COMPANY UPDATE

2026. 5. 4

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Korea Petrochemical (006650)

1Q review; margins to stay resilient post-war

- Korea Petrochemical reported a 1Q operating profit of KRW73.6b (up 203% q-q), beating consensus (KRW67.9b) and our forecast (KRW44b)—driven by favorable inventory effects following a sharp rise in feedstock prices since March.
- Revising up our ROE forecast, we raise our target price by 20%. Even after the inventory effects fade, the company is well positioned to stay profitable thanks to its higher share of specialty products relative to competitors. We maintain our BUY rating on the stock.

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AT A GLANCE

BUY

Target price	KRW235,000	29.8%
Current price	**KRW181,100**	
Market cap	KRW1.2t/USD0.8b	
Shares (float)	6,500,000 (53.9%)	
52-week high/low	KRW190,700/KRW78,100	
Avg daily trading value (60-day)	KRW11.8b/ USD8.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Korea Petrochemical (%)	41.4	34.6	116.1
Vs Kospi (%pts)	13.1	-16.6	-16.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	235,000	195,000	20.5%
2026E EPS	21,665	21,665	0.0%
2027E EPS	17,631	17,631	0.0%

SAMSUNG vs THE STREET

No of estimates	4
Target price	202,500
Recommendation	4.0

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

WHAT'S THE STORY?

1Q review—Beats consensus: Korea Petrochemical reported a 1Q operating profit of KRW73.6b, up 203% q-q and beating FnGuide consensus (KRW67.9b) by 8%. The sharp increase in profit was driven by favorable inventory effects from rising naphtha prices following the March outbreak of a war in the Middle East. Divisional earnings have yet to be disclosed, but we estimate that the petrochemicals division saw an operating profit of KRW45.4b (up 4,064% q-q) on favorable inventory effects from surging naphtha prices and strong sales of specialty products (eg, PE/PP for battery separators, flame-retardant PP for ESS battery modules, and PP for capacitors). Operating profit at the industrial gas business likely came in at KRW2.1b (up 26% q-q). At subsidiary Hanju Corp, group energy and salt businesses likely contributed operating profits of KRW24.1b (up 16% q-q) and KRW2.3b (up 186% q-q), respectively.

(Continued on the next page)

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	847.1	14.2	-0.3	-0.0	-11.8
Operating profit	73.6	nm	203.0	0.1	8.4
Pre-tax profit	83.5	2,355.1	558.3	0.0	13.2
Net profit	67.3	2,165.0	2,388.7	0.0	2.1
Margins (%)					
Operating profit	8.7				
Pre-tax profit	9.9				
Net profit	7.9				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	29.7	8.4	10.3
P/B	0.5	0.6	0.5
EV/EBITDA	5.6	3.2	3.2
Div yield (%)	0.9	2.4	2.7
EPS growth (% y-y)	nm	344.1	-18.6
ROE (%)	1.7	7.4	5.7
Per-share data (KRW)			
EPS	4,878	21,665	17,631
BVPS	297,102	318,604	332,860
DPS	1,300	4,300	4,800

2Q preview—To beat consensus: We forecast the company's 2Q operating profit to hit KRW76.3b, up 4% q-q and 45% above FnGuide consensus (KRW52.7b). The favorable inventory effects from naphtha price surge, which began in March, are likely to persist through April and early May. Sales volume is set to decline by around 10% as production adjusts to lower utilization rates.

View—To remain profitable even after war ends: We raise our 2026 ROE estimate from 5.0% to 7.4%, which moves our target price up 20% (from KRW195,000 to KRW235,000) under the ROE-P/B valuation model. While Korean chemical stocks have broadly rallied due to strong earnings from positive inventory effects in 1Q-2Q, Korea Petrochemical stands out because of its high share of specialty products, which will help sustain profitability even after the war ends. We maintain BUY.

KPIC: Quarterly results

(KRWb)	1Q26P	4Q25	1Q25	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	847.1	849.5	741.6	960.8	877.0	-0.3	14.2	-11.8	-3.4
Operating income	73.6	24.3	-9.9	67.9	44.0	202.9	Turned pos	8.3	66.8
Pre-tax income	83.5	12.7	3.4	73.8	46.0	558.1	2,354.6	13.2	80.7
Net income	67.3	2.7	3.0	65.9	39.0	2,387.6	2,164.0	2.1	73.8
Attributable to parent	54.5	-2.6	3.0	23.3	26.0	Turned pos	1,734.4	133.9	109.6
Margins (%)									
Operating income	8.7	2.9	-1.3	7.1	5.0				
Pre-tax income	9.9	1.5	0.5	7.7	5.2				
Net income	7.9	0.3	0.4	6.9	4.4				
Attributable to parent	6.4	-0.3	0.4	2.4	3.0				

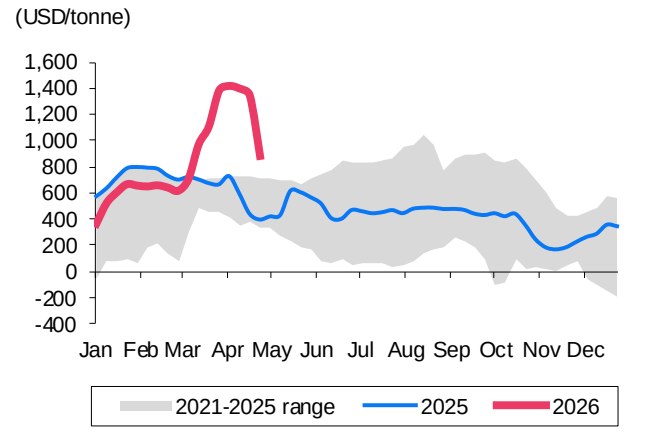
Note: Net income attributable to parent is based on our estimates
Source: Company data, FnGuide, Samsung Securities

KPIC: Quarterly results, by division

(KRWb)	1Q26P	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**847.1**	**849.5**	**741.6**	**-0.3**	**14.2**
Chemicals	637.4	673.9	736.1	-5.4	-13.4
Industrial Gas (Korea Air-Tech)	17.1	14.3	15.2	19.3	12.3
Group Energy (Hanju)	177.3	154.1	0.0	15.0	Remained neg
Salt (Hanju)	15.4	15.4	0.0	0.0	Remained neg
Operating income	**73.6**	**24.3**	**-9.9**	**202.9**	**Turned pos**
Chemicals	45.4	1.1	-11.5	4,063.5	Turned pos
Industrial Gas (Korea Air-Tech)	2.1	1.7	1.9	26.1	10.5
Group Energy (Hanju)	24.1	20.7		16.3	
Salt (Hanju)	2.3	0.8		186.3	
Pre-tax income	83.5	12.7	3.4	558.1	2,354.6
Net income	**67.3**	**2.7**	**3.0**	**2,387.6**	**2,164.0**
Attributable to parent	**54.5**	**-2.6**	**3.0**	**Turned pos**	**1,734.4**
Margins (%)					
Operating income	8.7	2.9	-1.3		
Chemicals	7.1	0.2	-1.6		
Industrial Gas (Korea Air-Tech)	12.6	11.9	12.8		
Group Energy (Hanju)	13.6	13.4			
Salt (Hanju)	15.1	5.3			
Pre-tax income	9.9	1.5	0.5		
Net income	7.9	0.3	0.4		
Attributable to parent	10.6	0.4	0.4		

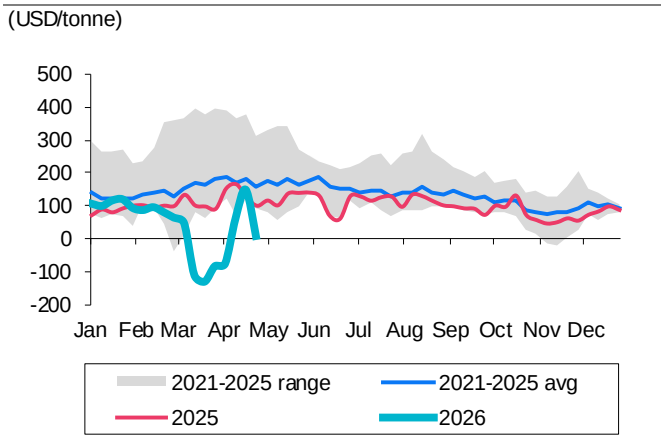
Note: Segmental results are not yet disclosed and are therefore our estimates
Source: Company data, Samsung Securities estimates

Butadiene-naphtha spread



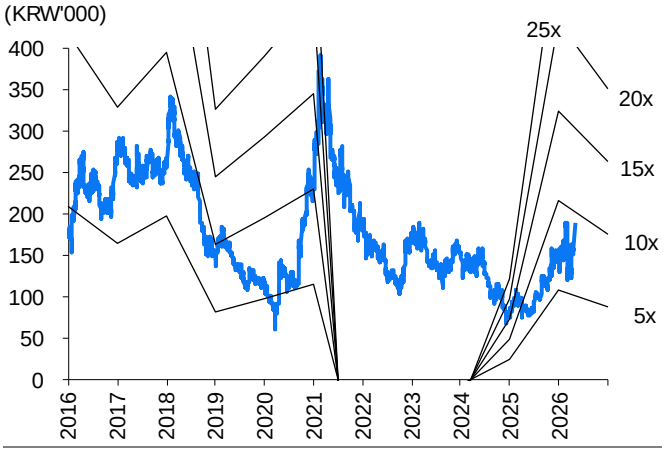
Source: S&P Global Platts, ICIS, Samsung Securities

KPIC: Mixed spread



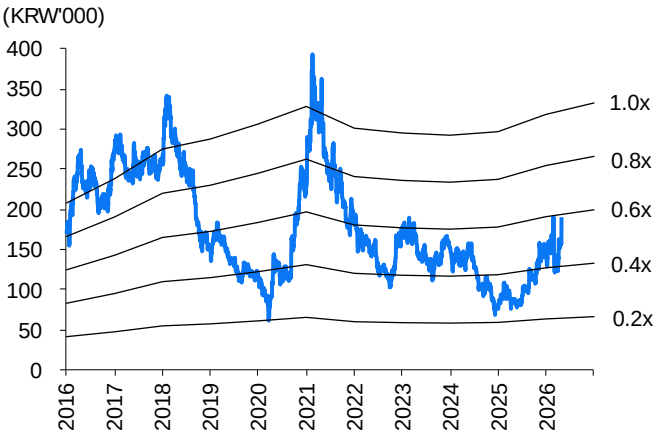
Source: S&P Global Platts, ICIS, Samsung Securities

KPIC: 12-month forward P/E band



Source: Samsung Securities estimates

KPIC: 12-month forward P/B band



Source: Samsung Securities estimates

KPIC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	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	**742**	**847**	**910**	**849**	**847**	**1,200**	**1,076**	**955**	**2,800**	**3,348**	**4,069**	**3,874**
Growth (% q-q)	4.1	14.2	7.5	-6.6	-0.3	41.7	-10.4	-11.2				
Growth (% y-y)	11.8	14.2	33.3	19.3	14.2	41.8	18.2	12.4	12.0	19.6	21.6	-4.8
Chemicals	736	712	707	674	637	998	874	752	2,779	2,829	3,262	3,056
Industrial Gas (Korea Air-Tech)	15	15	16	14	17	18	17	18	52	61	70	80
Group Energy (Hanju)		133	166	154	177	177	177	177		453	709	709
Salt (Hanju)		11	15	15	15	15	15	15		42	62	62
EBITDA	**34**	**44**	**80**	**65**	**116**	**137**	**92**	**86**	**120**	**222**	**432**	**379**
Growth (% q-q)	-3.1	30.0	81.9	-18.9	79.9	17.7	-32.7	-7.0				
Growth (% y-y)	14.7	12.1	379.5	85.8	244.8	212.3	15.6	32.6	0.9	85.1	94.3	-12.2
Operating income	**-10**	**-5**	**43**	**24**	**74**	**76**	**38**	**38**	**-60**	**53**	**225**	**182**
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-43.3	202.9	3.7	-50.4	-0.8				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	Turned pos	Turned pos	To turn pos	-11.7	54.4	Remained neg	Turned pos	327.5	-19.0
Chemicals	-12	-22	10	1	45	47	9	9	-65	-23	111	68
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-43.3	202.9	3.7	-50.4	-0.8				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	Turned pos	Turned pos	To turn pos	-11.7	54.4	Remained neg	Turned pos	327.5	-19.0
Industrial Gas (Korea Air-Tech)	2	2	2	2	2	2	2	2	5	8	9	10
Growth (% q-q)	Remained neg	Remained neg	Turned pos	-43.3	202.9	3.7	-50.4	-0.8				
Growth (% y-y)	Remained neg	Remained neg	Turned pos	Turned pos	Turned pos	To turn pos	-11.7	54.4	Remained neg	Turned pos	327.5	-19.0
Group Energy (Hanju)		13	28	21	24	24	24	24		61	96	95
Growth (% q-q)			Turned pos	-43.3	202.9	3.7	-50.4	-0.8				
Growth (% y-y)						To turn pos	-11.7	54.4		Turned pos	327.5	-19.0
Salt (Hanju)		3	3	1	2	2	2	2		6	9	9
Growth (% q-q)			Turned pos	-43.3	202.9	3.7	-50.4	-0.8				
Growth (% y-y)						To turn pos	-11.7	54.4		Turned pos	327.5	-19.0
Pre-tax income	3	10	46	13	83	77	38	37	-33	72	235	198
Growth (% q-q)	Turned pos	179.5	387.5	-72.6	16.1	-8.0	-50.4	-3.2				
Growth (% y-y)	Turned pos	Turned pos	Turned pos	113.1	2,354.6	707.6	-17.8	190.7	Remained neg	Turned pos	939.6	To turn pos
Net income	**3**	**8**	**42**	**3**	**67**	**60**	**30**	**29**	**-9**	**56**	**185**	**156**
Growth (% q-q)	Turned pos	164.8	438.3	-93.6	20.3	-11.3	-50.4	-3.2				
Growth (% y-y)	Turned pos	Turned pos	Turned pos	-86.6	2,164.0	658.1	-30.1	959.4	Remained neg	Turned pos	231.3	-15.7
Attributable to parent	3	1	30	-3	55	49	19	18	-9	32	141	115
Margins (%)												
EBITDA	4.6	5.2	8.8	7.6	13.7	11.4	8.6	9.0	4.3	6.6	10.6	9.8
Operating income	-1.3	-0.5	4.7	2.9	8.7	6.4	3.5	3.9	-2.1	1.6	5.5	4.7
Chemicals	-1.6	-3.1	1.4	0.2	7.1	4.7	1.1	1.2	-2.3	-0.8	3.4	2.2
Industrial Gas (Korea Air-Tech)	12.8	12.3	12.8	11.9	12.6	12.6	12.6	13.4	9.9	12.5	12.8	13.1
Group Energy (Hanju)		9.5	17.0	13.4	13.6	13.6	13.6	13.6		13.6	13.6	13.4
Salt (Hanju)		23.4	19.5	5.3	15.1	15.1	15.1	15.1		15.3	15.1	14.9
Pre-tax income	0.5	1.1	5.1	1.5	9.9	6.4	3.5	3.9	-1.2	2.1	5.8	5.1
Net income	0.4	0.9	4.7	0.3	7.9	5.0	2.8	3.0	-0.3	1.7	4.6	4.0

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,800**	**3,348**	**4,069**	**3,874**	**3,829**
Cost of goods sold	2,809	3,227	3,761	3,612	3,564
Gross profit	**-9**	**121**	**308**	**261**	**264**
Gross margin (%)	-0.3	3.6	7.6	6.7	6.9
SG&A expenses	51	68	83	79	78
Operating profit	**-60**	**53**	**225**	**182**	**186**
Operating margin (%)	-2.1	1.6	5.5	4.7	4.9
Non-operating gains (losses)	**27**	**19**	**10**	**16**	**18**
Financial profit	24	21	23	22	25
Financial costs	21	25	22	22	22
Equity-method gains (losses)	23	19	7	7	7
Other	1	4	2	8	8
Pre-tax profit	**-33**	**72**	**235**	**198**	**204**
Taxes	-24	16	50	42	43
Effective tax rate (%)	74.1	22.3	21.3	21.3	21.3
Profit from continuing operations	-9	56	185	156	161
Profit from discontinued operations	0	0	0	0	0
Net profit	**-9**	**56**	**185**	**156**	**161**
Net margin (%)	-0.3	1.7	4.6	4.0	4.2
Net profit (controlling interests)	-9	32	141	115	120
Net profit (non-controlling interests)	0	24	44	41	41
EBITDA	120	222	435	382	383
EBITDA margin (%)	4.3	6.6	10.7	9.9	10.0
EPS (parent-based) (KRW)	-1,312	4,878	21,665	17,631	18,412
EPS (consolidated) (KRW)	-1,312	8,599	28,487	24,015	24,702
Adjusted EPS (KRW)*	-1,312	4,878	21,665	17,631	18,412

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**628**	**764**	**1,009**	**1,160**	**1,320**
Cash & equivalents	109	151	265	452	620
Accounts receivable	215	269	327	311	307
Inventories	240	228	277	263	260
Other current assets	64	116	141	134	133
Fixed assets	**1,592**	**1,937**	**1,907**	**1,868**	**1,835**
Investment assets	267	108	131	125	123
Tangible assets	1,261	1,665	1,616	1,585	1,557
Intangible assets	9	97	94	91	89
Other long-term assets	54	66	66	66	66
Total assets	**2,220**	**2,700**	**2,917**	**3,028**	**3,155**
Current liabilities	**307**	**427**	**452**	**438**	**434**
Accounts payable	153	169	205	195	193
Short-term debt	88	149	149	149	149
Other current liabilities	67	109	98	93	92
Long-term liabilities	**105**	**192**	**206**	**202**	**201**
Bonds & long-term debt	85	127	127	127	127
Other long-term liabilities	20	65	78	75	74
Total liabilities	**412**	**619**	**658**	**640**	**636**
Owners of parent equity	**1,808**	**1,835**	**1,968**	**2,056**	**2,146**
Capital stock	41	41	41	41	41
Capital surplus	264	264	264	264	264
Retained earnings	1,505	1,532	1,665	1,753	1,843
Other	-3	-2	-2	-2	-2
Non-controlling interests' equity	**0**	**247**	**291**	**332**	**373**
Total equity	**1,808**	**2,081**	**2,259**	**2,388**	**2,519**
Net debt	50	66	-95	-277	-443

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**133**	**203**	**337**	**356**	**348**
Net profit	-9	56	185	156	161
Non-cash profit and expenses	144	183	243	220	214
Depreciation	180	166	207	197	194
Amortization	0	3	3	3	3
Other	-36	13	34	21	17
Changes in A/L from operating activities	-3	-38	-45	12	3
Cash flow from investments	**-91**	**-143**	**-178**	**-154**	**-158**
Change in tangible assets	-59	-76	-157	-166	-166
Change in financial assets	-32	-73	-27	7	2
Other	0	6	5	5	6
Cash flow from financing	**32**	**-16**	**-36**	**-27**	**-30**
Change in debt	42	110	-28	0	0
Change in equity	0	0	0	0	0
Dividends	-6	-6	-8	-27	-30
Other	-4	-120	0	0	0
Change in cash	75	42	114	187	168
Cash at beginning of year	34	109	151	265	452
Cash at end of year	109	151	265	452	620
Gross cash flow	**136**	**239**	**428**	**376**	**375**
Free cash flow	**74**	**126**	**180**	**189**	**182**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	12.0	19.6	21.6	-4.8	-1.2
Operating profit	nm	nm	327.5	-19.0	1.9
Net profit	nm	nm	231.3	-15.7	2.9
Adjusted EPS**	nm	nm	344.1	-18.6	4.4
Per-share data (KRW)					
EPS (parent-based)	-1,312	4,878	21,665	17,631	18,412
EPS (consolidated)	-1,312	8,599	28,487	24,015	24,702
Adjusted EPS**	-1,312	4,878	21,665	17,631	18,412
BVPS	292,683	297,102	318,604	332,860	347,438
DPS (common)	1,000	1,300	4,300	4,800	4,800
Valuations (x)					
P/E***	n/a	29.7	8.4	10.3	9.8
P/B***	0.3	0.5	0.6	0.5	0.5
EV/EBITDA	4.6	5.6	3.2	3.2	2.9
Ratios (%)					
ROE	-0.5	1.7	7.4	5.7	5.7
ROA	-0.4	2.3	6.6	5.3	5.2
ROIC	-0.9	2.2	8.6	7.0	7.3
Payout ratio	-72.4	25.3	18.9	25.9	24.8
Dividend yield (common)	1.3	0.9	2.4	2.7	2.7
Net debt to equity	2.8	3.2	-4.2	-11.6	-17.6
Interest coverage (x)	-8.3	5.1	18.9	16.1	16.4

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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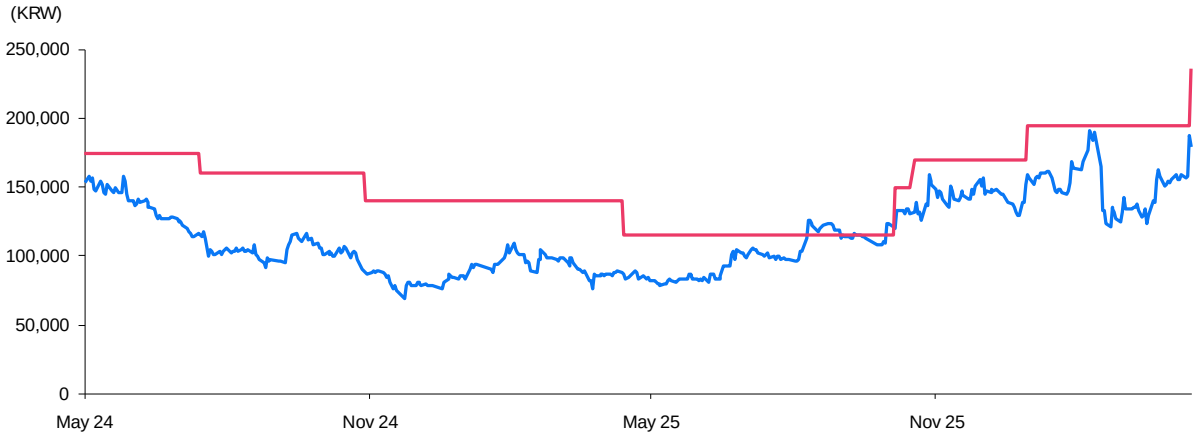
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/30	2024/7/30	11/14	2025/4/29	10/21	11/3	2026/1/15	4/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	175000	160000	140000	115000	150000	170000	195000	235000
Gap* (average)	-18.32	-35.28	-36.33	-13.38	-11.42	-15.68	-22.88	
(max or min)**	-4.40	-26.75	-22.14	9.65	-10.33	-6.65	-2.21	

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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