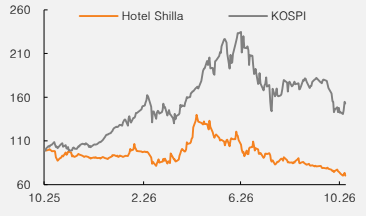
MIRAE ASSET Securities

Equity Research
October 30, 2026

(Initiate)	**Buy**
Target price	**W55,000**
Current price (10/29/26)	W34,850
Upside	57.8%

OP (26F, Wbn)	179
Consensus OP (26F, Wbn)	195
EPS growth (26F, %)	TTB
Market EPS growth (26F, %)	278.0
P/E (26F, x)	16.5
Market P/E (26F, x)	5.4
KOSPI	5,937.66
Market cap (Wbn)	1,368
Shares (mn)	39
Free float (%)	77.0
Foreign ownership (%)	18.7
Beta (12M)	0.35
52-week low (W)	34,800
52-week high (W)	69,400

(%)	1M	6M	12M
Absolute	-13.3	-48.5	-29.5
Relative	0.3	-42.0	-51.6



Mirae Asset Securities Co., Ltd.

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008770 KS · Retail

Hotel Shilla

DF1 exit drives earnings recovery; hotels to help sustain growth

Initiate coverage with Buy rating and TP of W55,000

We initiate coverage of Hotel Shilla with a Buy rating and target price of W55,000. We forecast operating profit to rise from W13.5bn in 2025 to W179.3bn in 2026, driven by: 1) the elimination of roughly W20bn in quarterly losses following its exit from the DF1 zone at Incheon International Airport; 2) recovering margins in the remaining duty-free (travel retail) business as low-margin airport sales decline and referral commissions and rental expenses normalize; and 3) a growing contribution from hotels, which generate OP margins of 11-14%, supported by higher room rates and expansion of the hotel operating portfolio. We derived our target price by applying an EV/EBITDA of 8.8x—the average over the year following the decision to relinquish the DF1 concession (Oct. 2025–Sep. 2026)—to 2027F EBITDA of W344.7bn, then deducting net debt, lease liabilities, and the value attributable to preferred shares.

DF1 exit: Eliminating W20bn in quarterly losses

The DF1 concession incurred operating losses of around W20bn per quarter due to high per-passenger rental fees, but operations ended on Apr. 16. In 3Q26, duty-free operating profit rose W37.8bn YoY to W27.3bn. However, OP margin declined from 4.7% in 2Q26 to 3.6%, reflecting the cost burden of inventory purchased at higher USD/KRW rates, seasonal weakness in *daigou* demand, and higher passenger-linked rental expenses at overseas airports. For 2026, we expect duty-free operating profit to improve by W143.5bn to W96.2bn (vs. -W47.3bn in 2025), accounting for 87% of the W165.8bn increase in consolidated operating profit. The recovery should be driven primarily by duty-free normalization (e.g., DF1 exit, better sales terms, and reduced overseas losses), rather than revenue growth.

Duty-free: Cost normalization to improve profitability despite lower revenue

Following the DF1 exit, we expect duty-free revenue to decline 7% YoY to W3.1tr in 2026. However, profitability should improve as low-margin airport revenue declines and downtown and overseas operations account for a larger share of sales. In 2Q26, referral commissions fell 13% YoY to W39.5bn, outpacing the 9.1% decline in revenue. The company has also negotiated lower rents in Hong Kong (through end-2026) and in Singapore (through Mar. 2028). Normalization of the cost structure, particularly referral commissions and rental expenses, should drive duty-free earnings improvement.

Hotels: Higher room rates and expansion through leased and managed properties

In 3Q26, the hotel/leisure division posted an OP margin of 14%, well above the duty-free margin of 3.6%, and accounted for 51% of consolidated operating profit. Average daily rates (ADRs) at The Shilla Seoul and Shilla Stay rose by mid-to-high teen percentages YoY. With occupancy rates deliberately capped—at 74% for The Shilla Seoul and 80% for Shilla Stay in 3Q26—growth is being driven mainly by higher room rates. Shilla Stay, which operates mainly through leases and third-party management contracts, surpassed The Shilla Seoul's revenue for the first time in 2Q26, demonstrating its ability to expand with limited up-front investment. We forecast hotel/leisure operating profit to rise from W83.1bn in 2026 to W110.6bn in 2028, driving further earnings growth after the duty-free business normalizes.

(Dec.)	2024	2025	2026F	2027F	2028F
Revenue (Wbn)	3,948	4,068	3,926	3,871	4,039
OP (Wbn)	-5	14	179	215	248
OP margin (%)	-0.1	0.3	4.6	5.5	6.1
NP (Wbn)	-62	-173	85	129	153
EPS (W)	-1,538	-4,321	2,113	3,226	3,834
ROE (%)	-6.5	-14.5	7.3	10.2	10.9
P/E (x)	-	-	16.5	10.8	9.1
P/B (x)	1.1	1.5	1.1	1.0	0.9
Dividend yield (%)	0.0	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

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the US.
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Valuation

We believe EV/EBITDA is more suitable than P/E for valuing Hotel Shilla for three reasons. First, net debt at end-June stood at W632.5bn, equivalent to 46% of its current market cap of W1.37tr. Including W368.1bn in lease liabilities brings this ratio to 73%. P/E, which measures equity value alone, therefore does not adequately capture the company's financial structure.

Second, the company's net profit is volatile and heavily affected by interest expenses and depreciation. Depreciation of right-of-use assets declined from W21.3bn in 2Q25 to W19bn in 2Q26. However, because much of DF1's rent was variable and expensed directly, we do not attribute the decline directly to the DF1 exit or assume further reductions on that basis. We therefore based our depreciation forecasts on recent actual expense levels.

Third, recent P/E ranges have limited relevance because the company posted a net loss in 2025, leaving 2014–19 as the main historical reference period. However, the business mix was different then: the company had not yet taken on the DF1 concession, and hotels accounted for a smaller share of revenue (vs. the current 20.5%).

Table 1. Hotel Shilla: TP calculation

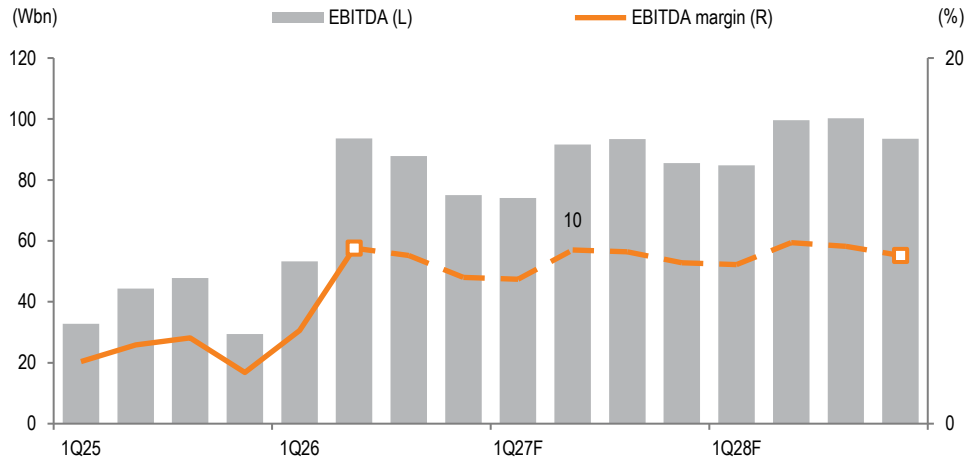
	Value	Notes
2027F EBITDA (Wbn)	344.7	OP (W214.8bn) + D&A (W129.9bn; 1Y forward)
Target EV/EBITDA (x)	8.8	Avg. over the year following the Sep. 2025 decision to exit DF1; currently trading at 6.6x 2027F EBITDA
Target EV (Wbn)	3,032.9	2027F EBITDA × target EV/EBITDA
Net debt, lease liabilities, etc. (Wbn)	1,005.9	Adj. net debt (W609.5bn) + lease liabilities (W368.1bn) + preferred stock (W28.3bn)
TP (W)	55,000	(Target EV – net debt, lease liabilities, etc.) ÷ 37,161,000 shares before exchange
Current price (W)	34,800	Oct. 26 closing price
Upside (%)	58.0	

Notes: Adj. net debt of W609.5bn = reported net debt of W632.5bn – short-term financial instruments of W26.4bn + restricted cash of W3.4bn; assuming no exchange of exchangeable bonds
Source: Mirae Asset Securities Research

Consolidated depreciation expenses totaled W32.47bn in 2Q26. Adding operating profit of W61.1bn yields EBITDA of W93.57bn, just W30mn below the company's reported figure of W93.6bn. We forecast EBITDA at W309.7bn for 2026 and W344.7bn for 2027, using the latter to derive our target price. This is the same one-year-forward basis used in our valuations of Shinsegae, Hyundai Department Store, and BGF Retail (2027F EPS).

We assume quarterly depreciation of W32.47bn, in line with the 2Q26 figure. This is also consistent with 3Q26 depreciation of approximately W32.6bn, calculated as the difference between EBITDA of W87.8bn and operating profit of W55.2bn. Most of DF1's rent consisted of variable lease payments linked to sales or passenger volumes and was therefore largely excluded from right-of-use assets and lease liabilities. Only W1.1bn in lease liabilities was derecognized following the contract termination in 1H26. Accordingly, even in 2Q26, when the DF1 exit took place, depreciation declined by just W400mn QoQ.

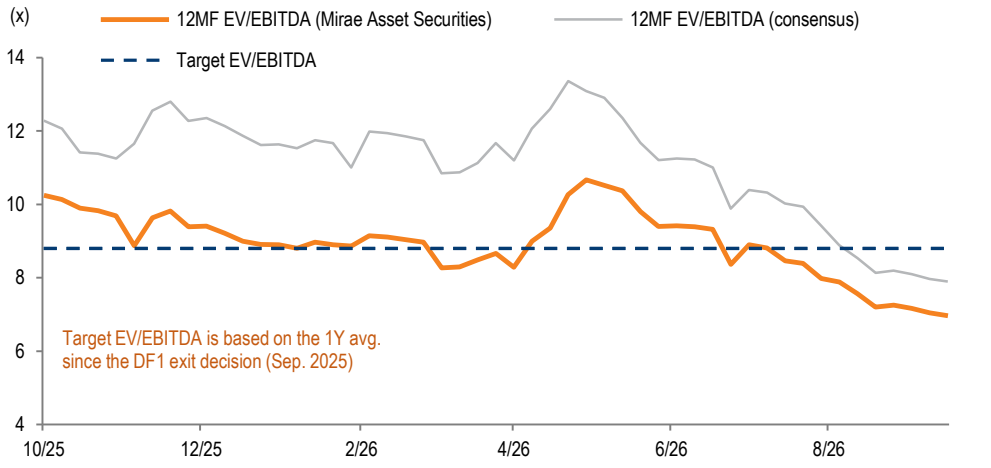
Figure 1. Quarterly EBITDA and EBITDA margin



Notes: EBITDA = OP + depreciation (including depreciation of right-of-use assets); figures from 4Q26 onward are Mirae Asset Securities Research estimates (dotted lines); 3Q26 depreciation is calculated as EBITDA of W87.8bn less OP of W55.2bn; thereafter, quarterly depreciation is assumed at W32.47bn, in line with the 2Q26 actual figure
Source: Company data, Mirae Asset Securities Research

We derived our target price of W55,000 by applying an EV/EBITDA of 8.8x—the average over the year following the decision to relinquish the DF1 concession (Oct. 2025–Sep. 2026)—to 2027F EBITDA of W344.7bn, then deducting net debt, lease liabilities, and the value attributable to preferred shares. We believe this period, when expectations for cost normalization following the DF1 exit decision were priced in, is representative of the current earnings structure. The 8.8x target multiple is the average of month-end EV (including lease liabilities) divided by 12-month forward EBITDA over the reference period. If we recalculate those historical multiples using EBITDA estimates updated to reflect 3Q26 results and our revised outlook, the average rises to 9.7x. Applying that multiple to our 2027F EBITDA would imply a target price of W63,000. However, as the higher historical average merely reflects a reduction in the EBITDA denominator, we retain our target multiple of 8.8x. The stock is trading at 6.6x 2027F EBITDA (based on end-June net debt and lease liabilities). As our target price is below the W62,200 exchange price, our base case assumes the exchangeable bonds remain unexchanged. Even assuming full exchange, our target price remains W55,000.

Figure 2. Hotel Shilla: 12-month forward EV/EBITDA (8.8x target)

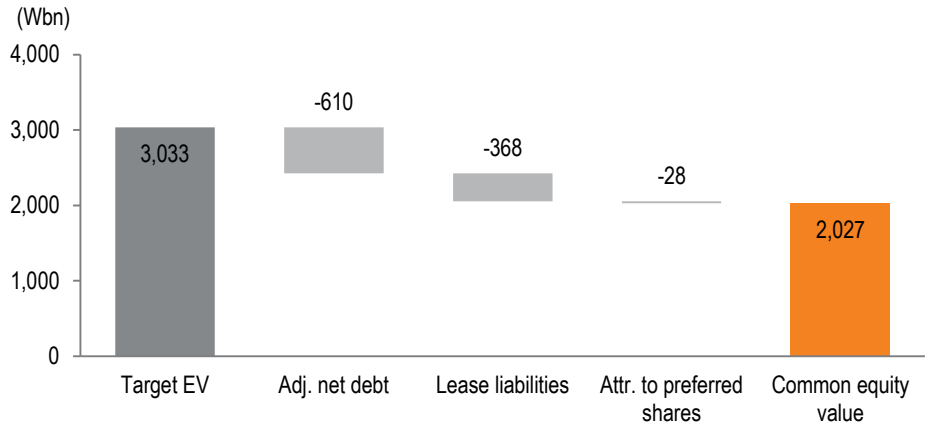


Notes: EV = market cap (common and preferred stock) + net debt + lease liabilities; orange line represents our 12MF EBITDA (OP + depreciation for four quarters starting with the relevant quarter); gray line indicates Bloomberg consensus EBITDA; our series uses estimates prior to incorporating 3Q26 results; monthly, based on month-end data
Source: Bloomberg, Company data, Mirae Asset Securities Research

We have not applied a multiple above the historical average, as most of the earnings improvement in 2026 stems from cost normalization following the exit from loss-making operations rather than stronger underlying demand. These cost savings may support a lasting improvement in earnings but do not themselves generate additional revenue growth. We therefore see limited scope for further multiple expansion until downtown duty-free sales return to growth and support sustained profit increases.

We have not assumed any recovery in domestic duty-free margins from 3Q26 levels. We present the potential upside from normalization of FX-related inventory costs and the impact of the expiry of Hong Kong airport rental concessions as sensitivity analyses, rather than incorporating them into our base forecasts.

Figure 3. TP calculation: From target EV to common equity value



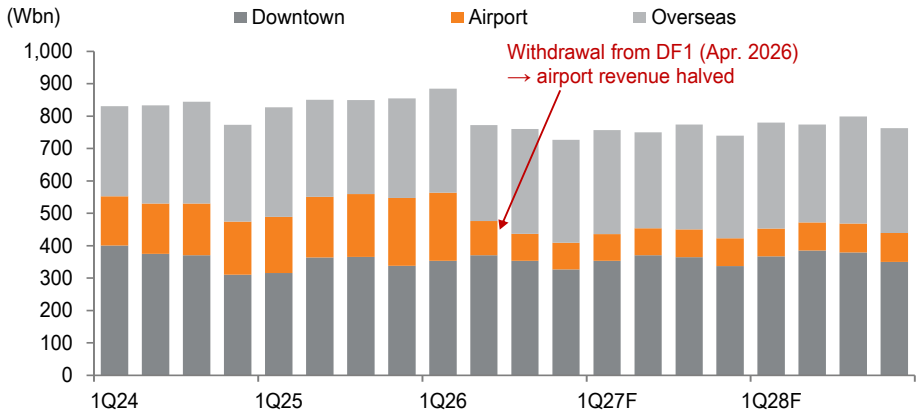
Note: Target EV = 2027F EBITDA (W344.7bn) × target EV/EBITDA (8.8x); common equity value ÷ common shares (37.16mn shares, assuming no exchange of the exchangeable bonds) = target price (W55,000)
Source: Mirae Asset Securities Research

Earnings outlook

We forecast 2026 consolidated revenue to decline 3.5% YoY to W3.93tr, reflecting the DF1 exit and a 3.4% decline in downtown duty-free revenue in 3Q26. Operating profit, however, should rise from W13.5bn in 2025 to W179.3bn. We expect the normalization of the duty-free business, including the elimination of losses from DF1, to account for 87% of the increase in consolidated operating profit. In 2027, we forecast operating profit to expand further to W214.8bn, driven by the full-year effect of the DF1 exit and an expected 3.2% YoY increase in downtown duty-free revenue in 2H27 (benefiting from a low base).

We expect the duty-free business to swing from an operating loss of W47.3bn in 2025 to a W96.2bn profit in 2026, increasing to W137.5bn in 2028. As channel restructuring continues, we see downtown duty-free revenue rising from W1.38tr in 2025 to W1.48tr in 2028 and airport duty-free revenue declining from W765bn to W350bn. In hotels/leisure, we forecast operating profit to rise from W60.9bn in 2025 to W110.6bn in 2028.

Figure 4. Hotel Shilla: Duty-free revenue breakdown by channel



Source: Mirae Asset Securities Research

In 2Q26, gross margin rose to 46.4% from 44.1% in 1Q26, while rent as a percentage of revenue fell to 14.1% from 18.4% following the DF1 exit. However, other SG&A expenses as a percentage of revenue rose to 26% from 23.8%, as revenue fell at a faster rate (-7.8% QoQ) than fixed costs such as labor expenses.

Reflecting the inventory cost burden associated with won appreciation, we assume gross margin will ease to 45% in both 3Q26 and 4Q26. From 4Q26 onward, we project other SG&A expenses at 26.3–27.0% of revenue for most quarters, rising to 27.5–27.8% in seasonally weak first quarters.

Table 2. Hotel Shilla: Quarterly and annual earnings (Wbn)

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26F	2024	2025	2026F	2027F
Revenue	972	1,025	1,026	1,045	1,054	972	959	941	3,948	4,068	3,926	3,871
Travel retail	827	850	850	855	885	773	760	727	3,282	3,382	3,144	3,022
Hotels	116	142	147	158	133	163	169	181	535	563	646	711
Leisure	29	33	29	32	36	36	30	34	131	123	136	138
OP	(2)	9	11	(4)	20	61	55	43	(5)	14	179	215
OP margin (%)	(0.3)	0.8	1.1	(0.4)	1.9	6.3	5.8	4.5	(0.1)	0.3	4.6	5.5
Pretax profit	(4)	2	(187)	(41)	12	39	50	26	(47)	(230)	127	177
NP (parent)	(6)	(1)	(149)	(17)	6	21	38	19	(62)	(173)	85	129

Source: Company data, Mirae Asset Securities Research

Table 3. Hotel Shilla: Annual earnings (Wbn)

	2025	2026F	2027F	2028F
Net revenue	4,068	3,926	3,871	4,038
Travel retail	3,382	3,144	3,022	3,116
Downtown	1,383	1,404	1,425	1,482
Airport	765	483	339	350
Overseas	1,234	1,258	1,258	1,283
Hotels	563	646	711	782
Leisure	123	136	138	141
OP	14	179	215	248
OP margin (%)	0.3	4.6	5.5	6.1
Travel retail	(47)	96	120	137
Hotels/leisure	61	83	95	111
Pretax profit	(230)	127	177	210
NP (parent)	(173)	85	129	153
EPS (W)	(4,321)	2,113	3,226	3,834

Notes: Hotel/leisure OP is shown on a combined basis, as the company has disclosed it on a combined basis since 2Q26; the 2025 airport/overseas breakdown is based on the geographic disclosures in the notes to the consolidated financial statements; EPS is NP attributable to owners of the parent divided by 40mn issued shares (common and preferred combined, including treasury shares), the same basis used for the EPS figures on the report's cover page and in financial statements; this differs from the 37.161mn common shares used in the TP calculation, which assumes no exchange of exchangeable bonds; the 3Q26 airport/overseas breakdown is preliminary.
Source: Company data, Mirae Asset Securities Research

We forecast EBITDA to rise from W154.3bn in 2025 to W309.7bn in 2026 and W377bn in 2028, with EBITDA margin improving from 3.8% to 7.9% and 9.3%, respectively. However, 3Q26 EBITDA came in at W87.8bn, with the EBITDA margin slipping to 9.2% from 9.6% in 2Q26.

We expect net profit attributable to owners of the parent to swing to W84.5bn in 2026 (from a loss of W172.8bn in 2025), before increasing to W129bn in 2027 and W153.4bn in 2028. Preliminary 3Q26 net profit was W38.4bn, with non-operating results exceeding our expectations. Our 2026 forecast includes a W20bn equity-method loss recognized in 2Q26 in connection with a capital contribution to HDC Shilla Duty Free. As the carrying value of the investment has reached zero, further losses will cease to be recognized unless additional capital is contributed. Even if HDC Shilla Duty Free returns to profit, gains will not be recognized until its accumulated unrecognized losses have been recovered. We therefore assume no equity-method gains or losses from 3Q26 onward. Based on 2026 results, we assume that all net profit will be attributable to owners of the parent throughout the forecast period.

The balance sheet is also improving. The debt-to-equity ratio fell to 200% at end-3Q26 from 220% at end-2025, while equity rose from W1.11tr to W1.15tr. At end-June, borrowings and bonds, including exchangeable bonds, totaled W1.16tr, while cash stood at W524.1bn, leaving net debt of W632.5bn. The company refinanced its bonds maturing in 2026 earlier this year. We expect it to meet bond maturities of W260bn in Feb. 2027 and W130bn in Apr. 2027 through operating cash flow and partial refinancing. The company also plans to use cash flow generated from improving operating profit to reduce its debt-to-equity ratio. Holding end-June net debt constant, net debt/EBITDA declines from 4.1x based on 2025 results to 2.0x based on our 2026 forecast. Adding end-June lease liabilities of W368.1bn to net debt raises the 2026F ratio to 3.2x.

Hotel Shilla (008770 KS)

Income statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Revenue	**4,068**	**3,926**	**3,871**	**4,039**
Cost of revenue	**2,248**	**2,155**	**2,104**	**2,183**
GP	**1,820**	**1,770**	**1,767**	**1,856**
SG&A expenses	**1,806**	**1,591**	**1,552**	**1,608**
OP (adj.)	**14**	**179**	**215**	**248**
OP	**14**	**179**	**215**	**248**
Non-operating profit	**-244**	**-52**	**-38**	**-38**
Net financial income	7	-32	-25	-22
Net income from associates	0	0	0	0
Pretax profit	-230	127	177	210
Income tax	-57	42	48	57
Profit from continuing operations	-173	85	129	153
Profit from discontinued operations	0	0	0	0
NP	**-173**	**85**	**129**	**153**
Attributable to owners	-173	85	129	153
Attributable to minority interests	0	0	0	0
Total comprehensive income	**-178**	**88**	**129**	**153**
Attributable to owners	-178	88	129	153
Attributable to minority interests	0	0	0	0
EBITDA	154	310	345	377
FCF	50	250	237	259
EBITDA margin (%)	3.8	7.9	8.9	9.3
OP margin (%)	0.3	4.6	5.5	6.1
Net margin (%)	-4.2	2.2	3.3	3.8

Balance sheet (summarized)

(Wbn)	2025	2026F	2027F	2028F
Current assets	**1,401**	**1,338**	**1,329**	**1,500**
Cash & equivalents	338	381	339	466
AR & other receivables	206	186	192	201
Inventory	526	474	490	512
Other current assets	330	298	308	322
Non-current assets	**2,140**	**2,071**	**2,083**	**2,098**
Investments in associates	0	0	0	0
PP&E	1,519	1,516	1,527	1,538
Intangible assets	22	18	13	10
Total assets	**3,541**	**3,409**	**3,412**	**3,598**
Current liabilities	**1,298**	**1,241**	**1,114**	**1,146**
AP & other payables	265	239	247	258
Short-term financial liabilities	624	635	487	490
Other current liabilities	409	368	380	397
Non-current liabilities	**1,137**	**970**	**971**	**973**
Long-term financial liabilities	1,059	883	883	883
Other non-current liabilities	78	87	88	90
Total liabilities	**2,435**	**2,211**	**2,086**	**2,119**
Equity attributable to owners	**1,106**	**1,197**	**1,326**	**1,480**
Capital stock	200	200	200	200
Capital surplus	206	207	207	207
Retained earnings	55	140	269	422
Minority interests	**0**	**0**	**0**	**0**
Shareholders' equity	**1,106**	**1,197**	**1,326**	**1,480**

Cash flow statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Operating cash flow	**104**	**304**	**291**	**313**
NP	-173	85	129	153
Non-cash income/expenses	165	230	202	208
Depreciation	134	125	126	126
Amortization	7	6	4	3
Other	25	100	72	79
Chg. in working capital	106	5	-2	-3
Chg. in AR & other receivables	92	-26	-3	-3
Chg. in inventory	98	62	-16	-22
Chg. in AP & other payables	-39	-16	6	9
Income tax	-9	-25	-48	-57
Cash flow from investing activities	**-104**	**-11**	**-68**	**-73**
Chg. in PP&E	-53	-39	-54	-54
Chg. in intangible assets	1	0	0	0
Chg. in financial assets	-142	46	-14	-19
Other	91	-19	0	0
Cash flow from financing activities	**-30**	**-255**	**-264**	**-113**
Chg. in financial liabilities	25	-166	-148	3
Chg. in equity	0	1	0	0
Dividends	0	0	0	0
Other	-56	-90	-117	-116
Chg. in cash	**-32**	**43**	**-42**	**127**
Beginning balance	370	338	381	339
Ending balance	338	381	339	466

Key valuation metrics/ratios

	2025	2026F	2027F	2028F
P/E (x)	-	16.5	10.8	9.1
P/CF (x)	-	4.4	4.2	3.9
P/B (x)	1.5	1.1	1.0	0.9
EV/EBITDA (x)	18.3	7.3	6.2	5.3
EPS (W)	-4,321	2,113	3,226	3,834
CFPS (W)	-184	7,863	8,281	9,034
BPS (W)	30,267	32,483	35,709	39,543
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 (%)	3.1	-3.5	-1.4	4.3
EBITDA growth (%)	21.4	100.7	11.3	9.4
OP growth (%)	TTB	1,227.3	19.8	15.5
EPS growth (%)	RR	TTB	52.6	18.9
AR turnover (x)	48.5	50.6	51.8	52.0
Inventory turnover (x)	7.1	7.9	8.0	8.1
AP turnover (x)	10.9	11.1	11.2	11.2
ROA (%)	-4.7	2.4	3.8	4.4
ROE (%)	-14.5	7.3	10.2	10.9
ROIC (%)	-2.1	6.5	7.8	9.0
Debt-to-equity ratio (%)	220.1	184.7	157.3	143.2
Current ratio (%)	107.9	107.8	119.3	130.9
Net debt-to-equity ratio (%)	95.1	72.9	57.1	42.0
Interest coverage ratio (x)	0.2	4.1	6.4	7.6

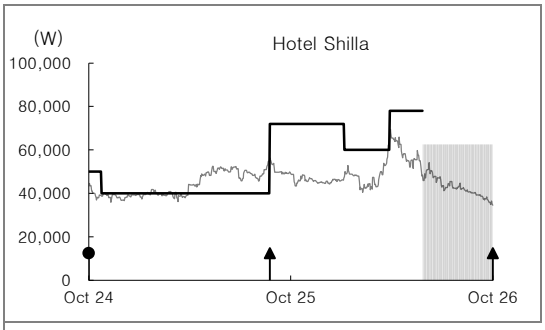
Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
Hotel Shilla (008770)	10/30/26	Buy	55,000
	06/26/26	No Coverage	
	04/27/26	Buy	78,000
	02/04/26	Buy	60,000
	09/22/25	Buy	72,000
	11/22/24	Hold	40,000
	10/10/24	Hold	50,000



Stock ratings		Sector ratings	
Buy	Expected 12-month return: +20% or greater	Overweight	Expected to outperform the market over 12 months
Hold	Expected 12-month return: Greater than -10% and less than +10%	Neutral	Expected to perform in line with the market over 12 months
Sell	Expected 12-month return: -10% or less	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.
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	Buy	Trading Buy	Hold	Sell
Ratings distribution	89.66%	0%	9.77%	0.57%
Investment banking services	92.86%	0%	7.14%	0%

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