Lotte Chilsung (005300.KS)

Awaiting a summer rebound

Both the domestic beverage and liquor businesses continue to face challenging operating conditions. However, benefits are expected from the issuance of consumer coupons, and given the low-base effects in 2H24, a rebound is anticipated from 3Q25.

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※ Refer to page 3 for ESG indices/events

Buy (maintain)

TP	**W150,000 (maintain)**
CP (25/06/30)	**W119,200**
Sector	**F&B**
Kospi/Kosdaq	3,071.70 / 781.5
Market cap (common)	US$816.84mn
Outstanding shares (common)	9.3mn
52W high ('24/06/17)	W142,500
low ('25/02/04)	W100,600
Average trading value (60D)	US$1.67mn
Dividend yield (2025E)	2.85%
Foreign ownership	11.4%
Major shareholders	
Lotte Corp & 15 others	62.4%
NPS	8.7%

Share perf	**3M**	**6M**	**12M**
Absolute (%)	9.7	6.4	-10.2
Relative (%p)	-8.7	-16.9	-18.2

	2024	**2025E**	**2026F**	**2027F**
Sales	4,025	4,192	4,485	4,794
Chg	*24.8*	*4.2*	*7.0*	*6.9*
OP	185	211	247	276
Chg	*-12.2*	*14.3*	*17.0*	*11.7*
OPM	*4.6*	*5.0*	*5.5*	*5.8*
NP	59	119	144	183
EPS	6,085	12,520	15,221	19,451
Chg	*-65.4*	*105.8*	*21.6*	*27.8*
P/E	18.4	9.5	7.8	6.1
P/B	0.8	0.8	0.7	0.7
EV/EBITDA	6.2	5.9	5.4	4.9
ROE	4.0	7.7	8.8	10.4
Debt/equity	177.0	170.4	160.6	150.8
Net debt	1,452	1,459	1,420	1,337

Unit: Wbn, %, won, x
Note 1: NP excludes minority interest
Note 2: EPS, P/E, P/B, ROE based on NP (excl minority interest)
Source: NH I&S Research Center estimates

To benefit from consumer coupon distribution

We stick to a Buy rating and our TP of W150,000 on Lotte Chilsung. Earnings and the share price have been undermined by weak domestic consumption and unfavorable weather conditions. While the business environment remained challenging through 2Q25, however, a rebound is likely from 3Q25.

The government expects to distribute consumer coupons worth W10.3tn in total under its second supplementary budget plan. Looking at the case of disaster relief funds distributed during the Covid-19 pandemic, we expect about 28% of the consumer coupon amount to be funneled into restaurants and CVSs, both of which are closely related to Lotte Chilsung's earnings. As gatherings are now welcome (unlike during the pandemic), the impact should prove bigger than the relief funds. In addition, the company should enjoy low-base effects.

2Q25 preview: Domestic business environment still challenging

Lotte Chilsung should report consolidated 2Q25 sales of W1,127.3bn (+3% y-y) and OP of W52.7bn (-13% y-y), with OP to miss consensus. Earnings at the domestic beverage and liquor businesses likely slid 4% and 7%, respectively. As: 1) the domestic beverage and liquor businesses, both of which take up large portions of consolidated earnings, are showing sales downtrends; and 2) fixed cost burden is increasing, OP should be hit hard.

Overseas subsidiaries, however, should continue to show earnings improvement. Subsidiaries in the Philippines and Pakistan should bask in sustained top-line growth. In Myanmar, having been sluggish in 1Q25, owing to temporary raw material procurement issues, earnings should improve markedly, as the situation has been resolved.

2Q25 preview (Unit: Wbn, %)

	2Q24	3Q24	4Q24	1Q25	2Q25E					3Q25F
					Estimate	y-y	q-q	Previous	Consen	
Sales	1,099	1,065	923	910	1,127	2.5	23.8	1,159	1,128	1,160
OP	60.2	78.7	9.2	25.0	52.7	-12.5	110.6	59.2	59.7	96.1
OPM	*5.5*	*7.4*	*1.0*	*2.7*	*4.7*			*5.1*	*5.3*	*8.3*
Pre-tax profit	38.5	58.8	-23.0	10.7	36.5	-5.2	239.9	43.1	43.7	80.1
NP (excl minority interest)	19.3	43.8	-21.6	7.0	29.0	50.0	313.5	25.1	31.4	65.3

Note: IFRS consolidated
Source: LotteChilsung, NH I&S Research Center

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Summary

Established in 1950, Lotte Chilsung has grown to become a major Korean F&B player. Its product lineup includes beverage (soda and juice) and liquor (soju and beer) products, and the firm's liquor product lineup is expanding. In addition, the company has bolstered its sales from overseas markets, including the Philippines, Pakistan, and Myanmar.

Share price drivers/earnings momentum

- Rapid growth of high-margin beverage products
- Rise in its soju market share and resulting liquor business margin improvement
- Increase in beer plant utilization rate and narrowing losses
- Seocho property development

Downside risks

- Sustained market share and sales decline in high-margin soju segment
- Fall in beer plant utilization rate and widening losses
- Sales decline due to negative corporate image and weak brand power
- Slowdown in beverage earnings growth

Cross valuations

(Unit: x, %)

Company	P/E		P/B		ROE	
	2025E	2026F	2025E	2026F	2025E	2026F
AB INBEV	18.7	16.6	1.7	1.6	9.4	10.0
Asahi	14.8	13.2	1.1	1.0	7.1	7.7
Heineken	15.2	14.0	2.0	1.9	13.5	13.7
Pepsico	16.6	15.7	8.8	7.9	56.3	52.8
Coca-Cola	23.7	22.0	11.5	10.2	49.1	49.2

Source: FactSet, NH I&S Research Center

Historical valuations

(Unit: x, %)

Valuations	2023	2024	2025E	2026F	2026F
P/E	8.3	18.4	9.5	7.8	6.1
P/B	1.0	0.8	0.8	0.7	0.7
P/S	0.4	0.3	0.3	0.2	0.2
ROE	11.6	4.0	7.7	8.8	10.4
ROIC	7.1	3.3	5.6	6.4	7.1

Source: NH I&S Research Center

Historical key financials

(Unit: Wbn, won, %)

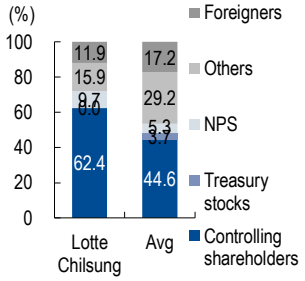
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales	**2,264**	**2,279**	**2,346**	**2,430**	**2,258**	**2,506**	**2,842**	**3,225**	**4,025**
OP	146	75	85	108	97	182	223	211	185
OPM (%)	*6.5*	*3.3*	*3.6*	*4.4*	*4.3*	*7.3*	*7.8*	*6.5*	*4.6*
Pre-tax profit	126	229	-69	-138	-23	175	169	207	96
NP	**69**	**122**	**-50**	**-144**	**-17**	**137**	**131**	**167**	**60**
NP (excl minority interest)	**69**	**135**	**-48**	**-142**	**-13**	**136**	**128**	**166**	**59**
EBITDA	284	225	237	271	248	340	386	398	426
Capex	352	259	139	153	129	202	152	205	285
Free cash flow	-161	-114	-53	-19	174	119	116	63	40
EPS (won)	5,505	11,625	-6,227	-18,034	-1,740	14,636	13,563	17,593	6,085
BPS (won)	172,910	149,712	139,959	138,233	132,776	141,904	138,556	145,622	149,082
DPS (won)	1,000	3,300	2,700	2,700	2,700	3,000	3,300	3,400	3,400
Net debt	953	1,150	1,298	1,251	1,202	1,042	1,148	1,381	1,452
ROE (%)	*3.0*	*7.4*	*-3.8*	*-11.7*	*-1.0*	*10.0*	*9.1*	*11.6*	*4.0*
ROIC (%)	*3.7*	*-1.7*	*0.8*	*3.8*	*2.6*	*7.2*	*8.2*	*7.1*	*3.3*
DPR (%)	*17.8*	*18.6*	*-42.6*	*-14.4*	*-193.7*	*20.5*	*23.8*	*19.0*	*53.4*
DY (%)	*0.7*	*2.5*	*1.9*	*1.9*	*2.5*	*2.2*	*1.9*	*2.3*	*3.0*
Net debt ratio (%)	*40.2*	*87.6*	*104.9*	*101.9*	*92.2*	*72.1*	*81.3*	*89.8*	*92.0*

Source: Lotte Chilsung, NH I&S Research Center

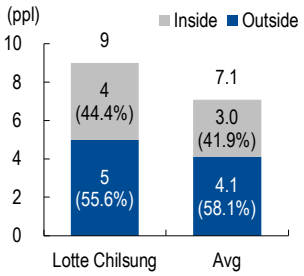
ESG indices & events

G

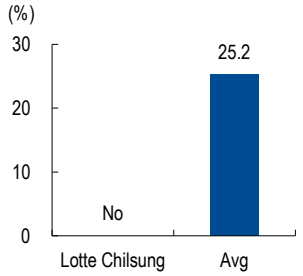
Stake ownership breakdown



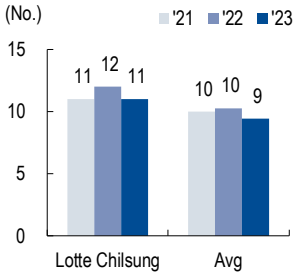
BOD composition



BOD chair and CEO separation



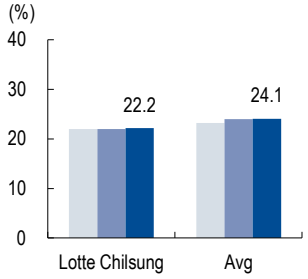
Conformity to KRX's key indicators



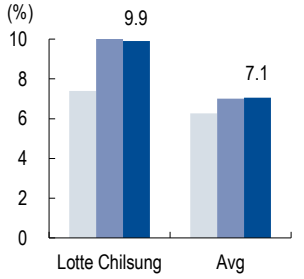
Note 1: Average breakdown based on 214 non-financial companies with assets of W2tn or more subject to 2024 mandatory disclosure of governance reports
Note 2: Conformity rate based on respective company's conformity to the KRX's 15 core indicators (included in the governance report)
Source: Lotte Chilsung, DART, NH I&S Research Center

S

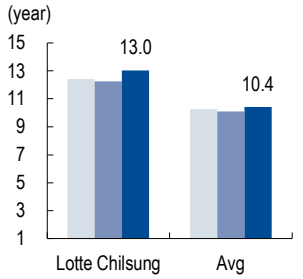
Portion of female employees



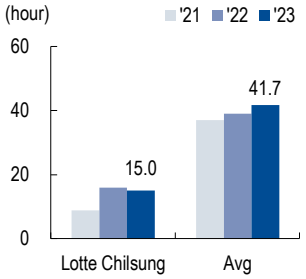
Portion of contract workers



Avg service period per employee



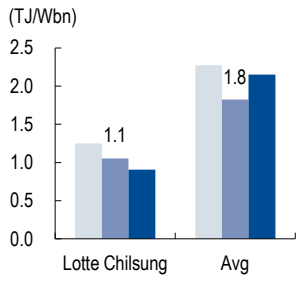
Avg training hours per employee



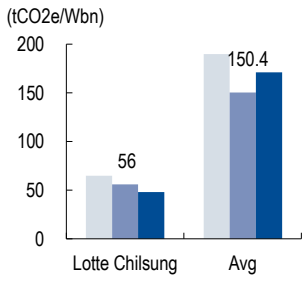
Note: Average breakdown based on 192 firms disclosing ESG information out of 214 non-financial companies subject to 2024 mandatory disclosure of governance reports
Source: Lotte Chilsung, NH I&S Research Center

E

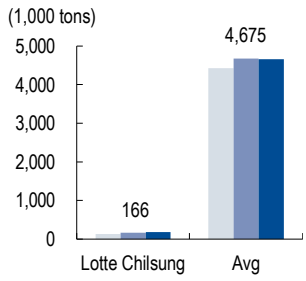
Energy consumption



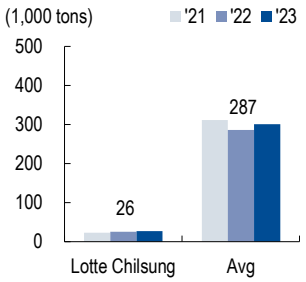
Greenhouse gas emissions



Recycled water



Recycled waste



Note: Average breakdown based on 192 firms disclosing ESG information out of 214 non-financial companies subject to 2024 mandatory disclosure of governance reports
Source: Lotte Chilsung, NH I&S Research Center

ESG events

E	2024.10	– Launched super-light Icis by applying nitrogen filling technology for the first time in Korea
S	2024.09	– Offered incentives (W100mn) to Paris Paralympic athletes
	2019.03	– Faced on-site investigations from FTC for alleged illegal inter-affiliate trading
G	2017.10	– Lotte Confectionery, Lotte Shopping, Lotte Chilsung, and Lotte Foods were spun off into holding companies (HCs) and operating companies (OCs). Lotte Confectionery HC then absorbed the other three HCs and was renamed Lotte Corp. The new entities were re-listed
	2011.10	– Lotte Chilsung Beverage merged with Lotte Liquor, becoming a comprehensive beverage player

Source: Lotte Chilsung, NH I&S Research Center

Earnings forecasts (IFRS consolidated) (Unit: Wbn, won, x, %)

		2024	2025E	2026F	2027F
Sales	- Revised	4,025	4,192	4,485	4,794
	- Previous	-	4,224	4,519	4,830
	- Change	-	-0.8	-0.7	-0.7
OP	- Revised	185	211	247	276
	- Previous	-	217	257	286
	- Change	-	-2.6	-3.8	-3.5
OPM	- Revised	*4.6*	*5.0*	*5.5*	*5.8*
EBITDA		426	454	495	528
NP (excl minority interest)		59	119	144	183
EPS	- Revised	6,085	12,520	15,221	19,451
	- Previous	-	13,012	16,134	20,422
	- Change	-	-3.8	-5.7	-4.8
P/E		18.4	9.5	7.8	6.1
P/B		0.8	0.8	0.7	0.7
EV/EBITDA		6.2	5.9	5.4	4.9
ROE		4.0	7.7	8.8	10.4

Note: EPS, P/E, P/B, and ROE based on NP (excluding minority interest)
Source: NH I&S Research Center estimates

Relative valuation (Unit: Wbn, x, won)

	Value (Wbn)	Value per share (won)	Remarks
EV	**1,420**	**152,991**	**TP of W150,000**
NP (excl minority interest)	118	12,749	12-month forward
Target P/E	X 12.0	X 12.0	
Outstanding shares (shrs)	9,278,884	9,278,884	

Source: NH I&S Research Center estimates

Quarterly income statement snapshot (IFRS consolidated) (Unit: W100mn, %)

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25F	4Q25F	2024	2025E
Sales	**9,369**	**10,992**	**10,650**	**9,233**	**9,103**	**11,273**	**11,605**	**9,942**	**40,245**	**41,922**
Beverage	4,313	5,379	5,391	4,014	4,082	5,172	5,666	4,189	19,097	19,108
Liquor	2,148	2,022	2,042	1,922	1,929	1,873	2,096	1,992	8,134	7,889
Other	2,908	3,591	3,217	3,297	3,092	4,229	3,843	3,762	13,014	14,925
(y-y)	*38%*	*38%*	*28%*	*1%*	*-3%*	*3%*	*9%*	*8%*	*25%*	*4%*
Beverage	*2%*	*0%*	*-5%*	*-5%*	*-5%*	*-4%*	*5%*	*4%*	*-2%*	*0%*
Liquor	*3%*	*2%*	*2%*	*-2%*	*-10%*	*-7%*	*3%*	*4%*	*1%*	*-3%*
Other	*492%*	*498%*	*424%*	*11%*	*6%*	*18%*	*19%*	*14%*	*178%*	*15%*
OP	**368**	**602**	**787**	**92**	**250**	**527**	**961**	**375**	**1,849**	**2,113**
y-y	*-38%*	*2%*	*-7%*	*16%*	*-32%*	*-13%*	*22%*	*308%*	*-12%*	*14%*
OPM	4%	5%	7%	1%	3%	5%	8%	4%	5%	5%

Source: NH I&S Research Center estimates

Statement of comprehensive income

(Wbn)	2024/12A	2025/12E	2026/12F	2027/12F
Sales	**4,025**	**4,192**	**4,485**	**4,794**
Growth (%)	24.8	4.2	7.0	6.9
COGS	**2,640**	**2,759**	**2,960**	**3,174**
Gross income	**1,384**	**1,434**	**1,525**	**1,620**
Gross margin (%)	34.4	34.2	34.0	33.8
SG&A	1,199	1,222	1,277	1,344
Operating income	**185**	**211**	**247**	**276**
Growth (%)	-12.2	14.3	17.0	11.7
Operating margin (%)	4.6	5.0	5.5	5.8
EBITDA	**426**	**454**	**495**	**528**
Non-operating income	**-88**	**-56**	**-58**	**-42**
Financial income	-70	-76	-75	-75
Other non-operating income	-32	19	16	32
Attrib. to associates, subs., JVs	14	1	1	1
Pre-tax income from cont. ops.	**96**	**156**	**189**	**235**
Income tax	**36**	**36**	**43**	**49**
Income from continuing ops.	60	120	145	185
Net income	**60**	**120**	**145**	**185**
Growth (%)	-64.0	100.0	21.2	27.4
Net margin (%)	1.5	2.9	3.2	3.9
Attrib. to controlling interest	59	119	144	183
Attrib. to non-controlling interest	1	1	1	2
Other comprehensive income	20	0	0	0
Total comprehensive income	80	120	145	185

Valuations/profitability/stability

	2024/12A	2025/12E	2026/12F	2027/12F
P/E (x)	18.4	9.5	7.8	6.1
P/B (x)	0.8	0.8	0.7	0.7
P/CF (x)	2.3	2.4	2.2	2.0
P/S (x)	0.3	0.3	0.2	0.2
EV/EBITDA (x)	6.2	5.9	5.4	4.9
EV/EBIT (x)	14.2	12.8	10.8	9.4
EPS (won)	6,085	12,520	15,221	19,451
BVPS (won)	149,082	157,499	168,223	182,667
SPS (won)	433,727	451,805	483,377	516,648
ROE (%)	4.0	7.7	8.8	10.4
ROA (%)	1.4	2.7	3.2	3.9
ROIC (%)	3.3	5.6	6.4	7.1
DY (%)	3.0	2.9	3.0	3.2
Payout ratio (%)	53.4	26.6	23.2	19.2
Total cash dividend (Wbn)	34	34	36	38
Cash DPS (won)	3,400	3,400	3,600	3,800
Net debt (cash)/equity (%)	92.0	87.7	80.0	69.6
Debt/equity (%)	177.0	170.4	160.6	150.8
Interest-bearing debt (Wbn)	1,832	1,833	1,797	1,792
Current ratio (%)	76.7	79.7	84.6	93.9
Total shares (mn)	10	10	10	10
Par value (won)	500	500	500	500
Share price (won)	112,000	119,200	119,200	119,200
Market cap (Wbn)	1,091	1,163	1,163	1,163

Statement of financial position

(Wbn)	2024/12A	2025/12E	2026/12F	2027/12F
Cash & cash equivalents	178	173	185	271
Accounts receivable	287	302	317	333
Current assets	**1,125**	**1,191**	**1,280**	**1,449**
Tangible assets	2,603	2,640	2,674	2,702
Investment assets	213	215	217	219
Non-current assets	**3,247**	**3,310**	**3,341**	**3,367**
Total assets	**4,373**	**4,501**	**4,621**	**4,816**
Short-term debt	681	684	678	683
Accounts payable	383	402	422	444
Current liabilities	**1,466**	**1,494**	**1,513**	**1,543**
Long-term debt	1,152	1,148	1,119	1,109
Long-term allowances	60	75	94	117
Non-current liabilities	**1,328**	**1,343**	**1,335**	**1,353**
Total liabilities	**2,794**	**2,837**	**2,848**	**2,896**
Capital stock	5	5	5	5
Capital surplus	38	38	38	38
Retained earnings	2,204	2,289	2,397	2,542
Non-controlling equity	80	81	82	84
Shareholders' equity	**1,578**	**1,664**	**1,774**	**1,921**

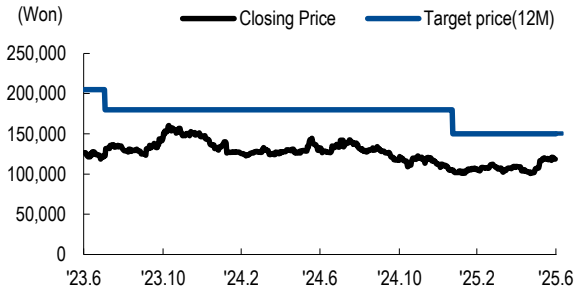
Cash flow statement

(Wbn)	2024/12A	2025/12E	2026/12F	2027/12F
Operating cash flow	**325**	**334**	**361**	**404**
Net income	60	120	145	185
Depreciation & amortization	241	243	248	251
+ Losses (gains) from subs.	-14	-1	-1	-1
+ Forex translation losses (gains)	-1	0	0	0
Gross cash flow	457	462	499	548
- Incr. (decr.) in working capital	-28	-28	-31	-31
Investing cash flow	**-307**	**-305**	**-279**	**-277**
+ Decr. in tangible assets	14	0	0	0
- Incr. in tangible assets (capex)	-285	-265	-267	-265
+ Disp. (acq.) of inv. assets	-1	-1	-1	-1
Free cash flow	40	69	94	139
Net cash flow	18	29	82	127
Financing cash flow	**-92**	**-34**	**-70**	**-42**
Equity financing	-2	0	0	0
Debt financing	-89	-34	-70	-42
Incr. (decr.) in cash	-70	-5	12	86
End cash & cash equivalents	178	173	185	271
Net debt (cash)	1,452	1,459	1,420	1,337

Rating and TP update

Date	Rating	TP	Disparity ratio (%)	
			Average	Min/Max
2025.01.22	Buy	W150,000(12M)		
2024.08.01		No change for 1 year	-31.6%	-20.8%
2023.08.02	Buy	W180,000(12M)	-25.0%	-10.9%
2023.06.07	Buy	W205,000(12M)	-37.5%	-31.3%

Lotte Chilsung (005300.KS)



NH Investment & Securities stock ratings

1. Rating based on a stock's forecasted absolute return over a period of 12 months from the date of publication.

- Buy: Greater than +15%
- Hold: -15% to +15%
- Sell: Less than -15%

2. Regarding listed companies under NH I&S coverage, our stock ratings break down as follows (as of Jun 30, 2025).

- NH I&S stock rating distribution

Buy	Hold	Sell
87.3%	12.7%	0.0%

- Our stock rating distribution on individual companies is calculated on an end-of-quarter basis.

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