

## Company Focus

 SMALL &  
 MID CAP

26 November 2007 | 14 pages

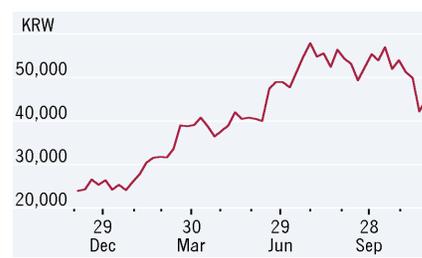
# Modetour Network (080160.KQ)

## Buy: Estimating 46% EPS Growth Next Year

- Recent correction appears unjustified** — Modetour's share price has come off 18.6% in the last three months while underperforming the KOSDAQ by 11.3%. We believe the recent correction is unjustified and offers an attractive buying opportunity. The shares are now trading at only 0.5x PEGR, while expected total return to our target price is 69%.
- Investment case remains firm** — We believe our investment case remains intact; Modetour offers an attractive earnings growth story on the back of a booming overseas travel market and rising market share. We estimate '07E-'09E EPS CAGR of 41%.
- Expect strong 4Q results** — Our check indicates strong package sales growth has continued, and we are likely to see strong earnings results in 4Q07 with sales and operating profits expected to reach W26.1bn (+35% YoY) and W4.4bn (+110% YoY), higher than consensus numbers.
- Prefer Modetour to Hana Tour** — We prefer Modetour to Hana Tour for its better growth profile. Modetour has greater leverage on market share increases from its lower sales base (44% of Hana Tour). Modetour has been also picked as one of our two 'Small/Mid-cap Doublers' in our *Asia Consumer Valuator* report published 22 November.

<b>Buy/Medium Risk</b>	<b>1M</b>
Price (23 Nov 07)	W43,950
Target price	W74,000
Expected share price return	68.4%
Expected dividend yield	0.7%
<b>Expected total return</b>	<b>69.1%</b>
Market Cap	W369,180M US\$397M

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



### 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	56.4	12.6	28.4	0.2
2006A	8	1,028	31.9	42.7	7.7	26.1	0.4
2007E	13	1,547	50.4	28.4	6.3	24.4	0.7
2008E	19	2,253	45.7	19.5	5.0	28.8	1.1
2009E	26	3,082	36.8	14.3	4.0	31.3	1.8

Source: Powered by dataCentral

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

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<sup>1</sup>Citigroup Global Markets Korea Securities Ltd

Fiscal year end 31-Dec	2005	2006	2007E	2008E	2009E
<b>Valuation Ratios</b>					
P/E adjusted (x)	56.4	42.7	28.4	19.5	14.3
EV/EBITDA adjusted (x)	102.9	34.3	19.4	12.7	8.8
P/BV (x)	12.6	7.7	6.3	5.0	4.0
Dividend yield (%)	0.2	0.4	0.7	1.1	1.8
<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	0	0	0	0
<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

For further data queries on Citigroup's full coverage universe please contact CIR Data Services Asia Pacific at CitiResearchDataServices@citigroup.com or +852-2501-2791



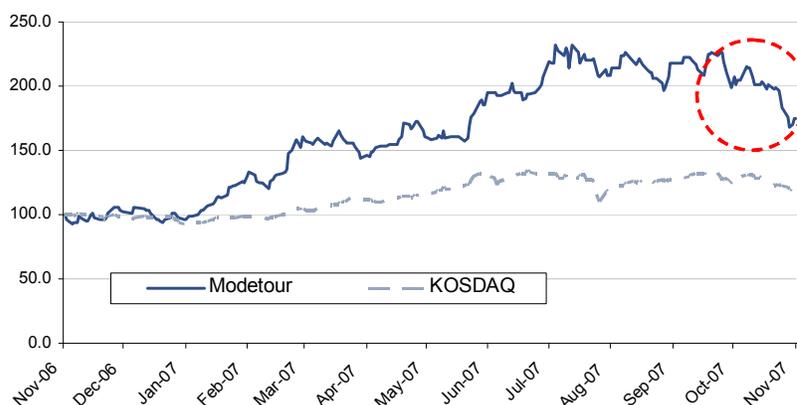
# Estimating 46% EPS Growth Next Year

## Recent correction hardly justified

Modetour's share price has come off 18.6% in the last three months while underperforming the KOSDAQ by 11.3%. We believe the recent correction is unjustified and offers an attractive buying opportunity. The shares are now trading at only 0.5x PEGR, while expected total return to our target price is 69%.

We believe our investment case remains intact; Modetour offers an attractive earnings growth story on the back of a booming overseas travel market and rising market share. We estimate '07E-'09E EPS CAGR of 41%.

**Figure 1. Modetour One-Year Stock Performance**



Source: Datastream and Citi Investment Research

## Expect strong 4Q results

Our check indicates strong package sales growth has continued, and we are likely to see strong earnings results in 4Q07 with sales and operating profits expected to reach W26.1bn (+35% YoY) and W4.4bn (+110% YoY), higher than consensus numbers.

**Figure 2. Modetour – 4Q Results Preview**

(Wbn)	4Q07E	4Q06	YoY%	3Q07 Consensus	YoY%
Sales	26.1	19.4	34.9%	24.4	25.8%
Operating Profit	4.4	2.1	110.0%	3.7	77.8%
Recurring Profit	4.5	2.6	74.8%	4.4	67.9%
Net Profit	3.3	1.8	82.5%	3.3	83.0%
OP margin %	16.7%	10.7%		15.2%	
NP margin %	12.7%	9.4%		13.6%	

Source: Citi Investment Research

## Prefer Modetour to Hana Tour

We prefer Modetour to Hana Tour (039130.KQ - W67,200; 1L) for its better growth profile. Modetour has greater leverage on market share increases from its lower sales base (44% of Hana Tour).

**Figure 3. Valuation Comparison – Mode vs. Hana**

Price (23-Nov) (won)	Modetour			Hana Tour		
	2007E	2008E	2009E	2007E	2008E	2009E
			43,950			66,500
Market share	7.6%	8.6%	9.4%	13.5%	14.5%	15.5%
Sales (Wbn)	97.9	129.3	165.1	212.2	265.6	331.2
Sales growth	47.4%	32.1%	27.7%	27.6%	25.2%	24.7%
OP (Wbn)	16.6	24.5	33.7	35.7	49.4	66.9
OP growth	70.6%	47.4%	37.2%	18.2%	38.3%	35.5%
NP (Wbn)	13.0	18.9	25.9	28.2	38.3	51.6
NP growth	58.9%	45.7%	36.8%	21.1%	35.8%	34.5%
EPS (won)	1,546.6	2,253.3	3,081.9	2,429.4	3,299.9	4,438.2
BVPS (won)	6,960.1	8,713.4	10,995.3	9,057.9	10,722.2	13,090.7
P/E	28.4	19.5	14.3	27.4	20.2	15.0
P/B	6.3	5.0	4.0	7.3	6.2	5.1
ROE	24.4%	28.8%	31.3%	28.5%	33.4%	37.3%

Source: Citi Investment Research

Modetour has been also selected among our 'Small/Mid-cap Doublers' along with GSK Consumer (GLSM.BO - Rs616.00; 1L) in our *Asia Consumer Valuator* report published 22 November.

In terms of weighted ranking among Asia regional consumer stocks, Modetour ranks third after Test Rite (2908.TW - NT\$19.00; 1L) and Colgate India (COLG.BO - Rs386.60; 1L). The weighted ranking considers valuation (30% weighting), 2006-09E earnings CAGR (30%), current ROE (10%), 2006-09E ROE upside (10%), free cash flow as a percentage of sales (10%), balance sheet soundness (5%) and yield (5%). It also considers year-to-date performance and give management a numerical score based on five criteria: 1) execution, 2) corporate strategy, 3) capital allocation, 4) corporate governance, and 5) IR activities.



## Modetour Network

### 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.

### Investment strategy

We rate Modetour shares Buy/Medium Risk (1M), with a W74,000 target price. We believe Modetour 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. 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

We believe PEGR is an appropriate valuation tool for Modetour because of the company's high earnings growth. We apply a 0.8x PEGR to derive our target price of W74,000. Our 0.8x PEGR target is based on a 20% discount to our PEGR target for Hana Tour. Our target price translates into 33x 08E PE. We ascribe a 20% discount in recognition of Hana Tour's leadership in the business.

### 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.

# Appendix A-1

## Analyst Certification

Each research analyst(s), strategist(s) or research associate(s) responsible for the preparation and content of this research report hereby certifies that, with respect to each issuer or security that the research analyst, strategist or research associate covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) strategist(s) or research associate(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst, strategist or research associate in this research report.

## IMPORTANT DISCLOSURES

### Hite Brewery (000140.KS)

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

Analyst: Ally Park



#	Date	Rating	Target Price	Closing Price
1:	22 Feb 05	*3L	*90,000.00	87,100.00
2:	27 Sep 05	*1M	*177,000.00	142,000.00
3:	31 Mar 06	1M	*167,000.00	138,500.00
4:	17 Aug 06	1M	*155,000.00	108,000.00
5:	20 Jun 07	1M	*177,000.00	126,000.00

\*Indicates change.

Rating/target price changes above reflect Eastern Standard Time

### Orion (001800.KS)

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

Analyst: Ally Park



#	Date	Rating	Target Price	Closing Price
1:	22 Nov 04	*1M	*125,000.00	96,800.00
2:	22 Feb 05	1M	*142,000.00	115,000.00
3:	15 Aug 05	*1L	*175,000.00	NA
4:	13 Oct 05	1L	*210,000.00	183,500.00
5:	31 Mar 06	*3L	210,000.00	287,000.00
6:	7 Sep 06	*3M	*230,000.00	211,000.00
7:	23 Aug 07	3M	*260,000.00	274,000.00

\*Indicates change.

Rating/target price changes above reflect Eastern Standard Time

**Shinsegae (004170.KS)**

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

Analyst: Ally Park



#	Date	Rating	Target Price	Closing Price
1:	22 Feb 05	*1L	*370,000.00	302,500.00
2:	19 May 05	1L	*450,000.00	320,500.00
3:	1 Apr 06	*2L	*456,000.00	450,000.00
4:	8 Nov 06	2L	*560,000.00	534,000.00
5:	1 Aug 07	2L	*630,000.00	584,000.00

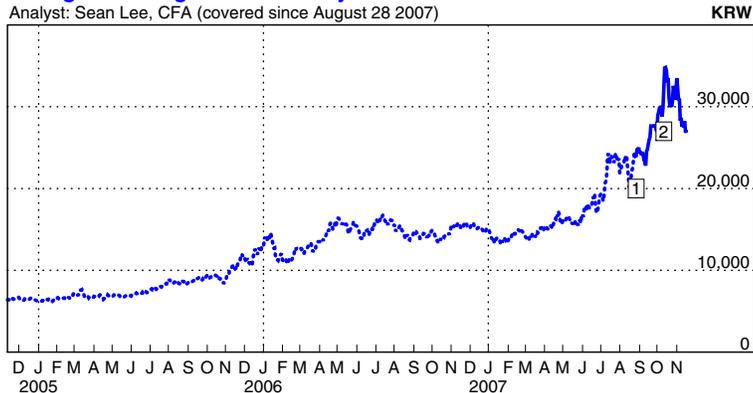
\*Indicates change.

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

**Hotel Shilla (008770.KS)**

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

Analyst: Sean Lee, CFA (covered since August 28 2007)



#	Date	Rating	Target Price	Closing Price
1:	28 Aug 07	1M	30,500.00	24,000.00
2:	11 Oct 07	1M	*36,000.00	32,350.00

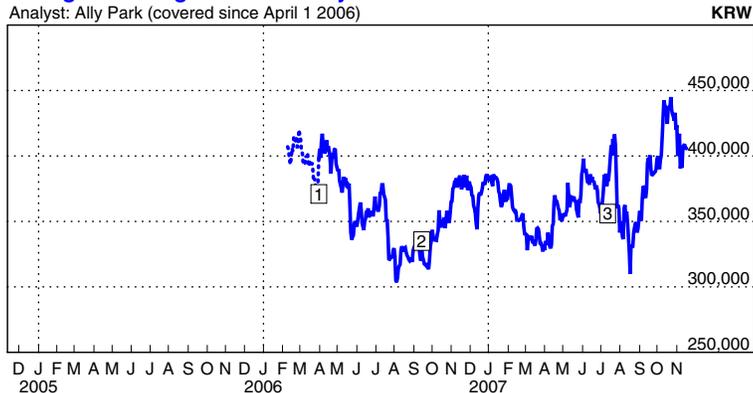
\*Indicates change.

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

**Lotte Shopping (023530.KS)**

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

Analyst: Ally Park (covered since April 1 2006)



#	Date	Rating	Target Price	Closing Price
1:	31 Mar 06	1M	460,000.00	398,000.00
2:	14 Sep 06	1M	*430,000.00	330,000.00
3:	12 Jul 07	1M	*470,000.00	382,000.00

\*Indicates change.

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

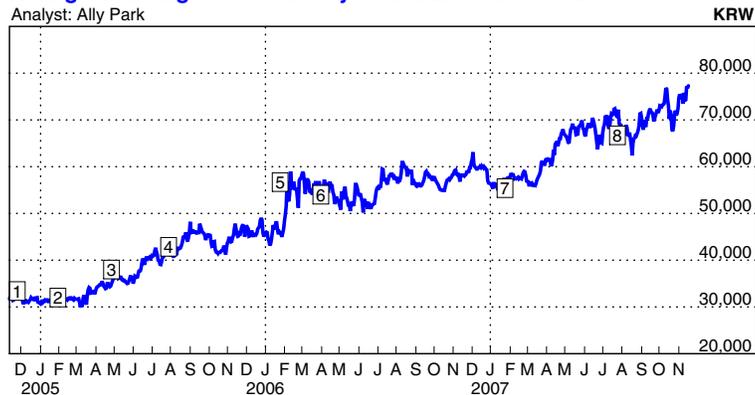
**Modetour Network (080160.KQ)**

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**KT&G (033780.KS)**

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

Analyst: Ally Park



#	Date	Rating	Target Price	Closing Price
1:	25 Nov 04	1L	*35,000.00	32,800.00
2:	31 Jan 05	*2L	*33,000.00	31,500.00
3:	27 Apr 05	2L	*36,000.00	35,000.00
4:	28 Jul 05	2L	*43,000.00	42,550.00
5:	25 Jan 06	2L	*50,000.00	45,900.00
6:	31 Mar 06	2L	*58,000.00	54,800.00
7:	24 Jan 07	2L	*62,000.00	56,800.00
8:	25 Jul 07	2L	*75,000.00	70,700.00

\*Indicates change.

Chart current as of 17 November 2007

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

**CJ HomeShopping (035760.KQ)**

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

Analyst: Ally Park



#	Date	Rating	Target Price	Closing Price
1:	22 Feb 05	3H	*66,225.17	62,002.10
2:	31 Mar 06	3H	*88,930.94	99,241.17
3:	17 Aug 06	3H	*73,000.00	75,000.00
4:	7 Nov 07	3H	*54,000.00	62,000.00

\*Indicates change.

Chart current as of 17 November 2007

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

**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
2:	1 Oct 07	1L	*115,000.00	90,600.00

\*Indicates change.

Chart current as of 17 November 2007

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

**LG Household & Healthcare (051900.KS)**  
**Ratings and Target Price History - Fundamental Research**

Analyst: Ally Park



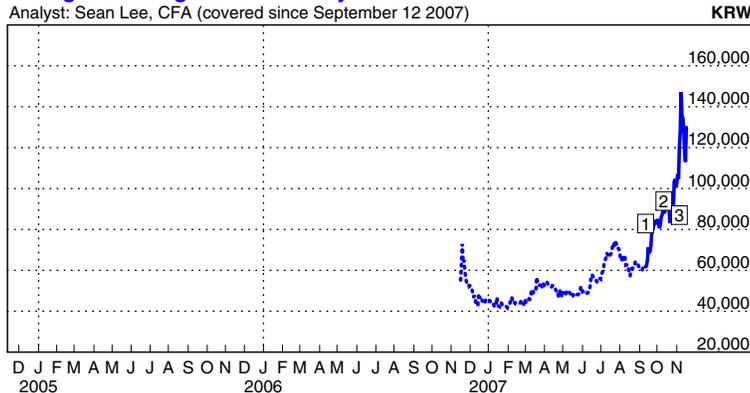
#	Date	Rating	Target Price	Closing Price
1:	22 Feb 05	*1L	*36,000.00	32,150.00
2:	25 Apr 05	1L	*43,000.00	33,500.00
3:	21 Jul 05	1L	*54,000.00	46,900.00
4:	3 Nov 05	1L	*70,000.00	55,500.00
5:	31 Mar 06	1L	*78,000.00	68,000.00
6:	19 Jul 06	1L	*92,000.00	74,000.00
7:	12 Feb 07	*3L	*97,000.00	120,000.00
8:	19 Jul 07	3L	*122,000.00	129,500.00

\*Indicates change.

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

**Credu (067280.KQ)**  
**Ratings and Target Price History - Fundamental Research**

Analyst: Sean Lee, CFA (covered since September 12 2007)



#	Date	Rating	Target Price	Closing Price
1:	12 Sep 07	1H	95,000.00	61,300.00
2:	11 Oct 07	1H	*115,000.00	88,400.00
3:	6 Nov 07	1H	*150,000.00	120,400.00

\*Indicates change.

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

**Hyundai Department Store (069960.KS)**  
**Ratings and Target Price History - Fundamental Research**

Analyst: Ally Park



#	Date	Rating	Target Price	Closing Price
1:	22 Feb 05	*1M	*56,000.00	41,200.00
2:	8 Aug 05	1M	*73,000.00	55,500.00
3:	7 Nov 05	1M	*91,000.00	77,400.00
4:	31 Mar 06	*2M	*102,000.00	90,800.00
5:	18 Aug 06	*1M	*116,000.00	72,500.00
6:	23 Jul 07	1M	*135,000.00	110,500.00

\*Indicates change.

— Covered  
 ..... Not covered  
 Rating/target price changes above reflect Eastern Standard Time

## Modetour Network (080160.KQ)

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## 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
2:	18 Sep 07	1M	*300,000.00	244,900.00
3:	18 Oct 07	1M	*380,000.00	298,500.00

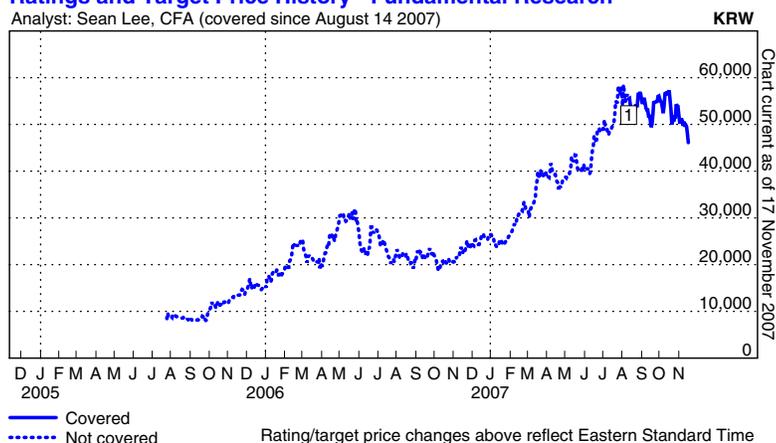
\*Indicates change.

Chart current as of 17 November 2007

## Modetour Network (080160.KQ)

### Ratings and Target Price History - Fundamental Research

Analyst: Sean Lee, CFA (covered since August 14 2007)



#	Date	Rating	Target Price	Closing Price
1:	13 Aug 07	1M	74,000.00	55,500.00

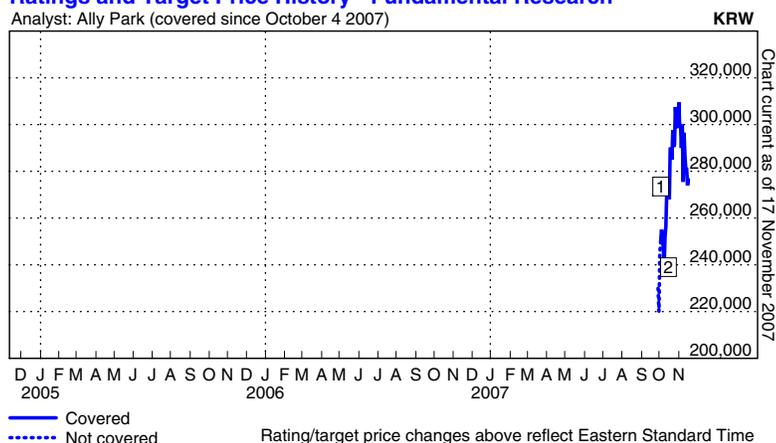
\*Indicates change.

Chart current as of 17 November 2007

## CJ Cheil Jedang (097950.KS)

### Ratings and Target Price History - Fundamental Research

Analyst: Ally Park (covered since October 4 2007)



#	Date	Rating	Target Price	Closing Price
1:	3 Oct 07	1M	310,000.00	NA
2:	16 Oct 07	1M	*330,000.00	273,000.00

\*Indicates change.

Chart current as of 17 November 2007

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