COMPANY UPDATE

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Industrial Team

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Lotte Shopping (023530)

Department store business growing, not just recovering

- Lotte Shopping reported a 1Q consolidated operating profit of KRW252.9b, beating consensus by 22%
- Strong results were driven by the department store business, which achieved 13% same-store sales growth. Positive momentum also emerged in the discount store business, where same-store sales growth recovered amid reduced competitive pressure, and in home shopping, where an improved product mix contributed to higher profitability.
- Department stores are likely to sustain strong performance in the near term, supported by increased spending from foreign visitors. A key watchpoint will be the impact of the full-scale operation of the Ocado logistics center, scheduled to begin in 2H.

AT A GLANCE

BUY

Target price	KRW185,000	22%
Current price	KRW151,700	
Market cap	KRW4.3t/USD2.9b	
Shares (float)	28,288,755 (39.8%)	
52-week high/low	KRW151,700/KRW64,100	
Avg daily trading value (60-day)	KRW19.0b/ USD12.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Shopping (%)	42.0	111.3	100.1
Vs Kospi (%pts)	8.9	14.7	-31.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	185,000	160,000	15.6%
2026E EPS	14,140	12,807	18.9%
2027E EPS	15,340	14,229	12.8%

SAMSUNG vs THE STREET

No of estimates	12
Target price	143,000
Recommendation	4.0

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

WHAT'S THE STORY?

Most businesses, including department stores, show strength: Lotte Shopping reported 1Q consolidated sales of KRW3.6t (up 3.6% y-y) and an operating profit of KRW252.9b (up 70.6% y-y), the latter beating consensus by 22%. The department store business enjoyed same-store sales growth of 13%, with about 3%pts of that gain coming from higher spending by foreign visitors (who made up 5.2% of total sales in 1Q). The discount store business saw same-store sales grow 1%, showing a modest improvement from last year's weakness. This is attributed less to a rebound in consumer spending and more to reduced competition after Homeplus began closing stores. Lotte Cultureworks benefited from strong box office performance of new films, while the home shopping business improved its product mix. Most businesses except Lotte Himart saw profit gains in Q1.

(Continued on the next page)

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	3,581.6	3.6	1.7	-0.2	-0.5
Operating profit	252.9	70.6	11.1	17.6	21.9
Pre-tax profit	180.1	304.0	131.5	38.4	60.8
Net profit	143.9	694.2	25.7	52.5	59.4
Margins (%)					
Operating profit	7.1				
Pre-tax profit	5.0				
Net profit	4.0				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	39.8	9.8	9.0
P/B	0.1	0.2	0.2
EV/EBITDA	9.4	8.0	7.7
Div yield (%)	5.5	3.6	4.0
EPS growth (% y-y)	nm	675.8	8.5
ROE (%)	0.9	2.5	2.6
Per-share data (KRW)			
EPS	1,822	14,140	15,340
BVPS	596,547	601,828	612,966
DPS	4,000	5,500	5,500

Department stores to keep performing well: The government's oil price relief payments, which began in late April, could slow discount store sales in 2Q, but this is likely to be a short-term trend. More importantly, Homeplus announced a two-month pause in operations at 37 stores starting in May, which will further reduce competitive pressure in the discount store segment. The Ocado logistics center, set to come fully online in 3Q, may initially increase depreciation expenses for the discount store business. How quickly it begins to contribute to performance will be a key watchpoint in 2H. Korea's inbound tourism is likely to remain robust throughout the year, with China urging its citizens against traveling to Japan, providing a steady tailwind for department store sales. With earnings rising to new heights at department stores—responsible for 79% of Lotte Shopping's consolidated operating profit—and revenue improving across consolidated subsidiaries, we raise our full-year net profit forecast by 19%. In turn, we lift our SOTP-based target price by 16% to KRW185,000 and maintain our BUY rating.

Lotte Shopping: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Net sales	**3,456.8**	**3,349.7**	**3,410.1**	**3,521.8**	**3,581.6**	**3,435.6**	**3,591.5**	**3,603.2**	**13,738.4**	**14,211.9**	**14,576.1**
Department store	806.3	815.8	764.8	952.5	872.3	873.7	802.5	960.5	3,339.4	3,509.0	3,548.9
Discount store	1,487.3	1,295.4	1,333.8	1,354.8	1,525.6	1,287.1	1,424.7	1,406.3	5,471.3	5,643.6	5,796.5
SSM	305.2	308.6	313.6	298.6	305.8	309.7	328.1	309.7	1,226.0	1,253.3	1,324.5
E-commerce	28.3	26.6	22.6	31.5	27.2	26.1	24.2	33.1	109.0	110.5	116.1
Home shopping	227.6	231.0	211.3	232.4	232.4	229.2	216.0	228.3	902.3	905.9	908.0
Lotte Cultureworks	86.3	91.9	127.8	128.4	124.6	101.1	130.4	131.0	434.4	487.0	475.6
Lotte Himart	529.0	594.2	652.5	524.4	496.9	612.0	668.8	537.5	2,300.1	2,315.2	2,419.4
Other	(13.2)	(13.8)	(16.3)	(0.8)	(3.2)	(3.2)	(3.2)	(3.2)	(44.1)	(12.8)	(12.8)
Operating profit	**148.2**	**40.6**	**130.5**	**227.7**	**252.9**	**102.7**	**191.7**	**250.3**	**547.0**	**797.6**	**824.6**
Department store	130.0	65.0	83.2	226.0	191.2	104.0	109.5	239.2	504.2	643.9	634.3
Discount store	28.1	(39.0)	11.5	(7.7)	33.8	(39.6)	26.8	(5.2)	(7.1)	15.9	28.3
SSM	3.2	2.7	4.9	(2.8)	2.2	1.2	6.1	(2.6)	8.0	6.9	10.0
E-commerce	(8.5)	(8.4)	(9.6)	(2.8)	(5.8)	(4.3)	(4.2)	(3.6)	(29.3)	(17.9)	(9.7)
Home shopping	12.1	12.2	10.3	10.4	26.4	13.2	11.6	11.4	45.0	62.6	60.2
Lotte Cultureworks	(10.4)	(6.2)	8.2	(2.2)	7.9	1.3	4.5	4.3	(10.6)	17.9	17.7
Lotte Himart	(11.1)	10.5	19.0	(8.7)	(14.7)	15.1	25.5	(5.2)	9.7	20.7	36.2
Other	4.8	3.8	3.0	15.5	11.9	11.9	11.9	11.9	27.1	47.6	47.6
Pre-tax profit	44.6	(24.1)	(14.8)	77.8	180.1	56.8	122.4	216.4	83.4	575.7	626.1
Net profit	18.1	(10.3)	(48.7)	114.5	143.9	41.2	88.7	156.9	73.6	430.6	453.9
Net profit (controlling interests)	16.2	(20.4)	(56.6)	112.4	128.2	36.2	83.7	151.9	51.6	400.0	433.9
Change (% y-y)											
Net sales	**(1.6)**	**(2.3)**	**(4.4)**	**1.3**	**3.6**	**2.6**	**5.3**	**2.3**	**(1.8)**	**3.4**	**2.6**
Department store	(1.1)	(2.4)	1.3	4.4	8.2	7.1	4.9	0.8	0.6	5.1	1.1
Discount store	0.3	(1.8)	(7.5)	1.7	2.6	(0.6)	6.8	3.8	(1.9)	3.1	2.7
SSM	(7.1)	(6.6)	(6.2)	(1.3)	0.2	0.4	4.6	3.7	(5.4)	2.2	5.7
E-commerce	(5.0)	(4.3)	(16.0)	(10.8)	(3.9)	(2.0)	7.0	5.0	(9.0)	1.4	5.0
Home shopping	0.0	(0.6)	1.5	(9.6)	2.1	(0.8)	2.2	(1.8)	(2.4)	0.4	0.2
Lotte Cultureworks	(25.0)	(19.5)	(2.1)	39.7	44.4	10.0	2.0	2.0	(3.8)	12.1	(2.3)
Lotte Himart	0.7	0.8	(4.9)	(5.8)	(6.1)	3.0	2.5	2.5	(2.4)	0.7	4.5
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**	**70.6**	**153.0**	**46.9**	**9.9**	**15.6**	**45.8**	**3.4**
Margins (%)											
Operating margin	**4.3**	**1.2**	**3.8**	**6.5**	**7.1**	**3.0**	**5.3**	**6.9**	**4.0**	**5.6**	**5.7**
Department store	16.1	8.0	10.9	23.7	21.9	11.9	13.6	24.9	15.1	18.4	17.9
Discount store	1.9	(3.0)	0.9	(0.6)	2.2	(3.1)	1.9	(0.4)	(0.1)	0.3	0.5
SSM	1.0	0.9	1.6	(0.9)	0.7	0.4	1.9	(0.8)	0.7	0.5	0.8
E-commerce	(30.0)	(31.6)	(42.5)	(8.9)	(21.3)	(16.6)	(17.5)	(10.9)	(26.9)	(16.2)	(8.3)
Home shopping	5.3	5.3	4.9	4.5	11.4	5.8	5.4	5.0	5.0	6.9	6.6
Lotte Cultureworks	(12.1)	(6.7)	6.4	(1.7)	6.3	1.3	3.4	3.3	(2.4)	3.7	3.7
Lotte Himart	(2.1)	1.8	2.9	(1.7)	(3.0)	2.5	3.8	(1.0)	0.4	0.9	1.5
Pre-tax margin	1.3	(0.7)	(0.4)	2.2	5.0	1.7	3.4	6.0	0.6	4.1	4.3
Net margin	**0.5**	**(0.3)**	**(1.4)**	**3.3**	**4.0**	**1.2**	**2.5**	**4.4**	**0.5**	**3.0**	**3.1**
Net margin (controlling interests)	0.5	(0.6)	(1.7)	3.2	3.6	1.1	2.3	4.2	0.4	2.8	3.0

Source: Company data, Samsung Securities estimates

Lotte Shopping: SOTP valuation

(KRWb)	
Consolidated operating value (A)	**14,059**
1) Offline retail business	13,688
- 2026E EBITDA	1,915
- Target EV/EBITDA (x)*	7.1
2) E-commerce	371
- 2026E GMV	1,735
- Target P/GMV (x)**	0.2
Value of stakes in associates (B)	**1,842.0**
- 2026 equity-method gains	197.5
- Target P/E (x)***	9.3
Value of investment assets (C)****	**650**
Net debt (D)	11,360
Enterprise value (E=A+B+C-D)	**5,191**
Outstanding shares	28,288,755
Share price (KRW)	**185,000**

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**	**14,212**	**14,576**	**14,848**
Cost of goods sold	7,251	7,075	7,247	7,379	7,398
Gross profit	**6,735**	**6,663**	**6,965**	**7,197**	**7,449**
Gross margin (%)	48.2	48.5	49.0	49.4	50.2
SG&A expenses	6,262	6,116	6,167	6,372	6,585
Operating profit	**473**	**547**	**798**	**825**	**865**
Operating margin (%)	3.4	4.0	5.6	5.7	5.8
Non-operating gains (losses)	**-1,494**	**-464**	**-222**	**-198**	**-176**
Financial profit	384	240	140	136	132
Financial costs	933	689	566	537	511
Equity-method gains (losses)	143	164	203	203	203
Other	-1,088	-179	0	0	0
Pre-tax profit	**-1,021**	**83**	**576**	**626**	**689**
Taxes	-27	10	145	172	189
Effective tax rate (%)	2.7	11.9	25.2	27.5	27.5
Profit from continuing operations	-994	74	431	454	499
Profit from discontinued operations	0	0	0	0	0
Net profit	**-994**	**74**	**431**	**454**	**499**
Net margin (%)	-7.1	0.5	3.0	3.1	3.4
Net profit (controlling interests)	-968	52	431	454	499
Net profit (non-controlling interests)	-26	22	0	0	0
EBITDA	1,589	1,603	1,888	1,934	2,012
EBITDA margin (%)	11.4	11.7	13.3	13.3	13.5
EPS (parent-based) (KRW)	-34,219	1,822	15,223	16,047	17,656
EPS (consolidated) (KRW)	-35,140	2,600	15,223	16,047	17,656
Adjusted EPS (KRW)*	-35,009	1,822	14,140	15,340	16,949

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**5,517**	**5,195**	**5,419**	**5,614**	**5,906**
Cash & equivalents	1,555	572	629	641	780
Accounts receivable	572	441	511	583	642
Inventories	1,540	1,458	1,524	1,603	1,664
Other current assets	1,849	2,725	2,755	2,787	2,821
Fixed assets	**33,486**	**32,715**	**32,836**	**32,962**	**33,087**
Investment assets	3,129	3,068	7,504	7,581	7,662
Tangible assets	24,306	24,063	24,111	24,159	24,203
Intangible assets	752	788	788	788	788
Other long-term assets	5,299	4,795	434	434	434
Total assets	**39,003**	**37,910**	**38,256**	**38,576**	**38,993**
Current liabilities	**9,836**	**9,990**	**10,221**	**10,401**	**10,570**
Accounts payable	602	596	663	731	801
Short-term debt	2,318	1,409	1,409	1,409	1,409
Other current liabilities	6,917	7,985	8,148	8,261	8,360
Long-term liabilities	**12,133**	**11,054**	**10,844**	**10,670**	**10,574**
Bonds & long-term debt	6,007	5,251	8,489	8,489	8,489
Other long-term liabilities	6,127	5,803	2,356	2,181	2,085
Total liabilities	**21,969**	**21,044**	**21,072**	**21,079**	**21,153**
Owners of parent equity	**15,504**	**15,185**	**15,503**	**15,815**	**16,159**
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	7,758	8,071	8,415
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**	**17,184**	**17,496**	**17,840**
Net debt	11,808	11,375	11,367	11,356	11,219

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**1,588**	**1,724**	**2,120**	**2,106**	**2,207**
Net profit	-994	74	431	454	499
Non-cash profit and expenses	2,708	1,621	1,652	1,680	1,719
Depreciation	1,058	980	1,060	1,078	1,115
Amortization	58	76	30	31	32
Other	1,592	565	562	571	572
Changes in A/L from operating activities	-115	46	37	-28	-11
Cash flow from investments	**-1,068**	**-871**	**-761**	**-764**	**-725**
Change in tangible assets	-880	-623	-729	-736	-692
Change in financial assets	-40	-403	6	6	6
Other	-148	156	-38	-35	-40
Cash flow from financing	**-498**	**-1,742**	**-1,207**	**-1,235**	**-1,249**
Change in debt	465	-956	0	0	0
Change in equity	-0	0	0	0	0
Dividends	-143	-195	-113	-141	-156
Other	-819	-591	-1,114	-1,094	-1,093
Change in cash	-35	-983	58	12	138
Cash at beginning of year	1,590	1,555	572	629	641
Cash at end of year	1,555	572	629	641	780
Gross cash flow	**1,714**	**1,695**	**2,082**	**2,134**	**2,218**
Free cash flow	**682**	**1,072**	**1,362**	**1,342**	**1,487**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-3.9	-1.8	3.4	2.6	1.9
Operating profit	-6.9	15.6	45.8	3.4	4.9
Net profit	nm	nm	485.5	5.4	10.0
Adjusted EPS**	nm	nm	675.8	8.5	10.5
Per-share data (KRW)					
EPS (parent-based)	-34,219	1,822	15,223	16,047	17,656
EPS (consolidated)	-35,140	2,600	15,223	16,047	17,656
Adjusted EPS**	-35,009	1,822	14,140	15,340	16,949
BVPS	486,814	596,547	601,828	612,966	624,571
DPS (common)	3,800	4,000	5,000	5,500	6,000
Valuations (x)					
P/E***	n/a	39.8	9.8	9.0	8.1
P/B***	0.1	0.1	0.2	0.2	0.2
EV/EBITDA	9.4	9.4	8.0	7.7	7.3
Ratios (%)					
ROE	-5.3	0.9	2.5	2.6	2.6
ROA	-2.9	0.2	1.1	1.2	1.3
ROIC	2.1	1.8	2.4	2.5	2.6
Payout ratio	n/a	153.7	32.8	34.3	34.0
Dividend yield (common)	7.0	5.5	3.6	4.0	4.3
Net debt to equity	69.3	67.4	66.2	64.9	62.9
Interest coverage (x)	0.8	0.9	1.4	1.5	1.7

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

Source: Company data, Samsung Securities estimates

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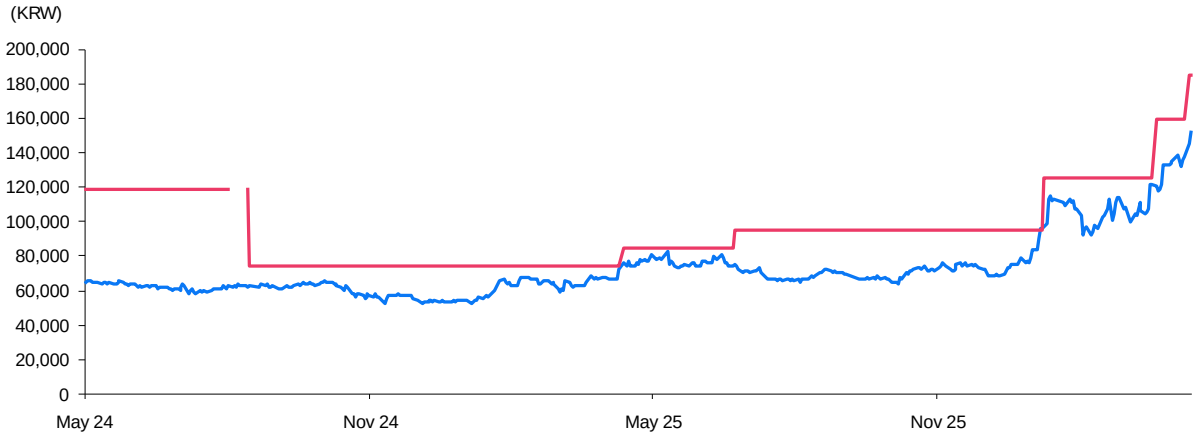
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/13	9/13	2025/5/12	7/22	2026/2/6	4/20	5/11
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	119000	74000	85000	95000	125000	160000	185000
Gap* (average)	-43.34	-17.69	-10.01	-25.00	-15.01	-18.16	
(max or min)**	-28.57	-2.57	-2.24	1.58	-2.64	-13.44	

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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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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