

# Modetour Network (080160 KS)

## Growth at parent, ongoing loss at subsidiaries

### BUY (MAINTAIN)

Price (Nov 3)	₩36,750
Target Price	₩51,000
% variance	38.8%

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KOSPI	2,048.40p
KOSDAQ	682.13p
Market Cap.	₩463.1bn/ US\$406.2mn
Par Value	₩500
Outstanding Shares	12.6mn
Free Floating Shares	9.6mn(76.2%)
52-Week High/Low	₩45,000/₩20,600
60-Day Avg. Trading Volume	125,636shrs
60-Day. Avg. Trading T/O	₩4,913mn
Foreign Ownership	28.04%
Major Shareholders	
Jong-Ung Woo and 7 others	17.90%
Truston Asset Management	7.19%
Absolute Performance	3M -7.1%
	6M 0.5%
	12M 74.2%
Relative performance	3M -2.7%
to KOSDAQ	6M 1.6%
	12M 41.1%

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- ◆ 3Q15 consolidated operating profit down 52.4% YoY to ₩3.3bn
- ◆ Parent to report earnings improvement, subsidiaries to stay in the red
- ◆ Retain BUY rating for a target price of ₩51,000

### 3Q15 consolidated operating profit down 52.4% YoY to ₩3.3bn

Modetour Network posted 3Q15 consolidated operating profit of ₩3.3bn (-52.4% YoY) on sales of ₩51.5bn (+9.5% YoY), missing our operating profit estimate (₩6.0bn) and the market consensus (₩6.9bn). Tour package sales dropped temporarily on cancellation of group tours and discounts after the Middle East respiratory syndrome (MERS) outbreak. Losses widened at subsidiaries.

Standalone sales and operating profit came in at ₩45.5bn (+6.2% YoY) and ₩5.5bn (-30.1% YoY), respectively. Total costs climbed due to a hike in labor and advertising expenses. Modetour International (inbound travel business), Mode Tour Development (hotel business), and Mode Stay (hotel business) incurred losses due to the MERS outbreak. Jayu Tour, which was acquired recently, likely incurred losses of more than ₩1bn.

### Parent company to report earnings improvement, subsidiaries to stay in the red

Standalone earnings should continue improving. Outbound travelers increased 21.4% YoY in October. Booking rates are likely to continue showing strong YoY growth: +31.8% for November, +37.2% for December, +25.8% for January 2016. In 4Q15, we expect standalone operating profit of ₩5.1bn (+19.1% YoY). Operating losses from subsidiaries are likely to exceed ₩500mn in 4Q15. Major subsidiaries (hotels, inbound travel, Jayu Tour) have been operating in the red since 2013 and the trend is expected to persist in 2016

### Retain BUY rating for a target price of ₩51,000

The target price of ₩51,000 was derived by applying a PER of 27x (25% discount on Hana Tour Service's PER; discount due to subsidiaries' losses and differences in market share and new businesses) to 2016F consolidated EPS of ₩1,880.

Year to Dec.	Sales (₩ bn)	OP (₩ bn)	Pre-tax (₩ bn)	NP (₩ 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	199.5	19.5	22.7	15.3	1,211	(0.6)	8,513	30.4	16.5	4.3	14.8	(63.7)
2016F	227.3	29.9	31.2	23.6	1,876	54.9	9,580	19.6	11.3	3.8	20.7	(72.2)
2017F	240.0	33.8	35.3	27.5	2,181	16.3	10,905	16.8	9.7	3.4	21.3	(77.1)

Source: Company data, Shinhan Investment Corp.

Quarterly earnings forecasts (K-IFRS consolidated)															
(bn KRW)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15P	4Q15F	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015F	2016F
Sales	40.4	36.4	47.0	40.9	50.5	49.6	51.5	47.9	56.6	52.4	64.3	54.0	164.7	199.4	227.3
OP	3.0	2.1	7.0	4.5	6.5	5.2	3.3	4.5	7.6	6.7	9.8	5.8	16.6	19.5	29.9
OP	6.5	2.7	6.1	4.0	7.6	6.3	4.2	4.7	8.2	6.7	10.2	6.0	5.3	6.5	7.5
Pre-tax profit	5.1	1.8	3.2	2.8	5.9	4.0	3.0	3.2	6.5	5.1	7.7	4.2	13.0	16.2	23.5
<b>(YoY growth, %)</b>															
Sales	10.6	19.2	7.0	13.7	25.0	36.1	9.5	17.3	12.1	5.7	24.9	12.7	12.1	21.1	14.0
OP	(37.5)	TP	(2.6)	17.2	115.2	145.2	(52.4)	1.1	18.1	28.6	194.0	27.5	5.2	17.6	53.1
NP	19.7	119.1	(47.5)	(30.1)	16.5	121.9	(7.7)	11.8	10.2	25.3	159.5	32.7	(15.2)	25.0	45.2

Source: Company data, Shinhan Investment Corp.

Quarterly earnings (K-IFRS standalone)															
(bn KRW, 1,000 people)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15P	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	4,095	4,667	4,278	4,682	4,386	5,049	4,616	14,735	17,395	18,733
Outbound customers (PKG+AIR)	361	307	367	395	487	439	486	524	562	476	556	566	1,431	1,936	2,160
Outbound customers (PKG)	263	211	249	257	335	288	291	308	375	311	364	346	980	1,222	1,396
M/S (PKG+AIR, %)	10.0	9.2	9.2	10.4	11.2	10.7	10.4	12.3	12.0	10.9	11.0	12.3	10.4	12.3	12.3
M/S (PKG, %)	7.3	6.3	6.3	6.7	7.7	7.0	6.2	7.2	8.0	7.1	7.2	7.5	6.7	7.2	29.8
Travel agent (PKG) deposits	267.6	224.4	254.4	235.0	292.6	250.4	253.1	267.7	323.9	265.8	341.2	300.5	981.4	1,063.7	1,231.4
Air ticket (AIR) deposits	65.7	65.1	79.5	83.0	91.2	87.4	115.6	121.7	110.1	93.3	120.9	121.4	293.3	415.8	445.6
<b>Operating revenue (sales)</b>															
Overseas travel brokerage sales	39.5	35.6	42.8	37.3	46.8	43.8	45.5	44.4	52.9	46.5	59.5	50.0	155.2	180.5	208.9
Airfare	34.5	30.3	36.6	30.3	40.1	36.0	36.7	35.3	43.7	37.2	50.2	40.6	131.7	148.1	171.7
Others	2.1	2.6	2.7	3.4	4.1	4.5	3.9	4.9	5.0	5.1	4.1	4.9	10.9	17.4	19.0
Operating revenue (sales)	2.9	2.7	3.5	3.6	2.7	3.3	4.8	4.2	4.2	4.2	5.2	4.6	12.7	15.0	18.2
<b>Operating expense (SG&amp;A)</b>															
Wages	12.0	10.6	10.6	10.0	12.7	12.4	12.6	12.1	14.3	13.1	15.8	13.7	43.3	49.8	56.9
Paid commissions	16.8	15.4	17.8	16.3	20.7	18.2	19.2	19.2	23.3	19.4	24.4	22.3	66.2	77.3	89.3
OP	5.1	3.8	7.9	4.3	7.1	6.3	5.5	5.1	7.9	6.6	9.5	5.5	21.1	24.1	29.5
NP	5.7	2.6	6.6	3.0	6.2	4.9	4.7	3.8	6.7	5.0	7.6	3.9	18.0	19.5	23.2
<b>(% YoY growth)</b>															
Outbound travelers (excl. flight crew)	6.1	5.1	8.3	16.2	20.6	22.6	17.3	12.4	7.5	7.1	8.2	7.9	8.9	18.1	7.7
Outbound customers (PKG+AIR)	1.7	0.7	5.1	23.5	35.0	42.9	32.4	32.5	15.4	8.5	14.3	8.0	7.6	35.3	11.6
Operating revenue	10.1	18.9	(1.1)	10.4	18.6	23.1	6.2	19.1	12.8	6.2	30.9	12.6	8.6	16.3	15.7
OP	(9.9)	112.5	(10.8)	26.8	41.0	64.2	(30.1)	19.1	11.0	4.9	71.7	6.7	7.2	14.1	22.4
NP	20.6	38.3	(12.3)	(16.8)	8.5	85.0	(29.7)	25.8	8.3	1.4	63.5	3.6	1.0	8.5	18.9
<b>&lt;Margin %&gt;</b>															
OPM	12.8	10.8	18.5	11.5	15.2	14.4	12.2	11.5	15.0	14.2	16.0	10.9	13.6	13.4	14.1
NPM	14.5	7.4	15.5	8.0	13.2	11.2	10.3	8.5	12.7	10.7	12.8	7.8	11.6	10.8	11.1

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

3Q15 consolidated results							
(bn KRW)	3Q15P	2Q15	% QoQ	3Q14	% YoY	SHIC	Consensus
Sales	51.5	49.6	3.7	47.0	9.5	50.0	52.3
OP	3.3	5.2	(36.1)	7.0	(52.4)	6.0	6.9
NP	3.0	4.0	(26.1)	3.2	(7.7)	5.0	5.1
OPM (%)	6.5	10.5		14.9		12.0	13.2
NPM (%)	5.8	8.1		6.9		10.0	9.8

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
Outbound travelers (excl. flight crew)	12,295.1	10,973.3	8,595.5	11,420.9	11,547.9	12,474.1	13,525.3	14,734.9	17,394.8	18,285.0	19,066.4
Outbound customers (PKG+AIR)	926.5	848.5	665.4	1,039.3	1,111.5	1,238.8	1,329.4	1,430.7	1,936.3	2,160.1	2,383.3
Outbound customers (PKG)	628.9	561.6	379.8	732.1	760.4	869.3	941.7	980.2	1,222.0	1,395.7	1,563.4
M/S (total, %)	7.5	7.7	7.7	9.3	9.6	9.6	9.8	10.4	12.3	12.3	12.5
M/S (package, %)	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	180.5	208.9	225.6
Overseas travel agent commission	60.0	53.8	38.8	88.9	99.5	113.2	123.6	131.7	148.1	171.7	184.1
Airfare	30.7	26.0	19.4	22.9	14.2	11.9	9.6	10.9	17.4	19.0	22.0
Others	3.6	3.3	3.2	5.3	8.3	7.7	9.7	12.7	15.0	18.2	19.5
OP	14.3	0.7	0.2	17.5	16.6	21.2	19.7	21.1	24.1	29.5	33.0
NP	11.4	0.6	1.2	14.9	13.3	17.3	17.8	18.0	19.5	23.3	26.9
(% YoY growth)											
Sales	42.1	(12.0)	(26.1)	90.8	3.4	9.7	7.6	8.6	16.3	15.7	8.0
OP	46.8	(95.0)	(67.1)	7,306.4	(4.9)	27.1	(6.8)	7.2	14.1	22.4	11.9
NP	39.1	(94.6)	96.0	1,126.8	(11.0)	30.2	3.2	1.0	8.5	19.4	15.5
<Margin %>											
OPM	15.2	0.9	0.4	14.9	13.7	15.9	13.8	13.6	13.4	14.1	14.6
NPM	12.0	0.7	2.0	12.7	11.0	13.0	12.5	11.6	10.8	11.2	11.9

Source: Company data, Shinhan Investment Corp.

Annual earnings comparison (IFRS standalone vs. IFRS 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	180.5	208.9	225.6	
OP	17.5	16.6	21.2	19.7	21.1	24.1	29.5	33.0	
NP	14.9	13.3	17.3	19.0	18.0	19.5	23.3	26.9	
(Consolidated subsidiaries earnings)									
Sales	4.8	3.9	6.1	2.5	9.5	16.4	18.4	14.4	
OP	0.6	(0.5)	0.1	(3.9)	(4.7)	(3.3)	0.4	3.0	
NP	0.2	0.3	0.3	(3.0)	(5.3)	(3.4)	0.4	2.2	
(K-IFRS consolidated)									
Sales	121.9	125.0	137.9	145.4	164.7	196.9	227.3	240.0	
OP	18.1	16.2	21.3	15.8	16.4	20.8	29.9	36.1	
NP	15.1	13.6	17.6	16.0	12.7	16.1	23.7	29.1	
Standalone vs. consolidated NP growth (%)	1.5	2.2	1.8	(16.0)	(29.4)	(17.6)	1.6	8.0	
Standalone EPS (KRW)	1,182	1,052	1,370	1,509	1,428	1,550	1,850	2,137	
<b>Consolidated EPS (KRW)</b>	<b>1,200</b>	<b>1,076</b>	<b>1,395</b>	<b>1,267</b>	<b>1,008</b>	<b>1,277</b>	<b>1,880</b>	<b>2,308</b>	
Target price (KRW, applied consolidated PER of 27x)	32,388	29,042	37,660	34,219	27,209	34,486	50,768	62,309	

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision (K-IFRS consolidated)						
(bn KRW, KRW)	2015F			2016F		
	Before	After	Change (%)	Before	After	Change (%)
Sales (consolidated)	198.5	196.9	(0.8)	226.0	227.3	0.6
OP (consolidated)	22.5	20.8	(7.3)	30.6	29.9	(2.3)
NP (consolidated)	17.9	16.1	(10.1)	23.9	23.7	(0.9)
EPS (standalone)	1,666	1,550	(7.0)	1,877	1,850	(1.4)
<b>EPS (consolidated)</b>	<b>1,420</b>	<b>1,277</b>	<b>(10.1)</b>	<b>1,899</b>	<b>1,880</b>	<b>(1.0)</b>

Source: Shinhan Investment Corp.

**Consolidated subsidiaries net profit estimates**

(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)	(688)	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)	(205)	123	410
Mode Stay	Hotel service	Korea	100.0%					700	0	800	1,200
Seoul Hotel School	Education	Korea	100.0%					(800)	(300)	25	30
Jayutour									(2,000)	(1,000)	(500)
<b>Total (mn KRW)</b>				<b>158</b>	<b>298</b>	<b>225</b>	<b>(2,530)</b>	<b>(5,289)</b>	<b>(3,429)</b>	<b>277</b>	<b>2,151</b>
<b>Total (bn KRW)</b>				<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>(2.5)</b>	<b>(5.3)</b>	<b>(3.4)</b>	<b>0.3</b>	<b>2.2</b>

Source: Company data, Shinhan Investment Corp.

**PER valuation based on consolidated net profit: Target price of W51,000**

(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2014 consolidated NP	14.0	2015F standalone NP	19.5	2015F consolidated NP	16.2	2016F consolidated NP	23.6
EPS (KRW)	1,114	EPS (KRW)	1,550	EPS (KRW)	1,287	EPS (KRW)	1,880
Target price (KRW)	24,508	Target price (KRW)	41,850	Target price (KRW)	34,749	<b>Target price (KRW)</b>	<b>50,760</b>
Target PER (x)	22.0	Target PER (x)	27.0	Target PER (x)	27.0	<b>Target PER (x)</b>	<b>27.0</b>
Current price (KRW)	36,750	Current price (KRW)	36,750	Current price (KRW)	36,750	Current price (KRW)	36,750
Current PER (x)	33.0	Current PER (x)	23.7	Current PER (x)	28.6	Current PER (x)	19.5

Source: Shinhan Investment Corp.

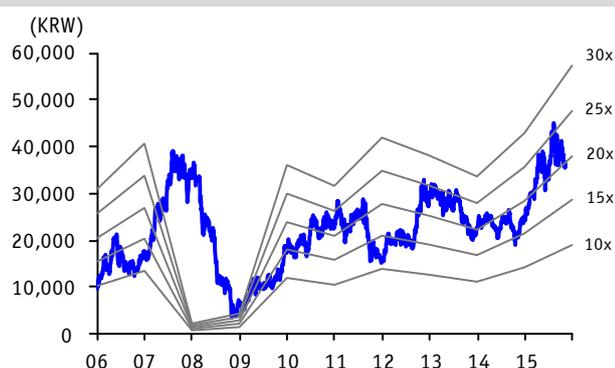
**Historical valuation and target PER**

(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
<b>PER (target)</b>								<b>Average of PER (high)</b>		<b>26.9</b>

Source: Shinhan Investment Corp.

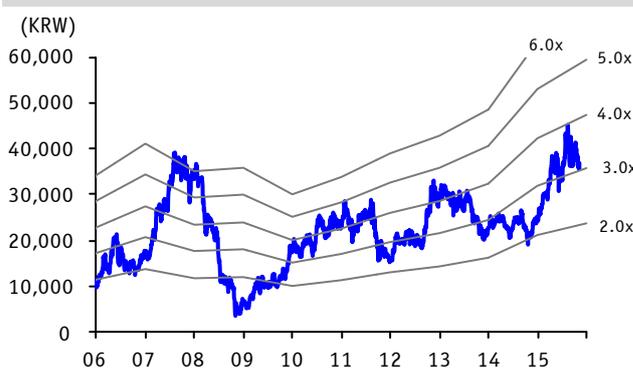
Note: PER of 27x represents a 25% discount to Hana Tour Service's PER

**12-month forward PER band**



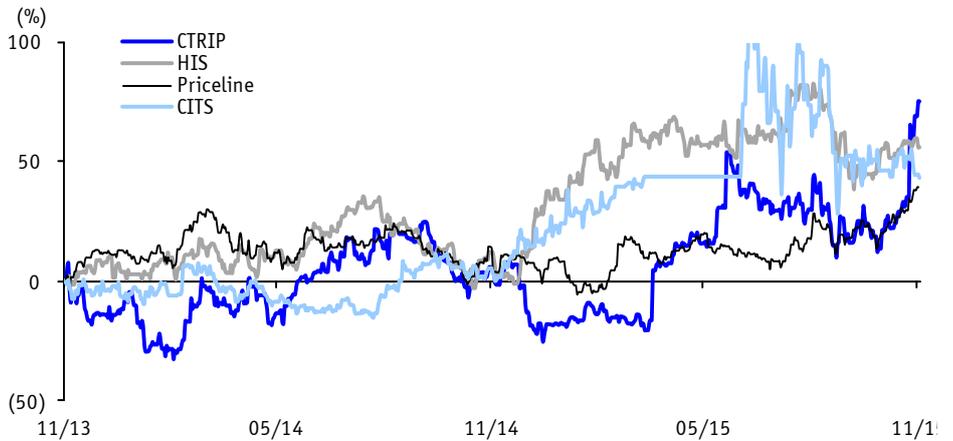
Source: Shinhan Investment Corp.

**12-month forward PBR band**



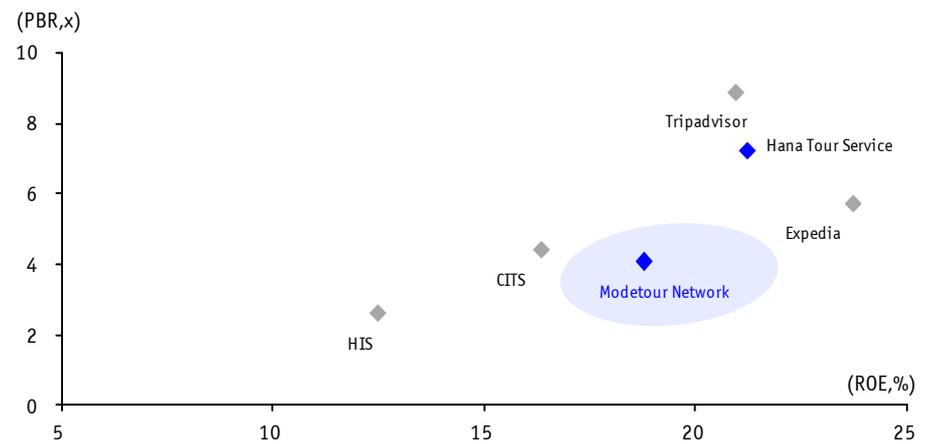
Source: Shinhan Investment Corp.

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 Bloomberg	Market cap. (bn KRW)	Share price gains		PER (x)		PBR (x)		EV/EBITDA (x)		ROE (%)	
			1-month	3-month	2015F	2016F	2015F	2016F	2015F	2016F	2015F	2016F
Hana Tour Service	039130 KS	1,568.2	28.8	51.2	36.7	26.7	7.2	6.0	23.2	17.0	21.2	25.4
Interpark INT	108790 KS	463.1	(3.0)	(4.5)	22.7	17.4	4.1	3.5	14.8	11.3	18.8	21.3
Modetour Network	080160 KS	714.7	20.9	38.6	35.3	25.4	4.7	4.1	19.4	15.6	12.2	15.3
Priceline	PCLN US	84,302.7	15.9	18.3	25.7	21.4	7.9	6.2	21.0	17.5	30.7	31.6
Ctrip	CTRP US	20,370.7	44.3	34.9	130.0	57.4	9.0	8.7	150.2	53.8	5.0	14.2
Expedia	EXPE US	19,924.6	10.4	10.5	33.3	22.4	5.7	4.9	16.8	12.4	23.7	25.8
Tripadvisor	TRIP US	13,580.0	25.3	5.5	40.6	32.4	8.9	7.1	23.6	18.8	21.0	21.1
CITS	601888 CH	8,933.3	(2.1)	(10.8)	27.7	23.0	4.4	3.8	16.5	13.6	16.4	17.7
China CYTS Tours	600138 CH	2,580.3	(0.8)	2.2	38.0	27.3	3.1	2.8	17.7	14.3	7.9	10.0
HIS	9603 JP	2,568.8	0.4	(11.9)	22.8	19.1	2.6	2.3	8.4	7.1	12.5	13.7

Source: Bloomberg, Shinhan Investment Corp.

## Balance Sheet

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
<b>Assets</b>	<b>152.3</b>	<b>224.3</b>	<b>250.3</b>	<b>277.1</b>	<b>299.3</b>
Total Current Assets	117.0	132.3	154.8	180.5	202.2
Cash and Cash Equivalents	36.4	55.3	61.5	74.2	89.9
Accounts Receivables	22.0	19.2	23.2	26.5	28.0
Inventories	0.0	0.0	0.1	0.1	0.1
Non-Current Assets	35.3	92.0	95.5	96.5	97.1
Tangible Assets	10.0	13.4	13.3	11.3	10.5
Intangible Assets	1.3	4.3	3.9	3.8	3.7
Investment Assets	18.8	18.8	22.8	26.0	27.4
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>62.6</b>	<b>115.2</b>	<b>131.8</b>	<b>145.1</b>	<b>151.1</b>
Current Liabilities	56.7	84.2	100.6	113.9	119.9
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
<b>Shareholders' Equity</b>	<b>89.8</b>	<b>109.1</b>	<b>118.6</b>	<b>132.0</b>	<b>148.2</b>
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	86.8	100.2	116.9
Owners of Parent Equity	89.4	98.7	107.3	120.7	137.4
Non-Controlling Interests Equity	0.4	10.4	11.3	11.3	10.8
*Total Debt	2.8	36.7	36.7	36.7	36.7
*Net Debts(Cash)	(79.8)	(60.4)	(75.5)	(95.3)	(114.3)

## Cash Flow

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
<b>Operating Cash Flow</b>	<b>15.5</b>	<b>29.4</b>	<b>26.1</b>	<b>27.7</b>	<b>29.5</b>
Net Profit	15.3	14.0	16.2	23.6	27.0
Depreciation	1.0	1.7	4.1	3.1	2.7
Amortization	0.3	0.4	0.6	0.5	0.4
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	8.6	3.9	2.8
(Payments of Income Taxes)	(5.7)	(4.6)	(6.5)	(7.5)	(8.3)
Others	10.5	6.7	6.5	7.5	8.3
<b>Investing Cash Flow</b>	<b>(12.3)</b>	<b>(45.6)</b>	<b>(17.0)</b>	<b>(11.7)</b>	<b>(7.0)</b>
Incr. in Tangible Assets(CAPEX)	(0.8)	(3.5)	(4.0)	(1.0)	(2.0)
Decr. in Tangible Assets	0.0	0.0	0.0	0.0	0.0
Decr.(Incr.) in Intangible Assets	(0.4)	(0.5)	(0.2)	(0.4)	(0.3)
Decr.(Incr.) in Investment Assets	(3.1)	3.8	(4.0)	(3.2)	(1.5)
Others	(8.0)	(45.4)	(8.8)	(7.1)	(3.2)
<b>Free Cash Flow</b>	<b>15.1</b>	<b>32.1</b>	<b>23.7</b>	<b>32.6</b>	<b>30.4</b>
<b>Financing Cash Flow</b>	<b>(8.5)</b>	<b>33.6</b>	<b>(6.2)</b>	<b>(6.7)</b>	<b>(10.2)</b>
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)	(6.7)	(10.2)
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
<b>Incr.(Decr.) in Cash</b>	<b>(5.4)</b>	<b>18.9</b>	<b>6.2</b>	<b>12.7</b>	<b>15.7</b>
Beginning Cash	41.8	36.4	55.3	61.5	74.2
Ending Cash	36.4	55.3	61.5	74.2	89.9

Source: Company data, Shinhan Investment Corp.

## Profit and Loss

Year to Dec. (W bn)	2013	2014	2015F	2016F	2017F
<b>Sales</b>	<b>147.0</b>	<b>164.7</b>	<b>199.5</b>	<b>227.3</b>	<b>240.0</b>
Growth (%)	6.6	12.1	21.1	14.0	5.6
<b>COGS</b>	<b>1.5</b>	<b>3.9</b>	<b>8.6</b>	<b>9.4</b>	<b>10.6</b>
<b>Gross Profit</b>	<b>145.4</b>	<b>160.8</b>	<b>190.9</b>	<b>217.9</b>	<b>229.5</b>
Gross margin (%)	99.0	97.7	95.7	95.8	95.6
<b>SG&amp;A</b>	<b>129.6</b>	<b>144.2</b>	<b>171.3</b>	<b>187.9</b>	<b>195.6</b>
<b>Operating Income</b>	<b>15.8</b>	<b>16.6</b>	<b>19.5</b>	<b>29.9</b>	<b>33.8</b>
Growth (%)	(25.7)	5.2	17.6	53.1	13.1
Operating margin (%)	10.7	10.1	9.8	13.2	14.1
<b>Other Net Non-Operating Profits</b>	<b>4.3</b>	<b>2.7</b>	<b>3.1</b>	<b>1.2</b>	<b>1.5</b>
Financial Income(Expenses)	1.7	0.7	0.4	0.7	1.0
Net Other Non-Operating Profits	2.6	1.8	2.6	0.4	0.3
Net Gains in Asso., Subs., and JVs	0.0	0.2	0.2	0.2	0.2
<b>Pre-tax Profit from Cont. Op.</b>	<b>20.1</b>	<b>19.3</b>	<b>22.7</b>	<b>31.2</b>	<b>35.3</b>
Income Taxes	4.8	5.3	6.5	7.5	8.3
Profit from Continuing Op.	15.3	14.0	16.2	23.6	27.0
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>15.3</b>	<b>14.0</b>	<b>16.2</b>	<b>23.6</b>	<b>27.0</b>
Growth (%)	(13.4)	(8.1)	15.4	45.9	14.2
Net Profit margin (%)	10.4	8.5	8.1	10.4	11.2
Net Profit of Parent	16.1	15.3	15.3	23.6	27.5
Net Profit to Non-Controlling	(0.8)	(1.3)	0.9	0.0	(0.5)
<b>Total Comprehensive Income</b>	<b>15.2</b>	<b>13.1</b>	<b>16.2</b>	<b>23.6</b>	<b>27.0</b>
Total Comp. Income of Parent	16.0	14.4	17.8	26.0	29.7
Total Comp. Income to Non-Cont.	(0.8)	(1.3)	(1.6)	(2.4)	(2.7)
<b>EBITDA</b>	<b>17.1</b>	<b>18.8</b>	<b>24.2</b>	<b>33.5</b>	<b>37.0</b>
Growth (%)	(24.3)	9.6	29.0	38.5	10.3
EBITDA Margin (%)	11.6	11.4	12.1	14.7	15.4

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

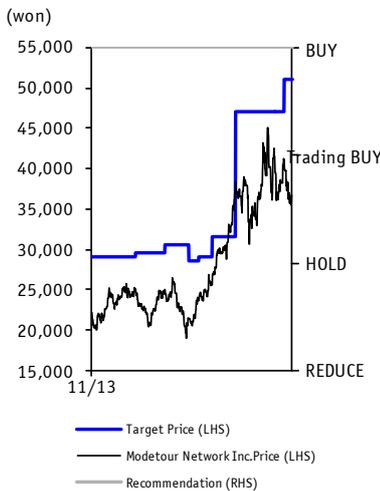
## Key Ratios

Year to Dec.	2013	2014	2015F	2016F	2017F
EPS_C (won)	1,212	1,114	1,285	1,876	2,142
EPS_P (won)	1,278	1,218	1,211	1,876	2,181
BPS_C (won)	7,125	8,657	9,409	10,476	11,762
BPS_P (won)	7,094	7,835	8,513	9,580	10,905
DPS (won)	500	510	560	850	900
PER_C (x)	18.9	21.7	28.6	19.6	17.2
PER_P (x)	18.0	19.9	30.4	19.6	16.8
PBR_C (x)	3.2	2.8	3.9	3.5	3.1
PBR_P (x)	3.2	3.1	4.3	3.8	3.4
EV/EBITDA (x)	12.3	13.6	16.5	11.3	9.7
Payout Ratio (%)	37.2	39.9	44.0	43.1	39.3
Dividend Yield (%)	2.2	2.1	1.5	2.3	2.4
<b>Profitability</b>					
EBITDA Margin (%)	11.6	11.4	12.1	14.7	15.4
OP Margin (%)	10.7	10.1	9.8	13.2	14.1
NP Margin (%)	10.4	8.5	8.1	10.4	11.2
ROA (%)	10.1	7.5	6.8	9.0	9.4
ROE (%)	18.7	16.3	14.8	20.7	21.3
ROIC (%)	(141.0)	(67.7)	(46.3)	(57.3)	(55.7)
<b>Stability</b>					
D/E Ratio (%)	69.7	105.7	111.1	109.9	102.0
Net Debt to Equity (%)	(88.9)	(55.4)	(63.7)	(72.2)	(77.1)
Cash Ratio (%)	64.2	65.7	61.1	65.1	75.0
Interest Coverage (x)	642.0	23.6	14.9	22.9	25.9
<b>Activity (%)</b>					
Working Capital Turnover (t)	(7.2)	(5.1)	(4.2)	(4.1)	(3.9)
Inventory Turnover (d)	0.1	0.1	0.1	0.1	0.1
Receivable Turnover (d)	58.7	45.7	38.8	39.9	41.4

Source: Company data, Shinhan Investment Corp.

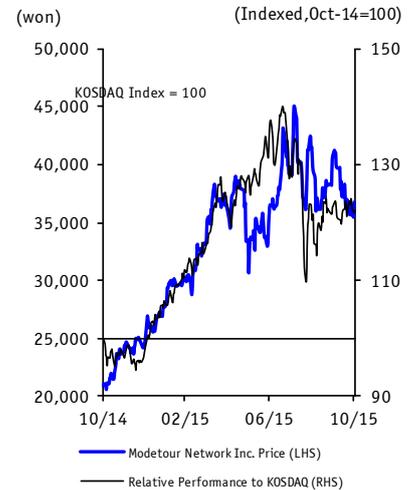
**Modetour Network Inc. (080160 KS)**

**Target Price & Recommendation History**



Date	Recommendation	Target Price (won)
2013. 11. 04	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
2015. 10. 04	BUY	51,000

**Share Price Performance**



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**SHIC Rating Classifications (As of Jul. 25, 2011)**

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

**SHIC Universe Rating Classification Ratio (as of Nov. 2, 2015)**

BUY (BUY)	89.05%	Trading BUY (HOLD)	6.19%	HOLD (HOLD)	4.76%	REDUCE (SELL)	0%
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