COMPANY UPDATE

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IS Dongseo (010780)

Jungsan District site visit review: Rarity of new mini city-scale development stands out

- IS Dongseo plans to break ground on a development project in the Gyeongsan Jungsan District. Residents of Suseong-gu are expected to form the initial demand base for Penta Hills W.
- The Daegu housing market is gradually recovering from a supply glut—the number of unsold units is now just half of that seen at its peak in 2023.
- The project should begin contributing to IS Dongseo's earnings substantially from 2027, with its ROIC likely to peak in 2029.

WHAT'S THE STORY?

To begin presales of Penta Hills W in April in Gyeongsan Jungsan District: IS Dongseo has confirmed plans to begin groundbreaking and presales of the Penta Hills W project, an in-house development project consisting of 3,443 units, in April—the first phase (1,712 units) is set to begin in April and the second phase in 2H. Located in Gyeongsan, the site is adjacent to Suseong-gu, a key area in Daegu, offering easy access not only to the subway but also to major arterial roads (*eg*, Dalgu-bul Road and Suseong IC). Residents of Suseong-gu are expected to form the initial demand base for Penta Hills W. In fact, nearby developments such as Penta Hills The Sharp and Penta Hills Prugio recorded high subscription rates.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW36,000	15.6%
Current price	KRW31,150	
Market cap	KRW940.32b/USD653.14m	
Shares (float)	30,186,976 (42.5%)	
52-week high/low	KRW32,050/KRW15,960	
Avg daily trading value (60-day)	KRW3.4b/ USD2.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
IS Dongseo (%)	37.2	59.7	69.5
Vs Kospi (%pts)	11.7	-18.5	-28.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	36,000	36,000	0.0%
2026E EPS	1,383	1,383	0.0%
2027E EPS	3,077	3,077	0.0%

SAMSUNG vs THE STREET

No of estimates	3
Target price	37,000
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	1,515	1,234	1,454	1,526
Operating profit (KRWb)	170	66	164	191
Net profit (adj) (KRWb)	-160	-52	45	100
EPS (adj) (KRW)	-4,910	-1,598	1,383	3,077
EPS (adj) growth (% y-y)	nm	nm	nm	122.5
EBITDA margin (%)	14.5	8.8	13.8	14.6
ROE (%)	-10.2	-3.9	3.4	7.3
P/E (adj) (x)	n/a	n/a	22.4	10.1
P/B (x)	0.5	0.5	0.7	0.7
EV/EBITDA (x)	8.6	17.3	9.6	7.9
Dividend yield (%)	4.8	2.1	1.6	1.6

Source: Company data, Samsung Securities estimates

Supply control in Daegu housing market; merit of complex development project: The Daegu and Gyeongsan housing markets have been in a long-term slump due to high interest rates and an oversupply. However, recent indicators suggest the demand-supply balance is gradually improving. First, as of December, the area's unsold inventory stood at 5,962 units, falling m-m for a six-month running. The peak was in Jan 2023, when 14,000 units were unsold. Second, Daegu's housing move-in volume is expected to drop significantly: from 35,000 units in 2023 (the peak) to 12,000 in 2026 and just 567 in 2028. Beyond these positive market factors, the project is more likely to succeed than other projects, given its status as a large-scale, mixed-use development project. It includes a planned elementary school (with middle and high school sites having been secured but pending approval from the education authority) and other infrastructure. In other words, this new mini city-scale development (vs a mere individual project) is expected to attract demand from surrounding areas.

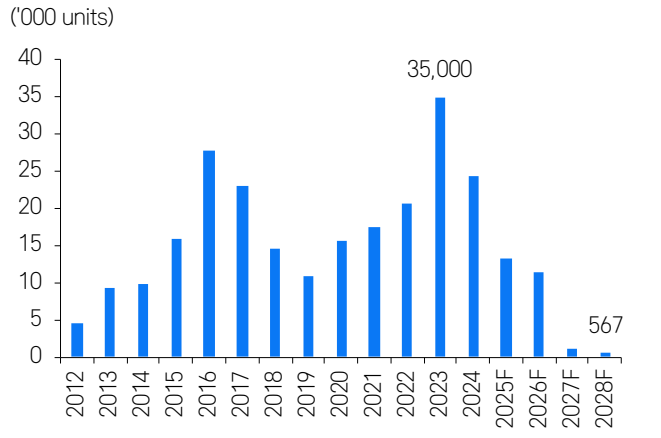
Revenue contribution to materialize from 2027; ROIC to peak in 2029: The project, valued at KRW3.5t (assuming KRW20m per m²), has a construction period of 54 months. With a focus on mid- to large-sized units, initial sales are expected to rise gradually, suggesting that revenue in the first year (2026) will be minimal. Significant revenue growth is anticipated from 2H27, as construction progress accelerates and the presales ratio rises. With land costs (KRW370b) accounting for only 11% of the total project cost, the project is expected to achieve an operating margin of more than 20%. Its ROIC should peak in 2029.

Table 1. Presale plan for Penta Hills W

	1st phase	2nd phase	Total
Land area (pyeong)	15,978	16,171	32,149
Building coverage area (pyeong)	7,976	8,075	16,051
Building coverage ratio (%)	49.92	49.94	49.93
Floor area ratio (%)	499.64	499.59	499.62
Total gross floor area (pyeong)	135,228	140,985	276,213
Total saleable residential area (pyeong)	79,149	79,961	159,110
Unit layout plan (units)	1,712	1,731	3,443

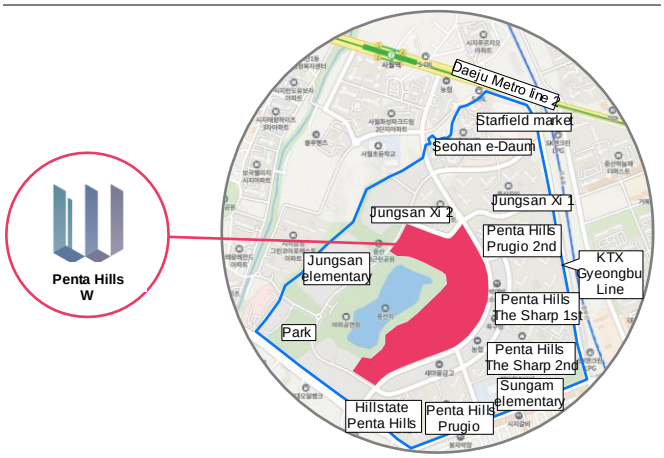
Source: Company data, Samsung Securities

Daegu housing move-in volume



Source: REPS, Samsung Securities

Penta Hills W: Location



Source: Company data, Samsung Securities

Table 2. Quarterly results estimates

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26F	2Q26F	3Q26F	4Q26F	2024	2025	2026F	2027F	2028F	2029F
Sales	299	335	271	329	234	294	324	603	1,515	1,234	1,454	1,526	1,581	1,638
Chg (% y-y)	*-23.9%*	*-26.1%*	*-31%*	*9.9%*	*-23.9%*	*-26.1%*	*19.5%*	*83.2%*	*-25.4%*	*-18.5%*	*17.8%*	*4.9%*	*3.6%*	*3.7%*
Construction	119	142	73	108	66	99	132	362	826	442	659	678	699	720
Environmental operation (waste treatment)	76	82	93	105	75	90	95	100	382	356	360	378	397	417
Environmental operation (spent battery recycling)	31	30	31	36	28	30	33	49	116	128	140	154	170	187
Concrete	64	73	64	64	65	75	64	76	165	265	280	300	300	300
SG&A	39	45	49	116	55	50	45	70	219	248	220	225	230	225
Operating profit	32	54	9	(29)	14	30	40	80	170	66	164	191	202	205
Construction	32	51	3	(48)	3	15	26	87	175	39	132	156	164	166
Environmental operation (waste treatment)	3	4	7	10	5	6	7	5	27	24	23	25	26	27
Environmental operation (spent battery recycling)	0	(3)	(1)	1	1	1	1	2	(15)	(4)	4	4	5	6
Concrete	(25)	3	1	11	5	8	6	(13)	(13)	(11)	6	8	8	8
Operating margin	10.8%	16.1%	3.3%	(8.9%)	5.8%	10%	12.5%	13.3%	11.2%	5.3%	11.3%	12.5%	12.8%	12.5%
Construction	26.7%	36.1%	4.3%	(43.9%)	5%	15%	20%	25%	21.2%	8.7%	20%	23%	23.5%	23%
Environmental operation (waste treatment)	4.4%	5.3%	7.1%	9.4%	7%	7%	7%	5.2%	7.2%	6.8%	6.5%	6.5%	6.5%	6.5%
Environmental operation (spent battery recycling)	0.3%	(11.3%)	(3.9%)	2.8%	2%	3%	3%	3.6%	-13%	-2.7%	3%	2.5%	3%	3%
Concrete	(39.5%)	4.6%	0.8%	16.5%	7%	10%	10%	(16.9%)	-7.9%	-4%	2%	2.5%	2.5%	2.5%
Pre-tax profit	2	30	(15)	(70)	(7)	4	9	73	(160)	(53)	79	139	162	170
Net profit	0	19	(13)	(59)	(7)	3	7	43	(160)	(52)	45	100	116	122

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,029**	**1,515**	**1,234**	**1,454**	**1,526**
Cost of goods sold	1,524	1,126	921	1,070	1,110
Gross profit	**506**	**389**	**314**	**384**	**416**
Gross margin (%)	24.9	25.7	25.4	26.4	27.3
SG&A expenses	165	219	248	220	225
Operating profit	**341**	**170**	**66**	**164**	**191**
Operating margin (%)	16.8	11.2	5.3	11.3	12.5
Non-operating gains (losses)	**-121**	**-330**	**-119**	**-85**	**-52**
Financial profit	24	23	32	20	20
Financial costs	120	130	151	120	90
Equity-method gains (losses)	14	-28	44	15	18
Other	-38	-194	-43	0	0
Pre-tax profit	**220**	**-160**	**-53**	**79**	**139**
Taxes	60	-0	-1	34	39
Effective tax rate (%)	27.2	0.0	1.8	43.0	28.0
Profit from continuing operations	160	-160	-52	45	100
Profit from discontinued operations	0	0	0	0	0
Net profit	**160**	**-160**	**-52**	**45**	**100**
Net margin (%)	7.9	-10.6	-4.2	3.1	6.6
Net profit (controlling interests)	161	-149	-51	44	98
Net profit (non-controlling interests)	-1	-12	-1	1	2
EBITDA	391	220	109	201	223
EBITDA margin (%)	19.3	14.5	8.8	13.8	14.6
EPS (parent-based) (KRW)	5,216	-4,910	-1,687	1,461	3,250
EPS (consolidated) (KRW)	5,188	-5,291	-1,722	1,490	3,316
Adjusted EPS (KRW)*	5,216	-4,910	-1,598	1,383	3,077

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,622**	**2,117**	**2,142**	**2,043**	**1,976**
Cash & equivalents	641	364	471	480	488
Accounts receivable	81	84	87	90	92
Inventories	1,341	1,373	1,303	1,233	1,163
Other current assets	560	295	281	240	232
Fixed assets	**1,615**	**1,437**	**1,330**	**1,318**	**1,320**
Investment assets	341	299	255	269	291
Tangible assets	704	726	689	657	630
Intangible assets	333	144	117	108	101
Other long-term assets	237	268	268	283	298
Total assets	**4,237**	**3,554**	**3,471**	**3,361**	**3,295**
Current liabilities	**1,590**	**1,601**	**1,563**	**1,332**	**1,107**
Accounts payable	177	96	99	102	105
Short-term debt	390	540	507	304	76
Other current liabilities	1,023	965	957	926	926
Long-term liabilities	**876**	**396**	**439**	**529**	**604**
Bonds & long-term debt	712	248	312	385	455
Other long-term liabilities	163	148	127	144	149
Total liabilities	**2,465**	**1,997**	**2,002**	**1,861**	**1,711**
Owners of parent equity	**1,559**	**1,359**	**1,272**	**1,301**	**1,385**
Capital stock	15	15	15	15	15
Capital surplus	394	397	397	397	397
Retained earnings	1,152	937	856	885	969
Other	-3	10	4	4	4
Non-controlling interests' equity	**214**	**198**	**197**	**198**	**200**
Total equity	**1,772**	**1,557**	**1,469**	**1,499**	**1,585**
Net debt	799	1,075	986	803	626

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**128**	**-131**	**57**	**220**	**225**
Net profit	160	-160	-52	45	100
Non-cash profit and expenses	278	428	159	168	138
Depreciation	40	43	37	32	28
Amortization	10	8	6	5	4
Other	228	378	116	131	106
Changes in A/L from operating activities	-127	-237	69	141	96
Cash flow from investments	**-4**	**24**	**63**	**-20**	**-30**
Change in tangible assets	-64	-51	0	0	0
Change in financial assets	85	87	8	-8	-3
Other	-25	-12	55	-12	-26
Cash flow from financing	**106**	**-173**	**-11**	**-188**	**-184**
Change in debt	142	-89	19	-173	-169
Change in equity	3	3	0	0	0
Dividends	0	-45	-30	-15	-15
Other	-39	-41	0	0	0
Change in cash	229	-277	107	9	9
Cash at beginning of year	412	641	364	471	480
Cash at end of year	641	364	471	480	488
Gross cash flow	**438**	**268**	**107**	**213**	**238**
Free cash flow	**60**	**-183**	**57**	**220**	**225**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-10.9	-25.4	-18.5	17.8	4.9
Operating profit	-1.3	-50.2	-61.2	149.1	16.5
Net profit	-21.8	nm	nm	nm	122.5
Adjusted EPS**	-17.6	nm	nm	nm	122.5
Per-share data (KRW)					
EPS (parent-based)	5,216	-4,910	-1,687	1,461	3,250
EPS (consolidated)	5,188	-5,291	-1,722	1,490	3,316
Adjusted EPS**	5,216	-4,910	-1,598	1,383	3,077
BVPS	51,629	45,698	42,796	43,780	46,580
DPS (common)	1,500	1,000	500	500	500
Valuations (x)					
P/E***	5.6	n/a	n/a	22.0	9.9
P/B***	0.6	0.5	0.5	0.7	0.7
EV/EBITDA	4.9	8.6	17.3	9.5	7.8
Ratios (%)					
ROE	10.9	-10.2	-3.9	3.4	7.3
ROA	4.0	-4.1	-1.5	1.3	3.0
ROIC	12.3	7.7	3.0	4.7	7.3
Payout ratio	28.1	-20.0	-29.2	33.7	15.1
Dividend yield (common)	5.2	4.8	2.1	1.6	1.6
Net debt to equity	45.1	69.0	67.1	53.6	39.5
Interest coverage (x)	3.0	1.4	0.4	1.4	2.1

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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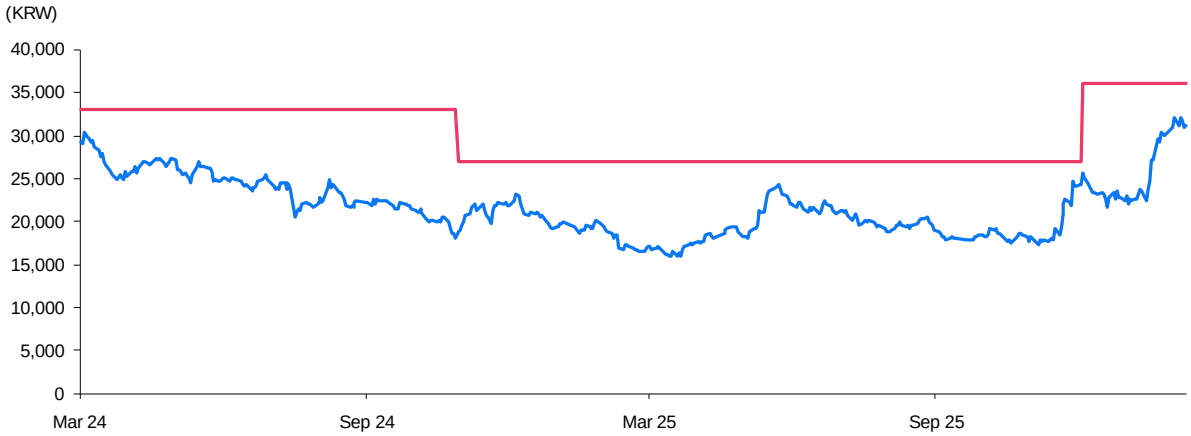
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/8	11/18	2025/12/23
Recommendation	BUY	BUY	BUY
Target price (KRW)	33000	27000	36000
Gap* (average)	-25.45	-27.62	
(max or min)**	-7.73	-9.63	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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Percentage of ratings in 12 months prior to 2025.12.31

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