COMPANY UPDATE

2026. 7. 28

Finance/Consumer Goods Team

Hyein Lee
Analyst
hyeining.lee@samsung.com

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Lotte Tour Development (032350)

Regulatory overhang priced in; 2H momentum intact

- We believe Lotte Tour Development will post 2Q operating profit of KRW50.5b (up 52% y-y; meeting consensus).
- In 2H, earnings momentum should continue based on seasonally-strong demand, improved air access, and optimization of table limits.
- Reflecting concerns over a potential casino tax hike, we cut our target price by 17% to KRW19,000 but maintain BUY rating. The stock remains our sector top pick.

AT A GLANCE

BUY

Target price	KRW19,000	59%
Current price	**KRW11,950**	
Market cap	KRW952.72b/USD648.77m	
Shares (float)	79,725,458 (57.4%)	
52-week high/low	KRW26,550/KRW10,990	
Avg daily trading value (60-day)	KRW10.4b/ USD7.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Tour Development (%)	-15.7	-44.9	-30.0
Vs Kospi (%pts)	5.0	-58.6	-66.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	19,000	19,000	0.0%
2026E EPS	859	859	0.0%
2027E EPS	1,728	1,728	0.0%

SAMSUNG vs THE STREET

No of estimates	10
Target price	24,600
Recommendation	4.0

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

WHAT'S THE STORY?

2Q preview: We believe Lotte Tour Development will post 2Q sales of KRW195.4b (up 24% y-y) and operating profit of KRW50.5b (up 52% y-y; meeting consensus). By segment, sales likely came in at KRW147.1b (up 34%) at the casino operation, KRW22.9b (up 3%) at hotels, and KRW24b (flat y-y) at travel services. Casino drop volume reached KRW760.6b (up 14%), driven by a 23% increase in visitor volume, which offset a 7% decline in per-visitor drop. The expansion of minimum-bet tables (KRW200,000–KRW300,000) from 46 to 76 since March has contributed to improved hold rates (19.3% in 2Q, up 2.9%pts y-y), a factor that likely accelerated topline growth.

Stronger momentum expected in 2H: Building on 2Q momentum, the company should be able to continue earnings growth in 3Q as peak season begins. Key drivers include: 1) improved air access, with Jeju Airport flights up 35% y-y during January-May and the resumption of Incheon–Jeju routes, alongside potential new direct connections between Jeju and 5–6 Chinese cities (ie, more inbound foreign tourists); 2) optimization of table limits—strategic increases in maximum betting limits; and 3) expansion of direct rolling.

Cutting target price by 17% to reflect casino tax risk: In light of policy uncertainty around a potential casino tax increase, we lower our target multiple by 20% from 13.5x 2027 P/E to 10.8x and reduce our target price from KRW23,000 to KRW19,000. However, the current share price implies a 2027 P/E of just 6x, limiting further downside risk. With peak season approaching and potential refinancing benefits on the horizon, we see meaningful upside potential and maintain our BUY rating. The stock remains our sector top pick.

Lotte Tour Development: Casino earnings

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
Drop	482	669	849	769	651	761	1,071	909	1,692	2,768	3,391	3,900
Chg (% y-y)	*25.3*	*63.0*	*92.3*	*68.6*	*35.0*	*13.8*	*26.3*	*18.2*	*17.1*	*63.6*	*22.5*	*15.0*
Table	420	602	758	685	574	637	898	762	1,473	2,464	2,871	3,301
Machine	62	66	91	84	77	123	173	147	219	303	520	598
Hold ratio (%)	17.5	16.5	16.4	18.6	18.2	19.3	15.8	17.9	17.1	17.2	17.6	17.6
Table	19.0	17.4	17.7	20.0	19.7	22.1	17.7	20.0	18.2	18.5	19.7	19.7
Machine	7.6	7.8	6.1	6.7	7.4	5.1	6.2	6.7	8.8	7.0	6.3	6.3
Net revenue	85	110	139	143	119	147	169	162	263	477	597	687
Chg (% y-y)	*20.8*	*65.4*	*166.4*	*93.2*	*40.3*	*33.7*	*21.5*	*13.8*	*72.4*	*81.4*	*25.3*	*15.1*
Table	80	105	134	137	113	141	159	152	245	456	565	650
Machine	5	5	6	6	6	6	11	10	17	21	33	38
Visitors	109,631	148,475	172,783	159,443	150,553	182,872	215,979	188,511	359,428	590,332	737,915	848,602
Drop/visitor	4.4	4.5	4.9	4.8	4.3	4.2	5.0	4.8	4.7	4.7	4.6	4.6

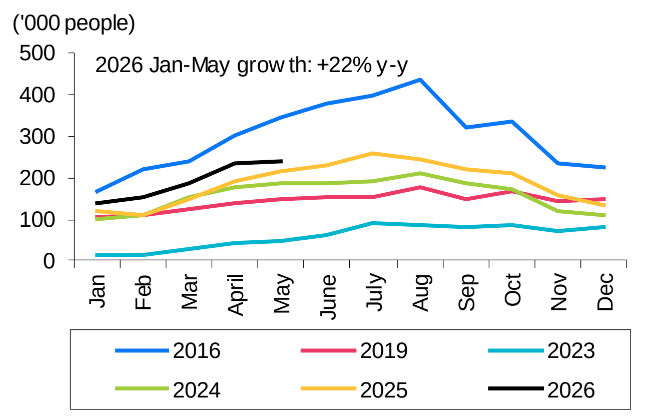
Source: Company data, Samsung Securities estimates

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	195	222	209	471	653	782	886
Casino	85	110	139	143	119	147	169	162	263	477	597	687
Hotel	14	22	24	21	18	23	29	20	86	82	90	99
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	50	66	56	39	143	201	244
Net profit	(24)	6	6	39	(7)	18	33	26	(117)	28	69	139
Margins (%)												
Operating profit	10.7	21.0	28.4	23.6	18.4	25.8	29.7	26.6	8.3	21.9	25.6	27.6
Net profit	(19.4)	3.8	3.5	20.8	(4.7)	9.2	14.8	12.3	(24.7)	4.2	8.8	15.7
Chg (% y-y)												
Sales	14.8	35.8	34.2	70.1	28.1	23.9	18.8	11.6	50.4	38.6	19.7	13.2
Casino	20.8	65.4	166.4	93.2	40.3	33.7	21.5	13.8	72.4	81.4	25.3	15.1
Hotel	(15.7)	(5.0)	(9.2)	10.4	27.5	3.0	21.6	(7.5)	(7.2)	(4.9)	10.0	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	52.5	24.3	25.5	nm	267.4	40.0	21.9
Net profit	nm	nm	nm	nm	nm	204.0	406.8	(34.2)	nm	nm	150.0	101.3

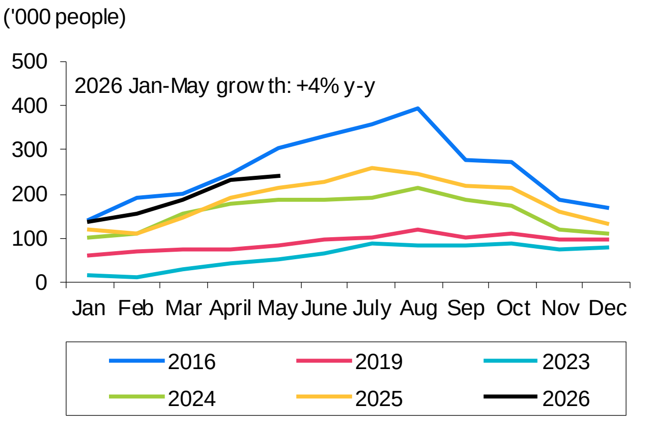
Source: Company data, Samsung Securities estimates

Jeju: Monthly foreign tourists



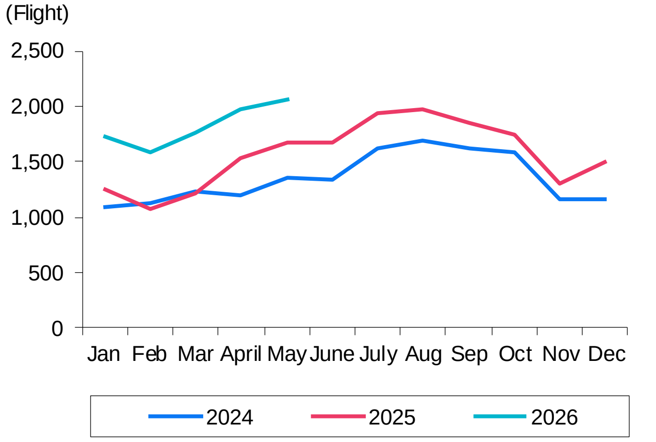
Source: Jeju Tourism Association, Samsung Securities

Jeju: Monthly Chinese tourists



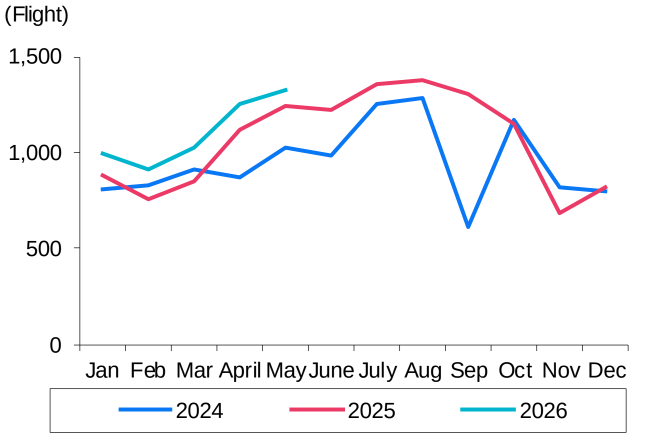
Source: Jeju Tourism Association, Samsung Securities

Jeju International Airport: Flights



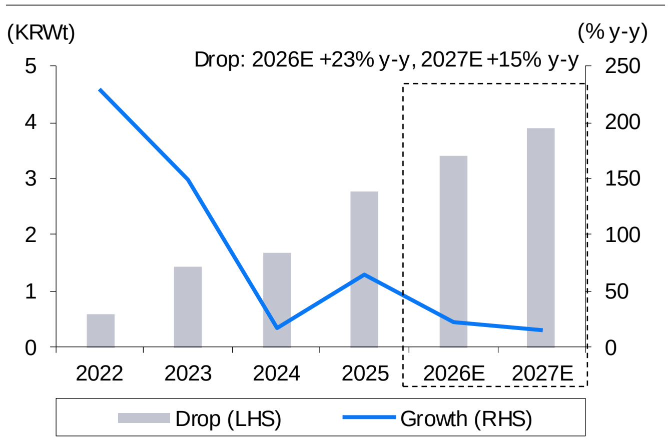
Source: Jeju Tourism Association, Samsung Securities

Jeju International Airport: Flights to China



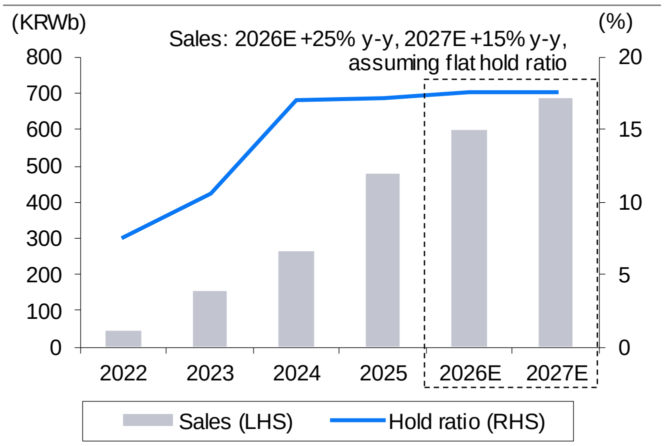
Source: Jeju Tourism Association, Samsung Securities

Casino: Drop and growth



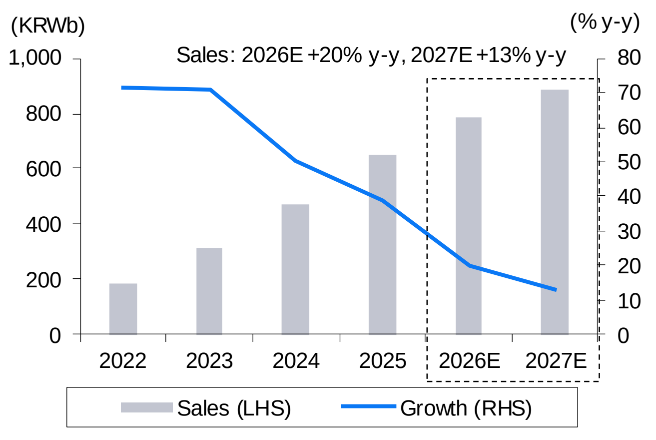
Source: Company data, Samsung Securities

Casino: Sales and hold ratio



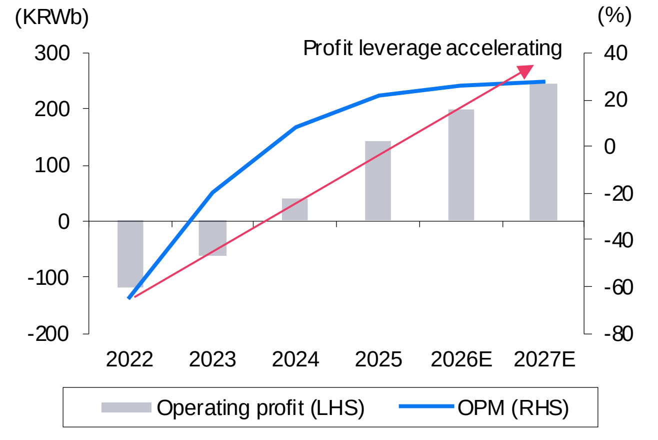
Source: Company data, Samsung Securities

Lotte Tour Development: Sales and growth



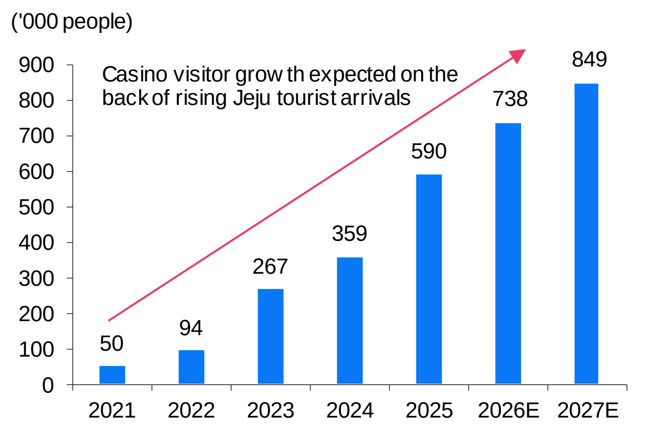
Source: Company data, Samsung Securities

Lotte Tour Development: Operating profit and margin



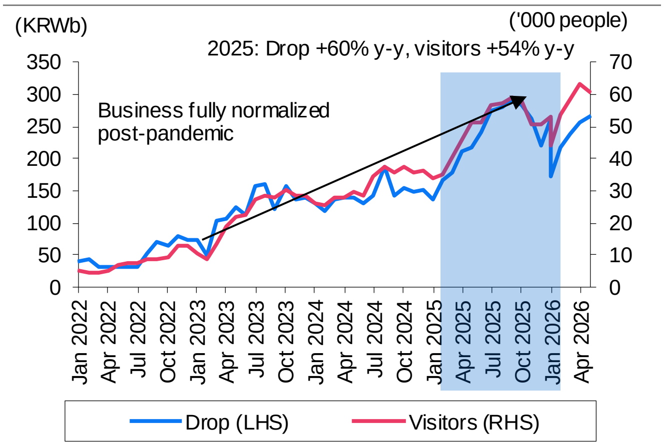
Source: Company data, Samsung Securities

Casino: Visitors



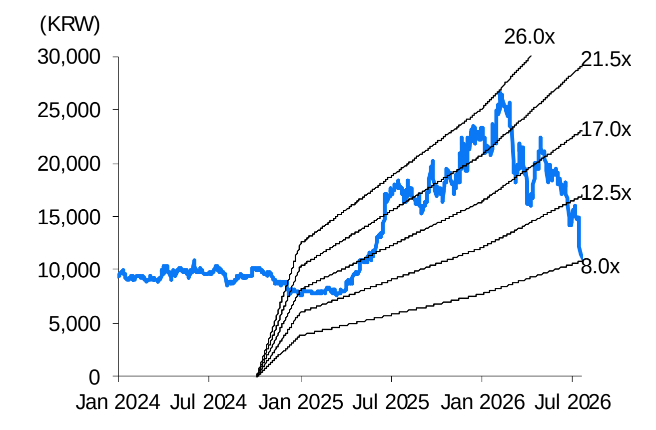
Source: Company data, Samsung Securities

Casino: Monthly drop and visitors



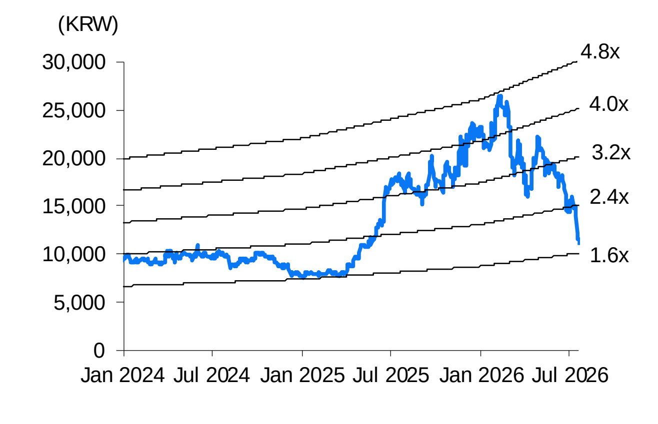
Source: Company data, Samsung Securities

Lotte Tour Development: 12m FWD P/E band



Source: Bloomberg, Samsung Securities

Lotte Tour Development: 12m FWD P/B band



Source: Bloomberg, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**471**	**653**	**782**	**886**	**942**
Cost of goods sold	0	0	0	0	0
Gross profit	**471**	**653**	**782**	**886**	**942**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	432	510	582	641	708
Operating profit	**39**	**143**	**201**	**244**	**234**
Operating margin (%)	8.3	21.9	25.6	27.6	24.9
Non-operating gains (losses)	**-162**	**-148**	**-130**	**-106**	**-89**
Financial profit	8	11	9	12	15
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**	**139**	**145**
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	69	139	145
Profit from discontinued operations	0	0	0	0	0
Net profit	**-117**	**28**	**69**	**139**	**145**
Net margin (%)	-24.7	4.2	8.8	15.7	15.4
Net profit (controlling interests)	-117	28	68	138	144
Net profit (non-controlling interests)	0	-0	1	1	1
EBITDA	124	232	286	325	310
EBITDA margin (%)	26.3	35.5	36.6	36.6	32.9
EPS (parent-based) (KRW)	-1,531	356	859	1,728	1,807
EPS (consolidated) (KRW)	-1,531	354	867	1,745	1,825
Adjusted EPS (KRW)*	-1,531	356	859	1,728	1,807

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**114**	**133**	**116**	**221**	**272**
Cash & equivalents	44	62	37	132	183
Accounts receivable	3	5	5	6	6
Inventories	6	6	7	8	8
Other current assets	61	60	67	75	75
Fixed assets	**2,052**	**2,035**	**1,978**	**1,934**	**1,878**
Investment assets	20	63	63	68	68
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**	**2,095**	**2,155**	**2,150**
Current liabilities	**610**	**413**	**382**	**423**	**423**
Accounts payable	9	9	10	12	12
Short-term debt	3	1	1	1	1
Other current liabilities	598	403	371	411	411
Long-term liabilities	**1,244**	**1,387**	**1,278**	**1,158**	**1,008**
Bonds & long-term debt	741	889	748	598	448
Other long-term liabilities	503	498	530	560	560
Total liabilities	**1,854**	**1,799**	**1,660**	**1,581**	**1,431**
Owners of parent equity	**317**	**372**	**438**	**575**	**719**
Capital stock	38	40	40	40	40
Capital surplus	648	681	91	91	91
Retained earnings	-1,091	-1,065	-406	-269	-125
Other	722	717	713	713	713
Non-controlling interests' equity	**-4**	**-4**	**-3**	**-1**	**-0**
Total equity	**313**	**368**	**435**	**574**	**719**
Net debt	1,254	1,236	1,062	817	616

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**122**	**100**	**208**	**280**	**221**
Net profit	-117	28	69	139	145
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	88
Changes in A/L from operating activities	88	-48	31	61	0
Cash flow from investments	**-28**	**-40**	**-34**	**-41**	**-20**
Change in tangible assets	-7	-10	-25	-30	-20
Change in financial assets	-19	-28	-9	-11	0
Other	-1	-2	-0	-0	0
Cash flow from financing	**-83**	**-43**	**-199**	**-144**	**-150**
Change in debt	-6	-2	-194	-144	-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	-25	95	51
Cash at beginning of year	34	44	62	37	132
Cash at end of year	44	62	37	132	183
Gross cash flow	**133**	**244**	**286**	**325**	**309**
Free cash flow	**114**	**90**	**183**	**250**	**201**

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	50.4	38.6	19.7	13.2	6.4
Operating profit	nm	267.4	40.0	21.9	-4.2
Net profit	nm	nm	150.0	101.3	4.6
Adjusted EPS**	nm	nm	141.1	101.3	4.6
Per-share data (KRW)					
EPS (parent-based)	-1,531	356	859	1,728	1,807
EPS (consolidated)	-1,531	354	867	1,745	1,825
Adjusted EPS**	-1,531	356	859	1,728	1,807
BVPS	4,156	4,677	5,499	7,227	9,034
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	65.3	13.9	6.9	6.6
P/B***	1.8	5.0	2.2	1.7	1.3
EV/EBITDA	14.8	13.3	7.0	5.4	5.1
Ratios (%)					
ROE	-60.4	8.1	16.9	27.2	22.2
ROA	-5.9	1.3	3.2	6.5	6.7
ROIC	2.2	-49.9	11.5	15.0	15.0
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	244.1	142.4	85.7
Interest coverage (x)	0.3	1.0	1.5	2.2	2.4

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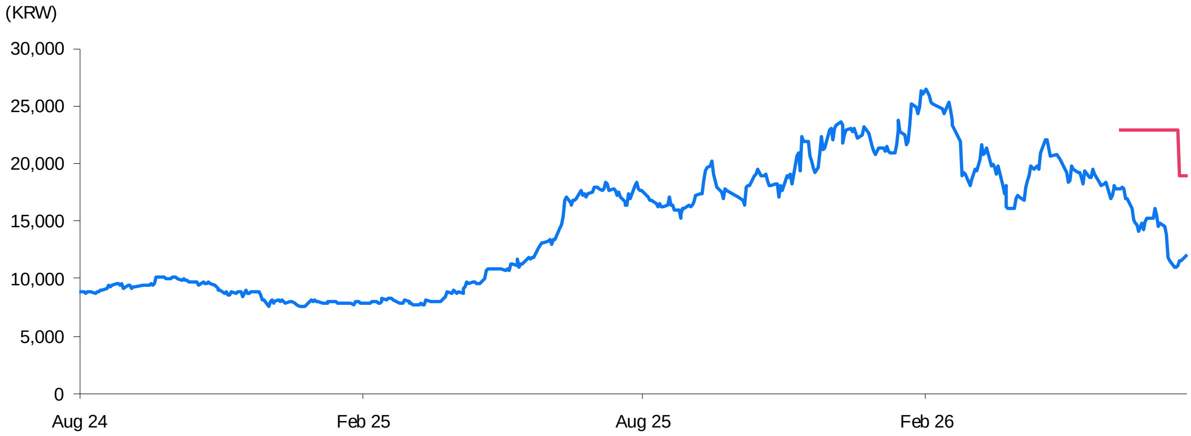
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/6/15	7/23
Recommendation	BUY	BUY
Target price (KRW)	23000	19000
Gap* (average)	-36.40	
(max or min)**	-21.70	

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

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Company

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

Industry

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

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

Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953