COMPANY UPDATE

2026. 2. 10

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Lotte Shopping (023530)

Department store sales to stay strong

- Lotte Shopping reported a 4Q25 consolidated operating profit of KRW227.7b, in line with consensus.
- While the domestic grocery business experienced some weakness, the department store business saw strong revenue growth, driven by the wealth effect from favorable financial markets and increased sales to foreign customers.
- The company is expected to maintain solid sales momentum in 1H26. Key points to watch include the recovery of the grocery business, driven by: 1) a nimble response to possible easing of early morning delivery restrictions; and 2) the successful operation of the Ocado logistics center (set to open in 2H26).

Industrial Team

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AT A GLANCE

BUY

Target price	KRW125,000	26.5%
Current price	KRW98,800	
Market cap	KRW2.8t/USD1.9b	
Shares (float)	28,288,755 (39.8%)	
52-week high/low	KRW98,800/KRW55,200	
Avg daily trading value (60-day)	KRW7.5b/ USD5.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Shopping (%)	44.2	40.3	76.4
Vs Kospi (%pts)	24.9	-15.0	-16.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	125,000	95,000	31.6%
2025E EPS	1,306	2,616	-50.1%
2026E EPS	10,783	11,011	-2.1%

SAMSUNG vs THE STREET

No of estimates	8
Target price	100,250
Recommendation	4.0

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

WHAT'S THE STORY?

Department store performance drives 4Qresults: Lotte Shopping reported 4Q25 consolidated sales of KRW3.5t (up 1.3% y-y) and an operating profit of KRW227.7b (up 54.7% y-y), the latter meeting consensus. While the discount store business remained sluggish, the department store business enjoyed a notable y-y hike in sales, benefiting from the wealth effect of strong financial markets and increased sales to foreign customers. In 2025, foreign customer sales at the department store business grew by 29%, reaching a record high and accounting for 4% of total revenue. With continued growth in foreign tourist arrivals expected in 2026, this trend—alongside the ongoing consumption polarization--is expected to remain a key driver of department store sales growth.

(Continued on the next page)

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	3,521.8	1.3	3.3	-1.4	-1.8
Operating profit	227.7	54.7	74.5	-6.9	-2.3
Pre-tax profit	77.8	nm	nm	-59.9	-40.6
Net profit	114.5	nm	nm	-18.6	-10.3
Margins (%)					
Operating profit	6.5				
Pre-tax profit	2.2				
Net profit	3.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	n/a	55.5	8.9
P/B	0.1	0.1	0.2
EV/EBITDA	9.4	8.9	8.6
Div yield (%)	7.0	5.5	4.1
EPS growth (% y-y)	nm	nm	725.9
ROE (%)	-5.3	0.2	1.8
Per-share data (KRW)			
EPS	-25,623	1,306	10,783
BVPS	548,412	541,955	548,745
DPS	3,800	4,000	4,000

Maintaining BUY: The strong performance of the department store business continued into January. Given the low base in 1H25, the department store business should benefit from a favorable base effect in 1H26. Meanwhile, the company has lowered its 2026 sales and operating profit guidance by 5.9% and 18.8% to KRW14.3t and KRW650b, respectively, reflecting slower-than-expected improvements in the discount store/supermarket business and some subsidiaries. Key factors to watch include potential benefits from Homeplus store closures, the company's response to the move of easing early morning delivery restrictions for large retailers, and the effective utilization of the Ocado logistics center (set to open in 2H26; a factor capable of boosting its grocery business). Reflecting the rise in peer valuations, we raise our target price by 32% to KRW125,000. With the current P/B of 0.16x appearing undemanding given the strong department store performance, we maintain BUY.

Lotte Shopping: SOTP valuation

(KRWb)	
Consolidated operating value (A)	**13,118**
1) Offline retail business	12,711
- 2026E EBITDA	1,787
- Target EV/EBITDA (x)*	7.1
2) E-commerce	407
- 2026E GMV	1,901
- Target P/GMV (x)**	0.2
Value of stakes in associates (B)	**1,644.3**
- 20256 equity-method gains	176.3
- Target P/E (x)***	9.3
Value of investment assets (C)**	645
Net debt (D)	11,797
Enterprise value (E=A+B+C-D)	**3,610**
Outstanding shares	28,288,755
Share price (KRW)	**125,000**

Note: * Applied domestic retail peer average

** 60% discount to the global e-commerce peer average, reflecting GMV scale and current loss-making status

*** 35% discount to domestic and global peer average, reflecting revenue scale

**** 50% discount to market value for listed entities and 30% discount to book value for unlisted entities

Source: Bloomberg, Samsung Securities estimates

Lotte Shopping: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25P	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025P	2026E
Net sales	**3,456.8**	**3,349.7**	**3,410.1**	**3,521.8**	**3,537.1**	**3,421.6**	**3,561.3**	**3,582.1**	**13,986.6**	**13,738.4**	**14,102.1**
Department store	806.3	815.8	764.8	952.5	829.0	826.8	759.8	933.1	3,319.3	3,339.4	3,348.8
Discount store	1,487.3	1,295.4	1,333.8	1,354.8	1,503.5	1,310.5	1,418.7	1,394.6	5,576.4	5,471.3	5,627.2
SSM	305.2	308.6	313.6	298.6	306.8	315.3	332.6	315.4	1,296.1	1,226.0	1,270.1
E-commerce	28.3	26.6	22.6	31.5	28.9	27.4	24.9	34.0	119.8	109.0	115.1
Home shopping	227.6	231.0	211.3	232.4	224.6	228.0	217.1	229.5	924.9	902.3	899.2
Lotte Cultureworks	86.3	91.9	127.8	128.4	94.9	96.5	130.4	131.0	451.7	434.4	452.7
Lotte Himart	529.0	594.2	652.5	524.4	550.2	618.0	678.6	545.4	2,356.7	2,300.1	2,392.1
Other	(13.2)	(13.8)	(16.3)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(58.3)	(44.1)	(3.2)
Operating profit	**148.2**	**40.6**	**130.5**	**227.7**	**178.5**	**78.7**	**189.7**	**232.0**	**473.2**	**547.0**	**678.9**
Department store	130.0	65.0	83.2	226.0	144.0	76.3	101.6	216.3	399.9	504.2	538.3
Discount store	28.1	(39.0)	11.5	(7.7)	32.2	(35.3)	29.1	(1.6)	65.0	(7.1)	24.4
SSM	3.2	2.7	4.9	(2.8)	4.1	3.7	6.2	(2.6)	29.3	8.0	11.4
E-commerce	(8.5)	(8.4)	(9.6)	(2.8)	(4.3)	(4.5)	(4.3)	(0.6)	(68.5)	(29.3)	(13.9)
Home shopping	12.1	12.2	10.3	10.4	11.5	12.5	11.0	10.5	49.8	45.0	45.5
Lotte Cultureworks	(10.4)	(6.2)	8.2	(2.2)	(3.8)	8.0	18.8	10.9	0.3	(10.6)	33.8
Lotte Himart	(11.1)	10.5	19.0	(8.7)	(8.0)	15.2	24.5	(3.6)	1.7	9.7	28.2
Other	4.8	3.8	3.0	15.5	2.8	2.8	2.8	2.8	(4.3)	27.1	11.3
Pre-tax profit	44.6	(24.1)	(14.8)	77.8	87.7	30.4	116.5	186.2	(1,009.8)	83.4	420.7
Net profit	**18.1**	**(10.3)**	**(48.7)**	**114.5**	**63.6**	**22.0**	**84.4**	**135.0**	**(982.6)**	**73.6**	**305.0**
Net profit (controlling interests)	16.2	(20.4)	(56.6)	112.4	58.6	17.0	79.4	130.0	(990.4)	51.6	285.0
Chg (% y-y)											
Net sales	**(1.6)**	**(2.3)**	**(4.4)**	**1.3**	**2.3**	**2.1**	**4.4**	**1.7**	**(3.9)**	**(1.8)**	**2.6**
Department store	(1.1)	(2.4)	1.3	4.4	2.8	1.3	(0.6)	(2.0)	(0.3)	0.6	0.3
Discount store	0.3	(1.8)	(7.5)	1.7	1.1	1.2	6.4	2.9	(2.8)	(1.9)	2.8
SSM	(7.1)	(6.6)	(6.2)	(1.3)	0.5	2.2	6.1	5.6	(0.8)	(5.4)	3.6
E-commerce	(5.0)	(4.3)	(16.0)	(10.8)	2.0	3.0	10.0	8.0	(11.4)	(9.0)	5.6
Home shopping	0.0	(0.6)	1.5	(9.6)	(1.3)	(1.3)	2.8	(1.3)	(1.8)	(2.4)	(0.3)
Lotte Cultureworks	(25.0)	(19.5)	(2.1)	39.7	10.0	5.0	2.0	2.0	(19.6)	(3.8)	4.2
Lotte Himart	0.7	0.8	(4.9)	(5.8)	4.0	4.0	4.0	4.0	(9.7)	(2.4)	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)**	**54.7**	**20.4**	**93.9**	**45.4**	**1.9**	**(6.9)**	**15.6**	**24.1**
Margins (%)											
Operating margin	**4.3**	**1.2**	**3.8**	**6.5**	**5.0**	**2.3**	**5.3**	**6.5**	**3.4**	**4.0**	**4.8**
Department store	16.1	8.0	10.9	23.7	17.4	9.2	13.4	23.2	12.0	15.1	16.1
Discount store	1.9	(3.0)	0.9	(0.6)	2.1	(2.7)	2.0	(0.1)	1.2	(0.1)	0.4
SSM	1.0	0.9	1.6	(0.9)	1.3	1.2	1.9	(0.8)	2.3	0.7	0.9
E-commerce	(30.0)	(31.6)	(42.5)	(8.9)	(15.0)	(16.6)	(17.5)	(1.9)	(57.2)	(26.9)	(12.0)
Home shopping	5.3	5.3	4.9	4.5	5.1	5.5	5.1	4.6	5.4	5.0	5.1
Lotte Cultureworks	(12.1)	(6.7)	6.4	(1.7)	(4.1)	8.3	14.4	8.3	0.1	(2.4)	7.5
Lotte Himart	(2.1)	1.8	2.9	(1.7)	(1.4)	2.5	3.6	(0.7)	0.1	0.4	1.2
Pre-tax margin	1.3	(0.7)	(0.4)	2.2	2.5	0.9	3.3	5.2	(7.2)	0.6	3.0
Net margin	**0.5**	**(0.3)**	**(1.4)**	**3.3**	**1.8**	**0.6**	**2.4**	**3.8**	**(7.0)**	**0.5**	**2.2**
Net profit (controlling interests)	0.5	(0.6)	(1.7)	3.2	1.7	0.5	2.2	3.6	(7.1)	0.4	2.0

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**14,556**	**13,987**	**13,738**	**14,102**	**14,350**
Cost of goods sold	7,781	7,251	7,075	7,136	7,126
Gross profit	**6,775**	**6,735**	**6,663**	**6,966**	**7,224**
Gross margin (%)	46.5	48.2	48.5	49.4	50.3
SG&A expenses	6,266	6,262	6,116	6,287	6,498
Operating profit	**508**	**473**	**547**	**679**	**727**
Operating margin (%)	3.5	3.4	4.0	4.8	5.1
Non-operating gains (losses)	**-324**	**-1,494**	**-464**	**-258**	**-234**
Financial profit	412	384	341	135	131
Financial costs	740	933	786	564	536
Equity-method gains (losses)	147	143	164	171	171
Other	-144	-1,088	-183	0	0
Pre-tax profit	**184**	**-1,021**	**83**	**421**	**492**
Taxes	15	-27	10	116	135
Effective tax rate (%)	8.0	2.7	11.9	27.5	27.5
Profit from continuing operations	169	-994	74	305	357
Profit from discontinued operations	0	0	0	0	0
Net profit	**169**	**-994**	**74**	**305**	**357**
Net margin (%)	1.2	-7.1	0.5	2.2	2.5
Net profit (controlling interests)	174	-968	74	305	357
Net profit (non-controlling interests)	-5	-26	0	0	0
EBITDA	1,682	1,589	1,722	1,860	1,936
EBITDA margin (%)	11.6	11.4	12.5	13.2	13.5
EPS (parent-based) (KRW)	6,165	-34,219	2,600	10,783	12,615
EPS (consolidated) (KRW)	5,980	-35,140	2,600	10,783	12,615
Adjusted EPS (KRW)*	9,875	-25,623	1,306	10,783	12,615

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**5,564**	**5,517**	**4,720**	**5,111**	**5,501**
Cash & equivalents	1,590	1,555	719	737	904
Accounts receivable	645	572	666	754	854
Inventories	1,269	1,540	1,458	1,712	1,809
Other current assets	2,060	1,849	1,876	1,909	1,934
Fixed assets	**25,081**	**33,486**	**33,277**	**33,203**	**33,142**
Investment assets	3,187	3,129	7,731	7,626	7,530
Tangible assets	15,007	24,306	24,343	24,375	24,410
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**	**37,996**	**38,315**	**38,643**
Current liabilities	**10,903**	**9,836**	**9,501**	**9,638**	**9,760**
Accounts payable	593	602	622	687	751
Short-term debt	1,970	2,104	2,104	2,104	2,104
Other current liabilities	8,340	7,131	6,775	6,848	6,905
Long-term liabilities	**8,905**	**12,133**	**11,638**	**11,626**	**11,589**
Bonds & long-term debt	4,266	6,007	9,108	9,108	9,108
Other long-term liabilities	4,639	6,127	2,530	2,518	2,480
Total liabilities	**19,808**	**21,969**	**21,145**	**21,272**	**21,356**
Owners of parent equity	**9,494**	**15,504**	**15,321**	**15,513**	**15,757**
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	7,315	7,507	7,751
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**	**16,851**	**17,043**	**17,287**
Net debt	11,315	11,808	11,827	11,810	11,644

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**1,640**	**1,588**	**1,841**	**1,762**	**1,931**
Net profit	169	-994	74	305	357
Non-cash profit and expenses	1,565	2,708	1,791	1,717	1,698
Depreciation	1,051	1,058	1,147	1,151	1,179
Amortization	123	58	29	30	31
Other	391	1,592	616	536	488
Changes in A/L from operating activities	-137	-115	-24	-260	-124
Cash flow from investments	**-199**	**-1,068**	**-660**	**-622**	**-641**
Change in tangible assets	-723	-880	-812	-770	-794
Change in financial assets	388	-40	180	180	180
Other	135	-148	-28	-32	-27
Cash flow from financing	**-1,651**	**-498**	**-1,959**	**-1,065**	**-1,065**
Change in debt	-872	465	-900	0	0
Change in equity	0	-0	0	0	0
Dividends	-150	-143	-107	-113	-113
Other	-629	-819	-952	-952	-952
Change in cash	-211	-35	-836	18	167
Cash at beginning of year	1,801	1,590	1,555	719	737
Cash at end of year	1,590	1,555	719	737	904
Gross cash flow	**1,734**	**1,714**	**1,864**	**2,022**	**2,054**
Free cash flow	**824**	**682**	**979**	**942**	**1,087**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-5.9	-3.9	-1.8	2.6	1.8
Operating profit	31.6	-6.9	15.6	24.1	7.0
Net profit	nm	nm	nm	314.7	17.0
Adjusted EPS**	nm	nm	nm	725.9	17.0
Per-share data (KRW)					
EPS (parent-based)	6,165	-34,219	2,600	10,783	12,615
EPS (consolidated)	5,980	-35,140	2,600	10,783	12,615
Adjusted EPS**	9,875	-25,623	1,306	10,783	12,615
BVPS	335,809	548,412	541,955	548,745	557,368
DPS (common)	3,800	3,800	4,000	4,000	4,500
Valuations (x)					
P/E***	12.2	n/a	55.5	8.9	7.6
P/B***	0.2	0.1	0.1	0.2	0.2
EV/EBITDA	8.8	9.4	8.9	8.2	7.7
Ratios (%)					
ROE	2.6	-5.3	0.2	1.8	2.1
ROA	0.5	-2.9	0.2	0.8	0.9
ROIC	2.6	2.1	1.9	2.1	2.2
Payout ratio	63.5	n/a	153.7	37.1	35.7
Dividend yield (common)	5.1	7.0	5.5	4.1	4.7
Net debt to equity	104.4	69.3	70.2	69.3	67.4
Interest coverage (x)	0.9	0.8	0.9	1.2	1.4

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

Source: Company data, Samsung Securities estimates

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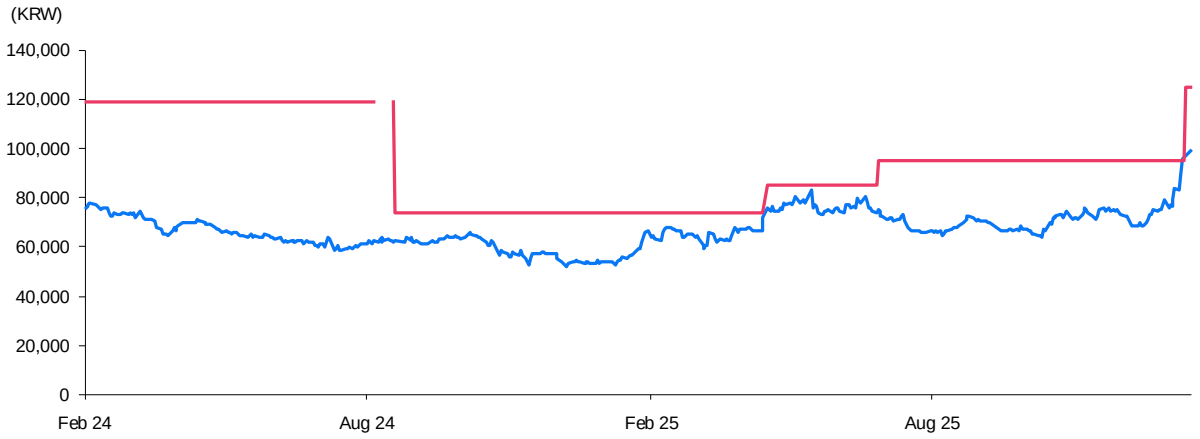
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/10	2024/2/13	9/13	2025/5/12	7/22	2026/2/6
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	100000	119000	74000	85000	95000	125000
Gap* (average)	-23.06	-43.34	-17.69	-10.01	-25.00	
(max or min)**	-8.90	-28.57	-2.57	-2.24	1.58	

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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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
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 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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