COMPANY UPDATE

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Alternative Investment Team

Kyungja Lee
Team Leader
kyungja.lee@samsung.com

Jumi Hong
Research Associate
jumi14.hong@samsung.com

Hanwha REIT (451800)

Corporate day takeaways: DPS hike driven by inclusion of Emart Tower

- Leveraged acquisition of Emart Tower should drive up Hanwha REIT's annual yield by around 300bps.
- The REIT's rent income from its existing office buildings should grow an average annual rate of 3% over 2024-2026, and its vacancy has declined sharply to just 1.6%.
- With refinancing and external asset acquisitions, Hanwha REIT has entered its growth phase. It is on track for a meaningful dividend increase from around 2028.

WHAT'S THE STORY?

External growth: Hanwha REIT plans to acquire the Emart Tower for KRW350b , boosting its AUM to KRW2.1t. The transaction should strengthen the case for the REIT's credit rating upgrade from A+ to AA–. For reference, the spread between AA– and A+ corporate bonds is 40bp. The REIT is also evaluating periodic fair-value appraisals, which, if adopted, could further enhance its upside.

- Leveraged acquisition of Emart Tower: Despite the Emart Tower addition, Hanwha REIT's LTV ratio (based on fair value) should rise only modestly from 46% to 55.6%. The purchase should be financed primarily through electronic short-term bonds (KRW160b) and loans, with plans to refinance them into lower-cost corporate bonds when market conditions improve. The Emart Tower is expected to deliver a CoC in the low 6% range (a cap rate of 4.8%). The deal should not need an equity issuance, adding around 300bps to the REIT's annual yield.
- First acquisition of external asset: While sponsor-backed REITs often struggle with asset divestment and limited operational flexibility, Hanwha REIT's move into external assets broadens its strategic options (eg, strategies for capital gains).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	103	116	119	123
Operating profit (KRWb)	61	71	73	74
Net profit (adj) (KRWb)	22	26	28	30
EPS (adj) (KRW)	139	146	156	168
EPS (adj) growth (% y-y)	90.4	5.1	7.1	7.4
EBITDA margin (%)	71.5	84.9	84.0	82.5
ROE (%)	4.4	3.9	4.4	5.1
P/E (adj) (x)	28.7	36.6	34.2	31.8
P/B (x)	1.0	1.5	1.6	1.7
P/FFO (x)	18.3	18.0	17.4	16.8
Dividend yield (%)	6.8	5.1	5.1	5.1

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW5,700	6.7%
Current price	KRW5,340	
Market cap	KRW959.06b/USD636.7m	
Shares (float)	179,600,000 (52.7%)	
52-week high/low	KRW5,340/KRW3,700	
Avg daily trading value (60-day)	KRW1.1b/ USD0.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hanwha REIT (%)	4.9	32.2	42.2
Vs Kospi (%pts)	7.5	-13.9	-35.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	5,700	5,700	0.0%
2026E EPS	146	146	0.0%
2027E EPS	156	156	0.0%

SAMSUNG vs THE STREET

No of estimates	3
Target price	5,833
Recommendation	4.0

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

Internal growth: With over 70% of tenants affiliated with Hanwha Group, the REIT enjoys stable, predictable NOI growth.

- Rent income grows at 3% annually: Rent income from its six existing office buildings are forecast to expand at an average annual rate of 3% over 2024-2026. Vacancy has declined sharply—from 4.7% at end-2022 to just 1.6% now.
- Funding cost sliding: Strategic refinancing, including the 2025 refinancing of Janggyo Building (Jung-gu, Seoul), has driven borrowing costs down markedly. Borrowing rates fell by 180bps from 5.8% at end-2022 to 4% in 4Q25. The secured bond (KRW110b; issued in Sep 2025) carries a rate of just 2.97%, ensuring continued interest cost savings even amid recent market rate increases.

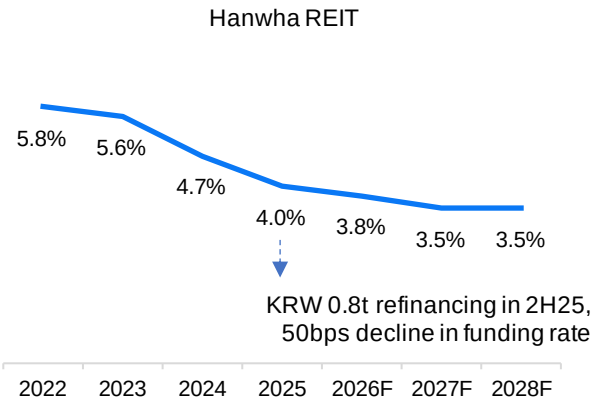
Top- and bottom-line improvement ahead: Following the 2024 rights offering—combined with debt restructuring, refinancing, and external asset acquisitions—Hanwha REIT is now on a clear path to sustained growth in 2026. Management had previously anticipated a dividend increase no earlier than 2031. But the Emart Tower acquisition has eliminated the necessity of capital injection, bringing the expected dividend hike forward to around 2028—potentially even sooner with additional asset acquisitions. Reflecting these improved asset-specific NOI, we raise our target price by 14% to KRW5,700.

Valuation

Building	Hanwha Non-life Insurance Yeouido Company	Hanwha Life Insurance Nowon Office	Hanwha Life Insurance Pyeongchon Office	Hanwha Life Insurance Guri Office	Hanwha Life Insurance Jungdong Office	Jangkyo Building	Total
Location	Yeongdeungpo-gu, Seoul	Nowon-gu, Seoul	Chogye-dong, Anyang-si	Gyomun-dong, Guri-si	Jung-dong, Bucheon-si	Jangkyo-dong, Seoul	
Major tenant	Hanwha Non-Life Insurance	Hanwha Life Insurance	anwha Life Finance Service	Hanwha Life Insurance	Hanwha Life Finance Service	Hanwha Solution, Hanwha Aero	
Land area (pyeong)	1,121	228	674	497	550	2,253	5,324
Total floor area (pyeong)	18,041	2,466	6,733	5,742	8,618	22,495	64,096
Transaction value (KRWb)	456	30	63	47	65	808	1,468
Transaction value per pyeong ('000/pyeong)	25,300	12,100	9,300	8,100	7,600	35,920	22,910
Appraisal value	590	34	83.4	56.2	78.9	905	1,748
Appraisal date	Jun 2025	May 2024	Jun 2025	Jun 2025	Jun 2025	Nov 2025	
Cap rate at acquisition (%)	4.85	7.31	6.54	6.57	6.04	4.78	5.48
Implied cap rate(%)	4.06	6.00	5.30	5.90	5.40	4.50	4.60
Net debt							775
Asset value estimate	590	39	83	56	79	937	1,785
NAV							1,010
NAV per share (KRW)							5,700

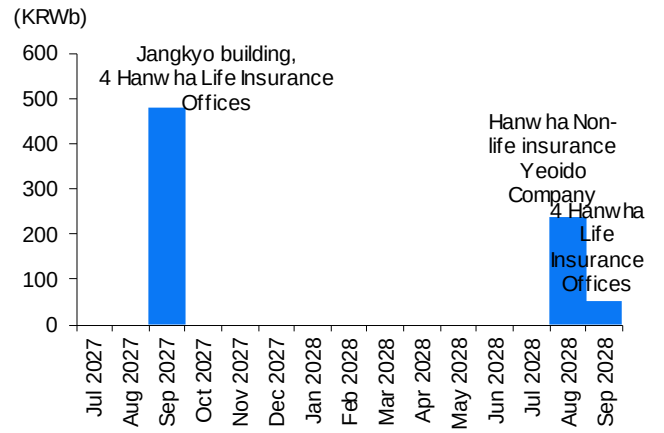
Source: Company data, Samsung Securities

Weighted average funding rate



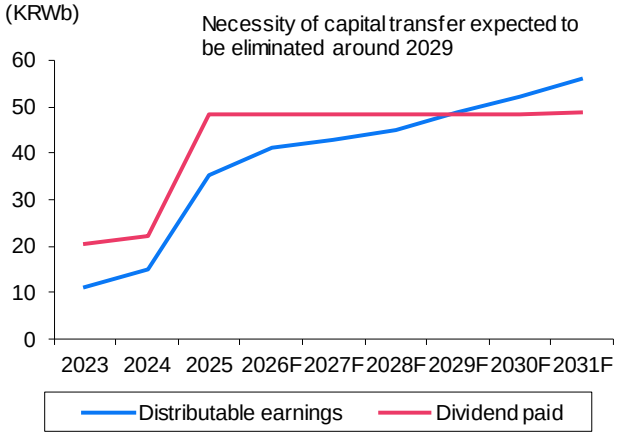
Source: Company data, Samsung Securities

Debt profile



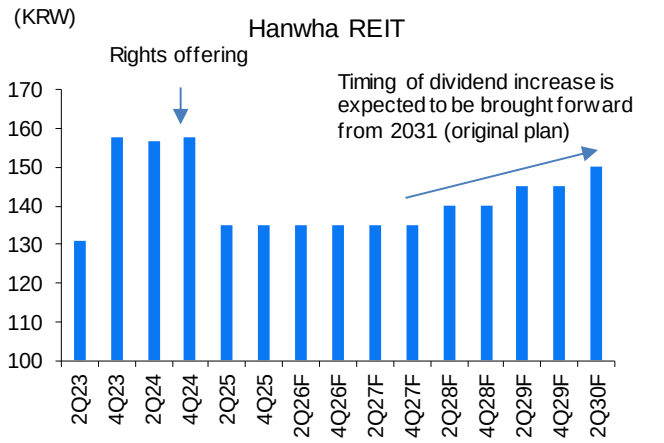
Source: Company data, Samsung Securities

Distributable earnings and dividend paid trend



Source: Company data, Samsung Securities

DPS trend



Source: Company data, Samsung Securities

Income statement

Year-end Oct 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**56**	**103**	**116**	**119**	**123**
Cost of goods sold	0	0	0	0	0
Gross profit	**56**	**103**	**116**	**119**	**123**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	24	42	44	46	49
Operating profit	**32**	**61**	**71**	**73**	**74**
Operating margin (%)	56.9	59.2	61.6	61.4	60.4
Non-operating gains (losses)	**-26**	**-39**	**-45**	**-45**	**-44**
Financial profit	0	0	0	0	0
Financial costs	26	39	45	45	44
Equity-method gains (losses)	0	0	0	0	0
Other	0	0	0	0	0
Pre-tax profit	**6**	**22**	**26**	**28**	**30**
Taxes	0	0	0	0	0
Effective tax rate (%)	0.0	0.0	0.0	0.0	0.0
Profit from continuing operations	6	22	0	0	0
Profit from discontinued operations	0	0	0	0	0
Net profit	**6**	**22**	**26**	**28**	**30**
Net margin (%)	10.7	21.8	22.7	23.6	24.6
Net profit (controlling interests)	6	22	26	28	30
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	41	74	98	100	101
EBITDA margin (%)	72.6	71.5	84.9	84.0	82.5
EPS (parent-based) (KRW)	73	139	146	156	168
EPS (consolidated) (KRW)	73	139	146	156	168
Adjusted EPS (KRW)*	73	139	146	156	168

Balance sheet

Year-end Oct 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**53**	**36**	**33**	**34**	**35**
Cash & equivalents	51	34	33	34	35
Accounts receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	2	2	0	0	0
Fixed assets	**1,533**	**1,520**	**1,501**	**1,483**	**1,465**
Investment assets	1	1	0	0	0
Tangible assets	0	0	0	0	0
Intangible assets	0	0	0	0	0
Other long-term assets	1,532	1,519	1,501	1,483	1,465
Total assets	**1,586**	**1,556**	**1,534**	**1,517**	**1,500**
Current liabilities	**491**	**83**	**73**	**73**	**73**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	491	83	73	73	73
Long-term liabilities	**766**	**776**	**807**	**831**	**857**
Bonds & long-term debt	749	762	759	750	750
Other long-term liabilities	18	14	48	81	107
Total liabilities	**1,258**	**859**	**880**	**904**	**930**
Owners of parent equity	**329**	**696**	**654**	**613**	**571**
Capital stock	35	90	90	90	90
Capital surplus	298	611	611	611	611
Retained earnings	-5	-4	-47	-88	-130
Other	-0	0	0	0	0
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**329**	**696**	**654**	**613**	**571**
Net debt	1,146	767	766	756	755

Cash flow statement

Year-end Oct 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**18**	**35**	**8**	**10**	**13**
Net profit	6	22	26	28	30
Non-cash profit and expenses	37	54	27	27	27
Depreciation	9	13	27	27	27
Amortization	0	0	0	0	0
Other	29	41	0	0	0
Changes in A/L from operating activities	1	-1	0	0	0
Cash flow from investments	**-829**	**-1**	**19**	**18**	**18**
Change in tangible assets	0	0	0	0	0
Change in financial assets	4	-0	0	0	0
Other	-833	-0	19	18	18
Cash flow from financing	**849**	**-52**	**-28**	**-27**	**-30**
Change in debt	981	-396	-3	0	0
Change in equity	-7	367	0	0	0
Dividends	-22	-35	-68	-69	-73
Other	-103	12	44	42	43
Change in cash	38	-18	-0	1	1
Cash at beginning of year	13	51	34	33	34
Cash at end of year	51	34	33	34	35
Gross cash flow	**43**	**76**	**53**	**55**	**57**
Free cash flow	**18**	**35**	**8**	**10**	**13**

Financial ratios

Year-end Oct 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	32.4	82.6	12.4	3.0	3.0
Operating profit	32.6	90.0	16.8	2.6	1.5
Net profit	20.4	273.2	16.9	7.1	7.4
Adjusted EPS**	nm	90.4	5.1	7.1	7.4
Per-share data (KRW)					
EPS (parent-based)	73	139	146	156	168
EPS (consolidated)	73	139	146	156	168
Adjusted EPS**	73	139	146	156	168
BVPS	4,657	3,878	3,643	3,415	3,177
DPS (common)	315	270	270	270	270
Valuations (x)					
P/E***	51.2	28.7	36.6	34.2	31.8
P/B***	0.8	1.0	1.5	1.6	1.7
P/FFO (x)	20.8	18.3	18.0	17.4	16.8
Ratios (%)					
ROE	1.8	4.4	3.9	4.4	5.1
ROA	0.5	1.4	1.7	1.8	2.0
ROIC	-101.7	-146.8	n/a	n/a	n/a
Payout ratio	370.4	216.4	185.2	172.9	161.0
Dividend yield (common)	8.4	6.8	5.1	5.1	5.1
Net debt to equity	348.7	110.1	117.1	123.3	132.3
Interest coverage (x)	1.2	1.6	1.6	1.6	1.7

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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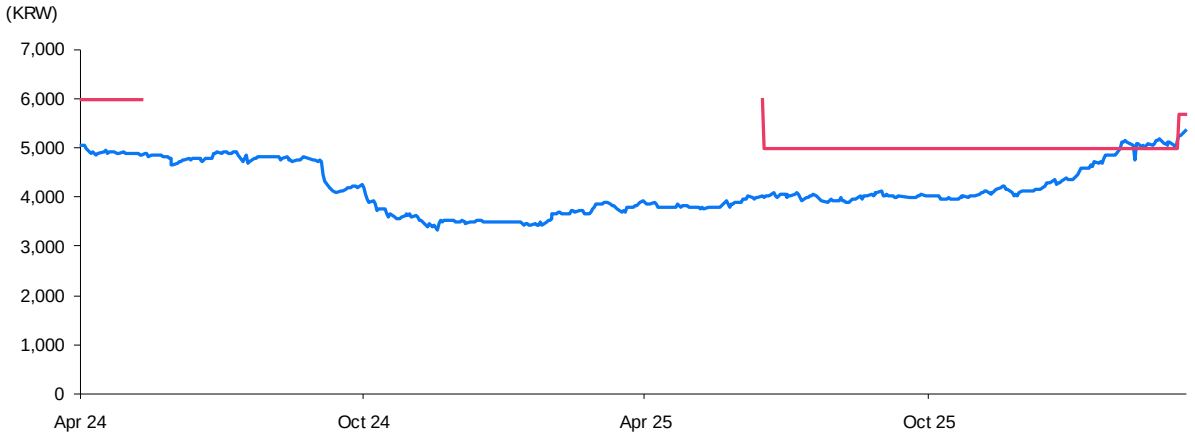
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/5/3	2024/5/3	2025/5/3	2025/7/8	2026/4/2
Recommendation	BUY	BUY		BUY	BUY
Target price (KRW)	5985	5985		5000	5700
Gap* (average)	-17.32	-18.12	-	-14.53	
(max or min)**	-13.23	-17.42	-	3.80	

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

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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* 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%)

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Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

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For more information,
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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

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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

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