COMPANY UPDATE

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KB Balhae Infrastructure (415640)

Corporate day: Highway to high dividends

- KB Balhae Infrastructure is a listed infrastructure fund that has five projects as underlying assets including the New Daegu Busan Expressway.
- The New Daegu Busan Expressway repaid all of its senior loans in June. It should accumulate the minimum revenue guarantee (MRG) in cash
- The fund should pay a minimum DPS of KRW650 *pa* though 2036.

WHAT'S THE STORY?

Overview: KB Balhae Infrastructure was set up in 2006 as a private infrastructure fund and went public in Nov 2024. It has invested in five projects. It should offer a dividend yield of 6.9% for 2025. It pays out dividends at the end of June and at the end of December.

Growth strategy: It has invested in three toll road projects and two tunnel projects. In 2Q, the five assets' average daily traffic volume dipped 0.6% y-y and their toll fees fell 4.8% y-y. Although operating income from the New Daegu Busan Expressway rose 1% y-y, the company shared refinancing-related gains with the government (the Act on Public-Private Partnerships in Infrastructure requires a 1:1 sharing of refinancing-related gains with the government) and reflected this in its earnings as a lump sum in June.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW10,500	1.5%
Current price	**KRW10,340**	
Market Cap	KRW1.3t/USD0.9b	
Shares (float)	122,545,548 (80.3%)	
52-week high/low	KRW10,340/KRW7,160	
Avg daily trading value (60-day)	KRW1.8b/ USD1.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
KB Balhae Infrastructure Fund (%)	13.4	34.3	0.0
Vs Kospi (%pts)	-4.7	-18.6	0.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	10,500	10,500	0.0%
2025E EPS	458	458	0.0%
2026E EPS	473	473	0.0%

SAMSUNG vs THE STREET

No of estimates	1
Target price	10,500
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	64	67	70	77
Operating profit (KRWb)	52	56	58	67
Net Profit (KRWb)	52	56	58	67
EPS (adj) (KRW)	508	458	473	547
EPS (adj) growth (%)	0.0	(10.0)	3.4	15.5
EBITDA margin (%)	82.1	83.7	82.9	87.0
ROE (%)	6.0	6.5	6.9	8.1
P/E (adj) (x)	16.5	20.7	20.0	17.3
P/B (x)	1.0	1.3	1.4	1.4
EV/EBITDA (x)	5.2	5.9	6.2	7.3
Dividend yield (%)	7.4	6.9	6.9	6.9

Source: Company data, Samsung Securities estimates

- **New Daegu Busan Expressway:** The asset accounts for 70% of the fund's AUM. Even after the minimum revenue guarantee (MRG) ends in 2026, the asset should still generate a dividend on par to that it currently distributes. The asset in June repaid all of its senior loans to the fund, indicating that it will accumulate the MRG in cash going forward, instead of using it to pay interest + principal of the senior loans. As of end-June, the asset had KRW180b in cash (a level on par with the fund's annual dividend payout). It should enjoy a cash flow of KRW20b *pa* going forward.
- **New investment candidates:** The fund—alongside KB Group—is set to invest in GTX-C around year-end. Unlike other projects it is vying for, the GTX-C project has a high possibility of being secured, as KB Group affiliates are also expected to take part in the project. The fund is considering investing in various renewable projects (*eg*, fuel cell).

To pay minimum DPS of KRW650 *pa*: The New Daegu Busan Expressway's repayment of senior loans in June should bring forward the timing that the fund starts collecting interest on subordinated loans (also extended to the asset) and receiving a dividend from the asset. The fund's dividend visibility remains high through at least 2036 (which is when the fund's right to operate the asset expires). Moreover, as the fund's DPS plan—presented at the time of its IPO—does not include its loan principal, the fund has room to increase dividend payouts and makes new investments (once the principal has been recouped).

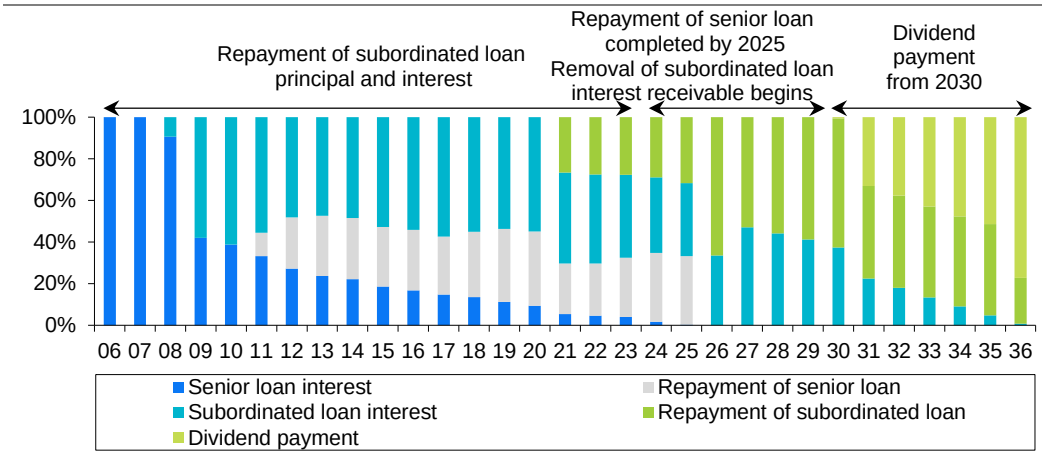
- **Elimination of rights offering risk:** The company has borrowed KRW80b, which is 9.7% of its capital (the cap under the Act on Public-Private Partnerships in Infrastructure is 30%), indicating that it has plenty of room to increase its borrowing. A revision bill on the Act has been submitted to the National Assembly's subcommittee (one key provision is raising the debt ceiling for listed infrastructure funds from 30% of their capital to 100%). The bill is expected to pass the National Assembly by 1H26, which would free the fund of rights offering risk.

Table 1. KB Balhae Infrastructure: Investment assets

Assets	Capital commitment					Competent authority	Operation period	Termination date
(KRWb)	Stake (%)	Stock	Subordinated loan	Total investment	Interest rate (%)		(years)	
New Daegu-Busan Expressway	50.2	151.4	487.8	639.1	10.25-10.5	Ministry of Land, Infrastructure and Transport	30	Feb 2036
Busan Sanseong Tunnel	65.0	23.4	60.8	84.2	11.0	Busan Metropolitan City	30	Sep 2048
Namyangju Urban Expressway	100.0	47.5	51.6	99.1	20.0	Namyangju City	30	Aug 2041
Yongma Tunnel	60.0	16.8	28.0	44.8	12-15	Seoul City	30	Nov 2044
Suwon Beltway	50.0	20.0	24.0	44.0	13.0	Suwon City	30	Sep 2050
Total		**259.1**	**652.2**	**911.2**				

Source: Company data, Samsung Securities

Chart 1. New Daegu-Busan Expressway: Cash flow – full repayment of senior loan in 2025



Source: Company data, Samsung Securities

Table 2. Valuation

(KRWb)	Interest income	Dividend income	Liquidation income	NPV
New Daegu-Busan Expressway	654	241	84	979
Sanseong Tunnel	112	9	7	128
Namyangju Urban expressway	121	30	20	172
Yongma Tunnel	37	9	6	52
Suwon Beltway	37	8	5	50
Total NPV	961	297	122	1,381
Net debt	90			
Enterprise value	1,291			
Value per share (KRW)	10,500			

Source: Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025F	2026F	2027F	2028F
Cash and deposits	71	40	38	25	17
Assets under management	933	913	893	893	891
Loans	672	652	632	632	630
Equity securities	259	259	259	259	259
Other	2	2	2	2	2
Total assets	1,004	953	931	918	908
Debenture	10	10	10	10	10
Debt	111	80	80	80	80
Accrued compensation	2	2	2	2	2
Accrued interest payable	-	-	-	-	-
Other liabilities	1	-	-	-	-
Total liabilities	123	92	92	92	92
Paid-in capital	825	825	825	825	825
Retained earnings	56	36	14	1	-9
Total equities	881	861	839	826	816

Income statement

Year-end Dec 31 (KRWb)	2024	2025F	2026F	2027F	2028F
Revenue	64	67	70	77	79
Interest income	63	66	69	76	78
Fee income	1	1	1	1	1
Expenses	11	11	12	10	10
Interest expenses	4	4	4	3	3
Management fee	7	7	8	7	7
Other	0	-	-	-	-
Operating profit	52	56	58	67	69
Non-operating profit	-	-	-	-	-
Pre-tax profit	52	56	58	67	69
Income tax	-	-	-	-	-
Rate (%)					
Non-controlling interest	-	-	-	-	-
Consolidated net profit	52	56	58	67	69

Margins

Year-end Dec 31 (%)	2024	2025F	2026F	2027F	2028F
Profitability (%)					
Operating profit (%)	82.1	83.7	82.9	87.0	87.3
Net profit (%)	82.1	83.7	82.9	87.0	87.3
ROE (%)	6.0	6.5	6.9	8.1	8.5
ROA (%)	5.2	5.9	6.2	7.3	7.6
Dividend yield (%)	7.4	6.9	6.9	6.9	6.9
Dividend payout ratio (%)	145.9	142.0	137.3	118.9	115.4
Valuation (x)					
P/E	16.5	20.7	20.0	17.3	16.8
P/B	1.0	1.3	1.4	1.4	1.4

Key metrics

Year-end Dec 31 (KRW)	2024	2025F	2026F	2027F	2028F
Growth (% y-y)					
Sales		4.8	4.5	10.0	2.6
Operating profit		6.9	3.4	15.5	3.0
Net profit		6.9	3.4	15.5	3.0
EPS growth		(10.0)	3.4	15.5	3.0
Per-share data (KRW)					
EPS	508	458	473	547	563
BVPS	8,535	7,023	6,847	6,743	6,656
DPS	625	650	650	650	650

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

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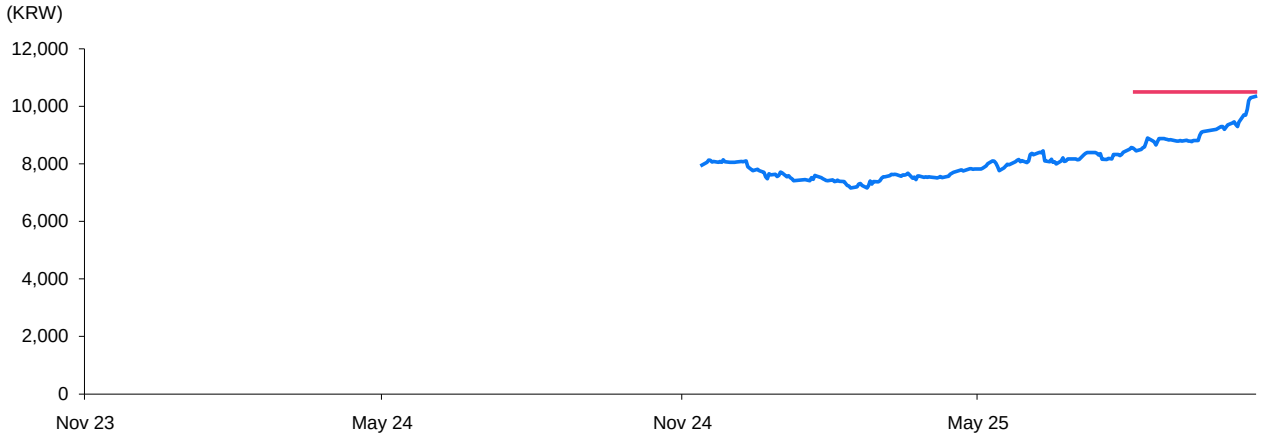

Rating changes over past two years (adjusted share prices)

Date	2025/8/21
Recommendation	BUY
Target price (KRW)	10500
Gap* (average)	
(max or min)**	

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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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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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 2025.09.30

BUY (83.5%)·HOLD (16.5%)·SELL (0%)

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