

Samsung Securities NDR (2025.08) FAQs

Q1. Key drivers behind sluggish 2Q25 earnings

- A1. – Losses driven by the lowest-ever number of linear episodes (41) and the remaining amortization burden from prior large-scale titles
- Partially offset by original delivery of *Genie, Make a Wish*, contributing to stable distribution revenue
 - With the recovery in hits such as *My Unwritten Seoul* and *Marry My Husband: Japan*, performance of individual titles is expected to further expand in 2H25

Q2. 3Q25 and 2H25 lineup outlook

- A2. – 3Q25 episode count is expected to nearly double from 2Q25
- TV: *Head Over Heels*, *Bon Appetit*, *Your Majesty*, etc.
 - Originals: *Genie, Make a Wish*, *Dear X*, *The Manipulated*, etc.
 - Over 60% of the 2025 slate is concentrated in 2H25, supported by S/A-tier creators and top actors, enhancing hit ratio and competitiveness
 - Earnings improvement to be underpinned by the resumption of the Wed–Thu slot, expansion into Japan, and increased supply of tentpole originals

Q3. Global Projects: Japan & U.S.

- A3. – In June, the Japanese remake of mega-hit IP *Marry My Husband* launched as an Amazon Prime Video Original → ranked No. 1 among all Amazon Originals in Japan
- Further expansion in Japan with upcoming releases: *Hatsukoi Dogs* (TBS) and *Soul Mate* (Netflix Japan)
 - In the U.S., 20+ titles are in joint development with local partners such as Skydance, targeting two series order in 2H25 with contribution expected from 2026
 - U.S. series production budgets are 3–5 times higher than Korean shows, offering strong potential for top-line growth and margin expansion

Q4. Outlook for Re-entry into China

- A4. – No confirmed developments yet, but closely monitoring easing signals around the APEC summit
- Preparing multiple scenarios to respond flexibly to potential policy changes
 - If the ban is lifted, monetization opportunities include:
 - ① recognition of deferred revenue from unreleased titles, ② sales of existing IPs,
 - ③ simultaneous releases of new titles, ④ local co-production opportunities

Q5. Recoupment rate levels by partners

- A5. – Specific recoupment rates by channel/OTT remain undisclosed
- However, diversification of pre-sales platforms and expansion into non-captive channels will aim to reduce reliance on single buyers while maximize title performance to enhance bargaining power

Q6. New Talent Discovery Plans via Wed–Thu TV Slot

- A6. – Starting with *I'll Give You the Universe* (WT) in 2H25, Wed–Thu dramas will resume with a focus on discovering emerging talent
- Designed to offset rising actor fees by fostering next-generation stars
 - Expanding synergies with CJ ENM by linking talent development to IP-driven commerce and ancillary businesses

Q7. New Business Initiatives

- A7. – Ancillary businesses currently account for ~5% of revenue, with plans to expand IP-driven extensions as a new growth engine
- Exploring entry into short-form content while preserving premium storytelling identity
 - Actively pursuing additional revenue streams including AI, with phased disclosure as progress is made

Q8. Production Cost Efficiency Strategy

- A8. – Cost-efficiency measures underway through data-driven budgeting, bid-based contracts, and broader application of actual-cost reimbursement
- Expanding efficiency from 8 titles in 2024 → most titles in 2025 → full lineup by 2026
 - Stronger oversight and phased rollout expected to deliver tangible profitability improvement

Q9. Mid-to-Long-Term Operating Margin Target

- A9. – OPM declined due to industry-wide slowdown and underperformance of select titles
- Nonetheless, high-profile hits like *Queen of Tears* delivered strong profitability
 - Targeting ~10% operating margin mid-term through improved hit ratio, expanded global sales, and greater production efficiency
 - In the long term, aiming for ~20% margin through business portfolio diversification

Q10. Shareholder Return Policy

- A10. – Shareholder return policy will be considered upon meeting targets for FCF, OPM, and CAPEX
- While CAPEX and FCF are stable, current OPM falls short due to industry weakness
 - SD aims to establish clear milestones for shareholder return by rebuilding fundamentals and securing new growth drivers in 2025