

Korea Gas Corp. (036460 KS)

FUNDAMENTAL VIEW¹

As of 27 Jun 2025

- KORGAS is Korea's sole integrated gas utility company and a quasi-sovereign credit, maintaining an effective monopoly over E&P, procurement, storage and production, transmission, and wholesale distribution of natural gas.
- Its credit profile is supported by its dominant position in the natural gas and hydrogen utility market, as well as strong government support, which partially offsets the credit impact of delayed and incomplete pass-through of gas procurement costs during periods of natural gas price surges, such as in FY22.
- We expect its credit profile to improve in FY25, aided by stabilizing oil and LNG prices, improved tariff adjustments, and ongoing government backing, which should partially mitigate concerns related to its larger planned capex.

RISKS & CATALYSTS

As of 27 Jun 2025

- Risks:** (1) delayed tariff adjustments; (2) larger-than-expected debt-funded capex; (3) domestic regulatory and policy risks; (4) overseas E&P volatility, including political, operational and market risks; (5) depreciation of the KRW against the USD; (6) liquidity shortfalls; (7) asset impairment risks due to decline in global oil and gas prices.
- Catalysts:** (1) stronger-than-expected government support; (2) tariff increases; (3) stabilizing fuel prices; (4) hydrogen and green energy initiatives; (5) regulated city gas operations with a formula-based cost pass-through system.

CREDIT QUALITY SCORE (CQS)²

As of 25 Sep 2025

CURRENT CQS

38

CQS OUTLOOK³

NEGATIVE

STABLE

POSITIVE

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



KEY METRICS

As of 27 Jun 2025

KRW BN	FY20	FY21	FY22	FY23	FY24
Debt to Book Cap	75.7%	75.8%	81.3%	80.7%	79.0%
Net Debt to Book Cap	74.6%	74.2%	79.8%	79.1%	77.2%
Debt/Equity	312.4%	313.3%	434.4%	418.0%	377.0%
Gross Leverage	9.4x	9.1x	9.9x	11.6x	8.0x
Net Leverage	9.3x	8.9x	9.7x	11.4x	7.8x
Interest Coverage	3.4x	4.8x	5.1x	2.2x	3.4x
EBITDA Margin	12.3%	11.4%	8.8%	8.0%	13.3%

BUSINESS DESCRIPTION

As of 27 Jun 2025

- KORGAS is 54.6% owned directly/indirectly by the Korean government (Central Government 26.2%, KEPCO 20.5%, Local Government 7.9%). It is Korea's only fully integrated gas utility, holding an effective monopoly over E&P, procurement, storage, transmission, and wholesale distribution of natural gas. KORGAS plays a key role in Korea's energy transition, with plans to increase LNG generation capacity by 56% by 2036 from 2022. KORGAS was also designated as Korea's sole hydrogen distribution agency in 2020.
- The Korean natural gas sector is split into wholesale and retail segments. KORGAS is the exclusive wholesaler, while city gas companies manage retail supply via regional networks. In FY24, 46% of KORGAS's gas sales were to domestic LNG-fired power generation companies (gencos, including KEPCO subsidiaries and IPPs), with the remaining 54% sold to city gas and heating companies.
- KORGAS's operations are heavily regulated, with government oversight on tariffs, investments, and expansion. Besides domestic LNG, KORGAS owns overseas E&P assets to enhance energy security. In line with government policy, KORGAS is investing in hydrogen infrastructure and renewables, using its gas network and expertise to support Korea's clean energy transition.

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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