SECTOR UPDATE

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Batteries/Oil Refining /Chemicals (OVERWEIGHT)

European NDR takeaways: Focus on value stocks

- LG Chem held a European NDR and analyst marketing tour over Sep 7-11.
- European investors focused on: 1) the oil refining outlook following the Middle East conflict; 2) the effects of Korea's ongoing chemical industry restructuring; and 3) value stocks trading at significant discounts to net asset value (NAV).
- We remain upbeat on Korean refiners and specialty chemical companies with strong asset value. Our top picks are LG Chem, KCC Corporation, SK Chemicals, and OCI.

AT A GLANCE

LG Chem (051910 KS, 273,000)		
Target price	KRW380,000	39.2%
BUY		
KCC (002380 KS, 485,500)		
Target price	KRW650,000	33.9%
BUY		
SK Chemicals (285130 KS, 54,100)		
Target price	KRW68,000	25.7%
BUY		
OCI (456040 KS, 80,200)		
Target price	KRW130,000	62.1%
BUY		

WHAT'S THE STORY?

LG Chem—Key takeaways from European NDR: LG Chem held a non-deal roadshow (NDR) targeting European investors over Sep 7-11. Investor interest centered on three themes: 1) the sustainability of recent performance improvements in the chemicals division; 2) strategies to improve profitability in the advanced materials division; and 3) potential subsidiary stake disposals (*eg*, LG Energy Solution shares) and the use of proceeds to enhance shareholder returns.

- **Investor feedback highlights—Interest in sustainability of operational improvements and strategies to unlock value from equity stakes:** European investors raised numerous questions regarding: 1) whether the improvement in chemicals earnings in 1H is sustainable; 2) how the company plans to improve profitability across its chemicals and advanced materials divisions; and 3) how proceeds from potential LG Energy Solution share sales would be deployed. Many investors also asked whether the company is considering additional disposals beyond the previously announced 9.4% stake divestment. On shareholder returns, investors showed a clear preference for share buybacks and cancellations over cash dividends as the primary means of deploying divestment proceeds.

(Continued on the next page)

- **Chemicals restructuring:** According to media reports, LG Chem is evaluating the integration of its NCC assets as part of broader petrochemical industry restructuring. While no final decision has been made, the company appears to favor vertical integration with upstream refiners, in contrast to peers pursuing horizontal consolidation. This suggests a strategy focused on capturing synergies through supply-chain alignment rather than consolidation with peers.
- **Advanced materials profitability enhancement strategy:** The cathode materials business, which has seen profitability deteriorate sharply over the past year amid a significant decline in utilization, is expected to begin recovering in 3Q as utilization rebounds and could return to profitability in 4Q. Over the longer term, the company aims to double sales of high-margin electronic materials (including semiconductor, electrical, and display materials) from KRW1t to KRW2t by 2030, supporting overall profitability in the advanced materials division.
- **November update on corporate value enhancement plan:** In March, the company outlined plans to divest up to a 9.4% stake in a subsidiary over the next five years. Since then, it has been actively soliciting feedback from international investors on further subsidiary stake disposals and ways to use the proceeds to enhance shareholder returns. As the company updates its corporate value enhancement plan each November, this year's announcement is expected to reflect a raft of investor feedback.

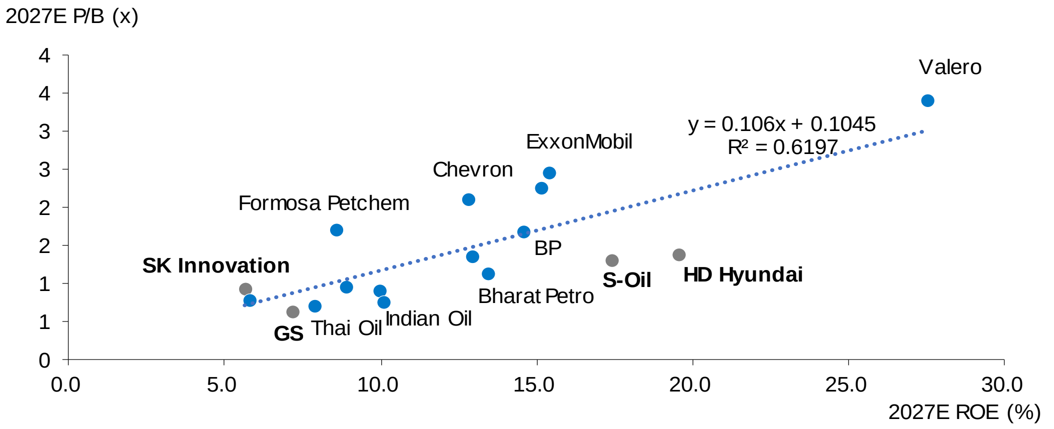
European investor feedback—Strong interest in value stocks: European investors expressed cautious views on the battery industry, citing relatively high valuations and lackluster profitability compared with Chinese peers. In contrast, they showed strong interest in the oil refining sector—particularly the potential the prolonged disruption from the Middle East conflict—and raised numerous questions about the effects of Korea's ongoing chemicals industry restructuring. There was also strong appetite for value stocks trading at significant discounts to net asset value (NAV).

- **Rechargeable batteries—North American ESS market as a differentiator:** European investors frequently compared the competitive positioning of Korean and Chinese battery manufacturers. While Asian and European markets remain highly challenging for Korean firms given China's cost advantages, the North American ESS market presents a distinct opportunity. Rising US regulatory barriers to Chinese component imports—mirroring trends in the solar industry—have created room for Korean companies to capitalize on their existing EV battery production capacity. By repurposing EV lines for ESS production, Korean firms are rapidly scaling up local manufacturing, positioning them to capture superior profitability in a market increasingly closed to Chinese supply chains.
- **Oil refining—Prolonged supply disruptions expected:** The recent escalation of Middle East risks has driven a sharp rally in global crude prices, raising concerns over demand destruction. As of Sep 11, Dubai crude had risen USD21.8/bbl w-w, while diesel and kerosene margins had increased by a respective USD4.3/bbl and USD7.1/bbl w-w more than the rise in crude prices. While domestic price controls have limited Korean refiners' ability to fully capture these gains at home, they should be able to offset the impact through exports and subsequent compensation for the domestic price cap.
- **Limited impact from chemicals industry restructuring:** Restructuring has begun with the planned integration of Lotte Chemical's: 1) Daesan plant into HD Hyundai Chemical; and 2) Yeosu plant into Yeochun NCC. However, the overall impact on Korea's chemicals industry should be modest. First, the planned production shutdowns are temporary, with companies committing to

suspend operations for at least three years rather than permanently idle capacity. Second, the total capacity being taken offline (2.48m tonnes, comprising 1.38m tonnes at Yeochun NCC and 1.1m tonnes at Lotte Chemical's Daesan plant) should be more than offset by larger planned capacity additions elsewhere.

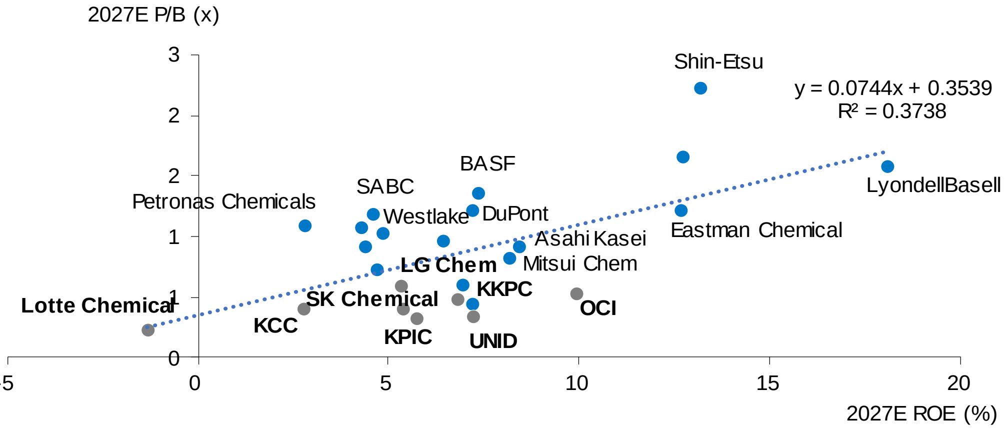
- **Specialty chemicals to outperform commodity players:** While rising crude prices have pushed up naphtha and chemical product prices, increases in naphtha costs continue to outpace gains in end-product prices, except for aromatics (BTX). Given persistent weakness in Chinese demand and the ongoing ramp-up of new global supply, commodity chemical margins are unlikely to sustain meaningful improvement on geopolitical supply risks alone. In this environment, investors favor specialty chemical companies with more-resilient long-term earnings profiles. Among them, OCI stands out as a key beneficiary of the recent oil price surge given its significant exposure to carbon chemicals.
- **Shareholder meeting season just six months away:** We believe specialty chemical s companies trading at steep discounts to NAV—particularly those with discounts exceeding 70%—warrant investor attention. We are bullish on LG Chem and KCC Corporation (both trading at 70-80% discounts to NAV) and SK Chemicals (trading at a discount of over 90%). With the next shareholder meeting season approaching in Mar 2027. just six months away, we expect growing pressure from institutional investors for concrete measures to narrow these discounts.

Domestic and global oil refiners: 2027E consensus P/B vs ROE



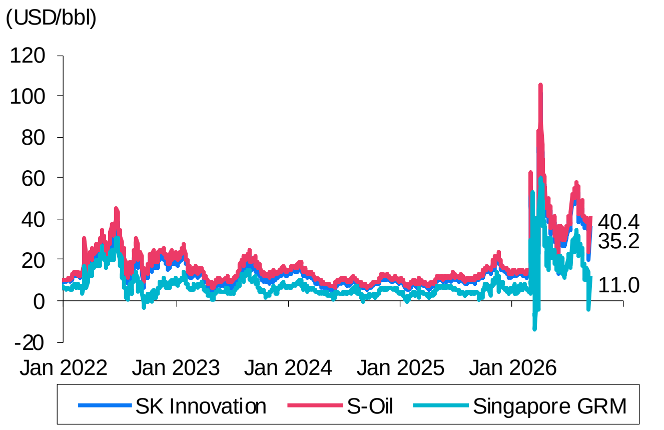
Note: ROE forecasts and P/B multiples are Bloomberg consensus figures
Source: Bloomberg, Samsung Securities

Domestic and global chemicals companies: 2027E consensus P/B vs ROE



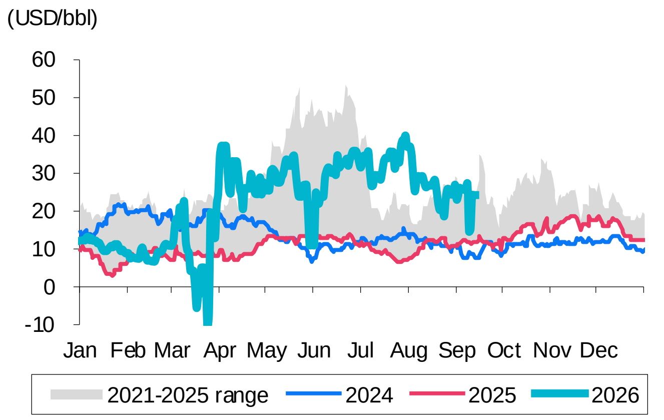
Note: ROE forecasts and P/B multiples are Bloomberg consensus figures
Source: Bloomberg, Samsung Securities

SK Innovation and S-Oil: Mixed margin



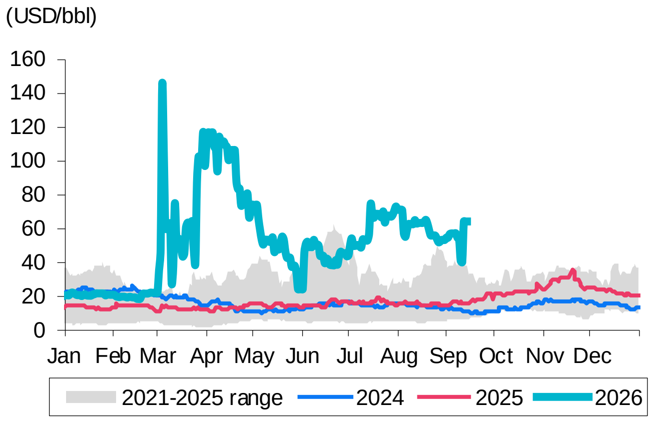
Note: As of Sep 11
Source: Company data, DataStream, Samsung Securities

Gasoline: Spot refining margin vs Dubai oil



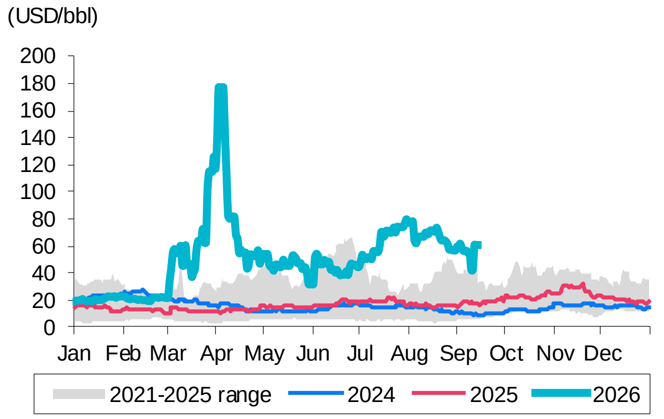
Note: As of Sep 11
Source: Petronet, Samsung Securities

Kerosene: Spot refining margin vs Dubai oil



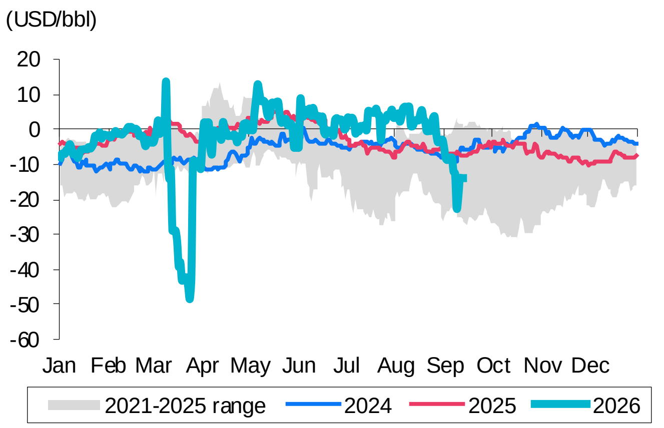
Note: As of Sep 11
Source: Petronet, Samsung Securities

Diesel: Spot refining margin vs Dubai oil



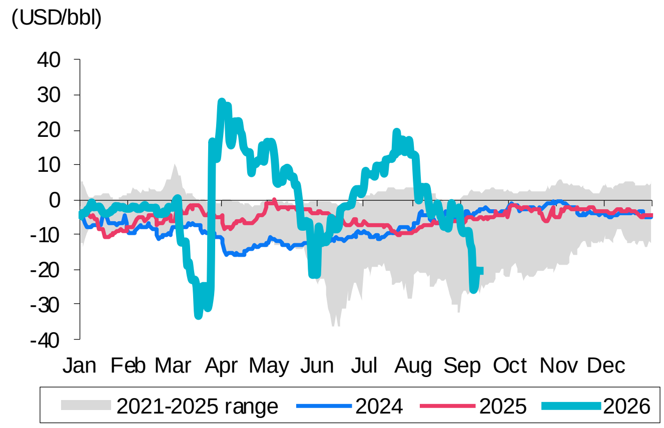
Note: As of Sep 11
Source: Petronet, Samsung Securities

Bunker-C: Spot refining margin vs Dubai oil



Note: As of Sep 11
Source: Petronet, Samsung Securities

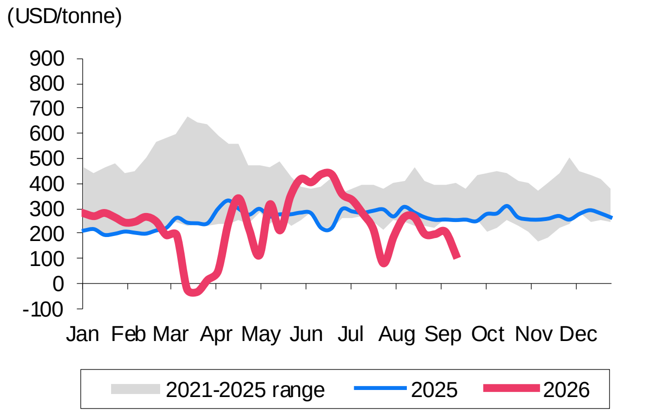
Naphtha: Spot refining margin vs Dubai oil



Note: As of Sep 11
Source: Petronet, Samsung Securities

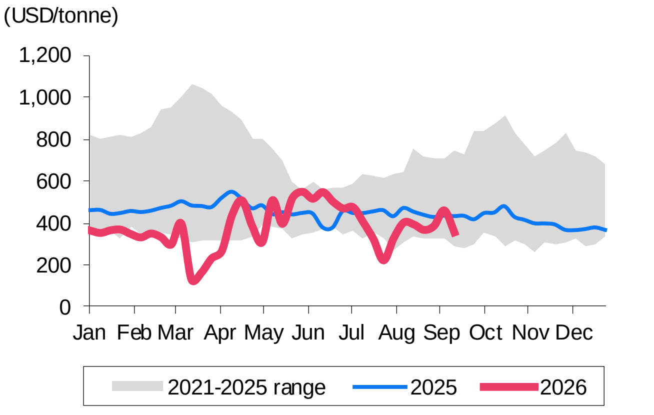
Chemical product spreads

HDPE-naphtha spread



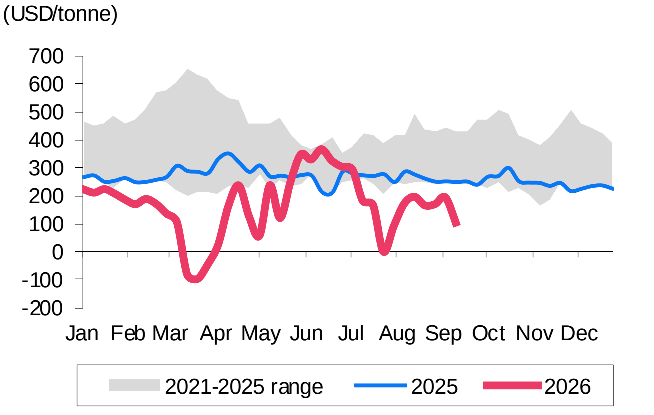
Source: S&P Global Platts, ICIS, Samsung Securities

LDPE-naphtha spread



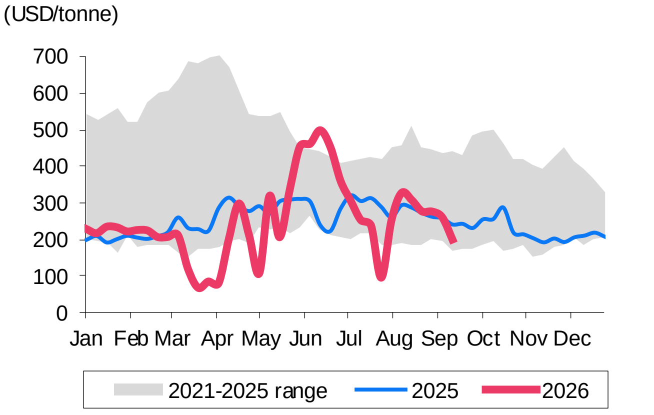
Source: S&P Global Platts, ICIS, Samsung Securities

LLDPE-naphtha spread



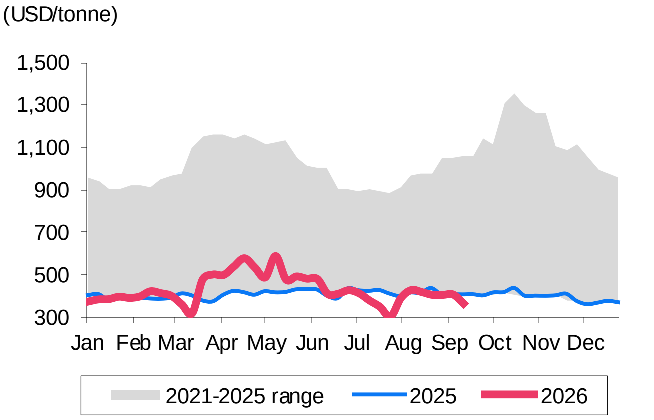
Source: S&P Global Platts, ICIS, Samsung Securities

PP-naphtha spread



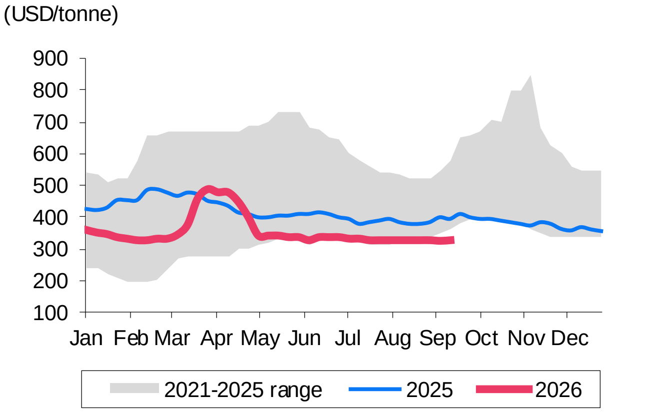
Source: S&P Global Platts, ICIS, Samsung Securities

PVC-naphtha spread



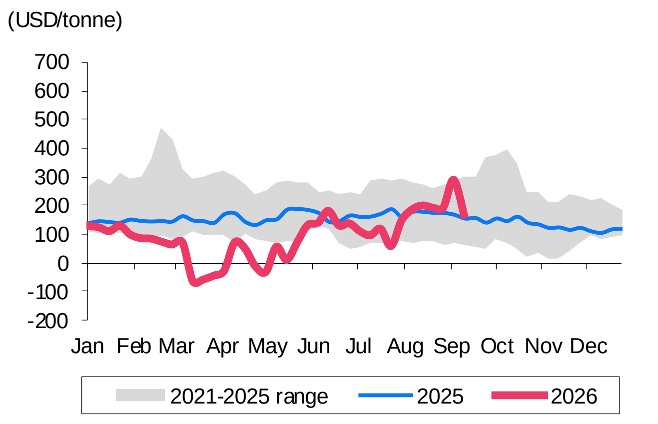
Source: S&P Global Platts, ICIS, Samsung Securities

Caustic soda prices



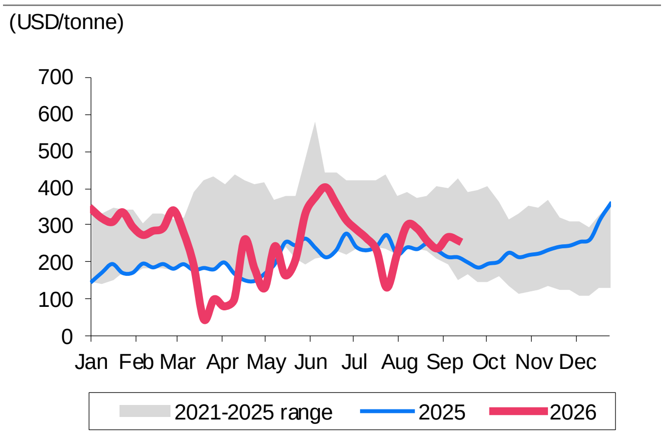
Source: S&P Global Platts, ICIS, Samsung Securities

MEG-naphtha spread



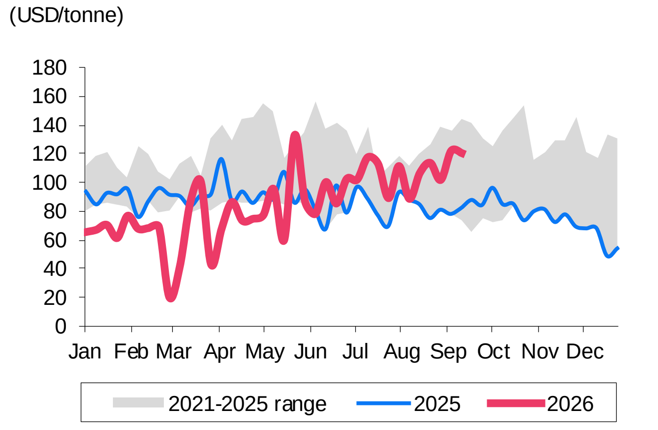
Source: S&P Global Platts, ICIS, Samsung Securities

PX-naphtha spread



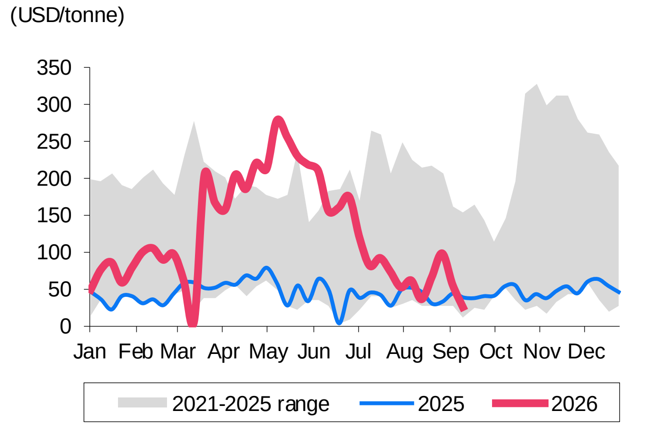
Source: S&P Global Platts, ICIS, Samsung Securities

PTA-PX spread



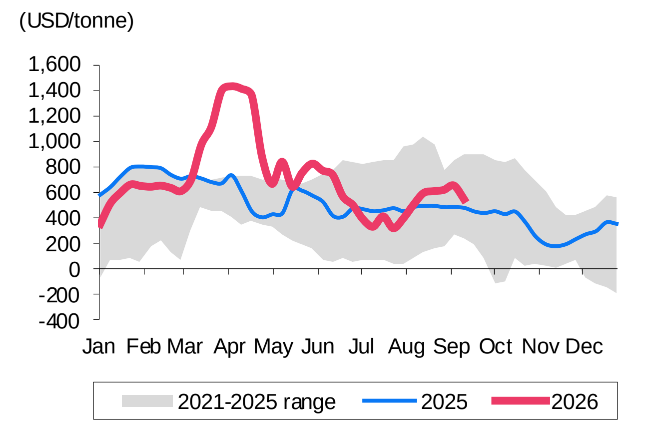
Source: S&P Global Platts, ICIS, Samsung Securities

PET-MEG/PTA spread



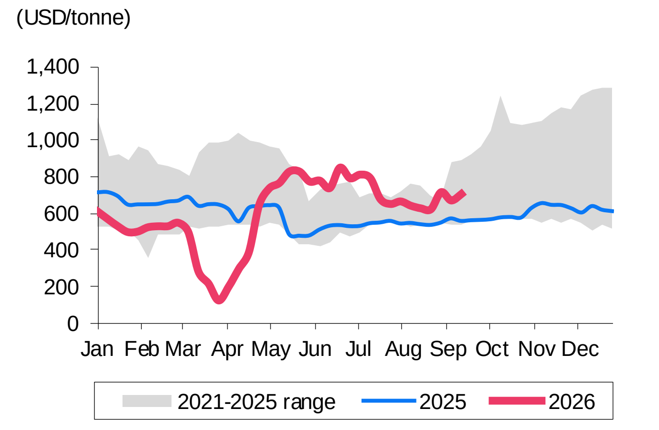
Source: S&P Global Platts, ICIS, Samsung Securities

Butadiene-naphtha spread



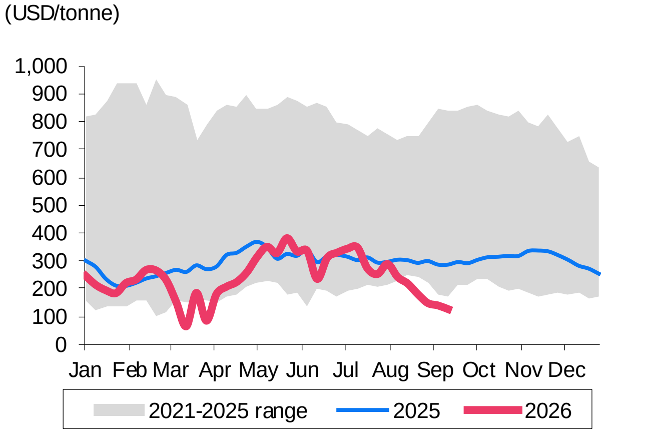
Source: S&P Global Platts, ICIS, Samsung Securities

SBR-SM/BD spread



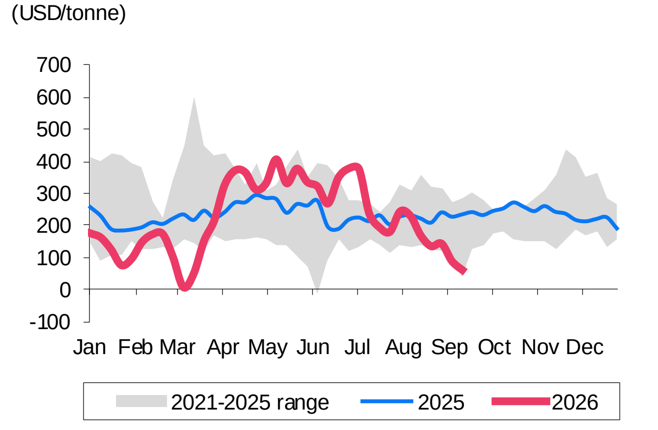
Source: S&P Global Platts, ICIS, Samsung Securities

ABS-AN/BD/SM spread



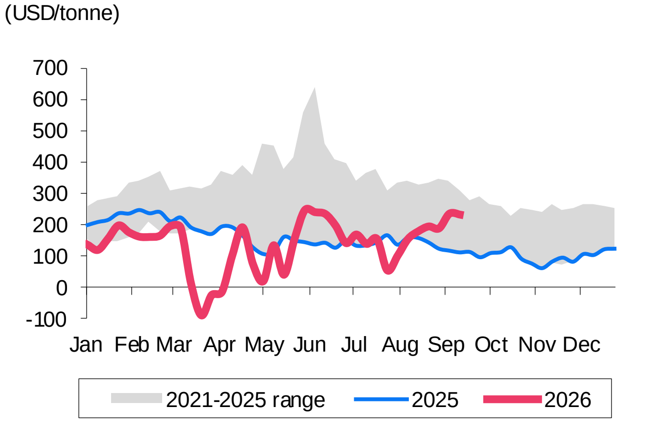
Source: S&P Global Platts, ICIS, Samsung Securities

PS-SM spread



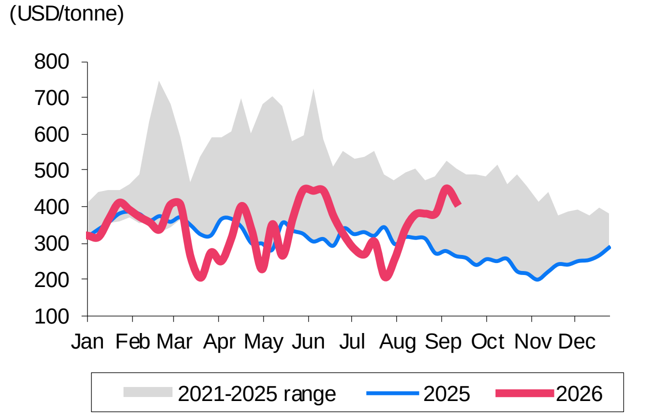
Source: S&P Global Platts, ICIS, Samsung Securities

Benzene-naphtha spread



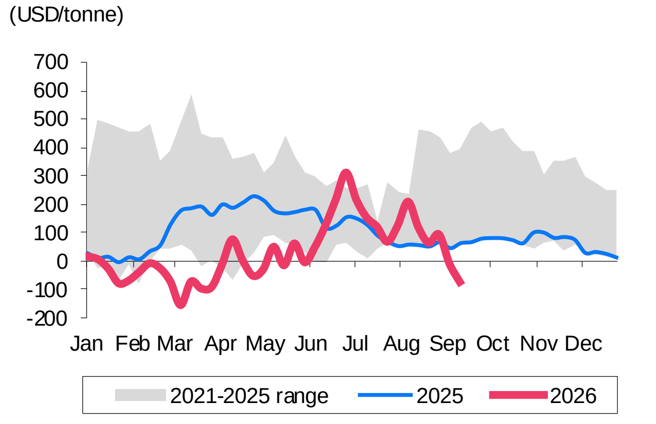
Source: S&P Global Platts, ICIS, Samsung Securities

SM-naphtha spread



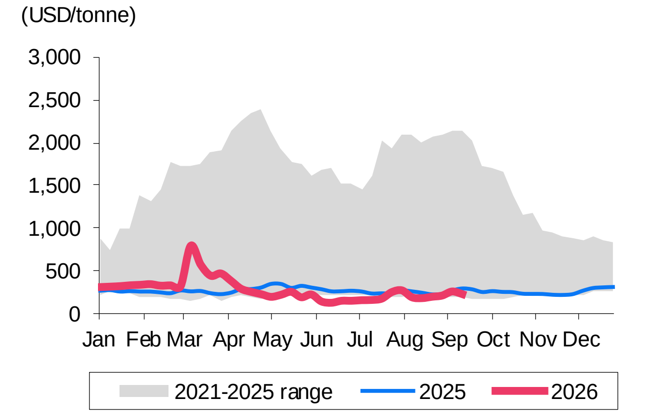
Source: S&P Global Platts, ICIS, Samsung Securities

Phenol/acetone-propylene/benzene spread



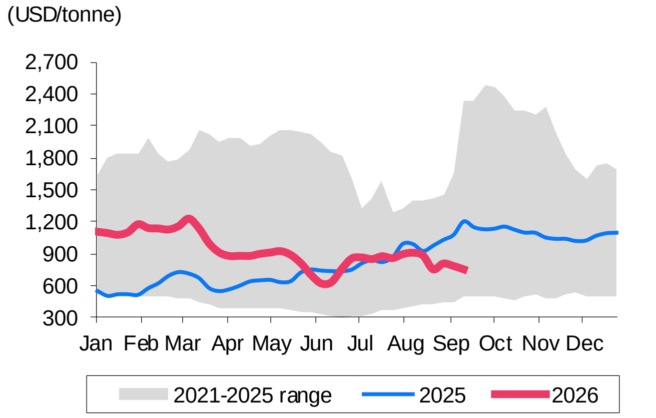
Source: S&P Global Platts, ICIS, Samsung Securities

BPA-phenol/acetone spread



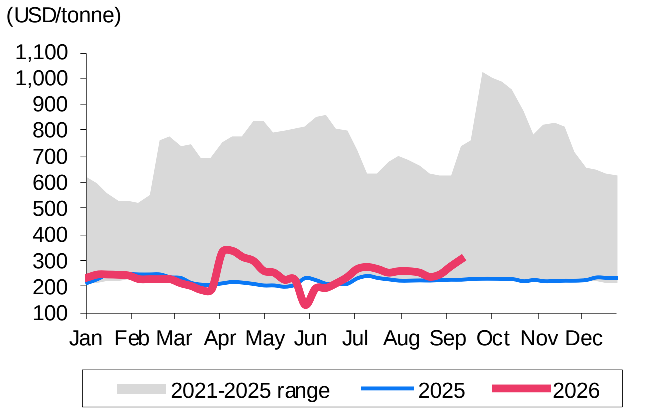
Source: S&P Global Platts, ICIS, Samsung Securities

ECH-propylene spread



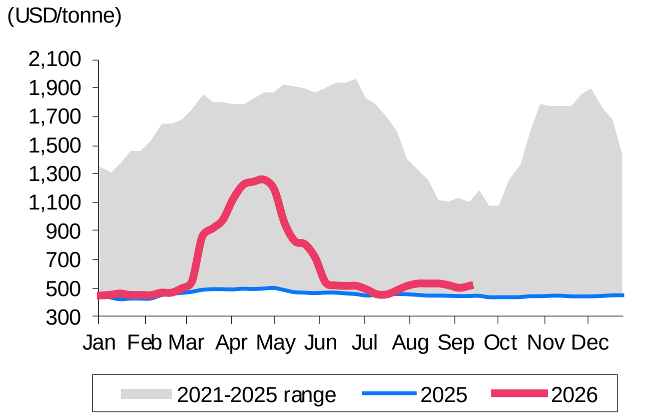
Source: Cischem, Samsung Securities

AA-methanol spread



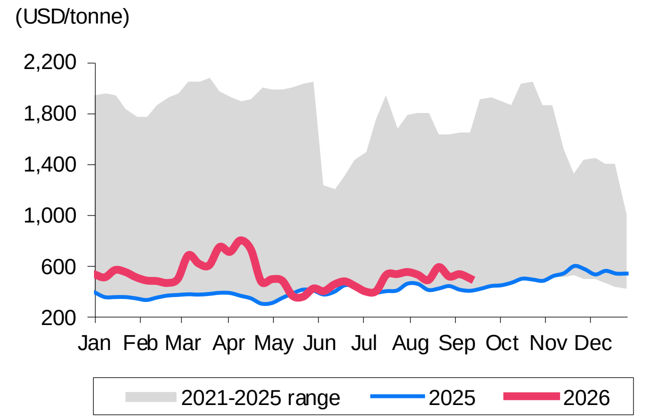
Source: S&P Global Platts, ICIS, Samsung Securities

VAM-AA spread



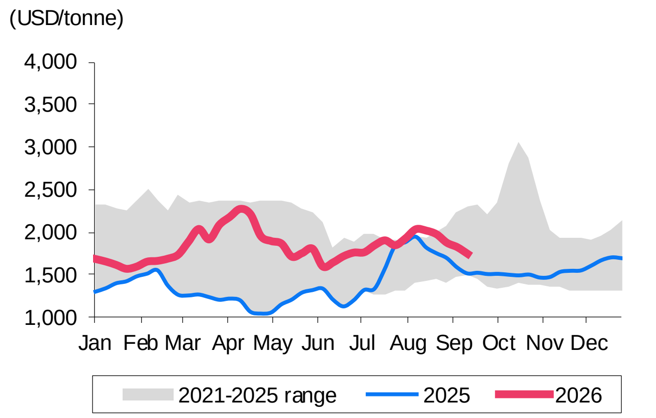
Source: S&P Global Platts, ICIS, Samsung Securities

PO-propylene spread



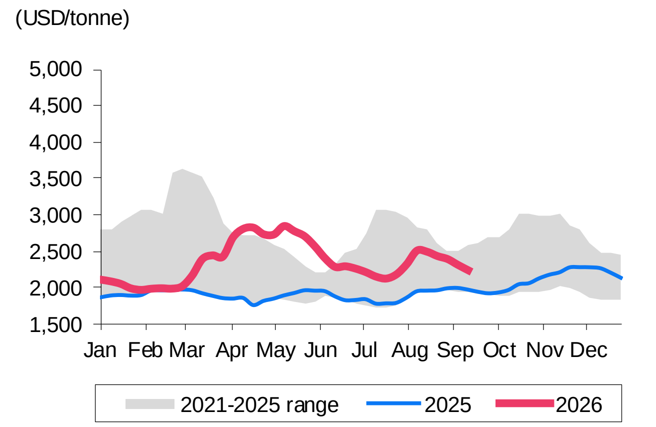
Source: Cischem, Samsung Securities

TDI-toluene spread



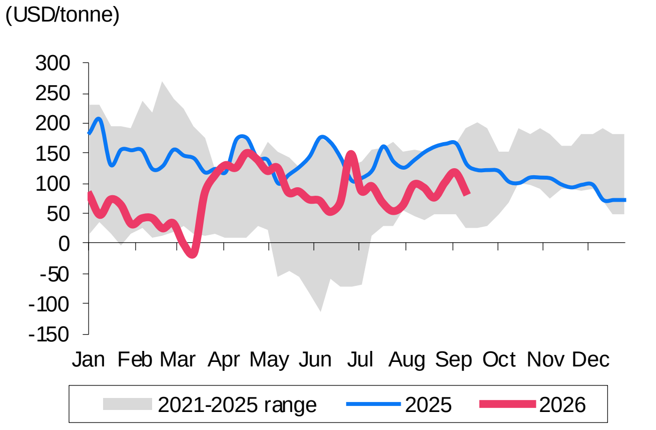
Source: Cischem, Samsung Securities

MDI-benzene spread



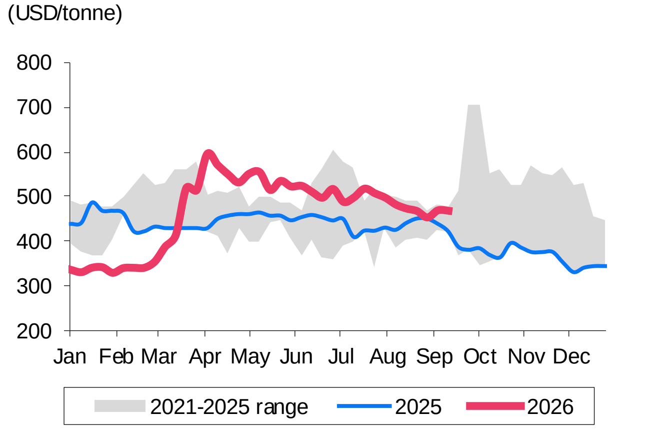
Source: Cischem, Samsung Securities

PA-OX spread



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

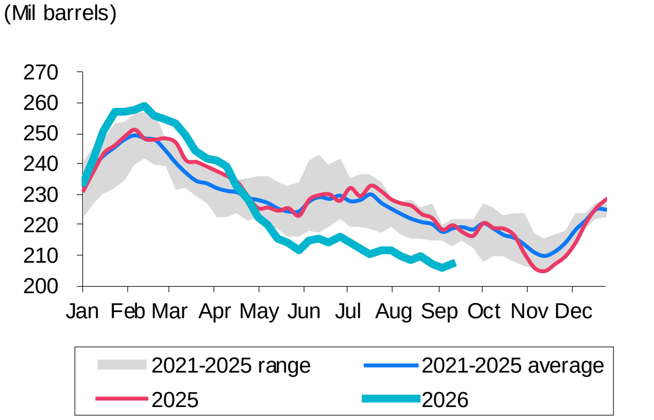
DOP-2EH spread



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

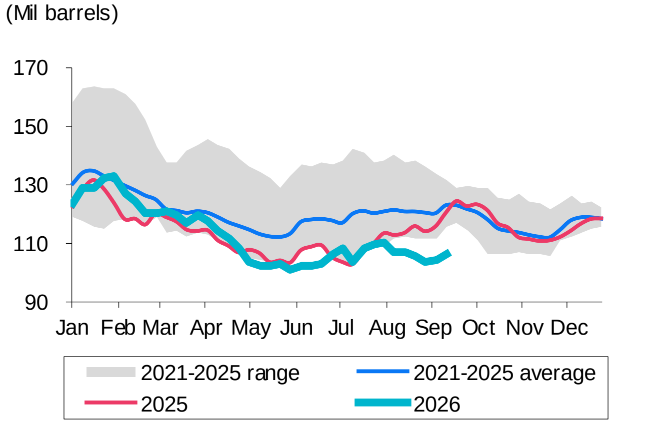
Refining product inventories

US light distillates inventory (gasoline)



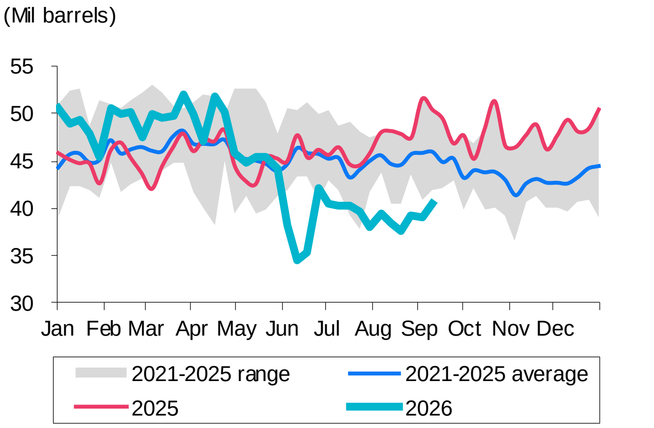
Source: EIA, Samsung Securities

US middle distillates inventory (diesel and kerosene)



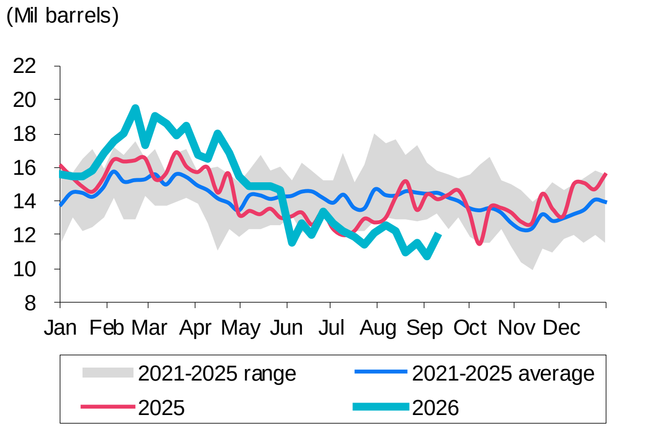
Source: EIA, Samsung Securities

Singapore refined products inventory (light distillates + mid distillates + residue)



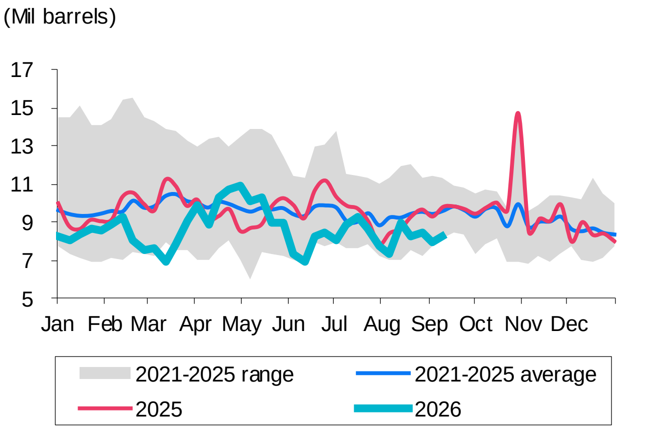
Source: Enterprise Singapore, Samsung Securities

Singapore light distillates inventory (gasoline)



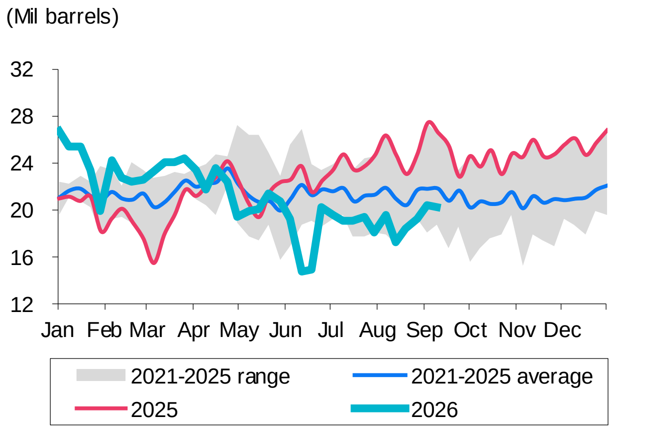
Source: Enterprise Singapore, Samsung Securities

Singapore middle distillates inventory (diesel and kerosene)



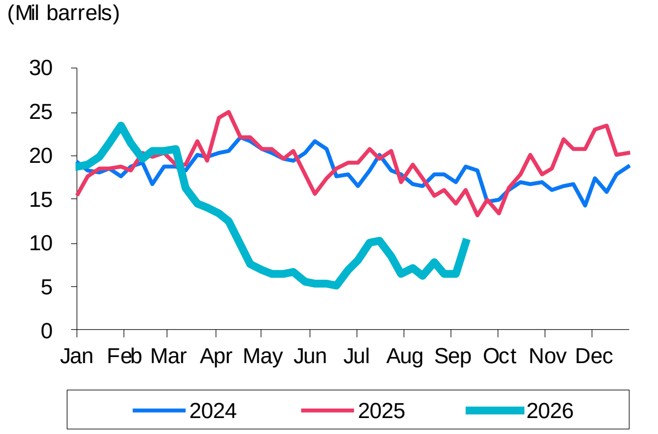
Source: Enterprise Singapore, Samsung Securities

Singapore residue inventory (HSFO and LSFO)



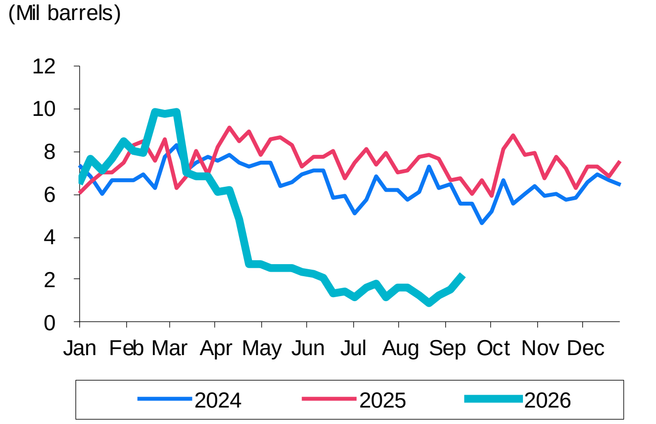
Source: Enterprise Singapore, Samsung Securities

Fujairah (UAE) refined products inventory (light distillates + mid distillates + residue)



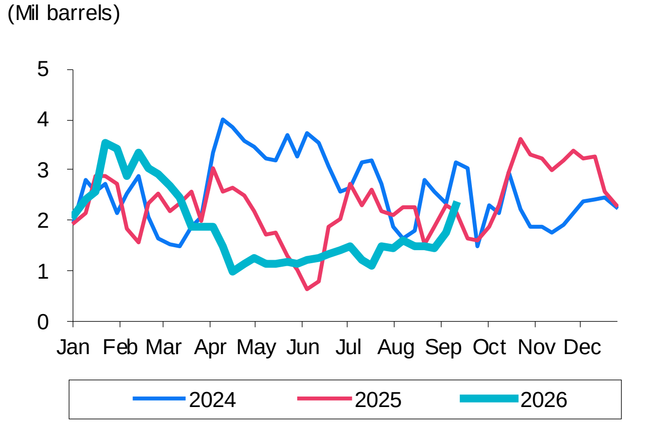
Source: S&P Global Platts, ICIS, Samsung Securities

Fujairah (UAE) light distillates inventory (gasoline)



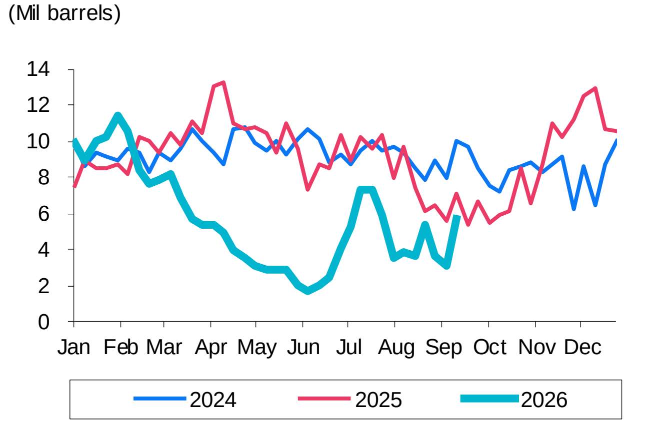
Source: S&P Global Platts, ICIS, Samsung Securities

Fujairah (UAE) middle distillates inventory (diesel and kerosene)



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

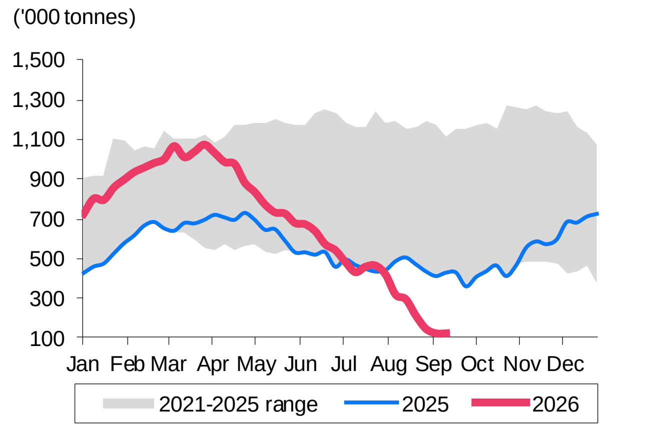
Fujairah (UAE) Fuel Oil inventory



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

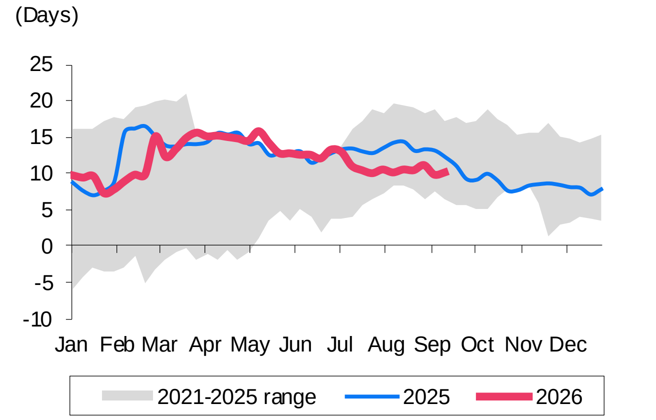
Chemical product inventories

MEG: China inventory



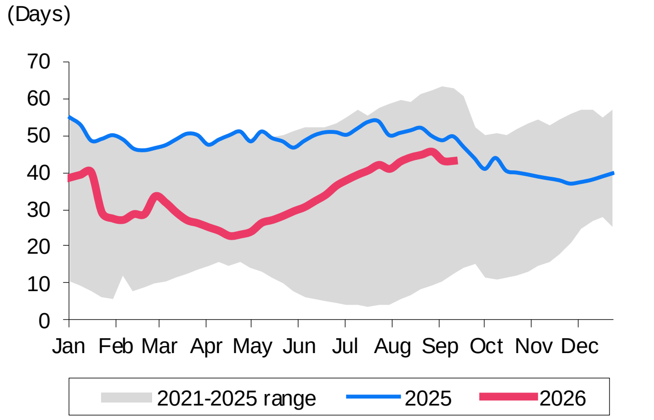
Source: CCF Group, Samsung Securities

Polyester staple: China inventory



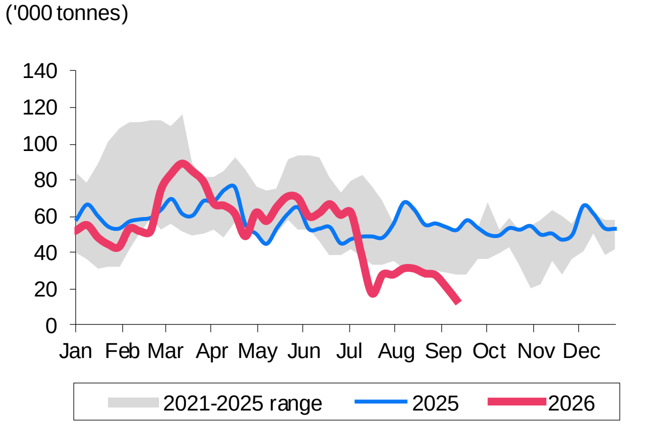
Source: CCF Group, Samsung Securities

Spandex: China inventory



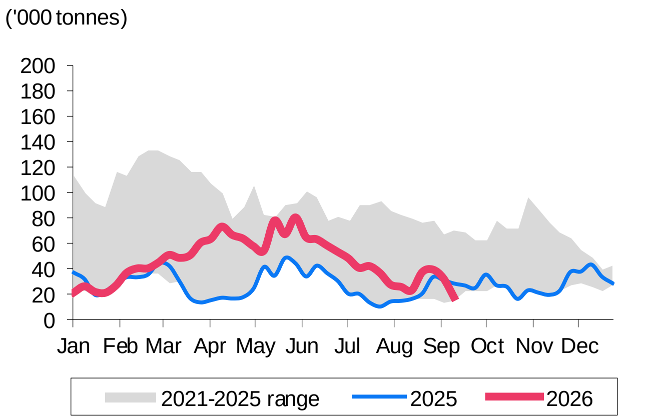
Source: CCF Group, Samsung Securities

Toluene: China inventory



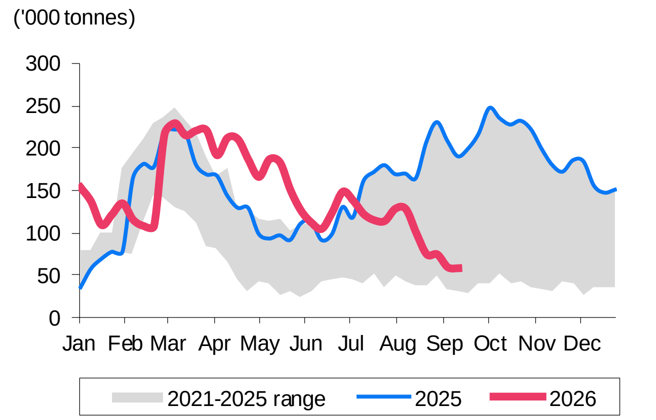
Source: S&P Global Platts, ICIS, Samsung Securities

Xylene: China inventory



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

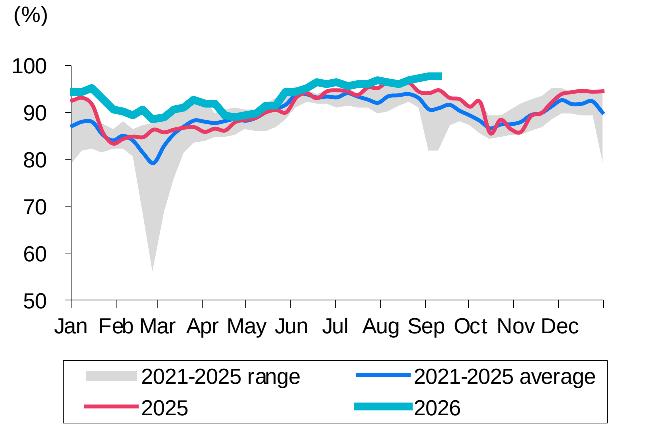
SM: China inventory



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

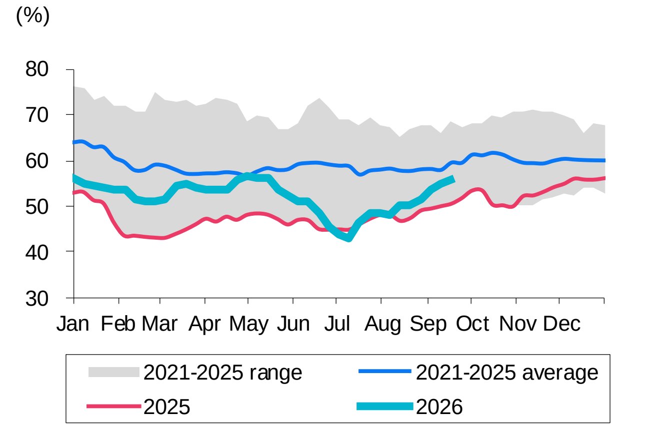
Refining/chemical product utilization rates

US refineries: Utilization rate



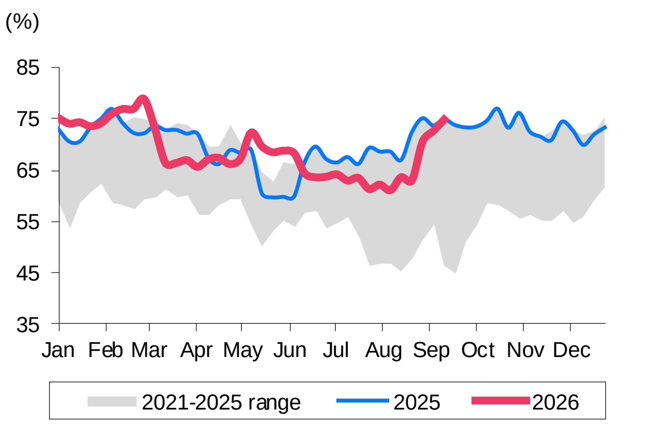
Source: EIA, Samsung Securities

China: Utilization rates at independent refiners in Shangdong area



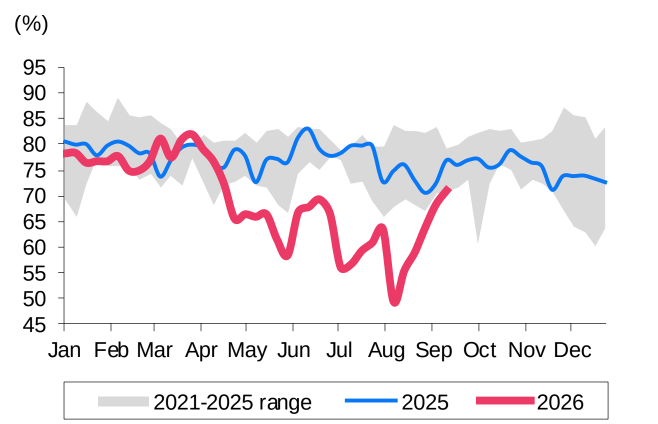
Source: Bloomberg, Samsung Securities

MEG: Utilization rates in China



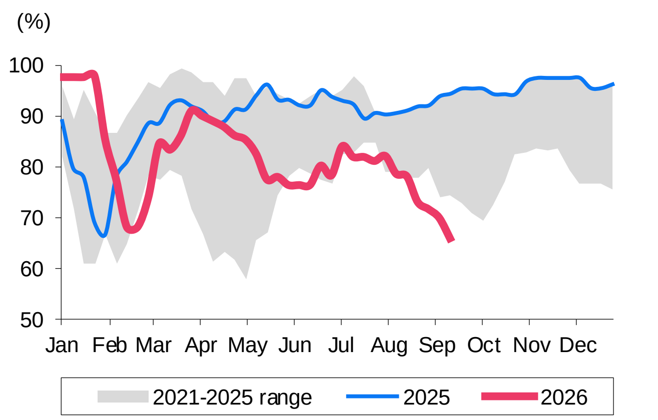
Source: CCF Group, Samsung Securities

PTA: Utilization rates in China



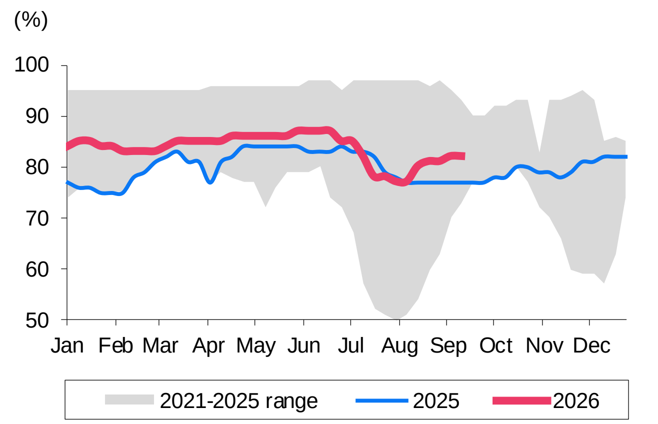
Source: CCF Group, Samsung Securities

Polyester staple: Utilization rates in China



Source: CCF Group, Samsung Securities

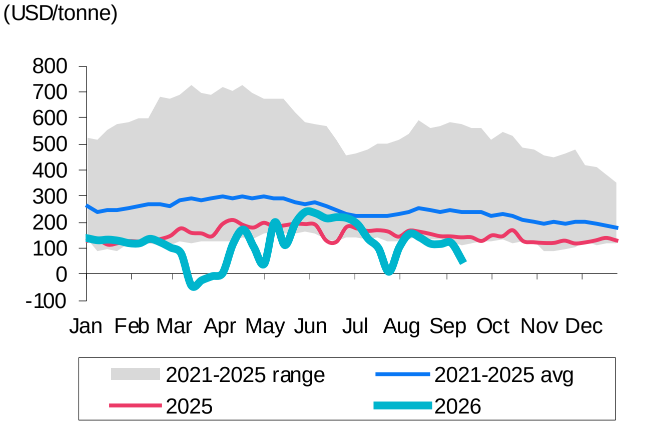
Spandex: Utilization rates in China



Source: CCF Group, Samsung Securities

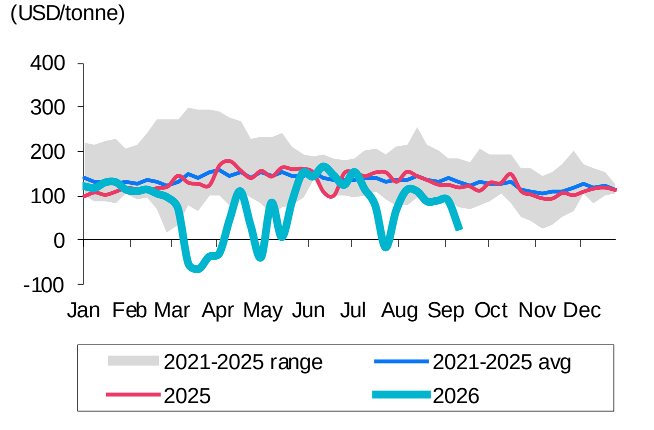
Chemical companies' mixed spreads

LG Chem: Mixed spread



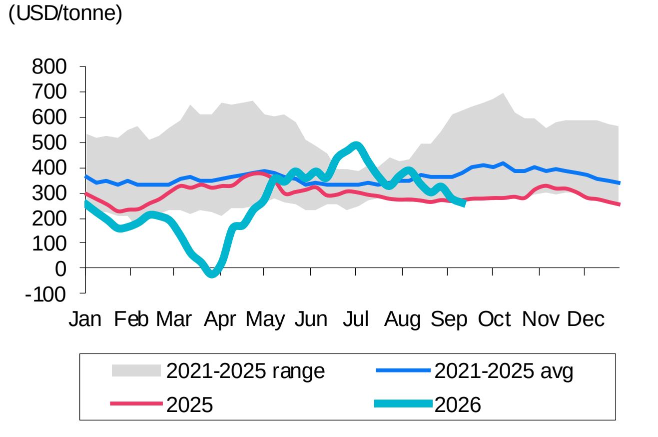
Source: Samsung Securities estimates

Lotte Chemical: Mixed spread



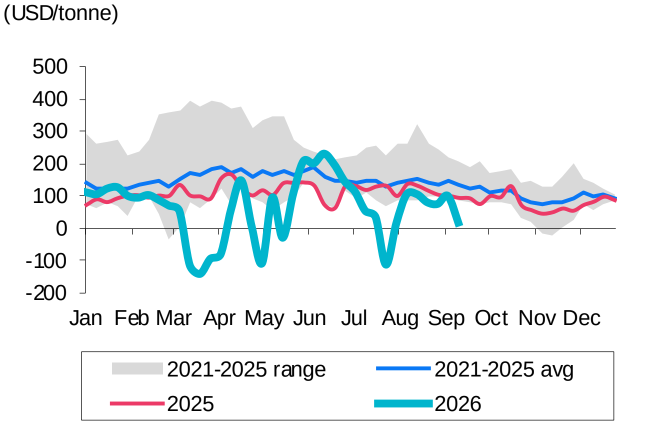
Source: Samsung Securities estimates

Kumho Petrochemical: Mixed spread



Source: Samsung Securities estimates

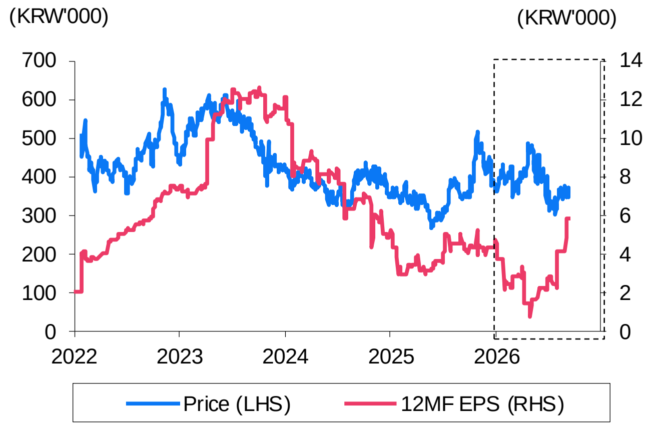
Korea Petrochemical: Mixed spread



Source: Samsung Securities estimates

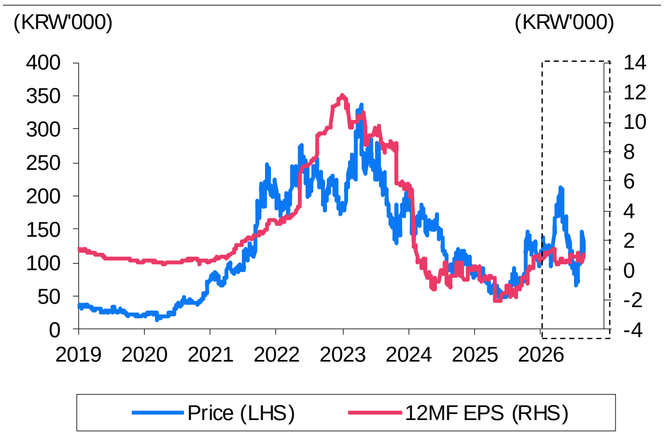
Major battery, oil refining and chemicals companies: Share price vs 12-month forward EPS (QuantiWise)

LG Energy Solution: 12-month forward EPS vs share price



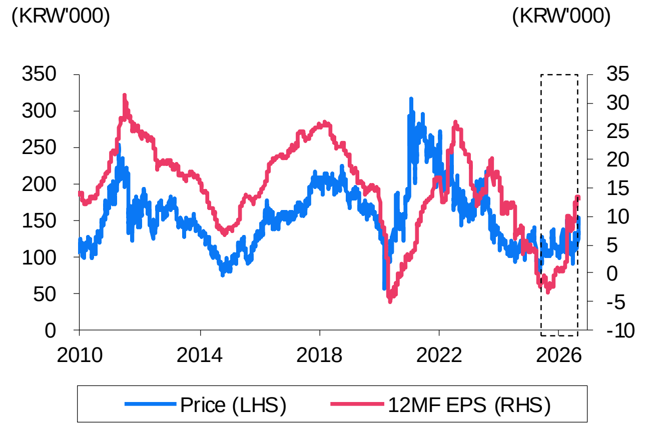
Source: QuantiWise, Samsung Securities

L&F: 12-month forward EPS vs share price



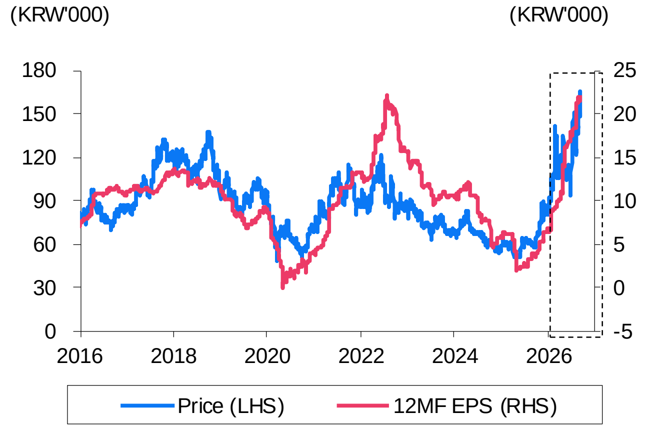
Source: QuantiWise, Samsung Securities

SK Innovation: 12-month forward EPS vs share price



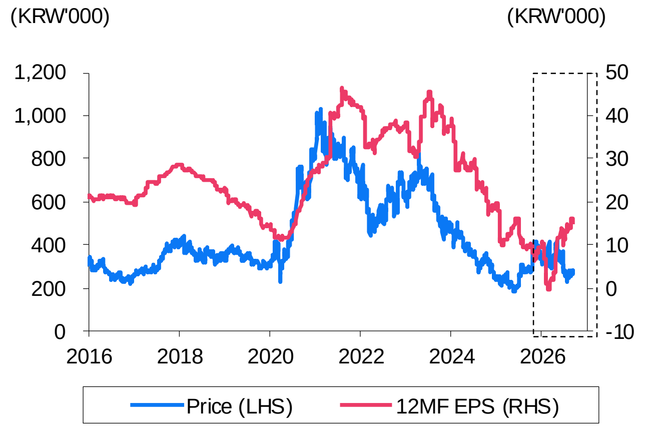
Source: QuantiWise, Samsung Securities

S-Oil: 12-month forward EPS vs share price



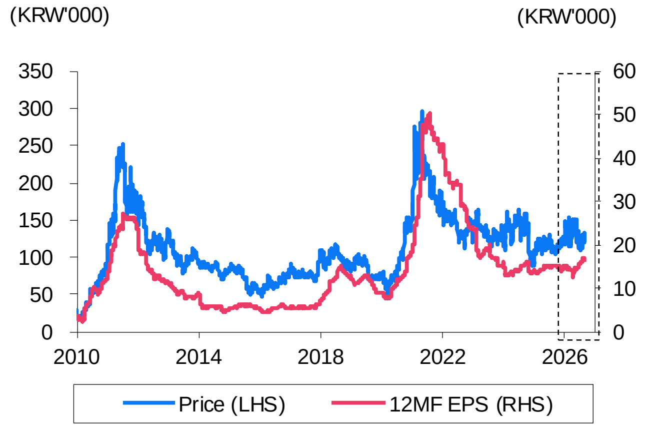
Source: QuantiWise, Samsung Securities

LG Chem: 12-month forward EPS vs share price



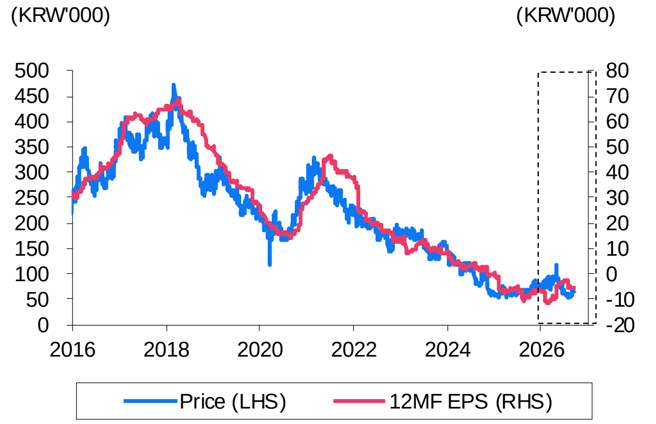
Source: QuantiWise, Samsung Securities

KKPC: 12-month forward EPS vs share price



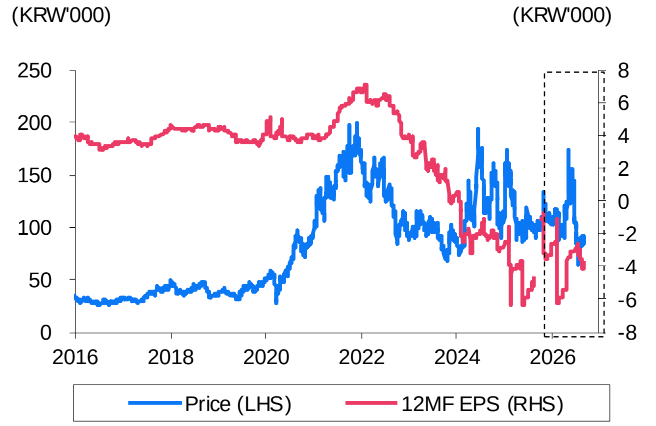
Source: QuantiWise, Samsung Securities

Lotte Chemical: 12-month forward EPS vs share price



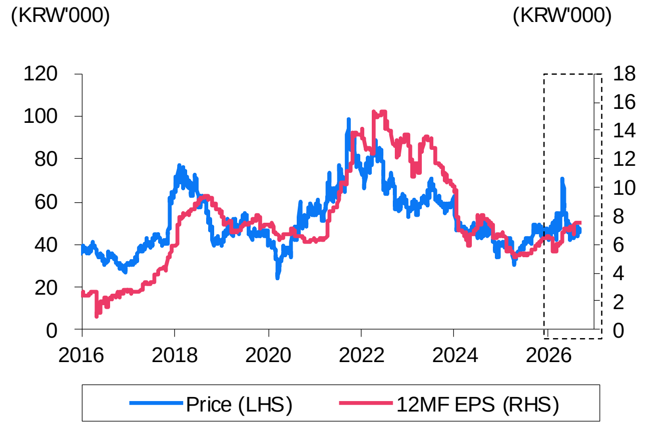
Source: QuantiWise, Samsung Securities

SKC: 12-month forward EPS vs share price



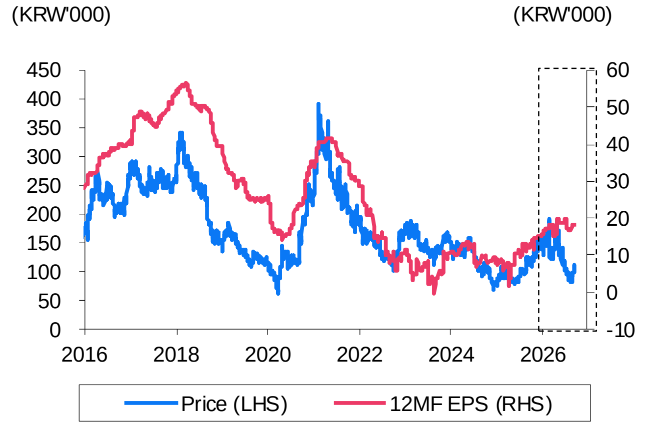
Source: QuantiWise, Samsung Securities

Lotte Fine Chemical: 12-month forward EPS vs share price



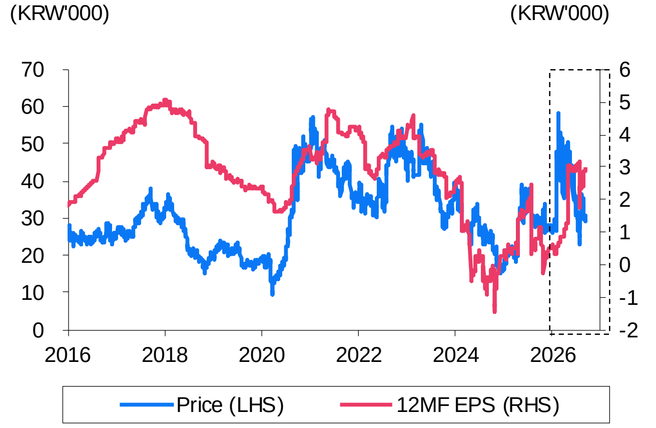
Source: QuantiWise, Samsung Securities

KPIC: 12-month forward EPS vs share price



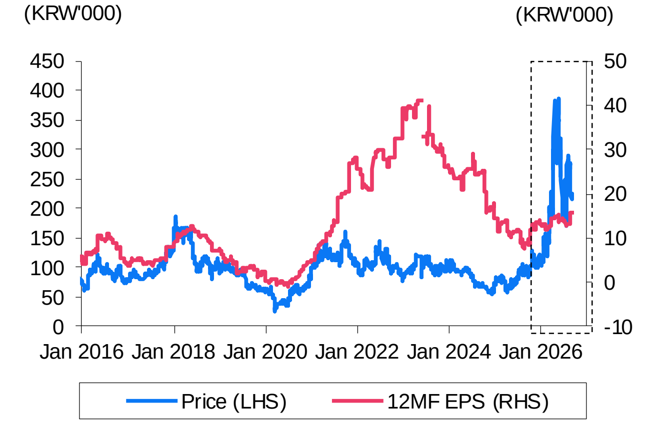
Source: QuantiWise, Samsung Securities

Hanwha Solutions: 12-month forward EPS vs share price



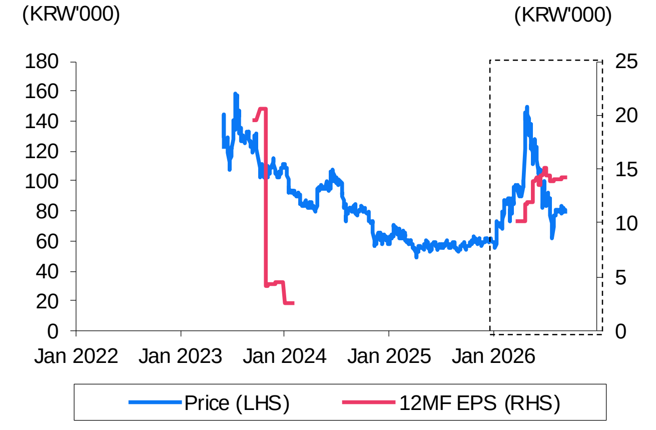
Source: QuantiWise, Samsung Securities

OCI Holdings: 12-month forward EPS vs share price



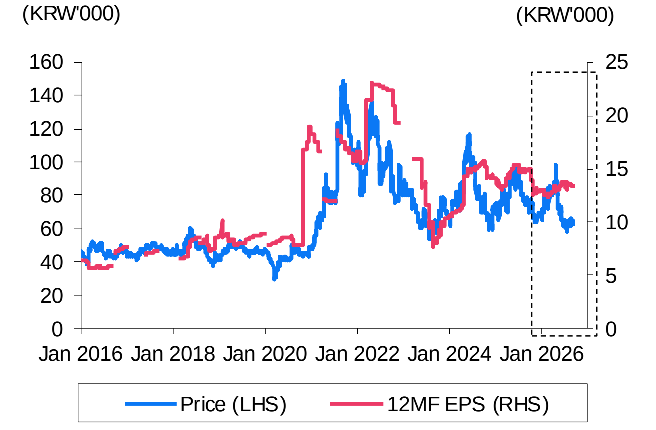
Source: QuantiWise, Samsung Securities

OCI: 12-month forward EPS vs share price



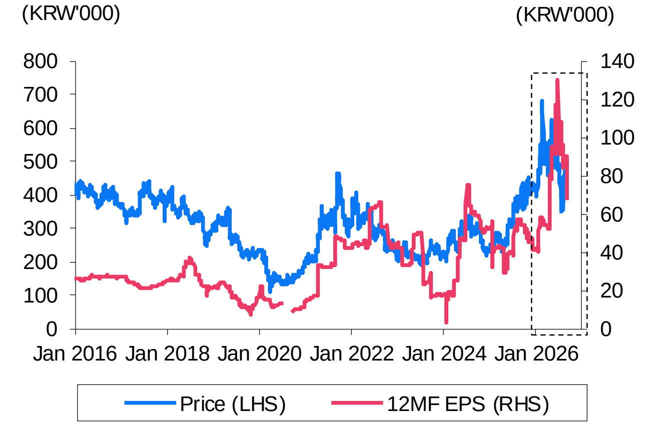
Source: QuantiWise, Samsung Securities

UNID: 12-month forward EPS vs share price



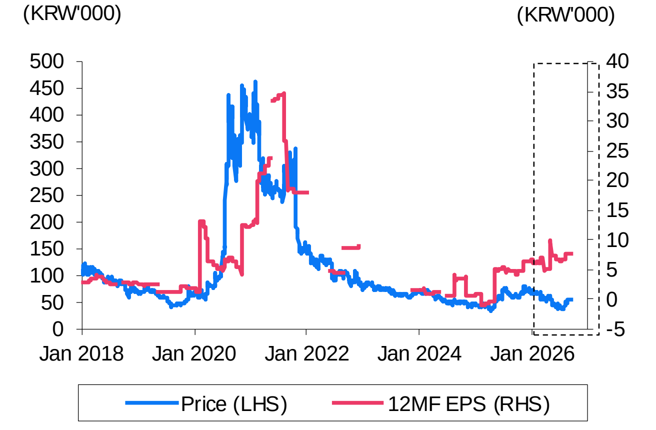
Source: QuantiWise, Samsung Securities

KCC: 12-month forward EPS vs share price



Source: QuantiWise, Samsung Securities

SK Chemicals: 12-month forward EPS vs share price



Source: QuantiWise, Samsung Securities

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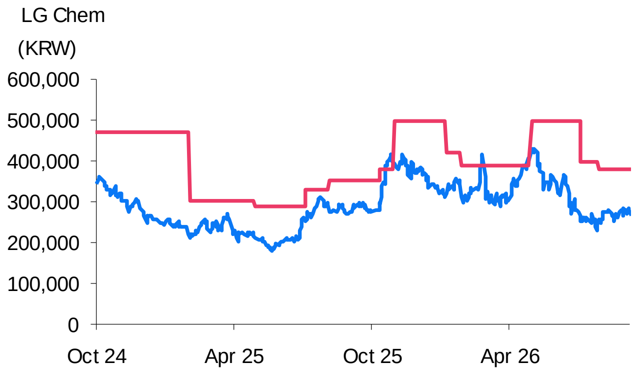

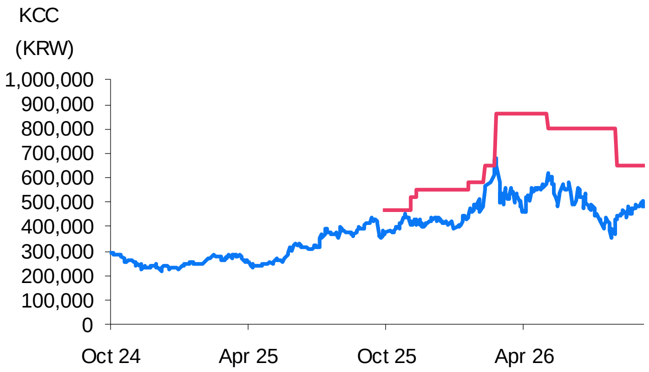

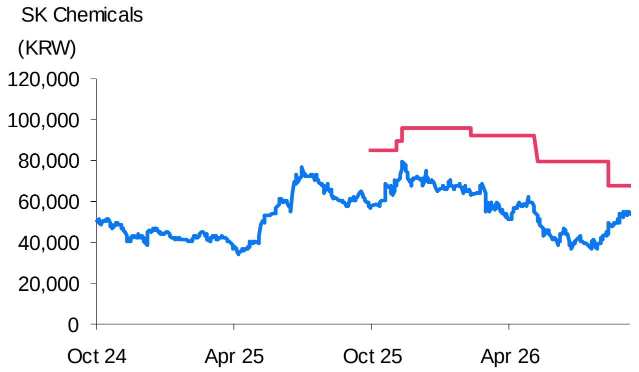

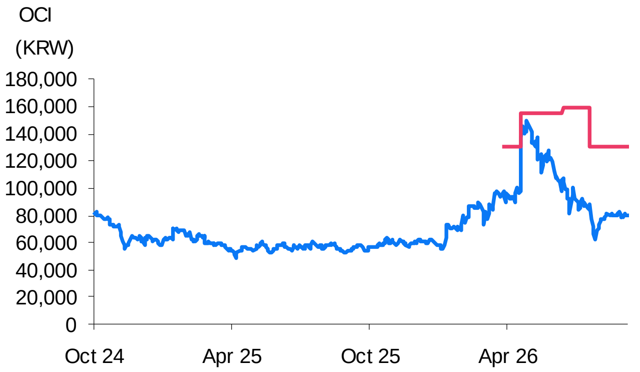

Rating changes over past two years (adjusted share prices)

LG Chem

Date	2024/7/25	2025/2/4	5/2	7/8	8/8	10/14	11/3	2026/1/12	1/30	5/4	7/8	7/31
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	BUY	BUY	BUY
Target price (KRW)	470000	305000	290000	330000	355000	380000	500000	420000	390000	500000	400000	380000
Gap* (average)	-37.05	-23.11	-28.41	-12.72	-20.02	-1.68	-26.61	-18.52	-13.98	-31.83	-36.33	
(max or min)**	-23.19	-10.82	-8.79	-5.15	-15.21	9.74	-16.10	-14.76	7.05	-14.10	-32.13	

KCC

Date	2025/10/2	11/6	11/13	2026/1/22	2/11	2/26	5/6	8/6
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	470000	520000	550000	580000	650000	860000	800000	650000
Gap* (average)	-12.30	-19.40	-23.71	-17.28	-8.33	-38.31	-38.70	
(max or min)**	-3.62	-17.31	-18.82	-11.38	3.85	-24.30	-24.25	

SK Chemicals

Date	2025/10/2	11/6	11/13	2026/2/12	5/11	8/14
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	85000	90000	96000	93000	80000	68000
Gap* (average)	-24.71	-18.92	-27.95	-37.48	-47.21	
(max or min)**	-16.82	-15.56	-17.81	-26.02	-35.63	

OCI

Date	2026/3/31	4/23	6/17	7/23
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	130000	155000	160000	130000
Gap* (average)	-26.05	-19.73	-43.04	
(max or min)**	-6.62	-3.23	-34.63	

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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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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