

2023. 6. 29

Tech Team

Minha Choi

Senior Analyst

minha22.choi@samsung.com

## Studio Dragon (253450)

### Holding up in adverse business environment

- We now expect Studio Dragon's 2Q results to show a consolidated operating profit of KRW11.9b (down 56% y-y), missing consensus (KRW19.4b) by a long way—which we would ascribe to q-q and y-y decreases in the number of episodes of its dramas that aired in 2Q, leading to heavy amortization costs.
- Undaunted by the adverse business environment, the Studio Dragon should continue to reinforce its market position through the popularity of its content.
- Factoring in our new estimates, we cut our target price by 14% to KRW83,000.

▶ AT A GLANCE

Recommend	<b>BUY</b>	
Target price	<b>KRW83,000</b>	45.9%
Current price	<b>KRW56,900</b>	
Market cap	KRW1.7/USD1.3b	
Shares (float)	30,058,498 (45.2%)	
52-week high/low	KRW88,900/KRW54,300	
Avg daily trading value (60-day)	KRW10.5b/USD8.1m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Studio Dragon (%)	-11.1	-34.1	-16.3
Vs Kosdaq (%pts)	-13.5	-47.3	-25.7

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	83,000	96,000	-13.5%
2023E EPS	1,859	2,158	-13.8%
2024E EPS	2,424	2,838	-14.6%

▶ SAMSUNG vs THE STREET

No of estimates	16
Target price	96,813
Recommendation	4.0
BUY★★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★★: 1	

WHAT'S THE STORY?

**2Q preview:** We believe Studio Dragon will post 2Q results showing consolidated sales and operating profit down 11.1% and 56% y-y, respectively, to KRW140b and KRW11.9b, the latter missing consensus of KRW19.4b. The company's dramas are becoming increasingly popular worldwide that to its competitiveness in production, but we anticipate disappointing 2Q results for four main reasons. First, it likely recognized sales on 77 episodes in 2Q23, vs 112 episodes in 1Q23 and 107 in 2Q22 (when its captive channel operated Friday/Saturday slots in addition to Saturday/Sunday slots. Second, lackluster sales likely resulted in heavier amortization costs. Third, the Korean drama producer in 2Q22 supplied global OTT platforms with a number of old titles (that had completed amortization), which resulted in massive profitability gains and, therefore, a high base for 2Q23. Fourth, viewership ratings for the dramas it provided in 2Q23 were low, and the ad industry was struggling.

**Holding up in adverse business environment:** Studio Dragon has delivered stable results thanks to its diversified distribution channels and the popularity of its content. Yet, it is not free from the impact of a worsening business environment. Some TV channels have temporarily closed weekday drama slots, and one global OTT service provider has reportedly dissolved a Korean original content team. Nevertheless, Studio Dragon should keep cementing its market leadership, backed by: 1) its adoption of a season-based production format and the broadcasting of tentpole original content for OTT platforms; and 2) more dramas that will be made available for streaming simultaneously under volume deals with Netflix and Disney Plus.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2022	2023E	2024E	2025E
Revenue (KRWb)	698	728	873	1,000
Operating profit (KRWb)	65	70	93	118
Net profit (adj) (KRWb)	51	56	73	94
EPS (adj) (KRW)	1,684	1,859	2,424	3,113
EPS (adj) growth (% y-y)	29.4	10.4	30.4	28.4
EBITDA margin (%)	31.3	29.6	27.3	27.1
ROE (%)	7.5	8.4	10.3	11.8
P/E (adj) (x)	51.1	30.6	23.5	18.3
P/B (x)	3.9	2.5	2.3	2.0
EV/EBITDA (x)	12.1	8.2	7.4	6.3
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

**Cutting target price:** We reduce our full-year operating profit estimate by 14% and lower our target EV/EBITDA multiple from 12.2x to 11.4x (a 20% discount to the 2020-2022 average) to reflect deterioration of the business environment. Accordingly, our target price drops 14% to KRW83,000. Investor sentiment should pick up slowly, with 2H earnings growing on programing sales from tentpole dramas and the firm's strategy of capitalizing on intellectual property (eg, via games).

**Table 1. Quarterly results and forecasts**

(KRWb)	2Q22	1Q23	2Q23E	Chg (% q-q)	Chg (% y-y)	Consensus	Diff (%)
Sales	157.5	211.1	140.0	-33.7	-11.1	170.0	-17.6
Operating profit	27.0	21.6	11.9	-45.0	-56.0	19.4	-38.6
Operating margin	17.1	10.2	8.5	-1.7	-8.6	11.4	-2.9
Pre-tax profit	30.0	22.1	12.1	-45.4	-59.8	20.0	-39.7
Net profit (controlling)	25.6	18.4	9.4	-49.1	-63.4	15.2	-38.3

Source: Company data, WiseFn, Samsung Securities

**Table 2. Results and forecasts**

(KRWb)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	3Q23E	4Q23E	2021	2022	2023E	2024E
<b>Sales</b>	<b>117.1</b>	<b>106.0</b>	<b>116.1</b>	<b>147.9</b>	<b>121.1</b>	<b>157.5</b>	<b>228.9</b>	<b>190.5</b>	<b>211.1</b>	<b>140.0</b>	<b>145.8</b>	<b>230.8</b>	<b>487.1</b>	<b>697.9</b>	<b>727.8</b>	<b>873.3</b>
Programing	43.8	28.2	36.2	53.2	35.4	43.8	59.4	54.0	43.2	39.2	35.3	36.4	161.3	192.5	154.0	162.5
Distribution	63.2	67.5	64.9	79.8	77.7	103.9	165.8	132.8	211.1	140.0	145.8	230.8	275.5	480.2	559.5	695.2
Others	10.1	10.3	15.0	14.9	8.0	9.8	3.8	3.7	180.3	119.6	119.8	199.7	50.3	25.2	14.2	15.6
<b>Gross profit</b>	<b>23.7</b>	<b>20.3</b>	<b>21.0</b>	<b>14.8</b>	<b>25.5</b>	<b>35.4</b>	<b>27.4</b>	<b>11.7</b>	<b>30.8</b>	<b>20.4</b>	<b>26.0</b>	<b>31.1</b>	<b>79.8</b>	<b>100.0</b>	<b>108.3</b>	<b>134.1</b>
SG&A	5.8	6.5	6.4	8.4	7.4	8.4	8.4	10.5	9.2	8.5	9.3	11.2	27.2	34.8	38.2	41.0
<b>Operating profit</b>	<b>17.9</b>	<b>13.8</b>	<b>14.6</b>	<b>6.3</b>	<b>18.1</b>	<b>27.0</b>	<b>18.9</b>	<b>1.2</b>	<b>21.6</b>	<b>11.9</b>	<b>16.7</b>	<b>19.9</b>	<b>52.6</b>	<b>65.2</b>	<b>70.1</b>	<b>93.0</b>
Non-operating profit	3.2	0.3	3.9	-7.9	2.0	3.0	6.5	-18.1	0.5	0.2	0.3	-0.7	-0.6	-6.6	0.3	0.9
Pre-tax profit	21.1	14.0	18.5	-1.6	20.1	30.0	25.5	-17.0	22.1	12.1	17.0	19.2	52.0	58.6	70.4	93.9
<b>Net profit (controlling)</b>	<b>15.6</b>	<b>9.5</b>	<b>14.8</b>	<b>-0.8</b>	<b>15.6</b>	<b>25.6</b>	<b>17.8</b>	<b>-8.5</b>	<b>18.4</b>	<b>9.4</b>	<b>13.2</b>	<b>14.9</b>	<b>39.0</b>	<b>50.6</b>	<b>55.9</b>	<b>72.9</b>
Gross margin	20.2	19.2	18.1	10.0	21.1	22.5	12.0	6.1	14.6	14.6	17.8	13.5	16.4	14.3	14.9	15.4
Operating margin	15.3	13.0	12.6	4.3	15.0	17.1	8.3	0.6	10.2	8.5	11.5	8.6	10.8	9.3	9.6	10.7
Net margin (controlling)	13.3	8.9	12.8	-0.5	12.9	16.2	7.8	-4.4	8.7	6.7	9.1	6.5	8.0	7.2	7.7	8.3
<b>Chg (% y-y)</b>																
<b>Sales</b>	<b>-2.7</b>	<b>-34.3</b>	<b>9.2</b>	<b>7.4</b>	<b>3.4</b>	<b>48.5</b>	<b>97.2</b>	<b>28.8</b>	<b>74.4</b>	<b>-11.1</b>	<b>-36.3</b>	<b>21.2</b>	<b>-7.3</b>	<b>43.3</b>	<b>4.3</b>	<b>20.0</b>
Programing	-3.2	-56.9	-20.8	30.7	-19.1	55.4	64.0	1.5	21.9	-10.6	-40.6	-32.5	-18.1	19.4	-20.0	5.5
Distribution	-5.5	-10.8	27.7	-7.5	23.0	53.8	155.2	66.4	171.6	34.7	-12.0	73.7	-1.5	74.3	16.5	24.2
Other	24.0	-49.3	54.0	39.3	-21.5	-5.1	-74.8	-75.3	2,166.3	1,124.5	3,077.3	5,327.5	2.9	-49.9	-43.6	9.8
<b>Gross profit</b>	<b>42.2</b>	<b>-6.9</b>	<b>-1.3</b>	<b>-1.7</b>	<b>7.8</b>	<b>74.0</b>	<b>30.5</b>	<b>-20.7</b>	<b>20.8</b>	<b>-42.4</b>	<b>-5.1</b>	<b>166.0</b>	<b>6.7</b>	<b>25.4</b>	<b>8.3</b>	<b>23.7</b>
SG&A	14.0	33.6	21.0	-19.1	27.7	28.1	31.7	25.1	24.3	1.1	10.0	6.7	5.8	27.9	9.9	7.3
<b>Operating profit</b>	<b>53.6</b>	<b>-18.2</b>	<b>-9.0</b>	<b>37.6</b>	<b>1.4</b>	<b>95.7</b>	<b>29.9</b>	<b>-81.4</b>	<b>19.3</b>	<b>-56.0</b>	<b>-11.8</b>	<b>1,587.2</b>	<b>7.0</b>	<b>24.0</b>	<b>7.5</b>	<b>32.7</b>
Non-operating profit	642.7	-20.8	nm	nm	-37.8	1,085.2	67.8	nm	-75.6	-94.5	-95.2	nm	nm	nm	nm	202.4
Pre-tax profit	75.3	-18.2	21.3	nm	-4.6	113.7	37.9	nm	10.0	-59.8	-33.1	nm	25.2	12.7	20.1	33.4
<b>Net profit (controlling)</b>	<b>82.2</b>	<b>-29.1</b>	<b>39.6</b>	<b>nm</b>	<b>0.4</b>	<b>170.2</b>	<b>20.5</b>	<b>nm</b>	<b>17.8</b>	<b>-63.4</b>	<b>-26.0</b>	<b>nm</b>	<b>31.8</b>	<b>29.5</b>	<b>10.5</b>	<b>30.4</b>
Gross margin	6.4	5.7	-1.9	-0.9	0.9	3.3	-6.1	-3.8	-6.5	-7.9	5.9	7.3	2.2	-2.0	0.6	0.5
Operating margin	5.6	2.6	-2.5	0.9	-0.3	4.1	-4.3	-3.7	-4.7	-8.6	3.2	8.0	1.5	-1.4	0.3	1.0
Net margin (controlling)	6.2	0.7	2.8	1.6	-0.4	7.3	-5.0	-3.9	-4.2	-9.6	1.3	10.9	2.4	-0.8	0.4	0.7

Source: Company data, Samsung Securities

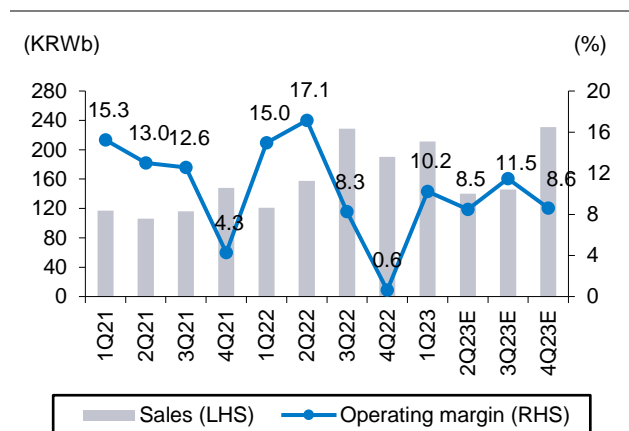
Table 3. Drama lineup (from 2023)

Year	No.	Channel	Title	Air dates	Episodes	Writers	Director	Days
2023	1	tvN	Alchemy of Souls 2 : Light and Shadow	Dec 10, 2022-Jan 8, 2023	10	Hong sisters	Park Joonhwa	Sat, Sun
	2		Missing: The Other Side 2	Dec 19, 2022-Jan 31, 2023	14	Ban Giri, Jeong Soyeong	Min Yeonhong, Lee Yerim	Mon, Tue
	3		Poong, the Joseon Psychiatrist S2	Jan 1-Feb 9	10	Park Seulki	Park Wongook	Wed, Thu
	4		Crash Course in Romance	Jan 14-Mar 5	16	Yang Heeseung	Yoo Jewon	Sat, Sun
	5		Our Blooming Youth	Feb 6-Apr 11	20	Jung Hyunjung	Lee Jongjae	Wed, Thu
	6		The Heavenly Idol	Feb 15-Mar 23	12	Lee Chunggeum	Park Soyeon	Wed, Thu
	7		Pandora: Beneath the Paradise	Mar 11-Apr 30	16	Hyun Jimin	Choi Younghoon	Sat, Sun
	8		Stealer: The Treasure Keeper	Apr 12-May 18	12	Shin Kyungil	Choi Joonbae	Wed, Thu
	9		Family: The Unbreakable Bond	Apr 17-May 23	12	Jung yoosun	Jang Jungdo	Mon, Tue
	10		Tale of the Nine Tailed 1938 (Amazon Prime)	May 6-Jun 11	12	Han Woori	Kang Shinhyo	Sat, Sun
	11		Delightfully Deceitful	May 29-July 18	16	Han Wooju	Lee Suhyeon	Mon, Tue
	12		See you in My 19th Life	Jun 17-July 23	12	Choi Yeonglim	Lee Najung	Sat, Sun
	13		The Uncaany Cunter S2	July 29-Sep 3	12	Kim Saebom	Yoo Sundong	Sat, Sun
	14		Useless Lie	July 31- Sep 19	16	Seo Jeongeun	Nam Sungwoo	Wed, Thu
	15		Athdal Chronicles: The Sword of Aramoon	Sep 9-Oct 15	12	Kim Yeonghyeon	Kim Kwangsik	Sat, Sun
	16		Twinkling Watermelon	Sep 25- Nov 14	16	Jin Soowan	Son Junghyeon	Mon, Tue
	17		Diva of the Deserted Island	Oct 21~Nov 26	12	Park Hyeryeon	Oh Choonghwan	Sat, Sun
	18		Wedding Impossible	Nov, 2023	12	Park Seulki	Kwon Yeongil	Mon, Tue
	19		Queen of Tears	Dec, 2023	16	Park Jieun	Kin Heewon	Sat, Sun
20	Tving	Island Part1 (Amazon Prime)	Dec 30, 2022-Jan 13,	6	Oh Bohyeon	Bae Jong		
20-(2)		Island Part2 (Amazon Prime)	Feb 24-Mar 10	6	Oh Bohyeon	Bae Jong		
21	Tving	Duty After School Part1	Mar 3	6	Lee Namkyu	Sung Yongil		
21-(2)		Duty After School Part2	Apr 21	4	Lee Namkyu	Sung Yongil		
22	Netflix	The Glory Part 2	Mar 10	8	Kim Eunsook	Ahn Gilho		
23		Celebrity (supplied in 4Q22)	Jun 30	12	Kim Yiyoung	Kim Chulkyu		
24		Thief: Sound of the Sword	2023		Han Junghoon	Hwang Joonhyuk		
25		Gyeongseong Creature	2023	10	Kang Eungyeong	Jeong Dongyun		
26		The Girl Downstairs	2023	8	Jang Yuha	Lee Jeonghyo		
27	Netflix	Sweet Home 2	2023			Lee Eungbok		
28		Shadow Detective 2 (supplied in 1H23)	July 5		Im Changse	Han Donghwa		
29	AppleTV+	The Big Door Prize (supplied in 3Q22-4Q22)	Mar 31-May 17	10	David West Read	Anu Valia		
30	Coupang Play	Decoy Part 1	Jan 27-Feb 10	6	Kim Jinwook	Kim Hongseon	Fri	
30-(2)		Decoy Part 2 (supplied in 1Q23)	Apr 7-Apr 21	6	Kim Jinwook	Kim Hongseon	Fri	
31	ENA	Lies Hidden in My Garden	Jun 19-Jul 11	8	Ji Anni	Jung Jihyeon	Mon, Tue	
TBD	1	tvN	Maestra	TBD		Choi Yiyun	Kim Jeongkwon	
	2		When the Stars Gossip	TBD		Seo Sookhyang	Park Shinwoo	
	3	TBD	The Plotters	TBD			*Cowork with Universal Studio	
	4		Mastermind	TBD			*Cowork with CBS Studio	
	5	Tving	Study Group					
	6	Netflix	Sweet Home 3	2024			Lee Eungbok	
	7		Gyeongseong Creature 2	TBD		Kang Eungyeong	Jeong Dongyun	
	8		Whielwind	TBD		Park Kyeonsoo	Kim Yongwan	
	9		Hierarchy	TBD				
	10		Crash Landing on you (US)	TBD				
	11		The Big Door Prize 2	2024				

Note: Titles highlighted in green are streamed through Netflix, light blue Tving, and orange Disney+, purple Amazon Prime

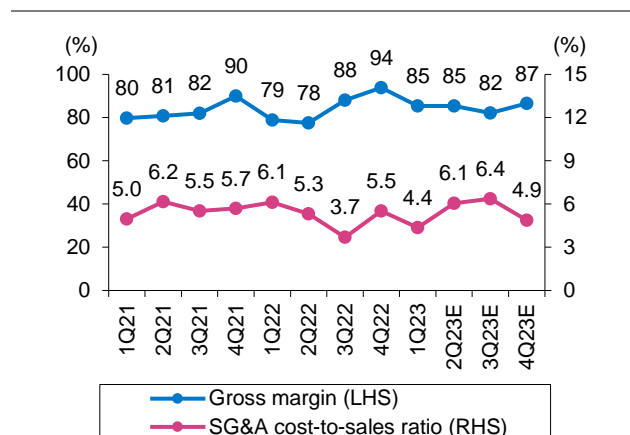
Source: Company data, Samsung Securities

Chart 1. Quarterly sales and operating margin



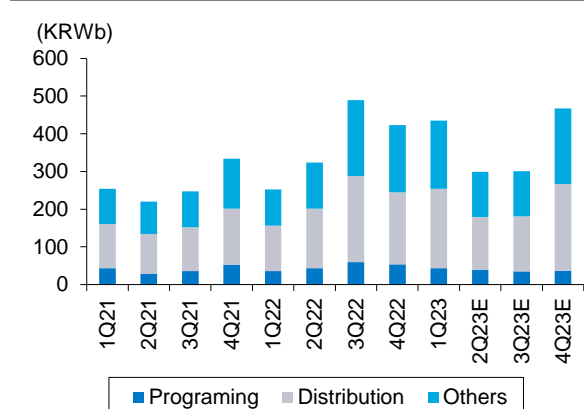
Source: Company data, Samsung Securities

Chart 2. Quarterly gross margin vs SG&A cost-to-sales ratio



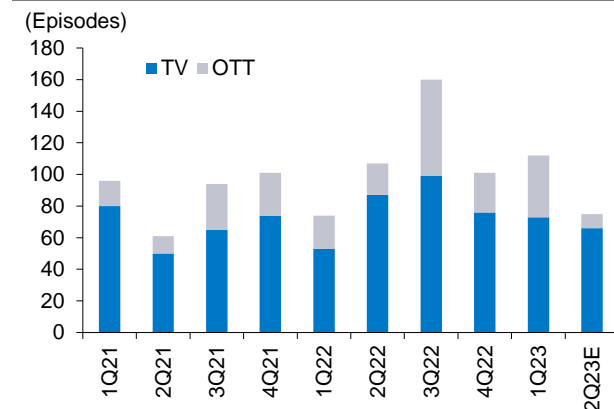
Source: Company data, Samsung Securities

Chart 3. Quarterly sales, by department



Source: Company data, Samsung Securities

Chart 4. Number of episodes supplied, by channel



Source: Company data, Samsung Securities

Chart 5. Tale of the Nine Tailed 1938 (tvN; May 6)



Source: Company data, Samsung Securities

Chart 6. See you in My 19th Life (tvN; Jun 17)



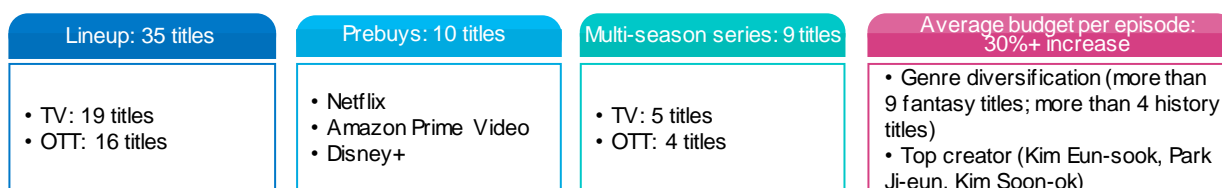
Source: Company data, Samsung Securities

Chart 7. Shadow Detective 2 (Disney+; Jul 5)



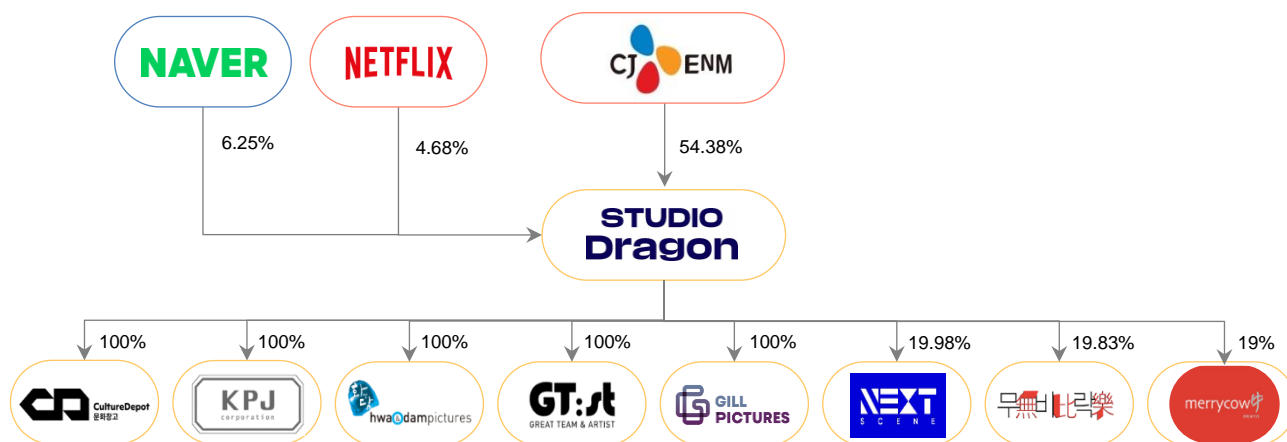
Source: Company data, Samsung Securities

Chart 8. Ambitious 2023 targets



Source: Company data, Samsung Securities

Chart 9. Ownership structure



Note: As of 1Q23

Source: Company data, Samsung Securities

Table 4. Changes to full-year forecasts

(KRWb)	2023E			2024E		
	Previous	Revised	Chg (%)	Previous	Revised	Chg (%)
Sales	803.4	727.8	-9.4	943.5	873.3	-7.4
Operating profit	81.6	70.1	-14.1	106.6	93.0	-12.7
OPM (% , %pts)	10.2	9.6	-0.5	11.3	10.7	-0.6
Pre-tax profit	82.0	70.4	-14.1	109.9	93.9	-14.6
NP (controlling)	64.9	55.9	-13.8	85.3	72.9	-14.6

Source: Company data, Samsung Securities

## Income statement

Year-end Dec 31 (KRWb)	2021	2022	2023E	2024E	2025E
<b>Sales</b>	<b>487</b>	<b>698</b>	<b>728</b>	<b>873</b>	<b>1,000</b>
Cost of goods sold	407	598	619	739	838
<b>Gross profit</b>	<b>80</b>	<b>100</b>	<b>108</b>	<b>134</b>	<b>162</b>
Gross margin (%)	16.4	14.3	14.9	15.4	16.2
SG&A expenses	27	35	38	41	44
<b>Operating profit</b>	<b>53</b>	<b>65</b>	<b>70</b>	<b>93</b>	<b>118</b>
Operating margin (%)	10.8	9.3	9.6	10.7	11.8
<b>Non-operating gains (losses)</b>	<b>-1</b>	<b>-7</b>	<b>0</b>	<b>1</b>	<b>3</b>
Financial profit	14	21	19	18	19
Financial costs	10	19	14	11	9
Equity-method gains (losses)	0	0	0	0	0
Other	-5	-9	-5	-6	-7
<b>Pre-tax profit</b>	<b>52</b>	<b>59</b>	<b>70</b>	<b>94</b>	<b>121</b>
Taxes	13	8	15	21	27
Effective tax rate (%)	24.9	13.7	20.6	22.4	22.4
Profit from continuing operations	39	51	56	73	94
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>39</b>	<b>51</b>	<b>56</b>	<b>73</b>	<b>94</b>
Net margin (%)	8.0	7.2	7.7	8.3	9.4
Net profit (controlling interests)	39	51	56	73	94
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	152	219	215	239	271
EBITDA margin (%)	31.1	31.3	29.6	27.3	27.1
EPS (parent-based) (KRW)	1,301	1,684	1,859	2,424	3,113
EPS (consolidated) (KRW)	1,301	1,684	1,859	2,424	3,113
Adjusted EPS (KRW)*	1,301	1,684	1,859	2,424	3,113

## Cash flow statement

Year-end Dec 31 (KRWb)	2021	2022	2023E	2024E	2025E
<b>Cash flow from operations</b>	<b>-8</b>	<b>-63</b>	<b>212</b>	<b>219</b>	<b>263</b>
Net profit	39	51	56	73	94
Non-cash profit and expenses	119	176	165	172	185
Depreciation	4	3	2	2	1
Amortization	95	150	143	144	152
Other	20	23	20	26	32
Changes in A/L from operating activities	-155	-280	6	-5	12
<b>Cash flow from investments</b>	<b>27</b>	<b>-43</b>	<b>-167</b>	<b>-190</b>	<b>-204</b>
Change in tangible assets	-2	-4	0	0	0
Change in financial assets	0	0	0	0	0
Other	28	-39	-167	-190	-204
<b>Cash flow from financing</b>	<b>-3</b>	<b>165</b>	<b>-13</b>	<b>-9</b>	<b>-9</b>
Change in debt	0	172	-3	0	0
Change in equity	0	3	0	0	0
Dividends	0	0	0	0	0
Other	-4	-9	-9	-9	-9
Change in cash	16	59	-7	17	47
Cash at beginning of year	49	65	124	117	134
Cash at end of year	65	124	117	134	180
<b>Gross cash flow</b>	<b>158</b>	<b>226</b>	<b>221</b>	<b>245</b>	<b>279</b>
<b>Free cash flow</b>	<b>-11</b>	<b>-67</b>	<b>212</b>	<b>219</b>	<b>263</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)	2021	2022	2023E	2024E	2025E
<b>Current assets</b>	<b>233</b>	<b>400</b>	<b>358</b>	<b>399</b>	<b>438</b>
Cash & equivalents	65	124	117	134	180
Accounts receivable	124	142	144	152	151
Inventories	0	0	0	0	0
Other current assets	44	135	97	113	107
<b>Fixed assets</b>	<b>652</b>	<b>691</b>	<b>718</b>	<b>769</b>	<b>828</b>
Investment assets	241	150	152	156	159
Tangible assets	8	11	9	7	6
Intangible assets	298	378	415	456	504
Other long-term assets	105	152	142	150	159
<b>Total assets</b>	<b>884</b>	<b>1,091</b>	<b>1,075</b>	<b>1,168</b>	<b>1,266</b>
<b>Current liabilities</b>	<b>184</b>	<b>416</b>	<b>388</b>	<b>407</b>	<b>412</b>
Accounts payable	17	16	23	27	35
Short-term debt	0	170	170	170	170
Other current liabilities	167	230	195	210	207
<b>Long-term liabilities</b>	<b>17</b>	<b>14</b>	<b>13</b>	<b>14</b>	<b>14</b>
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	17	14	13	14	14
<b>Total liabilities</b>	<b>200</b>	<b>430</b>	<b>401</b>	<b>421</b>	<b>426</b>
<b>Owners of parent equity</b>	<b>684</b>	<b>661</b>	<b>674</b>	<b>747</b>	<b>840</b>
Capital stock	15	15	15	15	15
Capital surplus	470	473	473	473	473
Retained earnings	162	213	268	341	435
Other	37	-40	-83	-83	-83
<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>684</b>	<b>661</b>	<b>674</b>	<b>747</b>	<b>840</b>
Net debt	-54	59	62	46	-1

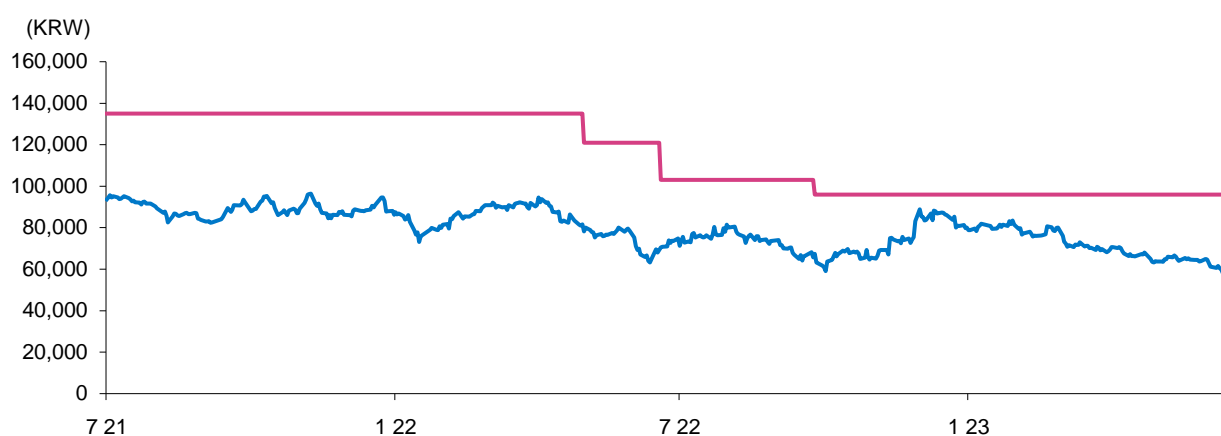
## Financial ratios

Year-end Dec 31	2021	2022	2023E	2024E	2025E
<b>Growth (%)</b>					
Sales	-7.3	43.3	4.3	20.0	14.5
Operating profit	7.0	24.0	7.5	32.7	26.6
Net profit	31.8	29.5	10.5	30.4	28.4
Adjusted EPS**	24.6	29.4	10.4	30.4	28.4
<b>Per-share data (KRW)</b>					
EPS (parent-based)	1,301	1,684	1,859	2,424	3,113
EPS (consolidated)	1,301	1,684	1,859	2,424	3,113
Adjusted EPS**	1,301	1,684	1,859	2,424	3,113
BVPS	22,785	21,982	22,416	24,839	27,953
DPS (common)	0	0	0	0	0
<b>Valuations (x)</b>					
P/E***	69.9	51.1	30.6	23.5	18.3
P/B***	4.0	3.9	2.5	2.3	2.0
EV/EBITDA	17.7	12.1	8.2	7.4	6.3
<b>Ratios (%)</b>					
ROE	6.0	7.5	8.4	10.3	11.8
ROA	4.8	5.1	5.2	6.5	7.7
ROIC	10.9	12.1	10.0	12.1	14.2
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	-7.8	8.9	9.3	6.1	-0.1
Interest coverage (x)	67.6	13.2	7.6	10.2	12.9

### Compliance notice

- As of 6/28 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 6/28 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	2021/5/7	2022/5/7	2022/5/12	6/30	10/6	2023/6/29
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	135000	135000	121000	103000	96000	83000
Gap* (average)	-33.60	-39.75	-39.04	-28.47	-24.88	
(max or min)**	-25.78	-39.56	-33.88	-20.87	-7.40	

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 2023.03.31

BUY(78.1%)-HOLD(21.9%)-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