

# netmarble

## 2Q 2021 Earnings Results

August 11<sup>th</sup> 2021



# DISCLAIMER

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

The “financial results for 2Q 2021” 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.

- 2Q EARNINGS ..... 3
- OVERSEAS REVENUE SHARE ..... 5
- REVENUE BREAKDOWN BY GENRE ..... 6
- GAME PORTFOLIO ..... 7
- MAJOR COST STRUCTURES ..... 8
- NEW LINEUPS ..... 9

APPENDIX 1. SPINX GAMES ACQUISITION

APPENDIX 2. CONSOLIDATED FINANCIAL STATEMENTS

# 2Q Earnings

[Revenue] KRW 577.2bn (YoY -15.8%, QoQ +1.2%)

- Partial reflection of revenue from the release of Ni no Kuni: Cross World in June

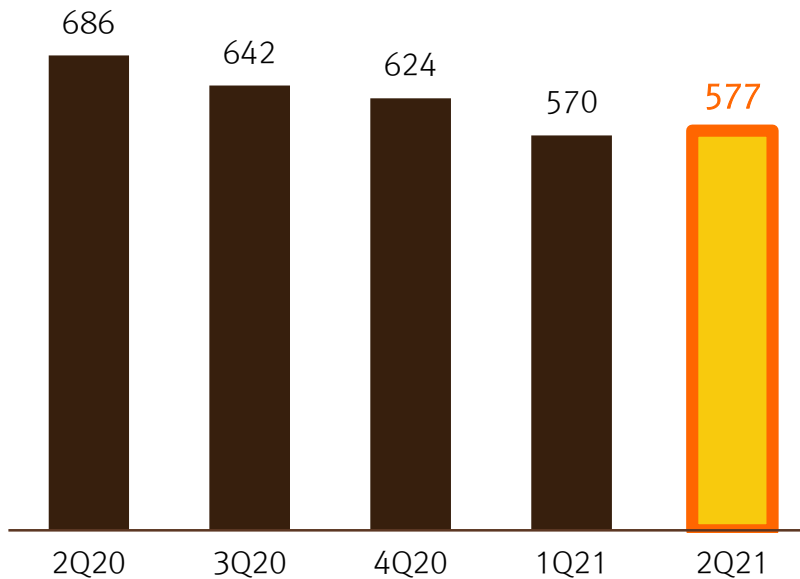
[EBITDA] KRW 41.8bn (YoY -61.8%, QoQ -47.9%)

- Affected by increased marketing and labor costs

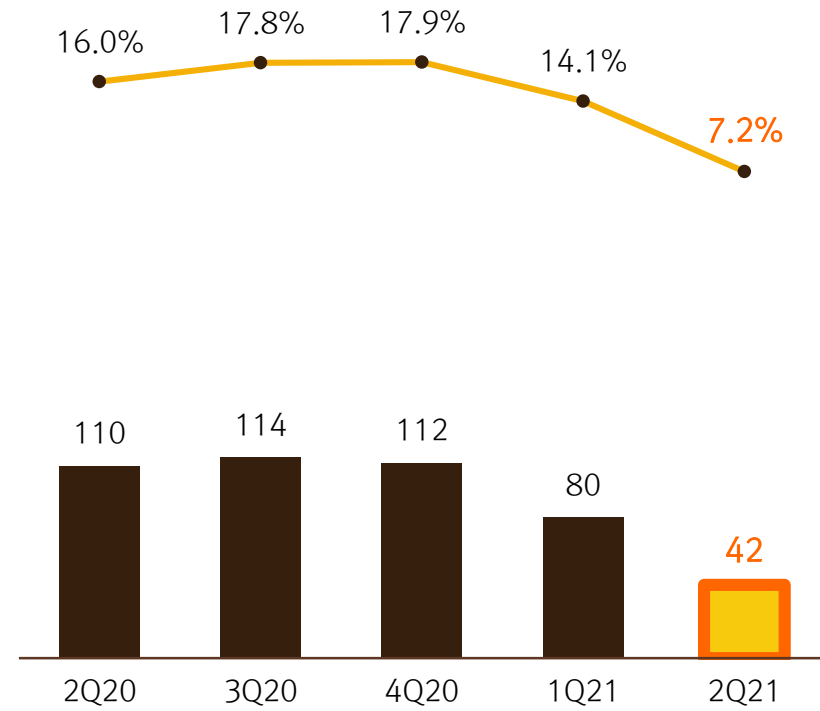
- EBITDA Margin 7.2% (D&A KRW 25.6bn)

(Unit: KRW bn)

Revenue



EBITDA



# 2Q Earnings

[Operating Profit] KRW 16.2bn (YoY -80.2%, QoQ -70.1%)

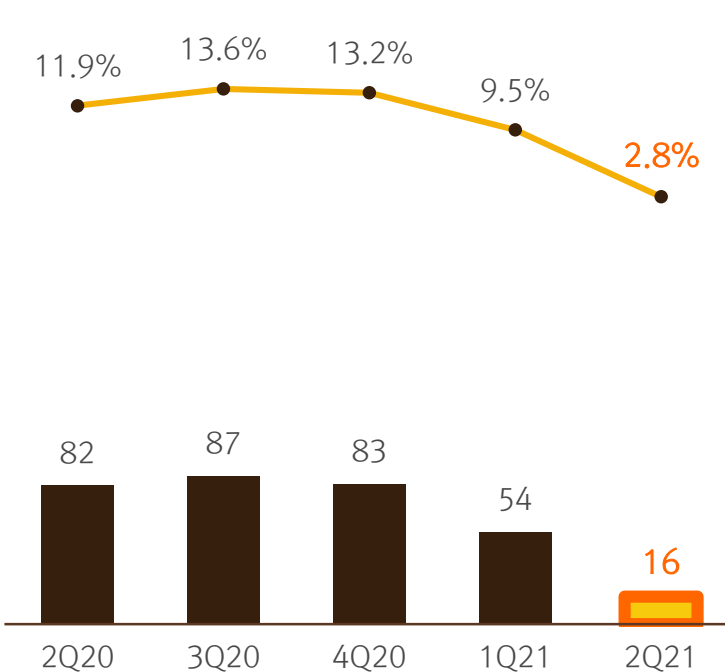
[Net Profit] KRW 48.2bn (YoY -43.4%, QoQ -22.1%)

[Net Profit (Controlling)] KW 45.7bn (YoY -39.3%, QoQ -19.0%)

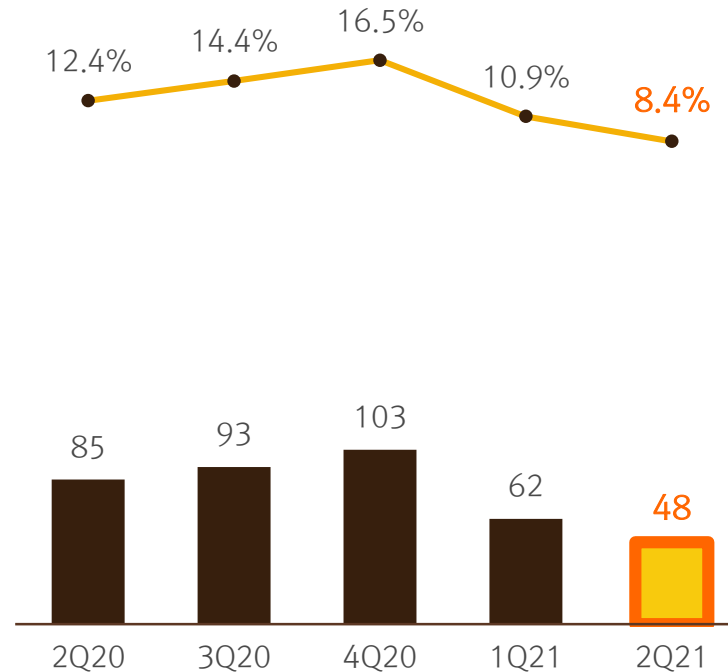
- Non-operating income & cost was increased by temporary gains on equity method from the capital increase of HYBE

(Unit: KRW bn)

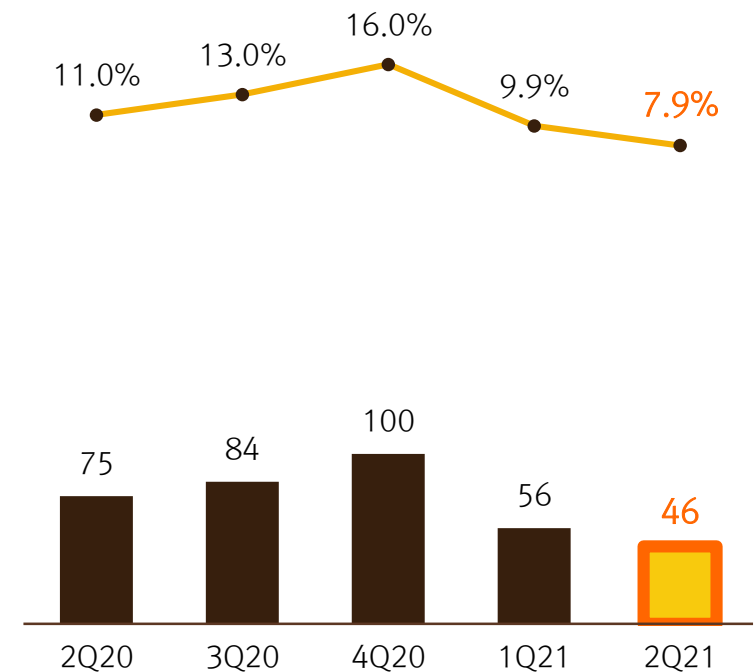
Operating Profit



Net Profit



Net Profit (Controlling)

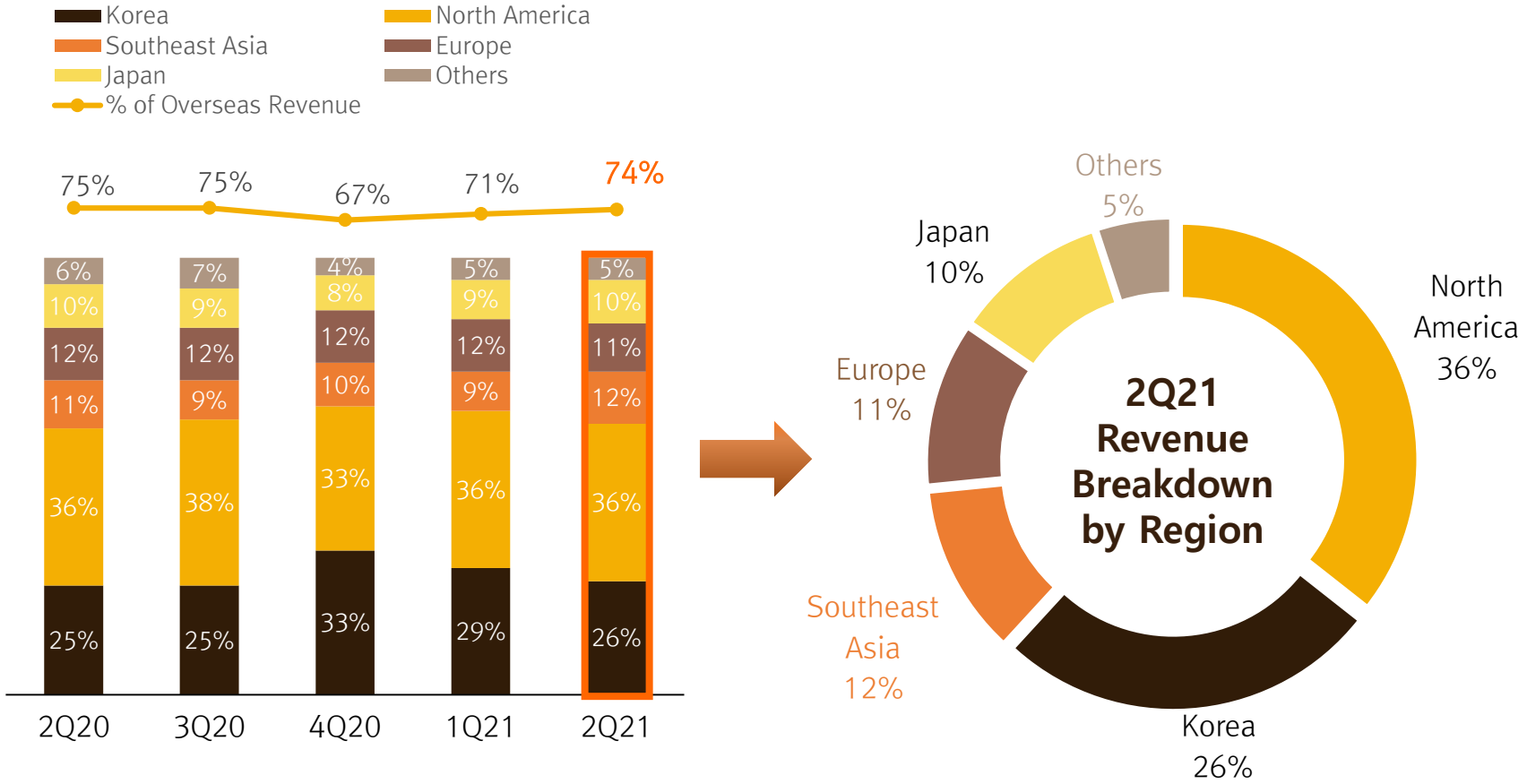


FINANCIAL HIGHLIGHTS

# Revenue Breakdown by Region

- Overseas revenue for 2Q KRW 424.6bn. Proportion of overseas revenue 74% (QoQ +3%p)
- Revenues were diversified across N.A 36%, Korea 26%, SEA 12%, Europe 11%, Japan 10% and others 5%
- The revenue proportion of SEA increased +3%p QoQ due to the release of Ni no Kuni: Cross World in Taiwan, Hong Kong, and Macau.

### Revenue Breakdown by Region



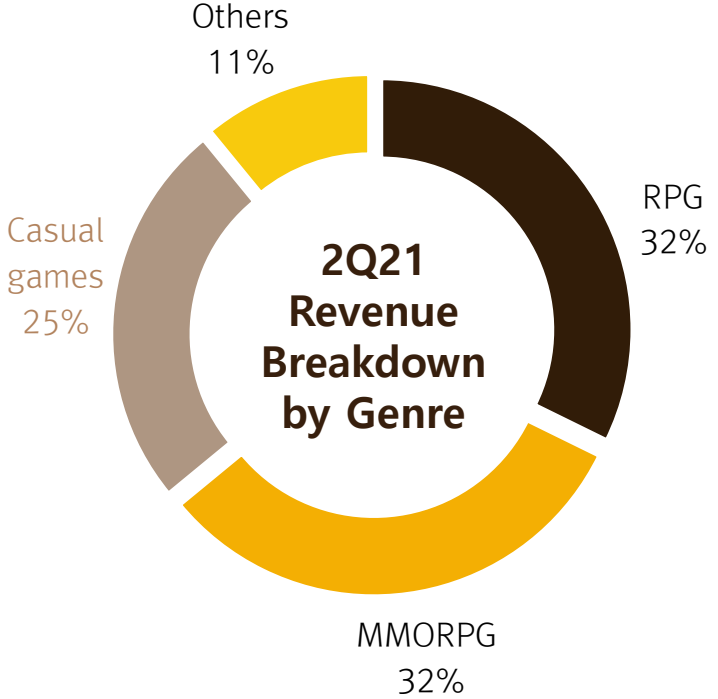
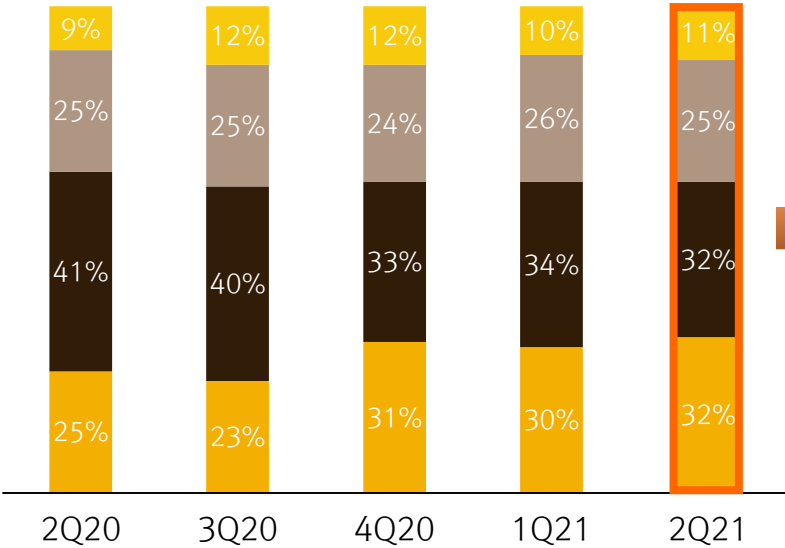
FINANCIAL HIGHLIGHTS

# Revenue Breakdown by Genre

- Genre portfolio showed diversification across RPG 32%, MMORPG 32%, Casual games 25%, and Others 11%
- The proportion of MMORPG has been increased +2%p QoQ due to the release of Ni no Kuni: Cross World in June

Revenue Breakdown by Genre

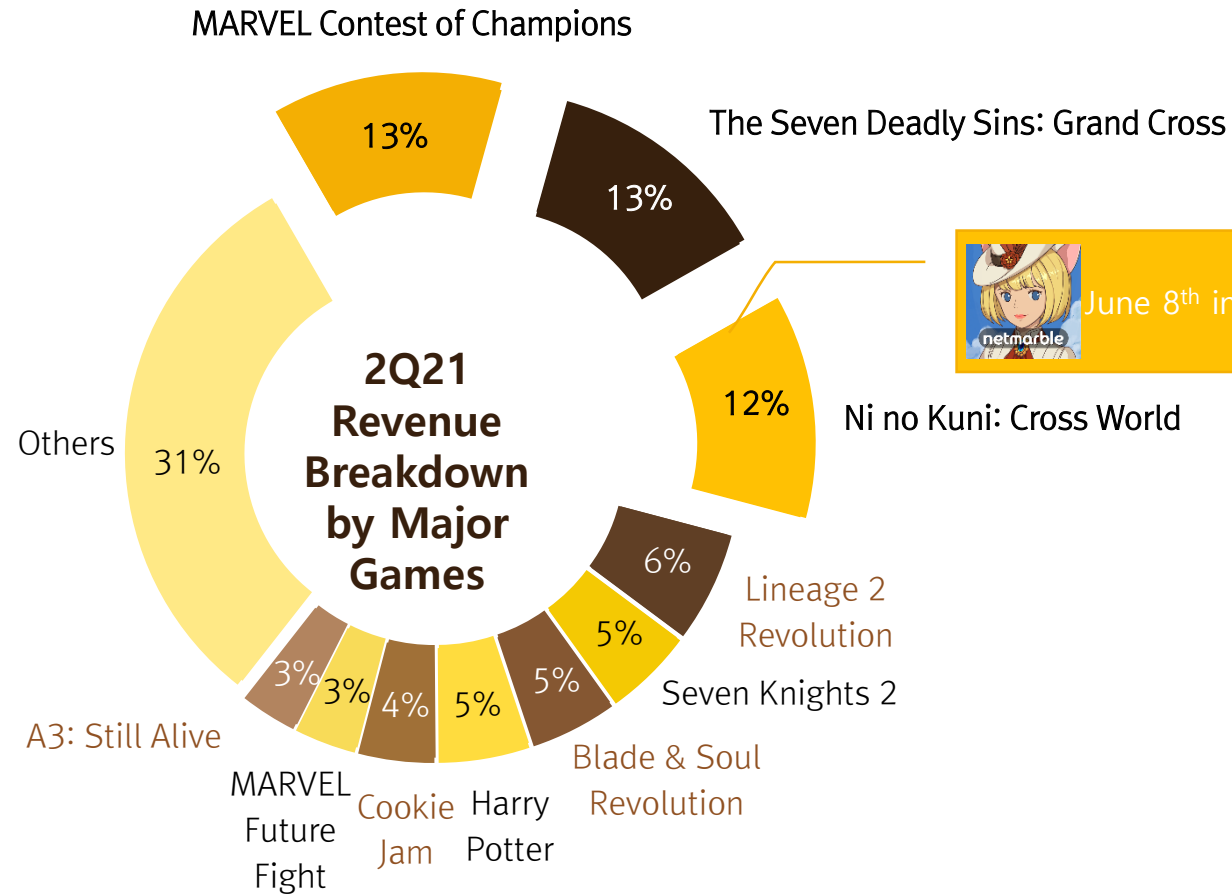
■ MMORPG ■ RPG ■ Casual games ■ Others



# Game Portfolio

## Revenue Breakdown by Major Games

- Top revenue generators were evenly distributed;
  - MARVEL Contest of Champions: 13%
  - The Seven Deadly Sins: Grand Cross: 13%
  - Ni no Kuni: Cross World: 12%
  - Lineage2 Revolution: 6%
  - Seven Knights2: 5%
  - Blade & Soul Revolution: 5%
  - Harry Potter: 5%, etc.




Released date:  
June 8<sup>th</sup> in Taiwan, Hong Kong, and Macau  
June 10<sup>th</sup> in Korea and Japan

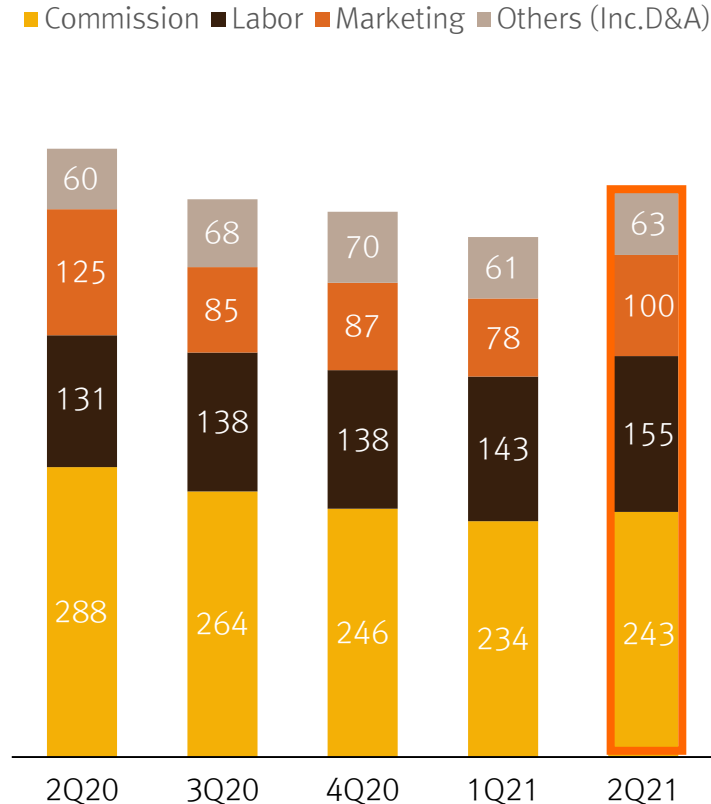


# Major Cost Structures

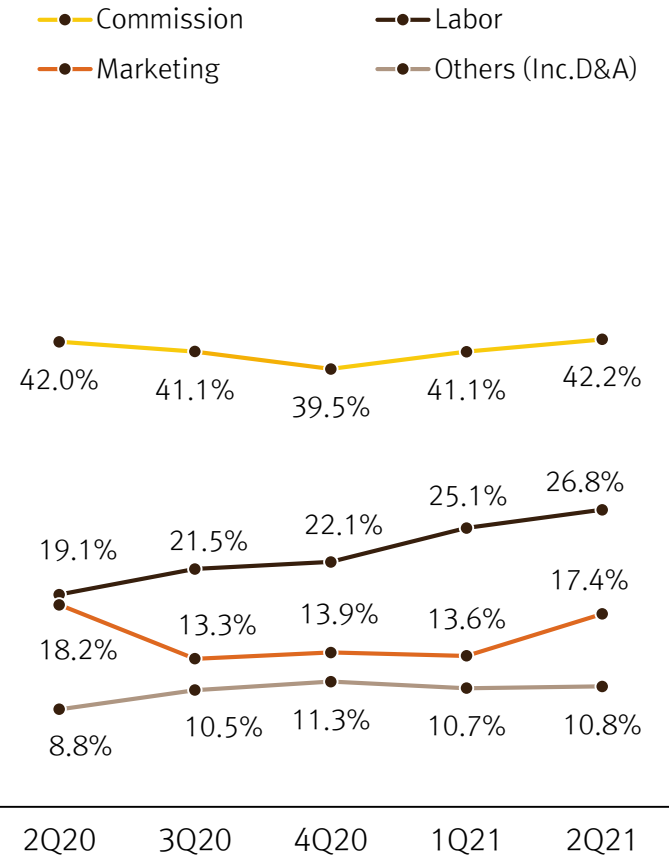
- Commission Cost KRW 243.4bn**  
 (YoY -15.4%, QoQ +3.9%)  
 The increased revenue proportion of Ni no Kuni: Cross World led QoQ increase
- Labor Cost KRW 154.6bn**  
 (YoY +17.8%, QoQ +7.8%)  
 Salary increase for employees was fully reflected in 2Q and led QoQ increase
- Marketing Cost KRW 100.4bn**  
 (YoY -19.6%, QoQ +29.4%)  
 Marketing costs for pre-release events and the release of Ni no Kuni: Cross World led QoQ increase
- Others KRW 62.6bn**  
 (YoY +4.0%, QoQ +2.6%)  
 D&A KRW 25.6bn  
 Other commissions KRW 37.0bn, etc.

## Operating Costs Breakdown

(Unit: KRW bn)



## Operating Costs to the Revenue



NEW LINEUPS

# New Lineups

- MARVEL Future Revolution (Global, excluding China and Vietnam) will be launched on August 25<sup>th</sup> (Pre-registration has started since June 29<sup>th</sup>)
- Seven Knights2 (Global, excluding Korea, China, and Vietnam), Seven Knights Revolution (Simultaneous release in Korea and Japan), BTS Dream: TinyTAN House (Global, excluding China), and Merge Kuya Island (Global, excluding China) will be launched in 2H21
- Ni no Kuni:Cross World (Global, excluding China and previously-released countries) will be launched in 1Q22



**MARVEL Future Revolution**

**Seven Knights2**

**Seven Knights Revolution**

**BTS Dream: TinyTAN House**

**Merge Kuya Island**

- 25 August 2021
- Global (excluding China & Vietnam)
- Open-world MMORPG
- Developed by Netmarble Monster

- 2H 2021
- Global (excluding Korea, China, and Vietnam)
- CCG MORPG
- Developed by Netmarble Nexus

- 2H 2021
- Simultaneously Release in Korea & Japan
- MMORPG
- Developed by Netmarble Nexus

- 2H 2021
- Global (excluding China)
- Rhythm & Customization
- Developed by Netmarble Neo

- 2H 2021
- Global (excluding China)
- Merge
- Developed by Netmarble N2

# SpinX Games Acquisition

- Company Name : SpinX Games
- Deal Size: KRW 2.5tn  
(Acquired 100% shares)
- Financial Performance:
  - 2020 Revenue KRW 497.0bn
  - 1Q 2021 Revenue KRW 162.2bn
  - 1H 2021 Revenue KRW 328.9bn (YoY +46%)
- Global No.3 mobile social casino game company<sup>1)</sup>

## SpinX Games

### Major Games of SpinX Games



Cash Frenzy



Lotsa Slots



Jackpot World

### Global Ranking of Mobile Social Casino Game Company

1. Playtika
2. Aristocrat
3. SpinX Games 
4. Scientific Games
5. Zynga
6. DoubleU

### Vision & Purpose of SpinX Games Acquisition

- 1 Strengthening global business competitiveness by entering social casino game market
- 2 Diversifying game portfolios & creating synergies with overseas subsidiaries
- 3 Enabling stable growth & cash flow

1) Based on 1H21 revenue of global mobile social casino games (Source: AppAnnie)

## Consolidated Income Statement

(KRW bn)	2Q20	3Q20	4Q20	1Q21	2Q21
<b>Revenue</b>	<b>686</b>	<b>642</b>	<b>624</b>	<b>570</b>	<b>577</b>
Commission	288	264	246	234	243
Labor Cost	131	138	138	143	155
Marketing Cost	125	85	87	78	100
Other Costs (exc. D&A)	32	41	41	35	37
<b>EBITDA</b>	<b>110</b>	<b>114</b>	<b>112</b>	<b>80</b>	<b>42</b>
<i>Margin (%)</i>	<i>16.0%</i>	<i>17.8%</i>	<i>17.9%</i>	<i>14.1%</i>	<i>7.2%</i>
D&A	28	27	29	26	26
<b>Operating Income</b>	<b>82</b>	<b>87</b>	<b>83</b>	<b>54</b>	<b>16</b>
<i>Margin (%)</i>	<i>11.9%</i>	<i>13.6%</i>	<i>13.2%</i>	<i>9.5%</i>	<i>2.8%</i>
<i>Non-Operating Income&amp;Cost</i>	3	29	137	41	46
<b>Pre-tax Profit</b>	<b>85</b>	<b>116</b>	<b>220</b>	<b>95</b>	<b>62</b>
Tax	- 1	23	117	33	14
<b>Net Profit</b>	<b>85</b>	<b>93</b>	<b>103</b>	<b>62</b>	<b>48</b>
<b>Net Profit (controlling)</b>	<b>75</b>	<b>84</b>	<b>100</b>	<b>56</b>	<b>46</b>
<i>Margin (%)</i>	<i>11.0%</i>	<i>13.0%</i>	<i>16.0%</i>	<i>9.9%</i>	<i>7.9%</i>

## Consolidated Statement of Financial Position

(KRW bn)	2Q20	3Q20	4Q20	1Q21	2Q21
<b>Current Assets</b>	<b>1,522</b>	<b>1,593</b>	<b>1,820</b>	<b>1,849</b>	<b>1,313</b>
Cash and Cash Equivalents	740	830	1,257	1,280	793
Accounts Receivable	232	208	182	194	212
Other Current Financial Assets	442	442	287	267	219
Other Current Assets	108	113	94	108	89
<b>Non-Current Assets</b>	<b>5,776</b>	<b>5,809</b>	<b>6,403</b>	<b>6,405</b>	<b>6,702</b>
Investment Assets	3,901	3,913	4,526	4,442	4,734
Intangible Assets	1,395	1,363	1,292	1,333	1,324
Tangible Assets	342	409	461	311	324
Other Non-Current Assets	138	124	124	319	320
<b>Total Assets</b>	<b>7,298</b>	<b>7,402</b>	<b>8,223</b>	<b>8,254</b>	<b>8,015</b>
<b>Current Liabilities</b>	<b>1,613</b>	<b>1,541</b>	<b>1,634</b>	<b>1,557</b>	<b>1,118</b>
Accounts Payable	88	91	71	65	73
Short-term Debt	829	714	808	520	290
Other Current Financial Liabilities	483	500	513	676	509
Other Current Liabilities	213	236	242	296	246
<b>Non-Current Liabilities</b>	<b>434</b>	<b>532</b>	<b>939</b>	<b>1,178</b>	<b>1,190</b>
Other Non-Current Financial Liabilities	55	154	371	663	635
Other Non-Current Liabilities	379	378	568	515	555
<b>Total Liabilities</b>	<b>2,047</b>	<b>2,073</b>	<b>2,573</b>	<b>2,735</b>	<b>2,308</b>
<b>Total Equity</b>	<b>5,251</b>	<b>5,329</b>	<b>5,650</b>	<b>5,519</b>	<b>5,707</b>

**netmarble**

