KINEMASTER

Investor Relations I Q2 2022

Letter to shareholders

Dear Shareholders,

I would like to extend my warmest greetings to all of you through this letter to our shareholders for the second quarter of this year. These days, the stock market is trending downward, and the stock price of KineMaster Corporation is following this trend, which makes my heart heavy for our shareholders. However, while facing this grim reality, KineMaster Corporation plans to continue moving toward a better future.

Currently, KineMaster Corporation is doing its best to increase the number of our “video templates.” (Video templates are an easy way of describing what I referred to as a “project” in a Q1 shareholder letter.) As the number of useful templates increases, even people with no editing skills can use KineMaster to produce high-quality videos easily. Currently, in the image field for products such as promotional posters, designs using templates (rather than Photoshop) have become popular, and the size of the related market has paralleled that growth. Now, the video template market is also starting to take off.

By the end of Q2, the number of templates uploaded to KineMaster was approximately 4,000. We aim to increase this number to about 100,000 by the end of the third quarter and 200,000 by the end of this year. There are already over 50,000 ready-made templates that have already passed internal testing, all of which will be uploaded soon.

To achieve this goal, the company plans to spend a total of KRW 10 billion in outsourcing production costs by the end of this year. By then, about 200,000 templates will be ready to be uploaded, and each template will cost about KRW 50,000. Currently, video production companies in over ten countries are making these templates for us. I would like to ask our shareholders to understand the current expenditures of the company. This is an investment for the future, and the faster we grow, the more market power we can gain.

We also have a plan to increase our premium subscription price. The current price is $3.99 per month or $39.99 per year. The company now believes there is room for an increase given the current prices of other editing apps worldwide. (Discussions to determine a new price are currently ongoing internally.) This price increase will take effect in August, and the resulting revenue increase will help implement the above mentioned investments.

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Letter to shareholders

During the re-pricing process, the company decided it was necessary to further differentiate between premium subscribers and free users. This is because the increased subscription fee should feel worthwhile for our subscribers. To this end, the company decided to increase the size of the watermark on the videos of free users. At the end of Q2, the watermark size occupied 1.2% of the entire screen. From the third quarter onwards, we want the size to be 3% of the entire screen. For Android phones, this was applied in July, and for iPhones, it will be applied in August. The watermark size will be further increased, if necessary, through the observation and analysis of customer data.

Finally, starting in September, we plan to run a digital marketing campaign worldwide to promote the new and improved KineMaster. To this end, Cheil Worldwide's US branch has been designated as our new marketing agency, and an investment of about KRW 5 billion is planned by the end of 2022.

In summary, by the end of this year, our various efforts will be more synergistic. In other words, our four plans: preparing 200,000 templates, increasing the watermark size, increasing the subscription fee, and executing a global advertising campaign, will proceed together to strengthen the other's effectiveness. By the end of the year, approximately KRW 15 billion will be spent on marketing and preparing templates.

Shareholders, I hope you will continue your support of KineMaster Corporation as we continue down the right path, no matter the external circumstances. Thank you.

August 11th, 2022

Il-taek Lim Lim

Founder and Chief Executive Officer
KineMaster Corporation

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Business | KineMaster; we make creating easy

A video template platform downloaded by over 575M people in 155 countries

Possible to create high-quality videos in minutes through the provision of re-editable templates

Easy production from marketing videos for business to short-form content for social media

Download
575M

Asset
21K+

Template
3,288+

Save as Video
427M

※ Save as video refers to the number of videos produced through the KineMaster and is the data compiled from June 16, 2019.

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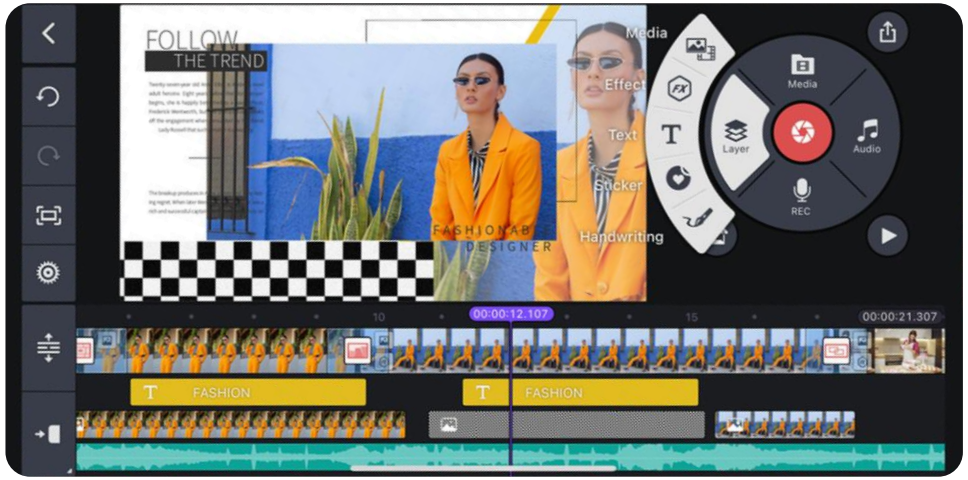
Business | KineMaster ① Edit For Impact

Providing the best editing experience with various editing effects



< Screenshot for editing >

- The editing app to create professional video content without a computer with Multi-layered, Chroma Key, Speed Adjust, Transition, Subtitles, Reverse, Color Filters, and Advanced Audio Editing Feature.
- Providing over 2.1K various assets that can be used without copyright issues for video editing and update new assets every week
- Currently supports more than 18 languages and provides customer service in local language. Also planning to continue to increase the supported languages in the future.
- The business model is divided into Subscription and advertising, and for subscription it is currently serviced at $3.99 per month / $33.00 per year

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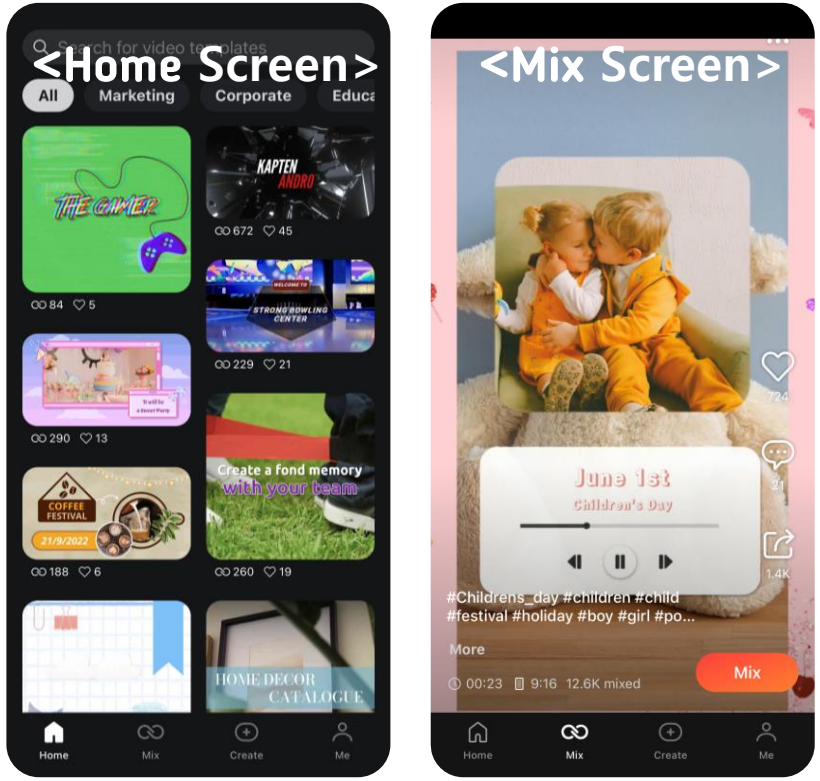
Business | KineMaster ② Template platform

Providing a video template that contains various effects and is easy to re-edit



<Screenshots for Home and Mix>

- Thousands of localized templates are updated daily that can be used by creators such as YouTubers, TikTokkers, and Instagrammers around the world, as well as marketers, journalists, and teachers.
- Users can easily find the templates they want in Home, and they can manage the templates they are interested in separately in Me.
- Users can easily browse through templates by flicking through the templates with one hand in Mix, express Like and write Comment, and can even download and re-edit them immediately.
- With low cost and short time investment, users can create multi-purpose videos infinitely without copyright problems and share them freely.

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Business | 변화

Evolving into a Template Sharing Platform where everyone can use and enjoy

To expand and activate the upload of templates, a system is being prepared for

① internal production by company and ② directly upload by users.

AS-IS

Mobile Video Editor

Editing effects
Free users
Personal / Creator

TO-BE

Template Sharing Platform

Re-editable template
Paid users
Business

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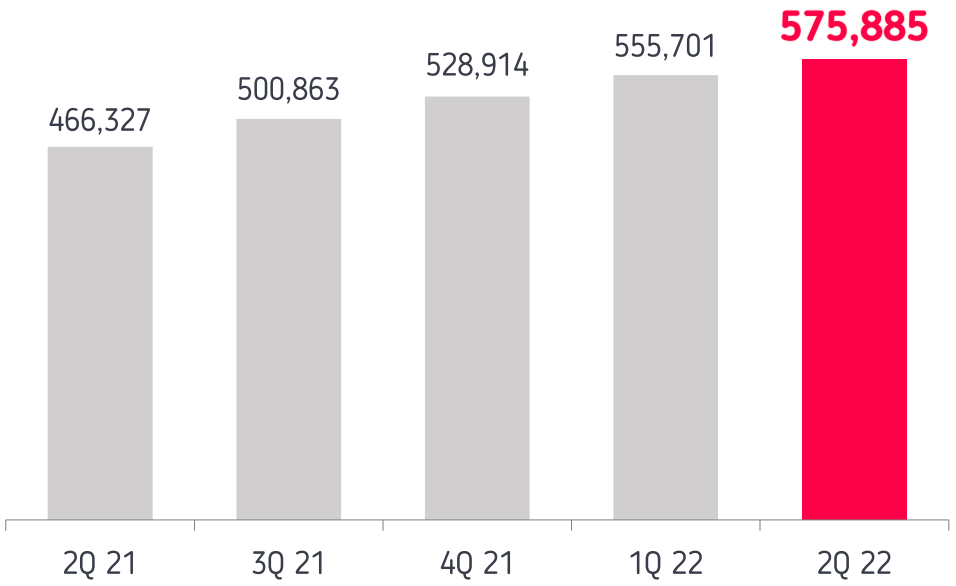
KineMaster Performance | Download

> Cumulative Downloads

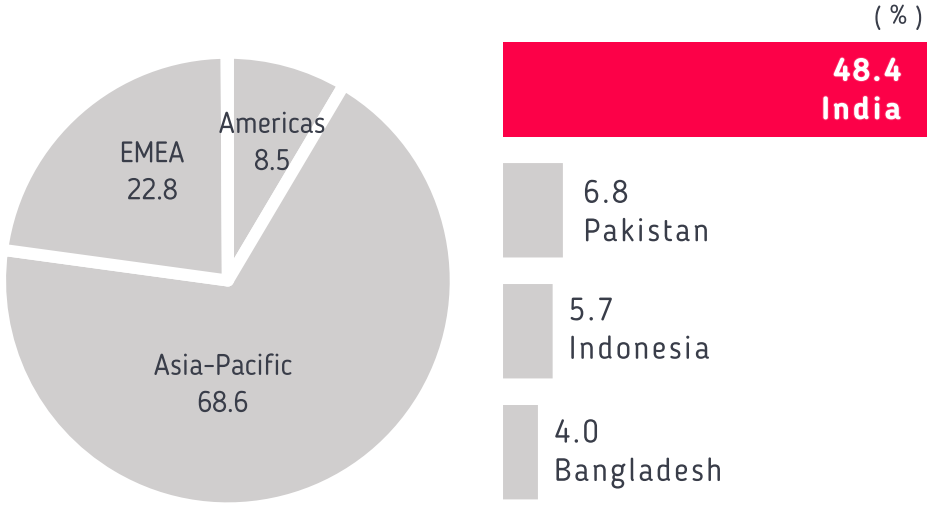
YoY +23% / QoQ +4%

(in thousands)



> Downloads by Country

India account for about 48.4% of Asia-pacific



※ The figure above is a download by country that occurred in Q2.

※ Brazil 2.8%, Iraq 2.9%, United States 2.5%, Egypt 2.3%, China 2.1%, Thailand 1.2% are included in the top ranks.

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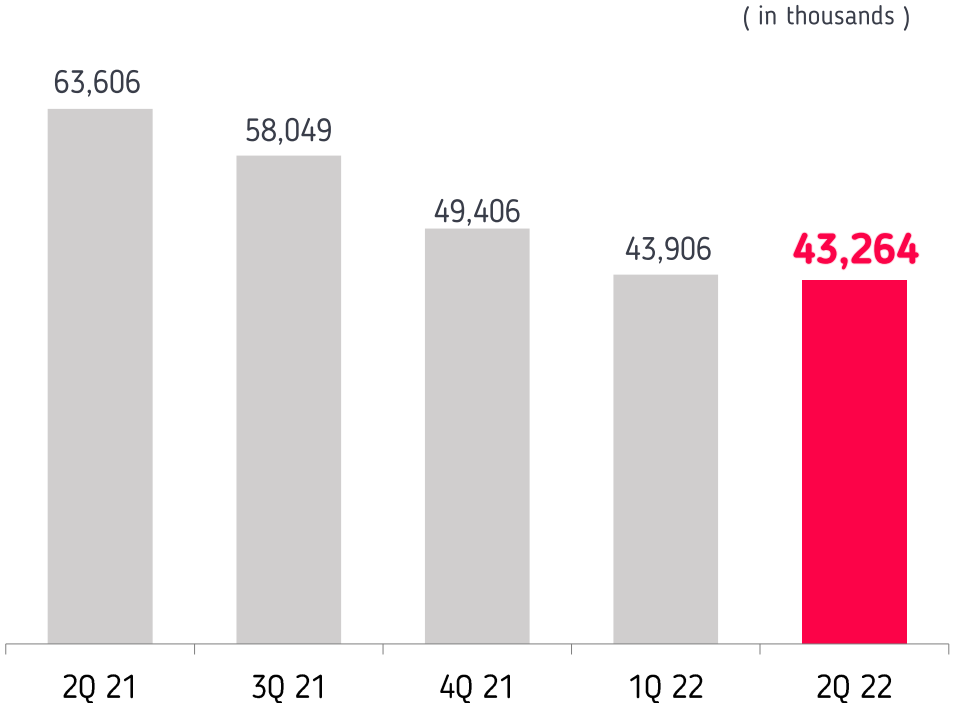
KineMaster Performance | MAU

> MAU

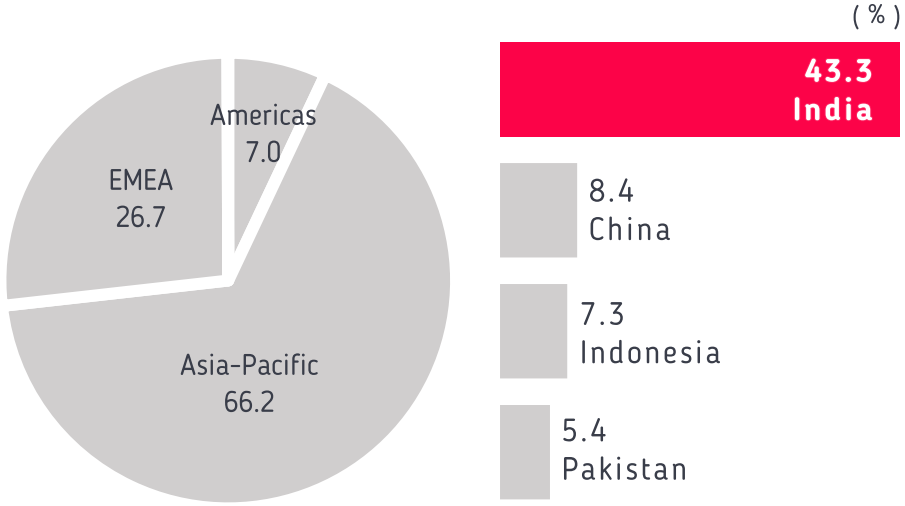
YoY -32% / QoQ -1%



※ The quarterly average of MAU

> MAU by country

India account for about 43.3% of Asia-pacific



※ Android + iOS MAU based on Android, and iOS in 2Q.

※ Iraq 3.8, Egypt 3.4%, Bangladesh 2.6%, Philippines 2.1%, Brazil 2.0%, United States 1.8% are included in the top ranks.

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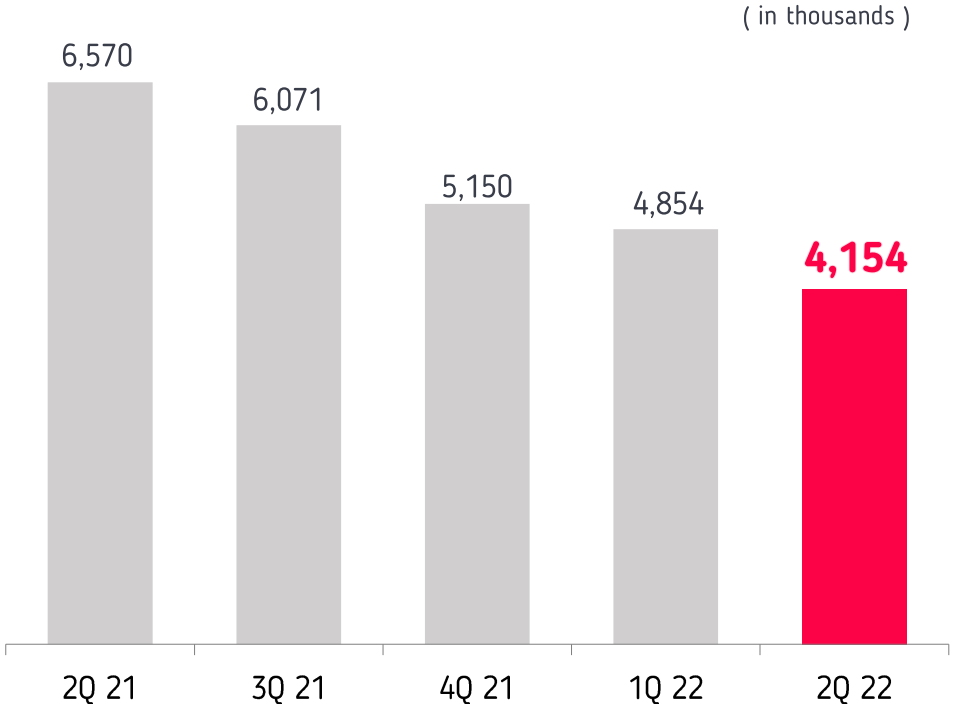
KineMaster Performance | DAU

> DAU

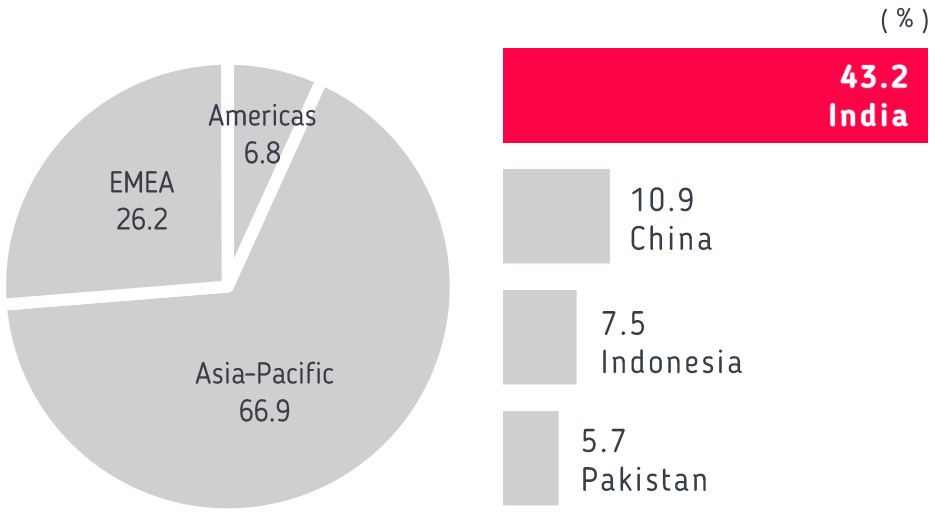
YoY -37% / QoQ -14%



※ The quarterly average of DAU

> DAU by Country

India account for about 43.2% of Asia-pacific



※ Android + iOS DAU based on Android, and iOS in 2Q.

※ Iraq 3.5%, Egypt 3.2%, Bangladesh 2.3%, United State 2.1%, Brazil 1.8%, Philippines 1.7% are included in the top ranks.

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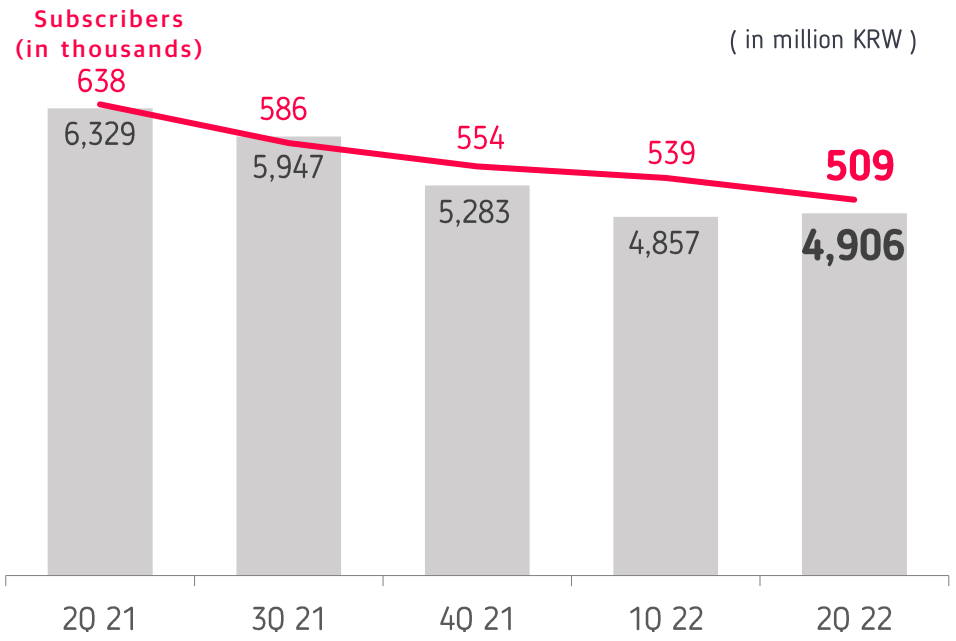
KineMaster Performance | Revenue

> KineMaster App revenue

Revenue YoY -22% / QoQ +1%

Subscribers YoY -20% / QoQ -5%

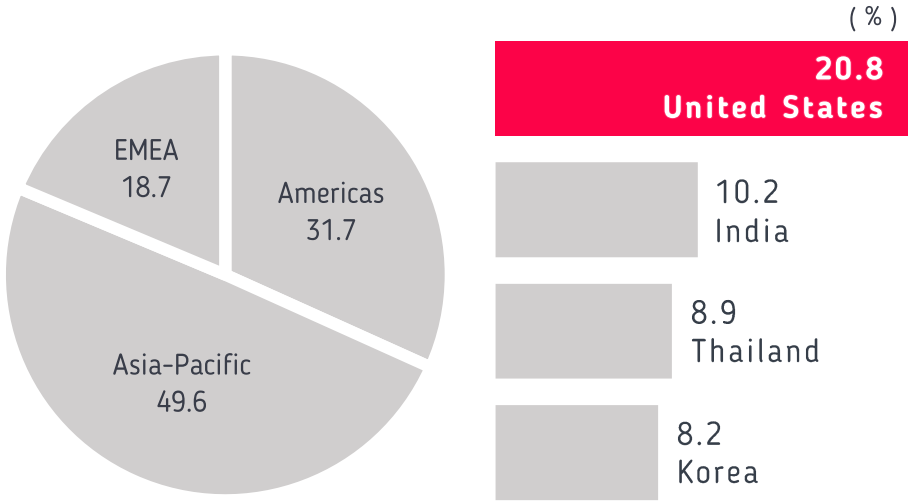


※ The total revenue includes subscriptions, Ads and streaming revenue for music assets. And subscription revenue account for most of total revenue.

※ The number of subscribers is the average for each quarter, and Android includes users during the free trial period.

> Revenue by Country

United States account for about 20.8% of Americas



※ Cumulative revenue based on Android, and iOS in 2Q22.

※ Indonesia 6.6%, Brazil 5.8%, Philippines 3.3%, United Kingdom 3.3%, Philippines 3.3%, Japan 2.9%, Saudi Arabia 2.8% are included in the top ranks.

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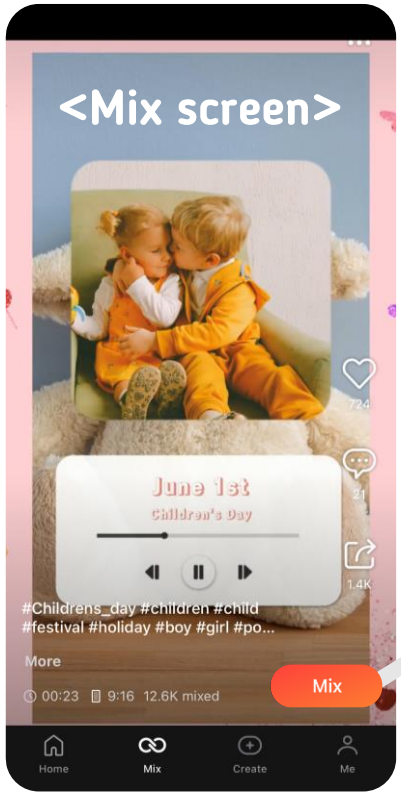
KineMaster Performance | User engagement

Over 20M downloads of template in Mix for re-edit

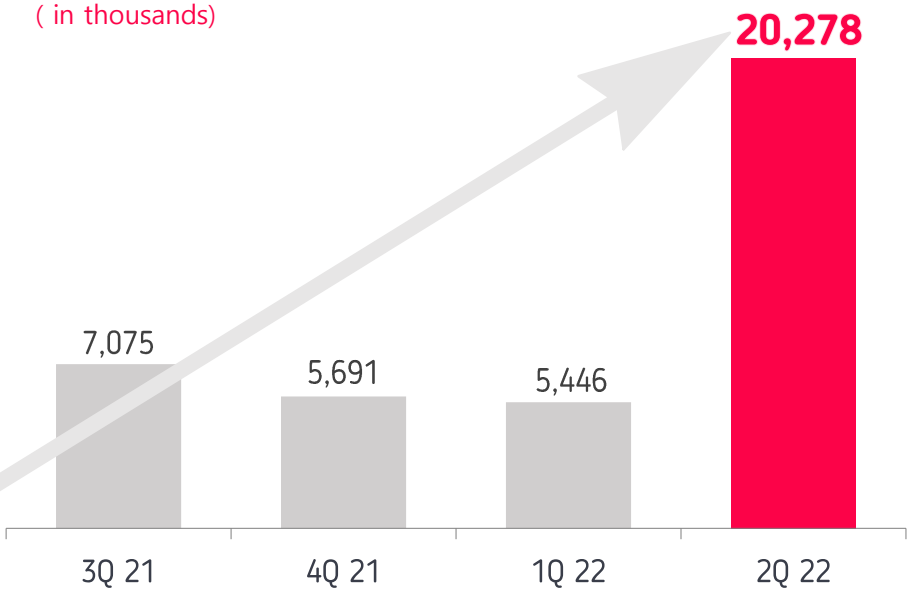
Newly updated templates are 2.5K in Q2 (Cumulative updated templates are 3.3K)



> Mix (Template Downloads and Re-Edits)

QoQ +272% .

(in thousands)



Mix (Downloads& Re-Edits)
20M

Likes
7.6M

Comments
23K

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2Q Summary | Business Highlights

Sstrategies to expand paid conversion rate and new subscribers

2Q Updates

- **Release of KineMaster version 6.0 (May 1st, 2022)**
  - The download screen of the re-editable template to the main screen
  - UI/UX reorganization and support for user account registration
- **Change of pricing policy**
  - Adjustment of KineMaster annual subscription price to $22.99 -> $33.99
- **Expansion of newly uploaded templates**
  - About 3.3K templates were uploaded as of the 2Q, about 25K templates are currently under internal QA.

2H Plan

- **Large-scale global promotion planned**
  - It is planned to spend about 5 billion in KRW to promote the KineMaster by the end of the year.
- **Change of pricing policy**
  - Subscription price will be adjusted for price optimization and revenue expansion.
- **Changing watermark size (July 1st, 2022)**
  - Continuing to review the size (enlarged) of the watermark that appears to free users to promote subscription
- **Continuing to invest in uploading 200K templates by the end of 2022**
  - About 10 billion in KRW will be invested in template production in 2022

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2Q Summary | Business Highlights

	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
MAU	63,606,412	58,049,338	49,406,797	43,905,096	43,264,719
Subscriber	638,284	585,663	553,906	538,519	509,037
Subscription rate	*1.00%*	*1.01%*	*1.12%*	*1.23%*	*1.18%*
① annual subscriber	404,657	365,865	342,603	334,488	306,795
% of annual subscriber	*63.40%*	*62.47%*	*62.85%*	*62.11%*	*60.27%*
② monthly subscriber	233,627	219,798	211,303	204,031	202,242
% of monthly subscriber	*36.60%*	*37.53%*	*38.15%*	*37.89%*	*39.73%*
Total updated template	167	303	493	807	3,288
Newly updated	119	136	190	314	2,481
Under internal QA	-	144	221	1,186	25,295

- The downward trend in the total number of users, which rose in the short term after COVID-19, gradually eased from the Q2.
  - YoY -32%, QoQ -1%
- The total number of subscribers decreased slightly as the number of users decreased, but the subscription rate maintained an upward trend.
  - A slight increase of 0.18% compared to the same period last year
  - Monthly subscription rate increases in Q2 due to the increase of annual subscription price
- Continuous expansion and acceleration of template upload
  - Total updated templates are 3,288 as of Q2
  - About 25,000 templates currently in internal QA

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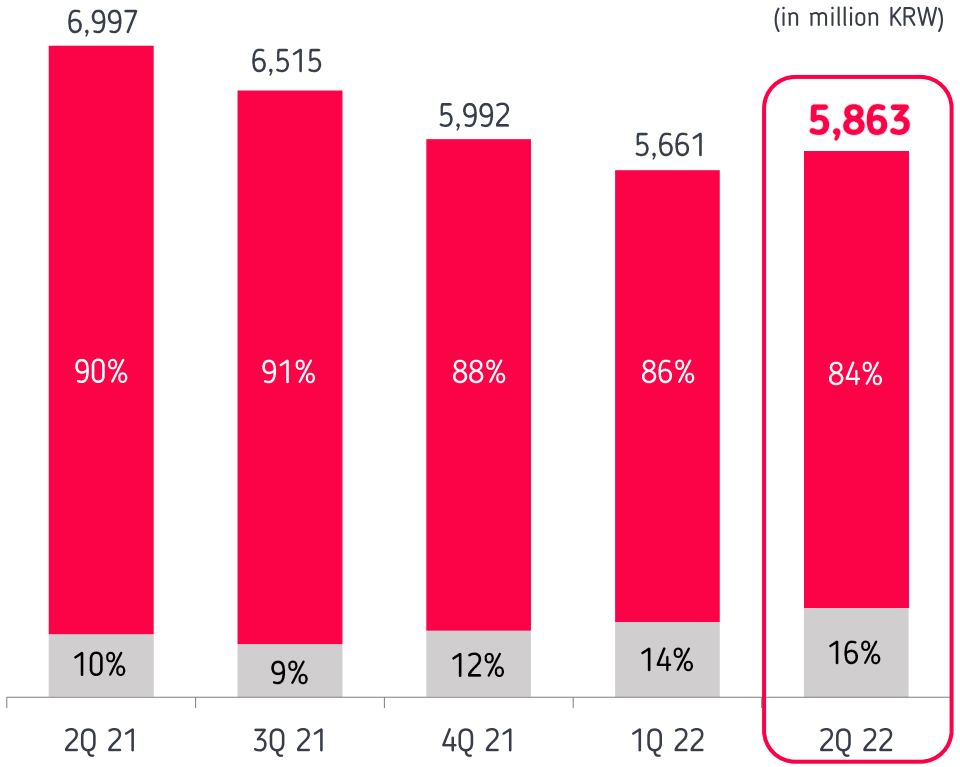
2Q Summary | Financial Highlights

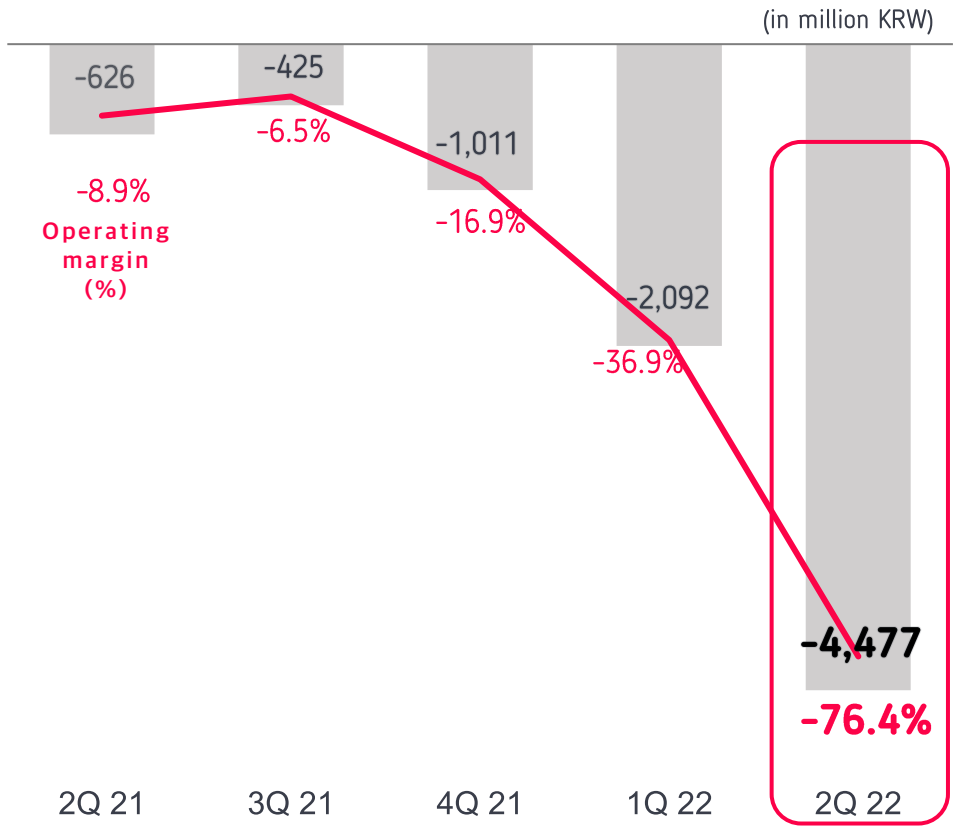
> Total Revenue

KineMaster 86% of total revenue
SDK 14% of total revenue



> Operating Profit

Operating profit/margin : -4,477mn, -76.4%



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2Q Summary | Financial Highlights

(in million KRW)

	Q2 21	Q4 21	Q1 22	Q2 22	1H 22	YoY	QoQ
Total revenue	6,997	5,992	5,661	5,863	11,524	-16.20%	3.56%
KineMaster	6,329	5,283	4,857	4,906	9,763	-22.48%	1.00%
PlayerSDK	668	709	804	957	1,761	43.31%	19.00%
Operating expenses	7,622	7,003	7,753	10,340	18,092	35.65%	33.37%
App commission	1,367	1,121	869	904	1,773	-33.92%	3.99%
Template expenses	3	45	276	1,508	1,785	43,662.06%	445.57%
Advertising expenses	57	86	148	307	455	435.83%	108.21%
Server expenses	*605*	574	567	838	1,405	38.54%	47.83%
Amortisation expenses	11	51	31	31	62	190.35%	-0.85%
Personal expense and other operating costs	5,578	5,125	5,862	6,751	12,613	21.03%	15.18%
Operating profit	-626	-1,011	-2,092	-4,477	-6,568	615.42%	114.04%

- App commission : revenue decrease in Q2
  - 18.42% of KineMaster revenue in Q2
- Increased cost of template production
  - 14.59% of operating expenses in Q2
  - About 10 billion in KRW will be invested in template production by the end of the 2022
- Increase in advertising cost
  - planned to spend about 5 billion in KRW to promote the KineMaster platform by the end of the year.
  - 2.97% of operating expenses in Q2
- Increase in server cost
  - Increased server costs as KineMaster service expands
  - 8.11% of operating expenses in Q2

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2Q Summary | F/S

(in million KRW)

Balance Sheet	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22
Current assets	14,499	25,088	22,984	29,558	28,083
Non-current assets	1,865	2,233	3,350	3,462	3,687
Total assets	**16,364**	**27,321**	**26,333**	**33,020**	**31,770**
Current liabilities	1,193	992	1,701	1,625	2,852
Non-Current liabilities	1,072	1,202	774	9,475	7,666
Total liabilities	**2,264**	**2,194**	**2,474**	**11,099**	**10,518**
Capital stock	6,773	6,773	6,773	6,773	6,773
Additional paid-in and other capital	1,327	9,631	9,562	9,562	9,562
Elements of other stockholder's equity	-2,428	245	245	257	435
Accumulated other comprehensive income	-39	60	10	41	85
Retained earnings	8,466	8,418	7,270	5,288	4,397
Total equity	**14,100**	**25,127**	**23,859**	**21,921**	**21,252**
Total equity and liabilities	**16,364**	**27,321**	**26,333**	**33,020**	**31,770**

(in million KRW)

Income Statement	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	2H 22
Revenue	**6,997**	**6,515**	**5,992**	**5,661**	**5,863**	**11,524**
Operating expenses	**7,622**	**6,941**	**7,003**	**7,753**	**10,340**	**18,092**
Operating profit	**-626**	**-425**	**-1,011**	**-2,092**	**-4,477**	**-6,568**
margin (%)	*-8.94*	*-6.53*	*-16.87*	*-36.94*	*-76.36*	*-57.00*
Non-operating profit	17	473	84	306	3,545	3,851
Non-operating expenses	54	7	151	171	-90	81
Net profit before tax	**-663**	**40**	**-1,078**	**-1,957**	**-841**	**-2,798**
Income tax expense	52	76	-12	17	42	58
Net profit	**-715**	**-36**	**-1,067**	**-1,974**	**-883**	**-2,856**
Total comprehensive income	-651	51	-1,199	-1,950	-847	-2,797
EPS (won)	-54	-3	-80	-141	-65	-211

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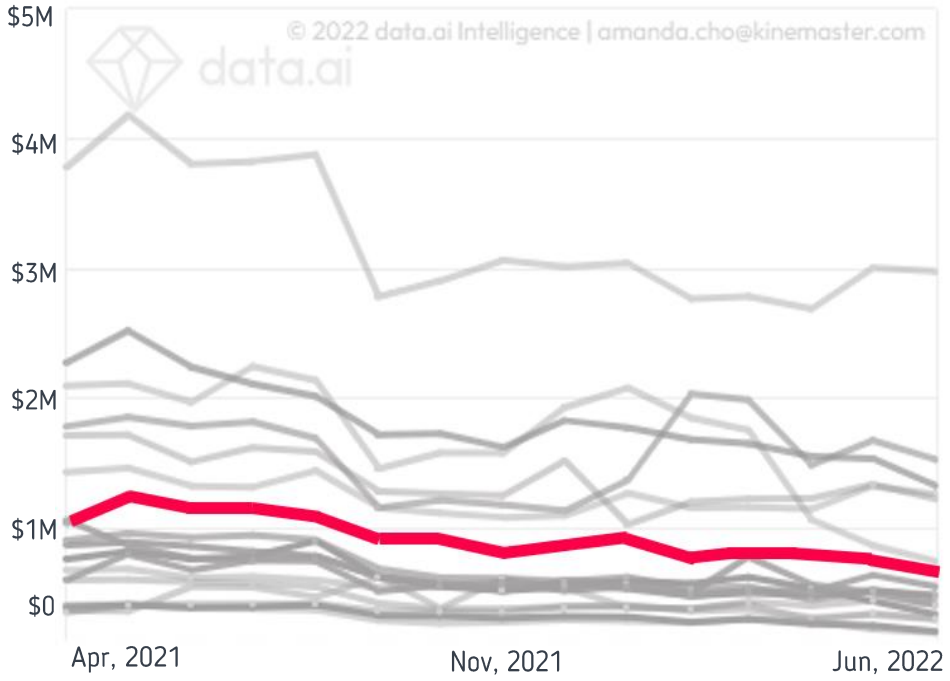
Market Trend | data.ai

	App Name	Revenue 2Q 21	Revenue 1Q 22	Revenue 2Q 22	QoQ (%)	YoY (%)	FY21
1	-	$11,769,749	$8,579,673	$8,656,740	0.90%	-26.45%	$41,168,164
2	-	$5,399,528	$5,365,668	$4,662,271	-13.11%	-13.65%	$18,081,714
3	-	$7,017,756	$5,079,475	$4,385,451	-13.66%	-37.51%	$25,111,523
4	-	$4,914,517	$3,425,125	$3,759,391	9.76%	-23.50%	$17,900,790
5	-	$4,190,136	$3,555,576	$3,701,051	4.09%	-11.67%	$15,265,984
6	-	$6,155,729	$5,659,028	$2,641,745	-53.32%	-57.08%	$22,230,845
7	**KineMaster**	**$3,418,554**	**$2,470,326**	**$2,177,430**	**-11.86%**	**-36.31%**	**$12,128,773**
8	-	$164,427	$457,578	$1,934,717	322.82%	1076.64%	$675,846
9	-	$2,040,459	$1,501,575	$1,659,836	10.54%	-18.65%	$7,296,612
10	-	$1,937,853	$1,544,710	$1,475,794	-4.46%	-23.84%	$7,162,176
11	-	$2,655,066	$1,824,774	$1,436,529	-21.28%	-45.89%	$9,310,989
12	-	$2,589,950	$1,471,927	$1,432,407	-2.68%	-44.69%	$9,261,163
13-42	-	$21,263,544	$16,276,416	$13,750,727	-15.52%	-35.33%	$78,566,291
Total		**$73,517,268**	**$57,211,851**	**$51,674,089**	**-9.68%**	**-29.71%**	**$264,160,870**

※ This information is estimated revenue from data.ai; it does not include app store commission, Ads and Android revenue from China.
※ The ranking is based on rewritten by company which includes only video editing app market.

> Estimated revenue in data.ai (Q2'21~Q2'22)

- 7th in ranking out of 42 competitive apps in Q2
- QoQ -12%, YoY -36%



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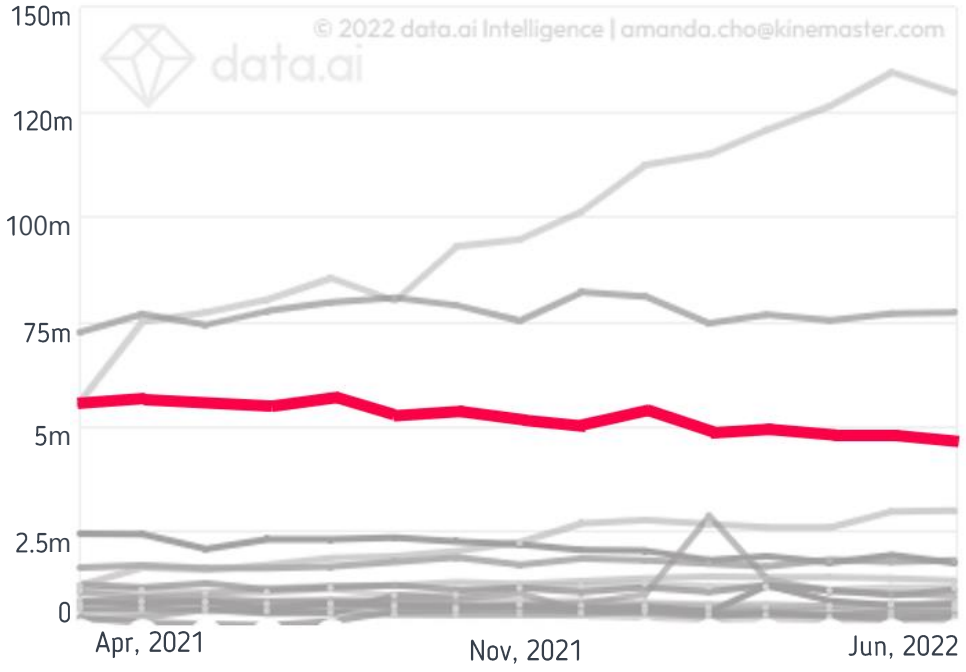
Market Trend | data.ai

	App Name	MAU 2Q 21	MAU 1Q 22	MAU 2Q 22	QoQ (%)	YoY (%)	% of Total
1	-	68,394,575	120,702,997	129,512,056	7.30%	89.36%	30.01%
2	-	70,035,203	76,448,594	77,028,781	0.76%	9.99%	17.85%
3	**KineMaster**	**51,384,039**	**49,244,003**	**46,231,782**	**-6.12%**	**-10.03%**	**10.71%**
4	-	13,669,016	25,598,956	29,626,744	15.73%	116.74%	6.86%
5	-	15,776,048	16,304,023	17,753,916	8.89%	12.54%	4.11%
6	-	18,055,102	18,717,470	17,017,930	-9.08%	-5.74%	3.94%
7	-	8,847,264	13,729,638	12,821,980	-6.61%	44.93%	2.97%
8	-	9,144,651	11,428,937	11,082,191	-3.03%	21.19%	2.57%
10	-	10,423,148	11,801,020	10,684,123	-9.46%	2.50%	2.48%
9	-	4,528,274	13,190,475	8,979,967	-31.92%	98.31%	2.08%
11	-	5,672,447	11,754,118	7,353,363	-37.44%	29.63%	1.70%
12	-	7,062,288	7,192,212	7,048,927	-1.99%	-0.19%	1.63%
13-45	-	36,054,323	59,783,338	56,447,912	-5.58%	56.56%	13.08%
Total		**319,046,378**	**435,895,781**	**431,589,672**	**-0.99%**	**35.27%**	**100.00%**

※ This information is estimated revenue from data.ai; it does not include app store commission, Ads and Android revenue from China.
※ The ranking is based on rewritten by company which includes only video editing app market.

> Estimated MAU in data.ai (Q2'21~Q2'22)

- 3rd in ranking out of 42 competitive apps in Q2
- QoQ -6%, YoY -10%



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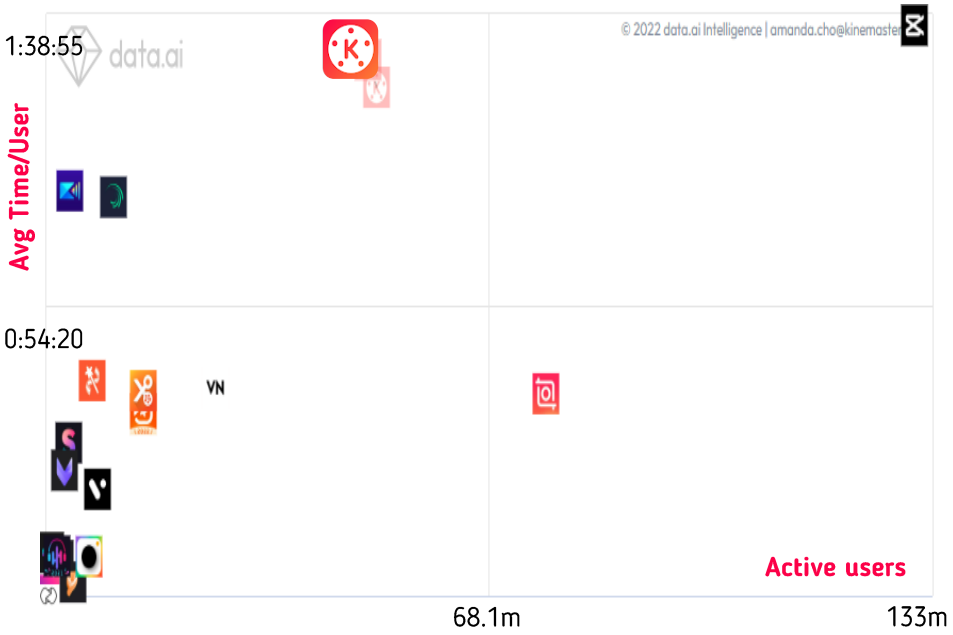
Market Trend | data.ai

> Audience attention (2Q'21 ~ 2Q'22)

- Ranked 2nd in average monthly usage time per user out of 47 competing apps
- Average monthly app usage time is 1h 34m in Q2



> Engagement Depth (2Q'21 ~ 2Q'22)

- Ranked 3rd in average monthly sessions per user and 4th in session time out of 47 competing apps
- Average number of sessions is 23; session time is 3m 51s in Q2

※ The information is estimated data provided by data.ai does not math the actual performance.

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Business | PlayerSDK

Provide highest video quality for OTT service providers

Smartphones & Tablets, Smart TVs, STBs, Web Browsers

Excellent and timely customer support

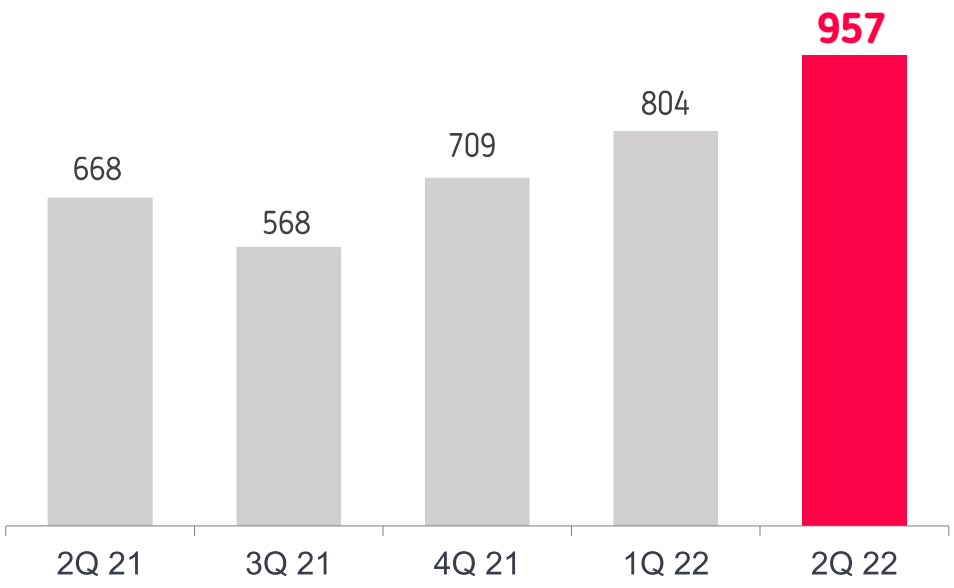
© KineMaster Corporation

PlayerSDK Performance

> PlayerSDK Revenue

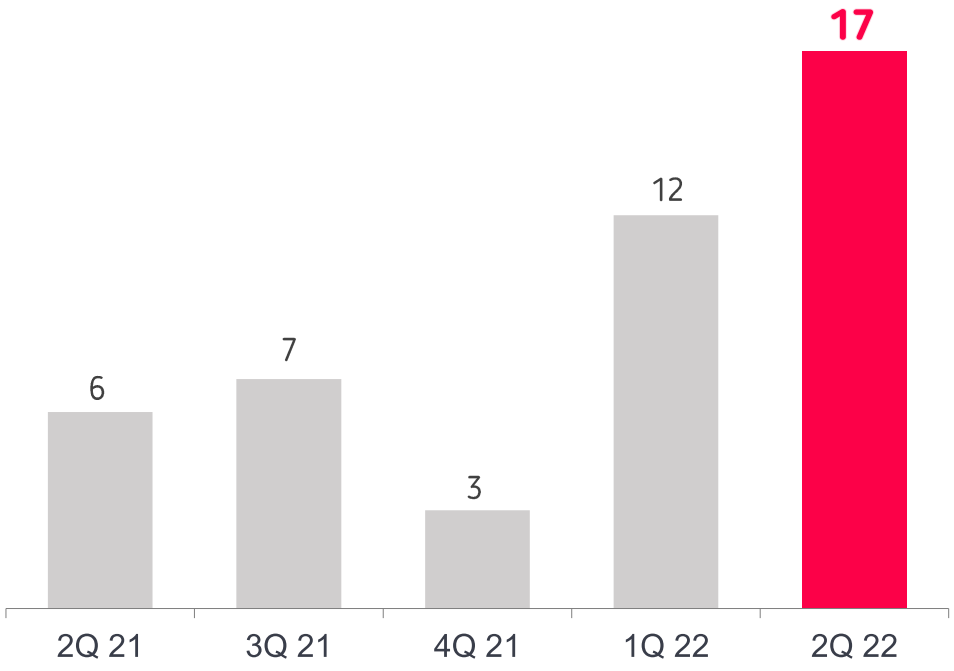
YoY +43% / QoQ +19% .

(in million KRW)



> PlayerSDK Costomers

YoY +183% / QoQ +42% .



※ The above number of customers is the total number of customers who have generated revenue in Q2.

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Appendix

History

- 2002 Company founded
- 2005 Provided streaming player to Samsung Electronics
- 2010 Provided streaming player to LG Electronics
- 2011 Listed on KOSDAQ
- 2011 Provided Android player SDK to HBO
- 2012 Started KineMaster app development
- 2013 Provided Player SDK to Time Warner Cable
- 2013 KineMaster Android version
- 2013 SingPlay Android version
- 2015 Provided video editing solution to XiaoMi
- 2017 KineMaster iOS version
- 2018 KineMaster exceeded 80M total downloads
- 2019 KineMaster exceeded 120M total downloads /25M MAU
- 2019 Changed the company name to KineMaster Corporation
- 2019 KineMaster exceeded 210M total downloads /37M MAU
- 2019 BeatSync Android version
- 2020 Capital increase without compensation
- 2020 KineMaster exceeded 240M total downloads /47M MAU
- 2020 KineMaster exceeded 297M total downloads /64M MAU
- 2021 KineMaster exceeded 520M total downloads /49M MAU
- 2022 KineMaster exceeded 550M total downloads /44M MAU
- 2022 Issuance of convertible preferred stock
- 2022 Release KineMaster ver 6.0

Subsidiary

※ Total 162

HQ
KineMaster
Employees : 118

Ownership : HQ 100%	Ownership : HQ 100%	Ownership : HQ 100%
US	**China**	**Spain**
KineMaster	KineMaster	PlayerSDK
Employees : 11	Employees : 4	Employees : 29

※ The employees are based on full-time and contract employees on the consolidation

List of shareholders

Common stock	Il-taek Lim	1,574,407	11.25%	Founder · CEO
	SOLBORN,Inc and parties concerned	4,543,251	32.45%	Investors
	ETC	7,428,649	53.06%	ETC
CPS		454,536	3.25%	-
Total		14,000,843	100.00%	-

※ The above ratio was calculated based on the total number of issued shares, including 454,536 CPS (convertible preferred shares).

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