COMPANY UPDATE

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KB Balhae Infrastructure (415640)

4Q review; makes many new investments in 2025

- KB Balhae Infrastructure's interest income rose 17% y-y in 4Q, but net profit remained similar y-y due to higher expenses.
- Its weighted average LTV slumped from 52% in 2020 to 33% in 2025. The pace of collecting interest income from subordinated loans is accelerating.
- New Daegu Busan Expressway remains a strong cash cow. Two more investments made in 2025 should help the fund secure long-term dividend resources.

AT A GLANCE

BUY

Target price	KRW11,500	14.7%
Current price	**KRW10,030**	
Market Cap	KRW1.2t/USD0.8b	
Shares (float)	122,545,548 (80.4%)	
52-week high/low	KRW10,480/KRW7,160	
Avg daily trading value (60-day)	KRW1.6b/ USD1.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
KB Balhae Infrastructure Fund (%)	0.3	22.9	35.4
Vs Kospi (%pts)	-18.3	-27.5	-37.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY		
Target price	11,500		
2026E EPS	457	457	0.0%
2027E EPS	506	506	0.0%

SAMSUNG vs THE STREET

No of estimates	1
Target price	11,500
Recommendation	4.0

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

WHAT'S THE STORY?

4Q results and dividend stay similar y-y: As interest income rose 17% y-y on additional investment in its major underlying asset New Daegu Busan Expressway, KB Balhae Infrastructure's revenue expanded 16% y-y. Yet, net profit remained flat y-y due to higher expenses. Its 2H25 dividend was KRW325 per share, consistent with the amount in 1H25 and 2024.

- **Toll road performance:** In 4Q, the weighted average toll revenue from five toll roads increased 2.4% y-y.
- **Declining LTV in investment assets:** New Daegu Busan Expressway is enjoying a notable improvement in cash flow, having repaid all of its senior loans to the fund in Jun 2025. Across the entire portfolio, two-thirds of the KRW1.7t in senior loans—including the Boryeong LNG Terminal—have been repaid. The weighted average LTV slipped from 52% in 2020 to 33% in 2025. With the repayment of subordinated loans now underway, the likelihood of collecting interest income has increased, paving the way for a phase of new investments.

(Continued on the next page)

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	18.7	16.0%	17.9%	4.2%	4.2%
Operating profit	12.4	-0.8%	-4.9%	-17.0%	-17.0%
Pre-tax profit	12.4	-0.8%	-4.9%	-17.0%	-17.0%
Net profit	12.4	-0.8%	-4.9%	-17.0%	-17.0%
Margins (%)					
Operating profit	66.4%				
Pre-tax profit	66.4%				
Net profit	66.4%				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025	2026E
Valuations (x)			
P/E	16.5	23.0	21.9
P/B	1.0	1.4	1.5
Div yield (%)	7.4	6.6	6.5
EPS growth (% y-y)	0.0	(15.2)	6.0
ROE (%)	6.0	6.2	6.7
Per-share data (KRW)			
EPS	508	431	457
BVPS	8,535	6,972	6,779
DPS	625	650	650

Implements two new investments in 2025: In October, the fund signed a KRW124.5b investment agreement for the Boryeong LNG Terminal, with KRW84.5b already executed (KRW10b in equity and KRW74.5b in subordinated loans). Additionally, it signed a KRW10b investment agreement for the Jangseong Fine Data Center. Interest income from these two assets should begin to be reflected from 2026, helping to offset the income gap from New Daegu Busan Expressway, which generates approximately KRW20b *pa* in cash flow but uses it to serve subordinated loans.

Enhanced dividend stability due to cash accumulation from New Daegu Busan Expressway: Despite the increase in new investments, New Daegu Busan Expressway remains a key asset, accounting for 63% of total capital as of the end of 2025. Even after the minimum revenue guarantee (MRG) for the asset project ends in Feb 2026, the revenue shortfall compensation should continue until the end of the project period in 2036, ensuring continued cash accumulation in this asset. For infrastructure funds, distribution and cash flow are more important than sales and profit, and New Daegu Busan Expressway should play a major role in maintaining strong dividend stability.

Table 1. Quarterly results estimates

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26F	2Q26F	3Q26F	4Q26F	2024	2025	2026F	2027F	2028F
Revenue	17	16	16	19	18	17	15	20	64	67	69	75	79
Chg (%y-y)	5.9%	1.6%	-4.2%	16%	5.2%	8.1%	-5.7%	4%	-80.6%	4.7%	3.1%	8.7%	5.3%
Interest income	17	16	16	19	18	17	15	20	63	67	69	72	74
Dividend income and others	-	-	-	-	-	-	-	-	1	-	-	3	5
Expenses	3	2	3	6	3	3	3	4	11	14	13	13	13
Interest expenses	1	1	1	1	1	1	1	-	4	3	3	3	3
Management fees	2	2	2	3	2	2	2	1	7	7	7	7	7
Other		-	-	3	-	-	-	3	-	3	3	3	3
Operating profit	14	13	13	12	15	14	12	16	52	53	56	62	66
Chg (% y-y)	5.2%	0.8%	-8%	-0.8%	4.1%	4.3%	-8.3%	24.5%	-55.6%	0.7%	6%	10.7%	6.5%
Net profit	14	13	13	12	15	14	12	16	52	53	56	62	66
Chg (% y-y)	5.2%	0.8%	-8%	-0.8%	4.1%	4.3%	-8.3%	24.5%	-55.6%	0.7%	6%	10.7%	6.5%

Source: Company data, Samsung Securities

Table 2. Investment assets

(KRWb)	Stake (%)	Stock	Subordinated loan	Senior loan	Total investment	Portfolio allocation
New Daegu-Busan Expressway	50.2%	151.4	463.6	-	614.9	63%
Sanseong Tunnel	65%	23.4	60.8	-	84.2	9%
Namyangju Urban Expressway	100%	47.5	51.6	-	99.1	10%
Yongma Tunnel	60%	16.8	28.0	-	44.8	5%
Suwon Beltway	50%	20.0	24.0	-	44.0	4%
Boryeong LNG Terminal (Youngbo)	14%	10.0	74.5		84.5	9%
Pine Data Center	0%	-	6.0	4.0	6.0	1%
Total		269.1	708.5	4.0	981.5	100%

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026F	2027F	2028F
Cash and deposits	71	48	30	25	33
Assets under management	933	1,020	951	971	990
Loans	672	702	682	702	721
Equity securities	259	269	269	269	269
Other	2	48	-	-	-
Total assets	1,004	1,022	981	996	1,023
Debenture	10	10	10	10	10
Debt	111	155	137	169	209
Accrued compensation	2	-	2	2	2
Accrued interest payable	-	3	-	-	-
Other liabilities	1	0	-	-	-
Total liabilities	123	168	149	181	221
Paid-in capital	825	825	825	825	825
Retained earnings	56	29	6	-12	-26
Total equities	881	854	831	813	799

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026F	2027F	2028F
Revenue	64	67	69	73	79
Interest income	63	66	69	72	78
Fee income	1	0	1	1	1
Expenses	11	11	12	10	10
Interest expenses	4	4	4	3	3
Management fee	7	7	8	7	7
Other	0	3	3	3	3
Operating profit	52	56	58	62	69
Non-operating profit	-	-	-	-	-
Pre-tax profit	52	56	58	62	69
Income tax	-	-	-	-	-
Rate (%)					
Non-controlling interest	-	1	2	3	3
Consolidated net profit	52	56	58	62	69

Margins

Year-end Dec 31 (%)	2024	2025	2026F	2027F	2028F
Profitability (%)					
Operating profit (%)	82.1	78.9	81.2	82.7	83.5
Net profit (%)	82.1	78.9	81.2	82.7	83.5
ROE (%)	6.0	6.2	6.7	7.6	8.3
ROA (%)	5.2	5.2	5.7	6.2	6.5
Dividend yield (%)	7.4	6.6	6.5	6.5	6.5
Dividend payout ratio (%)	145.9	150.7	142.2	128.5	120.7
Valuation (x)					
P/E	16.5	23.0	21.9	19.8	18.6
P/B	1.0	1.4	1.5	1.5	1.5

Key metrics

Year-end Dec 31 (KRW)	2024	2025	2026F	2027F	2028F
Growth (% y-y)					
Sales		4.8	4.5	10.0	8.6
Operating profit		8.7	3.9	10.5	8.6
Net profit		8.7	3.9	10.5	8.6
EPS growth		(10.0)	3.9	10.5	8.6
Per-share data (KRW)					
EPS	508	458	473	507	569
BVPS	8,535	7,923	6,847	6,743	6,636
DPS	625	650	650	650	650

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

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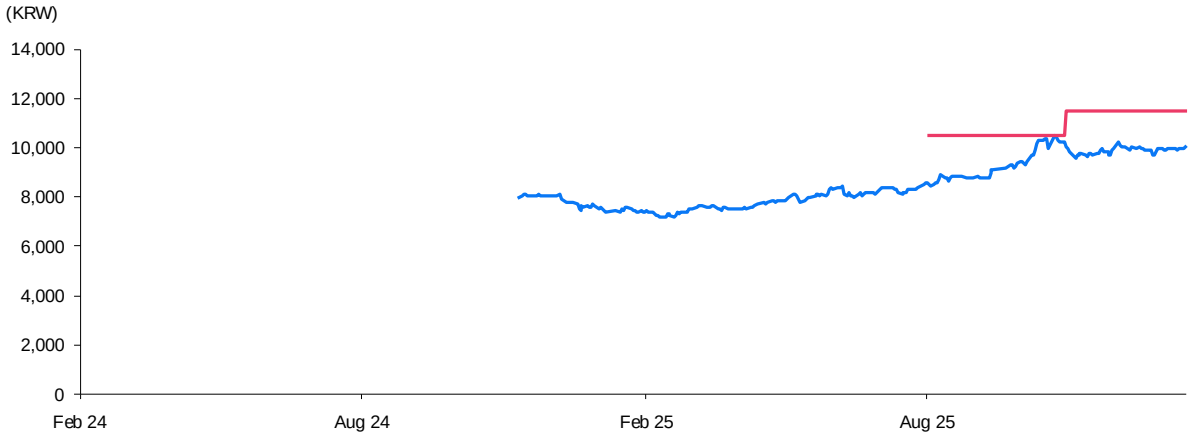

Rating changes over past two years (adjusted share prices)

Date	2025/8/21	11/18
Recommendation	BUY	BUY
Target price (KRW)	10500	11500
Gap* (average)	-11.55	
(max or min)**	-0.19	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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