

Modetour Network (080160 KS)

Continuing growth at parent, losses at subsidiaries

BUY (MAINTAIN)

| | |
|----------------|---------|
| Price (Aug. 4) | W39,100 |
| Target Price | W47,000 |
| % variance | 20.2% |

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- ◆ 2Q15 consolidated operating profit of W5bn (+135.9% YoY)
- ◆ 2H15 outlook: Continuing growth at parent, losses at subsidiaries
- ◆ Retain BUY for a target price of W47,000

2Q15 consolidated operating profit of W5bn (+135.9% YoY)

Modetour Network posted 2Q15 consolidated sales of W49.6bn (+36.1% YoY) and operating profit of W5bn (+135.9% YoY). Operating profit met our estimate (W4.4bn) and the market's consensus (W4.8bn). Standalone operating profit turned out better than expected at W6.3bn (+63.3% YoY) due to low base effect from the Sewol ferry disaster last year. However, subsidiaries continued posting a combined loss of over W1bn.

2H15 outlook: Continuing growth at parent, losses at subsidiaries

The parent company's earnings should continue growing in 2H15 led by outbound travelers. Booking rates are slightly lower than estimated (August +20.3%, September +4.1%, October +26.6%). Tour package travels canceled in June (low season) due to the Middle East respiratory syndrome (MERS) outbreak may be assumed to be delayed to October and November (low season of 2H). Outbound travelers should continue growing in 4Q15.

Major subsidiaries, mainly in inbound travel or hotel businesses, are expected to extend their losing streak through 2H. They make profits when inbound traffic increases, but inbound travelers are likely to decline in the wake of the MERS outbreak.

Full-year operating profit is estimated at W27.2bn (+28.9% YoY) on a standalone basis and W24.3bn (+46.1% YoY) on a consolidated basis.

Retain BUY for a target price of W47,000

Our target price of W47,000 is derived by applying a target PER of 27x to 12-month forward EPS of W1,748. We applied a 25% discount to the target PER for Hana Tour Service (discount may be raised going forward). Given totally different business strategies, it makes no sense to compare market capitalization of the two companies. Earnings are expected to improve gradually on steady outbound traffic growth.

| | |
|---------------------------------|-----------------------|
| KOSPI | 2,027.99p |
| KOSDAQ | 730.03p |
| Market Cap. | W492.7bn/ US\$432.2mn |
| Par Value | W500 |
| Outstanding Shares | 12.6mn |
| Free Floating Shares | 9.6mn(76.5%) |
| 52-Week High/Low | W43,150/W19,050 |
| 60-Day Avg. Trading Volume | 186,027shrs |
| 60-Day. Avg. Trading T/O | W6,729mn |
| Foreign Ownership | 26.03% |
| Major Shareholders | |
| Jong-Ung Woo and 7 others | 17.93% |
| JF Asset Management and 1 other | 5.18% |
| Absolute Performance | 3M 10.5% |
| | 6M 33.4% |
| | 12M 63.6% |
| Relative performance | 3M 2.6% |
| to KOSDAQ | 6M 9.4% |
| | 12M 23.2% |

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| Year to Dec. | Sales (W bn) | OP (W bn) | Pre-tax (W bn) | NP (W bn) | EPS (Won) | Growth (%) | BPS (Won) | PER (X) | EV/EBITDA (X) | PBR (X) | ROE (%) | Net Debt Ratio (%) |
|--------------|--------------|-----------|----------------|-----------|-----------|------------|-----------|---------|---------------|---------|---------|--------------------|
| 2013 | 147.0 | 15.8 | 20.1 | 16.1 | 1,278 | (8.4) | 7,094 | 18.0 | 12.3 | 3.2 | 18.7 | (88.9) |
| 2014 | 164.7 | 16.6 | 19.3 | 15.3 | 1,218 | (4.7) | 7,835 | 19.9 | 13.6 | 3.1 | 16.3 | (55.4) |
| 2015F | 200.1 | 24.3 | 26.7 | 18.2 | 1,448 | 18.9 | 8,616 | 27.0 | 15.4 | 4.5 | 17.6 | (66.7) |
| 2016F | 218.2 | 31.1 | 32.3 | 24.5 | 1,946 | 34.4 | 9,799 | 20.1 | 12.2 | 4.0 | 21.1 | (73.9) |
| 2017F | 235.0 | 31.8 | 33.1 | 25.8 | 2,050 | 5.3 | 11,039 | 19.1 | 11.6 | 3.5 | 19.7 | (79.2) |

Source: Company data, Shinhan Investment Corp.

| Quarterly earnings (K-IFRS standalone) | | | | | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| (bn KRW, 1,000 people) | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15P | 3Q15F | 4Q15F | 1Q16F | 2Q16F | 3Q16F | 4Q16F | 2014 | 2015F | 2016F |
| <Key assumptions> | | | | | | | | | | | | | | | |
| Outbound travelers (excl. flight crew) | 3,610 | 3,340 | 3,978 | 3,807 | 4,355 | 4,094 | 4,354 | 4,126 | 4,638 | 4,385 | 4,711 | 4,452 | 14,735 | 16,929 | 18,186 |
| Modetour customers (PKG+AIR) | 361 | 307 | 367 | 395 | 487 | 439 | 444 | 455 | 557 | 476 | 511 | 539 | 1,431 | 1,825 | 2,083 |
| Modetour customers (PKG) | 263 | 211 | 249 | 257 | 335 | 288 | 296 | 297 | 371 | 311 | 334 | 329 | 980 | 1,216 | 1,346 |
| M/S (PKG+AIR, %) | 10.0 | 9.2 | 9.2 | 10.4 | 11.2 | 10.7 | 10.2 | 11.0 | 12.0 | 10.9 | 10.9 | 12.1 | 10.4 | 11.0 | 12.1 |
| M/S (PKG, %) | 7.3 | 6.3 | 6.3 | 6.7 | 7.7 | 7.0 | 6.8 | 7.2 | 8.0 | 7.1 | 7.1 | 7.4 | 6.7 | 7.2 | 29.6 |
| Package travel deposits | 267.6 | 224.4 | 254.4 | 235.0 | 292.6 | 250.4 | 295.9 | 267.7 | 320.9 | 265.7 | 336.0 | 296.5 | 981.4 | 1,106.5 | 1,219.1 |
| Airfare deposits | 65.7 | 65.1 | 79.5 | 83.0 | 91.2 | 87.4 | 97.9 | 92.4 | 109.1 | 93.2 | 114.5 | 120.4 | 293.3 | 368.9 | 437.3 |
| <Earnings estimates> | | | | | | | | | | | | | | | |
| Operating revenue (sales) | 39.5 | 35.6 | 42.8 | 37.3 | 46.8 | 43.8 | 50.2 | 42.8 | 52.0 | 46.1 | 57.4 | 48.8 | 155.2 | 183.7 | 204.2 |
| Overseas travel agent commission | 34.5 | 30.3 | 36.6 | 30.3 | 40.1 | 36.0 | 42.9 | 35.3 | 43.3 | 37.2 | 49.4 | 40.0 | 131.7 | 154.3 | 169.9 |
| Airfare | 2.1 | 2.6 | 2.7 | 3.4 | 4.1 | 4.5 | 3.4 | 3.7 | 4.9 | 5.1 | 3.9 | 4.8 | 10.9 | 15.7 | 18.7 |
| Others | 2.9 | 2.7 | 3.5 | 3.6 | 2.7 | 3.3 | 3.9 | 3.8 | 3.8 | 3.8 | 4.1 | 3.9 | 12.7 | 13.7 | 15.6 |
| Operating expense (SG&A) | 34.4 | 31.7 | 34.9 | 33.0 | 39.7 | 37.5 | 40.8 | 38.5 | 44.7 | 39.5 | 46.7 | 43.7 | 134.1 | 156.5 | 174.7 |
| Wages | 12.0 | 10.6 | 10.6 | 10.0 | 12.7 | 12.4 | 12.1 | 11.5 | 14.1 | 13.0 | 13.8 | 13.1 | 43.3 | 48.7 | 54.0 |
| Fee | 16.8 | 15.4 | 17.8 | 16.3 | 20.7 | 18.2 | 21.4 | 19.4 | 22.9 | 19.2 | 24.4 | 22.1 | 66.2 | 79.7 | 88.7 |
| OP | 5.1 | 3.8 | 7.9 | 4.3 | 7.1 | 6.3 | 9.4 | 4.4 | 7.3 | 6.6 | 10.6 | 5.1 | 21.1 | 27.2 | 29.6 |
| NP | 5.7 | 2.6 | 6.6 | 3.0 | 6.2 | 4.9 | 7.7 | 3.2 | 6.2 | 4.9 | 8.4 | 3.6 | 18.0 | 21.9 | 23.2 |
| <% YoY> | | | | | | | | | | | | | | | |
| Outbound travelers (excl. Flight crew) | 6.1 | 5.1 | 8.3 | 16.2 | 20.6 | 22.6 | 9.5 | 8.4 | 6.5 | 7.1 | 8.2 | 7.9 | 8.9 | 14.9 | 7.4 |
| Modetour customers (PKG+AIR) | 1.7 | 0.7 | 5.1 | 23.5 | 35.0 | 42.9 | 20.9 | 14.9 | 14.3 | 8.5 | 15.1 | 18.5 | 7.6 | 27.5 | 14.2 |
| Operating revenue | 10.1 | 18.9 | (1.1) | 10.4 | 18.6 | 23.1 | 17.3 | 14.8 | 11.0 | 5.2 | 14.2 | 13.9 | 8.6 | 18.3 | 11.2 |
| OP | (9.9) | 112.5 | (10.8) | 26.8 | 41.0 | 64.2 | 18.8 | 1.8 | 1.9 | 3.9 | 12.8 | 16.6 | 7.2 | 28.9 | 8.5 |
| NP | 20.6 | 38.3 | (12.3) | (16.8) | 8.5 | 85.0 | 15.3 | 6.8 | 0.3 | 0.5 | 10.1 | 13.5 | 1.0 | 21.9 | 5.7 |
| <Margin, %> | | | | | | | | | | | | | | | |
| OPM | 12.8 | 10.8 | 18.5 | 11.5 | 15.2 | 14.4 | 18.7 | 10.2 | 14.0 | 14.2 | 18.5 | 10.5 | 13.6 | 14.8 | 14.5 |
| NPM | 14.5 | 7.4 | 15.5 | 8.0 | 13.2 | 11.2 | 15.2 | 7.5 | 12.0 | 10.7 | 14.7 | 7.4 | 11.6 | 11.9 | 11.4 |

Source: Korea Tourism Organization, company data, Shinhan Investment Corp.

| Quarterly earnings (K-IFRS consolidated) | | | | | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| (bn KRW) | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15P | 3Q15F | 4Q15F | 1Q16F | 2Q16F | 3Q16F | 4Q16F | 2014 | 2015F | 2016F |
| Sales | 40.4 | 36.4 | 47.0 | 40.9 | 50.5 | 42.2 | 54.2 | 44.8 | 53.1 | 45.8 | 60.5 | 49.7 | 164.7 | 191.6 | 209.1 |
| OP | 3.0 | 2.1 | 7.0 | 4.5 | 6.5 | 4.4 | 10.6 | 5.2 | 7.7 | 6.2 | 12.5 | 6.5 | 16.6 | 26.7 | 32.8 |
| Pre-tax profit | 6.5 | 2.7 | 6.1 | 4.0 | 7.6 | 4.9 | 11.4 | 5.4 | 8.3 | 6.2 | 13.0 | 6.7 | 19.3 | 29.3 | 34.2 |
| NP | 5.1 | 1.8 | 3.2 | 2.8 | 5.9 | 3.7 | 8.7 | 4.0 | 6.3 | 4.7 | 9.9 | 5.0 | 13.0 | 22.3 | 25.9 |
| (% YoY growth) | | | | | | | | | | | | | | | |
| Sales | 10.6 | 19.2 | 7.0 | 13.7 | 25.0 | 15.9 | 15.3 | 9.5 | 5.2 | 8.4 | 11.7 | 11.1 | 12.1 | 16.4 | 9.1 |
| OP | (37.5) | TP | (2.6) | 17.2 | 115.2 | 108.5 | 50.9 | 16.2 | 18.8 | 39.1 | 18.3 | 24.3 | 5.2 | 60.5 | 23.1 |
| NP | 19.7 | 119.0 | (47.5) | (30.1) | 16.5 | 101.7 | 170.5 | 42.0 | 7.1 | 29.0 | 13.1 | 23.9 | (15.2) | 72.4 | 16.1 |

Source: Company data, Shinhan Investment Corp.

| 2Q15 results (K-IFRS consolidated) | | | | | | | | | | | | | | |
|------------------------------------|-------|--|------|--|--------|--|------|--|-------|--|------|--|-----------|--|
| (bn KRW) | 2Q15P | | 1Q15 | | % QoQ | | 2Q14 | | % YoY | | SHIC | | Consensus | |
| Sales | 49.6 | | 50.5 | | (1.7) | | 36.4 | | 36.1 | | 42.2 | | 45.0 | |
| OP | 5.0 | | 6.5 | | (22.1) | | 2.1 | | 135.9 | | 4.4 | | 4.8 | |
| NP | 3.5 | | 5.9 | | (41.6) | | 1.8 | | 90.0 | | 3.7 | | 4.1 | |
| OPM (%) | 10.1 | | 12.8 | | | | 5.8 | | | | 10.4 | | 10.7 | |
| NPM (%) | 7.0 | | 11.7 | | | | 5.0 | | | | 8.8 | | 9.1 | |

Source: Company data, Shinhan Investment Corp.

| Annual earnings (K-IFRS standalone) | | | | | | | | | | | |
|--|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| (bn KRW, 1,000 people) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
| <Key assumptions> | 12,295.1 | 10,973.3 | 8,595.5 | 11,420.9 | 11,547.9 | 12,474.1 | 13,525.3 | 14,734.9 | 16,928.8 | 17,796.3 | 18,557.7 |
| Outbound travelers (excl. flight crew) | 926.5 | 848.5 | 665.4 | 1,039.3 | 1,111.5 | 1,238.8 | 1,329.4 | 1,430.7 | 1,824.7 | 2,082.9 | 2,319.7 |
| Modetour customers (PKG+AIR) | 628.9 | 561.6 | 379.8 | 732.1 | 760.4 | 869.3 | 941.7 | 980.2 | 1,215.6 | 1,346.3 | 1,521.7 |
| M/S (total, %) | 7.5 | 7.7 | 7.7 | 9.3 | 9.6 | 9.6 | 9.8 | 10.4 | 11.0 | 12.1 | 12.5 |
| M/S (PKG, %) | 5.1 | 5.1 | 4.4 | 6.5 | 6.6 | 6.6 | 6.8 | 6.7 | 7.2 | 7.6 | 8.2 |
| Operating revenue (sales) | 94.4 | 83.1 | 61.4 | 117.1 | 121.0 | 131.8 | 142.9 | 155.2 | 183.7 | 204.2 | 220.6 |
| Overseas travel agent commission | 60.0 | 53.8 | 38.8 | 88.9 | 99.5 | 113.2 | 123.6 | 131.7 | 154.3 | 169.9 | 182.3 |
| Airfare | 30.7 | 26.0 | 19.4 | 22.9 | 14.2 | 11.9 | 9.6 | 10.9 | 15.7 | 18.7 | 21.7 |
| Others | 3.6 | 3.3 | 3.2 | 5.3 | 8.3 | 7.7 | 9.7 | 12.7 | 13.7 | 15.6 | 16.7 |
| OP | 14.3 | 0.7 | 0.2 | 17.5 | 16.6 | 21.2 | 19.7 | 21.1 | 27.2 | 29.6 | 33.0 |
| NP | 11.4 | 0.6 | 1.2 | 14.9 | 13.3 | 17.3 | 17.8 | 18.0 | 21.9 | 23.2 | 26.8 |
| (% YoY growth) | | | | | | | | | | | |
| Sales | 42.1 | (12.0) | (26.1) | 90.8 | 3.4 | 9.7 | 7.6 | 8.6 | 18.3 | 11.2 | 8.0 |
| OP | 46.8 | (95.0) | (67.1) | 7,306.4 | (4.9) | 27.1 | (6.8) | 7.2 | 28.9 | 8.5 | 11.7 |
| NP | 39.1 | (94.6) | 96.0 | 1,126.8 | (11.0) | 30.2 | 3.2 | 1.0 | 21.9 | 5.7 | 15.5 |
| <Margin %> | | | | | | | | | | | |
| OPM | 15.2 | 0.9 | 0.4 | 14.9 | 13.7 | 15.9 | 13.8 | 13.6 | 14.8 | 14.5 | 15.0 |
| NPM | 12.0 | 0.7 | 2.0 | 12.7 | 11.0 | 13.0 | 12.5 | 11.6 | 11.9 | 11.4 | 12.1 |

Source: Company data, Shinhan Investment Corp.

| Annual earnings comparison (K-IFRS standalone vs. consolidated) | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| (bn KRW) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F | |
| (K-IFRS standalone) | | | | | | | | | |
| Sales | 117.1 | 121.0 | 131.8 | 142.9 | 155.2 | 183.7 | 204.2 | 220.6 | |
| OP | 17.5 | 16.6 | 21.2 | 19.7 | 21.1 | 27.2 | 29.6 | 33.0 | |
| NP | 14.9 | 13.3 | 17.3 | 19.0 | 18.0 | 21.9 | 23.2 | 26.8 | |
| (Consolidated subsidiaries earnings) | | | | | | | | | |
| Sales | 4.8 | 3.9 | 6.1 | 4.0 | 9.5 | 16.4 | 8.3 | 14.4 | |
| OP | 0.6 | 0.1 | 0.1 | (3.9) | (4.7) | (3.0) | 1.9 | 3.0 | |
| NP | 0.2 | 0.3 | 0.2 | (2.5) | (5.3) | (2.5) | 1.4 | 2.2 | |
| (K-IFRS consolidated) | | | | | | | | | |
| Sales | 121.9 | 125.0 | 137.9 | 145.4 | 164.7 | 200.1 | 212.5 | 235.0 | |
| OP | 18.1 | 16.2 | 21.3 | 15.8 | 16.4 | 24.3 | 31.5 | 36.1 | |
| NP | 15.1 | 13.6 | 17.6 | 16.0 | 12.7 | 19.4 | 24.5 | 28.9 | |
| Standalone vs. consolidated NP growth (%) | 1.5 | 2.2 | 1.8 | (16.0) | (29.4) | 2.8 | 9.5 | 10.2 | |
| Standalone EPS (KRW) | 1,182 | 1,052 | 1,370 | 1,509 | 1,428 | 1,741 | 1,840 | 2,126 | |
| Consolidated EPS (KRW) | 1,200 | 1,076 | 1,395 | 1,267 | 1,008 | 1,542 | 1,949 | 2,296 | |
| Target price (KRW, applied consolidated PER of 27x) | 32,388 | 29,042 | 37,660 | 34,219 | 27,209 | 41,626 | 52,630 | 62,002 | |

Source: Company data, Shinhan Investment Corp.

| Earnings forecast revision (K-IFRS consolidated) | | | | | | | |
|--|--------------|--------------|---------------|--------------|--------------|--------------|--|
| (bn KRW) | 2015F | | | 2016F | | | |
| | Before | After | Change (%) | Before | After | Change (%) | |
| Sales (consolidated) | 191.6 | 200.1 | 4.4 | 206.0 | 212.5 | 3.2 | |
| OP (consolidated) | 26.7 | 24.3 | (9.1) | 32.5 | 31.5 | (3.1) | |
| NP (consolidated) | 22.0 | 19.4 | (11.7) | 26.1 | 24.6 | (5.9) | |
| EPS (standalone) | 1,759 | 1,741 | (1.0) | 1,932 | 1,840 | (4.8) | |
| EPS (consolidated) | 1,746 | 1,542 | (11.7) | 2,072 | 1,949 | (5.9) | |

Source: Shinhan Investment Corp.

Consolidated net profit estimates for subsidiaries

| (mn KRW) Company | Business | Location | Stake (%) | NP | | | | | | | |
|--|----------------|----------|-----------|------------|------------|------------|----------------|----------------|----------------|--------------|--------------|
| | | | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
| Modetour International | Travel service | Korea | 67.5% | 487 | 499 | 114 | (2,434) | (4,739) | (344) | 462 | 584 |
| Modetour H&D | Travel service | Korea | 84.6% | (348) | (211) | (202) | (176) | (174) | (139) | (111) | (56) |
| Cruise International | Travel service | Korea | 89.9% | 19 | 10 | 75 | 17 | 19 | (59) | (65) | (71) |
| Mode Tour Development (Jeju Hotel) | Hotel service | Korea | 100.0% | 0 | 0 | 239 | 62 | 74 | (37) | 43 | 53 |
| Modetour Real Estate Investment Trust (REIT) | Real estate | Korea | 30% | | | | | (369) | (123) | 123 | 410 |
| Mode Stay | Hotel service | Korea | 100.0% | | | | | 700 | 0 | 900 | 1,200 |
| Seoul Hotel School | Education | Korea | 100.0% | | | | | (800) | (300) | 25 | 30 |
| Total (mn KRW) | | | | | | | | | (1,500) | | |
| Total (bn KRW) | | | | 158 | 298 | 225 | (2,530) | (5,289) | (2,502) | 1,377 | 2,151 |
| (mn KRW) | | | | 0.2 | 0.3 | 0.2 | (2.5) | (5.3) | (2.5) | 1.4 | 2.2 |

Source: Company data, Shinhan Investment Corp.

Note: Figures for 2015 and after based on SHIC estimates

PER valuation based on consolidated net profit: Target price of W47,000

| (bn KRW) | Value | (bn KRW) | Value | (bn KRW) | Value | (bn KRW) | Value |
|---------------------|--------|-----------------------|--------|----------------------------------|---------------|-----------------------|--------|
| 2015F standalone NP | 21.9 | 2015F consolidated NP | 19.5 | 12-month forward consolidated NP | 22.0 | 2016F consolidated NP | 24.5 |
| EPS (KRW) | 1,741 | EPS (KRW) | 1,550 | EPS (KRW) | 1,748 | EPS (KRW) | 1,946 |
| Target price (KRW) | 47,007 | Target price (KRW) | 41,850 | Target price (KRW) | 47,196 | Target price (KRW) | 52,542 |
| Target PER (x) | 27.0 | Target PER (x) | 27.0 | Target PER (x) | 27.0 | Target PER (x) | 27.0 |
| Current price (KRW) | 39,100 | Current price (KRW) | 39,100 | Current price (KRW) | 39,100 | Current price (KRW) | 39,100 |
| Current PER (x) | 22.5 | Current PER (x) | 25.2 | Current PER (x) | 22.4 | Current PER (x) | 20.1 |

Source: Shinhan Investment Corp.

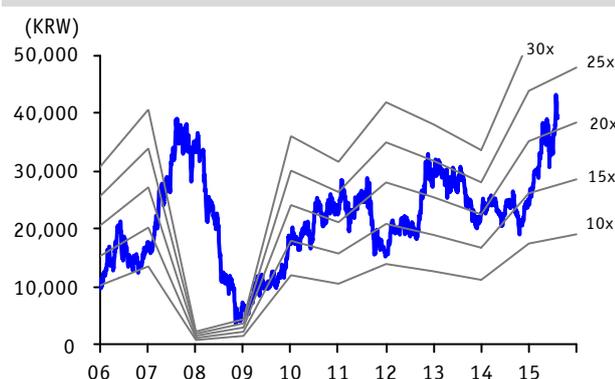
Historical valuation and target PER

| (X, %) | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Average (excl. 2008-2009) |
|---------------------|------|------|-------|-------|------|------|------|------------------------------|------|---------------------------|
| PER (end) | 25.6 | 39.1 | 139.9 | 193.3 | 20.0 | 14.7 | 21.5 | 18.9 | 21.7 | 23.1 |
| PER (high) | 32.9 | 43.9 | 746.9 | 201.9 | 22.0 | 26.9 | 24.0 | 26.9 | 23.9 | 28.7 |
| PER (low) | 14.6 | 17.0 | 62.5 | 54.1 | 12.9 | 12.9 | 11.0 | 16.3 | 16.9 | 14.5 |
| PER (average) | 23.4 | 32.7 | 349.5 | 114.2 | 20.9 | 20.5 | 16.0 | 22.1 | 21.1 | 22.4 |
| Discount (%) | | | | | | | | | | 20.0 |
| PER (target) | | | | | | | | Average of PER (high) | | 26.9 |

Source: Shinhan Investment Corp.

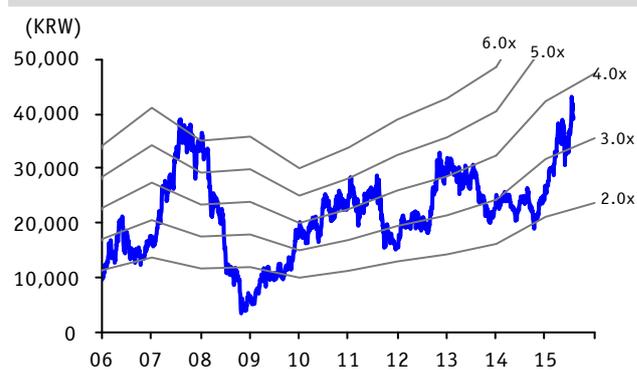
Note: PER of 27x is 25% discount to Hana Tour Service's PER

12-month forward PER band



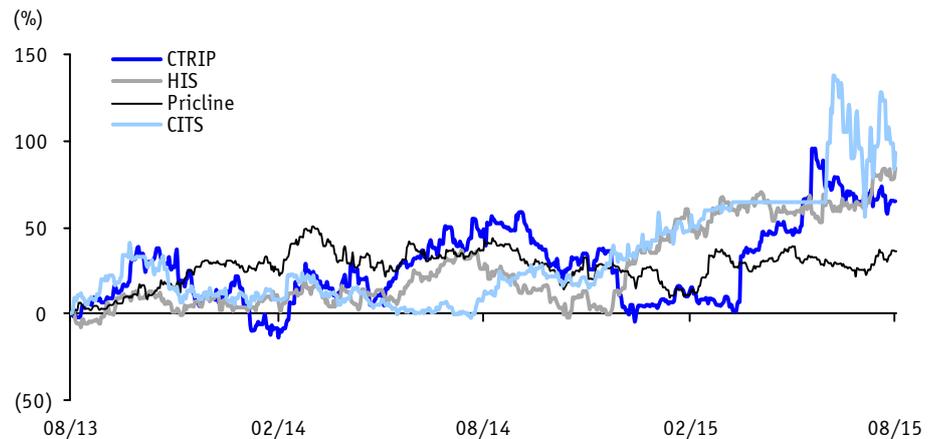
Source: Shinhan Investment Corp.

12-month forward PBR band



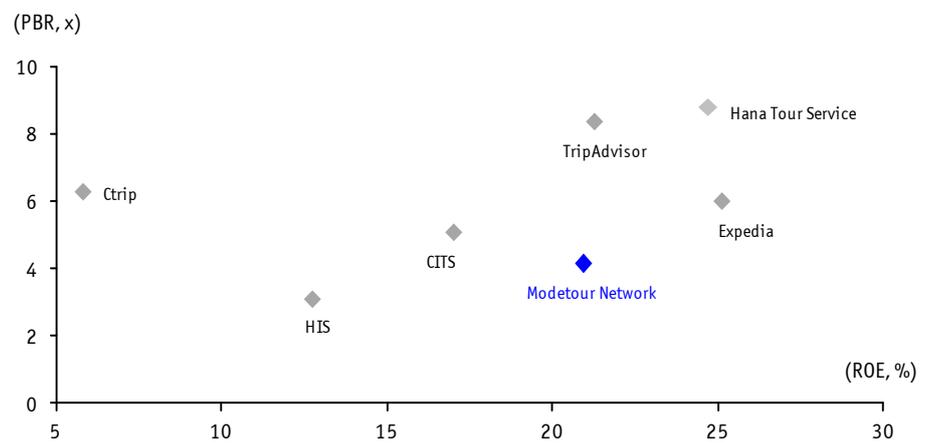
Source: Shinhan Investment Corp.

Share performance of overseas travel agencies (2 years)



Source: Bloomberg, Shinhan Investment Corp.

PBR and ROE comparison of global peers



Source: Bloomberg, Shinhan Investment Corp.

| Global travel peers | | | | | | | | | | | | |
|---------------------|-----------|-------------|-------------------|---------|---------|-------|---------|-------|---------------|-------|---------|-------|
| | Ticker | Market cap. | Share price gains | | PER (x) | | PBR (x) | | EV/EBITDA (x) | | ROE (%) | |
| | Bloomberg | (bn KRW) | 1-month | 3-month | 2015F | 2016F | 2015F | 2016F | 2015F | 2016F | 2015F | 2016F |
| Hana Tour Service | 039130 KS | 1,434.6 | 28.8 | 51.2 | 29.2 | 24.6 | 6.0 | 5.1 | 18.4 | 15.9 | 23.1 | 23.0 |
| Interpark INT | 108790 KS | 684.0 | (3.0) | (4.5) | 28.6 | 21.1 | 4.5 | 3.8 | 15.8 | 12.5 | 15.0 | 17.8 |
| Modetour Network | 080160 KS | 454.9 | 20.9 | 38.6 | 18.8 | 15.8 | 3.8 | 3.2 | 13.7 | 11.4 | 22.1 | 22.5 |
| Priceline | PCLN US | 67,546.6 | (2.0) | 13.3 | 21.0 | 17.6 | 6.1 | 4.8 | 16.4 | 13.8 | 30.6 | 29.4 |
| Expedia | EXPE US | 13,635.9 | 8.9 | 12.7 | 25.5 | 20.8 | 5.8 | 4.0 | 12.2 | 10.3 | 20.5 | 25.9 |
| TripAdvisor | TRIP US | 12,947.7 | (3.4) | 11.4 | 37.0 | 28.6 | 8.5 | 6.6 | 21.7 | 17.2 | 23.4 | 23.0 |
| Ctrip | CTRP US | 9,390.2 | 36.5 | 35.9 | 74.4 | 35.1 | 5.8 | 5.3 | 116.3 | 34.2 | 5.7 | 14.1 |
| CITS | 601888 CH | 8,814.7 | 2.5 | 12.8 | 27.3 | 22.5 | 4.2 | 3.6 | 15.8 | 12.6 | 16.5 | 17.5 |
| China CYTS Tours | 600138 CH | 3,010.8 | 29.6 | 43.3 | 36.9 | 30.2 | 3.8 | 3.4 | 18.0 | 15.3 | 10.6 | 11.7 |
| HIS | 9603 JP | 2,668.5 | 2.5 | 18.2 | 25.0 | 21.0 | 3.0 | 2.7 | 9.2 | 7.8 | 12.4 | 14.4 |

Source: Bloomberg, Shinhan Investment Corp.

Balance Sheet

| Year to Dec. (W bn) | 2013 | 2014 | 2015F | 2016F | 2017F |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Assets | 152.3 | 224.3 | 252.3 | 275.8 | 299.0 |
| Total Current Assets | 117.0 | 132.3 | 159.5 | 183.2 | 205.8 |
| Cash and Cash Equivalents | 36.4 | 55.3 | 65.9 | 81.0 | 95.8 |
| Accounts Receivables | 22.0 | 19.2 | 23.3 | 25.4 | 27.4 |
| Inventories | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Non-Current Assets | 35.3 | 92.0 | 92.8 | 92.7 | 93.2 |
| Tangible Assets | 10.0 | 13.4 | 10.6 | 8.7 | 7.4 |
| Intangible Assets | 1.3 | 4.3 | 3.8 | 3.6 | 3.5 |
| Investment Assets | 18.8 | 18.8 | 22.9 | 24.9 | 26.8 |
| Other Financial Institutions Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | 62.6 | 115.2 | 132.1 | 140.7 | 148.7 |
| Current Liabilities | 56.7 | 84.2 | 100.9 | 109.6 | 117.5 |
| ST Borrowings | 0.5 | 5.9 | 5.9 | 5.9 | 5.9 |
| Account Payables | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Portion of LT Debt | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-Current Liabilities | 5.9 | 31.1 | 31.1 | 31.2 | 31.2 |
| Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LT Borrowings(incl. LT Fin. Liab.) | 2.2 | 30.8 | 30.8 | 30.8 | 30.8 |
| Other Financial Institutions Liab. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' Equity | 89.8 | 109.1 | 120.2 | 135.1 | 150.2 |
| Capital Stock | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 |
| Capital Surplus | 28.1 | 28.4 | 28.4 | 28.4 | 28.4 |
| Other Reserves | (14.9) | (14.2) | (14.2) | (14.2) | (14.2) |
| Accu. Other Comp. Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained Earnings | 69.8 | 78.2 | 88.1 | 103.0 | 118.6 |
| Owners of Parent Equity | 89.4 | 98.7 | 108.6 | 123.5 | 139.1 |
| Non-Controlling Interests Equity | 0.4 | 10.4 | 11.6 | 11.6 | 11.1 |
| *Total Debt | 2.8 | 36.7 | 36.7 | 36.7 | 36.7 |
| *Net Debts(Cash) | (79.8) | (60.4) | (80.1) | (99.9) | (118.9) |

Cash Flow

| Year to Dec. (W bn) | 2013 | 2014 | 2015F | 2016F | 2017F |
|------------------------------------|---------------|---------------|---------------|--------------|--------------|
| Operating Cash Flow | 15.5 | 29.4 | 26.5 | 26.9 | 27.2 |
| Net Profit | 15.3 | 14.0 | 19.5 | 24.5 | 25.3 |
| Depreciation | 1.0 | 1.7 | 2.8 | 1.9 | 1.3 |
| Amortization | 0.3 | 0.4 | 0.5 | 0.2 | 0.1 |
| Losses(Gains) on F/X Translation | 0.6 | 0.1 | 0.0 | 0.0 | 0.0 |
| Losses(Gains) on Disp. of Assets | (0.0) | (0.0) | (3.4) | (3.4) | (3.4) |
| Losses(Gains) in Asso., Subs., JVs | (0.0) | (0.2) | 0.0 | 0.0 | 0.0 |
| Chg. in A/L from Op. Activities | (6.5) | 11.3 | 7.0 | 3.6 | 3.8 |
| (Payments of Income Taxes) | (5.7) | (4.6) | (7.2) | (7.8) | (7.8) |
| Others | 10.5 | 6.7 | 7.3 | 7.9 | 7.9 |
| Investing Cash Flow | (12.3) | (45.6) | (13.1) | (6.7) | (6.2) |
| Incr. in Tangible Assets(CAPEX) | (0.8) | (3.5) | 0.0 | 0.0 | 0.0 |
| Decr. in Tangible Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Decr.(Incr.) in Intangible Assets | (0.4) | (0.5) | 0.0 | 0.0 | 0.0 |
| Decr.(Incr.) in Investment Assets | (3.1) | 3.8 | (4.0) | (2.1) | (1.9) |
| Others | (8.0) | (45.4) | (9.1) | (4.6) | (4.3) |
| Free Cash Flow | 15.1 | 32.1 | 30.3 | 30.5 | 30.1 |
| Financing Cash Flow | (8.5) | 33.6 | (6.2) | (8.4) | (9.6) |
| Incr.(Decr.) in Borrowing | 1.1 | 32.3 | (0.0) | 0.0 | 0.0 |
| Decr.(Incr.) of Treasury Stock | 4.1 | 0.3 | 0.0 | 0.0 | 0.0 |
| Dividend | (5.5) | (6.0) | (6.1) | (8.4) | (9.6) |
| Others | (8.2) | 7.0 | (0.1) | 0.0 | 0.0 |
| Other Cash Flows | 0.0 | 0.0 | 3.3 | 3.3 | 3.3 |
| Change of Consolidated Scope | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 |
| Difference by Chg. in F/X Rates | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| Incr.(Decr.) in Cash | (5.4) | 18.9 | 10.6 | 15.2 | 14.8 |
| Beginning Cash | 41.8 | 36.4 | 55.3 | 65.9 | 81.0 |
| Ending Cash | 36.4 | 55.3 | 65.9 | 81.0 | 95.8 |

Source: Company data, Shinhan Investment Corp.

Profit and Loss

| Year to Dec. (W bn) | 2013 | 2014 | 2015F | 2016F | 2017F |
|--|--------------|--------------|--------------|--------------|--------------|
| Sales | 147.0 | 164.7 | 200.1 | 218.2 | 235.0 |
| Growth (%) | 6.6 | 12.1 | 21.5 | 9.1 | 7.7 |
| COGS | 1.5 | 3.9 | 9.5 | 10.5 | 11.7 |
| Gross Profit | 145.4 | 160.8 | 190.6 | 207.8 | 223.3 |
| Gross margin (%) | 99.0 | 97.7 | 95.2 | 95.2 | 95.0 |
| SG&A | 129.6 | 144.2 | 166.3 | 176.7 | 191.5 |
| Operating Income | 15.8 | 16.6 | 24.3 | 31.1 | 31.8 |
| Growth (%) | (25.7) | 5.2 | 46.1 | 28.0 | 2.3 |
| Operating margin (%) | 10.7 | 10.1 | 12.1 | 14.2 | 13.5 |
| Other Net Non-Operating Profits | 4.3 | 2.7 | 2.4 | 1.3 | 1.4 |
| Financial Income(Expenses) | 1.7 | 0.7 | 0.4 | 0.7 | 1.1 |
| Net Other Non-Operating Profits | 2.6 | 1.8 | 1.9 | 0.4 | 0.2 |
| Net Gains in Asso., Subs., and JVs | 0.0 | 0.2 | 0.2 | 0.2 | 0.2 |
| Pre-tax Profit from Cont. Op. | 20.1 | 19.3 | 26.7 | 32.3 | 33.1 |
| Income Taxes | 4.8 | 5.3 | 7.2 | 7.8 | 7.8 |
| Profit from Continuing Op. | 15.3 | 14.0 | 19.5 | 24.5 | 25.3 |
| Profit from Discontinued Op. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | 15.3 | 14.0 | 19.5 | 24.5 | 25.3 |
| Growth (%) | (13.4) | (8.1) | 39.1 | 25.6 | 3.3 |
| Net Profit margin (%) | 10.4 | 8.5 | 9.8 | 11.2 | 10.8 |
| Net Profit of Parent | 16.1 | 15.3 | 18.2 | 24.5 | 25.8 |
| Net Profit to Non-Controlling | (0.8) | (1.3) | 1.3 | 0.0 | (0.5) |
| Total Comprehensive Income | 15.2 | 13.1 | 19.5 | 24.5 | 25.3 |
| Total Comp. Income of Parent | 16.0 | 14.4 | 21.5 | 27.0 | 27.9 |
| Total Comp. Income to Non-Cont. | (0.8) | (1.3) | (1.9) | (2.4) | (2.5) |
| EBITDA | 17.1 | 18.8 | 27.6 | 33.2 | 33.2 |
| Growth (%) | (24.3) | 9.6 | 47.0 | 20.5 | (0.1) |
| EBITDA Margin (%) | 11.6 | 11.4 | 13.8 | 15.2 | 14.1 |

Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&A costs)

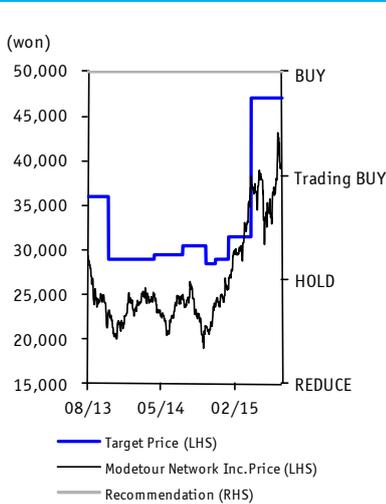
Key Ratios

| Year to Dec. | 2013 | 2014 | 2015F | 2016F | 2017F |
|------------------------------|---------|--------|--------|--------|--------|
| EPS_C (won) | 1,212 | 1,114 | 1,550 | 1,946 | 2,011 |
| EPS_P (won) | 1,278 | 1,218 | 1,448 | 1,946 | 2,050 |
| BPS_C (won) | 7,125 | 8,657 | 9,539 | 10,723 | 11,923 |
| BPS_P (won) | 7,094 | 7,835 | 8,616 | 9,799 | 11,039 |
| DPS (won) | 500 | 510 | 700 | 800 | 850 |
| PER_C (x) | 18.9 | 21.7 | 25.2 | 20.1 | 19.4 |
| PER_P (x) | 18.0 | 19.9 | 27.0 | 20.1 | 19.1 |
| PBR_C (x) | 3.2 | 2.8 | 4.1 | 3.6 | 3.3 |
| PBR_P (x) | 3.2 | 3.1 | 4.5 | 4.0 | 3.5 |
| EV/EBITDA (x) | 12.3 | 13.6 | 15.4 | 12.2 | 11.6 |
| Payout Ratio (%) | 37.2 | 39.9 | 46.1 | 39.2 | 39.5 |
| Dividend Yield (%) | 2.2 | 2.1 | 1.8 | 2.0 | 2.2 |
| Profitability | | | | | |
| EBITDA Margin (%) | 11.6 | 11.4 | 13.8 | 15.2 | 14.1 |
| OP Margin (%) | 10.7 | 10.1 | 12.1 | 14.2 | 13.5 |
| NP Margin (%) | 10.4 | 8.5 | 9.8 | 11.2 | 10.8 |
| ROA (%) | 10.1 | 7.5 | 8.2 | 9.3 | 8.8 |
| ROE (%) | 18.7 | 16.3 | 17.6 | 21.1 | 19.7 |
| ROIC (%) | (141.0) | (67.7) | (56.1) | (57.0) | (50.9) |
| Stability | | | | | |
| D/E Ratio (%) | 69.7 | 105.7 | 109.9 | 104.2 | 99.0 |
| Net Debt to Equity (%) | (88.9) | (55.4) | (66.7) | (73.9) | (79.2) |
| Cash Ratio (%) | 64.2 | 65.7 | 65.3 | 74.0 | 81.5 |
| Interest Coverage (x) | 642.0 | 23.6 | 18.6 | 23.8 | 24.3 |
| Activity (%) | | | | | |
| Working Capital Turnover (t) | (7.2) | (5.1) | (4.2) | (4.0) | (4.0) |
| Inventory Turnover (d) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Receivable Turnover (d) | 58.7 | 45.7 | 38.8 | 40.8 | 41.0 |

Source: Company data, Shinhan Investment Corp.

Modetour Network Inc. (080160 KS)

Target Price & Recommendation History



| Date | Recommendation | Target Price (won) |
|--------------|----------------|--------------------|
| 2013. 08. 05 | BUY | 36,000 |
| 2013. 10. 21 | BUY | 29,000 |
| 2014. 04. 11 | BUY | 29,500 |
| 2014. 07. 27 | BUY | 30,500 |
| 2014. 10. 22 | BUY | 28,500 |
| 2014. 11. 27 | BUY | 29,000 |
| 2015. 01. 15 | BUY | 31,500 |
| 2015. 04. 10 | BUY | 47,000 |

Share Price Performance



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- ◆ Analyst Certification: The following analysts hereby certify the information and material presented in this report are accurate expressions of their views, and that they have not received wrongful pressure to express such views: JuneWon Sung, Eun Hye Kim.
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SHIC Rating Classifications (As of Jul. 25, 2011)

| Stock | Sector |
|---|--|
| ◆ BUY: Expected return of over +15% in the next 6 months | ◆ OVERWEIGHT: Prevalence of BUY rating for stocks in our sector coverage universe based on market cap |
| ◆ Trading BUY: Expected return of 0% ~ +15% in the next 6 months | ◆ NEUTRAL: Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap |
| ◆ HOLD: Expected return of -15% ~ 0% in the next 6 months | ◆ UNDERWEIGHT: Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap |
| ◆ REDUCE: Expected return of below -15% in the next 6 months | |

SHIC Universe Rating Classification Ratio (as of Aug. 3, 2015)

| | | | | | | | |
|-----------|--------|--------------------|-------|-------------|-------|---------------|----|
| BUY (BUY) | 85.64% | Trading BUY (HOLD) | 9.23% | HOLD (HOLD) | 5.13% | REDUCE (SELL) | 0% |
|-----------|--------|--------------------|-------|-------------|-------|---------------|----|