COMPANY UPDATE

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Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

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E-Mart (139480)

High hopes for earnings improvement in 4Q

- E-Mart reported a 3Q consolidated operating profit of KRW151.4b, meeting the lowered consensus.
- Sales at the parent fell y-y hit by the distribution of livelihood recovery coupons (from Jul 21) and the Chuseok holiday effects.
- We expect sales at the parent's discount store business to rebound y-y in 4Q. A close monitoring is required on any progress on pre-approval M&A involving Homeplus.

▶ AT A GLANCE

BUY

Target price	KRW113,000	42%
Current price	**KRW79,600**	
Market cap	KRW2.2t/USD1.5b	
Shares (float)	27,595,819 (68.2%)	
52-week high/low	KRW99,400/KRW57,200	
Avg daily trading value (60-day)	KRW12.0b/ USD8.2m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
E-Mart (%)	7.9	-8.1	37.5
Vs Kospi (%pts)	-6.2	-42.3	-17.8

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	113,000	113,000	0.0%
2025E EPS	3,531	2,720	29.8%
2026E EPS	7,619	7,286	4.6%

▶ SAMSUNG vs THE STREET

No of estimates	12
Target price	112,250
Recommendation	4.0

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

WHAT'S THE STORY?

3Q business environment unfavorable; anticipation for 4Q earnings rebound high: E-Mart reported 3Q consolidated sales of KRW7.4t (down 1.4% y-y) and an operating profit of KRW151.4b (up 35.5% y-y), the latter meeting lowered expectations. Sales at the parent (discount stores, Traders, specialty stores, everyday) dipped y-y hurt by distribution of livelihood recovery coupons (from Jul 21) and the Chuseok holiday effects. The e-commerce business, which suffered earnings slowdown in 2Q due to full-blown logistics outsourcing, kept suffering. Although it should take time for the e-commerce business to enjoy a profitability rebound, the parent should see: 1) a notable rebound in discount store sales in 4Q led by the Chuseok holiday effects and a low base effect y-y in December; and 2) a more visible hike in profitability thanks to integrated purchase of raw materials at the discount store and supermarket units.

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E-Mart 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	7,400.8	7,039.0	5.1	7,508.5	-1.4	7,502.0	-1.3	7,575.3	-2.3
Operating profit	151.4	21.6	600.0	111.7	35.5	155.1	-2.4	176.9	-14.4
Pre-tax profit	344.2	-26.4	nm	117.9	191.9	115.0	199.2	125.3	174.6
Net profit	310.3	-52.3	nm	120.6	157.3	77.3	301.4	90.9	241.5
Margins (%)									
Operating profit	2.0	0.3		1.5		2.1		2.3	
Pre-tax profit	4.7	-0.4		1.6		1.5		1.7	
Net profit	4.2	-0.7		1.6		1.0		1.2	

Source: Company data, Samsung Securities estimates

Valuation

(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	29,472	-47	-212	-187	-3,196	nm	n/a	9,151	8.9	0.2	-0.5
2024	29,021	47	-605	-573	-21,166	nm	n/a	10,122	8.8	0.2	-2.5
2025E	29,006	469	459	379	3,506	nm	21.9	9,850	6.0	0.2	0.7
2026E	29,881	600	345	250	7,543	115.1	10.2	9,566	5.5	0.2	1.8
2027E	31,067	703	463	336	10,620	40.8	7.2	9,379	5.2	0.2	2.4

Source: Company data, Samsung Securities estimates

Maintaining BUY: In the wake of the government's conditional approval of the Gmarket-AliExpress JV, Gmarket should turn into E-Mart's equity-method subsidiary in November (we have yet to reflect it in our earnings model). The collaboration with AliExpress should visibly boost E-Mart's enterprise value when positives materialize—eg, onboarding of more sellers and strengthening of global sourcing ability. A close monitoring is required on any progress on pre-approval M&A involving Homeplus, but we maintain our BUY rating, noting: 1) the possibility of discount store competition easing; and 2) the company's shift in business strategy to 'selection and focus' for profitability gain (vs sales growth).

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**29,472**	**29,021**	**29,006**	**29,881**	**31,067**
Cost of goods sold	20,728	19,980	19,754	20,242	21,080
Gross profit	**8,744**	**9,041**	**9,252**	**9,638**	**9,988**
Gross margin (%)	29.7	31.2	31.9	32.3	32.1
SG&A expenses	8,791	8,994	8,783	9,038	9,285
Operating profit	**-47**	**47**	**469**	**600**	**703**
Operating margin (%)	-0.2	0.2	1.6	2.0	2.3
Non-operating gains (losses)	**-165**	**-653**	**-10**	**-255**	**-239**
Financial profit	318	343	419	322	321
Financial costs	595	742	696	623	608
Equity-method gains (losses)	12	23	34	36	37
Other	99	-276	232	10	10
Pre-tax profit	**-212**	**-605**	**459**	**345**	**463**
Taxes	-25	-32	80	95	127
Effective tax rate (%)	11.7	5.3	17.5	27.5	27.5
Profit from continuing operations	-187	-573	379	250	336
Profit from discontinued operations	0	0	0	0	0
Net profit	**-187**	**-573**	**379**	**250**	**336**
Net margin (%)	-0.6	-2.0	1.3	0.8	1.1
Net profit (controlling interests)	-89	-590	98	210	336
Net profit (non-controlling interests)	-98	17	281	40	0
EBITDA	1,549	1,675	2,022	2,205	2,381
EBITDA margin (%)	5.3	5.8	7.0	7.4	7.7
EPS (parent-based) (KRW)	-3,196	-21,166	3,531	7,619	12,177
EPS (consolidated) (KRW)	-6,725	-20,571	13,679	9,069	12,177
Adjusted EPS (KRW)*	-3,196	-21,166	3,506	7,543	10,620

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**6,388**	**10,429**	**11,028**	**11,458**	**11,892**
Cash & equivalents	1,771	1,775	1,898	2,031	2,068
Accounts receivable	1,315	1,216	1,413	1,508	1,680
Inventories	1,846	2,054	2,293	2,434	2,587
Other current assets	1,455	5,384	5,425	5,485	5,558
Fixed assets	**27,056**	**23,501**	**23,424**	**23,481**	**23,539**
Investment assets	3,780	4,242	7,571	7,583	7,594
Tangible assets	10,042	9,731	9,774	9,820	9,866
Intangible assets	7,761	4,096	4,096	4,096	4,096
Other long-term assets	5,473	5,432	1,983	1,983	1,983
Total assets	**33,444**	**33,931**	**34,452**	**34,939**	**35,431**
Current liabilities	**10,374**	**10,804**	**10,960**	**11,231**	**11,423**
Accounts payable	1,479	1,393	1,352	1,392	1,448
Short-term debt	1,159	961	911	861	811
Other current liabilities	7,736	8,450	8,697	8,978	9,164
Long-term liabilities	**9,236**	**9,942**	**9,977**	**10,009**	**10,039**
Bonds & long-term debt	4,740	5,650	8,678	8,678	8,678
Other long-term liabilities	4,495	4,292	1,299	1,330	1,361
Total liabilities	**19,610**	**20,747**	**20,943**	**21,247**	**21,470**
Owners of parent equity	**11,453**	**10,391**	**10,716**	**10,899**	**11,168**
Capital stock	139	139	139	139	139
Capital surplus	4,277	4,208	4,208	4,208	4,208
Retained earnings	5,359	4,638	4,963	5,147	5,416
Other	1,679	1,405	1,405	1,405	1,405
Non-controlling interests' equity	**2,381**	**2,794**	**2,794**	**2,794**	**2,794**
Total equity	**13,834**	**13,184**	**13,509**	**13,692**	**13,961**
Net debt	9,201	10,227	9,856	9,573	9,387

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**1,135**	**1,460**	**1,694**	**1,741**	**1,641**
Net profit	-187	-573	379	250	336
Non-cash profit and expenses	2,251	2,807	1,896	1,654	1,593
Depreciation	1,362	1,382	1,409	1,453	1,520
Amortization	234	246	144	151	159
Other	655	1,178	343	49	-86
Changes in A/L from operating activities	-353	-372	-580	-163	-288
Cash flow from investments	**-809**	**-892**	**-611**	**-634**	**-631**
Change in tangible assets	-604	-626	-654	-676	-679
Change in financial assets	-135	64	85	85	85
Other	-70	-329	-42	-43	-37
Cash flow from financing	**176**	**-153**	**-550**	**-563**	**-563**
Change in debt	-20	928	-150	-150	-150
Change in equity	0	-68	0	0	0
Dividends	-146	-172	-54	-67	-67
Other	342	-841	-346	-346	-346
Change in cash	502	4	123	134	37
Cash at beginning of year	1,269	1,771	1,775	1,898	2,031
Cash at end of year	1,771	1,775	1,898	2,031	2,068
Gross cash flow	**2,063**	**2,233**	**2,274**	**1,904**	**1,929**
Free cash flow	**369**	**809**	**1,015**	**1,041**	**938**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	0.5	-1.5	-0.1	3.0	4.0
Operating profit	nm	nm	896.7	27.8	17.1
Net profit	nm	nm	nm	-33.9	34.3
Adjusted EPS**	nm	nm	nm	115.8	59.8
Per-share data (KRW)					
EPS (parent-based)	-3,196	-21,166	3,531	7,619	12,177
EPS (consolidated)	-6,725	-20,571	13,679	9,069	12,177
Adjusted EPS**	-3,196	-21,166	3,506	7,543	10,620
BVPS	406,463	391,809	378,575	387,692	395,805
DPS (common)	2,000	2,000	2,500	2,500	2,500
Valuations (x)					
P/E***	n/a	n/a	21.9	10.2	7.2
P/B***	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	8.9	8.8	6.0	5.5	5.2
Ratios (%)					
ROE	-0.5	-2.5	0.7	1.8	2.4
ROA	-0.6	-1.7	1.1	0.7	1.0
ROIC	-0.2	0.2	2.2	2.5	3.0
Payout ratio	n/a	n/a	17.7	26.8	19.9
Dividend yield (common)	2.6	3.2	3.3	3.3	3.3
Net debt to equity	66.5	77.6	73.0	69.9	67.2
Interest coverage (x)	-0.1	0.1	0.9	1.2	1.4

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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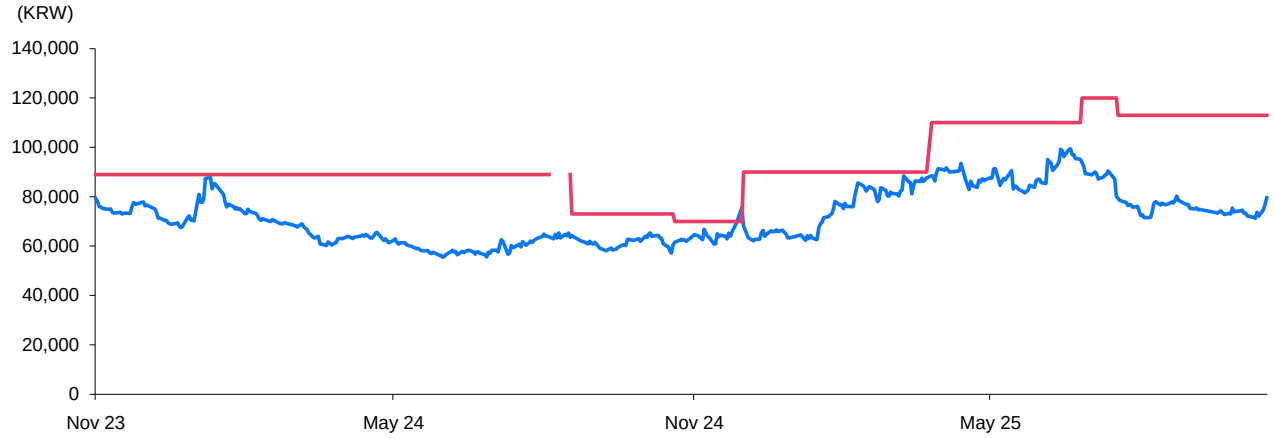

Rating changes over past two years (adjusted share prices)

Date	2023/10/17	11/15	2024/9/13	11/15	12/27	2025/4/21	7/22	8/13
Recommendation	BUY	BUY	HOLD	HOLD	BUY	BUY	BUY	BUY
Target price (KRW)	92000	89000	73000	70000	90000	110000	120000	113000
Gap* (average)	-19.16	-24.81	-15.90	-7.72	-16.81	-19.03	-26.19	
(max or min)**	-12.28	-1.35	-10.55	7.86	-1.78	-9.64	-23.08	

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

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Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

**For more information,
please call our sales representatives:**

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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