

netmarble

3Q 2019 Earnings Results
November 12, 2019



DISCLAIMER

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

The “financial results for 3Q 2019” 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.

CONTENTS

1	3Q EARNINGS SUMMARY	3
2	OVERSEAS REVENUE SHARE	5
3	GAME PORTFOLIO	6
4	MAJOR COST STRUCTURES	7
5	MAJOR LINE-UPS	8
6	G-STAR 2019 LINE-UPS	9
	APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS	

1. 3Q EARNINGS SUMMARY

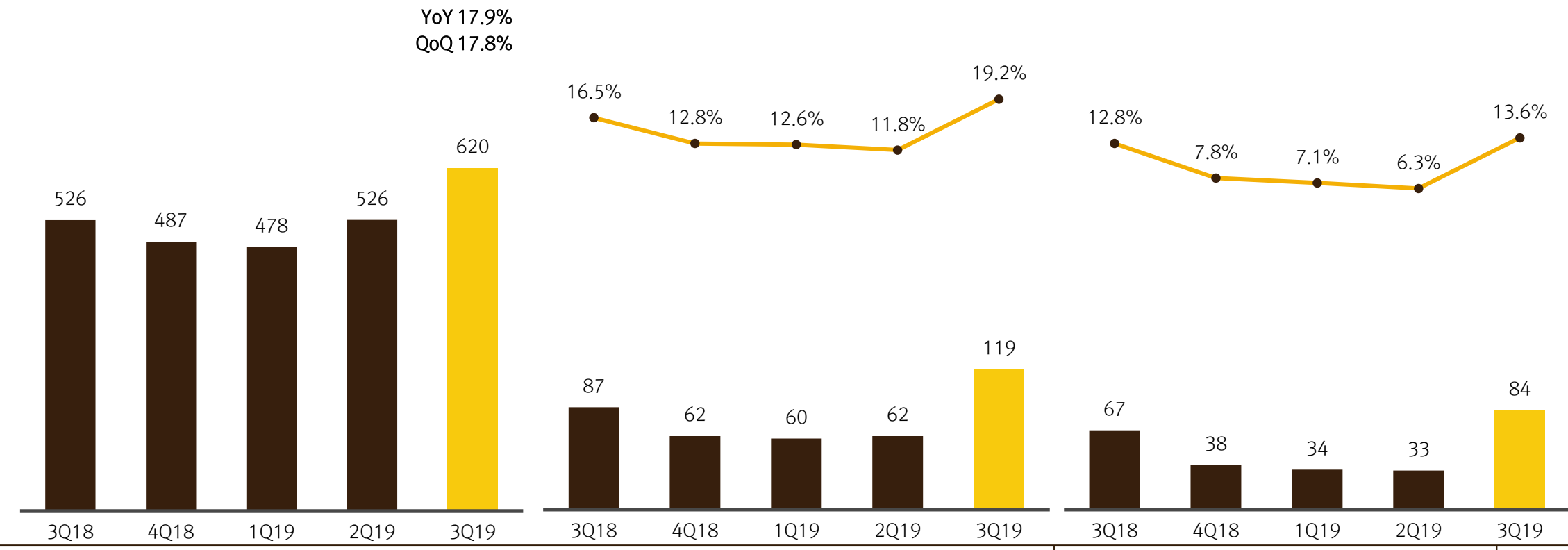
- 3Q recorded revenue of W619.9bn (YoY +17.9%, QoQ +17.8%), EBITDA of W118.9bn (YoY +37.0%, QoQ +90.9%), and operating profit of W84.4bn (YoY +25.4%, QoQ +154.2%)
- Fully recognizing 2Q new titles led to top line growth. Pre-executing marketing cost in 2Q contributed to margin improvement

Revenue

EBITDA

Operating Profit

(Unit : W bn)



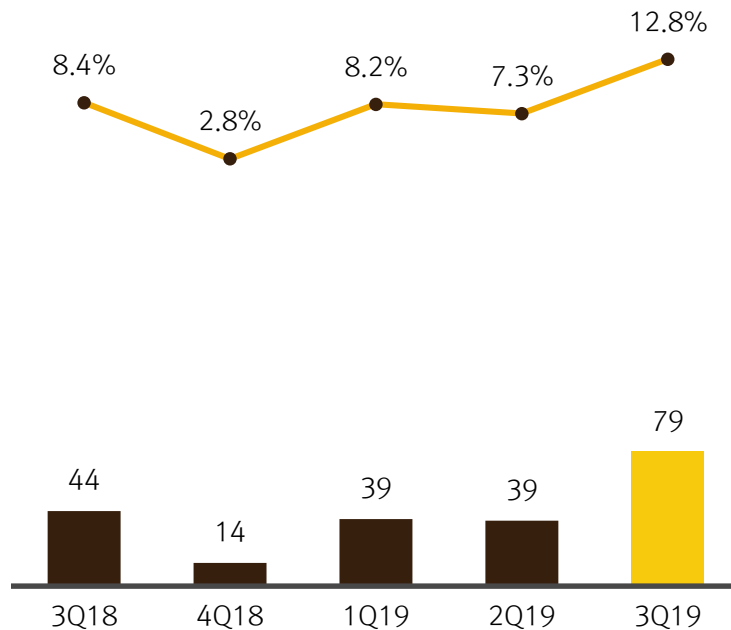
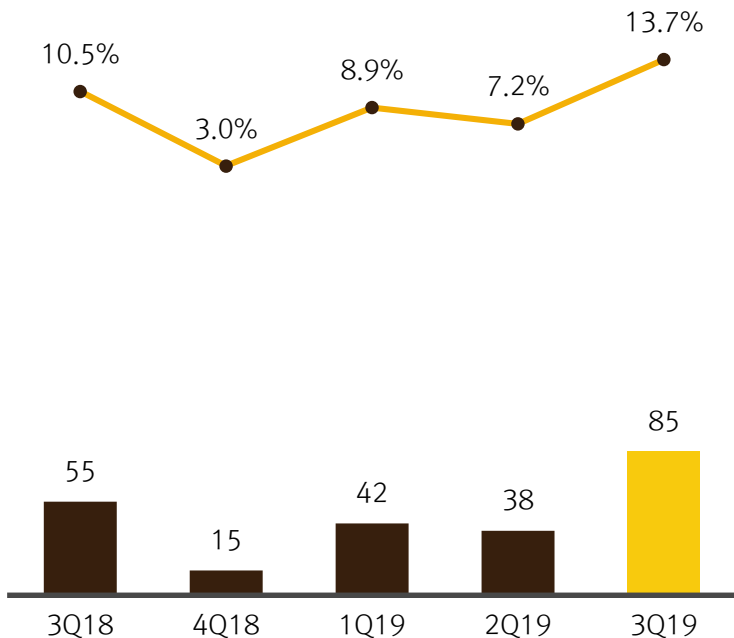
1. 3Q EARNINGS SUMMARY

- Net profit was W84.7bn (YoY +53.7%, QoQ +122.9%), Net profit (controlling) was W79.2bn (YoY +79.2%, QoQ +105.7%)
- The margin for net profit was 13.7% and net profit (controlling) was 12.8%; both improved significantly QoQ

Net Profit

Net Profit (Controlling)

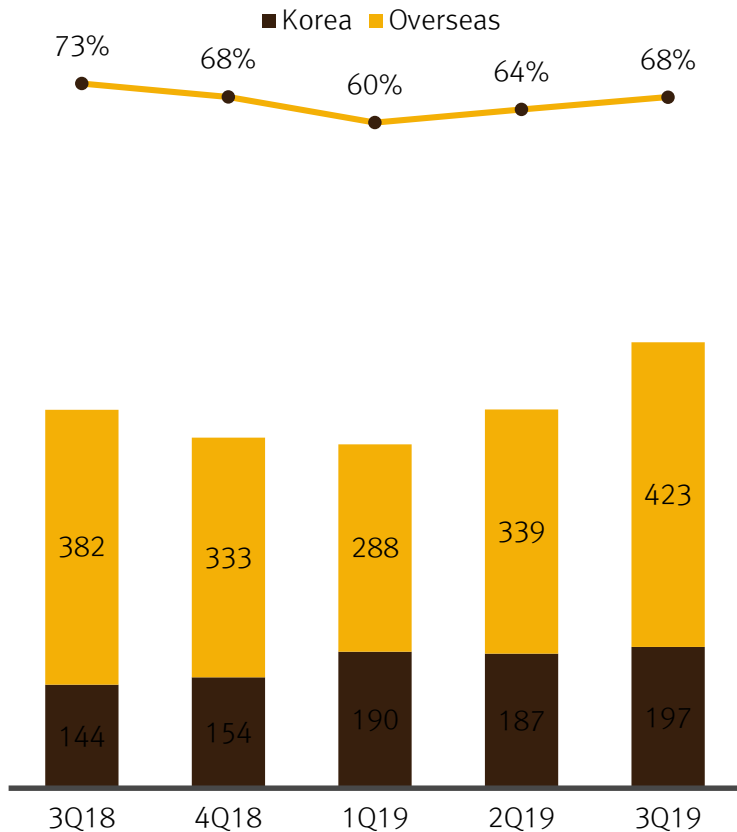
(Unit : W bn)



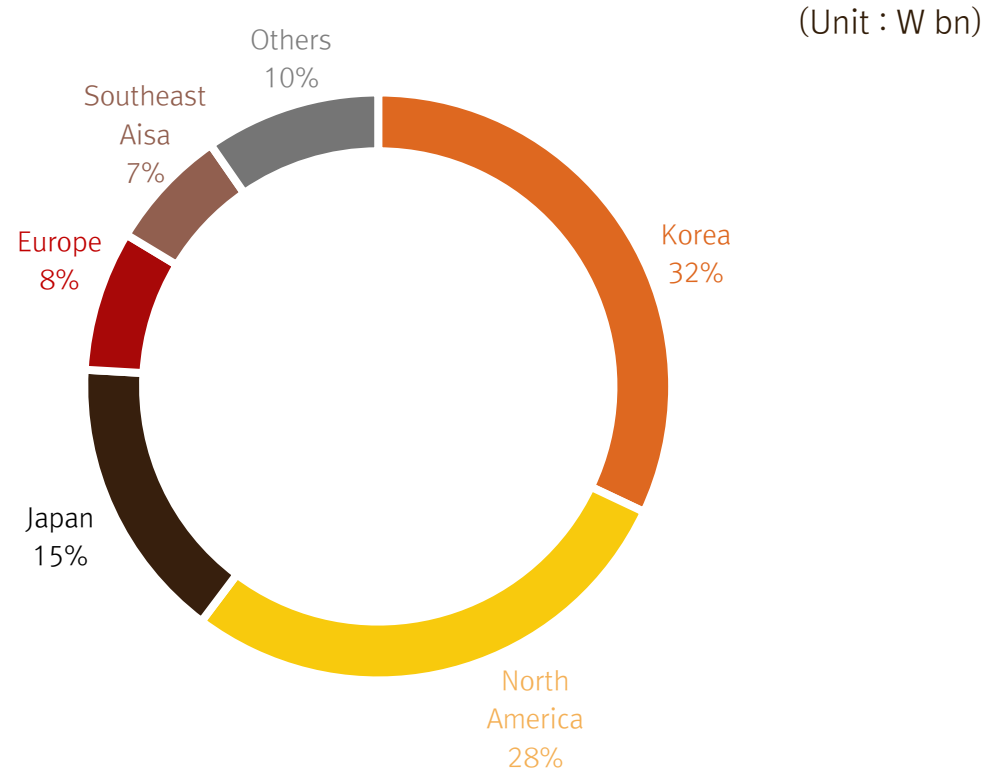
2. OVERSEAS REVENUE SHARE

- Overseas revenue for 3Q was W423.4bn
Proportion of overseas revenue increased to 68% (QoQ +4%p) fully recognizing Seven Deadly Sins
- Revenues were diversified across Korea (32%), N.A (28%), Japan (15%), Europe (8%), SEA (7%), and others (10%)

Korea & Overseas Revenue Share



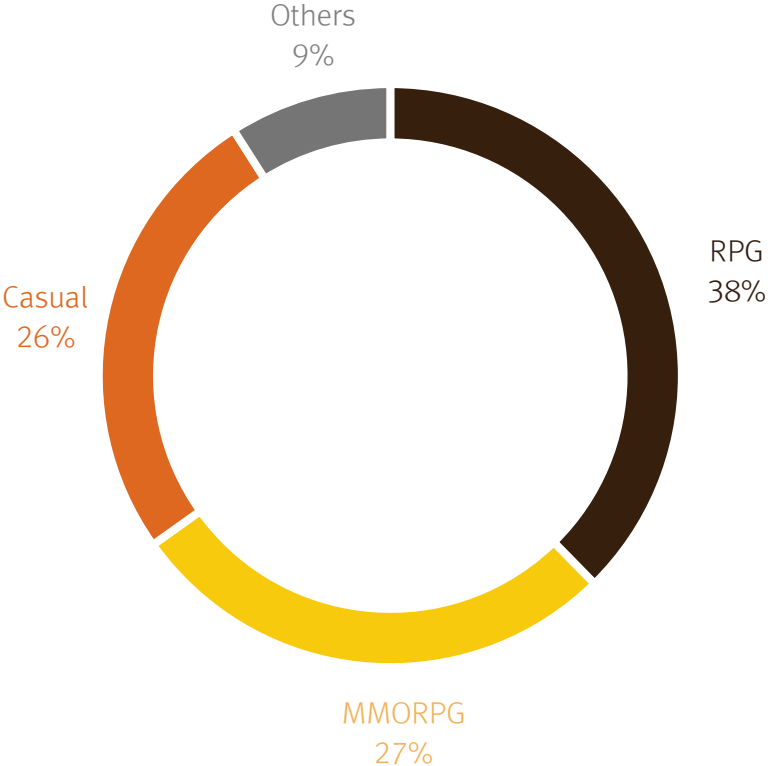
Revenue Breakdown by Region



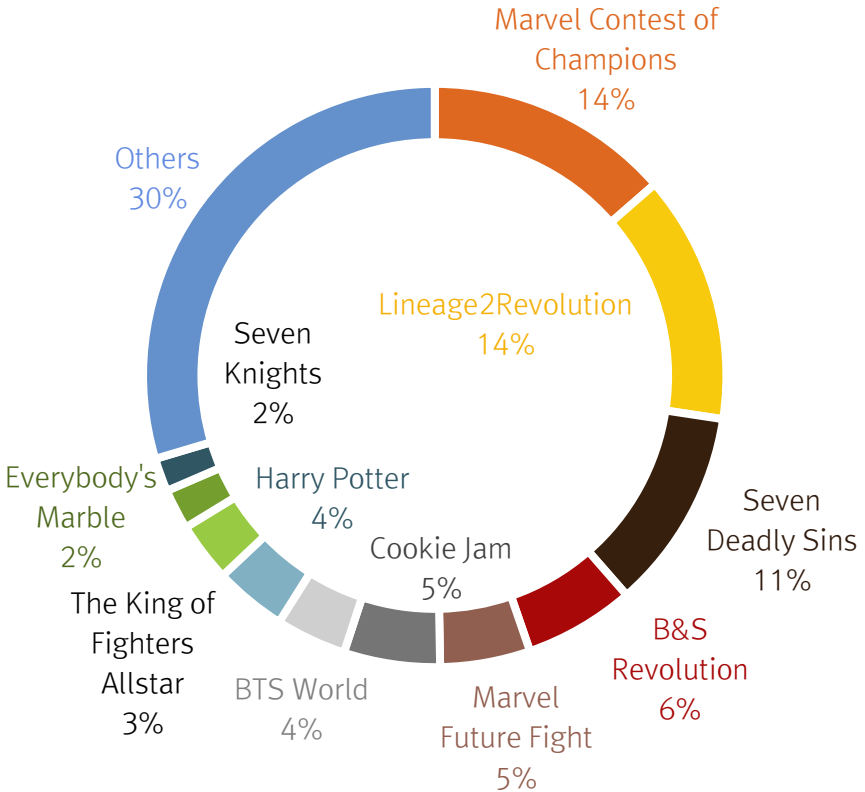
3. GAME PORTFOLIO

- Genre portfolio showed diversification across RPG (38%), MMORPG (27%), Casual (26%) and others (9%)
- Top revenue generators were Marvel Contest of Champions, Lineage 2 Revolution, Seven Deadly Sins, Blade & Soul Revolution, Marvel Future Fight, Cookie Jam, BTS World, Harry Potter, The King of Fighters Allstar, Everybody's Marble and Seven Knights

Revenue Breakdown by Genre



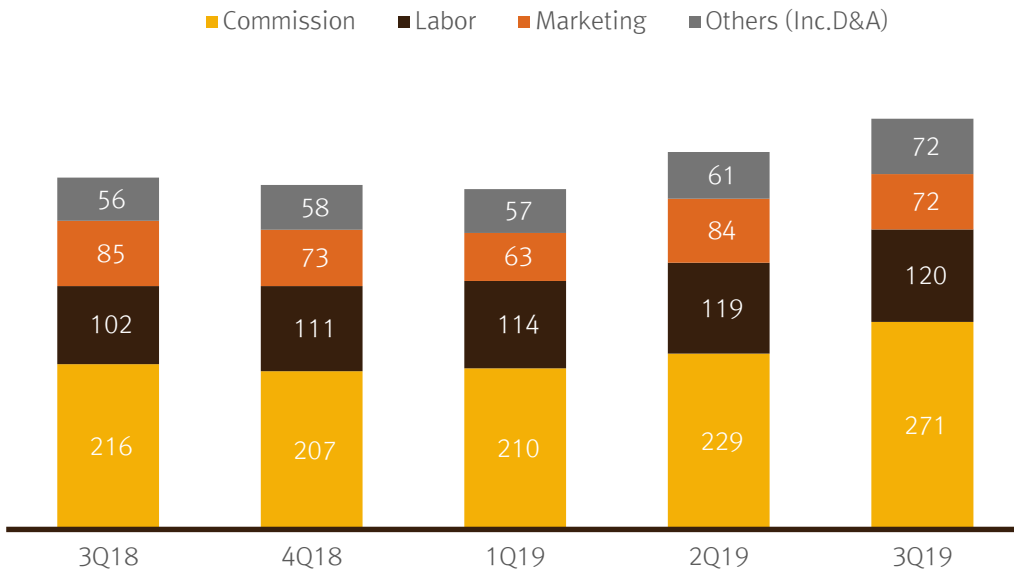
Revenue Breakdown by Major Games



4. MAJOR COST STRUCTURES

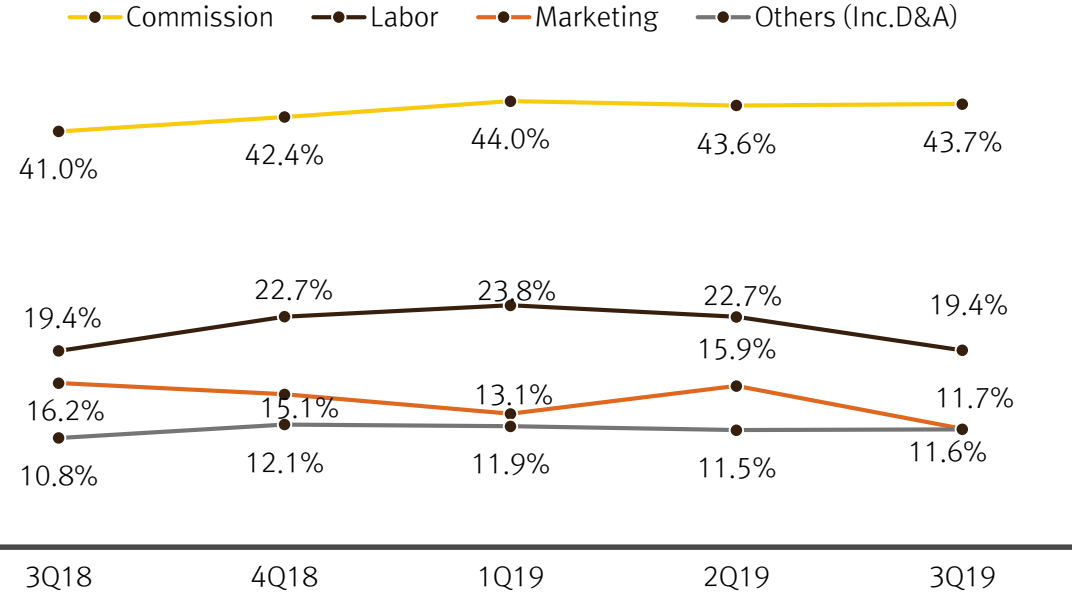
- 3Q operating cost was W 535.5bn (YoY +16.7%, QoQ +8.6%)
- The labor cost was W120.3bn (YoY +18.2%, QoQ +0.7%) similar to 2Q19
- Marketing cost decreased to W72.3bn (YoY -15.0%, QoQ -13.5%) pre-executing marketing expenses in 2Q19

Operating Costs



Breakdown of Revenue by Operating Costs

(Unit : W bn)



5. MAJOR LINE-UPS

- B&S Revolution(Japan) and King of Fighters: All Stars(Global) are launched for today, Nov.12
- Frozen Adventures, A3 and Magic: ManaStrike will be released from later this year to early next year

KoF All Stars (Global, Oct. 22)



B&S Revolution (Japan, Oct. 24)



LATE 2019 – EARLY 2020
UPCOMING TITLES

A3



Frozen Adventures



Magic : ManaStrike



6. G-STAR 2019 LINE-UPS

- 4 games will be presented at G-STAR 2019 A3, ManaStrike, Seven Knights Revolution(New), Ni no Kuni(New)



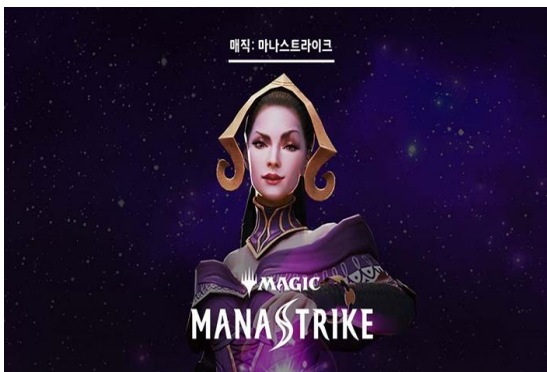
A3

- PROPRIETARY IP
- MMORPG
- BATTLE ROYALE MODE



Seven Knights Revolution

- PROPRIETARY IP
- CASUAL MMORPG
- EQUIPS WEAPONS & CHANGES HEROES USING COLLECTED CARDS



Magic : ManaStrike

- THE FIRST TCG GENRE, 'MAGIC THE GATHERING' IP
- BATTLE ARENA



Ni no Kuni

- LEVEL 5 + STUDIO GHIBLI COLLABORATION
- MMORPG
- GRAPHICS AND MUSIC FROM STUDIO GHIBLI

APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

Consolidated Statement of Financial Position

(Unit : W bn)

(Unit : W bn)

(KRW bn)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	(KRW bn)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Revenue	507	501	526	487	478	526	620	Current Assets	2,854	2,660	2,706	2,590	2,667	2,724	2,618
Commission	213	207	216	207	210	229	271	Cash and Cash Equivalents	1,751	1,642	1,650	1,549	1,616	1,720	1,876
Labor Cost	99	102	102	111	114	119	120	Accounts Receivable	224	248	226	182	220	261	221
Advertising Cost	74	79	85	73	63	84	72	Other Current Financial Assets	805	677	740	771	756	664	422
Other Costs (exc. D&A)	30	31	36	34	31	32	38	Other Current Assets	74	93	90	88	75	79	99
EBITDA	91	82	87	62	60	62	119	Non-Current Assets	2,446	2,618	2,719	2,843	3,089	3,070	3,217
<i>Margin (%)</i>	<i>17.9%</i>	<i>16.4%</i>	<i>16.5%</i>	<i>12.8%</i>	<i>12.6%</i>	<i>11.8%</i>	<i>19.2%</i>	Investment Assets	926	1,087	1,206	1,255	1,312	1,284	1,378
D&A	17	20	20	24	26	29	35	Intangible Assets	1,258	1,295	1,275	1,320	1,427	1,427	1,457
Operating Income	74	62	67	38	34	33	84	Tangible Assets	150	154	167	174	240	254	267
<i>Margin (%)</i>	<i>14.6%</i>	<i>12.4%</i>	<i>12.8%</i>	<i>7.8%</i>	<i>7.1%</i>	<i>6.3%</i>	<i>13.6%</i>	Other Non-Current Assets	111	82	71	94	110	105	115
Non-Operating Income	40	36	14	18	39	40	35	Total Assets	5,300	5,278	5,425	5,433	5,756	5,794	5,835
Non-Operating Cost	9	10	9	30	14	34	8	Current Liabilities	458	385	348	586	689	662	643
Pre-tax Profit	105	88	72	26	59	39	111	Accounts Payable	87	94	90	81	115	119	81
Tax	26	22	17	11	17	1	26	Debt	4	5	5	8	12	14	16
Net Profit	79	66	55	15	42	38	85	Other Current Financial Liabilities	150	86	91	340	409	367	361
Net Profit (controlling)	74	58	44	14	39	39	79	Other Current Liabilities	217	200	162	157	153	162	185
<i>Margin (%)</i>	<i>14.6%</i>	<i>11.6%</i>	<i>8.4%</i>	<i>2.8%</i>	<i>8.2%</i>	<i>7.3%</i>	<i>12.8%</i>	Non-Current Liabilities	359	343	376	295	453	426	486
								Other Non-Current Financial Liabilities	216	216	217	123	255	234	271
								Other Non-Current Assets	143	127	159	172	198	192	215
								Total Liabilities	816	728	724	881	1,142	1,088	1,129
								Total Equity	4,484	4,550	4,701	4,552	4,614	4,706	4,706

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