COMPANY UPDATE

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Tech Team

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NHN (181710)

Focus on growth at NHN Cloud and NHN KCP

- NHN's 3Q operating profit grew 26% y-y, meeting consensus, thanks to robust growth at its payments subsidiary NHN KCP.
- The firm's flagship game business has continued to serve as a cash cow. In addition, NHN Cloud should see government-related cloud sales grow in earnest in 2026 and NHN KCP has been enjoying profitability improvement. All in all, we believe NHN will see its valuation discount ease.
- We raise our target price for the firm by 20.7% to KRW35,000, and upgrade the stock from HOLD to BUY.

WHAT'S THE STORY?

3Q review: NHN's 3Q sales grew 2.8% y-y on the back of growing payments and technology sales. Game sales rose 5.1% y-y as mobile web-board game sales continued to grow, and payments sales were up 15.5% y-y on NHN KCP's online/offline transaction value growth. Technology sales increased 8.8% y-y on robust growth of domestic public cloud sales and NHN Techorus (Japan). Other sales were down 31.4% y-y as commerce and Comico sales continued to fall. Thanks to growing operating profit at NHN KCP, the firm's consolidated operating profit rose 26% q-q in 3Q to KRW27.6b, meeting consensus.

Game business still serves as cash cow: Although new titles The *Darkest Days* and *Abyssdia* have put in sluggish performances, the firm saw its game sales hold up well thanks to solid growth of web-board and Japanese mobile game sales. We expect game sales to rebound next year, since the firm is set to launch *Final Fantasy* IP-based new title *Dissidia Duellum FF* in 1H26, along with the titles originally set for launch this year (including *Puzzle Star*, and *Topaz*).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	2,456	2,500	2,832	3,220
Operating profit (KRWb)	-33	108	132	171
Net profit (adj) (KRWb)	-193	5	32	71
EPS (adj) (KRW)	-2,101	627	1,222	1,667
EPS (adj) growth (% y-y)	nm	nm	94.9	36.4
EBITDA margin (%)	2.9	8.4	8.4	8.7
ROE (%)	-8.6	0.2	1.3	2.9
P/E (adj) (x)	n/a	45.5	23.4	17.1
P/B (x)	0.4	0.6	0.6	0.6
EV/EBITDA (x)	7.0	4.2	3.9	3.4
Dividend yield (%)	2.8	1.8	1.8	1.8

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW35,000	22.6%
Current price	KRW28,550	
Market cap	KRW964.02b/USD661.69m	
Shares (float)	32,753,139 (37.0%)	
52-week high/low	KRW33,950/KRW15,640	
Avg daily trading value (60-day)	KRW3.5b/ USD2.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
NHN (%)	1.2	28.3	73.3
Vs Kospi (%pts)	-9.1	-16.5	12.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	HOLD	
Target price	35,000	29,000	20.7%
2025E EPS	627	1,702	-63.2%
2026E EPS	1,222	2,793	-56.2%

SAMSUNG vs THE STREET

No of estimates	7
Target price	33,000
Recommendation	3.7

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

NHN Cloud and NHN KCP promising: In 2Q26, NHN should begin recognition of sales relating to a government GPU project (which should start in 1Q26)—such sales should be worth KRW300b over the next five years. Next year, the firm is also expected to recognize sales relating to restoration of damages from a fire at the National Information Resources Service (NIRS) data center in Daejeon, which should drive NHN Cloud sales. Meanwhile, NHN KCP has been enjoying operating leverage amid sales growth and profitability improvement. All in all, we expect NHN's operating profit to grow around 12% y-y in 2026.

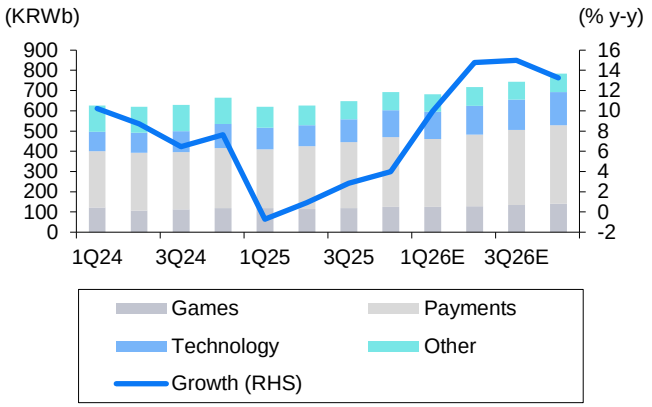
Earnings in uptrend; focusing on changes: Reflecting robust growth at NHN Cloud and NHN KCP, we raise our target price for NHN by 20.7% from KRW29,000 to KRW35,000 (based on an SOTP method), and upgrade the stock from HOLD to BUY. NHN shares have been discounted, despite over KRW700b in its net cash and financial asset holdings, as the firm's non-core (non-flagship) businesses have suffered persistent losses. However, NHN Cloud and NHN KCP have been enjoying profitability improvement, and game sales are set to rebound in 2026 on the release of the popular IP-based new title. We therefore expect the firm to see a valuation discount ease.

3Q review

(KRWb)	3Q25			Diff (%)		3Q24	2Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**625.6**	**622.5**	**633.2**	**0.5**	**(1.2)**	**608.4**	**604.9**	**2.8**	**3.4**
Games	118.3	121.1		(2.4)		112.5	114.9	5.1	2.9
Payment	327.3	297.5		10.0		283.4	309.4	15.5	5.8
Technology	111.8	114.2		(2.2)		102.7	104.5	8.8	7.0
Other	89.6	109.9		(18.5)		130.7	96.5	(31.4)	(7.1)
Internal transactions	(21.3)	(20.2)		5.3		(20.9)	(20.4)	1.8	4.3
Operating expenses	**598.0**	**596.7**		**0.2**		**721.8**	**583.0**	**(17.2)**	**2.6**
Salaries and employee benefits	107.9	110.5		(2.4)		107.3	108.1	0.6	(0.2)
Commission paid	406.3	419.1		(3.1)		414.2	391.7	(1.9)	3.7
Marketing expenses	23.7	19.0		24.7		17.7	21.0	33.5	12.8
D&A expenses	25.2	28.3		(10.9)		27.1	25.1	(7.0)	0.5
Other	34.9	19.8		76.2		155.5	37.1	(77.6)	(6.0)
Operating profit	**27.6**	**25.8**	**26.5**	**7.0**	**4.2**	**(113.4)**	**21.9**	**Turned pos**	**26.1**
Pre-tax profit	39.1	18.8	29.6	107.8	31.9	(97.4)	23.8	Turned pos	64.0
Net profit	18.0	9.4	26.9	91.6	(33.1)	(110.3)	11.2	Turned pos	60.3
Net profit (controlling)	12.1	10.8	20.2	11.8	(40.1)	(72.2)	9.1	Turned pos	33.6
Margins (%)									
Operating profit	4.4	4.1	4.2			(18.6)	3.6		
Pre-tax profit	6.2	3.0	4.7			(16.0)	3.9		
Net profit	2.9	1.5	4.2			(18.1)	1.9		
Net profit (controlling)	1.9	1.7	3.2			(11.9)	1.5		

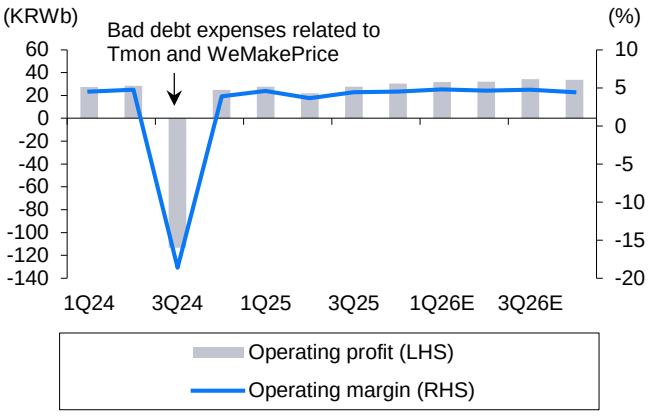
Source: Company data, FnGuide, Samsung Securities estimates

Quarterly sales, by division



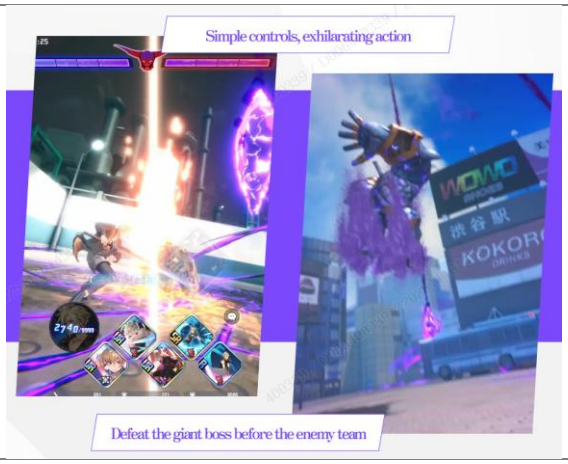
Source: Company data, Samsung Securities estimates

Quarterly operating income



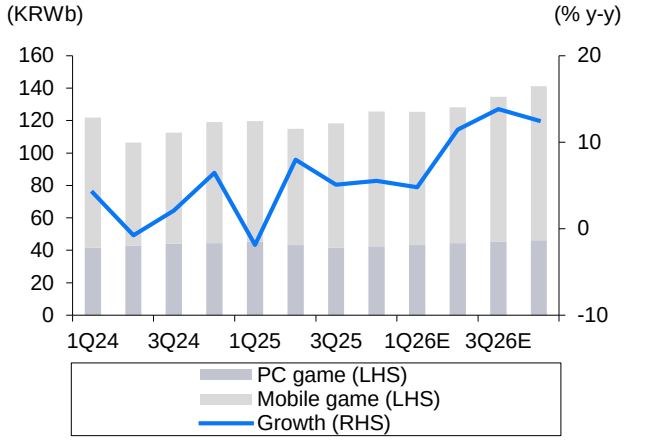
Source: Company data, Samsung Securities estimates

Final Fantasy IP: Dissidia Duellum Final Fantasy



Source: Company data

Game sales



Source: Company data, Samsung Securities estimates

Changes in web board game regulations

	2014	2016	2018	2020	2022	2024
Monthly payment limit	KRW300,000	KRW500,000	KRW500,000	KRW500,000	KRW700,000	KRW700,000
Single bet limit	KRW30,000	KRW50,000	KRW50,000	KRW50,000	KRW70,000	KRW70,000
Daily loss limit	KRW100,000	KRW100,000	KRW100,000	User setting limit up to KRW500,000	User setting limit up to KRW700,000	User setting limit up to KRW700,000
Game opponent selection	X	KRW2,500	KRW2,500	KRW2,500	KRW3,500	KRW3,500
Automatic betting	X	X	X	X	X	X
Self-check frequency	Quarterly	Annually	Annually	Annually	Annually	Annually

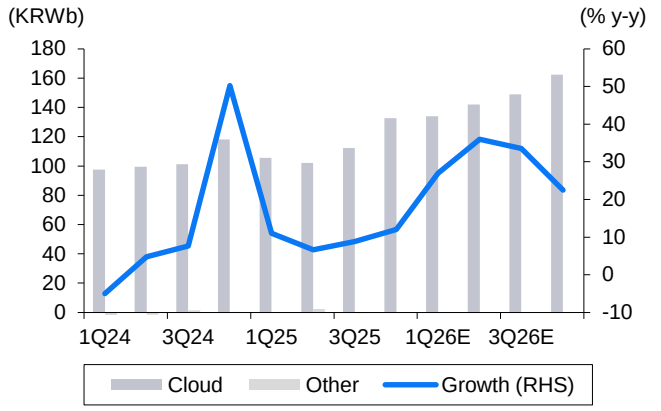
Source: Samsung Securities

Upcoming titles

Launch	Title	Genre	Details
3Q25	Abyssdia	Collectible RPG	Otaku-subculture
1H26	Puzzle STAR	Three-match puzzle	Oshi no Ko (My Star's Child) IP-based
	DISSIDIA DUELLUM FINAL FANTASY	Fighting game	Final fantasies IP-based
	Touken Puzzle	Action puzzle	Touken Ranbu IP-based
	Suuiplash	Causal	Web 3-based
2H26	Project MM	Puzzle	IP-based
	EMMA	Casual	

Source: Company data, Samsung Securities

Technology sales



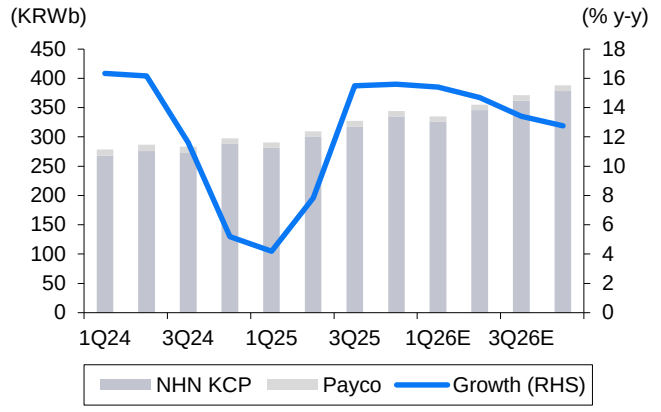
Source: Company data, Samsung Securities estimates

AI computing resource utilization and infrastructure enhancement project

Leading organization	MSIT, NIPA
Target	Purchase 13,000 GPUs through public-private cooperation and provide computing resources as a services to industries and research institutes
Method	CSPs will operate GPUaaS within data centers equipped with the latest GPU clustering capabilities
Project scale	KRW1,459t
Selected companies	Naver Cloud, Kakao Enterprise, NHN Cloud
GPUs allocated by company	NHN Cloud: B200 7,656 units Naver Cloud: H200 2,296 units Kakao Cloud: B200 2,040 units

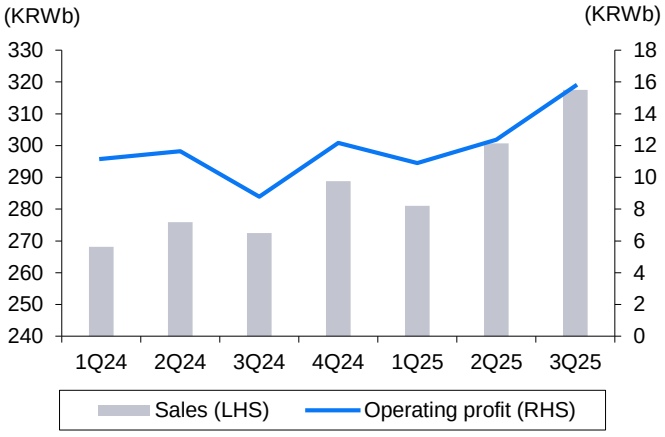
Source: MIST, Samsung Securities

Payment sales



Source: Company data, Samsung Securities estimates

NHN KCP sales



Source: Company data, Samsung Securities estimates

NHN: Valuation

	(KRW)
EV	**1,176**
Asset value	**627**
Net cash	350
Financial assets	277
Book value	395
Discount (%)	30.0
Earnings	**549**
12MF adjusted net profit	35
Target P/E* (x)	**15.7**
# of shares issued	33,766,123
Fair price per share	34,814
Target price	**35,000**
Current price (Nov 10 close)	29,200
Upside (%)	19.9%

Note: * 1:3 weighted average of 2025, 2026 P/E at which peer group is trading;
Source: Samsung Securities estimates

NHN's peers: Valuations

(x)	2025E	2026E	Weighted average
Krafton	14.5	13.2	13.5
Netmarble	26.1	24.1	24.6
NCsoft	34.0	17.2	21.4
Com2us	19.7	13.1	14.7
Neowiz	13.2	13.7	13.6
DoubleU Games	7.1	6.5	6.6
Target P/E	**19.1**	**14.6**	**15.7**

Note: Based on Nov 10 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E
Sales	**604.4**	**599.4**	**608.4**	**643.9**	**600.1**	**604.9**	**625.6**	**669.6**	**659.8**	**694.2**	**719.4**	**758.3**
Games	121.9	106.4	112.5	119.0	119.6	114.9	118.3	125.6	125.3	128.1	134.6	141.2
Payment	278.6	286.9	283.4	297.5	290.3	309.4	327.3	343.9	335.1	354.9	371.2	387.8
Technology	95.1	98.0	102.7	118.5	105.6	104.5	111.8	132.7	134.1	142.1	149.2	162.6
Other	130.2	128.6	130.7	129.3	104.5	96.5	89.6	90.1	87.7	92.7	88.9	92.4
Internal transactions	(21.5)	(20.5)	(20.9)	(20.4)	(19.9)	(20.4)	(21.3)	(22.7)	(22.3)	(23.7)	(24.4)	(25.8)
Operating expenses	**577.1**	**570.9**	**721.8**	**618.9**	**572.5**	**583.0**	**598.0**	**639.3**	**628.0**	**662.0**	**685.2**	**724.6**
Salaries and employee benefits	113.6	111.3	107.3	106.6	113.8	108.1	107.9	110.6	115.6	111.7	112.5	113.4
Commission paid	331.0	337.2	414.2	391.7	368.4	391.7	406.3	438.7	431.7	467.5	487.2	520.9
Marketing expenses	17.0	14.7	17.7	17.7	18.2	21.0	23.7	26.4	19.4	20.4	21.2	22.3
D&A expenses	24.6	25.4	27.1	27.4	26.4	25.1	25.2	25.4	25.9	26.2	26.6	26.9
Other	90.9	82.4	155.5	75.6	45.7	37.1	34.9	38.2	35.4	36.2	37.6	41.2
Operating profit	**27.3**	**28.5**	**(113.4)**	**25.0**	**27.6**	**21.9**	**27.6**	**30.3**	**31.8**	**32.2**	**34.3**	**33.7**
Pre-tax profit	18.1	21.4	(97.4)	(71.7)	24.1	23.8	39.1	(9.3)	26.2	28.5	30.9	4.2
Net profit	(4.8)	4.6	(110.3)	(82.1)	(0.2)	11.2	18.0	(24.2)	10.5	11.4	12.4	(2.1)
Net profit (controlling)	(3.3)	6.1	(72.2)	(63.1)	(3.8)	9.1	12.1	(14.5)	6.3	6.8	7.4	(1.3)
Adjusted EPS (KRW)	87	456	-2,448	152	74	223	131	199	286	268	279	389
Margins (%)												
Operating profit	4.5	4.8	(18.6)	3.9	4.6	3.6	4.4	4.5	4.8	4.6	4.8	4.4
Pre-tax profit	3.0	3.6	(16.0)	(11.1)	4.0	3.9	6.2	(1.4)	4.0	4.1	4.3	0.6
Net profit	(0.8)	0.8	(18.1)	(12.8)	(0.0)	1.9	2.9	(3.6)	1.6	1.6	1.7	(0.3)
Net profit (controlling)	(0.6)	1.0	(11.9)	(9.8)	(0.6)	1.5	1.9	(2.2)	1.0	1.0	1.0	(0.2)

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	**2,506.8**	**2,500.2**	**(0.3)**	**2,713.4**	**2,831.8**	**4.4**	**2,972.7**	**3,220.3**	**8.3**
Games	482.2	478.3	(0.8)	509.1	529.3	4.0	540.0	576.6	6.8
Payment	1,206.6	1,271.0	5.3	1,283.6	1,448.9	12.9	1,375.4	1,666.2	21.1
Technology	467.9	454.6	(2.8)	571.0	588.0	3.0	699.5	709.7	1.5
Other	432.7	380.6	(12.0)	439.4	361.7	(17.7)	456.8	378.2	(17.2)
Internal transactions	(82.7)	(84.3)	1.9	(89.6)	(96.2)	7.3	(98.9)	(110.4)	11.6
Operating expenses	**2,395.9**	**2,392.7**	**(0.1)**	**2,581.1**	**2,699.8**	**4.6**	**2,823.4**	**3,049.1**	**8.0**
Salaries and employee benefits	445.3	440.3	(1.1)	439.4	453.2	3.1	447.7	472.3	5.5
Commission paid	1,686.6	1,605.1	(4.8)	1,840.0	1,907.2	3.7	2,033.3	2,209.7	8.7
Marketing expenses	73.2	89.3	22.0	80.0	83.4	4.2	87.7	94.8	8.1
D&A expenses	111.6	102.1	(8.6)	136.4	105.6	(22.6)	163.1	110.4	(32.3)
Other	79.1	155.9	97.1	85.2	150.4	76.5	91.6	162.0	76.8
Operating profit	**110.9**	**107.5**	**(3.1)**	**132.3**	**132.0**	**(0.3)**	**149.3**	**171.2**	**14.7**
Pre-tax profit	35.3	77.6	119.9	62.4	89.8	43.8	92.3	142.7	54.6
Net profit	(18.7)	4.8	흑전	20.5	32.1	56.9	55.4	71.3	28.9
Net profit (controlling)	(16.1)	2.9	흑전	29.7	19.3	(35.1)	61.8	42.8	(30.7)
Adjusted EPS (KRW)	1,702	627	(63.2)	2,793	1,222	(56.2)	3,314	1,667	(49.7)
Margins (%)									
Operating profit	4.4	4.3		4.9	4.7		5.0	5.3	
Pre-tax profit	1.4	3.1		2.3	3.2		3.1	4.4	
Net profit	(0.7)	0.2		0.8	1.1		1.9	2.2	
Net profit (controlling)	(0.6)	0.1		1.1	0.7		2.1	1.3	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,270**	**2,456**	**2,500**	**2,832**	**3,220**
Cost of goods sold	0	0	0	0	0
Gross profit	**2,270**	**2,456**	**2,500**	**2,832**	**3,220**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	2,214	2,489	2,393	2,700	3,049
Operating profit	**56**	**-33**	**108**	**132**	**171**
Operating margin (%)	2.4	-1.3	4.3	4.7	5.3
Non-operating gains (losses)	**-43**	**-97**	**-30**	**-42**	**-29**
Financial profit	81	92	69	70	70
Financial costs	78	69	64	74	74
Equity-method gains (losses)	5	-11	-4	-5	-4
Other	-51	-109	-31	-33	-20
Pre-tax profit	**13**	**-130**	**78**	**90**	**143**
Taxes	36	63	73	58	71
Effective tax rate (%)	278.1	-48.7	93.8	64.2	50.0
Profit from continuing operations	-23	-193	5	32	71
Profit from discontinued operations	0	0	0	0	0
Net profit	**-23**	**-193**	**5**	**32**	**71**
Net margin (%)	-1.0	-7.8	0.2	1.1	2.2
Net profit (controlling interests)	-9	-133	3	19	43
Net profit (non-controlling interests)	-15	-60	2	13	29
EBITDA	149	72	210	238	282
EBITDA margin (%)	6.6	2.9	8.4	8.4	8.7
EPS (parent-based) (KRW)	-243	-3,904	85	571	1,268
EPS (consolidated) (KRW)	-656	-5,674	142	952	2,113
Adjusted EPS (KRW)*	182	-2,101	627	1,222	1,667

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,537**	**1,419**	**1,293**	**1,341**	**1,432**
Cash & equivalents	772	622	548	534	547
Accounts receivable	182	185	168	191	216
Inventories	67	49	34	39	44
Other current assets	516	563	542	578	625
Fixed assets	**1,912**	**1,774**	**1,703**	**1,696**	**1,692**
Investment assets	532	474	480	518	561
Tangible assets	706	701	636	548	456
Intangible assets	427	345	357	400	441
Other long-term assets	247	254	229	231	233
Total assets	**3,450**	**3,193**	**2,996**	**3,037**	**3,124**
Current liabilities	**888**	**878**	**714**	**694**	**675**
Accounts payable	0	0	0	0	0
Short-term debt	53	65	28	28	28
Other current liabilities	836	813	686	665	647
Long-term liabilities	**571**	**549**	**552**	**598**	**652**
Bonds & long-term debt	179	176	156	156	156
Other long-term liabilities	392	374	396	442	496
Total liabilities	**1,460**	**1,428**	**1,266**	**1,292**	**1,327**
Owners of parent equity	**1,631**	**1,451**	**1,451**	**1,454**	**1,477**
Capital stock	19	19	19	19	19
Capital surplus	1,229	1,229	1,229	1,229	1,229
Retained earnings	524	325	314	317	345
Other	-140	-121	-110	-111	-115
Non-controlling interests' equity	**358**	**314**	**279**	**292**	**320**
Total equity	**1,990**	**1,765**	**1,730**	**1,745**	**1,797**
Net debt	-547	-410	-365	-329	-324

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**165**	**47**	**76**	**78**	**118**
Net profit	-23	-193	5	32	71
Non-cash profit and expenses	232	468	190	161	180
Depreciation	75	86	85	88	92
Amortization	18	18	17	18	19
Other	138	364	88	55	69
Changes in A/L from operating activities	15	-168	-60	-57	-61
Cash flow from investments	**-294**	**-50**	**25**	**-26**	**-31**
Change in tangible assets	-308	-42	-12	0	0
Change in financial assets	-9	-43	12	9	5
Other	22	35	25	-34	-36
Cash flow from financing	**269**	**-149**	**-159**	**-36**	**-36**
Change in debt	176	22	-56	3	4
Change in equity	0	0	0	0	0
Dividends	-6	-21	-18	-16	-16
Other	100	-150	-84	-24	-24
Change in cash	141	-150	-73	-15	13
Cash at beginning of year	631	772	622	548	534
Cash at end of year	772	622	548	534	547
Gross cash flow	**209**	**275**	**195**	**193**	**251**
Free cash flow	**-153**	**-1**	**63**	**78**	**118**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	7.3	8.2	1.8	13.3	13.7
Operating profit	42.4	nm	nm	22.7	29.7
Net profit	nm	nm	nm	572.6	122.0
Adjusted EPS**	-43.4	nm	nm	94.9	36.4
Per-share data (KRW)					
EPS (parent-based)	-243	-3,904	85	571	1,268
EPS (consolidated)	-656	-5,674	142	952	2,113
Adjusted EPS**	182	-2,101	627	1,222	1,667
BVPS	48,402	45,675	46,445	46,530	47,272
DPS (common)	500	500	500	500	500
Valuations (x)					
P/E***	128.0	n/a	45.5	23.4	17.1
P/B***	0.5	0.4	0.6	0.6	0.6
EV/EBITDA	4.2	7.0	4.2	3.9	3.4
Ratios (%)					
ROE	-0.5	-8.6	0.2	1.3	2.9
ROA	-0.7	-5.8	0.2	1.1	2.3
ROIC	-10.0	-4.4	0.6	4.1	7.1
Payout ratio	-197.4	-12.0	547.2	81.0	36.5
Dividend yield (common)	2.1	2.8	1.8	1.8	1.8
Net debt to equity	-27.5	-23.2	-21.1	-18.9	-18.1
Interest coverage (x)	2.4	-1.1	4.6	5.6	7.1

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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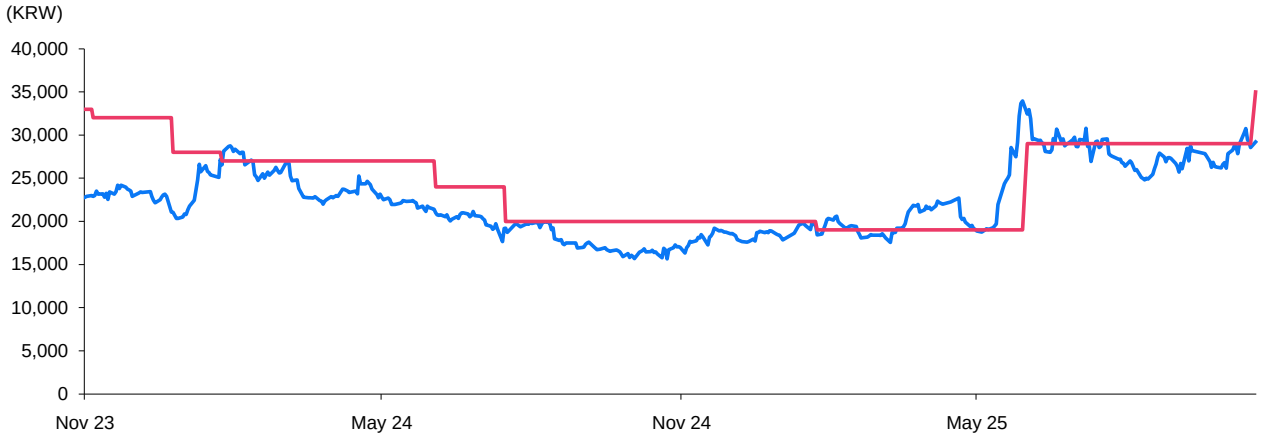
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/5/11	11/28	2024/1/16	2/15	6/25	8/7	2025/2/14	6/23	11/10
Recommendation	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	BUY
Target price (KRW)	33000	32000	28000	27000	24000	20000	19000	29000	35000
Gap* (average)	-25.68	-27.63	-16.28	-10.71	-15.79	-10.26	10.07	-3.66	
(max or min)**	-13.94	-24.38	-3.04	6.48	-11.88	-0.30	78.68	-14.48	

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

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Industry

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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

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BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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