COMPANY UPDATE

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Tech Team

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Studio Dragon (253450)

Heading towards recovery

- We now believe Studio Dragon's 1Q operating profit leapt 125.1% y-y to KRW9.6b, meeting consensus. The likely solid results owed much to a sharp y-y increase in the number of episodes it released in 1Q.
- Earnings should turn around on increased drama production, diversified distribution channels, and new IP-based initiatives.
- We reduce our target price to KRW51,000 (7.3x 12-month forward EV/EBITDA) to reflect a change in the valuation period and our revised earnings estimates.

WHAT'S THE STORY?

1Q preview : We now expect Studio Dragon to post 1Q sales of KRW146.5b (up 9.5% y-y) and an operating profit of KRW9.6b (up 125.1% y-y; meeting consensus). The number of drama episodes it released in 1Q was 85 (64 on TV and 18 on OTT platforms; vs 59 episodes in 1Q25). The company broadcast 1.5 titles on tvN's weekend slot and one title, each, on tvN's Monday-Tuesday and Wednesday-Thursday slots, along with one title on KBS' weekend slot. It also delivered Gold Land to Disney+ and Soulmate (Japanese drama) to Netflix. Some episodes slated for 2Q release on OTT platforms may have been recognized earlier, depending on delivery timing. However, because Soulmate (8 episodes) operates on a revenue-sharing model based on production contribution, its impact on profitability was likely modest. Additionally, residual amortization from four titles presold to global OTT platforms in 4Q25 (ie, The Tyrant's Chef, Typhoon Boss, Mean Love, and Pro Bono) was likely booked in 1Q26.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	531	646	737	809
Operating profit (KRWb)	30	54	64	71
Net profit (adj) (KRWb)	10	40	46	52
EPS (adj) (KRW)	343	1,330	1,538	1,721
EPS (adj) growth (% y-y)	-69.2	287.5	15.6	11.9
EBITDA margin (%)	31.1	29.9	29.3	28.5
ROE (%)	1.3	4.8	5.2	5.5
P/E (adj) (x)	124.5	25.1	21.7	19.4
P/B (x)	1.6	1.2	1.1	1.0
EV/EBITDA (x)	7.6	4.7	4.1	3.7
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW51,000	52.7%
Current price	KRW33,400	
Market cap	KRW1.0t/USD0.7b	
Shares (float)	30,058,498 (45.2%)	
52-week high/low	KRW56,000/KRW33,400	
Avg daily trading value (60-day)	KRW4.8b/ USD3.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Studio Dragon (%)	-18.4	-24.5	-28.4
Vs Kosdaq (%pts)	-9.2	-37.8	-55.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	51,000	60,000	-15.0%
2026E EPS	1,330	1,424	-6.6%
2027E EPS	1,538	1,641	-6.3%

SAMSUNG vs THE STREET

No of estimates	14
Target price	59,643
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

Things to watch: Studio Dragon's operating results should head north y-y, backed by increased production volume and diversified distribution channels. We believe the industry has passed its lowest point. Because TV advertising conditions remain subdued, it seems too early to say that tvN's Wednesday-Thursday slot—reinstated in February—will be permanent. Furthermore, some of tvN drama slots are scheduled to broadcast Tving Originals, a factor to partially constrain the potential for further production expansion. Nevertheless, 2026 is shaping up as a year of meaningful profitability improvement: four titles have already been confirmed for broadcast on terrestrial broadcasters, and new revenue streams are emerging through the launch of the Tving brand channel on global platforms like HBO Max and Disney+. These developments signal a structural shift toward sustainable growth.

Poised for turnaround: Over the past three years, Studio Dragon has been sidelined in the stock market due to its sluggish operating result. While the industry recovery has been slower than expected, the company should achieve a meaningful earnings turnaround from this year thanks to its strengthened production capabilities, diversified distribution channels, and new IP-driven business initiatives. We maintain BUY rating but cut our target price to KRW51,000 (7.3x 12-month forward EV/EBITDA, in line with the 3-year average; previously 8.5x) to reflect our revised earnings estimates and a change in the valuation period.

Table 1. Forecasts and consensus

(KRWb)	1Q25	4Q25	1Q26E	Chg (% q-q)	Chg (% y-y)	Consensus	Diff (%)
Sales	133.8	145.9	146.5	0.4	9.5	145.3	0.8
Gross profit	4.3	18.5	9.6	-48.1	125.1	10.0	-4.1
Operating profit	3.2	12.7	6.6	-6.1	3.4	6.9	-0.3
Operating margin (%)	6.1	0.2	10.6	6,735.2	74.5	12.5	-14.8
Pre-tax profit	2.4	2.8	8.4	200.9	253.6	9.6	-12.7

Source: Company data, Samsung Securities

Table 2. Results and forecasts

(KRWb, %)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
Sales	**192.1**	**137.1**	**90.3**	**130.6**	**133.8**	**114.5**	**136.5**	**145.9**	**146.5**	**158.7**	**175.8**	**165.2**	**550.1**	**530.7**	**646.2**	**737.2**
Programing	47.3	30.7	21.6	27.6	33.2	17.3	27.6	37.0	35.9	33.9	35.6	40.0	127.2	115.2	145.4	179.9
Distribution	141.3	102.5	64.4	98.3	98.2	92.4	105.9	103.1	107.8	120.8	136.2	121.0	406.5	399.7	485.8	541.2
Other	3.5	3.9	4.3	4.6	2.3	4.7	3.0	5.7	2.8	4.1	3.9	4.3	16.4	15.7	15.0	16.1
Gross profit	**28.7**	**18.1**	**5.9**	**15.3**	**11.4**	**3.8**	**17.1**	**24.7**	**16.6**	**19.5**	**23.2**	**22.6**	**68.0**	**57.0**	**82.0**	**93.1**
SG&A	7.2	7.7	6.8	9.9	7.1	6.7	6.7	6.2	7.0	7.0	7.1	6.7	31.6	26.6	27.8	29.6
Operating profit	21.5	10.5	-0.9	5.4	4.3	-2.9	10.5	18.5	9.6	12.5	16.1	16.0	36.4	30.4	54.2	63.5
Non-operating profit	5.7	2.7	-3.1	-13.4	1.8	-3.5	1.3	-18.4	1.0	-0.5	1.2	-5.2	-8.2	-18.8	-3.4	-4.9
Pre-tax profit	27.2	13.2	-4.1	-8.1	6.1	-6.4	11.8	0.2	10.6	12.0	17.3	10.8	28.2	11.6	50.7	58.6
Net profit (controlling)	**20.2**	**8.2**	**-6.1**	**11.3**	**2.4**	**-3.7**	**8.9**	**2.8**	**8.4**	**9.5**	**13.6**	**8.5**	**33.5**	**10.3**	**40.0**	**46.2**
Gross margin	14.9	13.2	6.5	11.7	8.5	3.3	12.5	16.9	11.4	12.3	13.2	13.7	12.4	10.7	12.7	12.6
Operating margin	11.2	7.6	-1.0	4.1	3.2	-2.5	7.7	12.7	6.6	7.9	9.2	9.7	6.6	5.7	8.4	8.6
Net margin (controlling)	10.5	5.9	-6.8	8.6	1.8	-3.3	6.5	1.9	5.7	6.0	7.7	5.2	6.1	1.9	6.2	6.3
Chg (% y-y)																
Sales	**-9.0**	**-16.1**	**-58.5**	**-19.0**	**-30.3**	**-16.5**	**51.1**	**11.7**	**9.5**	**38.7**	**28.8**	**13.3**	**-27.0**	**-3.5**	**21.8**	**14.1**
Programing	9.5	-27.6	-38.4	-17.2	-29.7	-43.6	28.0	33.9	8.1	95.4	28.9	7.9	-17.4	-9.4	26.2	23.7
Distribution	-14.7	-13.8	-64.2	-20.9	-30.5	-9.8	64.4	4.9	9.7	30.7	28.6	17.3	-31.0	-1.7	21.5	11.4
Other	50.7	85.4	85.8	36.4	-33.3	20.9	-31.7	23.4	18.6	-13.9	32.6	-25.5	61.2	-3.8	-4.6	7.4
Gross profit	**-7.0**	**-24.2**	**-79.5**	**253.4**	**-60.3**	**-79.2**	**190.0**	**62.0**	**46.1**	**416.4**	**35.5**	**-8.4**	**-22.6**	**-16.1**	**43.8**	**13.5**
SG&A	-22.5	0.3	-1.5	21.3	-0.5	-12.8	-2.7	-37.6	-1.4	4.9	7.0	7.7	-1.3	-15.6	4.4	6.3
Operating profit	**-0.4**	**-35.7**	**nm**	**nm**	**-80.1**	**nm**	**nm**	**246.3**	**125.1**	**nm**	**53.7**	**-13.8**	**-34.9**	**-16.6**	**78.4**	**17.3**
Non-operating profit	1,078.1	nm	nm	nm	-68.2	nm	nm	nm	-44.7	nm	-8.0	nm	nm	nm	nm	nm
Pre-tax profit	23.2	-16.8	nm	nm	-77.6	nm	nm	nm	74.5	nm	46.9	6,864.2	-24.2	-59.0	338.4	15.6
Net profit (controlling)	**9.8**	**-20.0**	**nm**	**nm**	**-88.3**	**nm**	**nm**	**-75.3**	**253.6**	**nm**	**52.9**	**206.6**	**11.3**	**-69.2**	**287.5**	**15.6**
Gross margin	0.3	-1.4	-6.7	9.0	-6.4	-9.9	6.0	5.3	2.8	9.0	0.7	-3.2	0.7	-1.6	1.9	-0.1
Operating margin	1.0	-2.3	-11.1	6.5	-8.0	-10.2	8.7	8.6	3.4	10.4	1.5	-3.0	-0.8	-0.9	2.7	0.2
Net margin (controlling)	1.8	-0.3	-15.1	19.0	-8.7	-9.2	13.3	-6.7	3.9	9.2	1.2	3.3	2.1	-4.1	4.2	0.1

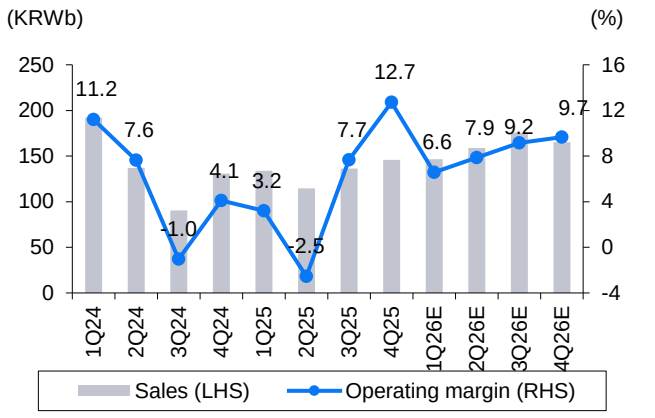
Source: Company data, Samsung Securities

Table 3. Drama lineup (from 2026)

Year	No.	Channel	Title	Air dates	Episodes	Writers	Director	Days
2026~	1	tvN	Undercover Miss Hong	Jan 17-Mar 8	16	Moon Hyunkyung	Park Seonho	Sat, Sun
	2		Our Universe	Feb 4-Mar 12	12	SooJin	Lee Hyunseok	Wed, Thu
	3		Siren's Kiss	Mar 2-Apr 7	12	Lee Young	Kim Chulgyu	Mon, Tue
	4		Mad Concrete Dreams	Mar 14-Apr 19	12	O Hangi	Lim Pilseong	Sat, Sun
	5		Filling for Love	Apr 25-May 31	12	Yeo Eunho	Lee Suhyeon	Sat, Sun
	6		See You at Work Tomorrow!	Jun 22	12	Kim Kyoungmin	Cho Eunsol	Mon, Tue
	7		My Favourite Employee	Aug	12	Lee Young	Park Jihyun	Mon, Tue
	8		Four Hands	Aug	12	Shin Yiwon	Park Hyunseok	Sat, Sun
	9		100Days Of Lies	2026	16	Ryu Bori	Yoo Insik	Sat, Sun
	10		Retired Agent Management Team	2026	12	Song Hannah	Jin Changyu	Mon, Tue
	11		The Congressman Sends My Condolences	2026	16	Kwon Jongkwan	Park Sinwoo	Sat, Sun
	12		Asura Balbalta	2026	12	Ahn Areum	Jeong Jihyun	
			The Second Signal	TBD	8	Kim Eunhee	Ahn Taejin	
			Gift	TBD		Min Jeong	Kim gyutae	Sat, Sun
			Men of the Harem	TBD	16	Hwang Jinyoung	Lee eungbok	Sat, Sun
			Whale Star: The Gyeongseong Mermaid	TBD	12	Lee hanul	Heo Jinho	Sat, Sun
			Promoter	TBD	12	Ryu Kyungsun	Lee Jongseok	Sat, Sun
			My Reason to Die	TBD	12	Kim Solji	Kim Heewon	
	13	TVING	Yumi's Cells Season 3	Apr 13-May 4	8	Song Jaejung	Lee Sangyeop	Mon, Tue
	14		The Legend of Kitchen Soldier	May 11~	12	Choi Ryong	Cho Namhyung	Mon, Tue
	15		Substitute College Entrance Exam	2026		Choi Hyeso0	Park Soyeon	
	16		Study Group Season 2	2026		Eom Seonho	Lee Janghoon	
	17	Netflix	Soul Mate (made by Gtist, 1Q26)	May 14~	8			
	18		Teach You a Lesson (*made by Gtist)	2026		Lee Namgyu	Hong Jongchan	
	19		Notes from the Last Row (*made by Gtist)	2026	6	Jang Myeongwoo	Kim Kyutae	
	20		Tantara	2026	22	Roh Heegyung	Lee Yunjeong	
			Granny	TBD			Han Dongwook	
	21	Disney+	Goldland (1Q26)	Apr 29-May 27	10	Hwang Joyoon	Kim Seonghoon	
	22	KBS2	To My Beloved Thief	Jan 3-Feb 22	16	Lee sun	Ham Younggeol	Sat, Sun
	23	SBS	My Royal Nemesis (*made by Gill Pictures)	May 8-Jun 20	14	Kang Hyeonjoo	Han Taeseop	Fri, Sat
	24		Doctor X	2H26		Pyeon Sungeun	Lee Jeonglim	Fri, Sat
	25	MBC	Fifties Professionals	May	10	Jang Wonseob	Han Dongwha	Fri, Sat
		TBD	For my all husbands	TBD		Wang duri	Kim Jinwon	
			High School Queen	TBD		Kim Arim	Yoon Seongsik	
			Soul	TBD		Park Jieun	Kim Wonseok	

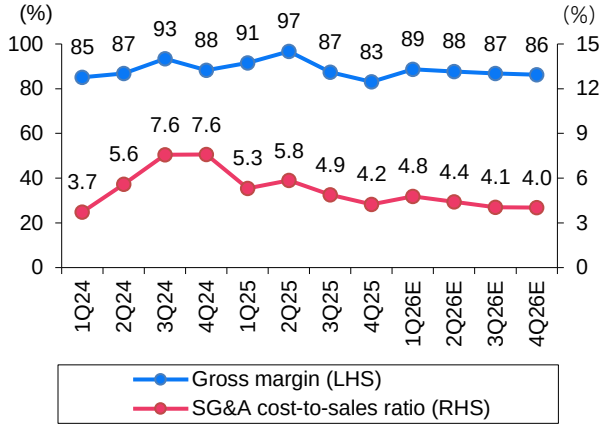
Note: Titles highlighted in green are streamed through Netflix, light blue Tving, and orange Disney+, yellow Amazon Prime
Source: Company data, Samsung Securities

Chart 1. Quarterly sales and operating margin



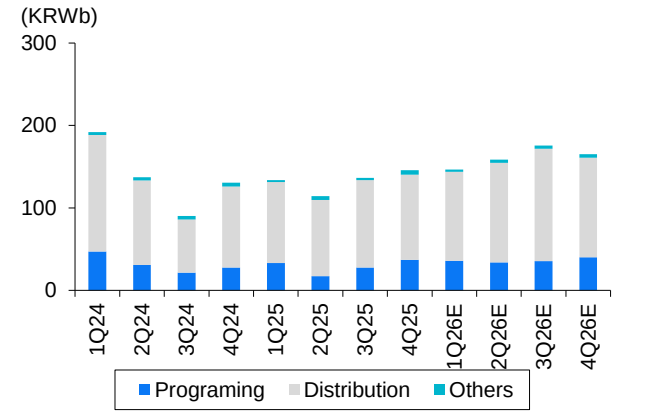
Source: Company data, Samsung Securities

Chart 2. Gross margin vs SG&A cost-to-sales ratio



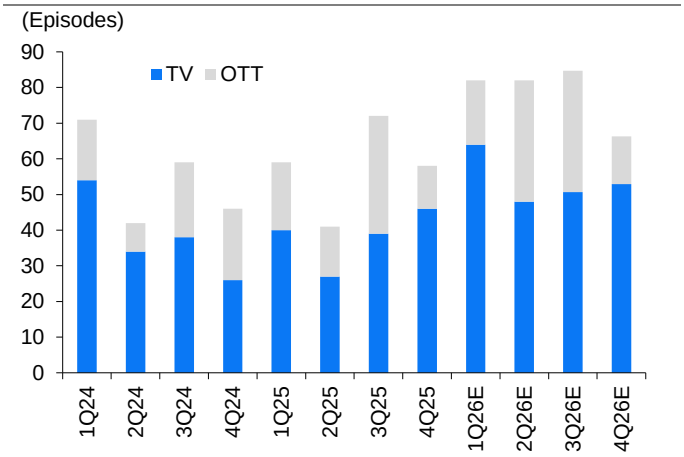
Source: Company data, Samsung Securities

Chart 3. Quarterly sales, by division



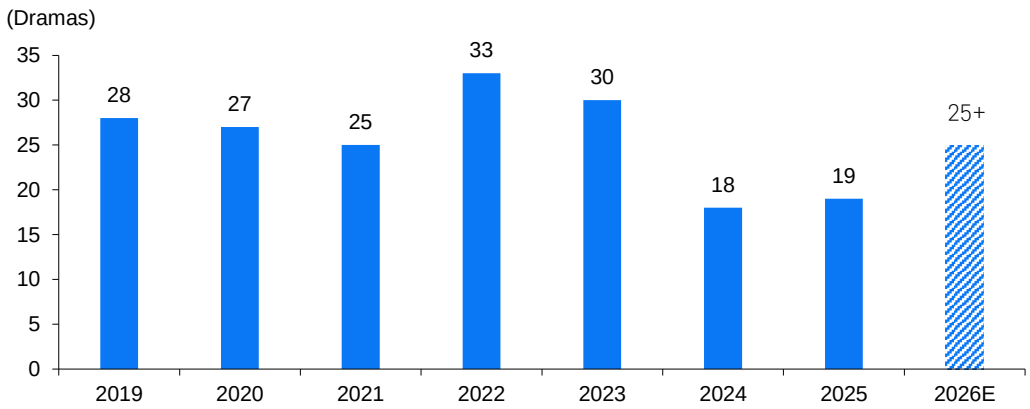
Source: Company data, Samsung Securities

Chart 4. Number of episodes supplied, by broadcaster type



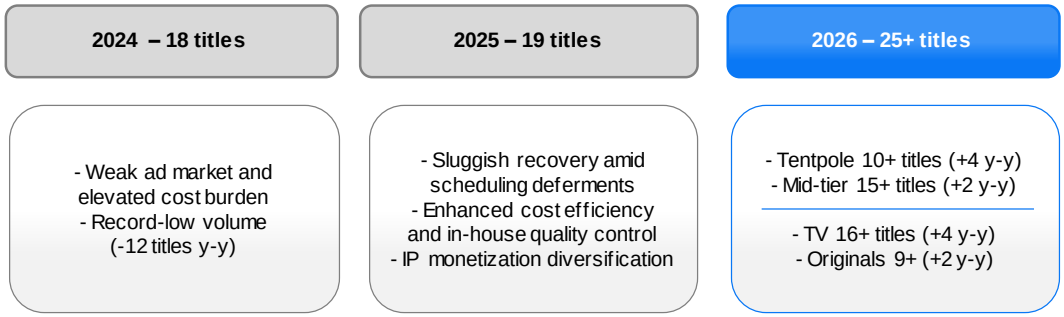
Source: Company data, Samsung Securities

Chart 5. Dramas delivered (annual)



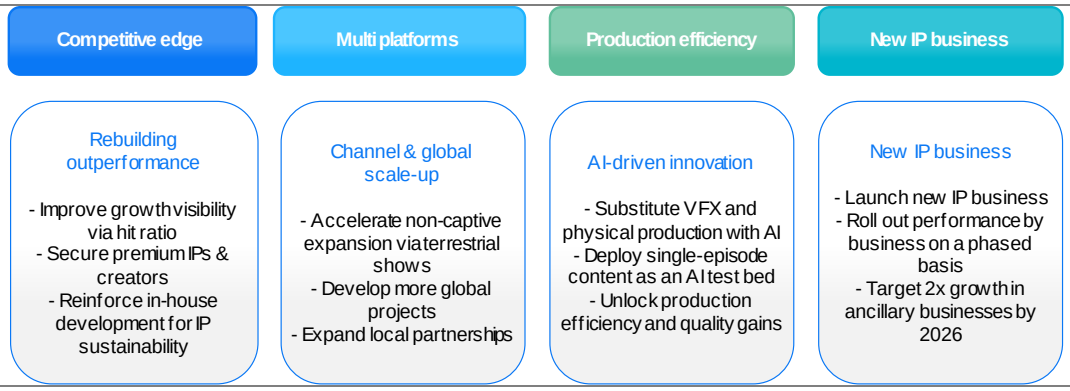
Note: 1. 2026E estimate based on confirmed lineup; potential upside from additional overseas co-productions
2. 2026 production guidance of 25+ titles based on confirmed lineup (4Q25 earnings release, Feb 5, 2026)
Source: Company data, Samsung securities

Chart 7. 2026 Strategy: Core reset



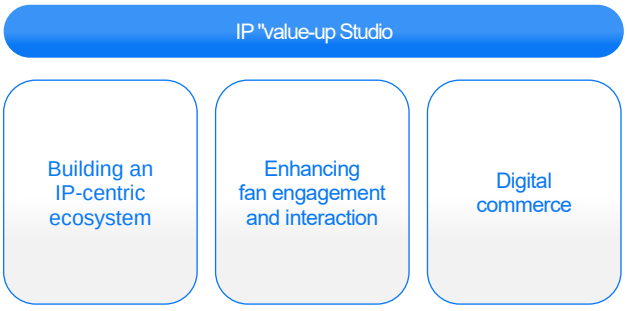
Source: Company data, Samsung Securities

Chart 8. 2026 Strategy: Key Execution Pillars



Source: Company data, Samsung Securities

Chart 9. Goal: Becoming an IP "value-up" studio

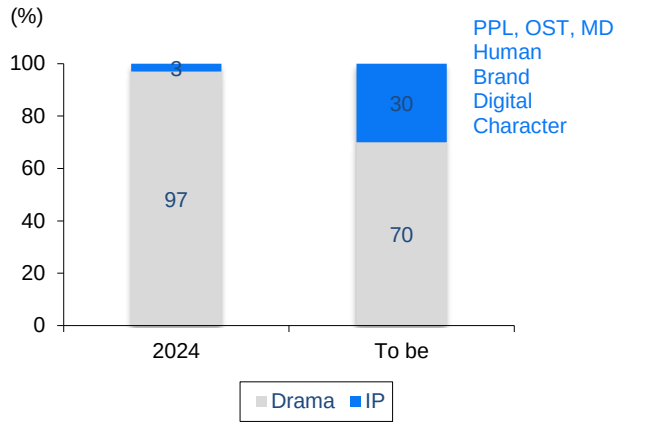


Source: Company data, Samsung Securities

Chart 10. Longer-term IP monetization across four areas

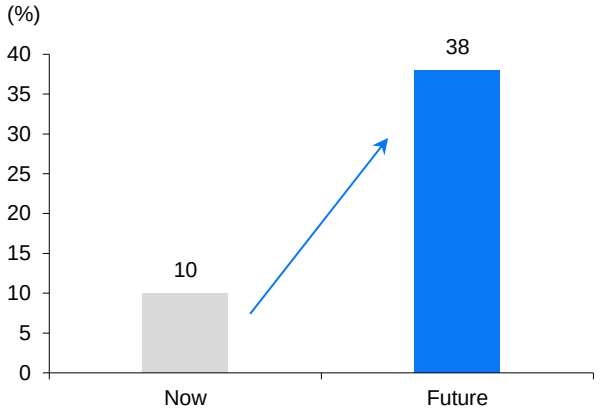
Source: Company data, Samsung Securities

Chart 11. Long-term revenue mix target



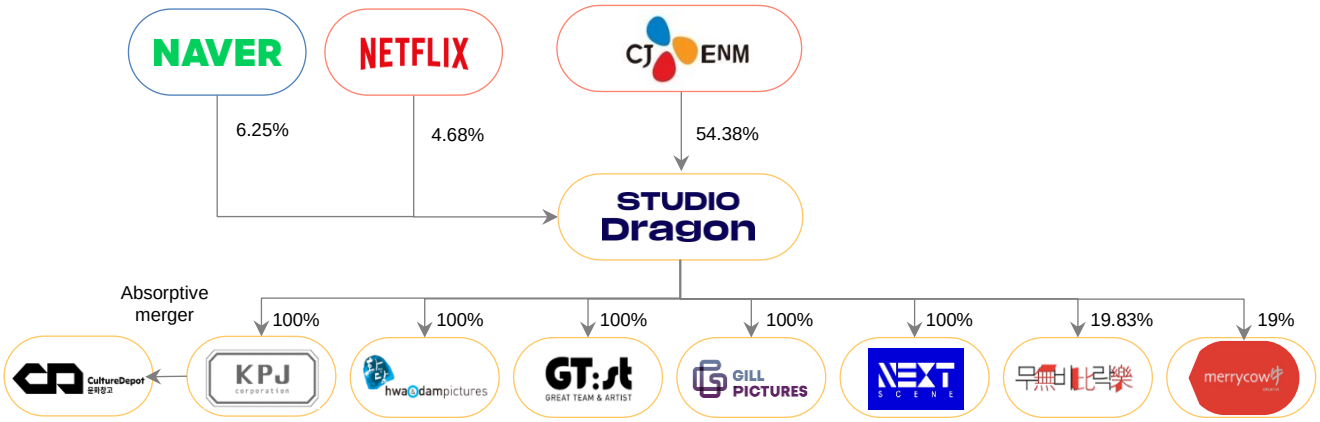
Source: Company data, Samsung Securities

Chart 12. IP share of operating profit: Long-term target



Source: Company data, Samsung Securities

Chart 13. Ownership structure



Note: As of 4Q25; KPJ merged with Culture Depot in 3Q25
Source: Company data, Samsung Securities

Table 4. Revisions to 2026 and 2027 forecasts

(KRWb)	2026E			2027E		
	Old	New	%	Old	New	%
Sales	659.0	646.2	-1.9	742.4	737.2	-0.7
Operating profit	55.0	54.2	-1.6	64.6	63.5	-1.7
Operating margin (%, %pts)	8.3	8.4	0.0	8.7	8.6	-0.1
Pre-tax profit	54.3	50.7	-6.6	62.6	58.6	-6.3
Net profit (controlling)	42.8	40.0	-6.6	49.3	46.2	-6.3

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**550**	**531**	**646**	**737**	**809**
Cost of goods sold	482	474	564	644	706
Gross profit	**68**	**57**	**82**	**93**	**103**
Gross margin (%)	12.4	10.7	12.7	12.6	12.7
SG&A expenses	32	27	28	30	31
Operating profit	**36**	**30**	**54**	**64**	**71**
Operating margin (%)	6.6	5.7	8.4	8.6	8.8
Non-operating gains (losses)	**-8**	**-19**	**-3**	**-5**	**-6**
Financial profit	20	7	7	7	7
Financial costs	8	6	4	5	5
Equity-method gains (losses)	0	-0	0	0	0
Other	-20	-19	-6	-7	-8
Pre-tax profit	**28**	**12**	**51**	**59**	**66**
Taxes	-5	1	11	12	14
Effective tax rate (%)	-18.7	10.9	21.2	21.2	21.2
Profit from continuing operations	33	10	40	46	52
Profit from discontinued operations	0	0	0	0	0
Net profit	**33**	**10**	**40**	**46**	**52**
Net margin (%)	6.1	1.9	6.2	6.3	6.4
Net profit (controlling interests)	33	10	40	46	52
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	183	165	193	216	231
EBITDA margin (%)	33.3	31.1	29.9	29.3	28.5
EPS (parent-based) (KRW)	1,114	343	1,330	1,538	1,721
EPS (consolidated) (KRW)	1,114	343	1,330	1,538	1,721
Adjusted EPS (KRW)*	1,114	343	1,330	1,538	1,721

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**394**	**283**	**328**	**356**	**388**
Cash & equivalents	178	63	122	140	186
Accounts receivable	101	75	85	82	80
Inventories	0	0	0	0	0
Other current assets	115	145	121	135	122
Fixed assets	**532**	**752**	**751**	**789**	**829**
Investment assets	156	334	347	360	374
Tangible assets	12	11	8	7	6
Intangible assets	205	229	239	258	279
Other long-term assets	159	178	157	164	170
Total assets	**926**	**1,034**	**1,080**	**1,145**	**1,217**
Current liabilities	**169**	**210**	**196**	**211**	**229**
Accounts payable	5	7	8	10	11
Short-term debt	2	23	23	23	23
Other current liabilities	163	180	166	178	195
Long-term liabilities	**16**	**25**	**19**	**24**	**25**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	16	25	19	24	25
Total liabilities	**186**	**234**	**216**	**235**	**255**
Owners of parent equity	**740**	**800**	**864**	**910**	**962**
Capital stock	15	15	15	15	15
Capital surplus	473	473	473	473	473
Retained earnings	275	285	325	371	423
Other	-24	27	51	51	51
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**740**	**800**	**864**	**910**	**962**
Net debt	-169	-33	-93	-111	-157

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**180**	**-10**	**166**	**205**	**242**
Net profit	33	10	40	46	52
Non-cash profit and expenses	159	156	147	162	170
Depreciation	4	3	2	2	1
Amortization	143	131	137	151	159
Other	12	21	8	9	10
Changes in A/L from operating activities	4	-173	-11	9	35
Cash flow from investments	**10**	**-123**	**-122**	**-171**	**-180**
Change in tangible assets	-1	-1	0	0	0
Change in financial assets	0	0	0	-0	0
Other	11	-122	-122	-171	-180
Cash flow from financing	**-175**	**19**	**-3**	**-2**	**-2**
Change in debt	-172	21	-1	0	0
Change in equity	0	0	0	0	0
Dividends	0	0	0	0	0
Other	-3	-2	-2	-2	-2
Change in cash	20	-115	59	18	46
Cash at beginning of year	158	178	63	122	140
Cash at end of year	178	63	122	140	186
Gross cash flow	**192**	**166**	**187**	**208**	**221**
Free cash flow	**178**	**-11**	**166**	**205**	**242**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-27.0	-3.5	21.8	14.1	9.7
Operating profit	-34.9	-16.6	78.4	17.3	12.2
Net profit	11.3	-69.2	287.5	15.6	11.9
Adjusted EPS**	11.3	-69.2	287.5	15.6	11.9
Per-share data (KRW)					
EPS (parent-based)	1,114	343	1,330	1,538	1,721
EPS (consolidated)	1,114	343	1,330	1,538	1,721
Adjusted EPS**	1,114	343	1,330	1,538	1,721
BVPS	24,606	26,623	28,754	30,292	32,013
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	38.6	124.5	25.1	21.7	19.4
P/B***	1.7	1.6	1.2	1.1	1.0
EV/EBITDA	6.1	7.6	4.7	4.1	3.7
Ratios (%)					
ROE	4.6	1.3	4.8	5.2	5.5
ROA	3.3	1.1	3.8	4.2	4.4
ROIC	9.7	7.2	10.9	12.5	13.9
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	-22.8	-4.1	-10.7	-12.2	-16.3
Interest coverage (x)	7.8	25.3	30.2	36.1	40.5

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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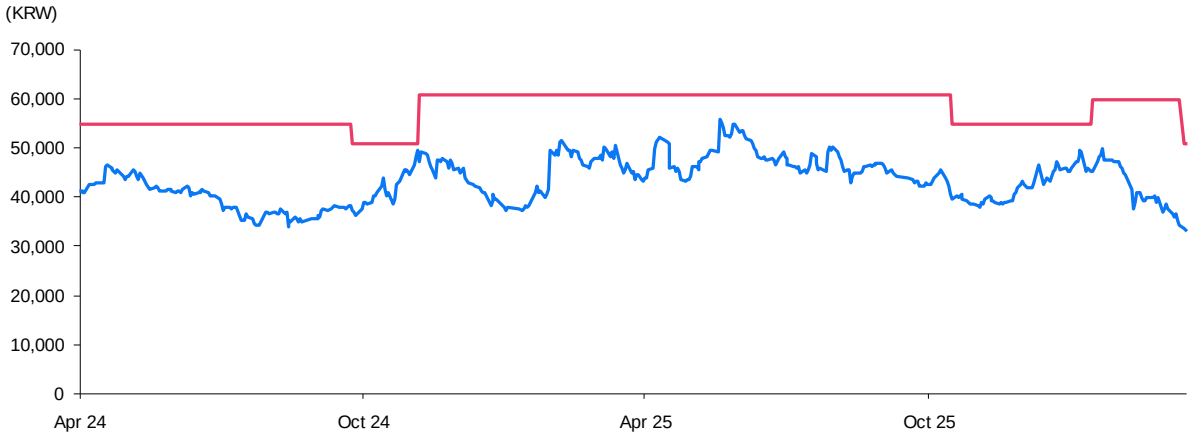
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/8	4/15	10/16	11/28	2025/11/7	2026/2/6	4/8
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	68000	55000	51000	61000	55000	60000	51000
Gap* (average)	-32.59	-27.80	-18.23	-24.45	-23.06	-31.03	
(max or min)**	-24.71	-15.55	-3.14	-8.20	-10.00	-16.67	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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