

# Studio Dragon (253450 KS)

## Outlook bright for 2H18

### BUY (MAINTAIN)

Price (Aug 8)	W96,000
Target Price	W146,000
% variance	52.1%

SeJong Hong	☎ (82-2) 3772-1584
	✉ sejonghong@shinhan.com
Hyunji Ku	☎ (82-2) 3772-1508
	✉ hyunji.ku@shinhan.com

KOSPI	2,301.45p
KOSDAQ	783.81p
Market Cap.	W2,691.6bn/ US2,361.0mn
Par Value	W500
Outstanding Shares	28.0mn
Free Floating Shares	6.7mn(23.9%)
52-Week High/Low	W119,800/W57,800
60-Day Avg. Trading Volume	217,112shrs
60-Day. Avg. Trading T/O	W22,900mn
Foreign Ownership	2.77%
Major Shareholders	
	CJ E&M and 3 others 75.66%
Absolute Performance	3M 20.6%
	6M 27.0%
	12M 0.0%
Relative performance	3M 27.3%
to KOSDAQ	6M 39.6%
	12M 0.0%

◆ Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S.

◆ Please see Analyst certification and important disclosures & disclaimers at the end of this report.

- ◆ 2Q18 consolidated OP misses consensus at W7.3bn (-17.8% YoY)
- ◆ 3Q18 consolidated OP to improve sharply to W23.4bn (+251.8% YoY)
- ◆ Retain BUY for a target price of W146,000

### 2Q18 consolidated OP misses consensus at W7.3bn (-17.8% YoY)

Studio Dragon posted consolidated sales of W74.3bn (+19.6% YoY) for 2Q. Operating profit came in at W7.3bn (-17.8% YoY), missing our forecast (W9bn) and market consensus (W9.4bn). While short of expectations, 2Q earnings results did not raise concerns with a closer look revealing better-than-expected growth. Production revenue jumped by 41.1% YoY to W34.1bn on the increase in drama production. Even more positive was the 20.7% YoY hike in distribution revenue amid the absence of earnings from large-scale drama series and the dilution of viewers from the World Cup games. Overseas revenue also increased by 2.3% YoY despite weak Netflix sales, further helping to limit concerns over the slight dip in earnings below expectations.

### 3Q18 consolidated OP to improve sharply to W23.4bn (+251.8% YoY)

In 3Q, we expect to see sharp growth in earnings to consolidated sales of W129.3bn (+66.9% YoY) and operating profit of W23.6bn (+251.8% YoY). Profit generated by the drama series Mr. Sunshine already exceeds W13bn (assuming Netflix sales above W30bn) and may rise above W15bn for 3Q with high viewer ratings likely to drive up demand for VODs.

For 4Q, Studio Dragon is forecast to report operating profit of W28.1bn (+710% YoY). We expect the company to book earnings from the export of Memories of the Alhambra to China in 4Q, and believe operating profit for the quarter will exceed 3Q levels once distribution revenue for the drama series from Netflix and China rises above W25bn. In 1H19, operating profit should exceed W50bn as the company's most-anticipated drama series Asadal Chronicles comes on air.

### Retain BUY for a target price of W146,000

We maintain our target price at W146,000, based on 2019F EPS and a target PER of 47x (15% premium to the upper end of Jcontentree's past three-year PER band). Studio Dragon remains our top pick in the media sector with YoY growth expected to exceed 35% for sales and 2x for operating profit in 2018, and revenue from China (yet to be fully factored into earnings estimates) to add a boost to further growth going forward.

Year to Dec.	Sales (W bn)	OP (W bn)	Pre-tax (W bn)	NP (W bn)	EPS (Won)	Growth (%)	BPS (Won)	PER (X)	EV/EBITDA (X)	PBR (X)	ROE (%)	Net Debt to Equity Ratio (%)
2016	154.4	16.6	10.5	8.1	569	N/A	6,176	0.0	0.4	0.0	6.0	12.1
2017	286.8	33.0	30.3	23.8	1,050	84.5	13,141	61.9	22.1	4.9	9.5	(49.4)
2018F	390.3	69.5	71.8	54.7	1,950	85.7	15,091	49.2	16.9	6.4	13.8	(46.4)
2019F	476.8	111.0	113.7	86.4	3,082	58.1	18,173	31.1	12.4	5.3	18.5	(46.7)
2020F	550.7	133.3	137.3	104.7	3,736	21.2	21,909	25.7	10.6	4.4	18.6	(47.4)

Source: Company data, Shinhan Investment

## Earnings trend and outlook (K-IFRS consolidated)

(bn KRW)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18P	3Q18F	4Q18F	1Q19F	2Q19F	3Q19F	4Q19F	2016	2017	2018F	2019F
<Assumptions for production>																
No. of dramas	5.0	6.0	7.0	4.0	7.0	6.0	8.0	7.0	7.0	7.0	8.0	8.0	19.0	22.0	27.0	30.0
<Earnings estimates>																
Total revenue	75.3	62.1	77.5	71.9	79.9	74.3	129.3	106.8	95.0	146.0	113.0	122.7	195.5	286.8	390.3	476.8
Production revenue	26.3	24.1	41.8	39.0	40.7	34.1	57.1	46.1	47.2	53.1	52.5	52.7	87.8	131.2	178.0	205.4
- Global platforms					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution revenue	36.5	26.3	23.3	25.7	32.1	28.8	58.5	52.1	39.3	78.4	49.0	60.8	75.4	111.8	171.5	227.5
Other (PPL) revenue	12.5	11.6	12.4	7.2	7.1	11.4	13.7	8.6	8.5	14.6	11.5	9.3	32.3	43.7	40.8	43.9
<Assumptions for overseas operations>																
Overseas revenue	22.6	16.1	13.1	15.4	22.7	16.5	43.9	37.9	27.0	60.7	33.3	44.8	44.2	67.2	121.0	165.8
Overseas revenue share (%)	30.0	25.9	16.9	21.4	70.8	57.2	75.0	72.7	68.7	77.4	67.9	73.7	58.6	60.1	70.5	72.9
Japan	7.1	4.9	3.2	3.5	3.5	4.5	2.9	3.9	3.7	4.8	3.1	4.1	9.1	18.7	14.8	15.7
Asia including China	12.2	9.0	8.5	10.2	8.9	10.5	9.6	18.7	17.9	23.5	19.8	25.4	32.3	39.9	47.8	86.6
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	7.0	15.0	10.0	10.0	6.0	0.0	10.0	42.0
U.S.	3.2	2.1	1.3	1.6	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.2	2.6	8.2	1.0	1.0
Others	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.4	0.4	0.4
COGS	58.6	49.9	66.8	64.4	66.2	63.7	101.3	74.5	76.1	104.2	82.3	86.7	161.7	239.8	305.7	349.3
SG&A costs	2.8	3.3	4.0	4.0	3.0	3.3	4.7	4.2	3.2	4.1	4.8	4.4	12.6	14.1	15.1	16.5
OP	14.0	8.9	6.6	3.5	10.7	7.3	23.4	28.1	15.7	37.7	26.0	31.6	21.2	33.0	69.5	111.0
Pre-tax profit	13.2	9.0	6.4	1.7	10.8	11.0	22.7	27.2	16.3	38.4	26.5	32.5	17.1	30.3	71.8	113.7
NP	13.4	2.8	5.7	2.0	7.9	8.9	17.2	20.7	12.4	29.2	20.2	24.7	13.0	23.8	54.7	86.4
<% YoY growth>																
Total revenue	52.2	32.1	66.7	36.9	6.0	19.6	66.9	48.6	18.9	96.6	(12.6)	14.9	100.7	46.7	36.1	22.2
OP	157.3	165.9	44.7	(55.8)	(23.7)	(17.8)	251.8	709.7	47.3	416.6	10.9	12.6	716.2	55.4	110.6	59.8
NP	306.9	57.3	96.3	(60.5)	(41.3)	216.8	204.5	936.6	57.4	229.2	17.0	19.2	801.1	83.3	129.2	58.1
<Profitability, %>																
OPM	18.5	14.3	8.6	4.8	13.3	9.8	18.1	26.3	16.5	25.8	23.0	25.8	10.9	11.5	17.8	23.3
NPM	17.8	4.5	7.3	2.8	9.8	11.9	13.3	19.4	13.0	20.0	17.8	20.1	6.7	8.3	14.0	18.1

Source: Company data, Shinhan Investment Corp.

Note: 1) Estimated earnings before spin-off from CJ E&amp;M also included in 2016 figures

2) Global production revenue forecasts for 2019 are in net terms

3) Distribution rights sales from Netflix included in overseas distribution revenue

## Earnings forecast revision (K-IFRS consolidated)

(bn KRW)	2018F			2019F		
	Before	After	Change (%)	Before	After	Change (%)
Total revenue	375.2	390.3	4.0	464.4	476.8	2.7
OP	70.5	69.5	(1.5)	117.1	111.0	(5.2)
NP	52.2	54.7	4.7	87.0	86.4	(0.7)

Source: Shinhan Investment Corp.

## PER valuation based on 2019F EPS: Target price of W146,000

(bn KRW)	Value	(bn KRW)	Value	(bn KRW)	Value
2018F NP	54.7	2019F NP	86.4	2020F NP	104.7
EPS (KRW)	1,950	EPS (KRW)	3,082	EPS (KRW)	3,736
Target price (KRW)	92,000	Target price (KRW)	146,000	Target price (KRW)	176,000
Target PER (x)	47	Target PER (x)	47	Target PER (x)	47
		Current price	96,000		
		Estimated PER	31.1		

Source: Shinhan Investment Corp.

Note: Target multiple reflects a 15% premium to the upper end of Jcontentree's past 3-year average PER to reflect Studio Dragon's dominant market share in content production and accelerating growth in distribution rights sales/profits from Netflix. Studio Dragon share price could start to move in tandem with Netflix as the inflow of global production orders rises in earnest.

## Jcontentree's PER valuation trend

(x)	2013	2014	2015	2016	2017	3-year average
PER (high)	96.8	19.8	29.4	31.8	60.1	40.4
PER (low)	64.0	13.3	13.2	16.8	37.7	22.6
PER (average)	77.9	16.0	18.9	21.8	43.6	28.1

Source: Shinhan Investment Corp.

Note: Provided as reference due to the lack of historical data for Studio Dragon (completed IPO in late-2017)

## 12-month forward PER



Source: Bloomberg, Shinhan Investment Corp.

## 2Q18 preliminary results

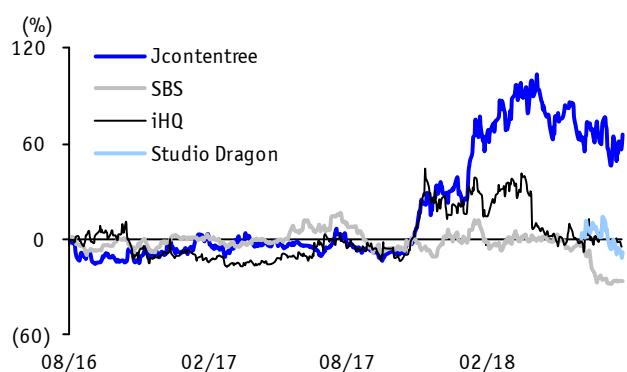
(bn KRW)	2Q18P	1Q18	% QoQ	2Q17	% YoY	SHIC	Consensus
Total revenue	74.3	79.9	(7.0)	62.1	19.6	63.8	66.4
OP	7.3	10.7	(31.8)	8.9	(17.8)	9.0	9.4
NP	8.9	7.9	12.7	2.8	216.8	6.5	8.3
OPM (%)	9.8	13.3		14.3		14.2	13.9
NPM (%)	11.9	9.8		4.5		10.2	12.5

Source: Company data, FnGuide, Shinhan Investment Corp.

Global peer valuation									
Ticker		036420 KS	003560 KS	160550 KS	047820 KS	DIS US	TWX US	300027 CH	300133 CH
Company		Jcontentree	iHQ	NEW	Chorokbaem Media	Walt Disney	Time Warner	Huayi Brothers	Zhejiang Huace Film & TV
Market cap. (bn KRW)		782.5	290.3	191.3	100.8	189,398.4	-	2,562.0	2,705.8
Sales	2017	420.3	126.8	125.7	105.9	63,067.6	35,357.0	657.4	874.9
(bn KRW)	2018F	531.1	138.7	-	-	65,952.1	36,512.9	766.6	1,079.2
	2019F	626.7	160.7	-	-	67,500.9	38,003.8	897.1	1,299.4
OP	2017	33.3	15.3	6.6	7.7	15,868.4	9,367.6	87.2	128.6
(bn KRW)	2018F	58.2	17.8	-	-	16,738.9	9,362.9	173.4	150.7
	2019F	78.8	26.5	-	-	16,990.4	9,812.2	209.9	194.6
OPM	2017	7.9	12.1	5.3	7.3	25.2	26.5	13.3	14.7
(%)	2018F	11.0	12.8	-	-	25.4	25.6	22.6	14.0
	2019F	12.6	16.5	-	-	25.2	25.8	23.4	15.0
NP	2017	7.9	10.0	4.4	4.9	10,291.1	6,687.3	63.2	207.2
(bn KRW)	2018F	32.2	15.1	-	-	12,230.3	6,870.4	143.6	128.1
	2019F	46.6	18.0	-	-	12,405.2	7,073.7	170.7	164.4
Sales growth	2017	25.4	15.9	52.2	326.3	(2.3)	3.9	8.0	-
(% YoY)	2018F	26.4	9.4	-	-	4.6	3.3	16.6	23.4
	2019F	18.0	15.9	-	-	2.3	4.1	17.0	20.4
EPS growth	2017	(59.7)	37.0	309.4	(298.2)	(1.7)	25.2	1,155.2	-
(% YoY)	2018F	262.0	46.1	-	-	20.1	3.5	153.7	-
	2019F	37.5	19.0	-	-	6.2	3.0	15.7	-
PER	2017	95.8	141.1	69.7	19.6	17.3	12.2	29.1	14.9
(x)	2018F	25.8	19.2	-	-	16.2	-	16.1	21.1
	2019F	18.7	16.1	-	-	15.2	-	13.9	16.4
PBR	2017	3.9	1.6	2.3	1.3	3.6	2.5	2.5	2.6
(x)	2018F	3.4	1.2	-	-	3.7	-	1.5	2.2
	2019F	2.8	1.1	-	-	3.2	-	1.3	1.9
EV/EBITDA	2017	14.1	4.6	32.1	9.8	10.4	10.3	46.2	23.5
(x)	2018F	11.5	10.2	-	-	10.8	-	16.5	18.1
	2019F	9.4	7.6	-	-	10.7	-	14.3	13.9
ROE	2017	6.5	4.5	3.3	7.2	21.3	22.4	4.0	18.6
(%)	2018F	16.7	6.5	-	-	25.3	19.7	9.0	10.7
	2019F	18.1	7.2	-	-	22.1	17.7	9.6	12.5

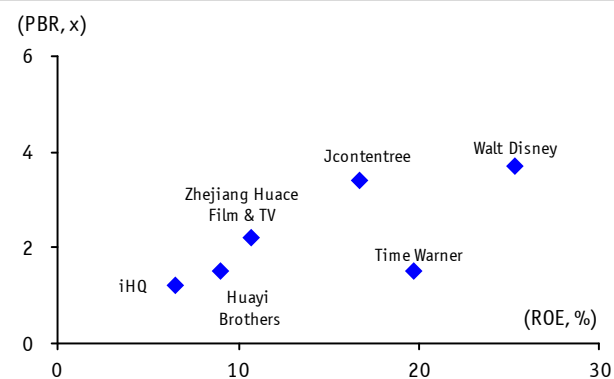
Source: Bloomberg, Shinhan Investment Corp.

## Relative share performance vs. domestic peers



Source: Bloomberg, Shinhan Investment Corp.

## 2018F PBR and ROE of global peers



Source: Bloomberg, Shinhan Investment Corp.

## Balance Sheet

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Assets</b>	<b>242.0</b>	<b>459.5</b>	<b>516.0</b>	<b>603.6</b>	<b>709.4</b>
Total Current Assets	81.4	289.8	333.4	411.5	508.7
Cash and Cash Equivalents	11.5	51.3	57.8	92.3	137.8
Accounts Receivables	37.0	54.9	79.4	110.7	146.7
Inventories	0.0	1.3	1.8	2.2	2.5
Non-Current Assets	160.6	169.6	182.6	192.1	200.8
Tangible Assets	1.2	1.1	1.0	1.0	1.0
Intangible Assets	123.9	127.5	139.2	147.6	155.3
Investment Assets	2.3	3.8	5.2	6.3	7.3
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>105.9</b>	<b>91.0</b>	<b>92.9</b>	<b>94.1</b>	<b>95.2</b>
Current Liabilities	84.5	90.7	92.5	93.6	94.6
ST Borrowings	8.1	0.0	0.0	0.0	0.0
Account Payables	5.8	6.1	6.4	6.7	7.0
Current Portion of LT Debt	0.0	10.0	10.0	10.0	10.0
Non-Current Liabilities	21.4	0.3	0.4	0.5	0.6
Bonds	19.9	0.0	0.0	0.0	0.0
LT Borrowings(incl. LT Fin. Liab.)	0.0	0.0	0.0	0.0	0.0
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
<b>Shareholders' Equity</b>	<b>136.1</b>	<b>368.4</b>	<b>423.1</b>	<b>509.5</b>	<b>614.3</b>
Capital Stock	11.0	14.0	14.0	14.0	14.0
Capital Surplus	114.7	319.6	319.6	319.6	319.6
Other Reserves	2.0	2.7	2.7	2.7	2.7
Accu. Other Comp. Income	0.0	0.0	0.0	0.0	0.0
Retained Earnings	8.3	32.1	86.8	173.2	277.9
Owners of Parent Equity	136.1	368.4	423.1	509.5	614.3
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	0.0
*Total Debt	28.1	10.0	10.0	10.0	10.0
*Net Debts(Cash)	16.4	(182.2)	(196.2)	(238.0)	(291.0)

## Cash Flow

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Operating Cash Flow</b>	<b>(12.4)</b>	<b>(7.2)</b>	<b>104.8</b>	<b>137.1</b>	<b>155.0</b>
Net Profit	8.1	23.8	54.7	86.4	104.7
Depreciation	0.2	0.3	0.3	0.3	0.3
Amortization	22.0	41.0	77.6	86.0	93.7
Losses(Gains) on F/X Translation	0.3	0.8	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Losses(Gains) in Asso., Subs., JVs	0.0	0.0	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(46.1)	(72.9)	(27.6)	(35.2)	(43.1)
(Payments of Income Taxes)	(1.7)	(10.4)	(17.1)	(27.3)	(32.5)
Others	4.8	10.2	16.9	26.9	31.9
<b>Investing Cash Flow</b>	<b>(69.5)</b>	<b>(141.0)</b>	<b>(97.4)</b>	<b>(101.7)</b>	<b>(108.6)</b>
Incr. in Tangible Assets(CAPEX)	(1.1)	(0.1)	(0.4)	(0.3)	(0.4)
Decr. in Tangible Assets	0.0	0.1	0.1	0.1	0.1
Decr.(Incr.) in Intangible Assets	(0.1)	(0.2)	(89.3)	(94.4)	(101.4)
Decr.(Incr.) in Investment Assets	(0.3)	0.0	(1.4)	(1.1)	(1.0)
Others	(68.0)	(140.8)	(6.4)	(6.0)	(5.9)
<b>Free Cash Flow</b>	<b>N/A</b>	<b>43.6</b>	<b>102.8</b>	<b>135.1</b>	<b>152.1</b>
<b>Financing Cash Flow</b>	<b>93.5</b>	<b>188.1</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(0.9)</b>
Incr.(Decr.) in Borrowing	27.2	(18.1)	0.0	0.0	0.0
Decr.(Incr.) of Treasury Stock	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	0.0	0.0
Others	66.3	206.2	(0.9)	(0.9)	(0.9)
Other Cash Flows	0.0	0.0	0.1	(0.0)	0.0
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	(0.0)	(0.1)	0.0	0.0	0.0
<b>Incr.(Decr.) in Cash</b>	<b>11.5</b>	<b>39.8</b>	<b>6.5</b>	<b>34.5</b>	<b>45.5</b>
Beginning Cash	0.0	11.5	51.3	57.8	92.3
Ending Cash	11.5	51.3	57.8	92.3	137.8

Source: Company data, Shinhan Investment

## Profit and Loss

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Sales</b>	<b>154.4</b>	<b>286.8</b>	<b>390.3</b>	<b>476.8</b>	<b>550.7</b>
Growth (%)	N/A	85.7	36.1	22.2	15.5
<b>COGS</b>	<b>132.8</b>	<b>239.7</b>	<b>305.7</b>	<b>349.3</b>	<b>398.7</b>
<b>Gross Profit</b>	<b>21.6</b>	<b>47.1</b>	<b>84.6</b>	<b>127.5</b>	<b>152.0</b>
Gross margin (%)	14.0	16.4	21.7	26.7	27.6
<b>SG&amp;A</b>	<b>5.0</b>	<b>14.2</b>	<b>15.1</b>	<b>16.5</b>	<b>18.7</b>
<b>Operating Income</b>	<b>16.6</b>	<b>33.0</b>	<b>69.5</b>	<b>111.0</b>	<b>133.3</b>
Growth (%)	N/A	98.3	110.6	59.8	20.0
Operating margin (%)	10.8	11.5	17.8	23.3	24.2
<b>Other Net Non-Operating Profits</b>	<b>(6.1)</b>	<b>(2.7)</b>	<b>2.3</b>	<b>2.7</b>	<b>4.0</b>
Financial Income(Expenses)	(1.1)	(2.5)	2.6	1.8	2.1
Net Other Non-Operating Profits	(5.0)	(0.2)	(0.3)	0.9	1.9
Net Gains in Asso., Subs., and JVs	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit from Cont. Op.</b>	<b>10.5</b>	<b>30.3</b>	<b>71.8</b>	<b>113.7</b>	<b>137.3</b>
Income Taxes	2.4	6.4	17.1	27.3	32.5
Profit from Continuing Op.	8.1	23.8	54.7	86.4	104.7
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>8.1</b>	<b>23.8</b>	<b>54.7</b>	<b>86.4</b>	<b>104.7</b>
Growth (%)	N/A	192.9	129.3	58.1	21.2
Net Profit margin (%)	5.3	8.3	14.0	18.1	19.0
Net Profit of Parent	8.1	23.8	54.7	86.4	104.7
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	0.0
<b>Total Comprehensive Income</b>	<b>8.3</b>	<b>23.8</b>	<b>54.7</b>	<b>86.4</b>	<b>104.7</b>
Total Comp. Income of Parent	8.3	23.8	54.7	86.4	104.7
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>38.8</b>	<b>74.3</b>	<b>147.4</b>	<b>197.3</b>	<b>227.3</b>
Growth (%)	N/A	91.4	98.4	33.9	15.2
EBITDA Margin (%)	25.1	25.9	37.8	41.4	41.3

Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&amp;A costs)

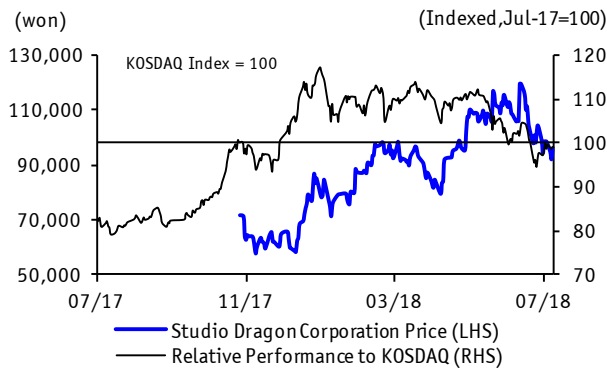
## Key Ratios

Year to Dec.	2016	2017	2018F	2019F	2020F
EPS_C (won)	569	1,050	1,950	3,082	3,736
EPS_P (won)	569	1,050	1,950	3,082	3,736
BPS_C (won)	6,176	13,141	15,091	18,173	21,909
BPS_P (won)	6,176	13,141	15,091	18,173	21,909
DPS (won)	0	0	0	0	0
PER_C (x)	0.0	61.9	49.2	31.1	25.7
PER_P (x)	0.0	61.9	49.2	31.1	25.7
PBR_C (x)	0.0	4.9	6.4	5.3	4.4
PBR_P (x)	0.0	4.9	6.4	5.3	4.4
EV/EBITDA (x)	0.4	22.1	16.9	12.4	10.6
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	N/A	0.0	0.0	0.0	0.0
<b>Profitability</b>					
EBITDA Margin (%)	25.1	25.9	37.8	41.4	41.3
OP Margin (%)	10.8	11.5	17.8	23.3	24.2
NP Margin (%)	5.3	8.3	14.0	18.1	19.0
ROA (%)	3.4	6.8	11.2	15.4	16.0
ROE (%)	6.0	9.5	13.8	18.5	18.6
ROIC (%)	N/A	17.9	32.0	40.8	40.0
<b>Stability</b>					
D/E Ratio (%)	77.8	24.7	22.0	18.5	15.5
Net Debt to Equity (%)	12.1	(49.4)	(46.4)	(46.7)	(47.4)
Cash Ratio (%)	13.6	56.6	62.5	98.6	145.7
Interest Coverage (x)	19.5	19.0	76.1	121.7	146.1
<b>Activity (%)</b>					
Working Capital Turnover (t)	(23.5)	55.2	12.7	7.7	5.4
Inventory Turnover (d)	-	0.8	1.4	1.5	1.5
Receivable Turnover (d)	87.4	58.5	62.8	72.8	85.3

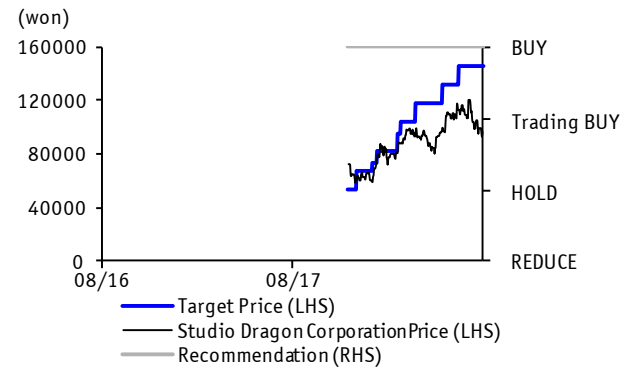
Source: Company data, Shinhan Investment

## Studio Dragon (253450 KS)

### Share Price Performance



### Target Price



### Compliance Notice

- ◆ Analyst Certification: The following analysts hereby certify the information and material presented in this report are accurate expressions of their views, and that they have not received wrongful pressure to express such views: SeJong Hong, Hyunji Ku.
- ◆ As of the date of this report's publication, Shinhan Investment Corp.'s shareholdings in the company mentioned in this report (Studio Dragon) do not exceed 1% of outstanding shares of the company.
- ◆ As of this date, Shinhan Investment Corp. has not participated as the lead underwriter or advisor in issuance of the securities of the company during the past 1 year.
- ◆ As of this date, the covering analyst does not possess any financial interest in the securities or debt instruments convertible into such shares of the company, which is required to be disclosed by law, and has not and will not receive any compensation of any kind whatsoever in exchange for expressing specific recommendations.
- ◆ All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date, and may differ from actual results.
- ◆ This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- ◆ This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

Date	Recommendation	Target Price (won)	Target Price Gap (%)	
			Average	Max/Min
2017.11.23	BUY	53,000	20.8	35.5
2017.12.10	BUY	67,000	(6.9)	(1.8)
2018.01.09	BUY	73,000	(6.2)	1.9
2018.01.18	BUY	82,000	(3.3)	6.1
2018.02.26	BUY	95,000	(7.5)	(6.7)
2018.03.04	BUY	104,000	(9.9)	(5.3)
2018.04.01	BUY	118,000	(23.0)	(16.4)
2018.05.22	BUY	132,000	(19.3)	(11.3)
2018.06.22	BUY	146,000	-	-

Note: Calculation of target price gap based on the past 6 months

### Distribution

- ◆ **United States:** This report is distributed in the U.S. by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Investment Corp. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.
- ◆ **All Other Jurisdictions:** Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan and its affiliates to any registration or licensing requirement within such jurisdiction.

### SHIC Rating Classifications (As of Apr. 1, 2017)

Stock	Sector
<ul style="list-style-type: none"> <li>◆ <b>BUY:</b> Expected return of over +10% in the next 6 months</li> <li>◆ <b>Trading BUY:</b> Expected return of -10% ~ +10% in the next 6 months</li> <li>◆ <b>HOLD:</b> Expected return of -20% ~ -10% in the next 6 months</li> <li>◆ <b>REDUCE:</b> Expected return of below -20% in the next 6 months</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>OVERWEIGHT:</b> Prevalence of BUY rating for stocks in our sector coverage universe based on market cap</li> <li>◆ <b>NEUTRAL:</b> Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap</li> <li>◆ <b>UNDERWEIGHT:</b> Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap</li> </ul>

### SHIC Universe Rating Classification Ratio (as of Aug. 7, 2018)

BUY (BUY)	95.33%	Trading BUY (HOLD)	2.34%	HOLD (HOLD)	2.34%	REDUCE (SELL)	0%
-----------	--------	--------------------	-------	-------------	-------	---------------	----