

KOREA

Modetour

15 January 2007

Share data

080160 KQ **Not rated**

Share price (Won)		24,450
Market cap	Won bn	205.4
	US\$m	223.2
Issued shares	m	8.4
6-mth avg turnover	Won bn	1.1
52-wk hi / low	Won	W31,950 / L17,845
Foreign holdings	%	5.3
Free float	%	62.6

Major shareholders

Jong Woong Woo	%	10.9
Affiliated persons	%	16.2
ESOP	%	10.3

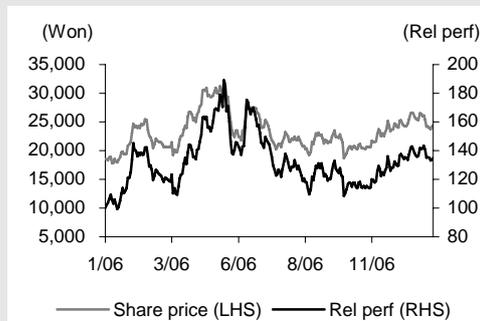
Source: Bloomberg, Company data Macquarie Research, January 2007

Financial data

Year end 31 Dec		2002A	2003A	2004A	2005A
Won					
Total revenue	bn	19.4	22.6	31.6	38.9
EBIT	bn	1.7	0.5	3.0	3.2
Reported profit	bn	1.8	1.0	2.9	2.9
EPS	Won	306	168	487	451
EPS growth	%	nfm	-45.2	189.7	-7.4
PER	x	79.8	145.5	50.2	54.2
DPS	Won	0	0	0	100
Yield	%	0.0	0.0	0.0	0.4
ROA	%	24.7	13.1	29.2	15.3
ROE	%	84.0	37.5	62.7	28.4
Net debt/equity	%	-168.4	-125.9	-41.1	-92.9
Price/book	x	19.4	13.3	6.9	7.0

Source: Company data, Macquarie Research, January 2007

Share price performance



Source: Datastream, Macquarie Research, January 2007

Analyst

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Delivering guidance

Event

- Modetour (080160 KQ, market cap: US\$223m) reported stronger-than-consensus 4Q06 results.

Impact

- Stronger-than-consensus 4Q06 results.** Modetour reported Won19.3bn in sales (+106% YoY), Won2.6bn in operating profit (+538% YoY) and Won2.0bn in net profit (+355% YoY) in 4Q06. 4Q06 sales, operating profit and net profit were 40%, 43% and 25% above consensus estimates, respectively. The strong 4Q06 results is attributable to a higher sales portion of lucrative package tour sales (64% in 4Q06 vs. 51% in 4Q05) and lower fixed cost burden (mainly labour costs) amid strong sales growth.
- FY06 full-year earnings in line with previous company's guidance.** Reflecting preliminary 4Q06 results, Modetour recorded Won66bn in sales (+71% YoY), Won10.3bn in operating profit (+223% YoY) and Won8.4bn in net profit (+186% YoY) for the full-year FY06, in line with the company's previous guidance of Won65bn for sales, Won10~11bn for operating profit and Won8.0~8.5bn for net profit (refer to *Guiding for strong long-term growth* published on 8 December 2006).
- Continued market share gain expected.** Modetour's market share is estimated to have increased to 6.3~6.4% in 2006 from 4.7% in 2005, driven by improving brand recognition and increasing contribution from diversified sales routes. The company expects to further increase its market share to 7.9% in 2007.
- Low expectation from the street.** We see low expectation based on consensus estimates (vs the company's guidance). Modetour's previous guidance of Won85~90bn for sales, Won16bn for operating profit and Won12bn for net profit for FY07 suggest respective upside of 9%, 19% and 11% to consensus FY07 earnings estimates.
- More likelihood of upward revision in earnings guidance.** We get a sense that Modetour is likely to revise up its FY07 earnings guidance based on strong booking ratio YTD and solid 4Q06 results. Compared with January 2006, the company's booking ratio for outbound package tours in January 2007 suggests 66% YoY increase in the number of travellers.

Outlook

- Earnings guidance.** The company's previous earnings guidance for FY07 stands at Won85~90bn for sales (+28 ~ 36% YoY), Won16bn for operating profit (+55% YoY) and Won12bn for net profit (+43% YoY), which the company will revisit with some upside risk to previous earnings guidance.
- Valuation.** Based on Modetour's previous guidance, the shares are trading at FY07 PER of 17.1x. In comparison, Hana Tour (039130 KQ, Won65,500, Neutral, TP: Won65,500) is trading at FY07 PER of 24.2x based on our estimates .

Please refer to the important disclosures on inside back cover of this document, or on our website www.macquarie.com.au/research/disclosures.

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Recommendation definitions

Macquarie Australia/New Zealand

Outperform – return >5% in excess of benchmark return (>2.5% in excess for listed property trusts)
 Neutral – return within 5% of benchmark return (within 2.5% for listed property trusts)
 Underperform – return >5% below benchmark return (>2.5% below for listed property trusts)

Macquarie Asia

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie First South Securities (South Africa)

Outperform – return > 5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Recommendation proportions

	AU/NZ	Asia	RSA
Outperform	43.12%	58.91%	42.20%
Neutral	44.98%	22.92%	46.80%
Underperform	11.90%	18.17%	11.00%

For quarter ending 31 December 2006

Volatility index definition*

This is calculated from the volatility of historic price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Australian/NZ stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:
 Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

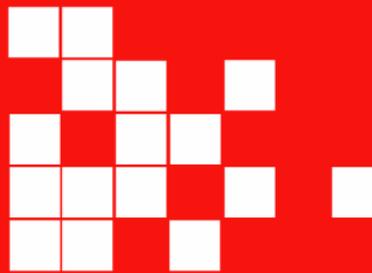
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