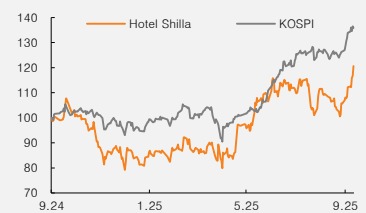


(Upgrade)	<b>Buy</b>
Target price	<b>▲ W72,000</b>
Current price (9/19/25)	W54,700
Upside	31.6%

OP (25F, Wbn)	41
Consensus OP (25F, Wbn)	52
EPS growth (25F, %)	RR
Market EPS growth (25F, %)	23.5
P/E (25F, x)	-
Market P/E (25F, x)	12.8
KOSPI	3,445.24

Market cap (Wbn)	2,147
Shares (mn)	39
Free float (%)	77.2
Foreign ownership (%)	15.5
Beta (12M)	0.86
52-week low (W)	35,900
52-week high (W)	54,700

(%)	1M	6M	12M
Absolute	11.4	40.4	21.8
Relative	1.9	7.1	-8.7



Mirae Asset Securities Co., Ltd.

Songyi Bae  
songyi.bae@miraeasset.com

# Hotel Shilla

## Major headwinds resolved; turnaround momentum to come into focus

### Exit from inefficient airport operations to support a turnaround

We upgrade our rating on Hotel Shilla to Buy (from Hold) and lift our target price to W72,000 (from W40,000). On Sep. 18, the company announced its decision to withdraw from the DF1 zone at Incheon International Airport (IIA), which should eliminate over W50bn in annual operating losses. Meanwhile, the travel retail and hotel businesses stand to benefit directly from an increase in inbound tourists. Together, these factors should drive a strong turnaround, with 2026 operating profit likely to expand 189% YoY.

Until the full withdrawal from the DF1 zone on Mar. 17, 2026, the company is likely to incur non-recurring costs, including a W190bn early termination penalty. Therefore, for valuation purposes, we excluded domestic airport duty-free operations and focused on the downtown duty-free, international airport duty-free, and hotel businesses. We expect the hotel/leisure business to stand out as the main driver of overall value, while travel retail operations are likely to return to profitability.

### Hotels: Largest room inventory and asset-light model

Hotel Shilla operates around 5,700 hotel rooms nationwide, giving it a clear scale advantage over competitors such as GS P&L (3,082), Seobu T&D (1,700), and Paradise (1,300). Notably, the majority (around 4,800) are three/four-star Shilla Stay rooms, which offer good value and are especially popular with foreign visitors. Since 2021, the Shilla Stay brand has expanded primarily through an asset-light model (focused on management contracts), allowing it to grow its network and generate stable profits without heavy capex. The company plans to add one to two locations annually going forward. Given rising inbound tourism and limited hotel supply, Hotel Shilla's scale advantage and strong brand power are likely to support a valuation premium.

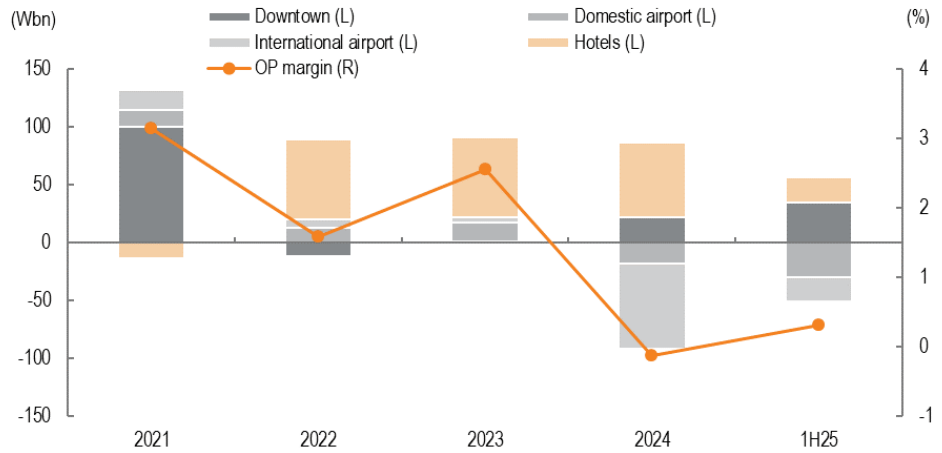
### Travel retail: Profit structure to improve

The travel retail business is successfully reducing its reliance on Chinese resellers (*daigou*). The current split between *daigou* and regular customers is roughly 50:50, a significant improvement from the period just after the COVID-19 outbreak (90:10). Margins have also stabilized, supported by reduced *daigou* transactions at rivals. In 1H25, downtown stores posted operating profit of over W30bn, but sharp losses at domestic and international airport operations (around W30bn and W20bn respectively) resulted in an overall travel retail loss of W16.3bn. Looking ahead, the exit from the DF1 zone at IIA is likely to eliminate most of the domestic airport losses. In addition, visa-free entry for Chinese group tourists is likely to contribute to improved profitability. (Compared with *daigou*, Chinese group tourists represent a higher-margin customer segment, as commissions paid to *daigou* are higher than those paid to travel agencies.)

(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	3,568	3,948	4,140	3,955	3,984
OP (Wbn)	91	-5	41	119	143
OP margin (%)	2.6	-0.1	1.0	3.0	3.6
NP (Wbn)	86	-62	-184	62	86
EPS (W)	2,149	-1,538	-4,591	1,553	2,145
ROE (%)	15.0	-6.5	-15.4	5.5	7.2
P/E (x)	30.4	-	-	35.2	25.5
P/B (x)	3.7	1.1	1.8	1.7	1.6
Dividend yield (%)	0.3	0.0	0.0	0.0	0.0

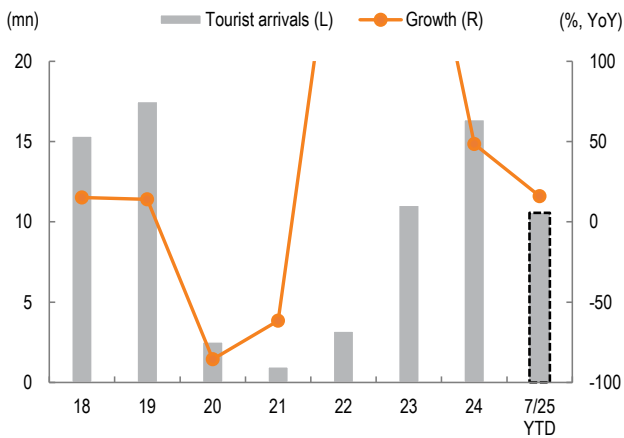
Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent  
Source: Company data, Mirae Asset Securities Research estimates

**Figure 1. OP by segment: Solid downtown duty-free and hotel profits vs. losses at airport duty-free operations**



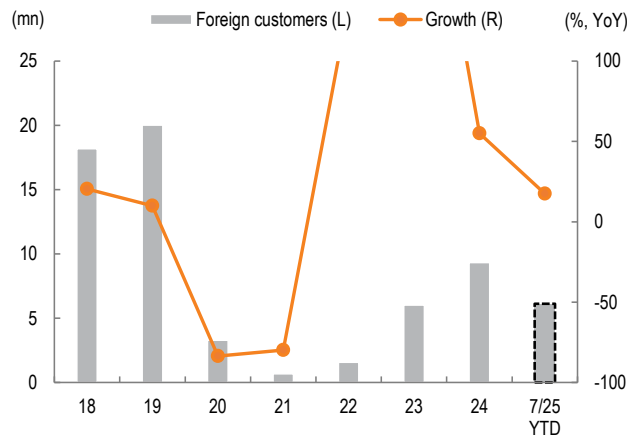
Source: Mirae Asset Securities Research

**Figure 2. Tourist arrivals to Korea**



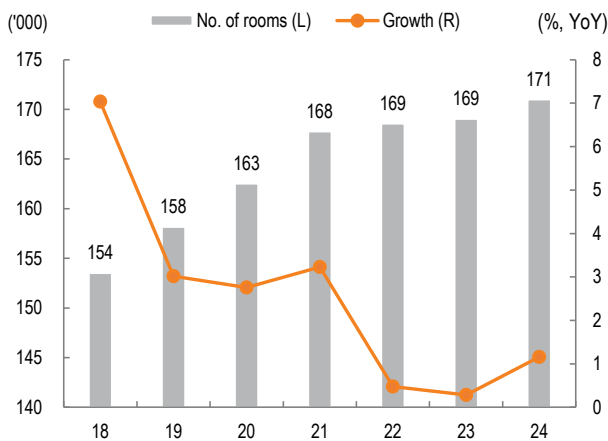
Source: Korea Tourism Organization, Mirae Asset Securities Research

**Figure 3. Foreign customers at duty-free stores: Shift away from daigou underway**



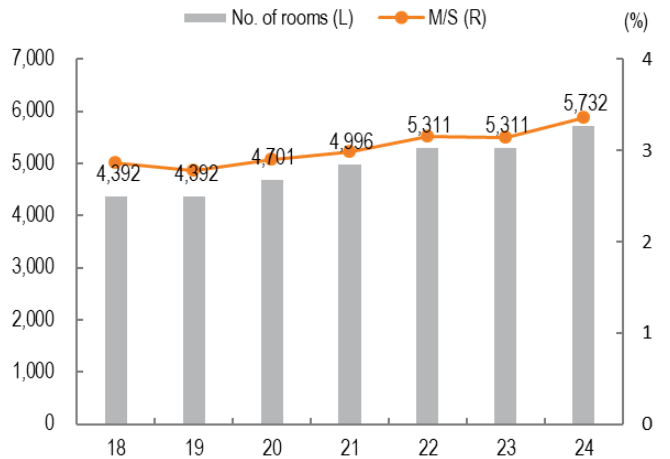
Source: Korea Duty-Free Association, Mirae Asset Securities Research

**Figure 4. No. of hotel rooms in Korea**



Source: MCST, Mirae Asset Securities Research

**Figure 5. Hotel Shilla's hotel room count**



Source: Mirae Asset Securities Research

**Table 1. Overview of hotel operations**

Hotel	Opening date	Type	Number of rooms
The Shilla Seoul	1979	Owned	464
The Shilla Jeju	1990	Owned	429
Stay Dongtan	Nov. 2013	Leased	286
Stay Yeoksam	Oct. 2014	Leased	306
Stay Jeju	Mar. 2015	Leased	301
Stay Seodaemun	May 2015	Leased	319
Stay Ulsan	Jul. 2015	Leased	235
Stay Mapo	Sep. 2015	Leased	383
Stay Gwanghwamun	Dec. 2015	Leased	338
Stay Guro	Feb. 2016	Leased	310
Stay Cheonan	Jul. 2016	Leased	309
Stay Seocho	Apr. 2017	Leased	305
Stay Haeundae	Apr. 2017	Leased	407
Stay Samsung	Apr. 2020	Leased	309
Stay West Busan	Apr. 2021	Managed	295
Stay Yeosu	Oct. 2022	Managed	315
Stay Plus Ihotewoo	May 2024	Managed	211
Stay Jeonju	Dec. 2024	Managed	210

Note: Shaded rows indicate hotels located in Seoul.

Source: Mirae Asset Securities Research

**Table 2. Annual earnings and forecasts**

(Wbn)

	2022	2023	2024	2025F	2026F	2027F
Revenue	4,922	3,568	3,948	4,140	3,955	3,984
Travel retail	4,326	2,934	3,282	3,448	3,222	3,205
Downtown	3,789	1,375	1,457	1,421	1,462	1,499
Airport	538	1,559	1,825	2,027	1,760	1,706
Hotels/leisure	596	635	666	691	733	779
OP	78	91	(5)	41	119	143
Travel retail	9	22	(70)	(23)	36	51
Downtown	(11)	1	22	70	82	84
Airport	20	21	(92)	(93)	(46)	(33)
Hotels/leisure	70	69	65	64	83	92
Pretax profit	(60)	107	(47)	(187)	76	105
NP	(50)	86	(62)	(184)	62	86
NP attributable to owners of the parent	(50)	86	(62)	(184)	62	86
OP margin (%)	1.6	2.6	(0.1)	1.0	3.0	3.6
Travel retail	0.2	0.8	(2.1)	(0.7)	1.1	1.6
Downtown	(0.3)	0.1	1.5	4.9	5.6	5.6
Airport	3.7	1.3	(5.0)	(4.6)	(2.6)	(2.0)
Hotels/leisure	11.7	10.8	9.7	9.3	11.3	11.8
Revenue growth (% YoY)	30.2	(27.5)	10.6	4.9	(4.5)	0.7
Travel retail	29.4	(32.2)	11.9	5.1	(6.6)	(0.5)
Downtown	24.6	(63.7)	6.0	(2.5)	2.8	2.6
Airport	77.3	190.0	17.0	11.1	(13.1)	(3.1)
Hotels/leisure	36.9	6.5	4.9	3.8	6.0	6.2
OP growth (% YoY)	(34.1)	16.4	TTR	TTB	189.0	20.5
Travel retail	(93.6)	163.5	TTR	RR	TTB	41.6
Hotels/leisure	TTB	(1.4)	(6.1)	(0.4)	28.7	11.3
NP growth (% YoY)	TTR	TTB	TTR	RR	TTB	38.1

Source: Company data, Mirae Asset Securities Research

Table 3. Quarterly earnings and forecasts

(Wbn)

	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25F	4Q25F	2025
Revenue	981	1,003	1,016	948	3,948	972	1,025	1,066	1,077	4,140
Travel retail	831	833	845	774	3,282	827	850	883	888	3,448
Downtown	400	375	371	311	1,457	316	364	371	371	1,421
Airport	430	458	474	463	1,825	511	487	513	517	2,027
Hotels/leisure	150	170	171	174	666	145	175	182	189	691
OP	12	28	(17)	(28)	(5)	(3)	9	18	17	41
Travel retail	6	7	(39)	(44)	(70)	(5)	(11)	(5)	(1)	(23)
Hotels/leisure	6	21	22	16	65	3	20	23	19	64
Pretax profit	3	40	(27)	(63)	(47)	(4)	2	(173)	(12)	(187)
NP	(2)	27	(23)	(64)	(62)	(6)	(1)	(168)	(8)	(184)
NP attributable to owners of the parent	(2)	27	(23)	(64)	(62)	(6)	(1)	(168)	(8)	(184)
OP margin (%)	1.2	2.8	(1.7)	(2.9)	(0.1)	(0.3)	0.8	1.6	1.6	1.0
Travel retail	0.7	0.8	(4.6)	(5.7)	(2.1)	(0.6)	(1.3)	(0.6)	(0.2)	(0.7)
Hotels/leisure	4.1	12.1	12.7	9.2	9.7	1.7	11.4	12.6	9.9	9.3
Revenue growth (% YoY)	30.4	15.7	0.4	1.1	10.6	(0.9)	2.3	4.9	13.6	4.9
Travel retail	36.5	17.6	(0.0)	0.2	11.9	(0.4)	2.1	4.6	14.8	5.1
Downtown	19.7	15.4	8.2	(16.4)	6.0	(21.0)	(3.2)	0.0	19.3	(2.5)
Airport	57.1	19.5	(5.7)	15.7	17.0	18.7	6.4	8.1	11.7	11.1
Hotels/leisure	4.5	6.9	2.8	5.3	4.9	(3.6)	3.2	6.3	8.4	3.8
OP growth (% YoY)	(64.9)	(58.9)	TTR	RR	TTR	TTR	(68.6)	TTB	TTB	TTB
Travel retail	(76.6)	(83.8)	RR	RR	TTR	TTR	TTR	RR	RR	RR
Hotels/leisure	(33.3)	(14.2)	(9.6)	40.4	(6.1)	(59.7)	(2.9)	6.1	17.1	(0.4)
NP growth (% YoY)	TTR	(62.1)	RR	RR	TTR	RR	TTR	RR	RR	RR

Source: Company data, Mirae Asset Securities Research

Table 4. Valuation table

(Wbn)

	2025F	2026F	Notes
Travel retail (A)			
OP from downtown stores	70	82	
OP from overseas airport stores	(38)	(33)	
Travel retail NOPLAT	25	40	
Target P/E (x)	20	20	Pre- <i>daigou</i> boom (2014-16) avg.: 26x
Value	505	793	
Hotels/leisure (B)			
OP	64	83	
Hotels/leisure NOPLAT	51	66	
Target P/E (x)	30	30	Avg. 12MF P/E of GS P&L and Seobu T&D: 29x
Value	1,542	1,985	
Total (A+B)	2,047	2,778	
Fair value/share 1 (W)	55,153	74,847	Excl. treasury stock
Fair value/share 2 (W)	71,565		Time-weighted avg.
Target price (W)	72,000		
Current price (W)	54,700		
Upside (%)	31.6		

Source: Mirae Asset Securities Research

## Hotel Shilla (008770 KS)

## Income statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
<b>Revenue</b>	<b>3,948</b>	<b>4,139</b>	<b>3,955</b>	<b>3,984</b>
<b>Cost of revenue</b>	<b>2,260</b>	<b>2,388</b>	<b>2,278</b>	<b>2,291</b>
<b>GP</b>	<b>1,688</b>	<b>1,751</b>	<b>1,677</b>	<b>1,693</b>
<b>SG&amp;A expenses</b>	<b>1,692</b>	<b>1,710</b>	<b>1,558</b>	<b>1,549</b>
<b>OP (adj.)</b>	<b>-5</b>	<b>41</b>	<b>119</b>	<b>143</b>
<b>OP</b>	<b>-5</b>	<b>41</b>	<b>119</b>	<b>143</b>
<b>Non-operating profit</b>	<b>-42</b>	<b>-228</b>	<b>-43</b>	<b>-38</b>
Net financial income	-33	-32	-38	-35
Net income from associates	0	0	0	0
Pretax profit	-47	-187	76	105
Income tax	14	-4	14	19
Profit from continuing operations	-62	-184	62	86
Profit from discontinued operations	0	0	0	0
<b>NP</b>	<b>-62</b>	<b>-184</b>	<b>62</b>	<b>86</b>
Attributable to owners	-62	-184	62	86
Attributable to minority interests	0	0	0	0
<b>Total comprehensive income</b>	<b>674</b>	<b>-191</b>	<b>62</b>	<b>86</b>
Attributable to owners	674	-190	62	86
Attributable to minority interests	0	0	0	0
EBITDA	127	178	230	236
FCF	-5	71	206	181
EBITDA margin (%)	3.2	4.3	5.8	5.9
OP margin (%)	-0.1	1.0	3.0	3.6
Net margin (%)	-1.6	-4.4	1.6	2.2

## Balance sheet (summarized)

(Wbn)	2024	2025F	2026F	2027F
<b>Current assets</b>	<b>1,411</b>	<b>1,415</b>	<b>1,121</b>	<b>1,260</b>
Cash & equivalents	370	233	8	139
AR & other receivables	332	377	344	347
Inventory	623	707	676	681
Other current assets	86	98	93	93
<b>Non-current assets</b>	<b>2,403</b>	<b>2,369</b>	<b>2,287</b>	<b>2,242</b>
Investments in associates	22	25	23	24
PP&E	1,536	1,512	1,446	1,397
Intangible assets	23	21	16	12
<b>Total assets</b>	<b>3,814</b>	<b>3,784</b>	<b>3,409</b>	<b>3,502</b>
<b>Current liabilities</b>	<b>1,150</b>	<b>1,327</b>	<b>897</b>	<b>903</b>
AP & other payables	296	336	321	324
Short-term financial liabilities	412	488	95	96
Other current liabilities	442	503	481	483
<b>Non-current liabilities</b>	<b>1,380</b>	<b>1,363</b>	<b>1,356</b>	<b>1,357</b>
Long-term financial liabilities	1,247	1,212	1,212	1,212
Other non-current liabilities	133	151	144	145
<b>Total liabilities</b>	<b>2,530</b>	<b>2,690</b>	<b>2,253</b>	<b>2,260</b>
<b>Equity attributable to owners</b>	<b>1,284</b>	<b>1,094</b>	<b>1,156</b>	<b>1,242</b>
Capital stock	200	200	200	200
Capital surplus	206	206	206	206
Retained earnings	223	40	102	188
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>1,284</b>	<b>1,094</b>	<b>1,156</b>	<b>1,242</b>

## Cash flow statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
<b>Operating cash flow</b>	<b>69</b>	<b>143</b>	<b>246</b>	<b>221</b>
NP	-62	-184	62	86
Non-cash income/expenses	218	181	164	147
Depreciation	122	130	106	89
Amortization	10	7	5	4
Other	86	44	53	54
Chg. in working capital	-98	124	22	-1
Chg. in AR & other receivables	-38	96	4	-1
Chg. in inventory	29	-94	32	-5
Chg. in AP & other payables	-93	14	-10	2
Income tax	-10	4	-14	-19
<b>Cash flow from investing activities</b>	<b>-95</b>	<b>-123</b>	<b>-29</b>	<b>-48</b>
Chg. in PP&E	-74	-71	-40	-40
Chg. in intangible assets	1	0	0	0
Chg. in financial assets	7	-44	16	-3
Other	-29	-8	-5	-5
<b>Cash flow from financing activities</b>	<b>-30</b>	<b>-264</b>	<b>-443</b>	<b>-43</b>
Chg. in financial liabilities	58	42	-393	1
Chg. in equity	10	0	0	0
Dividends	-8	0	0	0
Other	-90	-306	-50	-44
<b>Chg. in cash</b>	<b>-41</b>	<b>-138</b>	<b>-225</b>	<b>131</b>
Beginning balance	412	370	233	8
Ending balance	370	233	8	139

Source: Company data, Mirae Asset Securities Research estimates

## Key valuation metrics/ratios

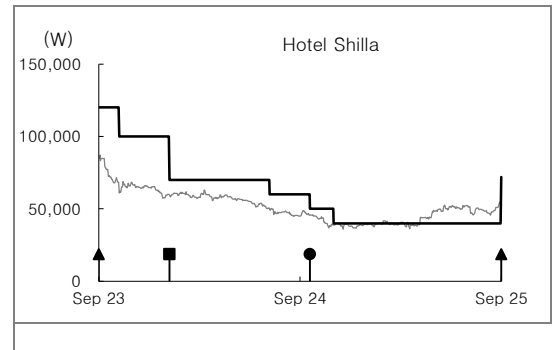
	2024	2025F	2026F	2027F
P/E (x)	-	-	35.2	25.5
P/CF (x)	9.4	-	9.7	9.4
P/B (x)	1.1	1.8	1.7	1.6
EV/EBITDA (x)	21.3	20.2	14.9	14.0
EPS (W)	-1,538	-4,591	1,553	2,145
CFPS (W)	3,912	-56	5,643	5,814
BPS (W)	34,720	29,956	31,509	33,654
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	10.6	4.9	-4.5	0.7
EBITDA growth (%)	-41.9	40.3	29.3	2.4
OP growth (%)	TTR	TTB	188.7	20.5
EPS growth (%)	TTR	RR	TTB	38.1
AR turnover (x)	46.3	45.1	41.4	42.5
Inventory turnover (x)	6.3	6.2	5.7	5.9
AP turnover (x)	9.5	10.9	10.0	10.2
ROA (%)	-1.8	-4.8	1.7	2.5
ROE (%)	-6.5	-15.4	5.5	7.2
ROIC (%)	-0.4	2.3	4.1	5.4
Debt-to-equity ratio (%)	197.0	245.9	194.9	182.0
Current ratio (%)	122.7	106.6	125.1	139.5
Net debt-to-equity ratio (%)	96.7	129.3	108.0	90.1
Interest coverage ratio (x)	-0.1	0.7	2.4	3.3

# Appendix 1

## Important disclosures and disclaimers

### Two-year rating and TP history

Company	Date	Rating	TP (W)
Hotel Shilla (008770)	09/22/25	Buy	72,000
	11/22/24	Hold	40,000
	10/10/24	Hold	50,000
	07/29/24	Trading Buy	60,000
	01/29/24	Trading Buy	70,000
	10/30/23	Buy	100,000
	05/30/23	Buy	120,000



### Stock ratings

Buy	Expected 12-month return: +20% or greater
Hold	Expected 12-month return: Greater than -10% and less than +10%
Sell	Expected 12-month return: -10% or less

### Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.

Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

\* Our investment rating is a guide to the expected return of the stock over the next 12 months.

\* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

\* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

\* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

### Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	84.91%	5.59%	8.94%	0.56%
Investment banking services	88.89%	0%	11.11%	0%

\* Based on recommendations in the last 12-months (as of June 30, 2025)

### Disclosures

As of the publication date, Mirae Asset Securities Co., Ltd. has acted as a liquidity provider for equity-linked warrants backed by shares of Hotel Shilla as an underlying asset; other than this, Mirae Asset Securities has no other special interests in the covered companies.

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## Mirae Asset Securities International Network

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### Mirae Asset Securities Co., Ltd. (Seoul)

One-Asia Equity Sales Team  
Mirae Asset Center 1 Building  
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539  
Korea

Tel: 82-2-3774-2124

---

### Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor  
New York, NY 10019  
USA

Tel: 1-212-407-1000

---

### Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01  
Singapore 049909  
Republic of Singapore

Tel: 65-6671-9845

---

### Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers  
B12 Jianguomenwai Avenue, Chaoyang District  
Beijing 100022  
China

Tel: 86-10-6567-9699

---

### Ho Chi Minh Representative Office

7F, Saigon Royal Building  
91 Pasteur St.  
District 1, Ben Nghe Ward, Ho Chi Minh City  
Vietnam

Tel: 84-8-3910-7715

---

### Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong SAR  
Tel: 852-2845-6332

---

### Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building  
Vila Olimpia  
Sao Paulo - SP  
04551-060  
Brazil  
Tel: 55-11-2789-2100

---

### Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building  
91 Pasteur St.  
District 1, Ben Nghe Ward, Ho Chi Minh City  
Vietnam

Tel: 84-8-3911-0633 (ext.110)

---

### Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers  
B12 Jianguomenwai Avenue, Chaoyang District  
Beijing 100022  
China

Tel: 86-10-6567-9699 (ext. 3300)

---

### Mirae Asset Capital Markets (India) Pvt Ltd

1st Floor, Tower 4, Equinox Business Park,  
LBS Marg, Off BKC, Kurla (West), Mumbai - 400 070  
India

Tel: 91-22-62661300 / 48821300

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### Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42  
25 Old Broad Street,  
London EC2N 1HQ  
United Kingdom

Tel: 44-20-7982-8000

---

### PT. Mirae Asset Sekuritas Indonesia

District 8, Treasury Tower Building Lt. 50  
Sudirman Central Business District  
Jl. Jend. Sudirman, Kav. 52-54  
Jakarta Selatan 12190  
Indonesia  
Tel: 62-21-5088-7000

---

### Mirae Asset Securities Mongolia UTsk LLC

#406, Blue Sky Tower, Peace Avenue 17  
1 Khoroo, Sukhbaatar District  
Ulaanbaatar 14240  
Mongolia

Tel: 976-7011-0806

---

### Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center  
100 Century Avenue, Pudong New Area  
Shanghai 200120  
China

Tel: 86-21-5013-6392

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