COMPANY UPDATE

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Kepco (015760)

Record earnings expected this year

- Kepco's earnings momentum should remain robust, backed by nuclear power capacity expansions and rising utilization rates.
- The recent oil-price spikes are expected to be a near-term headwind, but a sufficient buffer has been built through recent electricity price hikes.
- We initiate coverage of Kepco with a BUY rating and a KRW70,000 target price (based on 0.8x 2026 P/B).

WHAT'S THE STORY?

To benefit from nuclear power expansions: With the completion of Saeul Units 3 and 4, Korea's total nuclear power capacity should reach 28,850 MW in 2027 (11% higher than the present figure). Korea Hydro & Nuclear Power (KHNP) has set a target nuclear utilization rate of 89% for 2026, which suggests growing benefits to Kepco (thanks to increased capacity and rising utilization). A 1%pt rise in the utilization would boost Kepco's operating profit KRW290b in 2026, improving its profit margin 1.5%pts. Now that the government's 11th National Electricity Plan has confirmed the construction of two new nuclear reactors and one small modular reactor (SMR), the company is well positioned to benefit from the government's long-term nuclear expansion policy.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW70,000	44.9%
Current price	KRW48,300	
Market cap	KRW31.0t/USD20.8b	
Shares (float)	641,964,077 (47.3%)	
52-week high/low	KRW67,900/KRW21,350	
Avg daily trading value (60-day)	KRW222.5b/ USD149.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
KoreaElectricPower (%)	-19.2	30.9	116.1
Vs Kospi (%pts)	-18.9	-19.0	1.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	70,000	70,000	0.0%
2025E EPS	13,423	13,423	0.0%
2026E EPS	20,407	20,407	0.0%

SAMSUNG vs THE STREET

No of estimates	13
Target price	74,077
Recommendation	3.9

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	93,399	97,434	98,490	99,207
Operating profit (KRWb)	8,365	13,525	18,312	19,037
Net profit (adj) (KRWb)	3,622	8,737	13,221	12,612
EPS (adj) (KRW)	8,946	13,149	18,597	19,502
EPS (adj) growth (% y-y)	nm	47.0	41.4	4.9
EBITDA margin (%)	23.9	28.1	33.0	19.2
ROE (%)	14.6	18.8	21.8	18.9
P/E (adj) (x)	5.3	3.6	2.6	2.4
P/B (x)	0.8	0.7	0.6	0.5
EV/EBITDA (x)	7.1	5.5	4.2	6.3
Dividend yield (%)	1.1	0.4	0.4	0.4

Source: Company data, Samsung Securities estimates

Strong oil price buffer in place: Kepco has recorded 10 consecutive quarters of profitability (since 3Q23), cutting its accumulated losses from nearly KRW47t to around KRW22t (as of 3Q25). With the Iran-related oil supply disruptions expected to be temporary, the company is on track to post its best-ever operating results for a second consecutive year. Bloomberg's 2026 consensus forecast for Dubai crude remains USD63 per barrel—nearly 8% lower than last year's average. Downside risk is mitigated by seven consecutive electricity price hikes since 2022, which hikes have created a substantial financial cushion against oil-price fluctuations.

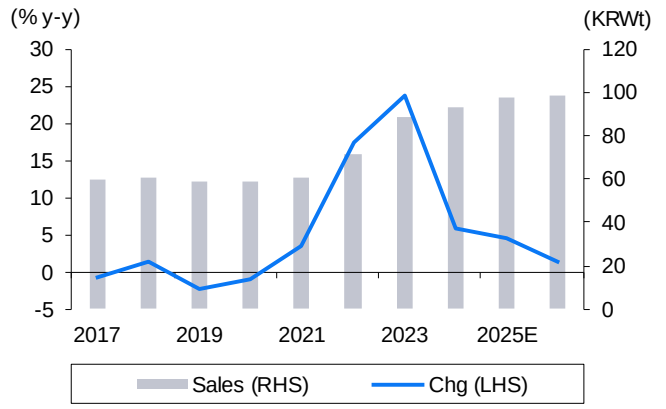
Initiating coverage at BUY rating and KRW70,000 target price: Kepco is trading at a 2026 P/B of only 0.5x—over 60% below its global peer average of 1.72x (Bloomberg). Excluding the recent spike in oil prices, industry conditions are quite strong. Applying its historical high P/B multiple of 0.8x to its 2026 book value, we set our target price at KRW70,000 and initiate coverage with a BUY rating.

Kepco: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
Sales	**24,224**	**21,950**	**27,572**	**23,688**	**25,520**	**22,838**	**26,801**	**23,331**	**93,399**	**97,434**	**98,490**	**99,207**
Electricity sales revenue	23,903	21,060	26,599	22,043	24,350	21,948	25,828	21,686	89,579	93,606	93,812	94,529
Volume (GWh)	141,018	127,341	151,507	129,551	145,249	131,161	156,052	133,438	549,821	549,417	565,900	582,876
ASP (KRW/KWh)	170	165	176	170	168	167	166	163	163	170	166	162
Others	321	891	973	1,645	1,169	890	973	1,645	3,819	3,829	4,678	4,678
Operating expenses	**20,470**	**19,814**	**21,920**	**21,705**	**20,567**	**19,615**	**19,899**	**20,096**	**85,034**	**83,910**	**80,177**	**80,170**
Material costs	4,702	4,017	5,397	4,385	3,197	2,391	3,154	3,049	21,070	18,501	11,790	11,449
Purchased power costs	8,757	8,601	9,248	7,546	9,030	8,974	8,017	7,945	34,660	34,153	33,965	34,817
Labor costs	1,704	1,855	1,767	2,301	1,784	1,943	1,852	2,408	7,298	7,627	7,986	8,367
Depreciation costs	3,492	3,417	3,429	3,429	3,469	3,469	3,469	3,469	13,829	13,767	13,878	14,027
Maintenance costs	557	732	776	802	592	778	825	853	2,948	2,866	3,048	3,241
Others	1,258	1,193	1,303	3,241	2,494	2,060	2,583	2,372	5,229	6,995	9,509	8,270
Operating profit	**3,754**	**2,136**	**5,652**	**1,983**	**4,952**	**3,223**	**6,901**	**3,235**	**8,365**	**13,525**	**18,312**	**19,037**
Pre-tax profit	3,232	1,665	5,349	1,485	4,646	3,400	7,009	3,832	5,257	11,731	18,887	18,017
Net profit	2,362	1,176	3,790	1,409	3,252	2,380	4,906	2,682	3,622	8,737	13,221	12,612
Net profit (controlling)	2,328	1,137	3,756	1,409	3,252	2,380	4,906	2,682	3,492	8,630	13,221	12,612
Chg (% y-y)												
Sales	4.0	33.3	76.6	43.9	64.3	4.0	-2.8	-1.5	5.9	4.3	1.1	0.7
Electricity sales revenue	4.8	33.7	84.1	39.4	71.0	4.2	-2.9	-1.6	7.4	4.5	0.2	0.8
Volume (GWh)	-0.5	-8.9	14.8	-9.5	12.6	3.0	3.0	3.0	0.7	-0.1	3.0	3.0
Price (KRW/KWh)	5.3	46.7	60.3	54.1	51.8	1.2	-5.7	-4.5	6.6	4.6	-2.7	-2.2
Others	-34.9	24.7	-16.5	151.0	-9.1	-0.0	0.0	0.0	-20.3	0.2	22.2	0.0
Operating expenses	-6.9	13.9	7.8	-10.5	-6.7	-1.0	-9.2	-7.4	-8.3	-1.3	-4.4	-0.0
Material costs	-18.7	-25.5	-7.4	-41.8	-55.1	-40.5	-41.6	-30.5	-22.4	-12.2	-36.3	-2.9
Purchased power costs	-4.8	51.0	39.5	-28.7	7.3	4.3	-13.3	5.3	-9.5	-1.5	-0.5	2.5
Labor costs	0.9	8.2	-0.2	40.9	7.6	4.7	4.8	4.6	9.4	4.5	4.7	4.8
Depreciation costs	-0.5	14.8	16.2	11.1	12.7	1.5	1.2	1.2	7.5	-0.5	0.8	1.1
Maintenance costs	-24.1	17.8	-13.0	52.8	-2.4	6.3	6.3	6.3	6.3	-2.8	6.3	6.3
Others	16.9	18.7	-42.5	266.5	115.1	72.7	98.2	-26.8	4.3	33.8	35.9	-13.0
Operating profit	188.9	-328.0	-219.8	-125.5	-176.0	50.9	22.1	63.1	nm	61.7	35.4	4.0
Pre-tax profit	338.1	-225.0	-205.3	-118.3	-168.2	104.2	31.0	158.0	nm	123.2	61.0	-4.6
Net profit	296.3	-214.7	-204.3	-123.8	-167.2	102.3	29.4	90.4	nm	141.2	51.3	-4.6
Net profit (controlling)	314.7	-208.8	-202.9	-123.7	-167.2	109.4	30.6	90.4	nm	147.1	53.2	-4.6
Margins (%)												
OPM	15.5	9.7	20.5	8.4	19.4	14.1	25.8	13.9	9.0	13.9	18.6	19.2
NPM	9.7	5.4	13.7	5.9	12.7	10.4	18.3	11.5	3.9	9.0	13.4	12.7
NPM (controlling)	9.6	5.2	13.6	5.9	12.7	10.4	18.3	11.5	3.7	8.9	13.4	12.7
Assumptions												
Dubai crude price ($/bbl)	75.8	66.1	68.4	63.3	77.3	61.3	63.3	63.5	79.8	68.4	66.3	66.3
Australian thermal coal price ($/tonne)	107.7	100.4	109.3	107.7	106.7	105.7	106.7	103.7	135.7	106.3	105.7	102.7
Forex rate (KRW/USD)	1,452.6	1,400.9	1,386.9	1,445.0	1,455.0	1,420.0	1,380.0	1,335.0	1,364.7	1,421.4	1,397.5	1,348.8

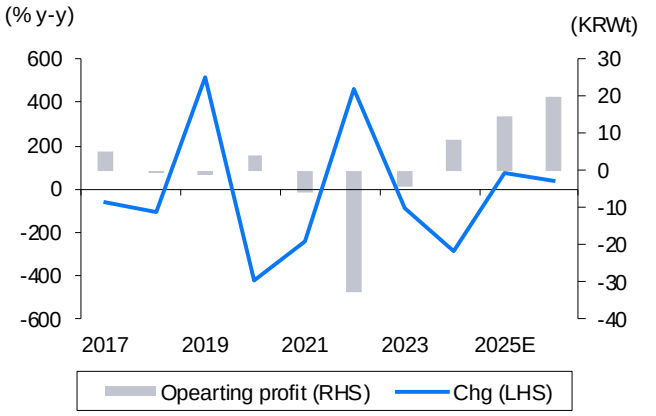
Source: Company data, Samsung Securities estimates

Sales results and forecasts



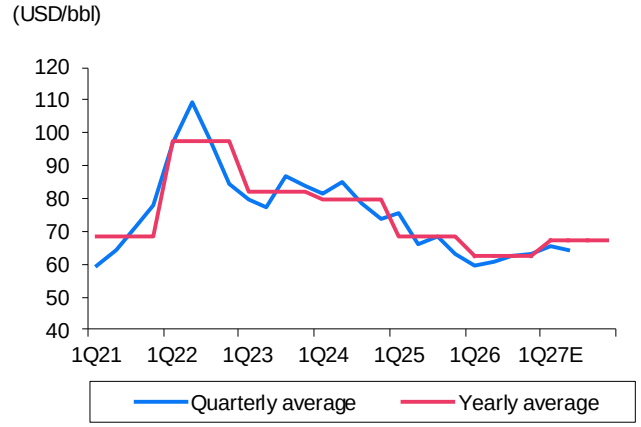
Source: Company data, Samsung Securities estimates

Operating profit results and forecasts



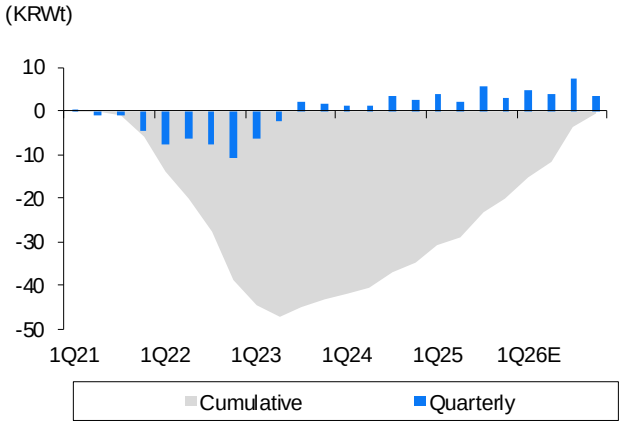
Source: Company data, Samsung Securities estimates

Dubai crude oil price trend and forecasts



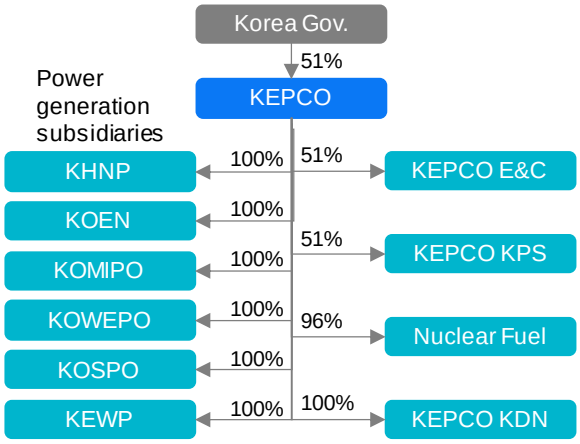
Source: Bloomberg, Samsung Securities

Kepco: Quarterly and cumulative operating profit



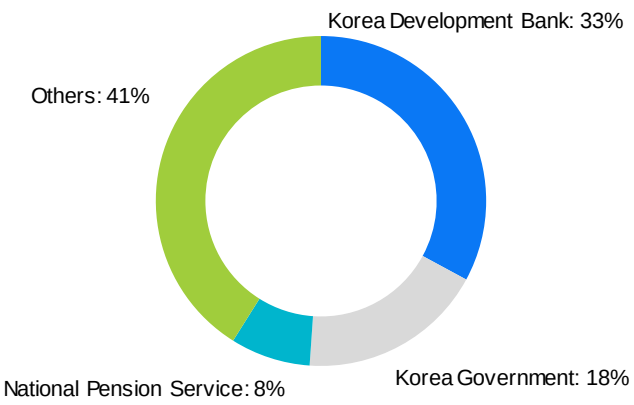
Source: Company data, Samsung Securities estimates

Kepco: Corporate structure



Source: Company data, Samsung Securities

Kepco: Shareholder structure



Source: Company data, Samsung Securities

Valuation summary

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS* (KRW)	Chg (% y-y)	P/E (x)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
2021	60,674	(5,846)	(7,072)	(5,216)	(5,934)	nm	(8.0)	76,620	17.6	0.45	(5.6)
2022	71,258	(32,655)	(33,844)	(24,429)	(35,742)	nm	(1.3)	116,683	(7.3)	0.57	(42.8)
2023	88,219	(4,542)	(7,554)	(4,716)	(7,129)	nm	(6.7)	128,675	18.8	0.77	(11.5)
2024	93,399	8,365	5,257	3,622	8,946	nm	5.3	128,982	7.1	0.78	14.6
2025E	97,434	13,525	11,731	8,737	13,149	47.0	3.6	119,413	5.5	0.68	18.8
2026E	98,490	18,312	18,887	13,221	18,597	41.4	2.6	105,072	4.2	0.56	21.8
2027E	99,207	19,037	18,017	12,612	19,502	4.9	2.4	89,920	6.3	0.46	18.9

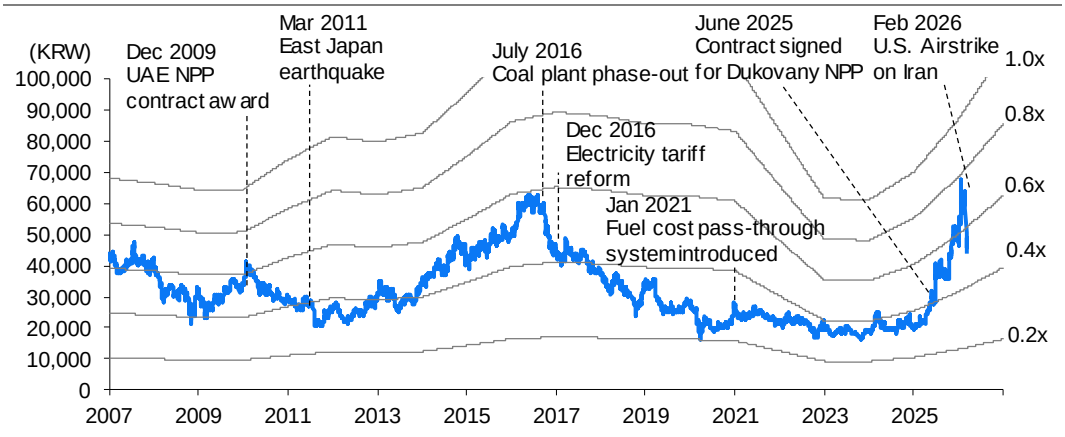
Note: * Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Kepco: Earnings sensitivity to key factors

	2026E	Electricity price increase	Nuclear utilization increase	Coal price decline	KRW appreciation	Oil price decline
Sales	**98,490**	**99,415**	**98,490**	**98,490**	**98,490**	**98,490**
Electricity sales	93,812	94,737	93,812	93,812	93,812	93,812
Volume (GWh)	565,900	565,900	565,900	565,900	565,900	565,900
ASP (KRW/kWh)	165.8	167.4	165.8	165.8	165.8	165.8
Others	4,678	4,678	4,678	4,678	4,678	4,678
Operating expenses	**80,177**	**80,177**	**79,828**	**80,144**	**80,132**	**80,069**
Subsidiaries	11,790	11,790	11,441	11,757	11,745	11,771
IPP	33,965	33,965	33,965	33,965	33,965	33,877
Others	34,422	34,422	34,422	34,422	34,422	34,421
Operating profit	**18,312**	**19,237**	**18,662**	**18,346**	**18,358**	**18,421**
Chg (%)		5.0	1.9	0.2	0.2	0.6
Chg (KRWb)		924.8	349.2	33.1	45.6	108.3

Notes: All factors assume a 1% change
Source: Company data, Samsung Securities estimates

Kepco: Forward P/B band



Source: QuantiWise, Company data, Samsung Securities estimates

Global peer valuation table

(Mil USD)	KEPCO	Southern Co	Duke Energy	Saudi Electricity Company	Tokyo Electric Power Company	Kansai Electric Power	Iberdrola	ENEL SpA
Local currency	KRW	USD	USD	SAR	JPY	JPY	EUR	EUR
Share price (Local currency)	44,600	97	131.1	14.3	598.2	2,420.0	19.1	13.3
Market cap	19,393	108,861	101,980	15,870	6,097	17,112	150,349	89,012
Sales	60,115	25,253	29,060	20,065	43,879	25,746	57,406	26,673
	63,645	26,724	30,357	23,617	43,194	27,508	50,021	24,695
	66,395	29,553	32,237	27,227	41,714	25,984	51,287	24,767
	67,114	30,035	32,969	27,042	41,969	26,049	54,047	27,373
	67,603	31,636	34,532	28,192	42,009	26,075	56,299	29,562
OPM (%)	-5.1	23.1	24.3	18.8	4.0	18.0	18.2	22.0
	9.0	26.4	26.1	13.3	3.4	10.8	17.8	26.4
	13.9	24.7	26.8	N/A	3.6	11.5	22.1	31.7
	18.6	27.8	28.8	19.6	4.2	9.6	23.1	32.6
	19.2	29.3	29.6	20.7	4.1	9.5	23.2	33.6
EBITDA margin (%)	9.6	43.8	46.1	44.0	9.2	26.8	28.0	32.4
	23.9	47.1	48.2	36.7	8.8	19.4	33.0	38.3
	28.1	46.0	47.3	N/A	9.9	20.1	35.3	44.2
	33.0	45.7	48.6	41.3	10.6	18.3	36.0	45.2
	19.2	48.1	49.6	42.2	10.8	18.4	36.1	46.5
ROE (%)	-11.5	12.9	5.8	2.9	11.6	21.8	11.4	7.7
	14.6	13.6	9.1	-2.2	6.1	15.7	12.4	8.6
	18.8	12.5	9.8	N/A	-17.7	11.6	12.9	9.9
	21.8	12.1	9.7	5.9	7.2	8.8	11.6	10.4
	18.9	12.1	9.7	6.5	6.8	8.3	11.8	10.6
P/E (x)	-6.3	26.7	37.0	23.0	3.6	4.9	25.3	23.2
	5.0	24.2	23.0	-31.0	5.9	5.5	22.7	21.6
	3.4	24.7	20.8	14.9	-1.8	7.3	20.7	17.1
	2.4	21.3	19.5	10.1	4.3	8.9	19.4	15.1
	2.3	19.8	18.3	8.8	4.2	9.1	18.2	14.0
P/B (x)	0.7	3.4	2.1	2.5	0.4	1.0	2.8	1.9
	0.7	3.2	2.1	2.7	0.3	0.9	2.5	1.4
	0.6	3.0	2.0	N/A	0.4	0.8	2.5	1.6
	0.5	2.8	1.9	2.5	0.4	0.8	2.2	1.5
	0.4	2.6	1.8	2.4	0.4	0.7	2.1	1.5
EV/EBITDA (x)	18.5	15.5	13.7	5.1	9.6	6.3	13.6	16.9
	7.1	13.8	12.8	6.2	11.1	7.4	13.7	15.2
	5.4	13.3	12.7	N/A	N/A	8.5	12.5	13.4
	4.1	13.6	12.0	9.4	N/A	9.3	11.0	12.6
	6.2	12.7	11.6	9.1	N/A	9.2	10.7	12.0
Net debt	87,683	62,742	80,916	29,219	32,827	26,118	68,451	57,530
	87,892	65,207	85,648	38,137	36,129	22,614	75,735	54,566
	81,372	72,436	91,383	N/A	N/A	27,261	75,590	57,895
	71,599	77,593	89,975	88,988	N/A	27,233	62,716	66,994
	61,274	83,987	95,682	92,123	N/A	27,300	67,446	75,625

Source: Bloomberg, Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**88,219**	**93,399**	**97,434**	**98,490**	**99,207**
Cost of goods sold	89,700	81,964	80,731	76,916	76,824
Gross profit	**-1,480**	**11,435**	**16,703**	**21,574**	**22,384**
Gross margin (%)	-1.7	12.2	17.1	21.9	22.6
SG&A expenses	3,062	3,070	3,179	3,262	3,347
Operating profit	**-4,542**	**8,365**	**13,525**	**18,312**	**19,037**
Operating margin (%)	-5.1	9.0	13.9	18.6	19.2
Non-operating gains (losses)	**-3,012**	**-3,108**	**-1,793**	**574**	**-1,020**
Financial profit	1,425	3,448	2,038	4,434	2,760
Financial costs	5,347	7,535	5,038	4,064	3,983
Equity-method gains (losses)	613	882	700	189	189
Other	297	97	508	14	14
Pre-tax profit	**-7,554**	**5,257**	**11,731**	**18,887**	**18,017**
Taxes	-2,838	1,635	2,994	5,666	5,405
Effective tax rate (%)	37.6	31.1	25.5	30.0	30.0
Profit from continuing operations	-4,716	3,622	8,737	13,221	12,612
Profit from discontinued operations	0	0	0	0	0
Net profit	**-4,716**	**3,622**	**8,737**	**13,221**	**12,612**
Net margin (%)	-5.3	3.9	9.0	13.4	12.7
Net profit (controlling interests)	-4,823	3,492	8,617	13,101	12,497
Net profit (non-controlling interests)	106	130	120	120	114
EBITDA	8,491	22,362	27,403	32,503	19,037
EBITDA margin (%)	9.6	23.9	28.1	33.0	19.2
EPS (parent-based) (KRW)	-7,129	8,946	13,149	18,597	19,502
EPS (consolidated) (KRW)	-7,346	5,642	13,610	20,594	19,645
Adjusted EPS (KRW)*	-7,129	8,946	13,149	18,597	19,502

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**29,536**	**29,255**	**35,474**	**60,422**	**85,960**
Cash & equivalents	4,343	2,383	7,390	32,724	57,523
Accounts receivable	11,010	11,099	11,174	11,006	11,328
Inventories	8,876	9,769	9,835	9,687	9,971
Other current assets	5,308	6,004	7,074	7,006	7,137
Fixed assets	**210,179**	**217,553**	**217,112**	**204,192**	**193,151**
Investment assets	13,209	16,232	16,480	16,255	16,686
Tangible assets	179,876	182,983	182,597	170,030	158,667
Intangible assets	1,133	1,146	1,028	900	790
Other long-term assets	15,961	17,192	17,007	17,007	17,007
Total assets	**239,715**	**246,808**	**252,586**	**264,614**	**279,111**
Current liabilities	**61,248**	**63,969**	**65,438**	**65,141**	**65,709**
Accounts payable	4,341	4,495	4,525	4,457	4,587
Short-term debt	10,667	9,123	10,988	10,988	10,988
Other current liabilities	46,240	50,351	49,924	49,696	50,133
Long-term liabilities	**141,202**	**141,476**	**137,988**	**137,229**	**138,683**
Bonds & long-term debt	92,510	88,091	84,699	84,699	84,699
Other long-term liabilities	48,691	53,385	53,288	52,529	53,983
Total liabilities	**202,450**	**205,445**	**203,425**	**202,370**	**204,392**
Owners of parent equity	**35,845**	**39,915**	**47,950**	**60,914**	**73,274**
Capital stock	3,210	3,210	3,210	3,210	3,210
Capital surplus	2,445	2,445	2,449	2,449	2,449
Retained earnings	16,338	20,128	28,504	41,468	53,828
Other	13,852	14,133	13,787	13,787	13,787
Non-controlling interests' equity	**1,420**	**1,448**	**1,211**	**1,331**	**1,445**
Total equity	**37,265**	**41,363**	**49,160**	**62,244**	**74,719**
Net debt	128,675	128,982	119,413	105,072	89,920

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**1,522**	**15,876**	**20,394**	**25,223**	**25,410**
Net profit	-4,716	3,622	8,737	13,221	12,612
Non-cash profit and expenses	15,837	21,131	21,126	21,858	20,269
Depreciation	12,869	13,834	13,686	12,567	11,362
Amortization	163	164	154	128	110
Other	2,804	7,134	7,287	9,163	8,797
Changes in A/L from operating activities	-5,142	-3,790	-4,241	-692	1,327
Cash flow from investments	**-13,074**	**-14,093**	**-15,765**	**86**	**-164**
Change in tangible assets	-13,599	-13,813	-11,608	0	0
Change in financial assets	-24	-2,174	-38	86	-164
Other	549	1,894	-4,119	0	0
Cash flow from financing	**12,662**	**-3,849**	**-1,427**	**-146**	**-119**
Change in debt	12,691	-1,374	-2,485	-10	18
Change in equity	332	0	5	0	0
Dividends	-56	-137	-212	-137	-137
Other	-306	-2,338	1,265	0	0
Change in cash	1,108	-1,960	4,965	25,059	24,858
Cash at beginning of year	3,235	4,343	2,383	7,348	32,407
Cash at end of year	4,343	2,383	7,348	32,407	57,265
Gross cash flow	**11,120**	**24,753**	**29,864**	**35,079**	**32,881**
Free cash flow	**-12,386**	**1,660**	**8,474**	**25,223**	**25,410**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	23.8	5.9	4.3	1.1	0.7
Operating profit	nm	nm	61.7	35.4	4.0
Net profit	nm	nm	141.2	51.3	-4.6
Adjusted EPS**	nm	nm	47.0	41.4	4.9
Per-share data (KRW)					
EPS (parent-based)	-7,129	8,946	13,149	18,597	19,502
EPS (consolidated)	-7,346	5,642	13,610	20,594	19,645
Adjusted EPS**	-7,129	8,946	13,149	18,597	19,502
BVPS	61,736	61,240	70,028	85,148	102,950
DPS (common)	0	213	213	213	213
Valuations (x)					
P/E***	-6.7	5.3	3.6	2.6	2.4
P/B***	0.8	0.8	0.7	0.6	0.5
EV/EBITDA	18.8	7.1	5.5	4.2	6.3
Ratios (%)					
ROE	-11.5	14.6	18.8	21.8	18.9
ROA	-2.0	1.5	3.5	5.1	4.6
ROIC	-1.5	3.0	5.2	6.8	7.6
Payout ratio	0.0	3.9	1.6	1.0	1.1
Dividend yield (common)	0.0	1.1	0.4	0.4	0.4
Net debt to equity	355.4	319.2	253.3	159.4	99.5
Interest coverage (x)	-1.0	1.8	3.3	4.6	4.9

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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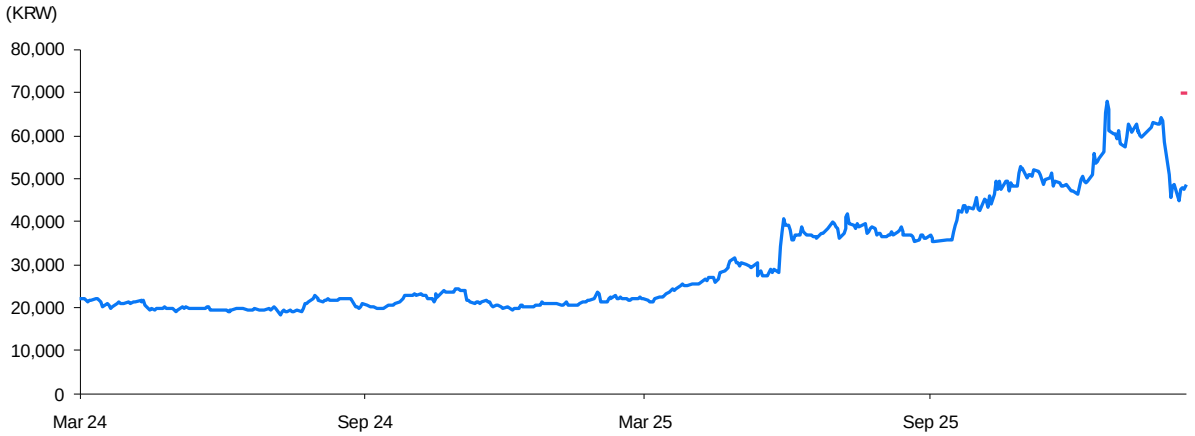
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/3/11
Recommendation	BUY
Target price (KRW)	70000
Gap* (average)	
(max or min)**	

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

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Industry

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