COMPANY UPDATE

2026. 4. 29

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Lotte Fine Chemical (004000)

1Q review; ROE to surge 2.4x y-y in 2026

- Lotte Fine Chemical (LFC) reported a 1Q operating profit of KRW32.7b (up 69% q-q), beating consensus by 17%, driven by advance demand amid geopolitical risks and inventory gains from rising ammonia prices.
- Raising our 2026 ROE forecast from 7.0% to 10.7%, we lift our target price (based on ROE-P/B valuation) by 26%. Given the encouraging trajectory of ROE improvement, we maintain our BUY rating.

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AT A GLANCE

BUY

Target price	KRW82,000	15.2%
Current price	KRW71,200	
Market cap	KRW1.8t/USD1.2b	
Shares (float)	25,800,000 (55.2%)	
52-week high/low	KRW71,200/KRW34,750	
Avg daily trading value (60-day)	KRW5.9b/ USD4.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Fine Chemical (%)	37.5	49.7	100.8
Vs Kospi (%pts)	11.7	-8.7	-23.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	82,000	65,000	26.2%
2026E EPS	10,543	10,543	0.0%
2027E EPS	8,213	8,213	0.0%

SAMSUNG vs THE STREET

No of estimates	7
Target price	67,857
Recommendation	4.0

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

WHAT'S THE STORY?

1Q results beat consensus: Lotte Fine Chemical (LFC) reported a 1Q operating profit of KRW32.7b (up 69% q-q), beating consensus (KRW28.1b; FnGuide) by 17% and our estimate (KRW29.5b) by 11%. Operating profit at the chlorine relatives business likely rose 265% q-q to KRW6.9b, supported by reduced ECH losses and improved TMAC profitability. Operating profit at the cellulose relatives business likely increased 47% q-q to KRW9.8b, as sales surged amid inventory restocking by clients for industrial-use products. At the ammonia relatives business, operating profit likely grew 49% q-q to KRW16.1b, with profitability buoyed by higher international prices. Pre-tax profit came to KRW55.4b (up 85% q-q), beating consensus by 34%, as equity-method income rebounded sharply (up 107% q-q to KRW12.4b) on AA and VAM strengths.

(Continued on the next page)

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	510.7	14.6	16.3	0.0	6.2
Operating profit	32.7	74.1	69.4	0.0	16.5
Pre-tax profit	55.4	63.5	84.8	0.0	34.3
Net profit	44.7	57.5	65.8	0.0	20.4
Margins (%)					
Operating profit	6.4				
Pre-tax profit	10.8				
Net profit	8.8				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	10.8	6.8	8.7
P/B	0.5	0.7	0.6
EV/EBITDA	4.4	5.6	4.5
Div yield (%)	3.4	2.8	3.5
EPS growth (% y-y)	191.6	156.4	-22.1
ROE (%)	4.4	10.7	7.8
Per-share data (KRW)			
EPS	4,112	10,543	8,213
BVPS	95,632	104,148	110,467
DPS	1,500	2,000	2,500

2Q pre-tax profit to beat consensus by 206%: We expect LFC to post a 2Q operating profit of KRW31.5b (down 4% q-q), in line with consensus (KRW33b; FnGuide). The chlorine relatives business is likely to recover further, generating an operating profit of KRW11.9b (up 73% q-q), driven by domestic price hikes for ECH and caustic soda. The cellulose relatives and ammonia relatives businesses should contribute operating profits of KRW6.3b (down 35% q-q) and KRW13.4b (down 17% q-q), respectively. But pre-tax profit will likely amount to KRW154.7b (up 179% q-q), blowing past consensus (KRW50.5b; FnGuide) by 206%, on stronger equity-method income (up 150% q-q to KRW31b) and the recognition of valuation gains from the share price appreciation of Solus Advanced Materials (KRW83.5b).

View—ROE to surge 2.4x y-y in 2026: Considering its strong operating profit, elevated equity-method income, and valuation gains on financial assets, we raise our 2026 ROE forecast from 7.0% to 10.7%. This leads us to lift our target P/B multiple from 0.64x to 0.77x (0.25 standard deviation below post-2011 average P/B) and our target price from KRW65,000 to KRW82,000. The accelerating ROE improvement appears favorable for valuation. We maintain our BUY rating.

Lotte Fine Chemical: Quarterly results

(KRWb)	1Q26	4Q25	1Q25	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	510.7	439.1	445.6	481.0	498.6	16.3	14.6	6.2	2.4
Operating profit	32.7	19.3	18.8	28.1	29.5	69.4	74.1	16.5	10.9
Pre-tax profit	55.4	30.0	33.9	41.3	48.5	84.8	63.5	34.3	14.3
Net profit	44.7	27.0	28.4	37.1	43.7	65.8	57.5	20.4	2.4
Attributable to parent	44.7	27.0	28.4	34.5	43.7	65.8	57.5	29.7	2.4
Margins (%)									
Operating profit	6.4	4.4	4.2	5.8	5.9				
Pre-tax profit	10.8	6.8	7.6	8.6	9.7				
Net profit	8.8	6.1	6.4	7.7	8.8				
Attributable to parent	8.8	6.1	6.4	7.2	8.8				

Source: Company data, FnGuide, Samsung Securities estimates

Lotte Fine Chemical: 1Q review, by division

(KRWb)	1Q26	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**510.7**	**439.1**	**445.6**	**16.3**	**14.6**
Chlorine	183.7	172.9	149.5	6.2	22.9
Cellulose	142.1	121.2	127.4	17.2	11.5
Ammonia trading	184.8	145.0	160.1	27.4	15.4
Operating profit	**32.7**	**19.3**	**18.8**	**69.4**	**74.1**
Chlorine	6.9	1.9	-6.1	265.2	Turned pos
Cellulose	9.8	6.6	12.1	47.3	-19.4
Ammonia trading	16.1	10.8	13.8	48.9	16.2
Pre-tax profit	55.4	30.0	33.9	84.8	63.5
Net profit	**44.7**	**27.0**	**28.4**	**65.8**	**57.5**
Margins (%)					
Operating profit	6.4	4.4	4.2		
Chlorine	3.7	1.1	-4.1		
Cellulose	6.9	5.5	9.5		
Ammonia trading	8.7	7.4	8.6		
Pre-tax profit	10.8	6.8	7.6		
Net profit	8.8	6.1	6.4		

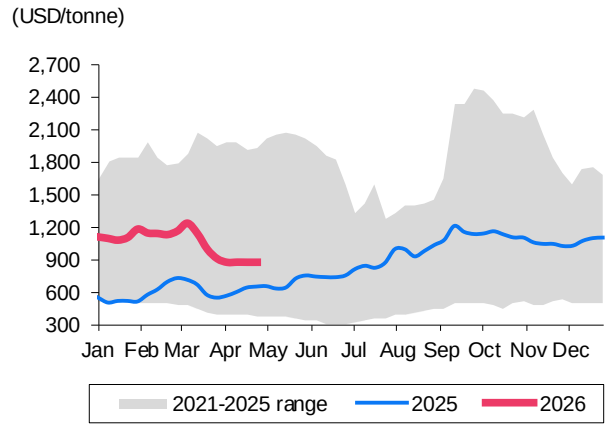
Note: Divisional operating profit figures are Samsung Securities estimates
Source: Company data, Samsung Securities estimates

Lotte Fine Chemical: P/B valuation

(KRW)	Old	New	Note
Target P/B (x)	0.64	0.77	0.25 standard deviations below post-2011 average
Forward BVPS	101,903	106,191	Revised up by 4.2%
Fair price per share	**64,781**	**81,600**	
Target price	**65,000**	**82,000**	**Revised up by 26.2%**
Current price		64,500	As of Apr 28 close
Upside (%)		27.1	
2026 implied P/E (x)	6.2	7.8	
2027 implied P/E (x)	7.9	10.0	

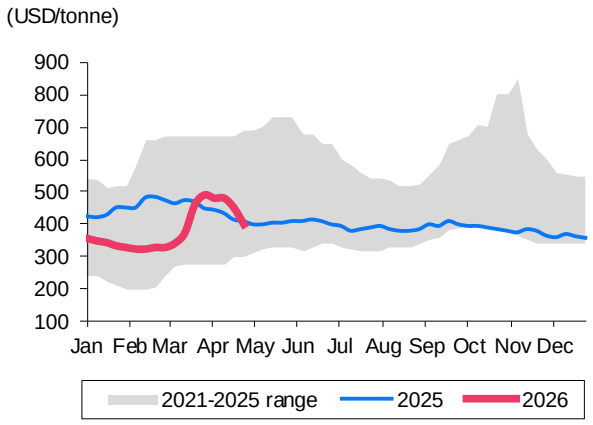
Source: Samsung Securities estimates

ECH-propylene spread (Lotte Fine Chemical)



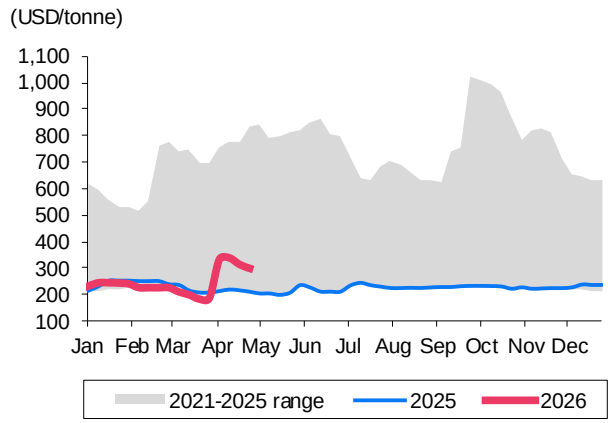
Source: Cischem, S&P Global Platts, Samsung Securities

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



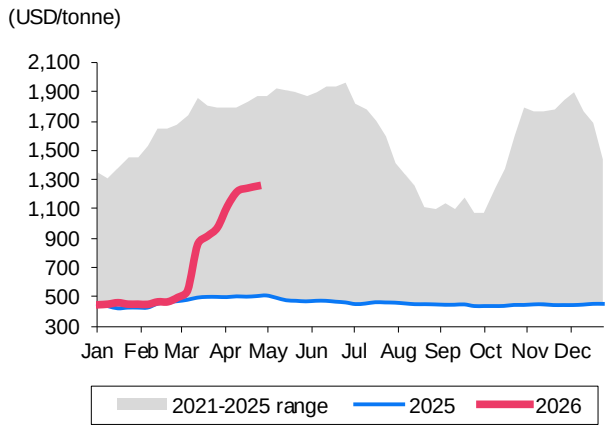
Source: Cischem, S&P Global Platts, Samsung Securities

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: 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	**446**	**425**	**443**	**439**	**511**	**492**	**469**	**451**	**1,671**	**1,753**	**1,923**	**1,917**
Growth (% q-q)	4.0	-4.7	4.4	-1.0	16.3	-3.7	-4.6	-4.0				
Growth (% y-y)	11.6	0.6	5.5	2.4	14.6	15.8	5.9	2.6	-5.5	4.9	9.7	-0.3
Chlorine	150	140	176	173	184	194	179	169	555	638	725	693
Cellulose	127	137	135	121	142	140	139	129	529	521	550	596
Ammonia trading	160	138	133	145	185	158	151	153	556	576	647	628
Electronic materials	9	9							31	18		
Operating profit	**19**	**9**	**28**	**19**	**33**	**32**	**33**	**29**	**50**	**74**	**126**	**159**
Growth (% q-q)	54.4	-53.6	216.5	-30.0	69.4	-3.6	5.0	-13.3				
Growth (% y-y)	74.3	-49.1	167.0	58.6	74.1	262.0	20.1	48.8	-67.5	47.6	69.5	26.5
Chlorine	-6	-6	3	2	7	12	13	11	-55	-8	43	64
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-31.0	265.2	72.9	5.2	-9.8				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	Turned pos	Turned pos	To turn pos	358.0	499.1	Turned neg	Remained neg	To turn pos	50.9
Cellulose	12	7	9	7	10	6	11	8	57	35	35	55
Growth (% q-q)	6.4	-42.5	33.6	-28.7	47.3	-35.8	75.9	-24.5				
Growth (% y-y)	3.4	-54.4	-49.4	-41.7	-19.4	-10.0	18.5	25.6	-43.5	-38.3	1.1	56.2
Ammonia trading	14	12	16	11	16	13	10	9	45	52	48	40
Growth (% q-q)	7.7	-14.8	31.9	-30.6	48.9	-16.7	-28.3	-5.1				
Growth (% y-y)	-4.3	8.4	118.7	-16.0	16.2	13.6	-38.3	-15.6	3.5	14.7	-7.3	-16.9
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	55	155	58	45	26	118	313	243
Growth (% q-q)	30.1	-46.0	94.9	-15.9	-53.0	179.2	-62.8	-21.4				
Growth (% y-y)	-68.0	-66.8	Turned pos	Turned pos	63.5	745.9	61.4	50.7	-89.7	352.1	165.4	-22.2
Net profit	**28**	**16**	**35**	**27**	**45**	**137**	**51**	**39**	**36**	**106**	**272**	**212**
Growth (% q-q)	-22.0	-45.3	126.9	-23.4	-57.9	206.5	-62.4	-24.3				
Growth (% y-y)	-66.0	-64.1	Turned pos	Turned pos	57.5	782.6	46.2	44.6	-80.0	191.6	156.4	-22.1
Attributable to parent	28	16	35	27	45	137	51	39	36	106	272	212
Margins (%)												
Operating profit	4.2	2.1	6.2	4.4	6.4	6.4	7.1	6.4	3.0	4.2	6.6	8.3
Chlorine	-4.1	-4.6	1.6	1.1	3.7	6.1	7.0	6.7	-9.8	-1.2	5.9	9.3
Cellulose	9.5	5.1	6.9	5.5	6.9	4.5	7.9	6.5	10.7	6.7	6.4	9.3
Ammonia trading	8.6	8.5	11.7	7.4	8.7	8.5	6.4	6.0	8.1	9.0	7.4	6.4
Electronic materials	-12.4	-40.2							9.4	-26.8		
Pre-tax profit	7.6	4.3	8.0	6.8	10.8	31.4	12.2	10.0	1.6	6.7	16.3	12.7
Net profit	6.4	3.7	7.9	6.1	8.8	27.9	11.0	8.7	2.2	6.1	14.1	11.1

Note: Divisional operating profit figures are Samsung Securities estimates;
Beginning 3Q25, the Electronic Materials division changed its profit/loss attribution criteria to the Chlorine-based segment
Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**1,671**	**1,753**	**1,923**	**1,917**	**2,049**
Cost of goods sold	1,491	1,547	1,651	1,613	1,714
Gross profit	**179**	**205**	**272**	**304**	**335**
Gross margin (%)	10.7	11.7	14.1	15.8	16.4
SG&A expenses	129	131	146	144	155
Operating profit	**50**	**74**	**126**	**159**	**180**
Operating margin (%)	3.0	4.2	6.6	8.3	8.8
Non-operating gains (losses)	**-24**	**43**	**187**	**84**	**83**
Financial profit	46	33	112	25	24
Financial costs	102	8	0	0	0
Equity-method gains (losses)	19	20	82	65	65
Other	13	-1	-7	-7	-7
Pre-tax profit	**26**	**118**	**313**	**243**	**263**
Taxes	-10	12	41	31	34
Effective tax rate (%)	-39.6	9.9	13.0	12.9	12.8
Profit from continuing operations	36	106	272	212	229
Profit from discontinued operations	0	0	0	0	0
Net profit	**36**	**106**	**272**	**212**	**229**
Net margin (%)	2.2	6.1	14.1	11.1	11.2
Net profit (controlling interests)	36	106	272	212	229
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	210	239	277	303	317
EBITDA margin (%)	12.6	13.6	14.4	15.8	15.5
EPS (parent-based) (KRW)	1,410	4,112	10,543	8,213	8,891
EPS (consolidated) (KRW)	1,410	4,112	10,543	8,213	8,891
Adjusted EPS (KRW)*	1,410	4,112	10,543	8,213	8,891

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,046**	**1,061**	**1,303**	**1,506**	**1,687**
Cash & equivalents	298	172	351	556	689
Accounts receivable	261	265	291	290	310
Inventories	304	343	376	375	401
Other current assets	182	281	284	284	287
Fixed assets	**1,668**	**1,685**	**1,686**	**1,643**	**1,647**
Investment assets	527	526	575	574	612
Tangible assets	848	976	931	892	860
Intangible assets	23	20	16	13	11
Other long-term assets	271	164	164	164	164
Total assets	**2,714**	**2,746**	**2,989**	**3,149**	**3,335**
Current liabilities	**178**	**250**	**274**	**273**	**292**
Accounts payable	48	119	131	130	139
Short-term debt	1	1	1	1	1
Other current liabilities	129	130	142	142	152
Long-term liabilities	**167**	**61**	**62**	**62**	**63**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	167	61	62	62	63
Total liabilities	**345**	**310**	**336**	**335**	**355**
Owners of parent equity	**2,369**	**2,436**	**2,653**	**2,814**	**2,979**
Capital stock	129	129	129	129	129
Capital surplus	331	331	331	331	331
Retained earnings	1,933	2,001	2,235	2,396	2,561
Other	-25	-25	-42	-42	-42
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**2,369**	**2,436**	**2,653**	**2,814**	**2,979**
Net debt	-100	-106	-283	-489	-620

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**160**	**301**	**300**	**288**	**268**
Net profit	36	106	272	212	229
Non-cash profit and expenses	206	151	88	88	84
Depreciation	156	160	147	141	135
Amortization	4	4	3	3	2
Other	47	-13	-63	-56	-53
Changes in A/L from operating activities	-83	9	-39	1	-30
Cash flow from investments	**-244**	**-359**	**-119**	**-99**	**-116**
Change in tangible assets	-198	-272	-102	-102	-103
Change in financial assets	100	-0	-20	1	-15
Other	-146	-87	2	3	3
Cash flow from financing	**-79**	**-69**	**-36**	**-51**	**-62**
Change in debt	173	-131	2	-0	2
Change in equity	0	0	0	0	0
Dividends	-51	-36	-38	-51	-64
Other	-202	98	0	0	0
Change in cash	-162	-126	179	205	133
Cash at beginning of year	461	298	172	351	556
Cash at end of year	298	172	351	556	689
Gross cash flow	**243**	**257**	**360**	**300**	**313**
Free cash flow	**-38**	**29**	**198**	**186**	**165**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-5.5	4.9	9.7	-0.3	6.9
Operating profit	-67.5	47.6	69.5	26.5	13.0
Net profit	-80.0	191.6	156.4	-22.1	8.3
Adjusted EPS**	-80.0	191.6	156.4	-22.1	8.3
Per-share data (KRW)					
EPS (parent-based)	1,410	4,112	10,543	8,213	8,891
EPS (consolidated)	1,410	4,112	10,543	8,213	8,891
Adjusted EPS**	1,410	4,112	10,543	8,213	8,891
BVPS	92,999	95,632	104,148	110,467	116,973
DPS (common)	1,400	1,500	2,000	2,500	2,500
Valuations (x)					
P/E***	27.9	10.8	6.8	8.7	8.0
P/B***	0.4	0.5	0.7	0.6	0.6
EV/EBITDA	4.4	4.4	5.6	4.5	3.8
Ratios (%)					
ROE	1.5	4.4	10.7	7.8	7.9
ROA	1.3	3.9	9.5	6.9	7.1
ROIC	5.2	4.4	7.3	9.4	10.8
Payout ratio	98.0	36.0	18.7	30.0	27.8
Dividend yield (common)	3.6	3.4	2.8	3.5	3.5
Net debt to equity	-4.2	-4.4	-10.7	-17.4	-20.8
Interest coverage (x)	7.1	9.5	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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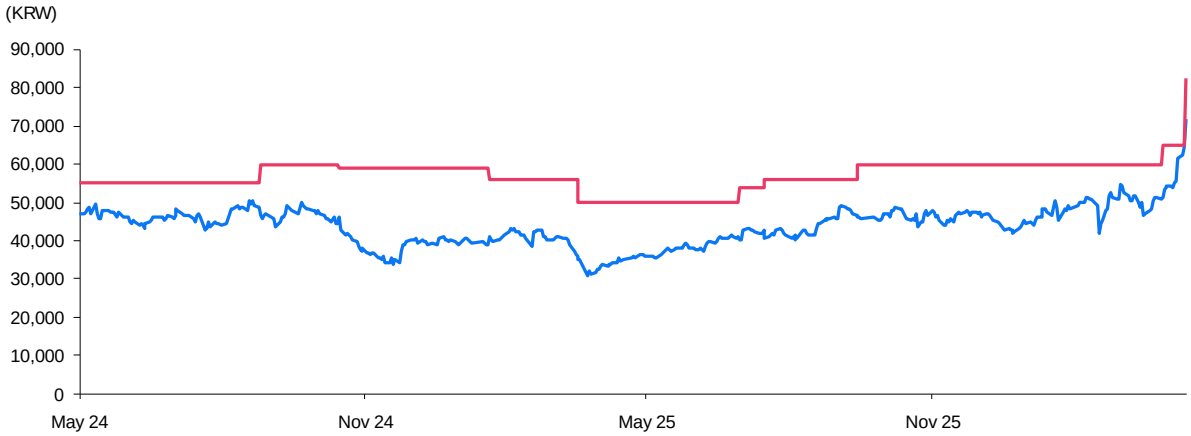
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/19	6/28	9/10	10/31	2025/2/5	4/3	7/16	8/1	9/30	2026/4/14	4/29
Recommendation	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	55000	55000	60000	59000	56000	50000	54000	56000	60000	65000	82000
Gap* (average)	-14.95	-15.25	-22.06	-34.41	-27.10	-26.49	-21.44	-21.38	-21.06	-12.38	
(max or min)**	-6.91	-8.00	-16.83	-27.71	-22.68	-17.30	-19.81	-11.79	-8.83	-0.77	

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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