COMPANY UPDATE

2026. 8. 10

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Kogas (036460)

2Q review: Strong results dispel concerns

- Kogas reported 2Q sales of KRW7.5t (down 1.6% y-y) and an operating profit of KRW675.3b (up 67% y-y; significantly exceeding expectations).
- The beat owed to: 1) growth in power generation- and commercial-use gas sales; and 2) improved performance from overseas subsidiaries.
- While the strong 2Q results have been reflected in our outlook, we lower our target price by 7.4% to KRW50,000 to account for a decline in the historical average valuation multiple. We, however, maintain our BUY rating.

WHAT'S THE STORY?

2Q review—Operating profit significantly beats consensus: Kogas reported 2Q sales of KRW7.5t, which was down 1.6% y-y. Although gas sales volume was up 3% y-y to 7.232m tonnes, the average selling price was down 3.5% y-y to KRW989,000/tonne. However, operating profit surged 67% y-y to KRW675.3b, driven by two factors: 1) a 5.6% y-y reduction in COGS (due to lower LNG procurement costs); and 2) a higher proportion of sales to higher-margin segments—eg, commercial and power generation. While sales volume from the civil segment fell 8.7% y-y, commercial and power generation segment sales rose 13.3% and 2.5% y-y, respectively. Meanwhile, overseas subsidiaries also put in better performance y-y, with the combined operating profit jumping 158% y-y to KRW200.6b, despite production cuts in Iraq due to geopolitical tensions, thanks to strong performance from Australia's GLNG, Mozambique, and Canadian operations.

(Continued on the next page)

▶ AT A GLANCE

BUY

Target price	**KRW50,000**	**39.9%**
Current price	**KRW35,750**	
Market cap	KRW3.3t/USD2.3b	
Shares (float)	92,313,000 (46.9%)	
52-week high/low	KRW45,600/KRW31,700	
Avg daily trading value (60-day)	KRW7.6b/ USD5.3m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Kogas (%)	7.5	-12.3	-15.5
Vs Kospi (%pts)	31.5	-28.7	-56.4

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	50,000	54,000	-7.4%
2026E EPS	14,841	10,608	39.9%
2027E EPS	14,285	13,275	7.6%

▶ SAMSUNG vs THE STREET

No of estimates	8
Target price	48,750
Recommendation	3.9

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

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg (% y-y)	Chg (% q-q)	Diff (%) Samsung	Diff (%) Consensus
Sales	7,508.0	-1.6	-36.4	8.5	6.3
Operating profit	675.3	66.9	-25.8	211.9	56.9
Pre-tax profit	490.8	255.3	-31.7	942.0	197.8
Net profit	338.8	297.9	-38.2	926.7	205.2
Margins (%)					
Operating profit	9.0				
Pre-tax profit	6.5				
Net profit	4.5				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	9.8	2.4	2.5
P/B	0.3	0.3	0.3
EV/EBITDA	9.2	7.7	7.1
Div yield (%)	3.2	7.1	8.4
EPS growth (% y-y)	nm	307.6	(3.8)
ROE (%)	3.1	12.2	11.1
Per-share data (KRW)			
EPS	3,641	14,841	14,285
BVPS	117,654	121,584	129,053
DPS	1,154	2,535	3,016

Samsung Securities

Cutting target price to KRW50,000, but maintaining BUY: Although we revise up our 2026 earnings forecast by 15% to reflect strong 2Q results, we cut our target price by 7.4% to KRW50,000 to factor into a decline in the historical average P/B multiple (from 0.44x to 0.41x). Rising oil prices (Dubai crude: USD 88.4/barrel, up 33.8% y-y in 2Q) may temporarily increase receivables from the civil segment, but growth in sales volume from the commercial and power generation segments, along with continued improvement in overseas subsidiary performance, should support underlying fundamentals. We maintain BUY, noting that: 1) the potential for re-rating remains valid once tariff adjustment is made for collection of accrued receivables; 2) the stock's appeal as a dividend play is expected to gain traction toward 2H26; and 3) the stock retains sufficient upside following the recent excessive share-price correction.

Forecast revisions

(KRWb)	2025	New		Old		Chg (%)	
		2026E	2027E	2026E	2027E	2026E	2027E
Sales	35,727	37,295	37,546	33,915	34,480	10.0	8.9
Operating profit	2,101	2,513	2,477	2,183	2,417	15.1	2.5
Pre-tax profit	396	1,163	1,183	1,197	1,560	-2.8	-24.2
Net profit	132	854	860	838	1,093	1.9	-21.3
EBITDA	4,025	4,454	4,435	4,198	4,447	6.1	-0.3
EPS (KRW)*	3,641	14,841	14,285	10,608	13,275	39.9	7.6

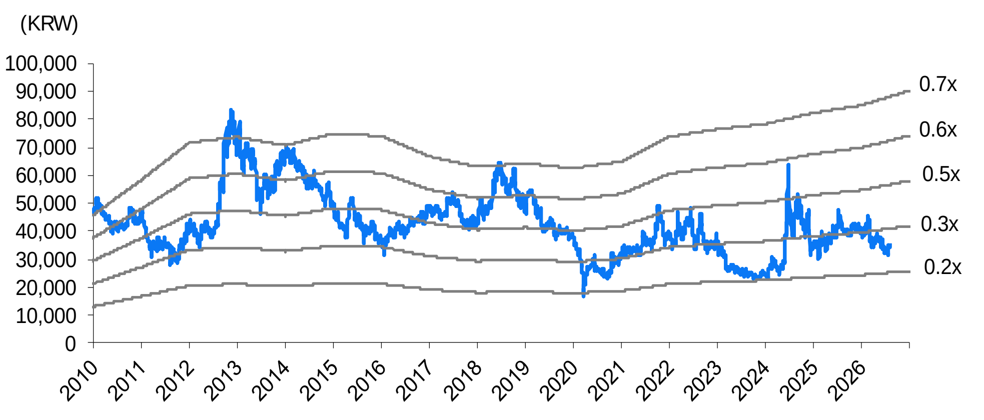
Note: *Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Valuation summary

Year-end (KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS* (KRW)	Chg (% y-y)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	Net debt
2022	51,724	2,463	1,945	1,497	8,779	-8.9	4.1	0.3	10.8	8.3	42,059
2023	44,556	1,553	-862	-747	-7,094	-180.8	-5.0	0.3	12.0	-6.5	38,078
2024	38,389	3,003	1,638	1,149	14,862	-309.5	2.4	0.3	8.3	13.3	38,179
2025	35,727	2,101	396	132	3,641	-75.5	9.8	0.3	9.2	3.1	33,913
2026E	37,295	2,513	1,163	854	14,841	307.6	2.4	0.3	7.7	12.2	31,180
2027E	37,546	2,477	1,183	860	14,285	-3.8	2.5	0.3	7.1	11.1	28,123
2028E	36,966	2,848	1,544	1,122	16,913	18.4	2.1	0.3	5.7	12.3	24,123

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

Forward P/B



Source: Company data, Samsung securities estimates

Kogas: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2024	2025E	2026E	2027E
Sales	12,732.7	7,630.1	6,372.2	8,992.4	11,802.2	7,508.0	7,854.1	10,130.9	35,727.3	37,295.2	37,546.3	36,965.9
Domestic gas sales	12,184.4	7,038.5	5,835.5	8,406.0	11,283.6	7,014.2	7,354.2	9,603.7	33,464.4	35,255.7	35,345.3	34,736.8
City gas	7,681.2	3,465.8	2,503.9	5,161.8	7,024.5	3,561.1	3,140.4	5,617.0	18,812.7	19,343.0	19,184.8	18,935.9
Power	4,503.2	3,572.7	3,331.6	3,244.2	4,259.1	3,453.1	4,213.8	3,986.6	14,651.7	15,912.7	16,160.4	15,800.9
Unit ('000 tonne)	11,875.0	7,020.0	6,458.0	9,160.0	12,226.0	7,232.0	6,562.9	9,233.6	34,513.0	35,254.5	35,878.7	36,252.6
City gas	7,446.0	3,453.0	2,740.0	5,369.0	7,297.0	3,577.0	2,799.0	5,395.8	19,008.0	19,068.9	19,450.3	19,742.0
Power	4,429.0	3,567.0	3,718.0	3,791.0	4,929.0	3,655.0	3,763.9	3,837.8	15,505.0	16,185.6	16,428.4	16,510.6
ASP (KRW'000/tonne)	1,026.1	1,002.6	903.6	917.7	922.9	969.9	1,120.6	1,040.1	969.6	1,000.0	985.1	958.2
City gas	1,031.6	1,003.7	913.8	961.4	962.7	995.6	1,121.9	1,041.0	989.7	1,014.4	986.4	959.2
Power	1,016.8	1,001.6	896.1	855.8	864.1	944.8	1,119.6	1,038.8	945.0	983.1	983.7	957.0
Consolidated subsidiaries	423.7	438.7	398.7	447.8	383.8	357.6	499.9	527.3	1,708.9	1,768.5	2,201.0	2,229.0
Operating profit	834.0	404.7	389.0	473.6	910.1	675.3	480.1	447.3	2,101.4	2,512.8	2,476.9	2,848.4
Parent-based	724.2	344.4	294.9	428.3	783.4	501.4	330.7	289.4	1,791.9	1,904.9	1,812.4	2,164.7
Consolidated subsidiaries	109.8	60.3	94.1	45.3	126.7	173.9	149.4	157.9	309.4	607.9	664.5	683.6
Equity method	1.4	22.7	-5.9	79.7	68.9	84.4	104.0	97.9	97.9	355.2	376.3	368.5
Net profit	367.2	85.2	86.9	-406.8	548.4	338.7	155.6	-188.8	132.5	853.8	859.8	1,122.4
Parent-based	330.7	297.3	67.7	3.5	295.5	149.7	688.5	426.6	699.3	1,560.3	1,856.3	2,240.9
Consolidated subsidiaries	36.5	-212.1	19.1	-410.3	252.9	189.0	-532.9	-615.5	-566.8	-706.5	-996.5	-1,118.5
Net profit (controlling)	367.5	85.4	87.0	-406.9	548.6	338.7	155.6	-188.8	133.0	854.1	859.8	1,122.4
Chg (% y-y)												
Sales	-0.6	1.3	-21.4	-9.9	-7.3	-1.6	23.3	12.7	-7.0	4.4	0.7	-1.5
Domestic gas sales	-0.3	1.2	-22.3	-9.9	-7.4	-0.3	26.0	14.2	-7.1	5.4	0.3	-1.7
City gas	8.7	7.0	-9.4	-8.0	-8.5	2.7	25.4	8.8	0.7	2.8	-0.8	-1.3
Power	-12.7	-3.8	-29.9	-12.8	-5.4	-3.3	26.5	22.9	-15.5	8.6	1.6	-2.2
Consolidated subsidiaries	-2.7	2.4	-13.0	-13.1	-9.4	-18.5	25.4	17.7	-7.0	3.5	24.5	1.3
Operating profit	-9.5	-13.1	-11.5	-59.7	9.1	66.9	23.4	-5.6	-30.0	19.6	-1.4	15.0
Parent-based	-10.8	-18.2	-13.5	-56.6	8.2	45.6	12.1	-32.4	-30.0	6.3	-4.9	19.4
Consolidated subsidiaries	-0.2	34.3	-4.8	-76.2	15.4	188.6	58.8	248.5	-30.3	96.5	9.3	2.9
Net profit	-9.8	-66.4	-44.1	-221.9	49.3	297.7	79.1	-53.6	-88.5	544.6	0.7	30.5
Parent-based	52.3	40.4	-73.1	-96.8	-10.6	-49.6	916.5	11,931.8	-11.9	123.1	19.0	20.7
Consolidated subsidiaries	-80.8	-610.2	-119.7	-285.5	592.6	-189.1	-2,887.6	50.0	-259.3	24.6	41.0	12.2
Net profit (controlling)	-9.6	-66.2	-43.9	-222.4	49.3	296.7	78.7	-53.6	-88.4	542.1	0.7	30.5
Margin (%)												
Operation profit	6.5	5.3	6.1	5.3	7.7	9.0	6.1	4.4	5.9	6.7	6.6	7.7
Parent-based	5.9	4.8	4.9	5.0	6.9	7.0	4.5	3.0	5.3	5.4	5.1	6.2
Consolidated subsidiaries	25.9	13.7	23.6	10.1	33.0	48.6	29.9	29.9	18.1	34.4	30.2	30.7
Net profit	2.9	1.1	1.4	-4.5	4.6	4.5	2.0	-1.9	0.4	2.3	2.3	3.0
Parent-based	2.7	4.1	1.1	0.0	2.6	2.1	9.4	4.4	2.1	4.4	5.3	6.5
Consolidated subsidiaries	8.6	-48.4	4.8	-91.6	65.9	52.9	-106.6	-116.7	-33.2	-39.9	-45.3	-50.2
Net profit (Controlling)	2.9	1.1	1.4	-4.5	4.6	4.5	2.0	-1.9	0.4	2.3	2.3	3.0
<Basic assumptions>												
Dubai Oil (USD/barrel)	75.8	66.1	68.4	63.3	74.7	88.4	77.3	72.6	68.4	78.3	71.2	70.8
LNG Japan/Korea Marker (USD/Mmbtu)	12.0	11.6	11.2	10.6	10.7	10.9	11.9	13.9	11.4	11.8	11.7	11.3
Exchange rate (USD/KRW)	1,452.6	1,400.9	1,386.9	1,452.0	1,467.1	1,501.8	1,475.0	1,410.0	1,423.1	1,463.5	1,334.0	1,273.3

Source: Company data, Samsung securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**38,389**	**35,727**	**37,295**	**37,546**	**36,966**
Cost of goods sold	34,976	33,167	34,297	34,564	33,589
Gross profit	**3,413**	**2,560**	**2,998**	**2,982**	**3,376**
Gross margin (%)	8.9	7.2	8.0	7.9	9.1
SG&A expenses	409	459	485	505	528
Operating profit	**3,003**	**2,101**	**2,513**	**2,477**	**2,848**
Operating margin (%)	7.8	5.9	6.7	6.6	7.7
Non-operating gains (losses)	**-1,366**	**-1,705**	**-1,349**	**-1,294**	**-1,304**
Financial profit	2,070	1,084	3,102	2,827	2,483
Financial costs	3,441	2,318	4,272	3,757	3,537
Equity-method gains (losses)	137	98	224	141	150
Other	-132	-569	-404	-504	-400
Pre-tax profit	**1,638**	**396**	**1,163**	**1,183**	**1,544**
Taxes	489	264	310	323	422
Effective tax rate (%)	29.8	66.6	26.6	27.3	27.3
Profit from continuing operations	1,149	132	854	860	1,122
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,149**	**132**	**854**	**860**	**1,122**
Net margin (%)	3.0	0.4	2.3	2.3	3.0
Net profit (controlling interests)	1,147	133	854	860	1,122
Net profit (non-controlling interests)	2	(1)	0	0	0
EBITDA	4,986	4,025	4,454	4,435	4,824
EBITDA margin (%)	13.0	11.3	11.9	11.8	13.0
EPS (parent-based) (KRW)	14,862	3,641	14,841	14,285	16,913
EPS (consolidated) (KRW)	12,447	1,433	9,249	9,314	12,158
Adjusted EPS (KRW)*	14,862	3,641	14,841	14,285	16,913

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**16,969**	**13,634**	**16,961**	**19,762**	**22,915**
Cash & equivalents	929	1,147	2,887	4,944	7,943
Accounts receivable	6,867	6,060	6,349	6,687	6,573
Inventories	4,605	3,346	4,347	4,421	4,324
Other current assets	4,567	3,082	3,379	3,710	4,075
Fixed assets	**40,701**	**39,993**	**41,158**	**40,253**	**39,508**
Investment assets	2,572	2,268	14,380	13,169	12,078
Tangible assets	23,008	22,834	25,289	25,633	25,972
Intangible assets	1,670	1,429	1,429	1,429	1,429
Other long-term assets	13,450	13,463	59	22	28
Total assets	**57,670**	**53,628**	**58,119**	**60,015**	**62,423**
Current liabilities	**21,267**	**17,237**	**17,439**	**17,245**	**17,187**
Accounts payable	1,963	1,954	2,258	2,181	2,244
Short-term debt	10,081	7,078	7,078	7,078	7,078
Other current liabilities	9,222	8,206	8,102	7,986	7,865
Long-term liabilities	**25,577**	**25,592**	**29,076**	**30,541**	**32,162**
Bonds & long-term debt	21,386	21,760	21,099	20,399	19,699
Other long-term liabilities	4,191	3,832	7,977	10,142	12,463
Total liabilities	**46,843**	**42,829**	**46,518**	**47,789**	**49,353**
Owners of parent equity	**10,829**	**10,802**	**11,604**	**12,230**	**13,074**
Capital stock	462	462	462	462	462
Capital surplus	1,355	1,355	1,355	1,355	1,355
Retained earnings	7,780	7,776	8,269	8,895	9,739
Other	1,233	1,210	1,518	1,518	1,518
Non-controlling interests' equity	**-3**	**-3**	**-3**	**-3**	**-3**
Total equity	**10,826**	**10,799**	**11,600**	**12,226**	**13,070**
Net debt	38,179	33,913	31,180	28,123	24,123

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**3,630**	**6,539**	**4,735**	**5,232**	**6,210**
Net profit	1,149	132	854	860	1,122
Non-cash profit and expenses	4,262	3,935	4,799	4,817	4,785
Depreciation	1,864	1,803	1,941	1,958	1,975
Amortization	119	121	121	121	121
Other	2,279	2,011	2,737	2,738	2,689
Changes in A/L from operating activities	-479	3,588	-918	-445	303
Cash flow from investments	**-1,747**	**-2,256**	**-1,713**	**-1,759**	**-1,750**
Change in tangible assets	-1,660	-1,984	-1,625	-1,636	-1,611
Change in financial assets	-417	388	49	49	49
Other	330	-660	-138	-173	-188
Cash flow from financing	**-1,837**	**-4,056**	**-1,273**	**-1,407**	**-1,452**
Change in debt	-256	-4,152	-999	-1,000	-1,000
Change in equity	-664	0	0	0	0
Dividends	-26	-127	0	0	0
Other	-891	223	-274	-407	-452
Change in cash	149	218	1,740	2,057	3,000
Cash at beginning of year	781	929	1,147	2,887	4,944
Cash at end of year	929	1,147	2,887	4,944	7,943
Gross cash flow	**5,411**	**4,067**	**5,653**	**5,677**	**5,907**
Free cash flow	**1,964**	**4,552**	**3,103**	**3,588**	**4,592**

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

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-13.8	-6.9	4.4	0.7	-1.5
Operating profit	93.3	-30.0	19.6	-1.4	15.0
Net profit	nm	-88.5	545.6	0.7	30.5
Adjusted EPS**	nm	-75.5	307.6	-3.8	18.4
Per-share data (KRW)					
EPS (parent-based)	14,862	3,641	14,841	14,285	16,913
EPS (consolidated)	12,447	1,433	9,249	9,314	12,158
Adjusted EPS**	14,862	3,641	14,841	14,285	16,913
BVPS	111,980	117,654	121,584	129,053	137,013
DPS (common)	1,455	1,154	2,535	3,016	3,641
Valuations (x)					
P/E***	2.4	9.8	2.4	2.5	2.1
P/B***	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	8.3	9.2	7.7	7.1	5.7
Ratios (%)					
ROE	13.3	3.1	12.2	11.1	0.0
ROA	2.4	0.6	2.4	2.2	2.5
ROIC	4.3	1.5	4.6	5.2	5.9
Payout ratio	11.1	75.7	25.9	30.6	28.3
Dividend yield (common)	4.2	2.9	7.1	8.4	10.2
Net debt to equity	362.2	325.9	268.8	230.0	184.6
Interest coverage (x)	2.0	1.7	2.2	2.7	3.4

Compliance notice

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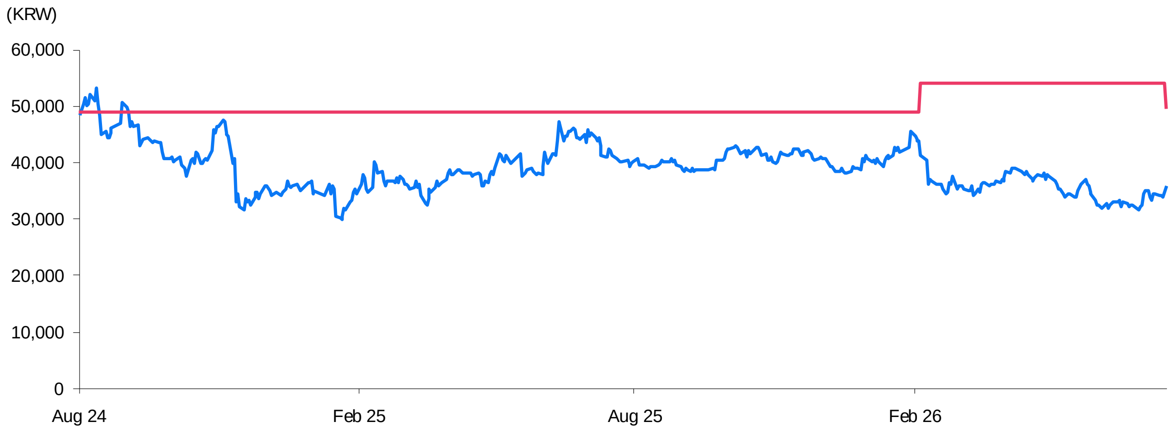
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/8/14	2024/8/12	2025/8/12	2026/2/27	8/10
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	36000	49000	49000	54000	50000
Gap* (average)	-17.11	-18.58	-16.96	-34.41	
(max or min)**	76.39	8.78	-6.94	-24.81	

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 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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General

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