

# netmarble

3Q 2020 Earnings Results

Nov. 11<sup>th</sup>, 2020



# DISCLAIMER

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

The “financial results for 3Q 2020” 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. 3Q EARNINGS SUMMARY

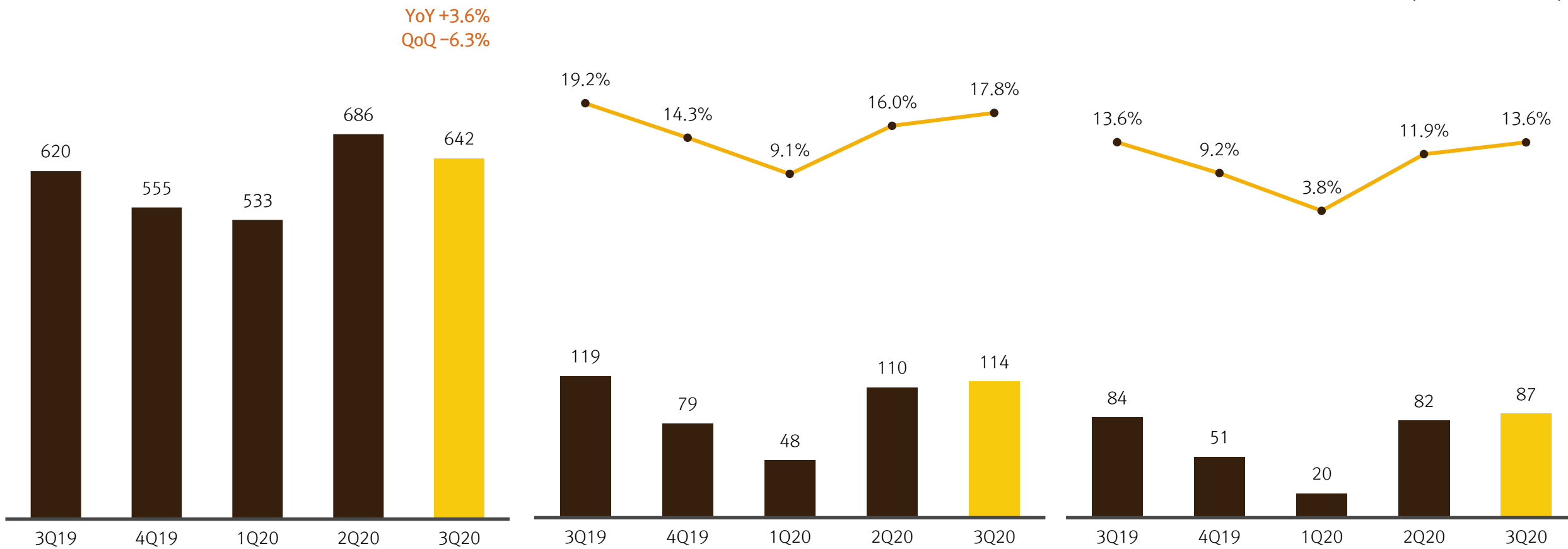
- 3Q recorded revenue of KRW 642.3bn (YoY +3.6%, QoQ -6.3%), EBITDA of KRW 114.4bn (YoY -3.8%, QoQ +4.5%), and operating profit of KRW 87.4bn (YoY +3.6%, QoQ +7.0%)
- Operating profit margin increased by +1.7%p QoQ as 2Q marketing expenses spent in N.A and Europe were normalized

Revenue

EBITDA

Operating Profit

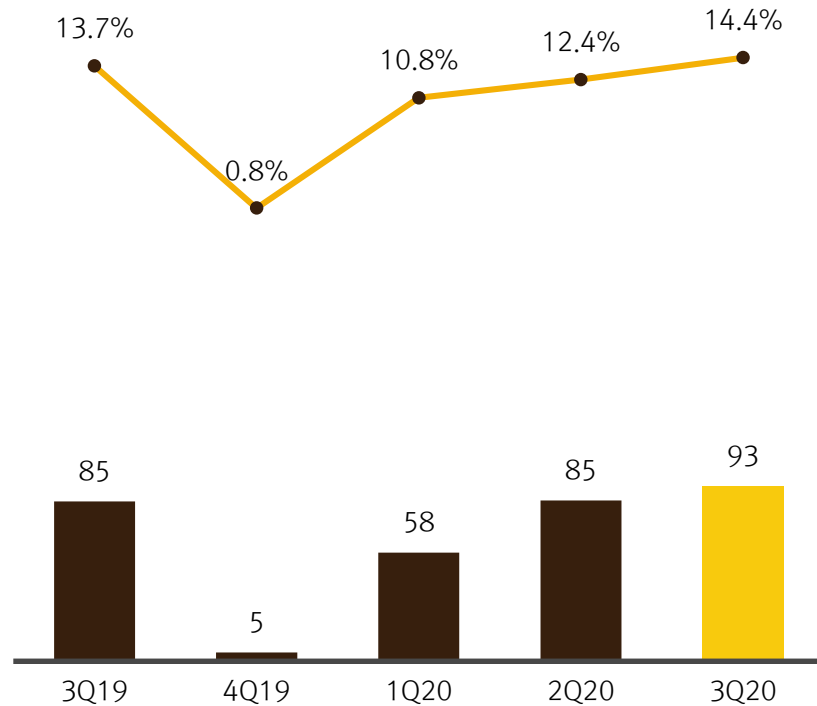
(Unit : KRW bn)



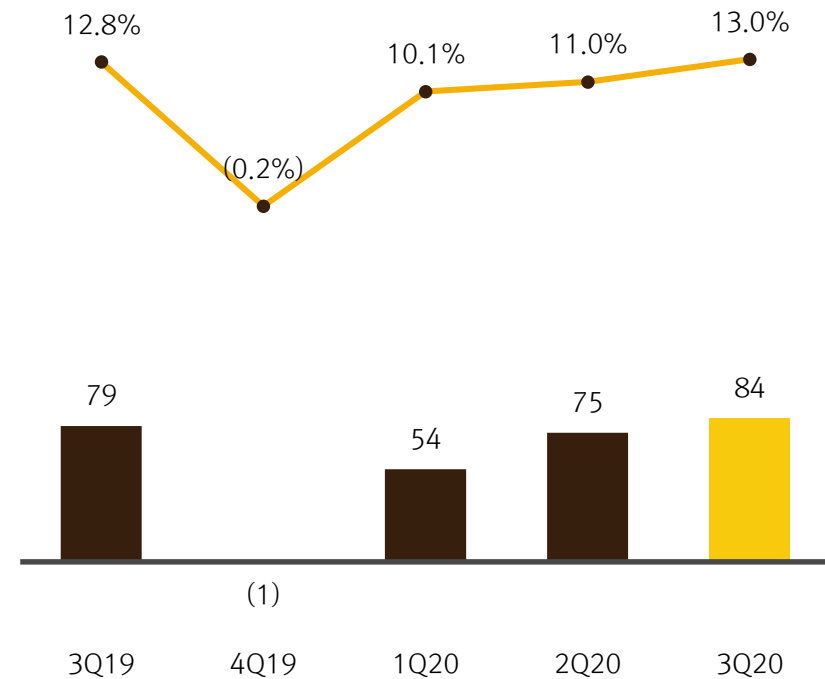
# 1. 3Q EARNINGS SUMMARY

- Net profit was KRW 92.5bn (YoY +9.2%, QoQ +8.6%), Net profit (controlling) was KRW 83.7bn (YoY +5.7%, QoQ +11.2%)
- Non-operating profit was increased by KRW 25.7bn mainly due to an increase of equity method profit(+ KRW 12.7bn)

### Net Profit



### Net Profit (Controlling)



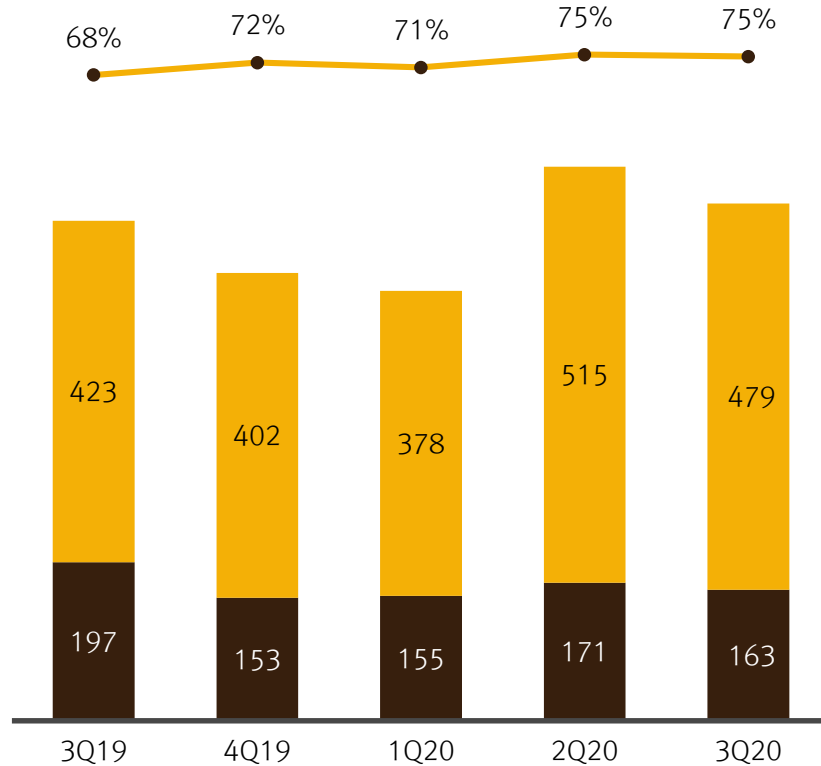
(Unit : KRW bn)

## 2. OVERSEAS REVENUE SHARE

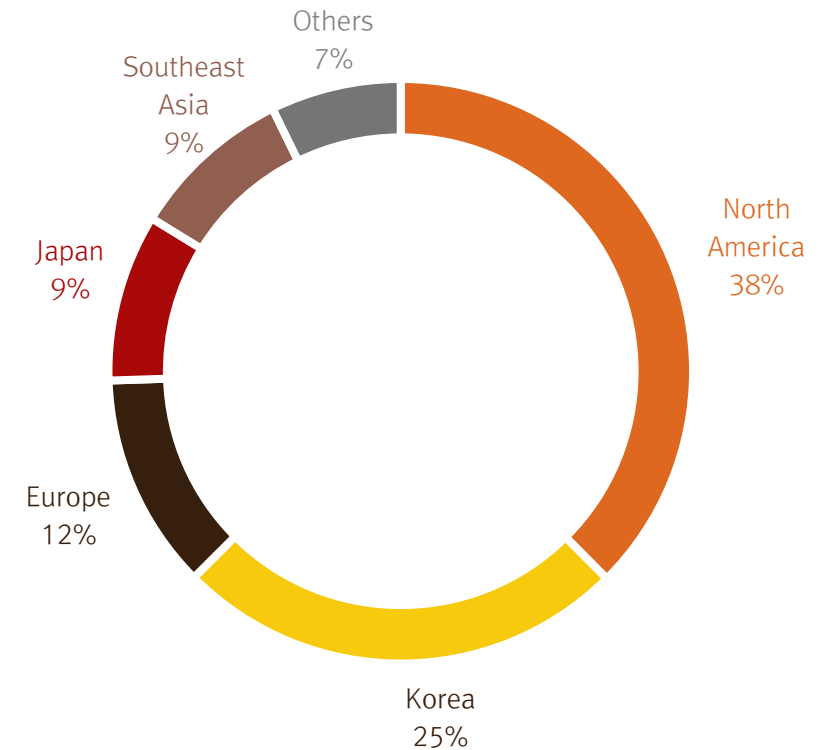
- Overseas revenue for 3Q was KRW 478.7bn. Proportion of overseas revenue is 75%, same as the previous quarter
- Revenues were diversified across N.A (38%), Korea (25%), Europe (12%), Japan (9%), SEA (9%), and others (7%)

### Korea & Overseas Revenue Share

■ Korea ■ Overseas (Unit : KRW bn)



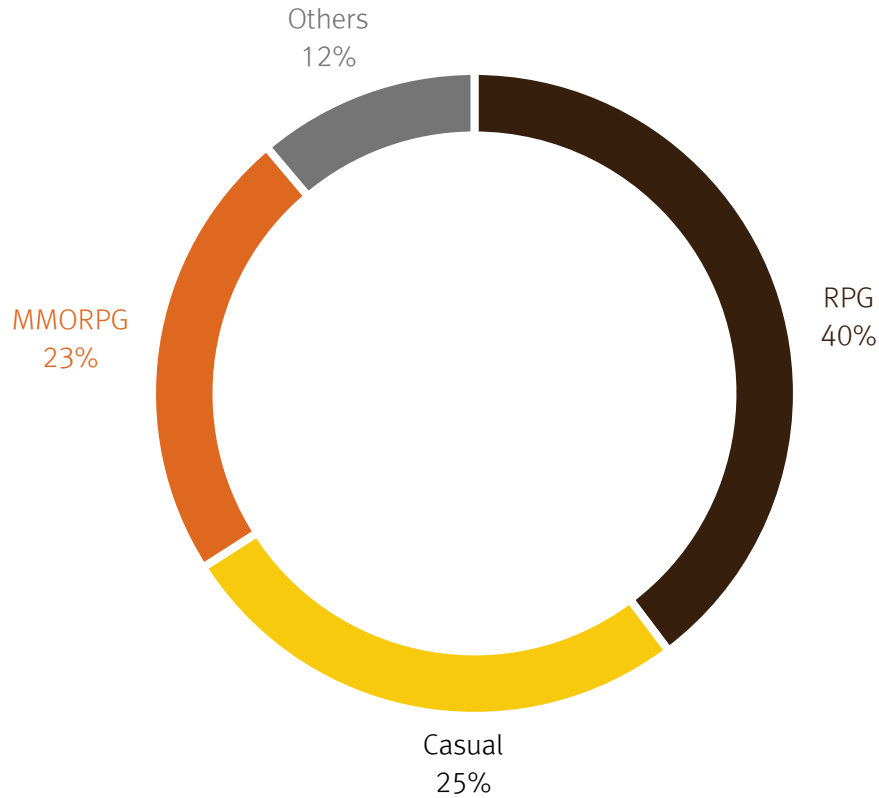
### Revenue Breakdown by Region



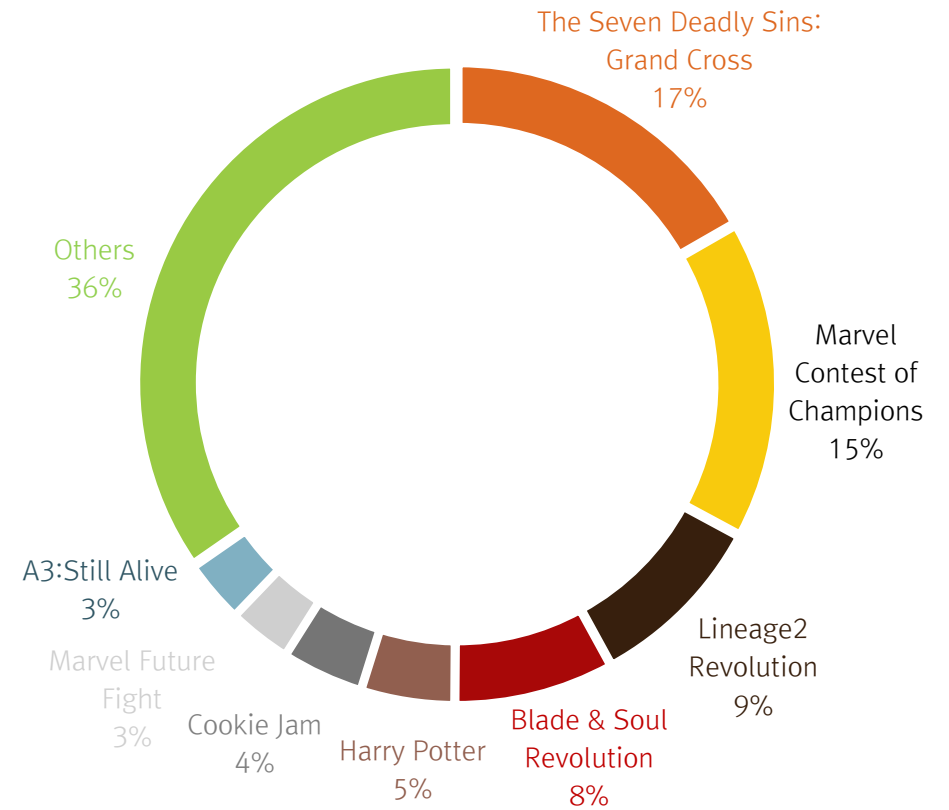
# 3. GAME PORTFOLIO

- Genre portfolio showed diversification across RPG (40%), Casual (25%), MMORPG (23%), and others (12%)
- Top revenue generators were evenly distributed; The Seven Deadly Sins: Grand Cross 17%, Marvel Contest of Champions 15%, Lineage2 Revolution 9%, Blade & Soul Revolution 8%, Harry Potter 5%, etc

Revenue Breakdown by Genre



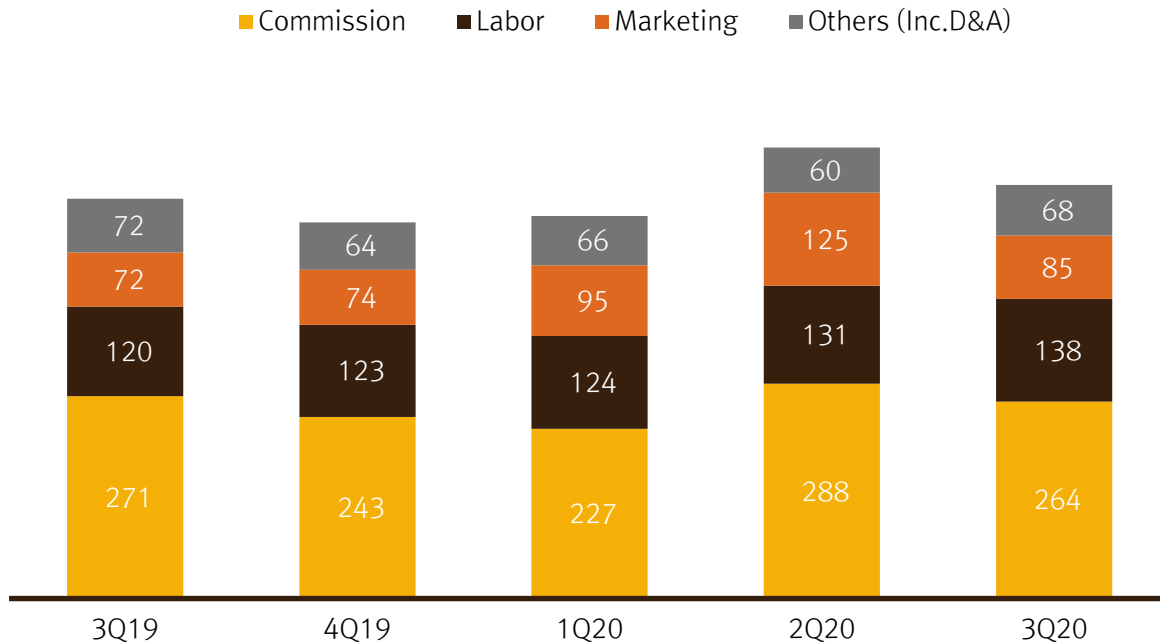
Revenue Breakdown by Major Games



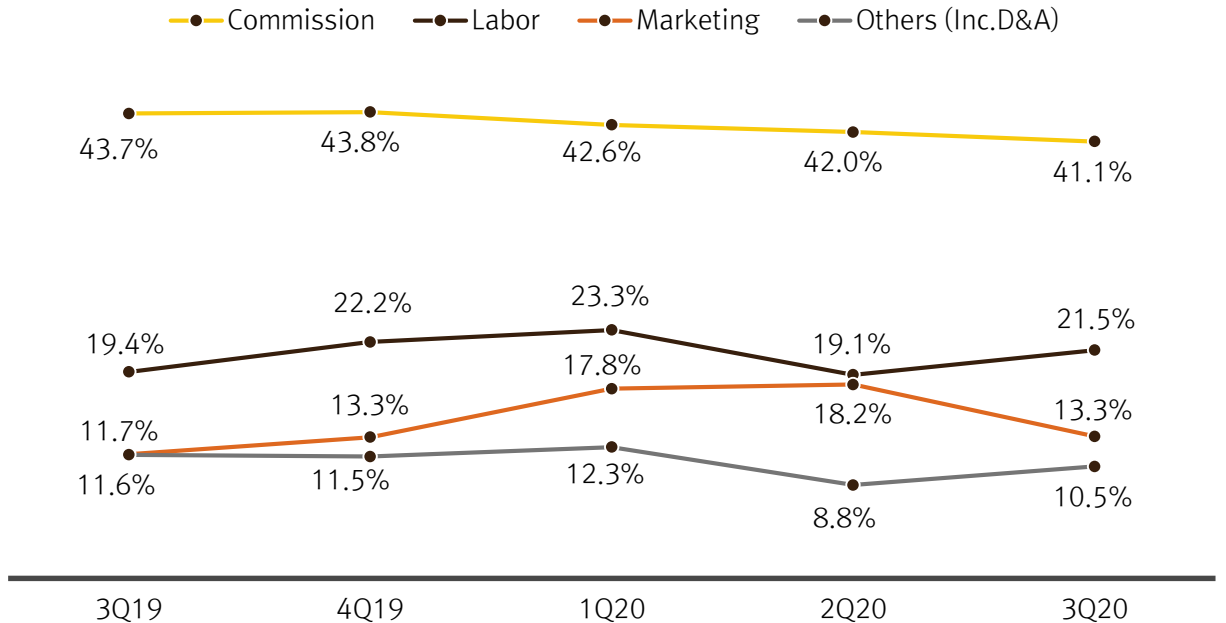
# 4. MAJOR COST STRUCTURES

- 3Q operating cost was KRW 554.9bn (YoY +3.6%, QoQ -8.1%)
- The commission was decreased to KRW 263.8bn (YoY -2.6%, QoQ -8.3%) along with a decrease in revenue
- The labor cost was KRW 137.8bn (YoY +14.5%, QoQ +5.0%), slightly increased QoQ due to an increase in headcounts and one-off incentives from overseas studios in N.A
- The marketing cost was decreased to KRW 85.7bn (YoY +18.5%, QoQ -31.4%) as 2Q marketing expenses spent in N.A and Europe were normalized

Operating Costs Breakdown  
(Unit : KRW bn)



Proportion of Operating Costs to the Revenue





# 5. NEW LINE UP

- Seven Knights–Time Wanderer (Nintendo Switch) was launched on Nov.5<sup>th</sup> and A3: Still Alive (Global, excluding Korea, China and Vietnam) was launched on Nov.10<sup>th</sup>
- Seven Knights2 (Korea) will be launched on Nov.18<sup>th</sup> and Marvel Realm of Champions (Global, excluding China) will be launched on Dec. 17<sup>th</sup>
- Blade & Soul Revolution (Global, excluding Korea, Japan, China and Asia) will be released in 1Q21, and various new line ups including Ni no Kuni (Korea, Japan, Taiwan) and Seven Knights Revolution (Korea, Japan) will be released in 1H21

## 2020.4Q

## 2021.1H

Seven Knights–Time Wanderer  
(Nintendo Switch, Nov.5<sup>th</sup>)



Seven Knights2  
(Korea, Nov.18<sup>th</sup>)



A3: Still Alive  
(Global, excluding Korea, China and Vietnam Nov.10<sup>th</sup>)



Marvel Realm of Champions  
(Global, excluding China, Dec.17<sup>th</sup>)



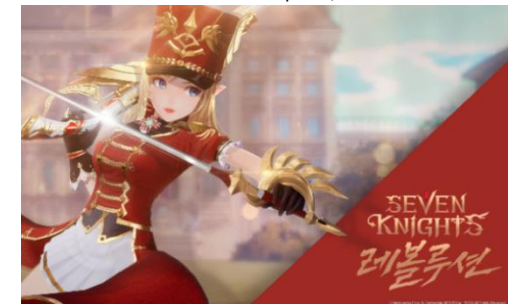
Blade & Soul Revolution  
(Global, excluding Korea, Japan, China and Asia, 1Q21)



Ni no Kuni  
(Korea, Japan, Taiwan, 1H21)



Seven Knights Revolution  
(Korea and Japan, 1H21)



# APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Income Statement

(KRW bn)	3Q19	4Q19	1Q20	2Q20	3Q20
<b>Revenue</b>	<b>620</b>	<b>555</b>	<b>533</b>	<b>686</b>	<b>642</b>
Commission	271	243	227	288	264
Labor Cost	120	123	125	131	138
Marketing Cost	72	74	95	125	85
Other Costs (exc. D&A)	38	36	38	32	41
<b>EBITDA</b>	<b>119</b>	<b>79</b>	<b>48</b>	<b>110</b>	<b>114</b>
<i>Margin (%)</i>	<i>19.2%</i>	<i>14.3%</i>	<i>9.1%</i>	<i>16.0%</i>	<i>17.8%</i>
D&A	35	28	28	28	27
<b>Operating Income</b>	<b>84</b>	<b>51</b>	<b>20</b>	<b>82</b>	<b>87</b>
<i>Margin (%)</i>	<i>13.6%</i>	<i>9.2%</i>	<i>3.8%</i>	<i>11.9%</i>	<i>13.6%</i>
Non-Operating Income	35	7	56	19	39
Non-Operating Cost	8	48	22	16	10
<b>Pre-tax Profit</b>	<b>111</b>	<b>10</b>	<b>54</b>	<b>85</b>	<b>116</b>
Tax	26	5	- 4	- 1	23
<b>Net Profit</b>	<b>85</b>	<b>5</b>	<b>58</b>	<b>85</b>	<b>93</b>
<b>Net Profit (controlling)</b>	<b>79</b>	<b>- 1</b>	<b>54</b>	<b>75</b>	<b>84</b>
<i>Margin (%)</i>	<i>12.8%</i>	<i>-0.2%</i>	<i>10.1%</i>	<i>11.0%</i>	<i>13.0%</i>

## Consolidated Statement of Financial Position

(KRW bn)	3Q19	4Q19	1Q20	2Q20	3Q20
<b>Current Assets</b>	<b>2,618</b>	<b>2,560</b>	<b>1,451</b>	<b>1,522</b>	<b>1,593</b>
Cash and Cash Equivalents	1,876	1,575	535	740	830
Accounts Receivable	221	147	216	232	208
Other Current Financial Assets	422	761	611	442	442
Other Current Assets	99	77	89	108	113
<b>Non-Current Assets</b>	<b>3,217</b>	<b>3,246</b>	<b>5,308</b>	<b>5,776</b>	<b>5,809</b>
Investment Assets	1,378	1,453	3,423	3,901	3,913
Intangible Assets	1,457	1,384	1,427	1,395	1,363
Tangible Assets	267	283	325	342	409
Other Non-Current Assets	115	126	133	138	124
<b>Total Assets</b>	<b>5,835</b>	<b>5,806</b>	<b>6,759</b>	<b>7,298</b>	<b>7,402</b>
<b>Current Liabilities</b>	<b>643</b>	<b>665</b>	<b>1,389</b>	<b>1,613</b>	<b>1,541</b>
Accounts Payable	81	53	77	88	91
Short-term Debt	16	16	717	829	714
Other Current Financial Liabilities	361	405	406	483	500
Other Current Liabilities	185	191	189	213	236
<b>Non-Current Liabilities</b>	<b>486</b>	<b>493</b>	<b>441</b>	<b>434</b>	<b>532</b>
Other Non-Current Financial Liabilities	271	277	174	55	154
Other Non-Current Liabilities	215	216	267	379	378
<b>Total Liabilities</b>	<b>1,129</b>	<b>1,158</b>	<b>1,830</b>	<b>2,047</b>	<b>2,073</b>
<b>Total Equity</b>	<b>4,706</b>	<b>4,648</b>	<b>4,929</b>	<b>5,251</b>	<b>5,329</b>

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