

## Company In-Depth

13 August 2007 | 32 pages

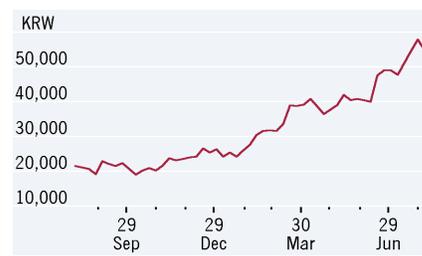
# Modetour Network (080160.KQ)

## Initiate at Buy: Strong Growth Story

- Target at W74,000** — We initiate coverage of Modetour shares at Buy/Medium Risk (1M) with a W74,000 target price, applying 0.8x PEGR. We believe Modetour, Korea's second largest travel agent with a 6.1% market share, offers an excellent earnings growth story on the back of a booming overseas travel market and a rising market share. We estimate a 07E-09E EPS CAGR of 41%.
- Growing faster than Hana Tour** — Our estimate of Modetour's 07-09E earnings growth is higher than Hana Tour's (039130.KQ - W97,500; 1L), estimated at 34%. This is because it has greater leverage on market share increase from its lower base of sales (44% of Hana). With aggressive marketing activities, we forecast a 3.3ppt market share gain in 06-09, similar to Hana's 3.4ppt gain.
- Rich get richer** — Modetour and Hana Tour are widening the gap with their competitors, leveraging on economies of scale and brand power. We believe this trend will continue as we do not expect any meaningful competitor to emerge in the foreseeable future. We rate both companies Buys. The expected total returns to our target prices are 34% for Modetour and 27% for Hana Tour.
- Structural growth in overseas travel** — We forecast the number of outbound travelers will continue to grow at 18% CAGR in 07-09E on the back of: 1) more leisure time, 2) an aging population, and 3) rising income levels. A stronger currency is another overall positive.
- Risks to our call** — Events such as natural disasters, epidemics or terrorism could reduce overseas travel demand.

<b>Buy/Medium Risk</b>	<b>1M</b>
Price (10 Aug 07)	W55,400
Target price	W74,000
Expected share price return	33.6%
Expected dividend yield	0.5%
<b>Expected total return</b>	<b>34.1%</b>
Market Cap	W465,360M US\$499M

### Price Performance (RIC: 080160.KQ, BB: 080160.KS)



See Appendix A-1 for Analyst Certification and important disclosures.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(WB)	(W)	(%)	(x)	(x)	(%)	(%)
2005A	3	779	-95.4	71.1	15.9	28.4	0.2
2006A	8	1,028	31.9	53.9	9.7	26.1	0.3
2007E	13	1,547	50.4	35.8	8.0	24.4	0.5
2008E	19	2,253	45.7	24.6	6.4	28.8	0.9
2009E	26	3,082	36.8	18.0	5.0	31.3	1.4

Source: Powered by dataCentral

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Fiscal year end 31-Dec	2005	2006	2007E	2008E	2009E
<b>Valuation Ratios</b>					
P/E adjusted (x)	71.1	53.9	35.8	24.6	18.0
EV/EBITDA adjusted (x)	130.3	43.8	25.0	16.5	11.6
P/BV (x)	15.9	9.7	8.0	6.4	5.0
Dividend yield (%)	0.2	0.3	0.5	0.9	1.4
<b>Per Share Data (W)</b>					
EPS adjusted	779	1,028	1,547	2,253	3,082
EPS reported	779	1,028	1,547	2,253	3,082
BVPS	3,480	5,713	6,960	8,713	10,995
DPS	100	180	300	500	800
<b>Profit &amp; Loss (WB)</b>					
Net sales	39	66	98	129	165
Operating expenses	-36	-57	-81	-105	-131
<b>EBIT</b>	<b>3</b>	<b>10</b>	<b>17</b>	<b>25</b>	<b>34</b>
Net interest expense	0	-1	-2	-2	-3
Non-operating/exceptionals	1	3	3	4	5
<b>Pre-tax profit</b>	<b>4</b>	<b>11</b>	<b>18</b>	<b>26</b>	<b>36</b>
Tax	-1	-3	-5	-8	-10
Extraord./Min.Int./Pref.div.	0	0	0	0	0
<b>Reported net income</b>	<b>3</b>	<b>8</b>	<b>13</b>	<b>19</b>	<b>26</b>
Adjusted earnings	3	8	13	19	26
Adjusted EBITDA	4	10	17	25	35
<b>Growth Rates (%)</b>					
Sales	22.9	70.8	47.4	32.1	27.7
EBIT adjusted	6.9	204.9	70.6	47.4	37.2
EBITDA adjusted	8.7	190.1	69.7	47.1	37.1
EPS adjusted	-95.4	31.9	50.4	45.7	36.8
<b>Cash Flow (WB)</b>					
<b>Operating cash flow</b>	<b>0</b>	<b>-6</b>	<b>13</b>	<b>19</b>	<b>27</b>
Depreciation/amortization	0	0	1	1	1
Net working capital	-1	-3	-3	-3	-3
<b>Investing cash flow</b>	<b>1</b>	<b>-13</b>	<b>-4</b>	<b>-4</b>	<b>-5</b>
Capital expenditure	0	-1	-1	-1	-2
Acquisitions/disposals	0	0	0	0	0
<b>Financing cash flow</b>	<b>5</b>	<b>24</b>	<b>-3</b>	<b>-4</b>	<b>-7</b>
Borrowings	0	0	0	0	0
Dividends paid	0	-2	-3	-4	-7
<b>Change in cash</b>	<b>6</b>	<b>5</b>	<b>7</b>	<b>11</b>	<b>15</b>
<b>Balance Sheet (WB)</b>					
<b>Total assets</b>	<b>27</b>	<b>71</b>	<b>91</b>	<b>115</b>	<b>146</b>
Cash & cash equivalent	9	14	21	32	47
Accounts receivable	2	5	8	10	13
Net fixed assets	1	1	1	2	2
<b>Total liabilities</b>	<b>12</b>	<b>23</b>	<b>33</b>	<b>42</b>	<b>53</b>
Accounts payable	0	0	0	0	0
Total Debt	0	0	0	0	0
<b>Shareholders' funds</b>	<b>15</b>	<b>48</b>	<b>58</b>	<b>73</b>	<b>92</b>
<b>Profitability/Solvency Ratios (%)</b>					
EBITDA margin adjusted	9.0	15.3	17.6	19.7	21.1
ROE adjusted	28.4	26.1	24.4	28.8	31.3
ROIC adjusted	115.1	58.9	60.8	86.8	114.2
Net debt to equity	-60.3	-29.2	-35.8	-43.4	-50.9
Total debt to capital	0.0	0.0	0.0	0.0	0.0

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## Investment Thesis

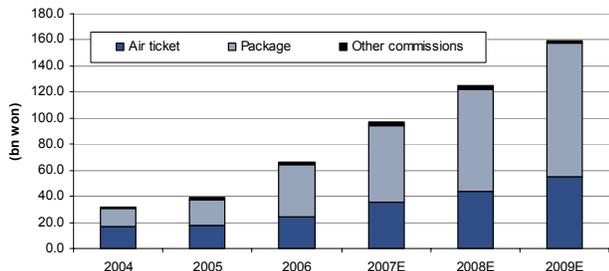
We initiate coverage of Modetour shares at Buy/Medium Risk (1M) with a W74,000 target price, applying 0.8x PEGR. The target price implies 34.1% expected total return. Our investment case for Modetour is that the company will continue to post strong earnings growth on the back of a rising market share in a rapidly growing overseas travel market. We estimate Modetour's revenue and EPS will grow at CAGRs of 30% and 41%, respectively, in 07E-09E.

- **Modetour is growing faster than Hana Tour** – Modetour is the second largest travel agency in Korea with a 6.1% market share in 2006, behind Hana Tour's 12.3%. With aggressive marketing activities and sales channel diversification, Modetour has posted stellar growth and gained market share along with Hana Tour. We believe Modetour is in a virtuous cycle; its high sales volume enables it to provide one of the widest ranges of package products, which in turn attract repeat customers. Additionally, Modetour can exercise higher bargaining power against airlines and hoteliers. We forecast Modetour will gain 3.3ppts market share during 07-09E. Due to a lower base, our sales and EPS growth rate estimates for Modetour are higher than for Hana Tour.
- **We like both Modetour and Hana Tour** – Both Modetour and Hana Tour are clear winners in Korea's package tour industry, in our view, on the back of their larger scaled purchasing power and strong brand power. Additionally, both companies are virtually free of competition, given their strong positioning as wholesalers. There are only a total of three wholesalers in Korea, and entry barriers in the wholesaler market is far higher than the retail agency market. We have Buy ratings for both Modetour and Hana Tour and expected total returns to our target prices of 34% for Modetour and 27% for Hana Tour.
- **Margin improving** – Modetour's operating margin is set to improve, in our view, as the increasing sales volume will reinforce its purchasing power against airlines and hoteliers. Additionally increasing online sales will lower the commission burden to retail travel agencies. We forecast Modetour's operating margin will expand to 20.4% by 2009 from 14.7% in 2006.
- **Rapid growth of the number of outbound travelers** – We estimate overseas travel originating in Korea will continue to grow at a solid 18% CAGR in 07E-09E, on the back of: 1) more leisure time, 2) an aging population, and 3) rising incomes. The strength of the local currency is another big plus.
- **Valuation looks attractive** – We believe the stock is attractive in terms of PEGR valuation, which we believe is an appropriate valuation tool for Modetour. The share is trading at 0.6x PEGR (2008E EPS/PEGR of 2007E-2009E), and we apply a 0.8x PEGR to derive our target price of W74,000. 0.8x PEGR is in line with the current PEGR of Hana Tour and is at a 20% discount to the company's target PEGR. We believe this discount is justified considering Modetour's inferior position to Hana Tour in terms of long-term competitiveness.

## Company Description

Modetour wholesales travel-related services. Main sales items are outbound travel packages and air tickets. Its main distribution channels are more than 5,000 mom-and-pop travel agencies nationwide, but the company is expanding its channels to Internet portals, on-line shopping malls and credit card companies through strategic partnerships.

Figure 1. Revenue Breakdown (W bn)



Source: Company reports and Citigroup Investment Research estimates

Figure 2. Mode Tour's Market Share in 2006

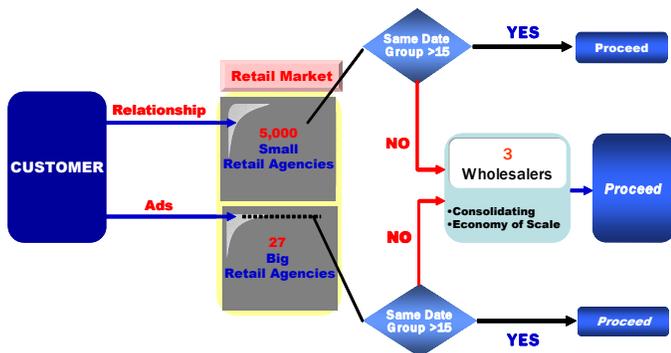
Company	Market Share
Hana Tour (039130.KQ)	12.3%
<b>Modetour Network (080160.KQ)</b>	<b>6.1%</b>
Lotte Tour Development (032350.KQ)	2.9%
Freedom Travel (046840.KQ)	2.3%
Online Tour	2.2%
Sejoong Tour	2.2%
Tour2000	1.8%
OK Tour	1.8%
Redcap Tour (038390.KQ)	1.4%
Nextour	1.1%
Top 10 Total	34.1%
Top 20 Total	46.7%

Source: Company reports and Citigroup Investment Research

## Business model

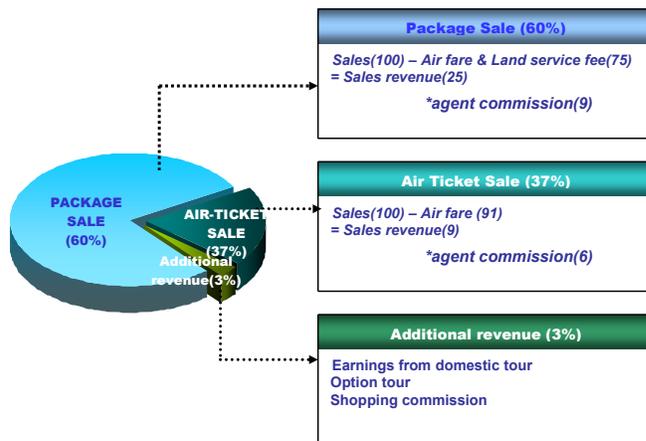
As a wholesale travel agency, Modetour sells overseas packages and flights to retail travel agencies nationwide. Modetour earns 9% sales commission on flight ticket sales and pays 6% of ticket sales as commission to retail agencies. For package sales, the company books 25% of total package tour price as sales and pays 9% of package tour price to retail agencies. Basically retail agencies collect customers and refer their customers to Modetour, if they cannot meet the minimum required number of customers (usually 15) for a package product.

Figure 3. Business Model of Wholesale Travel Agency



Source: Hana Tour Company reports

Figure 4. Margin Structure



Source: Company reports and Citigroup Investment Research

## Major shareholders

Mr. Woo Jong Woong, who is the founder and CEO, is the largest shareholder with a 10.9% stake in Modetour. Other directors excluding the CEO hold a combined 16.2% stake and ESOP holds 9.4% stake.

**Figure 5. Shareholder Structure**

<b>end-1Q07</b>	<b>No. of shares</b>	<b>Ownership (%)</b>
Woo, Jong Woong	912,000	10.86%
Affiliated persons	1,362,960	16.23%
Foreigners	1,105,030	13.16%
Treasury	100,000	1.19%
ESOP	789,064	9.39%
Local floating shares	4,130,946	49.18%
<b>Total Shares</b>	<b>8,400,000</b>	<b>100.00%</b>

Source: Company Reports

## Modetour vs. Hana Tour

### Both gaining market share, but Modetour is growing faster

Modetour is the second largest travel agency in Korea with a 6.1% market share in 2006, next to Hana Tour (12.3%). With aggressive marketing activities and sales channel diversification, Modetour has posted stellar growth and has gained market share along with Hana Tour. We forecast Modetour and Hana to gain 3.3ppts and 3.4ppts market shares during 06-09E, respectively. Due to a lower base, however, Modetour's sales and EPS growth rates are higher than those of Hana.

Figure 6. Modetour vs. Hana Tour

Price (8-Aug)	Modetour			Hana Tour		
	2007E	2008E	2009E	2007E	2008E	2009E
			56,500			99,000
Market share	7.6%	8.6%	9.4%	13.7%	14.7%	15.7%
Sales (Wbn)	97.9	129.3	165.1	221.6	277.2	345.5
Sales growth	47.4%	32.1%	27.7%	33.3%	25.1%	24.6%
OP (Wbn)	16.6	24.5	33.7	40.1	54.8	73.7
OP growth	70.6%	47.4%	37.2%	32.7%	36.7%	34.4%
NP (Wbn)	13.0	18.9	25.9	31.4	42.3	56.6
NP growth	58.9%	45.7%	36.8%	34.6%	35.0%	33.8%
EPS (won)	1,546.6	2,253.3	3,081.9	2,699.6	3,644.3	4,875.1
BVPS (won)	6,960.1	8,713.4	10,995.3	9,328.1	11,336.7	14,142.1
P/E	36.5	25.1	18.3	36.7	27.2	20.3
P/B	8.1	6.5	5.1	10.6	8.7	7.0
ROE	25.2%	27.7%	28.4%	31.2%	35.3%	38.3%

Source: Citigroup Investment Research estimates

### As wholesalers, both benefit from high entry barrier

Both Modetour and Hana are wholesalers. Basically, a wholesaler does not compete with retailers, but uses them as its sales force and pays commission to them. This means that a critical success factor for the wholesalers is the relationship with the 5,000 retailers nationwide, as these relationships cannot be established in a short time. From the retailers' perspective, they would rather refer their customers to wholesalers that have diverse products and strong brand power, plus more importantly who will not become competitors in the future. Modetour and Hana Tour, with their long histories, have successfully built their credibility with the retailers.

There are only three wholesale players – Modetour, Hana Tour and OK Tour (eighth largest with 1.8% market share, unlisted). A retailer that wants to transform to a wholesaler has to: 1) forgo its existing retail client base, and 2) get support from retailers who used to be its competitors. Retailers, however, usually do not refer their clients to a wholesaler who could potentially become a retailer in the future. In the past, there were cases where a wholesaler who had transformed from a retailer returned back to a retail business after a failure in wholesale business. As such, retailers would have strong suspicions on any new wholesaler that had transformed from a retailer as it could turn out to be a competitor in the future.

## Operating margins for Modetour, Hana Tour look set to improve

Modetour and Hana's operating margins are set to improve, in our view, as increased sales volume should reinforce its purchasing power against airlines and hoteliers. Plus the increasing online sales will lower the commission burden to retail travel agencies.

## Hana Tour looks better on long-term competitiveness

Although we estimate better sales growth for Modetour than Hana Tour for its lower base, we believe Hana Tour is better placed in terms of long-term competitiveness to keep the leadership in the industry. Hana Tour has consistently led the market in investing on new infrastructure to strengthen its long-term competitiveness. Two main examples are:

- Unlike other travel agents, Hana Tour runs its own operators in major tourist destinations. This enables it to provide better and more consistent quality service to its customers. Meanwhile, other travel agencies, including Modetour, usually depend on local operators whose service quality can vary.
- Better IT infrastructure. Hana Tour plans to spend W7bn in 2007 on IT infrastructure. With an IT system upgrade, Hana Tour will be able to respond to real-time inquiries from travelers and provide real time reservation services for its products. Hana Tour is also building a CRM system to meet customers' specific needs and provide customized marketing.

Modetour also has a plan to build up its overseas network and invest on IT infrastructure from next year. We are positive on the move, but believe the lag shows that Hana Tour deserves a valuation premium over Modetour. Accordingly, in setting the target price of Modetour, we apply a 20% discount to the target PEGR of Hana Tour.

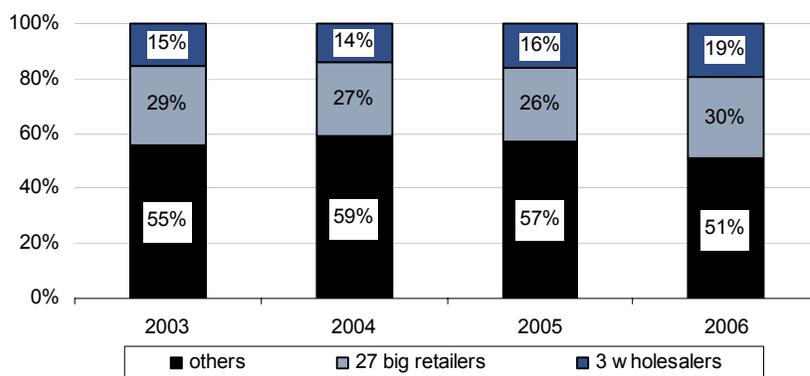
## Background on competitive landscape

Korea's travel agency industry is highly fragmented with more than 5,000 travel agencies. Entry barriers are low as there is little need for capex and key products are easy to replicate. Travel agencies can be classified as:

1. Three wholesalers – Hana Tour, Modetour and OK Tour. These players sell package products and flights to retail travel agencies nationwide. Retail agencies collect customers and refer them to these wholesalers if they cannot meet the minimum required number of customers (usually 15) for a package product.
2. 27 big retailers – including Lotte Tour and Freedom Tour. These big retailers usually have their own products and tend not to rely on wholesalers.
3. Around 5,000 mom & pop retailers – these retailers do not have enough in-house products, and rely heavily on wholesalers. They usually receive 9% of package tour price and 6% of ticket sales as commission from wholesalers.

The main trend in this market is that the bigger players take more market share leveraging on economies of scale and brand power. The combined market share of the three wholesalers increased to 19% in 2006 from 15% in 2003. Meanwhile, the combined market share of the 5,000 mom & pop retailers (and those travelers who do not use agencies) reduced to 51% in 2006 from 55% in 2003.

Figure 7. Three Wholesalers Gaining Market Share



Source: Company reports

## Valuation Looks Attractive

We understand that many investors' main concern on the company is that its share price has gone up by as much as 150% in the last year. We, however, still believe the share price is attractive in terms of PEGR valuation, which we believe is an appropriate valuation tool for Modetour. We are comfortable using the PEGR due to its high earnings growth nature. The shares are trading at 0.6x PEGR (2008E EPS/EPS CAGR of 2007E-2009E), and we apply 0.8x PEGR to derive our target price of W74,000. Its 0.8x PEGR is at a 20% discount to Hana Tour's target PEGR. Our target price translates into 33x 08E PE.

**Figure 8. Valuation Comparison**

	Modetour	Hana Tour
<b>Price (8-Aug)</b>	<b>56,500</b>	<b>99,000</b>
07-09 EPS CAGR	41%	34%
2008E PE	25.1	27.2
Trading PEGR (08E EPS/EPS CAGR of 07E-09E)	0.6	0.8
Target PEGR	0.8	1.0
Target-implied P/E	33	34
Target price (won)	74,000	125,000

Source: Citigroup Investment Research estimates

We also note that comparably high growth stocks (Korea internet stocks and regional small and mid cap stocks) are trading at a 1.0x PEGR on a weighted average, which is higher than Modetour's target PEGR of 0.8x.

**Figure 9. Valuation Comparison – Korea Internet Universe**

Code	Name	Rating	TP (won)	Last Price 8-Aug	Market Cap (Wbn)	P/E 2008E	EPS		3yr CAGR	PEGR	
							2007E	2008E			
036570.KR	Ncsoft	1M	110,000	74,400	1,519.6	20.3	2,787.9	3,657.1	5,196.6	37%	0.6
037150.KR	CJ Internet	2H	28,000	25,100	571.0	16.7	1,206.4	1,498.5	1,762.5	21%	0.8
047080.KR	Hanbit Soft	3H	8,500	14,000	301.6	20.7	631.4	677.2	752.9	9%	2.2
069080.KR	Webzen	3H	7,000	16,000	207.6	27.1	167.6	590.6	949.7	138%	0.2
035420.KR	NHN	1M	191,000	182,100	8,713.2	29.7	5,043.8	6,122.3	7,335.3	21%	1.4
GMKT.KR	Gmarket	2H	24,303	20,810	1,030.2	22.4	719.7	930.8	1,133.3	25%	0.9
035720.KR	Daum	1H	90,000	72,300	926.8	31.2	1,067.4	2,320.4	4,236.6	99%	0.3
<b>Sector</b>						<b>27.4</b>				<b>27%</b>	<b>1.0</b>

Source: Citigroup Investment Research estimates

Figure 10. Valuation Comparison — Regional Small Mid Caps

Code	Name	Rating	TP (USD)	Last Price 8-Aug	Market Cap (\$mn)	P/E 2008E	EPS			3yr CAGR	PEGR
							2007E	2008E	2009E		
0420.HK	Fountain Set	1M	0.5	0.4	325	8.8	0.03	0.05	0.05	36%	0.2
0539.HK	Victory City	1L	0.5	0.4	234	5.8	0.05	0.06	0.07	17%	0.3
0551.HK	Yue Yuen Ind	3L	2.9	3.0	5,069	12.4	0.21	0.25	0.28	15%	0.8
0809.HK	Global Bio-chem	1M	0.5	0.5	1,111	9.1	0.04	0.05	0.07	23%	0.4
0903.HK	TPV Technology	3M	0.6	0.7	1,403	9.2	0.07	0.08	0.09	11%	0.8
0179.HK	Johnson Electric	3L	0.4	0.5	1,995	16.7	0.03	0.03	0.04	16%	1.1
0257.HK	China Everbright	1L	0.4	0.3	1,059	29.7	0.01	0.01	0.02	45%	0.7
0303.HK	VTech Hldgs	1L	8.9	8.6	2,065	10.4	0.75	0.83	0.89	9%	1.2
0336.HK	Huabao Intl	3S	0.7	0.9	2,739	31.8	0.02	0.03	0.03	18%	1.7
0641.HK	Fongs Industries	1L	0.9	0.7	410	8.7	0.07	0.08	0.09	13%	0.7
1044.HK	Hengan Intl	3L	2.6	3.3	3,604	27.8	0.10	0.12	0.13	14%	2.0
2300.HK	AMVIG Holdings	1M	1.4	1.3	1,041	17.5	0.06	0.08	0.09	15%	1.1
2314.HK	Lee & Man Paper	1L	4.0	4.3	4,847	25.8	0.13	0.17	0.22	30%	0.9
2689.HK	Nine Dragons	1L	2.6	2.8	11,949	27.4	0.06	0.10	0.11	37%	0.7
EPIL.SI	Epure Internatl	1M	1.7	1.2	524	18.9	0.05	0.06	0.09	37%	0.5
0048.HK	EganaGoldpfeil	2S	0.9	0.2	292	4.5	0.03	0.04	0.06	36%	0.1
0210.HK	Prime Success	3L	0.7	0.6	996	17.6	0.03	0.03	0.04	25%	0.7
HGUO.SI	Hongguo Intl	3H	0.7	0.6	258	14.5	0.04	0.04	0.05	21%	0.7
IRP.BK	Indorama Poly	1H	0.4	0.3	452	8.5	0.03	0.04	0.04	23%	0.4
RANC.BK	Bangkok Ranch	1M	1.6	1.3	112	6.5	0.17	0.20	0.22	15%	0.4
RCL.BK	Regional Contain	3M	0.9	1.1	709	10.7	0.12	0.10	0.09	-14%	-0.7
STAN.BK	Thai Stanley Ele	1L	6.2	4.7	360	9.1	0.40	0.51	0.56	18%	0.5
TBEV.SI	Thai Beverage	3L	0.2	0.2	4,489	11.0	0.01	0.02	0.02	6%	1.9
TIPC.BK	TIPCO Foods	1M	0.3	0.2	116	8.7	0.02	0.03	0.03	14%	0.6
TTA.BK	Thoresen Thai	1M	1.5	1.7	1,084	7.2	0.24	0.23	0.27	5%	1.5
1736.TW	Johnson Health	3L	4.3	4.7	735	15.2	0.24	0.32	0.41	30%	0.5
1785.TWO	Solar Applied	1M	8.0	7.9	1,182	12.3	0.44	0.64	0.78	33%	0.4
6192.TW	Lumax	1L	2.6	2.4	196	9.9	0.20	0.25	0.27	15%	0.7
072870.KQ	MegaStudy	1M	281.4	227.6	1,443	23.6	7.81	9.63	12.55	27%	0.9
<b>Sector</b>						<b>20.1</b>				<b>21%</b>	<b>1.0</b>

Source: Citigroup Investment Research

We also compare Modetour with the global leisure sector, which trades at 18x 2008E PE on average. We note that the sector's EPS CAGR of 07E-09E stands at a mere 16%, which is far lower than our projected 41% for Modetour. In terms of PEGR, the sector trades at 1.1x, which is in line with Korea Internet stocks and regional small- and mid-cap stocks, but higher than 0.8x target PEGR of Modetour. In this regard, we are comfortable applying 0.8x PEGR as a target price for Modetour.

Figure 11. Valuation comparison — Global Leisure

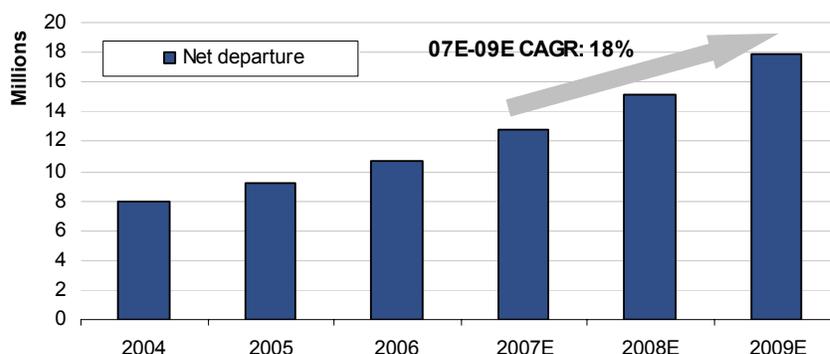
Code	Name	Rating	TP (USD)	Last Price 8-Aug	Market Cap (\$mn)	P/E 2008E	EPS			3yr CAGR	PEGR
							2007E	2008E	2009E		
EXPE.O	Expedia Inc	1H	33	28	8,474	19.7	1.2	1.4	1.7	18%	1.1
CTRP.O	Ctrip.com	1L	42	40	2,633	35.7	0.8	1.1	1.5	37%	1.0
0696.HK	Travelsky	2L	1	1	1,486	16.7	0.0	0.1	0.0	4%	4.4
CINE.L	Cineworld Group Plc	1M	5	4	625	14.1	29.7	31.2	33.1	6%	2.5
FCD.L	First Choice Holidays PLC	1M	8	6	3,454	15.6	33.4	40.4	46.3	18%	0.9
HBR.L	Holidaybreak PLC	1M	19	17	822	14.3	109.3	117.8	131.4	10%	1.5
IGG.L	IG Group Hldg PLC	1M	7	7	2,171	18.7	27.9	35.5	41.4	22%	0.9
4681.T	Resorttrust	1M	28	24	1,230	17.1	1.1	1.4	1.5	15%	1.1
RTN.L	Restaurant Group PLC	1M	8	6	1,188	18.2	28.4	33.4	38.6	17%	1.1
EXHO.PA	Sodexo Alliance SA	1M	86	68	10,735	18.7	2.9	3.6	4.2	20%	0.9
TCG.L	Thomas Cook Group	1M	8	6	5,817	13.4	0.3	0.4	0.5	24%	0.5
2131.T	Accordia Golf	1H	1,538	1,028	1,078	14.9	84.9	68.9	66.7	-11%	-1.3
ETI.L	Enterprise Inns PLC	1H	17	13	6,685	15.2	74.8	84.8	92.4	11%	1.4
GME.N	Gamestop Corp	1H	46	44	6,680	28.8	1.0	1.5	1.9	35%	0.8
GNK.L	Greene King PLC	1H	27	19	2,727	14.0	121.3	136.9	145.2	9%	1.5
MARS.L	Marston's	1H	11	7	1,956	13.2	48.3	52.1	54.2	6%	2.2
MAB.L	Mitchells & Butlers PLC	1H	21	15	5,903	18.3	66.1	80.2	91.2	17%	1.0
2466.T	Pacific Golf Group Int'l Holdings	1H	1,095	1,086	1,282	15.1	69.2	71.0	76.7	5%	2.9
PUB.L	Punch Taverns PLC	1H	33	22	5,801	12.2	154.1	178.6	193.5	12%	1.0
WMH.L	William Hill PLC	2L	14	13	4,473	12.4	95.8	102.2	107.5	6%	2.1
KUNN.S	Kuoni Reisen Holding	2M	618	606	1,791	14.2	37.7	42.7	47.7	13%	1.1
LAD.L	Ladbroke's Plc	2M	9	8	5,194	16.5	59.7	50.0	53.1	-6%	-2.9
LMR.L	Luminar PLC	2M	17	15	995	18.9	76.2	75.9	104.5	17%	1.1
PAP.L	Paddy Power PLC	2M	33	35	1,710	23.1	1.4	1.5	1.8	14%	1.7
EVDG.DE	CTS Eventim AG	2H	46	42	1,017	19.6	1.4	2.2	2.5	32%	0.6
JDW.L	JD Wetherspoon PLC	2H	14	12	1,655	19.8	54.2	58.6	65.3	10%	2.0
<b>Sector</b>						<b>17.9</b>				<b>16%</b>	<b>1.1</b>

Source: Citigroup Investment Research estimates

## Structural Growth in Overseas Travel

The number of outbound travelers should increase at an 18% CAGR over 2005-07E. We forecast the high growth rate will continue, if not accelerate, until 2009 and forecast 18% CAGR of outbound travelers in 07E-09E. We believe the market growth is structural supported by 1) more holidays, 2) aging population, and 3) rising income levels and a stronger Won.

Figure 12. Number of Outbound Travelers in Korea



Source: KNTD and Citigroup Investment Research estimates

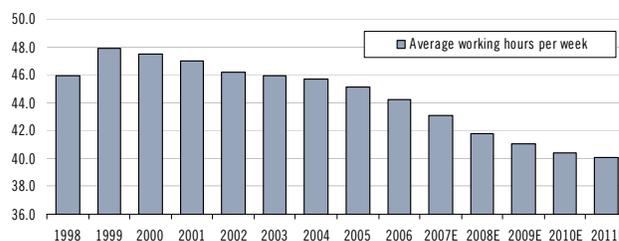
## More holidays

The average working hours per week have continuously declined from 48 hours in 1999 to 44.2 hours in 2006. The government has mandated government agencies, financial companies, and companies with more than 1,000 employees to implement a five-day work week starting July 2004, with gradual implementation for all companies in Korea by 2011.

Figure 13. Implementation of a Five-day Work Week

Institutions allowing 5 day work week	% of workers (cumulative)
Jul04 - government, financial institutions & companies with more than 1,000 employees	10.7%
Jul05 - companies with more than 300 employees	17.3%
Jul06 - companies with more than 100 employees	26.4%
Jul07 - companies with more than 50 employees	34.7%
Jul08 - companies with more than 20 employees	47.3%
By 2011 - companies with less than 20 employees	100.0%

Figure 14. Average Working Hours per Week



Source: The Ministry of Labor and Citigroup Investment Research estimates

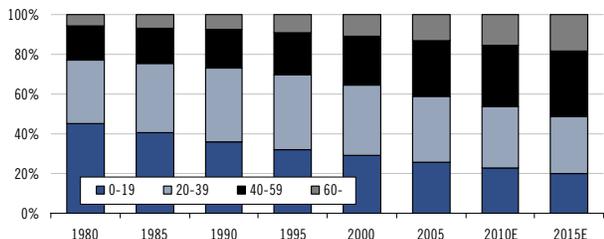
Source: National Statistical Office and CIR estimates

## Aging population

We note the steady growth in the aged population, which is more financially stable and has more leisure time. As of 2005, the 40-59 year age group rose to

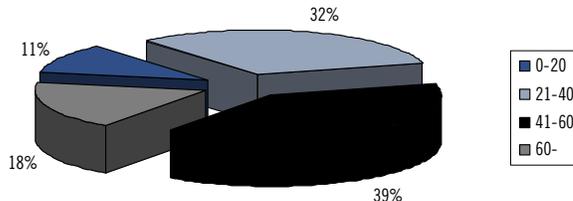
28% of the total population from 17% in 1980. The population over 60, which was 6% in 1980 is also growing and reached 13% of the total in 2005. Of total outbound departures, the portion of these two segments reached 57% in 2005, higher than the population portion of 41%. This indicates that older age groups travel overseas more often than the average. We expect the portion of the 40-59 and 60+ groups will increase to 33% and 18%, respectively, in 2015.

Figure 15. Demographic Breakdown by Age



Source: NSO

Figure 16. Net Outbound Departure Breakdown by Age (2005)

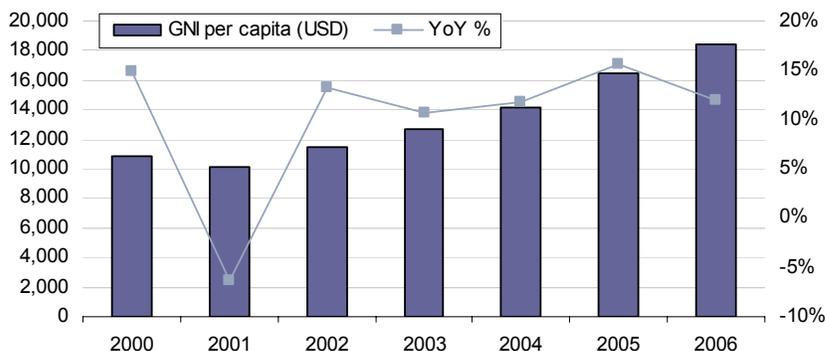


Source: KNTD and Citigroup Investment Research

### Increasing income level

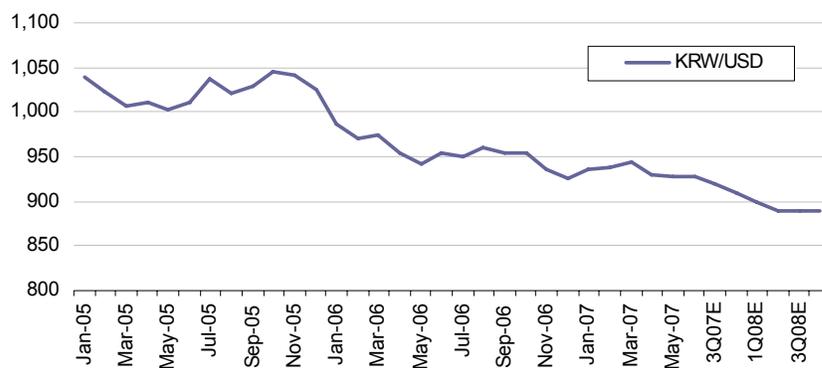
Koreans' average income level has consistently increased over a number of years. Given that overseas travel is a discretionary spending item, the improvement of overall income levels is positively correlated to the increased number of overseas travelers. Going forward, we are positive on the growth of average income levels, given the prospect of stable GDP growth and a stronger Korean won currency forecast.

Figure 17. GNI Per Capita



Source: Citigroup Investment Research

Figure 18. Stronger Korean Won

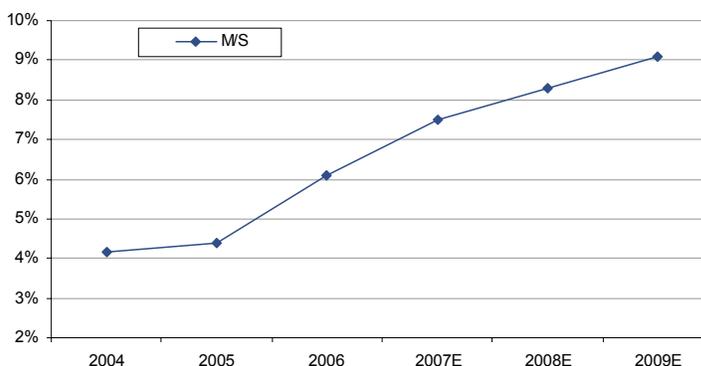


Source: Citigroup Investment Research

## Rising Market Share

We expect Modetour will be able to gain a greater market share going forward on the back of larger economies of scale and diverse sales channels. We estimate Modetour's market share will expand to 9.4% by 2009.

Figure 19. Market Share Trend

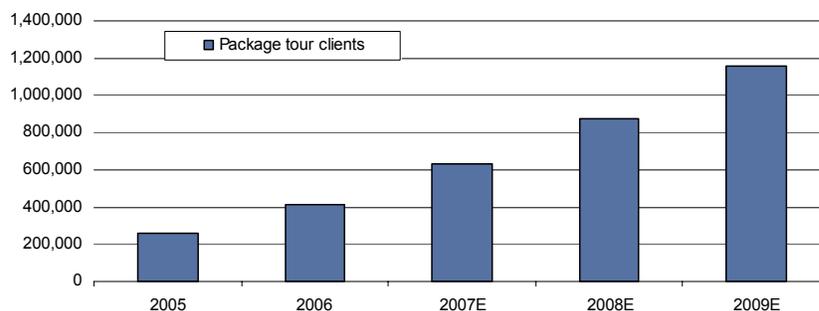


Source: Company Reports and Citigroup Investment Research estimates

## Economies of scale

We believe Modetour has reached a point where it can achieve greater economies of scale, which is an essential factor in the sector, with an estimated 632,433 overseas travelers this year. We believe a travel agency needs more than 500,000 overseas package travelers annually to have greater bargaining power with airlines to secure enough airline seats during the peak season. Usually airlines allocate more seats at lower prices to travel agencies who have selling power during the off peak season.

Figure 20. Modetour's Overseas Package Clients

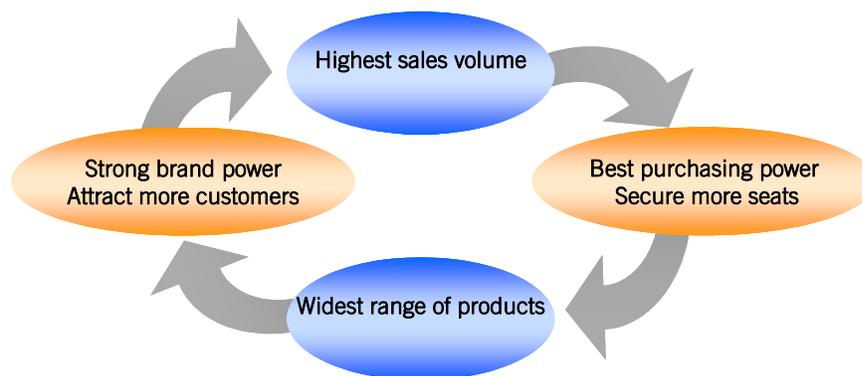


Source: Company Reports and Citigroup Investment Research estimates

We believe Modetour is now in a virtuous cycle; its larger client base enables the company to secure more airline seats at better prices, and produce more diverse package products. Diverse products with competitive prices, in turn, attract more travelers.

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**Figure 21. Virtuous Cycle**



Source: Citigroup Investment Research

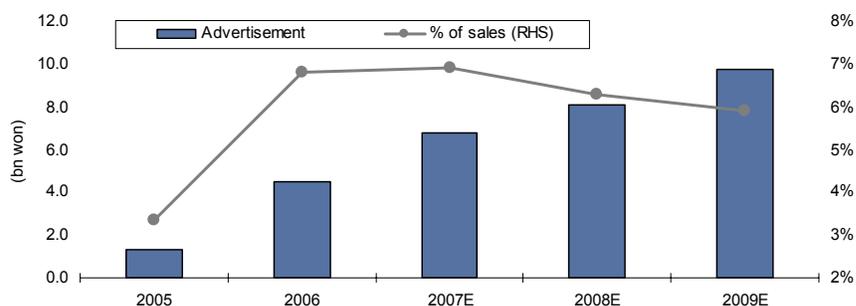
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### **Rising brand power and diversifying sales channels**

Modetour was the number one player before the currency crisis in 1998. During the crisis, Modetour went through a restructuring and reduced its sales workforce and networks. Meanwhile Hana Tour aggressively expanded its organization during the crisis period and took the number one position when overseas travel market staged a strong recovery in 2000. Since then, the gap between Modetour and Hana Tour has widened, as Hana Tour's brand power and financial muscle had become stronger with a successful IPO in 2001.

In 2005, the company changed its brand name to its current 'Modetour' in tandem with the listing of its shares on Kosdaq. Since then, Modetour has made aggressive efforts to market its new brand name and has diversified its channels to credit card companies, online shopping malls and discount stores through strategic alliances. Basically these companies sell Modetour products using their platforms and Modetour pays commission to them.

Figure 22. Advertisement Cost Trend



Source: Company Reports and CIR estimates

Figure 23. Strategic Alliance

Alliance companies	
<b>Financial institutions</b>	Shinhan Bank, Samsung card, Metlife, Internet Post office, KEB, Hyundai Card, LG card
<b>Enterprises</b>	Hanwha, AVIS rent a car, Ah Joo Auto rental
<b>On line shopping mall</b>	Cjmall.com, Interpark, GS eshop, Auction, Shinsegae mall, Gmarket, Woori Home shopping
<b>Portal site</b>	Daum, Naver, SBS golf

Source: Company Reports

Modetour's efforts started to payoff from late 2006 and it captured rapid growth in sales and market share expansion. Modetour's sales from new channels total 25% of package sales, and the company plans to increase the portion to 35% by 2010. The new channel sales are also positive for margins as the commission rate, which we estimate at 7%, is lower than the existing 9%. Going forward, we are confident that Modetour will continue to gain market shares as we do not expect any meaningful wholesale competitors, except Hana Tour, to emerge in the near future.

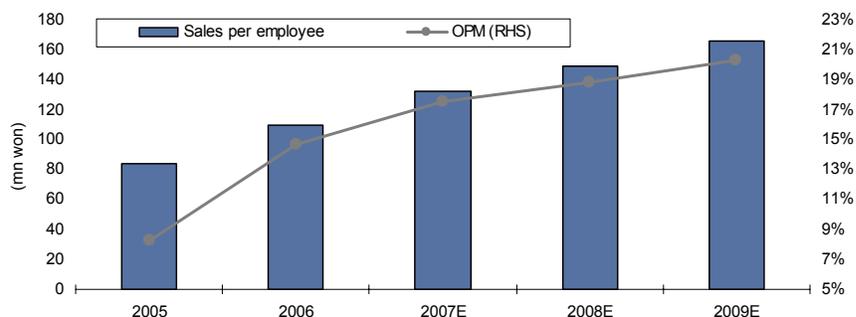
## Expanding Margins

We expect Modetour's operating profit margin to improve to 20.4% by 2009 from 14.7% in 2006. This is due to: 1) economies of scale, 2) better purchasing power, and 3) lower commission rates for retailers.

### Economies of scale

As Modetour's market share and sales volume increase, it is able to achieve better economies of scale on its SGA expenses. We note that Modetour's sales per employee has consistently increased along with sales volume, which has contributed to the expansion of its operating margin.

**Figure 24. Sales per Employee and OPM Trends**



Source: Company Reports and Citigroup Investment Research estimates

### Better purchasing power

As Modetour's market share and sales volume grow, we expect it to achieve better bargaining power against airlines and hoteliers. Its better bargaining power can result in deeper discounts of ticket and hotel prices, which in turn pushes up the company's operating margin.

### Lower commission rates to retail agencies

Modetour pays 9% commission to retail agencies for collecting customers. We believe, however, that commission rates are liable to decline with the emergence of online sales through 'www.modetour.co.kr', which can bypass retail agencies. Even though a customer directly purchases Modetour's product online, Modetour still pays a commission to a designated retailer (usually the customer's nearby retailer). That retailer then provides offline services for the package such as issuing visas and product explanation. The commission rate for online clients is usually 7% of the package tour price (lower than usual 9%), as the role of retailer is limited to simple offline services. About 8% of Modetour's sales are made online, but the company expects the portion could rise up to 30% by 2010.

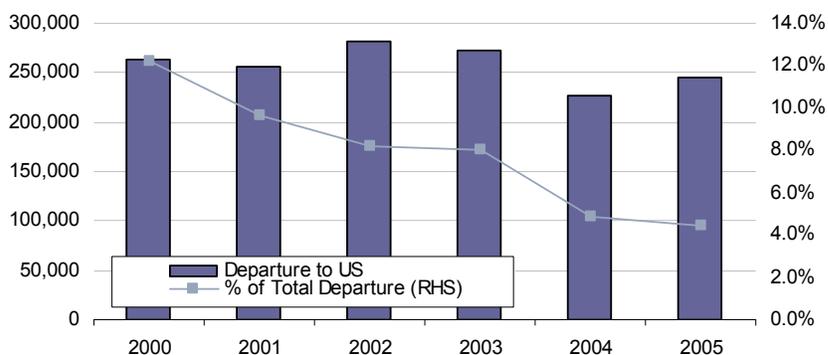
## Other issues

### US Visa Waiver Program

The US administration is in the final stages approving Korea for its Visa Waiver Program (VWP). Given that the average US visa rejection rate is 3.5%, Korea is likely to benefit from the VWP from the 2H of next year.

We believe VWP will be positive to Hana and other travel agencies, as it should boost travel demand to the US. Due to strict control on immigrants after 2001, the proportion of departing travelers heading to the US has declined, shrinking to 4% in 2006 from 12% in 2000.

Figure 25. US Destination Travelers



Source: KNTD

### Open Skies

An 'open skies' agreement is a bilateral or multilateral air transport arrangement that liberalize the rules for international aviation markets and minimizes government intervention (applies to passengers, all-cargo and combination air transportation and encompass both scheduled and charter services). Open skies usually drive competition between airlines and pull down ticket prices. This feeds through to price declines on package tours, for which 60% of costs are for airline tickets.

Korea has open skies agreements with several countries and plans to expand to other countries. We believe the expansion of open skies is another catalyst for the travel sector, as it will boost demand by lowering package prices.

**Figure 26. Open Skies Agreements**

Country	Agreement	Effective date	Note
US	Jun 1998	Jun 1998	
Vietnam	Apr 2006	2008	
Thailand	May 2006	May 2006	
China	Jun 2006	Jun 2006	Step by step opening from Shangdong Province
Cambodia	Sep 2006	2010	
Ukraine	Nov 2006	2010	
Malaysia	Jan 2007	Jan 2007	

Source: MOCT

### Abolishment of hard block seats

Korean Air (003490.KS) and Asiana Air (020560.KQ) announced abolishment of 'hard block' sales to travel agencies last April. Hard block sales mean airlines sell block seats to travel companies at a 10% discount with upfront fee. Hard block seats are not subject to refunds, which means travel agencies have to bear the inventory risks. Usually airlines sell hard block seats for peak season and off peak season as a package product.

Overall, we believe the impact of hard block abolishment is neutral for Modetour. Its negatives of: 1) higher airline costs during peak season, and 2) harder to secure seats in peak season are offset by: 1) profitability improvement in off peak season as Modetour is free from inventory burden, and 2) more hard block opportunities with foreign carriers in peak season along with open skies.

## Financials

### Top line to grow at 30% CAGR in 07E-09E

We expect 2007E and 2008E top line to grow 48% yoy and 32% yoy to W98bn and W129bn, respectively. The growth would be supported by: 1) rapid expansion of Korea outbound travelers, and 2) Modetour's rising market share. We expect Modetour's market share to reach 7.6% in 07E and 8.6% in 08E.

### Operating profit to grow at 42% CAGR in 07E-09E

We expect '07E and '08E operating profit to grow 71% yoy and 47% yoy to W10bn and W17bn. We estimate operating profit margin in 07E and 08E will reach 17.0% and 19.0%, respectively. Along with increased economies of scale, better purchasing power and less commission rates to retail agencies, we estimate operating margin will improve to 20.4% by 09E.

Figure 27. Income Statement

(Wbn)	2004	2005	2006	2007E	2008E	2009E
<b>Sales</b>	<b>31.6</b>	<b>38.9</b>	<b>66.4</b>	<b>97.9</b>	<b>129.3</b>	<b>165.1</b>
COS	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	31.6	38.9	66.4	97.9	129.3	165.1
SG&A	28.6	35.7	56.5	81.1	104.6	131.3
Other operating items	0.0	0.0	0.2	0.2	0.2	0.2
<b>Operating Profit</b>	<b>3.0</b>	<b>3.2</b>	<b>9.8</b>	<b>16.6</b>	<b>24.5</b>	<b>33.7</b>
OPM	9.5%	8.2%	14.7%	17.0%	19.0%	20.4%
Net interest income/expenses	-0.2	-0.2	-1.3	-1.5	-1.9	-2.5
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other non-operating items	1.2	1.1	3.0	3.1	3.9	5.1
Recurring Profit	4.0	4.1	11.4	18.2	26.5	36.2
Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pretax Profit</b>	<b>4.0</b>	<b>4.1</b>	<b>11.4</b>	<b>18.2</b>	<b>26.5</b>	<b>36.2</b>
Taxes	1.2	1.1	3.3	5.2	7.5	10.3
Tax Rate	28.8%	27.7%	28.5%	28.5%	28.5%	28.5%
<b>Net Profit</b>	<b>2.9</b>	<b>2.9</b>	<b>8.2</b>	<b>13.0</b>	<b>18.9</b>	<b>25.9</b>
EBITDA	3.2	3.5	10.2	17.3	25.4	34.8
EPS (Won)	16,828.5	779.3	1,028.2	1,546.6	2,253.3	3,081.9
ROE	47.8%	28.4%	26.1%	24.4%	28.8%	31.3%
<b>% Change (YoY)</b>						
Sales	39.8%	22.9%	70.8%	47.4%	32.1%	27.7%
Operating Profit	534.1%	6.9%	204.9%	70.6%	47.4%	37.2%
Net Profit	189.7%	2.5%	178.9%	58.9%	45.7%	36.8%
EBITDA	369.2%	8.7%	190.1%	69.7%	47.1%	37.1%
EPS (Won)	189.7%	-95.4%	31.9%	50.4%	45.7%	36.8%

Source: Company Reports and Citigroup Investment Research estimates

### Cash flow

Modetour generates healthy free cash flows. The company paid W180/share dividend for 2006. Its dividend payout ratio translates to 17%. Modetour plans to increase the payout ratio to 30% by 2010. It also plans to use 20% of net profit to execute share buybacks for stock options that will be offered to employees based on their performances. As of end-1Q07, Modetour had outstanding stock options of 60,000 shares offered to employees. It has 60,525 shares of Treasury stock.

Figure 28. Cash Flow Statement

(Wbn)	2004	2005	2006	2007E	2008E	2009E
Net Income	2.9	2.9	8.2	13.0	18.9	25.9
Depreciation & Amortization	0.2	0.3	0.4	0.6	0.9	1.2
Change in Working Capital	-0.3	-1.1	-2.9	-2.5	-2.5	-2.9
Others	2.1	-2.3	-11.9	2.3	2.1	2.5
<b>Cash from Operations</b>	<b>5.0</b>	<b>-0.2</b>	<b>-6.2</b>	<b>13.4</b>	<b>19.4</b>	<b>26.7</b>
Capex	-0.4	-0.3	-0.7	-1.0	-1.3	-1.7
Others	-4.1	1.7	-12.1	-3.0	-3.0	-3.0
<b>Cash from Investment</b>	<b>-4.4</b>	<b>1.4</b>	<b>-12.7</b>	<b>-4.0</b>	<b>-4.3</b>	<b>-4.7</b>
<b>Free Cash Flow</b>	<b>4.6</b>	<b>-0.5</b>	<b>-6.9</b>	<b>12.4</b>	<b>18.1</b>	<b>25.0</b>
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	-0.4	-1.5	-2.5	-4.2	-6.7
Others	0.0	5.7	25.6	0.0	0.0	0.0
<b>Cash from Financing</b>	<b>0.0</b>	<b>5.3</b>	<b>24.1</b>	<b>-2.5</b>	<b>-4.2</b>	<b>-6.7</b>
<b>Net Change in Cash</b>	<b>0.5</b>	<b>6.5</b>	<b>5.2</b>	<b>6.9</b>	<b>10.9</b>	<b>15.3</b>
Beginning Cash	1.8	2.3	8.8	14.0	20.9	31.8
Ending Cash	2.3	8.8	14.0	20.9	31.8	47.0

Source: Company reports and Citigroup Investment Research estimates

## Balance sheet

Modetour boasts a healthy balance sheet with no interest-bearing debt, and net cash at year-end is estimated at W42bn.

Figure 29. Balance Sheet

(Wbn)	2004	2005	2006	2007E	2008E	2009E
Cash	2.3	8.8	14.0	20.9	31.8	47.0
Accounts receivable	1.2	2.4	5.3	7.8	10.3	13.2
Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Assets	0.6	5.5	31.2	38.4	45.8	54.2
<b>Current Assets</b>	<b>4.2</b>	<b>16.6</b>	<b>50.5</b>	<b>67.1</b>	<b>87.9</b>	<b>114.4</b>
Financial Assets	4.2	3.8	17.7	20.7	23.7	26.7
Tangible Assets	3.4	6.1	2.6	3.1	3.8	4.5
Other Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>11.8</b>	<b>26.5</b>	<b>70.8</b>	<b>91.0</b>	<b>115.4</b>	<b>145.6</b>
Accounts payable	0.0	0.0	0.0	0.0	0.0	0.0
St. Debt & Cur. Portion of Lt. Debt	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	5.2	10.5	20.5	30.2	39.9	51.0
<b>Current Liabilities</b>	<b>5.2</b>	<b>10.5</b>	<b>20.5</b>	<b>30.2</b>	<b>39.9</b>	<b>51.0</b>
Lt. Debt	0.0	0.0	0.0	0.0	0.0	0.0
Other Lt. Liabilities	0.7	1.5	2.3	2.3	2.3	2.3
<b>Total Liabilities</b>	<b>5.9</b>	<b>11.9</b>	<b>22.8</b>	<b>32.5</b>	<b>42.2</b>	<b>53.3</b>
<b>Shareholders' Equity</b>	<b>6.0</b>	<b>14.6</b>	<b>48.0</b>	<b>58.5</b>	<b>73.2</b>	<b>92.4</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>11.8</b>	<b>26.5</b>	<b>70.8</b>	<b>91.0</b>	<b>115.4</b>	<b>145.6</b>
BVPS (Won)	35,242.4	3,480.2	5,713.5	6,960.1	8,713.4	10,995.3
Year-end No. of Shares (mil)	0.2	4.2	8.4	8.4	8.4	8.4

Source: Company reports and Citigroup Investment Research estimates

## Risks

We rate Modetour shares as Medium Risk based on our quantitative risk-rating system, which tracks 260-day historical share price volatility. Key risks that could impede the stock from reaching our target price include: 1) any outbreak of events such as natural disasters, epidemics or global terrorism; 2) any adverse changes in macro environment such as an economic downturn; and 3) higher air charges stemming from oil price hikes.

- Events such as natural disasters (earthquake, flood or tsunami) in resort areas could lead to a decline of travelers to affected regions. Additionally, the outbreak of epidemics such as SARS or global terrorism would hit the sector.
- Adverse macro economy – Overseas travel products are a discretionary spending item. Adverse macro economy conditions such as slowing GDP growth or won currency depreciation could slow the growth momentum of the industry
- Higher air charges – Modetour's margin is unaffected by air charges as the price movement is passed to end users. However, higher air charges stemming from oil price hikes could lower the demand for overseas travel.



# Appendix A-1

## Analyst Certification

I, Sean Lee, CFA, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## IMPORTANT DISCLOSURES

### Modetour Network (080160.KQ)

#### Ratings and Target Price History - Fundamental Research



#	Date	Rating	Target Price	Closing Price
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\*Indicates change.

### CJ Internet (037150.KQ)

#### Ratings and Target Price History - Fundamental Research

Analyst: Charles Uhm (covered since September 2 2006)



#	Date	Rating	Target Price	Closing Price
1:	9 Jun 05	*3H	*11,500.00	10,000.00
2:	18 May 06	3H	*18,000.00	28,400.00
3:	1 Sep 06	*1H	*35,000.00	27,600.00
4:	1 Sep 06	1H	35,000.00	27,600.00
5:	1 Sep 06	1H	35,000.00	27,600.00
6:	21 Sep 06	1H	*32,000.00	24,400.00
7:	12 Jan 07	*2H	*23,900.00	20,500.00
8:	6 Feb 07	2H	*23,500.00	20,300.00
9:	24 Apr 07	2H	*28,000.00	24,100.00

\*Indicates change.

### Daum Communication (035720.KQ)

#### Ratings and Target Price History - Fundamental Research

Analyst: Charles Uhm (covered since June 15 2007)



#	Date	Rating	Target Price	Closing Price
1:	24 Mar 05	3H	*20,588.24	21,600.00
2:	30 May 06	Coverage suspended		
3:	14 Jun 07	*1H	*100,000.00	74,000.00
4:	7 Aug 07	1H	*90,000.00	69,000.00

\*Indicates change.

### Gmarket (GMKT.O)

#### Ratings and Target Price History - Fundamental Research

Analyst: Charles Uhm (covered since March 8 2007)



#	Date	Rating	Target Price	Closing Price
1:	7 Mar 07	3S	17,056.80	18,035.74
2:	7 Mar 07	3S	*17,075.70	18,035.74
3:	11 Mar 07	3S	*15,606.53	15,622.37
4:	27 Mar 07	*2H	*18,300.75	16,133.86
5:	11 Apr 07	2H	*18,347.55	14,825.96
6:	6 Aug 07	2H	*24,270.96	20,546.76

\*Indicates change.

Chart current as of 11 August 2007

— Covered  
 ..... Not covered

### Hana Tour Service (039130.KQ)

#### Ratings and Target Price History - Fundamental Research

Analyst: Sean Lee, CFA (covered since August 3 2007)



#	Date	Rating	Target Price	Closing Price
1:	2 Aug 07	1L	125,000.00	91,900.00

\*Indicates change.

Chart current as of 11 August 2007

— Covered  
 ..... Not covered

### Hanbit Soft (047080.KQ)

#### Ratings and Target Price History - Fundamental Research

Analyst: Charles Uhm (covered since September 2 2006)



#	Date	Rating	Target Price	Closing Price
1:	1 Sep 06	3H	8,500.00	8,520.00
2:	1 Sep 06	3H	8,500.00	8,520.00
3:	1 Sep 06	3H	8,500.00	8,520.00

\*Indicates change.

Chart current as of 11 August 2007

— Covered  
 ..... Not covered

### MegaStudy (072870.KQ)

#### Ratings and Target Price History - Fundamental Research

Analyst: Sean Lee, CFA (covered since July 5 2007)



#	Date	Rating	Target Price	Closing Price
1:	5 Jul 07	1M	260,000.00	188,000.00

\*Indicates change.

— Covered  
 ..... Not covered

### NCsoft (036570.KS)

#### Ratings and Target Price History - Fundamental Research

Analyst: Charles Uhm (covered since September 2 2006)



#	Date	Rating	Target Price	Closing Price
1:	28 Feb 05	1M	*101,000.00	72,500.00
2:	21 Jun 05	1M	*97,000.00	76,500.00
3:	19 Aug 05	1M	*84,000.00	69,700.00
4:	8 Nov 05	*3M	84,000.00	89,300.00
5:	20 Mar 06	3M	*72,000.00	67,400.00
6:	1 Sep 06	*2H	*68,000.00	55,300.00
7:	1 Sep 06	2H	68,000.00	55,300.00
8:	1 Sep 06	2H	68,000.00	55,300.00
9:	9 Nov 06	2H	*66,000.00	60,000.00
10:	9 Nov 06	2H	66,000.00	60,000.00
11:	8 May 07	2H	*81,000.00	70,000.00
12:	19 Jun 07	*1M	*110,000.00	86,700.00

\*Indicates change.

— Covered  
 ..... Not covered

### NHN (035420.KQ)

#### Ratings and Target Price History - Fundamental Research

Analyst: Charles Uhm (covered since December 7 2006)



#	Date	Rating	Target Price	Closing Price
1:	21 Oct 04	1M	*36,666.67	28,500.00
2:	16 Feb 05	*2M	*34,666.67	30,200.00
3:	20 Oct 05	*1M	*78,333.33	55,566.67
4:	7 Feb 06	1M	*111,666.67	92,333.34
5:	6 Dec 06	1M	*129,000.00	110,000.00
6:	13 Feb 07	1M	*150,000.00	124,000.00
7:	18 Apr 07	1M	*182,000.00	152,500.00
8:	10 May 07	1M	*191,000.00	154,200.00
9:	9 Aug 07	1M	*217,000.00	179,400.00

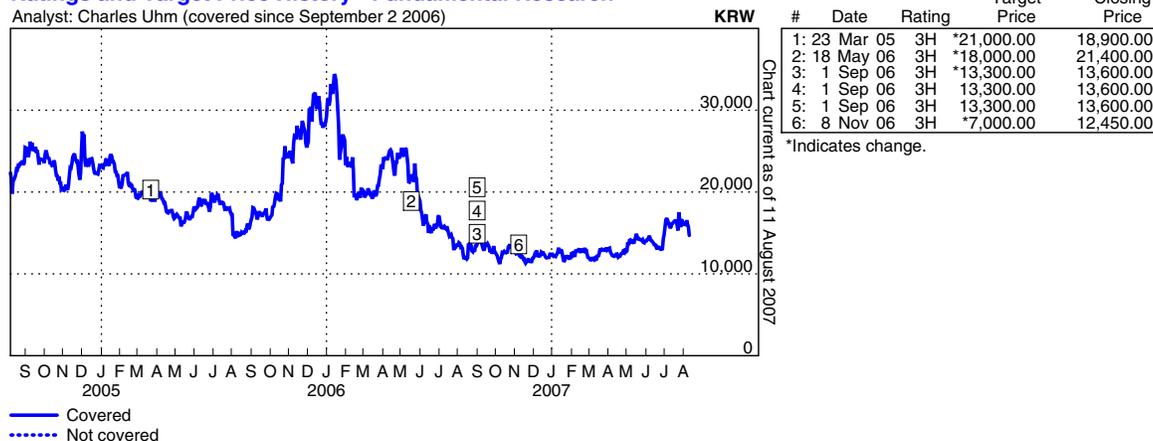
\*Indicates change.

— Covered  
 ..... Not covered

**Webzen (069080.KQ)**

**Ratings and Target Price History - Fundamental Research**

Analyst: Charles Uhm (covered since September 2 2006)



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<i>% of companies in each rating category that are investment banking clients</i>	45%	61%	71%
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<i>% of companies in each rating category that are investment banking clients</i>	65%	62%	79%
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<i>% of companies in each rating category that are investment banking clients</i>	50%	63%	0%
Leisure Products -- Japan (3)	100%	0%	0%
<i>% of companies in each rating category that are investment banking clients</i>	67%	0%	0%
Leisure Time -- Europe (19)	63%	37%	0%
<i>% of companies in each rating category that are investment banking clients</i>	67%	43%	0%
Leisure Time -- North America (1)	100%	0%	0%
<i>% of companies in each rating category that are investment banking clients</i>	100%	0%	0%
South Korea -- Asia Pacific (84)	58%	23%	19%
<i>% of companies in each rating category that are investment banking clients</i>	88%	79%	69%
Taiwan -- Asia Pacific (106)	70%	16%	14%
<i>% of companies in each rating category that are investment banking clients</i>	84%	94%	93%
Thailand -- Asia Pacific (46)	65%	7%	28%
<i>% of companies in each rating category that are investment banking clients</i>	60%	67%	85%

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