SECTOR UPDATE

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Finance/Consumer Goods Team

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Leisure (OVERWEIGHT)

Beyond normalization: Margin improvement is the competitive edge

- Korea's casino industry should benefit from structural growth in inbound tourism.
- Diversification into non-gaming businesses should support valuation upside.
- Companies that convert investment into sustained earnings growth should enjoy share-price outperformance.

AT A GLANCE

PARADISE (034230 KS, 10,330)
Target price KRW12,000 16.2%
BUY

LOTTE TOUR DEVELOPMENT CO., LTD (032350 KS, 11,950)
Target price KRW19,000 59%
BUY

Grand Korea Leisure (114090 KS, 9,700)
Target price KRW10,000 3.1%
HOLD

Kangwon Land (035250 KS, 14,490)
Target price KRW18,000 24.2%
BUY

WHAT'S THE STORY?

Growth catalyst—Rising inbound tourism to drive casino revenue growth: Inbound tourist arrivals reached a record 18.94m (up 16% y-y) in 2025 and are expected to rise to 21m in 2026 (up 11% y-y), driven by three factors: 1) growing global interest in Korea as a premium travel destination; 2) improved accessibility, including expanded flight routes; and 3) a recovery in demand from key source markets, supported by factors including strained China-Japan diplomatic relations and depreciation of the won.. Meanwhile, inbound tourism growth has a meaningful correlation with casino gross gaming revenue (GGR). Some 3.49m foreign visitors entered Korean casinos last year, while GGR at foreigner-only casinos reached KRW2.3t (up 22% y-y).

Beyond casino multiples—The case for hotel-led revaluation: Despite rising inbound tourism and improving casino performance, Korean casino operators are trading at an average 2027 P/E of just 11-12x. This represents a 43% discount to the 20x average seen during the 2014 casino boom and a 68% discount to the 36x multiple seen in 2018. We do not expect a return to 20x-plus multiples but believe a medium- to long-term fair P/E of around 15x is achievable. First, Korean casino operators deserve a premium to Macao peers (2027 average P/E: 10x), given their lower reliance on Chinese VIPs and more stable regulatory backdrop. Second, Korean operators are actively expanding beyond gaming through hotel development and acquisitions. As non-casino revenue streams expand, they should narrow the valuation discount to the broader hotel industry (20x P/E).

(Continued on the next page)

Samsung Securities

Profitability improvement to be key differentiator in stock performance: Yet, the market is concerned whether the massive capital outlays behind non-casino projects will deliver sustained profitability. In this context, the key determinant of stock performance will be whether non-casino investments translate into real earnings growth. For example, following major investments in 2015, Macao operators saw operating margins rise from 12% to 17%, while P/E multiples expanded from 18x to 24x. Even in the post-2025 investment cycle, companies that have successfully enhanced profitability through synergies between casino and non-casino operations have delivered relatively stronger share-price performance. We therefore present Lotte Tour Development and Paradise as our top picks. Lotte Tour Development turned profitable in 2024, driven by the earnings ramp-up at Jeju Dream Tower. The portion of complimentary rooms for VIP guests tied to casino operations surged from 11% in 2021 to around 50% by 2025, signaling tangible synergies between casino and non-casino operations. Paradise, meanwhile, is expanding its VIP room capacity through its acquisition of Grand Hyatt Incheon in Sep 2025. The anticipated synergy between Paradise City's casino operations and the Grand Hyatt hotel should unlock meaningful medium- to long-term earnings leverage.

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OVERWEIGHT on casinos

Beyond normalization: Margin improvement is the competitive edge

Structural growth in inbound tourism favors casino operators

The number of foreign tourists visiting Korea reached a record 18.94m (up 16% y-y) in 2025, and we expect arrivals to rise to 21m in 2026 (up 11% y-y), supported by three factors: 1) rising global interest in Korea, fueled by the global spread of K-culture and a stronger national brand; 2) improved access following completion of the fourth-phase expansion of Incheon International Airport; and 3) increased demand from China, supported by Korea's visa-free policy and China's travel restrictions on Japan, as well as a recovery in Japanese visitors as the yen normalizes.

This surge directly benefits the casino sector given the clear correlation between inbound tourist growth and casino visitors. In 2025, gross gaming revenue (GGR) from foreign visitors amounted to KRW2.3t (up 22% y-y), reaching an all-time high—just as inbound tourism grew to an all-time high. Meanwhile, casino visits by foreign visitors rose 19% y-y to 3.49m, outpacing overall inbound tourism growth (16% y-y). Importantly, the visitor mix is shifting from heavy reliance on Chinese VIPs toward a more balanced base of Japanese and other international VIPs, as well as mass-market travelers. This diversification suggests that continued growth in inbound tourism will support improved operating results at domestic casino operators.

Beyond casino multiples: The case for hotel-led revaluation

Despite strong inbound tourism growth and improving operating results, domestic casino operators are trading at an average 2027 P/E of just 11-12x. This represents a 43% discount to the sector's 20x peak in 2014, during China's VIP boom, and a 68% discount to the 36x peak in 2018, ahead of Paradise City's opening.

We do not expect multiples to revisit prior highs. First, the 2014 premium was driven by explosive growth in Chinese VIP figures, but China's ongoing anti-corruption campaign makes a meaningful rebound uncertain. Second, the 2018 valuation surge reflected speculative optimism around Paradise City—Korea's first integrated resort, combining a casino, hotel, MICE facilities, and entertainment—but no comparable project is currently planned over the next two to three years. Third, inbound tourist preferences have evolved, with visitors now more inclined toward K-culture experiences, dining, and retail, diluting the relative appeal of casinos compared to a decade ago.

That said, we still see meaningful rerating potential for domestic casino operators. Over time, a P/E multiple in the mid-teens looks achievable for two reasons. First, Korean operators are trading at a discount to Macao peers (10x 2027 P/E), despite warranting a premium given Macao operators' heavy reliance on Chinese visitors and continued exposure to anti-corruption scrutiny. Second, Korean casino companies are actively expanding into non-gaming businesses, particularly through hotel acquisitions and development. As these assets mature, the sector's valuation discount to the broader hotel industry (20x P/E) should narrow, unlocking additional upside.

Profitability improvement is key to stock-price differentiation

The shift toward integrated resorts holds clear promise, boosting visitor numbers and opening the door to higher valuation multiples. Yet the market is concerned whether the massive capital outlays behind these projects will deliver sustained profitability. In this context, the key determinant of valuation rerating will be whether non-casino investments translate into real earnings growth. Achieving synergies between casino and non-casino segments will therefore be critical. As casino operators are unlikely to move far beyond a casino-centric business model in the near term, success will hinge on whether non-casino assets can attract high-value VIPs and seamlessly convert hotel guests into casino patrons.

The 2015 Macao investment wave offers a relevant precedent. Despite a sharp 51% y-y drop in operating profit that year, casino operators that doubled down on integrated resorts saw profitability rebound quickly, with operating margins surged from 2% in 2015 to 16% in 2017, net margins climbing from 11% to 14%, and P/E multiples expanding from 18x to 24x.

Even in the recent cycle, companies such as MGM China and Galaxy Entertainment, which enhanced profitability through synergies between casino and non-casino operations, have seen far less share-price erosion. This underscores our view that profitability improvement will be the key differentiator in stock performance.

In Korea, Lotte Tour Development and Paradise are aligned with this dynamic.

Lotte Tour Development: Realizing synergy through Jeju Dream Tower

Lotte Tour Development returned to profitability in 2024 with an operating profit of KRW39b, driven by the earnings ramp-up at Jeju Dream Tower. The portion of complimentary rooms for VIP guests tied to casino operations surged from 11% in 2021 to 40-50% by 2025, signaling tangible synergies between casino and non-casino operations.

Sales and profits should continue to grow in tandem. We forecast 2026 sales of KRW792b (up 21% y-y) and operating profit of KRW200b (up 40% y-y), followed by 2027 sales of KRW897b (up 13% y-y) and operating profit of KRW244b (up 22% y-y), extending the steep growth trajectories seen in 2024 and 2025.

Paradise: Strong earnings momentum following Hyatt Regency acquisition

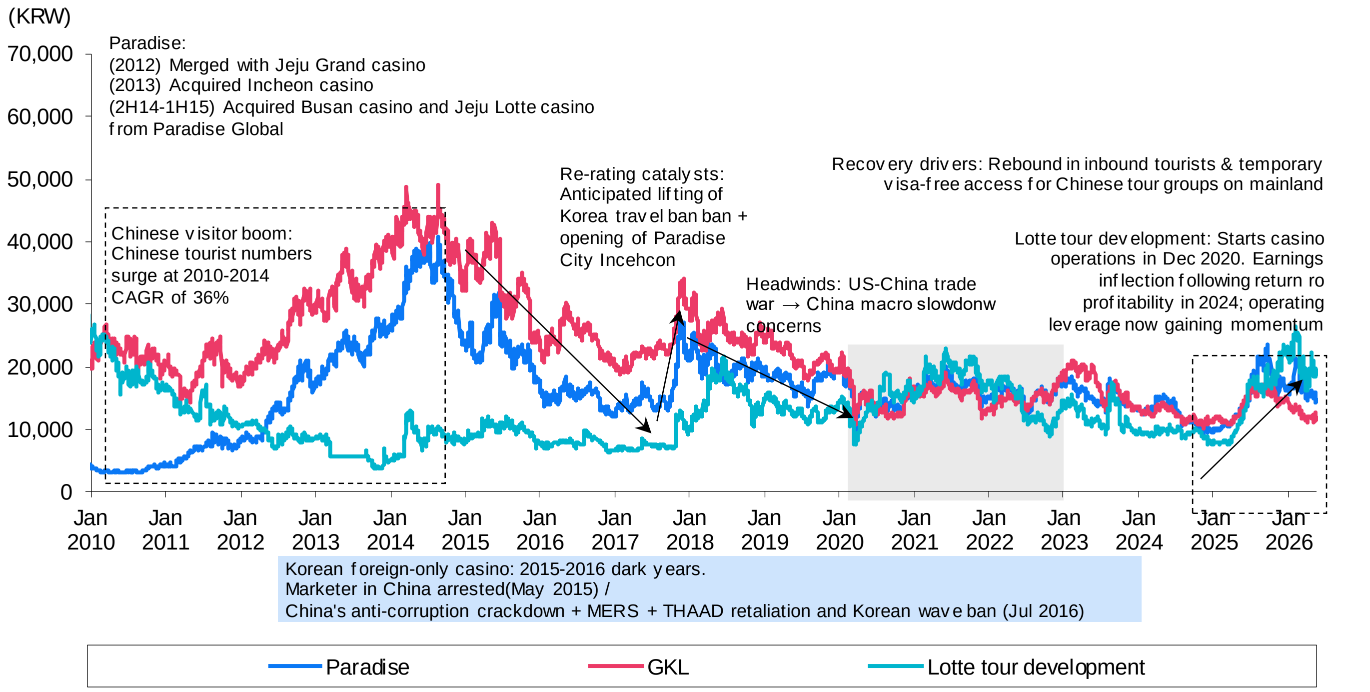
Paradise should enjoy meaningful long-term earnings leverage following its acquisition of Hyatt Regency Incheon (acquired in Sep 2025; formerly Grand Hyatt Incheon West Tower), which should significantly expand its capacity to accommodate VIP guests. Although cost should rise in the near term due to the acquisition, sales and profitability should gradually improve as synergies between the new hotel and casino operations materialize. We forecast 2026 sales of KRW1.3t and operating profit of KRW190.9b (up 13% and 23% y-y, respectively), implying an operating margin of 15%; followed by 2027 sales of KRW1.4t and operating profit of KRW243.2b (up 10% and 27% y-y, respectively), for an operating margin of 17%.

Covered casino companies: Investment rating and earnings estimates

(KRWb)	Rating	Target price (KRW)	2026E sales	Growth (% y-y)	2027E sales	Growth (% y-y)	2026E operating profit	Growth (% y-y)	2027E operating profit	Growth (% y-y)	2026E P/E (x)	2027E P/E (x)
Paradise*	BUY	19,000	1,294	13	1,423	10%	191	23%	243	27%	15	11
Lotte Tour Development*	BUY	23,000	792	21	897	13%	200	40%	244	22%	21	10
GKL	HOLD	13,000	467	10	495	6%	70	33%	77	10%	13	12
Kangwon Land	BUY	18,000	1,478	0.1	1,533	4%	212	-10%	229	8%	13	12

Note: *Top picks
Source: Company data, Samsung Securities estimates

Korean casino operators: Share-price performances



Source: QuantiWise, Samsung Securities

Growth catalyst

Rising inbound tourism to drive casino revenue growth

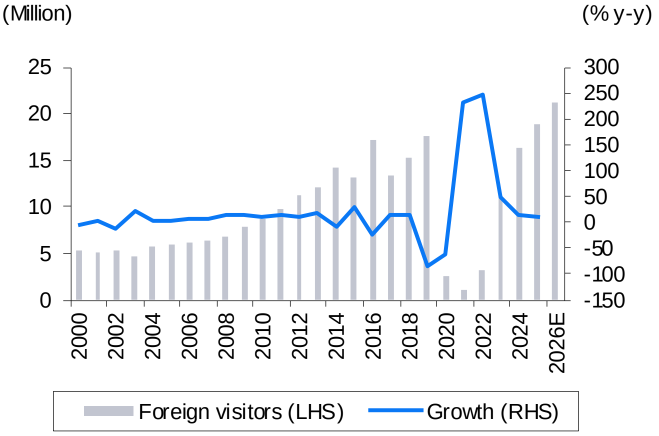
Rising inbound tourism should continue to drive strong revenue growth for Korea's casino operators. In 2025, inbound tourist arrivals reached a record 18.94m (up 16% y-y), while gross gaming revenue (GGR) at domestic casinos reached KRW2.3t (up 22% y-y), both all-time highs. Looking ahead, Korea's elevated global profile and the global popularity of K-culture should sustain long-term growth in foreign visitor numbers, underpinning continued gains in casino visitation and earnings.

2025 marked a record year for inbound tourism

2025 was the strongest year on record for inbound travel to Korea. Foreign visitor arrivals of 18.94m surpassed the pre-pandemic peak of 17.5m in 2019. Notably, Korea's 48% y-y growth in 2024 was already the highest among major Asian markets. Despite the high base, 2025 growth remained robust at 16%, in line with Japan (up 16%) and ahead of Malaysia (up 11%), Vietnam (up 20%), Singapore (up 2%), and Indonesia (up 11%).

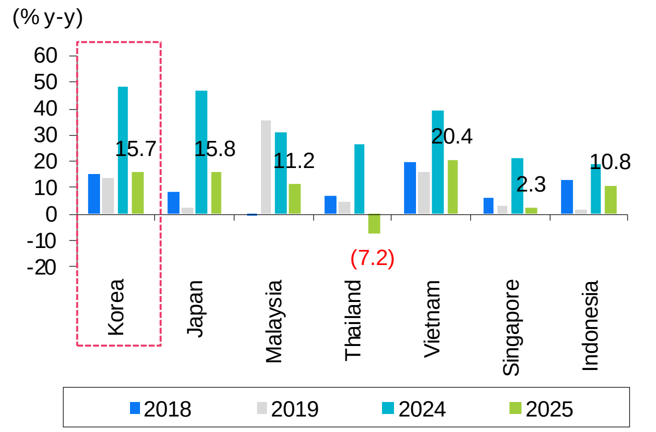
We forecast that inbound arrivals will reach 21m in 2026 (up 11% y-y), surpassing the 2025 record. This outlook is supported by three key drivers: 1) growing global interest in Korea as a premium travel destination; 2) improved accessibility, including expanded flight routes and increased cruise port calls; and 3) recovering demand from key source markets, supported by positive demand-side factors including eased Chinese visa restrictions, worsening China-Japan diplomatic relations, and stabilization of the yen.

Korea: Foreign visitors



Source: Korea Tourism Data Lab, Samsung Securities estimates

Major Asian countries: Foreign visitor growth



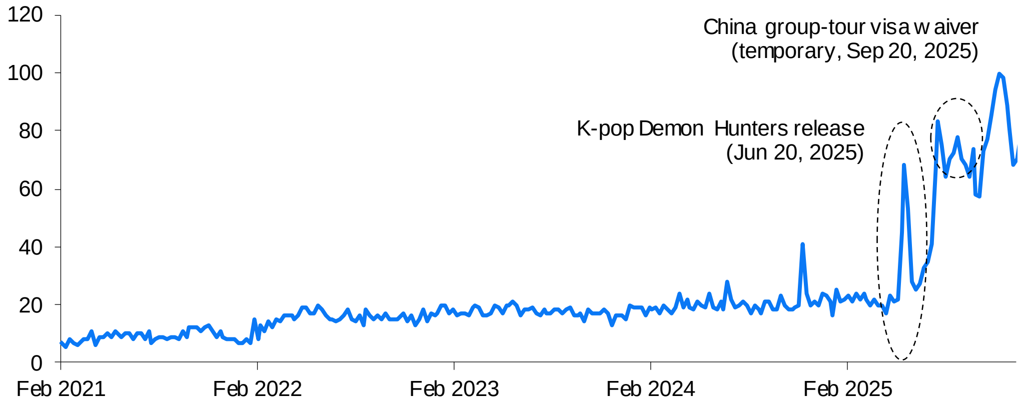
Source: Korea Tourism Data Lab, CEIC, Samsung Securities estimates

2026: The era of 20m inbound tourists

Rising national prestige and growing global interest in travel to Korea

Global interest in travel to Korea has accelerated sharply since 2H25, as shown by Google Trends data: searches for "Korea travel" have followed a sustained upward trajectory, reflecting the conversion of K-content momentum—including the Jun 2025 global breakout of *K-Pop Demon Hunters*—into tangible tourism demand.

Google Trends: Search volume for the term "Korea travel"

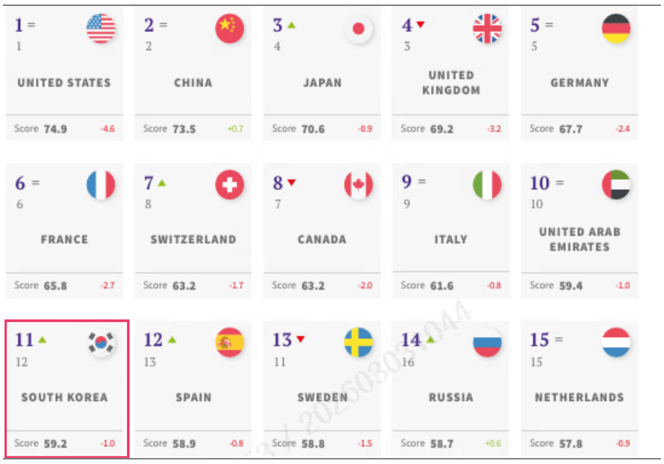


Source: Google, Samsung Securities

At the same time, Korea's global soft power has strengthened materially. According to Brand Finance's Global Soft Power Index[1], Korea rose from 15th in 2024 to 12th in 2025 and 11th in 2026, moving into the global top tier. This reflects broad-based improvement in perceptions of Korea's national brand, driven not only by cultural influence but also by stronger perceptions of its industrial competitiveness, innovation, and governance.

[1] A survey of more than 100,000 respondents worldwide, evaluating countries across three core dimensions—awareness, reputation, and influence—and eight subcategories, including culture, business, diplomacy, governance, and education

2026 Global Soft Power Index: Top 20



Source: Brand Finance, Samsung Securities

Korea: Ranked high in "Media & Communication"

Expand All

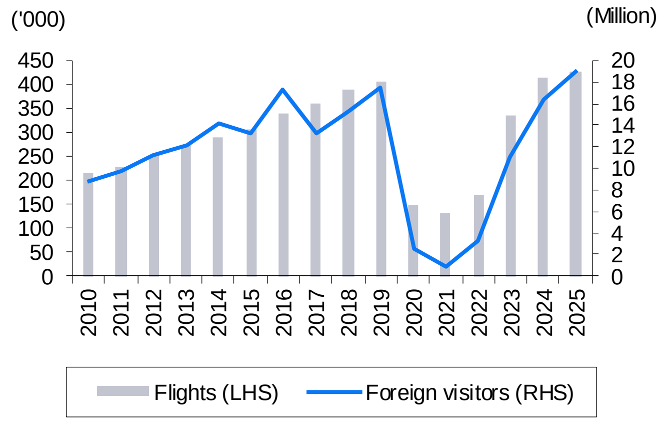
Pillar	2026 Score		2026 Rank			2025 Score		2025 Rank		
Global Soft Power Index	59.2	-1.0	11	+1	→	60.2	+2.2	12	+3	↗
Familiarity	7.9	+0.3	15	+2	↗	7.6	+0.3	17	=	→
Reputation	6.9	+0.1	25	+1	→	6.8	=	26	=	→
Influence	5.2	+0.1	15	+2	↗	5.1	-0.1	17	=	↗
Business & Trade	7.3	-0.3	11	=	→	7.6	+0.2	11	+4	→
International Relations	5.2	-0.3	24	-2	→	5.5	+0.2	22	+2	→
Education & Science	6.5	-0.5	6	=	→	7.0	+1.4	6	=	↗
Culture & Heritage	5.7	-0.3	9	=	→	6.0	+0.4	9	+2	↗
Governance	4.6	-0.5	25	-5	→	5.1	+0.4	20	+3	↗
Media & Communication	4.2	-0.1	10	=	→	4.3	+0.2	10	+5	↗
Sustainable Future	5.5	-0.1	14	+4	→	5.6	+0.4	18	+4	↗
People & Values	4.6	-0.2	25	-2	→	4.8	+0.5	23	+9	↗
Recommendation	7.1	+0.1	23	+3	→	7.0	+0.1	26	+1	→
Net Positive/Negative Impact	43.8	-1.6	27	=	→	45.4	+4.9	27	-1	→

Source: Brand Finance, Samsung Securities

Transportation infrastructure now fully ready to absorb rising tourism demand

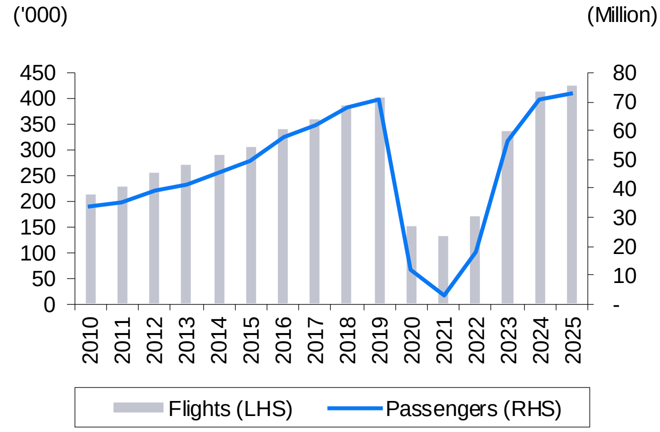
Interest in visiting Korea must be matched by accessible travel options, and recent expansions in air connectivity have been a critical enabler in turning interest into actual arrivals. Higher flight frequency and seat capacity are essential to absorb rising demand, and the data show significant progress. In 2025, Incheon International Airport achieved record performance, serving 183 destination cities, up from 155 in 2023 and 178 in 2024, and recording 425,000 flight operations and 73.17m passengers, both all-time highs.

IIA* flights (annual) vs foreign visitor arrivals



Note: *Incheon International Airport
Source: IIAC, Samsung Securities

IIA flights* and total passengers



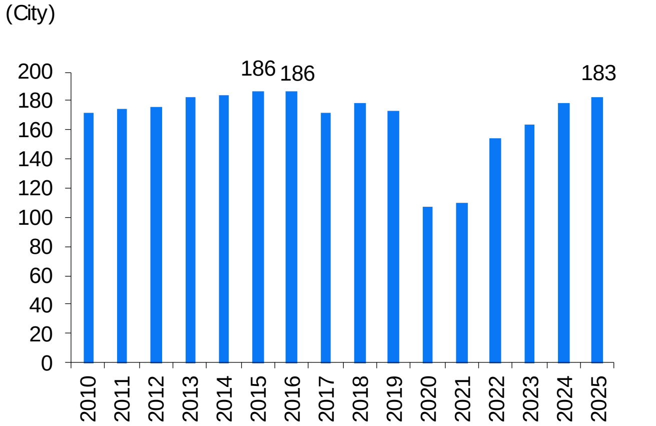
Note: *Incheon International Airport
Source: IIAC, Samsung Securities

Looking ahead, we anticipate further growth in flight capacity and visitor numbers, supported by two key factors.

Airport infrastructure capacity: Completion of Incheon's seven-year, four-phase expansion in late 2024 raised annual passenger capacity to 106m. With 2025 traffic at 73.2m passengers, physical headroom of 32.8m passengers remains, enabling significant additional flight growth without infrastructure constraints.

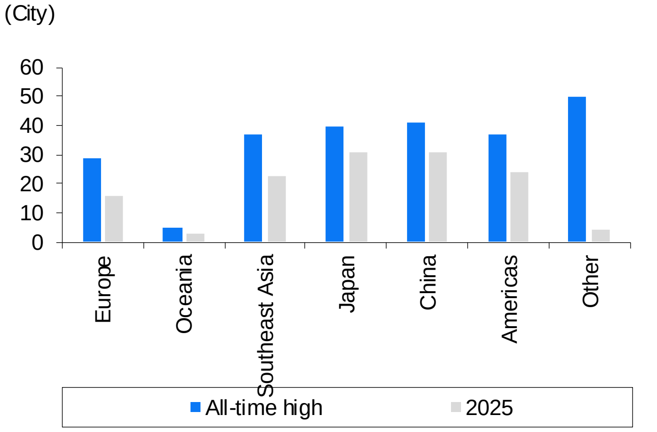
Untapped route recovery potential: Significant upside remains from further route-network recovery in key source markets. In 2025, Japan and China were each served by 31 cities, still below their pre-pandemic peaks of 40 for Japan and 41 for China. Notably, China's route expansion remains constrained, but a return to pre-2019 city coverage is plausible over time, depending on regulatory developments such as the recent easing of Chinese group-tour visa requirements.

Incheon International Airport: Cities served



Source: IIAC, Samsung Securities

Incheon International Airport: Cities served, by region



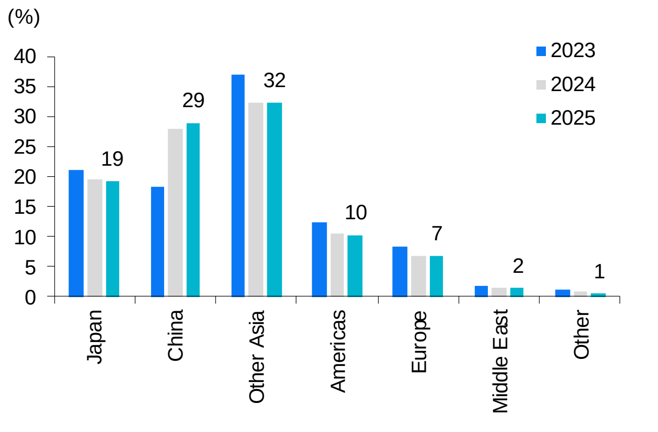
Source: IIAC, Samsung Securities

Growth potential driven by key source markets: China and Japan

China and Japan remain the dominant drivers of inbound tourism to Korea, collectively accounting for 48% of total arrivals in 2025 (China: 5.48m, 29%; Japan: 3.65m, 19%). With Asia contributing more than 80% of total inbound volume, trends in these two markets directly shape the trajectory of Korea's broader tourism recovery.

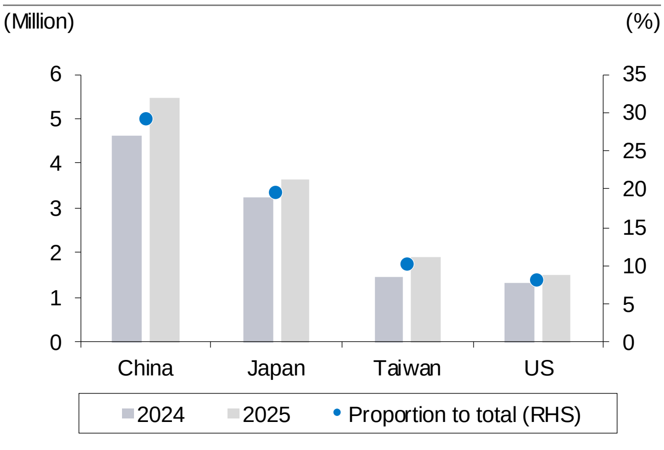
We identify three key catalysts for further demand expansion from these markets: 1) sustained weakness in the won, which enhances foreign visitors' purchasing power; 2) geopolitical tensions between China and Japan, which are redirecting travel demand toward Korea as an alternative destination; and 3) rapid growth in flight capacity from Japan in particular, which should translate directly into higher visitor numbers to Korea.

Korea: Foreign visitor mix, by country/region



Source: Korea Tourism Data Lab, Samsung Securities

Korea: Top-4 foreign visitor source markets

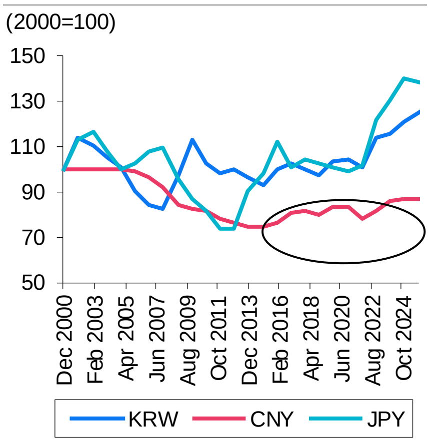


Source: Korea Tourism Data Lab, Samsung Securities

Sustained weakness in won boosts real purchasing power: Macroeconomic conditions remain favorable for inbound tourism. Sustained depreciation of the won has been a key driver of increased affordability for Chinese and Japanese travelers. From an average exchange rate of USD/KRW1,300 in 2023, the won weakened 9% against the US dollar through 2025. By contrast, the yuan depreciated just 1% and the yen 6% against the greenback, meaning the won's decline was more pronounced relative to both currencies. The yuan has also strengthened steadily against the won since 2024, directly boosting Chinese tourists' real purchasing power and supporting rising visitor numbers from China.

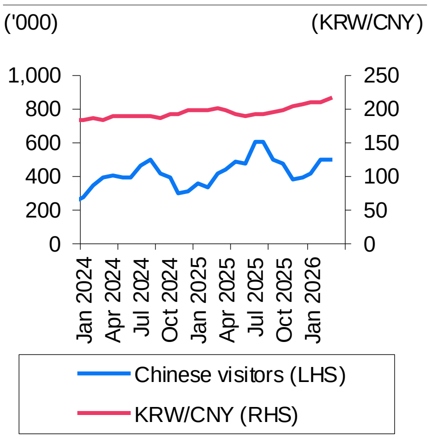
For Japan, past yen depreciation had constrained outbound spending. However, with monetary policy normalizing, Japanese travelers' purchasing power should recover gradually. The Bank of Japan raised its policy rate from -0.1% in Mar 2024 to 0.75% by Dec 2025, and we forecast further hikes to 1.0% in 2026 and 1.25% in 2027. This should help Japanese households regain confidence in overseas travel.

Forex rates



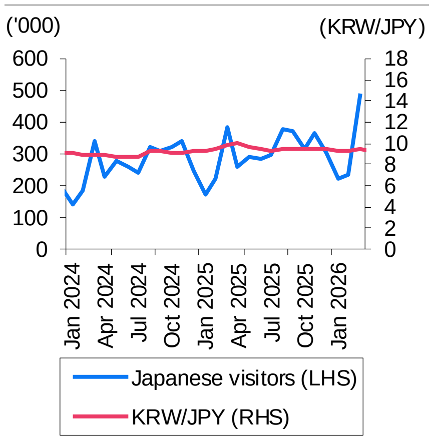
Source: Bloomberg, Samsung Securities

Chinese visitors vs exchange rate



Source: Bloomberg, Samsung Securities

Japanese visitors vs exchange rate

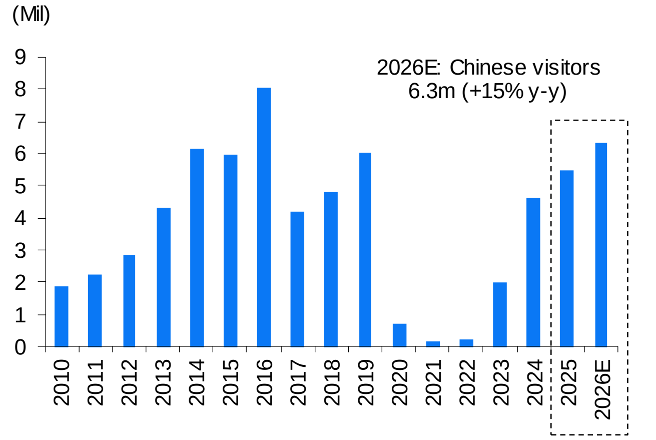


Source: Bloomberg, Samsung Securities

China—Travel demand shifting from Japan to Korea: We expect Chinese visitors to Korea to reach 6.3m in 2026 (up 15% y-y), the highest growth rate among all source markets. This acceleration is being driven by two converging forces: 1) policy easing on group-tour visas; and 2) geopolitical friction between China and Japan, prompting a structural reallocation of Chinese outbound travel demand toward Korea.

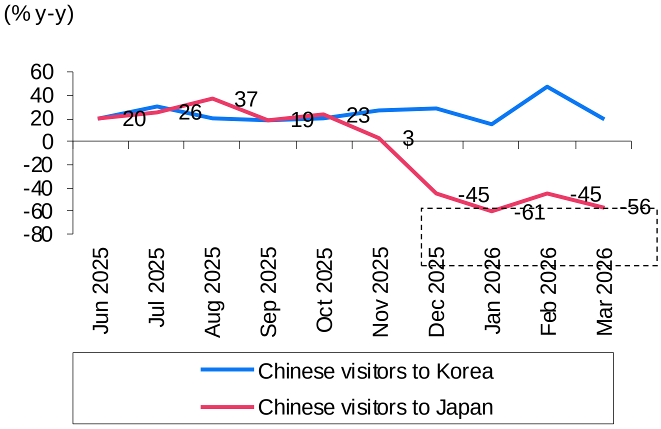
This shift is already evident in monthly data. Since 2H25, following China's formal suspension of group tours to Japan in Nov 2025, monthly Chinese arrivals to Korea have risen at a sustained pace of more than 20% y-y. By contrast, Chinese arrivals to Japan collapsed 45% y-y in Dec 2025 and 54% y-y in 1Q26 (vs growth of 3% y-y in Nov 2025). Chinese arrivals to Korea rose 27% y-y in 1Q26.

Chinese visitors to Korea



Source: Korea Tourism Data Lab, Samsung Securities estimates

Chinese visitors to Korea vs Chinese visitors to Japan

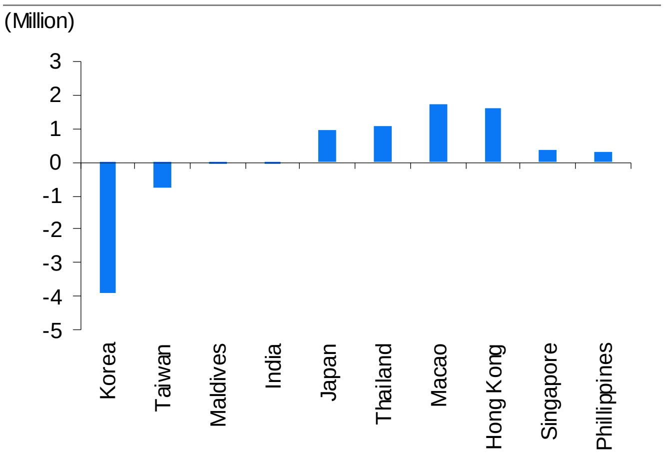


Source: CEIC, Korea Tourism Data Lab, Samsung Securities

Historical precedent supports the potential scale of this reallocation. Following the Korea travel ban in 2016, Chinese tourist arrivals to Korea plunged by 3.9m to just 4.17m in 2017 (a 48% y-y decrease). Applying the same magnitude of reversal today suggests that: 1) Chinese arrivals to Japan could fall from 9.09m in 2025 to around 4.7m in 2026, a decline of roughly 4.39m; and 2) part of this displaced demand is likely to shift to Korea and other alternative destinations.

Two plausible scenarios emerge. First, if Chinese arrivals to Korea rise 15%, matching the 2016-2017 shift from Korea to Japan, visitor numbers would reach 6.32m in 2026. Second, if 25% of the 4.39m decline in Chinese arrivals to Japan, as occurred during the 2016-2017 shift stemming from the Korea travel ban, redirects to Korea, an additional 1.1m Chinese tourists could visit Korea, pushing total arrivals to 6.59m (up 20% y-y).

Asian countries: Chinese visitor growth in 2017



Source: Korea Tourism Data Lab, Yanolja, Samsung Securities

Chinese visitors to Korean and Japan (2026E)

		2016	2017	Chg (% y-y)
Decline in Sino-Korea relations	To Korea	8,067,722	4,169,353	(48.3)
	To Japan	6,373,564	7,355,818	15.4
	Conversion ratio		25.2%	
		2025	**2026E**	**Chg (% y-y)**
Decline in Sino-Japan relations	**Case 1. Assuming Chinese visitors to Korea grow 15% y-y**			
	To Korea	5,480,969	6,325,662	15.4
	To Japan	9,096,420	4,700,978	(48.3)
	Conversion ratio		19.2%	
	Case 2. Assuming a conversion ratio of 25%			
	To Korea	5,480,969	6,588,468	20.2
	To Japan	9,096,420	4,700,978	(48.3)
	Conversion ratio		25.2%	
	Additional Chinese visitors to Korea		1,107,499	

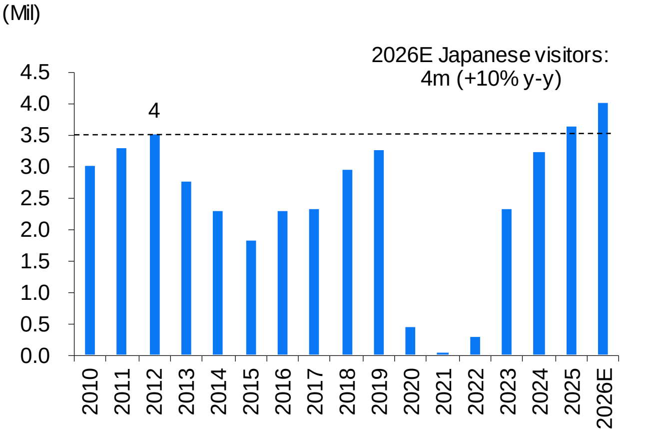
Source: Korea Tourism Data Lab, Samsung Securities estimates

Japan—Air capacity expansion and yen stabilization to fuel record growth: We project that 4m Japanese will visit Korea in 2026 (up 10% y-y), sustaining momentum from the 2025 record of 3.65m (up 13% y-y), which already exceeded the pre-pandemic 2019 level of 3.27m and the previous peak of 3.52m in 2012. This momentum reflects the combined effect of expanded air connectivity and yen stabilization. In 2026, continued flight-capacity growth and potential yen strength suggest the uptrend will continue.

Air network expansion: Unlocking underserved demand

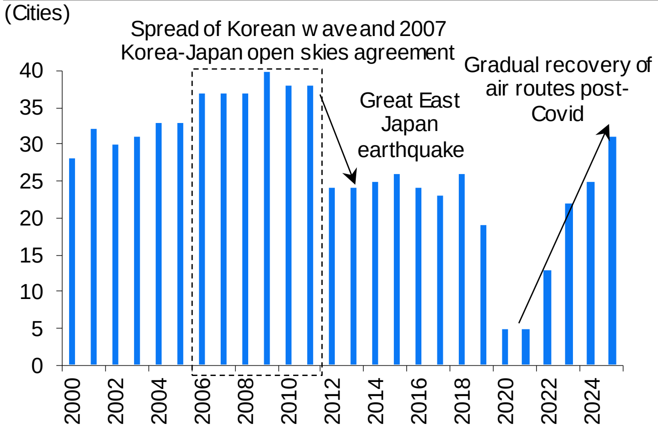
As discussed earlier, Incheon International Airport served 183 cities in 2025, up from 155 in 2023 and 178 in 2024. Among these, Japanese routes have expanded the most rapidly, with direct connections rising from 22 cities in 2023 to 31 in 2025. While this remains below the pre-pandemic peak of 40 cities, the most significant shift has been expansion beyond Tokyo and Osaka. New and restored direct routes now connect Korean cities with regional hubs that were previously underserved, unlocking untapped demand from outside major urban centers and broadening the base of Japanese travelers.

Korea: Japanese visitors



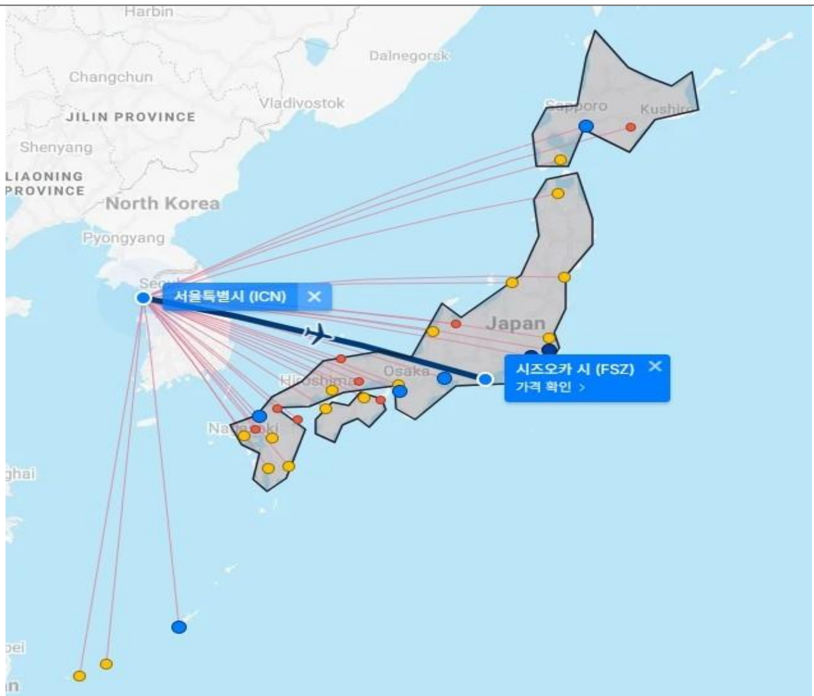
Source: Korea Tourism Data Lab, Samsung Securities

Incheon International Airport: Japanese cities served



Source: IIAC, Samsung Securities

Incheon International Airport: Japanese cities served



Source: Airportal, Samsung Securities

Correlation between inbound tourism and casino GGR

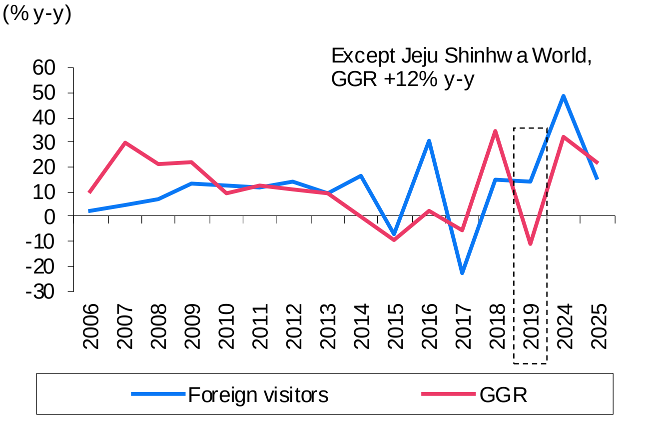
Inbound tourism growth has a meaningful correlation with casino performance. As foreign visitor numbers rise, so do casino gross gaming revenue (GGR) and visitor numbers.

Inbound tourism and casino GGR both hit record highs in 2025

Inbound tourism growth and domestic casino GGR have moved broadly in tandem over the past decade. A temporary decoupling occurred during 2015-2017, when China's anti-corruption campaign suppressed Chinese VIP traffic, but the two metrics have realigned since the post-pandemic recovery.

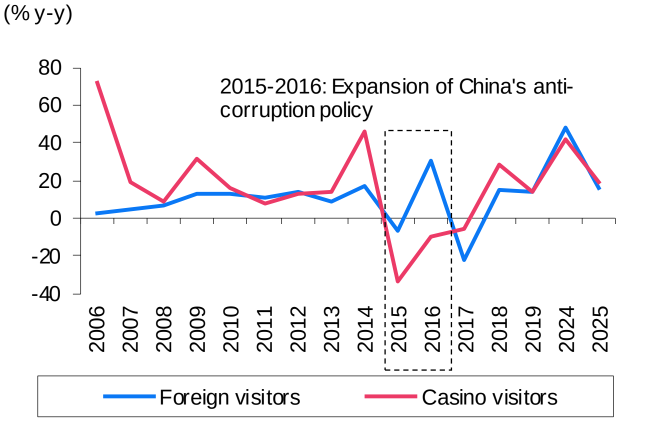
In 2025, GGR at foreigner-only casinos in Korea reached KRW2.3t (up 22% y-y), a new all-time high in line with record inbound tourist arrivals. Foreign casino visitors totaled 3.49m in 2025, up 19% y-y and outpacing overall inbound tourism growth of 16%. The share of casino visitors among all inbound tourists rose slightly to 18.5% in 2025 from 18% in 2024, reinforcing the structural link between inbound tourism growth and casino operator earnings. We view the narrative of sustained inbound growth driving casino revenue as both intact and compelling.

Korea: Foreign visitors vs casino GGR growth



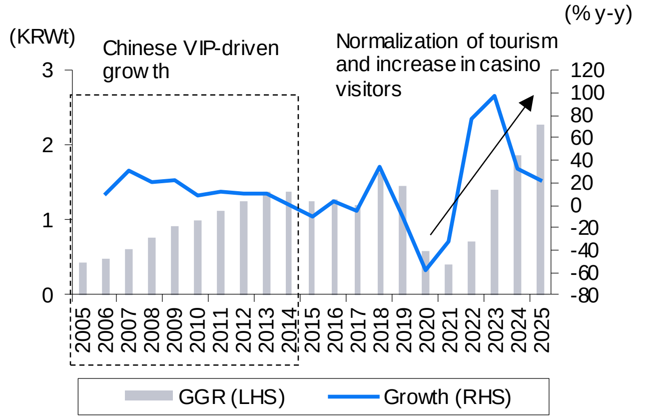
Source: Korea Casino Association, Korea Tourism Data Lab, Samsung Securities

Korea: Foreign visitors vs casino visitor growth



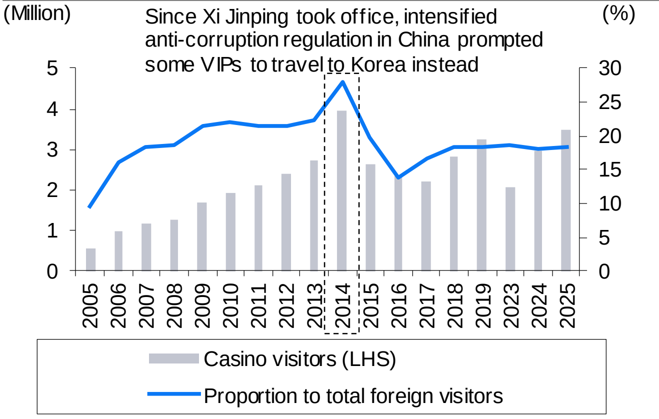
Source: Korea Casino Association, Korea Tourism Data Lab, Samsung Securities

Korea: Casino GGR and growth



Source: Korea Casino Association, Samsung Securities

Korean casinos: Visitors and foreign share of total visitors



Source: Korea Casino Association, Samsung Securities

Beyond casino multiples

The case for hotel-driven revaluation

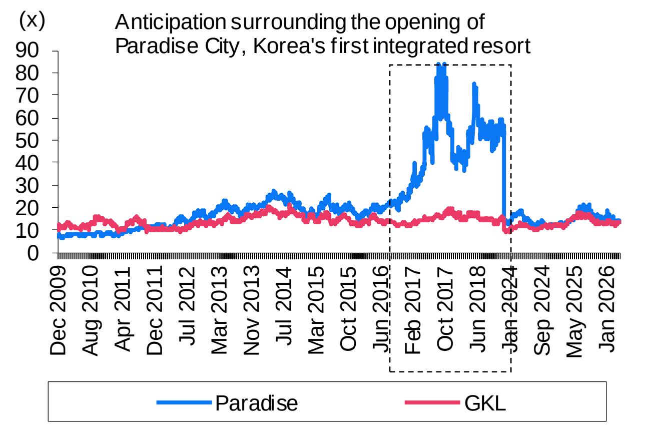
Current valuations offer meaningful upside despite an unlikely return to historical P/E multiples of above 20x

Despite rising inbound tourism and improving casino performance, Korean casino operators are trading at an average 2027 P/E of just 11-12x. This represents a 43% discount to the 20x average seen during the 2014 casino boom and a 68% discount to the 36x multiple seen in 2018, when anticipation of Paradise City's opening lifted the entire sector.

We do not expect a return to 20x-plus multiples for three key reasons: 1) the 2014 multiple surge was fueled by explosive Chinese VIP growth, but China's ongoing anti-corruption campaign continues to weigh on the prospect of a meaningful VIP rebound; 2) the 2018 multiple of 36x reflected the speculative premium attached to Paradise City's debut as Korea's first integrated resort (combining a casino, hotel, MICE facilities, and entertainment), yet no comparable new integrated resort is expected to open over the next -two to three years; and 3) the global K-culture wave has diversified spending patterns among foreign visitors, reducing the relative appeal of casinos compared with other tourism offerings.

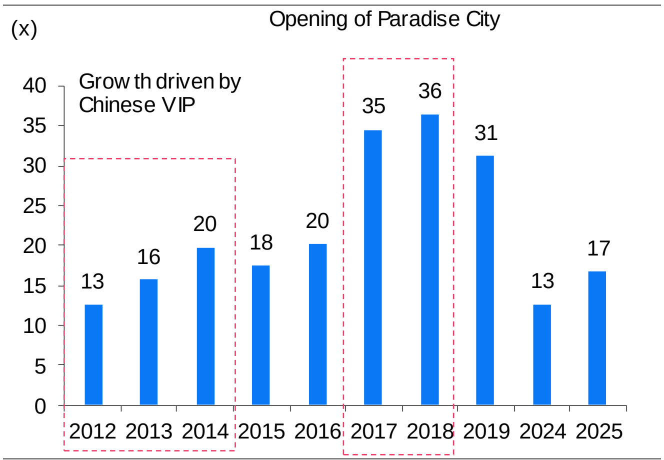
Nevertheless, we see substantial rerating potential from current valuations, with a medium- to long-term fair P/E multiple of 15x achievable. First, Korean casino operators should command a premium to Macao peers (2027 average P/E: 10x), given their lower reliance on Chinese VIPs and more stable regulatory backdrop. Second, Korean operators are actively expanding beyond gaming through hotel development and acquisitions. As non-casino revenue streams grow, this should help narrow the valuation discount to the broader hotel industry (20x P/E).

P/E valuation: Paradise and GKL



Source: Bloomberg, Samsung Securities

Korean casino operators: Average* P/E multiple



Note: *Average of GKL and Paradise
Source: Bloomberg, Samsung Securities

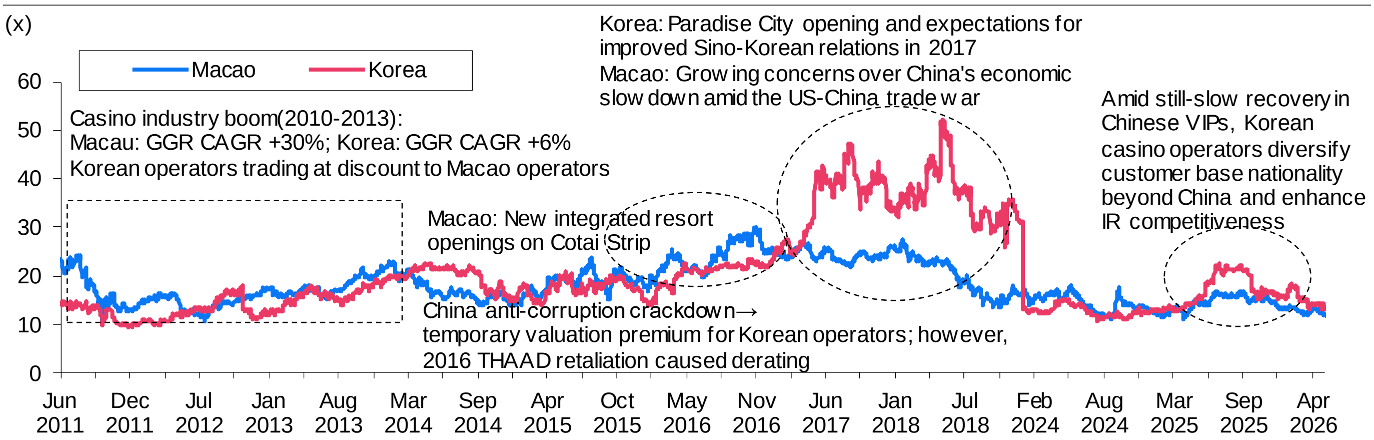
Sustained valuation premium over Macao casino peers

We believe Korean casino operators can sustain a valuation premium to their Macao peers, driven by: 1) stronger infrastructure competitiveness through integrated resort expansion; and 2) improved earnings stability due to lower reliance on Chinese visitors.

Domestic integrated resort infrastructure is beginning to lift multiples

In the late 2010s, Korea's casino industry began closing its long-standing infrastructure gap with Macao. Previously, Korean casinos operated mainly as standalone gaming venues, lacking hotels, retail, and entertainment offerings—unlike Macao's large-scale integrated resorts. This structural disadvantage was reflected in valuations: during the 2010-2013 casino growth phase, Macao operators traded at an average P/E of 18x, while Korean peers lagged at just 13x, a 30% discount.

P/E valuation: Korean casino operators vs Macao casino operators



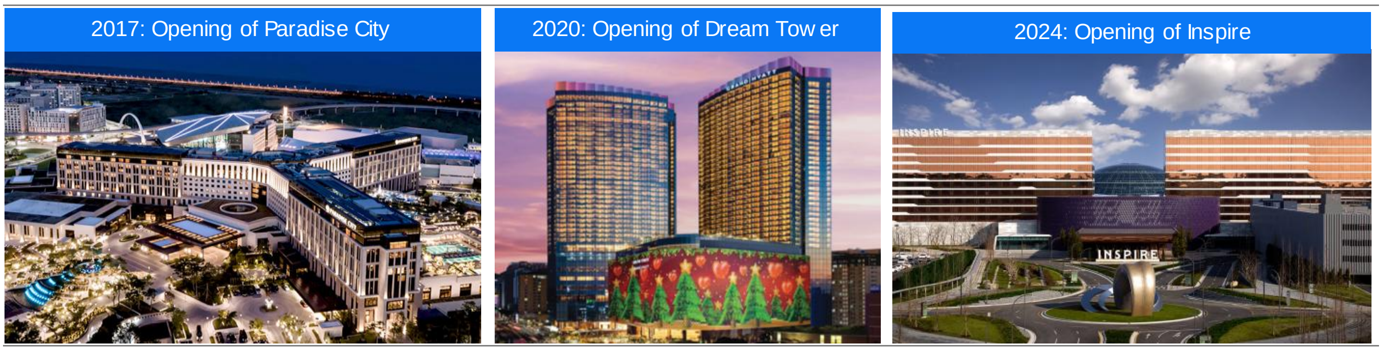
Note: Macao figures are average of Sands, MGM, Wynn, Melco, SJM, and Galaxy;
Korea figures are average of GKL and Paradise
Source: Bloomberg, Samsung Securities

Domestic integrated resorts have now entered the competitive set

Today, the dynamic has reversed: Korean casino operators now trade at a premium to their Macao counterparts. In 2025, the average P/E for Korean operators was 17x, compared with 14x for Macao operators.

This inflection reflects the material impact of Korea's integrated resort infrastructure build-out, which began in earnest after the 2017 opening of Paradise City. The subsequent launches of Dream Tower in 2021 and Inspire Resort in 2024 have brought Korea's physical infrastructure closer to Macao's. These resorts are also leveraging Korea's soft-power assets—including K-culture and entertainment—to drive visitor demand. This integration has also accelerated the diversification of casino visitor nationalities.

Korea: Integrated resorts



Source: Company data, Samsung Securities

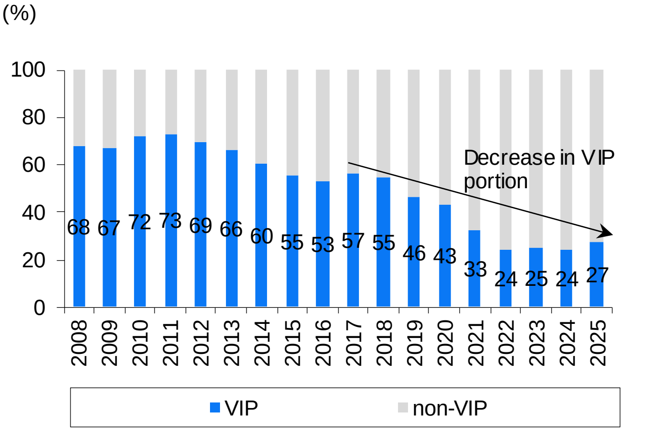
Lower reliance on Chinese visitors underpins multiple expansion

We view Korea's lower dependence on Chinese visitors as a key structural advantage behind the reversal in valuation multiples between Korean and Macao casino operators—enhancing earnings stability and justifying a premium. While both markets have shifted toward mass-market revenue—China's mass-market visitors accounted for 73% of Macao's casino revenue in 2025, and Korea's for 76%—the source of that growth differs fundamentally.

In Macao, roughly 90% of inbound visitors come from mainland China, implying that nearly all of the mass-market recovery since 2020 has been driven by Chinese tourists filling the void left by declining VIPs. By contrast, Korea's integrated resorts have successfully attracted a diversified inbound base. In 2025, Chinese travelers accounted for only 29% of total inbound tourists, with Japan at 19%, Taiwan at 10%, and other markets making up the remainder.

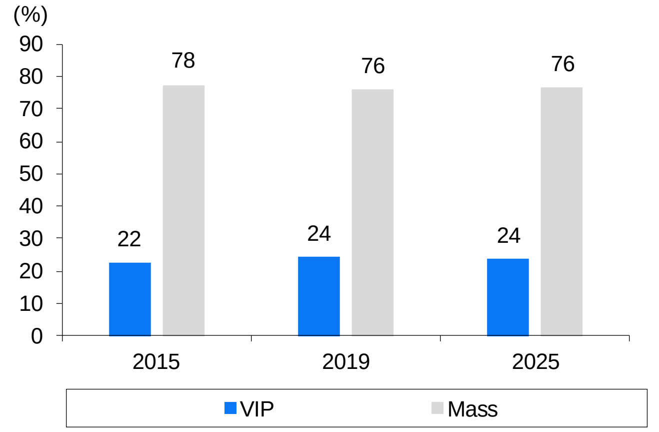
This shift is reflected in operator-level data. At Paradise City, Chinese VIP contribution to drop fell from 64% in 2014 to 17% in 2025. Japanese VIPs now account for 42%, while other VIPs contribute 18%. Mass-market visitors, once a minor segment, rose to 23% of total drop in 2025, reflecting sustained growth in non-VIP traffic. Similarly, at GKL, Chinese VIP contribution declined to 17% in 2025 from 24% in 2016, while Japanese and other VIP segments expanded.

Macao casinos: VIP and mass contributions to GGR



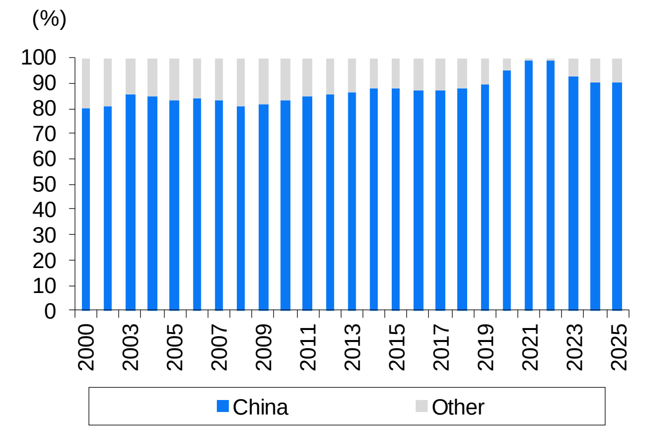
Source: DSEC, Samsung Securities

Korean casinos*: VIP and mass contributions to GGR



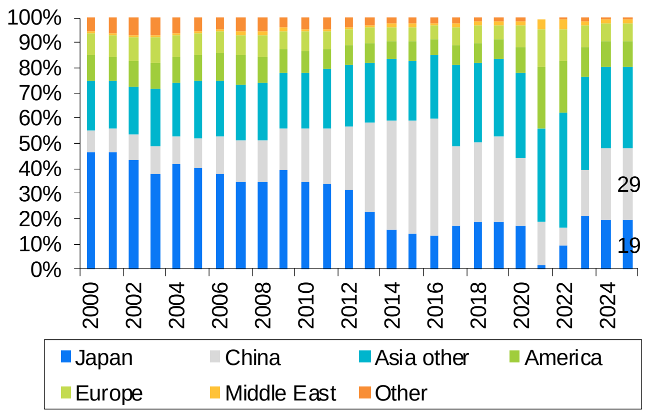
Note: *Average of GKL and Paradise
Source: Company data, Samsung Securities estimates

Macao: Proportion of tourists, by country/region



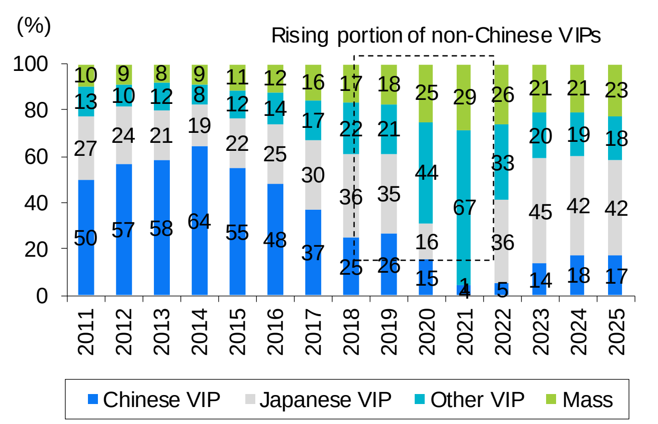
Source: CEIC, Samsung Securities

Macao: Proportion of tourists, by country/region



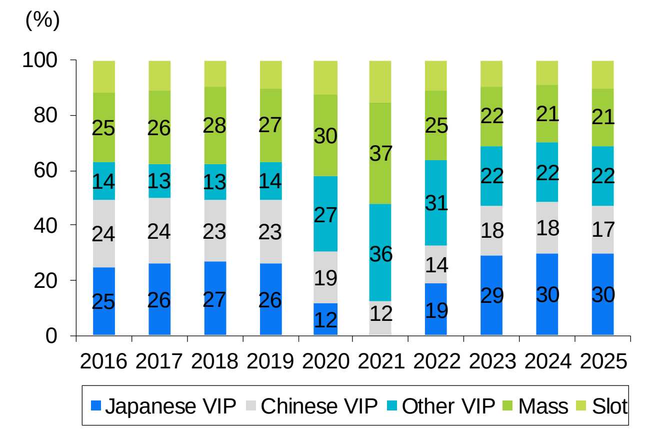
Source: Korea Tourism Data Lab, Samsung Securities

Paradise: Proportion of drop, by visitor type



Source: Company data, Samsung Securities

GKL: Proportion of drop, by visitor type



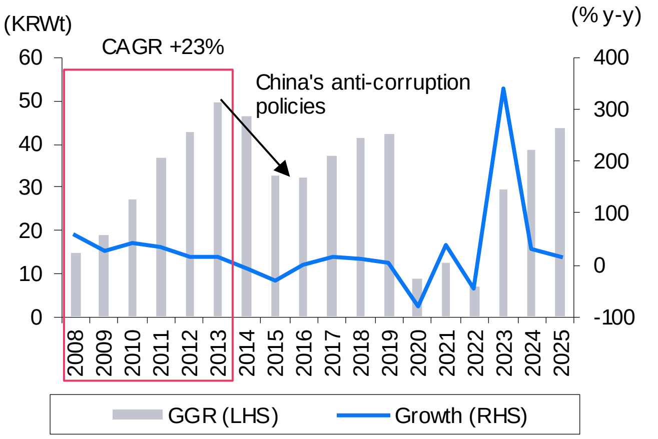
Source: Company data, Samsung Securities

Lower Chinese dependence enabled faster earnings recovery

This structural divergence has translated into starkly different post-pandemic share-price performances. In 2025, GGR at Korea's foreigner-only casinos surpassed pre-pandemic (2019) peaks, while Macao's GGR remained at only 85% of 2019 levels and 69% of its all-time high (2013). Macao's mass-market revenue exceeded 2019 levels, but VIP revenue remained stuck at roughly 50% of 2019 levels. In Korea, by contrast, both VIP and mass-market GGR fully recovered to 2019 levels.

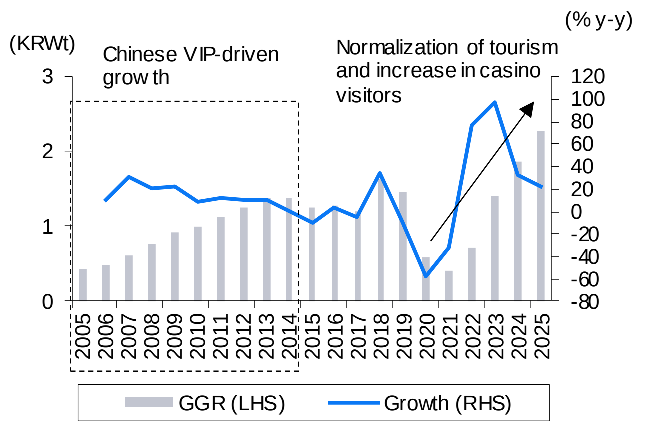
This implies that Korean operators have significantly lower exposure to the structural headwinds from China's anti-corruption campaign. Should China's economy slow further, Korean casino firms are better positioned to maintain earnings stability thanks to their diversified visitor base. Thus, Korea's casino industry now offers two compelling valuation drivers: 1) continued growth potential from expanding integrated resort infrastructure; and 2) enhanced earnings stability through a diversified, less China-dependent visitor mix.

Macao casinos: GGR



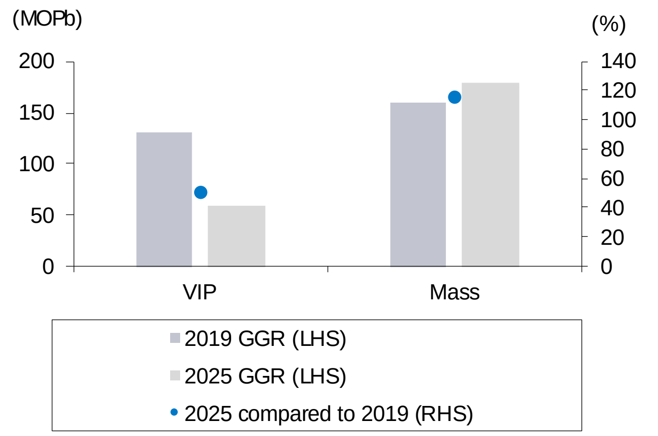
Source: DSEC, Samsung Securities

Korean casinos: GGR



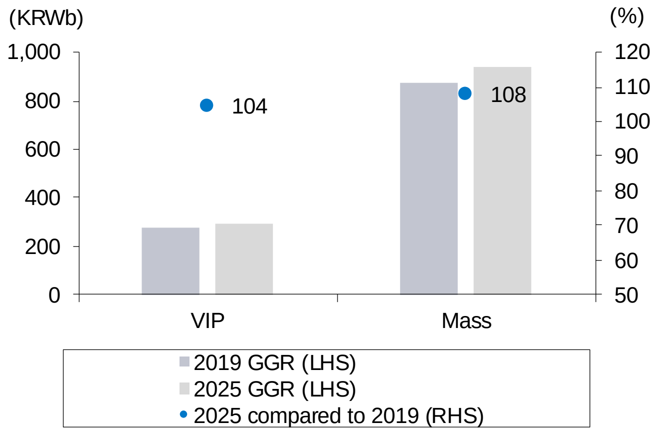
Source: Korea Casino Association, Samsung Securities

Macao casinos: 2019 GGR vs 2025 GGR



Source: DSEC, Samsung Securities

Korean casinos: 2019 GGR vs 2025 GGR



Note: average of GKL and Paradise
Source: Company data, Samsung Securities

Medium-to-long term: Closing the valuation discount to the hotel sector

Korean casino operators are no longer purely gaming-focused enterprises. They are transforming into full-fledged integrated resorts with significant hotel holdings.

Paradise opened Paradise City in 2017, expanded its footprint in 2025 with the acquisition of Hyatt Regency Incheon, and plans to open a luxury hotel in Jangchung-dong by 2028. Similarly, Lotte Tour Development directly operates a 1,600-room hotel as part of its Jeju Dream Tower integrated resort.

This strategic shift carries two critical implications: 1) operators can now capture not only VIP gaming customers but also mass-market tourists; and 2) by building a material non-gaming revenue base, operators can begin to trade less on casino-specific regulatory risks and more in line with the broader hotel sector.

Casino-hotel synergy: The core of customer acquisition

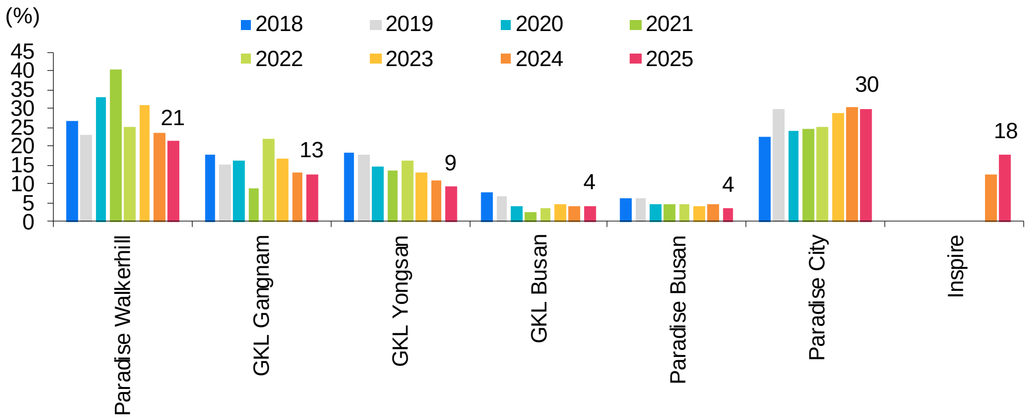
Hotel ownership has become a fundamental competitive lever in casino operations. First, VIP customer acquisition relies heavily on complimentary services, or “comps,” including airfare, lodging, F&B, and entertainment. The availability of high-quality rooms directly determines an operator’s ability to attract and retain high-spending VIPs. Since the late 2010s, owning and operating hotels has become a critical component of competitive advantage in VIP sales. Second, integrated resorts that combine casinos with hotels, F&B, retail, water parks, and entertainment have evolved into standalone tourist destinations. This allows operators to capture demand from non-gaming tourists, significantly broadening their customer base and revenue streams.

Market-share shift confirms the trend

The structural shift toward integrated resorts is clearly reflected in market-share trends. On the mainland, Paradise City’s share of total foreigner-only casino GGR rose from 22% in 2017 to 30% in 2025. By contrast, traditional urban casinos—Walkerhill, Coex, and Dragon City—saw their market shares decline by 5-9%pts each over the same period.

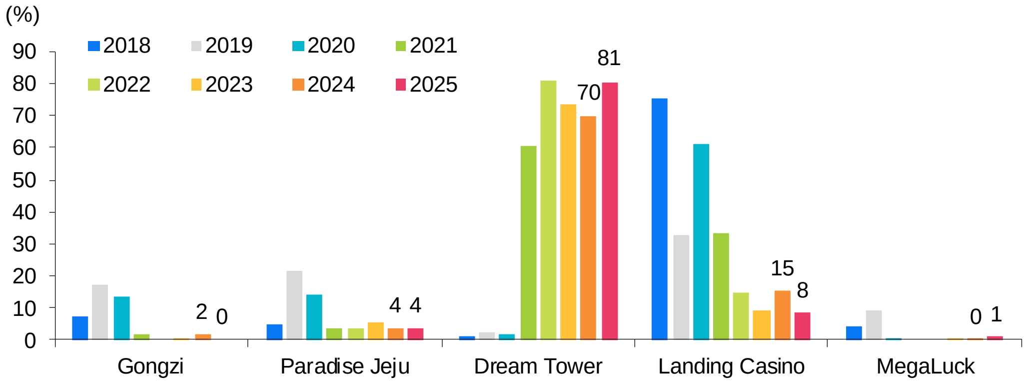
A similar dynamic is evident in Jeju. In 2025, Jeju Dream Tower Casino and Landing Casino (located within Jeju Shinhwa World) captured 81% and 8% of the island’s total casino GGR, respectively. Together, these integrated resort-based properties dominate the market, leaving standalone casinos with minimal share.

Korean mainland: Foreign visitor-only casino market shares



Source: Korea Casino Association, Samsung Securities

Jeju: Foreign visitor-only casino market shares



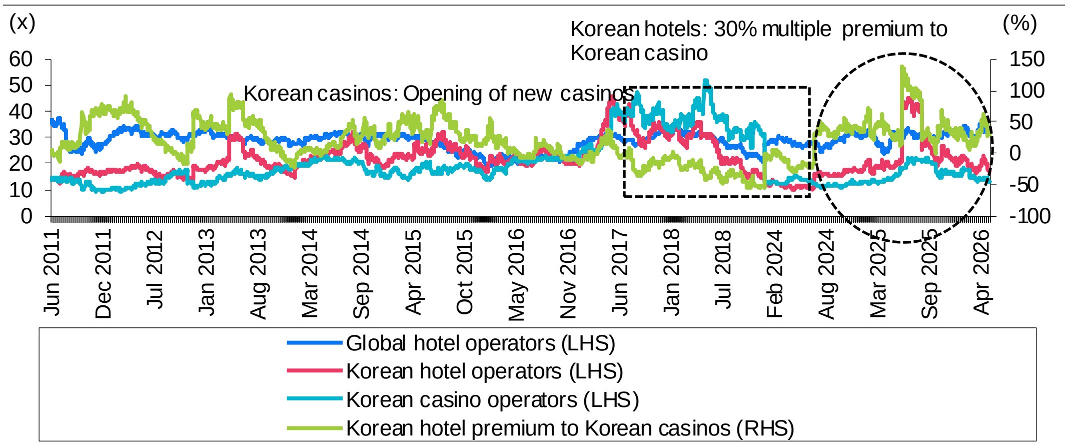
Source: Korea Casino Association, Samsung Securities

Hotel diversification offers structural upside to multiples

We believe Korean casino operators' ongoing diversification into hotel operations provides a clear pathway to narrowing, and ultimately eliminating, the current valuation discount to the broader hotel sector. The primary reason casino operators trade at a discount to hotels is regulatory risk. In China, the sustained crackdown on VIP gaming has weighed on the casino industry. In Korea, new foreigner-only casino licenses remain tightly restricted: no new licenses were granted between 2005 and 2023, a span of 19 years. The approval of Inspire Casino in 2024, the first new license in nearly two decades, underscores the extremely high barriers to entry.

By contrast, hotels face minimal regulatory constraints and directly benefit from the ongoing recovery in inbound tourism. As a result, Korean hotel operators are trading at an average P/E of 19x, compared with more than 20x consistently before the pandemic. Global hotel chains with established expansion models are now trading at P/Es above 30x.

P/E: Global hotels* vs Korean hotels vs Korean casinos*****



Note: *Marriott, Hilton, Intercontinental, and Hyatt
**Hotel Shilla, SeobuT&D, GS P&L
***Paradise, GKL
Source: Bloomberg, Samsung Securities

Casino operators' competitive edge: Superior cash flow and profitability

If Korean casino firms continue expanding their hotel portfolios, we expect the current 30% valuation discount to hotels to unwind systematically. This rerating should be further supported by two structural advantages unique to casino operators: 1) superior cash generation; and 2) higher profitability than hotel peers.

Casinos are cash cows, enabling operators to fund their own hotel expansion without external capital. In 2026, operating cash flow is estimated at KRW210b for Paradise, KRW220b for Lotte Tour Development, and KRW100b for GKL. With the transaction price for a four-star hotel in Seoul - averaging around KRW200b over 2024-2025, each operator could fund the acquisition or development of a new hotel using internally generated cash.

Casino operators also maintain significantly higher operating margins. In 2025, operating margins stood at 22% for Lotte Tour Development, 14% for Paradise, and 12% for GKL—well above the 7-9% range for major hotel operators such as Shilla, Lotte, and Josun. Importantly, hotel operations do not necessarily dilute profitability. GS P&L, which owns Parnas Hotel, reported a 16% operating margin in 2025. This suggests that as casino operators scale their hotel businesses, consolidated operating margins could improve from current levels (14% for Paradise and 12% for GKL), rather than decline.

Concerns over non-casino expansion boil down to profitability

Profitability improvement to be key differentiator in stock performance

Expanding integrated resort investment offers scope for profitability enhancement

The shift toward integrated resorts holds promise for driving higher visitor volumes and supporting valuation multiple expansion. Yet the market remains skeptical that such massive investments can translate into meaningful profitability. This concern stems from the fact that hotels, which are typically lower-margin businesses than casinos, could dilute overall portfolio profitability as their revenue share grows.

In this context, the critical determinant of company-specific stock performance will be whether non-casino expansion genuinely lifts profitability, not just foot traffic. The key lies in achieving tangible synergies between casino and non-casino segments. Given that casino operators are unlikely to fully abandon their casino-centric business models in the near term, the success of non-casino investments hinges on their ability to strengthen VIP acquisition and convert hotel guests into casino patrons.

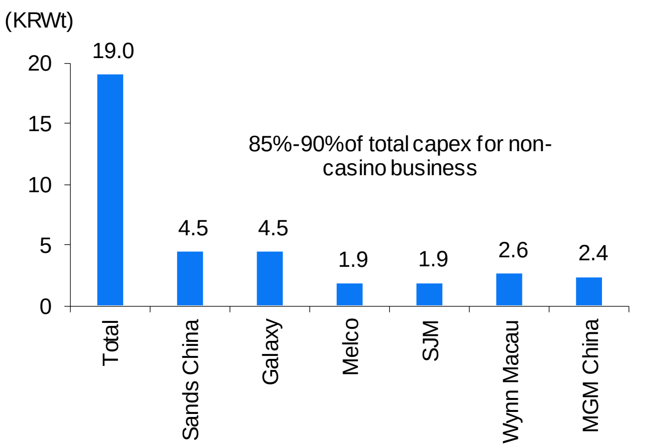
If hotel investments act as catalysts, not just costs, to elevate casino earnings, they could unlock both margin improvement and rerating.

Macao precedent: Large-scale facility investment → profitability improvement → rerating

Macao in 2015 provides a compelling precedent for how large-scale investment can drive both profitability improvement and valuation rerating. Macao casino operators invested approximately KRW5.5t in 2015 and KRW4.5t in 2016 to expand integrated resorts in the Cotai region. As synergy between casino and non-casino operations became evident, operating margins rose from 12% in 2015 to 16% in 2017, while net margins improved from 11% to 14%.

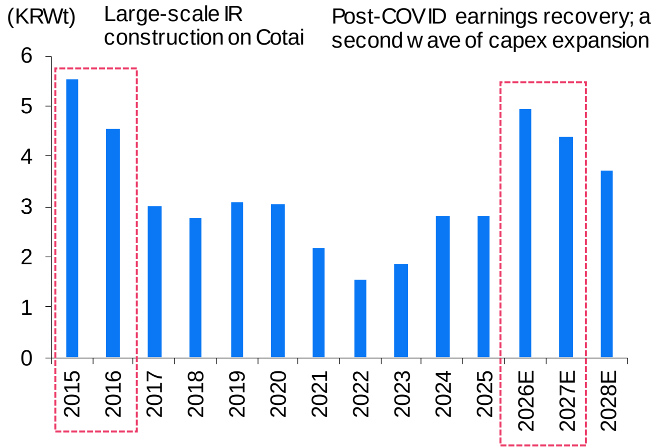
Although absolute margin levels fell below 2014 pre-investment levels—by 2%pts for operating margin and 4%pts for net margin—the P/E multiple expanded from 17x in 2014 to 24x in 2017. This suggests that even if profit margins are partially diluted, valuation rerating remains feasible if investments demonstrably lead to improved earnings.

Macao casinos: Capex plan (10 years from 2022)



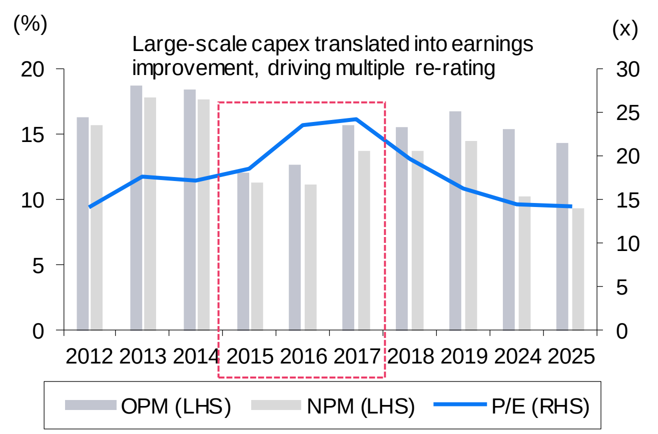
Source: Company data, Samsung Securities

Macao casinos: Capex



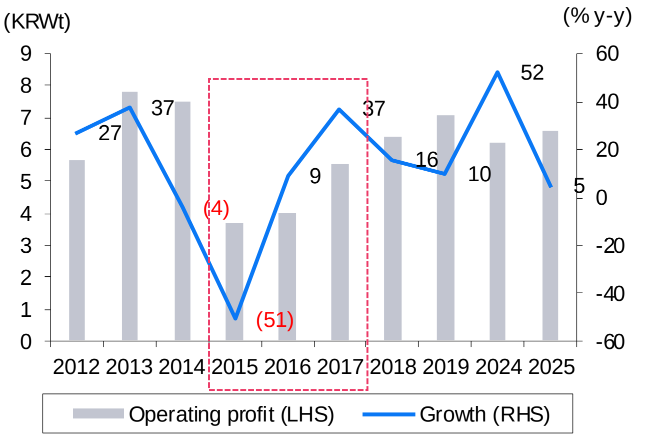
Source: Bloomberg, Samsung Securities

Macao casinos: Average OPM, NPM, and P/E multiple



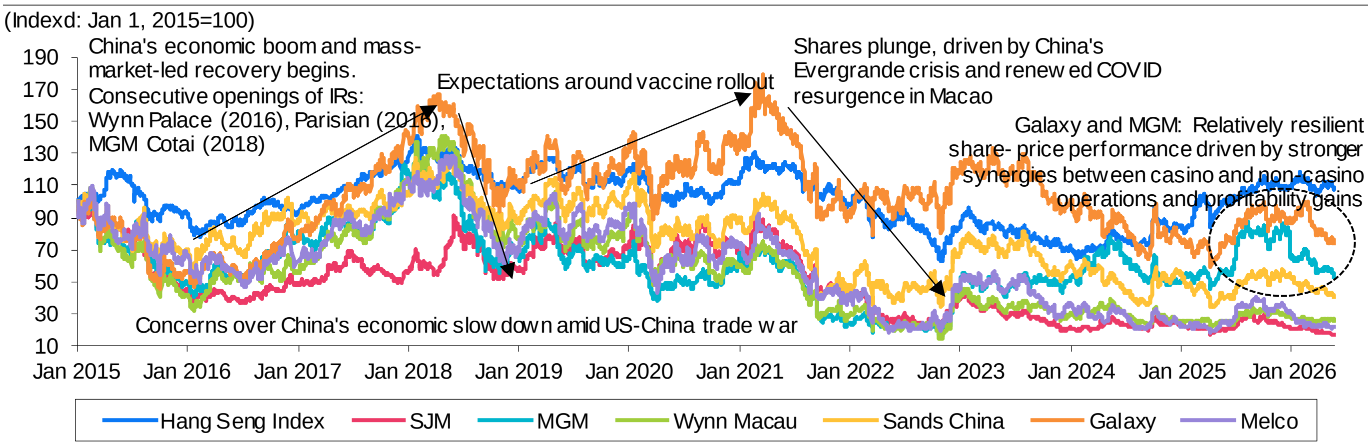
Source: Bloomberg, Samsung Securities

Macao casinos: Operating profit* and growth



Note: Sum of Macao casinos
Source: Bloomberg, Samsung Securities

Macao casinos: Share-price performances



Source: Bloomberg, Samsung Securities

Synergy creation capability as core driver of share-price differentiation

A similar trend to the 2015-2016 investment cycle is being observed in Macao's post-2025 investment cycle. While major Macao operators' share prices have declined by an average of 40% since 2015, certain companies have seen relatively limited declines, notably MGM China and Galaxy Entertainment.

The two companies share two key traits: 1) by harnessing synergies between casino and non-casino operations, they achieved faster sales recovery than peers after 2019; and 2) that sales recovery directly fueled margin expansion, leading to differentiated share-price performance.

For example, MGM China entered the pandemic with a VIP sales mix of around 40%, below the industry average of around 50%. This positioned it relatively favorably as anti-corruption policies reshaped the customer base toward mass-market visitors. The full earnings impact of the MGM Cotai integrated resort, opened in 2018, materialized after the pandemic, further driving sales recovery.

Galaxy Entertainment differentiated itself by consistently strengthening its non-casino competitiveness through concerts, MICE, and other entertainment offerings, benefiting from increased foot traffic from general tourists.

Macao casino operators' revenue in 2025 relative to 2019

(Indexed: 2019 = 100)	Galaxy	Melco	MGM	Sands China	SJM	Wynn
Casino	91.0	85.3	149.2	79.6	79.0	79
VIP	34.6	31.4	49.9	18.1	-	24
Mass	124.8	136.7	210.9	142.5	-	123
Non-casino	120.9	120.5	184.3	103.9	274.5	86

Source: Company data, Samsung Securities

(Case study) MGM: Strengthening synergies between casino and non-casino operations at MGM Cotai

In 2025, MGM delivered record earnings and a relatively strong share-price performance, driven by three factors: 1) its mass-market-focused business model; 2) full realization of the earnings potential of MGM Cotai, which opened in 2018; and 3) its ability to maintain stable profitability despite aggressive investments in non-casino offerings. While the mass-market sales share across Macao operators averaged 51% in 2019, MGM's share already stood at 61%, underscoring its deliberate focus on the mass segment. This positioned MGM to benefit as the broader industry shifted away from VIP dependence toward a more diversified guest mix.

Macao casino operators: VIP and mass contributions to GGR

(%)	Galaxy	Melco	MGM China	Sands China	Wynn
2019					
VIP	46.5	51.6	39.4	49.9	52.5
Mass	49.3	48.4	60.6	50.1	47.5
2025					
VIP	19.4	19.7	13.3	11.2	17.8
Mass	74.3	80.3	86.7	88.8	82.2

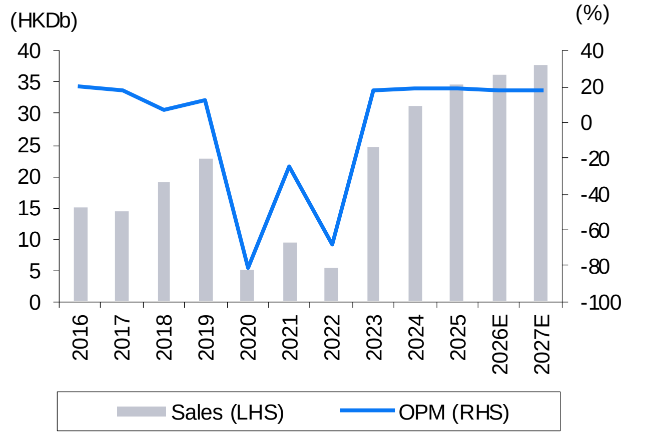
Source: Company data, Samsung Securities

Synergies lead to operating margin of 19% in 2025 (vs Macao average of 14%)

With the opening of MGM Cotai in 2018, the company more than tripled its room count, from just over 580 in 2017 to more than 2,000, significantly expanding its capacity to host guests. By 2025, non-casino sales, including hotels, had surged 184% versus 2019. Thanks to synergies from its non-casino offerings, MGM's mass-market casino sales more than doubled compared to 2019, while VIP casino sales recovered to roughly 50% of 2019 levels. This shows that strengthening the hotel experience did more than boost non-casino sales—it also reinvigorated the casino business.

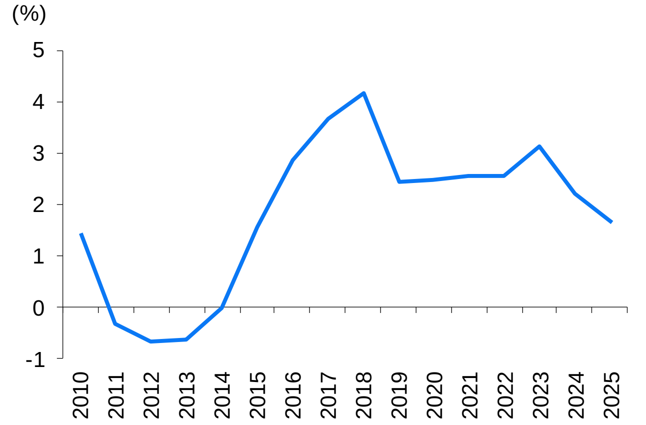
These synergies ultimately enhanced profitability. In 2025, MGM achieved an operating margin of 19%, up 6%pts from 13% in 2019 and above the Macao industry average of 15-18%. Despite substantial investment in the hotel segment—MGM Cotai was developed at a cost of approximately KRW4.7t—MGM's net debt-to-EBITDA ratio improved from 2.5x in 2019 to 1.7x in 2025. This reflects improved hotel operating efficiency and stronger cross-selling between hotel and casino operations, contributing to differentiated share-price performance.

MGM Cotai: Sales and operating margin



Source: Company data, Samsung Securities

MGM China: Net debt-to-EBITDA ratio



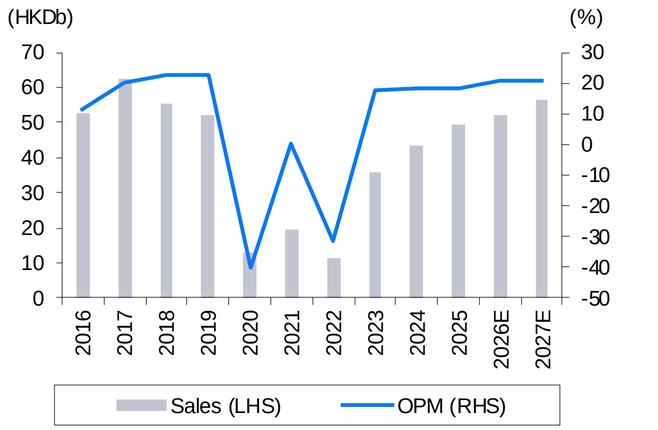
Source: Company data, Samsung Securities

(Case study) Galaxy: New-resort investment expectations reflected in multiples

Galaxy posted the steepest earnings recovery among casino operators after MGM, which we believe was primarily driven by its diverse content offerings targeting mass-market customers. Notably, Galaxy owns Galaxy Arena, the largest indoor concert venue in Macao (16,000 seats). In 2025 alone, it hosted approximately 350 performances and events. Given that key competitors such as Melco and Wynn lack dedicated performance venues of their own, Galaxy's unique asset has enabled it to capture mass-market customers quickly.

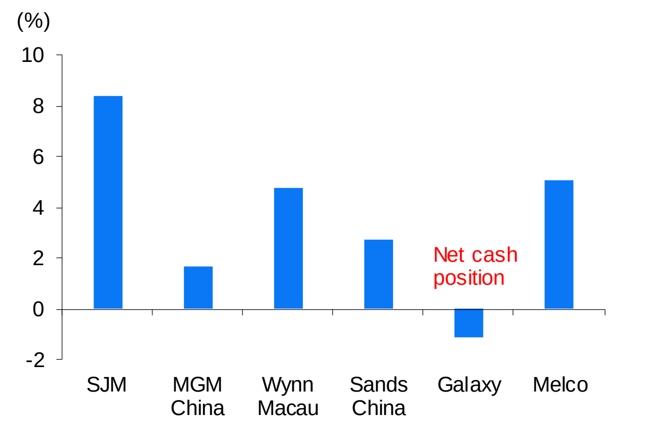
The company also plans to open a new integrated resort in 2027, featuring approximately 1,350 rooms, a 5,000-seat theater, and a casino. Buoyed by market expectations for this new growth driver, Galaxy is trading at 12x 2027 P/E, above the Macao average of 10x. This also compares with MGM's peak P/E of around 10x during its record-breaking 2025 earnings period, suggesting that Galaxy's premium multiple is driven by optimism over future expansion. In addition, Galaxy had secured HKD15b in net cash as of 2025, positioning it to: 1) fund its anticipated 2026 capex of HKD1b entirely with internal resources, with no external borrowing required for hotel development; and 2) simultaneously pursue dividend growth. This dual financial flexibility has been a key driver of its valuation multiple expansion.

Galaxy: Sales and operating margin



Source: Bloomberg, Samsung Securities

Macao casinos: 2025 net debt-to-EBITDA ratio



Source: Bloomberg, Samsung Securities

Insights from Macao casino case studies: Synergy as a driver of earnings and valuation multiple expansion

Companies such as MGM, which have effectively leveraged synergies between casino and non-casino segments, have demonstrated differentiated growth amid a shifting customer mix. Firms such as Galaxy, which are positioned to unlock new growth engines, have stable financial foundations that enable investment expansion with minimal impact on margins. These characteristics have allowed them to command premium valuation multiples.

Ultimately, the key metrics to monitor for casino operators will be: 1) whether synergies between casino and non-casino segments are being effectively realized; and 2) whether profitability can improve despite expanded investment. In Korea, we expect significant earnings differentiation among integrated resort operators, driven primarily by their ability to integrate and optimize casino and non-casino operations.

Top picks: Lotte Tour Development and Paradise

Short-term: Lotte Tour Development entering a phase of earnings leverage

In the near term, we advise investors to focus on Lotte Tour Development. Much like MGM China, the company is entering a phase of earnings leverage as earnings ramp up at Jeju Dream Tower, which opened during the pandemic. Operating profit has turned a corner, from losses of KRW120b in 2022 and KRW60b in 2023 to a profit of KRW39b in 2024. Since crossing into profitability, clear synergies have emerged between the company's casino and non-casino operations, as reflected in the rising share of internal transactions within the hotel business.

The share of internal transactions, just 11% at opening in 2021, surged to 23% in 2023 and 37% in 2024. By 2025, an estimated 40-50% of total rooms were allocated as complimentary stays for VIP casino guests, underscoring the company's increasingly sophisticated use of non-casino assets to attract high-value casino clientele.

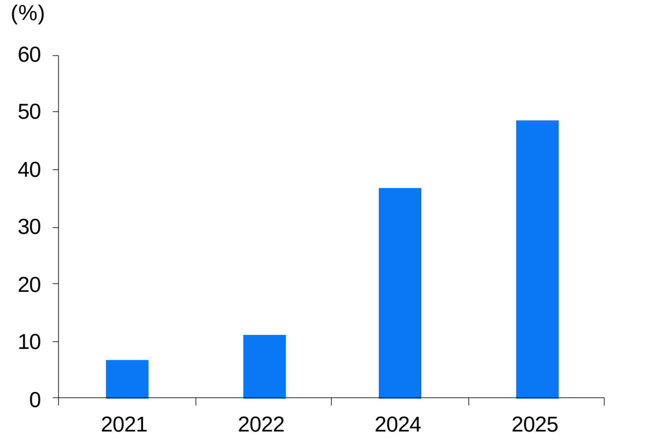
As a result, the company is likely to sustain concurrent growth in sales and profits, positioning it to deliver differentiated share-price performance.

Medium to long term: Paradise to enjoy synergies following Hyatt Regency Incheon acquisition

Paradise warrants close attention over the medium to long term. Its acquisition of Hyatt Regency Incheon in Sep 2025 marks a turning point in its earnings leverage. Prior to the acquisition, Paradise City—its flagship integrated resort—operated at more than 90% room occupancy on weekends, leaving virtually no capacity to offer complimentary rooms to casino VIPs. The Hyatt Regency Incheon acquisition is therefore a strategic response to this critical constraint. By adding rooms dedicated to VIP guests, Paradise can strengthen its ability to attract and retain high-value guests.

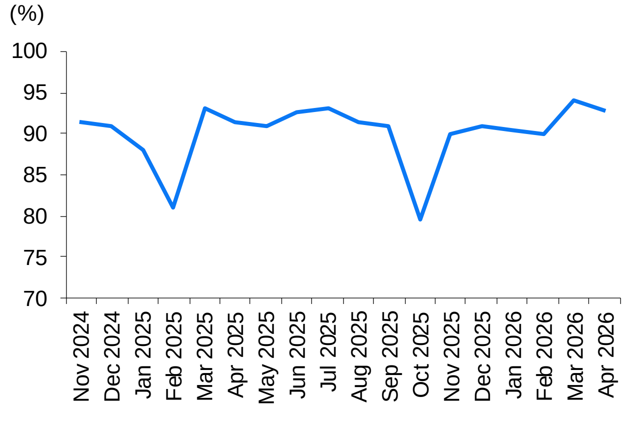
Although acquisition-related costs should weigh on earnings in the near term, the company's sales and earnings should gradually improve as operational synergies between the hotel and casino businesses expand. This mirrors the experience of Lotte Tour Development, which endured years of losses after opening Dream Tower before finally achieving meaningful earnings leverage. Given this precedent, Paradise is likely to follow a similar trajectory, making the stock attractive over the medium-to-long term.

Lotte Tour Development: Internal portion of hotel and casino transaction value



Source: Company data, Samsung Securities

Paradise City: Occupancy during weekends



Source: Company data, Samsung Securities

Global casino operators: Valuation s

Company	Market cap	P/E (x)		EPS Growth (%)		EV/EBIDTA (x)		OPM (%)		Dividend payout ratio (%)	
	(KRWb)	2026E	2027E	2026E	207E	2026E	207E	2026E	207E	2026E	207E
Paradise	1,331	13.4	10.9	12.3	22.6	8.9	7.9	15.2	16.8	14.8	12.7
GKL	699	13.9	13.0	(18.1)	6.8	3.8	3.6	13.2	14.0	52.0	48.9
Lotte Tour Development	1,496	18.9	11.9	107.2	58.8	9.4	8.5	25.7	27.2	0.0	4.1
Kangwon Land	3,331	10.6	10.0	(3.4)	6.3	1.5	1.4	16.7	16.4	61.3	60.1
Korean average		**14.2**	**11.5**	**24.5**	**23.6**	**5.9**	**5.4**	**17.7**	**18.6**	**32.0**	**31.4**
SJM	2,506	25.6	12.4	nm	105.6	10.3	9.1	8.0	9.4	0.0	4.1
MGM China	7,585	8.2	7.3	(9.4)	12.0	6.1	5.8	17.6	17.9	50.4	51.6
Wynn Macau	5,672	10.9	9.7	25.3	12.0	8.2	7.8	16.5	16.2	81.4	74.0
Sands China	23,481	13.3	11.8	16.0	12.4	8.8	8.3	18.0	18.5	90.3	92.6
Galaxy	26,754	12.6	11.4	2.7	9.8	8.4	7.6	20.6	20.8	62.5	60.7
Melco	3,288	9.5	7.1	9.1	34.3	6.4	6.1	12.5	13.1	13.1	28.4
Macao average		**13.3**	**10.0**	**8.7**	**31.0**	**8.0**	**7.5**	**15.5**	**16.0**	**49.6**	**51.9**
Genting Singapore	8,310	16.7	15.0	(16.7)	11.4	4.7	4.2	18.5	20.4	111.4	102.6
Genting Malaysia	4,125	20.9	15.2	(21.4)	37.0	7.5	6.5	14.4	15.2	78.3	61.1
NagaCorp	3,401	6.6	5.9	13.0	11.5	4.7	4.4	46.2	48.7	28.2	35.6
SE Asia average		**14.7**	**12.0**	**(8.3)**	**20.0**	**5.7**	**5.0**	**22.5**	**24.2**	**72.6**	**66.4**
Las Vegas Sands	49,213	14.6	13.0	14.7	11.7	8.7	8.4	24.4	24.7	33.4	32.1
Wynn Resorts	15,164	20.2	16.3	6.5	24.3	9.0	8.5	16.3	17.1	20.8	18.8
MGM Resorts	14,762	20.7	17.2	(16.4)	20.4	3.4	3.2	7.2	7.8	0.0	0.0
Global average		**18.5**	**15.5**	**1.6**	**18.8**	**7.0**	**6.7**	**16.0**	**16.5**	**18.1**	**17.0**

Note: As of Jun 15, 2026
Source: Bloomberg, Samsung Securities estimates

COMPANY UPDATE

2026. 7. 28

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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.

AT A GLANCE

BUY

Target price	KRW12,000	16.2%
Current price	KRW10,330	
Market cap	KRW956.86b/USD651.59m	
Shares (float)	92,629,382 (49.6%)	
52-week high/low	KRW23,650/KRW9,670	
Avg daily trading value (60-day)	KRW10.7b/ USD7.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
PARADISE (%)	-16.8	-37.7	-44.1
Vs Kospi (%pts)	3.6	-53.1	-73.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	12,000	12,000	0.0%
2026E EPS	928	928	0.0%
2027E EPS	1,119	1,119	0.0%

SAMSUNG vs THE STREET

No of estimates	11
Target price	18,273
Recommendation	4.0

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

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)

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.

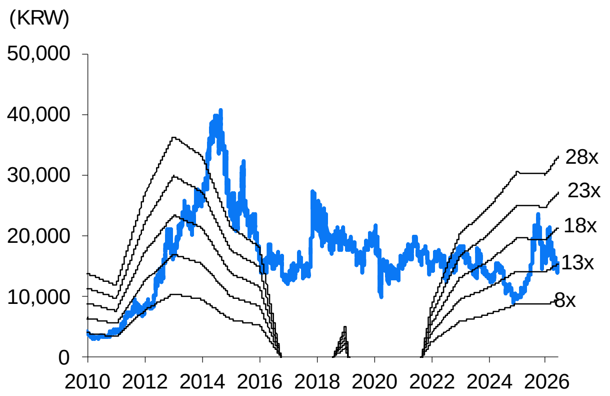
These concerns have quickly faded, suggesting that the current premium is justified. First, despite Inspire's opening, Paradise City maintained a 30% market share in 2025—unchanged from 2024. Second, the Sep 2025 integration of Hyatt Regency Incheon (formerly Grand Hyatt Incheon West Tower) is expected 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	

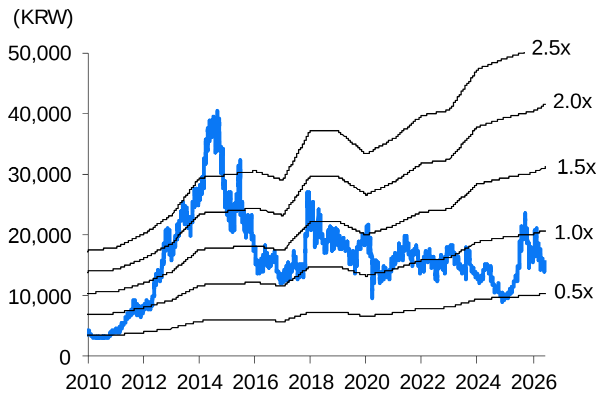
Source: Samsung Securities estimates

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%

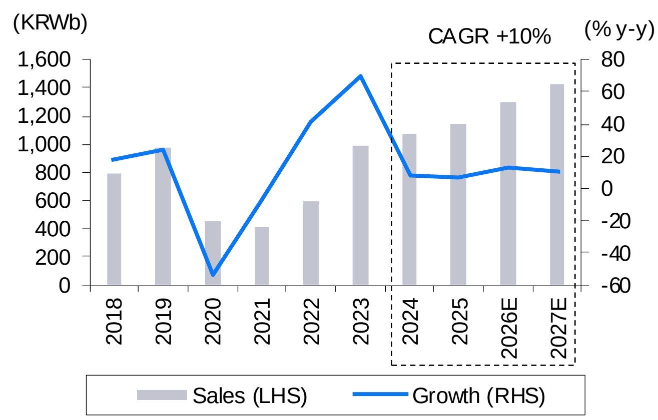
Source: Company data, Samsung Securities estimates

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

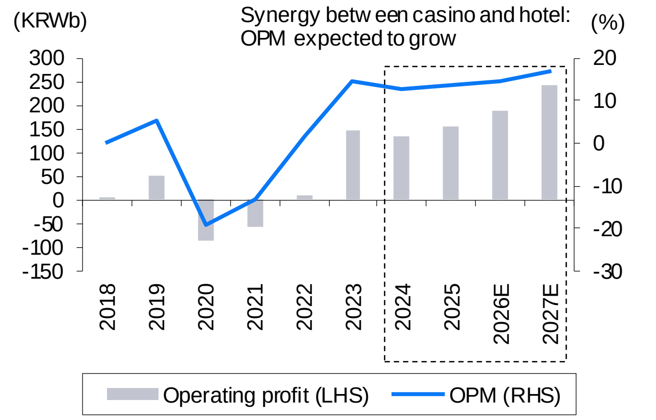
Source: Company data, Samsung Securities estimates

Sales and growth



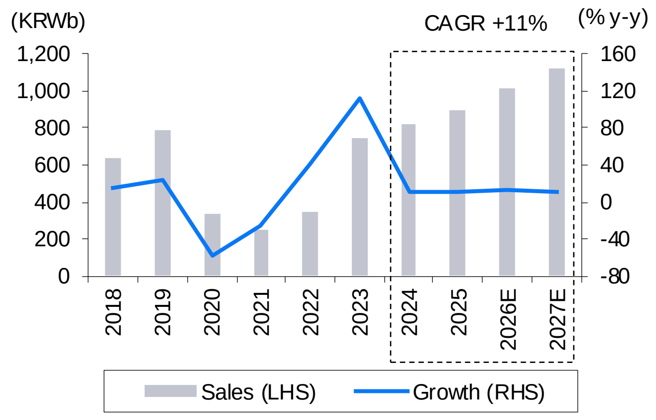
Source: Company data, Samsung Securities estimates

Operating profit and operating margin



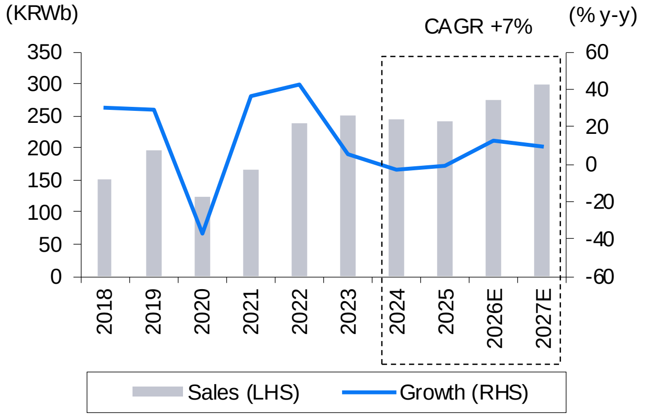
Source: Company data, Samsung Securities estimates

Casino: Sales and growth



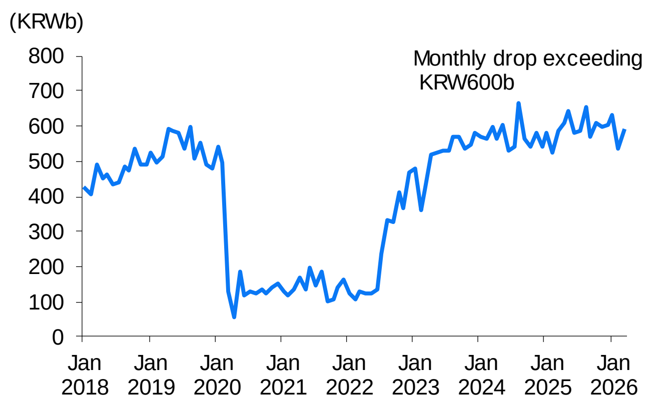
Source: Company data, Samsung Securities estimates

Hotel & other: Sales and growth



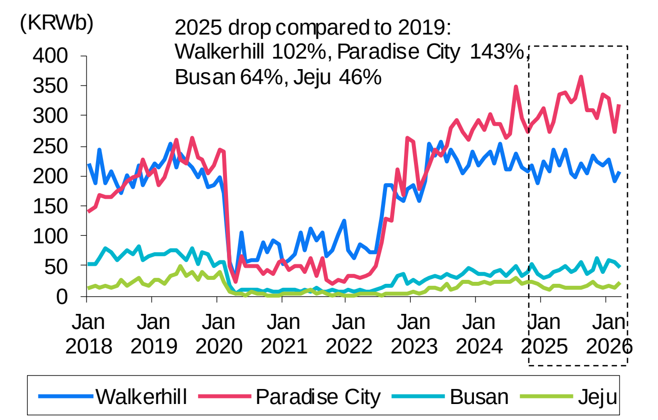
Source: Company data, Samsung Securities estimates

Casino: Monthly drop



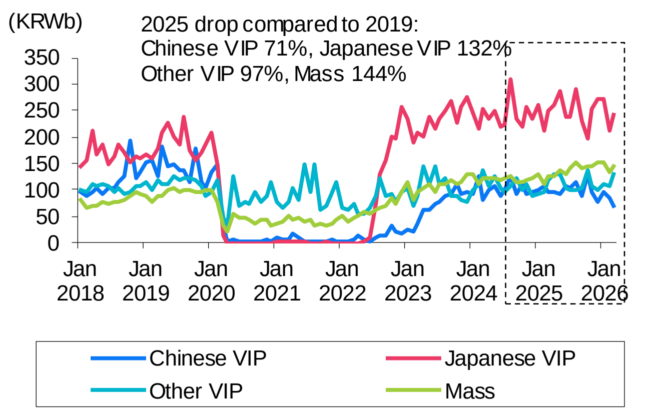
Source: Company data, Samsung Securities

Casino: Monthly drop, by casino



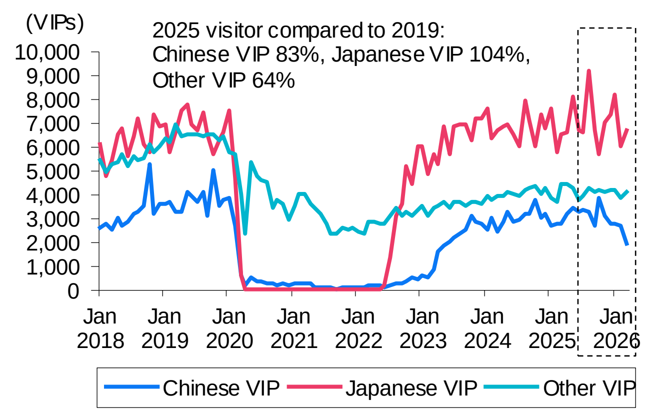
Source: Company data, Samsung Securities

Casino: Monthly drop, by visitor type



Source: Company data, Samsung Securities

Casino: Monthly VIP visitors



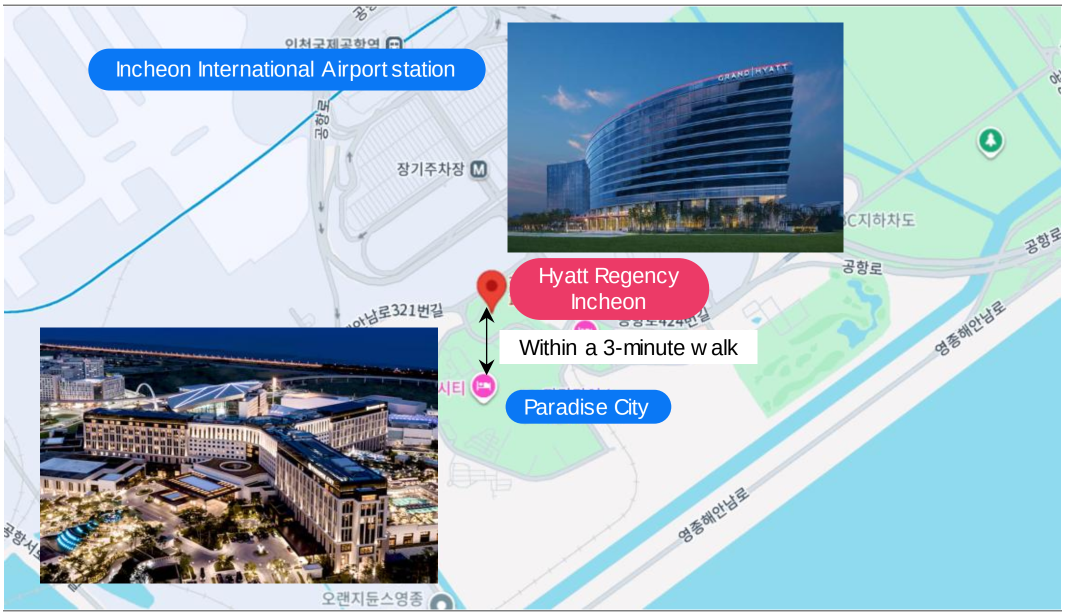
Source: Company data, Samsung Securities

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.

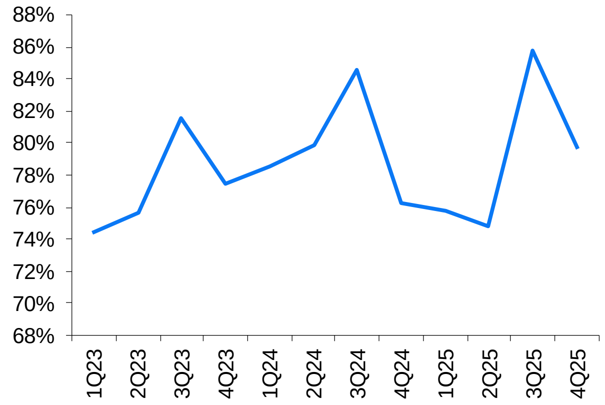
Paradise City's high occupancy rate of 80% in 2025, including more than 90% on weekends, has previously constrained room availability for VIP guests. With nearby Inspire Resort offering around 1,275 rooms, Paradise City also faced a competitive disadvantage in total room supply.

Paradise City and Hyatt Incheon location



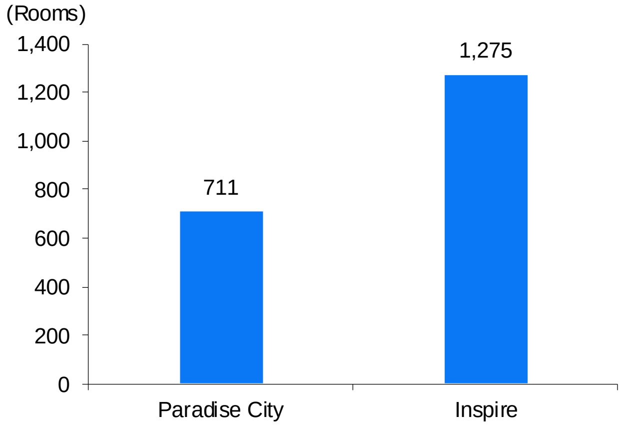
Source: Google, Company data, Samsung Securities

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

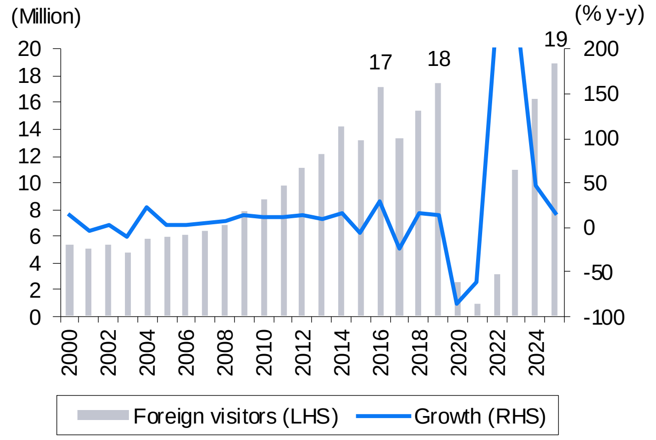
Source: Company data, Samsung Securities estimates

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.

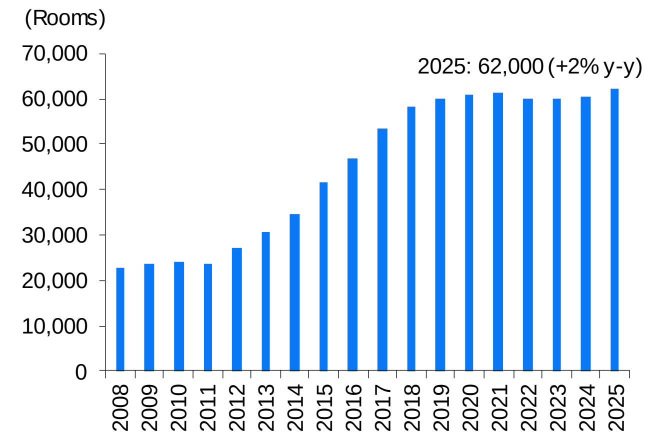
Foreign visitors to Korea hit a record high in 2025, rising 16% y-y, and are projected to exceed 20m in 2026. Hotel supply has failed to keep pace: as of 2025, total hotel rooms in Seoul stood at around 62,000, up just 2% y-y.

Korea: Foreign visitor arrivals



Source: Korea Tourism Data Lab, Samsung Securities

Seoul: Hotel room supply

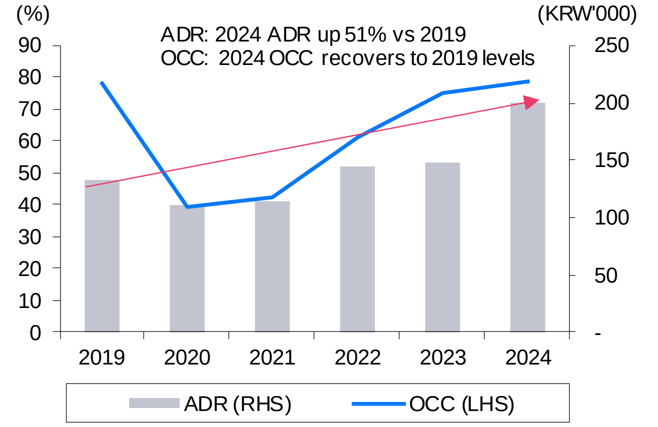


Source: Korea Hotel Association, Samsung Securities

Demand growth and supply shortages are driving occupancy and ADR higher

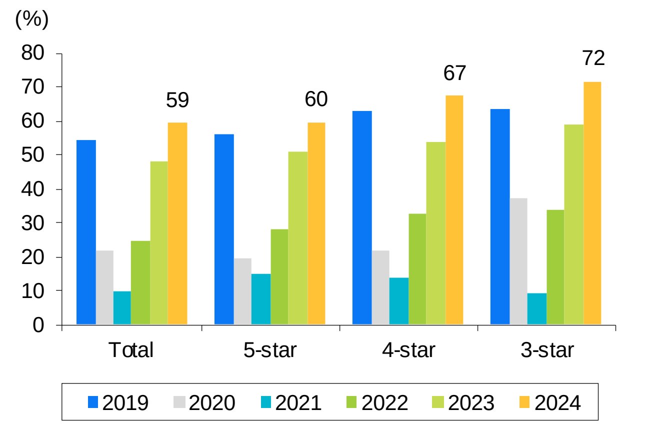
This persistent supply-demand gap is lifting both volume and pricing in the hotel segment. In 2024, Seoul occupancy (OCC) reached 79%, surpassing the 2016 (pre-pandemic) level of 78%. Meanwhile, the ADR in Seoul climbed to around KRW200,000, up 51% from 2019. Foreign tourists are the primary driver of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

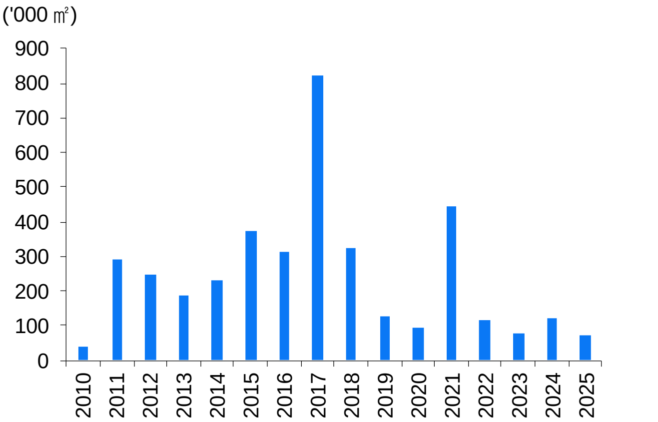


Source: Korea Hotel Association, Samsung Securities

Supply constraints to support profitability gains for 3-5 years

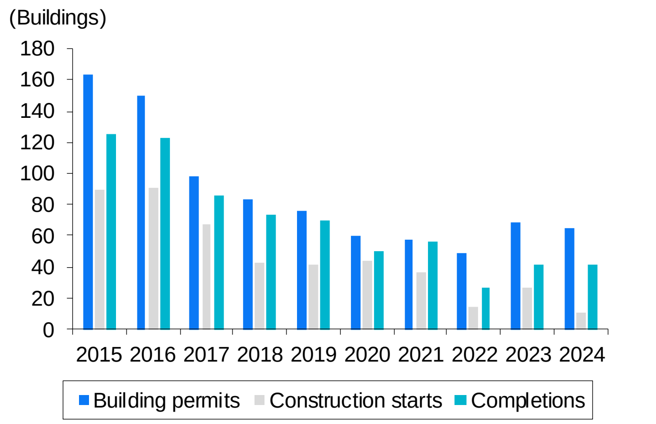
The structural imbalance is likely to support elevated hotel profitability for the next 3-5 years. In 2025, hotel construction permits in Seoul were down 84% compared to 2021, while the number of approved and newly started hotel projects has declined consistently since 2015. Given that hotel projects 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



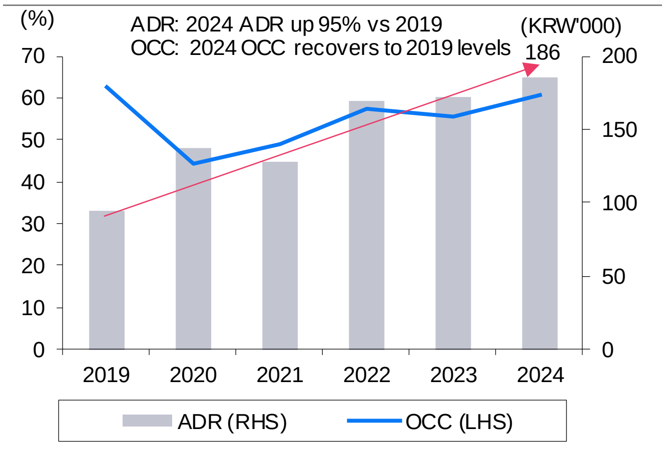
Source: Seumter, Samsung Securities

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.

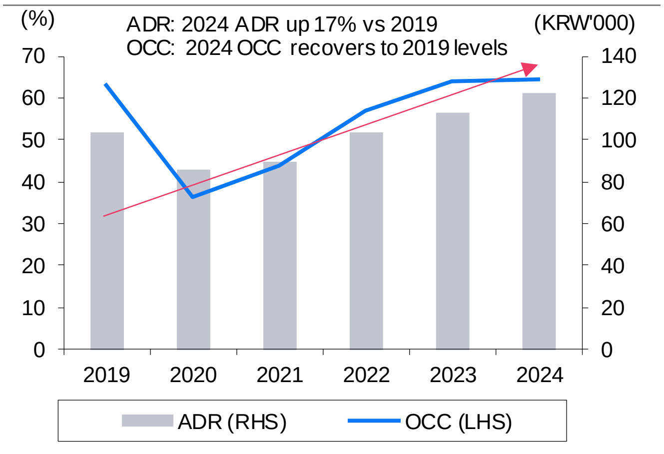
In 2024, occupancy in Incheon and Gyeonggi recovered to 61% and 65%, respectively, in line with 2019 levels. ADRs in these regions also rose sharply, up a respective 95% and 17% from pre-pandemic levels. Given that inbound tourist numbers expanded further y-y in 2025, it is reasonable to assume that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

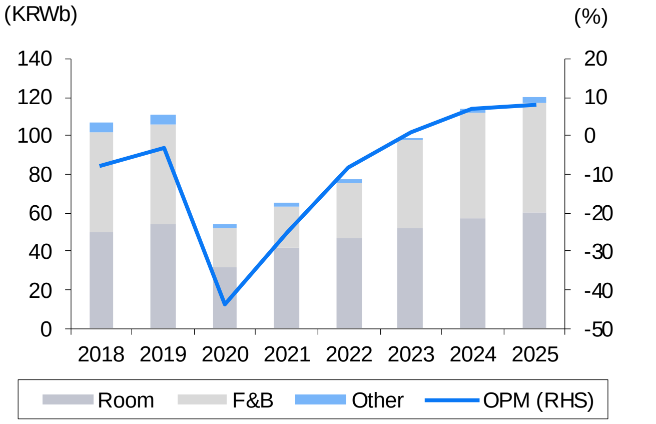
Furthermore, 1Q expenses included one-off costs related to rebranding and room amenity upgrades. Excluding these costs, quarterly operating expenses are expected to decline in subsequent quarters, and the hotel is likely to reach breakeven within this year.

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

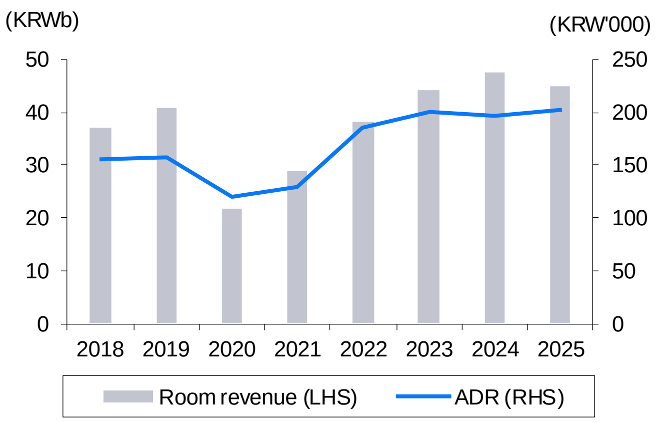
Source: Samsung Securities estimates

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

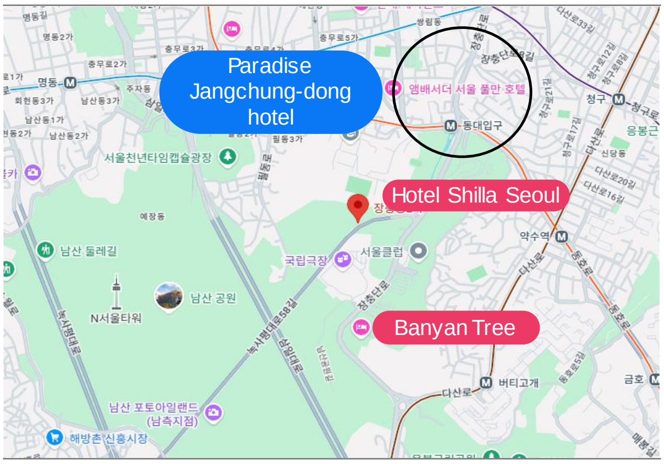
Category	Details
Location	186-210, Jangchung-dong 2-ga, Jung-gu, Seoul
Site area	13,950 m² (approx. 4,220 *pyeong*)
Total floor area	69,970 m² (approx. 21,200 *pyeong*)
Floors/Rooms	23 floors (B5F to 18F) / 189 rooms
Project period	Mar 31, 2025-Aug 31, 2028
Total investment	KRW575b (construction cost KRW390b)

Source: Company data, Samsung Securities

Paradise: Jangchung-dong hotel

Source: Company data, Samsung Securities

Paradise: Jangchung-dong hotel location

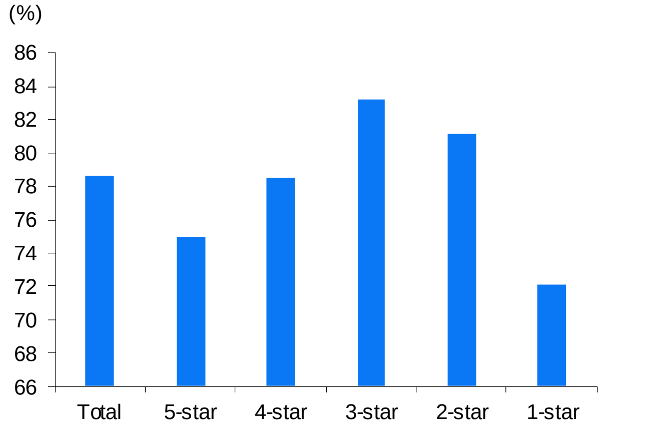


Source: Google, Samsung Securities

Proximity to key tourist destinations

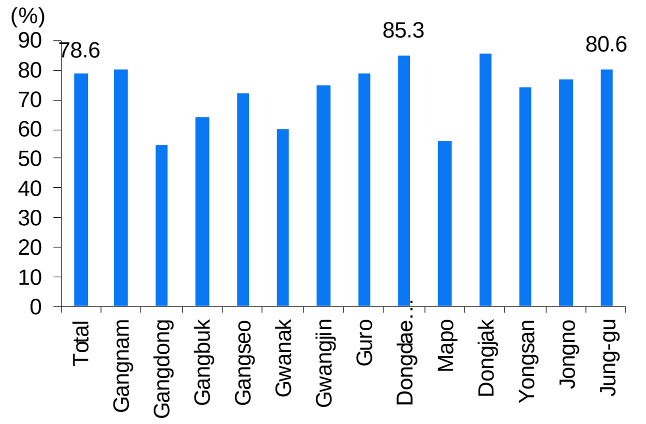
The site's choice location provides international visitors with direct access to major tourist hubs—including Myeongdong and Dongdaemun. In 2024, overall five-star hotel occupancy in Seoul stood at 75%, while Jung-gu (which includes Myeongdong) and Dongdaemun-gu—boasted OCCs of 81% and 85%, respectively. 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)

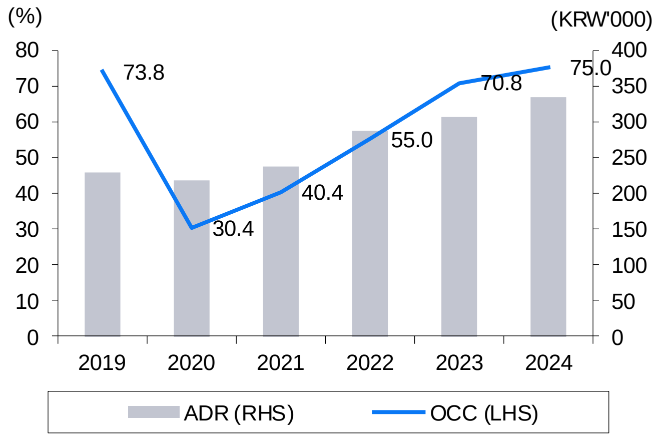


Note: *Occupancy rate
Source: Korea Hotel Association, Samsung Securities

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.

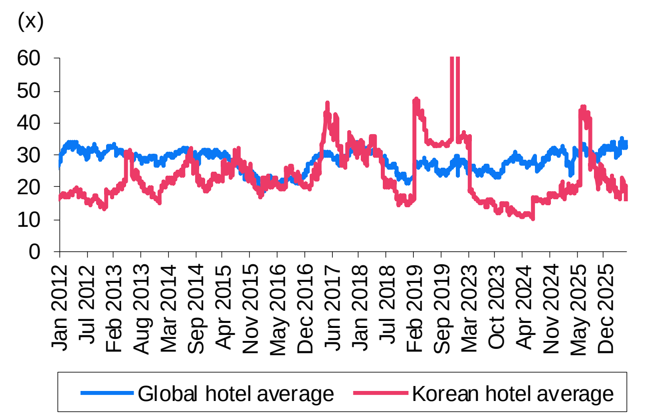
- **Higher earnings stability:** Although Korean casinos have diversified their customer base to reduce volatility, quarterly results remain susceptible to the betting behavior of just one or two VIP clients. Hotels, by contrast, benefit from broad, consistent demand across leisure and business travelers.
- **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.

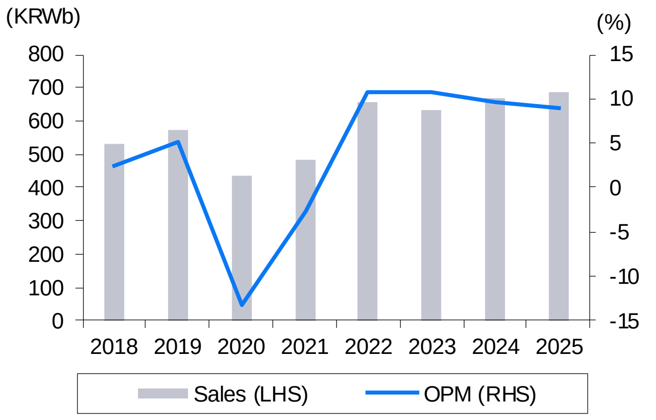
This trajectory suggests a deliberate strategy to emulate Shilla's multi-tiered brand architecture—The Shilla, Shilla Monogram, Shilla Stay—under the Paradise brand. This has two key longer-term implications. First, like global hotel chains, Paradise could eventually scale through brand licensing, generating 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;
*Marriot, 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.

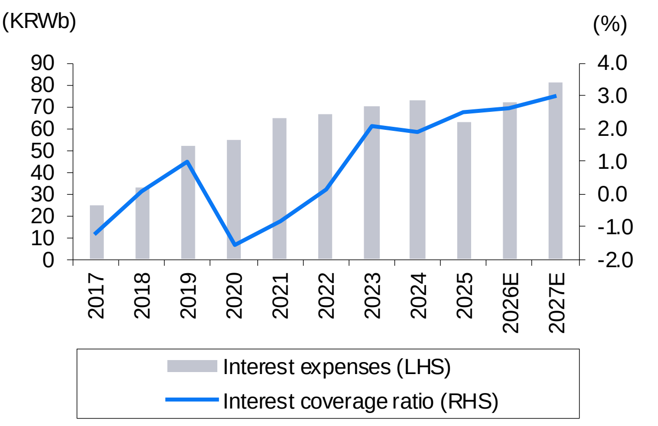
This follows a similar pattern to the period after Paradise City's completion, which required KRW1.5t in capital and led to a sharp rise in interest costs—from KRW33b in 2018 and KRW52b in 2019 to KRW72.9b in 2024—raising concerns over financial stability at the time.

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.

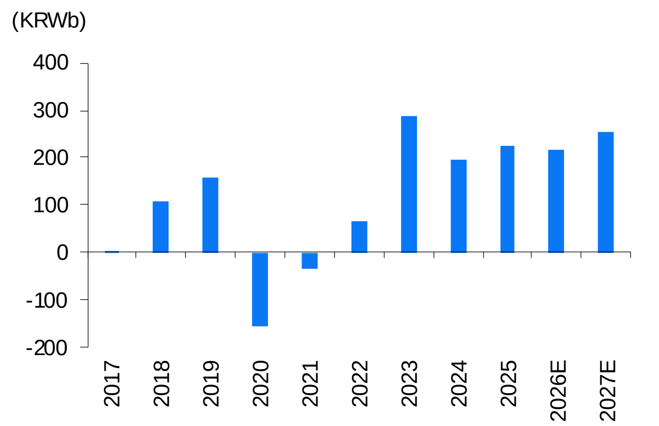
Moreover, the casino business model inherently requires limited working capital, enabling rapid cash inflows from operations. Combined with pre-sales of memberships and residential units at the Jangchung-dong hotel, this should allow the company to partially offset upfront funding needs and keep overall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

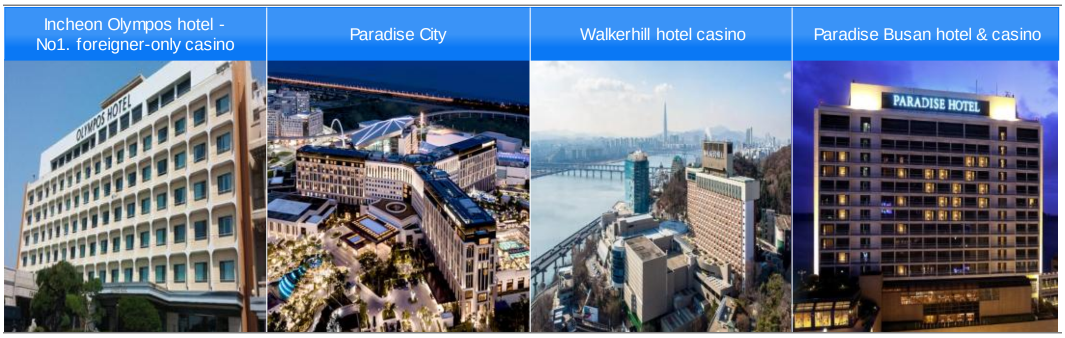
Korea's first licensed foreigner-only casino operator

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.

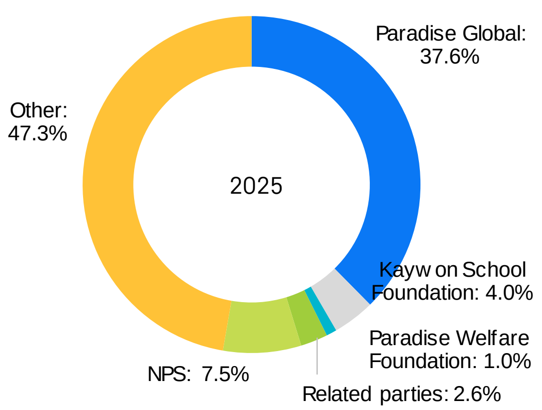
As of 2025, casinos dominated Paradise's sales mix at 78%, followed by hotels at 18%, and other businesses, including Spa Dogo and Fun City, at 3%. Within the casino segment, drop contribution by property was as follows: Walkerhill 37%, Paradise City 53%, Busan 7%, and Jeju 3%. Paradise City has emerged 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



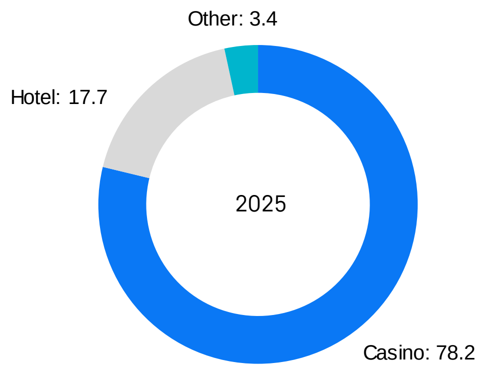
Source: Company data, Samsung Securities

Paradise: Shareholders



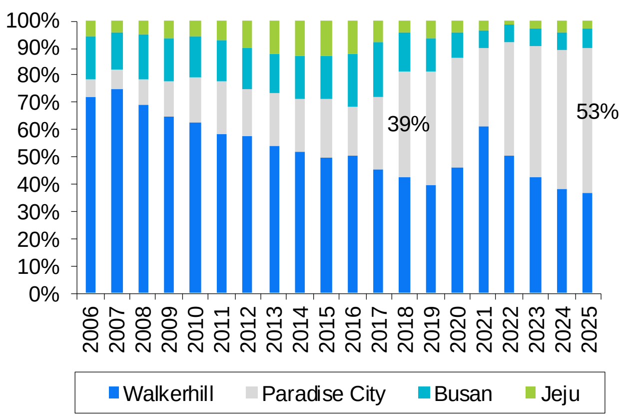
Source: Company data, Samsung Securities

Paradise: Sales, by business unit



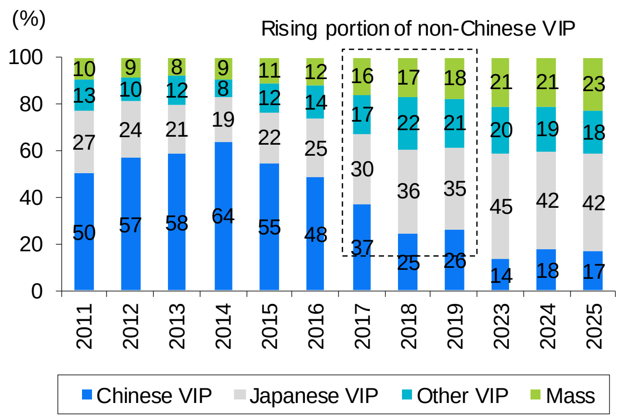
Source: Company data, Samsung Securities

Paradise: Drop contribution, by casino



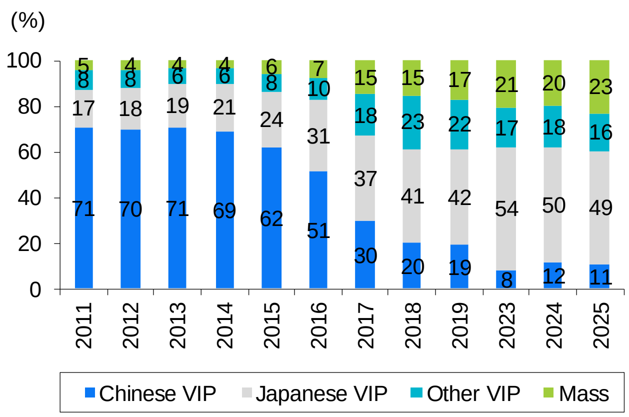
Source: Company data, Samsung Securities

Paradise: Drop contribution, by visitor type



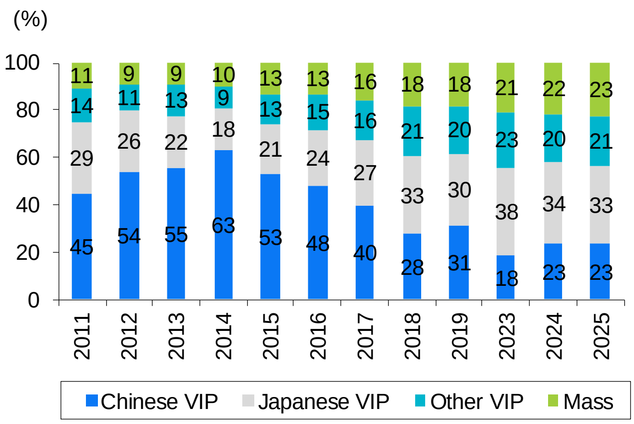
Source: Company data, Samsung Securities

Paradise City: Drop contribution, by visitor type



Source: Company data, Samsung Securities

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



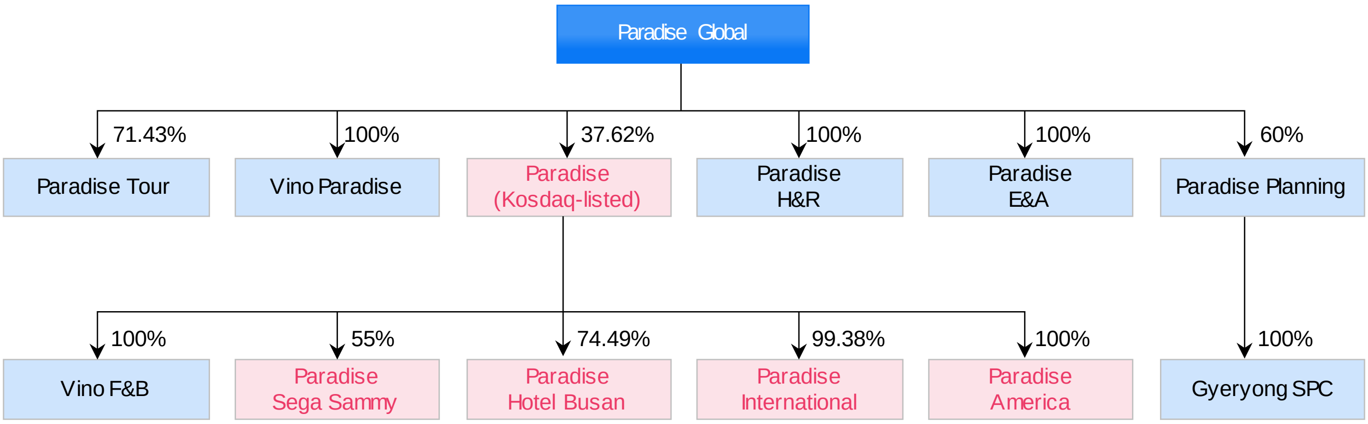
Source: Company data, Samsung Securities

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	992	1,086	1,152
Gross profit	**238**	**268**	**303**	**337**	**380**
Gross margin (%)	22.2	23.3	23.4	23.7	24.8
SG&A expenses	102	112	131	138	146
Operating profit	**136**	**156**	**172**	**198**	**234**
Operating margin (%)	12.7	13.6	13.3	13.9	15.3
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**	**129**	**150**	**180**
Taxes	-10	-9	19	22	27
Effective tax rate (%)	-9.8	-7.0	15.0	15.0	15.0
Profit from continuing operations	111	145	0	0	0
Profit from discontinued operations	0	0	0	0	0
Net profit	**111**	**145**	**109**	**127**	**153**
Net margin (%)	10.3	12.6	8.5	8.9	10.0
Net profit (controlling interests)	76	94	85	103	125
Net profit (non-controlling interests)	35	50	45	56	62
EBITDA	214	230	252	278	314
EBITDA margin (%)	20.0	20.0	19.4	19.5	20.5
EPS (parent-based) (KRW)	823	1,026	928	1,119	1,359
EPS (consolidated) (KRW)	1,206	1,575	1,190	1,383	1,665
Adjusted EPS (KRW)*	823	1,026	928	1,119	1,359

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**196**	**224**	**207**	**227**	**254**
Net profit	111	145	109	127	153
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**	**13**	**93**	**66**
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	-70	97	-501
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**	**228**	**229**	**251**
Free cash flow	**146**	**135**	**107**	**27**	**54**

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	**864**	**885**	**1,054**	**1,250**	**1,470**
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	568	665	781
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**	**4,273**	**4,592**	**4,936**
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**	**1,818**	**1,936**	**2,078**
Capital stock	47	48	46	46	46
Capital surplus	336	352	352	352	352
Retained earnings	629	702	798	916	1,057
Other	624	622	622	622	622
Non-controlling interests' equity	**439**	**489**	**489**	**489**	**489**
Total equity	**2,075**	**2,213**	**2,307**	**2,425**	**2,566**
Net debt	592	852	848	948	1,048

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	10.2	15.5	18.2
Net profit	38.0	30.8	-24.4	16.2	20.4
Adjusted EPS**	20.6	24.6	-9.6	20.6	21.5
Per-share data (KRW)					
EPS (parent-based)	823	1,026	928	1,119	1,359
EPS (consolidated)	1,206	1,575	1,190	1,383	1,665
Adjusted EPS**	823	1,026	928	1,119	1,359
BVPS	18,941	19,694	20,773	22,115	23,734
DPS (common)	150	150	110	130	160
Valuations (x)					
P/E***	11.7	16.1	11.1	9.2	7.6
P/B***	0.5	0.8	0.5	0.5	0.4
EV/EBITDA	8.9	12.5	9.1	8.6	7.9
Ratios (%)					
ROE	5.0	5.6	4.8	5.5	6.2
ROA	2.9	3.6	2.6	2.9	3.2
ROIC	5.9	6.3	5.6	6.2	6.8
Payout ratio	17.1	13.9	11.3	11.1	11.2
Dividend yield (common)	1.6	0.9	1.1	1.3	1.5
Net debt to equity	28.5	38.5	36.8	39.1	40.8
Interest coverage (x)	1.9	2.5	2.4	2.5	2.6

COMPANY INITIATION

2026. 7. 28

Finance/Consumer Goods Team

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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.

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 CO., LTD (%)	-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

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

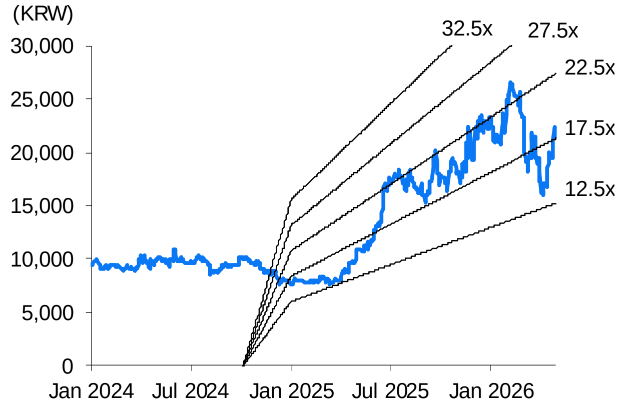
We initiate coverage of Lotte Tour Development with a BUY rating and a target price of KRW23,000 (based on 13.5x 2027 P/E). Our target multiple represents a 35% premium to the Macao casino industry's average 2027 P/E of 10x. Since enjoying a turn to an operating profit in 2024, the company has delivered 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	

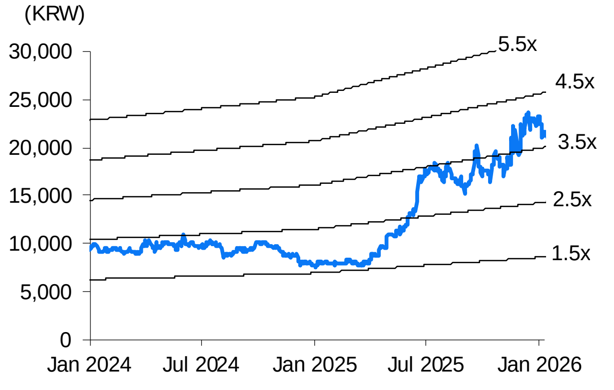
Source: Samsung Securities estimates

Lotte Tour Development: Forward P/E band



Source: Bloomberg, Samsung Securities

Lotte Tour Development: Forward P/B band



Source: Bloomberg, Samsung Securities

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

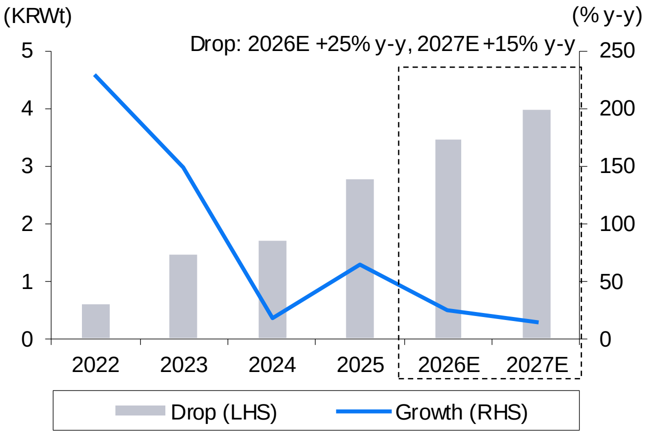
Source: Company data, Samsung Securities estimates

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

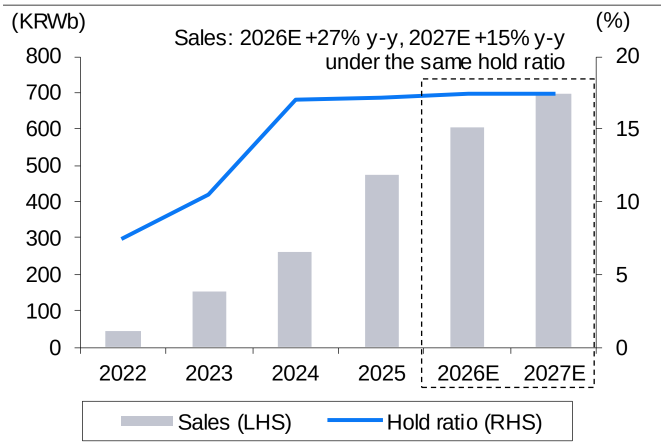
Source: Company data, Samsung Securities estimates

Casino: Drop and growth



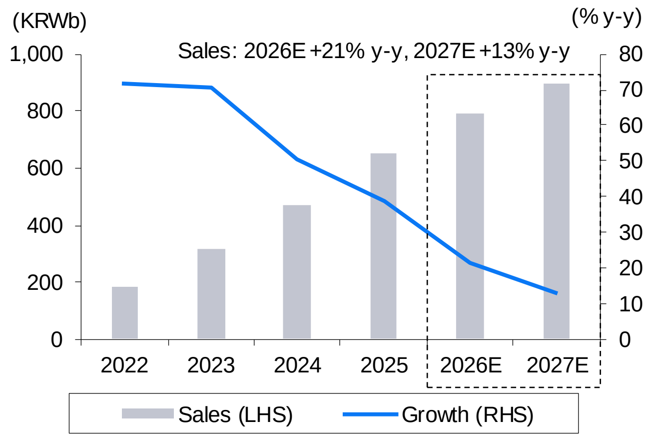
Source: Company data, Samsung Securities

Casino: Sales and hold ratio



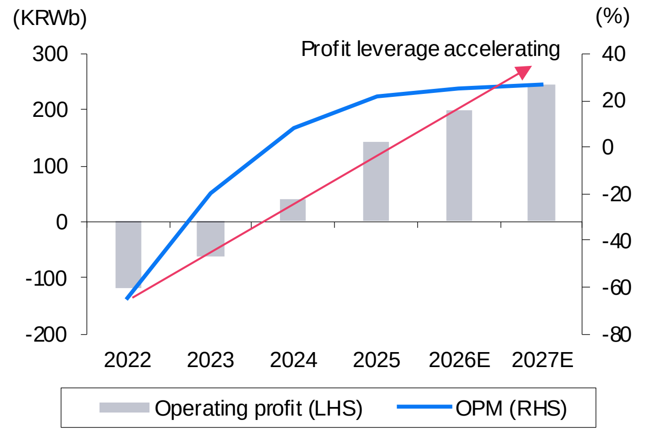
Source: Company data, Samsung Securities

Lotte Tour Development: Sales and growth



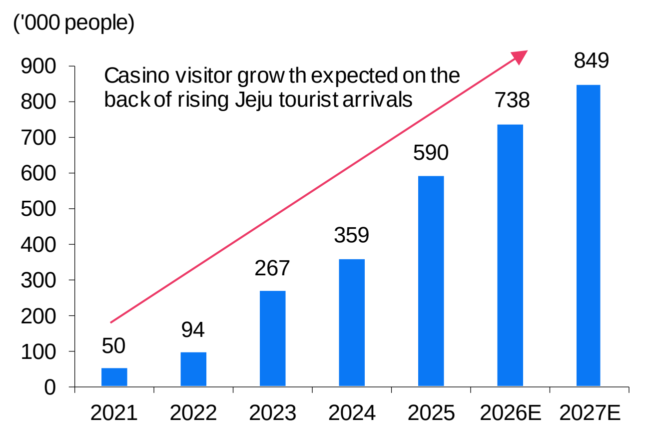
Source: Company data, Samsung Securities

Lotte Tour Development: Operating profit and margin



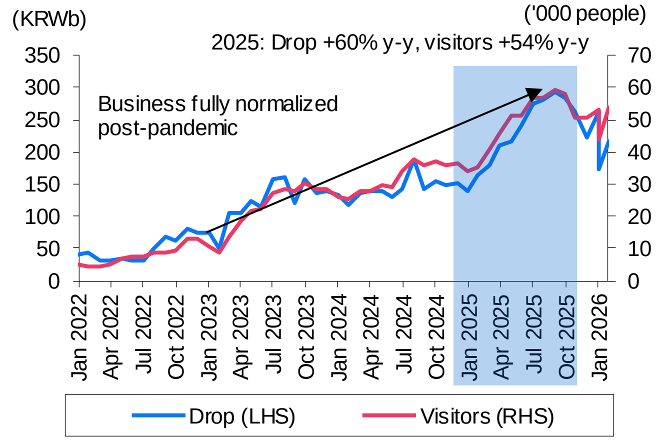
Source: Company data, Samsung Securities

Casino: Visitor s



Source: Company data, Samsung Securities

Casino: Monthly drop and visitors



Source: Company data, Samsung Securities

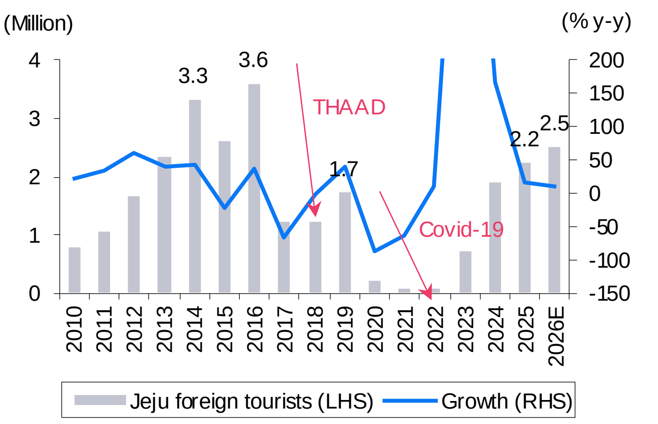
Jeju tourism: Moving back toward 2016 peak

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

High growth set to continue beyond pre-pandemic levels

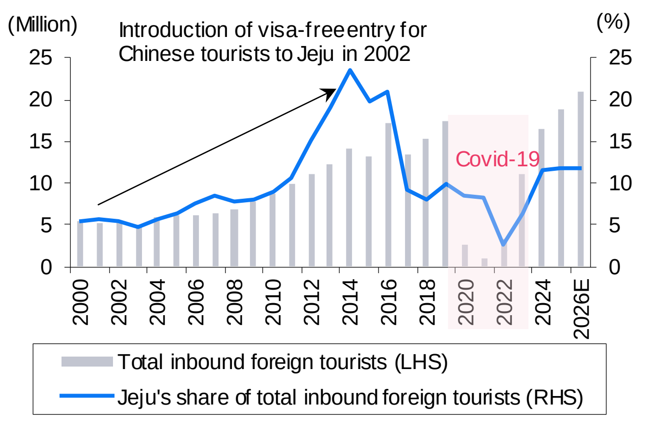
Lotte Tour Development's earnings improvement is underpinned by robust growth in foreign tourist arrivals to Jeju Island. In 2025, foreign arrivals reached approximately 2.24m, up 18% y-y and already far above the pre-pandemic level of 1.72m in 2019. We expect this momentum to continue, with arrivals 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



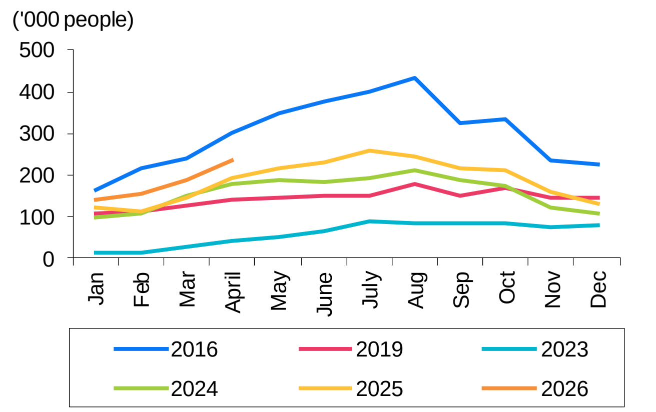
Source: Jeju Tourism Association, Samsung Securities estimates

Jeju's share of total inbound foreign tourists



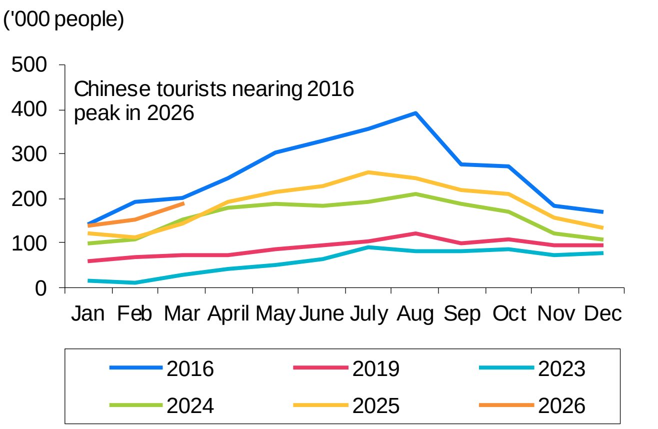
Source: Korea Tourism Data Lab, Samsung Securities estimates

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

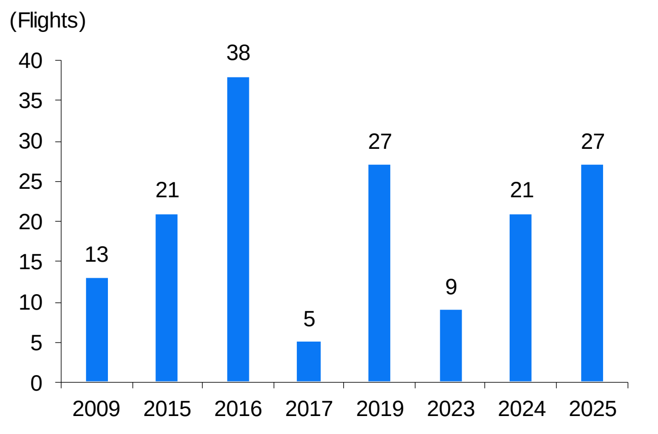
Although foreign tourist arrivals to Jeju have surpassed pre-pandemic levels, reaching 2.24m in 2025, they remain well below the all-time high of 3.6m recorded in 2016. This gap points to substantial untapped potential.

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.

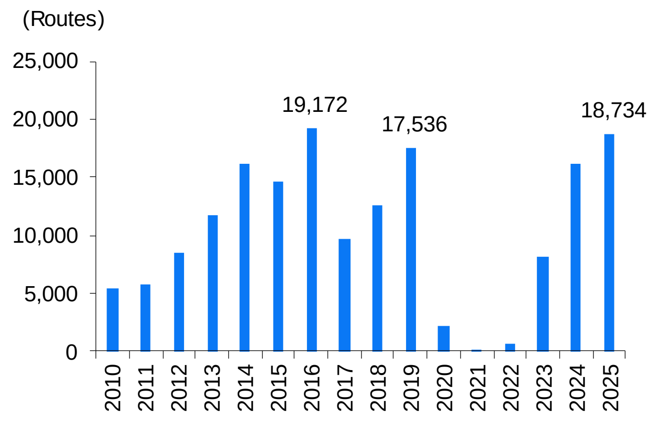
Another key growth driver is the rising trend of international travelers extending their Korea itineraries to include Jeju. While Chinese tourists accounted for the majority of Jeju visitors in 2016, recent years have seen a rising number of foreign travelers from a more diverse range of countries, drawn 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

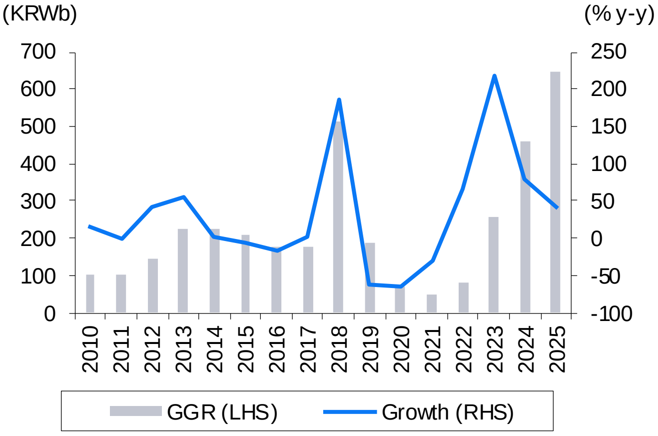
However, growth trajectories among operators have diverged significantly. Casinos located within integrated resorts have far outpaced the market: 1) Dream Tower Casino recorded GGR of KRW320.3b in 2024, up 69% y-y; and 2) Landing Casino, located within Jeju Shinhwa World, posted GGR growth of 198% over 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

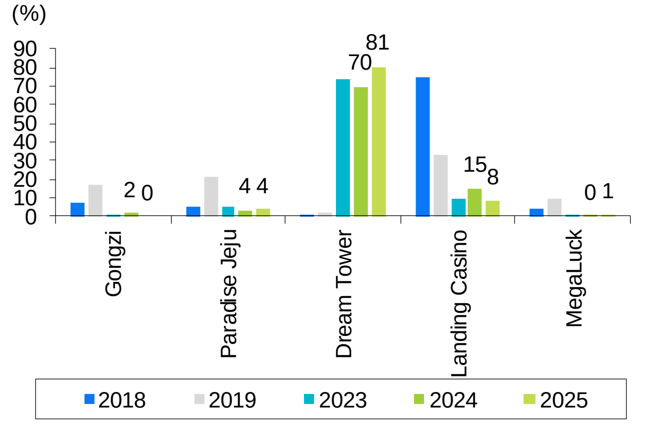
In 2025, further differentiation emerged even among integrated resorts. Dream Tower Casino recorded GGR of KRW522.7b, up 63% y-y, and expanded its market share by 10%pts to 81%. In contrast, Landing Casino posted a 20% decline. This suggests that success is no longer determined solely by integrated-resort 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

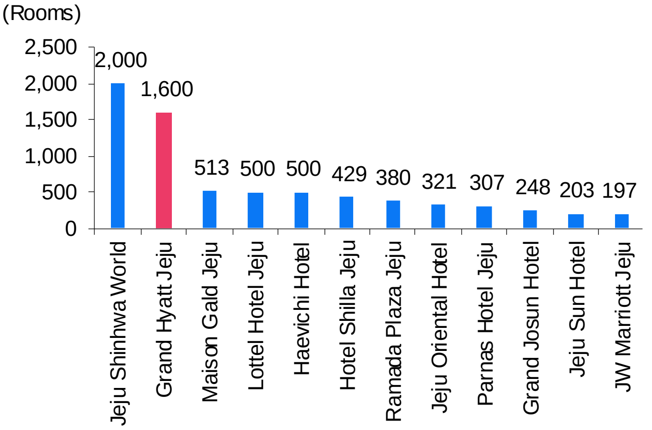
VIP acquisition competitiveness rooted in high room inventory

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.

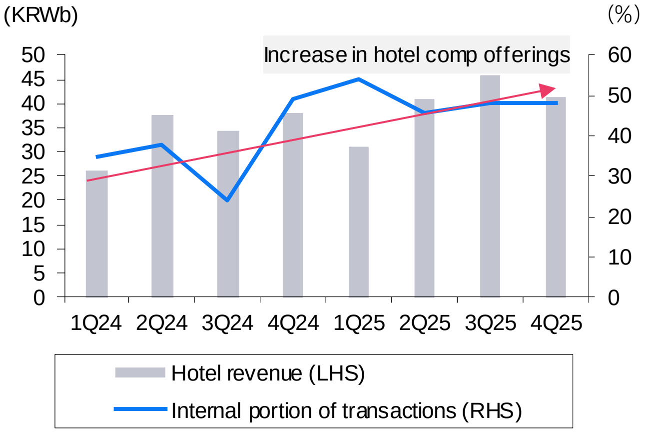
Notably, an estimated 40-50% of the company's total rooms in 2025 were provided as complimentary stays for VIP casino guests. This indicates that the company is executing an aggressive VIP acquisition strategy, while still leaving more than 50% of room capacity available, suggesting substantial untapped 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

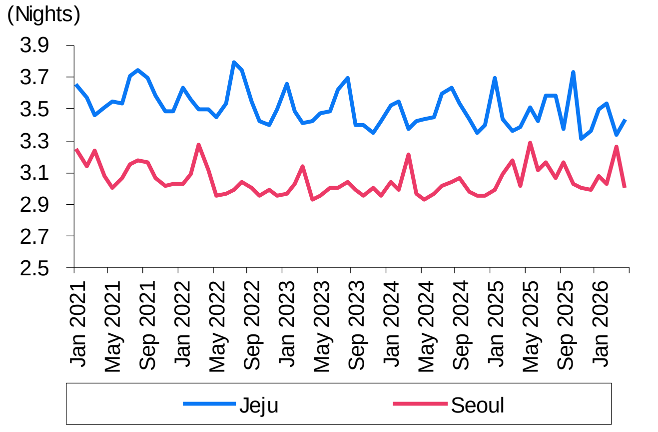
Note: VIP drop per visit assumed as KRW 20m
Source: Company data, Samsung Securities estimates

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.

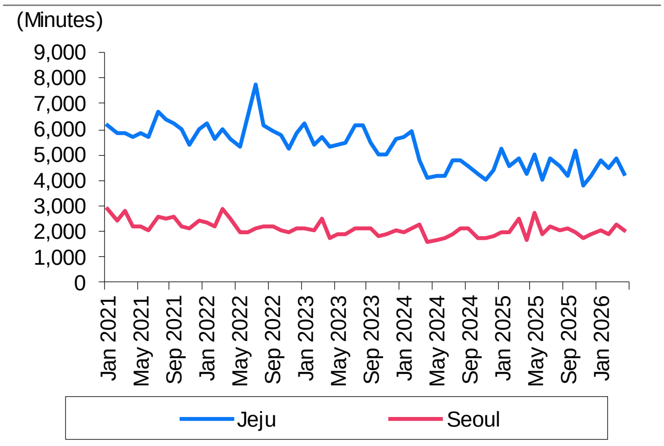
As a result, the company's 2025 hold rate reached 17%, well above the 11% average for Paradise and Grand Korea Leisure. This reflects the impact of longer visitor dwell times, which support higher gaming participation. Any future growth in drop volume is therefore likely to translate into faster sales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

Tourists' average length of stay: Jeju vs Seoul



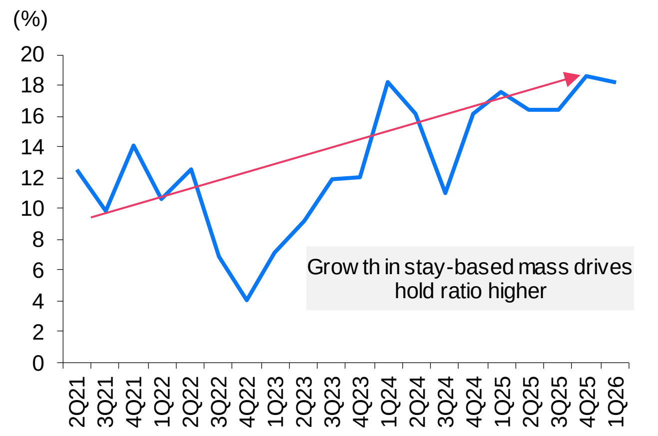
Source: Korea Tourism Data Lab, Samsung Securities

Region dwell time: Jeju vs Seoul



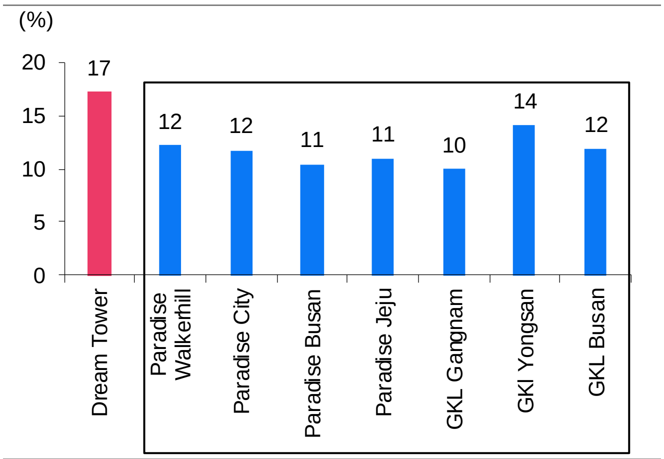
Source: Korea Tourism Data Lab, Samsung Securities

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

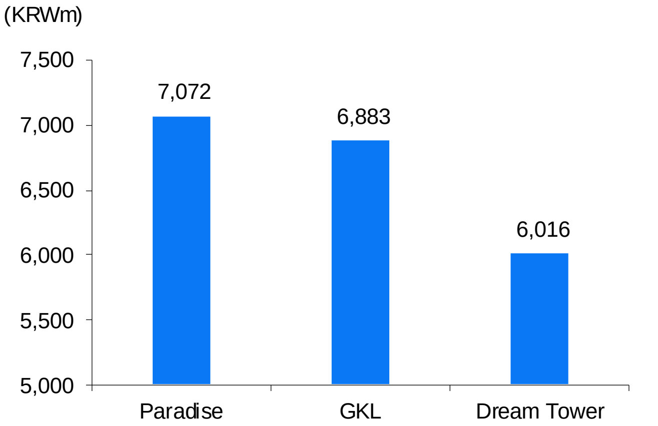
Dream Tower's high hold rate has enhanced per-unit[2] revenue efficiency and benefitted profit margins. While its per-unit drop volume of KRW6b in 2025 lagged Paradise's KRW7b and GKL's KRW6.9b, its gross revenue per unit, after factoring in hold rate, reached KRW1.1b, ahead of both Paradise's KRW900m 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.

[2] Where a unit is a table or machine

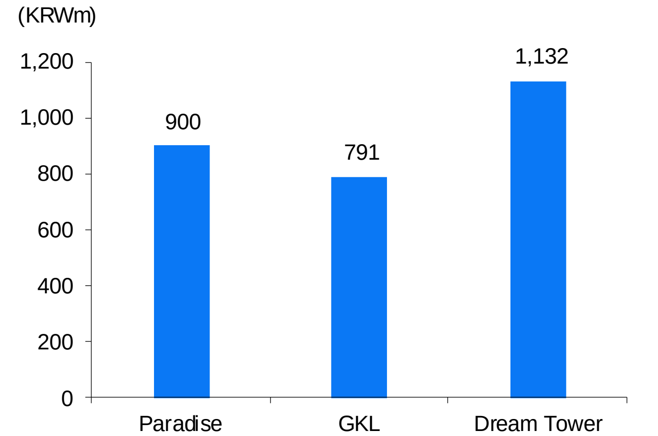
This revenue structure, anchored by a high hold rate, underpins Lotte Tour Development's superior operating margin of 22% in 2025, vs GKL's 15% and Paradise's 14%, and should remain a key driver of the company's differentiated profitability.

2025 drop per unit*: Paradise vs GKL vs Lotte



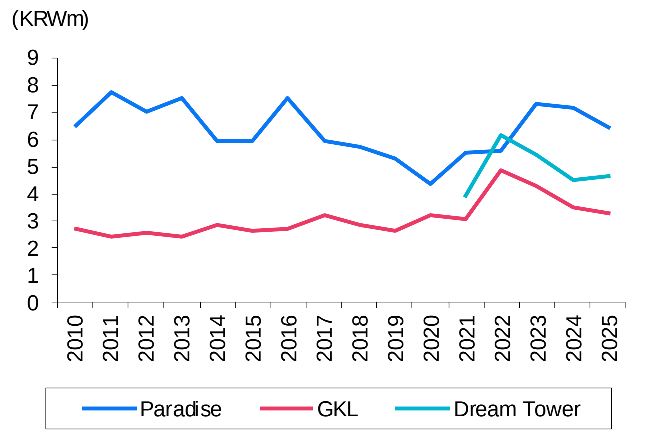
Note: *A unit is a table or machine
Source: Korea Casino Association, Samsung Securities

2025 GGR per unit*: Paradise vs GKL vs Lotte



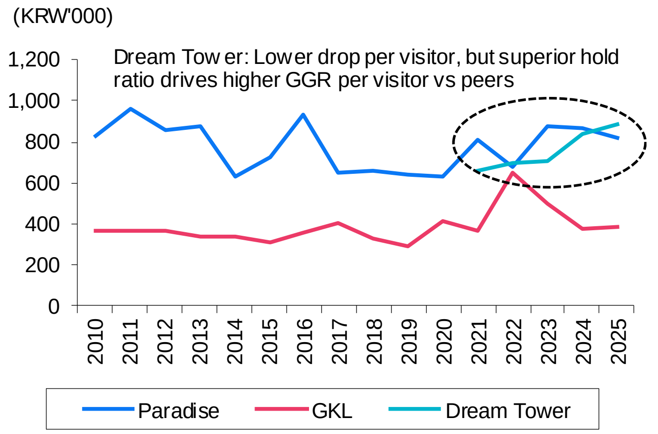
Note: *A unit is a table or machine
Source: Korea Casino Association, Samsung Securities

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.

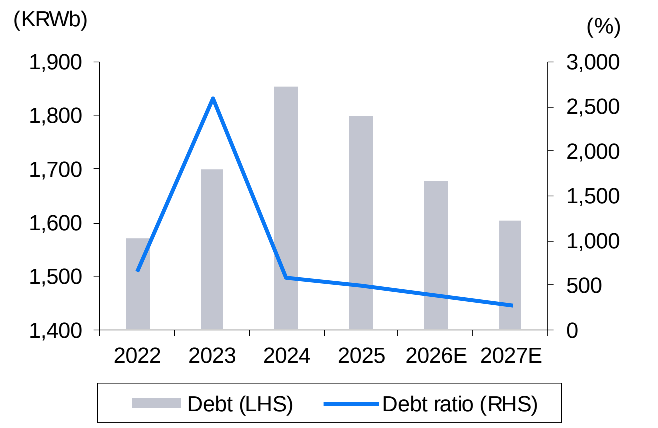
Since 2024, however, the financial structure has gradually improved, driven by stronger performance at Jeju Dream Tower. The company refinanced approximately KRW840b in debt maturing in Nov 2024, redistributing roughly KRW800b into a structure dominated by senior-lien debt and reducing the interest rate 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

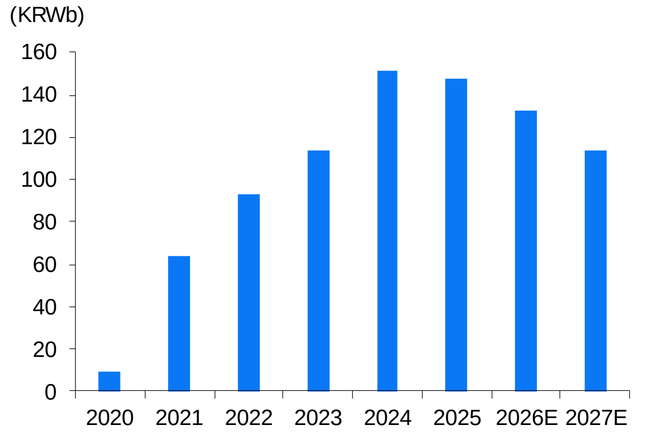
Source: Company data, News, Samsung Securities

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

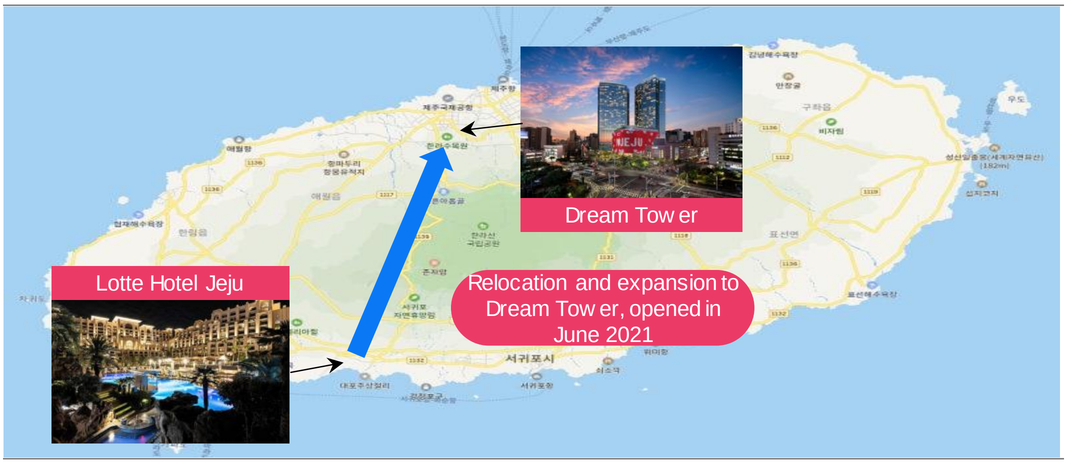
Shift to integrated-resort model accelerating casino growth

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 m^2 to 5,367 m^2 and establishing a solid foundation for scalable growth.

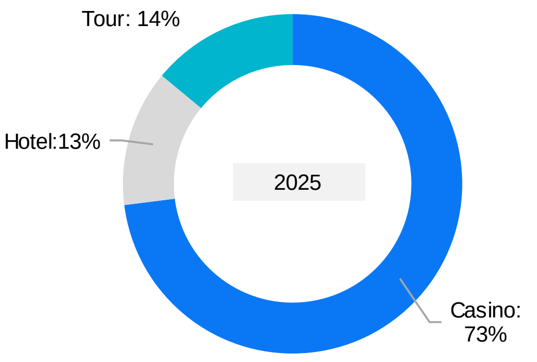
Casino relocated from Lotte Hotel to Grand Hyatt in 2021



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



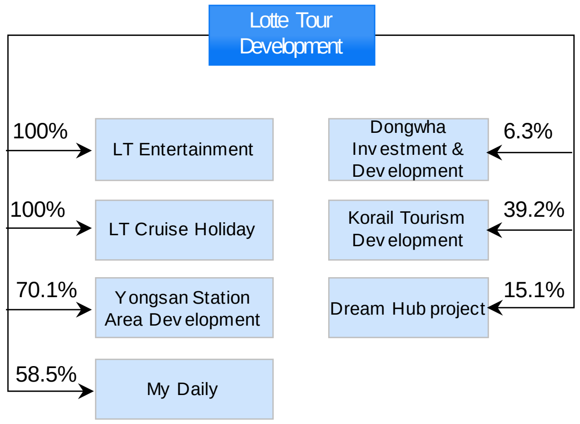
Source: Company data, Samsung Securities

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

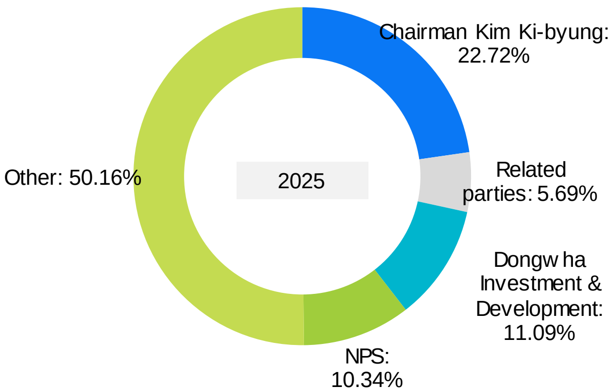
Source: Company data, Samsung Securities

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**	**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

COMPANY UPDATE

2026. 7. 28

Finance/Consumer Goods Team

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Research Center report database

Grand Korea Leisure (114090)

Riding inbound tailwinds; growth strategy is key

- We initiate coverage of GKL at HOLD, with a target price of KRW13,000 (based on 12x 2027 P/E).
- GKL operates casinos in prime urban locations with strong transport links and proximity to major tourist attractions. It is well placed to benefit from rising numbers of foreign visitors to Korea, with earnings growth likely to support higher shareholder returns.
- However, valuation multiple expansion will require GKL to strengthen its non-casino offerings and secure longer-term growth drivers.

Initiating coverage at HOLD, with KRW13,000 target price: We initiate coverage of GKL with a HOLD rating and KRW13,000 target price, based on a 2027 P/E of 12x—a 20% premium to the 10x average 2027 P/E at which Macao casino operators are trading. GKL operates casinos in prime urban locations, positioning it to benefit from rising foreign tourist arrivals and to enjoy gradual earnings improvement. We rate the stock HOLD, however, as the global casino industry is shifting toward integrated resorts and GKL lacks a clear long-term strategy for expanding its non-gaming businesses.

Growing earnings should support higher shareholder returns: GKL's urban casinos sit in key tourist districts with strong transport access. Its Yongsan property is around 15 km from Gimpo International Airport, while its Gangnam property is 25-30 km away; both are easily accessible compared with Paradise Casino Walkerhill in Gwangjin-gu, which is roughly 30 km from the airport. Gangnam is also a major destination for medical tourism and retail shopping, while Yongsan is a key lodging and transit hub, including KTX access. These factors should help GKL capture a growing share of inbound tourists. Improving earnings should support higher shareholder returns. Assuming continued gradual earnings growth and a sustained 50% payout ratio, we forecast 2026 DPS at KRW460 and 2027 DPS at KRW520, up 30% y-y and 12% y-y, respectively.

Strengthening non-casino offerings key to securing longer-term growth: Although gradual earnings improvement is likely as foreign tourist numbers rise, we believe the critical factor for future valuation multiple expansion is the enhancement of longer-term growth drivers. With China's VIP regulations still in place, major casino operators are accelerating their shift toward integrated resorts to offset slowing growth. By contrast, GKL lacks a distinct non-casino growth strategy. Competition from integrated resorts is intensifying, and these resorts have relative advantages in: 1) strengthening VIP marketing through hotel-linked complimentary offerings; and 2) attracting mass-market tourists by driving stay-based consumption. GKL therefore needs a differentiated strategy to address this challenge.

AT A GLANCE

HOLD

Target price	KRW10,000	3.1%
Current price	KRW9,700	
Market cap	KRW600b/USD408.58m	
Shares (float)	61,855,670 (49.0%)	
52-week high/low	KRW17,460/KRW9,180	
Avg daily trading value (60-day)	KRW4.2b/ USD2.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Grand Korea Leisure (%)	-6.4	-24.0	-38.3
Vs Kospi (%pts)	16.6	-42.8	-70.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	10,000	10,000	0.0%
2026E EPS	920	949	-3.1%
2027E EPS	1,035	1,087	-4.8%

SAMSUNG vs THE STREET

No of estimates	11
Target price	14,818
Recommendation	3.9

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

Samsung Securities

Prime locations to benefit as inbound tourist numbers grow

Securing long-term growth drivers still key

Initiating coverage at HOLD, with target price of KRW13,000

We initiate coverage of GKL with a HOLD rating and KRW13,000 target price, based on 12x 2027 P/E—a 20% premium to the 10x average 2027 P/E at which Macao casino operators are trading. GKL's valuation premium is supported by its lower reliance on Chinese visitors than its Macao peers are. However, the absence of an integrated resort caps the premium relative to peers with more diversified non-gaming offerings.

The stock is trading at 12x 2026 P/E and 11x 2027 P/E, slightly above the post-pandemic trough of 10x P/E seen in 2H24. GKL's operating results bottomed in 2024, weighed down by: 1) customer diversion following Inspire Casino's opening in Mar 2024; 2) slowing growth in Chinese VIP drop amount, with drop growth decelerating from 22% y-y in 1Q24 to 13% in 2Q24 and 7% in 3Q24; and 3) lower hold rates. Together, these factors pushed net revenue growth into negative territory (-13% y-y in 1Q24, -2% in 2Q24, and -3% in 3Q24).

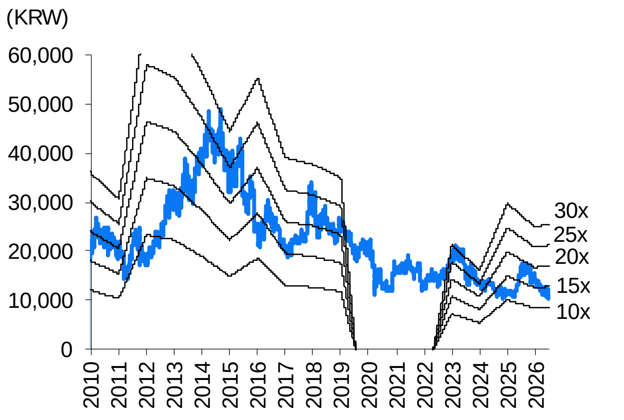
However, we do not expect valuation to revisit 2024 lows. Earnings have begun to recover since 1H25, supported by: 1) improved hold rates, driven by growth in mass-market guest drop; and 2) the introduction of visa-free access to mainland Korea for Chinese group tourists in 2H25. Accordingly, net revenue increased 8% y-y in 2025, versus a 1% decline in 2024. We expect GKL to sustain modest earnings growth, underpinned by a rising number of foreign visitors to Korea and the favorable locations of its casino properties.

GKL: P/E valuation

(KRW)		Note
EPS	1,043	
Target P/E multiple (x)	12	20% premium to the 10x 2027 P/E at which Macao casinos are trading on average
Target price	13,000	

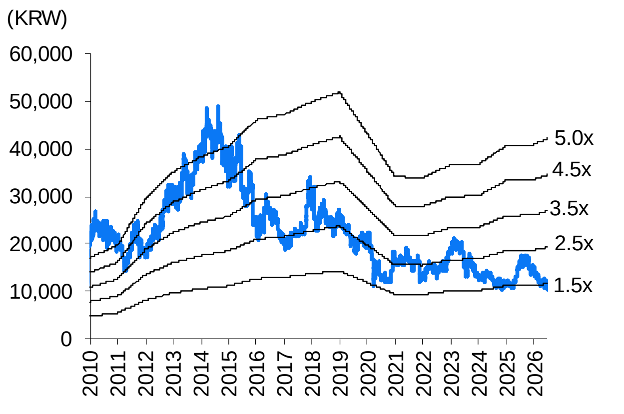
Source: Bloomberg, Samsung Securities estimates

GKL: Forward P/E band



Source: Bloomberg, Samsung Securities

GKL: Forward P/B band



Source: Bloomberg, Samsung Securities

Urban casinos in popular districts should post modest growth as inbound tourism rises

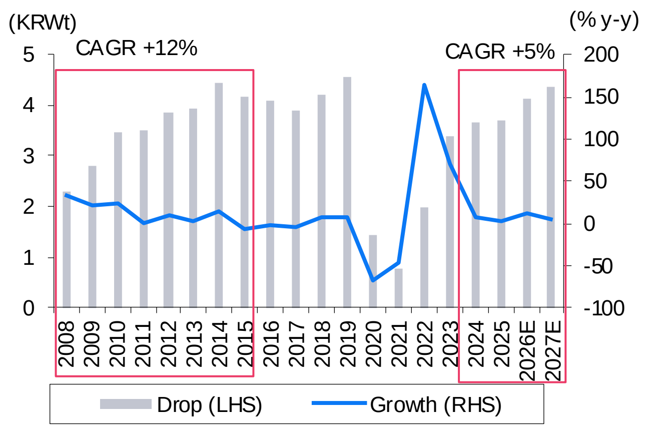
We forecast GKL's 2026 drop, sales, and operating profit at KRW4.1t (up 11% y-y), KRW465b (up 10% y-y), and KRW68b (up 30% y-y), respectively. For 2027, we forecast KRW4.3t, (up 6% y-y) KRW494b (up 6% y-y), and KRW76b (up 11% y-y), respectively. Sales growth should be driven by: 1) structural growth in inbound tourism; and 2) increased visits by foreign tourists, as GKL's casinos are located in Seoul's most visited districts. Operating profit should climb 30% in 2026 and 11% in 2027 on operating leverage from growth in drop and casino revenue.

GKL: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2023	2024	2025	2026E	2027E
Total drop	827	915	974	988	931	1,025	1,070	1,099	3,394	3,648	3,703	4,126	4,372
Chg (% y-y)	(9.7)	(2.8)	6.7	12.4	12.6	12.1	9.9	11.3	70.8	7.5	1.5	11.4	6.0
Japanese VIPs	255	299	268	287	262	296	281	302	990	1,095	1,110	1,142	1,199
Chinese VIPs	152	146	171	169	199	183	188	214	611	661	637	784	824
Other VIPs	160	191	232	225	180	229	267	239	741	795	808	915	961
Mass	181	190	200	200	198	205	221	225	734	773	770	849	910
Slot	80	89	103	107	92	112	113	119	319	324	379	436	479
Hold	13.4%	11.1%	11.2%	11.0%	11.5%	11.8%	11.2%	11.5%	11.7%	10.8%	11.6%	11.5%	11.5%
Sales	110	101	109	103	111	117	117	122	397	396	423	467	495
Gross profit	27	22	26	9	25	27	27	26	80	71	84	105	115
Operating profit	20	16	17	(1)	18	18	18	15	51	38	53	70	77
Pre-tax profit	21	22	19	1	19	21	21	17	55	44	63	78	87
Net profit	16	17	15	(1)	15	16	16	12	44	33	47	58	65
Margins (%)													
Gross profit	24.8	22.2	23.8	8.5	22.9	23.1	23.1	20.9	20.2	17.9	20.0	22.5	23.2
Operating profit	18.4	15.8	15.8	(0.8)	16.4	15.7	15.7	12.4	12.9	9.7	12.4	15.0	15.5
Pre-tax profit	19.3	22.0	17.2	0.9	17.5	17.6	17.6	14.2	13.8	11.0	14.9	16.7	17.5
Net profit	14.7	16.8	13.4	(0.6)	13.6	13.4	13.4	9.6	11.1	8.3	11.1	12.4	13.0
Chg (% y-y)													
Sales	12.2	2.1	16.7	(2.9)	0.7	15.9	7.3	18.6	51.3	(0.1)	6.7	10.4	5.9
Gross profit	31.3	10.7	71.5	(40.7)	(7.0)	20.4	4.1	192.2	542.4	(11.4)	19.1	24.3	9.3
Operating profit	45.6	20.8	198.8	nm	(10.0)	14.8	6.3	nm	nm	(24.9)	37.4	33.0	9.6
Pre-tax profit	54.4	49.6	142.7	(87.9)	(8.9)	(7.3)	9.6	1,849.9	nm	(20.3)	44.5	23.4	11.0
Net profit	57.9	49.7	142.7	nm	(6.3)	(7.8)	6.9	nm	nm	(24.6)	42.4	23.4	11.0

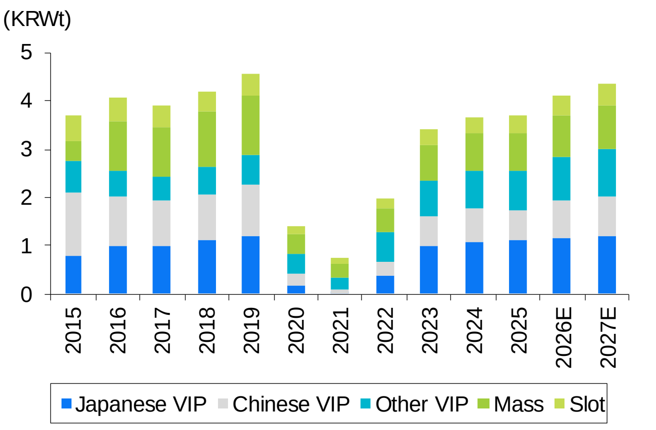
Source: Company data, Samsung Securities estimates

GKL: Drop and growth



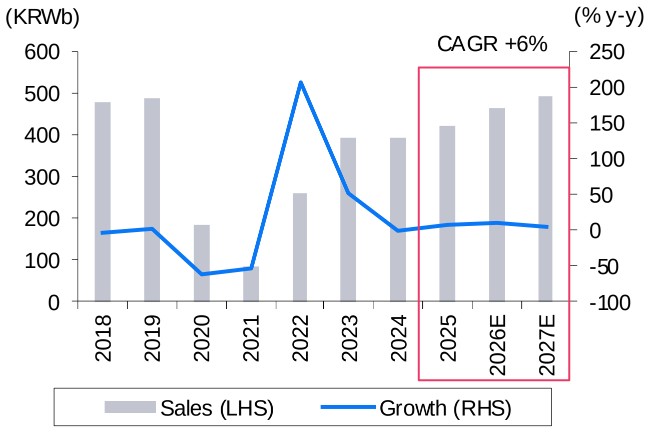
Source: Company data, Samsung Securities estimates

GKL: Drop, by visitor type



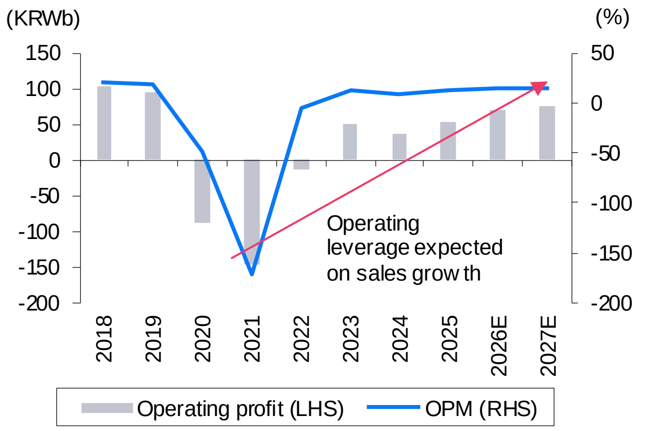
Source: Company data, Samsung Securities estimates

GKL: Sales and growth



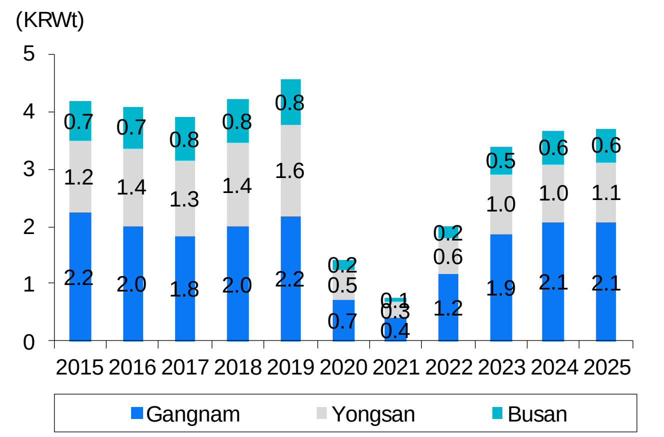
Source: Company data, Samsung Securities estimates

GKL: Operating profit and operating margin



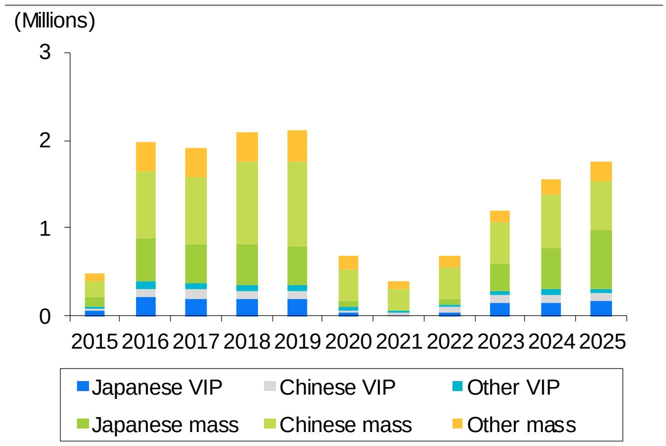
Source: Company data, Samsung Securities estimates

Drop, by casino



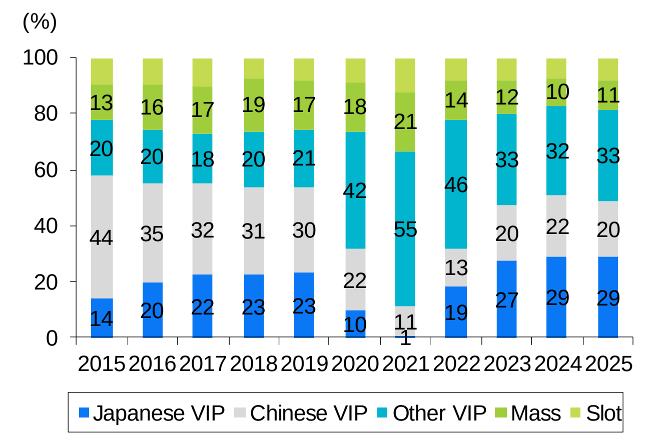
Source: Company data, Samsung Securities

Casino visitors



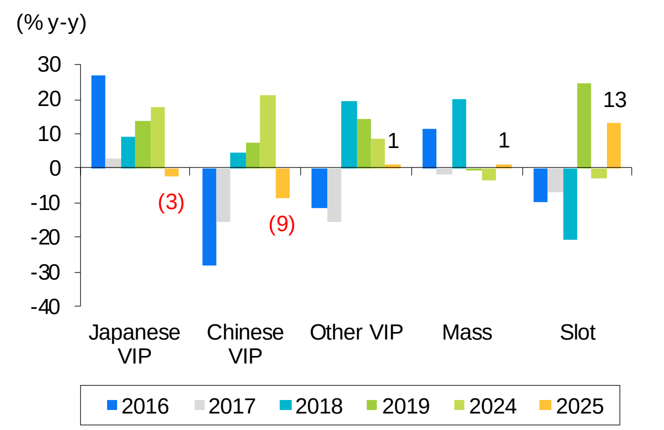
Source: Company data, Samsung Securities

Gangnam casino: Drop contribution, by visitor type



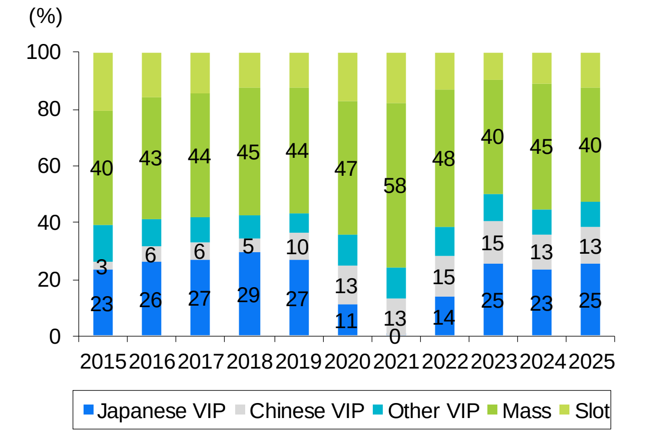
Source: Company data, Samsung Securities

Gangnam casino: Drop growth, by visitor type



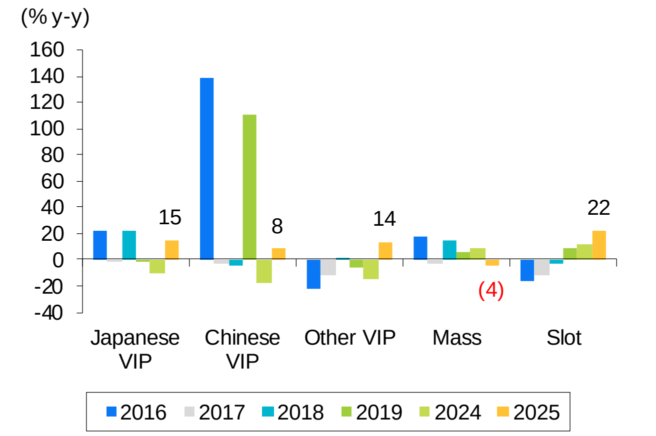
Source: Company data, Samsung Securities

Yongsan casino: Drop contribution, by visitor type



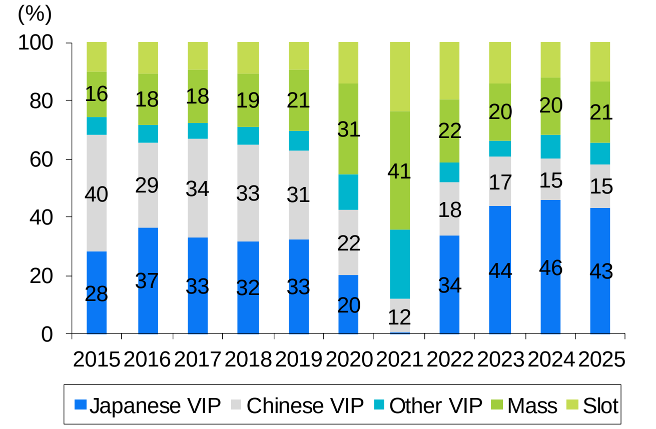
Source: Company data, Samsung Securities

Yongsan casino: Drop growth, by visitor type



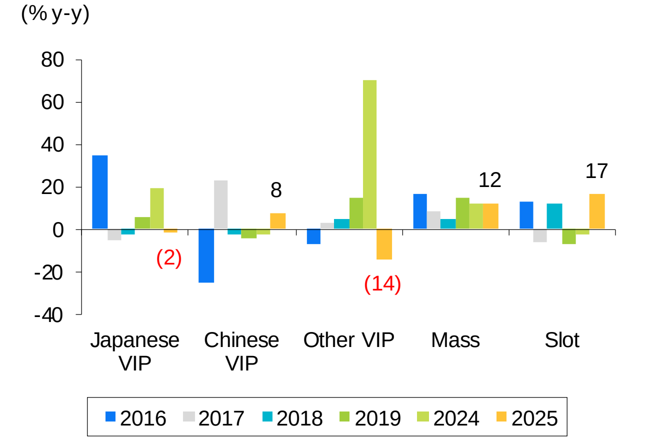
Source: Company data, Samsung Securities

Busan casino: Drop contribution, by visitor type



Source: Company data, Samsung Securities

Busan casino: Drop growth, by visitor type



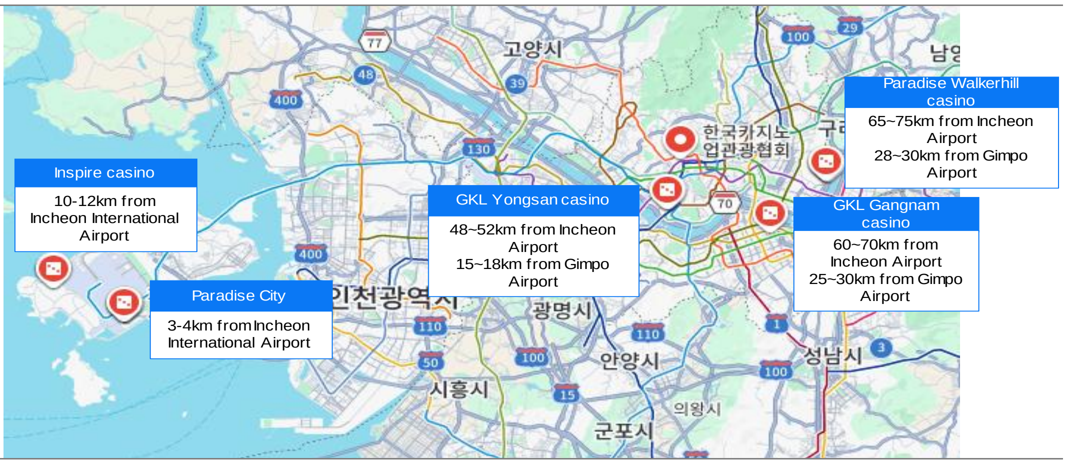
Source: Company data, Samsung Securities

Expecting modest earnings growth, higher shareholder returns

Growing earnings to lift shareholder returns

GKL's competitive edge lies in its locations. It operates three properties: two in Seoul—Gangnam COEX and Yongsan Dragon City—and one in Busan at Lotte Hotel Busan. All are near major transportation hubs and airports, placing them along key routes for foreign tourists and giving GKL a structural advantage over competitors. For example, its Yongsan property is around 15 km from Gimpo International Airport, while its Gangnam property is 25-30 km away. International visitors should find both properties easily accessible compared with Paradise Casino Walkerhill in Gwangjin-gu, which sits roughly 30 km from the airport.

Seoul casino locations

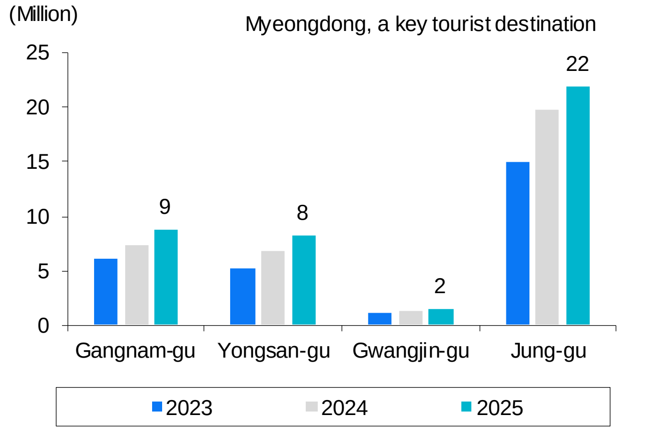


Source: Samsung Securities

Seoul: Yongsan-gu and Gangnam-gu are key hubs for foreign tourists

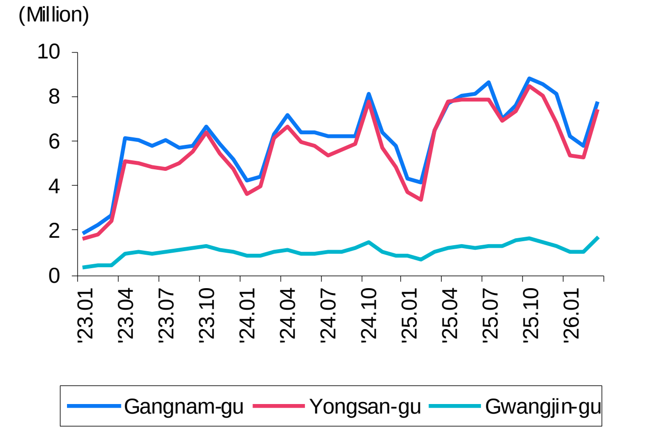
Gangnam-gu and Yongsan-gu are key commercial districts in Seoul with high concentrations of foreign tourists. Gangnam is a major destination for medical tourism and retail shopping, drawing a high share of international visitors. Yongsan is a critical lodging and transit hub, anchored by KTX and Airport Railroad Express connections and a dense concentration of hotels. In 2025, foreign visitor numbers reached 8.76m in Gangnam-gu and 8.24m in Yongsan-gu. While these figures trail Jung-gu (21.84m), which is home to major tourist attractions such as Myeongdong, they far exceed those for Gwangjin-gu (1.51m), where Walkerhill Casino is located.

Seoul: Foreign visitors, by district



Source: Korea Tourism data lab, Samsung Securities

Seoul: Foreign visitors, by district (monthly)



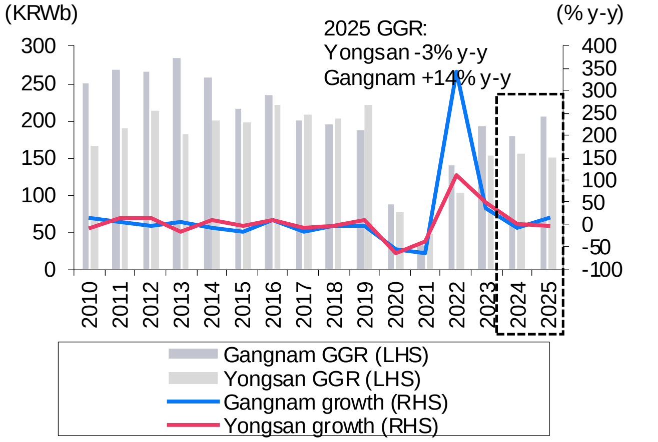
Source: Korea Tourism data lab, Samsung Securities

Foreign visitor growth translating into improved casino performance

Rising tourist inflows have directly improved GKL's operating results. In 2025, its Dragon City property recorded 570,000 visitors (up 8% y-y), while its Gangnam property attracted 360,000 visitors (up 5% y-y). As a result, gross gaming revenue (GGR) at the Gangnam property rose 14% y-y to KRW205.6b.

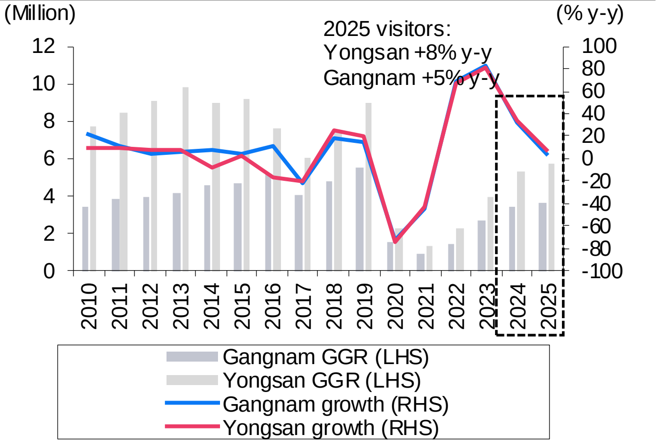
GGR at Dragon City declined 3% y-y to KRW150b, but this was entirely due to a lower hold rate, which fell from 15.3% in 2024 to 14.1% in 2025. Importantly, drop grew strongly across all segments: up 15% for Japanese VIPs, 8% for Chinese VIPs, 33% for Japanese mass-market guests, and 27% for Chinese mass-market guests.%. Notably, mass-market drop is increasing strongly on rising numbers of inbound tourists.

Yongsan and Gangnam casinos: GGR and growth



Source: Korea Tourism Data Lab, Samsung Securities

Yongsan and Gangnam casinos: Visitors and growth

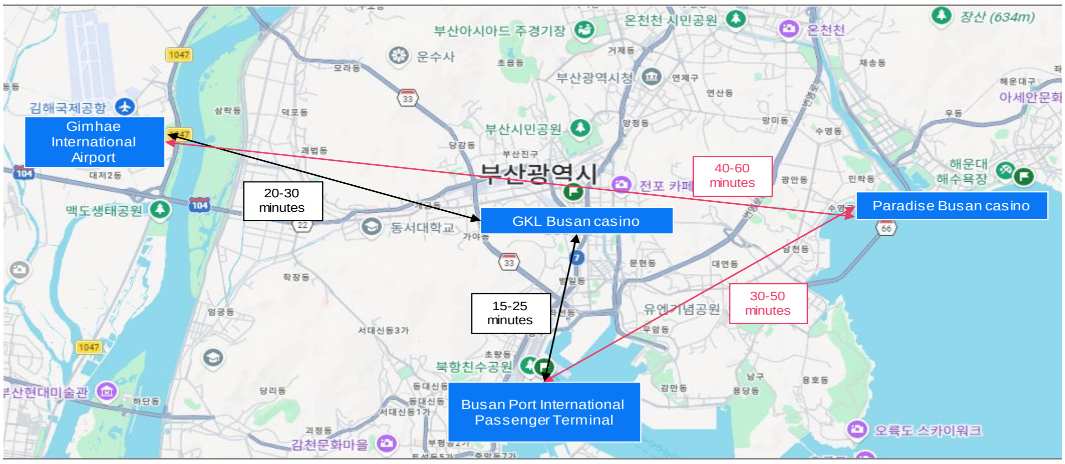


Source: Korea Tourism Data Lab, Samsung Securities

Busan Seven Luck Casino positioned to benefit from foreign tourist growth

GKL's Busan Seven Luck Casino has a clear accessibility advantage over competitors. Located just 20-30 minutes from Gimhae International Airport and 15-25 minutes from Busan Port International Passenger Terminal, the property is significantly closer than Paradise Casino Busan, which is more than 50 minutes from the airport and over 30 minutes from the terminal.

GKL Busan casino location



Source: Samsung Securities

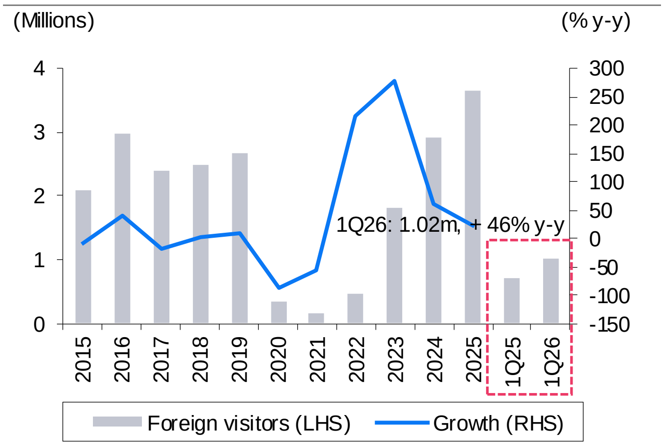
Busan to benefit citywide tourist growth

Although GKL's Busan property is not located in a traditional tourism or retail hub like Dragon City or Gangnam, it should benefit from broader growth in foreign tourist arrivals across the city. Inbound travelers are increasingly venturing beyond Seoul to key destinations such as Busan and Jeju. Busan's global profile rose in 2024 after it was named one of The New York Times' "Five beautiful coastal cities," significantly lifting its international visibility.

In 2025, Busan welcomed a record 3.64m foreign visitors, up 24% y-y. GKL's Busan branch reflected this growth, recording 180,000 visitors (up 8% y-y) and total revenue of KRW69b (up 17% y-y).

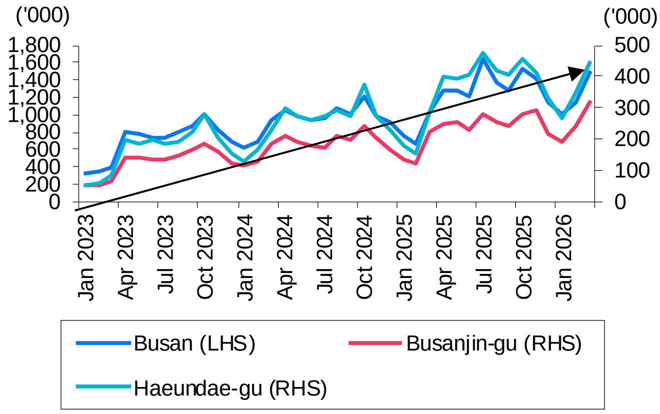
We expect this positive trajectory to continue. First, foreign visitor numbers in Busan surged 46% y-y to 1.02m in 1Q26, signaling accelerating momentum. Second, the BTS concert in Busan in June should further raise the city's profile and drive additional tourist inflows.

Busan: Foreign visitors



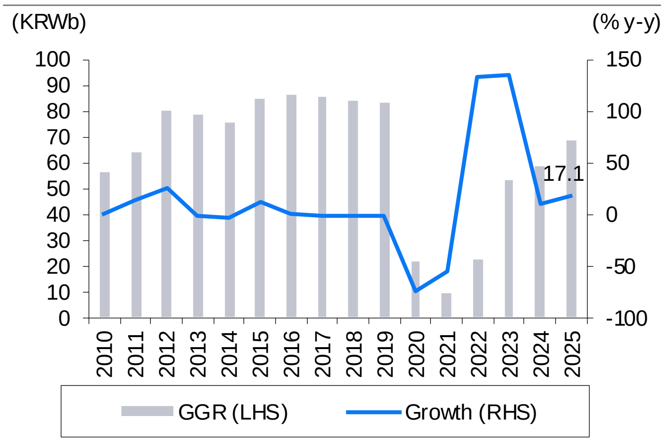
Source: Korea Tourism data lab, Samsung Securities

Busan: Foreign visitors, by district



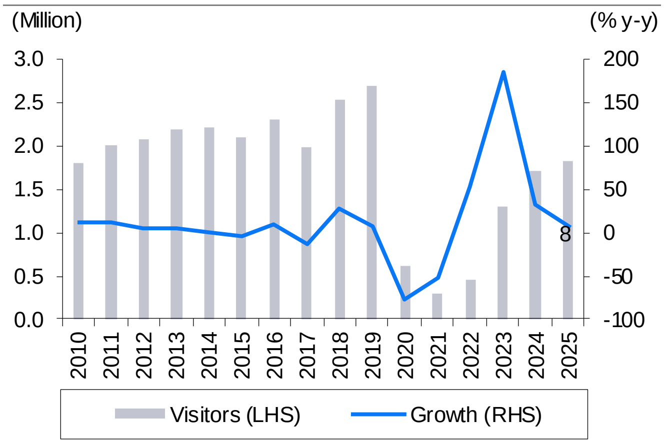
Source: Korea Tourism data lab, Samsung Securities

GKL Busan: GGR and growth



Source: Korea casino association, Samsung Securities

GKL Busan: Visitors and growth



Source: Korea casino association, Samsung Securities

Busan: One of NYT's 5 most beautiful beach cities in 2024

Source: Korea Tourism data lab, Samsung Securities

BTS: Busan concert in Jun 2026

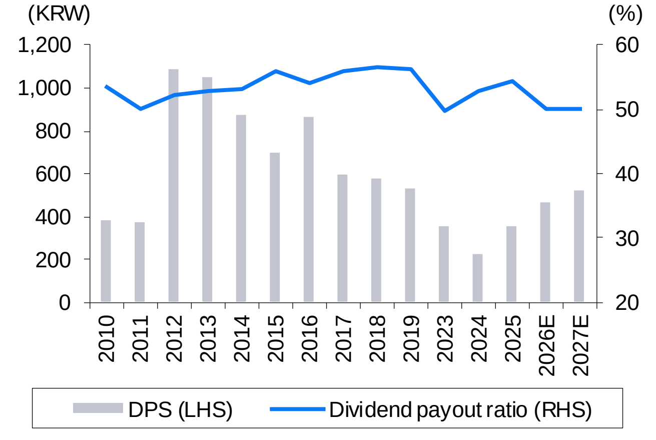
Source: News, Samsung Securities

Improving earnings to drive higher shareholder returns

Dividend payout ratio sustained above 50%; steady DPS growth expected

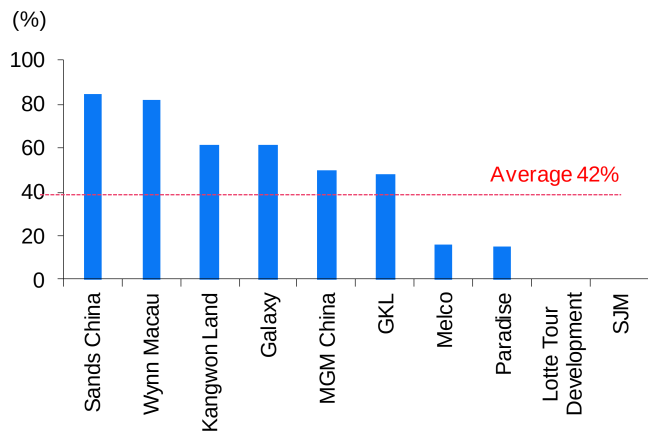
GKL's shareholder-friendly return policy continues to stand out within the casino industry, and ongoing operational improvements should translate directly into higher shareholder returns. Excluding the pandemic years of 2020-2022, the company has consistently maintained a dividend payout ratio of around 50% since its IPO, well above the 42% industry average among domestic and international casino operators. Assuming continued gradual earnings growth and a sustained 50% payout ratio, we forecast 2026 DPS at KRW460 and 2027 DPS at KRW520, up 30% and 12% y-y, respectively.

GKL: DPS and dividend payout ratio



Source: Company data, Samsung Securities estimates

Global casinos: 2026E dividend payout ratio



Source: Bloomberg, Samsung Securities

Casino-only business model: A strength turned constraint

Strengthening non-casino offerings key to securing longer-term growth

Key question: Can GKL move beyond its casino-centric business model?

While gradual earnings improvement is expected in the coming years on growth in foreign tourist arrivals, we believe the critical factor for future valuation multiple expansion is the enhancement of longer-term growth drivers. With China's VIP regulations still in place, major Asian casino operators are accelerating their shift toward integrated resorts to offset slowing growth. By contrast, GKL lacks a distinct non-casino growth strategy. Competition from integrated resorts is intensifying, and these resorts hold relative advantages in: 1) strengthening VIP marketing through hotel-based complimentary offerings; and 2) attracting general tourists by driving stay-based spending. GKL therefore needs a differentiated strategy to address this challenge.

GKL left behind in industry shift toward integrated resorts, due to lease-based hotel model

The casino industry is increasingly shifting toward integrated resorts. This trend is evident not only in Macao but also among major domestic casino operators, which are strengthening non-casino segments—such as hotels, entertainment, and retail—to cultivate new growth engines. The shift is being driven by a structural decline in Chinese VIP demand due to anti-corruption regulations, making it increasingly difficult to generate high growth through casino operations alone.

Domestic casino operators have already begun this transformation. Paradise has evolved beyond a standalone casino model, pursuing a broader leisure strategy through Paradise City Incheon and longer-term hotel development projects. Lotte Tour Development is sustaining a differentiated growth trajectory through Jeju Dream Tower, an integrated resort that combines casino, hotel, and entertainment offerings.

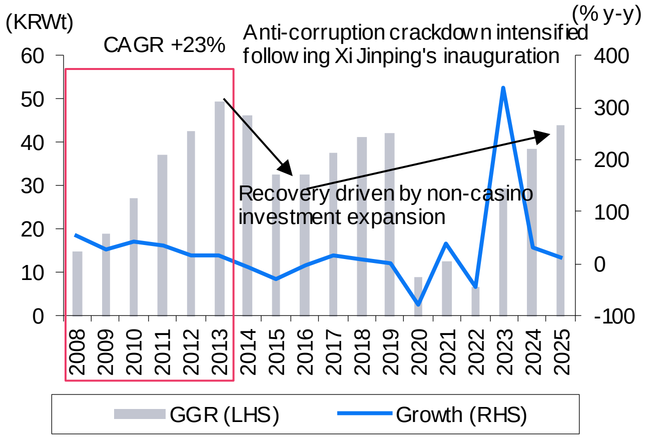
By contrast, GKL appears relatively sidelined from this industry-wide shift. First, it operates its casinos within leased hotel facilities rather than owning the hotels itself. Second, its exploration of non-casino business ventures remains at the conceptual stage. Certainly, leasing reduces the fixed-cost burden and can generate high operating leverage during periods of rising drop. However, with the casino industry having moved beyond its high-growth phase, meaningful change is needed to create additional value.

Korea casino operators: hotel owned

	Lotte Tour Development	Jeju Shinhwa World		Paradise					GKL	
Location	Jeju	Jeju	Seoul	Incheon	Busan	Jeju	Seoul	Seoul	Busan
Hotel name	Grand Hyatt Jeju	Marriot, Landing, Somerset	Walkerhill	Paradise City, Hyatt Regency	Paradise Hotel	Maison Glad	Westin Parnas	Dragon City	Lotte Hotel
Ownership	Directly owned	Directly owned	Rent	JV	Directly owned	Rent	Rent	Rent	Rent
Number of rooms	1,600	2,000	557	1,270	532	513	564	1,700	650

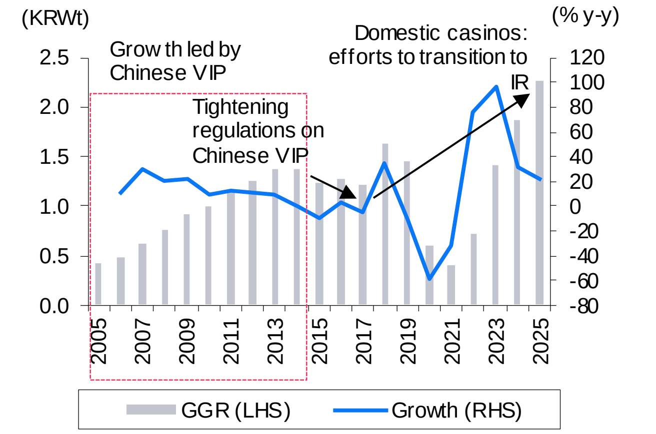
Source: Company data, Samsung Securities

Macao: GGR and growth



Source: Korea Casino Association, Samsung Securities

Korea: GGR and growth



Source: Korea Casino Association, Samsung Securities

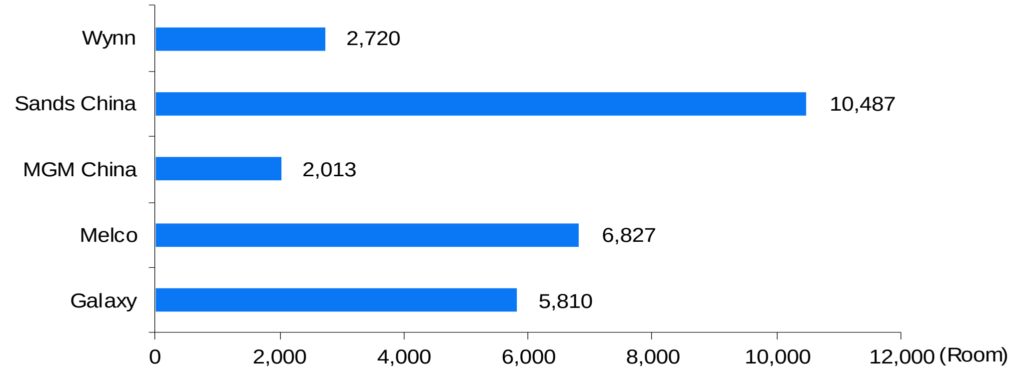
Casino-only model vs integrated resorts: 1. VIP comps via hotel ownership

Macao's casino operators were among the earliest to transition to integrated resorts. These operators now control 2,000-10,000 hotel rooms per property. To attract VIP and premium-mass customers, they have significantly expanded complimentary offerings, or comps, using their owned hotel inventory. In parallel, they plan to invest approximately KRW19t cumulatively by 2032 to further expand non-casino infrastructure, reinforcing this competitive edge.

Domestic casino operators are also increasingly leveraging integrated resort models in their marketing. Paradise, for instance, owns and operates over 1,700 rooms across key locations: 769 rooms at Paradise City Incheon, 532 at Paradise Busan, and 501 at Grand Hyatt Incheon West Tower—all of which are used to deliver targeted VIP comps. Lotte Tour Development similarly deploys its 1,600-room Dream Tower in Jeju as a core asset for VIP acquisition.

By contrast, GKL operates all three of its casino properties within leased hotel spaces, meaning it runs only the gaming floors, not the hotels themselves. This limits its ability to use hotel resources for marketing. As a result, it lacks the structural advantage enjoyed by competitors with owned resorts: the ability to tailor comps and create seamless synergies between casino and non-casino offerings.

Macao casino operators: Number of hotel rooms owned



Source: Bloomberg, Company data, Samsung Securities

Casino-only model vs integrated resorts: 2. Ability to attract general tourists

The absence of non-casino amenities is a structural limitation in attracting mass-market tourists. Foreign visitors are increasingly favoring stayover tourism—spending extended periods in a destination and consuming a broader range of experiences. In this context, entertainment offerings such as Paradise City's Cimer spa and Inspire Resort's Splash Bay water park serve as independent draws for tourists who may have no intention of visiting a casino. By contrast, GKL lacks meaningful stay-based non-casino attractions. As a result, it struggles to consistently attract general tourists who are not primarily motivated by casino gaming.

Paradise City Cimare: Water part and spa

Source: Company data, Samsung Securities

Inspire: Splash Bay

Source: Company data, Samsung Securities

GKL pursuing hotel expansion plans, but implementation may take considerable time

GKL is well aware of this market shift and has signaled a clear intent to move beyond its current leased casino model by establishing its own property. In its Jan 2026 performance report to the Ministry of Culture, Sports and Tourism on the work of public institutions, GKL explicitly identified securing its own property as a longer-term strategic priority. In 1H25, it commissioned a formal feasibility study to begin evaluating potential options in detail.

While the company is financially well positioned to fund such an investment, the process remains subject to government approval—a factor that could significantly extend the timeline.

Financial capacity sufficient to fund investment

Building or acquiring a five-star hotel in Seoul is estimated to require more than KRW500b. The average construction cost for a five-star hotel in Seoul is KRW15m-18m per *pyeong*. For reference, Paradise is currently constructing an 18-storey, 200-room hotel in Jangchung-dong with a total project cost of KRW570b, including KRW390b in construction expenses. Acquiring an existing hotel is also an option: past transactions include the 616-room Grand Hyatt Seoul, which sold for KRW730b, and the 434-room Conrad Seoul Yeouido, which sold for KRW415b.

Given GKL's current financial position, funding such an investment appears entirely feasible. As of end-2025, GKL held KRW213b in cash and cash equivalents, with net cash of KRW386.6b. It also consistently generates around KRW100b in annual operating cash flow and has a net cash position, leaving ample headroom for external borrowing if needed. Thus, the company could pursue a combination of internal cash and debt financing.

Government approval is the key issue, with Korea Tourism Organization holding a 51% stake in GKL

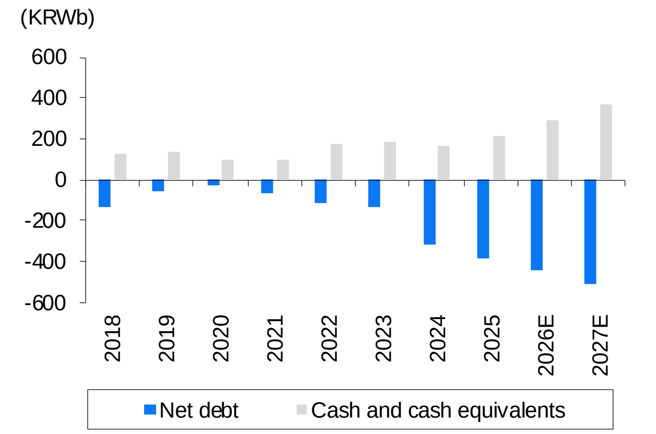
While financial capacity is not a constraint, government approval is the decisive factor. GKL is a public enterprise in which the Korea Tourism Organization holds a 51% stake. As such, any major new initiative requires formal approval from the relevant ministry and must undergo government budgetary review. Thus, even if GKL has sufficient financial capacity, a direct hotel acquisition could take considerable time to translate into an operating business.

Seoul hotel transactions (2024-2025)

Hotel	Location	Opening year	Star rating	Rooms	Transaction date	Seller	Buyer	Transaction price (KRWb)
Tmark Grand Hotel Myeongdong	Jung-gu	2016	4	576	1Q24	Hana Alternative Asset Management	Gravity Asset Management	228.2
Shilla Stay Gwanghwamun	Jongno	2015	3	339	1Q24	IGIS Asset Management	Shinhan REIT Management	146.3
The State Sunyu Hotel	Yeongdeungpo	2018	-	146	2Q24	Hansung Development	LB Asset Management	47.4
Grand Hyatt Seoul	Yongsan-gu	1978	5	615	2Q24	Seoul Miramar	Seoul Miramar	730.0
Conrad Seoul	Yeongdeungpo	2012	5	434	3Q24	SIFC Hotel Development	ARA Korea	415.0
L7 Gangnam by Lotte	Gangnam-gu	2017	4	333	3Q24	Mastern Investment	Lotte	504.2
Hotel Skypark Dongdaemun 1	Jung-gu	2014	2	254	3Q24	M Plus Asset Management	Individual	47.0
Nine Tree Myeongdong	Jung-gu	2012	3	144	4Q24	Capstone Asset Management	SDB Investment	75.0
Lotte City Hotel Guro	Guro-gu	2014	3	287	1Q25	IGIS	IGIS	416.0
Four Points by Sheraton Josun, Seoul Station	Yongsan-gu	2015	4	342	1Q25	Macquarie	KB Asset Management	172.0
Shilla Stay Mapo	Mapo-gu	2015	3	382	2Q25	Hana Alternative	Shinhan REIT Management	143.0
Mercure Ambassador Seoul Hongdae	Mapo-gu	2020	4	270	2Q25	Hyundai Asset Management	JB Asset Management	262.0
CS Premier Hotel Seoul	Gwanak-gu	2017	3	104	4Q25	CS Premier Hotel Seoul	Koramco REIT	22.8
Creator Town Seogyo	Mapo-gu	2023	3	296	4Q25	IGIS	D&D Investment	143.0
Four Points by Sheraton Seoul, Myeongdong	Jung-gu	2020	4	375	4Q25	IGIS	Pacific Investment	246.3
Courtyard by Marriot Seoul Namdaemun	Jung-gu	2016	4	400	4Q25	KT&G	Heungkuk REIT	254.2

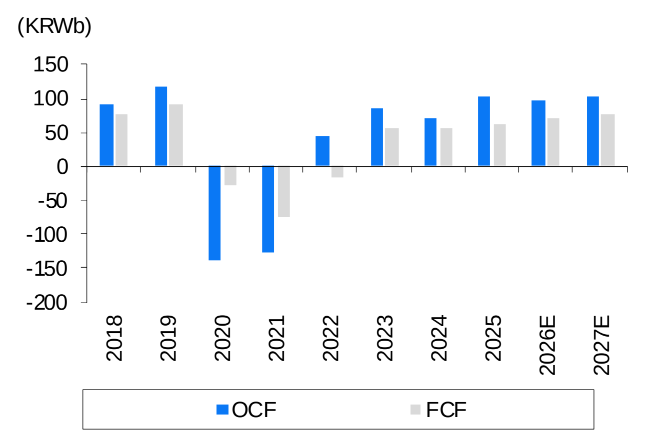
Source: Rsquare, News, Samsung Securities

Net debt vs cash and cash equivalents



Source: Company data, Samsung Securities estimates

FCF vs OCF



Source: Company data, Samsung Securities estimates

Casino-only business model

Appendix: Company overview

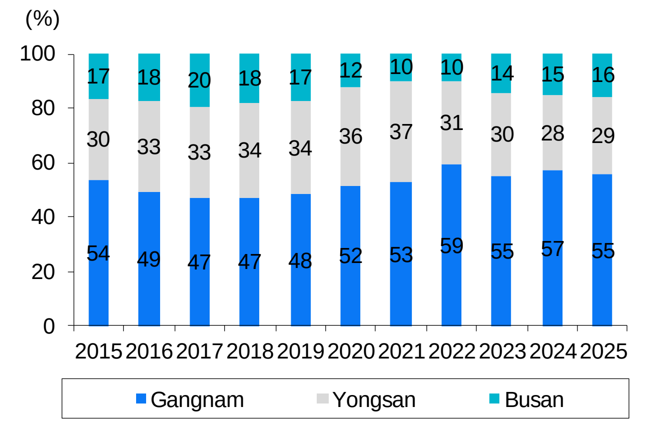
Casino-only business model

Grand Korea Leisure (GKL) is a public enterprise licensed to operate casinos exclusively for foreign visitors, with the Korea Tourism Organization as its largest shareholder. Since it was established in 2005, GKL has operated three foreigner-only casinos under the Seven Luck brand: two in Seoul—Gangnam COEX and Dragon City—and one in Busan at Lotte Hotel Busan.

As of 2025, drop by location breaks down as follows: Gangnam 55%, Yongsan 29%, and Busan 16%. Net sales break down as follows: Gangnam 48%, Yongsan 35%, and Busan 16%. By nationality, drop comprises Japanese VIPs at 30%, Chinese VIPs at 17%, other VIPs at 22%, and mass-market customers (including slots) at 31%.

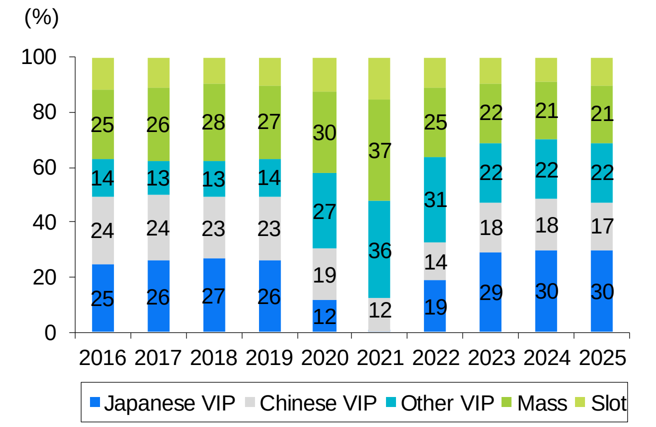
GKL operates under a casino-only business model, with no direct ownership of hotels, resorts, or ancillary facilities. All its casinos are leased within existing hotel properties. This structure gives GKL relatively low fixed costs and a light asset profile, which is positive, but also imposes structural constraints on extending customer dwell time and generating incremental revenue compared with integrated resorts designed to drive stay-based consumption.

Drop contribution, by casino



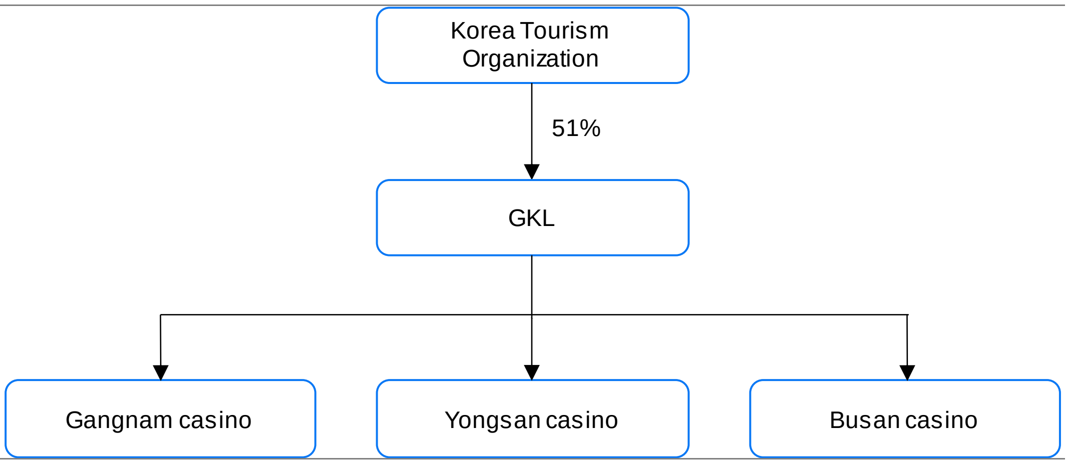
Source: Company data, Samsung Securities

Drop contribution, by visitor type



Source: Company data, Samsung Securities

GKL: Corporate governance



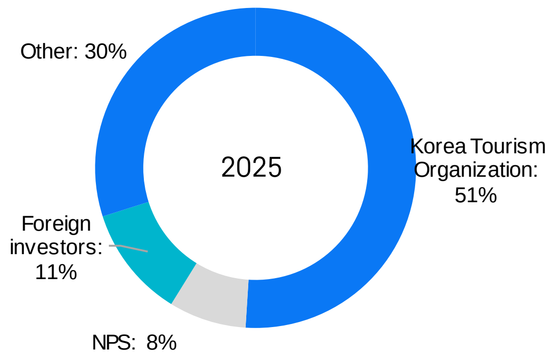
Source: Samsung Securities

GKL: History

Year	Event
Sep 2005	Grand Korea Leisure established
Jan 2006	Seven Luck brand launched and casino business started
Jan 2006	Gangnam casino opened
May 2006	Millennium Hilton Casino opened
June2006	Busan casino opened
Oct 2009	Gangnam casino expanded (3rd floor added)
Nov 2009	Listed on Kospi
Sep 2010	Millennium Hilton Casino expanded
2018-2022	Preparing to relocate Hilton casino to Dragon City in Yongsan
Jan 2023	Millennium Hilton Casino relocated to Yongsan Dragon City
2025~	Considering expanding non-casino businesses

Source: Company data, Samsung Securities

GKL: Shareholders



Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**396**	**423**	**465**	**494**	**514**
Cost of goods sold	325	338	362	380	397
Gross profit	**71**	**84**	**103**	**114**	**117**
Gross margin (%)	17.9	20.0	22.2	23.1	22.8
SG&A expenses	33	32	35	38	41
Operating profit	**38**	**53**	**68**	**76**	**76**
Operating margin (%)	9.7	12.4	14.7	15.4	14.9
Non-operating gains (losses)	**5**	**10**	**8**	**10**	**12**
Financial profit	11	15	8	6	6
Financial costs	4	4	2	2	3
Equity-method gains (losses)	0	0	0	0	0
Other	-2	-1	2	7	8
Pre-tax profit	**44**	**63**	**76**	**86**	**88**
Taxes	11	16	15	16	17
Effective tax rate (%)	24.3	25.4	19.2	18.4	19.3
Profit from continuing operations	33	47	48	49	53
Profit from discontinued operations	0	0	0	0	0
Net profit	**33**	**47**	**57**	**64**	**66**
Net margin (%)	8.3	11.1	12.2	13.0	12.8
Net profit (controlling interests)	33	47	57	64	66
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	70	85	101	108	109
EBITDA margin (%)	17.7	20.1	21.7	22.0	21.2
EPS (parent-based) (KRW)	534	761	920	1,035	1,062
EPS (consolidated) (KRW)	534	761	920	1,035	1,062
Adjusted EPS (KRW)*	534	761	920	1,035	1,062

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**366**	**434**	**522**	**573**	**618**
Cash & equivalents	168	213	288	368	448
Accounts receivable	7	10	15	16	17
Inventories	3	3	3	3	3
Other current assets	188	208	215	185	150
Fixed assets	**250**	**217**	**205**	**193**	**181**
Investment assets	25	20	20	20	20
Tangible assets	66	66	64	62	60
Intangible assets	6	6	6	6	6
Other long-term assets	153	125	115	105	95
Total assets	**616**	**651**	**727**	**766**	**800**
Current liabilities	**165**	**179**	**227**	**204**	**218**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	48	54	56
Other current liabilities	165	179	179	151	162
Long-term liabilities	**37**	**30**	**27**	**25**	**22**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	37	30	27	25	22
Total liabilities	**203**	**210**	**254**	**258**	**258**
Owners of parent equity	**414**	**441**	**473**	**508**	**542**
Capital stock	31	31	31	31	31
Capital surplus	21	21	21	21	21
Retained earnings	361	389	421	456	490
Other	0	0	0	0	0
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**414**	**441**	**473**	**508**	**542**
Net debt	-294	-365	-394	-469	-548

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**72**	**105**	**96**	**104**	**106**
Net profit	33	47	57	64	66
Non-cash profit and expenses	42	44	41	45	46
Depreciation	32	32	32	32	32
Amortization	0	0	0	0	0
Other	10	11	9	13	13
Changes in A/L from operating activities	-8	9	-2	-1	-1
Cash flow from investments	**-40**	**-19**	**-10**	**-10**	**-10**
Change in tangible assets	-5	-8	-10	-10	-10
Change in financial assets	-175	-15	-15	-16	-17
Other	139	5	15	16	17
Cash flow from financing	**-49**	**-41**	**-11**	**-14**	**-16**
Change in debt	-18	-7	48	6	2
Change in equity	0	0	-3	-3	-2
Dividends	-26	-17	-26	-26	-26
Other	-6	-16	-30	9	10
Change in cash	-17	45	75	80	80
Cash at beginning of year	186	168	213	288	368
Cash at end of year	168	213	288	368	448
Gross cash flow	**75**	**91**	**98**	**109**	**112**
Free cash flow	**66**	**96**	**86**	**94**	**96**

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	-0.1	6.7	9.9	6.2	4.1
Operating profit	-24.9	37.4	30.0	11.2	0.4
Net profit	-24.6	42.4	20.9	12.4	2.6
Adjusted EPS**	-24.6	42.4	20.9	12.4	2.6
Per-share data (KRW)					
EPS (parent-based)	534	761	920	1,035	1,062
EPS (consolidated)	534	761	920	1,035	1,062
Adjusted EPS**	534	761	920	1,035	1,062
BVPS	6,686	7,137	7,643	8,218	8,762
DPS (common)	282	414	460	517	531
Valuations (x)					
P/E***	20.7	19.7	10.5	9.4	9.1
P/B***	1.7	2.1	1.3	1.2	1.1
EV/EBITDA	5.5	6.6	2.0	1.2	0.5
Ratios (%)					
ROE	8.0	11.0	12.5	13.0	12.5
ROA	5.3	7.4	8.3	8.6	8.4
ROIC	69.0	252.4	760.9	991.4	-209.1
Payout ratio	52.8	54.4	50.0	50.0	50.0
Dividend yield (common)	2.6	2.8	4.7	5.3	5.5
Net debt to equity	-71.0	-82.7	-83.4	-92.3	-101.1
Interest coverage (x)	11.9	20.7	28.5	30.8	30.0

COMPANY INITIATION

2026. 7. 28

Finance/Consumer Goods Team

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Kangwon Land (035250)

Short-term pain, long-term gain: Growth & dividends in sight

- We initiate coverage of Kangwon Land at BUY, with a target price of KRW18,000 (based on 12x P/E).
- The opening of its second casino in 2028 should accelerate sales and profit growth.
- Growth is likely to slow over 2026-2027, making dividends a more compelling near-term focus.

AT A GLANCE

BUY

Target price	KRW18,000	24.2%
Current price	KRW14,490	
Market cap	KRW3.1t/USD2.1b	
Shares (float)	213,940,500 (56.4%)	
52-week high/low	KRW19,530/KRW14,110	
Avg daily trading value (60-day)	KRW10.3b/ USD7.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kangwon Land (%)	2.5	-17.4	-25.6
Vs Kospi (%pts)	27.7	-37.9	-64.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	18,000	18,000	0.0%
2026E EPS	1,183	1,183	0.0%
2027E EPS	1,270	1,270	0.0%

SAMSUNG vs THE STREET

No of estimates	10
Target price	21,100
Recommendation	4.0

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

WHAT'S THE STORY?

Initiating at BUY with target price of KRW18,000: We initiate coverage of Kangwon Land with a BUY rating and a target price of KRW18,000 (based on a P/E multiple of 12x, a 20% premium to the average 2027 P/E of 10x for Macao casino operators). Sales growth is likely to slow over 2026-2027 and profits may contract, as the company channels resources into limited casino capacity upgrades, resort facility renovations, and construction of a second casino. The payoff, however, should arrive in 2028, with the launch of the second casino and the normalization of hotel operations driving a synchronized rebound in sales and profits.

Full-scale growth likely from 2028: Kangwon Land is likely to enter a new chapter of growth in 2028, as it: 1) opens its second casino, expanding casino floor area from 4,390 to 6,129 *pyeong*; 2) increases gaming equipment by adding 50 tables and 250 slot machines; and 3) completes renovations of 757 of its 1,827 hotel and condo rooms. We expect 2028 sales of KRW1.72t (up 12% y-y) and operating profit of KRW310.5b (up 36% y-y), marking a meaningful acceleration in both metrics.

Shareholder returns to expand as growth resumes: Even if short-term profit contraction becomes more apparent, the company's aggressive shareholder return policy could give investors an additional reason to look past the temporary growth slowdown. This view is based on two factors: 1) the company's aggressive shareholder return policy, which targets a total payout ratio of around 60%; and 2) a dividend payout ratio aligned with the global casino industry average of 50%. While near-term earnings softness is likely to constrain absolute dividend growth, we expect shareholder returns to expand alongside a meaningful profit recovery from 2028. During this period of earnings decline, the company may also consider raising its dividend payout ratio above 50%, having previously increased it to 60% to maintain dividend levels.

(Continued on the next page)

Looking beyond short-term slowdown and preparing for a 2028 breakthrough

Growth to accelerate with second casino launch in 2028

Initiating coverage at BUY, with target price of KRW18,000

We initiate coverage of Kangwon Land with a BUY rating and a target price of KRW18,000. Our target price is based on a P/E multiple of 12x, reflecting a 20% premium to the average P/E of 10x for Macao casino operators, in view of the premium currently enjoyed by domestic casino companies relative to their Macao peers.

The company is trading at 13x 2026 P/E and 12x 2027 P/E, above its post-pandemic valuation low of 9x P/E in 2024. However, we believe a return to that low is unlikely. The 2024 valuation decline was mainly driven by: 1) concerns over intensifying competition ahead of the 2030 opening of a casino resort in Osaka, Japan; and 2) uncertainty over the feasibility of the company's announced casino expansion plans. Given the regulatory easing confirmed in Sep 2024—which allows Kangwon Land to expand casino floor space, add gaming equipment (tables and slot machines), and broaden access to foreign guests with foreigner-only zones—we believe the likelihood of a return to historical valuation lows is low.

That said, the company is better assessed through a medium- to long-term lens. In the near term, sales growth is likely to slow and operating profit may contract, due to operational disruptions from room renovations and increased capital expenditure. Nevertheless, we maintain a positive longer-term outlook, underpinned by: 1) an improved operating environment supported by relaxed casino regulations; and 2) growth potential tied to the planned 2028 expansion of casino facilities. While near-term earnings pressure is likely, the company's longer-term rerating potential remains compelling.

Kangwon Land: P/E valuation

(KRW)		Note
EPS	1,605	2028E
Target P/E multiple (x)	12	20% premium to the 10x 2027 P/E at which Macao casinos are trading on average
Discount rate (%)	7.0%	WACC
Target price	18,000	

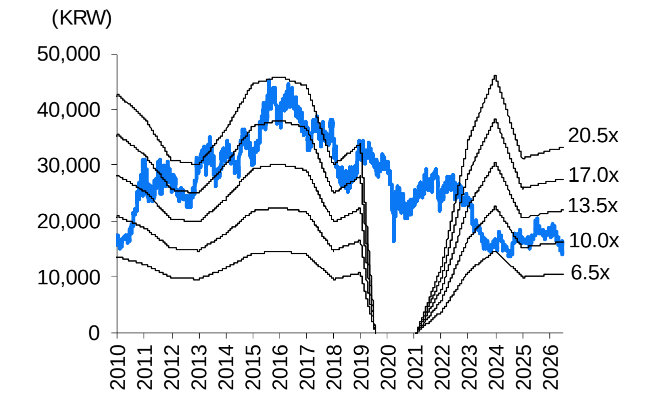
Source: Samsung Securities estimates

Discount rate

COE	**7.1%**	
Risk free rate	2.55%	KOFR 180-day average
Adjusted beta	0.45	
Market risk premium	10.0%	
COD	**3.8%**	**Korea Ratings: AA bond yield**
Equity weight	1	
Debt weight	0	
WACC	**7.1%**	

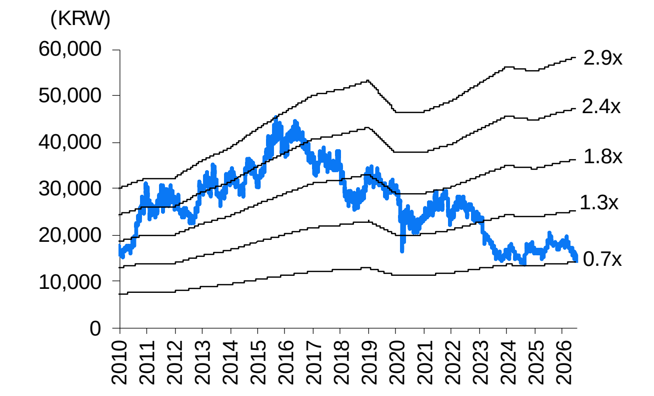
Source: Samsung Securities

Kangwon Land: Forward P/E band



Source: Bloomberg, Samsung Securities

Kangwon Land: Forward P/B band



Source: Bloomberg, Samsung Securities

Preparing to become a global integrated resort; growth slowdown inevitable in near term

Kangwon Land faces muted near-term growth. We expect 2026 sales of KRW1.48t (flat y-y) and operating profit of KRW212.5b (down 10% y-y), followed by 2027 sales of KRW1.53t (up 4% y-y) and operating profit of KRW229.3b (up 8% y-y). Sales may see modest gains from gradual regulatory easing—such as higher table betting limits—but operating profit is set to decline due to operational disruptions from room renovations and rising investment costs ahead of the second casino opening in 2028.

The company is likely to enter a new chapter of growth in 2028, with the opening of its second casino and the normalization of room operations. With the second casino opening, gaming floor area will expand from 4,390 to 6,129 *pyeong*, with the addition of 50 new tables and 250 slot machines. This expansion is projected to lift sales to KRW1.72t in 2028 (up 12% y-y) and operating profit to KRW310.5b (up 36% y-y), driving a sharp recovery in both revenue and profitability.

Lawsuit over Abandoned Mine Fund: Downside limited, and one-off gain a possibility

Meanwhile, the company's net profit could receive a boost depending on the Supreme Court's ruling in the firm's dispute with Gangwon Province over Abandoned Mine Fund payments. Under the Special Act on the Assistance to the Development of Abandoned Mine Areas, Kangwon Land currently remits 13% of its casino sales to the fund. Prior to the 2021 regulatory change, the rate was 25% of net profit, and the company had been applying this rate to net profit after deducting the fund payment. Gangwon Province argues that the contribution should have been calculated based on net profit before any deduction, implying a higher amount due under the previous rule.

In May 2020, Gangwon Province claimed the company had underpaid by KRW225b for 2014-2019 and demanded additional payment. The company filed an administrative lawsuit to challenge the decision. Kangwon Land won outright in the first trial. In the second trial, it secured a partial victory, with the court recognizing a payment obligation only for 2019, amounting to KRW36.3b, and ruling that no additional payment was due for 2014-2018. Gangwon Province has appealed, and the case is now under Supreme Court review.

Notably, if the company loses the final appeal, the additional cost would be limited. If it wins, however, it could recognize a one-time gain of about KRW188b, equivalent to roughly 59% of its 2025 net profit of KRW318b. To date, the company has paid KRW107.1b in cash toward the total KRW225b claim and recorded the remainder as provisioning.

If the Kangwon Land ultimately prevails, it could recover both the cash already paid and the provisioning it set aside. If recognized in 2026, this would add approximately 60% upside to our current 2026 net profit forecast of KRW253.2b, raising it to KRW407b.

Ongoing lawsuit over Abandoned Mine Fund

(KRWb)	2014	2015	2016	2017	2018	2019	Total
Kangwon Land's payment to Abandoned Mine Fund (A)	143.4	161.7	166.5	158.2	124.8	145.2	899
Gangwon Province's payment demand (B)	179.0	202.4	208.2	197.8	156.1	181.5	1,125
Additional payment demanded (B-A)	35.6	40.7	41.7	39.6	31.3	36.3	225

Source: Company data, Samsung Securities

Kangwon Land: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Sales	366	361	384	365	379	348	392	359	1,427	1,477	1,478	1,533	1,723
Casino	317	332	334	326	330	323	350	331	1,245	1,308	1,334	1,388	1,566
Other	49	29	50	40	49	24	43	28	182	169	144	145	157
Gross profit	103	93	111	80	103	85	96	79	419	383	363	383	472
Casino	137	139	143	130	140	126	150	126	565	548	542	557	668
Other	(34)	(46)	(32)	(49)	(37)	(40)	(54)	(47)	(146)	(165)	(179)	(174)	(197)
Operating profit	74	59	73	30	69	50	58	36	286	235	212	229	311
Pre-tax profit	97	82	145	66	54	88	95	73	565	389	310	333	420
Net profit	75	63	113	68	40	71	78	64	457	318	253	272	343
Margins (%)													
Gross profit	28.1	25.6	28.8	22.0	27.1	24.6	24.6	21.9	29.4	25.9	24.6	25.0	27.4
Casino	43.2	41.8	42.7	39.9	42.3	38.9	43.0	38.1	45.4	41.9	40.6	40.2	42.7
Other	(68.3)	(157.7)	(63.1)	(124.2)	(76.5)	(165.6)	(126.7)	(166.5)	(80.3)	(97.9)	(124.2)	(120.1)	(125.1)
Operating profit	20.3	16.2	18.9	8.1	18.2	14.4	14.8	9.9	20.0	15.9	14.4	15.0	18.0
Pre-tax profit	26.5	22.6	37.7	18.0	14.2	25.2	24.3	20.3	39.6	26.4	21.0	21.7	24.4
Net profit	20.4	17.4	29.4	18.5	10.5	20.6	19.9	17.8	32.0	21.5	17.1	17.7	19.9
Chg (y-y %)													
Sales	(0.6)	6.8	2.2	6.0	3.4	(3.6)	2.1	(1.7)	2.8	3.5	0.1	3.7	12.4
Casino	0.2	8.6	4.2	7.5	4.3	(2.4)	4.7	1.5	3.2	5.0	2.0	4.0	12.8
Other	(5.2)	(10.0)	(9.2)	(4.2)	(1.8)	(17.0)	(15.5)	(28.5)	(0.4)	(7.0)	(14.8)	0.8	8.4
Gross profit	(3.5)	(10.7)	(11.8)	(2.8)	(0.3)	(7.7)	(13.1)	3.0	2.4	(8.6)	(5.1)	5.5	23.1
Casino	(5.4)	(3.9)	(4.5)	2.7	2.2	(9.4)	5.4	0.2	1.4	(3.0)	(0.4)	2.9	19.9
Other	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Operating profit	(2.0)	(20.9)	(22.1)	(30.5)	(7.2)	(14.5)	(20.3)	19.2	1.2	(17.7)	(9.7)	7.9	35.5
Pre-tax profit	(20.8)	(56.6)	23.1	(51.8)	(44.5)	7.1	(34.1)	10.9	23.6	(31.1)	(20.4)	7.3	26.3
Net profit	(19.6)	(61.0)	24.4	(39.7)	(46.8)	13.8	(31.1)	(5.4)	34.0	(30.4)	(20.4)	7.3	26.3

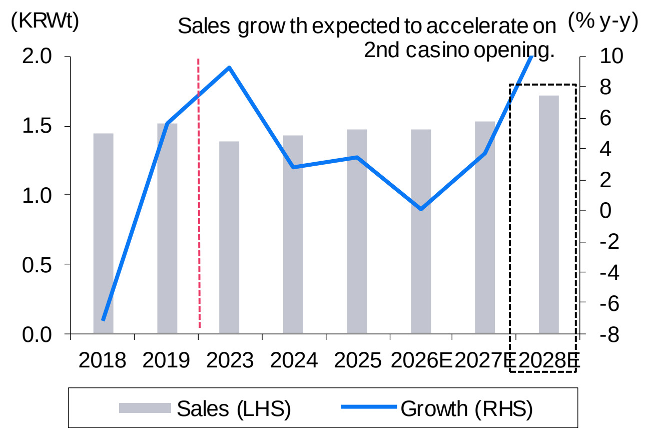
Source: Company data, Samsung Securities estimates

Kangwon Land's casino: Key metrics

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Drop	1,454.9	1,473.3	1,602.6	1,547.5	1,500.8	1,502.9	1,634.8	1,562.0	5,595	6,078	6,200	6,451	7,209
Chg (% y-y)	5.5	9.4	6.9	13.0	3.2	2.0	2.0	0.9	(2.2)	8.6	2.0	4.0	11.8
Visitors (mil)	621.0	578.5	661.2	617.9	625.9	595.9	681.0	600.6	2,373	2,479	2,503	2,554	2,694
Chg (% y-y)	2.7	5.9	2.2	7.3	0.8	3.0	3.0	(2.8)	(1.6)	4.4	1.0	2.0	5.5
Drop per visitor (KRWm)	2.3	2.5	2.4	2.5	2.4	2.5	2.4	2.6	2.4	2.5	2.5	2.5	2.7
Chg (% y-y)	2.7	3.3	4.6	5.3	2.3	(1.0)	(1.0)	3.8	(0.6)	4.0	1.0	2.0	5.9

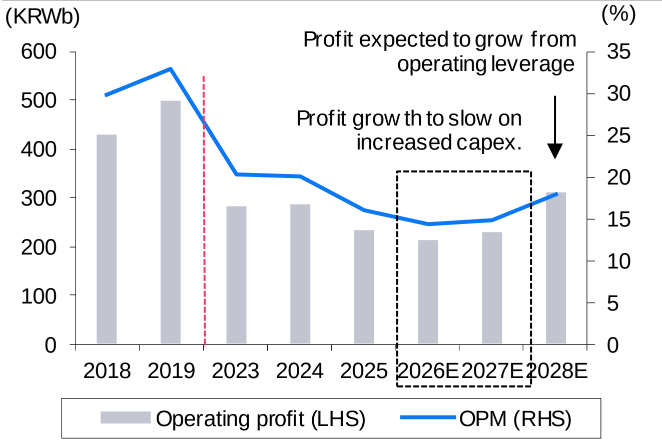
Source: Company data, Samsung Securities estimates

Sales and growth



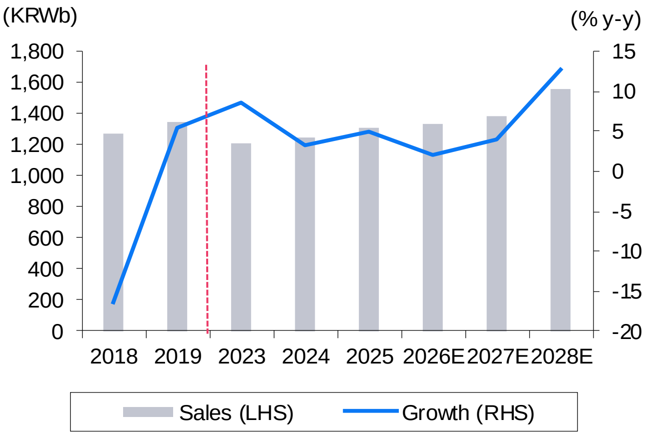
Source: Company data, Samsung Securities estimates

Operating profit and operating margin



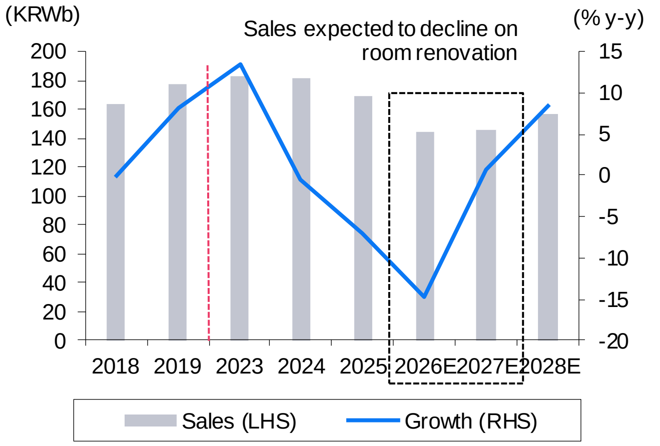
Source: Company data, Samsung Securities estimates

Casino: Sales and growth



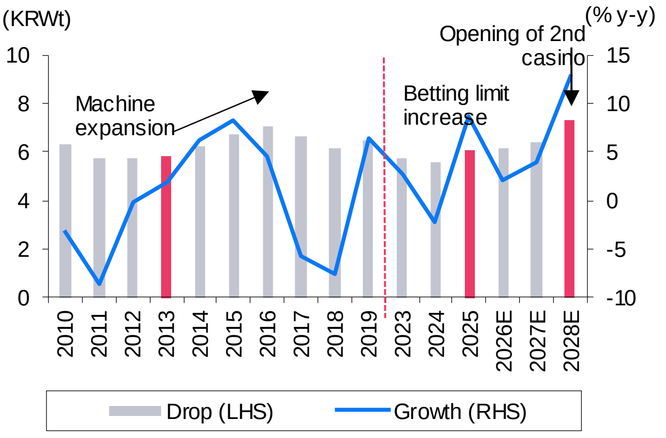
Source: Company data, Samsung Securities estimates

Other business: Sales and growth



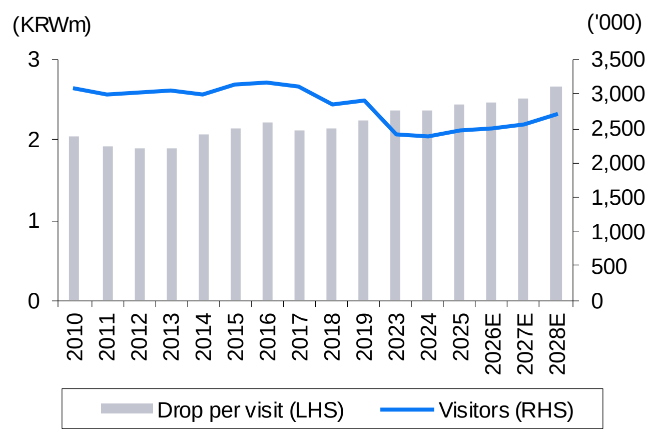
Source: Company data, Samsung Securities estimates

Casino: Drop and growth



Source: Company data, Samsung Securities estimates

Casino: Drop per visit



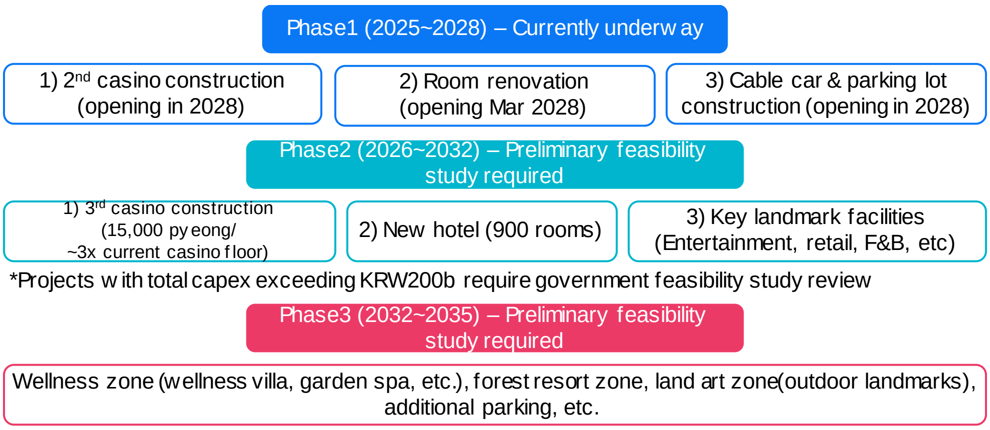
Source: Company data, Samsung Securities estimates

In anticipation of second casino opening

Growth to resume in 2028

Meaningful earnings growth should resume in 2028. In Nov 2025, Kangwon Land unveiled a longer-term growth strategy to transform itself into a global integrated resort, with plans to invest roughly KRW3t through 2032, attract 13m visitors annually, and generate KRW3.5t in revenue. The plan centers on three initiatives: 1) the opening of a third casino, spanning 15,000 *pyeong* and nearly triple the size of its current casino floor; 2) a new 900-room hotel; and 3) a curated collection of landmark entertainment, retail, and F&B destinations.

Kangwon Land: Long-term growth strategy



Source: Company data, Samsung Securities

Investments to pay off with double-digit growth in 2028

The project will be implemented in two phases. Under phase 1, by 2028, the company aims to: 1) open the second casino, expanding casino floor area from 4,390 to 6,129 *pyeong*; 2) increase gaming equipment, adding 50 tables and 250 slot machines and bringing the total to 250 tables and 1,610 slot machines; and 3) complete renovations of 757 of its 1,827 hotel and condo rooms.

Large investments over 2026-2027—including KRW180b to construct the second casino and KRW200b to renovate rooms—are likely to lead to temporary sales contractions in the hotel and condo segments. In 2028, however, when the second casino opens and room renovations are complete, we have the company delivering sales of KRW1.72t (+12% y-y) and operating profit of KRW310.5b (up 36% y-y), driving meaningful acceleration in both metrics.

Casino segment to generate 2028 net sales of KRW1.6t

In 2028, the casino segment—central to the company's overall earnings performance—is likely to generate KRW1.6t in net sales, representing a 20% increase from 2025 and a 13% rise from 2027. The main growth drivers should be: 1) expansion of casino floor space; and 2) an increase in gaming equipment.

This will mark the first meaningful capacity expansion since 2013, nearly 15 years earlier. As of 2025, the company's gaming equipment consists of 20 VIP tables, 180 standard tables, and 1,360 slot machines. By 2028, it plans to add 50 standard tables and 250 slot machines.

Casino expansion plan

	Current	Planned	Increase	Opening
Casino floor area (mass floor)	14,512.68 m^2 (4,390 *pyeong*)	20,260.68 m^2 (6,129 *pyeong*)	5,748 m^2 (1,739 *pyeong*)	Upon completion of 2nd casino floor
Gaming equipment	Tables: 200 Machines: 1,360	Tables: 250 Machines: 1,610	Tables: 50 Machines: 250 (All mass floor)	

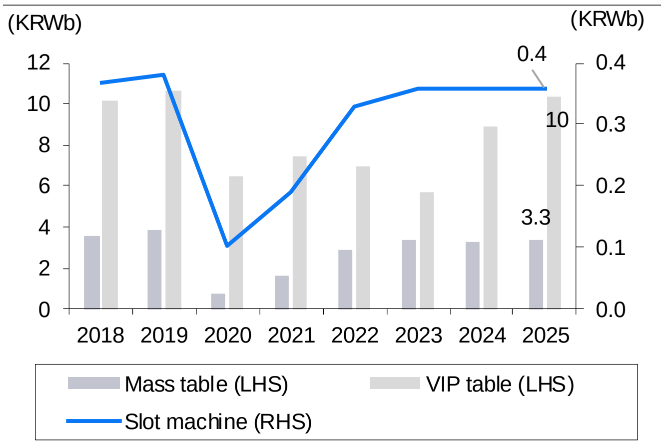
Source: Company data, Samsung Securities

In 2025, each mass-customer table generated net sales of KRW3.3b, while each slot machine generated KRW360m. Excluding the pandemic years, sales per unit for both standard tables and slot machines have remained remarkably stable over time.

These historical figures suggest that the addition of 50 standard tables would generate approximately KRW166b in incremental sales, while 250 new slot machines would contribute around KRW90b, resulting in a combined sales uplift of KRW255b, or 17% of total 2025 sales. This equates to approximately KRW1t in total drop, assuming a 23% hold rate.

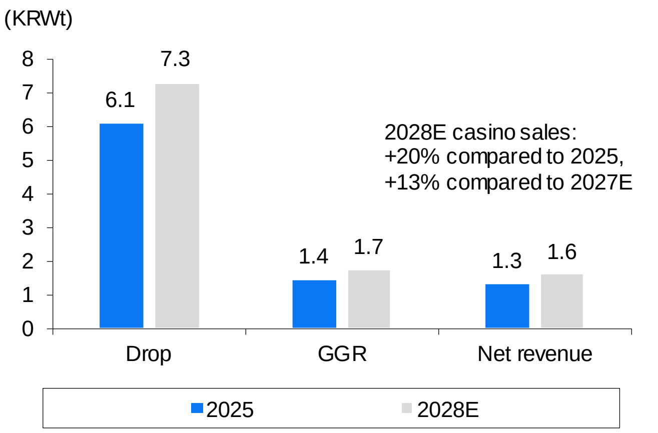
However, given that new gaming units typically ramp up gradually—particularly in table utilization—we apply a conservative 0.7x ramp-up factor to derive our 2028 net sales forecast of KRW1.6t for the casino segment, representing a 20% increase from 2025 and a 13% rise from 2027.

Annual GGR per unit



Source: Company data, Samsung Securities estimates

Casino expansion: Expected impact on drop, GGR, revenue



Source: Company data, Samsung Securities estimates

GGR per table/machine

(KRWm)	2018	2019	2020	2021	2022	2023	2024	2025
Mass table	3,912	4,118	880	1,730	3,111	3,573	3,428	3,561
VIP table	11,138	12,406	6,532	8,487	7,937	6,553	9,969	11,916
Slot machines	405	422	114	216	371	401	403	406

Source: Company data, Samsung Securities

Net revenue per table/machine

(KRWm)	2018	2019	2020	2021	2022	2023	2024	2025
Mass table	3,559	3,833	750	1,626	2,910	3,356	3,224	3,322
VIP table	10,133	10,641	6,479	7,401	6,925	5,732	8,887	10,357
Slot machines	369	380	103	188	329	358	358	359

Source: Company data, Samsung Securities

Revenue impact of increase in number of tables and machines

(KRWb)	Ramp-up factor		Ramp-up factor		Ramp-up factor	
Drop	1	1,187	0.7	830	0.5	594
GGR	1	280	0.7	196	0.5	140
Net revenue	1	256	0.7	178	0.5	128

Source: Company data, Samsung Securities estimates

Casino sales forecasts

(KRWb)	2027E	Increase	2028E
Drop	6,451	830	7,280
GGR	1,519	196	1,715
Net revenue	1,388	178	1,566

Source: Samsung Securities estimates

Shareholder return policy provides another reason to look past slower growth

Shareholder returns to expand as growth resumes

As previously noted, Kangwon Land is likely to report lower profit in 2026 due to operational disruptions from room renovations and elevated investment costs tied to the second casino opening. Even if short-term profit contraction becomes more apparent, the company's aggressive shareholder return policy could give investors an additional reason to look past the temporary growth slowdown.

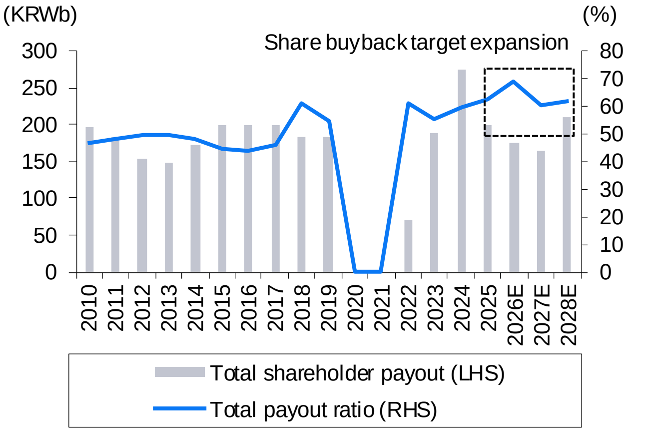
This view is based on two factors: 1) the company's shareholder return policy, which targets a total payout ratio of around 60%; and 2) its dividend payout ratio, which is aligned with the global casino industry average of 50%. While near-term earnings softness may constrain absolute dividend growth, we expect shareholder returns to expand again alongside a meaningful improvement in profits from 2028.

Aggressive shareholder-return policy: Targeting total payout ratio of 60% or higher

Total payout ratio target of 60% or higher

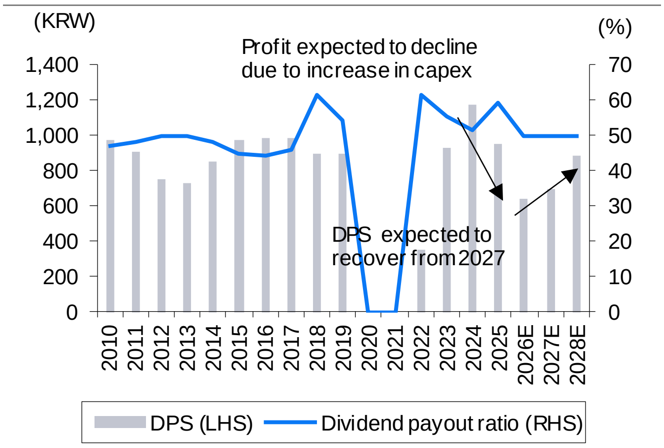
The company has set a target of achieving a total payout ratio of at least 60%, with a minimum dividend payout ratio of 50%, making it one of the most aggressive shareholder return policies in the industry. In practice, it achieved total shareholder return ratios of 60% in 2024 and 63% in 2025, consistently meeting its targets. Given that its dividend payout ratio has remained around 50% since 2010, we view the company's commitment to this policy as highly credible.

Total shareholder payout* and total payout ratio**



Note: *Total shareholder payout = Dividends + share buybacks
**Total payout ratio = (Dividends + share buybacks) / net profit
Source: Company data, Samsung Securities estimates

DPS and dividend payout ratio

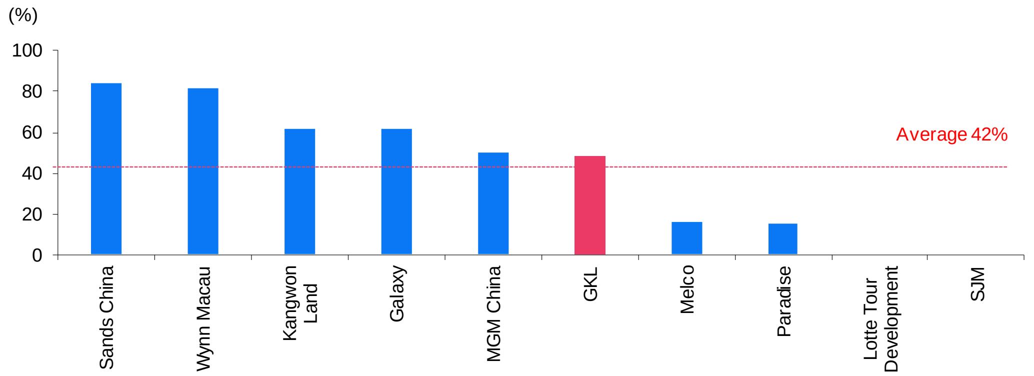


Source: Company data, Samsung Securities estimates

Total payout ratio comparable to global casino industry average

Assuming a 2026 share buyback of KRW49b and a dividend payout ratio of 50%, we expect the company's total payout ratio to reach 68%. Notably, the company's 50% dividend payout ratio is significantly higher than the 25% average expected for domestic listed casino operators over 2026-2027 and even exceeds the 49% average for Macao-based casino operators. This places Kangwon Land among the top global performers in shareholder returns. Based on current share prices, we estimate the company's dividend yield at 4.3% and total shareholder yield, including buybacks, at 5.5%.

Dividend payout ratio: Korean casinos and overseas peers



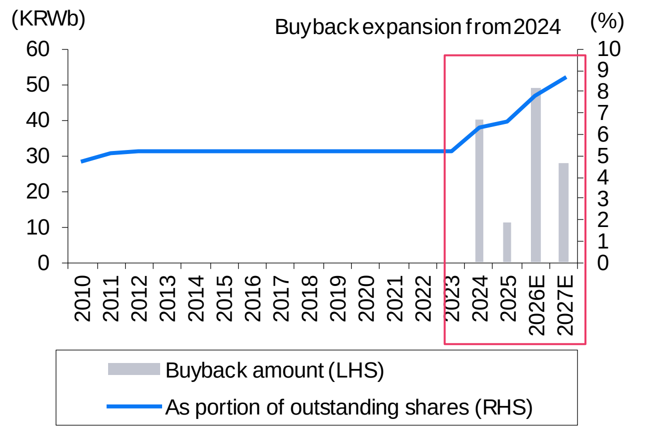
Source: Bloomberg, Samsung Securities

Treasury share cancellations to accompany dividends; supporting near-term sentiment

The company's use of share buybacks alongside dividends is also notable. Kangwon Land aims to repurchase KRW100b worth of shares over 2024-2026, and as of 1Q26, it had completed KRW80b in repurchases, equivalent to 7.4% of outstanding shares. If the remaining KRW20b in repurchases planned for 2H26 are executed, the company's treasury share ratio would reach 7.8%.

Under the revised Commercial Code, the company is required to cancel its treasury shares: its existing KRW80b in treasury shares must be cancelled by Sep 2027, while the KRW20b in planned 2026 repurchases must be cancelled within one year of purchase. As a result, phased treasury share cancellations are expected over 2026-2027, which should be positive for sentiment, as they enhance EPS and may provide near-term upward momentum for the share price.

Buybacks: Amount and as portion of outstanding shares



Source: Company data, Samsung Securities estimates

Kangwon Land: Buybacks

Buyback period	Amount (KRWb)
Oct-Dec 2024	40
Dec 2025-Feb 2026	40
2026E	20

Source: Samsung Securities

Further DPS growth needed to strengthen dividend-stock appeal

While the company's shareholder return policy—comparable to those of global casino peers—is attractive, its appeal as a dividend stock depends on consistent DPS growth. In reality, DPS began to decline in 2025, as increased investment since 2024 weighed on profits. We project 2026 DPS at KRW640, down 45% from the 2024 peak of KRW1,170.

Must demonstrate sustained profit growth and DPS expansion after investment phase

To enhance its appeal as a dividend stock, the company needs to deliver sustained profit growth and corresponding DPS expansion after completing its current investment phase. Encouragingly, growth is expected to accelerate from 2028, following the opening of its second casino. As sales and profits climb in 2028, we forecast that DPS will reach KRW890, up 27% from an estimated KRW700 in 2027. DPS may return to its 2024 peak of KRW1,170 in 2029 or soon thereafter.

May sustain dividends through higher payout ratios during earnings downturn

Despite near-term earnings headwinds, investor confidence in the company as a dividend stock could strengthen if management maintains dividend levels by raising the dividend payout ratio. Given its stated policy target of a minimum 50% dividend payout ratio, there is clear room for further increases, especially considering the company has already achieved dividend payout ratios of around 60% in 2018, 2022, and 2024. A scenario in which the dividend payout ratio is temporarily raised to sustain dividend levels remains plausible.

Abandoned Mine Fund litigation win could support longer-term shareholder returns

As previously noted, if the company wins its lawsuit with Gangwon Province over Abandoned Mine Fund payments, it could recognize a one-time gain of KRW188b, potentially boosting DPS. If the gain is recognized in 2026, annual net profit would rise to KRW407b, resulting in a 2026 DPS of KRW1,030 at a 50% payout ratio. If the gain is recognized in 2027, DPS would reach KRW1,090 for 2027. These would represent increases of 61% and 56% over our respective prior projections.

However, recognizing and distributing this one-time gain to shareholders in a single year would risk a sharp drop in DPS the following year. If the company instead distributed the gain over two to three years through a combination of share buybacks and dividend increases, it could maintain a stable DPS trajectory and more sustainably strengthen investor confidence in its dividend profile.

DPS estimates, depending on outcome of Abandoned Mine Fund lawsuit

(KRWm)	2024	2025	2026E	2027E
Excluding litigation outcome				
Pre-tax profit	565,346	389,434	309,856	332,607
Net profit	456,893	318,193	253,172	271,761
DPS (KRW)	1,170	950	640	700
Assuming favorable ruling				
Pre-tax profit	565,346	389,434	497,856	520,607
Net profit	456,893	318,193	406,780	425,369
DPS (KRW)	1,170	950	1,030	1,090

Source: Company data, Samsung Securities estimates

Risk factor: Regulatory constraints as Korea's only casino open to domestic visitors

As Korea's only casino open to domestic visitors, Kangwon Land is subject to tighter operating regulations than foreigner-only casinos are. For domestic patrons, the maximum bet per table game is capped at KRW300,000, and operating hours are limited to 20 hours a day—from 10 am to 6 am the following day—unlike 24-hour operations at foreigner-only casinos such as GKL and Paradise. Since Sep 2024, however, the Ministry of Culture, Sports and Tourism has granted limited regulatory easing, including approval to expand casino floor area, add gaming equipment, and raise the betting cap for foreigner-only zones to KRW300m.

Regulations gradually easing

Recent regulatory easing has begun to improve the company's earnings growth outlook. In 2Q25, Kangwon Land received approval from the Ministry of Culture, Sports and Tourism to raise betting limits on six of its 200 tables, equivalent to roughly 3% of capacity. While limited in scope, the change coincided with an uptrend in drop growth (y-y), which rose from 5% in 1Q25 to 9% in 2Q25, 7% in 3Q25, and 13% in 4Q25. Per-capita drop also rose, from 3% in 2Q25 to 5% in both 3Q25 and 4Q25. Further regulatory relaxation remains possible, particularly as discussions continue with the ministry on replacing the current "visit-day limit" of 15 days per month with a "cumulative time limit," based on total time spent per year.

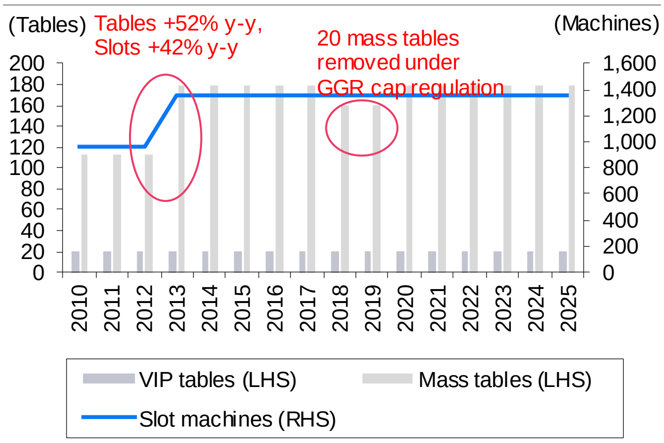
2Q25: Increase in betting limit for select tables

	Game type	Number of tables subject to change	Betting limit (KRW)		Effective start date for new limits
			Old	New	
VIP floor	Baccarat	2	50,000~ 2,000,000	500,000~ 30,000,000 (difference*)	Start: May 14, 2025
Mass floor	Blackjack	2	1,000~ 100,000	10,000~ 300,000	Start: May 21, 2025
	Texas Hold'em	2			Start: Jun 2, 2025

Note: *For tables with the highest betting limit, that limit is the difference in bet size between the player and the banker

Source: Company data, Samsung Securities

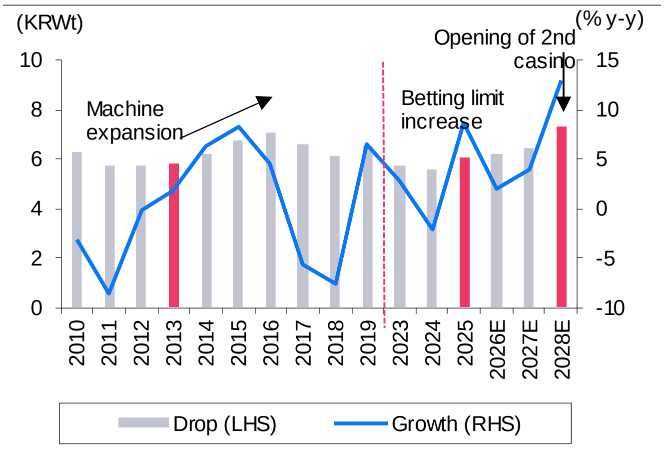
Number of VIP tables, mass tables, and slot machines



Source: Company data, Samsung Securities

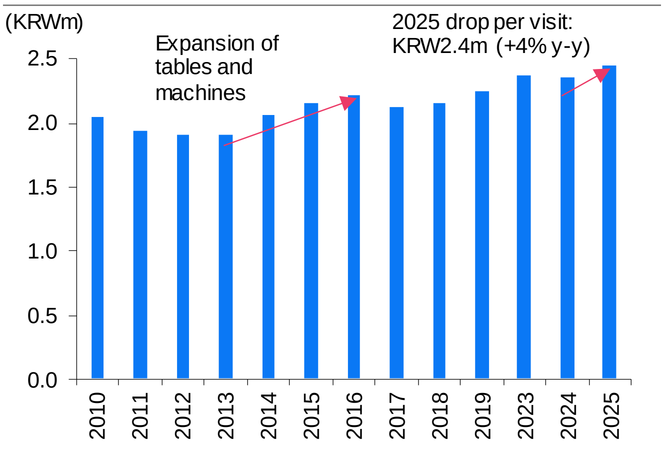
The 2013 equipment expansion offers a useful precedent, as increases in tables and slot machines led to a multi-year improvement in earnings. After the number of tables rose from 132 to 200, up 52%, and slot machines increased from 960 to 1,360, up 42%, drop growth accelerated from 2% in 2013 to 6% in 2014 and 8% in 2015, with the positive trend lasting roughly three to four years. Based on this precedent, continued regulatory easing—such as higher betting limits—would likely support a gradual and sustainable improvement in drop volume and earnings over the longer term.

Casino: Drop and growth



Source: Company data, Samsung Securities

Casino: Drop per visit



Source: Company data, Samsung Securities

Korea's only casino open to domestic guests

Appendix: Company overview

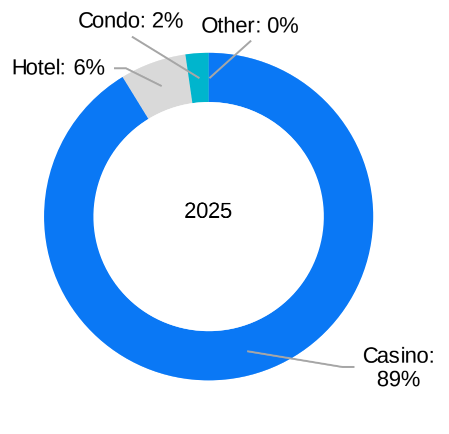
Regulatory status as Korea's sole casino open to domestic visitors

Kangwon Land is the only casino operator in Korea permitted to admit domestic visitors. It operates an integrated resort centered on its casino, complemented by hotels, condominiums, ski resorts, and other leisure facilities. The company is heavily reliant on the casino business, which contributed approximately 89% of total revenue in 2025. Non-casino segments, including hotels, condos, leisure amenities, and F&B, accounted for the remaining 11%.

In addition to its unique status as the sole casino operator open to domestic guests, Kangwon Land has several distinguishing characteristics. First, the company was established with the public policy objective of revitalizing former mining regions. As such, it is required to remit 13% of casino revenue to a fund dedicated to redeveloping these areas. This payment is recorded as an expense, weighing on profitability. Second, the company operates under a "total sales cap" regulation, which imposes an annual ceiling on casino sales growth. If this cap is exceeded, the company must make an additional contribution. However, since 2018, Kangwon Land's casino sales have remained below the cap, leaving the regulatory burden negligible.

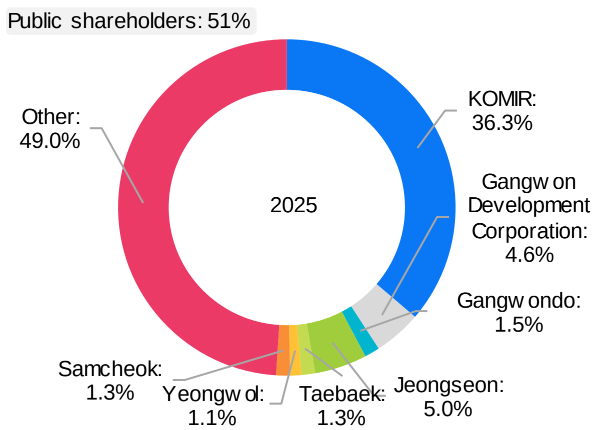
Kangwon Land's shareholder structure is dominated by public institutions, which collectively hold 51% of shares. The largest shareholder is the Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR), with a 36% stake. KOMIR was established to prevent mining hazards and support the rehabilitation of former mining areas. Other significant public shareholders include the Gangwondo Development Corporation, with a 4.5% stake, and Jeongseon County, with 5%.

Sales contribution, by business unit (2025)



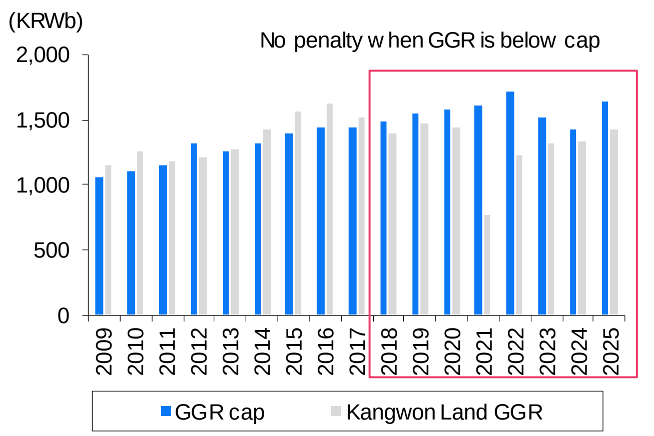
Source: Company data, Samsung Securities

Shareholders (2025)



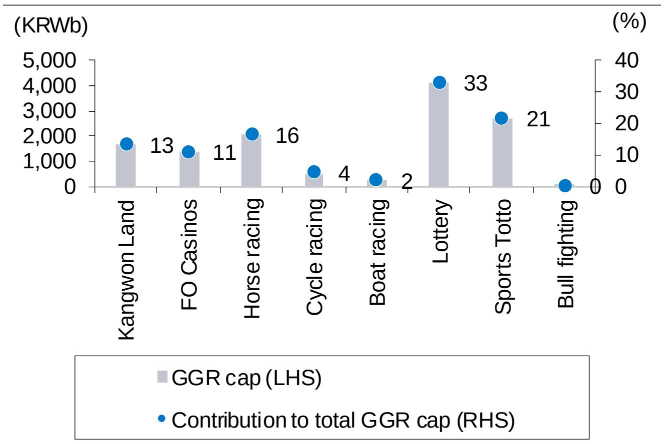
Source: Company data, Samsung Securities

Kangwon Land: GGR and GGR cap



Source: Company data, Samsung Securities

GGR cap breakdown



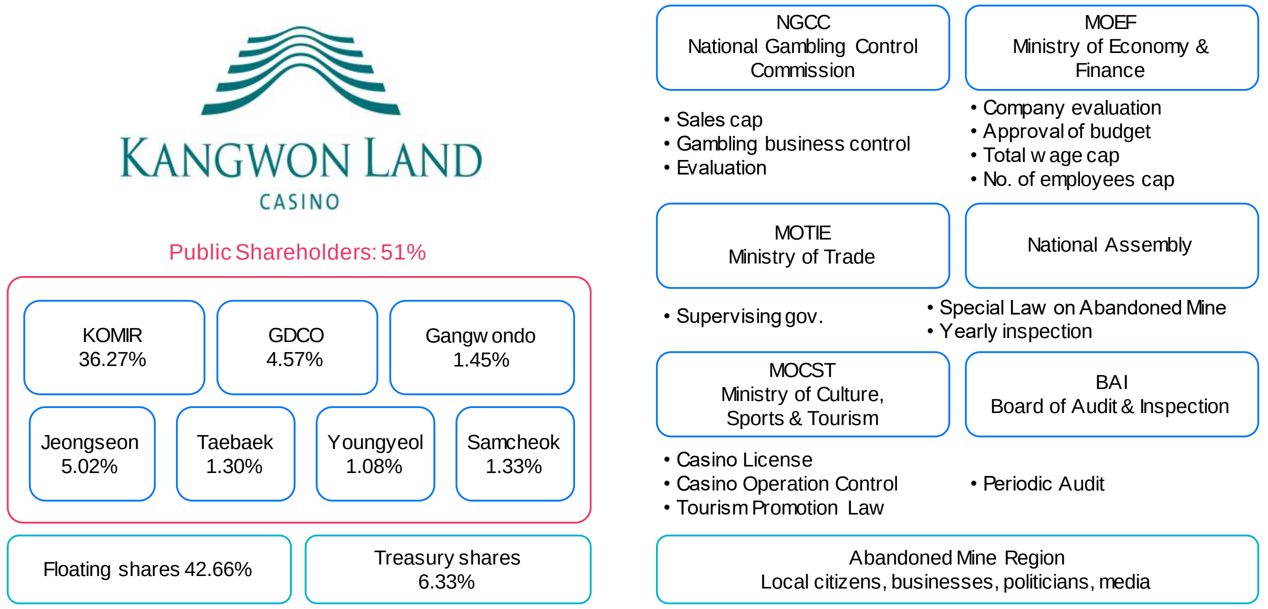
Source: Company data, Samsung Securities

History

Year	Event
1998	Enactment of *Special Act on the Assistance to the Development of Abandoned Mine Areas*
2000	Establishment of Kangwon Land, Korea's only casino open to domestic visitors
2003	Main casino relocation and expansion
2005	High1 condos open
2006	Kospi listing
2009	High1 ski resort opens
2011	High1 hotel opens
2012	Expansion of leisure facilities, including High1 Water World

Source: Samsung Securities

Kangwon Land: Shareholders



Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**1,427**	**1,477**	**1,478**	**1,533**	**1,723**
Cost of goods sold	1,008	1,094	1,115	1,150	1,252
Gross profit	**419**	**383**	**363**	**383**	**472**
Gross margin (%)	29.4	25.9	24.6	25.0	27.4
SG&A expenses	133	147	151	154	161
Operating profit	**286**	**235**	**212**	**229**	**311**
Operating margin (%)	20.0	15.9	14.4	15.0	18.0
Non-operating gains (losses)	**280**	**154**	**97**	**103**	**110**
Financial profit	179	181	122	127	133
Financial costs	3	3	2	1	1
Equity-method gains (losses)	-0	-1	-1	-1	-1
Other	104	-23	-21	-21	-21
Pre-tax profit	**565**	**389**	**310**	**333**	**420**
Taxes	108	71	57	61	77
Effective tax rate (%)	19.2	18.3	18.3	18.3	18.3
Profit from continuing operations	457	318	253	272	343
Profit from discontinued operations	0	0	0	0	0
Net profit	**457**	**318**	**253**	**272**	**343**
Net margin (%)	32.0	21.5	17.1	17.7	19.9
Net profit (controlling interests)	457	318	253	272	343
Net profit (non-controlling interests)	-0	0	-0	-0	-0
EBITDA	364	320	297	314	395
EBITDA margin (%)	25.5	21.6	20.1	20.5	22.9
EPS (parent-based) (KRW)	2,136	1,487	1,183	1,270	1,605
EPS (consolidated) (KRW)	2,136	1,487	1,183	1,270	1,605
Adjusted EPS (KRW)*	2,136	1,487	1,183	1,270	1,605

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,214**	**3,238**	**3,255**	**3,425**	**3,675**
Cash & equivalents	244	200	400	620	860
Accounts receivable	7	6	18	19	21
Inventories	4	6	6	6	6
Other current assets	958	3,026	2,831	2,780	2,787
Fixed assets	**3,487**	**1,607**	**1,639**	**1,606**	**1,552**
Investment assets	2,016	62	64	64	64
Tangible assets	1,254	1,318	1,350	1,317	1,263
Intangible assets	13	18	18	18	18
Other long-term assets	204	209	207	207	207
Total assets	**4,701**	**4,845**	**4,895**	**5,030**	**5,227**
Current liabilities	**750**	**803**	**792**	**785**	**779**
Accounts payable	4	5	5	5	6
Short-term debt	0	7	-4	-11	-18
Other current liabilities	746	791	791	791	791
Long-term liabilities	**67**	**78**	**74**	**70**	**66**
Bonds & long-term debt	7	0	0	0	0
Other long-term liabilities	61	78	74	70	66
Total liabilities	**817**	**881**	**865**	**855**	**845**
Owners of parent equity	**3,884**	**3,965**	**4,029**	**4,175**	**4,381**
Capital stock	107	107	107	107	107
Capital surplus	129	129	129	129	129
Retained earnings	3,861	3,953	4,018	4,164	4,370
Other	-214	-225	-225	-225	-225
Non-controlling interests' equity	**-0**	**-0**	**-0**	**-0**	**-0**
Total equity	**3,884**	**3,965**	**4,029**	**4,175**	**4,381**
Net debt	-1,032	-708	-924	-1,154	-1,404

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**487**	**294**	**361**	**380**	**451**
Net profit	457	318	253	272	343
Non-cash profit and expenses	28	1	112	111	113
Depreciation	78	84	84	84	84
Amortization	1	1	1	1	1
Other	-51	-83	28	26	28
Changes in A/L from operating activities	9	39	-0	-1	-2
Cash flow from investments	**-178**	**-94**	**-116**	**-21**	**-22**
Change in tangible assets	-106	-116	-116	-50	-30
Change in financial assets	-19	283	-20	-21	-22
Other	-53	-261	20	50	30
Cash flow from financing	**-231**	**-244**	**-45**	**-188**	**-188**
Change in debt	-7	-1	-11	-6	-7
Change in equity	0	0	0	0	0
Dividends	-189	-234	-188	-188	-188
Other	-35	-9	154	7	7
Change in cash	78	-44	200	220	240
Cash at beginning of year	166	244	200	400	620
Cash at end of year	244	200	400	620	860
Gross cash flow	**484**	**319**	**365**	**382**	**456**
Free cash flow	**380**	**179**	**245**	**330**	**421**

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	2.8	3.5	0.1	3.7	12.4
Operating profit	1.2	-17.7	-9.7	7.9	35.5
Net profit	34.0	-30.4	-20.4	7.3	26.3
Adjusted EPS**	34.0	-30.4	-20.4	7.3	26.3
Per-share data (KRW)					
EPS (parent-based)	2,136	1,487	1,183	1,270	1,605
EPS (consolidated)	2,136	1,487	1,183	1,270	1,605
Adjusted EPS**	2,136	1,487	1,183	1,270	1,605
BVPS	19,379	19,841	20,430	21,361	22,714
DPS (common)	1,170	950	640	700	890
Valuations (x)					
P/E***	7.5	12.7	12.2	11.4	9.0
P/B***	0.8	1.0	0.7	0.7	0.6
EV/EBITDA	6.5	10.5	7.3	6.2	4.3
Ratios (%)					
ROE	12.1	8.1	6.3	6.6	8.0
ROA	10.0	6.7	5.2	5.5	6.7
ROIC	34.7	29.9	30.0	40.7	64.0
Payout ratio	51.3	59.2	49.9	50.3	50.0
Dividend yield (common)	7.3	5.0	4.4	4.8	6.1
Net debt to equity	-26.6	-17.9	-22.9	-27.6	-32.1
Interest coverage (x)	103.3	85.8	98.5	157.1	325.4

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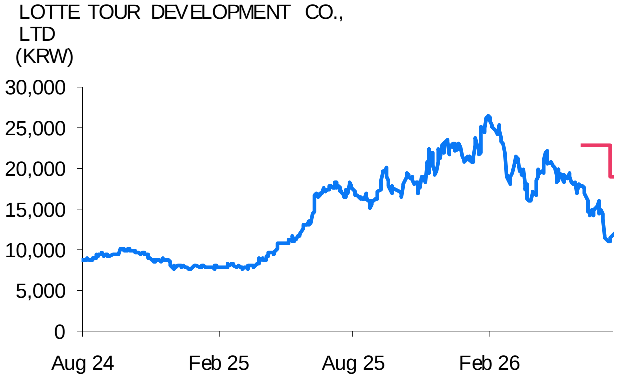
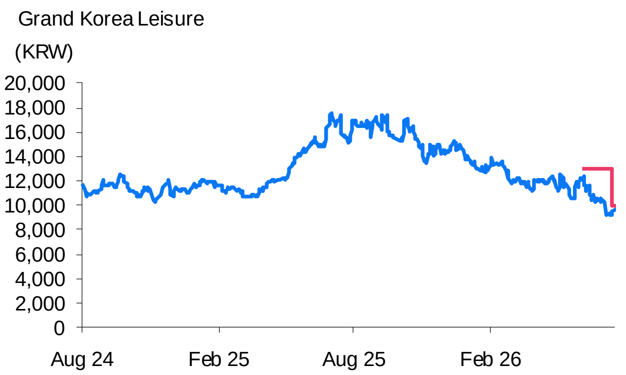
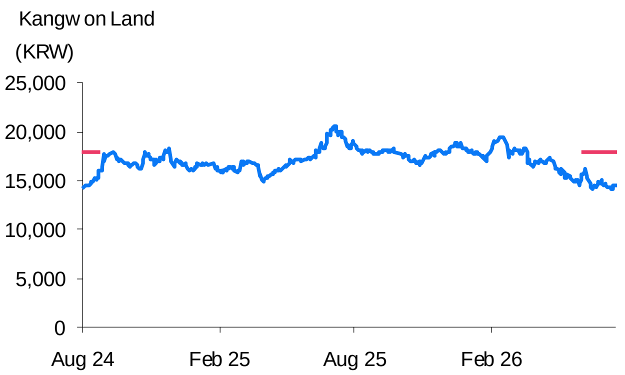
Target price changes in past two years







Rating changes over past two years (adjusted share prices)

PARADISE

Date	2026/6/15	7/23	7/28
Recommendation	BUY	BUY	BUY
Target price (KRW)	19000	12000	19000
Gap* (average)	-32.52	-15.17	
(max or min)**	-18.63	-13.92	

LOTTE TOUR DEVELOPMENT CO., LTD

Date	2026/6/15	7/23	7/28
Recommendation	BUY	BUY	BUY
Target price (KRW)	23000	19000	23000
Gap* (average)	-36.40	-37.97	
(max or min)**	-21.70	-37.11	

Grand Korea Leisure

Date	2026/6/15	7/23	7/28
Recommendation	HOLD	HOLD	HOLD
Target price (KRW)	13000	10000	13000
Gap* (average)	-19.65	-3.95	
(max or min)**	-10.00	-3.00	

Kangwon Land

Date	2023/11/9	2026/6/15
Recommendation	HOLD	BUY
Target price (KRW)	18000	18000
Gap* (average)	-14.39	
(max or min)**	0.11	

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

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Industry

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UNDERWEIGHT Expected to underperform market by 5% or more within 12 months

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Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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