COMPANY UPDATE

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Kepco E&C (052690)

Nuclear plant design pure player

- Kepco E&C is well-positioned to capitalize on growing overseas orders driven by the global trend towards building new nuclear power plants.
- It is also on the verge of securing new domestic orders following the official confirmation of nuclear power plant expansions in Korea.
- We initiate coverage of the stock at BUY with a 12-month target price of KRW220,000 (based on 106x P/E, its average over 2021-2022, which is when its P/E peaked).

AT A GLANCE

BUY

Target price	KRW220,000	23.8%
Current price	**KRW177,700**	
Market cap	KRW6.8t/USD4.6b	
Shares (float)	38,220,000 (46.4%)	
52-week high/low	KRW177,700/KRW49,950	
Avg daily trading value (60-day)	KRW80.1b/ USD53.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kepco Engineering & Construction (%)	20.2	98.1	180.3
Vs Kospi (%pts)	20.7	22.6	31.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	220,000	220,000	0.0%
2025E EPS	2,157	2,157	0.0%
2026E EPS	2,049	2,049	0.0%

SAMSUNG vs THE STREET

No of estimates	11
Target price	192,455
Recommendation	3.9

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

WHAT'S THE STORY?

To benefit from hike in global demand for nuclear power: According to the International Energy Agency (IEA), global nuclear power capacity is expected to reach 784 GW by 2050, up 364 GW from the current level. The World Nuclear Association (WNA) also reports that 434 nuclear reactors are either under construction or have been formally proposed. Kepco E&C has lately entered the European market by securing the contract for the Dukovany nuclear power plant in the Czech Republic. It is poised to enter the US following a formal request from the US government for Korean expertise in its plan to add 400 GW of nuclear capacity by 2050. Considering the Barakah project in the UAE (Korea's first overseas nuclear contract) and the Dukovany contract, we estimate that Kepco E&C could secure about 5-6% of the total contract value of new overseas nuclear projects.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	553	519	661	725
Operating profit (KRWb)	55	32	72	86
Net profit (adj) (KRWb)	59	82	78	91
EPS (adj) (KRW)	1,531	2,157	2,049	2,375
EPS (adj) growth (% y-y)	79.2	40.9	-5.0	16.0
EBITDA margin (%)	13.9	10.5	13.9	14.3
ROE (%)	10.4	13.8	12.4	13.6
P/E (adj) (x)	34.6	74.2	78.1	67.4
P/B (x)	3.5	9.8	9.4	8.8
EV/EBITDA (x)	25.6	110.2	64.9	57.1
Dividend yield (%)	1.9	0.8	0.8	0.9

Source: Company data, Samsung Securities estimates

To see hike in domestic nuclear project orders: The Korean government has officially confirmed the construction of two large-scale nuclear reactors and one small modular reactor (SMR) under the 11th National Electricity Plan (NEP). Given the typical construction period for domestic nuclear projects and the lead time (between decision making and order placement), these new orders are set to be awarded around 2027-2028. Based on the average order size observed from ongoing projects (*eg*, Saeul #3 and #4 reactors, and Shin-Hanwool #3 and #4 reactors), we estimate new domestic projects will generate order values equivalent to 6-8% of total project costs.

Initiating coverage at BUY with target price of KRW200,000: While shares in Kepco E&C are trading above 70x 2026 P/E, thus raising valuation concerns, we note that its average P/E since its listing has been close to 54x. More importantly, its fundamentals look stronger now than when its P/E last peaked. Today, the company is winning both domestic and overseas orders, supported by the outcomes of two Korea-US summits. We initiate coverage of the stock at BUY with a 12-month target price of KRW220,000 (based on 106x P/E, the average of the 2021-2022 historical peak period).

Kepco E&C: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
Sales	**96.4**	**102.3**	**114.6**	**205.5**	**153.3**	**131.6**	**119.4**	**256.5**	**553.4**	**518.8**	**660.9**	**725.4**
(% y-y)	-24.4	-19.6	8.2	6.7	59.0	28.7	4.2	24.8	1.5	-6.3	27.4	9.8
Nuclear	56.1	58.3	80.6	151.9	95.9	77.4	76.7	176.5	331.4	347.0	426.5	486.6
(% y-y)	-20.7	-10.9	17.7	19.9	70.9	32.8	-4.8	16.1	17.9	4.7	22.9	14.1
NSSS	19.2	24.5	23.7	26.5	35.3	32.6	25.0	46.1	99.9	94.0	139.0	144.8
(% y-y)	-33.1	-9.8	48.2	-5.1	83.7	33.0	5.4	73.9	3.6	-5.9	47.9	4.1
Energy	21.1	19.4	10.3	27.0	22.1	21.6	17.7	33.9	122.1	77.8	95.3	94.0
(% y-y)	-25.1	-43.8	-51.9	-28.8	4.9	11.1	71.8	25.5	-27.2	-36.3	22.5	-1.3
Operating profit	**1.2**	**-4.4**	**12.3**	**22.6**	**12.7**	**11.8**	**9.2**	**38.1**	**54.8**	**31.6**	**71.8**	**86.0**
(% y-y)	-87.0	-133.6	116.2	-15.8	964.2	-365.9	-24.7	68.7	91.9	-42.3	127.1	19.9
(Margin, %)	1.2	-4.3	10.7	11.0	8.3	8.9	7.7	14.9	9.9	6.1	10.9	11.9
Pre-tax profit	85.3	0.3	14.6	5.4	17.3	15.7	13.6	42.6	76.2	105.6	89.2	103.5
(% y-y)	677.8	-98.5	70.2	-84.6	-79.8	4,764.9	-6.7	685.3	72.9	38.6	(15.6)	16.1
(Margin, %)	88.5	0.3	12.7	2.6	11.3	12.0	11.4	16.6	13.8	20.4	13.5	14.3
Net profit	65.9	0.3	11.3	5.0	15.0	14.0	11.7	37.6	58.5	82.4	78.3	90.8
(% y-y)	662.2	-98.1	67.1	-81.2	-77.3	4,198.8	3.9	658.7	79.2	40.9	-5.0	16.0
(Margin, %)	68.4	0.3	9.8	2.4	9.8	10.7	9.8	14.7	10.6	15.9	11.8	12.5

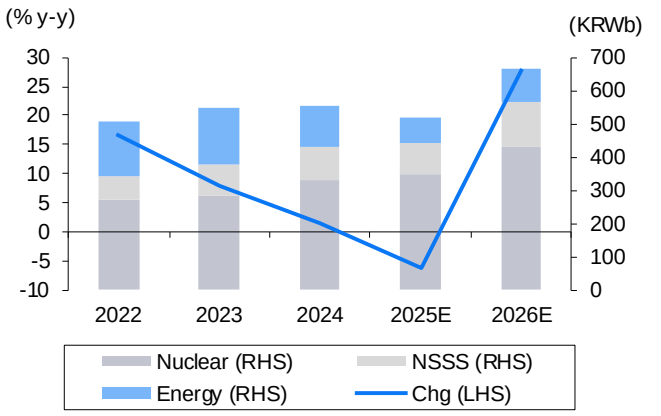
Source: Company data, Samsung Securities estimates

Valuation summary

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS* (KRW)	Chg (% y-y)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	Net debt
2021	433.1	10.1	17.7	16.5	430	-18.3	197.5	6.3	91.9	3.2	-31.2
2022	505.3	13.9	25.7	18.0	470	9.1	116.2	3.8	55.1	3.4	-47.4
2023	545.1	28.6	44.1	32.7	854	81.9	72.7	4.3	46.1	6.0	-54.6
2024	553.4	54.8	76.2	58.5	1,531	79.2	34.6	3.5	25.6	10.4	-49.4
2025E	518.8	31.6	105.6	82.4	2,157	40.9	74.2	9.8	110.2	13.8	-124.6
2026E	660.9	71.8	89.2	78.3	2,049	-5.0	78.1	9.4	64.9	12.4	-151.1
2027E	725.4	86.0	103.5	90.8	2,375	16.0	67.4	8.8	57.1	13.6	-213.2

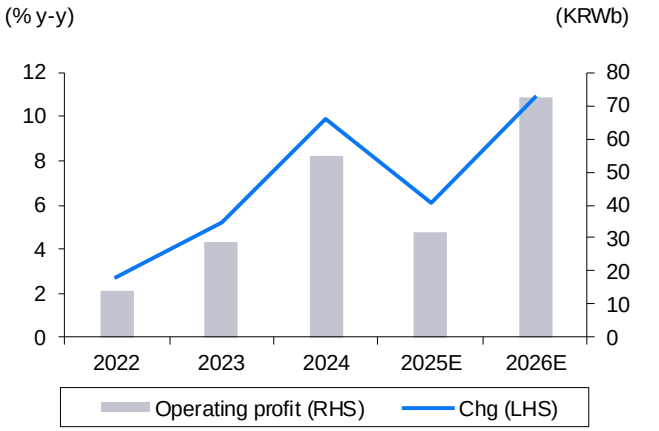
Note: * Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Sales, yearly basis



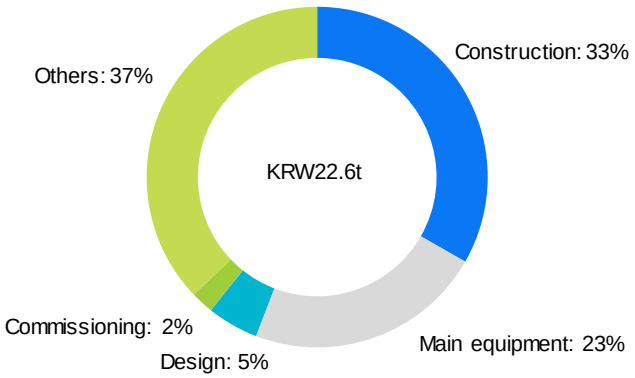
Source: Company data, Samsung Securities estimates

Operating profit, yearly basis



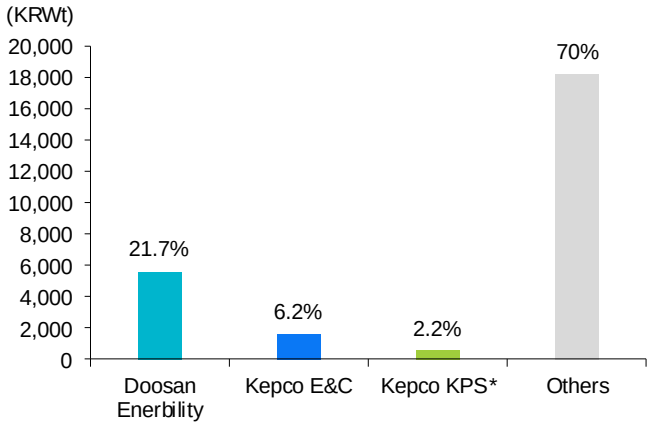
Source: Company data, Samsung Securities estimates

Barakah NPP order breakdown, by segment



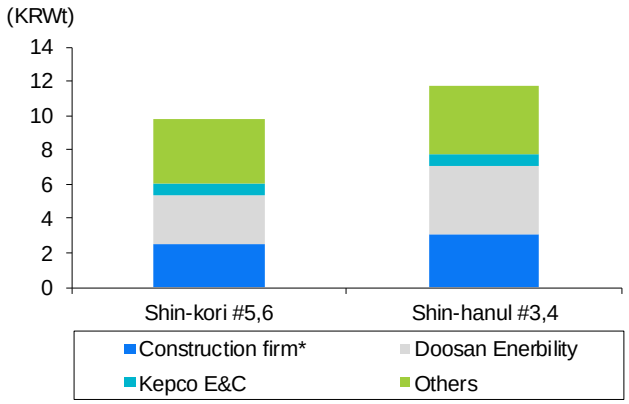
Source: Company data, Samsung Securities

Dukovany NPP order breakdown, by segment



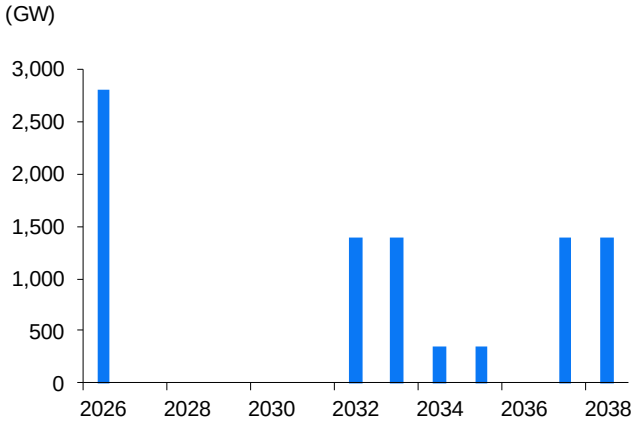
Note: * Based on the Barakah NPP
Source: Company data, Samsung Securities

Recent domestic NPP orders breakdown, by segment



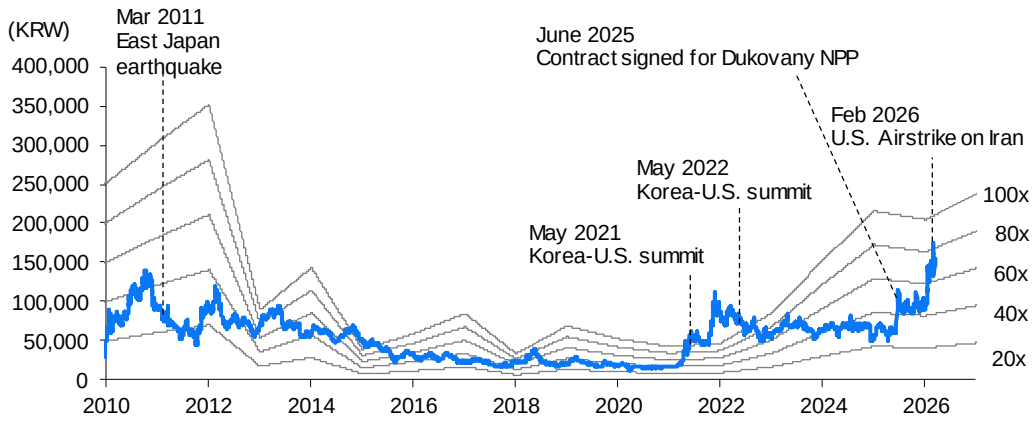
Note: *Samsung C&T for Shin-Kori; Hyundai E&C for Shin-hanul
Source: Company data, media reports, Samsung Securities

Domestic NPP plan



Source: 11th Basic plan for long-term electricity supply and demand, Samsung Securities

Kepco E&C forward P/E band



Source: QuantiWise, Kepco E&C, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**545**	**553**	**519**	**661**	**725**
Cost of goods sold	417	386	365	447	480
Gross profit	**128**	**167**	**154**	**214**	**245**
Gross margin (%)	23.5	30.2	29.6	32.4	33.8
SG&A expenses	99	112	122	142	159
Operating profit	**29**	**55**	**32**	**72**	**86**
Operating margin (%)	5.2	9.9	6.1	10.9	11.9
Non-operating gains (losses)	**16**	**21**	**74**	**17**	**18**
Financial profit	7	8	7	5	6
Financial costs	0	0	0	0	0
Equity-method gains (losses)	0	(0)	(22)	0	0
Other	9	13	90	12	12
Pre-tax profit	**44**	**76**	**106**	**89**	**104**
Taxes	11	18	23	11	13
Effective tax rate (%)	25.9	23.2	21.9	12.2	12.3
Profit from continuing operations	33	59	82	78	91
Profit from discontinued operations	0	0	0	0	0
Net profit	**33**	**59**	**82**	**78**	**91**
Net margin (%)	6.0	10.6	15.9	11.8	12.5
Net profit (controlling interests)	33	59	82	78	91
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	50	77	54	92	103
EBITDA margin (%)	9.2	13.9	10.5	13.9	14.3
EPS (parent-based) (KRW)	854	1,531	2,157	2,049	2,375
EPS (consolidated) (KRW)	854	1,531	2,157	2,049	2,375
Adjusted EPS (KRW)*	854	1,531	2,157	2,049	2,375

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**452**	**576**	**680**	**815**	**857**
Cash & equivalents	52	47	122	149	211
Accounts receivable	46	92	98	123	118
Inventories	0	0	0	0	0
Other current assets	354	437	459	544	528
Fixed assets	**403**	**371**	**333**	**324**	**308**
Investment assets	37	34	36	44	43
Tangible assets	247	238	225	213	203
Intangible assets	25	21	16	11	7
Other long-term assets	94	79	55	55	55
Total assets	**855**	**947**	**1,012**	**1,139**	**1,165**
Current liabilities	**250**	**361**	**385**	**481**	**463**
Accounts payable	24	62	66	82	79
Short-term debt	0	0	0	0	0
Other current liabilities	226	299	319	398	384
Long-term liabilities	**58**	**8**	**9**	**11**	**10**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	58	8	9	11	10
Total liabilities	**308**	**369**	**394**	**492**	**473**
Owners of parent equity	**547**	**577**	**619**	**648**	**692**
Capital stock	8	8	8	8	8
Capital surplus	0	0	0	0	0
Retained earnings	550	580	621	650	694
Other	(10)	(10)	(10)	(10)	(10)
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**547**	**577**	**619**	**648**	**692**
Net debt	(55)	(49)	(125)	(151)	(213)

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**41**	**49**	**103**	**87**	**110**
Net profit	33	59	82	78	91
Non-cash profit and expenses	77	94	2	26	24
Depreciation	16	16	16	15	14
Amortization	6	7	7	5	4
Other	56	72	(20)	6	7
Changes in A/L from operating activities	(73)	(102)	35	(11)	2
Cash flow from investments	**(22)**	**(34)**	**12**	**(10)**	**(2)**
Change in tangible assets	(3)	(5)	(3)	(3)	(3)
Change in financial assets	1	2	(2)	(7)	1
Other	(20)	(32)	17	0	0
Cash flow from financing	**(12)**	**(21)**	**(39)**	**(49)**	**(47)**
Change in debt	0	0	(0)	0	(0)
Change in equity	0	0	0	0	0
Dividends	(11)	(20)	(38)	(49)	(47)
Other	(2)	(1)	(1)	0	0
Change in cash	7	(6)	75	27	62
Cash at beginning of year	45	52	47	122	149
Cash at end of year	52	47	122	149	211
Gross cash flow	**110**	**152**	**85**	**104**	**115**
Free cash flow	**38**	**44**	**101**	**84**	**107**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	7.9	1.5	(6.3)	27.4	9.8
Operating profit	104.9	91.9	(42.3)	127.1	19.9
Net profit	81.9	79.2	40.9	(5.0)	16.0
Adjusted EPS**	81.9	79.2	40.9	(5.0)	16.0
Per-share data (KRW)					
EPS (parent-based)	854	1,531	2,157	2,049	2,375
EPS (consolidated)	854	1,531	2,157	2,049	2,375
Adjusted EPS**	854	1,531	2,157	2,049	2,375
BVPS	14,386	15,179	16,259	17,023	18,181
DPS (common)	515	999	1,294	1,229	1,425
Valuations (x)					
P/E***	72.7	34.6	74.2	78.1	67.4
P/B***	4.3	3.5	9.8	9.4	8.8
EV/EBITDA	46.1	25.6	110.2	64.9	57.1
Ratios (%)					
ROE	6.0	10.4	13.8	12.4	13.6
ROA	3.9	6.5	8.4	7.3	7.9
ROIC	4.9	10.9	7.4	19.8	24.4
Payout ratio	60.0	65.0	59.7	59.7	59.7
Dividend yield (common)	0.8	1.9	0.8	0.8	0.9
Net debt to equity	(10.0)	(8.5)	(20.1)	(23.3)	(30.8)
Interest coverage (x)	297.2	694.8	460.1	918.0	992.8

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

Source: Company data, Samsung Securities estimates

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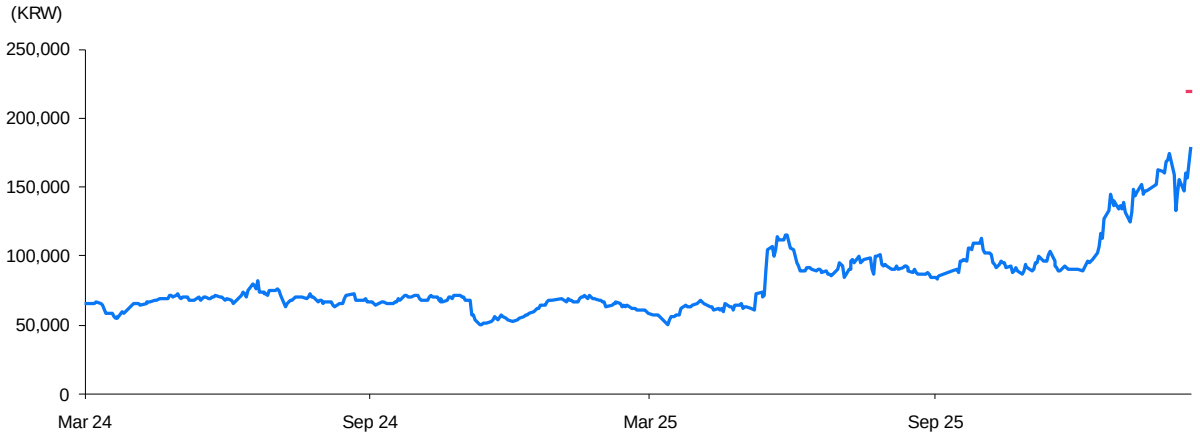
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/3/11
Recommendation	BUY
Target price (KRW)	220000
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

Samsung Securities uses the following investment ratings*

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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