COMPANY UPDATE

2026. 4. 14

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Korean Air (003490)

Solid 1Q results, but oil and forex headwinds

- Korean Air reported the parent-based sales grew 14% y-y to KRW4.51t (6.1% above consensus) in 1Q and operating profit soared 47% y-y to KRW516.9b (34.5% above consensus).
- The earnings surprise owed much to: 1) the full-service carrier's international passenger sales rising 7.4% y-y; and 2) robust growth in sales at the aerospace division.
- Yet, reflecting the high oil prices, we reduce our 2026 operating profit estimate by 44% and our target price by 13% to KRW26,000 (based on the global peers' average of 1.4x P/B).

WHAT'S THE STORY?

4Q review: Korean Air (KAL) saw its international revenue passenger kilometers (RPK) grew 3.8% y-y in 1Q, and the load factor (L/F) rose 3.8%pts y-y to 88.5%. The yield climbed 3.4% y-y to KRW128/km, backed by: 1) strong demand on Japan routes; and 2) increased transit traffic to Europe and key hubs amid escalating geopolitical tensions in the Middle East. Meantime, the cargo division's sales rose 3.5% y-y to KRW1.1t, supported by: 1) a 1.8% increase in freight tonne kilometers (FTK) from robust demand (eg, semiconductors and batteries); and 2) a 1.7% yield gain due to ongoing global logistics disruptions. Non-passenger revenue leapt 74% y-y to KRW811.4b, driven by continued growth in aircraft parts and military MRO services.

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW26,000	8.6%
Current price	**KRW23,950**	
Market cap	KRW8.8t/USD5.9b	
Shares (float)	368,220,661 (67.3%)	
52-week high/low	KRW28,950/KRW20,150	
Avg daily trading value (60-day)	KRW77.0b/ USD51.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Korean Air (%)	-1.4	8.9	14.0
Vs Kospi (%pts)	-6.9	-32.8	-52.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	BUY	
Target price	26,000	30,000	-13.3%
2026E EPS	184	3,293	-94.4%
2027E EPS	2,991	3,184	-6.1%

SAMSUNG vs THE STREET

No of estimates	12
Target price	31,500
Recommendation	4.0

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

1Q non-consolidated results

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	4,515.1	14.1	-0.8	n/a	6.1
Operating profit	516.9	47.3	25.1	n/a	34.5
Pre-tax profit	322.1	27.5	-2.8	n/a	11.3
Net profit	242.7	25.6	-14.5	n/a	12.8
Margins (%)					
Operating profit	11.4				
Pre-tax profit	7.1				
Net profit	5.4				

Source: Company data, Fnguide, Samsung Securities estimates

Valuation summary

	2025	2026E	2027E
Valuation (x)			
P/E	12.0	74.6	7.7
P/B	1.6	1.4	1.0
EV/EBITDA	6.3	5.9	4.6
Div yield (%)	3.1	0.0	1.9
EPS growth (% y-y)	(50.5)	(83.9)	874.5
ROE (%)	6.0	0.5	8.1
Per-share data (KRW)			
EPS	1,996	321	3,128
BVPS	15,430	17,648	23,053
DPS	750	0	450

Cutting target price to KRW26,000 and downgrading to HOLD rating: Rising oil prices amid concerns over a potential Strait of Hormuz closure have led us to slash our 2026 earnings forecast by 44%. KAL is estimated to consume roughly 31m barrels of jet fuel annually on the parent basis, and nearly 50m barrels on a consolidated basis. Excluding the forex impacts, a USD1/barrel rise in average jet fuel prices would add over KRW70b in annual costs. Applying the global peer average of 1.4x P/B (Bloomberg), we reduce our target price by 13% to KRW26,000. With limited upside, we downgrade the company to HOLD rating. While the merger with Asiana Airlines has solidified KAL's dominance on long-haul routes and its near-monopoly on key short-haul routes, the core passenger business is about to experience seasonally-weak demand and earnings are under increasing pressure due to skyrocketing oil prices and a sharp depreciation of the won.

Forecast revisions

(KRWb)	2025	New		Old		Chg (%)	
		2026E	2027E	2026E	2027E	2026E	2027E
Sales	25,226	26,112	25,824	23,979	24,270	8.9	6.4
Operating profit	1,114	906	1,975	1,618	1,774	-44.0	11.3
Pre-tax profit	823	72	1,167	1,766	1,707	-95.9	-31.7
Net profit	647	56	917	1,276	1,234	-95.6	-25.7
EBITDA	4,067	4,322	5,252	4,584	4,655	-5.7	12.8
EPS (KRW)*	1,996	321	3,128	2,685	3,058	-88.0	2.3

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)
2022	14,096	2,831	2,562	1,730	4,653	83.8	5.1	1.2	3.0	22.0	4,569
2023	16,112	1,790	1,576	1,129	2,985	-35.8	8.0	1.1	3.7	12.2	4,594
2024	17,871	2,110	1,836	1,382	4,031	35.1	5.9	1.6	5.3	13.8	12,365
2025	25,226	1,114	823	647	1,996	-50.5	12.0	1.6	6.3	6.0	16,834
2026E	26,112	906	72	56	321	-83.9	74.6	1.4	5.9	0.5	16,739
2027E	25,824	1,975	1,167	56	3,128	874.5	7.7	1.0	4.6	8.1	15,510
2028E	26,173	2,666	1,928	56	5,033	60.9	4.8	0.8	4.0	11.9	14,256

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

Quarterly results and forecasts (consolidated)

		1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2025	2026E	2027E	2028E
Sales assumptions													
Average exchange rate	(KRW/USD)	1,453	1,401	1,387	1,449	1,467	1,500	1,455	1,405	1,422	1,456	1,350	1,298
Period-end exchange rate	(KRW/USD)	1,473	1,354	1,404	1,445	1,520	1,480	1,430	1,380	1,440	1,380	1,320	1,280
Jet fuel	(USD/bbl)	90	81	87	88	124	120	114	107	86	102	82	81
Domestic passengers													
RPK	(mil km)	1,497	1,695	1,822	2,007	1,539	1,705	1,847	1,940	7,021	7,032	7,043	7,056
	Chg (% y-y)	181.9	169.5	197.7	243.7	2.8	0.6	1.4	-3.3	198.1	0.2	0.2	0.2
L/F	(%)	85.1	88.3	89.1	78.9	85.5	88.1	89.5	78.3	84.9	84.9	84.9	84.9
	Chg (% y-y)	0.6	-0.0	3.9	-10.4	0.4	-0.3	0.4	-0.6	-1.9	0.0	0.0	0.0
Yield	(KRW)	159.0	176.5	161.5	157.3	158.9	161.8	160.6	165.2	163.4	161.8	161.4	159.8
	Chg (% y-y)	-37.8	-30.9	-40.8	-35.9	-0.1	-14.7	-0.9	7.8	-18.6	-1.0	-0.2	-1.0
Yield	(US cents)	10.9	12.6	11.6	10.9	10.8	10.8	11.0	11.8	11.5	11.1	12.0	12.3
	Chg (% y-y)	-26.1	-16.7	-21.8	-21.3	-1.0	-14.4	-5.2	8.3	-21.9	-3.3	7.6	3.0
International passengers													
RPK	(mil km)	34,914	32,626	34,413	33,918	35,483	32,513	36,596	35,144	135,847	139,736	145,015	150,017
	Chg (% y-y)	93.7	77.3	81.9	78.8	1.6	-0.3	6.3	3.6	82.8	2.9	3.8	3.4
L/F	(%)	89.7	80.2	84.1	76.9	90.2	81.6	85.7	77.1	82.5	83.4	84.0	84.4
	Chg (% y-y)	6.4	-4.3	0.5	-8.1	0.5	1.4	1.6	0.2	-1.6	0.9	0.5	0.4
Yield	(KRW)	117.7	114.9	108.9	117.5	123.4	120.5	122.3	121.0	114.7	121.9	117.6	116.0
	Chg (% y-y)	-5.2	-8.6	-17.4	-1.5	4.9	4.9	12.4	3.0	-8.4	6.2	-3.5	-1.3
Yield	(US cents)	8.1	8.2	7.8	8.1	8.4	8.0	8.4	8.6	8.1	8.4	8.7	8.9
	Chg (% y-y)	-13.2	-10.6	-19.1	-4.8	3.8	-2.0	7.1	6.2	-12.1	3.7	4.1	2.7
Cargo													
RPK	(mil km)	2,895	2,986	2,510	2,362	2,079	2,160	2,194	2,225	10,753	8,658	8,745	8,832
	Chg (% y-y)	33.7	33.2	13.6	5.9	-28.2	-27.7	-12.6	-5.8	21.6	-19.5	1.0	1.0
L/F	(%)	70.3	71.9	67.8	67.8	70.2	72.3	71.3	70.7	69.6	71.1	71.1	71.1
	Chg (% y-y)	-1.9	-2.3	-4.3	-5.3	-0.1	0.3	3.5	2.9	1.0	1.0	1.0	1.0
Yield	(KRW)	492.2	477.8	482.4	552.7	524.6	530.9	535.9	587.3	516.9	545.2	490.3	471.4
	Chg (% y-y)	6.9	-2.4	-4.8	2.9	6.6	11.1	11.1	6.3	3.7	5.5	-10.1	-3.9
Yield	(US cents)	33.9	34.1	34.8	38.1	35.8	35.4	36.8	41.8	36.4	37.4	36.3	36.3
	Chg (% y-y)	-2.1	-4.5	-6.8	-0.6	5.5	3.8	5.9	9.6	-0.5	3.0	-3.0	0.0
Results and forecasts													
Sales		6,492	6,211	6,027	6,496	6,551	6,139	6,746	6,677	25,226	26,112	25,824	26,173
Domestic passengers		99	121	122	128	103	118	121	124	1,147	1,138	1,137	1,128
International passengers		2,337	2,275	2,299	2,464	2,510	2,448	2,703	2,631	15,588	17,028	17,048	17,406
Cargo		1,054	1,055	1,067	1,233	1,091	1,147	1,176	1,307	5,368	4,720	4,287	4,164
Other		3,188	2,908	2,742	2,845	2,847	2,427	2,746	2,615	3,122	3,227	3,351	3,475
Operating profit		431	370	158	155	443	-8	274	196	1,114	906	1,975	2,666
Operating margin (%)		6.6	6.0	2.6	2.4	6.8	-0.1	4.1	2.9	4.4	3.5	7.6	10.2
Pre-tax profit		452	779	-334	-74	235	-216	66	-12	823	72	1,167	1,928
Net profit		350	557	-278	18	184	-170	52	-10	647	56	917	1,515
Chg (% y-y)													
Sales		51.3	41.1	28.9	44.3	0.9	-1.2	11.9	2.8	41.2	3.5	-1.1	1.4
Operating profit		-19.8	-16.4	-76.3	-66.6	2.8	nm	74.1	26.8	-47.2	-18.6	118.0	35.0
Pre-tax profit		-17.4	60.9	nm	nm	-48.1	nm	nm	nm	-55.2	-91.3	1,523.7	65.2
Net profit		-13.9	55.2	nm	-93.9	-47.3	nm	nm	nm	-53.2	-91.3	1,523.7	65.2

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**17,871**	**25,226**	**26,112**	**25,824**	**26,173**
Cost of goods sold	14,113	21,550	22,615	21,333	21,006
Gross profit	**3,758**	**3,675**	**3,497**	**4,491**	**5,167**
Gross margin (%)	21.0	14.6	13.4	17.4	19.7
SG&A expenses	1,648	2,562	2,591	2,516	2,501
Operating profit	**2,110**	**1,114**	**906**	**1,975**	**2,666**
Operating margin (%)	11.8	4.4	3.5	7.6	10.2
Non-operating gains (losses)	**-274**	**-290**	**-834**	**-808**	**-738**
Financial profit	648	432	421	426	434
Financial costs	597	973	1,034	1,013	972
Equity-method gains (losses)	0	22	22	22	22
Other	-326	228	-244	-244	-222
Pre-tax profit	**1,836**	**823**	**72**	**1,167**	**1,928**
Taxes	454	176	15	250	412
Effective tax rate (%)	24.7	21.4	21.4	21.4	21.4
Profit from continuing operations	1,382	647	56	917	1,515
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,382**	**647**	**56**	**917**	**1,515**
Net margin (%)	7.7	2.6	0.2	3.6	5.8
Net profit (controlling interests)	1,317	780	68	1,105	1,825
Net profit (non-controlling interests)	65	-132	-12	-188	-310
EBITDA	4,039	4,067	4,322	5,252	5,824
EBITDA margin (%)	22.6	16.1	16.6	20.3	22.3
EPS (parent-based) (KRW)	3,742	1,753	153	2,483	4,102
EPS (consolidated) (KRW)	3,742	1,753	153	2,483	4,102
Adjusted EPS (KRW)*	4,031	1,996	321	3,128	5,033

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**11,617**	**9,709**	**9,778**	**12,049**	**14,581**
Cash & equivalents	6,902	5,569	5,680	5,839	6,056
Accounts receivable	1,257	1,087	1,125	1,113	1,128
Inventories	1,171	1,449	1,500	1,483	1,503
Other current assets	2,287	1,605	1,473	3,614	5,894
Fixed assets	**35,395**	**40,697**	**40,433**	**38,277**	**36,439**
Investment assets	1,444	1,689	1,710	1,733	1,759
Tangible assets	28,374	32,944	31,749	30,688	29,745
Intangible assets	3,077	2,986	2,389	1,911	1,529
Other long-term assets	2,499	3,078	4,585	3,945	3,406
Total assets	**47,012**	**50,406**	**50,211**	**50,327**	**51,020**
Current liabilities	**16,973**	**15,081**	**14,459**	**12,737**	**11,054**
Accounts payable	352	335	347	343	347
Short-term debt	2,517	2,027	4,921	3,202	1,515
Other current liabilities	14,105	12,720	9,192	9,192	9,192
Long-term liabilities	**19,075**	**23,866**	**24,355**	**25,038**	**25,721**
Bonds & long-term debt	3,282	5,901	6,051	6,201	6,351
Other long-term liabilities	15,793	17,965	18,304	18,837	19,370
Total liabilities	**36,049**	**38,947**	**38,984**	**37,944**	**36,945**
Owners of parent equity	**10,473**	**10,954**	**10,722**	**11,877**	**13,570**
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	3,486	3,949	3,791	4,946	6,639
Other	995	1,013	1,013	1,013	1,013
Non-controlling interests' equity	**490**	**505**	**505**	**505**	**505**
Total equity	**10,963**	**11,459**	**11,227**	**12,382**	**14,075**
Net debt	12,365	16,834	16,739	15,510	14,256

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**4,559**	**4,075**	**4,881**	**5,764**	**6,063**
Net profit	1,382	647	56	917	1,515
Non-cash profit and expenses	2,790	4,238	4,618	4,766	4,678
Depreciation	1,737	2,738	3,195	3,061	2,942
Amortization	59	117	117	117	117
Other	994	1,382	1,306	1,588	1,618
Changes in A/L from operating activities	412	-646	-77	25	-30
Cash flow from investments	**-871**	**-2,340**	**-154**	**200**	**630**
Change in tangible assets	16	133	0	0	0
Change in financial assets	438	1,202	-284	-25	-23
Other	-1,325	-3,675	130	225	653
Cash flow from financing	**-2,163**	**-2,137**	**-4,616**	**-5,805**	**-6,476**
Change in debt	8,436	3,135	16	-1,069	-1,038
Change in equity	0	0	0	0	0
Dividends	-277	-277	-277	-0	-166
Other	-10,321	-4,995	-4,355	-4,736	-5,272
Change in cash	1,593	-346	111	159	217
Cash at beginning of year	623	2,216	1,871	1,982	2,141
Cash at end of year	2,216	1,871	1,982	2,141	2,357
Gross cash flow	**2,239**	**3,421**	**6,293**	**4,731**	**5,155**
Free cash flow	**-4,589**	**-1,213**	**5,267**	**3,597**	**3,797**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	10.9	41.2	3.5	-1.1	1.4
Operating profit	17.9	-47.2	-18.6	118.0	35.0
Net profit	22.4	-53.2	-91.3	1,523.7	65.2
Adjusted EPS**	40.3	-50.5	-83.9	874.5	60.9
Per-share data (KRW)					
EPS (parent-based)	3,742	1,753	153	2,483	4,102
EPS (consolidated)	3,742	1,753	153	2,483	4,102
Adjusted EPS**	4,031	1,996	321	3,128	5,033
BVPS	14,719	15,430	17,648	23,053	29,457
DPS (common)	750	750	0	450	740
Valuations (x)					
P/E***	5.9	12.0	74.6	7.7	4.8
P/B***	1.6	1.6	1.4	1.0	0.8
EV/EBITDA	5.3	6.3	5.9	4.6	4.0
Ratios (%)					
ROE	13.8	6.0	0.5	8.1	11.9
ROA	3.8	1.5	0.2	2.3	3.7
ROIC	9.3	4.9	2.3	5.9	8.1
Payout ratio	20.0	42.8	0.1	18.1	18.1
Dividend yield (common)	3.1	3.1	0.0	1.9	3.1
Net debt to equity	112.8	146.9	149.1	125.3	101.3
Interest coverage (x)	16.8	7.1	6.7	8.5	10.3

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

Source: Company data, Samsung Securities estimates

Compliance notice

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- As of 4/13 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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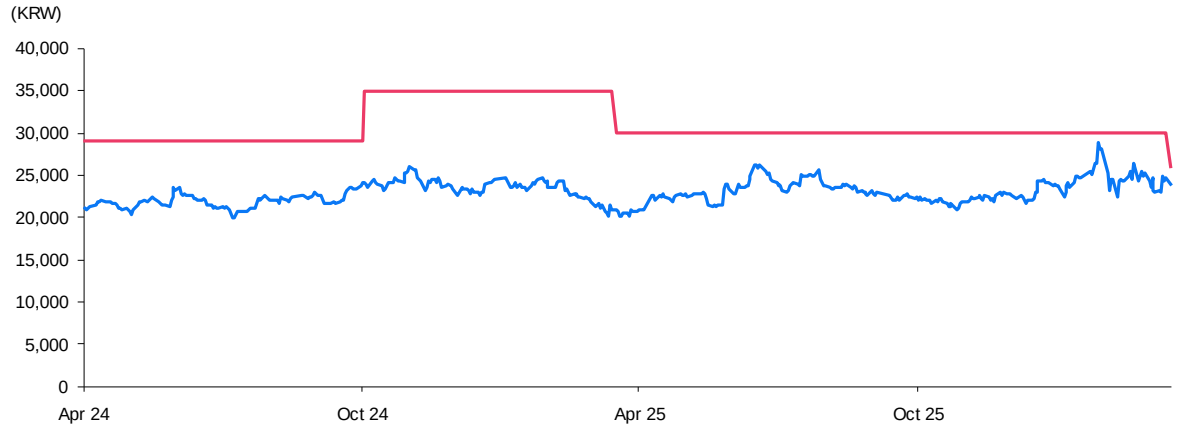
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/4	2024/4/22	10/30	2025/4/14	2026/4/14
Recommendation	BUY	BUY	BUY	BUY	HOLD
Target price (KRW)	31000	29000	35000	30000	26000
Gap* (average)	-28.95	-24.57	-32.69	-22.56	
(max or min)**	-22.58	-16.72	-25.86	-3.50	

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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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