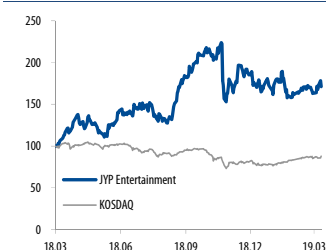


Strong 4Q18 results

Share price (KRW, Mar 12)	29,950		
Upside (%)	55.3		
Market cap (KRW bn)	1,060		
Shares outstanding ('000)	35,394		
Paid-in capital (KRW bn)/ Face value (KRW)	17/500		
52-week high/low (KRW)	39,150/19,050		
60-day avg. daily T/O (KRW bn)	20		
Foreign ownership (%)	12.41		
Major shareholders (%)	Park Jin young and 4 others 18.44		
Price performance	1M	3M	6M
Absolute (%)	1.2	-2.1	-11.8
Relative (%p)	-2.1	-12.3	-3.4
K-IFRS, consolidated			
(KRW)	18F EPS	19F EPS	TP
Previous	614	1,091	46,500
Revised	678	1,088	46,500
Consensus	636	1,072	43,400
Difference	6.7%	1.6%	7.1%

12-month price performance



Source: WiseFn, Hyundai Motor Securities

1) Investment highlights

- We maintain BUY and our target price of KRW46,500 on JYP Entertainment.
- Earnings from Japan, which we initially thought would be carried forward to 1Q19, were recognized in 4Q18.
- JYP's new girl group Itzy will start to monetize in 2020.
- Twice will begin a Japanese dome tour while GOT7 and Stray Kids pick up activities overseas.

2) Major issues and earnings outlook

- JYP posted 4Q18 sales of KRW36bn (+4.8% YoY) and operating profit of KRW9.8bn (+29% YoY), which was higher than market expectations.
- Album sales of 950K units (Twice and GOT7) were recognized in 4Q18. The four concerts that Twice had in Japan in May and June were also recognized, unlike the initial forecast which would have recognized them in 1Q19. Sales from YouTube stood at KRW800mn in 4Q18; for the full year, it surged 80% YoY to KRW3.6bn from KRW2bn in 2017.
- Twice begins its Japanese dome tour (five concerts) in March. Day6 is scheduled to hold 30 concerts across 10 countries. GOT7 is also slated to stage 14 concerts in the Americas and Europe.
- Itzy's music video for its debut song was viewed 34mn times in 48 hours after release. Itzy's faster-than-expected rise to stardom means that the girl group can monetize as early as 2020.
- JYP is planning to debut one or two idol groups localized to the Chinese market in 1H20. In 2H20, a full-Japanese idol group is also scheduled to debut in Japan, in collaboration with Sony.

3) Share price outlook and valuation

- The recent scandal related with the Korean entertainment sector combined with earnings concerns have all worked to drag down entertainment shares. However, we expect JYP shares to enjoy positive momentum as its earnings prospects are solid.
- For our target price, we applied a target 42.8x P/E to 2019F EPS of KRW1,088.

Earnings forecasts and valuations

	Sales (KRW bn)	OP (KRW bn)	NP (KRW bn)	EBITDA (KRW bn)	EPS (KRW)	Growth (%YoY)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	Div. yield (%)
2016	74	14	8	16	246	162.7	20.0	2.5	8.5	13.4	0.0
2017	102	19	16	22	471	91.2	29.2	5.6	19.6	21.4	0.0
2018F	124	28	24	30	678	45.3	44.6	9.0	33.7	23.4	0.0
2019F	161	44	39	47	1,088	59.2	28.7	7.0	21.0	27.9	0.0
2020F	192	53	49	56	1,386	27.3	22.5	5.3	16.9	27.0	0.0

Note: K-IFRS, consolidated

Fig 1. 4Q18 earnings review

(KRW bn)	Earnings			Growth		HMS estimates		Consensus	
	4Q18	4Q17	3Q18	(%YoY)	(%QoQ)	4Q18F	%difference	4Q18F	%difference
Sales	36.0	34.3	33.9	4.8	6.1	36.0	0.0	36.2	-0.7
Operating profit	9.8	7.6	8.5	28.7	15.9	7.4	33.3	7.6	28.9
OPM (%)	7.2	5.3	8.0			6.5		7.4	
Pretax profit	9.6	6.6	8.5	46.2	13.6	7.5	28.6	7.7	24.7
Net profit (CI)	8.2	5.6	6.5	47.6	26.1	5.8	42.5	6.0	36.7

Note: K-IFRS, consolidated
Source: Hyundai Motor Securities

Fig 2. Quarterly earnings trends

(KRW bn)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18F	2017	2018F	2019F
Sales	21.9	28.5	17.5	34.3	23.0	31.6	33.9	36.0	102.2	124.4	160.8
Operating profit	3.8	6.9	1.1	7.6	1.4	9.1	8.5	9.8	19.5	28.4	44.5
Pretax profit	3.4	9.8	1.3	6.6	2.4	9.7	8.5	9.6	21.1	30.2	51.2
Net profit (CI)	2.9	6.8	1.0	5.7	1.9	7.3	6.7	8.3	16.4	24.2	39.9
OPM (%)	17.4	24.3	6.3	22.2	5.9	28.7	25.0	27.3	19.0	22.8	27.7
Pretax margin (%)	15.6	34.3	7.4	19.1	10.6	30.8	24.9	26.7	20.6	24.3	31.8
Net margin (%)	13.2	23.9	5.5	16.6	8.1	23.2	19.9	23.1	16.0	19.5	24.8

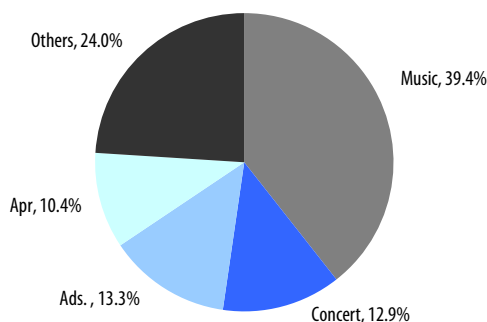
Note: K-IFRS, consolidated
Source: Hyundai Motor Securities

Fig 3. Earnings revisions

(KRW bn)	Revised		Previous		%change	
	2018F	2019F	2018F	2019F	2018F	2019F
Sales	124.4	160.8	124.2	160.8	0.2	0.0
Operating profit	28.4	44.5	26.4	42.7	7.4	4.2
Pretax profit	30.2	51.2	29.4	49.6	2.7	3.2
Net profit	24.2	39.9	23.2	39.8	4.4	0.3

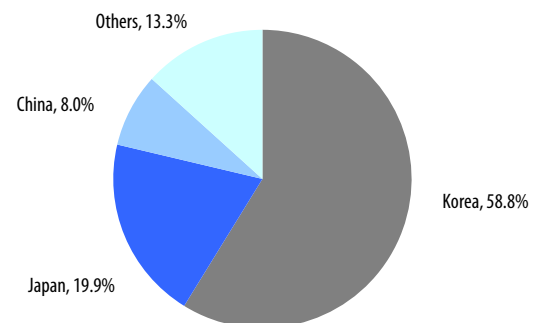
Note: K-IFRS, consolidated
Source: Hyundai Motor Securities

Fig 4. Sales breakdown by content type



Source: Company data, Hyundai Motor Securities

Fig 5. Sales breakdown by country



Source: Company data, Hyundai Motor Securities

Fig 6. ITZY



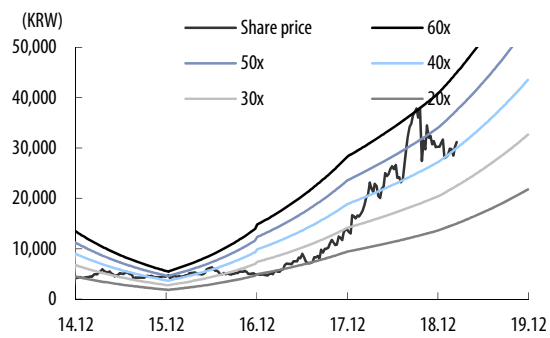
Source: Company data, Hyundai Motor Securities

Fig 7. Twice's dome tour in Japan



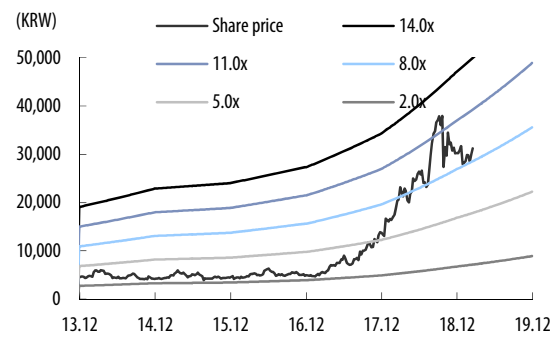
Source: Company data, Hyundai Motor Securities

Fig 8. P/E bands



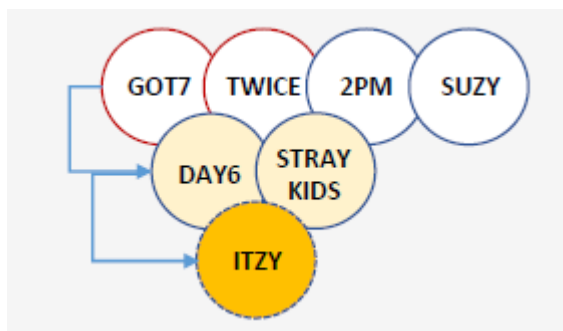
Source: Dataguide, Hyundai Motor Securities

Fig 9. P/B bands



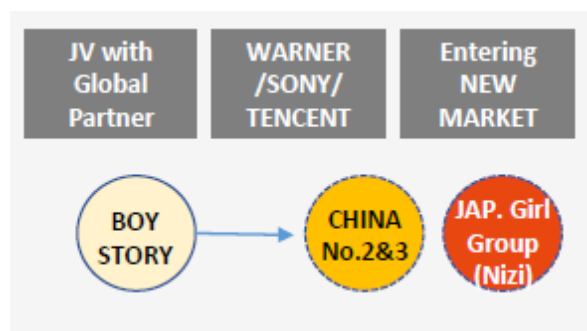
Source: Dataguide, Hyundai Motor Securities

Fig 10. JYP's core artist lineup



Source: Company data, Hyundai Motor Securities

Fig 11. Global expansion



Source: Company data, Hyundai Motor Securities

COMPANY NOTE

Income statement

(KRW bn)	2016	2017	2018F	2019F	2020F
Sales	74	102	124	161	192
Change (%)	45.7	38.8	21.7	29.2	19.3
Cost of goods sold	46	63	69	89	106
% of sales	62.9	61.6	55.2	55.3	55.3
Gross profit	27	39	56	72	86
Gross margin (%)	37.1	38.4	44.8	44.7	44.7
Change (%)	74.7	43.7	42.0	28.8	19.3
SG&A expenses	14	20	27	27	33
% of sales	18.4	19.4	22.0	17.0	17.0
EBITDA	16	22	30	47	56
EBITDA margin (%)	22.1	21.8	24.0	29.5	29.0
Change (%)	143.5	37.2	33.8	59.0	17.1
Operating profit	14	19	28	44	53
Operating margin (%)	18.8	19.0	22.8	27.7	27.7
Change (%)	229.0	40.9	45.7	56.9	19.3
Non-operating profit	0	2	2	3	4
Interest income	1	1	2	1	1
Interest expenses	0	1	0	0	0
Other non-operating income	-1	2	0	2	3
Subsidiaries/affiliate income	0	-1	0	4	8
Pretax profit from cont ops	13	21	30	51	65
Pretax margin (%)	17.7	20.6	24.3	31.8	34.0
Change (%)	241.7	61.2	43.3	69.6	27.3
Income tax	5	5	6	11	14
Profit from continuing ops	9	16	24	40	51
Profit from discontinuing ops	0	0	0	0	0
Net profit	9	16	24	40	51
Net margin (%)	11.6	16.0	19.5	24.8	26.5
Change (%)	164.5	92.0	48.0	64.8	27.3
NP from controlling interest	8	16	24	39	49
NP from non-controlling interest	0	0	1	1	2
Other comprehensive income	0	0	1	0	0
Total comprehensive income	8	16	26	40	51

Cash flow

(KRW bn)	2016	2017	2018F	2019F	2020F
Operating cash flow	15	27	34	47	58
Net profit	9	16	24	40	51
Depreciation on tangible assets	0	0	1	3	2
Amortization on intangible assets	2	3	0	0	0
FX-related profit	0	0	0	0	0
Dec (inc) in working capital	0	5	7	4	5
Others	4	2	1	0	0
Investing cash flow	-4	-29	-9	-3	-4
Dec (inc) in investment assets	0	3	0	-1	-1
Decrease in tangible assets	0	0	0	0	0
Increase in tangible assets	0	-25	-10	0	0
Others	-4	-6	1	-3	-3
Financing cash flow	0	2	1	0	0
Increase (decrease) in debt	0	0	0	0	0
Increase (decrease) in bond	0	0	0	0	0
Increase in capital	0	2	4	0	0
Dividend	0	0	0	0	0
Others	0	0	-3	0	0
Other cash flow	0	0	0	0	0
Increase (decrease) in cash	12	1	26	43	54
Beginning cash	13	25	25	51	95
Ending cash	25	25	51	95	149

Note: K-IFRS, consolidated

Balance sheet

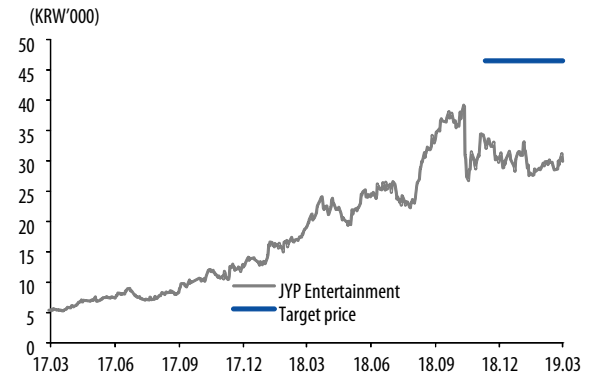
(KRW bn)	2016	2017	2018	2019F	2020F
Current assets	44	58	86	136	198
Cash and cash equivalents	25	25	51	95	149
Short-term investment assets	6	14	15	18	21
Accounts receivable	5	11	11	13	16
Inventory assets	1	2	2	2	2
Other current assets	7	6	7	8	10
Non-current assets	43	66	75	73	71
Tangible assets	0	25	34	31	28
Intangible assets	31	29	29	29	29
Investment assets	5	3	3	4	4
Other non-current assets	7	9	9	9	9
Other financial assets	0	0	0	0	0
Total assets	87	124	161	209	269
Current liabilities	19	35	36	44	52
Short-term debt	0	0	0	0	0
Accounts payable	3	7	7	8	10
Current portion of long-term debt	0	0	0	0	0
Other current debt	15	28	29	35	42
Non-current liabilities	1	4	4	5	6
Bonds	0	0	0	0	0
Long-term debt	0	0	0	0	0
LT financial debt (incl. lease)	0	0	0	0	0
Other non-current debt	1	4	4	5	6
Other financial liabilities	0	0	0	0	0
Total liabilities	20	39	41	49	58
Owners of parent equity	66	85	119	157	206
Paid-in capital	17	17	17	17	17
Capital surplus	53	55	59	59	59
Capital adjustment, etc.	-14	-14	-9	-9	-9
Other accumulat earnings and comp income	0	0	1	1	1
Retained earnings	11	27	50	89	138
Non-controlling interest	1	1	1	3	5
Total equity	67	86	120	160	211

Key financial data

(KRW, x, %)	2016	2017	2018	2019F	2020F
EPS (based on net profit)	250	476	696	1,128	1,436
EPS (based on parent net profit)	246	471	678	1,088	1,386
BPS (based on total equity)	1,969	2,477	3,404	4,528	5,964
BPS (based on owners of parent equity)	1,952	2,452	3,363	4,448	5,834
DPS	0	0	0	0	0
P/E (based on net profit)	19.7	28.9	43.5	27.7	21.7
P/E (based on parent net profit)	20.0	29.2	44.6	28.7	22.5
P/B (based on total equity)	2.5	5.6	8.9	6.9	5.2
P/B (based on owners of parent equity)	2.5	5.6	9.0	7.0	5.3
EV/EBITDA (reported)	8.5	19.6	33.7	21.0	16.9
Dividend yield	0.0	0.0	0.0	0.0	0.0
Growth (%)					
EPS (based on net profit)	164.5	90.2	46.1	62.1	27.3
EPS (based on parent net profit)	162.7	91.2	45.3	59.2	27.3
Profitability (%)					
ROE (based on net profit)	13.5	21.4	23.5	28.5	27.4
ROE (based on parent net profit)	13.4	21.4	23.4	27.9	27.0
ROA	10.6	15.5	17.0	21.6	21.3
Stability (%)					
Total liabilities/equity	29.1	45.1	33.9	30.3	27.4
Net debt/equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage	N/A	N/A	N/A	N/A	N/A

Investment rating and target price history

Date	Rating	TP	Difference (%)	
			Average	High/Low
18/11/22	BUY	46,500	-33.7	-27.7
19/01/28	BUY	46,500	-35.1	-27.7
19/03/13	BUY	46,500	-	-

Two-year price chart**Compliance note**

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- This report accurately reflects the author(s)'s professional views and was written without any undue external influence or interference.

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Hyundai Motor Securities offers three sector investment ratings based on six-month forward fundamentals and share price outlook.

- **OVERWEIGHT:** Sector-wide fundamentals and share prices are expected to turn up.
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Hyundai Motor Securities offers three company investment ratings based on the relative return expected in the following six months, based on the closing price on the date of rating declaration.

- **BUY:** Excess return of +15%p or more
- **MARKETPERFORM (M.PERFORM):** Excess return of between -15%p and +15%p
- **SELL:** Excess return of -15%p or less

Stock ratings distribution (January 1-December 31, 2018)

Rating	Count	% of rating category
BUY	147	92.45
MARKETPERFORM	12	7.55
SELL	0	0

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