



# INVESTOR RELATIONS

Nov 2020

## Company Overview



## No.1 Media-Commerce company, leading digital shift & global expansion

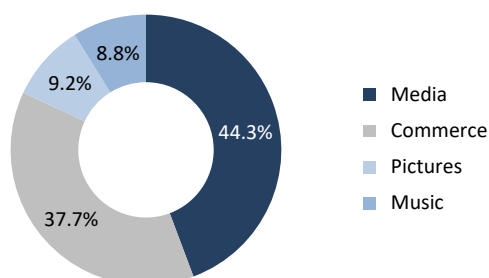
### - Business Divisions -

MEDIA	COMMERCE	PICTURES	MUSIC
MPP M/S <b>33%</b>	Home Shopping M/S <b>28%</b>	Domestic B.O. M/S <b>46%</b>	<b>#1</b> Music Station
<ul style="list-style-type: none"> <li>• No. 1 MPP in paying TV (17 ch.)</li> <li>• Advertisement Solution : TV · Digital-based Media Mix</li> <li>• Digital Content Production</li> <li>• In-house OTT</li> </ul>	<ul style="list-style-type: none"> <li>• No. 1 Home Shopping Player</li> <li>• Private Brands</li> <li>• Leader of Online Commerce</li> <li>• Live Commerce Studio</li> </ul>	<ul style="list-style-type: none"> <li>• No. 1 Film distributor</li> <li>• Global investment/distribution</li> <li>• In-house film production</li> <li>• Musical Business</li> </ul>	<ul style="list-style-type: none"> <li>• No. 1 Korean Music Station</li> <li>• In-house Artists incubation</li> <li>• Music Sub-labels</li> <li>• Concerts Business</li> </ul>

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## COMPANY OVERVIEW

### Sales-mix (2019)

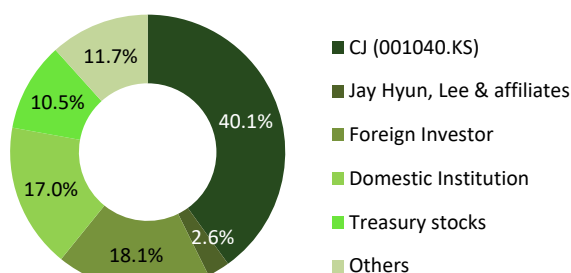


### Snapshot (as of Oct 2020)

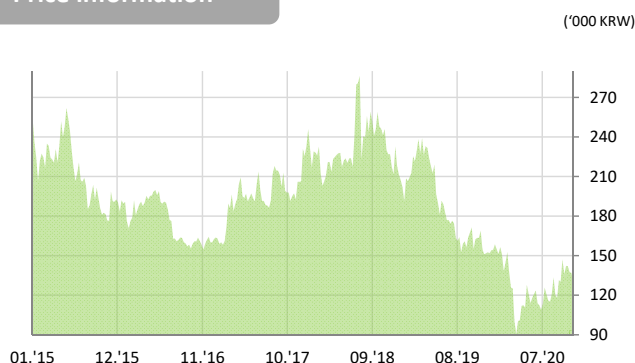
✓ Outstanding Shares	<b>21,929,154</b> shrs
✓ Market Cap.	<b>2,884</b> mn USD
✓ Shareholders' Equity	<b>3,393</b> mn USD
✓ P/B	<b>0.85</b> x
✓ Foreign Investment Limit	<b>49.0</b> %

\*KRW/USD = 1,000

### Shareholders' stake



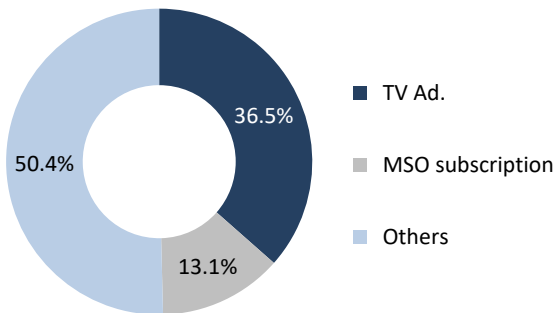
### Price information



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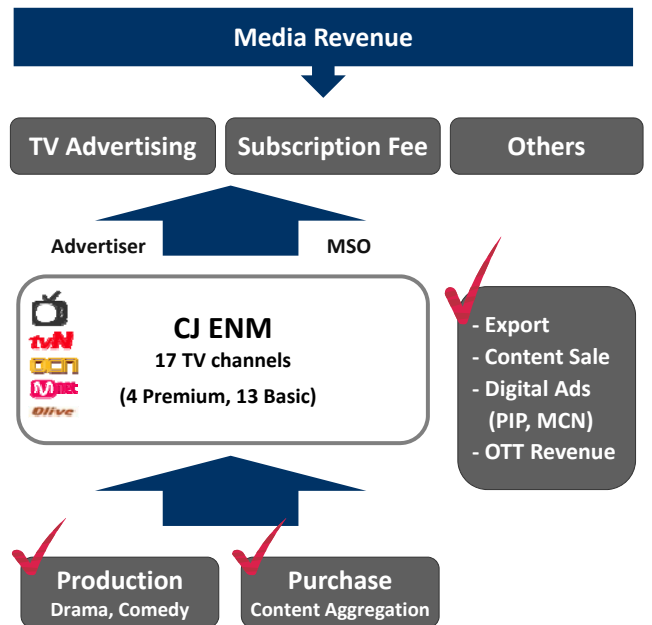
## Media

Sales Mix (2019)



- TV Ad. : Advertisement revenue generated from 17 TV Ch.
- MSO Subscription : Commission for providing PGM to SO
- Others : Content sales and Digital rev., Subsidiaries rev.

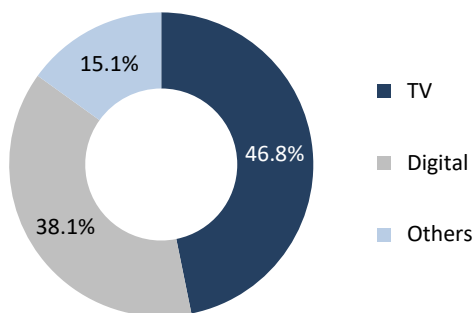
Biz-Model



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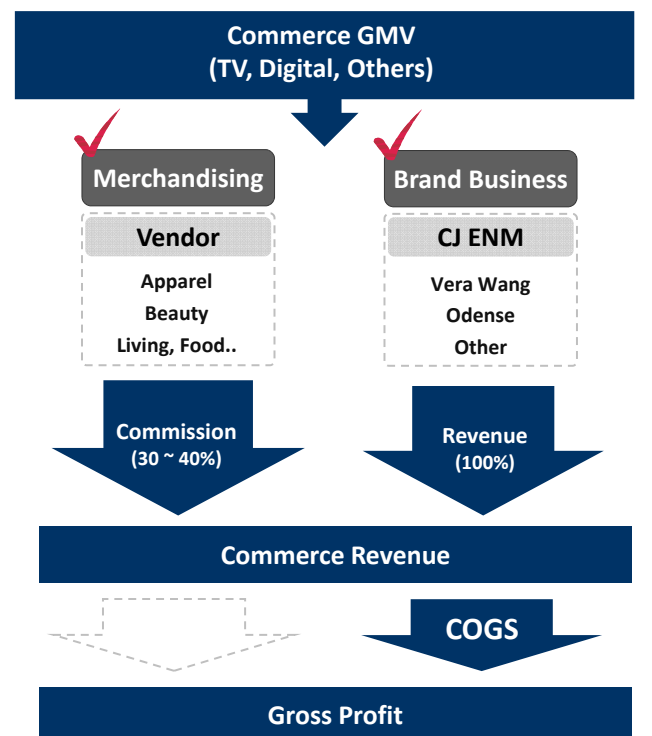
## Commerce

Sales Mix (2019)



- TV : Revenue from TV program transaction
- Digital : Sales from internet platform (Mobile, PC)
- Others : Subsidiary rev., offline store rev. etc.

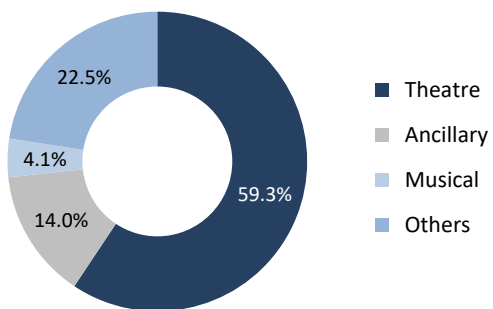
Biz-Model



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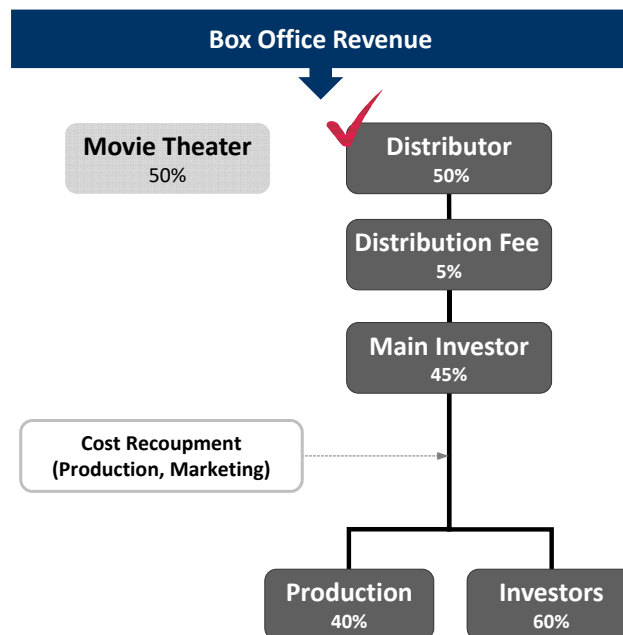
## Pictures

Sales Mix (2019)



- Theatre : B.O. revenue of domestic distribution
- Ancillary : VOD sales of domestic released films
- Others : Overseas rev., Subsidiary rev. etc.

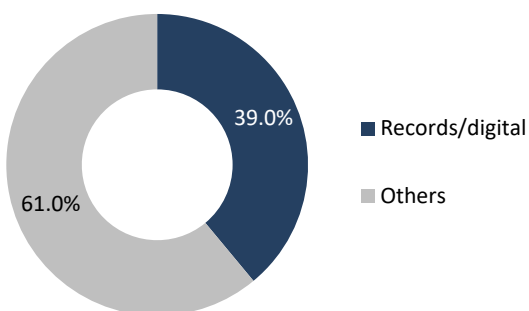
Biz-Model



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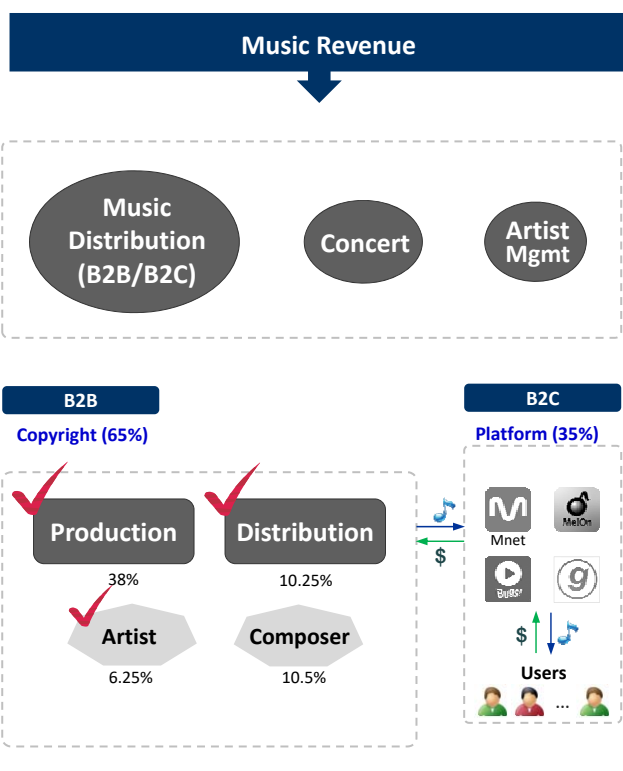
## Music

Sales Mix (2019)



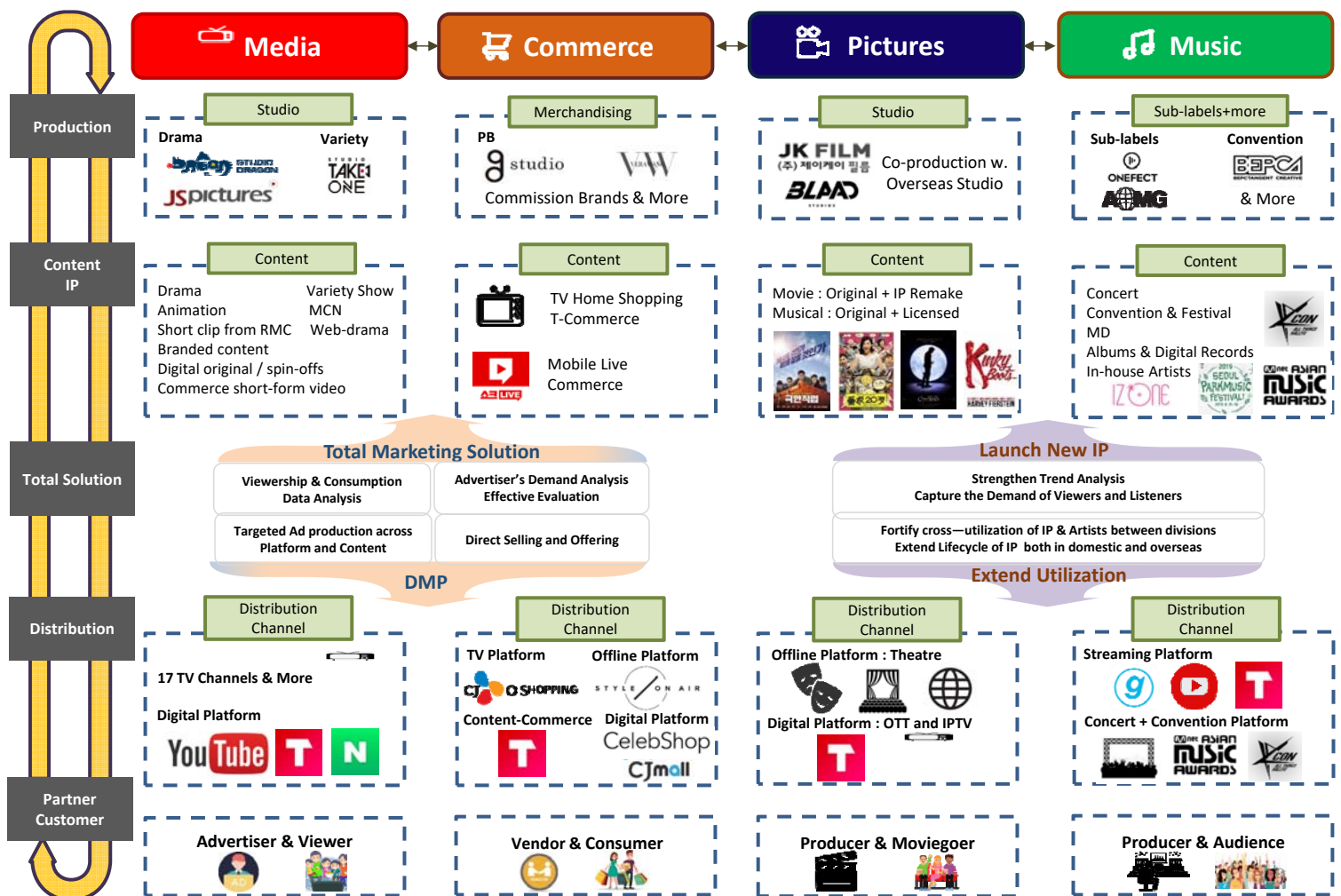
- Records/digital : Records & Albums sales incl. In-house artists
- Others : Domestic and overseas Concert · Sub-label rev.

Biz-Model

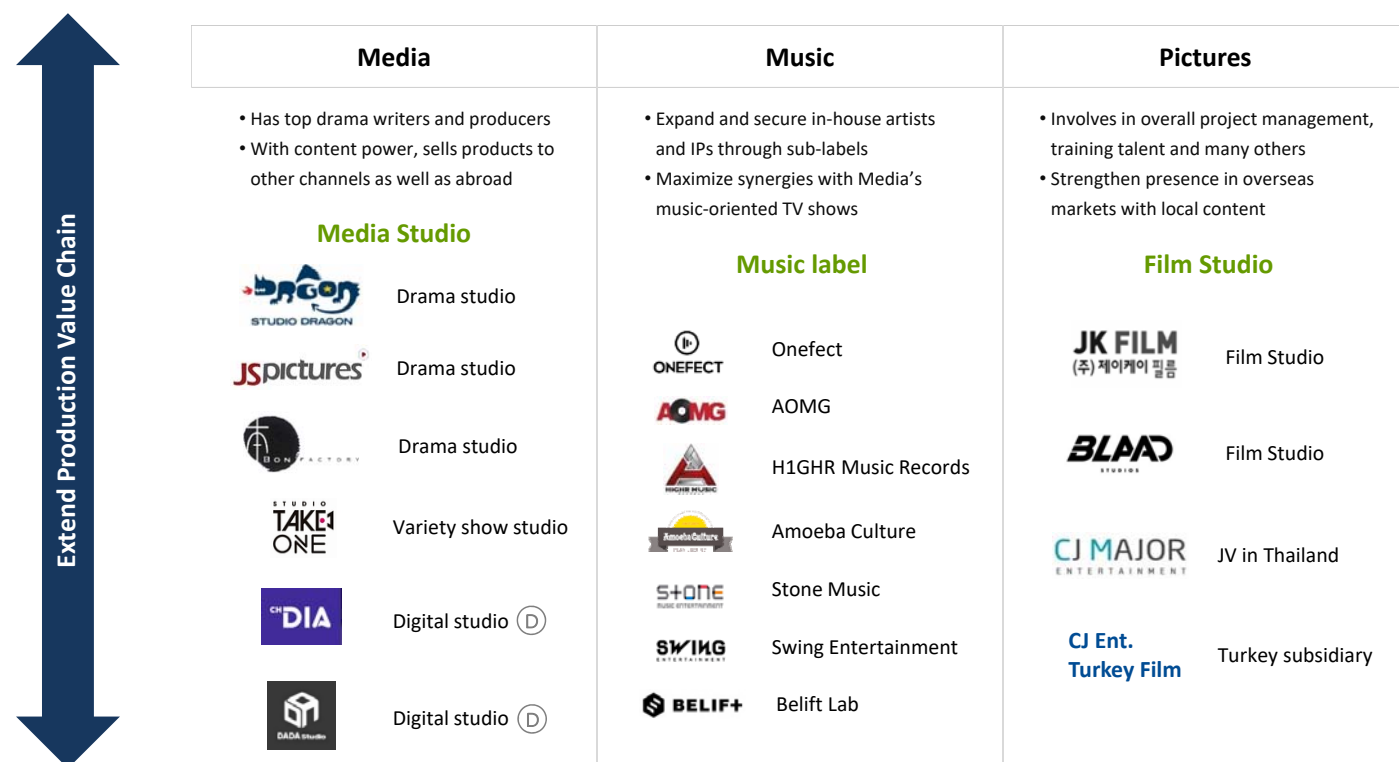


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# Mid-Long Term Strategy



## Extension of production value chain to grow stronger

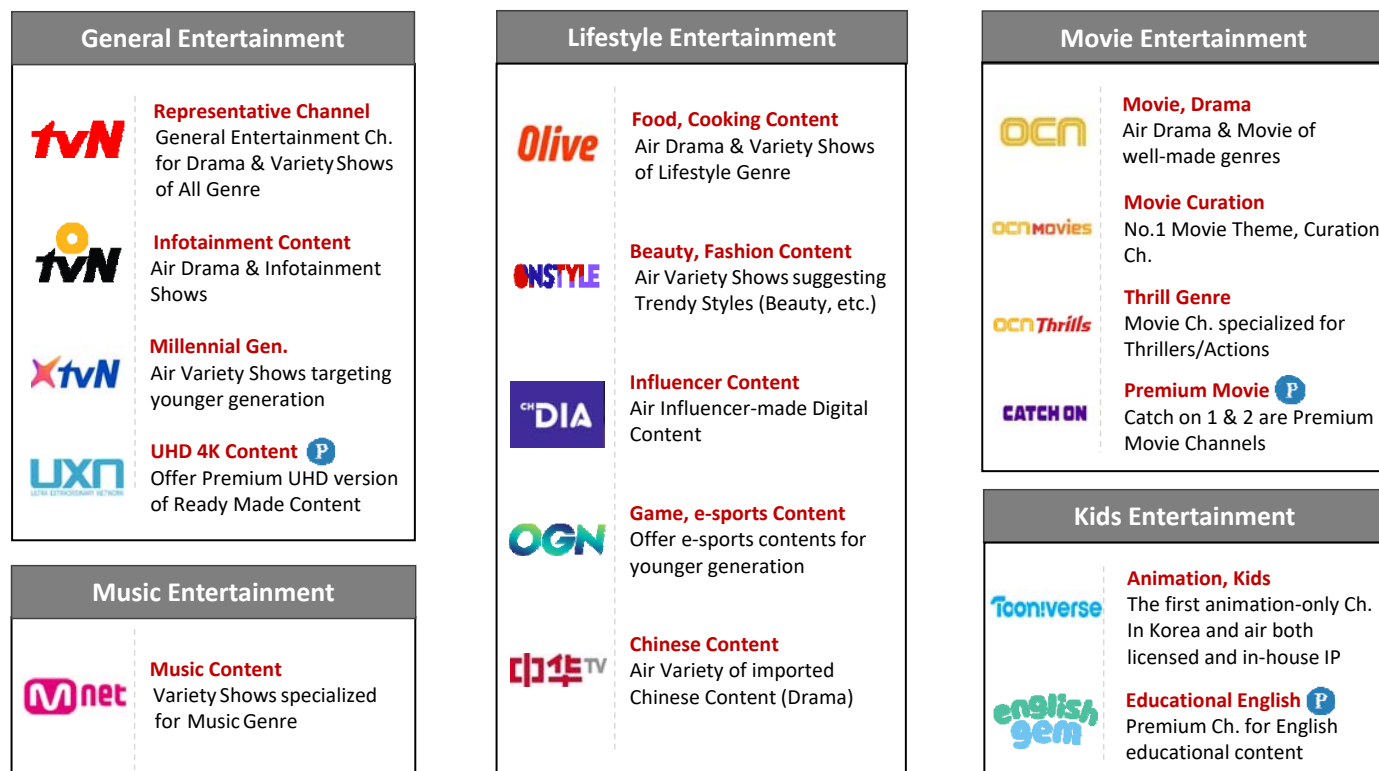


\* (D) stands for division of CJ ENM; Others are CJ ENM's subsidiaries

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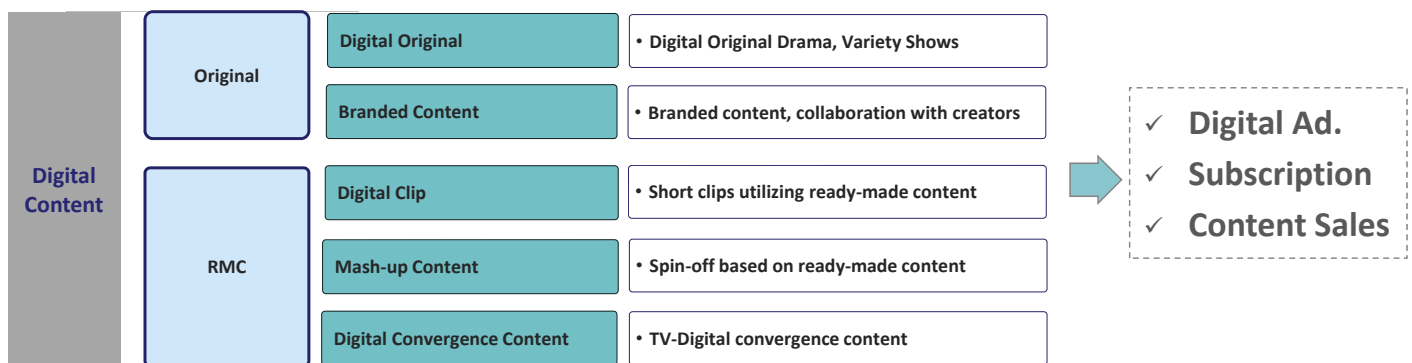
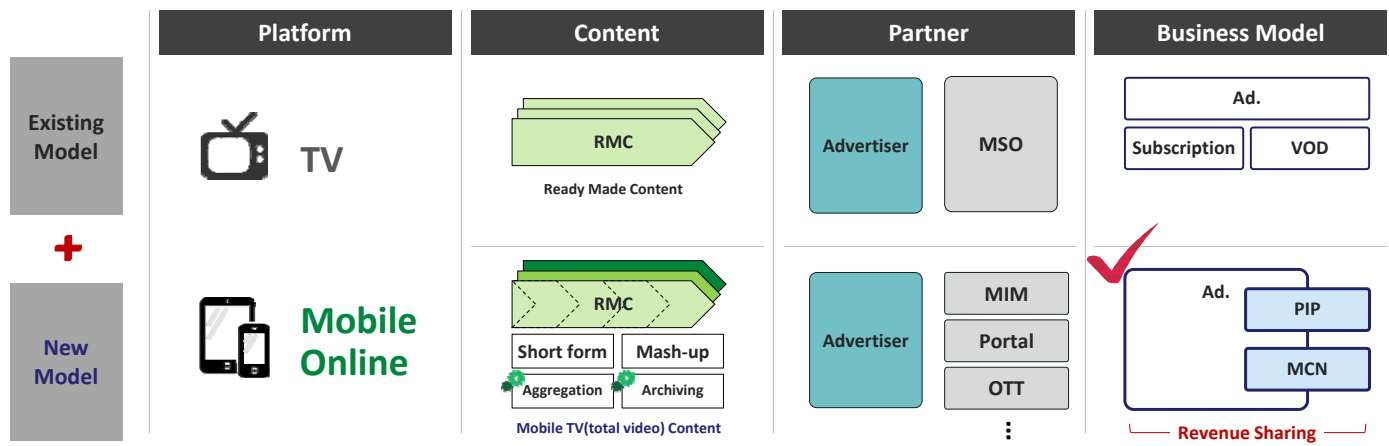
## TV Channels that we own

## Own 17 TV Channels including 13 Basic and 4 Premium Channels



(P) : Premium Channel (Channel subscription needed)

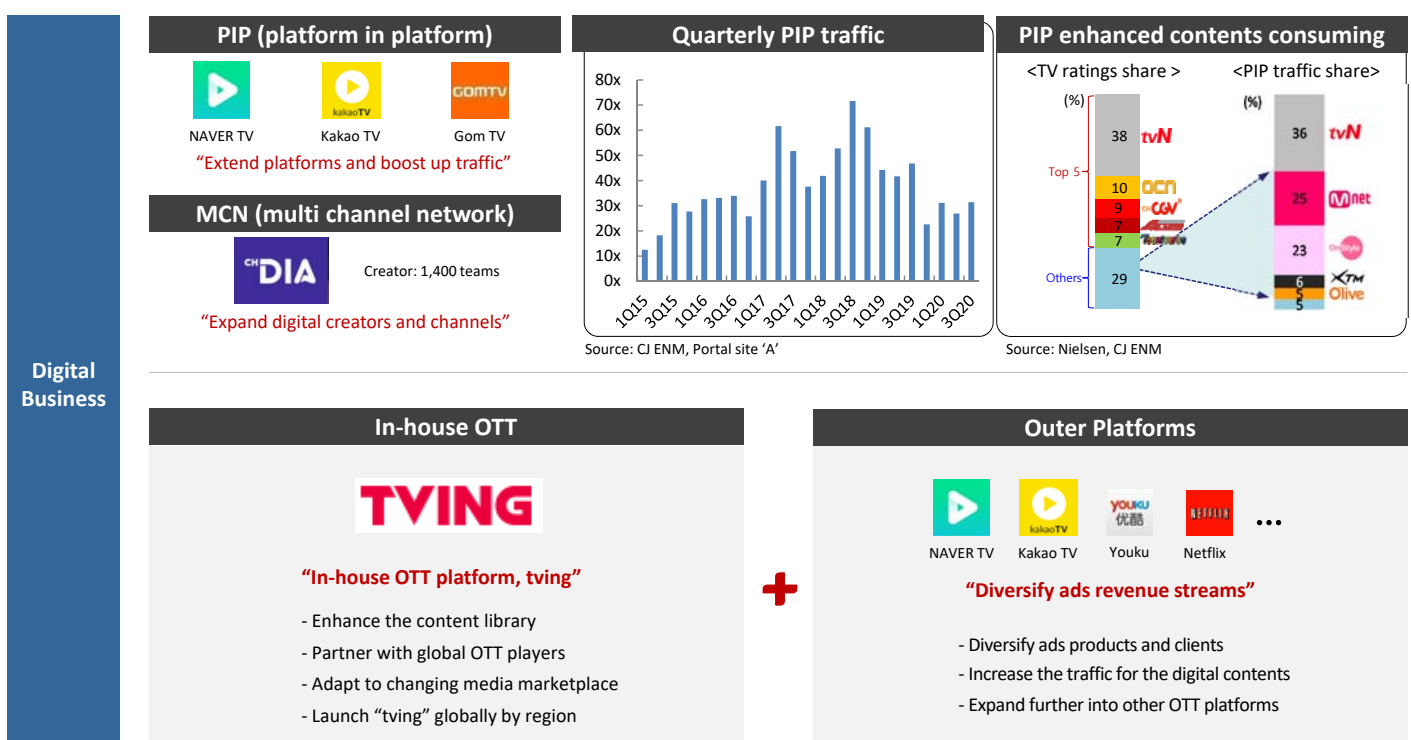
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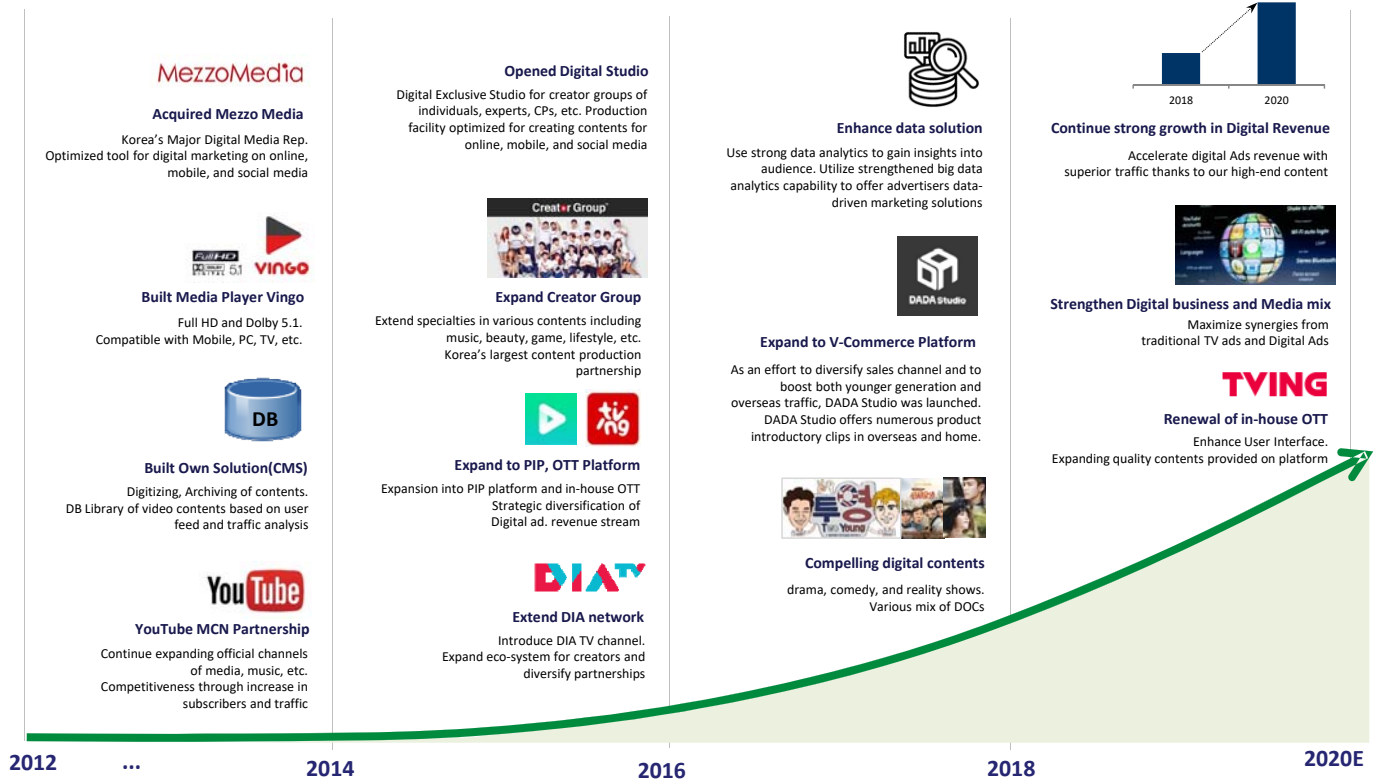
## Digital Business

### '2-Way Strategy' in Digital and Global



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## Dive deep into digital transformation







## Rolling-out Localization Through the Best Experience



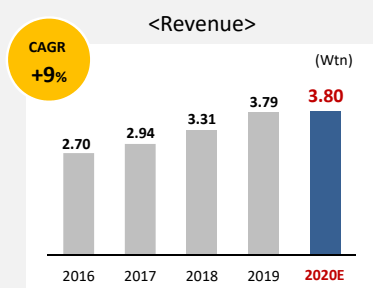


## Fortify Content Hit-Ratio and Expand Convergence Digital Distribution

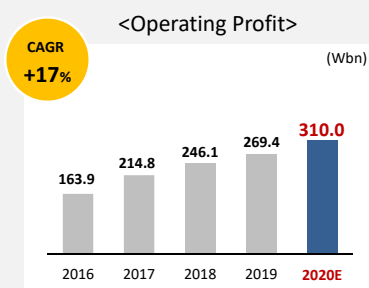
 MEDIA	TV Ad 10%+, Digital revenue 20%+ growth, profitability focused production
 COMMERCE	Fortify high profit portfolio, maximize operation synergy of multi-channel
 PICTURES	Enforce in-house production and project profit, strategical penetration into U.S.
 MUSIC	Strengthen strategic production and secure global mega-IP



### “Strengthen Digital · Global Business”



### “Secure profitability by cost-reduction & production efficiency”



### “Strengthen Shareholder communication Payout ratio 15% or more”

<Guidance & Dividend>

#### ☑ 2020 Guidance

Revenue 3.8 Wtn

Operating Profit 310.0 Wbn

#### ☑ Payout ratio 15% or more

\* FY2016 ~ FY2018 is based on CJ ENM consolidated pro-forma statements excluding CJ Hello earnings as CJ Hello has been liquidated as of Dec. 26<sup>th</sup>, 2019

# 3Q20 Earnings Review

## 1. Key Achievements and Strategies

**Lead the market transition by premium content · digital convergence**



Expand premium content  
for global distribution

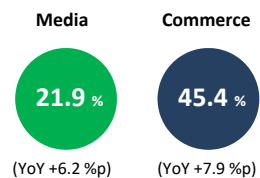


Extend PB, Fortify Mobile Commerce

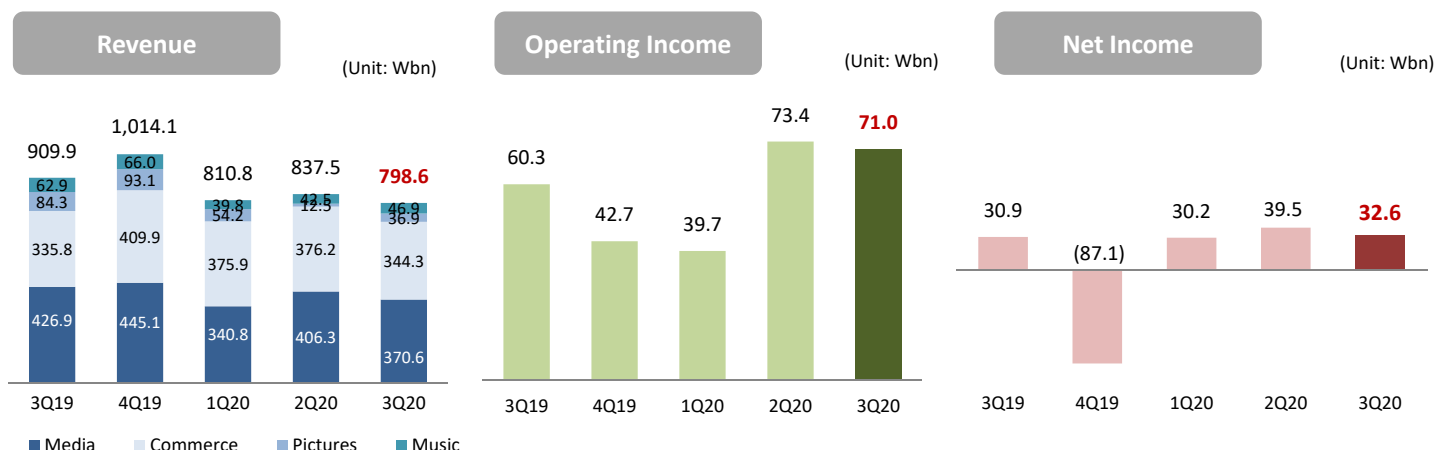


Increase TVING subscribers and  
Enhance digital convergence

<2020 YTD, Digital Rev. portion >



## Profit growth with digital enhancement strategy and production cost efficiency



● **[3Q20] Revenue W798.6bn (YoY -12.2%), OP W71.0bn (YoY +17.9%)**

- : Revenue decreased due to continuous market slow-down of TV Ad. and Box Office. However, sharp growth in digital revenue from Media · Commerce
- : Operating profit growth with Media production cost reduction, Commerce Private Brand strategy, and continued profit improvement from Music

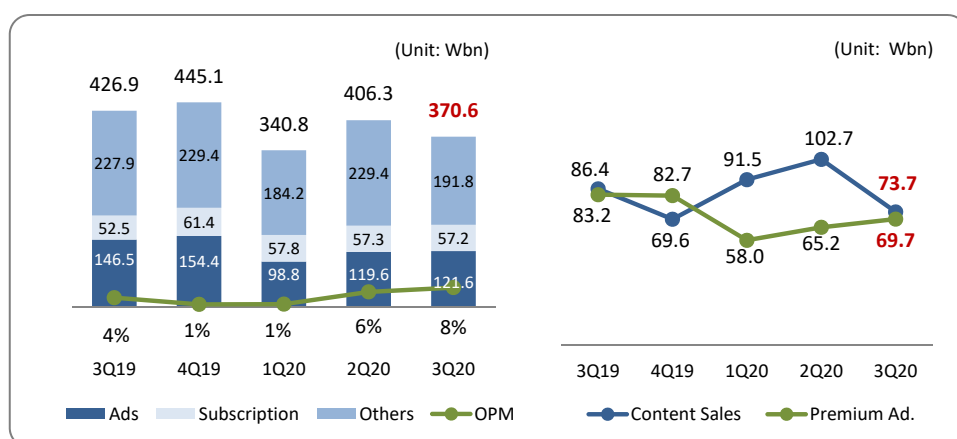
● **[4Q20] Reinforce content · product competitiveness, extend digital growth strategy**

- : **Media** – Fortify content competitiveness · power and digital business, **Commerce** – F/W product strategy and reinforce mobile commerce
- : **Pictures** – Strategy focusing on in-house projects and risk management, **Music** – Expand global artists' activities and online concerts

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## 2-2. Media – Financial Results

## Profit turn-around by record-high digital revenue and production cost efficiency



## Major Shows



**<It's okay to not be okay>**  
Jun 20<sup>th</sup> ~ Aug 9<sup>th</sup> (16 eps)  
Highest rating: 7.3%



**<Stranger 2>**  
Aug 15<sup>th</sup> ~ Oct 4<sup>th</sup> (16 eps)  
Highest rating: 9.4%



**<House on Wheels>**  
Jun 11<sup>th</sup> ~ Aug 27<sup>th</sup> (12 eps)  
Highest rating: 5.1%

● **[3Q20] Revenue W370.6bn (YoY -13.2%), Operating Profit W29.3bn (YoY +82.1%)**

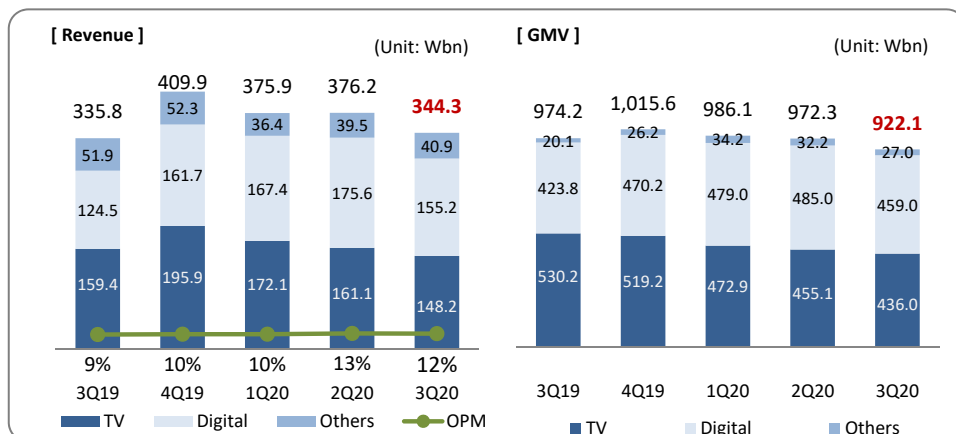
- : Under Ad. markets slump, TV Ad. revenue (YoY -17.0%) contracted. Digital revenue (YoY +34.4%) hiked by TVING paid subscribers (YoY +34.6%) increase
- : Production cost efficiency through co-airing extension and per-episode production cost reduction → Recovery of profitability (OPM 7.9%, YoY +4.1%)

● **[4Q20] Strengthen TV content and expand digital content**

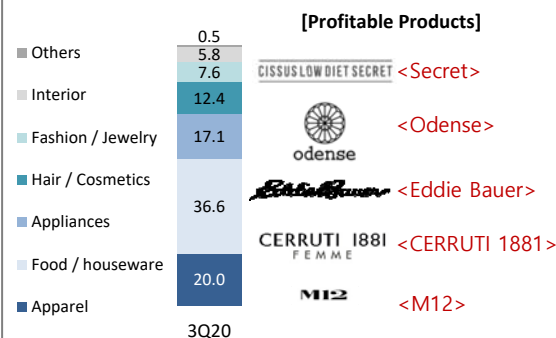
- : Enhance content competitiveness, such as <Birthcare Center> · <True Beauty>, promote content power including <I'm a survivor> · <Cap-teen>
- : Upgrade curation service, build-up original content planning for TVING, and cultivate digital ch. branding for e.g. <Sapiens Studio> · <Diggle>

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## Maximize profit leverage pulling demands for social-distancing



## Product Portfolio



● **[3Q20] Revenue W344.3bn (YoY +2.5%), Operating Profit W42.4bn (YoY +44.2%)**

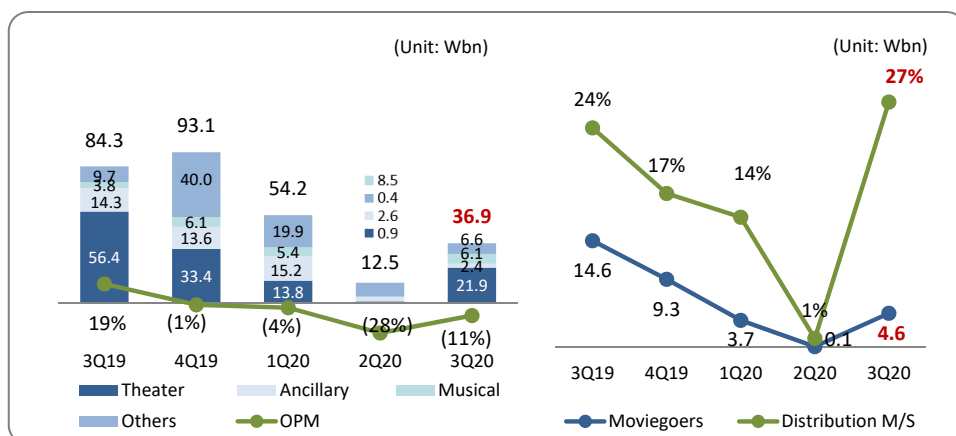
- : Portfolio strategy focusing on contact-free demands esp. Food · Living · Kids → High growth in digital revenue (Portion 45.1%, YoY +24.7%)
- : Maintained YoY PB growth of 12.8% in e.g. <the AtG> · <Secret> · <Odense> (GMV portion 11.7%), Steady growth in profitability

● **[4Q20] Accelerate shift to digital by fortifying mobile commerce**

- : Reinforce product-mix strategy concentrating on Apparel · Living · Appliances for winter season, Expand PB Fashion · Outdoor apparel line-up
- : Upgrade mobile platform such as <Flagship Store> · <Shock Live>, enlarge digital exclusive product line-up, improve data analysis system

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## Focus on project risk management despite continued COVID-19 effect



## Major Movies



**< Deliver Us From Evil >**  
Release date : Aug 5<sup>th</sup>  
B.O. W38.6bn  
Attendance: 4.36mn



**< Pawn >**  
Release date : Sep. 29<sup>th</sup>  
Accum. B.O. W1.43bn  
Accum. Attendance: 1.67mn

● **[3Q20] Revenue W36.9bn (YoY -56.3%), Operating Loss W4.1bn (CR)**

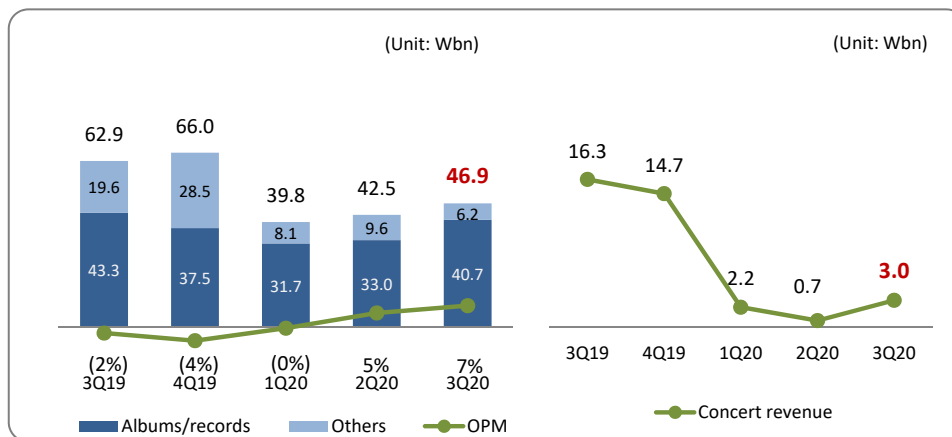
- : Film & musical revenue decreased from weak B.O. and musical industry due to continued COVID-19 effect
- : Operating loss due to decrease in ancillaries etc., despite <Deliver Us from Evil> B.O. hit and recovery of moviegoers

● **[4Q20] Domestic market risk management strategy and continuing development of global projects**

- : Domestic – November action-crime genre <Collector>, December drama genre <Seobok>
- : Global – Develop global project from B.O. hit IP, enforce distribution strategy based on regional B.O. situation in U.S., Turkey, etc.

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## Profit improvement thanks to concentration in core business such as artists·albums·records



### Major Content



**<Lee-Hi> HOLO**  
Released on Jul 23  
Daily chart No.1



**<JO1> STARGAZER**  
Released on Aug 26  
Total sales : 400k  
Weekly chart No.1



**<IZ\*ONE> ONEIRIC THEATER**  
Held on Sep 13

### • [3Q20] Revenue W46.9bn (YoY -25.5%), Operating Profit W3.5bn (YoY TB)

- : Even with squeezed live performance, albums · records revenue hiked (QoQ +23.3%) with extension of online concert incl. <IZ\*ONE>
- : Maintained profitability improvement through extension of global revenue for IP library and effective cost management

### • [4Q20] Strengthen core business including In-house albums · records

- : Augment domestic · overseas album releases of global · in-house artists, Aim for top-line and profitability enhancement
- : Release of new albums incl. <IZ\*ONE> (Japan on Oct, Korea on Dec), <JO1> (Nov), Debut of <Enhypen> (Nov), Expand online concert

# Financial Summary



## Appendix 1-1. Balance Sheet Summary



(Unit: Wbn)	2Q20	3Q20	QoQ (%)
<b>Total Assets</b>	<b>5,978</b>	<b>5,870</b>	<b>(1.8)</b>
Current Assets	2,006	1,850	(7.8)
Cash and Cash Equivalents	412	318	(22.9)
Other Current Financial Assets	1,594	1,533	(3.8)
Non-Current Assets	3,972	4,020	1.2
Tangible Assets	973	1,016	4.3
Intangible Assets	1,061	1,060	(0.1)
<b>Total Liabilities</b>	<b>2,585</b>	<b>2,442</b>	<b>(5.5)</b>
Current Liabilities	1,756	1,475	(16.0)
Non-Current Liabilities	829	967	16.6
<b>Shareholders' Equity</b>	<b>3,393</b>	<b>3,428</b>	<b>1.0</b>
Equity capital	212	212	-
Retained Earnings	1,166	1,191	2.1
Other Reserves	1,749	1,756	0.4

### Key financial ratios

(Unit: %)	2Q20	3Q20	QoQ (%)
Current Ratio (%)	114.2	125.4	11.2%p
Net Debt Ratio (%)	12.7	13.1	0.3%p
Cash Ratio (%)	48.8	43.1	-5.7%p

## Appendix 1-2. Income Statement Summary

(Unit: Wbn)	3Q19	2Q20	3Q20	YoY (%)	QoQ (%)
<b>Sales Revenue</b>	<b>910</b>	<b>838</b>	<b>799</b>	<b>(12.2)</b>	<b>(4.6)</b>
Media	427	406	371	(13.2)	(8.8)
Commerce	336	376	344	2.5	(8.5)
Pictures	84	13	37	(56.3)	194.4
Music	63	43	47	(25.5)	10.2
<b>OPEX</b>	<b>850</b>	<b>764</b>	<b>728</b>	<b>(14.4)</b>	<b>(4.8)</b>
COGS	565	472	438	(22.4)	(7.2)
SG&A	285	292	289	1.6	(0.9)
<b>Operating Profit</b>	<b>60</b>	<b>73</b>	<b>71</b>	<b>17.9</b>	<b>(3.2)</b>
Non-Operating PL	(6)	(22)	(19)	CR	CR
Financial PL	2	(10)	(12)	TR	CR
Equity method G/L	16	20	22	37.0	13.4
Others	(25)	(32)	(30)	CR	CR
Pre-tax profit	54	51	52	(4.0)	1.3
Tax Expenses	20	12	19	(4.6)	65.6
Ongoing Operating Income	34	39	33	(3.7)	(17.5)
Discontinued Operating Income	(3)	0	0	-	-
<b>Net profit</b>	<b>31</b>	<b>39</b>	<b>33</b>	<b>5.4</b>	<b>(17.5)</b>

# Appendix

## Media Industry Outlook

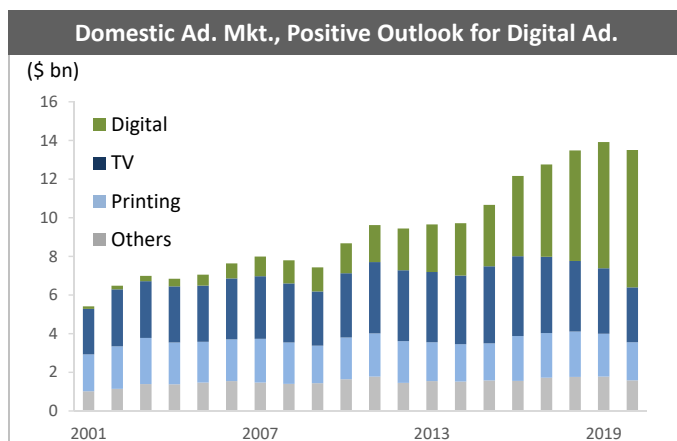
### Top-line Growth through Digital New Biz. in Jumping Market

#### Positive Growth for Digital Media – Extend and Expand Content Business based on Long-tail

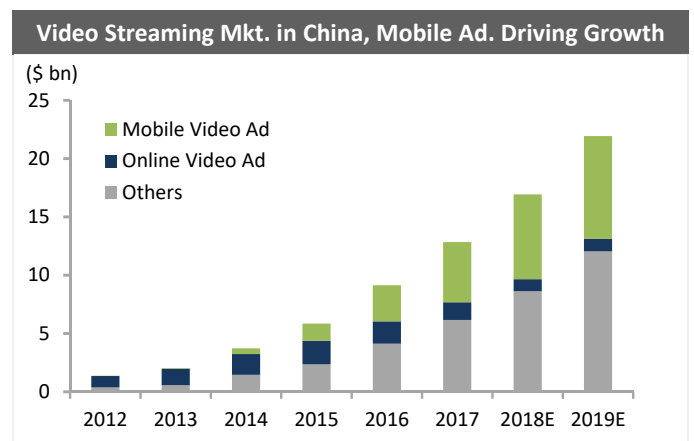
: 2020(E) domestic ad. market \$13.5bn - digital ad. to grow to 52% of total ad.

: 2018(E) video streaming market \$17bn - 47% from mobile ad., driving growth

: Digital content production system + new biz. model → **Secure growth in growing domestic/overseas market**



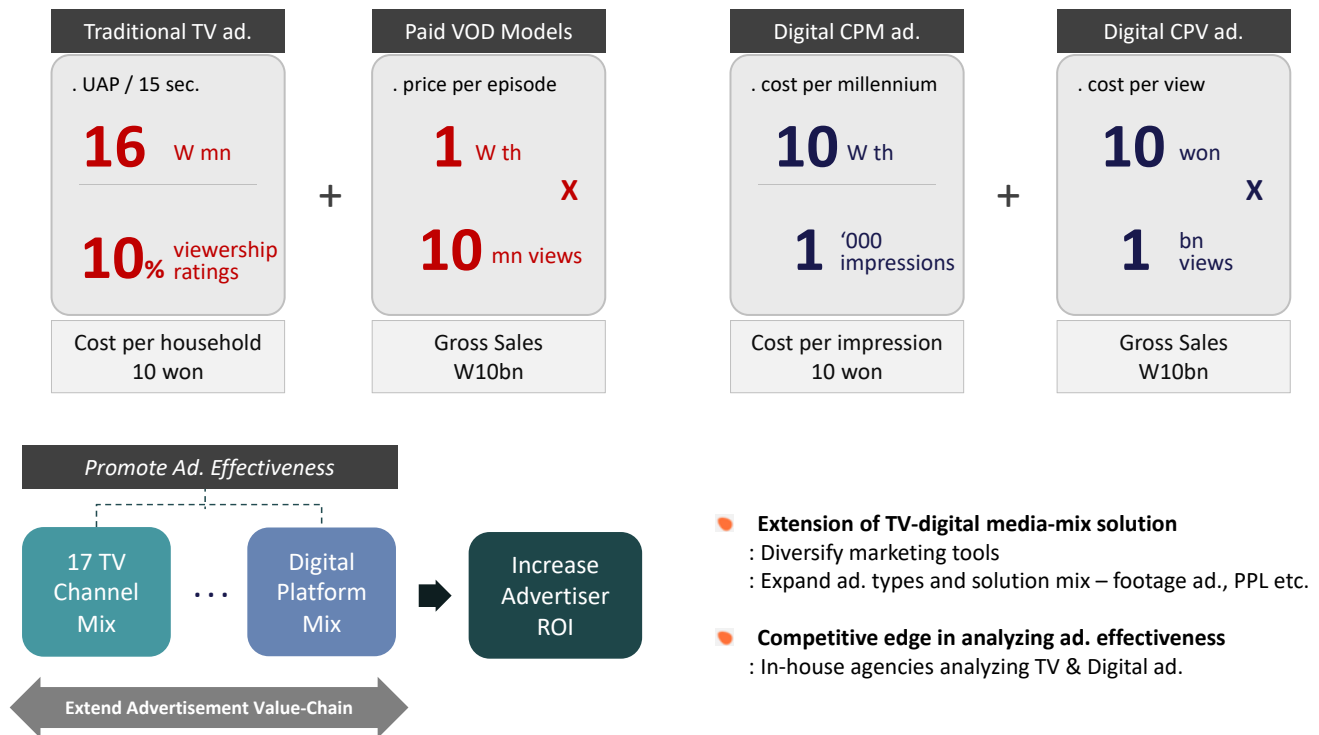
source: KOBACO, CJ ENM



source: China Internet Watch, iResearch, CJ ENM



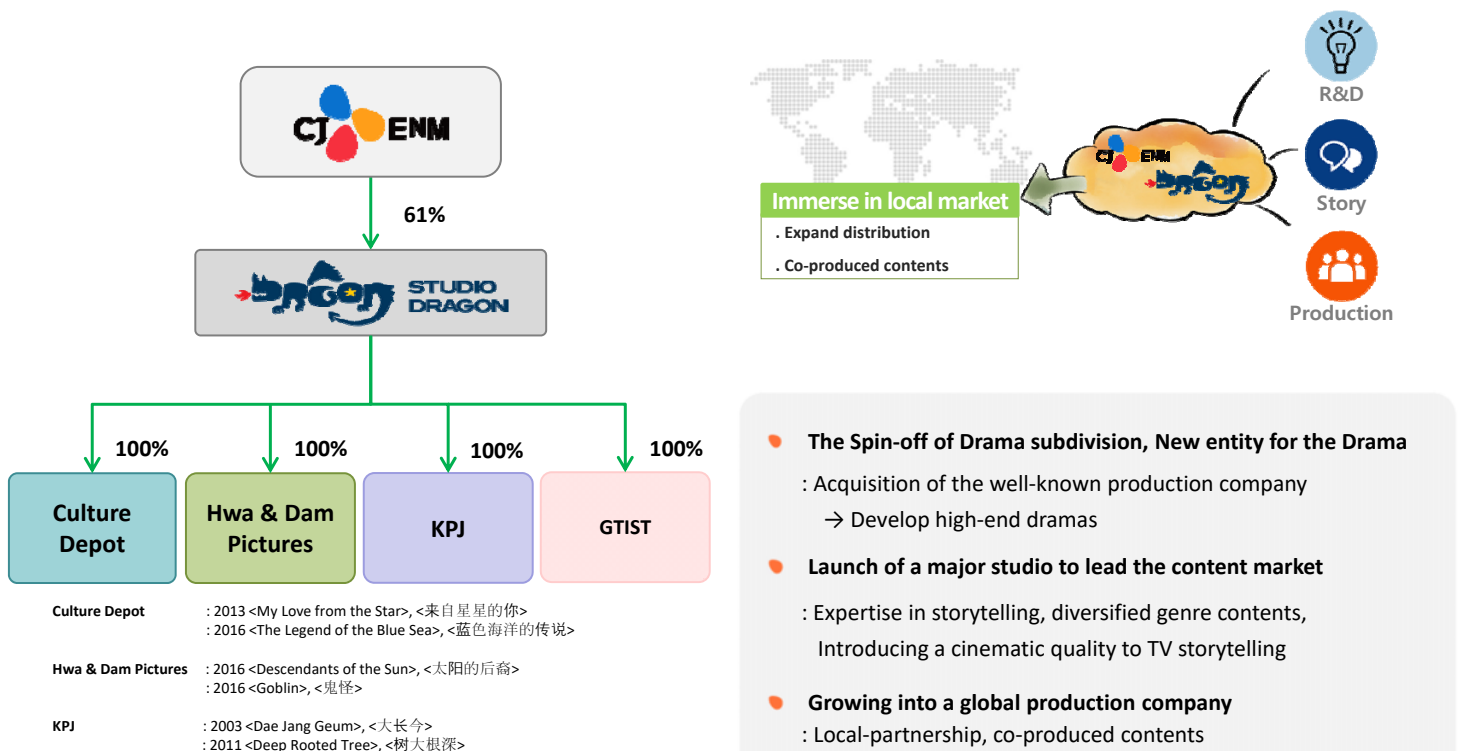
## Revenue Diversification from Media-Mix



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## Fortifying with In-house Studio (2016)

### Studio Dragon, aiming for new growth in Asian Contents market

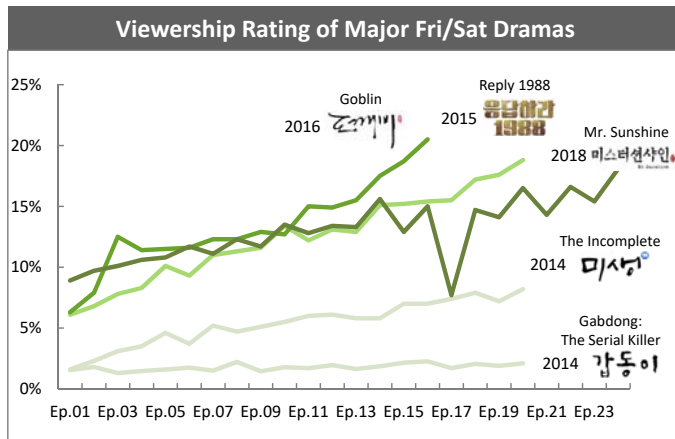


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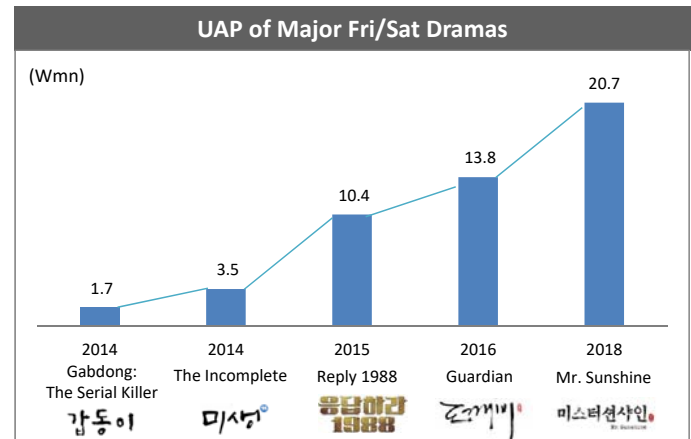
## Paving the way to become "Content Powerhouse"

### Quality drama production to enlarge content library going forward

- : Viewership rating of dramas constantly improving – from recording low-single digit to achieving record-high rating
- : Growing recognition from viewers leading to increasing ads (TV & digital) and stronger channel branding
- : Expect to leverage massive original content library to maximize IP utilization in the long run



Source: Nielson Korea, CJ ENM

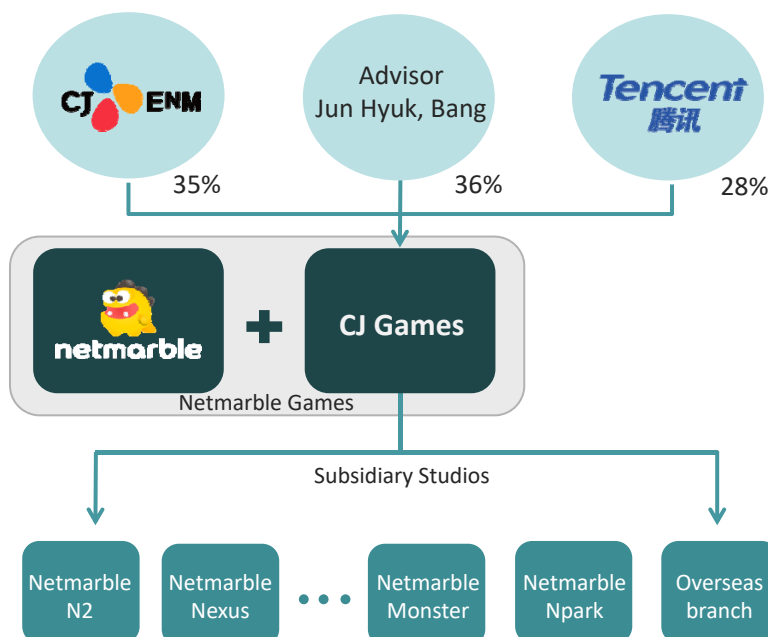


Source: CJ ENM

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## GAMES STRUCTURE after JV (2014)

### Partnership Accelerates Move into the Global Market



\* Current stakes after IPO (May 12, 2017):  
Mr. Bang 24.4%, CJ ENM 22.0%, Tencent 17.7%, Ncsoft 6.9%  
(Ncsoft initially held a stake of 9.8% through a capital increase in Feb 2015)

#### ● Partnership in New Corp.

- : Integration of Game Biz. (Netmarble & CJ Games)
- : Collaborate with Tencent for higher synergies and stronger publishing

#### ● Equity Investment from Tencent

- : US \$500mn with 28% stake
- : As a fully-loaded Strategic Investor rather than FI

#### ● Removal of Regulatory Barrier

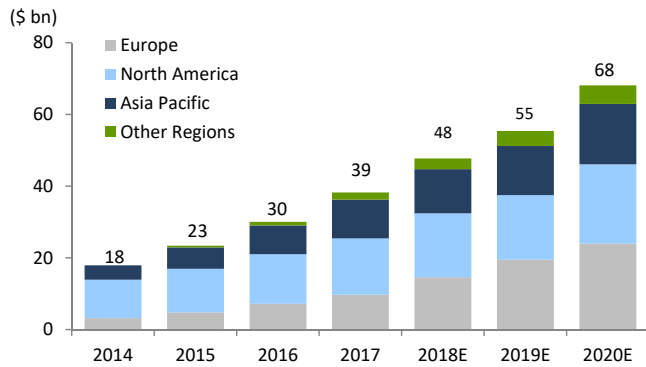
- : Restructuring to facilitate M&A  
(Developing studios are great-grandsons of the holding company. Partial acquisition is banned by FTC in current conditions)

**Equipped to Become a Global Player**

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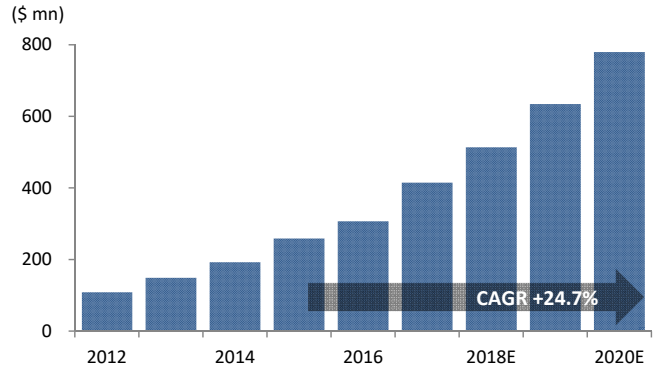
## The OTT Market

### Global OTT Market Projection



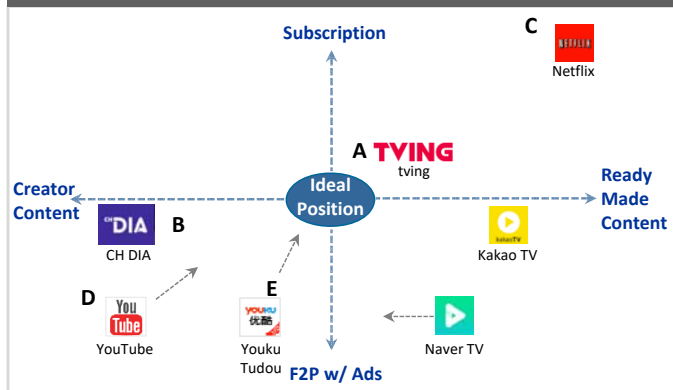
Source : Strategy Analysis

### Domestic OTT Market Projection



Source : Korea Communications Commission

### Service positioning of platforms



Source : CJ ENM

### Service positioning of platforms

	Business Model	Type of Contents	Platform
A	Subscription	RMC	tving
B	Ads	UCC	CH DIA
C	Subscription	RMC	Netflix
D	Ads	UCC	Youtube
E	Ads	UCC + RMC	Youku Tudou

Source : CJ ENM

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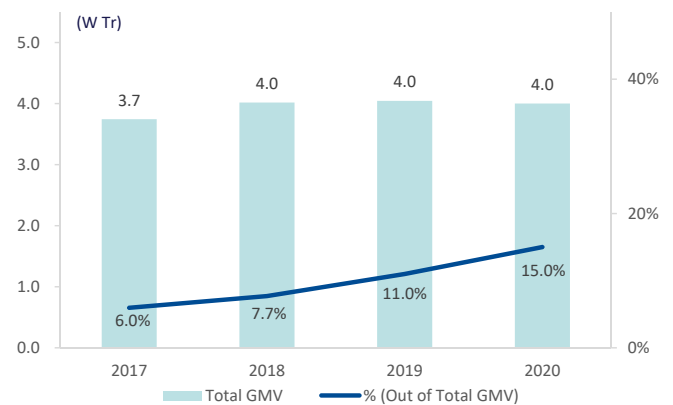
## Commerce Private Brand Strategy (2020)

### Original Brand

### Licensed Brand

	Original Brand	Licensed Brand
Fashion/Beauty	<p>THE AtG</p> <p>CelebShop edition</p> <p>S.L R I A H H</p> <p>FIDELIA</p> <p>SEP LAVIEN</p>	<p>JEAN-MICHEL BASQUIAT</p> <p>g studio</p> <p>KARL LAGERFELD PARIS</p> <p>VW</p>
Living	<p>odense</p> <p>@sential</p>	<p>CASA LIVING</p> <p>taylor scents</p>
Health Supplements	<p>CISSUS LOW DIET SECRET</p> <p>DOCTOR 1</p>	

### Private Brand GMV growth



- Fortify PB category based upon product competitiveness
  - : Original brand developed with in-house capabilities
  - : Licensed product with external brand partnerships
- Currently 30 brands, pursuing expansion of PB categories
  - : Men's Fashion, bedding, interior, beauty etc.

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### Media

#### [Scripted Format]

- <Record of youth> (Sep 7 ~ Oct 27) : Mon/Tue Drama on tvN
- <Tale of nine tailed> (Oct 7 ~ Dec 3) : Wed/Thu Drama on tvN
- <Search> (Oct 17 ~ Nov 15) : Sat/Sun Drama on OCN
- <Start-up> (Oct 17 ~ Dec 6) : Sat/Sun Drama on tvN
- <Birthcare center> (Nov 2 ~ Nov 24) : Mon/Tue Drama on tvN
- <The uncanny counter> (Dec 9 ~ Jan 28) : Sat/Sun Drama on OCN
- <Awaken> (Nov 30 ~ Jan 19) : Mon/Tue Drama on tvN
- <True beauty> (Dec 9 ~ Jan 28) : Wed/Thu Drama on tvN

#### [Non-scripted Format]

- <New Journey to the West 8 > (Oct 9 ~ Dec 18) : Variety show on tvN
- <Show me the money 9> (Oct 16 ~ Dec 18) : Variety show on Mnet
- <3 Idiots> (Oct 23 ~ Dec 18) : Variety show on tvN
- <I'm a survivor> (Nov 5 ~ ): Variety show on tvN
- <Cap-teen> (Nov 19 ~ Jan 21) : Variety show on Mnet
- <Folk us> (Nov 20 ~ Jan 22) : Variety show on Mnet

### Pictures

#### [Pictures]

- <Collectors> (Release in November)
- <Seobok> (Release in December)

#### [Musical]

- <Kinky Boots> (Aug 21 ~ Nov 1)
- <Werther> (Aug 28 ~ Nov 1)
- <Maybe Happy Ending LIVE> (Oct 26 ~ Nov 2)

### Music

#### [Albums/Records]

- <Twelve> (Oct 21) : IZ\*ONE
- <The star> (Nov 25) : JO1
- <Border : Day one> (Nov 30) : JO1
- OST : <Tale of nine tailed>, <Cap-teen>, <Folk us>, <Show me the money 9>