



Studio Dragon

| Bloomberg Code (253450 KS) | Reuters Code (253450.KQ)

05 February 2021

[Media/ads]

Still leading the Korean wave

SeJong Hong

☎ (82-2) 3772-1584

✉ sejonghong@shinhan.com



BUY
(Maintain)



CP (Feb. 4)
KRW100,100



TP (6 months)
KRW120,000



Upside
19.9%

Shinhan Investment Corp. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Investment Corp., or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure Notice at the end of this report.

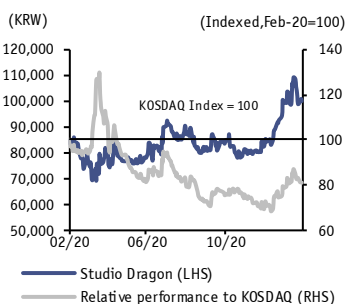


Shinhan Investment Corp.

Rating	BUY (Maintain)
TP (6 months)	KRW120,000
Upside	19.9%

KOSPI	3,087.55p
KOSDAQ	964.58p
Market cap	KRW3,003.4bn/USD2,634.6mn
Par value	KRW500
Outstanding shares	30.0mn
Free float	11.3mn(37.8%)
52-week high/low	KRW109,200/KRW69,100
60-day avg. trading volume	334,467shrs
60-day avg. turnover	KRW31,320mn
Foreign ownership	12.42%
Major shareholders	
CJ ENM and 3 others	55.94%
NAVER	6.26%
Absolute performance	
3M	25.0%
6M	13.2%
12M	17.8%
Relative performance to KOSDAQ	
3M	7.1%
6M	-1.9%
12M	-19.3%

Share performance



4Q20 review: Consolidated OP of KRW4.6bn (TB YoY)

Studio Dragon posted consolidated operating profit of KRW4.6bn (positive swing YoY) on sales of KRW137.6bn (+41.3% YoY) for 4Q20, missing our estimate and market consensus due partly to one-off expenses. Overseas distribution revenue, a key determinant of overall earnings, surged 128.4% YoY to KRW72.3bn from original drama series supplied to Netflix. Domestic distribution revenue also grew 26.1% YoY.

Unexpected expenses, however, weighed heavily on 4Q earnings as a whole. First, profit from the hit Netflix series Sweet Home fell short of our previous estimate by about KRW1.5bn due to higher-than-expected costs of visual effects. This limited the drama's contribution to overall profit to roughly 10%. Second, one-off incentive payments reached an estimated KRW3bn.

1Q21 consolidated OP forecast at KRW12.4bn (+6.9% YoY)

Studio Dragon is expected to report consolidated sales of KRW128.3bn (+6.7% YoY) and operating profit of KRW12.4bn (+6.9% YoY) for 1Q21. Our profit projections are subject to revisions upon announcement of China-related licensing deals and original drama production deals. Despite the high base of the previous year, YoY earnings improvement should continue on further growth in domestic and overseas distribution revenue.

For full-year 2021, we forecast consolidated sales at KRW626.6bn (+19.2% YoY) and operating profit at KRW60.4bn (+22.9% YoY), assuming original series revenue of KRW100bn and programming of 23-24 titles in total. Production costs will likely remain flat or increase slightly on a YoY basis. We find it positive that Studio Dragon, through its partnership with NAVER, has relatively easier access to quality webtoon and web novel IP assets.

Meanwhile, there remains a question mark over China momentum. Although Studio Dragon stands to see sharp growth in earnings upon the easing of China's ban on Korean media contents, we urge investors to refrain from setting high expectations and instead recommend a conservative approach in light of uncertainties at home and abroad with the Lunar New Year holiday already just days away.

Retain BUY for a target price of KRW120,000

We retain our BUY rating and target price of KRW120,000 for Studio Dragon, in view of: 1) rapid growth of overseas distribution revenue; 2) strong video demand in the domestic market; and 3) expectations for China momentum. Studio Dragon deserves a valuation that fully reflects its non-replicable content production capabilities and crucial role in the Korean Wave.

Year to December	Sales (bn KRW)	OP (bn KRW)	Pre-tax (bn KRW)	NP (bn KRW)	EPS (KRW)	Growth (%)	BPS (KRW)	PER (x)	EV/EBITDA (x)	PBR (x)	ROE (%)	Net debt ratio (%)
2018	379.6	39.9	45.6	35.8	1,278	21.7	14,305	72.3	21.1	6.5	9.3	(39.2)
2019	468.7	28.7	33.1	26.4	941	(26.3)	15,242	85.9	14.9	5.3	6.4	(24.9)
2020F	525.5	49.1	49.1	36.7	1,305	38.6	21,743	71.0	19.1	4.3	7.1	(14.3)
2021F	626.6	60.4	60.4	47.1	1,676	28.4	23,419	59.7	18.9	4.3	7.4	(18.1)
2022F	681.5	68.1	68.1	53.2	1,892	12.9	25,311	52.9	17.1	4.0	7.8	(21.7)

Source: Company data, Shinhan Investment Corp. / Note: TB = turn black, TR = turn red, RR = remain red

Earnings & valuation

PER valuation based on 2021F EPS: Target price of KRW120,000

	Value		Value		Value
2020F EPS (KRW)	1,305	2021F EPS (KRW)	1,676	2022F EPS (KRW)	1,892
Target price (KRW)	95,000	Target price (KRW)	120,000	Target price (KRW)	140,000
Target PER (x)	73	Target PER (x)	73	Target PER (x)	73

Source: Shinhan Investment Corp.

Note: Target PER is based on the past 3-year average. The stock's PER will likely drop on removal of China's ban on Korean media contents. Original drama deals secured outside of Netflix should add further momentum.

Earnings trend and outlook (K-IFRS consolidated)

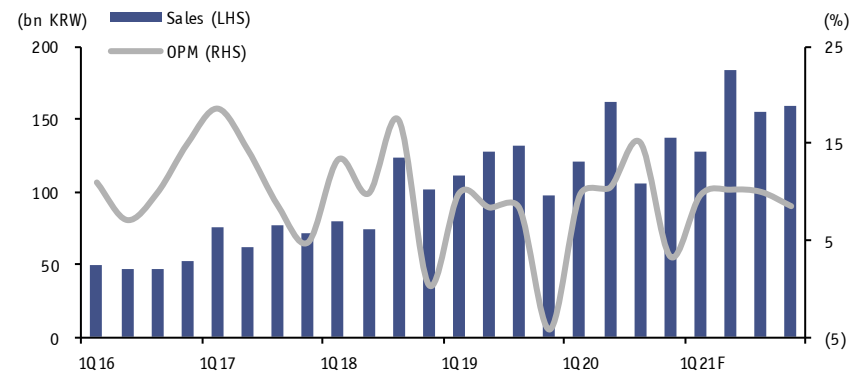
(bn KRW)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21F	2Q21F	3Q21F	4Q21F	2018	2019	2020	2021F
<Earnings forecasts>																
Total revenue	111.8	128.2	131.2	97.4	120.3	161.4	106.3	137.6	128.3	184.4	155.2	158.7	379.6	468.7	525.5	626.6
Programming revenue	44.1	58.1	60.8	45.7	45.2	65.4	45.7	40.7	43.3	63.0	57.0	47.2	178.1	208.7	197.0	210.6
Distribution revenue	56.2	60.3	60.0	42.7	66.9	75.7	50.9	86.3	76.4	106.9	84.4	99.6	162.1	219.2	279.7	367.4
Other (PPL) revenue	11.5	9.8	10.4	8.9	8.2	20.3	9.7	10.7	8.6	14.4	13.8	11.9	39.4	40.7	48.9	48.6
<Overseas operations>																
Overseas distribution revenue	42.6	42.2	43.9	31.6	52.8	59.4	42.1	72.3	62.3	89.6	75.2	85.0	110.2	160.4	226.6	312.0
Share in distribution revenue (%)	75.9	70.0	73.1	74.1	78.9	78.5	47.9	83.8	81.5	83.8	89.0	85.3	68.0	73.2	81.0	84.9
Netflix	8.3	23.0	24.0	6.0	24.5	36.0	12.0	45.0	27.0	54.0	50.0	45.0	46.6	61.3	117.5	176.0
Japan	10.3	5.9	3.2	5.8	8.3	6.1	1.4	6.2	8.3	5.9	1.4	5.6	15.7	25.2	22.1	21.1
Asia including China	21.6	12.7	11.3	17.3	17.4	14.9	18.4	18.3	21.2	18.8	20.8	23.3	44.1	63.0	69.0	84.2
China	1.8	0.0	0.0	0.0	0.0	0.0	8.0	0.0	3.0	8.0	0.0	8.0	1.5	1.8	8.0	19.0
Americas	0.4	0.5	5.2	2.5	2.4	2.3	2.2	2.6	2.7	2.7	2.8	2.9	1.9	8.6	9.5	11.1
Others	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.4	0.4	0.6	0.7
COGS	96.8	112.8	115.9	95.2	103.5	139.6	85.0	122.6	110.5	160.3	134.0	133.7	324.0	420.8	450.7	538.5
SG&A	4.0	4.6	4.4	6.2	5.1	4.9	5.3	10.4	5.4	5.2	5.8	11.5	15.7	19.2	25.7	27.8
OP	11.0	10.8	10.9	(4.0)	11.6	16.9	16.0	4.6	12.4	18.9	15.5	13.5	39.9	28.7	49.1	60.4
Pre-tax profit	13.2	11.9	13.1	(5.1)	12.0	17.2	15.2	(2.9)	11.0	17.2	14.7	13.1	45.6	33.1	41.5	56.0
NP	9.2	7.3	11.5	(1.7)	8.6	13.4	10.6	(2.8)	8.6	13.4	11.4	10.3	35.8	26.4	29.7	43.7
<% YoY growth>																
Sales	40.0	72.6	6.1	(4.2)	7.5	25.9	(19.0)	41.3	6.7	14.3	46.1	15.3	32.4	23.5	12.1	19.2
OP	3.5	47.5	(49.2)	TR	5.5	56.3	46.8	TB	6.9	11.9	(3.1)	193.8	20.9	(28.1)	71.2	22.9
NP	17.2	(17.2)	(33.6)	TR	(7.2)	82.1	(7.9)	RR	0.2	0.4	7.9	TB	50.2	(26.3)	12.4	47.2
<Margin, %>																
OPM	9.9	8.4	8.3	(4.1)	9.7	10.4	15.1	3.3	9.7	10.2	10.0	8.5	10.5	6.1	9.3	9.6
NPM	8.2	5.7	8.8	(1.7)	7.1	8.3	10.0	(2.1)	6.7	7.3	7.4	6.5	9.4	5.6	5.6	7.0

Source: Company data, Shinhan Investment Corp.

Note: Distribution rights revenue from Netflix included in overseas distribution revenue; China revenue assumed to be zero for 2020

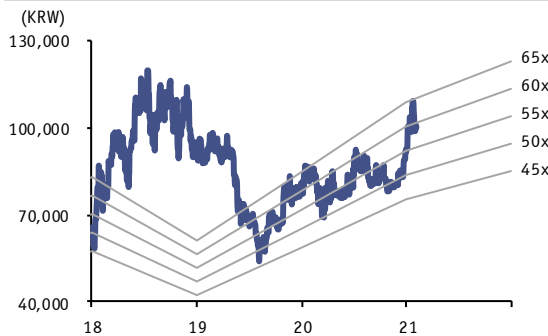
Key charts

Sales and operating profit margin (K-IFRS consolidated)



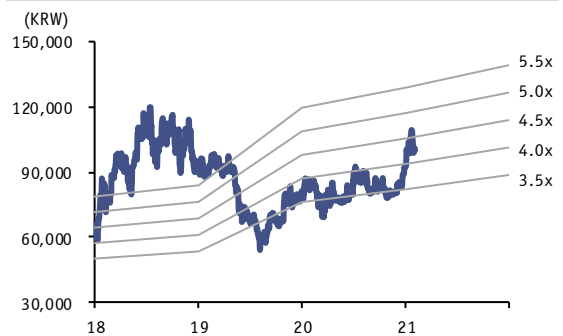
Source: Company data, Shinhan Investment Corp.

12-month forward consolidated PER band



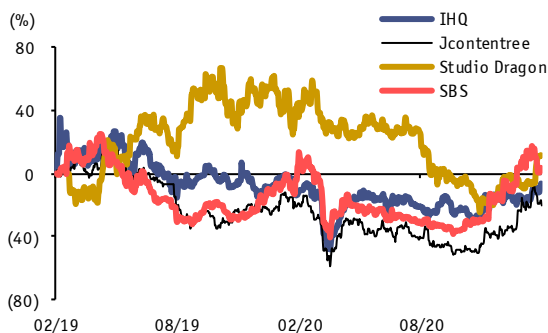
Source: QuantiWise, Shinhan Investment Corp.

12-month forward consolidated PBR band



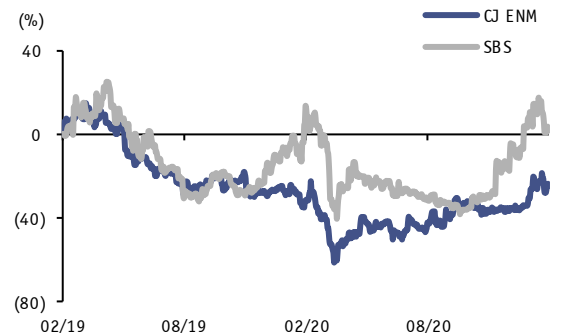
Source: QuantiWise, Shinhan Investment Corp.

Relative share performance of content producers



Source: Bloomberg, Shinhan Investment Corp.

Relative share performance of domestic broadcasters



Source: Bloomberg, Shinhan Investment Corp.

Statement of financial position

Year to December (bn KRW)	2018	2019	2020F	2021F	2022F
Total assets	512.4	581.6	750.4	807.6	864.2
Current assets	247.2	244.5	225.8	268.7	314.0
Cash and equivalents	153.0	59.8	39.1	69.2	102.4
Accounts receivable	68.8	83.6	79.0	87.3	95.0
Inventories	0.6	0.0	0.0	0.0	0.0
Non-current assets	265.2	337.1	524.6	539.0	550.2
Tangible assets	1.0	1.2	(0.2)	1.0	(0.2)
Intangible assets	198.5	233.1	230.7	241.6	252.2
Investment assets	3.7	13.4	14.2	15.5	16.2
Other financial assets	0.0	0.0	0.0	0.0	0.0
Total liabilities	111.1	153.3	139.5	149.7	153.0
Current liabilities	108.2	145.1	131.3	141.4	144.7
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Accounts payable	19.6	18.4	19.3	20.2	22.0
Current portion of long-term debt	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	2.9	8.2	8.2	8.2	8.3
Bonds	0.0	0.0	0.0	0.0	0.0
Long-term borrowings	2.1	7.9	7.9	7.9	7.9
Other financial liabilities	0.0	0.0	0.0	0.0	0.0
Total shareholders' equity	401.3	428.3	610.9	658.0	711.1
Capital stock	14.0	14.0	14.0	14.0	14.0
Capital surplus	320.1	321.7	467.7	467.7	467.7
Other capital	0.3	(0.1)	(0.1)	(0.1)	(0.1)
Accumulated other comprehensive income	(0.8)	(1.0)	(1.0)	(1.0)	(1.0)
Retained earnings	67.6	93.5	130.2	177.3	230.4
Controlling interest equity	401.3	428.3	610.9	658.0	711.1
Non-controlling interest equity	0.0	0.0	0.0	0.0	0.0
*Total debt	2.1	9.9	10.2	10.6	10.8
*Net debt (cash)	(157.3)	(106.4)	(87.4)	(119.2)	(154.0)

Statement of cash flow

Year to December (bn KRW)	2018	2019	2020F	2021F	2022F
Cash flow from operations	(29.1)	(12.2)	112.3	136.9	142.0
Net profit	35.8	26.4	36.7	47.1	53.2
Depreciation expense	0.3	1.8	0.4	(2.2)	0.4
Amortization expense	75.0	115.0	91.1	94.7	98.3
FX translation loss (gain)	(0.5)	0.6	0.0	0.0	0.0
Asset disposal loss (gain)	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Equity method loss (gain)	0.0	0.0	0.0	0.0	0.0
Change in working capital	(139.4)	(142.9)	(14.1)	(1.0)	(7.1)
(Payment of income tax)	(9.7)	(19.4)	(12.5)	(13.3)	(15.0)
Others	9.4	6.3	10.7	11.6	12.2
Cash flow from investments	140.6	(81.0)	(278.6)	(106.3)	(108.4)
Increase in tangible assets	(0.2)	(0.6)	(0.5)	(0.4)	(0.5)
Decrease in tangible assets	0.0	0.2	1.5	1.4	1.3
Change in intangible assets	(0.1)	(0.3)	(88.7)	(105.6)	(108.9)
Change in investment assets	(0.5)	(18.8)	(0.7)	(1.3)	(0.7)
Others	141.4	(61.5)	(190.2)	(0.4)	0.4
Free cash flow	143.5	133.7	113.5	138.2	144.1
Cash flow from financing	(9.7)	(0.0)	145.4	(0.4)	(0.6)
Change in borrowings	(10.0)	0.0	0.2	0.4	0.2
Change in treasury stock	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Others	0.3	0.0	145.2	(0.8)	(0.8)
Other cash flow	0.0	0.0	0.0	0.1	0.0
Change in consolidated scope	0.0	0.0	0.0	0.0	0.0
Change in FX rates	(0.1)	(0.0)	0.0	0.0	0.0
Change in total cash	101.7	(93.2)	(20.8)	30.2	33.1
Beginning cash	51.3	153.0	59.8	39.0	69.2
Ending cash	153.0	59.8	39.0	69.2	102.3

Source: Company data, Shinhan Investment Corp.

Statement of comprehensive income

Year to December (bn KRW)	2018	2019	2020F	2021F	2022F
Sales	379.6	468.7	525.5	626.6	681.5
Growth (%)	32.4	23.5	12.1	19.2	8.8
COGS	324.0	420.8	450.7	538.5	584.7
Gross profit	55.6	47.9	74.8	88.1	96.8
GPM (%)	14.6	10.2	14.2	14.1	14.2
SG&A	15.7	19.2	25.7	27.8	28.6
Operating profit	39.9	28.7	49.1	60.4	68.1
Growth (%)	21.0	(28.1)	71.1	22.9	12.9
OPM (%)	10.5	6.1	9.3	9.6	10.0
Non-operating profit	5.7	4.4	(0.0)	(0.0)	0.0
Financial profit	6.1	4.3	0.4	0.5	(0.6)
Other non-operating profit	(0.3)	0.1	(0.4)	(0.5)	0.6
Equity method gain (loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	45.6	33.1	49.1	60.4	68.1
Income tax	9.8	6.6	12.5	13.3	15.0
Continuing operations	35.8	26.4	36.7	47.1	53.2
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Net profit	35.8	26.4	36.7	47.1	53.2
Growth (%)	50.3	(26.3)	38.7	28.4	12.9
NPM (%)	9.4	5.6	7.0	7.5	7.8
Controlling interest	35.8	26.4	36.7	47.1	53.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Comprehensive income	34.7	25.7	36.7	47.1	53.2
Controlling interest	34.7	25.7	36.7	47.1	53.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
EBITDA	115.2	145.5	140.6	152.9	166.8
Growth (%)	55.1	26.4	(3.4)	8.8	9.1
EBITDA margin (%)	30.3	31.1	26.8	24.4	24.5

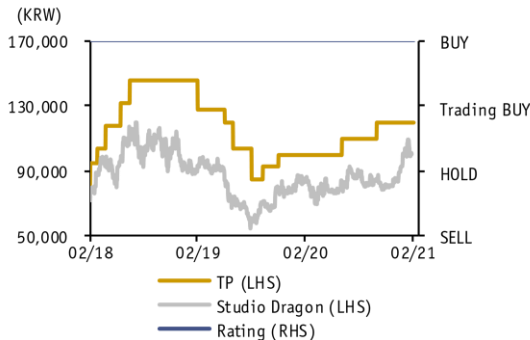
Key ratios

Year to December	2018	2019	2020F	2021F	2022F
EPS (KRW)	1,278	941	1,305	1,676	1,892
EPS of controlling interest (KRW)	1,278	941	1,305	1,676	1,892
BPS (KRW)	14,305	15,242	21,743	23,419	25,311
BPS of controlling interest (KRW)	14,305	15,242	21,743	23,419	25,311
DPS (KRW)	0	0	0	0	0
PER (x)	72.3	85.9	71.0	59.7	52.9
PER of controlling interest (x)	72.3	85.9	71.0	59.7	52.9
PBR (x)	6.5	5.3	4.3	4.3	4.0
PBR of controlling interest (x)	6.5	5.3	4.3	4.3	4.0
EV/EBITDA (x)	21.1	14.9	19.1	18.9	17.1
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Profitability					
EBITDA margin (%)	30.3	31.1	26.8	24.4	24.5
OPM (%)	10.5	6.1	9.3	9.6	10.0
NPM (%)	9.4	5.6	7.0	7.5	7.8
ROA (%)	7.4	4.8	5.5	6.0	6.4
ROE (%)	9.3	6.4	7.1	7.4	7.8
ROIC (%)	14.8	8.4	16.3	19.9	21.2
Stability					
Debt to equity ratio (%)	27.7	35.8	22.8	22.7	21.5
Net debt ratio (%)	(39.2)	(24.9)	(14.3)	(18.1)	(21.7)
Cash ratio (%)	141.4	41.2	29.8	49.0	70.7
Interest coverage ratio (x)	343.0	58.1	59.8	71.1	77.8
Activity (%)					
Working capital turnover (times)	(196.2)	(26.4)	(66.0)	(1,694.1)	183.0
Inventory turnover (days)	0.9	0.2	N/A	N/A	N/A
Receivable turnover (days)	59.5	59.3	56.5	48.4	48.8

Source: Company data, Shinhan Investment Corp.

Target price & rating history

Studio Dragon (253450 KS)



Date	Rating	Target price (KRW)	Target price gap (%)	
			Average	Max/Min
2018.01.18	BUY	82,000	(2.2)	6.1
2018.02.08	BUY	95,000	(15.1)	(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	(28.3)	(17.9)
2018.12.23	6M later		(37.5)	(34.0)
2019.02.07	BUY	128,000	(27.6)	(23.2)
2019.05.10	BUY	120,000	(36.9)	(30.6)
2019.06.07	BUY	104,000	(35.8)	(29.0)
2019.08.09	BUY	85,000	(26.9)	(17.4)
2019.09.16	BUY	93,000	(24.5)	(13.9)
2019.11.08	BUY	100,000	(21.0)	(13.0)
2020.05.09	6M later		(22.4)	(16.2)
2020.06.10	BUY	110,000	(23.0)	(15.9)
2020.10.06	BUY	120,000	-	-

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

Rating Distribution - SHIC Universe (as of 03 February 2021)

BUY (BUY)	93.64%	Trading BUY (HOLD)	2.27%	HOLD (HOLD)	4.09%	SELL (SELL)	0.00%
-----------	--------	--------------------	-------	-------------	-------	-------------	-------

Rating Distribution - SHIC Investment Banking Clients (as of 03 February 2021)

BUY (BUY)	100.00%	Trading BUY (HOLD)	0.00%	HOLD (HOLD)	0.00%	SELL (SELL)	0.00%
-----------	---------	--------------------	-------	-------------	-------	-------------	-------

SHIC Ratings (as of 1 April 2017)

Stock

- ◆ BUY: Expected 6-month gain of 10% or more
- ◆ Trading BUY: Expected 6-month gain of 10% to loss of 10%
- ◆ HOLD: Expected 6-month loss of 10% to 20%
- ◆ SELL: Expected 6-month loss of 20% or more

Sector

- ◆ OVERWEIGHT: Based on market cap, largest share of sector stocks under coverage is rated BUY
- ◆ NEUTRAL: Based on market cap, largest share of sector stocks under coverage is rated Trading BUY or HOLD
- ◆ UNDERWEIGHT: Based on market cap, largest share of sector stocks under coverage is rated SELL

Compliance & Disclosure Notice

Analyst Certification

- ◆ The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: SeJong Hong

Important Disclosures & Disclaimers

- ◆ Shinhan Investment Corp. or one of its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months.
- ◆ As of the date of publication, Shinhan Investment Corp. does not beneficially own 1% or more of any class of common equity securities of the following companies mentioned in this report: Studio Dragon
- ◆ During the last 12 months, the companies mentioned in this report were not an investment banking client of Shinhan Investment Corp. and/or one or more of its affiliates.
- ◆ Shinhan Investment Corp. or one of its affiliates has not received compensation for investment banking services from such companies in the past 12 months.
- ◆ Shinhan Investment Corp. or one of its affiliates does not expect to receive or intends to seek compensation for investment banking services from such companies or one of their affiliates in the next three months.
- ◆ Shinhan Investment Corp. or one of its affiliates, and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- ◆ As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or equity securities of the companies mentioned in this report.
- ◆ Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Investment Corp., including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- ◆ All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments, and may differ from actual results.
- ◆ This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation or warranty, expressed or implied, is made as to its accuracy, completeness or correctness. Shinhan Investment Corp. makes a best effort but does not guarantee the accuracy, completeness or correctness of information and opinions translated into English from original Korean language materials. Shinhan Investment Corp. accepts no liability whatsoever for any direct, indirect and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- ◆ This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- ◆ Investing in any Korean securities or related financial instruments discussed in this research report may present certain risks. The securities of Korean issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Korean securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Korean won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- ◆ United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors 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 US 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 US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- ◆ All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Investment Corp. 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 Investment Corp. and its affiliates to any registration or licensing requirement within such jurisdiction.

- ◆ Shinhan Investment Corp. policies regarding conflicts of interest are available at: <http://file.shinhaninvest.com/filedoc/clause/conflictofinterest.pdf>