

# Studio Dragon (253450.KQ)

## Growing into global titan

Company Comment | Apr 29, 2019

Despite the absence of new tent-pole dramas in 1Q19, an improvement in the overall quality of Studio Dragon's drama productions translated into strong overseas sales and higher ad rates for its captive channels. While the launch of multi-season dramas is to create a short-term cost burden, the move should benefit the firm over the mid/long term, backed by the expansion of the global OTT market. Given these positives, we continue to offer the play as our top pick for the content sector.

### Production capacity strengthening

The broadcasting of low-cost but high-margin productions (eg, romance dramas) usually concentrates in 1Q, as the quarter is a low season for TV ads. But, despite the absence new tent-pole dramas in 1Q19 (a factor that dampened the firm's share price), we note that ad rates for Studio Dragon's captive channels (such as tvN) increased, which implies that the company's improved production capacity has bolstered the competitiveness of its captive channels.

The firm's improved production capacity is also translating into higher sales. In particular, we draw attention to: 1) the global distribution of Abyss (to premiere on May 6) and other titles; and 2) smooth sales of broadcasting rights in countries where Korean pop culture is in high demand (eg, the sale of rights for Touch Your Heart and other titles during the Hong Kong Filmart event).

### Benefits of creating multiple season dramas to unfold over longer term

Chronicles of the Asdal is now scheduled to air in June, later than originally planned (mid-May). Although the production is unlikely to contribute markedly to OP this year, earnings contributions from the first multi-season drama produced by Studio Dragon should unfold over the longer haul.

Following on the heels of Netflix, Hulu (which is 67% owned by Disney) is expected to aggressively target Asian markets. Given this backdrop, we view the creation of multi-season tent-pole dramas that are capable of fully utilizing OTT platform characteristics (including subscription based sales) as being a necessity. We expect the introduction of new multi-season dramas to bolster Studio Dragon's margins.

### To post sound 1Q19 results

We forecast 1Q19 sales of W99.9bn (+25.1%y-y) and OP of W12.2bn (+14.1% y-y). Our sales estimate is W0.9bn lower than our previous projection due to an adjustment in our accelerated amortization rate for Romance is a Bonus Book, which was aired globally on Netflix.

#### 1Q19 preview

(Unit: Wbn, %)

|                              | 1Q18 | 2Q18 | 3Q18  | 4Q18  | 1Q19E    |      |         |          |        | 2Q19F |
|------------------------------|------|------|-------|-------|----------|------|---------|----------|--------|-------|
|                              |      |      |       |       | Estimate | y-y  | q-q     | Previous | Consen |       |
| Sales                        | 79.9 | 74.3 | 123.7 | 101.7 | 99.9     | 25.1 | -1.8    | 100.8    | 94.3   | 111.9 |
| OP                           | 10.7 | 7.3  | 21.5  | 0.4   | 12.2     | 14.1 | 2,659.3 | 13.3     | 12.3   | 13.4  |
| OPM                          | 13.3 | 9.9  | 17.4  | 0.4   | 12.2     |      |         | 13.2     | 13.0   | 11.9  |
| Pre-tax profit               | 10.8 | 11.0 | 22.0  | 1.7   | 12.3     | 13.8 | 616.6   | 13.4     | 14.6   | 17.1  |
| NP (excl minority interests) | 7.9  | 8.9  | 17.3  | 1.7   | 9.6      | 22.3 | 450.7   | 10.5     | 11.3   | 13.3  |

Note: K-IFRS consolidated; Source: FnGuide, NH I&S Research Center estimates

## Buy (maintain)

TP **W135,000 (maintain)**  
CP (19/04/26) **W89,900**

|                             |                   |
|-----------------------------|-------------------|
| Sector                      | Entertainment     |
| Kospi/Kosdaq                | 2,179.31 / 741.00 |
| Market cap (common)         | US\$2,175.84mn    |
| Outstanding shares (common) | 28.1mn            |
| 52W high ('18/07/12)        | W119,800          |
| low ('18/05/08)             | W79,600           |
| Average trading value (60D) | US\$12.42mn       |
| Dividend yield (2019E)      | 0.00%             |
| Foreign ownership           | 3.5%              |

Major Shareholders  
CJ ENM & 3 others 74.4%

| Share perf   | 3M   | 6M    | 12M  |
|--------------|------|-------|------|
| Absolute (%) | -0.8 | -3.1  | 5.4  |
| Relative (%) | -4.7 | -13.3 | 25.1 |

|             | 2018   | 2019E  | 2020F  | 2021F  |
|-------------|--------|--------|--------|--------|
| Sales       | 379.6  | 504.2  | 584.4  | 678.4  |
| Chg         | 32.4   | 32.8   | 15.9   | 16.1   |
| OP          | 39.9   | 75.8   | 102.8  | 165.9  |
| Chg         | 20.9   | 90.0   | 35.6   | 61.4   |
| OPM         | 10.5   | 15.0   | 17.6   | 24.5   |
| NP          | 35.8   | 63.6   | 84.7   | 133.9  |
| EPS         | 1,278  | 2,267  | 3,018  | 4,774  |
| Chg         | 21.7   | 77.4   | 33.1   | 58.2   |
| P/E         | 72.3   | 39.6   | 29.8   | 18.8   |
| P/B         | 6.5    | 5.4    | 4.6    | 3.7    |
| EV/EBITDA   | 21.2   | 13.2   | 11.9   | 7.6    |
| ROE         | 9.3    | 14.7   | 16.7   | 21.7   |
| Debt/equity | 27.7   | 24.9   | 22.0   | 18.6   |
| Net debt    | -155.5 | -170.1 | -248.5 | -394.1 |

Unit: Wbn, %, won, x

Note 1: NP excludes minority interests

Note 2: EPS, P/E, P/B, and ROE based on NP (excl minority interests)

Source: NH I&S Research Center estimates



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## Earnings forecasts (IFRS-consolidated)

(Unit: Wbn, won, x, %)

|                              |            | 2018  | 2019E | 2020F | 2021F |
|------------------------------|------------|-------|-------|-------|-------|
| Sales                        | - Revised  | 379.6 | 504.2 | 584.4 | 678.4 |
|                              | - Previous |       | 504.9 | 583.0 | 649.2 |
|                              | - Change   |       | -0.1  | 0.2   | 4.5   |
| OP                           | - Revised  | 39.9  | 75.8  | 102.8 | 165.9 |
|                              | - Previous |       | 76.3  | 107.0 | 160.3 |
|                              | - Change   |       | -0.7  | -3.9  | 3.5   |
| OPM                          | - Revised  | 10.5  | 15.0  | 17.6  | 24.5  |
| EBITDA                       |            | 115.2 | 178.5 | 191.5 | 279   |
| NP (excl minority interests) |            | 35.8  | 63.6  | 84.7  | 133.9 |
| EPS                          | - Revised  | 1,278 | 2,267 | 3,018 | 4,774 |
|                              | - Previous |       | 2,280 | 3,136 | 4,582 |
|                              | - Change   |       | -0.6  | -3.8  | 4.2   |
| P/E                          |            | 72.3  | 39.6  | 29.8  | 18.8  |
| P/B                          |            | 6.5   | 5.4   | 4.6   | 3.7   |
| EV/EBITDA                    |            | 21.2  | 13.2  | 11.9  | 7.6   |
| ROE                          |            | 9.3   | 14.7  | 16.7  | 21.7  |

Note: EPS, P/E, P/B, and ROE based on NP (excluding minority interests)

Source: NH I&amp;S Research Center estimates

## Earnings forecasts, by division

(Unit: episodes, Wbn, %)

|                      | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18  | 2Q18  | 3Q18  | 4Q18  | 1Q19E | 2Q19F | 3Q19F | 4Q19F | 2017  | 2018P | 2019E |
|----------------------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Number of dramas     | 4    | 6    | 6    | 7    | 6     | 6     | 6     | 8     | 7     | 7     | 8     | 8     | 22    | 25    | 30    |
| TV (domestic)        | 4    | 6    | 6    | 7    | 6     | 6     | 6     | 8     | 7     | 7     | 7     | 7     | 22    | 25    | 28    |
| OTT                  | -    | -    | -    | -    | -     | -     | -     | -     | -     | -     | 1     | 1     | -     | -     | 2     |
| Sales                | 75.3 | 62.1 | 77.5 | 71.9 | 79.9  | 74.3  | 123.7 | 101.7 | 99.9  | 111.9 | 151.3 | 141.1 | 286.8 | 379.5 | 504.2 |
| Broadcasting revenue | 26.3 | 24.1 | 41.8 | 39.0 | 40.7  | 34.1  | 48.9  | 54.4  | 42.1  | 52.3  | 54.2  | 48.0  | 131.2 | 178.1 | 196.5 |
| IP + VOD             | 36.5 | 26.3 | 23.3 | 25.7 | 32.1  | 28.8  | 63.4  | 37.8  | 48.3  | 46.3  | 83.6  | 80.4  | 111.8 | 162.1 | 258.5 |
| Other (DVD, OST)     | 12.5 | 11.6 | 12.4 | 7.2  | 7.1   | 11.4  | 11.4  | 9.5   | 9.5   | 13.3  | 13.6  | 12.8  | 43.7  | 39.4  | 49.2  |
| y-y (%)              | -    | -    | -    | -    | 6.0   | 19.6  | 59.7  | 41.5  | 25.1  | 50.6  | 22.3  | 38.7  | 46.7  | 32.3  | 32.8  |
| COGS                 | 58.6 | 49.9 | 66.8 | 64.4 | 66.2  | 63.7  | 98.9  | 95.2  | 84.3  | 95.3  | 119.9 | 113.0 | 239.7 | 324.0 | 412.5 |
| Production costs     | 35.2 | 31.8 | 38.2 | 44.5 | 44.6  | 33.3  | 47.7  | 60.0  | 48.9  | 60.6  | 75.1  | 75.3  | 149.7 | 185.6 | 259.9 |
| Amortization costs   | 9.9  | 9.8  | 10.3 | 10.9 | 12.7  | 13.1  | 23.3  | 25.8  | 23.9  | 23.4  | 30.1  | 25.1  | 41.0  | 74.9  | 102.5 |
| Other                | 13.4 | 8.3  | 18.2 | 9.0  | 8.9   | 17.2  | 27.9  | 9.4   | 11.6  | 11.2  | 14.7  | 12.6  | 49.0  | 63.5  | 50.1  |
| GP                   | 16.8 | 12.2 | 10.7 | 7.4  | 13.6  | 10.6  | 24.8  | 6.5   | 15.6  | 16.6  | 31.4  | 28.1  | 47.1  | 55.5  | 91.8  |
| GPM                  | 22.2 | 19.6 | 13.9 | 10.4 | 17.1  | 14.3  | 20.1  | 6.4   | 15.6  | 14.9  | 20.8  | 19.9  | 16.4  | 14.6  | 18.2  |
| OP                   | 14.0 | 8.9  | 6.7  | 3.5  | 10.7  | 7.3   | 21.5  | 0.4   | 12.2  | 13.4  | 27.8  | 22.5  | 33.1  | 39.8  | 75.8  |
| OPM                  | 18.5 | 14.3 | 8.7  | 4.8  | 13.3  | 9.9   | 17.4  | 0.4   | 12.2  | 11.9  | 18.3  | 16.0  | 11.5  | 10.5  | 15.0  |
| y-y (%)              | -    | -    | -    | -    | -23.7 | -17.6 | 218.5 | -87.3 | 14.1  | 82.4  | 29.3  | 5,010 | -     | 20.4  | 90.3  |
| NP                   | 13.4 | 2.8  | 5.7  | 2.0  | 7.9   | 8.9   | 17.3  | 1.7   | 9.6   | 13.3  | 22.1  | 18.6  | 23.8  | 35.8  | 63.6  |
| NPM                  | 17.8 | 4.5  | 7.3  | 2.8  | 9.8   | 12.0  | 14.0  | 1.7   | 9.6   | 11.9  | 14.6  | 13.2  | 8.3   | 9.4   | 12.6  |

Note: Based on number of dramas aired each quarter (if a drama is aired for two consecutive quarters, 0.5 is reflected each quarter)

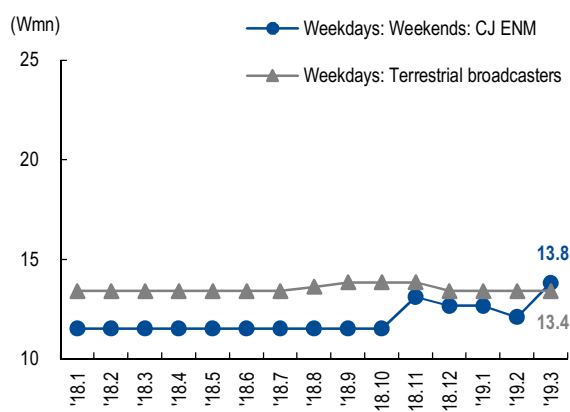
Source: NH I&amp;S Research Center estimates

## Studio Dragon's 2019 drama line-up

| Title                          | Airing date       | Quarter | Channel | Type            | Highest viewership | Remarks  |
|--------------------------------|-------------------|---------|---------|-----------------|--------------------|--|
| God's Quiz: Reboot (Season 5)  | 18.11.14~19.01.10 | 4Q, 1Q  | OCN     | 16 episodes     | 2.7%               | All episodes supplied to Netflix                   |
| Priest                         | 18.11.24~19.01.20 | 4Q, 1Q  | OCN     | 16 episodes     | 2.5%               |  |
| Eunjoo's Room                  | 18.11.06~19.01.22 | 4Q, 1Q  | Olive   | 12 episodes     | 0.6%               | Second season possible                             |
| Encounter                      | 18.11.24~18.01.17 | 4Q, 1Q  | tvN     | 16 episodes     | 10.3%              | Exported to more than 100 countries                |
| Memories of the Alhambra       | 18.12.01~18.01.20 | 4Q, 1Q  | tvN     | 16 episodes     | 10.0%              | [Tent-pole] Supplied to Netflix, exported to China |
| The Man Who Became a King      | 19.01.07~19.02.26 | 1Q      | tvN     | 16 episodes     | 10.9%              |  |
| Touch Your Heart               | 19.01.23~19.03.14 | 1Q      | tvN     | 16 episodes     | 3.7%               |  |
| Romance is a Bonus Book        | 19.01.26~19.03.17 | 1Q      | tvN     | 16 episodes     | 6.7%               | Aired globally on Netflix                          |
| Trap                           | 19.02.09~19.03.02 | 1Q      | OCN     | 7 episodes      | 4.0%               |  |
| Possessed                      | 19.03.06~19.04.25 | 1Q, 2Q  | OCN     | 16 episodes     | 2.6%               |  |
| Kill it                        | 19.03.23~19.04.28 | 1Q, 2Q  | OCN     | 12 episodes     | 2.8%               |  |
| He Is Psychometric             | 19.03.11~19.04.30 | 1Q, 2Q  | tvN     | 16 episodes     | 2.8%               |  |
| Confession                     | 19.03.23~19.05.12 | 1Q, 2Q  | tvN     | 16 episodes     | 5.6%               |  |
| Her Private Life               | 19.04.10~19.05.30 | 2Q      | tvN     | 16 episodes     | 2.7%               |  |
| Abyss                          | 19.05.06~         | 2Q, 3Q  | tvN     | 16 episodes     |                    | Aired globally on Netflix                          |
| Save Me 2                      | 19.05.08~         | 2Q      | OCN     | 16 episodes     |                    |  |
| Voice 3                        | 19.05.11~         | 2Q      | OCN     | 16 episodes     |                    |  |
| Spring Night                   | 19.05.22~         | 2Q, 3Q  | MBC     | 16 episodes     |                    | Aired globally on Netflix, JS Pictures             |
| The Chronicles of Asdal        | 19.06(scheduled)  | 2Q      | tvN     | 16 episodes     |                    | [Tent-pole] Multi-season drama                     |
| The Man Who Bakes Bread        |                   | 3Q      | tvN     | 16 episodes     |                    |  |
| Everyone's Privacy             |                   | 3Q      | tvN     | 16 episodes     |                    |  |
| Doctor Room                    |                   | 3Q      | SBS     | 16 episodes     |                    |  |
| When the Devil Calls Your Name |                   | 3Q      | tvN     | 16 episodes     |                    |  |
| Hotel del Luna                 |                   | 3Q      | tvN     | 16 episodes     |                    | [Tent-pole]  |
| Love Alarm S1                  |                   | 3Q      | Netflix | 8 episodes      |                    | Netflix Original, Multi-season drama               |
| I am Alone S1                  |                   | 4Q      | Netflix | 12~ 15 episodes |                    | Netflix Original, Multi-season drama               |

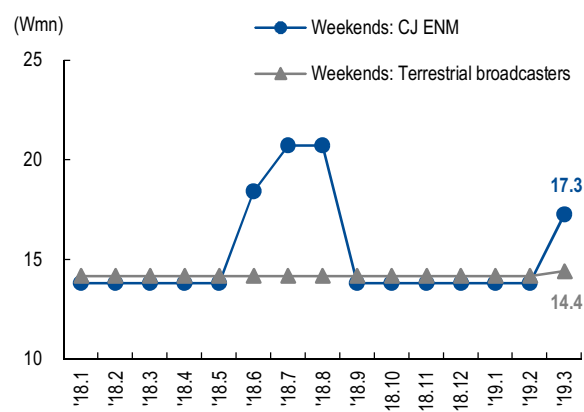
Note: Media reports, Studio Dragon, NH I&S Research Center

## Ad rates on weekdays: CJ ENM drama ad rates rising



Note: Based on highest rates for 15-second ad slots  
Source: CJ ENM, NH I&S Research Center

## Ad rates on weekends: 'Confession' ad rates 20% higher than those for dramas aired on terrestrial broadcasters



Note: Based on highest rates for 15-second ad slots  
Source: CJ ENM, NH I&S Research Center

| STATEMENT OF COMPREHENSIVE INCOME                 |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| (Wbn)   | 2018/12A     | 2019/12E     | 2020/12F     | 2021/12F     |
| <b>Sales</b>                                      | <b>379.6</b> | <b>504.2</b> | <b>584.4</b> | <b>678.4</b> |
| Growth (%)  | 32.4         | 32.8         | 15.9         | 16.1         |
| <b>COGS</b>                                       | <b>324.0</b> | <b>412.5</b> | <b>458.4</b> | <b>482.0</b> |
| <b>Gross Profit</b>                               | <b>55.6</b>  | <b>91.8</b>  | <b>126.0</b> | <b>196.5</b> |
| Gross margin (%)                                  | 14.6         | 18.2         | 21.6         | 29.0         |
| SG&A  | 15.7         | 16.0         | 23.2         | 30.5         |
| <b>Operating Income</b>                           | <b>39.9</b>  | <b>75.8</b>  | <b>102.8</b> | <b>165.9</b> |
| Growth (%)  | 20.9         | 90.0         | 35.6         | 61.4         |
| Operating margin (%)                              | 10.5         | 15.0         | 17.6         | 24.5         |
| <b>EBITDA</b>                                     | <b>115.2</b> | <b>178.5</b> | <b>191.5</b> | <b>279.0</b> |
| <b>Non-Operating Profits</b>                      | <b>5.8</b>   | <b>5.8</b>   | <b>5.8</b>   | <b>5.8</b>   |
| Financial Income(Costs)                           | 6.1          | 6.1          | 6.1          | 6.1          |
| Other Non-Operating Profits                       | -0.3         | -0.3         | -0.3         | -0.3         |
| Gains(Losses) in Associates, Subsidiaries and JVs | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Pre-tax Profit from Cont. Op.</b>              | <b>45.6</b>  | <b>81.5</b>  | <b>108.5</b> | <b>171.7</b> |
| <b>Income Taxes</b>                               | <b>9.8</b>   | <b>17.9</b>  | <b>23.9</b>  | <b>37.8</b>  |
| Profit from Continuing Op.                        | 35.8         | 63.6         | 84.7         | 133.9        |
| <b>Net Profit</b>                                 | <b>35.8</b>  | <b>63.6</b>  | <b>84.7</b>  | <b>133.9</b> |
| Growth (%)  | 50.4         | 77.7         | 33.2         | 58.1         |
| Net margin (%)                                    | 9.4          | 12.6         | 14.5         | 19.7         |
| Net Profit of Parent                              | 35.8         | 63.6         | 84.7         | 133.9        |
| Net Profit to Non-Controlling                     | 0.0          | 0.0          | 0.0          | 0.0          |
| Other Comprehensive Income                        | -1.1         | 0.0          | 0.0          | 0.0          |
| Total Comprehensive Income                        | 34.7         | 63.6         | 84.7         | 133.9        |

| Valuation / Profitability / Stability |          |          |          |          |
|---------------------------------------|----------|----------|----------|----------|
|                                       | 2018/12A | 2019/12E | 2020/12F | 2021/12F |
| Price/ Earning (X)                    | 72.3     | 39.6     | 29.8     | 18.8     |
| Price/ Book Value (X)                 | 6.5      | 5.4      | 4.6      | 3.7      |
| Price/ Gross Cash Flow (X)            | 23.5     | 13.9     | 13.1     | 9.1      |
| Price/ Sales (X)                      | 6.8      | 5.0      | 4.3      | 3.7      |
| EV/ EBITDA (X)                        | 21.2     | 13.2     | 11.9     | 7.6      |
| EV/ EBIT (X)                          | 61.1     | 31.0     | 22.1     | 12.8     |
| Fully diluted EPS (W)                 | 1,278    | 2,267    | 3,018    | 4,774    |
| BVPS (W)                              | 14,305   | 16,573   | 19,591   | 24,365   |
| Sales PS (W)                          | 13,539   | 17,975   | 20,834   | 24,185   |
| ROE (%)                               | 9.3      | 14.7     | 16.7     | 21.7     |
| ROA (%)                               | 7.4      | 11.6     | 13.5     | 18.1     |
| ROIC (%)                              | 11.5     | 23.9     | 29.2     | 45.5     |
| Dividend Yield (%)                    | 0.0      | 0.0      | 0.0      | 0.0      |
| Payout Ratio (%)                      | 0.0      | 0.0      | 0.0      | 0.0      |
| Total Cash Dividend (Wbn)             | 0.0      | 0.0      | 0.0      | 0.0      |
| Cash DPS (W)                          | 0        | 0        | 0        | 0        |
| Net debt(cash)/ equity (%)            | -38.8    | -36.6    | -45.2    | -57.7    |
| Debt/ equity (%)                      | 27.7     | 24.9     | 22.0     | 18.6     |
| Interest-Bearing Debts (Wbn)          | 0.0      | 0.0      | 0.0      | 0.0      |
| Current Ratio (%)                     | 228.4    | 245.2    | 304.8    | 411.4    |
| Total shares (mn)                     | 28       | 28       | 28       | 28       |
| Par value (W)                         | 500      | 500      | 500      | 500      |
| Share price (W)                       | 92,400   | 89,900   | 89,900   | 89,900   |
| Market Cap (Wbn)                      | 2,592    | 2,522    | 2,522    | 2,522    |

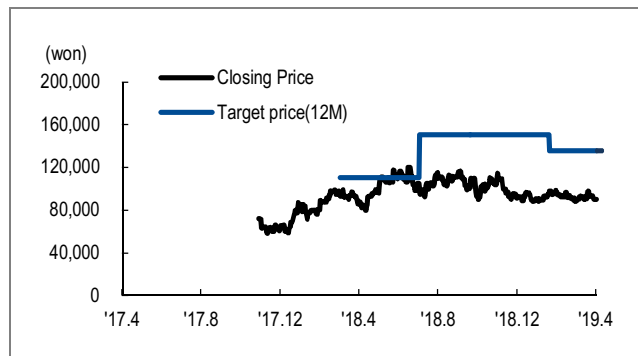
| STATEMENT OF FINANCIAL POSITION  |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|
| (Wbn)                            | 2018/12A     | 2019/12E     | 2020/12F     | 2021/12F     |
| Cash and Cash Equivalents        | 153.0        | 167.5        | 245.8        | 391.2        |
| Accounts Receivables             | 68.8         | 82.5         | 85.8         | 88.4         |
| <b>Total Current Assets</b>      | <b>247.2</b> | <b>276.2</b> | <b>358.6</b> | <b>507.6</b> |
| Tangible Assets                  | 1.0          | 0.7          | 0.5          | 0.4          |
| Investment Assets                | 3.7          | 30.5         | 5.7          | 5.9          |
| <b>Non-Current Assets</b>        | <b>265.2</b> | <b>304.4</b> | <b>311.9</b> | <b>302.7</b> |
| <b>Assets</b>                    | <b>512.4</b> | <b>580.7</b> | <b>670.6</b> | <b>810.3</b> |
| Short-Term Debt                  | 0.0          | 0.0          | 0.0          | 0.0          |
| Account Payables                 | 19.6         | 19.6         | 20.0         | 20.8         |
| <b>Current Liabilities</b>       | <b>108.2</b> | <b>112.6</b> | <b>117.7</b> | <b>123.4</b> |
| Long-Term Debt                   | 2.1          | 2.1          | 2.1          | 2.1          |
| Long-Term Allowance              | 0.7          | 1.0          | 1.1          | 1.3          |
| <b>Non-Current Liabilities</b>   | <b>2.9</b>   | <b>3.1</b>   | <b>3.3</b>   | <b>3.5</b>   |
| <b>Liabilities</b>               | <b>111.1</b> | <b>115.8</b> | <b>121.0</b> | <b>126.8</b> |
| Capital Stock                    | 14.0         | 14.0         | 14.0         | 14.0         |
| Capital Surplus                  | 320.1        | 320.1        | 320.1        | 320.1        |
| Retained Earnings                | 67.6         | 131.3        | 215.9        | 349.8        |
| Non-Controlling Interests Equity | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Shareholders' Equity</b>      | <b>401.3</b> | <b>464.9</b> | <b>549.6</b> | <b>683.5</b> |

| CASH FLOW STATEMENT               |              |               |              |              |
|-----------------------------------|--------------|---------------|--------------|--------------|
| (Wbn)                             | 2018/12A     | 2019/12E      | 2020/12F     | 2021/12F     |
| <b>Operating Cash Flow</b>        | <b>-29.1</b> | <b>153.3</b>  | <b>170.3</b> | <b>243.1</b> |
| Net Profit                        | 35.8         | 63.6          | 84.7         | 133.9        |
| Depreciation&Amortization         | 75.3         | 102.7         | 88.7         | 113.1        |
| + Loss(Gains) from Subs           | 0.0          | 0.0           | 0.0          | 0.0          |
| + FC translation loss(profit)     | -0.5         | 0.0           | 0.0          | 0.0          |
| Gross Cash Flow                   | 110.2        | 181.0         | 193.0        | 278.3        |
| - Incr. (Decr.) in WC             | -139.4       | -9.8          | 1.2          | 2.5          |
| <b>Investing Cash Flow</b>        | <b>140.6</b> | <b>-138.8</b> | <b>-92.1</b> | <b>-97.6</b> |
| + Decr. In Tangible Assets        | 0.0          | 0.0           | 0.0          | 0.0          |
| - Incr. In Tangible Assets(CAPEX) | -0.2         | 0.0           | 0.0          | 0.0          |
| + Disp.(Acq.) of Inv. Assets      | 0.1          | -26.8         | 24.8         | -0.2         |
| Free Cash Flow                    | -29.3        | 153.3         | 170.3        | 243.1        |
| Net Cash Flow                     | 111.5        | 14.4          | 78.2         | 145.5        |
| <b>Financing Cash Flow</b>        | <b>-9.7</b>  | <b>0.0</b>    | <b>0.0</b>   | <b>0.0</b>   |
| Equity Financing                  | 0.5          | 0.0           | 0.0          | 0.0          |
| Debt Financing                    | -10.2        | 0.0           | 0.0          | 0.0          |
| Incr.(Decr.) in Cash              | 101.7        | 14.4          | 78.2         | 145.5        |
| Ending Cash and Cash Equivalents  | 153.0        | 167.5         | 245.7        | 391.2        |
| Net Debt (Cash)                   | -155.5       | -170.1        | -248.5       | -394.1       |

## Rating and TP update

| Date       | Rating | TP            | Disparity ratio (%) |         |
|------------|--------|---------------|---------------------|---------|
|            |        |               | Avg                 | Max/Min |
| 2019.02.15 | Buy    | W135,000(12M) | -                   | -       |
| 2018.07.30 | Buy    | W150,000(12M) | -32.9%              | -22.5%  |
| 2018.03.30 | Buy    | W110,000(12M) | -8.5%               | 8.9%    |

## Studio Dragon (253450.KQ)



## NH Investment &amp; Securities stock ratings

1. Rating based on a stock's forecasted absolute return over a period of 12 months from the date of publication.

- Buy: Greater than +15%
- Hold: -15% to +15%
- Sell: Less than -15%

2. Regarding listed companies under NH I&S' coverage, our stock ratings break down as follows (as of Apr 26, 2019).

- NH I&S' stock rating distribution

| Buy   | Hold  | Sell |
|-------|-------|------|
| 78.9% | 21.1% | 0.0% |

- The stock rating on an individual company can change at irregular intervals. Our stock rating distribution is calculated on a weekly basis.

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