COMPANY UPDATE

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Industrial Team

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GS Retail (007070)

Focus on profitability starting to bear fruit

- GS Retail reported a 1Q consolidated operating profit of KRW58.3b, beating consensus by 11%.
- Its convenience store business achieved a healthy same-store sales growth of 4.7%. The home shopping business improved profitability through a better product mix.
- It is encouraging to see the company's profitability-oriented strategy driving measurable improvements in operational performance.

▶ AT A GLANCE

BUY

Target price	KRW30,000	27.4%
Current price	**KRW23,550**	
Market cap	KRW2.0t/USD1.4b	
Shares (float)	83,607,415 (41.3%)	
52-week high/low	KRW24,000/KRW13,620	
Avg daily trading value (60-day)	KRW4.3b/ USD2.9m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
GS Retail (%)	5.8	16.9	59.0
Vs Kospi (%pts)	-22.4	-38.3	-45.4

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	30,000	28,500	5.3%
2026E EPS	2,398	2,089	14.8%
2027E EPS	2,400	2,272	5.6%

▶ SAMSUNG vs THE STREET

No of estimates	10
Target price	27,950
Recommendation	4.0

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

WHAT'S THE STORY?

1Q results beat expectations: GS Retail's 1Q consolidated sales and operating profit rose a respective 3.4% and 50.7% y-y to KRW2.9t and KRW58.3b—the latter beating consensus by 11%. The convenience store business showed modest net store growth, maintaining a similar pace to last year, but same-store sales grew 4.7%, continuing a recovery that began in 3Q25, supported by base effect and improved consumer sentiment. The supermarket business also turned around from last year's same-store sales decline, posting sales growth and higher profits. The home shopping business improved profitability through a better product mix. It is positive that nearly all of GS Retail's key businesses showed stronger performance.

(Continued on the next page)

GS Retail 1Q26 review

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	2,854.9	3,026.0	-5.7	2,761.3	3.4	2,848.3	0.2	2,835.3	0.7
Operating profit	58.3	53.3	9.3	38.7	50.8	52.2	11.6	51.6	13.0
Pre-tax profit	59.2	-42.6	nm	12.1	387.3	35.2	68.0	29.7	99.2
Net profit	42.5	-73.1	nm	4.8	785.4	22.5	88.9	21.5	97.7
Margins (%)									
Operating profit	2.0	1.8		1.4		1.8		1.8	
Pre-tax profit	2.1	-1.4		0.4		1.2		1.0	
Net profit	1.5	-2.4		0.2		0.8		0.8	

Source: Company data, Samsung Securities estimates

Valuations

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS (KRW)	EPS growth (% y-y)	P/E (x)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
2024	11,579	256	51	10	-2,884	nm	nm	2,664	4.1	0.4	-7.8
2025	11,957	292	79	50	1,543	nm	38.7	2,209	3.9	0.5	4.0
2026E	12,334	332	277	200	2,398	55.4	9.8	2,196	3.9	0.6	6.0
2027E	12,698	350	277	201	2,400	0.1	9.8	2,205	3.8	0.6	5.7
2028E	12,995	364	295	214	2,556	6.5	9.2	2,223	3.8	0.5	5.8

Source: Company data, Samsung Securities estimates

Maintaining BUY: We forecast convenience store profits to sustain growth in 2Q, supported by sales recovery (stemming from base effects and 'high oil price relief cash support program') and fixed cost reductions. Since last year, the company has pursued a company-wide profitability-focused strategy, including restructuring low-margin businesses, moderating net store additions, and adjusting the home shopping mix. Indeed, tangible profit improvement has become evident as a result. Reflecting our upward revision to this year's earnings estimates, we lift our target price by 5% to KRW30,000 and maintain our BUY rating.

GS Retail: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**2,761.3**	**2,980.6**	**3,205.4**	**3,026.0**	**2,854.9**	**3,144.5**	**3,252.6**	**3,081.6**	**11,973.2**	**12,333.6**	**12,697.5**
Convenience store	2,012.3	2,225.7	2,448.5	2,253.1	2,086.3	2,367.0	2,465.0	2,283.9	8,939.6	9,202.2	9,414.3
SSM	416.0	426.7	459.4	440.4	453.4	457.4	481.5	460.9	1,742.5	1,853.2	1,970.5
Home shopping	257.8	265.8	247.5	278.0	262.0	267.3	253.2	283.3	1,049.1	1,065.7	1,099.3
Development	8.9	8.1	8.3	8.9	8.8	8.3	8.5	9.2	34.2	34.9	35.9
Other	66.3	54.3	41.7	45.6	44.4	44.4	44.4	44.4	207.8	177.6	177.6
Operating profit	**38.7**	**84.5**	**111.1**	**53.3**	**58.3**	**97.8**	**110.0**	**66.2**	**287.6**	**332.2**	**350.0**
Convenience store	17.2	59.0	85.1	24.8	21.3	69.8	85.7	32.0	186.1	208.8	218.6
SSM	7.8	5.4	9.2	4.7	12.1	7.2	12.0	7.2	27.1	38.5	42.4
Home shopping	22.4	25.2	11.6	33.7	29.7	26.7	18.2	32.9	92.9	107.5	109.6
Development	0.3	1.9	0.0	-5.0	1.3	-0.7	-0.7	-0.7	-2.8	-0.8	-2.8
Other	-9.0	-7.0	5.2	-4.9	-6.1	-5.2	-5.2	-5.2	-15.7	-21.8	-17.8
Pre-tax profit	12.1	17.0	111.1	-56.2	59.2	77.4	91.3	49.2	84.1	277.1	276.7
Net profit	4.8	14.2	90.3	-59.1	42.5	56.1	66.2	35.7	50.2	200.5	200.6
Net profit (controlling interests)	6.7	15.3	94.5	-73.1	43.1	60.7	71.5	38.6	43.4	213.9	216.8
Change (% y-y)											
Sales	**-1.7**	**1.5**	**4.9**	**3.1**	**3.4**	**5.5**	**1.5**	**1.8**	**2.0**	**3.0**	**3.0**
Convenience store	2.2	1.5	6.1	2.5	3.7	6.4	0.7	1.4	3.2	2.9	2.3
SSM	9.2	8.3	8.5	7.5	9.0	7.2	4.8	4.6	8.4	6.4	6.3
Home shopping	-6.7	-2.7	-1.4	10.5	1.6	0.6	2.3	1.9	-0.3	1.6	3.1
Development	-8.2	-20.6	2.5	11.3	-1.1	3.0	3.0	3.0	-5.0	1.9	3.0
Other	1.3	-17.3	-36.1	-32.8	-33.0	-18.2	6.4	-2.6	-21.3	-14.6	0.0
Operating profit	**-47.7**	**4.3**	**37.8**	**92.4**	**50.8**	**15.7**	**-1.0**	**24.2**	**9.3**	**15.5**	**5.3**
Convenience store	-34.6	-9.1	16.7	-18.7	23.8	18.4	0.7	29.0	-4.4	12.2	4.7
SSM	-21.2	-16.9	-33.8	291.7	55.1	32.6	31.0	53.7	-14.0	42.2	10.0
Home shopping	-31.7	-7.4	-37.6	18.2	32.6	5.9	56.8	-2.3	-13.3	15.7	2.0
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	387.3	354.9	-17.9	n/a	167.3	229.7	-0.1
Net profit	n/a	n/a	n/a	n/a	783.5	294.8	-26.7	n/a	413.1	299.1	0.1
Net profit (controlling interests)	n/a	n/a	n/a	n/a	540.5	297.2	-24.3	n/a	1,604.9	392.4	1.4
Margins (%)											
Operating margin	**1.4**	**2.8**	**3.5**	**1.8**	**2.0**	**3.1**	**3.4**	**2.1**	**2.4**	**2.7**	**2.8**
Convenience store	0.9	2.7	3.5	1.1	1.0	3.0	3.5	1.4	2.1	2.3	2.3
SSM	1.9	1.3	2.0	1.1	2.7	1.6	2.5	1.6	1.6	2.1	2.2
Home shopping	8.7	9.5	4.7	12.1	11.3	10.0	7.2	11.6	8.9	10.1	10.0
Development	3.4	23.5	0.0	-56.2	14.8	-8.4	-8.2	-7.6	-8.2	-2.3	-7.8
Pre-tax margin	0.4	0.6	3.5	-1.9	2.1	2.5	2.8	1.6	0.7	2.2	2.2
Net margin	0.2	0.5	2.8	-2.0	1.5	1.8	2.0	1.2	0.4	1.6	1.6
Net margin (controlling interests)	0.2	0.5	2.9	-2.4	1.5	1.9	2.2	1.3	0.4	1.7	1.7

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

GS Retail: Sum-of-the-parts valuation

(KRWb)	
Enterprise value	**2,562.3**
1) Convenience store business	**1,968.8**
- 2026 net profit	127.5
- Target P/E* (x)	15.4
2) Other retail business	**593.5**
- 2026 net profit	86.3
- Target P/E** (x)	6.9
Enterprise value	2,562
Outstanding shares	83,607,415
Target price (KRW)	**30,000**

Note: *25% discount 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**	**12,334**	**12,698**	**12,995**
Cost of goods sold	8,700	9,046	9,414	9,692	9,902
Gross profit	**2,879**	**2,912**	**2,919**	**3,006**	**3,093**
Gross margin (%)	24.9	24.4	23.7	23.7	23.8
SG&A expenses	2,623	2,620	2,587	2,656	2,729
Operating profit	**256**	**292**	**332**	**350**	**364**
Operating margin (%)	2.2	2.4	2.7	2.8	2.8
Non-operating gains (losses)	**-205**	**-213**	**-55**	**-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	23	0	0
Pre-tax profit	**51**	**79**	**277**	**277**	**295**
Taxes	41	29	77	76	81
Effective tax rate (%)	80.8	36.2	27.7	27.5	27.5
Profit from continuing operations	-0	61	200	201	214
Profit from discontinued operations	10	-10	0	0	0
Net profit	**10**	**50**	**200**	**201**	**214**
Net margin (%)	0.1	0.4	1.6	1.6	1.6
Net profit (controlling interests)	3	43	214	201	214
Net profit (non-controlling interests)	7	7	-13	0	0
EBITDA	1,017	1,027	890	946	970
EBITDA margin (%)	8.8	8.6	7.2	7.5	7.5
EPS (parent-based) (KRW)	25	519	2,558	2,400	2,556
EPS (consolidated) (KRW)	95	601	2,398	2,400	2,556
Adjusted EPS (KRW)*	-2,884	1,543	2,398	2,400	2,556

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,481**	**1,798**	**1,974**	**2,134**	**2,294**
Cash & equivalents	93	294	307	298	280
Accounts receivable	424	462	531	575	633
Inventories	307	337	382	453	514
Other current assets	657	704	753	808	867
Fixed assets	**6,100**	**5,685**	**5,757**	**5,827**	**5,896**
Investment assets	1,176	1,056	3,444	3,474	3,505
Tangible assets	1,542	1,429	1,470	1,510	1,548
Intangible assets	233	171	171	171	171
Other long-term assets	3,150	3,029	672	672	672
Total assets	**7,582**	**7,483**	**7,731**	**7,961**	**8,190**
Current liabilities	**1,898**	**1,996**	**2,103**	**2,192**	**2,282**
Accounts payable	436	481	507	549	591
Short-term debt	74	16	16	16	16
Other current liabilities	1,389	1,498	1,580	1,627	1,674
Long-term liabilities	**2,502**	**2,211**	**2,194**	**2,184**	**2,158**
Bonds & long-term debt	504	299	1,813	1,813	1,813
Other long-term liabilities	1,998	1,912	381	371	345
Total liabilities	**4,400**	**4,207**	**4,304**	**4,384**	**4,449**
Owners of parent equity	**3,207**	**3,284**	**3,435**	**3,585**	**3,749**
Capital stock	84	84	84	84	84
Capital surplus	980	980	980	980	980
Retained earnings	2,714	2,757	2,907	3,058	3,221
Other	-570	-536	-536	-536	-536
Non-controlling interests' equity	**-25**	**-8**	**-8**	**-8**	**-8**
Total equity	**3,182**	**3,276**	**3,426**	**3,577**	**3,740**
Net debt	2,791	2,317	2,203	2,213	2,232

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**660**	**939**	**782**	**762**	**742**
Net profit	10	50	200	201	214
Non-cash profit and expenses	1,141	1,009	709	714	687
Depreciation	724	696	519	558	568
Amortization	37	39	38	38	38
Other	380	274	151	118	80
Changes in A/L from operating activities	-318	14	-127	-152	-159
Cash flow from investments	**-352**	**-78**	**-102**	**-104**	**-92**
Change in tangible assets	-422	-218	-249	-251	-239
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	12	-9	-18
Cash at beginning of year	432	93	294	307	298
Cash at end of year	93	294	307	298	280
Gross cash flow	**1,151**	**1,059**	**909**	**915**	**901**
Free cash flow	**221**	**708**	**522**	**498**	**490**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	4.0	3.3	3.1	3.0	2.3
Operating profit	-12.2	14.1	13.7	5.3	3.9
Net profit	-55.8	413.1	299.1	0.1	6.5
Adjusted EPS**	n/a	n/a	55.4	0.1	6.5
Per-share data (KRW)					
EPS (parent-based)	25	519	2,558	2,400	2,556
EPS (consolidated)	95	601	2,398	2,400	2,556
Adjusted EPS**	-2,884	1,543	2,398	2,400	2,556
BVPS	36,979	38,619	40,083	41,883	43,761
DPS (common)	500	600	600	600	600
Valuations (x)					
P/E***	n/a	38.7	9.8	9.8	9.2
P/B***	0.4	0.5	0.6	0.6	0.5
EV/EBITDA	4.1	3.9	3.9	3.8	3.8
Ratios (%)					
ROE	-7.8	4.0	6.0	5.7	5.8
ROA	0.1	0.7	2.6	2.6	2.6
ROIC	-0.0	4.5	7.4	11.2	11.3
Payout ratio	19,626.5	1,381.4	23.4	25.0	23.5
Dividend yield (common)	3.0	3.0	2.5	2.5	2.5
Net debt to equity	87.7	70.7	64.3	61.9	59.7
Interest coverage (x)	2.4	2.7	3.2	3.5	3.9

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

Source: Company data, Samsung Securities estimates

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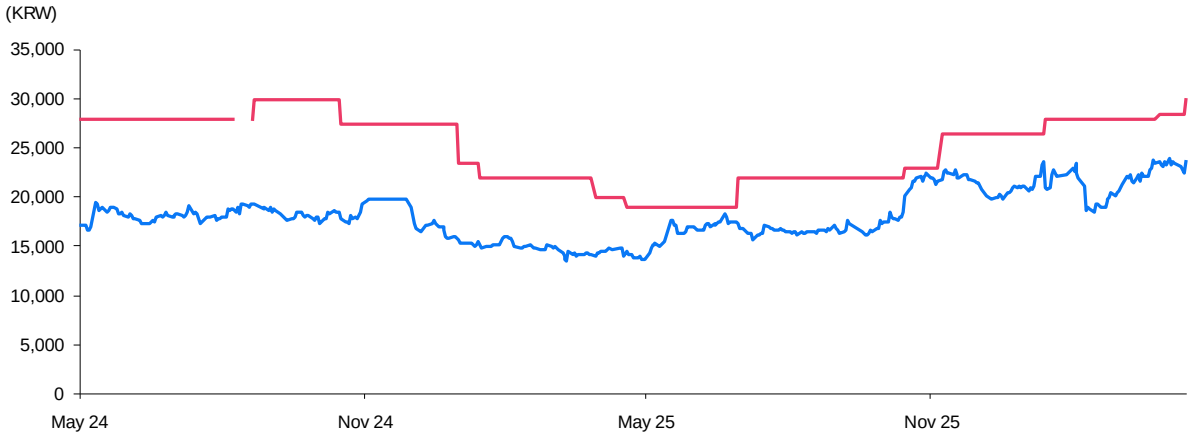
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/7	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	-18.10
(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	-15.79

Date	5/8
Recommendation	BUY
Target price (KRW)	30000
Gap* (average)	
(max or min)**	

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

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Industry

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