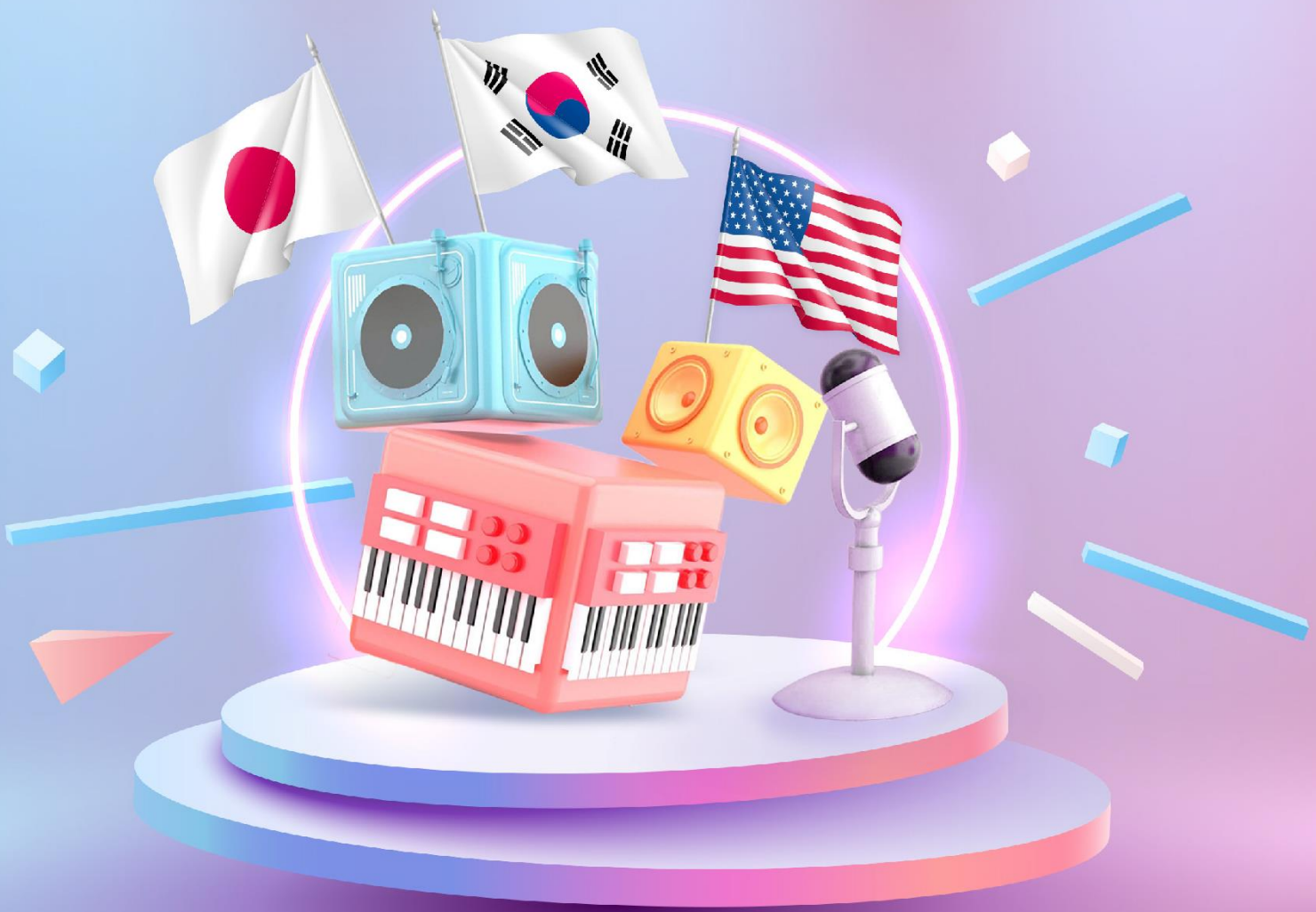
Initiation Report | April 12, 2023
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MIRAE ASSET Securities

Entertainment (Overweight/Initiate)

US momentum and multi-label strategy take center stage



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I. Investment summary

We initiate our coverage on the entertainment sector with an Overweight rating. We initiate coverage on HYBE (Buy/TP: W300,000), JYP Entertainment (Buy/TP: W95,000), and YG Entertainment (Buy/TP: W76,000) and recommend HYBE as our top pick.

Our investment case for the entertainment sector is based on: 1) the structural growth of the industry set in motion by the introduction of multi-label systems; and 2) domestic firms' accelerating advance into the all-important US market.

First, the multi-label system, under which a company's artists and intellectual property (IP) are independently managed by separate sub-labels, can be a key differentiating factor in enhancing earnings fundamentals. JYP Entertainment launched its "JYP 2.0" strategy in 2018, becoming the first Korean entertainment company to adopt a multi-label system. This strategy has enabled the firm to debut new groups each year and maintain a stable stream of artist activities (two to three album releases and two tours per group each year), thus increasing earnings visibility. Another early adopter is HYBE, which has acquired domestic and US labels to establish a multi-label structure. Meanwhile, YG Entertainment announced in late Dec. 2022 that it plans to adopt a similar system but has yet to reveal any details; we thus think the company's initiative will take some time to take shape.

Second, we are encouraged by K-pop artists' advance into the US market. In the past, the genre had limited appeal outside of Asia (Korea, Japan, China and Southeast Asia), but BTS's move into the US has paved the way for more artists to expand into new markets and grow their global fan bases. We believe domestic entertainment firms are stepping up their efforts to enter the US market through partnerships with or direct acquisitions of US-based labels.

The US is a crucial market for the global music industry because of its sheer scale. It is the world's largest music market, accounting for more than 60% of global music spending. Therefore, for Korean artists, succeeding in the country is a meaningful milestone in terms of global popularity. The US is also favorable to profit margins, considering that US consumers tend to have stronger purchasing power, spending more on average on concert tickets and albums. In Asia (excluding Japan), concert venues generally have a capacity of around 20,000 people. In contrast, SoFi Stadium in Los Angeles (where BTS recently performed and where Twice is scheduled to perform during its upcoming world tour) can seat 50,000 people, and MetLife Stadium in New Jersey can hold 70,000 people. Because of their larger capacity, these venues can generate higher margins per show.

We present HYBE as our top pick in entertainment. The company has established a stable multi-label system through the acquisition of domestic and US labels. In 2023, we believe the company will see the strongest growth in its peer group as its artists continue to grow their fan bases in the US. This year, positive momentum should come from: 1) TXT's concerts in North America (total venue capacity to increase from 50,000 in 2022 to 320,000 in 2023) and likely growth in album sales; 2) Seventeen's strong activities in Japan (where the group outsold BTS in 2022) and potential activities in Europe/North America; and 3) fourth-generation girl groups' strong album sales and increasingly likely entries into the North American market (where their albums have broken into the Billboard/Spotify charts).

II. Multi-label strategy

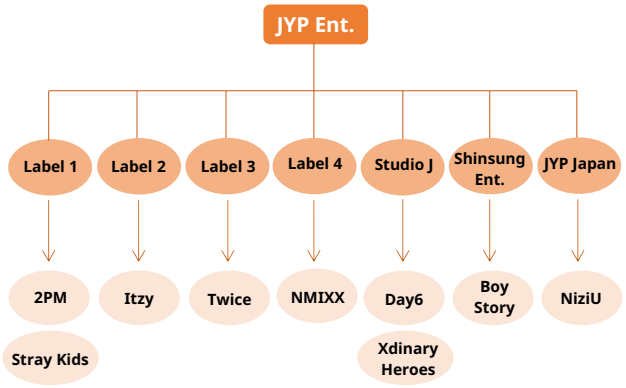
1. Overview of the multi-label system

1) Definition

We believe the structural growth of the Korean entertainment industry was set in motion in 2018, when JYP Entertainment became the first domestic firm to pursue a multi-label system. This refers to a business framework in which artists/IP are distributed across and independently managed by separate labels. The structure is well-established among global companies like Universal Music Group (UMG), Sony Music, and Warner Music Group.

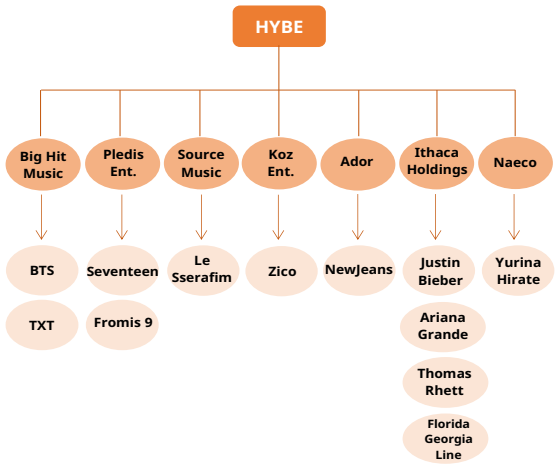
In the past, the growth of major domestic entertainment firms revolved around the leadership of individual producers, with Park Jin-young leading JYP Entertainment, Yang Hyun-suk leading YG Entertainment, and Lee Soo-man leading SM Entertainment. But as K-pop went global and growth accelerated, the traditional framework of having a single producer manage the entire IP portfolio encountered challenges. Against this backdrop, JYP Entertainment introduced a multi-label system in 2018 to more efficiently manage multiple artists/IPs simultaneously and build a sustainable business structure.

Figure 1. Overview of JYP Entertainment's multi-label system



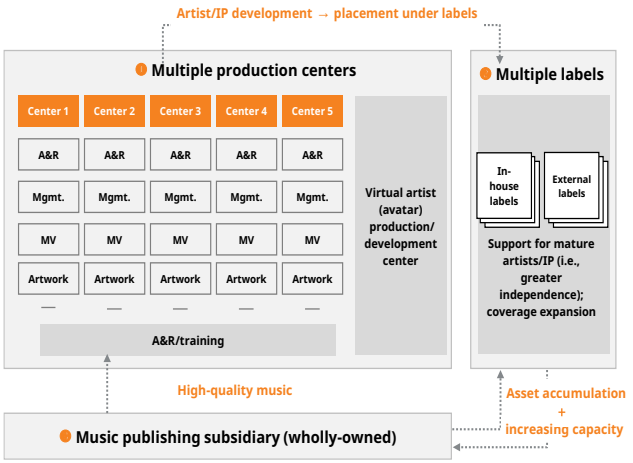
Source: Mirae Asset Securities Research

Figure 2. Overview of HYBE's multi-label system



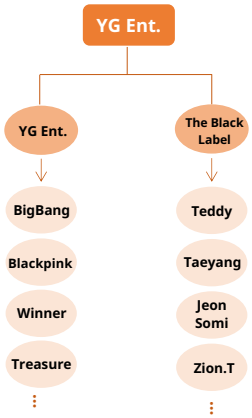
Source: Mirae Asset Securities Research

Figure 3. SM Entertainment's artist/IP development system



Source: Mirae Asset Securities Research

Figure 4. YG Entertainment currently operates two labels → planning to adopt a multi-label system



Source: Mirae Asset Securities Research

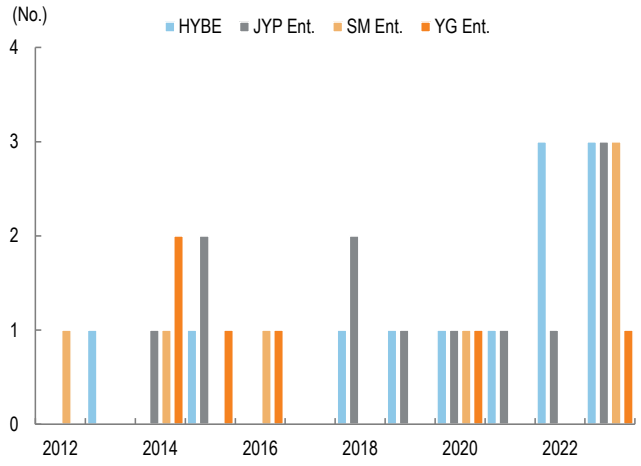
2) Expected benefits of multi-label structure

We believe the multi-label approach can support business sustainability by making development, production, and management more systematic and efficient. While a top-down structure led by a single producer can help ensure a consistent identity across a company's artist lineup, it can also lead to long gaps between artist activities.

Significantly, we believe multi-label systems will enhance the earnings visibility of entertainment firms and support the continued expansion of production/management capacity. The adoption of multi-label systems has enabled the stable development and simultaneous management of multiple artists. Furthermore, the resulting high utilization of artists allows new groups to raise their profiles more quickly, shortening the time it takes for them to contribute to profits.

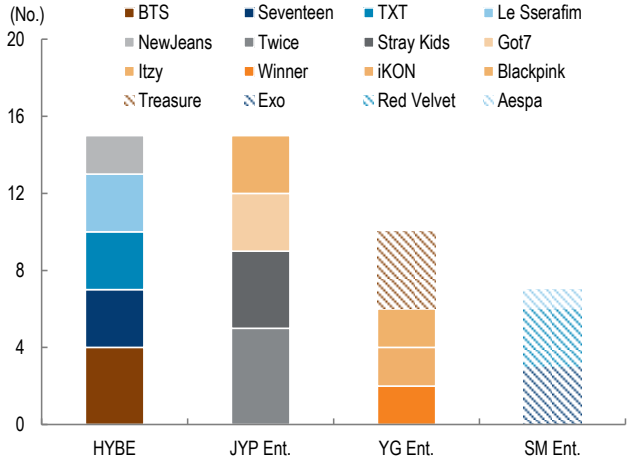
While it took more than four years for BTS to reach breakeven, newer idol groups have achieved much shorter payback periods (e.g., two years for TXT, one year for Enhypen, and two months for NewJeans).

Figure 5. No. of group/artist debuts by year



Source: Company data, Mirae Asset Securities Research

Figure 6. Avg. no. of albums released per year by company



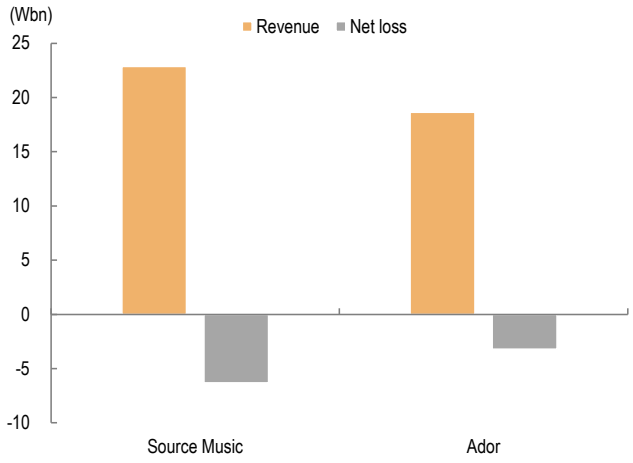
Note: Based on Korean and Japanese album releases
Source: Mirae Asset Securities Research

Figure 7. NewJeans members began to receive payments only two months after their debut



Source: *You Quiz on the Block*, Mirae Asset Securities Research

Figure 8. Shorter payback periods are positive to profits



Source: HYBE, Mirae Asset Securities Research

Simply put, multi-label systems should help companies: 1) improve business sustainability through more systematic production and management; 2) quickly cultivate new artists/IP via expanded capacity; and 3) cover a wider range of music genres. We believe JYP Entertainment and HYBE, which were both early adopters, already have stable multi-label systems in place. We think SM Entertainment and YG Entertainment need to introduce and operate similar systems in order to ensure business sustainability in the medium and long term.

This year, HYBE will be debuting three new groups (the same number as last year) and is likely to keep most of its artists actively engaged. We expect 2023 earnings to grow YoY, backed by BTS members' solo activities in 1H23 and the brisk activities of other artists. Looking ahead to 2024, we believe Le Sserafim and NewJeans, which both debuted last year, will hold live concerts and expect related merchandise and concert revenue to offset the impact of BTS's absence.

Multi-label systems also allow entertainment firms to cover a wider range of music genres from around the world. UMG, for example, has increased its presence in major countries and built a portfolio of around 4mn albums/titles and 200 artists/brands across a wide range of genres (pop, hip-hop, rock, dance, etc.) through the acquisition of overseas labels (owning around 15 labels in total). Among Korean firms, HYBE has gained exposure to a wide range of music genres through the acquisition of domestic and overseas labels.

Figure 9. UMG: Strong global presence



Source: OCC, GfK, Spotify, Billboard, Mirae Asset Securities Research

2. Cases in the domestic market

1) JYP Entertainment

As the first Korean entertainment company to introduce a multi-label system, JYP Entertainment enjoys stable growth and elevated earnings visibility, averaging two tours and two to three album releases per artist/group and two debuts every year. For 1H23, we see earnings growth continuing on the back of increased activities from the firm's main artists—Twice, Stray Kids, NMIXX, etc. And the upcoming debuts of three new groups in 2H23 should also serve as share price catalysts.

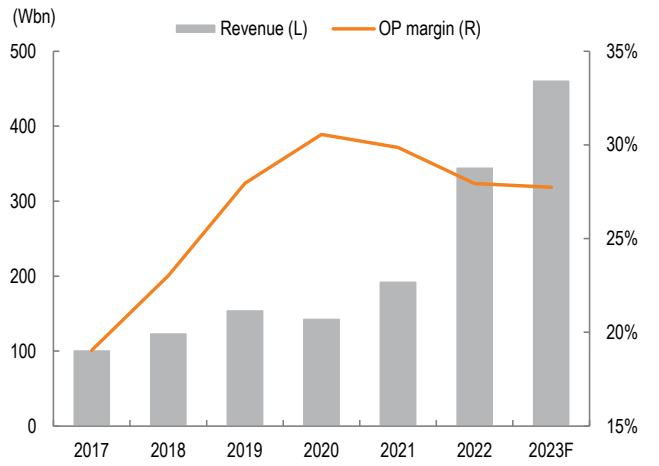
With its multi-label system now firmly established, we think the firm will next focus on exporting the K-pop development/curation system over the medium/long term. Notably, the company is teaming up with Republic Records to debut a North American girl group via the America2Korea (A2K) project, with auditions expected to be announced at end-April. While details (group members, profit split, etc.) are still sparse, we believe the much-anticipated project will provide a strong boost to the firm's stock in 2H23, as we see virtually unlimited potential (in terms of popularity, brand power, capabilities, and fan base growth in the US) for the first K-pop-style North American girl group.

Figure 10. JYP Entertainment: Market cap trend



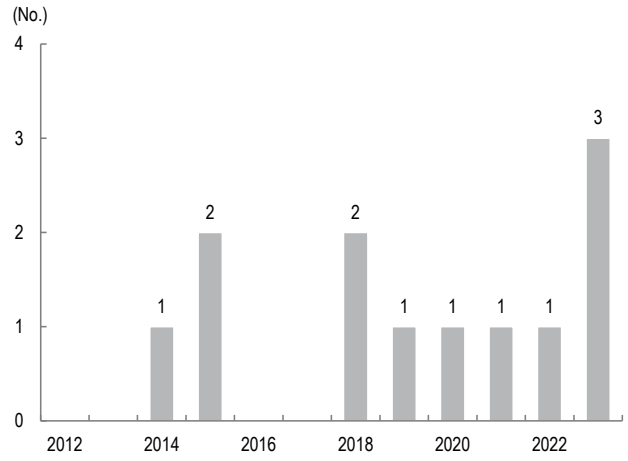
Source: Mirae Asset Securities Research

Figure 11. JYP Entertainment: Annual earnings and forecasts



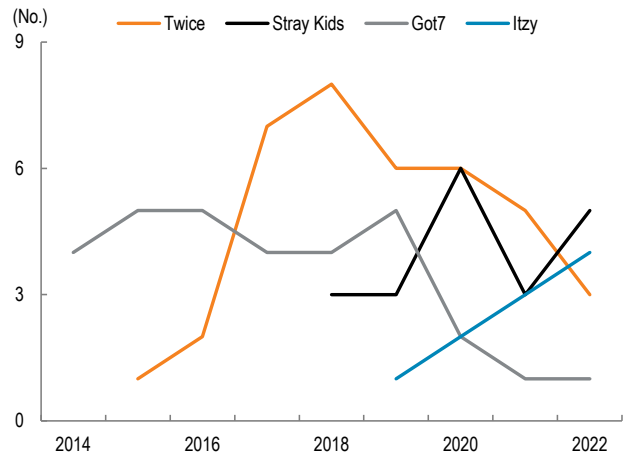
Source: JYP Entertainment, Mirae Asset Securities Research

Figure 12. JYP Entertainment: No. of group/artist debuts per year



Source: Mirae Asset Securities Research

Figure 13. No. of new album releases per year



Source: Mirae Asset Securities Research

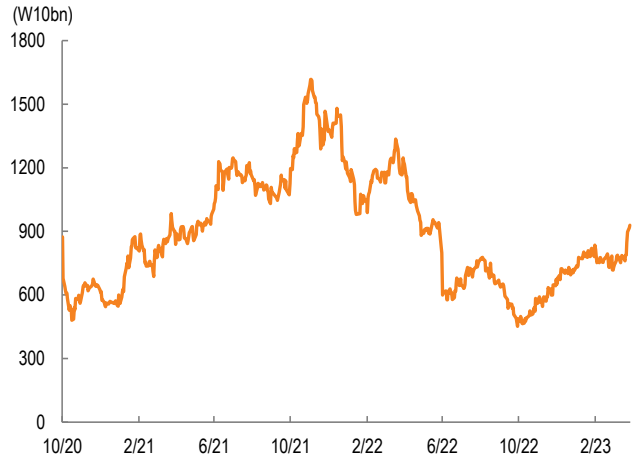
2) HYBE

Building on the success of BTS (Big Hit Music), HYBE continues to strengthen its position on the world stage, with its artists dominating domestic and global music charts. The firm's successful acquisition/establishment of sub-labels—Pledis Entertainment, Belift Lab, Source Music (Le Sserafim), and Ador (NewJeans)—has a played a key part in this success.

This year, positive momentum should come from: 1) TXT's concerts in North America (venue capacity to increase from 50,000 in 2022 to 320,000 in 2023) and likely growth in album sales; 2) Seventeen's strong activities in Japan (where the group outsold BTS in 2022) and potential activities in Europe/North America; and 3) fourth-generation girl groups' strong album sales and increasingly likely entries into the North American market (where their albums have entered the Billboard/Spotify charts). We are also encouraged by the steady releases of new IP, which should contribute to stable growth in 2023.

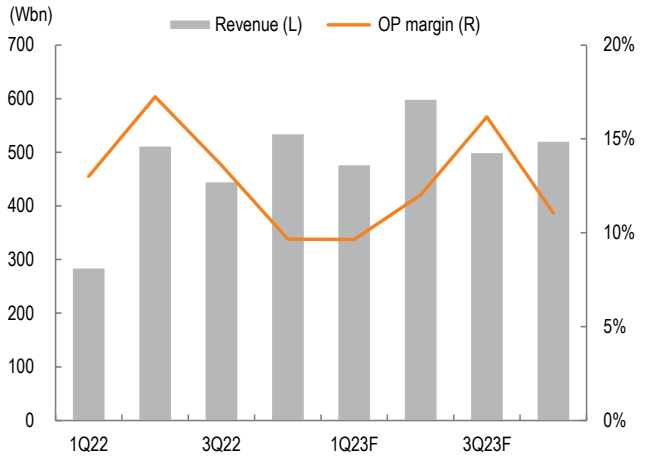
HYBE has been increasing its footprint in the US, announcing a joint venture with UMG in Feb. 2021 and acquiring Ithaca Holdings (2021) and QC Media Holdings (2023). Such efforts have allowed the firm to secure distribution channels and strengthen its business networks and negotiating power in the US market. In order to confirm synergies from its acquisitions of US music labels, we believe HYBE needs to hit two milestones: 1) establishing an artist/label network that attracts over 4mn global music consumers annually; and 2) bringing top-tier global artists onto the Weverse platform.

Figure 14. HYBE: Market cap trend



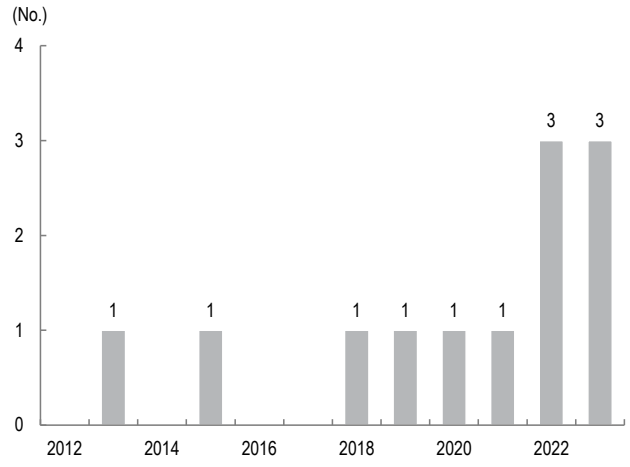
Source: Mirae Asset Securities Research

Figure 15. HYBE: Quarterly earnings and forecasts



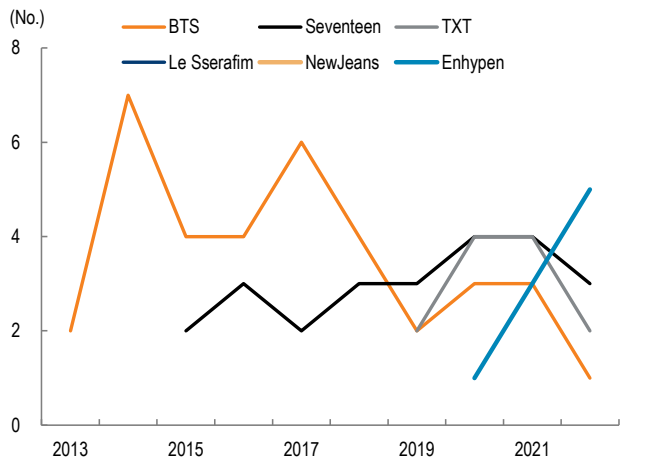
Source: HYBE, Mirae Asset Securities Research

Figure 16. HYBE: No. of group/artist debuts per year



Source: Mirae Asset Securities Research

Figure 17. HYBE: No. of new album releases per year



Source: Mirae Asset Securities Research

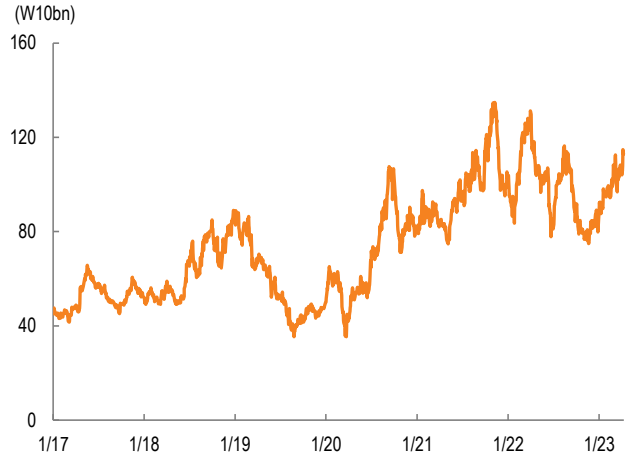
3) YG Entertainment

YG Entertainment announced that it plans to restructure its business in order to more nimbly respond to changing market needs. While details have yet to be disclosed, we think the company will adopt a multi-label system similar to those of peers. Once artist activities (including album releases) increase and new artist debuts gain more visibility, we expect the company to deliver strong growth, with the greatest upside among competitors.

Blackpink, a hugely successful group that is expected to draw over 1.5mn global fans to its ongoing world tour, has been a key driver of YG Entertainment's growth. As such, it is positive that risks associated with the group's contract renewals have almost subsided. That said, we think the company needs to work on developing new artists/groups, given that: 1) the profit contribution of an artist/group is typically highest in the third to fourth year of its debut; and 2) the profit split ratio tends to become much more favorable to the artist after contract renewal.

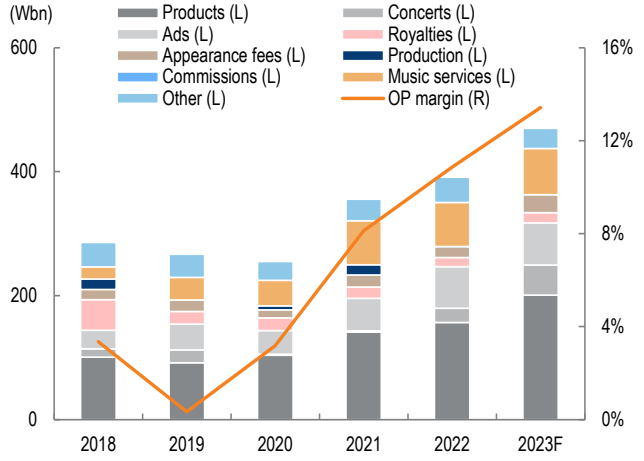
Moreover, we believe Treasure urgently needs to expand its global fan base, as it is lagging behind its fourth-generation peers in terms of album sales and concert attendance. That said, we think Treasure will continue to deliver solid growth in Japan. We note that Treasure was one of the fastest Korean groups to land Japanese dome concerts after its debut (surpassed only by Enhypen and NiziU, both of which specifically target the Japanese market), and it has recorded strong album sales on Japan's Oricon charts.

Figure 18. YG Entertainment: Market cap trend



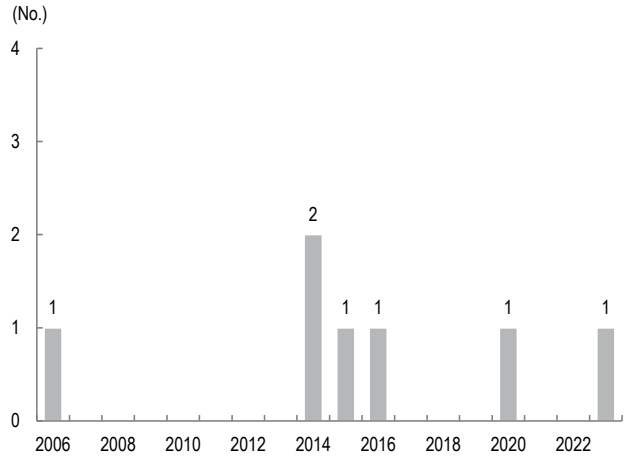
Source: Mirae Asset Securities Research

Figure 19. YG Entertainment: Annual earnings and forecasts



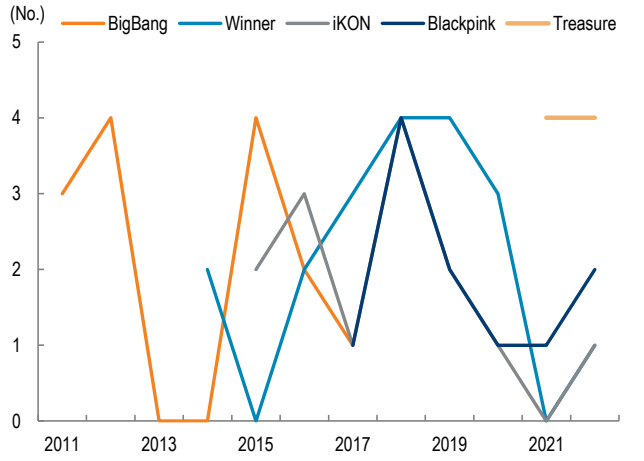
Source: YG Entertainment, Mirae Asset Securities Research

Figure 20. YG Entertainment: No. of group/artist debuts per year



Source: Mirae Asset Securities Research

Figure 21. No. of new album releases per year



Source: Mirae Asset Securities Research

III. Global expansion

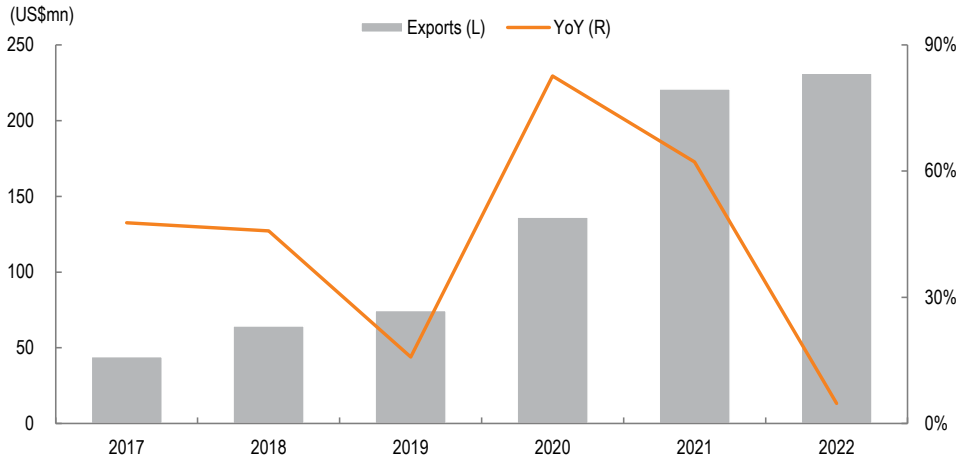
1. Continuing to make inroads in key markets

1) K-pop albums are sold in 148 counties

K-pop album exports have grown markedly over the past few years, reaching US$140mn in 2020 (+81% YoY), US$220mn (+62% YoY) in 2021, and US$230mn (+5% YoY) in 2022. (Export growth slowed in 2022 as BTS took a hiatus.) We forecast album exports to continue rising YoY in 2023, supported by brisk artist activities. We believe the second world tours of Stray Kids and TXT will be particularly impactful given that boy groups have fan bases three to four times bigger than girl groups on average.

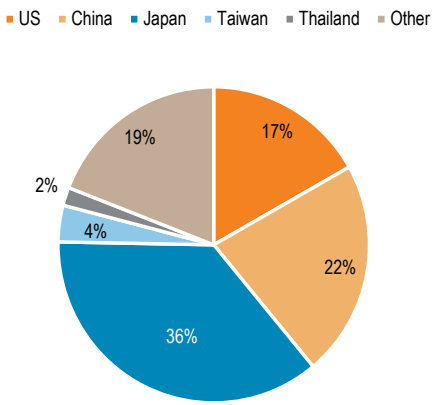
Even more encouraging is K-pop's widening global reach. In the early 2000s, K-pop was mainly consumed in the Asian market (especially Japan). Since then, the industry has made major inroads into the US, South America, and Europe. Notably, the number of countries importing K-pop albums almost tripled from 51 in 2015 to 148 in 2021.

Figure 22. K-pop album export value



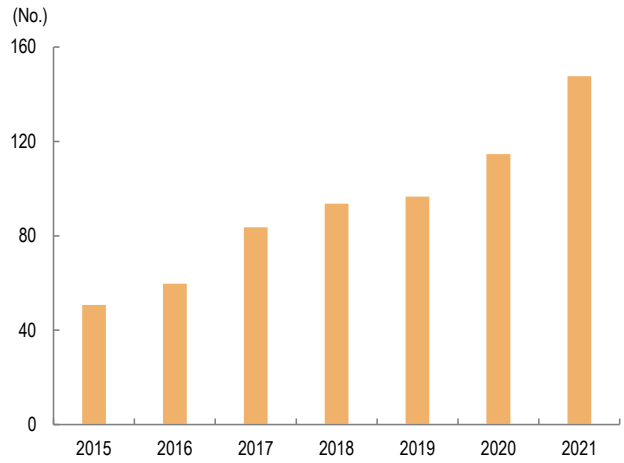
Source: TRASS, Mirae Asset Securities Research

Figure 23. Album export breakdown by destination



Source: Korea Customs Service, Mirae Asset Securities Research

Figure 24. No. of K-pop export destinations



Source: Korea Customs Service, Mirae Asset Securities Research

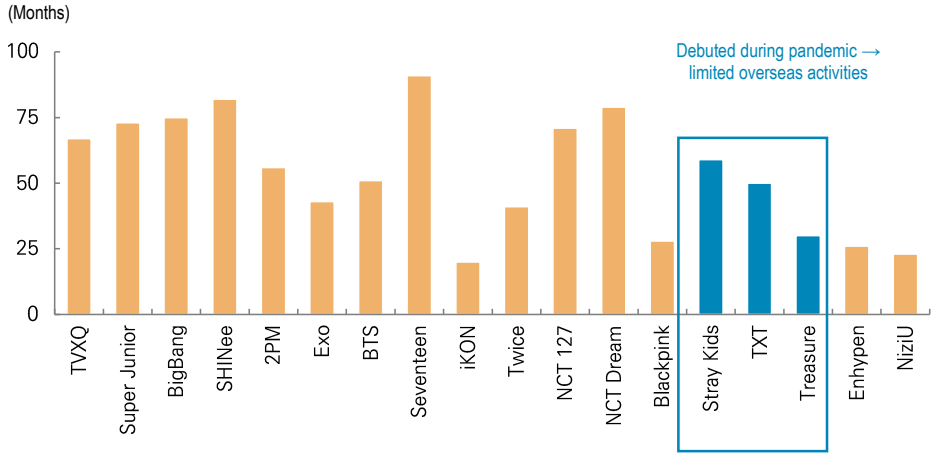
2) K-pop's strengthening fundamentals

The K-pop ecosystem is expanding globally. By the late 2010s, K-pop had already established itself as the most popular music genre in Asia (Japan, Southeast Asia, etc.). In 2020, BTS became the first Korean act to top the Billboard Hot 100 with "Dynamite," bringing K-pop into the mainstream in the US. Thanks to its growing global fan base, K-pop's fundamentals have strengthened and its reliance on the Asian market has eased.

K-pop's expanded global reach has led to a visible increase in first-week album sales. Indeed, among the 100 K-pop albums with the highest first-week sales, most were released in 2020 or later. (This is the case for all of the top 20, except for BTS's *Map of the Soul: Persona*.) We believe this is strong evidence that global fandom growth has led to meaningfully improved fundamentals. Notably, as artists grow their global fan bases, they tend to set new sales records with each album they release.

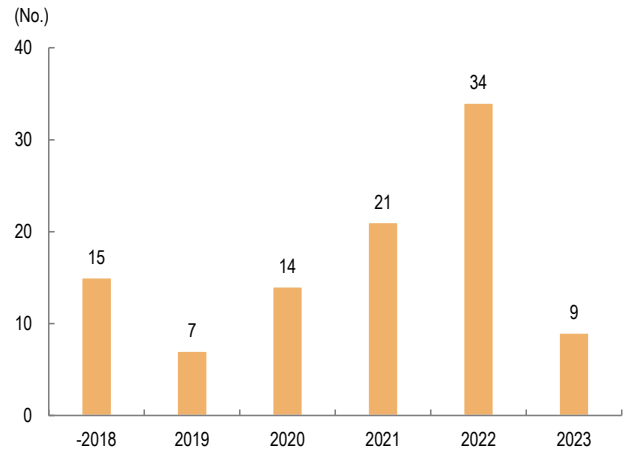
Furthermore, the time from debut to dome concert activities in Japan is getting shorter. First-generation boy groups (TVXQ, Super Junior, Big Bang, etc.) usually held Japan dome concerts six years after their debuts, but the lag period shortened to three years and five months for Twice and 2.5 years for Blackpink and Treasure. For groups specifically targeting the Japanese market (Enhypen and NiziU), it took an average of two years to land Japan dome concerts.

Figure 25. Time from debut to dome concert activities is getting shorter for Korean artists



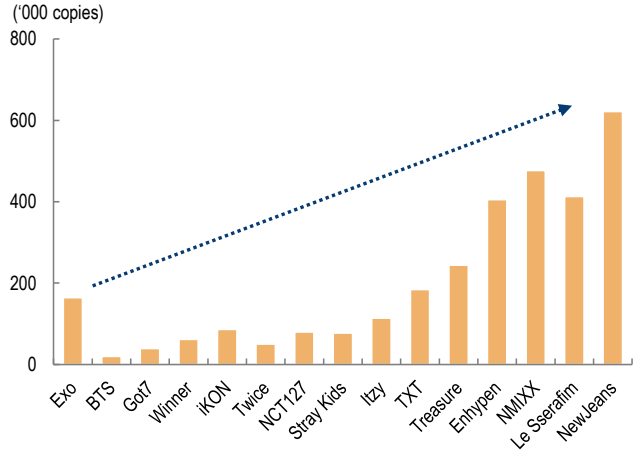
Note: TXT is scheduled to hold a concert at AT&T Center (US) in May 2023 (over 50,000 attendees expected).
Source: Company data, Mirae Asset Securities Research

Figure 26. 100 best-selling K-pop albums by year of release



Notes: Based on first-week sales; as of Mar. 30, 2023
Source: Mirae Asset Securities Research

Figure 27. Debut album first-week sales by group



Note: In chronological order based on date of debut
Source: Circle Chart, Mirae Asset Securities Research

Table 1. 20 top-selling K-pop albums (based on first-week sales) (No. of copies)

Rank	Artist	Album title	Date of release	Sales
1		*Map of the Soul: 7*	Feb. 21, 2020	3,378,6**
2	BTS	*Proof*	Jun. 10, 2022	2,752,4**
3		*Be*	Nov. 20, 2020	2,274,8**
4	TXT	*The Name Chapter: Temptation*	Jan. 27, 2023	2,180,8**
5	Stray Kids	*Maxident*	Oct. 7, 2022	2,163,3**
6	BTS	*Map of the Soul: Persona*	Apr. 12, 2019	2,130,4**
7	Seventeen	*Face the Sun*	May 27, 2022	2,067,7**
8	BTS	*Butter*	Jul. 9, 2021	1,973,2**
9	NCT Dream	*Candy*	Dec. 19, 2022	1,591,0**
10	NCT 127	*2 Baddies*	Sep. 16, 2022	1,547,5**
11	Blackpink	*Born Pink*	Sep. 16, 2022	1,542,9**
12	Jimin	*Face*	Mar. 24, 2023	1,454,2**
13	NCT Dream	*Glitch Mode*	Mar. 28, 2022	1,405,1**
14	Seventeen	*Your Choice*	Jun. 18, 2021	1,364,1**
15	Seventeen	*Attacca*	Oct. 22, 2021	1,335,8**
16	TXT	*Minisode 2: Thursday's Child*	May 9, 2022	1,248,3**
17	Enhypen	*Manifesto: Day 1*	Jul. 4, 2022	1,241,1**
18	Seventeen	*Sector 17*	Jul. 18, 2022	1,126,1**
19	Aespa	*Girls*	Jul. 8, 2022	1,126,0**
20	Lim Young-woong	*Im Hero*	May 2, 2022	1,102,0**

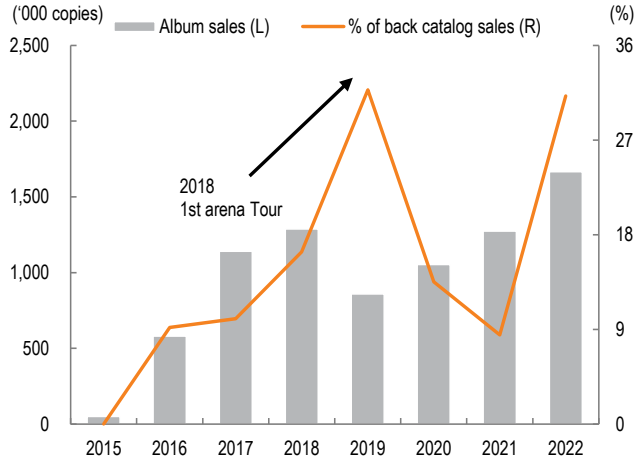
Note: As of Mar. 30, 2023
Source: Hanteo Chart, Mirae Asset Securities Research

Album sales are the best metric for measuring fandom size, as only core fans are willing to spend money on albums (or multiple copies of albums) rather than simply stream songs.

Of note, global fan base expansion is driving an increase in not only new album sales but also sales of older albums. In the past, album sales did not increase much after the first week of availability. But now, thanks to the inflow of new fans from overseas, we are seeing increased interest in artists' entire catalogs going back to their debuts.

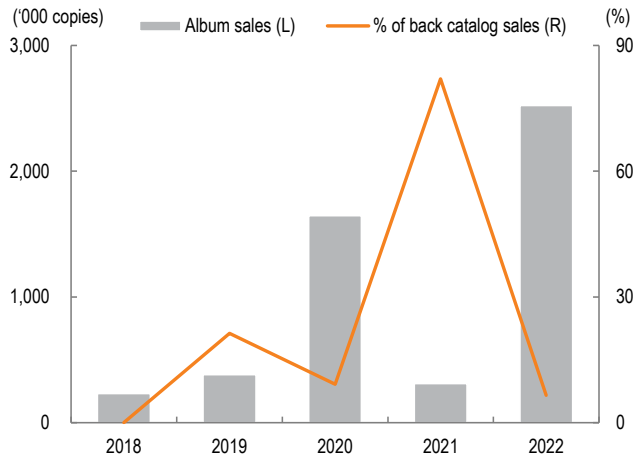
Furthermore, increased sales of back catalog albums are usually followed by higher first-week sales of new albums. We expect the concurrent rise in new and older album sales (backed by strengthened fundamentals) to lead to an increase in concert scale. Thus, the contribution of concerts to earnings is likely to increase, in our view.

Figure 28. Twice: Robust album sales expected in 2023



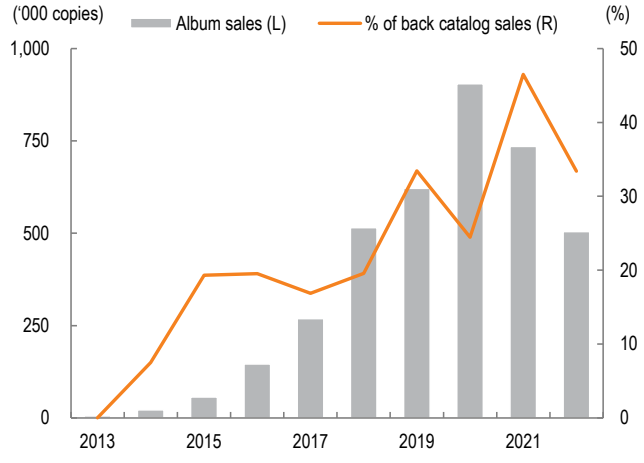
Source: Circle, Chart, Mirae Asset Securities Research

Figure 29. Blackpink: Strong album sales in years when new albums are released



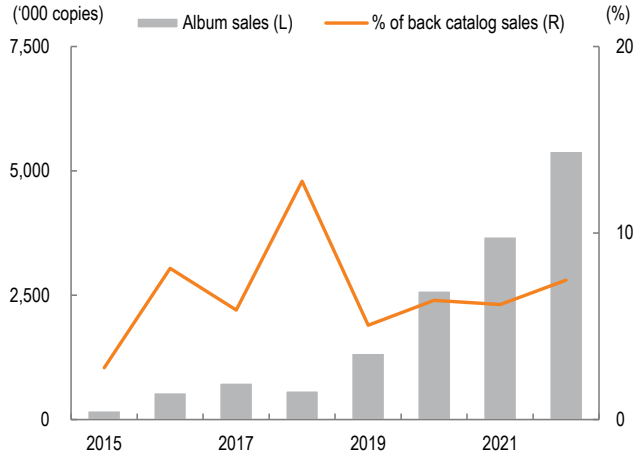
Source: Circle Chart, Mirae Asset Securities Research

Figure 30. BTS: Share of older album sales is growing amid global fan base expansion



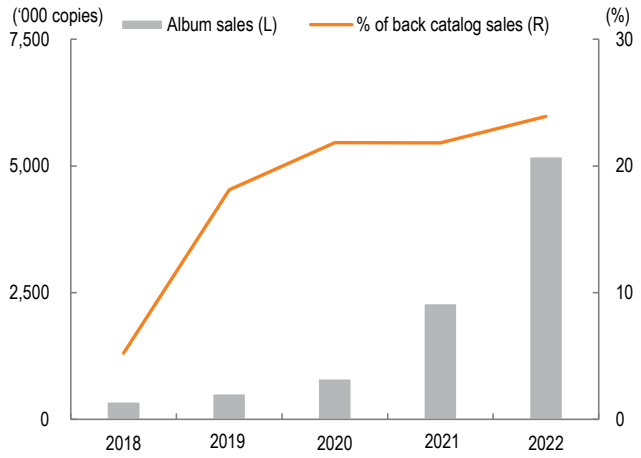
Source: Circle Chart, Mirae Asset Securities Research

Figure 31. Seventeen: Unrivaled in Japan; US performance to be key going forward



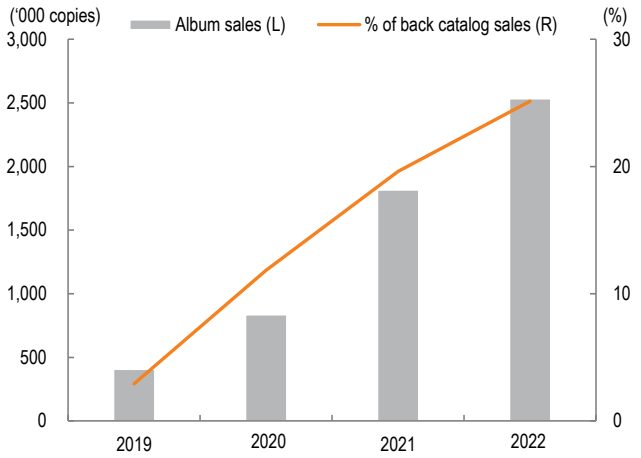
Source: Circle Chart, Mirae Asset Securities Research

Figure 32. Stray Kids: Potential to be the next BTS



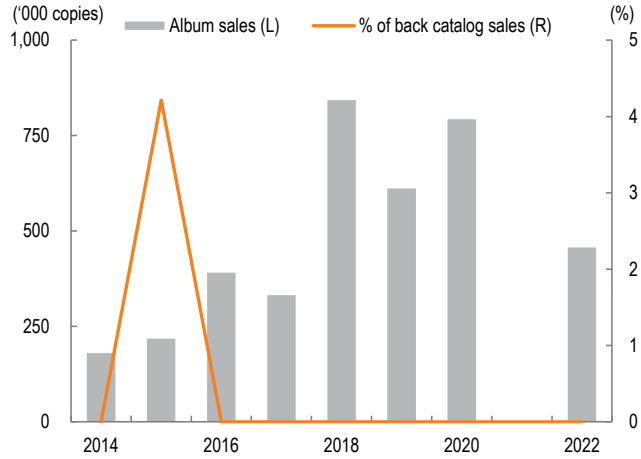
Source: Circle Chart, Mirae Asset Securities Research

Figure 33. TXT: Potential to be the next BTS



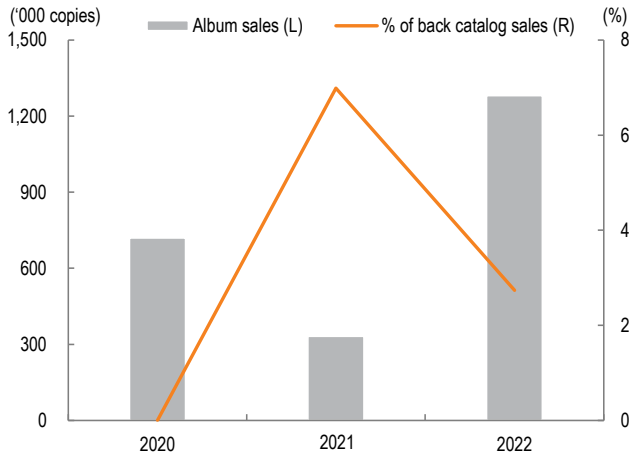
Source: Circle Chart, Mirae Asset Securities Research

Figure 34. Got7: Growth cannot be sustained with domestic fan base only



Source: Circle Chart, Mirae Asset Securities Research

Figure 35. Treasure: Some room for improvement



Source: Circle Chart, Mirae Asset Securities Research

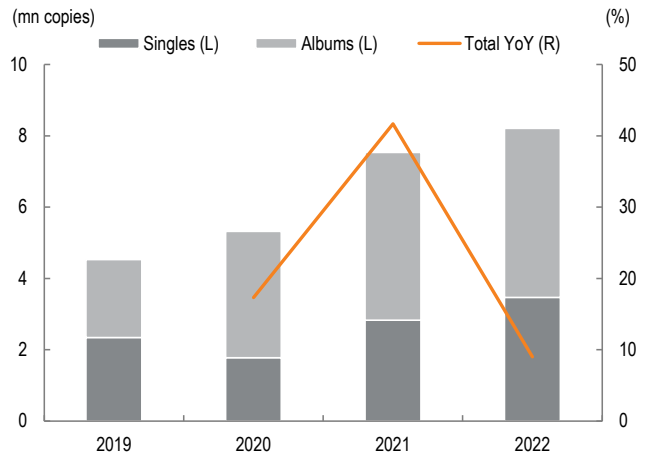
2. Japan: K-pop artists to continue to fare well in 2023

In 2023, we expect domestic entertainment companies to deliver stable earnings in the Japanese music market. K-pop accounts for around 25% of the Japanese market, with K-pop albums representing more than 30% of the Oricon Top 50 chart.

In 2022, Korean entertainment companies sold around 8.2mn copies of albums and singles in Japan, up 10% YoY. Notably, the growth was well-balanced, rather than being driven by a single artist.

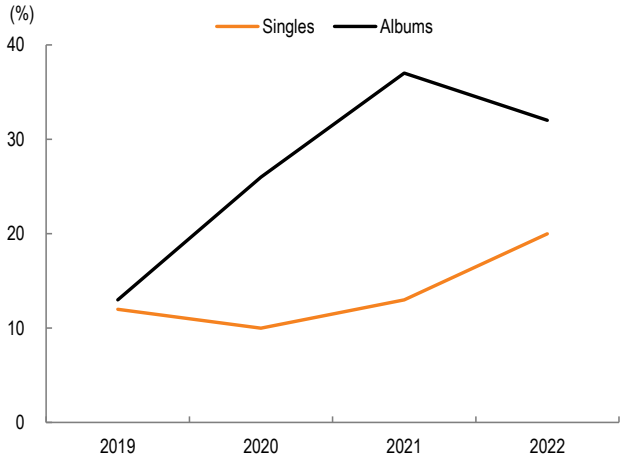
In 2023, we believe Japan will remain an important market for domestic companies. In 2022, HYBE's ex-BTS album sales in Japan expanded 80% YoY thanks to the success of Seventeen and TXT. We think that Seventeen, TXT, and Stray Kids have already established sizeable fan bases in the country, which should support stable album sales. Meanwhile, YG Entertainment's Treasure has been slightly lagging behind competing groups (including TXT and Stray Kids), but we expect the group to fare better this year following its successful Japanese dome tour in Dec. 2022.

Figure 36. K-pop album sales in the Oricon Top 100



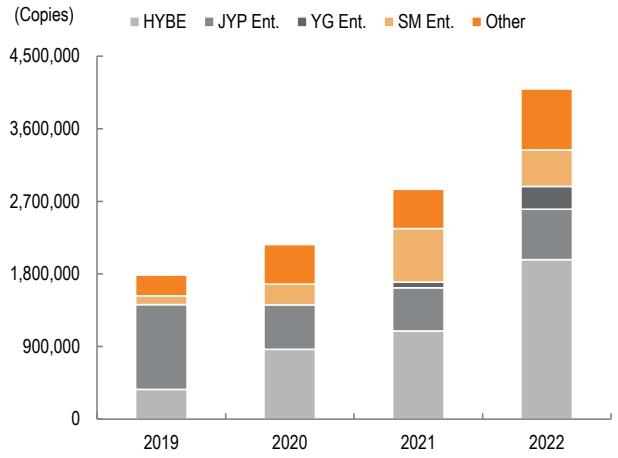
Source: Oricon, Mirae Asset Securities Research

Figure 37. Share of K-pop in the Oricon Top 50



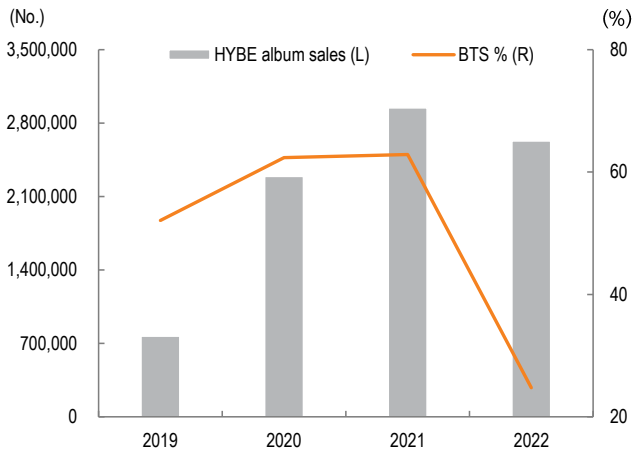
Source: Oricon, Mirae Asset Securities Research

Figure 38. K-pop album sales in the Oricon Top 100 by company



Note: For HYBE, BTS albums are excluded.
Source: Oricon, Mirae Asset Securities Research

Figure 39. HYBE's album sales (and BTS's share) in the Oricon Top 100



Source: Oricon, Mirae Asset Securities Research

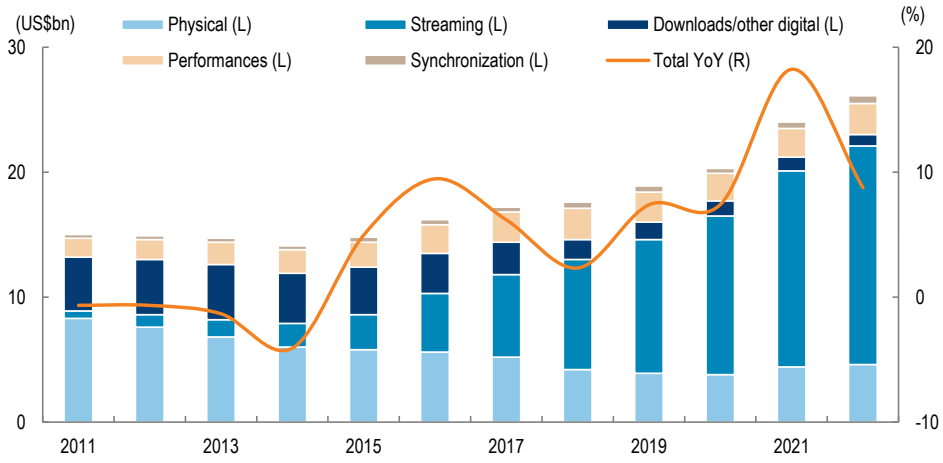
3. US: A powerful breakthrough

Since BTS's entry into the US in 2017, the scope of domestic artists' activities has expanded from Asia to the global stage. In 2022, Korean artists claimed four of the 10 spots—an all-time high—on the Global Top 10 Album Chart released by the International Federation of the Phonographic Industry (IFPI): BTS's *Proof* (HYBE, 4th place), Stray Kids' *Maxident* (JYP Entertainment, 6th place), Seventeen's *Face the Sun* (HYBE, 7th place), and Blackpink's *Born Pink* (YG Entertainment, 8th place).

The US is the world's largest music market, with annual album sales reaching W10.3bn (+5% YoY) in 2022—more than four times that of Japan, the second-largest market. In addition, the US has a well-established performance infrastructure, with eight of the world's top 10 stadiums by concert capacity, enabling concerts unmatched in scale.

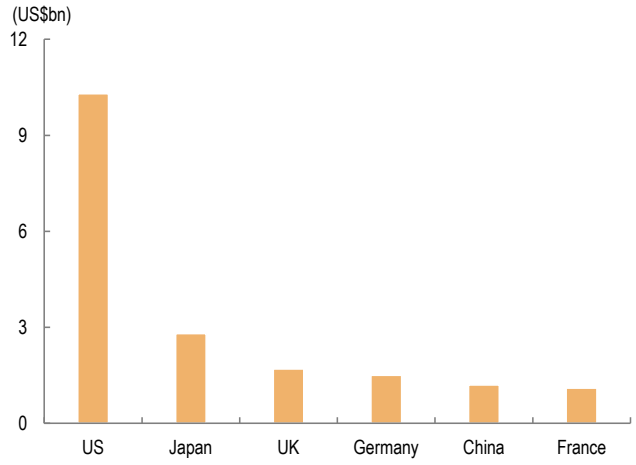
As K-pop artists have strengthened their presence in the US market, their drawing power has increased. In 2023, we believe the US will serve as a major growth driver for domestic entertainment companies, given rising concert attendance and ticket prices.

Figure 40. Global music market revenue breakdown



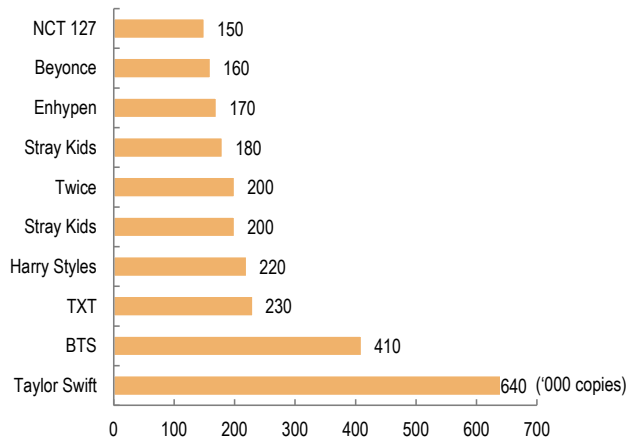
Source: Mirae Asset Securities Research

Figure 41. Album sales by country (2022)



Source: IFPI, Mirae Asset Securities Research

Figure 42. US top 10 CD album sales (2022)



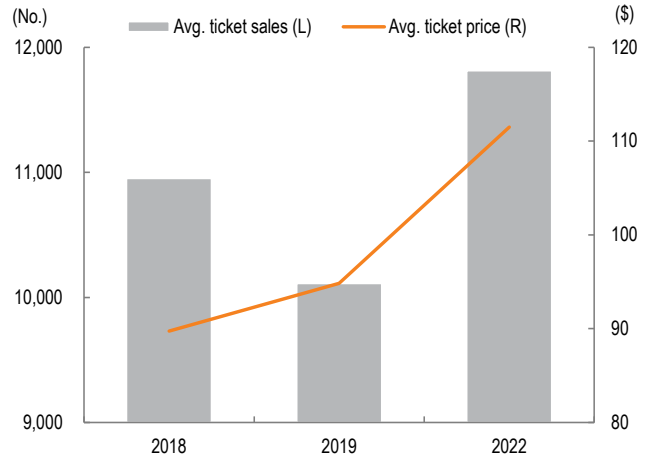
Note: Two of Stray Kids' albums made the list.
Source: Luminate, Mirae Asset Securities Research

In our view, the increasing number of Korean artists charting on Billboard, the expansion of US concert capacity, and steadily growing album sales are all clear signs of the enhanced fundamentals of Korean entertainment companies.

Among current artists, HYBE's BTS, Seventeen, and TXT, JYP Entertainment's Twice and Stray Kids, and YG Entertainment's Blackpink all have experience with US concert tours. In 1Q23, BTS garnered an enormous number of Spotify plays and YouTube views in North America, despite not releasing an album. And we expect Seventeen, Stray Kids, and TXT to set new records for plays and views this year thanks to a YoY increase in North American concerts.

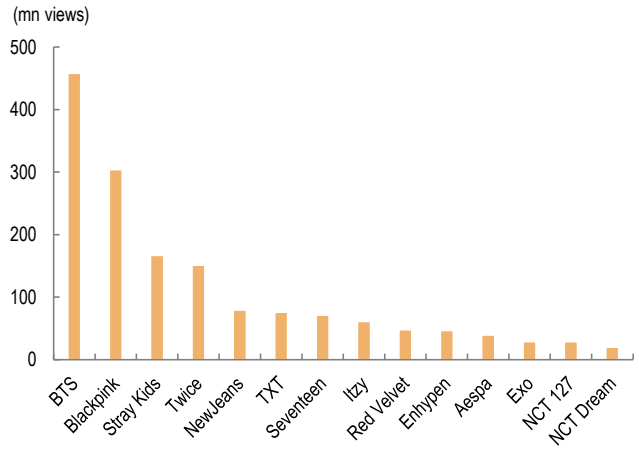
In our view, NewJeans is the group that is likely to have the most significant impact in North America. Despite never having toured in the region, the group accumulated 79mn YouTube views in North America in just nine months after its debut, ranking 5th among major domestic artists. We expect the group's global activities to eventually surpass those of Blackpink and Twice.

Figure 43. North America: Avg. ticket sales and price



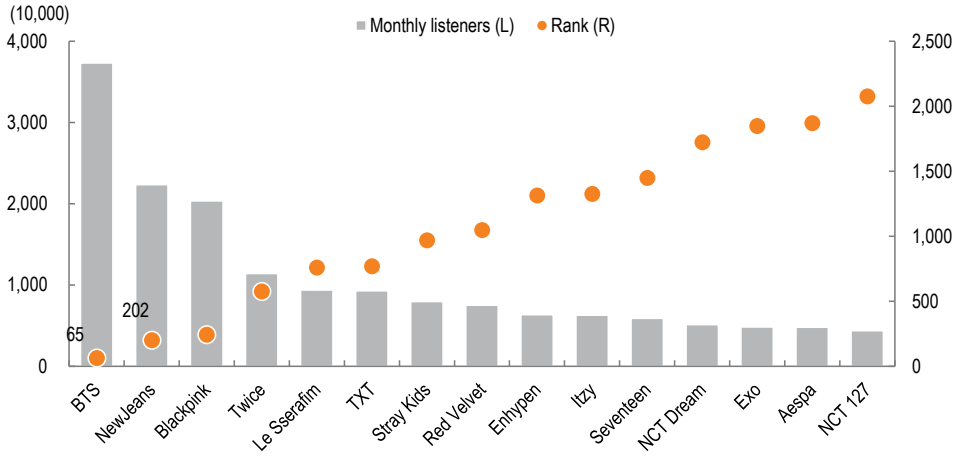
Source: Pollstar, Mirae Asset Securities Research

Figure 44. North America YouTube views over the past year



Note: As of end-Mar. 2023
Source: YouTube, Mirae Asset Securities Research

Figure 45. K-pop group rankings on Spotify



Note: As of Jan. 2023
Source: Spotify, Mirae Asset Securities Research

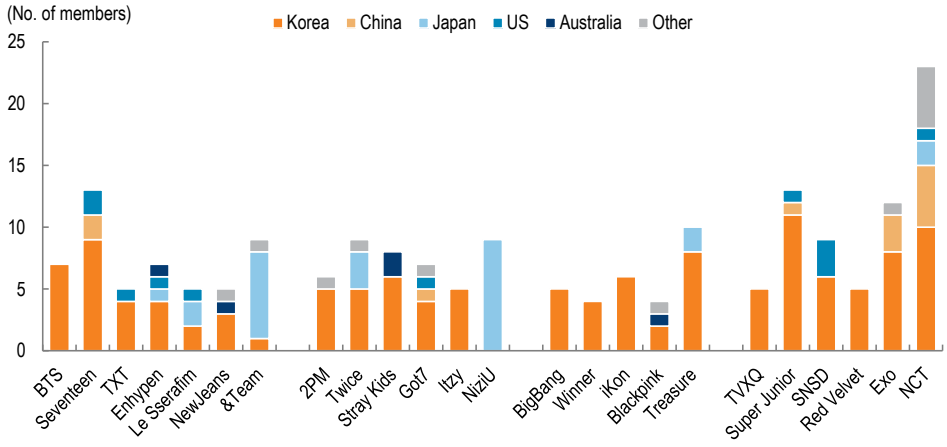
4. Applying the K-pop development/curation system overseas

1) Made in Korea, recognized globally

The idol group training system is unique to Korea. While K-pop groups typically consist mostly of Korean members, they also tend to include one or two members hailing from a key target market—a strategy intended to facilitate overseas expansion. In the past, the main overseas markets were Japan, China, and Southeast Asian countries, leading to the inclusion of members from these countries. Recently, in line with the expansion of target markets, new groups have also begun to include members from the US and Australia.

Blackpink enjoys tremendous popularity in Southeast Asian countries like Thailand and the Philippines, given that it is one of the first K-pop girl groups to include a Thai member (Lisa). Furthermore, most of Blackpink's members (except for Jisoo) are fluent in English, which gives the group an advantage when engaging in North American activities. (Rosé is a Korean/Australian dual citizen, Jennie studied in New Zealand, and Lisa attended an international school in Thailand.)

Figure 46. Nationality breakdown by idol group



Source: Mirae Asset Securities Research

2) After success in Japan, K-pop training model to be tested in the US this year

Recently, domestic entertainment companies have been moving to partner with labels and management firms in other countries to create local idol groups using the K-pop training model. Thus, instead of simply recruiting non-Korean artists, holding concerts/shows overseas, and working with local companies to distribute albums in target markets, companies are beginning to export the K-pop model itself. In other words, their global strategy is evolving from localization to an active nurturing of local artists.

In Japan, K-pop music has gained increasing popularity since 2007. Over the past 15 years, K-pop artists have dominated Oricon charts, proving their capabilities in the market. And as K-pop has gone increasingly global, JYP Entertainment and HYBE have started nurturing local Japanese idol groups (with K-pop elements) using their artist training systems.

NiziU, JYP Entertainment's first all-Japanese girl group, set a new record for a "K-pop" girl group, as it landed a dome concert just 1 year and 11 months after its debut (vs. 53 months on average for other K-pop groups) and drew 330,000 attendees to its first stand-alone Japan concert tour (six arena tours and four dome concerts). In 2022, NiziU's activities in Japan alone generated around W18bn in net revenue. With the group's first Korean album release slated for this year, we expect its contribution to JYP Entertainment's revenue to keep rising.

Meanwhile, we expect the launch of the Nizi Project 2 boy group (tentative name) to be slightly delayed to 1H24. Related content is currently being filmed and is scheduled to air in two parts starting in 2H23. As was the case with Nizi Project 1, there will be pre-debut videos showing the audition, training, and final selection processes; we think this will generate excitement around the group and help it to build a fan base in advance. Considering that male groups typically have larger fan bases than girl groups, we anticipate the Nizi Project 2 boy group to top NiziU in album sales and tour attendance.

&Team, HYBE's first Japanese boy band, appears to have already built a solid fan base, with its debut album sales exceeding 150,000 copies in just one month. This is comparable to the monthly album sales (157,000 copies) of Stray Kids, a popular group entering its fifth year.

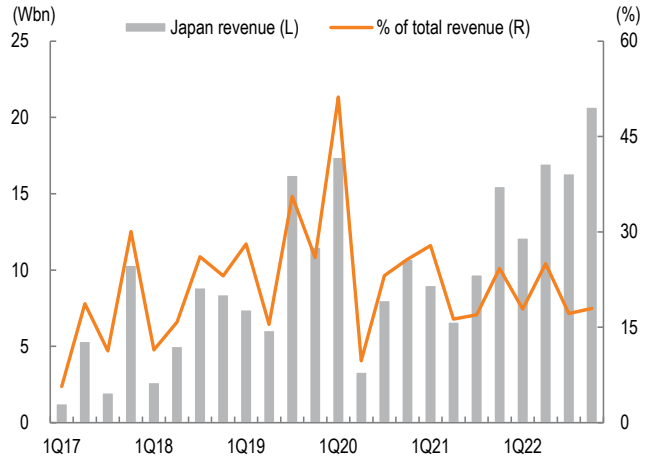
In addition, three albums released by Enhypen—a boy group formed by Belift Lab, a HYBE/CJ ENM joint venture—won a place on the Oricon Top 50 charts in 2022 (over 570,000 copies in cumulative sales). All in all, we believe that Korea's idol group training system has already proven successful in Japan.

This year, JYP Entertainment and HYBE are looking to test their artist-training systems in the US market. To create local idol groups, domestic entertainment firms will partner with local US labels, with the former holding ancillary licensing rights and the latter handling music production, distribution, and promotion.

HYBE has been collaborating with UMG's Geffen Records to debut a new global girl group. The group is set to debut in 2024 through HYBE America (HYBE's US subsidiary), with HYBE in charge of artist selection and training and Geffen Records handling album production, distribution, and promotion. HYBE is also likely to manage IP-based content production, among other responsibilities.

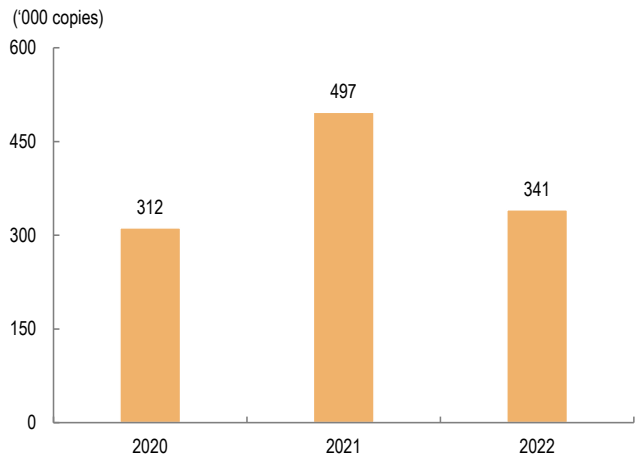
Following the establishment of its US subsidiary JYP USA in Mar. 2022, JYP Entertainment has been endeavoring to launch a local idol group in partnership with US label Republic Records. Currently, auditions are underway across the US. Those who pass the audition stage will go through the debut training process at the JYP training center.

Figure 47. JYP Entertainment: Japan revenue



Source: JYP Entertainment, Mirae Asset Securities Research

Figure 48. NiziU: Album sales in Japan



Source: Oricon, Mirae Asset Securities Research

Domestic peer group

Table 2. Share performance and earnings metrics (Wbn, %)

Company	Share performance		Market cap	Revenue		OP		OP margin		NP	
	-1M	-3M		2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
HYBE	20.8	30.2	9,180	1,861	2,123	229	293	12.3	13.8	204	242
SM Entertainment	-35.2	28.4	2,283	974	1,068	138	157	14.1	14.7	112	128
YG Entertainment	5.2	28.7	1,129	495	549	70	80	14.1	14.5	57	64
JYP Entertainment	-1.7	19.7	2,712	459	507	126	143	27.4	28.2	95	108
Cube Entertainment	18.7	40.9	333	161	200	16	27	10.2	13.6	12	21
KeyEast	-5.7	-5.9	166	-	-	-	-	-	-	-	-
Avg.	**0.4**	**23.7**	**2633.9**	**789.8**	**889.5**	**115.7**	**139.8**	**15.6**	**16.9**	**96.1**	**112.6**

Source: Bloomberg, QuantiWise, Mirae Asset Securities Research

Table 3. Valuation metrics (x, %)

Company	ROE		P/E		P/B		EV/EBITDA	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
HYBE	6.5	7.0	46.4	39.3	2.9	2.7	28.1	19.5
SM Entertainment	12.0	12.3	21.5	18.8	2.8	2.5	9.3	7.8
YG Entertainment	10.5	10.7	23.4	20.8	2.5	2.3	11.6	10.1
JYP Entertainment	27.8	25.1	28.1	24.7	6.6	5.3	19.2	16.4
Cube Entertainment	25.0	29.5	23.8	14.1	5.5	3.9	15.6	9.6
KeyEast	-	-	-	-	-	-	-	-
Avg.	**16.4**	**16.9**	**28.6**	**23.5**	**4.0**	**3.3**	**16.8**	**12.7**

Source: Bloomberg, QuantiWise, Mirae Asset Securities Research

Company analysis

HYBE (352820 KS/Buy) D-Day is coming soon

JYP Entertainment (035900 KQ/Buy) New growth drivers to emerge in 2H23

YG Entertainment (122870 KQ/Buy) All eyes on Treasure and BabyMonster

COMPANY ANALYSIS

[Korea] Entertainment

April 12, 2023

HYBE

(352820 KS)

D-Day is coming soon

Buy
(Initiate)

TP: W300,000
Upside: 27.4%

Mirae Asset Securities Co., Ltd.
Yumi Cha yumi_cha@miraeasset.com

Valuation

Initiate coverage with Buy rating and TP of W300,000

- We derived our target price on HYBE by applying a P/E of 56x to our 2023F EPS of W5,312. Our target multiple is in line with the firm's P/E in 2020, when BTS's push into the US gained momentum with the release of "Dynamite."
- The number of artists gaining acceptance in the US market is growing steadily, accelerating global fandom expansion. We present HYBE as our top pick in entertainment, as we believe the company will demonstrate the strongest growth in its peer group in 2023.

1Q23 preview

Expecting robust earnings even without *D-Day* (upcoming album by BTS's Suga)

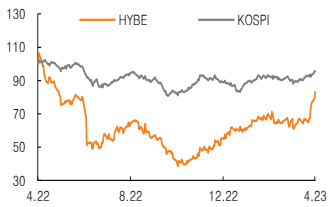
- We estimate HYBE's album sales surged 200% YoY to W198.6bn in 1Q23. Notably, TXT's comeback album (January) and Jimin's (BTS) solo album (March) have sold 1.9mn and 1.26mn copies, respectively.
- We project full-year concert revenue to surge more than 100% YoY to W360.3bn, led by the world tours of TXT (23 shows), BTS's Suga (26 shows + two added), and Seventeen (expected in 2H23).

2023 outlook

Active utilization of new and veteran artists; multi-label system to prove highly effective

- For 2023, we look for revenue of W2.1tr (+18% YoY) and operating profit of W256.5bn (+8% YoY).
- Operating profit growth should lag behind revenue growth due to: 1) an unfavorable base of comparison (concert margins surged in 2022 due to BTS's online concerts); and 2) the costs associated with the debuts of three new artist groups.
- Both Le Sserafim (Source Music) and NewJeans (Ador) had successful debuts in 2022, with first-week album sales of 440,000 and 680,000 copies, respectively. This year, we expect the groups to contribute meaningfully to HYBE's top-line growth, given their scheduled comebacks in 2Q23 and concert tours in 2H23.
- Three artist groups will debut in 2023, including a boy group from Koz Entertainment (May).

Key data



Current price (4/12/23, W)	235,500	Market cap (Wbn)	9,739
OP (23F, Wbn)	257	Shares outstanding (mn)	42
Consensus OP (23F, Wbn)	233	Free float (%)	37.9
EPS growth (23F, %)	319.8	Foreign ownership (%)	16.7
P/E (23F, x)	44.3	Beta (12M)	1.78
Market P/E (23F, x)	15.4	52-week low (W)	109,500
KOSPI	2,550.64	52-week high (W)	301,500

Share performance

(%)	1M	6M	12M
Absolute	28.2	105.7	-16.9
Relative	20.4	77.6	-13.1

Earnings and valuation metrics

(Dec.)	2020	2021	2022	2023F	2024F	2025F
Revenue (Wbn)	796	1,256	1,776	2,098	2,056	2,015
OP (Wbn)	146	190	237	257	266	274
OP margin (%)	18.3	15.1	13.3	12.2	12.9	13.6
NP (Wbn)	86	137	52	221	226	192
EPS (W)	2,811	3,606	1,265	5,312	5,431	4,620
ROE (%)	12.5	6.8	1.9	8.1	8.0	6.3
P/E (x)	56.3	96.8	137.1	44.3	43.4	51.0
P/B (x)	4.8	5.1	2.6	3.6	3.3	3.1
Div. yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

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2023 outlook

Valuation and 2023 forecasts

We initiate our coverage of HYBE with a Buy recommendation and target price of W300,000 (56x our 2023F EPS). Our target multiple is in line with the firm's P/E in 2020, when BTS's push into the US gained momentum with the release of "Dynamite." We believe the stock can comfortably reach its 2020 valuation level, as a number of other groups—TXT, NewJeans, Seventeen, etc.—are also gaining ground in the US market.

HYBE has the highest US revenue share in its peer group. After announcing a joint venture with UMG in Feb. 2021, the firm has further increased its footprint in the US by acquiring Ithaca Holdings (2021) and QC Media Holdings (2023). Such efforts have allowed the firm to secure distribution channels and strengthen its business networks and negotiating power in the US music industry. In order to confirm synergies from its acquisitions of US music labels, we believe HYBE needs to hit two milestones: 1) establishing a network of artists/labels that attracts over 4mn global music consumers annually; and 2) bringing top-tier global artists onto the Weverse platform.

Looking ahead, we see brisk artist activities continuing, allowing HYBE to prove its ability to deliver growth even without BTS. We look for 2023 revenue of W2.1tr (+18% YoY) and operating profit of W256.5bn (+8% YoY). This year, positive momentum should come from: 1) TXT's concerts in North America (total venue capacity to increase from 50,000 in 2022 to 320,000 in 2023) and likely growth in album sales; 2) Seventeen's strong activities in Japan (where the group outsold BTS in 2022) and potential activities in Europe/North America; and 3) fourth-generation girl groups' strong album sales and increasingly likely entries into North America (where their albums have broken into the Billboard/Spotify charts). We are also encouraged by the steady release of new IP, which should contribute to stable growth in 2023. We present HYBE as our top pick in the entertainment sector.

Table 4. HYBE: TP calculation

	Value	Notes
2023F NP attr. to owners of the parent (Wbn)	221	
No. of shares ('000)	41,353	
2023F EPS (W)	5,312	
Target P/E (x)	56	In line with HYBE's P/E in 2020 after BTS released "Dynamite" in the US
TP (W)	300,000	
CP (W)	235,500	
Upside	27.4%	

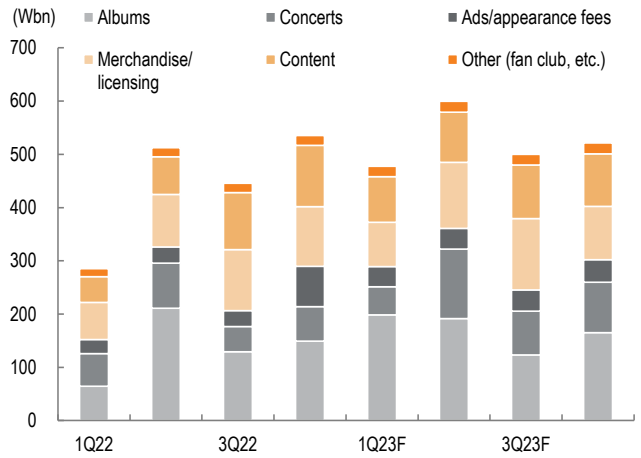
Source: Mirae Asset Securities Research

Table 5. HYBE: Quarterly and annual earnings (Wbn, %)

	1Q22	2Q22	3Q22	4Q22	1Q23F	2Q23F	3Q23F	4Q23F	2022	2023F	2024F
Revenue	**285**	**512**	**445**	**535**	**477**	**600**	**500**	**521**	**1,778**	**2,098**	**2,056**
Direct	152	326	206	289	289	361	245	302	974	1,198	1,102
Albums	65	211	129	149	199	192	123	165	554	678	653
Concerts	61	85	47	65	53	131	82	95	258	360	276
Ads/appearance fees	26	30	30	76	38	39	40	42	162	159	173
Indirect	133	186	239	246	188	239	255	219	804	901	954
Merchandise/licensing	70	99	115	112	83	124	134	100	396	441	476
Content	49	71	107	115	85	95	101	99	342	379	387
Other (fan club, etc.)	15	17	17	18	19	20	20	20	67	80	91
OP	**37**	**88**	**61**	**52**	**46**	**72**	**81**	**58**	**238**	**257**	**266**
OP margin	13%	17%	14%	10%	10%	12%	16%	11%	13%	12%	13%
YoY	63%	215%	-8%	-30%	24%	-18%	33%	11%	25%	8%	4%
QoQ	-50%	138%	-31%	-15%	-11%	56%	12%	-29%			
NP	**31**	**99**	**95**	**189**	**43**	**66**	**68**	**46**	**36**	**223**	**230**
YoY (%)	**60%**	**84%**	**31%**	**17%**	**68%**	**17%**	**12%**	**-3%**	**42%**	**18%**	**-2%**
Direct	128%	153%	26%	76%	90%	11%	19%	4%	86%	23%	-8%
Albums	19%	97%	0%	74%	207%	-9%	-4%	11%	47%	22%	-4%
Concerts	0%	0%	0%	43%	-14%	54%	74%	47%	470%	40%	-23%
Ads/appearance fees	116%	39%	-12%	128%	45%	29%	34%	-44%	61%	-2%	9%
Indirect	19%	24%	35%	-16%	42%	28%	6%	-11%	10%	12%	6%
Merchandise/licensing	7%	97%	49%	-10%	20%	25%	17%	-11%	25%	12%	8%
Content	31%	-23%	23%	-26%	76%	34%	-6%	-14%	-8%	11%	2%
Other (fan club, etc.)	51%	96%	28%	33%	34%	20%	15%	10%	47%	19%	14%

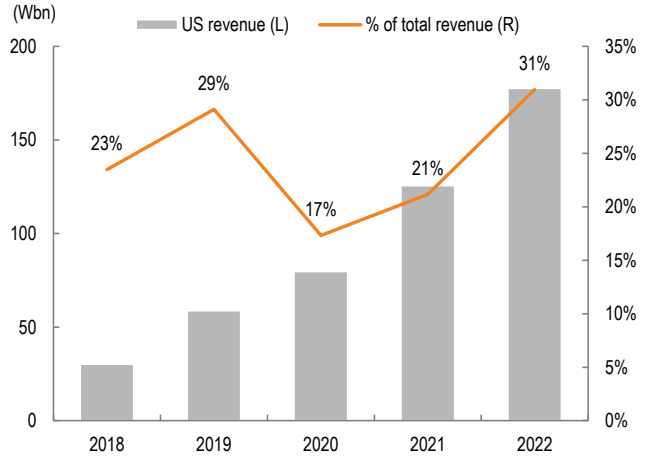
Source: Company data, Mirae Asset Securities Research

Figure 49. HYBE: Earnings breakdown by business



Source: Company data, Mirae Asset Securities Research

Figure 50. HYBE: US revenue trend



Source: Company data, Mirae Asset Securities Research

Investment points

1. Increased utilization of existing artists and aggressive release of new IP

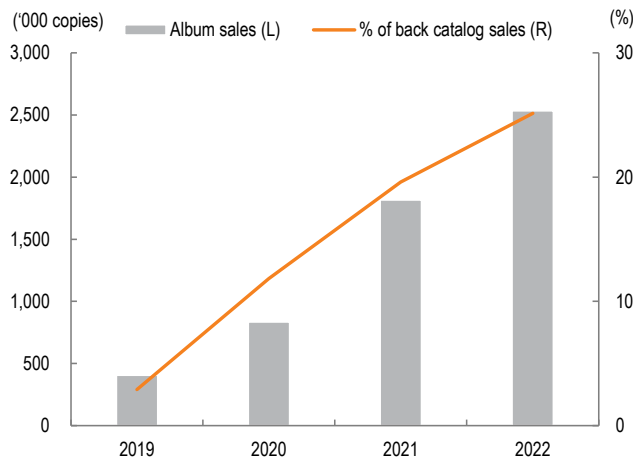
1) Worries over BTS's absence are unwarranted

Although BTS is taking a hiatus due to military service obligations, some of its members are still poised to generate profits through solo concerts and album releases in 2023. Notably, Jimin's *Face* sold over a million copies in March (first-week sales: 1.45mn copies). On Apr. 7, Suga's pre-release track from his upcoming solo album *D-Day* (set to come out on Apr. 21) topped the iTunes Top Songs charts in 87 countries. And Suga added more locations (Bangkok and Singapore) to his 2023 solo world tour, further bolstering expectations for his album sales. With other members also scheduled to engage in solo activities in 2H23, we think concerns over the impact of BTS's absence on HYBE's 2023 earnings have subsided.

In 2023, we believe TXT has the strongest upside potential among HYBE's artists/groups. Of note, the inflow of new fans from overseas is generating interest in TXT's older albums, leading to rapid growth in back catalog sales. Typically, once the share of older albums in overall album sales rises to around 20%, new album sales increase 2.5 to 4.5 times compared to the past average.

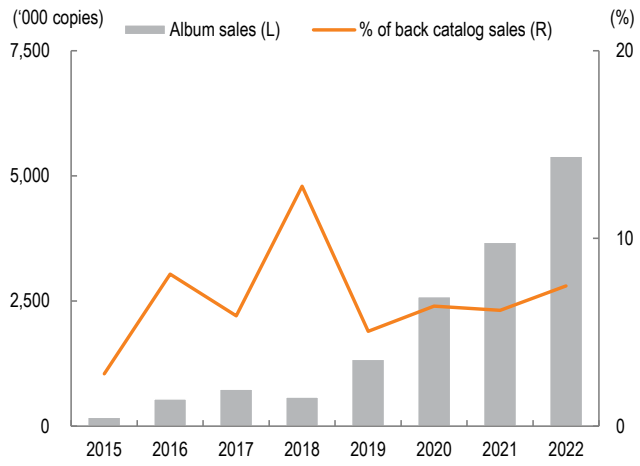
We are particularly encouraged by rapid fan base expansion in the US, where high-quality growth is possible thanks to higher concert ticket prices and bigger audiences. TXT's second world tour should be much larger in scale, with total venue capacity in North America (10 shows in six cities) increasing to 320,000, compared with 50,000 during its first tour (eight shows in seven cities).

Figure 51. TXT: Album sales trend



Source: Circle Chart, Mirae Asset Securities Research

Figure 52. Seventeen: Album sales trend



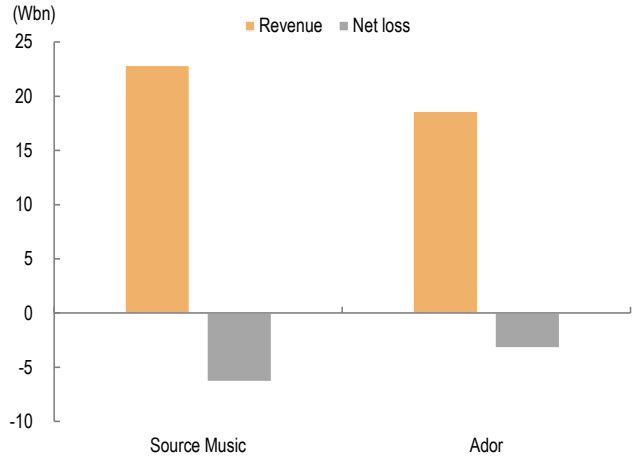
Source: Circle Chart, Mirae Asset Securities Research

2) NewJeans and Le Sserafim to see qualitative growth

We expect NewJeans and Le Sserafim to increase their earnings contributions on the back of global fandom growth. NewJeans' first mini and single albums sold a whopping 6.22mn and 9.02mn copies, respectively, with songs from the albums hitting the Spotify US and Billboard Global 200 charts. This is all the more impressive when considering the group did not engage in any overseas activities. While most artists/groups start their overseas activities in Japan and then move to Southeast Asia, we think NewJeans will be able to target both Asia and North America from the very beginning.

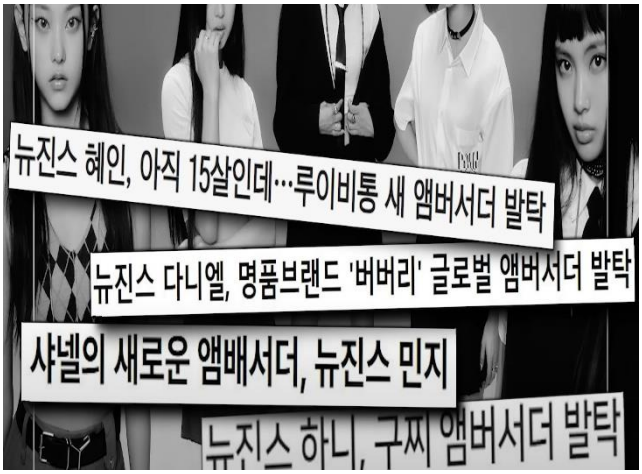
Along with strong album sales, advertising revenue also sets NewJeans apart. In just eight months after its debut, the group has been chosen to represent around 20 global brands. To reduce overexposure, the group has taken a selective approach by representing only global top-tier brands (McDonald's, Coca-Cola, and Levi's) and luxury fashion houses (becoming brand ambassadors for Chanel, Gucci, Burberry, etc.). We think this strategy will support the group's growth potential in the advertising industry over the medium to long term and provide a boost to HYBE's ad revenue. We estimate roughly 30% of NewJeans' 2022 revenue came from advertising (with the rest coming from album and digital music sales).

Figure 53. Shorter payback periods for new artists/IP → positive for bottom line



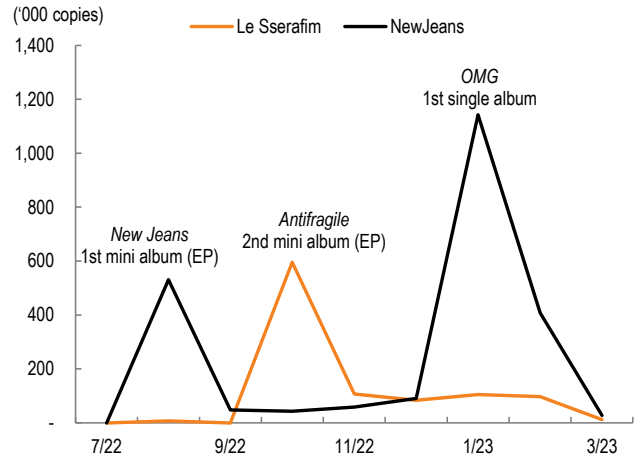
Source: Company data, Mirae Asset Securities Research

Figure 54. NewJeans members chosen as brand ambassadors for luxury brands (Louis Vuitton, Burberry, Chanel, Gucci)



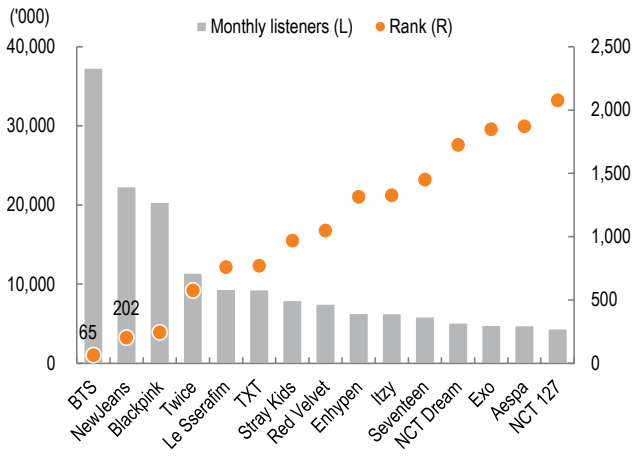
Source: Press reports, Mirae Asset Securities Research

Figure 55. Le Sserafim's and NewJeans' album sales trends



Source: Circle Chart, Mirae Asset Securities Research

Figure 56. Spotify global rankings



Source: Spotify, Mirae Asset Securities Research

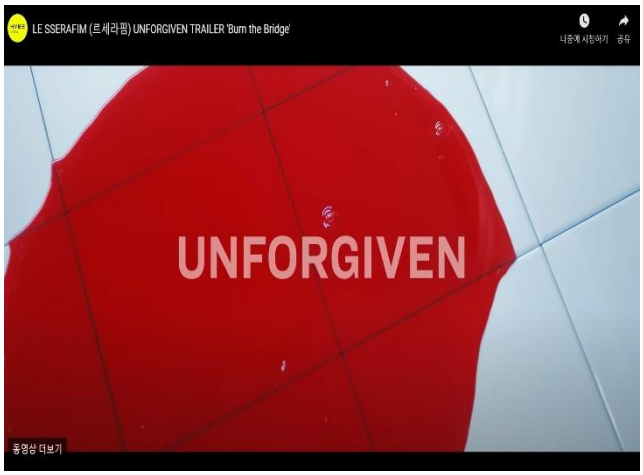
Le Sserafim debuted in May 2022. Three of its members—Sakura, Kim Chae-won, and Huh Yun-jin—had previously competed in the reality show Produce 48, allowing them to build a fan base that helped to rapidly raise the group's profile. And with two members (Sakura and Kazuha) being Japanese, the group is highly popular in Japan (where its debut album sold 220,000 copies in the first week of availability).

Preorders for Le Sserafim's *Unforgiven* (release date: May 1) have already surpassed 1mn copies, raising expectations for robust sales. Accordingly, we think the group will be able to launch a world tour in 2H23, starting in Japan. While it took more than four years for BTS to reach breakeven, newer idol groups have achieved much shorter payback periods (e.g., two years for TXT, one year for Enhypen, and two months for NewJeans).

3) Three idol groups to debut soon

This year, HYBE is again debuting three new groups—two boy groups (Koz Entertainment and Pledis Entertainment) and a girl group targeting global markets (in partnership with UMG). Expectations are high for these new groups. Notably, Koz Entertainment's boy group, scheduled to debut on May 30, is known to have unique qualities that will distinguish it from other boy groups under Big Hit Music (BTS and TXT) and Pledis (Seventeen), with the potential to generate strong album sales. (The group will be produced by Zico, a former member of boy band Block B who wrote, composed, and produced most of the group's songs.)

Figure 57. Trailer for Le Sserafim's *Unforgiven* album



Source: Company materials, Mirae Asset Securities Research

Figure 58. Koz Entertainment to debut six-member boy band on May 30, 2023



Source: Company materials, Mirae Asset Securities Research

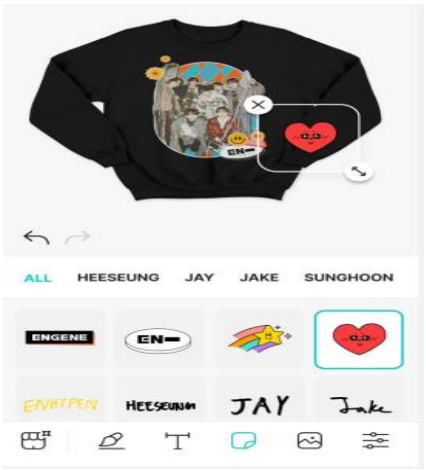
2. IP monetization to begin in earnest

1) Weverse 2.0 takes shape

We think Weverse 2.0 (integrated with NAVER V Live) will start monetizing its traffic this year, starting with paid chat services in 2Q and in-house merchandise production services in 3Q. We also look for meaningful subscriber growth this year as the platform attracts foreign artists and expands its service offerings. Against this backdrop, we project payment volumes to Weverse to increase in 2023.

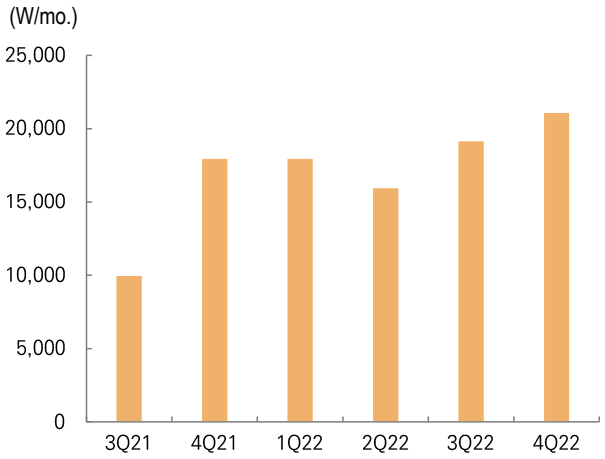
Weverse users can purchase merchandise through the platform's payment system Jelly. Looking ahead, we project the platform to launch various free/paid services. Free services should help attract new users, while paid services should lead to ecosystem expansion by offering a range of user benefits like opportunities to communicate with artists and engage in fan activities (as well as to buy merchandise). Ultimately, we think synergies will be created between Weverse and HYBE's upcoming new businesses.

Figure 59. Merchandise production



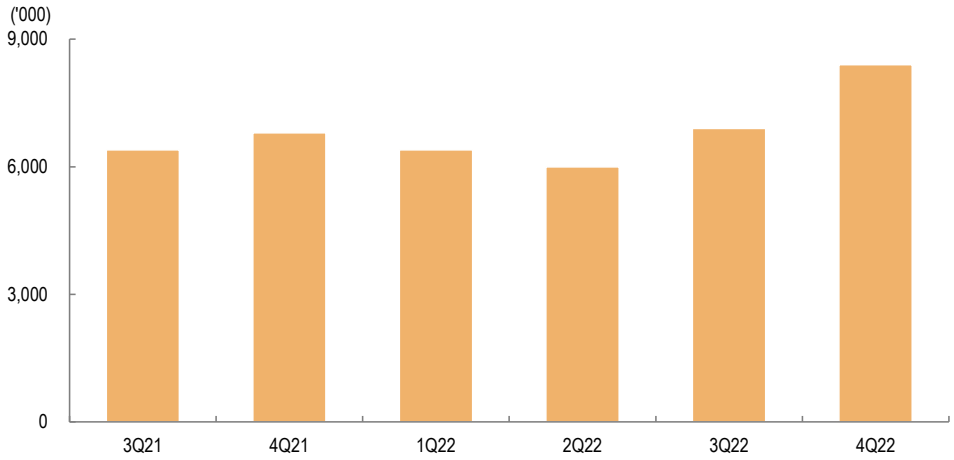
Source: Company materials, Mirae Asset Securities Research

Figure 60. Weverse ARPPU



Source: Company data, Mirae Asset Securities Research

Figure 61. Weverse MAUs



Source: Company data, Mirae Asset Securities Research

Table 6. HYBE: 1H23 concert schedule

	Artists	Shows	Location	No. of concerts	Notes
1Q23	Baekho	BAEKHoney Day mini concert	Taiwan	1	
	Enhypen	Manifesto world tour		7	Two dome concerts in Osaka and one arena concert in the Philippines added
	Le Sserafim	Fearnada fan meeting	Korea	2	
	Seventeen	Seventeen in Carat Land fan meeting	Korea	3	
2Q23	TXT	Act: Sweet Mirage world tour	Korea, Singapore, Taiwan, Japan, US	23	
	Suga		Korea, Singapore, Japan, US, etc.	28	
	Baekho	BAEKHoney Day mini concert	Korea	3	May 12-14

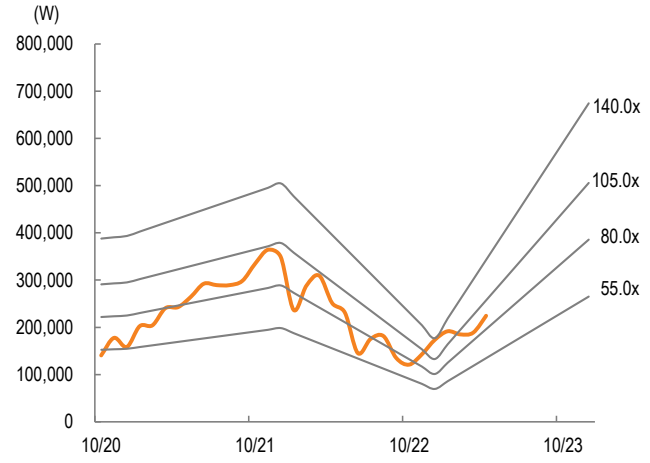
Source: Mirae Asset Securities Research

Table 7. HYBE: 1H23 album release schedule

	Artists	Albums	Release date	Note
1Q23	NewJeans	*OMG*	10/17/22	
	TXT	*The Name Chapter: Temptation*	1/27/23	
	Le Sserafim	*Fearless*	3/31/23	
	Seventeen BSS	*Second Wind*	2/6/23	
	Hwang Min-hyun	*Truth or Lie*	2/27/23	
	Jimin (BTS)	*Face*	3/24/23	First solo album; over 1mn copies sold in first week of availability
2Q23	Suga (BTS)	*D-Day*	4/21/23	
	Seventeen	*FML*	4/24/23	
	Le Sserafim	*Unforgiven*	5/1/23	
	New boy band	-	5/30/23	Koz Entertainment (debut)

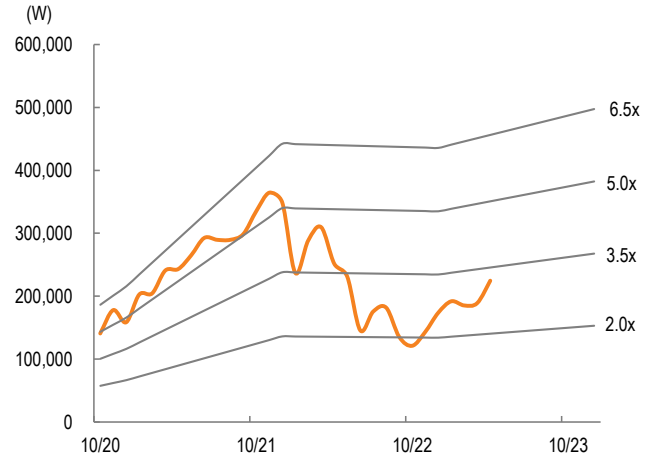
Source: Mirae Asset Securities Research

Figure 62. HYBE: P/E band chart



Source: QuantiWise, Mirae Asset Securities Research

Figure 63. HYBE: P/B valuation band chart



Source: QuantiWise, Mirae Asset Securities Research

HYBE (352820 KS)

Income statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Revenue	**1,776**	**2,098**	**2,056**	**2,015**
Cost of revenue	**934**	**1,085**	**1,034**	**1,013**
GP	**842**	**1,013**	**1,022**	**1,002**
SG&A expenses	**606**	**757**	**756**	**727**
OP (adj.)	**237**	**257**	**266**	**274**
OP	**237**	**257**	**266**	**274**
Non-operating profit	**-141**	**50**	**48**	**25**
Net financial income	3	8	17	25
Net income from associates	0	0	0	0
Pretax profit	96	307	314	299
Income tax	48	83	86	104
Profit from continuing operations	48	223	229	195
Profit from discontinued operations	0	0	0	0
NP	**48**	**223**	**229**	**195**
Attributable to owners	52	221	226	192
Attributable to minority interests	-4	3	3	2
Total comprehensive income	**-171**	**223**	**229**	**195**
Attributable to owners	-168	221	226	192
Attributable to minority interests	-3	3	3	3
EBITDA	356	369	339	324
FCF	330	313	253	223
EBITDA margin (%)	20.0	17.6	16.5	16.1
OP margin (%)	13.3	12.2	12.9	13.6
Net margin (%)	2.9	10.5	11.0	9.5

Balance sheet (summarized)

(Wbn)	2022	2023F	2024F	2025F
Current assets	**2,116**	**2,142**	**2,397**	**2,384**
Cash & equivalents	532	594	990	1,003
AR & other receivables	264	258	235	232
Inventory	79	77	70	69
Other current assets	1,241	1,213	1,102	1,080
Non-current assets	**2,755**	**2,653**	**2,556**	**2,517**
Investments in associates	316	308	280	275
PP&E	99	65	57	58
Intangible assets	1,470	1,416	1,377	1,348
Total assets	**4,870**	**4,795**	**4,952**	**4,901**
Current liabilities	**849**	**835**	**780**	**538**
AP & other payables	127	124	113	110
Short-term financial liabilities	254	254	252	20
Other current liabilities	468	457	415	408
Non-current liabilities	**1,092**	**1,088**	**1,071**	**1,068**
Long-term financial liabilities	903	903	903	903
Other non-current liabilities	189	185	168	165
Total liabilities	**1,942**	**1,923**	**1,851**	**1,605**
Equity attributable to owners	**2,771**	**2,711**	**2,937**	**3,130**
Capital stock	21	21	21	21
Capital surplus	2,650	2,650	2,650	2,650
Retained earnings	233	454	680	873
Minority interests	**158**	**161**	**164**	**166**
Shareholders' equity	**2,929**	**2,872**	**3,101**	**3,296**

Cash flow statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Operating cash flow	**347**	**328**	**270**	**236**
NP	48	223	229	195
Non-cash income/expenses	342	209	164	152
Depreciation	50	49	24	12
Amortization	69	63	48	38
Other	223	97	92	102
Chg. in working capital	-11	-8	-32	-8
Chg. in AR & other receivables	-63	5	19	4
Chg. in inventory	-5	2	7	1
Chg. in AP & other payables	7	-1	-3	-1
Income tax	-106	-83	-86	-104
Cash flow from investing activities	**-285**	**8**	**99**	**3**
Chg. in PP&E	-17	-15	-17	-13
Chg. in intangible assets	-9	-9	-9	-9
Chg. in financial assets	-811	32	125	25
Other	552	0	0	0
Cash flow from financing activities	**-188**	**-1**	**-2**	**-232**
Chg. in financial liabilities	-100	-1	-2	-232
Chg. in equity	106	0	0	0
Dividends	0	0	0	0
Other	-194	0	0	0
Chg. in cash	**-146**	**62**	**396**	**13**
Beginning balance	678	532	594	990
Ending balance	532	594	990	1,003

Key valuation metrics/ratios

	2022	2023F	2024F	2025F
P/E (x)	137.1	48.7	47.6	55.9
P/CF (x)	18.4	24.8	27.4	31.1
P/B (x)	2.6	4.0	3.7	3.4
EV/EBITDA (x)	19.1	27.9	29.5	30.1
EPS (W)	1,265	5,312	5,431	4,620
CFPS (W)	9,431	10,413	9,425	8,317
BPS (W)	66,995	65,097	70,529	75,149
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	41.4	18.1	-2.0	-2.0
EBITDA growth (%)	30.1	3.7	-8.1	-4.3
OP growth (%)	24.5	8.4	3.8	3.0
EPS growth (%)	-64.9	319.8	2.2	-14.9
AR turnover (x)	9.2	9.7	10.1	10.5
Inventory turnover (x)	21.9	26.8	27.8	28.9
AP turnover (x)	28.1	30.1	30.4	31.6
ROA (%)	1.0	4.6	4.7	4.0
ROE (%)	1.9	8.1	8.0	6.3
ROIC (%)	7.5	11.8	12.5	11.9
Debt-to-equity ratio (%)	66.3	67.0	59.7	48.7
Current ratio (%)	249.1	256.4	307.1	443.3
Net debt-to-equity ratio (%)	-18.1	-19.7	-27.8	-32.9
Interest coverage ratio (x)	6.8	6.8	7.1	8.1

Source: Company Data, Mirae Asset Securities Research estimates

COMPANY ANALYSIS

[Korea] Entertainment

April 12, 2023

JYP Entertainment

(035900 KQ)

New growth drivers to emerge in 2H23

Buy
(Initiate)

TP: W95,000
Upside: 25.2%

Mirae Asset Securities Co., Ltd.
Yumi Cha yumi_cha@miraeasset.com

Valuation

Initiate coverage with Buy rating and TP of W95,000

- We derived our target price on JYP Entertainment by applying a P/E of 35x—the firm's three-year average multiple—to our 2023F EPS of W2,698.
- Amid uncertain market conditions, JYP Entertainment's stable earnings growth stands out. Indeed, earnings have been trending upward regardless of overall market conditions, which should help increase the firm's corporate value relative to peers..

1Q23 preview

Expecting robust album/digital music revenue of W58.3bn (soaring more than 70% YoY)

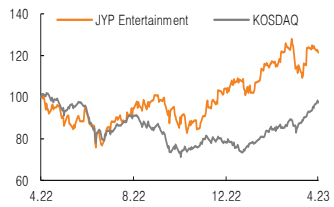
- We estimate album/digital music revenue soared more than 70% YoY to W58.3bn in 1Q23, as major artists achieved robust album sales in the quarter (1.78mn copies for Twice, 470,000 copies for Stray Kids, and 680,000 copies for NMIXX).
- We project full-year concert revenue to grow 80% YoY to W43.8bn, with room for further upside due to potential additional performances by Twice and NMIXX. Notably, fan base expansion in North American is likely to drive both top- and bottom-line growth and an increase in concert-related revenue (e.g., merchandise).

2023 outlook

Solid earnings to continue throughout the year amid abundant positive events

- For 2023, we look for revenue of W462.2bn (+34% YoY) and operating profit of W128.2bn (+33% YoY).
- Twice is launching its fifth world tour and is set to hold 17 concerts across 14 locations. Among them, six will take place in stadiums with capacity of over 30,000 people, pointing to the group's sizable global fan base.
- In 1H23, we anticipate solid revenue driven by: 1) Twice's comeback (March) and world tour (at least 17 concerts); 2) NMIXX's comeback (March) and overseas showcase (across 13 cities/regions); and Stray Kids' comeback (February) and world tour (19 concerts).
- In 2H23, we believe the company will secure new growth drivers thanks to new artists/groups from the Loud project, Project C, and the A2K project.
- The A2K project involves a competition to create a new North American girl group, with audition content likely to be released on YouTube starting in 2Q23. Although a detailed debut schedule is not available yet, we expect A2K momentum to rise toward 2H23.

Key data



Current price (4/12/23, W)	75,900	Market cap (Wbn)	2,694
OP (23F, Wbn)	128	Shares outstanding (mn)	35
Consensus OP (23F, Wbn)	126	Free float (%)	77.4
EPS growth (23F, %)	41.9	Foreign ownership (%)	42.9
P/E (23F, x)	28.1	Beta (12M)	0.58
Market P/E (23F, x)	15.4	52-week low (W)	47,450
KOSDAQ	890.62	52-week high (W)	80,000

Share performance

(%)	1M	6M	12M
Absolute	-2.3	34.3	21.4
Relative	-13.5	1.3	24.6

Earnings and valuation metrics

(Dec.)	2020	2021	2022	2023F	2024F	2025F
Revenue (Wbn)	144	194	346	462	494	529
OP (Wbn)	44	58	97	128	149	160
OP margin (%)	30.6	29.9	28.0	27.7	30.2	30.2
NP (Wbn)	30	67	67	96	112	122
EPS (W)	832	1,900	1,901	2,698	3,144	3,448
ROE (%)	17.3	31.4	24.7	28.0	25.7	22.7
P/E (x)	46.2	26.7	35.7	28.1	24.1	22.0
P/B (x)	7.0	7.0	7.7	6.8	5.4	4.4
Div. yield (%)	0.4	0.7	0.5	0.5	0.5	0.5

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

MIRAE ASSET Securities

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2023 outlook

Valuation and 2023 forecasts

We initiate our coverage on JYP Entertainment with a Buy rating and target price of W95,000, which we derived by applying a P/E of 35x—the firm's three-year average multiple—to our 2023F EPS of W2,698.

In 2023, we expect JYP Entertainment to deliver robust growth, with revenue of W462.2bn (+34% YoY) and operating profit of W128.2bn (+33% YoY). In 1H23, earnings growth will likely be driven by increasing activities by major artists, including Twice, Stray Kids, and NMIXX. In 2H23, we see positive momentum from the expected debut of three new idol groups. Notably, JYP Entertainment has delivered high-quality growth in the US since signing a partnership with Republic Records in 2020, with its artists rapidly growing their revenue in the region. The company is set to debut its first North American girl group in collaboration with Republic Records, which should provide strong momentum for the stock in 2H23.

Table 8. JYP Entertainment: TP calculation

	Value	Notes
2023F NP attr. to owners of the parent (Wbn)	96	
No. of shares ('000)	35,497	
Target P/E (x)	35	Three-year avg. multiple
EPS (W)	2,698	
Fair value	94,984	
TP (W)	95,000	
CP (W)	75,900	
Upside	25.2%	

Source: Mirae Asset Securities Research

Table 9. JYP Entertainment: Quarterly and annual earnings (Wbn, %)

	1Q22	2Q22	3Q22	4Q22	1Q23F	2Q23F	3Q23F	4Q23F	2022	2023F	2024F
Revenue	**67.8**	**67.8**	**95.1**	**115.2**	**106.4**	**95.4**	**133.7**	**126.6**	**345.9**	**462.2**	**494.4**
Albums/digital music	33.7	29.4	47.1	64.6	58.3	41.1	89.6	73.8	174.7	262.8	298.9
Albums	24.5	18.6	36.9	53.2	46.0	30.8	77.5	61.6	133.2	215.9	252.0
Digital music	9.2	10.8	10.1	11.4	12.4	10.3	12.1	12.2	41.5	46.9	46.9
Management	12.8	16.5	15.1	13.3	19.4	21.8	16.9	21.4	57.7	79.5	85.8
Advertising	4.9	5.1	5.6	6.2	6.4	6.5	5.9	6.2	21.8	25.0	27.1
Concerts	3.3	10.0	7.0	4.3	10.8	13.3	8.5	11.3	24.6	43.8	48.5
Appearance fees	4.6	1.3	2.5	2.9	2.3	2.0	2.6	3.9	11.3	10.8	10.2
Other	21.3	21.9	33.0	37.3	28.7	32.5	27.2	31.4	113.5	119.8	109.7
OP	**19.2**	**24.3**	**27.5**	**25.7**	**31.3**	**28.6**	**35.1**	**33.1**	**96.6**	**128.2**	**149.3**
OP margin (%)	**28%**	**36%**	**29%**	**22%**	**29%**	**30%**	**26%**	**26%**	**28%**	**28%**	**30%**
NP attr. to owners of the parent	**16.7**	**15.3**	**22.4**	**13.1**	**23.5**	**21.3**	**26.4**	**24.5**	**67.5**	**95.7**	**111.8**
YoY	**110%**	**67%**	**66%**	**81%**	**57%**	**41%**	**40%**	**10%**	**78%**	**34%**	**7%**
Albums/digital music	124%	13%	31%	81%	73%	40%	90%	14%	55%	50%	14%
Albums	240%	10%	49%	93%	88%	66%	110%	16%	74%	62%	17%
Digital music	17%	18%	-9%	40%	35%	-5%	19%	7%	14%	13%	0%
Management	220%	305%	117%	19%	52%	32%	12%	61%	120%	38%	8%
Advertising	58%	101%	64%	75%	29%	27%	6%	0%	73%	15%	8%
Concerts	939%	12315%	1791%	817%	228%	32%	21%	164%	1895%	78%	11%
Appearance fees	703%	-10%	-21%	-60%	-50%	53%	1%	37%	-9%	-4%	-5%
Other	61%	110%	130%	122%	34%	49%	-18%	-16%	107%	6%	-8%

Source: Company data, Mirae Asset Securities Research

Investment points

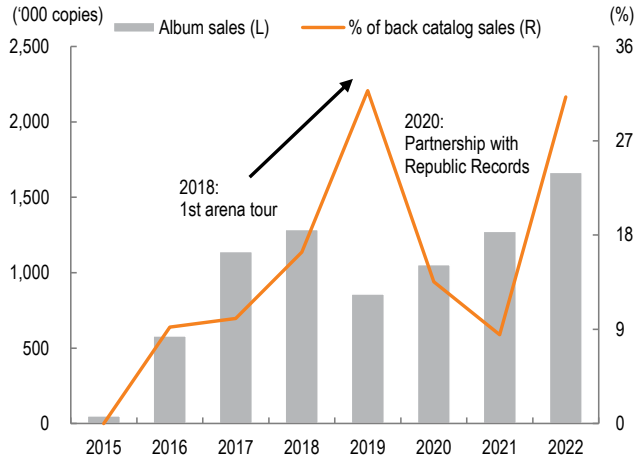
1. Major artists' North American activities to continue to pick up

1) Six stadium concerts are scheduled in the US, pointing to strong global fandom

Since entering into a partnership with Republic Records in 2020, JYP Entertainment's artists have been actively expanding into North America. Twice's 12th mini album *Ready to Be* (released in March) was on the Billboard 200's top 20 chart for two consecutive weeks. The group is launching its fifth world tour and is set to hold 17 concerts across 14 locations.

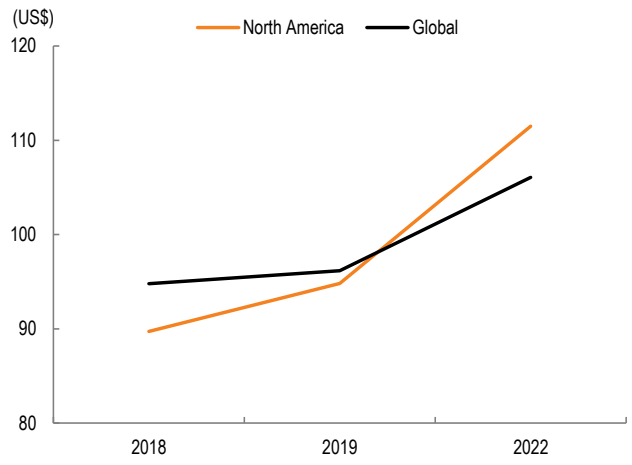
What's most notable about Twice's 2023 world tour is the capacity of the venues. Among the scheduled concerts, six will take place in stadiums with capacity of over 30,000, pointing to the group's sizable global fan base. Tickets for its concerts at the 70,000-seat MetLife Stadium (New Jersey) and the 50,000-seat SoFi Stadium (Los Angeles) are already sold out. We expect the increase in total concert attendance (300,000 in 2022) and higher ticket prices to drive notable YoY growth in North American concert revenue in 2023.

Figure 64. Twice's album sales trend



Source: Circle Chart,, Mirae Asset Securities Research

Figure 65. Avg. ticket price trends: North America vs. global



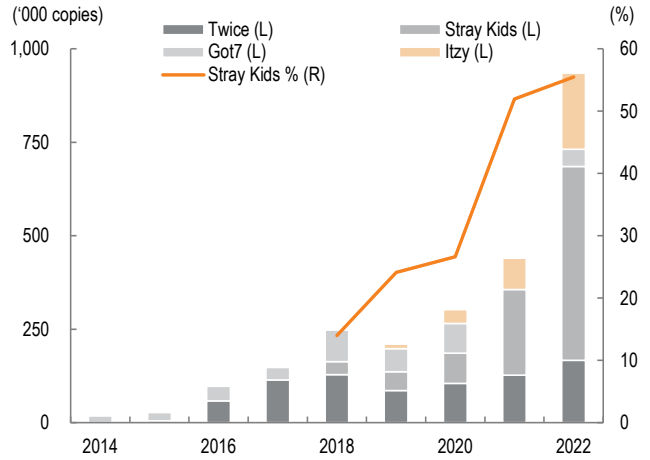
Source: Mirae Asset Securities Research

2) K-pop taking the world by storm

We expect Stray Kids to make a meaningful contribution to JYP Entertainment's 2023 earnings, supported by its expanded US fan base. In 2022, Stray Kids' album *Maxident* claimed the top spot on the US Billboard 200 chart and sold 5.2mn copies (+130% YoY). Given that the profit contribution of an artist/group is typically highest in the fourth to fifth year after its debut, we expect the group to make its biggest contribution to the company's profit over the next two to three years.

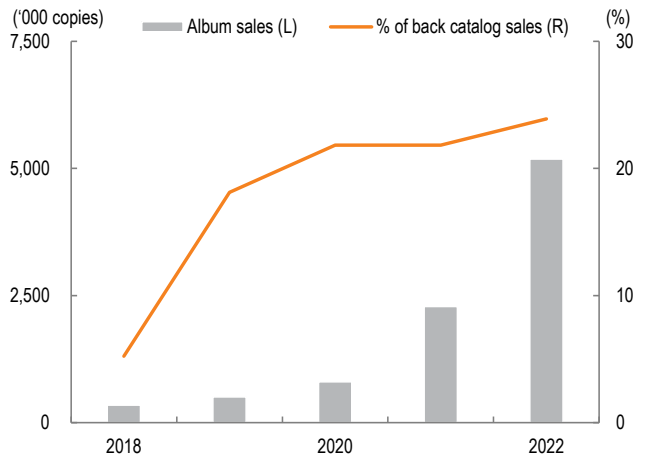
In March, Stray Kids wrapped up its second world tour, holding a total of 42 shows (including encore performances) across 18 cities. These included a number of US arena concerts (around 5,000 to 20,000 seats) and Japanese dome concerts. As such, we think the group has demonstrated robust drawing power.

Figure 66. JYP Entertainment: Annual album sales breakdown



Source: Circle Chart, Mirae Asset Securities Research

Figure 67. Stray Kids: Album sales trend



Source: Circle Chart, Mirae Asset Securities Research

2. First-ever K-pop-style US girl group is set to debut

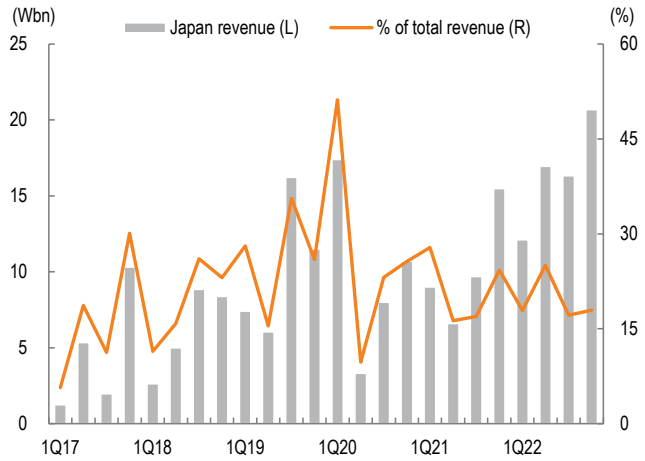
1) K-pop-style Japanese idol group proves successful

NiziU, JYP Entertainment's first all-Japanese girl group, set a new record for a "K-pop" girl group, as it landed a dome concert just 1 year and 11 months after its debut (vs. 53 months on average for other K-pop groups) and drew 330,000 attendees to its first stand-alone Japan concert tour (six arena tours and four dome concerts). In 2022, NiziU's activities in Japan alone generated around W18bn in net revenue. With the group's first Korean album release slated for this year, we expect its contribution to JYP Entertainment's revenue to keep rising.

Meanwhile, we expect the launch of the Nizi Project 2 boy group (tentative name) to be slightly delayed to 1H24. Related content is currently being filmed and is scheduled to air in two parts starting in 2H23. As was the case with Nizi Project 1, there will be pre-debut videos showing the audition, training, and final selection processes; we think this will generate excitement around the group and help it to build a fan base in advance. Considering that male groups typically have larger fan bases than girl groups, we anticipate the Nizi Project 2 boy group to top NiziU in album sales and tour attendance.

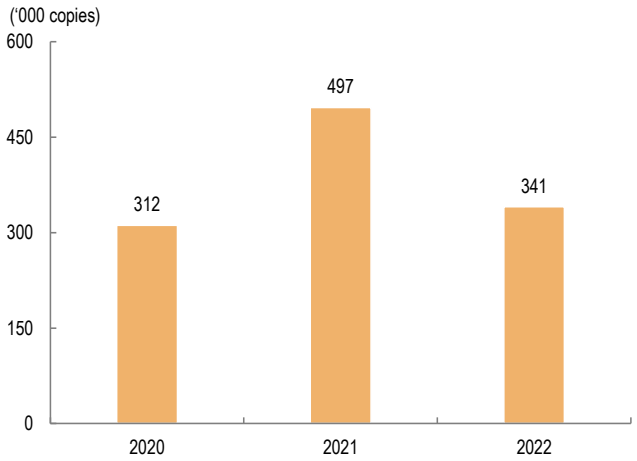
JYP Entertainment is teaming up with Republic Records to debut a North American girl group via the A2K project, with related auditions expected to be announced at end-April. While details (e.g., group members, profit split) are still sparse, we believe the much-anticipated project will provide a strong boost to the firm's stock in 2H23, as we see virtually unlimited potential (in terms of popularity, brand power, capabilities, and fandom growth in the US) for the first K-pop-style North American girl group

Figure 68. JYP Entertainment: Japan revenue



Source: JYP, Mirae Asset Securities Research

Figure 69. NiziU's album sales in Japan



Source: Oricon, Mirae Asset Securities Research

2) Three new artist groups set to debut in 2023

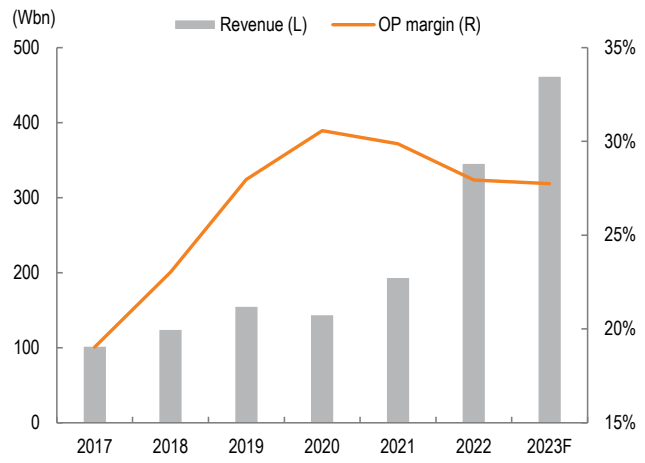
In 2H23, JYP Entertainment is set to debut three new groups, tentatively named Loud (Korean boy band; 3Q23), Project C (Chinese boy band; 3Q23), and A2K (US girl group; 4Q23). As the first Korean entertainment company to introduce and stabilize a multi-label system, JYP Entertainment enjoys stable growth, with an average of two artist debuts every year. In 1H23, we see earnings growth continuing on the back of increased activities by the firm's main artists (e.g., Twice, Stray Kids). In 2H23, we see further positive momentum from the scheduled debuts of three new groups.

Figure 70. JYP Entertainment: Artist debut time line

Group	2015	2016	2017	2018	2019	2020	2021	2022	2023F
2PM	Contract renewal			Contract renewal					
Day6	Debut							Contract renewal	
Twice	Debut							Contract renewal	
Stray Kids				Debut					
Itzy					Debut				
NiziU (Japan)						Debut			
Xdinary Heroes							Debut		
NMIXX								Debut	
New group 1 (Loud)									2Q debut
New group 2 (Project C, China)									3Q debut
New group 3 (A2K, US)									4Q debut
New group 4 (Nizi 2, Japan)									*1Q24 debut

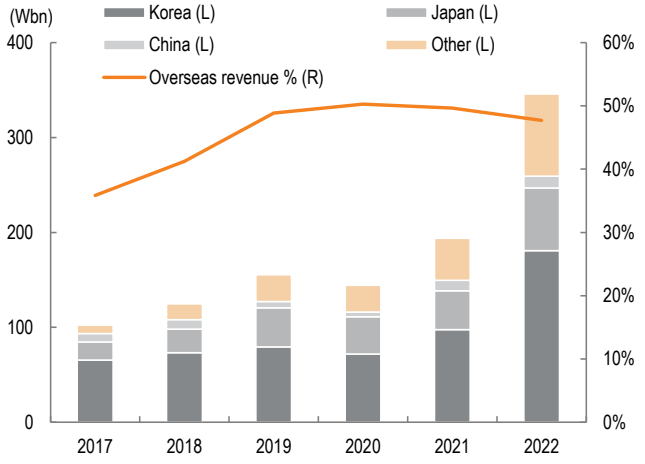
Source: Company materials, Mirae Asset Securities Research

Figure 71. JYP Entertainment: Annual revenue and OP margin



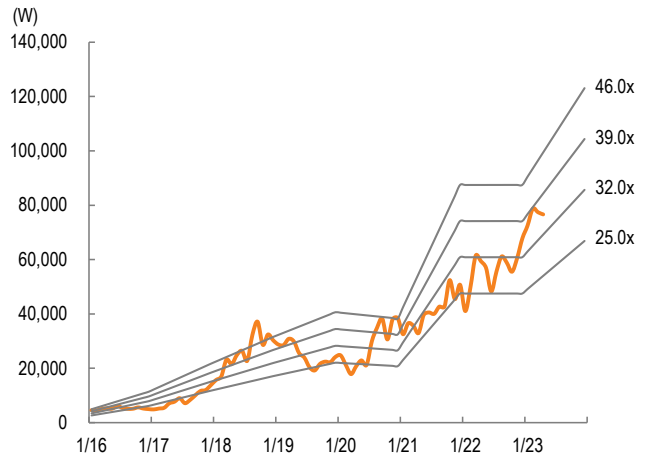
Source: Company data, Mirae Asset Securities Research

Figure 72. JYP Entertainment: Revenue breakdown by country/region



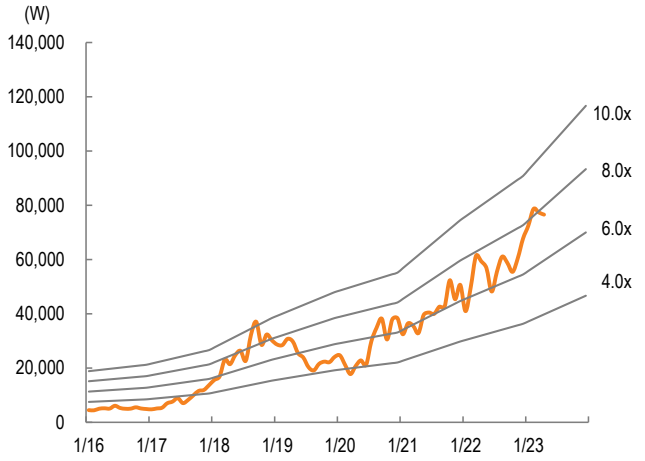
Source: Mirae Asset Securities Research

Figure 73. JYP Entertainment: P/E band chart



Source: QuantiWise, Mirae Asset Securities Research

Figure 74. JYP Entertainment: P/B band chart



Source: QuantiWise, Mirae Asset Securities Research

JYP Entertainment (035900 KQ)

Income statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Revenue	**346**	**462**	**494**	**529**
Cost of revenue	**189**	**268**	**276**	**296**
GP	**157**	**194**	**218**	**233**
SG&A expenses	**60**	**66**	**69**	**74**
OP (adj.)	**97**	**128**	**149**	**160**
OP	**97**	**128**	**149**	**160**
Non-operating profit	**-3**	**-3**	**-3**	**3**
Net financial income	1	2	3	4
Net income from associates	1	0	0	0
Pretax profit	94	125	146	163
Income tax	27	29	34	40
Profit from continuing operations	68	96	112	123
Profit from discontinued operations	0	0	0	0
NP	**68**	**96**	**112**	**123**
Attributable to owners	67	96	112	122
Attributable to minority interests	0	0	1	1
Total comprehensive income	**64**	**96**	**112**	**123**
Attributable to owners	64	101	118	129
Attributable to minority interests	0	-5	-6	-6
EBITDA	103	137	157	169
FCF	86	106	119	130
EBITDA margin (%)	29.8	29.7	31.8	31.9
OP margin (%)	28.0	27.7	30.2	30.2
Net margin (%)	19.4	20.8	22.7	23.1

Balance sheet (summarized)

(Wbn)	2022	2023F	2024F	2025F
Current assets	**237**	**327**	**430**	**541**
Cash & equivalents	140	220	320	423
AR & other receivables	20	22	23	24
Inventory	2	3	3	3
Other current assets	75	82	84	91
Non-current assets	**174**	**178**	**179**	**187**
Investments in associates	48	53	55	59
PP&E	38	36	35	35
Intangible assets	42	41	41	44
Total assets	**411**	**505**	**609**	**728**
Current liabilities	**101**	**111**	**115**	**123**
AP & other payables	32	35	36	38
Short-term financial liabilities	3	3	3	3
Other current liabilities	66	73	76	82
Non-current liabilities	**5**	**6**	**6**	**6**
Long-term financial liabilities	2	2	2	2
Other non-current liabilities	3	4	4	4
Total liabilities	**107**	**117**	**121**	**129**
Equity attributable to owners	**301**	**384**	**483**	**593**
Capital stock	18	18	18	18
Capital surplus	77	77	77	77
Retained earnings	218	301	401	511
Minority interests	**4**	**4**	**5**	**6**
Shareholders' equity	**305**	**388**	**488**	**599**

Cash flow statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Operating cash flow	**88**	**108**	**121**	**134**
NP	68	96	112	123
Non-cash income/expenses	35	36	39	46
Depreciation	4	4	3	3
Amortization	2	5	5	6
Other	29	27	31	37
Chg. in working capital	5	2	1	2
Chg. in AR & other receivables	-24	-2	-1	-2
Chg. in inventory	-1	0	0	0
Chg. in AP & other payables	18	2	1	2
Income tax	-21	-29	-34	-40
Cash flow from investing activities	**17**	**-10**	**-8**	**-15**
Chg. in PP&E	-1	-2	-2	-4
Chg. in intangible assets	-13	-5	-5	-9
Chg. in financial assets	30	-3	-1	-2
Other	1	0	0	0
Cash flow from financing activities	**-13**	**-12**	**-12**	**-12**
Chg. in financial liabilities	1	0	0	0
Chg. in equity	0	0	0	0
Dividends	-12	-12	-12	-12
Other	-2	0	0	0
Chg. in cash	**91**	**81**	**99**	**103**
Beginning balance	49	140	220	320
Ending balance	140	220	320	423

Key valuation metrics/ratios

	2022	2023F	2024F	2025F
P/E (x)	35.7	32.5	27.9	25.5
P/CF (x)	23.5	23.6	20.7	18.4
P/B (x)	7.7	7.9	6.3	5.1
EV/EBITDA (x)	22.0	21.0	17.7	15.9
EPS (W)	1,901	2,698	3,144	3,448
CFPS (W)	2,881	3,723	4,252	4,759
BPS (W)	8,809	11,154	13,954	17,058
DPS (W)	369	369	369	369
Dividend payout ratio (%)	18.1	12.7	10.9	9.9
Dividend yield (%)	0.5	0.4	0.4	0.4
Revenue growth (%)	78.4	33.6	7.0	7.0
EBITDA growth (%)	64.0	33.7	14.6	7.4
OP growth (%)	66.9	32.7	16.3	6.9
EPS growth (%)	0.0	41.9	16.5	9.7
AR turnover (x)	15.5	22.2	22.3	22.7
Inventory turnover (x)	180.6	183.7	184.7	188.1
AP turnover (x)	12.8	11.8	11.4	11.7
ROA (%)	18.5	21.0	20.1	18.4
ROE (%)	24.7	28.0	25.7	22.7
ROIC (%)	113.6	176.8	217.1	226.9
Debt-to-equity ratio (%)	35.0	30.1	24.7	21.5
Current ratio (%)	233.9	293.7	374.2	439.9
Net debt-to-equity ratio (%)	-51.0	-61.2	-69.1	-73.8
Interest coverage ratio (x)	1,069.4	884.1	945.5	980.3

Source: Company data, Mirae Asset Securities Research estimates

COMPANY ANALYSIS

[Korea] Entertainment

April 12, 2023

YG Entertainment

(122870 KQ)

All eyes on Treasure and BabyMonster

Buy
(Initiate)

TP: W76,000
Upside: 24.2%

Mirae Asset Securities Co., Ltd.
Yumi Cha yumi_cha@miraeasset.com

Valuation

Initiate coverage with Buy and TP of W76,000

- We derived our target price on YG Entertainment by applying a P/E of 28x to our 2023F EPS of W2,659.
- We applied the average multiple of entertainment peers without any discount, in light of: 1) the robust earnings outlook for 2023 driven by Blackpink's successful Born Pink world tour; and 2) bullish expectations on the upcoming debut of BabyMonster in 2H23.

1Q23 preview

2023F: Revenue of W470bn (+20% YoY), OP of W63.1bn (OP margin of 13%)

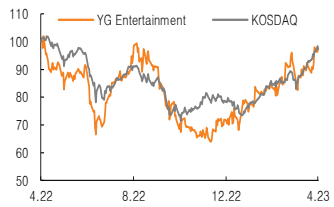
- For 1Q23, we estimate product revenue grew 82% YoY to W56.3bn, spurred by more than 1.3mn preorders for Jisoo's single album (released on Mar. 31).
- We also believe concert revenue was robust, at W14.7bn, backed by Blackpink's world tour and Treasure's Japan tour.
- Blackpink will return to Paris in July for an encore performance as part of the Born Pink world tour. The show will be held in a stadium with a capacity of 80,000 seats—double the seating capacity of the venue where the group's December Paris concert was held.

2023 outlook

Much of 2023 will hinge on BabyMonster

- With the release of Jisoo's solo album and the announcement of an "encore extension" to Blackpink's world tour through July, we believe risks associated with the group's contract renewal have mostly dissipated. Following Blackpink's contract renewal, we believe the key variables in 2H23 will be: 1) the pace at which Treasure's global fan base grows; and 2) the debut of BabyMonster.
- Treasure has established a strong profile in Japan, becoming the fastest fourth-generation Korean boy band to land a dome tour in the country. That said, the group's US presence remains relatively limited, and how fast the group grows in the US will be key.
- Even though BabyMonster has yet to make its debut, expectations are running high, as the group's dance performance video has racked up over 17mn views, and other videos have gotten more than 10mn views. We believe the group has already secured a meaningful fan base ahead of its debut in 2H23.

Key data



Current price (4/12/23, W)	61,200	Market cap (Wbn)	1,142
OP (23F, Wbn)	63	Shares outstanding (mn)	19
Consensus OP (23F, Wbn)	69	Free float (%)	74.3
EPS growth (23F, %)	46.7	Foreign ownership (%)	10.0
P/E (23F, x)	23.0	Beta (12M)	0.91
Market P/E (23F, x)	15.4	52-week low (W)	40,150
KOSDAQ	890.62	52-week high (W)	64,000

Share performance

(%)	1M	6M	12M
Absolute	6.4	38.1	-2.5
Relative	-5.8	4.2	0.0

Earnings and valuation metrics

(Dec.)	2020	2021	2022	2023F	2024F	2025F
Revenue (Wbn)	255	322	391	470	458	446
OP (Wbn)	6	25	43	63	56	54
OP margin (%)	2.4	7.8	11.0	13.4	12.2	12.1
NP (Wbn)	9	7	34	50	45	42
EPS (W)	515	361	1,813	2,659	2,422	2,261
ROE (%)	2.7	1.8	8.6	11.5	9.5	8.2
P/E (x)	86.8	154.2	24.2	23.0	25.3	27.1
P/B (x)	2.3	2.7	2.0	2.5	2.3	2.1
Div. yield (%)	0.0	0.4	0.6	0.4	0.4	0.4

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

MIRAE ASSET Securities

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2023 outlook

Valuation

We initiate our coverage on YG Entertainment with a Buy rating and target price of W76,000. We derived our target price by applying a P/E of 28x to our 2023F EPS of W2,659. We applied the average multiple of entertainment peers without any discount, in light of: 1) the robust earnings outlook for 2023 driven by Blackpink's successful Born Pink world tour; and 2) bullish expectations on the upcoming debut of Baby Monster in 2H23.

We see share price momentum ahead, especially in 2H23, given: 1) Blackpink's growth into a top-tier act capable of selling 1.5mn concert tickets—more than any other K-pop girl group in history; 2) the likely expansion of Treasure's global fan base in 2023; and 3) the 2H23 debut of BabyMonster, the company's first new girl group in seven years.

Table 10. YG Entertainment: TP calculation

	Value	Notes
2023F NP attr. to owners of the parent (Wbn)	50.2	
No. of shares	18,661,939	
EPS (W)	2,659	
Target P/E (x)	28	Avg. of entertainment peer group
TP (W)	76,000	
CP (W)	61,200	
Upside	24.2%	

Note: As of Apr. 11, 2023 close
Source: Mirae Asset Securities Research

Table 11. YG Entertainment: Quarterly and annual earnings (Wbn, %)

	1Q22	2Q22	3Q22	4Q22	1Q23F	2Q23F	3Q23F	4Q23F	2022	2023F	2024F
Revenue (consolidated)	**75.5**	**76.0**	**114.7**	**124.8**	**128.4**	**109.5**	**103.8**	**128.3**	**391.0**	**470.0**	**457.8**
Products	30.9	28.8	53.2	43.7	56.3	45.1	42.2	57.3	156.7	200.9	192.1
Concerts	0.0	4.0	0.0	18.7	14.7	10.4	11.0	12.5	22.7	48.5	47.3
Advertising	15.0	15.1	17.4	19.8	16.6	16.8	17.1	17.5	67.3	68.0	69.2
Royalties	1.9	2.8	1.5	8.5	2.3	3.4	1.8	8.9	14.7	16.4	19.7
Appearance fees	3.1	2.9	5.2	6.6	10.7	7.2	5.0	6.2	17.9	29.2	22.4
Production	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Music services	15.6	18.7	18.2	18.2	19.3	18.0	18.5	18.4	70.7	74.2	75.5
Other	8.9	3.6	19.0	9.3	8.5	8.7	8.1	7.5	40.8	32.8	31.7
OP (consolidated)	**1.7**	**8.6**	**14.8**	**17.3**	**18.3**	**15.7**	**11.4**	**17.6**	**42.5**	**63.1**	**55.7**
OP margin	2%	11%	13%	14%	14%	14%	11%	14%	11%	13%	12%
NP attr. to owners of the parent	**-0.1**	**5.9**	**13.1**	**14.8**	**13.4**	**12.9**	**9.7**	**13.7**	**46.8**	**60.2**	**54.6**
YoY	**-22%**	**-9%**	**33%**	**40%**	**70%**	**44%**	**-9%**	**3%**	**10%**	**20%**	**-3%**
Products	-30%	-15%	57%	50%	82%	56%	-21%	31%	11%	28%	-4%
Concerts	-	-	-	803%	TTB	159%	TTB	-33%	998%	113%	-3%
Advertising	37%	16%	35%	27%	11%	11%	-2%	-11%	28%	1%	2%
Royalties	-54%	16%	-78%	81%	20%	20%	20%	5%	-19%	11%	20%
Appearance fees	-44%	-51%	75%	40%	242%	146%	-4%	-5%	-7%	63%	-23%
Production	-100%	-97%	-110%	-92%	-100%	-100%	-100%	-100%	-99%	-100%	
Music services	59%	12%	-5%	-29%	24%	-4%	2%	1%	-1%	5%	2%
Other	38%	-66%	84%	34%	-4%	141%	-57%	-20%	18%	-20%	-4%

Source: Company data Mirae Asset Securities Research

Investment points

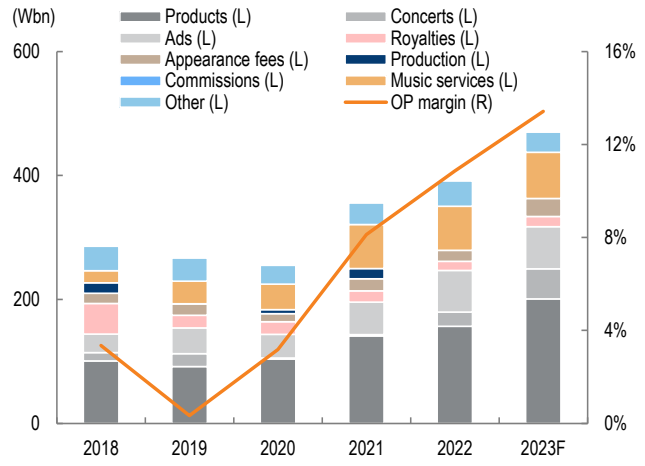
1. All eyes on Treasure

For 2023, we forecast YG Entertainment to post revenue of W470bn (+20% YoY) and operating profit of W63.1bn (+49% YoY). Blackpink, which is expected to draw a record 1.5mn global fans to its ongoing world tour, has been a key driver of YG Entertainment's growth. As such, it is positive that risks associated with the group's contract renewals have almost subsided. That said, we think the company needs to prove the potential of Treasure—which is seen as the company's next growth engine after Blackpink—given that: 1) the profit contribution of an artist/group is typically highest in the third to fourth year after its debut; and 2) the profit split ratio tends to become much more favorable to the artist after contract renewal.

In 2020, the year Blackpink's global fandom exploded, the group sold 1.65mn albums. The previous year, the share of older albums out of total album sales had risen to 20%, signaling the inflow of new fans. And album sales in subsequent years increased to 2.5 to 4.5 times the average of prior years (based on years in which new albums were released).

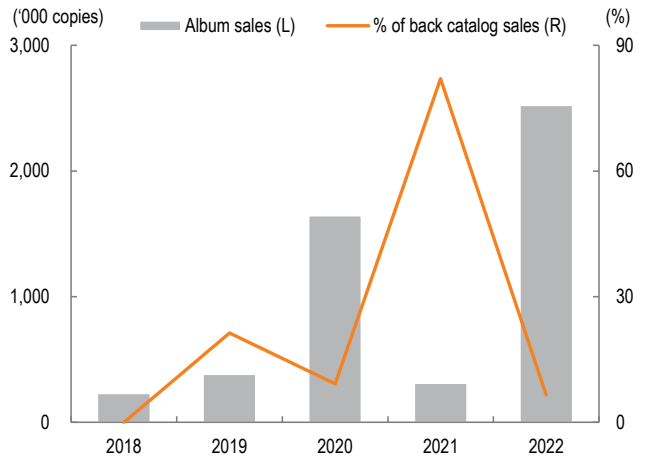
At a time when the company is relying on Treasure as its post-Blackpink engine, the share of older albums in the group's total album sales remains in the single digits. We believe Treasure urgently needs to expand its global fan base, as it is lagging behind its fourth-generation peers in terms of album sales and concert attendance. That said, we think Treasure will continue to deliver solid growth in Japan. We note that Treasure was one of the fastest Korean groups to land Japanese dome concerts after its debut (surpassed only by Enhypen and NiziU, both of which specifically target the Japanese market), and it has recorded strong album sales on Japan's Oricon charts.

Figure 75. YG Entertainment: Consolidated earnings and forecasts



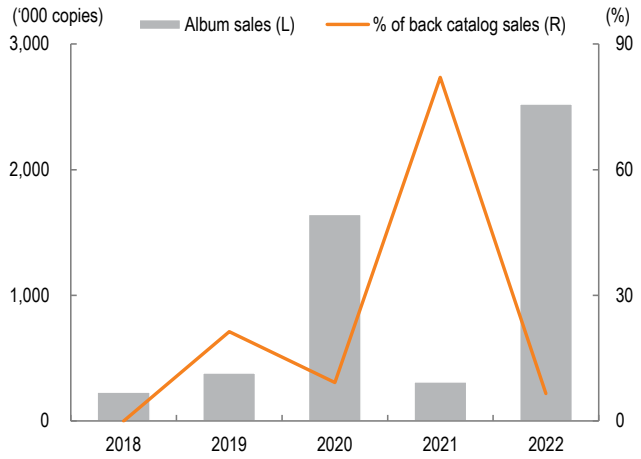
Source: Company data, Mirae Asset Securities Research

Figure 76. Blackpink's album sales trend



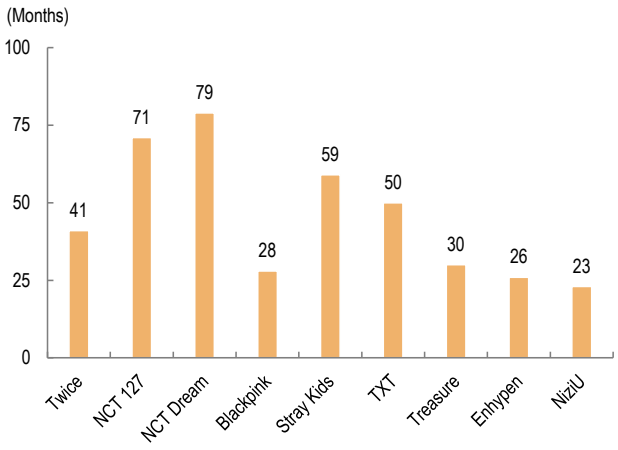
Source: Circle Chart, Mirae Asset Securities Research

Figure 77. Treasure's album sales trend



Source: Circle Chart, Mirae Asset Securities Research

Figure 78. Time from debut to Japanese dome tour concerts for third/fourth-gen groups



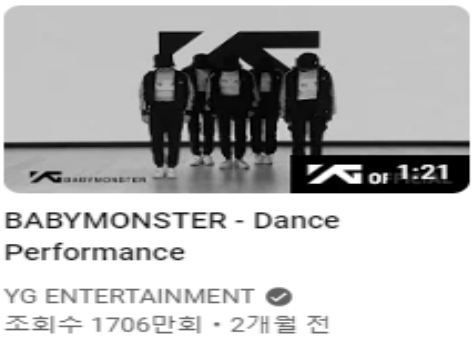
Source: Mirae Asset Securities Research

2. Efforts underway to secure medium/long-term growth drivers

1) New idol group to finally debut

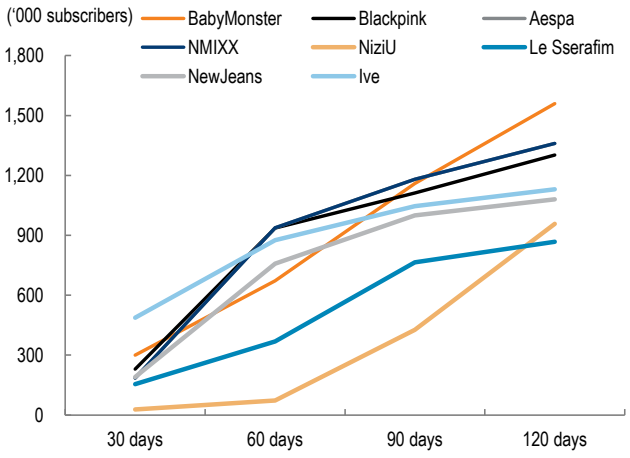
In 2H23, YG Entertainment will be debuting BabyMonster, its first girl group since Blackpink debuted seven years ago. Even though the group has yet to make its debut, expectations are running high, with its official YouTube channel already attracting 1.67mn subscribers, a dance performance video racking up over 17mn views, and other videos also garnering more than 10mn views. With a rival company recouping its initial investments in its most recent girl groups within a year of their debuts, we believe BabyMonster could also become a major source of income for YG Entertainment in as early as 2024.

Figure 79. BabyMonster's dance performance video has racked up 17mn views



Source: Company data, Mirae Asset Securities Research

Figure 80. Subscriber trends following YouTube channel launch

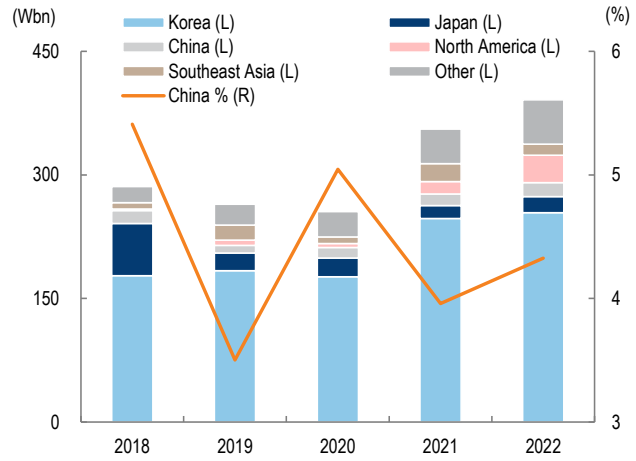


Source: YouTube, Mirae Asset Securities Research

2) Highest exposure to China

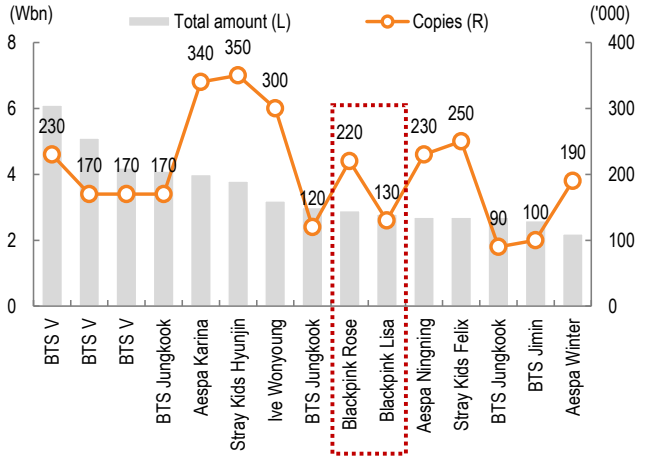
Expectations are growing over China's potential lifting of restrictions on Korean content. YG Entertainment is expected to benefit the most if restrictions are eased, as the company had the highest revenue exposure to China among domestic entertainment firms and was therefore hit the hardest by the bans. Prior to the restrictions, China accounted for 21% of the company's revenue, but that share has now fallen to 4.3% (as of 4Q22). Notably, Chinese fan websites for Blackpink members Rose and Lisa raised a combined W5.7bn for group album purchases, suggesting there is ample demand in China for Blackpink's albums.

Figure 81. YG Entertainment: Revenue breakdown by region and China share



Source: Company data, Mirae Asset Securities Research

Figure 82. Chinese fan websites' group buying activities



Source: Press, Mirae Asset Securities Research

Table 12. YG Entertainment: 2023 concert schedule

	Artist	Tour	Region	No. of concerts	Notes
4Q22	iKON	iKON Japan tour 2022	Japan	3	Osaka-Jo Hall
	Blackpink	Born Pink world tour	Korea, North America, Europe	26	Two domestic concerts, 12 North American concerts, 12 European concerts
	Treasure	Hello tour	Korea, Japan	23	Japanese arena tour
1Q23	Blackpink	Born Pink world tour	Asia	14	
	Treasure	Hello tour	Japan, Asia	10	Two dome concerts and three arena concerts
2Q23	Blackpink	Born Pink world tour	Asia, Australia, Latin America, Japan, etc.	16	Four dome concerts
	Treasure	Hello tour	Asia	7	Arena tour
3Q23	Blackpink	Born Pink world tour	Europe	1	One encore concert added

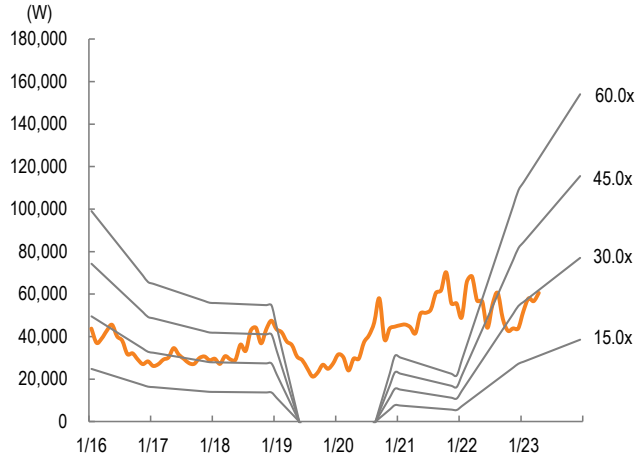
Source: Company data, Mirae Asset Securities Research

Table 13. YG Entertainment: 1H23 album release schedule

	Artist	Album	Release date	Notes
4Q22	Lee Chan-hyuk (AKMU)	*Error*	Oct. 17, 2022	
1Q23	Jisoo (Blackpink)	*Me*	Mar. 31, 2023	First solo album; more than 1mn copies sold in first week

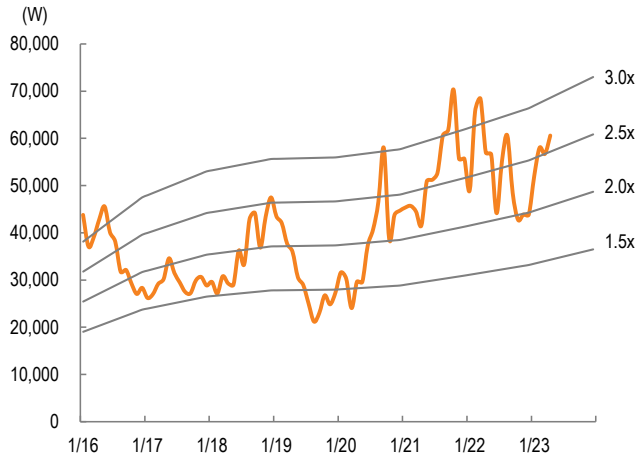
Source: Company data, Mirae Asset Securities Research

Figure 83. YG Entertainment: P/E band chart



Source: QuantiWise, Mirae Asset Securities Research

Figure 84. YG Entertainment P/B band chart



Source: QuantiWise, Mirae Asset Securities Research

YG Entertainment (122870 KQ)

Income statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Revenue	**391**	**470**	**458**	**446**
Cost of revenue	**263**	**317**	**311**	**303**
GP	**128**	**153**	**147**	**143**
SG&A expenses	**85**	**90**	**92**	**89**
OP (adj.)	**43**	**63**	**56**	**54**
OP	**43**	**63**	**56**	**54**
Non-operating profit	**13**	**15**	**15**	**12**
Net financial income	3	8	10	12
Net income from associates	1	1	0	0
Pretax profit	56	78	71	66
Income tax	15	18	16	15
Profit from continuing operations	41	60	54	51
Profit from discontinued operations	5	0	0	0
NP	**47**	**60**	**54**	**51**
Attributable to owners	34	50	45	42
Attributable to minority interests	13	10	9	9
Total comprehensive income	**40**	**60**	**54**	**51**
Attributable to owners	31	51	46	43
Attributable to minority interests	10	9	8	7
EBITDA	56	77	70	68
FCF	46	68	58	60
EBITDA margin (%)	14.3	16.4	15.3	15.2
OP margin (%)	11.0	13.4	12.2	12.1
Net margin (%)	8.7	10.6	9.8	9.4

Balance sheet (summarized)

(Wbn)	2022	2023F	2024F	2025F
Current assets	**366**	**428**	**458**	**506**
Cash & equivalents	80	138	197	247
AR & other receivables	73	75	64	63
Inventory	16	17	14	14
Other current assets	197	198	183	182
Non-current assets	**347**	**343**	**336**	**330**
Investments in associates	47	49	41	40
PP&E	180	174	174	168
Intangible assets	11	12	13	15
Total assets	**713**	**771**	**794**	**836**
Current liabilities	**163**	**167**	**141**	**137**
AP & other payables	75	77	65	63
Short-term financial liabilities	5	5	4	4
Other current liabilities	83	85	72	70
Non-current liabilities	**24**	**24**	**23**	**23**
Long-term financial liabilities	18	18	18	18
Other non-current liabilities	6	6	5	5
Total liabilities	**187**	**191**	**164**	**160**
Equity attributable to owners	**409**	**453**	**494**	**531**
Capital stock	9	9	9	9
Capital surplus	225	225	225	225
Retained earnings	160	205	246	283
Minority interests	**117**	**127**	**136**	**145**
Shareholders' equity	**526**	**580**	**630**	**676**

Cash flow statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Operating cash flow	**55**	**74**	**70**	**64**
NP	47	60	54	51
Non-cash income/expenses	22	24	21	17
Depreciation	12	12	12	11
Amortization	1	2	2	3
Other	9	10	7	3
Chg. in working capital	0	0	2	-1
Chg. in AR & other receivables	-33	-2	10	1
Chg. in inventory	-6	0	3	0
Chg. in AP & other payables	22	1	-4	-1
Income tax	-11	-18	-16	-15
Cash flow from investing activities	**-18**	**-9**	**-14**	**-9**
Chg. in PP&E	-9	-6	-12	-4
Chg. in intangible assets	1	-3	-4	-5
Chg. in financial assets	-1	0	2	0
Other	-9	0	0	0
Cash flow from financing activities	**-1**	**-5**	**-5**	**-5**
Chg. in financial liabilities	-7	0	-1	-1
Chg. in equity	7	0	0	0
Dividends	-5	-5	-5	-5
Other	4	0	1	1
Chg. in cash	**36**	**57**	**59**	**51**
Beginning balance	44	80	138	197
Ending balance	80	138	197	247

Key valuation metrics/ratios

	2022	2023F	2024F	2025F
P/E (x)	24.2	23.7	26.0	27.9
P/CF (x)	11.9	13.9	15.7	17.3
P/B (x)	2.0	2.6	2.4	2.2
EV/EBITDA (x)	15.6	13.9	14.7	14.5
EPS (W)	1,813	2,659	2,422	2,261
CFPS (W)	3,677	4,519	4,019	3,647
BPS (W)	22,249	24,575	26,749	28,762
DPS (W)	250	250	250	250
Dividend payout ratio (%)	9.9	7.7	8.5	9.1
Dividend yield (%)	0.6	0.4	0.4	0.4
Revenue growth (%)	21.6	20.2	-2.6	-2.6
EBITDA growth (%)	53.7	38.1	-9.8	-2.7
OP growth (%)	68.3	48.0	-11.9	-2.3
EPS growth (%)	401.9	46.7	-8.9	-6.7
AR turnover (x)	7.9	7.6	7.9	8.6
Inventory turnover (x)	28.4	28.6	29.9	32.2
AP turnover (x)	11.6	12.8	13.4	14.4
ROA (%)	7.0	8.1	6.9	6.2
ROE (%)	8.6	11.5	9.5	8.2
ROIC (%)	14.4	23.5	20.9	20.7
Debt-to-equity ratio (%)	35.5	32.9	26.1	23.7
Current ratio (%)	224.3	255.7	324.2	368.5
Net debt-to-equity ratio (%)	-11.2	-38.6	-45.0	-49.5
Interest coverage ratio (x)	98.4	79.4	70.1	70.2

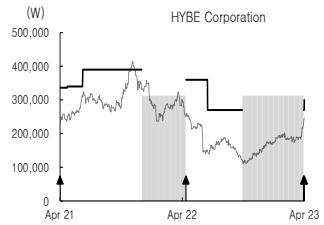
Source: Company data, Mirae Asset Securities Research estimates

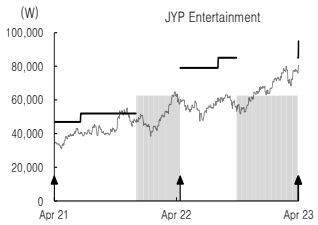
Appendix 1

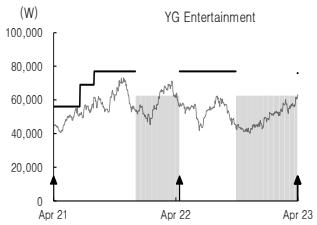
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Two-year rating and TP history

Company	Date	Rating	TP (W)
HYBE (352820)			
	04/12/23	Buy	300,000
	10/11/22	No Coverage	
	06/29/22	Buy	270,000
	04/25/22	Buy	360,000
	12/15/21	No Coverage	
	06/21/21	Buy	390,000
	05/06/21	Buy	340,000
	04/05/21	Buy	336,600
JYP Entertainment (035900)			
	04/12/23	Buy	95,000
	10/11/22	No Coverage	
	08/17/22	Buy	85,000
	04/25/22	Buy	79,000
	12/15/21	No Coverage	
	07/02/21	Buy	52,000
	11/17/20	Buy	47,000
YG Entertainment (122870)			
	04/12/23	Buy	76,000
	10/11/22	No Coverage	
	04/25/22	Buy	77,000
	12/15/21	No Coverage	
	08/13/21	Buy	77,000
	08/13/21	Buy	77,000
	02/25/21	Buy	56,000







Stock ratings	
Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings	
Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (─), TP (▬), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (♦)
* Our investment rating is a guide to the expected return of the stock over the next 12 months.
* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.
* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.
* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	85.18%	8.89%	5.19%	0.74%
Investment banking services	83.33%	16.67%	0%	0%

* Based on recommendations in the last 12-months (as of December 31, 2022)

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