COMPANY UPDATE

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Industrial Team

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Hotel Shilla (008770)

Sales grow at hotel unit, profitability rises at DFS unit

- Hotel Shilla logged 2Q26 consolidated operating profit of KRW61.1b, which topped consensus by 12%.
- Duty-free earnings improved on the withdrawal from the Incheon International Airport DF1 concession on April 16.
- While the duty-free business still needs to rebuild its core competitiveness, the ongoing easing of industry-wide competition is a positive development. Key watchpoints include the forex movement and whether duty-free discount rates can remain contained.

AT A GLANCE

BUY

Target price	KRW67,000	53.8%
Current price	**KRW43,550**	
Market cap	KRW1.7t/USD1.2b	
Shares (float)	39,248,121 (76.8%)	
52-week high/low	KRW69,400/KRW40,400	
Avg daily trading value (60-day)	KRW18.5b/ USD13.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hotel Shilla (%)	-7.6	-5.7	-7.1
Vs Kospi (%pts)	18.7	-25.3	-54.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	67,000	67,000	0.0%
2026E EPS	2,386	2,323	2.7%
2027E EPS	3,556	3,321	7.1%

SAMSUNG vs THE STREET

No of estimates	12
Target price	73,333
Recommendation	4.0

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

WHAT'S THE STORY?

2Q review—sustained improvement in duty-free earnings: Hotel Shilla reported 2Q26 consolidated sales of KRW971.8b (down 5.2% y-y) and an operating profit of KRW61.1b (up 605.5% y-y; beating consensus by 12%). The withdrawal from the Incheon International Airport DF1 concession (effective April 16, 2026) significantly boosted duty-free earnings. Meanwhile, the hotel business delivered strong results, supported by solid inbound demand and higher average daily rates. For 3Q26, we anticipate a continued improvement in earnings based on strong seasonality for the hotel business and continued disciplined discounting in duty-free store operation.

(Continued on the next page)

Hotel Shilla 2Q26 review

(KRWb)	2Q26	1Q26	Chg (% q-q)	2Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	971.8	1,053.5	-7.8	1,025.4	-5.2	1,003.4	-3.2	979.4	-0.8
Operating profit	61.1	20.4	199.3	8.7	605.5	54.4	12.3	48.6	25.9
Pre-tax profit	39.1	12.0	226.5	2.2	1,657.5	44.1	-11.3	39.7	-1.5
Net profit	21.4	6.0	256.7	-0.9	nm	34.4	-37.8	28.8	-25.4
Margins (%)									
Operating profit	6.3	1.9		0.8		5.4		5.0	
Pre-tax profit	4.0	1.1		0.2		4.4		4.1	
Net profit	2.2	0.6		-0.1		3.4		2.9	

Source: Company data, Samsung Securities estimates

Valuation

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS (KRW)	EPS growth (% y-y)	P/E (x)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
2024	3,948	-5	-47	-62	-1,506	nm	n/a	1,297	21.3	1.1	-6.2
2025	4,068	14	-230	-173	-4,335	nm	n/a	1,094	18.3	1.5	-14.2
2026E	3,975	195	144	95	2,431	nm	17.9	1,103	8.4	1.5	8.3
2027E	4,033	234	196	142	3,625	49.1	12.0	1,039	7.3	1.3	11.2
2028E	4,206	252	215	156	3,979	9.8	10.9	1,026	7.0	1.2	11.2

Source: Company data, Samsung Securities estimates

Maintaining BUY: Although inbound arrivals rose 21% y-y in 1H26, total duty-free sales across the industry declined 2.2% y-y. This highlights that the duty-free segment has yet to fully recover its competitive edge relative to other retail channels. However, with competition within the duty-free sector easing, bottom-line improvement is likely to continue throughout the year. Given the favorable environment for hotels and reduced competitive pressure in the duty-free business, we maintain BUY rating. Closing monitoring is advised for: 1) forex movements; and 2) the sustainability of discounted pricing at the duty-free store operation through the firm's strengthened B2B negotiation power.

Hotel Shilla: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2025	2026E	2027E
Sales	**971.8**	**1,025.4**	**1,025.7**	**1,045.4**	**1,053.5**	**971.8**	**983.1**	**966.6**	**4,068.3**	**3,975.0**	**4,033.3**
Duty-free	827.1	850.2	849.6	854.9	884.6	772.6	787.0	765.8	3,381.8	3,210.0	3,250.5
City branch	316.1	363.5	363.5	338.0	353.1	370.7	385.4	353.5	1,381.1	1,462.8	1,554.4
Airport branch	511.0	486.7	486.1	516.9	531.5	401.9	401.6	412.3	2,000.7	1,747.3	1,696.1
Hotel	144.7	175.2	176.1	190.5	168.9	199.2	196.1	200.8	686.5	765.0	782.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	**-2.5**	**8.7**	**11.4**	**-4.1**	**20.4**	**61.1**	**64.0**	**49.0**	**13.5**	**194.5**	**233.9**
Duty-free	-5.0	-11.3	-10.4	-20.6	12.2	36.4	36.9	28.8	-47.3	114.2	150.5
Hotel	2.5	20.0	21.8	16.5	8.2	24.7	27.1	20.2	60.8	80.2	83.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating margin (%)	**-0.3**	**0.8**	**1.1**	**-0.4**	**1.9**	**6.3**	**6.5**	**5.1**	**0.3**	**4.9**	**5.8**
Duty-free	-0.6	-1.3	-1.2	-2.4	1.4	4.7	4.7	3.8	-1.4	3.6	4.6
Hotel	1.7	11.4	12.4	8.7	4.9	12.4	13.8	10.1	8.9	10.5	10.6
Pre-tax profit	-4.3	2.2	-187.2	-40.9	12.0	39.1	55.1	38.2	-230.2	144.3	196.2
Net profit	-6.2	-0.9	-149.2	-16.6	6.0	21.4	39.9	27.7	-172.8	95.1	142.3
Change (% y-y)											
Sales	**-0.9**	**2.3**	**0.9**	**10.3**	**8.4**	**-5.2**	**-4.2**	**-7.5**	**3.1**	**-2.3**	**1.5**
Duty-free	-0.9	2.1	0.6	10.5	7.0	-9.1	-7.4	-10.4	2.9	-5.1	1.3
City branch	-21.0	-3.2	-1.9	8.7	11.7	2.0	6.0	4.6	-5.2	5.9	6.3
Airport branch	17.6	6.4	2.5	11.8	4.0	-17.4	-17.4	-20.2	9.4	-12.7	-2.9
Hotel	-3.6	3.2	2.7	9.3	16.7	13.7	11.4	5.4	3.1	11.4	2.3
Operating profit	**n/a**	**-68.5**	**n/a**	**n/a**	**n/a**	**n/a**	**461.0**	**n/a**	**n/a**	**1,340.7**	**20.2**
Duty-free	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31.7
Hotel	-59.7	-2.9	0.5	3.1	228.0	23.5	24.3	22.7	-5.7	32.0	3.9

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**3,948**	**4,068**	**3,975**	**4,033**	**4,206**
Cost of goods sold	2,260	2,248	1,905	1,831	1,887
Gross profit	**1,687**	**1,820**	**2,070**	**2,203**	**2,319**
Gross margin (%)	42.7	44.7	52.1	54.6	55.1
SG&A expenses	1,692	1,806	1,876	1,969	2,067
Operating profit	**-5**	**14**	**195**	**234**	**252**
Operating margin (%)	-0.1	0.3	4.9	5.8	6.0
Non-operating gains (losses)	**-42**	**-244**	**-50**	**-38**	**-37**
Financial profit	27	65	16	15	15
Financial costs	62	57	55	53	51
Equity-method gains (losses)	0	0	0	0	0
Other	-7	-251	-12	0	0
Pre-tax profit	**-47**	**-230**	**144**	**196**	**215**
Taxes	14	-57	49	54	59
Effective tax rate (%)	-30.8	24.9	34.1	27.5	27.5
Profit from continuing operations	-62	-173	95	142	156
Profit from discontinued operations	0	0	0	0	0
Net profit	**-62**	**-173**	**95**	**142**	**156**
Net margin (%)	-1.6	-4.2	2.4	3.5	3.7
Net profit (controlling interests)	-62	-173	95	142	156
Net profit (non-controlling interests)	0	-0	0	0	0
EBITDA	127	154	329	375	400
EBITDA margin (%)	3.2	3.8	8.3	9.3	9.5
EPS (parent-based) (KRW)	-1,538	-4,321	2,377	3,556	3,904
EPS (consolidated) (KRW)	-1,538	-4,321	2,377	3,556	3,904
Adjusted EPS (KRW)*	-1,506	-4,335	2,431	3,625	3,979

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,411**	**1,401**	**1,479**	**1,602**	**1,667**
Cash & equivalents	370	338	329	393	406
Accounts receivable	86	82	89	89	93
Inventories	623	526	584	624	646
Other current assets	332	455	478	496	522
Fixed assets	**2,403**	**2,140**	**2,206**	**2,244**	**2,352**
Investment assets	299	172	658	691	794
Tangible assets	1,536	1,519	1,525	1,530	1,535
Intangible assets	23	22	22	22	22
Other long-term assets	545	427	1	1	1
Total assets	**3,814**	**3,541**	**3,685**	**3,846**	**4,019**
Current liabilities	**1,150**	**1,298**	**1,339**	**1,372**	**1,402**
Accounts payable	206	205	223	231	245
Short-term debt	11	24	24	24	24
Other current liabilities	933	1,069	1,093	1,117	1,132
Long-term liabilities	**1,380**	**1,137**	**1,137**	**1,122**	**1,108**
Bonds & long-term debt	854	739	1,101	1,101	1,101
Other long-term liabilities	525	398	36	21	7
Total liabilities	**2,530**	**2,435**	**2,484**	**2,502**	**2,519**
Owners of parent equity	**1,284**	**1,106**	**1,201**	**1,344**	**1,500**
Capital stock	200	200	200	200	200
Capital surplus	206	206	206	206	206
Retained earnings	223	55	150	292	448
Other	655	645	645	645	645
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**1,284**	**1,106**	**1,201**	**1,344**	**1,500**
Net debt	1,241	1,052	1,110	1,047	1,035

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**69**	**104**	**202**	**270**	**216**
Net profit	-62	-173	95	142	156
Non-cash profit and expenses	218	165	161	169	89
Depreciation	122	134	127	133	140
Amortization	10	7	7	7	8
Other	86	25	27	28	-59
Changes in A/L from operating activities	-98	106	-54	-41	-29
Cash flow from investments	**-95**	**-104**	**-101**	**-96**	**-93**
Change in tangible assets	-74	-53	-62	-57	-54
Change in financial assets	7	-142	-40	-40	-40
Other	-28	91	1	1	1
Cash flow from financing	**-30**	**-30**	**-108**	**-108**	**-108**
Change in debt	58	25	0	0	0
Change in equity	10	0	0	0	0
Dividends	-8	0	0	0	0
Other	-90	-56	-108	-108	-108
Change in cash	-41	-32	-9	64	13
Cash at beginning of year	412	370	338	329	393
Cash at end of year	370	338	329	393	406
Gross cash flow	**156**	**-7**	**256**	**311**	**245**
Free cash flow	**-5**	**50**	**140**	**212**	**162**

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	10.6	3.1	-2.3	1.5	4.3
Operating profit	nm	nm	1,339.7	20.2	7.8
Net profit	nm	nm	nm	49.6	9.8
Adjusted EPS**	nm	nm	nm	49.1	9.8
Per-share data (KRW)					
EPS (parent-based)	-1,538	-4,321	2,377	3,556	3,904
EPS (consolidated)	-1,538	-4,321	2,377	3,556	3,904
Adjusted EPS**	-1,506	-4,335	2,431	3,625	3,979
BVPS	23,660	29,882	29,397	32,420	36,222
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	n/a	17.9	12.0	10.9
P/B***	1.1	1.5	1.5	1.3	1.2
EV/EBITDA	21.3	18.3	8.4	7.3	7.0
Ratios (%)					
ROE	-6.2	-14.2	8.3	11.2	11.2
ROA	-1.8	-4.7	2.6	3.8	4.0
ROIC	-0.4	0.5	6.6	9.2	9.8
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	96.7	95.1	92.4	77.9	69.0
Interest coverage (x)	-0.1	0.2	3.6	4.4	4.9

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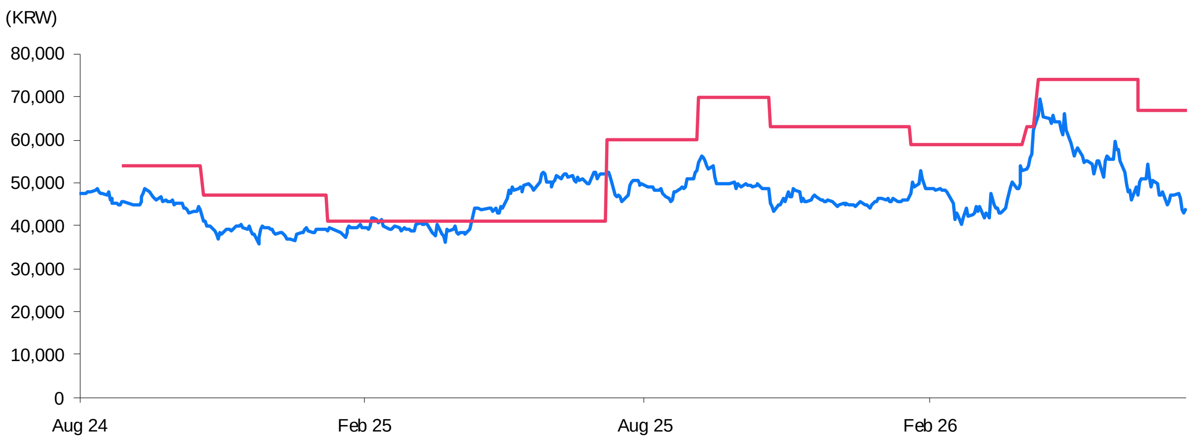
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/9/13	11/4	2025/1/23	7/22	9/19	11/5	2026/2/4	4/20	4/27	7/1
Recommendation	BUY	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	54000	47000	41000	60000	70000	63000	59000	63000	74000	67000
Gap* (average)	-16.09	-17.46	7.20	-18.57	-27.65	-27.30	-21.70	-9.29	-22.61	
(max or min)**	-9.54	-12.66	28.05	-11.67	-19.43	-23.02	-8.81	-1.11	-6.22	

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

Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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