



kt skylife

Q4 of 2016 Earnings Release

Investor Relations | Jan. 19. 2017

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If you have any related questions on this material, please contact IR team.

Tel : 82-2-2003-3143/3123/3169

Fax : 82-2-2003-3265

E-mail : hwyoo@skylife.co.kr / seok-woo@skylife.co.kr / kong89@skylife.co.kr

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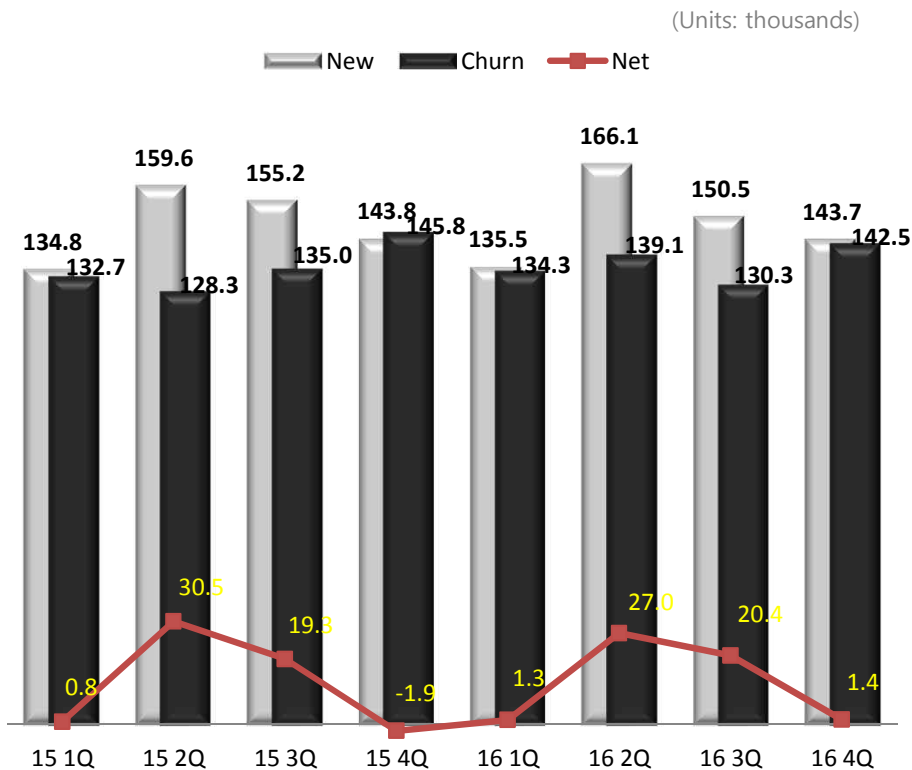
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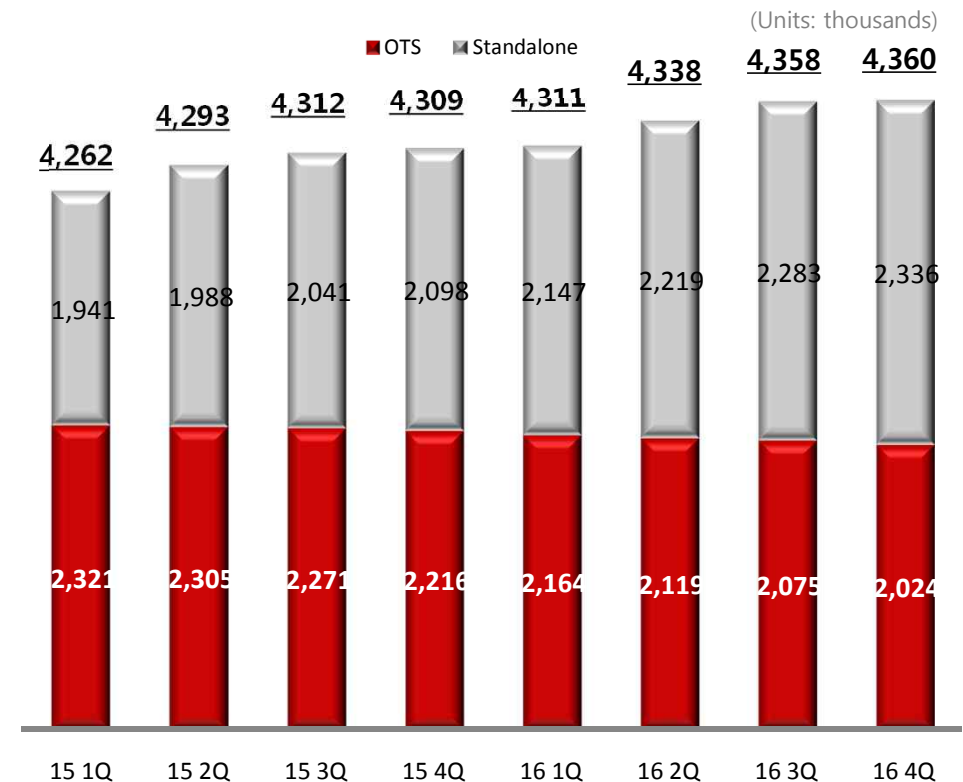
1. Business Overview - Subscriber

- ✓ 4Q : Gross subscriber additions 143K, Churn 142K, Net additions 1K
- ✓ Cumulative 4.36million subscribers (Satellite standalone 2.34million subs, OTS 2.02million subs)

Subscriber Additions & Churn



Total Subscribers



※ The number of subscribers (as of the first half of 2016) that MSIP announced are 3.11million.

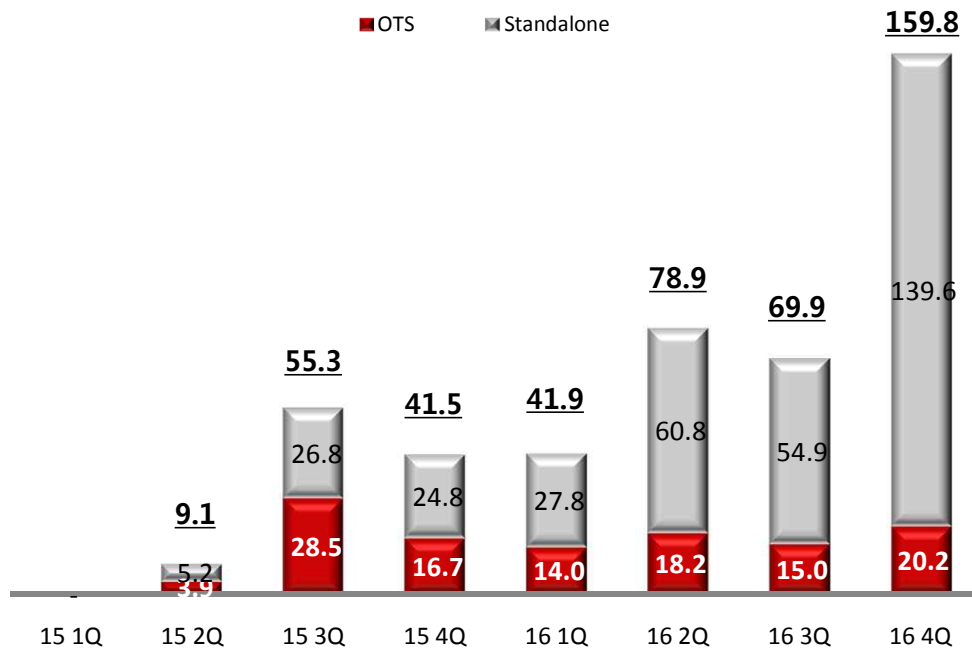
1. Business Overview - UHD

- ✓ 4Q Net additions 160k (Conversion to UHD increased, Annual Net additions 350k)
- ✓ UHD 456k subscribers (10.5% of total subscribers)



Quarterly Net additions

(Units: thousands)

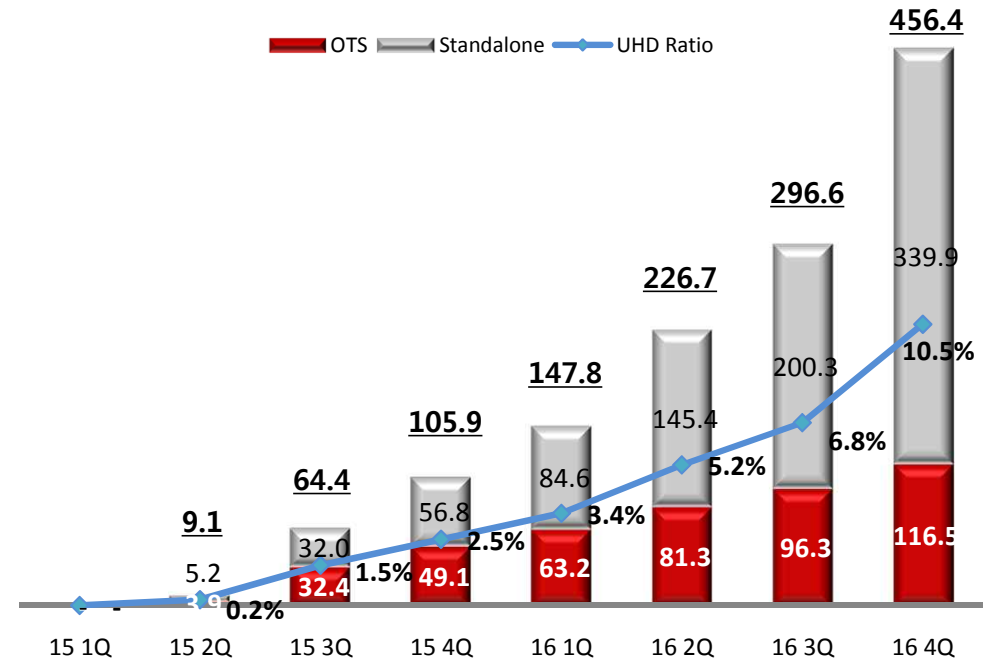


※ UHD service was started in June 2015



Total Subscribers

(Units: thousands)



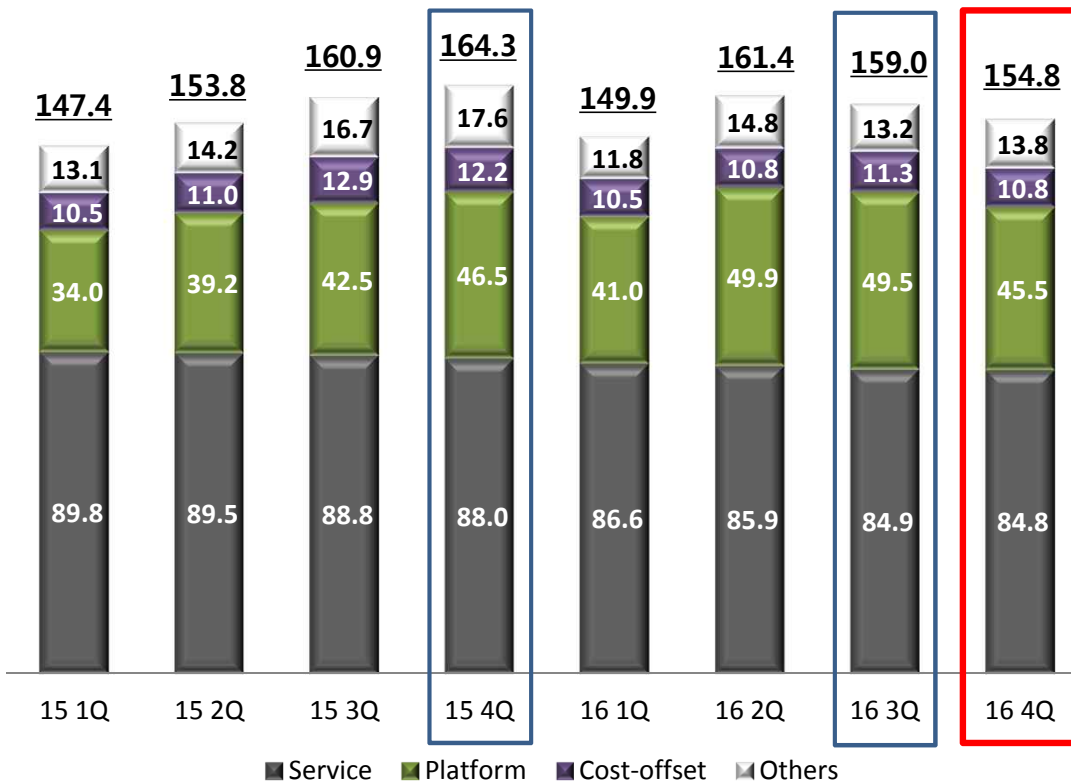
2. Financial Highlights - Revenues

- ✓ Revenues decreased by 9.5bn, 5.7%(YoY) to KRW 154.8bn (QoQ decreased by 4.2bn, 2.6%)
 - YoY : Service revenue(3.2bn) and Others(3.8bn) decreased
 - QoQ : Platform revenue(4.0bn) decreased

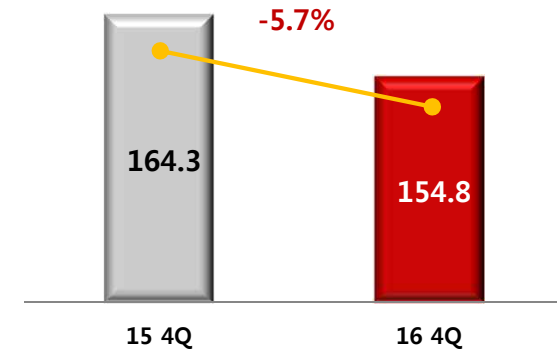


Revenues

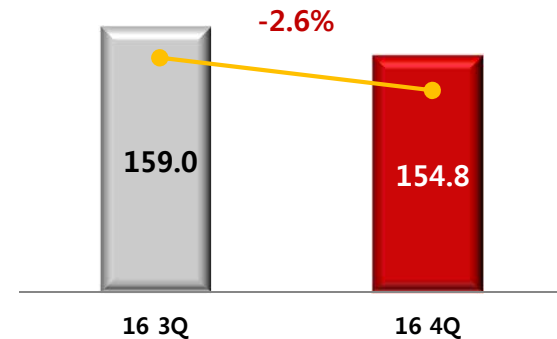
(* K-IFRS Non-consolidated, Units: KRW in billions)



< YoY >



< QoQ >



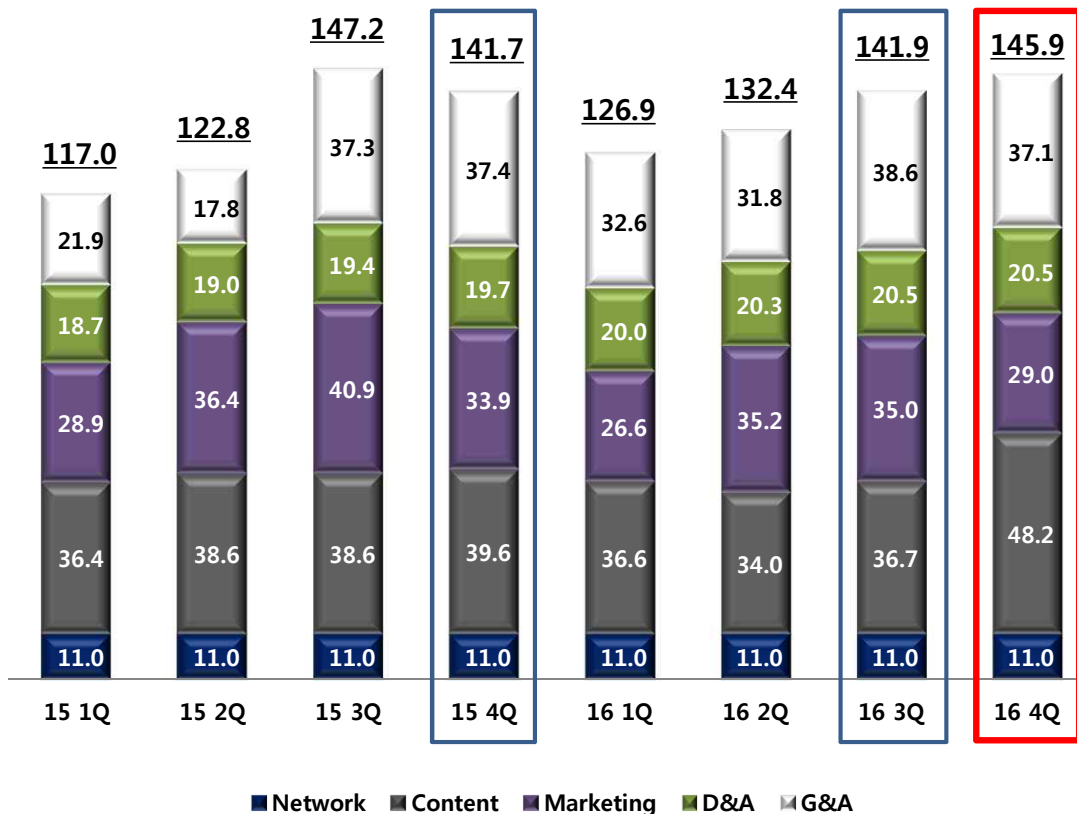
2. Financial Highlights – Costs and Expenses

- ✓ **Costs & Expenses increased by 4.2bn, 3.0%(YoY) to KRW 145.9bn (QoQ increased by 4.0bn, 2.9%)**
 - YoY : Ad. & Sales Promotion of Marketing costs(4.9bn) decreased and Content costs(8.6bn) increased
 - QoQ : Ad. & Sales Promotion of Marketing costs(6.0bn) decreased and Content costs(11.5bn) increased

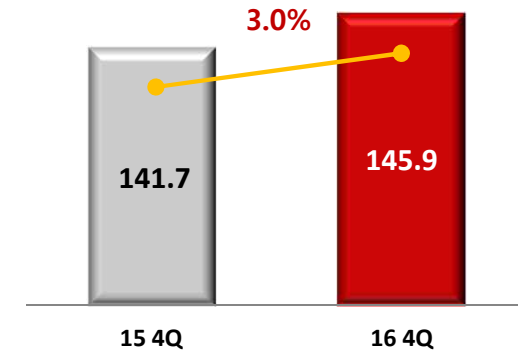


Costs & Expenses

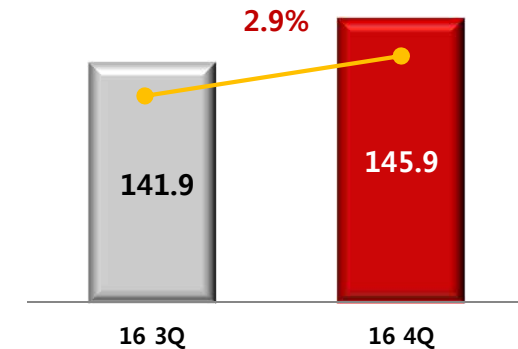
(* K-IFRS Non-consolidated, Units: KRW in billions)



< YoY >



< QoQ >



2. Financial Highlights - Profit

- ✓ **Operating Profit KRW 8.9bn, Net Profit KRW 12.4bn, EBITDA KRW 29.5bn**
 - YoY : O.P.(61%) & N.P.(31%) decreased due to decrease in Service revenue and increase in Content costs
 - QoQ : O.P.(48%) & N.P(7%) decreased due to decrease in Platform revenue and increase in Content costs
 - ※ Decrease of N.P was improved due to refund of corporate tax(7.0bn)

Summary

(* K-IFRS Non-consolidated, Units: KRW in billions)

	FY 2015					FY 2016						
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	YoY	QoQ	Total
Revenues	147.4	153.8	160.9	164.3	626.4	149.9	161.4	159.0	154.8	-5.7%	-2.6%	625.1
Cost & Expenses	117.0	122.8	147.2	141.7	528.6	126.9	132.4	141.9	145.9	3.0%	2.9%	547.1
Operating Profit	30.4	31.0	13.7	22.6	97.8	23.1	29.0	17.1	8.9	-60.6%	-47.9%	78.1
Margin (%)	20.6%	20.1%	8.5%	13.8%	15.6%	15.4%	18.0%	10.8%	5.8%			12.5%
Net Profit	21.7	25.7	9.1	18.0	74.4	18.0	22.1	13.4	12.4	-30.9%	-7.2%	65.9
Margin (%)	14.7%	16.7%	5.6%	10.9%	11.9%	12.0%	13.7%	8.4%	8.0%			10.5%
EBITDA	49.1	49.9	33.1	42.4	174.5	43.0	49.4	37.6	29.5	-30.5%	-21.6%	159.4
Margin (%)	33.3%	32.5%	20.6%	25.8%	27.9%	28.7%	30.6%	23.6%	19.0%			25.5%

2. Financial Highlights – Statement of Financial Position

- ✓ Shareholders' Equity is steadily increased due to Accumulated Profit's extension
- ✓ D/E Ratio increased(QoQ 3%p) due to increase of Current Liabilities

Summary

• Borrowings

- Corporate Bond KRW 60bn
- Credit Grade : AA-
- Interest Rate 1.885%

• D/E Ratio : 40%

(* K-IFRS Non-consolidated, Units: KRW in billions)

	FY 2015				FY 2016					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Assets	669.9	651.6	677.6	698.3	692.7	701.9	726.7	762.8	9.2%	5.0%
Cash & cash equivalents	151.1	133.7	138.9	163.0	182.1	179.8	196.4	216.3	32.7%	10.1%
Liabilities	229.7	185.1	202.2	204.5	198.9	186.2	197.5	219.9	7.5%	11.3%
Borrowings	80.0	59.8	59.9	59.9	59.9	59.9	59.9	59.9	0.1%	0.0%
Shareholders' Equity	440.2	466.5	475.4	493.8	493.8	515.7	529.2	542.9	9.9%	2.6%
Capital stock	119.6	119.6	119.6	119.6	119.6	119.6	119.6	119.6	0.0%	0.0%
D/E Ratio	52%	40%	43%	41%	40%	36%	37%	40%		

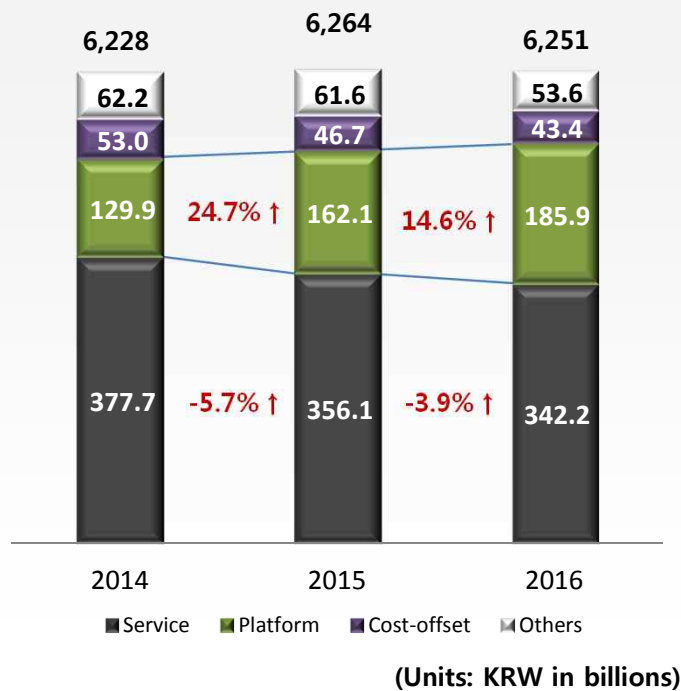
3. Summary

- ✓ **Revenue** : Total Revenue decreased slightly but Platform revenue that contribute greatly to profit increased
- ✓ **Profit** : O.P 78.1bn (YoY -20.1%), N.P 65.9bn (YoY -11.4%)
 - ※ Considering the one-off profit in 2015, actual O.P increased by 4.3% compared with 2015



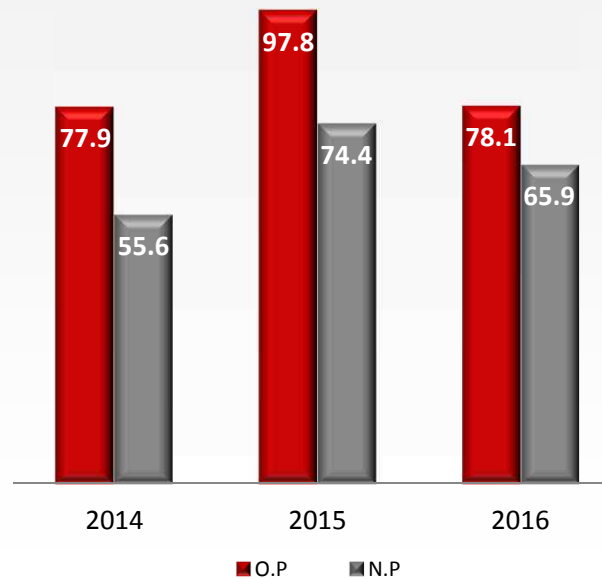
Revenue

◆ Trend of Revenue

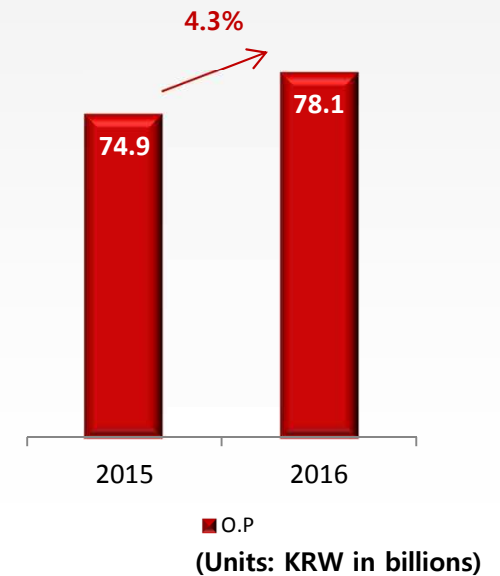


Profit

◆ Trend of O.P & N.P



◆ O.P (excluding the one-off effect)



* K-IFRS Non-consolidated

Appendix – Income Statement



(* K-IFRS Non-consolidated, Units: KRW in millions)

	FY 2015					FY 2016						
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	YoY	QoQ	Total
Revenue	147,415	153,805	160,901	164,276	626,398	149,935	161,399	158,952	154,840	-5.7%	-2.6%	625,126
Service	89,788	89,479	88,802	87,981	356,051	86,560	85,943	84,914	84,770	-3.6%	-0.2%	342,187
Platform	33,977	39,153	42,529	46,457	162,116	41,027	49,859	49,526	45,498	-2.1%	-8.1%	185,909
Cost-offset	10,528	10,986	12,904	12,245	46,664	10,523	10,818	11,296	10,810	-11.7%	-4.3%	43,446
Others	13,122	14,186	16,666	17,593	61,567	11,827	14,780	13,215	13,762	-21.8%	4.1%	53,583
Cost and Expenses	116,978	122,828	147,174	141,653	528,633	126,884	132,384	141,850	145,935	3.0%	2.9%	547,054
Satellite Rental	11,040	11,040	11,040	11,040	44,162	11,040	11,040	11,040	11,040	0.0%	0.0%	44,162
Programming	36,448	38,592	38,575	39,615	153,230	36,639	33,997	36,674	48,197	21.7%	31.4%	155,507
Marketing	28,878	36,430	40,891	33,898	140,096	26,589	35,236	35,045	29,023	-14.4%	-17.2%	125,893
Installation	10,039	10,830	10,483	10,521	41,873	9,452	10,529	10,863	11,106	5.6%	2.2%	41,951
Ad. & Sales promotion	1,129	6,055	8,265	4,010	19,459	613	6,112	5,641	610	-84.8%	-89.2%	12,976
Sales promotion	17,709	19,545	22,143	19,367	78,765	16,524	18,595	18,541	17,306	-10.6%	-6.7%	70,966
D&A	18,696	18,965	19,355	19,733	76,750	19,996	20,346	20,479	20,549	4.1%	0.3%	81,370
Depreciation	17,717	18,348	18,786	19,284	74,134	19,530	19,843	19,967	20,007	3.7%	0.2%	79,347
Amortization	979	617	569	450	2,616	466	503	512	542	20.6%	6.0%	2,024
G&A	21,916	17,800	37,313	37,366	114,395	32,620	31,764	38,612	37,126	-0.6%	-3.8%	140,122
Service expenses	8,144	7,542	7,635	7,407	30,729	7,537	7,412	7,449	8,412	13.6%	12.9%	30,809
Fee expenses	-6,922	-9,183	10,214	2,776	-3,116	2,667	2,807	9,671	2,824	1.7%	-70.8%	17,968
Advertising cost of sales	1,645	1,681	1,317	4,052	8,695	1,890	2,709	3,254	3,661	-9.7%	12.5%	11,513
Others	19,048	17,760	18,147	23,132	78,087	20,527	18,837	18,239	22,229	-3.9%	21.9%	79,832
EBITDA	49,133	49,942	33,082	42,357	174,514	43,047	49,362	37,580	29,454	-30.5%	-21.6%	159,443
(EBITDA margin)	33.3%	32.5%	20.6%	25.8%	27.9%	28.7%	30.6%	23.6%	19.0%			25.5%
Operating profit	30,437	30,977	13,727	22,624	97,765	23,051	29,015	17,101	8,905	-60.6%	-47.9%	78,072
(OP margin)	20.6%	20.1%	8.5%	13.8%	15.6%	15.4%	18.0%	10.8%	5.8%			12.5%
Non-operating profit	2,402	3,527	1,060	659	7,649	911	703	527	307	-53.3%	-41.6%	2,448
Non-operating expense	1,657	2,498	3,308	2,101	9,565	870	1,297	710	1,894	-9.8%	166.7%	4,771
Financial profit	971	1,160	880	2,522	5,533	1,058	1,124	1,160	1,236	-51.0%	6.5%	4,578
Financial expense	449	870	396	880	2,595	400	411	418	1,123	27.6%	168.7%	2,352
Profit before income tax	31,704	32,296	11,963	22,824	98,787	23,749	29,135	17,660	7,431	-67.4%	-57.9%	77,975
Income tax	10,020	6,609	2,877	4,837	24,343	5,724	7,048	4,265	-5,000	-203.4%	-217.2%	12,037
Net profit	21,684	25,687	9,086	17,986	74,444	18,025	22,087	13,395	12,431	-30.9%	-7.2%	65,938

Appendix – Statement of Financial Position

(* K-IFRS Non-consolidated, Units: KRW in millions)

	FY 2015				FY 2016					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Assets	699,898	651,574	677,602	698,265	692,687	701,900	726,700	762,816	9.2%	5.0%
Current Assets	244,663	229,584	251,413	271,054	278,449	288,841	317,056	350,972	29.5%	10.7%
Cash & cash equivalents	151,089	133,725	138,893	162,986	182,138	179,751	196,437	216,337	32.7%	10.1%
Non-current Asstes	425,235	421,990	426,190	427,210	414,239	413,059	409,645	411,845	-3.6%	0.5%
Property, Plant & Equipment	296,900	293,960	296,610	297,715	288,452	282,734	278,770	283,525	-4.8%	1.7%
Intangible Assets	40,356	40,179	38,828	38,636	38,509	38,488	38,281	38,670	0.1%	1.0%
Liabilities	229,733	185,103	202,220	204,476	198,862	186,248	197,511	219,902	7.5%	11.3%
Current Liabilities	215,574	110,822	126,743	132,745	124,879	111,366	121,939	145,089	9.3%	19.0%
Debt	79,995	0	0	0	0	0	0			
Non-current Liabilities	14,158	74,281	75,477	71,731	73,983	74,882	75,571	74,814	4.3%	-1.0%
Debt	0	59,840	59,854	59,868	59,882	59,896	59,910	59,924	0.1%	0.0%
Shareholder's Equity	440,165	466,471	475,382	493,788	493,826	515,652	529,190	542,914	9.9%	2.6%
Capital Stock	119,555	119,555	119,555	119,555	119,555	119,555	119,555	119,555	0.0%	0.0%
Capital Surplus	161,497	161,497	161,115	161,115	161,115	161,115	161,115	161,115	0.0%	0.0%
Accumulated Profit	165,762	192,158	201,037	219,277	219,334	241,161	254,704	268,482	22.4%	5.4%
D/E Ratio	52%	40%	43%	41%	40%	36%	37%	40%		

Appendix – Consolidated Financial Statements

- ✓ Revenues KRW 164.2bn, Operating Profit KRW 10.0bn, Net Profit KRW 12.1bn
- skylifeTV's Profit in 4Q : O.P KRW 1.1bn, N.P KRW 0.4bn (YoY O.P increased by 42%)

Consolidated Income Statement

(* K-IFRS consolidated, Units: KRW in billions)

	FY 2015					FY 2016						
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	YoY	QoQ	Total
Revenues	155.6	162.6	169.0	173.8	661.0	157.6	172.2	171.0	164.2	-5.5%	-3.9%	665.1
Cost and Expenses	125.3	133.5	155.7	146.8	561.4	132.9	143.8	153.4	154.3	5.1%	0.5%	584.4
Operating Profit	30.3	29.0	13.3	27.0	99.6	24.8	28.4	17.5	10.0	-63.1%	-43.1%	80.6
Net Profit	21.2	24.3	9.1	18.5	73.0	20.5	22.0	14.2	12.1	-34.4%	-14.4%	68.9

Consolidated Statement of Financial Position

(* K-IFRS consolidated, Units: KRW in billions)

	FY 2015				FY 2016					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Assets	683.1	670.4	690.0	711.3	707.8	718.3	743.9	777.9	9.4%	4.6%
Current Assets	256.4	243.1	257.5	279.5	286.4	298.5	325.6	353.0	26.3%	8.4%
Cash & cash equivalents	156.4	138.5	139.7	164.9	188.6	184.9	198.5	213.3	29.3%	7.4%
Non-current Assets	426.7	427.3	432.5	431.8	421.4	419.8	418.2	425.0	-1.6%	1.6%
Property, Plant & Equipment	309.6	307.3	309.8	311.0	302.4	297.4	294.0	298.4	-4.1%	1.5%
Intangible Assets	62.9	65.5	64.8	64.3	63.7	62.5	63.0	64.7	0.6%	2.7%
Liabilities	242.4	204.9	215.6	217.9	211.9	200.7	211.9	231.5	6.2%	9.2%
Current Liabilities	221.5	124.8	134.2	143.5	135.2	122.9	133.4	151.3	5.4%	13.4%
Debt	80.0	0	1.0	3.8	3.9	3.9	4.0	1.0	-73.7%	-74.7%
Non-current Liabilities	20.9	80.1	81.4	74.3	76.7	77.7	78.5	80.1	7.8%	2.1%
Debt	3.6	63.5	63.6	60.8	60.8	60.8	60.9	62.9	3.4%	3.4%
Shareholder's Equity	440.6	465.6	474.5	493.4	496.0	517.7	532.0	546.5	10.8%	2.7%
Capital Stock	119.6	119.6	119.6	119.6	119.6	119.6	119.6	119.6	0.0%	0.0%
Capital Surplus	161.1	161.1	161.1	161.1	161.1	161.1	161.1	161.1	0.0%	0.0%
Accumulated Profit	161.3	186.8	195.8	213.6	215.9	237.8	252.1	265.5	24.3%	5.3%

skylifeTV Non-Consolidated Income Statement

(* K-IFRS Non-consolidated, Units: KRW in billions)

	FY 2015					FY 2016						
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	YoY	QoQ	Total
Revenues	12.7	15.9	18.1	21.8	68.5	15.0	18.9	19.5	16.0	-26.7%	-18.0%	69.4
Operating Profit	-0.2	-1.9	-0.4	4.4	1.9	1.7	-0.6	0.5	1.1	-75.0%	124.4%	2.7
Net Profit	-0.3	-2.1	-0.7	4.4	1.2	1.0	-0.7	0.2	0.4	-91.4%	70.8%	0.9

※ Share ratio about skylifeTV : 77.7% (in common stock)

Appendix – Subscriber Fact Sheet



	FY 2014					FY 2015					FY 2016				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	연간	1Q	2Q	3Q	4Q	Total
Total	4,217,762	4,244,353	4,258,182	4,261,123	4,261,123	4,261,907	4,292,377	4,311,714	4,309,770	4,309,770	4,311,048	4,338,127	4,358,508	4,359,891	4,359,891
- Standalone	1,944,005	1,939,341	1,917,341	1,922,084	1,922,084	1,940,799	1,987,588	2,040,603	2,093,288	2,093,288	2,146,629	2,219,051	2,283,485	2,336,270	2,336,270
- OTS	2,273,757	2,305,012	2,340,841	2,339,039	2,339,039	2,321,108	2,304,789	2,271,111	2,216,482	2,216,482	2,164,419	2,119,076	2,075,023	2,023,621	2,023,621
UHD Total	-	-	-	-	-	-	9,102	64,392	105,909	105,909	147,777	226,711	296,602	456,441	456,441
- UHD Net Adds	-	-	-	-	-	-	9,102	55,290	41,517	105,909	41,868	78,934	69,891	159,839	350,532
- Ratio	-	-	-	-	-	-	0.2%	1.5%	2.5%	2.5%	3.4%	5.2%	6.8%	10.5%	10.5%
New	177,970	181,884	191,153	154,165	705,172	134,824	159,611	155,239	143,797	593,471	135,486	166,057	150,536	143,722	595,801
Churn	139,104	153,276	175,800	149,766	617,946	132,670	128,279	135,012	145,782	541,743	134,306	139,086	130,278	142,459	546,129
(Ratio)	3.3%	3.6%	4.1%	3.5%	14.6%	3.1%	3.0%	3.1%	3.4%	12.6%	3.1%	3.2%	3.0%	3.3%	12.6%
Net Adds	36,716	26,591	13,829	2,941	80,077	784	30,470	19,337	- 1,944	48,647	1,278	27,079	20,381	1,383	50,121

※ Subscribers as of the first half of 2016 that MSIP announced are 3.11million.
 ※ Including business purpose non-paying subscribers(5,976 stand-alone skylife subs and 5,325 OTS subs as of Q4 2016)