

February 2023

KOR.

# SM 3.0 : Global Expansion & Investment Strategy



# SM 3.0, the Future: 4 Key Growth Strategies

2023~

**SM 3.0** Leap to a global entertainment company focused on fans & shareholders

1

[IP strategy] Multi 'Production Center/Label' system

2

[Business strategy] IP monetization (Music streaming, IP license, etc.)

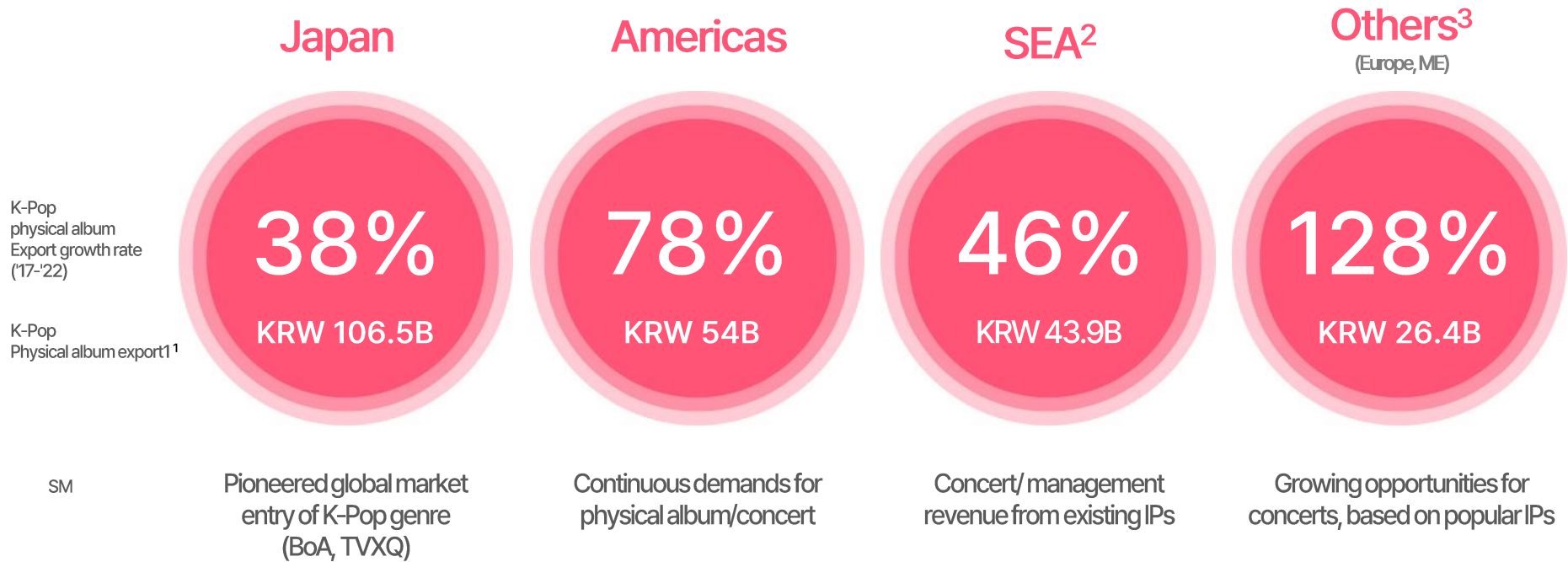
3

[Global strategy] Global expansion (Japan, US, SEA, etc.)

4

[Investment strategy] Global Music Publishing, Label Acquisitions, Fandom Business, Investment in Metaverse, etc.

# Globalization of K-Pop will Further Expand



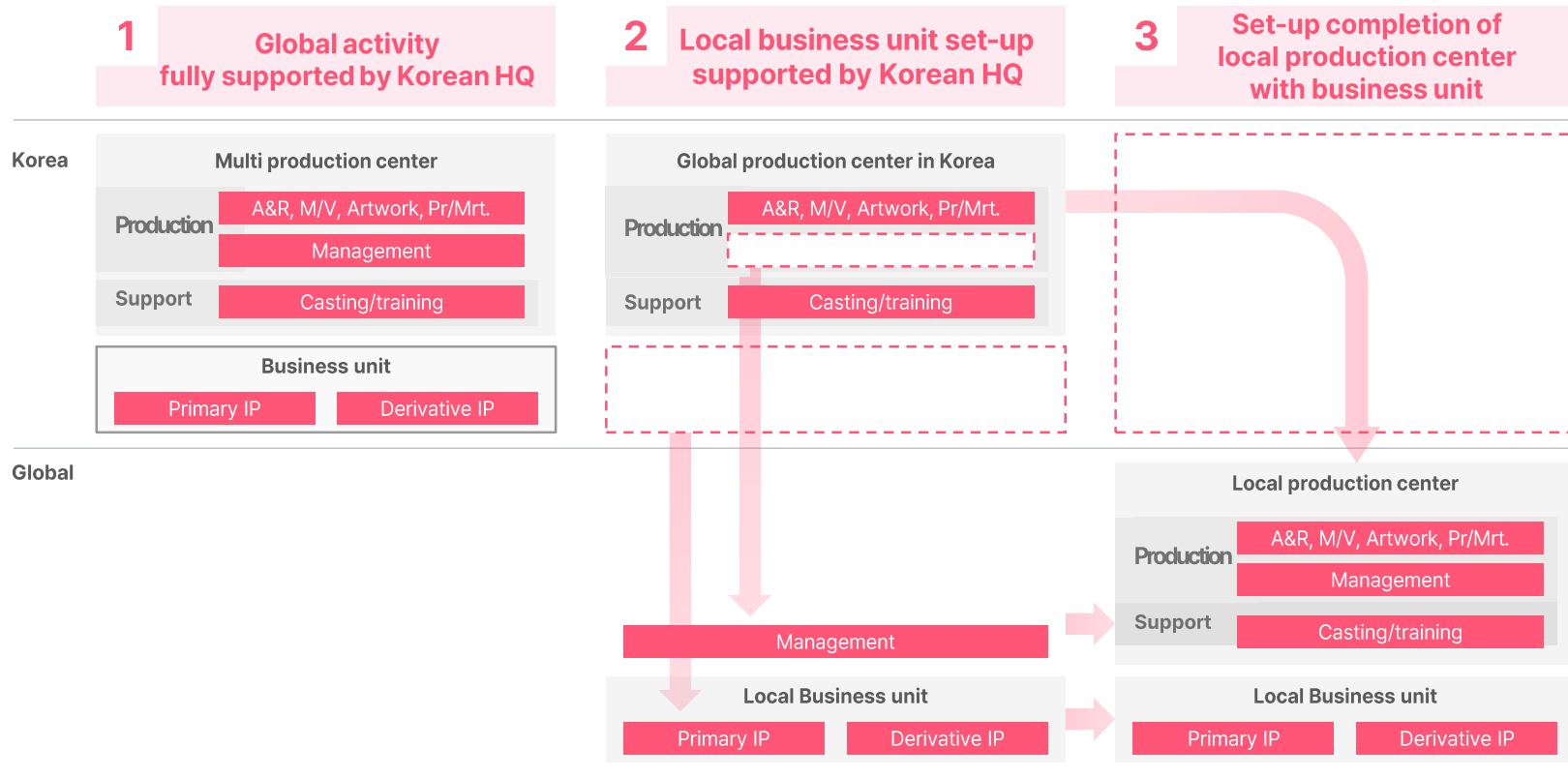
K-Pop physical album Export growth rate ('17-'22)

K-Pop Physical album export<sup>1</sup>

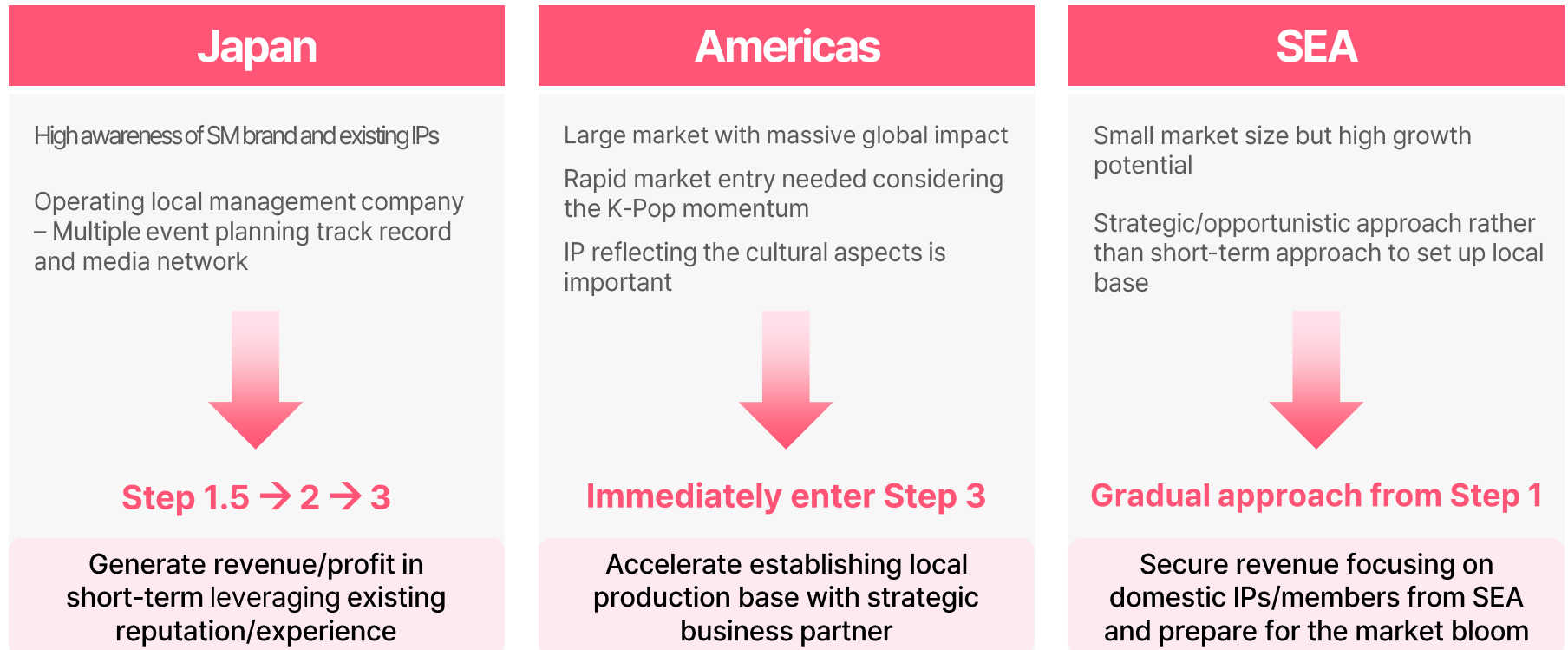
SM

1. As of '22, apply '21 figure if '22 estimation is not available 2. Sum of 19 countries including Indonesia, Vietnam, Philippines, Thailand, etc. where export reached over USD 1000 3. Based on 45 countries in Europe/ME where export reached over USD 1000

# 3-step Global Business Expansion



# Global Expansion Model considering Regional Characteristics and SM's Experience



# 1. Japan: Rapid Profit Generation Based on Existing Know-how

Rapid market entry and immediate generation of high profit is possible based on accumulated capabilities

## High preference for SM Entertainment/Music

- High awareness of SM as the 1st generation entering the Japan market
- 150K seats in SM Town Concert 2022 in Tokyo were sold out

## High acceptance of SM IP

- 60+ albums have been released in Japan until '23
- Culture Universe concept is widely accepted based on the mature animation market

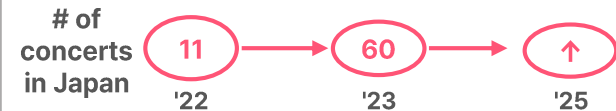
## Knowhow in performance management

- Over 160 dome concerts in Japan since '11
- TVXQ 's single concert attracted over 1M fans

Can achieve maximum profit from existing IP concerts and establishment of SM JP production center within '23

Support monetization of existing IP

Immediately increase concert of existing IPs from '23



Establish local production center

Turn SM Japan into a production center within '23

- Aggregate SM's business knowhow in Japan to establish entire casting/production/media promotion functions locally

Local production of IP

Make debut of Japanese groups with SM identity in '23 and '24

- 2H'23: NCT Tokyo (tentative)
- 2H'24: New Japan-based team

## 2. Americas: Instant Full Market Entry based on Debut of a New Group and Facilitated Commerce based on Joint Investment with a Strategic Partner

**Must-go market for SM to become global no.1 and now is the right time for entry**

**# 1 market in size**

- Global #1 with music revenue worth KRW 22T

**Massive global impact**

- 172 of Billboard Year-End Hot 100 singles enter Year-End Global Top 200<sup>1</sup>

**Rapid growth of K-Pop**

- Right time for entry as growth of K-Pop album sales in US reached 78%<sup>2</sup>

**High expandability of commercial areas incl. commerce**

- Business potential not only in primary IP but also secondary IP businesses (MD, IP license, etc.)

**Establish a US production center based on massive joint investment with a strategic partner**

Establish local production center

**Establish a production center based on JV with a strategic partner**

- Acquire a local management company for acceleration  
- Execute local concert/promotion for global market entry of existing IPs

Local production of IP

**Make debut of a US-based artist in 2H'24**

- Emphasize "growth story" and "artistic quality" reflecting the characteristics of US fan culture in casting/training  
- Make massive investment in concert/promotion to earn popularity in the early days

Review Further business opportunities

**Expand secondary IP business**

- increase profit by reinforcing commerce experience of the local fans  
- Launch the integrated fan platform in US market in full scale

1. As of '21/'22, 2. US K-Pop album export CAGR ('17-'22)

### 3. SEA: Gradual Entry Considering the Full Market Growth Timeline

Strategic/opportunistic approach rather than establishing a local base in short-term

#### High growth vs. market size

- Small monetizable market size but high growth, need to be prepared for the market growth

Market size<sup>1</sup>  
KRW 400B

Growth<sup>2</sup>  
46%

#### Strong preference for SEA members in K-Pop group

Profit generation via commercial ads of SEA members

Make gradual entry focusing on existing IPs in short-term, establish a production center after '25

Support monetization of existing IP

Facilitate concerts/activities of IPs popular in SEA/members of local nationality from '23

- Operate local media/promotion center

Establish local base

Make debut of a local-based team consists mainly of SEA members in 2H'25

- Establish a year-round casting center to secure talented trainees, but production/management are mostly done domestically

Turn local base into production center

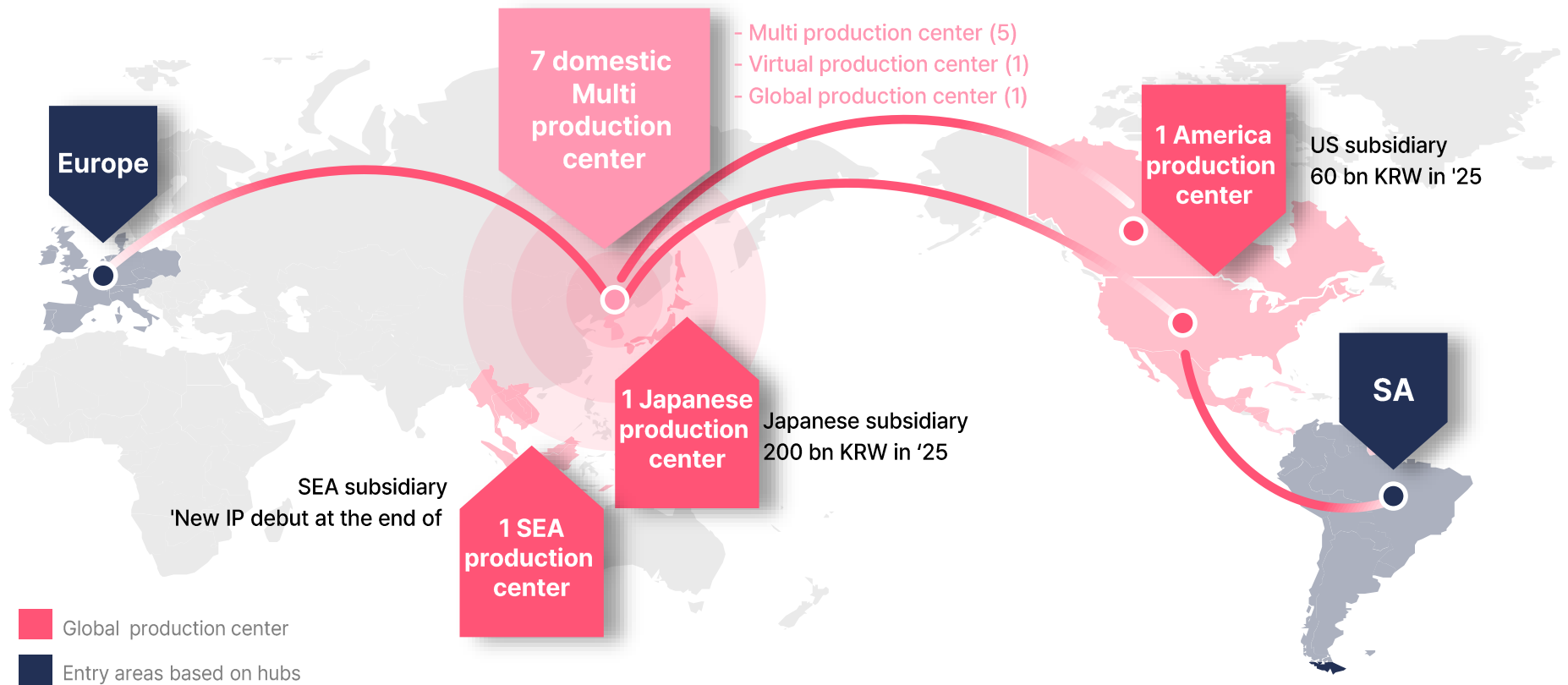
Gradually turn the media/casting center into local production center after '25

- Establish local production/management system including additional production functions when the full market growth becomes visible

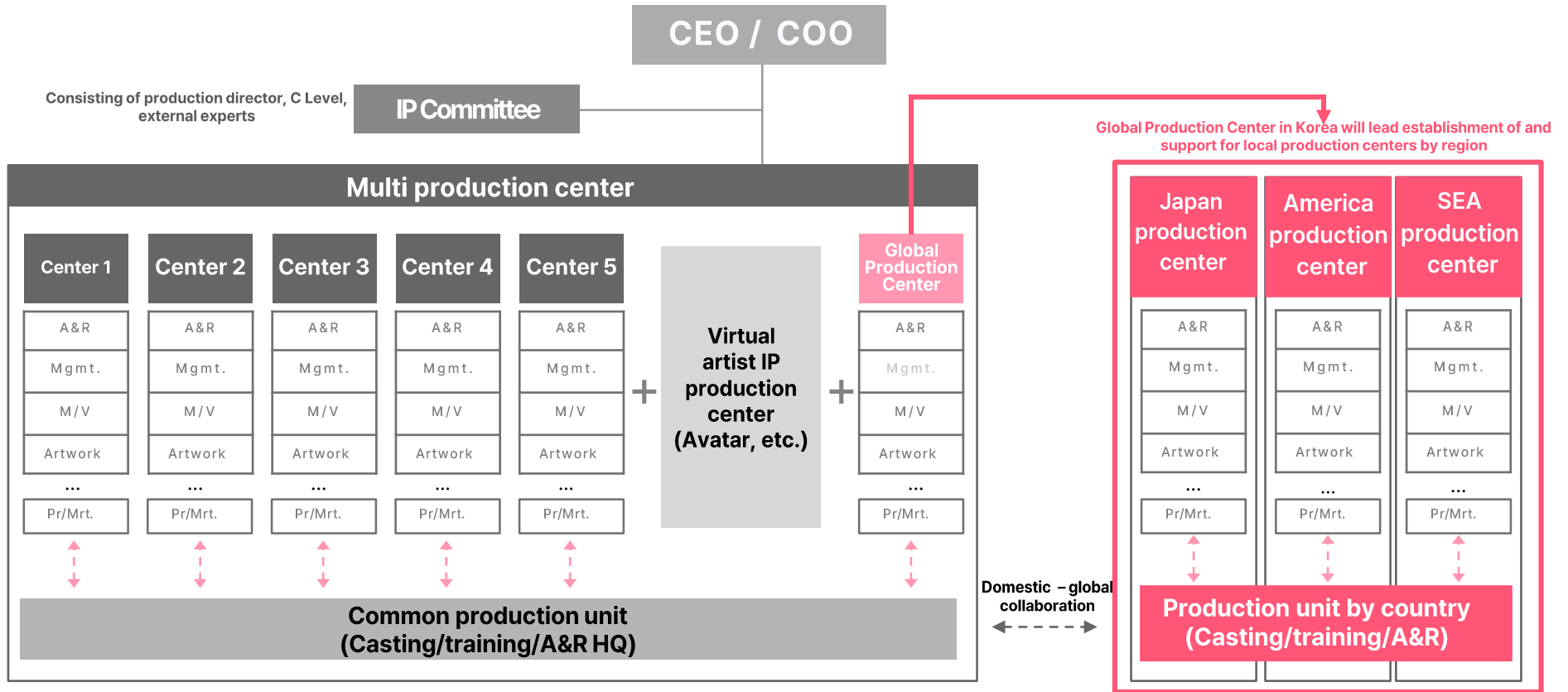
1. Based on ASEAN 2021 album and sound source market, 2. Based on '17-'21 CAGR of K-Pop album export



# Aiming additional 260 bn KRW revenue from 7 domestic multi production centers and 3 local production centers in '25

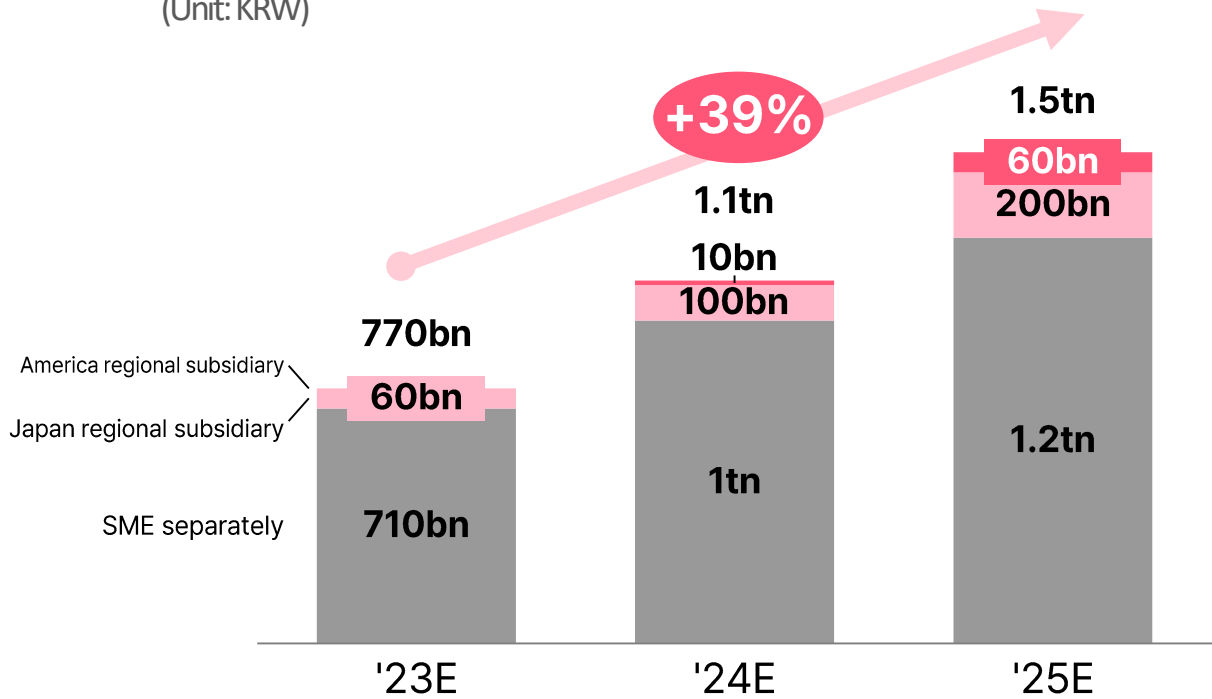


# SM production center operation model in '25



# Additional 260 bn in sales in '25 through global expansion with strategies customized to each country

(Unit: KRW)



in sales when including separate

**1.5tn**

Note: The impact of SEA local IP to have debut around the end of '25 is not reflected

# Thank you

