MIRAE ASSET
Building on principles

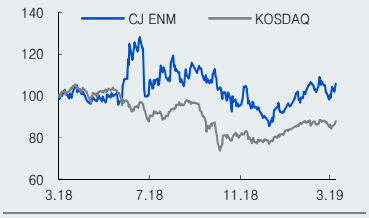
Media

Company Report
April 3, 2019

(Initiate)	Buy
Target Price (12M, W)	**310,000**
Share Price (04/03/19, W)	236,500
Expected Return	31%

OP (19F, Wbn)	385
Consensus OP (19F, Wbn)	377
EPS Growth (19F, %)	3.8
Market EPS Growth (19F, %)	-13.1
P/E (19F, x)	19.8
Market P/E (19F, x)	11.4
KOSDAQ	749.30
Market Cap (Wbn)	5,186
Shares Outstanding (mn)	22
Free Float (%)	46.8
Foreign Ownership (%)	19.4
Beta (12M)	0.65
52-Week Low	191,200
52-Week High	286,400

(%)	1M	6M	12M
Absolute	-0.8	-6.5	2.8
Relative	-3.1	-0.8	19.7



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[Media]

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CJ ENM
(035760 KQ)

Strong and flexible content leader

Initiate coverage with Buy and TP of W310,000

We initiate our coverage on CJ ENM with a Buy rating and target price of W310,000. In order to derive our target price, we applied the sum-of-the-parts (SOTP) method by summing up the values of the media (W1.9tr; CJ E&M previously), and commerce (W1.1tr; CJ O Shopping previously) businesses, as well as equity holdings (W3.75tr).

In our view, shares of CJ ENM, which was created via the merger CJ E&M and CJ O Shopping in July 2018, have entered a recovery phase. We believe that year 2019 will mark the beginning of operating profit contribution of the media business (broadcasting, film, music) exceeding 50% (versus 38.6% in 2018), which is highly likely to drive a valuation rerating going forward. It is also encouraging that CJ ENM is now positioned to finance its content investments - which will likely show a steady increase to support strong revenue and operating profit growth (an estimated CAGR of 9.8% and 20.9% over the next two years) - with increased cash flows (pre-merger CJ O Shopping).

Strong content player remains resilient in face of platform changes

Changes in content platforms and competition among different platforms will continue going forward; technological advances usher in the evolution of content distribution platform, leading to constant changes in content delivery channels and business models. These changes have led to lowered entry barriers for content consumption/supply, which we believe should raise the importance of content quality.

In order for content makers to survive the ongoing shift, they would need to improve their content competitiveness from a longer-term perspective and equip themselves to provide content across different platforms. In all, we believe CJ ENM stands to benefit from ongoing market changes. The firm has established strong brand power through its preemptive investments in content (in the early 2010s) and is well positioned to boost profits by offering content across multiple platforms.

Investment point (1): Improvement in media fundamentals

The fundamentals of the media business are improving. Assuming that TV ad growth (+13% YoY) can offset broadcasting production cost (+14% YoY) in 2019, we project an improvement in margins this year.

The digital ad market still has a great upside (estimated growth of 10% YoY in 2019), and CJ ENM has displayed a competitive strength in the digital space. The company plans to increase its global exposure in full swing starting this year via YouTube and MCNs. We advise investors to take note of the sharp uptrend in the company's digital ad revenue (+52% YoY in 3Q18 and +72% YoY in 4Q18).

Investment point (2): Music business deserves a fresh look

CJ ENM is expected to become a global talent management company based on the strong promotional channel. Backed by Mnet, CJ ENM's idol groups have met with extraordinary success. We see huge potential for the two global idol groups the company aims to launch by 2020, in light of: 1) improved revenue models (contract period and revenue-sharing scheme); and 2) the sharing of Big Hit Entertainment's superior planning capability.

FY (12)	12/15	12/16	12/17	12/18	12/19F	12/20F
Revenue (Wbn)	2,309	2,209	2,260	3,427	4,818	5,257
OP (Wbn)	210	179	224	251	385	460
OP margin (%)	9.1	8.1	9.9	7.3	8.0	8.8
NP (Wbn)	85	23	131	163	262	349
EPS (W)	13,650	3,769	21,054	11,514	11,947	15,937
ROE (%)	9.6	2.6	13.5	8.6	9.1	11.0
P/E (x)	14.0	43.2	11.0	17.5	19.8	14.8
P/B (x)	1.3	1.1	1.4	1.4	1.5	1.4
Dividend yield (%)	1.3	1.5	1.3	0.6	0.5	0.5

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

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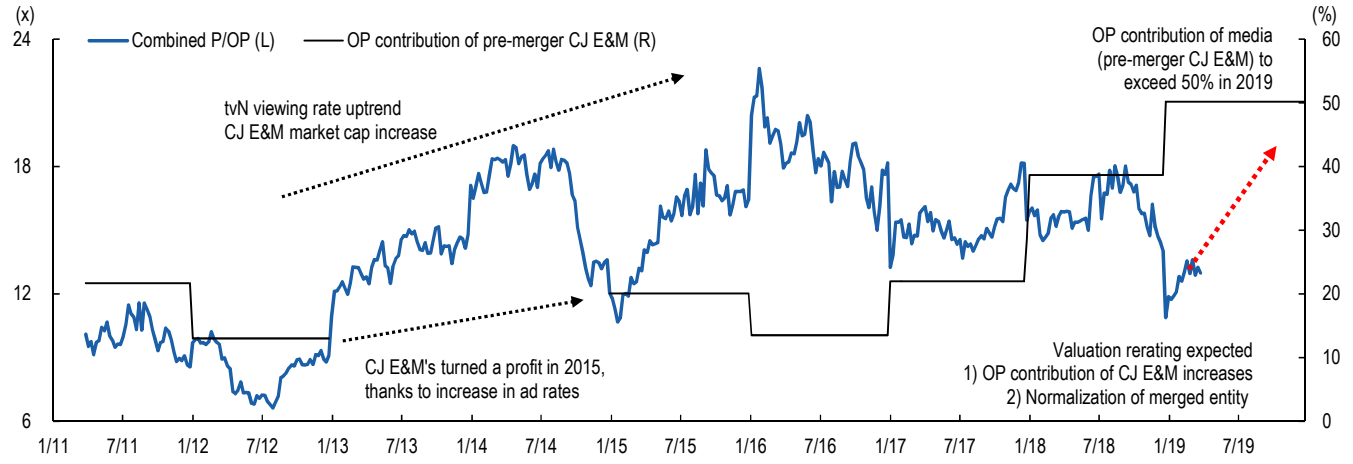
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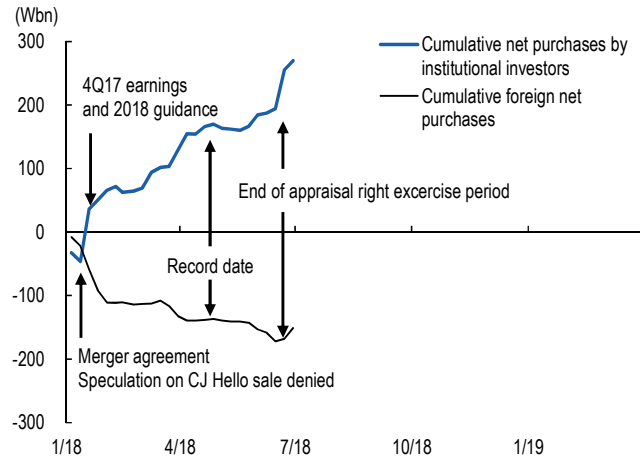
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Figure 1. Increased OP contribution of media business (CJ E&M previously) to drive valuation rerating for CJ ENM



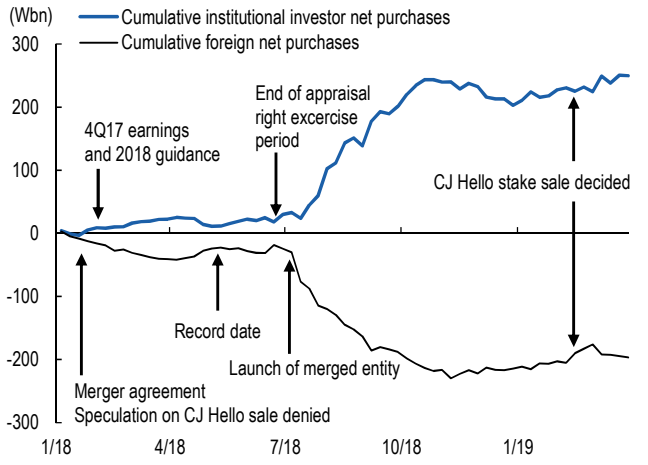
Source: Mirae Asset Daewoo Research

Figure 2. Pre-merger CJ E&M: Net purchases by institutional/foreign investors



Source: WISEfn, Mirae Asset Daewoo Research

Figure 3. Pre-merger CJ O Shopping: Net purchases by institutional/foreign investors



Source: WISEfn, Mirae Asset Daewoo Research

CJ ENM was launched in July 2018, as a result of the merger of two CJ Group subsidiaries CJ E&M (CJ Media+OnMedia+Mnet Media+ CJ Internet) and CJ O shopping, which had steadily been expanding their respective presences since 2011. As such, in order to provide a consistent analysis of CJ ENM, we need to review historical data of individual businesses (based on retrospective application of the combined operating profits and market caps?)

1) 2011~2014: 12.4x P/OP; investment ramp-up at CJ E&M; steady profit generation at CJ O Shopping

CJ E&M: Up to 2014, earnings remained soft, due to the cost of improving business stability following its merger of five CJ Group subsidiaries in March 2011. During this period, increased production costs and hires also weighed on earnings. While the firm's footprint in the advertising market remained weak, the film and music businesses showed high earnings volatility.

CJ O Shopping: During this period, CJ O Shopping posted stable annual operating profit of around W230bn-260bn. After the surge in its TV/internet home shopping revenue in 2011-12, the firm gained a leading position in the market amid the industry consolidation toward mobile.

2) 2015~1H16: 16.6x P/OP; ad/licensing revenue increases at CJ E&M; soft earnings at CJ O Shopping

CJ E&M: CJ E&M turned a profit in 2015, driven by full-fledged expansion of the broadcasting/digital ad and overseas businesses on the back improved content competitiveness. The firm shrugged off the adverse effects of production cost increases and shortened amortization period of content copyrights. While earnings volatility for the film business remained high amid the market slump, the music unit began to secure its own intellectual properties (IP), thanks to synergies with Mnet.

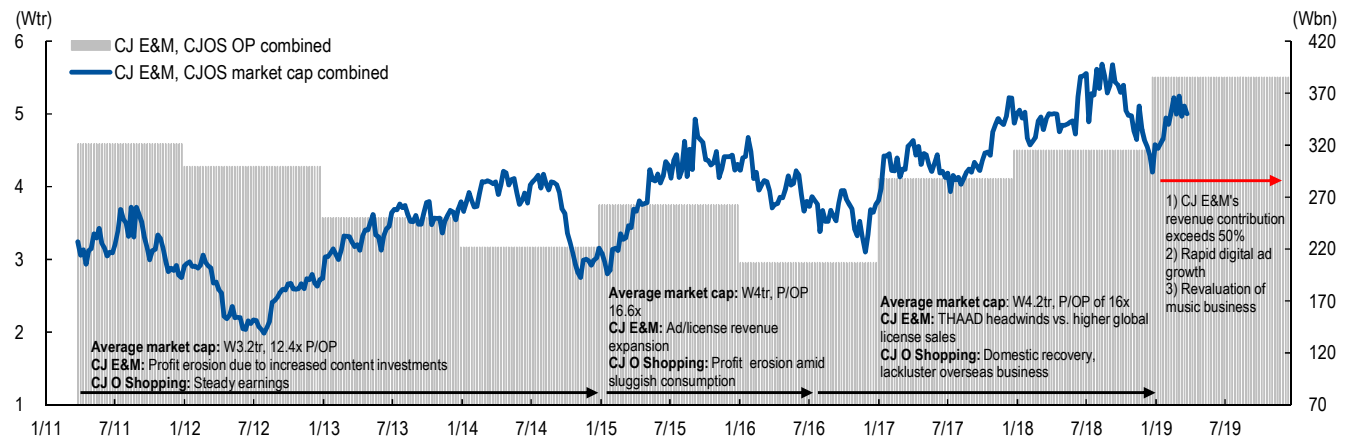
CJ O Shopping: During this period, the company suffered from negative growth in gross merchandise sales (GMS) and profit erosion, due to sluggish consumption amid the MERS outbreak and elimination of low-margin products.

3) 2H16~2018:16x P/OP; THAAD headwinds vs. strong global performance for CJ E&M; domestic business recovery for CJ O Shopping

CJ E&M: While the mainstay business remained solid, shares remained weak at end-2016, due to sharply-diminished expectations for the Chinese business amid the THAAD impact. However, shares bounced back in 2017, as the firm's strengthened content power sharply drove up broadcasting/digital ad sales and global licensing sales (e.g., OTTs). The music/performance business unit produced positive results from its own IP. For the film unit, joint productions with overseas companies began to yield results; however, the domestic business continued to show high volatility, due to a market slump coupled with weak performances of films produced or distributed by the firm.

CJ O Shopping: The domestic business rebounded, aided by its portfolio adjustments in line with consumer trends (e.g., increased offerings of beauty/cosmetics/dry-food goods), expansion of proprietary-branded goods and GMS growth in T-commerce and mobile channels. Meanwhile, the overseas business softened slightly during this period.

Figure 4. CJ ENM's operating profit and market cap trends (combined figures of pre-merger CJ E&M and CJ O Shopping)



Source: Mirae Asset Daewoo Research

Target market cap: W6.75tr = W3tr for parent + W3.75tr for listed subsidiaries

In order to derive our target market cap of W6.75tr for CJ ENM, we used the SOTP methodology, summing up the values of the media (W1.9tr; CJ E&M previously), and commerce (W1.1tr; CJ O Shopping previously) businesses, as well as equity holdings (W3.75tr).

1) For the media (broadcasting+film+music) unit, we applied a fair P/NOPLAT of 20x. Broadcasting revenue breaks down to 32% for TV ads; 10% for TV license fees; 58% for content and digital ads. Considering the nature of different segments, we applied a P/NOPLAT of 15x (in line with the average multiple for ad firms) to ads/TV license fees, and 25x (media reps) to content and digital ads.

2) For the commerce business, we applied a P/NOPLAT of 12x, with the peer group comprising major Korean listed home shopping companies.

3) We applied a 30% discount to the value of CJ ENM's stakes in listed subsidiaries. For reference, the firm stands pat on its policy of utilizing its equity stakes in subsidiaries (71.3% for Studio Dragon, 22.1% for Netmarble, 0.5% for Samsung Life) to support future M&As (in both Korea and overseas), which are aimed at improving its content production/distribution competitiveness from a global perspective. Indeed, we have recently seen an increase in M&As between content producers (in both Korea and overseas), as the result of expanded sources of content demand. CJ ENM also has the potential to seek another M&A to achieve top-line growth.

Table 1. CJ ENM valuation (Wbn)

Valuation - SOTP (subsidiary)		
Current price (W)	232,200	
Shares Outstanding (mn shares)	21.9	Treasury stock 23,000 shares
Market cap (Wbn)	5,091.3	
1. Listed subsidiaries valuations	3,745	1. = (a)+(b)+(c)+(d)
(a) Netmarble share value	1,537	Retained stake 21.96%
Market cap	9,998	Recent 20 operating days
Discount	30.0	
(b) Studio Dragon share value	1,285	Retained stakes 71.33%
Market cap	2,573	Recent 20 operating days
Discount	30.0	
(c) CJ Hello share value	863	Retained stake 53.92%
Market cap	1,600.0	Based on selling price
(d) Samsung Life Insurance share value	60	Retained stake 0.5%
Market cap	17,196	Recent 20 operating days
Discount	30.0	
2. Other valuations (excluded listed subsidiaries)	3,005	
Media 19F NOPLAT (excluded Studio Dragon)	94	(Media) + (Movie) + (Music) - (Studio Dragon)
Target P / NOPLAT	20.0	Accounted for digital advertising and content sales growth
Commerce 19F NOPLAT (excluded CJ Hello)	94	
Target P / NOPLAT	12.0	Home shopping market average multiple
Total adjusted shareholder value (c)	6,750	1 + 2.
Target price (W)	310,000	(c) / No. of shares
Expected return (%)	33.5	

Source: Mirae Asset Daewoo Research

II. Content power (with flexibility)

Remain resilient in face of platform changes

Changes in content platforms and competition among different platforms will continue going forward; technological advances usher in the evolution of content distribution channels (platform → network → device), leading to changes in content consumption patterns. This means that the content delivery platform and business models are also subject to change.

Over the past three decades, the evolution of broadcasting platforms has led to lowered entry barriers for content consumption/supply; the industry has undergone deregulation and technology-friendly changes. Over time, content distribution platforms have been expanded to include terrestrial networks, cable TV, digital satellite, DMB, IPTV, and OTTs. The time available for content consumption has increased, while content channels have also increased in both diversity and number. However, with content volume growth exceeding growth in the time available for content consumption, the key driver behind content consumption growth has been rapidly shifting from traditional broadcasting firms to consumers (selective media usage).

Going forward, consumers are highly likely to be more selective in their media content consumption. In order for content makers to survive the ongoing shift, they would need to improve their content competitiveness and proactively respond to market changes. Rather than relying on the platform business, which is subject to change over time, they need to sharpen their content competitiveness from a longer-term perspective, and equip itself to provide content across different platforms.

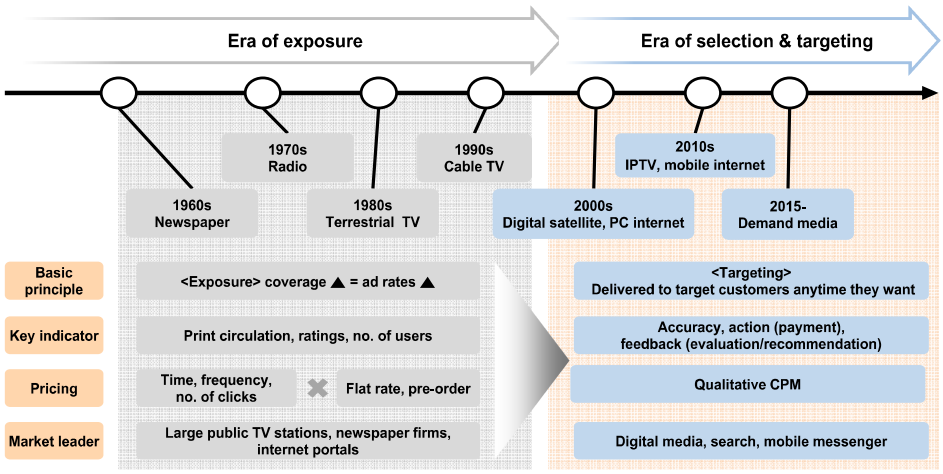
In all, we believe CJ ENM stands to benefit from ongoing market changes. By operating a wide range of businesses (e.g., cable program, commerce, film distribution, and digital music), the firm is capable of creating large quantity of quality content in various formats, while proactively responding to constant changes in media platform environment. Backed by the aforementioned strength, the firm is delivering above-market-average growth in the conventional broadcasting ad market, while also benefitting from the new media environment (e.g., digital ads, OTTs).

Figure 5. CJ ENM is set to benefit from new platform growth backed by strong content competitiveness

Market change	Major markets	2013-2018 Market size change	CAGR	2018-2020F Market size change	CAGR	Major channels	Transaction change
	Global TV ads	(+) W17tr	(+) 2.0%	(+) W10tr	(+) 2.8%	NBC CBS	
	Domestic TV ads	(+) W290bn	(+) 1.6%	(+) W150bn	(+) 1.9%		
	Ground wave	(-) W340bn	(-) 4.0%	(+) W30bn	(+) 1.0%	SBS MBC	
	Cable	(+) W656bn	(+) 7.9%	(+) W150bn	(+) 3.5%	jtbc CJ ENM	
	Domestic digital ads	(+) W1.7tr	(+) 10.9%	(+) W880bn	(+) 10.1%		DRAGON STUDIO DRAGON, j contentree
	PC	(-) W3,40bn	(-) 3.7%	(+) W130bn	(+) 3.7%	NAVER Daum	
	Mobile	(+) W2tr	(+) 40.0%	(+) W750bn	(+) 14.2%	NAVER TV	
	Global OTT	(+) W29tr	(+) 22.5%	(+) W9.5tr	(+) 10.1%		
	S-OTT	(+) W24.5tr	(+) 24.3%	(+) W8.5tr	(+) 10.9%	NETFLIX	
	A-OTT	(+) W4.5tr	(+) 15.9%	(+) W1tr	(+) 6.2%	YouTube	

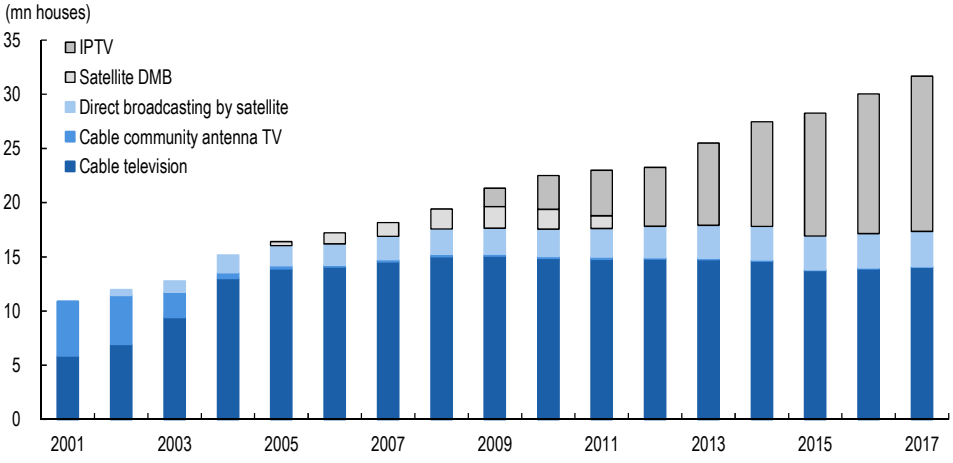
Source: KOBACO, Cheil Worldwide, KOA, Naver, Kakao, CJ ENM, PwC, Mirae Asset Daewoo Research

Figure 6. Consumer choice grows in importance amid continuous expansion of media platform



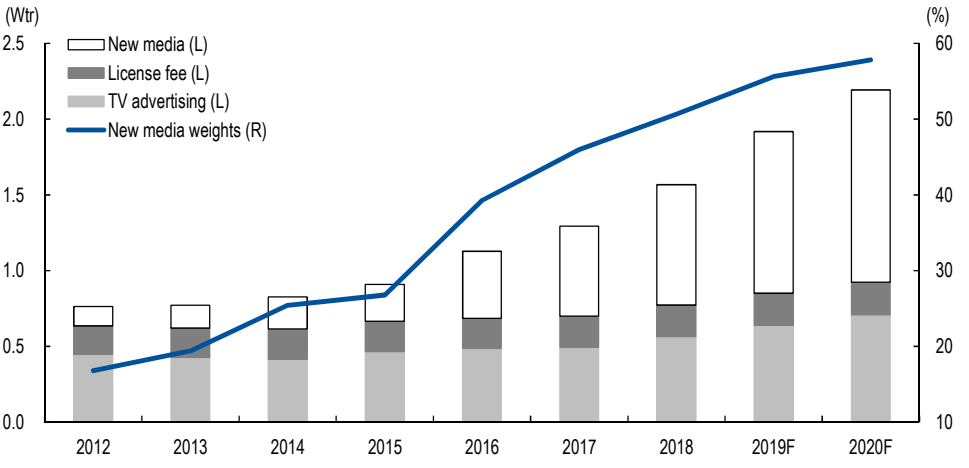
Source: Mirae Asset Daewoo Research

Figure 7. No. of pay TV subscribers by category



Source: Ministry of Science and Science and ICT, Mirae Asset Daewoo Research

Figure 8. Revenue contribution of new media (digital ads, licensing) increases: CJ ENM rapidly adapted to new platform environment



Source: Mirae Asset Daewoo Research

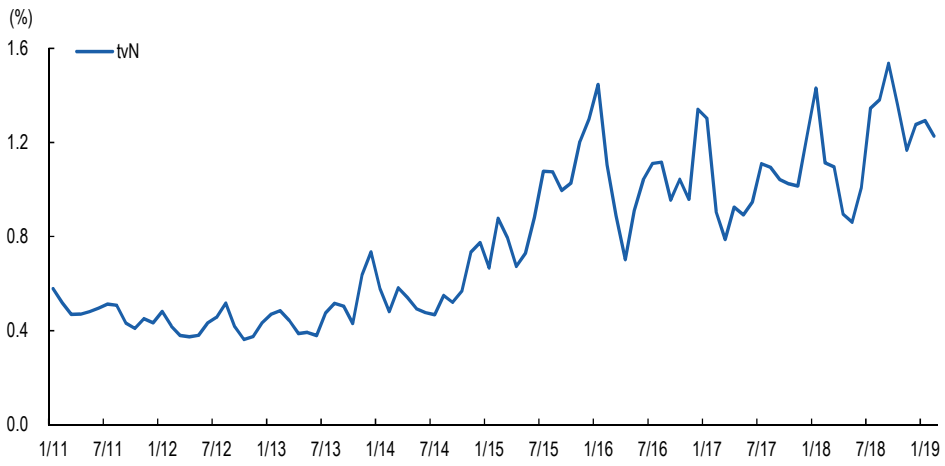
Solution 1) Leverage content brand competitiveness

In order to improve content brand competitiveness (channel competitiveness), content producers need to make large-scale investments for a prolonged period of time. It usually takes a long time for consumers to form a perception of a brand, as brand recognition is achieved through the accumulation of massive quality content for a prolonged period of time. Brand recognition does not change easily once it takes shape; building brand recognition requires equally large amounts of time and effort (costs).

As such, media companies wishing to offer quality content on a constant basis often need to suffer from short-term losses. For example, pre-merger CJ E&M remained in the red for four years after its foundation in 2011. Indeed, the firm opted for building customer base via improved content competitiveness and increasing new hires (expansion of investments) over short-term profits.

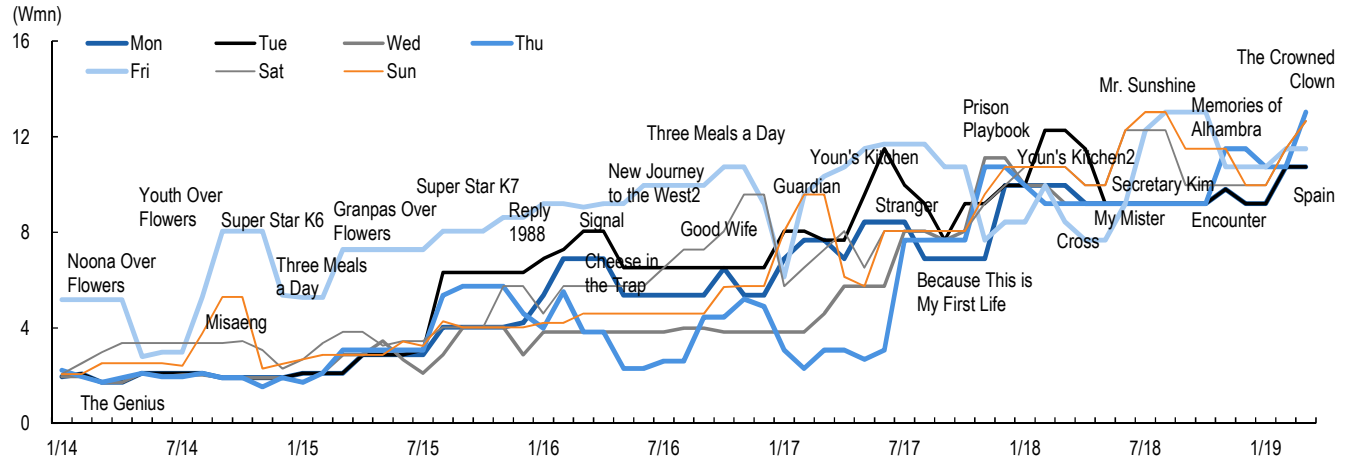
CJ ENM now boasts an unwavering competitiveness in content brand. The media firm has established itself as Korea's no.1 content maker and gained recognition as a world-class drama producer representing Asia, by sharply expanding global license sales since 2016. Even before full-fledged expansion of the cable and multi-content channel ad markets, the firm has made steady investments to preemptively secure talented directors. In addition, it now has a vast pool of top-tier writers and actors/actresses based on its tie-up with its subsidiary (Studio Dragon) and second-tier subsidiaries (Culture Depot, Hwa&Dam Pictures, KPJ, GTist), while boasting a strong fan base for its popular anchor programs.

Figure 9. tvN viewing rates are evidence of CJ ENM's strong content power



Source: Nielsen, CJ ENM, Mirae Asset Daewoo Research

Figure 10. Uptrend in CJ ENM ad rates, a key indicator of content competitiveness



Source: KOBACO, Media Create, CJ ENM, Mirae Asset Daewoo Research

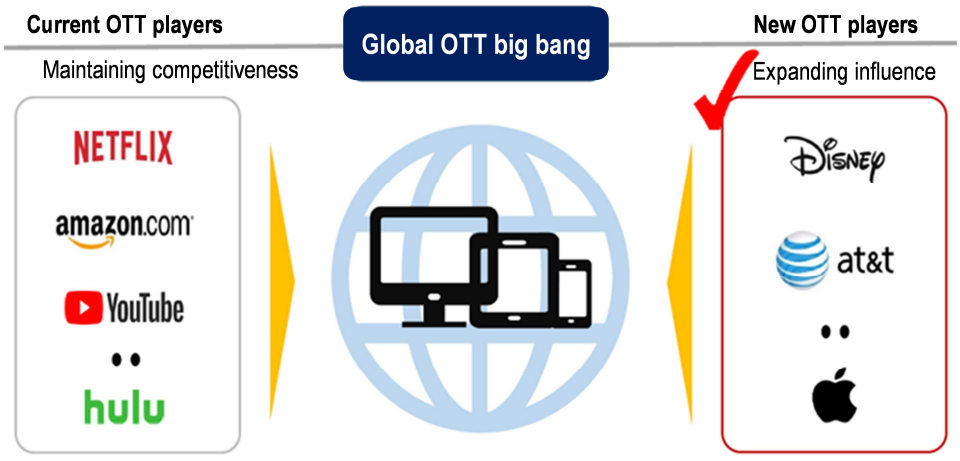
During the 2011-14 investment ramp-up period, CJ ENM focused on securing top-performing producers and writers, while improving its production capabilities through the production of new/experimental content. The groundwork for popular shows like *Superstar K*, and *Grandpas Over Flowers* was laid during this period. In 2015-18, the firm began to gain greater recognition in overseas markets, thanks to the smash hits *Goblin* and *Mr. Sunshine.* From 2019 onwards, we believe that accumulated know-hows and improved competitiveness (content brand power) over the past years are highly likely to drive profit growth.

1) Based on strong competitiveness in content, the company is well-positioned to win high-budget orders, which should boost its global licensing sales and margin growth. The high-budget content typically involves well-known writers and casts, as they are the key factors in determining overseas licensing sales. Of note, global content licensing deals are anticipated to increase sharply going forward, as media giants in the US are scheduled to launch their own platforms in 2H19.

2) CJ ENM is able to sell ads for various types of media (under its umbrella) to all types of advertisers. The merger with CJ O Shopping is expected to improve the efficiency of its advertising. Based on diversified media mix, the company should also be able to provide more effective cross-media solutions. In addition, by leveraging both the data management platform of its subsidiary Mezzo Media and the home shopping unit's database, the company should be able to carry out more sophisticated ad-execution planning. On the back of such strength, CJ ENM is expected to defend earnings, amid the slowdown in the TV ad market, and to improve exposure to the rapidly growing new media market.

3) In our view, CJ ENM is best positioned to be chosen as a local partner in Korea when global content platforms launch new revenue models. Content platforms are increasingly diversifying. Indeed, traditional media companies like Disney and Warner Brothers are scheduled to launch their OTT platforms, while SK Telecom merged its OTT media service Oksusu with Pooq, which provides content from terrestrial TV channels. Major portals like NAVER and Kakao are also preparing to launch their own OTT platforms. Such a trend should offer CJ ENM the opportunities to improve both earnings and global exposure. Indeed, the company has produced *Arthdal Chronicles*, a TV series scheduled to air on TVN in 2Q or 3Q this year, and two original content shows for Netflix, which are expected to be released in 2H19.

Figure 11. New video services to increase globally starting in 2H19



Source: Studio Dragon, Mirae Asset Daewoo Research

Table 2. Studio Dragon's major drama production (%)

	Title	Air date	episodes	Script	Direct	Lead role	Highest viewer rating
Others	My Golden Life	17.9.2~18.3.11	52	So Hyun-kyung	Kim Hyung-seok	Park Si-hoo, Shin Hye-sun	46.3
Others	Legend of the Blue Sea	16.11.16~17.1.25	20	Park Ji-eun	Jin Hyeok	Jun Ji-hyun, Lee Min-ho	20.0
tvN	Guardian	16.12.2~17.1.21	16	Kim Eun-sook	Lee Eung-bok	Gong Yoo, Lee Dong-wook	19.8
tvN	Mr. Sunshine	7.7~9.30	24	Kim Eun-sook	Lee Eung-bok	Lee Byung-hun, Kim Tae-ri	17.5
tvN	100 Days My Prince	9.10~10.30	16	Roh Ji-seol	Lee Jong-jae	Do Kyung-soo, Nam Ji-hyun	13.9
Others	It's Okay, That's Love	7.23~9.11	16	Roh Huei-kyung	Kim Gyu-tae	Jo In-sung, Kong Hyo-jin	12.9
tvN	Signal	1.22~3.12	16	Kim Eun-hui	Kim Won-seok	Lee Jae-hoon, Jo Jin-woong	12.0
Others	The Lady in Dignity	6.16~8.19	20	Paek Mi-kyung	Kim Yoon-chul	Kim Hui-sun, Kim Sun-a	11.6
tvN	Encounter	18.11.28~19.1.24	16	Yu Young-a	Park Shin-woo	Park Bo-keum, Song Hye-gyo	10.0
tvN	Memories of the Alhambra	18.12.1~19.1.20	16	Song Jae-jung	Ahn Gil-ho	Hyun Bin, Park Shin-hye	9.7
tvN	Another Miss Oh	5.2~6.28	18	Park Hae-young	Song Hyun-wok	Eric, Seo Hyun-jin	9.5
Others	On the Way to the Airport	9.21~11.10	16	Lee Suk-yeon	Kim Chul-gyu	Kim Ha-neul, Lee Sang-yoon	9.4
tvN	The Crowned Clown	1.7~3.4	16	Kim Sun-deok	Kim Hui-won	Yeo Jin-gu, Lee Se-young	9.1
Others	Woman With a Suitcase	9.26~11.15	16	Kwon Eum-mi	Kang Dae-sun	Choi Ji-woo, Ju Jin-mo	8.9
tvN	Lawless Lawyer	5.12~7.1	16	Yun Hyun-ho	Kim Jin-min	Lee Jun-ki, Seo Ye-ji	8.6
Others	Bravo My Life	17.10.21~18.2.3	56	Jung Ji-woo	Jeong Hyo	Do Ji-won, Jeong Yu-mi	8.4
tvN	What's Wrong with Secretary Kim	6.6~7.26	16	Beak Sun-woo	Park Jun-hwa	Park Seo-jun, Park Min-young	8.4
tvN	Familiar Wife	8.1~9.20	16	Yang Hui-seung	Lee Sang-yeob	Ji Sung, Han Ji-min	7.9
tvN	Dear My Friends	5.13~7.2	16	Roh Hui-kyung	Hong Jong-chan	Ko Hyun-jung, Kim Hye-ja	7.6
tvN	Misaeng	10.17~12.20	20	Jung Yun-jeong	Kim Won-seok	Yim Si-wan, Lee Seong-min	7.5
tvN	Live	3.10~5.6	18	Roh Hui-kyung	Kim Gyu-tae	Jung Yu-mi, Lee Kwang-su	7.5
tvN	My Mister	3.21~5.17	16	Park Hae-young	Kim Won-seok	Lee Sun-gyun, Lee Ji-eun	7.1

Source: Mirae Asset Daewoo Research

Table 3. CJ ENM retains domestic top creators

Name	Previous affiliation	Major content	Name	Previous affiliation	Major content
Lee Myung-han	KBS PD	Cackling Class in Vietnam, Three Idiots, Comedy Big League	Lee Yun-jung	MBC drama PD	Drama Stage, Cheese in the Trap, Heart to Heart
Han Sang-jae	tvN ent. PD	Rude Miss Young-ae, A Poem a Day	Park Gyeong-dok	SBS ent. PD	Party People, Strong Heart
Ko Min-ku	KBS PD	House Cook Master Baek, First Day of Work	Park Sang-hyeok	SBS ent. PD	Everyone's Kitchen, Bob Bless You, Hotel Snail
Kim Won-seok	KBS drama PD	My Mister, Signal, Misaeng	Lee Yeong-joon	SBS ent. PD	Show! Audio Jockey, Law of the Jungle, People Looking for a Laugh, Star King
Kim Min-seok	KBS PD	N/A	Hwang In-yeong	SBS ent. PD	Bob Bless You, Hotel Snail, Scene Stealer
Na Young-seok	KBS ent. PD	Little House in the Forest, Yoon's Kitchen 2, New Journey to the West, The Dictionary Of Useless Knowledge	Jeong Hyo-min	SBS, JTBC PD	Hyori's Homestay, Talking Street, Two Yoo Project Sugar Man, Witch Hunt
Shin Won-ho	KBS ent. PD	Prison Playbook, Reply Series	Kim Seok-hyeon	KBS ent. PD	Let's Go Time Expedition, Comedy Big League, 1 vs. 100
Shin Hyo-jung	SBS PD	New Journey to the West	Jeong Woo-seok	KBS PD	Smart Consumer Report, M Wide Enews
	KBS ent. PD		Yoo Ho-cheol	MBC ent. PD	We Got Married, Section TV
Yu Hak-chan	KBS ent. PD	Top Star U-back, Albatross, Candy in My Ears	Kim Tae-eun	KMTV PD	Super Star K 2016, Idol School, High School Rapper
Lee Na-jung	KBS PD	Fight for My Way, Oh My Venus, Snowy Road	Lee Sun-yeong	CJ ENM PD	I Can See Your Voice
Lee Eun-bok	KBS drama PD	Mr. Sunshine, Guardian: The Lonely and Great God, Descendants of the Sun, Discovery of Love	Shin Jeong-su	MBC PD	The Master, Global Homestay, Sunday Night
			Cho Wook-hyeong	MBC PD	Four Sons and One Daughter, Show! Music Core
Lee Ji-yoon	KBS	The Next Human, Treasure Map	Kang Goong	MBC	Come to Play, Beautiful Concert, We Got Married
Yu Ho-jin	Monster Union PD	Where on Earth, Hit the Top, 2 Days & 1 Night	Sohn Chang-woo	MBC PD	Salty Tour, After the Show Ends
	KBS PD		Choi Gyu-sik	MBC, SBS PD	Let's Eat, Drinking Solo, Rude Miss Young-ae
Jung Min-sik	KBS PD	No Way I'm an Adult, Power To the Children	Park Joon-wha	SBS, KBS PD	What's Wrong with Secretary Kim?, Because This Is My First Life, Hey Ghost, Let's Fight
	MBC PD		Ahn Sang-hui	CJ media	Life Bar, SNL Korea, Big Forest
Kim Hee-won	MBN, MBC PD	Golden Pocket Glamorous Temptation, Warm and Cozy	Kim Yu-gon	MBC ent. PD	Leaving the Nest, Police, Dad! Where Are We Going?, I Am a Singer
Min Cheol-gi	MBC ent. PD	Road To Ithaca, Shadow Singer, King of Mask Singer	Jeon Seong-ho	MBC ent. PD	Three Wheels, Radio Star
Lee Sang-yeop	MBC drama PD	Familiar Wife, Shopping King Louie, Mr. Back	Baek Seung-ryong	KBS PD	Couple, SNL Korea, Eat Sleep Eat in Sentosa

Source: Mirae Asset Daewoo Research

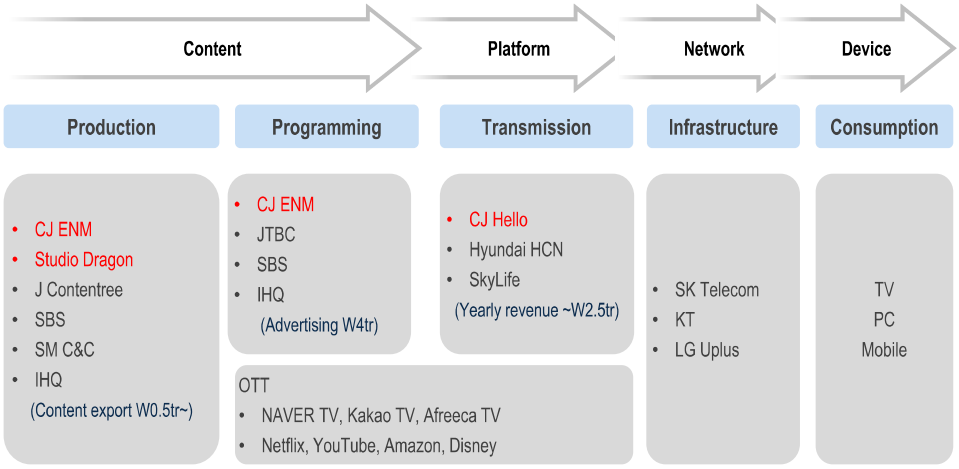
Solution 2) Flexible utilization of internal and external platforms

CJ ENM's major business is content production, but it also operates a media platform. While the company is both a content producer and program provider in the broadcasting space, it owns a media platform (Tving) in the digital domain. As the company engages in multiple businesses in the same value chain, it has often faced conflicts of interest.

In hindsight, the company's business decisions mostly appear to be oriented in the right direction. For example, its aggressive investments in content since the early-2010s looked risky at the time. However, the company's forecast for the growing importance of content has proved to be correct. In addition, its strategy of flexibly responding to the platform diversification trend has also been successful.

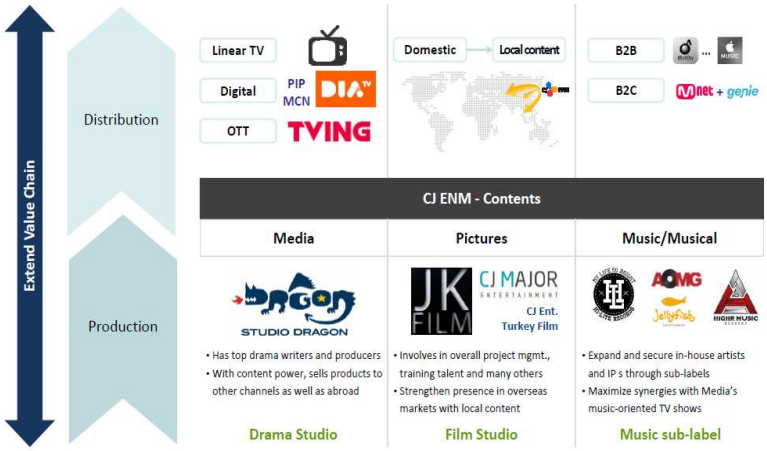
We believe CJ ENM will continue to make appropriate business moves going forward. First of all, the company is well-positioned to grasp the current standing based on its footholds in both content and platform. Second, the company will be able to consistently pursue both the strengthening of content competitiveness and maximization of long-term earnings, based on the strong ownership of the CJ group. Amid the constantly changing media environment, CJ ENM has proven itself capable of making good decisions whenever it finds itself at critical crossroads.

Figure 12. CJ ENM engages in both content and platform in broadcast valuation chain



Source: Mirae Asset Daewoo Research

Figure 13. CJ ENM's utilization of diversified platforms



Source: CJ ENM, Mirae Asset Daewoo Research

In recent years, new media has been replacing traditional media in the US. Amid aggressive investments by new media firms in the US, CJ ENM has been employing the following strategies.

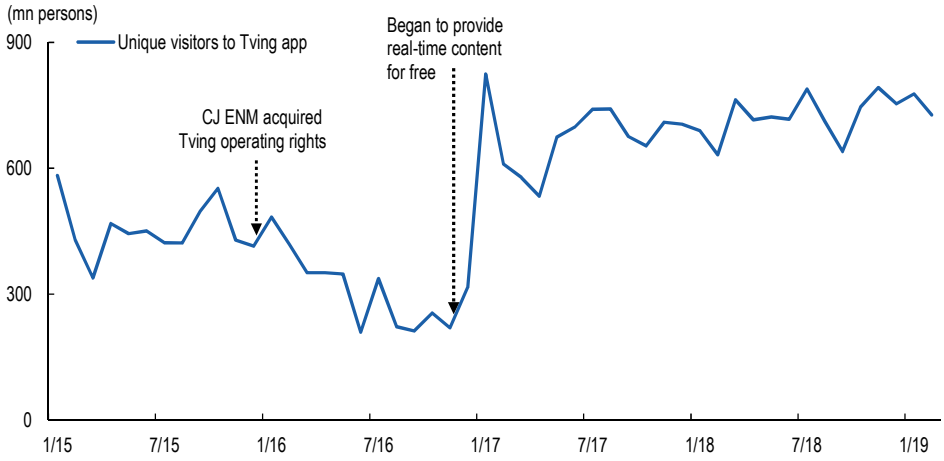
a) Tving's positioning shift

CJ ENM's OTT platform, Tving, has been providing VoD services and real-time content from 200 channels. Currently, its major revenue source is ad-based free-to-play (F2P) content.

CJ ENM has flexibly changed the service positioning of Tving. When the company first acquired the operating rights in the service from CJ Hello in January 2016, Tving was positioned as a subscription-based premium content platform aiming to become a homegrown version of Netflix.

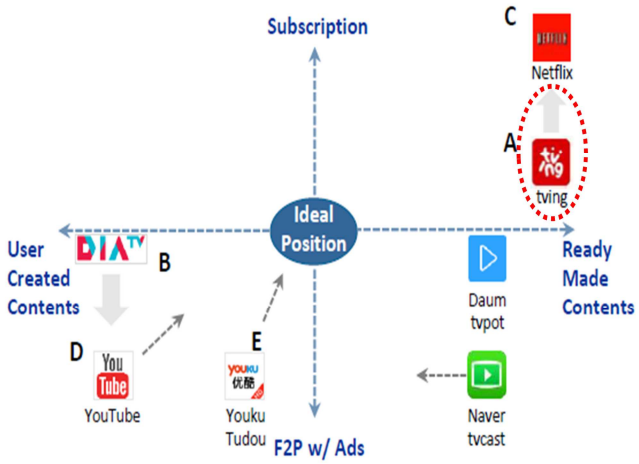
In 2017, as global OTT platforms have rapidly expanded subscriber base on the back of aggressive investments, Tving began to provide domestic real-time content for free. As a result, Tving's monthly average unique visitors jumped 119% YoY in 2017. In the following year, the service maintained positive growth in unique visitors, contributing to the steep growth in digital ad revenue. From 2019 onwards, Tving is expected to focus on improving its global influence by setting Japan and Southeast Asia as its primary target markets.

Figure 14. Tving's unique visitors to its mobile app surged after offering of free real-time content



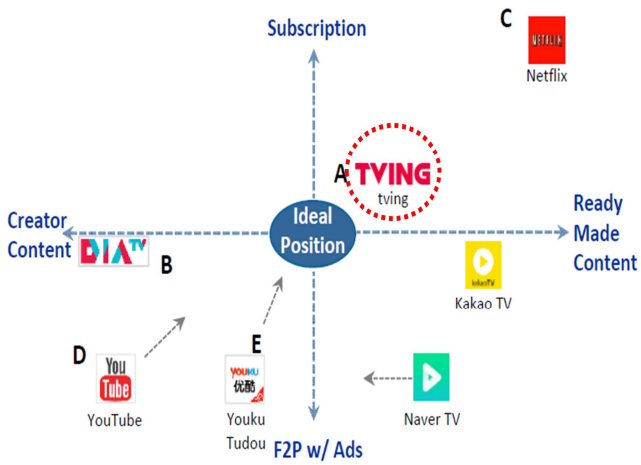
Source: Koreanclick, Mirae Asset Daewoo Research

Figure 15. Pre-2018: Tving pursued subscription-based premium content platform



Source: CJ ENM, Mirae Asset Daewoo Research

Figure 16. Post-2018: Tving is diversifying content and enhancing digital exposure



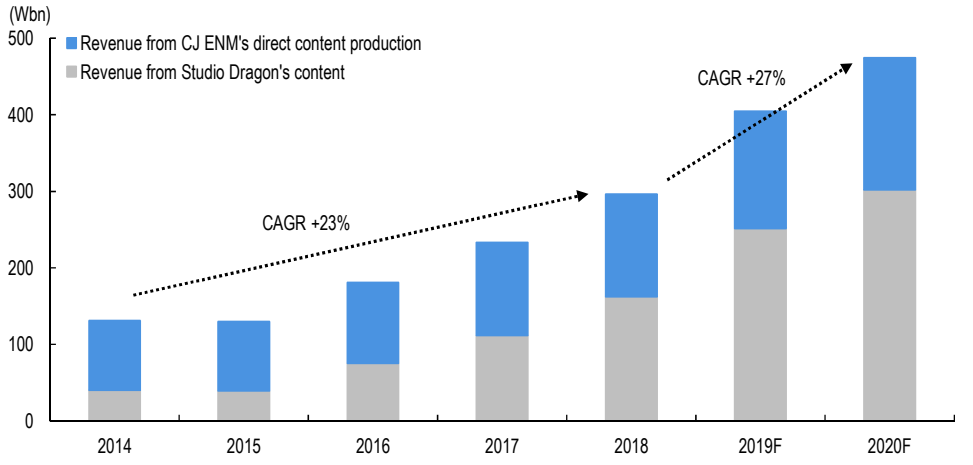
Source: CJ ENM, Mirae Asset Daewoo Research

b) Licensing sales ramp-up to external OTTs

CJ ENM has moved toward a more lenient stance in dealing with overseas OTTs and local TV channels. As a result, the company has seen an increase in the number of overseas licensing deals (mostly for dramas). In addition, the combined share of production costs for CJ ENM and Studio Dragon in projects that have been sold for global distribution has declined. Growth in revenue from external sources has also boosted margins in the overall media unit. The company's shift in stance should also work favorably in 2019 and beyond, amid strengthening competition to secure content in the global market.

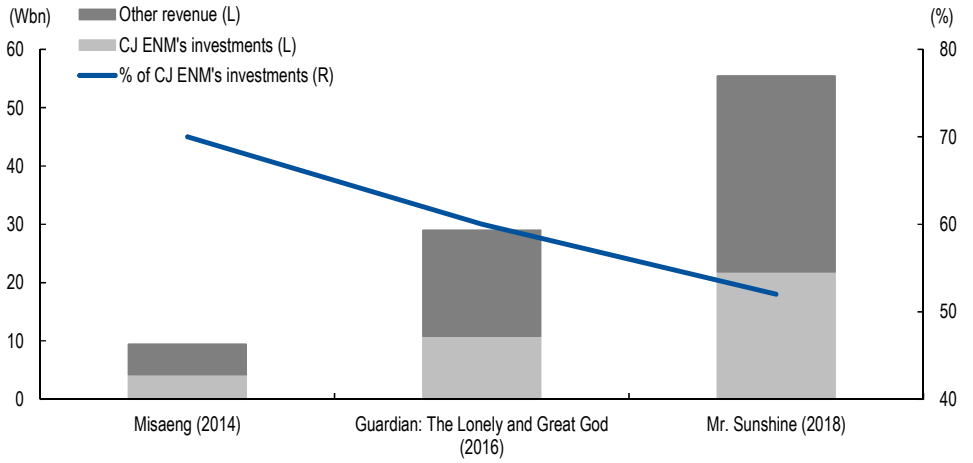
Meanwhile, CJ ENM is believed to be considering the partial unloading of its stake in Studio Dragon (20% of its 71.3% stake). A mega-scale drama tends to boost its producers' global profile, leading to an increase in the producer's global licensing income and a decline in the burden of production costs of TV channels. In our view, CJ ENM's plan to reduce ownership in its content production subsidiary is in line with its decreasing share of production costs for group-wide projects.

Figure 17. CJ ENM's content revenue



Source: Mirae Asset Daewoo Research

Figure 18. CJ ENM's share of content production costs for group-wide projects is on the downtrend



Note: Investment ratio and revenue are our estimates
Source: Mirae Asset Daewoo Research

c) Acquisition of local content distributor for entry into Europe

CJ ENM acquired Swedish content distributor Eccho Rights in December 2018. Eccho Rights operates in Sweden, Turkey, Spain, and the Philippines and holds the distribution rights for content worth 15,000 hours. Tapping into Eccho Rights' global network, CJ ENM aims to increase co-production projects and content/format sales. In addition, the company plans to diversify its business model to encompass global content distribution and IP-based businesses. Looking ahead, CJ ENM will likely seek additional M&A deals to beef up its competitiveness on the global stage.

Figure 19. Eccho Rights news tags: CJ ENM to expand content distribution network



Source: Mirae Asset Daewoo Research

Table 4. M&A activities involving production studios have increased since 2H18

Date	Acquirer	Target	Target type	Price	Note
8/29/18	ESA	Kim Jong-hak Production	Production studio	W15.0bn	
11/2/18	IOK Company	G-tree Creative	Management company, drama production studio	W1.27bn	
11/23/18	Haengnam	Sanai Pictures	Movie production studio	W13.8bn	
11/23/18	Haengnam	Wolgwang	Movie production studio	W12.0bn	
12/19/18	CJ ENM	Eccho Rights	Global broadcasting distributor	N/A	
end-12/18	Kakao M	BH Entertainment	Entertainment	W18.9bn	Completed in December following partial acquisition at end-June
end-12/18	Kakao M	J Wide	Entertainment	W5.95bn	Completed in December following partial acquisition at end-June
end-12/18	Kakao M	Ready Entertainment	Entertainment	W11.1bn	Completed in December following partial acquisition at end-June
end-12/18	Kakao M	Soop Entertainment	Entertainment	W14.0bn	Completed in December following partial acquisition at end-June
1/3/19	CJ ENM	Bon Factory	Production studio	N/A	
1/11/19	CJ ENM	Dexter Studios	Movie production studio, visual effects	N/A	CJ ENM denied M&A rumor
2/20/19	Kakao M	VAST Entertainment	Entertainment	Around W10.0bn	
2/28/19	J Contentree	Film Monster	Movie production studio	W20.0bn	
03/25/19	Studio Dragon	Gtist	Drama production studio	W25.0bn	
03/20/19	Disney	21st Century Fox	Media	US$71.3bn	Around W80.9tr

Source: Mirae Asset Daewoo Research

III. Investment points

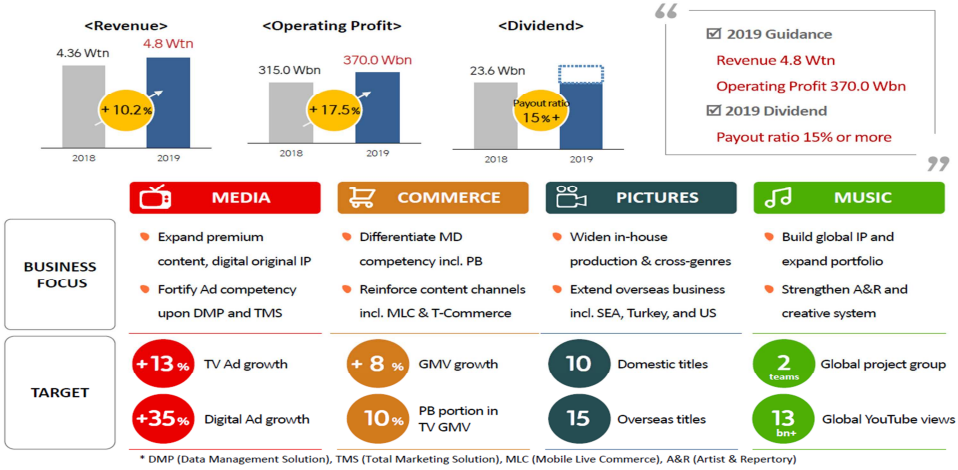
Media earnings to improve in earnest, powered by digital ads

1) 2019 outlook: Rapid digital ad growth to drive margin improvement in the media unit

For 2019, the management guided revenue of W4.8tr (+10.2% YoY) and operating profit of W370bn (+17.5% YoY). By segment, CJ ENM targeted TV ads to grow 13% YoY and digital ads to expand 35% YoY for the media business and GMV to increase 8% YoY for the commerce business. The pictures unit plans to produce 10 titles domestically and 15 titles globally, and the music unit is set to launch two global project groups, targeting more than 13bn YouTube views.

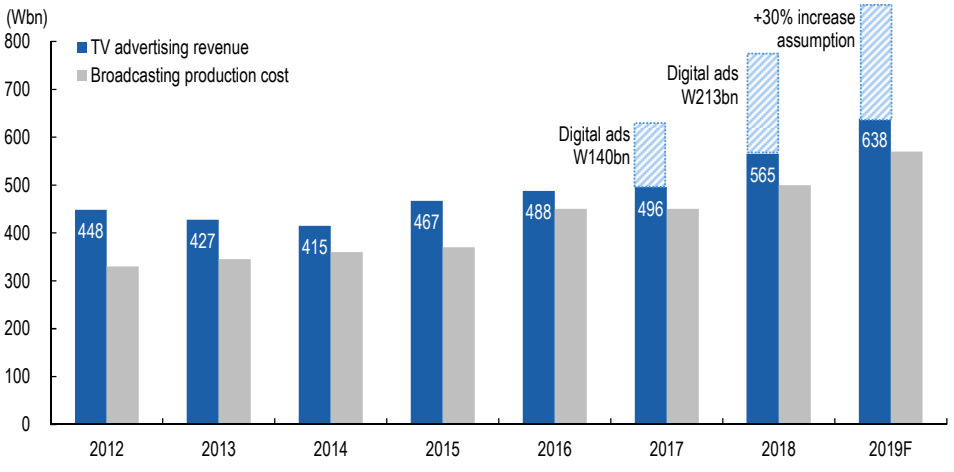
We highlight the media business has achieved qualitative changes through margin improvement, supported by rapid growth in digital ads. Assuming that TV ad growth (+13% YoY) can offset broadcasting production cost (W570bn in budget; +14% YoY) in 2019, we project that robust digital ad growth (+35% YoY) will drive margin improvement in 2019 and onwards. The media unit's operating profit expanded 33.8% during 2015 and 2017, on the back of rising TV ad prices. Operating profit from the media unit surged 80.4% YoY in 2018, helped by steady TV ad growth and increasing earnings contribution from digital ads. We expect strong earnings growth to continue in 2019 with operating profit growing 56.2% YoY.

Figure 20. CJ ENM guided operating profit of W370bn for 2019



Source: CJ ENM, Mirae Asset Daewoo Research

Figure 21. Media revenue from TV ads and digital ads can more than offset program production cost



Source: Mirae Asset Daewoo Research

2) Promising outlook for the digital ad market

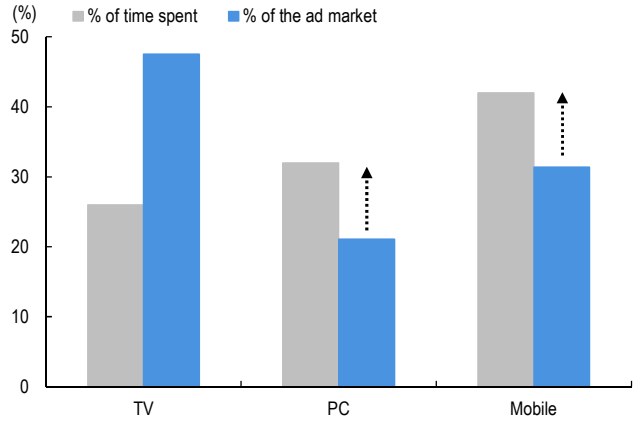
We estimate total media ad spending in Korea increased W386.6bn YoY to W11.4tr (+3.5% YoY) in 2018. The pace of growth varied by media type; growth of digital ad (+7.6% YoY) and cable/multi-content channel ad (+7.7% YoY) exceeded that of the ad market as a whole, whereas terrestrial TV ads posted negative growth (-4.2% YoY). In 2017, digital ad spend has already outgrown total TV ad spend, yet still has ample room for further growth. For 2020, the mobile ad segment is likely to expand to a size equivalent to 82% of the TV ad market.

1) The average time spent on mobile devices has steadily increased. Over the past six months, the monthly average time spent on video content grew 18.3% YoY to 39.2bn minutes. As the monetization model for short video content has been established, the increase in user time translates into revenue growth for content service providers.

2) Based on media other than TV, the shares of total ad spend are still below those of time spent on viewing content. According to MezzoMedia, mobile devices and desktop capture 32% and 42% of user time spent on media, respectively. However, their respective shares of total ad spend are only a respective 21% and 31%. Given the close correlation between the value of media and the share of user time, we expect the gap to narrow over time.

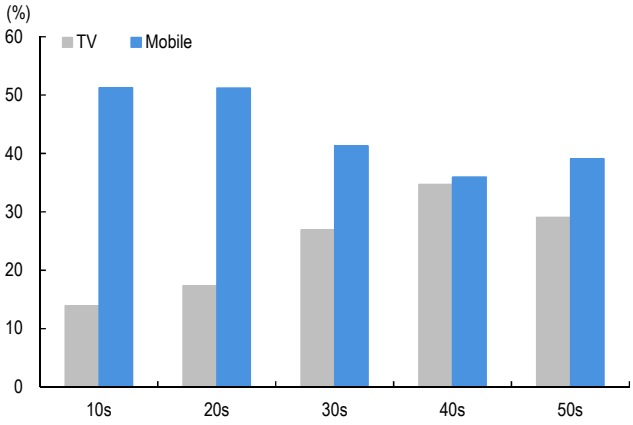
3) We believe digital ads will grab attention, thanks to their competitive edge in the effective targeting of audiences. Checking digital content, which requires an action from a user, is more inclined to convert into sales. As such, content has gained in importance in digital advertising.

Figure 22. Mobile devices account for 42% of time spent on viewing content but only 31% of digital ad spend



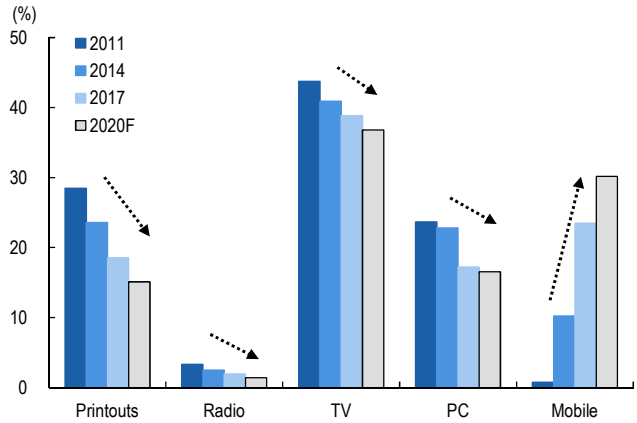
Note: The share was adjusted based on three media
Source: MezzoMedia, Mirae Asset Daewoo Research

Figure 23. Content consumption by media type: Those aged under 30 spend more time on mobile than TV



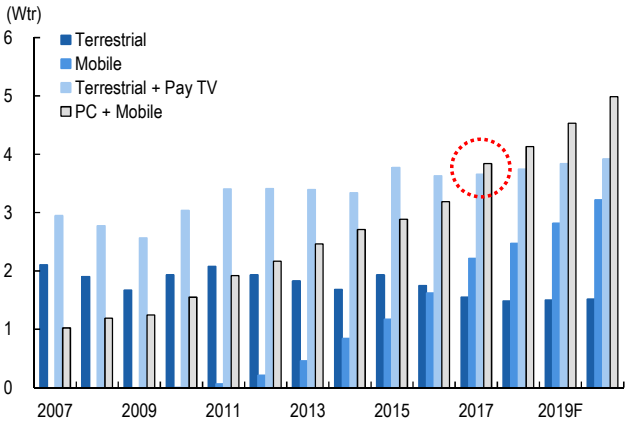
Source: MezzoMedia, Mirae Asset Daewoo Research

Figure 24. Domestic ad market breakdown by media: Rapid mobile growth



Source: KOBACO, Cheil Worldwide, KOA, Naver, Kakao, CJ ENM, Mirae Asset Daewoo Research

Figure 25. Domestic ad market size by media



Source: KOBACO, Cheil Worldwide, KOA, Naver, Kakao, CJ ENM, Mirae Asset Daewoo Research

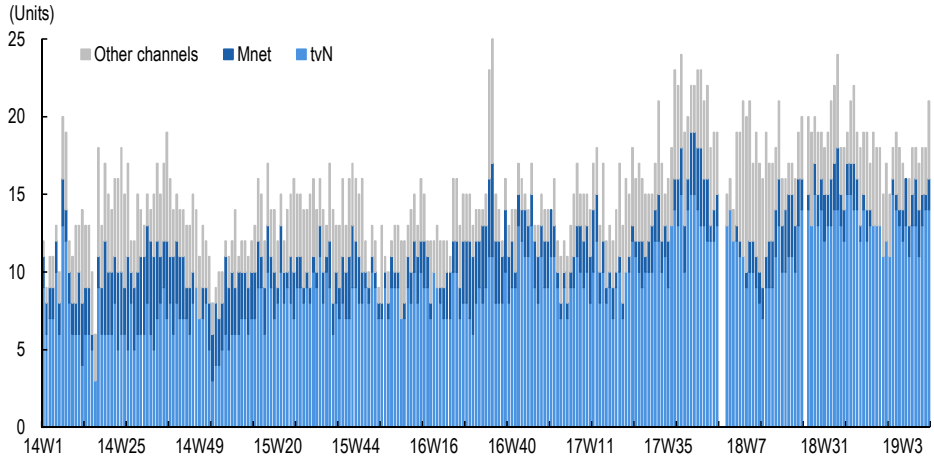
3) Digital is CJ ENM's forte

Among Korean media companies, CJ ENM is best adapted to media digitalization. CJ ENM has become a major beneficiary of the fast-growing VOD ad market, with its digital business spanning across PIP (through SMR domestically and YouTube globally), MCN (DIA TV), in-house media rep (MezzoMedia) and OTT (Tving).

We estimate digital revenue increased from W95bn (+140% YoY) in 2016, W139.8bn (+52.9% YoY) in 2017, and W213.2bn (+52.6% YoY) in 2018. We note that digital revenue growth made a strong recovery over the past two quarters. After slowing to 38% YoY in each of the first two quarters of 2018, digital revenue growth accelerated to 52% YoY in 3Q18 and 72% YoY in 4Q18. We attribute the pick-up in the growth trend to CJ ENM's growing exposure to global content platforms since 2H18.

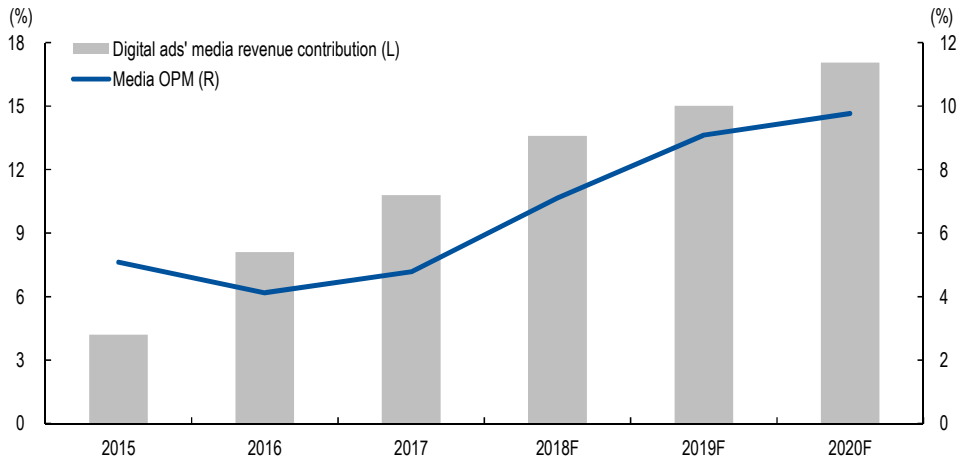
For reference, digital revenue is calculated from the broadcasting unit's other revenue (excluding content sales and overseas subsidiaries). Based on data from conference calls, we estimate revenue contribution of digital ads more than tripled, from 4.2% in 2015 to 13.6% in 2018.

Figure 26. CJ ENM's influence on the content market to continue growing: Number of CJ ENM's programs among top 50 on weekly CPI



Note: Developed by Nielsen Korea and CJ ENM, the Contents Power Index (CPI) measures the influence of TV programs on consumer behavior by analyzing the number of searches, social media buzz, and more
Source: Nielsen, CJ ENM, Mirae Asset Daewoo Research

Figure 27. CJ ENM's media unit displays margin growth, driven by a growing revenue contribution from digital ads



Source: Mirae Asset Daewoo Research

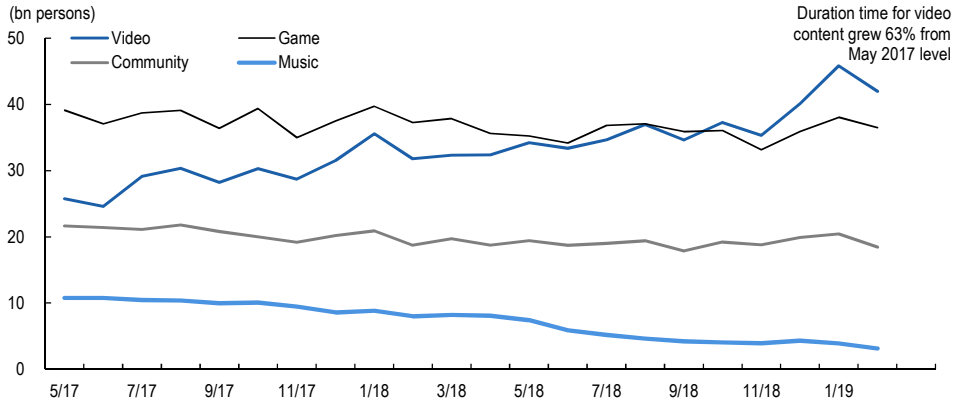
■ *Platform in Platform (PIP): Exposure to global VOD ads*

The platform in platform (PIP) business manages VOD service categories on outside platforms (including major web portals). Key partner platforms include Kakao, NAVER TV and YouTube, where most of video content released are highlights of dramas and entertainment shows and exclusive clips (unedited footage and special video).

The growth driver for the PIP business until 2018 were: 1) an increase in domestic digital video consumption; and 2) service monetization through YouTube and SMR. An increase in video upload and growing video consumption has created synergy effects over an extended period. SMR was jointly established by three terrestrial networks, four general programming cable channels, and CJ ENM in 2014, when the VOD ad market was in the early phase, to enable efficient service monetization by protecting copyright and supporting direct ad sales. As YouTube shares 55% of total ad sales with content copyright owners, VOD ads have emerged as a key revenue contributor.

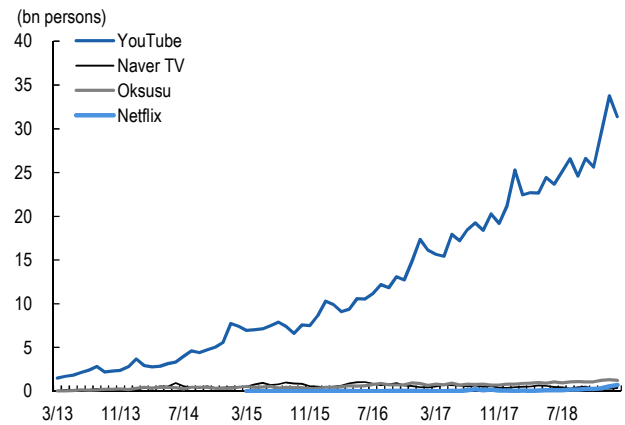
We project the PIP business to grow sharply in 2019 and onwards. With YouTube solidifying its dominant position in the global VOD market, CJ ENM has become more active on YouTube since 2H18. CJ ENM's content available on YouTube includes: 1) the secondary and tertiary distribution of content (aired by domestic broadcasters/domestic PIPs/overseas channels); and 2) original digital content oriented to non-TV platforms (through nine studios). Given the absence of ad marketing, CJ ENM's YouTube business is not PIP in its true sense; however, we expect CJ ENM to leverage YouTube to expand its exposure to the global VOD ad market, as in the past, when the firm used SMR to develop a revenue model for the domestic VOD market.

Figure 28. Noticeable rise in domestic VOD consumption



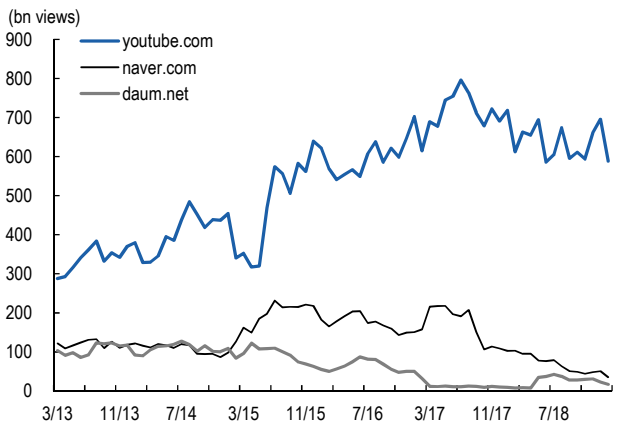
Note: Based on time spent on online VOD content with mobile devices and PCs
Source: Koreanclick, Mirae Asset Daewoo Research

Figure 29. Average time spent on VOD with mobile devices: YouTube has a dominant lead



Note: Based on Korean users
Source: Koreanclick, Mirae Asset Daewoo Research

Figure 30. Number of video plays with PC by service provide: YouTube has a dominant lead

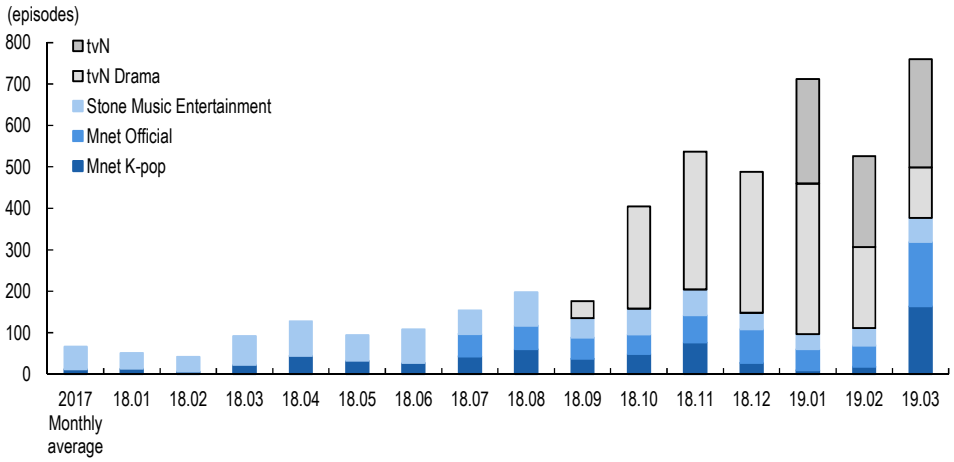


Note: Based on Korean users
Source: Koreanclick, Mirae Asset Daewoo Research

Currently, CJ ENM has 32 channels on YouTube. Excluding DIA TV, CJ ENM is a mega content provider with 35mn subscribers, 160,000 uploads, and 21bn cumulative views. CJ ENM's popular YouTube channels are Mnet K-pop (10.4mn subscribers, 5.5bn views), Stone Music (6.3mn subscribers, 4.5bn views), and Mnet Official (5.7mn subscribers, 4bn views). We expect CJ ENM to expand its user base and diversify genres beyond the music category, in light of its strong push for original entertainment and drama content channels since 2H18.

CJ ENM has already secured a content production system to serve these channels. The firm has established nine production studios since early 2019, with a combined capacity to churn out 15,000 pieces of digital content annually. CJ ENM has extended its reach beyond the familiar turf, such as entertainment, beauty, K-pop culture, music, and movies, to user-optimized YouTube content, such as influencer content, v-commerce content, and branded ads. The diversification of content offerings reflects CJ ENM's commitment to taking advantage of new platforms. Given past experience, whereby the strong targeting capabilities of the firm's TV channels have resulted in higher ad prices, we believe CJ ENM is likely to repeat its success on new platforms.

Figure 31. CJ ENM has increased content upload on major YouTube channels 2H18



Source: Mirae Asset Daewoo Research

Table 5. CJ ENM's major YouTube channels

Channel	Established date	Subscribers ('000)	Note	Channel	Established date	Subscribers ('000)	Note
tvN	Sep-2010	1,355	tvN entertainment	ONSTYLE D	Mar-2013	427	ONSTYLE ent. (beauties)
tvN Drama	Nov-2011	2,070	tvN drama	OGN	Oct-2011	544	OGN game
xtvN	Oct-2010	269	xtvN entertainment	OGN PLUS	Jan-2015	134	OGN+ game
O tvN	Aug-2015	4	O tvN entertainment and drama	CJ Musical	Feb-2013	12	CJ Musical content
tvN D Ent.	Jun-2013	421	tvND entertainment	CJ Entertainment	Jan-2012	55	Movie related (previews, reviews, interviews)
tvN D STORY	Aug-2011	1,488	tvND drama	1stLook	Jul-2011	8	Pictorial video, magazine making video
Mnet	Dec-2013	5,561	Mnet	TVING	Feb-2018	39	TVING ent., drama, movie
Mnet K-POP	Mar-2006	10,289	KPOP music videos	Tooniverse	Feb-2014	743	Tooniverse cartoon content
M2	Apr-2014	3,632	M2 content (music videos, etc.)	RobotTrains	Jun-2014	189	RobotTrains cartoon content
Mwave	Apr-2014	249	Mwave	LittleTooni	Aug-2017	128	LittleTooni content
Stone Music	Mar-2011	6,212	Music videos, etc.	DIA tv	Apr-2015	n/a	DIA tv's YouTuber content
OCN	Feb-2006	226	OCN drama and movie	Joonghwa tv	May-2010	45	ONLYONE Chinese channel
Movmov by OCN	Feb-2012	93	Movie-related content (interviews, etc.)	tvN Asia (overseas)	Sep-2013	63	Drama, entertainment translated clips
Catchon	Jun-2011	1	Catchon content	Mnet Japan (overseas)	Jun-2009	145	Music video, stage video
Thesuperactiontv	Oct-2011	8	Super-action content (movies, UFC)	KCON TV (overseas)	Nov-2010	268	Mnet's singers' short clips
Olive	Oct-2005	148	Olive entertainment	Mnet America (overseas)	-	-	Mnet America-related content

Source: Mirae Asset Daewoo Research

■ *Multi-channel Network (MCN): A beneficiary of K-wave*

DIA TV, CJ ENM's MCN brand, provides management services to YouTube content creators and shares ad revenues with them. Thanks to its early entry into the market, CJ ENM has established leadership positions. With the launch of DIA TV in July 2013, CJ ENM has forged partnerships with content creators from diverse genres, such as games, music, beauty, and food, extending its market reach globally. Currently, the firm records 230mn subscribers, 1,500 creator teams, and 2bn monthly views. For 2019, the firm targets 300mn subscribers and 3bn monthly content views.

So far, the MCN business has been driven by growth in domestic YouTube traffic. YouTube took over the domestic VOD ad market by storm, sharing more than half of ad revenue with content creators. High-performing YouTubers have consolidated their presence in the ever-growing YouTube community by cross-promoting each other's content. Timely ad product offerings, such as branded content and PPL, have also helped advertisers increase spending on YouTube.

Going forward, we believe expectations for an increase in inbound YouTube traffic also remain intact, as an increase in overseas fans leads to YouTube traffic growth (subscribers and views) and ad price hikes. If YouTube content views increase in advanced countries with big ad markets, CJ ENM stands to benefit from the rise of global content platforms, like entertainment management companies.

CJ ENM annually provides 10,000 content offerings to approximately 130 channels on video service platforms, such as Dailymotion (Europe), Viki (North America), Weibo (China), and View (Southeast Asia). The popularity of K-pop (related to Korean language and idol stars), binge eating, and makeup content has partly translated into an increase in traffic to DIA TV's YouTube channels. For DIA TV's YouTube content, the share of international views increased from 40% in August 2017 to 50% (1bn views) in 2018.

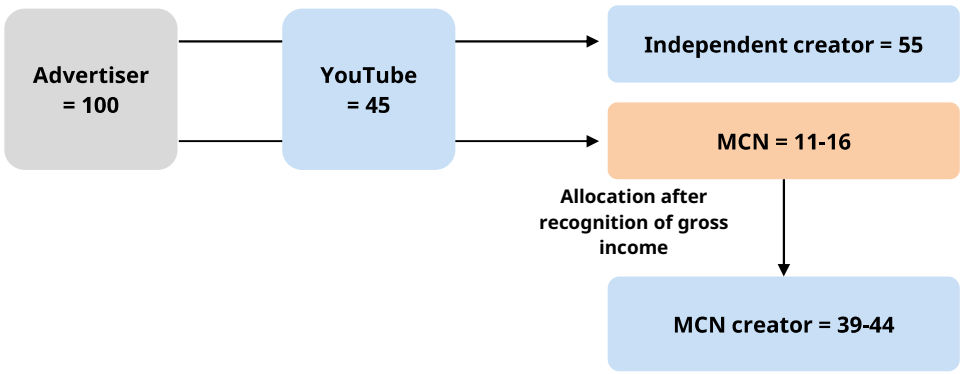
Meanwhile, CJ ENM is likely to see a steady traffic increase in high-ranking creators and attract new creators, as being a YouTuber is increasingly considered a career opportunity with a potentially big paycheck, and DIA TV can demonstrate its expertise (dedicated personnel to respective content categories, subtitles in multiple languages, fan management, ad content planning, and new advertiser acquisition).

Table 6. DIA TV's major YouTubers (episodes, mn)

Channel	No. of uploads	Subscribers	Accumulated views	Categories	Channel	No. of uploads	Subscribers	Accumulated views	Categories
1MILLIONDanceStudio	1,442	14.3	3,300	Dance cover	Heyitspay	442	1.4	200	Beauties
Toymonster	694	9.1	3,400	Kids	Hanse	464	1.4	100	Foods
Benz	2,118	3.2	1,100	Eating show	JEKS Coreana	187	1.4	100	Language
Heopop	1,369	3.1	2,000	Experiments	GAMST	4,783	1.3	700	Football
Bogyeom TV	8,238	3.1	1,400	Game	ChoSeop	891	1.2	400	Humor
Seoun's story	682	3.1	1,300	Kids	SuriNoel	883	1.2	300	Pets
Dorothy	617	2.3	500	Eating show	Calarygirl	307	1.2	300	Beauties
ToyFamily	606	2.2	1,200	Kids	Hong Sound	808	1.2	200	Eating show
Lime Tube	1,324	2.0	1,500	Kids	ARIKITCHEN	331	1.1	200	Foods
Shuginim	1,249	1.9	500	Eating show	Thankyou BUBU	128	1.1	100	Workouts
Buzzbean11	7,356	1.9	1,200	Variety	SOF	1,298	1.1	300	Cooking
VIVA DANCE STUDIO	853	1.8	300	Dance cover	TesterHoon	1,343	1.1	400	Reviews
Dave	449	1.8	300	Variety	Sunny's Channel	155	1.1	100	Beauties
Honeykki	372	1.6	200	Foods	HANA	511	1.1	200	Entertainment
Jaenune	868	1.4	500	Variety	YoonCharmi	267	1.0	200	Beauties

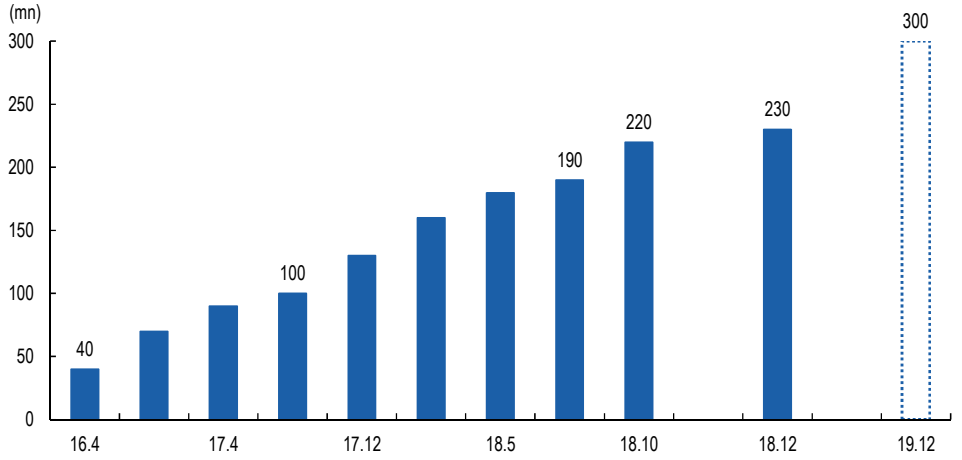
Source: Mirae Asset Daewoo Research

Figure 32. MCN's revenue model



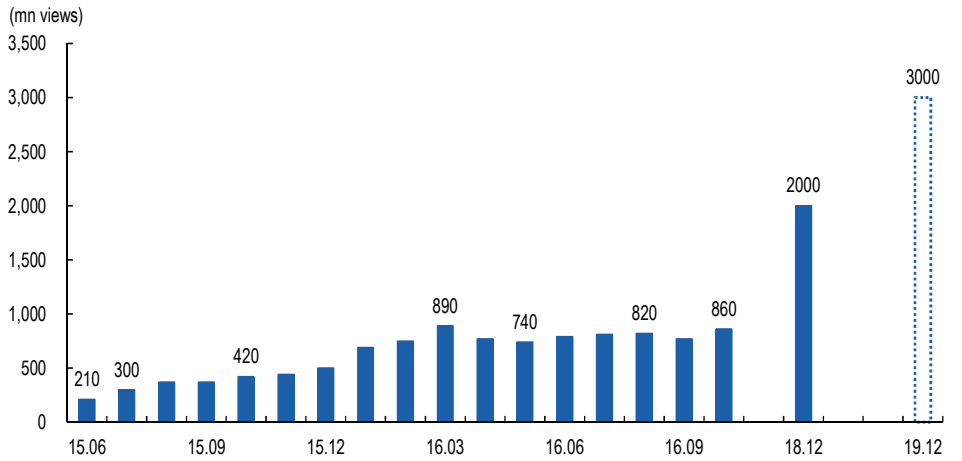
Source: Mirae Asset Daewoo Research

Figure 33. DIA TV's subscriber target for 2019: 300mn



Source: CJ ENM, Mirae Asset Daewoo Research

Figure 34. DIA TV's target views for 2019: 3bn



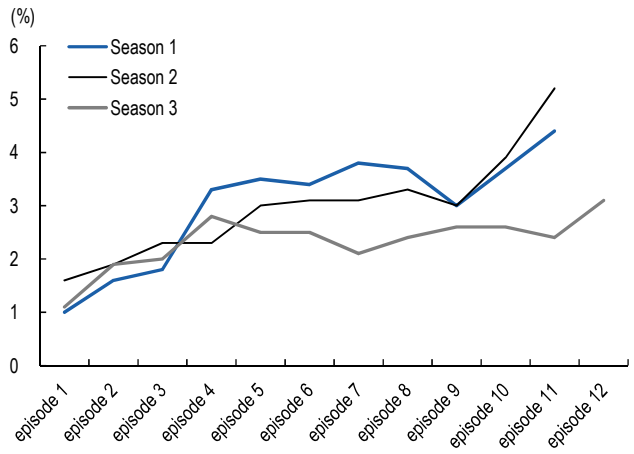
Source: CJ ENM, Mirae Asset Daewoo Research

Music unit: CJ ENM deserves a fresh look as a global talent management company backed by Mnet

The music unit has displayed top- and bottom-line growth by taking over sub-labels and driving the sales of its own artists' albums and music services. The music unit's operating profit skyrocketed from W700mn in 2015 to W11.1bn in 2018. Considering that CJ Digital Music was excluded from consolidated financials from 3Q18, we believe the pace of margin growth was much faster. The music unit also helps CJ ENM enhance its clout in the pop culture scene. The success of Super Star K, which introduced a survival audition format to Korea for the first time in 2009, has created a new opportunity for young talents to the professional music world. Meanwhile, new program formats introduced in 2012 contributed to drawing attention to lesser-known music genres, such as hip hop.

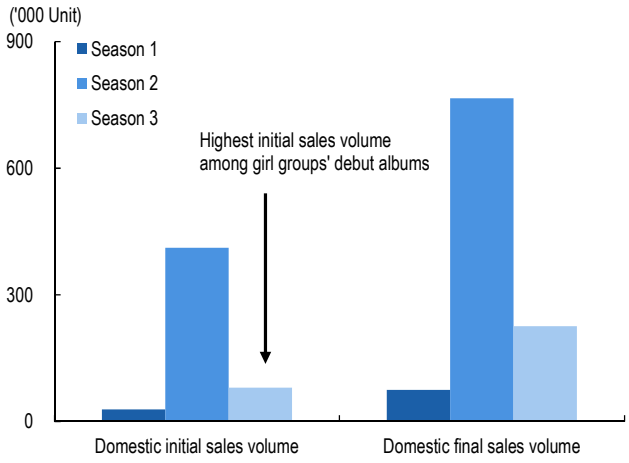
The music unit has strong synergy with the media business, especially on the back of Mnet. CJ ENM's in-house developed IPs gain exposure during Mnet's prime time more than 10 times, placing them in an advantageous position to build fan bases, helped by high awareness and buzz effects. Indeed, CJ ENM's franchise artists (e.g., Roy Kim, Heize, Kim Feel) secured prominent positions in Mnet programs even before their debut albums were released. In addition, Mnet has a big role to play in establishing or taking over sub-labels, as the firm serves as a content trendsetter, securing trendy artists and label resources. Musicians who have made many appearances on CJ ENM's hip hop audition programs, such as High School Rapper (now in its third season) and Show Me the Money (eighth season) are already represented or likely to be recruited by CJ ENM's sub-labels.

Figure 35. Produce 101: Viewership ratings by season



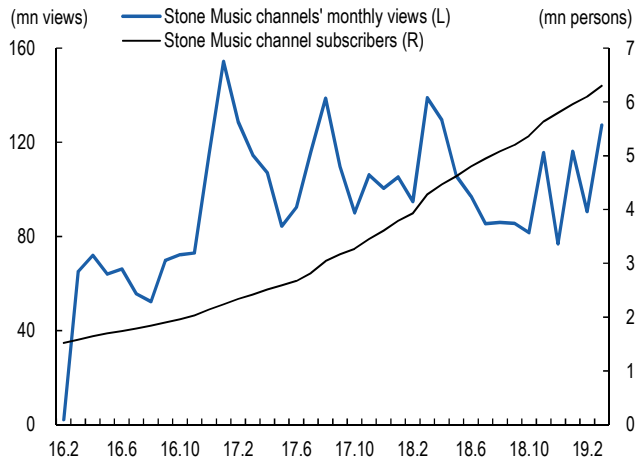
Source: Nielsen, Mirae Asset Daewoo Research

Figure 36. Produce 101: Debut album sales by season



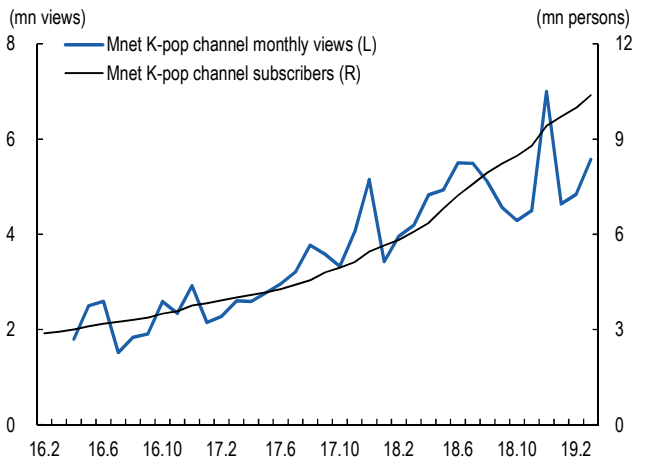
Source: Gaon Chart, Mirae Asset Daewoo Research

Figure 37. Stone Music's YouTube channel on the rise



Source: Mirae Asset Daewoo Research

Figure 38. Mnet K-pop's s YouTube channel on the rise



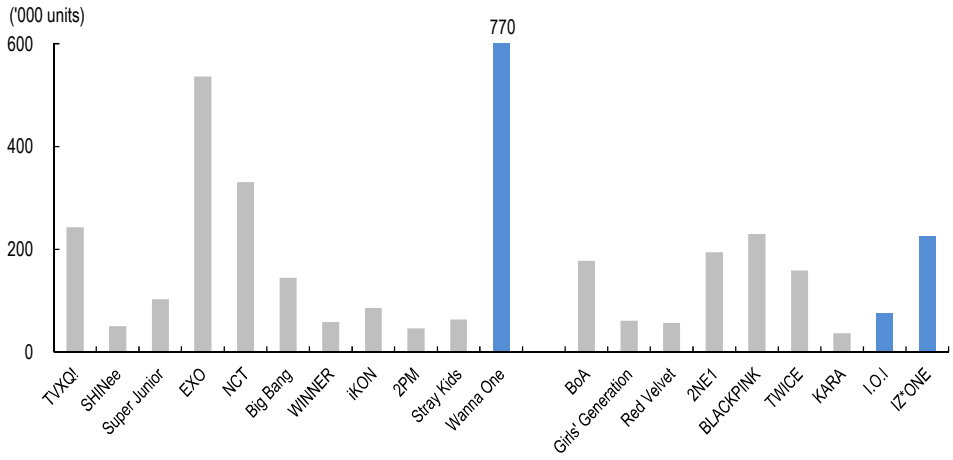
Source: Mirae Asset Daewoo Research

The *Produce* series are a primary example of where the synergies of media and music led to solid earnings contribution. I.O.I (a group created from Season 1), Wanna One (Season 2), and IZ*ONE (Season 3) have displayed strong album sales and concert attendance. In particular, IZ*ONE, who debuted at end-October 2018, sold 80,000 copies in Korea and 12,000 copies in Japan during the first week of their album release. We are encouraged by IZ*ONE's initial performance, in light of major girl groups' record-high debut album sales (final)—160,000 copies for TWICE (domestic) and 500,000 copies for KRAR (Japan).

* Major girl groups' debut album sales in Korea/Japan (copies): 7,000 (1st week)/40,000 (1st week) for Girls' Generation, 17,000 (1st week)/26,000 (1st week) for Red Velvet, 4,000 (1st week)/5,000 (1st week) for f(x), 15,000 (1st week)/50,000 (final) for *2NE1*, -/40,000 (1st week) for BLACKPINK, 160,000 (final)/260,000 (final) for TWICE, 40,000 (final)/500,000 (final) for KARA, and 30,000 (1st week)/- for I.O.I.

Backed by Mnet, CJENM's idol groups have met with extraordinary success, with I.O.I, Wanna One, and IZ*ONE ranking first, second, and fifth, respectively, in terms of debut album sales for the first week of release. Of note, over the past decade, the annual average number of idol group debuts stood at 50, of which fewer than five groups continued activities for five years or longer.

Figure 39. Major idol groups' domestic debut album sales (final)



Source: Gaon Chart, Hanteo Chart, Mirae Asset Daewoo Research

Table 7. Idol groups debuted via the *Produce* series

Group	Created	Debut	End	Date	Related articles	Source
I.O.I	Apr. 2016	May 2016	Jan. 2017	Jan. 2017	I.O.I recorded revenue of around W10bn for the first 10 months after their debut	Joongang Daily
				Jan. 2017	I.O.I posted W1bn in revenue from performances at 30 festivals and additional W1bn in revenue from digital music	EDAILY
Wanna One	June 2017	Aug. 2017	Jan. 2019	July 2017	Wanna One has twice the number of scheduled events than I.O.I	Insight
				Nov. 2017	For August-September, W150mn was paid to each Wanna One member	MNB
				Mar. 2018	Wanna One generated revenue of around W20bn from September to December 2017	TV Daily
				Mar. 2018	W300mn was paid to each Wanna One member in 2017	Digital Times
				July 2018	Wanna One is estimated to have generated showcase revenue of W2bn, digital music revenue of W10bn, and ad revenue of W6bn	Heard It Through the Grapevine
				Oct. 2018	Wanna One is estimated to have generated revenue of W30bn in just the first month after their debut	Sports Q
				Jan. 2019	Wanna One is estimated to have generated revenue of around W100bn, including music streaming revenue of W5.2bn	MBN
IZ*ONE	Aug. 2018	Oct. 2018	May 2021	Nov. 2018	IZ*ONE topped the weekly Oricon Chart with its debut album, selling 34,000 copies on the debut day and 80,000 copies in the first week of sales	Business Post

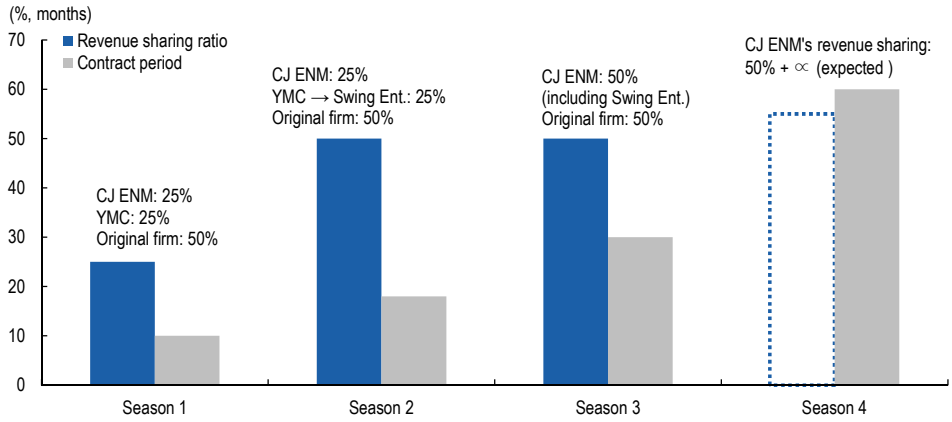
Source: Media reports, Mirae Asset Daewoo Research

In 2019 and beyond, the synergies of media and music will likely continue to play out, particularly in the profitable idol group genre. By 2020, CJ ENM aims to launch two global boy groups)—one from *Produce X 101*, season 4 of the *Produce* series (scheduled to air on May 3rd, 2019), and the other from *Belift Lab* (with global auditions set to start at end-April 2019 and debut slated for 2020).

We believe that these two idol groups have a high chance of success, given that: 1) CJENM can make good use of the experience of I.O.I's and Wanna One's domestic activities, as well as *IZ*ONE*'s domestic/Japanese activities; 2) the company should share Big Hit Entertainment's superior planning capability via a JV *Belift*; and the influence of its digital platform has strengthened at home and abroad. For *Produce X 101*, a vote for the group's first center position has already been completed. In addition, the first performance of the show's title song was released on domestic and overseas channels, including YouTube and NAVER TV, on March 21st.

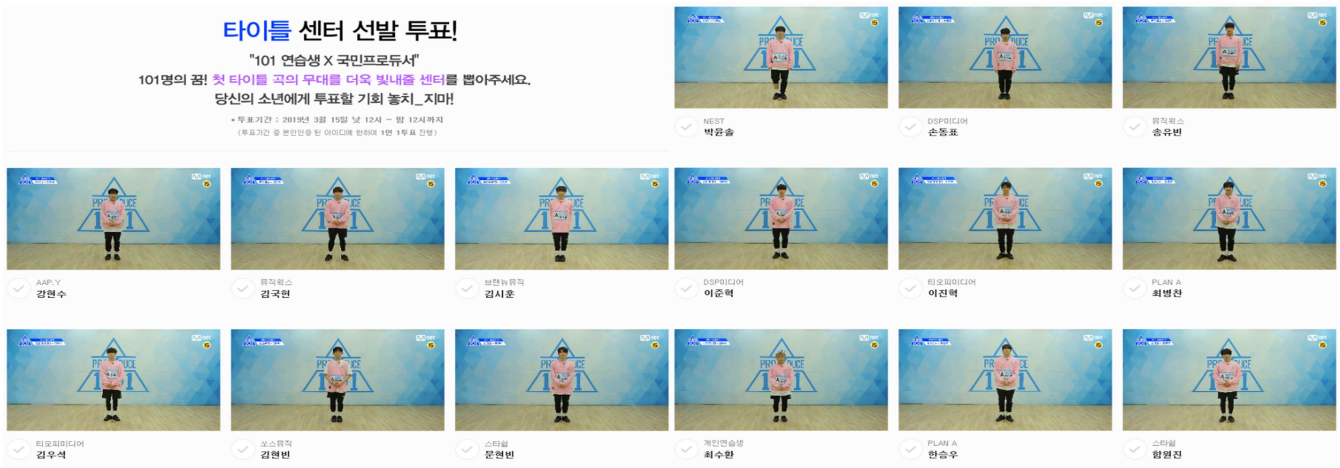
We expect higher revenue from the new boy groups than previous groups, in light of their improved revenue models. A boy group to be debuted via *Produce X 101* will have a longer contract of five years (10 months for I.O.I, 1.5 years for Wanna One, and 2.5 years for IZ*ONE), which should expand CJ ENM's operating leverage, as idol groups' careers typically peak in the 3rd year after their debut. Furthermore, CJ ENM will likely see a more favorable revenue-sharing scheme (involving the original firm that the artist is signed to, CJ ENM, and the firm that manages the new group's schedule), given that: 1) the company's affiliate will manage the group's activities; and 2) its revenue share should reach 50% or higher.

Figure 40. Produce series: Groups' contract periods and CJ ENM's revenue share are on the increase → Rising operating leverage



Source: Media reports, Mirae Asset Daewoo Research

Figure 41. *Produce X 101* coming soon



Source: CJ ENM, Mirae Asset Daewoo Research

IV. Earnings outlook

2019 OP estimated at W385.5bn (+22.4% YoY)

For 2019, we project CJ ENM's revenue at W4.82tr (+10.6% YoY) and operating profit at W385.5bn (+22.4%). Releasing 4Q18 results, the company guided its 2019 revenue and operating profit at W4.8tr and W370bn, respectively, which are largely in line with our forecasts. By business, we forecast operating profit of media at W174.3bn (+56.2% YoY), commerce at W123.6bn (-0.6% YoY), film/concerts at W11.2bn (turning to profit), and music at W8bn (-27.5% YoY). For 2020, we project the company's revenue at W5.26tr (+9.1% YoY) and operating profit at W460.1bn (+19.4% YoY).

Key earnings catalysts for 2019 should include growing media profitability (digital ads, licensing sales, etc.) and stable commerce earnings. In 2020, increasing earnings contribution from the music business and media commerce are expected to push up earnings.

Table 8. CJ E&M Consolidated earnings and forecasts (Wbn, %, mn persons, %p)

	1Q18	2Q18	3Q18	4Q18	1Q19F	2Q19F	3Q19F	4Q19F	2018	2019F	2020F
Revenue	1,032	1,049	1,079	1,198	1,118	1,172	1,184	1,344	4,358	4,818	5,257
Media	340	369	407	451	399	467	489	563	1,568	1,918	2,193
Commerce	291	307	293	402	306	319	293	394	1,293	1,312	1,374
Movie	80	36	45	52	90	49	59	71	213	268	236
Music	56	67	58	53	42	50	49	60	233	201	261
CJ Hello	264	270	276	240	281	288	295	256	1,050	1,119	1,194
Operating profit	90	79	77	69	100	94	78	114	315	385	460
OP margin	8.7	7.5	7.1	5.8	8.9	8.0	6.6	8.5	7.2	8.0	8.8
Media	25	29	37	21	33	48	42	52	112	174	214
Commerce	42	34	18	30	38	35	19	30	124	124	131
Movie	7	-4	-2	-2	14	-6	-7	10	-1	11	10
Music	3	4	3	1	1	1	2	4	11	8	30
CJ Hello	13	16	21	20	13	15	22	19	69	68	76
Pretax profit	75	42	73	27	101	91	78	117	217	387	517
Net profit	63	28	54	40	77	69	59	89	184	294	393
Net margin	6.1	2.6	5.0	3.3	6.9	5.9	5.0	6.6	4.2	6.1	7.5
Controlling interests	59	24	42	37	68	62	53	79	163	262	349
YoY											
Revenue	10.6	7.3	10.9	9.9	8.3	11.8	9.8	12.1	9.7	10.6	9.1
Media	19.1	11.2	28.2	25.6	17.1	26.4	20.2	24.8	21.1	22.3	14.4
Commerce	1.8	2.5	6.0	21.4	5.3	3.8	0.1	-2.2	8.4	1.4	4.7
Movie	30.9	-21.9	-20.4	-15.0	12.5	35.1	30.7	35.8	-5.3	25.9	-12.2
Music	18.4	41.1	-12.2	-24.7	-25.5	-25.5	-15.9	15.0	1.2	-14.0	30.0
CJ Hello	4.4	6.9	7.7	-10.6	6.3	6.8	6.8	6.6	1.9	6.6	6.7
Operating profit	17.0	-10.4	23.6	14.6	10.8	18.5	2.0	64.4	9.5	22.4	19.4
Net profit	89.1	-21.5	105.3	-18.5	22.4	150.0	9.1	125.2	28.4	59.8	33.4
Estimates											
Broadcasting ad market	863	1,020	942	1,099	881	1,041	961	1,121	3,924	4,005	4,074
Cable	300	354	327	382	306	362	334	389	1,363	1,391	1,418
Ground wave	327	387	357	416	330	390	360	420	1,487	1,502	1,517
Theater attendance	51	45	67	53	51	45	67	53	216	216	216
CJ E&M M/S	23.4	6.4	12.4	10.2	30.0	11.0	13.8	12.9	13.2	16.8	13.9

Note: K-IFRS consolidated
Source: CJ ENM, Mirae Asset Daewoo Research

Points to watch by business

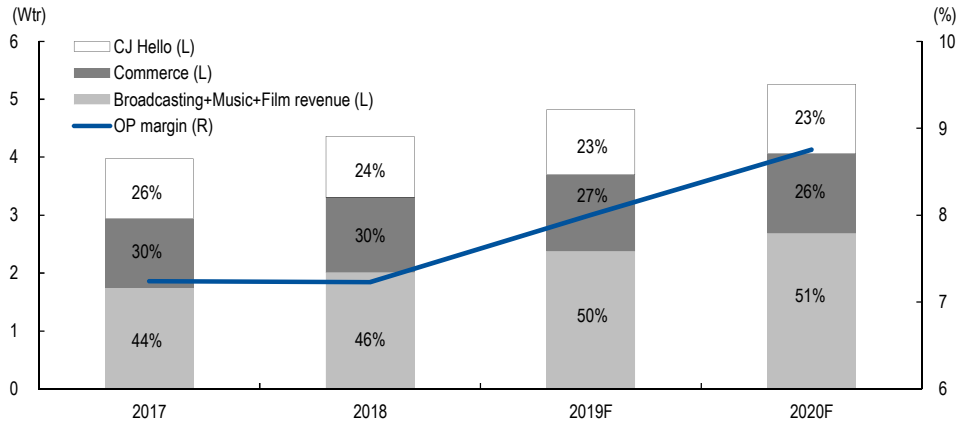
Broadcasting: Digital ads and licensing sale to drive up earnings

For 2019, we project the broadcasting business will deliver an operating profit of W174.3bn (+56.2% YoY) with OP margin improving to 9.1% from 7.1% in 2018. CJ ENM's advertising revenue is expected to improve 13% YoY, outperforming growth in the broader advertising market. The growth in advertising revenue should offset an expected 14% YoY increase in production costs. Digital ads (+33% YoY) and licensing sales (+37% YoY) will likely serve as dual drivers for earnings growth.

In the drama segment, the company is scheduled to produce four tentpole titles (versus three in 2018) and two Netflix original series (versus none in 2018) this year. Of note, *Arthdal Chronicles*, which is scheduled to be aired in June-July, is a mega-budget multi-season drama with budgets for visual effects and filming set construction known to be W8.4bn and W150bn, respectively. The segment is expected to make a significant contribution to earnings through 2020 on the back of growth in digital ad revenue and global licensing sales.

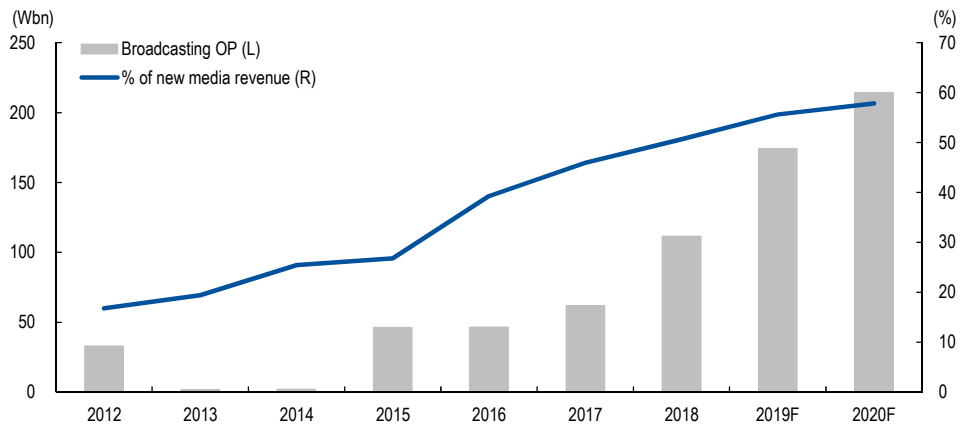
In the entertainment content segment, the company is producing a number of spin-offs (e.g., *Korean Hostel in Spain*, *Salty Tour*, and *Kang's Kitchen*, etc.) of previous hits like *Grandpas Over Flowers* and *Yoon's Kitchen*. As the spin-offs are based on the formats that have already proven successful with some variations, they are less likely to fail. Accordingly, the steady production of spin-off content should continue to push up growth in ad rates and package sales. Furthermore, the separate production of mobile content and the production of digital-version spin-offs should also expected to attract viewers, increasingly contributing to earnings.

Figure 42. Growing revenue contribution from broadcasting, music, and film to push up overall margins



Source: Mirae Asset Daewoo Research

Figure 43. New media (digital ads and content) to drive up broadcasting earnings



Source: Mirae Asset Daewoo Research

Commerce: To ride out market slowdown based on private labels and synergies with other businesses

For 2019, we project an operating profit of W123.6bn (-0.6% YoY) for the commerce business. The business environment is unfavorable; while billings at TV home shopping are expected to remain stagnant, transmission fees for system operators are likely to increase for the second consecutive year. CJ ENM needs to defend commerce earnings by increasing private-label products, for which it has competitiveness, and expanding content-based channels.

In 2015, the company had successfully ridden out the consumption slump in the aftermath of the MERS breakout via effective programming and channel diversification. Going forward, we expected to see increasing synergies with CJ ENM's content-related businesses, such as increased exposure or product placements of private labels in popular TV programs (e.g., Odense in *Mr. Sunshine* and *Yoon's Kitchen*) and the production of merchandise based on the IP of popular programs.

Music: To emerge as a global entertainment firm in 2019; earnings to see full-fledged growth starting in 2020

For 2019, we estimate an operating profit of W8bn (-27.5% YoY). We do not expect to see solid earnings growth in the near future, as CJ Digital Music (which had previously contributed around 35% of music revenue) was excluded from consolidated earnings starting 3Q18. On a positive note, however, IZ*ONE has formed a strong fandom at home and abroad since their debut. Based on their domestic and Japanese album sales, IZ*ONE should reach arena tour status by the end of the year. We believe that IZ*ONE's activities will offset the void arising from the breakup of Wanna One and the exclusion of CJ Digital Music from consolidated earnings.

We expect full-scale earnings growth starting in 2020, as at least three groups are expected to engage in activities simultaneously (versus only one group annually until end-2019). Global auditions for *Belift Lab* are set to start at end-April 2019, and *Product X* is scheduled to air in May 2019. The success of in-house idol groups, which should be key to its music business starting in 2020, deserves attention.

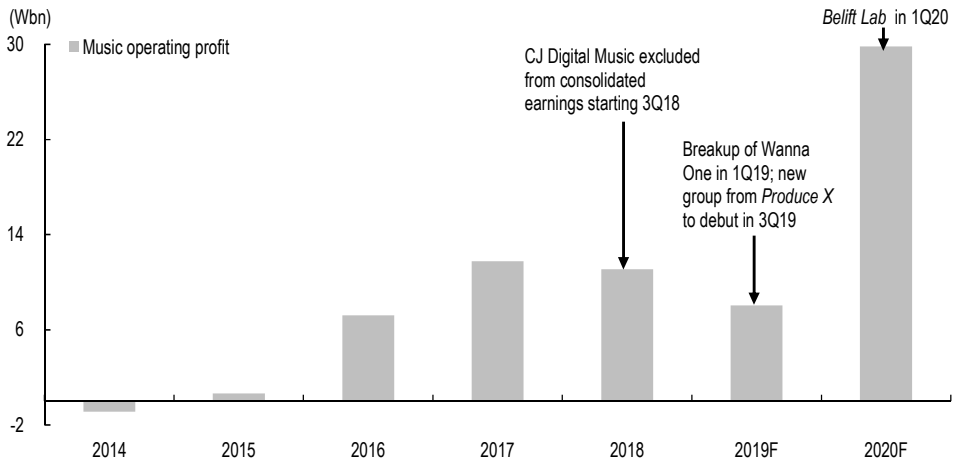
Film: To reduce domestic film production budgets and focus on sharpening overseas competitiveness

For 2019, we estimate an operating profit of W11.2bn. Over the past three years, the film unit has incurred losses, as the company increased its film production budget following the success of *The Admiral: Roaring Currents*, but its subsequent blockbuster films failed. Amid the film market slump, the company's market share shrank from 25% in 2014 to 13% in 2018.

In the domestic market, the company needs to control production expenses and the number of film releases. For 2019, we expect domestic box-office revenue to reach W1.87tr (+3.2% YoY). Going forward, annual box-office revenue growth is likely to remain low, at less than 3%, as: 1) cinema attendance has been stagnant since 2013; and 2) a ticket price hike should occur only every three to four years.

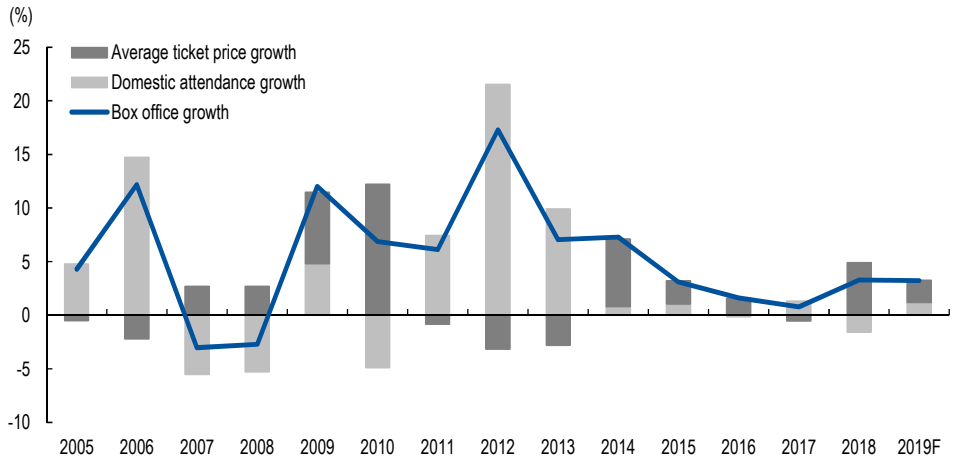
Of note, the film distribution business is performing solidly in China, Vietnam, and Turkey where CJ CGV is in operation. We believe that CJ ENM should find a new growth driver in these countries, which have higher growth potential than Korea.

Figure 44. Music: Earnings to see full-fledged growth starting in 2020



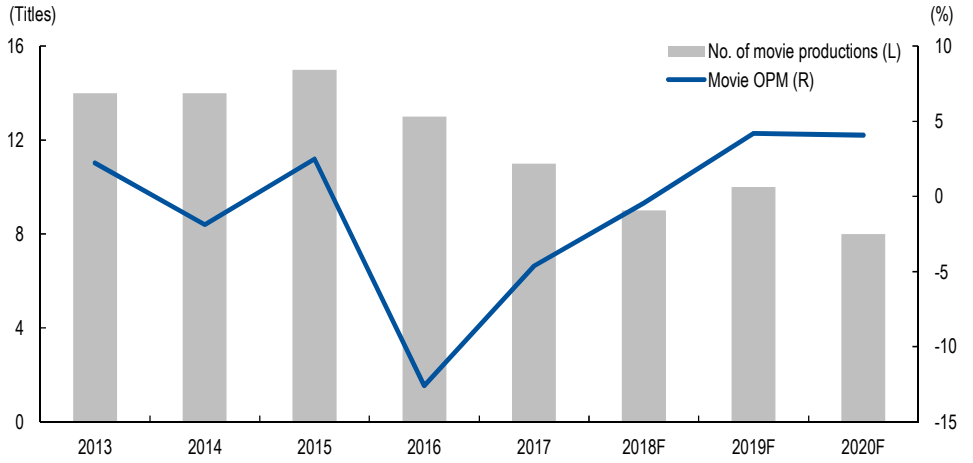
Source: Mirae Asset Daewoo Research

Figure 45. 19 Domestic box-office revenue to reach W1.87tr (+3.2% YoY) in 2019



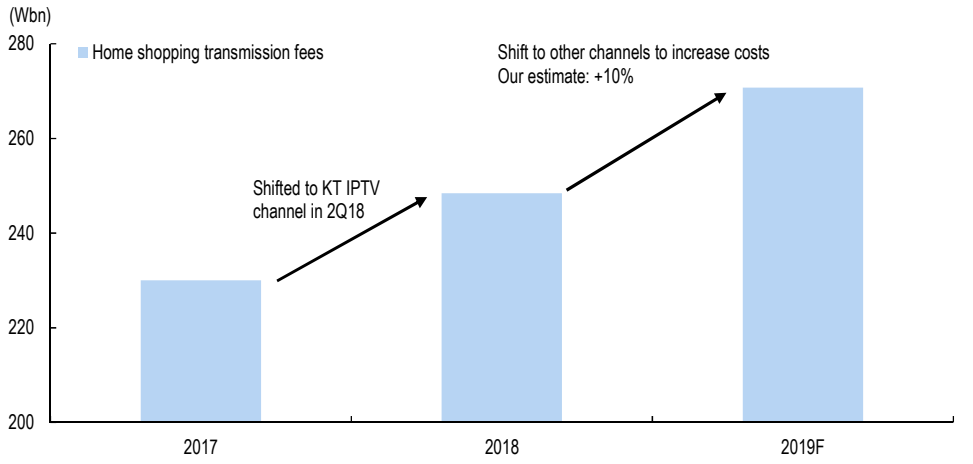
Source: Mirae Asset Daewoo Research

Figure 46. Film unit to reduce the number of film productions and focus on project efficiency



Source: Mirae Asset Daewoo Research

Figure 47. Commerce: Transmission fees could increase

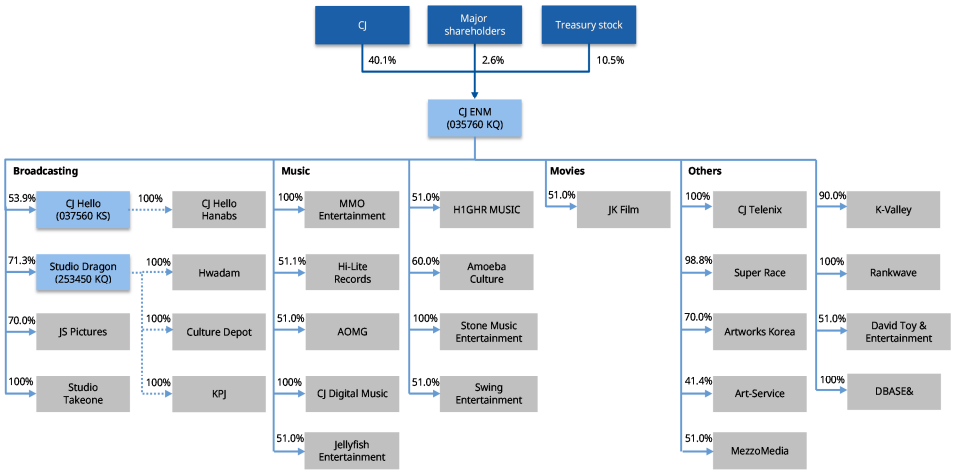


Source: Mirae Asset Daewoo Research

Corporate overview

CJ ENM is the largest media/commerce firm in Korea. The company was created via the merger of CJ O Shopping and CJ E&M (spun off from CJ O Shopping in 2010) in July 2018. The company's ownership structure is composed of CJ Group (40.1%), related parties (2.6%), and treasury shares (10.5%). Major business units include media, commerce, film/performance, and music. Consolidated subsidiaries include CJ Hello (53.9%, pay-TV system operator) and Studio Dragon (71.3%, drama production). In addition, the company holds a 22% stake in Netmarble and a 0.5% stake in Samsung Life.

Figure 48. Ownership structure



Source: Mirae Asset Daewoo Research

Table 9. CJ E&M's M&A history

Date	Major M&As	Date	Major M&As
Sep. 2010	Spun off from CJ O Shopping	May. 2016	Split off the drama production unit (Studio Dragon)
Mar. 2011	Acquired OnMedia, CJ Internet, Mnet, CJ Media, CJ and Entertainment	Jun. 2016	Acquired Turkey-based MARS Entertainment (12.4%)
Nov. 2011	Established CJ Games via the split-off of the game unit	Dec. 2016	Split off the digital music business unit (CJ Digital Music)
Dec. 2013	Merged with OCN, OGN, Baduk TV, KMTV, and IMG	Nov. 2017	Studio Dragon listed on the KOSDAQ
Aug. 2014	Split off the game unit (CJ Netmarble) and transferred the stake in CJ Netmarble to CJ Games	Jul. 2018	Merged with CJ O Shopping (CJ ENM)
Nov. 2015	Tving business transferred from CJ Hello	Oct. 2018	Genie Music merged with CJ Digital Music (with Genie Music being a surviving entity)

Source: Mirae Asset Daewoo Research

Table 10. CJ O Shopping's M&A history

Date	Major M&As	Date	Major M&As
Jun. 1995	Launched Korea's first TV home shopping channel	Oct. 2011	Launched Nanfang CJ (China JV)
Nov. 1999	Listed on the KOSDAQ	Jun. 2012	Launched GCJ (Thailand JV)
Jul. 2001	Launched CJ Mall, an online shopping mall	Dec. 2012	Launched MCJ (Turkey JV)
Apr. 2004	Launched Dongfang CJ (Shanghai, China)	Oct. 2013	A Launched CJ (Philippines JV)
Dec. 2015	Launched CJ Tmall (T commerce)	May 2015	Launched CJ O Shopping Plus (T commerce channel)
Jan. 2007	Converted to a holding company structure	Jun. 2015	Launched CJ Grand Shopping channel in Mexico
Oct. 2008	Tiantian CJ (Tiantian, China)	Apr. 2016	Launched CJ WOW SHOP in Malaysia
2009/03	Renamed as CJ O Shopping; created Star CJ (India JV)	2017/07	Acquired FunShop, an online shopping mall
2010/09	Split into CJ O Shopping and O Media Holdings (CJ E&M)	2017/09	Sold Shop CJ in India
2011/01	Acquired Price Shopping in Japan	2018/07	Merged with CJ E&M
2011/07	Launch SCJ TV (Vietnam JV) and Dongfang CJ's second channel	2018/10	Genie Music merged with CJ Digital Music (with Genie Music being a surviving entity)

Source: Mirae Asset Daewoo Research

■ *Broadcasting*

CJ ENM is the leading multiple program provider (MPP) in Korea, with its market share standing at 32%. The company's broadcast revenue consists of earnings from TV ads (on its 16 cable TV channels, including tvN, OCN, CH CGV, and Mnet), licensing fees, and others:

1) TV ad revenue (36%) is generated by selling ad slots for differentiated prices depending on time and day of the week and paying commissions to ad agencies.

2) Licensing fee revenue (13.3%) is comprised of content licensing fees paid by multiple system operators (MSOs) to program providers (PPs). PPs take 25.2% of total subscription fee revenue from system operators (SOs) and 13.3% from IPTV operators.

3) Others (50.7%) include content licensing sales and digital ad revenue (from the sale of online ad slots).

■ *Commerce*

CJ ENM ranks first in the domestic home shopping market (with a market share of 22%). Based on contracts between manufactures and home shopping channels (TV and CJmall), merchandised goods are sold via broadcasting. The company recognizes as revenue either a portion of GMV (estimated at 30-40%, but falling steadily due to channel diversification), or total GMV for in-house brands (which are expanding). Major expense items include transmission fees paid to cable SOs.

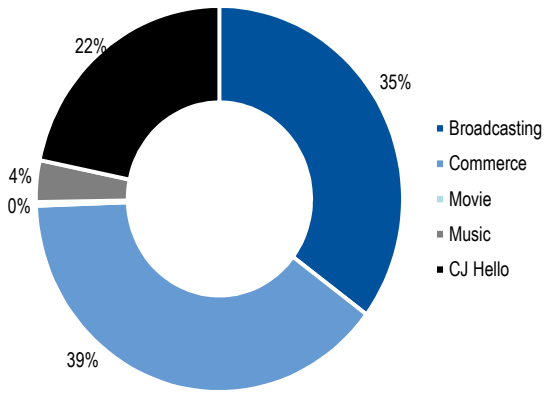
■ *Film/performance*

CJ ENM is Korea's leading film distributor, with a market share of 14%. The company invests in/produces/distributes films not only in Korea, but also in overseas markets, including Vietnam and Turkey. For 2019, the company aims to distribute 10 titles in the domestic market and 15 titles overseas. The company distributes content to theaters (47.4%) and other platforms (15.5%; broadcasters/VoD/OTT/overseas). As a distribution fee, the company charges 5% of every ticket sold. For film production and investment, the company receives profits based on project revenue and its stake ratio. The performance unit (14.9%) organizes musicals, concerts, and exhibition events based on its in-house IP and licensing contracts.

■ *Music*

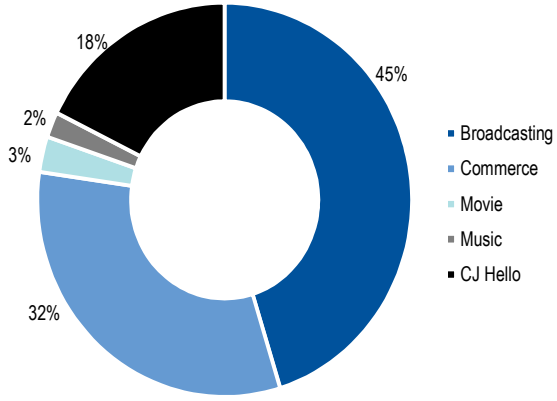
The company's music business includes: 1) album/digital music production and distribution, artist management (Davichi, Roy Kim, etc.); and 2) merchandise sales. The company also owns sub-labels, including AOMG and Hi-Lite Records, and generates revenue from idol groups created from the *Produce* series. The company is striving to secure in-house music content and artist IP. Of note, the company completed the sale of CJ Digital Music in July 2018.

Figure 49. Operating profit by unit (2018)



Source: Mirae Asset Daewoo Research

Figure 50. Operating profit by unit (2019F)



Source: Mirae Asset Daewoo Research

CJ ENM (035760 KQ/Buy/TP: W310,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18	12/19F	12/20F
Revenue	**2,260**	**3,427**	**4,818**	**5,257**
Cost of Sales	**988**	**1,998**	**2,913**	**3,153**
Gross Profit	**1,272**	**1,429**	**1,905**	**2,104**
SG&A Expenses	**1,047**	**1,178**	**1,519**	**1,644**
Operating Profit (Adj)	**224**	**251**	**385**	**460**
Operating Profit	**224**	**251**	**385**	**460**
Non-Operating Profit	**-40**	**-34**	**2**	**57**
Net Financial Income	-14	-20	31	101
Net Gain from Inv in Associates	6	-2	8	8
Pretax Profit	184	217	387	517
Income Tax	41	33	93	124
Profit from Continuing Operations	143	184	294	393
Profit from Discontinued Operations	0	0	0	0
Net Profit	143	184	294	393
Controlling Interests	131	163	262	349
Non-Controlling Interests	13	22	32	43
Total Comprehensive Profit	**142**	**134**	**294**	**393**
Controlling Interests	131	113	264	352
Non-Controlling Interests	11	20	30	41
EBITDA	469	777	945	795
FCF (Free Cash Flow)	147	357	870	744
EBITDA Margin (%)	20.8	22.7	19.6	15.1
Operating Profit Margin (%)	9.9	7.3	8.0	8.8
Net Profit Margin (%)	5.8	4.8	5.4	6.6

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18	12/19F	12/20F
Current Assets	**664**	**1,807**	**2,628**	**3,319**
Cash and Cash Equivalents	114	453	1,111	1,648
AR & Other Receivables	372	940	1,054	1,160
Inventories	76	94	106	116
Other Current Assets	102	320	357	395
Non-Current Assets	**2,138**	**4,948**	**4,567**	**4,404**
Investments in Associates	96	1,241	1,391	1,532
Property, Plant and Equipment	816	1,398	1,229	1,091
Intangible Assets	950	1,827	1,437	1,240
Total Assets	**2,802**	**6,755**	**7,195**	**7,722**
Current Liabilities	**732**	**2,022**	**2,159**	**2,286**
AP & Other Payables	216	536	601	662
Short-Term Financial Liabilities	174	894	894	894
Other Current Liabilities	342	592	664	730
Non-Current Liabilities	**586**	**1,308**	**1,340**	**1,370**
Long-Term Financial Liabilities	512	1,039	1,039	1,039
Other Non-Current Liabilities	74	269	301	331
Total Liabilities	**1,318**	**3,329**	**3,499**	**3,657**
Controlling Interests	**1,028**	**2,764**	**3,001**	**3,328**
Capital Stock	31	111	111	111
Capital Surplus	80	2,245	2,245	2,245
Retained Earnings	924	1,070	1,308	1,634
Non-Controlling Interests	**456**	**662**	**695**	**738**
Stockholders' Equity	**1,484**	**3,426**	**3,696**	**4,066**

Cash Flows (Summarized)

(Wbn)	12/17	12/18	12/19F	12/20F
Cash Flows from Op Activities	330	587	870	744
Net Profit	143	184	294	393
Non-Cash Income and Expense	332	544	621	359
Depreciation	166	180	169	139
Amortization	79	346	390	197
Others	87	18	62	23
Chg in Working Capital	-94	-81	17	16
Chg in AR & Other Receivables	-9	-100	-107	-100
Chg in Inventories	-10	-9	-11	-11
Chg in AP & Other Payables	-6	-7	23	21
Income Tax Paid	**-41**	**-38**	**-93**	**-124**
Cash Flows from Inv Activities	-256	-158	-45	-42
Chg in PP&E	-182	-226	0	0
Chg in Intangible Assets	-81	-296	0	0
Chg in Financial Assets	18	-96	-45	-42
Others	**-11**	**460**	**0**	**0**
Cash Flows from Fin Activities	-62	-89	-24	-24
Chg in Financial Liabilities	-40	1,247	0	0
Chg in Equity	-5	2,244	0	0
Dividends Paid	-18	-21	-24	-24
Others	**1**	**-3,559**	**0**	**0**
Increase (Decrease) in Cash	11	339	657	538
Beginning Balance	103	114	453	1,111
Ending Balance	**114**	**453**	**1,111**	**1,648**

Forecasts/Valuations (Summarized)

	12/17	12/18	12/19F	12/20F
P/E (x)	11.0	17.5	19.8	14.8
P/CF (x)	3.0	3.9	5.7	6.9
P/B (x)	1.4	1.4	1.5	1.4
EV/EBITDA (x)	5.1	8.3	7.0	7.7
EPS (W)	21,054	11,514	11,947	15,937
CFPS (W)	76,426	51,528	41,763	34,264
BPS (W)	167,432	149,371	160,244	175,107
DPS (W)	3,000	1,200	1,200	1,200
Payout ratio (%)	12.6	12.8	8.0	6.0
Dividend Yield (%)	1.3	0.6	0.5	0.5
Revenue Growth (%)	2.3	51.6	40.6	9.1
EBITDA Growth (%)	5.2	65.7	21.6	-15.9
Operating Profit Growth (%)	25.1	12.1	53.4	19.5
EPS Growth (%)	458.6	-45.3	3.8	33.4
Accounts Receivable Turnover (x)	7.0	5.7	5.2	5.1
Inventory Turnover (x)	32.6	40.2	48.2	47.4
Accounts Payable Turnover (x)	26.0	18.0	14.8	14.4
ROA (%)	5.2	3.9	4.2	5.3
ROE (%)	13.5	8.6	9.1	11.0
ROIC (%)	10.4	8.1	9.6	13.0
Liability to Equity Ratio (%)	88.8	97.2	94.6	89.9
Current Ratio (%)	90.8	89.4	121.7	145.2
Net Debt to Equity Ratio (%)	32.9	40.4	19.4	4.1
Interest Coverage Ratio (x)	11.1	7.5	2.9	3.5

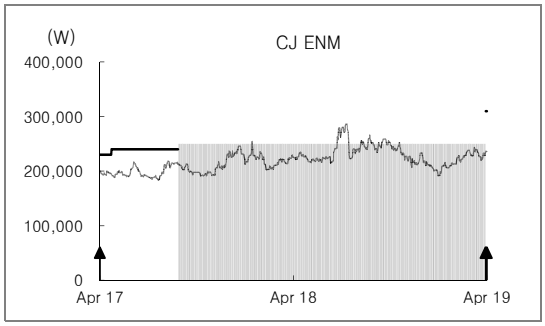
Source: Company data, Mirae Asset Daewoo Research estimates

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
CJ ENM(035760)	04/03/2019	Buy	310,000
	08/31/2017	No Coverage	
	04/27/2017	Buy	240,000
	11/03/2016	Buy	230,000



Stock Ratings		Industry Ratings	
Buy	: Relative performance of 20% or greater	Overweight	: Fundamentals are favorable or improving
Trading Buy	: Relative performance of 10% or greater, but with volatility	Neutral	: Fundamentals are steady without any material changes
Hold	: Relative performance of -10% and 10%	Underweight	: Fundamentals are unfavorable or worsening
Sell	: Relative performance of -10%		

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	83.52%	8.24%	8.24%	0.00%
Investment Banking Services	82.61%	4.35%	13.04%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2019)

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