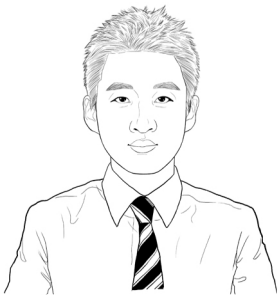


2017. 11. 24

Company Update



Seungwoo Yang, CFA
Analyst
sw45.yang@samsung.com
822 2020 7813

Jaehun Cheong
Research Associate
jh.cheong@samsung.com
822 2020 7760

AT A GLANCE

SELL HOLD BUY

Target price KRW53,000 (51.4%)

IPO price KRW35,000

Market cap KRW981.3b/USD899.2m

Shares (float) 28,037,240 (21.4%)

52-week high/low n/a

Avg daily trading value (60-day) n/a

ONE-YEAR PERFORMANCE

	1M	6M	12M
Company (%)	n/a	n/a	n/a
Vs Kospi (%pts)	n/a	n/a	n/a

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	n/a	-
Target price	53000	n/a	n/a
2015E EPS	1,294	n/a	n/a
2016E EPS	1,522	n/a	n/a

SAMSUNG vs THE STREET

No of estimates	5
Target price	46,600
Recommendation	4.0

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

Studio Dragon (253450)

Korea's top content creator

- Studio Dragon, a heavyweight among producers of Korean dramas, has been able to focus on improving quality as most of its content is aired parent CJ E&M.
- We believe the firm will be the largest beneficiary of new media expansion, and expect it to keep growing steadily thanks to rising VOD demand at home and growing access to viewers overseas via global OTT platforms such as Netflix.
- We initiate coverage on Studio Dragon at BUY with a 12-month target price of KRW53,000 (based on 35x 2018 P/E).

WHAT'S THE STORY?

High-quality content: Most drama production firms in Korea are small in scale and rely heavily on top stars to secure broadcasting rights. In contrast, Studio Dragon obtains such rights for around 15 dramas from parent CJ E&M, enabling it to focus on improving content quality and creating synergies among writers, producers and production staff. It has thus created many popular dramas (eg, Goblin, The Legend of the Blue Sea) and now has hard-to-copy large-scale production capabilities and systems.

Potential of new media market: Studio Dragon should benefit most from a growing new media market as it: 1) recoups most production costs via selling product placements and broadcasting rights; and 2) uses copyright sales at home and abroad to bolster profits. Indeed, the company enjoys steady earnings from conventional media and growing momentum from new media. It should keep growing steadily on rising VOD demand at home and growing access to viewers overseas via global OTT platforms such as Netflix.

Initiating coverage at BUY: We initiate coverage on Studio Dragon at BUY with a 12-month target price of KRW53,000 (based on 35x 2018 P/E and 11.8x EV/EBITDA). We apply a 30% premium its peers for two reasons. First, the company has high earnings visibility vs the highly volatile profits at peers. Second, the firm has enormous growth potential globally based on its remarkable cost competitiveness (relative to content quality), as production costs of Korean dramas are restricted by the size of the domestic market, keeping costs much lower than ones of Chinese dramas.

Opportunities and risks: Upside lies in a resumption of China-bound exports as THAAD-related risks ease and greater-than-expected success of a drama. Risks include overseas players making a foray into the domestic market and rising sales commissions for CJ E&M.

SUMMARY FINANCIAL DATA

	2016	2017E	2018E	2019E
Revenue (KRWb)	154	287	357	426
Net profit (adj) (KRWb)	8	29	43	55
EPS (adj) (KRW)	370	1,045	1,522	1,968
EPS (adj) growth (% y-y)	n/a	182.8	45.7	29.3
EBITDA margin (%)	25.1	28.8	30.2	32.2
ROE (%)	6.0	11.5	10.8	12.4
P/E (adj) (x)	94.7	33.5	23.0	17.8
P/B (x)	5.7	2.6	2.3	2.1
EV/EBITDA (x)	25.7	9.6	7.1	5.2
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

Company overview and business model

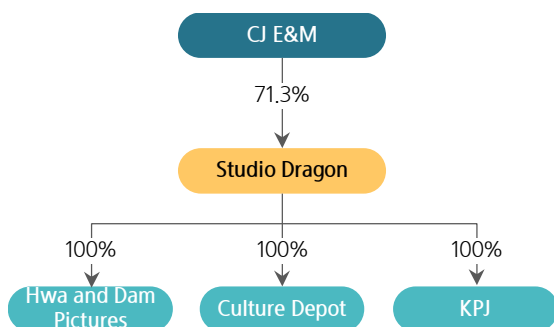
Drama production division of CJ E&M listed for global expansion

Human resources and IP are core assets

Studio Dragon, the drama production business spun off from CJ E&M in May 2015, now has three subsidiaries—ie, Hwa & Dam Pictures, Culture Depot, and KPJ—after conducting M&As from early last year to reinforce its writer lineups in diverse genres. The company's core assets include seasoned writers/producer/production personnel and a proven content library (ie, intellectual property).

The company started trading on Nov 24, with the IPO price set at the upper end of its indicative price range. The company issued 6m new shares (21.4% of total shares outstanding) to raise KRW210b, KRW30b of which should be used to pay down debts with the remainder earmarked for joint production of dramas and equity investments in overseas studios.

Chart 1. Studio Dragon: Equity structure



Source: Company data

Table 1. M&A summary

Subsidiary	Time	Price	Summary
Hwa and Dam Pictures	1H16	KRW65b* (combined)	- Established in 2007 - Drama production company - Agency of screenwriter Eun-sook Kim (Goblin, Descendants of the Sun, etc.)
Culture Depot	1H16	KRW65b* (combined)	- Established in 2010 - Culture business firm (exhibitions and performances) - Agency of actors Ji-hyun Jun & Jung-suk Jo and screenwriter Ji-eun Park (My Love from the Star)
KPJ	Sep 2016	KRW15b	- Established in 2014 - Drama production company - Agency of screenwriters Yeong-hyeon Kim & Sang-yeon Park (Dae Jang Geum & Queen Seondeok of Silla)

Note: * Hwa and Dam Pictures and Culture Depot combined

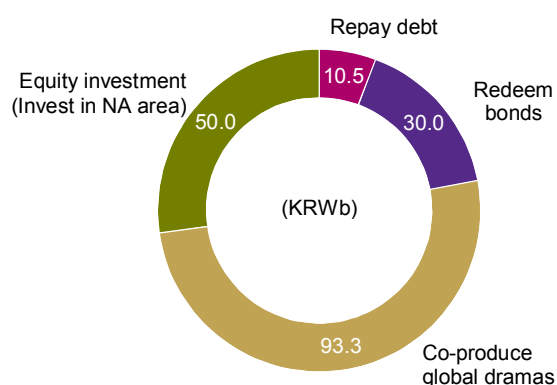
Source: Local media, Samsung Securities

Table 2. Post IPO stakes and valuation

Share ownership		
Original number of shares	22,037,240 shares	
Newly issued shares	6,000,000 shares	
Post-IPO number of shares	28,037,240 shares	
CJ E&M ownership	20,000,999 shares	
Pre-IPO stake	90.8%	
Post-IPO stake	71.3%	
Market cap and valuation ranges		
	Floor	Ceiling
Issuance price (KRW)	30,900	35,000
Value of IPO (KRWb)	185	210
Market cap (KRWb)	866	981
Expected P/E (x)	29.6	33.5
Expected P/B (x)	2.3	2.6

Source: KRX, Samsung Securities estimates

Chart 2. Proposed use of IPO proceeds



Note: As stated by company

Source: Company data

Copyright sales—the real source of profits

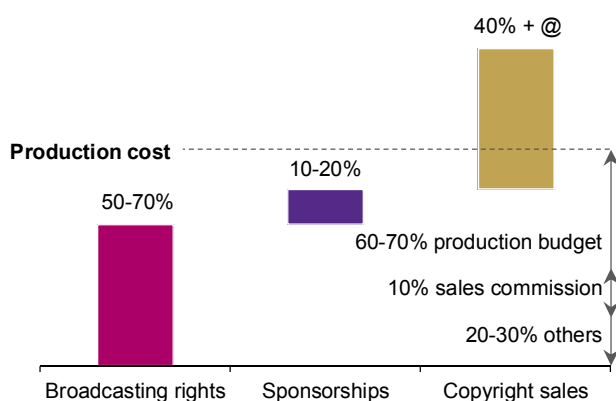
Business model centers on drama production and sales

Studio Dragon can produce over 20 dramas annually. The company has released 22 programs thus far this year, with 15 of them aired by parent CJ E&M and the remainder by terrestrial broadcasters and general programming channels. Turning its eyes overseas, the firm plans to increase the number of joint productions with foreign partners and supply more content to OTT platform operators.

The company's production cost per drama averages KRW8b, 70-80% of which are recouped by sponsorships (eg, product placements) or the sale of broadcasting rights. The firm's earnings momentum comes from VOD sales at home and copyright sales overseas. Margin for dramas is usually around 20% but can rise significantly in cases of commercial hits such as Goblin.

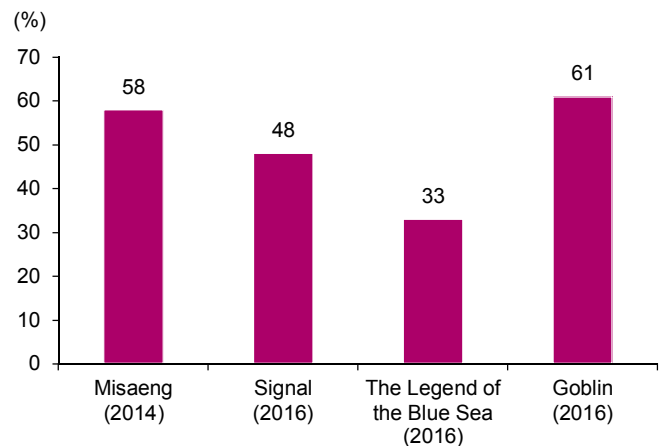
The company's COGS for dramas consists of production costs (60-70%), commissions on copyright sales (10%), and other (eg, management fees). The firm books 70% of production costs in a given quarter and amortizes 30% of them over 18 months, and commission fees are paid to CJ E&M for selling the drama on its behalf.

Chart 3. Profit structure



Source: Company data, Samsung Securities

Chart 4. Margin of hit dramas



Source: Company data

Table 3. Studio Dragon: Financial summary

Income statement				Balance sheet			
(KRWb)	2016*	2017E	2018E	(KRWb)	2016*	2017E	2018E
Revenue	196	287	357	Assets	242	494	532
Broadcasting	88	114	140	Current assets	81	316	339
Copyrights	75	117	149	Non-current assets	161	177	193
Other	32	56	67	Intangible assets	124	134	144
Revenue	196	287	357	Liabilities	106	118	114
Domestic	151	215	263	Current liabilities	84	116	111
Overseas	44	72	93	Non-current liabilities	21	3	3
Cost of goods sold	168	234	288	Long-term debt	20	(0)	(0)
Operating profit	21	40	53	Equity	136	375	418
Operating margin (%)	10.8	13.9	14.9	Capital stock	11	14	14
Net profit	13	29	43	Capital surplus	115	322	322
Net margin (%)	6.5	10.2	12.0	Other	10	39	82

Note: * CJ E&M's drama production division before split

Source: Company data, Samsung Securities estimates

Investment points

High quality content

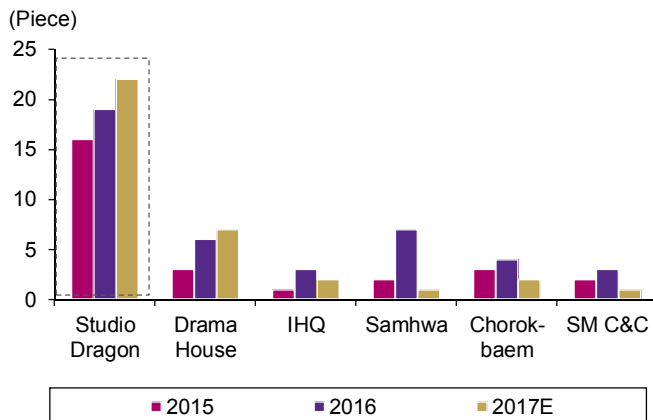
Local drama production firms are small in scale

Studio Dragon stands out among Korean drama production firms in terms of both quality and quantity. Numerous players have sprung up since the introduction of drama outsourcing system in the 1990s, but most of them have remained small in scale due to the difficulty in securing steady broadcasting rights from a handful of terrestrial channels. To make matter worse, firms are forced to rely on the popularity of top stars and give terrestrial broadcasters the copy rights. Profitability can hardly rise from minimal levels under such a structure.

Focuses on quality

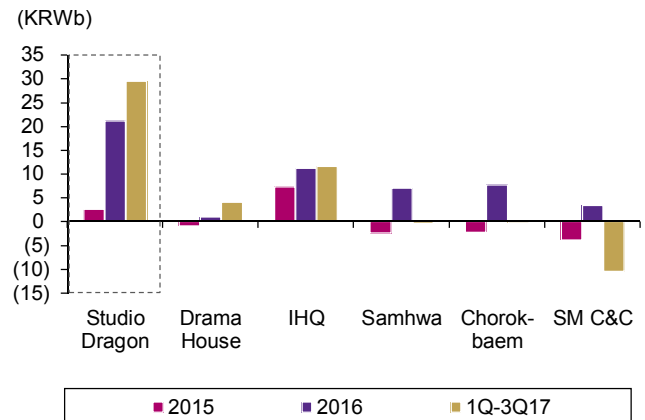
In contrast, Studio Dragon obtains broadcasting rights for around 15 dramas annually from parent CJ E&M, which entered the cable TV market in mid-2000s. This has allowed the company to focus on enhancing content quality for over ten years via creating synergies among writers, producers and production staffs, easing the reliance on star actors. Such efforts started bearing fruit from 2012 as numerous of the firm's dramas took off, offering fresh stories in diverse genres. It established large-scale production capabilities and systems—key to making quality content—under a long-term strategy, a difficult feat for rivals that lack affiliates in the cable TV business.

Chart 5. Drama producers: Number of shows pa



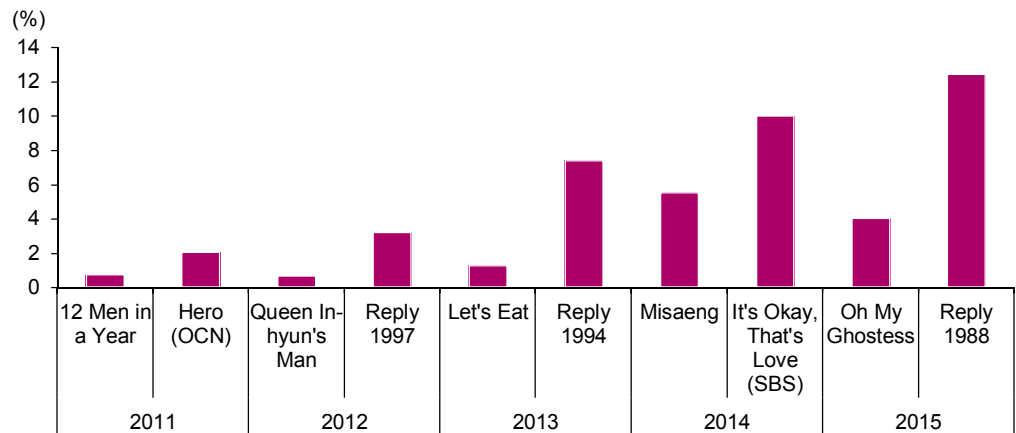
Source: Company data, Samsung Securities

Chart 6. Drama producers: Operating profits











Source: Company data, Samsung Securities

Chart 7. CJ E&M: Viewer ratings of major series



Source: Company data, TNmS, AGB Nielson, Samsung Securities

Table 4. Studio Dragon: Recent line-up

			
Another Miss Oh (tvN, May 2016)	Dear My Friends (tvN, May 2016)	38 Revenue Collection Unit (OCN, Jun 2016)	The Legend of the Blue Sea (SBS, Nov 2016)
Average ratings: 6.9%	Average ratings: 5.1%	Average ratings: 3.4%	Average ratings: 17.6%
Highest ratings: 10%	Highest ratings: 8.1%	Highest ratings: 4.6%	Highest ratings: 21%
			
Goblin (tvN, Dec 2016)	Stranger (tvN, Jun 2017)	Woman of Dignity (JTBC, Jun 2017)	My Golden Life* (KBS, Sep 2017)
Average ratings: 12.8%	Average ratings: 4.6%	Average ratings: 6.6%	Average ratings: 30%
Highest ratings: 18.7%	Highest ratings: 6.6%	Highest ratings: 12.1%	Highest ratings: 37.9%

Note: *As of Nov 23

Source: Company data, AGB Nielson, Samsung Securities

Potential of new media market

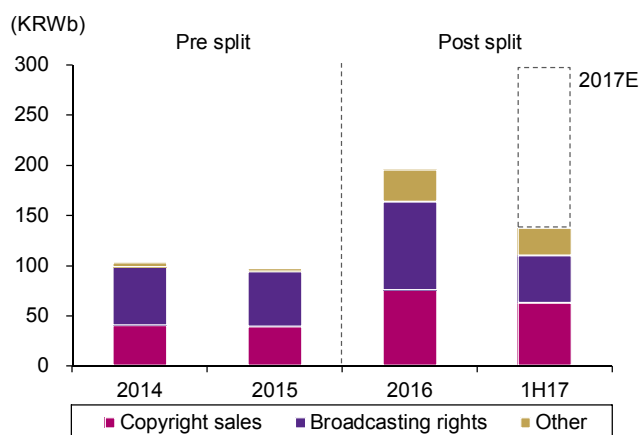
Enjoying both earnings stability and growth momentum

We believe Studio Dragon will be the largest beneficiary of an expanding new media market as it: 1) recoups most production cost by selling product placements and broadcasting rights; and 2) uses copyright sales at home and abroad to bolster profits. Under this structure, the company obtains steady earnings from conventional media (eg, real-time broadcasting) and enjoys growth momentum by selling drama copyrights to new media, such as VOD services.

Going abroad on the back of Netflix

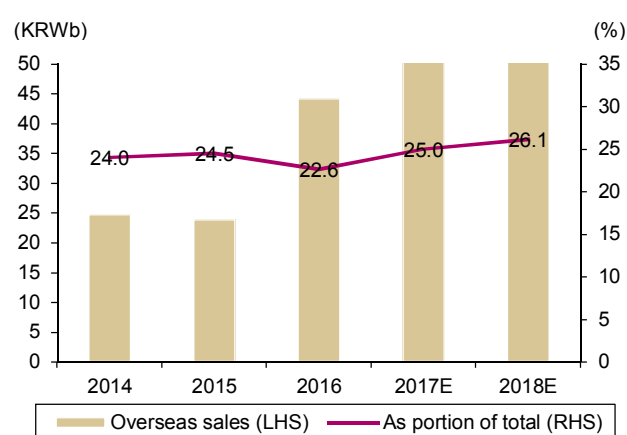
The increasing popularity of video streaming—eg, the new media market has pushed demand for dramas to outweigh that of movies, as the former can offer more diverse and longer-running stories, increasing revenue to content providers. Indeed, the domestic drama copyright market, backed by steady growth in VOD demand, is forecast to grow 15-20% *pa* through 2020. Furthermore, Korean content should have better access to overseas viewers as global OTT platforms, such as Netflix, strive to secure quality content. We believe Netflix has potential to serve as a key distribution channel for Korean dramas in overseas markets, as was the case of YouTube for K-Pop.

Chart 8. Sales breakdowns



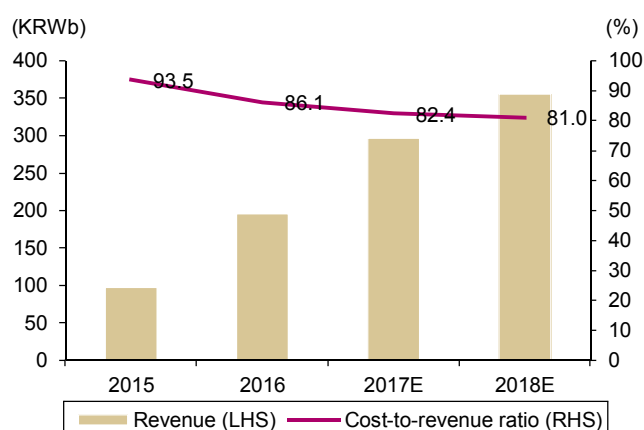
Source: Company data, Samsung Securities estimates

Chart 9. Overseas sales



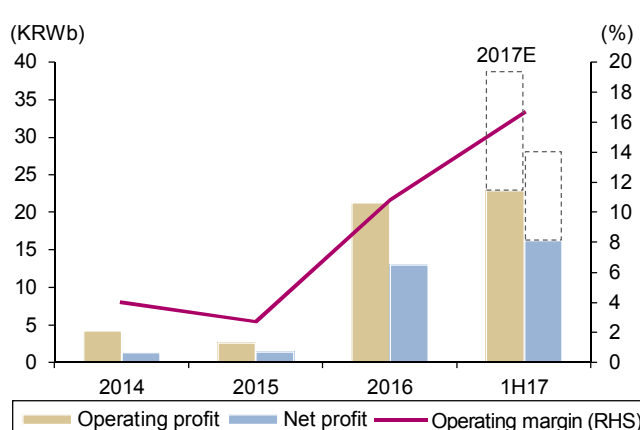
Source: Company data, Samsung Securities estimates

Chart 10. Costs-to-revenue ratio

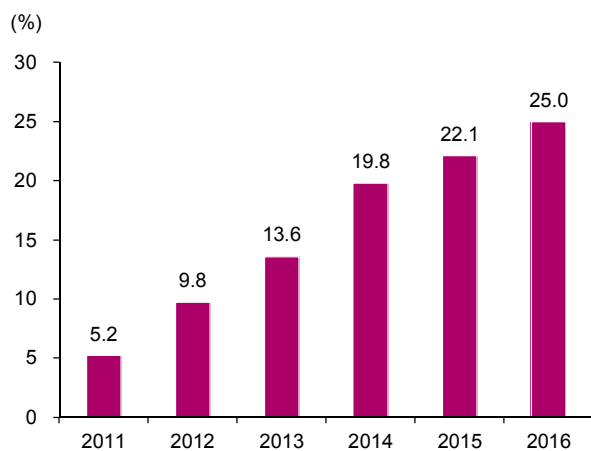


Source: Company data, Samsung Securities estimates

Chart 11. Profits and operating margin



Source: Company data, Samsung Securities estimates

Chart 12. TV program VOD usage rate

Source: KISDI

Table 5. Co-production discussions with global firms

Company	Plans
Amazon	<ul style="list-style-type: none"> Distribute dramas in Japan
Warner Bros.	<ul style="list-style-type: none"> Signed co-production MOU Co-produce global dramas
Netflix	<ul style="list-style-type: none"> Distribute new dramas 'Black' and 'Hwayugi' Co-produce global dramas
AMC (US)	<ul style="list-style-type: none"> Co-produce global dramas
ITV (UK)	<ul style="list-style-type: none"> Co-produce global dramas

Source: Company data

Local drama and movie production firms suitable for peer comparisons

Premium justified by stable business structure and growth potential

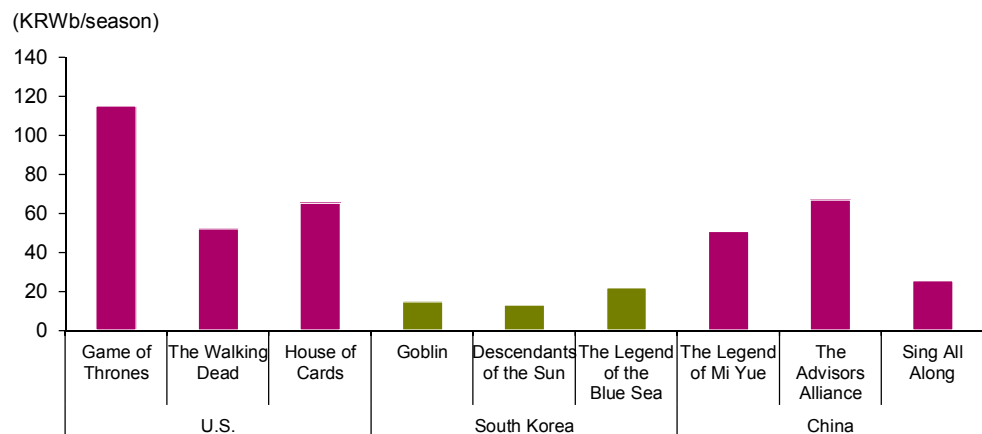
Target price and valuation

We initiate coverage on Studio Dragon at BUY with a 12-month target price of KRW53,000 (based on 35x 2018 P/E and 11.8x EV/EBITDA).

In Korea, three groups produce dramas: 1) small-scale local studios; 2) comprehensive media operators; and 3) movie and drama production firms. We set the third group Studio Dragon's peers as the first one is not comparable in terms business structure or scale, and the second one generates sales mainly from advertising and program usage fees.

We apply a 30% premium to a peer average 27x 2018 P/E to set our target price for Studio Dragon at KRW53,000. First, the company's earnings are highly visible whereas profits at peers are highly volatile depending on box-office success. Second, the firm has enormous growth potential in the global market thanks to its remarkable cost competitiveness (relative to content quality). Production costs of Korean dramas are restricted by the size of the domestic market, leading them to come in far below those incurred for Chinese dramas.

Chart 13. Production cost of major TV series



Source: Company data, local media, Samsung Securities

Table 6. Target price calculation

(KRWb)	2016	2017E	2018E	2019E	Note
Revenue	196	287	357	426	
Domestic	151	215	263	310	
Overseas	44	72	93	116	
Operating profit	21	40	53	69	
Operating margin (%)	10.8	13.9	14.9	16.2	
Net profit	13	29	43	55	A
Applied multiple (x)			35.0		B
Total equity value			1,486		C=AxB
Number of shares ('000)			28,037		D
Target price (KRW)			53,000		C/D
Listed price (KRW)			35,000		
Upside (%)			51.4		

Source: Samsung Securities

Table 7. Valuations of global media/content providers

Company	Market cap (KRWb)	P/E (x)			P/B (x)			ROE (x)			EV/EBITDA (x)			Performance (%)		
		2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	1M	3M	6M
Studio Dragon	981	94.7	27.1	23.0	5.7	2.6	2.3	6.0	11.5	10.8	25.7	9.6	7.1	n/a	n/a	n/a
Movie and drama production*		43.8	38.9	27.1	2.9	2.1	2.0	7.6	6.1	7.8	39.3	16.9	13.3	(0.9)	(8.7)	(13.1)
NEW	241	69.7	69.3	40.1	2.3	1.7	1.6	3.3	2.5	4.1	40.7	15.9	10.4	20.8	24.5	(4.9)
Showbox	354	26.3	44.7	29.1	2.8	2.7	2.5	11.0	6.1	8.9	5.3	3.9	3.3	9.1	(1.2)	(8.3)
Huayi Brothers	3,747	37.9	26.8	22.9	3.4	2.4	2.1	8.5	8.4	10.1	72.2	17.2	14.0	(6.0)	(9.9)	(2.6)
Huace Film & TV	2,883	42.0	27.8	22.3	3.1	2.5	2.2	7.8	9.3	10.5	39.0	22.4	17.3	(10.0)	(16.8)	(9.3)
Beijing Hualu Baina	1,591	43.3	25.8	20.9	2.8	1.5	1.4	7.4	4.4	5.3	39.4	25.0	21.3	(18.3)	(40.3)	(40.6)
Domestic studios		29.7	39.5	24.6	2.0	2.0	2.1	5.6	2.7	8.3	9.4	26.6	13.5	20.5	13.1	6.1
Samhwa Networks	62	9.2	n/a	n/a	1.8	n/a	n/a	21.6	n/a	n/a	5.8	n/a	n/a	4.4	7.5	(13.6)
Chorokbaem	92	19.6	n/a	n/a	1.3	n/a	n/a	7.2	n/a	n/a	11.2	n/a	n/a	3.6	3.3	(24.4)
SM C&C	287	nm	nm	22.9	2.5	1.9	2.3	(0.9)	0.3	9.3	15.3	45.9	19.7	6.4	(9.6)	33.7
IHQ	459	60.2	39.5	26.3	1.2	2.0	1.8	2.0	5.1	7.3	5.3	7.3	7.2	76.3	60.3	67.9
Huayi Brothers Korea	117	nm	n/a	n/a	3.1	n/a	n/a	(1.9)	n/a	n/a	nm	n/a	n/a	11.9	4.3	(32.9)
Multimedia services		25.6	15.7	17.0	2.3	2.2	2.1	10.4	17.8	13.0	11.1	9.5	8.8	0.1	1.3	(0.2)
CJ E&M	3,563	44.0	8.1	22.5	1.8	1.8	1.7	4.0	26.9	7.4	6.4	8.8	8.7	9.5	29.2	17.9
SBS	444	nm	22.5	15.5	0.9	0.8	0.7	(0.1)	3.6	4.9	20.0	8.6	6.9	(0.6)	(12.1)	(6.0)
Disney	173,422	16.2	17.9	16.4	3.4	3.9	3.7	21.4	21.9	22.7	9.0	10.5	10.2	3.6	0.2	(4.3)
Time Warner	76,066	16.6	14.4	13.8	3.1	2.5	2.2	16.4	18.8	17.0	9.2	10.1	9.5	(12.0)	(12.0)	(8.5)
Global OTT																
Netflix	92,629	287.9	106.4	89.6	19.9	22.6	16.4	7.6	17.1	23.5	121.4	81.8	50.6	1.1	15.9	24.9

Note: *Set as peers for valuation comparisons

Source: Bloomberg, Samsung Securities

Table 8. Results and forecasts

(KRWb)	2016*	2017E	2018E	2019E
Revenue	196	287	357	426
Broadcasting	88	114	140	166
Copyrights	75	117	149	187
Other	32	56	67	73
Domestic	151	215	263	310
Overseas	44	72	93	116
Cost of goods sold	168	234	288	338
Production	128	172	212	252
Sales commission	11	17	22	28
Other	29	45	53	58
Gross profit	27	53	69	88
SG&A	6	13	16	19
Operating profit	21	40	53	69
Pre-tax profit	15	39	57	74
Net profit	13	29	43	55
EPS (KRW)	576	1,045	1,522	1,968
Key indicators (%)				
Operating margin	10.8	13.9	14.9	16.2
Pre-tax margin	7.7	13.6	16.0	17.3
Net margin	6.5	10.2	12.0	13.0

Note: CJ E&M's drama production division before split

Source: Company data, Samsung Securities estimates

Opportunities

China-bound exports resume as THAAD-related risks ease: Korean content exports to China have plunged over the past year, hit by that nation's ban on TV programs featuring South Korean stars. That said, they have potential to bounce back as Sino-Korea tension wanes and amid cutthroat competition among OTT platforms. Moreover, Studio Dragon may be able to sell copyright of its jointly produced Netflix Original Series dramas in China as the US firm lacks presence there.

Unexpectedly strong success of dramas: Dramas contain both upside and downside for their hit-or-miss nature. Unlike movies, however, dramas tend to generate stable profits and have more upside from copyright sales. Our estimates assume Studio Dragon has potential to release one or two tent-pole dramas each year.

Risks

Overseas players enter domestic market: Foreign companies are recently investing or participating in Korean film production, with *Okja* (Netflix) and *The Age of Shadows* (Warner Brothers) good cases in point, respectively. If foreign giants—such as Netflix—jump into the domestic production business, Studio Dragon may suffer from sales-channel weakening, staff defections, cost increases, and hikes in competition.

CJ E&M's commissions may rise: CJ E&M sells dramas on behalf of Studio Dragon for a commission. Similarly, SBS Contents Hub sells dramas produced by parent SBS on a commission basis, and the commission rate has been influenced by the business environment of SBS. The roles of CJ E&M and Studio Dragon may be reversed, but the sales commission rate may change depending on CJ E&M's conditions.

Table 9. Scenario analysis for 2018

	Worst	Base	Best	
Scenario	<ul style="list-style-type: none">• No tent-pole dramas• Delayed entrance to global platform	<ul style="list-style-type: none">• 1-2 tent-pole dramas• Domestic and overseas copyright sales keep growing	<ul style="list-style-type: none">• Hit dramas on global platforms• Exports to China start to grow	
Major assumptions	<ul style="list-style-type: none">• Produce 25 dramas• Sales growth of 20% both at home and abroad	<ul style="list-style-type: none">• Produce 27 dramas• Sales growth of 25% at home and 30% abroad	<ul style="list-style-type: none">• Produce 29 dramas• Sales growth: 40% domestic, 50% overseas	
Net profit (KRWb)		39.4	42.7	53.4
Applied P/E (x)		30.0	35.0	40.0
Target price (KRW)		42,000	53,000	76,000
Upside (%)		20.0	51.4	117.1

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2016	2017E	2018E	2019E	2020E
Sales	154	287	357	426	495
Cost of goods sold	133	234	288	338	381
Gross profit	22	53	69	88	113
Gross margin (%)	14.0	18.5	19.3	20.6	22.9
SG&A expenses	5	13	16	19	23
Operating profit	17	40	53	69	91
Operating margin (%)	10.8	13.9	14.9	16.2	18.3
Non-operating gains (losses)	(6)	(1)	4	5	6
Financial profit	1	0	4	5	6
Financial costs	2	1	0	(0)	(0)
Equity-method gains (losses)	0	0	0	0	0
Other	(5)	0	0	0	0
Pre-tax profit	10	39	57	74	97
Taxes	2	10	14	18	24
Effective tax rate (%)	22.4	25.0	25.0	25.0	25.0
Profit from continuing operations	8	29	43	55	72
Profit from discontinued operations	0	0	0	0	0
Net profit	8	29	43	55	72
Net margin (%)	5.3	10.2	12.0	13.0	14.6
Net profit (controlling interests)	8	29	43	55	72
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	39	82	108	137	172
EBITDA margin (%)	25.1	28.8	30.2	32.2	34.8
EPS (parent-based) (KRW)	370	1,045	1,522	1,968	2,584
EPS (consolidated) (KRW)	370	1,045	1,522	1,968	2,584
Adjusted EPS (KRW)*	370	1,045	1,522	1,968	2,584

Cash flow statement

Year-end Dec 31 (KRWb)	2016	2017E	2018E	2019E	2020E
Cash flow from operations	(12)	59	92	117	147
Net profit	8	29	43	55	72
Non-cash profit and expenses	27	53	65	82	100
Depreciation	0	0	0	0	0
Amortization	22	43	55	68	82
Other	5	11	10	14	18
Changes in A/L from operating activities	(46)	(14)	(1)	(1)	(1)
Cash flow from investments	(70)	(60)	(66)	(73)	(81)
Change in tangible assets	(1)	0	0	0	0
Change in financial assets	(2)	(0)	(1)	(1)	(1)
Other	(66)	(59)	(65)	(72)	(80)
Cash flow from financing	93	207	(27)	0	0
Change in debt	28	(2)	(27)	0	0
Change in equity	126	210	0	0	0
Dividends	0	0	0	0	0
Other	(60)	(1)	(0)	0	0
Change in cash	12	207	(1)	45	66
Cash at beginning of year	0	12	218	217	262
Cash at end of year	12	218	217	262	328
Gross cash flow	35	83	108	137	173
Free cash flow	(14)	6	27	41	61

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	2017E	2018E	2019E	2020E
Current assets	81	316	339	408	497
Cash & equivalents	12	218	217	262	328
Accounts receivable	37	37	46	55	64
Inventories	0	0	0	0	0
Other current assets	33	61	76	91	106
Fixed assets	161	177	193	202	207
Investment assets	2	2	3	3	4
Tangible assets	1	1	1	1	1
Intangible assets	124	134	144	153	157
Other long-term assets	33	40	45	45	45
Total assets	242	494	532	610	704
Current liabilities	84	116	111	132	154
Accounts payable	6	6	7	9	10
Short-term debt	8	7	(0)	(0)	(0)
Other current liabilities	71	103	104	124	144
Long-term liabilities	21	3	3	4	5
Bonds & long-term debt	20	(0)	(0)	(0)	(0)
Other long-term liabilities	2	3	3	4	5
Total liabilities	106	118	114	136	159
Owners of parent equity	136	375	418	473	546
Capital stock	11	14	14	14	14
Capital surplus	115	322	322	322	322
Retained earnings	8	38	80	136	208
Other	2	2	2	2	2
Non-controlling interests' equity	0	0	0	0	0
Total equity	136	375	418	473	546
Net debt	16	(192)	(218)	(262)	(328)

Financial ratios

Year-end Dec 31	2016	2017E	2018E	2019E	2020E
Growth (%)					
Sales	n/a	85.7	24.3	19.4	16.2
Operating profit	n/a	139.8	32.9	29.8	31.8
Net profit	n/a	259.8	45.7	29.3	31.3
Adjusted EPS**	n/a	182.8	45.7	29.3	31.3
Per-share data (KRW)					
EPS (parent-based)	370	1,045	1,522	1,968	2,584
EPS (consolidated)	370	1,045	1,522	1,968	2,584
Adjusted EPS**	370	1,045	1,522	1,968	2,584
BVPS	6,176	13,390	14,912	16,880	19,464
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	94.7	33.5	23.0	17.8	13.5
P/B***	5.7	2.6	2.3	2.1	1.8
EV/EBITDA	25.7	9.6	7.1	5.2	3.8
Ratios					
ROE (%)	6.0	11.5	10.8	12.4	14.2
ROA (%)	3.4	8.0	8.3	9.7	11.0
ROIC (%)	8.5	17.8	20.9	25.2	31.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividend yield (common, %)	0.0	0.0	0.0	0.0	0.0
Net debt to equity (%)	12.1	(51.2)	(52.1)	(55.4)	(60.2)
Interest coverage (x)	19.5	43.1	118.2	(30,436.9)	(40,124.7)

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Rating changes over past two years (adjusted share prices)

Date	2017/11/23
Recommendation	BUY
Target price (KRW)	53,000
Gap* (average)	
	(max or min)**

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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