

# Mode Tour (080160.KQ)

Company Comment | Aug 5, 2015

## Attractive valuations to stand out

**With Mode Tour's domestic market share stabilizing above 11%, its strong fundamentals remain intact. We believe that the firm's attractive valuations will stand out going forward.**

### Air-ticket sales surge thanks to increase in sales channels

- We maintain our Buy rating and raise our target price from W46,000 to W51,000 on Mode Tour. Our target price is equivalent to a 2016F P/E of 25x—we justify this somewhat lofty figure by the firm's strong fundamentals.
- In July, the number of people who travelled via Mode Tour climbed 31.0% y-y to 159,405. In detail, the number of package tour travelers expanded 15.5% y-y to 94,827 people, and the number of flight tickets booked surged 63.1% y-y to 64,578 people. By region, excluding China (down 6.5% y-y), package tour growth figures were strong for most regions: Japan (up 54.2% y-y), Southeast Asia (up 17.1% y-y), and Europe (up 10.6% y-y). The robust monthly growth figures show that the impact of the MERS outbreak on overseas travel is fading.
- Of note, the July flight ticket sales figure reached a record monthly high thanks to new traffic from: 1) NAVER (Mode Tour joined its air ticket booking system in July); and 2) new sales channels (eg Skyscanner).
- Due to the inclusion of Freedom Tour as a subsidiary in 2Q15, we now believe that operating income from Mode Tour's subsidiaries will remain in the red until 2016. However, thanks to the slated opening of two hotels (to be acquired by Mode Tour REITs) and operating profit turnarounds at its other domestic subsidiaries, overall operating losses at the firm's subsidiaries should narrow from W4.5bn in 2014 to W3.0bn in 2015.
- Given its strong fundamentals and attractive valuations, Mode Tour's share price momentum is set to improve.

### 2Q15 review: Main business strong, but subsidiaries (ie, hotels, Freedom Tour) continue to incur losses

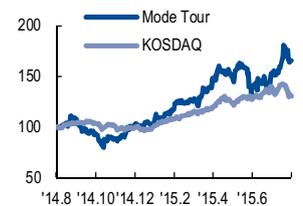
- Mode Tour posted 2Q15 consolidated sales of W49.6bn (up 36.1% y-y), operating profit of W5.0bn (up 135.9% y-y), and net profit (excluding minority interests) of W3.5bn (up 56.6% y-y), with the operating profit figure meeting both our estimate and consensus.
- On a non-consolidated (separate) basis, Mode Tour announced 2Q15 sales of W43.8bn (up 23.1% y-y) and operating profit of W6.3bn (up 63.3% y-y). Despite an ASP decline (down 18.2% y-y), an improvement in the sales conversion ratio (up 1%p y-y) served to boost earnings at the headquarters.
- Meanwhile, the company's subsidiaries generated a combined 2Q15 operating loss of W1.3bn (vs an operating loss of W1.9bn in 2Q14) due to weak occupancy rates (around 60~70%) at Mode Tour's hotels and an operating loss at the newly included subsidiary Freedom Tour. Given that operations at Freedom Tour should begin to normalize in 2H15, the operating loss figures should narrow going forward.

## Buy (maintain)

**TP W51,000 (raise)**  
**CP ('15/08/04) W39,100**

Sector	Service
Kospi	2,027.99
Kosdaq	730.03
Market cap(common)	US\$421.47mn
Outstanding shares(common)	12.6mn
52W high ('15/07/22)	W43,150
low ('14/10/16)	W19,050
Average trading value(60D)	US\$5.73mn
Dividend yield(2014)	2.11%
Foreign ownership	26.0%

### Price trend



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2Q15 review											(Units: Wbn, %)
	2Q14	3Q14	4Q14	1Q15	2Q15P					3Q15E	
					Actual	y-y	q-q	Estimate	Consen		
Sales	36.4	47.0	40.9	50.4	49.6	36.1	-1.5	45.9	45.0	58.2	
Operating profit	2.1	7.0	4.5	6.3	5.0	135.9	-19.6	5.1	4.8	9.6	
Operating margin	5.8	14.9	11.0	12.4	10.1	-	-	11.2	10.6	16.5	
Pre-tax profit	2.7	6.1	4.0	7.4	5.5	104.4	-25.8	5.9	5.4	10.3	
Net profit (excl minority interests)	2.3	4.3	3.5	5.6	3.5	56.6	-36.9	4.2	4.1	8.4	

Note: K-IFRS consolidated basis  
Source: Mode Tour, FnGuide, NH I&S Research Center estimates

Earnings forecasts (IFRS-consolidated)						(Units: Wbn, won, x, %)
			2014	2015E	2016F	2017F
Sales	- Revised		164.7	209.9	241.8	273.3
	- Previous			207.5	239.9	267.8
	- Change			1.2	0.8	2.0
Operating profit	- Revised		16.6	26.4	33.2	38.3
	- Previous			27.9	33.9	38.7
	- Change			-5.4	-2.2	-0.9
Operating margin	- Revised		10.1	12.6	13.7	14.0
EBITDA			18.8	28.0	35.6	41.6
Net profit (excl minority interests)			15.3	22.4	25.9	29.9
EPS	- Revised		1,218	1,778	2,052	2,370
	- Previous			1,805	2,117	2,399
	- Change			-1.5	-3.1	-1.2
P/E			19.9	22.0	19.1	16.5
P/B			3.1	4.3	3.8	3.3
EV/EBITDA			13.5	15.9	12.4	10.4
ROE			16.3	21.1	21.2	21.3

Note: EPS, P/E, P/B and ROE based on net profit (excl minority interests)  
Source: NH I&S Research Center estimates

Quarterly and annual earnings forecasts (IFRS-consolidated)														(Units: Wbn, %, %p)		
	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15P	3Q15E	4Q15F	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015E	2016F	
<b>Sales</b>	<b>40.4</b>	<b>36.4</b>	<b>47.0</b>	<b>40.9</b>	<b>50.4</b>	<b>49.6</b>	<b>58.2</b>	<b>51.7</b>	<b>59.1</b>	<b>54.8</b>	<b>68.6</b>	<b>59.3</b>	<b>164.7</b>	<b>209.9</b>	<b>241.8</b>	
Change (% y-y)	10.6	19.2	7.0	13.7	24.8	36.1	23.8	26.5	17.3	10.5	17.8	14.8	12.1	27.4	15.2	
Headquarter	39.5	35.6	42.8	37.3	46.8	43.8	52.0	42.3	52.4	48.6	58.7	47.1	155.2	185.0	206.8	
Change (% y-y)	10.1	18.9	-1.1	10.4	18.6	23.1	21.5	13.3	11.8	11.0	12.9	11.4	8.6	19.2	11.8	
Subsidiaries	2.5	2.3	3.7	2.5	4.4	5.3	7.4	10.5	7.9	7.3	11.2	13.4	11.0	27.6	39.9	
Change (% y-y)	523.9	201.5	286.2	1.0	77.1	132.0	97.7	314.5	80.1	36.9	52.2	28.4	119.0	149.9	44.6	
<b>Operating profit</b>	<b>3.0</b>	<b>2.1</b>	<b>7.0</b>	<b>4.5</b>	<b>6.3</b>	<b>5.0</b>	<b>9.6</b>	<b>5.5</b>	<b>7.1</b>	<b>6.8</b>	<b>12.3</b>	<b>6.9</b>	<b>16.6</b>	<b>26.4</b>	<b>33.2</b>	
Change (% y-y)	-37.5	TTP	-2.6	17.2	108.6	135.9	37.1	23.2	14.1	35.1	28.2	25.2	5.2	58.9	25.6	
Operating margin	7.4	5.8	14.9	11.0	12.4	10.1	16.5	10.7	12.1	12.4	18.0	11.6	10.1	12.6	13.7	
Headquarter	5.1	3.8	7.9	4.3	7.1	6.3	10.4	5.5	7.4	6.6	12.4	6.4	21.1	29.4	32.8	
Change (% y-y)	-9.9	112.5	-10.8	26.8	41.0	63.3	31.9	28.7	3.7	5.2	18.5	15.8	7.2	39.1	11.5	
Subsidiaries	-2.1	-1.9	-0.9	0.4	-0.8	-1.3	-0.8	0.0	-0.3	0.2	-0.1	0.5	-4.5	-3.0	0.4	
Change (% y-y)	RR	RR	RR	-21.4	RR	RR	RR	RR	RR	TTP	RR	TTP	RR	RR	TTP	
<b>Pre-tax profit</b>	<b>6.5</b>	<b>2.7</b>	<b>6.1</b>	<b>4.0</b>	<b>7.4</b>	<b>5.5</b>	<b>10.3</b>	<b>5.9</b>	<b>7.3</b>	<b>7.0</b>	<b>12.6</b>	<b>7.1</b>	<b>19.3</b>	<b>29.0</b>	<b>34.0</b>	
Change (% y-y)	17.7	114.0	-27.3	-18.4	13.8	104.4	68.8	45.7	-0.6	27.3	22.2	21.2	-3.9	50.4	17.2	
<b>NP(excl minority interests)</b>	<b>5.2</b>	<b>2.3</b>	<b>4.3</b>	<b>3.5</b>	<b>5.6</b>	<b>3.5</b>	<b>8.4</b>	<b>4.8</b>	<b>5.6</b>	<b>5.3</b>	<b>9.5</b>	<b>5.4</b>	<b>15.3</b>	<b>22.4</b>	<b>25.9</b>	
Change (% y-y)	19.5	89.2	-34.9	-9.2	7.6	56.6	94.8	36.5	-0.6	49.9	13.3	12.3	-4.7	46.0	15.4	

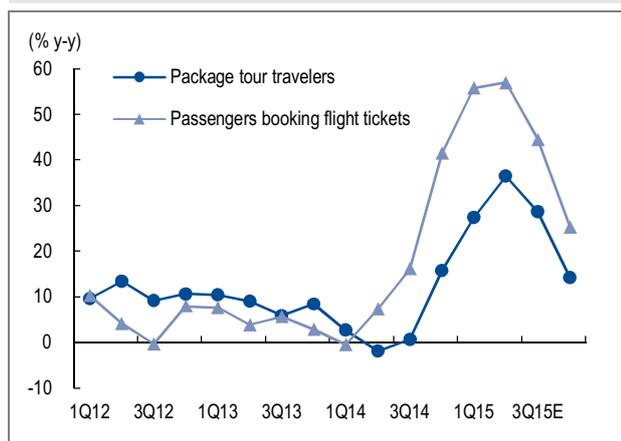
Note: 1Q15 net profit (excl. minority interest) figure is based on NH I&S estimates  
Source: Mode Tour, NH I&S Research Center estimates

**Quarterly and annual earnings forecasts (IFRS non-consolidated)** (Units: Wbn, %, %p)

(Wbn)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15P	3Q15E	4Q15F	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015E	2016F
<b>Gross sales</b>	<b>297.8</b>	<b>293.9</b>	<b>333.8</b>	<b>318.0</b>	<b>383.7</b>	<b>337.8</b>	<b>397.6</b>	<b>351.4</b>	<b>422.2</b>	<b>375.4</b>	<b>441.0</b>	<b>385.0</b>	<b>1,274.6</b>	<b>1,470.5</b>	<b>1,623.7</b>
Change (% y-y)	-8.1	5.1	-3.3	10.3	15.1	16.7	19.1	10.5	10.0	11.1	10.9	9.6	3.0	15.4	10.4
Net sales-to gross sales ratio (%)	13.3	12.1	12.8	11.7	12.2	13.0	13.1	12.0	12.4	12.9	13.3	12.2	12.2	12.6	12.7
<b>Sales</b>	<b>39.5</b>	<b>35.6</b>	<b>42.8</b>	<b>37.3</b>	<b>46.8</b>	<b>43.8</b>	<b>52.0</b>	<b>42.3</b>	<b>52.4</b>	<b>48.6</b>	<b>58.7</b>	<b>47.1</b>	<b>155.2</b>	<b>185.0</b>	<b>206.8</b>
Change (% y-y)	10.1	18.9	-1.1	10.4	18.6	23.1	21.5	13.3	11.8	11.0	12.9	11.4	8.6	19.2	11.8
<b>Operating expense</b>	<b>34.4</b>	<b>31.7</b>	<b>34.9</b>	<b>33.0</b>	<b>39.7</b>	<b>37.5</b>	<b>41.6</b>	<b>36.7</b>	<b>45.0</b>	<b>42.0</b>	<b>46.4</b>	<b>40.7</b>	<b>134.1</b>	<b>155.6</b>	<b>174.0</b>
Change (% y-y)	13.8	12.8	1.5	8.5	15.3	18.3	19.1	11.3	13.3	11.9	11.5	10.8	8.8	16.0	11.9
% of sales	87.2	89.2	81.5	88.5	84.8	85.7	79.9	86.9	85.9	86.4	78.9	86.4	86.4	84.1	84.1
Labor costs	12.0	10.6	10.6	10.4	12.8	11.6	11.1	10.8	13.5	12.4	11.9	11.6	43.6	46.3	49.4
% of sales	30.3	29.8	24.9	27.8	27.4	26.4	21.4	25.5	25.8	25.5	20.3	24.5	28.1	25.0	23.9
Commissions	16.8	15.4	13.3	11.3	15.8	14.2	17.8	14.7	18.6	15.9	19.7	16.1	49.4	62.6	70.2
% of sales	42.5	43.2	31.0	30.4	33.8	32.5	34.2	34.8	35.4	32.7	33.5	34.1	31.8	33.8	33.9
Ad expenses	1.9	1.7	2.5	2.5	1.9	3.1	3.3	3.1	2.3	3.6	4.0	3.7	8.5	11.3	13.7
% of sales	4.8	4.6	5.7	6.6	4.0	7.0	6.3	7.4	4.5	7.5	6.8	7.9	5.5	6.1	6.6
<b>Operating profit</b>	<b>5.1</b>	<b>3.8</b>	<b>7.9</b>	<b>4.3</b>	<b>7.1</b>	<b>6.3</b>	<b>10.4</b>	<b>5.5</b>	<b>7.4</b>	<b>6.6</b>	<b>12.4</b>	<b>6.4</b>	<b>21.1</b>	<b>29.4</b>	<b>32.8</b>
Change (% y-y)	-9.9	112.5	-10.8	26.8	41.0	63.3	31.9	28.7	3.7	5.2	18.5	15.8	7.2	39.1	11.5
Operating margin	12.8	10.8	18.5	11.5	15.2	14.3	20.1	13.1	14.1	13.6	21.1	13.6	13.6	15.9	15.9
<b>Key assumptions</b>															
Outbound Korean travelers ('000 pns)	3,610	3,337	3,972	3,807	4,355	4,095	4,555	4,170	4,687	4,412	4,891	4,514	14,726	17,175	18,505
Change (% y-y)	6.1	5.1	8.2	16.2	20.6	22.7	14.7	9.6	7.6	7.8	7.4	8.2	8.9	16.6	7.7
Package tour travelers ('000 pns)	263	211	249	257	335	288	321	293	376	326	365	330	980	1,236	1,397
Change (% y-y)	2.6	-2.0	0.6	15.7	27.3	36.4	28.6	14.1	12.3	13.5	13.9	12.5	4.1	26.1	13.0
Travelers booking flight tickets ('000 pns)	98	97	118	139	152	152	170	174	185	182	201	203	451	647	771
Change (% y-y)	-0.6	7.3	16.1	41.4	55.7	56.9	44.4	25.2	21.9	20.1	18.2	16.7	16.2	43.6	19.1
Mode Tour market share	10.0	9.2	9.2	10.4	11.2	10.7	10.8	11.2	12.0	11.5	11.6	11.8	9.7	11.0	11.7
Change (% y-y)	-0.4	-0.4	-0.3	0.6	1.2	1.5	1.5	0.8	0.8	0.8	0.8	0.6	-0.1	1.3	0.8

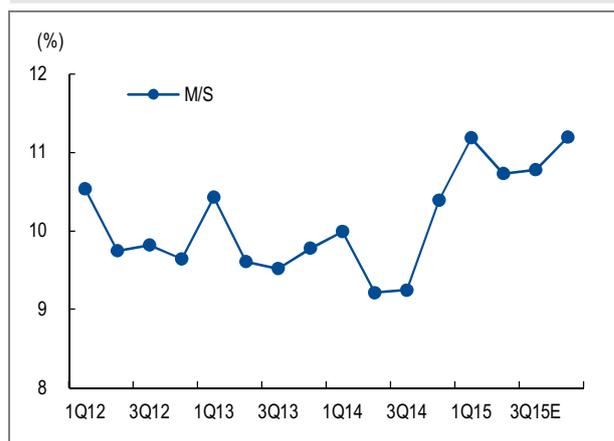
Source: Mode Tour, NH I&S Research Center estimates

**Quarterly passenger traffic growth**



Source: Mode Tour, NH I&S Research Center

**Market share in quarterly outbound travelers**



Source: Mode Tour, NH I&S Research Center

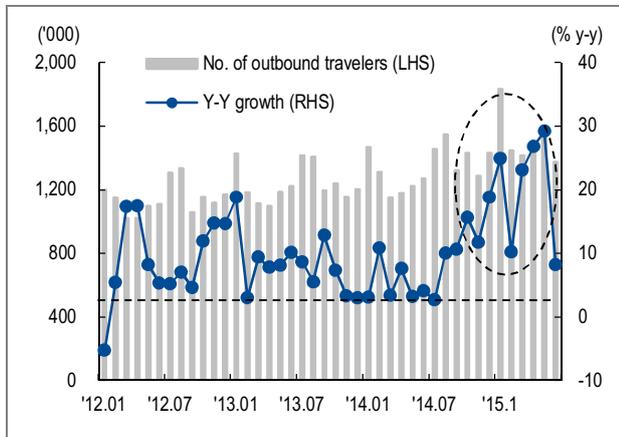
Outbound Korean travelers and inbound foreign visitors

(Units: pns, %)

Month	Number of outbound & inbound travelers						Change (%)					
	Total outbound travelers	Total inbound travelers	Inbound Chinese travelers	Inbound Japanese travelers	Inbound travelers from Southeast Asia	Inbound travelers from other countries	Total outbound travelers	Total inbound travelers	Inbound Chinese travelers	Inbound Japanese travelers	Inbound travelers from Southeast Asia	Inbound travelers from other countries
'12.07	1,305,418	1,009,225	322,917	299,477	87,008	299,823	5.1	14.4	32.0	8.8	0.3	8.9
'12.08	1,334,651	1,103,311	359,065	346,950	97,018	300,278	7.0	12.9	30.0	6.5	4.8	6.3
'12.09	1,059,709	986,961	283,402	308,882	107,034	287,643	4.6	8.8	22.4	-3.8	8.3	12.7
'12.10	1,154,742	1,025,705	279,440	269,732	140,823	335,710	11.8	3.8	30.2	-20.7	10.8	9.6
'12.11	1,117,550	842,189	204,533	249,481	118,474	269,701	14.7	-3.2	17.4	-24.8	10.4	5.1
'12.12	1,169,970	834,992	195,997	227,227	155,999	255,769	14.6	-0.9	23.2	-24.0	9.8	5.6
'13.01	1,425,900	753,655	196,371	206,474	98,701	252,109	18.7	0.0	17.6	-15.5	6.0	1.1
'13.02	1,184,807	815,037	249,698	217,153	99,379	248,807	3.0	0.5	43.7	-26.2	-0.8	2.5
'13.03	1,113,946	1,010,809	276,479	288,900	138,397	307,033	9.3	10.3	50.5	-19.9	24.2	17.9
'13.04	1,097,420	972,164	335,069	202,529	144,853	289,713	7.7	0.5	50.9	-32.2	-2.1	-3.1
'13.05	1,185,405	919,355	278,723	222,936	128,062	289,634	8.1	-2.5	32.4	-29.6	-0.3	0.9
'13.06	1,221,491	1,059,082	399,031	201,163	129,846	329,042	10.1	11.9	70.2	-33.5	16.6	10.4
'13.07	1,417,422	1,205,152	569,787	208,219	119,825	307,321	8.6	19.4	76.4	-30.5	37.7	2.5
'13.08	1,407,186	1,358,909	642,258	270,582	125,750	320,319	5.4	23.2	78.9	-22.0	29.6	6.7
'13.09	1,195,238	1,156,913	483,518	246,926	124,528	301,941	12.8	17.2	70.6	-20.1	16.3	5.0
'13.10	1,239,143	1,087,974	343,273	245,021	151,143	348,537	7.3	6.1	22.8	-9.2	7.3	3.8
'13.11	1,154,064	907,901	276,428	222,797	131,458	277,218	3.3	7.8	35.2	-10.7	11.0	2.8
'13.12	1,204,463	928,599	276,234	215,050	162,821	274,494	2.9	11.2	40.9	-5.4	4.4	7.3
'14.01	1,468,903	842,671	296,708	172,077	105,691	268,195	3.0	11.8	51.1	-16.7	7.1	6.4
'14.02	1,312,683	886,026	326,295	189,722	109,387	260,622	10.8	8.7	30.7	-12.6	10.1	4.7
'14.03	1,150,959	1,132,155	423,768	247,262	144,587	316,538	3.3	12.0	53.3	-14.4	4.5	3.1
'14.04	1,179,885	1,251,374	531,947	179,593	181,478	358,356	7.5	28.7	58.8	-11.3	25.3	23.7
'14.05	1,223,003	1,239,606	517,031	201,489	169,839	351,247	3.2	34.8	85.5	-9.6	32.6	21.3
'14.06	1,270,439	1,273,627	573,852	173,056	155,096	371,623	4.0	20.3	43.8	-14.0	19.4	12.9
'14.07	1,454,795	1,354,753	692,053	172,427	135,476	354,797	2.6	12.4	21.5	-17.2	13.1	15.4
'14.08	1,547,193	1,454,078	757,683	208,147	126,854	361,394	9.9	7.0	18.0	-23.1	0.9	12.8
'14.09	1,321,293	1,245,777	564,078	196,306	132,347	353,046	10.5	7.7	16.7	-20.5	6.3	16.9
'14.10	1,432,100	1,317,482	562,278	190,335	180,272	384,597	15.6	21.1	63.8	-22.3	19.3	10.3
'14.11	1,288,754	1,117,398	460,671	179,533	159,171	318,023	11.7	23.1	66.7	-19.4	21.1	14.7
'14.12	1,430,677	1,086,569	420,501	170,487	190,879	304,702	18.8	17.0	52.2	-20.7	17.2	11.0
'15.1	1,834,538	917,054	394,345	139,632	113,323	269,754	24.9	8.8	32.9	-18.9	7.2	0.6
'15.2	1,445,609	1,050,706	516,787	142,587	109,605	281,727	10.1	18.6	58.4	-24.8	0.2	8.1
'15.3	1,416,683	1,238,144	515,130	218,932	159,423	344,659	23.1	9.4	21.6	-11.5	10.3	8.9
'15.4	1,495,460	1,384,567	641,610	154,402	185,949	402,606	26.7	10.6	20.6	-14.0	2.5	12.3
'15.5	1,579,265	1,334,212	618,083	188,420	156,806	370,903	29.1	7.6	19.5	-6.5	-7.7	5.6
'15.6	1,373,551	750,925	315,095	101,206	99,915	234,709	8.1	-41.0	-45.1	-41.5	-35.6	-36.8

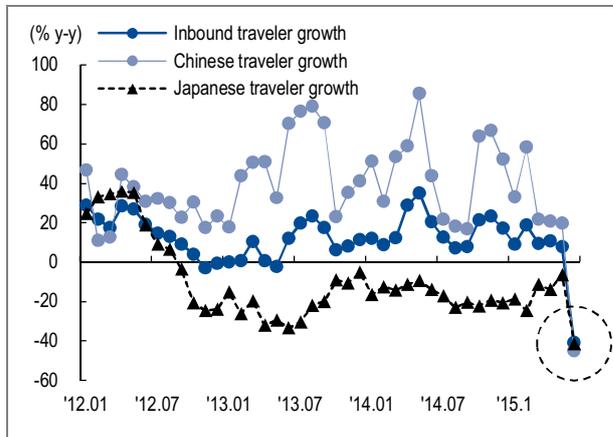
Source: KTO, NH I&S Research Center

Drop in outbound Korean travelers in June due to MERS outbreak



Source: KTO, NH I&S Research Center

Plunge in inbound foreign travelers in June due to MERS outbreak



Source: KTO, NH I&S Research Center

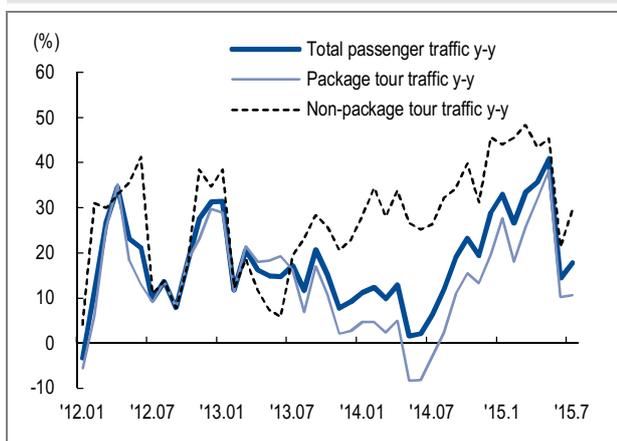
Monthly outbound traveler growth and Hana Tour/Mode Tour's traffic growth

(Units: pns, %)

Month	Outbound travelers		Hana Tour						Mode Tour							
		y-y	Total	y-y	Package	y-y	Non-package	y-y	M/S	Total	y-y	Package	y-y	Non-package	y-y	M/S
'12.08	1,220,217	6.6	224,949	13.6	158,708	13.5	66,241	13.7	18.4	125,648	9.6	92,613	13.5	33,035	-0.1	10.3
'12.09	952,772	3.7	169,831	7.8	115,151	7.9	54,680	7.7	17.8	90,503	3.7	62,429	5.0	28,074	0.8	9.5
'12.10	1,044,689	12.0	197,788	17.9	140,494	18.3	57,294	17.0	18.9	93,574	-0.7	62,429	-3.0	31,145	4.1	9.0
'12.11	1,012,696	15.1	195,063	27.4	135,945	23.1	59,118	38.5	19.3	102,299	16.0	69,438	17.3	32,861	13.3	10.1
'12.12	1,059,678	15.0	199,942	31.2	136,412	29.7	63,530	34.5	18.9	104,598	14.4	73,183	18.2	31,415	6.4	9.9
'13.01	1,314,026	19.5	252,165	31.3	182,735	28.8	69,430	38.4	19.2	140,876	22.1	102,721	22.5	38,155	21.1	10.7
'13.02	1,082,337	2.6	214,309	11.7	158,827	11.5	55,482	12.2	19.8	116,380	1.3	86,611	3.0	29,769	-3.3	10.8
'13.03	1,005,139	9.4	186,993	20.5	132,274	21.4	54,719	18.5	18.6	97,382	4.3	67,150	4.2	30,232	4.4	9.7
'13.04	989,461	7.6	189,165	16.2	137,344	18.0	51,821	11.7	19.1	96,045	4.1	68,189	5.1	27,856	1.7	9.7
'13.05	1,075,060	8.5	206,249	14.9	147,908	18.1	58,341	7.3	19.2	102,545	7.8	72,603	9.5	29,942	3.9	9.5
'13.06	1,112,324	10.5	219,440	14.6	151,586	19.1	67,854	5.7	19.7	106,540	10.1	74,271	12.2	32,269	5.5	9.6
'13.07	1,301,158	9.0	249,362	17.1	169,871	16.0	79,491	19.3	19.2	121,635	6.4	85,235	7.4	36,400	4.1	9.3
'13.08	1,286,975	5.5	251,110	11.6	169,533	6.8	81,577	23.2	19.5	126,784	0.9	92,274	-0.4	34,510	4.5	9.9
'13.09	1,083,619	13.7	204,827	20.6	134,701	17.0	70,126	28.2	18.9	101,053	11.7	70,499	12.9	30,554	8.8	9.3
'13.10	1,128,991	8.1	227,700	15.1	155,614	10.8	72,086	25.8	20.2	112,793	20.5	80,958	29.7	31,835	2.2	10.0
'13.11	1,049,867	3.7	209,920	7.6	138,684	2.0	71,236	20.5	20.0	101,673	-0.6	68,831	-0.9	32,842	-0.1	9.7
'13.12	1,096,340	3.5	217,987	9.0	140,010	2.6	77,977	22.7	19.9	105,690	1.0	72,326	-1.2	33,364	6.2	9.6
'14.01	1,356,890	3.3	280,083	11.1	191,098	4.6	88,985	28.2	20.6	135,404	-3.9	102,040	-0.7	33,364	-12.6	10.0
'14.02	1,210,850	11.9	240,556	12.2	166,011	4.5	74,545	34.4	19.9	124,891	7.3	90,724	4.7	34,167	14.8	10.3
'14.03	1,042,379	3.7	205,270	9.8	135,276	2.3	69,994	27.9	19.7	100,367	3.1	70,317	4.7	30,050	-0.6	9.6
'14.04	1,072,338	8.4	213,332	12.8	144,042	4.9	69,290	33.7	19.9	102,877	7.1	72,616	6.5	30,261	8.6	9.6
'14.05	1,107,938	3.1	209,270	1.5	135,450	-8.4	73,820	26.5	18.9	101,386	-1.1	69,209	-4.7	32,177	7.5	9.2
'14.06	1,157,098	4.0	223,807	2.0	138,930	-8.3	84,877	25.1	19.3	103,147	-3.2	68,970	-7.1	34,177	5.9	8.9
'14.07	1,337,050	2.8	265,121	6.3	164,735	-3.0	100,386	26.3	19.8	121,688	0.0	82,106	-3.7	39,582	8.7	9.1
'14.08	1,426,129	10.8	280,992	11.9	173,231	2.2	107,761	32.1	19.7	131,587	3.8	90,667	-1.7	40,920	18.6	9.2
'14.09	1,208,892	11.6	243,531	18.9	149,357	10.9	94,174	34.3	20.1	113,901	12.7	76,627	8.7	37,274	22.0	9.4
'14.10	1,312,634	16.3	280,347	23.1	179,615	15.4	100,732	39.7	21.4	131,856	16.9	88,615	9.5	43,241	35.8	10.0
'14.11	1,178,883	12.3	244,768	16.6	157,039	13.2	87,729	23.2	20.8	121,204	19.2	80,161	16.5	41,043	25.0	10.3
'14.12	1,315,007	19.9	273,396	25.4	167,217	19.4	106,179	36.2	20.8	142,430	34.8	88,114	21.8	54,316	62.8	10.8
'15.1	1,715,140	26.4	364,191	30.0	244,031	27.7	120,160	35.0	21.2	194,079	43.3	133,695	31.0	60,384	81.0	11.3
'15.2	1,338,233	10.5	304,263	26.5	195,814	18.0	108,449	45.5	22.7	152,542	22.1	104,971	15.7	47,571	39.2	11.4
'15.3	1,301,602	24.9	273,645	33.3	169,855	25.6	103,790	48.3	21.0	140,299	39.8	96,287	36.9	44,012	46.5	10.8
'15.4	1,379,169	28.6	289,378	35.6	190,068	32.0	99,310	43.3	21.0	153,824	49.5	106,498	46.7	47,326	56.4	11.2
'15.5	1,454,584	31.3	294,597	40.8	187,307	38.3	107,290	45.3	20.3	156,760	54.6	103,335	49.3	53,425	66.0	10.8
'15.6	1,261,209	9.0	255,966	14.4	153,094	10.2	102,872	21.2	20.3	128,567	24.6	77,715	12.7	50,852	48.8	10.2
'15.7	N/A	N/A	312,180	17.8	182,138	10.6	130,042	29.5	N/A	159,405	31.0	94,827	15.5	64,578	63.1	N/A
'15.8						18.6									20.3	
'15.9			Change in booking ratio (as of Aug 1)			5.8				Change in booking ratio (as of Aug 1)			4.1			
'15.10						25.8									26.6	

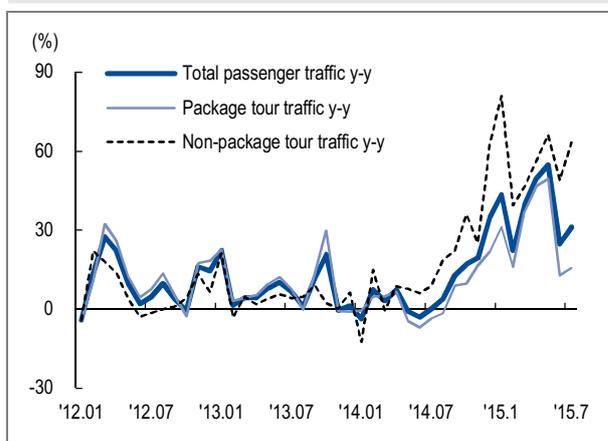
Note: Total number of outbound travelers excluding flight attendants  
 Source: KTO, Company data, NH I&S Research Center

Hana Tour: Monthly passenger traffic growth



Source: Hana Tour, NH I&S Research Center

Mode Tour: Monthly passenger traffic growth

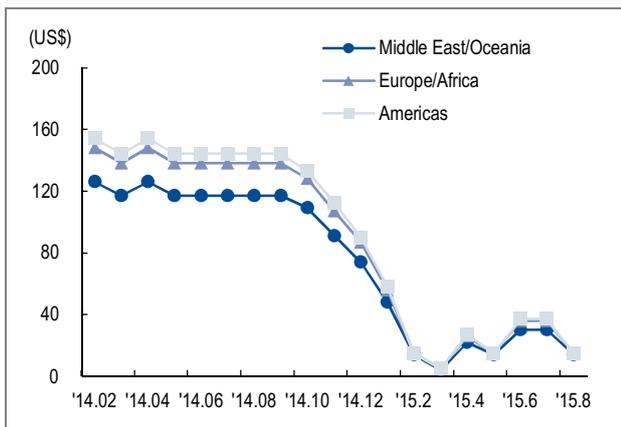


Source: Mode Tour, NH I&S Research Center

Fuel surcharges, by route								(Units: US\$)
	Japan/ Shandong (China)	China/ Northeast Asia	Southeast Asia	Southwest Asia/ CIS	Middle East/ Oceania	Europe/ Africa	Americas	
'14.02	25	44	58	69	126	148	154	
'14.03	24	41	54	64	117	138	144	
'14.04	25	44	58	69	126	148	154	
'14.05	24	41	54	64	117	138	144	
'14.06	24	41	54	64	117	138	144	
'14.07	24	41	54	64	117	138	144	
'14.08	24	41	54	64	117	138	144	
'14.09	24	41	54	64	117	138	144	
'14.10	22	38	50	60	109	128	133	
'14.11	18	32	42	50	91	107	112	
'14.12	15	26	34	41	74	87	90	
'15.1	10	17	22	26	48	56	58	
'15.2	3	5	6	7	14	15	15	
'15.3	1	2	2	2	4	5	5	
'15.4	4	8	10	12	22	26	27	
'15.5	3	5	6	7	14	15	15	
'15.6	6	11	14	17	30	36	37	
'15.7	6	11	14	17	30	36	37	
'15.8	3	5	6	7	14	15	15.8	

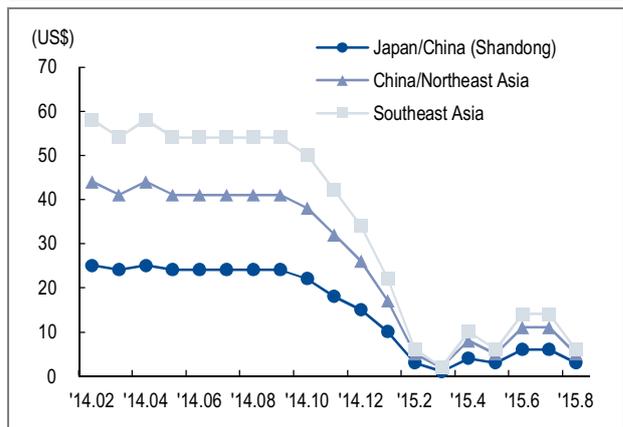
Note: One-way ticket basis  
Source: MOLIT, NH I&S Research Center

Fuel surcharges on long-distance routes



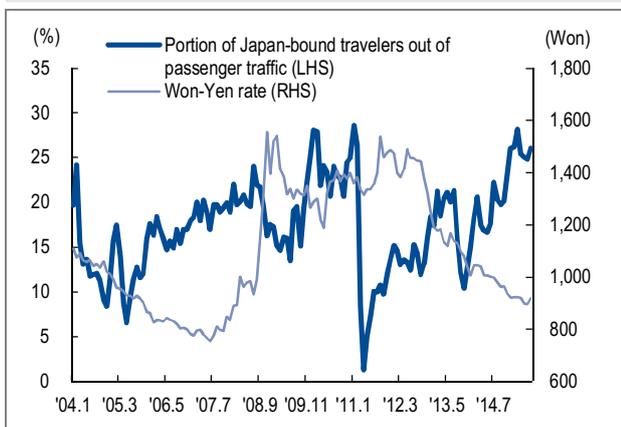
Note: One-way ticket basis  
Source: MOLIT, NH I&S Research Center

Fuel surcharges on short- to mid-distance routes



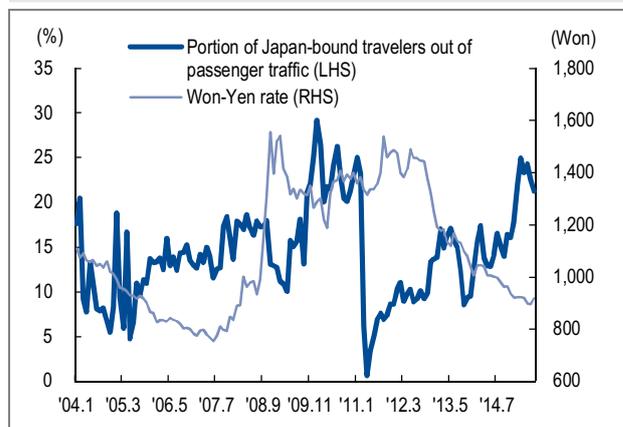
Note: One-way ticket basis  
Source: MOLIT, NH I&S Research Center

Hana Tour: Japan-bound travelers vs won-yen rate



Source: Hana Tour, Dataguide, NH I&S Research Center

Mode Tour: Japan-bound travelers vs won-yen rate



Source: Mode Tour, Dataguide, NH I&S Research Center

## STATEMENT OF COMPREHENSIVE INCOME

(Wbn)	2014/12	2015/12E	2016/12F	2017/12F
<b>Sales</b>	<b>165</b>	<b>210</b>	<b>242</b>	<b>273</b>
Growth (%)	12.1	27.4	15.2	13.0
<b>COGS</b>	<b>4</b>	<b>10</b>	<b>18</b>	<b>26</b>
<b>Gross Profit</b>	<b>161</b>	<b>199</b>	<b>224</b>	<b>247</b>
Gross margin (%)	97.7	95.0	92.7	90.5
SG&A	144	173	191	209
<b>Operating Income</b>	<b>17</b>	<b>26</b>	<b>33</b>	<b>38</b>
Growth (%)	5.2	58.9	25.6	15.5
Operating margin (%)	10.1	12.6	13.7	14.0
<b>EBITDA</b>	<b>19</b>	<b>28</b>	<b>36</b>	<b>42</b>
<b>Non-Operating Profits</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>
Financial Income(Costs)	1	1	1	1
Other Non-Operating Profits	2	1	0	0
Gains(Losses) in Associates, Subsidiaries and JVs	0	0	0	0
<b>Pre-tax Profit from Cont. Op.</b>	<b>19</b>	<b>29</b>	<b>34</b>	<b>39</b>
<b>Income Taxes</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>9</b>
Profit from Continuing Op.	14	22	26	30
<b>Net Profit</b>	<b>14</b>	<b>22</b>	<b>26</b>	<b>30</b>
Growth (%)	-8.1	56.5	17.6	15.5
Net margin (%)	8.5	10.5	10.7	10.9
Net Profit of Parent	15	22	26	30
Net Profit to Non-Controlling	-1	0	0	0
Other Comprehensive Income	-1	0	0	0
Total Comprehensive Income	13	22	26	30

## VALUATION INDEX

	2014/12	2015/12E	2016/12F	2017/12F
Price/Earning (X)	19.9	22.0	19.1	16.5
PER (High,X)	21.8	24.7	21.4	18.5
PER (Low,X)	15.4	13.7	11.9	10.3
Price/ Book Value (X)	3.1	4.3	3.8	3.3
PBR (High,X)	3.4	4.9	4.2	3.7
PBR (Low,X)	2.4	2.7	2.4	2.1
Price/ Gross Cash Flow (X)	14.0	16.7	13.9	11.9
Price/ Sales (X)	1.9	2.3	2.0	1.8
PER/ EPS growth (X)	0.8	1.5	1.4	1.4
PER/ EBITPS growth (X)	0.6	1.2	1.4	1.5
PER/ EBITDAPS growth (X)	0.6	1.1	1.3	1.4
EV/ EBITDA (X)	13.5	15.9	12.4	10.4
EV/ EBIT (X)	15.2	16.9	13.3	11.3
Enterprise Value (Wbn)	253	445	441	431
EPS CAGR (3-Yr) (%)	25.4	14.8	13.9	11.6
EBITPS CAGR (3-Yr) (%)	32.5	18.0	13.6	11.1
EBITDAPS CAGR (3-Yr) (%)	30.8	19.2	14.4	11.8
EBITPS (W)	1,318	2,096	2,631	3,040
EBITDAPS (W)	1,488	2,222	2,828	3,303
Fully diluted EPS (W)	1,218	1,778	2,052	2,370
BVPS (W)	7,835	8,994	10,330	11,889
CFPS (W)	1,734	2,346	2,812	3,283
Sales PS (W)	13,070	16,656	19,187	21,690
DPS (W)	510	650	750	850

## CASH FLOW STATEMENT

(Wbn)	2014/12	2015/12E	2016/12F	2017/12F
<b>Operating Cash Flow</b>	<b>29</b>	<b>20</b>	<b>29</b>	<b>35</b>
Net Profit	14	22	26	30
Depreciation&Amortization	2	2	2	3
+ Loss(Gains) from Subs	0	0	0	0
+ FC translation loss(profit)	0	0	0	0
+ Losses(Gains) on Disposal of Assets	0	0	0	0
Gross Cash Flow	22	30	35	41
- Incr. (Decr.) in WC	11	-3	1	2
<b>Investing Cash Flow</b>	<b>-46</b>	<b>-30</b>	<b>-25</b>	<b>-25</b>
+ Decr. In Tangible Assets	0	0	0	0
- Incr. In Tangible Assets(CAPEX)	-3	-15	-15	-15
+ Disp.(Acq.) of Inv. Assets	0	-1	0	0
Free Cash Flow	26	5	14	20
Net Cash Flow	-16	-10	4	10
<b>Financing Cash Flow</b>	<b>34</b>	<b>-4</b>	<b>-12</b>	<b>-13</b>
Equity Financing	0	0	0	0
Debt Financing	33	-4	-12	-13
Incr.(Decr.) in Cash	19	-14	-7	-3
Ending Cash and Cash Equivalents	55	41	34	31
Net Debt (Cash)	-62	-57	-62	-71

## RIM &amp; EVA

	2014/12	2015/12E	2016/12F	2017/12F
<b>RIM</b>				
Spread (FROE-COE) (%)	7.6	12.8	13.5	13.5
Residual Income	7.2	14.0	16.2	18.8
12M RIM Target Price (W)	50,864			
<b>EVA</b>				
Invested Capital	-21.1	-2.9	8.8	18.7
NOPAT	12.1	19.8	25.2	29.1
ROIC (%)	-86.5	-164.9	858.4	211.4
ROIC - WACC (%)	-92.1	-170.0	853.4	206.2
EVA	19.5	5.0	75.1	38.7
<b>DCF</b>				
EBIT	16.6	26.4	33.2	38.3
+ Depreciation/Amortization	2	2	2	3
- CAPEX	-3.5	-15.0	-15.0	-15.0
- Incr. (Decr.) in Working Capital	21.4	-1.8	1.8	2.7
Free Cash Flow for Firm	-10.6	8.4	10.9	14.7
<b>WACC</b>				
Cost of Debt (Tax Adj.)	2.6	1.8	2.0	2.1
Cost of Equity (COE)	8.7	8.3	7.7	7.8
WACC (%)	5.6	5.1	5.0	5.2

## STATEMENT OF FINANCIAL POSITION

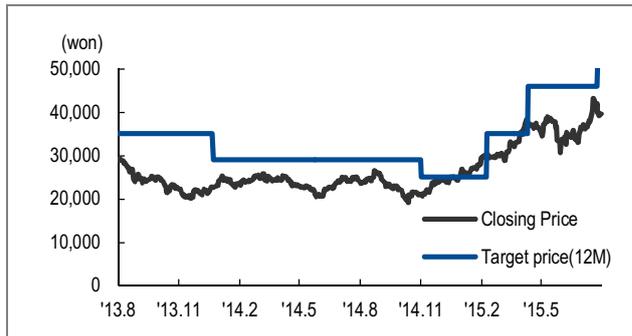
(Wbn)	2014/12	2015/12E	2016/12F	2017/12F
Cash and Cash Equivalents	55	41	34	31
Accounts Receivables	19	24	28	32
<b>Total Current Assets</b>	<b>132</b>	<b>140</b>	<b>147</b>	<b>159</b>
Tangible Assets	13	27	39	51
Investment Assets	19	20	20	20
<b>Non-Current Assets</b>	<b>92</b>	<b>109</b>	<b>123</b>	<b>136</b>
<b>Assets</b>	<b>224</b>	<b>249</b>	<b>270</b>	<b>296</b>
Short-Term Debt	6	11	11	12
Account Payables	0	0	0	0
<b>Current Liabilities</b>	<b>84</b>	<b>97</b>	<b>106</b>	<b>116</b>
Long-Term Debt	31	29	24	20
Long-Term Allowance	0	0	0	0
<b>Non-Current Liabilities</b>	<b>31</b>	<b>29</b>	<b>25</b>	<b>20</b>
<b>Liabilities</b>	<b>115</b>	<b>126</b>	<b>130</b>	<b>136</b>
Capital Stock	6	6	6	6
Capital Surplus	28	28	28	28
Retained Earnings	78	93	110	129
Non-Controlling Interests Equity	10	10	10	10
<b>Shareholders' Equity</b>	<b>109</b>	<b>123</b>	<b>140</b>	<b>160</b>

## PROFITABILITY &amp; STABILITY

	2014/12	2015/12E	2016/12F	2017/12F
ROE (%)	16.3	21.1	21.2	21.3
ROA (%)	7.5	9.3	10.0	10.5
ROIC (%)	-86.5	-164.9	858.4	211.4
EBITDA/ equity (%)	17.2	22.7	25.4	26.1
EBITDA/ asset (%)	8.4	11.3	13.2	14.1
Dividend Yield (%)	2.1	1.7	1.9	2.2
Payout Ratio (%)	39.9	34.9	34.9	34.2
Total Cash Dividend (Wbn)	6	8	9	10
Cash DPS (W)	510	650	750	850
Net debt(cash)/ equity (%)	-56.9	-46.4	-44.2	-44.5
Debt/ equity (%)	105.7	101.9	93.1	85.2
Net interest exp/ sales (%)	37	39	35	31
Interest coverage (X)	0.4	0.4	0.4	0.3
Current Ratio (%)	23.6	29.1	37.2	48.3
Quick Ratio (%)	157.2	144.5	139.1	137.4
Total shares (mn)	13	13	13	13
Par value (W)	500	500	500	500
Share price (W)	24,200	39,100	39,100	39,100
Market Cap (Wbn)	305	493	493	493

Rating and target price update

Company	Code	Date	Rating	Target price	
Mode Tour	080160.KQ	2015.08.05	Buy	W51,000(12M)	
		2015.04.15	Buy	W46,000(12M)	
		2015.02.12	Buy	W35,000(12M)	
		2014.11.05	Hold	W25,000(12M)	
		2014.10.01	Covering analyst changed		
		2013.12.26	Buy	W29,000 (12M)	
		2013.04.15	Buy	W35,000 (12M)	



NH Investment & Securities Stock Ratings

1. Rating based on a stock's forecasted absolute return over a period of 12 months from the date of publication.

- Buy: Greater than +15%
- Hold: -15% to +15%
- Sell: Less than -15%

2. Regarding listed companies under NH I&S' coverage, our stock ratings break down as follows (as of Jul 31, 2015).

● NH I&S' stock rating distribution

Buy	Hold	Sell
69.2%	29.2 %	1.6%

- The stock rating on an individual company can change at irregular intervals. Our stock rating distribution is calculated on a weekly basis.

Compliance notice

- NH I&S does not have a stake greater than or equal to 1% in Mode Tour as of the preparation date.
- NH I&S has not provided this material to any institutional investor or other third party in advance.
- The analyst and his/her spouse do not own any securities of 'Mode Tour' as of the preparation date.
- This report correctly reflects the analyst's opinion and was written without any external influence or intervention.

Disclosures

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