

OPINION

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Policy Directions to Address the Undervaluation of Asset-Rich Firms: Toward a Korea Premium

A significant share of listed firms in Korea trade below their liquidation value, even when conservatively estimated. As of June 2025, about 12 percent of all listed firms fall into this category, commonly referred to as “asset-rich firms.” On average, their liquidation value is 62 percent higher than market capitalization, implying a higher payoff from liquidation than from remaining listed. In practice, their long-term realized returns have remained far below investors’ required rates of return. Because ownership is highly concentrated and free-float shares are limited, market forces alone are unlikely to resolve this chronic undervaluation. Institutional reforms are therefore needed: adopting free-float-based capitalization requirements, strengthening long-term and cooperative shareholder engagement, and revising tax incentives to encourage stable ownership. Ultimately, overcoming the “Korea Discount” and achieving a justifiable premium requires that asset-rich firms be seen not merely as holders of assets, but as credible vehicles for transforming asset-generated cash flows into reliable shareholder returns.

Wealth Holders, Asset-Rich Firms, and the Korea Premium

How are “wealth holders” and “asset-rich firms” perceived in Korea in 2025? Conceptually, if the holder of sound assets is an individual, the term “wealth holder” applies; if it is a listed corporation, the term “asset-rich firm” is used. While there is no strict definition of a wealth holder, the term generally refers to millionaires with financial assets exceeding KRW 1 billion. Their asset portfolios are heavily concentrated in real estate rather than financial instruments, and the sources of their wealth lie more in business income and property investment than in financial investment. Representing the top 0.9 percent of the population, they are not only

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admired figures in a capitalist society but also serve as a benchmark for the broader public in terms of investment direction.¹⁾

Asset-rich firms likewise have no clear definition, but the term generally refers to listed corporations that hold valuable assets yet trade at market capitalizations below even the fair value of their net assets.²⁾ Because their market valuation falls short of liquidation value, they are regarded in capital markets both as a subject of criticism and as an anomalous phenomenon in the investment environment. In modern developed markets with well-established infrastructure, such firms are rarely observed outside periods of severe crisis. In Korea, however, they remain widely prevalent. Addressing this issue is essential for overcoming low price-to-book ratios and moving toward a “Korea Premium.” Nevertheless, few studies have examined asset-rich firms in the specific context of Korea’s capital market, and the issue has remained largely neglected in policy debates.

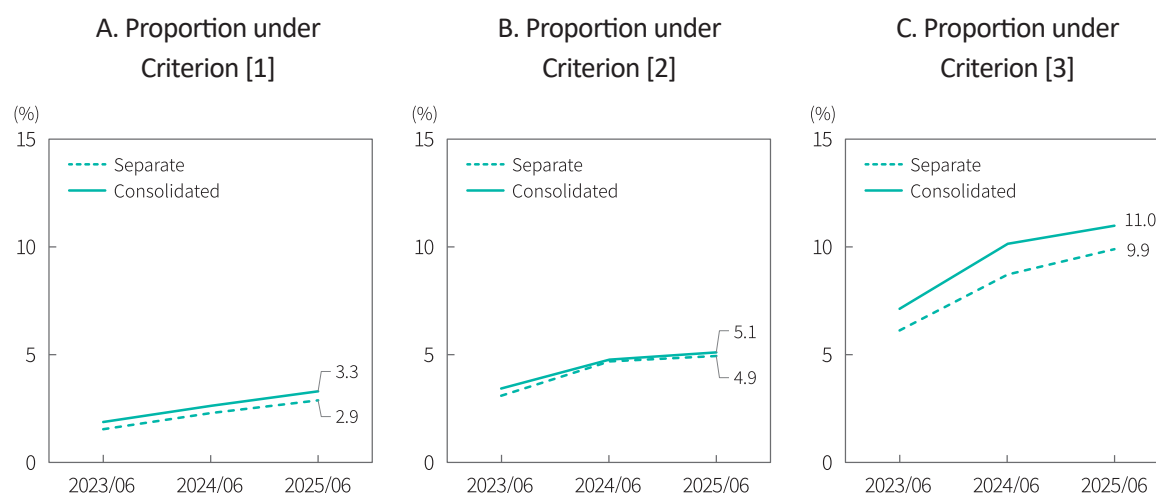
Proportion and Characteristics of Asset-Rich Firms

As of the end of June 2025, approximately 12.0 percent of listed firms in Korea had common-stock market capitalizations falling short of their conservatively estimated liquidation value (see Figure 1). Even under a highly stringent approach that excludes the value of non-current assets and inventories altogether, 3.3 percent of firms still qualify as asset-rich (Criterion [1]). When financial assets and land are fully recognized,³⁾ but only half the value of tangible assets is included to reflect obsolescence or restricted alternative use, the proportion rises to 11.0 percent (Criterion [3]). Across both consolidated and separate financial statements, firms that meet at least one of Criteria [1] through [3] account for roughly 12.0 percent of all listed corporations.

1) Hwang, W. et al., 2024, Korea Wealth Report 2024, KB Financial Group Management Research Institute.

2) Graham B., Dodd D.L., 1934, Security Analysis, McGraw-Hill.

3) Financial assets are measured at fair value according to marketability under K-IFRS 1109, while land is generally reported at historical acquisition cost under the cost model prescribed by K-IFRS 1016. Thus, Criterion [3] may also be regarded as reflecting a conservative estimate of liquidation value.

Figure 1. Proportion of Asset-Rich Firms under Alternative Criteria

Note: 1) Proportion of firms whose market capitalization fell below liquidation value, among non-financial companies listed on the KOSPI and KOSDAQ markets with December year-ends, from June 2023 to June 2025.

2) Liquidation value is defined as adjusted net assets conservatively reflecting asset-specific recoverability, and is classified stepwise according to Criteria [1]–[3]: Criterion [1] = (Current Assets – Inventories) – (Total Liabilities + Preferred Share Market Capitalization); Criterion [2] = Criterion [1] + Non-current Financial Assets; Criterion [3] = Criterion [2] + [Tangible Assets (excluding Construction-in-Progress and Land) × 50%] + Land.

Source: DataGuide, Korea Capital Market Institute.

A notable point is that the proportion of asset-rich firms increased even as the KOSPI index rose from 2,564.3 at the end of June 2023 to 3,072.7 at the end of June 2025, a gain of 19.8 percent. This contrasts with advanced global markets, where discounts to asset value typically appear only temporarily, and then only during exceptionally rare market crashes.⁴⁾ In Korea, by contrast, asset-rich firms appear to be embedded in a structure of chronic discount. Indeed, when a consolidated balance sheet is constructed from the perspective of all asset-rich firms in Korea (see Table 1), the inefficiencies of asset utilization become evident. Land accounts for 20 percent of total assets, making it the single largest asset category. The debt-to-asset ratio is a stable 36 percent, yet the aggregate market capitalization remains roughly equivalent to the book value of land recorded at historical cost. Even if inventories are fully written off, half of tangible assets and all non-financial non-current assets are set to zero, and only financial assets are retained, the residual liquidation value still amounts to about 45 percent of market capitalization (KRW 16.1 trillion out of 35.4 trillion).

4) Goebel, J.C., Athavale, M., 2013, The persistence of the net current asset value stock selection criterion, *The Journal of Investing* 22(4), 83-91.

Table 1. Aggregate Balance Sheet of Asset-Rich Firms (as of June 2025) and Estimation of Residual Liquidation Value

(Unit: KRW trillion)										
Assets	Current Assets	Cash & Cash Equivalents	15.9	(9%)	Financial Liabilities	Short-Term Financial Liabilities	17.3	(10%)		
		Short-Term Financial Assets	19.3	(11%)		Liabilities	Long-Term Financial Liabilities	15.1	(9%)	
		Trade Receivables	16.3	(9%)			Non-Financial Liabilities		29.8	(17%)
		Inventories	13.6	(8%)			Total Liabilities [L]		62.1	(36%)
		Other Current Assets	7.9	(5%)	Adjustment [J]	Preferred Shares & Non-controlling Interests	5.6	(3%)		
	Non-Current Assets	Long-Term Financial Assets	13.0	(8%)		Equity	Inventories	13.6	(8%)	
							PPE (excluding Land and CIP) × 50%	11.9	(7%)	
							Other Non-Current Assets	28.2	(16%)	
							Liquidation Value	Market Capitalization [M]	35.4	(20%)
					Residual Liquidation Value [V=(A-L)–J–M]			16.1	(9%)	
Total Equity				110.8		(64%)				
Total Assets [A]			173.0	(100%)	Total Liabilities & Equity		173.0	(100%)		

Note: 1) Aggregate consolidated balance sheet prepared for 273 asset-rich firms (as defined under Criteria [1], [2], or [3]) among non-financial companies listed on KOSPI and KOSDAQ with December year-ends, as of June 2025.

2) Figures in parentheses (%) indicate each item's share of total assets [A].

3) Residual liquidation value [V] is the portion exceeding market capitalization [M], calculated as total assets [A] minus total liabilities [L], minus preferred share capitalization and non-controlling interests, and minus other adjustments [J] for low-recoverability assets. This represents the residual liquidation value not reflected in market value.

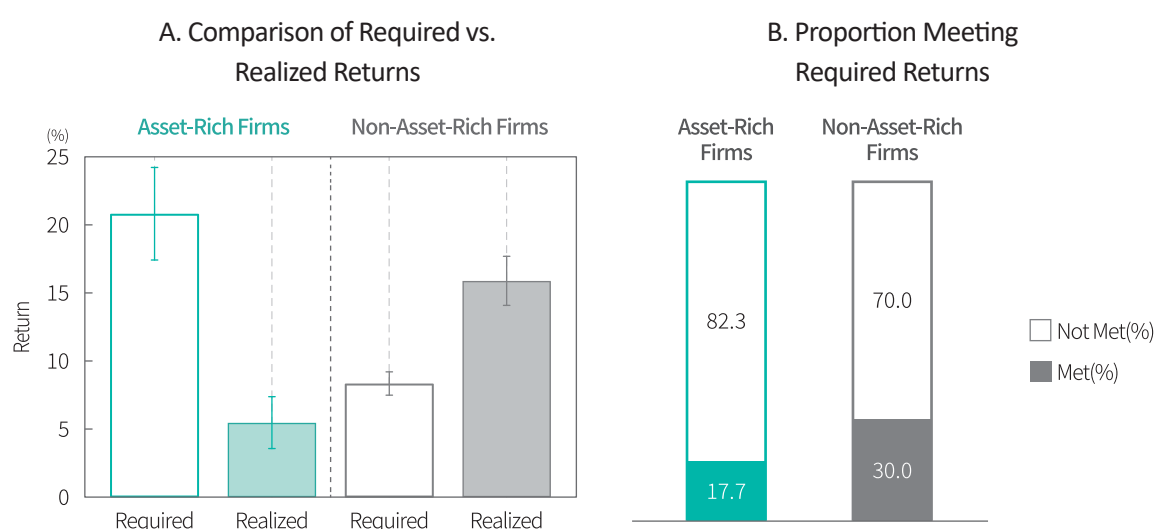
Source: DataGuide, Korea Capital Market Institute.

Asset-rich firms may account for a modest share of the market, but their severe undervaluation makes them a clear policy priority. Under Criterion [3], the average liquidation-to-market capitalization ratio of asset-rich firms (liquidation value ÷ market capitalization) is 1.62, implying that liquidation would yield at least 62 percent in residual returns. By contrast, the average for non-asset-rich firms is only -0.05, indicating that the value of remaining listed exceeds liquidation value. This suggests that if the primary factors suppressing the going-concern value of asset-rich firms were addressed, their stock prices could be substantially re-rated. Moreover, because the realizable net asset value held by asset-rich firms serves as a firm anchoring point for valuation, it can trigger an immediate market revaluation without uncertainty or policy lag.

Causes of Asset-Rich Firm Undervaluation

The problem is that the discount on asset-rich firms in Korea is unlikely to be a temporary anomaly; rather, it appears to be a chronic discount that cannot be resolved without fundamental institutional reforms. Over the past five years, the realized returns of asset-rich firms—measured by total shareholder return—have fallen far below the required return implied by valuation models (see Figure 2). While a notable share of non-asset-rich firms also failed to meet required returns over the long run, the proportion among asset-rich firms reached as high as 82 percent. This indicates not only that managers have failed to deliver rewards commensurate with the risks borne by investors, but also that market mechanisms and governance structures have not functioned effectively to correct or restrain such outcomes.⁵⁾

Figure 2. Realized Performance of Asset-Rich vs. Non-Asset-Rich Firms Relative to Required Returns



Note: 1) Comparison of required and realized returns, and the proportion of firms meeting required returns, for 141 asset-rich firms and 751 non-asset-rich firms with estimable data as of June 2025.

2) **Required return** = weighted average cost of equity estimated by averaging OJ, PEG, and RIV models following Hou, Dijk, & Zhang (2012), weighted by market capitalization; **Realized return** = 60-month cumulative annualized total shareholder return (TSR), weighted by market capitalization; **Proportion meeting required return** = share of firms whose realized return equals or exceeds their required return.

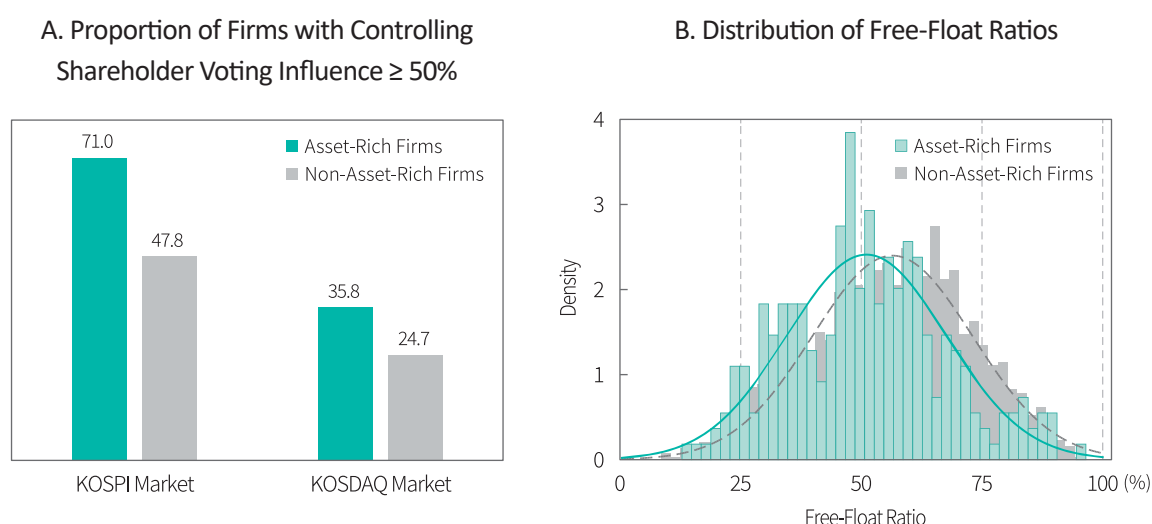
3) Horizontal lines above bars indicate 95% confidence intervals.

Source: DataGuide, Korea Capital Market Institute.

5) The 60-month market beta (β) of asset-rich firms averages 0.87 under the Fama–French three-factor model, suggesting that their level of systematic risk is not high. Their debt-to-asset ratio stands at 36 percent, further limiting the likelihood that financial risk has materially influenced discount rates.

For example, if disciplinary pressures from potential mergers and acquisitions (M&A) operated effectively, much of the discount on asset-rich firms could be corrected swiftly through market mechanisms. In Korea, however, such pressures are constrained by the high ownership stakes of controlling shareholders, which make it difficult for voting-right–based discipline to take effect. In fact, among asset-rich firms listed on the KOSPI market, 71 percent are companies where controlling shareholders hold voting influence exceeding 50 percent. In addition, the proportion of freely tradable shares is strikingly low, leaving many cases without the level of liquidity expected of listed equities (see Figure 3).

Figure 3. Distribution of Controlling Shareholder Influence and Free-Float Ratios



Note: 1) As of June 2025, among 273 asset-rich firms and 2,003 non-asset-rich firms listed on KOSPI and KOSDAQ with December year-ends, Panel A shows the proportion of firms where controlling shareholder influence is 50% or higher, and Panel B shows the distribution of free-float ratios.

2) **Proportion of firms with controlling shareholder Voting influence $\geq 50\%$** = share of firms in which the combined holdings of the largest shareholder, related parties, and treasury shares exceed 50% of common equity; **Free-float ratio** = $1 - [(\text{holdings of largest shareholder and related parties}) + \text{treasury shares} + \text{employee stock ownership} + \text{lock-up shares} + \text{government agencies} (\geq 5\%) + \text{overseas DR shares}] \div \text{shares outstanding used in index calculation}$.

Source: DataGuide, Korea Capital Market Institute.

Given these practical constraints, improving the efficiency of asset-rich firms begins with stronger incentives for long-term ownership among minority shareholders, which are essential to foster constructive and effective engagement. In particular, the current tax rule that imposes capital gains tax on investors designated as “large shareholders” under tax law—even when they have no effective voting influence—tends to heighten selling pressure in the latter

half of the year when stock prices rise in the first half. This in turn reinforces short-term and speculative behavior among retail investors. Moreover, smaller asset-rich firms, which already face limited free-float ratios that deter active participation by domestic and foreign institutions, are even less likely to attract long-term and cooperative engagement from wealthy individual investors. Accordingly, key tax provisions in the capital market—such as the threshold for large-shareholder capital gains taxation and the effective tax rate on dividend income—should be redesigned to better align with long-term ownership incentives.

Policy Directions

To address the chronic discount on asset-rich firms in Korea through market mechanisms, several policy reforms are needed.

First, the concept of free-float market capitalization should be introduced into listing maintenance and delisting rules. Listed companies must ensure that an adequate volume of tradable shares is available in the market, and those that fall short should be encouraged to improve liquidity conditions through measures such as equity dispersion or treasury share cancellation. If such improvements are not achieved over an extended period, conversion to over-the-counter trading would be a reasonable alternative. However, if asset-rich firms were to enter a formal delisting process in this context, existing shareholders could be forced into liquidation trades at prices well below liquidation value. Careful institutional design is therefore needed, including the introduction of tender offer procedures to protect minority shareholders.

Second, a stronger foundation for cooperative shareholder engagement is necessary to promote constructive forms of activism. Long-horizon activism has been reported relatively consistently in the literature to generate both corporate restructuring benefits and excess returns. To institutionalize this form of long-term, partnership-based activism, it is essential to expand mechanisms that share engagement costs and realize economies of scale. For example, public pension funds could expand activism-oriented outsourced chief investment officer (OCIO) mandates. In such cases, asset managers should be selected on the basis of constructive engagement activities and performance, so that long-term activist capital can drive institutional reform.

Third, investment culture must also evolve to reinforce long-term ownership practices and amplify the impact of shareholder engagement. Because asset-rich firms typically combine low trading liquidity with high engagement costs, it is difficult to expect active exercise of shareholder rights in practice. Strengthening the influence of wealthy individuals and the asset managers entrusted with their capital requires revisiting how well the current tax framework aligns with long-term investment incentives. Dividend income taxation should shift toward broader use of final withholding, while capital gains taxation should ultimately adopt a structure that avoids encouraging short-term tax-driven sales. Taken together, such measures would foster long-term ownership and cooperative engagement.

Finally, just as wealthy individuals are admired in capitalist society, asset-rich firms must also become aspirational targets for investors. The advent of a genuine “Korea Premium” era requires not just change among a few large-cap firms, but structural improvements across the market as a whole. In this new environment, asset-rich firms should no longer be undervalued companies that merely hold valuable assets; rather, they must be trusted for their ability to channel asset-generated cash flows into shareholder returns and thereby earn a premium. Ultimately, in the era of a Korea Premium, the most admired wealth holders should no longer be defined by property-based wealth, but by equity-based wealth—investors who recognize transformed asset-rich firms as credible vehicles for converting asset-generated cash flows into reliable shareholder returns and as a new benchmark for portfolios.