COMPANY UPDATE

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Innocean Worldwide (214320)

Profitability initiatives delivering visible results

- Innocean Worldwide logged a 4Q operating profit of KRW45.7b, which is up 7.1% y-y and in line with consensus.
- Efforts to improve fundamentals should bear fruit. The agency plans to expand its overseas business further by leveraging strategic hubs abroad.

WHAT'S THE STORY?

4Q results in line with consensus: Innocean Worldwide reported 4Q gross profit of KRW268.2b (up 3.7% y-y), with operating profit reaching KRW45.7b (up 7.1% y-y; in line with consensus). Domestic gross profit grew 2.6% y-y, driven by increased orders from major non-captive clients, while overseas gross profit rose 4% y-y on strong performance from the campaigns for EVs in Europe. Efficient cost control under a cost-cutting strategy raised the operating margin as a percentage of gross profit by 0.5%pt y-y. However, pre-tax profit fell short of consensus due to higher non-operating expenses, primarily from increased goodwill amortization at subsidiaries like Wellcom and Studio Lennon. However, net profit exceeded consensus thanks to one-off gains at overseas subsidiaries (eg, recognition of deferred tax asset and tax refund claims), which significantly reduced corporate tax expenses.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW25,000	32.9%
Current price	KRW18,810	
Market cap	KRW752.4b/USD520.55m	
Shares (float)	40,000,000 (70.8%)	
52-week high/low	KRW21,850/KRW16,460	
Avg daily trading value (60-day)	KRW3.0b/ USD2.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Innocean Worldwide (%)	2.8	-2.8	3.9
Vs Kospi (%pts)	-16.2	-42.7	-51.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	25,000	25,000	0.0%
2025E EPS	2,305	2,190	5.3%
2026E EPS	2,474	2,499	-1.0%

SAMSUNG vs THE STREET

No of estimates	8
Target price	25,688
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	2,121	2,145	2,225	2,283
Operating profit	156	163	173	181
Net profit (adj)	116	109	117	122
EPS (adj) (KRW)	2,506	2,305	2,474	2,586
EPS (adj) growth (% y-y)	-1.5	-8.0	7.3	4.5
EBITDA margin (%)	10.1	10.3	10.0	10.1
ROE (%)	10.5	9.0	9.2	9.2
P/E (adj) (x)	7.7	8.0	7.6	7.3
P/B (x)	0.8	0.7	0.7	0.7
EV/EBITDA (x)	1.9	1.1	0.7	0.5
Dividend yield (%)	6.1	6.4	6.4	6.6

Source: Company data, Samsung Securities estimates

Things to watch: While external uncertainties surrounding the business environment should persist for a while longer, Innocean's earnings momentum is set to improve as its efforts to reinforce fundamentals bear fruit. The agency plans to expand its overseas business further by leveraging strategic hubs in regions like Riyadh (Saudi Arabia) and Bengaluru (India), alongside increased campaign execution for new vehicle lineups from its major client. We forecast Innocean's 2026 gross profit and operating profit will increase 6% y-y, respectively. Its domestic subsidiaries should also achieve profitability improvement. Innocean-S should gain recognition for its integrated capabilities in digital and social media campaigns, while D. Purple should keep enhancing profitability via restructuring of low-margin operations.

To focus on profitability, shareholder returns: The company should maintain solid earnings momentum this year by keeping profitability first. This should expand distributable profits, leading to more returns to shareholders. We maintain our KRW25,000 target price (based on 10x forward P/E).

Table 1. Quarterly results and consensus

(KRWb)	4Q24	3Q25	4Q25	(% q-q)	(% y-y)	Samsung	Diff (%)	Consensus	Diff (%)
Sales	599.0	491.5	631.5	28.5	5.4	630.9	0.1	535.7	17.9
Gross profit	258.7	248.3	268.2	8.0	3.7	272.6	-1.6	267.3	0.3
Operating profit	42.6	51.3	45.7	-11.0	7.1	46.5	-1.8	45.8	-0.2
OP-to-GP ratio (%, %pts)	16.5	20.7	17.0	-3.6	0.6	17.1	-0.0	17.1	-0.1
Pre-tax profit	39.7	54.2	21.1	-61.2	-47.0	47.7	-55.8	44.7	-52.9
Net profit (controlling)	24.0	28.5	31.6	10.9	31.7	28.8	9.7	22.6	40.1

Source: Company data, FnGuide, Samsung Securities

Table 2. Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Sales	**459.7**	**496.8**	**497.5**	**639.0**	**503.4**	**519.0**	**491.5**	**631.5**	**519.2**	**530.3**	**495.1**	**680.2**	**2,120.6**	**2,145.5**	**2,224.9**	**2,283.1**
Gross profit	**177.1**	**213.4**	**211.5**	**247.7**	**232.1**	**241.6**	**248.3**	**268.2**	**242.5**	**257.6**	**262.4**	**284.2**	**941.9**	**990.2**	**1,046.7**	**1,089.9**
Parent	34.6	52.2	48.9	69.8	46.7	56.7	55.2	70.0	46.8	52.3	57.1	67.9	214.4	228.5	224.1	223.7
Media representative	12.5	21.6	21.1	29.6	15.4	23.3	22.5	28.9	14.8	19.1	24.2	27.2	87.8	90.1	85.2	83.9
Advertising productions	9.3	15.6	14.3	19.6	16.2	16.4	17.2	22.4	16.7	16.3	17.3	22.1	62.3	72.1	72.4	73.1
Outdoor advertising	2.1	2.6	2.9	2.4	2.1	3.0	3.1	2.9	2.2	3.1	3.1	2.9	10.8	11.1	11.3	11.5
Promotions	5.6	8.5	6.1	12.0	9.0	8.7	6.8	8.8	9.0	8.4	7.0	8.6	35.0	33.3	33.0	32.9
Other	5.1	3.9	4.3	6.1	4.0	5.3	5.6	7.0	4.1	5.4	5.5	7.1	18.5	21.9	22.1	22.3
Overseas	142.6	161.3	162.7	178.7	185.7	185.1	193.3	198.4	195.7	205.3	205.3	216.3	728.8	762.5	822.6	866.2
SG&A costs	157.9	171.7	170.7	199.4	202.3	205.1	197.0	222.5	210.5	218.2	208.4	236.9	786.3	826.9	874.1	909.1
Labor costs	121.6	134.6	133.9	158.0	160.9	163.4	155.9	177.8	168.0	172.2	166.4	185.6	614.6	658.0	692.2	719.8
Other	36.3	37.0	36.7	41.4	41.4	41.7	41.1	44.7	42.4	46.0	42.1	51.4	171.7	169.0	181.9	189.4
Operating profit	**19.2**	**41.7**	**40.8**	**48.2**	**29.8**	**36.4**	**51.3**	**45.7**	**32.0**	**39.4**	**54.0**	**47.2**	**155.7**	**163.3**	**172.6**	**180.7**
Operating margin (%)	10.9	19.5	19.3	19.5	12.9	15.1	20.7	17.0	13.2	15.3	20.6	16.6	16.5	16.5	16.5	16.6
Pre-tax profit	27.8	49.8	48.3	35.4	27.4	33.0	54.2	21.1	33.4	43.1	58.2	37.1	168.7	135.7	171.8	179.9
Net profit	**20.9**	**27.9**	**39.3**	**13.5**	**12.4**	**19.6**	**28.5**	**31.6**	**16.7**	**25.5**	**30.8**	**26.0**	**100.3**	**92.2**	**99.0**	**103.5**
Growth (% y-y)																
Sales	**32.6**	**22.5**	**6.5**	**20.3**	**3.3**	**-0.6**	**-4.0**	**5.4**	**3.1**	**2.2**	**0.7**	**7.7**	**1.3**	**1.2**	**3.7**	2.6
Gross profit	**7.5**	**20.1**	**10.0**	**7.5**	**10.0**	**3.1**	**4.4**	**3.7**	**4.5**	**6.6**	**5.7**	**6.0**	**10.9**	**5.1**	**5.7**	4.1
Parent	5.3	35.5	9.6	12.1	10.5	4.9	10.5	2.6	0.2	-7.7	3.5	-3.0	4.4	6.6	-1.9	-0.2
Media representative	-14.0	13.4	3.9	-9.7	-5.7	7.5	3.4	2.9	-4.1	-17.9	7.6	-6.2	3.6	2.6	-5.4	-1.6
Advertising productions	35.0	47.9	20.7	13.6	46.2	-12.0	30.1	15.3	3.2	-0.8	0.9	-1.3	5.9	15.7	0.4	0.9
Outdoor advertising	10.3	12.0	21.8	39.5	-4.3	31.8	-3.1	-7.3	3.2	4.3	0.5	0.1	7.2	2.7	2.0	1.2
Promotions	-23.1	101.2	6.9	95.9	-2.2	25.4	-18.9	-15.6	0.2	-3.4	2.5	-2.0	8.3	-4.7	-0.9	-0.3
Other	129.7	63.0	2.1	41.2	15.8	17.1	66.4	-2.2	3.8	1.8	-2.1	1.6	-5.0	18.4	1.1	1.1
Overseas	8.1	15.8	10.1	6.2	9.9	2.3	2.7	4.0	5.4	10.9	6.2	9.0	12.9	4.6	7.9	5.3
SG&A costs	13.1	13.2	9.4	10.2	12.1	3.8	2.6	3.0	4.0	6.4	5.8	6.5	12.4	5.2	5.7	4.0
Labor costs	11.3	13.1	10.5	15.5	13.8	5.4	4.1	5.6	4.5	5.4	6.7	4.4	12.1	7.1	5.2	4.0
Other	19.4	13.6	5.8	-6.1	5.7	-2.0	-2.6	-6.3	2.4	10.4	2.3	14.9	13.4	-1.6	7.7	4.1
Operating profit	-23.5	60.5	12.5	-2.4	-2.1	-0.7	11.8	7.1	7.3	8.1	5.1	3.4	3.8	4.9	5.7	4.7
Operating margin (%pts)	-4.4	4.9	0.4	-2.0	-1.6	-0.6	1.4	0.6	0.4	0.2	-0.1	-0.4	-1.1	-0.0	0.0	0.1
Pre-tax profit	-5.8	73.2	6.1	-9.6	-33.3	-17.3	12.9	-47.0	22.1	30.6	7.3	76.2	4.6	-19.6	26.7	4.7
Net profit	**46.6**	**323.7**	**28.7**	**-29.3**	**-52.3**	**-14.0**	**4.4**	**31.7**	**34.0**	**29.9**	**8.0**	**-17.9**	**-1.5**	**-8.0**	**7.3**	**4.5**

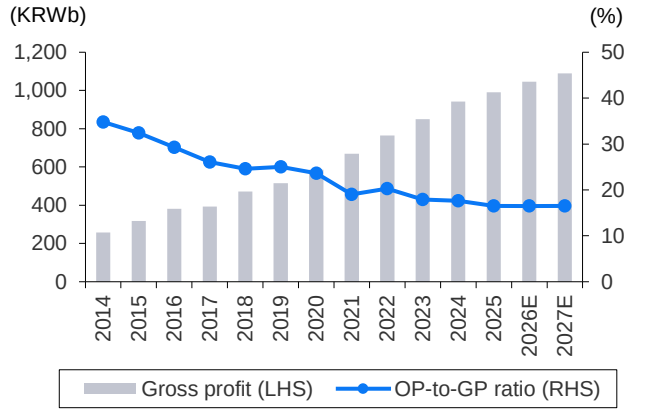
Source: Company data, Samsung Securities

Table 3. Gross profit and operating profit, by region

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Gross profit	211.0	234.4	237.9	258.7	232.1	241.6	248.3	268.2	242.5	257.6	262.4	284.2	941.9	990.2	1,046.7	1,089.9
Parent	42.2	54.0	49.9	68.3	46.7	56.7	55.2	70.0	46.8	52.3	57.1	67.9	214.4	228.5	224.1	223.7
Europe	25.5	28.3	27.8	31.5	29.6	30.2	32.1	37.1	31.4	33.7	35.5	39.9	113.1	129.1	140.6	150.3
Americas	120.8	126.6	133.6	131.1	132.3	128.5	136.3	132.7	134.2	130.5	138.2	134.6	512.0	529.8	537.5	547.6
China	1.5	3.0	3.7	4.2	1.3	2.2	2.6	4.3	1.3	2.3	2.6	4.3	12.4	10.4	10.5	10.5
Other	21.2	22.9	23.1	24.0	22.5	24.1	22.3	24.3	28.8	38.8	29.0	37.4	91.3	93.2	134.0	157.7
Operating profit	30.5	36.7	45.9	42.6	29.8	36.4	51.3	45.7	32.0	39.4	54.0	47.2	155.7	163.3	172.6	180.7
Parent	-0.7	2.2	4.0	11.8	0.1	4.9	8.9	11.5	0.4	4.8	9.6	12.3	17.3	25.4	27.1	28.3
Europe	5.0	6.2	6.4	8.1	6.3	5.9	7.0	7.8	6.7	6.7	7.9	8.9	25.7	27.0	30.2	32.4
Americas	24.5	25.1	33.3	21.8	23.5	22.8	32.6	19.7	24.5	24.7	34.5	22.0	104.8	98.7	105.7	109.3
China	-1.1	0.2	0.8	0.5	-1.2	0.3	0.3	1.1	-1.1	0.3	0.3	1.1	0.4	0.4	0.7	0.6
Other	2.5	2.5	2.9	0.8	1.2	2.7	2.1	0.8	1.5	2.9	1.7	2.9	8.8	6.8	8.9	10.2

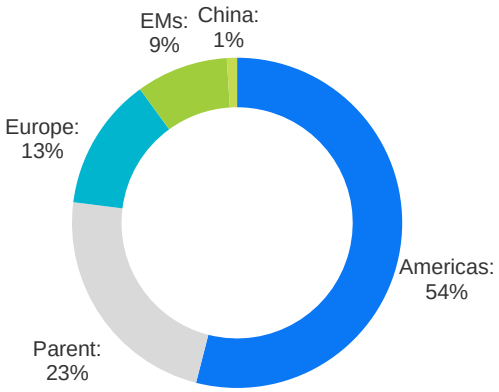
Source: Company data, Samsung Securities

Chart 1. Gross profit and OP-to-GP ratio



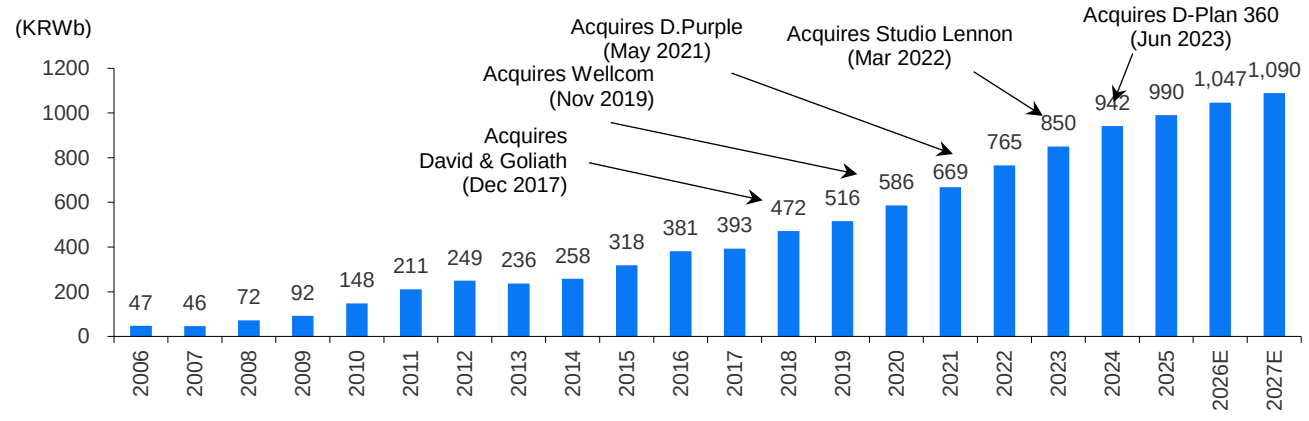
Source: Company data, Samsung Securities

Chart 2. Gross profit, by region (2025)



Source: Company data, Samsung Securities

Chart 3. Gross profit



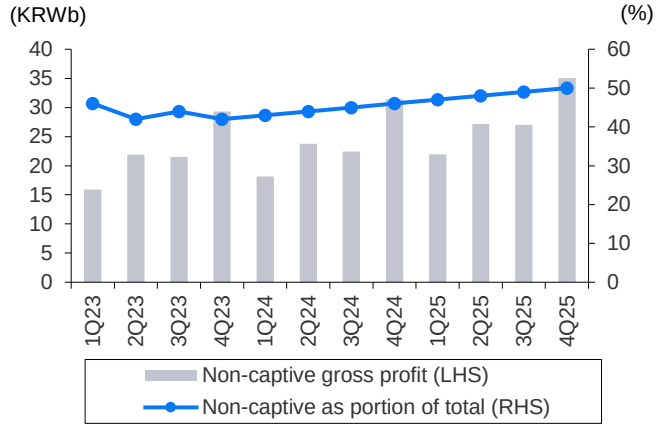
Note: Dates are dates acquisitions were announced
Source: Company data, Samsung Securities

Table 4. Innocean's main subsidiaries

Company	Stake (%)	Acquisition date	Business	Location
Canvas WW	100.0	Aug 2015	Media agency	US
David & Goliath	100.0	Jan 2018	Advertising production	US
Wellcom	100.0	Nov 2019	Digital marketing	Australia
D.Purple	100.00	May 2021	Performance marketing	Korea
Modu.up	17.58	Jul 2021	AdTech platform	Korea
Studio Lennon	63.93	May 2022	VFX	Korea
D-Plan360	78.22	Jul 2023	Digital marketing	Korea
Studio Abit	40.0	Aug 2023	Content creation	Korea
Innocean S	100.0	Sep 2023	Social marketing	Korea

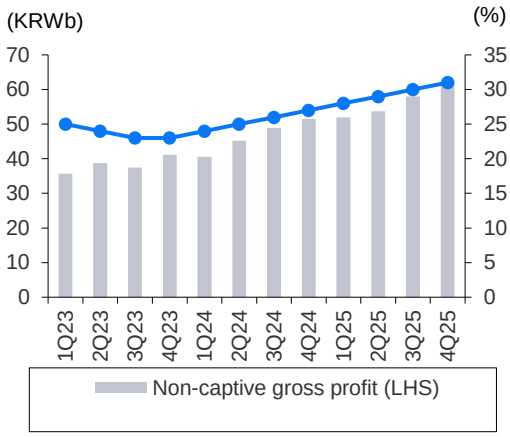
Note: Company acquired an additional 7.5% in Wellcom via Sidcom's exercise of a put option (92.5% as of end of 2024); As of 2024
Source: Dart, Company data, Samsung Securities

Chart 4. Parent: Non-captive gross profit and portion



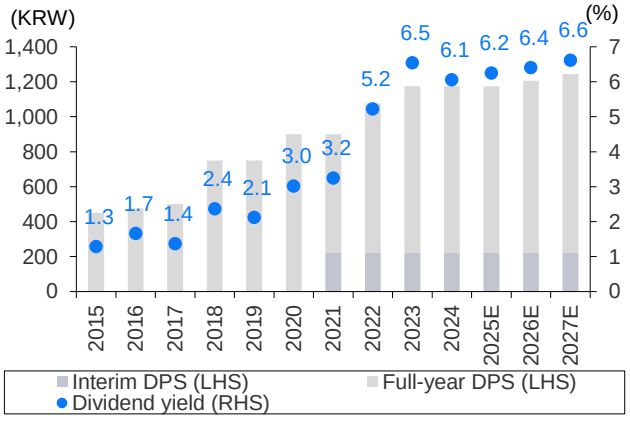
Source: Company data, Samsung Securities

Chart 5. Overseas: Non-captive gross profit and portion



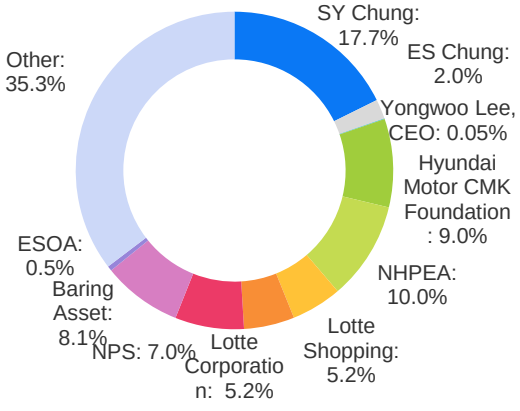
Source: Company data, Samsung Securities

Chart 6. Parent: Non-captive gross profit and portion



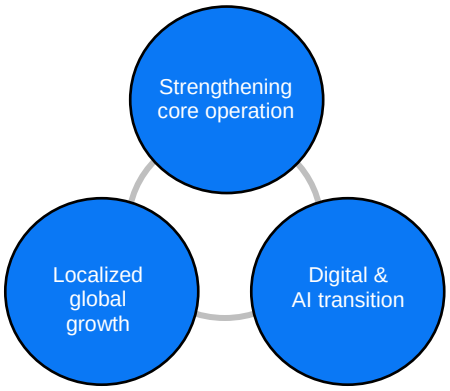
Note: Innocean announced an interim dividend from 2021
Source: Company data, Samsung Securities

Chart 7. Shareholders



Note: As of 3Q25, NPS stake as of Oct 1, Barring stake as of Nov 7
NHPEA stake as of Dec 26
Source: Company data, Samsung Securities

Chart 8. 2025 main strategy: Increase enterprise and shareholder value



Source: Company data, Samsung Securities

Table 5. Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Chg (%)	Old	New	Chg (%)
Sales	2,237.9	2,224.9	-0.6	2,308.5	2,283.1	-1.1
Gross profit	1,027.0	1,046.7	1.9	1,065.6	1,089.9	2.3
Operating income	173.3	172.6	-0.4	179.0	180.7	0.9
Operating margin (%, %pts)	7.7	7.8	0.0	7.8	7.9	0.2
Pre-tax income	178.6	171.8	-3.8	184.4	179.9	-2.4
Net income	100.0	99.0	-1.0	103.2	103.5	0.3

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,093**	**2,121**	**2,145**	**2,225**	**2,283**
Cost of goods sold	1,243	1,179	1,155	1,178	1,193
Gross profit	**850**	**942**	**990**	**1,047**	**1,090**
Gross margin (%)	40.6	44.4	46.2	47.0	47.7
SG&A expenses	700	786	827	874	909
Operating profit	**150**	**156**	**163**	**173**	**181**
Operating margin (%)	7.2	7.3	7.6	7.8	7.9
Non-operating gains (losses)	**11**	**13**	**-28**	**-1**	**-1**
Financial profit	43	38	22	24	25
Financial costs	13	16	25	15	16
Equity-method gains (losses)	1	1	1	2	2
Other	-19	-10	-26	-12	-12
Pre-tax profit	**161**	**169**	**136**	**172**	**180**
Taxes	45	53	26	55	57
Effective tax rate (%)	27.6	31.2	19.3	31.9	31.9
Profit from continuing operations	117	116	109	117	122
Profit from discontinued operations	0	0	0	0	0
Net profit	**117**	**116**	**109**	**117**	**122**
Net margin (%)	5.6	5.5	5.1	5.3	5.4
Net profit (controlling interests)	102	100	92	99	103
Net profit (non-controlling interests)	15	16	17	18	19
EBITDA	202	214	221	222	231
EBITDA margin (%)	9.6	10.1	10.3	10.0	10.1
EPS (parent-based) (KRW)	2,544	2,506	2,305	2,474	2,586
EPS (consolidated) (KRW)	2,918	2,903	2,736	2,927	3,061
Adjusted EPS (KRW)*	2,544	2,506	2,305	2,474	2,586

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,006**	**1,985**	**2,216**	**2,350**	**2,474**
Cash & equivalents	529	483	671	761	837
Accounts receivable	394	448	428	457	462
Inventories	0	0	0	0	0
Other current assets	1,083	1,054	1,116	1,132	1,175
Fixed assets	**554**	**730**	**593**	**579**	**576**
Investment assets	30	33	35	35	36
Tangible assets	54	253	254	247	248
Intangible assets	304	304	297	290	285
Other long-term assets	167	140	7	7	7
Total assets	**2,560**	**2,715**	**2,809**	**2,930**	**3,050**
Current liabilities	**1,407**	**1,484**	**1,505**	**1,554**	**1,594**
Accounts payable	210	195	206	209	217
Short-term debt	4	103	103	103	103
Other current liabilities	1,193	1,186	1,195	1,242	1,273
Long-term liabilities	**216**	**199**	**209**	**211**	**217**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	215	199	209	211	217
Total liabilities	**1,623**	**1,683**	**1,714**	**1,765**	**1,811**
Owners of parent equity	**911**	**1,002**	**1,047**	**1,099**	**1,154**
Capital stock	20	20	20	20	20
Capital surplus	122	122	122	122	122
Retained earnings	805	857	902	954	1,009
Other	-36	3	3	3	3
Non-controlling interests' equity	**27**	**30**	**47**	**65**	**84**
Total equity	**937**	**1,032**	**1,094**	**1,164**	**1,239**
Net debt	-433	-398	-548	-659	-725

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**83**	**182**	**116**	**194**	**160**
Net profit	117	116	109	117	122
Non-cash profit and expenses	94	108	62	79	79
Depreciation	41	46	46	39	40
Amortization	11	12	11	10	10
Other	43	50	5	29	29
Changes in A/L from operating activities	-90	-6	-50	28	-12
Cash flow from investments	**-13**	**-267**	**109**	**-57**	**-42**
Change in tangible assets	-28	-206	-47	-33	-41
Change in financial assets	24	-61	26	-21	2
Other	-9	0	130	-3	-3
Cash flow from financing	**-105**	**-5**	**-35**	**-47**	**-42**
Change in debt	38	47	12	-0	7
Change in equity	-0	0	0	0	0
Dividends	-56	-63	-47	-47	-48
Other	-87	11	-0	0	0
Change in cash	-24	-47	189	90	76
Cash at beginning of year	554	529	483	671	761
Cash at end of year	529	483	671	761	837
Gross cash flow	**211**	**224**	**172**	**196**	**201**
Free cash flow	**55**	**-24**	**70**	**161**	**119**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	19.6	1.3	1.2	3.7	2.6
Operating profit	9.6	3.8	4.9	5.7	4.7
Net profit	30.1	-0.5	-5.8	7.0	4.6
Adjusted EPS**	44.1	-1.5	-8.0	7.3	4.5
Per-share data (KRW)					
EPS (parent-based)	2,544	2,506	2,305	2,474	2,586
EPS (consolidated)	2,918	2,903	2,736	2,927	3,061
Adjusted EPS**	2,544	2,506	2,305	2,474	2,586
BVPS	22,771	25,050	26,180	27,479	28,861
DPS (common)	1,400	1,175	1,175	1,205	1,245
Valuations (x)					
P/E***	8.4	7.7	8.0	7.6	7.3
P/B***	0.9	0.8	0.7	0.7	0.7
EV/EBITDA	2.2	1.9	1.1	0.7	0.5
Ratios (%)					
ROE	11.6	10.5	9.0	9.2	9.2
ROA	4.8	4.4	4.0	4.1	4.1
ROIC	23.8	18.0	21.4	21.2	22.8
Payout ratio	46.2	46.9	51.0	48.7	48.1
Dividend yield (common)	6.5	6.1	6.4	6.4	6.6
Net debt to equity	-46.2	-38.6	-50.1	-56.6	-58.5
Interest coverage (x)	26.7	22.9	21.4	22.1	22.9

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

Source: Company data, Samsung Securities estimates

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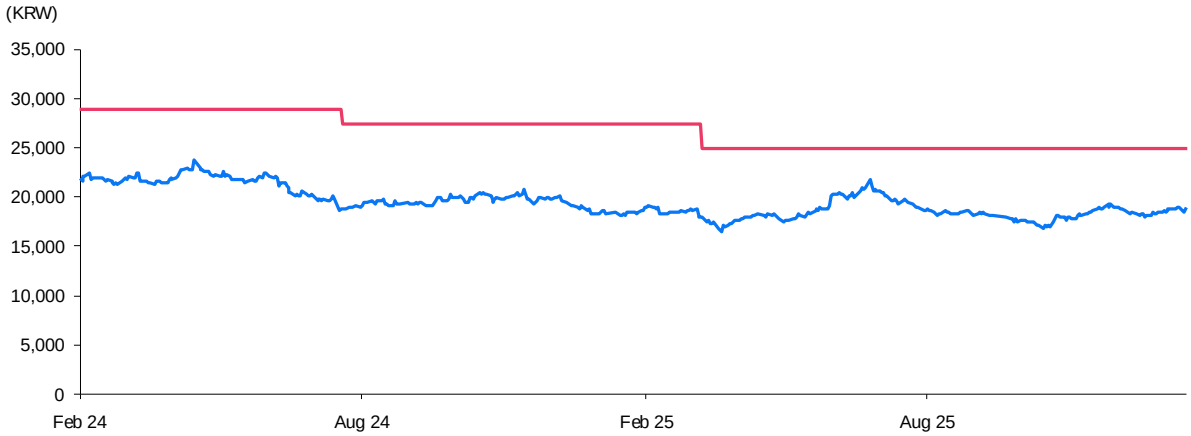
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/1	8/7	2025/3/28
Recommendation	BUY	BUY	BUY
Target price (KRW)	29000	27500	25000
Gap* (average)	-25.59	-29.89	
(max or min)**	-18.10	-24.55	

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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