SECTOR
UPDATE

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Telecom Services
(OVERWEIGHT)

2026 outlook: Earnings stability to return

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WHY SHOULD
YOU READ THIS REPORT

At the beginning of 2025, against the backdrop of mounting global macroeconomic uncertainty, the domestic telecom sector drew attention for its defensive nature and relatively stable earnings. From the middle of this year, however, telcos have faced a more formidable business environment due to various cybersecurity incidents and related one-off costs.

With much of that turbulence having dissipated, the sector now looks to be back on track and should regain momentum in 2026. The wireless service market is set to stabilize as the impacts stemming from the cyberattacks subside. Telcos are likely to focus on: 1) gaining additional subscribers via improving their marketing efficiency (rather than engaging in reckless price competition); and 2) lifting their ARPU via offering a plethora of diverse services. Furthermore, their 2026 earnings should benefit from a low base (given one-off costs related to the cyberattacks in 2025).

Telcos are likely to speed up their AI transition and work hard to improve their AI data center, B2B, and cloud businesses. The data center businesses, for which demand continues to grow, should sustain strong top-line expansion, supported by rising utilization and new data center openings (in 2025 and 2026). On the AI B2C front, monetization of AI agent services will likely begin next year through the launch of subscription and bundled plans.

We put forward SK Telecom (SKT) as our sector top pick for 2026. Most of the one-off costs and uncertainties in play for the company should be resolved by end-2025, setting the stage for a clear recovery in 2026. The firm's fixed-line and wireless operations are gradually stabilizing after the cyberattack in April, while its AI-driven businesses (*eg*, AI data centers) should maintain robust earnings growth. Thanks to a low base, its operating profit should jump 59.7% to KRW1.78t in 2026. Furthermore, the decline in foreign ownership of SKT to 36% suggests a favorable share supply-demand environment relative to that for its industry peers. We believe that shares in the country's largest mobile carrier will show a clear uptrend in 2026.

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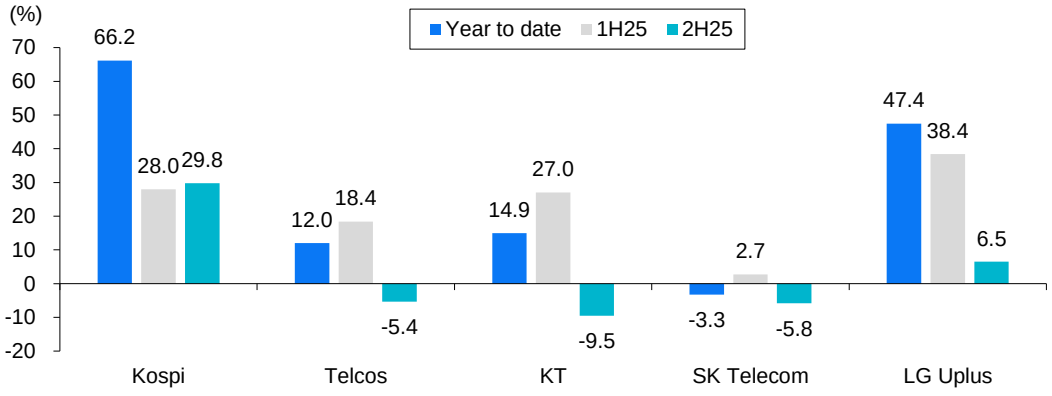
Moving forward in 2026, leaving setbacks behind

Telcos underperform in 2025 due to cyberattacks

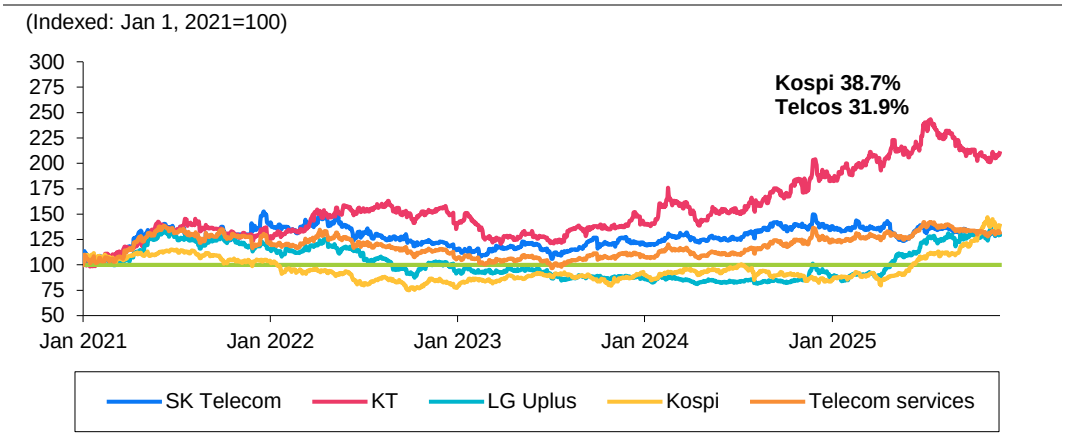
The telecom sector has been underperforming the Kospi since mid-2025, affected by SK Telecom's (SKT) USIM data breach (revealed in late April) and KT users falling victim to unauthorized low-value payment fraud in September. At the start of the year, amid US tariff-related uncertainties, telcos drew attention for their defensive nature. But a series of negative events—including multiple cybersecurity breaches, regulatory penalties, an absence of dividends, and one-off costs (which temporarily compressed profitability)—have reduced the telecom sector's relative investment appeal, resulting in subdued share performances. LG UPlus, though, has kept rising in 2H on expectations of a turnaround this year and optimism that it will strengthen its shareholder return program.

Chart 1. Telcos: Share performance ytd



Note: 2H25 is as of Nov 27
Source: QuantiWise, Samsung Securities

Chart 2. Telcos: Share performance since 2021



Note: As of Nov 27
Source: QuantiWise, Samsung Securities

SKT decided not to pay a cash dividend for 3Q25, citing poor operating results and concerns over its financial health after the USIM data leak (April) and the implementation of cyberattack-related subscriber benefits. This was the first time the telco has skipped a dividend payment since its adoption of a quarterly dividend policy in 2Q21. Due to additional spending on the customer compensation package in 4Q25 and some one-off labor costs, the company could skip the quarterly dividend payment again. Reflecting investors' disappointment, SKT has underperformed KT and LG Uplus, both of which have either raised or are likely to increase their dividends y-y.

Table 1. Three major telcos' 2025E DPS and dividend yield

Company	Category	1H25 DPS (KRW)	2H25 DPS (KRW)	2025E Dividend yield (%)	Others
KT	Quarterly dividend	1,200	1,200	4.8	Increased 20% y-y
SK Telecom	Quarterly dividend	1,660	0	3.1	1H25 dividend unchanged y-y and no dividend in 3Q25 We assume no dividend in 4Q25
LG Uplus	Semi-annual dividend	250	420	4.4	We assume year-end DPS will increase to KRW20 on the reduced number of shares (after the share cancelation)

Note: 2025E dividend yield is based on Nov 27 share price
Source: Company data, Samsung Securities estimates

To return to normal in 2026

Full-speed growth should return to the Korean telecom sector in 2026, with the market shifting from instability to a more normalized, earnings-driven phase.

The telecom services sector appears to be moving past a period of turbulence and back towards stability, despite some lingering uncertainties—*eg*, the size of regulatory fines imposed by the Personal Information Protection Commission on KT after the unauthorized low-value payment fraud.

We believe the wireless service market will be calm in 2026, allowing a more predictable business environment. The three major telcos are likely to focus on: 1) gaining subscribers via more efficient marketing (instead of reckless price competition); and 2) lifting ARPU via offering diverse services. With the AI transformation accelerating, their top-line growth should be driven largely by their AI, B2B, and cloud businesses. Furthermore, earnings at their data center businesses are set to expand, backed by growing demand, rising utilization, and additional capacity from new facilities (to come online in 2025 and 2026). In the AI-powered B2C segment (*eg*, AI agent services), the mobile operators should begin to monetize some of the services.

The country's three major telcos have been working to raise shareholder returns in line with their own corporate value enhancement plans (released in late-2024). SKT halted its quarterly dividend payment in 3Q25 due to fallout from the cyberattack in April, but it is likely to normalize its shareholder returns as its earnings recover in 2026. Likewise, KT and LG Uplus should increase their DPS in step with earnings improvement. 2026 dividend yields are estimated at 5.6% for SKT, 5% for KT, and 4.7% for LG Uplus. If SKT signals in its 2026 guidance that its dividend will at least match that distributed in 2024 (KRW3,540), its appeal as a dividend stock would improve further. KT and LG Uplus are planning to carry out annual share buybacks under their corporate value enhancement roadmaps, and share cancellations could expand their DPS further.

Table 2. Three major telcos' 2026E DPS and dividend yield

Company	Category	1H26 DPS (KRW)	2H26 DPS (KRW)	2025E Dividend yield (%)	Others
KT	Quarterly dividend	1,200	1,300	5.0	We assume DPS rises KRW100 y-y (+4% y-y)
SK Telecom	Quarterly dividend	1,500	1,500	5.6	We assume dividend payments resume
LG Uplus	Semi-annual dividend	250	470	4.7	We assume year-end DPS rises KRW50 y-y (+7.5% y-y)

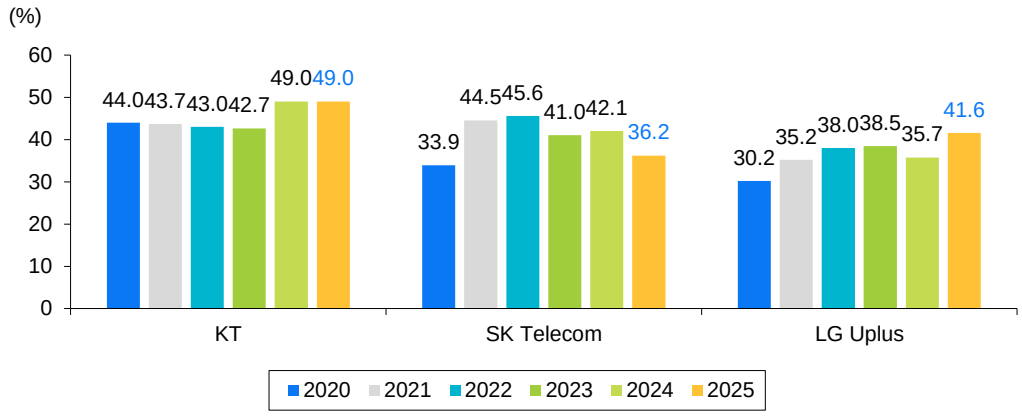
Note: 2026E dividend yield is based on Nov 27 share price
Source: Company data, Samsung Securities estimates

Top pick

We put forward SKT as our sector top pick for 2026. Although uncertainties linger over the final 2025 dividend payment and the impact of one-off labor costs, most the one-offs should be resolved by end-2025, setting the stage for a clear recovery in 2026. The company's fixed-line and wireless operations are gradually stabilizing after the cyberattack, while its AI-driven businesses (*eg*, AI data centers) should maintain robust growth. Thanks to a low base, its operating profit should jump 59.7% to KRW1.78t in 2026.

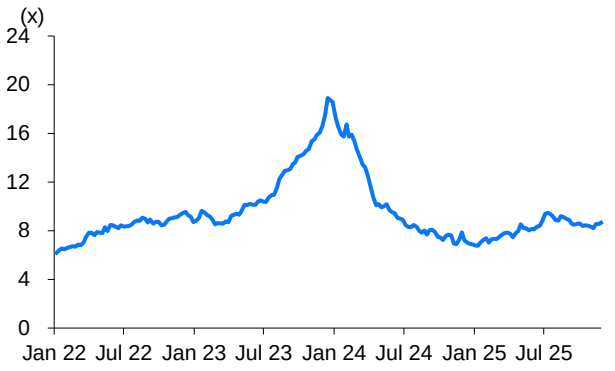
Additionally, the decline in foreign ownership of SKT to 36% suggests a favorable share supply-demand environment relative to that for its industry peers. If the firm's 2026 earnings and dividend guidance (both numbers are set to be released early next year) successfully restores investor confidence, the stock is well-positioned to resume its uptrend alongside an earnings recovery.

Chart 3. Big-three telcos: Foreign ownership



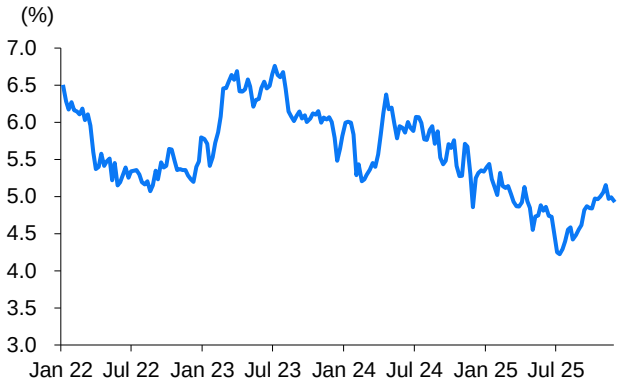
Note: 2025E is as of Nov 27
Source: FnGuide, Samsung Securities

Chart 4. KT: 12-month forward P/E



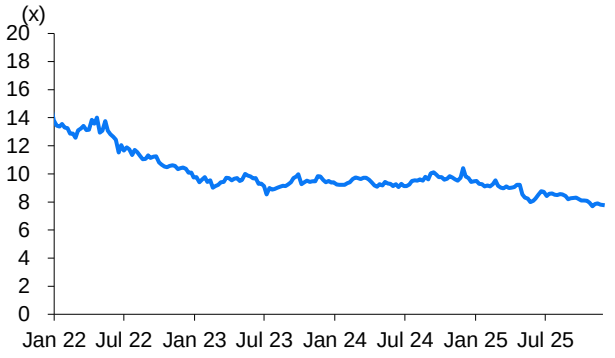
Source: Company data, Samsung Securities

Chart 5. KT: 12-month forward dividend yield



Source: Company data, Samsung Securities

Chart 6. SK Telecom: 12-month forward P/E

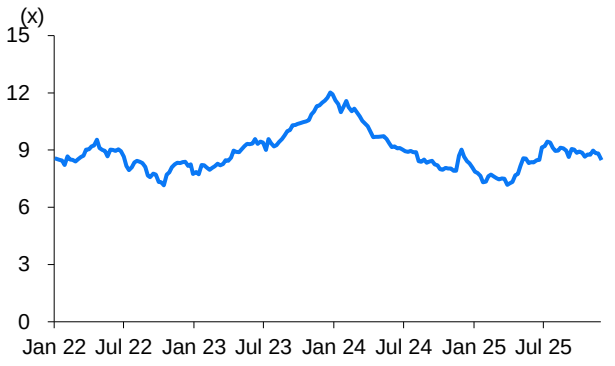


Source: Company data, Samsung Securities

Chart 7. SK Telecom: 12-month forward dividend yield

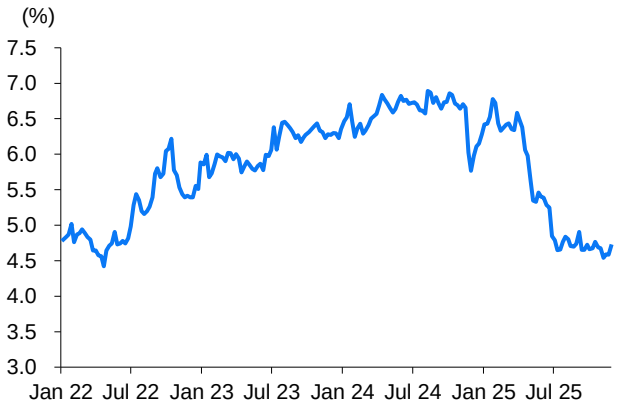
Source: Company data, Samsung Securities

Chart 8. LG Uplus: 12-month forward P/E



Source: Company data, Samsung Securities

Chart 9. LG Uplus: Share performance ytd



Source: Company data, Samsung Securities

Table 3. Telcos: Share performance

Category	Index/company	Pts	Market cap (KRWb)	Price change (%)				
				1 week	1 month	3 months	1 year	YTD
Korea								
Index	Kospi	3,986.91	3,195,908	-0.4	-1.4	25.1	59.3	66.2
	Kosdaq	880.06	468,709	-1.3	-2.5	9.8	27.2	29.8
		Share price (KRW)						
Company	SK Telecom	53,400	11,470	0.0	-0.7	-3.6	-12.5	-3.3
	KT	50,400	12,702	2.2	1.4	-7.0	5.9	14.9
	LG Uplus	15,230	6,546	-3.5	-0.4	2.3	28.0	47.4
Category	**Index/company**	**Pts**	**Market cap (KRWb**	**Price change (%)**				
				1 week	**1 month**	**3 months**	**1 year**	**YTD**
Global (Index)								
US	Dow	47,427.1	22,094,524	2.8	0.5	4.4	5.7	11.5
	Nasdaq	23,214.7	39,543,807	2.9	0.0	7.8	21.1	20.2
	S&P 500	6,812.6	60,271,116	2.6	0.3	5.4	13.1	15.8
UK	FTSE 100	9,691.6	3,315,783	1.9	0.5	4.6	17.4	18.6
China	SSEC	3,864.2	8,639,711	-2.1	-2.2	-0.1	18.5	15.3
Japan	Nikkei 225	49,559.1	5,460,861	2.1	0.5	16.9	28.9	24.2
Global (Company)		**Share price (local currency)**						
US	AT&T	25.8	183,050	2.2	2.7	-9.6	11.8	13.4
	Verizon	40.9	172,367	-0.8	5.3	-7.0	-7.9	2.2
	T-Mobile	206.7	231,229	-2.1	-5.1	-17.7	-15.6	-6.3
UK	Vodafone	94.1	29,606	2.5	6.0	6.6	32.4	37.7
China	China Mobile	87.4	246,727	1.2	2.3	-3.0	22.7	14.0
	China Telecom	6.0	85,645	4.0	6.2	-3.2	34.8	23.2
	China Unicom	9.2	36,038	-2.4	-2.4	-8.9	42.7	24.0
Japan	NTT	155	89,908	1.8	-2.8	-0.8	0.6	-1.7
Singapore	SingTel	4.8	60,544	-2.1	10.4	9.7	57.6	54.5
Australia	Telstra	4.9	36,294	0.6	0.4	-1.2	25.8	22.7
Average				**0.3**	**1.3**	**-2.9**	**16.5**	**18.5**
Korea				**-0.4**	**0.1**	**-2.8**	**7.1**	**19.7**
Global				**0.5**	**1.7**	**-2.9**	**19.3**	**18.1**

Note: As of Nov 27 close

Source: FnGuide, Bloomberg, Samsung Securities

Table 4. Global peer valuation

		Korea			US			UK	China			Japan	Singapore	Australia
Category	Year	SK Telecom	KT	LG Uplus	AT&T	Verizon	T-mobile	Vodafone	China Mobile	China Telecom	China Unicom	NTT	SingTel	Telstra
Country		KR	KR	KR	US	US	US	GB	CN	CN	HK	JP	SG	AU
Price (local currency)		53,400	50,400	15,230	25.8	40.9	206.7	94.3	87.3	6.0	9.1	154	4.7	4.9
Market cap (USDm)		7,838	8,681	4,436	183,050	172,367	231,229	29,683	246,343	84,909	35,681	89,455	60,295	36,189
Sales (USDm)	2024	13,157	19,384	10,726	122,336	134,788	81,400	39,824	144,557	73,534	54,112	92,629	10,505	15,031
	2025E	11,728	19,241	10,547	125,012	137,907	88,118	45,944	148,500	75,064	55,881	89,876	10,847	15,472
	2026E	12,111	19,072	10,723	126,923	140,307	94,459	47,652	152,011	76,761	57,332	94,444	11,402	15,614
Operating profit	2024	1,337	594	633	19,049	28,686	18,010	3,975	19,805	5,528	2,227	13,318	(72)	2,009
(USDm)	2025E	785	1,749	657	25,086	31,742	19,097	4,425	22,584	6,058	2,896	10,813	1,181	2,647
	2026E	1,217	1,512	790	27,193	32,840	21,165	5,957	23,727	6,363	3,135	10,561	1,294	2,821
Net profit (USDm)	2024	917	345	275	10,948	17,506	11,339	1,236	19,219	4,585	2,863	8,862	591	1,063
	2025E	303	1,231	405	14,877	19,689	11,433	2,791	20,209	4,935	3,032	6,976	2,117	1,560
	2026E	777	1,040	519	15,654	20,246	12,849	2,700	21,169	5,213	3,029	7,119	2,528	1,759
EPS (local currency)	2024	5,780.0	1,908.0	871.0	1.49	4.15	9.70	4.21	6.45	0.36	0.67	15.09	0.05	0.14
	2025E	2,053.1	7,116.3	1,387.7	2.08	4.69	10.19	10.18	6.66	0.38	0.71	12.66	0.17	0.20
	2026E	5,291.6	6,052.9	1,793.8	2.23	4.79	11.85	9.65	6.97	0.40	0.77	13.81	0.24	0.21
P/E (x)	2024	9.6	23.0	11.9	15.3	9.6	22.8	16.2	11.9	13.5	11.0	10.5	63.9	28.4
	2025E	26.1	7.1	11.0	12.4	8.7	20.3	10.6	11.9	14.3	11.6	12.2	28.5	25.0
	2026E	10.1	8.3	8.5	11.6	8.5	17.4	11.1	11.4	13.5	10.7	11.2	19.8	23.4
P/B (x)	2024	1.0	0.7	0.5	1.6	1.7	4.1	0.3	1.2	1.0	0.6	1.3	2.1	3.1
	2025E	1.0	0.7	0.7	1.5	1.6	3.9	0.5	1.2	1.1	0.7	1.3	3.0	4.0
	2026E	0.9	0.7	0.7	1.4	1.5	4.0	0.5	1.2	1.0	0.7	1.2	2.9	3.9
EV/EBITDA (x)	2024	3.7	4.1	3.1	6.3	6.0	10.0	4.8	3.7	2.7	2.0	7.4	50.5	7.3
	2025E	4.2	3.3	3.4	6.8	6.2	9.3	4.5	4.4	3.5	2.2	7.9	22.0	8.3
	2026E	3.6	3.4	3.1	6.8	5.9	8.5	3.8	4.2	3.3	2.1	7.6	20.8	7.5
ROE (%)	2024	10.8	2.9	4.4	10.5	18.3	17.9	1.8	10.1	7.4	5.8	13.9	3.1	10.7
	2025E	3.9	10.6	6.9	13.9	18.9	19.5	0.8	10.2	7.6	5.8	10.5	13.8	15.9
	2026E	9.5	8.5	8.4	13.2	17.9	23.6	3.9	10.3	7.8	6.1	11.0	12.4	17.4

Note: As of Nov 27 close

Source: FnGuide, Bloomberg, Samsung Securities

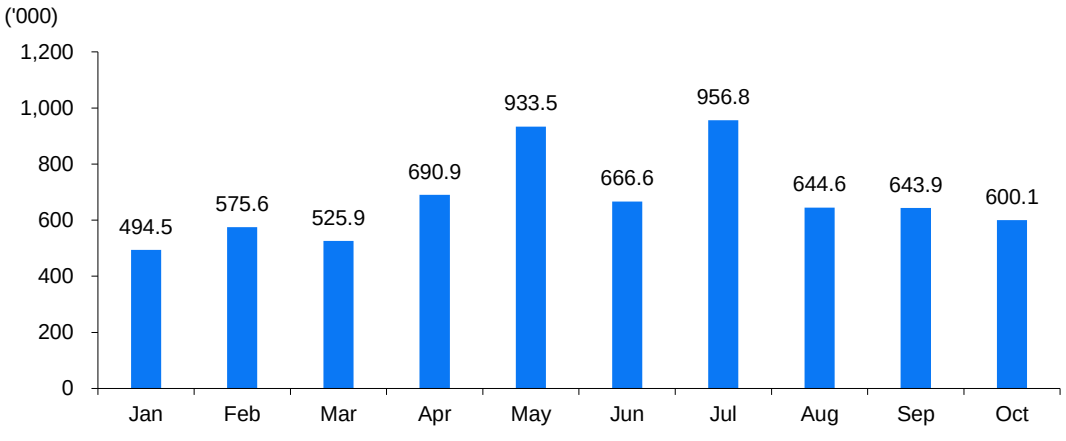
Mobile services: Wireless market regains stability

Moves from volatility to stabilization

Following the cyberattack incident, which SKT called its biggest crisis since its foundation, the telco set 'customer trust recovery' as its top priority and focused on addressing the repercussions. It suffered massive subscriber defections until early August (1.1m subscribers defected), with its market share sliding below 40%.

A look at Korea's monthly mobile number portability (MNP) traffic shows that MNP traffic has stabilized at a lower level after peaking in May (less than one month after the cyberattack took place) and July (when SKT announced it would waive early termination fees). Now, it seems that the mobile market has regained stability, despite major issues (*eg*, the launch of flagship smartphone models and abolition of subsidy regulations).

Chart 10. Monthly MNP figures in the telecom market

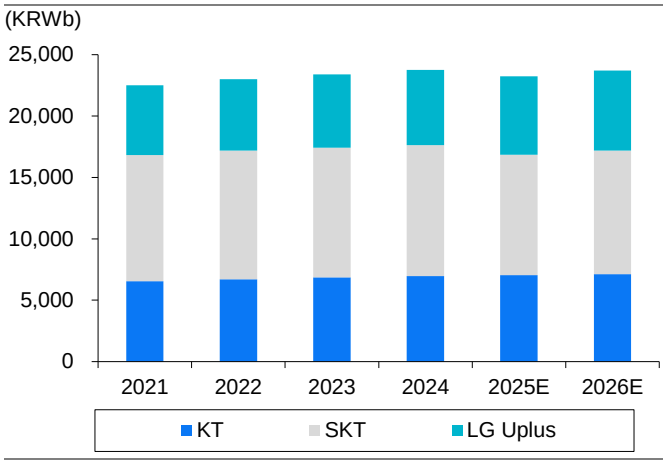


Source: KTOA, Samsung Securities

According to the Ministry of Science and ICT's September data, KT's subscriber number did not fall even after its cybersecurity breach incident (*ie*, unauthorized low-value payment fraud), which we attribute to the public becoming desensitized to cyberattacks (after seeing many hacking incidents across a diverse range of industries). In other words, the mobile market has entered a stabilization phase since end-3Q. Despite the abolition of subsidy regulations and additional security breaches, telcos have continued to shy away from cutthroat competition, contrary to expectations. Rather, they have responded by diversifying their tariff plans and implementing more effective marketing strategies. Such trends will likely continue in 2026.

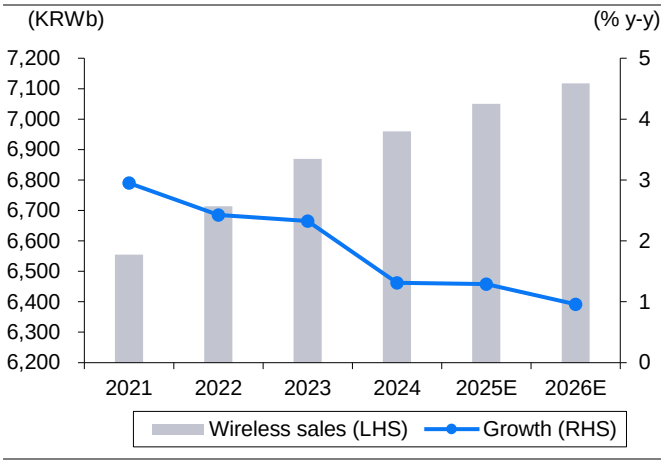
We believe that the telcos under our coverage will see their combined mobile sales fall in 2025 due to SKT's offering cyberattack-related subscriber benefits (*eg*, a 50% discount on telecom bills in August, and other benefits worth KRW500b) and despite total mobile subscriber numbers holding up (KT and LG Uplus absorbing defections from SKT). Their mobile sales, however, should rise in 2026, led by a low base and net subscriber additions. We expect their combined sales to climb 2% in 2026.

Chart 11. Three major telcos: Wireless sales and forecasts



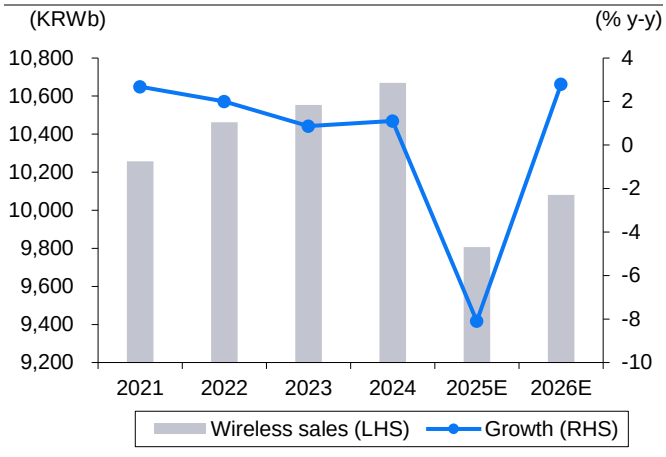
Source: Company data, Samsung Securities

Chart 12. KT: Wireless sales and growth



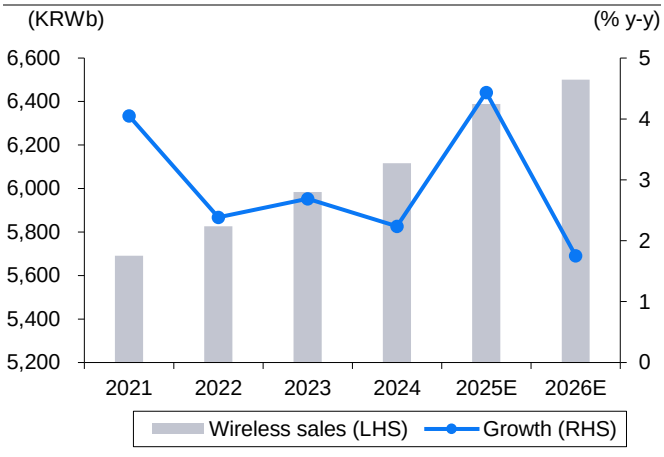
Source: Company data, Samsung Securities

Chart 13. SK Telecom: Wireless sales and growth



Source: Company data, Samsung Securities

Chart 14. LG Uplus: Wireless sales and growth



Source: Company data, Samsung Securities

Bandwidth reallocation plans

The government plans to reallocate the wireless spectrum (related licenses are set to expire in Jun 2026 and Dec 2026) to telcos.

The Ministry of Science and ICT intends to hold public hearings on the issue in December and finalize its reallocation plans based on the feedback. As frequency acquisition costs are critical to telcos' total costs, the financial burden should vary by telco and depend on the reallocation cost calculation method. The issue should become a key variable to telcos' cost structures after 2026.

Table 5. Spectrum bandwidth: Licenses nearing expiry

(MHz)	Expiry	KT	SK Telecom	LG Uplus	Total
Spectrum bands	Since Jun 2026	55	20	20	95
	Since Dec 2026	60	135	80	275
Total		115	155	100	370

Source: MSIT, Samsung Securities

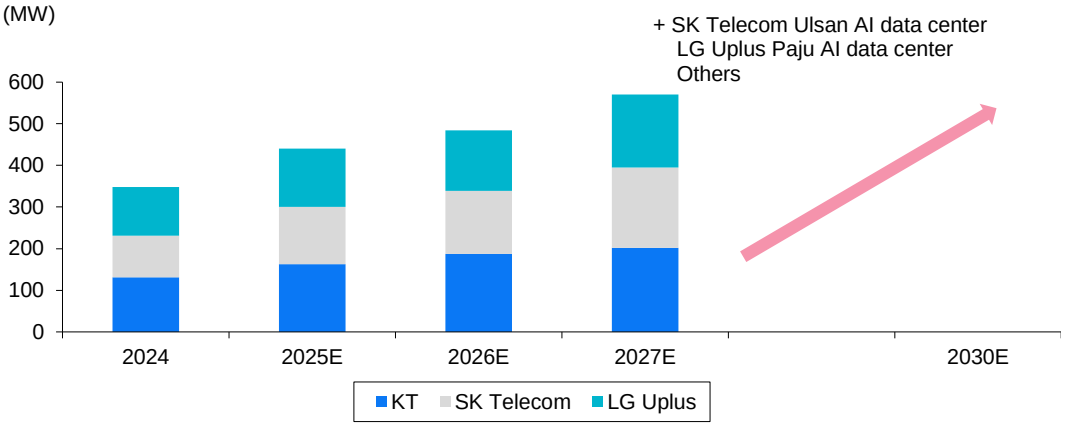
Silent war: Betting big on AI business

Quiet but fierce race to build AI data centers

With global AI demand accelerating, global competition is intensifying to secure GPU servers and power infrastructure. Korean telcos are also expanding their cloud and data center businesses to strengthen their competitiveness in the AI space.

As of 3Q25, the three major telcos have a combined data center capacity (IT power capacity basis) of 440 MW. KT Cloud operates 16 data centers (9 in the Seoul Metropolitan Area (SMA), 7 in the provinces), LG Uplus 12 (7 in the SMA, 5 in the provinces), and SKT 9 (8 in the SMA, 1 in the provinces).

Chart 15. Three major telcos' data center capacity



Source: Company data, Samsung Securities

SK Telecom, in collaboration with a group affiliate, is building the Ulsan AI data center, aiming to begin phase one of operations by end-2027 and phase two of operations by end-2029. The completion of the Guro AI data center by 2030 would boost the company's total data center capacity to 300 MW. KT plans to open several new data centers, aiming to increase its total capacity from 163 MW in 2025 to at least 320 MW by 2030. LG Uplus is building the Paju AI data center, targeting its completion by May 2027. We expect the new infrastructure to generate additional sales growth for the telcos.

Table 6. Three major telcos' data centers and their locations

	KT (KT Cloud)		SK Telecom (SK Broadband)		LG Uplus	
	Location	**Others**	**Location**	**Others**	**Location**	**Others**
Capital	Bundang		Seocho		Nonhyeon	
Area	Ganganam		Ilsan 1		Seocho 1	
	Mokdong 1		Bundang 1		Seocho 2	
	Yeouido		Gasan		Gasan	
	Mokdong 2		Ilsan		Sangam	
	Yongsan		Bundang 2		Pyeongchon 1	
	Namguro		Yangju		Pyeongchon 2	
	Baeksuk		Pangyo	Acquired from SK AX in 2025	Paju (plan)	Set to be launched in 2027
	Gasan	Launched on Nov 5, 2025	Guro (plan)	Targeting operation in 2030		
	Bucheon (plan)	Scheduled to launch in 2026				
Province	Cheonan		Busan		Daegu	
	Gimhae		Ulsan (plan)	Phase 1 in 2027, phase 2 in 2029	Busan	
	Daejeon		Seocho		Daejeon	
	Cheonan				Gwangju	
	Cheongju				Jeonju	
	Busan					
	Yecheon	Jun 2025				

Source: Company data, Samsung Securities

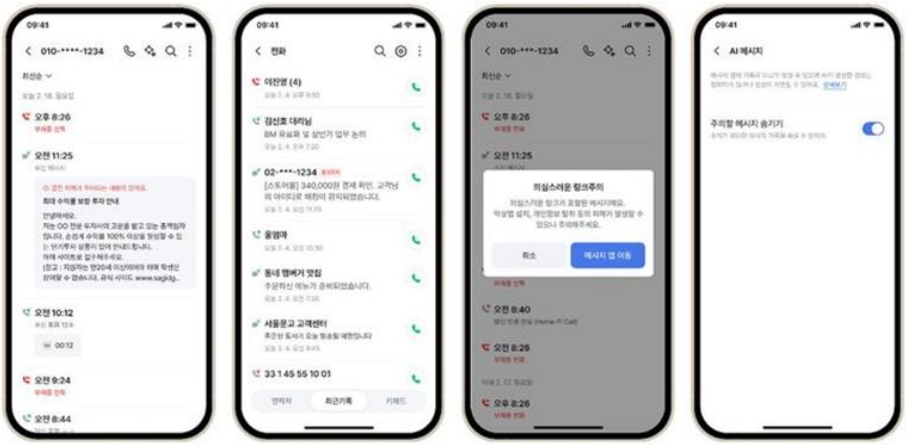
Telcos' AI agents evolving with the use of agentic AI

Integrating agentic AI with telcos' AI B2C agent services that are currently in operation represents far more than a simple technology upgrade. It is bringing fundamental changes to the role of AI agents, the way they operate, and their overarching business models.

SK Telecom's A. and LG Uplus's ixi-O aspire to be app-based B2C personal assistants. When paired with agentic AI, these services can be synced with a wide range of external platforms and datasets to deliver highly personalized solutions. Over time, they are likely to be used in B2B as well as in B2C, expanding their presence in AI contact centers (AICC) and corporate communications. They may even offer industry-specific tailored solutions, thereby unlocking new monetization opportunities.

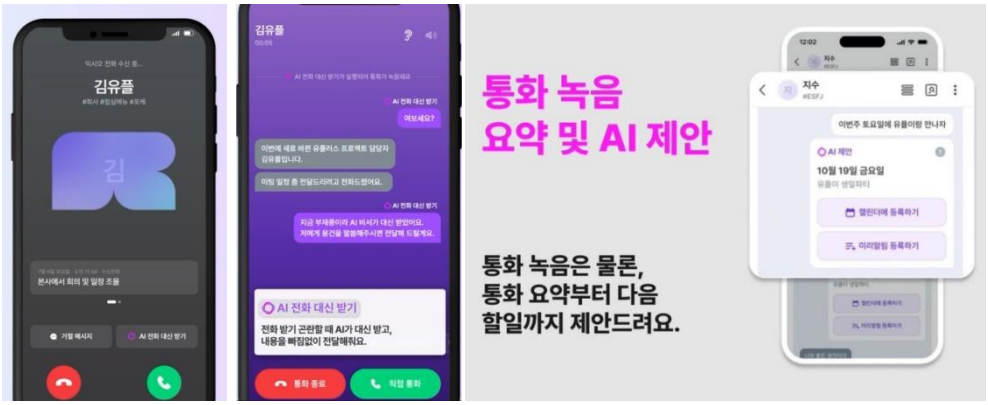
SK Telecom's A. is being integrated with external platforms to speed up the expansion of its AI ecosystem. Monetization of A. will begin in 1H26 through the launch of subscriptions and bundled offerings with killer features. LG Uplus's ixi-O AI assistant, powered by Google's Gemini, is set to be launched in 1Q26, and will probably be monetized gradually through bundled and linked pricing plans.

Chart 16. SK Telecom: AI message in A.



Note: Introduced new AI model (such as A.X 4.0, GPT-5) in Sep 2025
Source: SK Telecom, Samsung Securities

Chart 17. LG Uplus: AI call agent ixi-O



Note: Ixi-O was launched in Nov 2024 / Source: LG Uplus, Samsung Securities

Appendix

Table 7. Big-3 telcos' major affiliates: Key financial metrics

(KRWb)		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	2020	2021	2022	2023	2024
KT													
BC Card	Sales	936	978	931	961	872	910	918	3,390.1	3,579.4	3,896.3	4,026.9	3,805.8
	Operating profit	35	47	36	16	36	46	33	103.4	107.5	128.3	98.6	132.6
	Net profit	50	50	29	14	35	60	41	59.6	120.3	148.3	75.5	143.3
KT Cloud	Sales	175	180	207	221	249	222	249			432.1	678.3	783.2
	Operating profit										20.8	43.1	52.7
	Net profit	3	11	22	-1	19	17	11			14.7	64.0	35.7
KT Estate	Sales	136	156	148	181	135	160	190	364.4	607.9	492.2	603.6	620.5
	Operating profit								19.9	304.9	103.7	77.3	101.8
	Net profit	5	9	2	20	-2	5	10	14.4	213.2	61.5	17.4	34.7
KT Skylife	Sales	254	255	257	257	243	247	247	698.7	763.2	1,013.7	1,025.6	1,022.9
	Operating profit	3	0	2	-6	5	13	16	73.8	73.0	63.2	14.1	-1.1
	Net profit	1	-2	2	-158	3	11	12	58.2	62.3	23.1	-113.7	-156.1
Nasmedia	Sales	23	36	35	39	24	26	31	111.6	124.2	152.4	146.8	142.6
	Operating profit	2	7	6	5	2	3	4	27.0	32.9	33.1	20.5	19.9
	Net profit	3	7	6	-21	3	0	5	23.1	27.1	28.9	17.7	-4.6
Genie Music	Sales	74	74	80	74	69	73	83	247.0	252.0	286.1	307.0	301.6
	Operating profit	3	5	3	1	4	5	6	11.5	10.5	13.8	15.4	12.2
	Net profit	3	-1	3	-19	2	4	4	9.5	-4.9	18.7	21.7	-13.8
KT Alpha	Sales	97	108	99	84	97	100	96	349.3	423.7	464.2	430.4	388.2
	Operating profit	9	9	3	3	12	14	11	11.8	3.4	9.8	12.3	24.6
	Net profit	8	3	4	4	11	13	13	-4.2	-8.9	6.8	16.3	19.7
KT Studio	Sales	107	99	121	129	113	117	122		63.2	384.2	540.3	455.2
Genie	Operating profit									-5.8	5.8	45.8	12.0
	Net profit	2	-5	3	-26	3	7	3		-16.1	189.3	13.0	-26.0
SK Telecom													
SK Broadband	Sales	1,090	1,093	1,105	1,121	1,114	1,120	1,143	3,713.5	4,049.2	4,155.8	4,274.7	4,408.9
	Operating profit	78	84	88	102	96	92	89	230.9	275.6	309.1	313.7	352.4
	Net profit	52	64	54	86	63	57	54	163.5	198.3	217.3	202.9	255.7
SK Stoa	Sales	74	75	72	82	77	81	76	268.7	316.2	329.3	301.5	302.3
	Operating profit								20.8	25.0	11.5	0.1	8.1
	Net profit	1	2	2	-1	4	4	5	17.2	19.2	10.0	-1.4	4.4
LG Uplus													
LG HelloVision	Sales	267	284	323	322	314	354	298	1,057.9	1,080.1	1,167.9	1,190.3	1,196.4
	Operating profit	4	7	3	-1	7	10	9	34.2	44.5	53.8	47.4	13.5
	Net profit	2	5	2	-115	3	7	2	-312.8	26.9	-26.0	-45.4	-106.2

Source: Dart, Company data, Samsung Securities

COMPANY UPDATE

2025. 12. 10

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KT (030200)

Growth strategy on a roll

- KT should continue to enjoy solid earnings growth in 2026 and raise its shareholder returns.
- We expect the telco to increase the pace at which it expands into new business areas by beefing up partnerships with major US tech companies, leveraging its existing digital infrastructure and solution capabilities. KT operates 16 data centers nationwide. By adding more, it should grow its AI-related sales.

WHAT'S THE STORY?

Growth momentum to pick up in 2026: In 2026, we expect KT to see consolidated sales of KRW27.7t and operating profit of KRW2.2t. While these figures represent declines of 1.4% and 12.1% y-y, respectively, they are still solid when considering the one-offs booked this year (*eg*, KRW1t in revenue and KRW500b in operating profit from presales involving a property development project in Gwangjin-gu, Seoul). By enhancing its AI capabilities via strategic partnerships (in addition to increasing its own competence), the firm should expand its growth momentum in the AI/IT sector. It should also continue to use its solid earnings growth to lift shareholder returns.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW62,000	20.2%
Current price	**KRW51,600**	
Market cap	KRW13.0t/USD8.8b	
Shares (float)	252,021,685 (84.8%)	
52-week high/low	KRW58,400/KRW43,800	
Avg daily trading value (60-day)	KRW19.9b/ USD13.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
KT (%)	6.9	2.0	16.5
Vs Kospi (%pts)	2.0	-29.7	-33.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	62,000	62,000	0.0%
2025E EPS	6,620	6,561	0.9%
2026E EPS	5,792	5,764	0.5%

SAMSUNG vs THE STREET

No of estimates	17
Target price	65,706
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	26,431	28,130	27,747	28,156
Operating profit (KRWb)	809	2,507	2,202	2,325
Net profit (adj) (KRWb)	417	1,798	1,605	1,693
EPS (adj) (KRW)	1,850	6,620	5,792	6,115
EPS (adj) growth (% y-y)	-52.4	257.8	-12.5	5.6
EBITDA margin (%)	17.9	19.8	16.5	14.8
ROE (%)	2.9	9.9	8.2	8.2
P/E (adj) (x)	23.7	7.8	8.9	8.4
P/B (x)	0.7	0.7	0.7	0.6
EV/EBITDA (x)	4.6	3.6	3.8	3.8
Dividend yield (%)	4.6	4.7	4.8	5.0

Source: Company data, Samsung Securities estimates

To keep beefing up AI capabilities: The telco is expanding the scope of its AI and cloud business areas by utilizing its existing capabilities (such as digital infrastructure and solution capabilities) and partnering with major US tech companies. For example, at end-September, it partnered with Microsoft to launch Korean AI model SOTA K. It is also designing and setting up a support system for an ontology-based data integration system with Palantir to meet growing demand for digital transformation. Led by its infrastructure and technology capabilities, the firm should win orders from key sectors—*eg*, public, financial, and defense. It now operates 16 data centers with a combined capacity of 163 MW, and it is planning to bring another online in Bucheon in mid-2026. Its goal is to have 320 MW of capacity by 2030, and more than 500 MW over the longer term (the latter figure an upward revision to earlier guidance).

Maintaining BUY: In the near term, the telco faces several issues, including the appointment of its next CEO and possible regulatory fines from the Personal Information Protection Commission related to a cybersecurity breach. Over the longer term, however, it should continue to enjoy stable earnings and higher sales growth, led by measures to enhance its fundamentals (*eg*, expansion of a new growth portfolio into AI/cloud as well as the strengthening of its core telecom operation). We reiterate our BUY rating on the stock and maintain our target price of KRW62,000 (based on 10x forward P/E; the five-year average).

Table 1. KT: Growth plan for 'AICT' strategy

Phase	Phase 1 (2024)	Phase 2 (2025)	Phase 3 (2026~)
Growth plan	Gain infra and capabilities for AX transform	Full-scale growth of AX business (AI, cloud, IT)	Complete conversion into AX and AICT company

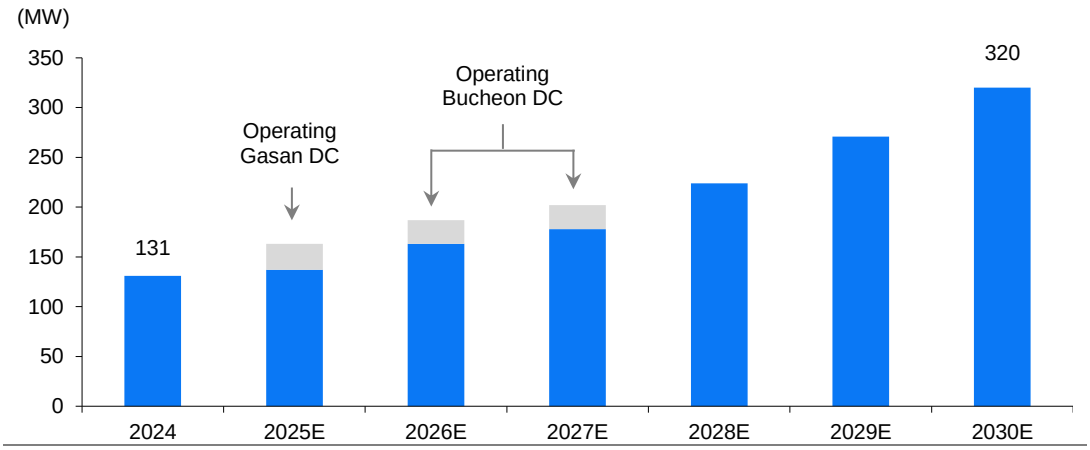
Source: Company data, Samsung Securities

Table 2. KT's data centers

Category	Location	Note	Capacity
Seoul Metropolitan Area (9+)	Bundang		
	Ganganam		
	Mokdong 1		
	Yeouido		
	Mokdong 2		
	Yongsan		40 MW
	Namguro		
	Baeksuk		
	Gasan	Launched Nov 5, 2025	26 MW
	Bucheon	Scheduled to launch in 2026	48 MW
Provinces (7+)	Cheonan		
	Gimhae		
	Daejeon		
	Cheonan		
	Cheongju		
	Busan		
	Yecheon	Launched in Jun 2025	

Source: Company data, Samsung Securities

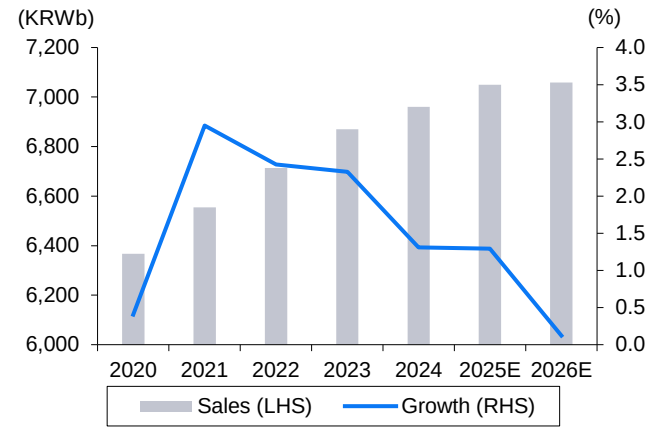
Chart 1. KT: Data center capacity forecasts



Note: Total data center capacity is 163 MW in 3Q25;
Plans to add 60-100 MW annually through 2027, securing more than 500 MW over the longer term

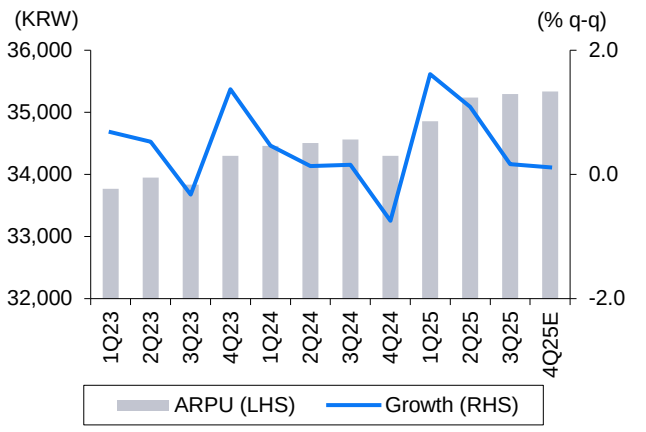
Source: Company data, Samsung Securities

Chart 2. Wireless sales (parent)



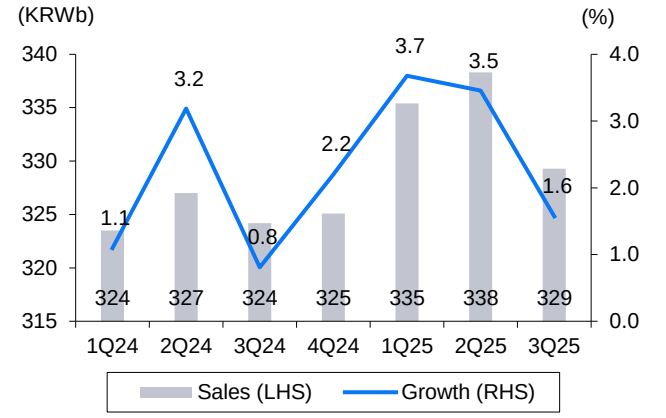
Source: Company data, Samsung Securities

Chart 3. ARPU



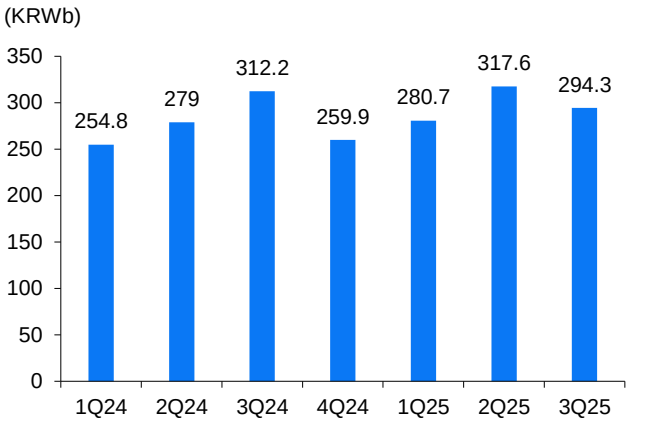
Source: Company data, Samsung Securities

Chart 4. Enterprise broadband and data sales



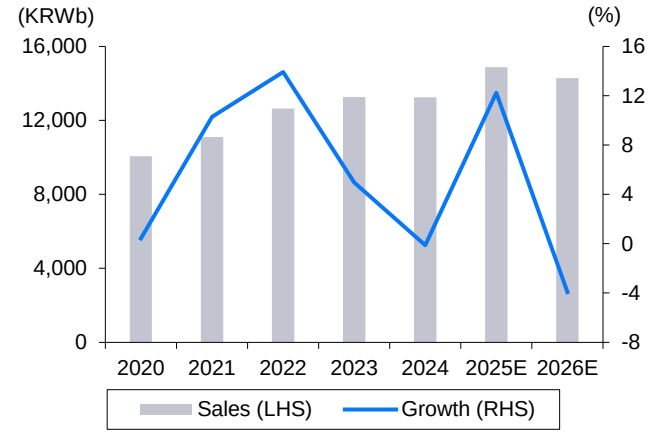
Source: Company data, Samsung Securities

Chart 5. AI/IT sales



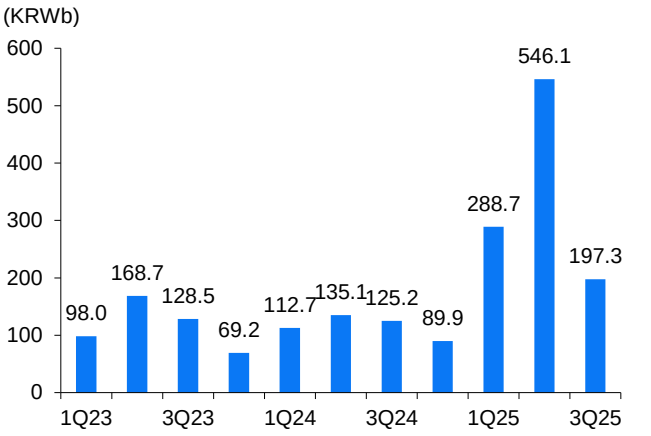
Source: Company data, Samsung Securities

Chart 6. Subsidiaries: Sales



Source: Company data, Samsung Securities

Chart 7. Subsidiaries: Contribution to consolidated OP



Source: Company data, Samsung Securities

Table 3. Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Operating revenue (consolidated)	**6,654.6**	**6,546.4**	**6,654.7**	**6,575.6**	**6,845.1**	**7,427.4**	**7,126.7**	**6,730.5**	**6,529.0**	**7,057.1**	**7,334.1**	**6,827.2**	**26,431.3**	**28,129.7**	**27,747.4**
Services	5,722.7	5,776.6	5,752.0	5,754.7	5,700.4	5,817.8	5,920.8	5,895.7	5,329.5	5,518.0	6,244.1	5,982.3	23,006.0	23,334.7	23,073.8
Products	931.9	769.8	902.7	820.9	1,144.7	1,609.6	1,205.9	834.7	1,199.5	1,539.1	1,090.1	844.9	3,425.3	4,794.9	4,673.6
Operating revenue (parent)	**4,694.8**	**4,548.3**	**4,765.0**	**4,571.6**	**4,682.0**	**4,772.8**	**5,109.0**	**4,646.5**	**4,771.8**	**4,736.5**	**5,035.6**	**4,708.8**	**18,579.7**	**19,210.3**	**19,252.8**
Wireless	1,736.5	1,765.1	1,740.4	1,717.8	1,753.1	1,781.7	1,809.6	1,705.4	1,731.2	1,776.4	1,825.4	1,725.4	6,959.8	7,049.8	7,058.4
Fixed-line	1,322.4	1,316.6	1,312.6	1,317.1	1,311.7	1,334.5	1,331.9	1,330.2	1,323.2	1,348.1	1,337.5	1,340.1	5,268.7	5,308.3	5,349.0
B2B	895.0	882.7	926.4	856.5	892.2	922.7	932.7	914.7	935.0	945.8	955.6	943.3	3,560.6	3,662.3	3,779.6
Real estate, *etc*	86.7	83.6	89.6	104.3	87.4	92.8	105.6	106.6	90.0	95.6	103.9	100.2	364.2	392.4	389.8
Handset	654.2	500.3	696.0	575.8	637.5	641.1	929.1	589.6	692.3	570.6	813.3	599.8	2,426.3	2,797.3	2,676.0
Subsidiaries	**3,202.2**	**3,286.9**	**3,248.8**	**3,518.3**	**3,524.2**	**4,159.5**	**3,681.4**	**3,511.9**	**3,177.5**	**3,763.2**	**3,760.3**	**3,592.9**	**13,256.2**	**14,877.0**	**14,293.8**
Operating costs	6,148.1	6,052.4	6,190.6	7,230.7	6,156.3	6,412.6	6,588.5	6,465.6	5,957.2	6,445.0	6,697.6	6,445.3	25,621.8	25,623.0	25,545.1
Labor	1,100.9	1,213.2	1,118.3	2,189.6	1,121.8	1,119.4	1,167.6	1,176.6	1,129.0	1,142.2	1,180.3	1,187.3	5,622.0	4,585.4	4,638.7
Depreciation	973.7	966.2	964.8	973.1	968.7	975.9	965.7	996.9	968.3	979.1	971.5	999.7	3,877.8	3,907.2	3,918.6
Marketing	32.1	40.8	44.4	52.0	32.2	37.3	45.5	51.9	32.7	37.8	46.1	52.6	169.3	166.9	169.3
SG&A expenses	599.6	600.8	600.8	608.4	598.0	615.1	632.6	679.4	605.2	626.3	645.5	705.9	2,409.6	2,525.1	2,583.0
Operating profit	**506.5**	**494.0**	**464.1**	**-655.1**	**688.8**	**1,014.8**	**538.2**	**264.9**	**571.8**	**612.1**	**636.5**	**381.9**	**809.5**	**2,506.7**	**2,202.3**
Operating margin (%)	7.6	7.5	7.0	-10.0	10.1	13.7	7.6	3.9	8.8	8.7	8.7	5.6	3.1	8.9	7.9
Pre-tax profit	529.0	556.7	509.1	-1,010.1	711.8	974.9	593.4	66.7	503.5	670.7	639.7	281.6	584.7	2,346.9	2,095.5
Net profit (controlling)	375.5	393.0	357.3	-655.6	539.8	687.9	391.5	49.2	361.8	460.5	433.0	204.5	470.3	1,668.5	1,459.8
Chg (% y-y)															
Operating revenue	**3.3**	**0.0**	**-0.6**	**-1.8**	**2.9**	**13.5**	**7.1**	**2.4**	**-4.6**	**-5.0**	**2.9**	**1.4**	**0.2**	**6.4**	**-1.4**
Services	2.2	-1.0	-1.5	0.6	-0.4	0.7	2.9	2.5	-6.5	-5.2	5.5	1.5	0.0	1.4	-1.1
Products	10.1	8.0	5.6	-16.1	22.8	109.1	33.6	1.7	4.8	-4.4	-9.6	1.2	1.0	40.0	-2.5
KT (parent)	1.6	1.4	2.0	-0.4	-0.3	4.9	7.2	1.6	1.9	-0.8	-1.4	1.3	1.1	3.4	0.2
Wireless	1.7	2.5	1.9	-0.8	1.0	0.9	4.0	-0.7	-1.2	-0.3	0.9	1.2	1.3	1.3	0.1
Fixed-line	1.0	-0.3	-1.3	0.4	-0.8	1.4	1.5	1.0	0.9	1.0	0.4	0.7	0.0	0.8	0.8
B2B	5.0	-1.0	2.5	5.3	-0.3	4.5	0.7	6.8	4.8	2.5	2.5	3.1	2.9	2.9	3.2
Real estate, *etc*	2.8	-1.1	15.0	23.3	0.8	11.0	17.9	2.2	3.0	3.0	-1.6	-6.0	9.9	7.7	-0.7
Handset	-1.8	6.7	6.6	-11.5	-2.6	28.1	33.5	2.4	8.6	-11.0	-12.5	1.7	-0.5	15.3	-4.3
Subsidiaries	**5.4**	**-0.4**	**-2.8**	**-2.1**	**10.1**	**26.5**	**13.3**	**-0.2**	**-9.8**	**-9.5**	**2.1**	**2.3**	**-0.1**	**12.2**	**-3.9**
Operating costs	3.2	1.4	-2.9	12.4	0.1	6.0	6.4	-10.6	-3.2	0.5	1.7	-0.3	3.6	0.0	-0.3
Labor	3.0	7.2	-6.1	89.1	1.9	-7.7	4.4	-46.3	0.6	2.0	1.1	0.9	23.6	-18.4	1.2
Depreciation	4.8	4.0	2.9	-4.0	-0.5	1.0	0.1	2.4	0.0	0.3	0.6	0.3	1.8	0.8	0.3
Marketing	-9.1	1.7	15.0	31.0	0.3	-8.6	2.5	-0.2	1.4	1.4	1.4	1.4	10.1	-1.4	1.4
SG&A expenses	-0.2	-5.2	-3.6	-5.8	-0.3	2.4	5.3	11.7	1.2	1.8	2.0	3.9	-3.8	4.8	2.3
Operating profit	**4.2**	**-14.3**	**44.2**	**적전**	**36.0**	**105.4**	**16.0**	**nm**	**-17.0**	**-39.7**	**18.3**	**44.2**	**-50.9**	**209.7**	**-12.1**
Operating margin (%)	0.1	-1.3	2.2	-13.9	2.5	6.1	0.6	13.9	-1.3	-5.0	1.1	1.7	-3.2	5.8	-1.0
Pre-tax profit	20.9	1.6	45.3	적지	34.6	75.1	16.6	nm	-29.3	-31.2	7.8	322.2	-55.8	301.4	-10.7
Net profit (controlling)	26.6	-0.4	35.2	적전	43.8	75.0	9.6	nm	-33.0	-33.1	10.6	315.5	-53.4	254.8	-12.5

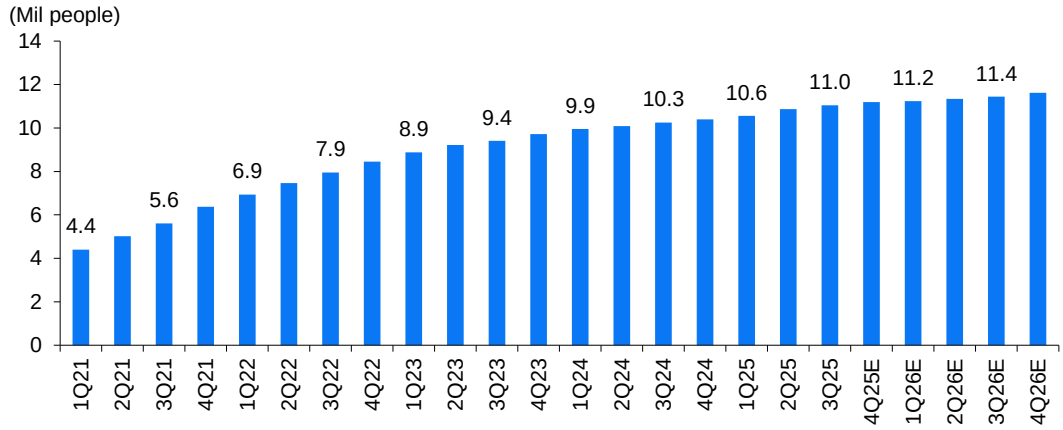
Source: Company data, Samsung Securities

Table 4. Key operating metrics

('000 people)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	2024	2025E	2026E
Wireless subscribers*	**24,332**	**24,621**	**24,903**	**24,897**	**24,834**	**24,904**	**25,199**	**26,132**	**26,445**	**27,491**	**28,328**	**28,429**	**26,132**	**28,429**	**28,559**
Net additions (q-q)	270	289	282	-6	-63	70	295	933	313	1,046	837	101	1,235	2,297	130
5G**	8,882	9,213	9,408	9,722	9,948	10,093	10,251	10,400	10,552	10,866	11,048	11,196	10,400	11,196	11,623
LTE***	8,003	7,855	4,060	3,683	3,416	3,270	3,099	2,894	2,736	2,739	2,731	2,671	2,894	2,671	2,370
Fixed-line subscribers	**21,897**	**21,779**	**21,614**	**21,443**	**21,321**	**21,171**	**21,171**	**20,924**	**20,758**	**20,665**	**20,559**	**20,360**	**20,924**	**20,360**	**19,860**
Broadband	9,774	9,812	9,810	9,827	9,862	9,899	9,899	9,956	9,984	10,073	10,135	10,186	9,956	10,186	10,396
IPTV	9,451	9,470	9,430	9,409	9,418	9,423	9,423	9,449	9,438	9,490	9,520	9,509	9,449	9,509	9,531
PSTN + VoIP	12,445	12,309	12,184	12,035	11,903	11,748	11,748	11,475	11,320	11,175	11,039	10,852	11,475	10,852	10,329
ARPU	**33,771**	**33,948**	**33,838**	**34,302**	**34,461**	**34,507**	**34,560**	**34,302**	**34,856**	**35,236**	**35,295**	**35,335**	**34,458**	**35,180**	**35,539**
Chg (% q-q, % y-y)	0.7	0.5	-0.3	1.4	0.5	0.1	0.2	-0.7	1.6	1.1	0.2	0.1	1.5	2.1	1.0

Note: *Includes MVNO subscribers
**Handsets (and does not include MVNO subscribers);
***Non-5G handsets (and does not include MVNO subscribers), second devices, IoT devices, etc
Source: Company data, Samsung Securities

Chart 8. Number of 5G subscribers



Source: Company data, Samsung Securities

Table 5. KT's main businesses and new businesses

	4 main telco businesses				New businesses*	
	Wireless	Internet	TV	Fixed-line	Table order	Robot
Example	5G/LTE/MVO	Giga/other	IPTV/PPV home shopping	Home/internet call	Hi order	AI serving robot

Source: Company data, Samsung Securities

Table 6. Strategic partnership with Microsoft

Category	Details
Counter company	Microsoft Corporation
Period	Sep 27, 2024- Sep 30, 2029
Strategic partnership details	1) Cooperate in the development of a Korean AI model and service 2) Launch a secure public cloud 3) Launch a specialized corporation for total AX services 4) Upgrade AI ecosystems in Korea by investing in R&D and start-ups together 5) Cooperate on projects aimed at fostering human resources to internalize global capabilities
Strategic partnership based infrastructure supply arrangement	1) Capital: USD450m 2) Supply details: Infrastructure such as network, IDC 3) Supplier: KT, KT Cloud
Agreement date	Sep 27, 2024

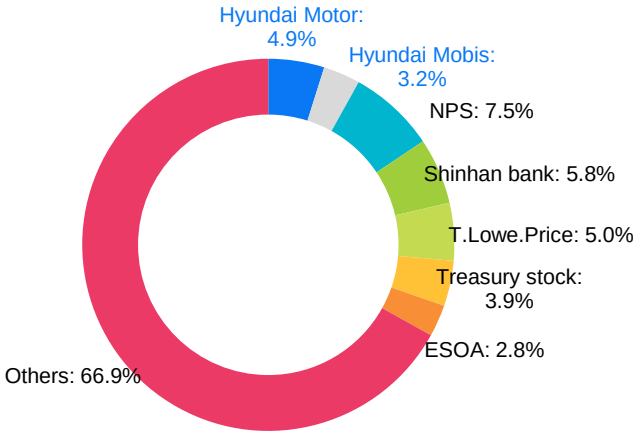
Source: Company data, Dart, Samsung Securities

Table 7. Main affiliates: Key financial metrics

Affiliates	(KRWb)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	2022	2023	2024
BC Card	Sales	953	1049	996	1027	936	978	931	961	872	910	918	3,896.3	4,026.9	3,805.8
	Operating profit	12	37	26	24	35	47	36	16			33	128.3	98.6	132.6
	Net profit	-1	32	39	6	50	50	29	14		60	41	148.3	75.5	143.3
KT Cloud	Sales	149	154	194	182	175	180	207	221	249	222	249	432.1	678.3	783.2
	Operating profit	-	-	-	-	-	-	-	-				20.8	43.1	52.7
	Net profit	10	8	9	37	3	11	22	-1	19	17	11	14.7	64.0	35.7
KT Estate	Sales	113	145	142	203	136	156	148	181	135	160	190	492.2	603.6	620.5
	Operating profit	-	-	-	-	-	-	-	-				103.7	77.3	101.8
	Net profit	-1	12	7	-1	5	9	2	20	-2	5	10	61.5	17.4	34.7
KT Skylife	Sales	255	261	260	249	254	255	257	257	243	247	247	1,013.7	1,025.6	1,022.9
	Operating profit	16	19	5	-26	3	0	2	-6	5	13	16	63.2	14.1	-1.1
	Net profit	7	18	2	-140	1	-2	2	-158	3	11	12	23.1	-113.7	-156.1
Nasmedia	Sales	32	35	40	39	32	36	35	39	24	26	31	152.4	146.8	142.6
	Operating profit	2	5	7	6	2	7	6	5	2	3	4	33.1	20.5	19.9
	Net profit	3	5	7	3	3	7	6	-21	3	0	5	28.9	17.7	-4.6
Genie music	Sales	70	68	96	74	74	74	80	74	69	73	83	286.1	307.0	301.6
	Operating profit	3	4	5	4	3	5	3	1	4	5	6	13.8	15.4	12.2
	Net profit	3	4	4	11	3	-1	3	-19	2	4	4	18.7	21.7	-13.8
KT Alpha	Sales	107	110	99	114	106	108	99	74	97	100	96	464.2	430.4	388.2
	Operating profit	2	7	3	1	9	9	3	4	12	14	11	9.8	12.3	24.6
	Net profit	5	7	5	0	8	3	4	4	11	13	13	6.8	16.3	19.7
KT Studio	Sales	110	124	151	155	107	99	121	129	113	117	122	384.2	540.3	455.2
Genie	Operating profit	-	-	-	-	-	-	-	-				5.8	45.8	12.0
	Net profit	5	10	6	-8	2	-5	3	-26	3	7	3	189.3	13.0	-26.0

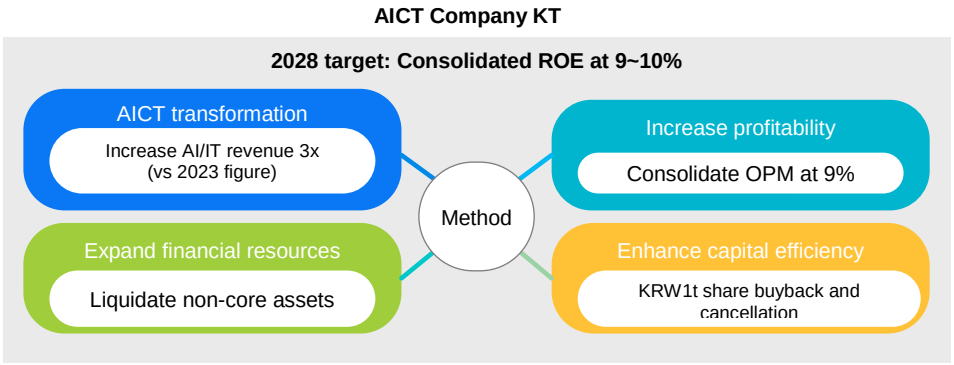
Source: Company data, Samsung Securities

Chart 9. KT: Shareholders (as of 3Q25)



Note: T.Lowe.Price is as of Nov 20, 2025
Source: Company data, Samsung Securities

Chart 10. KT'S value-up plan



Note: Nov 5, 2024
Source: Company data, Samsung Securities

Table 8. Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Chg (%)	Old	New	Chg (%)
Sales	28,115.3	28,129.7	0.1	27,761.1	27,747.4	-0.0
Operating income	2,489.3	2,506.7	0.7	2,197.2	2,202.3	0.2
Operating margin (%, %pts)	8.9	8.9	0.1	7.9	7.9	0.0
Pre-tax income	2,326.8	2,346.9	0.9	2,084.5	2,095.5	0.5
Net income	1,653.7	1,668.5	0.9	1,452.7	1,459.8	0.5

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**26,376**	**26,431**	**28,130**	**27,747**	**28,156**
Cost of goods sold	0	0	0	0	0
Gross profit	**26,376**	**26,431**	**28,130**	**27,747**	**28,156**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	24,726	25,622	25,623	25,545	25,830
Operating profit	**1,650**	**809**	**2,507**	**2,202**	**2,325**
Operating margin (%)	6.3	3.1	8.9	7.9	8.3
Non-operating gains (losses)	**-326**	**-225**	**-160**	**-107**	**-117**
Financial profit	486	918	633	585	596
Financial costs	569	995	731	705	740
Equity-method gains (losses)	-43	9	6	3	4
Other	-200	-156	-68	10	23
Pre-tax profit	**1,324**	**585**	**2,347**	**2,095**	**2,208**
Taxes	335	168	549	490	515
Effective tax rate (%)	25.3	28.7	23.4	23.4	23.3
Profit from continuing operations	989	417	1,798	1,605	1,693
Profit from discontinued operations	0	0	0	0	0
Net profit	**989**	**417**	**1,798**	**1,605**	**1,693**
Net margin (%)	3.7	1.6	6.4	5.8	6.0
Net profit (controlling interests)	1,010	470	1,668	1,460	1,541
Net profit (non-controlling interests)	-21	-53	130	145	152
EBITDA	5,518	4,739	5,559	4,573	4,161
EBITDA margin (%)	20.9	17.9	19.8	16.5	14.8
EPS (parent-based) (KRW)	3,887	1,850	6,620	5,792	6,115
EPS (consolidated) (KRW)	3,805	1,641	7,135	6,369	6,717
Adjusted EPS (KRW)*	3,887	1,850	6,620	5,792	6,115

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**14,518**	**14,252**	**19,192**	**21,778**	**24,101**
Cash & equivalents	2,880	3,717	7,316	10,147	11,989
Accounts receivable	3,258	2,922	3,358	3,254	3,398
Inventories	912	940	1,036	1,055	1,106
Other current assets	7,469	6,673	7,482	7,323	7,609
Fixed assets	**28,192**	**27,628**	**25,074**	**23,244**	**22,300**
Investment assets	4,282	4,321	4,819	5,360	6,252
Tangible assets	14,872	14,826	12,245	10,213	8,613
Intangible assets	2,534	1,863	1,391	1,053	817
Other long-term assets	6,504	6,618	6,618	6,618	6,618
Total assets	**42,710**	**41,880**	**44,265**	**45,022**	**46,401**
Current liabilities	**13,147**	**13,875**	**14,668**	**14,493**	**14,712**
Accounts payable	1,298	1,037	1,293	1,229	1,322
Short-term debt	434	460	460	460	460
Other current liabilities	11,415	12,378	12,915	12,804	12,931
Long-term liabilities	**11,001**	**10,009**	**10,278**	**10,183**	**10,253**
Bonds & long-term debt	7,160	6,616	6,616	6,616	6,616
Other long-term liabilities	3,842	3,393	3,662	3,567	3,638
Total liabilities	**24,149**	**23,883**	**24,947**	**24,677**	**24,966**
Owners of parent equity	**16,749**	**16,211**	**17,403**	**18,284**	**19,223**
Capital stock	1,564	1,564	1,564	1,564	1,564
Capital surplus	1,443	1,443	1,443	1,443	1,443
Retained earnings	14,494	13,780	14,891	15,772	16,711
Other	-753	-577	-496	-496	-496
Non-controlling interests' equity	**1,812**	**1,786**	**1,916**	**2,061**	**2,213**
Total equity	**18,561**	**17,997**	**19,319**	**20,345**	**21,436**
Net debt	9,543	8,754	5,221	2,328	480

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**5,503**	**5,066**	**4,478**	**4,039**	**3,383**
Net profit	989	417	1,798	1,605	1,693
Non-cash profit and expenses	5,005	4,864	3,589	2,876	2,351
Depreciation	3,176	3,278	2,581	2,032	1,600
Amortization	692	652	472	338	236
Other	1,137	934	536	505	515
Changes in A/L from operating activities	-246	69	-344	37	-186
Cash flow from investments	**-4,621**	**-2,845**	**-236**	**-593**	**-835**
Change in tangible assets	-3,593	-2,806	0	0	0
Change in financial assets	32	-286	-265	-567	-795
Other	-1,060	247	29	-26	-40
Cash flow from financing	**-453**	**-1,390**	**-524**	**-587**	**-599**
Change in debt	874	180	33	-8	4
Change in equity	3	-0	0	0	0
Dividends	-527	-872	-557	-579	-603
Other	-803	-698	0	0	0
Change in cash	430	837	3,599	2,831	1,842
Cash at beginning of year	2,449	2,880	3,717	7,316	10,147
Cash at end of year	2,880	3,717	7,316	10,147	11,989
Gross cash flow	**5,994**	**5,281**	**5,387**	**4,481**	**4,044**
Free cash flow	**1,810**	**2,156**	**4,478**	**4,039**	**3,383**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	2.8	0.2	6.4	-1.4	1.5
Operating profit	-2.4	-50.9	209.7	-12.1	5.6
Net profit	-28.7	-57.8	331.1	-10.7	5.5
Adjusted EPS**	-19.6	-52.4	257.8	-12.5	5.6
Per-share data (KRW)					
EPS (parent-based)	3,887	1,850	6,620	5,792	6,115
EPS (consolidated)	3,805	1,641	7,135	6,369	6,717
Adjusted EPS**	3,887	1,850	6,620	5,792	6,115
BVPS	67,972	65,942	72,184	75,838	79,730
DPS (common)	1,960	2,000	2,400	2,500	2,600
Valuations (x)					
P/E***	8.9	23.7	7.8	8.9	8.4
P/B***	0.5	0.7	0.7	0.7	0.6
EV/EBITDA	3.7	4.6	3.6	3.8	3.8
Ratios (%)					
ROE	6.1	2.9	9.9	8.2	8.2
ROA	2.4	1.0	4.2	3.6	3.7
ROIC	5.6	2.7	10.0	10.1	12.2
Payout ratio	47.8	104.5	34.7	41.3	40.7
Dividend yield (common)	5.7	4.6	4.7	4.8	5.0
Net debt to equity	51.4	48.6	27.0	11.4	2.2
Interest coverage (x)	4.6	2.2	6.9	6.6	7.4

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2025. 12. 10

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Scan to go to
Research Center report database

SK Telecom (017670)

Past the turbulence, into growth

- SK Telecom, hit hard by a cybersecurity incident in April, should be back on track in 2026, when we expect its operating profit to surge 59.7% y-y. It is our top pick.
- We note that the telco is reinforcing its AI infrastructure business (including data centers) and preparing to monetize 'A.', its AI agent service.

WHAT'S THE STORY?

Back on track in 2026: We expect SKT's sales and operating profit to rise 2.6% and 59.7% y-y, respectively, to KRW17.5t and KRW1.7t in 2026. The firm's earnings were hit hard this year by costs related to a cyberattack in April, including a KRW500b customer compensation package and regulatory fines amounting to KRW134.8b. But most of these expenses should be recognized in 2025, earnings should stabilize next year as its wireless and fixed-line subscriber numbers have both begun to rebound. The telco should continue to focus on reinforcing its competitiveness in AI infrastructure (*eg*, data centers), while restructuring low-margin and non-core operations. We expect its dividend payout to normalize next year, in line with its shareholder return policy. We maintain our BUY rating on the stock, with a target price of KRW66,000 (based on a sum-of-the-parts valuation). SKT is our top pick for 2026.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW66,000	22.2%
Current price	**KRW54,000**	
Market cap	KRW11.6t/USD7.9b	
Shares (float)	214,790,053 (68.6%)	
52-week high/low	KRW59,100/KRW50,700	
Avg daily trading value (60-day)	KRW44.5b/ USD30.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SK Telecom (%)	1.1	1.7	-5.6
Vs Kospi (%pts)	-3.5	-29.9	-46.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	66,000	66,000	0.0%
2025E EPS	1,727	1,727	0.0%
2026E EPS	5,192	5,115	1.5%

SAMSUNG vs THE STREET

No of estimates	18
Target price	62,528
Recommendation	3.8

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	17,941	17,104	17,554	17,971
Operating profit (KRWb)	1,823	1,114	1,778	1,904
Net profit (adj) (KRWb)	1,387	355	1,158	1,287
EPS (adj) (KRW)	5,810	1,727	5,192	5,740
EPS (adj) growth (% y-y)	16.3	-70.3	200.6	10.6
EBITDA margin (%)	30.8	22.6	21.8	19.0
ROE (%)	10.8	3.2	9.2	9.7
P/E (adj) (x)	9.5	31.3	10.4	9.4
P/B (x)	1.0	1.0	0.9	0.9
EV/EBITDA (x)	3.7	4.6	4.0	4.0
Dividend yield (%)	6.4	3.1	5.6	6.0

Source: Company data, Samsung Securities estimates

Securing growth opportunities via AI infrastructure expansion: The acquisition of the Pangyo data center in June brought SKT's nationwide data center count to nine, with a combined capacity of 137 MW. Utilization rates should rise as it adds customers. The firm expects its total capacity to reach 300 MW by 2030, backed by new facilities in Ulsan (phase 1 in 2027 and phase 2 in 2029) and in Guro (2030). Its AI agent, 'A.', is poised to accelerate the firm's AI ecosystem expansion by opening its platform to external partners. Monetization should begin in 1H26 with subscription-based or bundled services.

Earnings growth bodes well for shares: Foreign ownership of SKT has dropped to 36%, primarily due to cybersecurity breaches and uncertainties surrounding dividend payments in 2H25. If the firm's 2026 earnings and dividend guidance (which should be revealed early next year) restore investor confidence, the stock is well-positioned to resume its uptrend alongside the earnings recovery.

Table 1. SK Telecom: Investments in AI companies

Company	Business	Investment amount	Investment date	AI intra				AIX	AI Service
				AI DC	AI Chip	Edge AI	Telco LLM		
Konan Technologies	AI software (LLM)	KRW22.4b	Oct 2022						✓
Scatter lab	AI agent	KRW15.0b	Apr 2023						✓
Anthropic	Generative AI (LLM)	USD100m	Aug 2023				✓		
Persona AI	AI customer service	KRW5b	Aug 2023					✓	
Allganize	LLM all-in-one solution	USD4m	Nov 2023					✓	
ImpriMed	Anticancer drug diagnosis	USD3m	Nov 2023						
Lambda	GPU cloud	USD20m	Dec 2024	✓				✓	
Sapeon-Rebellions	AX semi-conductor X330		Jun 2024		✓				
Perplexity	Generative AI search engine	USD10m	Jun 2024						✓
GTAA JV	Global Telco AI Alliance		Jul 2024						
Penguin Solution	AI data center solution	USD200m	Jul 2024	✓		✓			
Twelve Labs	AI video analyze	USD3m	Dec 2024					✓	
Together AI	AI cloud and opensource		Mar 2025		✓				
Time Tree	Schedule managing platform	JPY2.2b	Sep 2025						✓

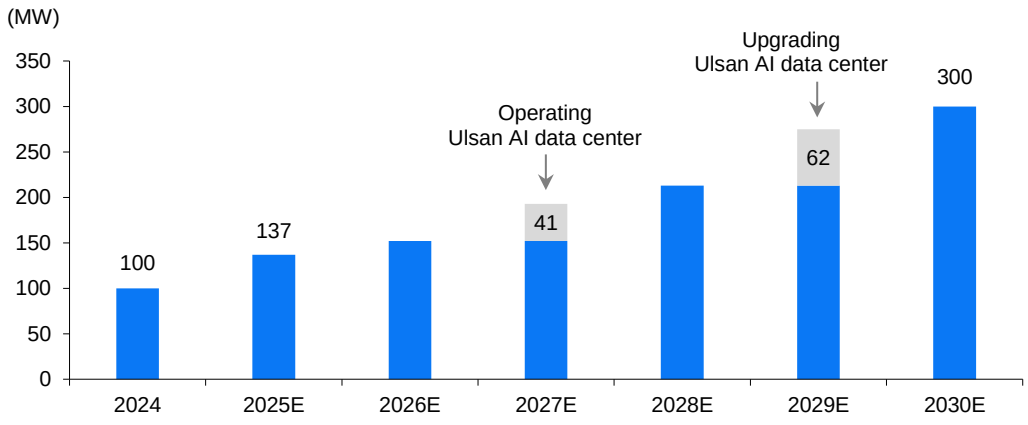
Source: Company data, press reports, Samsung Securities

Table 2. SK Telecom: Data centers

Category	Location	Note	Capacity
Seoul Metropolitan Area	Seocho		
(8+)	Ilsan 1		
	Bundang 1		
	Gasan		46 MW
	Ilsan		
	Bundang 2		
	Yangju		
	Pangyo	Acquired from SK AX in 2025	30 MW
	Guro (planned)	Targeting operation from 2030	
Provinces	Busan		
(1+)	Ulsan (planned)	Phase 1 in 2027, phase 2 in 2029	Phase 1 (41 MW), phase 2 (103 MW)

Source: Company data, Samsung Securities

Chart 1. SK Telecom: Data center capacity forecasts



Note: Ulsan AI data center expected to open with 41 MW of capacity in Nov 2027, later upgrading to 103 MW (by Feb 2029)
Source: Company data, Samsung Securities

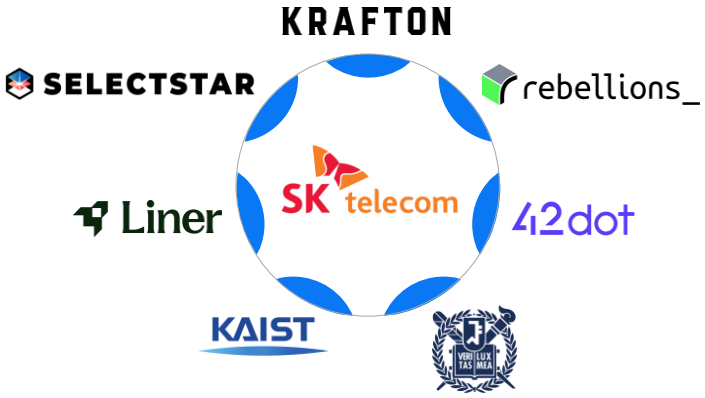
Table 3. SK-AWS Ulsan AI data center project

Category	Detail
Location	Ulsan Mipo National Industrial Complex
Total investment	About KRW7t
Participating companies	SK Group's affiliates, Amazon Web Service (AWS) - SK Broadband (SK Telecom): Cloud network infrastructure - SK Hynix: Supply of HBM-based AI semiconductors - SK Innovation and ·SK Gas: Power supply via LNG cogeneration plant - SK Ecoplant: Design, construction, and eco-friendly infrastructure - SK AX: IT infrastructure integration and data center operation
Purpose	Construction and operation of a hyperscale AI data center - Secure high-performance AI computing infrastructure to strengthen Korea's AI competitiveness
Key features	1) Largest in Korea: The nation's first and largest hyperscale AI-dedicated data center 2) Location: 10,000-pyeong site adjacent to the SKMU power plant 3) Eco-friendly AI DC: Highest efficiency in Korea, powered by LNG-based district electricity 4) Global partner AWS: Partnership with AWS, the world's No.1 cloud provider, to boost domestic AI capabilities and growth
Ground breaking	Sep 1, 2025
Projected completion	May 31, 2025
Operation starts	Phase 1: Nov 2027 (41 MW) / Phase 2: Feb 2029 (103 MW) / 1GW in future

Note: SK Broadband acquired land and buildings in Nam-gu, Ulsan from SK Chemicals for KRW 28.3b on Apr 17, 2025
SK-AWS held a contract signing ceremony, officially announcing the construction of the Ulsan AI data center
SK Broadband will serve as the owner and operator of the Ulsan AI data center

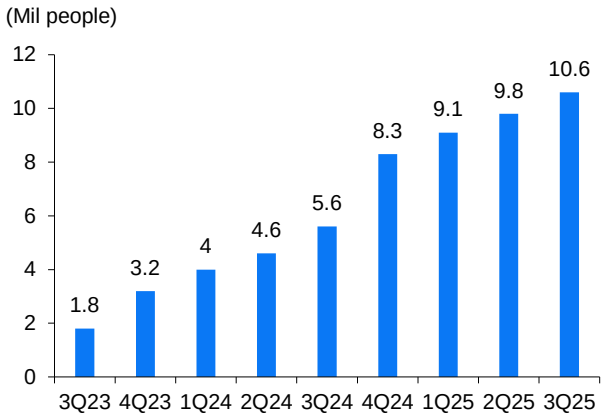
Source: Company data, Samsung Securities

Chart 2. Member of independent AI foundation model project: SK Telecom consortium



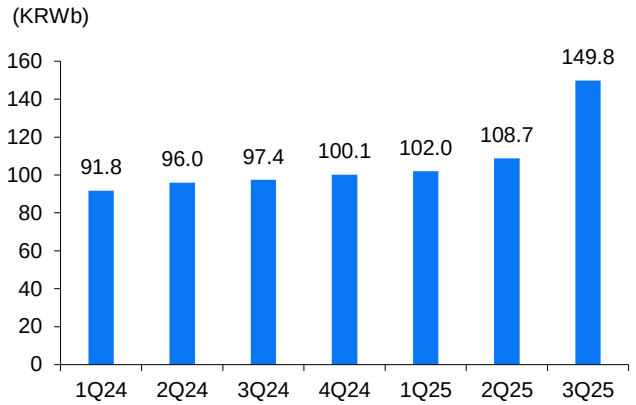
Source: Company data, Samsung Securities

Chart 3. A.: Number of subscribers



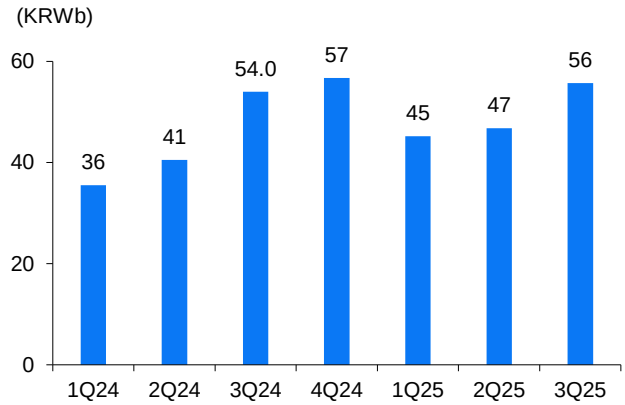
Note: Sep 26, 2023
Source: Company data, Samsung Securities

Chart 4. Telecom-related B2B: Sales



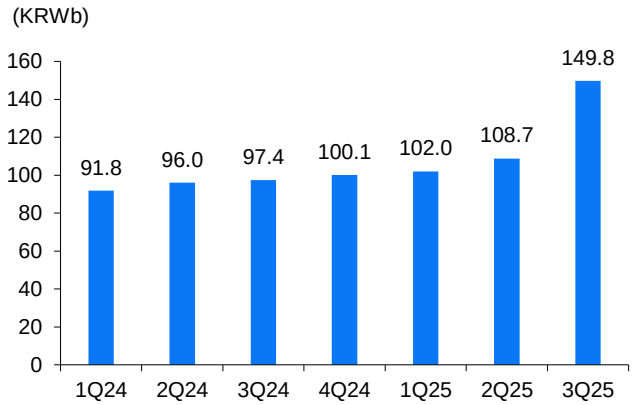
Note: B2B includes connectivity, business messaging service, payment, etc.
Source: Company data, Samsung Securities

Chart 5. AIX: Sales



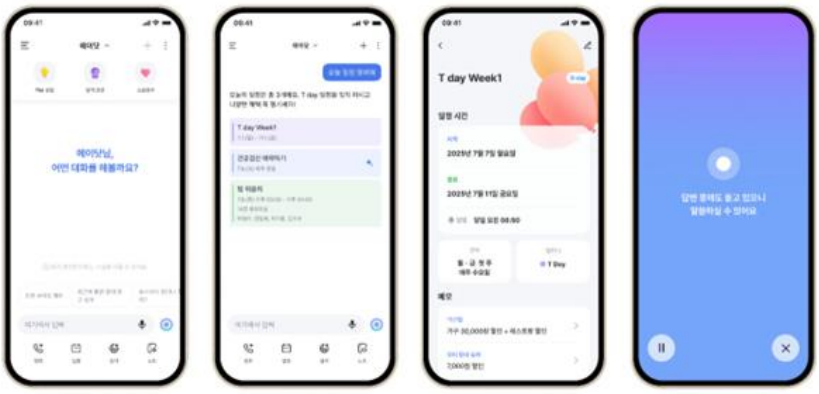
Note: Note: AIX includes AI cloud, AI Vision, AICC, etc.
Source: Company data, Samsung Securities

Chart 6. AI DC: Sales



Note: AI DC includes data centers, leased lines, GPUaaS, etc.
Source: Company data, Samsung Securities

Chart 7. AI agent 'A.'



Source: Company data, Samsung Securities

Table 4. Consolidated results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**4,474.6**	**4,422.4**	**4,532.1**	**4,511.5**	**4,453.7**	**4,338.8**	**3,978.1**	**4,333.8**	**4,301.6**	**4,272.7**	**4,451.3**	**4,528.3**	**17,940.6**	**17,104.3**	**17,553.9**
Parent	3,188.7	3,191.5	3,203.2	3,190.6	3,167.5	3,135.1	2,664.7	2,949.7	2,973.1	3,024.7	3,098.7	3,108.9	12,774.1	11,917.1	12,205.3
Operating costs	3,976.1	3,884.9	3,998.9	4,257.4	3,886.3	4,000.5	3,929.6	4,174.3	3,842.8	3,805.6	3,941.4	4,186.4	16,117.2	15,990.8	15,776.2
Labor	660.6	624.0	639.4	801.8	671.6	594.2	605.3	787.5	658.8	581.3	615.2	799.0	2,725.8	2,658.7	2,654.3
Marketing (parent)	719.5	715.5	726.2	747.4	691.7	725.1	719.4	730.7	700.3	735.1	726.3	734.7	2,908.6	2,866.9	2,896.4
Depreciation	930.1	916.9	920.6	927.0	897.5	894.4	897.7	897.5	874.3	866.8	885.2	883.2	3,694.7	3,587.2	3,509.4
Operating profit	**498.5**	**537.5**	**533.3**	**254.1**	**567.4**	**338.3**	**48.4**	**159.4**	**458.9**	**467.1**	**509.9**	**341.9**	**1,823.4**	**1,113.5**	**1,777.7**
Operating margin (%)	11.1	12.2	11.8	5.6	12.7	7.8	1.2	3.7	10.7	10.9	11.5	7.6	10.2	6.5	10.1
Pre-tax profit	440.7	478.2	364.7	478.1	507.9	240.4	-163.9	93.8	404.3	421.8	422.6	243.9	1,761.8	678.2	1,492.6
Net profit (controlling)	**353.0**	**337.4**	**268.9**	**290.9**	**364.4**	**89.6**	**-158.2**	**75.1**	**278.7**	**305.1**	**340.4**	**190.9**	**1,250.2**	**371.0**	**1,115.2**
Chg (% y-y)															
Sales	**2.3**	**2.7**	**2.9**	**-0.3**	**-0.5**	**-1.9**	**-12.2**	**-3.9**	**-3.4**	**-1.5**	**11.9**	**4.5**	**1.9**	**-4.7**	**2.6**
Parent	2.3	2.3	1.7	-0.4	-0.7	-1.8	-16.8	-7.5	-6.1	-3.5	16.3	5.4	1.5	-6.7	2.4
Operating costs	2.5	1.1	2.4	0.6	-2.3	3.0	-1.7	-2.0	-1.1	-4.9	0.3	0.3	1.7	-0.8	-1.3
Labor	7.0	5.6	4.1	20.5	1.7	-4.8	-5.3	-1.8	-1.9	-2.2	1.6	1.5	9.5	-2.5	-0.2
Marketing (parent)	-4.9	-5.1	-3.0	-4.9	-3.9	1.3	-0.9	-2.2	1.2	1.4	1.0	0.6	-4.5	-1.4	1.0
Depreciation	-0.3	-3.4	-0.8	-1.4	-3.5	-2.5	-2.5	-3.2	-2.6	-3.1	-1.4	-1.6	-1.5	-2.9	-2.2
Operating profit	**0.8**	**16.0**	**7.1**	**-14.4**	**13.8**	**-37.1**	**-90.9**	**-37.3**	**-19.1**	**38.1**	**952.6**	**114.5**	**4.0**	**-38.9**	**59.7**
Operating margin (%pts y-y)	-0.2	1.4	0.5	-0.9	1.6	-4.4	-10.5	-2.0	-2.1	3.1	10.2	3.9	0.2	-3.7	3.6
Pre-tax profit	4.7	6.3	-8.8	119.9	15.2	-49.7	nm	-80.4	-20.4	75.5	nm	160.0	18.4	-61.5	120.1
Net profit (controlling)	**21.5**	**2.5**	**-9.7**	**65.3**	**3.2**	**-73.4**	**nm**	**-74.2**	**-23.5**	**240.4**	**nm**	**154.1**	**14.3**	**-70.3**	**200.6**

Source: Company data, Samsung Securities

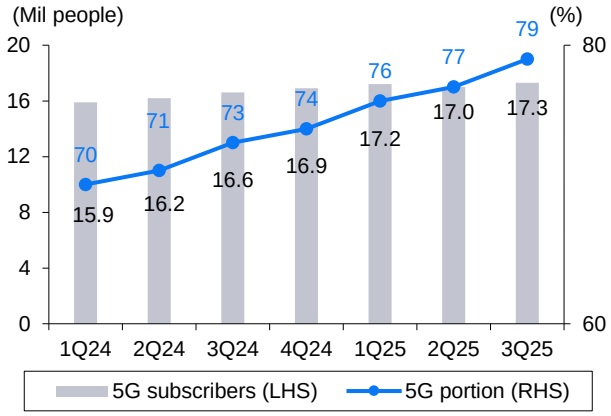
Table 5. Key operating metrics

('000 people)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	2024	2025E	2026E
Mobile subscribers*	**32,923**	**33,367**	**33,690**	**33,659**	**33,884**	**34,147**	**34,228**	**34,276**	**34,376**	**33,939**	**33,426**	**33,548**	**34,276**	**33,548**	**33,711**
Net additions (q-q)	90	444	323	-30	225	263	81	48	101	-437	-513	122	616	-727	163
LTE	15,750	15,871	7,763	7,159	6,918	6,598	6,264	5,892	5,601	5,079	4,932	4,664	5,892	4,664	3,799
5G	14,148	14,673	15,003	15,500	15,932	16,226	16,577	16,917	17,242	17,022	17,260	17,329	16,917	17,329	17,964
Fixed-line service subscribers	**16,158**	**16,274**	**16,386**	**16,475**	**16,578**	**16,651**	**16,729**	**16,765**	**16,815**	**16,666**	**16,655**	**16,698**	**16,765**	**16,698**	**16,789**
Broadband	6,757	6,810	6,871	6,926	6,990	7,048	7,113	7,156	7,215	7,173	7,196	7,211	7,156	7,211	7,254
IPTV	9,401	9,464	9,515	9,549	9,588	9,603	9,616	9,608	9,600	9,494	9,459	9,487	9,608	9,487	9,535
Mobile ARPU (KRW)	**30,101**	**29,920**	**29,913**	**29,566**	**29,239**	**29,298**	**29,389**	**29,495**	**29,202**	**29,204**	**24,125**	**23,005**	**29,355**	**26,384**	**26,663**
Chg (% q-q)	-1.3	-0.6	0.0	-1.2	-1.1	0.2	0.3	0.4	-1.0	0.0	-17.4	-4.6	-1.7	-10.1	1.1

Note: *Mobile subscriber data from 3Q23 reflects changed standards

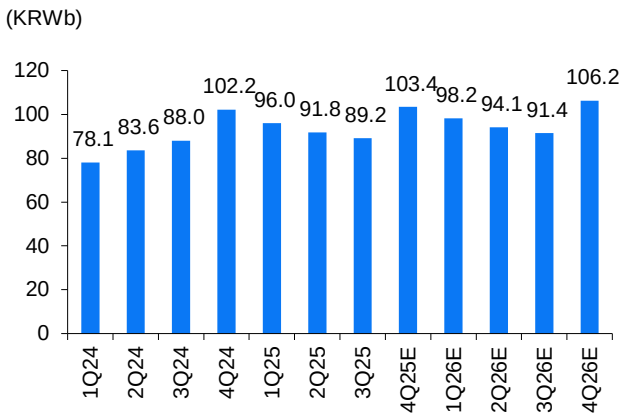
Source: Company data, Samsung Securities

Chart 8. 5G subscribers: Absolute and as portion of total



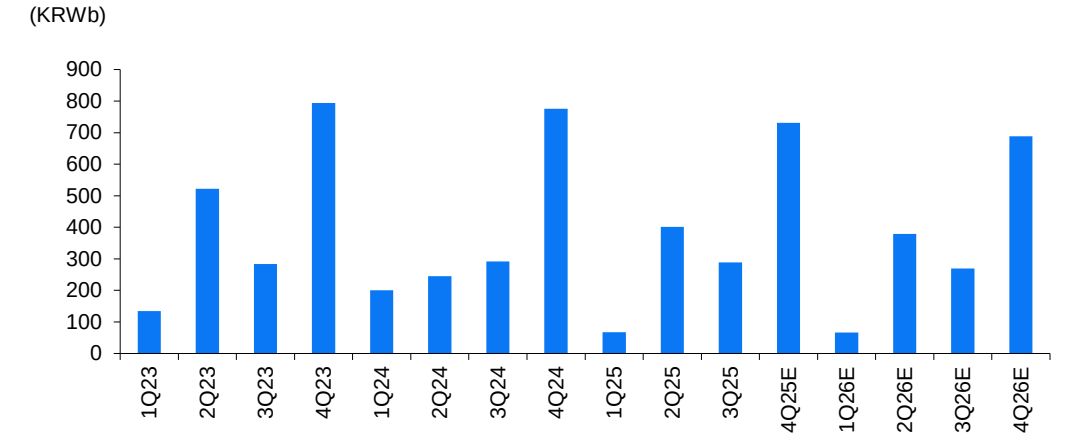
Source: Company data, Samsung Securities

Chart 9. SK Broadband: Operating profit



Source: Company data, Samsung Securities

Chart 10. SKT: Capex



Note: Based on separate financial statements; 2024 capex is KRW2,742b
Source: Company data, Samsung Securities

Chart 11. SK Telecom's value-up plan

Capital efficiency	Shareholder returns	AI Vision 2030
ROE 10%+ (2026)	Adjusted consolidated profit 50%+ (2024~2026)	Invest in AI total KRW5t by 5 years AI sales above KRW5t I n20230 (2030)
Maintain industry-leading profitability	Shareholder returns based on total consolidated profit	Operate competitive AI business
AI & OI strategies to increase profitability	Remove upper limit on shareholder returns	Secure AI leadership based on cooperation
Improve financial soundness via asset efficiency	Shareholder return ratio exceeds industry's average	Develop 'profit-generating AI' (AI DC + AI B2B + AI B2C)

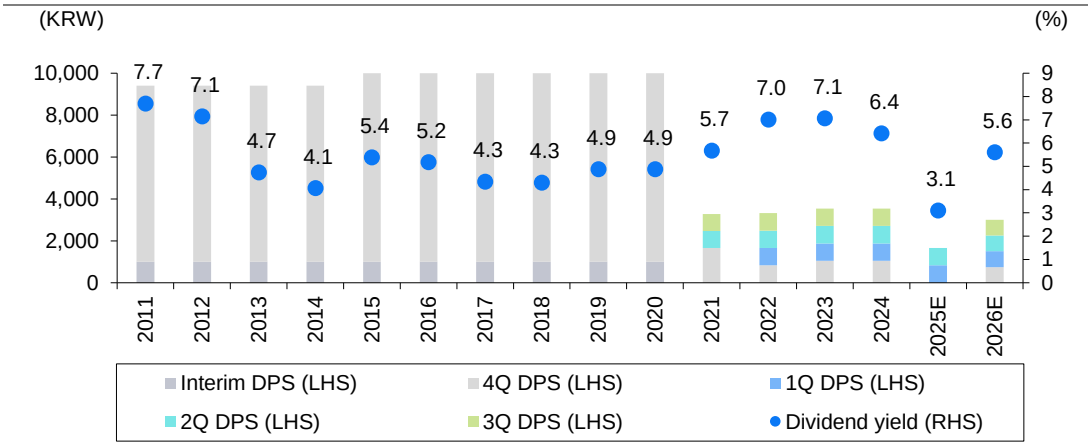
Note: Announced on Oct 24, 2024 / Source: Company data, Samsung Securities

Table 6. Change of shareholder return policy

Category	Before	After
Year	2021-2023	2024-2026
Resources	30-40% of EBITDA-capex	At least 50% of adjusted profit for the year on a consolidated basis
Method	Cash dividend	Cash dividend and share buyback/cancellation

Source: Company data, Samsung Securities

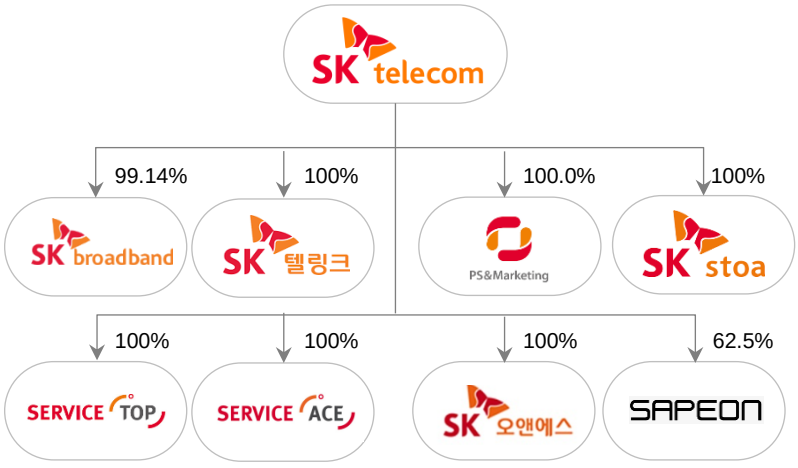
Chart 12. Dividend yield and DPS



Note: 2021 DPS reflects spinoff (Nov 1, 2021);
Adopted quarterly dividend payout policy in 2Q21;
As of Nov 27 close;
SKT confirmed that no dividend will be paid for 3Q25, and we conservatively assume no dividend for 4Q25, either

Source: QuantiWise, Company data, Samsung Securities

Chart 13. Ownership structure



Note: As of 1H25; SK Telecom made a strategic investment in Kakao via a share swap in 2019
SK broadband's stakes are based on after acquisition in May 14, 2025 (announced on Nov 13, 2024)
Sapeon Korea and Rebellions will merge through an absorption, with rebellions as the surviving entity. The merged corporation Rebellions launched in Dec 2024 (Sapeon holds a 26.05% stake in Rebellions)
SK Telecom sold its entire 2.44% stake in Kakao via block trade in the after-hours market, raising KRW 413.3b
SK Stoa, which is currently up for sale, has selected the fashion -ecommerce company Lafolabs as its preferred bidder

Source: Company data, Samsung Securities

Table 7. Sum-of-the-parts valuation

(KRWb)	Value	Stake (%)	Net profit	Multiple (x)	Note
Parent	**10,155**		**1,016**	**10**	**Based on 2026 estimates**
SK Broadband	2,814	99		3.6	10% discount to previous multiple
Other	1,103				SK Stoa; other investments
Fair value	**14,072**				
Outstanding shares ('000)	215,177				
Fair value per share	**65,397**				
Target price (KRW)	**66,000**				

Source: Samsung Securities estimates

Table 8. Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Chg (%)	Old	New	Chg (%)
Sales	17,113.6	17,104.3	-0.1	17,593.0	17,553.9	-0.2
Operating profit	1,219.6	1,113.5	-8.7	1,749.7	1,777.7	1.6
Operating margin (%, %pts)	7.1	6.5	-0.6	9.9	10.1	0.2
Pre-tax profit	880.9	678.2	-23.0	1,464.6	1,492.6	1.9
Net profit	562.7	371.0	-34.1	1,098.7	1,115.2	1.5

Note: Lower our 2025E profits to reflect assumed costs associated with hacking incident, including Usim replacement cost and compensation measures for customers

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**17,609**	**17,941**	**17,104**	**17,554**	**17,971**
Cost of goods sold	0	0	0	0	0
Gross profit	**17,609**	**17,941**	**17,104**	**17,554**	**17,971**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	15,855	16,117	15,991	15,776	16,066
Operating profit	**1,753**	**1,823**	**1,114**	**1,778**	**1,904**
Operating margin (%)	10.0	10.2	6.5	10.1	10.6
Non-operating gains (losses)	**-265**	**-62**	**-435**	**-285**	**-247**
Financial profit	248	355	174	160	168
Financial costs	527	606	477	439	421
Equity-method gains (losses)	11	322	-6	8	8
Other	3	-133	-126	-14	-3
Pre-tax profit	**1,488**	**1,762**	**678**	**1,493**	**1,657**
Taxes	342	375	323	335	369
Effective tax rate (%)	23.0	21.3	47.6	22.4	22.3
Profit from continuing operations	1,146	1,387	355	1,158	1,287
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,146**	**1,387**	**355**	**1,158**	**1,287**
Net margin (%)	6.5	7.7	2.1	6.6	7.2
Net profit (controlling interests)	1,094	1,250	371	1,115	1,233
Net profit (non-controlling interests)	52	137	-16	43	55
EBITDA	5,504	5,523	3,861	3,818	3,419
EBITDA margin (%)	31.3	30.8	22.6	21.8	19.0
EPS (parent-based) (KRW)	4,997	5,810	1,727	5,192	5,740
EPS (consolidated) (KRW)	5,237	6,446	1,653	5,391	5,994
Adjusted EPS (KRW)*	4,997	5,810	1,727	5,192	5,740

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**6,586**	**7,477**	**9,763**	**12,605**	**14,286**
Cash & equivalents	1,455	2,024	4,671	7,324	8,906
Accounts receivable	1,979	1,989	1,928	1,982	2,048
Inventories	180	210	193	208	214
Other current assets	2,972	3,254	2,971	3,091	3,118
Fixed assets	**23,534**	**23,039**	**19,750**	**18,090**	**17,121**
Investment assets	3,765	4,476	4,358	4,948	5,622
Tangible assets	13,006	12,617	9,893	7,874	6,382
Intangible assets	4,936	4,267	3,999	3,892	3,849
Other long-term assets	1,826	1,678	1,499	1,376	1,268
Total assets	**30,119**	**30,515**	**29,513**	**30,695**	**31,407**
Current liabilities	**6,994**	**9,224**	**7,974**	**8,407**	**8,292**
Accounts payable	140	127	127	126	130
Short-term debt	0	100	100	100	100
Other current liabilities	6,854	8,998	7,747	8,182	8,062
Long-term liabilities	**10,897**	**9,463**	**9,671**	**9,741**	**9,952**
Bonds & long-term debt	7,422	6,567	6,567	6,567	6,567
Other long-term liabilities	3,475	2,897	3,104	3,174	3,385
Total liabilities	**17,891**	**18,688**	**17,644**	**18,148**	**18,243**
Owners of parent equity	**11,389**	**11,699**	**11,755**	**12,391**	**12,953**
Capital stock	30	30	30	30	30
Capital surplus	1,771	1,771	1,771	1,771	1,771
Retained earnings	22,800	22,976	22,770	23,406	23,968
Other	-13,212	-13,079	-12,816	-12,816	-12,816
Non-controlling interests' equity	**839**	**129**	**113**	**156**	**210**
Total equity	**12,228**	**11,828**	**11,868**	**12,547**	**13,164**
Net debt	9,491	8,604	5,869	3,353	1,891

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**4,947**	**5,087**	**2,477**	**3,365**	**2,674**
Net profit	1,146	1,387	355	1,158	1,287
Non-cash profit and expenses	4,546	4,313	3,283	2,586	2,079
Depreciation	3,751	3,700	2,748	2,041	1,515
Amortization	0	0	0	0	0
Other	796	613	535	545	564
Changes in A/L from operating activities	-274	-109	-595	177	-123
Cash flow from investments	**-3,353**	**-2,712**	**542**	**168**	**165**
Change in tangible assets	-2,961	-2,440	-23	-21	-23
Change in financial assets	112	-213	147	-57	20
Other	-504	-59	419	247	168
Cash flow from financing	**-2,021**	**-1,810**	**-774**	**-326**	**-580**
Change in debt	-458	-192	-176	172	109
Change in equity	0	0	0	0	0
Dividends	-774	-804	-577	-479	-671
Other	-789	-814	-20	-19	-18
Change in cash	-427	569	2,647	2,653	1,582
Cash at beginning of year	1,882	1,455	2,024	4,671	7,324
Cash at end of year	1,455	2,024	4,671	7,324	8,906
Gross cash flow	**5,692**	**5,700**	**3,638**	**3,744**	**3,367**
Free cash flow	**1,973**	**2,600**	**2,454**	**3,344**	**2,651**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	1.8	1.9	-4.7	2.6	2.4
Operating profit	8.8	4.0	-38.9	59.7	7.1
Net profit	20.9	21.0	-74.4	226.1	11.2
Adjusted EPS**	19.9	16.3	-70.3	200.6	10.6
Per-share data (KRW)					
EPS (parent-based)	4,997	5,810	1,727	5,192	5,740
EPS (consolidated)	5,237	6,446	1,653	5,391	5,994
Adjusted EPS**	4,997	5,810	1,727	5,192	5,740
BVPS	53,625	54,952	55,193	58,179	60,818
DPS (common)	3,540	3,540	1,660	3,000	3,250
Valuations (x)					
P/E***	10.0	9.5	31.3	10.4	9.4
P/B***	0.9	1.0	1.0	0.9	0.9
EV/EBITDA	3.9	3.7	4.6	4.0	4.0
Ratios (%)					
ROE	9.6	10.8	3.2	9.2	9.7
ROA	3.7	4.6	1.2	3.8	4.1
ROIC	6.7	7.7	3.6	9.9	12.4
Payout ratio	70.0	60.3	95.3	57.3	56.1
Dividend yield (common)	7.1	6.4	3.1	5.6	6.0
Net debt to equity	77.6	72.7	49.5	26.7	14.4
Interest coverage (x)	4.5	4.5	2.9	4.9	5.5

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2025. 12. 10

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LG Uplus (032640)

Growth curve steepens

- In 2026, LG Uplus should enjoy earnings growth (backed by improved fundamentals) and higher profitability.
- Its AI businesses—AIDC, ixi-O, and Agentic AICC—should begin paying off in earnest, and its AI transformation should pick up momentum next year.
- Backed by stronger fundamentals, it should be able to lift shareholder returns (*eg*, by raising its dividend payout).

WHAT'S THE STORY?

2026 outlook: LG Uplus posted sluggish earnings over 2023-2024, with operating profit shrinking y-y. But in 2025, the company proved that its fundamentals had strengthened—excluding massive one-off labor costs booked in 3Q25, the company put in a solid performance throughout the year. In 2026, we expect its earnings to improve further. Led by sustained strengthening of its core operations, improved productivity (via effective asset allocation and the introduction of an AI work agent), and structural cost-cutting efforts, we expect the telco to post a 2026 operating profit of KRW1.1685t (up 22.9% y-y; toping the KRW1t threshold for the first time since 2022).

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW17,500	15%
Current price	**KRW15,220**	
Market cap	KRW6.5t/USD4.4b	
Shares (float)	429,828,355 (61.0%)	
52-week high/low	KRW16,210/KRW9,870	
Avg daily trading value (60-day)	KRW14.5b/ USD9.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
LG Uplus (%)	-3.1	17.2	41.4
Vs Kospi (%pts)	-7.6	-19.2	-19.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	17,500	17,500	0.0%
2025E EPS	1,321	1,320	0.1%
2026E EPS	1,815	1,817	-0.1%

SAMSUNG vs THE STREET

No of estimates	17
Target price	17,894
Recommendation	3.9

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	14,625	15,511	15,635	15,941
Operating profit (KRWb)	863	951	1,169	1,236
Net profit (adj) (KRWb)	315	565	762	807
EPS (adj) (KRW)	858	1,321	1,815	1,925
EPS (adj) growth (% y-y)	-39.9	54.0	37.4	6.0
EBITDA margin (%)	24.1	19.9	18.5	16.4
ROE (%)	4.4	6.6	8.6	8.6
P/E (adj) (x)	12.0	11.5	8.4	7.9
P/B (x)	0.5	0.7	0.7	0.7
EV/EBITDA (x)	3.1	3.1	2.6	2.1
Dividend yield (%)	6.3	4.4	4.7	5.1

Source: Company data, Samsung Securities estimates

Pursue AI transformation strategy aggressively: While reinforcing competitiveness at its telecom business (its core operation), LG Uplus should beef up its AI transformation more aggressively. Its data center business has secured an estimated 140 MW of capacity (based on IT capacity). Data center sales should trend up, led by a rise in utilization at existing AI data centers (AIDCs) and the addition of design-build-operate (DBO) sales (since 2H25). Also aided by infrastructure expansion—*eg*, Paju AIDC, which is set for completion in May 2027—sales should continue to climb over the longer term. Considering its idle space, the company is likely to add more capacity at that facility. Meanwhile, it is planning to officially launch its 'ixi-O AI assistant' (based on Google's AI Gemini) in 1Q26. It should pursue AI B2C monetization gradually, starting with bundled tariffs.

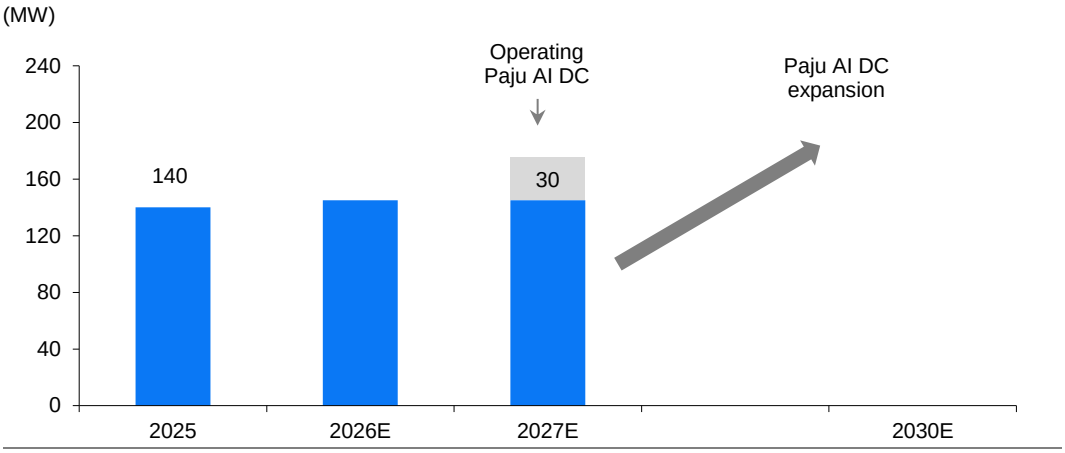
Committed to raising corporate value by enhancing shareholder value: LG Uplus is committed to returning more to shareholders (backed by earnings gains) and boosting its enterprise value. Based on its improved earnings fundamentals, the telco should gradually enhance its shareholder return policy (such as through dividend hikes). We maintain our BUY rating on the stock, with a target price of KRW17,500 (based on 10x forward P/E; the five-year average).

Table 1. LG Uplus: Data centers

Category	Location	Note	Capacity
Seoul Metropolitan Area	Nonhyeon		
(7+ centers)	Seocho 1		
	Seocho 2		
	Gasan		
	Sangam		
	Pyeongchon 1		90 MW
	Pyeongchon 2		45 MW
	Paju	Scheduled to launch in 2027	30 MW
Province	Daegu		
(5+ centers)	Busan		
	Daejeon		
	Gwangju		
	Jeonju		

Source: Company data, Samsung Securities

Chart 1. LG Uplus: Data center capacity forecasts



Note: Paju AI data center expected to start operations in 2027 and later expand capacity (give existing idle space)
Source: Company data, Samsung Securities estimates

Table 2. New facility investments

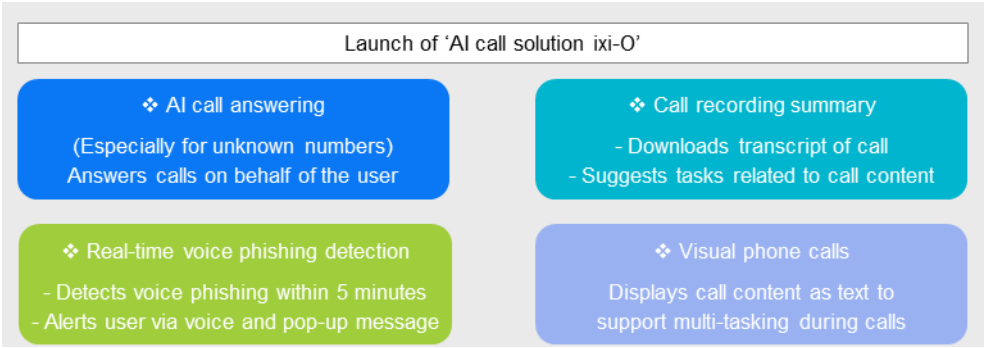
Category	Details
Investment type	New facility investment
Investment object	New construction (Paju AIDC)
Investment amount	KRW615.6b
Investment purpose	Building new AIDC to deal with growing customer demand
Investment period	May 7, 2025 – May 25, 2025

Note: Announced on Apr 29, 2025
Investment amount is set at 130% of the expected amount, in consideration of changes in prices and exchange rate
Source: Dart, Company data, Samsung Securities

Chart 2. LG AI Research among the top-5 Korean AI foundation model teams (Aug 4)

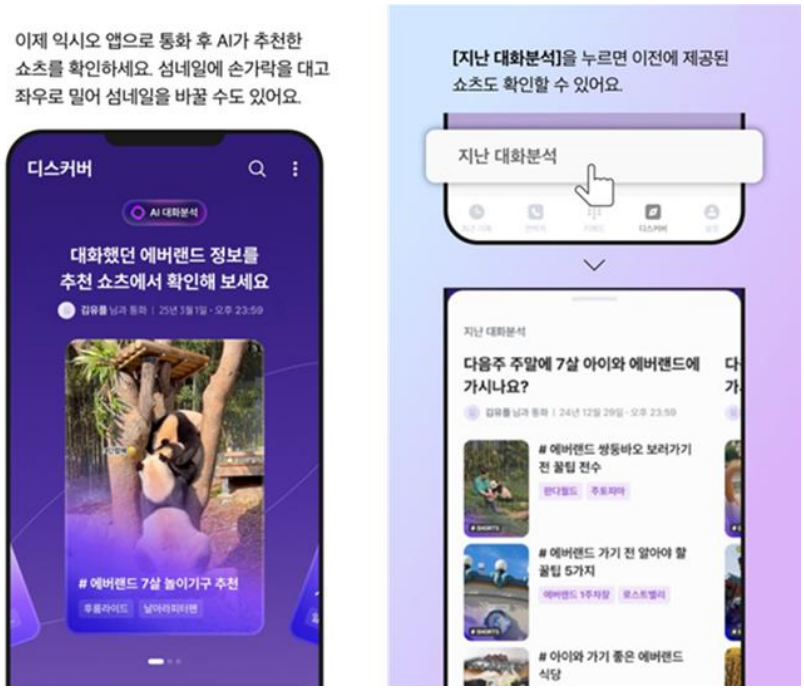
r teams are Naver Cloud, Upstage, SK Telecom, and NC AI
data, Samsung Securities

Chart 3. ixi-O's main features



Source: Company data, Samsung Securities

Chart 4. Ixi-O's feature that recommend shorts-form videos related to phone call content



Source: Company data, Samsung Securities

Table 3. To exit various non-core businesses

Business	Details	Withdrawal date	Note
I-dol Plus	K-pop content platform	Jun 2024	Launched in Oct 2018
Home Training Now	Home training content	Sep 2024	Launched in Aug 2021
Cargo Connect	Cargo transport platform	Jan 2025	Launched in Oct 2023
U+ Smart Drone	Drone service	Jan 2025	Launched in 2017
U+ Elementary Nation	Home schooling service	Feb 2025	Launched in Sep 2020
U+ Family Keeper	Child safety	Mar 2025	KRW2,200/month
Spoky	Sport community platform	Mar 2025	Launched in Sep 2022
Metaslap and Uverse	Operation of Metaslap (a metaverse for office workers) has been discontinued, and Uverse (a metaverse for university students) is being scaled down	Mar 2025	
U+ News	Data based personalized news subscription service	Mar 2025	Launched in Apr 2023
Better	Daily life journaling platform	Mar 2025	Launched in Mar 2023
Money Me	Mydata for finance business	Apr 2025	Launched in Jul 2023
U+ Parentnara	Parenting education content platform	Jun 2025	Launched in Sep 2023
1Row	Content review platform	Jun 2025	Launched in Oct 2024
Podong	Pet care service platform	Jul 2025	Launched in Jul 2022
Dapda	Emotion-tracking journal & mental wellness platform	Aug 2025	Launched in Sep 2023
U+ serving robot	Robot service for SOHO customer	Sep 2025	Launched in Mar 2023
U+ Information & delivery robot	Robot service for enterprise customers	Sep 2025	Launched in Feb 2024
U+ Kiosk	Order and payment service for shop owner	Dec 12, 2025	Launched in Apr 2024

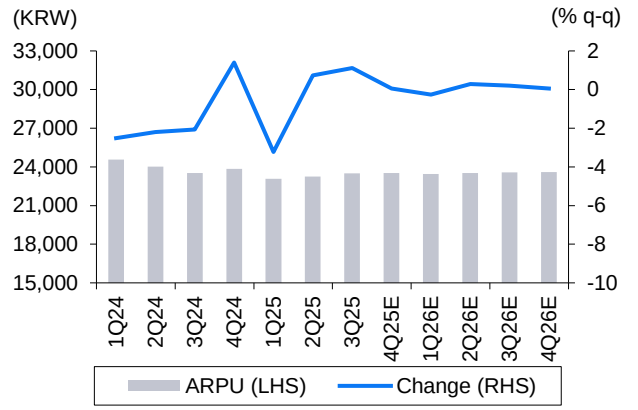
Note: In November 2025, news about Studio X+U (content production company) is considering withdrawing from the business
Source: Company data, Samsung Securities

Table 4. Share buybacks (around KRW80b)

Category	Details
Contract amount	80,000,000,000
Contract period	Aug 4, 2025-Aug 3, 2026
Purpose of contract	Enhancing shareholder value
Number of shares to be acquired	5,336,891
Price at which shares will be acquired (KRW)	14,990

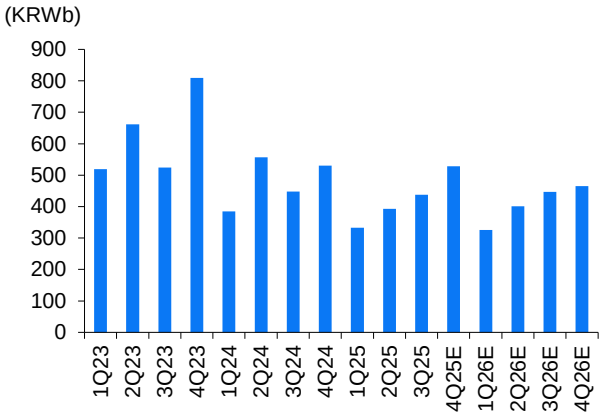
Note: First treasury stock acquisition since 2021;
In its corporate value enhancement plan (Nov 2024), LG Uplus said it would take a flexible approach to executing share buybacks, using between 0% and 20% of parent net profit
As of Nov 3, 2025, the company acquired 2,338,682 shares for a total KRW34.36b (average purchase price KRW14,693)
Source: Dart, Company data, Samsung Securities

Chart 5. Mobile ARPU



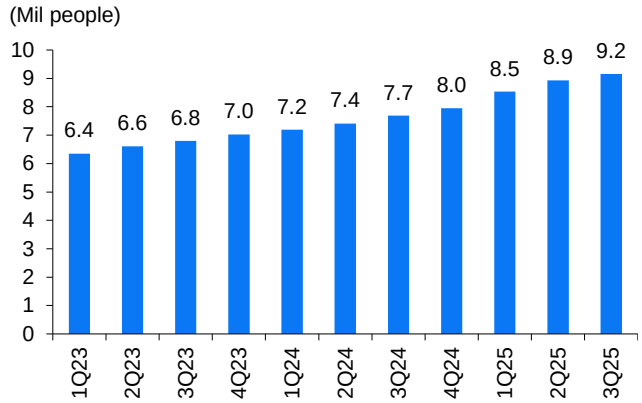
Source: Company data, Samsung Securities

Chart 6. Capex and forecasts



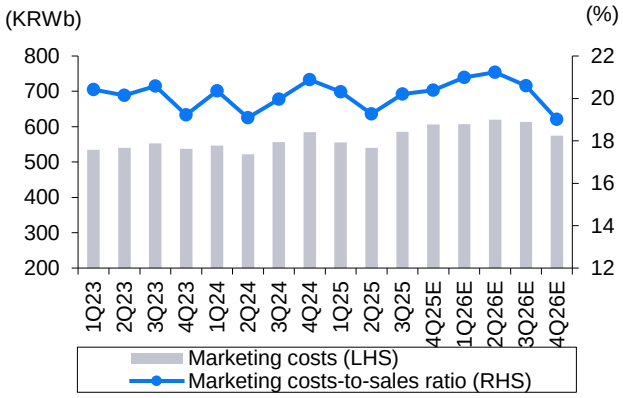
Source: Company data, Samsung Securities

Chart 7. Number of 5G subscribers



Source: Company data, Samsung Securities

Chart 8. Marketing costs vs marketing costs-to-sales ratio



Source: Company data, Samsung Securities

Table 5. LG HelloVision's financial results

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	Chg (q-q)	Chg (y-y)	2022	2023	2024	Chg (y-y)
Sales	267.2	283.6	323.3	322.3	313.5	354.1	298.5	-15.7	-7.7	1,170.9	1,190.3	1,196.4	0.5
Operating profit	4.1	7.4	3.3	-1.3	7.1	10.5	9.0	-14.4	172.8	53.8	47.4	13.5	-71.5
Pre-tax profit	1.8	7.1	2.8	-139.4	4.5	9.5	3.6	-61.9	29.7	-13.7	-35.6	-127.7	na
Net income	1.5	5.1	2.2	-115.1	3.0	7.2	2.0	-72.1	-8.3	-26.1	-45.4	-106.2	na

Source: Dart, LG HelloVision, Samsung Securities

Table 6. Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Revenue	**3,577.0**	**3,493.7**	**3,801.3**	**3,753.2**	**3,748.1**	**3,844.4**	**4,010.8**	**3,907.5**	**3,816.2**	**3,872.4**	**3,973.3**	**3,973.5**	**14,625.2**	**15,510.8**	**15,635.5**
Sales	2,686.7	2,732.9	2,786.3	2,799.3	2,736.0	2,803.1	2,897.2	2,972.5	2,892.4	2,919.0	2,977.7	3,024.4	11,005.2	11,408.8	11,813.7
Mobile	1,580.7	1,593.1	1,620.4	1,633.3	1,612.2	1,654.2	1,711.4	1,723.3	1,710.9	1,710.9	1,730.7	1,740.3	6,427.5	6,701.1	6,892.8
Smart home	615.5	620.1	650.9	619.4	630.5	636.6	673.3	660.0	666.0	673.7	704.3	684.1	2,505.9	2,600.4	2,728.2
Phone	89.2	90.6	86.5	91.9	83.6	84.6	84.6	89.4	82.9	84.1	83.5	88.4	358.2	342.2	338.8
B2B	401.3	429.1	428.5	454.7	409.7	427.7	427.9	499.7	432.6	450.3	459.3	511.5	1,713.6	1,765.0	1,853.8
Product	683.1	549.8	810.9	738.0	809.2	828.0	894.2	715.8	723.2	725.8	784.1	741.4	2,781.8	3,247.2	2,974.5
LG HelloVision	267.2	283.6	323.3	322.3	313.5	354.1	298.5	364.9	322.6	353.8	328.7	334.0	1,196.4	1,331.0	1,339.1
SG&A costs	3,356.0	3,239.7	3,555.3	3,611.0	3,492.7	3,539.9	3,849.2	3,678.0	3,514.9	3,558.7	3,667.9	3,725.4	13,762.1	14,559.7	14,466.9
Labor	487.0	493.9	481.9	516.3	490.7	486.7	631.2	528.7	498.1	492.5	499.0	518.5	1,979.2	2,137.3	2,008.1
Depreciation	543.6	547.0	551.9	537.7	542.0	550.7	549.2	550.1	532.8	544.1	538.7	544.0	2,180.1	2,192.0	2,159.7
Amortization	122.8	119.2	122.7	118.9	123.9	121.9	120.5	119.9	121.1	120.5	119.3	118.3	483.6	486.2	479.1
Marketing	546.7	521.7	556.1	584.6	555.8	540.1	585.2	605.9	639.0	652.4	645.5	574.9	2,209.1	2,287.0	2,511.9
Operating profit	**220.9**	**254.0**	**246.0**	**142.2**	**255.4**	**304.5**	**161.7**	**229.5**	**301.2**	**313.7**	**305.4**	**248.1**	**863.1**	**951.1**	**1,168.5**
Operating margin (%)	6.2	7.3	6.5	3.8	6.8	7.9	4.0	5.9	7.9	8.1	7.7	6.2	5.9	6.1	7.5
Pre-tax profit	165.8	204.5	196.0	-115.7	200.5	272.3	104.8	172.8	250.3	271.3	260.7	202.0	450.6	750.4	984.3
Net profit (controlling)	**131.1**	**163.6**	**137.5**	**-57.8**	**165.7**	**219.5**	**49.7**	**138.3**	**201.8**	**218.8**	**198.9**	**160.7**	**374.5**	**573.2**	**780.2**
Growth (% y-y)															
Revenue	**1.0**	**1.9**	**6.2**	**-1.8**	**4.8**	**10.0**	**5.5**	**4.1**	**1.8**	**0.7**	**-0.9**	**1.7**	**1.8**	**6.1**	**0.8**
Sales	2.7	2.0	3.6	0.2	1.8	2.6	4.0	6.2	5.7	4.1	2.8	1.7	2.1	3.7	3.5
Mobile	1.3	1.1	2.1	3.0	2.0	3.8	5.6	5.5	6.1	3.4	1.1	1.0	1.9	4.3	2.9
Smart home	3.6	2.8	5.6	3.3	2.4	2.7	3.4	6.6	5.6	5.8	4.6	3.7	3.9	3.8	4.9
Phone	-3.8	-1.1	-3.8	-0.6	-6.3	-6.6	-2.2	-2.7	-0.9	-0.6	-1.3	-1.1	-2.3	-4.5	-1.0
B2B	8.9	4.8	8.6	-12.1	2.1	-0.3	-0.1	9.9	5.6	5.3	7.3	2.4	1.4	3.0	5.0
Product	-4.7	3.3	20.0	-9.0	18.5	50.6	10.3	-3.0	-10.6	-12.3	-12.3	3.6	1.7	16.7	-8.4
LG HelloVision	-3.7	-1.1	12.0	-4.5	17.3	24.9	-7.7	13.2	2.9	-0.1	10.1	-8.5	0.5	11.2	0.6
SG&A costs	2.3	3.1	6.9	-0.4	4.1	9.3	8.3	1.9	0.6	0.5	-4.7	1.3	2.9	5.8	-0.6
Labor	8.4	12.0	4.5	9.3	0.7	-1.4	31.0	2.4	1.5	1.2	-20.9	-1.9	8.5	8.0	-6.0
Depreciation	4.5	3.4	3.1	-2.1	-0.3	0.7	-0.5	2.3	-1.7	-1.2	-1.9	-1.1	2.2	0.5	-1.5
Amortization	23.9	19.3	12.6	-8.0	0.9	2.3	-1.8	0.8	-2.3	-1.2	-1.0	-1.3	10.6	0.5	-1.5
Marketing	2.3	-3.3	0.5	8.8	1.7	3.5	5.2	3.6	15.0	20.8	10.3	-5.1	2.1	3.5	9.8
Operating profit	**-15.1**	**-11.8**	**-3.2**	**-27.3**	**15.6**	**19.9**	**-34.3**	**61.5**	**17.9**	**3.0**	**88.9**	**8.1**	**-13.5**	**10.2**	**22.9**
Operating margin (%pts)	-1.2	-1.1	-0.6	-1.3	0.6	0.7	-2.4	2.1	1.1	0.2	3.7	0.4	-1.0	0.2	1.3
Pre-tax profit	-21.4	-17.2	1.0	na	21.0	33.1	-46.5	na	24.8	-0.4	148.8	16.9	-41.6	66.5	31.2
Net profit (controlling)	**-13.6**	**-23.2**	**-12.4**	**na**	**26.4**	**34.1**	**-63.9**	**na**	**21.8**	**-0.3**	**300.1**	**16.2**	**-39.9**	**53.1**	**36.1**

Note: This table reflects revised revenue figures for the mobile, smart home, and B2B divisions for past periods

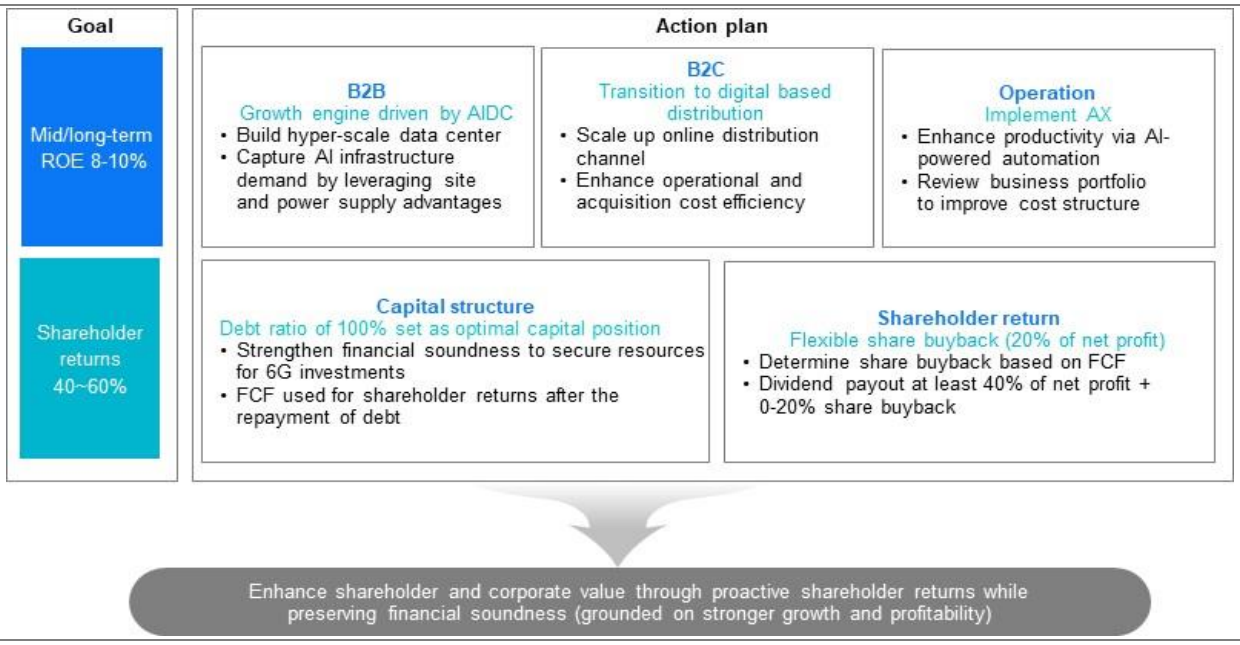
Source: Company data, Samsung Securities estimates

Table 7. Key operating metrics

('000 people)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	2024	2025E	2026E
Mobile subscribers	**20,555**	**21,677**	**23,820**	**25,097**	**26,265**	**27,223**	**27,873**	**28,515**	**29,075**	**29,917**	**30,259**	**30,531**	**28,515**	**30,531**	**32,150**
Net additions (q-q)	659	1,122	2,143	1,277	1,168	958	650	642	560	842	342	272	3,418	2,016	1,619
LTE	9,811	10,179	4,210	3,923	3,759	3,532	3,261	2,988	2,425	2,251	2,021	1,728	2,988	1,728	933
5G	6,351	6,603	6,534	7,020	7,187	7,413	7,686	7,952	8,196	8,930	9,155	9,312	7,952	9,312	9,925
Fixed-line service subscribers	**14,453**	**14,505**	**14,397**	**14,373**	**14,419**	**14,449**	**14,487**	**14,482**	**14,547**	**14,704**	**14,773**	**14,822**	**14,482**	**14,822**	**15,060**
IPTV	5,368	5,392	5,432	5,445	5,479	5,518	5,554	5,576	5,611	5,699	5,739	5,748	5,576	5,748	5,792
Broadband	5,168	5,237	5,112	5,161	5,218	5,269	5,313	5,353	5,396	5,479	5,541	5,597	5,353	5,597	5,836
PSTN+VoIP	3,917	3,876	3,853	3,767	3,722	3,662	3,620	3,553	3,540	3,526	3,493	3,477	3,553	3,477	3,431
ARPU (KRW)	28,734	28,311	27,300	25,195	24,563	24,023	23,526	23,855	23,085	23,253	23,511	23,523	23,992	23,343	23,537
Chg (% q-q, % y-y)	-1.2	-1.5	-3.6	-7.7	-2.5	-2.2	-2.1	1.4	-3.2	0.7	1.1	0.0	-12.4	-2.7	0.8

Source: Company data, Samsung Securities estimates

Chart 9. LG Uplus' value-up plan



Source: Company data, Samsung Securities

Table 8. Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Chg (%)	Old	New	Chg (%)
Sales	15,510.8	15,510.8	0.0	15,635.5	15,635.5	0.0
Operating profit	954.0	951.1	-0.3	1,159.1	1,168.5	0.8
Operating margin (%, %pts)	6.2	6.1	-0.0	7.4	7.5	0.1
Pre-tax profit	749.6	750.4	0.1	980.9	984.3	0.3
Net profit	572.5	573.2	0.1	780.9	780.2	-0.1

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**14,373**	**14,625**	**15,511**	**15,635**	**15,941**
Cost of goods sold	0	0	0	0	0
Gross profit	**14,373**	**14,625**	**15,511**	**15,635**	**15,941**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	13,375	13,762	14,560	14,467	14,704
Operating profit	**998**	**863**	**951**	**1,169**	**1,236**
Operating margin (%)	6.9	5.9	6.1	7.5	7.8
Non-operating gains (losses)	**-227**	**-413**	**-201**	**-184**	**-190**
Financial profit	58	75	61	64	67
Financial costs	287	312	276	257	268
Equity-method gains (losses)	2	-2	2	4	4
Other	0	-174	13	5	8
Pre-tax profit	**771**	**451**	**750**	**984**	**1,046**
Taxes	141	136	186	222	240
Effective tax rate (%)	18.3	30.2	24.7	22.6	22.9
Profit from continuing operations	630	315	565	762	807
Profit from discontinued operations	0	0	0	0	0
Net profit	**630**	**315**	**565**	**762**	**807**
Net margin (%)	4.4	2.2	3.6	4.9	5.1
Net profit (controlling interests)	623	374	573	780	827
Net profit (non-controlling interests)	7	-60	-8	-18	-21
EBITDA	3,569	3,527	3,089	2,885	2,616
EBITDA margin (%)	24.8	24.1	19.9	18.5	16.4
EPS (parent-based) (KRW)	1,426	858	1,321	1,815	1,925
EPS (consolidated) (KRW)	1,443	721	1,302	1,774	1,876
Adjusted EPS (KRW)*	1,426	858	1,321	1,815	1,925

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**4,964**	**5,264**	**8,742**	**10,684**	**12,661**
Cash & equivalents	560	896	4,162	6,152	8,107
Accounts receivable	1,744	1,694	1,766	1,724	1,714
Inventories	354	252	332	308	334
Other current assets	2,306	2,421	2,483	2,500	2,505
Fixed assets	**15,136**	**14,444**	**11,552**	**9,818**	**8,426**
Investment assets	314	335	345	342	344
Tangible assets	11,066	10,709	8,936	7,494	6,322
Intangible assets	2,166	1,805	1,440	1,165	957
Other long-term assets	1,590	1,595	832	817	804
Total assets	**20,101**	**19,708**	**20,294**	**20,502**	**21,087**
Current liabilities	**5,607**	**5,116**	**5,284**	**5,172**	**5,236**
Accounts payable	126	206	151	158	134
Short-term debt	130	0	0	0	0
Other current liabilities	5,350	4,910	5,133	5,014	5,101
Long-term liabilities	**5,737**	**5,823**	**5,962**	**5,805**	**5,839**
Bonds & long-term debt	4,046	4,489	4,489	4,489	4,489
Other long-term liabilities	1,691	1,334	1,473	1,316	1,349
Total liabilities	**11,344**	**10,939**	**11,246**	**10,978**	**11,074**
Owners of parent equity	**8,472**	**8,556**	**8,844**	**9,338**	**9,847**
Capital stock	2,574	2,574	2,574	2,574	2,574
Capital surplus	837	872	872	872	872
Retained earnings	5,168	5,204	5,498	5,993	6,502
Other	-106	-93	-100	-100	-100
Non-controlling interests' equity	**285**	**212**	**204**	**186**	**165**
Total equity	**8,757**	**8,768**	**9,048**	**9,524**	**10,013**
Net debt	6,708	6,168	2,924	757	-1,149

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**2,975**	**3,335**	**2,774**	**2,432**	**2,210**
Net profit	630	315	565	762	807
Non-cash profit and expenses	5,501	5,760	2,521	2,127	1,813
Depreciation	2,134	2,180	1,773	1,442	1,172
Amortization	437	484	365	275	208
Other	2,930	3,097	383	410	433
Changes in A/L from operating activities	-2,704	-2,355	73	-43	26
Cash flow from investments	**-2,998**	**-2,391**	**-3**	**15**	**7**
Change in tangible assets	-2,518	-1,896	0	0	0
Change in financial assets	-28	11	-17	1	-6
Other	-452	-506	15	14	14
Cash flow from financing	**-252**	**-611**	**-245**	**-461**	**-263**
Change in debt	339	-206	33	-175	55
Change in equity	0	35	0	0	0
Dividends	-284	-284	-279	-286	-318
Other	-307	-155	0	0	0
Change in cash	-275	337	3,265	1,991	1,955
Cash at beginning of year	835	560	896	4,162	6,152
Cash at end of year	560	896	4,162	6,152	8,107
Gross cash flow	**6,131**	**6,075**	**3,086**	**2,890**	**2,619**
Free cash flow	**439**	**1,420**	**2,774**	**2,432**	**2,210**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	3.4	1.8	6.1	0.8	2.0
Operating profit	-7.7	-13.5	10.2	22.9	5.8
Net profit	-4.9	-50.1	79.5	35.0	5.8
Adjusted EPS**	-6.1	-39.9	54.0	37.4	6.0
Per-share data (KRW)					
EPS (parent-based)	1,426	858	1,321	1,815	1,925
EPS (consolidated)	1,443	721	1,302	1,774	1,876
Adjusted EPS**	1,426	858	1,321	1,815	1,925
BVPS	19,711	19,906	20,715	21,872	23,065
DPS (common)	650	650	670	720	770
Valuations (x)					
P/E***	7.2	12.0	11.5	8.4	7.9
P/B***	0.5	0.5	0.7	0.7	0.7
EV/EBITDA	3.2	3.1	3.1	2.6	2.1
Ratios (%)					
ROE	7.5	4.4	6.6	8.6	8.6
ROA	3.2	1.6	2.8	3.7	3.9
ROIC	5.4	4.0	5.3	7.8	9.6
Payout ratio	44.9	74.6	49.9	39.4	39.7
Dividend yield (common)	6.4	6.3	4.4	4.7	5.1
Net debt to equity	76.6	70.3	32.3	7.9	-11.5
Interest coverage (x)	4.1	3.1	3.6	4.6	4.8

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2025. 12. 10

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KT Cloud (Unlisted)

Korea's leading AI infrastructure company

- KT Cloud, a KT subsidiary, is evolving into an AI, IDC, and cloud-centric comprehensive digital infrastructure provider.
- It operates 16 data centers, including the Gyeongbuk cloud data center and the Gasan AI data center, which opened this year. It plans to open more data centers each year through 2027, adding 60-100 MW of capacity annually.
- The cloud division is actively targeting the public, financial, and manufacturing industries, where security requirements are stringent.

WHAT'S THE STORY?

Company overview: KT separated its cloud and internet data center (IDC) assets to create KT Cloud in Apr 2022. KT is KT Cloud's largest shareholder, with a 93% stake. KT Cloud is now evolving into an AI, IDC, and cloud-centric comprehensive digital infrastructure provider. In 2024, it generated consolidated sales of KRW783.2b (up 15.5% y-y) and an operating profit of KRW52.7b (up 22.5% y-y). Sales over 1Q-3Q25 reached KRW719.6b, equating to 92% of 2024 sales, with sales in 3Q25 alone amounting to KRW249b (up 20.3% y-y). Supported by the expansion of its colocation (data center leasing) business and increased public-sector cloud contract wins, the company has continued to post solid growth.

Further expanding data center business: With global AI demand accelerating, competition is intensifying to secure GPU servers and power infrastructure. KT Cloud currently operates 16 data centers, with rising utilization a key driver of top-line growth. In late May, it opened a cloud data center in Yecheon, Gyeongbuk province. Its Gasan AI data center, which opened in November, is the first commercial data center in the Seoul Metropolitan Area to deploy liquid cooling (DTC) technology. Its total data center capacity is estimated at 163 MW as of end-3Q25. It originally planned to secure 320 MW of data center capacity by 2030, but recently raised its longer-term target to 500 MW. It is broadening its nationwide infrastructure footprint (*eg*, Gasan AI data center, Gyeongbuk cloud data center), with plans to open new data centers each year through 2027, adding capacity of 60-100 MW annually.

(Continued on the next page)

Taking aim at public, financial, and manufacturing cloud markets: As a domestic cloud service provider (CSP), the company is sustaining its growth trajectory through physical infrastructure expansion and the launch of products optimized for regulatory and security requirements—areas where it holds a competitive advantage over global CSPs. In mid-August, it won a public-sector deal to supply GPUs for the Ministry of Science and ICT's and the National IT Industry Promotion Agency's (NIPA) high performance computing support project over September-December, which should help maintain stable growth in its cloud sales. As a cloud managed service provider (MSP), it launched the Secure Public Cloud in collaboration with Microsoft in mid-November. By offering domestic data storage in combination with world-class cloud performance through Microsoft Azure-based cloud services, the company is likely to accelerate its push into the public, financial, and manufacturing industries, where security requirements are stringent.

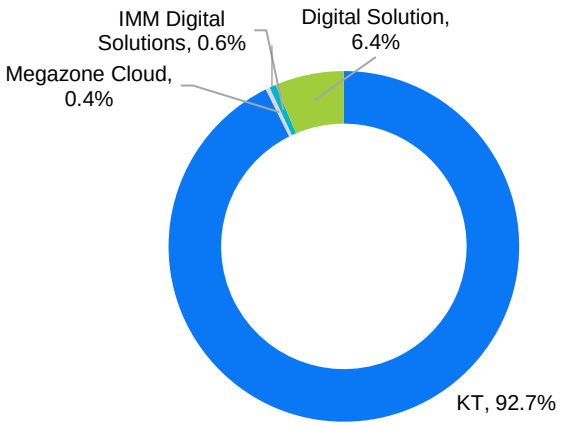
Table 1. KT Cloud's financial result

(KRWb)	2022	2023	YoY (%)	2024	YoY (%)	2025
Sales	**432.1**	**678.3**	***57.0***	**783.2**	**15.5**	***719.6***
Service	413.1	643.7	*55.8*	782.1	21.5	
Product	17.9	33.1	*84.3*	0.3	-99.2	
Real estate lease	1.0	1.5	*47.4*	0.8	-47.5	
Operating costs	**411.2**	**635.3**	***54.5***	**730.4**	**15.0**	
Labor cost	48.7	76.2	*56.4*	86.1	12.9	
Payment commission	186.1	273.6	*47.0*	335.1	22.5	
Depreciation cost	78.0	119.2	*52.8*	128.2	7.6	
Utility cost	67.4	119.2	*76.9*	126.3	5.9	
Other cost	31.0	47.0	*51.5*	54.8	16.7	
Operating profit	**20.8**	**43.1**	***106.7***	**52.7**	**22.5**	
Operating margin (%, %pts)	4.8	6.3	*1.5*	6.7	0.4	
Non-operating profit	-1.5	8.7	*nm*	-2.2	nm	
Pre-tax profit	19.4	51.7	*167.1*	50.5	-2.4	
Corporate tax	4.7	-12.2	*nm*	14.8	nm	
Net profit	14.7	64.0	*334.7*	35.7	-44.2	*47.7*
Net margin (%, %pts)	3.4	9.4	*6.0*	4.6	-4.9	*6.6*

Note: KT Cloud was established by cash and in-kind investment on Apr 1, 2022;
2025 figure is sum of 1Q-3Q;
Includes data center lease business (colocation)

Source: Company data, Samsung Securities

Chart 1. KT Cloud's shareholders



Note: Based on common shares

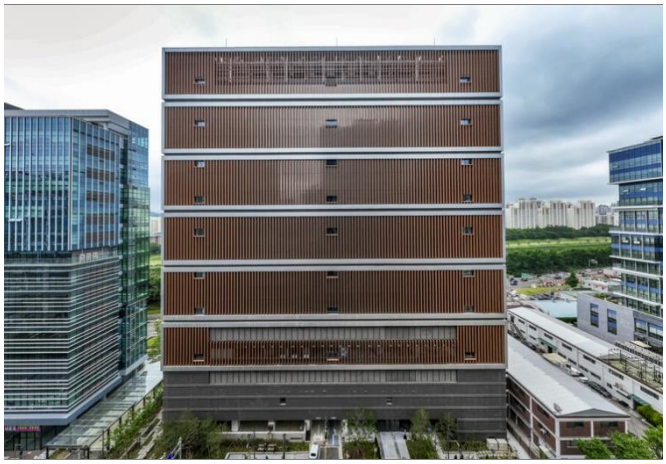
Source: Company data, Dart, Samsung Securities

Table 2. KT Cloud: Consolidated subsidiary Open Could Lab

Company	Stake	(KRWm)	Assets	Debt	Sales	Net income
Open Cloud Lab	100%	2202	1,988.2	499.3	1,636.9	413.3
		2023	4,624.6	1,070.4	7,396.1	2,071.2
		2024	4,573.0	422.6	4,468.2	596.2

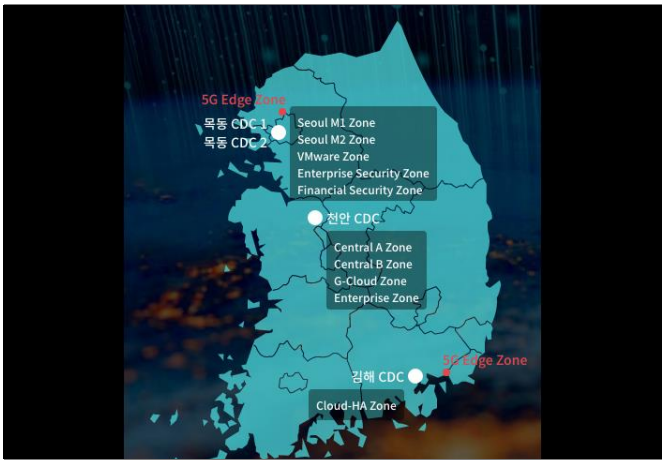
Source: Company data, Dart, Samsung Securities

Chart 2. KT Cloud: Gasan AI DC



Note: Launched in Nov 2025
Source: Company data, Samsung Securities

Chart 3. KT Cloud: Cloud service



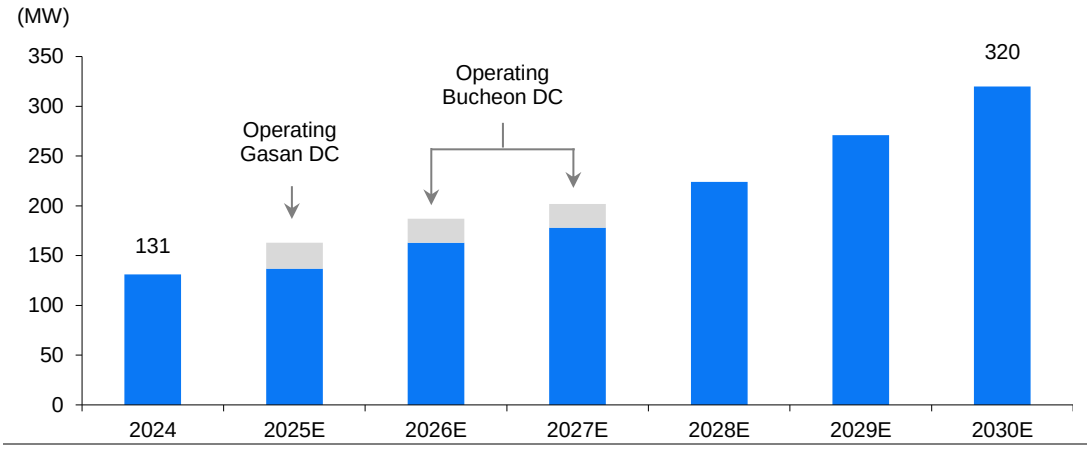
Note: 4 Cloud data center + 12 service zones
Source: Company data, Samsung Securities

Table 3. KT Cloud: Data centers

Category	Location	Note	Capacity
Seoul Metropolitan Area	Bundang		
(9 +)	Ganganam		
	Mokdong 1		
	Yeouido		
	Mokdong 2		
	Yongsan		40 MW
	Namguro		
	Baeksuk		
	Gasan	Launched Nov 5, 2025	26 MW
	Bucheon	Scheduled to launch in 2026	48 MW
Provinces	Cheonan		
(7+)	Gimhae		
	Daejeon		
	Cheonan		
	Cheongju		
	Busan		
	Yecheon	Launched in Jun 2025	

Source: Company data, Samsung Securities

Chart 4. KT Cloud: Data center capacity forecasts



Note: Total data center capacity is 163 MW as of 3Q25;
Plans to add 60-100 MW annually through 2027, bringing total capacity above 500 MW over the longer term

Source: Company data, Samsung Securities

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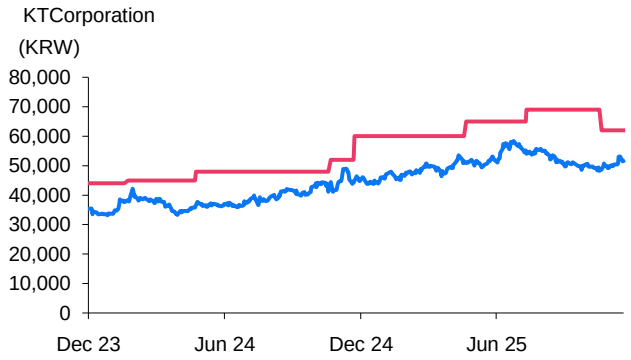

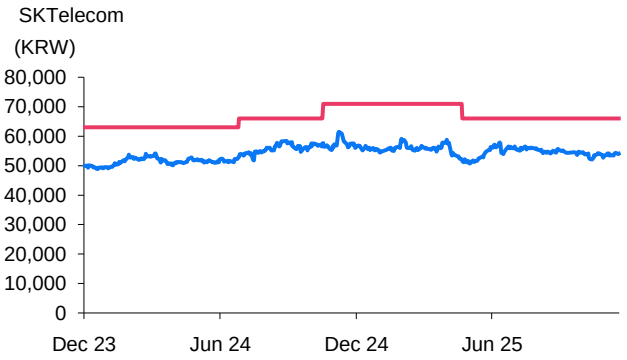

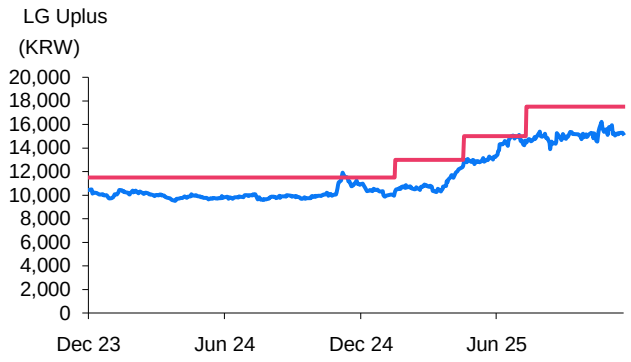

Rating changes over past two years (adjusted share prices)

KTCorporation							
Date	2024/2/13	5/14	11/11	12/13	2025/5/12	8/1	11/10
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	45000	48000	52000	60000	65000	69000	62000
Gap* (average)	-17.67	-18.62	-13.45	-20.80	-17.43	-24.94	
(max or min)**	-6.22	-7.60	-5.77	-10.83	-10.15	-19.28	

SKTelecom					
Date	2023/7/18	2024/7/17	11/7	2025/5/13	
Recommendation	BUY	BUY	BUY	BUY	
Target price (KRW)	63000	66000	71000	66000	
Gap* (average)	-20.04	-15.43	-20.65		
(max or min)**	-14.13	-11.52	-13.38		

LG Uplus						
Date	2023/11/8	2024/11/8	2025/1/24	2/6	5/9	8/1
Recommendation	HOLD	HOLD	BUY	BUY	BUY	BUY
Target price (KRW)	11500	11500	11500	13000	15000	17500
Gap* (average)	-13.24	-6.94	-12.61	-16.36	-8.10	
(max or min)**	-8.70	3.48	-11.39	-3.92	0.80	

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

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Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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