



Tour



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Company	Rating	TP (won)
Hana Tour Service	BUY (M)	124,000 (U)
Modetour Network	BUY (M)	38,000 (U)

4Q Hana/Modetour preview, tour indicators

4Q17E Hana Tour/Modetour consolidated earnings

Hana Tour: We believe 4Q17 consolidated sales came to W175.2bn (+19% YoY), OP W14.7bn (+285% YoY), and net profit from controlling interest (NPCI) W11.0bn (+336% YoY). OP likely beat consensus of W12.0bn by about 20%. Consolidated OP likely broke down as follows: parent W14.1bn, domestic subsidiaries -W4.5bn (duty-free -W5.5bn, other W1.0bn), and overseas subsidiaries W5.2bn. We believe parent-only earnings were ultra-strong thanks to strong package tour sales and deferred earnings.

Modetour: We believe 4Q17 consolidated sales came to W74.4bn (+26% YoY), OP W5.1bn (+34% YoY), and NPCI W4.3bn (+51% YoY). OP likely beat consensus of W6.7bn by about 20%. Consolidated OP likely broke down as follows: parent W4.9bn and subsidiaries W0.2bn. We estimate parent sales at W63.0bn (+24% YoY) and OP at W4.9bn (-9% YoY). The decline in parent OP is attributable to incentives and an increase in ad and PR expenses (TV commercials and product placement in TV series).

Major indicators for tour business

Booking rate at Hana Tour/Modetour (as of Jan 2): +44% at Hana Tour/ +26% at Modetour for Jan 2018 → +6%/+6% for February → +48%/+54% for March.

The booking rate for 1Q18 is very high at both Hana Tour and Modetour, with the rate low only in February due to the Pyeongchang Winter Olympics. We believe outbound tour demand will remain strong in 2018 thanks to more flights by domestic LCCs and a stronger won vs 2017. In addition, demand for tours to China will also likely recover in 2018, after shrinking in 2017 due to strained Korea-China relations. For your information, the number of package tourists for 2017 came to 3.67mn people at Hana Tour Service and 1.50mn people at Modetour Network. Even if the two companies do not see growth at all outside China in 2018, as long as the number of tourists to China recovers to 2016 levels, both will likely see the number of package tourists grow 5% YoY and 7% YoY, respectively, in 2018.

Airport capacity: With the opening of Terminal 2 at Incheon International Airport (IIA) in Jan 2018, the airport's annual capacity has expanded from 52mn to 72mn passengers. In 2017, 62.08mn passengers visited IIA. Higher capacity should help address potential bottle-necks and expand flight routes. Gimhae airport has also decided to increase the number of take-offs and landings per hour from 18 to 24 on weekdays and from 24 to 26 on weekends (195 more a week), which will likely result in the addition of new routes. The number of periodic LCC flights a week over the 2017/2018 winter season (Oct 29, 2017~Mar 24, 2018) has grown to 1,309 flights (+28% yoY, +15% QoQ). This should be maintained into summer 2018 given the expanding airport capacity and favorable outbound market conditions.

Fuel surcharge: In Jan 2018, fuel surcharges applied to international flights were level 3. Given that Singaporean jet fuel stands at \$79/bbl this month, level 3 or 4 will likely be applied next month, not serious enough to undermine outbound demand.

Revise up target price We reiterate BUY on Hana Tour and revise up our TP from W108,000 to W124,000. Our new TP implies 2018E adjusted EPS (assuming tax-free operations break-even) of W4,440 and a P/E of 28x. For Modetour, we reiterate BUY and revise up our TP from W30,000 to W38,000, implying a 2018E P/E of 22x.

Hana Tour Service: consolidated earnings

Hana Tour Service: 4Q17E consolidated OP of W15bn (+285% YoY)													(Wbn)		
	2016				2017				2018				Full-year		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE	2016	2017E	2018E
Sales	149	140	160	147	171	163	167	175	180	172	193	185	596	676	729
Parent	104	86	104	92	113	105	107	113	124	110	126	119	386	437	478
Domestic subsidiaries	33	44	46	42	43	44	44	46	40	47	50	50	165	176	187
SM Duty Free	19	26	27	23	25	23	23	22	21	25	25	25	94	93	96
Other	14	18	20	19	18	21	21	24	19	22	24	25	71	83	91
Overseas subsidiaries	20	18	19	21	24	26	26	26	26	28	28	28	78	101	111
Operating profit	10	-3	10	4	10	5	10	15	21	13	20	19	21	40	73
Parent	11	0	13	6	16	9	9	14	17	7	14	12	30	48	51
Domestic subsidiaries	-6	-8	-7	-6	-11	-9	-5	-5	-2	-1	-1	0	-28	-29	-3
SM Duty Free	-7	-8	-6	-7	-8	-10	-5	-6	-2	-2	-2	-1	-28	-29	-7
Other	0	0	-1	1	-3	1	1	1	0	1	1	1	0	0	4
Overseas subsidiaries	5	5	5	4	5	5	5	5	6	7	7	7	18	20	26
Operating margin (%)	6	-2	6	3	6	3	6	8	12	8	10	10	4	6	10
Parent	11	0	12	7	14	8	9	12	14	7	11	10	8	11	11
Domestic subsidiaries	-19	-17	-16	-15	-25	-20	-11	-10	-5	-2	-1	0	-17	-16	-2
SM Duty Free	-35	-30	-24	-31	-33	-42	-23	-25	-11	-7	-7	-3	-30	-31	-7
Other	2	1	-4	3	-14	3	3	4	1	5	5	4	0	0	4
Overseas subsidiaries	24	24	25	20	21	20	19	20	23	23	23	23	23	20	23
Net profit, CI	4	-5	6	3	5	-2	4	11	14	8	12	12	8	18	46
Net margin (%)	3	-3	4	2	3	-2	2	6	8	5	6	7	1	3	6
Change (% YoY)															
Sales	26	28	49	18	15	16	4	19	5	6	16	5	30	14	8
Operating profit	-43	TTR	47	-58	7	TTB	-5	285	106	170	98	28	-53	90	83
Net profit	-69	TTR	120	-62	39	RR	-37	336	159	TTB	206	10	-74	122	158
[Parent earnings estimates]															
[Tourist indicators]															
Package tourists ('000 people)	770	700	810	770	940	830	930	970	1,090	970	1,100	1,080	3,040	3,670	4,260
(% YoY)	27	32	47	25	21	20	15	26	16	17	19	12	32	20	16
ASP (W'000)	718	682	684	639	658	675	630	649	619	621	592	597	681	660	607
(% YoY)	-13	-17	-14	-14	-8	-1	-8	2	-6	-8	-6	-8	-15	-3	-8
Sales conversion rate (%)	16	14	16	15	16	15	16	16	16	15	16	15	15	15	16
Parent net revenue	104	86	104	92	113	105	107	113	124	110	126	119	386	437	478
Commission from air ticket sales	3	3	3	4	3	3	2	2	3	3	4	3	12	9	12
Commission from package tour sales	87	68	89	74	97	87	90	97	106	91	107	98	317	371	400
Other commissions	11	11	9	10	10	11	11	10	12	12	13	14	41	42	51
Other	3	5	3	4	3	4	3	4	4	4	3	4	16	15	15
Parent operating expense	93	86	91	86	97	96	97	99	107	102	112	106	355	389	428
Salary and bonus	23	20	23	20	25	22	26	21	26	24	26	22	86	94	97
Ad & PR	3	10	6	7	5	9	5	9	6	10	7	10	26	28	32
Commissions paid	38	32	37	32	41	38	37	40	46	40	47	45	139	156	177
Equity compensation	0	-	-	-	-	-	-	-	-	-	-	-	0	0	0
Other	28	25	25	26	27	27	29	28	29	29	33	30	105	111	121
Parent operating profit	11	0	13	6	16	9	9	14	17	7	14	12	30	48	51
Operating margin (%)	11	0	12	7	14	8	9	12	14	7	11	10	8	11	11

Note: For 2008~2013, ASP is derived by dividing total package tour deposits by the number of overseas package tourists; from 2014, ASP is based on Hana Tour's IR materials; TTR = turn to red, TTB = turn to black, RR = remain red

Source: Yuanta Securities

SM Duty Free earnings													(Wbn)			
	2016				2017				2018				Full-year			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE	2015	2016	2017E	2018E
Sales	19	26	27	23	25	23	23	23	25	26	28	29	10	94	94	108
COGS	7	9	10	9	14	16	14	14	11	12	13	13	4	36	58	49
Sales-to-COGS	35	37	38	41	54	70	62	62	45	45	45	45	37	38	62	45
Gross profit	12	16	16	14	12	7	9	9	14	14	15	16	7	59	36	59
Gross margin	65	63	62	59	46	30	38	38	55	55	55	55	63	62	38	55
SG&A expense	19	24	23	21	20	16	14	14	16	16	17	17	13	87	64	66
SG&A-to-sales	100	92	87	90	79	72	61	62	64	62	62	58	127	92	69	61
- Labor	2	2	2	2	2	2	2	2	2	2	2	2	2	8	7	7
- Ad & PR	2	3	4	3	3	3	1	1	2	2	2	2	2	13	8	9
- Depreciation/amortization	1	1	1	1	1	1	1	1	1	1	1	1	0	4	5	5
- Commissions paid	5	7	7	6	5	3	2	2	3	3	4	4	2	25	13	14
- Rent paid	8	9	8	7	7	7	7	7	7	7	7	7	7	32	28	28
- Other	1	1	1	2	1	1	1	1	1	1	1	1	1	5	4	4
Operating profit	-7	-8	-7	-7	-8	-10	-5	-6	-2	-2	-2	-1	-7	-28	-29	-7
Operating margin (%)	-35	-29	-25	-31	-33	-42	-23	-24	-9	-7	-7	-3	-63	-30	-31	-6
Commissions paid/sales	26	29	25	28	22	13	10	10	12	12	15	13	19	27	14	13
Merchandise inventories	-	21	23	21	19	14	12	-	-	-	-	-	7	21	-	-

Note: Sales above indicate net sales. Source: Yuanta Securities

Hana Tour Service: annual consolidated earnings

(Wbn)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Sales	182	129	258	268	308	353	386	459	596	676	729	814
Parent	173	124	218	226	259	298	315	360	386	437	478	522
Domestic subsidiaries	-	-	-	-	43	50	57	67	165	176	187	246
SM Duty Free	-	-	-	-	-	-	-	10	94	93	96	124
Other	-	-	-	-	-	-	-	57	71	83	91	100
Overseas subsidiaries	-	-	-	-	22	23	34	59	78	101	111	122
Operating profit	14	-3	32	24	40	40	40	45	21	40	73	89
Parent	10	0	27	22	35	37	31	35	30	48	51	57
Domestic subsidiaries	-	-	-	-	4	1	4	-3	-28	-29	-3	4
SM Duty Free	-	-	-	-	-	-	-	-4	-28	-29	-7	-1
Other	-	-	-	-	-	-	-	1	0	0	4	5
Overseas subsidiaries	-	-	-	-	1	3	5	13	18	20	26	28
Operating margin (%)	8%	-2%	12%	9%	13%	11%	10%	10%	4%	6%	10%	11%
Parent	6%	0%	12%	10%	13%	12%	10%	10%	8%	11%	11%	11%
Domestic subsidiaries	-	-	-	-	10%	2%	7%	-5%	-17%	-16%	-2%	2%
SM Duty Free	-	-	-	-	-	-	-	-41%	-30%	-31%	-7%	-1%
Other	-	-	-	-	-	-	-	2%	0%	0%	4%	5%
Overseas subsidiaries	-	-	-	-	3%	12%	15%	22%	23%	20%	23%	23%
Net profit, CI	5	-5	25	21	35	34	33	31	8	18	46	58
Net margin (%)	3%	-4%	10%	8%	11%	10%	9%	7%	1%	3%	6%	7%
Change (% YoY)												
Sales	-	-29%	101%	4%	15%	15%	9%	19%	30%	14%	8%	12%
Operating profit	-	TTR	TTB	-24%	65%	2%	0%	11%	-53%	90%	83%	23%
Net profit	-	TTR	TTB	-14%	66%	-4%	-2%	-6%	-74%	122%	158%	26%
[Parent earnings estimates]												
[Tourist indicators]												
Package tourists ('000 people)	1,130	790	1,320	1,390	1,600	1,820	1,900	2,300	3,040	3,670	4,260	4,870
(% YoY)	-12%	-30%	67%	5%	15%	14%	5%	21%	32%	20%	16%	14%
ASP (W'000)	907	821	959	1,044	1,017	1,009	907	797	681	660	607	576
(% YoY)	8%	-10%	17%	9%	-3%	-1%	-10%	-12%	-15%	-3%	-8%	-5%
Sales conversion rate (%)	12%	13%	14%	13%	14%	14%	15%	16%	15%	15%	16%	16%
Parent net revenue	173	124	218	226	259	298	315	360	386	437	478	522
Commission from air ticket sales	40	30	24	16	12	10	12	12	12	9	12	14
Commission from package tour sales	123	84	174	193	226	260	267	300	317	371	400	438
Other commissions	8	8	14	14	17	22	28	37	41	42	51	55
Other	3	3	6	5	5	6	9	11	16	15	15	16
Parent operating expense	163	124	191	205	225	261	284	325	355	389	428	465
Salary and bonus	38	34	47	49	56	65	73	83	86	94	97	102
Ad & PR	6	3	9	10	10	15	18	21	26	28	32	35
Commissions paid	69	48	83	87	93	109	112	133	139	156	177	199
Equity compensation	7	4	3	3	3	2	2	1	0	0	0	0
Other	44	34	50	56	63	70	80	87	105	111	121	129
Parent operating profit	10	0	27	22	35	37	31	35	30	48	51	57
Operating margin (%)	6%	0%	12%	10%	13%	12%	10%	10%	8%	11%	11%	11%

Source: Yuanta Securities

Hana Tour Service pro forma financial statements (K-IFRS, consolidated)

Statement of comprehensive income					
FY ends Dec (Wbn)	2015A	2016A	2017F	2018F	2019F
Sales	459	596	676	729	814
Cost of sales	0	0	0	0	0
Gross profit	459	596	676	729	814
SG&A	415	575	636	656	725
Operating profit	45	21	40	73	89
EBITDA	55	38	60	93	103
Non-op profit/loss	2	3	-2	2	3
Forex gain/loss	-1	-1	0	0	0
Net interest income	3	2	1	2	3
Equity-meth gain/loss	0	0	-1	0	0
Other	1	2	-3	0	0
Net prof before income tax	47	24	38	75	92
Income tax	13	16	22	24	28
Net profit from continuing ops	34	8	16	50	64
Net profit from discontinued ops	0	0	0	0	0
Net profit	34	8	16	50	64
NP for controlling interest	32	8	17	46	58
Total comprehensive income	35	8	15	51	65
Total comprehensive income, CI	32	8	16	47	60

Note: Operating profit calculation same as K-GAAP (sales - COGS - SG&A exp)

Statement of financial position					
FY ends Dec (Wbn)	2015A	2016A	2017F	2018F	2019F
Current assets	340	346	422	475	545
Cash & cash equivalents	146	156	188	236	293
Accts rec & other	69	97	103	108	119
Inventory	9	24	17	17	19
Non-current assets	164	175	174	160	146
Tangible assets	59	92	85	75	63
Investment in affiliates	21	12	11	11	11
Other non-current	53	41	39	39	39
Total assets	504	520	596	635	691
Current liabilities	275	287	357	363	376
Accts payable & other	114	124	132	136	146
ST financial liabilities	19	3	14	15	18
Liquid LT liabilities	2	2	4	4	4
Non-current liabilities	12	22	26	26	26
LT financial liabilities	7	8	9	9	9
Debentures	0	3	3	3	3
Total liabilities	287	308	384	390	403
Equity, controlling interest	197	189	190	220	258
Paid-in capital	6	6	6	6	6
Capital surplus	91	92	92	92	92
Retained earnings	135	126	127	157	195
Equity, non-controlling interest	20	23	22	26	30
Total equity	217	212	212	246	289
Net debt	-190	-167	-188	-234	-288
Total debt	30	19	31	32	35

Cash flow statement					
FY ends Dec (Wbn)	2015A	2016A	2017F	2018F	2019F
Operating cash flow	35	28	72	121	126
Net profit	34	8	16	50	64
Depreciation & amortization	6	13	16	16	12
Forex gain/loss	0	0	0	0	0
Affiliate invest gain/loss	0	0	1	0	0
Inc (dec) in net working cap	-20	-7	15	36	34
Other	14	13	24	18	16
Investing cash flow	-1	7	-17	-6	-6
Investment	-22	14	5	0	0
Inc in tangible assets	-16	-48	-20	-6	-6
Dec in tangible assets	0	1	0	0	0
Other	37	39	-3	0	0
Financing cash flow	-2	-26	-7	-17	-18
Inc (dec) in ST fin liab	5	-16	10	1	3
Inc (dec) in LT fin liab	5	5	1	0	0
Inc (dec) in equity	0	0	0	0	0
Cash dividend	-16	-17	-17	-17	-20
Other	4	3	-1	-1	-1
Other cash flow	1	1	-16	-49	-45
Inc (dec) in cash & equivalents	33	10	32	48	57
Beginning cash & equivalents	114	146	156	188	236
Ending cash & equivalents	146	156	188	236	293
NOPLAT	45	21	40	73	89
FCF	6	-31	32	100	104

Note: CI = controlling interest

EPS, BPS, P/E and P/B are based on controlling interest

For valuation metrics such as P/E, historical figures are based on annual average prices and estimates, on current price

For ROA or ROE, assets and equity are averages of end-of-year figures for the given year and the year prior

Source: Yuanta Securities

Valuation					
FY ends Dec	2015A	2016A	2017F	2018F	2019F
EPS (won)	2,732	692	1,498	3,955	4,994
BPS (won)	17,837	17,122	17,148	19,856	23,332
EBITDA/shr (won)	4,703	3,308	5,185	8,020	8,872
SPS (won)	39,550	51,268	58,200	62,770	70,056
DPS (won)	1,500	1,500	1,500	1,765	2,100
P/E (x)	45.6	118.1	74.1	28.1	22.2
P/B (x)	7.0	4.8	6.5	5.6	4.8
EV/EBITDA (x)	23.4	20.9	18.7	11.6	10.0
P/S (x)	3.2	1.6	1.9	1.8	1.6

Key financial data					
FY ends Dec	2015	2016	2017E	2018E	2019E
Sales (% YoY)	19.2	29.6	13.5	7.9	11.6
Operating profit (%YoY)	10.6	-53.2	89.9	82.8	22.6
Net profit, CI (%YoY)	-5.1	-74.7	116.6	163.9	26.3
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
Operating margin (%)	9.7	3.5	5.9	10.0	10.9
Net margin, CI (%)	6.9	1.3	2.6	6.3	7.1
EBITDA margin (%)	11.9	6.5	8.9	12.8	12.7
ROIC (%)	-47.8	-19.5	-68.0	-111.6	-111.6
ROA (%)	6.7	1.6	3.1	7.5	8.7
ROE (%)	16.8	4.2	9.2	22.4	24.3
Debt-to-equity (%)	132.1	145.3	180.9	158.6	139.5
Net debt-to-equity (%)	-96.4	-87.9	-98.8	-106.5	-111.4
OP/financing cost (x)	110.4	33.5	57.2	108.0	120.0

Modetour Network: consolidated earnings

Modetour Network: 4Q17E consolidated OP of W5.0bn (+34% YoY)														(Wbn)		
	2016				2017				2018				Full-year			
	1Q	2Q	3Q	4Q	1Q	2QP	3Q	4QE	1QE	2QE	3QE	4QE	2016	2017E	2018E	
Consolidated sales	60	54	64	59	74	67	73	74	88	73	89	82	237	288	332	
Parent	53	46	56	51	64	57	63	63	76	61	77	68	206	247	281	
Subsidiaries	6	8	9	8	10	10	10	11	12	13	13	13	31	41	51	
Modetour International	1	1	0	1	0	0	0	0	0	0	0	0	2	1	1	
Jau Tour	3	3	4	4	6	5	6	6	7	7	8	8	13	23	29	
Cruise International	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Modetour H&D	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-	
Mode Dev of Tourism	1	1	1	1	1	1	1	1	1	1	1	1	3	3	3	
Seoul Hotel College	1	1	1	1	0	1	1	1	0	1	1	1	4	3	3	
Mode Stay	2	3	3	3	3	3	3	3	3	3	3	3	11	11	12	
Danang Hotel	-	-	-	-	0	0	0	0	0	0	0	0	0	2	2	
Consolidated operating profit	5	4	8	4	11	7	8	5	13	5	14	9	20	32	41	
Parent	7	5	9	5	12	8	9	5	13	5	13	9	26	34	40	
Subsidiaries	-2	-1	-1	-2	-1	-1	-1	0	0	0	0	0	-6	-2	0	
Modetour International	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Jau Tour	-1	-1	0	-1	0	0	0	0	0	0	1	0	-3	0	1	
Cruise International	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Modetour H&D	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Mode Dev of Tourism	0	0	0	0	0	0	0	0	0	0	0	0	0	-1	0	
Seoul Hotel College	-1	0	0	0	-1	0	0	0	-1	0	0	0	-1	-1	-1	
Mode Stay	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Danang Hotel	-	-	-	-	0	0	0	0	0	0	0	0	-	0	0	
Operating margin (%)	8	7	13	6	15	11	11	7	15	7	15	11	8	11	12	
Parent	12	10	16	11	19	14	14	8	18	9	17	12	12	14	14	
Subsidiaries	-31	-14	-8	-19	-9	-5	-7	2	-1	1	3	0	-18	-5	1	
Cons net profit, CI	4	4	7	3	8	6	6	4	10	4	11	7	17	25	32	
Net margin (%)	7	7	11	5	11	9	9	6	12	6	12	8	7	9	10	
Growth (% YoY)																
Cons sales	18	9	25	12	24	24	13	26	19	9	23	10	16	22	15	
Cons operating profit	-28	-29	150	123	155	101	-2	34	20	-28	65	67	22	57	28	
Cons net profit	-31	-13	113	952	130	70	-7	51	28	-28	68	61	27	48	30	
[Parent earnings assumption]																
[Traveler indicator]																
Mode package tourists ('000)	360	300	340	350	420	330	350	400	480	380	420	470	1,350	1,500	1,750	
(YoY)	6	5	17	10	18	10	3	15	15	13	19	18	9	12	16	
Package ASP (W'000)	859	846	894	793	872	917	939	872	890	862	948	803	848	898	874	
(YoY)	-2	-3	3	-8	2	9	5	10	2	-6	1	-8	-2	6	-3	
Sales conversion rate (package)	14	15	16	15	15	16	16	15	15	16	16	15	15	16	15	
Parent net revenue	53	46	56	51	64	57	63	63	76	61	77	68	206	247	281	
Commission from air ticket sales	4	3	4	4	3	4	4	3	4	5	5	5	15	14	19	
Commission from package tour sales	44	38	48	41	55	48	52	54	65	50	63	57	172	209	235	
Other	5	5	4	6	6	6	7	6	7	6	9	6	19	24	27	
Parent operating expense	47	42	47	45	52	49	54	58	63	56	64	60	180	214	241	
Wage and bonus	15	13	14	14	16	15	16	17	16	17	17	17	56	64	67	
Ad & PR	4	4	3	4	4	4	4	7	5	5	5	5	14	19	21	
Commissions paid	23	19	24	21	27	24	27	27	34	27	34	30	87	106	126	
Other	6	5	6	6	6	6	6	7	7	7	7	8	23	25	28	
Parent operating profit	7	5	9	5	12	8	9	5	13	5	13	9	26	34	40	
Operating margin (%)	12	10	16	11	19	14	14	8	18	9	17	12	12	14	14	

Source: Yuanta Securities

Modetour Network: annual consolidated earnings							(Wbn)		
	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Consolidated sales	125	138	147	165	204	237	288	332	369
Parent	122	133	143	155	182	206	247	281	308
Subsidiaries	3	5	4	10	22	31	41	51	61
Modetour International	-	-	1	2	2	2	1	1	1
Jau Tour	-	-	-	-	6	13	23	29	38
Cruise International	-	-	0	0	0	0	0	0	0
Modetour H&D	-	-	1	1	0	0	-	-	-
Mode Dev of Tourism	-	-	3	4	2	3	3	3	3
Seoul Hotel College	-	-	-	2	5	4	3	3	3
Mode Stay	-	-	-	3	8	11	11	12	14
Danang Hotel	-	-	-	-	-	-	2	2	2
Consolidated operating profit	16	21	16	17	17	20	32	41	51
Parent	16	21	20	21	23	26	34	40	49
Subsidiaries	0	0	-4	-5	-6	-6	-2	0	2
Modetour International	-	-	-	-4	0	0	0	0	0
Jau Tour	-	-	-	-	-5	-3	0	1	2
Cruise International	-	-	-	0	0	0	0	0	0
Modetour H&D	-	-	-	0	0	0	0	0	0
Mode Dev of Tourism	-	-	-	0	0	0	-1	0	0
Seoul Hotel College	-	-	-	-1	-1	-1	-1	-1	-1
Mode Stay	-	-	-	0	0	0	0	0	1
Danang Hotel	-	-	-	-	-	-	0	0	0
Operating margin (%)	13	15	11	10	8	8	11	12	14
Parent	13	16	14	14	12	12	14	14	16
Subsidiaries	5	2	-97	-49	-27	-18	-5	1	4
Cons net profit, CI	14	18	16	15	13	17	25	32	40
Net margin (%)	11	13	11	9	6	7	9	10	11
Growth (% YoY)									
Cons sales	-	10	7	12	24	16	22	15	11
Cons operating profit	-	32	-26	5	-1	22	57	28	26
Cons net profit	-	30	-8	-5	-14	27	48	30	24
[Parent earnings assumption]									
[Traveler indicator]									
Mode package tourists ('000)	840	930	940	980	1,230	1,350	1,500	1,750	1,940
(YoY)	9	11	1	4	25	9	12	16	11
Package ASP (W'000)	1,012	998	1,016	1,000	869	848	898	874	857
(YoY)	2	-1	2	-2	-13	-2	6	-3	-2
Sales conversion rate (package)	12	12	13	13	14	15	16	15	16
Parent net revenue	122	133	143	155	182	206	247	281	308
Commission from air ticket sales	14	12	10	11	16	15	14	19	21
Commission from package tour sales	100	113	124	132	151	172	209	235	257
Other	9	8	10	13	16	19	24	27	30
Parent operating expense	106	112	123	134	160	180	214	241	260
Wage and bonus	35	39	40	43	50	56	64	67	71
Ad & PR	4	5	6	9	12	14	19	21	20
Commissions paid	43	48	62	66	80	87	106	126	136
Other	24	21	15	16	19	23	25	28	32
Parent operating profit	16	21	20	21	23	26	34	40	49
Operating margin (%)	13	16	14	14	12	12	14	14	16

Source: Yuanta Securities

Modetour Network pro forma financial statements (K-IFRS, consolidated)

Statement of comprehensive income					
FY ends Dec (Wbn)	2015A	2016A	2017F	2018F	2019F
Sales	204	237	288	332	369
Cost of sales	8	11	12	12	12
Gross profit	196	226	276	320	357
SG&A	180	206	245	279	306
Operating profit	16	20	32	41	51
EBITDA	20	23	34	43	54
Non-op profit/loss	1	3	2	2	2
Forex gain/loss	0	1	-1	0	0
Net interest income	1	1	1	1	1
Equity-meth gain/loss	0	2	1	1	1
Other	0	-1	1	0	0
Net prof before income tax	18	23	33	42	53
Income tax	5	7	9	10	13
Net profit from continuing ops	13	16	24	32	40
Net profit from discontinued ops	0	0	0	0	0
Net profit	13	16	24	32	40
NP for controlling interest	13	17	24	32	40
Total comprehensive income	13	16	24	31	39
Total comprehensive income, CI	14	16	24	32	40

Note: Operating profit calculation same as K-GAAP (sales - COGS - SG&A exp)

Cash flow statement					
FY ends Dec (Wbn)	2015A	2016A	2017F	2018F	2019F
Operating cash flow	-3	32	34	47	53
Net profit	13	16	24	32	40
Depreciation & amortization	2	2	2	2	2
Forex gain/loss	0	-1	1	0	0
Affiliate invest gain/loss	0	-1	-1	-1	-1
Inc (dec) in net working cap	-19	12	6	11	10
Other	1	4	2	2	1
Investing cash flow	-6	-6	-37	-9	-9
Investment	1	7	-7	0	0
Inc in tangible assets	-2	-1	-2	-3	-3
Dec in tangible assets	0	0	0	0	0
Other	-4	-12	-29	-7	-7
Financing cash flow	-2	-12	15	-7	-8
Inc (dec) in ST fin liab	-2	0	3	4	4
Inc (dec) in LT fin liab	4	0	2	0	0
Inc (dec) in equity	9	0	0	0	0
Cash dividend	-6	-5	-7	-11	-12
Other	-6	-8	16	0	0
Other cash flow	0	0	-16	-5	-9
Inc (dec) in cash & equivalents	-11	14	-3	26	27
Beginning cash & equivalents	55	45	58	55	81
Ending cash & equivalents	45	58	55	81	108
NOPLAT	16	20	32	41	51
FCF	-7	27	30	42	49

Note: CI = controlling interest

EPS, BPS, P/E and P/B are based on controlling interest

For valuation metrics such as P/E, historical figures are based on annual average prices and estimates, on current price

For ROA or ROE, assets and equity are averages of end-of-year figures for the given year and the year prior

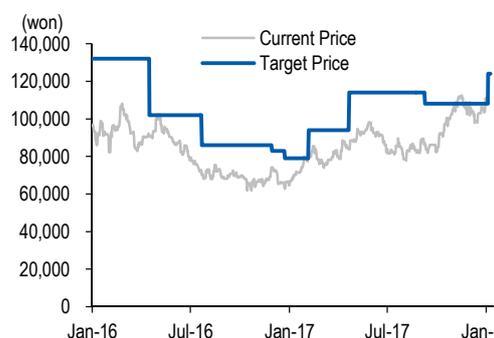
Source: Yuanta Securities

Statement of financial position					
FY ends Dec (Wbn)	2015A	2016A	2017F	2018F	2019F
Current assets	114	151	187	216	248
Cash & cash equivalents	45	58	55	81	108
Accts rec & other	26	39	47	51	56
Inventory	4	0	0	0	0
Non-current assets	68	59	121	120	122
Tangible assets	15	22	22	22	22
Investment in affiliates	25	21	8	8	9
Other non-current	16	1	6	6	6
Total assets	182	210	307	336	370
Current liabilities	76	103	134	138	143
Accts payable & other	42	59	69	69	69
ST financial liabilities	0	0	15	19	23
Liquid LT liabilities	1	1	1	1	1
Non-current liabilities	7	5	33	33	33
LT financial liabilities	2	2	30	30	30
Debentures	2	0	0	0	0
Total liabilities	83	108	167	171	175
Equity, controlling interest	100	103	135	155	183
Paid-in capital	6	6	9	9	9
Capital surplus	28	28	29	29	29
Retained earnings	85	98	115	136	164
Equity, non-controlling interest	0	-1	5	9	11
Total equity	100	103	140	165	194
Net debt	-64	-93	-81	-103	-125
Total debt	6	7	48	53	57

Valuation					
FY ends Dec	2015A	2016A	2017F	2018F	2019F
EPS (won)	1,051	1,330	1,287	1,708	2,125
BPS (won)	8,432	8,976	7,411	8,545	10,072
EBITDA/shr (won)	1,550	1,820	1,810	2,283	2,840
SPS (won)	16,216	18,816	15,256	17,558	19,511
DPS (won)	390	600	600	680	800
P/E (x)	33.1	21.6	25.6	19.3	15.5
P/B (x)	4.1	3.2	4.4	3.9	3.3
EV/EBITDA (x)	19.1	11.7	16.0	12.2	9.5
P/S (x)	2.1	1.5	2.2	1.9	1.7

Key financial data					
FY ends Dec	2015	2016	2017E	2018E	2019E
Sales (% YoY)	24.1	16.0	21.6	15.1	11.1
Operating profit (%YoY)	-0.9	22.3	57.0	28.2	25.8
Net profit, CI (%YoY)	-13.7	26.6	45.1	32.7	24.4
Gross margin (%)	96.0	95.3	95.8	96.4	96.8
Operating margin (%)	8.1	8.5	11.0	12.2	13.8
Net margin, CI (%)	6.5	7.1	8.4	9.7	10.9
EBITDA margin (%)	9.6	9.7	11.9	13.0	14.6
ROIC (%)	-65.0	-85.8	-82.2	-94.3	-134.5
ROA (%)	6.5	8.5	9.4	10.0	11.4
ROE (%)	13.4	16.5	20.4	22.2	23.7
Debt-to-equity (%)	83.1	104.9	119.2	103.9	90.3
Net debt-to-equity (%)	-64.7	-90.0	-60.0	-66.0	-68.4
OP/financing cost (x)	37.0	46.2	159.5	149.1	173.2

Hana Tour Service Telecom ratings and target price history



Date	Rating	TP (won)	TP time frame	Difference (%)	
				vs avg price	vs high (low)
2018/01/15	BUY	124,000	1 yr		
2017/09/20	BUY	108,000	1 yr	-7.12	4.17
2017/05/02	BUY	114,000	1 yr	-23.17	-13.86
2017/02/16	BUY	94,000	1 yr	-14.29	-5.85
2017/01/03	BUY	79,000	1 yr	-9.43	1.65
2016/12/10	BUY	83,000	1 yr	-17.31	-11.69
2016/08/02	BUY	86,000	1 yr	-20.00	-12.33
2016/04/27	BUY	102,000	1 yr	-14.83	0.49
2016/01/12	BUY	132,000	1 yr	-29.41	-18.18

Note: Difference = (actual price* - target price) / target price x 100

* 1) The average price until the day target price was suggested

2) The highest (lowest) price until the day target price was suggested, Source: Yuanta Securities

Modetour Network ratings and target price history



Date	Rating	TP (won)	TP time frame	Difference (%)	
				vs avg price	vs high (low)
2018/01/15	BUY	38,000	1 yr		
2017/09/29	BUY	30,000	1 yr	2.28	20.67
2017/07/18	Bonus offering	36,000		-	-
2017/07/04	BUY	36,000	1 yr	-19.58	-16.11
2017/05/11	BUY	36,019	1 yr	-13.49	-8.70
2017/04/04	BUY	32,017	1 yr	-16.04	-14.27
2017/02/06	BUY	28,682	1 yr	-18.94	-10.12
2016/12/10	BUY	24,679	1 yr	-19.86	-11.35
2016/11/23	BUY	26,681	1 yr	-30.47	-26.13
2016/08/02	BUY	24,012	1 yr	-22.91	-17.50

Note: Difference = (actual price* - target price) / target price x 100

* 1) The average price until the day target price was suggested

2) The highest (lowest) price until the day target price was suggested, Source: Yuanta Securities

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- **Stock ratings** include an Investment Rating (Strong Buy, Buy, Hold, Sell) based on the expected absolute return of a stock over the next 6 -12 months.
- - Strong Buy: Expected to return 30% or more
- - Buy: Expected to return between 10% and 30%
- - Hold: Expected to return between -10 and +10%
- - Sell: Expected to return -10% or less
- **Sector ratings** suggest 6 to 12 - month forward investment weighting of a given sector compared to its market capitalization weighting.
- - Overweight: Investment weighting is higher than the market capitalization weighting
- - Neutral: Investment weighting is equal to the market capitalization weighting
- - Underweight: Investment weighting is lower than the market capitalization weighting

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