

2019 EARNINGS RELEASE

STUDIO DRAGON
FEBRUARY 13, 2020



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 4Q 2019 and 2019 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.

2019 Earnings Release

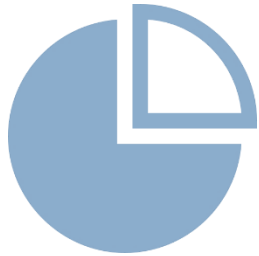
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1 2019 HIGHLIGHTS

Led TV series industry via magnified IPs and differentiated capability
 ⇒ diversify business scope and continue global growth



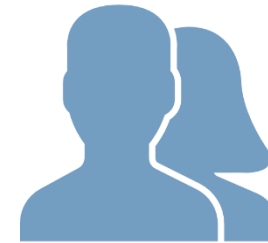
PRODUCTION
28 titles



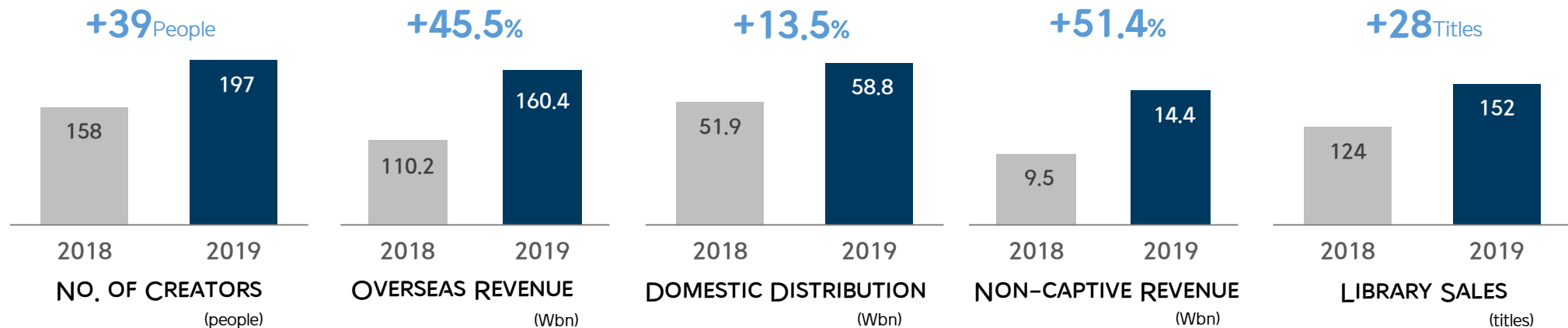
REVENUE GROWTH
23%



OVERSEAS REVENUE
34%



CREATORS
197 People

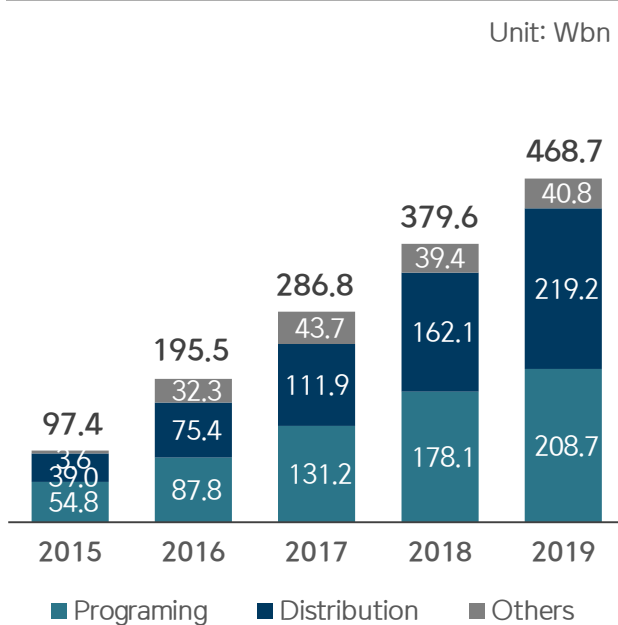


2 2019 OPERATING PERFORMANCE

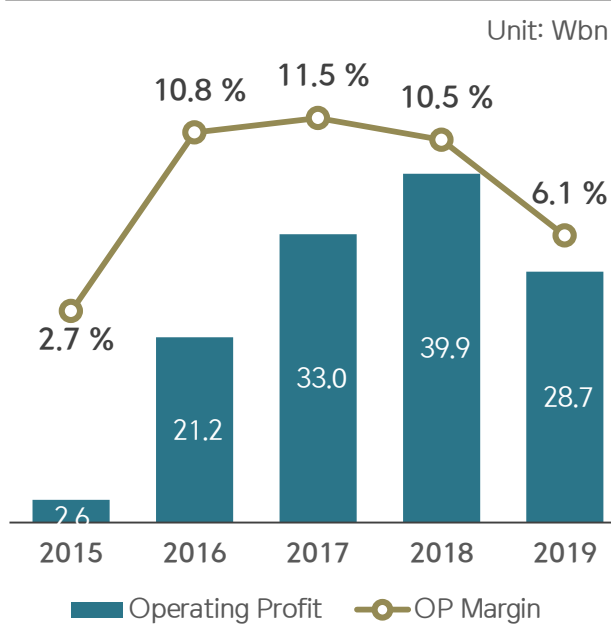
Summary

- ✓ **2019 Revenue: W468.7bn (+23.5% YoY)** – Secured solid growth, mainly attributable to differentiated capability and expanded global performance through magnified IPs, an original drama, and etc.
Operating Profit: W28.7bn (-28.1% YoY) – Decreased due to last year’s high-base (Mr. Sunshine), BEP of (Arthdal Chronicles), and sluggish 4Q19 results
- ✓ **4Q19 Revenue: W97.4bn (-4.2% YoY)** – Declined by weakened competitiveness [ex. average viewership of 2.5%(-2.1%p YoY)]
Operating Loss: W4.0bn (TR YoY) – Posted sluggish results temporarily from slow sales and six episodes of a tentpole only

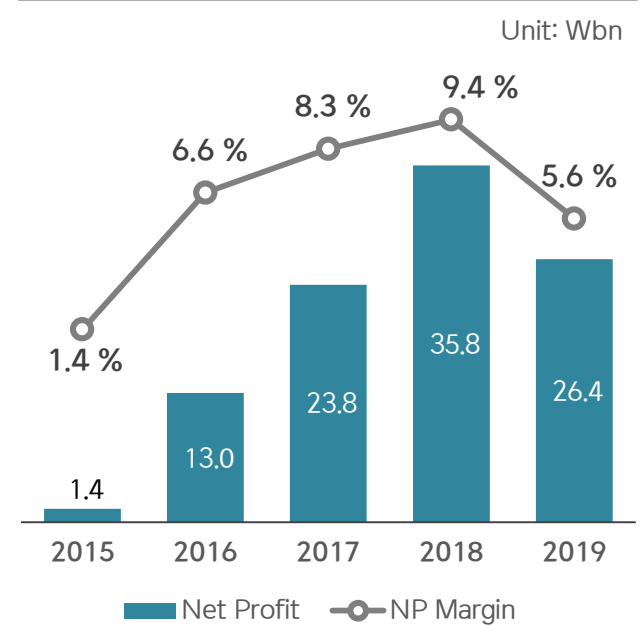
REVENUE



OPERATING PROFIT



NET PROFIT



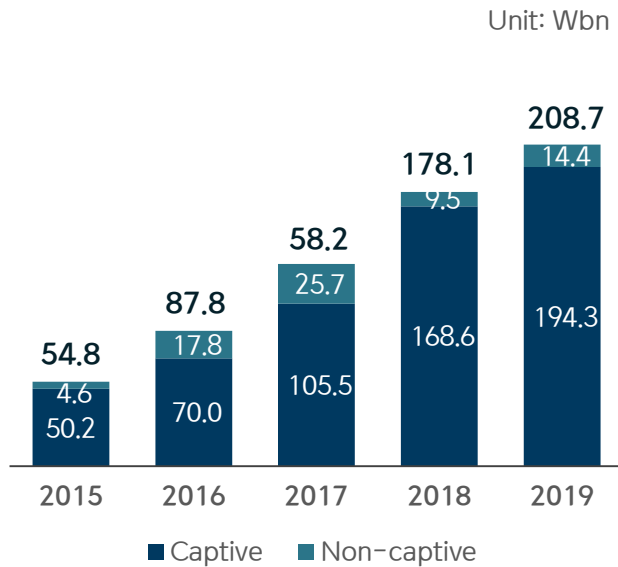
2 2019 OPERATING PERFORMANCE

Programming

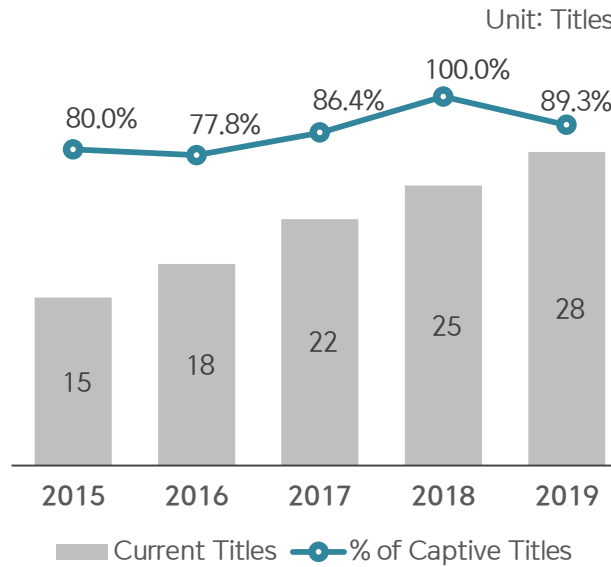
- ✓ **2019 Revenue: W208.7bn (+17.2% YoY)** – Promoted robust growth driven by expanded lineups(+3 titles YoY) via channel diversification and a mega IP production
- ✓ **4Q19 Revenue: W45.7bn (-16.1% YoY)** – Limited top-line contribution due to decrease in no. of lineups (OCN, terrestrial, etc.)

2019

PROGRAMING REVENUE

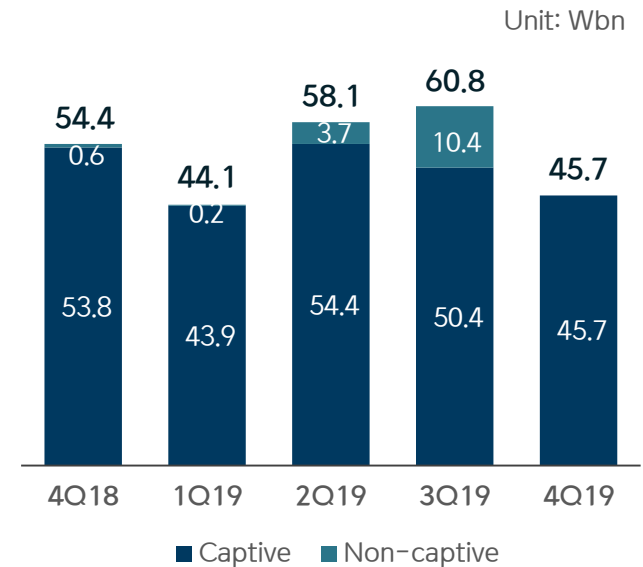


PRODUCTION TREND



4Q19

PROGRAMING REVENUE



2 2019 OPERATING PERFORMANCE

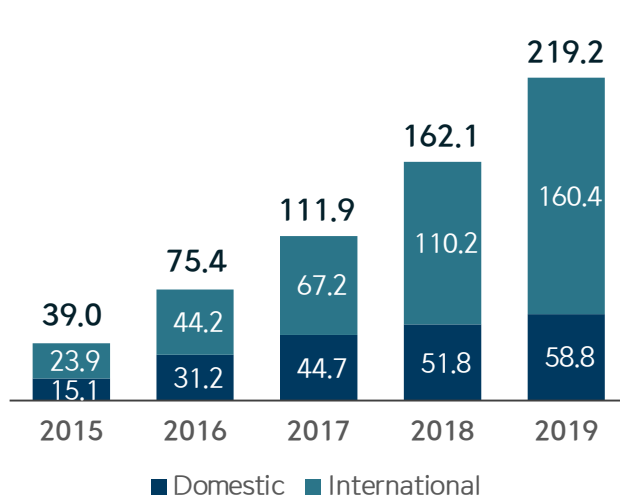
Distribution

- ✓ **2019 Revenue: W219.2bn (+35.3% YoY)** – Drove rapid growth via differentiated capability, expanded influence, and pre-emptive global strategies
 - * Overseas revenue – W160.4bn(+45.5% YoY), accounting for 34.2% of total revenue
- ✓ **4Q19 Revenue: W42.8bn (+13.3% YoY)** – Recorded low growth temporarily due to sluggish domestic VOD revenue (-14.4% YoY), despite strong overseas growth(+27.7% YoY)

2019

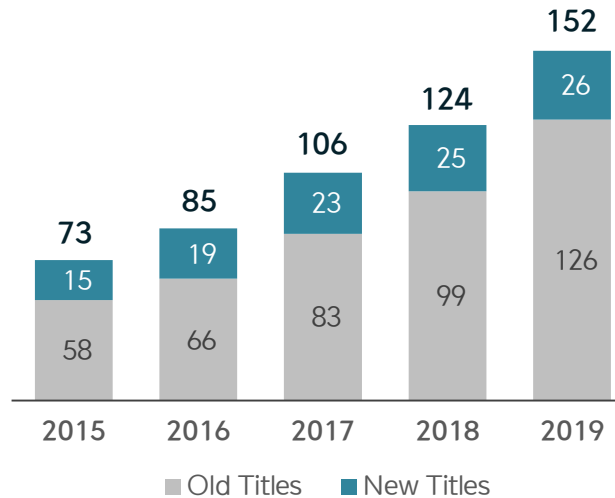
DISTRIBUTION REVENUE

Unit: Wbn



LIBRARY SALES

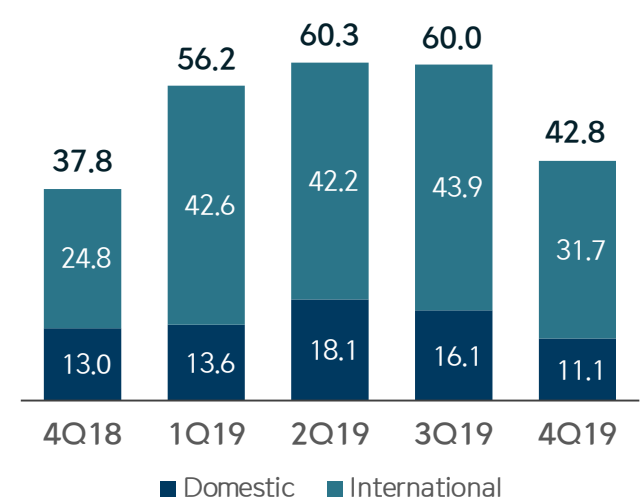
Unit: Titles



4Q19

DISTRIBUTION REVENUE

Unit: Wbn



2 2019 OPERATING PERFORMANCE

Cost

- ✓ **2019 Cost: W440.0bn (+29.5% YoY)** – Increased by production COGS(+25.4% YoY) and amortization(+53.4% YoY) due to more lineups and a mega IP, and labor costs(+15.8% YoY) with additional employees
- ✓ **4Q19 Cost: W101.4bn (+0.2% YoY)** – Slightly increased under less revenue contribution, amid decrease in production COGS(-19.1% YoY) and limited increase in amortization(+6.4% YoY)
* COGS ratio(+4.1%p YoY) and SG&A ratio(+0.4%p YoY)

2019

OPEX BREAKDOWN

Unit: Wbn

	2017	2018	2019
Production COGS	135.6	185.6	232.7
Labor Costs	16.4	18.8	21.8
Depreciation	0.3	0.3	1.9
Amortization	41.0	75.0	115.0
Commissions	32.3	39.1	50.8
Others	28.3	20.9	17.8
OPEX	253.8	339.7	440.0

4Q19

OPEX BREAKDOWN

Unit: Wbn

	4Q18	1Q19	2Q19	3Q19	4Q19
Production COGS	60.0	48.8	64.5	70.8	48.6
Labor Costs	6.9	4.9	4.8	5.5	6.6
Depreciation	0.1	0.3	0.4	0.5	0.5
Amortization	26.0	26.7	32.2	28.4	27.7
Commissions	-0.3	15.8	11.2	11.1	12.6
Others	8.5	4.3	4.4	4.0	5.4
OPEX	101.3	100.8	117.5	120.3	101.4



3 2020 GROWTH STRATEGIES

Concretize global expansion, reinforce portfolio, improve efficiency
⇒ strengthen fundamentals for growth

GLOBAL ACCELERATION

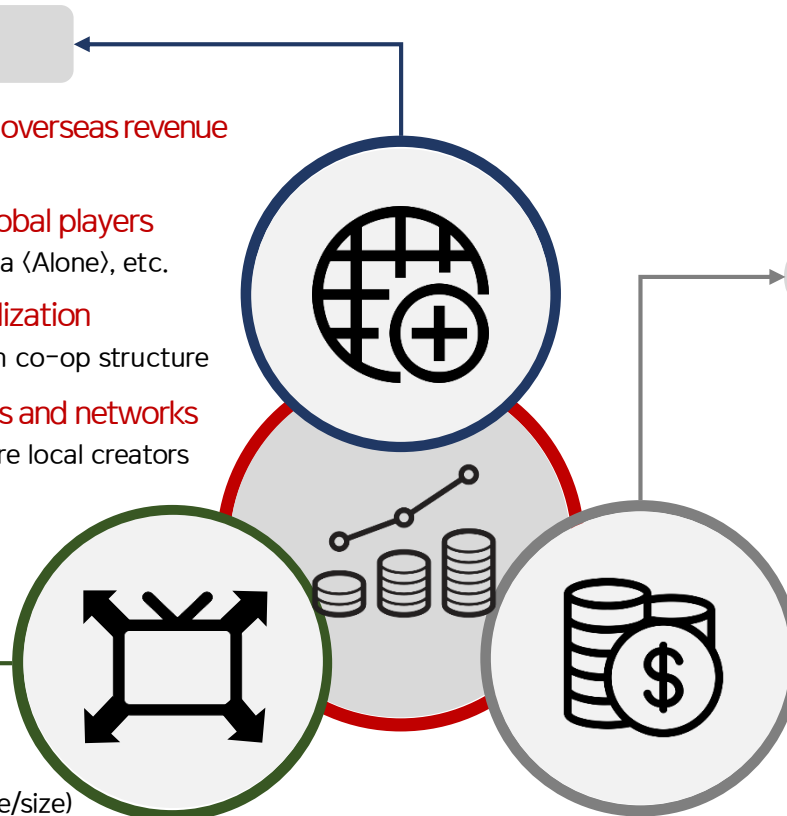
- Achieve double-digit growth in overseas revenue
: 4yr CAGR +53.6%
- **HBO** + Cooperate with new global players
: Co-plan/co-produce original drama (Alone), etc.
- **SKYDANCE MEDIA** + Accelerate localization
: Stably promote strategies based on co-op structure
- Dragon U.S. : Expand businesses and networks
:    ... + secure local creators

DIVERSIFICATION + PORTFOLIO

- Produce 33+ titles in 2020
: +5 titles YoY
- Reinforce ENM anchor drama influence
: Evenly allocate lienups each quarter (by genre/size)
- Expand non-cap revenue and maximize profit
:   ... Provide titles to various channels
- Produce originals in earnest (min. 2-3 titles/yr)

OPERATING EFFICIENCY

- Stabilize production cost growth
- Strengthen sales conditions **NETFLIX**
: Pre-sale / original margin up to +20%p (max.)
- Improve cost efficiency (ex. renewal of ERP)
: Tightly monitor production budget and execution
- Scale-up franchise IP + expand universe
: Build via serialization, game, tour, MD, and etc.



3 KEYWORD FOR GROWTH – “G.L.O.B.A.L”

GROWTH DRIVERS – “G.L.O.B.A.L”,
SIZABLE TOP-LINE AND PROFIT EXPANSION

G L O B A L

GROWTH

OVERSEAS
REVENUE
PROPORTION



LOCALIZATION

CO-PLANNING
CO-PRODUCTION



ORIGINAL

ORIGINAL
DRAMA



BUILD

DRAGON U.S.



ACCELERATE

CORE
CAPABILITIES



LONG-TAIL

OTT COMPETITION
DIGITAL EXPANSION



2019 Earnings Release

APPENDIX

1 FINANCIAL STATEMENTS SUMMARY

- FINANCIAL POSITION
- INCOME STATEMENT

2 1Q 2020 LINEUP

1 FINANCIAL STATEMENTS – FINANCIAL POSITION

(Unit: Wbn)	4Q18	3Q19	4Q19	% QoQ	% YoY
Total Assets	512.4	585.4	581.2	(0.7)	13.4
Current Assets	247.2	259.0	245.9	(5.1)	(0.5)
Cash and Cash Equivalents	153.0	103.5	99.8	(3.6)	(34.8)
Others	94.2	155.5	146.1	(6.1)	55.1
Non-Current Assets	265.2	326.4	335.3	2.7	26.5
Tangible Assets	1.0	1.3	1.2	(9.7)	22.4
Intangible Assets	198.5	230.0	232.3	1.0	17.0
Others	65.7	95.1	101.8	7.2	55.2
Total Liabilities	111.1	154.8	153.0	(1.2)	37.7
Current Liabilities	108.2	146.3	145.2	(0.8)	34.1
Non-Current Liabilities	2.9	8.5	7.8	(8.1)	171.6
Shareholders' Equity	401.3	430.6	428.2	(0.5)	6.7
Equity Capital	334.1	335.7	335.7	0.0	0.5
Retained Earnings	67.6	95.7	93.5	(2.3)	38.3
Other Components of Equity	(0.4)	(0.8)	(1.0)	CR	CR
Key Financial Ratios					
Current Ratio (%)	228.4	177.0	169.4	(7.6)%p	(59.1)%p
Net Debt (Net Cash) to Equity (%)	(38.1)	(24.0)	(23.3)	0.7%p	14.8%p
Cash Ratio (%)	141.4	70.7	68.8	(2.0)%p	(72.6)%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) TTR (Turn To Red), TTB (Turn To Black), CR (Continue Red), n/a (not available)

1 FINANCIAL STATEMENTS – INCOME STATEMENT

(Unit: Wbn)	4Q18	1Q19	2Q19	3Q19	4Q19	% QoQ	% YoY	2018	2019	% YoY
Sales Revenue	101.7	111.8	128.2	131.2	97.4	(25.7)	(4.2)	379.6	468.7	23.5
Programming	54.4	44.1	58.1	60.8	45.7	(24.9)	(16.1)	178.1	208.7	17.2
Distribution	37.8	56.2	60.3	60.0	42.8	(28.7)	13.3	162.1	219.2	35.3
Others	9.5	11.5	9.8	10.4	8.9	(13.4)	(5.9)	39.4	40.8	3.2
OPEX	101.3	100.8	117.4	120.3	101.4	(15.6)	0.2	339.7	440.0	29.5
Cost of Goods Sold	95.2	96.8	112.8	115.9	95.2	(17.8)	0.0	324.0	420.8	29.9
SG&A	6.1	4.0	4.6	4.4	6.2	42.0	2.7	15.7	19.2	22.4
Operating Profit	0.4	11.0	10.8	10.9	(4.0)	TTR	TTR	39.9	28.7	(28.1)
Margin (%)	0.4	9.9	8.4	8.3	(4.1)	(12.4)%p	(4.6)%p	10.5	6.1	(4.4)%p
Non-operating Profit	1.3	2.2	1.1	2.2	(1.1)	TTR	TTR	5.7	4.4	(1.4)%p
Non-operating Income	1.6	3.4	3.6	4.8	(0.9)	TTR	TTR	7.0	10.7	52.7
Non-Operating Expenses	0.3	1.2	2.5	2.6	0.2	(93.1)	(38.3)	1.3	6.3	396.4
Pre-tax Profit	1.7	13.2	11.9	13.1	(5.1)	TTR	TTR	45.6	33.1	(27.6)
Income Taxes	(0.0)	4.0	4.6	1.6	(3.5)	return	return	9.8	6.7	(32.4)
Net Profit	1.7	9.2	7.3	11.5	(1.6)	TTR	TTR	35.8	26.4	(26.3)
Margin (%)	1.7	8.2	5.7	8.8	(1.7)	(10.5)%p	(3.4)%p	9.4	5.6	(3.8)%p

Note (1) K-IFRS consolidated basis

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

2 2020 1Q LINEUP



〈Black Dog〉

Distributor	· tvN
Date (#. of episodes)	· Dec. 16~Feb. 4 (16)
Writer / Director	· Park Joo-Yeon / Hwang Joon-Hyuk
Main Cast	· Ra Mi-Ran, Seo Hyun-Jin



〈Crash Landing on You〉

- tvN
- Dec. 14~Feb. 16 (16)
- Park Ji-Eun / Lee Jung-Hyo
- Hyun Bin, Son Ye-Jin



〈Money Game〉

- tvN
- Jan. 15~Mar.5 (16)
- Lee Yong-Mi / Kim Sang-Ho
- Lee Sung-Min, Go Soo, Shim Eun-Kyung



〈The Cursed〉

- tvN
- Feb. 10~Mar. 17 (12)
- Yeon Sang-Ho / Kim Yong-Wan
- Sung Dong-II / Uhm Ji-Won



〈Hi Bye, Mama!〉

Distributor	· tvN
Date (#. of episodes)	· Feb. 22~Apr. 12 (16)
Writer / Director	· Kwon Hye-Ju / Yoo Jae-Won
Main Cast	· Kim Tae-Hee, Lee Kyu-Hyung



〈Tell Me What You Saw〉

- OCN
- Feb. 1~Mar. 22 (16)
- Ko Young-Jae, Han Ki-Hyun / Kim Sang-Hoon
- Jang Hyuk, Choi Soo-Young



〈My Holo Love〉

- Netflix Original
- Feb. 7 (12)
- Ryu Yong-Jae / Lee Sang-Yeob
- Yoon Hyun-Min, Ko Sung-Hee



〈I've Been There Before〉(WT)

- KBS
- Mar. 21~Sept. 6 (50)
- Yang Hee-Seung / Lee Jae-Sang
- Lee Min-Jung, Lee Sang-Yeob, Lee Jung-Eun

THANK YOU



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