South Korea’s Ambitious LOTTE Chemical Looks To Acquisitions For Growth In Coronavirus Crisis

Lotte Chemical was actually the first Lotte Group company Shin worked at (then called Hanam Petrochemical) back in 1990. Shin, who was born in Tokyo and frequently spends time in Japan, told Japanese business newspaper Nikkei in March that his focus was to grow Lotte’s hotel and chemical businesses.

While hotels have synergies with Lotte’s other consumer-focused companies, the chemical industry is an opportunity to develop new streams of revenue with high barriers of entry. In 2018, Lotte Chemical, as part of the conglomerate’s chemical and construction business unit, contributed a third of Lotte Group’s revenue of ¥754 billion—almost on par with the largest unit, the traditionally strong retail business, which accounted for 34.5%.

Going forward, Lotte Chemical is expected to contribute a much greater share of the conglomerate’s future revenues. The company is in the early stages of a 10-year growth plan to be a top-seven chemical producer in the world, targeting annual sales of 50 trillion Korean won (about $45 billion) by 2030.

To be sure, while Lotte Chemical’s annual sales have been steadily rising in recent years, it has a lot of ground to make up. In February, Lotte Chemical reported estimated 2019 sales of about $32 billion, down 5.9% from the previous year. Sales are unlikely to improve in 2020 due to the global economic uncertainty created by the coronavirus crisis and an explosion in one of Lotte Chemical’s two South Korean naphtha cracking plants in early March, which injured at least 56 people.

In previous years, Lotte Chemical’s rise was fueled by both acquisitions and organic growth. In a notable deal completed in 2017, Lotte Chemical acquired Samyang’s chemical business units for $5.6 billion—the largest deal ever by Lotte. And just last year, it completes a $3.5 billion ethylene manufacturing plant in Lake Charles, Louisiana—the first such project in the U.S. by a Korean petrochemical company.