COMPANY UPDATE

2026. 8. 10

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Hanwha REIT (451800)

Dividend growth cycle to begin in 2028

- The addition of Orange Center will boost Hanwha REIT's rental income, with large corporate tenants accounting for 83% of the portfolio.
- Dividend growth is expected to begin in 2028. In 2H, the REIT plans to adopt fair-value accounting and invest in preferred shares of office properties.

WHAT'S THE STORY?

Asset addition: The addition of Orange Center in Sunhwa-dong (total floor area: 100,000 *pyeong*) has increased Hanwha REIT's AUM to KRW1.8t on an acquisition-cost basis, with annual rental income expected to increase by KRW12b.

- **Long-term E-Mart lease:** Orange Center is leased to E-Mart under a long-term agreement through 2033. This should shield the asset from headwinds over 2029-2031, when supply in the central business district is set to increase significantly.

Rent increases mitigate impact of higher rates: In 1H, key assets secured lease renewals with average rent increases of 4.6%, including 5.4% at Janggyo Building and 5.6% at Hanwha General Insurance's Yeouido headquarters. These renewals are expected to generate approximately KRW3b in incremental rental income. Ongoing lease renewals and rent adjustments are helping offset the impact of higher interest rates.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW6,100	17.5%
Current price	KRW5,190	
Market cap	KRW932.12b/USD658.23m	
Shares (float)	179,600,000 (52.7%)	
52-week high/low	KRW6,850/KRW3,885	
Avg daily trading value (60-day)	KRW0.8b/ USD0.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hanwha REIT (%)	4.8	10.1	28.8
Vs Kospi (%pts)	28.3	-10.5	-33.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	6,100	5,700	7.0%
2026E EPS	146	146	0.0%
2027E EPS	156	156	0.0%

SAMSUNG vs THE STREET

No of estimates	1
Target price	6,100
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	103	116	119	123
Operating profit	61	71	73	74
Net profit (adj)	22	26	28	30
EPS (adj) (KRW)	139	146	156	168
EPS (adj) growth (% y-y)	90.4	5.1	7.1	7.4
EBITDA margin (%)	71.5	84.9	84.0	82.5
ROE (%)	4.4	3.9	4.4	5.1
P/E (adj) (x)	28.7	35.6	33.2	30.9
P/B (x)	1.0	1.4	1.5	1.6
P/FFO (x)	18.3	17.5	16.9	16.3
Dividend yield (%)	6.8	5.2	5.2	5.2

Source: Company data, Samsung Securities estimates

Samsung Securities

Average funding cost estimated in the 4% range: The Orange Center acquisition was completed in 2Q amid a spike in interest rates, lifting Hanwha REIT's average funding cost to 4.0%—just 24bps above the 2025 low and still 183bps below 2022 levels. The key issue is the refinancing rate on KRW200b of electronic short-term bonds maturing in Sep 2026, which will probably be refinanced with longer-dated instruments. With market rates stabilizing since the July rate hike (now down 20bps from their July 24 peak), we expect refinancing to take place in the low-to-mid-4% range.

- **Plan to adopt fair-value accounting:** To better reflect asset values, the REIT plans to transition to fair-value accounting. This would reduce its LTV ratio from 65% to 55% relative to acquisition-cost-based accounting. Based on the SK REIT precedent, we believe the benefits to the REIT's credit rating and funding costs should far outweigh the appraisal costs associated with adopting fair-value accounting.

Dividend growth to begin in 2028: We expect Hanwha REIT to pay DPS of KRW275 from 2028, 2% above the original plan, supported by: 1) higher rental income in the ninth fiscal period (ending Apr 30) following the Orange Center acquisition, which should contribute KRW5 to DPS; and 2) disciplined interest cost management. The REIT also plans to invest in preferred shares of office properties in 2H, targeting a 6% cash-on-cash return and 9% IRR. We raise our 2027 NOI forecast by 3% to reflect rent increases on lease renewals at existing assets and the addition of Orange Center. Accordingly, we raise our target price by 7% to KRW6,100. Hanwha REIT remains a top pick.

Target-price calculation

Building	Hanwha Insurance Yeouido	Hanwha Life Insurance Nowon	Hanwha Life Pyeongchon	Hanwha Life Guri	Hanwha Life Insurance Jungdong	Janggyo Building	Orange Center	Total
Location	Yeouido, Yeongdeungpo-gu	Sanggye-dong, Nowon-gu	Chochae-dong, Anyang-si	Gyomun-dong, Guri-si	Jung-dong, Bucheon-si	Janggyo-dong	Sunhwa-dong	
Vacancy rate (%)	0.1	3.8	6.4	3.6	4.2	0.5	0.0	
Major tenants	Hanwha General Insurance	Hanwha Life Insurance	Hanwha Life Financial Services	Hanwha Life Insurance	Hanwha Life Financial Services	Hanwha, Hanwha Aerospace	E-Mart	
Gross floor area (*pyeong*)	18,041	2,466	6,733	5,742	8,618	22,495	10,337	74,433
Transaction price (KRWb)	456	30	63	47	65	808	350	1,818
Transaction price per *pyeong* (KRW'000/*pyeong*)	25,300	12,100	9,300	8,100	7,600	35,920	33,860	24,430
Appraised value	590	34	83.4	56.2	78.9	905	370	2,118
Appraisal date	Jun 2025	May 2024	Jun 2025	Jun 2025	Jun 2025	Nov 2025	May 2026	
Purchase cap rate (%)	4.85	7.31	6.54	6.57	6.04	4.78	4.72	5.62
Implied cap rate (%)	4.06	6.00	5.30	5.90	5.40	4.50	4.50	4.82
Net borrowings								1,168
Estimated asset value	623	39	83	56	79	990	400	2,271
NAV								1,103
NAV per share (KRW)								6,100

Source: Company data, Samsung Securities estimates

Income statement

Year-end Oct 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**56**	**103**	**116**	**119**	**123**
Cost of goods sold	0	0	0	0	0
Gross profit	**56**	**103**	**116**	**119**	**123**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	24	42	44	46	49
Operating profit	**32**	**61**	**71**	**73**	**74**
Operating margin (%)	56.9	59.2	61.6	61.4	60.4
Non-operating gains (losses)	**-26**	**-39**	**-45**	**-45**	**-44**
Financial profit	0	0	0	0	0
Financial costs	26	39	45	45	44
Equity-method gains (losses)	0	0	0	0	0
Other	0	0	0	0	0
Pre-tax profit	**6**	**22**	**26**	**28**	**30**
Taxes	0	0	0	0	0
Effective tax rate (%)	0.0	0.0	0.0	0.0	0.0
Profit from continuing operations	6	22	0	0	0
Profit from discontinued operations	0	0	0	0	0
Net profit	**6**	**22**	**26**	**28**	**30**
Net margin (%)	10.7	21.8	22.7	23.6	24.6
Net profit (controlling interests)	6	22	26	28	30
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	41	74	98	100	101
EBITDA margin (%)	72.6	71.5	84.9	84.0	82.5
EPS (parent-based) (KRW)	73	139	146	156	168
EPS (consolidated) (KRW)	73	139	146	156	168
Adjusted EPS (KRW)*	73	139	146	156	168

Balance sheet

Year-end Oct 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**53**	**36**	**33**	**34**	**35**
Cash & equivalents	51	34	33	34	35
Accounts receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	2	2	0	0	0
Fixed assets	**1,533**	**1,520**	**1,501**	**1,483**	**1,465**
Investment assets	1	1	0	0	0
Tangible assets	0	0	0	0	0
Intangible assets	0	0	0	0	0
Other long-term assets	1,532	1,519	1,501	1,483	1,465
Total assets	**1,586**	**1,556**	**1,534**	**1,517**	**1,500**
Current liabilities	**491**	**83**	**73**	**73**	**73**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	491	83	73	73	73
Long-term liabilities	**766**	**776**	**807**	**831**	**857**
Bonds & long-term debt	749	762	759	750	750
Other long-term liabilities	18	14	48	81	107
Total liabilities	**1,258**	**859**	**880**	**904**	**930**
Owners of parent equity	**329**	**696**	**654**	**608**	**569**
Capital stock	35	90	90	90	90
Capital surplus	298	611	611	611	611
Retained earnings	-5	-4	-47	-92	-132
Other	-0	0	0	0	0
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**329**	**696**	**654**	**608**	**569**
Net debt	1,146	767	766	756	755

Cash flow statement

Year-end Oct 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**18**	**35**	**8**	**10**	**13**
Net profit	6	22	26	28	30
Non-cash profit and expenses	37	54	27	27	27
Depreciation	9	13	27	27	27
Amortization	0	0	0	0	0
Other	29	41	0	0	0
Changes in A/L from operating activities	1	-1	0	0	0
Cash flow from investments	**-829**	**-1**	**19**	**18**	**18**
Change in tangible assets	0	0	0	0	0
Change in financial assets	4	-0	0	0	0
Other	-833	-0	19	18	18
Cash flow from financing	**849**	**-52**	**-28**	**-32**	**-26**
Change in debt	981	-396	-3	0	0
Change in equity	-7	367	0	0	0
Dividends	-22	-35	-68	-74	-69
Other	-103	12	44	42	43
Change in cash	38	-18	-0	-4	5
Cash at beginning of year	13	51	34	33	34
Cash at end of year	51	34	33	34	35
Gross cash flow	**43**	**76**	**53**	**55**	**57**
Free cash flow	**18**	**35**	**8**	**10**	**13**

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 Oct 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	32.4	82.6	12.4	3.0	3.0
Operating profit	32.6	90.0	16.8	2.6	1.5
Net profit	20.4	273.2	16.9	7.1	7.4
Adjusted EPS**	nm	90.4	5.1	7.1	7.4
Per-share data (KRW)					
EPS (parent-based)	73	139	146	156	168
EPS (consolidated)	73	139	146	156	168
Adjusted EPS**	73	139	146	156	168
BVPS	4,657	3,878	3,643	3,388	3,169
DPS (common)	315	270	270	270	270
Valuations (x)					
P/E***	51.2	28.7	35.6	33.2	30.9
P/B***	0.8	1.0	1.4	1.5	1.6
P/FFO (x)	20.8	18.3	17.5	16.9	16.3
Ratios (%)					
ROE	1.8	4.4	3.9	4.4	5.1
ROA	0.5	1.4	1.7	1.8	2.0
ROIC	-101.7	-146.8	n/a	n/a	n/a
Payout ratio	370.4	216.4	185.2	172.9	161.0
Dividend yield (common)	8.4	6.8	5.2	5.2	5.2
Net debt to equity	348.7	110.1	117.1	124.2	132.6
Interest coverage (x)	1.2	1.6	1.6	1.6	1.7

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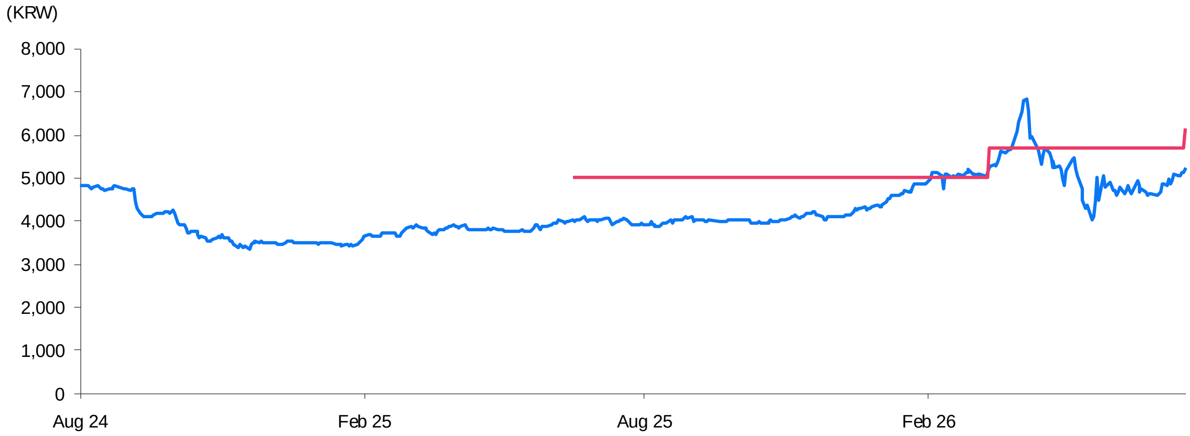

Rating changes over past two years (adjusted share prices)

Date	2025/7/8	2026/4/2	8/7
Recommendation	BUY	BUY	BUY
Target price (KRW)	5000	5700	6100
Gap* (average)	-14.53	-9.85	
(max or min)**	3.80	20.18	

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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