COMPANY UPDATE

2026. 7. 29

Finance/Consumer Goods Team

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Grand Korea Leisure (114090)

VIP growth fails to prevent regulatory-driven share-price decline

- We expect GKL to report 2Q sales of KRW118.3b (up 17% y-y) and an operating profit of KRW22.7b (up 42% y-y), in line with consensus.
- Booming inbound tourism and a targeted marketing strategy for Chinese VIPs likely contributed to the improvement in earnings performance.
- In light of regulatory uncertainty, we cut our target price by 23% from KRW13,000 to KRW10,000.

▶ AT A GLANCE

HOLD

Target price	KRW10,000	7.3%
Current price	**KRW9,320**	
Market cap	KRW576.49b/USD394.18m	
Shares (float)	61,855,670 (49.0%)	
52-week high/low	KRW17,460/KRW9,180	
Avg daily trading value (60-day)	KRW4.1b/ USD2.8m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Grand Korea Leisure (%)	-10.0	-27.4	-40.8
Vs Kospi (%pts)	25.6	-37.7	-68.5

▶ KEY CHANGES

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

▶ SAMSUNG vs THE STREET

No of estimates	11
Target price	14,818
Recommendation	3.9

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

WHAT'S THE STORY?

2Q operating profit to meet consensus: We expect GKL to report 2Q sales of KRW118.3b (up 17% y-y) and an operating profit of KRW22.7b (up 42% y-y), in line with consensus. Total drop for the quarter likely reached KRW1.05t (up 15% y-y), with a hold rate of 11.4% (up 0.3%pts y-y). Rising number of inbound tourists in 1H (up 21% over January-May) likely contributed to the improvement in earnings performance.

By visitor type, drop was up 2% for Japanese VIPs, up 48% for Chinese VIPs, up 12% for other VIPs, up 22% for Japanese mass-market guests, up 0.5% for Chinese mass-market guests, and up 17% for other mass-market guests. Chinese VIPs posted the most robust growth, reflecting the effectiveness of targeted marketing initiatives to capture Chinese clientele. Growth among mass-market guests is attributed to rising tourism from neighboring countries selecting Korea as an alternative destination amid worsening China-Japan relations.

By location, drop reached KRW627.3b (up 29%) at Gangnam, KRW245.8b (down 12%) at Yongsan, and KRW179.8b (up 22%) at Busan. The Busan location saw particularly strong growth, fueled by the June BTS concert in Busan and an increase in Busan tourist arrivals (up 40% over January-May). With the onset of the peak season in 3Q, GKL's earnings improvement is likely to continue.

Cutting target price by 23% and maintaining HOLD: In light of policy risk, we reduce our target 2027 P/E multiple by 20% from 12x to 9.6x and lower our target price by 23% from KRW13,000 to KRW10,000. While booming inbound tourism in 2H is likely to continue providing support, the absence of clear medium-to long-term growth drivers, including expansion into non-casino businesses, keeps us cautious. We maintain our HOLD rating.

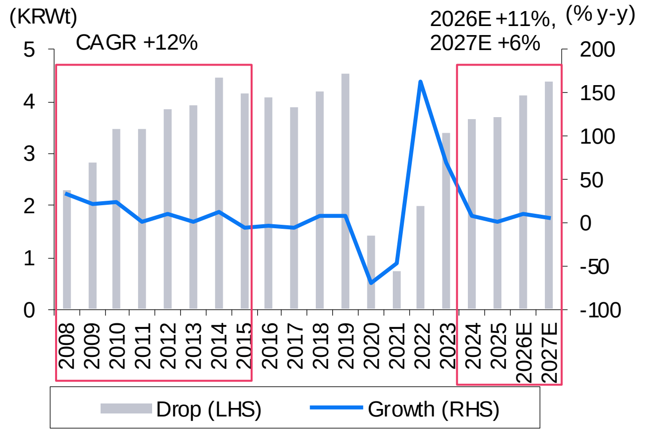
Samsung Securities

GKL: Results and forecast

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2023	2024	2025	2026E	2027E
Total drop	827	915	974	988	931	1,053	1,070	1,072	3,394	3,648	3,703	4,126	4,372
Chg (% y-y)	(9.7)	(2.8)	6.7	12.4	12.6	15.1	9.9	8.5	70.8	7.5	1.5	11.4	6.0
Japanese VIP	255	299	268	287	262	306	281	293	990	1,095	1,110	1,142	1,199
Chinese VIP	152	146	171	169	199	215	188	182	611	661	637	784	824
Other VIP	160	191	232	225	180	214	267	255	741	795	808	915	961
Mass	181	190	200	200	198	207	221	222	734	773	770	849	910
Slot	80	89	103	107	92	111	113	120	319	324	379	436	479
Hold	13.4%	11.1%	11.2%	11.0%	11.5%	11.6%	11.2%	11.7%	11.7%	10.8%	11.6%	11.5%	11.5%
Sales	110	101	109	103	111	118	117	121	397	396	423	467	495
Gross profit	27	22	26	9	25	30	27	23	80	71	84	106	117
Operating profit	20	16	17	(1)	18	23	19	11	51	38	53	71	80
Pre-tax profit	21	22	19	1	19	25	21	14	55	44	63	79	90
Net profit	16	17	15	(1)	15	19	16	9	44	33	47	59	67
Margins (%)													
Gross profit	24.8	22.2	23.8	8.5	22.9	25.7	23.3	18.9	20.2	17.9	20.0	22.7	23.7
Operating profit	18.4	15.8	15.8	(0.8)	16.4	19.2	15.8	9.5	12.9	9.7	12.4	15.2	16.3
Pre-tax profit	19.3	22.0	17.2	0.9	17.5	21.1	17.8	11.3	13.8	11.0	14.9	16.9	18.2
Net profit	14.7	16.8	13.4	(0.6)	13.6	16.0	13.5	7.3	11.1	8.3	11.1	12.6	13.6
Chg (% y-y)													
Sales	12.2	2.1	16.7	(2.9)	0.7	17.2	7.3	17.3	51.3	(0.1)	6.7	10.4	5.9
Gross profit	31.3	10.7	71.5	(40.7)	(7.0)	35.6	5.0	160.5	542.4	(11.4)	19.1	25.3	11.0
Operating profit	45.6	20.8	198.8	nm	(10.0)	42.1	7.5	nm	nm	(24.9)	37.4	34.6	13.5
Pre-tax profit	54.4	49.6	142.7	(87.9)	(8.9)	12.3	10.7	1,432.7	nm	(20.3)	44.5	24.7	14.5
Net profit	57.9	49.7	142.7	nm	(6.3)	11.7	8.0	nm	nm	(24.6)	42.4	24.7	14.5

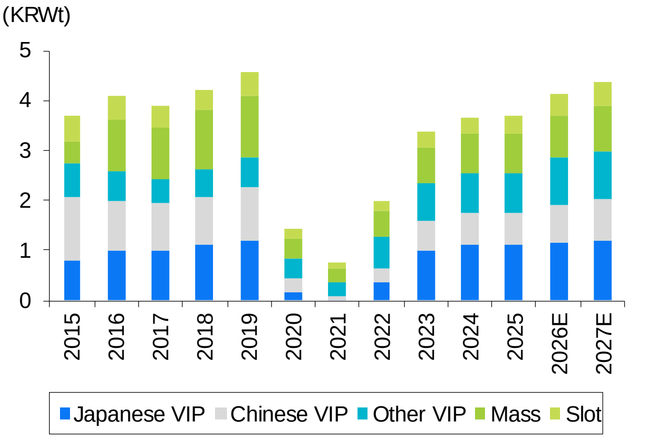
Source: Company data, Samsung Securities estimates

GKL: Drop and growth



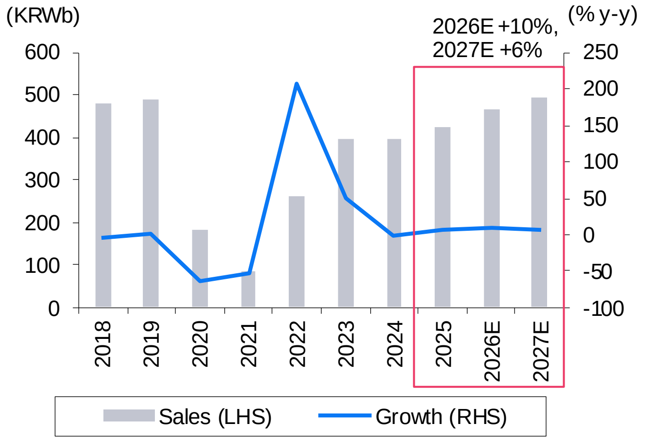
Source: Company data, Samsung Securities estimates

GKL: Drop, by visitor type



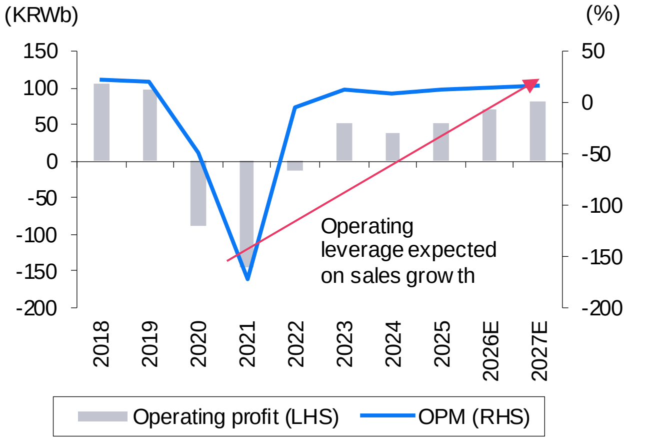
Source: Company data, Samsung Securities estimates

GKL: Sales and growth



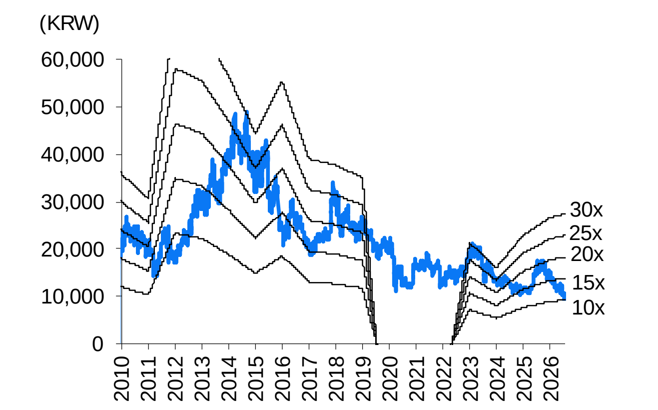
Source: Company data, Samsung Securities estimates

GKL: Operating profit and operating margin



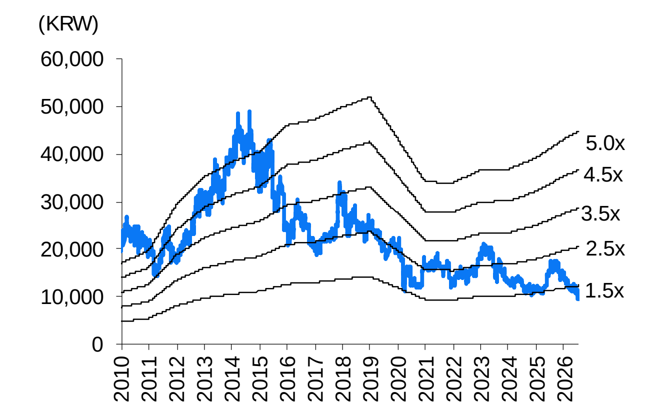
Source: Company data, Samsung Securities estimates

GKL: 12m forward P/E band



Source: Bloomberg, Samsung Securities

GKL: 12m forward P/B band



Source: Bloomberg, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**396**	**423**	**467**	**495**	**515**
Cost of goods sold	325	338	361	377	392
Gross profit	**71**	**84**	**106**	**117**	**122**
Gross margin (%)	17.9	20.0	22.7	23.7	23.7
SG&A expenses	33	32	35	37	39
Operating profit	**38**	**53**	**71**	**80**	**83**
Operating margin (%)	9.7	12.4	15.2	16.3	16.2
Non-operating gains (losses)	**5**	**10**	**8**	**10**	**12**
Financial profit	11	15	11	12	14
Financial costs	4	4	2	2	3
Equity-method gains (losses)	0	0	0	0	0
Other	-2	-1	-1	-0	1
Pre-tax profit	**44**	**63**	**79**	**90**	**95**
Taxes	11	16	15	17	19
Effective tax rate (%)	24.3	25.4	19.5	19.3	19.8
Profit from continuing operations	33	47	51	54	58
Profit from discontinued operations	0	0	0	0	0
Net profit	**33**	**47**	**59**	**67**	**71**
Net margin (%)	8.3	11.1	12.6	13.6	13.8
Net profit (controlling interests)	33	47	59	67	71
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	70	85	103	113	116
EBITDA margin (%)	17.7	20.1	22.1	22.8	22.5
EPS (parent-based) (KRW)	534	761	949	1,087	1,144
EPS (consolidated) (KRW)	534	761	949	1,087	1,144
Adjusted EPS (KRW)*	534	761	949	1,087	1,144

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**366**	**434**	**524**	**577**	**626**
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	217	189	158
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**	**729**	**770**	**807**
Current liabilities	**165**	**179**	**227**	**233**	**236**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	48	54	56
Other current liabilities	165	179	179	179	179
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**	**475**	**512**	**550**
Capital stock	31	31	31	31	31
Capital surplus	21	21	21	21	21
Retained earnings	361	389	422	460	497
Other	0	0	0	0	0
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**414**	**441**	**475**	**512**	**550**
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**	**97**	**107**	**111**
Net profit	33	47	59	67	71
Non-cash profit and expenses	42	44	39	40	40
Depreciation	32	32	32	32	32
Amortization	0	0	0	0	0
Other	10	11	7	8	8
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**	**-12**	**-17**	**-21**
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	-31	6	5
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**	**107**	**111**
Free cash flow	**66**	**96**	**87**	**97**	**101**

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	10.4	5.9	4.0
Operating profit	-24.9	37.4	34.6	13.5	3.5
Net profit	-24.6	42.4	24.7	14.5	5.3
Adjusted EPS**	-24.6	42.4	24.7	14.5	5.3
Per-share data (KRW)					
EPS (parent-based)	534	761	949	1,087	1,144
EPS (consolidated)	534	761	949	1,087	1,144
Adjusted EPS**	534	761	949	1,087	1,144
BVPS	6,686	7,137	7,672	8,285	8,885
DPS (common)	282	414	475	544	572
Valuations (x)					
P/E***	20.7	19.7	9.8	8.6	8.1
P/B***	1.7	2.1	1.2	1.1	1.0
EV/EBITDA	5.5	6.6	1.8	0.9	0.2
Ratios (%)					
ROE	8.0	11.0	12.8	13.6	13.3
ROA	5.3	7.4	8.5	9.0	9.0
ROIC	69.0	252.4	697.2	-1,082.9	-140.1
Payout ratio	52.8	54.4	50.0	50.0	50.0
Dividend yield (common)	2.6	2.8	5.1	5.8	6.1
Net debt to equity	-71.0	-82.7	-83.0	-91.6	-99.7
Interest coverage (x)	11.9	20.7	29.5	32.5	32.7

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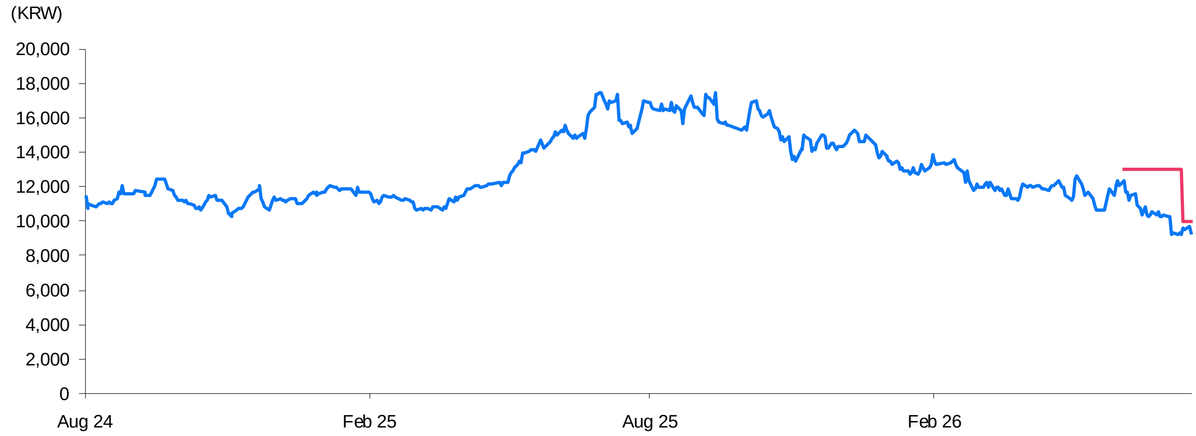

Rating changes over past two years (adjusted share prices)

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

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

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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
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Industry

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Percentage of ratings in 12 months prior to 2026.06.30

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