COMPANY UPDATE

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Shinsegae (004170)

Department store sales growing, DFS profit recovering

- Shinsegae reported 1Q operating profit of KRW197.8b, which topped consensus by 18%.
- At the department store operation, the same-store sales expanded 20% y-y (or 13% y-y in gross sales) on a low base from renovations at the Myeongdong and Gangnam stores in 1Q25.
- Department store sales from foreign visitors should remain strong throughout this year, benefiting from diplomatic tensions between China and Japan. Shinsegae should stand out in the department store segment, as its merchandise mix is heavily weighted toward luxury brands.

WHAT'S THE STORY?

1Q review—department store sales are growing, not just recovering: Shinsegae logged 1Q consolidated sales of KRW1.8t (up 10.9% y-y) and an operating profit of KRW197.8b (up 49.5% y-y; beating consensus by 18%). The remarkable results owed partially to a low base from renovations at the Myeongdong and Gangnam stores in 1Q25. But the main driver was: 1) the wealth effect from rising financial asset values; and 2) a near 90% y-y jump in foreign visitors' spending, which propelled the department stores' same-store sales growth to 20% (and gross sales growth to 13%). We note that the same-store sales still rose 18% in March despite high market volatility triggered by Iran war and accelerated further to over 20% in April, signaling sustained momentum. The duty-free store earnings also expanded on eased competition and reduced discount rates, while Shinsegae International benefited from a rebound in fashion sales—both adding to Shinsegae's overall earnings.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW565,000	28%
Current price	KRW441,500	
Market cap	KRW4.2t/USD2.8b	
Shares (float)	9,445,181 (63.0%)	
52-week high/low	KRW445,500/KRW161,200	
Avg daily trading value (60-day)	KRW24.4b/ USD16.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shinsegae (%)	29.5	106.8	155.6
Vs Kospi (%pts)	-0.8	12.3	-12.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	565,000	485,000	16.5%
2026E EPS	34,277	25,519	34.3%
2027E EPS	34,657	29,015	19.4%

SAMSUNG vs THE STREET

No of estimates	16
Target price	448,125
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,847.1	10.9	-4.5	-0.8	2.2
Operating profit	197.8	49.5	14.6	15.2	17.6
Pre-tax profit	174.7	66.7	nm	17.5	33.5
Net profit	135.1	75.2	nm	25.4	25.9
Margins (%)					
Operating profit	10.7				
Pre-tax profit	9.5				
Net profit	7.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	171.5	13.0	12.9
P/B	0.5	0.6	0.6
EV/EBITDA	9.0	6.8	6.4
Div yield (%)	2.1	1.5	1.6
EPS growth (% y-y)	-86.8	2279.8	1.1
ROE (%)	1.8	6.1	6.1
Per-share data (KRW)			
EPS	1,440	34,277	34,657
BVPS	669,001	697,980	736,352
DPS	5,200	6,500	7,000

Earnings momentum to continue: At the department store business, sales from foreign shoppers should remain strong throughout this year as inbound demand should stay solid on the global popularity of K-culture and favorable forex rates. Notably, Chinese tourists visiting Korea climbed 29% y-y in 1Q26, as diplomatic tensions between China and Japan redirected tourism flows—while Chinese arrivals to Japan tumbled 55% y-y. Meantime, Shinsegae's duty-free store earnings should head north from 2Q26 on its exit from the loss-making DF2 duty-free zone at Incheon International Airport (IIA) on Apr 28. Given that Isetan (Japan), long supported by a weak yen, reached a peak P/E of 22x in 2024, we believe Shinsegae (now trading at 13x P/E) still has considerable upside. We reiterate a BUY rating and raise our target price by 16% to KRW565,000 (based on a SOTP valuation), reflecting our revised earnings estimates.

Shinsegae: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**1,665.8**	**1,693.8**	**1,636.1**	**1,933.7**	**1,847.1**	**1,834.4**	**1,781.4**	**1,966.4**	**6,929.5**	**7,429.4**	**7,562.2**
Department store	654.2	631.3	626.6	761.7	696.2	717.2	683.7	808.6	2,673.7	2,905.6	3,036.0
Shinsegae DF	561.8	605.1	538.8	599.3	589.8	544.6	511.9	509.4	2,305.0	2,155.7	2,081.5
Shinsegae International	304.2	308.6	310.4	344.3	295.6	314.8	316.6	365.0	1,267.5	1,291.9	1,317.8
Shinsegae Central City	88.7	96.4	98.1	109.9	98.8	103.1	103.0	113.2	393.1	418.2	430.7
Casamia	62.3	58.3	63.9	62.6	111.4	104.9	111.8	109.6	247.1	437.7	450.8
Shinsegae Live Shopping	81.1	80.2	84.6	90.6	89.8	84.2	88.8	95.1	336.5	358.0	383.0
Other	-86.4	-86.1	-86.2	-34.6	-34.4	-34.4	-34.4	-34.4	-293.4	-137.6	-137.6
Operating profit	**132.3**	**75.3**	**99.8**	**172.5**	**197.8**	**128.1**	**157.7**	**216.7**	**480.0**	**700.3**	**745.3**
Parent	107.9	70.9	84.0	143.3	141.0	93.6	102.0	162.1	406.1	498.7	532.1
Shinsegae DF	-2.3	-1.5	-5.6	2.0	10.6	20.4	25.4	22.1	-7.4	78.5	92.3
Shinsegae International	4.7	-2.3	-2.0	-2.8	14.8	2.4	1.1	0.7	-2.4	19.0	13.7
Shinsegae Central City	22.2	9.8	27.6	29.2	26.0	11.0	28.5	29.5	88.8	95.0	97.8
Casamia	0.1	-1.8	-0.4	-2.9	1.3	-1.1	2.7	0.4	-5.0	3.2	3.3
Shinsegae Live Shopping	5.7	6.0	2.4	6.1	7.4	6.6	2.8	6.6	20.2	23.3	25.0
Other	-6.0	-5.8	-6.2	-2.4	-3.3	-4.7	-4.7	-4.7	-20.3	-17.4	-18.9
Net profit	**77.1**	**8.3**	**48.3**	**-69.1**	**145.4**	**61.1**	**83.8**	**128.7**	**64.6**	**419.0**	**436.5**
Net profit (controlling interests)	**57.5**	**-2.3**	**35.2**	**-76.5**	**120.2**	**45.8**	**62.9**	**96.5**	**13.9**	**325.4**	**327.3**
Change (% y-y)											
Sales	**3.8**	**5.6**	**6.2**	**6.2**	**10.9**	**8.3**	**8.9**	**1.7**	**5.5**	**7.2**	**1.8**
Parent	-1.5	-0.7	1.3	6.7	6.4	13.6	9.1	6.2	1.6	8.7	4.5
Shinsegae DF	15.4	22.9	14.2	7.9	5.0	-10.0	-5.0	-15.0	14.9	-6.5	-3.4
Shinsegae International	-1.7	-3.8	4.9	-9.9	-2.8	2.0	2.0	6.0	-3.1	1.9	2.0
Shinsegae Central City	-0.2	1.5	3.9	13.2	11.4	7.0	5.0	3.0	4.7	6.4	3.0
Casamia	-9.1	-10.4	-6.9	-7.0	78.8	80.0	75.0	75.0	-8.3	77.1	3.0
Shinsegae Live Shopping	3.7	-1.6	9.9	-1.1	10.7	5.0	5.0	5.0	2.5	6.4	7.0
Operating profit	**-18.8**	**-35.9**	**7.3**	**66.5**	**49.5**	**70.0**	**58.1**	**25.6**	**0.6**	**45.9**	**6.4**
Margins (%)											
Operating margin	**7.9**	**4.4**	**6.1**	**8.9**	**10.7**	**7.0**	**8.9**	**11.0**	**6.9**	**9.4**	**9.9**
Parent	16.5	11.2	13.4	18.8	20.3	13.1	14.9	20.0	15.2	17.2	17.5
Shinsegae DF	-0.4	-0.2	-1.0	0.3	1.8	3.8	5.0	4.3	-0.3	3.6	4.4
Shinsegae International	1.5	-0.7	-0.6	-0.8	5.0	0.8	0.4	0.2	-0.2	1.5	1.0
Shinsegae Central City	25.0	10.2	28.1	26.6	26.3	10.7	27.6	26.1	22.6	22.7	22.7
Casamia	0.2	-3.1	-0.6	-4.6	1.2	-1.1	2.4	0.4	-2.0	0.7	0.7
Shinsegae Live Shopping	7.0	7.5	2.8	6.7	8.2	7.8	3.1	6.9	6.0	6.5	6.5

Source: Company data, Samsung Securities estimates

Shinsegae: Sum-of-the-parts valuation

(KRWb)	
Consolidated operating value (A)	**8,492**
- 12-month forward EBITDA	1,248
- Target EV/EBITDA (x)*	6.8
Non-operating value (B)**	**695**
1) Samsung Life Insurance	659
- Market cap	59,900
- Stake (%)	2.2
2) Naver	32
- Market cap	31,998
- Stake (%)	0.2
3) Samsung Card	1
- Market cap	5,729
- Stake (%)	0.0
4) Seoul Auction	3
- Market cap	115
- Stake (%)	5
Net debt (C)	4,072.3
Treasury shares (D)***	209.4
Enterprise value (E=A+B-C+D)	**5,324**
Outstanding shares	9,445,181
Target price (KRW)	**565,000**

Note: * 20% premium to Korean retail sector average valuation on real estate value
**50% discount to closing price on May 12;
***30% discount to closing price on May 12
Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**6,570**	**6,929**	**7,429**	**7,562**	**7,805**
Cost of goods sold	2,518	2,736	2,888	2,843	2,913
Gross profit	**4,053**	**4,193**	**4,542**	**4,720**	**4,892**
Gross margin (%)	61.7	60.5	61.1	62.4	62.7
SG&A expenses	3,576	3,713	3,841	3,974	4,113
Operating profit	**477**	**480**	**700**	**745**	**779**
Operating margin (%)	7.3	6.9	9.4	9.9	10.0
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**	**552**	**602**	**641**
Taxes	8	68	143	166	176
Effective tax rate (%)	4.1	51.1	26.0	27.5	27.5
Profit from continuing operations	187	65	409	436	465
Profit from discontinued operations	0	0	0	0	0
Net profit	**187**	**65**	**409**	**436**	**465**
Net margin (%)	2.8	0.9	5.5	5.8	6.0
Net profit (controlling interests)	108	14	325	436	465
Net profit (non-controlling interests)	79	51	83	0	0
EBITDA	958	981	1,254	1,301	1,360
EBITDA margin (%)	14.6	14.2	16.9	17.2	17.4
EPS (parent-based) (KRW)	10,948	1,440	34,277	46,209	49,190
EPS (consolidated) (KRW)	18,954	6,676	43,053	46,209	49,190
Adjusted EPS (KRW)*	10,948	1,440	34,277	34,657	36,892

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**2,343**	**2,767**	**3,241**	**3,634**	**3,987**
Cash & equivalents	582	845	946	1,080	1,208
Accounts receivable	289	284	347	398	438
Inventories	979	929	1,184	1,338	1,469
Other current assets	492	709	763	817	872
Fixed assets	**12,729**	**13,067**	**13,178**	**13,290**	**13,406**
Investment assets	2,239	2,451	3,765	3,815	3,867
Tangible assets	7,795	7,795	7,859	7,921	7,985
Intangible assets	574	642	642	642	642
Other long-term assets	2,121	2,178	912	912	912
Total assets	**15,072**	**15,833**	**16,419**	**16,924**	**17,393**
Current liabilities	**4,947**	**5,176**	**5,337**	**5,443**	**5,561**
Accounts payable	123	161	191	221	269
Short-term debt	885	1,045	1,045	1,045	1,045
Other current liabilities	3,939	3,970	4,100	4,177	4,247
Long-term liabilities	**3,750**	**4,085**	**4,140**	**4,157**	**4,105**
Bonds & long-term debt	2,213	2,404	3,103	3,103	3,103
Other long-term liabilities	1,537	1,681	1,037	1,054	1,002
Total liabilities	**8,697**	**9,261**	**9,483**	**9,609**	**9,675**
Owners of parent equity	**4,265**	**4,455**	**4,818**	**5,198**	**5,601**
Capital stock	49	49	49	49	49
Capital surplus	424	424	424	424	424
Retained earnings	3,718	3,658	4,021	4,400	4,803
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**	**6,936**	**7,315**	**7,718**
Net debt	4,519	4,300	4,079	3,946	3,819

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**776**	**991**	**1,162**	**1,183**	**1,197**
Net profit	187	65	409	436	465
Non-cash profit and expenses	855	983	1,036	959	903
Depreciation	426	440	502	501	524
Amortization	55	62	52	54	57
Other	374	482	483	403	323
Changes in A/L from operating activities	-41	137	-283	-212	-171
Cash flow from investments	**-981**	**-646**	**-828**	**-804**	**-820**
Change in tangible assets	-885	-487	-703	-680	-697
Change in financial assets	266	-123	-114	-114	-114
Other	-363	-36	-11	-10	-9
Cash flow from financing	**-17**	**-81**	**-233**	**-244**	**-249**
Change in debt	334	271	0	0	0
Change in equity	21	-0	0	0	0
Dividends	-82	-86	-46	-57	-61
Other	-290	-267	-187	-187	-187
Change in cash	-220	263	101	134	128
Cash at beginning of year	802	582	845	946	1,080
Cash at end of year	582	845	946	1,080	1,208
Gross cash flow	**1,041**	**1,048**	**1,445**	**1,396**	**1,368**
Free cash flow	**-120**	**500**	**453**	**497**	**495**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	3.4	5.5	7.2	1.8	3.2
Operating profit	-25.4	0.6	45.9	6.4	4.6
Net profit	-40.2	-65.4	532.7	6.8	6.5
Adjusted EPS**	-52.1	-86.8	2279.8	1.1	6.5
Per-share data (KRW)					
EPS (parent-based)	10,948	1,440	34,277	46,209	49,190
EPS (consolidated)	18,954	6,676	43,053	46,209	49,190
Adjusted EPS**	10,948	1,440	34,277	34,657	36,892
BVPS	645,732	669,001	697,980	736,352	776,795
DPS (common)	4,500	5,200	6,500	7,000	5,200
Valuations (x)					
P/E***	12.1	171.5	13.0	12.9	12.1
P/B***	0.3	0.5	0.6	0.6	0.6
EV/EBITDA	8.3	9.0	6.8	6.4	6.0
Ratios (%)					
ROE	4.9	1.8	6.1	6.1	6.2
ROA	1.3	0.4	2.5	2.6	2.7
ROIC	5.5	2.8	6.1	6.1	6.3
Payout ratio	21.1	70.6	13.9	14.1	14.2
Dividend yield (common)	3.4	2.1	1.5	1.6	1.2
Net debt to equity	70.9	65.4	58.8	53.9	49.5
Interest coverage (x)	2.4	2.5	3.8	4.1	4.4

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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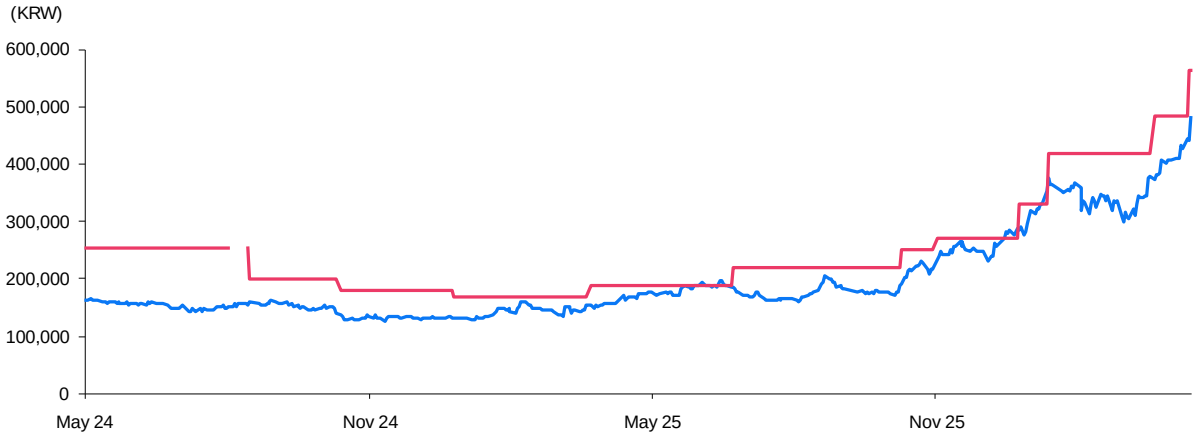
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/8	9/13	11/11	2025/1/23	4/21	7/22	11/7	12/1	2026/1/22	2/10	4/20	5/12
Recommendation	BUY	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	565000
Gap* (average)	-36.16	-23.65	-26.60	-15.51	-7.51	-20.09	-13.12	-4.76	-5.43	-19.12	-15.84	
(max or min)**	-25.69	-18.85	-23.17	-5.59	4.11	-6.59	-7.00	7.22	7.58	-9.76	-8.14	

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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