

kt skylife 2021 3Q Earnings Release

Investor Relations | 2021.11.09.

kt skylife

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1 Financial Highlights

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01 Financial Highlights – Profit

3Q 2021 Operating profit 8.4 bn. (YoY 29.8% ↓, QoQ 56.8% ↓), Net profit 9.3 bn., EBITDA 22.9 bn.

- **YoY** : Operating profit decreased due to a single incident transaction of consulting fee for the HCN acquisition (completed by Sept. 30), extended TPS product TV advertisement and increased mobile subscribers.
- **QoQ** : Operating profit decreased due to the Broadcasting Development Fund transaction ('21 Aug.) and a consulting fee transaction for the HCN acquisition.



Summary: Income Statement

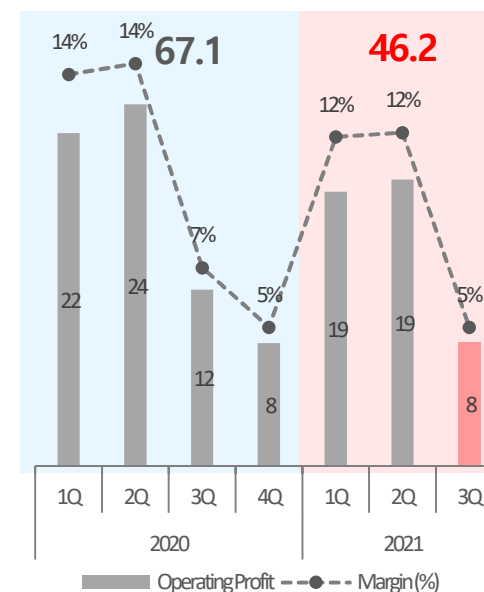
(* K-IFRS separate income statement, Unit: billion KRW)

Category	FY 2020					FY 2021					
	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q	YoY	QoQ	Annual
Operating Revenue	159	168	167	166	660	156	161	167	0.2%	3.8%	485
Operating Expense	137	144	155	158	593	138	142	159	2.5%	12.0%	438
Operating Profit	22	24	12	8	67	19	19	8	-29.8%	-56.8%	46
Margin (%)	14%	14%	7%	5%	10%	12%	12%	5%	-30.0%	-58.3%	10%
Net Profit	18	20	10	10	58	15	16	9	-10.4%	-41.3%	41
Margin (%)	11%	12%	6%	6%	9%	10%	10%	6%	-10.6%	-43.5%	8%
EBITDA	39	41	28	24	131	34	34	23	-17.1%	-32.7%	91
Margin (%)	24%	24%	17%	14%	20%	22%	21%	14%	-17.3%	-35.1%	19%



Operating Profit

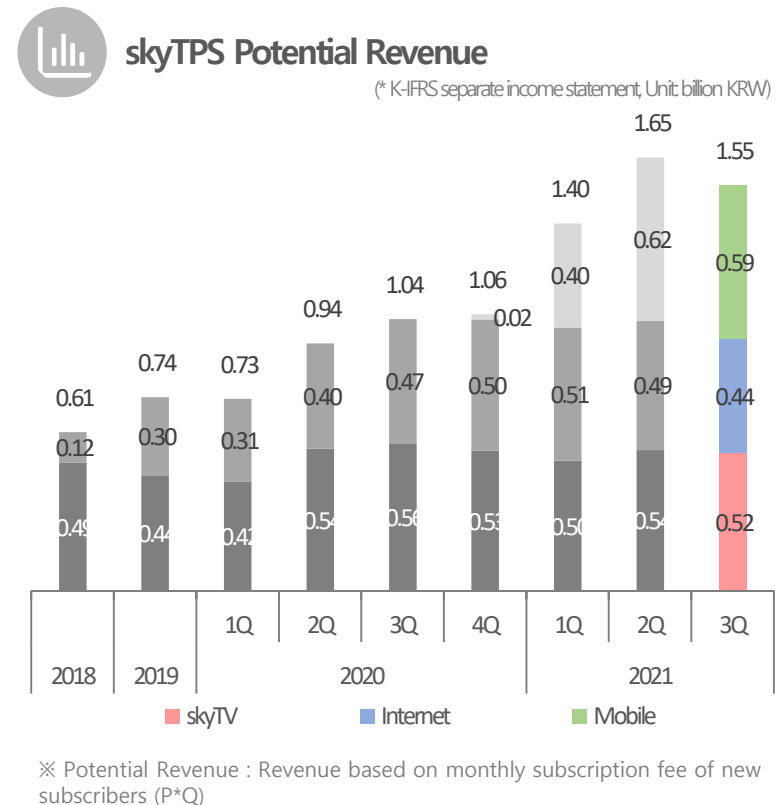
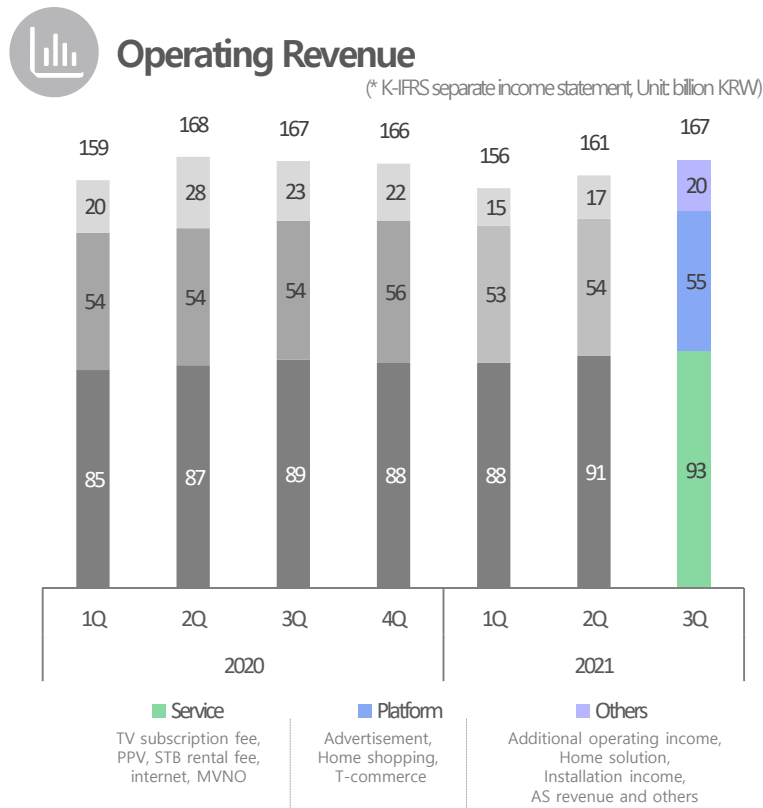
(* K-IFRS separate income statement, Unit: billion KRW)



01 Financial Highlights – Operating Revenue

3Q 2021 Operating revenue 167.2 bn.(YoY 0.2% ↑ , QoQ 3.8% ↑), **skyTPS potential revenue 1.6 bn.** (YoY 49.3% ↑ , QoQ 6.4% ↓)

- **Operating revenue** : Service revenue increased due to increase of skyTPS subscribers, Platform revenue increased due to Home-shopping and T-commerce revenue increase, while the other revenue decreased due to downsizing of a Home solution BM.
- **skyTPS potential revenue** : Focused on the growth of TPS subscribers, in comparison to the previous quarter, new subscribers decreased due to a seasonal factor.



01 Financial Highlights – Operating Expense

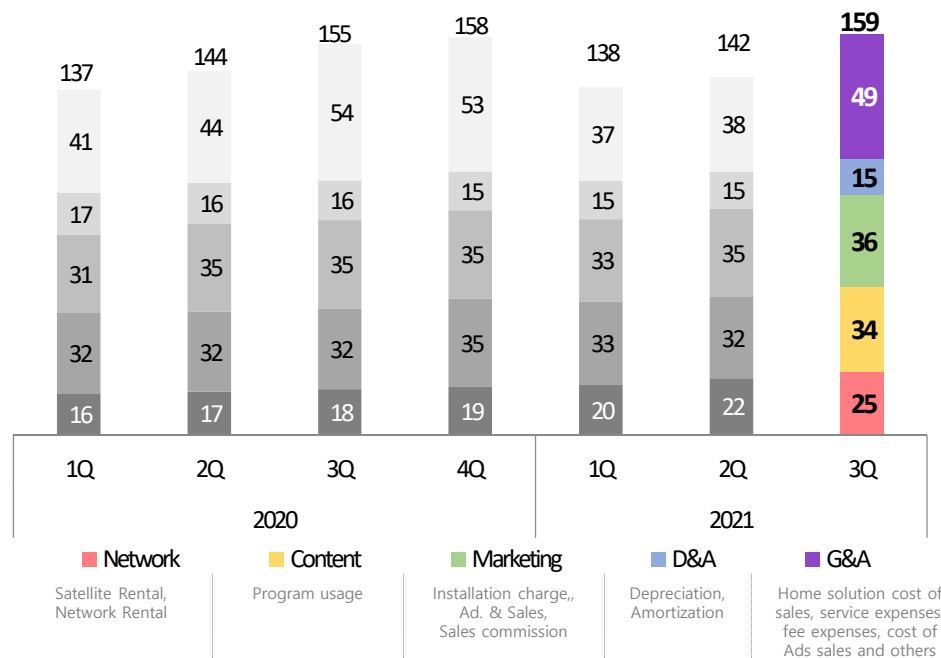
3Q 2021 Operating expense 158.8 bn. (YoY 2.5% ↑, QoQ 12.0% ↑)

- **YoY** : Marketing expense increased due to TV advertisements for the skyTPS subscriber, network expense increased due to the internet and mobile subscribers increase, G&A decreased due to downsizing of the Home solution BM.
- **QoQ** : Network expense is continuously increasing. G&A increased due to a consulting fee transaction for the HCN acquisition, the Broadcasting Development Fund transaction ('21 Aug.) and the newly launched broadcasting transmission BM.



Operating Expense

(* K-IFRS separate income statement, Unit: billion KRW)



Comparison of the operating expense executions YoY

- **Network** : 37.0% increase in a network expense due to internet and mobile subscribers.
- **Contents** : 6.4% increase due to the 2020 PP contract and the 2021 national public broadcaster contract.
- **Marketing** : 2.8% increase due to marketing and advertising expense for the TPS sales.
- **D&A** : 7.4% decrease due to STB and other depreciation expense decrease.
- **G&A** : 14.7% decrease due to downsizing of the Home solution related BM.

01 Financial Highlights – skylife TV

3Q 2021 Operating revenue 15.6 bn. (YoY 8.4% ↑, QoQ 12.7% ↓), **Operating profit 3.7 bn., Net profit 2.5 bn.**

- **YoY** : Due to the success of original contents (The Iron Squad, Hottest Couples, and The singles) advertisement revenue and operating profit are continuously increasing.
- **QoQ** : Achieved the highest quarterly advertisement revenue, which surpassed the 2020 annual advertisement revenue within only 3 quarters.

3Q 2021 achieved a cumulative operating profit of 10.6 bn. which is the highest Operating profit since the company was founded.



Summary: Income Statement

(* K-IFRS separate income statement, Unit: billion KRW)

Category	FY 2020					FY 2021					
	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q	YoY	QoQ	Cumulative
Operating Revenue	13.5	13.9	14.4	15.3	57.1	15.4	17.9	15.6	8.4%	-12.7%	48.8
Broadcast	7.4	7.4	7.6	7.6	30.1	7.6	6.8	4.7	-38.6%	-31.2%	19.1
Contents	0.8	0.2	0.6	0.5	2.1	1.4	1.2	0.8	27.4%	-31.6%	3.4
Advertisement	5.1	6	5.9	6.9	23.9	6.2	9	9.4	59.1%	4.4%	24.6
Others	0.2	0.3	0.2	0.3	1	0.2	0.9	0.7	230.1%	-20.0%	1.7
Operating Expense	11.8	12.3	12.7	13.7	50.4	12.2	14.1	12.0	-5.3%	-15.0%	38.3
Operating profit	1.7	1.6	1.7	1.7	6.7	3.2	3.7	3.7	116.1%	-0.9%	10.6
Net Profit	0.6	1.2	1.2	1.3	4.4	2.4	2.5	2.5	99.4%	13.4%	0.0

1 **Financial Highlights**

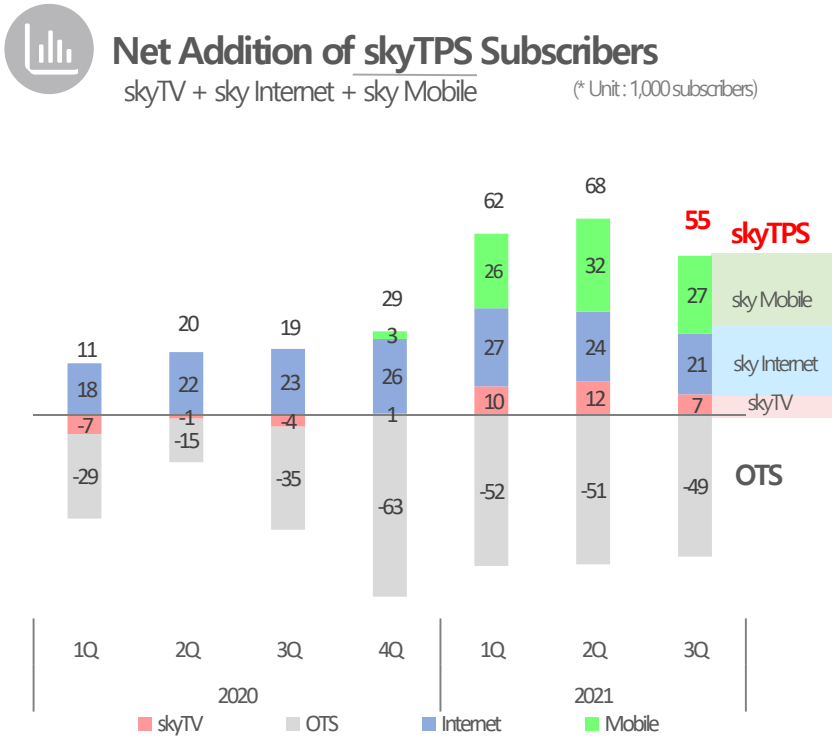
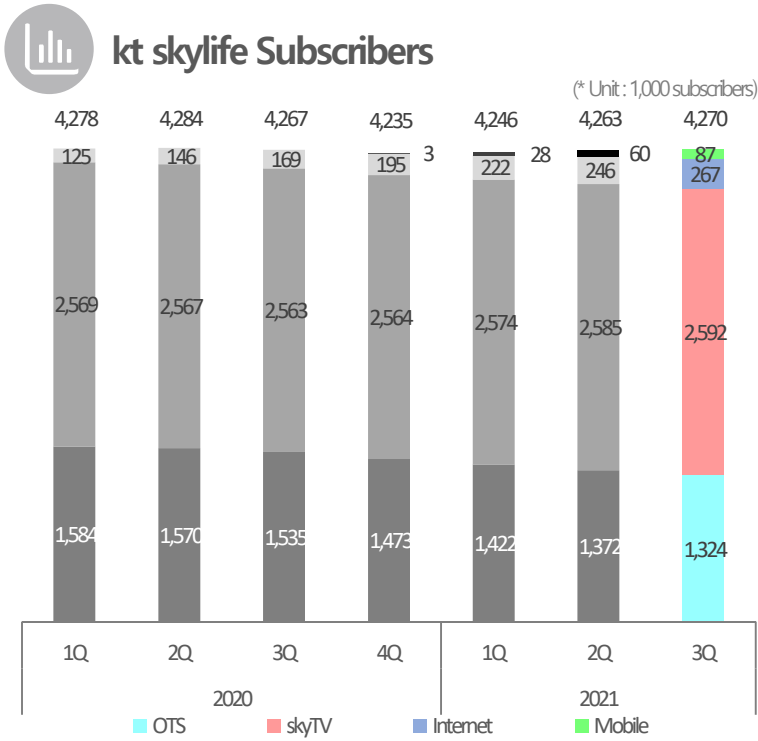
2 **Business Overview**

Appendix

02 Business Overview – Subscriber: Total & Net Addition

Achieved a net increase in kt skylife subscribers for three consecutive quarters, since 2021.

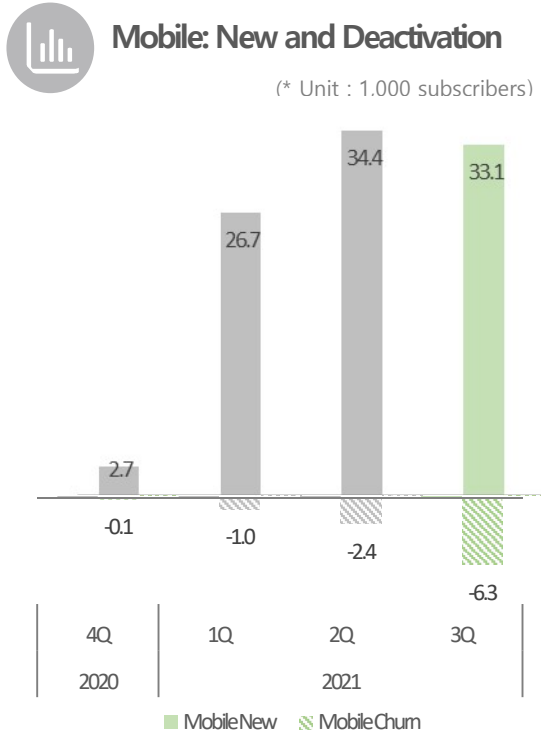
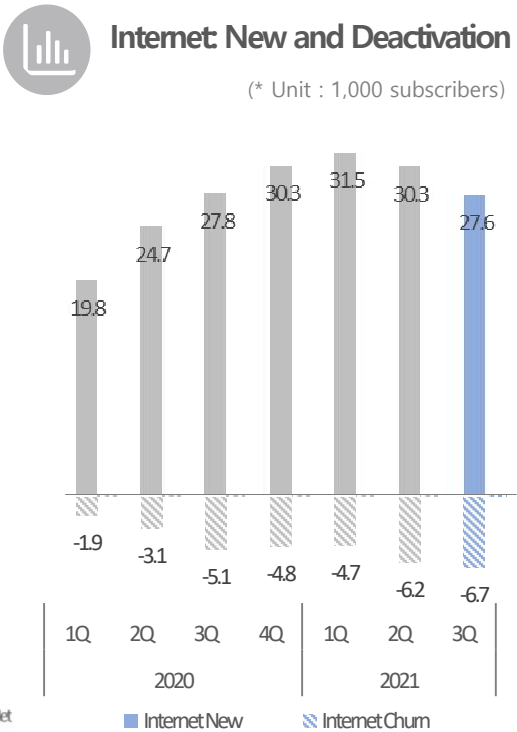
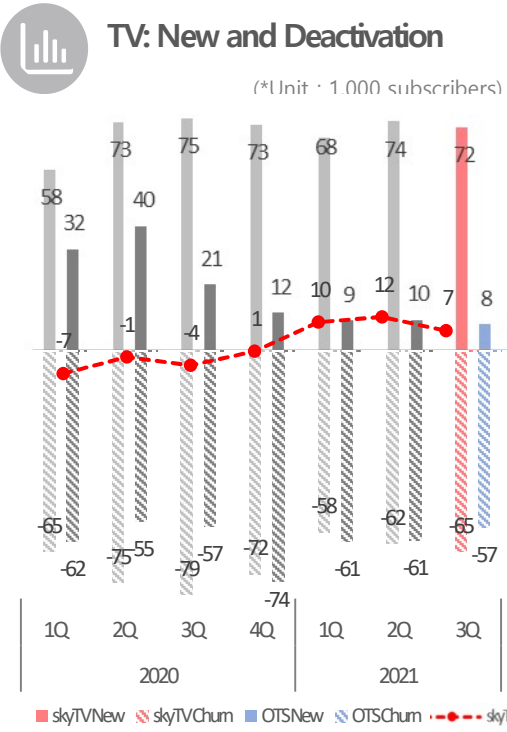
- **kt skylife subscribers** : Subscribers continuously net increased by 10K per quarter since 2021 and recovered the total number of subscribers of 4,270K.
- **Net addition of skyTPS subscribers** : Achieved growth in total number of subscribers despite the loss of OTS, by maintaining a stable net growth in skyTPS.



02 Business Overview – Subscriber: New vs. Deactivation

Subscriber growth trend continues to increase, centered on the skyTPS subscribers.

- **TV** : Net decrease in OTS subscriber continues. Net addition of skyTV subscriber continues for the four consecutive quarters. In 2021, skyTV achieved cumulative net addition of 29K subscribers.
- **Internet** : Attained 28K new subscribers for the 3Q, with slight decrease in the growth trend comparing to the previous quarters due to a seasonal factor.
- **Mobile** : Attained 33K new subscribers for the 3Q, while maintaining an average of 31K growth per quarter.

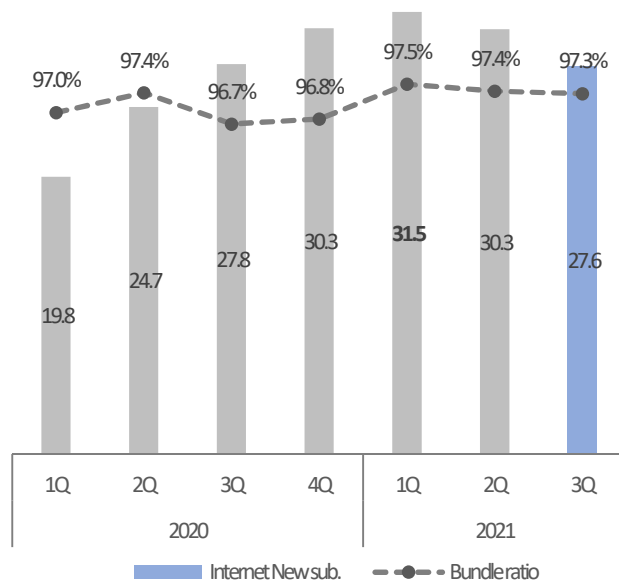


02 Business Overview – Bundled Subscriber

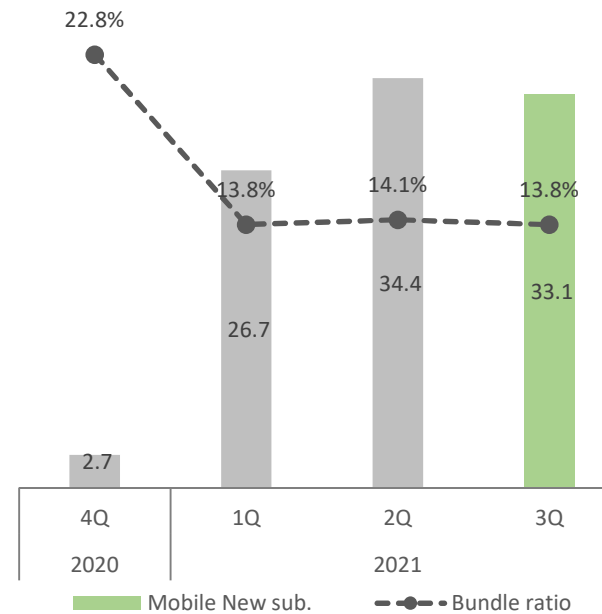
Internet and mobile subscribers bundled with skyTV increased.

- **Internet bundle rate** : Within the new internet subscribers, 97.3% are bundled with skyTV, which provides positive effect on the TV subscriber retention.
- **Mobile bundle rate** : Within the new mobile subscribers, 13.8% is bundled with skyTV (※ TPS bundle rate is 9.1%).

 **New internet subscribers vs. TV bundle rate**
(*Unit : 1,000 subscribers)



 **New mobile subscribers vs. TV bundle rate**
(*Unit : 1,000 subscribers)



02 Business Overview –skylifeTV

3Q 2021, skylifeTV's newly launched original contents called 'the Singles' is appearing as the newest hit, with fast trending awareness and popularity.

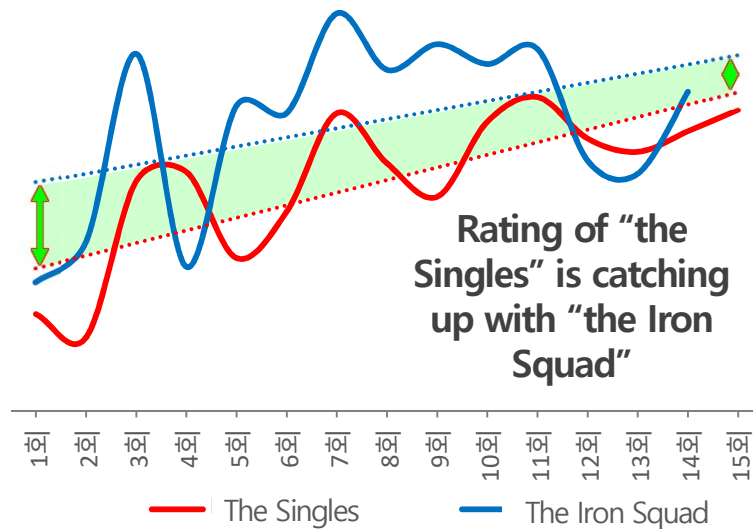
- 'The Singles' is a dating/matchmaking program that hosts young singles from the general public.
- Rating and awareness shows continuous increase by showing 9th rank in the entertainment topic index. 'The Singles' is now incorporated in a regular program schedule.

With "the Iron Squad" popularity, skylifeTV's advertisement revenue and channel value increased, by continuous production of OCs, such as "the Iron Squad 2", skylifeTV anticipates to continue the increasing growth trend.



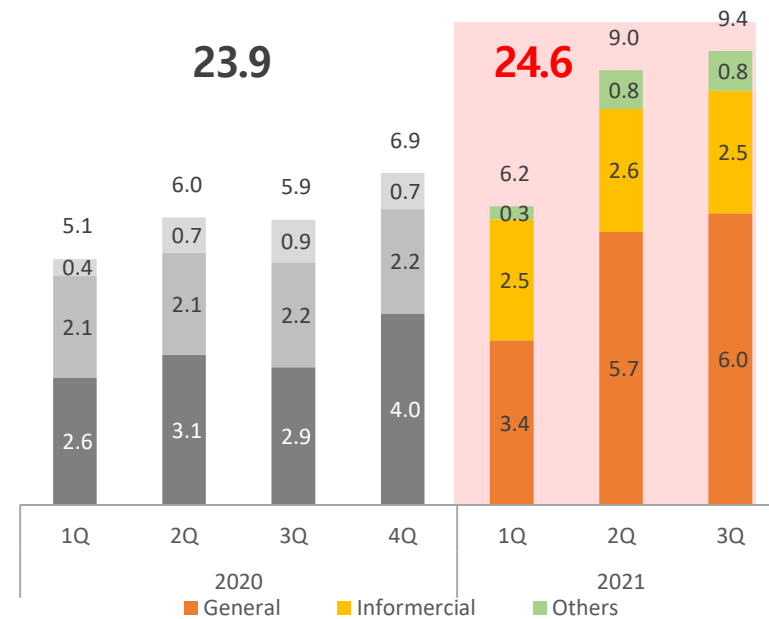
Program Ratings

(* Unit : Nielsen Korea capital area 2049 target based)



Advertisement Revenue

(* Unit: billion KRW)



1 **Financial Highlights**

2 **Business Overview**

Appendix

Appendix – Income Statement (Separate)

(* K-IFRS separate income statement , Unit : billion KRW)

Category	FY 2020					FY 2021				
	Q1	Q2	Q3	Q4	연간	Q1	Q2	Q3	YoY	QoQ
Operating Revenue	159.3	168.4	166.8	165.9	660.4	156.2	161.2	167.2	0.2%	3.8%
Service	79.6	80.4	81.1	78.9	320.0	77.3	76.9	76.4	-5.8%	-0.6%
Communication	5.5	6.6	8.1	9.1	29.3	10.8	13.8	16.1	98.9%	16.5%
Platform	53.6	53.5	54.2	55.6	217.0	53.5	53.6	54.9	1.2%	2.3%
Others	20.5	27.9	23.4	22.3	94.2	14.6	16.8	19.8	-15.3%	17.8%
Operating Expense	136.8	144.0	154.9	157.6	593.3	137.7	141.8	158.8	2.5%	12.0%
Satellite usage	11.9	11.9	12.2	12.2	48.3	12.2	12.2	12.6	2.6%	2.6%
Network usage	4.5	5.2	5.9	6.7	22.4	7.8	10.2	12.3	108.1%	20.8%
Contents	31.9	31.8	31.8	35.1	130.6	32.7	32.3	33.8	6.4%	4.9%
Marketing	31.0	34.9	35.1	34.9	136.0	32.8	34.8	36.1	2.8%	3.7%
Installation	8.1	9.7	9.4	9.4	36.6	8.6	8.9	9.4	0.0%	6.4%
Ad. & Sales promotion	3.1	4.5	5.9	6.7	20.3	4.9	6.0	6.4	7.0%	5.6%
Sales commission	19.8	20.7	19.8	18.9	79.1	19.3	19.9	20.3	2.9%	2.0%
D&A	16.5	16.2	15.7	15.4	63.8	15.1	14.7	14.6	-7.4%	-0.9%
Depreciation	16.0	15.6	15.1	14.8	61.4	14.4	14.0	13.8	-8.5%	-1.4%
Amortization	0.6	0.6	0.6	0.6	2.3	0.7	0.6	0.7	21.7%	9.4%
G&A	41.0	44.1	54.1	53.2	192.3	37.1	37.6	49.4	-8.6%	31.6%
Service expenses	7.9	8.0	7.8	7.9	31.8	7.9	7.9	8.4	7.0%	5.6%
Fee expenses	5.5	5.3	14.5	8.7	34.1	3.9	4.2	12.3	-14.9%	191.3%
cost of Ads sales	3.5	3.2	3.3	4.0	14.1	3.3	3.4	3.2	-3.8%	-4.2%
Others	24.0	27.5	28.4	32.5	112.4	22.0	22.0	25.5	-10.3%	15.7%
EBITDA	39.0	40.6	27.6	23.7	130.9	33.6	34.0	22.9	-17.1%	-32.7%
(EBITDA margin)	24.5%	24.1%	16.6%	14.3%	19.8%	21.5%	21.1%	13.7%	-17.3%	-35.1%
Operating profit	22.5	24.4	11.9	8.3	67.1	18.5	19.4	8.4	-29.8%	-56.8%
(OP margin)	14.1%	14.5%	7.1%	5.0%	10.2%	11.9%	12.0%	5.0%	-30.0%	-58.3%
Non-operating profit	1.6	2.7	2.3	1.0	7.7	0.7	1.0	4.2	79.2%	305.3%
Non-operating expense	2.2	3.3	3.0	2.5	10.9	1.2	1.4	1.5	-50.0%	6.4%
Financial profit	2.1	2.1	2.5	6.5	13.3	2.2	2.0	2.0	-19.4%	4.3%
Financial expense	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.9	2735.6%	2698.1%
Profit before income tax	24.0	25.9	13.8	13.4	77.0	20.2	20.9	12.2	-11.3%	-41.5%
Income tax	6.2	6.2	3.4	3.5	19.3	4.8	5.1	2.9	-14.1%	-42.2%
Net profit	17.8	19.6	10.4	9.9	57.7	15.4	15.8	9.3	-10.4%	-41.3%

Appendix – Statement of Financial Position (Separate)

(* K-IFRS separate income statement , Unit : billion KRW)

Category	FY 2020				FY 2021				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YoY	QoQ
Assets	823.8	841.2	885.5	890.6	896.1	906.9	1,111.8	25.6%	22.6%
Current Assets	465.2	480.0	522.8	471.8	484.5	499.8	261.9	-49.9%	-47.6%
Cash & cash equivalents	321.5	333.8	358.9	326.0	343.1	353.2	105.0	-70.7%	-70.3%
Non-current Assets	358.6	361.2	362.7	418.8	411.6	407.1	849.9	134.3%	108.8%
Property, Plant & Equipment	217.5	212.9	207.2	202.1	194.7	190.8	186.5	-10.0%	-2.2%
Intangible Assets	37.7	37.5	37.4	39.4	39.0	38.6	37.9	1.4%	-1.7%
Liabilities	130.5	128.5	162.0	159.3	165.2	159.7	354.2	118.6%	121.9%
Current Liabilities	112.8	111.1	144.3	142.0	148.6	142.8	185.7	28.7%	30.0%
Debt	-	-	-	0.2	0.2	0.2	100.0	-	49,900%
Non-current Liabilities	17.7	17.4	17.7	17.3	16.6	16.8	168.5	851.0%	900.7%
Debt	-	-	-	-	-	-	149.6	-	-
Shareholders' Equity	693.4	712.7	723.5	731.3	730.9	747.2	757.6	4.7%	1.4%
Capital Stock	119.6	119.6	119.6	119.6	119.6	119.6	119.6	0%	0%
Capital Surplus	161.1	161.1	161.1	161.1	161.1	161.1	161.1	0%	0%
Accumulated Profit	419.1	438.5	449.2	460.8	460.4	476.7	487.0	8.4%	2.2%
D/E Ratio	18.8%	18.0%	22.4%	21.8%	22.6%	21.4%	46.8%	108.8%	118.8%
Net Cash	321.5	333.8	358.9	325.8	342.9	353.0	-144.6	-140.3%	-141.0%

Appendix – Consolidated Financial Statement

► Consolidated Income Statement (ikt skylife and skylifeTV)

(* K-IFRS separate income statement , Unit : billion KRW)

Category	FY 2020					FY 2021					
	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q	Cumulative	YoY	QoQ
Operating Revenue	167.9	177.7	176.6	176.5	698.7	166.9	175.1	178.4	520.4	1.0%	1.9%
Operating Expense	143.7	151.5	163.0	166.6	624.9	145.3	151.9	166.4	463.5	2.0%	9.5%
Operating Profit	24.2	26.1	13.6	9.9	73.8	21.7	23.2	12.0	56.8	-11.5%	-48.1%
Net Profit	18.3	21.3	11.4	7.1	58.2	17.2	21.4	9.6	48.1	-16.3%	-55.2%

► Consolidated Financial Statement (kt skylife, skylifeTV and HCN)

(* K-IFRS separate income statement , Unit : billion KRW)

Category	FY 2020				FY 2021				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Assets	852.1	868.9	914.6	919.5	929.7	943.4	1,225.4	34.0%	29.9%
Current Assets	478.3	491.3	532.7	480.4	494.0	507.3	377.3	-29.2%	-25.6%
Cash & cash equivalents	329.6	339.4	362.7	327.7	345.1	351.9	163.2	-55.0%	-53.6%
Non-current Assets	373.7	377.5	381.9	439.0	435.7	436.1	848.1	122.1%	94.5%
Property, Plant & Equipment	229.2	224.3	218.5	213.3	205.8	201.4	286.5	31.1%	42.3%
Intangible Assets	60.5	59.1	62.0	64.3	68.3	70.0	440.1	609.6%	528.8%
Liabilities	145.8	141.6	175.5	175.0	183.8	175.3	444.3	153.2%	153.4%
Current Liabilities	125.0	119.5	153.0	153.2	162.6	154.2	234.5	53.2%	52.1%
Debt	4.0	3.0	3.0	3.2	3.2	3.2	103.0	3333.3%	3119%
Non-current Liabilities	20.8	22.0	22.4	21.8	21.2	21.1	209.8	834.9%	892.6%
Debt	-	-	-	-	-	-	-	-	-
Shareholder's Equity	706.3	727.3	739.1	744.4	745.9	768.1	781.1	5.7%	1.7%
Capital Stock	119.6	119.6	119.6	119.6	119.6	119.6	119.6	0%	0%
Capital Surplus	161.1	161.1	161.1	161.1	161.1	161.1	161.1	0%	0%
Accumulated Profit	423.7	444.5	456.1	464.7	465.7	487.2	497.3	9.0%	2.1%

Appendix – Subscriber Fact Sheet

(Unit : Subscriber)

Category			FY 2019	FY 2020					FY 2021			
			Annual	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q	Cumulative
Subscriber	Broad casting	Total	4,187,717	4,152,731	4,137,092	4,098,092	4,037,281	4,037,281	3,996,051	3,956,970	3,916,000	3,916,000
		skyTV	2,575,152	2,568,561	2,567,309	2,563,321	2,563,899	2,563,899	2,573,789	2,585,324	2,592,429	2,592,429
		OTS	1,612,565	1,584,170	1,569,783	1,534,771	1,473,382	1,473,382	1,422,262	1,371,646	1,323,571	1,323,571
		New	452,100	90,666	113,393	95,784	84,520	384,363	77,846	83,417	80,079	241,342
		Churn	537,315	126,265	129,662	135,256	146,482	537,665	119,885	123,253	121,690	364,828
		-Ratio	12.7%	3.0%	3.1%	3.3%	3.6%	13.1%	3.0%	3.1%	3.1%	2.3%
		UHD	1,292,460	1,329,725	1,363,968	1,395,217	1,424,475	1,424,475	1,458,621	1,496,496	1,532,560	1,532,560
		-Ratio	30.9%	32.0%	33.0%	34.0%	35.3%	35.3%	36.5%	37.8%	39.1%	39.1%
	Internet	107,031	124,858	146,491	169,217	194,777	194,777	221,633	245,669	266,616	266,616	
	Mobile					2,609	2,609	28,256	60,297	87,065	87,065	
	Total	4,294,748	4,277,589	4,283,583	4,267,309	4,234,667	4,234,667	4,245,940	4,262,936	4,269,681	4,269,681	
Net Adds	Broadcasting	-84,949	-34,986	-15,639	-39,000	-60,811	-150,436	-41,230	-39,081	-40,970	-121,281	
	Internet	67,315	17,827	21,633	22,726	25,560	87,746	26,856	24,036	20,947	71,839	
	Mobile					2,609	2,609	25,647	32,041	26,768	84,456	
	Total	-17,634	-17,159	5,994	-16,274	-32,642	-60,081	11,273	16,996	6,745	35,014	

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