	**581**	**573**	**1,718**	**1,840**	**2,237**	**2,542**
Growth (% q-q)	3.2	6.6	8.3	-15.4	16.0	18.1	-1.0	-1.4				
Growth (% y-y)	9.9	3.9	13.9	0.8	13.3	25.5	14.8	33.8	9.4	7.1	21.6	13.6
Chemicals	295	275	274	248	271	280	275	269	1,187	1,091	1,095	1,055
Semiconductor materials	44	61	65	72	68	69	74	78	210	242	291	334
SK Nexilis	99	127	167	113	157	237	232	227	318	506	853	1,154
Absolics								8			8	144
Other	1	4	1	-5	1	0	-1	-9	3	1	-9	-146
Operating profit	**-74**	**-70**	**-53**	**-108**	**-29**	**-16**	**-11**	**-12**	**-276**	**-305**	**-68**	**96**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	Remained neg	Remained neg	To remain neg	To turn pos
Chemicals	-18	-16	-7	-31	10	14	6	-3	-53	-73	28	18
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Turned pos	50.6	-56.3	To turn neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Remained neg	Turned pos	To turn pos	To turn pos	To remain neg	Remained neg	Remained neg	To turn pos	-36.3
Semiconductor materials	7	14	17	22	24	24	24	24	45	61	95	107
Growth (% q-q)	-16.0	111.8	21.0	25.7	7.8	1.9	-2.2	2.1				
Growth (% y-y)	-16.0	-0.7	25.3	170.4	247.1	66.9	34.9	9.6	237.9	35.7	57.2	12.9
SK Nexilis	-35	-38	-35	-67	-33	-29	-17	-10	-151	-175	-88	50
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	Remained neg	Remained neg	To remain neg	To turn pos
Absolics								1			1	43
Growth (% q-q)								To remain neg				
Growth (% y-y)												5,300.0
Other	-28	-30	-28	-32	-29	-25	-24	-24	-117	-118	-103	-122
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	Remained neg	Remained neg	To remain neg	To remain neg
Pre-tax profit	-127	-172	-131	-469	-69	-67	-62	-74	-661	-899	-272	-58
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	Remained neg	Remained neg	To remain neg	To remain neg
Net profit	**-118**	**-4**	**-99**	**-499**	**-76**	**-64**	**-59**	**-70**	**-455**	**-719**	**-269**	**-55**
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	Remained neg	Remained neg	To remain neg	To remain neg
Attr. to parent	-105	3	-91	-542	-82	-69	-63	-71	-443	-734	-285	-67
Growth (% q-q)	Remained neg	Turned pos	Turned neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Turned pos	Remained neg	Remained neg	Remained neg	To turn neg	To remain neg	To remain neg	Remained neg	Remained neg	To remain neg	To remain neg
Margins (%)												
Operating profit	-17.0	-15.0	-10.4	-25.1	-5.8	-2.7	-2.0	-2.1	-16.1	-16.6	-3.0	3.8
Chemicals	-6.2	-5.8	-2.7	-12.4	3.5	5.2	2.3	-1.0	-4.4	-6.7	2.5	1.7
Semiconductor materials	15.4	23.8	27.0	30.3	34.6	34.6	31.6	30.6	21.3	25.1	32.7	32.1
SK Nexilis	-35.1	-29.9	-21.0	-59.0	-20.8	-12.3	-7.3	-4.3	-47.3	-34.5	-10.4	4.3
Absolics								10.0			10.0	30.0
Pre-tax profit	-29.0	-36.9	-25.8	-109.5	-13.9	-11.4	-10.7	-12.9	-38.5	-48.9	-12.2	-2.3
Net profit	-26.9	-0.9	-19.6	-116.4	-15.2	-10.8	-10.2	-12.3	-26.5	-39.1	-12.0	-2.2

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**1,718**	**1,840**	**2,237**	**2,542**	**2,977**
Cost of goods sold	1,743	1,859	1,971	2,058	2,254
Gross profit	**-25**	**-19**	**267**	**483**	**722**
Gross margin (%)	-1.5	-1.0	11.9	19.0	24.3
SG&A expenses	250	286	334	387	449
Operating profit	**-276**	**-305**	**-68**	**96**	**273**
Operating margin (%)	-16.1	-16.6	-3.0	3.8	9.2
Non-operating gains (losses)	**-263**	**-458**	**-203**	**-154**	**-121**
Financial profit	87	87	46	111	159
Financial costs	356	267	220	239	260
Equity-method gains (losses)	-14	-33	-27	-21	-17
Other	20	-244	-2	-4	-4
Pre-tax profit	**-539**	**-763**	**-271**	**-58**	**152**
Taxes	-84	-44	-2	-3	7
Effective tax rate (%)	15.5	5.7	0.6	4.9	4.9
Profit from continuing operations	-577	-855	-270	-55	145
Profit from discontinued operations	122	136	1	0	0
Net profit	**-455**	**-719**	**-269**	**-55**	**145**
Net margin (%)	-26.5	-39.1	-12.0	-2.2	4.9
Net profit (controlling interests)	-443	-734	-285	-67	127
Net profit (non-controlling interests)	-12	15	16	12	17
EBITDA	-99	-118	124	300	486
EBITDA margin (%)	-5.8	-6.4	5.5	11.8	16.3
EPS (parent-based) (KRW)	-11,002	-18,219	-6,240	-1,352	2,562
EPS (consolidated) (KRW)	-11,289	-17,846	-5,886	-1,111	2,914
Adjusted EPS (KRW)*	-11,002	-18,219	-6,240	-1,352	2,562

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,520**	**1,779**	**2,190**	**2,679**	**3,439**
Cash & equivalents	404	783	979	1,304	1,829
Accounts receivable	218	244	297	337	395
Inventories	235	340	413	470	550
Other current assets	664	412	500	568	665
Fixed assets	**5,228**	**4,961**	**5,023**	**5,042**	**5,060**
Investment assets	220	165	169	191	223
Tangible assets	3,240	3,099	3,198	3,232	3,255
Intangible assets	1,493	1,326	1,285	1,247	1,211
Other long-term assets	275	371	371	371	371
Total assets	**6,749**	**6,740**	**7,213**	**7,721**	**8,499**
Current liabilities	**2,211**	**2,438**	**2,601**	**2,696**	**2,833**
Accounts payable	122	105	128	145	170
Short-term debt	1,151	1,177	1,177	1,177	1,177
Other current liabilities	939	1,156	1,296	1,374	1,486
Long-term liabilities	**2,245**	**2,277**	**2,865**	**3,332**	**3,829**
Bonds & long-term debt	1,908	1,820	2,320	2,720	3,120
Other long-term liabilities	337	457	545	612	709
Total liabilities	**4,456**	**4,715**	**5,466**	**6,029**	**6,662**
Owners of parent equity	**1,172**	**832**	**538**	**470**	**598**
Capital stock	189	189	189	189	189
Capital surplus	279	207	207	207	207
Retained earnings	686	-51	-336	-403	-276
Other	19	486	477	477	477
Non-controlling interests' equity	**1,120**	**1,194**	**1,210**	**1,222**	**1,239**
Total equity	**2,293**	**2,026**	**1,747**	**1,692**	**1,837**
Net debt	2,914	2,722	3,016	3,054	2,877

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-200**	**-568**	**-3**	**202**	**427**
Net profit	-455	-719	-269	-55	145
Non-cash profit and expenses	316	591	358	371	394
Depreciation	131	143	151	165	177
Amortization	46	44	41	38	36
Other	139	404	166	168	181
Changes in A/L from operating activities	84	-224	46	36	51
Cash flow from investments	**17**	**292**	**-309**	**-242**	**-266**
Change in tangible assets	-658	-282	-250	-200	-200
Change in financial assets	-236	61	-59	-45	-64
Other	911	514	-0	3	-2
Cash flow from financing	**-2**	**631**	**547**	**407**	**411**
Change in debt	188	125	547	407	411
Change in equity	-6	-71	0	0	0
Dividends	-3	-9	0	0	0
Other	-181	586	0	0	0
Change in cash	-127	380	196	325	525
Cash at beginning of year	531	404	783	979	1,304
Cash at end of year	404	783	979	1,304	1,829
Gross cash flow	**-140**	**-128**	**90**	**316**	**538**
Free cash flow	**-867**	**-852**	**-253**	**2**	**227**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	15.0	7.1	21.6	13.6	17.1
Operating profit	nm	nm	nm	nm	184.2
Net profit	nm	nm	nm	nm	nm
Adjusted EPS**	nm	nm	nm	nm	nm
Per-share data (KRW)					
EPS (parent-based)	-11,002	-18,219	-6,240	-1,352	2,562
EPS (consolidated)	-11,289	-17,846	-5,886	-1,111	2,914
Adjusted EPS**	-11,002	-18,219	-6,240	-1,352	2,562
BVPS	32,328	22,944	11,738	10,273	13,047
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	n/a	n/a	n/a	48.7
P/B***	3.1	4.3	10.6	12.1	9.6
EV/EBITDA	n/a	n/a	72.1	30.0	18.2
Ratios (%)					
ROE	-34.3	-73.3	-41.6	-13.3	23.8
ROA	-6.6	-10.7	-3.9	-0.7	1.8
ROIC	-4.6	-5.9	-1.4	1.9	5.3
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	127.1	134.4	172.6	180.5	156.6
Interest coverage (x)	-1.6	-1.8	-0.4	0.5	1.2

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	2024/2/7	5/3	9/12	2025/2/12	5/19	11/5	2026/4/27
Recommendation	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	89294	131591	140991	164489	108093	126892	140000
Gap* (average)	13.07	-0.24	-12.47	-33.86	-11.14	-19.86	
(max or min)**	52.95	39.50	16.33	-7.37	17.22	-3.86	

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%)

Global Disclosures & Disclaimers

General

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