COMPANY UPDATE

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Neowiz (095660)

Brown Dust II a rising star in *otaku* genre

- The lifespan of *Lies of P* is being extended through its inclusion in PlayStation Plus's August lineup, even as sales momentum has slowed since July following its strong contribution to 2Q's earnings surprise.
- Revenue from Brown Dust II has been growing following nimble responses to user feedback and costume promotions. This should offset the decline in revenue from *Lies of P*.
- We maintain our BUY rating on the stock, whose valuation burden is easing as its earnings base rises.

AT A GLANCE

BUY

Target price	KRW35,000	46.8%
Current price	KRW23,850	
Market cap	KRW521.29b/USD373.47m	
Shares (float)	21,856,816 (51.6%)	
52-week high/low	KRW26,950/KRW18,000	
Avg daily trading value (60-day)	KRW2.3b/ USD1.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Neowiz (%)	-4.0	9.9	15.8
Vs Kosdaq (%pts)	-3.4	5.8	10.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	35,000	31,000	12.9%
2025E EPS	2,399	1,760	36.3%
2026E EPS	2,378	1,586	49.9%

SAMSUNG vs THE STREET

No of estimates	11
Target price	32,182
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

***Brown Dust II* a rising star in *otaku* genre:** Collectible RPG *Brown Dust II* has posted sustained sales and traffic growth on the back of active communication with users and the rapid reflection of user feedback. The title has been narrowing the gap with Korea's major *otaku* subculture games—such as *Nikke* and *Blue Archive*—thanks to its improved business model, attractive character illustrations, and extensive tactical battle system. In 2Q, *Brown Dust II* sales hit an all-time high thanks to promotions marking its second anniversary. We believe revenue from the game will continue to grow q-q in 3Q on the back of a bikini promotion in August.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	367	402	409	467
Operating profit	33	62	61	73
Net profit (adj)	-7	40	42	50
EPS (adj) (KRW)	-411	2,399	2,378	2,810
EPS (adj) growth (% y-y)	nm	nm	-0.9	18.2
EBITDA margin (%)	13.7	16.8	15.0	15.6
ROE (%)	0.5	8.6	8.3	9.1
P/E (adj) (x)	n/a	9.9	10.0	8.5
P/B (x)	0.8	0.9	0.8	0.7
EV/EBITDA (x)	4.4	4.7	4.3	2.8
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

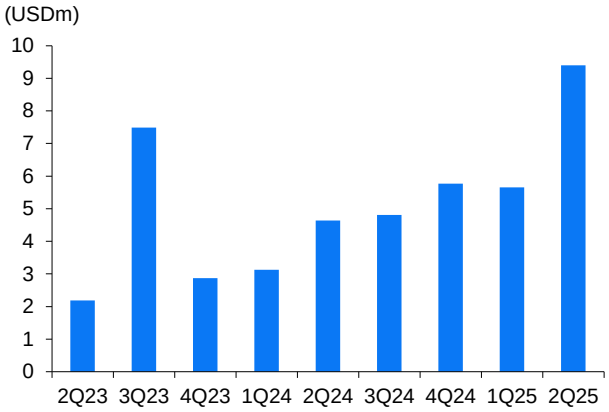
Falling sales of *Lies of P* offset by indie games, web-board games, and *Brown Dust II*: *Lies of P* sales almost tripled in 2Q as the launch of downloadable content in June also boosted sales volumes of the original title. But volume has declined steadily since July. Neowiz plans to minimize the impacts by leveraging the title's inclusion in the PlayStation Plus lineup in August and through a discount event. Revenue from *Lies of P* should stabilize at lower levels until a sequel launches, but we believe the firm will be able to keep its quarterly operating profit at around KRW15b on the launch of indie games (including *Shape of Dreams* and *Hello Seoul*) and steady sales growth of *Pmang* and *Brown Dust II*.

Fundamentals to improve; worth the wait: Reflecting stronger-than-expected performances from *Lies of P* and *Brown Dust II*, we raise our 2025 and 2026 operating profit forecasts by 37% and 87%, respectively, and revise up our target price by 12.9% from KRW31,000 to KRW35,000 (based on 13.7x forward P/E, a 30% discount to the average multiple of domestic and overseas game companies to reflect a 2026 sales growth differential). The next AAA game launch is scheduled for 2H26, but we maintain our BUY rating on the stock whose valuation burden is easing as its earnings base rises (thanks to the growth of existing games).

Brown Dust II: Summer promotion

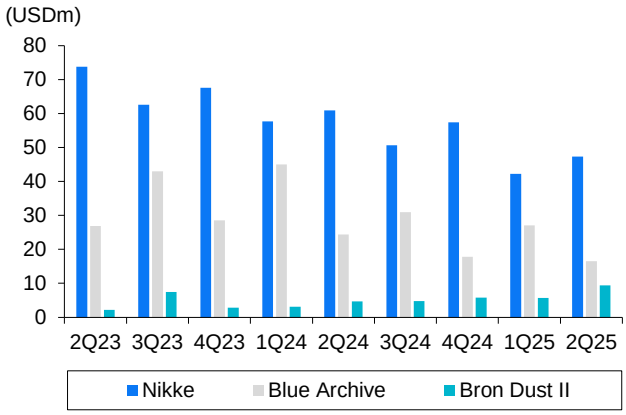
Source: Company data

Brown Dust II: Sales



Source: Sensor Tower

Brown Dust II sales: Narrowing the gap for top-tier *otaku* subculture games

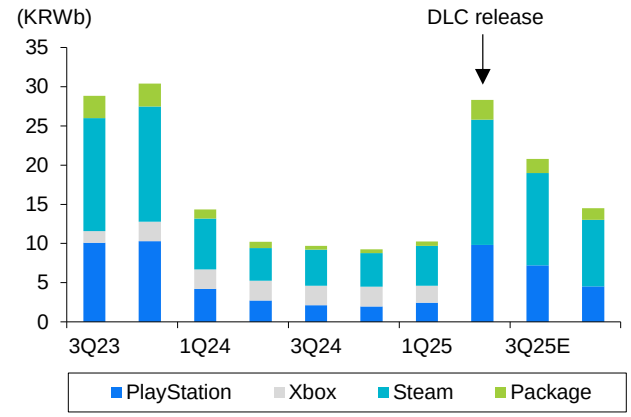


Source: Sensor Tower

Brown Dust II: Continuing to communicate with users via developer notes

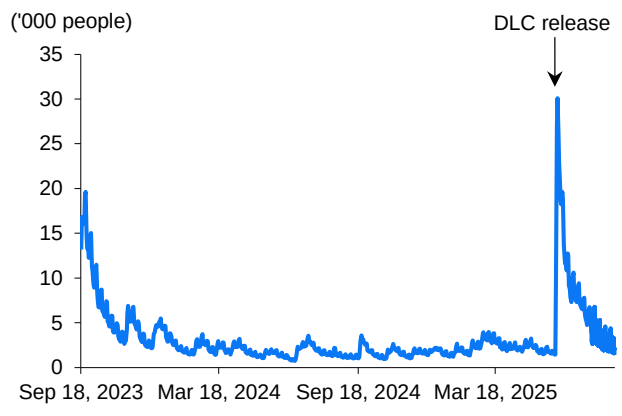
Source: Company data

Lies of P: Sales estimates



Source: Samsung Securities estimates

Lies of P: Concurrent players on Steam

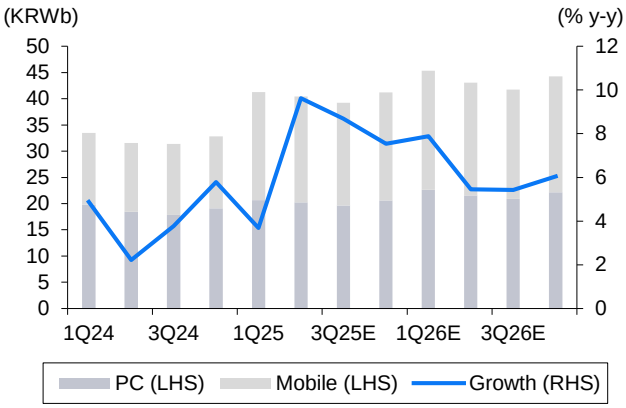


Source: SteamDB

To receive contract payment for Lies of P being included in PlayStation Plus August lineup

Source: Company data

Web-board game sales



Source: Company data, Samsung Securities estimates

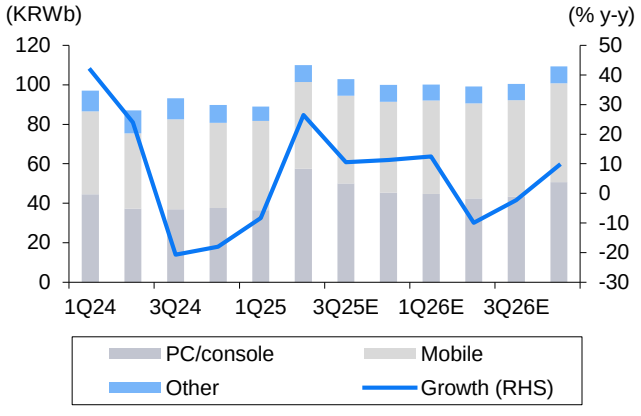
Shape of Dreams to be released on Sep 11

Source: Company data

Goodbye Seoul: Itaewon to be released in 4Q25

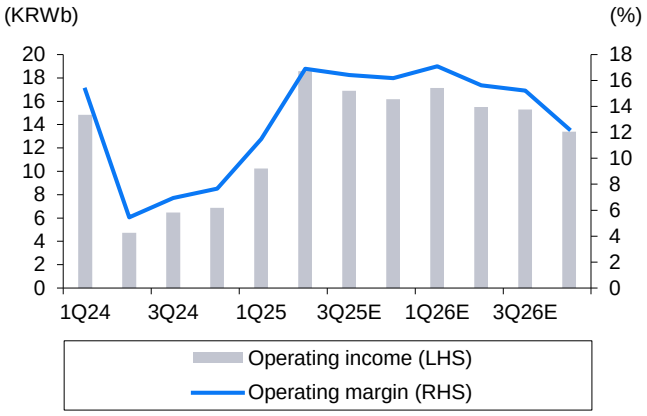
Source: Company data

Quarterly sales



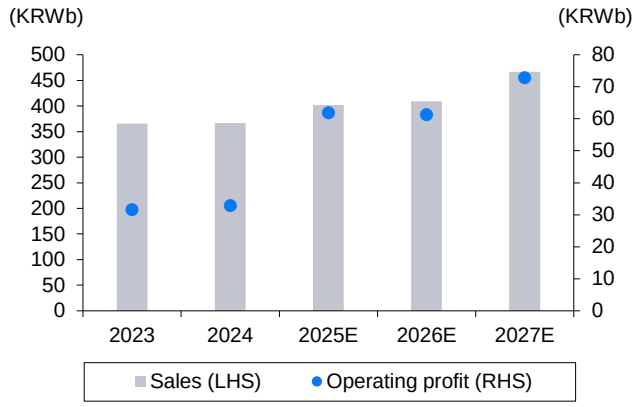
Source: Company data, Samsung Securities estimates

Quarterly operating profit



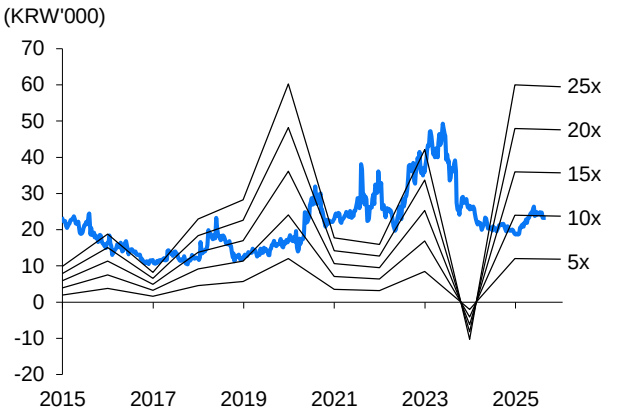
Source: Company data, Samsung Securities estimates

Annual sales and operating profit



Source: Company data, Samsung Securities estimates

12-month-forward P/E band



Source: Company data, Samsung Securities estimates

Upcoming titles

Launch	Title	Genre	Platform	In-house/publishing
2H25	Shape of Dreams	Rogue-like MOBA	PC (Steam)	Publishing (Lizard Smoothie)
	Cats & Soup: Magic Recipe	Simulation	Mobile	In-house
	Goodbye Seoul: Itaewon	Puzzle platformer	PC (Steam)	Publishing (Jino Games)
	The Legend of Heroes: Gagharv Trilogy (Taiwan/Japan)	Collectible RPG	Mobile	In-house
2026~	Kingdom II	MMORPG	Mobile	In-house
	TBD	Retro SF first-person RPG	PC/console	Publishing (Wolfeye Studio)
	TBD	Noir action RPG	PC/console	Publishing (Zakazane Studio)
	TBD	Life simulation	PC/console	In-house
	TBD	Survival action adventure	PC/console	In-house
	Lies of P sequel	Souls-like RPG	PC/console	In-house

Source: Neowiz, Samsung Securities

Valuation

(KRW)	
12-month forward EPS	2,549
Target P/E* (x)	13.7
Fair value per share	35,021
Target price	**35,000**
Current price	23,150
Upside (%)	51.2%

Note: *30% discount to the average of 2025, 2026 P/E at which peer group is trading; Based on Aug 22 closing prices
Source: Samsung Securities estimates

Global peer P/E valuations

(x)	2025E	2026E	Average
Krafton	13.8	12.6	13.2
NCsoft	34.0	16.9	25.4
Netmarble	22.8	22.1	22.5
Nexon	22.5	20.3	21.4
NetEase	15.7	12.6	14.1
EA	23.1	19.2	21.1
Average	**22.0**	**17.3**	**19.6**
Discount (%)	-30.0	-30.0	-30.0
Target P/E	**15.4**	**12.1**	**13.7**

Note: Based on Aug 22 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E
Sales	**97.1**	**87.0**	**93.1**	**89.7**	**89.0**	**110.0**	**102.9**	**99.9**	**100.2**	**99.1**	**100.5**	**109.3**
PC/console	44.6	37.2	36.9	37.6	36.4	57.5	50.1	45.4	44.7	42.5	43.2	50.7
Mobile	42.0	38.1	45.7	43.2	45.3	44.0	44.4	46.0	47.4	48.2	49.0	50.2
Other	10.5	11.6	10.6	9.0	7.3	8.5	8.3	8.5	8.1	8.5	8.3	8.5
Operating expenses	**82.2**	**82.3**	**86.7**	**82.5**	**78.8**	**91.4**	**86.0**	**83.7**	**83.0**	**83.6**	**85.2**	**95.9**
Labor costs	40.0	39.7	38.2	39.3	36.6	41.8	38.6	37.1	35.4	35.8	36.1	39.8
Commission paid	22.5	22.5	25.7	23.7	24.8	30.7	29.5	29.2	29.4	29.5	30.2	36.3
Marketing expenses	8.3	8.3	10.4	8.0	5.6	8.3	7.2	6.5	7.0	6.9	7.0	7.7
Other	11.4	11.8	12.3	11.5	11.8	10.5	10.7	10.9	11.2	11.5	11.9	12.2
Operating profit	**14.8**	**4.7**	**6.5**	**6.9**	**10.2**	**18.6**	**16.9**	**16.2**	**17.1**	**15.5**	**15.3**	**13.4**
Pre-tax profit	18.8	6.6	1.3	(21.9)	9.0	17.2	16.1	11.8	16.5	14.7	14.6	10.0
Net profit	14.3	7.7	(1.4)	(27.6)	6.1	12.8	11.9	8.9	12.4	11.0	10.9	7.5
Net profit (controlling)	17.9	7.8	1.4	(24.7)	7.3	14.0	13.1	9.7	13.6	12.1	12.0	8.2
Adjusted EPS (KRW)	585	373	(256)	92	387	709	640	663	653	593	585	547
Margins (%)												
Operating profit	15.3	5.5	6.9	7.7	11.5	16.9	16.4	16.2	17.1	15.6	15.2	12.3
Pre-tax profit	19.4	7.6	1.4	(24.4)	10.2	15.7	15.6	11.8	16.5	14.8	14.5	9.2
Net profit	14.8	8.8	(1.5)	(30.7)	6.9	11.6	11.6	8.9	12.4	11.1	10.9	6.9
Net profit (controlling)	18.4	9.0	1.5	(27.5)	8.2	12.7	12.7	9.7	13.6	12.2	11.9	7.5

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2025E			2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**377.9**	**401.8**	**6.3**	**378.3**	**409.2**	**8.2**	**438.9**	**467.0**	**6.4**
PC/console	162.3	189.4	16.7	157.5	181.1	15.0	202.4	223.5	10.4
Mobile	185.6	179.9	(3.1)	190.9	194.8	2.0	206.8	210.2	1.7
Other	30.0	32.6	8.8	29.9	33.4	11.7	29.8	33.3	11.7
Operating expenses	**332.8**	**340.0**	**2.2**	**345.5**	**347.9**	**0.7**	**387.9**	**394.2**	**1.6**
Labor costs	149.7	154.1	3.0	153.8	147.1	(4.3)	158.0	153.3	(3.0)
Commission paid	106.3	114.2	7.4	111.3	125.4	12.7	130.6	147.0	12.6
Marketing	28.7	27.6	(4.0)	28.4	28.6	0.9	43.0	41.0	(4.7)
Other	48.1	44.0	(8.4)	52.1	46.7	(10.3)	56.3	53.0	(6.0)
Operating profit	**45.1**	**61.9**	**37.1**	**32.7**	**61.3**	**87.4**	**51.0**	**72.8**	**42.6**
Pre-tax profit	40.5	54.2	33.8	26.8	55.8	108.3	45.1	67.3	49.1
Net profit	29.9	39.7	32.6	25.6	41.9	63.6	33.8	50.5	49.1
Net profit (controlling)	33.5	44.1	31.7	28.1	45.9	63.2	37.2	55.3	48.7
Adjusted EPS (KRW)	1,760	2,399	36.3	1,586	2,378	49.9	2,001	2,810	40.4
Margins (%)									
Operating profit	11.9	15.4		8.7	15.0		11.6	15.6	
Pre-tax profit	10.7	13.5		7.1	13.6		10.3	14.4	
Net profit	7.9	9.9		6.8	10.2		7.7	10.8	
Net profit (controlling)	8.9	11.0		7.4	11.2		8.5	11.9	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**366**	**367**	**402**	**409**	**467**
Cost of goods sold	0	0	0	0	0
Gross profit	**366**	**367**	**402**	**409**	**467**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	334	334	340	348	394
Operating profit	**32**	**33**	**62**	**61**	**73**
Operating margin (%)	8.6	9.0	15.4	15.0	15.6
Non-operating gains (losses)	**12**	**-28**	**-8**	**-6**	**-6**
Financial profit	14	21	17	16	16
Financial costs	15	14	20	20	20
Equity-method gains (losses)	-0	-1	-1	-0	-0
Other	13	-35	-4	-2	-2
Pre-tax profit	**44**	**5**	**54**	**56**	**67**
Taxes	-3	12	14	14	17
Effective tax rate (%)	-6.1	243.3	26.8	25.0	25.0
Profit from continuing operations	46	-7	40	42	50
Profit from discontinued operations	0	0	0	0	0
Net profit	**46**	**-7**	**40**	**42**	**50**
Net margin (%)	12.7	-1.9	9.9	10.2	10.8
Net profit (controlling interests)	49	2	44	46	55
Net profit (non-controlling interests)	-2	-9	-4	-4	-5
EBITDA	50	50	68	61	73
EBITDA margin (%)	13.8	13.7	16.8	15.0	15.6
EPS (parent-based) (KRW)	2,209	109	2,017	2,101	2,532
EPS (consolidated) (KRW)	2,107	-316	1,814	1,916	2,308
Adjusted EPS (KRW)*	1,685	-411	2,399	2,378	2,810

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**298**	**314**	**349**	**398**	**462**
Cash & equivalents	130	117	121	154	189
Accounts receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	168	197	228	244	273
Fixed assets	**374**	**306**	**317**	**320**	**325**
Investment assets	70	59	66	68	74
Tangible assets	87	87	94	94	94
Intangible assets	149	100	95	95	95
Other long-term assets	67	60	63	63	63
Total assets	**671**	**620**	**667**	**718**	**788**
Current liabilities	**113**	**81**	**86**	**94**	**109**
Accounts payable	11	11	6	7	8
Short-term debt	0	0	0	0	0
Other current liabilities	102	70	80	87	102
Long-term liabilities	**31**	**20**	**21**	**23**	**26**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	31	20	21	23	26
Total liabilities	**144**	**101**	**107**	**117**	**136**
Owners of parent equity	**489**	**487**	**532**	**578**	**634**
Capital stock	11	11	11	11	11
Capital surplus	130	130	130	130	130
Retained earnings	428	421	465	511	566
Other	-80	-75	-73	-73	-73
Non-controlling interests' equity	**38**	**32**	**27**	**23**	**18**
Total equity	**528**	**519**	**560**	**601**	**652**
Net debt	-182	-223	-234	-278	-334

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**65**	**34**	**64**	**48**	**61**
Net profit	46	-7	40	42	50
Non-cash profit and expenses	26	77	24	15	18
Depreciation	6	5	1	0	0
Amortization	13	13	4	0	0
Other	7	60	18	15	18
Changes in A/L from operating activities	-1	-26	13	5	10
Cash flow from investments	**-10**	**-16**	**-56**	**-11**	**-22**
Change in tangible assets	-1	-1	-7	0	0
Change in financial assets	-46	-33	-9	-11	-22
Other	37	18	-40	0	0
Cash flow from financing	**-14**	**-35**	**-0**	**0**	**0**
Change in debt	2	-20	0	0	0
Change in equity	0	0	0	0	0
Dividends	0	-5	0	0	0
Other	-15	-10	-0	0	0
Change in cash	38	-13	4	33	34
Cash at beginning of year	92	130	117	121	154
Cash at end of year	130	117	121	154	189
Gross cash flow	**72**	**70**	**64**	**57**	**68**
Free cash flow	**64**	**32**	**57**	**48**	**61**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	24.1	0.3	9.6	1.8	14.1
Operating profit	61.5	4.2	88.0	-0.9	18.7
Net profit	251.6	nm	nm	5.6	20.5
Adjusted EPS**	165.2	nm	nm	-0.9	18.2
Per-share data (KRW)					
EPS (parent-based)	2,209	109	2,017	2,101	2,532
EPS (consolidated)	2,107	-316	1,814	1,916	2,308
Adjusted EPS**	1,685	-411	2,399	2,378	2,810
BVPS	24,005	24,475	26,954	29,279	32,081
DPS (common)	245	0	0	0	0
Valuations (x)					
P/E***	15.8	n/a	9.9	10.0	8.5
P/B***	1.1	0.8	0.9	0.8	0.7
EV/EBITDA	8.8	4.4	4.7	4.3	2.8
Ratios (%)					
ROE	10.4	0.5	8.6	8.3	9.1
ROA	7.5	-1.1	6.2	6.0	6.7
ROIC	18.6	-24.8	27.0	28.3	34.7
Payout ratio	10.3	0.0	0.0	0.0	0.0
Dividend yield (common)	0.9	0.0	0.0	0.0	0.0
Net debt to equity	-34.4	-43.0	-41.8	-46.3	-51.2
Interest coverage (x)	17.2	63.0	n/a	n/a	n/a

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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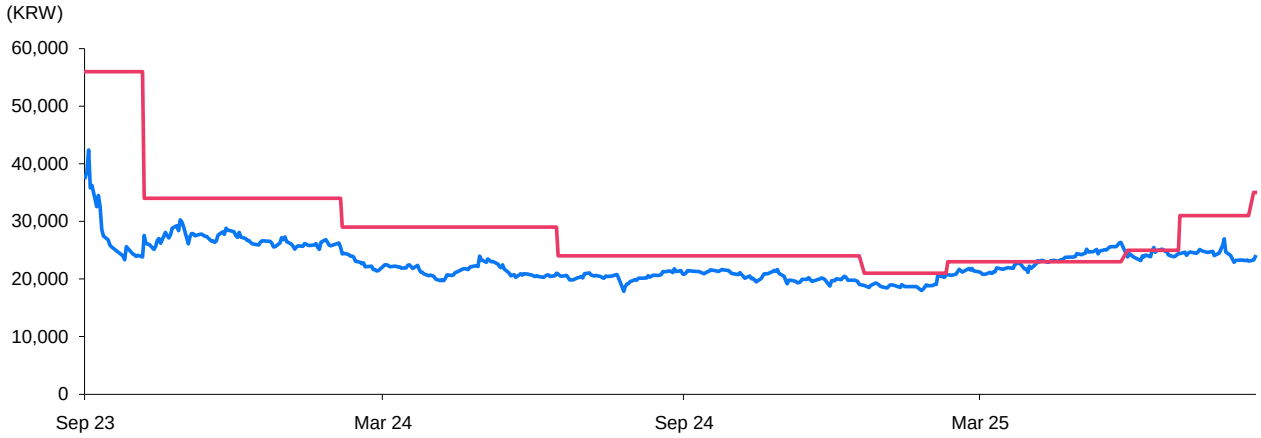
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/8/11	10/17	2024/2/15	6/26	12/30	2025/2/19	6/9	7/11	8/25
Recommendation	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD	BUY	BUY
Target price (KRW)	56000	34000	29000	24000	21000	23000	25000	31000	35000
Gap* (average)	-40.87	-20.97	-25.31	-15.00	-9.45	-0.53	-2.77	-21.40	
(max or min)**	-24.29	-11.03	-15.69	-9.17	-0.95	14.57	1.80	-13.06	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.06.30

BUY(81.8%)·HOLD(18.2%)·SELL(0%)

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