

netmarble

4Q 2017 Earnings Results

February 6, 2018



DISCLAIMER

The financial information included in this document are consolidated earnings results based on K-IFRS.

The “financial results for 4Q 2017” for Netmarble Games (the “Company”) contained in this document have been provided for investors’ convenience only and have not been reviewed by an independent auditor. Therefore, certain part(s) of this document are subject to change upon the auditor’s review.

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, “forward-looking statements” often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.” “Forward-looking statements” by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include the behavior of financial markets, the Company’s strategic actions, unanticipated dramatic developments in our major business conditions, and numerous other matters at the national and international levels which could affect our financial results.

These uncertainties may cause our actual results to be materially different from those expressed in this document.

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1. FINANCIAL HIGHLIGHTS OF 4Q 2017

4Q recorded revenue of W615.8bn (YoY 33.0%, QoQ 5.9%), EBITDA of W109.9bn (YoY -13.3%, QoQ -15.1%), and operating profit of W92.6bn (YoY -21.6%, QoQ -17.2%)

EBITDA margin and operating profit margin were 17.8% and 15.0%, respectively

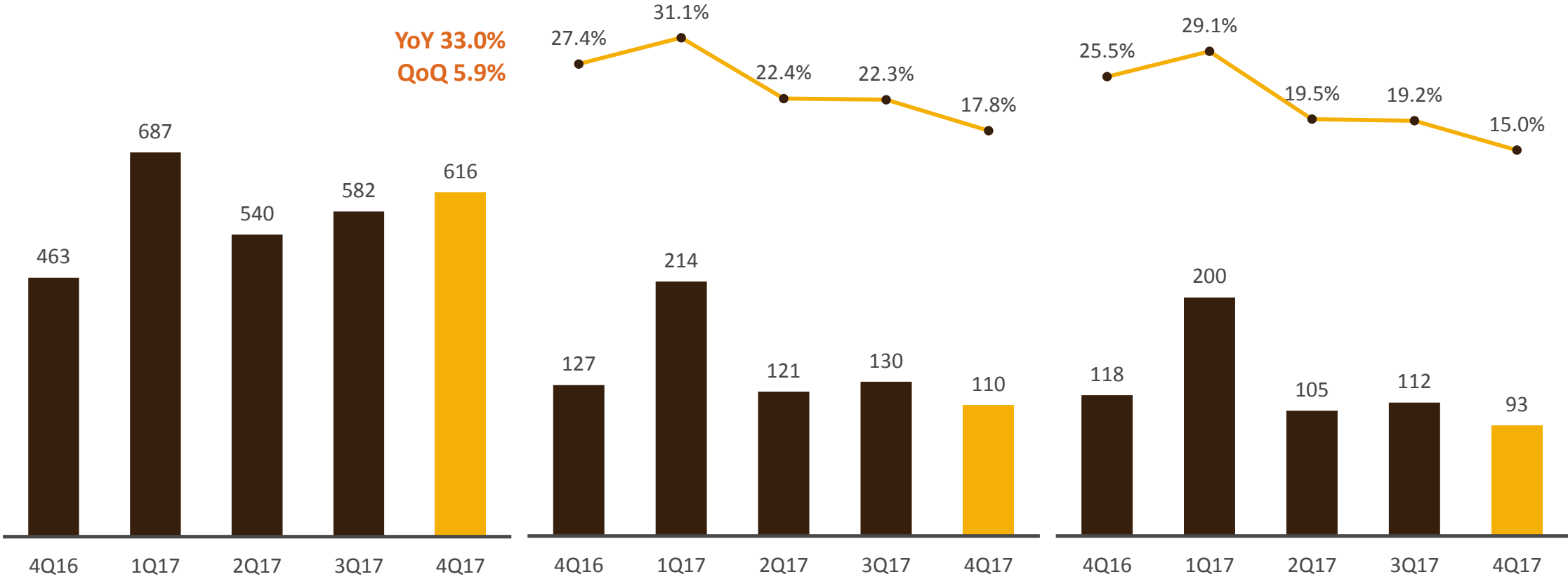
(Unit : W bn)

Revenue

EBITDA

Operating Profit

YoY 33.0%
QoQ 5.9%

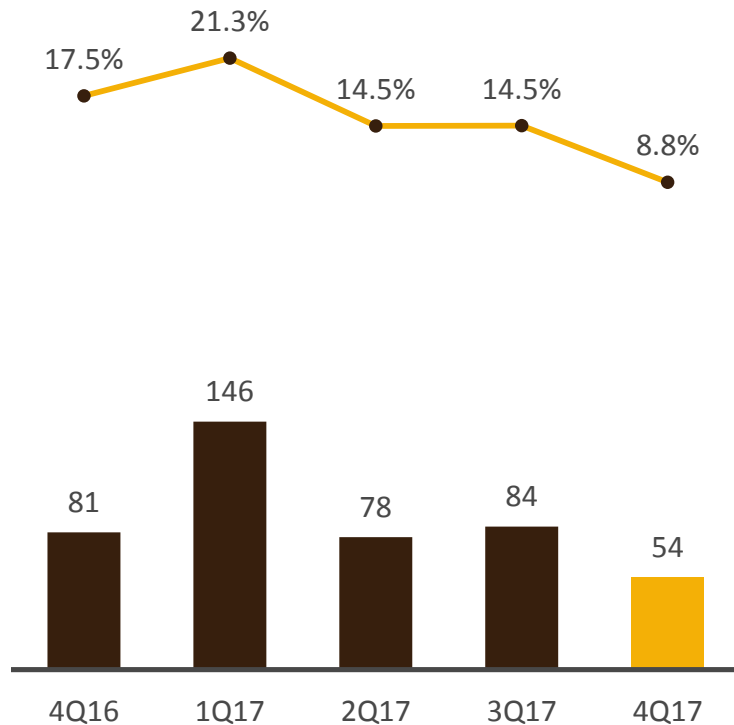


1. FINANCIAL HIGHLIGHTS OF 4Q 2017

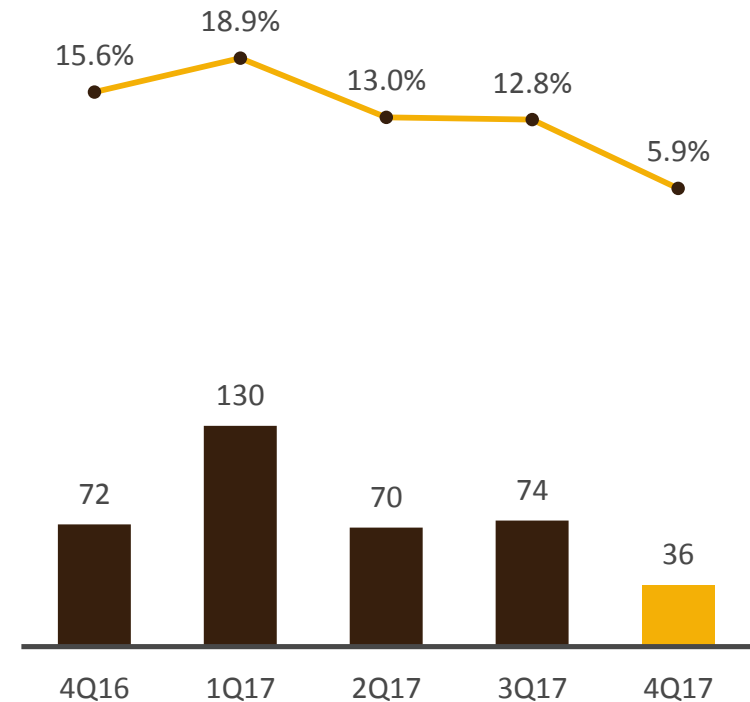
Net profit was W54.2bn (YoY -32.9%, QoQ -35.6%). Net profit (controlling) was W36.4bn (YoY -49.4%, QoQ -51.0%)
 Margins for net profit and net profit (controlling) were 8.8% and 5.9%, respectively

(Unit : W bn)

Net Profit



Net Profit (Controlling)

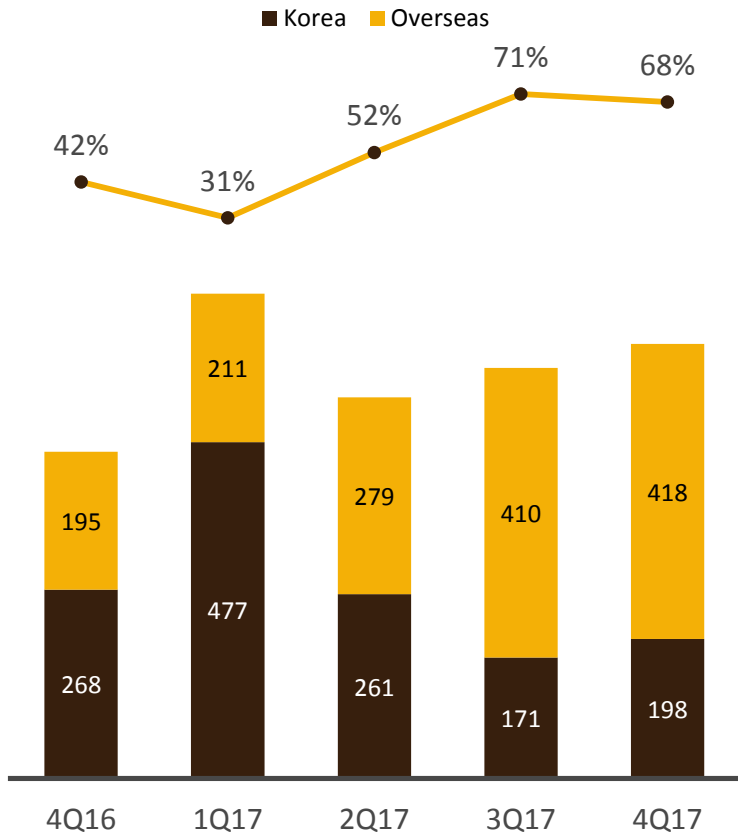


2. OVERSEAS REVENUE SHARE

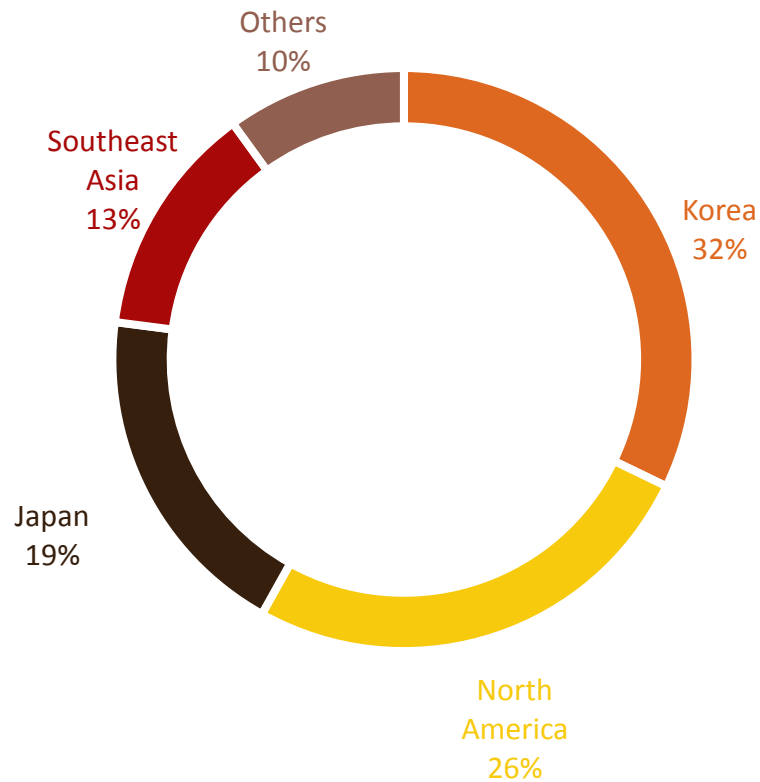
Proportion of overseas revenue fell to 68% (QoQ -3%p) due to the new release of Tera M in Korea
 Revenues were diversified across Korea (32%), North America (26%), Japan (19%), Southeast Asia (13%), and others (10%)

(Unit : W bn)

Korea & Overseas Revenue Share



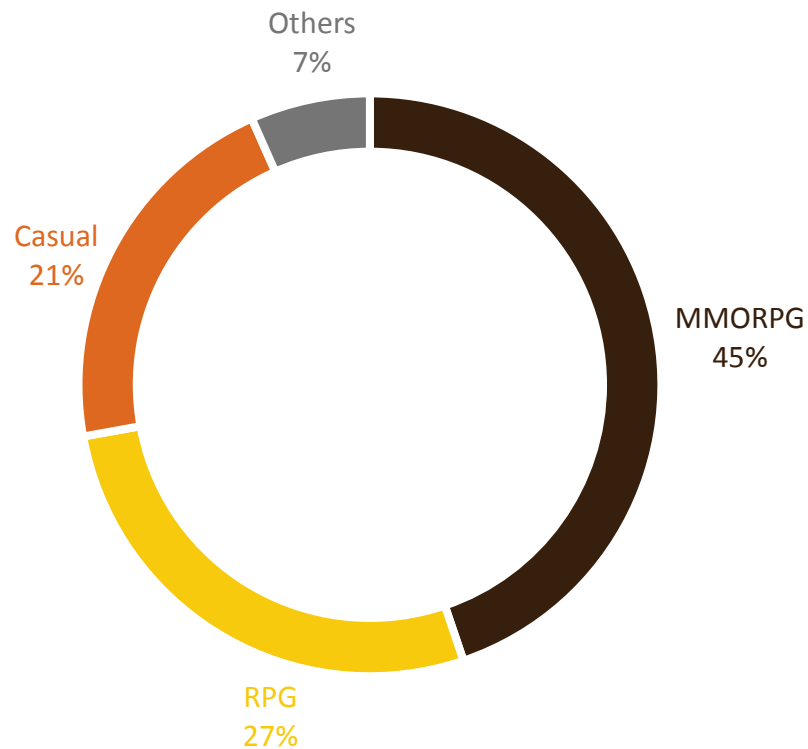
Revenue Breakdown by Region



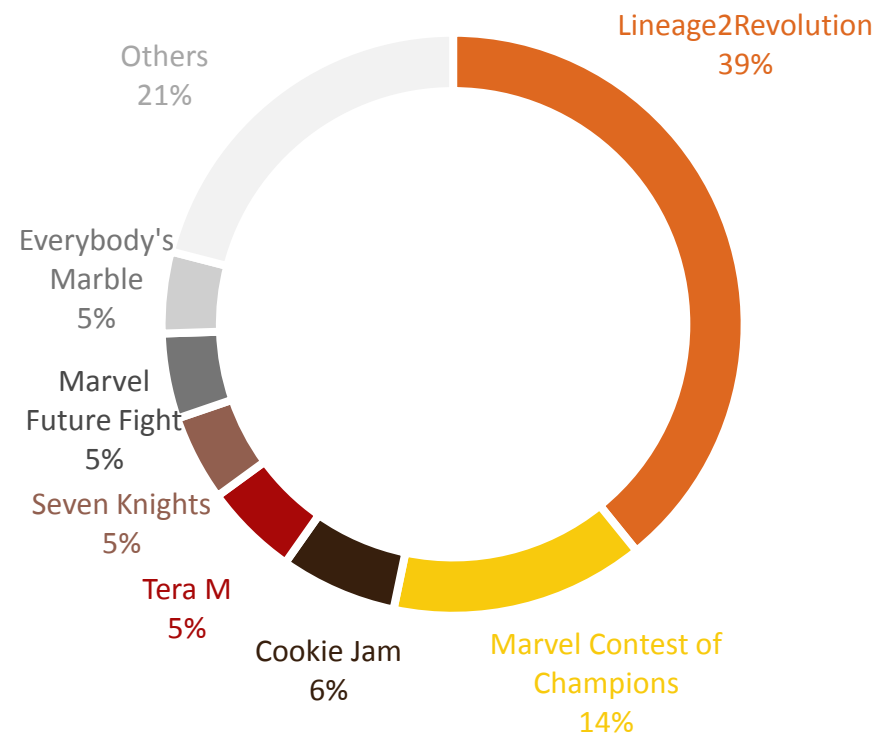
3. GAME PORTFOLIO

Proportion of MMORPG stayed flat QoQ at 45% of the revenue with the contribution from L2R & Tera M
 Game portfolio continues to be diversified with 7 games each of which contributes at least 5% to the total revenue
 Top revenue generators are L2R, MCOC, Cookie Jam, Tera M, Seven Knights, Marvel Future Fight, and Everybody's Marble

Revenue Breakdown by Genre



Revenue Breakdown by Major Games



NOTE: Major Games are games accounting for over 5% of the total revenue

4. MAJOR COST STRUCTURES

Operating costs rose to W523.2bn (YoY 51.7%, QoQ 11.3%) as the revenue rose from the previous quarter

Marketing costs increased QoQ to W119.4bn (19.4% of revenue) due to release of L2R in 54 Western countries

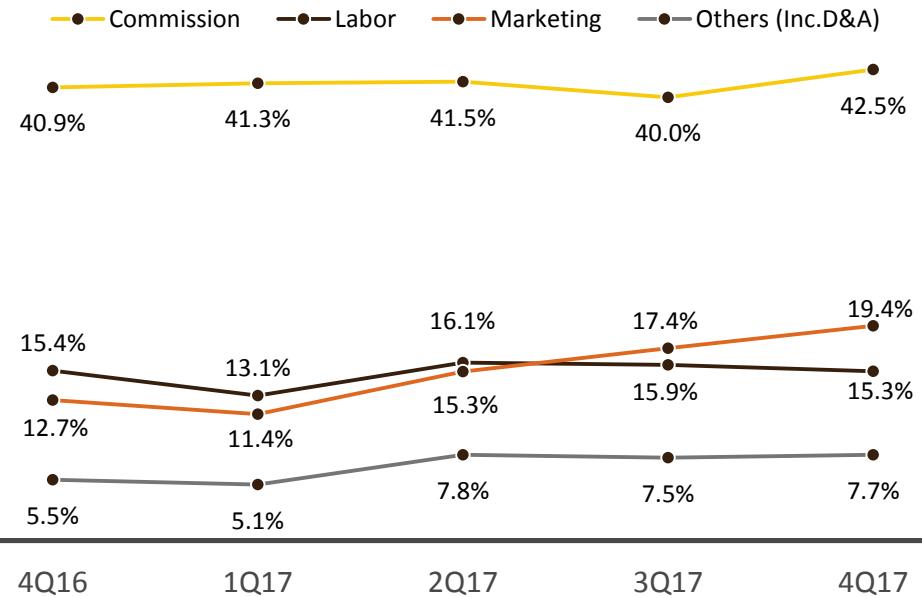
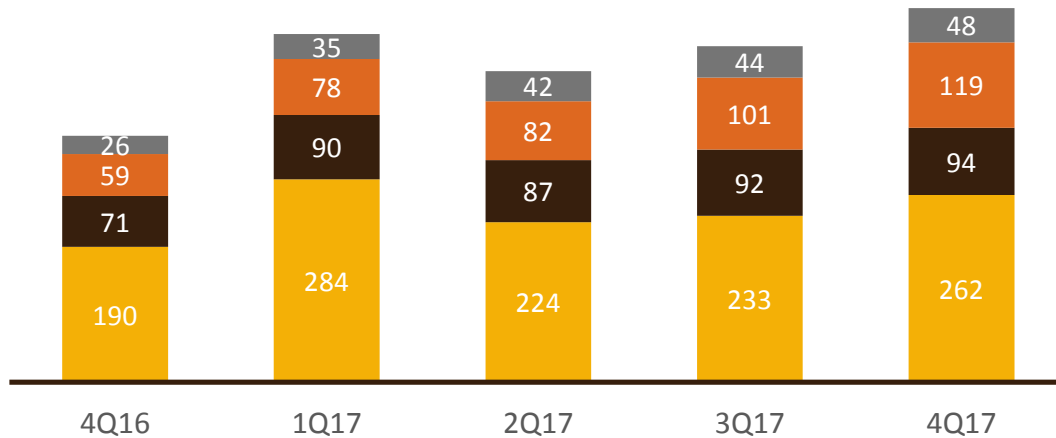
Commissions went up with the rise in R/S for the new release of publishing title Tera M as well as for the rising revenue of MCOC.

(Unit : W bn)

Operating Costs

Breakdown of Revenue by Operating Costs

■ Commission ■ Labor ■ Marketing ■ Others (Inc.D&A)



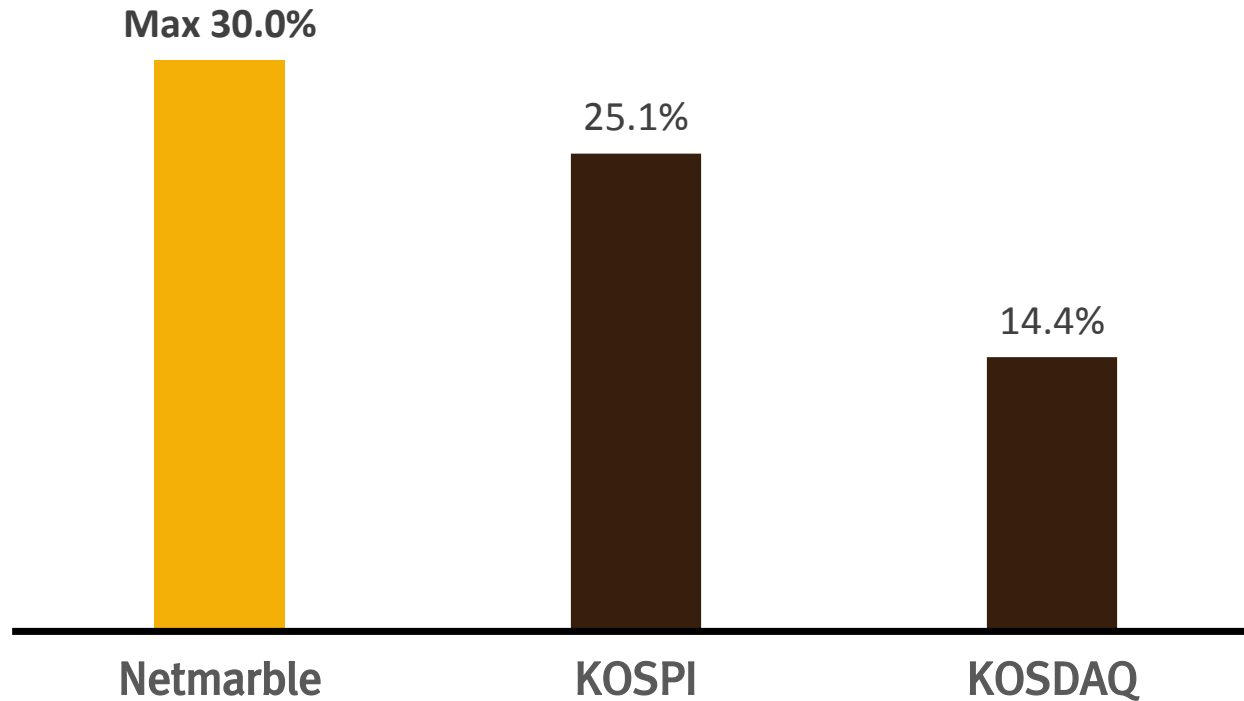
5. INVESTMENT FOCUS

Dividend of KRW360 per share was determined at today's board meeting

Payout ratio is 10% of the net income given that it is an early phase since the IPO

Up to 30% of the net income (controlling) will be allotted for dividend or buyback from 2018 as a shareholder-friendly policy

Dividend payout for listed companies



APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS

(Unit : W bn)

Consolidated Income Statement

(KRW bn)	4Q16	1Q17	2Q17	3Q17	4Q17
Revenue	463	687	540	582	616
Commission	190	284	224	233	262
Labor Cost	71	90	87	92	94
Advertising Cost	59	78	82	101	119
Other Costs (exc. D&A)	17	21	26	26	30
EBITDA	126	214	121	130	110
Margin (%)	27.2%	31.1%	22.4%	22.3%	17.8%
D&A	8	14	16	18	17
Operating Income	118	200	105	112	93
Margin (%)	25.5%	29.1%	19.4%	19.2%	15.0%
Non-Operating Income	4	14	10	13	19
Non-Operating Cost	25	23	7	19	41
Pre-tax Profit	97	191	108	106	71
Tax	17	45	30	22	17
Net Profit	80	146	78	84	54
Net Profit (controlling)	72	130	70	74	36
Margin (%)	15.6%	18.9%	13.0%	12.8%	5.9%

Consolidated Statement of Financial Position

(KRW bn)	4Q16	1Q17	2Q17	3Q17	4Q17
Current Assets	721	957	2,750	2,815	2,919
Cash and Cash Equivalents	273	360	1,856	1,884	1,908
Accounts Receivable	244	259	215	265	291
Other Current Financial Assets	151	267	609	595	650
Other Current Assets	53	71	70	71	70
Non-Current Assets	1,236	2,250	2,362	2,572	2,433
Available-for-Sale Securities	528	649	794	977	919
Intangible Assets	540	1,330	1,339	1,336	1,242
Tangible Assets	123	117	135	140	145
Other Non-Current Assets	45	154	94	120	127
Total Assets	1,957	3,207	5,112	5,387	5,352
Current Liabilities	421	1,341	421	453	502
Accounts Payable	109	119	95	102	121
Debt	105	901	5	4	4
Other Current Financial Liabilities	90	125	136	151	117
Other Current Liabilities	117	196	185	196	261
Non-Current Liabilities	226	329	387	418	383
Other Non-Current Financial Liabilities	201	245	244	237	236
Other Non-Current Assets	25	84	143	181	147
Total Liabilities	647	1,670	808	871	885
Total Equity	1,310	1,537	4,304	4,516	4,467

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