COMPANY UPDATE

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Shinhan Alpha REIT (293940)

Corporate day takeaways: Dividend increase driven by leverage utilization and E.NOC rise

- Shinhan Alpha REIT intends to use additional debt secured on Greits Pangyo (Krafton Tower) for repayment of the subordinated loan linked to Greits Gangnam (BNK Digital Tower; acquired in 2025).
- The REIT renewed lease of 38,000 pyeong (34% of portfolio) in 2025, which resulted in effective net operating cost (E.NOC) up by 29%.
- The REIT focuses on portfolio optimization over aggressive expansion. It targets sustainable dividend growth of about 3% pa from 2025 to 2028.

WHAT'S THE STORY?

External growth: Inclusion of Greits Gangnam (BNK Digital Tower) in 2025 should inject annual dividend income of KRW6.9b.

- **Leverage utilization:** In April, the REIT conducted refinancing for Greits Pangyo (Krafton Tower), improving its loan-to-value (LTV) ratio led by a KRW230b hike in appraised value. This should enable the REIT to repay the subordinated loan linked to Greits Gangnam. The REIT's strategic use of leverage without equity issuance is viewed positively.
- **Pursuit of disposal of existing assets:** The REIT plans to overhaul its portfolio. Unlike in the past, it actively pursues the sale of assets (eg, ones having already achieved target IRRs) or non-core assets (eg, older acquisitions or properties held under fractional ownership), underscoring a strong commitment to capital recycling and shareholder returns.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	151	141	147	153
Operating profit (KRWb)	96	86	87	93
Net profit (adj) (KRWb)	24	27	33	39
EPS (adj) (KRW)	136	212	264	311
EPS (adj) growth (% y-y)	14.2	56.1	24.4	17.8
EBITDA margin (%)	73.8	65.3	63.2	64.6
ROE (%)	3.0	4.2	5.4	6.5
P/E (adj) (x)	41.0	27.2	21.9	18.6
P/B (x)	1.1	1.2	1.2	1.2
P/FFO (x)	21.1	22.2	18.5	16.1
Dividend yield (%)	6.3	6.3	6.4	6.5

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW7,800	35.2%
Current price	KRW5,770	
Market cap	KRW697.82b/USD463.91m	
Shares (float)	120,940,123 (81.7%)	
52-week high/low	KRW6,030/KRW5,350	
Avg daily trading value (60-day)	KRW1.4b/ USD0.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinhan Alpha REIT (%)	2.3	3.4	7.9
Vs Kospi (%pts)	4.0	-33.2	-54.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	7,800	7,800	0.0%
2026E EPS	212	212	0.0%
2027E EPS	264	264	0.0%

SAMSUNG vs THE STREET

No of estimates	3
Target price	7,733
Recommendation	4.0

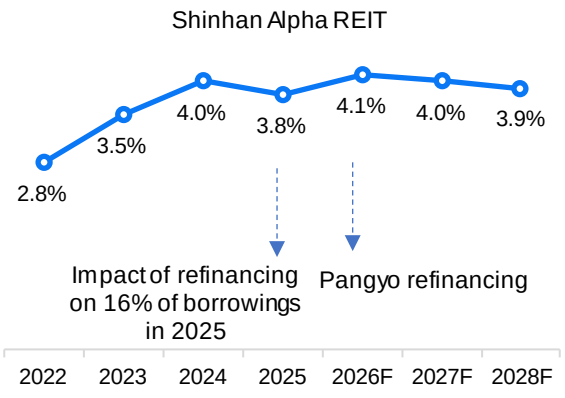
※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

Internal growth: The REIT renewed lease of 38,000 pyeong (34% of portfolio) in 2025, resulting in E.NOC up by 29%.

- **Greits Pangyo momentum:** Anticipating a surge in office supply around 2030, the REIT plans to proactively renew leases ahead of schedule. In 2028, approximately 21,000 pyeong at Greits Pangyo is scheduled for renewal. If rental rates are reset to current market levels (currently KRW234,000/pyeong vs nearby rates of KRW330,000–350,000/pyeong), E.NOC should increase by 45%.
- **Interest rate offset:** Loans related to Greits Pangyo (KRW485b) and Greits Sungnye (Wise Tower Building; KRW254b), which should mature in 2026, carry interest rates of 2.7% and 3.2%, respectively. As refinancing is expected at 4.3%, the REIT should see an annual interest expense hike of KRW11.6b. However, the interest-cost increase should be fully offset, as: 1) the 2025 refinancing successfully reduced rates by 130bps, saving KRW4.7b in interest costs pa; and 2) Greits Gangnam should bring in KRW6.9b in new dividend. Additionally, the REIT seeks refinancing of loans set to mature in 2027 and carrying rates above 4% early to further mitigate interest risk.

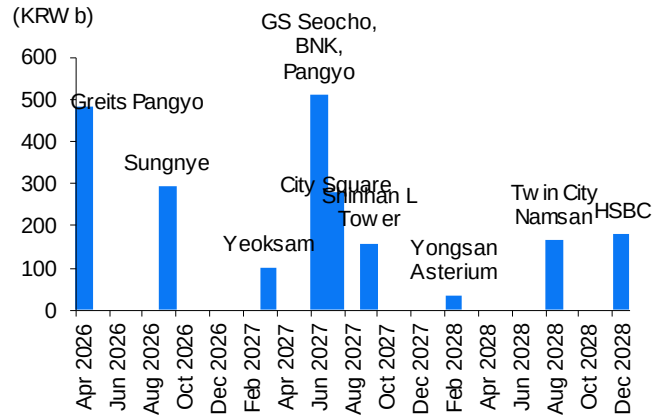
Dividend to grow 2.7% pa after 2025: The REIT's dividend has gradually risen after hitting a bottom in Mar 2025 (FY14) thanks to portfolio efficiency improvements—centered on lease renewals and rental rate enhancements in 2025. Management has provided guidance of approximately 3% annual dividend growth through Mar 2028. With the anticipated 2028 lease renewal at Greits Pangyo, the REIT should see further upside to dividend growth.

Weighted average funding rate



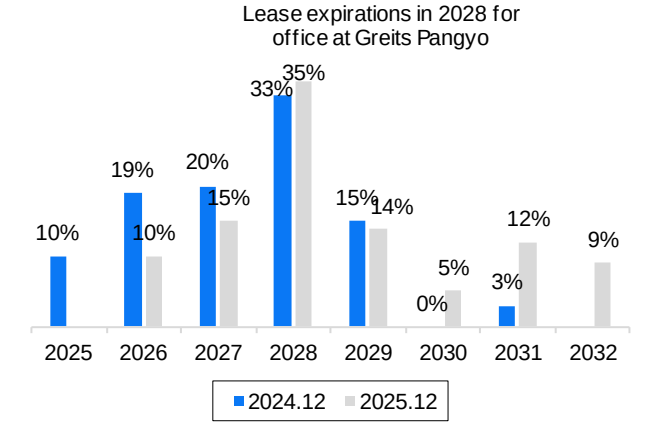
Source: Company data, Samsung securities

Debt profile



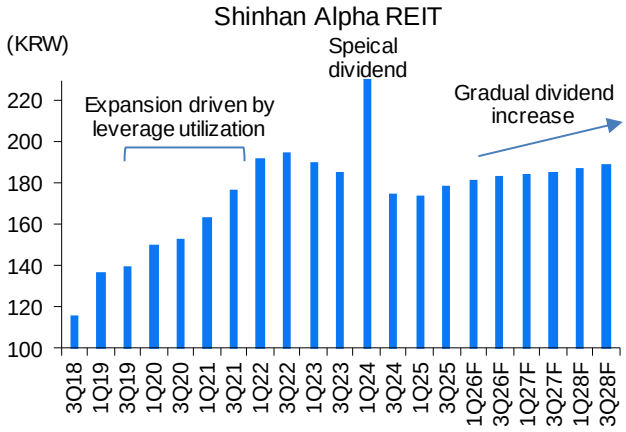
Source: Company data, Samsung securities

Lease maturity profile – NOI uplift driven by lease renewals in Pangyo in 2028



Source: Company data, Samsung securities

DPS trend



Source: Company data, Samsung securities

Income statement

Year-end Sep 30 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**112**	**151**	**141**	**147**	**153**
Cost of goods sold	0	0	0	0	0
Gross profit	**112**	**151**	**141**	**147**	**153**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	46	55	55	60	60
Operating profit	**66**	**96**	**86**	**87**	**93**
Operating margin (%)	59.0	63.5	61.0	59.1	60.7
Non-operating gains (losses)	**-52**	**-72**	**-60**	**-54**	**-54**
Financial profit	3	3	1	1	1
Financial costs	56	76	60	55	55
Equity-method gains (losses)	0	0	0	0	0
Other	1	0	-1	0	0
Pre-tax profit	**14**	**24**	**27**	**33**	**39**
Taxes	0	0	0	0	0
Effective tax rate (%)	0.0	0.0	0.0	0.0	0.0
Profit from continuing operations	14	24	27	33	39
Profit from discontinued operations	0	0	0	0	0
Net profit	**14**	**24**	**27**	**33**	**39**
Net margin (%)	12.7	15.7	18.8	22.5	25.5
Net profit (controlling interests)	11	17	27	33	39
Net profit (non-controlling interests)	3	7	0	0	0
EBITDA	79	112	92	93	99
EBITDA margin (%)	70.4	73.8	65.3	63.2	64.6
EPS (parent-based) (KRW)	119	136	212	264	311
EPS (consolidated) (KRW)	152	195	212	264	311
Adjusted EPS (KRW)*	119	136	212	264	311

Balance sheet

Year-end Sep 30 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**51**	**106**	**41**	**41**	**41**
Cash & equivalents	45	99	33	33	33
Accounts receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	6	7	8	8	8
Fixed assets	**2,108**	**3,039**	**2,432**	**2,335**	**2,325**
Investment assets	30	35	12	12	12
Tangible assets	0	0	0	0	0
Intangible assets	0	0	0	0	0
Other long-term assets	2,077	3,004	2,420	2,323	2,313
Total assets	**2,159**	**3,145**	**2,473**	**2,376**	**2,366**
Current liabilities	**408**	**1,126**	**326**	**313**	**313**
Accounts payable	0	0	0	0	0
Short-term debt	72	72	0	0	0
Other current liabilities	336	1,054	326	313	313
Long-term liabilities	**1,211**	**1,205**	**1,472**	**1,403**	**1,403**
Bonds & long-term debt	1,151	1,142	1,412	1,403	1,403
Other long-term liabilities	60	63	60	0	0
Total liabilities	**1,619**	**2,331**	**1,798**	**1,716**	**1,716**
Owners of parent equity	**481**	**635**	**615**	**600**	**590**
Capital stock	92	125	125	125	125
Capital surplus	442	593	593	593	593
Retained earnings	-53	-82	-103	-118	-128
Other	-1	-1	0	0	0
Non-controlling interests' equity	**60**	**179**	**60**	**60**	**60**
Total equity	**540**	**814**	**675**	**660**	**650**
Net debt	1,491	2,128	1,691	1,670	1,670

Cash flow statement

Year-end Sep 30 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**32**	**44**	**39**	**45**	**51**
Net profit	14	24	27	33	39
Non-cash profit and expenses	74	97	11	11	11
Depreciation	13	16	6	6	6
Amortization	0	0	0	0	0
Other	61	81	5	5	5
Changes in A/L from operating activities	1	1	1	1	1
Cash flow from investments	**-413**	**-551**	**607**	**97**	**9**
Change in tangible assets	0	0	0	0	0
Change in financial assets	-4	-6	0	0	0
Other	-409	-545	607	97	9
Cash flow from financing	**316**	**561**	**-395**	**-64**	**-42**
Change in debt	384	691	-339	-22	0
Change in equity	0	184	0	0	0
Dividends	-79	-46	-48	-48	-48
Other	11	-269	-8	6	6
Change in cash	-65	54	265	72	12
Cash at beginning of year	111	45	99	33	33
Cash at end of year	45	99	33	33	33
Gross cash flow	**88**	**121**	**38**	**44**	**50**
Free cash flow	**32**	**44**	**39**	**45**	**51**

Financial ratios

Year-end Sep 30	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	20.4	35.6	-6.9	4.0	4.0
Operating profit	26.2	45.8	-10.5	0.7	6.8
Net profit	-82.3	67.2	11.7	24.4	17.8
Adjusted EPS**	-86.7	14.2	56.1	24.4	17.8
Per-share data (KRW)					
EPS (parent-based)	119	136	212	264	311
EPS (consolidated)	152	195	212	264	311
Adjusted EPS**	119	136	212	264	311
BVPS	5,150	5,085	4,921	4,800	4,724
DPS (common)	817	352	366	371	373
Valuations (x)					
P/E***	51.4	41.0	27.2	21.9	18.6
P/B***	1.2	1.1	1.2	1.2	1.2
P/FFO (x)	23.9	21.1	22.2	18.5	16.1
Ratios (%)					
ROE	2.2	3.0	4.2	5.4	6.5
ROA	0.7	0.9	0.9	1.4	1.6
ROIC	-537.3	-408.7	-450.7	-1,576.3	-1,851.3
Payout ratio	647.4	257.4	166.9	136.0	115.9
Dividend yield (common)	13.3	6.3	6.3	6.4	6.5
Net debt to equity	276.0	261.4	250.6	253.1	256.8
Interest coverage (x)	1.2	1.3	1.4	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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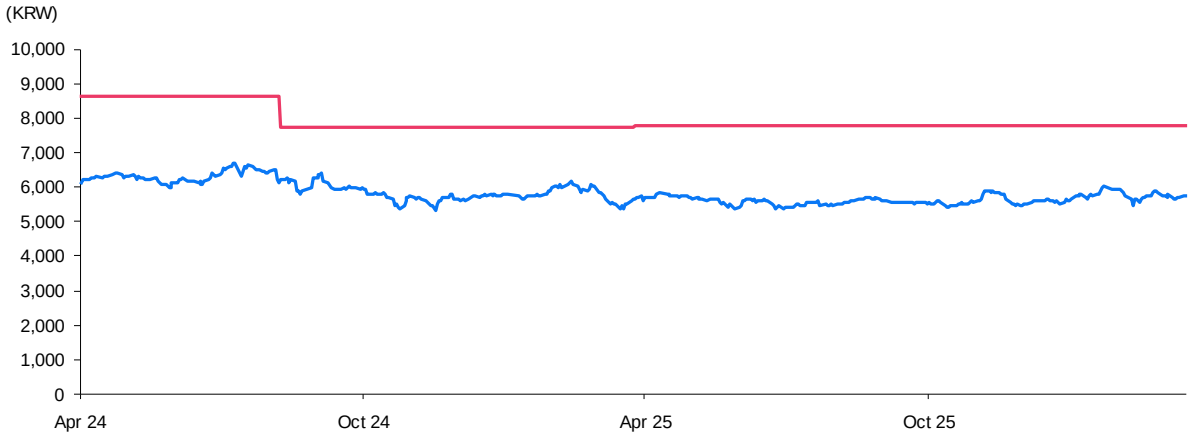

Rating changes over past two years (adjusted share prices)

Date	2024/4/8	8/30	12/9	2025/4/16
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	8660	7748	7748	7800
Gap* (average)	-27.25	-24.20	-25.49	
(max or min)**	-22.46	-17.40	-20.50	

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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* 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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