

COMPANY UPDATE

2024. 10. 16

Tech Team

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▶ AT A GLANCE

Recommend	BUY	
Target price	KRW51,000	32.8%
Current price	KRW38,400	
Market cap	KRW1.2t/USD0.9b	
Shares (float)	30,058,498 (45.2%)	
52-week high/low	KRW57,300/KRW34,100	
Avg daily trading value (60-day)	KRW1.9b/USD1.4m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Studio Dragon (%)	9.6	-5.9	-18.6
Vs Kosdaq (%pts)	3.8	3.7	-13.4

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	51,000	55,000	-7.3%
2024E EPS	1,178	1,312	-10.2%
2025E EPS	1,505	1,564	-3.8%

▶ SAMSUNG vs THE STREET

No of estimates	10
Target price	54,400
Recommendation	4.0
BUY★★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★★: 1	

Samsung Securities

Studio Dragon (253450)

Earnings can be improved in 2025

- We believe Studio Dragon's 3Q results fell short of consensus as: 1) only 59 episodes of its dramas were aired, with few of them broadcast simultaneously on global OTT platforms; and 2) depreciation costs expanded q-q.
- Judging from its programming lineup, we believe 2025 earnings will improve y-y on the back of more drama production.
- The company has centered on defending operating results this year but should shift its focus on growth next year

WHAT'S THE STORY?

3Q preview—time to moderate expectations: We believe Studio Dragon's 3Q results missed consensus, showing an operating profit of KRW1.9b (down 91.1% y-y) on consolidated sales of KRW113.7b (down 47.7% y-y).

First, only 59 episodes of its dramas were broadcast in 3Q (38 on TV channels and 21 on OTT platforms). The size of sales was likely small as the firm booked: 1) only the portion of the production cost it paid for Gyeongseong Creature Season 2—as was the case for the season 1; and 2) net sales for Serendipity's Embrace (tvN).

Second, few of the dramas aired on TV were simultaneously broadcast on global OTT platforms in 3Q, with the exception of Love Next Door (14 episodes).

Third, original content for OTT service providers were Gyeongseong Creature Season 2 (7 episodes), The Trunk (8 episodes), and To My Harry (6 episodes).

Fourth, Studio Dragon recognized only depreciation cost for Queen of Tears (broadcast over March-April), whose per-piece production cost was huge.

Fifth, sales of old titles were sluggish q-q, a factor that made it hard to defend profitability.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2023	2024E	2025E	2026E
Revenue (KRWb)	753	576	695	827
Operating profit (KRWb)	56	47	62	77
Net profit (adj) (KRWb)	30	35	45	54
EPS (adj) (KRW)	1,001	1,178	1,505	1,789
EPS (adj) growth (% y-y)	-40.6	17.7	27.8	18.9
EBITDA margin (%)	32.1	34.2	33.3	32.8
ROE (%)	4.4	5.0	6.1	6.8
P/E (adj) (x)	51.5	32.6	25.5	21.5
P/B (x)	2.2	1.6	1.5	1.4
EV/EBITDA (x)	6.5	5.4	4.7	3.9
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

2025 earnings to improve: Judging from the number of the drama produced ytd and the programming lineups, we believe Studio Dragon will supply around 20 pieces of dramas this year. Only 42 episodes of its dramas should be broadcast in 4Q (26 on TV channels and 26 on OTT platforms)—including Good or Bad Dong Jae (Tving original broadcast on tvN on Mondays and Tuesdays from Oct 14 to Nov 12). Yet, 4Q operating margin should rise q-q on reduction in depreciation cost and the beginning of weekend drama Jeongnyeon: The Star Is Born (simultaneously aired on Tving and Disney+). We forecast earnings will rebound next year, considering the tentpole dramas scheduled in 2025 (eg, When the Stars Gossip, All the Love You Wish For, The Price of Confession, Show Business, and Dear X, and production of a Japanese remake of Marry My Husband).

Maintaining BUY: We revise down our earnings estimates for 2H24 and 2025 and cut our target price to KRW51,000 (6.6x forward EV/EBITDA; a 20% discount to three-year average). undaunted by adverse business environment, the company has focused on defending operating results this year by making production structure more efficient. We believe earnings will head north next year, backed by a y-y rise in the number of content produced and distribution channel expansion.

Table 1. Quarterly results and forecasts

(KRWb)	3Q23	2Q24	3Q24E	Chg (% q-q)	Chg (% y-y)	Consensus	Diff (%)
Sales	217.4	137.1	113.7	-17.1	-47.7	137.2	-17.1
Operating profit	21.9	10.5	1.9	-81.4	-91.1	11.4	-82.9
Operating margin	10.1	7.6	1.7	-5.9	-8.3	8.3	-6.6
Pre-tax profit	25.1	13.2	0.2	-98.1	-99.0	12.9	-98.1
Net profit (controlling)	18.2	8.2	0.2	-97.6	-98.9	9.8	-98.0

Source: Company data, WiseFn, Samsung Securities

Table 2. Results and forecasts

(KRWb)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E	2022	2023	2024E	2025E
Sales	121.1	157.5	228.9	190.5	211.1	163.5	217.4	161.1	192.1	137.1	113.7	133.3	697.9	753.1	576.2	694.9
Programing	35.4	43.8	59.4	54.0	43.2	42.5	35.0	33.4	47.3	30.7	18.1	24.9	192.5	154.1	121.0	132.3
Distribution	77.7	103.9	165.8	132.8	211.1	163.5	217.4	161.1	192.1	137.1	113.7	133.3	480.2	588.9	440.7	547.4
Other	8.0	9.8	3.8	3.7	2.3	2.1	2.3	3.4	3.5	3.9	3.4	3.7	25.2	10.1	14.5	15.2
Gross profit	25.5	35.4	27.4	11.7	30.8	23.9	28.8	4.3	28.7	18.1	9.2	21.9	100.0	87.9	77.9	94.4
SG&A	7.4	8.4	8.4	10.5	9.2	7.7	6.9	8.2	7.2	7.7	7.2	8.4	34.8	32.0	30.4	32.2
Operating profit	18.1	27.0	18.9	1.2	21.6	16.3	21.9	-3.8	21.5	10.5	1.9	13.5	65.2	55.9	47.4	62.2
Non-operating profit	2.0	3.0	6.5	-18.1	0.5	-0.4	3.3	-22.0	5.7	2.7	-1.7	-4.7	-6.6	-18.7	2.0	-3.6
Pre-tax profit	20.1	30.0	25.5	-17.0	22.1	15.8	25.1	-25.8	27.2	13.2	0.2	8.8	58.6	37.2	49.4	58.6
Net profit (controlling)	15.6	25.6	17.8	-8.5	18.4	10.2	18.2	-16.7	20.2	8.2	0.2	6.9	50.6	30.1	35.4	45.2
Gross margin	21.1	22.5	12.0	6.1	14.6	14.6	13.2	2.7	14.9	13.2	8.1	16.4	14.3	11.7	13.5	13.6
Operating margin	15.0	17.1	8.3	0.6	10.2	9.9	10.1	-2.4	11.2	7.6	1.7	10.1	9.3	7.4	8.2	9.0
Net margin (controlling)	12.9	16.2	7.8	-4.4	8.7	6.2	8.4	-10.4	10.5	5.9	0.2	5.1	7.2	4.0	6.1	6.5
Chg (% y-y)																
Sales	3.4	48.5	97.2	28.8	74.4	3.8	-5.0	-15.4	-9.0	-16.1	-47.7	-17.2	43.3	7.9	-23.5	20.6
Programing	-19.1	55.4	64.0	1.5	21.9	-3.1	-41.0	-38.1	9.5	-27.6	-48.5	-25.3	19.4	-20.0	-21.4	9.3
Distribution	23.0	53.8	155.2	66.4	171.6	57.3	31.2	21.3	-9.0	-16.1	-47.7	-17.2	74.3	22.6	-25.2	24.2
Other	-21.5	-5.1	-74.8	-75.3	-71.0	-78.4	-38.3	-7.8	50.7	85.4	45.9	8.7	-49.9	-59.7	42.8	5.3
Gross profit	7.8	74.0	30.5	-20.7	20.8	-32.4	5.2	-63.1	-7.0	-24.2	-68.2	406.8	25.4	-12.1	-11.4	21.3
SG&A	27.7	28.1	31.7	25.1	24.3	-8.7	-17.8	-22.4	-22.5	0.3	4.0	2.6	27.9	-8.0	-4.9	5.8
Operating profit	1.4	95.7	29.9	-81.4	19.3	-39.8	15.4	nm	-0.4	-35.7	-91.1	Nm	24.0	-14.3	-15.1	31.2
Non-operating profit	-37.8	1,085.2	67.8	nm	-75.6	nm	-49.9	nm	1,078.1	nm	nm	nm	nm	nm	nm	nm
Pre-tax profit	-4.6	113.7	37.9	nm	10.0	-47.3	-1.3	nm	23.2	-16.8	-99.0	nm	12.7	-36.5	32.7	18.6
Net profit (controlling)	0.4	170.2	20.5	nm	17.8	-60.1	1.9	nm	9.8	-20.0	-98.9	nm	29.5	-40.5	17.7	27.8
Gross margin	0.9	3.3	-6.1	-3.8	-6.5	-7.8	1.3	-3.5	0.3	-1.4	-5.2	nm	-2.0	-2.7	1.8	0.1
Operating margin	-0.3	4.1	-4.3	-3.7	-4.7	-7.2	1.8	-3.0	1.0	-2.3	-8.3	12.5	-1.4	-1.9	0.8	0.7
Net margin (controlling)	-0.4	7.3	-5.0	-3.9	-4.2	-10.0	0.6	-5.9	1.8	-0.3	-8.2	15.5	-0.8	-3.3	2.1	0.4

Source: Company data, Samsung Securities

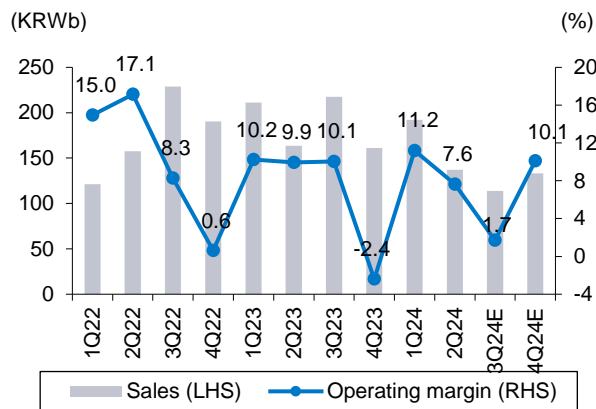
Table 3. Drama lineup (from 2024)

Year	No.	Channel	Title	Air dates	Episodes	Writers	Director	Days
2024	1	tvN	Maestra: Strings of Truth	Dec 9, 2023- Jan 14	12	Choi Yiyun	Kim Jeongkwon	Sat, Sun
	2		Marry My Husband	Jan 1-Feb 20	16	Sin Yudam	Park Wonkook	Mon, Tue
	3		Captivating the King	Jan 21-Mar 3	16	Kim Seonduk	Cho Namkook	Sat, Sun
	4		Wedding Impossible	Feb 26-Apr 2	12	Park Seulki	Kwon Yeongil	Mon, Tue
	5		Queen of Tears	Mar 9-Apr 28	16	Park Jieun	Kim Heewon	Sat, Sun
	6		The Midnight Romance in Hagwon	May 11-Jun 30	16	Park Kyeonghwa	Ahn Panseok	Sat, Sun
	7		Player S2: Master of Swindlers	Jun 3-Jul 9	12	Park Sangmoon	So Jaehyun	Mon, Tue
	8		The Auditors	Jul 6-Aug 11	16	Choi Minho	Kwon Youngil	Mon, Tue
			O'PENing 2024	Jul 15-	7	One-act play	6 dramas	
	9		Serendipity's Embrace	Jul 22-Aug 13	8	Park Gro	Song Hyeonwook	Mon, Tue
	10		Love Next Door	Aug 17-Oct 6	16	Shin Haeun	Yu Jewon	Sat, Sun
	11		Jeongnyeon: The Star is Born	Oct 12-Nov 17	12	Choi Hyobi	Jung Jiin	Sat, Sun
	12		Love Your Enemy	Nov 23-Dec 29	12	Lim Yejin	Park Joonhwa	Sat, Sun
	13	TVING	Good or Bad Dong Jae	Oct 14-Nov 12	10	Hwang Hajeong	Park Gunho	
	14	Netflix	Hierarchy (supply in 1Q24)	Jun 7	7	Cho Hyemi	Bae Hyunjin	
	15		Whirlwind (supply over 1Q24-2Q24)	Jun 28	12	Park Kyeongsoo	Kim Yongwan	
	16		Sweet Home 3	Jul 19	8		Lee Eungbok	
	17		Gyeongseong Creature S2	Sep 27	7	Kang Eungyeong	Jeong Dongyun	
	18		The Trunk (supply in 3Q24)	Nov 29	8	Park Eunyoung	Kim Kyutae	
	19	GenieTV	To My Harry (Broadcasted in ENA)	Sep 23-Oct 29	12	Han Garam	Jung Jihyun	Mon, Tue
	20	AppleTV+	The Big Door Prize 2 (supply over 3Q23-4Q23)	Apr 24-Jun 12	10	David West Read	Anu Valia	
TBD	1	tvN	When the Stars Gossip	Jan 4-Feb 23	16	Seo Sookhyang	Park Shinwoos	Sat, Sun
	2		Won Kyung (tvN X Tving)	Jan 6-Feb 11	13	Lee Youngmi	Kim Sangho	Mon, Tue
	3		My Dearest Nemesis	Feb 17-Apr 8	16	Kim Sooyeon	Lee Suhyeon	Mon, Tue
	4		Unknown Seoul	Apr 2025	12	Lee Kang	Park Shinwoo	Sat, Sun
	5		Take care of Keumju	Apr 2025	12	Myeong Soohyeon	Jang Yujung	Mon, Tue
	6		Typhoon Boss	2025	16		Lee Najung	
	7		Gyeon U and Fairy	2025	12	Yang Jihoon	Kim Yongwan	
	8		The Confidence Man KR	2025	12	Hong Seunghyeon	Nam Kihoon	
	9		Signal 2	2025	10	Kim Eunhi	Ahn Taejin	
	10	Netflix	Hong Rang	1H25	12	Kim Jin-a	Kim Hongsun	
	11		All the Love You Wish For	TBD	12	Kim Eunsook	Lee Byeonghun	
	12		The Price of Confession	TBD		Kwon Jongkwan	Lee Junghyo	
	13	TVING	Study Group (Amazon Prime)	1H25	10	Um Seonho	Lee Janghoon	
	14		Dear X	TBD	12			
	15	Japan	Marry My Husband (JPN)	TBD			(Japanese drama)	
	16		Show Business	TBD	22	No Heekyung	Lee Yunjung	
	17		Mary Kills People	TBD	12		Park Joonwoo	
	18		I'm Against My Romance	TBD		Kim Eun	Lee Eungbok	

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

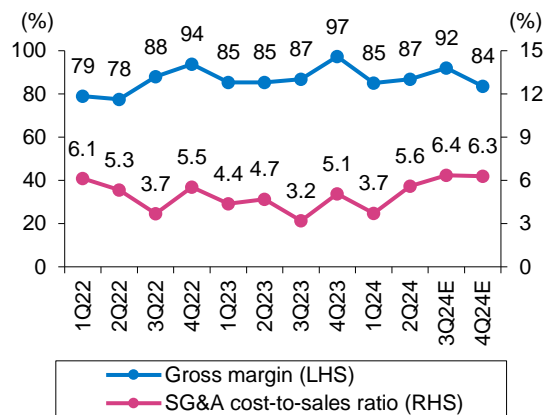
Source: Company data, Samsung Securities

Chart 1. Quarterly sales and operating margin



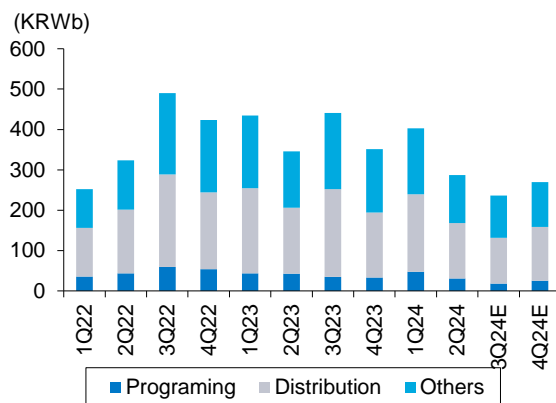
Source: Company data, Samsung Securities

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



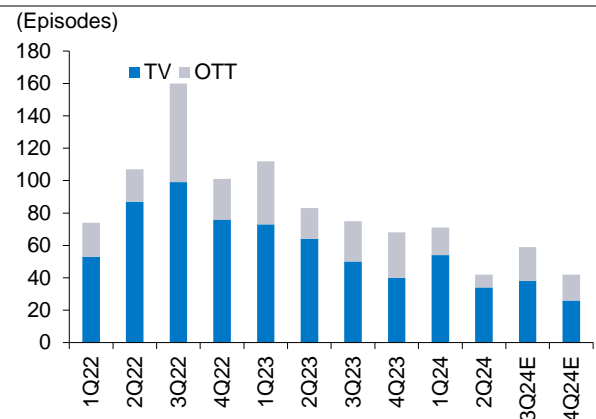
Source: Company data, Samsung Securities

Chart 3. Quarterly sales, by division



Source: Company data, Samsung Securities

Chart 4. Number of episodes supplied, by channel



Source: Company data, Samsung Securities

Chart 5. Sweethome S3
(Netflix; Jul 19)

Source: Company data, Samsung Securities

Chart 6. Love next door
(Netflix; Aug 17)

Source: Company data, Samsung Securities

Chart 7. To My Harry
(ENA; Sep 23)

Source: Company data, Samsung Securities

Chart 8. Gyeongseong Creature S2
(Netflix; Sep 27)

Source: Company data, Samsung Securities

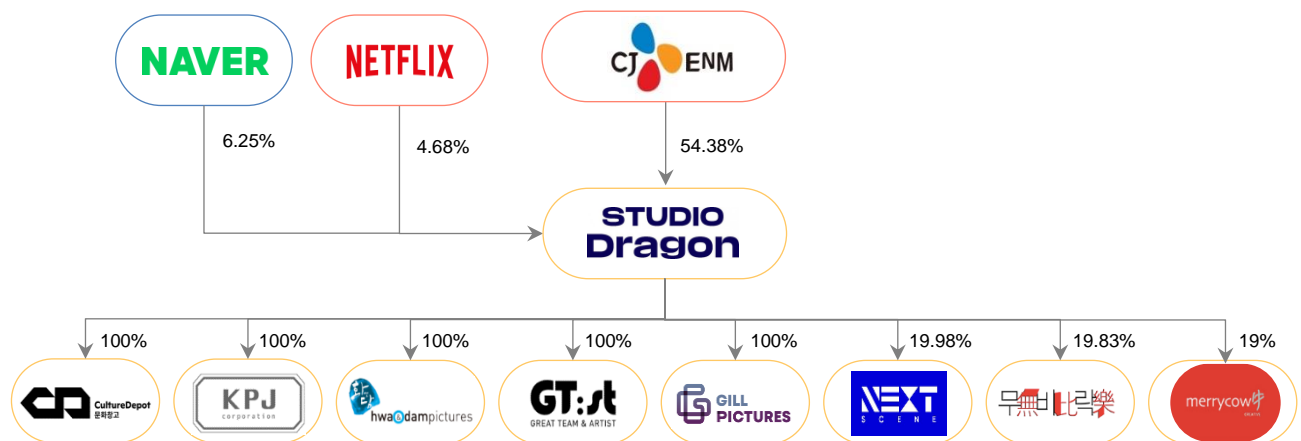
Chart 9. Good or Bad Dong Jae
(Tving; Oct 10)

Source: Company data, Samsung Securities

Chart 10. Jeong Nyeon
(tvN; Oct 12)

Source: Company data, Samsung Securities

Chart 11. Ownership structure

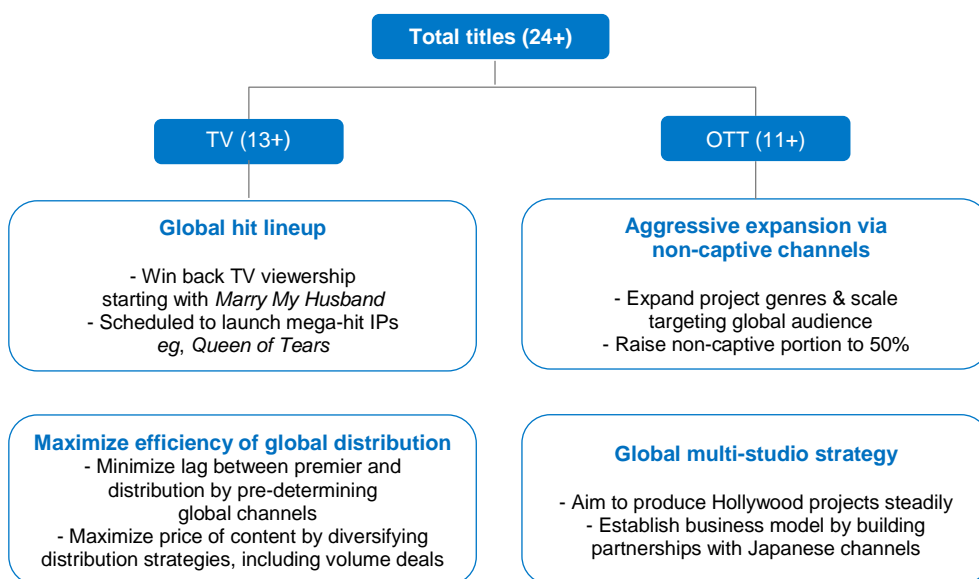


Note: As of 2Q24 / Source: Company data, Samsung Securities

Table 4. 2024 strategies to facilitate transition to major global studio

	2017-2023	2024-
Non-captive portion of projects	13%	50%-
In-house portion of production	26%	50%-
Major strategies for platforms	Volume deals	More volume deals
Programming strategies	Mainly programming/distribution; a smaller portion of IP development	Equal parts programming/distribution and IP development

Source: Company data, Samsung Securities

Chart 12. 2024 strategies: Strategic turning point**Note: Judging its programming lineup as of Oct 2024, 2024 total titles will be TV 12 and OTT 7**

Source: Company data, Samsung Securities

Table 5. Changes to full-year forecasts

(KRWb)	2024E			2025E		
	Previous	Revised	Chg (%)	Previous	Revised	Chg (%)
Sales	621.8	576.2	-7.3	730.0	694.9	-4.8
Operating profit	54.2	47.4	-12.5	65.6	62.2	-5.1
OPM (% , %pts)	8.7	8.2	-0.5	9.0	9.0	-0.0
Pre-tax profit	54.6	49.4	-9.5	60.9	58.6	-3.7
NP (controlling)	39.4	35.4	-10.2	47.0	45.2	-3.7

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2022	2023	2024E	2025E	2026E
Sales	698	753	576	695	827
Cost of goods sold	598	665	498	600	716
Gross profit	100	88	78	94	112
Gross margin (%)	14.3	11.7	13.5	13.6	13.5
SG&A expenses	35	32	30	32	34
Operating profit	65	56	47	62	77
Operating margin (%)	9.3	7.4	8.2	9.0	9.3
Non-operating gains (losses)	-7	-19	2	-4	-7
Financial profit	21	15	20	13	15
Financial costs	19	18	12	12	13
Equity-method gains (losses)	0	0	0	0	0
Other	-9	-16	-7	-5	-10
Pre-tax profit	59	37	49	59	70
Taxes	8	7	14	13	16
Effective tax rate (%)	13.7	19.2	28.3	22.8	22.8
Profit from continuing operations	51	30	35	45	54
Profit from discontinued operations	0	0	0	0	0
Net profit	51	30	35	45	54
Net margin (%)	7.2	4.0	6.1	6.5	6.5
Net profit (controlling interests)	51	30	35	45	54
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	219	242	197	231	272
EBITDA margin (%)	31.3	32.1	34.2	33.3	32.8
EPS (parent-based) (KRW)	1,684	1,001	1,178	1,505	1,789
EPS (consolidated) (KRW)	1,684	1,001	1,178	1,505	1,789
Adjusted EPS (KRW)*	1,684	1,001	1,178	1,505	1,789

Cash flow statement

Year-end Dec 31 (KRWb)	2022	2023	2024E	2025E	2026E
Cash flow from operations	-63	45	204	214	266
Net profit	51	30	35	45	54
Non-cash profit and expenses	176	216	164	181	209
Depreciation	3	3	2	2	1
Amortization	150	183	147	167	193
Other	23	30	15	13	15
Changes in A/L from operating activities	-280	-179	18	1	19
Cash flow from investments	-43	-1	-66	-204	-229
Change in tangible assets	-4	-3	0	0	0
Change in financial assets	0	-4	2	-1	0
Other	-39	6	-68	-203	-230
Cash flow from financing	165	-9	-11	-9	-9
Change in debt	172	-1	-2	0	0
Change in equity	3	0	0	0	0
Dividends	0	0	0	0	0
Other	-9	-8	-9	-9	-9
Change in cash	59	35	104	-4	23
Cash at beginning of year	65	124	158	262	259
Cash at end of year	124	158	262	259	282
Gross cash flow	226	246	200	227	263
Free cash flow	-67	42	204	214	266

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

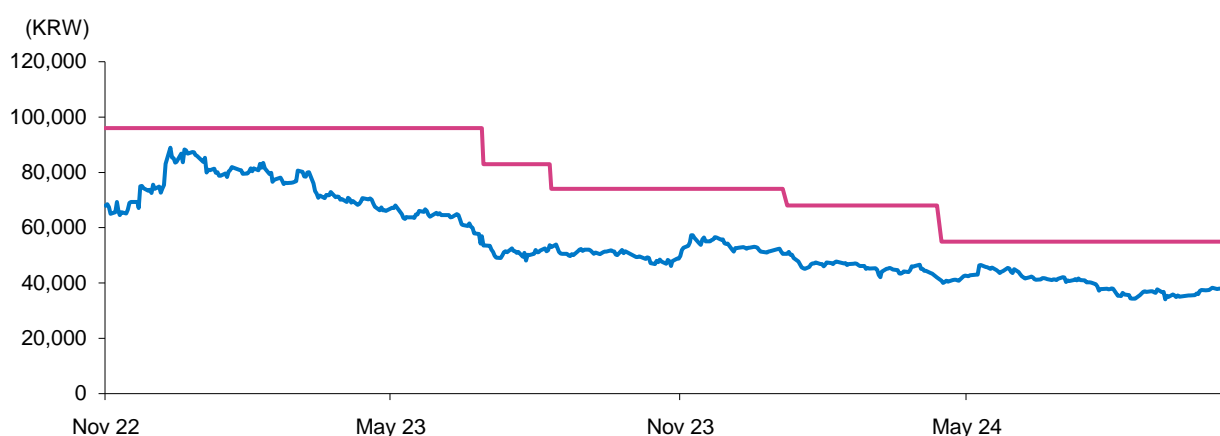
Year-end Dec 31 (KRWb)	2022	2023	2024E	2025E	2026E
Current assets	400	405	435	435	468
Cash & equivalents	124	158	262	259	282
Accounts receivable	142	149	100	105	109
Inventories	0	0	0	0	0
Other current assets	135	97	73	71	77
Fixed assets	691	688	613	662	712
Investment assets	150	175	173	178	183
Tangible assets	11	12	10	9	7
Intangible assets	378	359	295	329	375
Other long-term assets	152	141	135	146	146
Total assets	1,091	1,092	1,048	1,097	1,180
Current liabilities	416	368	316	319	347
Accounts payable	16	11	12	14	16
Short-term debt	170	170	170	170	170
Other current liabilities	230	187	134	135	161
Long-term liabilities	14	16	15	16	17
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	14	16	15	16	17
Total liabilities	430	384	331	334	364
Owners of parent equity	661	708	717	762	816
Capital stock	15	15	15	15	15
Capital surplus	473	473	473	473	473
Retained earnings	213	242	277	323	376
Other	-40	-23	-49	-49	-49
Non-controlling interests' equity	0	0	0	0	0
Total equity	661	708	717	762	816
Net debt	59	23	-83	-79	-103

Financial ratios

Year-end Dec 31	2022	2023	2024E	2025E	2026E
Growth (%)					
Sales	43.3	7.9	-23.5	20.6	19.0
Operating profit	24.0	-14.3	-15.1	31.2	23.8
Net profit	29.5	-40.5	17.7	27.8	18.9
Adjusted EPS**	29.4	-40.6	17.7	27.8	18.9
Per-share data (KRW)					
EPS (parent-based)	1,684	1,001	1,178	1,505	1,789
EPS (consolidated)	1,684	1,001	1,178	1,505	1,789
Adjusted EPS**	1,684	1,001	1,178	1,505	1,789
BVPS	21,982	23,546	23,861	25,365	27,155
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	51.1	51.5	32.6	25.5	21.5
P/B***	3.9	2.2	1.6	1.5	1.4
EV/EBITDA	12.1	6.5	5.4	4.7	3.9
Ratios (%)					
ROE	7.5	4.4	5.0	6.1	6.8
ROA	5.1	2.8	3.3	4.2	4.7
ROIC	12.1	8.5	7.0	10.4	12.1
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	8.9	3.3	-11.5	-10.4	-12.6
Interest coverage (x)	13.2	6.4	5.5	7.2	8.9

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Target price changes in past two years**Rating changes over past two years** (adjusted share prices)

Date	2022/10/6	2023/6/29	8/11	2024/1/8	4/15	10/16
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	96000	83000	74000	68000	55000	51000
Gap* (average)	-24.88	-38.39	-30.14	-32.59	-27.80	
(max or min)**	-7.40	-35.30	-22.57	-24.71	-15.55	

Note: * $\frac{[(\text{average, maximum, or minimum share price over duration of target price} - \text{target price}) / \text{target price}] \times 100\%}{}$
 ** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2024.09.30

BUY(81.3%)·HOLD(18.7%)·SELL(0%)

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