

Mode Tour (080160.KQ)

Company Comment | Nov 4, 2015

Strength of earnings recovery (upon release of pent-up demand) to stand out

Viewing its 3Q15 results as only representing a temporary slump, we remain upbeat towards Mode Tour, believing that its earnings will rebound on: 1) the expected release pent-up demand for package tours; 2) anticipated sharp growth for its flight ticket sales thanks to sales channel expansion; and 3) a likely narrowing in operating losses at its subsidiaries.

To display sector-strongest earnings growth from 4Q15

- We maintain a Buy rating and our target price of W51,000 on Mode Tour, believing that it is better positioned than its rivals to derive earnings benefits from an anticipated release of pent-up travel demand.
- In October, the firm's number of travelers climbed 30.1% y-y to 171,482 people. In particular, its number of package tour travelers widened 21.4% y-y to 107,562 people, and its number of flight tickets booked surged 47.8% y-y to 63,920 people. By region, package tour growth figures continued to display solid growth for short-distance travel. Moreover, a rebound in demand for long-distance destinations was also confirmed: The company's number of travelers to Japan, Southeast Asia, and Europe increased 41.6% y-y, up 17.8% y-y and up 14.4% y-y, respectively.
- We believe that Mode Tour's subsidiary JaU Tour (acquired in 2Q15) has been incurring greater operating costs in order to normalize its business operations (for the purpose of generating top-line growth). Thus, we now believe that the subsidiary's operating loss this year will be higher than our previous forecast—estimating a 2015 operating loss of W2.9bn, we expect JaU Tour reach breakeven point by 2H17.
- Thanks to likely sales volume growth upon the release of pent-up demand for package tours and a slowing of the pace of decline in the firm's ASP, we forecast that earnings figures at Mode Tour's travel arm will recover from 4Q15. Assuming that operating losses at its subsidiaries narrow going forward, we consider Mode Tour as being well situated to enjoy the strongest earnings growth within the sector.

3Q15 results: Operating losses at subsidiaries pull down earnings further

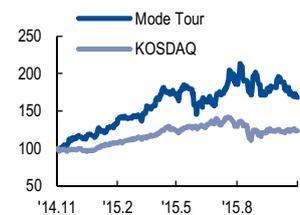
- Mode Tour announced 3Q15 consolidated sales of W51.5bn (up 9.5% y-y), operating profit of W3.3bn (down 52.4% y-y), and net profit (excl minority interests) of W3.2bn (down 25.6% y-y), with operating profit and net profit falling short of both our estimates and consensus.
- In non-consolidated (separate) terms, Mode Tour registered 3Q15 sales of W45.5bn (up 6.2% y-y) and operating profit of W5.5bn (down 30.1% y-y). Although the pace of decline in its ASP (down 14.8% y-y) proved to be in line our projection, higher promotion (for flight ticket sales) and labor costs nullified operating leverage effects.
- Operating losses at Mode Tour's subsidiaries widened to W2.2bn in 3Q15 (vs 3Q14: operating loss of W0.92bn) due to disappointing results at both the firm's inbound traveller-oriented subsidiaries (Mode Tour International, Mode Stay, and Mode Tourism Development) and JaU Tour (operating loss estimated at around W1.3bn). Furthermore, we note that Mode Tour Reits was reclassified as an affiliated subsidiary (previously considered as a consolidated subsidiary), ruling out its operating profit contribution (1H15: operating profit of W0.48bn).

Buy (maintain)

TP W51,000 (maintain)
CP ('15/11/03) W36,750

Sector	Service
Kospi	2,048.40
Kosdaq	682.13
Market cap (common)	US\$410.6mn
Outstanding shares (common)	12.6mn
52W high ('15/07/22)	W45,000
low ('14/11/06)	W20,600
Average trading value (60D)	US\$4.3mn
Dividend yield (2015E)	1.4%
Foreign ownership	28.0%

Price trend



Justin Kim, Analyst
822)768-7618, justin.kim@nhwm.com

3Q15 review

(Units: Wbn, %)

	3Q14	4Q14	1Q15	2Q15	3Q15P					4Q15E
					Actual	y-y	q-q	Estimates	Consen	
Sales	47.0	40.9	50.4	49.6	51.5	9.5	3.7	49.2	52.3	52.6
Operating profit	7.0	4.5	6.3	5.2	3.3	-52.4	-35.3	5.8	6.9	5.4
Operating margin	14.9	11.0	12.4	10.4	6.5	-	-	11.9	13.1	10.3
Pre-tax profit	6.1	4.0	7.4	6.3	4.2	-31.7	-33.6	6.5	7.4	5.4
Net profit (excl minority interests)	4.3	3.5	5.6	4.1	3.2	-25.6	-21.9	5.3	5.1	4.7

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	204.0	248.4	281.9
	- Previous		202.1	246.9	278.1
	- Change		1.0	0.6	1.4
Operating profit	- Revised	16.6	20.1	29.6	35.4
	- Previous		23.3	31.8	37.3
	- Change		-13.6	-7.0	-5.1
Operating margin	- Revised	10.1	9.9	11.9	12.6
EBITDA		18.8	23.1	33.9	41.4
Net profit (excl minority interests)		15.3	17.7	25.0	28.8
EPS	- Revised	1,218	1,402	1,983	2,285
	- Previous		1,589	2,042	2,393
	- Change		-11.7	-2.9	-4.5
P/E		19.9	26.2	18.5	16.1
P/B		3.1	4.2	3.7	3.2
EV/EBITDA		13.5	16.2	10.9	8.8
ROE		16.3	16.9	21.1	21.2

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	2Q15	3Q15P	4Q15E	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015E	2016F
Sales	40.4	36.4	47.0	40.9	50.4	49.6	51.5	52.6	62.9	58.8	62.5	64.2	164.7	204.0	248.4
Change (% y-y)	10.6	19.2	7.0	13.7	24.8	36.1	9.5	28.7	24.9	18.6	21.4	22.0	12.1	23.9	21.7
Headquarter	39.5	35.6	42.8	37.3	46.8	43.8	45.5	46.1	57.6	51.2	54.2	53.3	155.2	182.2	216.3
Change (% y-y)	10.1	18.9	-1.1	10.4	18.6	23.1	6.2	23.6	22.9	17.0	19.2	15.6	8.6	17.4	18.7
Subsidiaries	2.5	2.3	3.7	2.5	4.4	5.3	5.6	7.5	6.6	8.8	9.5	12.2	11.0	25.5	37.1
Change (% y-y)	523.9	201.5	286.2	1.0	77.1	132.0	50.3	198.0	50.7	10.1	69.9	61.8	119.0	131.1	45.5
Operating profit	3.0	2.1	7.0	4.5	6.3	5.0	3.3	5.4	6.7	6.2	8.2	8.5	16.6	20.1	29.6
Change (% y-y)	-37.5	TTP	-2.6	17.2	108.6	135.9	-52.4	20.4	7.8	19.8	144.6	57.8	5.2	21.2	46.9
Operating margin	7.4	5.8	14.9	11.0	12.4	10.1	6.5	10.3	10.7	10.5	13.1	13.3	10.1	9.9	11.9
Headquarter	5.1	3.8	7.9	4.3	7.1	6.3	5.5	6.3	7.4	6.3	8.4	8.1	21.1	25.3	30.2
Change (% y-y)	-9.9	112.5	-10.8	26.8	41.0	63.3	-30.1	46.9	3.9	0.7	51.1	27.3	7.2	19.6	19.3
Subsidiaries	-2.1	-1.9	-0.9	0.4	-0.8	-1.3	-2.2	-0.9	-0.7	-0.1	-0.2	0.5	-4.5	-5.1	-0.6
Change (% y-y)	RR	RR	RR	-21.4	RR	TTP	RR	RR	TTP						
Pre-tax profit	6.5	2.7	6.1	4.0	7.4	5.5	4.2	5.4	7.2	6.5	8.6	8.9	19.3	23.2	31.3
Change (% y-y)	17.7	114.0	-27.3	-18.4	13.8	104.4	-31.7	35.0	-2.6	4.3	108.2	63.9	-3.9	20.1	35.1
NP (excl minority interests)	5.2	2.3	4.3	3.5	5.6	3.5	3.2	4.7	5.7	5.2	6.9	7.1	15.3	17.7	25.0
Change (% y-y)	19.5	89.2	-34.9	-9.2	7.6	56.6	-25.6	33.3	2.3	26.4	114.4	51.3	-4.7	15.1	41.4

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

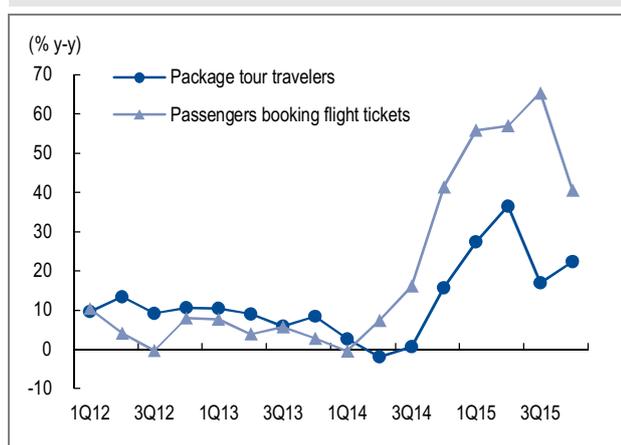
Quarterly and annual earnings forecasts (IFRS non-consolidated)

(Units: Wbn, %, %p)

(Wbn)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15P	4Q15E	1Q16F	2Q16F	3Q16F	4Q16F	2014	2015E	2016F
Gross sales	297.8	293.9	333.8	318.0	383.7	337.8	368.7	375.6	463.0	388.0	426.4	421.2	1,274.6	1,465.9	1,698.6
Change (% y-y)	-8.1	5.1	-3.3	10.3	15.1	16.7	10.4	18.1	20.6	14.9	15.7	12.1	3.0	15.0	15.9
Net sales-to gross sales ratio (%)	13.3	12.1	12.8	11.7	12.2	13.0	12.3	12.3	12.4	13.2	12.7	12.7	12.2	12.4	12.7
Sales	39.5	35.6	42.8	37.3	46.8	43.8	45.5	46.1	57.6	51.2	54.2	53.3	155.2	182.2	216.3
Change (% y-y)	10.1	18.9	-1.1	10.4	18.6	23.1	6.2	23.6	22.9	17.0	19.2	15.6	8.6	17.4	18.7
Operating expenses	34.4	31.7	34.9	33.0	39.7	37.5	39.9	39.8	50.2	44.9	45.8	45.3	134.1	157.0	186.2
Change (% y-y)	13.8	12.8	1.5	8.5	15.3	18.3	14.4	20.6	26.4	19.7	14.8	13.7	8.8	17.1	18.6
% of sales	87.2	89.2	81.5	88.5	84.8	85.7	87.8	86.3	87.1	87.7	84.6	84.9	86.4	86.1	86.1
Labor costs	12.0	10.6	10.6	10.4	12.8	11.6	12.6	11.8	15.2	14.1	13.7	12.8	43.6	49.5	55.9
% of sales	30.3	29.8	24.9	27.8	27.4	26.4	27.7	25.5	26.5	27.6	25.3	24.0	28.1	27.1	25.8
Commissions	16.8	15.4	13.3	11.3	15.8	14.2	15.6	15.5	20.6	16.6	18.1	17.5	49.4	61.1	72.8
% of sales	42.5	43.2	31.0	30.4	33.8	32.5	34.3	33.6	35.7	32.4	33.3	32.9	31.8	33.6	33.6
Ad expenses	1.9	1.7	2.5	2.5	1.9	3.1	3.1	3.2	2.5	3.7	4.0	3.8	8.5	11.4	14.0
% of sales	4.8	4.6	5.7	6.6	4.0	7.0	6.8	6.9	4.3	7.3	7.3	7.2	5.5	6.3	6.5
Operating profit	5.1	3.8	7.9	4.3	7.1	6.3	5.5	6.3	7.4	6.3	8.4	8.1	21.1	25.3	30.2
Change (% y-y)	-9.9	112.5	-10.8	26.8	41.0	63.3	-30.1	46.9	3.9	0.7	51.1	27.3	7.2	19.6	19.3
Operating margin	12.8	10.8	18.5	11.5	15.2	14.3	12.2	13.7	12.9	12.3	15.4	15.1	13.6	13.9	13.9
Key assumptions															
Outbound Korean travelers ('000 pns)	3,610	3,337	3,972	3,807	4,355	4,095	4,667	4,352	4,798	4,439	5,026	4,672	14,726	17,469	18,935
Change (% y-y)	6.1	5.1	8.2	16.2	20.6	22.7	17.5	14.3	10.2	8.4	7.7	7.4	8.9	18.6	8.4
Package tour travelers ('000 pns)	263	211	249	257	335	288	291	314	394	323	328	345	980	1,228	1,390
Change (% y-y)	2.6	-2.0	0.6	15.7	27.3	36.4	16.9	22.3	17.6	12.3	12.6	9.9	4.1	25.3	13.2
Travelers booking flight tickets ('000 pns)	98	97	118	139	152	152	195	195	191	180	236	224	451	693	830
Change (% y-y)	-0.6	7.3	16.1	41.4	55.7	56.9	65.3	40.4	25.4	18.6	21.0	15.2	16.2	53.8	19.8
Mode Tour market share	10.0	9.2	9.2	10.4	11.2	10.7	10.4	11.7	12.2	11.3	11.2	12.2	9.7	11.0	11.7
Change (% y-y)	-0.4	-0.4	-0.3	0.6	1.2	1.5	1.2	1.3	1.0	0.6	0.8	0.5	-0.1	1.3	0.7

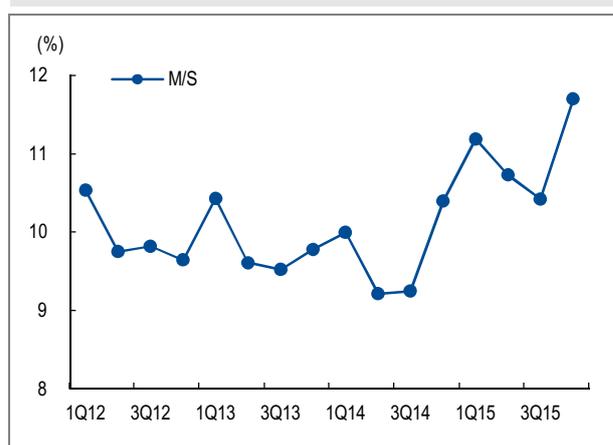
Source: Mode Tour, NH I&S Research Center estimates

Quarterly passenger traffic growth



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

Market share in quarterly outbound travelers



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

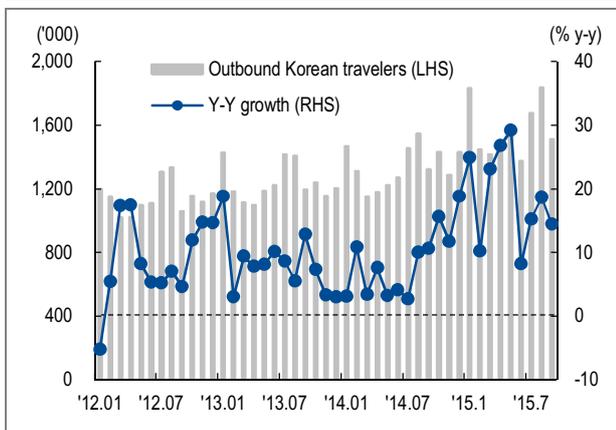
Outbound Korean travelers and inbound foreign visitors

(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
'12.09	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
'15.7	1,675,332	629,737	255,632	81,748	71,941	220,416	15.2	-53.5	-63.1	-52.6	-46.9	-37.9
'15.8	1,835,249	1,069,314	513,275	148,632	97,183	310,224	18.6	-26.5	-32.3	-28.6	-23.4	-14.2
'15.9	1,511,657	1,206,764	591,242	157,313	118,631	339,578	14.4	-3.1	4.8	-19.9	-10.4	-3.8

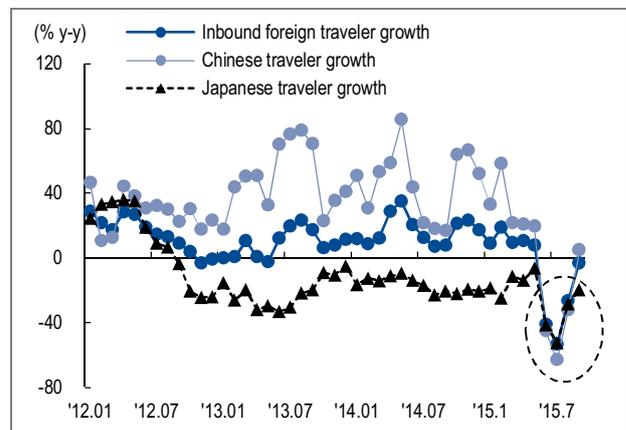
Source: KTO, NH I&S Research Center

Outbound Korean travelers already back to normal



Source: KTO, NH I&S Research Center

Inbound foreign travelers expected to recover from 4Q15



Source: KTO, NH I&S Research Center

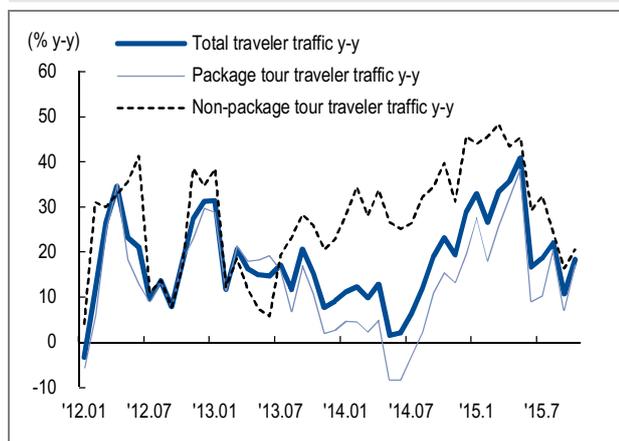
Monthly outbound traveler growth and Hana Tour/Mode Tour's traffic growth

(Units: pns, %)

Month	Outbound travelers	y-y	Hana Tour						Mode Tour								
			Total	y-y	Package	y-y	Non-package	y-y	M/S	Total	y-y	Package	y-y	Non-package	y-y	M/S	
'12.10	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	
'15.01	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	
'15.02	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	
'15.03	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	
'15.04	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	
'15.05	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	
'15.06	1,261,209	9.0	261,040	16.6	151,442	9.0	109,598	29.1	20.7	128,567	24.6	77,715	12.7	50,852	48.8	10.2	
'15.07	1,564,344	17.0	312,180	17.8	182,138	10.6	130,042	29.5	20.0	159,405	31.0	94,827	15.5	64,578	63.1	10.2	
'15.08	1,712,258	20.1	342,760	22.0	208,830	20.6	133,930	24.3	20.0	180,514	37.2	109,205	20.4	71,309	74.3	10.5	
'15.9	1,390,125	15.0	269,354	10.6	159,852	7.0	109,502	16.3	19.4	146,234	28.4	87,397	14.1	58,837	57.8	10.5	
'15.10	N/A	N/A	331,722	18.3	210,322	17.1	121,400	20.5	N/A	171,482	30.1	107,562	21.4	63,920	47.8	N/A	
'15.11						24.8							31.8				
'15.12			Change in booking ratio (as of Nov 1)				25.3				Change in booking ratio (as of Nov 1)				37.2		
'16.01						29.8							25.8				

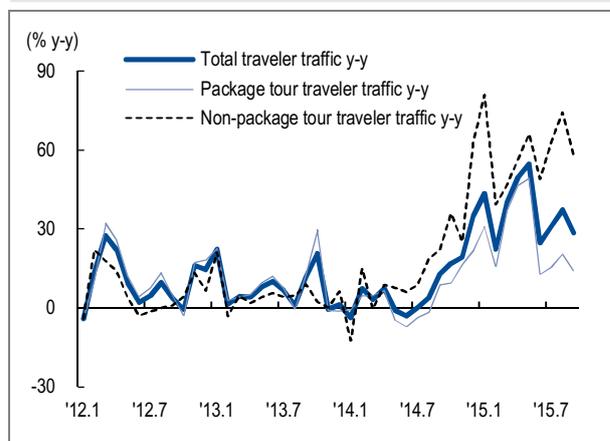
Note: Total number of outbound travelers excluding flight attendants; Source: KTO, Company data, NH I&S Research Center

Hana Tour: Monthly passenger traffic growth



Source: Hana Tour, NH I&S Research Center

Mode Tour: Monthly passenger traffic growth



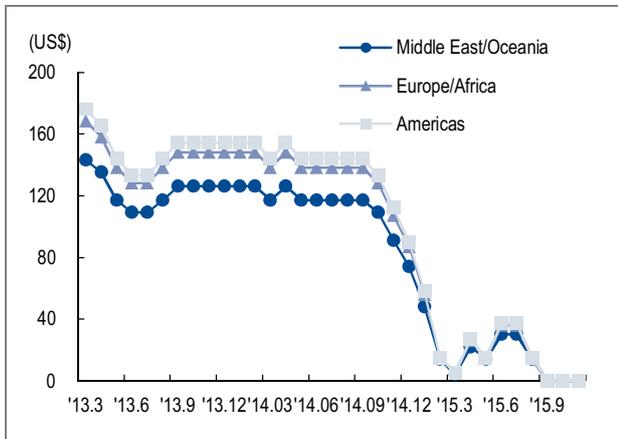
Source: Mode Tour, NH I&S Research Center

Fuel surcharges, by route (Units: US\$)

	Japan/ Shandong (China)	China/ Northeast Asia	Southeast Asia	Southwest Asia/ CIS	Middle East/ Oceania	Europe/ Africa	Americas
'13.3	29	50	66	79	143	168	176
'13.4	27	47	62	74	135	158	165
'13.5	24	41	54	64	117	138	144
'13.6	22	38	50	60	109	128	133
'13.7	22	38	50	60	109	128	133
'13.8	24	41	54	64	117	138	144
'13.9	25	44	58	69	126	148	154
'13.10	25	44	58	69	126	148	154
'13.11	25	44	58	69	126	148	154
'13.12	25	44	58	69	126	148	154
'14.01	25	44	58	69	126	148	154
'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
'15.9	0	0	0	0	0	0	0
'15.10	0	0	0	0	0	0	0
'15.11	0	0	0	0	0	0	0

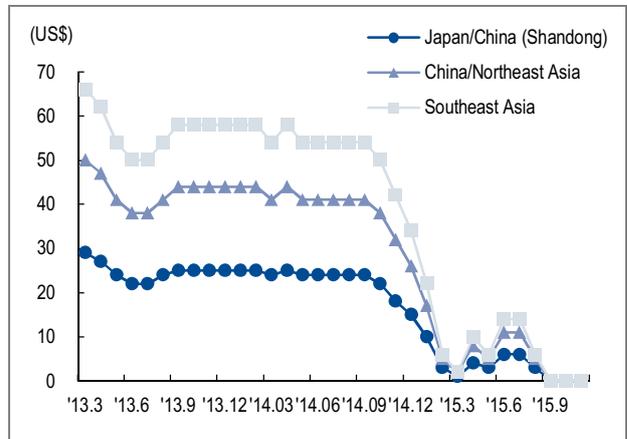
Note: One-way ticket basis
Source: MOLIT, NH I&S Research Center

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

STATEMENT OF COMPREHENSIVE INCOME

(Wbn)	2014/12	2015/12E	2016/12F	2017/12F
Sales	165	204	248	282
Growth (%)	12.1	23.9	21.7	13.5
COGS	4	8	17	26
Gross Profit	161	196	232	256
Gross margin (%)	97.7	96.0	93.3	90.7
SG&A	144	176	202	220
Operating Income	17	20	30	35
Growth (%)	5.2	21.2	46.9	19.7
Operating margin (%)	10.1	9.9	11.9	12.6
EBITDA	19	23	34	41
Non-Operating Profit	3	3	2	2
Financial Income(Costs)	1	1	2	2
Other Non-Operating Profit	2	2	0	0
Gains(Losses) in Associates, Subsidiaries and JVs	0	0	0	1
Pre-tax Profit from Cont. Op.	19	23	31	38
Income Taxes	5	6	8	9
Profit from Continuing Op.	14	17	24	29
Net Profit	14	17	24	29
Growth (%)	-8.1	20.3	40.9	21.0
Net margin (%)	8.5	8.3	9.6	10.2
Net Profit of Parent	15	18	25	29
Net Profit to Non-Controlling	-1	-1	-1	0
Other Comprehensive Income	-1	0	0	0
Total Comprehensive Income	13	17	24	29

VALUATION INDEX

	2014/12	2015/12E	2016/12F	2017/12F
Price/Earnings (x)	19.9	26.2	18.5	16.1
P/E (High, x)	21.8	32.5	23.0	19.9
P/E (Low, x)	15.4	17.4	12.3	10.7
Price/ Book Value (x)	3.1	4.2	3.7	3.2
P/B (High, x)	3.4	5.2	4.5	3.9
P/B (Low, x)	2.4	2.8	2.4	2.1
Price/ Gross Cash Flow (x)	14.0	18.5	13.6	10.9
Price/ Sales (x)	1.9	2.3	1.9	1.6
P/E / EPS growth (x)	0.9	1.1	1.4	1.2
P/E / EBITPS growth (x)	0.7	1.0	1.2	1.2
P/E / EBITDAPS growth (x)	0.7	0.9	1.1	1.1
EV/ EBITDA (x)	13.5	16.2	10.9	8.8
EV/ EBIT (x)	15.2	18.6	12.5	10.3
Enterprise Value (Wbn)	253	374	370	366
EPS CAGR (3-Yr) (%)	22.7	23.3	13.7	13.3
EBITPS CAGR (3-Yr) (%)	28.7	27.1	15.8	13.6
EBITDAPS CAGR (3-Yr) (%)	30.2	28.3	17.1	14.1
EBITPS (won)	1,318	1,599	2,349	2,812
EBITDAPS (won)	1,488	1,834	2,694	3,286
Fully diluted EPS (won)	1,218	1,402	1,983	2,285
BVPS (won)	7,835	8,752	10,050	11,555
CFPS (won)	1,734	1,984	2,710	3,357
Sales PS (won)	13,070	16,192	19,711	22,373
DPS (won)	510	510	720	820

CASH FLOW STATEMENT

(Wbn)	2014/12	2015/12E	2016/12F	2017/12F
Operating Cash Flow	29	19	25	34
Net Profit	14	17	24	29
Depreciation & Amortization	2	3	4	6
+ 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	25	34	42
- Incr. (Decr.) in WC	11	-1	-4	-1
Investing Cash Flow	-46	13	-27	-29
+ Decr. In Tangible Assets	0	0	0	0
- Incr. In Tangible Assets (capex)	-3	-8	-10	-15
+ Disp.(Acq.) of Inv. Assets	0	-16	-3	-3
Free Cash Flow	26	11	15	19
Net Cash Flow	-16	33	-3	5
Financing Cash Flow	34	-32	-5	-7
Equity Financing	0	0	0	0
Debt Financing	33	-32	-5	-7
Incr.(Decr.) in Cash	19	1	-7	-3
Ending Cash and Cash Equivalents	55	56	49	46
Net Debt (Cash)	-62	-99	-101	-105

RIM & EVA

	2014/12	2015/12E	2016/12F	2017/12F
RIM				
Spread (FROE-COE) (%)	6.9	6.8	12.6	12.6
Residual Income	6.5	8.8	14.9	17.3
12M RIM Target Price (won)	51,159			
EVA				
Invested Capital	-21.1	-12.5	-2.6	9.4
NOPAT	12.1	15.6	22.5	26.9
ROIC (%)	-86.5	-92.5	-297.3	799.1
ROIC - WACC (%)	-92.4	-98.9	-303.1	793.1
EVA	19.5	12.4	8.0	74.4
DCF				
EBIT	16.6	20.1	29.6	35.4
+ Depreciation/Amortization	2	3	4	6
- Capex	-3.5	-8.0	-10.0	-15.0
- Incr. (Decr.) in Working Capital	21.4	-0.9	-1.2	0.0
Free Cash Flow for Firm	-10.6	10.5	18.0	17.9
WACC				
Cost of Debt (Tax Adj.)	2.6	1.7	2.0	2.1
Cost of Equity (COE)	9.4	10.1	8.5	8.5
WACC (%)	5.9	6.4	5.7	5.9

STATEMENT OF FINANCIAL POSITION

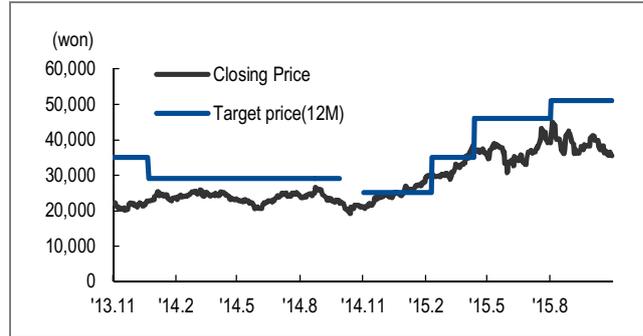
(Wbn)	2014/12	2015/12E	2016/12F	2017/12F
Cash and Cash Equivalents	55	56	49	46
Accounts Receivables	19	20	21	22
Total Current Assets	132	148	157	167
Tangible Assets	13	20	27	38
Investment Assets	19	35	38	41
Non-Current Assets	92	66	77	92
Assets	224	213	234	259
Short-Term Debt	6	7	9	10
Account Payables	0	0	0	0
Current Liabilities	84	89	95	101
Long-Term Debt	31	4	4	4
Long-Term Allowance	0	0	0	0
Non-Current Liabilities	31	4	4	4
Liabilities	115	94	99	105
Capital Stock	6	6	6	6
Capital Surplus	28	28	28	28
Retained Earnings	78	90	106	125
Non-Controlling Interests Equity	10	10	8	8
Shareholders' Equity	109	120	135	154

PROFITABILITY & STABILITY

	2014/12	2015/12E	2016/12F	2017/12F
ROE (%)	16.3	16.9	21.1	21.2
ROA (%)	7.5	7.7	10.6	11.7
ROIC (%)	-86.5	-92.5	-297.3	799.1
EBITDA/equity (%)	17.2	19.3	25.1	26.9
EBITDA/assets (%)	8.4	10.8	14.5	16.0
Dividend Yield (%)	2.1	1.4	2.0	2.2
Payout Ratio (%)	39.9	34.6	34.6	34.1
Total Cash Dividend (Wbn)	6	6	9	10
Cash DPS (won)	510	510	720	820
Net debt(cash)/ equity (%)	-56.9	-82.2	-74.8	-68.4
Debt/ equity (%)	105.7	78.0	73.6	68.1
Net interest exp/ sales (%)	37	11	13	14
Interest coverage (x)	0.4	0.2	0.1	0.1
Current Ratio (%)	23.6	45.4	146.2	153.7
Quick Ratio (%)	157.2	165.2	165.1	165.9
Total shares (mn)	13	13	13	13
Par value (won)	500	500	500	500
Share price (won)	24,200	36,750	36,750	36,750
Market Cap (Wbn)	305	463	463	463

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)	



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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 Oct 30, 2015).

● NH I&S' stock rating distribution

Buy	Hold	Sell
70.3%	28.6%	1.1%

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

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