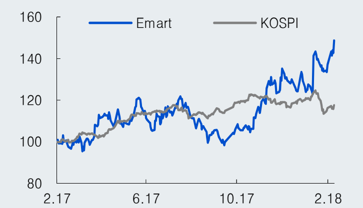
Retail

Company Report
February 26, 2018

(Maintain)	Buy
Target Price (12M, W)	▲ 375,000
Share Price (02/23/18, W)	310,000
Expected Return	21%

OP (17, Wbn)	540
Consensus OP (17F, Wbn)	552
EPS Growth (17, %)	63.8
Market EPS Growth (17F, %)	45.3
P/E (17, x)	12.3
Market P/E (17F, x)	10.2
KOSPI	2,451.52
Market Cap (Wbn)	8,642
Shares Outstanding (mn)	28
Free Float (%)	71.9
Foreign Ownership (%)	48.8
Beta (12M)	0.53
52-Week Low	199,000
52-Week High	310,000

(%)	1M	6M	12M
Absolute	18.5	36.6	44.2
Relative	22.7	31.8	24.0



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[Retail]

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Emart

(139480 KS)

Why Emart deserves attention in 2018

At the forefront of "new retail"

We reaffirm our Buy rating on Emart and raise our target price to W375,000 (from W330,000), as we revised up our 2018 earnings estimates to reflect margin improvements at Emart Mall and subsidiaries. Two investment points to watch in 2018 are: 1) Emart Mall nearing profitability amid a sharp decline in losses; and 2) the creation of new offline store concepts.

Online: Emart Mall to become Korea's Ocado

We expect Emart Mall to approach profitability in 2018, as operating loss should narrow considerably from W12.6bn in 2017 to W6.3bn in 2018. Factoring in depreciation expenses related to the construction of the second Gimpo online distribution center (set to open in 2019), we see a swing to profitability taking place in 2019.

We believe Emart Mall is well-positioned to become Korea's Ocado (OCDO LN/CP: GBP522.0); a profitable UK-based online supermarket), given: 1) its economies of scale within the online grocery market (market share has reached a certain level); and 2) the Ocado-like competitiveness of its online distribution centers.

Offline: Creation of convergence stores

Shinsegae Group's vice chairman Chung Yong-jin recently hinted at plans to introduce a new "fun"-themed offline store in May 2018 that converges consumption with entertainment. We believe Emart will also unveil a new type of store that brings together the offline and online channels. Such "convergence stores" have the potential to: 1) address the traffic decline many offline stores are struggling with as a result of eroding price competitiveness; and 2) improve store profitability through increased utilization. By introducing new offline store concepts in Korea, we believe Emart will play a leading role in overcoming the challenges facing the offline retail industry.

Long-term goal is to create a virtuous circle

The long-term goal for Shinsegae Group, including Emart, is to build a retail chain that can create a virtuous circle in consumer purchases. To establish such a retail chain, it is critical to ensure: 1) a strong platform across the online and offline channels; 2) distribution competitiveness; and 3) a loyal customer base. To this end, we believe Shinsegae Group will focus on: 1) expanding the market position of its online platform; and 2) strengthening its online distribution competitiveness, mainly through its soon-to-be-established online company. In the longer term, we expect investments in SSG Pay will be made in an effort to enhance customer loyalty.

FY (Dec.)	12/14	12/15	12/16	12/17	12/18F	12/19F
Revenue (Wbn)	13,154	13,640	14,778	15,971	16,514	17,676
OP (Wbn)	583	504	547	540	698	777
OP Margin (%)	4.4	3.7	3.7	3.4	4.2	4.4
NP (Wbn)	290	455	376	616	496	565
EPS (W)	10,404	16,312	13,497	22,102	17,793	20,267
ROE (%)	4.3	6.5	5.1	7.8	5.9	6.3
P/E (x)	19.5	11.6	13.6	12.3	17.4	15.3
P/B (x)	0.8	0.8	0.7	0.9	1.0	0.9
Dividend Yield (%)	0.7	0.8	0.8	0.6	0.5	0.5

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
Source: Company data, Mirae Asset Daewoo Research estimates

I. At the forefront of "new retail"

Maintain Buy and lift target price by 14% to W375,000

We reaffirm our Buy rating on Emart and raise our target price by 14% to W375,000 (from W330,000), as we revised up our 2018 earnings estimates to reflect margin improvements at Emart Mall and subsidiaries. We applied a multiple of 29.1x to Emart Mall, the level Ocado was trading at in FY2014, when it made its first-ever annual net profit. To the non-online segments, we applied a multiple of 10.5x, the average 2018 multiple of global peers Walmart (WMT US/CP: US$92.89), Kroger (KR US/CP: US$27.42), and Costco (COST US/CP: US$189.81).

We expect Emart to be at the forefront of new retail, given: 1) the fact that Emart Mall is nearing profitability amid a sharp decline in losses; and 2) the impending introduction of convergence store concepts to address the problems facing offline stores.

Table 1. Target price calculation (Wbn, W, x, %)

1) Operating value	**12,477**	
2018F EBITDA (consolidated) excl. online	1,122	
EV/EBITDA multiple	10.5	Avg. 2018 EV/EBITDA of global peers
2018F online business (Emart Mall) EBITDA	23.7	
EV/EBITDA multiple	29.1	Ocado's FY2014 EV/EBITDA
2) Value of investment assets	**1,250**	
Samsung Life	1,057	30% discount to market value x stake (5.9%)
Affiliates	193	
Starbucks	156	30% discount to net asset value x stake (50%)
Shinsegae E&C	29	30% discount to market value x stake (32.4%)
Other	8	30% discount to combined book value of Shinsegae I&C, Shinsegae TV Shopping, and Shinsegae Payments
3) Net debt (consolidated)	**3,345**	As of 3Q17
Fair market cap (1+2-3)	10,381	
Free float ('000 shares)	27,864	
Target price	**375,000**	
Current price	310,000	As of February 23, 2018
Upside (%)	21.0	

Notes Market value of investment assets is as of 2/23/18; depreciation of Emart Mall = Emart's parent depreciation x (Emart Mall's gross revenue/Emart's gross revenue)
Source: Mirae Asset Daewoo Research

Table 2. Emart's parent earnings

(Wbn)

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18F	2Q18F	3Q18F	4Q18F	2016	2017	2018F	2019F
Gross revenue	**3,361**	**3,140**	**3,699**	**3,365**	**3,546**	**3,413**	**3,853**	**3,659**	**3,734**	**3,627**	**4,195**	**3,824**	**13,564**	**14,471**	**15,380**	**16,381**
Hypermarket	2,852	2,627	3,107	2,747	2,898	2,756	3,110	2,920	2,925	2,791	3,274	2,890	11,334	11,683	11,880	12,055
Emart Traders	270	268	327	331	352	356	410	403	475	481	530	496	1,196	1,521	1,981	2,471
E-commerce	195	200	212	232	244	251	278	278	278	303	334	377	839	1,050	1,291	1,615
Net revenue	**2,914**	**2,666**	**3,181**	**2,869**	**3,056**	**2,914**	**3,322**	**3,159**	**3,228**	**3,089**	**3,613**	**3,281**	**11,631**	**12,451**	**13,210**	**14,082**
Gross profit	**862**	**816**	**958**	**868**	**919**	**887**	**990**	**945**	**950**	**923**	**1,068**	**969**	**3,504**	**3,741**	**3,910**	**4,123**
Hypermarket	773	728	853	760	803	766	854	811	805	773	901	799	3,114	3,234	3,278	3,332
Emart Traders	46	45	57	56	60	62	71	69	81	82	91	84	203	261	338	423
E-commerce	41	41	46	50	54	57	63	63	61	66	73	83	177	237	283	358
Operating profit	**189**	**66**	**228**	**150**	**184**	**83**	**207**	**165**	**196**	**86**	**247**	**175**	**633**	**638**	**705**	**773**
Hypermarket	193	69	224	147	175	73	193	156	188	73	219	154	632	597	635	644
Traders	7	6	12	9	12	14	15	10	16	15	16	16	35	51	63	77
E-commerce	-12	-9	-9	-6	-4	-4	-2	-3	-2	-2	-1	-1	-36	-13	-6	6
YoY growth (%)																
Gross revenue	4.7	3.7	6.1	8.2	5.5	8.7	4.2	8.7	5.3	6.3	8.9	4.5	5.7	6.7	6.3	6.5
Net revenue	3.1	1.5	4.8	7.8	4.9	9.3	4.4	10.1	5.6	6.0	8.8	3.9	4.3	7.0	6.1	6.6
Gross profit	4.2	2.8	6.7	8.7	6.7	8.7	3.3	8.8	3.3	4.0	7.9	2.5	5.6	6.8	4.5	5.4
Operating profit	-2.8	-30.9	6.4	20.1	-2.4	25.4	-9.2	9.3	6.7	4.3	19.4	6.7	0.6	0.8	10.5	9.6

Source: Emart, Mirae Asset Daewoo Research

Table 3. Emart's consolidated earnings

(Wbn)

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18F	2Q18F	3Q18F	4Q18F	2016	2017	2018F	2019F
Net revenue	**3,630**	**3,453**	**4,034**	**3,660**	**3,899**	**3,807**	**4,284**	**3,981**	**3,978**	**3,914**	**4,494**	**4,128**	**14,778**	**15,971**	**16,514**	**17,676**
Emart	2,914	2,666	3,181	2,869	3,056	2,914	3,322	3,159	3,228	3,089	3,613	3,281	11,631	12,451	13,210	14,082
Emart Everyday	257	252	270	261	274	289	298	273	281	293	298	275	1,040	1,133	1,147	1,148
Emart24	54	89	113	122	130	171	205	178	155	197	228	232	378	684	811	970
Chosun Hotel	159	188	204	174	153	147	153	89	79	79	82	91	711	542	331	338
Shinsegae Food	246	261	282	280	285	303	321	299	301	321	347	313	1,069	1,208	1,283	1,370
Gross profit	**1,002**	**980**	**1,129**	**1,043**	**1,100**	**1,073**	**1,209**	**1,163**	**1,122**	**1,104**	**1,268**	**1,165**	**4,154**	**4,545**	**4,659**	**4,987**
Operating profit	**156**	**47**	**215**	**129**	**160**	**55**	**183**	**142**	**190**	**83**	**255**	**171**	**547**	**540**	**698**	**777**
Emart	189	66	228	150	184	83	207	165	196	86	247	175	633	638	705	773
Hypermarket	193	69	224	147	175	73	193	156	188	73	219	154	632	597	635	644
Emart Traders	7	6	12	9	12	14	15	10	16	15	16	16	35	51	63	77
E-commerce	-12	-9	-9	-6	-4	-4	-2	-3	-2	-2	-1	-1	-36	-13	-6	6
Emart Everyday	-5	-1	0	-3	0	1	3	-2	-1	2	4	-1	-8	2	4	6
Emart24	-8	-8	-8	-10	-13	-10	-11	-17	-14	-8	-8	-16	-35	-52	-45	-35
Chosun Hotel	-9	0	-1	-1	-5	-7	-2	-5	-6	-3	0	-1	-10	-18	-10	-11
Shinsegae Food	1	8	6	7	5	9	9	7	7	8	8	8	21	30	31	33
Pretax profit	163	25	199	95	173	42	377	123	215	78	260	149	482	715	701	799
Net profit	**120**	**9**	**148**	**99**	**130**	**24**	**378**	**84**	**152**	**55**	**184**	**105**	**376**	**616**	**496**	**565**
YoY growth (%)																
Net revenue	6.8	6.8	9.5	10.1	7.4	10.2	6.2	8.8	2.0	2.8	4.9	3.7	8.3	8.1	3.4	7.0
Operating profit	-3.0	-28.5	10.9	54.3	2.6	17.9	-14.9	9.5	18.7	49.0	39.6	20.4	8.6	-1.3	29.3	11.3
Net profit	-0.3	-96.6	39.4	-320.2	7.8	160.9	155.9	-15.0	17.2	127.6	-51.4	25.3	-17.3	63.8	-19.5	13.9

Note: One-off gains for 3Q17 include gains on the sale of Costco holdings (W225bn) and deferred taxes resulting from the shutdown of Emart China stores (W105.2bn)
Source: Emart, Mirae Asset Daewoo Research

Long-term goal is to create a virtuous circle

The long-term goal for Shinsegae Group, including Emart, is to build a retail chain that can create a virtuous circle in consumer purchases. To establish such a retail chain, it is critical to ensure: 1) a strong distribution platform across the online and offline channels; 2) superb logistics competitiveness; and 3) a loyal customer base.

A comparison of global retailers (e-commerce retailers) and Shinsegae Group shows that Alibaba (BABA US/CP: US$193.29) is ahead of its peers in building a distribution chain of its own, and Shinsegae Group has a long way to go despite its solid offline retail platform and logistics competitiveness.

Going forward, we believe Shinsegae Group will focus on: 1) strengthening its online distribution competitiveness, mainly through a soon-to-be-established online company; and 2) expanding the market positions of its online platforms (Emart Mall and Shinsegae Mall). In the medium and longer term, we expect investments in SSG Pay will be made in an effort to enhance customer loyalty.

Table 4. Key components of the retail chain

	Platform		Logistics		Loyal customer base		Notes
	Offline	Online	Offline (stores)	Online	Offline	Online	
Shinsegae Group	○	△	○	△	△	X	
Walmart	○	×	○	X	○	X	
Amazon	×	○	△	○	△	△	
Alibaba	△	○	△	○	△	○	*Alibaba is close to building its own retail ecosystem*

Source: Mirae Asset Daewoo Research

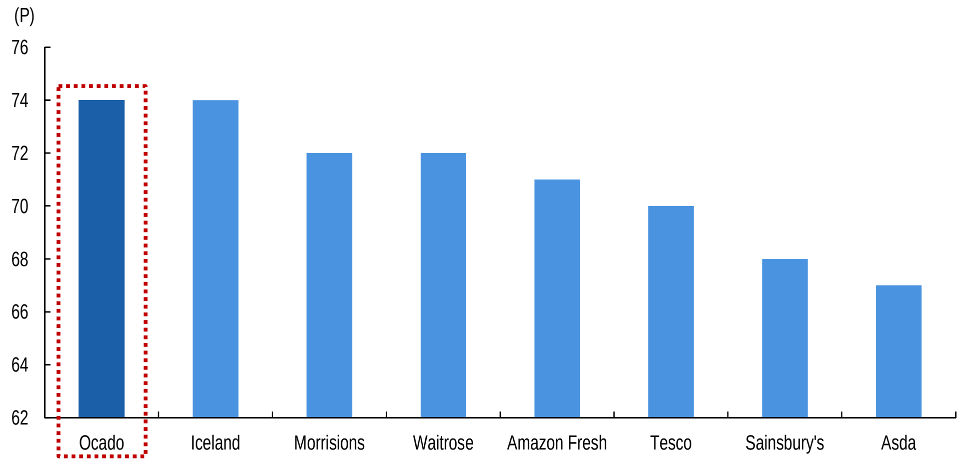
II. Online: Emart Mall nearing profitability

Emart Mall to become Korea's Ocado

We expect Emart Mall to approach profitability in 2018, as operating loss should narrow considerably from W12.6bn in 2017 to W6.3bn in 2018. Factoring in depreciation expenses related to the construction of the second Gimpo online distribution center (set to open in 2019), we see a swing to profitability taking place in 2019.

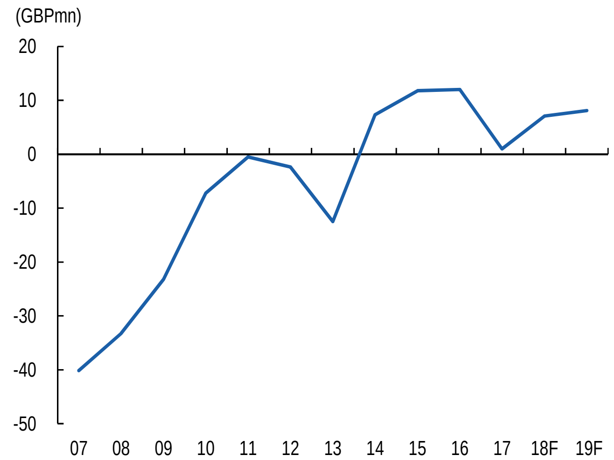
Given the turnaround potential in 2019 and Shinsegae Group's soon-to-be established online entity, Emart Mall is likely to become Korea's answer to Ocado. The UK's biggest online-only supermarket, Ocado has topped customer satisfaction surveys, leveraging its superb logistics competitiveness. Ocado does not have physical stores, relying solely on its warehouses, customer fulfillment centers (CFCs), and online platform. Ocado was the benchmark that Emart referred to as it began pursuing full-fledged expansion of Emart Mall. We believe Emart Mall is well-positioned to become Korea's Ocado, given: 1) its economies of scale within the online grocery market (market share has reached a certain level); and 2) the Ocado-like competitiveness of its online-dedicated distribution centers.

Figure 1. Customer satisfaction scores for UK online supermarkets



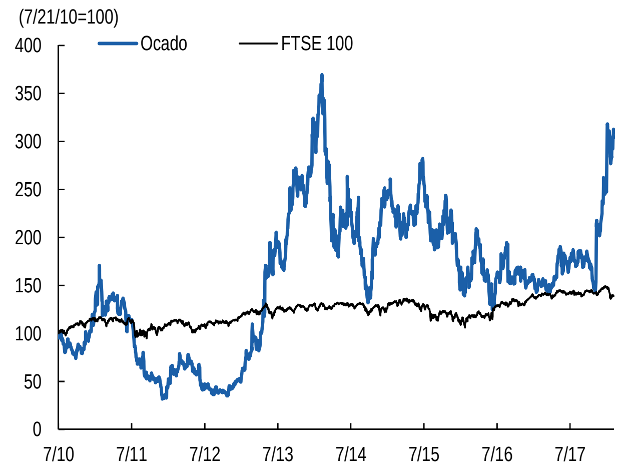
Note: As of February 12, 2018
Source: Which, Mirae Asset Daewoo Research

Figure 2. Ocado's net profit trend



Note: 2018-19 figures are based on Bloomberg estimates
Source: Bloomberg, Mirae Asset Daewoo Research

Figure 3. Ocado's share price and FTSE 100



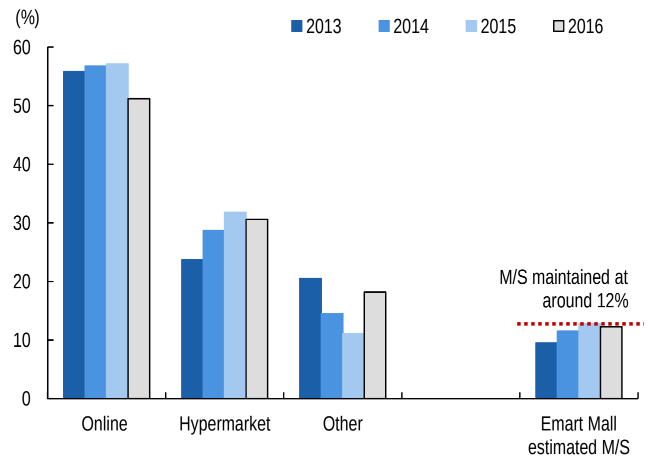
Note: July 21, 2010 marks the day after Ocado's IPO
Source: Bloomberg, Mirae Asset Daewoo Research

Rationale 1: Achievement of economies of scale

Estimating the economies of scale needed for an online supermarket to turn a profit is challenging. However, given the similarities between the UK and Korean retail markets (in terms of market size and online penetration of the grocery market), we believe Ocado's market share in 2014, its first year of positive net profit, provides a good reference point. And based on this yardstick, we believe Emart Mall has already achieved economies of scale within the online fresh food market.

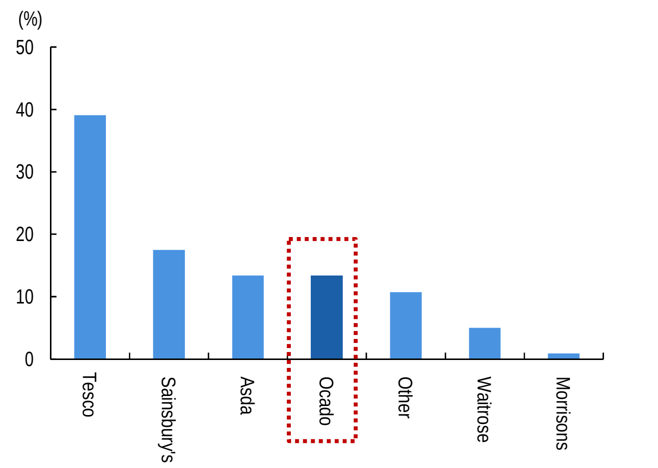
We estimate Emart Mall commanded 12% of the online grocery market in 2016. Given that Emart Mall's gross revenue growth (25% YoY) outpaced that of the online retail market (19% YoY) in 2017, Emart Mall's current market share is likely to exceed 12%. Notably, 12-13% is the market share level that Ocado recorded in 2014, when it recorded its first-ever annual net profit. Although actual statistics on Ocado's share of the online grocery market are not available, we estimate the retailer's market share ranges from 12% to 15% based on news reports. Furthermore, we believe Ocado has maintained a market share above 12% since 2014.

Figure 4. Emart Mall's share of the online grocery market



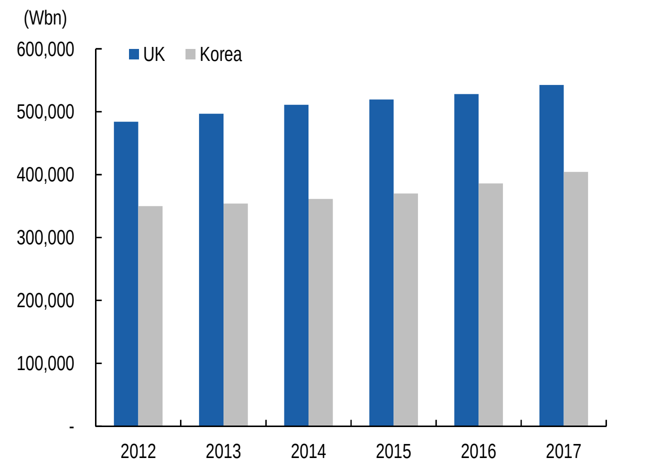
Note: Emart's share of the hypermarket segment was assumed at 40%
Source: Consumer Behavior Survey for Food, Mirae Asset Daewoo Research

Figure 5. Ocado's share of the online grocery market (2014)



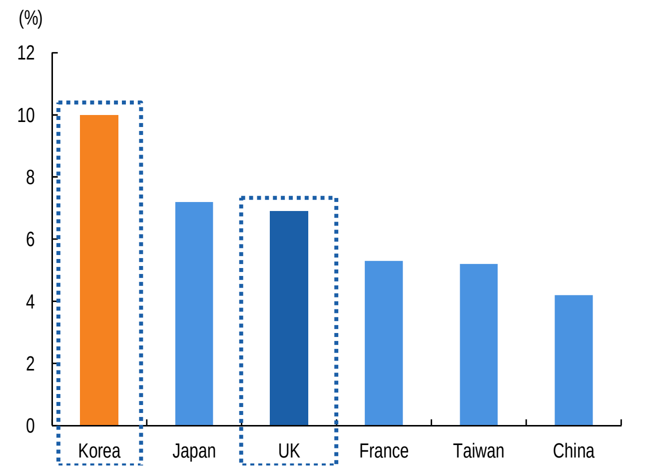
Note: Mintel, Mirae Asset Daewoo Research

Figure 6. Comparison of Korean and UK retail markets



Note: Based on EUR/W rate of 1,300
Source: Statistics Korea, Statista, Mirae Asset Daewoo Research

Figure 7. Online penetration of grocery market



Note: Ocado's estimates based on Kantar, Citi Research, and Statistics Korea data
Source: Ocado 2017 annual report, Mirae Asset Daewoo Research

Rationale 2: Logistics competitiveness comparable to that of Ocado

With the opening of an online-dedicated distribution center in Gimpo, we believe Emart has increased its logistics competitiveness to match that of Ocado, given that: 1) the Gimpo distribution center is on par with Ocado's CFC 1/2 in terms of throughput capacity; and 2) Emart Mall has also brought logistics in-house with the successful development of a proprietary logistics system. By keeping logistics in-house, Emart's online-dedicated distribution centers run at a utilization rate of 80% compared with Lotte Mart's 75%.

Logistics competitiveness is critical to profitability in the online retail space as it directly affects delivery services and customer satisfaction. Currently, Ocado is reporting 99% order accuracy. Although data on Emart Mall's order accuracy is not available, the stockout rate at its online distribution centers is estimated at nearly 0%.

Table 5. Ocado distribution centers

		Weekly throughput capacity
Distribution centers	Hatfield CFC 1 (2002)	150,000 orders
	Dordon CFC 2 (2013)	180,000 orders
	Andover CFC 3 (2016)	200,000 orders (estimate)
	Erith CFC 4 (2018F): world's largest automated warehouse for online grocery retail	200,000 orders (estimate)
Notes	Application of in-house developed logistics system	
	Online distribution services based on in-house logistics system and know-how	
	(FY2017 revenue: GBP115.5m, EBITDA GBP2.7m, 52-week basis)	

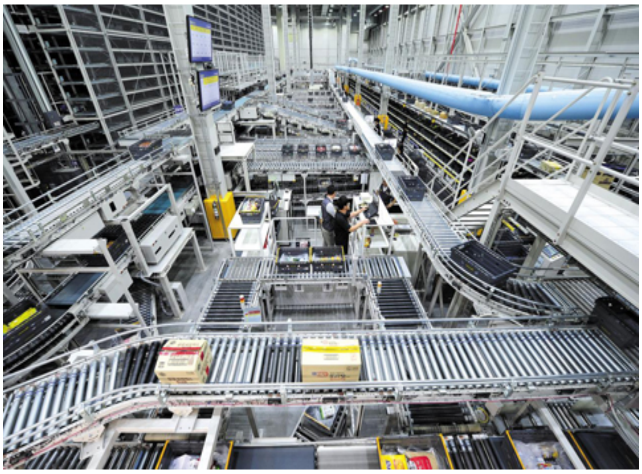
Source: Ocado, Mirae Asset Daewoo Research

Table 6. Emart Mall distribution centers

		Investment	Daily throughput capacity
Distribution centers	Bojeong (6/14)	W80bn	10,000 orders
	Gimpo (2/16)	W140bn	20,000 orders
	Gimpo 2 (2019F)	W140bn	20,000 orders (estimate)
Note	Application of in-house developed logistics system, Emart Mall Center Management System (ECMS)		

Note: Investment and capacity are estimates based on news reports
Source: Media reports, Mirae Asset Daewoo Research

Figure 8. Emart's Bojeong distribution center



Source: Press materials, Mirae Asset Daewoo Research

Figure 9. Ocado's distribution centers

Source: Press materials, Mirae Asset Daewoo Research

III. Offline: Creation of “convergence stores”

New offline retail concepts on the horizon

According to media reports, Shinsegae Group’s vice chairman Chung Yong-jin recently hinted at plans to introduce a new “fun”-themed offline store. We believe Emart will also unveil a new type of store that brings together offline and online channels. In our view, ”convergence stores” have the potential to: 1) address the traffic decline many offline stores are struggling with as a result of eroding price competitiveness; and 2) improve store profitability through increased utilization. By introducing new offline store concepts in Korea, we believe Emart will play a leading role in overcoming the challenges facing offline retail. This is one of the reasons why we believe Emart deserves attention in 2018.

Table 7. Impact of convergence stores

	Value convergence	Channel convergence
Notes	Addition of new intangible value (e.g., retailtainment)	Convergence between online and offline channels
Effect 1	Greater foot traffic by creating a holistic shopping experience	
Effect 2		Improved operating efficiency by using offline stores as showrooms and logistics centers for online channels

Source: Mirae Asset Daewoo Research

Value convergence

Retailers can use value convergence to help counter the loss of foot traffic at brick-and-mortar stores resulting from weakening price competitiveness against online channels. Little is known about what Emart’s new store concept will look like. However, we expect the retailer to launch stores which can maximize customer traffic by turning shopping into a holistic entertainment experience.

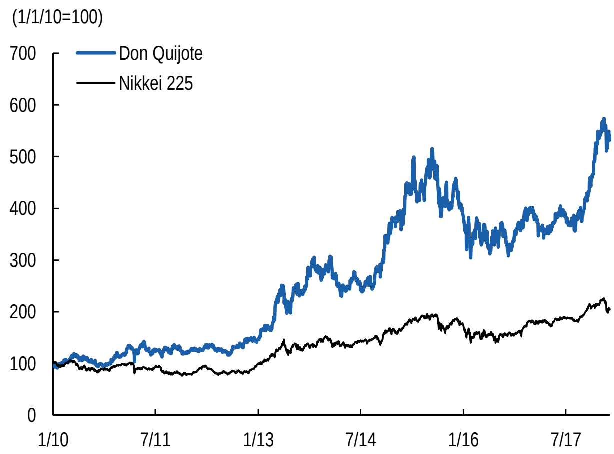
The impact of the value convergence strategy has been confirmed by the success of Shinsegae Group’s Starfield chain, which incorporates significant entertainment elements into the in-store experience. Unlike other shopping malls, Starfield locations are packed with entertainment options, including a water park (Aqua Field) and sports theme park (Sports Monster). According to media reports, customers stay in Starfield two times longer than in other retail locations (based on Starfield Hanam data from the year following its grand opening).

The benchmarks for Emart’s new store concept include Don Quijote (7532 JP/CP: JPY5,830), a Japanese discount store, and T.J. Maxx (TJX US/CP: US$77.96), a US discount retailer. The common denominator between Don Quijote and T.J. Maxx is that they both encourage “treasure hunting” shopping approaches that lead customers to discover low-priced items, inducing longer stays, relatively high tickets, and return visits. Don Quijote showcases an extensive range of products from household goods to designer brands, and specialty offerings account for 40% of the total product mix. T.J. Maxx directly sources its inventory from 160,000 vendors around the world and stocks a wide array of products ranging from apparel to household goods. In addition, T.J. Maxx keeps its inventory turnover rate high by continuously reducing the prices of slow-selling products. (FY2017 inventory turnover rate: 3x for Macy’s [M US/CP: US$26.74] vs. 6.5x for T.J. Maxx)

Figure 10. Don Quijote

Source: DiGJAPAN, Mirae Asset Daewoo Research

Figure 11. Don Quijote's share performance relative to the Nikkei 225

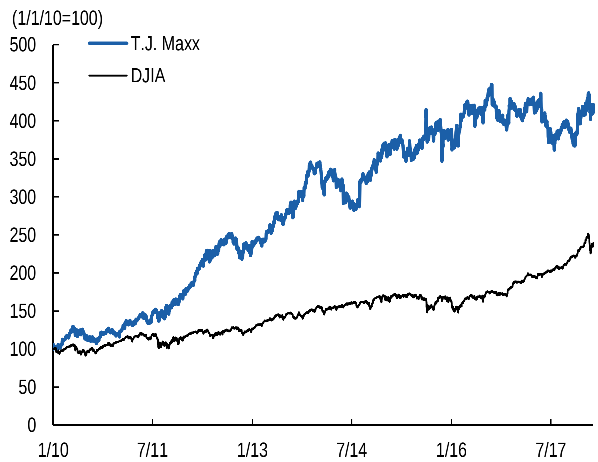


Source: Bloomberg, Mirae Asset Daewoo Research

Figure 12. T.J. Maxx

Source: Press materials, Mirae Asset Daewoo Research

Figure 13. T.J. Maxx's share performance relative to the Dow Jones Industrial Average



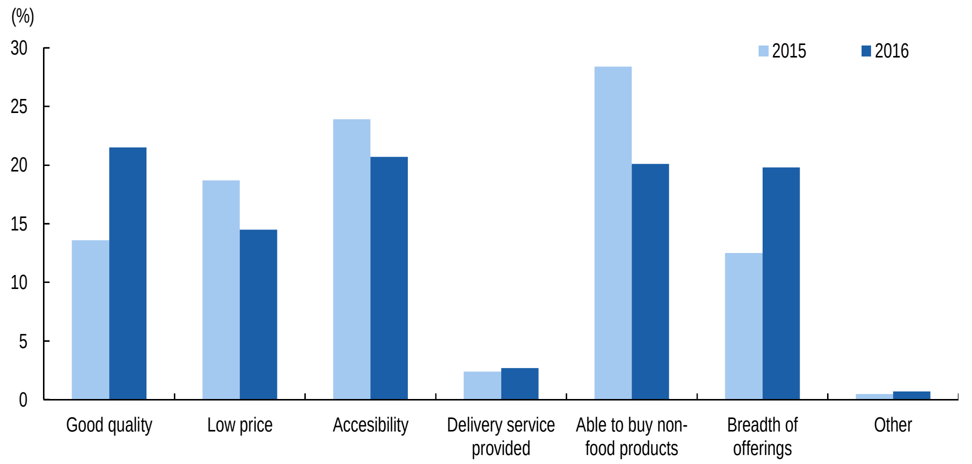
Source: Bloomberg, Mirae Asset Daewoo Research

Channel convergence

We anticipate Shinsegae Group will also introduce stores focusing on the convergence of online and offline retailing. Stores employing a channel convergence model enable offline stores to function as showrooms and distribution centers for online channels. Notably, online/offline convergence in the hypermarket segment, where groceries account for 60% of gross revenue, would help offline players maintain their positioning in the food segment, as well as expand online revenue by making consumers less reluctant to embrace the concept of online grocery shopping.

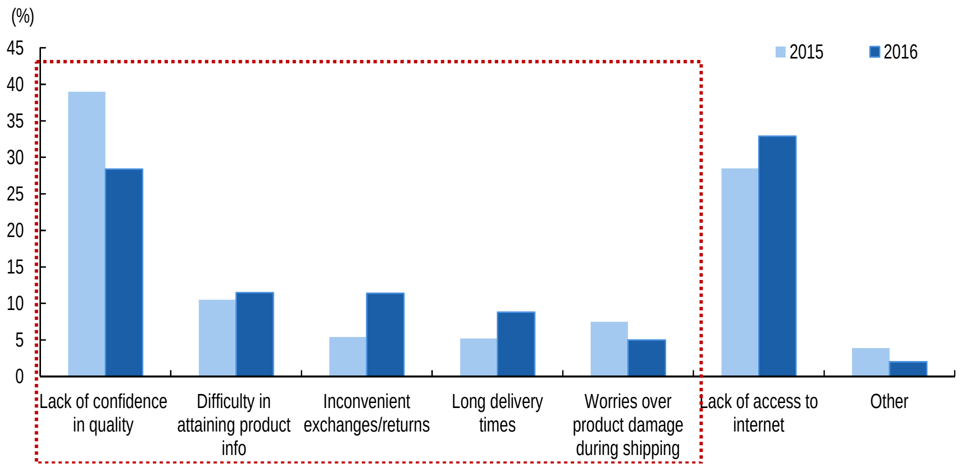
We believe Shinsegae Group stores implementing online/offline convergence models, including Emart, will double as a showrooms and distribution centers for online channels, as is the case with Walmart's Grocery Pickup Store and Alibaba's Hema.

Figure 14. Reasons to shop at hypermarkets



Note: Respondents' no. 1 reasons for shopping for groceries at hypermarkets
Source: Consumer Behavior Survey for Food, Mirae Asset Daewoo Research

Figure 15. Reasons for not buying food online; Channel convergence addresses the reasons why people are reluctant to buy food online



Note: Respondents' no. 1 reasons for not buying groceries online
Source: Consumer Behavior Survey for Food, Mirae Asset Daewoo Research

Walmart's Grocery Pickup Store locations allow customers to buy online and pick up in store (BOPIS). Walmart's Grocery Pickup Store utilizes offline stores as mini-fulfillment centers. Walmart is now providing BOPIS services at 1,100 stores and plans to add 1,000 more stores to its online grocery pickup operations through 2019.

Alibaba's Hema locations, like Walmart's Grocery Pickup Stores, double as offline stores and distribution centers for online purchases, but take things a step further by only accepting Alipay for both online and in-store purchases. Hema customers can: 1) scan QR codes for in-store purchases and opt for delivery; 2) pay with Alipay and pick up purchases in-store; or 3) make purchases online for delivery. In addition, Hema stores bypass intermediaries and serve as their own fulfillment centers, facilitating more competitive prices compared to purely offline rivals.

Table 8. How to shop at Hema

	Process details
Online	-Shop online -Nine minutes from order to processing (groceries) -30-minute delivery within a 3km radius
Offline/online	-Scan QR codes in-store to make purchases and opt for delivery -30-minute delivery within a 3km radius
Offline	-Scan QR codes in-store to make purchases -Pay with Alipay and pick up purchases in store

Source: Technode, Mirae Asset Daewoo Research

Figure 16. Shopping baskets transported by overhead conveyor belt to delivery department at Hema store

Source: Press materials, Mirae Asset Daewoo Research

Figure 17. Alibaba chairman Jack Ma at Hema

Source: Alizila, Mirae Asset Daewoo Research

Emart (139480 KS/Buy/TP: W375,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/16	12/17	12/18F	12/19F
Revenue	**14,778**	**15,971**	**16,514**	**17,676**
Cost of Sales	**10,624**	**11,426**	**11,855**	**12,689**
Gross Profit	**4,154**	**4,545**	**4,659**	**4,987**
SG&A Expenses	**3,607**	**4,005**	**3,961**	**4,210**
Operating Profit (Adj)	**547**	**540**	**698**	**777**
Operating Profit	**547**	**540**	**698**	**777**
Non-Operating Profit	**-65**	**168**	**3**	**22**
Net Financial Income	-87	-55	-49	-45
Net Gain from Inv in Associates	19	55	75	87
Pretax Profit	482	715	701	799
Income Tax	100	88	190	216
Profit from Continuing Operations	382	628	511	582
Profit from Discontinued Operations	0	0	0	0
Net Profit	382	628	511	582
Controlling Interests	376	616	496	565
Non-Controlling Interests	5	12	15	17
Total Comprehensive Profit	**387**	**613**	**511**	**582**
Controlling Interests	382	603	505	575
Non-Controlling Interests	4	9	7	8
EBITDA	1,003	1,001	1,140	1,199
FCF (Free Cash Flow)	143	722	-283	-255
EBITDA Margin (%)	6.8	6.3	6.9	6.8
Operating Profit Margin (%)	3.7	3.4	4.2	4.4
Net Profit Margin (%)	2.5	3.9	3.0	3.2

Statement of Financial Condition (Summarized)

(Wbn)	12/16	12/17	12/18F	12/19F
Current Assets	**1,741**	**1,885**	**1,966**	**2,109**
Cash and Cash Equivalents	66	63	77	96
AR & Other Receivables	380	414	429	457
Inventories	980	1,065	1,105	1,177
Other Current Assets	315	343	355	379
Non-Current Assets	**13,687**	**14,677**	**15,653**	**16,823**
Investments in Associates	473	514	533	568
Property, Plant and Equipment	9,709	10,342	11,240	12,247
Intangible Assets	399	380	357	335
Total Assets	**15,428**	**16,562**	**17,619**	**18,931**
Current Liabilities	**4,001**	**4,306**	**4,761**	**5,223**
AP & Other Payables	1,273	1,385	1,436	1,530
Short-Term Financial Liabilities	1,390	1,466	1,816	2,086
Other Current Liabilities	1,338	1,455	1,509	1,607
Non-Current Liabilities	**3,303**	**3,538**	**3,671**	**3,981**
Long-Term Financial Liabilities	2,488	2,652	2,752	3,002
Other Non-Current Liabilities	815	886	919	979
Total Liabilities	**7,304**	**7,844**	**8,432**	**9,204**
Controlling Interests	**7,696**	**8,186**	**8,641**	**9,163**
Capital Stock	139	139	139	139
Capital Surplus	4,237	4,237	4,237	4,237
Retained Earnings	1,958	2,431	2,885	3,408
Non-Controlling Interests	**428**	**531**	**546**	**564**
Stockholders' Equity	**8,124**	**8,717**	**9,187**	**9,727**

Cash Flows (Summarized)

(Wbn)	12/16	12/17	12/18F	12/19F
Cash Flows from Op Activities	**744**	**1,827**	**1,034**	**1,152**
Net Profit	382	628	511	582
Non-Cash Income and Expense	701	564	625	628
Depreciation	432	436	419	400
Amortization	25	25	23	22
Others	244	103	183	206
Chg in Working Capital	-205	705	81	147
Chg in AR & Other Receivables	-85	-242	-12	-22
Chg in Inventories	-130	-103	-39	-72
Chg in AP & Other Payables	68	976	36	66
Income Tax Paid	-165	-113	-190	-216
Cash Flows from Inv Activities	**-924**	**-1,541**	**-1,409**	**-1,576**
Chg in PP&E	-561	-1,100	-1,317	-1,407
Chg in Intangible Assets	-17	-6	0	0
Chg in Financial Assets	-216	-201	-92	-169
Others	-130	-234	0	0
Cash Flows from Fin Activities	**185**	**-274**	**408**	**478**
Chg in Financial Liabilities	-237	240	450	520
Chg in Equity	0	0	0	0
Dividends Paid	-52	-93	-42	-42
Others	474	-421	0	0
Increase (Decrease) in Cash	**2**	**-3**	**14**	**19**
Beginning Balance	63	66	63	77
Ending Balance	66	63	77	96

Source: Company data, Mirae Asset Daewoo Research estimates

Forecasts/Valuations (Summarized)

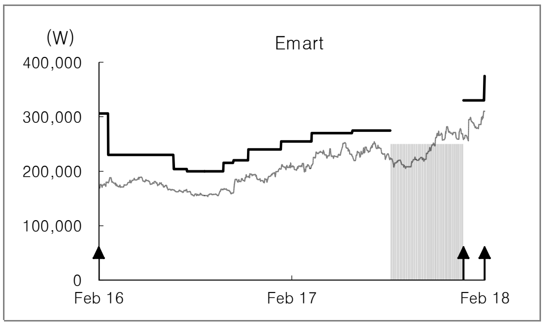
	12/16	12/17	12/18F	12/19F
P/E (x)	13.6	12.3	17.4	15.3
P/CF (x)	4.7	6.3	7.6	7.1
P/B (x)	0.7	0.9	1.0	0.9
EV/EBITDA (x)	9.1	11.9	11.7	11.6
EPS (W)	13,497	22,102	17,793	20,267
CFPS (W)	38,824	42,745	40,764	43,406
BPS (W)	276,181	293,769	310,062	328,830
DPS (W)	1,500	1,500	1,500	1,500
Payout ratio (%)	11.0	6.7	8.2	7.2
Dividend Yield (%)	0.8	0.6	0.5	0.5
Revenue Growth (%)	8.3	8.1	3.4	7.0
EBITDA Growth (%)	6.9	-0.2	13.9	5.2
Operating Profit Growth (%)	8.5	-1.3	29.3	11.3
EPS Growth (%)	-17.3	63.8	-19.5	13.9
Accounts Receivable Turnover (x)	57.2	51.0	49.7	50.6
Inventory Turnover (x)	15.8	15.6	15.2	15.5
Accounts Payable Turnover (x)	12.4	12.3	12.0	12.2
ROA (%)	2.6	3.9	3.0	3.2
ROE (%)	5.1	7.8	5.9	6.3
ROIC (%)	4.7	5.0	5.2	5.4
Liability to Equity Ratio (%)	89.9	90.0	91.8	94.6
Current Ratio (%)	43.5	43.8	41.3	40.4
Net Debt to Equity Ratio (%)	43.8	43.4	45.8	48.2
Interest Coverage Ratio (x)	4.8	5.9	4.9	5.5

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Emart (139480)	02/25/2018	Buy	375,000
	01/16/2018	Buy	330,000
	08/31/2017	No Coverage	
	06/20/2017	Buy	275,000
	04/04/2017	Buy	270,000
	02/05/2017	Buy	255,000
	12/05/2016	Buy	240,000
	11/07/2016	Buy	220,000
	10/19/2016	Buy	215,000
	08/11/2016	Buy	200,000
	07/17/2016	Buy	204,000
	03/15/2016	Buy	230,000
	07/06/2015	Buy	306,000



Stock Ratings	
Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings	
Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (─), Target price (▬), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))
* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.
* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.
* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.
* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	75.50%	16.00%	8.50%	0.00%
Investment Banking Services	62.50%	33.33%	4.17%	0.00%

* Based on recommendations in the last 12-months (as of December 31, 2017)

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