

July 3, 2023

Yonghyun Choi  
Media / Advertisers  
+82-2-6114-2915  
yonghyun.choi@kbfq.com

**Maintain BUY, lower target price to KRW70,000**

We maintain BUY but lower our TP by 14.6% to KRW70,000 on Studio Dragon. Our DCF-based TP reflects a 19.1% decrease in 2023E NP (to control, int.) due to adjustment in estimated no. of aired TV episodes (303→243) following the removal of tvN's Wed/Thu program lineup. The stock is trading at 2023/2024 P/E of 28.8x/20.1x, with revenue growth estimated at +7.6%/+24.4%. Despite expected momentum from the foray into China and receipt of serial orders from the U.S. in 2H23, political issues and the WGA strike have created uncertainty. We expect the 2024 Netflix contract renewal to boost original-content margins and add over KRW10.0bn to OP.

**2Q23 preview: Lower no. of aired episodes to drag earnings**

We forecast 2Q23 revenue at KRW150.0bn (-4.8% YoY) and OP at KRW12.1bn (8.1% OPM), which is below the market consensus. No. of episodes aired fell 30 YoY (107→77). Programming revenue should decrease 11.0% YoY (no. of TV episodes down 23 YoY), while Distribution revenue should increase 4.5% YoY (ASP increase; no. of OTT episodes down 7 YoY). In terms of profitability, no. of multi-platform episodes should rise 4 YoY (34→38) on diversification of OTT clients, but OPM should drop 8.0pp YoY on lack of incentives amid weak viewership numbers and an increase in goodwill amortization costs.

**Distribution to see growth in 2H23; earning to grow with 2024 Netflix contract renewal**

Studio Dragon should have 166 episodes aired in 2H23. Programming revenue should shrink YoY, but Distribution revenue should grow YoY on an over 30% YoY increase in ASP with the release of original-content seasons and more multi-platform content, which has a high recoup rate. For 2024, earnings should reflect margins from original content (Netflix contract renewal); we see Netflix originals generating KRW100.0bn in revenue, boosting recoup ratio by 10% and adding over KRW10.0bn to OP.

### Buy Maintain

<b>Target Price (Lowered)</b>	<b>KRW70,000</b>
Dividend yield*	0.0%
Total return	30.6%
Current price (Jun 30)	KRW53,600
Consensus target price	KRW96,000
Market capitalization	USD1.2bn

\* 12-month forward

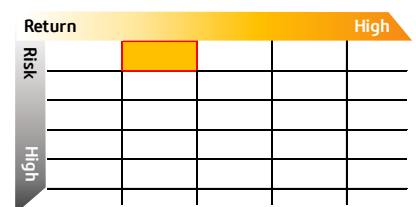
#### Trading Data

Free float	45.2%
Avg. T/O val. (3m, KRWbn)	10.6
Foreign ownership	8.2%
Major shareholders	CJ ENM and 3 others 54.8%
	Naver 6.3%

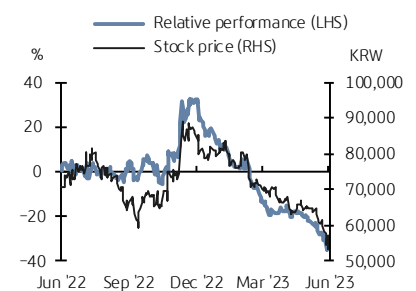
#### Stock Price Performance (total return)

(%)	1M	3M	6M	12M
Absolute	-18.0	-23.5	-37.7	-24.0
Relative	-19.6	-25.1	-51.2	-35.2

#### Risk & Total Return (annualized over three years)



#### Stock Price & Relative Performance



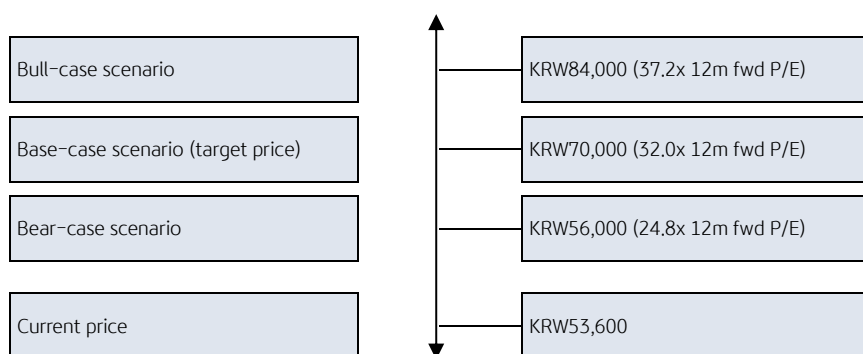
#### Earnings Forecast & Valuation

Fiscal year-end	2022A	2023E	2024E	2025E
Revenue (KRWbn)	698	751	934	1,121
OP (KRWbn)	65	70	102	141
NP to control, int. (KRWbn)	51	56	80	123
EPS (KRW)	1,684	1,860	2,662	4,107
EPS growth (%)	29.4	10.5	43.1	54.3
P/E (x)	51.1	28.8	20.1	13.0
EV/EBITDA (x)	12.1	6.1	4.9	3.9
P/B (x)	3.9	2.2	2.0	1.7
ROE (%)	7.5	8.1	10.4	14.2
Div. yield (%)	0.0	0.0	0.0	0.0

This report was prepared by KB Securities, Co., Ltd., a broker-dealer registered in the Republic of Korea and a member of the Korea Exchange. For analyst certifications and other important information, please see Disclosures at the end of the report.

Source(s): Company data, KB Securities

## Investment Opinion & Risks



### Base-case scenario: Catalysts

- 1) 2023E TV content at 243 episodes
- 2) 2023E OTT-bound original content at 112 episodes

### Bull-case scenario: Upside risks

- 1) 2023E TV content at over 300 episodes
- 2) 2023E OTT-bound original content at over 130 episodes

### Bear-case scenario: Downside risks

- 1) 2023E TV content at under 200 episodes
- 2) 2023E OTT-bound original content at under 100 episodes

## Revised Earnings Estimates

(KRWbn, %)	Previous		Revised		Change	
	2023E	2024E	2023E	2024E	2023E	2024E
Revenue	866.9	1,045.5	750.7	933.9	-13.4	-10.7
OP	83.1	116.4	70.1	101.8	-15.6	-12.5
NP (to control. int.)	69.1	95.3	55.9	80.0	-19.1	-16.0

Source(s): KB Securities estimates

## KB Estimates vs. Consensus

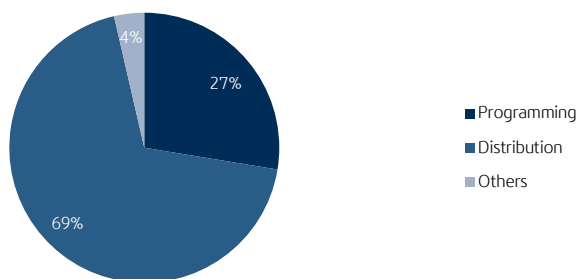
(KRWbn, %)	KB Estimates		Consensus		Difference	
	2023E	2024E	2023E	2024E	2023E	2024E
Revenue	750.7	933.9	822.7	925.6	-8.8	0.9
OP	70.1	101.8	82.1	100.7	-14.6	1.2
NP (to control. int.)	55.9	80.0	64.7	77.6	-13.5	3.2

Source(s): Quantiwise, KB Securities estimates

## Valuation & Target Price Calculation

- 1) Valuation method:  
Discounted cash flow model
- 2) Target price calculation:  
8.62% WACC
- 3) Target price range:  
KRW56,000 – KRW84,000
- 4) Valuation at target price:  
32.0x 12m fwd P/E

## Revenue Composition (2023E)



Source(s): Company data, KB Securities estimates

## Earnings Sensitivity Analysis

(%)	EPS Change	
	2023E	2024E
+1% in FX rate	+1.1	+1.1
+1pp in interest rate	-0.6	0.1

## Peer Group Comparison

(KRWtn, x, %)	Market Cap	P/E		P/B		EV/EBITDA		ROE		Dividend Yield	
		2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Studio Dragon	1.6	24.5	20.4	2.20	2.00	6.8	6.5	9.2	10.1	0.0	0.0
CJ ENM	1.4	-	10.7	0.38	0.37	3.4	3.3	-0.7	3.6	2.5	2.8
Netflix	257.2	38.9	30.0	8.19	6.95	27.9	22.3	21.9	22.9	0.0	0.0
Walt Disney	214.3	23.8	17.3	1.64	1.52	14.0	11.6	6.5	8.7	0.0	1.0

Source(s): Bloomberg consensus, KB Securities estimates

Table 1. Earnings Forecast

(KRWbn, %)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	3Q23E	4Q23E	2021	2022	2023E	2024E
TV content (no. of episodes)	53	87	99	76	73	64	53	53	-	315	243	245
OTT content (no. of episodes)	21	20	61	25	39	13	30	30	-	127	112	120
<b>Revenue</b>	<b>121.1</b>	<b>157.5</b>	<b>228.9</b>	<b>190.5</b>	<b>211.1</b>	<b>150.0</b>	<b>193.9</b>	<b>195.7</b>	<b>487.1</b>	<b>697.9</b>	<b>750.7</b>	<b>933.9</b>
Programming	35.4	43.8	59.4	54.0	43.2	39.0	33.9	35.6	161.3	192.5	151.7	153.9
Distribution	77.7	103.9	165.8	132.8	165.7	108.6	157.4	157.4	275.5	480.2	589.1	767.9
Others	8.0	9.8	3.8	3.7	2.3	2.4	2.5	2.7	50.3	25.2	10.0	12.1
<b>% YoY</b>	<b>3.4</b>	<b>48.5</b>	<b>97.2</b>	<b>28.8</b>	<b>74.4</b>	<b>-4.8</b>	<b>-15.3</b>	<b>2.7</b>	<b>-7.3</b>	<b>43.3</b>	<b>7.6</b>	<b>24.4</b>
Programming	-19.1	55.4	64.0	1.5	21.9	-11.0	-42.9	-34.0	-18.1	19.4	-21.2	1.4
Distribution	23.0	53.8	155.2	66.4	113.1	4.5	-5.0	18.5	-1.5	74.3	22.7	30.4
Others	-21.5	-5.1	-74.8	-75.3	-71.0	-75.2	-32.4	-27.3	2.6	-49.9	-60.4	21.6
<b>% QoQ</b>	<b>-18.1</b>	<b>30.0</b>	<b>45.3</b>	<b>-16.8</b>	<b>10.8</b>	<b>-29.0</b>	<b>29.3</b>	<b>0.9</b>				
Programming	-33.4	23.7	35.5	-9.1	-20.0	-9.7	-13.0	5.0				
Distribution	-2.6	33.7	59.5	-19.9	24.7	-34.5	45.0	0.0				
Others	-46.6	22.8	-61.4	-2.4	-37.2	5.0	5.0	5.0				
<b>OP</b>	<b>18.1</b>	<b>27.0</b>	<b>18.9</b>	<b>1.2</b>	<b>21.6</b>	<b>12.1</b>	<b>19.7</b>	<b>16.7</b>	<b>52.6</b>	<b>65.2</b>	<b>70.1</b>	<b>101.8</b>
(% YoY)	1.4	95.7	29.9	-81.4	19.3	-55.3	4.3	1316.0	7.0	24.0	7.5	45.2
(% QoQ)	185.4	49.1	-29.9	-93.8	1732.1	-44.1	63.5	-15.4				
OPM (%)	15.0	17.1	8.3	0.6	10.2	8.1	10.2	8.5	10.8	9.3	9.3	10.9
<b>NP to control. int.</b>	<b>15.6</b>	<b>25.6</b>	<b>17.8</b>	<b>-8.5</b>	<b>18.4</b>	<b>10.9</b>	<b>19.3</b>	<b>7.4</b>	<b>39.0</b>	<b>50.6</b>	<b>55.9</b>	<b>80.0</b>
(% YoY)	0.4	170.2	20.5	RR	17.8	-57.5	8.1	TTB	31.8	29.5	10.6	43.1
(% QoQ)	TTB	63.8	-30.3	TTR	TTB	-40.9	77.3	-61.7				
NPM (%)	12.9	16.2	7.8	-4.4	8.7	7.3	9.9	3.8	8.0	7.2	7.4	8.6

Note: RR=remain in red, TTB=turn to black, TTR=turn to red

Source(s): Company data, KB Securities estimates

Table 2. Key Valuation Measures

(KRWbn, x, '000 shares, KRW)	2018	2019	2020	2021	2022	2023E	2024E
<b>EV/Sales</b>	<b>6.4x</b>	<b>4.6x</b>	<b>5.1x</b>	<b>5.5x</b>	<b>3.8x</b>	<b>2.2x</b>	<b>1.8x</b>
Revenue	380	469	526	487	698	751	934
% YoY	32.4	23.5	12.2	(7.3)	43.3	7.6	24.4
<b>EV/EBITDA</b>	<b>21.1x</b>	<b>14.9x</b>	<b>16.2x</b>	<b>17.6x</b>	<b>12.1x</b>	<b>6.1x</b>	<b>4.9x</b>
EBITDA	115	146	165	152	219	275	340
% YoY	55.1	26.4	13.6	(8.3)	44.1	25.7	23.8
<b>P/E</b>	<b>72.3x</b>	<b>85.9x</b>	<b>88.7x</b>	<b>69.9x</b>	<b>51.1x</b>	<b>28.8x</b>	<b>20.1x</b>
EPS	1,278	941	1,044	1,301	1,684	1,860	2,662
% YoY	21.7	(26.3)	10.9	24.6	29.4	10.4	43.1
<b>P/B</b>	<b>6.46x</b>	<b>5.31x</b>	<b>4.56x</b>	<b>3.99x</b>	<b>3.91x</b>	<b>2.21x</b>	<b>1.99x</b>
BVPS	14,305	15,242	20,309	22,785	21,982	24,233	26,895
% YoY	8.9	6.5	33.2	12.2	(3.5)	10.2	11.0
Share price	92,400	80,900	92,600	91,000	86,000	53,600	53,600
No. of shares	28,038	28,068	28,369	30,008	30,020	30,058	30,058
Market cap	2,592	2,273	2,778	2,731	2,585	1,611	1,611

Source(s): Company data, KB Securities estimates

**Table 3. Valuation: Discounted Cash Flow Model**

(KRWbn, %, k shares, KRW)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	Terminal
<b>NOPLAT</b>	<b>26.6</b>	<b>30.1</b>	<b>22.1</b>	<b>37.2</b>	<b>39.6</b>	<b>57.2</b>	<b>53.8</b>	<b>78.4</b>	<b>106.4</b>	<b>130.5</b>	<b>153.3</b>	<b>177.9</b>	
Operating profit	33.0	39.9	28.7	49.1	52.6	65.2	70.1	101.8	141.3	173.1	203.4	236.3	
Taxes	(6.4)	(9.8)	(6.6)	(11.9)	(13.0)	(8.1)	(16.4)	(23.5)	(34.8)	(42.6)	(50.1)	(58.4)	
<b>D&amp;A</b>	<b>41.3</b>	<b>75.3</b>	<b>116.8</b>	<b>116.2</b>	<b>99.1</b>	<b>153.3</b>	<b>204.6</b>	<b>238.4</b>	<b>266.7</b>	<b>292.6</b>	<b>317.5</b>	<b>342.5</b>	
Depreciation	0.3	0.3	1.8	2.9	3.8	3.3	3.0	3.3	3.4	3.5	3.6	3.7	
Amortization	41.0	75.0	115.0	113.3	95.3	150.0	201.6	235.1	263.3	289.0	313.9	338.8	
<b>(-)Change in working capital</b>	<b>(72.9)</b>	<b>(139.4)</b>	<b>(142.9)</b>	<b>(144.1)</b>	<b>(154.9)</b>	<b>(279.6)</b>	<b>(58.2)</b>	<b>0.5</b>	<b>(21.6)</b>	<b>(12.3)</b>	<b>(8.3)</b>	<b>(8.7)</b>	
Decrease/increase in accounts receivable	(13.7)	(27.2)	(21.8)	(31.4)	2.2	(35.2)	(0.4)	(1.4)	(22.8)	(13.4)	(9.0)	(9.5)	
Decrease/increase in inventories	(2.1)	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Decrease/increase in account payables	9.0	25.9	8.6	(11.5)	18.7	11.7	(3.7)	1.9	1.2	1.0	0.7	0.7	
Other	(66.1)	(138.4)	(130.2)	(101.2)	(175.8)	(256.0)	(54.1)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	
<b>(-) Tangible capital expenditures</b>	<b>(0.0)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(7.2)</b>	<b>(1.8)</b>	<b>(3.9)</b>	<b>(3.8)</b>	<b>(3.8)</b>	<b>(3.8)</b>	<b>(3.8)</b>	<b>(3.8)</b>	<b>(3.8)</b>	
<b>(-) Intangible capital expenditures</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(1.2)</b>	<b>(0.8)</b>	<b>(2.5)</b>	<b>(220.4)</b>	<b>(291.0)</b>	<b>(311.3)</b>	<b>(333.1)</b>	<b>(356.4)</b>	<b>(381.4)</b>	
<b>(-) Other</b>	<b>(2.1)</b>	<b>5.0</b>	<b>(8.2)</b>	<b>(4.1)</b>	<b>7.9</b>	<b>6.2</b>	<b>(0.1)</b>	<b>1.6</b>	<b>17.0</b>	<b>20.7</b>	<b>24.5</b>	<b>29.1</b>	
<b>Free cash flow</b>	<b>(7.5)</b>	<b>(29.4)</b>	<b>(13.0)</b>	<b>(3.1)</b>	<b>(11.0)</b>	<b>(69.3)</b>	<b>(24.0)</b>	<b>24.2</b>	<b>53.4</b>	<b>94.5</b>	<b>126.7</b>	<b>155.5</b>	<b>2,903.7</b>

(KRWbn, %, k shares, KRW)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	Terminal
Operating cash flow	(7.2)	(29.1)	(12.2)	5.2	(8.4)	(62.9)	200.1	319.0	368.6	431.4	486.9	540.7	
(-) Tangible capital expenditures	(0.0)	(0.2)	(0.5)	(7.2)	(1.8)	(3.9)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	
(-) Intangible capital expenditures	(0.2)	(0.1)	(0.3)	(1.2)	(0.8)	(2.5)	(220.4)	(291.0)	(311.3)	(333.1)	(356.4)	(381.4)	
<b>Free cash flow</b>	<b>(7.5)</b>	<b>(29.4)</b>	<b>(13.0)</b>	<b>(3.1)</b>	<b>(11.0)</b>	<b>(69.3)</b>	<b>(24.0)</b>	<b>24.2</b>	<b>53.4</b>	<b>94.5</b>	<b>126.7</b>	<b>155.5</b>	<b>2,903.7</b>

Note: Studio Dragon's content investments reflected as intangible capital expenditures (cash flow from investing activities)

Source(s): Company data, KB Securities estimates

**Table 4. Valuation: Discounted Cash Flow Model**

(KRWbn, %, k shares, KRW)	Valuation
Total PV of 2023-2028 cash flow	323.4
PV of terminal value (1% TGR)	1,841.4
<b>Enterprise value</b>	<b>2,164.8</b>
(-) Net debt	70.6
(-) Non-controlling interests	0.0
(+) Investments in non-consolidated affiliates	12.8
<b>Equity value</b>	<b>2,107.0</b>
(÷) No. of shares	30,058.5
<b>Target price</b>	<b>70,000</b>
Current price	53,600
<b>Upside</b>	<b>30.6</b>

Source(s): KB Securities estimates

### Income Statement

(KRWbn)	2021A	2022A	2023E	2024E	2025E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Revenue	487	698	751	934	1,121
Cost of revenue	407	598	575	675	794
Gross profit	80	100	176	259	327
SG&A expenses	27	35	106	157	186
Operating profit	53	65	70	102	141
EBITDA	152	219	275	340	408
Non-operating accounts	-1	-7	2	2	17
Interest income	1	2	3	5	7
Interest expenses	1	5	7	10	10
Profit on equity method	0	0	0	0	0
Net other non-operating income	-1	-4	5	6	20
Profit before tax	52	59	72	103	158
Income tax expense	13	8	16	23	35
Net profit	39	51	56	80	123
NP attributable to controlling interests	39	51	56	80	123
Adj. net profit	39	51	56	80	123

### Operating Statistics & Ratios

(%)	2021A	2022A	2023E	2024E	2025E
Revenue growth	-7.4	43.3	7.6	24.4	20.0
OP growth	7.0	24.0	7.5	45.2	38.7
EBITDA growth	-8.3	44.1	25.7	23.8	19.9
NP growth of parent	31.8	29.5	10.6	43.1	54.3
GP margin	16.4	14.3	23.4	27.7	29.2
OP margin	10.8	9.3	9.3	10.9	12.6
EBITDA margin	31.1	31.3	36.6	36.4	36.4
EBT margin	10.7	8.4	9.6	11.1	14.1
NP margin of parent	8.0	7.3	7.5	8.6	11.0

### Statement of Cash Flows

(KRWbn)	2021A	2022A	2023E	2024E	2025E
Cash flow from operating activities	-8	-63	200	319	369
Net profit	39	51	56	80	123
Depreciation & amortization	99	153	205	238	267
Other non-cash adjustments	20	23	16	23	35
Investments in working capital	-155	-280	-58	1	-22
Decrease(Increase) in receivables	2	-35	0	-1	-23
Decrease(Increase) in inventory	0	0	0	0	0
Increase(Decrease) in payables	19	12	-4	2	1
Investments in other working capital	-176	-256	-54	0	0
Other operating cash flow	-11	-10	-18	-23	-35
Cash flow from investing activities	27	-43	-230	-301	-315
Capital expenditure	-2	-4	-4	-4	-4
Investments in intangibles	-1	-3	-220	-291	-311
Changes in investment assets	28	-12	-1	0	0
Other investment cash flow	1	-25	-4	-7	0
Cash flow from financing activities	-3	165	13	0	1
Proceeds from (repayment of) debt	-2	168	0	0	0
Changes in equity	0	3	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flow	-1	-5	14	0	1
Other cash flow	0	0	1	0	0
Increase/decrease in cash	16	59	-15	18	54
Cash and cash equivalents at FYE	65	124	109	126	180
Free cash flow	-11	-69	-24	24	53
Net cash flow	-30	-114	-20	18	54
Net cash (net debt)	63	-51	-71	-53	1

### Statement of Financial Position

(KRWbn)	2021A	2022A	2023E	2024E	2025E
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
Total assets	884	1,091	1,176	1,258	1,383
Current assets	233	400	388	407	483
Cash and cash equivalents	65	124	109	126	180
Current financial assets	5	5	6	6	6
Trade receivables	124	142	143	144	167
Inventory	0	0	0	0	0
Other current assets	39	130	130	130	130
Non-current assets	652	691	788	851	900
Investment assets	241	150	150	150	150
Property, plant and equipment	8	11	12	13	13
Intangible assets	298	378	429	485	533
Other non-current assets	105	152	197	204	204
Total liabilities	200	430	448	450	451
Current liabilities	184	416	431	433	434
Trade payables	17	16	10	12	13
Short-term financial liabilities	0	170	173	173	173
Other current liabilities	167	230	248	248	248
Non-current liabilities	17	14	17	17	17
Non-current financial liabilities	7	9	12	12	12
Other non-current liabilities	9	4	4	4	5
Total equity	684	661	728	808	932
Issued capital	15	15	15	15	15
Share premium	470	473	473	473	473
Other equity interest	0	0	0	0	0
Accumulated other comprehensive income	37	-40	-28	-28	-28
Retained earnings	162	213	268	349	472
Controlling interests	684	661	728	808	932
Non-controlling interests	0	0	0	0	0

### Key Ratios

(x, %, KRW)	2021A	2022A	2023E	2024E	2025E
<b>Multiples</b>					
P/E	69.9	51.1	28.8	20.1	13.0
P/B	4.0	3.9	2.2	2.0	1.7
P/S	5.6	3.7	2.1	1.7	1.4
EV/EBITDA	17.6	12.1	6.1	4.9	3.9
EV/EBIT	50.8	40.4	24.0	16.3	11.4
Dividend yield, ordinary (%)	0.0	0.0	0.0	0.0	0.0
EPS	1,301	1,684	1,860	2,662	4,107
BVPS	22,785	21,982	24,233	26,895	31,003
SPS	16,233	23,250	24,974	31,070	37,284
DPS (annual, ordinary)	0	0	0	0	0
Cash dividends payout ratio (%)	0.0	0.0	0.0	0.0	0.0
<b>Operating performance</b>					
ROE	6.0	7.5	8.1	10.4	14.2
ROA	4.8	5.1	4.9	6.6	9.4
ROIC	6.1	7.3	7.1	9.4	12.6
<b>Financial structure (%)</b>					
Total liab./equity	29.3	65.1	61.5	55.6	48.4
Net debt/equity	Net Cash	7.7	9.7	6.6	Net Cash
Current ratio	1.3	1.0	0.9	0.9	1.1
Interest coverage (x)	67.6	13.2	10.7	10.5	14.6
<b>Activity ratios</b>					
Asset turnover (x)	0.6	0.7	0.7	0.8	0.9
Receivables turnover (x)	4.2	5.3	5.3	6.5	7.2
Payables turnover (x)	42.6	42.1	57.7	86.5	90.7
Inventory turnover (x)	0.0	0.0	0.0	0.0	0.0

Source(s): Company data, KB Securities estimates



## Distribution

---

United States: This report is distributed in the U.S. by KBFG Securities America Inc., a member of FINRA/SIPC, to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934, as amended. All U.S. persons that receive this document by their acceptance hereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to KB Securities Co., Ltd. or its affiliates. In compliance with SEC Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with KBFG Securities America Inc., which accepts responsibility for the contents of this report in the U.S., subject to the terms hereof, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through KB Securities Co., Ltd. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. persons absent registration or an applicable exemption from the registration requirements.

Hong Kong: This report is distributed in Hong Kong by KB Securities Hong Kong Limited, regulated by the Securities and Futures Commission license with Type 1, 4, and 6. The contents of this report have not been reviewed by any regulatory authority in Hong Kong. This report is for distribution only to professional investors within the meaning of part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person. Information contained herein is for informative purposes only and does not constitute investment advice or solicitation to trade in any investment product(s). Investments are subject to risks, including possible loss of principal. KB Securities Hong Kong Limited does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. The recipient of this report should seek the advice of a financial adviser regarding the suitability or otherwise of the particular investment.

All other jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact KB securities Co., Ltd. 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 KB Securities Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.