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HYBE DISCONTINUES ACQUISITION OF SM ENTERTAINMENT AND AGREES TO COOPERATE WITH KAKAO ON PLATFORM-RELATED MATTERS

(SEOUL - March 12, 2023) HYBE announced that it will discontinue the acquisition process of SM Entertainment (“SM”) as of March 12. HYBE made this decision after observing that the market has been showing signs of overheating due to competition with both Kakao and Kakao Entertainment. The company has also taken into account the potential negative impact on HYBE’s shareholder value.

HYBE acquired former Chief Producer Lee Soo-man’s shares and made the tender offer based on a fair acquisition price range, considering the long-term value of SM, and all costs that may arise during the post-merger integration process. However, HYBE determined that the price of acquiring SM exceeded the fair acquisition price range as the competition with both Kakao and Kakao Entertainment intensified.

HYBE contemplated the possibility that this acquisition, along with the tender offer, may harm shareholder value, and fuel overheating of the market, in making the decision.

In light of recent developments, HYBE discussed the matters with Kakao and reached an agreement to suspend the process of acquiring SM’s management rights. Concurrently, the two companies agreed to cooperate on matters related to their platforms.

HYBE has comprehensively considered internal and external factors and decided to suspend the process of acquiring SM and expressed its gratitude to everyone who has supported and encouraged the acquisition of SM so far.

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