

Media

Results Comment  
November 8, 2018

(Maintain) **Buy**

Target Price(12M, W) **▲ 153,000**

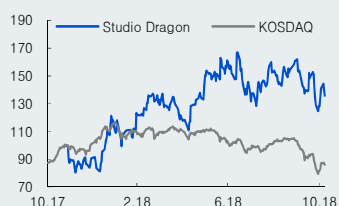
Share Price (11/07/18, W) **97,500**

Expected Return **57%**

|                            |        |
|----------------------------|--------|
| OP (18F, Wbn)              | 56     |
| Consensus OP (18F, Wbn)    | 61     |
| EPS Growth (18F, %)        | 61.5   |
| Market EPS Growth (18F, %) | 11.5   |
| P/E (18F, x)               | 57.5   |
| Market P/E (18F, x)        | 8.3    |
| KOSDAQ                     | 682.37 |

|                         |         |
|-------------------------|---------|
| Market Cap (Wbn)        | 2,734   |
| Shares Outstanding (mn) | 28      |
| Free Float (%)          | 23.9    |
| Foreign Ownership (%)   | 2.3     |
| Beta (12M)              | 1.13    |
| 52-Week Low             | 57,800  |
| 52-Week High            | 119,800 |

| (%)      | 1M    | 6M   | 12M |
|----------|-------|------|-----|
| Absolute | -10.2 | 16.2 | 0.0 |
| Relative | 1.8   | 45.8 | 0.0 |



Mirae Asset Daewoo Co., Ltd.

[Media]

**Jeong-yeob Park**  
+822-3774-1652  
jay.park@miraeasset.com

# Studio Dragon

(253450 KQ)

## Demonstrating more than just good earnings

### Raise TP; bigger opportunity is emerging

We maintain our Buy rating on Studio Dragon and raise our target price to W153,000 (from W150,000).

1) We revised our 2019 operating profit forecast upward by 14.4% to W118.3bn, as we see an increasing likelihood of the resumption of China-bound exports, beginning with the drama *Memories of the Alhambra* in 4Q18, as well as the production of original dramas targeted at the Chinese market. In 2H18, a small number of Korean dramas were licensed to China (including *Misty*), underscoring Chinese OTTs' strong demand to secure major titles ahead of the lifting of regulatory restrictions. We assumed that full-year sales of titles to China will be equivalent to 80% (W47bn) of that to Netflix, and that production costs for original Chinese titles will be W24bn per title.

2) In deriving our target price, we applied a 12-month forward P/E of 49.7x, which is the stock's previous peak multiple (based on consensus) set in June 2018. At the time, the advance sale of *Mr. Sunshine* to Netflix at a high price boosted earnings expectations. This time, we believe the company has secured another strong growth model with its recent co-production deal with a Chinese OTT. We believe the opportunity now facing the company (sale of dramas to both Netflix and China, plus the production of original content for both Netflix and China) is much bigger than the one it enjoyed during the previous peak (higher price of tentpoles).

We believe orders will continue to translate directly into profit gains, as the company has enough creators (around 80) to produce up to 40 titles per year. This means the company still has the capacity to make seven more titles next year, over and above the 29 titles set for the domestic market and two originals to be produced for Netflix and China each. We thus see further upside potential to our earnings estimates. If exports to China fully resume, this would allow the company to sell a number of older titles, but also produce additional original titles for multiple OTTs. The company has also confirmed the possibility of partnerships with traditional US media firms.

### 3Q18 review: Robust results

For 3Q18, Studio Dragon reported consolidated revenue of W123.7bn (+59.7% YoY; all growth figures hereafter are YoY) and operating profit of W21.5bn (+223%). The robust results were largely in line with the consensus and our expectations. Driven by *Mr. Sunshine*, domestic and overseas licensing sales (Netflix, VoD, etc.) grew significantly (+172%), leading to strong operating leverage (OP margin of 17.4%). Even after excluding Netflix, licensing sales (which we believe are mostly domestic VoD sales) amounted to roughly W30bn (+47%, based on our estimates), highlighting the power of the company's premium content.

### Expectations for upcoming dramas this winter are also upbeat

Looking to 4Q18, we forecast revenue of W109bn (+51.6%) and operating profit of W16.9bn (+385.9%). Several highly-anticipated titles are set to air in 4Q18, including *Memories of the Alhambra* (starring Hyun Bin and Park Shin-hye; airing December 1<sup>st</sup>) and *Boysfriend* (starring Song Hye-kyo/Park Bo-gum; airing November 28<sup>th</sup>), and their overseas sales appear to be progressing smoothly. In particular, the company's key tentpole, *Memories of the Alhambra*, looks likely to be sold to a Chinese OTT in addition to Netflix. If so, this would be the company's first drama to be licensed to both Netflix and China. We also see strong prospects of *Boysfriend* being sold to Netflix.

Meanwhile, Studio Dragon has begun airing one of its dramas on a channel (Olive) other than tvN and OCN for the first time. The drama, *Dear My Room* (based on a webtoon; began airing on November 6<sup>th</sup>), targets a new audience with a unique storyline. We believe the title will be a new experiment for the company in terms of genre and programming.

| FY (12)            | 12/14 | 12/15 | 12/16 | 12/17 | 12/18F | 12/19F |
|--------------------|-------|-------|-------|-------|--------|--------|
| Revenue (Wbn)      | 0     | 0     | 196   | 287   | 387    | 604    |
| OP (Wbn)           | 0     | 0     | 111   | 33    | 56     | 118    |
| OP Margin (%)      | -     | -     | 56.6  | 11.5  | 14.5   | 19.5   |
| NP (Wbn)           | 0     | 0     | 0     | 24    | 48     | 94     |
| EPS (W)            | 0     | 0     | 0     | 1,050 | 1,696  | 3,344  |
| ROE (%)            | 0.0   | 0.0   | 0.0   | 9.5   | 12.1   | 20.2   |
| P/E (x)            | -     | -     | -     | 61.9  | 57.5   | 29.2   |
| P/B (x)            | -     | -     | -     | 4.9   | 6.6    | 5.4    |
| Dividend Yield (%) | -     | -     | -     | 0.0   | 0.0    | 0.0    |

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests  
Source: Company data, Mirae Asset Daewoo Research estimates

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S.  
PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

Table 1. Target price

(Wbn, x)

|                    | 18F     | 12MF    | 19F     |
|--------------------|---------|---------|---------|
| Current P/E        | 57.5    | 31.8    | 29.2    |
| Target market cap. | 4,278   | 4,278   | 4,278   |
| Net profit         | 48      | 86      | 94      |
| Target P/E         | 90.0    | 49.7    | 45.6    |
| Target price (W)   | 152,578 | 152,578 | 152,578 |
| Upside (%)         | 56.5    | 56.5    | 56.5    |

Source: Mirae Asset Daewoo Research estimates

Table 2. Earnings and forecasts

(Wbn, %, no.)

|   | 1Q18  | 2Q18  | 3Q18P | 4Q18F | 1Q19F | 2Q19F | 3Q19F | 4Q19F | 2017 | 2018F | 2019F |
|---|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|
| Revenue   | 80    | 74    | 124   | 109   | 119   | 119   | 180   | 187   | 287  | 387   | 604   |
| Programming   | 41    | 34    | 49    | 50    | 47    | 46    | 46    | 51    | 131  | 173   | 189   |
| Licensing   | 32    | 29    | 63    | 40    | 58    | 59    | 61    | 60    | 112  | 164   | 239   |
| Other   | 7     | 11    | 11    | 16    | 13    | 13    | 14    | 15    | 44   | 46    | 56    |
| Original production (Netflix)                       | 0     | 0     | 0     | 0     | 0     | 0     | 30    | 30    | 0    | 0     | 60    |
| Original production (China)                         | 0     | 0     | 0     | 0     | 0     | 0     | 30    | 30    | 0    | 0     | 60    |
| Costs   | 66    | 64    | 99    | 87    | 91    | 90    | 139   | 146   | 240  | 316   | 466   |
| Production costs (excl. originals)                  | 45    | 33    | 49    | 50    | 47    | 46    | 46    | 51    | 127  | 176   | 189   |
| Commission fees                                     | 6     | 6     | 13    | 8     | 12    | 12    | 12    | 12    | 22   | 33    | 48    |
| Depreciation expenses on tangible/intangible assets | 12    | 13    | 23    | 16    | 17    | 18    | 18    | 19    | 41   | 64    | 73    |
| Other   | 3     | 12    | 15    | 13    | 15    | 15    | 15    | 16    | 49   | 42    | 61    |
| Production costs for originals (Netflix)            | 0     | 0     | 0     | 0     | 0     | 0     | 24    | 24    | 0    | 0     | 48    |
| Production costs for originals (China)              | 0     | 0     | 0     | 0     | 0     | 0     | 24    | 24    | 0    | 0     | 48    |
| SG&A  | 3     | 3     | 3     | 5     | 4     | 4     | 4     | 7     | 14   | 15    | 19    |
| EBITDA  | 23    | 21    | 44    | 33    | 42    | 42    | 55    | 53    | 74   | 121   | 192   |
| Operating profit                                    | 11    | 7     | 22    | 17    | 24    | 24    | 37    | 33    | 33   | 56    | 118   |
| OP margin   | 13.3  | 9.9   | 17.4  | 15.5  | 20.3  | 20.2  | 20.6  | 17.7  | 11.5 | 14.6  | 19.6  |
| Pretax profit                                       | 11    | 11    | 22    | 17    | 25    | 24    | 38    | 33    | 30   | 61    | 120   |
| Net profit  | 8     | 9     | 17    | 13    | 19    | 19    | 29    | 26    | 24   | 48    | 94    |
| Net margin  | 9.8   | 12.0  | 14.0  | 12.4  | 16.2  | 16.0  | 16.3  | 14.0  | 8.3  | 12.3  | 15.5  |
| <b>YoY</b>  |       |       |       |       |       |       |       |       |      |       |       |
| Revenue   | 6.0   | 19.6  | 59.7  | 51.6  | 48.6  | 59.6  | 45.7  | 71.3  | 46.7 | 34.9  | 56.2  |
| Programming   | 54.5  | 41.1  | 17.1  | 27.6  | 15.2  | 34.2  | -6.6  | 2.5   | 49.5 | 32.1  | 9.2   |
| Licensing   | -12.0 | 9.5   | 172.0 | 56.0  | 82.3  | 106.0 | -3.8  | 49.9  | 48.3 | 47.0  | 45.4  |
| Other   | -43.4 | -1.9  | -8.3  | 124.8 | 88.1  | 18.2  | 19.3  | -3.8  | 35.3 | 5.2   | 21.5  |
| EBITDA  | -3.4  | 4.6   | 181.8 | 118.5 | 80.0  | 104.5 | 25.0  | 61.0  | -    | 62.2  | 58.8  |
| Operating profit                                    | -23.7 | -17.6 | 224.0 | 385.9 | 126.6 | 226.9 | 72.8  | 95.8  | 56.1 | 70.5  | 109.9 |
| Net profit  | -41.3 | 217.3 | 205.8 | 575.1 | 144.1 | 114.0 | 70.0  | 93.8  | 83.8 | 99.3  | 97.2  |
| <b>Major assumptions</b>                            |       |       |       |       |       |       |       |       |      |       |       |
| No. of titles aired                                 | 7.0   | 5.0   | 6.3   | 6.8   | 7.0   | 7.0   | 7.0   | 7.5   | 22.3 | 25.0  | 28.5  |
| No. of titles licensed to Netflix                   | 2.0   | 0.5   | 1.0   | 1.0   | 1.5   | 1.5   | 1.5   | 1.5   | 3.1  | 4.5   | 6.0   |

Source: Mirae Asset Daewoo Research estimates

## Earnings forecasts and valuation

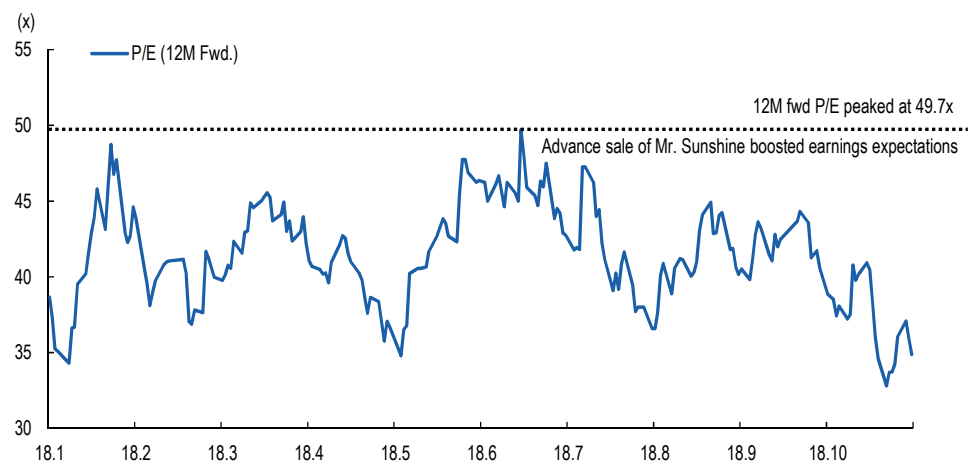
**Table 3. Target price**

(x, Wbn)

|                    | 18F     | 12MF    | 19F     |
|--------------------|---------|---------|---------|
| Current P/E        | 57.5    | 31.8    | 29.2    |
| Target market cap. | 4,278   | 4,278   | 4,278   |
| Net Profit         | 48      | 86      | 94      |
| Target P/E         | 90.0    | 49.7    | 45.6    |
| Target price (W)   | 152,578 | 152,578 | 152,578 |
| Upside (%)         | 56.5    | 56.5    | 56.5    |

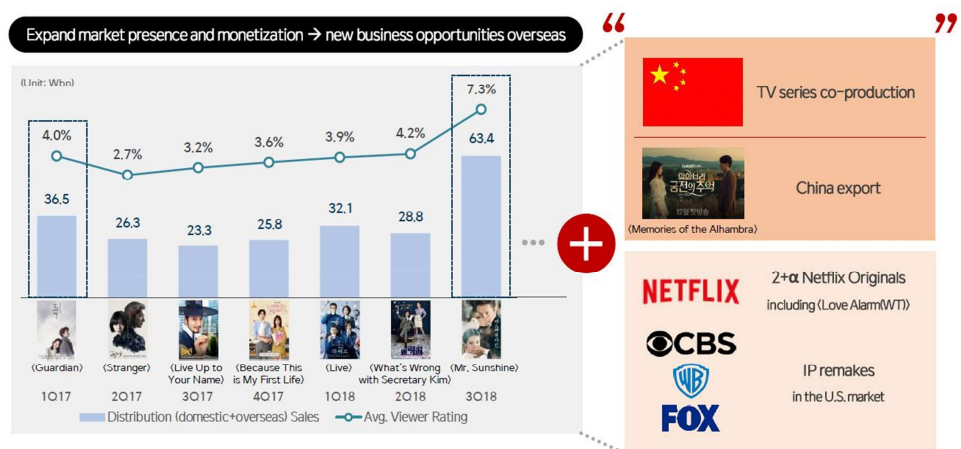
Source: Mirae Asset Daewoo Research estimates

**Figure 1. The stock's previous peak multiple (P/E of 49.7x) was set in June 2018, when the advance sale of *Mr. Sunshine* to Netflix at a high price boosted earnings expectations**



Source: Mirae Asset Daewoo Research estimates

**Figure 2. 2019: Sale of dramas to both Netflix and China, plus the production of original content for both Netflix and China**



Source: Mirae Asset Daewoo Research estimates

Table 4. Earnings and forecasts

(Wbn, %, no.)

|   | 1Q18  | 2Q18  | 3Q18P | 4Q18F | 1Q19F | 2Q19F | 3Q19F | 4Q19F | 2017 | 2018F | 2019F |
|---|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|
| Revenue   | 80    | 74    | 124   | 109   | 119   | 119   | 180   | 187   | 287  | 387   | 604   |
| Programming   | 41    | 34    | 49    | 50    | 47    | 46    | 46    | 51    | 131  | 173   | 189   |
| Licensing   | 32    | 29    | 63    | 40    | 58    | 59    | 61    | 60    | 112  | 164   | 239   |
| Other   | 7     | 11    | 11    | 16    | 13    | 13    | 14    | 15    | 44   | 46    | 56    |
| Original production (Netflix)                       | 0     | 0     | 0     | 0     | 0     | 0     | 30    | 30    | 0    | 0     | 60    |
| Original production (China)                         | 0     | 0     | 0     | 0     | 0     | 0     | 30    | 30    | 0    | 0     | 60    |
| Costs   | 66    | 64    | 99    | 87    | 91    | 90    | 139   | 146   | 240  | 316   | 466   |
| Production costs (excl. originals)                  | 45    | 33    | 49    | 50    | 47    | 46    | 46    | 51    | 127  | 176   | 189   |
| Commission fees                                     | 6     | 6     | 13    | 8     | 12    | 12    | 12    | 12    | 22   | 33    | 48    |
| Depreciation expenses on tangible/intangible assets | 12    | 13    | 23    | 16    | 17    | 18    | 18    | 19    | 41   | 64    | 73    |
| Other   | 3     | 12    | 15    | 13    | 15    | 15    | 15    | 16    | 49   | 42    | 61    |
| Production costs for originals (Netflix)            | 0     | 0     | 0     | 0     | 0     | 0     | 24    | 24    | 0    | 0     | 48    |
| Production costs for originals (China)              | 0     | 0     | 0     | 0     | 0     | 0     | 24    | 24    | 0    | 0     | 48    |
| SG&A  | 3     | 3     | 3     | 5     | 4     | 4     | 4     | 7     | 14   | 15    | 19    |
| EBITDA  | 23    | 21    | 44    | 33    | 42    | 42    | 55    | 53    | 74   | 121   | 192   |
| Operating profit                                    | 11    | 7     | 22    | 17    | 24    | 24    | 37    | 33    | 33   | 56    | 118   |
| OP margin   | 13.3  | 9.9   | 17.4  | 15.5  | 20.3  | 20.2  | 20.6  | 17.7  | 11.5 | 14.6  | 19.6  |
| Pretax profit                                       | 11    | 11    | 22    | 17    | 25    | 24    | 38    | 33    | 30   | 61    | 120   |
| Net profit  | 8     | 9     | 17    | 13    | 19    | 19    | 29    | 26    | 24   | 48    | 94    |
| Net margin  | 9.8   | 12.0  | 14.0  | 12.4  | 16.2  | 16.0  | 16.3  | 14.0  | 8.3  | 12.3  | 15.5  |
| YoY   |       |       |       |       |       |       |       |       |      |       |       |
| Revenue   | 6.0   | 19.6  | 59.7  | 51.6  | 48.6  | 59.6  | 45.7  | 71.3  | 46.7 | 34.9  | 56.2  |
| Programming   | 54.5  | 41.1  | 17.1  | 27.6  | 15.2  | 34.2  | -6.6  | 2.5   | 49.5 | 32.1  | 9.2   |
| Licensing   | -12.0 | 9.5   | 172.0 | 56.0  | 82.3  | 106.0 | -3.8  | 49.9  | 48.3 | 47.0  | 45.4  |
| Other   | -43.4 | -1.9  | -8.3  | 124.8 | 88.1  | 18.2  | 19.3  | -3.8  | 35.3 | 5.2   | 21.5  |
| EBITDA  | -3.4  | 4.6   | 181.8 | 118.5 | 80.0  | 104.5 | 25.0  | 61.0  | -    | 62.2  | 58.8  |
| Operating profit                                    | -23.7 | -17.6 | 224.0 | 385.9 | 126.6 | 226.9 | 72.8  | 95.8  | 56.1 | 70.5  | 109.9 |
| Net profit  | -41.3 | 217.3 | 205.8 | 575.1 | 144.1 | 114.0 | 70.0  | 93.8  | 83.8 | 99.3  | 97.2  |
| Major assumptions                                   |       |       |       |       |       |       |       |       |      |       |       |
| No. of titles aired                                 | 7.0   | 5.0   | 6.3   | 6.8   | 7.0   | 7.0   | 7.0   | 7.5   | 22.3 | 25.0  | 28.5  |
| No. of titles licensed to Netflix                   | 2.0   | 0.5   | 1.0   | 1.0   | 1.5   | 1.5   | 1.5   | 1.5   | 3.1  | 4.5   | 6.0   |

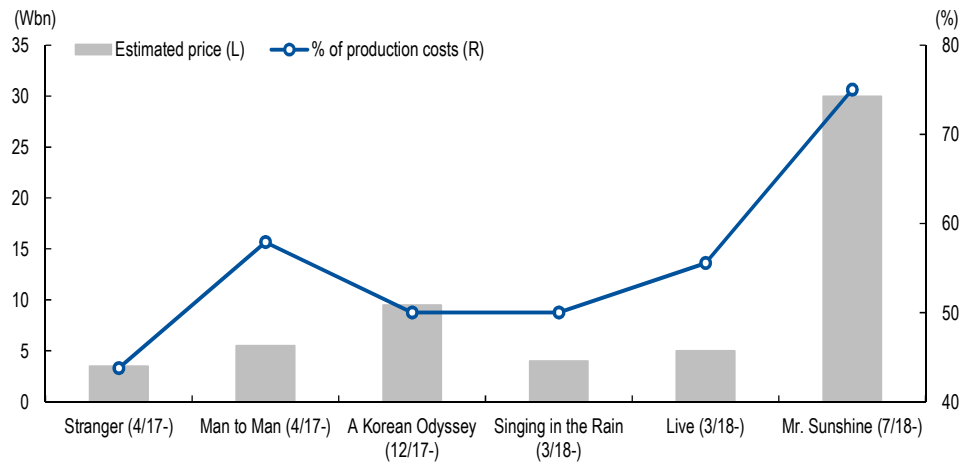
Source: Mirae Asset Daewoo Research estimates

Table 5. Earnings forecast revisions

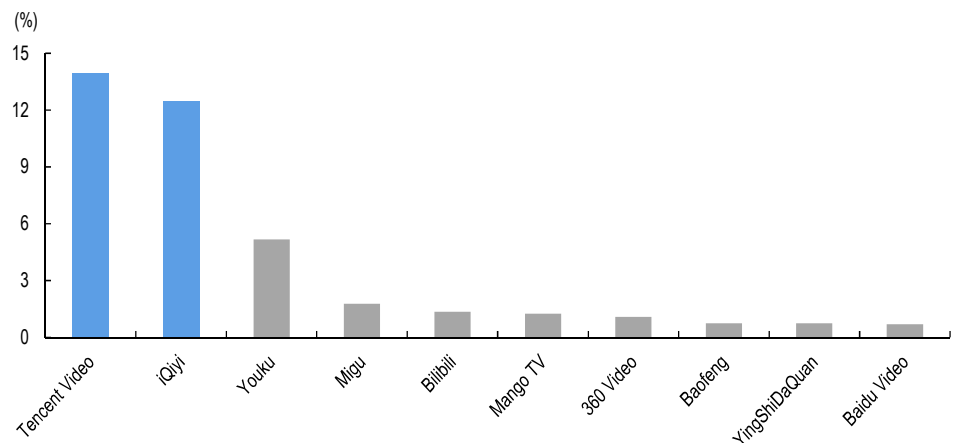
(Wbn %, %p)

|                  | Previous |      | Revised |      | Change |      | Notes   |
|------------------|----------|------|---------|------|--------|------|---|
|                  | 18F      | 19F  | 18F     | 19F  | 18F    | 19F  |   |
| Revenue          | 394      | 559  | 387     | 604  | -1.8   | 8.1  | Reflects original content sales to Chinese OTT          |
| Operating profit | 59       | 103  | 56      | 118  | -4.5   | 14.4 | Revised licensing sales assumptions for 4Q18 and beyond |
| Net profit       | 50       | 84   | 48      | 94   | -5.5   | 11.9 |   |
| OP margin        | 15.0     | 18.5 | 14.6    | 19.6 | -0.4   | 1.1  |   |
| Net margin       | 12.8     | 15.0 | 12.3    | 15.5 | -0.5   | 0.5  |   |

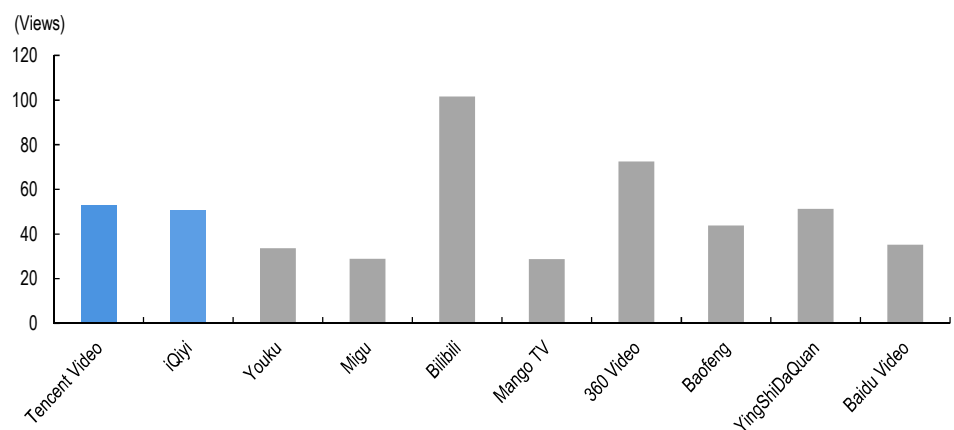
Source: Mirae Asset Daewoo Research estimates

**Figure 3. Netflix-bound content prices on the rise: Leverage effects**

Note: The terms of licensing deals (e.g., country, exclusivity, holdback, etc.) differ by contract  
 Source: Mirae Asset Daewoo Research

**Figure 4. China's Android video app ranking in terms of weekly average app utilization**

Note: Weekly average app utilization refers to the number of an individual app's weekly active users divided by that of total active users  
 Source: Cheetah Mobile, Mirae Asset Daewoo Research

**Figure 5. China's Android video app ranking in terms of weekly average app launches**

Source: Cheetah Mobile, Mirae Asset Daewoo Research

## Studio Dragon (253450 KQ/Buy/TP: W153,000)

## Comprehensive Income Statement (Summarized)

| (Wbn)                               | 12/16      | 12/17      | 12/18F     | 12/19F     |
|-------------------------------------|------------|------------|------------|------------|
| <b>Revenue</b>                      | <b>196</b> | <b>287</b> | <b>387</b> | <b>604</b> |
| <b>Cost of Sales</b>                | <b>0</b>   | <b>240</b> | <b>316</b> | <b>466</b> |
| <b>Gross Profit</b>                 | <b>196</b> | <b>47</b>  | <b>71</b>  | <b>138</b> |
| <b>SG&amp;A Expenses</b>            | <b>58</b>  | <b>14</b>  | <b>15</b>  | <b>19</b>  |
| <b>Operating Profit (Adj)</b>       | <b>111</b> | <b>33</b>  | <b>56</b>  | <b>118</b> |
| <b>Operating Profit</b>             | <b>111</b> | <b>33</b>  | <b>56</b>  | <b>118</b> |
| <b>Non-Operating Profit</b>         | <b>-47</b> | <b>-3</b>  | <b>5</b>   | <b>2</b>   |
| Net Financial Income                | -1         | -1         | 4          | 4          |
| Net Gain from Inv in Associates     | 0          | 0          | 0          | 0          |
| Pretax Profit                       | 64         | 30         | 61         | 120        |
| Income Tax                          | 1          | 6          | 14         | 26         |
| Profit from Continuing Operations   | 8          | 24         | 48         | 94         |
| Profit from Discontinued Operations | 0          | 0          | 0          | 0          |
| <b>Net Profit</b>                   | <b>0</b>   | <b>24</b>  | <b>48</b>  | <b>94</b>  |
| Controlling Interests               | 0          | 24         | 48         | 94         |
| Non-Controlling Interests           | 0          | 0          | 0          | 0          |
| <b>Total Comprehensive Profit</b>   | <b>8</b>   | <b>24</b>  | <b>47</b>  | <b>94</b>  |
| Controlling Interests               | 8          | 24         | 47         | 94         |
| Non-Controlling Interests           | 0          | 0          | 0          | 0          |
| EBITDA                              | 133        | 74         | 121        | 192        |
| FCF (Free Cash Flow)                | -13        | -7         | 65         | 151        |
| EBITDA Margin (%)                   | 67.9       | 25.8       | 31.3       | 31.8       |
| Operating Profit Margin (%)         | 56.6       | 11.5       | 14.5       | 19.5       |
| Net Profit Margin (%)               | 0.0        | 8.4        | 12.4       | 15.6       |

## Statement of Financial Condition (Summarized)

| (Wbn)                            | 12/16      | 12/17      | 12/18F     | 12/19F     |
|----------------------------------|------------|------------|------------|------------|
| <b>Current Assets</b>            | <b>81</b>  | <b>290</b> | <b>299</b> | <b>431</b> |
| Cash and Cash Equivalents        | 12         | 51         | 201        | 264        |
| AR & Other Receivables           | 39         | 55         | 55         | 95         |
| Inventories                      | 0          | 1          | 1          | 2          |
| Other Current Assets             | 30         | 183        | 42         | 70         |
| <b>Non-Current Assets</b>        | <b>161</b> | <b>170</b> | <b>198</b> | <b>217</b> |
| Investments in Associates        | 0          | 0          | 0          | 0          |
| Property, Plant and Equipment    | 1          | 1          | 1          | 1          |
| Intangible Assets                | 124        | 128        | 150        | 167        |
| <b>Total Assets</b>              | <b>242</b> | <b>459</b> | <b>497</b> | <b>649</b> |
| <b>Current Liabilities</b>       | <b>84</b>  | <b>91</b>  | <b>81</b>  | <b>138</b> |
| AP & Other Payables              | 20         | 32         | 32         | 54         |
| Short-Term Financial Liabilities | 8          | 10         | 0          | 0          |
| Other Current Liabilities        | 56         | 49         | 49         | 84         |
| <b>Non-Current Liabilities</b>   | <b>21</b>  | <b>0</b>   | <b>0</b>   | <b>1</b>   |
| Long-Term Financial Liabilities  | 20         | 0          | 0          | 0          |
| Other Non-Current Liabilities    | 1          | 0          | 0          | 1          |
| <b>Total Liabilities</b>         | <b>106</b> | <b>91</b>  | <b>81</b>  | <b>139</b> |
| <b>Controlling Interests</b>     | <b>136</b> | <b>368</b> | <b>416</b> | <b>510</b> |
| Capital Stock                    | 11         | 14         | 14         | 14         |
| Capital Surplus                  | 115        | 320        | 320        | 320        |
| Retained Earnings                | 8          | 32         | 80         | 173        |
| <b>Non-Controlling Interests</b> | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   |
| <b>Stockholders' Equity</b>      | <b>136</b> | <b>368</b> | <b>416</b> | <b>510</b> |

## Cash Flows (Summarized)

| (Wbn)                          | 12/16      | 12/17      | 12/18F     | 12/19F     |
|--------------------------------|------------|------------|------------|------------|
| Cash Flows from Op Activities  | -12        | -7         | 66         | 151        |
| Net Profit                     | 0          | 24         | 48         | 94         |
| Non-Cash Income and Expense    | 25         | 46         | 73         | 95         |
| Depreciation                   | 0          | 0          | 0          | 0          |
| Amortization                   | 22         | 41         | 64         | 73         |
| Others                         | 3          | 5          | 9          | 22         |
| Chg in Working Capital         | -46        | -73        | -42        | -12        |
| Chg in AR & Other Receivables  | -27        | -14        | -1         | -39        |
| Chg in Inventories             | 0          | -2         | 0          | -1         |
| Chg in AP & Other Payables     | 11         | 9          | 4          | 4          |
| <b>Income Tax Paid</b>         | <b>-2</b>  | <b>-10</b> | <b>-13</b> | <b>-26</b> |
| Cash Flows from Inv Activities | -70        | -141       | 94         | -88        |
| Chg in PP&E                    | -1         | 0          | 0          | 0          |
| Chg in Intangible Assets       | 0          | 0          | -51        | -90        |
| Chg in Financial Assets        | -2         | -142       | 141        | -3         |
| <b>Others</b>                  | <b>-67</b> | <b>1</b>   | <b>4</b>   | <b>5</b>   |
| Cash Flows from Fin Activities | 93         | 188        | -10        | 0          |
| Chg in Financial Liabilities   | 28         | -18        | -10        | 0          |
| Chg in Equity                  | 126        | 208        | 0          | 0          |
| Dividends Paid                 | 0          | 0          | 0          | 0          |
| <b>Others</b>                  | <b>-61</b> | <b>-2</b>  | <b>0</b>   | <b>0</b>   |
| Increase (Decrease) in Cash    | 12         | 40         | 150        | 63         |
| Beginning Balance              | 0          | 12         | 51         | 201        |
| <b>Ending Balance</b>          | <b>12</b>  | <b>51</b>  | <b>201</b> | <b>264</b> |

## Forecasts/Valuations (Summarized)

|                                  | 12/16 | 12/17  | 12/18F  | 12/19F |
|----------------------------------|-------|--------|---------|--------|
| P/E (x)                          | -     | 61.9   | 57.5    | 29.2   |
| P/CF (x)                         | -     | 21.2   | 22.7    | 14.5   |
| P/B (x)                          | -     | 4.9    | 6.6     | 5.4    |
| EV/EBITDA (x)                    | -     | 22.1   | 21.0    | 12.9   |
| EPS (W)                          | 0     | 1,050  | 1,696   | 3,344  |
| CFPS (W)                         | 1,735 | 3,068  | 4,302   | 6,731  |
| BPS (W)                          | 6,176 | 13,141 | 14,847  | 18,191 |
| DPS (W)                          | 0     | 0      | 0       | 0      |
| Payout ratio (%)                 | 0.0   | 0.0    | 0.0     | 0.0    |
| Dividend Yield (%)               | -     | 0.0    | 0.0     | 0.0    |
| Revenue Growth (%)               | -     | 46.4   | 34.8    | 56.1   |
| EBITDA Growth (%)                | -     | -44.4  | 63.5    | 58.7   |
| Operating Profit Growth (%)      | -     | -70.3  | 69.7    | 110.7  |
| EPS Growth (%)                   | -     | -      | 61.5    | 97.2   |
| Accounts Receivable Turnover (x) | 5.3   | 6.2    | 7.0     | 8.1    |
| Inventory Turnover (x)           | 0.0   | 443.0  | 298.8   | 344.1  |
| Accounts Payable Turnover (x)    | 0.0   | 40.5   | 52.0    | 56.7   |
| ROA (%)                          | 0.0   | 6.8    | 9.9     | 16.4   |
| ROE (%)                          | 0.0   | 9.5    | 12.1    | 20.2   |
| ROIC (%)                         | 72.2  | 15.6   | 21.9    | 41.5   |
| Liability to Equity Ratio (%)    | 77.8  | 24.7   | 19.5    | 27.2   |
| Current Ratio (%)                | 96.4  | 319.6  | 370.5   | 312.0  |
| Net Debt to Equity Ratio (%)     | 12.1  | -49.4  | -48.4   | -51.8  |
| Interest Coverage Ratio (x)      | 129.7 | 19.0   | 1,240.3 | 0.0    |

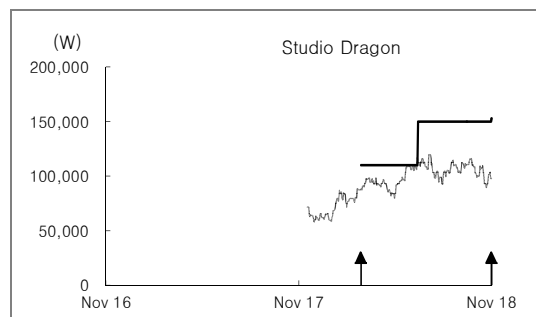
Source: Company data, Mirae Asset Daewoo Research estimates

## APPENDIX 1

### Important Disclosures & Disclaimers

#### 2-Year Rating and Target Price History

| Company (Code)         | Date       | Rating | Target Price |
|------------------------|------------|--------|--------------|
| Studio Dragon (253450) | 11/08/2018 | Buy    | 153,000      |
|                        | 06/22/2018 | Buy    | 150,000      |
|                        | 03/06/2018 | Buy    | 110,000      |



#### Stock Ratings

|             |   |
|-------------|---|
| Buy         | : Relative performance of 20% or greater                      |
| Trading Buy | : Relative performance of 10% or greater, but with volatility |
| Hold        | : Relative performance of -10% and 10%                        |
| Sell        | : Relative performance of -10%                                |

#### Industry Ratings

|             |  |
|-------------|--|
| Overweight  | : Fundamentals are favorable or improving              |
| Neutral     | : Fundamentals are steady without any material changes |
| Underweight | : Fundamentals are unfavorable or worsening            |

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

\* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

\* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

\* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

\* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

#### Equity Ratings Distribution & Investment Banking Services

|                             | Buy    | Trading Buy | Hold   | Sell  |
|-----------------------------|--------|-------------|--------|-------|
| Equity Ratings Distribution | 73.71% | 13.92%      | 12.37% | 0.00% |
| Investment Banking Services | 82.61% | 4.35%       | 13.04% | 0.00% |

\* Based on recommendations in the last 12-months (as of September 30, 2018)

#### Disclosures

We managed the IPO of Studio Dragon within the past one year.

#### Analyst Certification

The research analysts who prepared this report (the "Analysts") are registered with the Korea Financial Investment Association and are subject to Korean securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws or regulations thereof. Each Analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the personal views of the Analyst about any and all of the issuers and securities named in this report and (ii) no part of the compensation of the Analyst was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report. Mirae Asset Daewoo Co., Ltd. ("Mirae Asset Daewoo") policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst's area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. Like all employees of Mirae Asset Daewoo, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or Mirae Asset Daewoo except as otherwise stated herein.

#### Disclaimers

This report was prepared by Mirae Asset Daewoo, a broker-dealer registered in the Republic of Korea and a member of the Korea Exchange. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and Mirae Asset Daewoo makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Korean language. In case of an English translation of a report prepared in the Korean language, the original Korean language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws or regulations or subject Mirae Asset Daewoo or any of its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of Mirae Asset Daewoo by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and

opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. Mirae Asset Daewoo, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

Mirae Asset Daewoo may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset Daewoo may make investment decisions that are inconsistent with the opinions and views expressed in this research report. Mirae Asset Daewoo, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. Mirae Asset Daewoo and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of Mirae Asset Daewoo.

#### **Distribution**

**United Kingdom:** This report is being distributed by Mirae Asset Securities (UK) Ltd. in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), and (ii) high net worth companies and other persons to whom it may lawfully be communicated, falling within Article 49(2)(A) to (E) of the Order (all such persons together being referred to as "Relevant Persons"). This report is directed only at Relevant Persons. Any person who is not a Relevant Person should not act or rely on this report or any of its contents.

**United States:** Mirae Asset Daewoo is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This report is distributed in the U.S. by Mirae Asset Securities (USA) Inc., a member of FINRA/SIPC, to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6(b)(4) 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 Mirae Asset Daewoo or its affiliates. Any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Mirae Asset Securities (USA) Inc. Mirae Asset Securities (USA) Inc. 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 Mirae Asset Daewoo. 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 Mirae Asset Securities (HK) Limited, which is regulated by the Hong Kong Securities and Futures Commission. 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.

**All Other Jurisdictions:** Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Mirae Asset Daewoo 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 Mirae Asset Daewoo and its affiliates to any registration or licensing requirement within such jurisdiction.



## Mirae Asset Daewoo International Network

|   |   |  |
|---|---|--|
| <b>Mirae Asset Daewoo Co., Ltd. (Seoul)</b><br>Global Equity Sales Team<br>Mirae Asset Center 1 Building<br>26 Eulji-ro 5-gil, Jung-gu, Seoul 04539<br>Korea<br><br>Tel: 82-2-3774-2124                         | <b>Mirae Asset Securities (HK) Ltd.</b><br>Suites 1109-1114, 11th Floor<br>Two International Finance Centre<br>8 Finance Street, Central<br>Hong Kong<br>China<br>Tel: 852-2845-6332                          | <b>Mirae Asset Securities (UK) Ltd.</b><br>41st Floor, Tower 42<br>25 Old Broad Street,<br>London EC2N 1HQ<br>United Kingdom<br><br>Tel: 44-20-7982-8000   |
| <b>Mirae Asset Securities (USA) Inc.</b><br>810 Seventh Avenue, 37th Floor<br>New York, NY 10019<br>USA<br><br>Tel: 1-212-407-1000  | <b>Mirae Asset Wealth Management (USA) Inc.</b><br>555 S. Flower Street, Suite 4410,<br>Los Angeles, California 90071<br>USA<br><br>Tel: 1-213-262-3807   | <b>Mirae Asset Wealth Management (Brazil) CCTVM</b><br>Rua Funchal, 418, 18th Floor, E-Tower Building Vila<br>Olimpia<br>Sao Paulo - SP<br>04551-060<br>Brasil<br>Tel: 55-11-2789-2100               |
| <b>PT. Mirae Asset Sekuritas Indonesia</b><br>Equity Tower Building Lt. 50<br>Sudirman Central Business District<br>Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan<br>12190<br>Indonesia<br>Tel: 62-21-515-3281 | <b>Mirae Asset Securities (Singapore) Pte. Ltd.</b><br>6 Battery Road, #11-01<br>Singapore 049909<br>Republic of Singapore<br><br>Tel: 65-6671-9845   | <b>Mirae Asset Securities (Vietnam) LLC</b><br>7F, Saigon Royal Building<br>91 Pasteur St.<br>District 1, Ben Nghe Ward, Ho Chi Minh City<br>Vietnam<br><br>Tel: 84-8-3911-0633 (ext.110)            |
| <b>Mirae Asset Securities Mongolia UTsK LLC</b><br>#406, Blue Sky Tower, Peace Avenue 17<br>1 Khoroo, Sukhbaatar District<br>Ulaanbaatar 14240<br>Mongolia<br><br>Tel: 976-7011-0806                            | <b>Mirae Asset Investment Advisory (Beijing) Co., Ltd</b><br>2401B, 24th Floor, East Tower, Twin Towers<br>B12 Jianguomenwai Avenue, Chaoyang District<br>Beijing 100022<br>China<br><br>Tel: 86-10-6567-9699 | <b>Beijing Representative Office</b><br>2401A, 24th Floor, East Tower, Twin Towers<br>B12 Jianguomenwai Avenue, Chaoyang District<br>Beijing 100022<br>China<br><br>Tel: 86-10-6567-9699 (ext. 3300) |
| <b>Shanghai Representative Office</b><br>38T31, 38F, Shanghai World Financial Center<br>100 Century Avenue, Pudong New Area Shanghai<br>200120<br>China<br><br>Tel: 86-21-5013-6392                             | <b>Ho Chi Minh Representative Office</b><br>7F, Saigon Royal Building<br>91 Pasteur St.<br>District 1, Ben Nghe Ward, Ho Chi Minh City<br>Vietnam<br><br>Tel: 84-8-3910-7715                                  |  |