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# Company Initiation



**Eunkyung Park**  
Analyst  
eunkyung44.park@samsung.com  
822 2020 7850

**Jihye Kim**  
Research Associate  
jihye48.kim@samsung.com  
822 2020 7983

## AT A GLANCE

SELL **HOLD** BUY

<b>Target price</b>	<b>KRW21,000</b>	<b>(3.7%)</b>
<b>Current price</b>	<b>KRW20,250</b>	
Market cap	KRW1.8t/USD1.6b	
Shares (float)	90,942,672 (48.0%)	
52-week high/low	KRW27,100/KRW17,100	
Avg daily trading value (60-day)	KRW18.3b/USD16.2m	

## ONE-YEAR PERFORMANCE

	1M	6M	12M
Paradise (%)	8.6	-0.7	-24.0
Vs Kosdaq (%pts)	15.1	22.3	-14.1

## SAMSUNG vs THE STREET

No of estimates	10
Target price	26,500
Recommendation	4.0

BUY★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★: 1

## Paradise (034230)

### 2020 expectations largely priced in

- We reinstate coverage of Paradise at HOLD with a KRW21,000 target price, with our initial rating based on three positives. First, even though its investment in Paradise City—Korea's first integrated resort located on Yeongjong Island, Incheon—is positive for long-term growth and will likely bring sales and operating profit hikes next year, the stock has already priced in the site's normalized sales and profitability, which we expect can only be achieved after 2020. Second, shares in the firm trade at some of the highest valuations among global peers at a time when next June's selection of new casino operators in Japan remains a hot topic. Third, rebounds in Chinese VIP demand will probably fall short of most estimates with China continuing to tighten regulations on forex outflows.
- Our initial target price of KRW21,000 on Paradise equates to 2.5x 2019 P/B (its post-2012 average) and 17x EV/EBITDA, with an earnings-based valuation method seen as unsuitable for the firm—since its fixed cost burden surged after fully opening Paradise City (with a total investment of KRW1.5t) in September. We see our valuation for the stock as reasonable as falling Chinese VIP demand should be offset by expectations of hikes in non-China demand (eg, from Japan and SE Asia).

### WHAT'S THE STORY?

**Bright outlook for Paradise City ...:** We expect Paradise's sales to rise 20% to KRW779.5b in 2019, backed by Paradise City—Korea's first integrated resort, located on Yeongjong Island, Incheon—but if the operation were excluded, its parent-based sales would likely grow just 6% to KRW421.3b on a delayed recovery of Chinese VIP demand (as well as customer defection to the new resort).

Some still question whether or not Paradise should have invested KRW1.5t for the new site, given that: 1) it will only be open to non-Korean citizens; and 2) Yeongjong Island's tourism merits are unproven. We nevertheless believe Paradise City boasts long-term growth potential, as its: 1) client mix has already diversified away from Chinese mass and VIP visitors, which lends it earnings stability; and 2) market-share growth shows how an integrated resort can be more competitive than a smaller casino-only operation.

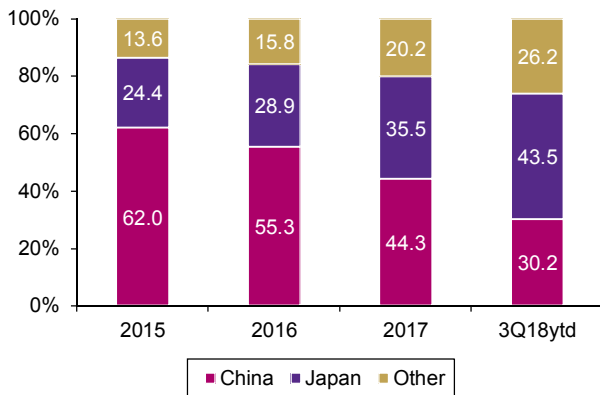
When its first phase opened in Apr 2017, only the casino, hotel, and meetings, incentives, conferences and exhibitions (MICE) facilities of Paradise City went operational, but when the second phase opened in September, its retail, F&B, and entertainment facilities all went online. The resort should see growth in mass visitors accelerate in 2019, and as its operations become more sophisticated, it will also likely attract more VIPs. We expect Japanese, not Chinese, to drive the new site's growth.

### SUMMARY FINANCIAL DATA

	2017	2018E	2019E	2020E
Revenue (KRWb)	668	794	948	1,054
Net profit (adj) (KRWb)	(40)	(8)	20	62
EPS (adj) (KRW)	(212)	29	281	586
EPS (adj) growth (% y-y)	nm	nm	865.8	108.5
EBITDA margin (%)	4.5	12.8	16.4	19.3
ROE (%)	(1.9)	0.3	2.6	5.3
P/E (adj) (x)	n/a	615.0	70.0	33.8
P/B (x)	2.4	2.5	2.4	2.3
EV/EBITDA (x)	78.9	25.2	16.1	11.7
Dividend yield (%)	0.5	0.5	0.5	0.5

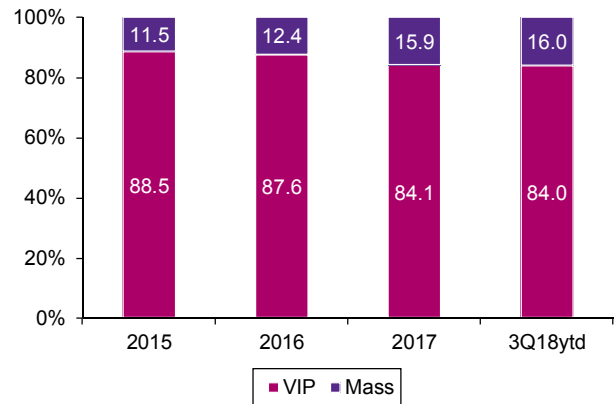
Source: Company data, Samsung Securities estimates

## VIP drop, by nation



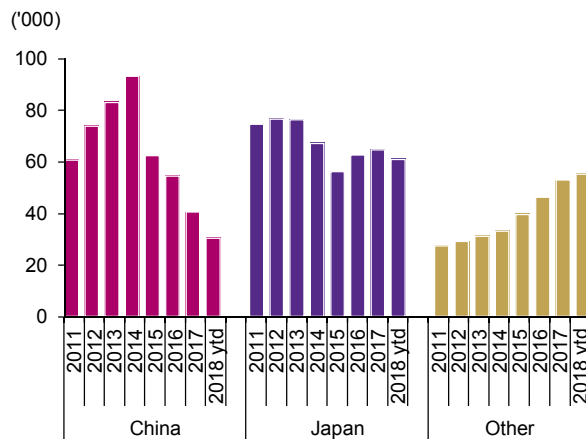
Source: Company data, Samsung Securities

## VIP vs mass drop



Source: Company data, Samsung Securities

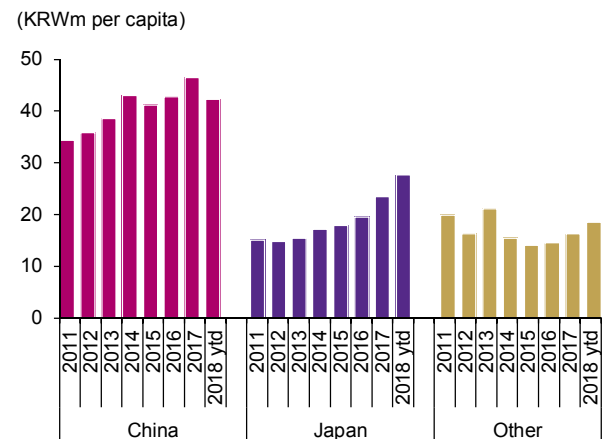
## VIP visitors, by nation of origin



Note: Based on number of days present in Korea

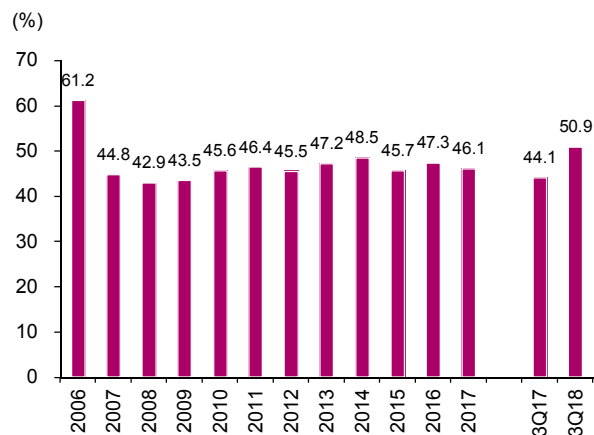
Source: Company data, Samsung Securities

## Per-capita VIP drop, by nation



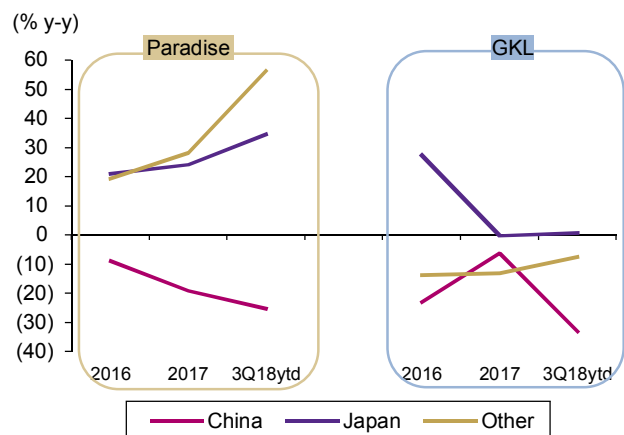
Source: Company data, Samsung Securities

## Paradise: Market share



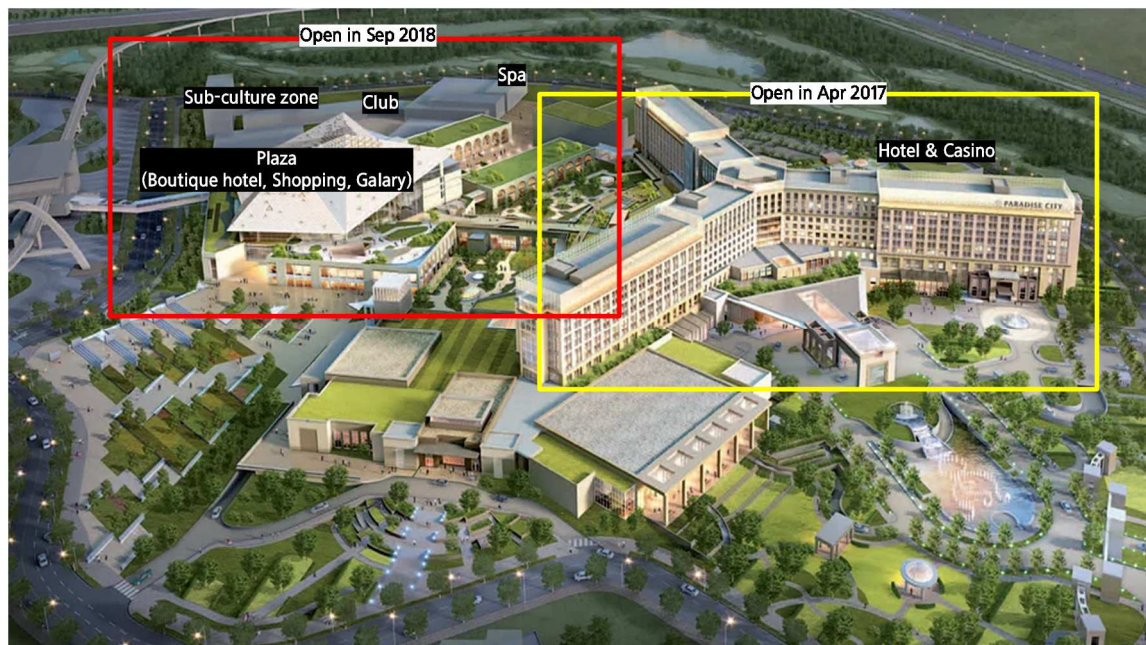
Note: Excludes Landing casino in 3Q18 as it saw unusual one-offs that quarter  
 Source: Korea Casino Association, company data, Samsung Securities estimates

## VIP drop growth: Paradise vs Grand Korea Leisure



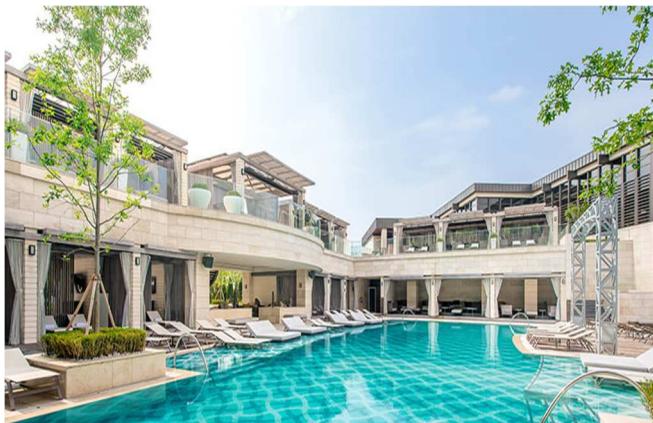
Source: Company data, Samsung Securities

## Artist's rendition of Paradise City



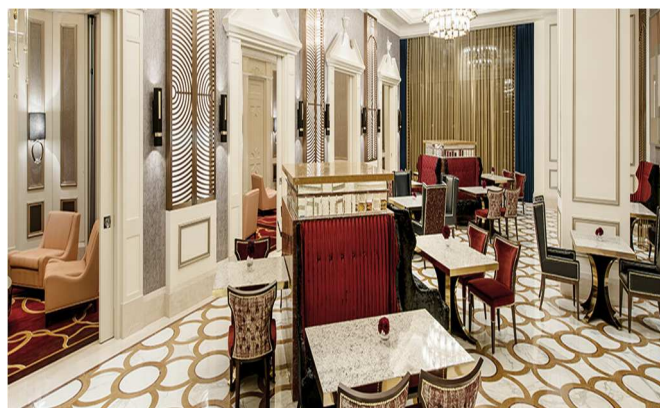
Source: Company image

## Paradise City: CIMER spa and pool



Source: Company image

## Paradise City: The Emperor VIP restaurant



Source: Company image

**Projected 2019 fixed-cost burden worthy of attention:** Paradise posted an operating loss of KRW30b (with a loss ratio of 4.5%) in 2017, its first time in the red for two decades, which owed to Paradise City: 1) lifting its fixed-cost burden after the first phase opened in Apr 2017; and 2) suffered an initially low utilization rate as inbound Chinese figures plunged, related with THAAD. The company's EBITDA plunged 70% to KRW30b (for a margin of 4.5%) in 2017, but its operating loss will likely narrow to KRW200m with an EBITDA of KRW90b (for a margin of 11.7%) this year, backed by Paradise City. Our 2019 forecasts have the firm's operating profit and EBITDA hitting KRW29.7b (for a margin of 3.2%) and 146.9b (15.6%), respectively, which could serve as a share-price catalyst, but heightened expectations for its earnings might only be borne out in 2020, with any share-price rebound likely to be limited. Consensus estimates have yet to fully reflect costs related to the full opening of Paradise City and are more bullish than we are regarding Chinese demand recovering.

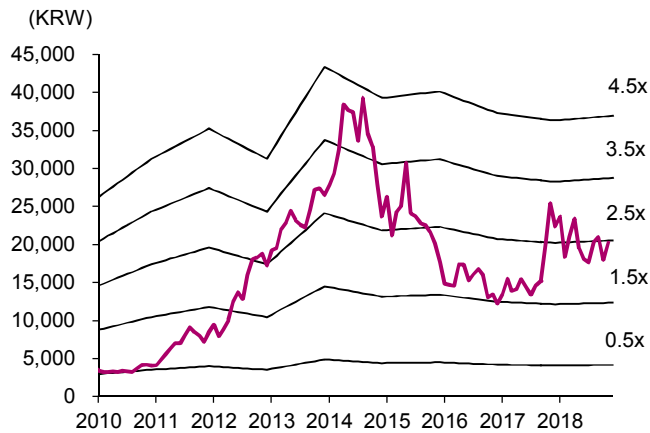
#### Samsung estimates vs consensus

(KRWb)	2017	2018E	2019E	18E/17 (% y-y)	19E/18E (% y-y)	2018E Consensus	Diff (%)	2019E Consensus	Diff (%)
Sales	668.0	793.6	948.1	18.8	19.5	799.1	(0.7)	1,012.6	(6.4)
Operating profit	(30.0)	10.6	38.0	(135.5)	257.6	8.3	27.5	79.3	(52.0)
Pre-tax profit	(33.5)	(10.7)	27.1	(68.1)	(354.2)	(10.3)	n.m.	57.7	(53.0)
Net profit	(39.9)	(8.0)	20.4	(79.9)	(354.2)	(7.6)	n.m.	45.4	(55.2)
OP margin (%)	(4.5)	1.3	4.0			1.0		7.8	
Pre-tax margin (%)	(5.0)	(1.3)	2.9			(1.3)		5.7	
Net margin (%)	(6.0)	(1.0)	2.1			(1.0)		4.5	

Source: Quantiwise, Samsung Securities estimates

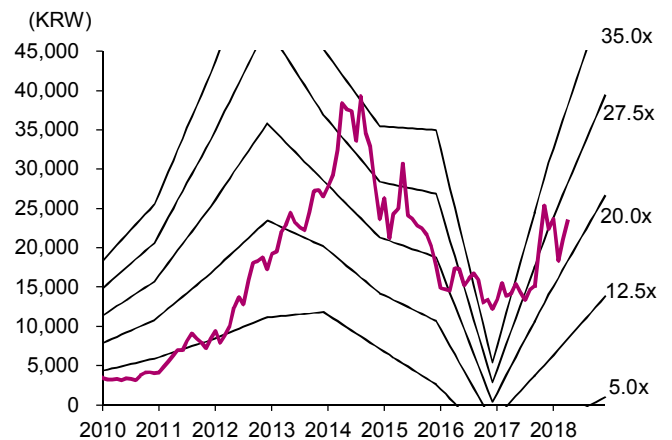
**Potential catalysts:** Japan in July passed legislation that will allow nationals into domestic casinos in a market that most value at KRW15t, with the government planning to select three more resort operators in Jun 2019. Sega Sammy owns 45% of Paradise City and is expected to bid on entering Japan's market, and if selected, Paradise would likely be chosen as a co-partner. Even under a best-case scenario, earnings contributions from Japan would probably not materialize before 2025, but the firm's participation in any casino project there will no doubt be viewed as positive.

## Forward P/B band



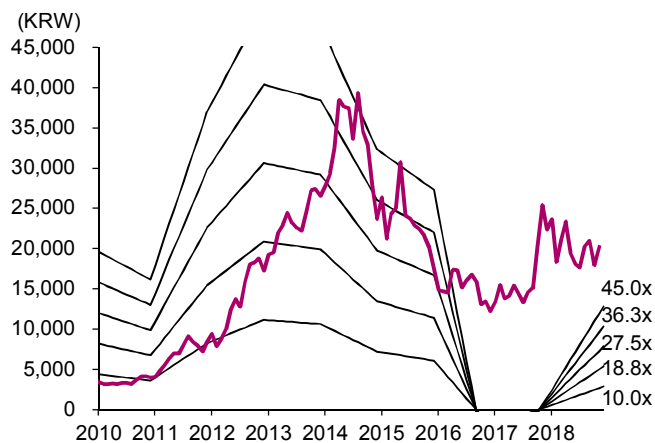
Source: Bloomberg, Samsung Securities estimates

## Forward EV/EBITDA band



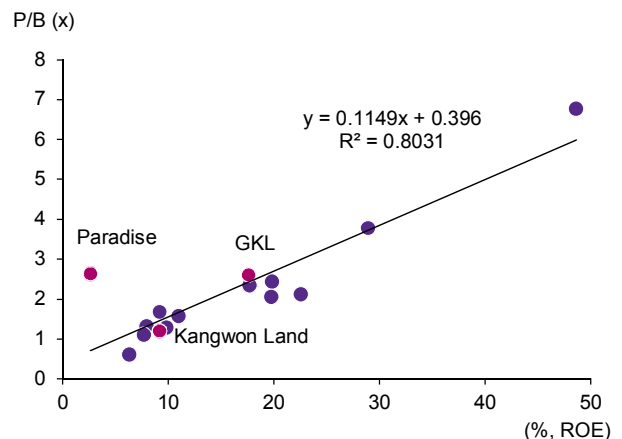
Source: Bloomberg, Samsung Securities estimates

## Forward P/E band



Source: Bloomberg, Samsung Securities estimates

## Global casino operators: P/B-ROE



Source: Bloomberg, Samsung Securities estimates

## Valuation summary

As end of	Sales	Operating profit	Pre-tax profit	Net profit	EPS	EPS growth	P/E	P/B	ROE	EV/EBITDA	Net debt
Dec 31	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)*	(%)	(x)	(x)	(%)	(x)	(KRWb)
2015	615	58	79	72	717	(32.3)	27.7	2.3	6.4	18.5	(217)
2016	695	66	75	58	606	(15.5)	32.8	2.2	5.3	21.0	257
2017	668	(30)	(34)	(40)	(208)	n.m.	n.m.	2.4	(1.9)	78.9	573
2018E	794	11	(11)	(8)	32	n.m.	615.0	2.5	0.3	25.2	760
2019E	948	38	27	20	284	778.4	70.0	2.4	2.6	16.1	691
2020E	1,054	92	83	62	589	107.3	33.8	2.3	5.3	11.7	574

Note: \* Fully diluted, excluding one-off items

Source: Company data, Samsung Securities

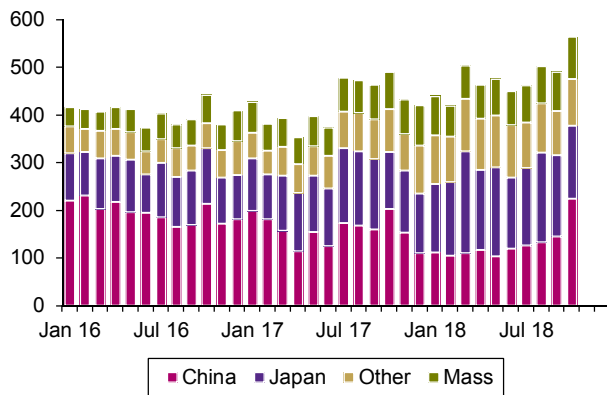
## Quarterly results and estimates

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18P	4Q18E	2016	2017	2018E	2019E
(KRWm)												
Table drop	1,198,937	1,123,142	1,411,278	1,341,353	1,360,445	1,386,412	1,451,088	1,573,915	4,832,079	5,074,710	5,771,860	7,048,778
Growth (%)	(2.7)	(6.3)	20.5	9.2	13.5	23.4	2.8	17.3	3.1	5.0	13.7	22.1
Hold ratio (%)	9.7%	9.5%	10.3%	11.0%	10.1%	9.9%	10.6%	11.1%	11.8	10.2%	10.5%	10.3%
(KRWm)												
Sales	142,436	139,885	196,092	189,629	179,513	181,066	210,481	222,520	694,856	668,042	793,580	948,086
Casino	124,630	114,895	155,573	156,209	148,255	146,924	164,737	180,020	603,415	551,308	639,936	762,873
Hotel & Other	13,314	21,100	34,585	29,697	26,827	30,259	39,349	32,857	76,077	98,696	129,292	148,686
Gross profit	17,980	7,493	32,786	12,063	20,291	19,415	30,230	19,925	138,436	70,322	89,860	121,052
Casino	21,320	13,144	35,661	27,739	31,278	29,332	39,232		137,258	97,864		
Hotel & Other	(4,088)	(5,978)	(4,868)	(15,735)	(12,167)	(10,496)	(5,233)		(660)	(30,379)		
Operating profit	(7,698)	(27,313)	10,443	(5,384)	4,810	(67)	10,805	(4,914)	65,786	(29,952)	10,634	38,029
Pre-tax profit	7,917	(27,697)	2,861	(16,590)	(8)	(4,630)	6,798	(10,879)	75,449	(33,508)	(10,677)	27,143
Net profit	1,268	(29,761)	1,414	(12,774)	1,125	(4,603)	5,179	(8,159)	57,622	(39,853)	(8,007)	20,357
(Controlling interests)	8,074	(19,452)	4,226	(11,800)	3,102	(1,713)	4,716	(3,163)	55,126	(18,953)	2,943	25,847
EBITDA	1,440	(11,652)	27,506	12,903	22,311	17,622	29,771	32,079	98,207	30,197	101,784	155,179
Margin (%)												
Gross profit	12.6	5.4	16.7	6.4	11.3	10.7	14.4	9.0	19.9	10.5	11.3	12.8
Casino	17.1	11.4	22.9	17.8	21.1	20.0	23.8		22.7	17.8		
Hotel & Other	(30.7)	(28.3)	(14.1)	(53.0)	(45.4)	(34.7)	(13.3)		(0.9)	(30.8)		
Operating profit	(5.4)	(19.5)	5.3	(2.8)	2.7	(0.0)	5.1	(2.2)	9.5	(4.5)	1.3	4.0
Pre-tax profit	5.6	(19.8)	1.5	(8.7)	(0.0)	(2.6)	3.2	(4.9)	10.9	(5.0)	(1.3)	2.9
Net profit	0.9	(21.3)	0.7	(6.7)	0.6	(2.5)	2.5	(3.7)	8.3	(6.0)	(1.0)	2.1
EBITDA	1.0	(8.3)	14.0	6.8	12.4	9.7	14.1	14.4	14.1	4.5	12.8	16.4
Growth (%y-y)												
Sales	(9.3)	(26.0)	11.9	9.2	26.0	29.4	7.3	17.3	12.9	(3.9)	18.8	19.5
Casino	(9.7)	(31.1)	5.3	3.5	19.0	27.9	5.9	15.2	14.2	(8.6)	16.1	19.2
Hotel & Other	(13.1)	9.6	57.8	51.5	101.5	43.4	13.8	10.6	3.2	29.7	31.0	15.0
Gross profit	(44.7)	(85.3)	16.5	(55.0)	12.9	159.1	(7.8)	65.2	12.9	(49.2)	27.8	34.7
Casino	(34.7)	(74.3)	42.4	56.4	46.7	123.2	10.0		20.9	(28.7)		
Hotel & Other	n/a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.		
Operating profit	n.a.	n.a.	(4.5)	n.a.	n.a.	n.a.	3.5	n.a.	12.8	n.a.	n.a.	257.6
Pre-tax profit	(60.1)	n.a.	(79.3)	n.a.	n.a.	n.a.	137.6	n.a.	(4.7)	n.a.	n.a.	n.a.
Net profit	(92.0)	n.a.	(86.5)	n.a.	(11.3)	n.a.	266.3	n.a.	(19.8)	n.a.	n.a.	n.a.
(Controlling interests)	(44.7)	n.a.	(56.1)	n.a.	(61.6)	n.a.	11.6	n.a.	(15.5)	n.a.	n.a.	778.4
EBITDA	(93.6)	n.a.	39.5	(16.7)	1,449.6	n.a.	8.2	148.6	14.3	(69.3)	237.1	52.5

Source: Company data, Samsung Securities

**Paradise: VIP Drop, by country vs mass**

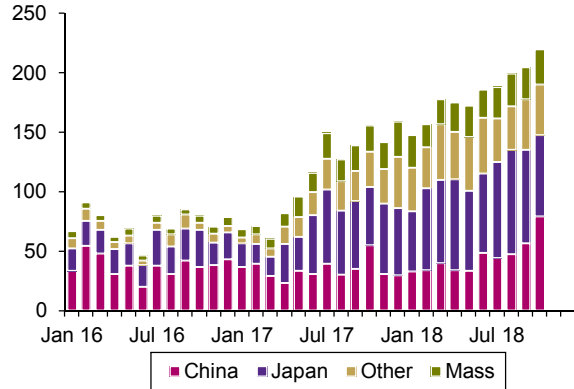
(KRWb)



Source: Company data, Samsung Securities

**Paradise City: VIP Drop, by country vs mass**

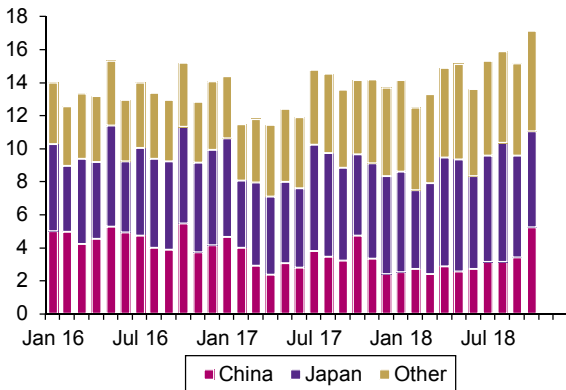
(KRWb)



Source: Company data, Samsung Securities

**Paradise: VIP lengths of visit, by nation of origin**

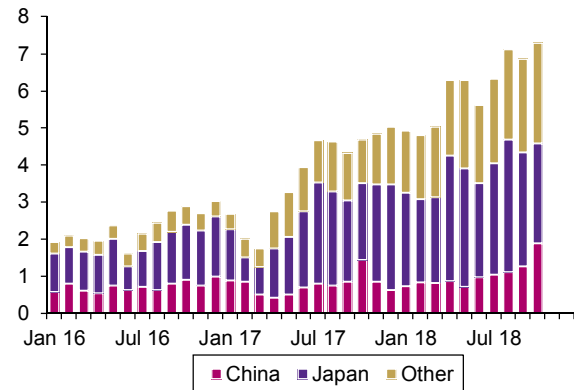
('000 days)



Source: Company data, Samsung Securities

**Paradise City: VIP lengths of visit, by nation of origin**

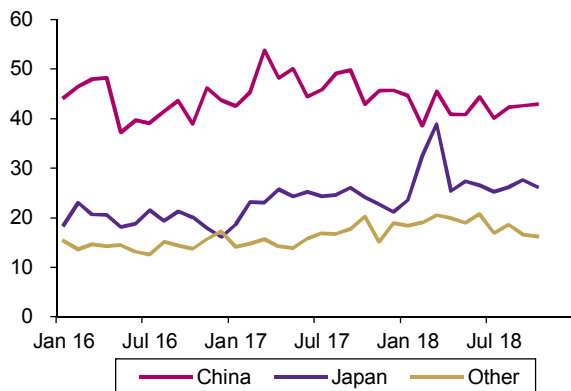
('000 days)



Source: Company data, Samsung Securities

**Paradise: VIP drop per visit, by nation of origin**

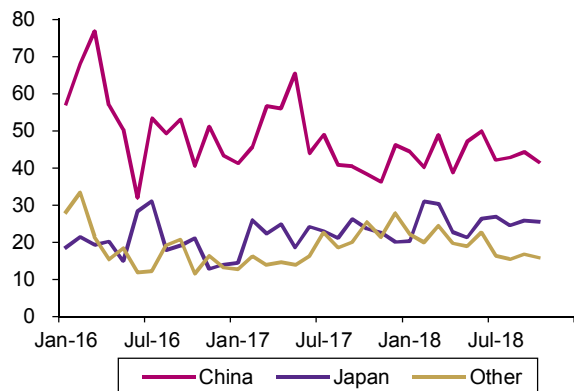
(KRWm per capita)



Source: Company data, Samsung Securities

**Paradise City: VIP drop per visit, by nation of origin**

(KRWm per capita)



Source: Company data, Samsung Securities

## Annual and monthly key metrics

	Total drop					Revenue			VIP visits				Per-person drop			
	CN VIP	JP VIP	Other VIP	Mass	Total	Table	Slot	Total	CN VIP	JP VIP	Other VIP	Total	CN VIP	JP VIP	Other VIP	Total
2014	24.8	(1.3)	(22.3)	26.8	13.7	3.4	6.6	3.6	11.9	(11.9)	6.1	1.4	11.5	12.1	(26.7)	12.1
2015	(35.8)	(12.5)	9.2	(5.9)	(25.0)	(16.2)	4.4	(15.0)	(32.9)	(16.1)	19.8	(18.0)	(4.3)	4.2	(8.8)	(8.6)
2016	(9.1)	20.8	19.3	11.3	3.1	7.3	(7.3)	6.3	(12.5)	11.1	16.4	3.1	3.9	8.8	2.5	(0.0)
2017	(19.2)	24.0	28.1	35.2	5.0	(9.2)	1.4	(8.6)	(25.7)	3.0	14.1	(3.4)	8.7	20.4	12.3	8.8
Jan-Oct18	(25.3)	34.4	56.1	17.5	12.4	16.9	18.7	17.0	(16.1)	15.2	29.7	11.8	(9.6)	18.3	15.5	0.7
Jan 2017	(10.0)	12.2	(6.0)	60.2	2.7	(24.3)	3.6	(22.8)	(6.5)	12.0	1.2	2.6	(3.8)	0.2	(7.1)	0.1
Feb-17	(21.5)	3.1	1.4	36.9	(7.5)	13.3	(1.3)	12.3	(19.4)	2.4	(6.5)	(8.7)	(2.6)	0.6	8.4	1.3
Mar-17	(22.6)	8.7	4.7	50.9	(3.4)	(12.6)	5.2	(11.5)	(31.1)	(2.8)	(2.6)	(11.7)	12.2	11.8	7.5	9.4
Apr-17	(47.8)	26.7	7.9	25.4	(15.1)	(32.3)	(11.0)	(31.0)	(47.8)	1.3	8.0	(13.5)	(0.1)	25.1	(0.1)	(1.9)
May-17	(21.4)	7.7	7.4	31.1	(3.4)	(31.1)	(20.3)	(30.5)	(41.7)	(19.5)	11.8	(19.1)	34.7	33.9	(3.9)	19.5
Jun-17	(36.1)	50.3	38.8	22.4	0.1	(33.5)	(5.7)	(31.9)	(43.0)	11.9	15.1	(8.0)	12.2	34.4	20.6	8.8
Jul-17	(5.9)	37.4	52.9	31.0	18.6	2.9	(1.7)	2.5	(19.8)	21.4	14.2	5.4	17.3	13.2	33.9	12.5
Aug-17	1.8	49.3	32.4	37.8	24.4	(12.5)	65.5	(9.2)	(14.2)	17.2	19.1	8.4	18.7	27.4	11.1	14.8
Sep-17	(5.5)	29.3	56.0	33.6	18.5	32.3	(13.3)	28.9	(17.3)	5.5	26.6	4.7	14.3	22.6	23.2	13.2
Oct-17	(4.5)	1.8	68.9	31.2	10.8	(6.9)	3.5	(6.3)	(13.3)	(15.4)	14.8	(6.9)	10.2	20.4	47.1	19.0
Nov-17	(11.1)	33.7	33.7	37.3	14.0	1.3	36.8	3.0	(10.1)	5.6	38.9	10.6	(1.1)	26.6	(3.7)	3.1
Dec-17	(39.5)	35.1	40.9	33.1	2.9	19.7	(21.3)	16.6	(42.2)	2.6	28.4	(2.9)	4.6	31.6	9.7	5.9
Jan 2018	(43.8)	29.8	91.8	25.7	2.7	23.1	27.1	23.4	(46.4)	2.7	47.2	(1.6)	4.8	26.5	30.3	4.4
Feb-18	(42.5)	63.9	91.3	18.3	10.2	1.1	35.2	3.2	(32.3)	17.0	48.5	9.1	(15.1)	40.0	28.7	1.0
Mar-18	(30.1)	85.0	82.5	16.9	28.3	33.2	18.9	32.1	(17.4)	9.5	39.6	12.7	(15.4)	69.0	30.8	13.8
Apr-18	2.8	36.9	75.5	26.7	31.0	(0.6)	(8.0)	(1.2)	21.4	39.0	25.6	30.3	(15.3)	(1.5)	39.7	0.6
May-18	(32.6)	55.9	80.1	19.0	19.5	21.7	74.6	24.9	(17.3)	38.2	31.9	22.2	(18.5)	12.8	36.6	(2.2)
Jun-18	(4.0)	23.4	60.7	19.9	20.5	70.7	2.0	65.0	(3.9)	17.4	22.8	14.3	(0.1)	5.2	30.9	5.4
Jul-18	(27.8)	3.8	25.7	9.1	(3.4)	24.4	17.6	23.9	(17.5)	0.0	26.0	3.5	(12.5)	3.7	(0.2)	(6.7)
Aug-18	(21.2)	20.9	29.7	11.6	6.0	(2.5)	(13.3)	(3.3)	(8.4)	14.0	16.5	9.5	(14.0)	6.0	11.3	(3.2)
Sep-18	(9.3)	16.0	10.9	13.3	6.0	(1.0)	37.4	0.9	6.1	9.2	18.7	11.7	(14.5)	6.3	(6.5)	(5.2)
Oct-18	10.4	28.0	9.7	13.9	15.1	43.1	(14.0)	39.2	10.4	17.8	36.5	21.2	(0.1)	8.7	(19.6)	(5.1)

Source: Company data, Samsung Securities

## Income statement

Year-end Dec 31(KRWb)	2016	2017	2018E	2019E	2020E
<b>Sales</b>	<b>695</b>	<b>668</b>	<b>794</b>	<b>948</b>	<b>1,054</b>
Cost of goods sold	556	598	704	827	877
<b>Gross profit</b>	<b>138</b>	<b>70</b>	<b>90</b>	<b>121</b>	<b>177</b>
Gross margin (%)	19.9	10.5	11.3	12.8	16.8
SG&A expenses	73	100	79	83	85
<b>Operating profit</b>	<b>66</b>	<b>(30)</b>	<b>11</b>	<b>38</b>	<b>92</b>
Operating margin (%)	9.5	(4.5)	1.3	4.0	8.7
<b>Non-operating gains (losses)</b>	<b>10</b>	<b>(4)</b>	<b>(21)</b>	<b>(11)</b>	<b>(9)</b>
Financial profit	10	6	4	4	4
Financial costs	4	25	31	21	19
Equity-method gains (losses)	4	15	6	6	6
Other	(0)	(0)	(0)	(0)	(0)
<b>Pre-tax profit</b>	<b>75</b>	<b>(34)</b>	<b>(11)</b>	<b>27</b>	<b>83</b>
Taxes	18	6	(3)	7	21
Effective tax rate (%)	23.6	(18.9)	25.0	25.0	25.0
Profit from continuing operations	58	(40)	(8)	20	62
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>58</b>	<b>(40)</b>	<b>(8)</b>	<b>20</b>	<b>62</b>
Net margin (%)	8.3	(6.0)	(1.0)	2.1	5.9
Net profit (controlling interests)	55	(19)	3	26	54
Net profit (non-controlling interests)	2	(21)	(11)	(5)	8
EBITDA	98	30	102	155	204
EBITDA margin (%)	14.1	4.5	12.8	16.4	19.3
EPS (parent-based) (KRW)	634	(438)	(88)	224	682
EPS (consolidated) (KRW)	606	(208)	32	284	589
Adjusted EPS (KRW)*	596	(212)	29	281	586

## Cash flow statement

Year-end Dec 31(KRWb)	2016	2017	2018E	2019E	2020E
<b>Cash flow from operations</b>	<b>112</b>	<b>4</b>	<b>93</b>	<b>147</b>	<b>186</b>
Net profit	58	(40)	(8)	20	62
Non-cash profit and expenses	49	42	105	132	127
Depreciation	26	51	82	108	103
Amortization	7	9	9	9	9
Other	17	(18)	14	15	15
Changes in A/L from operating activities	5	2	(4)	(5)	(3)
<b>Cash flow from investments</b>	<b>(499)</b>	<b>(207)</b>	<b>(270)</b>	<b>(70)</b>	<b>(60)</b>
Change in tangible assets	(491)	(340)	(250)	(50)	(40)
Change in financial assets	19	6	0	0	0
Other	(27)	126	(20)	(20)	(20)
<b>Cash flow from financing</b>	<b>230</b>	<b>194</b>	<b>177</b>	<b>(77)</b>	<b>(126)</b>
Change in debt	266	167	187	(69)	(117)
Change in equity	0	0	(2)	0	0
Dividends	(32)	(26)	(9)	(9)	(9)
Other	(3)	52	(0)	0	0
Change in cash	(157)	(10)	0	0	0
Cash at beginning of year	339	182	172	172	172
Cash at end of year	182	172	172	172	172
<b>Gross cash flow</b>	<b>107</b>	<b>2</b>	<b>97</b>	<b>152</b>	<b>189</b>
<b>Free cash flow</b>	<b>(400)</b>	<b>(313)</b>	<b>(151)</b>	<b>95</b>	<b>142</b>

Note: \* Excluding one off items, \*\* Fully diluted, excluding one-off items

\*\*\* From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

## Balance sheet

Year-end Dec 31(KRWb)	2016	2017	2018E	2019E	2020E
<b>Current assets</b>	<b>492</b>	<b>345</b>	<b>349</b>	<b>354</b>	<b>356</b>
Cash & equivalents	182	172	172	172	172
Accounts receivable	23	19	22	27	30
Inventories	2	5	6	8	8
Other current assets	285	149	148	148	146
<b>Fixed assets</b>	<b>1,816</b>	<b>2,091</b>	<b>2,258</b>	<b>2,200</b>	<b>2,137</b>
Investment assets	183	168	168	168	168
Tangible assets	1,337	1,624	1,792	1,733	1,670
Intangible assets	285	290	290	290	290
Other long-term assets	11	9	9	9	9
<b>Total assets</b>	<b>2,308</b>	<b>2,435</b>	<b>2,607</b>	<b>2,554</b>	<b>2,492</b>
<b>Current liabilities</b>	<b>290</b>	<b>253</b>	<b>440</b>	<b>372</b>	<b>355</b>
Accounts payable	2	3	3	4	4
Short-term debt	60	44	239	70	53
Other current liabilities	229	206	198	298	298
<b>Long-term liabilities</b>	<b>708</b>	<b>889</b>	<b>892</b>	<b>895</b>	<b>797</b>
Bonds & long-term debt	636	822	822	822	722
Other long-term liabilities	72	68	70	73	75
<b>Total liabilities</b>	<b>998</b>	<b>1,142</b>	<b>1,332</b>	<b>1,266</b>	<b>1,152</b>
<b>Owners of parent equity</b>	<b>1,044</b>	<b>994</b>	<b>976</b>	<b>988</b>	<b>1,042</b>
Capital stock	47	47	45	45	45
Capital surplus	295	295	295	295	295
Retained earnings	727	680	664	675	729
Other	(25)	(28)	(28)	(28)	(28)
<b>Non-controlling interests' equity</b>	<b>266</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>299</b>
<b>Total equity</b>	<b>1,310</b>	<b>1,293</b>	<b>1,275</b>	<b>1,287</b>	<b>1,341</b>
Net debt	257	573	760	691	574

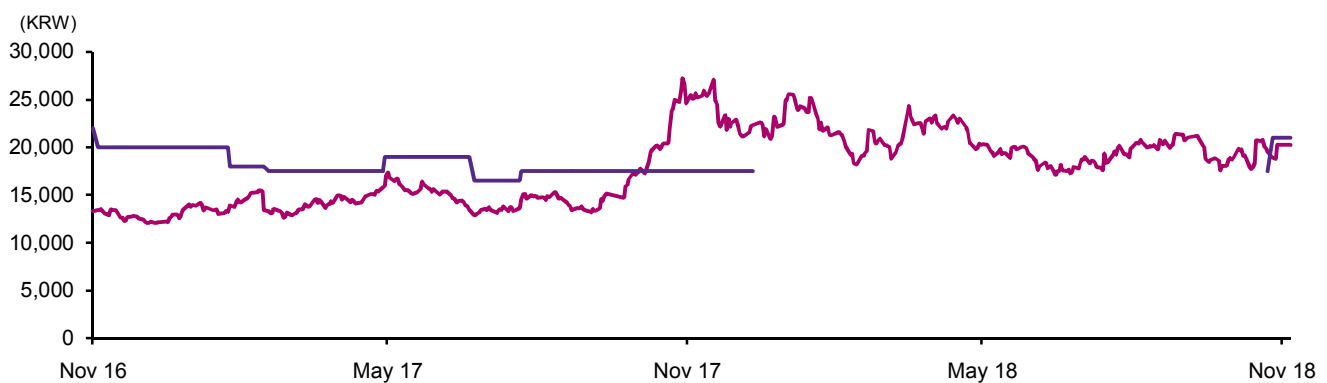
## Financial ratios

Year-end Dec 31	2016	2017	2018E	2019E	2020E
<b>Growth (%)</b>					
Sales	12.9	(3.9)	18.8	19.5	11.2
Operating profit	12.8	nm	nm	257.6	141.2
Net profit	(19.8)	nm	nm	nm	204.8
Adjusted EPS**	(16.9)	nm	nm	865.8	108.5
<b>Per-share data (KRW)</b>					
EPS (parent-based)	634	(438)	(88)	224	682
EPS (consolidated)	606	(208)	32	284	589
Adjusted EPS**	596	(212)	29	281	586
BVPS	10,978	10,749	10,550	10,681	11,269
DPS (common)	300	100	100	100	300
<b>Valuations (x)</b>					
P/E***	32.8	nm	615.0	70.0	33.8
P/B***	2.2	2.4	2.5	2.4	2.3
EV/EBITDA	21.0	78.9	25.2	16.1	11.7
<b>Ratios (%)</b>					
ROE	5.3	(1.9)	0.3	2.6	5.3
ROA	2.7	(1.7)	(0.3)	0.8	2.5
ROIC	6.6	(1.4)	0.7	1.6	3.8
Payout ratio	44.3	(21.4)	(106.4)	41.8	41.2
Dividend yield (common)	2.5	0.5	0.5	0.5	1.5
Net debt to equity	19.6	44.3	59.6	53.7	42.8
Interest coverage (x)	18.7	(1.2)	0.3	1.9	4.9

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## Target price changes in past two years



## Rating changes over past two years (adjusted share prices)

Date	2016/7/10	11/21	2017/2/10	3/5	5/16	7/10	8/8	2018/11/11
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD
Target price (KRW)	22,000	20,000	18,000	17,500	19,000	16,500	17,500	21,000
Gap* (average)	(30.56)	(35.05)	(18.53)	(19.77)	(18.92)	(18.67)	8.29	
(max or min)**	(20.68)	(29.00)	(13.89)	(9.71)	(8.68)	(16.06)	55.71	

Note: \* [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%

\*\* Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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### Industry

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