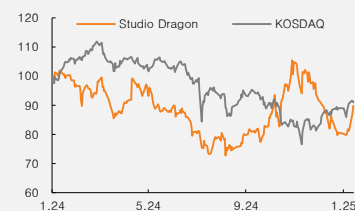


(Maintain)	Buy
Target price	▼ W59,000
Current price (2/12/25)	W42,100
Upside	40.1%

OP (24P Wbn)	36
Consensus OP (24F, Wbn)	35
EPS growth (24P %)	11.3
Market EPS growth (24F, %)	68.0
P/E (24P x)	38.6
Market P/E (24F, x)	10.9
KOSDAQ	745.18

Market cap (Wbn)	1,265
Shares (mn)	30
Free float (%)	45.2
Foreign ownership (%)	10.5
Beta (12M)	0.23
52-week low (W)	34,100
52-week high (W)	49,400

(%)	1M	6M	12M
Absolute	4.7	18.3	-11.9
Relative	0.9	22.6	-2.3



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Studio Dragon

Solid performance

4Q24 review: Distribution revenue beats our forecast

For 4Q24, Studio Dragon announced revenue of W136bn and operating profit of W5.4bn, beating the consensus by 27% and 46%, respectively. On a preliminary basis, programming revenue (W27.6bn) and other revenue (W4.3bn) were in line with our estimates (W27.3bn and W4.3bn, respectively). However, distribution revenue (W98.3bn) beat our forecast by W39.4bn.

We had conservatively estimated distribution revenue due to a QoQ decrease in the number of drama episodes produced/aired and the absence of tentpole productions and Netflix originals. However, it appears that revenue beat expectations thanks to higher recoupment rates driven by wider OTT distribution. Indeed, the company sold productions such as *Jeongnyeon: The Star is Born* (Disney+ and Hulu), *Dongjae, the Good or the Bastard* (Paramount+), and *Love Your Enemy* (Disney+, U-NEXT, Rakuten Viki, and Taiwan's FriDay Video) to multiple OTT platforms. Additionally, the delivery of four episodes of the Netflix original *Dear Hongrang* (set for a 4Q25 release) likely generated revenue of W12bn.

A reduction in SG&A expenses (particularly labor expenses) also supported bottom-line improvement. Gross margin was 11.7%, in line with our estimate, while the SG&A expense ratio was 7.6%, 1.8%p lower than our estimate. Labor expenses amounted to W3.8bn in 4Q24. For the full year, labor expenses were W14.3bn, falling more than 10% YoY for the second straight year due to visibly enhanced efficiency. That said, the firm incurred non-operating costs of W19.4bn in 4Q24 due to impairment losses on some long-delayed or unaired productions that had been classified as assets under construction.

Retain Buy, but lower TP by 3% to W59,000

We trim our target price on Studio Dragon by 3% to W59,000 (from W61,000), as we revised down our 2025 operating profit estimate (from W50.8bn to W49.1bn). The early delivery of *Dear Hongrang* at end-2024 led us to adjust our revenue estimate for 2025, and we also assumed additional costs related to CJ Group's global expansion strategy.

Management raised its revenue-per-production estimate for 1Q25. It is also seeking to enhance profitability by streamlining the cost settlement system and casting less established actors. Given significantly improved earnings visibility for 2025, we maintain our Buy rating on the company.

(Dec.)	2022	2023	2024P	2025F	2026F
Revenue (Wbn)	698	753	550	621	734
OP (Wbn)	65	56	36	49	64
OP margin (%)	9.3	7.4	6.5	7.9	8.7
NP (Wbn)	51	30	33	49	66
EPS (W)	1,684	1,001	1,114	1,639	2,180
ROE (%)	7.5	4.4	4.6	6.4	8.0
P/E (x)	51.1	51.5	38.6	25.7	19.3
P/B (x)	3.9	2.2	1.7	1.6	1.5
Dividend yield (%)	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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Table 1. Studio Dragon: Earnings and forecasts

(Wbn)

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	2023	2024P	2025F	2026F
Revenue	211.1	163.5	217.4	161.1	192.1	137.1	90.3	130.6	753.1	550.1	620.9	734.4
YoY (%)	74.4	3.8	-5.0	-15.4	-9.0	-16.1	-58.5	-19.0	7.9	-27.0	12.9	18.3
Programming	43.2	42.5	35.0	33.4	47.3	30.7	21.6	27.6	154.1	127.2	137.4	180.7
Distribution	165.7	118.9	180.0	124.3	141.3	102.5	64.4	98.3	588.9	406.5	463.5	521.7
Other	2.3	2.1	2.3	3.4	3.5	3.9	4.3	4.3	10.1	16.0	25.0	32.0
GP	30.8	23.9	28.8	4.3	28.7	18.1	5.9	15.3	87.9	68.0	84.3	104.2
Gross margin (%)	14.6	14.6	13.2	2.7	14.9	13.2	6.6	11.7	11.7	12.4	13.6	14.2
Production costs	108.1	78.9	121.9	89.3	91.3	59.6	45.4	61.5	398.3	257.9	288.1	337.8
Amortization	46.4	41.3	46.0	49.0	50.1	38.5	26.1	22.2	182.6	136.8	162.4	191.3
OP	21.6	16.3	21.9	-3.8	21.5	10.5	-0.9	5.4	55.9	36.4	49.1	64.4
OP margin (%)	10.2	9.9	10.1	-2.4	11.2	7.6	-1.0	4.1	7.4	6.6	7.9	8.8
OP growth (%)	19.3	-39.8	15.4	TTR	-0.4	-35.7	TTR	TTB	-14.3	-34.8	35.0	31.0
NP	18.4	10.2	18.2	-16.7	20.2	8.2	-6.1	11.3	30.1	33.5	49.3	61.3
Key variables												
No. of episodes	98	83	71	79	71	46	58	46	331	221	252	282
Total ASP	2.2	2.0	3.1	2.0	2.7	3.0	1.6	2.8	2.3	2.5	2.5	2.6
Production costs per episode	1.6	1.5	2.3	1.7	1.9	2.9	2.4	3.5	1.7	2.6	2.0	2.3

Source: Company data, Mirae Asset Securities Research

Table 2. 4Q24 review

(Wbn, %)

	4Q23	3Q24	4Q24P				
			Preliminary	Mirae Asset	Diff.	Consensus	Diff.
Revenue	1,611	903	1,306	905	44%	1,056	27%
OP	-38	-9	54	22	145%	37	46%
OP margin	-2.4	-1.0	4.1	2.5	1.6%p	3.5	0.6%p

Source: Company data, FnGuide, Mirae Asset Securities Research

Table 3. Earnings forecast revisions

(Wbn)

	Previous		Revised		Chg. (%)		Notes
	25F	26F	25F	26F	25F	26F	
Revenue	633.4	720.7	620.9	734.4	-1.9	1.9	Reflected preemptive recognition of Netflix-related revenue in 2024
OP	50.8	64.5	49.1	64.4	-3.3	-	Reflected higher COGS due to rising share of global productions
OP margin	8.0%	9.0%	7.9%	8.8%	0.1%p	0.2%p	

Source: Mirae Asset Securities Research

Table 4. Valuation table

(Wbn)

	Value	
2025F EBIT	49.1	Target multiple is 1 SD above the 3Y avg., reflecting expectations for increased drama production volume going forward (following a drop in demand since the pandemic)
Target EV/EBIT (x)	32.5	
Net debt	-176.7	
Fair market cap	1,774	
No. of shares ('000)	30,058	
Target price (W)	59,000	
Current price (W)	42,100	
Upside	40.1%	

Source: FactSet, Mirae Asset Securities Research

Studio Dragon (253450 KQ)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	753	550	621	734
Cost of revenue	665	482	537	630
GP	88	68	84	104
SG&A expenses	32	32	35	40
OP (adj.)	56	36	49	64
OP	56	36	49	64
Non-operating profit	-19	7	-5	17
Net financial income	-4	-1	3	7
Net income from associates	0	0	0	0
Pretax profit	37	43	44	81
Income tax	7	8	8	15
Profit from continuing operations	30	34	36	66
Profit from discontinued operations	0	0	0	0
NP	30	33	49	66
Attributable to owners	30	33	49	66
Attributable to minority interests	0	0	0	0
Total comprehensive income	47	33	49	66
Attributable to owners	47	33	49	66
Attributable to minority interests	0	0	0	0
EBITDA	242	151	119	108
FCF	42	158	111	95
EBITDA margin (%)	32.1	27.5	19.2	14.7
OP margin (%)	7.4	6.5	7.9	8.7
Net margin (%)	4.0	6.0	7.9	9.0

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	405	501	639	776
Cash & equivalents	158	321	435	536
AR & other receivables	149	109	123	145
Inventory	0	0	0	0
Other current assets	98	71	81	95
Non-current assets	688	569	500	459
Investments in associates	12	9	10	12
PP&E	12	10	9	7
Intangible assets	359	247	178	136
Total assets	1,092	1,070	1,139	1,235
Current liabilities	368	315	333	363
AP & other payables	69	51	57	68
Short-term financial liabilities	172	171	172	172
Other current liabilities	127	93	104	123
Non-current liabilities	16	15	15	16
Long-term financial liabilities	10	10	10	10
Other non-current liabilities	6	5	5	6
Total liabilities	384	329	348	379
Equity attributable to owners	708	741	791	856
Capital stock	15	15	15	15
Capital surplus	473	473	473	473
Retained earnings	242	276	325	390
Minority interests	0	0	0	0
Shareholders' equity	708	741	791	856

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	45	158	111	95
NP	30	33	49	66
Non-cash income/expenses	216	119	75	48
Depreciation	3	2	2	1
Amortization	183	112	69	42
Other	30	5	4	5
Chg. in working capital	-179	11	-4	-6
Chg. in AR & other receivables	15	40	-14	-22
Chg. in inventory	0	0	0	0
Chg. in AP & other payables	-18	-3	1	2
Income tax	-22	-5	-10	-13
Cash flow from investing activities	-1	10	13	16
Chg. in PP&E	-3	0	0	0
Chg. in intangible assets	0	0	0	0
Chg. in financial assets	-4	1	0	-1
Other	6	9	13	17
Cash flow from financing activities	-9	-9	-9	-8
Chg. in financial liabilities	-1	-1	0	0
Chg. in equity	0	0	0	0
Dividends	0	0	0	0
Other	-8	-8	-9	-8
Chg. in cash	35	162	114	101
Beginning balance	124	158	321	435
Ending balance	158	321	435	536

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

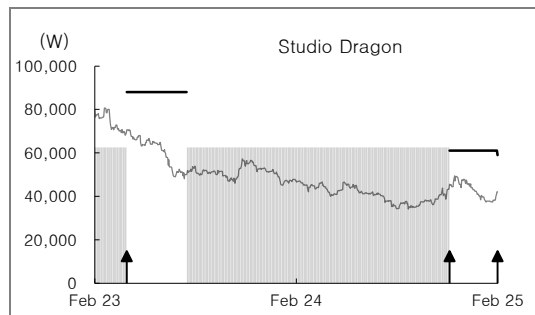
	2023	2024F	2025F	2026F
P/E (x)	51.5	38.6	25.7	19.3
P/CF (x)	6.3	8.5	10.2	11.1
P/B (x)	2.2	1.7	1.6	1.5
EV/EBITDA (x)	6.5	7.6	8.4	8.4
EPS (W)	1,001	1,114	1,639	2,180
CFPS (W)	8,185	5,065	4,148	3,784
BPS (W)	23,546	24,661	26,299	28,480
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	7.9	-27.0	12.9	18.3
EBITDA growth (%)	10.7	-37.7	-20.8	-9.9
OP growth (%)	-14.3	-34.8	35.0	31.0
EPS growth (%)	-40.6	11.3	47.1	33.1
AR turnover (x)	5.2	4.3	5.4	5.5
Inventory turnover (x)	0.0	0.0	0.0	0.0
AP turnover (x)	48.7	50.1	62.1	63.0
ROA (%)	2.8	3.1	4.5	5.5
ROE (%)	4.4	4.6	6.4	8.0
ROIC (%)	8.5	6.4	11.2	16.8
Debt-to-equity ratio (%)	54.3	44.4	44.1	44.3
Current ratio (%)	109.9	159.4	191.7	213.7
Net debt-to-equity ratio (%)	3.3	-19.2	-32.5	-41.7
Interest coverage ratio (x)	6.4	4.2	5.6	7.4

Appendix 1

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Two-year rating and TP history

Company	Date	Rating	TP (₩)
Studio Dragon (253450)	02/13/25	Buy	59,000
	11/18/24	Buy	61,000
	07/31/23	No Coverage	
	04/13/23	Buy	88,000



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	84.62%	7.14%	8.24%	0%
Investment banking services	85.71%	0%	14.29%	0%

* Based on recommendations in the last 12-months (as of December 31, 2024)

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