

INVESTOR RELATIONS 2018

Credit Suisse Korea Corporate Days, September 2018



DISCLAIMER

This financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided for the convenience of investors only, before the external audit on our 2Q 2018 financial results is completed. The audit outcomes may cause some parts of this document to change.

In addition, this document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, “forward-looking statements” often address our expected future business and financial performance, and often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks” or “will”. Our actual results to be materially different from those expressed in this document due to uncertainties.

Investor Relations 2018

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STUDIO DRAGON AT A GLANCE

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5. NO.1 STUDIO IN KOREA

1 HIGHLIGHTS

WE CREATE NEW CULTURE

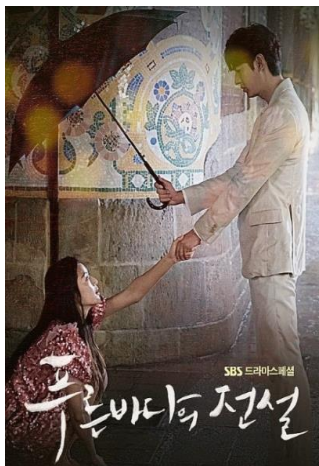
〈Misaeng: Incomplete Life〉



〈Signal〉



〈The Legend of the Blue Sea〉 〈Guardian: The Lonely and Great God〉



〈Stranger〉



〈A Korean Odyssey〉



REVENUE

₩286.8bn
(CAGR⁽¹⁾ +40.7%)

OPERATING PROFIT

₩33bn
(CAGR +99.2%)

NET PROFIT

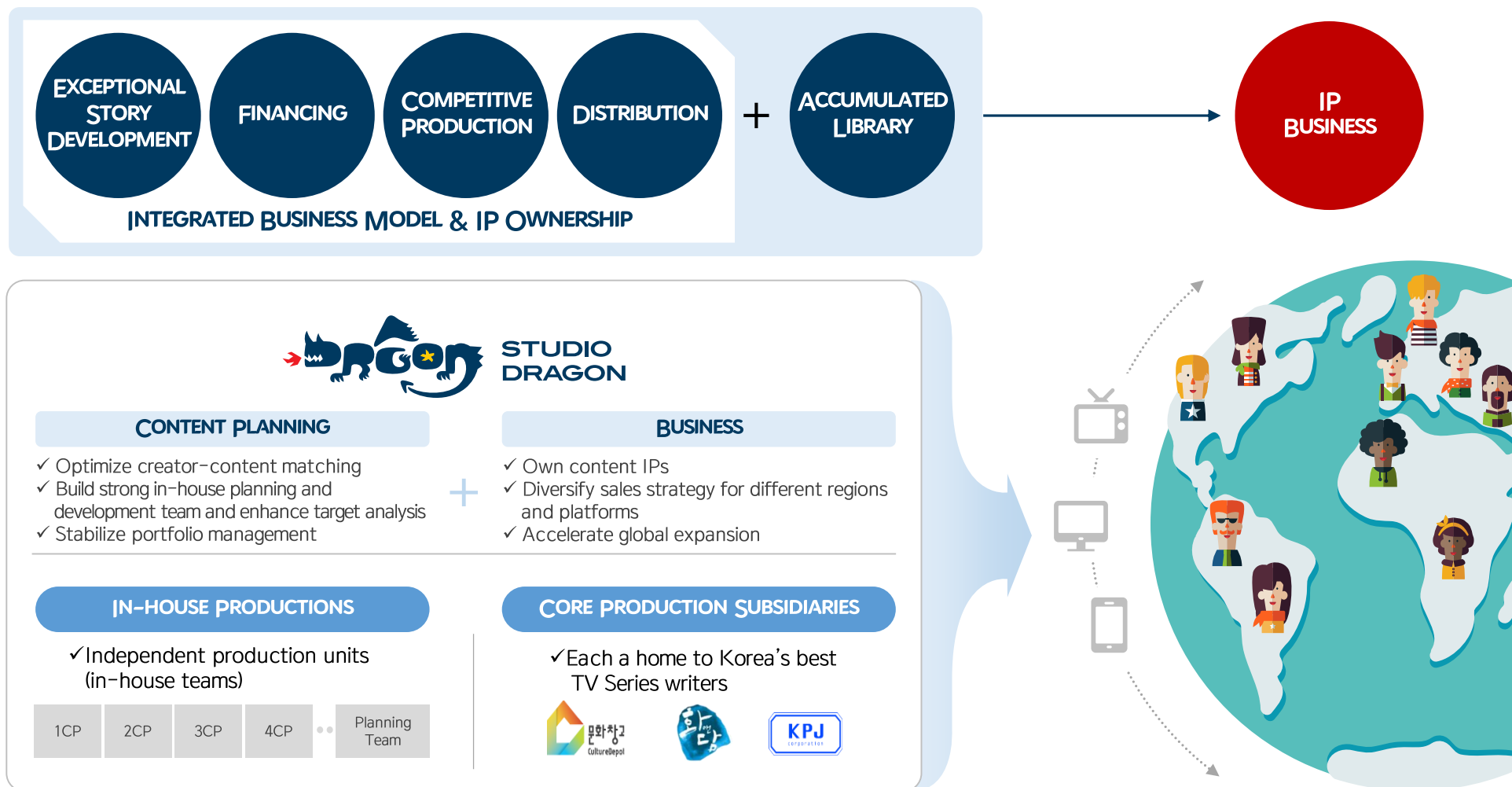
₩23.8bn
(CAGR +160.8%)

Note (1) Compound annual growth rate from 2014 to 2017

2 COMPREHENSIVE STUDIO

WE CREATE NEW CULTURE

Integrated process and IP ownership → First comprehensive studio in Korea



3 STUDIO DRAGON AT A GLANCE

WE CREATE NEW CULTURE

The first studio in Korea with talented creators and sizable production capability



CREATOR

147
People

ASSET

476.0
KRW bn

KNOWHOW

11
Years of
experiences

PRODUCTION

22+
Annual
productions

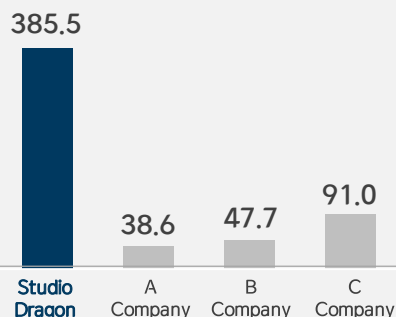
LIBRARY

108
Accumulated
IPs

STABLE FINANCIALS

- Capital: ₩14.0bn
- Total Assets: ₩476.0bn

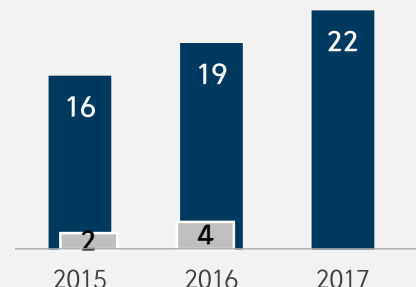
[Shareholders' Equity] Unit: ₩bn



DOMINANT PRODUCTION CAPABILITY

- Annual productions: 22+
- Accumulated IPs: 108

■ Studio Dragon
■ Peer average Unit: titles



MAJOR CREATOR



KIM, EUN-SOOK
WRITER

- Secret Garden
- Guardian and others



PARK, JI-EUN
WRITER

- My Lover from the Star
- Legend of the Blue Sea and others



KIM, YOUNG-HYUN
WRITER

- Queen Sunduk
- Jewel in the Palace and others



PARK, SANG-YEON
WRITER



KIM, WON-SUK
DIRECTOR

- Misaeng: Incomplete Life
- Signal and others



LEE, UNG-BOK
DIRECTOR

- Descendent of the Sun
- Guardian and others



KIM, CHUL-KYU
DIRECTOR

- Road to the Airport
- Chicago Typewriter and others



LEE, YOON-JUNG
DIRECTOR

- Coffee Prince
- Cheese in the Trap and others

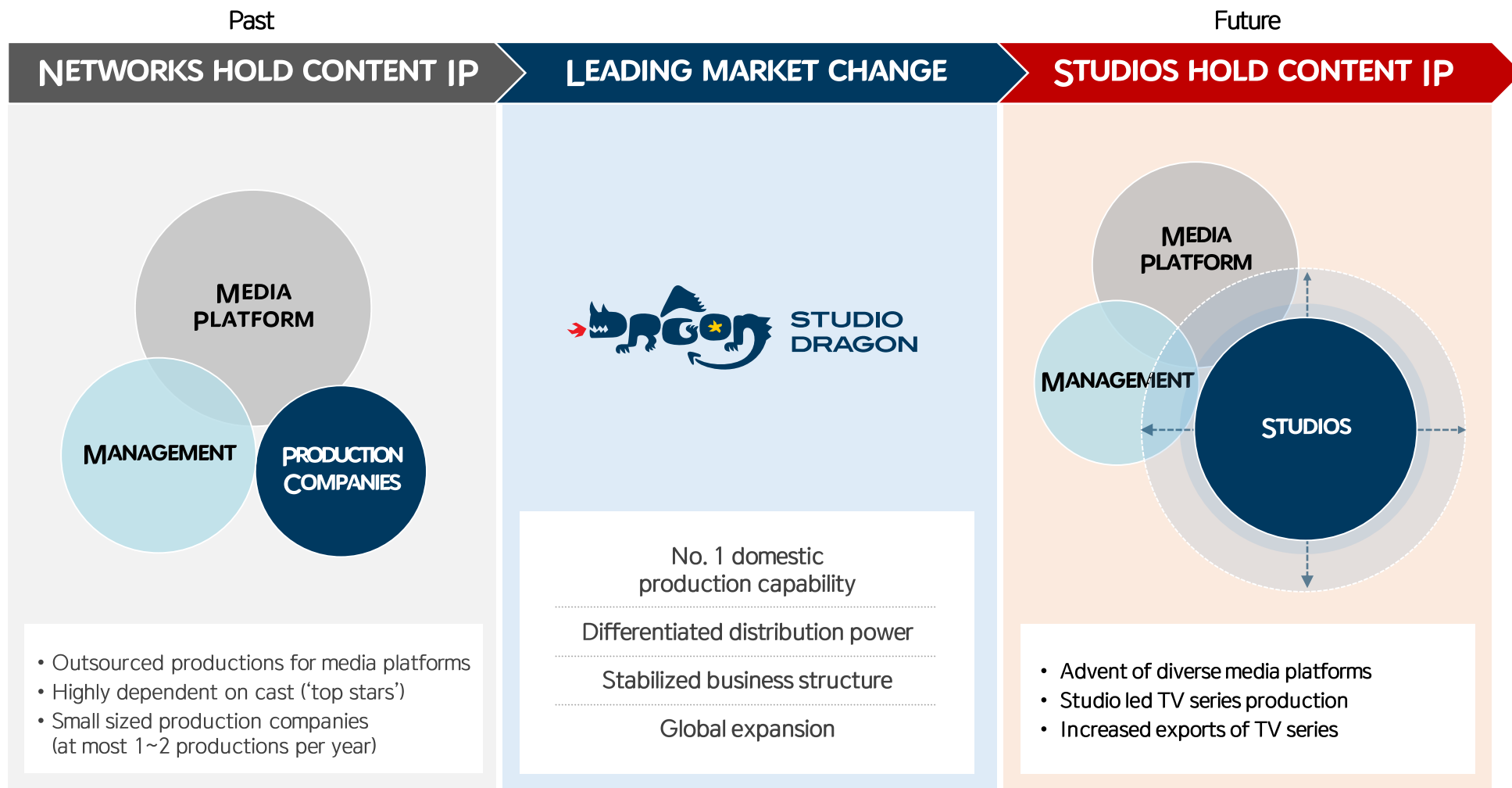
Note (1) Each companies' audit report (consolidated basis)



4 STUDIO CENTERED INDUSTRY CHANGE

WE CREATE NEW CULTURE

Foster studio led changes by actively expanding business & reforming industry practices



5 NO. 1 STUDIO IN KOREA ① PRODUCTION CAPABILITY (1)

WE CREATE NEW CULTURE

Retain & co-work with the best-in-market creators → Superior competitiveness



NO.1 TV SERIES PRODUCTION CAPABILITY



5 NO. 1 STUDIO IN KOREA ① PRODUCTION CAPABILITY (2)

WE CREATE NEW CULTURE

Discover new talents and provide opportunities to become creators

DISCOVER NEW WRITERS & SUBJECTS FOR TV SERIES

NEW CREATORS DEBUT



NEW CREATORS

1. Select writers through open competition

2. Provide creative supports, lectures, and mentoring

3. Debut through TV pilot programs (tvN airs, Studio Dragon produces)

4. Provide opportunities to interact, co-work with other production houses



NEW WRITERS/ DIRECTORS

Writer Lee, Soo-yeon
〈Strangers〉

Writer Lee, Eun-mi
〈Tunnel〉

Writer Lee, Sook-yeon
〈Road to the Airport〉

Director Shin, Yong-whi
〈Tunnel〉



〈Strangers〉



〈Tunnel〉



〈Road to the Airport〉

5 NO. 1 STUDIO IN KOREA ② BUSINESS CAPABILITY

WE CREATE NEW CULTURE

Diversify growth engine by penetrating into different markets and platforms

INCREASE NO. OF TV PRODUCTIONS & BARGAINING POWER

Diversify targets & genres to actively expand supplying platforms



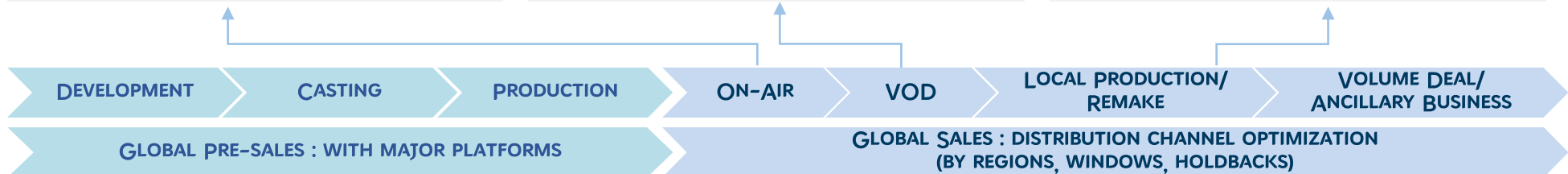
CONTINUE TO GENERATE SECONDARY AND TERTIARY SALES

Expand digital distribution to match diversified digital platform demands



INCREASE PRODUCTION CAPABILITY IN ASIA AND ENHANCE LOCALIZATION

Produce local TV series & remakes of original IPs



OPTIMIZE DISTRIBUTION TO MAXIMIZE CONTENT VALUE AND PROFIT & STRENGTHEN PARTNERSHIPS WITH OVERSEAS MAJORS

Differentiate content, pricing and holdback strategy & increase collaboration with major platforms



5 NO. 1 STUDIO IN KOREA ③ STABLE PROFIT STRUCTURE

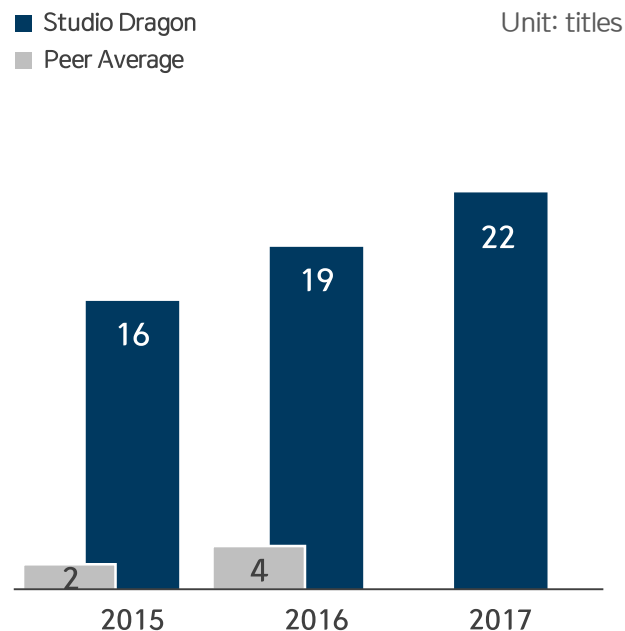
WE CREATE NEW CULTURE

Business expansion & steady profit generation based on superior production capability

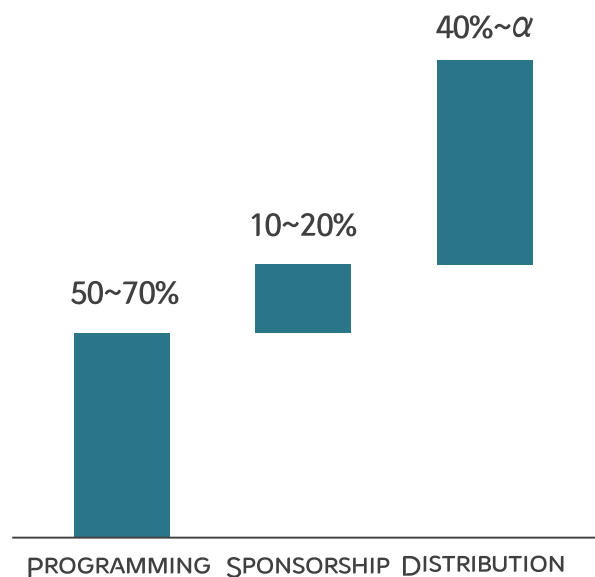
MITIGATE RISKS BY PRODUCING 22+ TV SERIES ANNUALLY

SECURE STABLE PROFITABILITY BY DIVERSIFIED BUSINESS MODEL

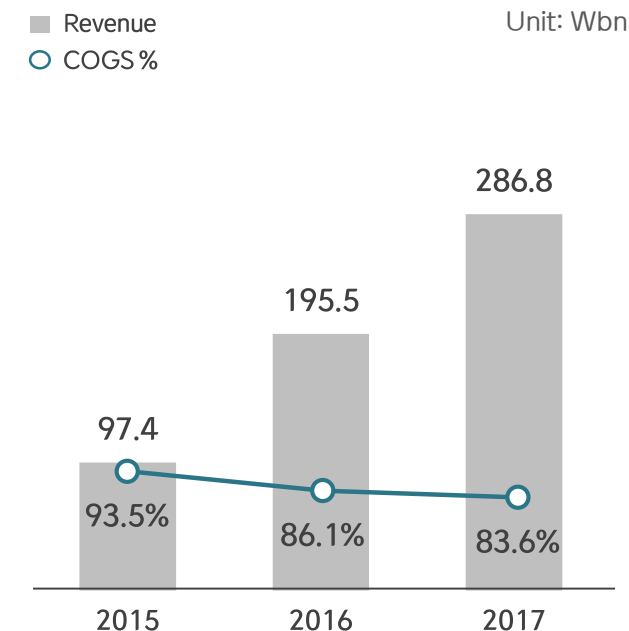
ANNUAL PRODUCTION TREND



PRODUCTION COST TO REVENUE



REVENUE TO COST OF SALES



Note Companies' homepage and other sources



2Q 2018 EARNINGS RELEASE

1. OPERATING PERFORMANCE
2. PROGRAMING
3. DISTRIBUTION
4. COST

1 OPERATING PERFORMANCE

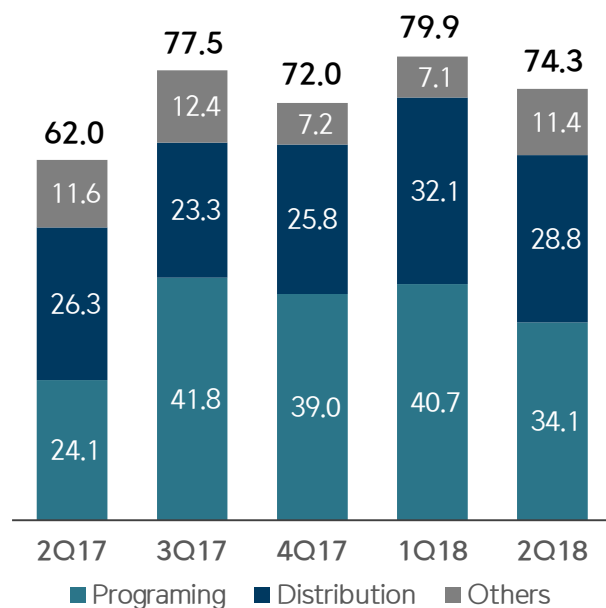
WE CREATE NEW CULTURE

Summary

- ✓ **2Q18** Secure growth via well-made content and expanded market presence (avg. viewer ratings +1.5%p YoY)
- ✓ **3Q18** Increase lineups while strengthen genre and viewer ratings, maximize domestic & overseas distribution
→ Focus on profit growth

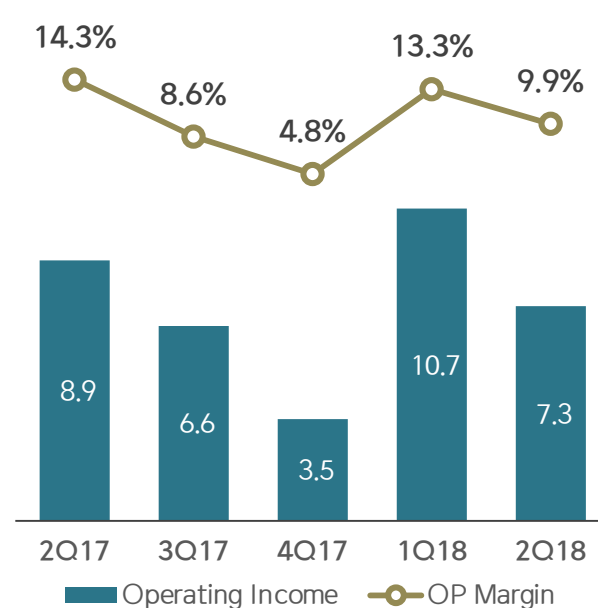
REVENUE

Unit: Wbn



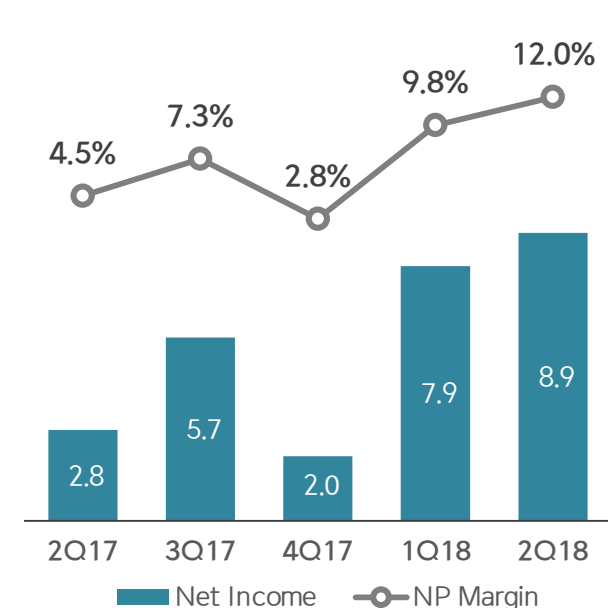
OPERATING PROFIT

Unit: Wbn



NET PROFIT

Unit: Wbn



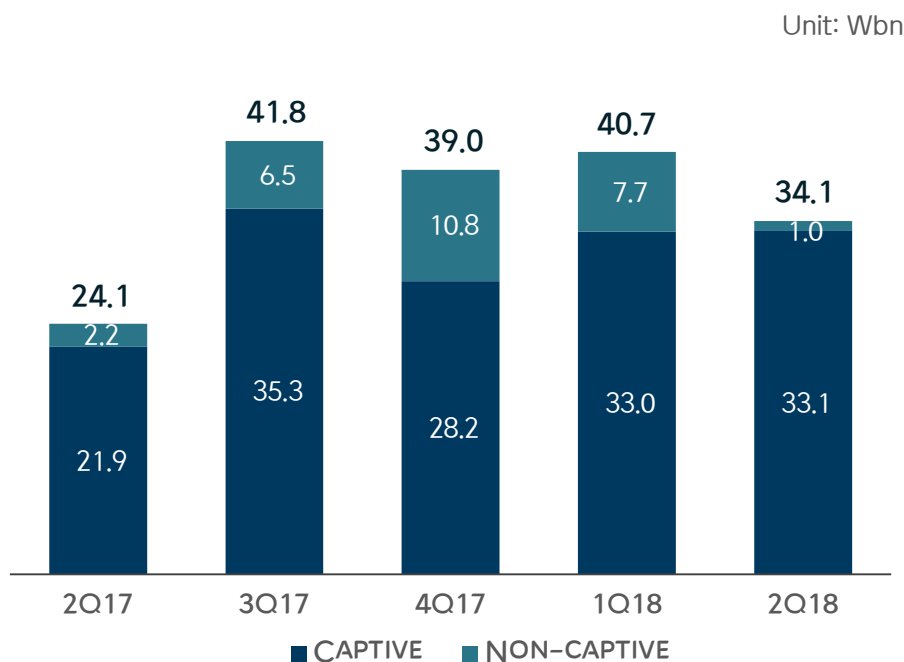
2 OPERATING PERFORMANCE

WE CREATE NEW CULTURE

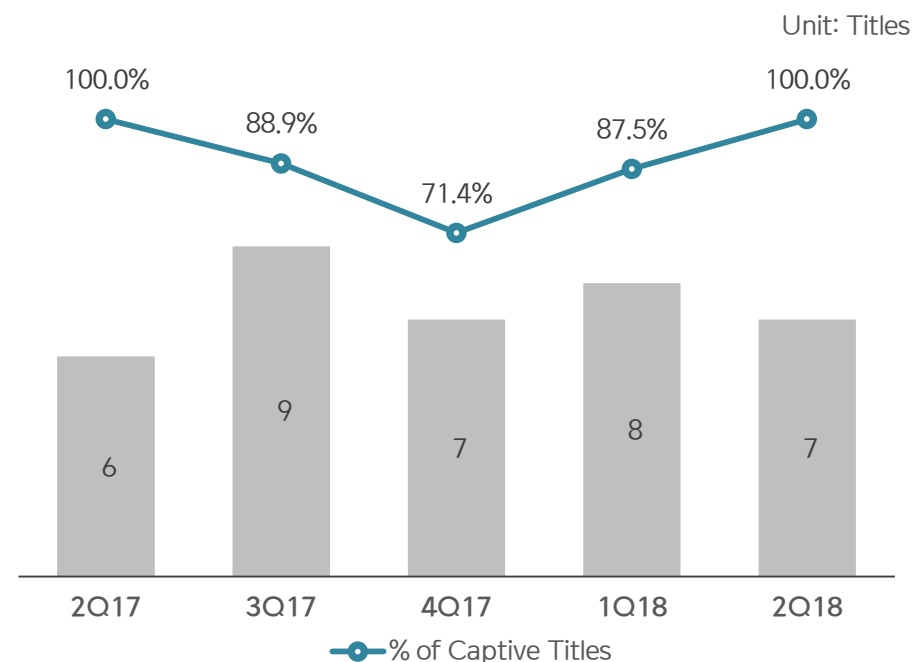
Programming

- ✓ **2Q18** Revenue grew 41.1% YoY, attributable to core content competency of new titles (captive revenue +51% YoY)
- ✓ **3Q18** Produce big-budget titles and diversify target audience, increase number of lineups (expect eight titles)
→ Continue to expand market presence

PROGRAMMING REVENUE



PRODUCTION TREND NOTE (1)



Note (1) Each quarter includes all titles in progress

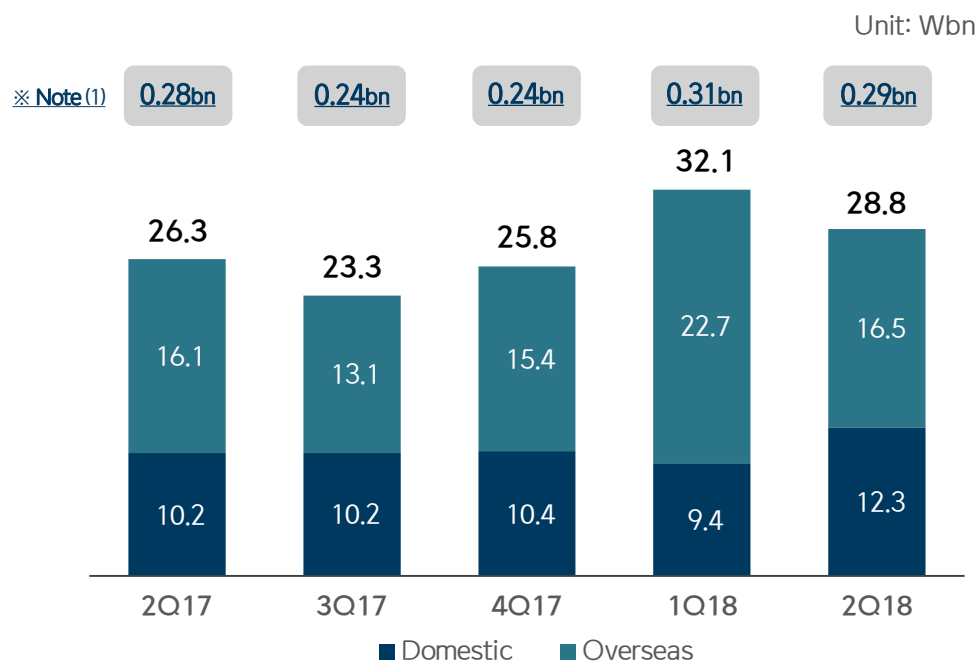
3 OPERATING PERFORMANCE

WE CREATE NEW CULTURE

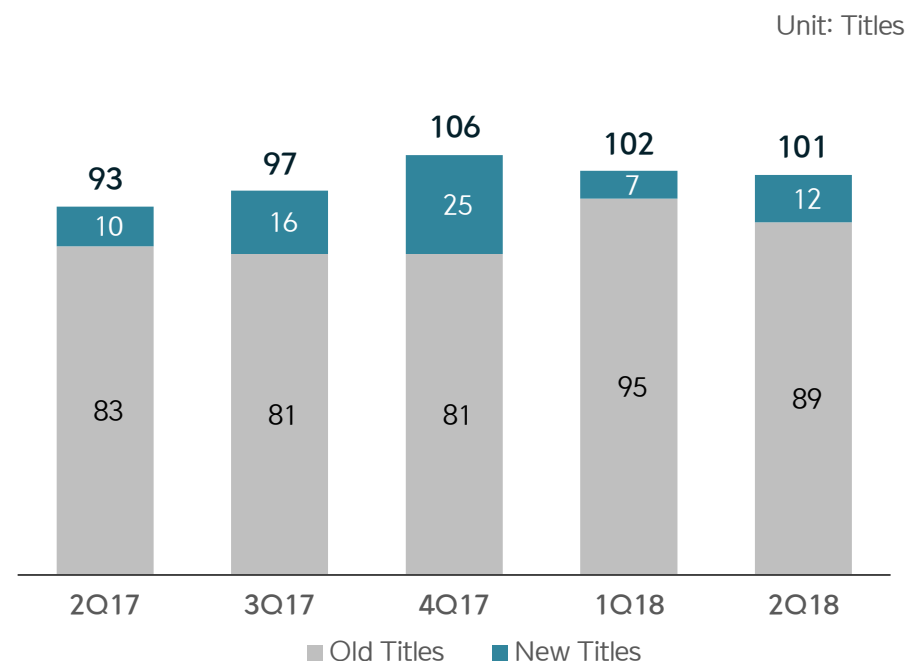
Distribution

- ✓ **2Q18** Revenue grew 9.5% YoY driven by solid content sales amid an absence of big-budget title
- ✓ **3Q18** Expect strong growth in local VOD & overseas sales through libraries such as <What's Wrong with Secretary Kim>, <Mr. Sunshine>, <Familiar Wife>, etc. → Strengthen core competency

DISTRIBUTION REVENUE



NO. OF LIBRARY SALES



Note (1) Average distribution revenue per title

4 OPERATING PERFORMANCE

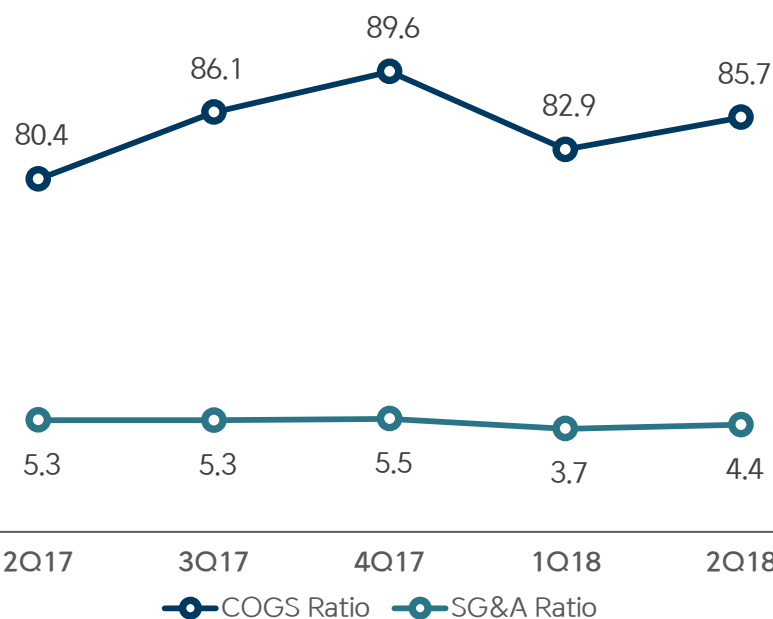
WE CREATE NEW CULTURE

Cost

- ✓ **2Q18** OPEX W67.0bn (+25.9% YoY): COGS W63.7bn (+27.6% YoY) + SG&A W3.3bn (+0.2% YoY)
- ✓ **3Q18** Improve profitability by differentiate core competency of our contents → Focus on cost efficiency

COGS AND SG&A RATIO

Unit: %



OPEX

Unit: Wbn

	2Q17	3Q17	4Q17	1Q18	2Q18
COGS	49.9	66.8	64.4	66.2	63.7
Labor Costs	2.1	2.0	2.4	1.5	1.6
Dep. & Amort.	0.1	0.1	0.1	0.1	0.1
Commissions	0.3	0.4	0.4	0.5	0.5
Marketing	0.1	0.6	0.5	0.2	0.2
Others	0.6	1.0	0.7	0.7	0.8
OPEX	53.2	70.8	68.4	69.2	67.0



GROWTH STRATEGIES

1. GROWTH STRATEGIES – DOMESTIC
2. GROWTH STRATEGIES – OVERSEAS

1 GROWTH STRATEGIES – OVERVIEW

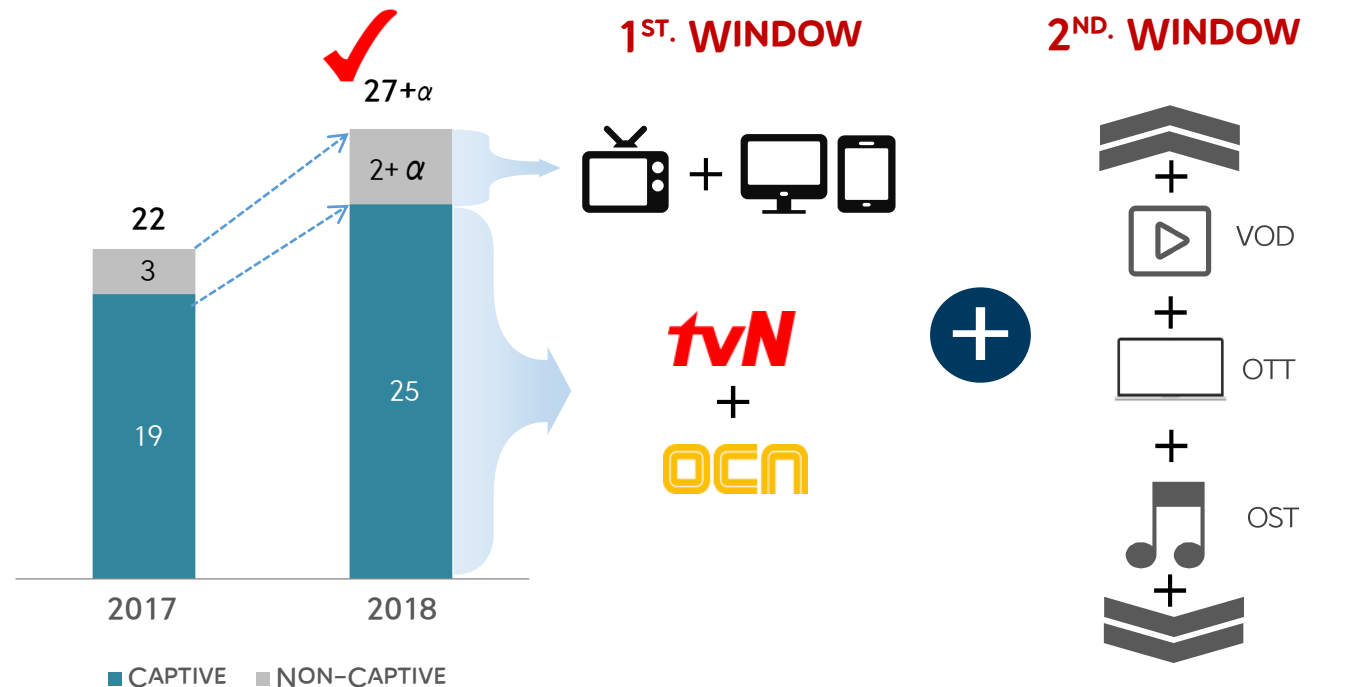
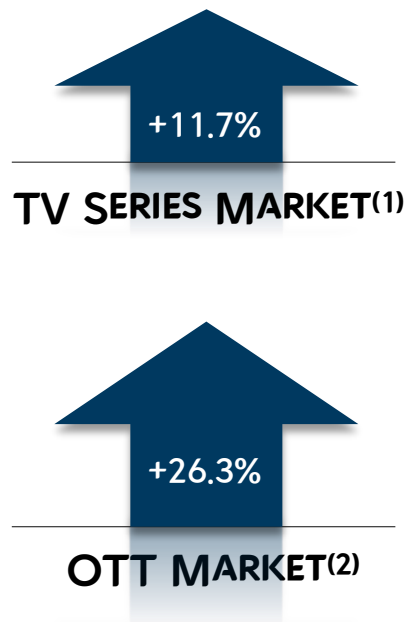
WE CREATE NEW CULTURE

Domestic

Produce more TV series, enhance quality & hit ratio → Establish dominant market influence

EXPAND NO. OF TITLES + PLATFORMS

ENHANCE SALES



Note (1) Studio Dragon estimates

(2) KCC and Studio Dragon estimates (W616.7bn in 2017 → W778.7bn in 2018)

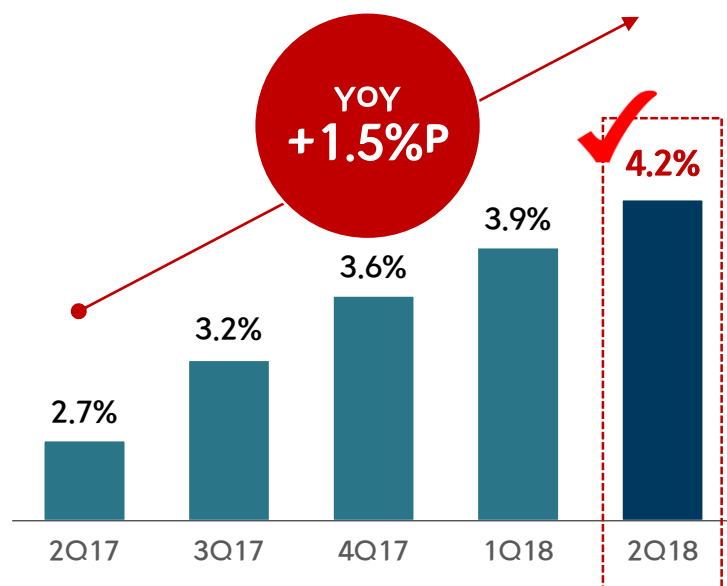
1 GROWTH STRATEGIES - 2H18

WE CREATE NEW CULTURE

Domestic

Enhance market presence, leverage on 2H18 big-budget titles and our strong production & sales capability

QUARTERLY AVERAGE VIEWER RATINGS



MAJOR TITLES IN 2H18

3Q18

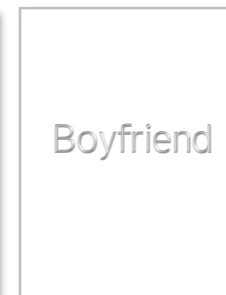


〈Mr. Sunshine〉



〈Familiar Wife〉

4Q18



〈Boyfriend〉



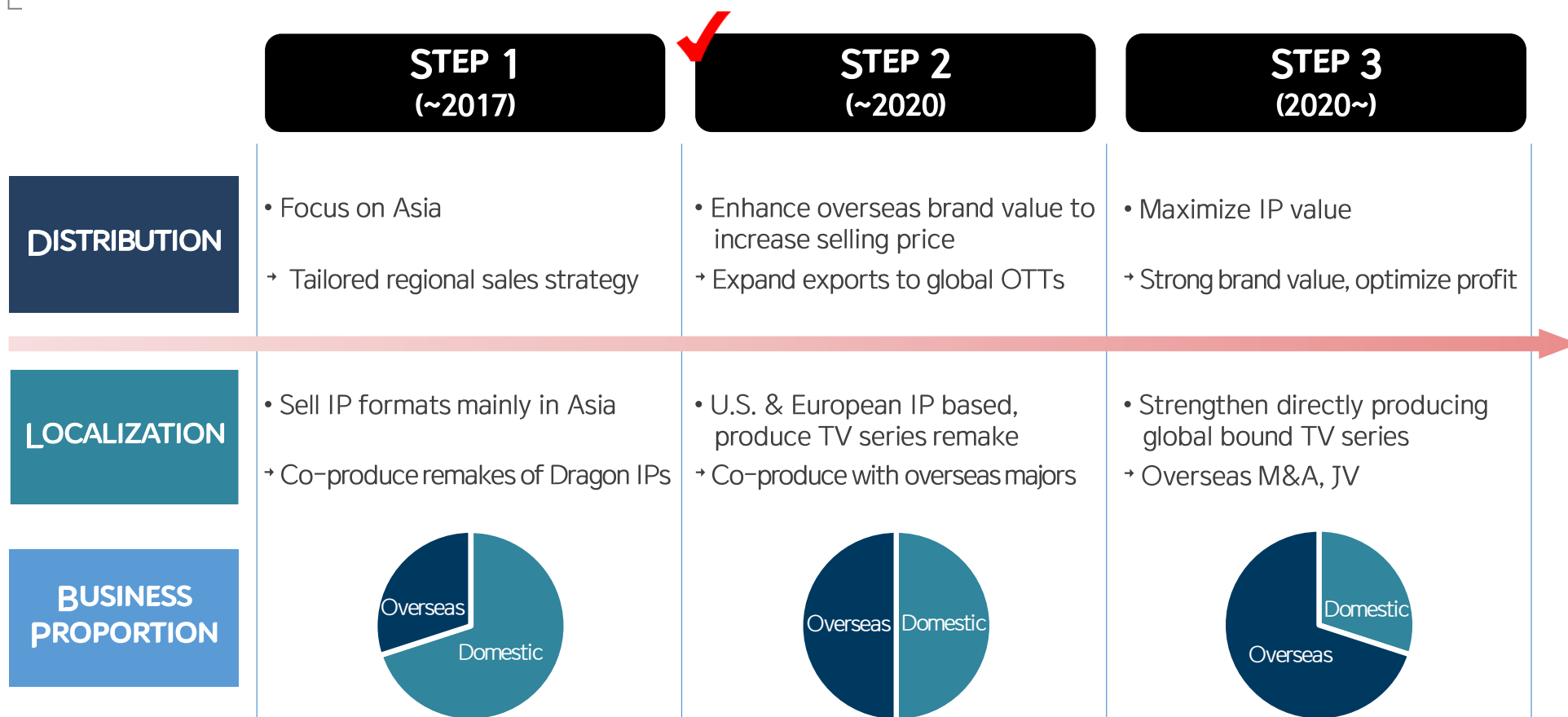
〈Memories of the Alhambra〉

2 GROWTH STRATEGIES – OVERVIEW

WE CREATE NEW CULTURE

Overseas

Overseas business in Step 2 phase. Maximize distribution while focusing on build up of global competitiveness

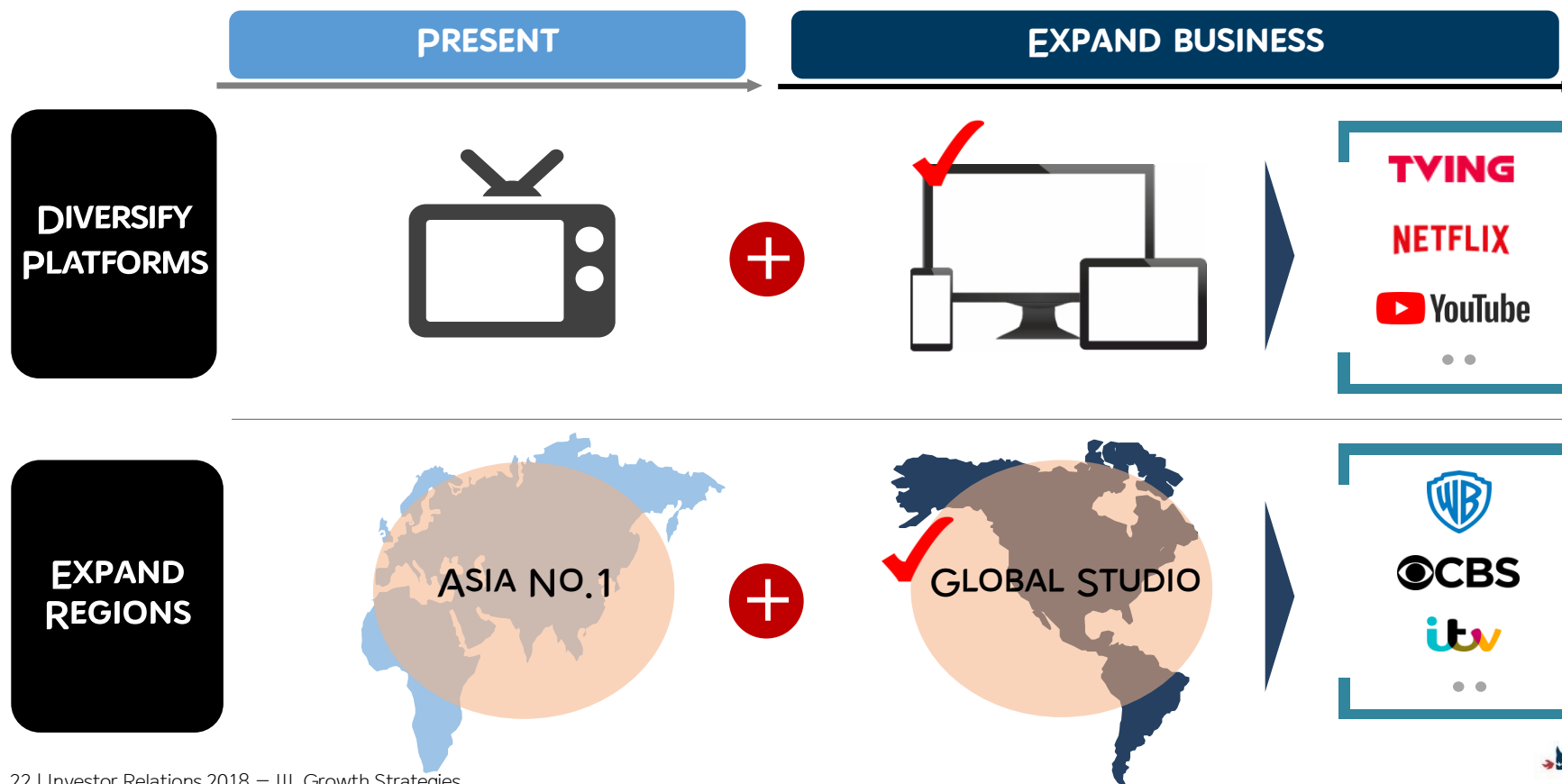


2 GROWTH STRATEGIES - 2H18

WE CREATE NEW CULTURE

Overseas

Expand business scope through digital media platforms, strengthen partnership with global players



APPENDIX

1 CORPORATE OVERVIEW

2 VISION

1. [DOMESTIC] INDUSTRY & MID-TO-LONG TERM GROWTH STRATEGY
2. [OVERSEAS] INDUSTRY & MID-TO-LONG TERM GROWTH STRATEGY

3 BUSINESS MODEL CANVAS

4 FINANCIAL STATEMENTS SUMMARY

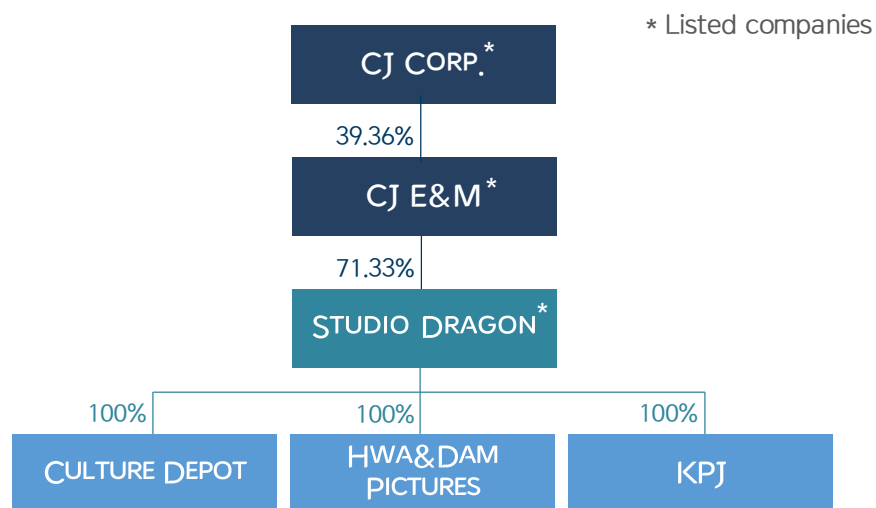
1. FINANCIAL POSITION
2. INCOME STATEMENT

5 3Q 2018 LINEUP

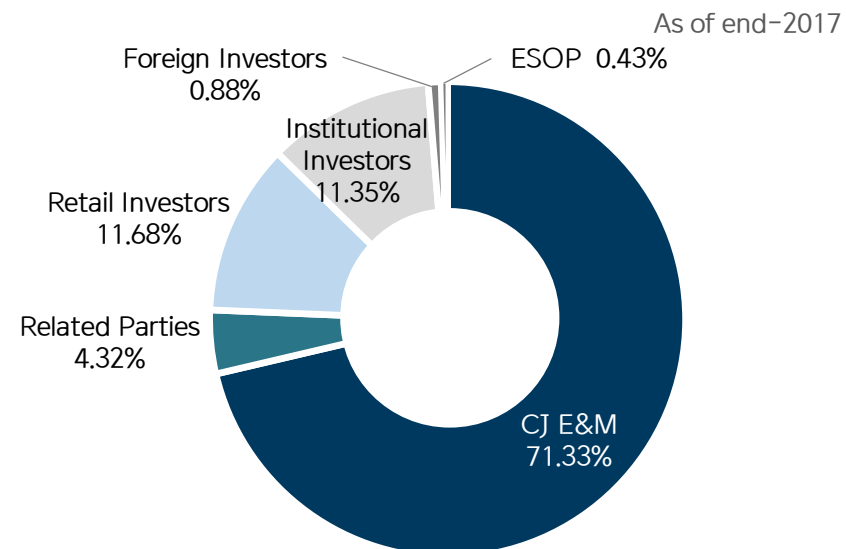
1 CORPORATE OVERVIEW

WE CREATE NEW CULTURE

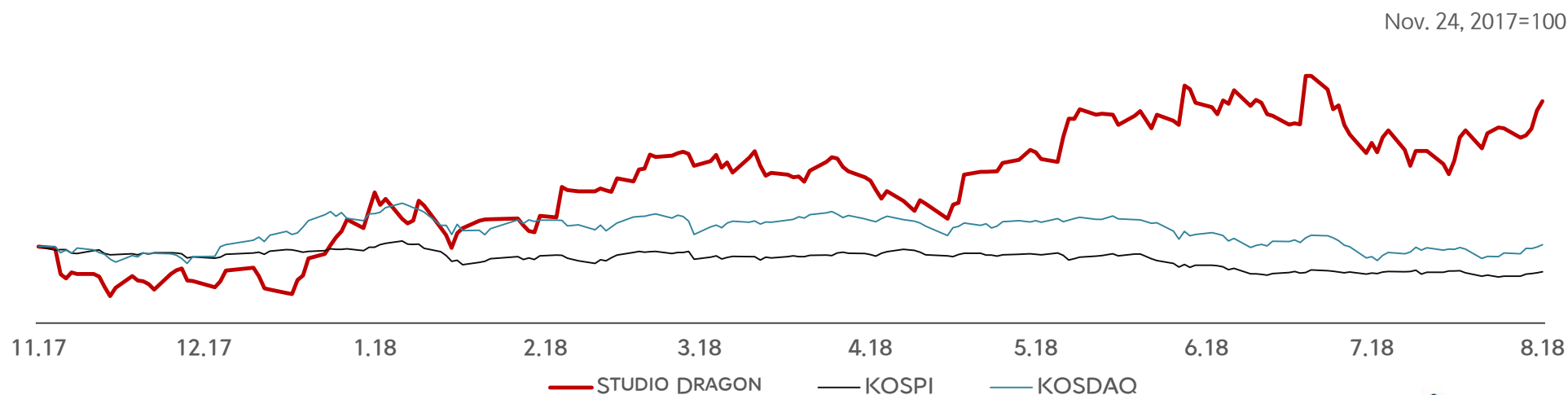
GROUP STRUCTURE



SHAREHOLDER STRUCTURE



SHARE PRICE TREND



Build up transnational influence & production capability to become a global studio

TO-BE

GLOBAL MAJOR STUDIO



SECURE TALENTS
AND PRODUCTION
CAPABILITIES



PURSUE GLOBAL
M&A AND JV



EXPAND OVERSEAS
CO-PRODUCTION



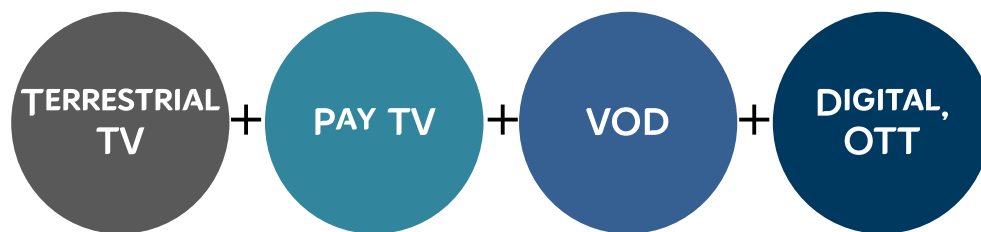
ACTIVELY PRODUCE
& DISTRIBUTE
GLOBALLY

AS-IS

NO. 1 DOMESTIC TV SERIES STUDIO

Diversified media platform & changing consumption pattern
to trigger TV series content market growth

DIVERSE FORMS OF MEDIA PLATFORM



TERRESTRIAL TV

- FOUNDATION OF IN-HOUSE TV SERIES PRODUCTION COMPANY (MONSTER UNION, NEW, ETC.)



VOD

- VOD PLATFORM BECOMES MORE ACCESSIBLE
- CAGR 27% DURING 2012~2016

PAY TV

- ADVENT OF COMPREHENSIVE PROGRAMMING CHANNEL
- EXPANDING DEMANDS FOR TV SERIES PROGRAM ON PAY TV

DIGITAL, OTT

- ADVENT OF NEW MEDIA
- AGGRESSIVE INVESTMENT IN VIDEO CONTENTS

EMPHASIZED IMPORTANCE ON CONTENT QUALITY

Changes in the consumption pattern of media:
no more constraints in time and space

**BECOMING AN ISSUE IS A KEY PRIORITY
TO REAL-TIME RATINGS**

anytime / anywhere



**FAVORABLE MARKET CONDITIONS FOR STUDIO WITH
COMPETITIVE PRODUCTION CAPABILITY**

① [DOMESTIC] MID-TO-LONG TERM GROWTH STRATEGY

Focus on enhancing content quality and market influence
to become undisputed No. 1 TV series producer

TARGET **40%** DOMESTIC TV SERIES MARKET SHARE



New media platforms compete to secure contents
OTT market is expected to grow CAGR of 27% from 2016 to 2020

EXPANDING INVESTMENTS IN TV SERIES CONTENTS

“
**EXPANDING INVESTMENT IN
TV SERIES PRODUCTION**
”

Netflix

NETFLIX

USD 7.0 BN
(2018)

Apple



USD 1.0 BN
(2018)

Amazon

amazon.com

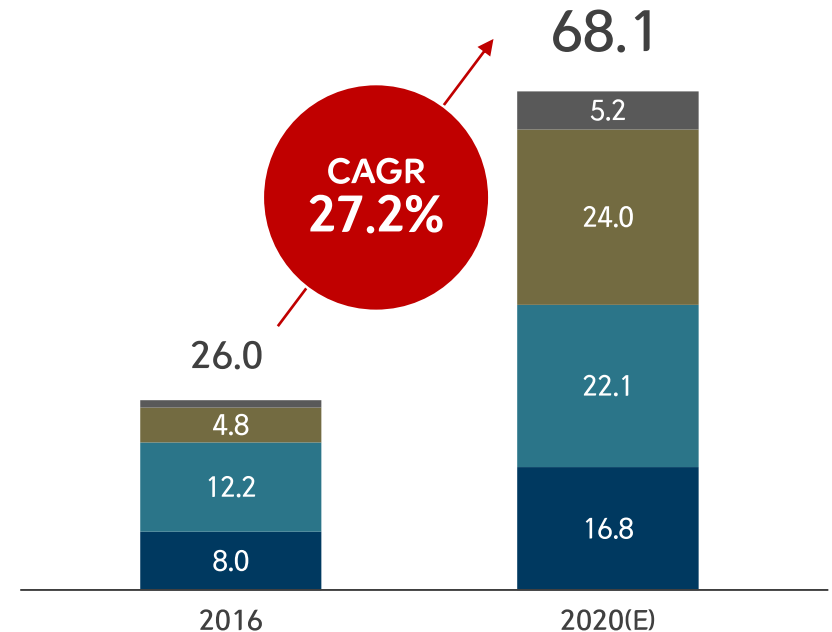
USD 4.5 BN
(ON VIDEO BUSINESS, 2017)

Source Press reports

GLOBAL OTT MARKETS

■ Asia Pacific ■ North America
■ Europe ■ Other Regions

Unit: USD bn

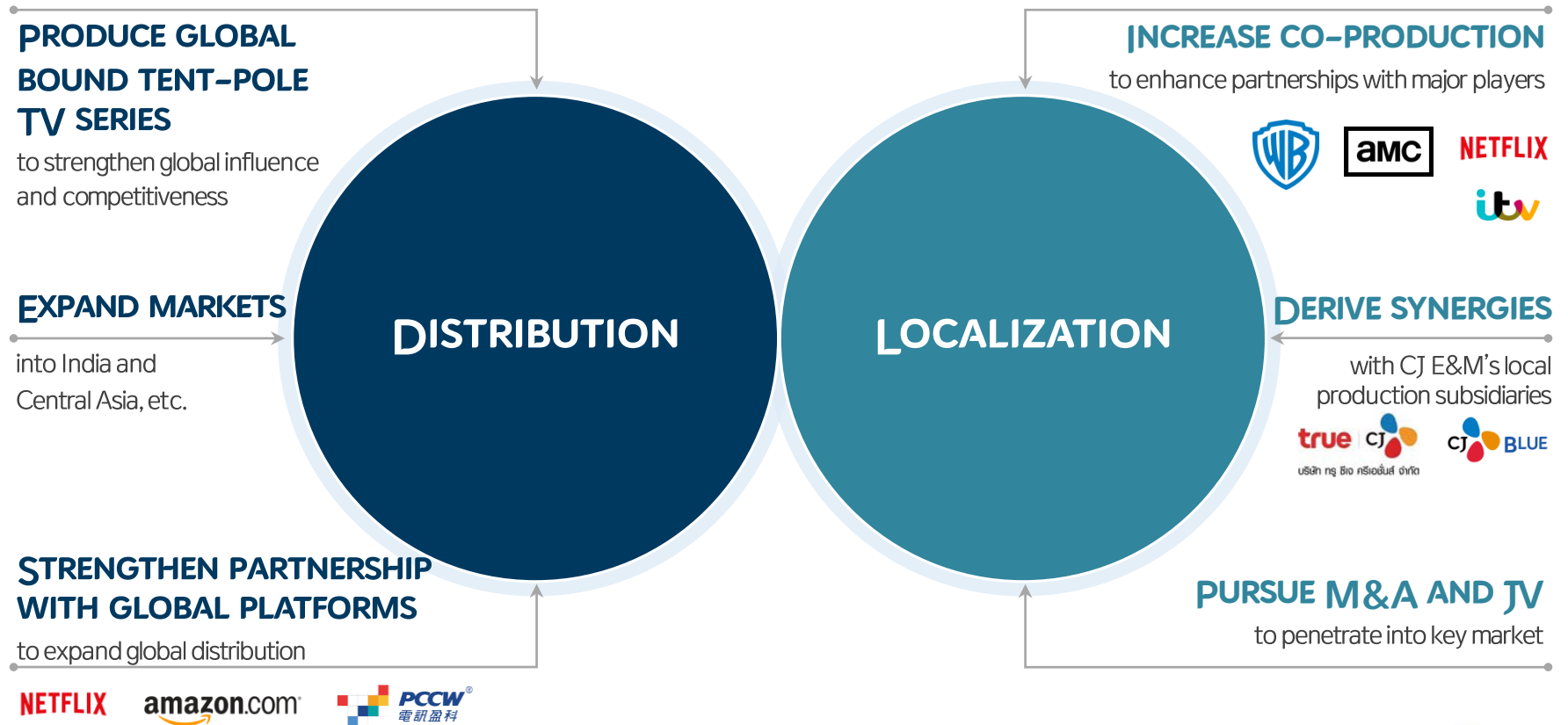


Source KCC (Korea Communication Commissions)

1 [OVERSEAS] MID-TO-LONG TERM GROWTH STRATEGY

Focus on build up of global competitiveness with IPO proceeds

AIM FOR OVERSEAS REVENUE GROWTH OF 30%



2 BUSINESS MODEL CANVAS

WE CREATE NEW CULTURE

KEY PARTNERSHIP

- TV series production co.
- Platform business



NETFLIX



BBC

KEY ACTIVITIES

- Secure & foster talents
- Establish plan and strategy
- Directing and producing
- Expand, diversify distribution

KEY RESOURCES

- Writers
- Directors
- Producers
- Contents IP

VALUE PROPOSITION

- Well-made contents suitable for global viewers



CUSTOMER RELATIONSHIP

- Produce TV series with strong appealing stories
- Strengthen contents accessibility by expanding distribution channels

CHANNELS

- TV (terrestrial, pay TV)
- OTT (over-the-top)
- Digital (portal, etc.)

CUSTOMER SEGMENTS

- Domestic media consuming population
- Expand to contents consuming population in Asia, Americas, Europe and others



COST STRUCTURE

- Production cost (can be estimated and planned)
- Other labor and marketing costs



REVENUE STREAMS

- Programing revenue (sales of broadcasting rights)
- Distribution revenue (exports, VOD, OTT and others)
- Other revenues (sponsorship, MD and others)

tvN OCN
TVING NETFLIX

3 FINANCIAL STATEMENTS – FINANCIAL POSITION

(Unit: Wbn)	2Q17	1Q18	2Q18	% QoQ	% YoY
Total Assets	271.5	456.3	476.0	4.3	75.3
Current Assets	101.1	282.6	289.1	2.3	185.9
Cash and Cash Equivalents	27.6	182.4	185.2	1.5	570.8
Others	73.5	100.1	103.9	3.7	41.3
Non-Current Assets	170.4	173.8	186.9	7.5	9.7
Tangible Assets	1.1	1.1	1.1	0.7	(2.6)
Intangible Assets	127.7	127.6	138.4	8.5	8.4
Others	41.6	45.1	47.4	5.1	13.9
Total Liabilities	118.9	79.9	90.5	13.3	(23.9)
Current Liabilities	108.1	79.4	89.7	13.1	(17.0)
Non-Current Liabilities	10.7	0.5	0.8	52.6	(92.9)
Shareholders' Equity	152.7	376.5	385.5	2.4	152.5
Equity Capital	125.8	333.6	333.6	0.0	165.3
Retained Earnings	24.5	40.0	48.8	22.0	98.8
Other Components of Equity	2.4	2.9	3.1	6.3	30.2
Key Financial Ratios					
Current Ratio (%)	93.5	356.1	322.2	(33.9)%p	228.6%p
Net Debt (Net Cash) to Equity (%)	5.8	(48.5)	(48.1)	0.4%p	(53.8)%p
Cash Ratio (%)	25.5	229.9	206.4	(23.5)%p	180.9%p

Note (1) K-IFRS consolidated basis

(2) Current Ratio = Current Assets / Current Liabilities, Net Debt (Net Cash) to Equity = Net Debt (Net Cash) / Shareholders' Equity,
Cash Ratio = Cash and Cash Equivalents / Current Liabilities

3 FINANCIAL STATEMENTS – INCOME STATEMENT

(Unit: Wbn)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	% QoQ	% YoY	2016	2017
Sales Revenue	75.3	62.1	77.5	71.9	79.9	74.3	(7.0)	19.6	195.5	286.8
Programming	26.3	24.1	41.8	39.0	40.7	34.1	(16.3)	41.1	87.8	131.2
Distribution	36.5	26.3	23.3	25.7	32.1	28.8	(10.2)	9.5	75.4	111.9
Others	12.5	11.6	12.4	7.2	7.1	11.4	61.2	(1.9)	32.3	43.7
OPEX	61.4	53.2	70.8	68.4	69.2	67.0	(3.3)	25.9	174.3	253.8
Cost of Goods Sold	58.6	49.9	66.8	64.4	66.2	63.7	(3.9)	27.6	168.4	239.7
SG&A	2.8	3.3	4.0	4.0	3.0	3.3	10.7	0.2	5.9	14.1
Operating Profit	14.0	8.9	6.6	3.5	10.7	7.3	(31.3)	(17.6)	21.2	33.0
Margin (%)	18.5	14.3	8.6	4.8	13.3	9.9	(3.5)%p	(4.5)%p	10.8	11.5
Non-operating Income	(0.7)	0.1	(0.3)	(1.8)	0.2	3.7	2,115.1	3,934.1	(5.9)	(2.7)
Non-operating Income	0.2	0.7	0.2	0.4	1.1	3.5	219.5	428.4	1.5	1.4
Non-operating Expenses	1.0	0.6	0.5	2.2	0.9	(0.2)	(127.1)	(144.1)	7.3	4.1
Pre-tax Profit	13.2	9.0	6.4	1.7	10.8	11.0	2.1	23.0	15.3	30.3
Income Taxes	(0.1)	6.2	0.7	(0.3)	3.0	2.2	(27.1)	(65.0)	2.4	6.4
Net Profit	13.4	2.8	5.7	2.0	7.9	8.9	13.0	217.3	13.0	23.8
Margin (%)	17.8	4.5	7.3	2.8	9.8	12.0	2.1%p	7.5%p	6.6	8.3

Note (1) K-IFRS consolidated basis

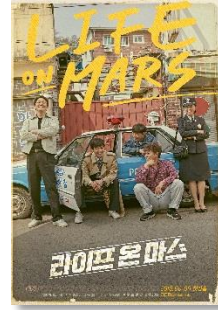
(2) Pre spin-off (Jan. 1, 2016~Apr. 30, 2016) and company's 1st year annual audit report (May 1, 2016~Dec. 31, 2016) as added for the yearly figure

(3) TTR (Turn To Red), TTB (Turn To Black), CR (Continue Red), n/a (not available)



〈What's Wrong with Secretary Kim〉

- tvN
- Jun. 6~Jul. 26 (16)
- Baek Sun-Woo, Choi Bo-Rim / Park Joon-Hwa
- Park Seo-Joon, Park Min-Young



〈Life on Mars〉

- OCN
- Jun. 9~Aug. 5 (16)
- Lee Dae-Il / Lee Jung-Hyo
- Jung Kyung-Ho, Park Sung-Woong



〈Mr. Sunshine〉

- tvN
- Jul. 7~Sep. 30 (24)
- Kim Eun-Suk / Lee Eung-Bok
- Lee Byung-Hun, Kim Tae-Ri



〈Familiar Wife〉

- tvN
- Aug. 1~Sep. 20 (16)
- Yang Hee-Seung / Lee Sang-Yeob
- Ji Sung, Han Ji-Min



〈Voice 2〉

- OCN
- Aug. 11~Sep. 16 (12)
- Ma Jin-Won / Lee Seung-Young
- Lee Jin-Wook, Lee Ha-Na



〈100 Days My Prince〉

- tvN
- Sep. 10~Oct. 30 (16)
- No Ji-Seol / Lee Jong-Jae
- Do Kyoung-Su, Nam Ji-Hyun



〈The Guest〉

- OCN
- Sep. 12~Nov. 1 (16)
- Seo Jae-Won, Kwon So-Ra / Kim Hong-Sun
- Kim Jae-Wook, Jung Eun-Chae



〈Player〉

- OCN
- Sept. 29~Nov. 11 (14)
- Shin Jae-Hyung / Go Jae-Hyun
- Song Seung-Heon / Jung Su-Jung

THANK YOU

