

This research report is a product of Mirae Asset Securities (Korea)

Earnings review/ Target price raised

Korea / Leisure & Travel Services

5 August 2015

**BUY**

Target price **KRW52,500**

Last price (4 Aug 2015) **KRW39,100**

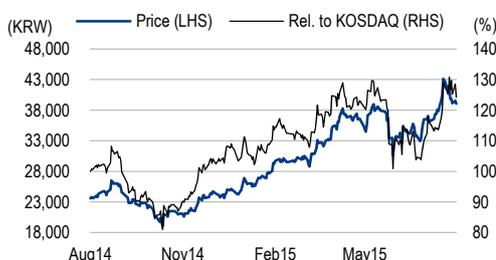
Upside/downside (%)	34.3
KOSDAQ	730.03
Mkt. cap (KRW bn/USD bn)	493/0.4
52 week range (KRW)	19,050 - 43,150
Avg. trading value daily (KRW bn)	6.68
Foreign ownership (%)	26.6

Source: Bloomberg

**Forecast earnings & valuation**

Fiscal year ending	Dec-14	Dec-15 E	Dec-16 E	Dec-17 E
<b>Revenue (KRW bn)</b>	<b>165</b>	<b>202</b>	<b>228</b>	<b>265</b>
EBIT (KRW bn)	16.6	26.8	35.2	41.6
<b>Net profit (KRW bn)</b>	<b>14.1</b>	<b>23.7</b>	<b>29.9</b>	<b>35.1</b>
Net profit (underlying)	15.3	24.9	31.4	36.9
EPS (KRW)	1,217	1,976	2,493	2,925
EPS growth (%)	(4.7)	62.3	26.2	17.3
<b>P/E (x)</b>	<b>19.9</b>	<b>19.8</b>	<b>15.7</b>	<b>13.4</b>
EV/EBITDA (x)	13.5	14.8	10.7	8.4
Dividend yield (%)	2.1	2.0	2.6	3.1
P/B (x)	3.1	4.3	3.7	3.2
<b>ROE (%)</b>	<b>15.4</b>	<b>21.1</b>	<b>22.9</b>	<b>23.2</b>
Net debt/equity (%)	(56.9)	(59.4)	(68.5)	(76.9)

**Performance**



Performance	1M	3M	12M
Absolute (%)	7.1	10.5	63.6
Absolute (USD, %)	2.9	1.0	44.6
Relative to KOSPI (%)	10.8	15.3	66.1

Source: Bloomberg

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# Modetour (080160 KS)

## 2Q15 results review

Modetour reported healthy 2Q15 results. We raise our target price to KRW52,500 from KRW45,000, as we shift our target base year to 2016 from 2H15-1H16. Modetour is currently trading at 2016 P/E of 15.7x, close to -1 standard deviation (STD) from its historical P/E valuation. We maintain our BUY rating for ModeTour.

### Solid 2Q15 earnings

After market close on 4 August, Modetour reported healthy 2Q15 consolidated earnings results. Sales and operating profit reached KRW49.6bn (+36% YoY) and KRW5.0bn (+136% YoY) respectively, with operating profit roughly in line with our and consensus estimates. We attribute the strong rise in YoY operating profit to healthy growth in outbound-tourist numbers in 2Q15. In 2Q15, the number of outbound tourists purchasing Modetour packages grew 36% YoY, on: 1) pent-up demand; and 2) favorable forex rates, especially a weak Japanese yen.

### Momentum continues in 3Q15

According to Modetour, the YoY growth in the number of outbound package tourists using Modetour reached 15.5%. Also, bookings for August and September packages have shown growth of 20.3% YoY and 4.1% YoY, respectively. On the back of this healthy booking trend, we expect Modetour's operating profit for 3Q15 to grow 46% YoY to KRW10.3bn.

### Maintain BUY with target price of KRW52,500

We raise our target price to KRW52,500 from KRW45,000, as we shift our target base year to 2016 from 2H15-1H16. Despite the recent outperformance, Modetour is still trading at 2016 P/E of 15.7x, close to -1 standard deviation (STD) from its historical P/E valuation. We maintain our BUY rating for Modetour, as we expect strong earnings growth in 2H15, led by: 1) a continued recovery of the overseas tour market; and 2) a continued market share expansion on growing economies of scale.

Figure 1 2Q15 results review (K-IFRS consolidated)

(KRW bn, %, ppt)	2Q14	3Q14	4Q14	1Q15	2Q15P	YoY (%)	QoQ (%)	2Q15 (Mirae)	Diff (%)	2Q15 (Cons.)	Diff (%)
Sales	36.4	47.0	40.9	50.4	49.6	36.1	(1.5)	46.5	6.6	46.7	6.3
Operating profit	2.1	7.0	4.5	6.3	5.0	135.9	(19.6)	4.5	11.5	5.0	0.1
Recurring profit	2.7	6.1	4.0	7.4	5.5	104.7	(25.8)	5.8	(5.5)	5.4	0.9
Net profit (for controlling stake)	2.3	4.3	3.5	5.9	3.5	56.7	(39.7)	4.6	(22.5)	4.1	(13.6)
Operating profit margin (%)	5.8	14.9	11.0	12.4	10.1	4.3	(2.3)	9.7	0.4	10.8	(0.6)
Recurring profit margin (%)	7.4	13.0	9.9	14.7	11.1	3.7	(3.6)	12.5	(1.4)	11.7	(0.6)
Net profit margin (%)	6.2	9.2	8.6	11.7	7.1	0.9	(4.5)	9.8	(2.7)	8.8	(1.6)

Source: Company data, Bloomberg, Mirae Asset Research

Figure 2 Modetour's 12M forward P/E band



Source: Quantwise, Mirae Asset Research

Figure 3 Quarterly consolidated earnings estimates

(KRW bn)	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15E*	3Q15E	4Q15E	2015E
Sales	36.5	30.6	43.9	36.0	147.0	40.4	36.4	47.0	40.9	164.7	50.4	46.5	56.2	49.2	202.2
Package tour	30.5	25.8	38.7	28.6	123.6	34.7	30.3	36.6	30.3	131.9	40.1	36.2	43.3	34.1	153.7
Airline ticket	2.9	1.8	2.3	2.6	9.6	2.1	2.6	2.7	3.4	10.9	4.1	3.5	3.7	5.2	16.5
Others	3.1	2.9	3.0	4.8	13.7	3.5	3.5	7.7	7.2	22.0	6.2	6.8	9.2	9.8	32.1
Operating profit	4.8	(0.0)	7.2	3.8	15.8	3.0	2.1	7.0	4.5	16.6	6.3	4.5	10.3	5.8	26.8
Recurring profit	5.5	1.3	8.4	4.9	20.1	6.5	2.7	6.1	4.0	19.3	7.4	5.8	12.3	6.1	31.6
Net profit	4.4	1.2	6.6	3.9	16.1	5.2	2.3	4.3	3.5	15.3	5.9	4.6	9.7	4.7	24.9
<b>Growth (% YoY)</b>															
Sales	10.0	2.9	8.0	4.7	6.6	10.6	19.2	7.0	13.7	12.1	24.8	27.7	19.5	20.3	22.8
Package tour	10.8	8.2	12.7	4.3	9.2	13.7	17.5	(5.4)	5.8	6.7	15.6	19.2	18.3	12.7	16.5
Airline ticket	(6.8)	(36.9)	(25.2)	(8.6)	(19.3)	(26.5)	40.6	17.3	34.0	12.9	90.8	37.8	34.8	52.0	52.0
Others	22.2	(0.7)	(9.6)	16.7	7.1	14.8	20.8	160.9	50.6	59.9	73.9	93.3	19.6	37.3	46.0
Operating profit	(15.7)	N/A	(4.9)	(27.2)	(25.7)	(37.4)	T/P	(2.6)	17.1	5.3	108.6	111.6	46.4	30.0	61.5
Recurring profit	(13.6)	(60.8)	(2.7)	2.5	(12.7)	17.8	114.4	(27.2)	(18.2)	(3.8)	13.7	116.6	102.6	50.7	63.8
Net profit	(11.2)	(51.4)	(0.7)	9.3	(8.7)	23.1	172.3	(29.6)	(12.8)	0.5	12.6	102.3	124.3	34.3	62.3
<b>Margin (%)</b>															
Operating margin	13.1	(0.1)	16.4	10.7	10.7	7.4	5.8	14.9	11.0	10.1	12.4	9.7	18.3	11.9	13.3
Recurring margin	15.1	4.1	19.0	13.7	13.7	16.1	7.4	13.0	9.9	11.7	14.7	12.5	22.0	12.4	15.6
Net margin	12.0	3.9	15.1	10.8	11.0	12.9	6.2	9.2	8.6	9.3	11.7	9.8	17.3	9.6	12.3

Source: Modetour, Mirae Asset Research

\*Note: 2Q15 figure is based on Mirae Asset Research estimates

## Summary financial statements

### Profit & loss

Year end Dec 31 (KRW bn)	2014	2015E	2016E	2017E
<b>Revenue</b>	<b>165</b>	<b>202</b>	<b>228</b>	<b>265</b>
Cost of goods sold	4	10	10	11
<b>Gross profit</b>	<b>161</b>	<b>192</b>	<b>218</b>	<b>254</b>
SG&A	144	165	183	212
<b>EBIT (Adj.)</b>	<b>17</b>	<b>27</b>	<b>35</b>	<b>42</b>
<b>EBIT</b>	<b>17</b>	<b>27</b>	<b>35</b>	<b>42</b>
Net interest income (loss)	1	2	2	2
Income (loss) from associates	0	0	0	0
Others	2	3	3	3
<b>Recurring profit</b>	<b>19</b>	<b>32</b>	<b>40</b>	<b>47</b>
Income tax	5	8	10	12
<b>Net profit</b>	<b>14</b>	<b>24</b>	<b>30</b>	<b>35</b>
<b>Net profit (Controlling Interests)</b>	<b>15</b>	<b>25</b>	<b>31</b>	<b>37</b>
EPS (Controlling Interests, KRW)	1,217	1,976	2,493	2,925

Growth & margins (%)	2014	2015E	2016E	2017E
Revenue growth	12.1	22.8	12.7	16.2
Gross profit growth	10.6	19.3	13.7	16.4
EBIT growth	5.2	61.5	31.2	18.1
Net profit growth	(4.7)	62.3	26.2	17.3
EPS growth	(4.7)	62.3	26.2	17.3
Gross margin	97.7	94.9	95.7	95.9
EBIT margin	10.1	13.3	15.5	15.7
Net profit margin	9.3	12.3	13.8	13.9

Source: Modetour, Mirae Asset Research estimates

### Cash flow

Year end Dec 31 (KRW bn)	2014	2015E	2016E	2017E
<b>Cash flow from operations</b>	<b>29</b>	<b>17</b>	<b>36</b>	<b>43</b>
Net profit	14	24	30	35
Depr. & amortization	2	1	1	1
Others	6	(0)	(0)	(0)
Change in working capital	8	(8)	5	7
<b>Cash flow from investing</b>	<b>(48)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
Capital expenditures	(3)	(1)	(1)	(1)
Others	(45)	0	0	0
<b>Cash flow from financing</b>	<b>34</b>	<b>(42)</b>	<b>(9)</b>	<b>(12)</b>
Dividends	(6)	(6)	(9)	(12)
Increase in equity	8	0	0	0
Increase in debt	33	(36)	0	0
Beginning cash*	83	97	71	97
Ending cash*	97	71	97	127

Source: Modetour, Mirae Asset Research estimates

Note: \*Including short-term financial asset

### Balance sheet

Year end Dec 31 (KRW bn)	2014	2015E	2016E	2017E
<b>Current assets</b>	<b>132</b>	<b>123</b>	<b>154</b>	<b>193</b>
Cash & equivalents	55	50	56	66
Short-term financial asset	42	25	44	65
Accounts receivable	19	30	34	40
Inventory	0	0	0	0
Other current assets	16	17	19	22
<b>Non-current assets</b>	<b>92</b>	<b>88</b>	<b>88</b>	<b>88</b>
Net fixed assets	13	10	10	10
Investments	19	19	19	19
Other long-term assets	60	60	59	59
<b>Total assets</b>	<b>224</b>	<b>211</b>	<b>242</b>	<b>280</b>
<b>Current liabilities</b>	<b>84</b>	<b>77</b>	<b>87</b>	<b>101</b>
Accounts payable	0	0	0	0
Short-term debt	6	0	0	0
Other current liabilities	78	77	87	101
<b>Non-current liabilities</b>	<b>31</b>	<b>7</b>	<b>8</b>	<b>9</b>
Long-term debt	29	0	0	0
Other long-term liabilities	2	7	8	9
<b>Total liabilities</b>	<b>115</b>	<b>84</b>	<b>95</b>	<b>110</b>
Controlling Interests	99	115	133	154
Non-Controlling Interests	10	12	14	16
<b>Shareholder's equity</b>	<b>109</b>	<b>127</b>	<b>147</b>	<b>170</b>
BVPS(KRW)	7,835	9,099	10,567	12,228

Source: Modetour, Mirae Asset Research estimates

### Ratio analysis

Year end Dec 31	2014	2015E	2016E	2017E
ROE (%)	15.4	21.1	22.9	23.2
ROA (%)	7.5	10.9	13.2	13.4
Inventory days	0.1	0.1	0.1	0.1
Receivables days	46.8	44.7	51.6	50.9
Payable days	30.6	0.0	0.0	0.0
Net debt/equity (%)	(56.9)	(59.4)	(68.5)	(76.9)
Interest cover (x)	(22.2)	(15.7)	(20.0)	(18.0)

Source: Modetour, Mirae Asset Research estimates

**Recommendations**

**By stock (12 months)**

BUY: A target price + 10% or more above the current price,  
HOLD: Target price within - 10% to +10% of the current price  
REDUCE: A target price of -10% or less below the current price

**By industry**

OVERWEIGHT: over +10% of the current industry index  
NEUTRAL: -10% to +10% of the current industry index  
UNDERWEIGHT: -10% or less than the current industry index

**Distribution of Ratings**

BUY: 79.3%  
HOLD: 20%  
REDUCE: 0.7%  
TOTAL: 100%  
(All data are current as of 31 Jul 2015)

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Securities Held by the Analyst						Holdings of share of over 1%	Participation in Issuance of Securities	Involvement with Affiliates	Treasury Stock Held
Stock	Analyst	Type	Number of Shares	Purchase Price	Purchase Date				

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**Target Price and Recommendation Chart**

Modetour (080160 KS)



Date	Recommendation	12M target price (KRW)
2014-06-12	BUY (Initiate)	29,000
2014-07-17	BUY	29,000
2014-07-25	BUY	29,000
2014-10-23	BUY	29,000
2015-01-26	BUY	34,600 (Up)
2015-01-27	BUY	34,600
2015-02-02	BUY	34,600
2015-02-12	BUY	34,600
2015-03-17	BUY	37,800 (Up)
2015-05-07	BUY	45,000 (Up)
2015-08-05	BUY	52,500 (Up)

Source: Bloomberg, Mirae Asset Research

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