COMPANY UPDATE

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Industrial Team

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Korean Air (003490)

Strong earnings despite being low season

- Korean Air reported the parent-based sales rose 13% y-y to KRW4.55t in 4Q and operating profit fell 5.1% y-y to KRW413.1b, for an operating margin of 9.1% (down 1.7%pts y-y).
- The carrier's sales and operating profit both topped FnGuide-based consensus as international passenger sales expanded 8.9% y-y and aerospace sales skyrocketed 113% y-y.
- We just finetune our earnings estimates and maintain BUY rating and KRW30,000 target price (based on its global peers' average of 1.45x 2026 P/B).

WHAT'S THE STORY?

4Q review: Korean Air (KAL) saw its international revenue passenger kilometers (RPK) grew 2.2% y-y in 4Q, but the load factor (L/F) fell 1.3%pts y-y to 83.8%. Yet, the yield rose 6.6% y-y to KRW127/km, pushing up its international passenger sales by 8.9% to KRW2.5t. This growth was largely due to over 20% surge in sales on China and Japan routes, thanks to the Chuseok holiday in early October and a visa-free stay policy (China). Meantime, despite strong seasonality, the cargo division's freight tonne kilometers (FTK) fell 1.5% y-y, resulting in a 2.7%pt drop in the L/F (to 70.4%). However, the firm' focus on high-value cargo (eg, semiconductors, rechargeable battery equipment, and auto parts) helped boost the yield by 4.5% y-y to KRW561/km. As a result, the cargo division's sales increased 2.9% y-y to KRW1.23t. Non-passenger sales leapt 59% y-y to KRW726.8b because aerospace sales jumped 113% y-y to KRW308.2b, backed by increasing sales from aircraft parts and military aircraft MRO (maintenance, repair and overhaul) services.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW30,000	22.7%
Current price	**KRW24,450**	
Market cap	KRW9.0t/USD6.1b	
Shares (float)	368,220,661 (67.3%)	
52-week high/low	KRW26,250/KRW20,150	
Avg daily trading value (60-day)	KRW36.8b/ USD24.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Korean Air (%)	8.2	-5.8	1.2
Vs Kospi (%pts)	-11.0	-38.5	-47.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	30,000	30,000	0.0%
2025E EPS	1,715	1,645	4.2%
2026E EPS	2,685	2,491	7.8%

SAMSUNG vs THE STREET

No of estimates	16
Target price	29,250
Recommendation	4.0

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

SUMMARY 4Q RESULTS (parent basis)

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	4,551.6	13.0	13.5	nm	8.8
Operating profit	413.1	-5.1	9.8	nm	14.1
Pre-tax profit	331.4	-5.3	127.9	nm	74.4
Net profit	284.0	12.9	209.2	nm	82.5
Margins (%)					
Operating profit	9.1				
Pre-tax profit	7.3				
Net profit	6.2				

Source: Company data, FnGuide, Samsung Securities estimates

Valuation summary

	2024	2025E	2026E
Valuation (x)			
P/E	5.7	13.4	8.6
P/B	1.6	1.4	1.1
EV/EBITDA	5.2	5.2	4.5
Div yield (%)	3.3	1.2	2.2
EPS growth (% y-y)	35.1	-57.5	56.6
ROE (%)	13.8	6.7	11.4
Per-share data (KRW)			
EPS	4,031	1,715	2,685
BVPS	14,719	16,847	20,485
DPS	750	270	500

Maintaining KRW30,000 target and BUY rating: Just finetuning our earnings estimates, we maintain our target price of KRW30,000 (based on its global peers' average of 1.45x 2026 P/B). While oil prices have remained low, the recent surge in the forex rates has added to macro headwinds. With international passenger growth slowing, travel demand may become sluggish if the forex rates remain elevated for a long time. Now that quantitative growth has stabilized, the key focus moving forward should be on the sustainability of yields. Korean Air is well-positioned to benefit from this shift, particularly following its merger with Asiana Airlines. The merger has enabled the full-service carrier to secure a dominant market share on long-haul routes and a strong oligopolistic position on short-haul routes, giving it a competitive edge among domestic carriers. Given this advantage, we believe the current discount to global peers is excessive and maintain our BUY rating.

Quarterly results and forecasts (consolidated)

		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25P	2024	2025E	2026E	2027E
Sales assumptions													
Average exchange rate	(KRW/USD)	1,329	1,371	1,358	1,400	1,453	1,401	1,387	1,449	1,365	1,442	1,370	1,282
Period-end exchange rate	(KRW/USD)	1,347	1,377	1,315	1,472	1,473	1,354	1,404	1,445	1,472	1,445	1,300	1,270
Jet fuel	(USD/bbl)	103	99	92	88	90	81	87	88	95	86	73	80
Domestic passengers													
RPK	(mil km)	531	629	612	584	1,497	1,695	1,822	1,728	2,355	6,742	6,753	6,766
	Chg (% y-y)	-7.3	1.0	2.0	3.9	181.9	169.5	197.7	195.8	-0.1	186.3	0.2	0.2
L/F	(%)	84.4	88.3	85.2	89.3	85.1	88.3	89.1	85.6	86.8	87.1	87.1	87.1
	Chg (% y-y)	-2.1	0.5	-0.8	3.6	0.6	-0.0	3.9	-3.7	0.3	0.2	-0.0	-0.0
Yield	(KRW)	196.8	207.4	202.3	193.2	159.0	176.5	161.5	162.8	200.7	165.0	163.2	162.9
	Chg (% y-y)	1.9	1.1	-1.1	-7.6	-37.8	-30.9	-40.8	-30.5	-1.1	-17.8	-1.1	-0.2
Yield	(US cents)	14.8	15.1	14.9	13.8	10.9	12.6	11.6	11.2	14.7	11.4	11.9	12.7
	Chg (% y-y)	-2.1	-3.0	-4.5	-12.8	-26.1	-16.7	-21.8	-18.6	-5.4	-22.2	4.1	6.6
International passengers													
RPK	(mil km)	18,022	18,398	18,917	18,973	34,914	32,626	34,413	33,504	74,310	135,457	140,072	145,374
	Chg (% y-y)	36.6	13.4	5.4	3.5	93.7	77.3	81.9	76.6	13.1	82.3	3.4	3.8
L/F	(%)	83.3	84.5	83.6	85.1	89.7	80.2	84.1	82.8	84.1	84.1	84.2	84.7
	Chg (% y-y)	1.0	0.7	-1.6	0.2	6.4	-4.3	0.5	-2.3	-0.1	0.0	0.1	0.5
Yield	(KRW)	124.2	125.8	131.8	119.2	117.7	114.9	108.9	117.6	125.2	114.8	109.6	106.7
	Chg (% y-y)	-1.8	-2.5	-2.9	-6.6	-5.2	-8.6	-17.4	-1.3	-3.6	-8.4	-4.5	-2.6
Yield	(US cents)	9.3	9.2	9.7	8.5	8.1	8.2	7.8	8.1	9.2	8.0	8.0	8.3
	Chg (% y-y)	-5.6	-6.5	-6.2	-11.9	-13.2	-10.6	-19.1	-4.6	-7.8	-13.3	0.5	4.1
Cargo													
RPK	(mil km)	2,165	2,241	2,209	2,230	2,895	2,986	2,510	2,197	8,846	10,904	8,934	9,024
	Chg (% y-y)	7.4	8.8	3.3	0.6	33.7	33.2	13.6	-1.5	4.9	23.3	-18.1	1.0
L/F	(%)	72	74	72	73	70	72	68	70	73	72	73	73
	Chg (% y-y)	-1.3	4.0	1.4	0.6	-1.9	-2.3	-4.3	-2.7	1.2	1.0	1.0	1.0
Yield	(KRW)	460.3	489.6	506.9	537.2	492.2	477.8	482.4	561.3	498.7	498.5	497.2	493.2
	Chg (% y-y)	-11.5	4.6	18.5	8.0	6.9	-2.4	-4.8	4.5	4.3	-0.1	-0.2	-0.8
Yield	(US cents)	34.6	35.7	37.3	38.4	33.9	34.1	34.8	38.7	36.5	34.6	36.3	38.5
	Chg (% y-y)	-15.0	0.4	14.4	1.9	-2.1	-4.5	-6.8	1.0	-0.1	-5.4	5.0	6.0
Results and forecasts													
Sales		4,291	4,402	4,675	4,502	6,492	6,211	6,027	6,205	17,871	24,935	23,979	24,270
Domestic passengers		104	130	125	113	99	121	122	128	738	1,113	1,102	1,102
International passengers		2,238	2,314	2,492	2,262	2,337	2,275	2,299	2,464	10,408	15,546	15,346	15,511
Cargo		997	1,097	1,120	1,198	1,054	1,055	1,067	1,233	4,412	5,295	4,443	4,451
Other		2,962	2,876	3,116	3,044	3,188	2,908	2,742	2,381	2,314	2,981	3,088	3,207
Operating profit		538	443	666	464	431	370	158	133	2,110	1,091	1,618	1,774
Operating margin (%)		12.5	10.1	14.2	10.3	6.6	6.0	2.6	2.1	11.8	4.4	6.7	7.3
Pre-tax profit		547	484	438	367	452	779	-334	83	1,836	980	1,766	1,707
Net profit		407	359	317	299	350	557	-278	79	1,382	708	1,276	1,234
Chg (% y-y)													
Sales		19.5	13.5	10.0	2.5	51.3	41.1	28.9	37.8	10.9	39.5	-3.8	1.2
Operating profit		10.7	-7.2	22.6	63.2	-19.8	-16.4	-76.3	-71.4	17.9	-48.3	48.3	9.7
Pre-tax profit		50.0	-0.9	-24.1	152.7	-17.4	60.9	-176.2	-77.4	16.5	-46.6	80.1	-3.3
Net profit		61.9	-0.2	-24.5	204.6	-13.9	55.2	-187.8	-73.5	22.4	-48.8	80.1	-3.3

Source: Company data, Samsung Securities estimates

Forecast revisions

(KRWb)	2024	New		Old		Chg (%)	
		2025E	2026E	2025E	2026E	2025E	2026E
Sales	17,871	24,935	23,979	24,839	24,129	0.4	-0.6
Operating profit	2,110	1,091	1,618	1,053	1,515	3.6	6.8
Pre-tax profit	1,836	980	1,766	921	1,602	6.4	10.2
Net profit	1,382	708	1,276	665	1,157	6.4	10.2
EBITDA	4,039	4,154	4,584	4,115	4,480	0.9	2.3
EPS (KRW)*	4,031	1,715	2,685	1,645	2,491	4.2	7.8

Note: *Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Valuation summary

Year-end (KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS* (KRW)	EPS growth (%)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	Net debt (KRWb)
2021	9,017	1,418	843	579	2,531	nm	8.9	1.4	4.9	11.6	7,292
2022	14,096	2,831	2,562	1,730	4,653	83.8	4.8	1.1	2.9	22.0	4,569
2023	16,112	1,790	1,576	1,129	2,985	-35.8	7.6	1.1	3.5	12.2	4,594
2024	17,871	2,110	1,836	1,382	4,031	35.1	5.7	1.6	5.2	13.8	12,365
2025E	24,935	1,091	980	708	1,715	-57.5	13.4	1.4	5.2	6.7	13,104
2026E	23,979	1,618	1,766	1,276	2,685	56.6	8.6	1.1	4.5	11.4	12,141
2027E	24,270	1,774	1,707	1,276	3,058	13.9	7.5	1.0	4.3	10.2	11,405

Note: *Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	16,112	17,871	24,935	23,979	24,270
Cost of goods sold	12,850	14,113	21,886	20,454	20,567
Gross profit	3,261	3,758	3,049	3,525	3,703
Gross margin (%)	20.2	21.0	12.2	14.7	15.3
SG&A expenses	1,471	1,648	1,958	1,907	1,928
Operating profit	1,790	2,110	1,091	1,618	1,774
Operating margin (%)	11.1	11.8	4.4	6.7	7.3
Non-operating gains (losses)	-214	-274	-111	148	-67
Financial profit	438	648	678	689	701
Financial costs	591	597	758	763	744
Equity-method gains (losses)	0	0	0	0	0
Other	-62	-326	-31	222	-25
Pre-tax profit	1,576	1,836	980	1,766	1,707
Taxes	447	454	272	490	474
Effective tax rate (%)	28.3	24.7	27.7	27.7	27.7
Profit from continuing operations	1,129	1,382	708	1,276	1,234
Profit from discontinued operations	0	0	0	0	0
Net profit	1,129	1,382	708	1,276	1,234
Net margin (%)	7.0	7.7	2.8	5.3	5.1
Net profit (controlling interests)	1,061	1,317	675	1,216	1,176
Net profit (non-controlling interests)	68	65	33	60	58
EBITDA	3,658	4,039	4,154	4,584	4,655
EBITDA margin (%)	22.7	22.6	16.7	19.1	19.2
EPS (parent-based) (KRW)	3,057	3,742	1,917	3,454	3,340
EPS (consolidated) (KRW)	3,057	3,742	1,917	3,454	3,340
Adjusted EPS (KRW)*	2,985	4,031	1,715	2,685	3,058

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	8,595	11,617	13,000	14,656	16,538
Cash & equivalents	6,238	6,902	7,183	7,419	7,728
Accounts receivable	927	1,257	1,753	1,686	1,706
Inventories	854	1,171	1,633	1,571	1,590
Other current assets	577	2,287	2,431	3,980	5,514
Fixed assets	21,797	35,395	36,214	34,748	33,438
Investment assets	1,018	1,444	1,444	1,444	1,444
Tangible assets	18,175	28,374	27,988	27,200	26,501
Intangible assets	824	3,077	2,770	2,493	2,243
Other long-term assets	1,779	2,499	4,013	3,612	3,250
Total assets	30,392	47,012	49,214	49,404	49,976
Current liabilities	9,410	16,973	17,482	16,086	15,015
Accounts payable	240	352	491	472	478
Short-term debt	1,021	2,517	7,510	6,133	5,056
Other current liabilities	8,148	14,105	9,481	9,481	9,481
Long-term liabilities	11,167	19,075	20,299	20,994	21,691
Bonds & long-term debt	3,837	3,282	3,432	3,582	3,732
Other long-term liabilities	7,330	15,793	16,866	17,412	17,959
Total liabilities	20,577	36,049	37,968	37,268	36,894
Owners of parent equity	9,526	10,473	10,755	11,645	12,592
Capital stock	1,847	1,847	1,847	1,847	1,847
Capital surplus	4,145	4,145	4,071	4,071	4,071
Retained earnings	2,592	3,486	3,842	4,732	5,679
Other	942	995	995	995	995
Non-controlling interests' equity	289	490	490	490	490
Total equity	9,815	10,963	11,245	12,136	13,082
Net debt	4,594	12,365	13,104	12,141	11,405

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	4,092	4,559	4,442	6,128	5,925
Net profit	1,129	1,382	708	1,276	1,234
Non-cash profit and expenses	2,500	2,830	3,074	2,652	2,790
Depreciation	1,666	1,737	2,887	2,788	2,699
Amortization	57	59	59	59	59
Other	777	1,034	129	-194	31
Changes in A/L from operating activities	-940	48	1,019	969	412
Cash flow from investments	-2,410	-871	-1,524	-1,119	-675
Change in tangible assets	40	39	37	7	16
Change in financial assets	341	-2,474	-1,980	-582	438
Other	-2,790	1,565	419	-545	-1,130
Cash flow from financing	-2,085	-2,163	-2,639	-4,773	-4,940
Change in debt	220	8,436	1,019	-727	-426
Change in equity	0	0	0	0	0
Dividends	-277	-277	-277	-102	-183
Other	-2,028	-10,321	-3,381	-3,944	-4,331
Change in cash	-434	1,593	280	236	309
Cash at beginning of year	1,057	623	2,216	2,496	2,732
Cash at end of year	623	2,216	2,496	2,732	3,042
Gross cash flow	2,988	2,239	5,693	4,015	4,040
Free cash flow	1,004	-4,589	2,877	2,580	2,415

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	14.3	10.9	39.5	-3.8	1.2
Operating profit	-36.8	17.9	-48.3	48.3	9.7
Net profit	-34.7	22.4	-48.8	80.1	-3.3
Adjusted EPS**	-37.8	35.1	-57.5	56.6	13.9
Per-share data (KRW)					
EPS (parent-based)	3,057	3,742	1,917	3,454	3,340
EPS (consolidated)	3,057	3,742	1,917	3,454	3,340
Adjusted EPS**	2,985	4,031	1,715	2,685	3,058
BVPS	21,357	14,719	16,847	20,485	24,152
DPS (common)	750	750	270	500	480
Valuations (x)					
P/E***	7.7	5.7	13.4	8.6	7.5
P/B***	1.1	1.6	1.4	1.1	1.0
EV/EBITDA	3.6	5.2	5.2	4.5	4.3
Ratios (%)					
ROE	12.2	13.8	6.7	11.4	10.2
ROA	3.7	3.8	1.3	2.0	2.3
ROIC	10.0	9.3	4.7	7.2	6.9
Payout ratio	24.5	20.0	14.3	14.3	14.3
Dividend yield (common)	3.3	3.3	1.2	2.2	2.1
Net debt to equity	46.8	112.8	116.5	100.0	87.2
Interest coverage (x)	15.3	16.8	11.1	12.5	13.9

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

Source: Company data, Samsung Securities estimates

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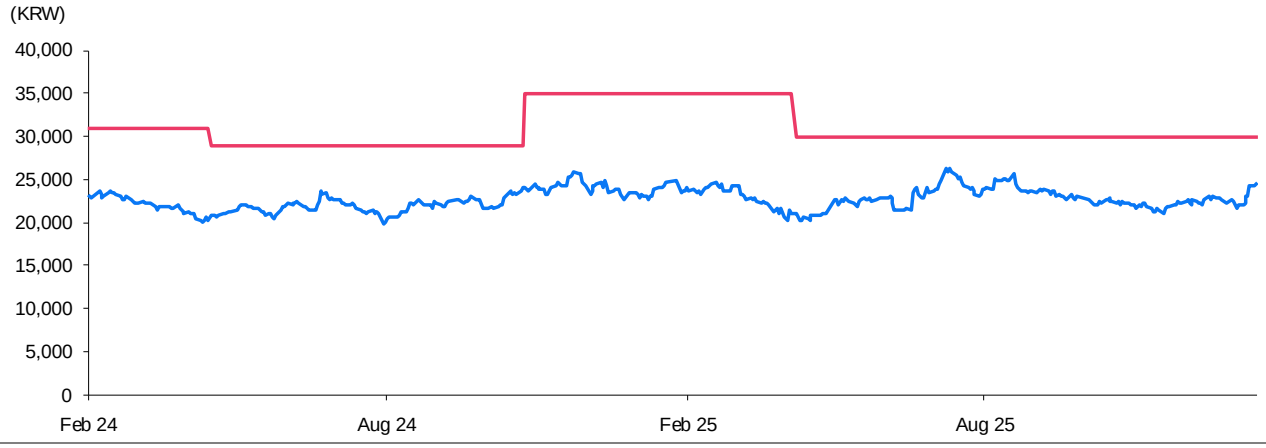
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/4	2024/4/22	10/30	2025/4/14
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	31000	29000	35000	30000
Gap* (average)	-28.95	-24.57	-32.69	
(max or min)**	-22.58	-16.72	-25.86	

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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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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