Korea Electric Power Corp. (015760 KR)

FUNDAMENTAL VIEW [1]

As of 07 Jul 2025

- KEPCO is Korea's only fully integrated electricity utility and is considered a quasi-sovereign credit, with its financial strength anchored by a very high level of government support stemming from its essential role in securing the nation's power supply.
- In FY24, KEPCO's credit profile improved significantly due to higher tariffs and stabilizing fuel costs, driving strong rebounds in revenue, EBITDA margin, and cash flow. Credit metrics strengthened, with total debt/EBITDA and net debt/EBITDA improving to 6.7x/6.6x. Although capex remains substantial and continues to keep debt elevated, the stronger operating performance has provided a cushion. These factors, combined with KEPCO's critical policy function and the strong likelihood of government support, underpin its solid credit standing.

RISKS & CATALYSTS

As of 07 Jul 2025

- 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 or delayed 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. The company also faces challenges from Korea's push for decarbonization, with tightening environmental regulations and a planned reduction in coal-fired power potentially increasing compliance costs and execution risks during the energy transition.

CREDIT QUALITY SCORE (CQS) [2]

As of 15 Sep 2025

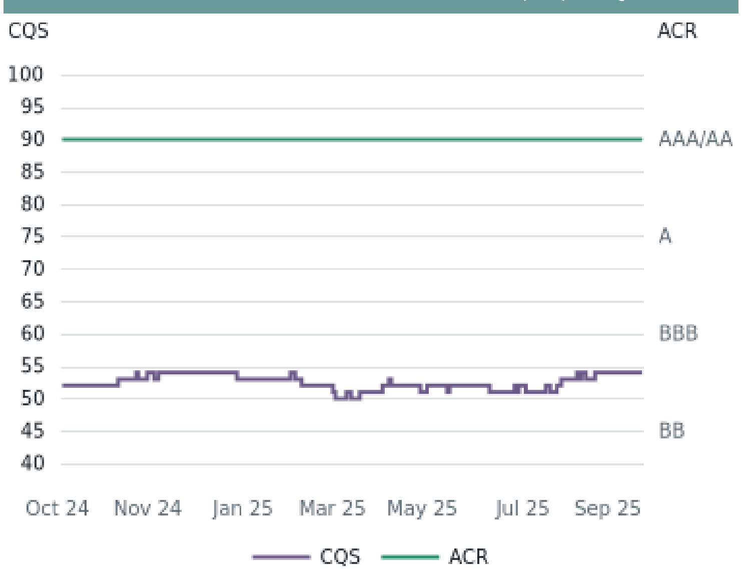
CURRENT CQS

54

CQS OUTLOOK [3]

NEGATIVE | **STABLE** | POSITIVE

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



KEY METRICS

As of 07 Jul 2025

KRW BN	FY20	FY21	FY22	FY23	FY24
Debt to Book Cap	55.3%	60.1%	76.9%	80.5%	78.9%
Net Debt to Book Cap	54.1%	58.7%	75.3%	78.4%	77.8%
Debt/Total Equity	1.2x	1.5x	3.3x	4.1x	3.7x
Debt/Total Assets	43.0%	46.7%	59.6%	64.3%	62.6%
Gross Leverage	5.6x	16.5x	-6.9x	18.2x	6.9x
Net Leverage	5.5x	16.1x	-6.8x	17.7x	6.8x
Interest Coverage	7.8x	3.1x	-7.2x	1.9x	4.8x
EBITDA Margin	26.5%	9.8%	(28.3%)	9.6%	23.9%

BUSINESS DESCRIPTION

As of 07 Jul 2025

- KEPCO is a quasi-sovereign credit and the sole integrated electric utilities company in Korea. It is majority-owned by the Korean government, which maintains at least a 51% stake as stipulated by law, with shares listed on both the Korea Exchange and the New York Stock Exchange.
- It is South Korea's leading electricity utility, holding an effective monopoly over the country's transmission and distribution networks and acting as the primary power generator. Through its six wholly owned generation subsidiaries - 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), KEPCO supplies around two-thirds of Korea's electricity and manages more than half of the nation's total power capacity. KHNP is the sole nuclear power generation company in Korea. On a consolidated basis, electricity transmission & distribution accounts for over 95% of KEPCO's annual revenues.

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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