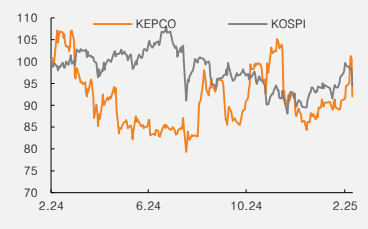


(Maintain)	<b>Buy</b>
Target price	<b>W27,000</b>
Current price (2/28/25)	W21,350
Upside	26.5%

OP (24P, Wbn)	8,349
Consensus OP (24F, Wbn)	8,792
EPS growth (24P, %)	TTB
Market EPS growth (24F, %)	68.2
P/E (24P, x)	3.6
Market P/E (24F, x)	10.8
KOSPI	2,532.78
Market cap (Wbn)	13,706
Shares (mn)	642
Free float (%)	45.7
Foreign ownership (%)	16.0
Beta (12M)	0.24
52-week low (W)	18,400
52-week high (W)	24,850
(%)	<b>1M</b> <b>6M</b> <b>12M</b>
Absolute	1.7   -5.3   -12.9
Relative	1.8   0.5   -8.7



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# KEPCO

## Valuation expected to normalize

### 4Q24 review: Solid results despite one-off costs

KEPCO's 4Q24 revenue expanded 7.1% YoY to W24.13tr, driven by growth in electricity sales revenue (+4.7% YoY). While electricity sales volume remained sluggish, particularly in the industrial segment (-1.3% YoY), overall top-line growth was supported by last year's industrial electricity tariff hike (+9.7%).

Operating profit increased 25.7% YoY to W2.4tr. Cost pressures eased on declines in fuel costs (-7.7% YoY) and power purchasing costs (-1.5% YoY). However, higher costs from overseas projects (e.g., the Egypt nuclear power project), maintenance costs for new assets, and additional provisions related to nuclear power plant restoration pushed up other operating expenses by W974.7bn (+28.7% YoY). For the full year, KEPCO posted consolidated net profit of W3.62tr and standalone net profit of W835.9bn (swinging to black YoY). Of note, net debt shrank to W125tr as of end-2024 (-2.5% vs. end-2023), backed by earnings improvements.

### Costs stabilizing as normalization continues

KEPCO's earnings recovery is likely to continue due to the continued effects of last year's industrial electricity tariff hike along with ongoing cost stabilization. Despite the rise in the USD/KRW rate, LNG prices are projected to decline to the low-W1mn/tonne range.

In 2025, nuclear power utilization is likely to improve to the mid-80% level, offsetting the decline in coal power generation. Although some reactors are approaching the end of their operational lives, the share of nuclear power in the energy mix is likely to remain stable. That said, the chance of a further rate hike in the near term seems low due to weak regulatory momentum (amid the current political environment) and KEPCO's recovering earnings.

### Maintain Buy: Valuation to normalize

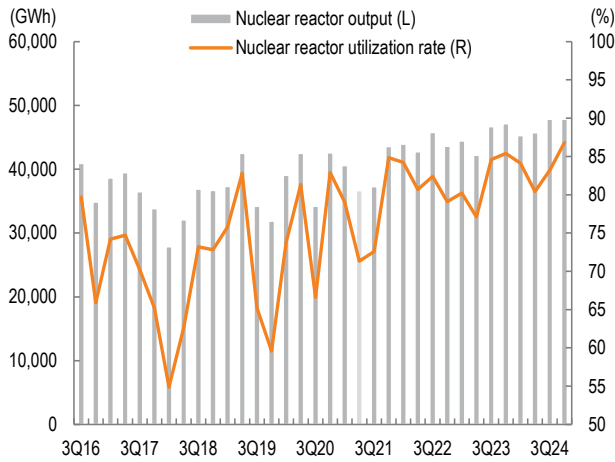
We reiterate our Buy rating and target price of W27,000 on KEPCO. Despite improved earnings, shares have pulled back on disappointment over dividends (W214 per share, 1% yield) and concerns over rising UAE project-related costs. The stock is trading at a 2025F P/B of 0.3x. Given KEPCO's ongoing improvement in financials and sustained earnings growth, we believe P/B will normalize to the historical average level of 0.4x.

(Dec.)	2022	2023	2024P	2025F	2026F
Revenue (Wbn)	71,258	88,219	94,001	94,193	96,110
OP (Wbn)	-32,655	-4,542	8,349	9,716	10,012
OP margin (%)	-45.8	-5.1	8.9	10.3	10.4
NP (Wbn)	-24,467	-4,823	3,550	3,433	3,755
EPS (W)	-38,112	-7,512	5,530	5,348	5,849
ROE (%)	-46.9	-12.6	9.4	8.4	8.4
P/E (x)	-	-	3.6	4.0	3.7
P/B (x)	0.3	0.3	0.3	0.3	0.3
Dividend yield (%)	0.0	0.0	1.1	1.4	1.4

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent  
Source: Company data, Mirae Asset Securities Research estimates

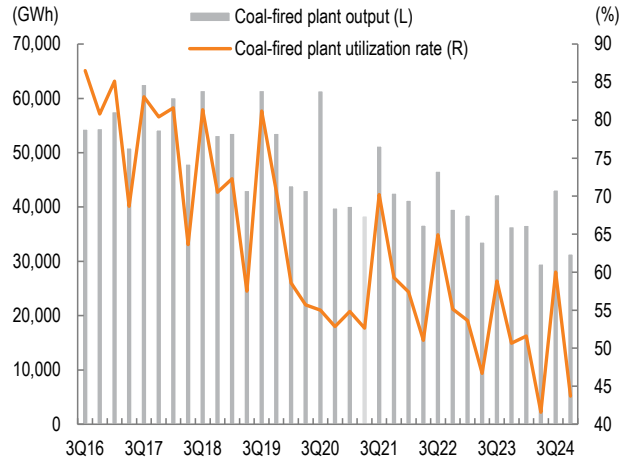


**Figure 1. Nuclear reactor output vs. utilization rate**



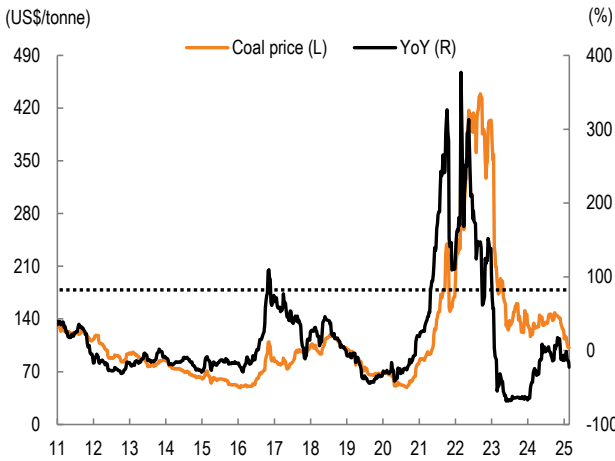
Source: Company data, Mirae Asset Securities Research

**Figure 2. Coal-fired plant output vs. utilization rate**



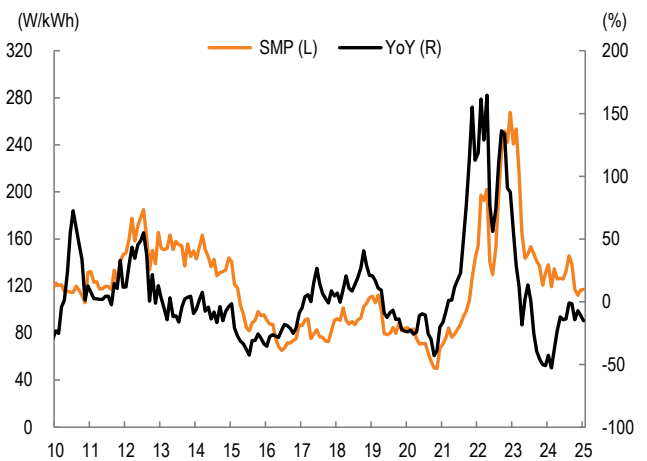
Source: Company data, Mirae Asset Securities Research

**Figure 3. Coal price trend**



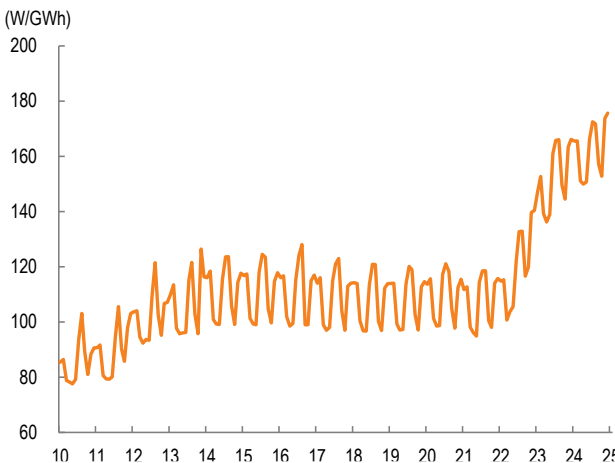
Source: Bloomberg, Mirae Asset Securities Research

**Figure 4. SMP trend**



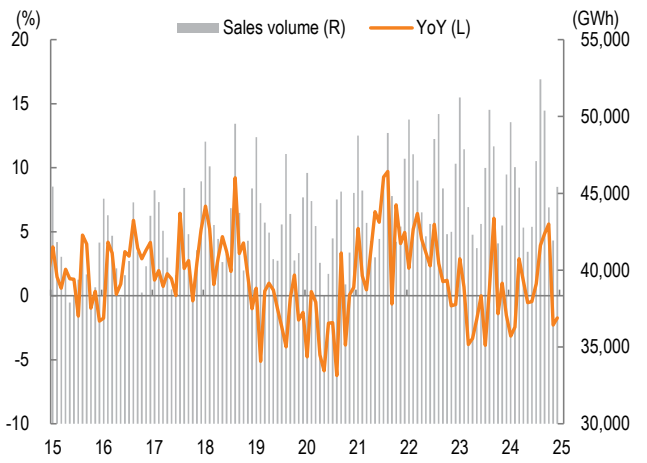
Source: KPX, Mirae Asset Securities Research

**Figure 5. Electricity selling price**



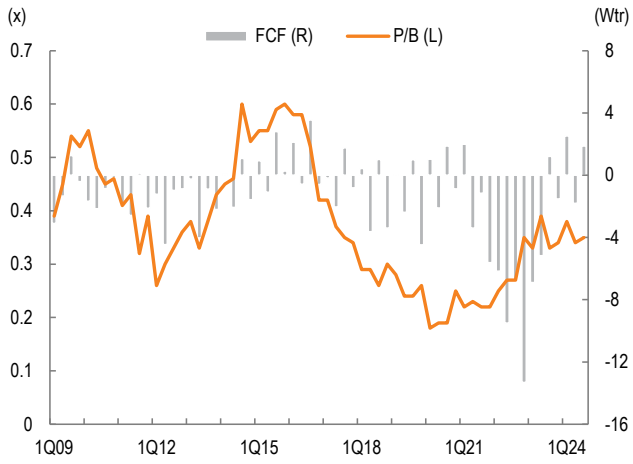
Source: Company data, Mirae Asset Securities Research

**Figure 6. Electricity sales volume**



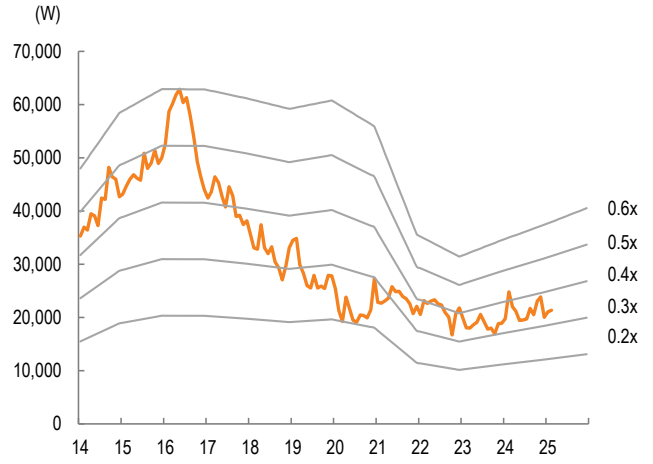
Source: Company data, Mirae Asset Securities Research

Figure 7. P/B vs. FCF



Source: QuantiWise, Mirae Asset Securities Research

Figure 8. P/B band chart



Source: QuantiWise, Mirae Asset Securities Research





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