

Korea Electric Power Corp. (015760 KR)

FUNDAMENTAL VIEW ¹

As of 22 Mar 2024

- KEPCO is the sole integrated electricity utility company and a quasi-sovereign credit in Korea. Its credit profile is underpinned by the extremely high level of government support due to its critical policy role in ensuring the nation's stable power supply.
- KEPCO's operating and net losses narrowed in FY23 thanks to electricity tariff hikes alongside lower fuel costs and its EBITDA turned around.
- Its total debt/EBITDA and net debt/EBITDA was elevated at 18.2x/17.7x as of YE23 due to high debt burdens, and we expect its leverage metrics to improve from FY23 but remain at 7-9x due to large capex planned in FY24 and FY25 to develop its nuclear, LNG and renewable capacities.

RISKS & CATALYSTS

As of 22 Mar 2024

- Key risks to KEPCO's standalone credit profile include: 1) higher-than-expected fuel costs due to continued increase of international prices of coal, natural gas and oil as well as a significant depreciation of the KRW against the \$; (2) inability to pass through high fuel costs due to insufficient tariff adjustment; and (3) higher-than-expected capex and investments related to Korea's green transition.
- However, we do not foresee these risks to materially impair KEPCO's ability to access funding, credit rating and overall credit profile as we expect KEPCO to continue receiving an extremely high level of support from the Korean government.
- KEPCO's exposure to nuclear power operations and coal-fired power generation may post ESG concerns for investors with an ESG mandate. But this risk exposure is partially alleviated by the company's gradual shift towards renewable energy.

CREDIT QUALITY SCORE (CQS)²

As of 20 Feb 2025

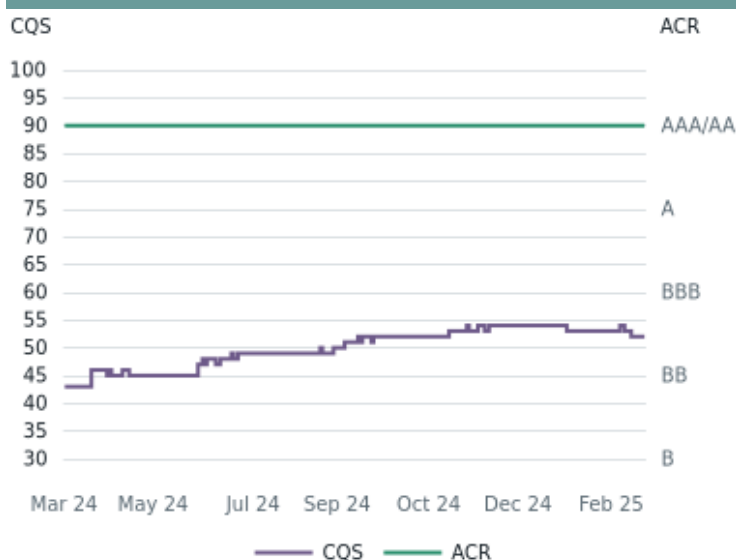
CURRENT CQS

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CQS OUTLOOK ³



HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 22 Mar 2024

KRW BN	FY19	FY20	FY21	FY22	FY23
Debt to Book Cap	55.2%	55.3%	60.1%	76.9%	80.5%
Net Debt to Book Cap	54.0%	54.1%	58.7%	75.3%	78.4%
Debt/Total Equity	1.2x	1.2x	1.5x	3.3x	4.1x
Debt/Total Assets	42.9%	43.0%	46.7%	59.6%	64.3%
Gross Leverage	8.7x	5.6x	16.5x	-6.9x	18.2x
Net Leverage	8.5x	5.5x	16.1x	-6.8x	17.7x
Interest Coverage	4.8x	7.8x	3.1x	-7.2x	1.9x
EBITDA Margin	16.5%	26.5%	9.8%	(28.3%)	9.6%

BUSINESS DESCRIPTION

As of 22 Mar 2024

- KEPCO is a quasi-sovereign credit and the sole integrated electric utilities company in Korea. The company was founded in 1898, 51% majority owned and controlled by the Korean government and Korean Development Bank, and listed on the Korea Stock Exchange/NYSE in 1989/1994.
- KEPCO is the sole provider of electricity transmission & distribution infrastructure and services, and controls ~60% of the nation's installed generation capacity and ~70% of power generation through its six wholly owned gencos: Korea Hydro & Nuclear Power (KHNP), Korea South-East Power (KOEN), Korea Western Power (KOWEPO), Korea East-West Power (EWP), Korea Midland Power (KOMIPO), and Korea Southern Power (KOSPO). In addition, KHNP is the sole nuclear power generation company in Korea. In FY23, KEPCO purchase ~65% of wholesale power from its genco subsidiaries and ~30% from independent power plants. On a consolidated basis, electricity transmission & distribution accounts for over 95% of KEPCO's annual revenues.
- KEPCO is a key implementation entity to carry out the Korean government's energy transition plan responding to climate change. KEPCO plans to fully stop coal generation by 2050. In order to achieve that, KEPCO plans to reduce its coal generation capacity to 23 GW in FY30 (FY23: 32.6 GW), and grow its renewable capacity to 37 GW in FY30 (FY23: 6.6 GW).

GLOSSARY

- ¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
 - ² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
 - ³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
 - ⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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