

COMPANY INITIATION

2026. 6. 26

Finance/Consumer Goods Team

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▶ AT A GLANCE

BUY

Target price **KRW23,000** 57.2%

Current price **KRW14,630**

Market cap	KRW1.2t/USD0.8b
Shares (float)	79,725,458 (57.4%)
52-week high/low	KRW26,550/KRW14,630
Avg daily trading value (60-day)	KRW12.8b/ USD8.3m

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
LOTTE TOUR DEVELOPMENT CO., LTD (%)	-24.4	-36.5	-12.8
Vs Kospi (%pts)	-33.6	-70.8	-69.7

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	23,000	23,000	0.0%
2026E EPS	851	851	0.0%
2027E EPS	1,719	1,719	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	13
Target price	28,769
Recommendation	4.0

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



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LOTTE TOUR DEVELOPMENT CO., LTD (032350)

Dream Tower's differentiated growth drivers

- We initiate coverage of Lotte Tour Development at BUY with a target price of KRW23,000 (based on 13.5x P/E).
- The company should benefit as rising inbound travel to Korea sees more foreign tourists travel to Jeju Island.
- We expect Lotte Tour Development to sustain differentiated growth, supported by Dream Tower's advantageous location, hotel offering, and Jeju's growing stayover tourism market.

Initiating coverage at BUY with KRW23,000 target price: We initiate coverage of Lotte Tour Development with a BUY rating and a target price of KRW23,000 (based on 13.5x 2027 P/E—a 35% premium to the Macao casino industry's average 2027 P/E of 10x). We forecast 2026 sales of KRW792b and operating profit of KRW200b, up 21% and 40% y-y, respectively, followed by 2027 sales of KRW897b and operating profit of KRW244b, up 13% and 22% y-y. This would extend the company's steep earnings growth trajectory beyond 2024 and 2025. This outlook is driven by: 1) rising foreign tourist arrivals to Jeju Island; and 2) the company's competitive advantage as an integrated resort operator combining casino, hotel, and entertainment offerings.

Benefitting from rising foreign arrivals to Jeju Island: In addition to the broader revival in foreign tourism across mainland Korea, Lotte Tour Development is poised to benefit from the rebound in foreign travel to Jeju Island, with arrivals projected to reach 2.5m in 2026, up 12% y-y. In 2025, Jeju welcomed 2.24m foreign tourists, up 18% y-y and far above the pre-pandemic level of 1.72m in 2019. With discussions underway to expand Jeju International Airport's international route network in 2026—the number of cities served fell from 45 in 2016 to just 27 in 2025—the potential for further inbound tourism growth remains substantial.

Integrated-resort advantage to support differentiated growth: Lotte Tour Development should deliver differentiated growth versus other casino operators, supported by Dream Tower's: 1) advantageous location, which is within a 10-minute drive of Jeju International Airport and Jeju International Ferry Terminal; 2) large room inventory, which supports VIP acquisition; and 3) structurally higher hold rate, reflecting Jeju's tourist profile, which is dominated by stayover visitors. Dream Tower's 2025 hold rate was 17%, vs the 11% average for Paradise and Grand Korea Leisure. A high hold rate enhances per-unit efficiency and operating margin, and should remain a core driver of the company's differentiated profitability.

Sharp earnings improvement justifies premium multiple Jeju tourism growth and Dream Tower differentiation accelerating

Initiating coverage at BUY with KRW23,000 target price

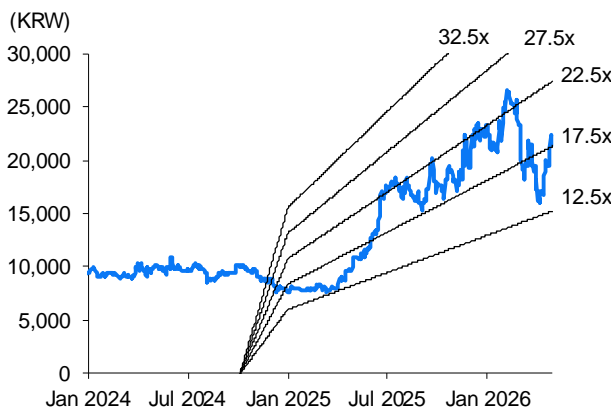
We initiate coverage of Lotte Tour Development with a BUY rating and a target price of KRW23,000 (based on 13.5x 2027 P/E). Our target multiple represents a 35% premium to the Macao casino industry's average 2027 P/E of 10x. Since enjoying a turn to an operating profit in 2024, the company has delivered concurrent sales and profit growth, supporting the application of a premium valuation. While the current valuation of 21x 2026 P/E may appear elevated at first glance, the multiple falls to around 12x on 2027 earnings given the company's steep earnings growth trajectory. With the lower end of its post-2026 P/E range at around 12x, the valuation does not look stretched in the near term.

Lotte Tour Development: P/E valuation

(KRW)		Note
EPS	1,719	2027E
Target P/E (x)	13.5	35% premium to the Macao casino 2027E average of 10x
Target price	23,000	

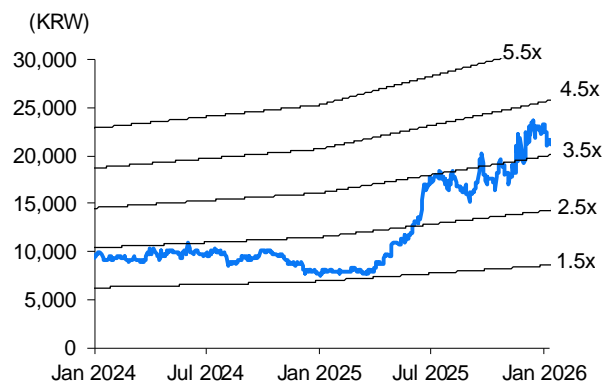
Source: Samsung Securities estimates

Lotte Tour Development: Forward P/E band



Source: Bloomberg, Samsung Securities

Lotte Tour Development: Forward P/B band



Source: Bloomberg, Samsung Securities

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Casino business maintains strong growth

We forecast 2026 sales of KRW792b and operating profit of KRW200b, up 21% and 40% y-y, respectively, followed by 2027 sales of KRW897b and operating profit of KRW244b, up 13% and 22% y-y. This would extend the company's steep earnings growth trajectory beyond 2024 and 2025. This outlook is driven by: 1) rising foreign tourist arrivals to Jeju Island; and 2) the company's competitive advantage as an integrated resort operator combining casino, hotel, and entertainment offerings, enabling it to capture a disproportionate share of Jeju's tourism growth vs competitors.

Lotte Tour Development: Casino earnings

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
Drop	482	669	849	769	651	852	1,071	896	1,692	2,768	3,470	3,990
Chg (% y-y)	25.3	63.0	92.3	68.6	35.0	27.5	26.3	16.5	17.1	63.6	25.4	15.0
Table	420	602	758	685	574	767	964	806	1,473	2,464	3,111	3,578
Machine	62	66	91	84	77	85	107	90	219	303	359	412
Hold ratio (%)	17.5	16.5	16.4	18.6	18.2	16.8	16.5	18.7	17.1	17.2	17.5	17.5
Table	19.0	17.4	17.7	20.0	19.7	17.8	17.7	20.0	18.2	18.5	18.7	18.7
Machine	7.6	7.8	6.1	6.7	7.4	7.6	6.2	6.7	8.8	7.0	6.9	6.9
Net revenue	85	110	139	143	119	143	177	167	263	477	606	697
Chg (% y-y)	20.8	65.4	166.4	93.2	40.3	30.1	26.9	17.3	72.4	81.4	27.1	15.0
Table	80	105	134	137	113	137	170	161	245	456	581	669
Machine	5	5	6	6	6	6	7	6	17	21	25	28
Visitors	109,631	148,475	172,783	159,443	150,553	185,594	215,979	185,790	359,428	590,332	737,915	848,602
Drop/visitor	4.4	4.5	4.9	4.8	4.3	4.6	5.0	4.8	4.7	4.7	4.7	4.7

Source: Company data, Samsung Securities estimates

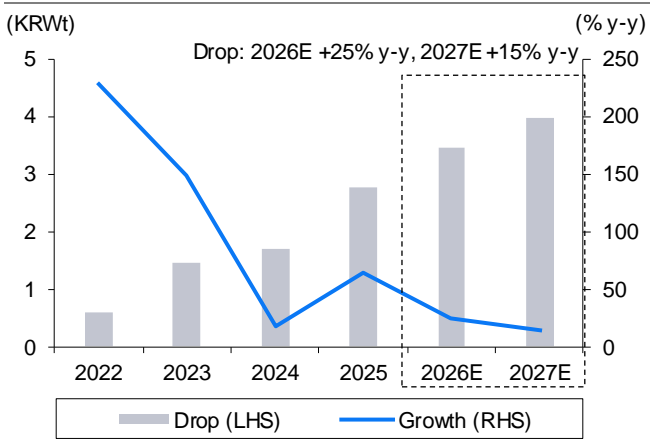
Lotte Tour Development: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Sales	122	158	187	187	156	193	227	216	471	653	792	897
Casino	85	110	139	143	119	143	177	167	263	477	606	697
Hotel	14	22	24	21	18	25	27	22	86	82	91	100
Tour	22	24	22	21	18	24	22	24	84	89	89	93
Other	1	1	2	2	1	1	2	2	39	6	6	6
Operating profit	13	33	53	44	29	48	66	56	39	143	200	244
Net profit	(24)	6	6	39	(7)	16	33	27	(117)	28	68	138
Margins (%)												
Operating profit	10.7	21.0	28.4	23.6	18.4	25.0	29.2	26.2	8.3	21.9	25.2	27.2
Net profit	(19.4)	3.8	3.5	20.8	(4.7)	8.2	14.7	12.3	(24.7)	4.2	8.6	15.4
Chg (% y-y)												
Sales	14.8	35.8	34.2	70.1	28.1	22.6	21.7	15.2	50.4	38.6	21.3	13.2
Casino	20.8	65.4	166.4	93.2	40.3	30.1	26.9	17.3	72.4	81.4	27.1	15.0
Hotel	(15.7)	(5.0)	(9.2)	10.4	27.5	11.6	12.3	1.0	(7.2)	(4.9)	11.8	10.0
Tour	22.1	(2.0)	(18.9)	40.5	(16.2)	0.0	0.0	17.0	37.4	5.3	0.0	5.0
Other	(8.4)	(14.2)	(94.7)	6.5	(18.3)	0.0	0.0	11.5	425.2	(83.4)	0.0	(0.0)
Operating profit	48.2	462.5	138.9	1,942.5	121.0	46.1	25.3	27.7	nm	267.4	39.5	21.9
Net profit	nm	nm	nm	nm	nm	167.9	414.7	(31.5)	nm	nm	147.9	101.9

Source: Company data, Samsung Securities estimates

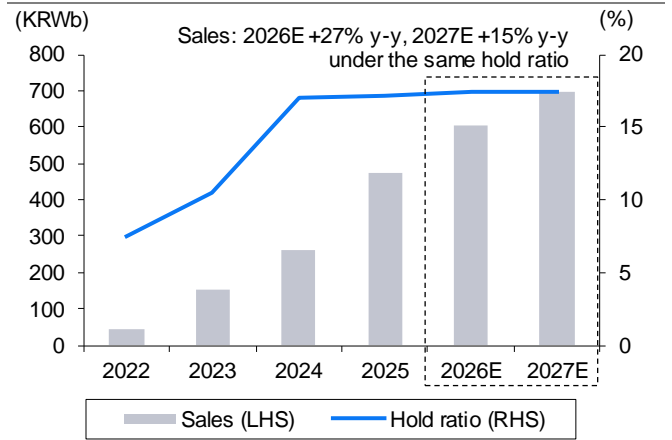
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Casino: Drop and growth



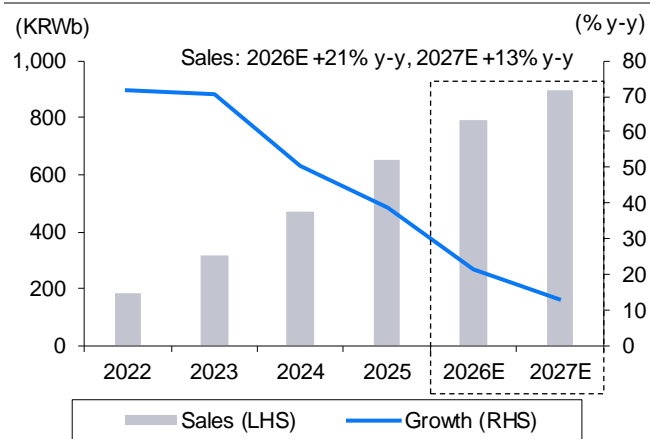
Source: Company data, Samsung Securities

Casino: Sales and hold ratio



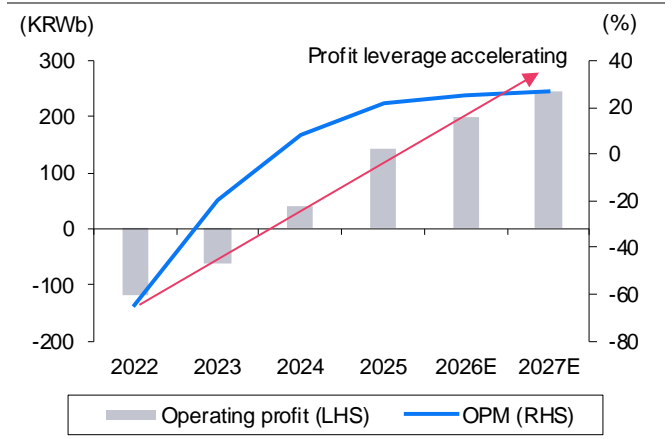
Source: Company data, Samsung Securities

Lotte Tour Development: Sales and growth



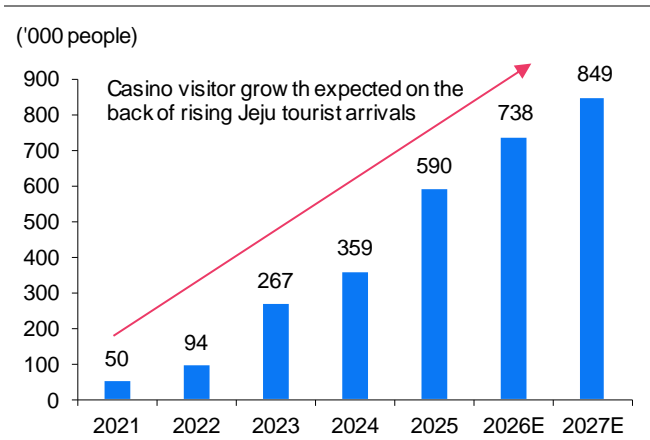
Source: Company data, Samsung Securities

Lotte Tour Development: Operating profit and margin



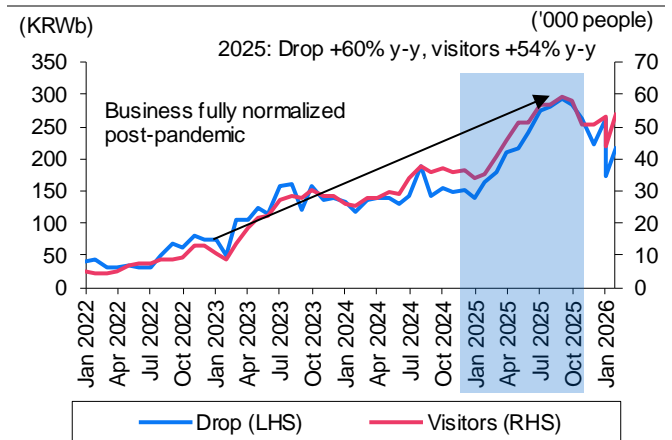
Source: Company data, Samsung Securities

Casino: Visitor s



Source: Company data, Samsung Securities

Casino: Monthly drop and visitors



Source: Company data, Samsung Securities

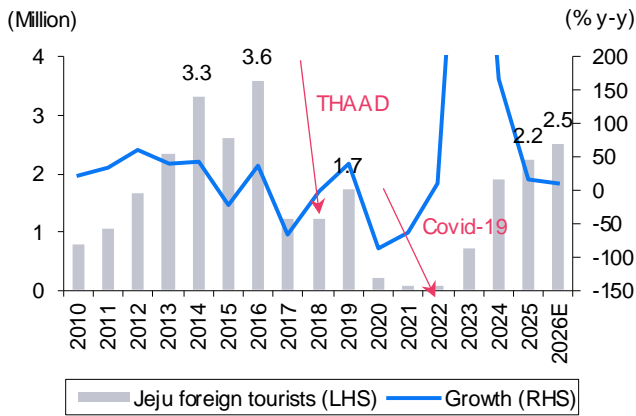
Jeju tourism: Moving back toward 2016 peak

Foreign arrivals to Jeju exceed pre-pandemic levels; solid 12% growth expected in 2026

High growth set to continue beyond pre-pandemic levels

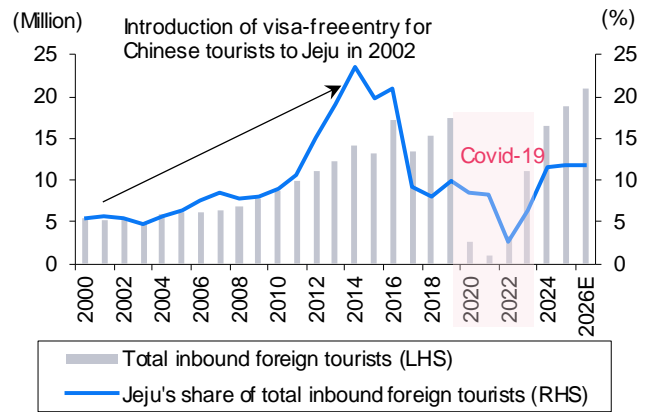
Lotte Tour Development’s earnings improvement is underpinned by robust growth in foreign tourist arrivals to Jeju Island. In 2025, foreign arrivals reached approximately 2.24m, up 18% y-y and already far above the pre-pandemic level of 1.72m in 2019. We expect this momentum to continue, with arrivals rising a further 12% y-y to 2.5m in 2026. This estimate assumes that Jeju maintains its 12% share of total inbound foreign tourists to Korea, which are projected at 21m in 2026, consistent with the 2024-2025 trend. Early data support this view: in 1Q26, Jeju welcomed 480,000 foreign tourists, marking robust growth of 27% y-y.

Foreign tourist arrivals to Jeju



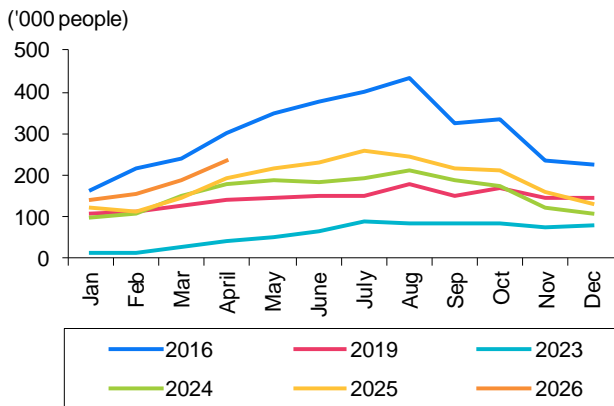
Source: Jeju Tourism Association, Samsung Securities estimates

Jeju’s share of total inbound foreign tourists



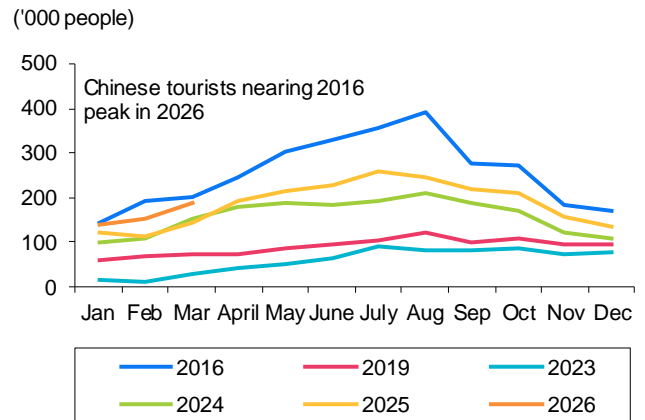
Source: Korea Tourism Data Lab, Samsung Securities estimates

Jeju: Monthly foreign tourists



Source: Jeju Tourism Association, Samsung Securities

Jeju: Monthly Chinese tourists



Source: Jeju Tourism Association, Samsung Securities

Growth potential still significant; 2016’s record-high tourist numbers the next target

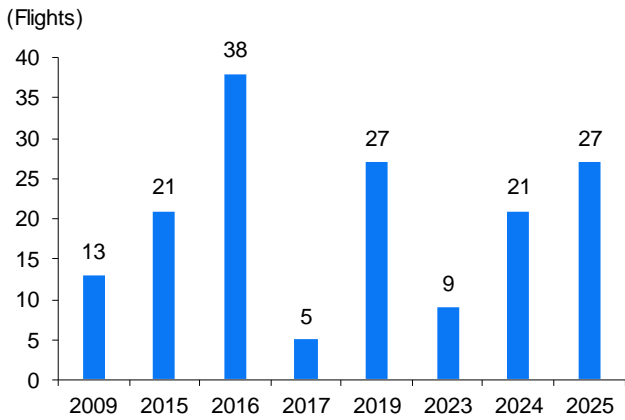
Although foreign tourist arrivals to Jeju have surpassed pre-pandemic levels, reaching 2.24m in 2025, they remain well below the all-time high of 3.6m recorded in 2016. This gap points to substantial untapped potential.

The primary lever for future growth is the expansion of international routes served by Jeju International Airport. In 2016, the surge in foreign visitors was driven overwhelmingly by a boom in Chinese group tourism, which led to a rapid increase not only in scheduled flights but also in short-term charter services lasting three to six months. At the time, 90% of Jeju’s 38 international routes connected to Chinese cities, and Chinese tourists accounted for approximately 85% of all arrivals, fueling the island’s tourism boom.

In 2025, Jeju’s international flight frequency recovered to around 18,000 annual flights, or 97% of the 2016 level. However, the number of cities served was approximately 27, only 60% of the 2016 level, indicating significant room for route expansion. With discussions underway to add 20 new cities, foreign tourist arrivals should rise gradually as new routes are added in the coming years.

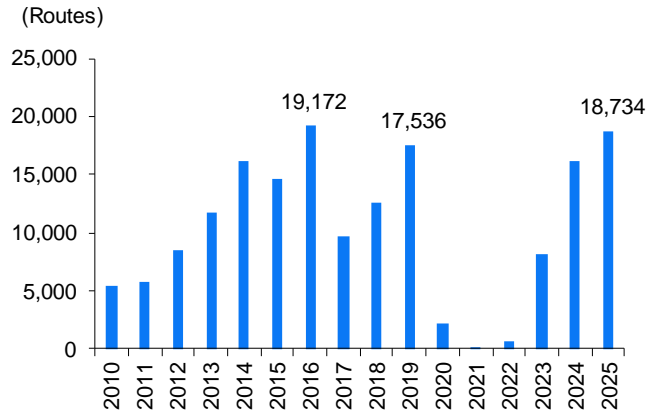
Another key growth driver is the rising trend of international travelers extending their Korea itineraries to include Jeju. While Chinese tourists accounted for the majority of Jeju visitors in 2016, recent years have seen a rising number of foreign travelers from a more diverse range of countries, drawn by K-culture. Crucially, these visitors are no longer limiting their trips to Seoul, but expanding their itineraries to other major destinations such as Jeju and Busan. For example, Jeju has emerged as a new tourism hotspot thanks to its association with globally popular content, including filming locations from Netflix’s *When Life Gives You Tangerines*, BTS music video sites, and even spots visited by BTS’s Jimin during his personal trip.

Jeju International Airport: Served routes



Source: News, Samsung Securities

Jeju International Airport: Flights



Source: Korea airports corporation, Samsung Securities

Jeju International Airport: Served destinations

2025			Candidates for addition in 2026		
Country/Region	Number		Country	Number	
China	12	Shanghai, Beijing, Ningbo, Shenzhen, Shenyang, Nanjing, Guangzhou, Fuzhou, Hangzhou, Qingdao, Wuxi, Xi'an	China	20	Tianjin, Urumqi, Yinchuan, Wuhan, Changsha, Chongqing, Xiamen, Yangzhou, Chengdu, Hefei, Jinan, Yancheng, Wenchuan, Hailar, Yantai, Dalian, Harbin, Quanzhou, Nanchang, Jiangcun
Taiwan	3	Taipei, Taichung, Kaohsiung	Japan	2	Nagoya, Fukuoka
Hong Kong	1	Hongkong			
Macao	1	Macao			
Singapore	1	Singapore			
Japan	4	Osaka, Tokyo, Sapporo, Okinawa			
Thailand	1	Bangkok			
Vietnam	1	Da Nang			
Philippines	1	Manilla			
Laos	1	Vientiane			
Mongolia	1	Ulaanbaatar			
Total	27		Total	22	

Source: Company data, media, Samsung Securities

When life gives you tangerines (Netflix) filmed in Jeju



Source: news, Samsung Securities

Jimin's (BTS) trip to Jeju sparks interest in Jeju tourism



Source: news, Samsung Securities

Integrated-resort advantage to sustain differentiated earnings

Jeju casinos showing clear earnings differentiation

Alongside the surge in foreign tourist arrivals, Jeju Island's foreigner-only casinos have delivered robust gross revenue growth. In 2024, gross gaming revenue (GGR) from these casinos reached KRW458.9b, up 140% from 2019. In 2025, GGR surged 41% y-y to KRW646.6b.

Market reshaping around integrated-resort casinos

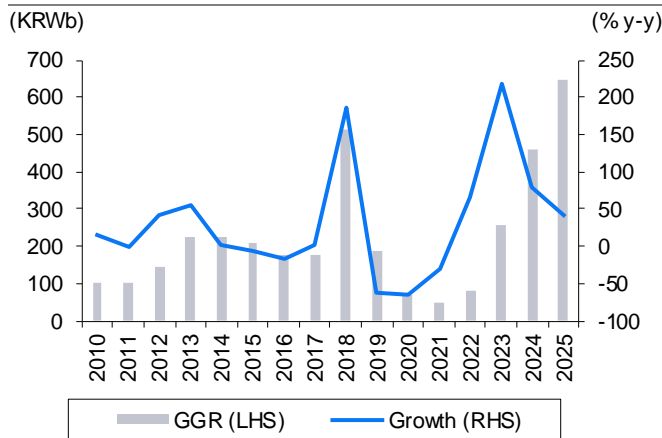
However, growth trajectories among operators have diverged significantly. Casinos located within integrated resorts have far outpaced the market: 1) Dream Tower Casino recorded GGR of KRW320.3b in 2024, up 69% y-y; and 2) Landing Casino, located within Jeju Shinhwa World, posted GGR growth of 198% over the same period. These figures far exceeded the growth rates of smaller standalone casinos, including Paradise Jeju, Jeju Sun Casino, and MegaLuck Casino, which grew 11%, 21%, and 22%, respectively. This indicates that the center of growth in Jeju's foreigner-only casino market has shifted decisively toward integrated resorts.

This divergence is also reflected in market share. In 2024, Dream Tower Casino captured 70% of the market, while Landing Casino held 15%. The combined share of the remaining six casino operators was just 15%, underscoring the rapid concentration of market share around integrated resorts.

Further differentiation emerging among integrated resorts

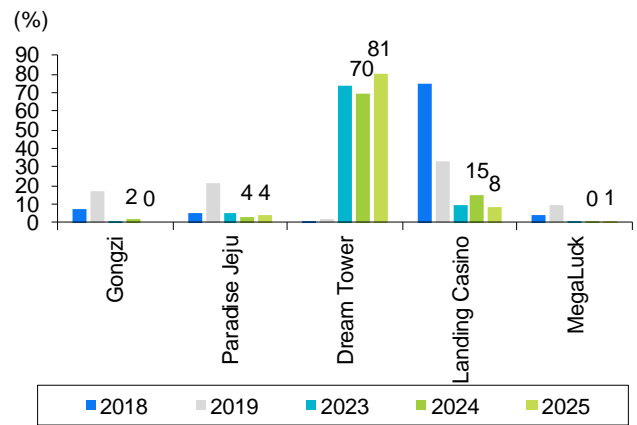
In 2025, further differentiation emerged even among integrated resorts. Dream Tower Casino recorded GGR of KRW522.7b, up 63% y-y, and expanded its market share by 10%pts to 81%. In contrast, Landing Casino posted a 20% decline. This suggests that success is no longer determined solely by integrated-resort status, but also by: 1) geographic advantages rooted in access to the airport and city center; 2) large-scale accommodation capacity; and 3) the ability to attract stayover customers. These factors have become decisive in differentiating earnings outcomes, and Dream Tower should continue to deliver a distinctive growth trajectory anchored in its unmatched competitive advantages.

Casinos in Jeju: Gross gaming revenue



Source: Korea Casino Association, Samsung Securities

Jeju: Casino market shares



Source: Korea Casino Association, Samsung Securities

Airport-proximate location supports superior customer acquisition

We believe Lotte Tour Development has the strongest geographic advantage among Jeju’s eight foreigner-only casinos. Dream Tower is located at Nohyeong 5-way intersection, about 10 minutes by car from both Jeju International Airport and Jeju International Ferry Terminal, giving it excellent accessibility. Major shopping destinations such as Shinsegae Duty Free Jeju and Lotte Duty Free Jeju, along with key tourist attractions including Aewol, Iho Tewoo Beach, and Yongduam Rock, are all within a 30-minute drive, supporting guest stays and consumption patterns.

By contrast, Jeju Shinhwa World, the only other integrated resort in Jeju, saw a decline in 2025, which we attribute largely to its location. Shinhwa World is situated 40-50 minutes from the airport, resulting in more limited accessibility. Similarly, MegaLuck Casino at Hotel Shilla and Seven Star Casino at Lotte Hotel, both located in Seogwipo, require about an hour’s drive from the airport, placing them at a disadvantage in terms of accessibility.

Given that customers with a clear intent to visit a casino tend to prioritize travel time, Lotte Tour Development’s proximity to the airport and ferry terminal provides a clear competitive edge in customer acquisition.

Jeju casino locations



Source: Company data, Google, Samsung Securities

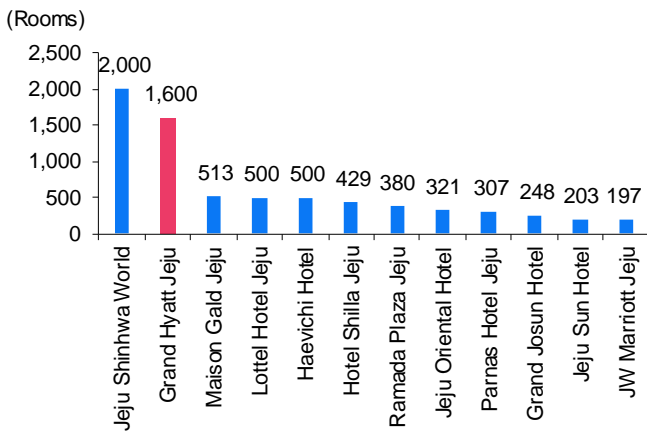
VIP acquisition competitiveness rooted in high room inventory

Another key differentiator is Lotte Tour Development’s room inventory, which is highly competitive vs other major casino-linked hotels in Jeju. In casino operations, room count is more than accommodation infrastructure; it is a core determinant of customer acquisition competitiveness. Hotel rooms are a primary complimentary offering for VIP clients, and larger available inventory allows for more aggressive VIP marketing. Room capacity also matters for the mass market, as customers who combine casino visits with hotel stays tend to have longer region dwell times and higher spending. This makes room inventory a decisive competitive advantage for casino operators.

The company operates 1,600 rooms within Dream Tower, well above Jeju’s average hotel room count of around 600, excluding Jeju Shinhwa World, which has around 2,000 rooms. Compared with other major casino-linked hotels on the island, such as Maison Glad Jeju (513 rooms), Lotte Hotel Jeju (500 rooms), and Shilla Hotel Jeju (429 rooms), Dream Tower has more than double the room inventory.

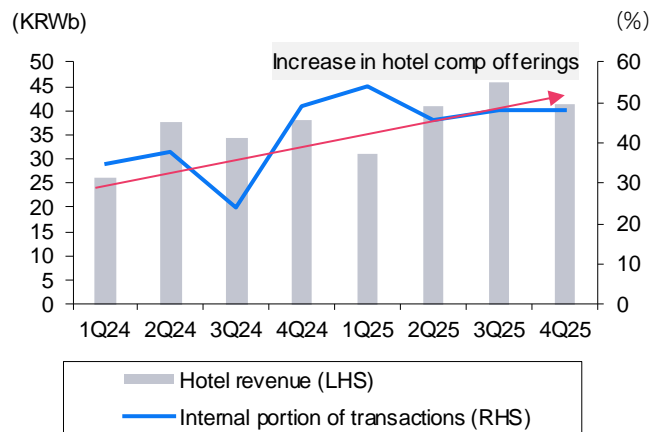
Notably, an estimated 40-50% of the company’s total rooms in 2025 were provided as complimentary stays for VIP casino guests. This indicates that the company is executing an aggressive VIP acquisition strategy, while still leaving more than 50% of room capacity available, suggesting substantial untapped potential for further VIP business growth. A simple calculation suggests that a 5% increase in complimentary rooms allocated to VIPs could generate approximately KRW100b in additional sales, equivalent to 15% of total 2025 sales.

Major Jeju hotels: Rooms inventory



Source: Company data, Samsung Securities

**Lotte Tour Development:
Hotel revenue vs internal portion of transactions**



Source: Company data, Samsung Securities

Sales sensitivity to increase in VIPs

Dream Tower 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 (%)
	5	80		584		101	15
1,600	10	160	20.0	1,168	17	201	31
	15	240		1,752		302	46

Note: VIP drop per visit assumed as KRW 20m

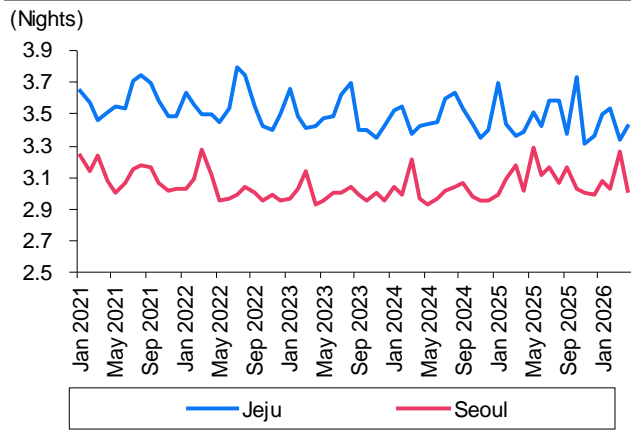
Source: Company data, Samsung Securities estimates

Structurally higher hold rate backed by Jeju’s stayover tourism profile

Given Jeju Island’s strong stayover tourism profile, Lotte Tour Development maintains a structurally higher hold rate than casinos in mainland Korea. As of Mar 2026, the average length of stay for foreign visitors to Jeju was 3.34 nights, exceeding Seoul’s 3.26 nights, while average region dwell time reached 4,836 minutes, more than double Seoul’s 2,275 minutes. This reflects a distinct tourism pattern, with visitors staying on Jeju for extended periods.

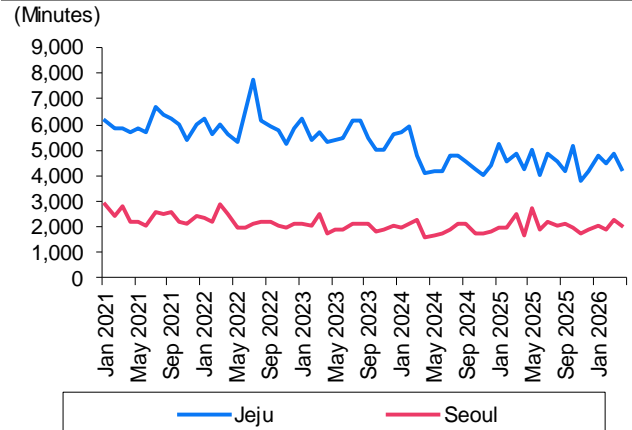
As a result, the company’s 2025 hold rate reached 17%, well above the 11% average for Paradise and Grand Korea Leisure. This reflects the impact of longer visitor dwell times, which support higher gaming participation. Any future growth in drop volume is therefore likely to translate into faster sales and profit expansion than at competitors.

Tourists' average length of stay: Jeju vs Seoul



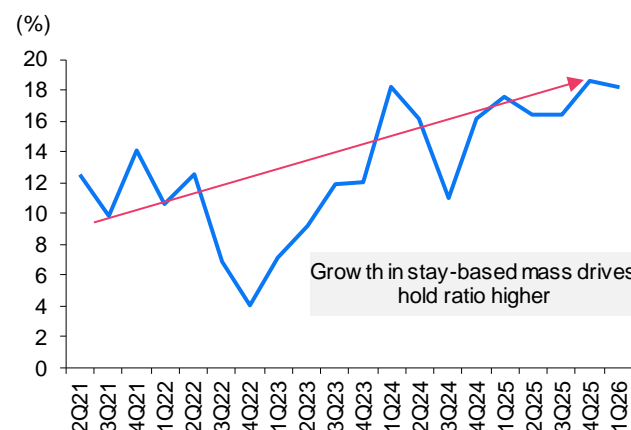
Source: Korea Tourism Data Lab, Samsung Securities

Region dwell time: Jeju vs Seoul



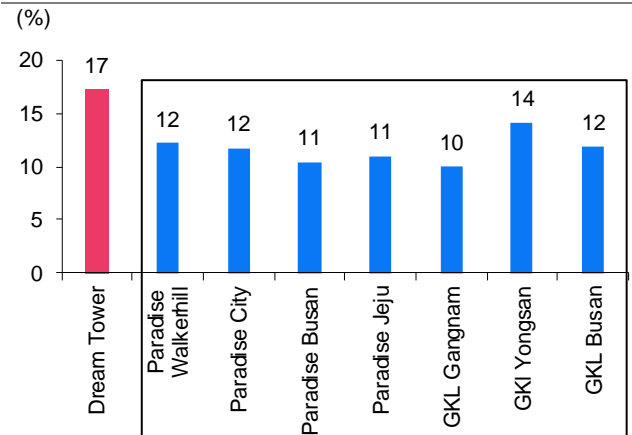
Source: Korea Tourism Data Lab, Samsung Securities

Lotte Tour Development: Hold ratio



Source: Company data, Samsung Securities

Korean foreigner-only casinos: Hold ratio (2025)



Source: Company data, Samsung Securities

High hold rate drives per-unit efficiency and operating margin

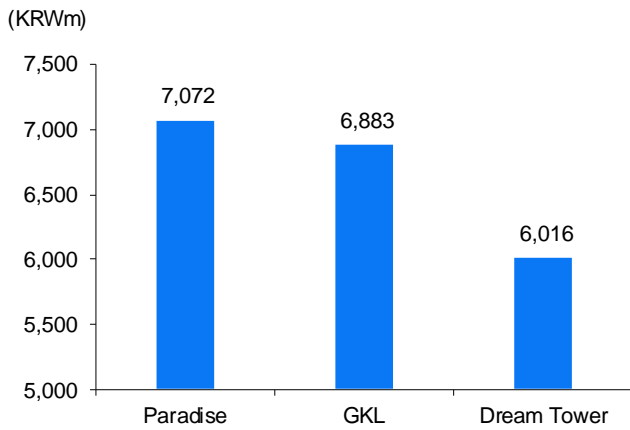
Dream Tower's high hold rate has enhanced per-unit¹ revenue efficiency and benefitted profit margins. While its per-unit drop volume of KRW6b in 2025 lagged Paradise's KRW7b and GKL's KRW6.9b, its gross revenue per unit, after factoring in hold rate, reached KRW1.1b, ahead of both Paradise's KRW900m and GKL's KRW790m. This implies the highest revenue efficiency per unit among Korea's listed casino operators.

A similar trend is evident in per-visitor metrics. In 2025, Dream Tower's per-visitor drop was KRW4.7m, lower than Paradise's KRW6.4m. However, per-visitor gross revenue, after factoring in hold rate, reached KRW880,000 for Dream Tower, exceeding Paradise's KRW820,000. Moreover, as Jeju visitors increasingly stay longer, gross revenue per visitor has steadily climbed, from KRW650,000 in 2022 to KRW880,000 in 2025.

¹ Where a unit is a table or machine

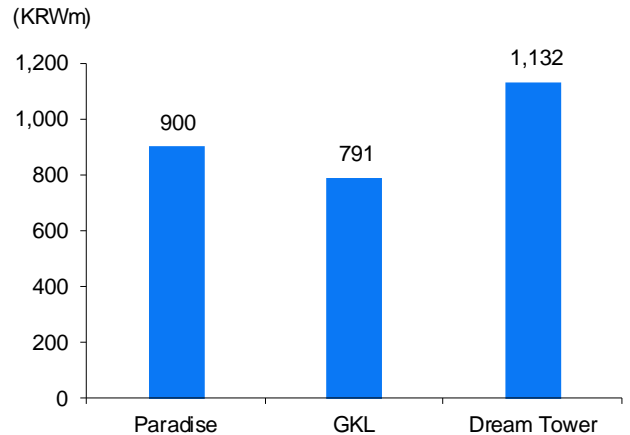
This revenue structure, anchored by a high hold rate, underpins Lotte Tour Development’s superior operating margin of 22% in 2025, vs GKL’s 15% and Paradise’s 14%, and should remain a key driver of the company’s differentiated profitability.

2025 drop per unit*: Paradise vs GKL vs Lotte



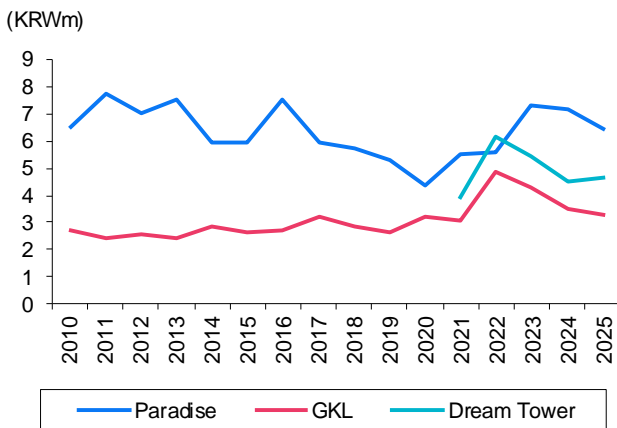
Note: *A unit is a table or machine
Source: Korea Casino Association, Samsung Securities

2025 GGR per unit*: Paradise vs GKL vs Lotte



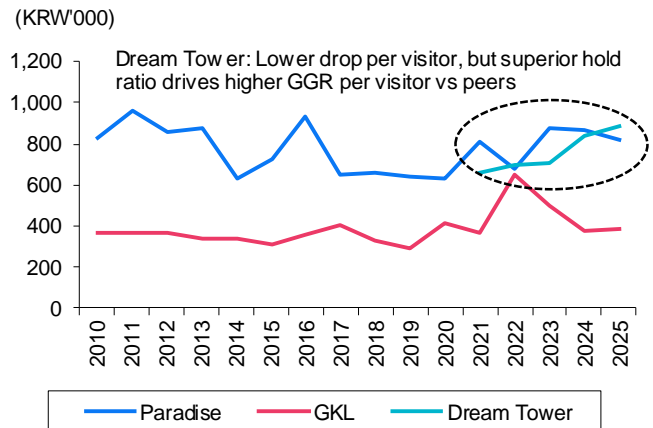
Note: *A unit is a table or machine
Source: Korea Casino Association, Samsung Securities

Drop per visitor: Paradise vs GKL vs Lotte



Source: Korea Casino Association, Samsung Securities

GGR per visitor: Paradise vs GKL vs Lotte



Source: Korea Casino Association, Samsung Securities

Similar trend evident in Macao

A similar trend is evident in Macao, the world's largest casino market. While the traditional urban area of the Macao Peninsula is dominated by day-trip visitors, the Cotai region, built on reclaimed land near the airport, is centered on resort-based stayover tourism.

As a result, Cotai's average hold rate reached 26% in 2025, 8%pts higher than the Macao Peninsula's 18%. Since 2018, Cotai has consistently maintained a structurally higher hold rate, suggesting that resort-based stayover demand can sustain a hold-rate advantage over urban casinos.

Macao peninsula vs Cotai: Visitor propensities

	Peninsula	Cotai
Share of day-trip visitors	High	Low
Share of Macao local patrons	High	Low
Customer casino loyalty	Low	High
Share of hotel-staying guests	Low	High

Source: Company data, Samsung Securities

Mass table hold ratio: Peninsula vs Cotai

(%)	2018	2019	2020	2021	2022	2023	2024	2025
Peninsula average	18.7	19.7	19.0	18.5	18.7	18.2	18.6	18.1
Wynn Macau	20.1	20.3	18.7	18.5	16.2	17.7	18.4	17.9
MGM Macau	17.8	21.6	20.4	20.3	22	20.4	21.7	22.5
Sands Macao	18.4	18.3	18.7	17.1	17.9	17.1	16.6	15.3
Starworld	18.5	18.7	18.1	18.2	18.7	17.7	17.8	16.6
Cotai average	24.5	26.2	25.9	27.5	25.5	24.8	26.1	25.9
Wynn Palace	24.5	24.4	24.1	22.4	21.5	22.4	24.5	22.8
MGM Cotai	20.6	25.2	26.3	43.5	24.1	24.9	28.1	28.1
Venetian	24.7	26.2	25.4	27.4	25.7	24.2	24.7	23.2
Londoner	21.4	22.7	22.6	21.6	21.7	21.3	21.5	22.7
Parisian	21.1	23.1	23.1	22.3	24.9	21.4	20.9	21.2
The Plaza	24.9	24.4	24.6	23.5	23.8	23.6	24.3	22.2
Galaxy Macau	26.7	28	28	28.1	29	27	28.3	29.1
City of Dreams	30.3	32.3	32.1	30.6	30.5	30.9	32.1	30.4
Studio City	26.5	29.1	26.7	27.7	28.5	27.3	30.6	33.4

Source: Company data, Bloomberg, Samsung Securities

Risk factor: Elevated financial leverage

The market remains concerned about Lotte Tour Development’s elevated financial leverage and convertible bond (CB) overhang. Debt levels surged following its KRW1.6t investment in the development of Jeju Dream Tower integrated resort, leaving the company with a highly leveraged capital structure.

However, these concerns should gradually subside, as: 1) the company refinanced KRW840b in debt in 2024; and 2) CB redemptions in 2025 eased overhang pressure and reduced interest costs. As a result, interest expenses are forecast to fall to approximately KRW135b in 2026, down nearly 10% from KRW148b in 2025. Alongside debt restructuring and CB reduction efforts, the company’s growing operating profit—KRW39b in 2024, KRW143b in 2025, and an estimated KRW200b in 2026—is strengthening its debt repayment capacity. The financial burden is therefore likely to continue easing over the longer term.

High debt ratio and high-cost borrowing, but financial structure improving

In 2023, Lotte Tour Development’s debt ratio surged past 2,500%, sparking concerns over the firm’s financial health. Although the company secured approximately KRW700b in property-backed loans in Nov 2020, pandemic-driven disruptions constrained cash flow, leaving it with insufficient internal resources to service its debt. As a result, in late 2023, it extended the maturity of its existing borrowings by one year and restructured the obligations into three tranches: first, second, and third lien. The refinancing came at a steep cost, with borrowing rates rising from 4-6% to 7-10%, reflecting mounting bond-market skepticism over the company’s ability to meet interest obligations and intensifying concerns over its interest burden.

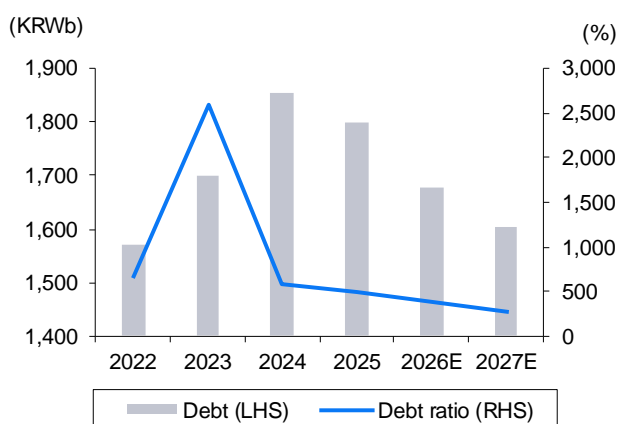
Since 2024, however, the financial structure has gradually improved, driven by stronger performance at Jeju Dream Tower. The company refinanced approximately KRW840b in debt maturing in Nov 2024, redistributing roughly KRW800b into a structure dominated by senior-lien debt and reducing the interest rate to around 6%. Maturity was also extended from one year to 30 months, until May 2027, easing short-term liquidity pressure. As a result, the company’s overall borrowing rate has declined from 7-10% to around 6%, generating annual interest cost savings of approximately KRW7b.

Lotte Tour Development: Debt

(KRWb)	Amount	Interest rate (%)	Annual interest expenses
Nov 2020	700	4.31%	30
Tranche A	600	4.05%	24
Tranche B	100	5.90%	6
Nov 2023	775	7.5%	58
Tranche A	600	7%	42
Tranche B	100	9%	9
Tranche C	75	10%	8
Nov 2024	839	6.1%	51
Tranche A	800	6%	48
Tranche B	39	9%	4

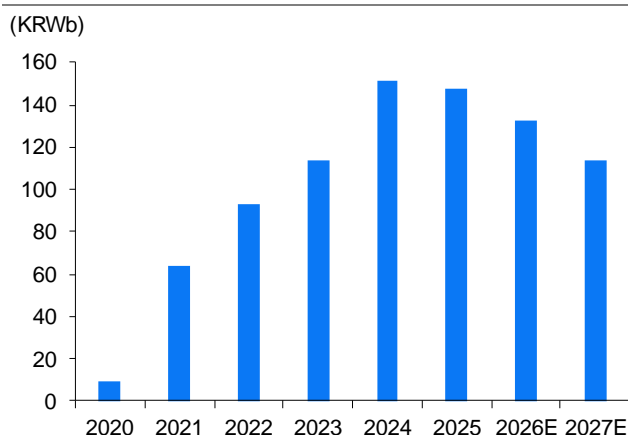
Source: Company data, News, Samsung Securities

Debt and debt ratio



Source: Company data, Samsung Securities estimates

Interest expenses



Source: Company data, Samsung Securities estimates

CB overhang risk gradually easing

CB-related overhang risk is also gradually easing. In Sep 2025, the company redeemed KRW134.2b of the KRW209.7b in CBs outstanding at end-2024. This means 78% of the KRW336.6b in CBs issued since 2013 for the Jeju Dream Tower development has now been redeemed or converted.

As of end-2025, only KRW75.5b in CBs remained outstanding, equivalent to 6.4% of shares outstanding and down 78% from the original issuance amount of KRW336.6b. Notably, the redemption has slashed annual interest costs from roughly KRW19b to KRW4.5b, freeing up around KRW15b in annual financial costs.

Lotte Tour Development: Convertible bonds

Issuance	Interest rate (%)	Amount (KRWb)	Annual interest (KRWb)
2024		239.2	19.3
6	15%	110.2	16.52
7-2	2.5%	5.3	0.13
8-1	0%	75.9	-
9-1	4%	22.3	0.89
9-2	4%	6.2	0.25
10-1	8%	15.6	1.25
10-2	8%	3.8	0.31
2025		90.1	0.4
8-1	0%	84.6	-
10-1	8%	3.5	0.28
10-2	8%	2.0	0.16

Source: Company data, Samsung Securities estimates

Outstanding convertible bonds: Summary

(KRWm)	8-1 unsecured private CBs	10-1 unsecured private CBs	10-2 unsecured private CBs
Face value	70,000	16,300	4,000
Issue price	70,000	16,300	4,000
Issue date	Nov 29, 2021	Aug 29, 2023	Sep 13, 2023
Maturity	Nov 29, 2026	Aug 29, 2027	Aug 29, 2027
Coupon rate (%)	0	0.08	0.08
Yield to maturity (%)	0.047	0.08	0.08
Conversion price (KRW)	18,231	16,131	16,131
Conversion period	Nov 29, 2022- Nov 23, 2026	Aug 29, 2024- Aug 23, 2027	Sep 13, 2024- Aug 23, 2027
Early redemption period	Jun 30, 2026- Jul 30, 2026	Jun 30, 2025- Jul 30, 2025	Jun 30, 2025- Jul 30, 2025
Convertible shares	3,839,614	1,010,477	247,970
In ratio to outstanding shares	4.8	1.3	0.3

Source: Company data, Samsung Securities

Appendix: Company overview

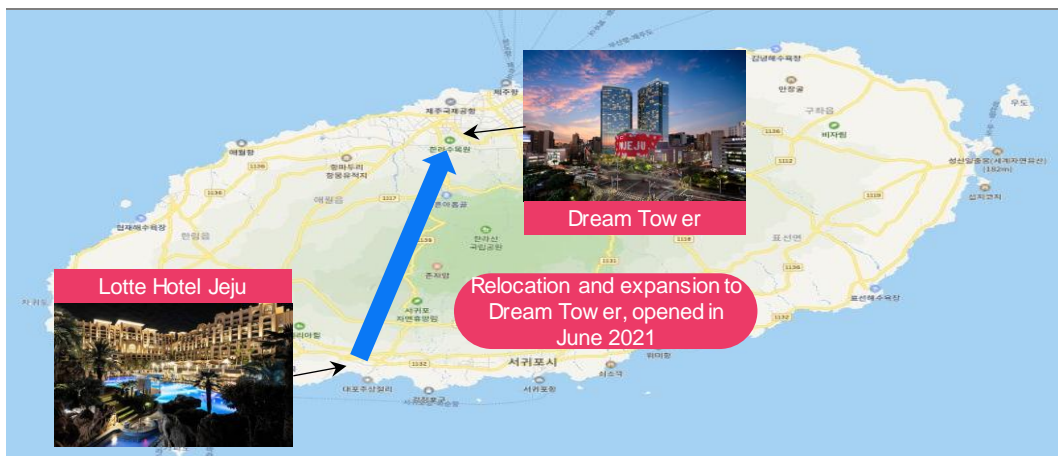
Shift to integrated-resort model accelerating casino growth

Founded in 1971, Lotte Tour Development began as a travel and leisure company and has since expanded its portfolio to become an integrated resort operator, spanning casino, hotel, and retail.

The company completed its business transformation in Dec 2020 with the opening of Jeju Dream Tower, Korea's largest urban integrated resort. The resort houses a foreigner-only casino and the Grand Hyatt Jeju hotel, with approximately 1,600 rooms.

The company operates its casino business through subsidiary LT Entertainment. After adding casino operations to its business objectives in 2014, Lotte Tour Development entered the market in Aug 2018 by acquiring Paradise Jeju Lotte Casino, operated by Paradise Group, for KRW14.9b. In 2021, it relocated and expanded its casino operations from Lotte Hotel Jeju to Jeju Dream Tower, increasing the floor area from 1,176 m² to 5,367 m² and establishing a solid foundation for scalable growth.

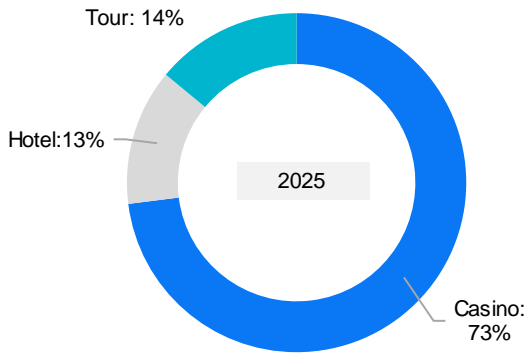
Casino relocated from Lotte Hotel to Grand Hyatt in 2021



Source: Company data, Samsung Securities

The company's business is now structured around: 1) casino, which accounted for 73% of 2025 sales; 2) hotel, 13%; and 3) travel and others, 14%. Since the opening of Jeju Dream Tower Casino, the casino business has emerged as Lotte Tour Development's primary growth engine. Supported by rising foreign tourist arrivals and increased drop volume, casino sales have grown rapidly, pushing the company into operating profit in 2024. Lotte Tour Development posted record sales in 2025 and, thanks to operating leverage, continues to improve profitability.

Sales, by business unit



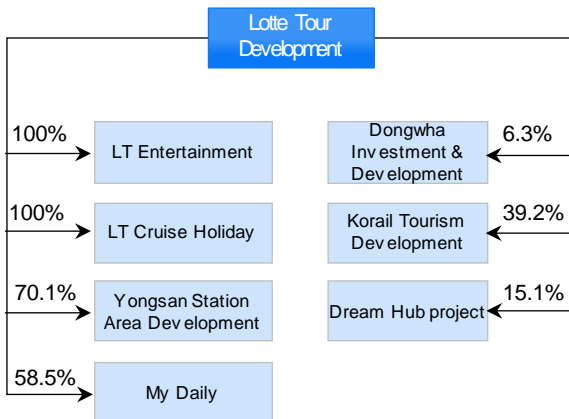
Source: Company data, Samsung Securities

Lotte Tour Development: History

Year	Notable event
Jun 2006	Kospi listing
May 2009	Jeju Dream Tower (218 m; 62 floors) building permit granted
Dec 2013	Dream Tower joint development agreement with Greenland Group
Aug 2017	Hotel management agreement with Hyatt Group
Aug 2018	Acquisition of Paradise Jeju Lotte Casino (rebranded as LT Casino)
Dec 2020	Grand Hyatt Jeju opens
Jan 2021	Five-star hotel rating granted
Apr 2021	LT casino relocation and floor area expansion Lotte Hotel Jeju → Dream Tower (Gaming floor: 1,175 m ² → 5,367.67 m ²)
Jun 2021	Jeju Dream Tower Casino opens
Dec 2021	Grand Hyatt Jeju second tower opens

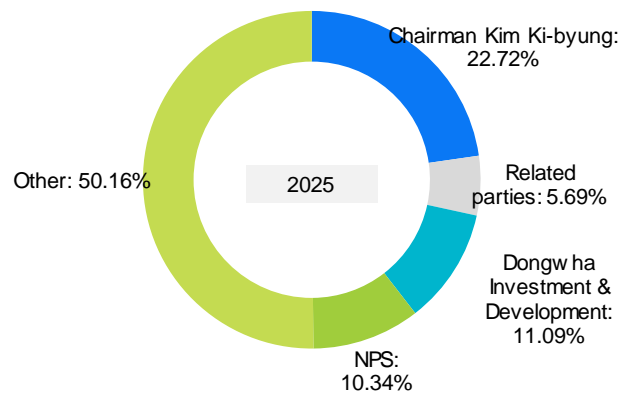
Source: Company data, Samsung Securities

Corporate governance structure



Source: Company data, Samsung Securities

Shareholders



Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	471	653	792	897	975
Cost of goods sold	0	0	0	0	0
Gross profit	471	653	792	897	975
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	432	510	592	653	722
Operating profit	39	143	200	244	253
Operating margin (%)	8.3	21.9	25.2	27.2	26.0
Non-operating gains (losses)	-162	-148	-130	-106	-88
Financial profit	8	11	9	12	16
Financial costs	167	153	135	113	99
Equity-method gains (losses)	2	0	1	1	0
Other	-4	-6	-5	-5	-5
Pre-tax profit	-123	-4	70	138	165
Taxes	-6	-32	1	0	0
Effective tax rate (%)	4.9	717.6	1.8	0.0	0.0
Profit from continuing operations	-117	28	68	138	165
Profit from discontinued operations	0	0	0	0	0
Net profit	-117	28	68	138	165
Net margin (%)	-24.7	4.2	8.6	15.4	16.9
Net profit (controlling interests)	-117	28	68	137	163
Net profit (non-controlling interests)	0	-0	1	1	2
EBITDA	124	232	285	324	329
EBITDA margin (%)	26.3	35.5	36.0	36.1	33.7
EPS (parent-based) (KRW)	-1,531	356	851	1,719	2,050
EPS (consolidated) (KRW)	-1,531	354	860	1,735	2,070
Adjusted EPS (KRW)*	-1,531	356	851	1,719	2,050

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	122	100	223	282	240
Net profit	-117	28	68	138	165
Non-cash profit and expenses	249	217	217	186	163
Depreciation	83	87	84	79	75
Amortization	2	2	1	1	1
Other	164	128	132	106	87
Changes in A/L from operating activities	88	-48	47	64	0
Cash flow from investments	-28	-40	-37	-41	-20
Change in tangible assets	-7	-10	-25	-30	-20
Change in financial assets	-19	-28	-11	-11	0
Other	-1	-2	-0	0	0
Cash flow from financing	-83	-43	-196	-143	-150
Change in debt	-6	-2	-192	-143	-150
Change in equity	4	35	-590	0	0
Dividends	0	0	0	0	0
Other	-82	-76	586	0	0
Change in cash	11	18	-10	97	70
Cash at beginning of year	34	44	62	52	149
Cash at end of year	44	62	52	149	220
Gross cash flow	133	244	285	324	328
Free cash flow	114	90	198	252	220

Note: *Excluding one-off items;

**Fully diluted, excluding one-off items;

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	114	133	134	242	312
Cash & equivalents	44	62	52	149	219
Accounts receivable	3	5	6	6	6
Inventories	6	6	7	8	8
Other current assets	61	60	69	78	78
Fixed assets	2,052	2,035	1,980	1,935	1,880
Investment assets	20	63	64	70	70
Tangible assets	1,690	1,634	1,584	1,535	1,480
Intangible assets	46	46	45	45	44
Other long-term assets	295	291	285	285	285
Total assets	2,167	2,168	2,114	2,177	2,192
Current liabilities	610	413	394	437	437
Accounts payable	9	9	11	12	12
Short-term debt	3	1	1	1	1
Other current liabilities	598	403	382	424	424
Long-term liabilities	1,244	1,387	1,286	1,167	1,017
Bonds & long-term debt	741	889	748	598	448
Other long-term liabilities	503	498	537	569	569
Total liabilities	1,854	1,799	1,679	1,605	1,455
Owners of parent equity	317	372	437	574	737
Capital stock	38	40	40	40	40
Capital surplus	648	681	91	91	91
Retained earnings	-1,091	-1,065	-407	-270	-107
Other	722	717	713	713	713
Non-controlling interests' equity	-4	-4	-3	-1	0
Total equity	313	368	434	572	737
Net debt	1,254	1,236	1,048	801	581

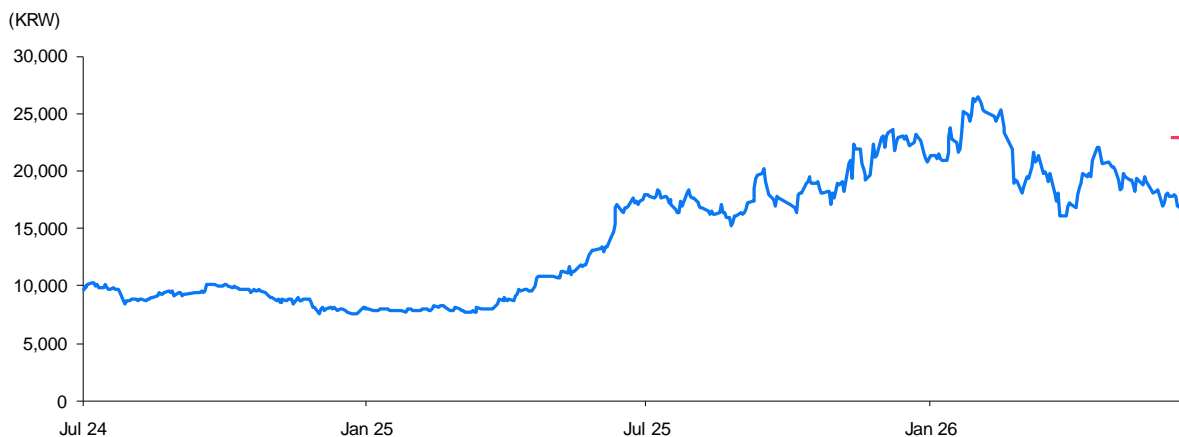
Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	50.4	38.6	21.3	13.2	8.7
Operating profit	nm	267.4	39.5	21.9	3.9
Net profit	nm	nm	147.9	101.9	19.2
Adjusted EPS**	nm	nm	139.1	101.9	19.2
Per-share data (KRW)					
EPS (parent-based)	-1,531	356	851	1,719	2,050
EPS (consolidated)	-1,531	354	860	1,735	2,070
Adjusted EPS**	-1,531	356	851	1,719	2,050
BVPS	4,156	4,677	5,491	7,210	9,260
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	65.3	17.2	8.5	7.1
P/B***	1.8	5.0	2.7	2.0	1.6
EV/EBITDA	14.8	13.3	7.7	6.1	5.3
Ratios (%)					
ROE	-60.4	8.1	16.7	27.1	24.9
ROA	-5.9	1.3	3.2	6.4	7.5
ROIC	2.2	-49.9	11.5	15.1	16.3
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	400.4	335.7	241.3	140.0	78.8
Interest coverage (x)	0.3	1.0	1.5	2.2	2.6

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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)	23000
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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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector	OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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SELL	Expected to decrease in value by 15% or more within 12 months	UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

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Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)-HOLD(14.8%)-SELL(0%)

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