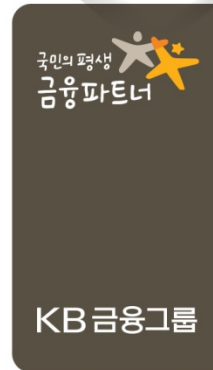


Gwangju Shinsegae Value Unlocking

Value Investment Division of KB Asset Management

2018.04.22



- Value Investment Division of KBAM has invested in Gwangju Shinsegae for the last five years in favor of its capability of maintaining high margins and ability to generate steady cashflow. KBAM has been a friendly investor with an 8.5% stake and is grateful for the company's steady earnings despite economic downturn in the domestic market and intensifying competition with on-line distributors.
- Despite the company's high profitability, its ROE has dropped from 18% to 9% over the past 10 years due to a lack of new investment and poor shareholders return policy.
- The company has a payout ratio of 4.2% and a dividend yield of 0.5%, which are the lowest level among domestic retailers (excluding companies in deficit)
- The company announced the plan for landmark complex facility in 2015, which could be a future growth driver. However, there has been no follow-up regarding the progress, only a few newflows came out, implying that the project approval had been postponed.

1. Would like to ask the management a solution to protect ROE, which has been declining sharply.
2. According to the simulation by KBAM, landmark complex facility is a very important for shareholders' value that could increase net profit by 66%. Would like to hear about the progress and willingness of management.

CONTENTS

01. Incredible profitability of Gwangju Shinsegae

02. Valuation discount due to ROE deterioration

03. The blueprint for development of landmark complex facility needed

04. Value Investment Division of KBAM



Gwangju Shinsegae is a unique department store operator in Gwangju that has steadily expanded its market share while maintaining the margins despite the structural changes in distribution channels, the emergence of competitors and the slump in domestic economies

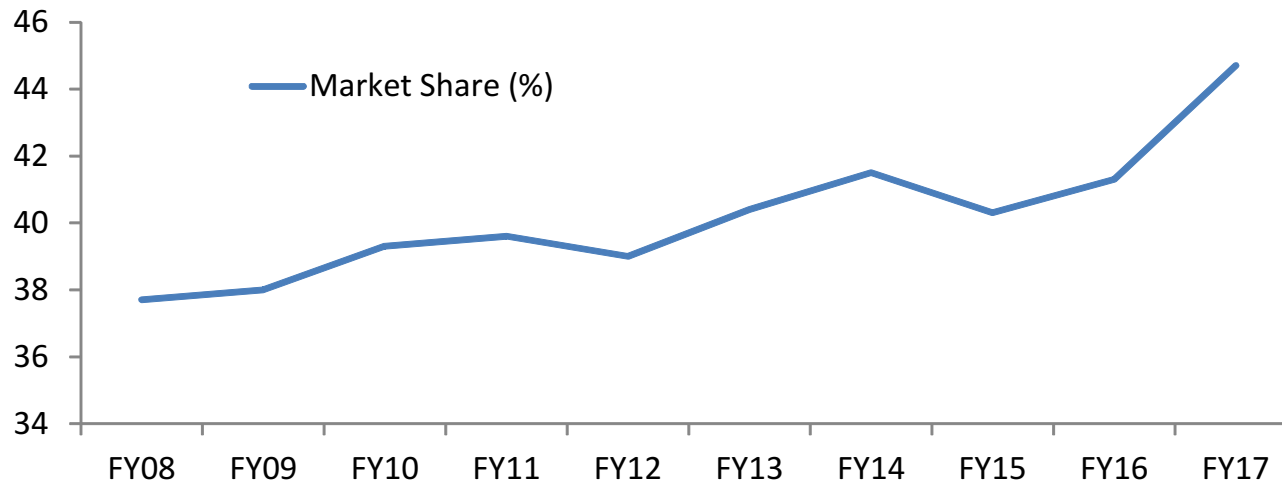
➤ History

- 1995 Gwangju Shinsegae department store started
- 2002 Listed on KRX
- 2006 Started the E-Mart business
- 2013 Contract renewal for lease of department store with Kumho Terminal

➤ Ownership

- Jung, Yong Jin 52.08%
- Shinsegae 10.42%
- KB Asset Management 8.48%
- Fidelity Puritan Trust 6.08%

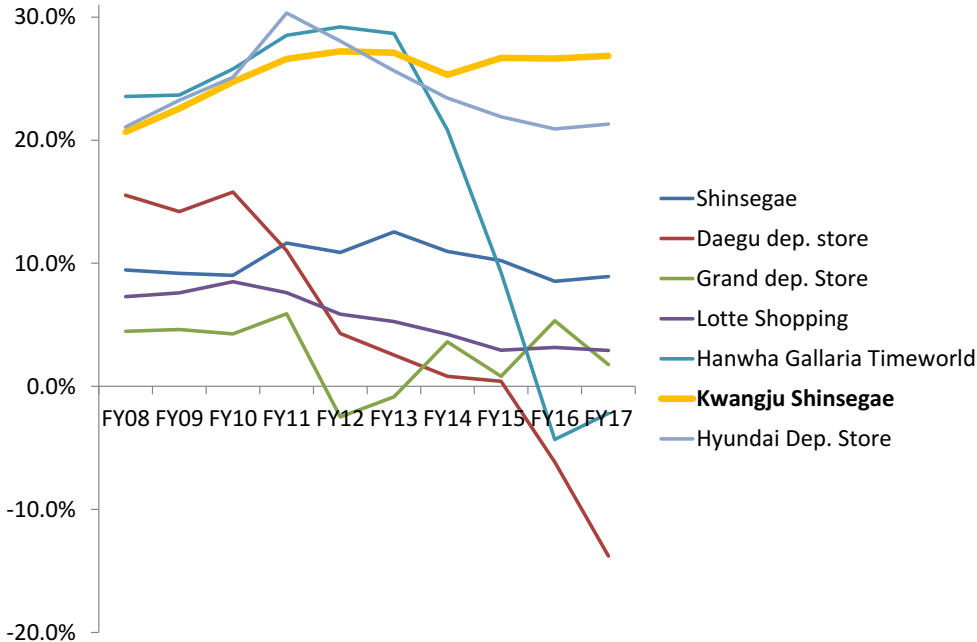
➤ Its department store division is a monopolistic business with a market share of 45%



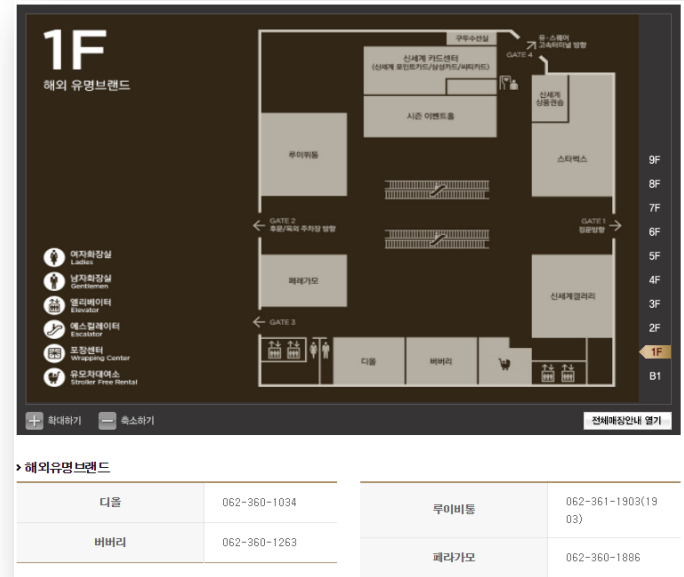
*Source: DART, Statistics Korea

Unlike competitors whose profits have worsened due to unreasonable business expansion, Gwangju Shinsegae has concentrated on maintaining its competitiveness, resulting in an operating margin of 27%

➤ Highest OPM among peers



➤ Only four overseas luxury brands



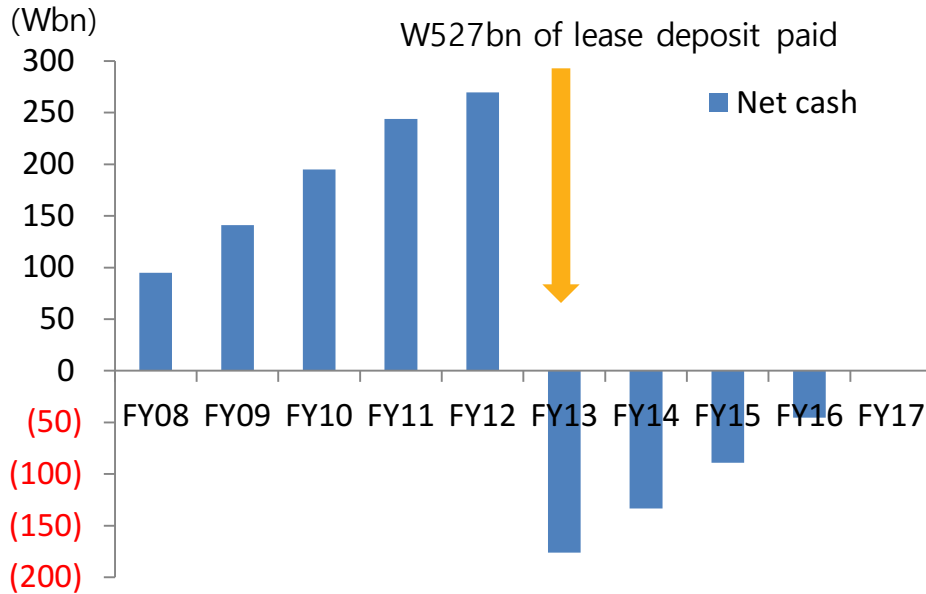
➤ High-margin structure thanks to its high proportion of domestic brands

	Oversees Luxuries	Domestic brands
Commision rate	0-10%	30-40%

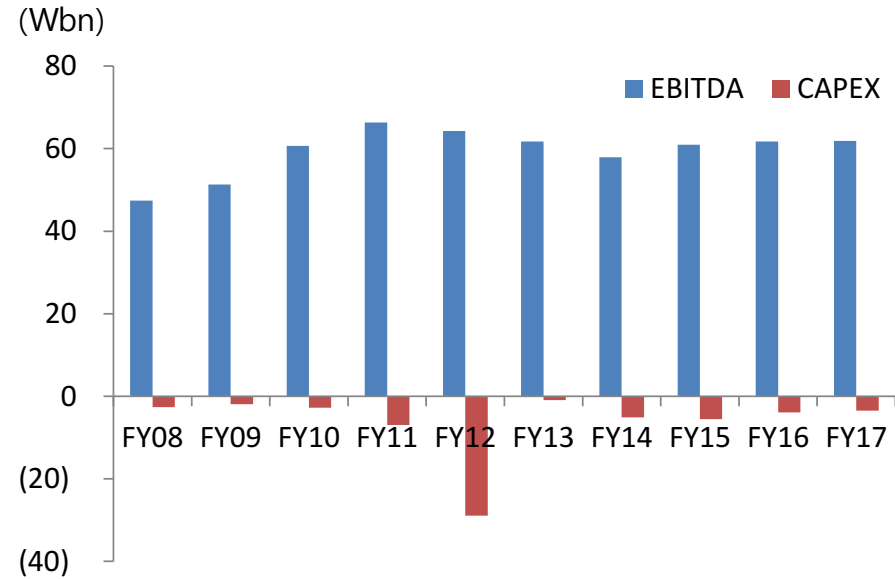
*Source: Quantiwise, Kwangju Shinsegae, Industry data

The company's financial structure deteriorated due to the lease contract renewal for Kumho Terminal in 2013, which amount to W527bn, but the company's B/S bounded back to net cash balance in 2017

➤ Gwangju Shinsegae's net cash



➤ Its cashflow structure is capable of generating 60 billion EBITDA without large-scale CAPEX



*Source: Quantiwise, DART

CONTENTS

01. Incredible profitability of Gwangju Shinsegae

02. Valuation discount due to ROE deterioration

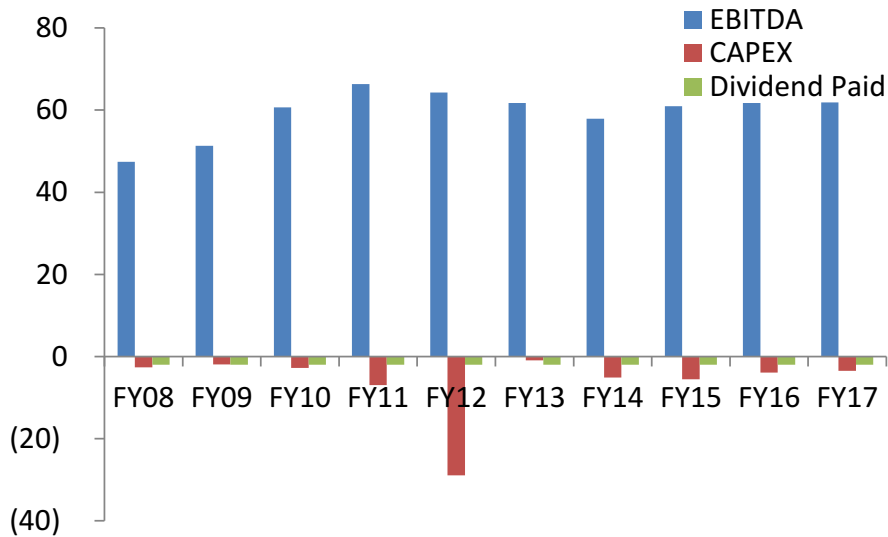
03. The blueprint for development of landmark complex facility needed

04. Value Investment Division of KBAM

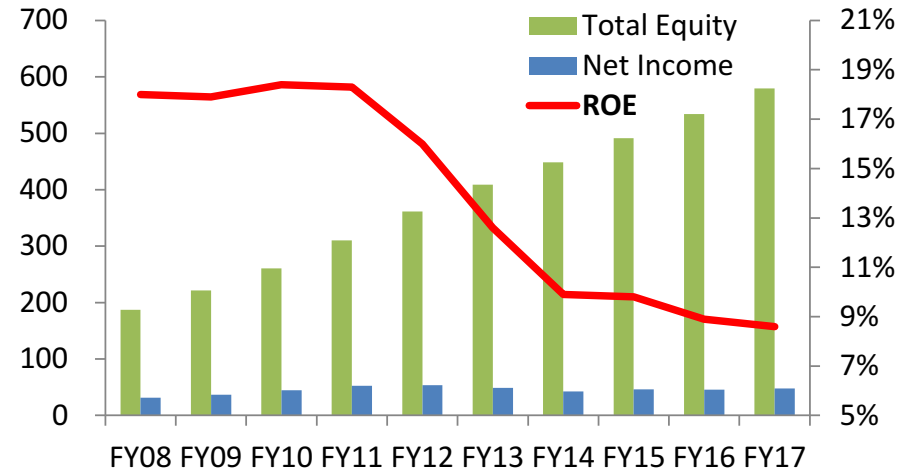


Despite high profitability, ROE has dropped from 18% to 9% over the past decade due to the absence of new investments and poor shareholder return policy.

➤ Lack of new investment and poor shareholder policy



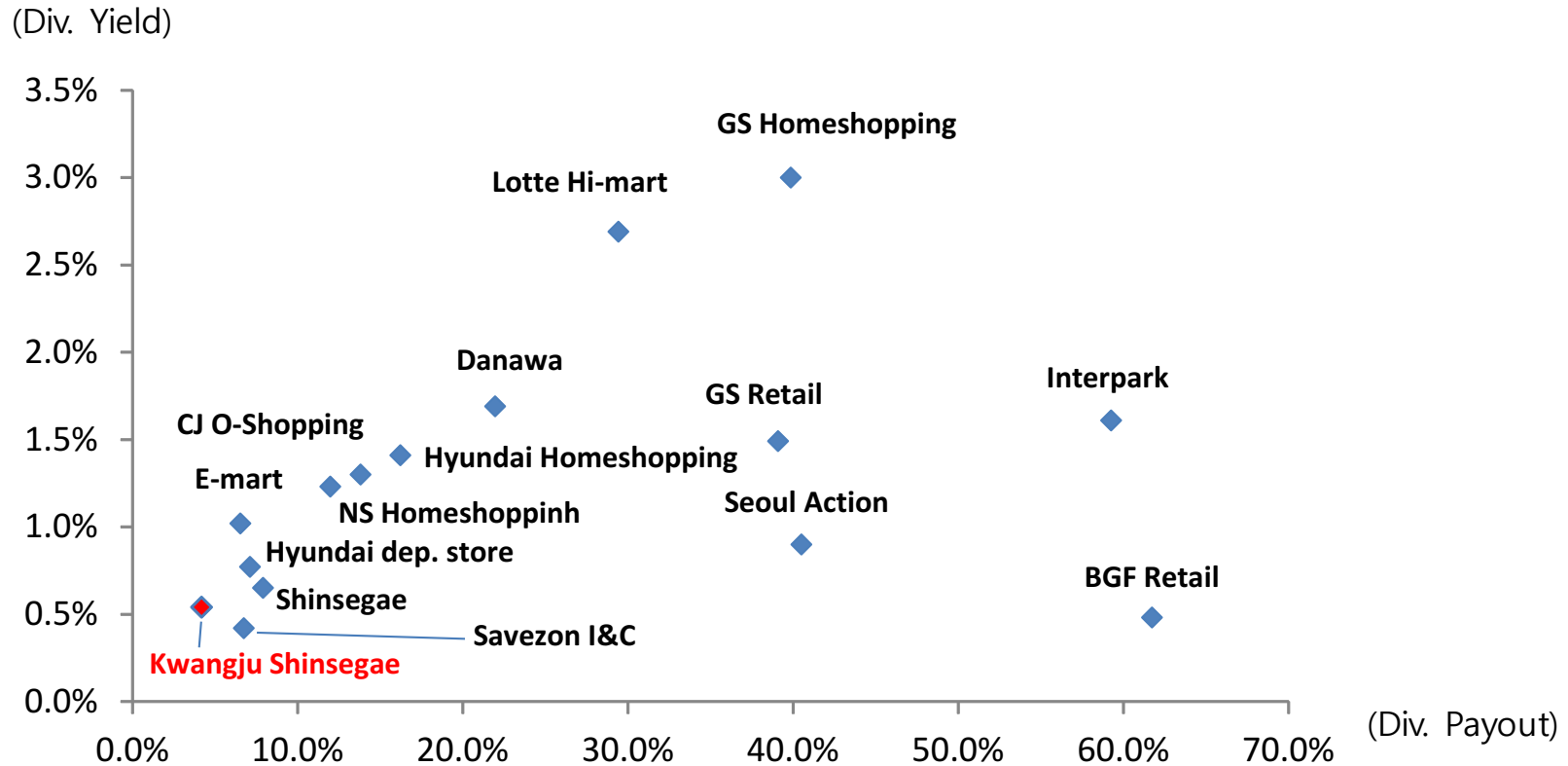
➤ ROE declining as capital efficiency deteriorates



*Source: Quantwise

Gwangju Shinsegae has the lowest payout ratio and dividend yield among Korean retailers

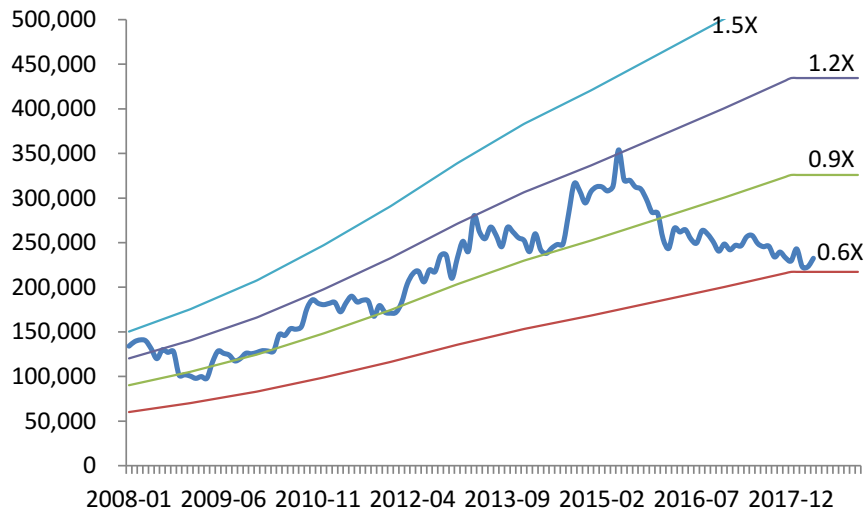
Domestic retailers' div. payout and div. yield comparison (FY17)



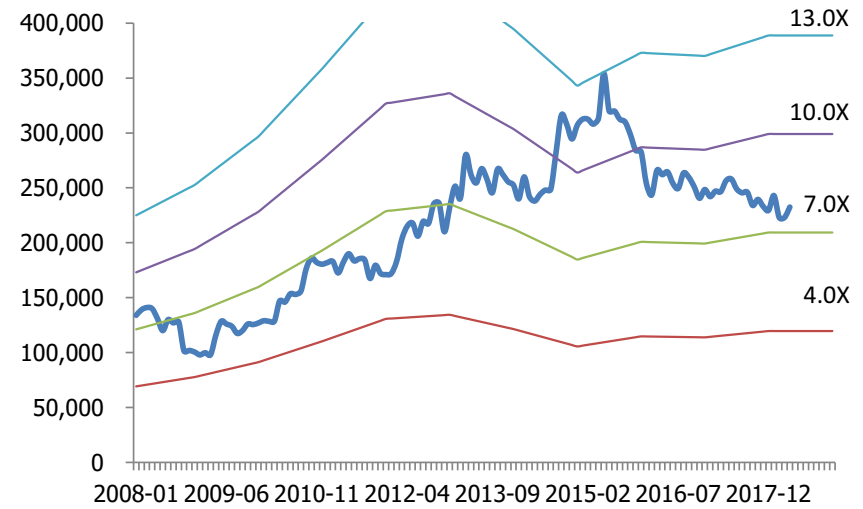
*Source: Quantwise, Retailers classified by WISEFN (FY17 Loss-making comps excluded)

Valuation discounts have widened as poor shareholder policies had driven its ROE deteriorated.

➤ PBR band



➤ PER band



*Source: Quantwise

CONTENTS

01. Incredible profitability of Gwangju Shinsegae

02. Valuation discount due to ROE deterioration

03. The blueprint for development of landmark complex facility needed

04. Value Investment Division of KBAM



According to the business plan announced in May 2015, Gwangju Shinsegae is planning to develop hotel, shopping center and leisure facility with a floor space of 300,000 square meters at current E-Mart site.

Development of Gwangju Landmark complex facility

DART		본문
광주신세계		2015.05.11 장래사업·경영계획(공정공시)
		첨부 +첨부선택+
장래사업·경영 계획(공정공시)		
동 정보는 장래 계획 사항으로서 향후 변경될 수 있음.		
1. 장래계획 사항	광주 랜드마크 복합시설 개발	
2. 주요내용 및 추진일정	목적	광주 랜드마크 복합시설 개발
	세부내용	- 광주신세계 이마트 및 신규부지에 연면적 약 30만㎡의 호텔, 쇼핑, 문화, 레저시설 개발예정 - 2016년부터 추진하여 2019년에 완공 목표
	추진일정	시작일 - 종료일 -
	기대효과	- 향후 호남권역 랜드마크 복합시설의 성공적인 건립 및 매출 기여 - 신규일자리 창출, 상권광역화를 통한 지역경제 활성화 기대
3. 장애요인	-	
4. 이사회결의일(결정일)	-	
5. 정보제공내역	정보제공자	홍보팀
	정보제공대상자	언론사
	정보제공(예정)일시	2015. 5. 11
	행사명(장소)	-
6. 연락처	공시책임자(전화번호)	최재휘 관리담당(062-360-1074)
	공시담당자(전화번호)	유창권 과장(062-360-1074)
	관련부서(전화번호)	경리팀(062-360-1061)
7. 기타 투자판단과 관련한 중요사항	- 광주 랜드마크 개발사업 관련 광주광역시와 투자협약(MOU) 체결(2015. 5. 11) - 상기 내용은 향후 회사의 경영환경 및 투자진행과정에서 변경될 수 있습니다.	
	진행사항공시예정일	2016-05-11
	※ 관련공시	-



- Gwangju Shinsegae will develop hotel, shopping, culture and leisure facilities with a total floor area of 300,000 square meters at current E-mart site and additional area
- The facility is planned to develop from 2016 to 2019

*Source: DART

According to media, the scale was revised to 200,000 square meters and the current Emart site would be used for a 16-story building with department store / hotel / complex shopping mall

➤ Current layout

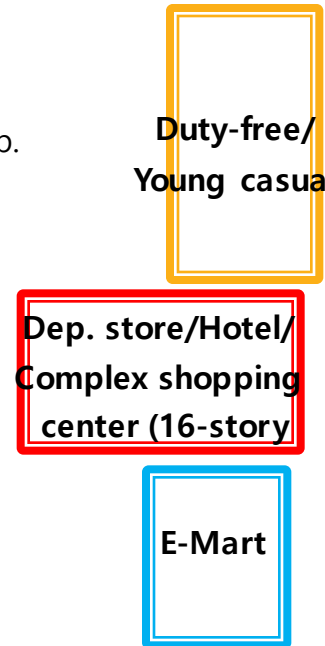


Shinsegae Dep. store
(73k square meters)

E-Mart
(40k square meters, KBAM' assumption)

Parking lot
(10k square meters)

➤ Future layout



- 1) Existing Shinsegae Department Store is remodeled to a duty-free and young casual store
- 2) New construction of 16-story shopping mall with hotel and department store at current Emart site
- 3) E-Mart will be moved to a new building at current parking lot

Total 113k square meters -> 200k square meters

*Source: NAVER map, domestic media, Emart floor area was estimated based on a site area of 15k square meters.

Even after three years of initial disclosure, there has been no additional information announced, and we are only hearing that the business is being postponed through media.

➤ Newsflow regarding complex facility delay



['재정부서 어떻게 될까' 광주 신세계 복합시설 계획 '주목' 연합뉴스 | 2017.05.16. | 네이버뉴스 |](#)

수도권은 대형쇼핑시설 건립 연가 포기...광주 신세계는 "포기 검토 안해" 새 정부 출범 이후 대형... 앞서 민주당 출지로위원회는 "광주시가 광주 신세계 복합쇼핑몰 건립을 위한 지구 단위 계획을 승인한다면..."

[부천신세계쇼핑몰 또 계약연기 '뒷말 무성' 내일신문 | 2017.04.03. |](#)

신세계복합쇼핑몰 건립을 위해 부천시와 신세계컨소시엄이 맺으려던 토지매매계약이 두 차례나 연기됐다.... 문 후보는 최근 광주신세계 복합시설 건립을 반대한다는 출지로위원회 판단을 존중한다고 밝힌 바 있다. 이...



[광주신세계 특급호텔-복합시설 건립 위기 뉴시스 | 2017.06.04. | 네이버뉴스 |](#)

문재인 대통령과 더불어민주당이 복합쇼핑몰 입점을 반대하고 있기 때문이다. 중소상인들은 광주신세계의... 광주시가 요구한 보완사항 추진이 중단된 상태다"며 "대외적인 분위기가 좋지 않은 것은 사실이지만 연기..."



[광주 신세계 복합시설 건립 차질 빛나? 노컷뉴스 | 2017.05.29. | 네이버뉴스 |](#)

실제로 모기업인 신세계가 최근 경기도 부천 상동에 지으려던 백화점 계획을 연기하기도 했다. 이와 함께... 이와 관련해 (주) 광주 신세계 관계자는 "복합 시설 건립이 백화점 사업임에도 복합 쇼핑몰로 잘못 알고 있는..."



[광주시, '신세계 복합시설물' 보완책 요구 왜? 머니S | 2017.03.15. | 네이버뉴스 |](#)

백화점 이전, 호텔 증축 '그것인데, 복합쇼핑몰 건설한다고 있지도 않은 사실을 호도하면서 답답하지요, 팩트를 가지고 이야기 해야지요. 반대를 하더라도'라며 불만을 토로했다. 한편 광주시와 (주)신세계는 2015년 5월...



[광주시 "특급호텔 약속대로"...신세계 복합시설 어디로? 뉴스1 | 2017.03.14. | 네이버뉴스 |](#)

포함된 '광주신세계 복합시설'에 대해 강도높은 보완책을 요구하고 나섰다. 신세계 측은 '검토할 시간을 달라'며 답변을 일단 연기한 상황으로 입점 찬반 논란이 뜨거운 복합시설 건립이 새로운 국면에 접어들...



[호정부 들어서자... 복합쇼핑몰 사업 '표류' 세계일보 | A17면 | 2017.05.17. | 네이버뉴스 |](#)

난항 / 신세계도 부천 신규 백화점 연기 / 골목 상권 반발에 일단 몸 낮춰 / 업체 "당분간 신규 출점 힘들 듯" "백화점→마트→아울렛→복합쇼핑몰" 백화점과 마트 등이 포화상태에 도달하면서 대형 유통업체들이...

➤ Landmark complex facility at bird's eye view



*Source: NAVER, Yeonhapnews

Based on the total floor area, Shinsegae Department Store is expanding from 70,000 square meters to 120,000 square meters, and net profit increases by 66 percent. However, this includes lots of assumptions as further information is limited.

➤ Scenario analysis reflecting assumptions of KBAM

Assumption 1) E-Mart maintains current sales volume and profitability

Assumption 2) Shinsegae Department Store will expand 70% from 70,000 square meters to 120,000 square meters and maintain its profitability

Assumption 3) Hotel / complex shopping mall accounts for 150,000 sqm area, but it is at a BEP level due to its fixed cost increase

➤ Results

Result) 66% increase in net profit

* This could be an uncertain result because the information such as specific floor space, site allocation, investment amount, and financing plan is undisclosed.

* This simulation means that this landmark complex facility business is an important business for Gwangju Shinsegae's shareholders, that can increase the net profit by 66%

Since December 2017, KB Asset Management has introduced the Stewardship code to fulfill our faithfulness obligations.

▶ KB Asset Management introduced the Stewardship code (<http://www.kbam.co.kr>)

국민의 평생 자산운용 파트너
KB 자산운용

KB Star Funds | 본문 바로가기 | 오늘 본 상품 (0) | 사이트맵

펀드정보 | 펀드뉴스 | 회사정보 | 공지/공시

스튜어드십코드

Home > 스튜어드십코드 수탁자 책임 정책

- 스튜어드십코드 수탁자 책임 정책
- 의결권 행사 세부지침
- 의결권 행사 내역 보고
- 수탁자 책임 이행 활동 보고

스튜어드십코드 수탁자 책임 정책

1. 기관투자자는 고객, 수익자 등 타인 자산을 관리/운영하는 수탁자로서 책임을 충실히 이행하기 위한 명확한 정책을 마련해 공개해야 한다.

KB자산운용주식회사(이하 '당사')는 1988년 4월 28일 설립되어 유가증권투자에 관한 자문과 정보제공 등의 투자자문업을 영위하여 왔으며, 1997년 7월 증권투자신탁업법 제9조의 규정에 의한 투자신탁운용업 허가에 따라 상호를 주은투자자문주식회사에서 주은투자신탁운용주식회사로 변경하고 증권투자신탁업법에 의한 증권투자신탁업무를 개시하였습니다. 2002년 6월 상호를 국민투자신탁운용주식회사로, 2004년 4월에는 현재의 회사명인 KB자산운용주식회사로 변경하였습니다.

당사는 2009년 2월 자본시장과 금융투자업에 관한 법률(이하 '자본시장법') 제15조의 규정에 의해 투자매매(집합투자증권), 투자중개업(집합투자증권), 집합투자업(모든 종류의 집합투자기구)에 대한 제인가를 받았고, 동 일자로 동 법률 제20조의 규정에 의해 투자자문업과 투자일임업을 등록하였고, 2015년 10월 전문사모집합투자업을 등록하여 금융투자업을 영위하고 있습니다.

당사는 자본시장과 투자대상회사에 대한 깊은 분석 및 이해에 기반한 투자를 지향함에 있어 기관투자자의 수탁자 책임에 관한 원칙(이하 '스튜어드십 코드')을 제정하고 준수하여 수탁자 책임을 이행합니다. 당사의 수탁자 책임은 충실의무와 선관주의의무에 국한하지 않으며 집합투자기구 유형별, 자산군별, 투자 기간 등에 무관하게 일괄적용합니다(단, 인덱스펀드, 상장지수펀드 등의 패시브 펀드의 경우 주주관여활동을 제외합니다).

We do not intend to participate in management of the company. However, in order to fulfill our role as trustee, we would like to ask some questions through the official route.

- 1) Would like to ask the management a solution to protect ROE, which has been declining sharply.
- 2) According to the simulation by KBAM, landmark complex facility is a very important for shareholders' value that could increase net profit by 66%. Would like to hear about the progress and willingness of management.

*This letter is an official fiduciary responsibility implementation activity to comply with the stewardship code of KB Asset Management. It reports 'Fiduciary Responsibility Activities' of 'Stewardship Code' on the left side of our website (<http://www.kbam.co.kr>). Please reply by May 11, 2018, and if possible, post the answer at DART disclosure or homepage. Thank you. (junbeom.park@kbam.co.kr)

CONTENTS

01. Incredible profitability of Gwangju Shinsegae

02. Valuation discount due to ROE deterioration

03. The blueprint for development of landmark complex facility needed

04. Value Investment Division of KBAM



➤ Investment philosophy

Investing in undervalued companies	<ul style="list-style-type: none">• Investing in undervalued stocks compared to intrinsic values such as asset value or profit value• Investing in stocks that are expected to have stable earnings growth while being less affected by external changes such as economic fluctuations.
Bottom-up approach	<ul style="list-style-type: none">• Selecting stocks based on fundamentals excluding market forecast and economic outlook• Investments focused on stocks with strong intrinsic value, actively investing in the event of a sharp decline due to factors other than fundamentals.
Risk management	<ul style="list-style-type: none">• High ethical awareness and integrity-based investment through strict adherence to compliance



“Investment in value stock based on fundamentals”
“Maximize long-term compounded income”

We have also been able to maximize compound returns through long-term investments.

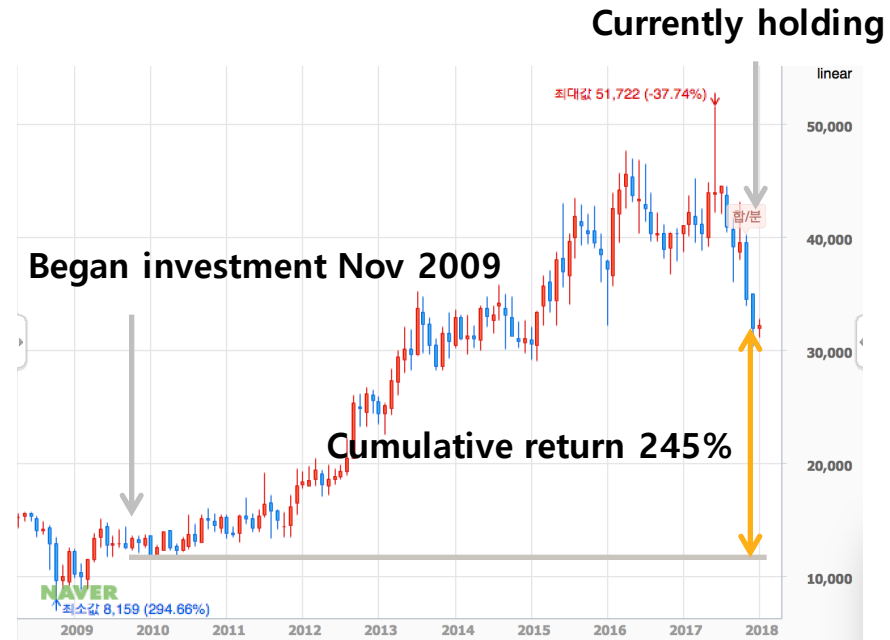
➤ Investment case (1)

: Semiconductor material manufacturer A



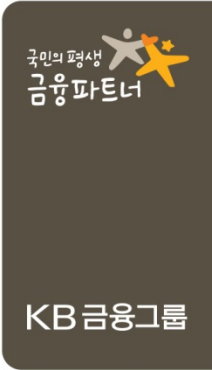
➤ Investment case (2)

: Auto parts supplier B



* This letter is a formal fiduciary responsibility implementation activity to comply with the stewardship code of KB Asset Management. It reports 'Fiduciary Responsibility Activities' of 'Stewardship Code' on the lower left of our website (<http://www.kbam.co.kr>). Please reply to the email address on the right side until March 2, 2018. Thank you.
(junbeom.park@kbam.co.kr)

THANK YOU



 KB 자산운용

서울특별시 영등포구 여의대로 70 신한금융타워 25층(150-712)

www.kbam.co.kr

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