# SECTOR UPDATE

2026. 4. 28


Industrial Team

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▶ **AT A GLANCE**

| | | |
|---|---|---|
| **E-Mart** (139480 KS, 102,500) | | |
| Target price | KRW152,000 | 48.3% |
| **BUY** | | |
| **Shinsegae** (004170 KS, 373,000) | | |
| Target price | KRW485,000 | 30% |
| **BUY** | | |
| **Lotte Shopping** (023530 KS, 120,300) | | |
| Target price | KRW160,000 | 33% |
| **BUY** | | |
| **BGF Retail** (282330 KS, 132,800) | | |
| Target price | KRW170,000 | 28% |
| **BUY** | | |
| **GS Retail** (007070 KS, 23,600) | | |
| Target price | KRW28,500 | 20.8% |
| **BUY** | | |
| **Hotel Shilla** (008770 KS, 53,300) | | |
| Target price | KRW63,000 | 18.2% |
| **BUY** | | |

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# Retail (OVERWEIGHT)

## K-retail story: Growth is not just about exports

- Despite increased financial market volatility triggered by the Middle East conflict, department store sales growth remained robust in March. A key driver was a significant surge in spending by foreign visitors.
- Foreign visitor sales growth has continued its strong upwards trajectory. If foreign visitor sales grow by over 50% this year, it should contribute at least 2-3%pts to overall same-store sales (SSS) growth at department stores.
- Meanwhile, in the discount store sector, where the Homeplus closures have resulted in SSS growth, the government's upcoming 'high oil price relief cash support program' in 2Q may present a buying opportunity amid potential short-term share-price declines.

*(§ The Korean version of this report was published on Apr 20)*

### WHAT'S THE STORY?

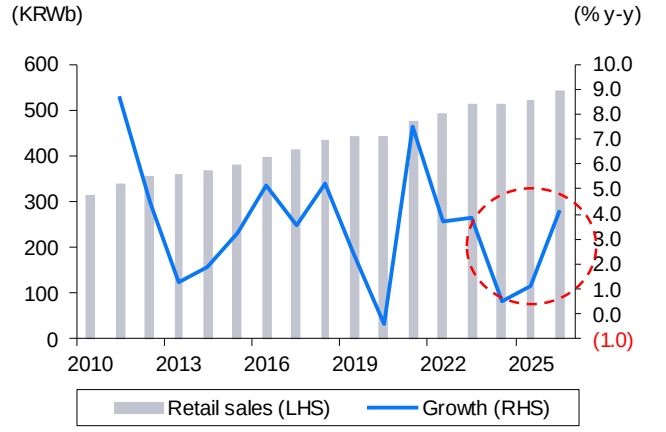
**Department store momentum to persist:** Among retail formats, department stores have been the top outperformer since last year. This is underpinned by structural trends—namely, consumption polarization and the fact that department stores have been the least disrupted by e-commerce. However, the robust sales growth observed since 2H25 goes beyond relative resilience—it reflects absolute strength, which owes to a powerful combination of wealth effects (stemming from a buoyant financial market) and surging foreign visitor spending. As these two positive factors persisted in 1Q, department stores are expected to deliver strong 1Q earnings. Notably, even after the Middle East conflict sparked heightened market volatility in March, major department store operators maintained double-digit same-store sales (SSS) growth. Both Shinsegae and Lotte Shopping saw foreign visitor sales growth near 90% y-y in 1Q, significantly contributing to overall SSS growth. Foreign visitor sales growth should remain strong throughout the year.

**Stay focused on department stores in 2Q:** Foreign visitor spending currently accounts for 5-7% of department store sales. If this segment grows by over 50% this year, it could directly support 2.5-3.5%pts of SSS growth. As the waiver of visa requirements for Chinese group tourists should last through end-1H26, and further as China-Japan relations are likely to remain strained, inbound visitor traffic to Korea should remain robust. Of note, coupled with the relative strength of the Chinese yuan against the weakening won, department stores—and even duty-free stores—are seeing improved profitability thanks to reduced discounting. Should the Middle East conflict resolve itself quickly and financial markets recover rapidly, the positive momentum for department stores could strengthen further.

*(Continued on the next page)*

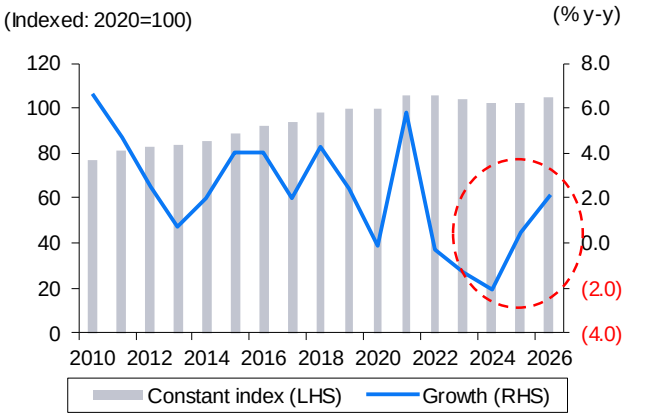
**Buy E-Mart on any pullbacks in 2Q:** While convenience stores directly benefited from consumer coupon disbursements in 3Q, discount stores were the clear losers. However, recent improvements in SSS growth at E-Mart and Lotte Mart reflect reduced competitive pressure following the accelerated closure of Homeplus stores. This suggests that the tailwinds for E-Mart and Lotte Mart may be structural and persist throughout the year. Although the government's 'high oil price relief cash support program' (set to be distributed from mid-May) may provide a short-term boost to earnings at convenience stores, any stock-price decline at discount stores—including E-Mart—due to this development should be viewed as a buying opportunity. Investors are advised to accumulate E-Mart shares in anticipation of its earnings improving in 2H.

**Korea: Retail sales***



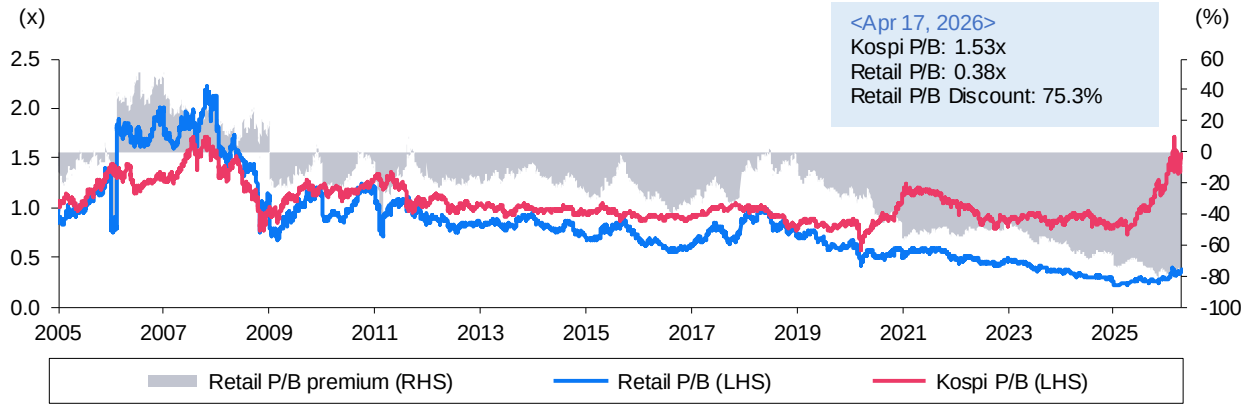

Note: *Excluding passenger cars & gas station retail sales
Source: Kosis, Samsung Securities

**Korea: Retail volume index***



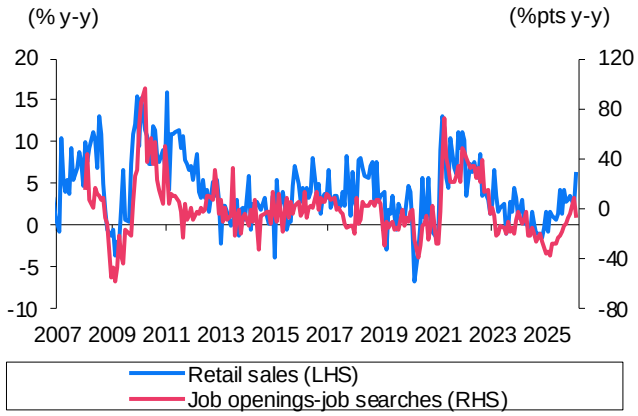

Note: *Real (inflation-adjusted) retail sales
Source: Kosis, Samsung Securities

**P/B: Major Korean retailers vs Kospi**



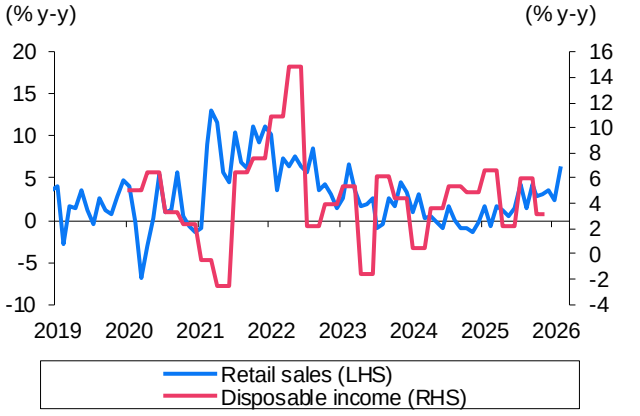

Note: Retail P/B reflects weighted market cap and total equity of GS Retail, BGF Retail, Shinsegae, Lotte Shopping, E-mart, and Hotel Shilla
Source: QuantiWise, Samsung Securities

**Korea: Retail sales growth vs job opening growth minus job search growth**



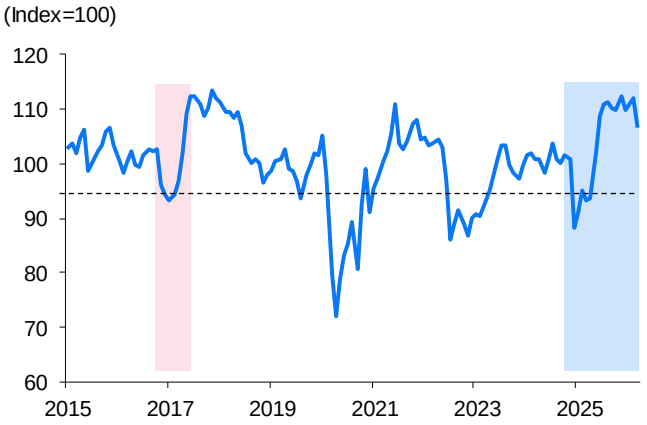

Source: Kosis, Samsung Securities

**Korea: Retail sales growth vs disposable income growth**



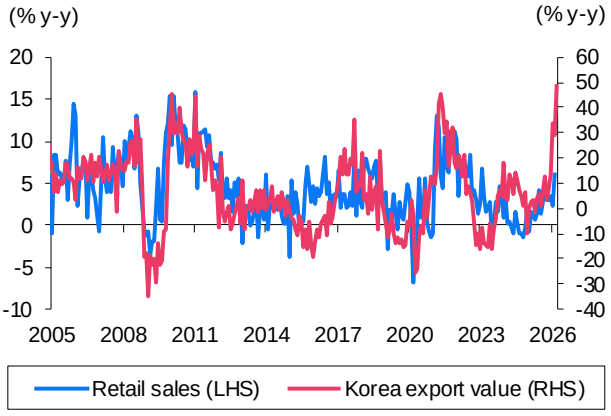

Source: Kosis, Samsung Securities

**Consumer Sentiment Index**




Source: Kosis, Samsung Securities

**Korea: Retail sales growth vs export growth**



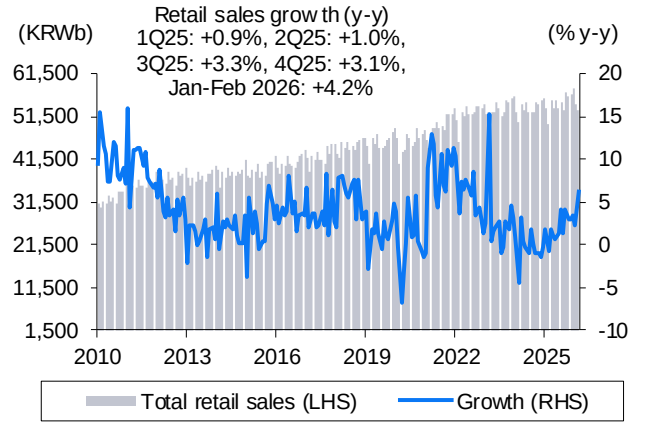

Source: Kosis, Samsung Securities

### Full-year retail sales trends and forecasts

| (KRWt) | Retail sales | Department stores | Discount stores | Duty-free stores | Supermarkets | Convenience stores | Autos & gas stations | Specialty shops | Non-store retailers |
|---|---|---|---|---|---|---|---|---|---|
| 2011 | 426.8 | 27.6 | 33.0 | 5.4 | 54.0 | 9.2 | 86.0 | 200.9 | 35.1 |
| 2012 | 445.6 | 29.1 | 34.1 | 6.3 | 56.6 | 10.8 | 89.6 | 200.9 | 39.0 |
| 2013 | 450.1 | 29.9 | 33.9 | 6.8 | 58.3 | 11.7 | 89.6 | 195.9 | 41.8 |
| 2014 | 459.6 | 29.2 | 33.1 | 8.3 | 59.6 | 12.7 | 92.2 | 194.3 | 45.2 |
| 2015 | 470.7 | 29.0 | 32.8 | 9.2 | 61.2 | 16.5 | 91.3 | 194.1 | 49.5 |
| 2016 | 489.2 | 29.9 | 33.2 | 12.3 | 62.4 | 19.5 | 90.1 | 196.3 | 57.2 |
| 2017 | 507.6 | 29.3 | 33.8 | 14.5 | 64.1 | 22.2 | 94.5 | 193.9 | 64.8 |
| 2018 | 536.1 | 30.0 | 33.5 | 19.0 | 65.3 | 24.4 | 101.6 | 195.0 | 74.5 |
| 2019 | 545.5 | 30.4 | 32.4 | 24.9 | 62.1 | 25.7 | 100.6 | 188.7 | 84.3 |
| 2020 | 547.9 | 27.4 | 33.8 | 15.5 | 65.4 | 26.5 | 104.7 | 170.0 | 104.6 |
| 2021 | 592.4 | 33.7 | 34.6 | 17.8 | 64.0 | 28.4 | 116.0 | 179.1 | 118.8 |
| 2022 | 625.6 | 37.8 | 34.8 | 17.8 | 64.7 | 31.2 | 131.5 | 183.5 | 124.2 |
| 2023 | 643.3 | 40.5 | 36.7 | 13.8 | 67.6 | 31.0 | 130.3 | 189.8 | 131.4 |
| 2024 | 641.5 | 40.6 | 37.1 | 14.3 | 68.4 | 31.7 | 126.0 | 185.5 | 137.8 |
| 2025 | 655.1 | 41.4 | 36.4 | 12.5 | 66.9 | 31.6 | 133.9 | 189.6 | 142.7 |
| 2026E | 681.3 | 45.2 | 37.2 | 13.0 | 68.4 | 32.3 | 138.7 | 195.6 | 151.0 |
| **Chg (% y-y)** | | | | | | | | | |
| 2011 | 9.4 | 11.4 | 9.0 | 18.7 | 8.5 | 17.8 | 12.7 | 5.2 | 10.7 |
| 2012 | 4.4 | 5.6 | 3.3 | 17.8 | 4.8 | 18.3 | 4.2 | 0.0 | 11.1 |
| 2013 | 1.0 | 2.6 | -0.6 | 8.0 | 3.1 | 7.8 | 0.0 | -2.5 | 7.2 |
| 2014 | 2.1 | -2.3 | -2.2 | 21.6 | 2.2 | 8.7 | 2.9 | -0.8 | 8.0 |
| 2015 | 2.4 | -0.6 | -1.0 | 10.7 | 2.6 | 29.6 | -0.9 | -0.1 | 9.6 |
| 2016 | 3.9 | 3.0 | 1.4 | 33.5 | 2.0 | 18.4 | -1.3 | 1.2 | 15.5 |
| 2017 | 3.8 | -2.0 | 1.7 | 17.8 | 2.8 | 14.1 | 4.8 | -1.3 | 13.3 |
| 2018 | 5.6 | 2.2 | -1.0 | 31.1 | 1.9 | 9.8 | 7.5 | 0.6 | 14.8 |
| 2019 | 1.8 | 1.4 | -3.1 | 31.1 | -4.9 | 5.3 | -0.9 | -3.2 | 13.2 |
| 2020 | 0.4 | -9.8 | 4.2 | -37.6 | 5.2 | 3.2 | 4.0 | -9.9 | 24.1 |
| 2021 | 8.1 | 22.9 | 2.3 | 15.0 | -2.1 | 7.2 | 10.8 | 5.3 | 13.6 |
| 2022 | 5.6 | 12.1 | 0.6 | -0.1 | 1.2 | 9.7 | 13.4 | 2.5 | 4.6 |
| 2023 | 2.8 | 7.2 | 5.5 | -22.8 | 4.4 | -0.7 | -1.0 | 3.4 | 5.8 |
| 2024 | -0.3 | 0.3 | 1.1 | 4.2 | 1.2 | 2.5 | -3.3 | -2.3 | 4.9 |
| 2025 | 2.1 | 2.0 | -1.9 | -12.6 | -2.3 | -0.4 | 6.3 | 2.2 | 3.5 |
| 2026E | 4.0 | 9.1 | 2.1 | 3.6 | 2.4 | 2.2 | 3.6 | 3.1 | 5.8 |
| Jan-Feb 2026 | 4.2 | 14.0 | -3.7 | 4.0 | 0.7 | 2.1 | 4.1 | 4.2 | 5.7 |

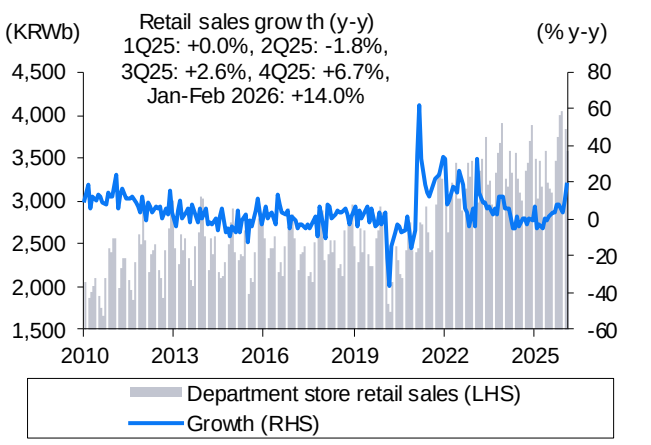
Note: Korea's retail sales growth for 2025 and 2026 estimated by summing projected growth for each retail format;
*Total retail sales growth (excluding passenger cars and fuel retail sales) was 0.7% in 2024 and is estimated at 2% in 2025 and 2.2% in 2026
Source: Kosis, Samsung Securities estimates

### Total retail sales and growth



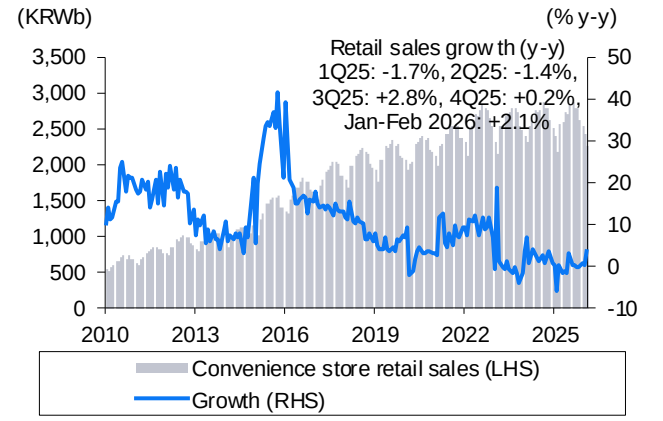

Source: Kosis

### Department store retail sales and growth



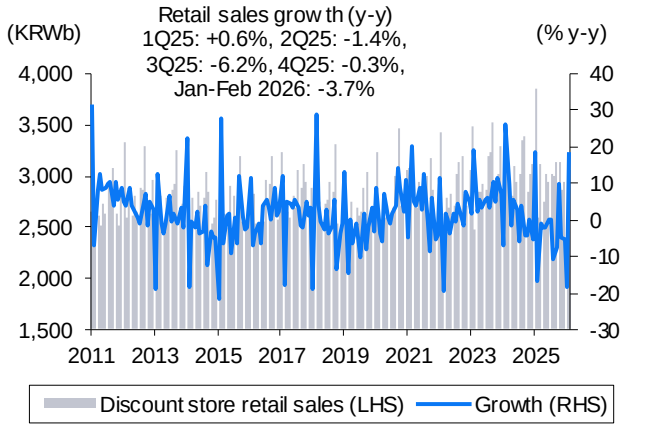

Source: Kosis

### Convenience store retail sales and growth



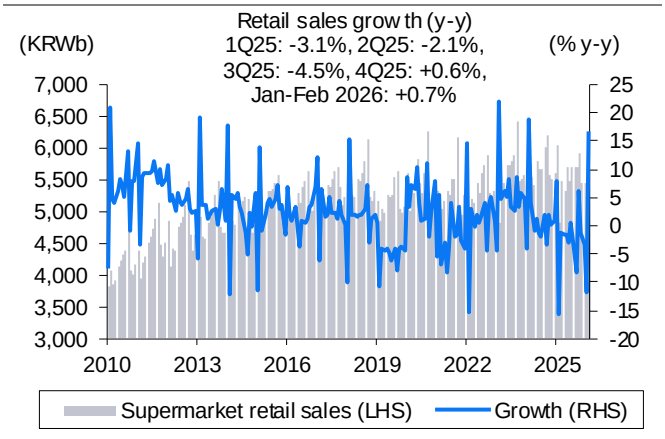

Source: Kosis

### Discount store retail sales and growth



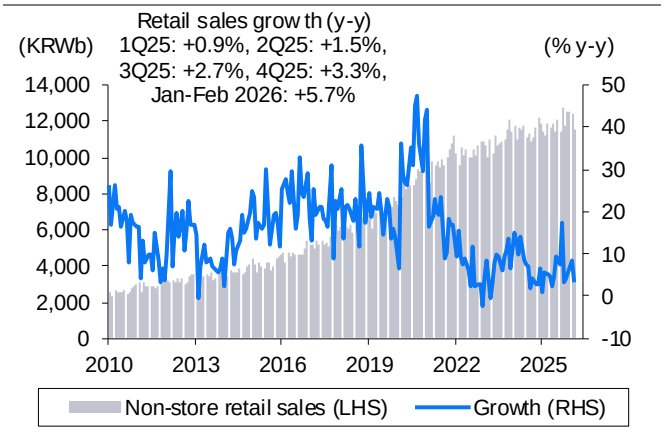

Source: Kosis

### Supermarkets retail sales and growth



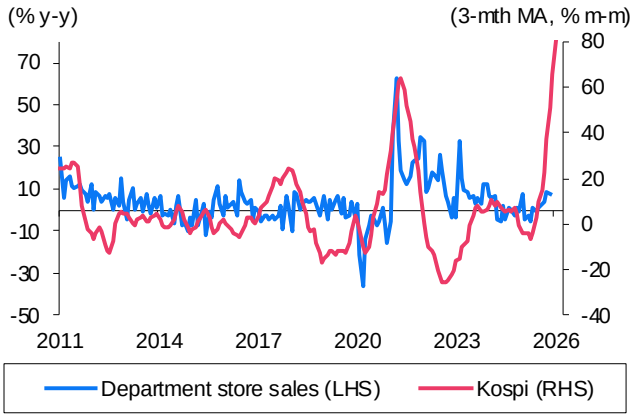

Source: Kosis

### Non-store retail sales and growth



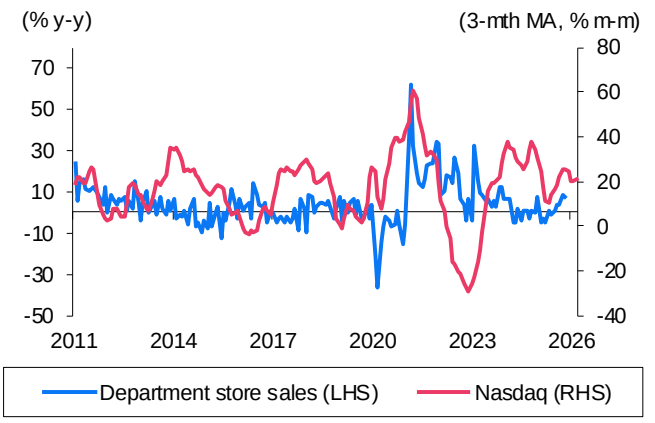

Source: Kosis

### Department store retail sales vs Kospi



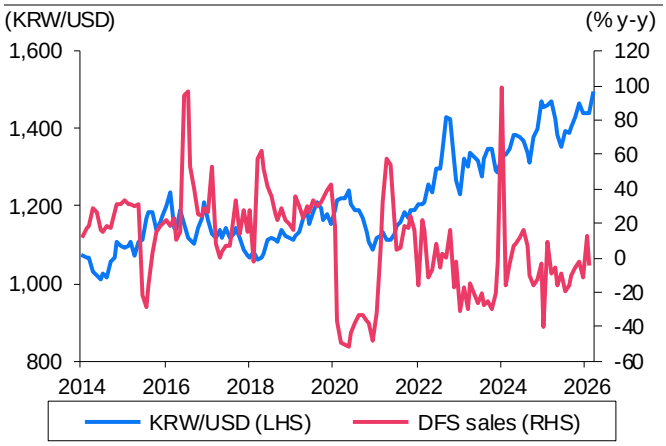

Source: Bloomberg, Kosis

### Department store retail sales vs Nasdaq



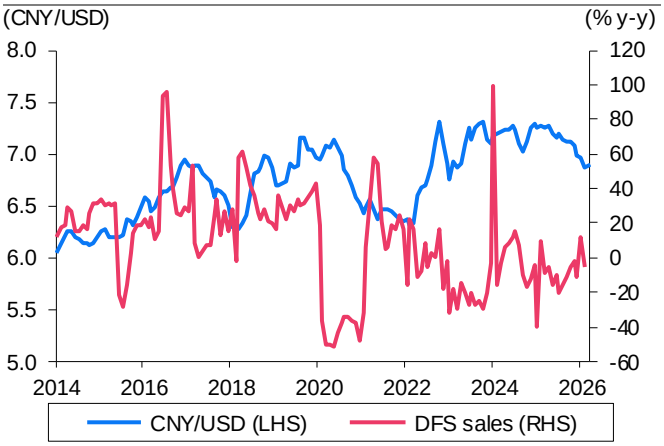

Source: Bloomberg, Kosis

### KRW/USD exchange rate vs duty-free store retail sales



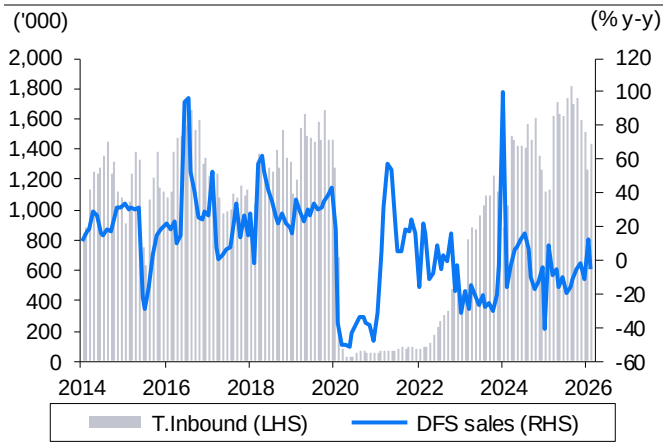

Source: Kosis, Ecos

### CNY/USD exchange rate vs duty-free store retail sales



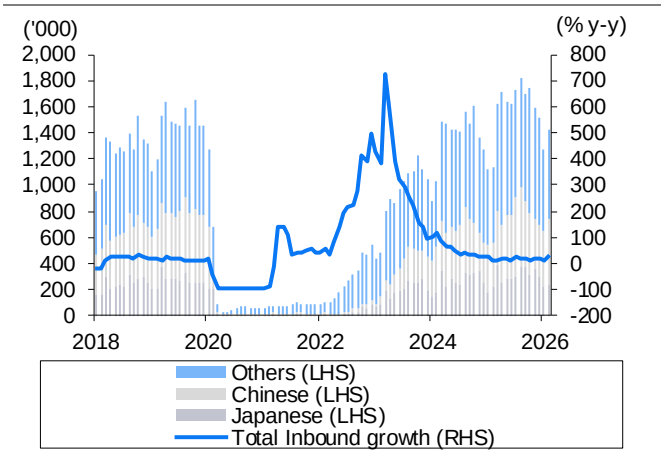

Source: Kosis, Ecos

### Korea inbound traffic vs duty-free store retail sales



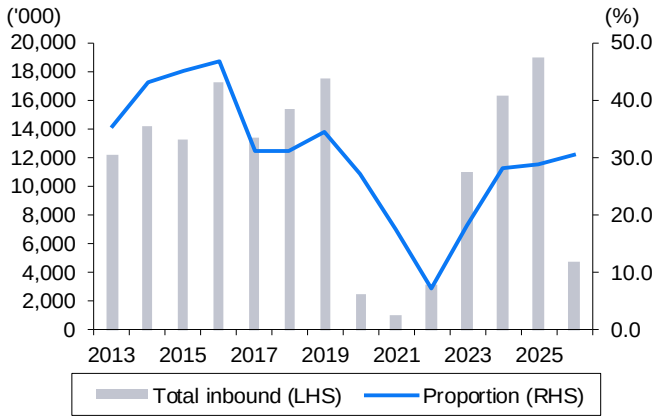

Source: Kosis, Korean Tourism Organization

### Korea: Total inbound traffic



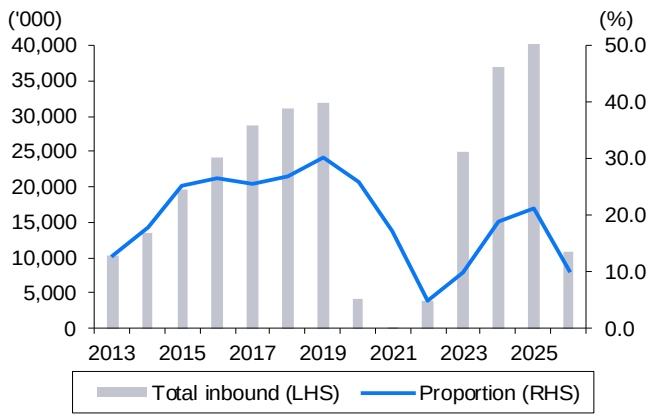

Source: Korean Tourism Organization

### Korea: Total inbound traffic vs Chinese inbound traffic



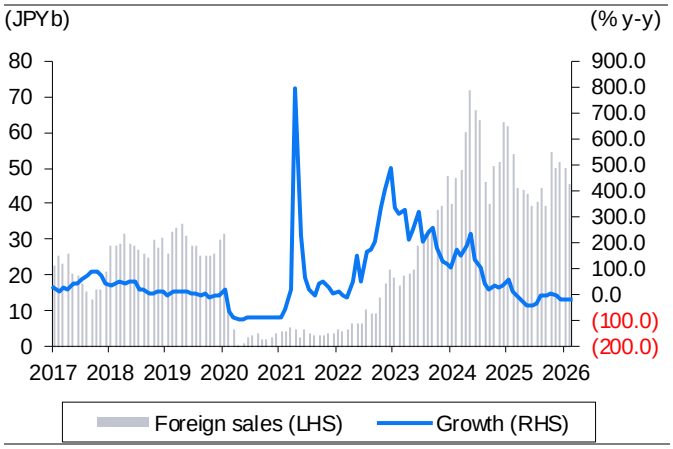

Note: *Jan-Mar 2026, inbound Chinese visitors up 29% y-y (vs 5.1m in 2025)
Source: Korean Tourism Organization

### Japan: Total inbound traffic vs Chinese inbound traffic



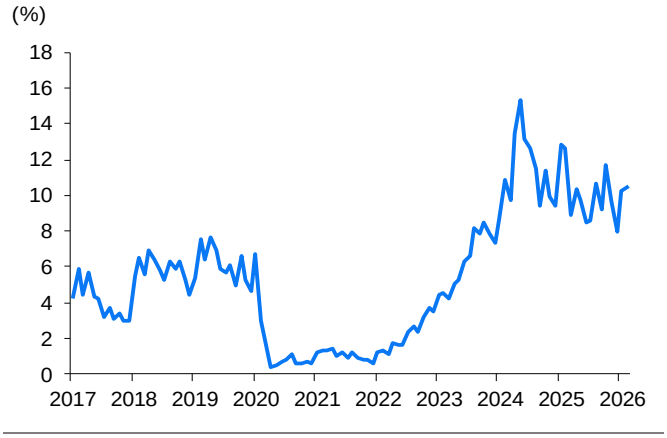

Note: *Jan-Mar 2026, inbound Chinese visitors down 55% y-y (vs 9.1m in 2025)
Source: Japan National Tourist Association

### Japan: Foreign sales growth at department stores



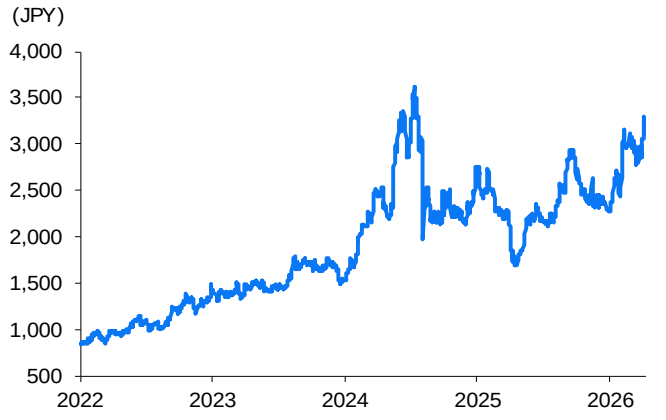

Source: Japan Department Stores Association

### Japan: Foreign sales ratio at department stores



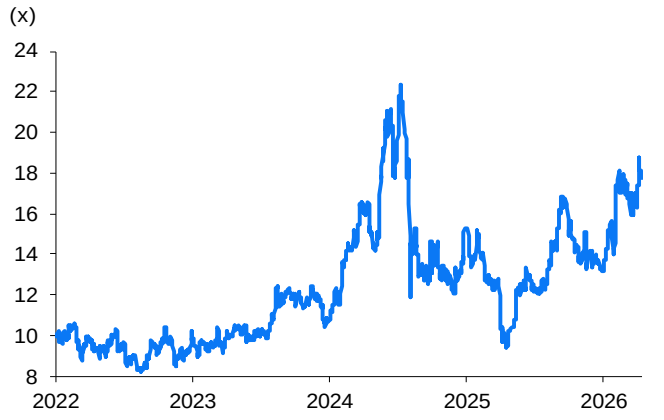

Note: Isetan foreign sales ratio rose from 4% to 13% (FY22-24); Takashimaya from 7% to 15%
Source: Japan Department Stores Association

### Mitsukoshi Isetan: Share price



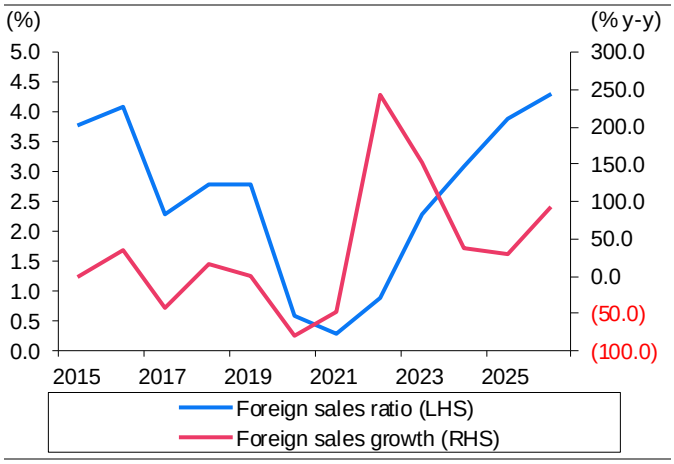

Source: Bloomberg

### Mitsukoshi Isetan: P/E



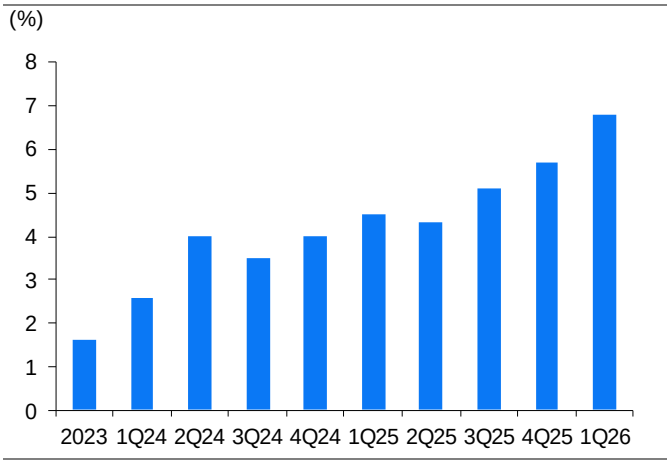

Source: Bloomberg

**Lotte Shopping: Foreign sales at department stores**




Source: Lotte shopping

**Shinsegae: Foreign sales ratio at department stores**

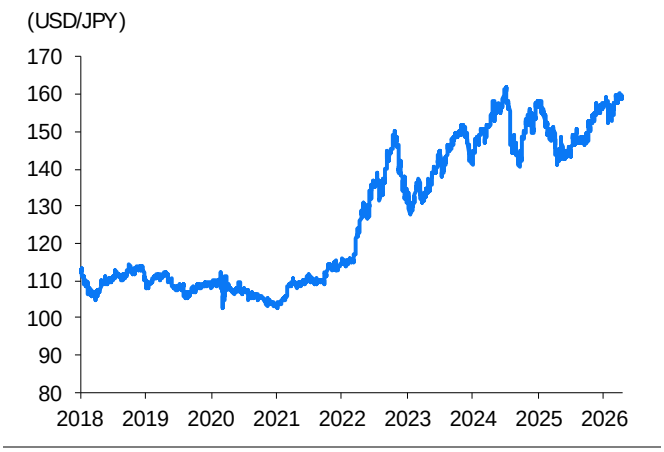



Source: Shinsegae

**USD/KRW exchange rate**

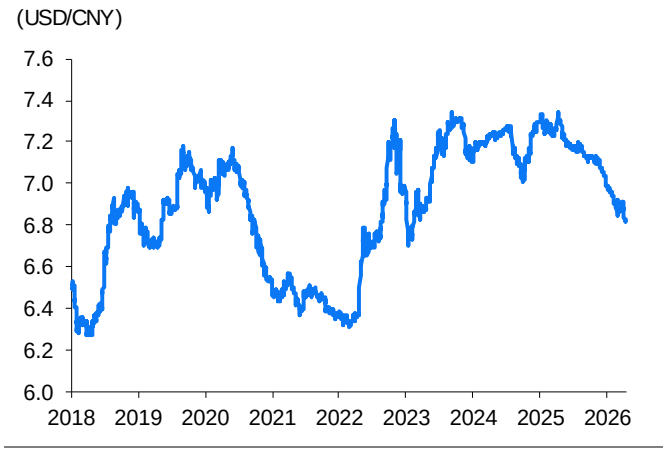
Source: Bloomberg

**USD/JPY exchange rate**




Source: Bloomberg

**USD/CNY exchange rate**

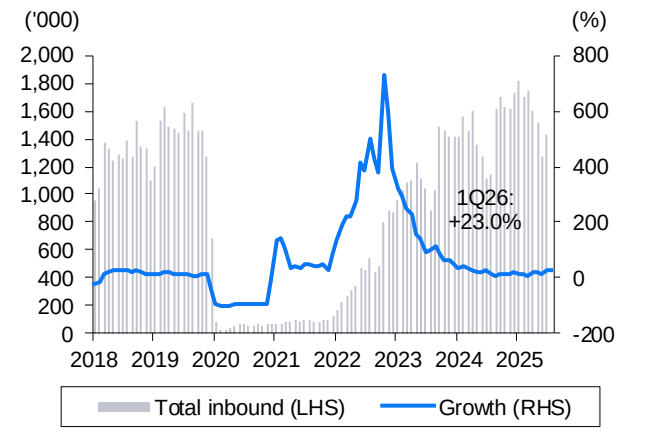



Source: Bloomberg

**CNY/KRW exchange rate**

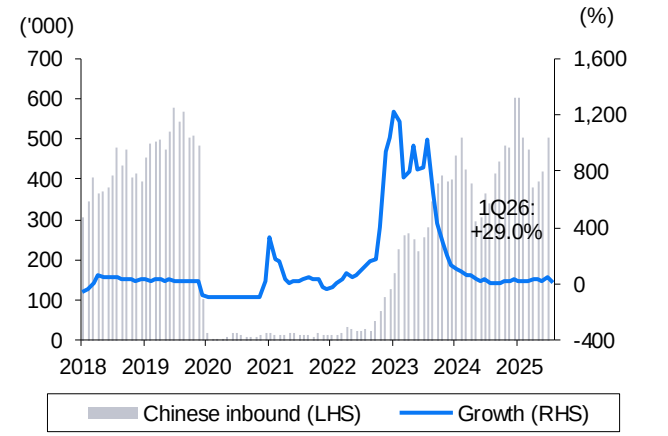
Source: Bloomberg

### Total inbound traffic




Source: Korean Tourism Organization

### Chinese inbound traffic




Source: Korean Tourism Organization

### Estimates: Samsung vs consensus

| (KRWb) | 4Q25 | 1Q26E | | | 2Q26E | | | 2025 | 2026E | | | 2027E | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | | Samsung | Consensus | Diff (%) | | Samsung | Consensus | Diff (%) | Actual | | Samsung | Consensus | Diff (%) |
| **Sales** | | | | | | | | | | | | | | |
| E-Mart | 7,312 | 7,131 | 7,346 | -2.9% | 6,933 | 7,134 | -2.8% | 28,970 | 29,088 | 29,704 | -2.1% | 30,260 | 30,794 | -1.7% |
| BGF Retail | 2,292 | 2,104 | 2,088 | 0.8% | 2,395 | 2,373 | 0.9% | 9,061 | 9,420 | 9,389 | 0.3% | 9,842 | 9,751 | 0.9% |
| Lotte Shopping | 3,522 | 3,589 | 3,601 | -0.3% | 3,416 | 3,467 | -1.5% | 13,738 | 14,204 | 14,275 | -0.5% | 14,473 | 14,559 | -0.6% |
| Shinsegae | 1,934 | 1,862 | 1,799 | 3.5% | 1,774 | 1,722 | 3% | 6,930 | 7,278 | 7,119 | 2.2% | 7,392 | 7,338 | 0.7% |
| GS Retail | 3,026 | 2,835 | 2,849 | -0.5% | 3,072 | 3,079 | -0.2% | 11,957 | 12,238 | 12,359 | -1% | 12,579 | 12,699 | -0.9% |
| Hotel Shilla | 1,045 | 1,061 | 1,038 | 2.2% | 957 | 941 | 1.6% | 4,068 | 3,930 | 3,887 | 1.1% | 4,026 | 4,009 | 0.4% |
| **Operating profit** | | | | | | | | | | | | | | |
| E-Mart | -10 | 166 | 177 | -6.4% | 68 | 80 | -14.8% | 323 | 583 | 581 | 0.2% | 671 | 648 | 3.5% |
| BGF Retail | 64 | 29 | 29 | 1.1% | 80 | 77 | 3.6% | 254 | 276 | 279 | -1.1% | 293 | 301 | -2.6% |
| Lotte Shopping | 228 | 215 | 204 | 5.6% | 97 | 81 | 19% | 547 | 734 | 688 | 6.6% | 765 | 740 | 3.5% |
| Shinsegae | 173 | 172 | 162 | 5.7% | 111 | 111 | 0.5% | 480 | 626 | 615 | 1.7% | 683 | 689 | -0.8% |
| GS Retail | 53 | 52 | 52 | -1.2% | 95 | 94 | 0.3% | 292 | 319 | 328 | -2.9% | 335 | 350 | -4.2% |
| Hotel Shilla | -4 | 5 | 2 | 198.8% | 34 | 41 | -16.5% | 14 | 123 | 129 | -4.6% | 192 | 184 | 4.4% |
| **Net profit** | | | | | | | | | | | | | | |
| E-Mart | -116 | 102 | 97 | 5.4% | -4 | 2 | nm | 246 | 240 | 280 | -14.3% | 325 | 342 | -4.9% |
| BGF Retail | 50 | 19 | 19 | 0% | 55 | 61 | -10% | 195 | 190 | 216 | -12% | 204 | 235 | -12.8% |
| Lotte Shopping | 115 | 94 | 75 | 25.9% | 37 | 9 | 323% | 74 | 362 | 284 | 27.6% | 403 | 326 | 23.4% |
| Shinsegae | -69 | 108 | 93 | 16% | 49 | 48 | 1.2% | 65 | 346 | 328 | 5.6% | 392 | 396 | -1.1% |
| GS Retail | -59 | 22 | 24 | -10% | 54 | 54 | 0.1% | 50 | 175 | 189 | -7.4% | 190 | 212 | -10.6% |
| Hotel Shilla | -17 | -2 | -4 | nm | 18 | 25 | -27.1% | -173 | 62 | 90 | -31.1% | 113 | 143 | -21% |

Source: QuantiWise, Samsung Securities estimates

COMPANY UPDATE

2026. 4. 28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# Shinsegae (004170)

## Standout department store sales growth in a favorable environment

- We believe Shinsegae's 1Q consolidated operating profit came in at KRW171.8b, meeting consensus.
- Its department store sales likely maintained robust top-line growth, backed by strong demand for luxury goods and fashion merchandise. Its DFS earnings likely exceeded market expectations thanks to reduced discounts.
- Its department-store sales momentum should hold through at least 1H26. We reiterate BUY.

### WHAT'S THE STORY?

**1Q preview:** We believe Shinsegae's 1Q26 consolidated sales and operating profit grew 11.8% and 29.8% y-y, respectively, to KRW1.9t and KRW171.8b, with the latter beating consensus by 5.7%. Demand for luxury goods and fashion merchandise at its department stores has been buoyed by positive wealth effects (amid strong financial markets) and sustained spending growth by foreign visitors. Remarkably, its SSS growth came in at a high-teen percentage in March—even though stock markets pulled back—thanks to a low base relating to the flagship store's renovation (completed in late 2025) and a 90% y-y jump in sales to foreign visitors (which now make up around 7% of its total revenue). The DFS business also likely delivered better-than-expected results as competition eased, reducing discounts and lifting margins. Meanwhile, a rebound in fashion sales likely bolstered Shinsegae International's operating results.

*(Continued on the next page)*

### AT A GLANCE

**BUY**

| | | |
|---|---|---|
| Target price | KRW485,000 | 30% |
| Current price | KRW373,000 | |
| Market cap | KRW3.5t/USD2.4b | |
| Shares (float) | 9,445,181 (63.0%) | |
| 52-week high/low | KRW379,000/KRW149,500 | |
| Avg daily trading value (60-day) | KRW24.3b/ USD16.4m | |

### ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|---|---|---|---|
| Shinsegae (%) | 8.4 | 112.1 | 142.4 |
| Vs Kospi (%pts) | 0.8 | 30.1 | -3.2 |

### KEY CHANGES

| (KRW) | New | Old | Diff |
|---|---|---|---|
| Recommend. | BUY | BUY | |
| Target price | 485,000 | 420,000 | 15.5% |
| 2026E EPS | 36,455 | 36,455 | 0.0% |
| 2027E EPS | 41,450 | 41,450 | 0.0% |

### SAMSUNG vs THE STREET

| | |
|---|---|
| No of estimates | 16 |
| Target price | 432,813 |
| Recommendation | 4.0 |

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

### SUMMARY FINANCIAL DATA

| | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Revenue (KRWb) | 6,929 | 7,278 | 7,392 | 7,630 |
| Operating profit (KRWb) | 480 | 626 | 683 | 716 |
| Net profit (adj) (KRWb) | 65 | 346 | 392 | 419 |
| EPS (adj) (KRW) | 1,440 | 25,519 | 29,015 | 31,030 |
| EPS (adj) growth (% y-y) | -86.8 | 1671.7 | 13.7 | 6.9 |
| EBITDA margin (%) | 14.2 | 16.2 | 16.8 | 17.0 |
| ROE (%) | 1.8 | 5.1 | 5.6 | 5.6 |
| P/E (adj) (x) | 171.5 | 14.9 | 13.1 | 12.2 |
| P/B (x) | 0.5 | 0.5 | 0.5 | 0.5 |
| EV/EBITDA (x) | 9.0 | 6.7 | 6.2 | 5.9 |
| Dividend yield (%) | 2.1 | 1.5 | 1.6 | 1.7 |

Source: Company data, Samsung Securities estimates

**Solid earnings 2Q outlook:** The number of foreign travelers to Korea—particularly those from China—should expand steadily. If foreign visitors' spending growth is sustained, foreign visitor sales should add at least 3%pts to Shinsegae's department store unit's SSS growth. The low base from 2Q25 should also provide a favorable tailwind. Meanwhile, DFS earnings are also likely to head north in 2Q on its Apr 28 exit from the loss-making DF2 duty-free zone at Incheon International Airport. Reflecting on our revised full-year forecasts, we increase our SOTP-based target price by 15% to KRW485,000 and keep the stock at BUY.

### Shinsegae: Results and forecasts

| (KRWb) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26E | 2Q26E | 3Q26E | 4Q26E | 2025 | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | 1,665.8 | 1,693.8 | 1,636.1 | 1,933.7 | 1,861.8 | 1,773.8 | 1,719.8 | 1,922.2 | 6,929.5 | 7,277.6 | 7,392.2 |
| Department store | 654.2 | 631.3 | 626.6 | 761.7 | 741.2 | 698.6 | 670.9 | 810.3 | 2,673.7 | 2,921.0 | 3,040.3 |
| Shinsegae DF | 561.8 | 605.1 | 538.8 | 599.3 | 598.3 | 544.6 | 511.9 | 509.4 | 2,305.0 | 2,164.2 | 2,088.7 |
| Shinsegae International | 304.2 | 308.6 | 310.4 | 344.3 | 319.4 | 324.0 | 316.6 | 365.0 | 1,267.5 | 1,325.0 | 1,351.5 |
| Shinsegae Central City | 88.7 | 96.4 | 98.1 | 109.9 | 91.4 | 99.3 | 101.0 | 113.2 | 393.1 | 404.9 | 417.0 |
| Casamia | 62.3 | 58.3 | 63.9 | 62.6 | 61.1 | 57.7 | 65.2 | 63.9 | 247.1 | 247.8 | 255.2 |
| Shinsegae Live Shopping | 81.1 | 80.2 | 84.6 | 90.6 | 85.2 | 84.2 | 88.8 | 95.1 | 336.5 | 353.3 | 378.1 |
| Other | -86.4 | -86.1 | -86.2 | -34.6 | -34.6 | -34.6 | -34.6 | -34.6 | -293.4 | -138.6 | -138.6 |
| **Operating profit** | 132.3 | 75.3 | 99.8 | 172.5 | 171.8 | 111.4 | 137.8 | 204.6 | 480.0 | 625.6 | 683.3 |
| Parent | 107.9 | 70.9 | 84.0 | 143.3 | 148.1 | 94.6 | 102.1 | 164.3 | 406.1 | 509.1 | 537.0 |
| Shinsegae DF | -2.3 | -1.5 | -5.6 | 2.0 | -6.6 | 4.1 | 8.5 | 9.3 | -7.4 | 15.3 | 43.6 |
| Shinsegae International | 4.7 | -2.3 | -2.0 | -2.8 | 8.1 | 2.4 | 1.1 | 0.7 | -2.4 | 12.4 | 9.7 |
| Shinsegae Central City | 22.2 | 9.8 | 27.6 | 29.2 | 23.3 | 10.6 | 27.9 | 29.5 | 88.8 | 91.3 | 94.1 |
| Casamia | 0.1 | -1.8 | -0.4 | -2.9 | -1.1 | -0.6 | 1.5 | 0.2 | -5.0 | 0.0 | 0.0 |
| Shinsegae Live Shopping | 5.7 | 6.0 | 2.4 | 6.1 | 6.0 | 6.3 | 2.6 | 6.5 | 20.2 | 21.4 | 22.9 |
| Other | -6.0 | -5.8 | -6.2 | -2.4 | -6.0 | -6.0 | -6.0 | -6.0 | -20.3 | -24.0 | -24.0 |
| **Net profit** | 77.1 | 8.3 | 48.3 | -69.1 | 107.8 | 49.0 | 69.4 | 119.9 | 64.6 | 346.1 | 391.5 |
| **Net profit (controlling interests)** | 57.5 | -2.3 | 35.2 | -76.5 | 75.4 | 34.3 | 48.6 | 83.9 | 13.9 | 242.3 | 274.1 |
| **Change (% y-y)** | | | | | | | | | | | |
| **Sales** | 3.8 | 5.6 | 6.2 | 6.2 | 11.8 | 4.7 | 5.1 | -0.6 | 5.5 | 5.0 | 1.6 |
| Parent | -1.5 | -0.7 | 1.3 | 6.7 | 13.3 | 10.7 | 7.1 | 6.4 | 1.6 | 9.2 | 4.1 |
| Shinsegae DF | 15.4 | 22.9 | 14.2 | 7.9 | 6.5 | -10.0 | -5.0 | -15.0 | 14.9 | -6.1 | -3.5 |
| Shinsegae International | -1.7 | -3.8 | 4.9 | -9.9 | 5.0 | 5.0 | 2.0 | 6.0 | -3.1 | 4.5 | 2.0 |
| Shinsegae Central City | -0.2 | 1.5 | 3.9 | 13.2 | 3.0 | 3.0 | 3.0 | 3.0 | 4.7 | 3.0 | 3.0 |
| Casamia | -9.1 | -10.4 | -6.9 | -7.0 | -2.0 | -1.0 | 2.0 | 2.0 | -8.3 | 0.3 | 3.0 |
| Shinsegae Live Shopping | 3.7 | -1.6 | 9.9 | -1.1 | 5.0 | 5.0 | 5.0 | 5.0 | 2.5 | 5.0 | 7.0 |
| **Operating profit** | -18.8 | -35.9 | 7.3 | 66.5 | 29.8 | 47.9 | 38.2 | 18.6 | 0.6 | 30.3 | 9.2 |
| **Margins (%)** | | | | | | | | | | | |
| **Operating margin** | 7.9 | 4.4 | 6.1 | 8.9 | 9.2 | 6.3 | 8.0 | 10.6 | 6.9 | 8.6 | 9.2 |
| Parent | 16.5 | 11.2 | 13.4 | 18.8 | 20.0 | 13.5 | 15.2 | 20.3 | 15.2 | 17.4 | 17.7 |
| Shinsegae DF | -0.4 | -0.2 | -1.0 | 0.3 | -1.1 | 0.8 | 1.7 | 1.8 | -0.3 | 0.7 | 2.1 |
| Shinsegae International | 1.5 | -0.7 | -0.6 | -0.8 | 2.5 | 0.8 | 0.4 | 0.2 | -0.2 | 0.9 | 0.7 |
| Shinsegae Central City | 25.0 | 10.2 | 28.1 | 26.6 | 25.5 | 10.7 | 27.6 | 26.1 | 22.6 | 22.6 | 22.6 |
| Casamia | 0.2 | -3.1 | -0.6 | -4.6 | -1.8 | -1.1 | 2.4 | 0.4 | -2.0 | 0.0 | 0.0 |
| Shinsegae Live Shopping | 7.0 | 7.5 | 2.8 | 6.7 | 7.0 | 7.5 | 2.9 | 6.8 | 6.0 | 6.1 | 6.1 |

Source: Company data, Samsung Securities estimates

**Shinsegae: Sum-of-the-parts valuation**

| (KRWb) | |
|---|---|
| **Consolidated operating value (A)** | **7,918** |
| - 12-month forward EBITDA | 1,180 |
| - Target EV/EBITDA (x)* | 6.7 |
| **Non-operating value (B)**** | **598** |
| 1) Samsung Life Insurance | 560 |
| - Market cap | 50,900 |
| - Stake (%) | 2.2 |
| 2) Naver | 34 |
| - Market cap | 33,959 |
| - Stake (%) | 0.2 |
| 3) Samsung Card | 1 |
| - Market cap | 6,303 |
| - Stake (%) | 0.0 |
| 4) Seoul Auction | 3 |
| - Market cap | 128 |
| - Stake (%) | 5 |
| Net debt (C) | 4,119.5 |
| Treasury shares (D)*** | 168.1 |
| **Enterprise value (E=A+B-C+D)** | **4,565** |
| Outstanding shares | 9,445,181 |
| **Target price (KRW)** | **485,000** |

Note: * 20% premium to Korean retail sector average valuation on real estate value
**50% discount to closing price on Nov 28;
***30% discount to closing price on Nov 28

Source: Bloomberg, Samsung Securities estimates

## Income statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Sales** | **6,570** | **6,929** | **7,278** | **7,392** | **7,630** |
| Cost of goods sold | 2,518 | 2,736 | 2,811 | 2,735 | 2,801 |
| **Gross profit** | **4,053** | **4,193** | **4,467** | **4,658** | **4,829** |
| Gross margin (%) | 61.7 | 60.5 | 61.4 | 63.0 | 63.3 |
| SG&A expenses | 3,576 | 3,713 | 3,841 | 3,974 | 4,113 |
| **Operating profit** | **477** | **480** | **626** | **683** | **716** |
| Operating margin (%) | 7.3 | 6.9 | 8.6 | 9.2 | 9.4 |
| **Non-operating gains (losses)** | **-282** | **-348** | **-148** | **-143** | **-139** |
| Financial profit | 143 | 96 | 55 | 54 | 53 |
| Financial costs | 301 | 266 | 186 | 181 | 175 |
| Equity-method gains (losses) | -12 | -12 | -17 | -17 | -17 |
| Other | -113 | -165 | 0 | 0 | -0 |
| **Pre-tax profit** | **195** | **132** | **477** | **540** | **578** |
| Taxes | 8 | 68 | 131 | 149 | 159 |
| Effective tax rate (%) | 4.1 | 51.1 | 27.5 | 27.5 | 27.5 |
| Profit from continuing operations | 187 | 65 | 346 | 392 | 419 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **187** | **65** | **346** | **392** | **419** |
| Net margin (%) | 2.8 | 0.9 | 4.8 | 5.3 | 5.5 |
| Net profit (controlling interests) | 108 | 14 | 242 | 392 | 419 |
| Net profit (non-controlling interests) | 79 | 51 | 104 | 0 | 0 |
| EBITDA | 958 | 981 | 1,179 | 1,239 | 1,296 |
| EBITDA margin (%) | 14.6 | 14.2 | 16.2 | 16.8 | 17.0 |
| EPS (parent-based) (KRW) | 10,948 | 1,440 | 25,519 | 41,450 | 44,329 |
| EPS (consolidated) (KRW) | 18,954 | 6,676 | 36,455 | 41,450 | 44,329 |
| Adjusted EPS (KRW)* | 10,948 | 1,440 | 25,519 | 29,015 | 31,030 |

## Balance sheet

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Current assets** | **2,343** | **2,767** | **3,155** | **3,520** | **3,850** |
| Cash & equivalents | 582 | 845 | 898 | 1,015 | 1,124 |
| Accounts receivable | 289 | 284 | 340 | 389 | 428 |
| Inventories | 979 | 929 | 1,160 | 1,308 | 1,436 |
| Other current assets | 492 | 709 | 756 | 808 | 862 |
| **Fixed assets** | **12,729** | **13,067** | **13,177** | **13,287** | **13,402** |
| Investment assets | 2,239 | 2,451 | 3,765 | 3,815 | 3,867 |
| Tangible assets | 7,795 | 7,795 | 7,858 | 7,918 | 7,981 |
| Intangible assets | 574 | 642 | 642 | 642 | 642 |
| Other long-term assets | 2,121 | 2,178 | 912 | 912 | 912 |
| **Total assets** | **15,072** | **15,833** | **16,332** | **16,807** | **17,251** |
| **Current liabilities** | **4,947** | **5,176** | **5,293** | **5,393** | **5,508** |
| Accounts payable | 123 | 161 | 187 | 216 | 263 |
| Short-term debt | 885 | 1,045 | 1,045 | 1,045 | 1,045 |
| Other current liabilities | 3,939 | 3,970 | 4,060 | 4,131 | 4,200 |
| **Long-term liabilities** | **3,750** | **4,085** | **4,159** | **4,191** | **4,153** |
| Bonds & long-term debt | 2,213 | 2,404 | 3,103 | 3,103 | 3,103 |
| Other long-term liabilities | 1,537 | 1,681 | 1,056 | 1,088 | 1,050 |
| **Total liabilities** | **8,697** | **9,261** | **9,459** | **9,592** | **9,670** |
| **Owners of parent equity** | **4,265** | **4,455** | **4,756** | **5,098** | **5,464** |
| Capital stock | 49 | 49 | 49 | 49 | 49 |
| Capital surplus | 424 | 424 | 424 | 424 | 424 |
| Retained earnings | 3,718 | 3,658 | 3,958 | 4,301 | 4,667 |
| Other | 74 | 325 | 325 | 325 | 325 |
| **Non-controlling interests' equity** | **2,110** | **2,117** | **2,117** | **2,117** | **2,117** |
| **Total equity** | **6,375** | **6,572** | **6,873** | **7,215** | **7,581** |
| Net debt | 4,519 | 4,300 | 4,126 | 4,011 | 3,903 |

## Cash flow statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **776** | **991** | **1,101** | **1,142** | **1,154** |
| Net profit | 187 | 65 | 346 | 392 | 419 |
| Non-cash profit and expenses | 855 | 983 | 1,036 | 959 | 903 |
| Depreciation | 426 | 440 | 502 | 501 | 523 |
| Amortization | 55 | 62 | 52 | 54 | 57 |
| Other | 374 | 482 | 483 | 403 | 323 |
| Changes in A/L from operating activities | -41 | 137 | -282 | -208 | -168 |
| **Cash flow from investments** | **-981** | **-646** | **-814** | **-789** | **-804** |
| Change in tangible assets | -885 | -487 | -689 | -664 | -681 |
| Change in financial assets | 266 | -123 | -114 | -114 | -114 |
| Other | -363 | -36 | -11 | -10 | -9 |
| **Cash flow from financing** | **-17** | **-81** | **-233** | **-236** | **-240** |
| Change in debt | 334 | 271 | 0 | 0 | 0 |
| Change in equity | 21 | -0 | 0 | 0 | 0 |
| Dividends | -38 | -40 | -49 | -53 | -56 |
| Other | -334 | -313 | -184 | -183 | -184 |
| Change in cash | -220 | 263 | 53 | 116 | 109 |
| Cash at beginning of year | 802 | 582 | 845 | 898 | 1,015 |
| Cash at end of year | 582 | 845 | 898 | 1,015 | 1,124 |
| **Gross cash flow** | **1,041** | **1,048** | **1,382** | **1,350** | **1,321** |
| **Free cash flow** | **-120** | **500** | **406** | **471** | **467** |

## Financial ratios

| Year-end Dec 31 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | 3.4 | 5.5 | 5.0 | 1.6 | 3.2 |
| Operating profit | -25.4 | 0.6 | 30.3 | 9.2 | 4.8 |
| Net profit | -40.2 | -65.4 | 435.7 | 13.1 | 6.9 |
| Adjusted EPS** | -52.1 | -86.8 | 1671.7 | 13.7 | 6.9 |
| **Per-share data (KRW)** | | | | | |
| EPS (parent-based) | 10,948 | 1,440 | 25,519 | 41,450 | 44,329 |
| EPS (consolidated) | 18,954 | 6,676 | 36,455 | 41,450 | 44,329 |
| Adjusted EPS** | 10,948 | 1,440 | 25,519 | 29,015 | 31,030 |
| BVPS | 645,732 | 669,001 | 694,743 | 727,964 | 764,574 |
| DPS (common) | 4,500 | 5,200 | 5,600 | 6,000 | 5,200 |
| **Valuations (x)** | | | | | |
| P/E*** | 12.1 | 171.5 | 14.9 | 13.1 | 12.2 |
| P/B*** | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 |
| EV/EBITDA | 8.3 | 9.0 | 6.7 | 6.2 | 5.9 |
| **Ratios (%)** | | | | | |
| ROE | 4.9 | 1.8 | 5.1 | 5.6 | 5.6 |
| ROA | 1.3 | 0.4 | 2.2 | 2.4 | 2.5 |
| ROIC | 5.5 | 2.8 | 5.3 | 5.6 | 5.8 |
| Payout ratio | 21.1 | 70.6 | 14.2 | 13.4 | 13.4 |
| Dividend yield (common) | 3.4 | 2.1 | 1.5 | 1.6 | 1.4 |
| Net debt to equity | 70.9 | 65.4 | 60.0 | 55.6 | 51.5 |
| Interest coverage (x) | 2.4 | 2.5 | 3.4 | 3.8 | 4.1 |

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

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2026. 4. 28


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# Lotte Shopping (023530)

## To post strong earnings driven by department store momentum

- Lotte Shopping should post 1Q consolidated operating profit of KRW215b, exceeding consensus by 5.6%.
- Robust department store sales, supported by a favorable operating environment, should continue to drive company-wide performance.
- Positive momentum at the department store business combined with improved competitive dynamics in the discount store segment should further boost its earnings in 2026.

### WHAT'S THE STORY?

**1Q earnings beat:** We forecast Lotte Shopping's 1Q consolidated sales and operating profit reached KRW3.6t (up 3.8% y-y) and KRW215b (up 45.1% y-y), respectively, the latter surpassing FnGuide consensus by 5.6%. Department store SSS growth likely reached the low- to mid-teen percentage range, led by favorable operating conditions. Both luxury and fashion categories likely performed well, contributing to profit improvement. Foreign visitor sales surged 90% y-y in 1Q, accounting for 5% of its total sales. Korea remains popular with foreign tourists (amid China's restriction on Japanese content), and this tailwind should persist throughout the year.

*(Continued on the next page)*

### SUMMARY FINANCIAL DATA

| | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Revenue (KRWb) | 13,738 | 14,204 | 14,473 | 14,725 |
| Operating profit (KRWb) | 547 | 734 | 765 | 828 |
| Net profit (adj) (KRWb) | 74 | 362 | 403 | 464 |
| EPS (adj) (KRW) | 5,336 | 12,807 | 14,229 | 16,413 |
| EPS (adj) growth (% y-y) | nm | 140.0 | 11.1 | 15.3 |
| EBITDA margin (%) | 11.7 | 12.8 | 13.0 | 13.4 |
| ROE (%) | 0.9 | 2.1 | 2.3 | 2.3 |
| P/E (adj) (x) | 39.8 | 9.5 | 8.5 | 7.4 |
| P/B (x) | 0.1 | 0.2 | 0.2 | 0.2 |
| EV/EBITDA (x) | 9.4 | 8.1 | 7.7 | 7.2 |
| Dividend yield (%) | 5.5 | 3.3 | 3.7 | 4.1 |

Source: Company data, Samsung Securities estimates

### AT A GLANCE

**BUY**

| | | |
|---|---|---|
| Target price | KRW160,000 | 33% |
| Current price | KRW120,300 | |
| Market cap | KRW3.4t/USD2.3b | |
| Shares (float) | 28,288,755 (39.8%) | |
| 52-week high/low | KRW121,700/KRW64,100 | |
| Avg daily trading value (60-day) | KRW17.1b/ USD11.5m | |

### ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|---|---|---|---|
| Lotte Shopping (%) | 6.0 | 79.0 | 85.6 |
| Vs Kospi (%pts) | -1.5 | 9.8 | -25.9 |

### KEY CHANGES

| (KRW) | New | Old | Diff |
|---|---|---|---|
| Recommend. | BUY | BUY | |
| Target price | 160,000 | 125,000 | 28.0% |
| 2026E EPS | 12,807 | 10,783 | 18.8% |
| 2027E EPS | 14,229 | 12,615 | 12.8% |

### SAMSUNG vs THE STREET

| | |
|---|---|
| No of estimates | 10 |
| Target price | 135,100 |
| Recommendation | 4.0 |

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

**Raising target price 28%:** While contributions from non-department store businesses remain limited, the department store division—accounting for 80% of its consolidated operating profit—is expected to continue driving up earnings at the company. In the discount store segment, the accelerated closure of Homeplus stores since 4Q25 is beginning to reduce competitive pressure, providing an avenue for earnings growth. A key watchpoint for 2H should be the speed at which the new logistics center (which was developed in partnership with UK-based food specialist Ocado) begins to contribute to its earnings. In light of the strong and sustainable momentum at the department store business, we raise our full-year 2026 operating profit forecast by 8%, increase our target price by 28% to KRW160,000 (SOTP-based), and maintain BUY.

### Lotte Shopping: Results and forecasts

| (KRWb) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26E | 2Q26E | 3Q26E | 4Q26E | 2025 | 2026E | 2026E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | **3,456.8** | **3,349.7** | **3,410.1** | **3,521.8** | **3,588.8** | **3,415.7** | **3,586.7** | **3,612.6** | **13,738.4** | **14,203.8** | **14,473.5** |
| Department store | 806.3 | 815.8 | 764.8 | 952.5 | 875.5 | 866.1 | 781.9 | 960.6 | 3,339.4 | 3,484.1 | 3,475.2 |
| Discount store | 1,487.3 | 1,295.4 | 1,333.8 | 1,354.8 | 1,513.8 | 1,277.4 | 1,428.6 | 1,404.3 | 5,471.3 | 5,624.0 | 5,769.4 |
| SSM | 305.2 | 308.6 | 313.6 | 298.6 | 302.3 | 309.1 | 332.6 | 313.9 | 1,226.0 | 1,257.9 | 1,311.6 |
| E-commerce | 28.3 | 26.6 | 22.6 | 31.5 | 26.9 | 27.4 | 24.9 | 34.0 | 109.0 | 113.2 | 118.8 |
| Home shopping | 227.6 | 231.0 | 211.3 | 232.4 | 224.6 | 228.0 | 217.1 | 229.5 | 902.3 | 899.2 | 905.8 |
| Lotte Cultureworks | 86.3 | 91.9 | 127.8 | 128.4 | 112.2 | 96.5 | 130.4 | 131.0 | 434.4 | 470.0 | 454.7 |
| Lotte Himart | 529.0 | 594.2 | 652.5 | 524.4 | 534.3 | 612.0 | 672.1 | 540.1 | 2,300.1 | 2,358.5 | 2,441.1 |
| Other | (13.2) | (13.8) | (16.3) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (44.1) | (3.2) | (3.2) |
| **Operating profit** | **148.2** | **40.6** | **130.5** | **227.7** | **215.0** | **97.0** | **185.6** | **236.1** | **547.0** | **733.7** | **765.4** |
| Department store | 130.0 | 65.0 | 83.2 | 226.0 | 177.5 | 96.6 | 104.6 | 227.4 | 504.2 | 606.0 | 586.1 |
| Discount store | 28.1 | (39.0) | 11.5 | (7.7) | 31.3 | (33.6) | 31.4 | (1.8) | (7.1) | 27.2 | 43.4 |
| SSM | 3.2 | 2.7 | 4.9 | (2.8) | 2.9 | 2.4 | 6.2 | (2.6) | 8.0 | 8.8 | 11.2 |
| E-commerce | (8.5) | (8.4) | (9.6) | (2.8) | (4.0) | (4.5) | (4.3) | (0.6) | (29.3) | (13.6) | (4.9) |
| Home shopping | 12.1 | 12.2 | 10.3 | 10.4 | 14.2 | 13.2 | 11.0 | 10.5 | 45.0 | 48.9 | 51.1 |
| Lotte Cultureworks | (10.4) | (6.2) | 8.2 | (2.2) | 3.3 | 5.1 | 9.7 | 5.6 | (10.6) | 23.7 | 28.0 |
| Lotte Himart | (11.1) | 10.5 | 19.0 | (8.7) | (12.8) | 15.1 | 24.3 | (5.2) | 9.7 | 21.4 | 39.2 |
| Other | 4.8 | 3.8 | 3.0 | 15.5 | 2.8 | 2.8 | 2.8 | 2.8 | 27.1 | 11.3 | 11.3 |
| Pre-tax profit | 44.6 | (24.1) | (14.8) | 77.8 | 130.2 | 51.0 | 116.2 | 202.2 | 83.4 | 499.7 | 555.2 |
| Net profit | 18.1 | (10.3) | (48.7) | 114.5 | 94.4 | 37.0 | 84.3 | 146.6 | 73.6 | 362.3 | 402.5 |
| Net profit (controlling interests) | 16.2 | (20.4) | (56.6) | 112.4 | 89.4 | 32.0 | 79.3 | 141.6 | 51.6 | 342.3 | 382.5 |
| **Change (% y-y)** | | | | | | | | | | | |
| **Net sales** | **(1.6)** | **(2.3)** | **(4.4)** | **1.3** | **3.8** | **2.0** | **5.2** | **2.6** | **(1.8)** | **3.4** | **1.9** |
| Department store | (1.1) | (2.4) | 1.3 | 4.4 | 8.6 | 6.2 | 2.2 | 0.9 | 0.6 | 4.3 | (0.3) |
| Discount store | 0.3 | (1.8) | (7.5) | 1.7 | 1.8 | (1.4) | 7.1 | 3.7 | (1.9) | 2.8 | 2.6 |
| SSM | (7.1) | (6.6) | (6.2) | (1.3) | (0.9) | 0.2 | 6.1 | 5.1 | (5.4) | 2.6 | 4.3 |
| E-commerce | (5.0) | (4.3) | (16.0) | (10.8) | (5.0) | 3.0 | 10.0 | 8.0 | (9.0) | 3.8 | 5.0 |
| Home shopping | 0.0 | (0.6) | 1.5 | (9.6) | (1.3) | (1.3) | 2.8 | (1.3) | (2.4) | (0.3) | 0.7 |
| Lotte Cultureworks | (25.0) | (19.5) | (2.1) | 39.7 | 30.0 | 5.0 | 2.0 | 2.0 | (3.8) | 8.2 | (3.3) |
| Lotte Himart | 0.7 | 0.8 | (4.9) | (5.8) | 1.0 | 3.0 | 3.0 | 3.0 | (2.4) | 2.5 | 3.5 |
| 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** | **45.1** | **138.8** | **42.2** | **3.7** | **15.6** | **34.1** | **4.3** |
| **Margins (%)** | | | | | | | | | | | |
| **Operating margin** | **4.3** | **1.2** | **3.8** | **6.5** | **6.0** | **2.8** | **5.2** | **6.5** | **4.0** | **5.2** | **5.3** |
| Department store | 16.1 | 8.0 | 10.9 | 23.7 | 20.3 | 11.2 | 13.4 | 23.7 | 15.1 | 17.4 | 16.9 |
| Discount store | 1.9 | (3.0) | 0.9 | (0.6) | 2.1 | (2.6) | 2.2 | (0.1) | (0.1) | 0.5 | 0.8 |
| SSM | 1.0 | 0.9 | 1.6 | (0.9) | 0.9 | 0.8 | 1.9 | (0.8) | 0.7 | 0.7 | 0.9 |
| E-commerce | (30.0) | (31.6) | (42.5) | (8.9) | (15.0) | (16.6) | (17.5) | (1.9) | (26.9) | (12.0) | (4.1) |
| Home shopping | 5.3 | 5.3 | 4.9 | 4.5 | 6.3 | 5.8 | 5.1 | 4.6 | 5.0 | 5.4 | 5.6 |
| Lotte Cultureworks | (12.1) | (6.7) | 6.4 | (1.7) | 2.9 | 5.3 | 7.4 | 4.3 | (2.4) | 5.0 | 6.1 |
| Lotte Himart | (2.1) | 1.8 | 2.9 | (1.7) | (2.4) | 2.5 | 3.6 | (1.0) | 0.4 | 0.9 | 1.6 |
| Pre-tax margin | 1.3 | (0.7) | (0.4) | 2.2 | 3.6 | 1.5 | 3.2 | 5.6 | 0.6 | 3.5 | 3.8 |
| **Net margin** | **0.5** | **(0.3)** | **(1.4)** | **3.3** | **2.6** | **1.1** | **2.3** | **4.1** | **0.5** | **2.6** | **2.8** |
| Net margin (controlling interests) | 0.5 | (0.6) | (1.7) | 3.2 | 2.5 | 0.9 | 2.2 | 3.9 | 0.4 | 2.4 | 2.6 |

Source: Company data, Samsung Securities estimates

**Lotte Shopping: SOTP valuation**

| (KRWb) | |
|---|---|
| **Consolidated operating value (A)** | **13,580** |
| 1) Offline retail business | 13,200 |
| - 2026E EBITDA | 1,847 |
| - Target EV/EBITDA (x)* | 7.1 |
| 2) E-commerce | 380 |
| - 2026E GMV | 1,776 |
| - Target P/GMV (x)** | 0.2 |
| **Value of stakes in associates (B)** | **1,722.6** |
| - 2026 equity-method gains | 184.7 |
| - Target P/E (x)*** | 9.3 |
| **Value of investment assets (C)****** | 650 |
| Net debt (D) | 11,416 |
| **Enterprise value (E=A+B+C-D)** | **4,537** |
| Outstanding shares | 28,288,755 |
| **Share price (KRW)** | **160,000** |

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

## Income statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Sales** | **13,987** | **13,738** | **14,204** | **14,473** | **14,725** |
| Cost of goods sold | 7,251 | 7,075 | 7,152 | 7,181 | 7,152 |
| **Gross profit** | **6,735** | **6,663** | **7,051** | **7,293** | **7,573** |
| Gross margin (%) | 48.2 | 48.5 | 49.6 | 50.4 | 51.4 |
| SG&A expenses | 6,262 | 6,116 | 6,318 | 6,528 | 6,745 |
| **Operating profit** | **473** | **547** | **734** | **765** | **828** |
| Operating margin (%) | 3.4 | 4.0 | 5.2 | 5.3 | 5.6 |
| **Non-operating gains (losses)** | **-1,494** | **-464** | **-234** | **-210** | **-187** |
| Financial profit | 384 | 240 | 140 | 136 | 132 |
| Financial costs | 933 | 689 | 565 | 536 | 510 |
| Equity-method gains (losses) | 143 | 164 | 190 | 190 | 190 |
| Other | -1,088 | -179 | 0 | 0 | 0 |
| **Pre-tax profit** | **-1,021** | **83** | **500** | **555** | **640** |
| Taxes | -27 | 10 | 137 | 153 | 176 |
| Effective tax rate (%) | 2.7 | 11.9 | 27.5 | 27.5 | 27.5 |
| Profit from continuing operations | -994 | 74 | 362 | 403 | 464 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-994** | **74** | **362** | **403** | **464** |
| Net margin (%) | -7.1 | 0.5 | 2.6 | 2.8 | 3.2 |
| Net profit (controlling interests) | -968 | 52 | 362 | 403 | 464 |
| Net profit (non-controlling interests) | -26 | 22 | 0 | 0 | 0 |
| EBITDA | 1,589 | 1,603 | 1,824 | 1,874 | 1,975 |
| EBITDA margin (%) | 11.4 | 11.7 | 12.8 | 13.0 | 13.4 |
| EPS (parent-based) (KRW) | -34,219 | 1,822 | 12,807 | 14,229 | 16,413 |
| EPS (consolidated) (KRW) | -35,140 | 2,600 | 12,807 | 14,229 | 16,413 |
| Adjusted EPS (KRW)* | -25,623 | 5,336 | 12,807 | 14,229 | 16,413 |

## Balance sheet

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Current assets** | **5,517** | **5,195** | **5,363** | **5,532** | **5,831** |
| Cash & equivalents | 1,555 | 572 | 574 | 577 | 726 |
| Accounts receivable | 572 | 441 | 511 | 578 | 636 |
| Inventories | 1,540 | 1,458 | 1,523 | 1,592 | 1,651 |
| Other current assets | 1,849 | 2,725 | 2,755 | 2,785 | 2,818 |
| **Fixed assets** | **33,486** | **32,715** | **32,836** | **32,961** | **33,086** |
| Investment assets | 3,129 | 3,068 | 7,504 | 7,581 | 7,662 |
| Tangible assets | 24,306 | 24,063 | 24,111 | 24,158 | 24,202 |
| Intangible assets | 752 | 788 | 788 | 788 | 788 |
| Other long-term assets | 5,299 | 4,795 | 434 | 434 | 434 |
| **Total assets** | **39,003** | **37,910** | **38,199** | **38,493** | **38,917** |
| **Current liabilities** | **9,836** | **9,990** | **10,219** | **10,377** | **10,540** |
| Accounts payable | 602 | 596 | 663 | 726 | 794 |
| Short-term debt | 2,318 | 1,409 | 1,409 | 1,409 | 1,409 |
| Other current liabilities | 6,917 | 7,985 | 8,147 | 8,242 | 8,337 |
| **Long-term liabilities** | **12,133** | **11,054** | **10,858** | **10,703** | **10,626** |
| Bonds & long-term debt | 6,007 | 5,251 | 8,489 | 8,489 | 8,489 |
| Other long-term liabilities | 6,127 | 5,803 | 2,369 | 2,215 | 2,137 |
| **Total liabilities** | **21,969** | **21,044** | **21,084** | **21,089** | **21,175** |
| **Owners of parent equity** | **15,504** | **15,185** | **15,434** | **15,724** | **16,061** |
| Capital stock | 141 | 141 | 141 | 141 | 141 |
| Capital surplus | 3,574 | 3,574 | 3,574 | 3,574 | 3,574 |
| Retained earnings | 7,498 | 7,441 | 7,690 | 7,979 | 8,316 |
| Other | 4,291 | 4,029 | 4,029 | 4,029 | 4,029 |
| **Non-controlling interests' equity** | **1,530** | **1,681** | **1,681** | **1,681** | **1,681** |
| **Total equity** | **17,034** | **16,866** | **17,115** | **17,405** | **17,742** |
| Net debt | 11,808 | 11,375 | 11,423 | 11,421 | 11,272 |

## Cash flow statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **1,588** | **1,724** | **2,064** | **2,063** | **2,184** |
| Net profit | -994 | 74 | 362 | 403 | 464 |
| Non-cash profit and expenses | 2,708 | 1,621 | 1,665 | 1,693 | 1,731 |
| Depreciation | 1,058 | 980 | 1,060 | 1,078 | 1,115 |
| Amortization | 58 | 76 | 30 | 31 | 32 |
| Other | 1,592 | 565 | 574 | 584 | 585 |
| Changes in A/L from operating activities | -115 | 46 | 37 | -32 | -12 |
| **Cash flow from investments** | **-1,068** | **-871** | **-760** | **-759** | **-719** |
| Change in tangible assets | -880 | -623 | -729 | -730 | -686 |
| Change in financial assets | -40 | -403 | 6 | 6 | 6 |
| Other | -148 | 156 | -38 | -35 | -40 |
| **Cash flow from financing** | **-498** | **-1,742** | **-1,207** | **-1,207** | **-1,221** |
| Change in debt | 465 | -956 | 0 | 0 | 0 |
| Change in equity | -0 | 0 | 0 | 0 | 0 |
| Dividends | -107 | -107 | -113 | -113 | -127 |
| Other | -855 | -679 | -1,094 | -1,094 | -1,094 |
| Change in cash | -35 | -983 | 2 | 3 | 149 |
| Cash at beginning of year | 1,590 | 1,555 | 572 | 574 | 577 |
| Cash at end of year | 1,555 | 572 | 574 | 577 | 726 |
| **Gross cash flow** | **1,714** | **1,695** | **2,027** | **2,095** | **2,196** |
| **Free cash flow** | **682** | **1,072** | **1,307** | **1,305** | **1,470** |

## Financial ratios

| Year-end Dec 31 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | -3.9 | -1.8 | 3.4 | 1.9 | 1.7 |
| Operating profit | -6.9 | 15.6 | 34.1 | 4.3 | 8.2 |
| Net profit | nm | nm | 392.5 | 11.1 | 15.3 |
| Adjusted EPS** | nm | nm | 602.7 | 11.1 | 15.3 |
| **Per-share data (KRW)** | | | | | |
| EPS (parent-based) | -34,219 | 1,822 | 12,807 | 14,229 | 16,413 |
| EPS (consolidated) | -35,140 | 2,600 | 12,807 | 14,229 | 16,413 |
| Adjusted EPS** | -25,623 | 5,336 | 12,807 | 14,229 | 16,413 |
| BVPS | 486,814 | 596,547 | 600,620 | 610,141 | 621,215 |
| DPS (common) | 3,800 | 4,000 | 4,000 | 4,500 | 5,000 |
| **Valuations (x)** | | | | | |
| P/E*** | n/a | 39.8 | 9.5 | 8.5 | 7.4 |
| P/B*** | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| EV/EBITDA | 9.4 | 9.4 | 8.1 | 7.7 | 7.2 |
| **Ratios (%)** | | | | | |
| ROE | -5.3 | 0.9 | 2.1 | 2.3 | 2.3 |
| ROA | -2.9 | 0.2 | 1.0 | 1.0 | 1.2 |
| ROIC | 2.1 | 1.8 | 2.1 | 2.3 | 2.5 |
| Payout ratio | n/a | 153.7 | 31.2 | 31.6 | 30.4 |
| Dividend yield (common) | 7.0 | 5.5 | 3.3 | 3.7 | 4.1 |
| Net debt to equity | 69.3 | 67.4 | 66.7 | 65.6 | 63.5 |
| Interest coverage (x) | 0.8 | 0.9 | 1.3 | 1.4 | 1.6 |

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

Source: Company data, Samsung Securities estimates

# COMPANY UPDATE

2026. 4. 28


Industrial Team

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# E-Mart (139480)

## Easing competition to gradually lift earnings

- E-Mart's 1Q consolidated operating profit is expected to come in at KRW166b, in line with consensus.
- We see its discount store SSS growth as healthy given that there was one fewer day off (national holidays) in March y-y.
- Attention is warranted in light of the potential for sustained earnings growth in 2026 stemming from the Homeplus store closures.

### AT A GLANCE

**BUY**

| | | |
|---|---|---|
| Target price | KRW152,000 | 48.3% |
| **Current price** | **KRW102,500** | |
| Market cap | KRW2.8t/USD1.9b | |
| Shares (float) | 27,595,819 (68.2%) | |
| 52-week high/low | KRW127,600/KRW71,200 | |
| Avg daily trading value (60-day) | KRW39.0b/ USD26.4m | |

### ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|---|---|---|---|
| E-Mart (%) | 1.8 | 40.0 | 17.0 |
| Vs Kospi (%pts) | -5.4 | -14.1 | -53.3 |

### KEY CHANGES

| (KRW) | New | Old | Diff |
|---|---|---|---|
| Recommend. | BUY | BUY | |
| Target price | 152,000 | 152,000 | 0.0% |
| 2026E EPS | 7,238 | 6,944 | 4.2% |
| 2027E EPS | 11,782 | 12,062 | -2.3% |

### SAMSUNG vs THE STREET

| | |
|---|---|
| No of estimates | 11 |
| Target price | 141,182 |
| Recommendation | 3.9 |

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

### WHAT'S THE STORY?

**Core business to improve:** E-Mart is set to report 1Q consolidated sales of KRW7.1t (down 1.2% y-y) and an operating profit of KRW166b (up 4.2% y-y; in line with FnGuide consensus). Following the recovery seen in 4Q25, its discount store SSS likely rebounded 2% in 1Q—a solid performance considering March had one fewer day off (national holiday) y-y. While its consolidated results were likely muted by one-off factors (*eg*, the sale of Shinsegae Food's catering service unit, non-recurring costs at Starbucks Coffee Company, and headwinds for Shinsegae E&C), the probable improvement at E-Mart's core discount store business is encouraging. Importantly, this trend may not be temporary; it could reflect structural improvements driven by reduced competition.

*(Continued on the next page)*

### SUMMARY FINANCIAL DATA

| | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Revenue (KRWb) | 28,970 | 29,088 | 30,260 | 31,509 |
| Operating profit (KRWb) | 323 | 583 | 671 | 721 |
| Net profit (adj) (KRWb) | 246 | 240 | 325 | 381 |
| EPS (adj) (KRW) | 4,921 | 7,217 | 10,303 | 12,308 |
| EPS (adj) growth (% y-y) | nm | 46.7 | 42.8 | 19.5 |
| EBITDA margin (%) | 6.3 | 7.0 | 7.2 | 7.1 |
| ROE (%) | 2.3 | 1.7 | 2.3 | 2.3 |
| P/E (adj) (x) | 16.5 | 14.1 | 9.9 | 8.3 |
| P/B (x) | 0.2 | 0.3 | 0.2 | 0.2 |
| EV/EBITDA (x) | 8.2 | 6.1 | 5.8 | 5.7 |
| Dividend yield (%) | 3.1 | 2.5 | 3.4 | 3.9 |

Source: Company data, Samsung Securities estimates

**To benefit from industry restructuring:** With Homeplus store closures accelerating notably from 4Q25, E-Mart's SSS recovery is best understood as a direct result of declining competition in the discount store sector. This positive dynamic is expected to persist throughout 2026. While the upcoming high oil price relief cash support program in 2Q may cause a short-term dip in its discount-store sales, any resulting stock-price correction should be viewed as a buying opportunity. Additionally, given the potential for regulatory easing for offline retail—long seen as more constrained than online channels—we maintain BUY on E-Mart.

### E-mart: Results and forecasts

| (KRWb) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26E | 2Q26E | 3Q26E | 4Q26E | 2025 | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross sales (parent)** | **4,625.8** | **4,290.6** | **4,593.9** | **4,455.8** | **4,709.2** | **4,319.0** | **4,869.3** | **4,607.6** | **17,966.1** | **18,505.1** | **19,196.8** |
| Hypermarket | 3,042.2 | 2,770.1 | 2,970.7 | 2,870.2 | 3,030.3 | 2,731.2 | 3,096.3 | 2,925.5 | 11,653.2 | 11,783.3 | 11,965.8 |
| Traders W.C | 966.7 | 900.3 | 1,000.4 | 984.6 | 1,055.1 | 962.6 | 1,127.2 | 1,068.4 | 3,852.0 | 4,213.3 | 4,655.4 |
| Specialty store | 260.4 | 257.9 | 254.8 | 244.9 | 258.0 | 253.2 | 265.1 | 247.1 | 1,018.0 | 1,023.3 | 1,043.5 |
| Everyday | 356.4 | 362.2 | 367.8 | 356.0 | 365.7 | 372.0 | 380.6 | 366.6 | 1,442.4 | 1,484.8 | 1,531.8 |
| Other | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.4 | 0.4 |
| **Net sales** | **7,218.9** | **7,039.0** | **7,400.8** | **7,311.7** | **7,131.4** | **6,933.0** | **7,595.7** | **7,427.8** | **28,970.4** | **29,087.9** | **30,260.1** |
| Separate | 4,259.2 | 3,970.5 | 4,273.8 | 4,125.4 | 4,336.0 | 3,996.8 | 4,530.0 | 4,266.0 | 16,628.9 | 17,128.7 | 17,768.6 |
| SSG.com | 356.8 | 350.3 | 318.9 | 321.1 | 359.0 | 346.8 | 351.1 | 332.7 | 1,347.1 | 1,389.6 | 1,471.7 |
| SCK Company | 761.9 | 795.5 | 810.5 | 870.0 | 823.0 | 862.1 | 884.0 | 949.0 | 3,237.9 | 3,518.2 | 3,800.8 |
| E-mart 24 | 465.8 | 532.2 | 552.1 | 502.9 | 418.4 | 476.8 | 524.4 | 495.0 | 2,053.0 | 1,914.7 | 1,923.0 |
| Other subsidiaries | 1,174.6 | 1,209.3 | 1,258.4 | 1,441.1 | 986.3 | 1,062.1 | 1,112.7 | 1,195.6 | 5,083.4 | 4,356.8 | 4,484.8 |
| **Operating profit** | **159.3** | **21.6** | **151.4** | **(9.9)** | **166.0** | **68.4** | **254.7** | **93.5** | **322.5** | **582.6** | **670.5** |
| Separate | 133.3 | 15.6 | 113.5 | 14.7 | 145.4 | 8.2 | 174.4 | 33.4 | 277.1 | 361.5 | 407.7 |
| SSG.com | (18.1) | (31.0) | (42.2) | (26.5) | (20.0) | (18.6) | (16.6) | (15.8) | (117.8) | (71.0) | (57.4) |
| SCK Company | 35.1 | 40.3 | 60.0 | 37.7 | 28.0 | 39.4 | 60.1 | 43.0 | 173.1 | 170.6 | 191.7 |
| E-mart 24 | (10.4) | (4.4) | (7.8) | (23.7) | (3.1) | (1.6) | (2.2) | (13.4) | (46.3) | (20.2) | (1.2) |
| Other subsidiaries | 31.5 | 30.9 | 52.3 | 5.1 | 32.4 | 56.8 | 54.5 | 60.3 | 119.9 | 204.0 | 183.3 |
| Pre-tax profit | 119.2 | (26.4) | 344.2 | (60.6) | 140.5 | (5.0) | 179.9 | 15.3 | 376.4 | 330.7 | 448.5 |
| **Net profit** | **83.6** | **(31.4)** | **310.3** | **(116.3)** | **101.9** | **(3.6)** | **130.4** | **11.1** | **246.3** | **239.7** | **325.1** |
| **Net profit (controlling interests)** | **70.8** | **(52.3)** | **265.9** | **(148.2)** | **91.9** | **(13.6)** | **120.4** | **1.1** | **136.2** | **199.7** | **285.1** |
| **Change (% y-y)** | | | | | | | | | | | |
| **Gross sales (parent)** | **10.1** | **11.8** | **(1.7)** | **4.8** | **1.8** | **0.7** | **6.0** | **3.4** | **5.9** | **3.0** | **3.7** |
| Hypermarket | 0.3 | 0.5 | (3.4) | 2.4 | (0.4) | (1.4) | 4.2 | 1.9 | (0.1) | 1.1 | 1.5 |
| Traders W.C | 5.6 | 8.1 | 3.6 | 17.8 | 9.1 | 6.9 | 12.7 | 8.5 | 8.5 | 9.4 | 10.5 |
| Specialty store | 2.7 | 2.7 | (2.9) | (3.1) | (0.9) | (1.8) | 4.0 | 0.9 | (0.1) | 0.5 | 2.0 |
| Everyday | 1.6 | 2.1 | (0.6) | (1.5) | 2.6 | 2.7 | 3.5 | 3.0 | 97.2 | 2.9 | 3.2 |
| **Net sales** | **0.2** | **(0.2)** | **(1.4)** | **0.9** | **(1.2)** | **(1.5)** | **2.6** | **1.6** | **(0.2)** | **0.4** | **4.0** |
| Separate | 10.7 | 13.3 | (1.0) | 5.8 | 1.8 | 0.7 | 6.0 | 3.4 | 6.8 | 3.0 | 3.7 |
| SSG.com | (13.7) | (11.4) | (18.3) | (14.7) | 0.6 | (1.0) | 10.1 | 3.6 | (14.5) | 3.2 | 5.9 |
| SCK Company | 3.7 | 4.7 | 2.9 | 6.3 | 8.0 | 8.4 | 9.1 | 9.1 | 4.4 | 8.7 | 8.0 |
| E-mart 24 | (8.9) | (5.9) | (2.7) | (3.0) | (10.2) | (10.4) | (5.0) | (1.6) | (5.1) | (6.7) | 0.4 |
| **Margins (%)** | | | | | | | | | | | |
| **Operating margin** | **2.2** | **0.3** | **2.0** | **(0.1)** | **2.3** | **1.0** | **3.4** | **1.3** | **1.1** | **2.0** | **2.2** |
| Separate | 3.1 | 0.4 | 2.7 | 0.4 | 3.4 | 0.2 | 3.9 | 0.8 | 1.7 | 2.1 | 2.3 |
| SSG.com | (5.1) | (8.8) | (13.2) | (8.3) | (5.6) | (5.3) | (4.7) | (4.8) | (8.7) | (5.1) | (3.9) |
| SCK Company | 4.6 | 5.1 | 7.4 | 4.3 | 3.4 | 4.6 | 6.8 | 4.5 | 5.3 | 4.8 | 5.0 |
| E-mart 24 | (2.2) | (0.8) | (1.4) | (4.7) | (0.7) | (0.3) | (0.4) | (2.7) | (2.3) | (1.1) | (0.1) |
| **Net margin** | **1.2** | **(0.4)** | **4.2** | **(1.6)** | **1.4** | **(0.1)** | **1.7** | **0.1** | **0.9** | **0.8** | **1.1** |

Source: Company data, Samsung Securities estimates

## Income statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Sales** | **29,021** | **28,970** | **29,088** | **30,260** | **31,509** |
| Cost of goods sold | 19,980 | 19,877 | 19,615 | 20,456 | 21,403 |
| **Gross profit** | **9,041** | **9,093** | **9,473** | **9,804** | **10,106** |
| Gross margin (%) | 31.2 | 31.4 | 32.6 | 32.4 | 32.1 |
| SG&A expenses | 8,994 | 8,770 | 8,890 | 9,134 | 9,385 |
| **Operating profit** | **47** | **323** | **583** | **671** | **721** |
| Operating margin (%) | 0.2 | 1.1 | 2.0 | 2.2 | 2.3 |
| **Non-operating gains (losses)** | **-653** | **54** | **-252** | **-222** | **-196** |
| Financial profit | 343 | 330 | 384 | 383 | 382 |
| Financial costs | 742 | 643 | 626 | 611 | 597 |
| Equity-method gains (losses) | 23 | -22 | -80 | -64 | -51 |
| Other | -276 | 389 | 70 | 70 | 70 |
| **Pre-tax profit** | **-605** | **376** | **331** | **448** | **525** |
| Taxes | -32 | 130 | 91 | 123 | 144 |
| Effective tax rate (%) | 5.3 | 34.5 | 27.5 | 27.5 | 27.5 |
| Profit from continuing operations | -573 | 246 | 240 | 325 | 381 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-573** | **246** | **240** | **325** | **381** |
| Net margin (%) | -2.0 | 0.9 | 0.8 | 1.1 | 1.2 |
| Net profit (controlling interests) | -590 | 136 | 200 | 325 | 381 |
| Net profit (non-controlling interests) | 17 | 110 | 40 | 0 | 0 |
| EBITDA | 1,675 | 1,812 | 2,048 | 2,164 | 2,234 |
| EBITDA margin (%) | 5.8 | 6.3 | 7.0 | 7.2 | 7.1 |
| EPS (parent-based) (KRW) | -21,166 | 4,921 | 7,238 | 11,782 | 13,793 |
| EPS (consolidated) (KRW) | -20,571 | 8,901 | 8,687 | 11,782 | 13,793 |
| Adjusted EPS (KRW)* | -21,166 | 4,921 | 7,217 | 10,303 | 12,308 |

## Balance sheet

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Current assets** | **10,429** | **6,229** | **6,496** | **6,795** | **7,021** |
| Cash & equivalents | 1,775 | 1,303 | 1,336 | 1,400 | 1,405 |
| Accounts receivable | 1,216 | 1,079 | 1,176 | 1,278 | 1,360 |
| Inventories | 2,054 | 2,089 | 2,192 | 2,289 | 2,390 |
| Other current assets | 5,384 | 1,759 | 1,792 | 1,827 | 1,865 |
| **Fixed assets** | **23,501** | **27,274** | **27,569** | **27,864** | **28,157** |
| Investment assets | 4,242 | 8,820 | 11,295 | 11,686 | 12,077 |
| Tangible assets | 9,731 | 9,572 | 9,476 | 9,380 | 9,283 |
| Intangible assets | 4,096 | 3,937 | 3,937 | 3,937 | 3,937 |
| Other long-term assets | 5,432 | 4,945 | 2,860 | 2,860 | 2,860 |
| **Total assets** | **33,931** | **33,504** | **34,065** | **34,659** | **35,178** |
| **Current liabilities** | **10,804** | **10,071** | **10,292** | **10,588** | **10,754** |
| Accounts payable | 1,393 | 1,340 | 1,387 | 1,429 | 1,473 |
| Short-term debt | 961 | 1,112 | 1,112 | 1,112 | 1,112 |
| Other current liabilities | 8,450 | 7,619 | 7,792 | 8,047 | 8,169 |
| **Long-term liabilities** | **10,042** | **9,735** | **9,897** | **9,934** | **10,000** |
| Bonds & long-term debt | 5,750 | 5,486 | 8,248 | 8,248 | 8,248 |
| Other long-term liabilities | 4,292 | 4,250 | 1,649 | 1,686 | 1,752 |
| **Total liabilities** | **20,846** | **19,807** | **20,196** | **20,531** | **20,764** |
| **Owners of parent equity** | **10,391** | **10,999** | **11,172** | **11,430** | **11,717** |
| Capital stock | 139 | 139 | 139 | 139 | 139 |
| Capital surplus | 4,208 | 4,220 | 4,220 | 4,220 | 4,220 |
| Retained earnings | 4,638 | 4,705 | 4,878 | 5,136 | 5,423 |
| Other | 1,405 | 1,935 | 1,935 | 1,935 | 1,935 |
| **Non-controlling interests' equity** | **2,694** | **2,698** | **2,698** | **2,698** | **2,698** |
| **Total equity** | **13,085** | **13,697** | **13,870** | **14,128** | **14,415** |
| Net debt | 10,327 | 9,983 | 9,777 | 9,714 | 9,710 |

## Cash flow statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **1,460** | **1,319** | **1,590** | **1,614** | **1,579** |
| Net profit | -573 | 246 | 240 | 325 | 381 |
| Non-cash profit and expenses | 2,775 | 2,102 | 1,499 | 1,448 | 1,340 |
| Depreciation | 1,382 | 1,335 | 1,315 | 1,335 | 1,347 |
| Amortization | 246 | 154 | 151 | 158 | 166 |
| Other | 1,146 | 613 | 33 | -46 | -174 |
| Changes in A/L from operating activities | -372 | -632 | -149 | -159 | -142 |
| **Cash flow from investments** | **-892** | **-1,070** | **-869** | **-862** | **-859** |
| Change in tangible assets | -626 | -555 | -544 | -543 | -537 |
| Change in financial assets | 64 | -399 | -283 | -283 | -283 |
| Other | -329 | -115 | -42 | -36 | -39 |
| **Cash flow from financing** | **-153** | **-858** | **-688** | **-688** | **-715** |
| Change in debt | 1,028 | -554 | 0 | 0 | 0 |
| Change in equity | -68 | 12 | 0 | 0 | 0 |
| Dividends | -54 | -54 | -67 | -67 | -94 |
| Other | -1,058 | -262 | -621 | -621 | -621 |
| Change in cash | 4 | -472 | 33 | 64 | 5 |
| Cash at beginning of year | 1,771 | 1,775 | 1,303 | 1,336 | 1,400 |
| Cash at end of year | 1,775 | 1,303 | 1,336 | 1,400 | 1,405 |
| **Gross cash flow** | **2,201** | **2,348** | **1,739** | **1,773** | **1,721** |
| **Free cash flow** | **809** | **596** | **879** | **904** | **875** |

## Financial ratios

| Year-end Dec 31 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | -1.5 | -0.2 | 0.4 | 4.0 | 4.1 |
| Operating profit | nm | 584.8 | 80.6 | 15.1 | 7.5 |
| Net profit | nm | nm | -2.7 | 35.6 | 17.1 |
| Adjusted EPS** | nm | nm | 46.7 | 42.8 | 19.5 |
| **Per-share data (KRW)** | | | | | |
| EPS (parent-based) | -21,166 | 4,921 | 7,238 | 11,782 | 13,793 |
| EPS (consolidated) | -20,571 | 8,901 | 8,687 | 11,782 | 13,793 |
| Adjusted EPS** | -21,166 | 4,921 | 7,217 | 10,303 | 12,308 |
| BVPS | 391,809 | 386,435 | 400,549 | 408,335 | 418,181 |
| DPS (common) | 2,000 | 2,500 | 2,500 | 3,500 | 4,000 |
| **Valuations (x)** | | | | | |
| P/E*** | n/a | 16.5 | 14.1 | 9.9 | 8.3 |
| P/B*** | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 |
| EV/EBITDA | 8.8 | 8.2 | 6.1 | 5.8 | 5.7 |
| **Ratios (%)** | | | | | |
| ROE | -2.5 | 2.3 | 1.7 | 2.3 | 2.3 |
| ROA | -1.7 | 0.7 | 0.7 | 0.9 | 1.1 |
| ROIC | 0.2 | 1.3 | 3.0 | 3.5 | 3.8 |
| Payout ratio | -339.0 | 1,835.6 | 33.5 | 20.6 | 17.6 |
| Dividend yield (common) | 3.2 | 3.1 | 2.5 | 3.4 | 3.9 |
| Net debt to equity | 78.9 | 72.9 | 70.5 | 68.8 | 67.4 |
| Interest coverage (x) | 0.1 | 0.6 | 1.2 | 1.4 | 1.5 |

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

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2026. 4. 28


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# GS Retail (007070)

## Entering period of earnings stability

- We believe GS Retail will report a 1Q consolidated operating profit of KRW51.6b, meeting consensus.
- Its convenience store unit has enjoyed solid SSS growth growth since 3Q, and its other businesses also likely achieved earnings growth in 1Q.
- The retailer's convenience-store and supermarket operations have been able to keep on top of their fixed costs by slowing the pace of net-store additions. The company is expected to stick with its profitability-focused strategy.

### WHAT'S THE STORY?

**1Q preview:** We believe GS Retail's 1Q consolidated sales and operating profit rose 2.7% and 33.4% y-y, respectively, to KRW2.8t and KRW51.6b, the latter in line with consensus. The convenience store operation's SSS growth likely remained solid at around 3% y-y in 1Q26, continuing the strong momentum observed since 3Q. Although its net store additions should be limited in 2026, tighter fixed-cost controls: 1) likely enhanced its profitability in 1Q; and 2) should remain in place throughout the year. Meanwhile, the supermarket unit, whose earnings shrank in 2025, likely reported positive SSS growth in 1Q26 thanks to the low base. Most of the firm's business units likely recorded stable results.

*(Continued on the next page)*

### AT A GLANCE

**BUY**

| | | |
|---|---|---|
| Target price | KRW28,500 | 20.8% |
| **Current price** | **KRW23,600** | |
| Market cap | KRW2.0t/USD1.4b | |
| Shares (float) | 83,607,415 (41.3%) | |
| 52-week high/low | KRW23,700/KRW13,620 | |
| Avg daily trading value (60-day) | KRW4.4b/ USD2.9m | |

### ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|---|---|---|---|
| GS Retail (%) | 15.4 | 40.1 | 67.5 |
| Vs Kospi (%pts) | 7.3 | -14.1 | -33.1 |

### KEY CHANGES

| (KRW) | New | Old | Diff |
|---|---|---|---|
| Recommend. | BUY | BUY | |
| Target price | 28,500 | 28,000 | 1.8% |
| 2026E EPS | 2,089 | 2,038 | 2.5% |
| 2027E EPS | 2,272 | 2,232 | 1.8% |

### SAMSUNG vs THE STREET

| | |
|---|---|
| No of estimates | 10 |
| Target price | 27,700 |
| Recommendation | 4.0 |

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

### SUMMARY FINANCIAL DATA

| | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Revenue (KRWb) | 11,957 | 12,238 | 12,579 | 12,865 |
| Operating profit (KRWb) | 292 | 319 | 335 | 347 |
| Net profit (adj) (KRWb) | 50 | 175 | 190 | 202 |
| EPS (adj) (KRW) | 1,543 | 2,089 | 2,272 | 2,411 |
| EPS (adj) growth (% y-y) | nm | 35.4 | 8.8 | 6.1 |
| EBITDA margin (%) | 8.6 | 7.2 | 7.4 | 7.4 |
| ROE (%) | 4.0 | 5.2 | 5.5 | 5.5 |
| P/E (adj) (x) | 38.7 | 11.2 | 10.3 | 9.7 |
| P/B (x) | 0.5 | 0.6 | 0.6 | 0.5 |
| EV/EBITDA (x) | 3.9 | 4.0 | 3.9 | 3.9 |
| Dividend yield (%) | 3.0 | 2.6 | 2.6 | 2.6 |

Source: Company data, Samsung Securities estimates

**Maintaining BUY rating:** GS Retail has been intentionally slowing the pace of net-store openings of both its convenience stores and supermarkets to prioritize profitability—it has been disciplined towards its fixed costs. The home shopping business has been shifting its product mix towards higher-margin categories, including fashion. This underscores a clear company-wide focus on margin improvement. While the convenience store's sales growth in 2Q26 may come in lower than that booked in 3Q25, the high oil price support fund should provide a short-term boost to its convenience-store sales. Reflecting on a rise in its peers' valuation multiples, we increase our target by 2% to KRW28,500.

### GS Retail: Results and forecasts

| (KRWb) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26E | 2Q26E | 3Q26E | 4Q26E | 2025 | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **2,761.3** | **2,980.6** | **3,205.4** | **3,026.0** | **2,835.3** | **3,071.6** | **3,256.1** | **3,075.4** | **11,957.2** | **12,238.3** | **12,579.4** |
| Convenience store | 2,012.3 | 2,225.7 | 2,448.5 | 2,253.1 | 2,065.8 | 2,288.8 | 2,465.0 | 2,283.9 | 8,939.6 | 9,103.5 | 9,306.2 |
| SSM | 416.0 | 426.7 | 459.4 | 440.4 | 443.8 | 453.7 | 482.3 | 463.9 | 1,742.5 | 1,843.8 | 1,968.3 |
| Home shopping | 257.8 | 265.8 | 247.5 | 278.0 | 271.0 | 275.2 | 254.7 | 272.9 | 1,049.1 | 1,073.9 | 1,086.7 |
| Development | 8.9 | 8.1 | 8.3 | 8.9 | 9.2 | 8.3 | 8.5 | 9.2 | 34.2 | 35.2 | 36.3 |
| Other | 66.3 | 54.3 | 41.7 | 45.6 | 45.5 | 45.5 | 45.5 | 45.5 | 207.8 | 182.0 | 182.0 |
| **Operating profit** | **38.7** | **84.5** | **111.1** | **53.3** | **51.6** | **94.6** | **108.7** | **63.9** | **291.6** | **318.8** | **335.2** |
| Convenience store | 17.2 | 59.0 | 85.1 | 24.8 | 23.9 | 67.5 | 85.7 | 32.0 | 186.1 | 209.1 | 218.7 |
| SSM | 7.8 | 5.4 | 9.2 | 4.7 | 8.3 | 6.2 | 10.6 | 5.4 | 27.1 | 30.6 | 33.6 |
| Home shopping | 22.4 | 25.2 | 11.6 | 33.7 | 24.1 | 25.5 | 17.0 | 31.2 | 92.9 | 97.8 | 99.2 |
| Development | 0.3 | 1.9 | 0.0 | -5.0 | -0.7 | -0.7 | -0.7 | -0.7 | -2.8 | -2.8 | -2.8 |
| Other | -9.0 | -7.0 | 5.2 | -4.9 | -4.0 | -4.0 | -4.0 | -4.0 | -15.7 | -15.9 | -13.5 |
| Pre-tax profit | 12.1 | 17.0 | 111.1 | -56.2 | 19.5 | 64.1 | 79.7 | 36.7 | 79.1 | 241.1 | 262.2 |
| Net profit | 4.8 | 14.2 | 90.3 | -59.1 | 14.2 | 46.5 | 57.8 | 26.6 | 50.2 | 175.1 | 190.4 |
| Net profit (controlling interests) | 6.7 | 15.3 | 94.5 | -73.1 | 15.3 | 50.2 | 62.5 | 28.8 | 43.4 | 188.8 | 190.3 |
| **Change (% y-y)** | | | | | | | | | | | |
| **Sales** | **-1.7** | **1.5** | **4.9** | **3.1** | **2.7** | **3.1** | **1.6** | **1.6** | **2.0** | **2.2** | **2.8** |
| Convenience store | 2.2 | 1.5 | 6.1 | 2.5 | 2.7 | 2.8 | 0.7 | 1.4 | 3.2 | 1.8 | 2.2 |
| SSM | 9.2 | 8.3 | 8.5 | 7.5 | 6.7 | 6.3 | 5.0 | 5.3 | 8.4 | 5.8 | 6.8 |
| Home shopping | -6.7 | -2.7 | -1.4 | 10.5 | 5.1 | 3.5 | 2.9 | -1.8 | -0.3 | 2.4 | 1.2 |
| Development | -8.2 | -20.6 | 2.5 | 11.3 | 3.0 | 3.0 | 3.0 | 3.0 | -5.0 | 3.0 | 3.0 |
| Other | 1.3 | -17.3 | -36.1 | -32.8 | -31.4 | -16.1 | 9.1 | -0.2 | -21.3 | -12.4 | 0.0 |
| **Operating profit** | **-47.7** | **4.3** | **37.8** | **92.4** | **33.4** | **12.0** | **-2.2** | **19.9** | **9.3** | **10.8** | **5.2** |
| Convenience store | -34.6 | -9.1 | 16.7 | -18.7 | 38.7 | 14.5 | 0.7 | 29.0 | -4.4 | 12.3 | 4.6 |
| SSM | -21.2 | -16.9 | -33.8 | 291.7 | 6.7 | 14.7 | 15.5 | 15.2 | -14.0 | 12.7 | 9.9 |
| Home shopping | -31.7 | -7.4 | -37.6 | 18.2 | 7.6 | 1.3 | 46.8 | -7.5 | -13.3 | 5.3 | 1.4 |
| Development | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Other | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Pre-tax profit | n/a | n/a | n/a | n/a | 60.7 | 276.5 | -28.2 | n/a | 167.3 | 138.1 | 10.5 |
| Net profit | n/a | n/a | n/a | n/a | 194.3 | 226.8 | -36.0 | n/a | 413.1 | 188.8 | 10.5 |
| Net profit (controlling interests) | n/a | n/a | n/a | n/a | 127.4 | 228.8 | -33.9 | n/a | 1,604.9 | 261.0 | 10.5 |
| **Margins (%)** | | | | | | | | | | | |
| **Operating margin** | **1.4** | **2.8** | **3.5** | **1.8** | **1.8** | **3.1** | **3.3** | **2.1** | **2.4** | **2.6** | **2.7** |
| Convenience store | 0.9 | 2.7 | 3.5 | 1.1 | 1.2 | 3.0 | 3.5 | 1.4 | 2.1 | 2.3 | 2.4 |
| SSM | 1.9 | 1.3 | 2.0 | 1.1 | 1.9 | 1.4 | 2.2 | 1.2 | 1.6 | 1.7 | 1.7 |
| Home shopping | 8.7 | 9.5 | 4.7 | 12.1 | 8.9 | 9.3 | 6.7 | 11.4 | 8.9 | 9.1 | 9.1 |
| Development | 3.4 | 23.5 | 0.0 | -56.2 | -7.6 | -8.4 | -8.2 | -7.6 | -8.2 | -7.9 | -7.7 |
| Pre-tax margin | 0.4 | 0.6 | 3.5 | -1.9 | 0.7 | 2.1 | 2.4 | 1.2 | 0.7 | 1.6 | 1.8 |
| Net margin | 0.2 | 0.5 | 2.8 | -2.0 | 0.5 | 1.5 | 1.8 | 0.9 | 0.4 | 1.4 | 1.5 |
| Net margin (controlling interests) | 0.2 | 0.5 | 2.9 | -2.4 | 0.5 | 1.6 | 1.9 | 0.9 | 0.4 | 1.3 | 1.4 |

Note: Hotel division included through 1Q24
Source: Company data, Samsung Securities estimates

**GS Retail: Sum-of-the-parts valuation**

| (KRWb) | |
|---|---|
| **Enterprise value** | **2,382.2** |
| **1) Convenience store business** | **1,955.5** |
| - 2026 net profit | 126.6 |
| - Target P/E (x)* | 15.4 |
| **2) Other retail business** | **426.7** |
| - 2026 net profit | 62.1 |
| - Target P/E (x)** | 6.9 |
| Enterprise value | 2,382 |
| Outstanding shares | 83,607,415 |
| **Target price (KRW)** | **28,500** |

Note: * 25% discount applied to Japanese convenience store peer valuation to reflect differences in revenue scale
** 35% discount to Korean retail sector average to reflect weaker sales recovery than department stores amid consumption polarization
Source: Bloomberg, Samsung Securities estimates

## Income statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Sales** | **11,579** | **11,957** | **12,238** | **12,579** | **12,865** |
| Cost of goods sold | 8,700 | 9,046 | 9,260 | 9,512 | 9,711 |
| **Gross profit** | **2,879** | **2,912** | **2,978** | **3,067** | **3,154** |
| Gross margin (%) | 24.9 | 24.4 | 24.3 | 24.4 | 24.5 |
| SG&A expenses | 2,623 | 2,620 | 2,660 | 2,732 | 2,807 |
| **Operating profit** | **256** | **292** | **319** | **335** | **347** |
| Operating margin (%) | 2.2 | 2.4 | 2.6 | 2.7 | 2.7 |
| **Non-operating gains (losses)** | **-205** | **-213** | **-78** | **-73** | **-69** |
| Financial profit | 82 | 130 | 52 | 51 | 51 |
| Financial costs | 204 | 168 | 104 | 99 | 94 |
| Equity-method gains (losses) | -40 | -102 | -25 | -25 | -25 |
| Other | -43 | -73 | 0 | 0 | 0 |
| **Pre-tax profit** | **51** | **79** | **241** | **262** | **278** |
| Taxes | 41 | 29 | 66 | 72 | 76 |
| Effective tax rate (%) | 80.8 | 36.2 | 27.5 | 27.5 | 27.5 |
| Profit from continuing operations | -0 | 61 | 175 | 190 | 202 |
| Profit from discontinued operations | 10 | -10 | 0 | 0 | 0 |
| **Net profit** | **10** | **50** | **175** | **190** | **202** |
| Net margin (%) | 0.1 | 0.4 | 1.4 | 1.5 | 1.6 |
| Net profit (controlling interests) | 3 | 43 | 189 | 190 | 202 |
| Net profit (non-controlling interests) | 7 | 7 | -14 | 0 | 0 |
| EBITDA | 1,017 | 1,027 | 876 | 931 | 953 |
| EBITDA margin (%) | 8.8 | 8.6 | 7.2 | 7.4 | 7.4 |
| EPS (parent-based) (KRW) | 25 | 519 | 2,257 | 2,272 | 2,411 |
| EPS (consolidated) (KRW) | 95 | 601 | 2,089 | 2,272 | 2,411 |
| Adjusted EPS (KRW)* | -2,884 | 1,543 | 2,089 | 2,272 | 2,411 |

## Balance sheet

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Current assets** | **1,481** | **1,798** | **1,942** | **2,092** | **2,240** |
| Cash & equivalents | 93 | 294 | 286 | 270 | 243 |
| Accounts receivable | 424 | 462 | 527 | 570 | 627 |
| Inventories | 307 | 337 | 379 | 449 | 509 |
| Other current assets | 657 | 704 | 750 | 804 | 862 |
| **Fixed assets** | **6,100** | **5,685** | **5,757** | **5,826** | **5,895** |
| Investment assets | 1,176 | 1,056 | 3,444 | 3,474 | 3,505 |
| Tangible assets | 1,542 | 1,429 | 1,470 | 1,509 | 1,546 |
| Intangible assets | 233 | 171 | 171 | 171 | 171 |
| Other long-term assets | 3,150 | 3,029 | 672 | 672 | 672 |
| **Total assets** | **7,582** | **7,483** | **7,699** | **7,918** | **8,134** |
| **Current liabilities** | **1,898** | **1,996** | **2,094** | **2,181** | **2,269** |
| Accounts payable | 436 | 481 | 503 | 544 | 585 |
| Short-term debt | 74 | 16 | 16 | 16 | 16 |
| Other current liabilities | 1,389 | 1,498 | 1,575 | 1,621 | 1,667 |
| **Long-term liabilities** | **2,502** | **2,211** | **2,197** | **2,189** | **2,164** |
| Bonds & long-term debt | 504 | 299 | 1,813 | 1,813 | 1,813 |
| Other long-term liabilities | 1,998 | 1,912 | 384 | 376 | 352 |
| **Total liabilities** | **4,400** | **4,207** | **4,298** | **4,378** | **4,443** |
| **Owners of parent equity** | **3,207** | **3,284** | **3,409** | **3,549** | **3,700** |
| Capital stock | 84 | 84 | 84 | 84 | 84 |
| Capital surplus | 980 | 980 | 980 | 980 | 980 |
| Retained earnings | 2,714 | 2,757 | 2,882 | 3,021 | 3,173 |
| Other | -570 | -536 | -536 | -536 | -536 |
| **Non-controlling interests' equity** | **-25** | **-8** | **-8** | **-8** | **-8** |
| **Total equity** | **3,182** | **3,276** | **3,401** | **3,540** | **3,692** |
| Net debt | 2,791 | 2,317 | 2,224 | 2,241 | 2,269 |

## Cash flow statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **660** | **939** | **759** | **753** | **730** |
| Net profit | 10 | 50 | 175 | 190 | 202 |
| Non-cash profit and expenses | 1,141 | 1,009 | 709 | 713 | 686 |
| Depreciation | 724 | 696 | 519 | 557 | 567 |
| Amortization | 37 | 39 | 38 | 38 | 38 |
| Other | 380 | 274 | 151 | 118 | 80 |
| Changes in A/L from operating activities | -318 | 14 | -124 | -151 | -158 |
| **Cash flow from investments** | **-352** | **-78** | **-100** | **-101** | **-89** |
| Change in tangible assets | -422 | -218 | -247 | -249 | -237 |
| Change in financial assets | -2 | -7 | 152 | 152 | 152 |
| Other | 72 | 146 | -5 | -5 | -4 |
| **Cash flow from financing** | **-649** | **-659** | **-667** | **-667** | **-667** |
| Change in debt | -425 | -252 | -614 | -614 | -614 |
| Change in equity | -250 | 0 | 0 | 0 | 0 |
| Dividends | -59 | -42 | -50 | -50 | -50 |
| Other | 86 | -365 | -3 | -3 | -3 |
| Change in cash | -338 | 201 | -9 | -16 | -27 |
| Cash at beginning of year | 432 | 93 | 294 | 286 | 270 |
| Cash at end of year | 93 | 294 | 286 | 270 | 243 |
| **Gross cash flow** | **1,151** | **1,059** | **883** | **903** | **888** |
| **Free cash flow** | **221** | **708** | **501** | **491** | **481** |

## Financial ratios

| Year-end Dec 31 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | 4.0 | 3.3 | 2.3 | 2.8 | 2.3 |
| Operating profit | -12.2 | 14.1 | 9.1 | 5.2 | 3.5 |
| Net profit | -55.8 | 413.1 | 247.6 | 8.8 | 6.1 |
| Adjusted EPS** | n/a | n/a | 35.4 | 8.8 | 6.1 |
| **Per-share data (KRW)** | | | | | |
| EPS (parent-based) | 25 | 519 | 2,257 | 2,272 | 2,411 |
| EPS (consolidated) | 95 | 601 | 2,089 | 2,272 | 2,411 |
| Adjusted EPS** | -2,884 | 1,543 | 2,089 | 2,272 | 2,411 |
| BVPS | 38,375 | 39,303 | 40,793 | 42,466 | 44,278 |
| DPS (common) | 500 | 600 | 600 | 600 | 600 |
| **Valuations (x)** | | | | | |
| P/E*** | 666.9 | 38.7 | 11.2 | 10.3 | 9.7 |
| P/B*** | 0.4 | 0.5 | 0.6 | 0.6 | 0.5 |
| EV/EBITDA | 4.1 | 3.9 | 4.0 | 3.9 | 3.9 |
| **Ratios (%)** | | | | | |
| ROE | -7.8 | 4.0 | 5.2 | 5.5 | 5.5 |
| ROA | 0.1 | 0.7 | 2.3 | 2.4 | 2.5 |
| ROIC | -0.0 | 4.5 | 7.1 | 10.8 | 10.8 |
| Payout ratio | n/a | n/a | 28.7 | 26.4 | 24.9 |
| Dividend yield (common) | 3.0 | 3.0 | 2.6 | 2.6 | 2.6 |
| Net debt to equity | 87.7 | 70.7 | 65.4 | 63.3 | 61.5 |
| Interest coverage (x) | 2.4 | 2.7 | 3.1 | 3.4 | 3.7 |

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

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2026. 4. 28


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# BGF Retail (282330)

## Stable earnings growth intact

- We forecast BGF Retail will post an in-line 1Q consolidated operating profit of KRW29.5b.
- SSS growth at its convenience store business has persisted since 3Q25.
- The government's high oil price relief cash support program, which is set to be launched in 2Q, is expected to provide a short-term sales boost, though likely smaller in magnitude than the impact of the 3Q25 support program.

### WHAT'S THE STORY?

**1Q preview—earnings momentum robust:** We forecast BGF Retail will post 1Q consolidated sales of KRW2.1t (up 4.3% y-y) and an operating profit of KRW29.5b (up 30.2% y-y), the latter in line with consensus. SSS growth at the convenience store operation likely reached a mid-2% level, sustaining the recovery trend seen since 3Q25. Continued net-store growth also likely supported top-line hikes, positioning the company as one of the fastest-growing players in Korea's convenience store sector. Also positive for its 1Q earnings was a likely slowdown in fixed-cost growth (*eg*, depreciation; falling fixed-cost growth since 3Q25), reflecting improved cost discipline (its fixed costs rose rapidly in 2Q25).

*(Continued on the next page)*

### AT A GLANCE

**BUY**

| | | |
|---|---|---|
| Target price | KRW170,000 | 28% |
| **Current price** | **KRW132,800** | |
| Market cap | KRW2.3t/USD1.6b | |
| Shares (float) | 17,283,906 (49.7%) | |
| 52-week high/low | KRW147,800/KRW99,000 | |
| Avg daily trading value (60-day) | KRW8.1b/ USD5.5m | |

### ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|---|---|---|---|
| BGF Retail (%) | 6.9 | 24.7 | 26.5 |
| Vs Kospi (%pts) | -0.6 | -23.5 | -49.5 |

### KEY CHANGES

| (KRW) | New | Old | Diff |
|---|---|---|---|
| Recommend. | BUY | BUY | |
| Target price | 170,000 | 162,000 | 4.9% |
| 2026E EPS | 10,983 | 10,390 | 5.7% |
| 2027E EPS | 11,831 | 11,075 | 6.8% |

### SAMSUNG vs THE STREET

| | |
|---|---|
| No of estimates | 13 |
| Target price | 165,462 |
| Recommendation | 4.0 |

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

### SUMMARY FINANCIAL DATA

| | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Revenue (KRWb) | 9,061 | 9,420 | 9,842 | 10,229 |
| Operating profit (KRWb) | 254 | 276 | 293 | 308 |
| Net profit (adj) (KRWb) | 195 | 190 | 204 | 217 |
| EPS (adj) (KRW) | 11,324 | 10,983 | 11,831 | 12,576 |
| EPS (adj) growth (% y-y) | 0.0 | -2.8 | 7.7 | 6.3 |
| EBITDA margin (%) | 8.7 | 8.6 | 8.4 | 8.3 |
| ROE (%) | 15.6 | 13.8 | 13.7 | 13.3 |
| P/E (adj) (x) | 9.3 | 12.2 | 11.3 | 10.6 |
| P/B (x) | 1.4 | 1.6 | 1.5 | 1.4 |
| EV/EBITDA (x) | 3.0 | 3.0 | 2.9 | 2.8 |
| Dividend yield (%) | 3.9 | 3.2 | 3.4 | 3.5 |

Source: Company data, Samsung Securities estimates

**Maintain BUY:** The government's high oil price relief cash support program, which is designed to alleviate energy and inflationary pressure stemming from the Middle East conflict, will be disbursed from Apr 27, with the majority of payments set to begin on May 18. The vouchers must be used by Aug 31 and resemble the structure of the 3Q25 livelihood stabilization consumption coupons. As such, convenience stores are expected to benefit again. However, with a total budget of KRW6.1t—roughly half the amount that was disbursed in 3Q25—the impact is expected to be more modest than last time. Still, the timing of this support, which aligns with the 2Q peak season, is likely to provide a meaningful near-term earnings tailwind. Accordingly, we maintain BUY. Based on an upward revision to our full-year operating profit forecast by 5%, we also raise our 12-month target price by 5% to KRW170,000 (based on 15.4x P/E, a 25% discount to Japanese convenience store valuation multiples).

### BGF Retail: Results and forecasts

| (KRWb) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26E | 2Q26E | 3Q26E | 4Q26E | 2025 | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **2,016.5** | **2,290.1** | **2,462.2** | **2,292.4** | **2,104.0** | **2,395.0** | **2,539.8** | **2,381.0** | **9,061.2** | **9,419.8** | **9,842.1** |
| Parent | 1,975.3 | 2,238.3 | 2,405.8 | 2,238.7 | 2,056.7 | 2,341.5 | 2,481.1 | 2,325.2 | 8,858.1 | 9,204.5 | 9,618.3 |
| Food | 270.6 | 298.2 | 311.5 | 333.2 | 284.7 | 313.4 | 322.4 | 348.6 | 1,213.6 | 1,269.0 | 1,339.3 |
| Processed food | 849.4 | 1,021.4 | 1,121.1 | 914.5 | 893.5 | 1,073.5 | 1,160.0 | 956.7 | 3,906.4 | 4,083.8 | 4,310.4 |
| Cigarettes | 754.6 | 808.7 | 839.6 | 874.7 | 772.5 | 839.1 | 860.6 | 898.1 | 3,277.5 | 3,370.3 | 3,460.4 |
| Non-food | 100.7 | 109.9 | 133.5 | 116.4 | 106.0 | 115.5 | 138.2 | 121.8 | 460.6 | 481.5 | 508.2 |
| Subsidiaries | 41.1 | 51.9 | 56.5 | 53.6 | 47.3 | 53.4 | 58.7 | 55.8 | 203.1 | 215.2 | 223.8 |
| **Gross profit** | **369.6** | **429.4** | **464.2** | **423.9** | **388.6** | **454.1** | **475.2** | **445.5** | **1,687.0** | **1,763.3** | **1,844.4** |
| Parent | 354.3 | 410.7 | 444.2 | 407.4 | 370.9 | 434.3 | 455.6 | 425.5 | 1,616.6 | 1,686.3 | 1,762.1 |
| Subsidiaries | 15.3 | 18.7 | 19.9 | 16.5 | 17.6 | 19.8 | 19.6 | 20.0 | 70.5 | 77.0 | 82.3 |
| SG&A costs | 347.0 | 359.9 | 366.5 | 359.6 | 359.1 | 374.0 | 379.7 | 374.4 | 1,433.1 | 1,487.3 | 1,551.3 |
| Parent | 331.1 | 350.4 | 360.7 | 352.4 | 342.4 | 364.1 | 373.6 | 366.4 | 1,394.6 | 1,446.5 | 1,508.4 |
| Subsidiaries | 15.9 | 9.5 | 5.8 | 7.3 | 16.7 | 10.0 | 6.1 | 8.0 | 38.5 | 40.8 | 42.8 |
| **Operating profit** | **22.6** | **69.4** | **97.6** | **64.3** | **29.5** | **80.0** | **95.5** | **71.1** | **253.9** | **276.0** | **293.2** |
| Parent | 23.2 | 60.2 | 83.5 | 55.1 | 28.5 | 70.2 | 82.0 | 59.1 | 222.0 | 239.8 | 253.7 |
| Subsidiaries | -0.5 | 9.2 | 14.1 | 9.2 | 1.0 | 9.8 | 13.4 | 12.0 | 32.0 | 36.2 | 39.5 |
| Pre-tax profit | 17.3 | 66.9 | 99.1 | 63.9 | 26.0 | 76.0 | 91.9 | 68.0 | 247.2 | 261.8 | 282.0 |
| **Net profit** | **13.4** | **52.8** | **79.3** | **49.8** | **18.8** | **55.1** | **66.6** | **49.3** | **195.3** | **189.8** | **204.5** |
| **Net profit (controlling interests)** | **13.4** | **52.8** | **79.3** | **49.8** | **18.8** | **55.1** | **66.6** | **49.3** | **195.3** | **189.8** | **204.5** |
| **Change (% y-y)** | | | | | | | | | | | |
| **Sales** | **3.2** | **4.0** | **5.9** | **3.4** | **4.3** | **4.6** | **3.2** | **3.9** | **4.2** | **4.0** | **4.5** |
| Parent | 1.3 | 2.9 | 5.0 | 2.8 | 4.1 | 4.6 | 3.1 | 3.9 | 3.1 | 3.9 | 4.5 |
| Food | 2.0 | 10.1 | 20.1 | -1.6 | 5.2 | 5.1 | 3.5 | 4.6 | 7.0 | 4.6 | 5.5 |
| Processed food | 2.3 | 1.3 | -0.3 | 6.4 | 5.2 | 5.1 | 3.5 | 4.6 | 2.2 | 4.5 | 5.5 |
| Cigarettes | 1.6 | 3.8 | 4.9 | 1.1 | 2.4 | 3.8 | 2.5 | 2.7 | 2.8 | 2.8 | 2.7 |
| Non-food | -9.4 | -5.0 | 25.1 | 2.8 | 5.2 | 5.1 | 3.5 | 4.6 | 3.1 | 4.5 | 5.6 |
| Subsidiaries | 970.5 | 81.5 | 62.2 | 36.1 | 15.0 | 3.0 | 4.0 | 4.0 | 90.5 | 6.0 | 4.0 |
| **Gross profit** | **2.4** | **3.2** | **5.5** | **3.8** | **5.1** | **5.8** | **2.4** | **5.1** | **3.8** | **4.5** | **4.6** |
| Parent | 0.3 | 1.1 | 3.8 | 3.9 | 4.7 | 5.8 | 2.6 | 4.4 | 2.3 | 4.3 | 4.5 |
| Subsidiaries | 95.7 | 89.1 | 64.9 | 1.0 | 15.0 | 5.9 | -1.9 | 21.1 | 52.7 | 9.2 | 6.9 |
| **SG&A** | **-30.7** | **-8.9** | **7.1** | **24.4** | **30.2** | **15.3** | **-2.2** | **10.6** | **0.9** | **8.7** | **6.2** |
| Parent | -30.6 | -13.3 | 1.4 | 21.8 | 23.0 | 16.6 | -1.8 | 7.3 | -3.7 | 8.0 | 5.8 |
| Subsidiaries | n/a | 36.0 | 61.1 | 42.7 | n/a | 6.7 | -4.7 | 29.9 | 50.7 | 13.2 | 9.1 |
| Pre-tax profit | -44.2 | -9.5 | 11.3 | 24.2 | 50.4 | 13.7 | -7.4 | 6.4 | 0.7 | 5.9 | 7.7 |
| Net profit | -42.9 | -9.7 | 13.5 | 14.5 | 40.8 | 4.4 | -16.0 | -1.0 | 0.0 | -2.8 | 7.7 |
| Net profit (controlling interests) | -42.9 | -9.7 | 13.5 | 14.5 | 40.8 | 4.4 | -16.0 | -1.0 | 0.0 | -2.8 | 7.7 |
| **Margins (%)** | | | | | | | | | | | |
| **Gross margin** | **18.3** | **18.7** | **18.9** | **18.5** | **18.5** | **19.0** | **18.7** | **18.7** | **18.6** | **18.7** | **18.7** |
| Parent | 17.9 | 18.3 | 18.5 | 18.2 | 18.0 | 18.5 | 18.4 | 18.3 | 0.2 | 0.2 | 0.3 |
| Subsidiary | 37.3 | 36.0 | 35.3 | 36.8 | 37.3 | 37.0 | 33.3 | 35.8 | 0.0 | 0.0 | 0.0 |
| **Operating margin** | **1.1** | **3.0** | **4.0** | **2.8** | **1.4** | **3.3** | **3.8** | **3.0** | **2.8** | **2.9** | **3.0** |
| Parent | 1.2 | 2.7 | 3.5 | 2.5 | 1.4 | 3.0 | 3.3 | 2.5 | 2.5 | 2.6 | 2.6 |
| Subsidiaries | -1.3 | 17.8 | 25.0 | 17.2 | 2.0 | 18.4 | 22.9 | 21.5 | 15.8 | 16.8 | 17.6 |
| Pre-tax profit | 0.9 | 2.9 | 4.0 | 2.8 | 1.2 | 3.2 | 3.6 | 2.9 | 2.7 | 2.8 | 2.9 |
| Net profit | 0.7 | 2.3 | 3.2 | 2.2 | 0.9 | 2.3 | 2.6 | 2.1 | 2.2 | 2.0 | 2.1 |
| **Net margin (controlling interests)** | **0.7** | **2.3** | **3.2** | **2.2** | **0.9** | **2.3** | **2.6** | **2.1** | **2.2** | **2.0** | **2.1** |

Source: Company data, Samsung Securities estimates

## Income statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Sales** | **8,699** | **9,061** | **9,420** | **9,842** | **10,229** |
| Cost of goods sold | 7,073 | 7,374 | 7,656 | 7,998 | 8,310 |
| **Gross profit** | **1,626** | **1,687** | **1,763** | **1,844** | **1,919** |
| Gross margin (%) | 18.7 | 18.6 | 18.7 | 18.7 | 18.8 |
| SG&A expenses | 1,374 | 1,433 | 1,487 | 1,551 | 1,611 |
| **Operating profit** | **252** | **254** | **276** | **293** | **308** |
| Operating margin (%) | 2.9 | 2.8 | 2.9 | 3.0 | 3.0 |
| **Non-operating gains (losses)** | **-6** | **-7** | **-14** | **-11** | **-8** |
| Financial profit | 41 | 36 | 28 | 29 | 30 |
| Financial costs | 52 | 48 | 45 | 42 | 40 |
| Equity-method gains (losses) | -1 | 1 | 2 | 2 | 2 |
| Other | 6 | 5 | -0 | -0 | 0 |
| **Pre-tax profit** | **245** | **247** | **262** | **282** | **300** |
| Taxes | 50 | 52 | 72 | 78 | 82 |
| Effective tax rate (%) | 20.4 | 21.0 | 27.5 | 27.5 | 27.5 |
| Profit from continuing operations | 195 | 195 | 190 | 204 | 217 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **195** | **195** | **190** | **204** | **217** |
| Net margin (%) | 2.2 | 2.2 | 2.0 | 2.1 | 2.1 |
| Net profit (controlling interests) | 195 | 195 | 190 | 204 | 217 |
| Net profit (non-controlling interests) | 0 | 0 | 0 | 0 | 0 |
| EBITDA | 767 | 789 | 809 | 831 | 848 |
| EBITDA margin (%) | 8.8 | 8.7 | 8.6 | 8.4 | 8.3 |
| EPS (parent-based) (KRW) | 11,295 | 11,297 | 10,983 | 11,831 | 12,576 |
| EPS (consolidated) (KRW) | 11,295 | 11,297 | 10,983 | 11,831 | 12,576 |
| Adjusted EPS (KRW)* | 11,163 | 11,324 | 10,983 | 11,831 | 12,576 |

## Balance sheet

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Current assets** | **1,052** | **1,180** | **1,262** | **1,378** | **1,493** |
| Cash & equivalents | 325 | 414 | 448 | 495 | 547 |
| Accounts receivable | 168 | 192 | 210 | 237 | 265 |
| Inventories | 212 | 216 | 237 | 265 | 284 |
| Other current assets | 346 | 359 | 367 | 381 | 397 |
| **Fixed assets** | **2,351** | **2,376** | **2,445** | **2,512** | **2,581** |
| Investment assets | 351 | 349 | 1,429 | 1,472 | 1,517 |
| Tangible assets | 834 | 887 | 914 | 938 | 963 |
| Intangible assets | 79 | 74 | 74 | 74 | 74 |
| Other long-term assets | 1,087 | 1,066 | 27 | 27 | 27 |
| **Total assets** | **3,403** | **3,556** | **3,706** | **3,890** | **4,075** |
| **Current liabilities** | **1,296** | **1,328** | **1,390** | **1,460** | **1,529** |
| Accounts payable | 609 | 621 | 659 | 702 | 745 |
| Short-term debt | 3 | 0 | 0 | 0 | 0 |
| Other current liabilities | 684 | 707 | 731 | 757 | 784 |
| **Long-term liabilities** | **922** | **915** | **878** | **860** | **835** |
| Bonds & long-term debt | 582 | 552 | 552 | 552 | 552 |
| Other long-term liabilities | 340 | 363 | 326 | 308 | 283 |
| **Total liabilities** | **2,218** | **2,243** | **2,274** | **2,328** | **2,373** |
| **Owners of parent equity** | **1,184** | **1,313** | **1,432** | **1,562** | **1,702** |
| Capital stock | 17 | 17 | 17 | 17 | 17 |
| Capital surplus | 322 | 322 | 322 | 322 | 322 |
| Retained earnings | 831 | 959 | 1,078 | 1,208 | 1,348 |
| Other | 14 | 15 | 15 | 15 | 15 |
| **Non-controlling interests' equity** | **0** | **0** | **0** | **0** | **0** |
| **Total equity** | **1,184** | **1,313** | **1,432** | **1,562** | **1,702** |
| Net debt | 295 | 178 | 144 | 97 | 45 |

## Cash flow statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **769** | **771** | **780** | **776** | **786** |
| Net profit | 195 | 195 | 190 | 204 | 217 |
| Non-cash profit and expenses | 593 | 617 | 600 | 595 | 588 |
| Depreciation | 506 | 524 | 523 | 527 | 529 |
| Amortization | 9 | 10 | 10 | 10 | 11 |
| Other | 77 | 83 | 67 | 58 | 48 |
| Changes in A/L from operating activities | 28 | 2 | -10 | -24 | -19 |
| **Cash flow from investments** | **-346** | **-272** | **-339** | **-319** | **-320** |
| Change in tangible assets | -218 | -238 | -277 | -257 | -259 |
| Change in financial assets | -0 | 10 | -58 | -58 | -58 |
| Other | -127 | -43 | -4 | -4 | -3 |
| **Cash flow from financing** | **-400** | **-409** | **-406** | **-410** | **-413** |
| Change in debt | -21 | -16 | 0 | 0 | 0 |
| Change in equity | 0 | 0 | 0 | 0 | 0 |
| Dividends | -71 | -71 | -71 | -74 | -78 |
| Other | -309 | -322 | -335 | -335 | -335 |
| Change in cash | 22 | 89 | 34 | 47 | 52 |
| Cash at beginning of year | 302 | 325 | 414 | 448 | 495 |
| Cash at end of year | 325 | 414 | 448 | 495 | 547 |
| **Gross cash flow** | **788** | **813** | **790** | **800** | **806** |
| **Free cash flow** | **550** | **529** | **502** | **517** | **525** |

## Financial ratios

| Year-end Dec 31 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | 6.2 | 4.2 | 4.0 | 4.5 | 3.9 |
| Operating profit | -0.6 | 0.9 | 8.7 | 6.2 | 5.0 |
| Net profit | -0.3 | 0.0 | -2.8 | 7.7 | 6.3 |
| Adjusted EPS** | -1.4 | 1.4 | -3.0 | 7.7 | 6.3 |
| **Per-share data (KRW)** | | | | | |
| EPS (parent-based) | 11,295 | 11,297 | 10,983 | 11,831 | 12,576 |
| EPS (consolidated) | 11,295 | 11,297 | 10,983 | 11,831 | 12,576 |
| Adjusted EPS** | 11,163 | 11,324 | 10,983 | 11,831 | 12,576 |
| BVPS | 68,546 | 76,009 | 82,898 | 90,435 | 98,518 |
| DPS (common) | 4,100 | 4,100 | 4,300 | 4,500 | 4,700 |
| **Valuations (x)** | | | | | |
| P/E*** | 9.1 | 9.3 | 12.2 | 11.3 | 10.6 |
| P/B*** | 1.5 | 1.4 | 1.6 | 1.5 | 1.4 |
| EV/EBITDA | 3.2 | 3.0 | 3.0 | 2.9 | 2.8 |
| **Ratios (%)** | | | | | |
| ROE | 17.3 | 15.6 | 13.8 | 13.7 | 13.3 |
| ROA | 5.9 | 5.6 | 5.2 | 5.4 | 5.5 |
| ROIC | 13.0 | 12.8 | 24.7 | 658.0 | 878.0 |
| Payout ratio | 36.3 | 36.3 | 39.1 | 38.0 | 37.4 |
| Dividend yield (common) | 4.0 | 3.9 | 3.2 | 3.4 | 3.5 |
| Net debt to equity | 57.1 | 43.9 | 10.5 | 6.7 | 3.2 |
| Interest coverage (x) | 4.9 | 5.6 | 6.2 | 6.9 | 7.7 |

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

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2026. 4. 28


Industrial Team

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# Hotel Shilla (008770)

## Sign of profitability improvement through reduced discounting

- Hotel Shilla's 1Q consolidated operating profit likely reached KRW4.7b, exceeding consensus.
- Reduced competition in the duty-free segment is enabling reduced discounting, which is likely buoying its margins.
- Profitability improvement should accelerate from 2Q following its withdrawal from Incheon International Airport DF1 terminal.

### WHAT'S THE STORY?

**To beat consensus:** We estimate that Hotel Shilla's 1Q consolidated sales rose 9.2% y-y to KRW1.06t and its operating income (KRW4.7b) turned positive (surpassing FnGuide consensus). Led by strong inbound demand, the hotel business likely continued performing well. The duty-free business also likely topped expectations, despite the ending of reduced rental fees at Incheon International Airport (IIA)—the business likely recognized deferred rental relief from overseas airport locations and a notable decline in downtown store discount rates. The withdrawal from IIA's DF1 terminal on Apr 16 should further enhance profitability at the duty-free operation from 2Q.

*(Continued on the next page)*

### AT A GLANCE

**BUY**

| | | |
|---|---|---|
| Target price | KRW63,000 | 18.2% |
| Current price | KRW53,300 | |
| Market cap | KRW2.1t/USD1.4b | |
| Shares (float) | 39,248,121 (77.2%) | |
| 52-week high/low | KRW56,400/KRW37,900 | |
| Avg daily trading value (60-day) | KRW16.6b/ USD11.2m | |

### ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|---|---|---|---|
| Hotel Shilla (%) | 19.8 | 7.0 | 38.1 |
| Vs Kospi (%pts) | 11.3 | -34.4 | -44.9 |

### KEY CHANGES

| (KRW) | New | Old | Diff |
|---|---|---|---|
| Recommend. | BUY | BUY | |
| Target price | 63,000 | 59,000 | 6.8% |
| 2026E EPS | 1,556 | 1,365 | 14.0% |
| 2027E EPS | 2,819 | 2,500 | 12.8% |

### SAMSUNG vs THE STREET

| | |
|---|---|
| No of estimates | 11 |
| Target price | 61,500 |
| Recommendation | 3.9 |

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

### SUMMARY FINANCIAL DATA

| | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| Revenue (KRWb) | 4,068 | 3,930 | 4,026 | 4,213 |
| Operating profit (KRWb) | 14 | 123 | 192 | 222 |
| Net profit (adj) (KRWb) | -173 | 62 | 113 | 134 |
| EPS (adj) (KRW) | -4,335 | 1,586 | 2,873 | 3,423 |
| EPS (adj) growth (% y-y) | nm | nm | 81.1 | 19.1 |
| EBITDA margin (%) | 3.8 | 6.6 | 8.3 | 8.8 |
| ROE (%) | -14.2 | 5.5 | 9.2 | 9.2 |
| P/E (adj) (x) | n/a | 33.4 | 18.4 | 15.5 |
| P/B (x) | 1.5 | 1.8 | 1.7 | 1.5 |
| EV/EBITDA (x) | 18.3 | 12.1 | 9.4 | 8.6 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company data, Samsung Securities estimates

**Reduced discounting:** While inbound visitor numbers are rising, DFS sales growth has not kept pace—the industry has not yet fully captured all of the upside stemming from the increase in tourism. This reflects a structural shift: Foreign tourists are diversifying their shopping destinations in Korea, reducing their reliance on traditional duty-free outlets. That said, the industry-wide trend of declining discount rates signals that profitability is improving, which is itself being powered by: 1) a sustained easing of competitive pressure within the DFS segment since last year; and 2) the relative strength of the Chinese yuan (vs the won), which has preserved Chinese customers' (including Chinese resellers') pricing power, despite smaller discounts. While continued innovation in sales strategy remains essential to driving up revenue growth, the current operating environment supports a clear path to margin recovery. We maintain BUY, raise our full-year 2026 operating profit forecast by 11%, and revise up our SOTP-based target price by 7% to KRW63,000.

### Hotel Shilla: Results and forecasts

| (KRWb) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26E | 2Q26E | 3Q26E | 4Q26E | 2025 | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **971.8** | **1,025.4** | **1,025.7** | **1,045.4** | **1,061.0** | **956.5** | **950.2** | **962.7** | **4,068.3** | **3,930.4** | **4,025.5** |
| Duty-free | 827.1 | 850.2 | 849.6 | 854.9 | 908.4 | 770.2 | 766.8 | 762.8 | 3,381.8 | 3,208.3 | 3,276.5 |
| City branch | 316.1 | 363.5 | 363.5 | 338.0 | 344.4 | 381.6 | 388.6 | 360.8 | 1,381.1 | 1,475.4 | 1,596.2 |
| Airport branch | 511.0 | 486.7 | 486.1 | 516.9 | 564.0 | 388.7 | 378.2 | 402.0 | 2,000.7 | 1,732.8 | 1,680.3 |
| Hotel | 144.7 | 175.2 | 176.1 | 190.5 | 152.6 | 186.3 | 183.4 | 199.9 | 686.5 | 722.1 | 749.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Operating profit** | **-2.5** | **8.7** | **11.4** | **-4.1** | **4.7** | **34.1** | **43.1** | **40.9** | **13.5** | **122.9** | **192.3** |
| Duty-free | -5.0 | -11.3 | -10.4 | -20.6 | -6.9 | 11.4 | 19.7 | 22.1 | -47.3 | 46.2 | 111.4 |
| Hotel | 2.5 | 20.0 | 21.8 | 16.5 | 11.6 | 22.8 | 23.5 | 18.9 | 60.8 | 76.7 | 80.9 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Operating margin (%)** | **-0.3** | **0.8** | **1.1** | **-0.4** | **0.4** | **3.6** | **4.5** | **4.3** | **0.3** | **3.1** | **4.8** |
| Duty-free | -0.6 | -1.3 | -1.2 | -2.4 | -0.8 | 1.5 | 2.6 | 2.9 | -1.4 | 1.4 | 3.4 |
| Hotel | 1.7 | 11.4 | 12.4 | 8.7 | 7.6 | 12.2 | 12.8 | 9.4 | 8.9 | 10.6 | 10.8 |
| Pre-tax profit | -4.3 | 2.2 | -187.2 | -33.8 | -3.1 | 25.2 | 34.3 | 29.5 | -230.1 | 85.9 | 155.5 |
| Net profit | -6.2 | -0.9 | -149.2 | -9.5 | -2.3 | 18.3 | 24.8 | 21.4 | -172.7 | 62.2 | 112.7 |
| **Change (y-y %)** | | | | | | | | | | | |
| **Sales** | **-0.9** | **2.3** | **0.9** | **10.3** | **9.2** | **-6.7** | **-7.4** | **-7.9** | **3.1** | **-3.4** | **2.4** |
| Duty-free | -0.9 | 2.1 | 0.6 | 10.5 | 9.8 | -9.4 | -9.7 | -10.8 | 2.9 | -5.1 | 2.1 |
| City branch | -21.0 | -3.2 | -1.9 | 8.7 | 9.0 | 5.0 | 6.9 | 6.8 | -5.2 | 6.8 | 8.2 |
| Airport branch | 17.6 | 6.4 | 2.5 | 11.8 | 10.4 | -20.1 | -22.2 | -22.2 | 9.4 | -13.4 | -3.0 |
| Hotel | -3.6 | 3.2 | 2.7 | 9.3 | 5.4 | 6.3 | 4.1 | 4.9 | 3.1 | 5.2 | 3.7 |
| **Operating profit** | **n/a** | **-68.5** | **n/a** | **n/a** | **n/a** | **292.3** | **278.5** | **n/a** | **n/a** | **810.4** | **56.4** |
| Duty-free | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 141.1 |
| Hotel | -59.7 | -2.9 | 0.5 | 3.1 | 364.6 | 13.8 | 7.7 | 14.4 | -5.7 | 26.2 | 5.4 |

Source: Company data, Samsung Securities estimates

### Hotel Shilla: P/E valuation

| (KRWb) | |
|---|---|
| Duty-free business value | 1,422.3 |
| - 2H26-1H27 net profit | 54.2 |
| - Target P/E* (x) | 26.3 |
| Hotel business value | 1,026.7 |
| - 2H26-1H27 net profit | 45.8 |
| - Target P/E** (x) | 22.4 |
| Enterprise value | 2,449.0 |
| Outstanding shares | 39,248,121 |
| **Target price (KRW)** | **63,000** |

Note: *20% premium to global peer average to reflect scale of business and overseas expansion;
**15% discount to global peer average to reflect scale of business and shareholder returns
Source: Samsung Securities estimates

## Income statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Sales** | **3,948** | **4,068** | **3,930** | **4,026** | **4,213** |
| Cost of goods sold | 2,260 | 2,248 | 1,911 | 1,843 | 1,903 |
| **Gross profit** | **1,687** | **1,820** | **2,019** | **2,183** | **2,311** |
| Gross margin (%) | 42.7 | 44.7 | 51.4 | 54.2 | 54.8 |
| SG&A expenses | 1,692 | 1,806 | 1,896 | 1,990 | 2,089 |
| **Operating profit** | **-5** | **14** | **123** | **192** | **222** |
| Operating margin (%) | -0.1 | 0.3 | 3.1 | 4.8 | 5.3 |
| **Non-operating gains (losses)** | **-42** | **-244** | **-37** | **-37** | **-36** |
| Financial profit | 27 | 65 | 18 | 17 | 16 |
| Financial costs | 62 | 57 | 56 | 54 | 52 |
| Equity-method gains (losses) | 0 | 0 | 0 | 0 | 0 |
| Other | -7 | -251 | 0 | 0 | 0 |
| **Pre-tax profit** | **-47** | **-230** | **86** | **156** | **185** |
| Taxes | 14 | -57 | 24 | 43 | 51 |
| Effective tax rate (%) | -30.8 | 24.9 | 27.5 | 27.5 | 27.5 |
| Profit from continuing operations | -62 | -173 | 62 | 113 | 134 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-62** | **-173** | **62** | **113** | **134** |
| Net margin (%) | -1.6 | -4.2 | 1.6 | 2.8 | 3.2 |
| Net profit (controlling interests) | -62 | -173 | 62 | 113 | 134 |
| Net profit (non-controlling interests) | 0 | -0 | 0 | 0 | 0 |
| EBITDA | 127 | 154 | 258 | 334 | 370 |
| EBITDA margin (%) | 3.2 | 3.8 | 6.6 | 8.3 | 8.8 |
| EPS (parent-based) (KRW) | -1,538 | -4,321 | 1,556 | 2,819 | 3,358 |
| EPS (consolidated) (KRW) | -1,538 | -4,321 | 1,556 | 2,819 | 3,358 |
| Adjusted EPS (KRW)* | -1,506 | -4,335 | 1,586 | 2,873 | 3,423 |

## Balance sheet

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Current assets** | **1,411** | **1,401** | **1,464** | **1,584** | **1,651** |
| Cash & equivalents | 370 | 338 | 323 | 377 | 388 |
| Accounts receivable | 86 | 82 | 88 | 89 | 93 |
| Inventories | 623 | 526 | 577 | 623 | 648 |
| Other current assets | 332 | 455 | 476 | 496 | 522 |
| **Fixed assets** | **2,403** | **2,140** | **2,176** | **2,212** | **2,316** |
| Investment assets | 299 | 172 | 628 | 660 | 758 |
| Tangible assets | 1,536 | 1,519 | 1,524 | 1,530 | 1,535 |
| Intangible assets | 23 | 22 | 22 | 22 | 22 |
| Other long-term assets | 545 | 427 | 1 | 1 | 1 |
| **Total assets** | **3,814** | **3,541** | **3,640** | **3,796** | **3,967** |
| **Current liabilities** | **1,150** | **1,298** | **1,333** | **1,371** | **1,403** |
| Accounts payable | 206 | 205 | 220 | 230 | 246 |
| Short-term debt | 11 | 24 | 24 | 24 | 24 |
| Other current liabilities | 933 | 1,069 | 1,088 | 1,117 | 1,133 |
| **Long-term liabilities** | **1,380** | **1,137** | **1,132** | **1,136** | **1,140** |
| Bonds & long-term debt | 854 | 739 | 1,101 | 1,101 | 1,101 |
| Other long-term liabilities | 525 | 398 | 31 | 35 | 39 |
| **Total liabilities** | **2,530** | **2,435** | **2,471** | **2,515** | **2,552** |
| **Owners of parent equity** | **1,284** | **1,106** | **1,168** | **1,281** | **1,416** |
| Capital stock | 200 | 200 | 200 | 200 | 200 |
| Capital surplus | 206 | 206 | 206 | 206 | 206 |
| Retained earnings | 223 | 55 | 117 | 230 | 364 |
| Other | 655 | 645 | 645 | 645 | 645 |
| **Non-controlling interests' equity** | **0** | **0** | **0** | **0** | **0** |
| **Total equity** | **1,284** | **1,106** | **1,168** | **1,281** | **1,416** |
| Net debt | 1,241 | 1,052 | 1,116 | 1,063 | 1,052 |

## Cash flow statement

| Year-end Dec 31 (KRWb) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **69** | **104** | **196** | **260** | **215** |
| Net profit | -62 | -173 | 62 | 113 | 134 |
| Non-cash profit and expenses | 218 | 165 | 183 | 192 | 111 |
| Depreciation | 122 | 134 | 127 | 133 | 140 |
| Amortization | 10 | 7 | 8 | 8 | 8 |
| Other | 86 | 25 | 48 | 50 | -37 |
| Changes in A/L from operating activities | -98 | 106 | -49 | -45 | -30 |
| **Cash flow from investments** | **-95** | **-104** | **-100** | **-96** | **-93** |
| Change in tangible assets | -74 | -53 | -61 | -57 | -54 |
| Change in financial assets | 7 | -142 | -40 | -40 | -40 |
| Other | -28 | 91 | 1 | 1 | 1 |
| **Cash flow from financing** | **-30** | **-30** | **-108** | **-108** | **-108** |
| Change in debt | 58 | 25 | 0 | 0 | 0 |
| Change in equity | 10 | 0 | 0 | 0 | 0 |
| Dividends | -8 | 0 | 0 | 0 | 0 |
| Other | -90 | -56 | -108 | -108 | -108 |
| Change in cash | -41 | -32 | -15 | 53 | 12 |
| Cash at beginning of year | 412 | 370 | 338 | 323 | 377 |
| Cash at end of year | 370 | 338 | 323 | 377 | 388 |
| **Gross cash flow** | **156** | **-7** | **245** | **304** | **246** |
| **Free cash flow** | **-5** | **50** | **134** | **202** | **161** |

## Financial ratios

| Year-end Dec 31 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | 10.6 | 3.1 | -3.4 | 2.4 | 4.7 |
| Operating profit | nm | nm | 809.6 | 56.4 | 15.2 |
| Net profit | nm | nm | nm | 81.1 | 19.1 |
| Adjusted EPS** | nm | nm | nm | 81.1 | 19.1 |
| **Per-share data (KRW)** | | | | | |
| EPS (parent-based) | -1,538 | -4,321 | 1,556 | 2,819 | 3,358 |
| EPS (consolidated) | -1,538 | -4,321 | 1,556 | 2,819 | 3,358 |
| Adjusted EPS** | -1,506 | -4,335 | 1,586 | 2,873 | 3,423 |
| BVPS | 33,928 | 29,223 | 30,867 | 33,846 | 37,394 |
| DPS (common) | 0 | 0 | 0 | 0 | 0 |
| **Valuations (x)** | | | | | |
| P/E*** | n/a | n/a | 33.4 | 18.4 | 15.5 |
| P/B*** | 1.1 | 1.5 | 1.8 | 1.7 | 1.5 |
| EV/EBITDA | 21.3 | 18.3 | 12.1 | 9.4 | 8.6 |
| **Ratios (%)** | | | | | |
| ROE | -6.2 | -14.2 | 5.5 | 9.2 | 9.2 |
| ROA | -1.8 | -4.7 | 1.7 | 3.0 | 3.5 |
| ROIC | -0.4 | 0.5 | 4.6 | 7.6 | 8.6 |
| Payout ratio | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend yield (common) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt to equity | 96.7 | 95.1 | 95.5 | 83.0 | 74.4 |
| Interest coverage (x) | -0.1 | 0.2 | 2.2 | 3.6 | 4.2 |

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 4/17 2026, Samsung Securities shared group affiliation with Hotel Shilla.
- As of 4/17 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of Hotel Shilla would, if such debt instruments were converted, exceed 1% of the outstanding shares.
- As of 4/17 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
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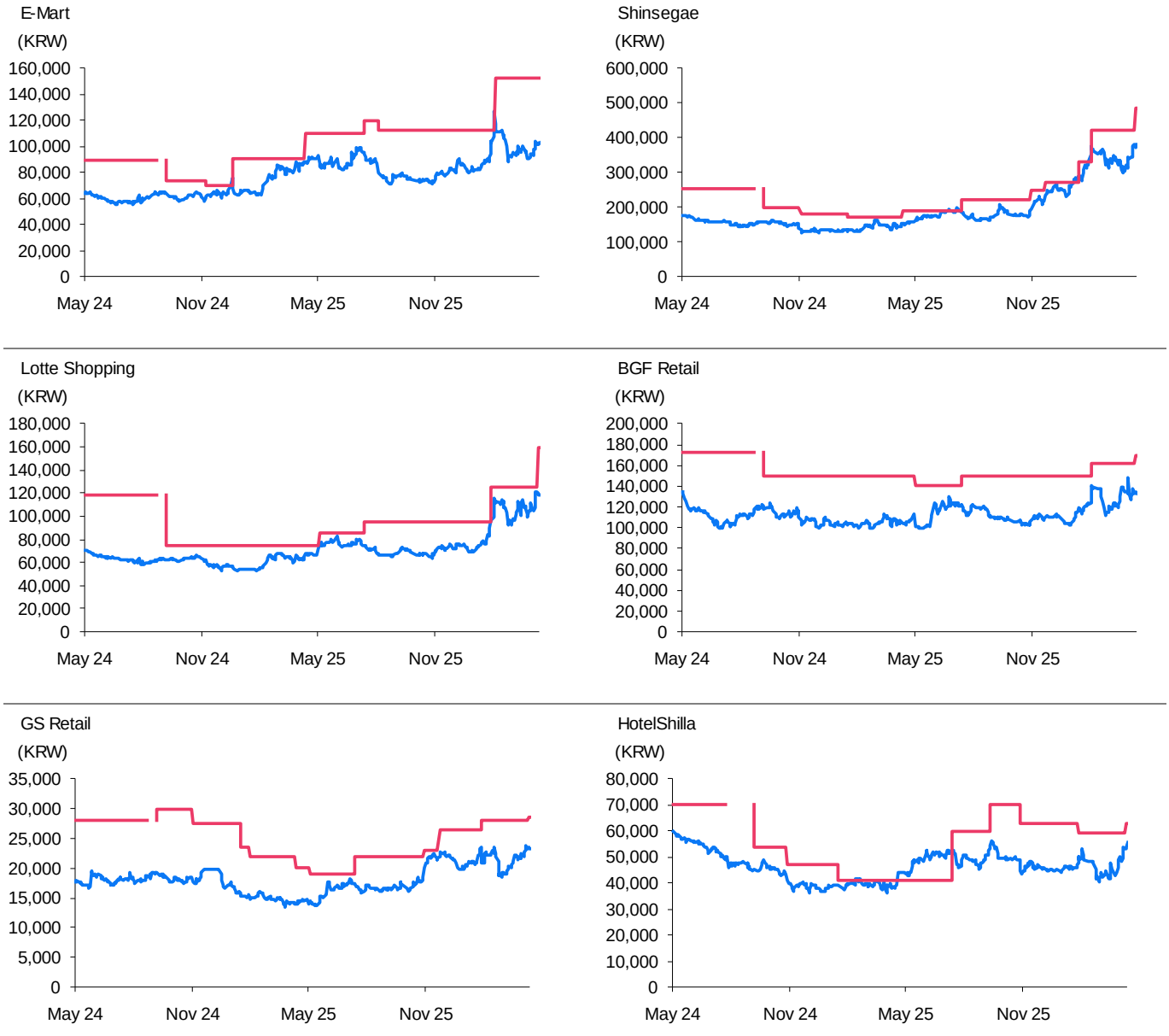
## Target price changes in past two years



## Rating changes over past two years (adjusted share prices)

| E-Mart | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2023/11/15 | 2024/9/13 | 11/15 | 12/27 | 2025/4/21 | 7/22 | 8/13 | 2026/2/12 | | | | |
| Recommendation | BUY | HOLD | HOLD | BUY | BUY | BUY | BUY | BUY | | | | |
| Target price (KRW) | 89000 | 73000 | 70000 | 90000 | 110000 | 120000 | 113000 | 152000 | | | | |
| Gap* (average) | -24.81 | -15.90 | -7.72 | -16.81 | -19.03 | -26.19 | -28.68 | | | | | |
| (max or min)** | -1.35 | -10.55 | 7.86 | -1.78 | -9.64 | -23.08 | 12.92 | | | | | |

| Shinsegae | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2024/2/8 | 9/13 | 11/11 | 2025/1/23 | 4/21 | 7/22 | 11/7 | 12/1 | 2026/1/22 | 2/10 | 4/20 | |
| Recommendation | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | |
| Target price (KRW) | 255000 | 200000 | 180000 | 170000 | 190000 | 220000 | 250000 | 270000 | 330000 | 420000 | 485000 | |
| Gap* (average) | -36.16 | -23.65 | -26.60 | -15.51 | -7.51 | -20.09 | -13.12 | -4.76 | -5.43 | -19.12 | | |
| (max or min)** | -25.69 | -18.85 | -23.17 | -5.59 | 4.11 | -6.59 | -7.00 | 7.22 | 7.58 | -9.76 | | |

| Lotte Shopping | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2024/2/13 | 9/13 | 2025/5/12 | 7/22 | 2026/2/6 | 4/20 | | | | | | |
| Recommendation | BUY | BUY | BUY | BUY | BUY | BUY | | | | | | |
| Target price (KRW) | 119000 | 74000 | 85000 | 95000 | 125000 | 160000 | | | | | | |
| Gap* (average) | -43.34 | -17.69 | -10.01 | -25.00 | -15.01 | | | | | | | |
| (max or min)** | -28.57 | -2.57 | -2.24 | 1.58 | -2.64 | | | | | | | |

| BGF Retail | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2024/2/8 | 9/13 | 2025/5/9 | 7/22 | 2026/2/11 | 4/20 | | | | | | |
| Recommendation | BUY | BUY | BUY | BUY | BUY | BUY | | | | | | |
| Target price (KRW) | 172000 | 150000 | 140000 | 150000 | 162000 | 170000 | | | | | | |
| Gap* (average) | -31.69 | -28.56 | -18.26 | -25.61 | -20.58 | | | | | | | |
| (max or min)** | -20.81 | -17.80 | -7.29 | -15.87 | -8.77 | | | | | | | |

| GS Retail | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2024/2/7 | 9/13 | 11/8 | 2025/1/23 | 2/6 | 4/21 | 5/12 | 7/22 | 11/7 | 12/1 | 2026/2/5 | 4/20 |
| Recommendation | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY | BUY |
| Target price (KRW) | 28000 | 30000 | 27500 | 23500 | 22000 | 20000 | 19000 | 22000 | 23000 | 26500 | 28000 | 28500 |
| Gap* (average) | -25.03 | -29.05 | -26.52 | -35.07 | -32.74 | -27.57 | -14.87 | -23.74 | -5.55 | -19.30 | -24.07 | |
| (max or min)** | -18.04 | -26.17 | -15.82 | -34.09 | -27.32 | -25.95 | -3.89 | -15.95 | -2.17 | -11.13 | -15.36 | |

| Hotel Shilla | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2024/1/29 | 9/13 | 11/4 | 2025/1/23 | 7/22 | 9/19 | 11/5 | 2026/2/4 | 4/20 | |
| Recommendation | BUY | BUY | HOLD | HOLD | BUY | BUY | BUY | BUY | BUY | |
| Target price (KRW) | 70000 | 54000 | 47000 | 41000 | 60000 | 70000 | 63000 | 59000 | 63000 | |
| Gap* (average) | -18.64 | -16.09 | -17.46 | 7.20 | -18.57 | -27.65 | -27.30 | -21.70 | | |
| (max or min)** | -10.14 | -9.54 | -12.66 | 28.05 | -11.67 | -19.43 | -23.02 | -8.81 | | |

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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| | |
|---|---|
| **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%)

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