COMPANY UPDATE

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Finance/Consumer Goods Team

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Paradise (034230)

On the path to a hotel multiple

- We initiate coverage of Paradise with a BUY rating and a target price of KRW19,000 (based on a target P/E of 13x).
- The acquisition of Hyatt Regency expands room capacity for VIP guests and should allow Paradise to capture broader leisure demand amid a persistent undersupply of hotel rooms in the Seoul metropolitan area.
- The planned opening of a luxury hotel in Seoul's Jangchung-dong in 2028 should serve as a long-term rerating catalyst.

Initiating coverage at BUY with KRW19,000 target price: We initiate coverage of Paradise with a BUY rating and a target price of KRW19,000 (based on 13x 2027 P/E, a 30% premium to the 10x average 2027 P/E at which domestic and Macao casino operators are trading). We forecast 2026 sales of KRW1.3t (up 13% y-y) and operating profit of KRW190.9b (up 23% y-y), for an operating margin of 15%. For 2027, we forecast sales of KRW1.4t (up 10% y-y) and operating profit KRW243.2b (up 27% y-y), for an operating margin of 17%. Earnings should gain momentum as the company realizes synergies between its casino operations and Hyatt Regency Incheon, which it acquired in Sep 2025.

Acquisition of Hyatt Regency Incheon to support VIP growth: The acquisition of Hyatt Regency Incheon is strategically significant for two reasons: 1) it materially expands room capacity for VIP guests; and 2) it enables the company to capture broader leisure demand in the Seoul metropolitan area, where hotel supply remains tight. This should establish a stronger foundation for growth in the hotel business. Paradise City's high occupancy rate of 80% in 2025 had previously constrained room availability for VIP guests. We estimate that redirecting just 10% of the combined portfolio's room inventory toward VIP sales could lift annual revenue by roughly KRW100b, equivalent to 9% of 2025 sales.

Luxury hotel in Jangchung-dong—a long-term valuation catalyst: Paradise's luxury hotel in Jangchung-dong, Seoul (scheduled to open in 2028) should generate annual revenue of approximately KRW23b (equivalent to 2% of 2025 revenue). While the direct revenue contribution is likely to be modest, the expansion of the hotel business carries significant longer-term strategic value. First, it should strengthen Paradise's positioning as a global hotel operator, creating scope for rerating; international peers are trading on average at 30x P/E. Second, it should create complementary synergies between Paradise City, with its airport access and integrated resort experience, and the Jangchung hotel, which is located in Seoul's core tourist district.

(Continued on the next page)

▶ AT A GLANCE

BUY

Target price	KRW19,000	22.9%
Current price	KRW15,460	
Market cap	KRW1.4t/USD0.9b	
Shares (float)	92,629,382 (49.6%)	
52-week high/low	KRW23,650/KRW13,650	
Avg daily trading value (60-day)	KRW11.7b/ USD7.8m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Paradise (%)	1.0	-11.6	12.7
Vs Kospi (%pts)	-13.3	-59.5	-62.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	19,000	19,000	0.0%
2026E EPS	1,025	1,025	0.0%
2027E EPS	1,428	1,428	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	11
Target price	23,000
Recommendation	4.0

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

Samsung Securities

Synergies between casino and non-casino operations to rise

Poised to rerate as hotel business expands

Initiating coverage at BUY with a KRW19,000 target price

We initiate coverage of Paradise with a BUY rating and a target price of KRW19,000 (based on 13x 2027 P/E, a 30% premium to the 10x average 2027 P/E at which domestic and Macao casino operators are trading). The premium is justified by Paradise's position as a global integrated resort operator, anchored by Paradise City, and by its lower reliance on Chinese visitors compared with Macao peers.

Paradise is trading at 12x 2026 P/E and 9x 2027 P/E, slightly above its 2024-2025 low of 8x. That trough reflected concerns that: 1) the opening of Inspire Casino in Mar 2024 would erode Paradise City's market share; and 2) heavy investment in the Jangchung Hotel project would have a near-term impact on profitability.

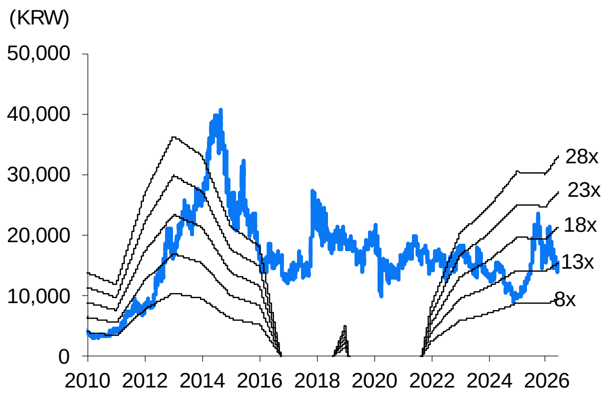
These concerns have quickly faded, suggesting that the current premium is justified. First, despite Inspire's opening, Paradise City maintained a 30% market share in 2025—unchanged from 2024. Second, the Sep 2025 integration of Hyatt Regency Incheon (formerly Grand Hyatt Incheon West Tower) is expected to drive stable earnings growth through synergies with the casino business. Third, the Jangchung Hotel project remains a compelling long-term growth driver, supported by persistent hotel supply shortages in the Seoul metropolitan area (SMA).

Paradise: P/E valuation

(KRW)		Note
EPS	1,430	2027E
Target P/E multiple (x)	13x	30% premium to the 10x 2027 P/E at which Macao casinos are trading on average
Target price	19,000	

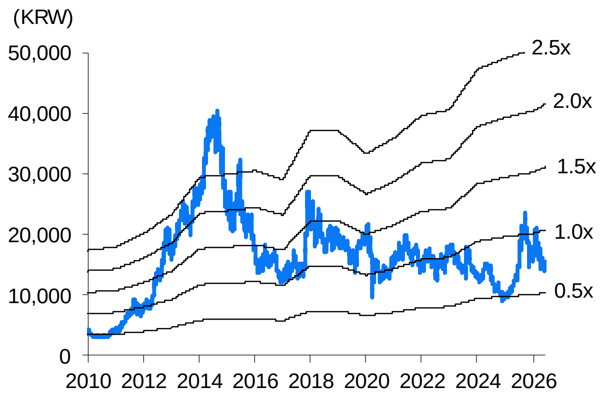
Source: Samsung Securities estimates

Paradise: Forward P/E band



Source: Bloomberg, Samsung Securities

Paradise: Froward P/B band



Source: Bloomberg, Samsung Securities

Acquisition of Hyatt Regency Incheon to drive VIP growth and hotel profitability

We forecast 2026 sales of KRW1.3t (up 13% y-y) and operating profit of KRW190.9b (up 23% y-y), for an operating margin of 15%. For 2027, we forecast sales of KRW1.4t (up 10% y-y) and operating profit KRW243.2b (up 27% y-y), for an operating margin of 17%. These estimates reflect not only a structural recovery in the number of foreign visitors to Korea but also accelerating earnings leverage from the Sep 2025 acquisition of Hyatt Regency Incheon.

Specifically, the acquisition should expand hotel room capacity targeted at VIP guests, enabling higher drop rates and revenue growth. In a market with constrained hotel supply and rising average daily rates (ADRs), the hotel operation should capture not only casino visitors but also general leisure travelers, enhancing the profitability of Paradise's hotel business. Meanwhile, the 200-room luxury hotel in Seoul's Jangchung-dong, which the company aims to open in 2028, should further expand room capacity and reinforce long-term synergies between the casino and hotel operations.

Paradise: Casino earnings

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Table drop	1,694	1,835	1,808	1,813	1,756	2,060	1,986	2,276	6,868	7,150	8,079	8,897
Chg (% y-y)	(2.0)	7.7	2.0	9.1	3.6	12.3	9.9	25.6	11.3	4.1	13.0	10.1
Drop, by visitor type												
Chinese VIPs	303	293	307	302	250	306	329	418	1,214	1,205	1,303	1,436
Japanese VIPs	720	787	759	723	729	866	797	898	2,898	2,990	3,289	3,522
Other VIPs	304	362	304	345	349	425	336	410	1,311	1,316	1,520	1,675
Mass	367	393	437	442	429	463	525	550	1,445	1,639	1,967	2,262
Chg (y-y)												
Chinese VIPs	0.5	(1.2)	(3.5)	1.3	(17.6)	4.5	7.1	38.6	44.4	(0.8)	8.2	10.3
Japanese VIPs	0.4	11.8	(0.9)	1.7	1.1	10.0	5.0	24.1	3.6	3.2	10.0	7.1
Other VIPs	(12.5)	6.5	(6.5)	15.7	14.8	17.3	10.3	18.8	6.1	0.3	15.5	10.3
Mass	1.0	8.1	20.3	24.6	16.8	18.0	20.0	24.4	11.2	13.4	20.0	15.0
Drop, by casino												
Paradise City	876	996	1,005	941	916	1,096	1,105	1,300	3,472	3,818	4,127	4,444
Other	818	839	803	872	840	964	881	976	3,396	3,332	3,952	4,453
Chg (y-y)												
Paradise City	0.7	19.5	9.9	10.2	4.6	10.0	10.0	38.2	17.2	10.0	8.1	7.7
Other	(4.8)	(3.6)	(6.4)	7.9	2.7	15.0	9.7	11.9	5.8	(1.9)	18.6	12.7
VIP visitors												
Chinese VIPs	8,351	9,946	9,484	9,865	7,508	9,449	9,958	11,860	36,621	37,646	38,775	40,714
Japanese VIPs	20,025	21,536	22,657	20,204	21,049	23,690	23,790	24,336	82,687	84,422	92,864	97,507
Other VIPs	12,081	12,595	12,494	12,615	12,274	12,847	13,119	14,035	49,297	49,785	52,274	54,888
Chg (y-y)												
Chinese VIPs	3.7	9.4	0.6	(1.8)	(10.1)	(5.0)	5.0	20.2	55.4	2.8	3.0	5.0
Japanese VIPs	(3.3)	5.2	6.8	(0.4)	5.1	10.0	5.0	20.5	8.3	2.1	10.0	5.0
Other VIPs	2.9	3.7	(0.5)	(1.9)	1.6	2.0	5.0	11.3	14.3	1.0	5.0	5.0
Drop per VIP per visit (KRWm)												
Chinese VIPs	36.3	29.5	32.4	30.6	33.3	32.4	33.0	35.3	33.2	32.0	33.6	35.3
Japanese VIPs	36.0	36.5	33.5	35.8	34.6	36.5	33.5	36.9	35.0	35.4	35.4	36.1
Other VIPs	25.1	28.8	24.4	27.4	28.4	33.1	25.6	29.2	26.6	26.4	29.1	30.5
Chg (y-y)												
Chinese VIPs	(3.1)	(9.7)	(4.1)	3.2	(8.3)	10.0	2.0	15.3	(7.0)	(3.5)	5.0	5.0
Japanese VIPs	3.9	6.3	(7.2)	2.1	(3.8)	0.0	0.0	3.0	(4.3)	1.1	0.0	2.0
Other VIPs	(15.0)	2.7	(6.0)	17.9	13.0	15.0	5.0	6.8	(7.2)	(0.6)	10.0	5.0
Table hold ratio (%)	12.6%	11.8%	11.3%	11.7%	12.2%	12.1%	11.4%	11.7%	11.2%	11.8%	11.8%	11.8%

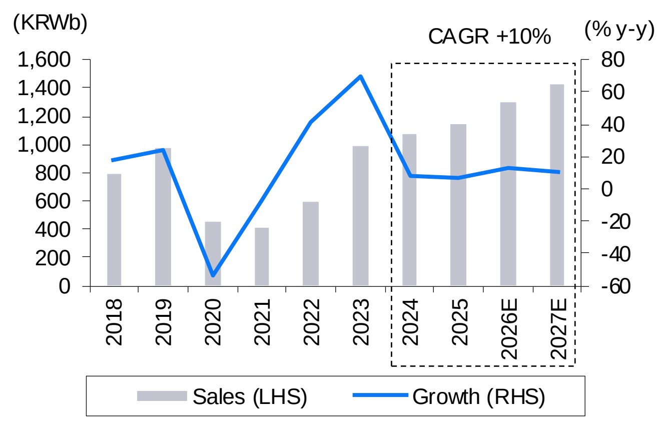
Source: Company data, Samsung Securities estimates

Paradise: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Sales	283	284	288	294	294	327	320	354	1,072	1,150	1,294	1,423
Casino	229	231	219	229	232	266	241	281	818	899	1,020	1,124
Hotel & other	55	53	70	65	62	61	79	73	206	204	234	258
Gross profit	78	71	69	50	68	86	84	83	238	268	321	379
Operating profit	57	43	40	16	37	54	53	46	136	156	191	243
Pre-tax profit	50	36	40	10	25	44	43	35	101	135	148	195
Net profit	43	32	33	36	19	35	34	29	111	145	118	156
Margins (%)												
Gross profit	27.5	24.8	23.9	17.1	23.2	26.3	26.3	23.3	22.2	23.3	24.8	26.6
Operating profit	20.2	15.1	13.7	5.5	12.7	16.6	16.6	12.9	12.7	13.6	14.7	17.1
Pre-tax profit	17.5	12.6	13.7	3.5	8.5	13.5	13.5	10.0	9.4	11.8	11.4	13.7
Net profit	15.2	11.4	11.6	12.2	6.4	10.7	10.6	8.2	10.3	12.6	9.1	10.9
Chg (% y-y)												
Sales	7.0	4.1	7.5	10.5	3.8	14.8	11.0	20.3	7.8	7.3	12.6	9.9
Casino	10.0	6.5	11.2	11.2	1.5	15.1	10.3	22.5	10.1	9.9	13.5	10.1
Hotel & other	(3.9)	(5.2)	(2.9)	8.4	13.1	13.6	13.2	12.6	0.1	(1.1)	15.0	10.0
Gross profit	13.5	7.0	15.2	15.4	(12.5)	21.5	22.2	64.1	1.8	12.5	19.8	18.1
Operating profit	18.3	33.9	9.1	(16.8)	(34.9)	26.5	34.7	181.7	(6.7)	14.5	22.5	27.4
Pre-tax profit	21.1	59.7	89.5	(37.7)	(49.9)	22.8	8.9	243.6	10.2	34.2	9.3	31.5
Net profit	16.6	84.2	70.0	(1.6)	(56.3)	7.5	1.8	(19.4)	30.7	30.8	(18.3)	31.5

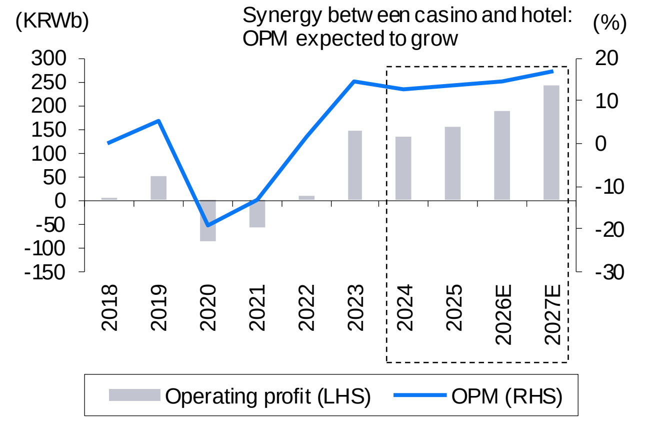
Source: Company data, Samsung Securities estimates

Sales and growth



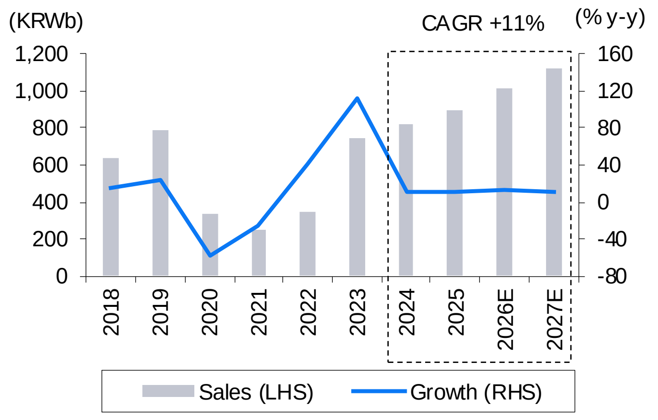
Source: Company data, Samsung Securities estimates

Operating profit and operating margin



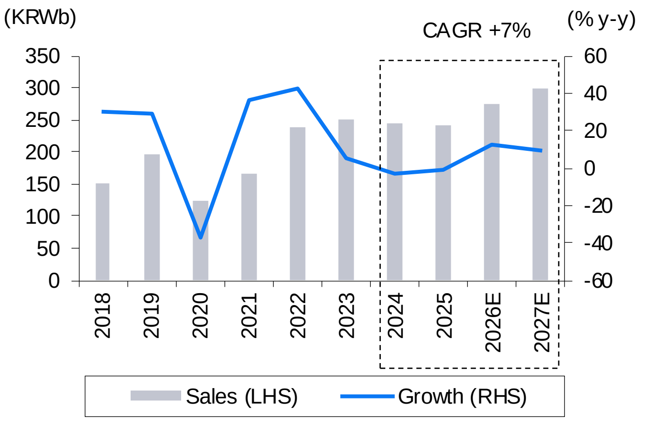
Source: Company data, Samsung Securities estimates

Casino: Sales and growth



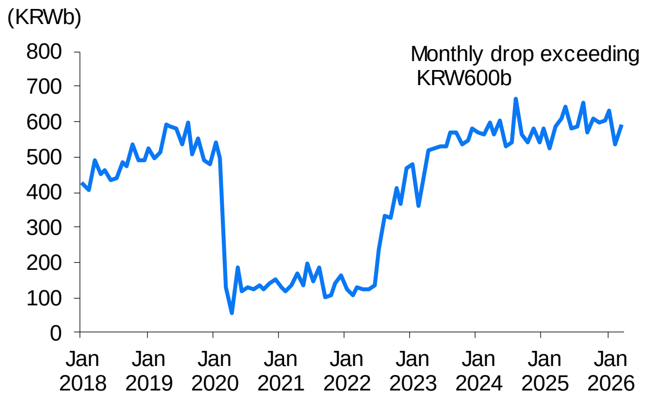
Source: Company data, Samsung Securities estimates

Hotel & other: Sales and growth



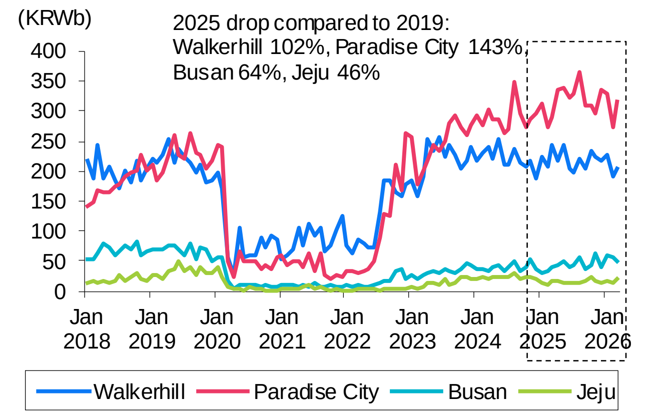
Source: Company data, Samsung Securities estimates

Casino: Monthly drop



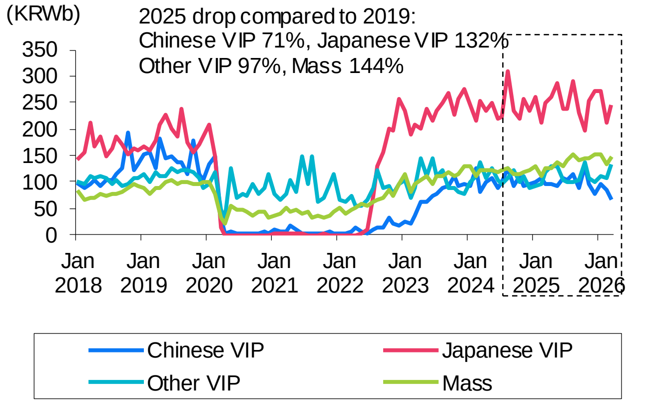
Source: Company data, Samsung Securities

Casino: Monthly drop, by casino



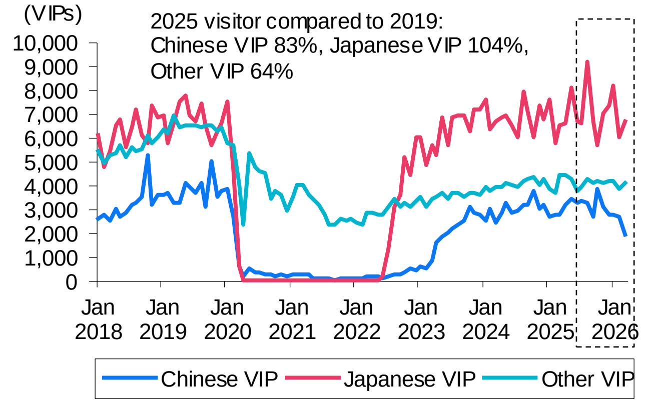
Source: Company data, Samsung Securities

Casino: Monthly drop, by visitor type



Source: Company data, Samsung Securities

Casino: Monthly VIP visitors



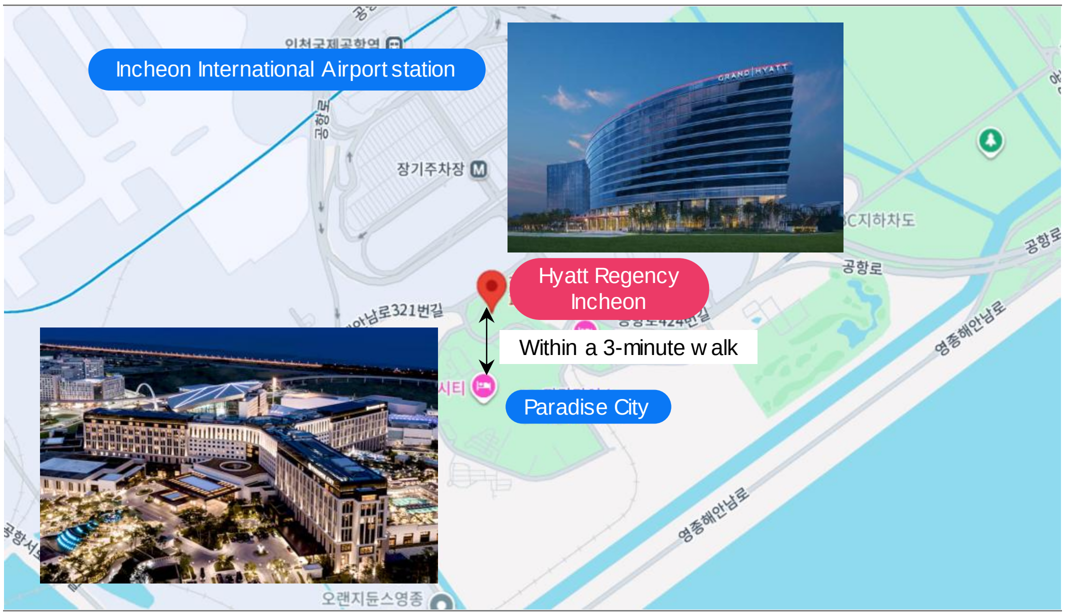
Source: Company data, Samsung Securities

Hotel capacity expansion to strengthen synergies between casino and non-casino operations

In Sep 2025, Paradise acquired Hyatt Regency Incheon (formerly, the Grand Hyatt Incheon West Tower) for approximately KRW210b. The 5-star property has 501 rooms and is located just a three-minute walk from Paradise City. The acquisition is strategically significant for two reasons: 1) it materially expands room capacity for VIP guests; and 2) it enables the company to capture broader leisure demand in the SMA, where hotel supply remains tight. This should establish a stronger foundation for hotel business growth.

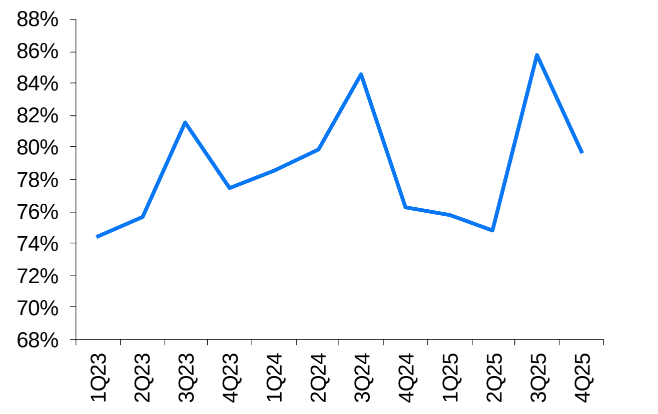
Paradise City's high occupancy rate of 80% in 2025, including more than 90% on weekends, has previously constrained room availability for VIP guests. With nearby Inspire Resort offering around 1,275 rooms, Paradise City also faced a competitive disadvantage in total room supply.

Paradise City and Hyatt Incheon location



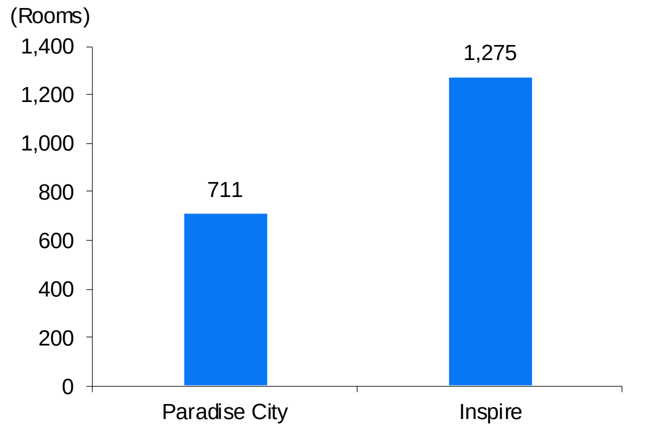
Source: Google, Company data, Samsung Securities

Paradise City: Occupancy rate



Source: Company data, Samsung Securities

Hotel Rooms: Paradise City and Inspire Resorts



Source: Company data, Samsung Securities

The addition of 501 rooms has increased Paradise's total room inventory in Incheon to around 1,200 rooms, freeing up existing Paradise City inventory for reallocation primarily to VIP guests.

An estimated 20-30% of Paradise City's rooms are currently allocated to VIPs—still well below the 40-50% range at Jeju Dream Tower. The additional capacity is therefore not merely a supply increase but a critical lever for enhancing VIP marketing effectiveness.

We estimate that redirecting just 10% of the portfolio's combined room inventory toward VIP sales could lift annual revenue by roughly KRW100b. Under a more aggressive strategy, with VIP allocation rising to 20%, additional revenue could exceed KRW200b. For context, 2025 sales totaled KRW1.1t; a KRW100b increase from enhanced VIP sales would represent a 9% jump in revenue.

Additional sales from increase in VIP

Paradise City rooms	VIP portion of rooms (%)	VIP rooms	Drop per VIP per visit (KRWm)	Increase in drop (KRWb)	2025 hold ratio (%)	Increase in sales (KRWb)	In ratio to 2025 sales (%)
	10	70		873		103	8.9
711	15	110	34.2	1,372	11.8	162	14.1
	20	140		1,746		206	17.9

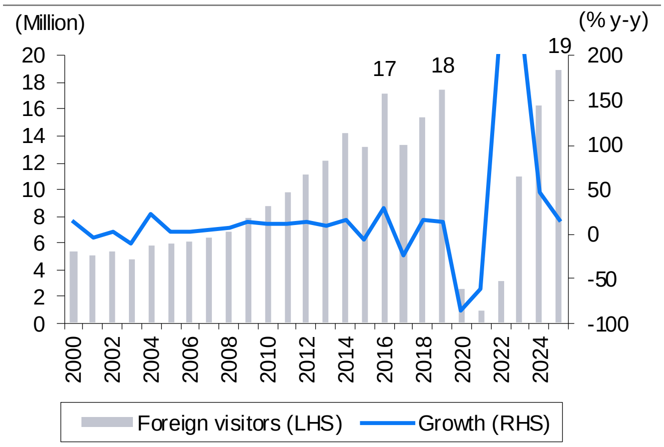
Source: Company data, Samsung Securities estimates

Hotel supply shortage in Seoul: Spillover benefits extend across the SMA

The acquisition of Hyatt Regency Incheon is not just a catalyst for casino guest traffic; it also gives Paradise a meaningful standalone hotel growth opportunity, supported by a structural supply-demand imbalance across the SMA. Demand for hotel rooms has surged in recent years, fueled by a sharp rise in inbound tourist numbers.

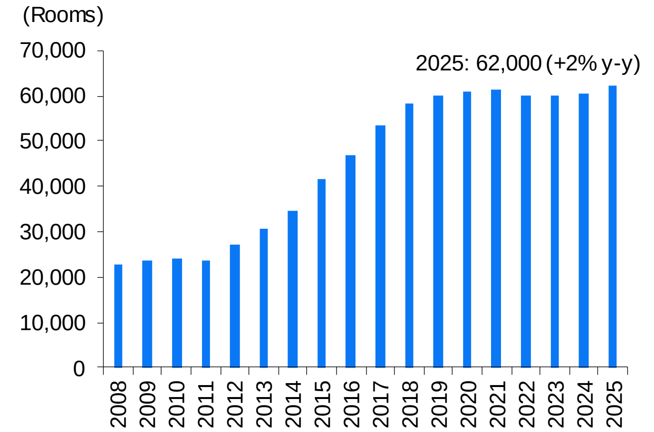
Foreign visitors to Korea hit a record high in 2025, rising 16% y-y, and are projected to exceed 20m in 2026. Hotel supply has failed to keep pace: as of 2025, total hotel rooms in Seoul stood at around 62,000, up just 2% y-y.

Korea: Foreign visitor arrivals



Source: Korea Tourism Data Lab, Samsung Securities

Seoul: Hotel room supply

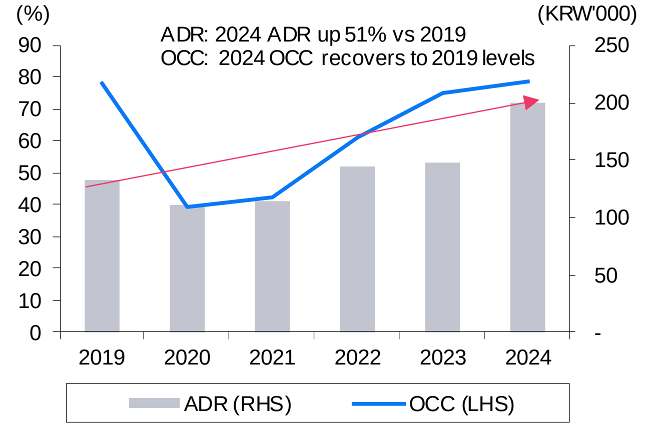


Source: Korea Hotel Association, Samsung Securities

Demand growth and supply shortages are driving occupancy and ADR higher

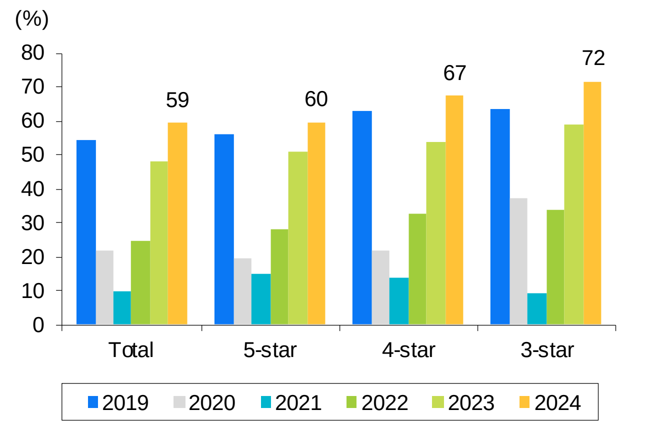
This persistent supply-demand gap is lifting both volume and pricing in the hotel segment. In 2024, Seoul occupancy (OCC) reached 79%, surpassing the 2016 (pre-pandemic) level of 78%. Meanwhile, the ADR in Seoul climbed to around KRW200,000, up 51% from 2019. Foreign tourists are the primary driver of demand, accounting for 59% of hotel stays in Seoul in 2024, up from 55% in 2019.

Seoul hotels: OCC* and ADR**



Note: *Occupancy rate;
**Average daily rate
Source: Korea Hotel Association, Samsung Securities

Seoul hotels: Foreign portion of guests

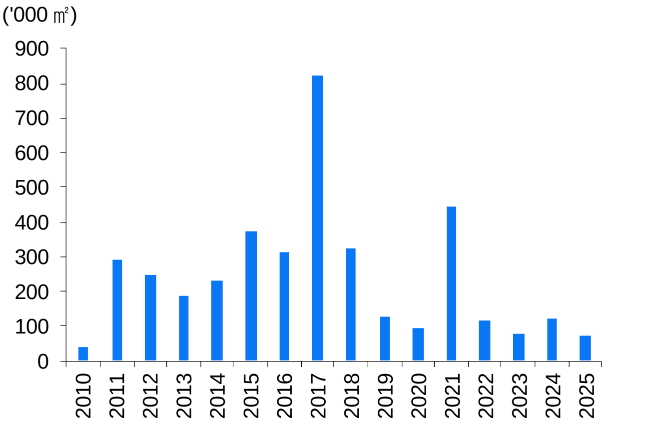


Source: Korea Hotel Association, Samsung Securities

Supply constraints to support profitability gains for 3-5 years

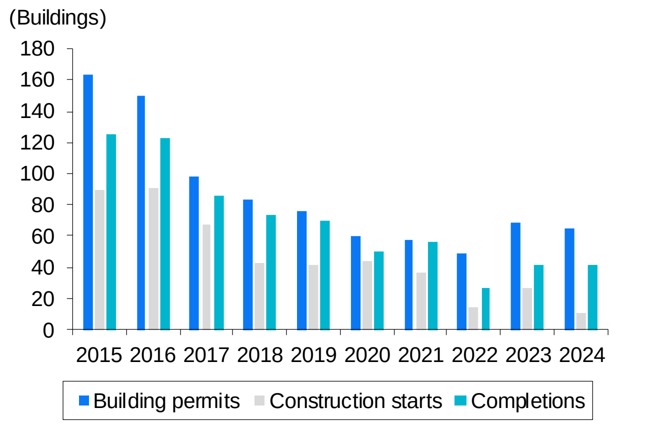
The structural imbalance is likely to support elevated hotel profitability for the next 3-5 years. In 2025, hotel construction permits in Seoul were down 84% compared to 2021, while the number of approved and newly started hotel projects has declined consistently since 2015. Given that hotel projects typically take 3-5 years from permit approval to completion, we believe supply shortages will persist for an extended period.

Seoul: Licensed tourism accommodation floor area



Source: Seoul, Samsung Securities

Seoul: Building permits, construction starts, and completions



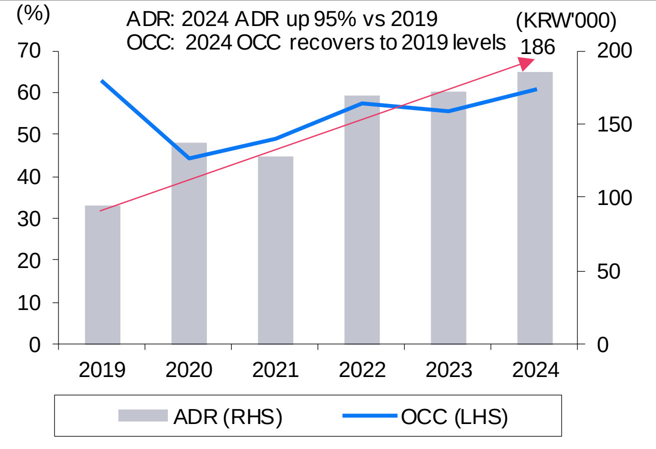
Source: Seumter, Samsung Securities

Demand spillover beyond Seoul already visible across the SMA

Paradise's acquisition of Hyatt Regency Incheon, which added 501 rooms, is significant not only for VIP recruitment, but also for capturing broader, non-casino hotel demand. As Seoul's hotel supply remains constrained and ADRs rise, lodging demand is increasingly spilling over into surrounding areas, including Incheon and Gyeonggi.

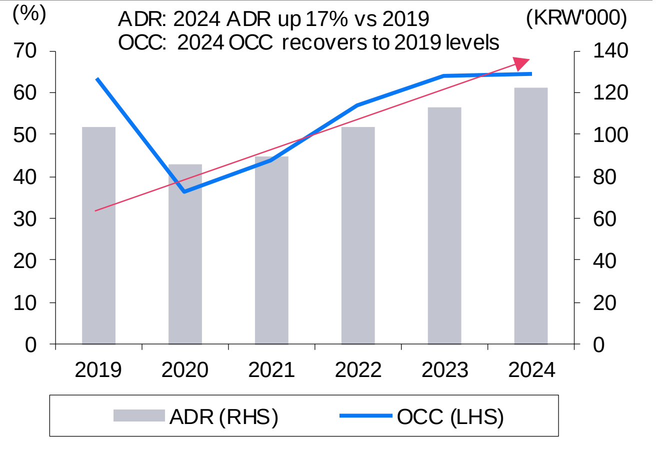
In 2024, occupancy in Incheon and Gyeonggi recovered to 61% and 65%, respectively, in line with 2019 levels. ADRs in these regions also rose sharply, up a respective 95% and 17% from pre-pandemic levels. Given that inbound tourist numbers expanded further y-y in 2025, it is reasonable to assume that both occupancy and ADR in these areas exceeded 2024 levels.

Incheon hotels: OCC* and ADR**



Note: *Occupancy rate;
**Average daily rate
Source: Korea Hotel Association, Samsung Securities

Gyeonggi hotels: OCC* and ADR**



Note: *Occupancy rate;
**Average daily rate
Source: Korea Hotel Association, Samsung Securities

Hyatt Regency: Gradual profitability recovery driven by volume and pricing gains

Hyatt Regency Incheon currently operates at an estimated OCC of 30-40%. Over the medium-to-long term, however, we expect it to reach and remain above 60%, supported by: 1) the structural shift in demand toward areas outside Seoul; and 2) the steady rise in occupancy in Incheon and Gyeonggi since the global pandemic, which already exceeded 60% in 2024. Based on the former Grand Hyatt Incheon's historical performance—ADR of KRW200,000 and OCC of 60%—we estimate that Hyatt Regency Incheon could generate approximately KRW22b in additional annual room revenue once utilization reaches similar levels.

While Hyatt Regency Incheon's near-term revenue contribution remains limited, the potential for higher occupancy and ADR points to a clear path to profitability. 1Q26, Paradise booked KRW6b in revenue from Hyatt Regency Incheon against KRW11b in operating expenses, resulting in a KRW5b operating loss and raising concerns over acquisition-related costs. However, the lackluster results reflected a low OCC of 30-40% during the period. As occupancy improves, revenue growth should naturally drive profitability.

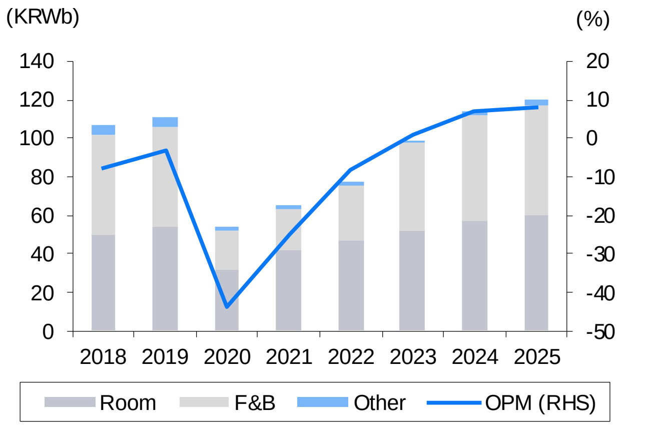
Furthermore, 1Q expenses included one-off costs related to rebranding and room amenity upgrades. Excluding these costs, quarterly operating expenses are expected to decline in subsequent quarters, and the hotel is likely to reach breakeven within this year.

Hyatt Regency: Annual sales sensitivity to OCC and ADR

(KRWb)	ADR (KRW'000)			
OCC (%)	200	250	300	350
40%	14.6	18.3	21.9	25.6
50%	18.3	22.9	27.4	32.0
60%	21.9	27.4	32.9	38.4
70%	25.6	32.0	38.4	44.8

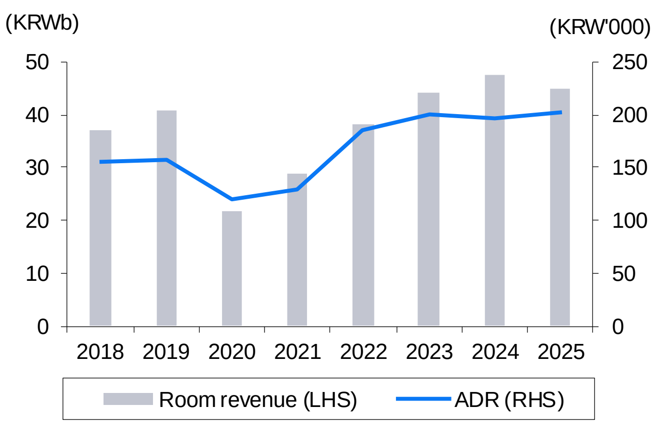
Source: Samsung Securities estimates

KAL Hotel Network: Sales and operating margin



Source: Company data, Samsung Securities

Hyatt: ADR* & room revenue (before acquisition)



Note: *Average daily rate
Source: Company data, Samsung Securities

Luxury hotel in Seoul's Jangchung-dong—a long-term valuation catalyst

Luxury hotel in Jangchung-dong to open by 2028

Paradise is advancing a medium- to long-term growth initiative through the development of a luxury hotel in Jangchung-dong, Seoul. The property is located in Jangchung-dong 2-ga, approximately 400 meters from the Shilla Seoul. With an estimated investment of around KRW575b, the 189-room, 23-story hotel (18 floors above ground and 5 below) is scheduled to open in 2028. Notably, construction cost per *pyeong* (3.3 m²) is projected at KRW18.39m, significantly above the national average of KRW15.63m for five-star hotels—indicating a deliberate focus on ultra-luxury positioning.

Paradise: Jangchung-dong hotel project overview

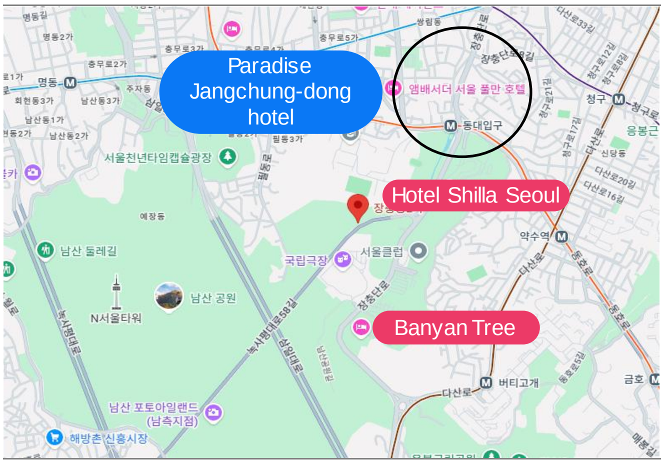
Category	Details
Location	186-210, Jangchung-dong 2-ga, Jung-gu, Seoul
Site area	13,950 m^2 (approx. 4,220 *pyeong*)
Total floor area	69,970 m^2 (approx. 21,200 *pyeong*)
Floors/Rooms	23 floors (B5F to 18F) / 189 rooms
Project period	Mar 31, 2025-Aug 31, 2028
Total investment	KRW575b (construction cost KRW390b)

Source: Company data, Samsung Securities

Paradise: Jangchung-dong hotel

Source: Company data, Samsung Securities

Paradise: Jangchung-dong hotel location

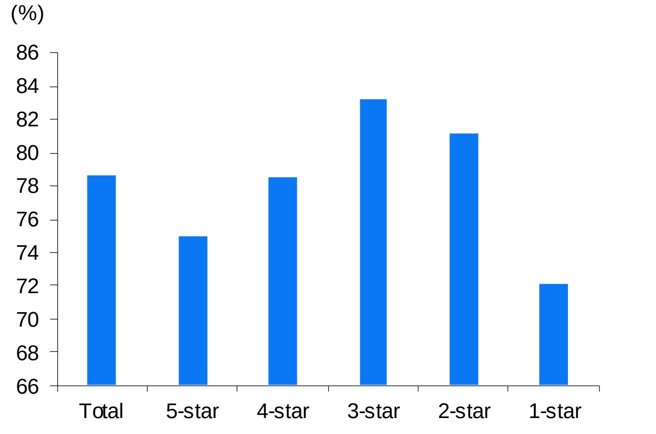


Source: Google, Samsung Securities

Proximity to key tourist destinations

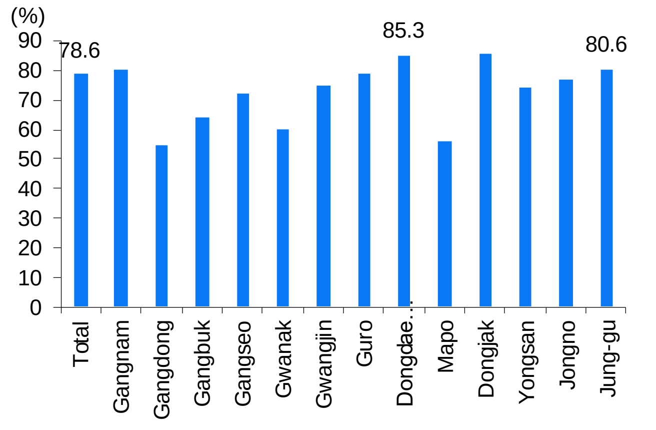
The site's choice location provides international visitors with direct access to major tourist hubs—including Myeongdong and Dongdaemun. In 2024, overall five-star hotel occupancy in Seoul stood at 75%, while Jung-gu (which includes Myeongdong) and Dongdaemun-gu—boasted OCCs of 81% and 85%, respectively. Given this strong demand environment, we believe the new hotel will be able to achieve and sustain occupancy of more than 70% from opening, supported by its prime location.

Seoul hotels: OCC*, by hotel star rating (2024)



Note: *Occupancy rate
Source: Korea Hotel Association, Samsung Securities

Seoul hotels: OCC*, by location (2024)

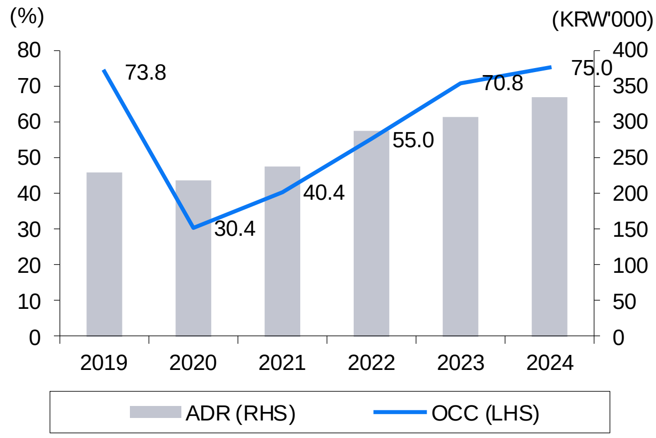


Note: *Occupancy rate
Source: Korea Hotel Association, Samsung Securities

Jangchung-dong hotel to generate annual room revenue of KRW20b

We estimate that the new hotel in Jangchung-dong will generate annual room revenue of KRW12b-KRW20b, assuming stable occupancy of at least 70% and a high ADR, building on the 2024 Seoul five-star average of KRW340,000. As a true luxury property, the hotel's ADR could reach KRW350,000-400,000, potentially increasing annual revenue to approximately KRW23b, equivalent to 2% of the company's 2025 total revenue.

5-star hotels in Seoul: ADR* and OCC**



Note: *Occupancy rate;
**Average daily rate
Source: Korea Hotel Association, Samsung Securities

Jangchung-dong hotel: sales forecast

(KRWb)	ADR (KRW'000)			
OCC (%)	250	300	350	400
70%	12.1	14.5	16.9	19.3
75%	12.9	15.5	18.1	20.7
80%	13.8	16.6	19.3	22.1
85%	14.7	17.6	20.5	23.5

Source: Samsung Securities estimates

Near-term sales contribution to be limited; two strategic implications from hotel expansion

While the Jangchung-dong hotel's revenue contribution is expected to be modest, at around 2% of 2025 sales, expansion of the hotel business carries significant longer-term strategic value. First, it should position Paradise as a global hotel operator, creating potential for rerating. Scone, it should enhance synergies with Paradise City's casino operations, particularly by driving higher-margin VIP revenue through integrated guest experiences.

Premium multiple for hotel chains (30x P/E): A path to rerating

While casino operators in Macao and Korea are trading at 10-11x 2027 P/E, global hotel chains command multiples above 30x. This divergence reflects three structural advantages: 1) higher earnings stability; 2) lower regulatory risk; and 3) an asset-light brand licensing model.

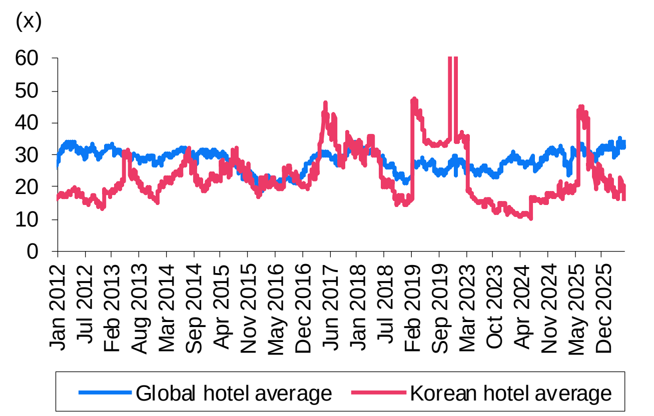
- **Higher earnings stability:** Although Korean casinos have diversified their customer base to reduce volatility, quarterly results remain susceptible to the betting behavior of just one or two VIP clients. Hotels, by contrast, benefit from broad, consistent demand across leisure and business travelers.
- **Lower regulatory risk:** New foreigner-only casino licenses in Korea have been effectively frozen since 2005. Only 16 have been approved over nearly two decades, and Inspire Casino's 2024 license was the first in 19 years. Hotels, by contrast, face far fewer regulatory barriers to capacity expansion.
- **Asset-light brand licensing model:** Global hotel chains often operate without directly owning properties, instead generating revenue through brand licensing fees. This asset-light model allows them to expand sales and profits with minimal capital investment, supporting premium valuations of more than 30x P/E.

Paradise expanding beyond casinos into a hotel brand

Paradise has already built operational expertise through the direct ownership and management of four properties: 1) Paradise City; 2) Hyatt Regency Incheon; 3) Paradise Hotel Busan; and 4) Embassy Suites Orlando Downtown. Of these, Paradise City and Paradise Hotel Busan operate under the Paradise brand, building brand equity beyond the casino business. The 2028 opening of the luxury Jangchung-dong hotel could further elevate the Paradise name, positioning it as a premium urban destination comparable to The Shilla hotels.

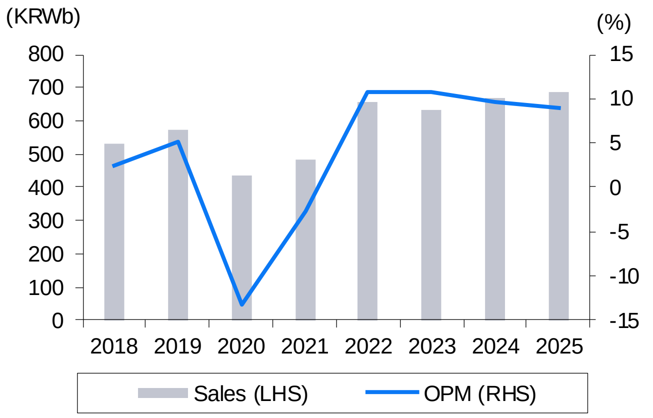
This trajectory suggests a deliberate strategy to emulate Shilla's multi-tiered brand architecture—The Shilla, Shilla Monogram, Shilla Stay—under the Paradise brand. This has two key longer-term implications. First, like global hotel chains, Paradise could eventually scale through brand licensing, generating revenue and profits without significant additional capital investment. Second, while Hotel Shilla has used hotel expansion to offset declining duty-free store revenues, Paradise is doing the reverse: leveraging stable, high-margin casino cash flows to fund hotel growth. This fundamental difference enhances its long-term rerating potential.

Global* and domestic hotel valuations: P/E**



Note: Excludes 2020-2023;
*Marriott, Hilton, InterContinental, and Hyatt;
**Shilla, Seobu T&D, and GS P&L
Source: Bloomberg, Samsung Securities

Hotel Shilla: Hotel & leisure sales and operating margin



Source: Company data, Samsung Securities

Synergies between Paradise City and Jangchung-dong hotel: Combining resort experience with Seoul tourism

Some investors are concerned that the Jangchung-dong hotel, given its geographic distance from Walkerhill Casino and Paradise City, may offer limited synergies with the company's casino operations. However, we believe the two hotels can generate meaningful synergies by leveraging their distinct competitive advantages.

- **Complementary positioning based on location-specific strengths:** Paradise City offers strong access to Incheon International Airport and boasts integrated resort facilities, including entertainment, dining, and retail, all under one roof. By contrast, the Jangchung-dong hotel's strength lies in its proximity to Seoul's core tourist districts, including Myeongdong and Dongdaemun, enabling guests to enjoy luxury accommodation while easily exploring the city's cultural and shopping attractions. Rather than overlapping, the two properties address different but complementary traveler needs.
- **Extending VIP length of stay and spending:** For VIP guests seeking both a resort experience and city exploration, a seamless two-stage itinerary becomes possible: beginning at Paradise City for the full integrated resort experience, then moving to the Jangchung-dong hotel for a refined urban stay and sightseeing. This bundled-stay model could significantly increase average length of stay and total spending per guest.

Given that the Hyatt Regency Incheon acquisition is expected to contribute approximately 10% of Paradise's total revenue, based on 2025 figures, the Jangchung-dong hotel—anchored in Seoul's most visited district—is positioned to generate comparable revenue synergies.

Risk factors

Inevitable rise in interest expenses due to expanded investment

Paradise faces an unavoidable increase in interest expenses as it resumes large capital investments. The company acquired Hyatt Regency Incheon for approximately KRW210b in 2025 and is now developing the Jangchung-dong hotel, a KRW575b project. Around half of the Hyatt acquisition was funded through bank loans. For the Jangchung-dong project, approximately KRW550b—or nearly 95% of the total investment—is being financed through commercial bank debt at an interest rate of around 3.8%. However, the debt will be drawn down in tranches tied to construction milestones, rather than upfront, meaning near-term interest expenses will be based on the average outstanding balance rather than the full facility amount. On that basis, the two projects are expected to increase annual interest expenses by around KRW10b initially.

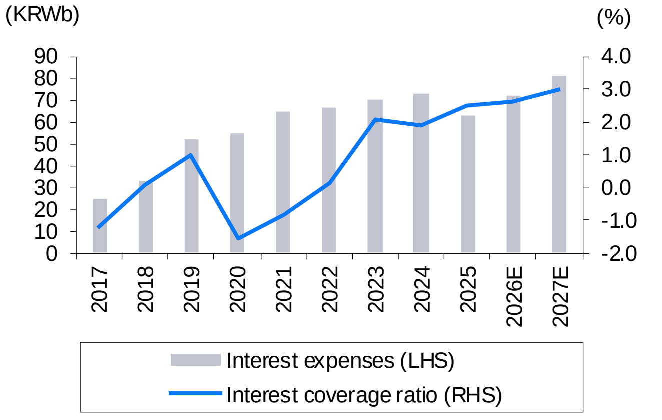
This follows a similar pattern to the period after Paradise City's completion, which required KRW1.5t in capital and led to a sharp rise in interest costs—from KRW33b in 2018 and KRW52b in 2019 to KRW72.9b in 2024—raising concerns over financial stability at the time.

Maintaining financial stability through strong cash generation

However, improving cash flow since the post-pandemic recovery is helping to offset this burden. In 2025, Paradise generated roughly KRW220b in operating cash flow. Its interest coverage ratio also improved meaningfully, from just 0.2x in 2022 to 2.1x in 2023 and 2.5x by 2025, demonstrating a significantly stronger ability to service debt.

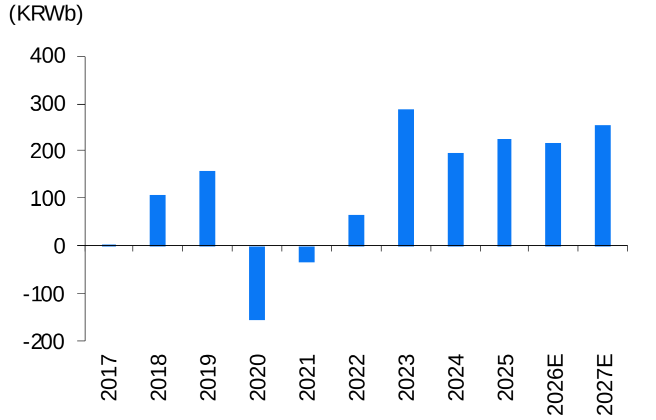
Moreover, the casino business model inherently requires limited working capital, enabling rapid cash inflows from operations. Combined with pre-sales of memberships and residential units at the Jangchung-dong hotel, this should allow the company to partially offset upfront funding needs and keep overall capital outlays under control.

Interest expenses and interest coverage ratio



Source: Company data, Samsung Securities estimates

Operating cash flow



Source: Company data, Samsung Securities estimates

Appendix: Company overview

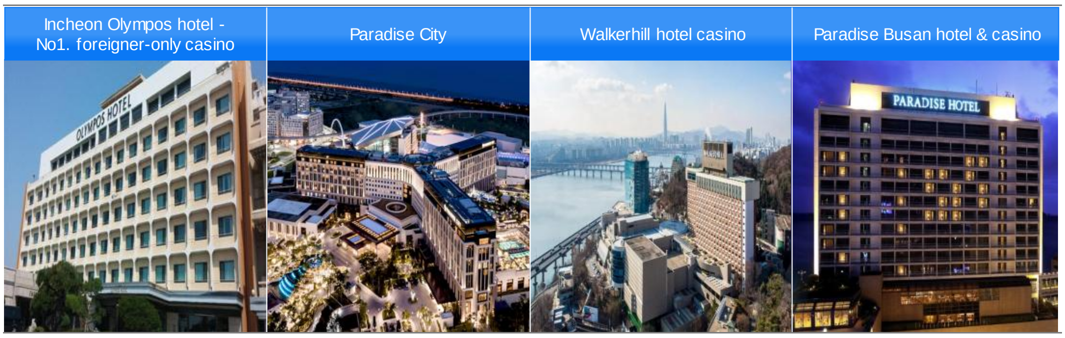
Korea's first licensed foreigner-only casino operator

Paradise launched Korea's first foreigner-only casino in 1967 at the Incheon Olympus Hotel, just two years after the hotel opened in 1965. Building on this foundation, the company expanded across major tourist hubs, opening casinos at Walkerhill Hotel in 1968, followed by locations in Busan and Jeju, establishing a nationwide casino network.

In 1981, Paradise entered the hotel business with the opening of Paradise Hotel Busan. In 2012, in partnership with Japanese entertainment company Sega Sammy to further diversify into integrated resorts, forming a joint venture (Paradise Sega Sammy) to develop and operate large resort complexes.

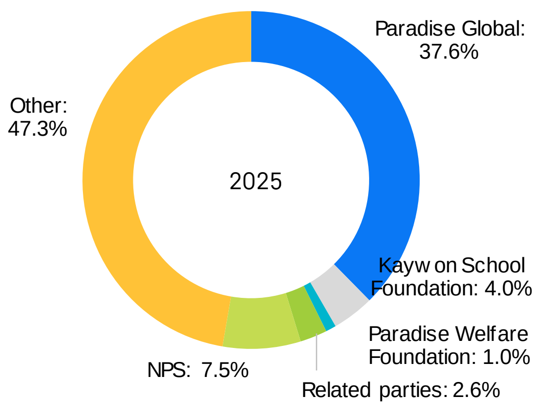
As of 2025, casinos dominated Paradise's sales mix at 78%, followed by hotels at 18%, and other businesses, including Spa Dogo and Fun City, at 3%. Within the casino segment, drop contribution by property was as follows: Walkerhill 37%, Paradise City 53%, Busan 7%, and Jeju 3%. Paradise City has emerged as the core growth driver, functioning as a fully integrated resort that combines casino, hotel, and entertainment offerings to capture high-yield, extended-stay tourism demand. Customer composition by total drop, or wagering volume, is: Chinese VIPs at 17%, Japanese VIPs at 42%, other VIPs at 18%, and mass-market guests at 23%. Notably, the high share of Japanese VIPs reflects the structure of Paradise Sega Sammy, which operates Paradise City. For comparison, GKL's customer mix includes approximately 30% Japanese VIPs, 17% Chinese VIPs, and 22% other VIPs.

Paradise: Hotel and casino operations



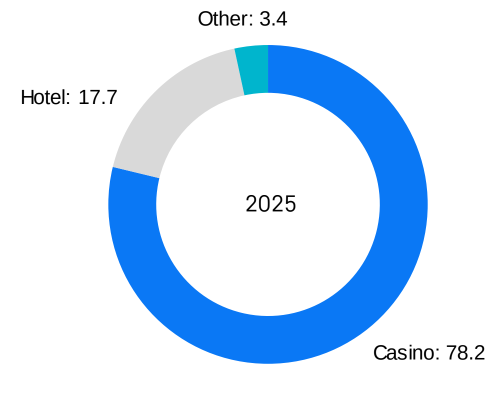
Source: Company data, Samsung Securities

Paradise: Shareholders



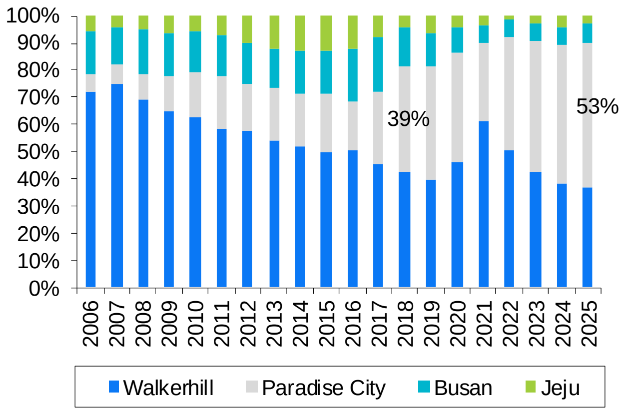
Source: Company data, Samsung Securities

Paradise: Sales, by business unit



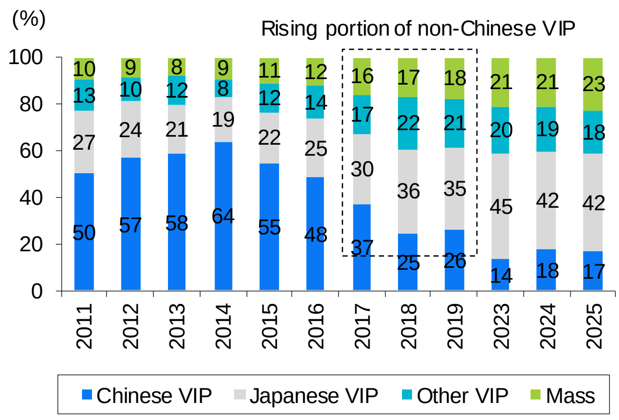
Source: Company data, Samsung Securities

Paradise: Drop contribution, by casino



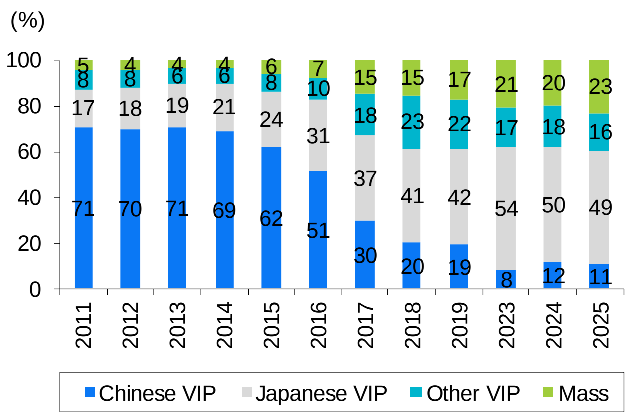
Source: Company data, Samsung Securities

Paradise: Drop contribution, by visitor type



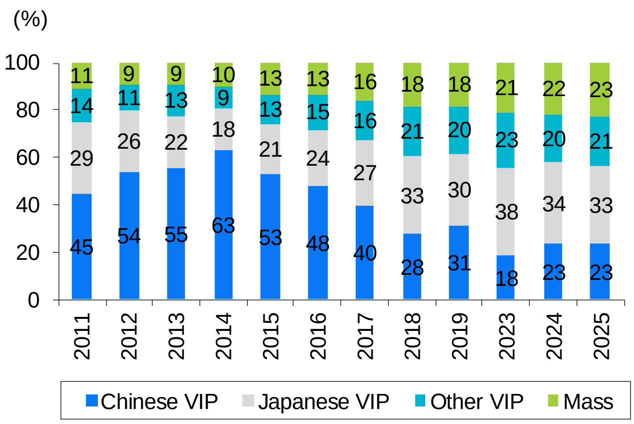
Source: Company data, Samsung Securities

Paradise City: Drop contribution, by visitor type



Source: Company data, Samsung Securities

All Paradise casinos (ex Paradise City): Drop contribution, by visitor type



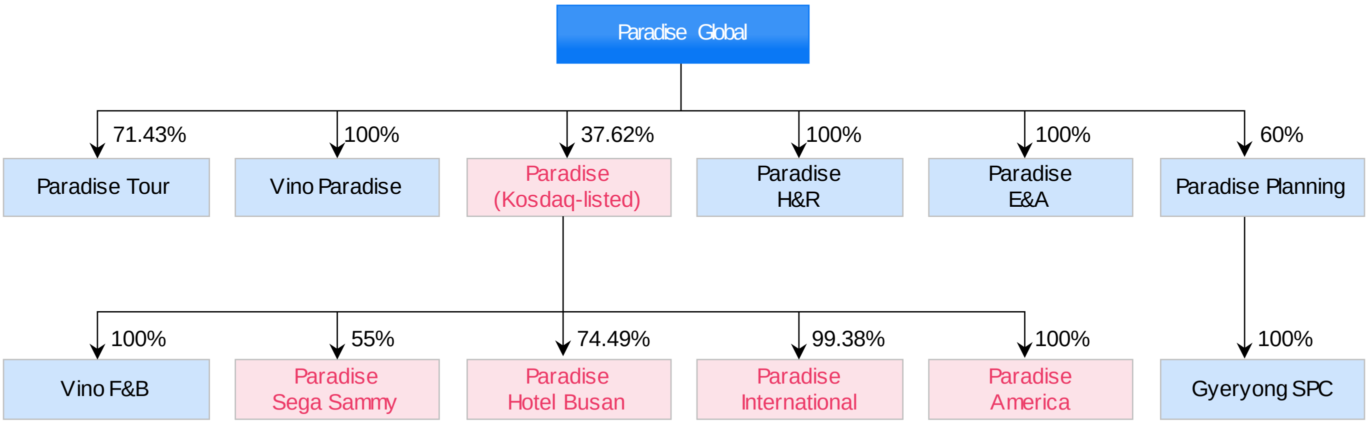
Source: Company data, Samsung Securities

Paradise: History

Year	Notable event
Dec 1965	Opens Incheon Olympos Hotel
Aug 1967	Opens Korea's first foreigner-only casino
Mar 1968	Opens Paradise Casino Walkerhill
Nov 1981	Opens Paradise Casino Busan
	Establishes Paradise Busan Hotel
Jun 1992	Opens Paradise Casino Jeju
Nov 2002	Lists on Kosdaq
Dec 2002	Opens Paradise Casino Jeju Lotte
Jul 2008	Opens Paradise Spa Dogo
Jul 2012	Establishes Paradise Segasamy
Feb 2016	Establishes Paradise America, LLC
Apr 2017	Opens Paradise City

Source: Company data, Samsung Securities

Paradise: Corporate governance structure



Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**1,072**	**1,150**	**1,294**	**1,423**	**1,533**
Cost of goods sold	834	882	973	1,044	1,108
Gross profit	**238**	**268**	**321**	**379**	**425**
Gross margin (%)	22.2	23.3	24.8	26.6	27.7
SG&A expenses	102	112	130	136	143
Operating profit	**136**	**156**	**191**	**243**	**282**
Operating margin (%)	12.7	13.6	14.7	17.1	18.4
Non-operating gains (losses)	**-35**	**-21**	**-43**	**-49**	**-54**
Financial profit	24	15	12	15	18
Financial costs	73	63	72	81	89
Equity-method gains (losses)	0	0	0	0	0
Other	13	28	17	17	17
Pre-tax profit	**101**	**135**	**148**	**195**	**228**
Taxes	-10	-9	30	39	46
Effective tax rate (%)	-9.8	-7.0	20.0	20.0	20.0
Profit from continuing operations	111	145	0	0	0
Profit from discontinued operations	0	0	0	0	0
Net profit	**111**	**145**	**118**	**156**	**182**
Net margin (%)	10.3	12.6	9.1	10.9	11.9
Net profit (controlling interests)	76	94	94	131	153
Net profit (non-controlling interests)	35	50	45	56	62
EBITDA	214	230	271	323	362
EBITDA margin (%)	20.0	20.0	20.9	22.7	23.6
EPS (parent-based) (KRW)	823	1,026	1,025	1,428	1,667
EPS (consolidated) (KRW)	1,206	1,575	1,287	1,692	1,982
Adjusted EPS (KRW)*	823	1,026	1,025	1,428	1,667

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**864**	**885**	**1,063**	**1,287**	**1,533**
Cash & equivalents	578	342	442	542	642
Accounts receivable	25	29	35	33	36
Inventories	8	8	10	11	11
Other current assets	253	506	577	701	844
Fixed assets	**3,070**	**3,195**	**3,219**	**3,342**	**3,465**
Investment assets	54	120	228	228	228
Tangible assets	2,510	2,542	2,566	2,689	2,812
Intangible assets	163	162	162	162	162
Other long-term assets	344	371	263	263	263
Total assets	**3,934**	**4,080**	**4,282**	**4,629**	**4,999**
Current liabilities	**668**	**755**	**852**	**1,113**	**1,443**
Accounts payable	5	5	6	6	7
Short-term debt	169	137	496	506	1,086
Other current liabilities	495	613	351	601	351
Long-term liabilities	**1,190**	**1,112**	**1,113**	**1,055**	**926**
Bonds & long-term debt	716	635	635	575	445
Other long-term liabilities	474	477	479	480	481
Total liabilities	**1,859**	**1,868**	**1,966**	**2,168**	**2,369**
Owners of parent equity	**1,636**	**1,724**	**1,827**	**1,972**	**2,141**
Capital stock	47	48	46	46	46
Capital surplus	336	352	352	352	352
Retained earnings	629	702	807	952	1,120
Other	624	622	622	622	622
Non-controlling interests' equity	**439**	**489**	**489**	**489**	**489**
Total equity	**2,075**	**2,213**	**2,316**	**2,461**	**2,629**
Net debt	592	852	848	948	1,048

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**196**	**224**	**216**	**255**	**283**
Net profit	111	145	118	156	182
Non-cash profit and expenses	136	129	118	102	98
Depreciation	74	71	77	77	77
Amortization	4	3	3	3	3
Other	58	54	38	22	18
Changes in A/L from operating activities	0	5	-4	-4	-3
Cash flow from investments	**-186**	**-397**	**-120**	**-220**	**-220**
Change in tangible assets	-49	-83	-100	-200	-200
Change in financial assets	34	70	-3	-3	-3
Other	-171	-384	-17	-17	-17
Cash flow from financing	**-123**	**-63**	**4**	**65**	**37**
Change in debt	-76	-46	96	10	580
Change in equity	0	17	0	0	0
Dividends	-9	-13	-13	-13	-13
Other	-38	-21	-79	68	-530
Change in cash	-111	-236	100	100	100
Cash at beginning of year	689	578	342	442	542
Cash at end of year	578	342	442	542	642
Gross cash flow	**246**	**273**	**237**	**258**	**281**
Free cash flow	**146**	**135**	**116**	**55**	**83**

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	7.8	7.3	12.6	9.9	7.7
Operating profit	-6.7	14.5	22.5	27.4	16.0
Net profit	38.0	30.8	-18.3	31.5	17.1
Adjusted EPS**	20.6	24.6	-0.2	39.4	16.7
Per-share data (KRW)					
EPS (parent-based)	823	1,026	1,025	1,428	1,667
EPS (consolidated)	1,206	1,575	1,287	1,692	1,982
Adjusted EPS**	823	1,026	1,025	1,428	1,667
BVPS	18,941	19,694	20,874	22,532	24,454
DPS (common)	150	150	120	160	190
Valuations (x)					
P/E***	11.7	16.1	15.1	10.8	9.3
P/B***	0.5	0.8	0.7	0.7	0.6
EV/EBITDA	8.9	12.5	10.2	8.9	8.2
Ratios (%)					
ROE	5.0	5.6	5.3	6.9	7.5
ROA	2.9	3.6	2.8	3.5	3.8
ROIC	5.9	6.3	5.8	7.1	7.5
Payout ratio	17.1	13.9	11.2	10.7	10.9
Dividend yield (common)	1.6	0.9	0.8	1.0	1.2
Net debt to equity	28.5	38.5	36.6	38.5	39.9
Interest coverage (x)	1.9	2.5	2.6	3.0	3.2

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- As of 6/22 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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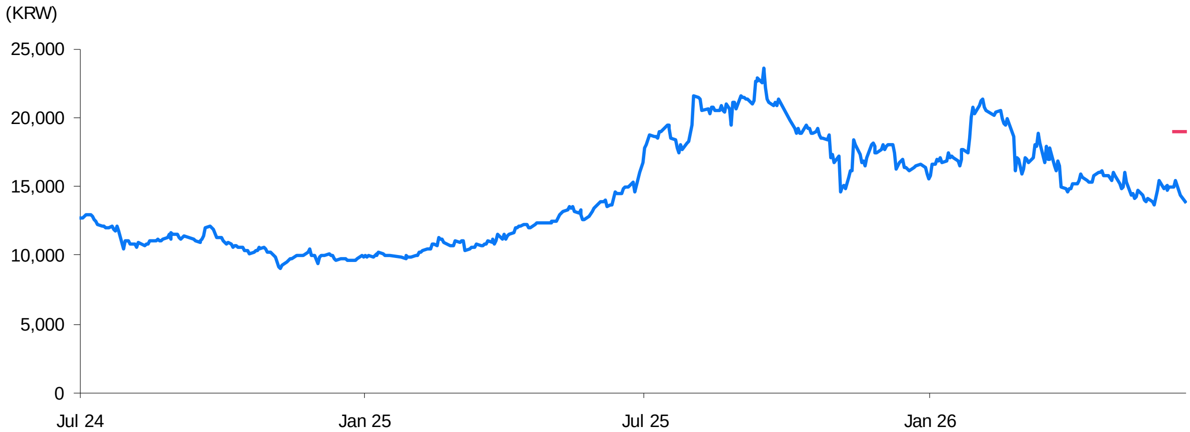
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/6/15
Recommendation	BUY
Target price (KRW)	19000
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

Samsung Securities uses the following investment ratings*

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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General

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