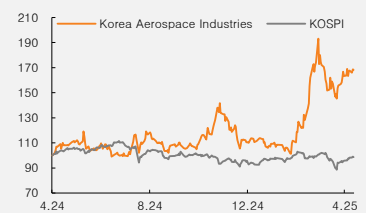


| | |
|-------------------------|-------------------|
| (Maintain) | Buy |
| Target price | ▲ W100,000 |
| Current price (4/30/25) | W82,800 |
| Upside | 20.8% |

| | |
|----------------------------|----------|
| OP (25F, Wbn) | 309 |
| Consensus OP (25F, Wbn) | 325 |
| EPS growth (25F, %) | 39.6 |
| Market EPS growth (25F, %) | 25.9 |
| P/E (25F, x) | 33.6 |
| Market P/E (25F, x) | 9.2 |
| KOSPI | 2,556.61 |

| | |
|-----------------------|--------|
| Market cap (Wbn) | 8,071 |
| Shares (mn) | 97 |
| Free float (%) | 72.2 |
| Foreign ownership (%) | 35.2 |
| Beta (12M) | 0.53 |
| 52-week low (W) | 48,750 |
| 52-week high (W) | 95,000 |

| (%) | 1M | 6M | 12M |
|----------|------|------|------|
| Absolute | 10.8 | 38.0 | 59.8 |
| Relative | 10.9 | 40.0 | 68.3 |



Mirae Asset Securities Co., Ltd.

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Korea Aerospace Industries

Looking to 2026

1Q25 review: OP misses consensus by 21.4%

For 1Q25, Korea Aerospace Industries (KAI) posted revenue of W699.3bn (-5.5% YoY; 15.7% below the consensus) and operating profit of W46.8bn (-2.5% YoY; 21.4% below the consensus). The consensus miss was mainly caused by higher development expenses and fewer aircraft deliveries. That said, we view the revenue contraction as temporary, given that the first quarter is traditionally a slow season and most aircraft deliveries are scheduled for 2H25. There were no one-off items in the quarter. While work on the Iraqi base reconstruction project will soon be completed (with progress standing at 99.8%), KAI will continue to provide warranty repair/maintenance services for one year afterward; that said, the company has already set aside related provisions, limiting the risk of additional provisioning.

Significant earnings and order growth potential in 2026

While 1Q25 earnings were lower than expected, we still expect the company to comfortably meet its 2025 revenue guidance of W4tr (+12.5% YoY; vs. consensus of W4.1tr). Management also reaffirmed its 2025 export targets, including W1tr for the FA-50 (the Philippines), W1.7tr for Surion helicopters (the Middle East), and W400bn for KT-1 trainer jets (Indonesia). Looking to 2026, the company expects to sign large-scale FA-50 deals with Egypt (36 units), Peru (24 units), Colombia (24 units), Uzbekistan (14 units), and Slovakia (10 units); there is also potential for a positive surprise if any of these contracts are signed earlier (i.e., in 2025).

In 2026, we forecast top- and bottom-line growth to accelerate, with revenue and operating profit reaching W5.97tr (+48.4% YoY) and W509.7bn (+64.8% YoY; OP margin of 8.5%), respectively. Deliveries should increase markedly at home and abroad, driven by: 1) mass production of the KF-21 and light armed helicopters; and 2) increased aircraft exports. All in all, the long-term growth trajectory remains intact.

Lift TP by 31.6% to W100,000; maintain Buy

We maintain our Buy rating on KAI and lift our target price to W100,000 (from W76,000). Our target price is based on a P/B of 4.2x (up from 3.6x previously) and our 2026 BPS estimate of W23,100 (vs. 2025–26F avg. BPS of W21,371 previously). We changed our valuation base to 2026 to reflect the meaningful earnings growth expected from next year and also removed the previous 15% discount due to growing expectations for aircraft exports. Additionally, we revised up our operating profit forecasts by 1.1% for 2025 and 8.7% for 2026.

| (Dec.) | 2023 | 2024 | 2025F | 2026F | 2027F |
|--------------------|-------|-------|-------|-------|-------|
| Revenue (Wbn) | 3,819 | 3,634 | 4,020 | 5,965 | 6,527 |
| OP (Wbn) | 248 | 241 | 309 | 510 | 605 |
| OP margin (%) | 6.5 | 6.6 | 7.7 | 8.5 | 9.3 |
| NP (Wbn) | 224 | 172 | 240 | 403 | 483 |
| EPS (W) | 2,298 | 1,765 | 2,464 | 4,135 | 4,957 |
| ROE (%) | 14.8 | 10.4 | 13.3 | 19.4 | 19.6 |
| P/E (x) | 21.8 | 31.1 | 33.6 | 20.0 | 16.7 |
| P/B (x) | 3.1 | 3.1 | 4.3 | 3.6 | 3.0 |
| Dividend yield (%) | 1.0 | 0.9 | 0.6 | 0.6 | 0.6 |

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

Table 1. 1Q25 review

(Wbn)

| | 1Q24 | 4Q24 | 1Q25 | | | Mirae Asset | Diff. | Consensus | Diff. |
|----------------------------------|------|-------|--------|---------|---------|-------------|-------|-----------|-------|
| | | | Actual | QoQ (%) | YoY (%) | | | | |
| Revenue | 740 | 1,095 | 699 | -36.1 | -5.5 | 826 | -15.4 | 830 | -15.7 |
| OP | 48 | 42 | 47 | 11.1 | -2.5 | 54 | -14.0 | 60 | -21.4 |
| NP attr. to owners of the parent | 37 | 12 | 30 | 154.4 | -17.8 | 41 | -26.2 | 48 | -37.7 |
| OP margin (%) | 6.5 | 3.8 | 6.7 | 2.8 | 0.2 | 6.6 | 0.1 | 7.2 | -0.5 |
| Net margin (%) | 5.0 | 1.1 | 4.3 | 3.2 | -0.6 | 4.9 | -0.6 | 5.8 | -1.5 |
| Revenue by business | | | | | | | | | |
| Domestic | 439 | 727 | 322 | -55.7 | -26.6 | | | | |
| Aircraft exports | 91 | 156 | 171 | 9.8 | 88.9 | | | | |
| Aircraft parts | 205 | 204 | 200 | -2.2 | -2.6 | | | | |
| Defense share (%) | 71.5 | 80.7 | 70.5 | | | | | | |

Source: Company data, QuantiWise, Mirae Asset Securities Research

Table 2. Earning forecast revisions

(Wbn)

| | Revised | | | Previous | | | % chg. | | |
|--|---------|--------|--------|----------|--------|--------|--------|-------|--------|
| | 2025F | 2026F | 2027F | 2025F | 2026F | 2027F | 2025F | 2026F | 2027F |
| Order backlog | 28,287 | 32,974 | 36,067 | 27,553 | 32,071 | 32,794 | 2.7% | 2.8% | 10.0% |
| Order backlog/revenue (years) | 7.0 | 5.5 | 5.5 | 6.8 | 5.7 | 4.8 | 3.7% | -2.8% | 15.1% |
| New orders | 8,490 | 10,625 | 9,595 | 8,458 | 10,128 | 8,882 | 0.4% | 4.9% | 8.0% |
| New orders/revenue (years) | 2.1 | 1.8 | 1.5 | 2.1 | 1.8 | 1.3 | 1.3% | -0.8% | 13.1% |
| Revenue | 4,020 | 5,965 | 6,527 | 4,059 | 5,640 | 6,832 | -1.0% | 5.8% | -4.5% |
| OP | 309 | 510 | 605 | 306 | 469 | 634 | 1.1% | 8.7% | -4.5% |
| OP margin (%) | 7.7 | 8.5 | 9.3 | 7.5 | 8.3 | 9.3 | 0.2%p | 0.2%p | 0.0%p |
| NP attr. to owners of the parent | 240 | 403 | 483 | 247 | 382 | 517 | -2.4% | 5.5% | -6.5% |
| Net margin attr. to owners of the parent (%) | 6.0 | 6.8 | 7.4 | 6.1 | 6.8 | 7.6 | -0.1%p | 0.0%p | -0.2%p |
| EPS (W) | 2,464 | 4,135 | 4,957 | 2,559 | 3,958 | 5,357 | -3.3% | 4.5% | -7.5% |

Source: Mirae Asset Securities Research

Table 3. Quarterly and annual earnings

(Wbn)

| | | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25F | 3Q25F | 4Q25F | 2024 | 2025F | 2026F | 2027F |
|--|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Order backlog | Total | 21,280 | 23,259 | 22,408 | 24,699 | 24,257 | 24,899 | 27,333 | 28,287 | 24,699 | 28,287 | 32,974 | 54,575 |
| | Domestic | 8,687 | 9,744 | 9,337 | 9,113 | 8,917 | 9,190 | 10,195 | 10,675 | 9,113 | 10,675 | 12,793 | 29,178 |
| | Aircraft exports | 5,216 | 5,102 | 4,864 | 5,292 | 5,223 | 5,507 | 6,840 | 6,684 | 5,292 | 6,684 | 8,662 | 13,300 |
| | Aircraft parts | 7,377 | 8,414 | 8,208 | 10,295 | 10,117 | 10,202 | 10,298 | 10,929 | 10,295 | 10,929 | 11,518 | 12,097 |
| Revenue | Total | 740 | 892 | 907 | 1,095 | 699.3 | 849 | 1,102 | 1,370 | 3,634 | 4,020 | 5,965 | 6,527 |
| | Domestic | 439 | 498 | 442.6 | 727 | 322 | 419 | 494 | 558 | 2,107 | 1,794 | 2,961 | 3,519 |
| | Aircraft exports | 91 | 151 | 243.4 | 156 | 171 | 178 | 367 | 556 | 640 | 1,272 | 1,938 | 1,850 |
| | Aircraft parts | 205 | 231 | 211.2 | 204 | 200 | 245 | 234 | 249 | 851 | 928 | 1,040 | 1,132 |
| Growth (%) | Total | 30.1 | 21.6 | -9.9 | -27.5 | -5.5 | -4.8 | 21.5 | 25.1 | -4.9 | 10.6 | 48.4 | 9.4 |
| | Domestic | 20.7 | 2.4 | -10.9 | 21.5 | -26.6 | -15.9 | 11.7 | -23.3 | 8.3 | -14.9 | 65.1 | 18.9 |
| | Aircraft exports | 233.1 | 182.0 | -21.8 | -76.2 | 88.9 | 18.3 | 50.8 | 256.9 | -38.8 | 98.7 | 52.3 | -4.5 |
| | Aircraft parts | 17.2 | 22.4 | 8.1 | -17.5 | -2.6 | 6.0 | 10.9 | 22.2 | 5.6 | 9.0 | 12.1 | 8.8 |
| OP | | 48 | 74 | 76 | 42 | 47 | 61 | 90 | 112 | 241 | 309 | 510 | 605 |
| YoY (%) | | 147.5 | 785.6 | 16.7 | -72.7 | -2.5 | -17.6 | 17.7 | 164.7 | -2.7 | 28.5 | 64.8 | 18.8 |
| OP margin (%) | | 6.5 | 8.3 | 8.4 | 3.8 | 6.7 | 7.2 | 8.1 | 8.1 | 6.6 | 7.7 | 8.5 | 9.3 |
| NP attr. to owners of the parent | | 37 | 55 | 68 | 12 | 30 | 44 | 76 | 91 | 172 | 241 | 403 | 483 |
| YoY (%) | | 19.6 | 418.0 | 28.4 | -90.9 | -17.8 | -20.8 | 11.2 | 671.0 | -23.2 | 40.1 | 67.2 | 19.9 |
| Net margin attr. to owners of the parent (%) | | 5.0 | 6.2 | 7.5 | 1.1 | 4.3 | 5.2 | 6.9 | 6.7 | 4.7 | 6.0 | 6.8 | 7.4 |

Source: Company data, Mirae Asset Securities Research estimates

Table 4. TP calculation

| | Value | Notes |
|----------------|---------|--|
| TP (W) | 100,000 | |
| CP (W) | 82,800 | |
| Upside (%) | 20.8 | |
| Target P/B (x) | 4.2 | 2013-16 avg. P/B (vs. 3.6x previously; 15% discount removed) |
| BPS (W) | 23,100 | 2026F BPS (vs. 2025-26F avg. BPS previously) |
| ROE (%) | 19.4 | 2026F ROE |

Source: Mirae Asset Securities Research

Korea Aerospace Industries (047810 KS)

Income statement (summarized)

| (Wbn) | 2024 | 2025F | 2026F | 2027F |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Revenue | 3,634 | 4,020 | 5,965 | 6,527 |
| Cost of revenue | 3,152 | 3,434 | 5,056 | 5,529 |
| GP | 482 | 586 | 909 | 998 |
| SG&A expenses | 241 | 277 | 399 | 393 |
| OP (adj.) | 241 | 309 | 510 | 605 |
| OP | 241 | 309 | 510 | 605 |
| Non-operating profit | -44 | -18 | -18 | -17 |
| Net financial income | -23 | -27 | -23 | 2 |
| Net income from associates | -2 | 11 | 5 | -20 |
| Pretax profit | 197 | 291 | 492 | 588 |
| Income tax | 26 | 48 | 84 | 99 |
| Profit from continuing operations | 171 | 243 | 408 | 489 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 |
| NP | 171 | 243 | 408 | 489 |
| Attributable to owners | 172 | 240 | 403 | 483 |
| Attributable to minority interests | -1 | 3 | 5 | 6 |
| Total comprehensive income | 156 | 243 | 408 | 489 |
| Attributable to owners | 157 | 294 | 493 | 591 |
| Attributable to minority interests | -1 | -51 | -85 | -102 |
| EBITDA | 345 | 391 | 591 | 715 |
| FCF | -889 | 633 | 350 | 202 |
| EBITDA margin (%) | 9.5 | 9.7 | 9.9 | 11.0 |
| OP margin (%) | 6.6 | 7.7 | 8.5 | 9.3 |
| Net margin (%) | 4.7 | 6.0 | 6.8 | 7.4 |

Balance sheet (summarized)

| (Wbn) | 2024 | 2025F | 2026F | 2027F |
|--------------------------------------|--------------|--------------|--------------|---------------|
| Current assets | 5,439 | 5,696 | 6,598 | 7,276 |
| Cash & equivalents | 115 | 424 | 434 | 593 |
| AR & other receivables | 428 | 406 | 551 | 599 |
| Inventory | 2,359 | 2,019 | 2,505 | 2,720 |
| Other current assets | 2,537 | 2,847 | 3,108 | 3,364 |
| Non-current assets | 2,587 | 2,647 | 2,818 | 3,133 |
| Investments in associates | 15 | 18 | 25 | 27 |
| PP&E | 913 | 879 | 954 | 1,288 |
| Intangible assets | 846 | 935 | 1,020 | 997 |
| Total assets | 8,026 | 8,343 | 9,417 | 10,409 |
| Current liabilities | 4,915 | 5,017 | 5,521 | 5,977 |
| AP & other payables | 629 | 472 | 658 | 714 |
| Short-term financial liabilities | 448 | 322 | 227 | 227 |
| Other current liabilities | 3,838 | 4,223 | 4,636 | 5,036 |
| Non-current liabilities | 1,384 | 1,405 | 1,615 | 1,711 |
| Long-term financial liabilities | 626 | 591 | 499 | 499 |
| Other non-current liabilities | 758 | 814 | 1,116 | 1,212 |
| Total liabilities | 6,298 | 6,422 | 7,136 | 7,688 |
| Equity attributable to owners | 1,706 | 1,897 | 2,252 | 2,686 |
| Capital stock | 487 | 487 | 487 | 487 |
| Capital surplus | 128 | 128 | 128 | 128 |
| Retained earnings | 1,111 | 1,303 | 1,657 | 2,091 |
| Minority interests | 21 | 24 | 29 | 35 |
| Shareholders' equity | 1,727 | 1,921 | 2,281 | 2,721 |

Cash flow statement (summarized)

| (Wbn) | 2024 | 2025F | 2026F | 2027F |
|--|-------------|-------------|-------------|-------------|
| Operating cash flow | -728 | 673 | 497 | 622 |
| NP | 171 | 243 | 408 | 489 |
| Non-cash income/expenses | 271 | 170 | 189 | 206 |
| Depreciation | 82 | 62 | 59 | 86 |
| Amortization | 22 | 20 | 22 | 23 |
| Other | 167 | 88 | 108 | 97 |
| Chg. in working capital | -1,166 | 335 | 8 | 24 |
| Chg. in AR & other receivables | -6 | 26 | -133 | -44 |
| Chg. in inventory | -629 | 340 | -486 | -216 |
| Chg. in AP & other payables | 150 | -178 | 132 | 39 |
| Income tax | 0 | -48 | -84 | -99 |
| Cash flow from investing activities | -189 | -128 | -245 | -413 |
| Chg. in PP&E | -161 | -28 | -135 | -420 |
| Chg. in intangible assets | -86 | -109 | -107 | 0 |
| Chg. in financial assets | 102 | -1 | -3 | 7 |
| Other | -44 | 10 | 0 | 0 |
| Cash flow from financing activities | 369 | -228 | -235 | -48 |
| Chg. in financial liabilities | 436 | -162 | -186 | 1 |
| Chg. in equity | 0 | 0 | 0 | 0 |
| Dividends | -49 | -49 | -49 | -49 |
| Other | -18 | -17 | 0 | 0 |
| Chg. in cash | -543 | 310 | 10 | 159 |
| Beginning balance | 658 | 115 | 424 | 434 |
| Ending balance | 115 | 424 | 434 | 593 |

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

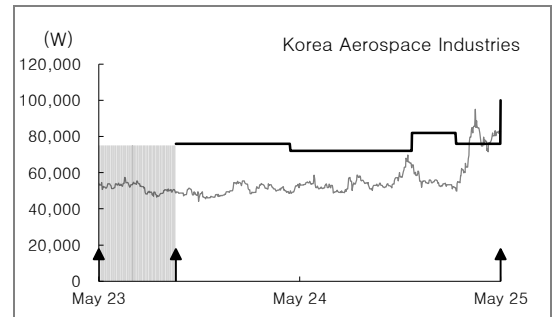
| | 2024 | 2025F | 2026F | 2027F |
|------------------------------|--------|--------|--------|--------|
| P/E (x) | 31.1 | 33.6 | 20.0 | 16.7 |
| P/CF (x) | 12.1 | 19.5 | 13.5 | 11.6 |
| P/B (x) | 3.1 | 4.3 | 3.6 | 3.0 |
| EV/EBITDA (x) | 18.3 | 19.4 | 12.1 | 9.5 |
| EPS (W) | 1,765 | 2,464 | 4,135 | 4,957 |
| CFPS (W) | 4,531 | 4,240 | 6,119 | 7,130 |
| BPS (W) | 17,500 | 19,465 | 23,100 | 27,557 |
| DPS (W) | 500 | 500 | 500 | 500 |
| Dividend payout ratio (%) | 28.5 | 20.1 | 12.0 | 10.0 |
| Dividend yield (%) | 0.9 | 0.9 | 0.9 | 0.9 |
| Revenue growth (%) | -4.9 | 10.6 | 48.4 | 9.4 |
| EBITDA growth (%) | -6.5 | 13.6 | 51.0 | 20.9 |
| OP growth (%) | -2.7 | 28.5 | 64.8 | 18.8 |
| EPS growth (%) | -23.2 | 39.6 | 67.8 | 19.9 |
| AR turnover (x) | 9.7 | 10.4 | 13.6 | 12.4 |
| Inventory turnover (x) | 1.8 | 1.8 | 2.6 | 2.5 |
| AP turnover (x) | 7.4 | 8.3 | 12.9 | 11.6 |
| ROA (%) | 2.3 | 3.0 | 4.6 | 4.9 |
| ROE (%) | 10.4 | 13.3 | 19.4 | 19.6 |
| ROIC (%) | 8.2 | 8.8 | 13.9 | 14.5 |
| Debt-to-equity ratio (%) | 364.7 | 334.2 | 312.9 | 282.6 |
| Current ratio (x) | 110.7 | 113.5 | 119.5 | 121.7 |
| Net debt-to-equity ratio (%) | 55.0 | -24.2 | -37.4 | -51.3 |
| Interest coverage ratio (x) | 7.2 | 5.9 | 10.8 | 16.6 |

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

| Company | Date | Rating | TP (W) |
|-------------------------------------|----------|-------------|---------|
| Korea Aerospace Industries (047810) | 05/02/25 | Buy | 100,000 |
| | 02/10/25 | Buy | 76,000 |
| | 11/22/24 | Buy | 82,000 |
| | 04/15/24 | Buy | 72,000 |
| | 09/20/23 | Buy | 76,000 |
| | 09/14/22 | No Coverage | |



Stock ratings

| | |
|-------------|--|
| Buy | Expected 12-month performance: +20% or greater |
| Trading Buy | Expected 12-month performance: +10% to +20% |
| Hold | Expected 12-month performance: -10% to +10% |
| Sell | Expected 12-month performance: -10% or worse |

Sector ratings

| | |
|-------------|--|
| Overweight | Expected to outperform the market over 12 months |
| Neutral | Expected to perform in line with the market over 12 months |
| Underweight | Expected to underperform the market over 12 months |

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

| | Buy | Trading Buy | Hold | Sell |
|-----------------------------|--------|-------------|--------|-------|
| Ratings distribution | 83.98% | 6.63% | 8.84% | 0.55% |
| Investment banking services | 88.24% | 0% | 11.76% | 0% |

* Based on recommendations in the last 12-months (as of March 31, 2025)

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