

kt skylife

2022 2Q Earnings Release

Investor Relations | 2022.08.03.



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01 Financial Highlights – Operating Profit

'22.2Q Operating profit 23.3 bn. (YoY 0.4% ↑, QoQ 9.6% ↓), **EBITDA 51.9 bn.** (YoY 20.3% ↑, QoQ 4.3% ↓)

- **'22.2Q Operating profit** : Advertising sales of SkylifeTV increased due to the improved contents related performance. Skylife's new mobile and Internet subscribers increase surpassed the expectation, which also resulted in higher marketing related costs.
- **'22.2Q EBITDA** : EBITDA increased by 8.8 bn. YoY (20.3% ↑), maintaining overall stable cash-generating capacity.

※ FY22 cumulative separate operating profit : skylife 36.3 bn., skylifeTV 6 bn., HCN 15 bn.

FY22 cumulative separate EBITDA : skylife 64.4 bn., skylifeTV 18.5 bn., HCN 25.2 bn.



Summary: Income Statement (consolidated)

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

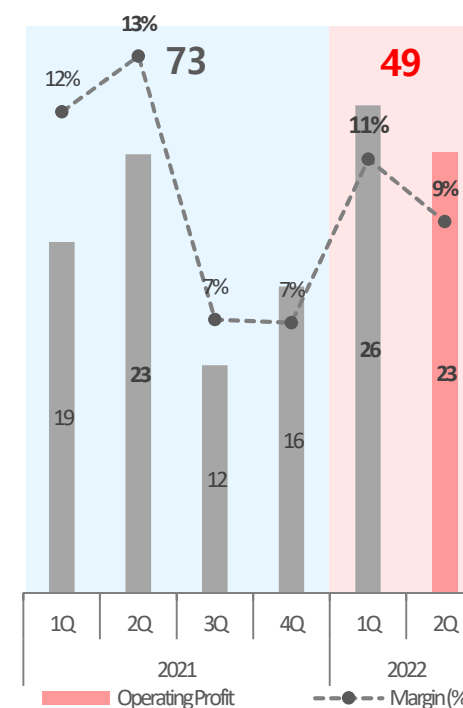
Category	FY 2021					FY 2022				
	1Q	2Q	3Q	4Q ¹⁾	Annual	1Q	2Q	YoY	QoQ	Annual
Operating Revenue	167	175	178	243	763	241	254	45.2%	5.6%	495
Operating Expense	145	152	166	227	690	215	231	52.0%	7.4%	446
Operating Profit	22	23	12	16	73	26	23	0.4%	-9.6%	49
Margin (%)	13%	13%	7%	7%	10%	11%	9%	-30.8%	-14.4%	10%
Net Profit	17	21	10	14	62	19	17	-22.3%	-11.8%	35
Margin (%)	10%	12%	5%	6%	8%	8%	7%	-46.5%	-16.5%	7%
EBITDA	41	43	32	45	161	54	52	20.3%	-4.3%	106
Margin (%)	25%	25%	18%	19%	21%	23%	20%	-17.2%	-9.4%	21%

1) HCN income statement is only consolidated in 4Q 2021



Operating profit (consolidated)

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



01 Financial Highlights – Platform Division (skylife+HCN)

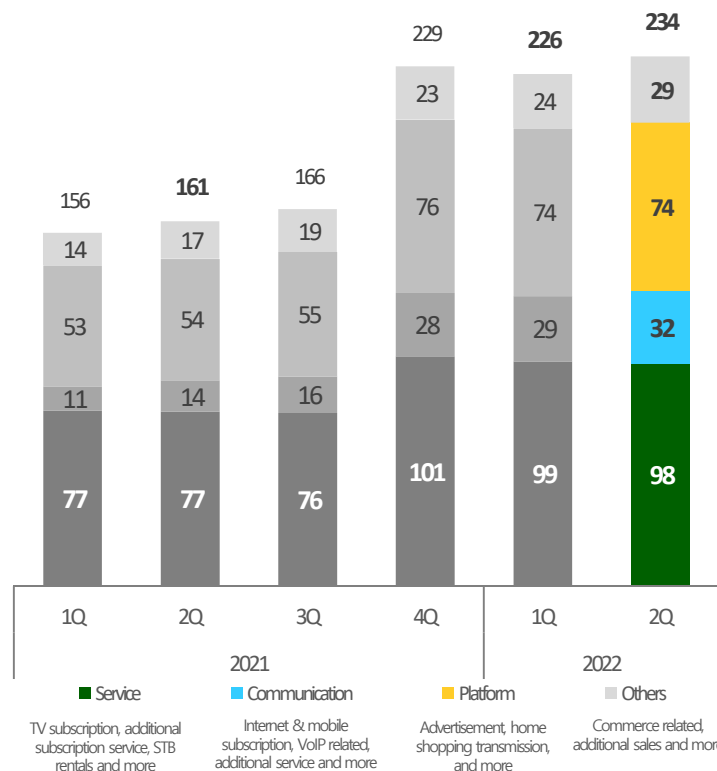
'22.2Q Platform division revenue 233.6 bn. (YoY 45.2% ↑, QoQ 3.4% ↑), subscribers 5,845 K (YoY 37.1% ↑, QoQ 0.7% ↑)

- **Revenue** : A decrease in service revenue is overcome by an increase in communication revenue. Platform revenue remains stable. Other revenue increases due to HCN's commerce-related sales and channel transmission business.
- **Subscriber** : The total number of Skylife subscriber is 5,845 K, a net increase of 41 K compared to QoQ, maintaining a stable profit structure for the platform revenue.



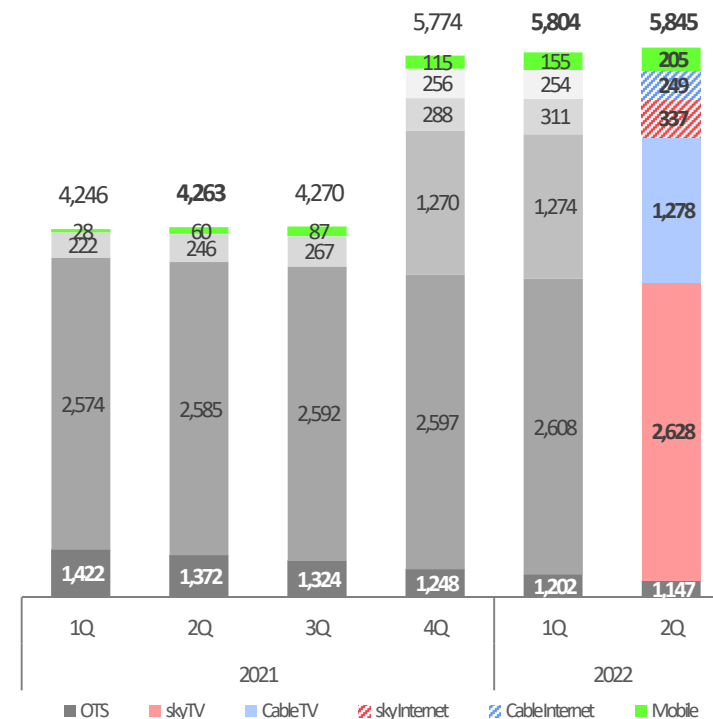
Platform Operating Revenue (consolidated)

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



Total Subscribers (skylife + HCN)

(Unit : 1,000 subscribers)



01 Financial Highlights – Contents Division (skylifeTV)

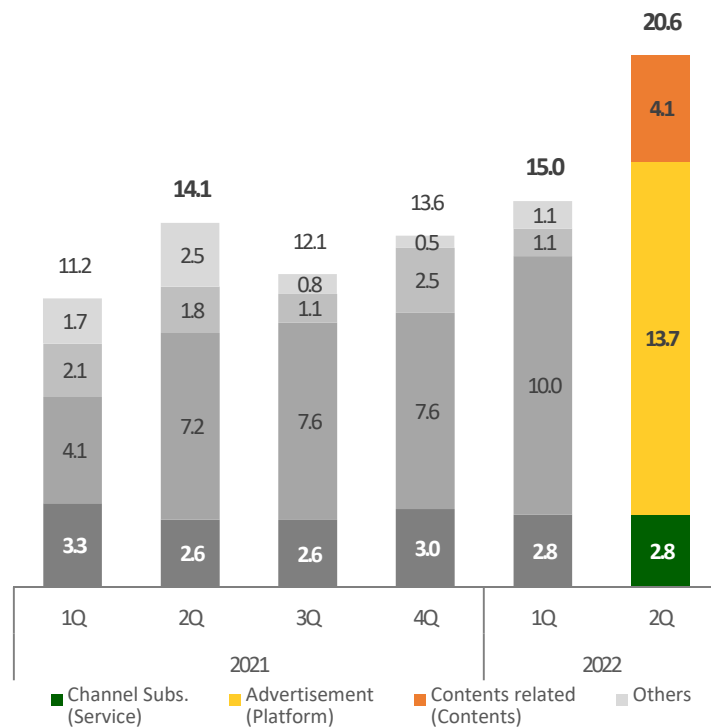
'22.2Q Contents division revenue 20.6 bn. (YoY 46% ↑, QoQ 37.7% ↑), advertisement revenue 15.3 bn. (YoY 70.1% ↑, QoQ 30.7% ↑)

- **Revenue** : Revenue of the contents division continues to grow as advertising revenue achieves the largest quarterly growth. Also, content-related revenue increases due to the IP settlement of original contents.
- **Ad. revenue** : General advertising revenue continues to grow due to increased viewer ratings of ENA and ENA Play channels. SkylifeTV has acquired the advertising resources of Media Genie and marketing as a total advertisement solution.



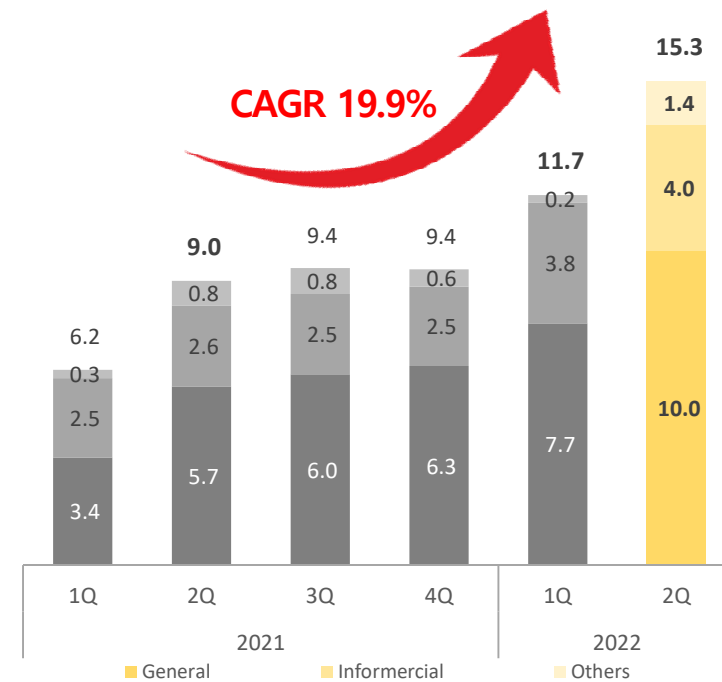
Contents Operating Revenue (consolidated)

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



Advertisement revenue (separate)

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



01 Financial Highlights – Operating expense

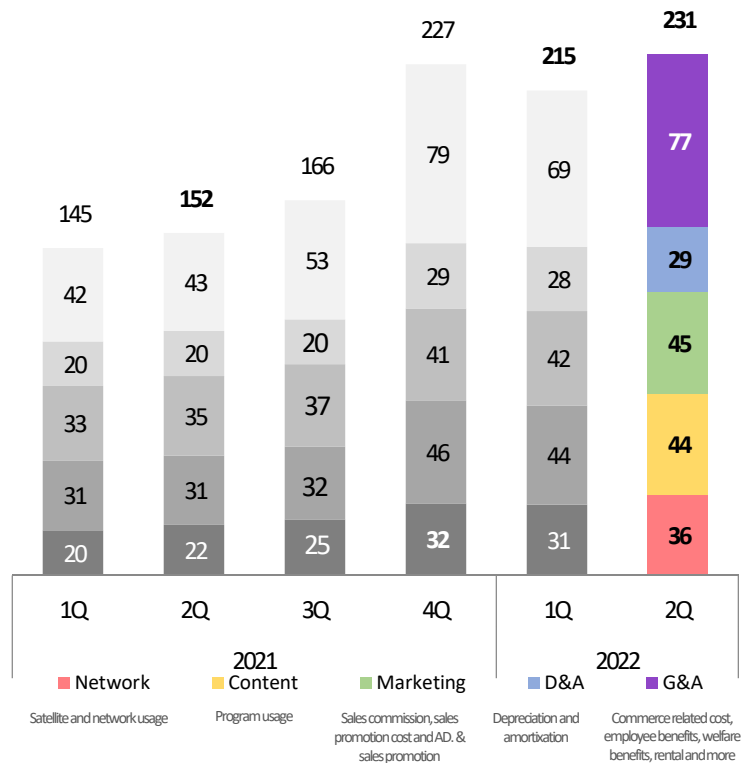
'22.2Q Operating expense 230.9 bn. (YoY 52.0% ↑, QoQ 7.4% ↑), CAPEX 23.6 bn. (YoY 42.1% ↑, QoQ 19.6% ↑)

- **Expense** : The steep increase in new internet and mobile subscribers has increased marketing and network expense. The G&A expense increases as HCN's commerce business and channel transmission business expand.
- **CAPEX** : Increased purchases of STB and internet-related equipment for the preparation of new subscribers have led to an increase in CAPEX under CIP.



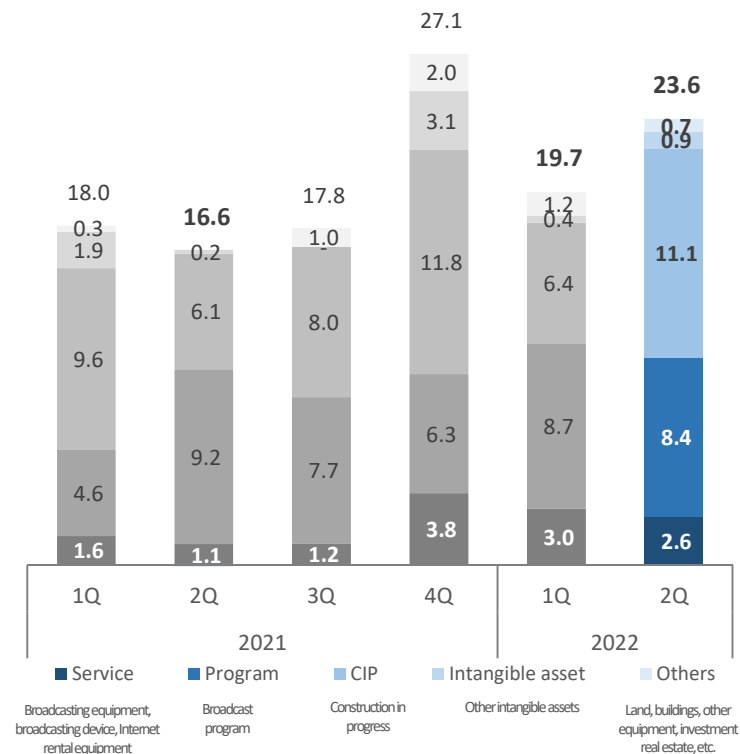
Operating expense (consolidated)

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



CAPEX (consolidated)

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



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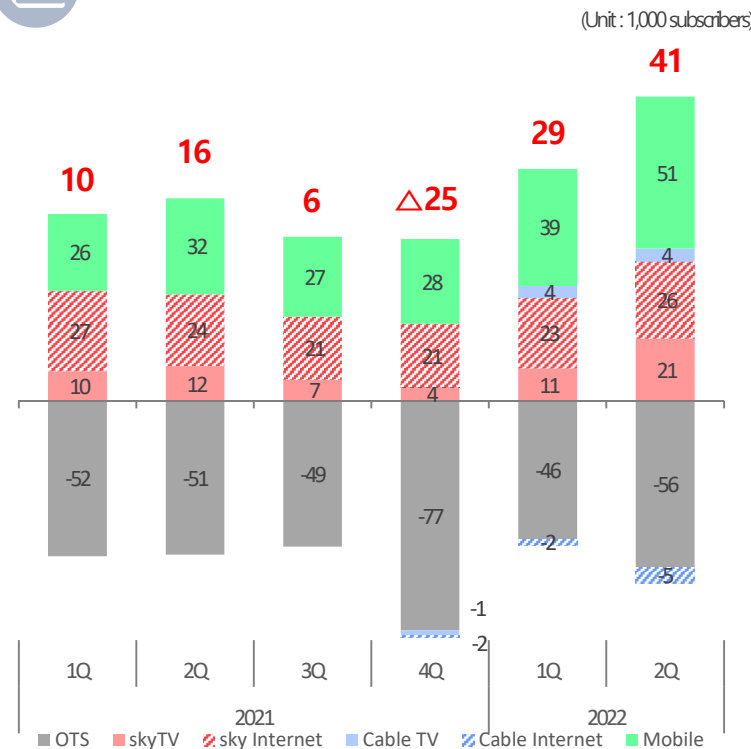
02 Business Highlights – Platform Division (Subscribers)

A quarterly net increase in Cable TV subscribers and an increase of new mobile subscribers resulted in 410K total subscribers increase for Skylife.

- **Net add.** : Cable TV(+4K) and mobile subscribers (+51K) continue to exceed the largest quarterly net increase. Sky internet maintains its upward net subscriber increase trend (+26K).
- **HCN synergy** : Since the launch of a cable TV + sky internet bundle product, the churn rate of cable TV has decreased by 24%, and the net increase trend in subscribers has been maintained for two consecutive quarters. HCN achieved 1st place among MSOs for the largest quarterly net increase of cable TV subscribers. Also, the internet sales capacity of HCN increased by 57%.



Subscriber Net Addition



HCN Synergy

(Unit : 1,000 subscribers)

Category		Before acquisition (2021.1~6월)	After acquisition (2022.1~6월)	Gap
Cable TV	New	62	63	1
	Churn	72	54	Δ17
	Net.add	Δ 9	8	18
Internet ¹⁾	New	13	20	7
	Churn ²⁾	16	19	3
	Net.add	Δ 3	1	5

- 1) Before acquisition : Cable internet only
 After acquisition : Cable internet & sky Internet
 2) Churn of the Cable Internet only

02 Business Highlights – Contents Division (ENA)

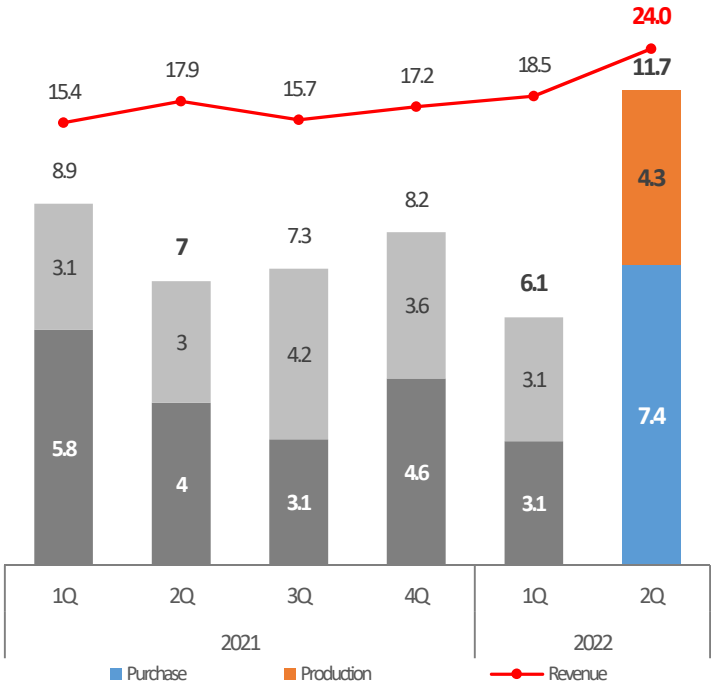
ENA ratings are soaring due to extensive investment and original content (drama and entertainment).

- Starting from 2Q 2022, ENA initiated broadcasting of original drama from the KT Group : Never Give Up (Kwak Do-won), Extraordinary Attorney Woo (Park Eun-bin)
- skylireTV's original contents such as I Am SOLO and Back to Single 3 have increased the channel ratings by simultaneous broadcasting.



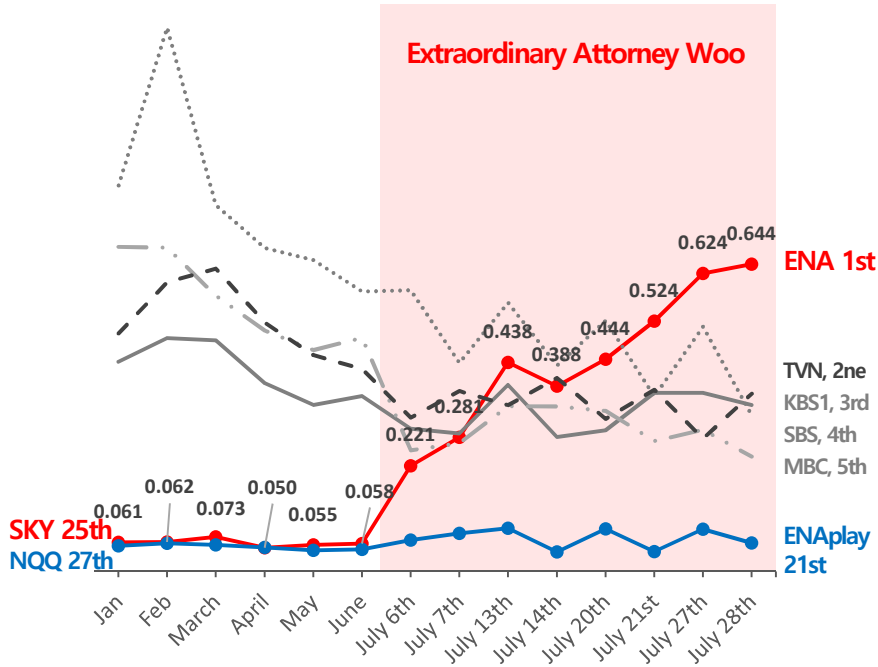
Contents Investment and Revenue (Separate)

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



Channel Ratings and Ranks

(Unit : Individual 2049 ratings, Channel ranking)



02 Business Highlights – Contents Division (Extraordinary Attorney Woo)

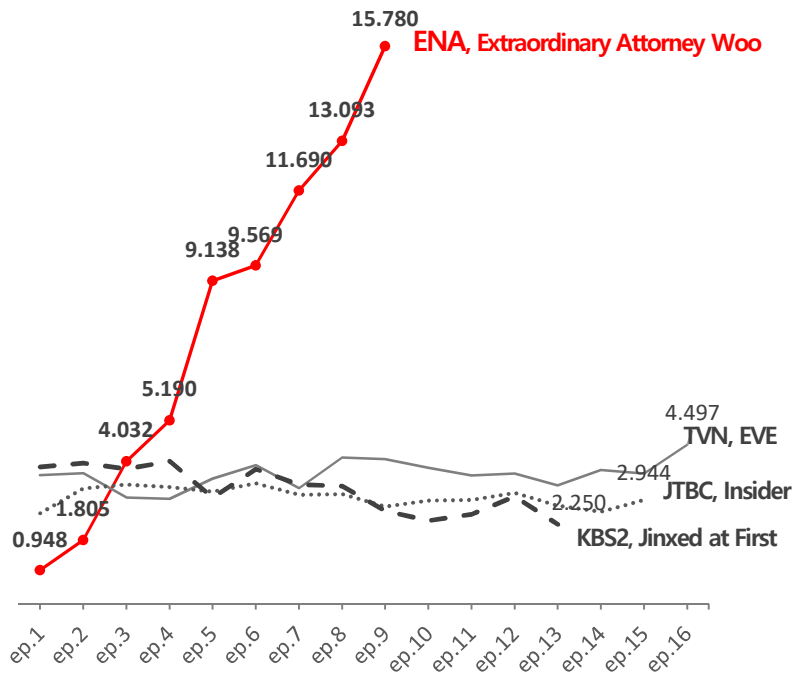
“Extraordinary Attorney Woo” syndrome

- As “Extraordinary Attorney Woo” went viral as a trendy healing drama, ENA ratings soared, leading to a rise in advertising revenue.
- From the 5th week of June for 5 consecutive weeks, “Extraordinary Attorney Woo” maintained first place in the overall internet response of drama/entertainment category (RACOI, Response Analysis on Content of the Internet)
- The drama achieved popularity not only in Korea but also in the non-English speaking category of Netflix global TV shows as it maintained first and second rank for three consecutive weeks.



Wed-Thurs. Drama Ratings

(Unit : Ratings for nation wide paid broadcasting households)



▶ 'Extraordinary Attorney Woo' is No. 1 on Netflix's 10 most-watched non-English series

Korea JoongAng Daily

NETFLIX Global Top 10

- Maintained Global Top 10 for 3 consecutive weeks
- Ranked #1 for 3 consecutive weeks for South Korea
- Watched for 55,000,000 hrs.



▶ RACOI Internet Analysis (based on 3rd week of July)

- Extraordinary Attorney Woo: Ranked #1 for popularity for 5 consecutive weeks

Rank	Post	Comment	Video hits	News	Video
1 st	23,029	112,938	15,323	3,008	79

- I'M SOLO: Maintained Top 10 within the variety shows for 8 consecutive weeks

Rank	Post	Comment	Video hits	News	Video
5 th	1,138	4,880	747	573	16

※ RACOI : “Response Analysis on Content of the Internet” by the Korea Communications Commissions

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Appendix – Income Statement (consolidated)

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

Category	FY 2021					FY 2022				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	YoY	QoQ	Annual
Operating Revenue	166.9	175.1	178.4	242.8	763.2	240.8	254.2	45.2%	5.6%	495.0
Service	80.6	79.5	79.0	104.3	343.5	102.0	100.7	26.6%	-1.2%	202.7
Communication	10.8	13.8	16.1	28.0	68.6	28.7	32.4	134.7%	12.9%	61.1
Platform	57.5	60.8	62.5	84.1	264.9	84.1	87.7	44.1%	4.3%	171.8
Contents	2.1	1.8	1.1	2.5	7.5	1.1	4.1	130.3%	287.0%	5.2
Others	16.0	19.1	19.6	24.0	78.7	25.0	29.3	53.5%	17.0%	54.3
Operating Expense	145.3	151.9	166.4	226.7	690.2	215.1	230.9	52.0%	7.4%	446.0
Satellite usage	12.2	12.2	12.6	12.6	49.6	12.6	12.6	2.6%	0.0%	25.1
Network usage	7.8	10.2	12.3	19.4	49.7	18.9	23.4	129.6%	24.1%	42.3
Contents	30.9	30.7	32.3	45.7	139.5	44.0	44.4	44.7%	0.9%	88.4
Marketing	33.2	35.4	36.5	40.8	145.9	41.8	45.4	28.3%	8.4%	87.2
D&A	19.7	20.0	19.8	28.9	88.4	28.5	28.6	43.2%	0.5%	57.1
G&A	41.5	43.4	52.8	79.3	217.1	69.3	76.6	76.3%	10.5%	145.9
EBITDA	41.4	43.2	31.9	45.1	161.4	54.2	51.9	20.3%	-4.3%	106.1
(EBITDA margin)	24.8%	24.7%	17.9%	18.6%	21.2%	22.5%	20.4%	-17.2%	-9.4%	21.4%
Operating profit	21.7	23.2	12.0	16.2	73.0	25.7	23.3	0.4%	-9.6%	49.0
(OP margin)	13.0%	13.2%	6.7%	6.7%	9.6%	10.7%	9.2%	-30.8%	-14.4%	9.9%
Non-operating profit	0.7	3.2	1.4	5.0	10.4	0.8	0.9	-73.7%	3.0%	1.7
Non-operating expense	1.3	1.3	1.5	1.7	5.8	1.3	2.0	56.9%	61.3%	3.3
Financial profit	2.2	2.0	2.0	1.2	7.4	1.5	1.6	-17.9%	10.4%	3.1
Financial expense	0.1	0.1	0.9	1.2	2.2	1.2	1.3	2105.3%	11.6%	2.5
Investment accounted in equity method	-0.5	0.5	0.4	-1.4	-1.0	-0.5	0.3	-36.7%	-164.2%	-0.2
Profit before income tax	22.7	27.5	13.5	18.1	81.9	25.1	22.7	-17.5%	-9.3%	47.8
Income tax	5.5	6.2	4.0	4.0	19.6	6.2	6.1	-1.1%	-1.8%	12.4
Net profit	17.2	21.3	9.6	14.2	62.3	18.8	16.6	-22.3%	-11.8%	35.4

Appendix – Statement of Financial Position (consolidated)

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

Category	FY 2021				FY 2022			
	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Assets	929.7	943.4	1,225.4	1,275.6	1,284.4	1,306	38.5%	1.7%
Current Assets	494.0	507.3	377.3	408.5	422.7	427	-15.8%	1.1%
Cash & cash equivalents	345.1	351.9	163.2	183.5	196.6	195	-44.5%	-0.6%
Non-current Assets	435.7	436.1	848.1	867.2	861.7	879	101.5%	2.0%
Property, Plant & Equipment	205.8	201.4	286.5	284.4	271.8	261	29.9%	-3.8%
Intangible Assets	68.3	70.0	440.1	453.6	458.9	459	555.4%	0.0%
Liabilities	183.8	175.3	444.3	469.7	473.1	472	169.2%	-0.2%
Current Liabilities	162.6	154.2	234.5	249.7	256.6	249	61.8%	-2.8%
Debt	3.2	3.2	103.0	100.0	100.0	100	3025.0%	0%
Non-current Liabilities	21.2	21.1	209.8	220.0	216.5	223	953.3%	2.8%
Debt	-	-	149.6	149.6	149.7	-		0.0%
Shareholder's Equity	745.9	768.1	781.1	806.0	811.3	834	8.6%	2.8%
Capital Stock	119.6	119.6	119.6	119.6	119.6	120	0%	0%
Capital Surplus	161.1	161.1	161.1	161.1	161.1	161	0%	0%
Accumulated Profit	465.7	487.2	497.3	511.8	516.8	539	10.6%	4.2%

Appendix – Income Statement (separate: skylife)

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

Category	FY 2021					FY 2022				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	YoY	QoQ	Annual
Operating Revenue	156.2	161.2	167.2	170.8	655.4	168.2	174.9	8.5%	4.0%	343.1
Service	77.3	76.9	76.4	75.8	306.5	75.0	74.3	-3.4%	-1.0%	149.2
Communication	10.8	13.8	16.1	17.9	58.5	20.5	24.2	75.4%	17.9%	44.7
Platform	53.5	53.6	54.9	57.3	219.2	54.1	53.9	0.5%	-0.3%	108.0
Others	14.6	16.8	19.8	19.8	71.2	18.6	22.5	33.6%	21.1%	41.1
Operating Expense	137.7	141.8	158.8	159.6	597.9	148.8	157.9	11.4%	6.2%	306.7
Satellite usage	12.2	12.2	12.6	12.6	49.6	12.6	12.6	2.6%	0.0%	25.1
Network usage	7.8	10.2	12.3	14.8	45.0	15.5	19.3	89.0%	24.4%	34.8
Contents	32.7	32.3	33.8	34.5	133.3	33.8	33.7	4.4%	-0.2%	67.5
Marketing	32.8	34.8	36.1	33.0	136.7	34.4	37.1	6.6%	8.0%	71.5
Installation	8.6	8.9	9.4	9.1	36.0	8.4	9.9	11.8%	17.4%	18.4
Ad. & Sales promotion	4.9	6.0	6.4	7.2	24.4	4.2	5.3	-11.7%	27.7%	9.5
Sales commission	19.3	19.9	20.3	16.7	76.3	21.8	21.9	9.8%	0.5%	43.7
D&A	15.1	14.7	14.6	14.2	58.6	14.0	14.0	-4.8%	-0.4%	28.0
Depreciation	14.4	14.0	13.8	13.5	55.8	13.3	13.1	-6.5%	-1.1%	26.4
Amortization	0.7	0.6	0.7	0.8	2.8	0.8	0.9	32.4%	12.3%	1.6
G&A	37.1	37.6	49.4	50.6	174.7	38.5	41.3	9.9%	7.2%	79.8
Service expenses	7.9	7.9	8.4	8.5	32.8	8.3	8.7	9.2%	4.6%	17.0
Fee expenses	3.9	4.2	12.3	6.6	27.1	3.9	3.8	-11.1%	-4.0%	7.7
cost of Ads sales	3.3	3.4	3.2	3.4	13.3	3.0	2.9	-14.4%	-3.9%	5.9
Others	22.0	22.0	25.5	32.0	101.6	23.3	26.0	17.9%	11.4%	49.3
EBITDA	33.6	34.0	22.9	25.4	116.0	33.4	30.9	-9.2%	-7.5%	64.4
(EBITDA margin)	21.5%	21.1%	13.7%	14.9%	17.7%	19.9%	17.7%	-16.3%	-11.1%	18.8%
Operating profit	18.5	19.4	8.4	11.2	57.4	19.4	16.9	-12.5%	-12.7%	36.3
(OP margin)	11.9%	12.0%	5.0%	6.5%	8.8%	11.5%	9.7%	-19.4%	-16.0%	10.6%
Non-operating profit	0.7	1.0	4.2	0.8	6.8	20.8	0.8	-26.8%	-96.4%	21.6
Non-operating expense	1.2	1.4	1.5	1.7	5.7	1.0	1.7	20.5%	64.3%	2.7
Financial profit	2.2	2.0	2.0	2.0	8.2	1.0	1.2	-39.1%	18.8%	2.2
Financial expense	0.0	0.0	0.9	1.2	2.1	1.1	1.2	3583.0%	1.3%	2.3
Profit before income tax	20.2	20.9	12.2	11.2	64.6	39.1	16.0	-23.3%	-58.9%	55.1
Income tax	4.8	5.1	2.9	0.4	13.3	4.6	4.0	-20.4%	-12.0%	8.6
Net profit	15.4	15.8	9.3	10.7	51.3	34.5	12.0	-24.2%	-65.2%	46.5

Appendix – Statement of Financial Position (separate: skylife)

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

Category	FY 2021				FY 2022			
	Q1	Q2	Q3	Q4	Q1	Q2	YoY	QoQ
Assets	896.1	906.9	1,111.8	1,147.0	1,174.0	1,176.3	29.7%	0.2%
Current Assets	484.5	499.8	261.9	273.7	301.6	300.7	-39.8%	-0.3%
Cash & cash equivalents	343.1	353.2	105.0	102.0	117.7	136.1	-61.5%	15.5%
Non-current Assets	411.6	407.1	849.9	873.3	872.4	875.6	115.1%	0.4%
Property, Plant & Equipment	194.7	190.8	186.5	188.2	180.0	178.2	-6.6%	-1.0%
Intangible Assets	39.0	38.6	37.9	40.1	48.5	45.8	18.8%	-5.6%
Liabilities	165.2	159.7	354.2	369.7	377.2	363.8	127.8%	-3.6%
Current Liabilities	148.6	142.8	185.7	199.5	209.0	194.8	36.4%	-6.8%
Debt	0.2	0.2	100.0	100.0	100.0	100.0	49900.0%	0.0%
Non-current Liabilities	16.6	16.8	168.5	170.2	168.2	169.0	903.1%	0.4%
Debt			149.6	149.6	149.7		-	0.0%
Shareholders' Equity	730.9	747.2	757.6	777.3	796.8	812.6	8.7%	2.0%
Capital Stock	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	0.0%	0.0%
Accumulated Profit	460.4	476.7	487.0	498.0	517.5	533.3	11.9%	3.0%
D/E Ratio	22.6%	21.4%	46.8%	47.6%	47.3%	44.8%	109.5%	-5.4%
Net Cash	342.9	353.0	-144.6	-147.6	-131.9	-113.6	-132.2%	-13.8%

Appendix – Subscribers

(Unit : subscriber)

Category				FY 2020	FY 2021					FY 2022		
				Annual	1Q	2Q	3Q	4Q	Annual	1Q	2Q	Annual
skylife	Subscriber	Broad casting	Total	4,037,281	3,996,051	3,956,970	3,916,000	3,844,751	3,844,751	3,809,787	3,775,567	3,775,567
			skyTV	2,563,899	2,573,789	2,585,324	2,592,429	2,596,920	2,596,920	2,607,733	2,628,490	2,628,490
			OTS	1,473,382	1,422,262	1,371,646	1,323,571	1,247,831	1,247,831	1,202,054	1,147,077	1,147,077
			New	384,363	77,846	83,417	80,079	71,258	312,600	72,771	87,192	159,963
			Churn	537,665	119,885	123,253	121,690	143,391	508,219	108,294	122,057	230,351
			-Ratio	13.1%	3.0%	3.1%	3.1%	3.7%	3.2%	2.8%	3.2%	1.5%
			UHD	1,424,475	1,458,621	1,496,496	1,532,560	1,561,578	1,561,578	1,571,860	1,640,452	1,640,452
			-Ratio	35.3%	36.5%	37.8%	39.1%	40.6%	40.6%	41.3%	43.4%	43.4%
		Internet	194,777	221,633	245,669	266,616	287,772	287,772	311,260	336,979	336,979	
		Mobile	2,609	28,256	60,296	87,064	115,443	115,443	154,612	205,405	205,405	
	Total	4,234,667	4,245,940	4,262,935	4,269,680	4,247,966	4,247,966	4,275,659	4,317,951	4,317,951		
	Net Adds	Broadcasting		-150,436	-41,230	-39,081	-40,970	-71,249	-192,530	-34,964	-34,220	-69,184
		Internet		87,746	26,856	24,036	20,947	21,156	92,995	23,488	25,719	49,207
		Mobile		2,609	25,647	32,040	26,768	28,379	112,834	39,169	50,793	89,962
Total		-60,081	11,273	16,995	6,745	-21,714	13,299	27,693	42,292	69,985		

Category				FY 2020	FY 2021				FY 2022			
				Annual	1Q	2Q	3Q	4Q	Annual	1Q	2Q	Annual
HCN	Subscriber	Broad casting	Cable TV Total					1,269,971	1,269,971	1,273,978	1,278,293	1,278,293
			New					34,764	34,764	31,004	31,799	31,799
			Churn					36,704	36,704	26,997	27,484	27,484
		Cable Internet						256,441	256,441	254,454	249,157	249,157
		Total						1,526,412	1,526,412	1,528,432	1,527,450	1,527,450

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