COMPANY UPDATE

2026. 4. 3

Alternative Investment Team

Kyungja Lee
Team Leader
kyungja.lee@samsung.com

Jumi Hong
Research Associate
jumi14.hong@samsung.com

Scan to go to
Research Center report database

Lotte REIT (330590)

Corporate day takeaways: Hotel acquisitions drive dividend growth; becomes growth REIT

- Inclusion of L7 Hongdae has increased the number of Lotte REIT's hotel assets to two. L7 Gangnam achieved a 10% rent increase in 1H.
- The sale of the Guri department store parking lot marks the first asset disposal by the sponsor, signaling portfolio optimization.
- Lotte REIT is transitioning to a growth REIT through external asset inclusion, value-add strategy, and expansion into growth assets (eg, hotels).

▶ AT A GLANCE

BUY

Target price	KRW5,500	18.5%
Current price	**KRW4,640**	
Market cap	KRW1.3t/USD0.9b	
Shares (float)	288,968,884 (51.6%)	
52-week high/low	KRW4,850/KRW3,305	
Avg daily trading value (60-day)	KRW1.6b/ USD1.1m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte REIT (%)	-4.3	19.4	33.0
Vs Kospi (%pts)	14.1	-19.0	-36.3

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	5,500	5,500	0.0%
2026E EPS	133	133	0.0%
2027E EPS	164	164	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	3
Target price	5,667
Recommendation	4.0

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

WHAT'S THE STORY?

External growth: Lotte REIT completed the inclusion of L7 Hongdae in January, increasing asset under management (AUM) to KRW2.9t and achieving greater portfolio diversification.

- **Hotel assets (two):** The retail portion of the REIT's portfolio now shrinks to 76%. Hotels account for 21% and logistics centers 3%.
- **Potential targets of future inclusion:** The REIT is considering adding new growth-sector assets, including logistics centers, development projects, residential properties, and data centers. For logistics centers, it plans to focus on stable assets leased by affiliates, seeing that the market is at a bottom. Building on synergy with Lotte Property & Development (Lotte P&D), it is also actively considering the use of project REITs.
- **Disposal of non-core assets:** Lotte REIT recently completed the sale of the Guri department store parking lot. Although the disposal is set to have little impacts on its overall dividends (as it generated only KRW4b in gains and reduced rental income), it is meaningful as it marks the first non-core asset disposal by the sponsor. This sets a precedent for continued portfolio optimization.

SUMMARY FINANCIAL DATA

(Continued on the next page)

	2025	2026E	2027E	2028E
Revenue (KRWb)	141	144	146	148
Operating profit (KRWb)	92	95	101	103
Net profit (adj) (KRWb)	28	38	47	58
EPS (adj) (KRW)	99	133	164	202
EPS (adj) growth (% y-y)	51.6	35.2	22.9	23.6
EBITDA margin (%)	92.6	93.3	95.7	96.3
ROE (%)	2.5	3.5	4.4	5.6
P/E (adj) (x)	40.2	34.8	28.3	22.9
P/B (x)	1.0	1.2	1.3	1.3
P/FFO (x)	17.0	17.3	15.6	13.8
Dividend yield (%)	6.1	5.8	6.3	6.5

Source: Company data, Samsung Securities estimates

Internal growth: L7 Gangnam has locked in a 10% rental hike in 1H26 led by improved performance.

- **Growth potential of four-star hotels:** L7 Gangnam, acquired in 2024, has outperformed its initial financial projections, surpassing both its targeted occupancy rate (OCC) and average daily rate (ADR**)**. We forecast L7 Hongdae's OCC to rise from 87% in 2025 to 90% in 2026. The current upcycle in Korea's hotel sector is centered on three- and four-star assets in Hongdae, Gangnam, and Mapo, and Lotte REIT's portfolio aligns with the trend. As L7 Hongdae was acquired via borrowing (vs a rights offering), we expect the asset to boost DPS.
- **Flexible loan management:** Lotte REIT has enjoyed a sharp decline in interest rates thanks to early refinancing in 2025, with its average rate falling 180bps compared to 2023. For this year, in light of the recent uptick in interest rate, the company plans to manage its borrowing structure flexibly using instruments such as short-term bonds. We expect its weighted average interest rate to remain flat y-y in 2026.

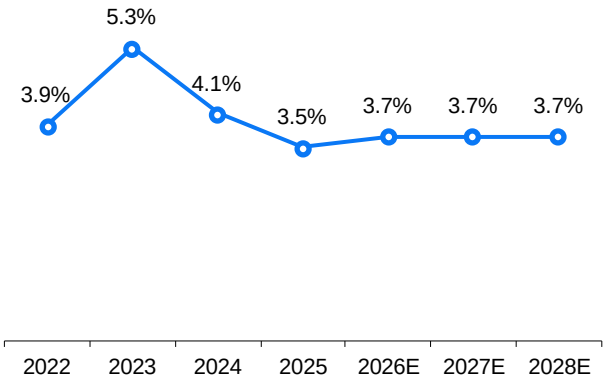
Transitioning to a growth REIT: Dividends have been on an upward trend since bottoming out in 2023. Following a 11.6% y-y increase in 2025, the REIT's DPS growth should accelerate to 12.9% in 2026, led by strategic shifts including external asset additions/disposal, the use of a value-add strategy, and a higher share of hotels. We raise our target price by 19.6% to KRW5,500, as we remove the 15% discount—previously applied to all of its assets, especially due to poor retail performance relative to appraisal value—from non-retail assets.

Valuation

Inclusion date		Asset	Acquisition price (KRWb)	Appraised value (KRWb)	Acquisition cap rate	Note
IPO asset	1	Lotte Department Store Gangnam Branch	425	610	4.73%	
	2	Lotte Department Store Changwon Branch	247	287	4.87%	
	3	Lotte Mart Uiwang Branch	138	179	4.83%	
	4	Lotte Mart Janyu Branch	57	70	4.98%	
	5	Lotte Mart Guri Branch	177	225	4.59%	Annual escalation rate of 1.5%
	6	Lotte Mart/Outlet (west) Cheongju Branch	139	170	5.60%	
	7	Lotte Mart/Outlet Daegu Yulha Branch	170	207	5.37%	
	8	Lotte Department Store Gwangju Branch	134	156	4.71%	
	9	Lotte Department Store Jungdong Branch	172	200	5.13%	
	10	Lotte Department Store Ansan Branch	99	137	4.17%	
2022	11	Lotte Mart Gyeyang Branch	76	105	4.56%	
	12	Lotte Premium Outlet Icheon Branch	275	329	5.10%	
	13	Lotte Mart Chuncheon Branch	61	66	4.39%	CPI & revenue linked
	14	Lotte Mart Mall Gimpo Logistics center	96	102	5.12%	
	15	Lotte Mart Gyeonggi Yangpyeong Branch	35	35	4.18%	
2024	16	DF Building preferred stock	7	7	3.70%	
	17	L7 Gangnam	330	330	4.90%	KRW7.3b (fixed per year), KRW3.2b (variable)
2026	18	L7 Hongdae	265	265		KRW10.6b (fixed per year), KRW3.2b (variable)
		Total	2,903	3,048		15% discount rate applied for retail assets
		Cap rate	4.5%	4.4%		
		Debt		1,579		
		Deposit		110		
		NAV		1,360		
		NAV per share (KRW)		5,500		

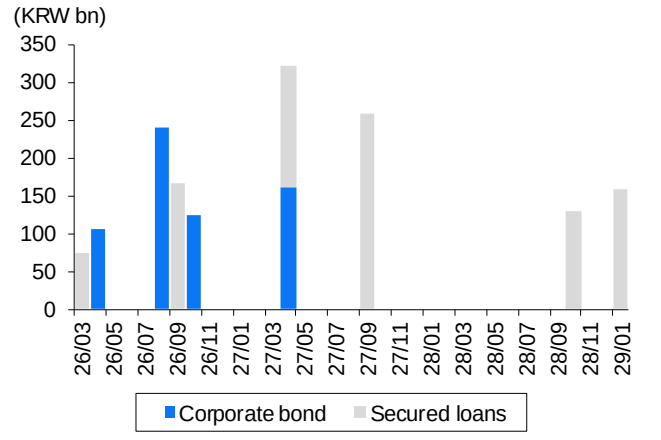
Source: Company data, Samsung securities

Weighted average funding rate



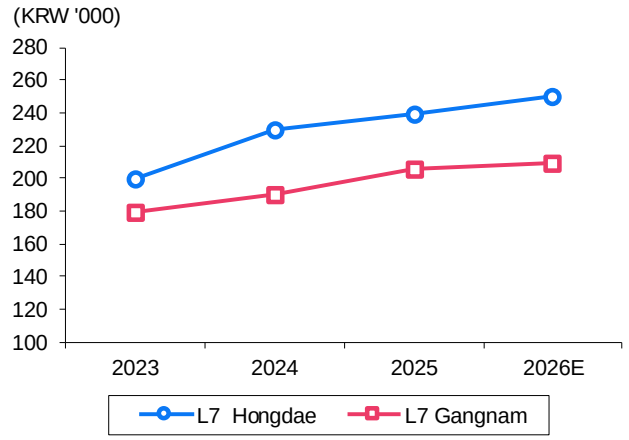
Source: Company data, Samsung securities

Debt maturity profile



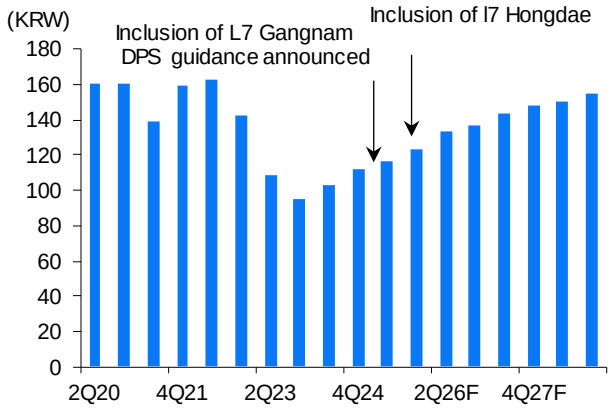
Source: Company data, Samsung securities

ADR trend of hotel assets



Source: Company data, Samsung securities

DPS trend



Source: Company data, Samsung securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**126**	**141**	**144**	**146**	**148**
Cost of goods sold	0	0	0	0	0
Gross profit	**126**	**141**	**144**	**146**	**148**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	46	49	48	45	44
Operating profit	**80**	**92**	**95**	**101**	**103**
Operating margin (%)	63.4	65.1	66.3	69.1	70.0
Non-operating gains (losses)	**-63**	**-63**	**-57**	**-54**	**-45**
Financial profit	1	0	1	1	1
Financial costs	64	63	58	54	46
Equity-method gains (losses)	0	0	0	0	0
Other	0	0	0	0	0
Pre-tax profit	**16**	**28**	**38**	**47**	**58**
Taxes	0	0	0	0	0
Effective tax rate (%)	0.0	0.0	0.0	0.0	0.0
Profit from continuing operations	16	28	38	47	58
Profit from discontinued operations	0	0	0	0	0
Net profit	**16**	**28**	**38**	**47**	**58**
Net margin (%)	13.1	20.2	26.7	32.4	39.6
Net profit (controlling interests)	16	28	38	47	58
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	118	130	134	140	142
EBITDA margin (%)	94.3	92.6	93.3	95.7	96.3
EPS (parent-based) (KRW)	65	99	133	164	202
EPS (consolidated) (KRW)	65	99	133	164	202
Adjusted EPS (KRW)*	65	99	133	164	202

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**41**	**69**	**53**	**57**	**58**
Cash & equivalents	13	13	10	9	10
Accounts receivable	11	32	20	25	25
Inventories	0	0	0	0	0
Other current assets	16	24	23	23	23
Fixed assets	**2,583**	**2,544**	**2,503**	**2,462**	**2,421**
Investment assets	8	7	7	7	7
Tangible assets	0	0	0	0	0
Intangible assets	0	0	0	0	0
Other long-term assets	2,575	2,537	2,496	2,455	2,414
Total assets	**2,624**	**2,613**	**2,556**	**2,519**	**2,479**
Current liabilities	**471**	**465**	**461**	**456**	**451**
Accounts payable	0	0	0	0	0
Short-term debt	0	15	11	6	1
Other current liabilities	471	450	450	450	450
Long-term liabilities	**984**	**1,020**	**1,007**	**1,012**	**1,005**
Bonds & long-term debt	857	865	871	880	889
Other long-term liabilities	127	155	136	132	116
Total liabilities	**1,454**	**1,484**	**1,467**	**1,467**	**1,455**
Owners of parent equity	**1,169**	**1,129**	**1,089**	**1,052**	**1,023**
Capital stock	144	144	144	144	144
Capital surplus	1,180	1,180	1,180	1,180	1,180
Retained earnings	-155	-195	-235	-272	-301
Other	0	-0	0	0	0
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**1,169**	**1,129**	**1,089**	**1,052**	**1,023**
Net debt	1,277	1,292	1,298	1,303	1,306

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**141**	**95**	**58**	**82**	**81**
Net profit	16	28	38	47	58
Non-cash profit and expenses	107	39	39	39	39
Depreciation	39	39	39	39	39
Amortization	0	0	0	0	0
Other	68	0	0	0	0
Changes in A/L from operating activities	26	28	-19	-4	-16
Cash flow from investments	**-341**	**0**	**0**	**0**	**0**
Change in tangible assets	0	0	0	0	0
Change in financial assets	12	0	0	0	0
Other	-353	0	0	0	0
Cash flow from financing	**206**	**-71**	**-74**	**-79**	**-78**
Change in debt	171	23	2	4	4
Change in equity	142	0	0	0	0
Dividends	-48	-69	-78	-84	-87
Other	-58	-24	3	2	4
Change in cash	6	25	-15	4	3
Cash at beginning of year	8	13	13	10	9
Cash at end of year	13	13	10	9	10
Gross cash flow	**124**	**67**	**77**	**86**	**97**
Free cash flow	**141**	**95**	**58**	**82**	**81**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	6.4	12.1	2.2	1.4	1.1
Operating profit	12.3	15.1	4.2	5.7	2.5
Net profit	82.0	73.0	35.2	22.9	23.6
Adjusted EPS**	78.0	51.6	35.2	22.9	23.6
Per-share data (KRW)					
EPS (parent-based)	65	99	133	164	202
EPS (consolidated)	65	99	133	164	202
Adjusted EPS**	65	99	133	164	202
BVPS	4,124	3,906	3,768	3,640	3,542
DPS (common)	215	240	271	292	300
Valuations (x)					
P/E***	46.9	40.2	34.8	28.3	22.9
P/B***	0.7	1.0	1.2	1.3	1.3
P/FFO (x)	14.0	17.0	17.3	15.6	13.8
Ratios (%)					
ROE	1.5	2.5	3.5	4.4	5.6
ROA	0.7	1.1	1.5	1.9	2.3
ROIC	-1,076.8	808.8	367.3	448.5	413.8
Payout ratio	348.8	243.6	203.4	178.4	148.3
Dividend yield (common)	7.0	6.1	5.8	6.3	6.5
Net debt to equity	109.2	114.5	119.2	123.9	127.6
Interest coverage (x)	1.2	1.4	1.7	1.9	2.3

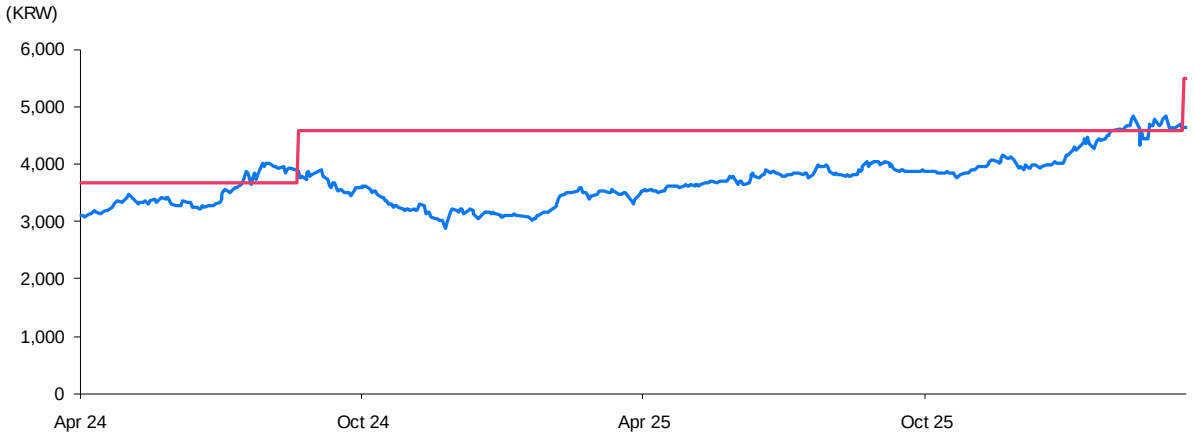
Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Compliance notice

- As of 4/2 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 4/2 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.
- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
- This material has not been distributed to institutional investors or other third parties prior to its publication.

Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/5	4/8	9/4	2026/4/1
Recommendation	HOLD	HOLD	BUY	BUY
Target price (KRW)	3391	3690	4587	5500
Gap* (average)	-4.81	-6.18	-23.45	
(max or min)**	-1.19	9.18	-13.02	

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

Samsung Securities uses the following investment ratings*

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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

Global Disclosures & Disclaimers

General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd.. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc

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

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA