COMPANY UPDATE

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EV/Mobility Team

Hyunryul Cho
Senior Analyst
hyunryul.cho@samsung.com

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Kumho Petrochemical (011780)

2Q review: Earning surprise thanks to one-off

- Kumho Petrochemical reported a 2Q operating profit of KRW339b, blowing past consensus (KRW130.2b) by 160%.
- Improved profit generation has reduced net debt to as low as KRW90b over the past year. It is now well positioned to allocate capital toward both growth investments and shareholder returns. We maintain our target price and BUY rating.

AT A GLANCE

BUY

Target price	KRW175,000	35%
Current price	**KRW129,600**	
Market cap	KRW3.3t/USD2.3b	
Shares (float)	25,157,325 (58.5%)	
52-week high/low	KRW153,400/KRW103,600	
Avg daily trading value (60-day)	KRW11.8b/ USD8.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kumho Petrochemical (%)	10.8	-4.1	16.0
Vs Kospi (%pts)	35.5	-22.0	-40.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	175,000	175,000	0.0%
2026E EPS	20,045	14,484	38.4%
2027E EPS	16,192	15,454	4.8%

SAMSUNG vs THE STREET

No of estimates	12
Target price	175,750
Recommendation	3.9

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

WHAT'S THE STORY?

2Q review—results blow past consensus: Kumho Petrochemical reported a 2Q operating profit of KRW339b (+471% q-q), beating consensus (KRW130.2b; FnGuide) by 160% and our estimate (KRW162.7b) by 108%. The synthetic rubber and synthetic resin divisions contributed an operating profit of KRW189.8b (OPM 19.2%; +17.2%pts q-q) and an operating profit of KRW37.4b (OPM 10%; +10.7%pts q-q), respectively. Profitability surged due to supply constraints and increased restocking demand caused by the Middle East war. Phenol subsidiary Kumho P&B delivered an operating profit of KRW55.1b (OPM 11.2%; +13.4%pts q-q), as customers sought to secure supplies following the Middle East war. Operating profit at Kumho Polychem improved to KRW47.4b (OPM 20.9%; +5.1%pts q-q), supported by wider q-q spreads. The energy and 'others' divisions recorded a combined operating profit of KRW9.3b (OPM 5%; -11.3%pts q-q)—the only segment to decline, as higher coal prices pressured energy profitability.

(Continued on the next page)

SUMMARY ??Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	2,268.2	27.9	27.4	23.4	15.4
Operating profit	339.0	419.7	470.7	108.4	160.4
Pre-tax profit	388.0	474.4	229.3	101.9	118.1
Net profit	300.4	420.3	212.0	108.4	75.7
Margins (%)					
Operating profit	14.9				
Pre-tax profit	17.1				
Net profit	13.2				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	12.3	6.5	8.0
P/B	0.5	0.5	0.5
EV/EBITDA	5.5	3.9	4.3
Div yield (%)	1.4	2.7	2.3
EPS growth (% y-y)	-13.1	103.6	-19.2
ROE (%)	4.7	8.8	6.5
Per-share data (KRW)			
EPS	9,843	20,045	16,192
BVPS	244,373	262,901	276,270
DPS	1,700	3,500	3,000

Samsung Securities

3Q preview—results to miss consensus: We forecast a 3Q operating profit of KRW73.5b (-78% q-q), which is 37% below consensus (KRW116.1b; FnGuide). Profit is likely to decline more than widely anticipated, as the tailwinds from last quarter's supply tightness and speculative demand have dissipated, and falling oil prices since late 2Q are now exerting a negative lag effect. In particular, the synthetic rubber division is likely to see operating profit tumble to KRW21.9b (-88% q-q), driven by a narrowing NB latex spread. NB latex spread (one-month lagging) averaged USD353/tonne in July, down sharply from USD705/tonne in 2Q.

View—time to expect growth investments and shareholder returns: Although one-off in nature, ROE surged to 8.8% in 2026 following the Middle East war, while net debt declined to KRW90b as of end-2Q (-KRW312b y-y). With improved financial structure, the company is now at an inflection point to allocate capital toward future growth investments or enhanced shareholder returns. Its 2026 dividend yield is 2.7%. But when accounting for share buybacks and cancellations equivalent to 60% of the regular dividend, plus the ongoing 3% cumulative share cancellation program through 2026, total shareholder yield is estimated at 7.3%. We maintain our target price and BUY rating.

Kumho Petrochemical: Quarterly results

(KRWb)	2Q26P	1Q26	2Q25	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	2,268	1,780	1,773	1,965	1,839	27.4	27.9	15.4	23.4
Operating profit	339	59	65	130	163	470.7	419.7	160.4	108.4
Pre-tax profit	388	118	68	178	192	229.3	474.4	118.1	101.9
Net profit	300	96	58	171	144	212.0	420.4	75.7	108.4
Attributable to parent	300	96	58	141	144	212.0	420.8	113.6	108.3
Margins (%)									
Operating profit	14.9	3.3	3.7	6.6	8.8				
Pre-tax profit	17.1	6.6	3.8	9.1	10.5				
Net profit	13.2	5.4	3.3	8.7	8.5				
Attributable to parent	13.2	5.4	3.3	7.2	8.5				

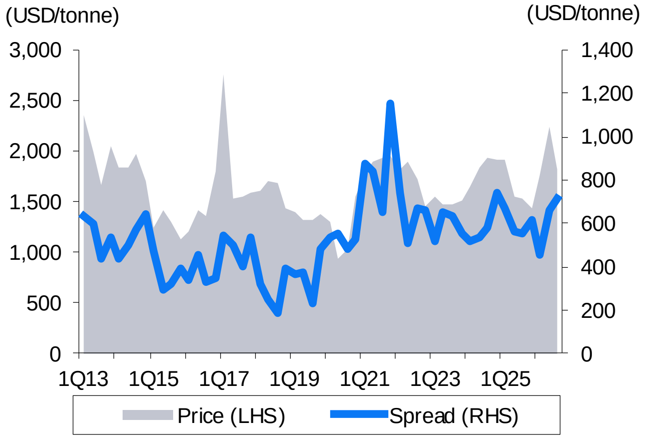
Source: Company data, FnGuide, Samsung Securities estimates

Kumho Petrochemical: Quarterly results, by division

(KRWb)	2Q26P	1Q26	2Q25	Chg (% q-q)	Chg (% y-y)
Sales	**2,268**	**1,780**	**1,773**	**27.4**	**27.9**
Synthetic rubber	987	734	675	34.6	46.3
Synthetic resin	375	302	298	24.4	25.9
Kumho P&B	493	399	433	23.4	13.9
Kumho Polychem	227	197	181	15.4	25.7
Energy/others	186	149	187	25.0	-0.9
Operating profit	**339**	**59**	**65**	**470.7**	**419.7**
Synthetic rubber	190	15	9	1,173.8	2,132.9
Synthetic resin	37	-2	5	Turned pos	605.7
Kumho P&B	55	-9	-2	Turned pos	Turned pos
Kumho Polychem	47	31	15	52.4	216.0
Energy/others	9	24	39	-61.6	-76.0
Pre-tax profit	388	118	68	229.3	474.4
Net profit	**300**	**96**	**58**	**212.0**	**420.4**
Margins (%)					
Operating profit	14.9	3.3	3.7		
Synthetic rubber	19.2	2.0	1.3		
Synthetic resin	10.0	-0.7	1.8		
Kumho P&B	11.2	-2.2	-0.5		
Kumho Polychem	20.9	15.8	8.3		
Energy/others	5.0	16.3	20.7		
Pre-tax profit	17.1	6.6	3.8		
Net profit	13.2	5.4	3.3		

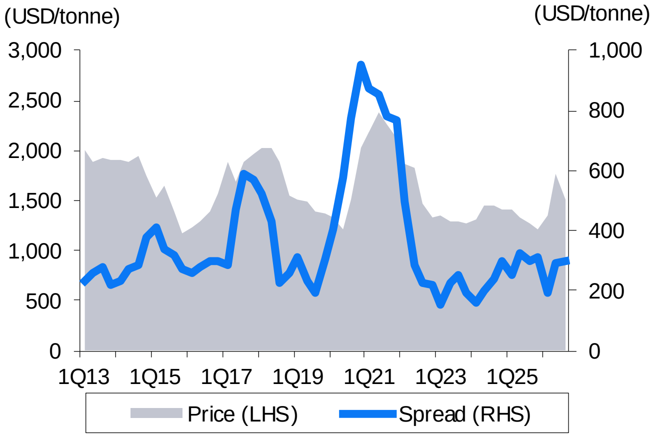
Source: Company data, Samsung Securities estimates

SBR prices vs SBR-SM/BD spread*



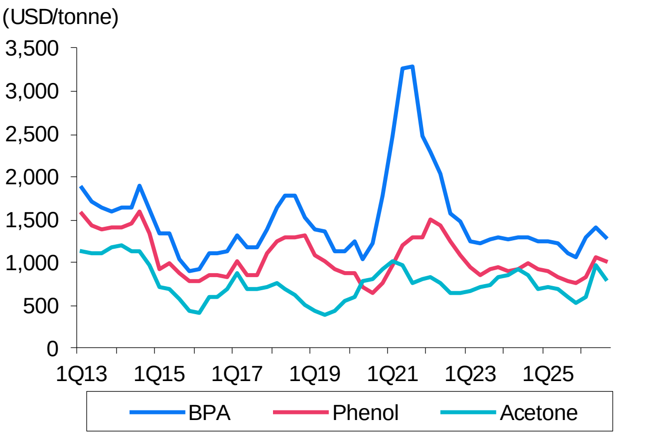
Source: Platts, Samsung Securities

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



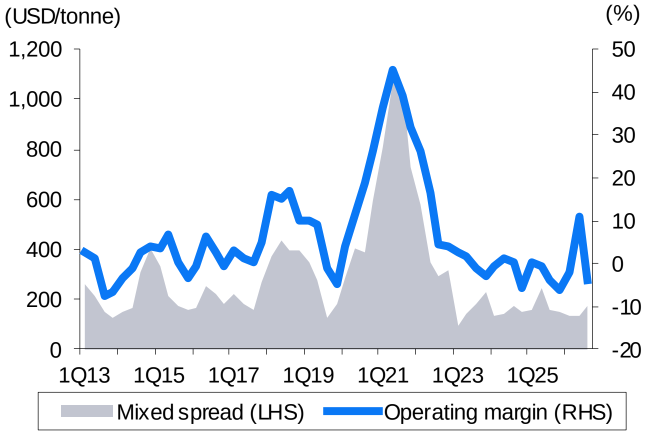
Source: Platts, Samsung Securities

Prices of phenol and related products



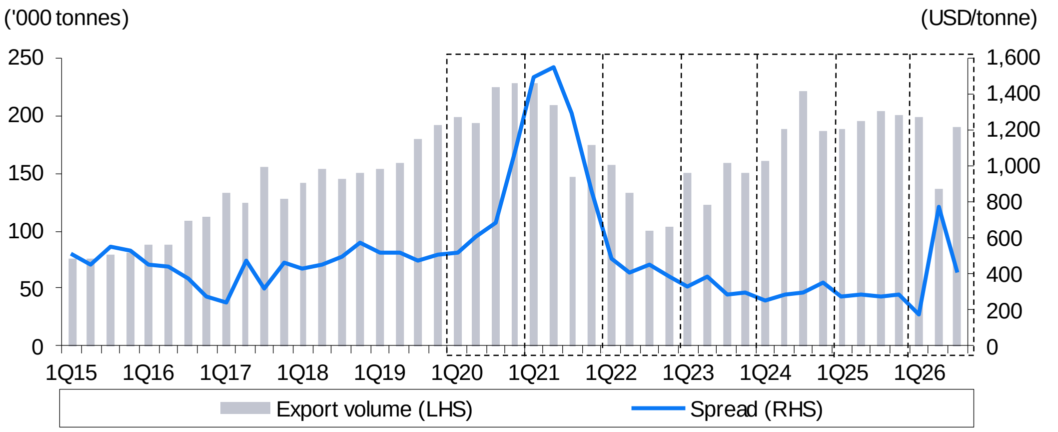
Source: Platts, Cischem, Samsung Securities

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	1Q26	2Q26P	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,452	1,467	1,502	1,440	1,380	1,365	1,423	1,447	1,380
Sales	**1,908**	**1,773**	**1,644**	**1,590**	**1,780**	**2,268**	**2,238**	**2,146**	**7,155**	**6,915**	**8,444**	**8,716**
Chg (% q-q)	5.6	-7.1	-7.3	-3.3	12.0	27.4	-1.3	-4.1				
Chg (% y-y)	14.4	-4.3	-10.1	-12.0	-6.7	27.9	36.2	35.0	13.2	-3.4	22.1	3.2
Synthetic rubber	757	675	632	607	734	987	794	733	2,795	2,671	3,247	2,958
Synthetic resin	336	298	273	266	302	375	484	444	1,283	1,173	1,606	1,786
Kumho P&B	432	433	379	365	399	493	562	569	1,635	1,608	2,023	2,289
Kumho Polychem	188	181	175	186	197	227	204	189	668	729	817	915
Energy/others	196	187	185	166	149	186	194	211	774	734	751	769
Operating profit	**121**	**65**	**84**	**2**	**59**	**339**	**74**	**91**	**273**	**272**	**563**	**432**
Chg (% q-q)	1,109.5	-45.9	29.4	-98.2	3,715.9	470.7	-78.3	24.2				
Chg (% y-y)	53.4	-45.3	29.7	-84.4	-50.7	419.7	-12.9	5,764.4	-24.0	-0.4	107.2	-23.4
Synthetic rubber	46	9	31	16	15	190	22	26	101	102	252	161
Chg (% q-q)	150.0	-81.5	267.1	-49.4	-5.7	1,173.8	-88.4	17.2				
Chg (% y-y)	83.3	-81.8	191.6	-14.1	-67.6	2,132.9	-29.7	62.6	4.1	0.7	148.6	-36.0
Synthetic resin	5	5	4	-10	-2	37	-4	-6	-18	5	26	-2
Chg (% q-q)	Turned pos	1.9	-17.0	Turned neg	Remained neg	Turned pos	To turn neg	To remain neg				
Chg (% y-y)	Turned pos	341.7	Turned pos	Remained neg	Turned neg	605.7	To turn neg	To remain neg	Remained neg	Turned pos	373.4	To turn neg
Kumho P&B	2	-2	-14	-22	-9	55	-20	-12	-18	-37	14	-25
Chg (% q-q)	Turned pos	Turned neg	Remained neg	Remained neg	Remained neg	Turned pos	To turn neg	To remain neg				
Chg (% y-y)	Turned pos	Turned neg	Turned neg	Remained neg	Turned neg	Turned pos	To remain neg	To remain neg	Turned neg	Remained neg	To turn pos	To turn neg
Kumho Polychem	24	15	20	20	31	47	32	26	70	79	137	134
Chg (% q-q)	127.6	-37.2	34.7	-2.0	57.1	52.4	-31.6	-19.2				
Chg (% y-y)	3.0	-33.0	44.3	88.6	30.1	216.0	60.5	32.3	-18.9	12.6	73.8	-2.4
Energy/others	44	39	43	-2	24	9	43	58	138	123	135	163
Chg (% q-q)	204.8	-34.5	-11.9	-42.4	67.6	-85.8	1,170.4	50.6				
Chg (% y-y)	54.4	20.3	-29.2	1.2	-44.3	-87.9	74.0	354.8	-38.1	9.8	22.9	50.1
Pre-tax profit	157	68	128	-4	118	388	123	100	408	349	728	559
Chg (% q-q)	-61.4	-57.1	90.1	Turned neg	-66.2	229.3	-68.4	-18.8				
Chg (% y-y)	30.7	-56.6	108.3	Turned neg	-25.1	474.4	-4.4	To turn pos	-16.0	-14.4	108.7	-23.2
Net profit	**125**	**58**	**107**	**1**	**96**	**300**	**95**	**77**	**349**	**291**	**569**	**442**
Chg (% q-q)	103.5	-53.8	85.2	-98.7	6,575.7	212.0	-68.4	-18.8				
Chg (% y-y)	21.7	-56.1	101.2	-97.6	-22.9	420.4	-11.2	5,243.9	-22.0	-16.5	95.5	-22.2
Attrib. to parent company	125	58	107	1	96	300	95	77	349	291	569	442
Margins (%)												
Operating profit	6.3	3.7	5.1	0.1	3.3	14.9	3.3	4.3	3.8	3.9	6.7	5.0
Synthetic rubber	6.1	1.3	4.9	2.6	2.0	19.2	2.8	3.5	3.6	3.8	7.8	5.5
Synthetic resin	1.5	1.8	1.6	-3.6	-0.7	10.0	-0.7	-1.4	-1.4	0.5	1.6	-0.1
Kumho P&B	0.4	-0.5	-3.8	-6.1	-2.2	11.2	-3.6	-2.2	-1.1	-2.3	0.7	-1.1
Kumho Polychem	12.7	8.3	11.5	10.7	15.8	20.9	15.9	13.9	10.5	10.8	16.8	14.6
Energy/others	22.3	20.7	23.3	-1.4	16.3	5.0	22.3	27.4	17.9	16.8	17.9	21.3
Pre-tax profit	8.2	3.8	7.8	-0.3	6.6	17.1	5.5	4.6	5.7	5.0	8.6	6.4
Net profit	6.5	3.3	6.5	0.1	5.4	13.2	4.2	3.6	4.9	4.2	6.7	5.1

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**7,155**	**6,915**	**8,444**	**8,716**	**8,902**
Cost of goods sold	6,569	6,311	7,475	7,866	8,010
Gross profit	**586**	**604**	**968**	**850**	**893**
Gross margin (%)	8.2	8.7	11.5	9.8	10.0
SG&A expenses	313	332	405	418	427
Operating profit	**273**	**272**	**563**	**432**	**465**
Operating margin (%)	3.8	3.9	6.7	5.0	5.2
Non-operating gains (losses)	**135**	**77**	**165**	**127**	**141**
Financial profit	77	54	128	48	47
Financial costs	70	70	70	67	66
Equity-method gains (losses)	93	131	144	159	174
Other	33	-38	-37	-12	-14
Pre-tax profit	**408**	**349**	**728**	**559**	**606**
Taxes	59	58	159	117	127
Effective tax rate (%)	14.5	16.6	21.9	20.9	20.9
Profit from continuing operations	349	291	569	442	480
Profit from discontinued operations	0	0	0	0	0
Net profit	**349**	**291**	**569**	**442**	**480**
Net margin (%)	4.9	4.2	6.7	5.1	5.4
Net profit (controlling interests)	349	291	569	442	480
Net profit (non-controlling interests)	-0	-0	0	0	0
EBITDA	548	589	867	724	747
EBITDA margin (%)	7.7	8.5	10.3	8.3	8.4
EPS (parent-based) (KRW)	11,321	9,843	20,045	16,192	17,568
EPS (consolidated) (KRW)	11,320	9,843	20,050	16,197	17,573
Adjusted EPS (KRW)*	11,321	9,843	20,045	16,192	17,568

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**2,711**	**2,742**	**3,043**	**3,392**	**3,787**
Cash & equivalents	429	650	341	603	939
Accounts receivable	869	725	973	1,005	1,026
Inventories	958	859	1,109	1,145	1,170
Other current assets	454	507	619	639	653
Fixed assets	**5,629**	**5,733**	**5,974**	**6,011**	**6,045**
Investment assets	1,213	1,411	1,673	1,720	1,752
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**	**9,016**	**9,404**	**9,833**
Current liabilities	**1,534**	**1,366**	**1,428**	**1,464**	**1,490**
Accounts payable	544	419	511	528	539
Short-term debt	346	288	288	288	288
Other current liabilities	645	660	629	649	663
Long-term liabilities	**764**	**861**	**927**	**938**	**946**
Bonds & long-term debt	428	447	447	447	447
Other long-term liabilities	336	414	480	491	499
Total liabilities	**2,298**	**2,228**	**2,354**	**2,403**	**2,436**
Owners of parent equity	**6,038**	**6,245**	**6,661**	**6,999**	**7,395**
Capital stock	167	167	167	167	167
Capital surplus	404	403	403	403	403
Retained earnings	5,571	5,743	6,268	6,621	7,023
Other	-104	-68	-178	-192	-198
Non-controlling interests' equity	**4**	**1**	**1**	**2**	**2**
Total equity	**6,042**	**6,247**	**6,662**	**7,001**	**7,397**
Net debt	160	-77	-7	-287	-634

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**322**	**715**	**472**	**540**	**564**
Net profit	349	291	569	442	480
Non-cash profit and expenses	251	355	278	202	182
Depreciation	267	308	297	287	278
Amortization	9	10	7	6	4
Other	-24	38	-26	-90	-100
Changes in A/L from operating activities	-297	84	-245	-22	-15
Cash flow from investments	**-259**	**-373**	**-390**	**-301**	**-294**
Change in tangible assets	-435	-194	-282	-283	-284
Change in financial assets	185	-83	-100	-18	-12
Other	-10	-96	-8	-0	3
Cash flow from financing	**-91**	**-121**	**-186**	**-88**	**-77**
Change in debt	60	66	-142	0	0
Change in equity	-0	-0	0	0	0
Dividends	-77	-58	-44	-89	-78
Other	-73	-130	0	0	0
Change in cash	-23	221	-310	263	335
Cash at beginning of year	452	429	650	341	603
Cash at end of year	429	650	341	603	939
Gross cash flow	**599**	**646**	**846**	**645**	**662**
Free cash flow	**-114**	**521**	**190**	**257**	**280**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	13.2	-3.4	22.1	3.2	2.1
Operating profit	-24.0	-0.4	107.2	-23.4	7.8
Net profit	-22.0	-16.5	95.5	-22.2	8.5
Adjusted EPS**	-18.4	-13.1	103.6	-19.2	8.5
Per-share data (KRW)					
EPS (parent-based)	11,321	9,843	20,045	16,192	17,568
EPS (consolidated)	11,320	9,843	20,050	16,197	17,573
Adjusted EPS**	11,321	9,843	20,045	16,192	17,568
BVPS	232,363	244,373	262,901	276,270	291,898
DPS (common)	2,200	1,700	3,500	3,000	3,000
Valuations (x)					
P/E***	8.0	12.3	6.5	8.0	7.4
P/B***	0.4	0.5	0.5	0.5	0.4
EV/EBITDA	5.1	5.5	3.9	4.3	3.7
Ratios (%)					
ROE	5.9	4.7	8.8	6.5	6.7
ROA	4.3	3.5	6.5	4.8	5.0
ROIC	4.7	4.5	8.7	6.6	7.0
Payout ratio	14.5	13.2	13.7	15.1	14.0
Dividend yield (common)	2.4	1.4	2.7	2.3	2.3
Net debt to equity	2.7	-1.2	-0.1	-4.1	-8.6
Interest coverage (x)	8.2	6.2	13.5	11.2	12.0

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- As of 8/7 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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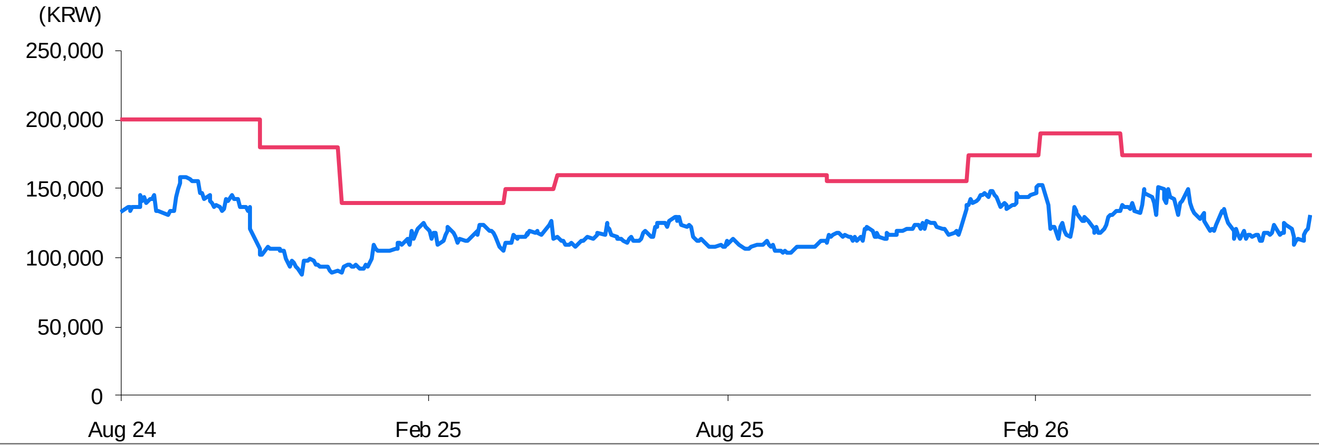
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/7/15	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
Target price (KRW)	200000	180000	140000	150000	160000	155000	175000	190000	175000
Gap* (average)	-30.01	-45.45	-20.78	-22.09	-29.07	-22.94	-18.07	-33.52	
(max or min)**	-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

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 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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General

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

**For more information,
please call our sales representatives:**

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953