

2023. 1. 5

## Tech Team

**Minha Choi**

Senior Analyst

minha22.choi@samsung.com

## ▶ AT A GLANCE

<b>Recommend</b>	<b>BUY</b>
<b>Target price</b>	<b>KRW96,000</b> 20%
<b>Current price</b>	<b>KRW80,000</b>
Market cap	KRW2.4t/USD1.9b
Shares (float)	30,058,498 (45.2%)
52-week high/low	KRW94,600/KRW59,100
Avg daily trading value (60-day)	KRW14.5b/ USD11.4m

## ▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
<b>Studio Dragon (%)</b>	<b>8.1</b>	<b>12.8</b>	<b>-15.3</b>
Vs Kosdaq (%pts)	15.9	19.3	27.7

## ▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	96,000	96,000	0.0%
2022E EPS	1,924	2,164	-11.1%
2023E EPS	2,552	2,613	-2.4%

## ▶ SAMSUNG vs THE STREET

No of estimates	14
Target price	102,214
Recommendation	4.0
BUY★★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★★: 1	

# Studio Dragon (253450)

## 4Q results especially disappointing

- We now believe Studio Dragon recorded a 4Q operating profit of KRW2.8b, missing consensus (KRW16.1b) by a wide mark due to: 1) purchase price allocation (related to its acquisition of Gil Pictures); and 2) heavier depreciation costs.
- The company should enjoy better margins in 2023 on the production of multiple seasons of original content, increasing co-production with foreign partners, and the renewal of a contract with Netflix.
- We reiterate BUY on the stock with an unchanged target price of KRW96,000.

## WHAT'S THE STORY?

**4Q preview:** We believe Studio Dragon's 4Q consolidated sales grew 5.1% y-y to KRW155.5b and that its operating profit fell 55.8% y-y to KRW2.8b (missing consensus of KRW16.1b). OTT original content made available for streaming last quarter included: The Glory (eight episodes), Celebrity (twelve), Island (two), and The Big Door Prize (three). A multitude of dramas (Little Women, Call My Agent, Under the Queen's Umbrella, and Alchemy of Souls: Part 2) were simultaneously: 1) aired on CATV/terrestrial networks; and 2) made available on Netflix. Because OTT original content (made by Studio Dragon) as a portion of total content (made by Studio Dragon) aired was large, the firm's operating profit likely dipped q-q though its top line likely grew further. Operating profit likely slipped y-y since: 1) the company likely booked one year's worth of purchase price allocation (relating to its buying Gil Pictures, which it acquired in September); and 2) depreciation costs likely rose due to massive costs associated with producing Alchemy of Souls: Part 1. For reference, Studio Dragon booked in 3Q sales from OTT original content: Shadow Detective (eight episodes) and Connect (six) to Disney Plus; The Fabulous (eight) to Netflix; and The Big Door Prize (seven out of ten episodes; to be aired in 2023) to Apple TV+.

*(Continued on the next page)*

## SUMMARY FINANCIAL DATA

	2021	2022E	2023E	2024E
Revenue (KRWb)	487	663	750	869
Operating profit (KRWb)	53	67	98	116
Net profit (adj) (KRWb)	39	58	77	91
EPS (adj) (KRW)	1,301	1,924	2,552	3,037
EPS (adj) growth (% y-y)	24.6	47.8	32.6	19.0
EBITDA margin (%)	31.1	26.1	28.5	28.2
ROE (%)	6.0	7.9	9.4	10.1
P/E (adj) (x)	69.9	44.7	31.3	26.3
P/B (x)	4.0	3.3	2.8	2.5
EV/EBITDA (x)	17.7	14.4	10.5	9.0
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

**Things to watch in 2023:** Studio Dragon's production budget per drama should expand and more of its dramas (such as Sweet Home, Shadow Detective, Arthdal Chronicles, Gyeongseong Creature, and Juvenile Justice) should span multiple seasons. Thanks to the recent renewal of its contract with Netflix, the Korean drama production company should enjoy better margins on the dramas that are simultaneously: 1) aired on CATV/terrestrial networks; and 2) made available to stream on Netflix. Studio Dragon is reportedly in talks with other OTT service providers about signing long-term contracts. More deals would add fresh earnings growth momentum for the firm. The company is also stepping up efforts to co-produce dramas with foreign partners. The Big Door Prize was the first drama Studio Dragon produced with a foreign partner (US firm Skydance), and the Korean content maker is preparing to co-produce more dramas—*ie*, Mastermind (CBS Studios) and The Plotters (Universal Studios).

**Reiterating BUY:** China recently began to air old Korean dramas and films—Korean content is becoming more popular there. On the prospects of a structural improvement in its margins this year, we maintain our KRW96,000 target price (based on 12.2x 12-month forward EV/EBITDA).

Table 1. Quarterly results and forecasts

(KRWb)	4Q21	3Q22	4Q22E	Chg (% q-q)	Chg (% y-y)	Consensus	Diff (%)
Sales	147.9	228.9	155.5	-32.1	5.1	165.9	-6.3
Operating profit	6.3	18.9	2.8	-85.2	-55.8	16.1	-82.6
Operating margin	4.3	8.3	1.8	-6.5	-2.5	9.7	-7.9
Pre-tax profit	-1.6	25.5	-1.9	nm	nm	17.7	-110.5
Net profit (controlling)	-0.8	17.8	-1.3	nm	nm	10.1	-112.7

Source: Company data, WiseFn, Samsung Securities

Table 2. Results and forecasts

(KRWb)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	2020	2021	2022E	2023E
<b>Sales</b>	117.1	106.0	116.1	147.9	121.1	157.5	228.9	155.5	142.1	184.8	215.1	208.3	525.7	487.1	662.9	750.3
Programing	43.8	28.2	36.2	53.2	35.4	43.8	59.4	41.2	35.1	38.9	77.1	43.2	197.0	161.3	179.8	194.3
Distribution	63.2	67.5	64.9	79.8	77.7	103.9	165.8	105.1	99.0	138.0	130.2	156.6	279.7	275.5	452.5	523.8
Others	10.1	10.3	15.0	14.9	8.0	9.8	3.8	9.2	7.9	8.0	7.8	8.5	48.9	50.3	30.7	32.2
<b>Gross profit</b>	23.7	20.3	21.0	14.8	25.5	35.4	27.4	11.8	30.7	37.2	36.1	29.6	74.8	79.8	100.1	133.6
SG&A	5.8	6.5	6.4	8.4	7.4	8.4	8.4	9.0	8.3	8.5	9.3	9.5	25.7	27.2	33.2	35.6
<b>Operating profit</b>	17.9	13.8	14.6	6.3	18.1	27.0	18.9	2.8	22.4	28.7	26.8	20.0	49.1	52.6	66.8	98.0
Non-operating profit	3.2	0.3	3.9	-7.9	2.0	3.0	6.5	-4.7	3.4	1.8	2.6	-4.2	-7.6	-0.6	6.9	3.5
Pre-tax profit	21.1	14.0	18.5	-1.6	20.1	30.0	25.5	-1.9	25.8	30.5	29.4	15.8	41.5	52.0	73.7	101.5
<b>Net profit (controlling)</b>	15.6	9.5	14.8	-0.8	15.6	25.6	17.8	-1.3	19.5	23.0	22.2	11.9	29.6	39.0	57.8	76.7
Gross margin	20.2	19.2	18.1	10.0	21.1	22.5	12.0	7.6	21.6	20.1	16.8	14.2	14.2	16.4	15.1	17.8
Operating margin	15.3	13.0	12.6	4.3	15.0	17.1	8.3	1.8	15.8	15.5	12.5	9.6	9.3	10.8	10.1	13.1
Net margin (controlling)	13.3	8.9	12.8	-0.5	12.9	16.2	7.8	-0.8	13.7	12.5	10.3	5.7	5.6	8.0	8.7	10.2
<b>Chg (% y-y)</b>																
<b>Sales</b>	-2.7	-34.3	9.2	7.4	3.4	48.5	97.2	5.1	17.3	17.4	-6.0	34.0	12.2	-7.3	36.1	13.2
Programing	-3.2	-56.9	-20.8	30.7	-19.1	55.4	64.0	-22.4	-0.9	-11.2	29.9	4.8	-5.6	-18.1	11.5	8.1
Distribution	-5.5	-10.8	27.7	-7.5	23.0	53.8	155.2	31.6	27.4	32.8	-21.4	49.0	27.6	-1.5	64.2	15.8
Other	24.0	-49.3	54.0	39.3	-21.5	-5.1	-74.8	-38.3	-0.2	-18.3	105.9	-7.4	20.4	2.9	-39.0	4.9
<b>Gross profit</b>	42.2	-6.9	-1.3	-1.7	7.8	74.0	30.5	-20.1	20.3	5.0	32.0	150.9	56.2	6.7	25.5	33.5
SG&A	14.0	33.6	21.0	-19.1	27.7	28.1	31.7	6.7	11.8	1.0	10.3	6.3	34.0	5.8	22.2	7.2
<b>Operating profit</b>	53.6	-18.2	-9.0	37.6	1.4	95.7	29.9	-55.8	23.7	6.3	41.7	613.9	71.1	7.0	27.1	46.5
Non-operating profit	642.7	-20.8	nm	nm	-37.8	1,085.2	67.8	nm	71.3	-41.2	-60.5	nm	nm	nm	nm	-48.8
Pre-tax profit	75.3	-18.2	21.3	nm	-4.6	113.7	37.9	nm	28.4	1.5	15.5	nm	25.4	25.2	41.7	37.7
<b>Net profit (controlling)</b>	82.2	-29.1	39.6	nm	0.4	170.2	20.5	nm	24.9	-9.9	24.6	nm	12.1	31.8	47.9	32.8
Gross margin	6.4	5.7	-1.9	-0.9	0.9	3.3	-6.1	-2.4	0.5	-2.4	4.8	6.6	4.0	2.2	-1.3	2.7
Operating margin	5.6	2.6	-2.5	0.9	-0.3	4.1	-4.3	-2.5	0.8	-1.6	4.2	7.8	3.2	1.5	-0.7	3.0
Net margin (controlling)	6.2	0.7	2.8	1.6	-0.4	7.3	-5.0	-0.3	0.8	-3.8	2.5	6.6	-0.0	2.4	0.7	1.5

Source: Company data, Samsung Securities

Table 3. Drama lineup (2022)

Year	No.	Channel	Title	Air dates	Episodes	Writers	Director	Cast	Days
2022	1	tvN	Bad and Crazy	Dec 17, 2021-Jan 28, 2022	12	Kim Saebom	Yoo Seondong	Lee Dongwook, Wi Hajoong	Fri, Sat
	2		Bulgasal: The Immortal Souls	Dec 18, 2021-Feb 6, 2022	16	Kwon Sora	Jang Yeongwoo	Lee Jinwook, Kwon Nara	Sat, Sun
	3		Ghost Doctor	Jan 3-Feb 22	16	Kim Sunsoo	Boo Seongcheol	Jung Jihoon, Kim Beom	Mon, Tue
	4		Twenty-Five Twenty-One	Feb 12-Apr 3	16	Kwon Doeun	Jung Jihyun	Kim Taeri, Nam Joohyuk	Sat, Sun
	5		Military Prosecutor Doberman	Feb 28-Apr 26	16	Yoon Hyeonho	Jin Changgyoo	Ahn Bohyun, Jo Boah	Mon, Tue
	6		Our Blues	Apr 9-Jun 12	20	Noh Heekyung	Kim Kyutae	Lee Byunghyun, Han Jimin	Sat, Sun
	7		Shooting Stars	Apr 22-Jun 11	16	Choi Youngwoo	Lee Soohyun	Lee Sungkyung	Fri, Sat
	8		The Murderer's Shopping List	Apr 27-May 19	8	Han Jiwan	Lee Eonhee	Lee Kwangsoo, Seolhyun	Wed, Thu
	9		O'PENing	May 2-Aug 5	14	Lee Yiyoung	Cho Eunsol	Park Hoyoju	Fri
	10		Eve	Jun 1-Jul 21	16	Yoon Youngmi	Park Bongseob	Seo Yeji, Park Byungeun	Wed, Thu
	11		Link: Eat, Love, Die	Jun 6-Jul 26	16	Kwon Kiyeong	Hong Jongchan	Yeo Jingoo, Moon Gayoung	Mon, Tue
	13		Alchemy of Souls: Part 1	Jun 18-Aug 21	20	Hong sisters	Park Joonhwa	Lee Jaewook, Hwang Minhyeon	Sat, Sun
	14		Adamas	Jul 27-Sep 15	16	Choi Taekang	Park Seungwoo	Ji Sung, Seo Jihye	Wed, Thu
	15		Joseon Psychiatrist Yoo Se Poong 1	Aug 1-Sep 6	12	Park Seulki	Park Wongook	Kim Minjae, Kim Hyanggi, Kim Sangkyung	Mon, Tue
	16		Little Women	Sep 3-Oct 9	12	Jung Seokyeung	Kim Heewon	Kim Goeun, Nam Jihyun	Sat, Sun
	17		Mental Coach Je Gal Gil	Sep 12-Nov 1	16	Kim Bandi	Son Junghyun	Jung Woo, Lee Yoomi, Kwon Yool	Mon, Tue
	18		Blind	Sep 16-Nov 5	16	Kwon Kikyung	Shin Yonghwi	Ok Taecyeon, Ha Seokjin, Jung Eunji	Fri, Sat
	19		Shrupp	Oct 15-Dec 4	16	Park Bara	Kim Hyungsik	Kim Hyesoo, Bae Hyunsung	Sat, Sun
	20		Call My Agent	Nov 7-Dec 13	12	Park Soyoun	Baek Seungryong	Lee Seojin, Kwak Sunyoung	Mon, Tue
	21		Alchemy of Souls: Part 2	Dec 10, 2022-Jan 8, 2023	10	Hong sisters	Park Joonhwa	Lee Jaewook, Hwang Minhyun	Sat, Sun
	22		Missing: The Other Side 2	Dec 19, 2022-Jan 31, 2023	14	Ban Giri, Jeong Soyeong	Min Yeonhong, Lee Yerim	Go Su, Heo Junho, Ahn Sohui	Mon, Tue
	23		MBC	Big Mouse	Jul 29-Sep 17	16	Kim Haram	Oh Choongwan	Lee Jongsuk, Im Yoonah
24	OCN	A Superior Day	Mar 13-May 1	8	Lee Jihyun	Jo Namhyung	Jingoo, Ha Dokwon	Sun	
25	Tving	The King of Pigs	Mar 18-Apr 22	12	Tak Jaeyoung	Kim Daejin	Kim Dongwook, Chae Jeongahn	Fri	
26		Strange	Apr 29	6	Yeon Sangho	Jang Geonjae	Shin Hyunbin, Koo Kyohwan	Fri	
27		Yumi's Cells 2	Jun 10-Jul 22	14	Song Jaejeong	Lee Sangyeob	Kim Goeun, Jinyoung	Fri	
28		Ants are Riding	Aug 12-Sep 16	12	Lim Yeonsoo	Choi Jiyoung	Hong Jonghyun, Han Jieun	Fri	
29		Island Part1	Dec 30, 2022-Jan 13, 2023	6	Oh Bohyun	Park Baejong	Kim Namgil, Lee Dahee	Fri	
30	Coupang Play	Unicorn	Aug 26-Sep 29	12	Yoo Byungjae	Kim Hyeyoung	Shin Hakyun, Won JiNa	Fri	
31	Disney+	Shadow Detective	Oct 26-Nov 16	8	Im Changse	Han Donghwa	Lee Sungmin, Jin Goo		
32		Connect	Dec 7	6	Song Jinsun	Miike Takashi	Jung Haein, Go Kyungpyo		
33	Netflix	Juvenile Justice	Feb 25	10	Kim Minseok	Hong Jongchan	Kim Hyesoo, Kim Muyeol		
34		The Fabulous	Dec 23	8	Kim Jihee, Im Jinsun	Kim Junghyun	Chae Soomin, Choi Minho		
35		The Glory Part 1	Dec 30	8	Kim Eun-sook	Ahn Gilho	Song Hyekyo, Lee Dohyun		
36	ENA	Summer Strike	Nov 21-Dec 27	12	Hong Munpyo, Lee Yoonjung	Hong Munpyo, Lee Yoonjung	Seol Hyun, Yim Siwan	Mon, Tue	

Note: Titles highlighted in green are streamed through Netflix, grey iQiyi Global, light blue Tving, and orange Disney+

Source: Company data, Samsung Securities

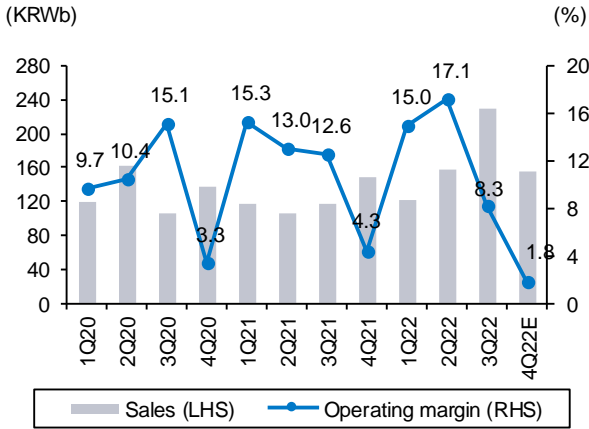
Table 4. Drama lineup (2023~)

Year	No.	Channel	Title	Air dates	Episodes	Writers	Director	Cast	Days
2023	1	tvN	Joseon Psychiatrist Yoo Se Poong 2	Jan 11-Feb 9	12	Park Seulki	Park Wongook	Kim Minjae, Kim Hyanggi, Kim Sangkyung	Wed, Thu
	2		Ilta Scandal	Jan 14-Mar 5	16	Yang Heeseung	Yoo Jewon	Jeon Doyeon, Jung Kyungho	Sat, Sun
	3		Youth Monthly Talk	Feb 6-Apr 11	20	Jung Hyunjung	Lee Jongjae	Park Hyungsik, Jeon Sony	Wed, Thu
	4		See You in My 19th Life	1H23	12	Choi Youngrim	Lee Najung	Shin Hyesun, Ahn Bohyun	Mon, Tue
	5		Queen of Tears	2H23		Park Jieun	Kim Heewon	Kim Suhyun, Kim Jiwon	
	6		When the Stars Gossip	2023		Seo Sookhyang	Park Sinwoo	Lee Minho, Gong Hyojin	
	7		Tale of the Nine Tailed	2023		Han Woori	Kang Shinhyo	Lee Dongwook, Kim Soyeon, Kim Bum	
	8		Stealer- Seven Joseon Notices	2023	12	Shin Kyungil	Choi Joonbae	Joo Won, Lee Joowoo	
	9		Arthdal Chronicles 2	2023	12	Kim Younghyun, Park Sangyun	Kim Gwangsik	Shin Sekyung, Lee Junki	
10	Tving	Duty After School	2023	10	Lee Namgyu	Seong Yongil	Shin Hyunsoo		
11		Island Part2	2023	6	Jang Yunmi	Park Baejong	Kim Namgil, Lee Dahee		
12	Netflix	The Glory Part 2	2023	8	Kim Eunsook	Ahn Gilho	Song Hyeekyo, Lee Dohyun		
13		Thief: Sound of the Sword	2023		Han Junghoon	Hwang Joonhyuk	Kim Namgil, Seo Hyun		
14		Celebrity	2023	12	Kim Yiyoung	Kim Chulkyu	Lee Chunga, Park Kyuyoung		
15		Gyeongseong Creature	2023	10	Kang Eungyeong	Jeong Dongyun	Park Seojun, Han Sohee		
16		The Girl Downstairs	2023	8	Jang Yuha	Lee Jeonghyo	Bae Suzy, Yang Sejong		
17		Sweet Home 2	2023			Lee Eungbok	Song Kang, Lee Jinwook		
18		Sweet Home 3	2023			Lee Eungbok	Song Kang, Lee Jinwook		
19		Disney+	Shadow Detective 2	2023		Im Changse	Han Donghwa	Lee Sungmin, Jung Jinyoung	
20	Apple TV+	The Big Door Prize	2022	10	David West Read				
21	Coupang Play	The Bait Part 1	Jan 27	6	Kim Jinwook	Kim Hongseon	Jang Geunseok, Heo Sungtae		
22		The Bait Part 1	1H23		Kim Jinwook	Kim Hongseon	Jang Geunseok, Heo Sungtae		
TBD	1		The Price of Confession	TBD		Jeon Jongkwan	Song Hyeekyo, Han Sohee		
	2		Plotters (Joint with Universal Studios)	TBD					
	3		Mastermind (Joint with CSB Studios)	TBD					
	4	Netflix	Gyeongseong Creature 2	TBD		Kang Eungyeong	Jeong Dongyun	Park Seojun, Han Sohee	
	5		Juvenile Justice 2	TBD		Kim Minseok	Hong Jongchan	Kim Hyesoo	

Note: Titles highlighted in green are streamed through Netflix, grey iQiyi Global, light blue Tving, and orange Disney+

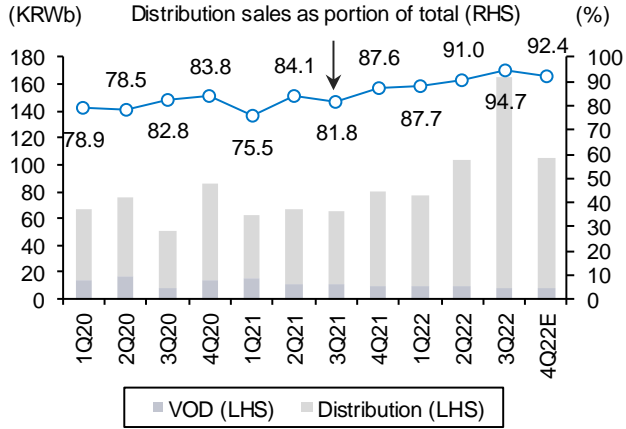
Source: Company data, Samsung Securities

**Chart 1. Quarterly sales and operating margin**



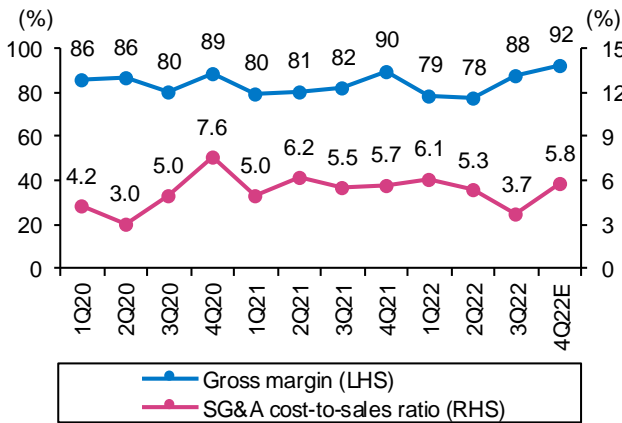
Source: Company data, Samsung Securities

**Chart 2. VOD sales and distribution sales**



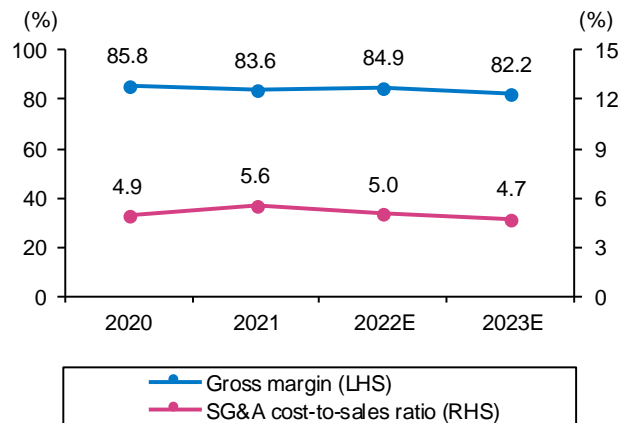
Source: Company data, Samsung Securities

**Chart 3. Quarterly gross margin vs SG&A cost-to-sales ratio**



Source: Company data, Samsung Securities

**Chart 4. Annual gross margin vs SG&A cost-to-sales ratio**



Source: Company data, Samsung Securities

**Chart 5. The Glory: Part 1 (Netflix; Dec 30)**



Source: Company data, Samsung Securities

**Chart 6. Island: Part 1 (Tving/Amazon Prime; Dec 30)**



Source: Company data, Samsung Securities

**Chart 7. The Bait (Coupang Play; Jan 27)**



Source: Company data, Samsung Securities

**Table 5. Goodwill arising from the acquisition of Gil Pictures**

	Amount (KRWb)
Total transfer price	32.0
Fair value of net assets	3.2
Goodwill	28.8

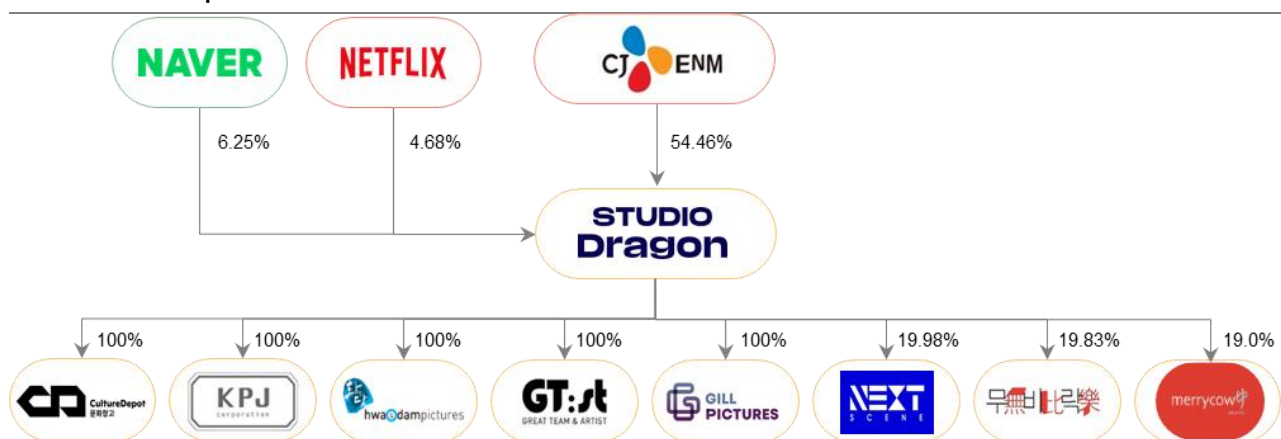
Source: DART, Company data, Samsung Securities

**Table 6. Gil Pictures: 3Q22 financial results**

(KRWb)	Assets	Liability	Sales	Net profit
Gil Pictures	6.3	1.7	14.3	1.4

Note: Data after the point of acquisition of control

Source: DART, Company data, Samsung Securities

**Chart 8. Ownership structure**

Note: As of 3Q22

Source: Company data, Samsung Securities

**Table 7. Changes to full-year forecasts**

(KRWb)	2022E			2023E		
	Previous	Revised	Chg (%)	Previous	Revised	Chg (%)
Sales	655.8	662.9	1.1	738.4	750.3	1.6
Operating profit	77.2	66.8	-13.4	100.6	98.0	-2.6
Operating margin (%, %pts)	11.8	10.1	-1.7	13.6	13.1	-0.6
Pre-tax profit	84.2	73.7	-12.5	103.9	101.5	-2.4
Net profit (controlling)	65.0	57.8	-11.1	78.6	76.7	-2.4

Source: Company data, Samsung Securities

## Income statement

Year-end Dec 31 (KRWb)	2020	2021	2022E	2023E	2024E
<b>Sales</b>	<b>526</b>	<b>487</b>	<b>663</b>	<b>750</b>	<b>869</b>
Cost of goods sold	451	407	563	617	715
<b>Gross profit</b>	<b>75</b>	<b>80</b>	<b>100</b>	<b>134</b>	<b>155</b>
Gross margin (%)	14.2	16.4	15.1	17.8	17.8
SG&A expenses	26	27	33	36	38
<b>Operating profit</b>	<b>49</b>	<b>53</b>	<b>67</b>	<b>98</b>	<b>116</b>
Operating margin (%)	9.3	10.8	10.1	13.1	13.4
<b>Non-operating gains (losses)</b>	<b>-8</b>	<b>-1</b>	<b>7</b>	<b>4</b>	<b>4</b>
Financial profit	10	14	32	25	25
Financial costs	14	10	20	16	14
Equity-method gains (losses)	0	0	0	0	0
Other	-4	-5	-4	-5	-7
<b>Pre-tax profit</b>	<b>42</b>	<b>52</b>	<b>74</b>	<b>101</b>	<b>121</b>
Taxes	12	13	16	25	29
Effective tax rate (%)	28.7	24.9	21.6	24.4	24.4
Profit from continuing operations	30	39	58	77	91
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>30</b>	<b>39</b>	<b>58</b>	<b>77</b>	<b>91</b>
Net margin (%)	5.6	8.0	8.7	10.2	10.5
Net profit (controlling interests)	30	39	58	77	91
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	165	152	173	214	245
EBITDA margin (%)	31.4	31.1	26.1	28.5	28.2
EPS (parent-based) (KRW)	1,044	1,301	1,924	2,552	3,037
EPS (consolidated) (KRW)	1,044	1,301	1,924	2,552	3,037
Adjusted EPS (KRW)*	1,044	1,301	1,924	2,552	3,037

## Cash flow statement

Year-end Dec 31 (KRWb)	2020	2021	2022E	2023E	2024E
<b>Cash flow from operations</b>	<b>5</b>	<b>-8</b>	<b>124</b>	<b>219</b>	<b>201</b>
Net profit	30	39	58	77	91
Non-cash profit and expenses	135	119	121	139	155
Depreciation	3	4	2	1	1
Amortization	113	95	104	114	128
Other	19	20	15	23	27
Changes in A/L from operating activities	-144	-155	-40	29	-16
<b>Cash flow from investments</b>	<b>-16</b>	<b>27</b>	<b>-129</b>	<b>-143</b>	<b>-162</b>
Change in tangible assets	-7	-2	0	0	0
Change in financial assets	47	0	0	0	0
Other	-56	28	-129	-143	-162
<b>Cash flow from financing</b>	<b>0</b>	<b>-3</b>	<b>-5</b>	<b>-1</b>	<b>-1</b>
Change in debt	1	0	-4	0	0
Change in equity	149	0	0	0	0
Dividends	0	0	0	0	0
Other	-150	-4	-1	-1	-1
Change in cash	-11	16	40	67	30
Cash at beginning of year	60	49	65	105	171
Cash at end of year	49	65	105	171	201
<b>Gross cash flow</b>	<b>165</b>	<b>158</b>	<b>179</b>	<b>215</b>	<b>247</b>
<b>Free cash flow</b>	<b>-2</b>	<b>-11</b>	<b>124</b>	<b>219</b>	<b>201</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)	2020	2021	2022E	2023E	2024E
<b>Current assets</b>	<b>228</b>	<b>233</b>	<b>301</b>	<b>368</b>	<b>409</b>
Cash & equivalents	49	65	105	171	201
Accounts receivable	107	124	156	153	166
Inventories	0	0	0	0	0
Other current assets	73	44	40	44	42
<b>Fixed assets</b>	<b>529</b>	<b>652</b>	<b>666</b>	<b>705</b>	<b>750</b>
Investment assets	180	241	231	240	249
Tangible assets	8	8	5	4	3
Intangible assets	230	298	319	347	380
Other long-term assets	111	105	110	113	118
<b>Total assets</b>	<b>757</b>	<b>884</b>	<b>967</b>	<b>1,073</b>	<b>1,159</b>
<b>Current liabilities</b>	<b>132</b>	<b>184</b>	<b>169</b>	<b>197</b>	<b>190</b>
Accounts payable	6	17	16	24	27
Short-term debt	0	0	0	0	0
Other current liabilities	126	167	154	173	163
<b>Long-term liabilities</b>	<b>16</b>	<b>17</b>	<b>19</b>	<b>21</b>	<b>23</b>
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	16	17	19	21	23
<b>Total liabilities</b>	<b>148</b>	<b>200</b>	<b>189</b>	<b>218</b>	<b>213</b>
<b>Owners of parent equity</b>	<b>609</b>	<b>684</b>	<b>779</b>	<b>855</b>	<b>947</b>
Capital stock	15	15	15	15	15
Capital surplus	470	470	470	470	470
Retained earnings	123	162	219	296	387
Other	1	37	74	74	74
<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>609</b>	<b>684</b>	<b>779</b>	<b>855</b>	<b>947</b>
Net debt	-38	-54	-97	-164	-194

## Financial ratios

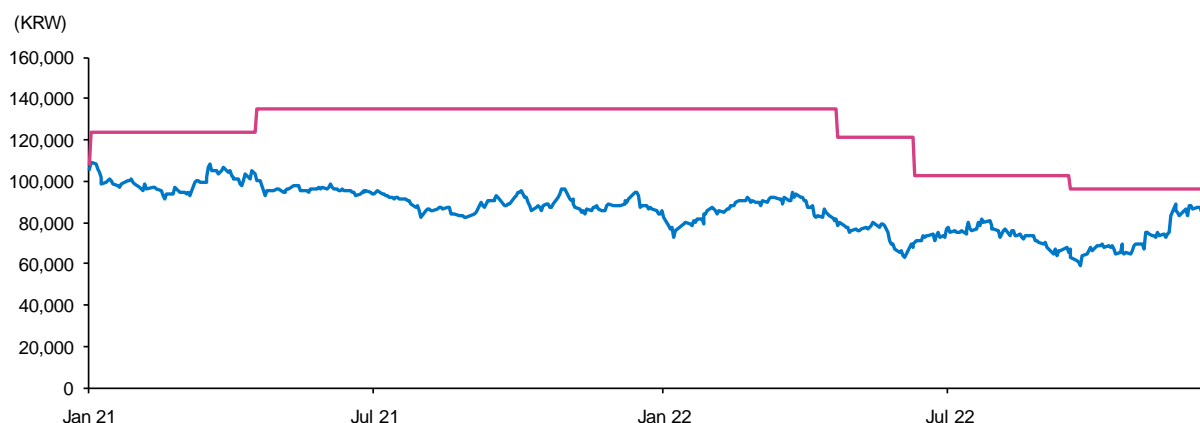
Year-end Dec 31	2020	2021	2022E	2023E	2024E
<b>Growth (%)</b>					
Sales	12.2	-7.3	36.1	13.2	15.9
Operating profit	71.1	7.0	27.1	46.5	18.9
Net profit	12.1	31.8	47.9	32.8	19.0
Adjusted EPS**	10.9	24.6	47.8	32.6	19.0
<b>Per-share data (KRW)</b>					
EPS (parent-based)	1,044	1,301	1,924	2,552	3,037
EPS (consolidated)	1,044	1,301	1,924	2,552	3,037
Adjusted EPS**	1,044	1,301	1,924	2,552	3,037
BVPS	20,309	22,785	25,901	28,453	31,489
DPS (common)	0	0	0	0	0
<b>Valuations (x)</b>					
P/E***	88.7	69.9	44.7	31.3	26.3
P/B***	4.6	4.0	3.3	2.8	2.5
EV/EBITDA	16.6	17.7	14.4	10.5	9.0
<b>Ratios (%)</b>					
ROE	5.7	6.0	7.9	9.4	10.1
ROA	4.4	4.8	6.2	7.5	8.2
ROIC	11.2	10.9	12.4	16.4	18.3
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	-6.3	-7.8	-12.5	-19.2	-20.5
Interest coverage (x)	84.8	67.6	102.5	191.8	228.0



### Compliance notice

- As of 1/4 2023, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 1/4 2023, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.
- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
- This material has not been distributed to institutional investors or other third parties prior to its publication.

### Target price changes in past two years



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

Date	2020/1/14	2021/1/14	2021/1/22	5/7	2022/5/7	2022/5/12	6/30	10/6
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	108000	108000	124000	135000	135000	121000	103000	96000
Gap* (average)	-23.70	-5.37	-19.74	-33.60	-39.75	-39.04	-28.47	
(max or min)**	-3.98	-1.02	-12.50	-25.78	-39.56	-33.88	-20.87	

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

### Samsung Securities uses the following investment ratings.

#### Company

<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 2022.12.31

BUY (80.6%)-HOLD (19.4%)-SELL (0%)

## Global Disclosures & Disclaimers

### General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

### For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

### For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high-net-worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

### For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

### For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

### Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc

## Samsung Securities

### SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,  
Seochodaero-ro, Seocho-gu, Seoul, Korea 06620  
Tel: 02 2020 8000 / www.samsungpop.com

**Family Center:** 1588 2323

**Voice Of Customer:** 080 911 0900

---

**For more information,  
please call our sales representatives:**

#### LONDON

##### Samsung Securities Europe Limited

1st Floor, 30 Gresham Street, London EC2V 7PG UK  
Tel. 44-207-776-4311  
Fax. 44-203-837-9219

#### NEW YORK

##### Samsung Securities America Limited

1330 Avenue of the Americas. 10th Floor. New York,  
NY 10019  
Tel: 1-212-972-2454  
Fax: 1-212-972-2704

#### HONG KONG

##### Samsung Securities (Asia) Limited

Suite 4511, Two International Finance Center,  
8 Finance Street, Central, Hong Kong  
Tel: 852-3411-3608  
Fax: 852-2114-0290

#### BEIJING

##### Samsung Securities Beijing Representative Office

Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao  
Yang District, Beijing, China  
Tel: 86-10-6522-1855 (extension 7891)  
Fax: 86-10-6522-1855 (extension 7889)

#### TOKYO

##### Samsung Securities Tokyo Representative Office

#106-8532 19F, Roppongi T-Cube 3-1-1,  
Roppongi Minato-ku Tokyo, Japan  
Tel: 81-3-6333-2952  
Fax: 81-3-6333-2953

---



Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA