SECTOR UPDATE

2025. 12. 5

Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

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Retail (OVERWEIGHT) (008770)

2026 outlook: Consumption to rise on low base

- Domestic consumption should continue recovering, supported by stronger exports, reduced tariff-related uncertainty, and a favorable base after weak retail sales in 1H25.
- Competition with e-commerce remains intense, so the sector is likely to stick with profitability-focused strategies rather than fighting for market share gains.
- Given improving consumer sentiment and the wealth effect from a bullish stock market, department stores appear better positioned. Discount stores and duty-free operators will need to demonstrate through earnings that competitive pressure is easing.

WHAT'S THE STORY?

Domestic consumption to remain solid until end-1H26 on base effect: Retail sales (excluding automobiles and fuel) were lackluster through end-1H25—up just 0.2% y-y in 1H25. However, they saw a clear y-y rebound from 3Q25, helped by: 1) the distribution of 'livelihood recovery coupons' from Jul 21; 2) a more stable domestic and overseas operating environment; and 3) export strength driven by semiconductors. In 2026, uncertainty around President Trump's tariffs—previously a major source of global economic uncertainty—should ease as market participants adapt to them, supporting domestic consumption. Accordingly, we expect overall retail sales to improve until end-1H26, a period that benefits from base effect, though performance should vary by retail format.

Strategic focus to remain on profitability rather than market share: As e-commerce players such as Coupang continue expanding, it is difficult to argue that sector-wide competition will ease enough to lift profitability. Despite growing divergence within e-commerce, the largest platforms continue to outgrow offline retailers by a wide margin. As a result, offline players are likely to extend the profitability-focused strategies—centered on cost reductions—initiated in 2024. Key factors to watch include whether Lotte Shopping's e-grocery business regains profitability following next year's launch of an Ocado logistics center, and whether E-Mart's e-commerce profitability improves after the Gmarket–AliExpress joint venture begins contributing.

Department stores deserve attention in the near term: Although consumption should recover on base effect, spending is likely to remain polarized. The wealth effect from strong financial markets provides relative support for department stores. Additional upside could come from a likely increase in Chinese tourist arrivals, helped by visa-free group travel to Korea and ongoing China-Japan

AT A GLANCE

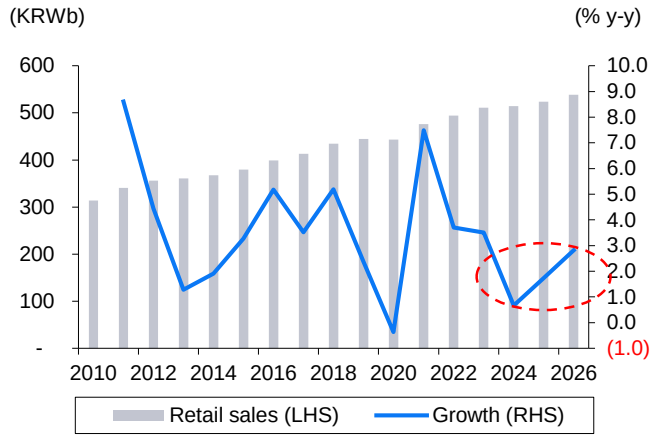
Shinsegae (004170 KS, 248,500)		
Target price	KRW270,000	8.7%
BUY		
E-Mart (139480 KS, 83,100)		
Target price	KRW113,000	36%
BUY		
Lotte Shopping (023530 KS, 75,800)		
Target price	KRW95,000	25.3%
BUY		
GS Retail (007070 KS, 22,850)		
Target price	KRW26,500	16%
BUY		
BGF Retail (282330 KS, 112,000)		
Target price	KRW150,000	33.9%
BUY		
HotelShilla (008770 KS, 47,250)		
Target price	KRW63,000	33.3%
BUY		

tensions. Shinsegae is our top pick, as its 2026 earnings should benefit from its decision to exit the loss-making DF2 duty-free zone at Incheon International Airport. We also like E-Mart and Lotte Shopping, as the impact of the 3Q25 distribution of 'livelihood recovery coupons' should create a low base from 4Q25, and discount-store competition may begin to ease.

(Continued on the next page)

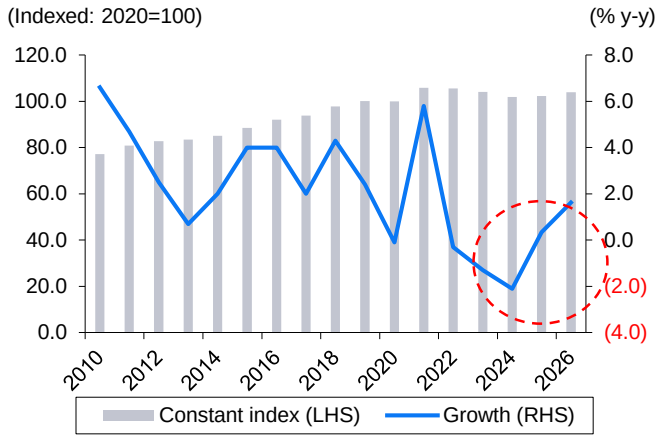
2026 Retail industry outlook

Korea: Retail sales*



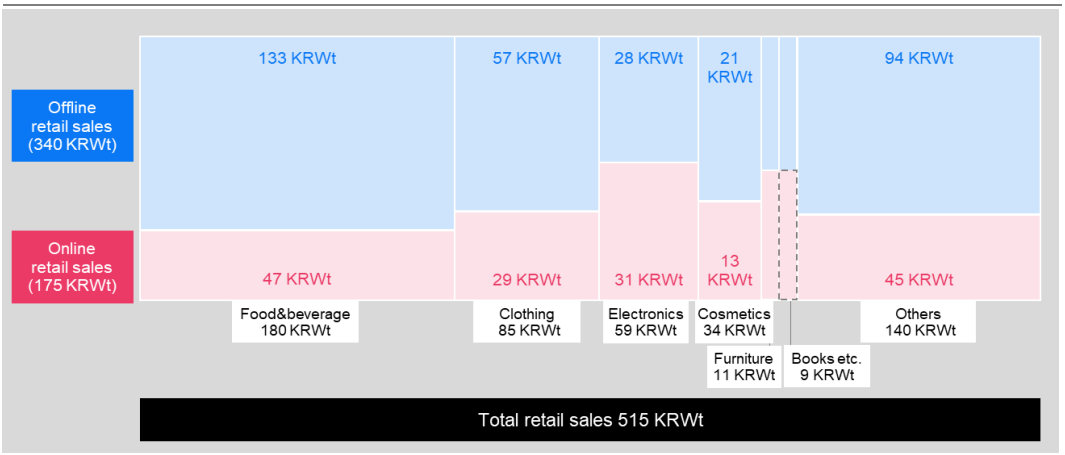
Note: *Excluding passenger cars & gas station retail sales
Source: Kosis, Samsung Securities

Korea: Retail volume index*



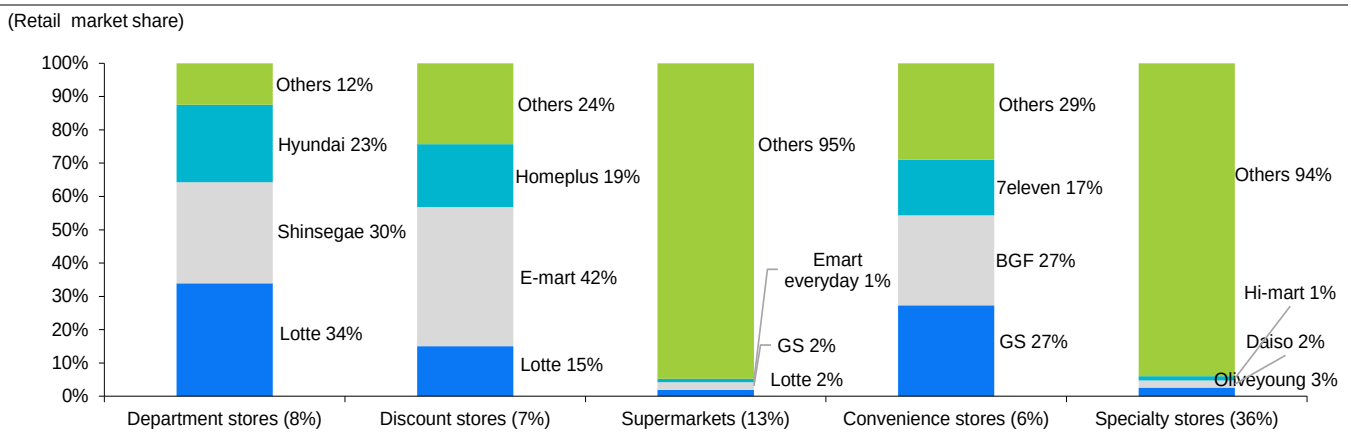
Note: *Real (inflation-adjusted) retail sales
Source: Kosis, Samsung Securities

Domestic retail market size (2024)



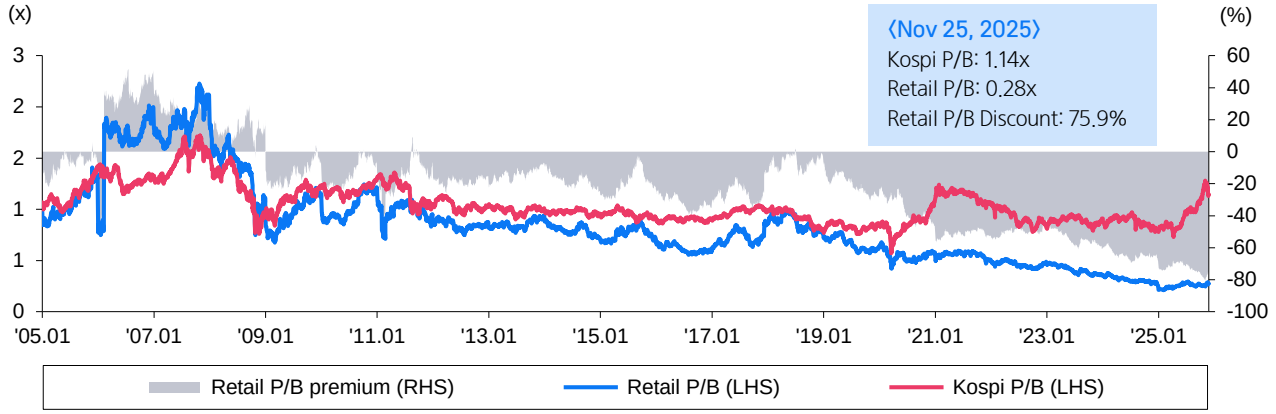
Note: Total retail sales; excludes online service, offline vehicles sales, and fuel
Source: Kosis

Market shares of major retailers, by segment (2024)



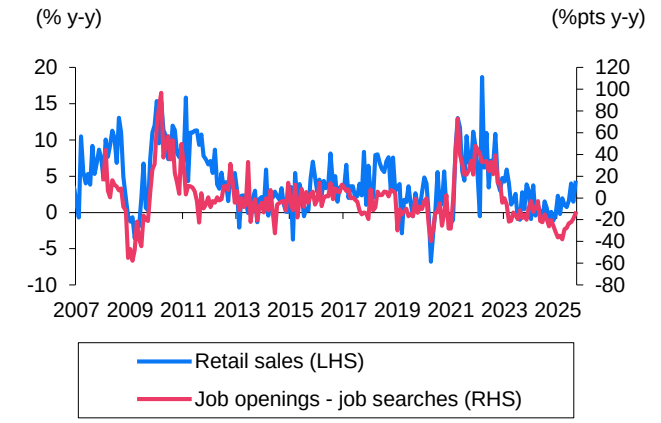
Source: Samsung Securities

P/B: Major Korean retailers vs Kospi



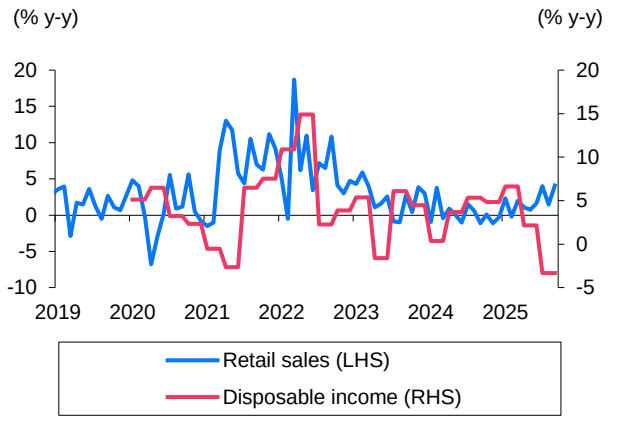
Note: Retail P/B reflects weighted market cap and total equity of GS Retail, BGF Retail, Shinsegae, Lotte Shopping, E-mart, and Hotel Shilla
Source: QuantiWise, Samsung Securities

Korea: Retail sales growth vs job opening growth minus job search growth



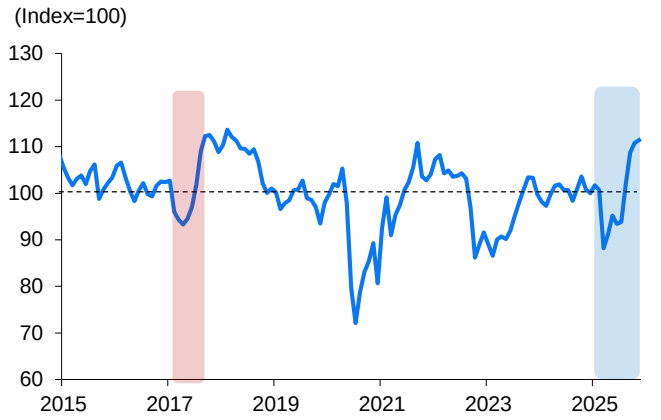
Source: Kosis, Samsung Securities

Korea: Retail sales growth vs disposable income growth



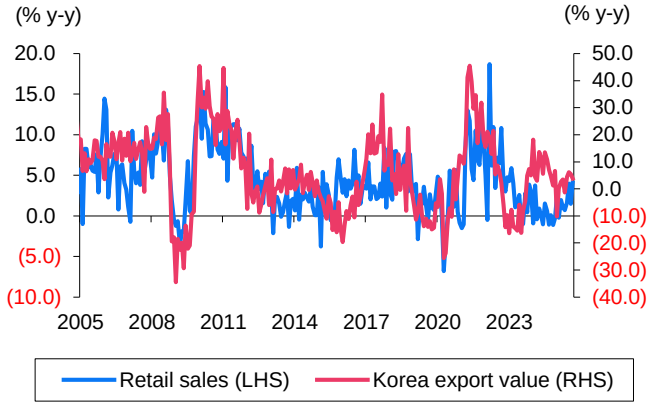
Source: Kosis, Samsung Securities

Consumer Sentiment Index



Source: Kosis, Samsung Securities

Korea: Retail sales growth vs export growth



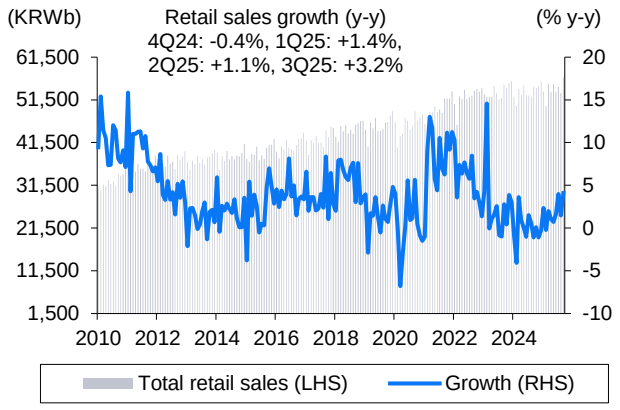
Source: Kosis, Samsung Securities

Full-year retail sales trends and forecasts

(KRWt)	Retail sales	Department stores	Discount stores	Duty-free stores	Supermarkets	Convenience stores	Autos & gas stations	Specialty shops	Non-store retailers
2011	426.8	27.6	33.0	5.4	54.0	9.2	86.0	200.9	35.1
2012	445.6	29.1	34.1	6.3	56.6	10.8	89.6	200.9	39.0
2013	450.1	29.9	33.9	6.8	58.3	11.7	89.6	195.9	41.8
2014	459.6	29.2	33.1	8.3	59.6	12.7	92.2	194.3	45.2
2015	470.7	29.0	32.8	9.2	61.2	16.5	91.3	194.1	49.5
2016	489.2	29.9	33.2	12.3	62.4	19.5	90.1	196.3	57.2
2017	507.6	29.3	33.8	14.5	64.1	22.2	94.5	193.9	64.8
2018	536.1	30.0	33.5	19.0	65.3	24.4	101.6	195.0	74.5
2019	545.5	30.4	32.4	24.9	62.1	25.7	100.6	188.7	84.3
2020	547.9	27.4	33.8	15.5	65.4	26.5	104.7	170.0	104.6
2021	592.4	33.7	34.6	17.8	64.0	28.4	116.0	179.1	118.8
2022	625.6	37.8	34.8	17.8	64.7	31.2	131.5	183.5	124.2
2023	641.5	40.9	36.9	13.8	68.0	30.9	130.2	187.8	131.1
2024	640.5	40.6	37.1	14.3	68.1	31.7	125.8	185.1	137.7
2025E	656.9	41.2	36.9	13.0	67.4	32.0	133.2	189.4	143.7
2026E	676.3	42.7	37.7	13.3	69.2	32.8	137.9	190.8	151.8
Chg (% y-y)									
2011	9.4	11.4	9.0	18.7	8.5	17.8	12.7	5.2	10.7
2012	4.4	5.6	3.3	17.8	4.8	18.3	4.2	0.0	11.1
2013	1.0	2.6	-0.6	8.0	3.1	7.8	0.0	-2.5	7.2
2014	2.1	-2.3	-2.2	21.6	2.2	8.7	2.9	-0.8	8.0
2015	2.4	-0.6	-1.0	10.7	2.6	29.6	-0.9	-0.1	9.6
2016	3.9	3.0	1.4	33.5	2.0	18.4	-1.3	1.2	15.5
2017	3.8	-2.0	1.7	17.8	2.8	14.1	4.8	-1.3	13.3
2018	5.6	2.2	-1.0	31.1	1.9	9.8	7.5	0.6	14.8
2019	1.8	1.4	-3.1	31.1	-4.9	5.3	-0.9	-3.2	13.2
2020	0.4	-9.8	4.2	-37.6	5.2	3.2	4.0	-9.9	24.1
2021	8.1	22.9	2.3	15.0	-2.1	7.2	10.8	5.3	13.6
2022	5.6	12.1	0.6	-0.1	1.2	9.7	13.4	2.5	4.6
2023	2.6	8.4	6.0	-22.8	5.1	-0.9	-1.0	2.3	5.6
2024	-0.2	-0.8	0.7	4.2	0.0	2.6	-3.4	-1.4	5.0
2025E	2.5	1.5	-0.5	-9.0	-0.9	0.7	5.9	2.3	4.3
2026E	3.0	3.6	2.2	2.1	2.6	2.6	3.5	0.8	5.6
Jan-Sep 2025	1.9	0.2	-2.4	-14.5	-2.3	-0.6	6.9	1.9	3.6

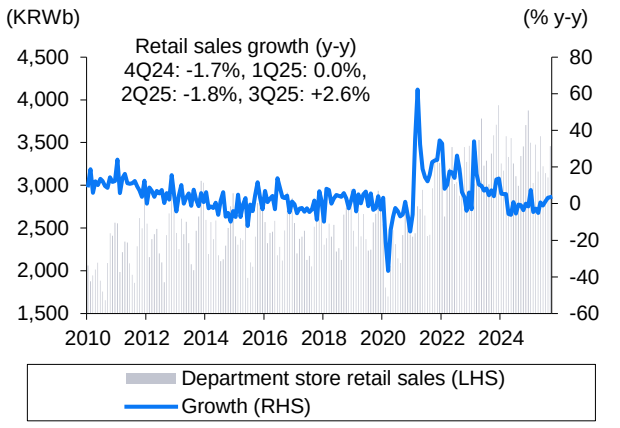
Note: Korea's retail sales growth for 2025 and 2026 estimated by summing projected growth for each retail format;
*Total retail sales growth (excluding passenger cars and fuel retail sales) was 0.7% in 2024 and is estimated at 2% in 2025 and 2.2% in 2026
Source: Kosis, Samsung Securities estimates

Total retail sales and growth



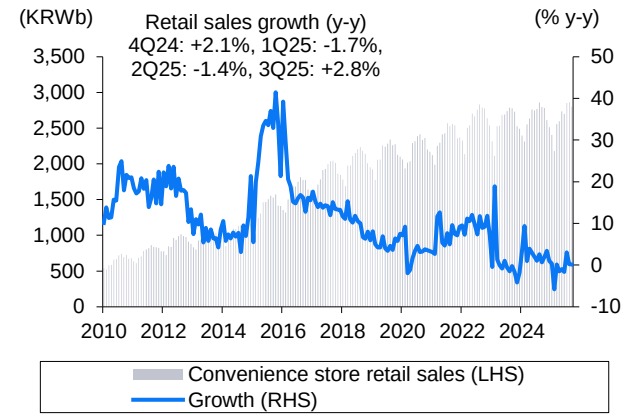
Source: Kosis

Department store retail sales and growth



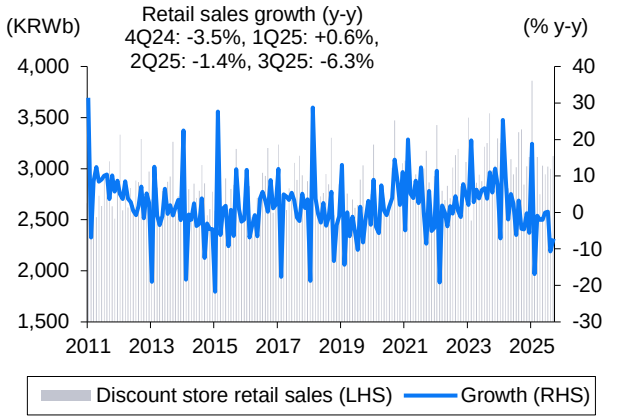
Source: Kosis

Convenience store retail sales and growth



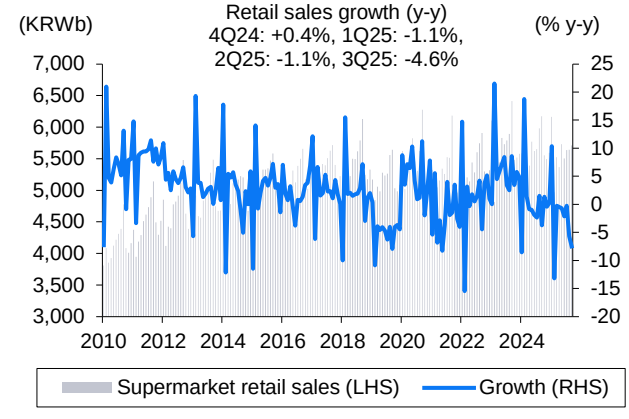
Source: Kosis

Discount store retail sales and growth



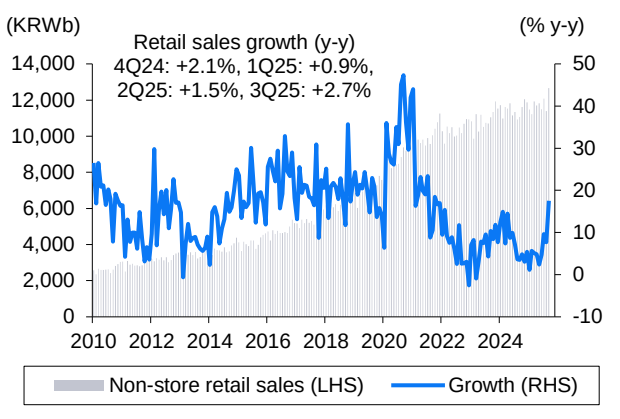
Source: Kosis

Supermarkets retail sales and growth



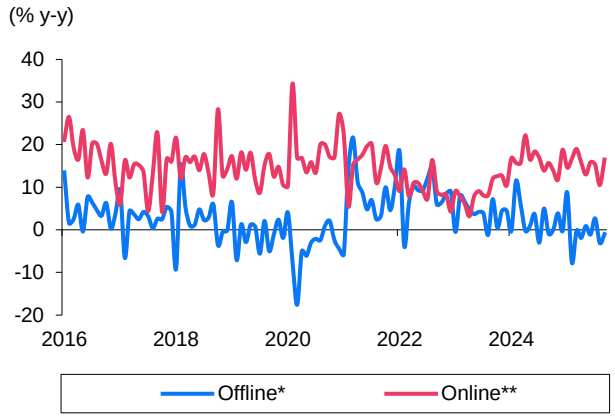
Source: Kosis

Non-store retail sales and growth



Source: Kosis

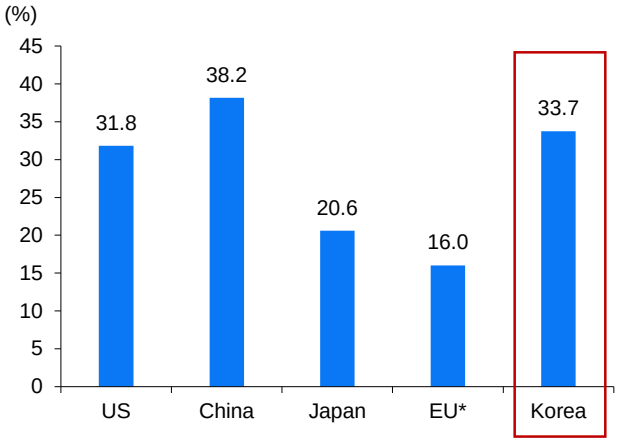
Sales growth: Offline* vs online**



Note: *Offline (13): Department stores (Lotte, Hyundai, Shinsegae), discount stores (E-Mart, Homeplus Lotte Mart), convenience stores (GS25, CU, 7-Eleven), SSMs (E-mart Everyday, Lotte Super, GS The Fresh, Homeplus);
**Online (10): Gmarket Global (Gmarket, Auction), 11street, Interpark, Coupang, SSG (Shinsegae, E-Mart), AK Mall, Home Plus, Galleria Mall, Lottemart, LotteOn

Source: MOTIE, Samsung Securities

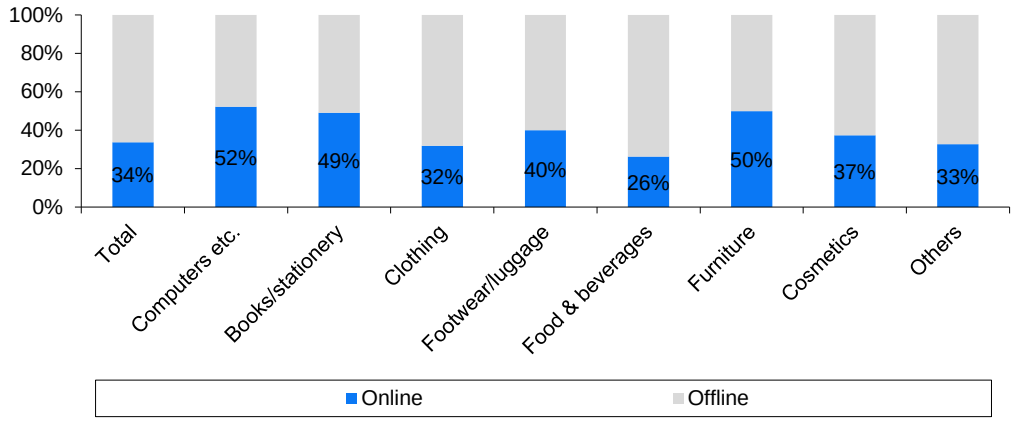
E-commerce penetration, by country



Note: Based on 2024 transaction value; excluding cars, fuels, service sales

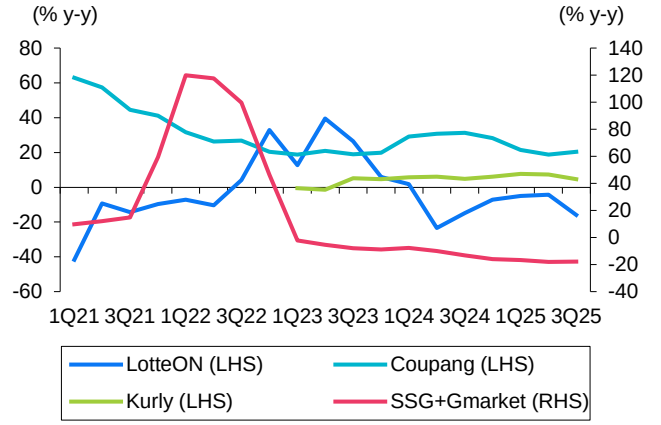
Source: Market Research Future, US Census Bureau, IMARC group, CMI, Kosis

Korea: Online market penetration, by product type



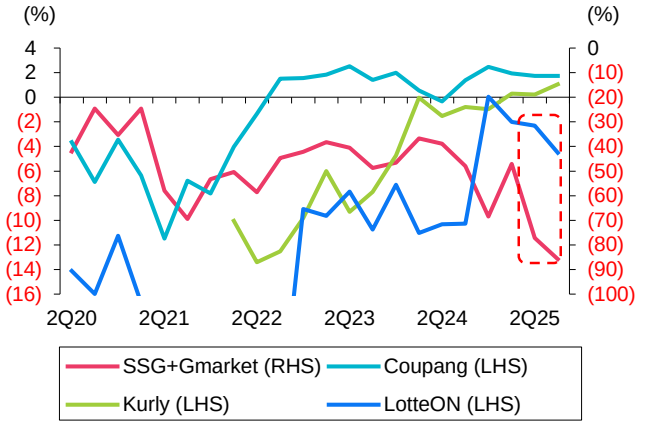
Source: Kosis, Samsung Securities

Korea: Major e-commerce companies' sales growth



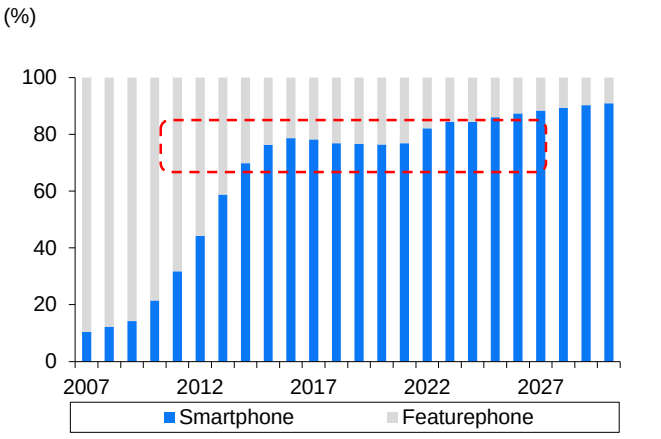
Source: Company data, Samsung Securities

Korea: Major e-commerce companies' operating margin



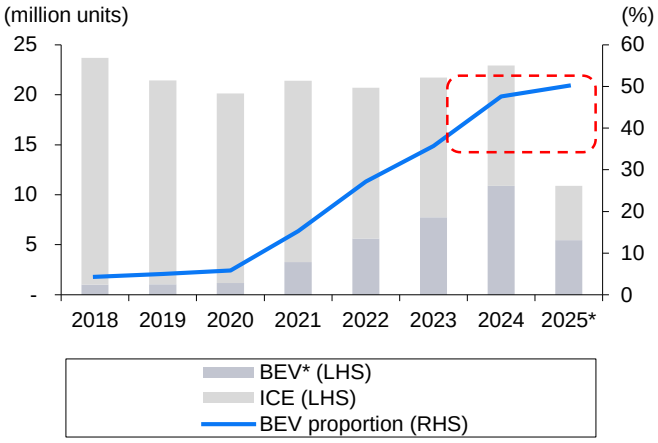
Source: Company data, Samsung Securities

Smartphone penetration in phone market



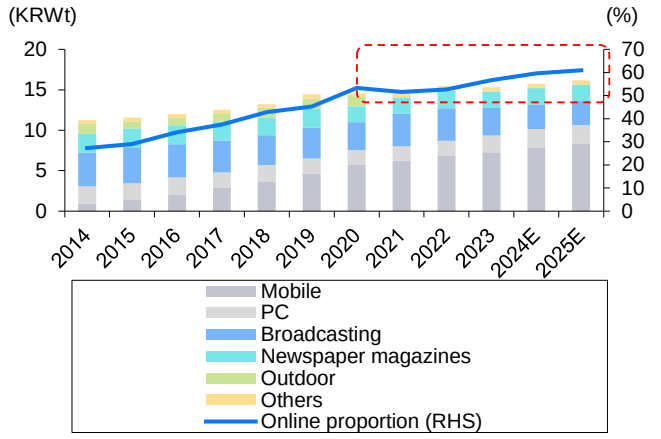
Note: Expansion slows after 70% penetration
Source: Samsung Securities

China: BEV* penetration in vehicle market



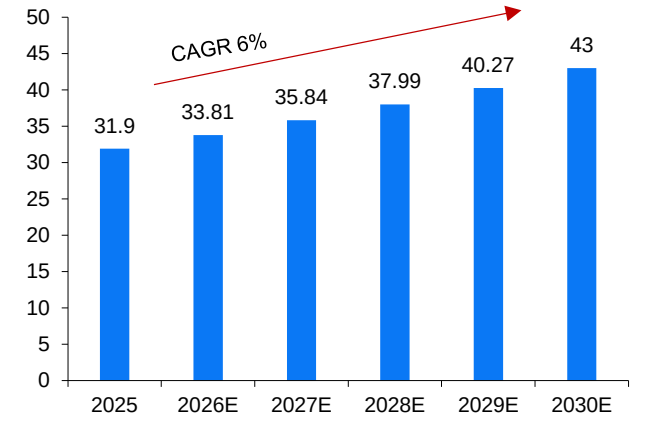
Note: Expansion slows after 50% penetration;
*BEV=EV+HEV
Source: Samsung Securities

Online advertising penetration in ad market



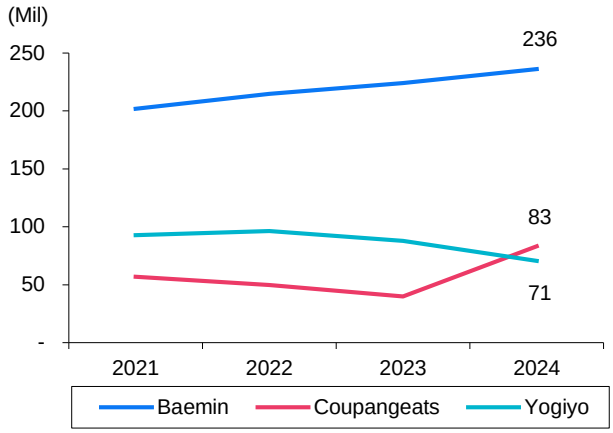
Note: Expansion slows after 50% penetration
Source: Kobaco

Quick commerce market growth



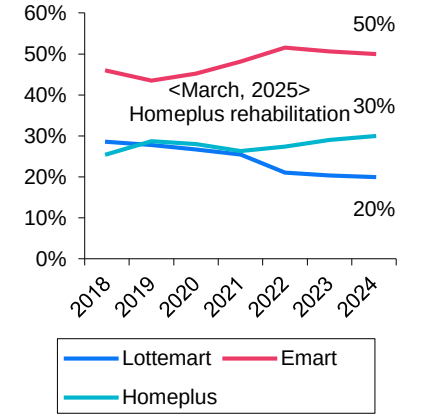
Source: Statista, Samsung Securities

Major quick commerce companies: MAU



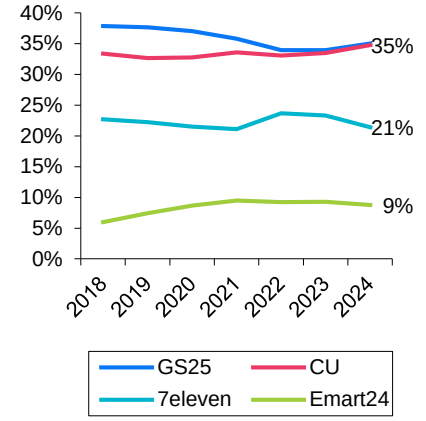
Source: Nielsen Korean Click, Samsung Securities

Discount stores: Market shares



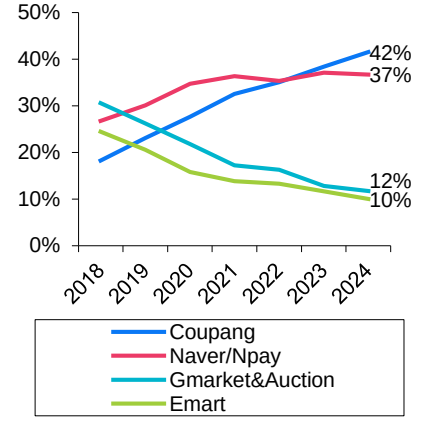
Source: Company data, Samsung Securities

Convenience stores: Market shares



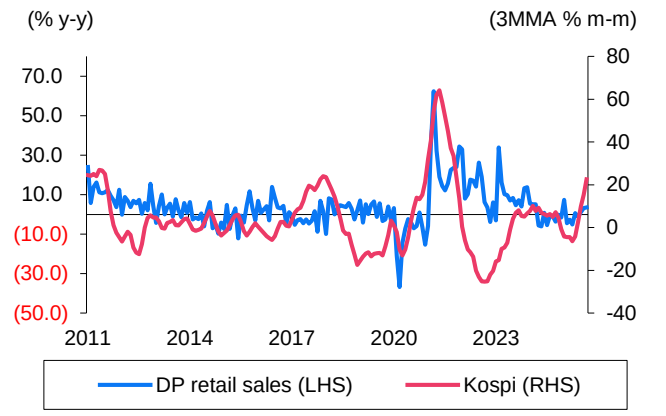
Source: Company data, Samsung Securities

E-commerce: Market shares



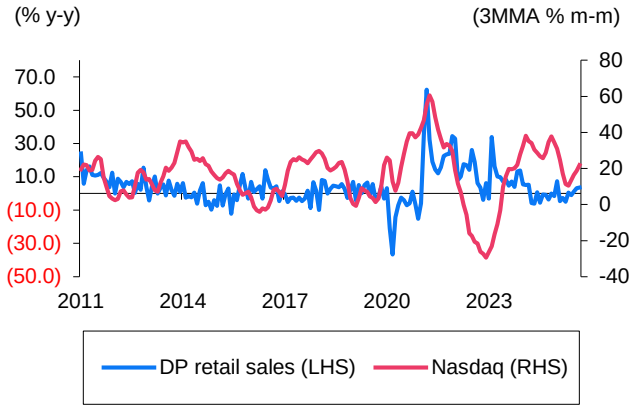
Source: Company data, Samsung Securities

Department store retail sales vs Kospi



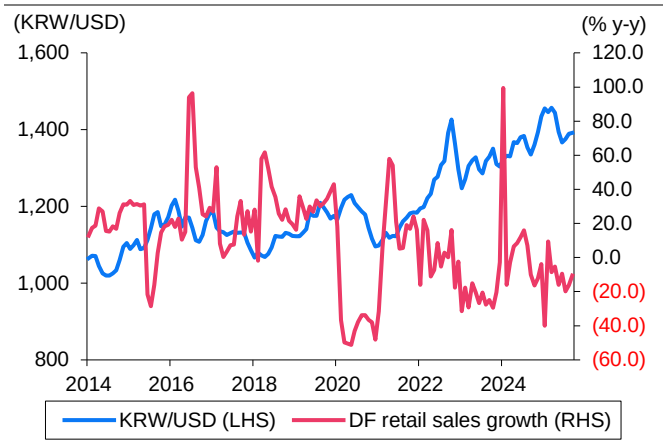
Source: Bloomberg, Kosis

Department store retail sales vs Nasdaq



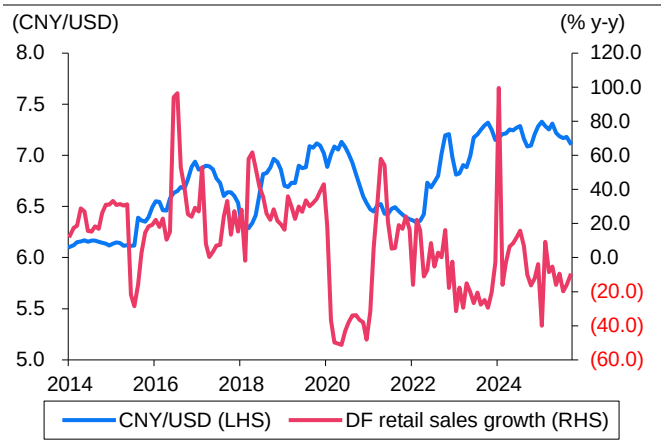
Source: Bloomberg, Kosis

KRW/USD exchange rate vs duty-free store retail sales



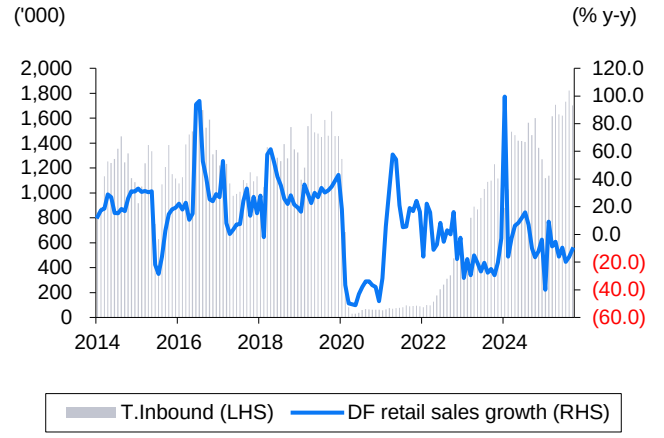
Source: Kosis, Ecos

CNY/USD exchange rate vs duty-free store retail sales



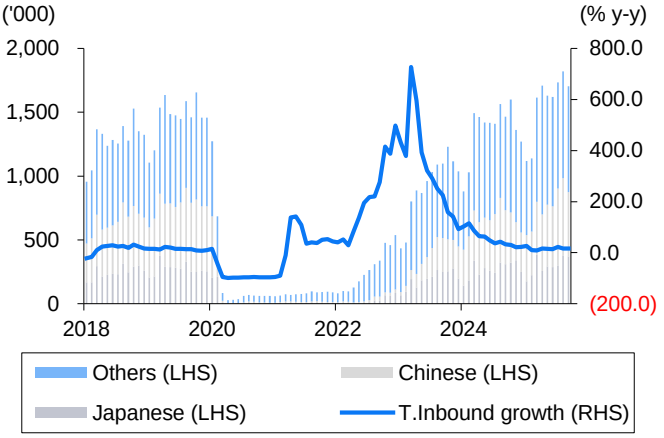
Source: Kosis, Ecos

Korea inbound traffic vs duty-free store retail sales



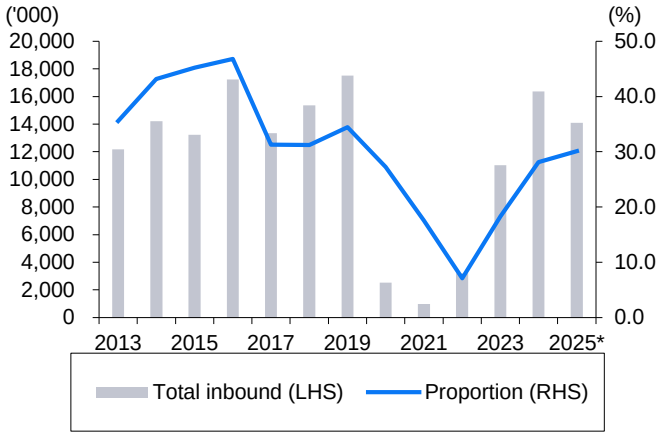
Source: Kosis, Korean Tourism Organization

Korea: Total inbound traffic



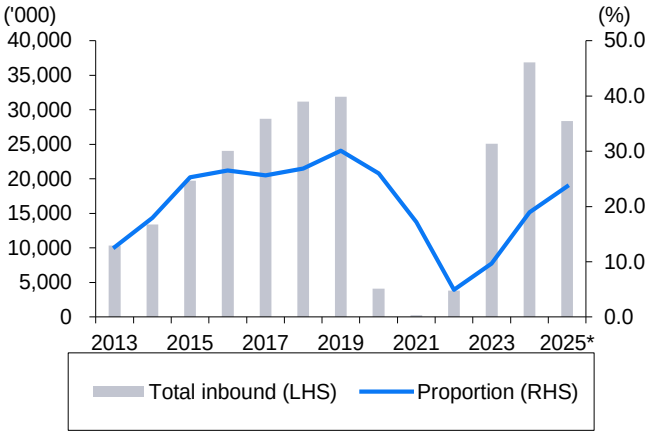
Source: Korean Tourism Organization

Korea: Total inbound traffic vs Chinese inbound traffic



Note: *Jan-Sep 2025
Source: Korean Tourism Organization

Japan: Total inbound traffic vs Chinese inbound traffic



Note: *Jan-Sep 2025
Source: Japan National Tourist Association

COMPANY UPDATE

2025. 12. 5

Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

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Shinsegae (004170)

Department stores: sales rebound; duty-free: profit recovery

- Given the wealth effect from strong financial markets and an increase in foreign visitors, Shinsegae's department store sales should continue recovering.
- DFS earnings should begin improving in 2Q26, supported by the company's decision to withdraw from the loss-making DF2 duty-free zone at Incheon International Airport.
- Although store renewals will lift depreciation costs in 2026, expected gains in department store sales and DFS profitability underpin our BUY rating.

WHAT'S THE STORY?

Welcoming recovery in department store sales: Amid polarized consumption, department stores have delivered more-resilient sales than other retail formats. The clear pickup in sales since 3Q25 is encouraging. The number of Chinese visitors to Korea is rising, helped by the visa-waiver program for Chinese group tourists and ongoing China-Japan tensions—both supportive for department store traffic. The wealth effect from strong financial markets should have an outsized impact on department store sales. We therefore expect Shinsegae's department store sales to continue improving at least through 1H26.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW270,000	8.7%
Current price	**KRW248,500**	
Market cap	KRW2.4t/USD1.6b	
Shares (float)	9,645,181 (61.7%)	
52-week high/low	KRW248,500/KRW125,900	
Avg daily trading value (60-day)	KRW10.6b/ USD7.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinsegae (%)	44.9	45.5	79.7
Vs Kospi (%pts)	51.6	-2.7	11.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	270,000	250,000	8.0%
2025E EPS	22,529	22,529	0.0%
2026E EPS	31,281	31,281	0.0%

SAMSUNG vs THE STREET

No of estimates	16
Target price	256,875
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	6,570	6,979	7,159	7,365
Operating profit	477	476	569	610
Net profit (adj)	187	222	302	335
EPS (adj) (KRW)	10,948	22,529	31,281	34,766
EPS (adj) growth (% y-y)	-52.1	105.8	38.8	11.1
EBITDA margin (%)	14.6	15.3	16.0	16.3
ROE (%)	2.5	3.5	4.6	6.9
P/E (adj) (x)	12.1	11.0	7.9	7.1
P/B (x)	0.3	0.5	0.5	0.4
EV/EBITDA (x)	8.3	8.3	7.7	7.3
Dividend yield (%)	3.4	1.9	2.1	2.3

Source: Company data, Samsung Securities estimates

DFS earnings set to recover: A steady increase in inbound travelers has raised expectations for a recovery in duty-free (DFS) earnings. However, DFS performance remained sluggish through 2H24 and into 2025, weighed down by a strong US dollar against the won and more-diversified shopping behavior among inbound tourists. Shinsegae's DFS earnings should start to improve in 2Q26 following its decision to exit the loss-making DF2 duty-free zone at Incheon International Airport (IIA). A new tender for the IIA DF1 and DF2 lots is expected soon. We do not rule out Shinsegae participating, but even if it does, it would likely propose rent terms that ensure profitability, supporting our recovery outlook. Reflecting stronger department store earnings forecasts, we raise our 2026 operating profit forecast by 3%. With peer valuations also higher, we lift our target price by 8% to KRW270,000 and maintain our BUY rating on the stock.

Shinsegae: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**1,665.8**	**1,693.8**	**1,636.1**	**1,983.2**	**1,794.4**	**1,773.4**	**1,624.9**	**1,966.6**	**6,570.4**	**6,979.0**	**7,159.4**
Department store	654.2	631.3	626.6	771.1	683.6	665.9	648.6	787.8	2,632.1	2,683.1	2,785.9
Shinsegae DF	561.8	605.1	538.8	638.5	646.1	635.4	490.3	587.4	2,006.0	2,344.2	2,359.1
Shinsegae International	304.2	308.6	310.4	397.6	310.3	314.8	316.6	405.5	1,308.6	1,320.8	1,347.2
Shinsegae Central City	88.7	96.4	98.1	100.0	91.4	99.3	101.0	103.0	375.4	383.2	394.7
Casamia	62.3	58.3	63.9	68.0	64.2	60.0	65.8	70.0	269.5	252.5	260.0
Shinsegae Live Shopping	81.1	80.2	84.6	94.3	85.2	84.2	88.8	99.1	328.3	340.2	357.3
Other	-86.4	-86.1	-86.2	-86.2	-86.2	-86.2	-86.2	-86.2	-349.5	-345.0	-344.9
Operating profit	**132.3**	**75.3**	**99.8**	**168.2**	**145.5**	**101.5**	**127.5**	**194.3**	**477.0**	**475.6**	**568.8**
Parent	107.9	70.9	84.0	146.4	120.5	81.8	89.6	154.8	405.6	409.2	446.7
Shinsegae DF	-2.3	-1.5	-5.6	-3.8	-2.6	7.3	9.6	10.0	-35.9	-13.2	24.3
Shinsegae International	4.7	-2.3	-2.0	3.1	4.8	3.9	4.3	6.4	26.9	3.5	19.4
Shinsegae Central City	22.2	9.8	27.6	23.9	22.9	10.1	27.9	24.1	85.7	83.5	85.0
Casamia	0.1	-1.8	-0.4	0.3	0.3	-1.7	-0.3	0.4	1.0	-1.8	-1.3
Shinsegae Live Shopping	5.7	6.0	2.4	4.6	6.0	6.3	2.6	4.9	17.7	18.7	19.8
Other	-6.0	-5.8	-6.2	-6.2	-6.2	-6.2	-6.2	-6.2	-24.0	-24.2	-25.0
Net profit	**77.1**	**8.3**	**48.3**	**88.6**	**88.7**	**41.9**	**61.9**	**109.2**	**186.6**	**222.3**	**301.7**
Net profit (controlling interests)	**57.5**	**-2.3**	**35.2**	**62.0**	**62.1**	**29.3**	**43.3**	**76.4**	**107.8**	**152.5**	**211.2**
Change (% y-y)											
Sales	**3.8**	**5.6**	**6.2**	**8.9**	**7.7**	**4.7**	**-0.7**	**-0.8**	**3.4**	**6.2**	**2.6**
Parent	-1.5	-0.7	1.3	8.0	4.5	5.5	3.5	2.2	2.9	1.9	3.8
Shinsegae DF	15.4	22.9	14.2	15.0	15.0	5.0	-9.0	-8.0	4.7	16.9	0.6
Shinsegae International	-1.7	-3.8	4.9	4.0	2.0	2.0	2.0	2.0	-3.4	0.9	2.0
Shinsegae Central City	-0.2	1.5	3.9	3.0	3.0	3.0	3.0	3.0	7.3	2.1	3.0
Casamia	-9.1	-10.4	-6.9	1.0	3.0	3.0	3.0	3.0	14.7	-6.3	3.0
Shinsegae Live Shopping	3.7	-1.6	9.9	3.0	5.0	5.0	5.0	5.0	15.6	3.6	5.0
Operating profit	-18.8	-35.9	7.3	62.3	10.0	34.7	27.8	15.5	-25.4	-0.3	19.6
Margins (%)											
Operating margin	**7.9**	**4.4**	**6.1**	**8.5**	**8.1**	**5.7**	**7.8**	**9.9**	**7.3**	**6.8**	**7.9**
Parent	16.5	11.2	13.4	19.0	17.6	12.3	13.8	19.6	15.4	15.3	16.0
Shinsegae DF	-0.4	-0.2	-1.0	-0.6	-0.4	1.2	2.0	1.7	-1.8	-0.6	1.0
Shinsegae International	1.5	-0.7	-0.6	0.8	1.5	1.3	1.4	1.6	2.1	0.3	1.4
Shinsegae Central City	25.0	10.2	28.1	23.9	25.0	10.2	27.6	23.4	22.8	21.8	21.5
Casamia	0.2	-3.1	-0.6	0.4	0.5	-2.8	-0.5	0.5	0.4	-0.7	-0.5
Shinsegae Live Shopping	7.0	7.5	2.8	4.8	7.0	7.5	2.9	4.9	5.4	5.5	5.5

Source: Company data, Samsung Securities estimates

Shinsegae: Sum-of-the-parts valuation

(KRWb)	
Consolidated operating value (A)	**6,436**
- 12-month forward EBITDA	1,088
- Target EV/EBITDA (x)*	5.9
Non-operating value (B)**	**383**
1) Samsung Life Insurance	339
- Market cap	30,820
- Stake (%)	2.2
2) Naver	40
- Market cap	40,076
- Stake (%)	0.2
3) Samsung Card	1
- Market cap	6,372
- Stake (%)	0.0
4) Seoul Auction	3
- Market cap	129
- Stake (%)	5
Net debt (C)	4,330.9
Treasury shares (D)***	132.4
Enterprise value (E=A+B-C+D)	**2,621**
Outstanding shares	9,645,181
Target price (KRW)	**270,000**

Note: *Average EV/EBITDA of Korean retail companies (as of Nov 28 close);
**50% discount to closing price on Nov 28;
***30% discount to closing price on Nov 28

Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**6,357**	**6,570**	**6,979**	**7,159**	**7,365**
Cost of goods sold	2,502	2,518	2,700	2,656	2,684
Gross profit	**3,855**	**4,053**	**4,279**	**4,504**	**4,681**
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**	**569**	**610**
Operating margin (%)	10.1	7.3	6.8	7.9	8.3
Non-operating gains (losses)	**-187**	**-282**	**-174**	**-153**	**-148**
Financial profit	140	143	87	54	53
Financial costs	231	301	240	190	184
Equity-method gains (losses)	-7	-12	-23	-17	-17
Other	-88	-113	2	-0	0
Pre-tax profit	**453**	**195**	**301**	**416**	**463**
Taxes	141	8	79	114	127
Effective tax rate (%)	31.2	4.1	26.3	27.5	27.5
Profit from continuing operations	312	187	222	302	335
Profit from discontinued operations	0	0	0	0	0
Net profit	**312**	**187**	**222**	**302**	**335**
Net margin (%)	4.9	2.8	3.2	4.2	4.6
Net profit (controlling interests)	225	108	152	211	335
Net profit (non-controlling interests)	87	79	70	91	0
EBITDA	1,137	958	1,067	1,149	1,204
EBITDA margin (%)	17.9	14.6	15.3	16.0	16.3
EPS (parent-based) (KRW)	22,865	10,948	15,756	21,897	34,766
EPS (consolidated) (KRW)	31,687	18,954	22,968	31,281	34,766
Adjusted EPS (KRW)*	22,865	10,948	22,529	31,281	34,766

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,674**	**2,343**	**2,562**	**2,712**	**3,189**
Cash & equivalents	802	582	662	719	782
Accounts receivable	369	289	330	339	442
Inventories	891	979	1,070	1,162	1,369
Other current assets	611	492	501	493	597
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	7,922	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**	**15,406**	**15,717**	**16,360**
Current liabilities	**4,944**	**4,947**	**4,998**	**4,805**	**4,901**
Accounts payable	99	123	145	149	180
Short-term debt	1,125	885	885	885	885
Other current liabilities	3,719	3,939	3,967	3,770	3,835
Long-term liabilities	**3,468**	**3,750**	**3,845**	**4,088**	**4,344**
Bonds & long-term debt	1,892	2,213	2,871	2,871	2,871
Other long-term liabilities	1,577	1,537	974	1,217	1,473
Total liabilities	**8,412**	**8,697**	**8,849**	**8,900**	**9,253**
Owners of parent equity	**4,209**	**4,265**	**4,448**	**4,708**	**4,997**
Capital stock	49	49	49	49	49
Capital surplus	403	424	424	424	424
Retained earnings	3,655	3,718	3,900	4,160	4,450
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**	**6,557**	**6,817**	**7,107**
Net debt	3,881	4,519	4,394	4,338	4,276

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**791**	**776**	**956**	**833**	**852**
Net profit	312	187	222	302	335
Non-cash profit and expenses	872	855	896	885	909
Depreciation	444	426	546	532	543
Amortization	53	55	45	48	50
Other	374	374	304	304	315
Changes in A/L from operating activities	-121	-41	-162	-353	-392
Cash flow from investments	**-912**	**-981**	**-783**	**-680**	**-689**
Change in tangible assets	-596	-885	-742	-638	-647
Change in financial assets	-206	266	-29	-29	-29
Other	-110	-363	-12	-13	-13
Cash flow from financing	**-16**	**-17**	**-96**	**-98**	**-102**
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	-96	-98	-102
Change in cash	-136	-220	79	57	63
Cash at beginning of year	938	802	582	662	719
Cash at end of year	802	582	662	719	782
Gross cash flow	**1,184**	**1,041**	**1,118**	**1,186**	**1,244**
Free cash flow	**191**	**-120**	**208**	**188**	**197**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-18.6	3.4	6.2	2.6	2.9
Operating profit	-0.9	-25.4	-0.3	19.6	7.3
Net profit	-43.0	-40.2	19.1	35.8	11.1
Adjusted EPS**	-44.6	-52.1	105.8	38.8	11.1
Per-share data (KRW)					
EPS (parent-based)	22,865	10,948	15,756	21,897	34,766
EPS (consolidated)	31,687	18,954	22,968	31,281	34,766
Adjusted EPS**	22,865	10,948	22,529	31,281	34,766
BVPS	445,995	486,461	507,310	536,922	569,968
DPS (common)	4,000	4,500	4,800	5,200	5,600
Valuations (x)					
P/E***	7.7	12.1	11.0	7.9	7.1
P/B***	0.4	0.3	0.5	0.5	0.4
EV/EBITDA	6.8	8.3	8.3	7.7	7.3
Ratios (%)					
ROE	5.4	2.5	3.5	4.6	6.9
ROA	2.1	1.3	1.5	1.9	2.1
ROIC	5.6	5.5	4.0	4.6	4.8
Payout ratio	1,776.9	4,175.1	3,148.2	2,462.2	1,670.0
Dividend yield (common)	2.3	3.4	1.9	2.1	2.3
Net debt to equity	61.2	70.9	67.0	63.6	60.2
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

COMPANY UPDATE

2025. 12. 5

Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

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E-Mart (139480)

Stronger on/offline synergy required

- 2025 marked the first year of E-Mart's integrated procurement, but e-commerce performance proved disappointing.
- Sales should recover in 1H26 on base effect from this year's consumption trends. Accounting operating profit should also improve in the near term, supported by the Gmarket-Alibaba Group collaboration.
- For integrated procurement to deliver meaningful profitability gains, a recovery in both online and offline sales is essential.

WHAT'S THE STORY?

Integrated procurement begins, but profitability gains fall short: E E-Mart merged with its supermarket subsidiary E-Mart Everyday in Jul 2024 and launched integrated procurement in 2025. While discount stores' gross margins on external sales improved in 1H25, the mix shift toward online sales limited the improvement in the parent company's profitability. Sales also slumped in 3Q25, as discount stores were not among retail formats where livelihood recovery coupons could be used. For margins at the parent level to improve meaningfully, either: 1) offline external sales must rise, enhancing the sales mix; or 2) online sales must increase enough to provide a direct lift to profitability. E-commerce earnings have slowed since 2Q25 due to a temporary logistics disruption—a setback that underscores the importance of an e-commerce recovery for overall earnings improvement in 2026.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW113,000	36%
Current price	KRW83,100	
Market cap	KRW2.3t/USD1.6b	
Shares (float)	27,595,819 (68.2%)	
52-week high/low	KRW99,400/KRW60,800	
Avg daily trading value (60-day)	KRW12.1b/ USD8.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
E-Mart (%)	15.7	-1.8	24.4
Vs Kospi (%pts)	21.1	-34.3	-22.9

KEY CHANGES

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

SAMSUNG vs THE STREET

No of estimates	12
Target price	111,000
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	29,021	29,006	29,881	31,067
Operating profit	47	469	600	703
Net profit (adj)	-573	379	250	336
EPS (adj) (KRW)	-21,166	3,531	7,619	12,177
EPS (adj) growth (% y-y)	nm	nm	115.8	59.8
EBITDA margin (%)	5.8	7.0	7.4	7.7
ROE (%)	-5.4	0.9	1.9	3.0
P/E (adj) (x)	n/a	23.5	10.9	6.8
P/B (x)	0.2	0.2	0.2	0.2
EV/EBITDA (x)	8.8	7.4	6.6	6.1
Dividend yield (%)	3.2	3.0	3.0	3.0

Source: Company data, Samsung Securities estimates

Base effect expected in 1H26: Weak consumption trends through 1H25 should create a low base for E-Mart in 1H26. The distribution of 'livelihood recovery coupons' in 3Q25 and the soft performance of the e-commerce business in mid-2025 should further reinforce the base effect. Meanwhile, following the Fair Trade Commission's conditional approval of the Gmarket-AliExpress joint venture, Gmarket's operating losses should disappear—at least from an accounting standpoint—via changes in equity-method gains or losses. Key variables to monitor in 2026 include whether: 1) SSG.com earnings improve; 2) Gmarket and Alibaba Group generate actual synergies; and 3) competition among large discount stores eases. Expecting near-term earnings improvement supported by base effect, we maintain our BUY rating on E-Mart.

E-mart: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Gross sales (parent)	**4,625.8**	**4,290.6**	**4,593.9**	**4,623.1**	**4,781.0**	**4,424.1**	**4,823.4**	**4,620.2**	**16,967.3**	**18,133.4**	**18,648.7**
Hypermarket	3,042.2	2,770.1	2,970.7	3,036.4	3,133.7	2,834.8	3,103.4	3,011.5	11,666.5	11,819.4	12,083.3
Traders W.C	966.7	900.3	1,000.4	953.4	1,016.9	952.4	1,074.2	970.6	3,549.5	3,820.8	4,014.1
Specialty store	260.4	257.9	254.8	263.4	264.5	264.8	265.1	261.8	1,019.5	1,036.5	1,056.2
Everyday	356.4	362.2	367.8	369.7	365.7	372.0	380.6	376.0	731.4	1,456.1	1,494.2
Other	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.6	0.8
Net sales	**7,218.9**	**7,039.0**	**7,400.8**	**7,346.9**	**7,368.6**	**7,212.4**	**7,779.6**	**7,520.1**	**29,020.9**	**29,005.6**	**29,880.7**
Separate	4,259.2	3,970.5	4,273.8	4,240.3	4,402.1	4,094.0	4,487.3	4,237.6	15,569.6	16,743.8	17,221.0
SSG.com	356.8	350.3	318.9	321.0	311.4	315.3	351.1	360.0	1,575.5	1,347.0	1,337.9
Gmarket	200.6	181.2	187.1	198.1	208.6	188.4	193.4	189.5	961.3	767.0	780.0
SCK Company	761.9	795.5	810.5	848.2	814.6	845.1	858.6	890.9	3,100.1	3,216.1	3,409.2
E-mart 24	465.8	532.2	552.1	469.9	428.0	499.6	562.8	509.1	2,163.0	2,020.0	1,999.4
E-mart Everyday	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	705.6	n/a	n/a
Other subsidiaries	1,174.6	1,209.3	1,258.4	1,269.5	1,203.9	1,269.9	1,326.4	1,333.0	4,945.8	4,911.8	5,133.3
Operating profit	**159.3**	**21.6**	**151.4**	**137.1**	**150.4**	**66.1**	**226.0**	**157.4**	**47.1**	**469.4**	**600.0**
Separate	133.3	15.6	113.5	119.2	147.4	24.6	153.7	89.5	121.8	381.6	415.3
SSG.com	(18.1)	(31.0)	(42.2)	(34.4)	(29.8)	(23.2)	(21.9)	(20.6)	(72.6)	(125.7)	(95.5)
Gmarket	(12.1)	(29.8)	(24.4)	(23.0)	(20.9)	(17.8)	(15.6)	(14.4)	(67.4)	(89.3)	(68.7)
SCK Company	35.1	40.3	60.0	63.1	39.2	44.5	65.3	68.1	190.8	198.5	217.0
E-mart 24	(10.4)	(4.4)	(7.8)	(5.5)	(3.1)	(1.6)	0.5	1.6	(29.8)	(28.1)	(2.7)
E-mart Everyday	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7.5	n/a	n/a
Other subsidiaries	31.5	30.9	52.3	17.8	17.7	39.6	44.0	33.3	(103.2)	132.5	134.5
Pre-tax profit	119.2	(26.4)	344.2	22.1	126.2	(5.9)	178.5	46.3	(605.4)	459.1	345.2
Net profit	**83.6**	**(31.4)**	**310.3**	**16.0**	**91.5**	**(4.3)**	**129.4**	**33.6**	**(573.4)**	**378.6**	**250.3**
Net profit (controlling interests)	**70.8**	**(52.3)**	**265.9**	**6.0**	**81.5**	**(14.3)**	**119.4**	**23.6**	**(590.0)**	**290.4**	**210.3**
Change (% y-y)											
Gross sales (parent)	**10.1**	**11.8**	**(1.7)**	**8.7**	**3.4**	**3.1**	**5.0**	**(0.1)**	**2.5**	**6.9**	**2.8**
Hypermarket	0.3	0.5	(3.4)	8.4	3.0	2.3	4.5	(0.8)	(3.5)	1.3	2.2
Traders W.C	5.6	8.1	3.6	14.0	5.2	5.8	7.4	1.8	5.2	7.6	5.1
Specialty store	2.7	2.7	(2.9)	4.2	1.6	2.7	4.0	(0.6)	(6.2)	1.7	1.9
Other	1.6	2.1	(0.6)	2.3	2.6	2.7	3.5	1.7	n/a	99.1	2.6
Net sales	**0.2**	**(0.2)**	**(1.4)**	**1.3**	**2.1**	**2.5**	**5.1**	**2.4**	**(1.5)**	**(0.1)**	**3.0**
Separate	10.7	13.3	(1.0)	8.7	3.4	3.1	5.0	(0.1)	2.8	7.5	2.9
SSG.com	(13.7)	(11.4)	(18.3)	(14.7)	(12.7)	(10.0)	10.1	12.2	(6.1)	(14.5)	(0.7)
Gmarket	(21.4)	(28.3)	(17.1)	(13.1)	4.0	4.0	3.4	(4.3)	(19.6)	(20.2)	1.7
SCK Company	3.7	4.7	2.9	3.6	6.9	6.2	5.9	5.0	5.8	3.7	6.0
E-mart 24	(8.9)	(5.9)	(2.7)	(9.4)	(8.1)	(6.1)	1.9	8.3	(2.8)	(6.6)	(1.0)
E-mart Everyday	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Margins (%)											
Operating margin	**2.2**	**0.3**	**2.0**	**1.9**	**2.0**	**0.9**	**2.9**	**2.1**	**0.2**	**1.6**	**2.0**
Separate	3.1	0.4	2.7	2.8	3.3	0.6	3.4	2.1	0.8	2.3	2.4
SSG.com	(5.1)	(8.8)	(13.2)	(10.7)	(9.6)	(7.3)	(6.2)	(5.7)	(4.6)	(9.3)	(7.1)
Gmarket	(6.0)	(16.4)	(13.0)	(11.6)	(10.0)	(9.4)	(8.0)	(7.6)	(7.0)	(11.6)	(8.8)
SCK Company	4.6	5.1	7.4	7.4	4.8	5.3	7.6	7.6	6.2	6.2	6.4
E-mart 24	(2.2)	(0.8)	(1.4)	(1.2)	(0.7)	(0.3)	0.1	0.3	(1.4)	(1.4)	(0.1)
E-mart Everyday	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.1	n/a	n/a
Net margin	**1.2**	**(0.4)**	**4.2**	**0.2**	**1.2**	**(0.1)**	**1.7**	**0.4**	**(2.0)**	**1.3**	**0.8**

Source: Company data, Samsung Securities estimates

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	3,531	7,619	12,177

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	0	0	0
Other	342	-841	-400	-413	-413
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**

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

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

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	3,531	7,619	12,177
BVPS	427,553	387,877	400,009	406,851	416,895
DPS (common)	2,000	2,000	2,500	2,500	2,500
Valuations (x)					
P/E***	n/a	n/a	23.5	10.9	6.8
P/B***	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	8.9	8.8	7.4	6.6	6.1
Ratios (%)					
ROE	-0.8	-5.4	0.9	1.9	3.0
ROA	-0.6	-1.7	1.1	0.7	1.0
ROIC	-0.2	0.2	2.2	2.5	3.0
Payout ratio	-2,244.9	-339.0	68.5	31.9	19.9
Dividend yield (common)	2.6	3.2	3.0	3.0	3.0
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

COMPANY UPDATE

2025. 12. 5

Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

Scan to go to
Research Center report database

Lotte Shopping (023530)

Department store rebound positive; discount store performance to be key

- Lotte Shopping posted a strong rebound in department store sales in 3Q25. Given its high exposure to the fashion category and the early arrival of cold weather, the department store unit should continue improving.
- The discount store unit should also see sales recover thanks to base effect, but competition from e-commerce players remains a structural headwind. Positive momentum from the new logistics center—being developed with UK-based food specialist Ocado and slated to open in mid-2026—is essential.
- Industrywide improvement and stronger earnings should materially lift ROE, drawing attention to the company's low valuation (0.1x P/B).

AT A GLANCE

BUY

Target price	KRW95,000	25.3%
Current price	KRW75,800	
Market cap	KRW2.1t/USD1.4b	
Shares (float)	28,288,755 (39.8%)	
52-week high/low	KRW83,100/KRW52,300	
Avg daily trading value (60-day)	KRW4.9b/ USD3.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Shopping (%)	17.7	-2.3	29.8
Vs Kospi (%pts)	23.1	-34.7	-19.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	95,000	95,000	0.0%
2025E EPS	1,892	1,892	0.0%
2026E EPS	10,999	10,999	0.0%

SAMSUNG vs THE STREET

No of estimates	10
Target price	94,700
Recommendation	4.0

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

WHAT'S THE STORY?

Department store sales rebound: Lotte Shopping's department store sales rebounded sharply in 3Q25, supported indirectly by the distribution of 'livelihood recovery coupons' (from Jul 2025). Additional tailwinds—including increased inbound traffic to Korea, a stock market rally, and the early onset of cold weather—should sustain strength through 4Q25. Momentum is likely to continue, helped by expectations of increased Chinese tourist arrivals amid ongoing China-Japan tensions and the low base created by weak domestic consumption in 1H25. It is also encouraging that the company's overseas department store operations continue to perform well and that restructuring is progressing—albeit gradually—with impairment losses booked on a real-estate development project in Ulsan in 3Q25.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	13,987	13,787	14,132	14,460
Operating profit	473	564	696	758
Net profit (adj)	-994	100	311	368
EPS (adj) (KRW)	-34,219	1,892	10,999	13,016
EPS (adj) growth (% y-y)	nm	nm	481.2	18.3
EBITDA margin (%)	11.4	12.6	13.3	13.6
ROE (%)	-7.7	0.6	2.0	2.3
P/E (adj) (x)	n/a	40.1	6.9	5.8
P/B (x)	0.1	0.1	0.1	0.1
EV/EBITDA (x)	9.4	9.0	8.3	7.8
Dividend yield (%)	7.0	5.0	5.0	5.0

Source: Company data, Samsung Securities estimates

Earnings contribution from new logistics center a key watchpoint for 2026: The discount store unit should begin improving in 4Q25, supported by the coupon-driven lift in consumption. In 2026, a key watchpoint will be whether the new logistics center—developed with UK-based food specialist Ocado and slated to open in mid-2026—contributes meaningfully to e-grocery earnings. Since early 2025, the company has been pushing full-scale e-grocery expansion, including launching the AI-powered Zeta app to enhance personalized shopping. Given its 0.1x P/B and 5.3% dividend yield, improved visibility on ROE expansion—driven by the department store rebound—should support the shares. We reiterate our BUY rating on the stock.

Lotte Shopping: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Net sales	**3,456.8**	**3,349.7**	**3,410.1**	**3,570.7**	**3,527.1**	**3,418.6**	**3,545.1**	**3,641.6**	**13,986.6**	**13,787.3**	**14,132.4**
Department store	806.3	815.8	764.8	926.2	806.8	820.0	761.1	922.2	3,319.3	3,313.1	3,310.1
Discount store	1,487.3	1,295.4	1,333.8	1,394.2	1,527.1	1,323.6	1,407.6	1,426.2	5,576.4	5,510.7	5,684.5
SSM	305.2	308.6	313.6	305.3	308.0	318.2	336.3	319.3	1,296.1	1,232.7	1,281.8
E-commerce	28.3	26.6	22.6	34.6	28.9	27.9	24.9	35.6	119.8	112.1	117.3
Home shopping	227.6	231.0	211.3	259.9	230.1	233.6	222.5	263.1	924.9	929.8	949.2
Lotte Cultureworks	86.3	91.9	127.8	96.5	92.3	93.7	130.4	98.4	451.7	402.5	414.9
Lotte Himart	529.0	594.2	652.5	570.3	550.2	618.0	678.6	593.1	2,356.7	2,346.0	2,439.9
Other	(13.2)	(13.8)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(58.3)	(59.6)	(65.2)
Operating profit	**148.2**	**40.6**	**130.5**	**244.6**	**173.2**	**77.5**	**188.2**	**256.7**	**473.2**	**563.9**	**695.6**
Department store	130.0	65.0	83.2	240.7	139.5	75.1	101.2	230.9	399.9	518.9	546.7
Discount store	28.1	(39.0)	11.5	9.5	32.5	(36.0)	28.9	16.2	65.0	10.1	41.6
SSM	3.2	2.7	4.9	(2.1)	4.2	3.7	6.3	(1.8)	29.3	8.7	12.3
E-commerce	(8.5)	(8.4)	(9.6)	(7.9)	(7.2)	(5.2)	(6.8)	(4.6)	(68.5)	(34.4)	(23.8)
Home shopping	12.1	12.2	10.3	14.1	11.8	12.8	11.3	14.5	49.8	48.7	50.4
Lotte Cultureworks	(10.4)	(6.2)	8.2	(5.2)	(3.7)	7.7	18.8	2.5	0.3	(13.6)	25.3
Lotte Himart	(11.1)	10.5	19.0	(7.6)	(6.9)	16.2	25.5	(4.0)	1.7	10.8	30.8
Other	4.8	3.8	3.0	3.1	3.1	3.1	3.1	3.1	(4.3)	14.7	12.4
Pre-tax profit	44.6	(24.1)	(14.8)	193.9	82.4	29.1	114.2	203.5	(1,009.8)	199.6	429.2
Net profit	**18.1**	**(10.3)**	**(48.7)**	**140.6**	**59.7**	**21.1**	**82.8**	**147.5**	**(982.6)**	**99.6**	**311.2**
Net profit (controlling interests)	**16.2**	**(20.4)**	**(56.6)**	**135.6**	**54.7**	**16.1**	**77.8**	**142.5**	**(990.4)**	**74.8**	**291.2**
Change (% y-y)											
Net sales	**(1.6)**	**(2.3)**	**(4.4)**	**2.7**	**2.0**	**2.1**	**4.0**	**2.0**	**(3.9)**	**(1.4)**	**2.5**
Department store	(1.1)	(2.4)	1.3	1.5	0.1	0.5	(0.5)	(0.4)	(0.3)	(0.2)	(0.1)
Discount store	0.3	(1.8)	(7.5)	4.6	2.7	2.2	5.5	2.3	(2.8)	(1.2)	3.2
SSM	(7.1)	(6.6)	(6.2)	0.9	0.9	3.1	7.2	4.6	(0.8)	(4.9)	4.0
E-commerce	(5.0)	(4.3)	(16.0)	(2.0)	2.0	5.0	10.0	3.0	(11.4)	(6.4)	4.6
Home shopping	0.0	(0.6)	1.5	1.1	1.1	1.1	5.3	1.2	(1.8)	0.5	2.1
Lotte Cultureworks	(25.0)	(19.5)	(2.1)	5.0	7.0	2.0	2.0	2.0	(19.6)	(10.9)	3.1
Lotte Himart	0.7	0.8	(4.9)	2.5	4.0	4.0	4.0	4.0	(9.7)	(0.5)	4.0
Others	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating profit	**29.0**	**(27.6)**	**(15.8)**	**66.2**	**16.9**	**90.8**	**44.2**	**5.0**	**(6.9)**	**19.2**	**23.4**
Margins (%)											
Operating margin	**4.3**	**1.2**	**3.8**	**6.8**	**4.9**	**2.3**	**5.3**	**7.0**	**3.4**	**4.1**	**4.9**
Department store	16.1	8.0	10.9	26.0	17.3	9.2	13.3	25.0	12.0	15.7	16.5
Discount store	1.9	(3.0)	0.9	0.7	2.1	(2.7)	2.1	1.1	1.2	0.2	0.7
SSM	1.0	0.9	1.6	(0.7)	1.3	1.2	1.9	(0.6)	2.3	0.7	1.0
E-commerce	(30.0)	(31.6)	(42.5)	(22.8)	(25.0)	(18.6)	(27.5)	(12.8)	(57.2)	(30.7)	(20.3)
Home shopping	5.3	5.3	4.9	5.4	5.1	5.5	5.1	5.5	5.4	5.2	5.3
Lotte Cultureworks	(12.1)	(6.7)	6.4	(5.4)	(4.1)	8.3	14.4	2.6	0.1	(3.4)	6.1
Lotte Himart	(2.1)	1.8	2.9	(1.3)	(1.2)	2.6	3.8	(0.7)	0.1	0.5	1.3
Pre-tax margin	1.3	(0.7)	(0.4)	5.4	2.3	0.9	3.2	5.6	(7.2)	1.4	3.0
Net margin	**0.5**	**(0.3)**	**(1.4)**	**3.9**	**1.7**	**0.6**	**2.3**	**4.1**	**(7.0)**	**0.7**	**2.2**
Net profit (controlling interests)	0.5	(0.6)	(1.7)	3.8	1.6	0.5	2.2	3.9	(7.1)	0.5	2.1

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**14,556**	**13,987**	**13,787**	**14,132**	**14,460**
Cost of goods sold	7,781	7,251	7,109	7,118	7,173
Gross profit	**6,775**	**6,735**	**6,679**	**7,015**	**7,287**
Gross margin (%)	46.5	48.2	48.4	49.6	50.4
SG&A expenses	6,266	6,262	6,115	6,319	6,528
Operating profit	**508**	**473**	**564**	**696**	**758**
Operating margin (%)	3.5	3.4	4.1	4.9	5.2
Non-operating gains (losses)	**-324**	**-1,494**	**-364**	**-266**	**-251**
Financial profit	412	384	297	145	141
Financial costs	740	933	732	567	539
Equity-method gains (losses)	147	143	153	155	148
Other	-144	-1,088	-82	0	-0
Pre-tax profit	**184**	**-1,021**	**200**	**429**	**508**
Taxes	15	-27	100	118	140
Effective tax rate (%)	8.0	2.7	50.1	27.5	27.5
Profit from continuing operations	169	-994	100	311	368
Profit from discontinued operations	0	0	0	0	0
Net profit	**169**	**-994**	**100**	**311**	**368**
Net margin (%)	1.2	-7.1	0.7	2.2	2.5
Net profit (controlling interests)	174	-968	100	311	368
Net profit (non-controlling interests)	-5	-26	0	0	0
EBITDA	1,682	1,589	1,740	1,877	1,968
EBITDA margin (%)	11.6	11.4	12.6	13.3	13.6
EPS (parent-based) (KRW)	6,165	-34,219	3,522	10,999	13,016
EPS (consolidated) (KRW)	5,980	-35,140	3,522	10,999	13,016
Adjusted EPS (KRW)*	6,165	-34,219	1,892	10,999	13,016

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**5,564**	**5,517**	**5,615**	**6,029**	**6,470**
Cash & equivalents	1,590	1,555	1,422	1,573	1,749
Accounts receivable	645	572	668	756	861
Inventories	1,269	1,540	1,648	1,791	1,924
Other current assets	2,060	1,849	1,877	1,909	1,936
Fixed assets	**25,081**	**33,486**	**33,277**	**33,204**	**33,143**
Investment assets	3,187	3,129	7,731	7,626	7,530
Tangible assets	15,007	24,306	24,343	24,375	24,411
Intangible assets	1,159	752	752	752	752
Other long-term assets	5,728	5,299	451	451	451
Total assets	**30,645**	**39,003**	**38,892**	**39,233**	**39,613**
Current liabilities	**10,903**	**9,836**	**9,912**	**10,045**	**10,186**
Accounts payable	593	602	624	688	757
Short-term debt	1,970	2,104	2,104	2,104	2,104
Other current liabilities	8,340	7,131	7,184	7,254	7,325
Long-term liabilities	**8,905**	**12,133**	**12,097**	**12,099**	**12,077**
Bonds & long-term debt	4,266	6,007	9,608	9,608	9,608
Other long-term liabilities	4,639	6,127	2,488	2,491	2,469
Total liabilities	**19,808**	**21,969**	**22,015**	**22,152**	**22,271**
Owners of parent equity	**9,494**	**15,504**	**15,348**	**15,551**	**15,812**
Capital stock	141	141	141	141	141
Capital surplus	3,574	3,574	3,574	3,574	3,574
Retained earnings	8,630	7,498	7,341	7,545	7,806
Other	-2,852	4,291	4,291	4,291	4,291
Non-controlling interests' equity	**1,343**	**1,530**	**1,530**	**1,530**	**1,530**
Total equity	**10,836**	**17,034**	**16,877**	**17,081**	**17,342**
Net debt	11,315	11,808	12,024	11,874	11,698

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**1,640**	**1,588**	**1,647**	**1,891**	**1,941**
Net profit	169	-994	100	311	368
Non-cash profit and expenses	1,565	2,708	1,753	1,733	1,721
Depreciation	1,051	1,058	1,147	1,151	1,179
Amortization	123	58	29	30	31
Other	391	1,592	578	551	511
Changes in A/L from operating activities	-137	-115	-206	-152	-148
Cash flow from investments	**-199**	**-1,068**	**-663**	**-623**	**-647**
Change in tangible assets	-723	-880	-815	-772	-800
Change in financial assets	388	-40	180	180	180
Other	135	-148	-28	-32	-27
Cash flow from financing	**-1,651**	**-498**	**-1,059**	**-1,059**	**-1,059**
Change in debt	-872	465	0	0	0
Change in equity	0	-0	0	0	0
Dividends	-150	-143	0	0	0
Other	-629	-819	-1,059	-1,059	-1,059
Change in cash	-211	-35	-133	151	177
Cash at beginning of year	1,801	1,590	1,555	1,422	1,573
Cash at end of year	1,590	1,555	1,422	1,573	1,749
Gross cash flow	**1,734**	**1,714**	**1,853**	**2,044**	**2,089**
Free cash flow	**824**	**682**	**782**	**1,070**	**1,091**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-5.9	-3.9	-1.4	2.5	2.3
Operating profit	31.6	-6.9	19.2	23.3	9.0
Net profit	nm	nm	nm	212.3	18.3
Adjusted EPS**	nm	nm	nm	481.2	18.3
Per-share data (KRW)					
EPS (parent-based)	6,165	-34,219	3,522	10,999	13,016
EPS (consolidated)	5,980	-35,140	3,522	10,999	13,016
Adjusted EPS**	6,165	-34,219	1,892	10,999	13,016
BVPS	335,809	548,412	542,878	550,084	559,308
DPS (common)	3,800	3,800	3,800	3,800	3,800
Valuations (x)					
P/E***	12.2	n/a	40.1	6.9	5.8
P/B***	0.2	0.1	0.1	0.1	0.1
EV/EBITDA	8.8	9.4	9.0	8.3	7.8
Ratios (%)					
ROE	1.8	-7.7	0.6	2.0	2.3
ROA	0.5	-2.9	0.3	0.8	0.9
ROIC	2.6	2.1	1.1	2.1	2.3
Payout ratio	2,178.9	-392.6	107.8	34.5	29.2
Dividend yield (common)	5.1	7.0	5.0	5.0	5.0
Net debt to equity	104.4	69.3	71.2	69.5	67.5
Interest coverage (x)	0.9	0.8	1.0	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

COMPANY UPDATE

2025. 12. 5

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Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

GS Retail (007070)

Gradual earnings improvement positive

- GS Retail's convenience store unit began improving in 3Q25 following the distribution of 'livelihood recovery coupons' (from Jul 2025), after a weak 1H25 marked by deepening consumption polarization.
- Further monitoring is needed to assess whether same-store sales growth will hold, but we believe the post-2025 slowdown in net store additions—and the associated reduction in costs—will continue supporting earnings into 2026.
- Restructuring of low-margin subsidiaries is also underway. We maintain our BUY rating on the stock.

WHAT'S THE STORY?

Convenience store business to defend profitability: In 1H25, GS Retail's convenience store sales weakened amid intensified consumption polarization. In response, the company sharply slowed the pace of net store additions, shifting its focus to profitability. In 3Q25, same-store sales (SSS) improvement driven by the distribution of 'livelihood recovery coupons', along with cost savings from the restructuring of loss-making stores (including closures), supported a rebound in profitability. Although it remains to be seen whether SSS growth will persist beyond November—when the coupon effect dissipates—the profitability improvement stemming from disciplined store expansion should continue contributing to earnings through end-1H26. Reflecting this, we raise our 2026 net profit forecast by 9%. With peer valuations also higher, we lift our target price by 15% to KRW26,500.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW26,500	16%
Current price	KRW22,850	
Market cap	KRW1.9t/USD1.3b	
Shares (float)	83,607,415 (41.3%)	
52-week high/low	KRW23,150/KRW13,550	
Avg daily trading value (60-day)	KRW3.9b/ USD2.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
GS Retail (%)	29.2	52.8	-1.3
Vs Kospi (%pts)	35.1	2.2	-38.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	26,500	23,000	15.2%
2025E EPS	1,589	1,594	-0.3%
2026E EPS	1,979	1,818	8.9%

SAMSUNG vs THE STREET

No of estimates	11
Target price	23,636
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	11,627	11,960	12,330	12,761
Operating profit	239	296	315	333
Net profit (adj)	10	132	165	182
EPS (adj) (KRW)	25	1,589	1,979	2,180
EPS (adj) growth (% y-y)	-85.3	6,321.3	24.6	10.1
EBITDA margin (%)	8.6	7.2	7.4	7.5
ROE (%)	0.1	4.4	5.2	5.2
P/E (adj) (x)	666.9	14.4	11.5	10.5
P/B (x)	0.4	0.6	0.6	0.5
EV/EBITDA (x)	4.1	5.3	4.9	4.6
Dividend yield (%)	3.0	2.2	2.2	2.2

Source: Company data, Samsung Securities estimates

Gradual restructuring also positive: While focusing on profitability at the convenience store business and pursuing selective store additions at the supermarket unit, the company has continued restructuring its low-margin subsidiaries—*eg*, discontinuing Firsf (agricultural products) in 2Q25 and selling its stake in About Pet in 3Q25. Further restructuring of remaining low-margin operations (*eg*, Cookat and Yogiyo) should draw attention. Although these efforts remain modest in scale and are unlikely to materially boost ROE in the near term, we view the company's selective-focus strategy favorably and maintain our BUY rating on the stock.

GS Retail: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26	3Q26	4Q26	2024	2025E	2026E
Sales	**2,761.3**	**2,980.6**	**3,205.4**	**3,013.2**	**2,833.6**	**3,085.6**	**3,297.2**	**3,113.6**	**11,736.2**	**11,960.4**	**12,330.1**
Convenience store	2,012.3	2,225.7	2,448.5	2,245.3	2,062.5	2,302.7	2,499.1	2,311.0	8,666.1	8,931.8	9,175.3
SSM	416.0	426.7	459.4	438.4	457.8	466.7	501.3	473.7	1,608.0	1,740.5	1,899.6
Home shopping	257.8	265.8	247.5	280.0	262.5	266.2	246.5	279.1	1,052.1	1,051.1	1,054.3
Development	8.9	8.1	8.3	7.8	9.2	8.3	8.5	8.1	36.0	33.1	34.1
Other	66.3	54.3	41.7	41.7	41.7	41.7	41.7	41.7	264.3	204.0	166.8
Operating profit	**38.7**	**84.5**	**111.1**	**61.3**	**53.9**	**95.2**	**103.0**	**62.9**	**263.2**	**295.7**	**315.0**
Convenience store	17.2	59.0	85.1	37.9	25.9	67.9	79.4	39.0	194.6	199.2	212.2
SSM	7.8	5.4	9.2	4.4	9.5	6.4	11.0	4.7	31.5	26.8	31.6
Home shopping	22.4	25.2	11.6	23.9	22.0	24.4	16.5	23.0	107.1	83.1	85.9
Development	0.3	1.9	0.0	0.0	0.3	0.3	0.0	0.0	-35.3	2.2	0.6
Other	-9.0	-7.0	5.2	-4.8	-3.8	-3.8	-3.8	-3.8	-59.0	-15.6	-15.4
Pre-tax profit	12.1	17.0	111.1	36.8	30.9	73.8	83.2	40.3	31.4	177.1	228.2
Net profit	**4.8**	**14.2**	**90.3**	**26.7**	**22.4**	**53.5**	**60.3**	**29.2**	**9.8**	**136.0**	**165.5**
Net profit (controlling interests)	**6.7**	**15.3**	**94.5**	**28.0**	**23.4**	**56.0**	**63.2**	**30.6**	**2.5**	**144.5**	**173.2**
Change (% y-y)											
Sales	**-1.7**	**1.5**	**4.9**	**2.7**	**2.6**	**3.5**	**2.9**	**3.3**	**1.1**	**1.9**	**3.1**
Convenience store	2.2	1.5	6.1	2.2	2.5	3.5	2.1	2.9	5.1	3.1	2.7
SSM	9.2	8.3	8.5	7.1	10.0	9.4	9.1	8.1	11.1	8.2	9.1
Home shopping	-6.7	-2.7	-1.4	11.3	1.8	0.1	-0.4	-0.3	-7.0	-0.1	0.3
Development	-8.2	-20.6	2.5	-2.0	3.0	3.0	3.0	3.0	-24.5	-7.9	3.0
Other	1.3	-17.3	-36.1	-38.5	-37.1	-23.2	-0.0	0.0	2.3	-22.8	-18.2
Operating profit	**-47.7**	**4.3**	**37.8**	**121.4**	**39.3**	**12.7**	**-7.3**	**2.5**	**-33.2**	**12.3**	**6.5**
Convenience store	-34.6	-9.1	16.7	24.3	50.5	15.2	-6.7	2.9	-10.9	2.4	6.5
SSM	-21.2	-16.9	-33.8	262.8	21.8	18.0	20.0	8.1	15.4	-15.1	18.2
Home shopping	-31.7	-7.4	-37.6	-16.2	-1.7	-3.0	42.1	-3.8	-8.4	-22.4	3.4
Development	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pre-tax profit	-79.3	-72.7	-344.7	-183.0	154.1	333.5	-25.1	9.5	-78.7	463.2	28.9
Net profit	-87.6	-77.7	-243.1	-189.7	365.3	276.2	-33.2	9.5	-55.8	1,289.3	21.6
Net profit (controlling interests)	-81.1	-74.4	-255.3	-187.7	248.2	266.6	-33.2	9.5	-85.6	5,571.3	19.9
Margins (%)											
Operating margin	**1.4**	**2.8**	**3.5**	**2.0**	**1.9**	**3.1**	**3.1**	**2.0**	**2.2**	**2.5**	**2.6**
Convenience store	0.9	2.7	3.5	1.7	1.3	3.0	3.2	1.7	2.2	2.2	2.3
SSM	1.9	1.3	2.0	1.0	2.1	1.4	2.2	1.0	2.0	1.5	1.7
Home shopping	8.7	9.5	4.7	8.5	8.4	9.2	6.7	8.2	10.2	7.9	8.1
Development	3.4	23.5	0.0	0.0	3.3	3.6	0.0	0.0	-98.1	6.6	1.8
Pre-tax margin	0.4	0.6	3.5	1.2	1.1	2.4	2.5	1.3	0.3	1.5	1.9
Net margin	**0.2**	**0.5**	**2.8**	**0.9**	**0.8**	**1.7**	**1.8**	**0.9**	**0.1**	**1.1**	**1.3**
Net margin (controlling interests)	0.2	0.5	2.9	0.9	0.8	1.8	1.9	1.0	0.0	1.2	1.4

Source: Company data, Samsung Securities estimates

GS Retail: Sum-of-the-parts valuation

	(KRWb)
Enterprise value	**2,218.1**
1) Convenience store business	**1,973.4**
- 12-month forward net profit	126.1
- Target P/E (x)*	15.7
2) Other retail business	**244.7**
- 12-month forward net profit	47.1
- Target P/E (x)**	5.2
Enterprise value	2,218
Outstanding shares	83,607,415
Target price (KRW)	**26,500**

Note: *25% discount to average P/E at which Japanese convenience stores operators are trading;
**40% discount to average P/E at which Korean retail companies are trading

Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**11,134**	**11,627**	**11,960**	**12,330**	**12,761**
Cost of goods sold	8,297	8,740	9,067	9,346	9,686
Gross profit	**2,837**	**2,887**	**2,894**	**2,984**	**3,075**
Gross margin (%)	25.5	24.8	24.2	24.2	24.1
SG&A expenses	2,545	2,648	2,598	2,669	2,741
Operating profit	**292**	**239**	**296**	**315**	**333**
Operating margin (%)	2.6	2.1	2.5	2.6	2.6
Non-operating gains (losses)	**-224**	**-179**	**-119**	**-87**	**-82**
Financial profit	82	86	57	50	50
Financial costs	149	206	134	107	102
Equity-method gains (losses)	-155	-40	-43	-30	-30
Other	-3	-18	2	0	0
Pre-tax profit	**68**	**60**	**177**	**228**	**251**
Taxes	47	41	45	63	69
Effective tax rate (%)	69.3	68.7	25.2	27.5	27.5
Profit from continuing operations	14	-30	132	165	182
Profit from discontinued operations	8	40	0	0	0
Net profit	**22**	**10**	**132**	**165**	**182**
Net margin (%)	0.2	0.1	1.1	1.3	1.4
Net profit (controlling interests)	18	3	144	173	182
Net profit (non-controlling interests)	4	7	-12	-8	0
EBITDA	1,014	1,000	860	910	953
EBITDA margin (%)	9.1	8.6	7.2	7.4	7.5
EPS (parent-based) (KRW)	169	25	1,728	2,072	2,180
EPS (consolidated) (KRW)	211	95	1,584	1,979	2,180
Adjusted EPS (KRW)*	169	25	1,589	1,979	2,180

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**894**	**660**	**807**	**852**	**842**
Net profit	22	10	132	165	182
Non-cash profit and expenses	1,111	1,141	857	837	825
Depreciation	679	724	527	558	582
Amortization	43	37	38	38	38
Other	389	380	292	241	205
Changes in A/L from operating activities	-108	-318	-183	-150	-165
Cash flow from investments	**-357**	**-352**	**-391**	**-398**	**-375**
Change in tangible assets	-384	-422	-424	-431	-408
Change in financial assets	16	-2	39	39	39
Other	11	72	-6	-6	-6
Cash flow from financing	**-496**	**-649**	**-386**	**-386**	**-386**
Change in debt	38	-425	-330	-330	-330
Change in equity	0	-250	0	0	0
Dividends	-49	-59	0	0	0
Other	-485	86	-55	-55	-55
Change in cash	41	-338	32	70	83
Cash at beginning of year	390	432	93	126	195
Cash at end of year	432	93	126	195	279
Gross cash flow	**1,133**	**1,151**	**990**	**1,002**	**1,007**
Free cash flow	**508**	**221**	**373**	**411**	**421**

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

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,857**	**1,481**	**1,730**	**1,966**	**2,241**
Cash & equivalents	432	93	126	195	279
Accounts receivable	433	424	517	577	646
Inventories	304	307	379	433	496
Other current assets	688	657	708	760	820
Fixed assets	**8,185**	**6,100**	**6,177**	**6,256**	**6,328**
Investment assets	1,294	1,176	3,660	3,660	3,660
Tangible assets	2,831	1,542	1,619	1,697	1,769
Intangible assets	244	233	233	233	233
Other long-term assets	3,815	3,150	666	666	666
Total assets	**10,042**	**7,582**	**7,907**	**8,221**	**8,569**
Current liabilities	**2,688**	**1,898**	**2,027**	**2,146**	**2,289**
Accounts payable	653	436	462	486	514
Short-term debt	65	74	74	74	74
Other current liabilities	1,970	1,389	1,491	1,586	1,701
Long-term liabilities	**2,920**	**2,502**	**2,602**	**2,672**	**2,736**
Bonds & long-term debt	431	504	2,092	2,092	2,092
Other long-term liabilities	2,489	1,998	510	580	643
Total liabilities	**5,608**	**4,400**	**4,635**	**4,826**	**5,032**
Owners of parent equity	**4,058**	**3,207**	**3,297**	**3,421**	**3,562**
Capital stock	105	84	84	84	84
Capital surplus	1,209	980	980	980	980
Retained earnings	2,773	2,714	2,804	2,928	3,069
Other	-29	-570	-570	-570	-570
Non-controlling interests' equity	**375**	**-25**	**-25**	**-25**	**-25**
Total equity	**4,434**	**3,182**	**3,272**	**3,396**	**3,536**
Net debt	2,879	2,791	2,638	2,569	2,487

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	0.9	4.4	2.9	3.1	3.5
Operating profit	-19.0	-18.1	23.7	6.5	5.8
Net profit	-53.5	-55.8	1,252.2	25.0	10.1
Adjusted EPS**	-56.3	-85.3	6,321.3	24.6	10.1
Per-share data (KRW)					
EPS (parent-based)	169	25	1,728	2,072	2,180
EPS (consolidated)	211	95	1,584	1,979	2,180
Adjusted EPS**	169	25	1,589	1,979	2,180
BVPS	39,235	38,375	39,460	40,940	42,620
DPS (common)	500	500	500	500	500
Valuations (x)					
P/E***	136.5	666.9	14.4	11.5	10.5
P/B***	0.6	0.4	0.6	0.6	0.5
EV/EBITDA	5.6	4.1	5.3	4.9	4.6
Ratios (%)					
ROE	0.4	0.1	4.4	5.2	5.2
ROA	0.2	0.1	1.7	2.1	2.2
ROIC	1.2	-12.9	6.4	9.6	9.9
Payout ratio	2,828.4	19,626.5	28.9	24.1	22.9
Dividend yield (common)	2.2	3.0	2.2	2.2	2.2
Net debt to equity	64.9	87.7	80.6	75.7	70.3
Interest coverage (x)	3.6	2.2	2.7	2.9	3.3

COMPANY UPDATE

2025. 12. 5

Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

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BGF Retail (282330)

Market leadership intact

- BGF Retail slowed its net store additions in 1H25 in response to weak domestic consumption, yet still posted the highest net store growth in the sector for 2025.
- Because store openings lift near-term costs, profitability improvements will require corresponding sales growth.
- The company is also pursuing structural changes—such as expanding mid- to large-sized stores and strengthening its fresh-food and food-supplements categories. Given its dominant market position, we do not find its valuation (10x 2026 P/E) demanding.

WHAT'S THE STORY?

Dominance intact despite unfavorable business environment: 1H25 was difficult for the convenience store market. Amid weak domestic consumption, convenience stores lost some price competitiveness relative to other retail formats due to deepening consumption polarization. Even so, the company—leveraging its market leadership—maintained its net store addition strategy (albeit with a reduced 2025 target) and widened its market share gap with the third- and fourth-largest players. In 3Q25, it posted a sales rebound driven by the distribution of 'livelihood recovery coupons' (from Jul 21). We expect earnings to be broadly in line through end-1H26, supported by a low base.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW150,000	33.9%
Current price	**KRW112,000**	
Market cap	KRW1.9t/USD1.3b	
Shares (float)	17,283,906 (48.6%)	
52-week high/low	KRW129,800/KRW99,000	
Avg daily trading value (60-day)	KRW5.1b/ USD3.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
BGF Retail (%)	9.5	10.0	2.6
Vs Kospi (%pts)	14.5	-26.4	-36.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	150,000	150,000	0.0%
2025E EPS	10,572	10,572	0.0%
2026E EPS	10,333	10,333	0.0%

SAMSUNG vs THE STREET

No of estimates	13
Target price	143,462
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	8,699	9,080	9,546	10,112
Operating profit	252	245	261	275
Net profit (adj)	195	183	179	191
EPS (adj) (KRW)	11,295	10,572	10,333	11,057
EPS (adj) growth (% y-y)	-0.3	-6.4	-2.3	7.0
EBITDA margin (%)	8.8	8.6	8.7	8.7
ROE (%)	17.3	14.7	13.2	13.1
P/E (adj) (x)	9.1	10.6	10.8	10.1
P/B (x)	1.5	1.5	1.4	1.3
EV/EBITDA (x)	3.2	2.9	2.7	2.5
Dividend yield (%)	4.0	3.7	3.7	3.7

Source: Company data, Samsung Securities estimates

Maintaining BUY: To offset the near-term cost burden from aggressive store expansion, the company needs solid sales growth. Whether its same-store sales (SSS) can outperform the base effect will depend on trends after November, when the coupon-driven consumption boost likely faded. Despite near-term uncertainty, the company's commitment to medium- to long-term growth via continued store additions should create meaningful operating leverage once industry conditions improve. Its structural initiatives—such as expanding mid- to large-sized stores and strengthening fresh-food and food-supplement offerings—should reinforce its market dominance. We reiterate our BUY rating on the stock, noting its nearly rock-bottom valuation (10x 2026 P/E).

BGF Retail: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**2,016.5**	**2,290.1**	**2,462.3**	**2,310.6**	**2,114.2**	**2,414.3**	**2,587.9**	**2,429.7**	**8,698.8**	**9,079.6**	**9,546.1**
Parent	1,975.3	2,238.3	2,405.2	2,265.3	2,071.4	2,372.8	2,528.5	2,382.6	8,592.1	8,884.2	9,355.4
Food	270.6	298.2	311.5	351.5	284.7	316.5	327.4	370.2	1,134.2	1,231.8	1,298.9
Processed food	849.4	1,021.4	1,120.9	892.2	893.7	1,084.2	1,178.3	939.8	3,823.5	3,884.0	4,096.0
Cigarettes	754.6	808.7	839.4	904.1	786.9	855.4	882.4	948.8	3,187.7	3,306.8	3,473.6
Non-food	100.7	109.9	133.5	117.5	106.0	116.7	140.3	123.8	446.8	461.7	486.8
Subsidiaries	41.1	51.9	57.1	45.3	42.8	41.5	59.3	47.1	106.6	195.4	190.7
Gross profit	**369.6**	**429.4**	**464.1**	**423.5**	**389.8**	**459.8**	**485.6**	**447.9**	**1,625.7**	**1,686.6**	**1,783.0**
Parent	354.3	410.7	444.0	405.6	373.6	440.1	464.2	429.0	1,579.6	1,614.5	1,706.9
Subsidiaries	15.3	18.7	20.1	17.9	16.2	19.7	21.4	18.9	46.2	72.1	76.2
SG&A costs	347.0	359.9	366.4	368.3	359.6	380.7	392.8	389.0	1,374.1	1,441.6	1,522.1
Parent	331.1	350.4	360.3	358.2	342.9	370.8	386.3	378.4	1,349.2	1,400.1	1,478.5
Subsidiaries	15.9	9.5	6.1	10.1	16.7	10.0	6.4	10.6	24.9	41.6	43.7
Operating profit	**22.6**	**69.4**	**97.7**	**55.2**	**30.1**	**79.1**	**92.8**	**58.8**	**251.6**	**245.0**	**260.9**
Parent	23.2	60.2	83.7	47.4	30.7	69.3	77.9	50.6	230.4	214.5	228.4
Subsidiaries	-0.5	9.2	14.0	7.8	-0.5	9.8	15.0	8.3	21.2	30.5	32.5
Pre-tax profit	17.3	66.9	99.2	51.4	26.2	74.6	89.7	55.8	245.3	234.7	246.3
Net profit	**13.4**	**52.8**	**79.3**	**37.3**	**19.0**	**54.1**	**65.1**	**40.4**	**195.2**	**182.7**	**178.6**
Net profit (controlling interests)	**13.4**	**52.8**	**79.3**	**37.3**	**19.0**	**54.1**	**65.1**	**40.4**	**195.2**	**182.7**	**178.6**
Change (% y-y)											
Sales	**3.2**	**4.0**	**5.9**	**4.2**	**4.8**	**5.4**	**5.1**	**5.2**	**6.2**	**4.4**	**5.1**
Parent	1.3	2.9	5.0	4.1	4.9	6.0	5.1	5.2	5.7	3.4	5.3
Food	2.0	10.1	20.1	3.8	5.2	6.1	5.1	5.3	4.9	8.6	5.5
Processed food	2.3	1.3	-0.3	3.8	5.2	6.1	5.1	5.3	8.1	1.6	5.5
Cigarettes	1.6	3.8	4.9	4.5	4.3	5.8	5.1	4.9	5.1	3.7	5.0
Non-food	-9.4	-5.0	25.1	3.8	5.2	6.1	5.1	5.3	-6.9	3.3	5.4
Subsidiaries	970.5	81.5	64.0	15.0	4.0	-20.0	4.0	4.0	69.1	83.2	-2.4
Gross profit	**2.4**	**3.2**	**5.4**	**3.7**	**5.4**	**7.1**	**4.6**	**5.7**	**6.8**	**3.7**	**5.7**
Parent	0.3	1.1	3.7	3.5	5.4	7.2	4.6	5.8	5.9	2.2	5.7
Subsidiaries	95.7	89.1	66.5	9.7	5.4	5.5	6.3	5.3	45.0	56.2	5.7
SG&A	**-30.7**	**-8.9**	**7.2**	**6.9**	**33.2**	**13.9**	**-5.0**	**6.5**	**-0.6**	**-2.6**	**6.5**
Parent	-30.6	-13.3	1.6	4.9	32.3	15.1	-7.0	6.7	-4.5	-6.9	6.5
Subsidiaries	n/a	36.0	59.8	21.4	n/a	6.1	6.9	5.7	79.9	43.7	6.6
Pre-tax profit	-44.2	-9.5	11.3	-0.1	51.6	11.6	-9.5	8.5	-1.2	-4.3	4.9
Net profit	-42.9	-9.7	13.5	-14.3	42.0	2.5	-18.0	8.5	-0.3	-6.4	-2.3
Net profit (controlling interests)	-42.9	-9.7	13.5	-14.3	42.0	2.5	-18.0	8.5	-0.3	-6.4	-2.3
Margins (%)											
Gross margin	**18.3**	**18.7**	**18.8**	**18.3**	**18.4**	**19.0**	**18.8**	**18.4**	**18.7**	**18.6**	**18.7**
Parent	17.9	18.3	18.5	17.9	18.0	18.5	18.4	18.0	0.2	0.2	0.2
Subsidiary	37.3	36.0	38.0	39.5	37.8	47.5	36.0	40.0	0.0	0.0	0.0
Operating margin	**1.1**	**3.0**	**4.0**	**2.4**	**1.4**	**3.3**	**3.6**	**2.4**	**2.9**	**2.7**	**2.7**
Parent	1.2	2.7	3.5	2.1	1.5	2.9	3.1	2.1	2.7	2.4	2.4
Subsidiaries	-1.3	17.8	24.5	17.3	-1.2	23.5	25.2	17.6	19.9	15.6	17.0
Pre-tax profit	0.9	2.9	4.0	2.2	1.2	3.1	3.5	2.3	2.8	2.6	2.6
Net profit	0.7	2.3	3.2	1.6	0.9	2.2	2.5	1.7	2.2	2.0	1.9
Net margin (controlling interests)	**0.7**	**2.3**	**3.2**	**1.6**	**0.9**	**2.2**	**2.5**	**1.7**	**2.2**	**2.0**	**1.9**

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**8,195**	**8,699**	**9,080**	**9,546**	**10,112**
Cost of goods sold	6,672	7,073	7,393	7,763	8,224
Gross profit	**1,523**	**1,626**	**1,687**	**1,783**	**1,888**
Gross margin (%)	18.6	18.7	18.6	18.7	18.7
SG&A expenses	1,270	1,374	1,442	1,522	1,613
Operating profit	**253**	**252**	**245**	**261**	**275**
Operating margin (%)	3.1	2.9	2.7	2.7	2.7
Non-operating gains (losses)	**-5**	**-6**	**-10**	**-15**	**-12**
Financial profit	38	41	32	29	29
Financial costs	48	52	48	43	41
Equity-method gains (losses)	-0	-1	0	0	0
Other	6	6	6	0	-0
Pre-tax profit	**248**	**245**	**235**	**246**	**264**
Taxes	53	50	52	68	72
Effective tax rate (%)	21.1	20.4	22.2	27.5	27.5
Profit from continuing operations	196	195	183	179	191
Profit from discontinued operations	0	0	0	0	0
Net profit	**196**	**195**	**183**	**179**	**191**
Net margin (%)	2.4	2.2	2.0	1.9	1.9
Net profit (controlling interests)	196	195	183	179	191
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	731	767	777	830	881
EBITDA margin (%)	8.9	8.8	8.6	8.7	8.7
EPS (parent-based) (KRW)	11,331	11,295	10,572	10,333	11,057
EPS (consolidated) (KRW)	11,331	11,295	10,572	10,333	11,057
Adjusted EPS (KRW)*	11,331	11,295	10,572	10,333	11,057

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**979**	**1,052**	**1,076**	**1,124**	**1,251**
Cash & equivalents	302	325	315	318	350
Accounts receivable	180	168	177	195	240
Inventories	177	212	227	244	278
Other current assets	320	346	358	367	383
Fixed assets	**2,240**	**2,351**	**2,462**	**2,561**	**2,658**
Investment assets	338	351	1,495	1,565	1,636
Tangible assets	776	834	863	893	918
Intangible assets	37	79	79	79	79
Other long-term assets	1,089	1,087	25	25	25
Total assets	**3,219**	**3,403**	**3,538**	**3,685**	**3,909**
Current liabilities	**1,191**	**1,296**	**1,357**	**1,421**	**1,472**
Accounts payable	545	609	464	488	507
Short-term debt	11	3	3	3	3
Other current liabilities	635	684	889	929	962
Long-term liabilities	**953**	**922**	**879**	**854**	**908**
Bonds & long-term debt	0	0	582	582	582
Other long-term liabilities	953	922	297	272	326
Total liabilities	**2,145**	**2,218**	**2,242**	**2,281**	**2,388**
Owners of parent equity	**1,074**	**1,184**	**1,296**	**1,404**	**1,521**
Capital stock	17	17	17	17	17
Capital surplus	322	322	322	322	322
Retained earnings	712	831	943	1,051	1,167
Other	23	14	14	14	14
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**1,074**	**1,184**	**1,296**	**1,404**	**1,521**
Net debt	730	676	311	309	277

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**647**	**769**	**783**	**807**	**793**
Net profit	196	195	183	179	191
Non-cash profit and expenses	550	593	607	644	681
Depreciation	467	506	522	560	595
Amortization	10	9	10	10	10
Other	72	77	75	74	75
Changes in A/L from operating activities	-39	28	-7	-15	-79
Cash flow from investments	**-244**	**-346**	**-431**	**-442**	**-395**
Change in tangible assets	-206	-218	-288	-300	-253
Change in financial assets	46	-0	-135	-135	-135
Other	-84	-127	-7	-6	-6
Cash flow from financing	**-369**	**-400**	**-363**	**-363**	**-366**
Change in debt	100	-21	0	0	0
Change in equity	0	0	0	0	0
Dividends	-71	-71	0	0	0
Other	-399	-309	-363	-363	-366
Change in cash	34	22	-10	3	33
Cash at beginning of year	269	302	325	315	318
Cash at end of year	302	325	315	318	350
Gross cash flow	**745**	**788**	**790**	**822**	**872**
Free cash flow	**441**	**550**	**494**	**507**	**540**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	7.6	6.2	4.4	5.1	5.9
Operating profit	0.3	-0.6	-2.6	6.5	5.5
Net profit	1.2	-0.3	-6.4	-2.3	7.0
Adjusted EPS**	1.2	-0.3	-6.4	-2.3	7.0
Per-share data (KRW)					
EPS (parent-based)	11,331	11,295	10,572	10,333	11,057
EPS (consolidated)	11,331	11,295	10,572	10,333	11,057
Adjusted EPS**	11,331	11,295	10,572	10,333	11,057
BVPS	62,197	68,546	75,024	81,261	88,024
DPS (common)	4,100	4,100	4,100	4,100	4,100
Valuations (x)					
P/E***	11.6	9.1	10.6	10.8	10.1
P/B***	2.1	1.5	1.5	1.4	1.3
EV/EBITDA	4.1	3.2	2.9	2.7	2.5
Ratios (%)					
ROE	19.2	17.3	14.7	13.2	13.1
ROA	6.4	5.9	5.3	4.9	5.0
ROIC	14.4	13.0	24.6	-1,510.7	-4,122.7
Payout ratio	2,093.5	2,100.2	38.8	39.7	37.1
Dividend yield (common)	3.1	4.0	3.7	3.7	3.7
Net debt to equity	67.9	57.1	24.0	22.0	18.2
Interest coverage (x)	5.4	4.9	5.4	6.0	6.7

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

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2025. 12. 5

Industrial Team

Jaeseung Baek
Senior Analyst
jaeseung.baek@samsung.com

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Hotel Shilla (008770)

Duty-free competitiveness needed; earnings to improve next year

- Recent China-Japan tensions and Japan's moves to address overtourism represent a windfall for Korean inbound tourism.
- However, the historical correlation between inbound demand and duty-free (DFS) sales may now be weaker, given the KRW/USD exchange rate.
- Even so, Hotel Shilla's earnings should improve in 2026: the hotel business is likely to sustain a strong performance, and DFS earnings should benefit from its exit from the Incheon International Airport DF1 duty-free zone.

WHAT'S THE STORY?

Expectations and concerns: The temporary visa-waiver program for Chinese group tours since late September has yet to deliver a material boost to DFS operators. The recent escalation of China-Japan tensions and Japan's efforts to curb overtourism—via higher departure taxes and visa fees—should increase inbound traffic to Korea. But it is unclear whether DFS sales will rise in proportion, given the persistent strength of the US dollar against the won. With inbound shopping behavior now markedly different from a decade ago, structural changes in DFS—such as proactive merchandising expansion—are increasingly necessary.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW63,000	33.3%
Current price	KRW47,250	
Market cap	KRW1.9t/USD1.3b	
Shares (float)	39,248,121 (77.2%)	
52-week high/low	KRW56,400/KRW35,900	
Avg daily trading value (60-day)	KRW13.6b/ USD9.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hotel Shilla (%)	-3.2	-5.2	18.0
Vs Kospi (%pts)	1.3	-36.6	-26.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	63,000	63,000	0.0%
2025E EPS	-3,775	-3,775	0.0%
2026E EPS	2,466	2,466	0.0%

SAMSUNG vs THE STREET

No of estimates	14
Target price	61,923
Recommendation	3.8

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	3,948	4,075	4,032	4,289
Operating profit	-5	32	171	215
Net profit (adj)	-62	-152	99	130
EPS (adj) (KRW)	-1,538	-3,775	2,466	3,259
EPS (adj) growth (% y-y)	nm	nm	nm	32.1
EBITDA margin (%)	3.2	4.0	7.7	8.4
ROE (%)	-6.5	-12.6	8.3	10.1
P/E (adj) (x)	n/a	n/a	19.2	14.5
P/B (x)	1.1	1.6	1.5	1.3
EV/EBITDA (x)	21.3	20.4	10.4	8.6
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

Earnings to improve nonetheless: Hotel Shilla's hotel business should carry its strong 2025 earnings momentum into 2026, with increased inbound traffic supporting already high occupancy rates. DFS earnings should also improve as the company exits the Incheon International Airport (IIA) DF1 duty-free zone on Mar 17, 2026. Ultimately, the company must clarify its longer-term DFS strategy, but in the near term the key question is whether it will participate in the upcoming tenders for the IIA DF1 and DF2 concessions. Earnings volatility since 2020 has clouded visibility, but with a more profitability-focused approach, the company should not only improve actual performance but also enhance predictability. We maintain our BUY rating on the stock.

Hotel Shilla: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	**971.8**	**1,025.4**	**1,025.7**	**1,052.2**	**1,073.8**	**996.1**	**964.4**	**997.6**	**3,947.5**	**4,075.1**	**4,032.0**
Duty-free	827.1	850.2	849.6	865.3	919.9	809.6	783.1	805.4	3,286.0	3,392.2	3,318.0
City branch	316.1	363.5	352.1	334.1	360.5	425.4	401.3	391.9	1,457.4	1,365.8	1,579.1
Airport branch	511.0	486.7	497.5	531.2	559.5	384.2	381.8	413.5	1,828.6	2,026.4	1,739.0
Hotel	144.7	175.2	176.1	186.9	153.9	186.5	181.3	192.2	665.6	682.9	713.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4.1	0.0	0.0
Operating profit	**-2.5**	**8.7**	**11.4**	**14.5**	**24.7**	**43.8**	**49.6**	**53.0**	**-5.2**	**32.1**	**171.1**
Duty-free	-5.0	-11.3	-10.4	-6.9	4.1	21.1	26.8	30.0	-69.7	-33.6	81.9
Hotel	2.5	20.0	21.8	21.4	20.6	22.7	22.8	23.0	64.5	65.7	89.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating margin (%)	**-0.3**	**0.8**	**1.1**	**1.4**	**2.3**	**4.4**	**5.1**	**5.3**	**-0.1**	**0.8**	**4.2**
Duty-free	-0.6	-1.3	-1.2	-0.8	0.4	2.6	3.4	3.7	-2.1	-1.0	2.5
Hotel	1.7	11.4	12.4	11.5	13.4	12.2	12.6	12.0	9.7	9.6	12.5
Pre-tax profit	-4.3	2.2	-187.2	6.2	16.9	34.9	40.4	43.9	-47.0	-183.1	136.1
Net profit	-6.2	-0.9	-149.2	4.5	12.2	25.3	29.3	31.8	-61.5	-151.7	98.7
Change (y-y %)											
Sales	**-0.9**	**2.3**	**0.9**	**11.0**	**10.5**	**(2.9)**	**(6.0)**	**(5.2)**	**10.6**	**3.2**	**-1.1**
Duty-free	-0.9	2.1	0.6	11.9	11.2	(4.8)	(7.8)	(6.9)	11.2	3.2	-2.2
City branch	-21.0	-3.2	-5.0	7.4	14.0	17.0	14.0	17.3	6.0	-6.3	15.6
Airport branch	17.6	6.4	4.9	14.9	9.5	(21.1)	(23.3)	(22.2)	15.8	10.8	-14.2
Hotel	-3.6	3.2	2.7	7.2	6.4	6.5	2.9	2.8	4.9	2.6	4.5
Operating profit	**n/a**	**-68.5**	**n/a**	**n/a**	**n/a**	**403.4**	**335.4**	**264.4**	**n/a**	**n/a**	**432.3**
Duty-free	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hotel	-59.7	-2.9	0.5	34.0	722.2	13.6	4.8	7.4	-6.1	1.9	35.6

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**3,568**	**3,948**	**4,075**	**4,032**	**4,289**
Cost of goods sold	2,150	2,260	2,212	1,939	2,057
Gross profit	**1,419**	**1,687**	**1,863**	**2,093**	**2,232**
Gross margin (%)	39.8	42.7	45.7	51.9	52.0
SG&A expenses	1,327	1,692	1,831	1,922	2,017
Operating profit	**91**	**-5**	**32**	**171**	**215**
Operating margin (%)	2.6	-0.1	0.8	4.2	5.0
Non-operating gains (losses)	**16**	**-42**	**-215**	**-35**	**-35**
Financial profit	42	27	24	19	18
Financial costs	52	62	57	54	53
Equity-method gains (losses)	0	0	0	0	0
Other	25	-7	-182	0	0
Pre-tax profit	**107**	**-47**	**-183**	**136**	**180**
Taxes	21	14	-31	37	49
Effective tax rate (%)	19.9	-30.8	17.1	27.5	27.5
Profit from continuing operations	86	-62	-152	99	130
Profit from discontinued operations	0	0	0	0	0
Net profit	**86**	**-62**	**-152**	**99**	**130**
Net margin (%)	2.4	-1.6	-3.7	2.4	3.0
Net profit (controlling interests)	86	-62	-152	99	130
Net profit (non-controlling interests)	-0	0	0	0	0
EBITDA	219	127	164	309	359
EBITDA margin (%)	6.1	3.2	4.0	7.7	8.4
EPS (parent-based) (KRW)	2,149	-1,538	-3,793	2,466	3,259
EPS (consolidated) (KRW)	2,149	-1,538	-3,793	2,466	3,259
Adjusted EPS (KRW)*	2,149	-1,538	-3,775	2,466	3,259

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,380**	**1,411**	**1,282**	**1,391**	**1,575**
Cash & equivalents	412	370	210	333	483
Accounts receivable	85	86	95	94	101
Inventories	630	623	638	627	638
Other current assets	254	332	340	337	353
Fixed assets	**1,626**	**2,403**	**2,425**	**2,447**	**2,469**
Investment assets	330	299	859	874	890
Tangible assets	573	1,536	1,542	1,549	1,555
Intangible assets	29	23	23	23	23
Other long-term assets	694	545	1	1	1
Total assets	**3,007**	**3,814**	**3,707**	**3,838**	**4,045**
Current liabilities	**1,188**	**1,150**	**1,183**	**1,193**	**1,251**
Accounts payable	272	206	208	210	228
Short-term debt	150	11	11	11	11
Other current liabilities	767	933	964	971	1,012
Long-term liabilities	**1,210**	**1,380**	**1,385**	**1,407**	**1,424**
Bonds & long-term debt	749	854	1,302	1,302	1,302
Other long-term liabilities	461	525	84	105	122
Total liabilities	**2,398**	**2,530**	**2,574**	**2,607**	**2,683**
Owners of parent equity	**608**	**1,284**	**1,133**	**1,231**	**1,362**
Capital stock	200	200	200	200	200
Capital surplus	197	206	206	206	206
Retained earnings	304	223	72	170	301
Other	-92	655	655	655	655
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**608**	**1,284**	**1,133**	**1,231**	**1,362**
Net debt	1,152	1,241	1,463	1,341	1,192

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**243**	**69**	**29**	**311**	**338**
Net profit	86	-62	-152	99	130
Non-cash profit and expenses	127	218	194	201	209
Depreciation	115	122	123	128	134
Amortization	13	10	9	9	10
Other	-1	86	62	63	65
Changes in A/L from operating activities	12	-98	-13	11	-1
Cash flow from investments	**-231**	**-95**	**-81**	**-80**	**-79**
Change in tangible assets	-53	-74	-70	-68	-68
Change in financial assets	-65	7	-12	-12	-12
Other	-113	-28	0	0	0
Cash flow from financing	**-138**	**-30**	**-124**	**-124**	**-124**
Change in debt	-18	58	0	0	0
Change in equity	0	10	0	0	0
Dividends	-8	-8	0	0	0
Other	-112	-90	-124	-124	-124
Change in cash	-122	-41	-161	123	151
Cash at beginning of year	534	412	370	210	333
Cash at end of year	412	370	210	333	483
Gross cash flow	**213**	**156**	**43**	**300**	**339**
Free cash flow	**188**	**-5**	**-41**	**242**	**270**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-27.5	10.6	3.2	-1.1	6.4
Operating profit	16.4	nm	nm	431.8	25.4
Net profit	nm	nm	nm	nm	32.1
Adjusted EPS**	nm	nm	nm	nm	32.1
Per-share data (KRW)					
EPS (parent-based)	2,149	-1,538	-3,793	2,466	3,259
EPS (consolidated)	2,149	-1,538	-3,793	2,466	3,259
Adjusted EPS**	2,149	-1,538	-3,775	2,466	3,259
BVPS	16,074	33,928	29,920	32,526	35,970
DPS (common)	200	0	0	0	0
Valuations (x)					
P/E***	30.4	n/a	n/a	19.2	14.5
P/B***	4.1	1.1	1.6	1.5	1.3
EV/EBITDA	17.2	21.3	20.4	10.4	8.6
Ratios (%)					
ROE	15.0	-6.5	-12.6	8.3	10.1
ROA	2.9	-1.8	-4.0	2.6	3.3
ROIC	5.5	-0.4	1.2	6.3	7.9
Payout ratio	232.6	0.0	0.0	0.0	0.0
Dividend yield (common)	0.3	0.0	0.0	0.0	0.0
Net debt to equity	189.4	96.7	129.2	108.9	87.5
Interest coverage (x)	1.8	-0.1	0.6	3.1	4.1

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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- As of 12/3 2025, Samsung Securities' holdings of shares and debt instruments convertible into shares of Hotel Shilla would, if such debt instruments were converted, exceed 1% of the outstanding shares.
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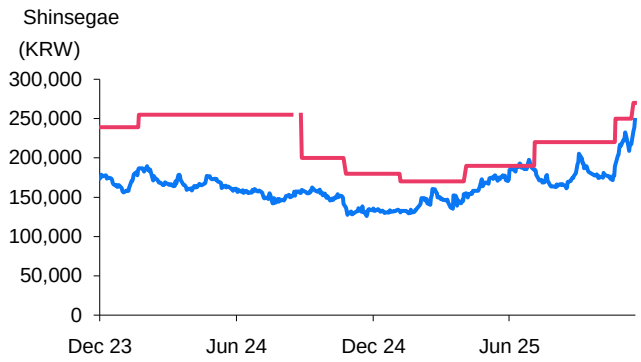
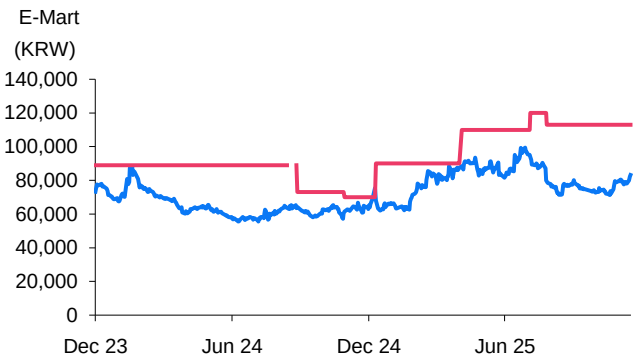
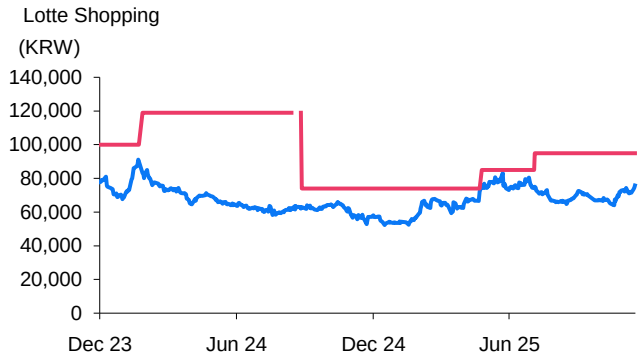
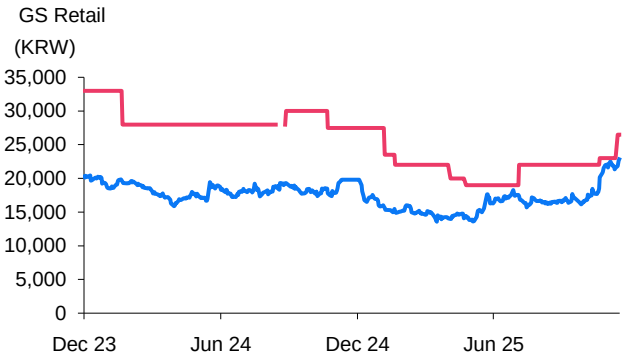
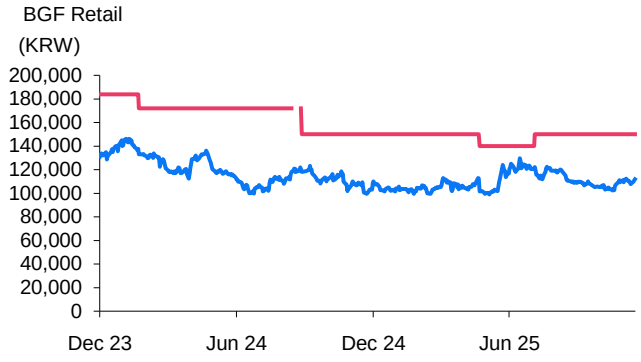
Target price changes in past two years

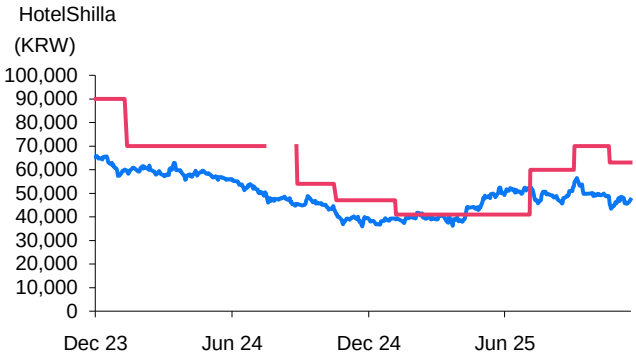












Rating changes over past two years (adjusted share prices)

Shinsegae									
Date	2023/11/9	2024/2/8	9/13	11/11	2025/1/23	4/21	7/22	11/7	12/1
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	239000	255000	200000	180000	170000	190000	220000	250000	270000
Gap* (average)	-28.63	-36.16	-23.65	-26.60	-15.51	-7.51	-20.09	-13.12	
(max or min)**	-22.43	-25.69	-18.85	-23.17	-5.59	4.11	-6.59	-7.00	

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

Lotte Shopping											
Date	2023/11/10	2024/2/13	9/13	2025/5/12	7/22						
Recommendation	BUY	BUY	BUY	BUY	BUY						
Target price (KRW)	100000	119000	74000	85000	95000						
Gap* (average)	-23.06	-43.34	-17.69	-10.01							
(max or min)**	-8.90	-28.57	-2.57	-2.24							

GS Retail											
Date	2023/11/8	2024/2/7	9/13	11/8	2025/1/23	2/6	4/21	5/12	7/22	11/7	12/1
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	33000	28000	30000	27500	23500	22000	20000	19000	22000	23000	26500
Gap* (average)	-28.68	-25.03	-29.05	-26.52	-35.07	-32.74	-27.57	-14.87	-23.74	-5.55	
(max or min)**	-23.18	-18.04	-26.17	-15.82	-34.09	-27.32	-25.95	-3.89	-15.95	-2.17	

BGF Retail											
Date	2023/11/3	2024/2/8	9/13	2025/5/9	7/22						
Recommendation	BUY	BUY	BUY	BUY	BUY						
Target price (KRW)	184000	172000	150000	140000	150000						
Gap* (average)	-24.83	-31.69	-28.56	-18.26							
(max or min)**	-18.21	-20.81	-17.80	-7.29							

HotelShilla								
Date	2023/7/10	2024/1/29	9/13	11/4	2025/1/23	7/22	9/19	11/5
Recommendation	BUY	BUY	BUY	HOLD	HOLD	BUY	BUY	BUY
Target price (KRW)	90000	70000	54000	47000	41000	60000	70000	63000
Gap* (average)	-19.46	-18.64	-16.09	-17.46	7.20	-18.57	-27.65	
(max or min)**	1.11	-10.14	-9.54	-12.66	28.05	-11.67	-19.43	

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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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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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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