COMPANY UPDATE

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Shinhan Alpha REIT (293940)

Not planning a rights offering

- Shinhan Alpha REIT has opted to fund the BNK Digital Tower acquisition with debt, dispelling concerns about a potential rights offering.
- Thanks to a rise in the market value of Greits Pangyo, the REIT's borrowing headroom has increased by around KRW150b, which could be used to refinance Greits Gangnam.
- To enhance capital efficiency, the REIT plans to sell assets that have reached internal target returns.

▶ AT A GLANCE

BUY

Target price	KRW7,800	41%
Current price	KRW5,530	
Market cap	KRW668.8b/USD453.85m	
Shares (float)	120,940,123 (81.7%)	
52-week high/low	KRW6,160/KRW5,350	
Avg daily trading value (60-day)	KRW1.4b/ USD1.0m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinhan Alpha REIT (%)	0.4	2.6	-4.3
Vs Kospi (%pts)	-17.1	-32.5	-50.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	7,800	7,800	0.0%
2026E EPS	220	220	0.0%
2027E EPS	264	264	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	3
Target price	8,333
Recommendation	4.0

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

WHAT'S THE STORY?

Shifting from equity to debt financing: Following Shinhan Alpha REIT's 2025 acquisition of Greits Gangnam (formerly BNK Digital Tower), investors grew concerned that the REIT might conduct a rights offering. But the company has since indicated it will rely on debt financing instead. The acquisition was funded with KRW310b in senior loans, KRW70b in subordinated loans, and KRW90b in short-term notes. To stabilize its capital structure—*ie*, by repaying the subordinated loans and short-term notes—the REIT plans to draw on additional LTV capacity from Greits Pangyo (formerly Krafton Tower), which is scheduled for refinancing in April. As a result, concerns over shareholder dilution should ease.

- **Greits Pangyo refinancing in April:** The KRW485b mortgage secured by Greits Pangyo matures in April, and the REIT is preparing to refinance. The property's net operating cash flow (NOC) improved thanks to proactive lease agreements signed in Aug 2025. The most recent appraisal value for Greits Pangyo was KRW773b (as of 2021), but considering the area cap rate of 4.2%, the property's current market value is estimated at KRW1t. Assuming an LTV of 60%, the REIT's borrowing capacity should rise by around KRW150b, which could be used in the refinancing of Greits Gangnam.

(Continued on the next page)

SUMMARY FINANCIAL DATA

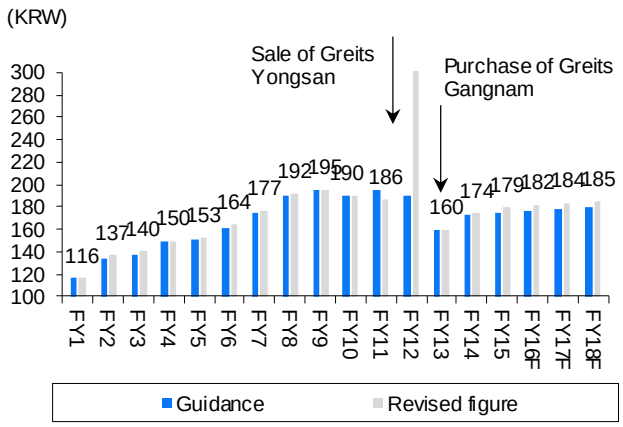
(KRWb)	2024	2025	2026E	2027E
Revenue	112	151	141	147
Operating profit	66	96	86	87
Net profit (adj)	14	24	28	33
EPS (adj) (KRW)	119	136	220	264
EPS (adj) growth (% y-y)	-86.7	14.2	62.0	19.8
EBITDA margin (%)	70.4	73.8	65.3	63.2
ROE (%)	2.2	3.0	4.4	5.4
P/E (adj) (x)	51.4	41.0	25.3	21.1
P/B (x)	1.2	1.1	1.1	1.2
P/FFO (x)	23.9	21.1	20.8	17.9
Dividend yield (%)	13.3	6.3	6.6	6.6

Source: Company data, Samsung Securities estimates

Portfolio rebalancing strategy: Of the 12 properties in its portfolio, Shinhan Alpha REIT plans to gradually divest those that have reached internal target returns since acquisition. It intends to redeploy the proceeds into undervalued, high-quality assets through a capital-recycling strategy. Once specific assets have been designated for sale, the divestment process should begin in 2H. This signals a shift away from a growth-focused approach toward enhancing capital efficiency and maximizing shareholder value.

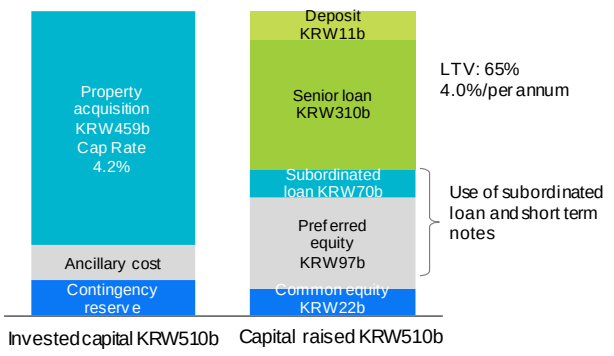
Dilution concerns fading; gradual DPS growth: The FY15 dividend of KRW179 per share, announced in Sep 2025, beat prior guidance by 3%. Shinhan Alpha REIT's longer-term dividend policy also implies DPS of KRW182-186, which is around 3% above earlier guidance. This reflects: 1) the decision to fund the Greits Gangnam acquisition with debt rather than equity; and 2) improving NOC across the portfolio, which has lifted overall returns. We believe 2026 will mark a year of rebuilding shareholder trust, with uncertainty receding after Greits Pangyo refinancing is completed in April.

Chart 1. Shinhan Alpha REIT: DPS



Source: Company data, Samsung Securities

Chart 2. Greits Gangnam: Funding status



Source: Company data, Samsung Securities

Table 1. Shinhan Alpha REIT: Valuation

(KRWb)	Items	Krafton Tower	Daeil Building	Namsan Twin City	Shinhan L Tower	Yeoksam Building	Wise Tower	Cambridge Building	Asterium Yongsan	HSBC Building	Seocho GS Tower	City Square	BNK Digital Tower	Total
	Purchase period	2018	2020	2020	2020	2021	2021	2022	2023	2023	2024	2024	2025	
	Acquisition method	Real asset	Real asset	Real asset	Common stock, preferred stock	Real asset	Real asset	Real asset	Common stock	Real asset	Real asset	Common stock, preferred stock	Common stock, preferred stock	
	Stake	100%	100%	100%	100%	61%	100%	100%	100%	31%	100%	48%	100%	
Profit and loss estimates	NOI (2025E)	33.1	3.5	10.8	12.1	6.5	14.1	1.3	3.2	7.8	6.6	11.5	12.0	122.5
	Construction date	2018	2018	2015	2016	1996	2003	2002	2012	1992	2012	2019	2019	
	District*	BBD	CBD	CBD	CBD	GBD	CBD	GBD	CBD	CBD	GBD	CBD	GBD	
	Occupancy	100%	100%	98.7%	100%	100%	97.1%	79.4%	100%	100%	98.2%	99.5%	-	99.7%
Floor area (*pyeong*)	Building	30,146	2,688	11,360	9,327	5,279	12,802	903	3,065	7,506	9,010	11,571	11,267	114,924
Asset Value	Acquisition price	552	75	262	301	104	364	32	69	62	202	205	459	2,687
	Appraisal value	773	95	306	356	132	360	31	65	62	220	223	459	3,082
	Valuation date	1Q21	1Q23	2Q23	2Q23	4Q23	1Q22	2Q22	1Q23	3Q23	2Q24	2Q24	1Q25	
Cap rate	Acquisition price	6%	4.7%	4.1%	4%	6.2%	3.9%	4.1%	4.6%	12.5%	3.3%	5.6%	-	4.1%
	Appraisal value	4.3%	3.7%	3.5%	3.4%	4.9%	3.9%	4.1%	4.9%	4.4%	4.7%	4%	-	3.6%
Price per *pyeong* (KRW)	Acquisition price	1,719	2,530	2,100	3,000	1,830	2,601	3,100	2,046	748	2,245	1,776	4,070	2,217
	Appraisal value	2,565	3,542	2,694	3,817	2,496	2,808	3,100	2,124	830	2,443	1,927	4,070	2,682
	Debt	485	60	165	147	63	254		35	37	131	134	380	1,511
	- Senior debt	485	60	165	147	63	219		35	37	131	134	310	1,476
	- Subordinated debt						35						70	35
	Deposit	15	2	8	7	4	5	1	7	2	6	6	11	57
	Preferred shares	60												60
	NAV	214	33	133	99	65	100	30	23	23	83	100	-	904
	Target price (KRW)	1,766	275	1,101	820	540	828	249	192	193	686	827	-	7,800

Note: *BBD = Bundang business district
CBD = Central business district
GBD = Gangnam Business district

Source: Company data, Samsung Securities

Income statement

Year-end Sep 30 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**93**	**112**	**151**	**141**	**147**
Cost of goods sold	0	0	0	0	0
Gross profit	**93**	**112**	**151**	**141**	**147**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	41	46	55	55	60
Operating profit	**52**	**66**	**96**	**86**	**87**
Operating margin (%)	56.3	59.0	63.5	61.0	59.1
Non-operating gains (losses)	**28**	**-52**	**-72**	**-59**	**-54**
Financial profit	2	3	3	1	1
Financial costs	36	56	76	60	55
Equity-method gains (losses)	0	0	0	0	0
Other	62	1	0	-0	0
Pre-tax profit	**80**	**14**	**24**	**28**	**33**
Taxes	0	0	0	0	0
Effective tax rate (%)	0.0	0.0	0.0	0.0	0.0
Profit from continuing operations	19	14	24	28	33
Profit from discontinued operations	62	0	0	0	0
Net profit	**80**	**14**	**24**	**28**	**33**
Net margin (%)	86.6	12.7	15.7	19.5	22.5
Net profit (controlling interests)	77	11	17	28	33
Net profit (non-controlling interests)	3	3	7	0	0
EBITDA	65	79	112	92	93
EBITDA margin (%)	70.2	70.4	73.8	65.3	63.2
EPS (parent-based) (KRW)	895	119	136	220	264
EPS (consolidated) (KRW)	931	152	195	220	264
Adjusted EPS (KRW)*	895	119	136	220	264

Balance sheet

Year-end Sep 30 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**114**	**51**	**106**	**41**	**41**
Cash & equivalents	111	45	99	33	33
Accounts receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	4	6	7	8	8
Fixed assets	**1,711**	**2,108**	**3,039**	**3,011**	**2,998**
Investment assets	29	30	35	12	12
Tangible assets	0	0	0	0	0
Intangible assets	0	0	0	0	0
Other long-term assets	1,682	2,077	3,004	2,999	2,986
Total assets	**1,825**	**2,159**	**3,145**	**3,052**	**3,039**
Current liabilities	**118**	**408**	**1,126**	**113**	**112**
Accounts payable	0	0	0	0	0
Short-term debt	0	72	72	0	0
Other current liabilities	118	336	1,054	113	112
Long-term liabilities	**1,102**	**1,211**	**1,205**	**1,545**	**1,548**
Bonds & long-term debt	1,053	1,151	1,142	1,412	1,403
Other long-term liabilities	49	60	63	133	145
Total liabilities	**1,220**	**1,619**	**2,331**	**1,658**	**1,660**
Owners of parent equity	**546**	**481**	**635**	**616**	**601**
Capital stock	92	92	125	125	125
Capital surplus	442	442	593	593	593
Retained earnings	12	-53	-82	-102	-117
Other	-1	-1	-1	0	0
Non-controlling interests' equity	**60**	**60**	**179**	**60**	**60**
Total equity	**605**	**540**	**814**	**676**	**661**
Net debt	1,045	1,491	2,128	1,478	1,469

Cash flow statement

Year-end Sep 30 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**24**	**32**	**44**	**40**	**45**
Net profit	80	14	24	28	33
Non-cash profit and expenses	129	74	97	11	11
Depreciation	13	13	16	6	6
Amortization	0	0	0	0	0
Other	116	61	81	5	5
Changes in A/L from operating activities	-0	1	1	1	1
Cash flow from investments	**224**	**-413**	**-551**	**12**	**13**
Change in tangible assets	0	0	0	0	0
Change in financial assets	-4	-4	-6	0	0
Other	228	-409	-545	12	13
Cash flow from financing	**-186**	**316**	**561**	**-608**	**-52**
Change in debt	-217	384	691	-552	-10
Change in equity	74	0	184	0	0
Dividends	-35	-79	-46	-48	-48
Other	-9	11	-269	-8	6
Change in cash	61	-65	54	-542	-0
Cash at beginning of year	49	111	45	99	33
Cash at end of year	111	45	99	33	33
Gross cash flow	**209**	**88**	**121**	**39**	**44**
Free cash flow	**24**	**32**	**44**	**40**	**45**

Financial ratios

Year-end Sep 30	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-6.0	20.4	35.6	-6.9	4.0
Operating profit	-5.4	26.2	45.8	-10.5	0.7
Net profit	557.3	-82.3	67.2	16.0	19.8
Adjusted EPS**	540.1	-86.7	14.2	62.0	19.8
Per-share data (KRW)					
EPS (parent-based)	895	119	136	220	264
EPS (consolidated)	931	152	195	220	264
Adjusted EPS**	895	119	136	220	264
BVPS	6,036	5,150	5,085	4,929	4,809
DPS (common)	376	817	352	366	370
Valuations (x)					
P/E***	6.8	51.4	41.0	25.3	21.1
P/B***	1.0	1.2	1.1	1.1	1.2
P/FFO (x)	5.8	23.9	21.1	20.8	17.9
Ratios (%)					
ROE	15.9	2.2	3.0	4.4	5.4
ROA	4.3	0.7	0.9	0.9	1.1
ROIC	-322.4	-537.3	-408.7	-450.7	-1,576.3
Payout ratio	39.4	647.4	257.4	160.8	135.7
Dividend yield (common)	6.2	13.3	6.3	6.6	6.6
Net debt to equity	172.6	276.0	261.4	218.7	222.3
Interest coverage (x)	1.5	1.2	1.3	1.4	1.6

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

Source: Company data, Samsung Securities estimates

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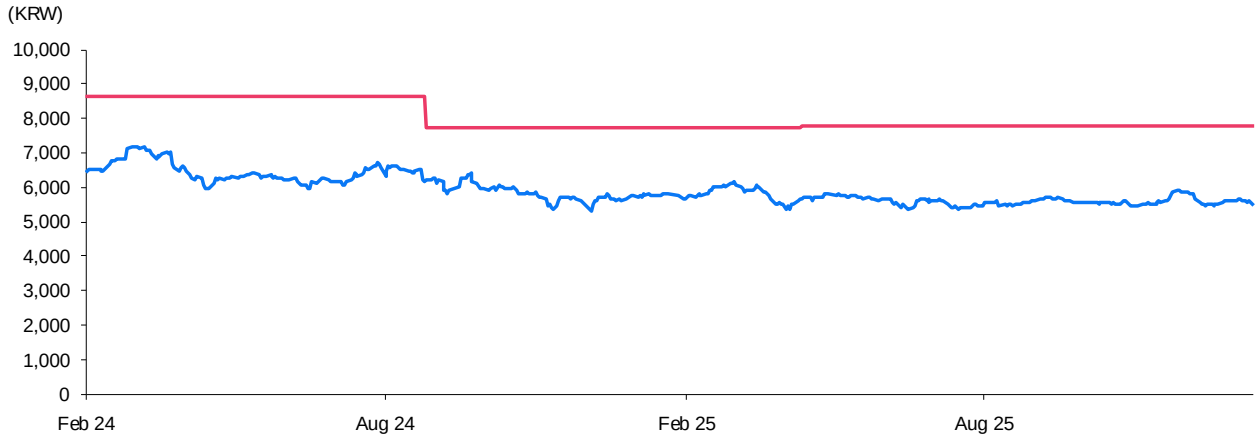

Rating changes over past two years (adjusted share prices)

Date	2023/3/20	2024/3/20	2024/8/30	12/9	2025/4/16
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	8660	8660	7748	7748	7800
Gap* (average)	-28.31	-26.68	-24.20	-25.49	
(max or min)**	-16.84	-18.68	-17.40	-20.50	

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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Percentage of ratings in 12 months prior to 2025.12.31

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