

# netmarble

## 4Q 2018 Earnings Results

February 13, 2019



# DISCLAIMER

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

The “financial results for 4Q 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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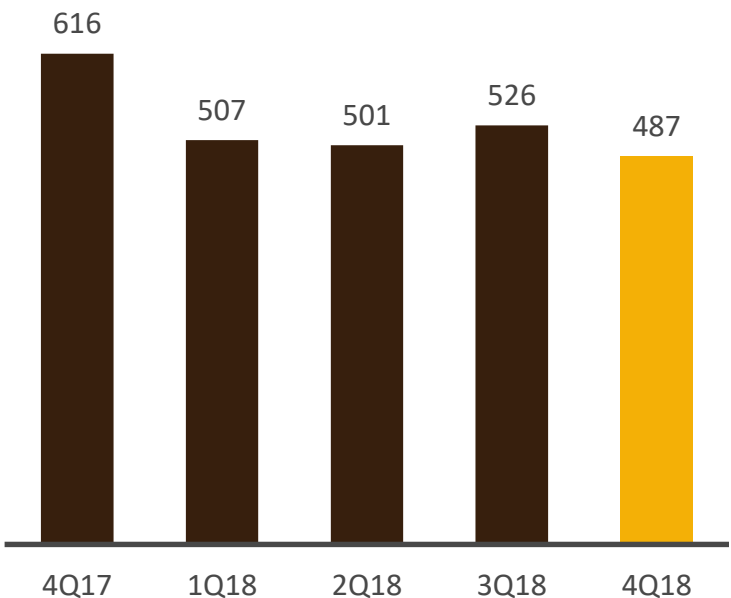
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# 1. FINANCIAL HIGHLIGHTS OF 4Q 2018

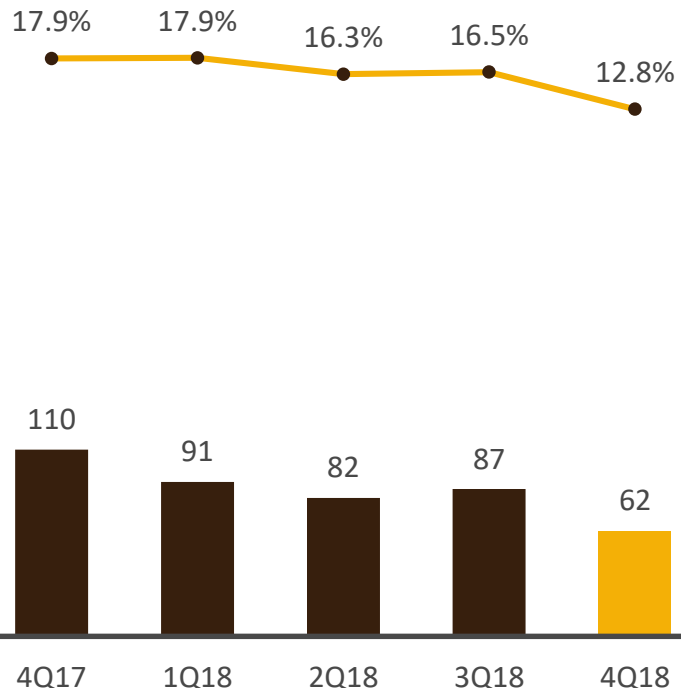
- 4Q recorded revenue of W487.1bn (YoY -20.9%, QoQ -7.4%), EBITDA of W62.3bn (YoY -43.4%, QoQ -28.2%), and operating profit of W38.0bn (YoY -59.0%, QoQ -43.5%)
- EBITDA margin and operating profit margin were 12.8% and 7.8%, respectively

## Revenue

YoY -20.9%  
QoQ -7.4%

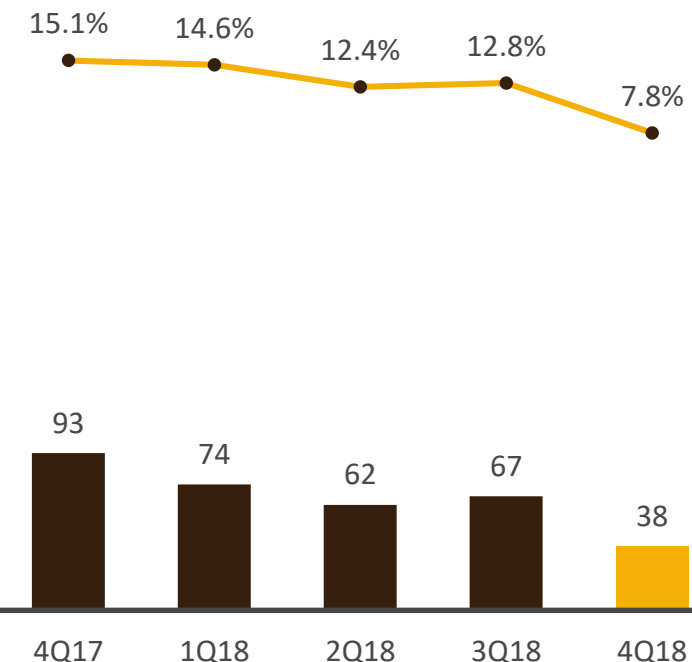


## EBITDA



## Operating Profit

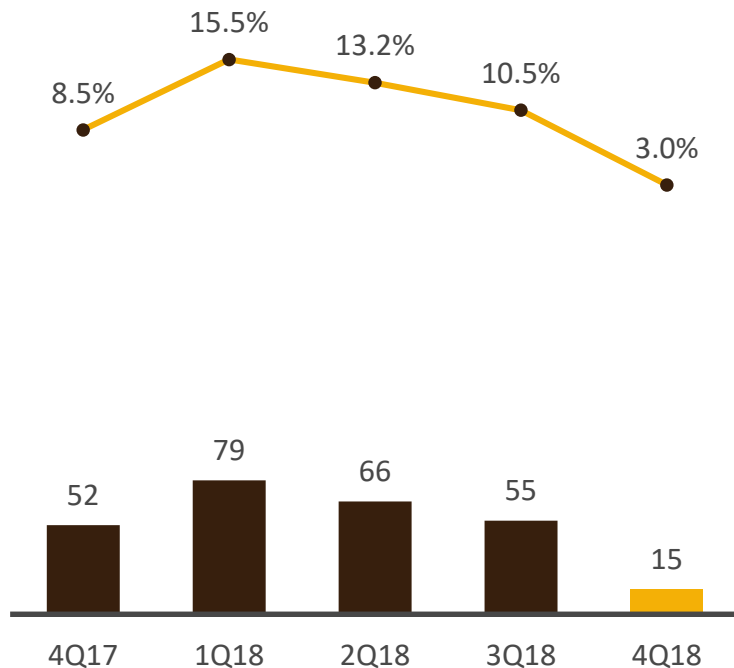
(Unit : W bn)



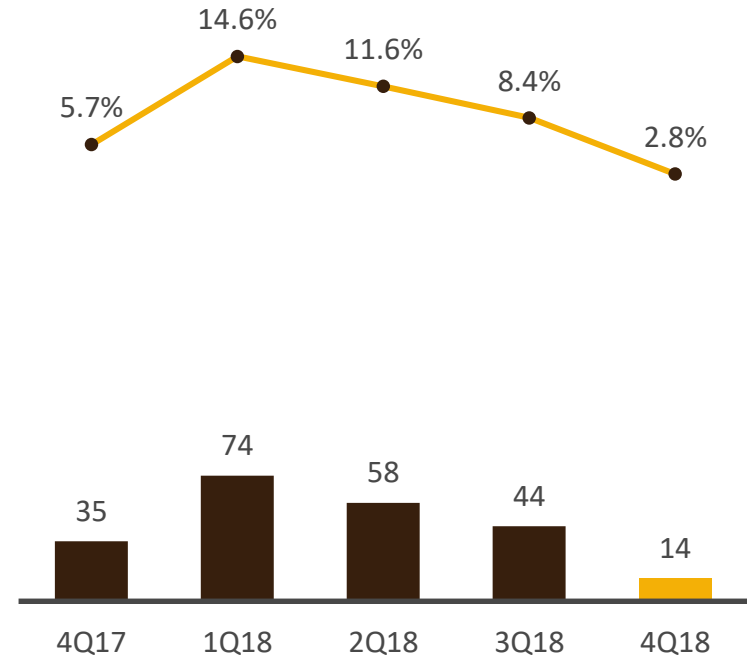
# 1. FINANCIAL HIGHLIGHTS OF 4Q 2018

- Net profit was W14.6bn (YoY -72.1%, QoQ -73.5%), Net profit (controlling) was W13.6bn (YoY -61.5%, QoQ -69.2%)
- Margins for net profit and net profit (controlling) were 3.0% and 2.8%, respectively
- The 4Q earnings declined due to the absence of new games except for B&S Revolution, and the decline of the sales in existing games (i.e. Harry Potter).
- Net profit (controlling) was decreased by W25.8bn of one-off costs, arisen from intangible asset and goodwill impairment.

## Net Profit



## Net Profit (Controlling)

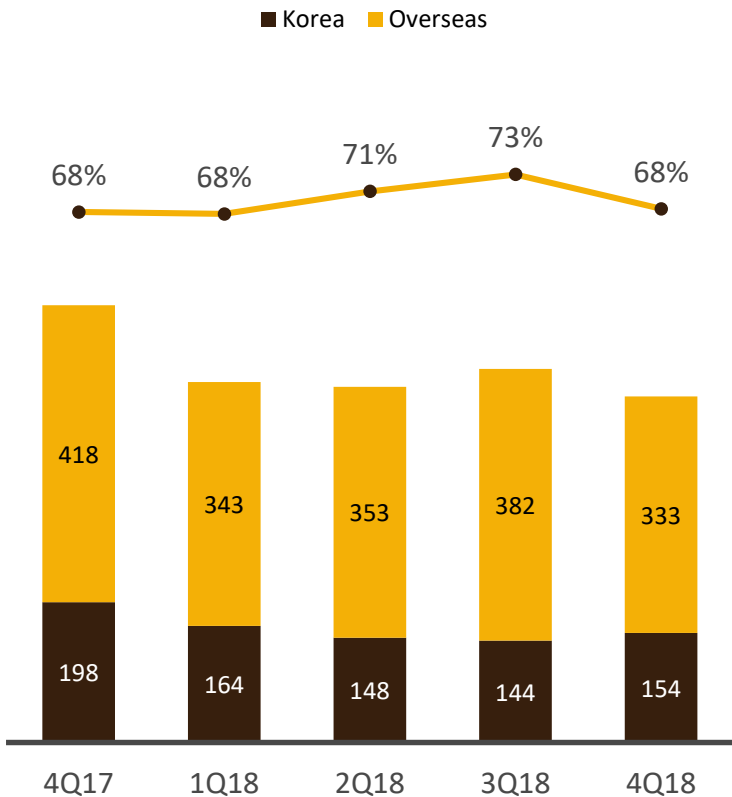


(Unit : W bn)

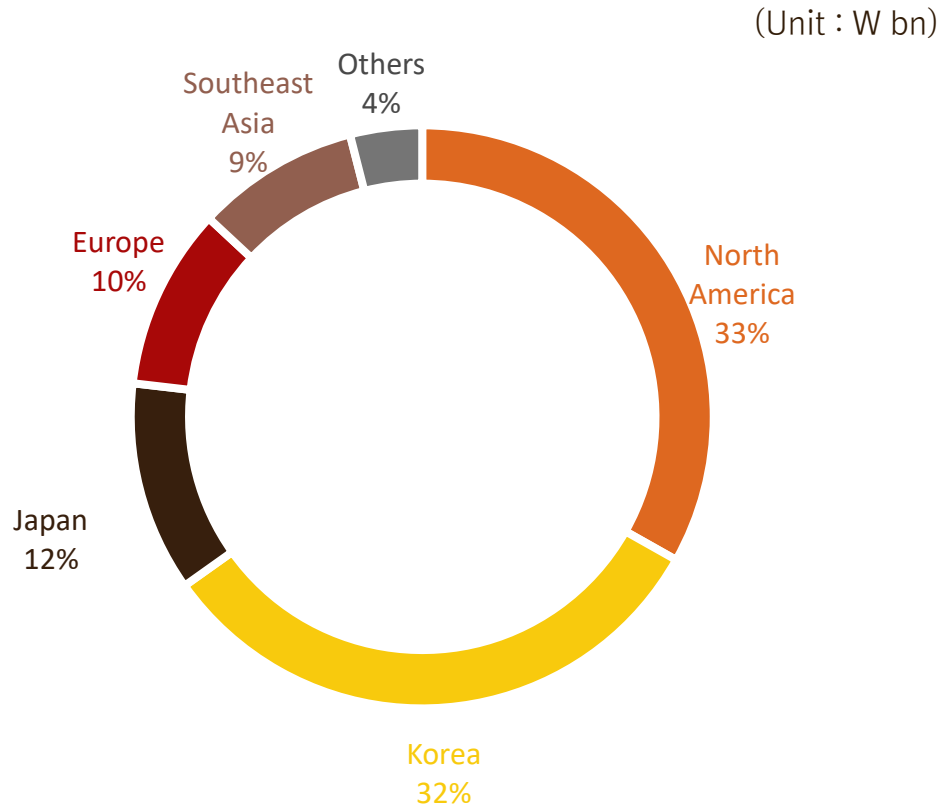
# 2. OVERSEAS REVENUE SHARE

- Overseas revenue for 4Q was W332.7bn. Proportion of overseas revenue fell to 68% (QoQ -5%p)
- Revenues were diversified across N.A (33%), Korea (32%), Japan (12%), Europe (10%), SEA (9%), and others (4%)

Korea & Overseas Revenue Share



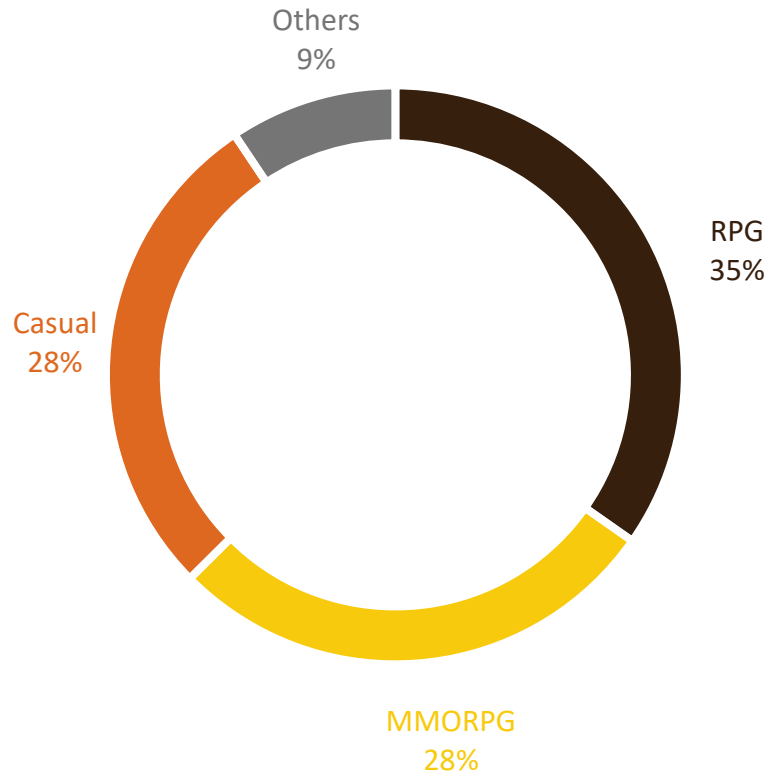
Revenue Breakdown by Region



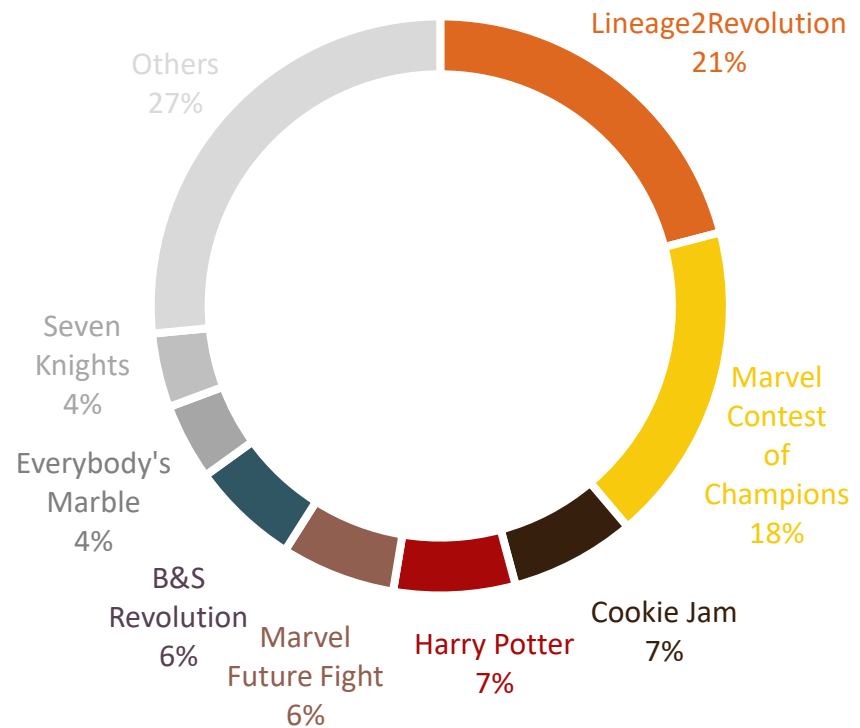
# 3. GAME PORTFOLIO

- Genre portfolio showed diversification across RPG (35%), MMORPG (28%), Casual (28%) and others (9%)
- Game portfolio continues to be well balanced with 8 major titles
- Top revenue generators are L2R, MCoC, Cookie Jam, Harry Potter, MFF, B&S Revolution, Everybody’s Marble and Seven Knights.

Revenue Breakdown by Genre



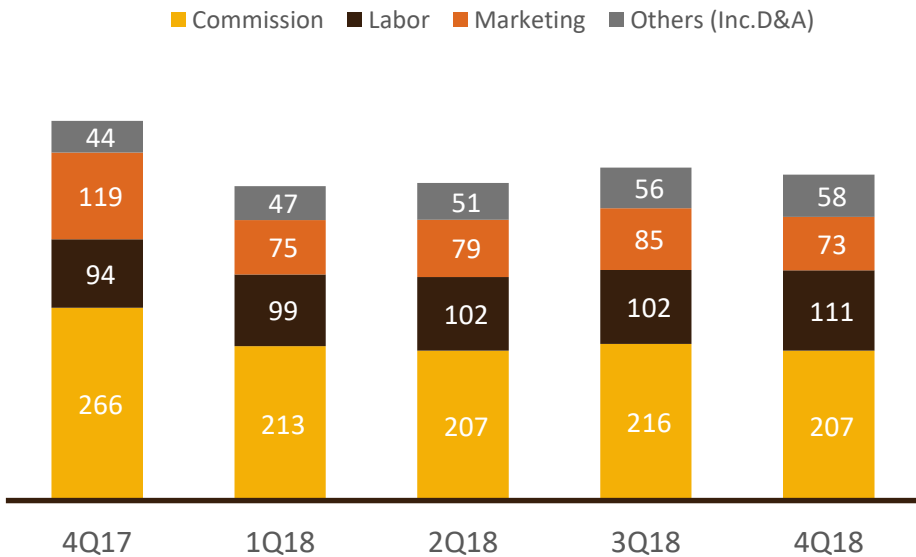
Revenue Breakdown by Major Games



# 4. MAJOR COST STRUCTURES

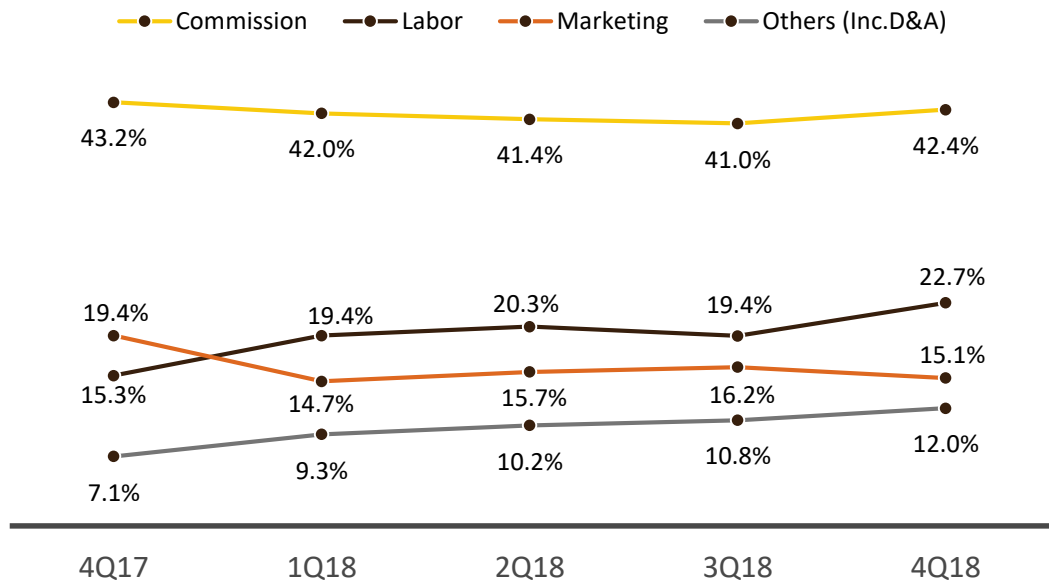
- 4Q operating cost down to W449.1bn (YoY -14.1%, QoQ -2.1%)
- Labor cost increased to W110.7bn (YoY +17.4%, QoQ +8.7%) due to an increase in headcount for new projects
- Marketing cost slightly declined to W73.4bn (YoY -38.5%, QoQ -13.7%) despite launching B&S Revolution, the number of new titles decreased QoQ
- Commission ratio increased as a proportion of external IP game service grew along with the launch of B&S Revolution

## Operating Costs



## Breakdown of Revenue by Operating Costs

(Unit : W bn)



NOTE: \*Purchase Price Allocation



## 5. Focus of 1Q 2019

- The Seven Deadly Sins: Grand Cross – Scheduled to start pre-registration in the end of 1Q in Korea and Japan
- King of Fighters: All Star – Scheduled to start pre-registration in the end of 1Q in Korea
- Yokai Watch: Medal Wars – Scheduled to be launched in the end of March

### The Seven Deadly Sins : Grand Cross (Pre-registration)



### King of Fighters: All Star (Pre-registration)



### Yokai Watch: Medal Wars (Launching)



# APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Income Statement

| (KRW bn)                        | 4Q17  | 1Q18  | 2Q18  | 3Q18  | 4Q18  |
|---------------------------------|-------|-------|-------|-------|-------|
| <b>Revenue</b>                  | 616   | 507   | 501   | 526   | 487   |
| Commission                      | 266   | 213   | 207   | 216   | 207   |
| Labor Cost                      | 94    | 99    | 102   | 102   | 111   |
| Advertising Cost                | 119   | 74    | 79    | 85    | 73    |
| Other Costs (exc. D&A)          | 26    | 30    | 31    | 36    | 34    |
| <b>EBITDA</b>                   | 110   | 91    | 82    | 87    | 62    |
| Margin (%)                      | 17.9% | 17.9% | 16.4% | 16.5% | 12.8% |
| D&A                             | 17    | 17    | 20    | 20    | 24    |
| <b>Operating Income</b>         | 93    | 74    | 62    | 67    | 38    |
| Margin (%)                      | 15.1% | 14.6% | 12.4% | 12.8% | 7.8%  |
| Non-Operating Income            | 21    | 40    | 36    | 14    | 18    |
| Non-Operating Cost              | 47    | 9     | 10    | 9     | 30    |
| <b>Pre-tax Profit</b>           | 67    | 105   | 88    | 72    | 26    |
| Tax                             | 14    | 26    | 22    | 17    | 11    |
| <b>Net Profit</b>               | 52    | 79    | 66    | 55    | 15    |
| <b>Net Profit (controlling)</b> | 35    | 74    | 58    | 44    | 14    |
| Margin (%)                      | 5.7%  | 14.6% | 11.6% | 8.4%  | 2.8%  |

## Consolidated Statement of Financial Position

(Unit : W bn)

| (KRW bn)                                | 4Q17  | 1Q18  | 2Q18  | 3Q18  | 4Q18  |
|---|-------|-------|-------|-------|-------|
| <b>Current Assets</b>                   | 2,918 | 2,854 | 2,660 | 2,706 | 2,588 |
| Cash and Cash Equivalents               | 1,908 | 1,751 | 1,642 | 1,650 | 1,549 |
| Accounts Receivable                     | 291   | 224   | 248   | 226   | 182   |
| Other Current Financial Assets          | 650   | 805   | 677   | 740   | 771   |
| Other Current Assets                    | 69    | 74    | 93    | 90    | 86    |
| <b>Non-Current Assets</b>               | 2,429 | 2,446 | 2,618 | 2,719 | 2,865 |
| Investment Assets                       | 942   | 926   | 1,087 | 1,206 | 1,275 |
| Intangible Assets                       | 1,237 | 1,258 | 1,295 | 1,275 | 1,320 |
| Tangible Assets                         | 145   | 150   | 154   | 167   | 174   |
| Other Non-Current Assets                | 106   | 111   | 82    | 71    | 96    |
| <b>Total Assets</b>                     | 5,348 | 5,300 | 5,278 | 5,425 | 5,453 |
| <b>Current Liabilities</b>              | 501   | 458   | 385   | 348   | 588   |
| Accounts Payable                        | 121   | 87    | 94    | 90    | 81    |
| Debt                                    | 4     | 4     | 5     | 5     | 8     |
| Other Current Financial Liabilities     | 117   | 150   | 86    | 91    | 342   |
| Other Current Liabilities               | 260   | 217   | 200   | 162   | 157   |
| <b>Non-Current Liabilities</b>          | 381   | 359   | 343   | 376   | 295   |
| Other Non-Current Financial Liabilities | 234   | 216   | 216   | 217   | 123   |
| Other Non-Current Assets                | 147   | 143   | 127   | 159   | 172   |
| <b>Total Liabilities</b>                | 882   | 816   | 728   | 724   | 883   |
| <b>Total Equity</b>                     | 4,465 | 4,484 | 4,550 | 4,701 | 4,570 |

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