MIRAE ASSET Securities

Equity Research
May 12, 2025

030200 KS · Telecom Services

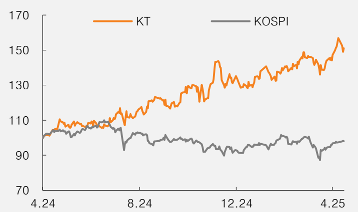
KT

Strong on all fronts

(Upgrade)	Buy
Target price	▲ W65,000
Current price (5/9/25)	W51,500
Upside	26.2%

OP (25F, Wbn)	2,314
Consensus OP (25F, Wbn)	2,443
EPS growth (25F, %)	214.7
Market EPS growth (25F, %)	25.2
P/E (25F, x)	8.3
Market P/E (25F, x)	9.3
KOSPI	2,577.27
Market cap (Wbn)	12,979
Shares (mn)	252
Free float (%)	61.3
Foreign ownership (%)	49.0
Beta (12M)	-0.03
52-week low (W)	35,650
52-week high (W)	53,500

(%)	1M	6M	12M
Absolute	11.1	25.3	44.5
Relative	-1.1	24.5	52.0



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In-line 1Q25 results; focus on solid shareholder returns and AI expansion

For 1Q25, KT announced consolidated revenue of W6.85tr (+2.9% YoY) and operating profit of W689bn (+36% YoY), in line with the consensus estimates. The wireless division maintained steady growth, while KT Cloud saw revenue jump more than 40% YoY, leading growth among subsidiaries. Following through on its shareholder return plan announced last year, KT raised its DPS for 1Q25 by 20% YoY to W600 (translating to a full-year DPS of at least W2,400) and is currently conducting a W250bn share buyback. Ongoing efforts to streamline non-core assets and low-margin businesses are contributing to ROE improvement. Looking ahead, KT's increasingly visible moves in AI are likely to generate tangible results, driving positive momentum.

KT Cloud beats expectations; three new data centers set to open this year

In 1Q25, wireless revenue grew 1% YoY, with 5G penetration reaching 78.9% and MVNO expansion continuing. In the B2B services division, revenue remained flat YoY due to the recent exit from unprofitable ventures. However, KT Cloud's revenue jumped 42% YoY to W249.1bn, beating our estimate by over 15% and easing concerns about B2B competitiveness. The surprise was driven by: 1) higher data center utilization by global customers; and 2) revenue recognition for design/construction work on new data centers set to open soon. This year, KT plans to open data centers in North Gyeongsang Province (10MW), Gasan (40MW), and Bucheon (80MW), which should support continued revenue growth.

Upgrade to Buy (from Trading Buy) and raise TP by 8.3% to W65,000

We expect KT's AI initiatives to show tangible results in 2H25. Most notably, the company plans to launch a Korea-specific AI model in July as part of its partnership with Microsoft (which began last year). The firm also intends to announce additional global partnerships (including expanded collaboration with Palantir) and is considering expanding into overseas markets such as Southeast Asia. Through these efforts, the company aims to grow its AI transformation (AX) revenue to W3tr by 2028, including W1.3tr from the Microsoft collaboration, W1.5tr from enterprise/public sector contracts, and W0.2tr from new B2C/media services.

We raise our target price for KT to W65,000 (from W60,000), reflecting improved earnings and a reduction in net debt. Our target price is based on a target EV/EBITDA of 3.8x. With a dividend yield of over 4.7%, we view KT as one of the safest defensive plays.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	25,650	26,376	26,431	27,403	28,064
OP (Wbn)	1,690	1,650	809	2,314	2,030
OP margin (%)	6.6	6.3	3.1	8.4	7.2
NP (Wbn)	1,262	1,010	503	1,569	1,140
EPS (W)	4,835	3,887	1,978	6,224	4,524
ROE (%)	8.0	6.1	3.0	9.1	6.4
P/E (x)	7.0	8.9	22.2	8.3	11.4
P/B (x)	0.5	0.5	0.6	0.7	0.7
Dividend yield (%)	5.8	5.7	4.6	4.7	4.7

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 (consolidated) (Wbn)

	1Q24	4Q24	1Q25					Growth	
			Actual	Mirae Asset	Diff.	Consensus	Diff.	YoY	QoQ
Operating revenue	6,655	6,576	6,845	7,026	*-2.6%*	6,953	*-1.6%*	*2.9%*	*4.1%*
OP	507	-655	689	671	*2.6%*	677	*1.7%*	*36.0%*	*-205.1%*
NP attr. to owners of the parent	376	-663	567	517	*9.6%*	474	*19.5%*	*50.9%*	*-185.5%*

Source: Company data, FnGuide, Mirae Asset Securities Research

Table 2. Quarterly earnings and forecasts (consolidated) (Wbn)

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25F	3Q25F	4Q25F
Operating revenue (consolidated)	**6,654.6**	**6,546.4**	**6,654.6**	**6,575.6**	**6,845.1**	**7,208.2**	**6,640.9**	**6,708.5**
YoY growth	*3.3%*	*0.0%*	*-0.6%*	*-1.7%*	*2.9%*	*10.1%*	*-0.2%*	*2.0%*
KT (standalone)	**4,694.8**	**4,548.3**	**4,765.0**	**4,571.6**	**4,682.0**	**4,658.8**	**4,913.2**	**4,721.3**
YoY growth	*1.6%*	*1.4%*	*0.1%*	*-0.4%*	*-0.3%*	*2.4%*	*3.1%*	*3.3%*
Wireless	1,736.5	1,765.1	1,740.0	1,717.8	1,753.1	1,792.0	1,790.5	1,767.7
YoY growth	*1.7%*	*2.5%*	*1.9%*	*-0.8%*	*1.0%*	*1.5%*	*2.9%*	*2.9%*
Fixed-line	1,322.4	1,316.6	1,312.6	1,317.1	1,311.7	1,317.3	1,323.2	1,328.2
YoY growth	*1.0%*	*-0.3%*	*-1.3%*	*0.4%*	*-0.8%*	*0.1%*	*0.8%*	*0.8%*
Internet	620.8	618.5	622.2	625.4	628.7	635.0	636.3	637.5
Media	518.6	522.6	518.2	523.2	519.2	520.1	526.4	531.7
B2B services	895.0	882.7	926.4	856.5	892.2	923.4	970.2	923.2
YoY growth	*5.0%*	*-1.0%*	*2.5%*	*5.3%*	*-0.3%*	*4.6%*	*4.7%*	*7.8%*
Handsets	654.2	500.3	696.0	575.8	637.5	515.3	709.9	598.8
Subsidiaries	**2,954.7**	**3,286.9**	**3,041.9**	**3,518.3**	**3,111.7**	**3,691.2**	**2,934.3**	**3,302.1**
YoY growth	*6.2%*	*-2.9%*	*-0.2%*	*8.6%*	*5.3%*	*12.3%*	*-3.5%*	*-6.1%*
BC Card	935.6	977.7	931.4	961.1	872.0	948.4	912.8	951.5
YoY growth	*-1.8%*	*-6.8%*	*-6.5%*	*-6.4%*	*-6.8%*	*-3.0%*	*-2.0%*	*-1.0%*
KT Skylife	254.4	254.6	256.9	257.0	242.9	249.5	251.8	251.9
YoY growth	*-0.2%*	*-2.6%*	*-1.4%*	*-2.0%*	*-4.5%*	*-2.0%*	*-2.0%*	*-2.0%*
Content subsidiary	138.6	135.4	156.2	165.4	143.7	128.6	148.4	157.1
YoY growth	*-2.7%*	*-14.7%*	*-18.3%*	*-15.0%*	*3.7%*	*-5.0%*	*-5.0%*	*-5.0%*
KT Estate	135.7	155.8	147.5	165.9	137.3	160.5	149.0	174.2
YoY growth	*20.3%*	*7.2%*	*3.7%*	*-14.5%*	*1.2%*	*3.0%*	*1.0%*	*5.0%*
KT Cloud	175.2	180.1	207.0	221.0	249.1	244.1	253.0	255.6
YoY growth	*17.8%*	*17.1%*	*6.8%*	*21.4%*	*42.2%*	*35.5%*	*22.2%*	*15.7%*
Operating expenses (consolidated)	**6,148.1**	**6,052.4**	**6,190.5**	**7,230.7**	**6,156.3**	**6,393.9**	**6,239.0**	**6,299.7**
Wages	1,100.9	1,213.0	1,118.3	2,189.6	1,121.8	1,222.5	1,169.5	1,168.8
Selling	559.1	554.4	568.3	569.1	568.7	594.4	581.3	632.6
Depreciation	973.7	966.2	964.8	973.1	968.7	920.7	916.7	907.9
OP (consolidated)	**506.5**	**494.0**	**464.1**	**-655.1**	**688.8**	**814.3**	**401.8**	**408.9**
OP margin	*7.6%*	*7.5%*	*7.0%*	*-10.0%*	*10.1%*	*11.3%*	*6.1%*	*6.1%*
EBITDA	**1,480.2**	**1,460.2**	**1,428.9**	**318.0**	**1,657.5**	**1,735.0**	**1,318.5**	**1,316.7**
NP attr. to owners of the parent	**375.5**	**393.1**	**357.4**	**-663.0**	**566.8**	**800.9**	**148.7**	**42.6**
OP (standalone)	**393.8**	**358.9**	**338.9**	**-745.0**	**400.1**	**410.5**	**563.1**	**367.5**
OP margin	*8.4%*	*7.9%*	*7.1%*	*-16.3%*	*8.5%*	*8.8%*	*11.5%*	*7.8%*

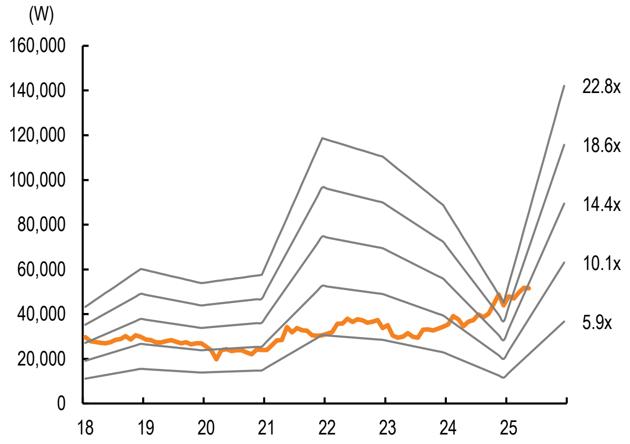
Source: Company data, Mirae Asset Securities Research

Table 3. Annual earnings and forecasts (consolidated) (Wbn)

	2017	2018	2019	2020	2021	2022	2023	2024	2025F	2026F
Operating revenue (consolidated)	**23,387.4**	**23,751.8**	**24,342.1**	**23,916.7**	**24,898.0**	**25,650.1**	**26,376.2**	**26,431.2**	**27,402.7**	**28,064.0**
YoY growth	-	*1.6%*	*2.5%*	*-1.7%*	*4.1%*	*3.0%*	*2.8%*	*0.2%*	*3.7%*	*2.4%*
KT (standalone)	**17,341.3**	**17,356.6**	**18,204.7**	**17,879.2**	**18,387.3**	**18,289.1**	**18,457.2**	**18,579.7**	**18,975.3**	**19,498.0**
YoY growth	-	*0.1%*	*4.9%*	*-1.8%*	*2.8%*	*-0.5%*	*0.9%*	*0.7%*	*2.1%*	*2.8%*
Wireless	7,203.3	7,040.9	5,908.7	5,952.3	6,092.4	6,713.4	6,869.7	6,959.4	7,103.3	7,248.2
YoY growth	-	*-2.3%*	*-16.1%*	*0.7%*	*2.4%*	*10.2%*	*2.3%*	*1.3%*	*2.1%*	*2.0%*
Fixed-line	-	-	-	-	-	5,220.2	5,271.1	5,268.7	5,280.4	5,361.5
YoY growth	-	-	-	-	-	-	*1.0%*	*0.0%*	*0.2%*	*1.5%*
Internet	2,012.6	2,050.0	2,224.5	2,267.0	2,317.8	2,393.0	2,456.5	2,486.9	2,537.5	2,597.7
Media	2,238.5	2,449.2	1,658.7	1,826.8	1,938.7	2,011.0	2,038.5	2,082.6	2,097.4	2,143.7
B2B services	-	-	-	-	2,733.7	3,393.8	3,460.4	3,560.6	3,709.0	3,935.5
YoY growth	-	-	-	-	-	*24.1%*	*2.0%*	*2.9%*	*4.2%*	*6.1%*
Handsets	-	-	3,267.1	2,793.1	2,883.3	2,522.0	2,524.7	2,426.3	2,461.6	2,497.9
Subsidiaries	**-**	**-**	**10,022.0**	**10,064.1**	**11,100.7**	**12,646.3**	**12,455.8**	**12,801.8**	**13,039.3**	**13,195.8**
YoY growth	-	-	-	*0.4%*	*10.3%*	*13.9%*	*-1.5%*	*2.8%*	*1.9%*	*1.2%*
BC Card	3,528.4	3,444.9	3,536.5	3,386.3	3,579.6	3,895.7	4,025.0	3,805.8	3,684.6	3,793.3
YoY growth	-	*-2.4%*	*2.7%*	*-4.2%*	*5.7%*	*8.8%*	*3.3%*	*-5.4%*	*-3.2%*	*2.9%*
KT Skylife	-		694.6	698.7	763.2	1,034.2	1,038.8	1,022.9	996.0	976.1
YoY growth	-	-	-	*0.6%*	*9.2%*	*35.5%*	*0.4%*	*-1.5%*	*-2.6%*	*-2.0%*
Content subsidiary	-	-	704.2	772.1	430.4	650.3	687.0	595.6	577.9	583.6
YoY growth	-	-	-	*9.6%*	*-44.3%*	*51.1%*	*5.6%*	*-13.3%*	*-3.0%*	*1.0%*
KT Estate	-	-	485.2	364.5	576.7	488.3	594.5	604.9	620.9	611.3
YoY growth	-	-	-	*-24.9%*	*58.2%*	*-15.3%*	*21.7%*	*1.7%*	*2.7%*	*-1.6%*
KT Cloud	-	-	358.5	390.9	455.9	432.1	603.8	766.9	1,001.8	1,258.1
YoY growth	-	-	-	*9.0%*	*16.6%*	*-5.2%*	*39.7%*	*27.0%*	*30.6%*	*25.6%*
Operating expenses (consolidated)	**22,011.6**	**22,198.6**	**23,191.0**	**22,737.6**	**23,226.1**	**23,960.0**	**24,737.3**	**25,621.7**	**25,088.9**	**26,033.6**
Wages	3,568.0	3,845.8	3,951.1	4,123.7	4,215.8	4,495.9	4,549.4	5,621.8	4,682.6	4,645.8
Selling	2,243.7	2,034.1	2,277.9	2,435.9	2,425.7	2,469.3	2,503.9	2,409.6	2,376.9	2,463.3
Depreciation	3,364.5	3,281.8	3,638.8	3,633.7	3,607.7	3,655.9	3,810.1	3,877.8	3,713.9	3,652.3
OP (consolidated)	**1,375.8**	**1,553.2**	**1,151.1**	**1,179.1**	**1,671.9**	**1,795.9**	**1,638.9**	**809.5**	**2,313.8**	**2,030.3**
OP margin	*5.9%*	*6.5%*	*4.7%*	*4.9%*	*6.7%*	*7.0%*	*6.2%*	*3.1%*	*8.4%*	*7.2%*
EBITDA	**4,740.3**	**4,835.0**	**4,789.9**	**4,812.8**	**5,279.6**	**5,451.8**	**5,449.0**	**4,687.3**	**6,027.7**	**5,682.6**

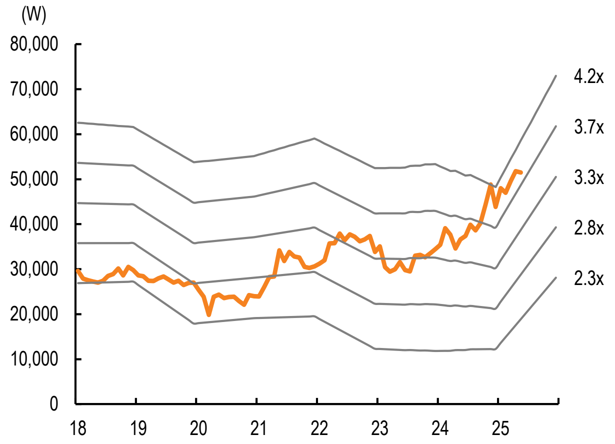
Source: Company data, Mirae Asset Securities Research

Figure 1. P/E band chart



Source: QuantiWise, Mirae Asset Securities Research

Figure 2. EV/EBITDA band chart



Source: QuantiWise, Mirae Asset Securities Research

Table 4. Valuation table (Wbn)

	Value	Notes
12MF EBITDA	5,888	
Target EV/EBITDA	3.8	30% premium to 3Y avg. EV/EBITDA
Operating value	22,493	
(Net debt)	6,218	2025F
EV	16,275	
TP (W)	65,000	
CP (W)	51,500	
Upside (%)	26.2	

Source: Mirae Asset Securities Research

KT (030200 KS)

Income statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Revenue	**26,376**	**26,431**	**27,403**	**28,064**
Cost of revenue	**0**	**0**	**0**	**0**
GP	**26,376**	**26,431**	**27,403**	**28,064**
SG&A expenses	**24,726**	**25,622**	**25,089**	**26,034**
OP (adj.)	**1,650**	**809**	**2,314**	**2,030**
OP	**1,650**	**809**	**2,314**	**2,030**
Non-operating profit	**-326**	**-191**	**-504**	**-928**
Net financial income	-77	-23	-22	-22
Net income from associates	-43	8	-308	-400
Pretax profit	1,324	618	1,810	1,102
Income tax	335	168	96	-8
Profit from continuing operations	989	450	1,559	1,110
Profit from discontinued operations	0	0	0	0
NP	**989**	**450**	**1,559**	**1,110**
Attributable to owners	1,010	503	1,569	1,140
Attributable to minority interests	-21	-53	-9	-30
Total comprehensive income	**996**	**662**	**1,559**	**1,110**
Attributable to owners	1,014	620	1,486	1,058
Attributable to minority interests	-17	42	73	52
EBITDA	5,518	4,680	5,829	5,345
FCF	1,810	1,235	1,703	1,360
EBITDA margin (%)	20.9	17.7	21.3	19.0
OP margin (%)	6.3	3.1	8.4	7.2
Net margin (%)	3.8	1.9	5.7	4.1

Balance sheet (summarized)

(Wbn)	2023	2024	2025F	2026F
Current assets	**14,518**	**14,281**	**12,870**	**12,507**
Cash & equivalents	2,880	3,939	2,325	1,753
AR & other receivables	3,258	3,203	3,268	3,334
Inventory	912	897	915	934
Other current assets	7,468	6,242	6,362	6,486
Non-current assets	**28,192**	**27,621**	**27,140**	**26,659**
Investments in associates	1,557	1,531	1,562	1,593
PP&E	14,872	14,783	14,768	14,630
Intangible assets	2,534	2,037	1,538	1,161
Total assets	**42,710**	**41,902**	**40,010**	**39,166**
Current liabilities	**13,147**	**14,279**	**12,979**	**11,684**
AP & other payables	1,298	1,276	1,302	1,328
Short-term financial liabilities	3,689	4,978	3,491	2,003
Other current liabilities	8,160	8,025	8,186	8,353
Non-current liabilities	**11,001**	**9,046**	**7,590**	**7,635**
Long-term financial liabilities	8,785	6,867	5,367	5,367
Other non-current liabilities	2,216	2,179	2,223	2,268
Total liabilities	**24,149**	**23,325**	**20,569**	**19,319**
Equity attributable to owners	**16,749**	**16,810**	**17,682**	**18,118**
Capital stock	1,564	1,564	1,564	1,564
Capital surplus	1,443	1,443	1,443	1,443
Retained earnings	14,494	13,929	14,802	15,238
Minority interests	**1,812**	**1,768**	**1,759**	**1,729**
Shareholders' equity	**18,561**	**18,578**	**19,441**	**19,847**

Cash flow statement (summarized)

(Wbn)	2023	2024	2025F	2026F
Operating cash flow	**5,503**	**4,458**	**4,903**	**4,560**
NP	989	450	1,559	1,110
Non-cash income/expenses	5,005	4,458	3,720	3,826
Depreciation	3,176	3,228	3,016	2,938
Amortization	692	642	499	377
Other	1,137	588	205	511
Chg. in working capital	-246	-193	29	30
Chg. in AR & other receivables	-124	-221	-65	-66
Chg. in inventory	-250	22	-18	-19
Chg. in AP & other payables	122	-49	26	26
Income tax	-304	-330	-447	-447
Cash flow from investing activities	**-4,621**	**-2,068**	**-3,003**	**-3,309**
Chg. in PP&E	-3,593	-3,187	-3,200	-3,200
Chg. in intangible assets	-472	-387	0	0
Chg. in financial assets	32	3	-3	-3
Other	-588	1,503	200	-106
Cash flow from financing activities	**-453**	**-1,781**	**-3,261**	**-2,191**
Chg. in financial liabilities	874	-629	-2,987	-1,487
Chg. in equity	3	0	0	0
Dividends	-527	-492	-696	-704
Other	-803	-660	422	0
Chg. in cash	**430**	**1,059**	**-1,614**	**-571**
Beginning balance	2,449	2,880	3,939	2,325
Ending balance	2,880	3,939	2,325	1,753

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

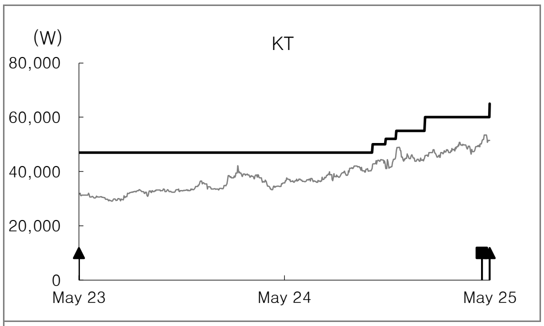
	2023	2024	2025F	2026F
P/E (x)	8.9	22.2	8.3	11.4
P/CF (x)	1.5	2.3	2.5	2.6
P/B (x)	0.5	0.6	0.7	0.7
EV/EBITDA (x)	3.7	4.4	3.6	3.7
EPS (W)	3,887	1,978	6,224	4,524
CFPS (W)	23,068	19,304	20,948	19,587
BPS (W)	66,498	67,554	71,017	72,747
DPS (W)	1,960	2,000	2,400	2,400
Dividend payout ratio (%)	48.8	189.1	37.8	53.2
Dividend yield (%)	5.7	4.6	5.4	5.4
Revenue growth (%)	2.8	0.2	3.7	2.4
EBITDA growth (%)	2.2	-15.2	24.6	-8.3
OP growth (%)	-2.4	-50.9	185.8	-12.3
EPS growth (%)	-19.6	-49.1	214.7	-27.3
AR turnover (x)	8.3	8.2	8.5	8.5
Inventory turnover (x)	32.5	29.2	30.2	30.4
AP turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	2.4	1.1	3.8	2.8
ROE (%)	6.1	3.0	9.1	6.4
ROIC (%)	5.6	2.5	10.6	10.1
Debt-to-equity ratio (%)	130.1	125.6	105.8	97.3
Current ratio (%)	110.4	100.0	99.2	107.0
Net debt-to-equity ratio (%)	51.4	40.9	32.0	26.7
Interest coverage ratio (x)	4.6	2.5	7.2	6.3

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
KT (030200)	05/12/25	Buy	65,000
	04/28/25	Trading Buy	60,000
	01/17/25	Buy	60,000
	11/27/24	Buy	55,000
	11/08/24	Buy	52,000
	10/16/24	Buy	50,000
	10/25/23	One year	47,000
	10/25/22	Buy	47,000



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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