AVI Publishes Open Letter to Daou Technology Opposing Investment in JoongAng Ilbo

- **Risk to significant shareholder capital destruction – unjustified subscription price, no investment rationale, wider share price discount**
- **Call for a reassessment of the investment and for the Board to respond publicly by 30th November**

November 16, 2026, Seoul – UK-based value investor, Asset Value Investors ("AVI"), which manages approximately 2.2% of the shares outstanding in Daou Technology Inc. ("Daou Technology" or "Company"), has issued an open letter opposing Daou Technology's acquisition of new shares in JoongAng Ilbo, citing concerns over significant shareholder capital destruction.

Following the selection of the consortium comprising Daou Technology, Saramin Co., Ltd. and CJ Corporation as the preferred bidder, the Board of Daou Technology resolved to subscribe for 38,000,000 newly issued JoongAng Ilbo shares at the acquisition price of KRW190 billion.

AVI sent a private letter to the Board of Daou Technology on 21 October raising its concerns regarding the investment in JoongAng Ilbo, but judged that the Company's reply received on 30 October did not address the substance of its concerns. Consequently, AVI issued an open letter so that fellow shareholders and the wider market can assess the appropriateness of the investment and to urge the Board to address these concerns, requesting a public response by no later than 30 November.

AVI presented reasons for opposing Daou Technology's acquisition of new shares in JoongAng Ilbo: a high price for liabilities that are not yet known; no strategic logic for Daou Technology; concerns over a wider share price discount; and also pointed out the existence of an investment alternative in repurchasing Daou Technology's own shares.

The consortium has signed a KRW520 billion conditional new share subscription agreement, including a KRW190 billion commitment from Daou Technology. AVI noted that the price must be assessed against JoongAng Ilbo's weak earnings and deteriorating financial position. Against this backdrop, AVI urged Daou Technology to disclose the valuation methodology and assumptions supporting the price, the implied post-money equity valuation, the expected return on capital, hurdle rate, and payback period. It also demanded a transparent explanation as to why the consortium's KRW520 billion subscription substantially exceeded the reported rival bids of KRW300–400 billion.

In addition, AVI pointed out that Daou Technology has offered no substantive or justifiable basis for its investment decision. AVI explained that a newspaper has no connection with Daou Technology's existing Financial IT, messaging, or groupware businesses, and that diversification is not itself evidence of value creation. In particular, given that newspaper ownership rules cap any large business group at 50%—requiring Daou Technology to share control with CJ while bearing its share of future funding needs—AVI emphasized that it has seen no adequate explanation of how this investment would earn an adequate return for Daou Technology's shareholders, as distinct from serving wider group objectives.

AVI expressed concern that the acquisition of JoongAng Ilbo would further complicate Daou Technology's governance structure and widen its share price discount. As at 30 October, Daou Technology's share price stood at a 62% discount to AVI's estimate of NAV. AVI noted that this discount reflects investor concern over capital allocation and the complexity of Daou Technology's intermediate holding-company structure, rather than the quality of its assets. AVI emphasized that adding the burden of jointly controlling a loss-making newspaper with uncertain future funding requirements would confirm those concerns and widen the discount further.

AVI also explained that at an approximately 62% discount, each KRW1,000 spent repurchasing Daou Technology's shares would retire shares representing approximately KRW2,630 of estimated NAV, before costs. Daou Technology's commitment of KRW190 billion is equivalent to approximately 14% of Daou Technology's market capitalisation, and together with Saramin, the total investment of the Daou Group reaches approximately KRW261.4 billion. Recalling that management indicated in September that share repurchases would follow the data centre becoming operational, AVI stressed that "capital that is unavailable for repurchases today should not be available for a newspaper in workout either".

Through the open letter, AVI demanded that Daou Technology clearly explain the investment rationale and the Board's independent assessment. In particular, AVI requested clear explanations across three key areas: △Valuation, △Financial and legal review, and △Independent directors' assessment. Along with this, AVI requested the establishment of a special committee composed of independent directors and supported by external advisers free of conflicts of interest to conduct an independent reassessment of the investment against the criteria of the legitimacy of the transaction's purpose, the fairness of its terms, and the appropriateness of the decision-making process. Furthermore, AVI emphasized that the special committee should review all remaining material decisions relating to the transaction through closing and report its findings and recommendations to the Board.

For the full public letter please go to https://www.assetvalueinvestors.com/campaign/protect-daous-shareholders/

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About Asset Value Investors
Founded in 1985, Asset Value Investors (AVI) has spent more than four decades finding value in international markets through disciplined, research-driven investing and a concentrated, benchmark-agnostic approach. Led by CEO and CIO Joe Bauernfreund, the firm has over £2bn AUM across global equities, Japanese equities, and listed closed-end funds (As at 31 October 2026). Korean equities have become an increasingly important part of the global strategy, now accounting for c. 20% of the portfolio. As a constructive engagement investor managing multiple London-listed investment trusts and open-ended funds, AVI recently announced in October 2026 that Pacific Asset Management would become its strategic institutional partner through the acquisition of 100% of AVI's share capital.

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