

Korea National Oil Corp. (KNOCPZ KS)

FUNDAMENTAL VIEW ¹

As of 21 Mar 2025

- Korea National Oil Corp's credit profile is underpinned by its integral link to and highly strategic policy role for the Korean government; its credit rating is equalized to Korea's sovereign rating.
- KOROIL's standalone credit profile is weighed down by its smaller scale compared to other Asian national oil producers, its lack of downstream integration, elevated leverage and a low cash coverage of short-term debt.
- That said, we are not overly concerned as we take comfort in its highly strategic policy role to the Korean government, which translates into strong government financial support (codified in law under the KNOC Act) and enables KOROIL to enjoy robust access to both domestic and overseas funding channels.

RISKS & CATALYSTS

As of 21 Mar 2025

- Compared to Chinese national oil companies, such as Sinopec and CNPC, KOROIL is less diversified with limited mid and downstream operations such as refining, chemicals, sales and marketing. This makes the firm's profitability more vulnerable to cyclical oil & gas prices. A substantial decline in oil and gas prices will have a negative impacts on KOROIL's topline and also lead to impairment losses on its assets.
- Pursuant to the June 2016 Government Plan, KOROIL has developed and is implementing a plan for the sale of its interests in less profitable overseas E&P projects, including projects with unsuccessful explorations, less-than-expected reserves and subject to geopolitical/political uncertainties, and could result in asset write-offs.
- As majority of KOROIL's E&P assets are located offshore, its business performance is subjected to exchange rate fluctuations and regional geopolitical risks.

KEY METRICS

As of 21 Mar 2025

KRW BN	FY20	FY21	FY22	FY23	FY24
Debt to Book Cap	113.2%	116.5%	112.4%	111.4%	110.2%
Net Debt to Book Cap	107.1%	110.6%	107.6%	107.1%	108.1%
Debt to Equity	(856.4%)	(704.6%)	(903.7%)	(976.5%)	(1,083.4%)
Gross Leverage	20.0x	15.9x	5.8x	7.8x	8.5x
Net Leverage	18.9x	15.1x	5.6x	7.5x	8.3x
Interest Coverage	1.6x	2.3x	5.9x	4.0x	3.6x
EBITDA Margin	38.0%	46.8%	67.7%	60.4%	58.3%

Leverage calculation includes lease liabilities and marketable securities (for net leverage).

BUSINESS DESCRIPTION

As of 21 Mar 2025

- In FY24, KOROIL derives its revenues from oil & gas sales (91% of revenues), oil stockpiling (7%), and others including petroleum distribution (1%).
- The oil and gas sales segment is responsible for exploration and development of domestic and overseas resources and sales of crude oil. KOROIL has 29 E&P projects in 15 countries (including Canada, UK, US, Libya, Kazakhstan, Vietnam and UAE), with total production capacity of 136 mboe/day and proven reserves of 931 mmboe. It owns nine strategic petroleum reserve facilities across South Korea with total capacity of 146 mmboe and total reserves of 99.5 mmboe. ME/Asia, Americas and Europe/Africa account for 40%, 33% and 27% of its daily output volume respectively. That said, its daily production capacity (136 mboe) is relatively small compared to its Asian E&P peers, such as CNOOC, CNPC and Sinopec which produce 1-3 mmboe per day; it is not active in the mid-stream oil refinery segment, unlike the other national oil companies in Asia.
- KOROIL maintains oil stockpile of 115 days of net imports, higher than France (82 days), Germany (91 days) and comparable to Japan (120 days).
- Similar to other Korean quasi-sovereign corporates, the Ministry of Trade, Industry and Energy, and the Ministry of Economy and Finance of the Korea government supervise KOROIL's budgeting, business planning and financial performance, and appoint its president, auditors and nonstanding directors of the board.

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