COMPANY UPDATE

2026. 5. 19

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Kepco (015760)

1Q review: Earnings soft due to external factors

- Kepco achieved 1Q sales of KRW24.4t (flat y-y) and an operating profit of KRW3.8t (flat y-y), the latter missing both consensus and our forecasts.
- Despite lower sales volume, rising oil prices increased cost pressures, causing 1Q results to fall short of elevated market expectations.
- Reflecting the below-consensus performance, we cut our target price for Kepco to KRW63,000 (based on 2026 P/B of 0.8x), but maintain our BUY rating.

WHAT'S THE STORY?

Posts slightly disappointing 1Q results due to external factors: In 1Q, electricity sales revenue reached KRW23.2t. While electricity sales volume declined 0.9% y-y to 13.97 GWh (primarily driven by a 2.4% drop in industrial electricity demand), the average sales price rose 0.5% y-y to KRW170.4/kWh, offsetting the volume decline and maintaining sales y-y (up 0.7% y-y). Meanwhile, operating profit also held steady at KRW3.784t (up 0.8% y-y), as rising fuel costs weighed on margins—nb, starting mid-February, geopolitical risks in the Middle East triggered a sharp surge in oil prices, pushing fuel expenses to KRW5.2t—a 4.1% increase y-y and the main driver of higher costs.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW63,000	67.3%
Current price	**KRW37,650**	
Market cap	KRW24.2t/USD16.1b	
Shares (float)	641,964,077 (47.5%)	
52-week high/low	KRW67,900/KRW27,450	
Avg daily trading value (60-day)	KRW138.7b/ USD92.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kepco (%)	-18.0	-23.9	34.5
Vs Kospi (%pts)	-32.4	-60.0	-53.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	63,000	70,000	-10.0%
2026E EPS	11,529	18,597	-38.0%
2027E EPS	20,535	19,502	5.3%

SAMSUNG vs THE STREET

No of estimates	16
Target price	60,067
Recommendation	3.7

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	24,398.5	0.7	3.0	-4.4	-1.5
Operating profit	3,783.2	0.8	94.1	-23.6	-10.7
Pre-tax profit	3,395.4	5.1	153.3	-26.9	-1.5
Net profit	2,519.0	6.7	88.2	-22.5	-4.3
Margins (%)					
Operating profit	15.5				
Pre-tax profit	13.9				
Net profit	10.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	3.8	4.1	2.3
P/B	0.7	0.6	0.5
EV/EBITDA	5.7	5.7	3.8
Div yield (%)	3.3	3.9	3.9
EPS growth (% y-y)	40.8	-8.5	78.1
ROE (%)	17.8	14.2	21.5
Per-share data (KRW)			
EPS	12,597	11,529	20,535
BVPS	70,632	81,194	95,359
DPS	1,542	1,542	1,542

Cutting target price to KRW63,000, but maintaining BUY: Reflecting the disappointing 1Q results, we reduce our 2026 earnings estimates by 38% and cut our target price by 10% to KRW63,000. Beyond the oil price shock from US-Iran tensions, no major fundamental changes are observed at the company. Construction of Saeul Unit 3 was completed in February, with Unit 4 scheduled for completion in November. Additionally, four nuclear reactors with expired design lifespans are slated for restart, supporting continued growth in nuclear capacity. While near-term earnings expectations need to be slightly tempered due to elevated oil prices, the company is expected to remain profitable even at current oil levels of USD100/barrel. A potential US-Iran peace deal could ease oil price pressures. Given seven consecutive tariff increases between 2022 and 2024, Kepco has built a sufficient buffer against fuel cost volatility—excessive concern is unwarranted. We maintain our BUY rating for the stock.

Forecast revisions

(KRWb)	2025	New		Old		Chg (%)	
		2026E	2027E	2026E	2027E	2026E	2027E
Sales	97,429	100,275	100,256	98,490	99,207	1.8	1.1
Operating profit	13,491	11,404	19,873	18,312	19,037	-37.7	4.4
Pre-tax profit	11,587	10,227	17,494	18,887	18,017	-45.9	-2.9
Net profit	8,667	7,920	13,776	13,221	12,612	-40.1	9.2
EBITDA	27,279	25,408	34,020	32,503	19,037	-21.8	78.7
EPS (KRW)*	12,597	11,529	20,535	18,597	19,502	-38.0	5.3

Note: *Fully diluted, excluding one-off items
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)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
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
2025	97,429	13,491	11,587	8,667	12,597	40.8	3.8	125,498	5.7	0.67	17.8
2026E	100,275	11,404	10,227	7,920	11,529	(8.5)	4.1	115,323	5.7	0.59	14.2
2027E	100,256	19,873	17,494	13,776	20,535	78.1	2.3	97,895	3.8	0.50	21.5
2028E	100,603	19,246	16,902	13,193	19,625	(4.4)	2.4	81,749	3.3	0.42	17.2

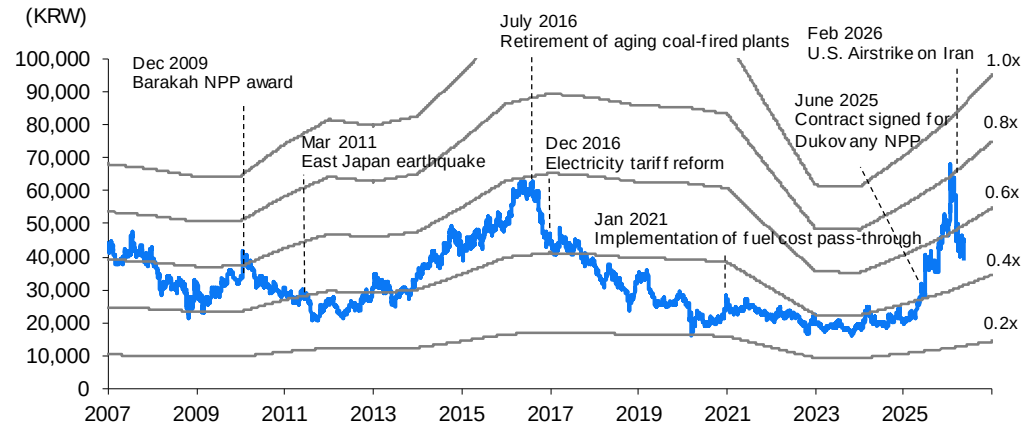
Note: * Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Kepco: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E	2028E
Sales	**24,224**	**21,950**	**27,572**	**23,683**	**24,399**	**22,772**	**28,447**	**24,657**	**97,429**	**100,275**	**100,256**	**101,935**
Electricity sales revenue	23,903	21,060	26,599	22,043	23,814	21,882	27,474	23,012	93,606	96,182	96,163	97,842
Volume (GWh)	141,018	127,341	151,507	129,551	139,742	128,614	156,052	130,847	549,417	555,255	571,913	589,070
ASP (KRW/KWh)	170	165	176	170	170	170	176	176	170	173	168	166
Others	321	891	973	1,640	585	890	973	1,645	3,824	4,093	4,093	4,093
Operating expenses	**20,470**	**19,814**	**21,920**	**21,734**	**20,615**	**22,186**	**24,052**	**22,018**	**83,939**	**88,871**	**80,383**	**82,495**
Material costs	4,702	4,017	5,397	4,527	4,702	3,007	3,397	2,488	18,643	13,594	9,487	9,518
Purchased power costs	8,757	8,601	9,248	7,446	8,776	8,746	8,776	9,210	34,053	35,507	35,774	37,383
Labor costs	1,704	1,855	1,767	2,263	1,759	1,881	1,795	2,308	7,590	7,743	7,824	7,885
Depreciation costs	3,492	3,417	3,429	3,288	3,461	3,461	3,461	3,461	13,625	13,845	13,988	14,125
Maintenance costs	557	732	776	1,277	943	985	1,045	1,720	3,341	4,693	6,319	8,509
Others	1,258	1,193	1,303	2,932	974	4,106	5,578	2,831	6,686	13,489	6,990	5,076
Operating profit	**3,754**	**2,136**	**5,652**	**1,949**	**3,783**	**587**	**4,395**	**2,639**	**13,491**	**11,404**	**19,873**	**19,440**
Pre-tax profit	3,232	1,665	5,349	1,341	3,394	212	4,179	2,442	11,587	10,227	17,494	16,937
Net profit	2,362	1,176	3,790	1,339	2,518	153	3,276	1,974	8,667	7,920	13,776	13,325
Net profit (controlling)	2,328	1,137	3,756	1,324	2,518	153	3,276	1,974	8,545	7,920	13,776	13,325
Chg (% y-y)												
Sales	4.0	7.2	5.6	0.7	0.7	3.7	3.2	4.1	4.3	2.9	-0.0	1.7
Electricity sales revenue	4.8	6.7	6.2	0.2	-0.4	3.9	3.3	4.4	4.5	2.8	-0.0	1.7
Volume (GWh)	-0.5	0.4	1.1	-1.4	-0.9	1.0	3.0	1.0	-0.1	1.1	3.0	3.0
Price (KRW/KWh)	5.3	6.2	5.1	1.7	0.5	2.9	0.3	3.4	4.6	1.7	-2.9	-1.2
Others	-34.9	21.1	-8.4	7.2	82.4	-0.0	0.0	0.3	0.1	7.0	0.0	0.0
Operating expenses	-6.9	3.1	-3.5	3.0	0.7	12.0	9.7	1.3	-1.3	5.9	-9.6	2.6
Material costs	-18.7	-7.2	-14.4	-2.8	0.0	-25.1	-37.1	-45.0	-11.5	-27.1	-30.2	0.3
Purchased power costs	-4.8	7.9	-4.1	-5.0	0.2	1.7	-5.1	23.7	-1.8	4.3	0.8	4.5
Labor costs	0.9	7.8	4.7	2.9	3.2	1.4	1.6	2.0	4.0	2.0	1.0	0.8
Depreciation costs	-0.5	-0.3	-3.5	-1.4	-0.9	1.3	0.9	5.3	-1.5	1.6	1.0	1.0
Maintenance costs	-24.1	-5.1	12.7	69.3	69.3	34.7	34.7	34.7	13.3	40.4	34.7	34.7
Others	16.9	18.8	58.1	26.1	-22.6	244.2	328.1	-3.4	27.9	101.7	-48.2	-27.4
Operating profit	188.9	70.8	66.4	-19.4	0.8	-72.5	-22.2	35.4	61.3	-15.5	74.3	-2.2
Pre-tax profit	338.1	377.1	79.7	12.4	5.0	-87.3	-21.9	82.1	120.4	-11.7	71.1	-3.2
Net profit	296.3	928.1	101.6	29.7	6.6	-87.0	-13.6	47.4	139.3	-8.6	73.9	-3.3
Net profit (controlling)	314.7	1,646.5	103.1	30.4	8.1	-86.5	-12.8	49.0	144.7	-7.3	73.9	-3.3
Margins (%)												
OPM	15.5	9.7	20.5	8.2	15.5	2.6	15.5	10.7	13.8	11.4	19.8	19.1
NPM	9.7	5.4	13.7	5.7	10.3	0.7	11.5	8.0	8.9	7.9	13.7	13.1
NPM (controlling)	9.6	5.2	13.6	5.6	10.3	0.7	11.5	8.0	8.8	7.9	13.7	13.1
Assumptions												
Dubai crude price ($/bbl)	75.8	66.1	68.4	63.3	75.1	93.9	72.9	69.8	68.4	77.9	70.8	68.7
Australian thermal coal price ($/tonne)	107.7	100.4	109.3	107.7	119.5	118.5	119.5	116.5	106.3	118.5	115.5	119.0
Forex rate (KRW/USD)	1,452.6	1,400.9	1,386.9	1,452.0	1,467.1	1,500.0	1,455.0	1,405.0	1,423.1	1,456.8	1,349.5	1,297.3

Source: Company data, Samsung Securities estimates

Kepco: Forward P/B band



Source: QuantiWise, Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**93,399**	**97,429**	**100,275**	**100,256**	**101,935**
Cost of goods sold	81,964	80,705	85,553	76,977	78,999
Gross profit	**11,435**	**16,725**	**14,723**	**23,279**	**22,936**
Gross margin (%)	12.2	17.2	14.7	23.2	22.5
SG&A expenses	3,070	3,234	3,319	3,406	3,496
Operating profit	**8,365**	**13,491**	**11,404**	**19,873**	**19,440**
Operating margin (%)	9.0	13.8	11.4	19.8	19.1
Non-operating gains (losses)	**-3,108**	**-1,904**	**-1,171**	**-2,374**	**-2,497**
Financial profit	3,448	2,038	4,390	2,750	2,543
Financial costs	7,535	5,039	6,366	5,674	5,591
Equity-method gains (losses)	882	576	444	189	189
Other	97	521	361	361	361
Pre-tax profit	**5,257**	**11,587**	**10,233**	**17,499**	**16,943**
Taxes	1,635	2,920	2,308	3,719	3,613
Effective tax rate (%)	31.1	25.2	22.6	21.3	21.3
Profit from continuing operations	3,622	8,667	7,925	13,781	13,329
Profit from discontinued operations	0	0	0	0	0
Net profit	**3,622**	**8,667**	**7,925**	**13,781**	**13,329**
Net margin (%)	3.9	8.9	7.9	13.7	13.1
Net profit (controlling interests)	3,492	8,545	7,840	13,634	13,188
Net profit (non-controlling interests)	130	122	84	147	142
EBITDA	22,362	27,279	25,408	34,020	33,529
EBITDA margin (%)	23.9	28.0	25.3	33.9	32.9
EPS (parent-based) (KRW)	8,946	12,597	11,529	20,535	19,625
EPS (consolidated) (KRW)	5,642	13,500	12,344	21,466	20,764
Adjusted EPS (KRW)*	8,946	12,597	11,529	20,535	19,625

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**29,255**	**30,715**	**52,528**	**75,691**	**99,397**
Cash & equivalents	2,383	2,241	22,936	46,589	69,810
Accounts receivable	11,099	11,625	12,103	11,893	12,101
Inventories	9,769	10,153	10,570	10,387	10,569
Other current assets	6,004	6,697	6,918	6,821	6,917
Fixed assets	**217,553**	**224,212**	**212,341**	**200,650**	**190,589**
Investment assets	16,232	17,929	18,601	18,307	18,599
Tangible assets	182,983	187,752	175,353	164,081	153,834
Intangible assets	1,146	1,101	956	832	726
Other long-term assets	17,192	17,431	17,431	17,431	17,431
Total assets	**246,808**	**254,927**	**264,868**	**276,341**	**289,986**
Current liabilities	**63,969**	**67,107**	**67,980**	**67,598**	**67,977**
Accounts payable	4,495	3,543	3,689	3,625	3,688
Short-term debt	9,123	9,979	9,979	9,979	9,979
Other current liabilities	50,351	53,585	54,312	53,993	54,309
Long-term liabilities	**141,476**	**138,497**	**140,630**	**139,695**	**140,622**
Bonds & long-term debt	88,091	83,882	83,882	83,882	83,882
Other long-term liabilities	53,385	54,615	56,748	55,813	56,739
Total liabilities	**205,445**	**205,605**	**208,611**	**207,293**	**208,598**
Owners of parent equity	**39,915**	**48,170**	**55,020**	**67,665**	**79,862**
Capital stock	3,210	3,210	3,210	3,210	3,210
Capital surplus	2,445	2,410	2,410	2,410	2,410
Retained earnings	20,128	28,501	35,351	47,995	60,193
Other	14,133	14,049	14,049	14,049	14,049
Non-controlling interests' equity	**1,448**	**1,153**	**1,237**	**1,384**	**1,525**
Total equity	**41,363**	**49,323**	**56,258**	**69,048**	**81,388**
Net debt	128,982	125,498	115,323	97,895	81,749

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**15,876**	**20,880**	**22,459**	**24,304**	**24,547**
Net profit	3,622	8,667	7,925	13,781	13,329
Non-cash profit and expenses	21,131	22,992	18,636	18,791	17,536
Depreciation	13,834	13,630	12,399	11,272	10,247
Amortization	164	159	145	124	106
Other	7,134	9,204	6,093	7,395	7,182
Changes in A/L from operating activities	-3,790	-5,383	1,991	-873	865
Cash flow from investments	**-14,093**	**-18,445**	**-247**	**108**	**-107**
Change in tangible assets	-13,813	-15,367	0	0	0
Change in financial assets	-2,174	-356	-247	108	-107
Other	1,894	-2,723	0	0	0
Cash flow from financing	**-3,849**	**-2,635**	**-967**	**-1,000**	**-980**
Change in debt	-1,374	-3,432	23	-10	10
Change in equity	0	-34	0	0	0
Dividends	-137	-219	-990	-990	-990
Other	-2,338	1,050	0	0	0
Change in cash	-1,960	-142	20,695	23,653	23,221
Cash at beginning of year	4,343	2,383	2,241	22,936	46,589
Cash at end of year	2,383	2,241	22,936	46,589	69,810
Gross cash flow	**24,753**	**31,659**	**26,561**	**32,571**	**30,865**
Free cash flow	**1,660**	**5,046**	**22,459**	**24,304**	**24,547**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	5.9	4.3	2.9	0.0	1.7
Operating profit	nm	61.3	-15.5	74.3	-2.2
Net profit	nm	139.3	-8.6	73.9	-3.3
Adjusted EPS**	nm	40.8	-8.5	78.1	-4.4
Per-share data (KRW)					
EPS (parent-based)	8,946	12,597	11,529	20,535	19,625
EPS (consolidated)	5,642	13,500	12,344	21,466	20,764
Adjusted EPS**	8,946	12,597	11,529	20,535	19,625
BVPS	61,240	70,632	81,194	95,359	113,824
DPS (common)	213	1,542	1,542	1,542	1,542
Valuations (x)					
P/E***	5.3	3.8	4.1	2.3	2.4
P/B***	0.8	0.7	0.6	0.5	0.4
EV/EBITDA	7.1	5.7	5.7	3.8	3.3
Ratios (%)					
ROE	14.6	17.8	14.2	21.5	17.2
ROA	1.5	3.5	3.0	5.1	4.7
ROIC	3.0	5.1	4.6	8.6	9.0
Payout ratio	3.9	11.6	12.6	7.3	7.5
Dividend yield (common)	1.1	3.3	3.9	3.9	3.9
Net debt to equity	319.2	259.1	190.2	120.8	73.9
Interest coverage (x)	1.8	3.1	2.7	4.8	4.8

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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- As of 5/18 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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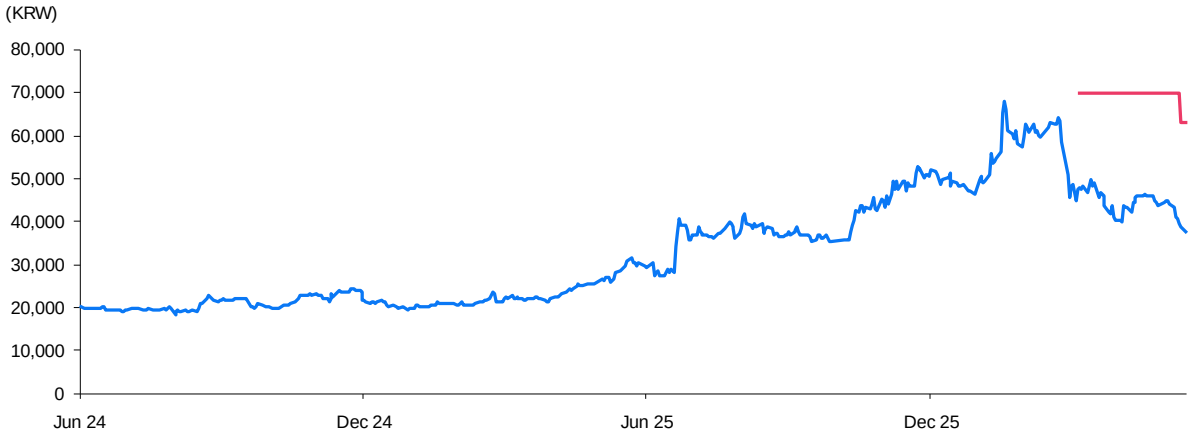
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/3/11	5/15
Recommendation	BUY	BUY
Target price (KRW)	70000	63000
Gap* (average)	-36.29	
(max or min)**	-28.64	

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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General

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