

netmarble

3Q 2018 Earnings Results

November 8, 2018



DISCLAIMER

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

The “financial results for 3Q 2018” for Netmarble (the “Company”) contained in this document have been provided for investors’ convenience only and have not been audited by an independent auditor. Therefore, certain part(s) of this document are subject to change upon the audit outcome.

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 3Q 2018

- 3Q recorded revenue of W526.0bn (YoY -9.6%, QoQ +5.0%), EBITDA of W86.8bn (YoY -33.0%, QoQ +6.4%), and operating profit of W67.3bn (YoY -39.8%, QoQ 8.2%)
- EBITDA margin and operating profit margin were 16.5% and 12.8%, respectively

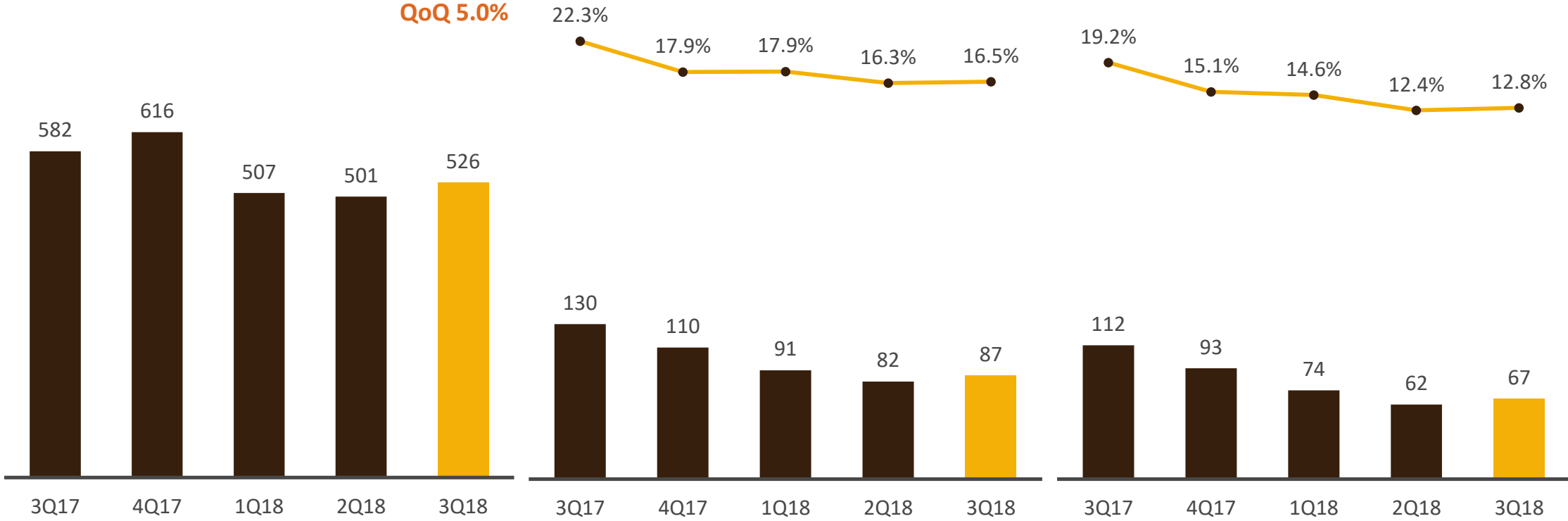
Revenue

EBITDA

Operating Profit

(Unit : W bn)

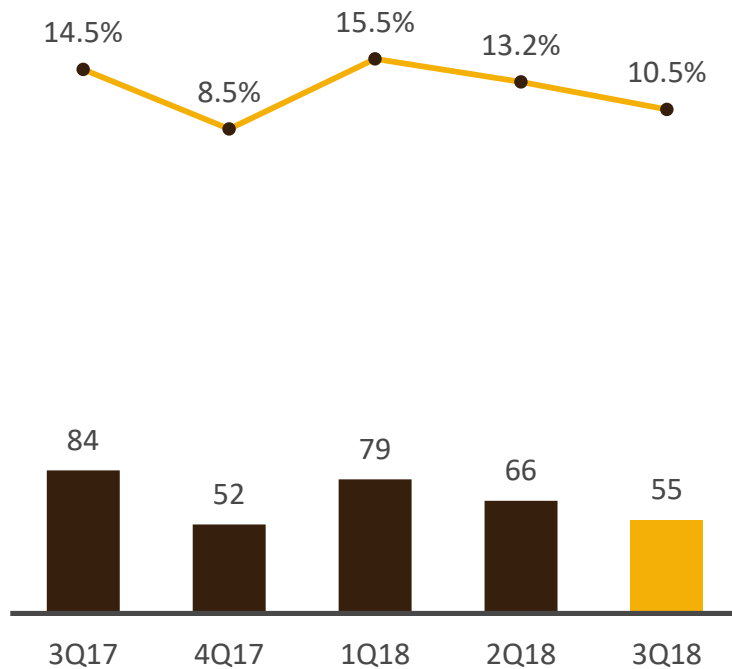
YoY -9.6%
QoQ 5.0%



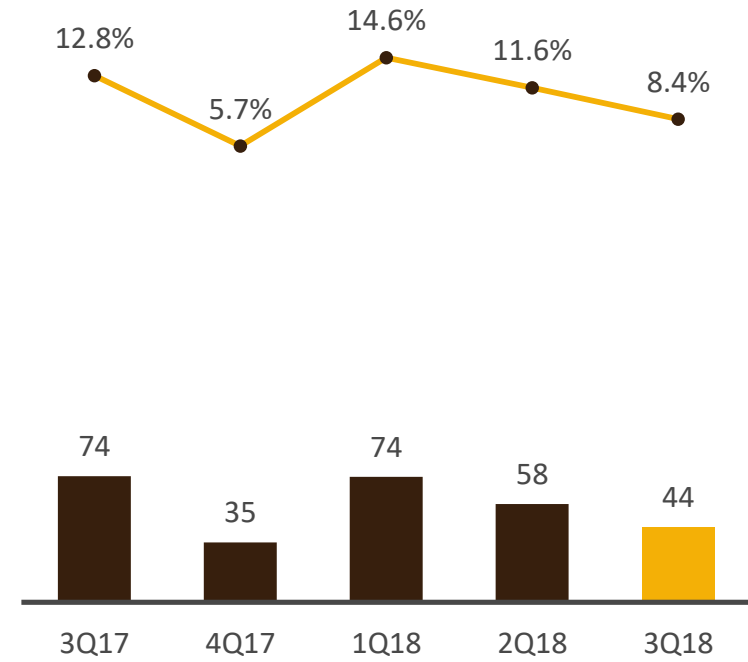
1. FINANCIAL HIGHLIGHTS OF 3Q 2018

- Net profit was W55.1bn (YoY -34.6%, QoQ -16.9%). Net profit (controlling) was W44.2bn (YoY -40.5%, QoQ -23.7%)
- Margins for net profit and net profit (controlling) were 10.5% and 8.4%, respectively
- Net profit and controlling net profit declined QoQ due to the absence of FX gains around W20bn in 3Q, which were included in 2Q

Net Profit



Net Profit (Controlling)

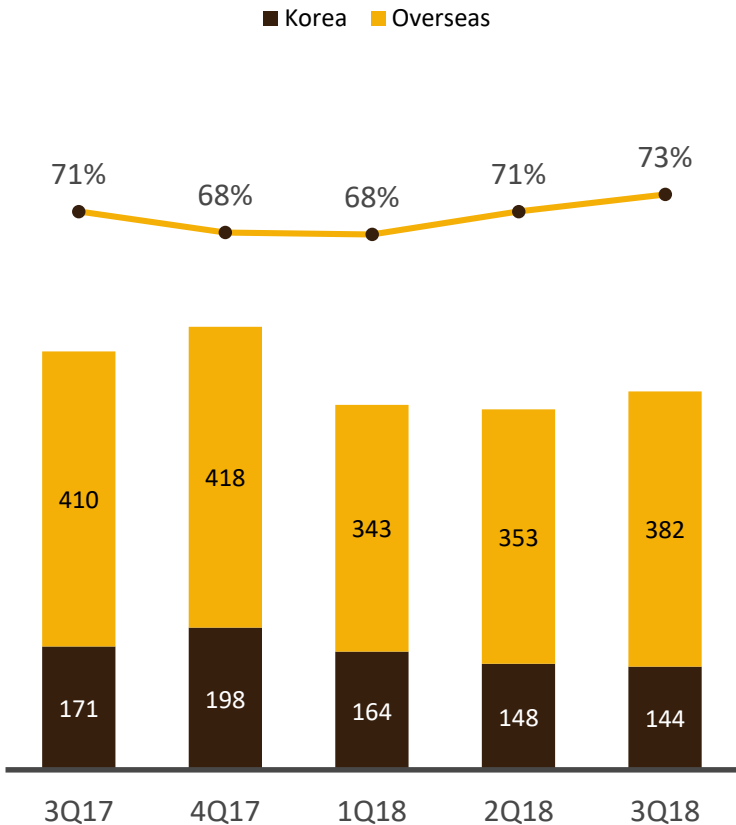


(Unit : W bn)

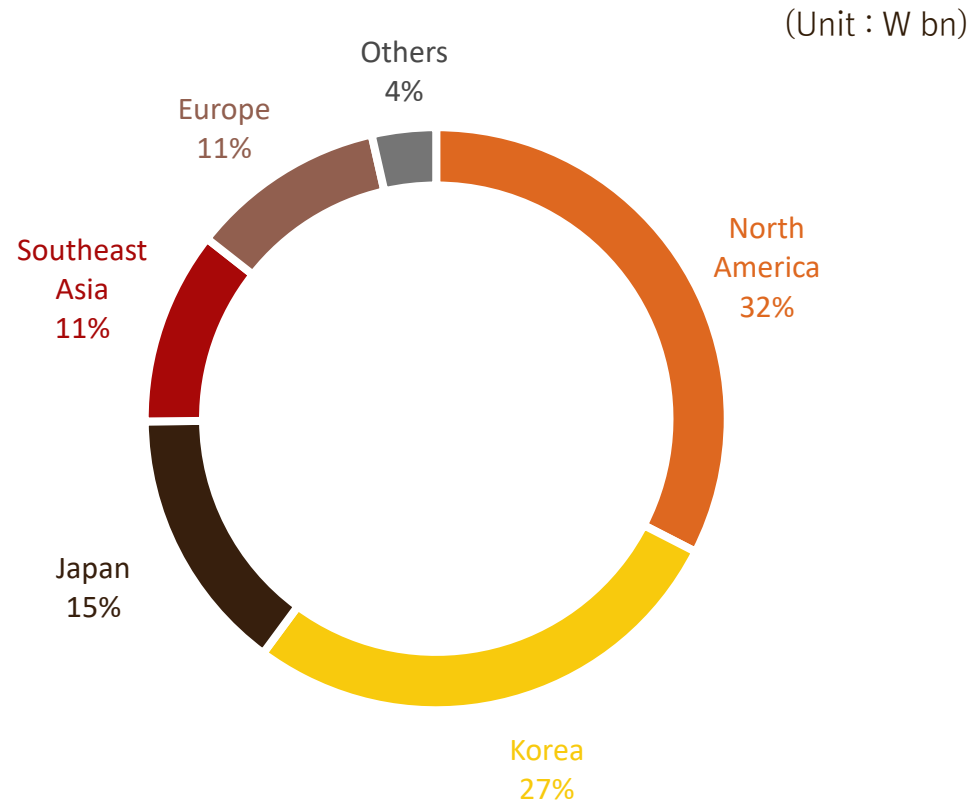
2. OVERSEAS REVENUE SHARE

- Overseas revenue for 3Q was W382.4bn. Proportion of overseas revenue rose +2%p to 73%
- Revenues were diversified across N.A (32%), Korea (27%), Japan (15%), SEA (11%), Europe (11%) and others (4%)

Korea & Overseas Revenue Share



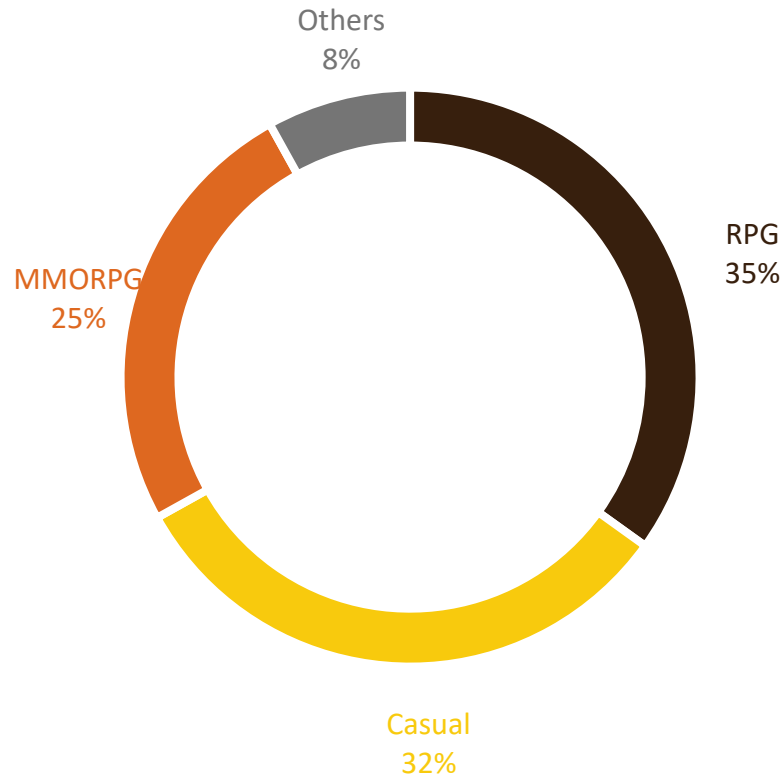
Revenue Breakdown by Region



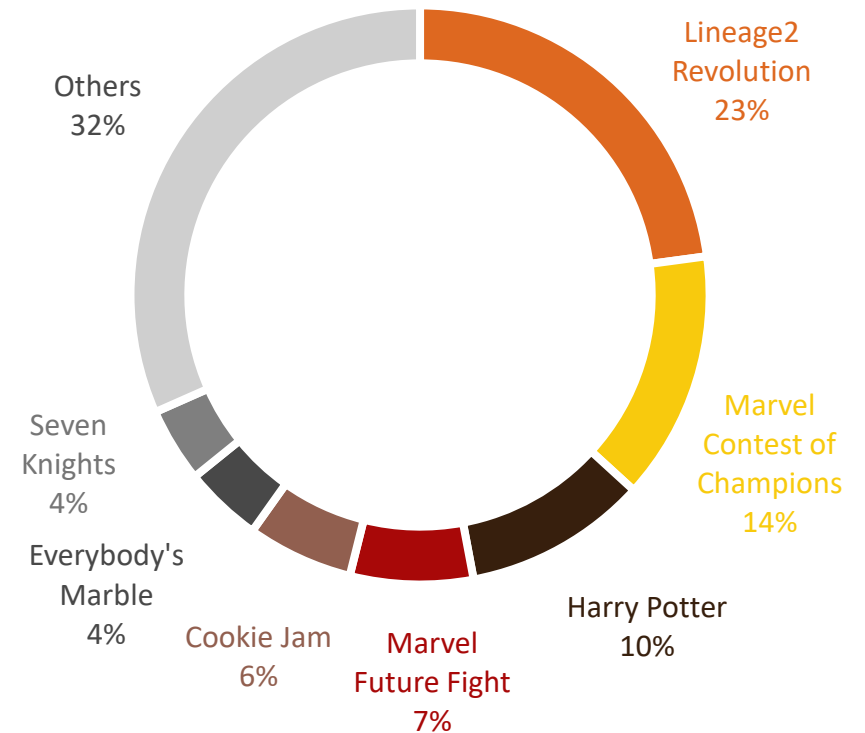
3. GAME PORTFOLIO

- Genre portfolio showed diversification across RPG (35%), Casual (32%), MMORPG (25%) and others (8%)
- Game portfolio continues to be well balanced with 7 major titles
- Top revenue generators are L2R, MCoC, Harry Potter, MFF, Cookie Jam, Everybody's Marble and Seven Knights.

Revenue Breakdown by Genre



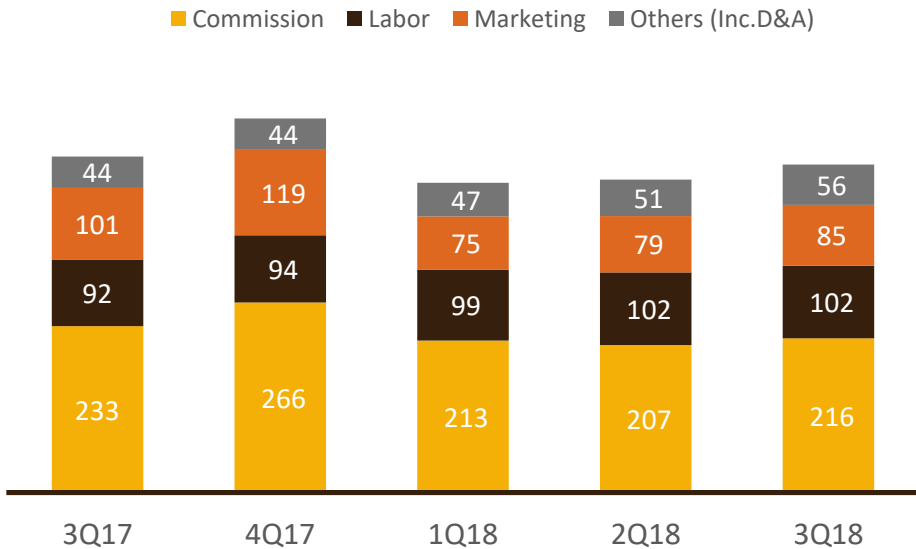
Revenue Breakdown by Major Games



4. MAJOR COST STRUCTURES

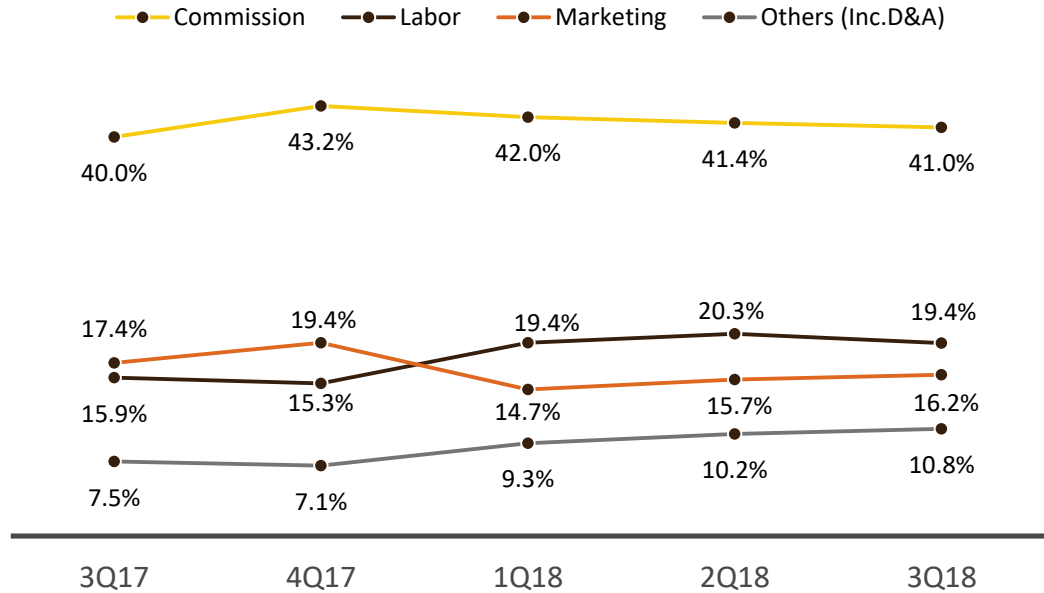
- 3Q operating cost rose to W458.7bn (YoY -2.4%, QoQ +4.6%)
- Labor cost stabilized to W101.8bn (YoY +10.2%, QoQ +0.1%)
- Marketing cost slightly increased to W85.1bn (YoY -15.7%, QoQ +8.3%) due to the launch of King of Fighters in Japan
- Others (Inc. D&A) cost increased due to an increase in external advisory fees

Operating Costs



Breakdown of Revenue by Operating Costs

(Unit : W bn)

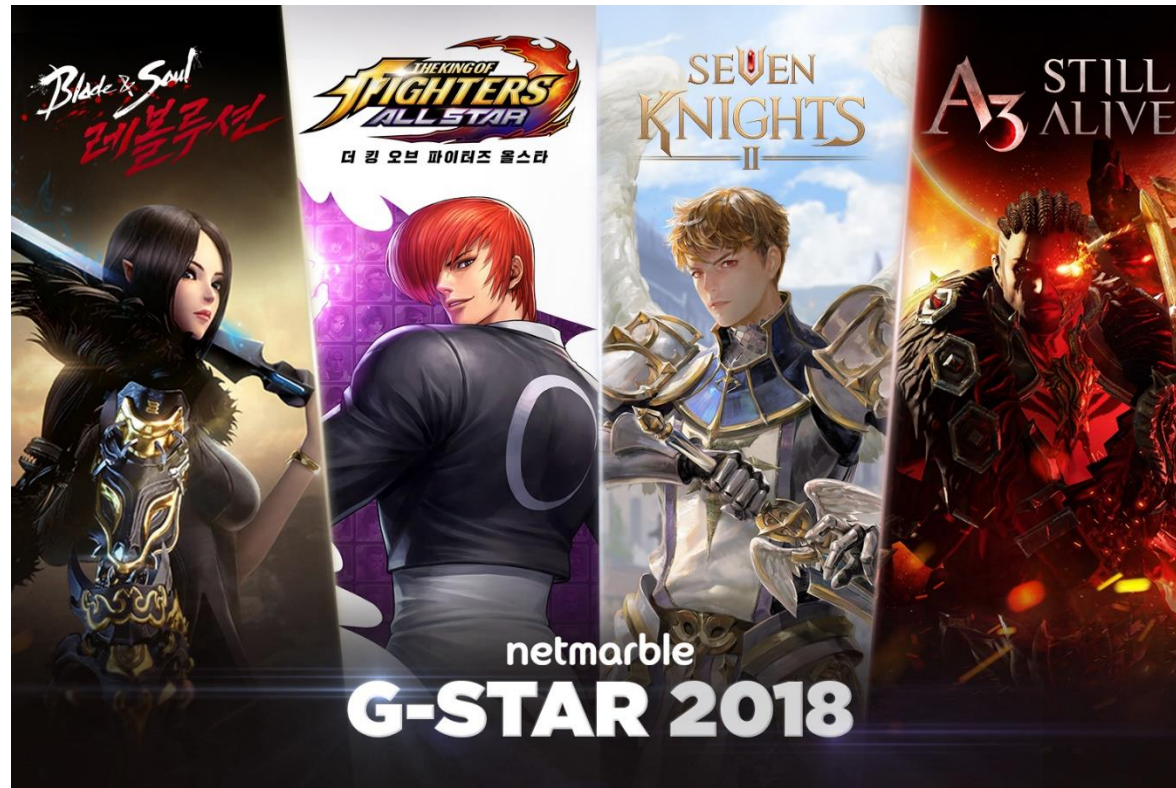


NOTE: *Purchase Price Allocation

5. Focus of 4Q 2018

- Pre-registration of B&S Revolution commenced on Oct. 11th along with the media show case. 80 servers are fully booked so far. The game will be displayed at G-Star 2018 on Nov. 15th prior to its launch on Dec. 6th
- A3: Still Alive (Battle Royale MMORPG), another blockbuster title, will also be unveiled for the first time at G-Star 2018

G-STAR 2018



APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

(KRW bn)	3Q17	4Q17	1Q18	2Q18	3Q18
Revenue	582	616	507	501	526
Commission	233	266	213	207	216
Labor Cost	92	94	99	102	102
Advertising Cost	101	119	74	79	85
Other Costs (exc. D&A)	26	26	30	31	36
EBITDA	130	110	91	82	87
<i>Margin (%)</i>	<i>22.3%</i>	<i>17.9%</i>	<i>17.9%</i>	<i>16.4%</i>	<i>16.5%</i>
D&A	18	17	17	20	20
Operating Income	112	93	74	62	67
<i>Margin (%)</i>	<i>19.2%</i>	<i>15.1%</i>	<i>14.6%</i>	<i>12.4%</i>	<i>12.8%</i>
Non-Operating Income	13	21	40	36	14
Non-Operating Cost	19	47	9	10	9
Pre-tax Profit	106	67	105	88	72
Tax	22	14	26	22	17
Net Profit	84	52	79	66	55
Net Profit (controlling)	74	35	74	58	44
<i>Margin (%)</i>	<i>12.8%</i>	<i>5.7%</i>	<i>14.6%</i>	<i>11.6%</i>	<i>8.4%</i>

Consolidated Statement of Financial Position

(Unit : W bn)

(KRW bn)	3Q17	4Q17	1Q18	2Q18	3Q18
Current Assets	2,815	2,918	2,854	2,660	2,706
Cash and Cash Equivalents	1,884	1,908	1,751	1,642	1,650
Accounts Receivable	265	291	224	248	226
Other Current Financial Assets	595	650	805	677	740
Other Current Assets	71	69	74	93	90
Non-Current Assets	2,572	2,429	2,446	2,618	2,719
Investment Assets	983	942	926	1,087	1,206
Intangible Assets	1,336	1,237	1,258	1,295	1,275
Tangible Assets	140	145	150	154	167
Other Non-Current Assets	113	106	111	82	71
Total Assets	5,387	5,348	5,300	5,278	5,425
Current Liabilities	453	501	458	385	348
Accounts Payable	102	121	87	94	90
Debt	4	4	4	5	5
Other Current Financial Liabilities	151	117	150	86	91
Other Current Liabilities	196	260	217	200	162
Non-Current Liabilities	418	381	359	343	376
Other Non-Current Financial Liabilities	237	234	216	216	217
Other Non-Current Assets	181	147	143	127	159
Total Liabilities	871	882	816	728	724
Total Equity	4,516	4,465	4,484	4,550	4,701

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