COMPANY UPDATE

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Shinsegae (004170)

Department store business rebounds; DFS improvement ahead

- Shinsegae reported an in-line 3Q consolidated operating profit of KRW99.8b.
- We forecast the company's department store sales to trend up led by consumer sentiment improvement and a hike in the value of financial assets.
- Reflecting the long-anticipated rebound in department store sales and the outlook of duty-free (DFS) earnings improving from 2Q26 (on withdrawal from the DF2 zone at Incheon International Airport), we raise our target price for the stock by 14% to KRW250,000.

WHAT'S THE STORY?

3Q results in line with consensus: Shinsegae reported 3Q consolidated sales of KRW1.6t (up 6.2% y-y) and an operating profit of KRW99.8b (up 7.3% y-y), the latter in line with consensus. Depreciation costs kept rising due to renewal at key stores, but positive was that department store sales rebounded led by consumer sentiment improvement and a hike in disposable income following distribution of 'livelihood recovery coupons' (from July 21). Meanwhile, the duty-free (DFS) unit continued suffering a rental fee-hike burden on an increase in outbound traffic, but we forecast the unit to improve from 2Q26 on its decision to withdraw from the loss-making DF2 duty-free zone at Incheon International Airport (IIA).

(Continued on the next page)

Shinsegae 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	1,636.1	1,693.8	-3.4	1,540.1	6.2	1,629.0	0.4	1,635.5	0.0
Operating profit	99.8	75.3	32.5	93.0	7.3	101.5	-1.6	105.9	-5.8
Pre-tax profit	57.4	11.9	383.1	50.9	12.8	59.7	-3.8	61.7	-6.9
Net profit	40.2	-2.3	nm	21.0	91.4	35.2	14.2	44.7	-10.1
Margins (%)									
Operating profit	6.1	4.4		6.0		6.2		4.4	
Pre-tax profit	3.5	0.7		3.3		3.7		0.7	
Net profit	2.5	-0.1		1.4		2.2		0.5	

Source: Company data, Samsung Securities estimates

Valuations

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS (KRW)	EPS growth (% y-y)	P/E (x)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
2023	6,357	640	453	312	22,865	-44.6	7.7	3,837	6.8	0.4	6.0
2024	6,570	477	195	187	10,948	-52.1	12.1	4,467	8.3	0.3	4.9
2025E	6,979	476	296	214	15,807	44.4	12.1	4,473	6.5	0.3	3.2
2026E	7,153	567	414	300	21,778	37.8	8.8	4,420	5.7	0.3	4.5
2027E	7,359	608	460	334	24,214	11.2	7.9	4,350	5.4	0.3	4.5

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW250,000	30.2%
Current price	**KRW192,000**	
Market cap	KRW1.9t/USD1.3b	
Shares (float)	9,645,181 (61.7%)	
52-week high/low	KRW205,500/KRW125,900	
Avg daily trading value (60-day)	KRW7.5b/ USD5.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinsegae (%)	5.4	21.3	28.3
Vs Kospi (%pts)	-5.4	-21.0	-16.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	250,000	220,000	13.6%
2025E EPS	21,202	22,675	-6.5%
2026E EPS	31,111	30,424	2.3%

SAMSUNG vs THE STREET

No of estimates	15
Target price	233,667
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

Raising target price: We forecast the rebound in department store sales to continue into 4Q thanks to: 1) a hike in the value of financial assets; and 2) an increase in the foreigner portion of total sales. Of note, we expect the department store unit's profitability to improve as well, thanks to fashion sales rising on colder-than-usual weather. Reflecting the long-anticipated department store sales recovery and the outlook of DFS earnings improving after 2Q26, we raise our 2026 operating profit forecast for the stock by 2%. As we change our valuation basis to 2026, we revise up our target price (based on a SOTP valuation) by 14% to KRW250,000 and maintain our BUY rating.

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**6,357**	**6,570**	**6,979**	**7,153**	**7,359**
Cost of goods sold	2,502	2,518	2,700	2,652	2,679
Gross profit	**3,855**	**4,053**	**4,279**	**4,502**	**4,679**
Gross margin (%)	60.6	61.7	61.3	62.9	63.6
SG&A expenses	3,215	3,576	3,804	3,935	4,071
Operating profit	**640**	**477**	**476**	**567**	**608**
Operating margin (%)	10.1	7.3	6.8	7.9	8.3
Non-operating gains (losses)	**-187**	**-282**	**-179**	**-153**	**-148**
Financial profit	140	143	91	54	53
Financial costs	231	301	246	190	184
Equity-method gains (losses)	-7	-12	-29	-17	-17
Other	-88	-113	6	0	-0
Pre-tax profit	**453**	**195**	**296**	**414**	**460**
Taxes	141	8	82	114	127
Effective tax rate (%)	31.2	4.1	27.7	27.5	27.5
Profit from continuing operations	312	187	214	300	334
Profit from discontinued operations	0	0	0	0	0
Net profit	**312**	**187**	**214**	**300**	**334**
Net margin (%)	4.9	2.8	3.1	4.2	4.5
Net profit (controlling interests)	225	108	152	210	334
Net profit (non-controlling interests)	87	79	62	90	0
EBITDA	1,137	958	1,065	1,145	1,199
EBITDA margin (%)	17.9	14.6	15.3	16.0	16.3
EPS (parent-based) (KRW)	22,865	10,948	15,756	21,778	34,592
EPS (consolidated) (KRW)	31,687	18,954	22,132	31,111	34,592
Adjusted EPS (KRW)*	22,865	10,948	15,807	21,778	24,214

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,674**	**2,343**	**2,498**	**2,721**	**2,947**
Cash & equivalents	802	582	576	629	699
Accounts receivable	369	289	346	416	465
Inventories	891	979	1,042	1,098	1,152
Other current assets	611	492	534	578	630
Fixed assets	**12,078**	**12,729**	**12,844**	**13,006**	**13,171**
Investment assets	2,298	2,239	3,814	3,918	4,026
Tangible assets	7,280	7,795	7,864	7,921	7,979
Intangible assets	560	574	574	574	574
Other long-term assets	1,941	2,121	592	592	592
Total assets	**14,752**	**15,072**	**15,342**	**15,727**	**16,118**
Current liabilities	**4,944**	**4,947**	**5,090**	**5,157**	**5,227**
Accounts payable	99	123	145	166	189
Short-term debt	1,125	885	885	885	885
Other current liabilities	3,719	3,939	4,059	4,106	4,153
Long-term liabilities	**3,468**	**3,750**	**3,697**	**3,755**	**3,787**
Bonds & long-term debt	1,892	2,213	2,871	2,871	2,871
Other long-term liabilities	1,577	1,537	826	884	916
Total liabilities	**8,412**	**8,697**	**8,793**	**8,919**	**9,022**
Owners of parent equity	**4,209**	**4,265**	**4,440**	**4,698**	**4,986**
Capital stock	49	49	49	49	49
Capital surplus	403	424	424	424	424
Retained earnings	3,655	3,718	3,892	4,150	4,438
Other	101	74	74	74	74
Non-controlling interests' equity	**2,131**	**2,110**	**2,110**	**2,110**	**2,110**
Total equity	**6,340**	**6,375**	**6,549**	**6,807**	**7,095**
Net debt	3,881	4,519	4,479	4,427	4,358

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**791**	**776**	**955**	**913**	**943**
Net profit	312	187	214	300	334
Non-cash profit and expenses	872	855	832	783	769
Depreciation	444	426	546	532	543
Amortization	53	55	44	46	48
Other	374	374	243	205	178
Changes in A/L from operating activities	-121	-41	-91	-170	-160
Cash flow from investments	**-912**	**-981**	**-793**	**-690**	**-699**
Change in tangible assets	-596	-885	-742	-638	-647
Change in financial assets	-206	266	-39	-39	-39
Other	-110	-363	-12	-13	-13
Cash flow from financing	**-16**	**-17**	**-171**	**-173**	**-177**
Change in debt	201	334	0	0	0
Change in equity	0	21	0	0	0
Dividends	-79	-82	0	0	0
Other	-138	-290	-171	-173	-177
Change in cash	-136	-220	-6	53	70
Cash at beginning of year	938	802	582	576	629
Cash at end of year	802	582	576	629	699
Gross cash flow	**1,184**	**1,041**	**1,046**	**1,084**	**1,103**
Free cash flow	**191**	**-120**	**207**	**269**	**289**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-18.6	3.4	6.2	2.5	2.9
Operating profit	-0.9	-25.4	-0.3	19.1	7.3
Net profit	-43.0	-40.2	14.8	40.1	11.2
Adjusted EPS**	-44.6	-52.1	44.4	37.8	11.2
Per-share data (KRW)					
EPS (parent-based)	22,865	10,948	15,756	21,778	34,592
EPS (consolidated)	31,687	18,954	22,132	31,111	34,592
Adjusted EPS**	22,865	10,948	15,807	21,778	24,214
BVPS	639,489	645,732	656,367	678,341	706,073
DPS (common)	4,000	4,500	4,800	5,200	5,600
Valuations (x)					
P/E***	7.7	12.1	12.1	8.8	7.9
P/B***	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	6.8	8.3	6.5	5.7	5.4
Ratios (%)					
ROE	6.0	4.9	3.2	4.5	4.5
ROA	2.1	1.3	1.4	1.9	2.1
ROIC	5.6	5.5	4.0	4.7	5.0
Payout ratio	12.1	21.1	19.7	15.2	14.7
Dividend yield (common)	2.3	3.4	2.5	2.7	2.9
Net debt to equity	61.2	70.9	68.4	65.0	61.4
Interest coverage (x)	3.8	2.4	2.4	3.0	3.3

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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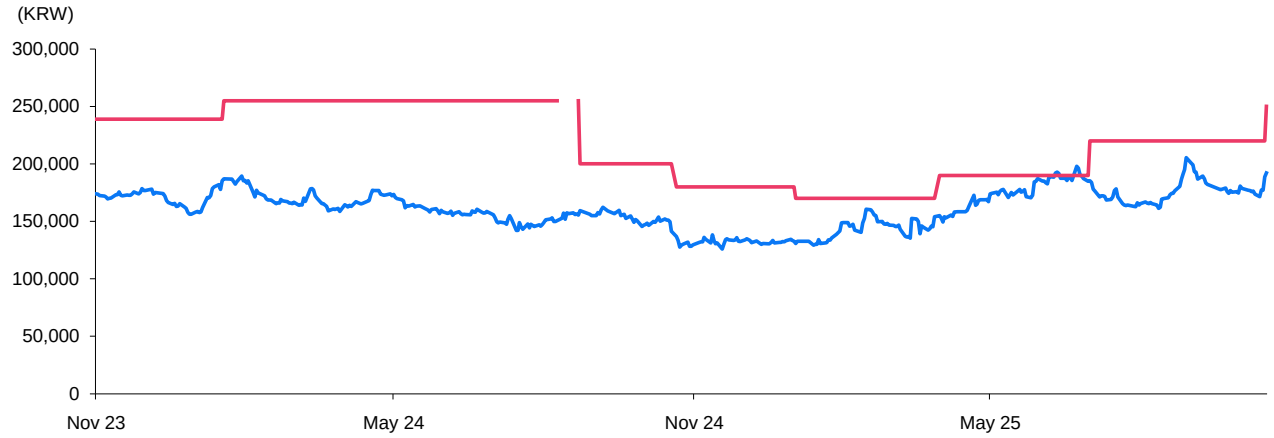
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/9	2024/2/8	9/13	11/11	2025/1/23	4/21	7/22	11/7
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	239000	255000	200000	180000	170000	190000	220000	250000
Gap* (average)	-28.63	-36.16	-23.65	-26.60	-15.51	-7.51	-20.09	
(max or min)**	-22.43	-25.69	-18.85	-23.17	-5.59	4.11	-6.59	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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