

Modetour Network (080160 KS)

High hopes on earnings gains in 2H

BUY (MAINTAIN)

Price (Apr. 12)	W36,600
Target Price	W41,000
% variance	12.0%

JuneWon Sung	☎ (82-2) 3772-1538
	✉ jwsung79@shinhan.com
SooYeon Kang	☎ (82-2) 3772-1552
	✉ sykang@shinhan.com

KOSPI	2,442.71p
KOSDAQ	881.45p
Market Cap.	W691.7bn/ US606.8mn
Par Value	W500
Outstanding Shares	18.9mn
Free Floating Shares	15.0mn(79.4%)
52-Week High/Low	W40,450/W24,250
60-Day Avg. Trading Volume	175,814shrs
60-Day. Avg. Trading T/O	W6,597mn
Foreign Ownership	44.29%

Major Shareholders		
Jong-Ung Woo and 14 others	16.07%	
NPS	7.38%	
Absolute Performance	3M	11.2%
	6M	39.7%
	12M	33.5%
Relative performance to KOSDAQ	3M	10.2%
	6M	5.6%
	12M	-5.9%

◆ Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S.

◆ Please see Analyst certification and important disclosures & disclaimers at the end of this report.

- ◆ 1Q18 consolidated operating profit estimated at W10.9bn (-0.6% YoY)
- ◆ 2018 consolidated operating profit estimated at W40.4bn (+26.1% YoY); bright earnings outlook for 2H
- ◆ Retain BUY for a target price of W41,000

1Q18 consolidated operating profit estimated at W10.9bn (-0.6% YoY)

Modetour Network's 1Q operating profit is estimated at W10.9bn (-0.6% YoY) on consolidated basis and W11bn (-6.2% YoY) on standalone basis in line with the consensus (W11.4bn). Package tour customers increased by about 9% YoY in 1Q. With rising costs, profit likely dropped slightly or remained flat YoY. Combined operating profit of subsidiaries should have improved to W100mn (loss of W700mn in 1Q17).

2018 consolidated operating profit estimated at W40.4bn (+26.1% YoY); bright earnings outlook for 2H

In 2018, we forecast operating profit of W40.4bn (+26.1% YoY) on consolidated basis and W37.8bn (+14.9% YoY) on standalone basis. The subsidiaries are expected to post combined operating profit of W2.8bn (positive swing YoY). Quarterly operating profit is estimated to grow -0.6% YoY in 1Q, +2.6% YoY in 2Q, +47.7% YoY in 3Q, and +77.3% YoY in 4Q. Expectations for earnings gains should grow toward 2H.

Earnings growth may be stagnant in 1H. Outbound traffic growth was slightly below 10% YoY in 1Q due to the PyeongChang Winter Olympics held in February and March. It is likely to come in around 10% YoY in 2Q due to the long holidays enjoyed in May 2017 and the local elections in June this year. In 2H, low base effect should kick in. Outbound traffic growth of 15-17% YoY looks possible in 3Q as the seasonality effect was not felt in full last year. Profit growth is expected in 4Q on base effect. Earnings in 4Q17 were weighed by cost increases (ad spending, etc.) despite a sharp increase in outbound traffic.

Retain BUY for a target price of W41,000

We derived our target price of W41,000 for Modetour Network by applying a target PER of 25x (past ten-year average, assuming outbound traffic growth remains unchanged) to 2018F consolidated EPS of W1,633. We retain our BUY rating in view of: 1) 2018F outbound traffic growth of 12% YoY in 2018; 2) standalone operating profit growth of 15% YoY; and 3) subsidiaries expected to swing positive with combined operating profit of W2.8bn.

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 (%)
2016	237.1	20.1	22.9	16.8	887	26.6	5,471	21.8	11.8	3.5	16.5	(90.6)
2017	290.9	32.1	32.9	24.2	1,279	44.2	7,134	23.8	14.4	4.3	20.3	(59.6)
2018F	320.9	40.4	41.7	30.9	1,633	27.7	8,238	22.4	13.2	4.4	21.3	(67.7)
2019F	344.3	43.6	45.6	34.5	1,827	11.8	9,487	20.0	11.7	3.9	20.6	(73.3)
2020F	366.7	47.1	48.2	36.5	1,931	5.7	10,744	19.0	10.6	3.4	19.1	(79.2)

Source: Company data, Shinhan Investment Corp.

Quarterly earnings (K-IFRS consolidated)															
(bn KRW, stake)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18F	2Q18F	3Q18F	4Q18F	2016	2017F	2018F
Sales (consolidated)	59.5	54.3	64.2	59.1	74.0	67.3	72.7	77.0	79.8	72.9	83.7	84.5	237.1	290.9	320.9
- Parent (standalone)	53.1	46.4	55.7	50.7	64.3	57.3	62.5	65.2	68.6	60.9	71.6	71.2	205.8	249.4	272.3
- Subsidiary combined	6.6	8.2	8.9	9.0	10.0	10.6	10.7	13.1	11.9	12.8	13.0	14.2	32.7	44.5	52.0
- Consolidated adjustments	(0.2)	(0.3)	(0.3)	(0.6)	(0.4)	(0.6)	(0.5)	(1.4)	(0.7)	(0.8)	(0.8)	(0.9)	(1.4)	(2.9)	(3.3)
1) Modetour International (95.81%)	0.7	0.5	0.4	0.5	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.5	2.0	1.5	1.8
2) Mode Stay (100%)	2.3	2.8	2.9	3.1	2.7	2.6	2.9	3.5	2.9	2.8	3.5	4.1	11.1	11.7	13.2
3) Cruise International (89.92%)	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.3	0.3
4) Seoul Hotel/Tourism College (100%)	0.5	1.4	0.7	1.0	0.4	1.2	0.7	1.0	0.4	1.1	0.6	0.9	3.6	3.3	3.0
5) Mode Tourism Development (100%)	0.6	0.7	0.8	0.7	0.6	0.6	0.5	0.5	0.7	0.9	0.7	0.7	2.8	2.3	2.9
6) Jautour (79.81%)	2.5	2.8	3.9	3.7	5.5	5.4	5.8	6.2	6.1	5.9	6.2	6.6	13.0	22.9	24.7
7) Mode Hotel & Realty (100%)					0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4		1.6	1.6
8) Modetour REITS (42.16%)17.4Q								1.0	1.1	1.1	1.1	1.1		1.0	4.4
OP (consolidated)	4.3	3.7	8.3	3.8	11.0	7.4	8.1	5.5	10.9	7.6	12.0	9.8	20.1	32.0	40.4
- Parent (standalone)	6.3	4.8	9.0	5.4	11.7	7.9	8.8	4.5	11.0	7.2	10.9	8.8	25.5	32.9	37.8
- Subsidiary combined	(2.0)	(1.1)	(0.7)	(1.6)	(0.7)	(0.5)	(0.7)	1.3	(0.0)	0.5	1.2	1.2	(5.4)	(0.6)	2.8
- Consolidated adjustments	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.2)	(0.1)	(0.1)	(0.0)	(0.1)	(0.0)	(0.2)	(0.3)
1) Modetour International (95.81%)	0.0	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	0.0	0.0	(0.3)	(0.2)	(0.2)
2) Mode Stay (100%)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	0.1	0.7	(0.2)	0.0	0.2	0.5	(0.4)	0.3	0.6
3) Cruise International (89.92%)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	0.0	0.0	0.0	(0.1)	0.0	0.0	(0.1)	(0.1)	0.0	(0.2)
4) Seoul Hotel/Tourism College (100%)	(0.7)	0.1	(0.4)	(0.2)	(0.6)	0.1	(0.3)	(0.1)	(0.4)	0.1	(0.2)	(0.0)	(1.2)	(0.9)	(0.5)
5) Mode Tourism Development (100%)	(0.1)	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)	0.0	0.1	0.0	(0.1)	(0.6)	0.0
6) Jautour (79.81%)	(1.0)	(0.8)	(0.2)	(1.2)	0.2	(0.2)	(0.3)	0.3	0.2	(0.1)	0.4	0.2	(3.3)	0.1	0.7
7) Mode Hotel & Realty (100%)					0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1		0.3	0.5
8) Modetour REITS (42.16%)17.4Q	0.4	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5		0.4	1.9
Pre-tax profit (consolidated)	4.9	4.7	9.1	4.3	10.9	8.4	8.5	11.6	11.0	9.0	12.4	9.2	22.9	39.4	41.7
NP (consolidated)	3.3	3.3	6.6	2.7	8.1	6.0	6.3	6.6	7.9	6.3	9.0	7.5	15.9	27.0	30.8
NP of controlling interests (consolidated)	3.5	3.6	6.7	3.0	8.1	6.1	6.3	6.6	7.9	6.3	9.1	7.5	16.8	27.2	30.9
- Parent (standalone)	5.2	4.3	7.4	2.5	8.8	7.5	7.2	2.0	8.1	6.8	8.7	6.3	19.4	25.5	29.9
- Subsidiary combined	(2.0)	(1.2)	(0.8)	(2.3)	(0.9)	(0.7)	(0.6)	1.3	(0.4)	0.1	0.6	0.8	(6.2)	(0.9)	1.0
- Consolidated adjustments	0.1	0.1	0.1	2.4	0.3	(0.8)	(0.4)	3.3	0.3	(0.5)	(0.3)	0.4	2.7	2.4	(0.1)
(% YoY growth)															
Sales	18.2	9.4	24.8	11.6	24.3	23.9	13.2	30.3	7.8	8.3	15.2	9.8	16.0	22.7	10.3
OP	(30.9)	(28.9)	149.5	123.3	154.8	101.0	(2.3)	45.4	(0.6)	2.6	47.7	77.3	22.2	59.2	26.1
NP	(40.9)	(18.8)	119.3	1,337.4	145.6	83.3	(4.8)	146.0	(2.3)	5.5	44.1	12.7	23.7	70.3	13.9
(Margin, %)															
OPM	7.3	6.8	13.0	6.5	14.9	11.0	11.2	7.2	13.7	10.4	14.4	11.6	8.5	11.0	12.6
NPM	5.6	6.0	10.3	4.6	11.0	8.9	8.6	8.6	9.9	8.7	10.8	8.8	6.7	9.3	9.6

Source: Company data, Shinhan Investment Corp.

Earnings forecast revision (K-IFRS consolidated)						
(bn KRW)	2018F			2019F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	317.5	320.9	1.1	340.2	344.3	1.2
OP	40.6	40.4	(0.6)	46.2	43.6	(5.5)
NP	30.9	30.8	(0.4)	35.2	34.4	(2.3)

Source: Shinhan Investment Corp.

Quarterly earnings (K-IFRS standalone)															
(bn KRW, 1,000 people)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17P	3Q17F	4Q17	1Q18F	2Q18F	3Q18F	4Q18F	2016	2017F	2018F
<Key assumptions>															
Outbound travelers (excl. flight crew)	5,178	4,695	5,659	5,312	6,114	5,713	6,572	6,438	6,970	6,247	7,519	7,037	20,844	24,837	27,772
Outbound customers (PKG+AIR)	578	519	613	589	709	630	695	698	774	681	812	774	2,299	2,733	3,041
Outbound customers (PKG)	356	303	340	347	420	333	352	399	457	362	414	457	1,346	1,504	1,690
M/S (PKG+AIR, %)	11.2	11.1	10.8	11.1	11.6	11.0	10.6	10.8	11.1	10.9	10.8	11.0	11.1	10.8	11.0
M/S (PKG, %)	6.9	6.4	6.0	6.5	6.9	5.8	5.4	6.2	6.6	5.8	5.5	6.5	6.5	6.2	6.5
Package travel deposits	305.8	255.9	304.1	275.6	365.9	305.3	330.4	350.1	390.1	325.8	384.3	396.9	1,141.4	1,351.7	1,497.1
Airfare deposits	116.3	104.7	147.0	114.4	143.1	141.6	178.5	152.0	147.4	147.0	205.0	161.2	482.4	615.3	660.7
<Earnings estimates>															
Operating revenue (sales)	53.1	46.4	55.7	50.7	64.3	57.3	62.5	65.2	68.6	60.9	71.6	71.2	205.8	249.4	272.3
Overseas travel agent commission	43.8	38.3	48.2	41.2	55.1	48.0	51.7	53.5	58.5	50.8	60.3	58.7	171.5	208.3	228.4
Airfare	4.4	3.4	3.6	4.0	3.4	3.7	3.7	4.8	3.7	3.8	4.5	5.0	15.3	15.7	17.0
Others	4.9	4.7	4.0	5.5	5.8	5.6	7.1	6.9	6.4	6.2	6.7	7.5	19.0	25.4	26.8
Operating expense (SG&A)	46.8	41.6	46.6	45.3	52.6	49.4	53.6	60.8	57.6	53.7	60.7	62.4	180.3	216.4	234.4
Wages	14.6	13.3	14.1	14.0	15.9	15.0	15.7	16.9	17.2	16.2	18.0	18.6	56.1	63.5	70.1
Fees	22.8	19.4	23.6	21.3	27.1	24.1	27.1	28.4	29.5	26.1	31.4	31.3	87.1	106.8	118.3
Advertising costs	3.6	3.5	3.1	4.0	3.7	4.0	4.4	7.9	4.5	4.6	4.6	5.1	14.3	20.0	18.7
Others	5.7	5.4	5.8	5.9	5.9	6.3	6.3	7.6	6.4	6.8	6.7	7.4	22.9	26.1	27.3
OP	6.3	4.8	9.0	5.4	11.7	7.9	8.8	4.5	11.0	7.2	10.9	8.8	25.5	32.9	37.8
NP	5.2	4.3	7.4	2.5	8.8	7.5	7.2	2.0	8.1	6.8	8.7	6.3	19.4	25.5	29.9
(% YoY growth)															
Outbound travelers (excl. flight crew)	18.9	14.7	21.3	11.4	18.1	21.7	16.1	21.2	14.0	9.3	14.4	9.3	16.5	19.2	11.8
Outbound customers (PKG+AIR)	18.8	18.2	26.1	12.8	22.6	21.5	13.5	18.4	9.1	8.0	16.8	10.9	18.9	18.8	11.3
Operating revenue	13.4	5.9	22.5	9.8	21.1	23.6	12.2	28.7	6.6	6.2	14.6	9.2	12.9	21.1	9.2
OP	(11.5)	(24.2)	62.1	61.4	85.9	65.4	(2.1)	(17.2)	(6.2)	(9.0)	23.1	96.6	14.2	29.1	14.9
NP	(16.4)	3.6	62.7	TP	68.8	73.5	(1.7)	(21.9)	(7.8)	(9.8)	20.8	217.6	51.2	31.3	17.2
<Margin, %>															
OPM	11.9	10.3	16.2	10.6	18.3	13.7	14.1	6.8	16.1	11.8	15.2	12.3	12.4	13.2	13.9
NPM	9.8	9.4	13.2	5.0	13.6	13.2	11.6	3.0	11.8	11.2	12.2	8.8	9.4	10.2	11.0

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

Annual earnings (IFRS standalone vs. consolidated)								
(bn KRW)	2012	2013	2014	2015	2016	2017	2018F	2019F
K-IFRS standalone								
Sales	131.8	142.9	155.2	182.2	205.8	249.4	272.3	286.1
OP	21.2	19.7	21.1	22.3	25.5	32.9	37.8	41.1
NP	17.3	19.0	17.1	12.9	19.4	25.3	29.7	32.4
Consolidated subsidiaries combined								
Sales	6.1	4.0	9.5	22.1	31.3	41.6	48.7	54.2
OP	0.1	(3.9)	(4.5)	(5.9)	(5.4)	(0.9)	2.5	2.5
NP	0.3	(3.7)	(3.1)	(0.0)	(3.3)	1.5	0.8	2.0
K-IFRS consolidated								
Sales	137.9	147.0	164.7	204.3	237.1	290.9	320.9	340.3
OP	21.3	15.8	16.6	16.5	20.1	32.1	40.4	43.6
NP	17.6	15.3	14.0	12.8	16.0	26.8	30.5	34.4
Standalone EPS (KRW)	913	1,006	906	680	1,024	1,337	1,569	1,714
Consolidated EPS (KRW)	931	852	812	701	887	1,438	1,634	1,827
Target price (KRW, consolidated PER of 25x)	23,280	21,296	20,295	17,513	22,176	35,945	40,862	45,673

Source: Company data, Shinhan Investment Corp.

PER valuation based on consolidated net profit: Target price of W41,000

(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2016 consolidated NP	16.8	2017 consolidated NP	24.2	2018F consolidated NP	30.9	2019F consolidated NP	34.5
EPS (KRW)	887	EPS (KRW)	1,279	EPS (KRW)	1,633	EPS (KRW)	1,827
Target price (KRW)	22,175	Target price (KRW)	31,975	Target price (KRW)	40,825	Target price (KRW)	45,675
Target PER (x)	25.0	Target PER (x)	25.0	Target PER (x)	25.0	Target PER (x)	25.0
Current price (KRW)	36,600	Current price (KRW)	36,600	Current price (KRW)	36,600	Current price (KRW)	36,600
Current PER (x)	41.3	Current PER (x)	28.6	Current PER (x)	22.4	Current PER (x)	20.0

Source: Shinhan Investment Corp.

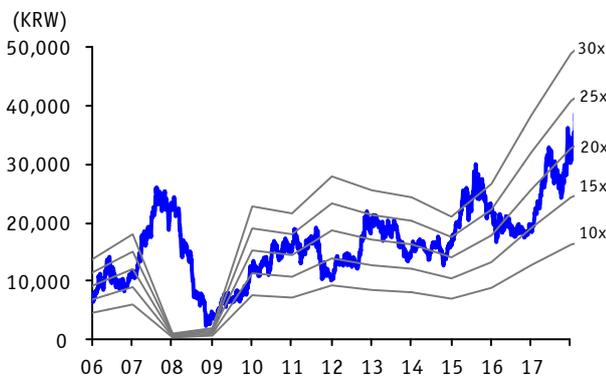
Historical valuation and target PER

(x, %)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average (excl. 2008-2009)
PER (term-end)	39.1	139.9	193.3	20.0	14.7	21.5	18.9	21.7	33.1	23.0	24.2
PER (high)	43.9	746.9	201.9	22.0	26.9	24.0	26.9	23.9	44.7	26.9	30.2
PER (low)	17.0	62.5	54.1	12.9	12.9	11.0	16.3	16.9	24.0	19.8	16.1
PER (average)	33.3	319.5	114.2	20.9	20.5	16.0	22.1	21.1	34.2	22.8	25.0
Premium (%)											0.0
PER (target)									Average PER		25.0

Source: Shinhan Investment Corp.

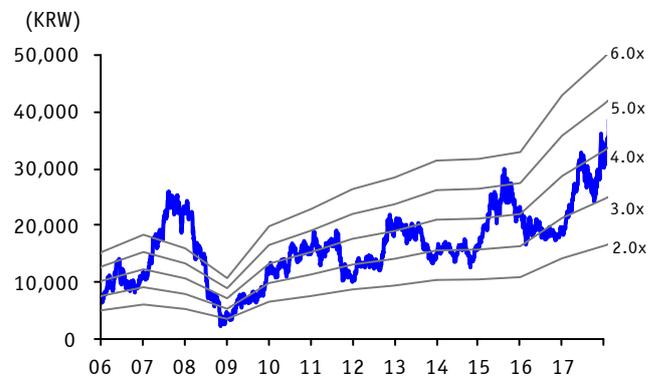
Note: Target PER is based on the past 10-year average (25x) and equals a 20% discount to Hana Tour Service's target multiple, which is seen fair considering Modetour Network's smaller earnings (sales and profit) and stagnant market share (vs. Hana Tour Service's steady growth in market share).

12-month forward PER band



Source: Shinhan Investment Corp.

12-month forward PBR band



Source: Shinhan Investment Corp.

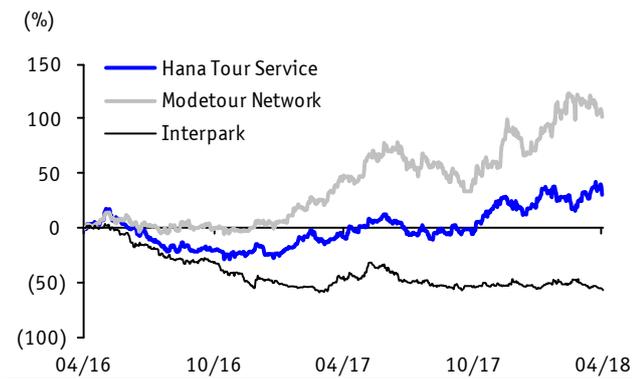
Valuation of global travel peers

Company	Ticker	Market cap. (bn KRW)	Sales growth (%)		NP growth (%)		PER (x)		PBR (x)		EV/EBITDA (x)		ROE (%)	
			2018F	2019F	2018F	2019F	2018F	2019F	2018F	2019F	2018F	2019F	2018F	2019F
Hana Tour Service	039130 KS	1,324.2	11.4	11.4	306.7	30.4	27.1	20.9	5.7	4.8	12.7	10.5	23.3	25.6
Modetour Network	080160 KS	691.7	15.1	14.1	28.1	21.9	20.3	16.7	4.2	3.6	13.4	10.9	23.4	24.3
Interpark	108790 KS	281.3	6.5	8.2	74.8	31.8	19.2	14.5	1.6	1.5	6.3	5.4	8.4	10.3
Booking Holdings	BKNG US	107,517.7	17.0	13.5	11.1	13.9	23.9	20.8	7.6	6.1	16.3	14.3	36.2	39.1
Expedia	EXPE US	17,466.8	12.3	11.3	8.9	20.1	22.8	19.0	3.4	3.0	10.2	8.9	13.2	16.1
TripAdvisor	TRIP US	5,998.3	3.2	8.0	11.6	17.1	35.0	30.4	3.8	3.4	15.4	14.0	8.3	10.5
CTRP	CTRP US	25,586.7	18.7	25.1	14.0	55.1	39.2	26.2	2.0	1.8	31.7	19.3	4.2	6.4
CITS	601888 CH	18,172.2	41.1	12.8	29.2	21.7	33.6	28.0	6.3	5.4	20.6	16.4	19.6	20.2
CYTS	600138 CH	2,888.9	7.7	7.2	23.0	15.8	25.2	21.6	2.8	2.4	13.2	11.6	11.3	11.9
HIS	9603 JP	2,592.9	21.8	6.9	(13.4)	10.9	18.8	17.3	2.4	2.2	10.3	8.9	13.7	13.7

Source: Bloomberg, Shinhan Investment Corp.

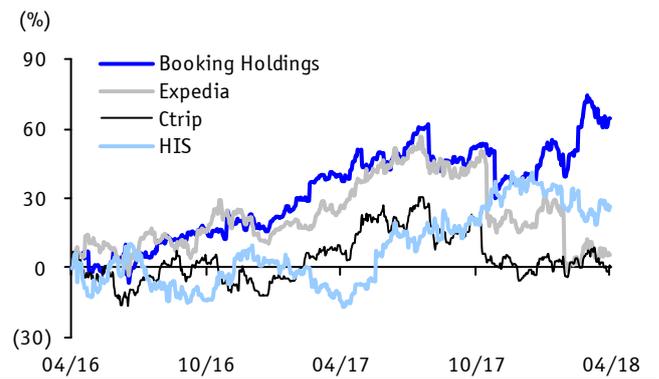
Note: Modetour Network is not an attractive candidate for global long-short pair trading in the near term, but may be better positioned in the long term. Its valuation is lower than the average and sales growth is nearly the average.

Relative performance of domestic travel agencies (2 years)



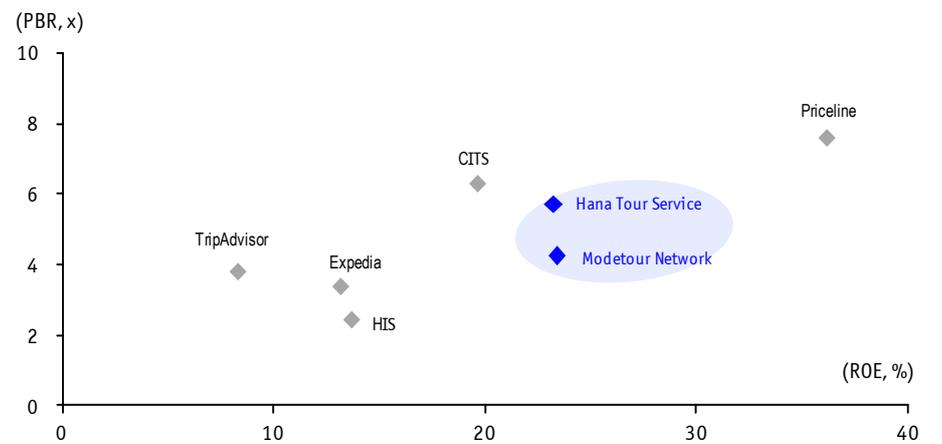
Source: Bloomberg, Shinhan Investment Corp.

Relative performance of overseas travel agencies (2 years)



Source: Bloomberg, Shinhan Investment Corp.

PBR and ROE comparison of global peers



Source: Bloomberg, Shinhan Investment Corp.

Balance Sheet

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Assets	210.4	338.2	370.4	404.2	436.7
Total Current Assets	151.1	208.7	240.9	273.6	308.5
Cash and Cash Equivalents	58.3	53.1	69.3	89.5	112.5
Accounts Receivables	31.0	42.8	47.3	50.7	54.0
Inventories	0.1	0.1	0.2	0.2	0.2
Non-Current Assets	59.2	129.5	129.5	130.6	128.2
Tangible Assets	21.9	22.5	20.9	20.5	17.1
Intangible Assets	5.6	2.6	2.8	3.0	2.8
Investment Assets	21.7	16.5	17.8	19.1	20.3
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	107.7	175.2	186.6	196.8	205.7
Current Liabilities	103.1	141.8	153.0	163.2	171.9
ST Borrowings	0.5	14.0	14.0	14.0	14.0
Account Payables	0.0	0.0	0.0	0.0	0.0
Current Portion of LT Debt	0.5	0.8	1.0	1.0	0.0
Non-Current Liabilities	4.6	33.4	33.6	33.7	33.8
Bonds	0.0	0.0	0.0	0.0	0.0
LT Borrowings(incl. LT Fin. Liab.)	4.2	32.2	32.2	32.2	32.2
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	102.7	163.0	183.8	207.3	231.0
Capital Stock	6.3	9.5	9.5	9.5	9.5
Capital Surplus	27.9	29.2	29.2	29.2	29.2
Other Reserves	(28.6)	(18.7)	(18.7)	(18.7)	(18.7)
Accu. Other Comp. Income	0.2	(0.0)	(0.0)	(0.0)	(0.0)
Retained Earnings	97.6	114.9	135.7	159.4	183.1
Owners of Parent Equity	103.5	134.8	155.7	179.3	203.1
Non-Controlling Interests Equity	(0.8)	28.2	28.1	28.0	27.9
*Total Debt	7.4	47.4	45.7	45.7	44.7
*Net Debts(Cash)	(93.0)	(97.1)	(124.5)	(152.0)	(183.0)

Cash Flow

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Operating Cash Flow	31.7	38.2	41.8	44.8	44.5
Net Profit	15.9	24.2	30.8	34.4	36.4
Depreciation	2.2	2.5	4.6	4.5	3.4
Amortization	0.6	0.6	0.2	0.3	0.2
Losses(Gains) on F/X Translation	(0.5)	2.3	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	0.2	(0.2)	(0.2)	(0.2)	(0.2)
Losses(Gains) in Asso., Subs., JVs	(2.1)	(3.0)	0.0	0.0	0.0
Chg. in A/L from Op. Activities	11.6	12.3	6.4	5.9	4.8
(Payments of Income Taxes)	(5.5)	(10.4)	(10.9)	(11.1)	(11.8)
Others	9.3	9.9	10.9	11.0	11.7
Investing Cash Flow	(6.1)	(53.8)	(14.2)	(13.1)	(8.3)
Incr. in Tangible Assets(CAPEX)	(1.2)	(1.4)	(3.0)	(4.0)	0.0
Decr. in Tangible Assets	0.1	0.1	0.0	0.0	0.0
Decr.(Incr.) in Intangible Assets	(0.7)	(0.1)	(0.5)	(0.5)	0.0
Decr.(Incr.) in Investment Assets	7.4	(6.6)	(1.3)	(1.3)	(1.2)
Others	(11.7)	(45.8)	(9.4)	(7.3)	(7.1)
Free Cash Flow	34.2	38.5	38.1	38.7	44.0
Financing Cash Flow	(11.9)	11.3	(10.0)	(10.0)	(11.9)
Incr.(Decr.) in Borrowing	0.7	1.7	(1.8)	0.0	(1.0)
Decr.(Incr.) of Treasury Stock	8.0	16.7	0.0	0.0	0.0
Dividend	(4.6)	(6.9)	(8.2)	(10.0)	(10.9)
Others	(16.0)	(0.2)	0.0	0.0	0.0
Other Cash Flows	0.0	0.0	(1.4)	(1.6)	(1.4)
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	0.1	(0.9)	0.0	0.0	0.0
Incr.(Decr.) in Cash	13.7	(5.2)	16.2	20.1	23.0
Beginning Cash	44.6	58.3	53.1	69.4	89.5
Ending Cash	58.3	53.1	69.4	89.5	112.5

Source: Company data, Shinhan Investment Corp.

Profit and Loss

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Sales	237.1	290.9	320.9	344.3	366.7
Growth (%)	16.0	22.7	10.3	7.3	6.5
COGS	11.2	10.9	13.2	13.6	14.0
Gross Profit	225.9	280.0	307.8	330.7	352.7
Gross margin (%)	95.3	96.2	95.9	96.1	96.2
SG&A	205.8	247.9	267.4	287.1	305.6
Operating Income	20.1	32.1	40.4	43.6	47.1
Growth (%)	22.3	59.6	25.7	8.1	7.9
Operating margin (%)	8.5	11.0	12.6	12.7	12.8
Other Net Non-Operating Profits	2.8	0.8	1.3	1.9	1.1
Financial Income(Expenses)	1.2	0.7	0.8	1.1	1.4
Net Other Non-Operating Profits	(0.6)	(2.9)	(2.4)	(2.1)	(3.3)
Net Gains in Asso., Subs., and JVs	2.2	3.0	3.0	3.0	3.0
Pre-tax Profit from Cont. Op.	22.9	32.9	41.7	45.6	48.2
Income Taxes	7.0	8.7	10.9	11.1	11.8
Profit from Continuing Op.	15.9	24.2	30.8	34.4	36.4
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	15.9	24.2	30.8	34.4	36.4
Growth (%)	23.8	52.4	27.2	11.9	5.7
Net Profit margin (%)	6.7	8.3	9.6	10.0	9.9
Net Profit of Parent	16.8	24.2	30.9	34.5	36.5
Net Profit to Non-Controlling	(0.9)	0.0	(0.1)	(0.1)	(0.1)
Total Comprehensive Income	15.6	24.0	30.8	34.4	36.4
Total Comp. Income of Parent	16.5	23.9	30.7	34.4	36.4
Total Comp. Income to Non-Cont.	(0.9)	0.0	0.0	0.0	0.0
EBITDA	22.9	35.2	45.2	48.4	50.7
Growth (%)	17.4	53.3	28.6	7.0	4.8
EBITDA Margin (%)	9.7	12.1	14.1	14.1	13.8

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

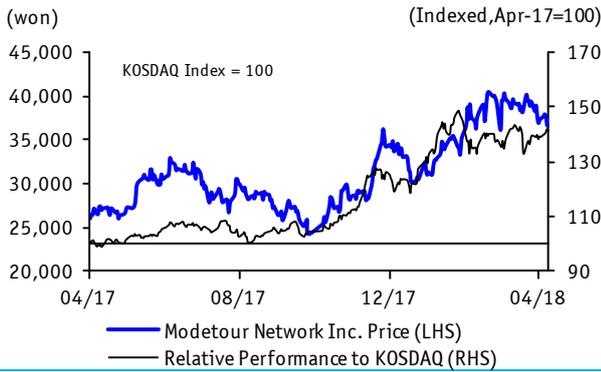
Key Ratios

Year to Dec.	2016	2017	2018F	2019F	2020F
EPS_C (won)	840	1,280	1,628	1,821	1,925
EPS_P (won)	887	1,279	1,633	1,827	1,931
BPS_C (won)	5,431	8,626	9,725	10,969	12,220
BPS_P (won)	5,471	7,134	8,238	9,487	10,744
DPS (won)	600	450	550	600	700
PER_C (x)	23.0	23.8	22.5	20.1	19.0
PER_P (x)	21.8	23.8	22.4	20.0	19.0
PBR_C (x)	3.6	3.5	3.8	3.3	3.0
PBR_P (x)	3.5	4.3	4.4	3.9	3.4
EV/EBITDA (x)	11.8	14.4	13.2	11.7	10.6
Payout Ratio (%)	41.2	33.9	32.4	31.6	34.9
Dividend Yield (%)	3.1	1.5	1.5	1.6	1.9
Profitability					
EBITDA Margin (%)	9.7	12.1	14.1	14.1	13.8
OP Margin (%)	8.5	11.0	12.6	12.7	12.8
NP Margin (%)	6.7	8.3	9.6	10.0	9.9
ROA (%)	8.1	8.8	8.7	8.9	8.7
ROE (%)	16.5	20.3	21.3	20.6	19.1
ROIC (%)	(86.8)	(89.2)	(72.6)	(69.3)	(65.4)
Stability					
D/E Ratio (%)	104.9	107.5	101.5	95.0	89.1
Net Debt to Equity (%)	(90.6)	(59.6)	(67.7)	(73.3)	(79.2)
Cash Ratio (%)	56.6	37.5	45.3	54.9	65.4
Interest Coverage (x)	46.2	66.1	48.9	53.9	58.8
Activity (%)					
Working Capital Turnover (t)	(6.0)	(5.2)	(4.9)	(4.8)	(4.8)
Inventory Turnover (d)	3.3	0.2	0.2	0.2	0.2
Receivable Turnover (d)	42.0	46.3	51.2	51.9	52.1

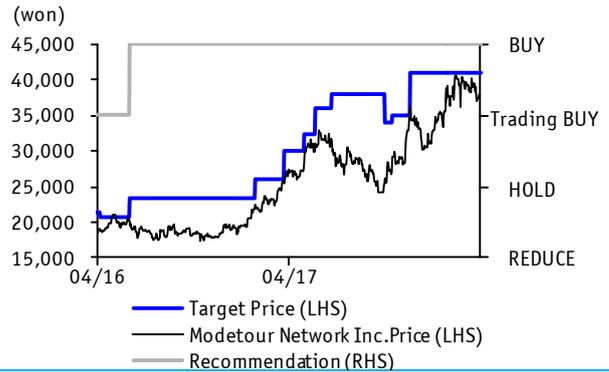
Source: Company data, Shinhan Investment Corp.

Modetour Network (080160 KS)

Share Price Performance



Target Price



Compliance Notice

- ◆ 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, SooYeon Kang.
- ◆ As of the date of this report's publication, Shinhan Investment Corp.'s shareholdings in the company mentioned in this report (Modetour Network) do not exceed 1% of outstanding shares of the company.
- ◆ As of this date, Shinhan Investment Corp. has not participated as the lead underwriter or advisor in issuance of the securities of the company during the past 1 year.
- ◆ As of this date, the covering analyst does not possess any financial interest in the securities or debt instruments convertible into such shares of the company, which is required to be disclosed by law, and has not and will not receive any compensation of any kind whatsoever in exchange for expressing specific recommendations.
- ◆ All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date, and may differ from actual results.
- ◆ This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- ◆ This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

Date	Recommendation	Target Price (won)	Target Price Gap (%)	
			Average	Max/Min
2016.04.19	Trading BUY	20,677	(3.6)	2.3
2016.06.14	BUY	23,345	(20.3)	(15.1)
2016.12.15	6M later		(14.9)	(4.4)
2017.02.07	BUY	26,013	(10.8)	(0.9)
2017.04.03	BUY	30,016	(10.6)	(8.6)
2017.05.11	BUY	32,350	(5.4)	(2.4)
2017.06.01	BUY	36,019	(12.4)	(8.7)
2017.07.02	BUY	38,000	(26.3)	(18.2)
2017.10.11	BUY	34,000	(19.9)	(16.3)
2017.10.25	BUY	35,000	(15.1)	(1.9)
2017.11.28	BUY	41,000	-	-

Note: Calculation of target price gap based on the past 6 months

Distribution

- ◆ **United States:** This report is distributed in the U.S. by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Investment Corp. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.
- ◆ **All Other Jurisdictions:** Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan and its affiliates to any registration or licensing requirement within such jurisdiction.

SHIC Rating Classifications (As of Apr. 1, 2017)

Stock	Sector
<ul style="list-style-type: none"> ◆ BUY: Expected return of over +10% in the next 6 months ◆ Trading BUY: Expected return of -10% ~ +10% in the next 6 months ◆ HOLD: Expected return of -20% ~ -10% in the next 6 months ◆ REDUCE: Expected return of below -20% in the next 6 months 	<ul style="list-style-type: none"> ◆ OVERWEIGHT: Prevalence of BUY rating for stocks in our sector coverage universe based on market cap ◆ NEUTRAL: Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap ◆ UNDERWEIGHT: Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap

SHIC Universe Rating Classification Ratio (as of Apr. 11, 2018)

BUY (BUY)	93.67%	Trading BUY (HOLD)	3.62%	HOLD (HOLD)	2.71%	REDUCE (SELL)	0%
-----------	--------	--------------------	-------	-------------	-------	---------------	----