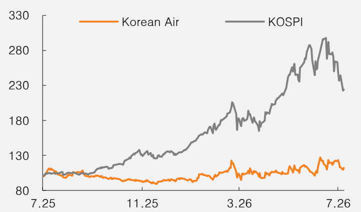
Equity Research
July 14, 2026

(Maintain)	Buy
Target price	▲ W33,000
Current price (7/14/26)	W26,500
Upside	24.5%

OP (26F, Wbn)	1,247
Consensus OP (26F, Wbn)	867
EPS growth (26F, %)	-65.0
Market EPS growth (26F, %)	261.0
P/E (26F, x)	35.9
Market P/E (26F, x)	7.0
KOSPI	6,856.83
Market cap (Wbn)	9,758
Shares (mn)	389
Free float (%)	67.3
Foreign ownership (%)	22.2
Beta (12M)	0.60
52-week low (W)	21,000
52-week high (W)	30,000

(%)	1M	6M	12M
Absolute	-0.4	14.7	1.0
Relative	18.0	-21.0	-52.9



Mirae Asset Securities Co., Ltd.

Jay JH Ryu

003490 KS · Transportation/Logistics

Korean Air

Expectations rising as fundamentals improve

2Q26 review: Strong cargo performance mitigates fuel cost burden

For 2Q26, Korean Air reported standalone revenue of W5,019.9bn (+25.9% YoY). Passenger revenue (W2,847.9bn; +18.8% YoY) was driven by solid inbound and transfer demand, which offset weaker outbound demand from Korea resulting from higher fuel surcharges. Cargo revenue (W1,541.9bn; +46.1% YoY) improved sharply, driven by growing AI-related investment, semiconductor demand, and strong K-beauty exports.

Standalone operating profit came in at W261.8bn. Although subsidiaries likely posted losses, we estimate that consolidated operating profit was close to breakeven, which would represent a better-than-expected result. While a YoY decline in earnings was unavoidable due to a surge in fuel costs (W1,999bn; +111% YoY), strong cargo profitability helped cushion the impact. Cargo yield rose sharply to W703 (+41.8% YoY), supported by high-value cargo demand, favorable supply/demand conditions, and surcharges. The firm posted a net loss, partly due to W97.3bn in FX translation losses.

Expectations rising for 2H26; one step closer to becoming a mega carrier

Despite external uncertainties, expectations for 2H26 are likely to build. Outbound demand from Korea, which has remained relatively subdued, is likely to rebound in earnest with the arrival of the Chuseok holiday and peak travel season. Lower fuel surcharges amid a stabilization in oil prices should also be supportive.

Expectations are also likely to build ahead of the official integration of Korean Air and Asiana Airlines in December. Korean Air recently submitted an amended registration statement at the request of the FSS and is providing additional details such as the plan for integrating the two airlines' mileage programs. As the risk of additional merger-related costs appears limited, investor focus should increasingly shift toward the synergies expected from the launch of the mega carrier in 2027. The integration of five airlines (including low-cost carriers) will result in a combined fleet of roughly 280 aircraft, and we estimate the initial impact of merger synergies at W300bn annually.

Maintain Buy and raise TP to W33,000

We maintain our Buy rating on Korean Air and lift our target price from W31,000 to W33,000 (based on a P/B of 1.1x). The stock remains our top pick in the transportation sector. Despite surging oil prices and a sharply weaker won, the firm has remained profitable through disciplined risk management and its diversified business structure. Nevertheless, at just 0.8x P/B, the stock remains undervalued in both absolute and historical terms. We see further upside as expectations surrounding the mega-carrier integration build in 2H26.

(Dec.)	2024	2025	2026F	2027F	2028F
Revenue (Wbn)	17,871	25,226	29,940	30,043	30,609
OP (Wbn)	2,110	1,114	1,247	1,721	1,737
OP margin (%)	11.8	4.4	4.2	5.7	5.7
NP (Wbn)	1,317	780	273	698	798
EPS (W)	3,567	2,111	738	1,891	2,162
ROE (%)	13.2	7.3	2.5	6.0	6.4
P/E (x)	6.3	10.7	35.9	14.0	12.3
P/B (x)	0.8	0.8	0.9	0.8	0.8
Dividend yield (%)	3.3	3.3	2.8	2.8	2.8

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

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Table 1. 2Q26 review (Wbn, %, %p)

	2Q25	1Q26	2Q26P			Growth	
			Preliminary	Mirae Asset Securities	Consensus	YoY	QoQ
Revenue	6,211	6,658	7,878	7,493	6,884	26.9	18.3
OP	370	517	2	38	-221	-99.4	-99.6
OP margin (%)	6.0	7.8	0.0	0.5	-3.2	-5.9	-7.7
Pretax profit	779	47	-256	-74	-306	TTR	TTR
NP	485	122	-171	-53	-156	TTR	TTR

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

Table 2. Earnings forecast revisions (Wbn, %)

	Previous		Revised		% chg.		Notes
	26F	27F	26F	27F	26F	27F	
Revenue	29,963	30,172	29,940	30,043	-0.1	-0.4	
OP	1,010	1,608	1,247	1,721	23.5	7.0	Stable oil prices and lower labor expense burden
Pretax profit	317	949	326	1,109	2.7	16.8	FX-related losses
NP	226	676	273	698	20.6	3.3	
EPS (W)	612	1,831	738	1,891	20.6	3.3	

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

Table 3. Quarterly and annual earnings (Wbn, %)

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26F	4Q26F	2025	2026F	2027F
Revenue	6,492	6,211	6,027	6,496	6,658	7,878	7,646	7,757	25,226	29,940	30,043
OP	431	370	158	155	517	2	415	313	1,114	1,247	1,721
Pretax profit	452	779	-334	-74	47	-256	303	232	823	326	1,109
NP	285	485	-119	129	122	-171	182	139	780	273	698
OP margin (%)	6.6	6.0	2.6	2.4	7.8	0.0	5.4	4.0	4.4	4.2	5.7
Pretax margin (%)	7.0	12.5	-5.5	-1.1	0.7	-3.3	4.0	3.0	3.3	1.1	3.7
Net margin (%)	4.4	7.8	-4.6	0.3	0.5	-2.2	2.4	1.8	3.1	0.9	2.3
Int'l passenger RPK growth (%, YoY)	4.5	-0.2	0.4	2.2	3.8	7.7	8.3	5.0	1.7	6.2	-3.6
Int'l passenger L/F (%)	84.9	85.0	84.0	83.8	88.5	87.1	84.3	84.6	84.4	86.0	84.9
Int'l cargo RFTK growth (%, YoY)	-5.6	-5.0	-2.1	-1.5	1.8	3.1	0.7	2.8	-3.6	2.1	3.8
Int'l cargo L/F (%)	70.5	72.3	71.3	70.4	70.2	71.3	71.4	72.0	71.1	71.2	71.8

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

Korean Air (003490 KS)

Income statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Revenue	**25,226**	**29,940**	**30,043**	**30,609**
Cost of revenue	**21,550**	**26,256**	**25,934**	**26,325**
GP	**3,676**	**3,684**	**4,109**	**4,284**
SG&A expenses	**2,562**	**2,437**	**2,388**	**2,547**
OP (adj.)	**1,114**	**1,247**	**1,721**	**1,737**
OP	**1,114**	**1,247**	**1,721**	**1,737**
Non-operating profit	**-291**	**-921**	**-612**	**-470**
Net financial income	-558	-630	-620	-378
Net income from associates	22	21	20	20
Pretax profit	823	326	1,109	1,267
Income tax	176	134	236	269
Profit from continuing operations	647	192	873	998
Profit from discontinued operations	0	0	0	0
NP	**647**	**192**	**873**	**998**
Attributable to owners	780	273	698	798
Attributable to minority interests	-132	-81	175	200
Total comprehensive income	**631**	**258**	**873**	**998**
Attributable to owners	783	486	1,649	1,885
Attributable to minority interests	-152	-229	-776	-887
EBITDA	3,969	3,728	4,062	4,135
FCF	-214	1,665	1,593	2,754
EBITDA margin (%)	15.7	12.5	13.5	13.5
OP margin (%)	4.4	4.2	5.7	5.7
Net margin (%)	3.1	0.9	2.3	2.6

Balance sheet (summarized)

(Wbn)	2025	2026F	2027F	2028F
Current assets	**9,709**	**11,200**	**11,909**	**14,039**
Cash & equivalents	1,870	1,843	2,336	4,109
AR & other receivables	1,202	1,436	1,469	1,524
Inventory	1,449	1,730	1,770	1,836
Other current assets	5,188	6,191	6,334	6,570
Non-current assets	**40,697**	**42,057**	**42,534**	**41,986**
Investments in associates	173	207	211	219
PP&E	32,944	34,109	34,669	34,183
Intangible assets	2,986	2,875	2,773	2,681
Total assets	**50,406**	**53,257**	**54,444**	**56,025**
Current liabilities	**15,081**	**15,995**	**16,218**	**16,586**
AP & other payables	893	1,066	1,091	1,132
Short-term financial liabilities	5,689	6,384	6,385	6,386
Other current liabilities	8,499	8,545	8,742	9,068
Non-current liabilities	**23,866**	**25,732**	**25,641**	**25,676**
Long-term financial liabilities	16,841	17,343	17,058	16,773
Other non-current liabilities	7,025	8,389	8,583	8,903
Total liabilities	**38,947**	**41,727**	**41,859**	**42,262**
Equity attributable to owners	**10,954**	**11,113**	**11,993**	**12,971**
Capital stock	1,847	1,847	1,957	2,067
Capital surplus	4,145	4,144	4,492	4,840
Retained earnings	3,949	3,945	4,366	4,888
Minority interests	**505**	**418**	**592**	**792**
Shareholders' equity	**11,459**	**11,531**	**12,585**	**13,763**

Cash flow statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Operating cash flow	**4,075**	**4,290**	**4,393**	**4,574**
NP	647	192	873	998
Non-cash income/expenses	4,238	3,886	3,177	3,026
Depreciation	2,738	2,368	2,239	2,306
Amortization	117	113	102	92
Other	1,383	1,405	836	628
Chg. in working capital	-646	163	303	499
Chg. in AR & other receivables	55	-92	-30	-49
Chg. in inventory	-173	-223	-40	-66
Chg. in AP & other payables	62	140	9	15
Income tax	-537	-221	-236	-269
Cash flow from investing activities	**-2,340**	**-3,086**	**-2,916**	**-2,011**
Chg. in PP&E	-4,156	-2,621	-2,800	-1,820
Chg. in intangible assets	-7	-1	0	0
Chg. in financial assets	1,202	-813	-116	-191
Other	621	349	0	0
Cash flow from financing activities	**-2,137**	**-1,340**	**-1,000**	**-802**
Chg. in financial liabilities	3,061	1,198	-284	-283
Chg. in equity	-1	0	458	458
Dividends	-289	-2	-277	-277
Other	-4,908	-2,536	-897	-700
Chg. in cash	**-346**	**-27**	**493**	**1,773**
Beginning balance	2,216	1,870	1,843	2,336
Ending balance	1,870	1,843	2,336	4,109

Key valuation metrics/ratios

	2025	2026F	2027F	2028F
P/E (x)	10.7	35.9	14.0	12.3
P/CF (x)	1.7	2.4	2.4	2.4
P/B (x)	0.8	0.9	0.8	0.8
EV/EBITDA (x)	6.5	7.4	6.6	6.0
EPS (W)	2,111	738	1,891	2,162
CFPS (W)	13,226	11,040	10,966	10,895
BPS (W)	29,659	30,090	32,470	35,121
DPS (W)	750	750	750	750
Dividend payout ratio (%)	42.7	143.9	31.6	27.7
Dividend yield (%)	3.3	2.9	2.9	2.9
Revenue growth (%)	41.2	18.7	0.3	1.9
EBITDA growth (%)	1.6	-6.1	9.0	1.8
OP growth (%)	-47.2	12.0	38.0	1.0
EPS growth (%)	-40.8	-65.0	156.1	14.3
AR turnover (x)	21.5	25.1	22.9	22.6
Inventory turnover (x)	19.3	18.8	17.2	17.0
AP turnover (x)	62.8	71.5	64.1	63.2
ROA (%)	1.3	0.4	1.6	1.8
ROE (%)	7.3	2.5	6.0	6.4
ROIC (%)	2.9	2.3	4.0	4.0
Debt-to-equity ratio (%)	339.9	361.9	332.6	307.1
Current ratio (%)	64.4	70.0	73.4	84.6
Net debt-to-equity ratio (%)	148.0	151.3	131.7	104.2
Interest coverage ratio (x)	1.4	1.4	1.9	2.5

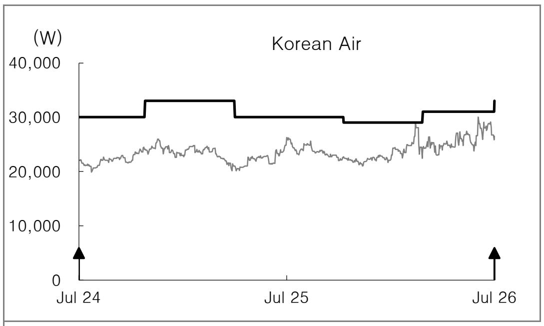
Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
Korean Air (003490)	07/14/26	Buy	33,000
	03/10/26	Buy	31,000
	10/22/25	Buy	29,000
	04/14/25	Buy	30,000
	11/07/24	Buy	33,000
	01/31/24	Buy	30,000



Stock ratings		Sector ratings	
Buy	Expected 12-month return: +20% or greater	Overweight	Expected to outperform the market over 12 months
Hold	Expected 12-month return: Greater than -10% and less than +10%	Neutral	Expected to perform in line with the market over 12 months
Sell	Expected 12-month return: -10% or less	Underweight	Expected to underperform the market over 12 months

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.
Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

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	83.02%	0%	16.35%	0.63%
Investment banking services	86.67%	0%	13.33%	0%

* Based on recommendations in the last 12-months (as of June 30, 2026)

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