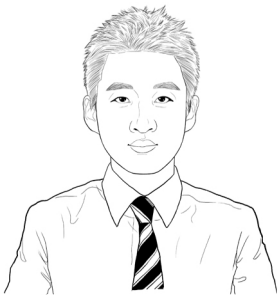


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# Company Update



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

**Junsung Choi**  
Research Associate  
junsung.choi@samsung.com  
822 2020 7837

## AT A GLANCE

SELL HOLD **BUY**

**Target price** KRW140,000 (28.3%)

**Current price** KRW109,100

Market cap KRW3.1t/USD2.8b  
Shares (float) 28,037,240 (23.9%)  
52-week high/low KRW119,800/KRW57,800  
Avg daily trading value (60-day) KRW16.0b/USD14.3m

## ONE-YEAR PERFORMANCE

	1M	6M	12M
Studio Dragon (%)	21.9	6.2	73.7
Vs Kosdaq (%pts)	10.4	32.9	95.3

## KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	140,000	140,000	0.0%
2018E EPS	1,423	1,423	0.0%
2019E EPS	2,409	2,409	0.0%

## SAMSUNG vs THE STREET

No of estimates	17
Target price	137,588
Recommendation	4.0

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

## Studio Dragon (253450)

### Becoming a regional big shot

- We recently presented investment merits of Studio Dragon to US institutional investors and accompanied the firm on a non-deal roadshow (NDR) in Asia.
- US investors were interested in the firm based on their understanding of Netflix's growth and potential, while those in Asia approach it as a candidate for long/short strategies.
- We believe the stock retains sufficient upside given the growth potential of Chinese OTT service providers like iQiyi, although US investors retain doubts regarding this.

## WHAT'S THE STORY?

### [US marketing] Investors agree that OTT platforms boast growth prospects:

In our marketing pitch to US investors, we detailed investment merits of the: 1) growth potential of Korea's media industry; 2) fierce domestic pay TV competition; and 3) high content quality enabled by steady investments. Participants were unfamiliar with Studio Dragon, but they showed interest in the company and agreed with our contention that the OTT services market enjoys high growth potential.

- Japan tops Korea in terms of population and economic size, but we believe the latter has the second-most suitable environment in Asia to produce strong media content. A nation's media market is swayed greatly by the size of its GDP and population.
- Pay TV penetration is high in Korea, but not in Japan, where terrestrial broadcasters are mainstream, while the former saw CATV operators spring up in the late 1990s before telcos launched IPTV services. Cutthroat competition between hundreds of channels has seen Korean content gain competitiveness.
- CJ ENM has invested steadily in drama content since starting in 2006—with the parent spinning off its production unit into Studio Dragon in 2016—and its dramas now on par or exceeding those of terrestrial broadcasters that had dominated for decades. The firm's high-quality dramas should gain access to overseas viewers via global OTT platforms.

**[Asia NDR] Update on overseas operation:** Investors in Asia have approached Studio Dragon from the perspective of pair trading, with its major business updates including: 1) a contract to produce Love Alarm as a Netflix Original Series; 2) the sale of Memories of the Alhambra to a Chinese OTT services firm; and 3) an MOU with a Chinese OTT platform to remake several Korean dramas. We believe the stock has sufficient upside, backed by Netflix increasing investments in Korean content and China-bound exports to OTT firms.

## SUMMARY FINANCIAL DATA

	2017	2018E	2019E	2020E
Revenue (KRWb)	287	394	562	736
Net profit (adj) (KRWb)	24	40	68	87
EPS (adj) (KRW)	1,050	1,423	2,409	3,109
EPS (adj) growth (% y-y)	84.5	35.6	69.2	29.1
EBITDA margin (%)	25.9	29.1	32.4	32.8
ROE (%)	9.5	10.3	15.3	16.8
P/E (adj) (x)	103.9	76.6	45.3	35.1
P/B (x)	8.3	7.5	6.4	5.4
EV/EBITDA (x)	38.7	24.8	15.2	11.0
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

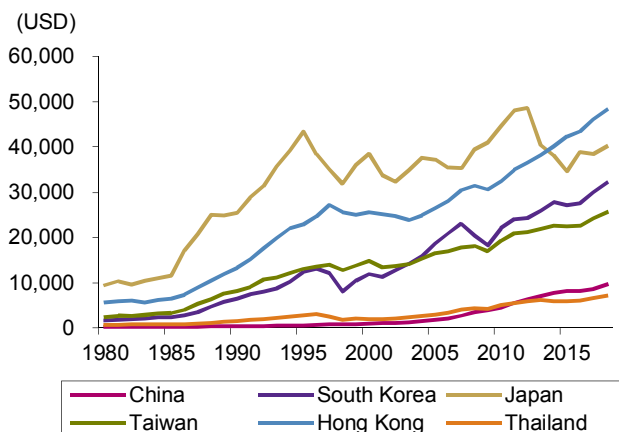
### US marketing takeaways

#### *US investors familiar with Netflix for over a decade*

One of the three points made during our marketing pitch in LA, Florida, Boston, and New York over Nov 5-9 was the growth potential of Korea's media industry by combining Netflix and high-quality Korean content. We expect Studio Dragon to turn into a mature dragon in Asia, or at least at home, within three years, which Netflix is well aware of. (Unlike Europeans, Asians view dragons in a positive light.) The stock's upside should be determined by Netflix's growth potential and investments in Korean content, so such upside cannot be calculated with current valuation multiples.

First, Japan tops Korea in terms of population and economic size, but we believe the latter has the second-most suitable environment in Asia to produce strong media content. Media and entertainment industries grow during the final stage of economic growth, so in Asia they can flourish in Japan, South Korea, Taiwan, Hong Kong, and Singapore. However, the world's traditional media market (excluding the US) has been inextricably linked to the TV advertising industry, which is influenced heavily by the size of population. As such, Hong Kong and Singapore are not good candidates given their diminutive populations. Taiwan has around 23m residents with a sufficiently developed media industry, but it suffered serious outflows of production staff bound for mainland China amid rapid expansion of the latter's market since the 2000s.

**Chart 1. Per-capita nominal GDP in Asia**



Source: IMF







**Table 1. Nominal GDP and population**

Country	Nominal GDP (USD\$b)	Population (millions)
China	12,015	1,415
Japan	4,872	127
India	2,611	1,354
South Korea	1,538	51
Indonesia	1,015	267
Turkey	849	82
Taiwan	579	24
Thailand	455	69
Hong Kong	342	7
Singapore	324	6

Source: IMF, UN

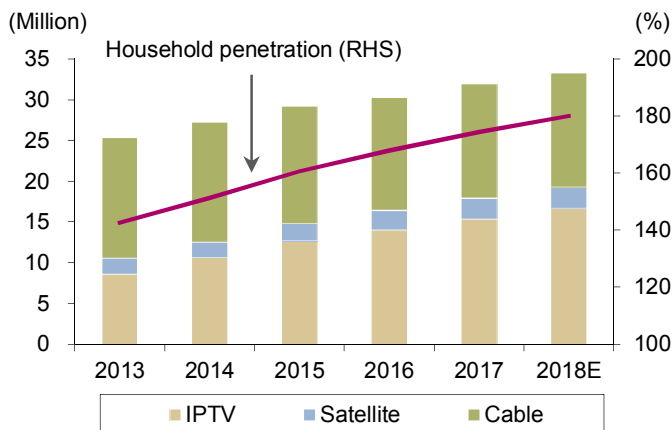
Second, South Korea's pay TV penetration is high, unlike Japan, where terrestrial broadcasters are mainstream as every household is required to pay NHK JPY14,000 (KRW140,000) annually. The nation's pay TV penetration is therefore extremely low, with only commercial facilities (eg, hotels) paying for such services. Any market entrant is required to obtain a license (entry barrier), so competition is fierce among the country's six terrestrial broadcasters (including NHK). South Korea's CATV operators sprang up in the late 1990s followed by telcos launching IPTV services, with pay TV penetration theoretically exceeding 170%, so anyone can enter the market they have content to fill a channel. It should be reasonable to say that there is gap in content competitiveness between Japan's broadcasters and Korean pay TV channels that survived cutthroat competition among hundreds of channels over the past two decades.

**Table 2. Japan's terrestrial channels**

Channel	NHK	Fuji TV	Nippon TV	TV Asahi	TBS	TV Tokyo
						
Type	Public	Private	Private	Private	Private	Private
Foundation	1953	1959	1953	1959	1955	1964
Operator	Japan Broadcasting Corporation	Sankei	Yomiuri	Asahi	Mainichi	Nikkei

Source: Company data, Samsung Securities

**Table 3. Domestic pay TV penetration**



Source: Company data, KCTA

**Table 4. Domestic broadcasting operators and channels**

Broadcasting	Note	
<b>Number of operators</b>	<b>352</b>	
Terrestrial	51	
Cable TV	96	
Program provider	158	
Content provider	44	IPTV
DMB	3	
<b>Number of channels</b>	<b>429</b>	
Terrestrial	6	KBS (2), EBS (2), MBC, SBS
GPC*	4	JTBC, MBN, Channel A, TV Chosun
Regional	12	
Others	407	CJ ENM (20), T.cast (8), IHQ (5), etc.

Note: \* General programming channel

Source: Korea Communications Commission, Ministry of Science and ICT

### Controversy over obligatory payment of subscription fees to NHK

Article 64 of Japan's Broadcasting Law stipulates that a person or an institution who has installed equipment capable of receiving NHN broadcasts is mandated to reach a subscription contract (with NHK). This is the legal basis for the broadcaster to charge monthly fees. NHK sued an elderly man in Sep 2011 after he refused to enter into a contract and pay the monthly fee, arguing that the: 1) company neglected its legal duty to uphold political neutrality, which threatened democracy; and 2) fee collection system violated the freedom of contract guaranteed by Japan's Constitution. District courts ruled in favor of NHK and ordered the defendant to pay around JPY200,000 on the grounds that the fees are essential for public welfare.

Japan's Supreme Court ruled on Dec 6, 2017 that TV owners must sign up with the public broadcaster and pay the subscription fee, which was the first such ruling by the highest court of some 300 lawsuits filed by NHK against individuals refusing to pay the fee. The court said the obligatory payment is needed to satisfy the public's right to know and to ensure freedom of expression.

Third, Studio Dragon's high drama quality stems from the CJ Group's strategy. The group's major channel tvN competed fiercely with numerable CATV players since its 2006 launch, with its dramas now as (or even more) competitive than those of terrestrial broadcasters that had dominated for decades. This is the case at least for younger viewers (teens plus 20- and 30-something viewers), with its success owing to competitive dramas. In the run-up to OTT service market expansion, CJ ENM in 2016 spun off its drama production business into Studio Dragon to prevent conflicts of interest since the parent sells TV ads. The only other local player to invest as heavily in dramas is Jcontentree, but it only joined the competition in 2011.






**Table 5. Weekly CATV VOD sales rankings**

Rank	Oct (week 5)	Nov (week 2)	Nov (week 3)
1	100 Days My Prince (tvN)	Beauty Inside (JTBC)	Beauty Inside (JTBC)
2	Beauty Inside (JTBC)	100 Days My Prince (tvN)	My Only One (MBC)
3	Sunny Again Tomorrow (KBS1)	My Only One (MBC)	New Tales of Gisaeng (SBS)
4	The Guest (OCN)	Player (OCN)	Hide and Seek (MBC)
5	Mr. Sunshine (tvN)	Hide and Seek (MBC)	100 Days My Prince (tvN)
6	My Only One (MBC)	Mr. Sunshine (tvN)	Dae Jo Yeong (KBS1)
7	Player (OCN)	My Secret Terrius (MBC)	Player (OCN)
8	My Secret Terrius (MBC)	Room No. 9 (tvN)	Mr. Sunshine (tvN)
9	Hide and Seek (MBC)	I Am the Mother Too (SBS)	The Third Charm (JTBC)
10	Room No. 9 (tvN)	New Tales of Gisaeng (SBS)	Secret Garden (SBS)

Note: Shading denotes CJ ENM channels

Source: Home Choice

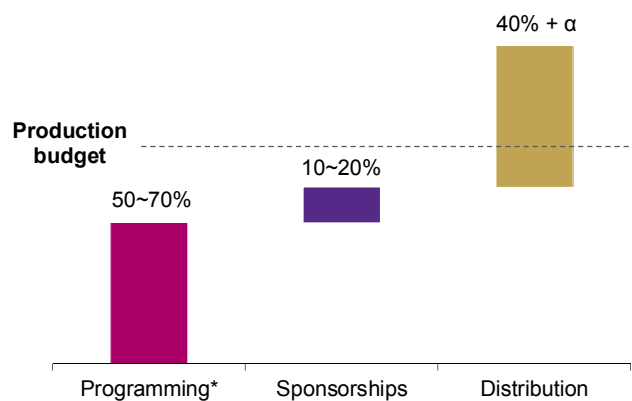
**Table 6. Studio Dragon: Major drama lineup**

Title	The Legend of the Blue Sea	Guardian	Stranger	Mr. Sunshine	Memories of the Alhambra
					
Premier	Nov 2016	Dec 2016	Jun 2017	Jul 2018	Dec 2018
Writer	Ji-eun Park	Eun-sook Kim	Su-yeon Kim	Eun-sook Kim	Jae-jung Song
Stars	Ju-hyun Jeon, Min-ho Lee	Gong-yoo, Go-eun Kim	Seung-woo Cho, Doo-na Bae	Byung-heon Lee, Tae-li Kim	Hyun-bin, Shin-hye Park
Production budget	KRW22b	KRW15b	KRW6b	KRW40b	KRW20b
Ratings	Average 17.6% Highest 21.0%	Average 12.8% Highest 18.7%	Average 4.6% Highest 6.6%	Average 13.0% Highest 18.1%	n/a

Source: Company data, AGB Nielson, Samsung Securities

The only risk factor for Studio Dragon is how smoothly it can switch its business model to an OTT platform. Broadcasting rights sales to CJ ENM accounts for 50-70% of the firm's drama production costs, so it could be affected if the emergence of a powerful domestic OTT service provider dampens the parent's TV ad sales. Investors should monitor how the company adapts to streaming services, which will likely see OTT platforms emerge victorious—such a player might buy part of CJ ENM's stake in the drama producer.

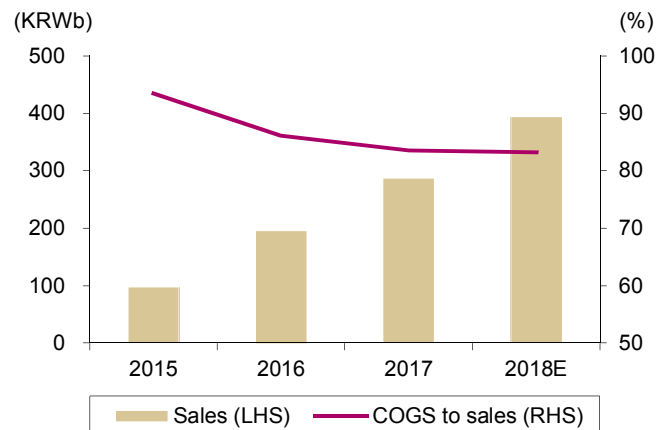
**Chart 2. Profit structure**



Note: \* Mainly TV programming sales by CJ ENM

Source: Company data, Samsung Securities

**Table 7. Sales and COGS-to-sales ratio**



Source: Company data, Samsung Securities

### Investor feedback

US investors witness to the growth of Netflix and long used its services have no doubt that the OTT market boasts growth potential. Still, they were surprised that few firms have the same business model as Studio Dragon, which focuses on drama production and owns captive channels. Jcontentree has a similar business model, but most of its earnings come from theater operations. Participants were also unfamiliar with Studio Dragon as this was its first US NDR since its Nov 2017 IPO. Of note, the firm's foreign ownership stands at just 2.6%.

**[Asia NDR takeaways]**

Due to a no-broker policy, we were not allowed to attend Studio Dragon's meetings with US investors, during which it detailed business progress, including: 1) a contract to produce Love Alarm as a Netflix Original Series; 2) the sale of Memories of the Alhambra to a Chinese OTT services firm; and 3) an MOU with a Chinese OTT platform to remake several Korean dramas

***Producing Netflix Original Series to reaffirm Korean firm's potential***

Studio Dragon inked a deal with Netflix to produce Love Alarm as Netflix Original Series, which should include eight episodes on production costs for each to be on par with a tent-pole drama. Shooting began recently with broadcasting to commence in 2H19 and could last several seasons. The firm might also a few more contracts from the US giant next year, while producing a Netflix Original Series ought to serve as a stepping stone for the Korean player to switch its TV-oriented business model to an OTT-based one. As such, the company ought to focus on enhancing drama quality. If Love Alarm makes a splash in Asia, Netflix should quickly increase Korean content investments. Margins from Netflix Originals tend to be 10-15% of production costs, but Studio Dragon might see additional earnings from selling such dramas in China (where Netflix lacks presence) in accordance with the provision of revenue sharing.

***China already tops the US in terms of OTT service penetration...***

CJ ENM during its 3Q conference call showed the copyright of Memories of the Alhambra was sold to a Chinese OTT service provider, although negotiations continue in terms of contract and price, but details should be known soon as the first episode was broadcast on Dec 1. The growth potential of China's OTT market remains unknown, but we examined its media market in our Oct 16 report, "Streaming services moving to center stage", which includes company visits (eg, iQiyi) and market analysis. We conclude that China's OTT service penetration rate already outpaces that of the US, and investors should note that iQiyi planned to spend KRW3t to secure content this year (vs KRW9t for Netflix), while its sales jumped 55% in 2017 (vs 32% for Netflix) on robust advertising sales and subscription fees growth.

***...but along with cutthroat competition***

Studio Dragon recently signed an MOU with a Chinese OTT platform to remake Korean dramas, and while details remain sketchy, investors need to consider that: 1) China's top three OTT services are making significant pre-emptive investments; 2) production costs have soared so much that Beijing capped pay for actors; and 3) despite a ban on Korean cultural content, illegally procured K-dramas enjoy enormous popularity in China.

**China caps pay for actors**

The Communist Party's Central Publicity Department and four other government departments issued a directive on Jun 27 calling for an end to unreasonable pay and for better oversight of yin-yang contracts (real and fake agreements) used to evade taxes. Under the directive, compensation to performers must not exceed 40% of total production costs. In addition, leading actors cannot be paid over 70% of total cast remuneration. Officials said extravagant pay and tax evasion have fueled money worship and twisted social values, with a directive made for the movie industry to put social benefits ahead of income or reviews for a production.

The move came after a former TV host posted two pictures online in May and claimed that Fan Bingbing—who was China's best-paid performer last year taking in KRW50b—received CNY60m (KRW10.2b) for appearance fees, but used yin-yang contracts to evade taxes. The actress was fined CNY880m (KRW143.1b) in back taxes and fines.



Table 8. 4Q drama lineup

Title	The Smile Has Left Your Eyes	Room No. 9	Tale of Fairy	Encounter	Memories of the Alhambra
					
Premier	Oct 3	Oct 6	Nov 5	Nov 28	Dec 1
Writer	Hye-jin Song	Sung-hee Jung	Kyung-seon Yu	Young-a Yu	Jae-jung Song
Channel	tvN	tvN	tvN	tvN	tvN
Cast	In-guk Seo, So-min Jung, Sung-woong Park	Hee-seon Kim, Hae-suk Kim	Chae-won Moon, Hyun-min Yun	Bo-gum Park, Hye-kyo Song	Hyun-bin, Shin-hye Park

Source: Company data

Table 9. Results and forecasts

(KRWb)	2017	2018E	2019E	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
<b>Sales</b>	<b>287</b>	<b>394</b>	<b>562</b>	<b>75</b>	<b>62</b>	<b>77</b>	<b>72</b>	<b>80</b>	<b>74</b>	<b>124</b>	<b>116</b>	<b>132</b>	<b>144</b>	<b>137</b>	<b>149</b>
Broadcasting	131	178	228	26	24	42	39	41	34	49	54	56	57	52	63
Copyright sales	112	175	283	36	26	23	26	32	29	63	50	64	74	72	73
Other	44	42	51	13	12	12	7	7	11	11	12	12	12	13	13
<b>Cost of goods sold</b>	<b>240</b>	<b>328</b>	<b>454</b>	<b>59</b>	<b>50</b>	<b>67</b>	<b>64</b>	<b>66</b>	<b>64</b>	<b>99</b>	<b>99</b>	<b>105</b>	<b>117</b>	<b>106</b>	<b>125</b>
Production	210	289	396	49	42	60	58	59	56	86	88	92	102	92	111
Commission	17	26	42	5	4	3	4	5	4	10	8	10	11	11	11
Other	13	12	15	4	3	4	2	2	3	3	4	4	4	4	4
<b>Gross profit</b>	<b>47</b>	<b>66</b>	<b>108</b>	<b>17</b>	<b>12</b>	<b>11</b>	<b>7</b>	<b>14</b>	<b>11</b>	<b>25</b>	<b>17</b>	<b>27</b>	<b>27</b>	<b>30</b>	<b>23</b>
SG&A	14	14	18	3	3	4	4	3	3	3	5	4	4	4	6
<b>Operating profit</b>	<b>33</b>	<b>52</b>	<b>90</b>	<b>14</b>	<b>9</b>	<b>7</b>	<b>3</b>	<b>11</b>	<b>7</b>	<b>21</b>	<b>12</b>	<b>23</b>	<b>23</b>	<b>26</b>	<b>17</b>
Pre-tax profit	30	56	92	13	9	6	2	10	11	22	13	24	24	26	18
Net profit	24	43	69	13	3	6	2	7	9	17	10	18	18	20	13
Adj. EPS (KRW)	1,050	1,423	2,409												
<b>Margins (%)</b>															
Operating margin	11.5	13.1	16.0	18.5	14.3	8.6	4.8	13.4	9.9	17.4	10.6	17.7	16.0	19.0	11.7
Pre-tax margin	10.6	14.2	16.4	17.6	14.5	8.2	2.3	12.3	14.9	17.8	11.1	18.1	16.4	19.4	12.1
Net margin	8.3	10.9	12.3	17.8	4.5	7.3	2.8	8.6	12.0	14.0	8.3	13.6	12.3	14.6	9.1

Source: Company data, Samsung Securities

## Income statement

Year-end Dec 31(KRWb)	2016	2017	2018E	2019E	2020E
<b>Sales</b>	<b>154</b>	<b>287</b>	<b>394</b>	<b>562</b>	<b>736</b>
Cost of goods sold	133	240	328	454	604
<b>Gross profit</b>	<b>22</b>	<b>47</b>	<b>66</b>	<b>108</b>	<b>133</b>
Gross margin (%)	14.0	16.4	16.8	19.2	18.0
SG&A expenses	5	14	15	18	22
<b>Operating profit</b>	<b>17</b>	<b>33</b>	<b>52</b>	<b>90</b>	<b>111</b>
Operating margin (%)	10.8	11.5	13.1	16.0	15.1
<b>Non-operating gains (losses)</b>	<b>(6)</b>	<b>(3)</b>	<b>0</b>	<b>0</b>	<b>7</b>
Financial profit	1	1	4	5	7
Financial costs	2	3	0	(1)	(1)
Equity-method gains (losses)	0	0	0	0	0
Other	(5)	(0)	(4)	(5)	0
<b>Pre-tax profit</b>	<b>10</b>	<b>30</b>	<b>52</b>	<b>90</b>	<b>118</b>
Taxes	2	6	12	23	31
Effective tax rate (%)	22.4	21.2	23.4	25.0	26.3
Profit from continuing operations	8	24	40	68	87
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>8</b>	<b>24</b>	<b>40</b>	<b>68</b>	<b>87</b>
Net margin (%)	5.3	8.3	10.1	12.0	11.8
Net profit (controlling interests)	8	24	40	68	87
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	39	74	115	182	242
EBITDA margin (%)	25.1	25.9	29.1	32.4	32.8
EPS (parent-based) (KRW)	569	1,050	1,423	2,409	3,109
EPS (consolidated) (KRW)	569	1,050	1,423	2,409	3,109
Adjusted EPS (KRW)*	569	1,050	1,423	2,409	3,109

## Cash flow statement

Year-end Dec 31(KRWb)	2016	2017	2018E	2019E	2020E
<b>Cash flow from operations</b>	<b>(12)</b>	<b>(7)</b>	<b>125</b>	<b>197</b>	<b>255</b>
Net profit	8	24	40	68	87
Non-cash profit and expenses	27	46	72	110	155
Depreciation	0	0	0	0	0
Amortization	22	41	63	92	131
Other	5	5	8	17	24
Changes in A/L from operating activities	(46)	(73)	25	42	44
<b>Cash flow from investments</b>	<b>(70)</b>	<b>(141)</b>	<b>(100)</b>	<b>(124)</b>	<b>(162)</b>
Change in tangible assets	(1)	(0)	0	0	0
Change in financial assets	(2)	(142)	(8)	(10)	(10)
Other	(66)	1	(92)	(114)	(152)
<b>Cash flow from financing</b>	<b>93</b>	<b>188</b>	<b>(17)</b>	<b>1</b>	<b>1</b>
Change in debt	28	(18)	(16)	0	0
Change in equity	126	208	0	0	0
Dividends	0	0	0	0	0
Other	(60)	(2)	(0)	1	1
Change in cash	12	40	8	74	94
Cash at beginning of year	0	12	51	59	133
Cash at end of year	12	51	59	133	226
<b>Gross cash flow</b>	<b>35</b>	<b>70</b>	<b>111</b>	<b>177</b>	<b>242</b>
<b>Free cash flow</b>	<b>(14)</b>	<b>(7)</b>	<b>38</b>	<b>78</b>	<b>96</b>

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	2017	2018E	2019E	2020E
<b>Current assets</b>	<b>81</b>	<b>290</b>	<b>309</b>	<b>396</b>	<b>503</b>
Cash & equivalents	12	51	59	133	226
Accounts receivable	37	55	58	61	64
Inventories	0	1	1	1	1
Other current assets	33	182	191	201	211
<b>Fixed assets</b>	<b>161</b>	<b>170</b>	<b>204</b>	<b>232</b>	<b>262</b>
Investment assets	2	4	5	7	10
Tangible assets	1	1	1	1	1
Intangible assets	124	128	151	178	205
Other long-term assets	33	37	46	46	46
<b>Total assets</b>	<b>242</b>	<b>459</b>	<b>513</b>	<b>628</b>	<b>765</b>
<b>Current liabilities</b>	<b>84</b>	<b>91</b>	<b>104</b>	<b>152</b>	<b>201</b>
Accounts payable	6	6	8	12	16
Short-term debt	8	0	(7)	(7)	(7)
Other current liabilities	71	85	103	146	192
<b>Long-term liabilities</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
Bonds & long-term debt	20	0	0	0	0
Other long-term liabilities	2	0	0	1	1
<b>Total liabilities</b>	<b>106</b>	<b>91</b>	<b>105</b>	<b>152</b>	<b>201</b>
<b>Owners of parent equity</b>	<b>136</b>	<b>368</b>	<b>408</b>	<b>476</b>	<b>563</b>
Capital stock	11	14	14	14	14
Capital surplus	115	320	320	320	320
Retained earnings	8	32	72	140	227
Other	2	3	3	3	3
<b>Non-controlling interests' equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total equity</b>	<b>136</b>	<b>368</b>	<b>408</b>	<b>476</b>	<b>563</b>
Net debt	16	(182)	(213)	(295)	(396)

## Financial ratios

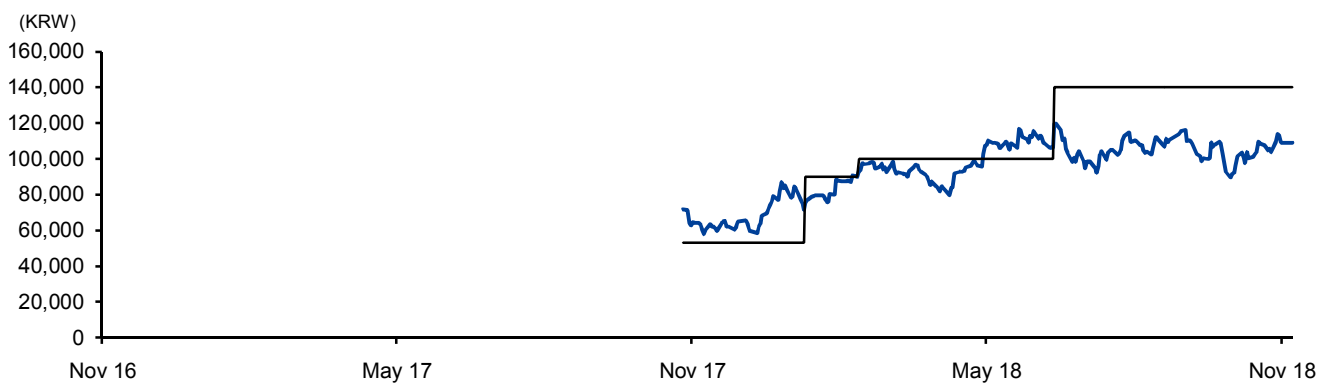
Year-end Dec 31	2016	2017	2018E	2019E	2020E
<b>Growth (%)</b>					
Sales	nm	85.7	37.3	42.6	31.1
Operating profit	nm	98.3	57.0	73.5	23.5
Net profit	nm	192.9	67.4	69.2	29.1
Adjusted EPS**	nm	84.5	35.6	69.2	29.1
<b>Per-share data (KRW)</b>					
EPS (parent-based)	569	1,050	1,423	2,409	3,109
EPS (consolidated)	569	1,050	1,423	2,409	3,109
Adjusted EPS**	569	1,050	1,423	2,409	3,109
BVPS	6,176	13,141	14,565	16,973	20,082
DPS (common)	0	0	0	0	0
<b>Valuations (x)</b>					
P/E***	191.7	103.9	76.6	45.3	35.1
P/B***	17.7	8.3	7.5	6.4	5.4
EV/EBITDA	79.2	38.7	24.8	15.2	11.0
<b>Ratios (%)</b>					
ROE	6.0	9.5	10.3	15.3	16.8
ROA	3.4	6.8	8.2	11.8	12.5
ROIC	8.5	15.6	21.4	37.2	49.6
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	(49.4)	(52.3)	(61.9)	(70.3)
Interest coverage (x)	19.5	19.0	324.8	(151.3)	(186.9)



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## Target price changes in past two years



## Rating changes over past two years (adjusted share prices)

Date	2017/11/23	2018/2/8	3/13	7/12
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	53,000	90,000	100,000	140,000
Gap* (average)	29.29	(7.62)	(1.06)	
(max or min)**	64.15	1.11	17.10	

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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<b>BUY</b>	Expected to increase in value by 10% or more within 12 months and is highly attractive within sector
<b>HOLD</b>	Expected to increase/decrease in value by less than 10% within 12 months
<b>SELL</b>	Expected to decrease in value by 10% or more within 12 months

### Industry

<b>OVERWEIGHT</b>	Expected to outperform market by 5% or more within 12 months
<b>NEUTRAL</b>	Expected to outperform/underperform market by less than 5% within 12 months
<b>UNDERWEIGHT</b>	Expected to underperform market by 5% or more within 12 months

## Percentage of ratings in 12 months prior to Sep 30, 2018

BUY (85%) | HOLD (15%) | SELL (0%)

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