COMPANY UPDATE

2026. 1. 13

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Krafton (259960)

New-title visibility is key to rebound

- Despite the seasonal dip in *PUBG Mobile* in China, we believe Krafton's consolidated sales expanded 12% q-q in 4Q as ADK became subject to consolidated accounting from 4Q25. But operating profit likely slumped 76% q-q due to payments to employee welfare funds.
- The company plans to reverse *PUBG*'s sales and traffic declines in 2026 through mode-focused content updates. Some new titles are set to launch this year, but major game release schedules remain uncertain.
- P/E valuation remains at all-time low. Stock rebound is expected from 2H, when new-game visibility improves.

Tech Team

Donghwan Oh
Senior Analyst
dh1.oh@samsung.com

AT A GLANCE

BUY

Target price	KRW310,000	31.4%
Current price	**KRW236,000**	
Market cap	KRW11.2t/USD7.6b	
Shares (float)	47,403,831 (57.8%)	
52-week high/low	KRW386,000/KRW229,500	
Avg daily trading value (60-day)	KRW23.8b/ USD16.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Krafton (%)	-5.2	-33.2	-29.6
Vs Kospi (%pts)	-14.6	-54.2	-61.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	310,000	380,000	-18.4%
2025E EPS	17,479	20,059	-12.9%
2026E EPS	21,933	23,677	-7.4%

SAMSUNG vs THE STREET

No of estimates	20
Target price	408,421
Recommendation	3.9

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

WHAT'S THE STORY?

4Q preview: We believe Krafton's 4Q consolidated sales rose 12% q-q, despite seasonally weak *PUBG* sales, because Japanese advertising and animation group ADK became subject to consolidated accounting from 4Q25. PC game sales likely expanded 23% y-y thanks to collaborations with brands (such as Porsche and Balenciaga), though it diminished 19% q-q due to a high base from having included high-profile partnerships with aespa, Bugatti, and G-Dragon in 3Q. Mobile sales likely declined 1.2% y-y and 27% q-q due to reduced sales from *PUBG Mobile* in China. Other sales likely climbed around KRW30b on the ADK consolidation. However, operating profit likely fell 62% y-y and 76% q-q to KRW82.6b (66% short of consensus) largely due to lower game sales and the payout of around KRW80b in employee welfare funds (housing and childbirth support program).

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	2,710	3,381	4,817	5,422
Operating profit	1,182	1,135	1,421	1,510
Net profit (adj)	1,303	841	1,172	1,241
EPS (adj) (KRW)	19,196	17,479	21,933	23,468
EPS (adj) growth (% y-y)	81.1	-8.9	25.5	7.0
EBITDA margin (%)	47.6	37.5	32.8	31.1
ROE (%)	21.1	12.0	15.1	13.8
P/E (adj) (x)	16.3	14.1	10.8	10.1
P/B (x)	2.1	1.5	1.3	1.1
EV/EBITDA (x)	11.2	9.2	6.9	6.4
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

Plans to avoid competition through content updates: Declines in *PUBG* traffic on Steam and the sales ranking of *PUBG Mobile* in China are attributable to intensifying competition within the shooting genre, raising market concerns about the long-term viability of the *PUBG* IP. Despite five IP collaborations since 3Q25, peak concurrent users on Steam have continued to decline, fueling concerns about IP aging. However, the company says that core metrics such as monthly active users (MAU) remain stable, with plans to sustain *PUBG* sales growth in 2026 through mode-focused content updates, the introduction of new growing items, and optimized IP collaborations. In fact, sales of *PUBG Mobile* in China have rebounded following a January promotion. A large-scale Lunar New Year promotion in February is expected to further strengthen this rebound in sales. The sustainability of *PUBG* IP sales growth will depend on how convincing the *PUBG* update roadmap is when it is released in March.

Uncertain new-game momentum: Krafton's new-game momentum should pick up in earnest from 2027. In 2026, the company plans to release two games—*PUBG: Blind Spot* and *Subnautica II*. The former is set for early access on Feb 5 and a full release in 2H. Its high difficulty, which may appeal to some but not others, may limit sales contribution. The latter is scheduled for release in 2H after undergoing internal evaluation at the start of the year. While user expectations on Steam (the world's largest PC game platform) remain high, there is uncertainty regarding its commercial success, as the release date was previously delayed due to concerns about the quality and quantity of content. Meanwhile, *Palworld Mobile* is expected to enter closed beta testing (CBT) this year, with a potential limited release this year in some countries. As the release is likely not before year-end at the earliest, its contribution to the company's 2026 sales should be limited.

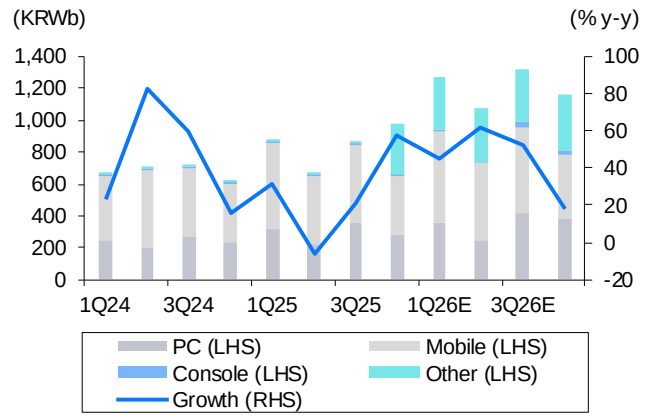
Investment strategy for 2H: We maintain our BUY rating on the stock, considering the lowered valuation and the continued strong performance of *PUBG*. However, we are lowering our target price by 18.4% from KRW380,000 to KRW310,000 (based on 16.4x 12-month forward P/E; a discount of 15% to domestic/overseas game peers' average P/E to reflect its weak new title momentum), reflecting the intensifying competition within the shooting game genre and the uncertainty surrounding the release schedule of new titles. The stock is now trading at 12.1x forward P/E, which is at the lower end of the 5-year P/E band. For the valuation to rebound, the sustainability of the *PUBG* IP and the visibility of new major title releases are essential. Therefore, we recommend buying the stock after the new title release schedule becomes clearer.

4Q preview

(KRWb)	4Q25			Diff (%)		4Q24	3Q25	Chg	
	New	Old	Consensus	Old	Consensus			(% y-y)	(% q-q)
Sales	**974**	**738**	**869**	**32.0**	**12.2**	**618**	**871**	**57.7**	**11.9**
PC	287	303		(5.4)		233	354	23.4	(18.9)
Mobile	358	406		(11.8)		362	488	(1.2)	(26.7)
Console	11	10		10.3		12	10	(11.4)	6.7
Other	318	19		1581.7		10	18	2,943.4	1,665.8
Operating expenses	**892**	**506**		**76.2**		**402**	**522**	**121.7**	**70.8**
Personnel	241	168		43.5		143	161	68.3	49.9
Platform fees/cost of revenue	387	120		221.5		85	129	356.3	201.0
Commission paid	149	135		10.5		98	142	51.9	5.0
Marketing	65	33		96.6		38	43	72.3	50.9
Other	49	50		(0.9)		38	48	29.0	3.5
Operating profit	**83**	**232**	**242**	**(64.3)**	**(65.9)**	**215**	**349**	**(61.6)**	**(76.3)**
Pre-tax profit	112	271	303	(58.8)	(63.2)	603	487	(81.5)	(77.1)
Net profit	85	206	222	(58.8)	(61.8)	491	369	(82.7)	(77.1)
Net profit (controlling)	84	205	230	(58.8)	(63.3)	492	368	(82.9)	(77.1)
Margins (%)									
Operating profit	8.5	31.4	27.9			34.9	40.0		
Pre-tax profit	11.5	36.8	34.9			97.6	55.9		
Net profit	8.7	27.9	25.6			79.5	42.4		
Net profit (controlling)	8.7	27.8	26.5			79.7	42.2		

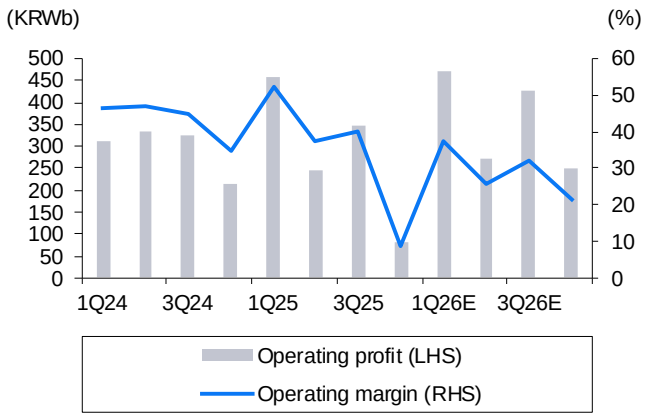
Source: Company data, FnGuide, Samsung Securities estimates

Sales, by platform



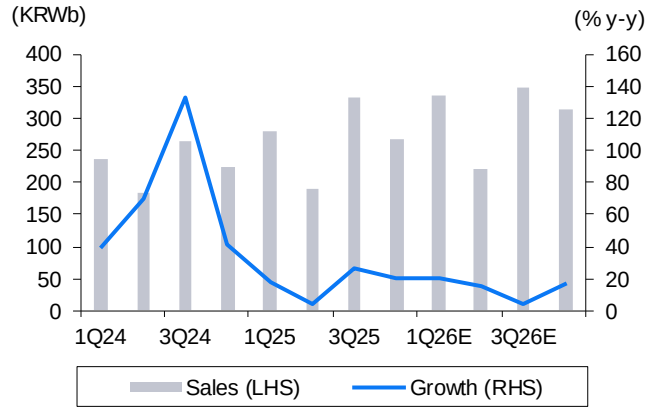
Source: Company data, Samsung Securities estimates

Operating profit vs operating margin



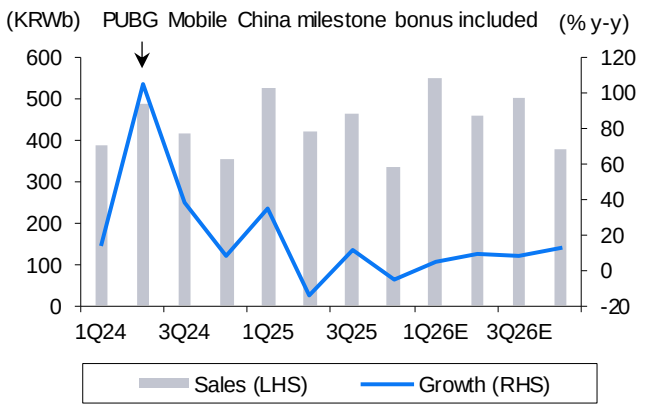
Source: Company data, Samsung Securities estimates

PUBG (PC): Sales



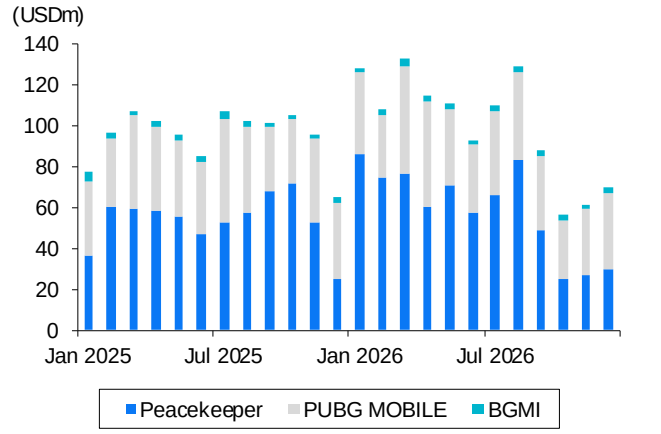
Source: Company data, Samsung Securities estimates

PUBG Mobile: Sales



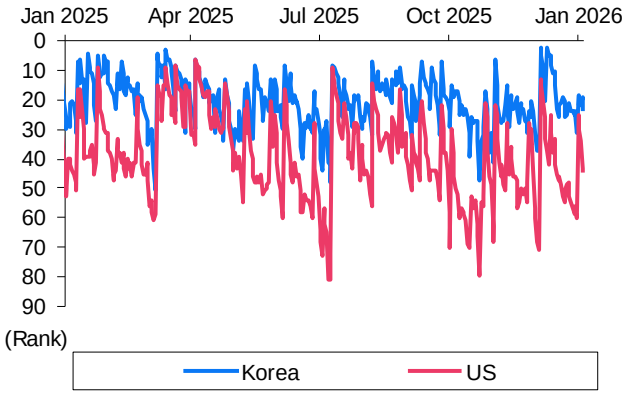
Source: Company data, Samsung Securities estimates

Mobile game monthly sales



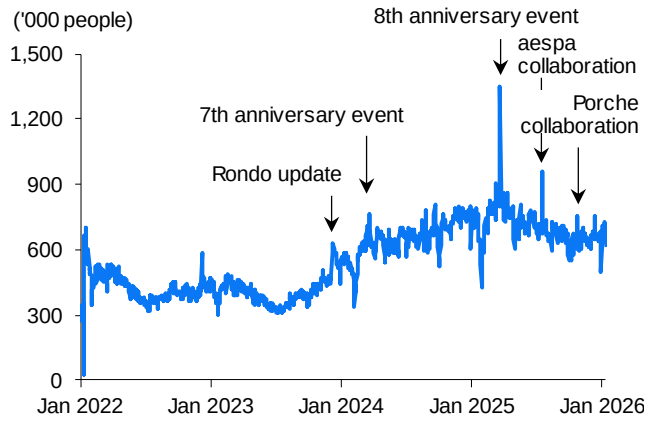
Source: Sensor Tower

PUBG on Steam: Weekly global sales ranking



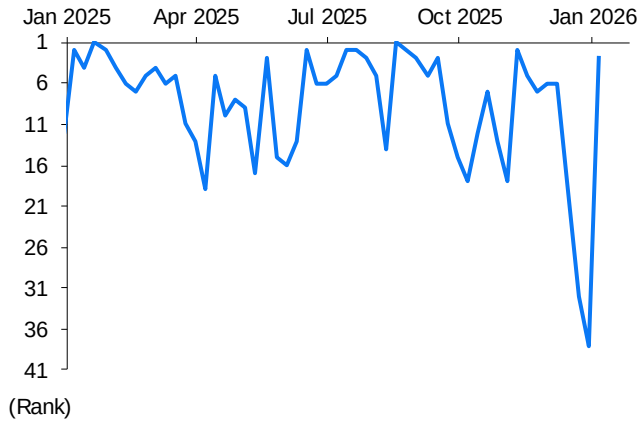
Note: Ranked by iOS game sales
Source: Sensor Tower

PUBG on Steam: Concurrent number of users



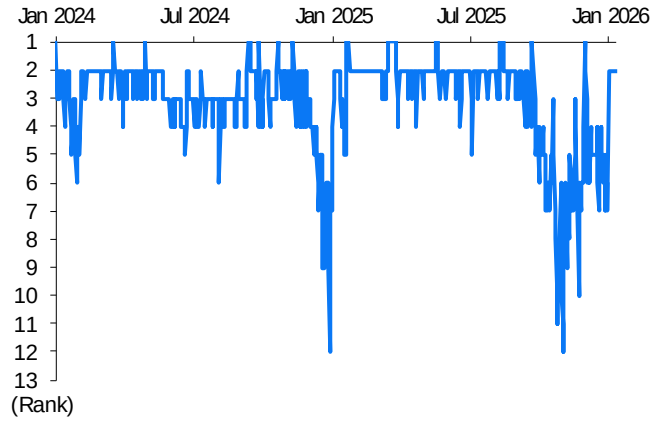
Source: SteamDB

PUBG on Steam: Weekly global sales ranking



Source: SteamDB

PUBG Mobile China: iOS game sales ranking in China



Source: Sensor Tower

PUBG: Blindspot Steam early access launch in Feb 5

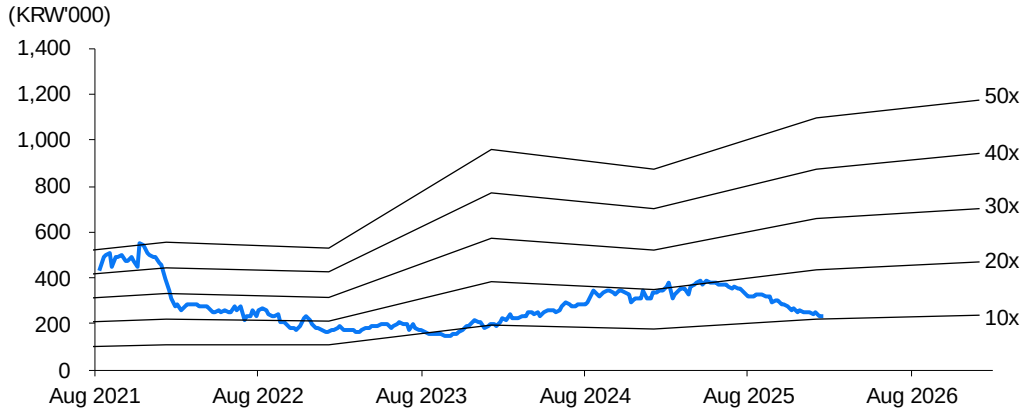
Source: Company data

Upcoming titles

Launch	Title	Genre	Platform	Note
4Q25	My Little Puppy	Sing play adventure	PC	Developed by DreamMotion
	Dinkum	Frontier life simulation	PC, console	Nintendo Switch in Nov 2025; Switch 2 in 2026
2026~	PUBG: Blindspot	5vs5 top-down tactical shooter	PC	Steam early access launch in Feb 5
	Subnautica II	Underwater survival adventure	PC, console	Early Access on Steam and via Xbox Game Pass
	Palworld Mobile	Survival	Mobile	Platform expansion
	Dinkum Together	Frontier life simulation	Mobile, PC, console	Developing a mobile-centric cross-platform game based on Dinkum IP
	Black Budget	Extraction shooter	PC, console	Closed alpha test at end-2025
	Project Windless	Open-world action RPG	PC, console	*The Bird That Drinks Tears* IP-based title
	No Law	Open-world shooter RPG	PC, console	Developed by Neon Giant

Source: Company data, Samsung Securities

12-month forward P/E band



Source: QuantiWise, Samsung Securities

Valuation

(KRW)	
12-month forward EPS	19,121
Target P/E (x) *	16.4
Fair value per share	312,817
Target price	**310,000**
Current price	235,000
Upside (%)	31.9

Note: *1:3 weighted average of 2025 and 2026 P/E at which peer group is trading, applying 15% discount reflecting limited expectations for new releases;
Based on Jan 12 closing prices
Source: Samsung Securities estimates

Global peer P/E valuations

(x)	2025E	2026E	Weighted average
EA	31.1	23.6	25.5
Tencent	20.0	17.7	18.3
NetEase	16.7	15.8	16.0
Nexon	29.6	25.9	26.8
Netmarble	13.4	13.2	13.3
Shiftup	11.6	17.0	15.6
Average	**20.4**	**18.9**	**19.2**

Note: 1:3 weighted average;
Based on Jan 12 closing prices
Source: Bloomberg

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**1,911**	**2,710**	**3,381**	**4,817**	**5,422**
Cost of goods sold	0	0	0	0	0
Gross profit	**1,911**	**2,710**	**3,381**	**4,817**	**5,422**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,143	1,527	2,246	3,396	3,912
Operating profit	**768**	**1,182**	**1,135**	**1,421**	**1,510**
Operating margin (%)	40.2	43.6	33.6	29.5	27.8
Non-operating gains (losses)	**61**	**540**	**-13**	**123**	**125**
Financial profit	38	33	21	27	27
Financial costs	9	9	12	10	9
Equity-method gains (losses)	-44	-48	-31	-23	-23
Other	76	565	7	129	129
Pre-tax profit	**829**	**1,723**	**1,121**	**1,544**	**1,635**
Taxes	235	420	280	372	394
Effective tax rate (%)	28.3	24.4	25.0	24.1	24.1
Profit from continuing operations	594	1,303	841	1,172	1,241
Profit from discontinued operations	0	0	0	0	0
Net profit	**594**	**1,303**	**841**	**1,172**	**1,241**
Net margin (%)	31.1	48.1	24.9	24.3	22.9
Net profit (controlling interests)	595	1,306	839	1,166	1,234
Net profit (non-controlling interests)	-1	-3	2	6	6
EBITDA	876	1,289	1,267	1,580	1,689
EBITDA margin (%)	45.9	47.6	37.5	32.8	31.1
EPS (parent-based) (KRW)	12,221	27,162	17,630	24,600	26,039
EPS (consolidated) (KRW)	12,194	27,089	17,674	24,728	26,174
Adjusted EPS (KRW)*	10,600	19,196	17,479	21,933	23,468

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**3,964**	**5,004**	**4,231**	**5,075**	**5,870**
Cash & equivalents	721	582	474	684	841
Accounts receivable	700	1,007	1,030	1,223	1,355
Inventories	0	0	0	0	0
Other current assets	2,543	3,416	2,727	3,168	3,674
Fixed assets	**2,476**	**2,915**	**4,283**	**4,601**	**5,022**
Investment assets	918	1,148	1,353	1,661	2,072
Tangible assets	257	240	465	472	480
Intangible assets	608	656	931	932	934
Other long-term assets	693	871	1,536	1,536	1,536
Total assets	**6,440**	**7,919**	**8,514**	**9,676**	**10,892**
Current liabilities	**521**	**785**	**737**	**722**	**699**
Accounts payable	0	0	0	0	0
Short-term debt	7	7	7	7	7
Other current liabilities	513	778	730	715	692
Long-term liabilities	**361**	**306**	**413**	**417**	**415**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	361	306	413	417	415
Total liabilities	**882**	**1,090**	**1,150**	**1,139**	**1,115**
Owners of parent equity	**5,554**	**6,828**	**7,151**	**8,317**	**9,551**
Capital stock	5	5	5	5	5
Capital surplus	1,472	1,478	1,476	1,476	1,476
Retained earnings	3,895	5,081	5,744	6,910	8,145
Other	183	264	-74	-74	-74
Non-controlling interests' equity	**4**	**1**	**214**	**220**	**226**
Total equity	**5,559**	**6,829**	**7,364**	**8,537**	**9,777**
Net debt	-647	-513	-206	-433	-608

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**662**	**908**	**881**	**1,122**	**1,258**
Net profit	594	1,303	841	1,172	1,241
Non-cash profit and expenses	324	126	483	535	570
Depreciation	77	85	105	123	139
Amortization	31	22	27	35	40
Other	216	19	351	376	392
Changes in A/L from operating activities	-139	-276	5	-213	-159
Cash flow from investments	**-394**	**-832**	**-404**	**-141**	**-159**
Change in tangible assets	-34	-20	-99	-131	-147
Change in financial assets	20	-65	215	-4	-7
Other	-381	-747	-520	-6	-5
Cash flow from financing	**-225**	**-259**	**-395**	**-27**	**-25**
Change in debt	-0	-6	83	-15	-13
Change in equity	23	6	-2	0	0
Dividends	0	0	0	0	0
Other	-248	-259	-476	-13	-12
Change in cash	46	-139	-108	210	157
Cash at beginning of year	675	721	582	474	684
Cash at end of year	721	582	474	684	841
Gross cash flow	**919**	**1,428**	**1,325**	**1,707**	**1,811**
Free cash flow	**628**	**888**	**781**	**992**	**1,111**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	3.1	41.8	24.8	42.5	12.6
Operating profit	2.2	54.0	-4.0	25.3	6.2
Net profit	18.8	119.3	-35.4	39.3	5.8
Adjusted EPS**	-5.2	81.1	-8.9	25.5	7.0
Per-share data (KRW)					
EPS (parent-based)	12,221	27,162	17,630	24,600	26,039
EPS (consolidated)	12,194	27,089	17,674	24,728	26,174
Adjusted EPS**	10,600	19,196	17,479	21,933	23,468
BVPS	120,194	150,187	160,194	186,318	213,970
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	18.3	16.3	14.1	10.8	10.1
P/B***	1.6	2.1	1.5	1.3	1.1
EV/EBITDA	10.0	11.2	9.2	6.9	6.4
Ratios (%)					
ROE	11.2	21.1	12.0	15.1	13.8
ROA	9.5	18.1	10.2	12.9	12.1
ROIC	41.3	64.6	37.6	34.4	34.2
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	-11.6	-7.5	-2.8	-5.1	-6.2
Interest coverage (x)	86.2	125.0	87.5	113.0	123.2

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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- As of 1/12 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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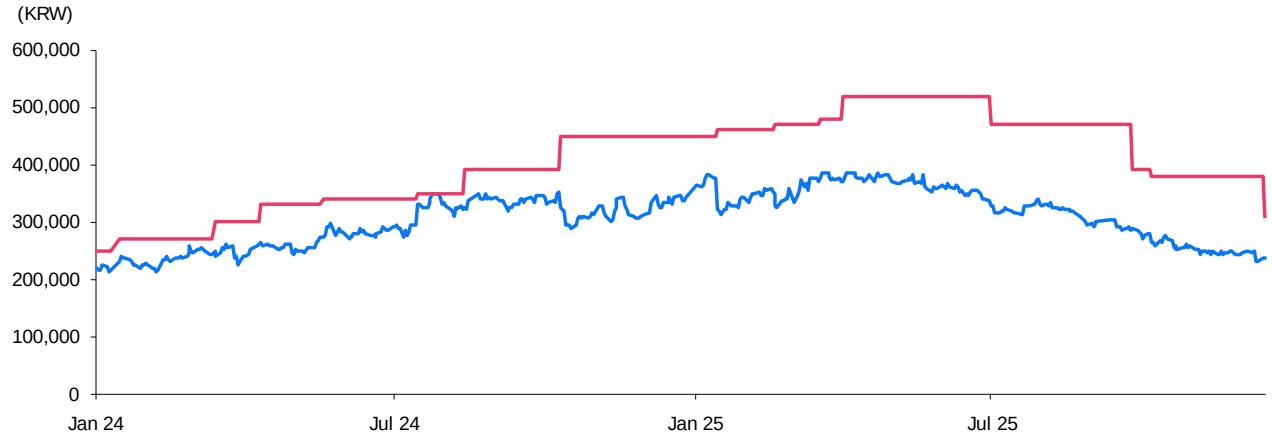
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/23	2024/2/13	4/11	5/9	6/17	8/13	9/11	11/8	2025/2/12	3/19	4/16	4/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	250000	270000	300000	330000	340000	350000	390000	450000	460000	470000	480000	520000
Gap* (average)	-17.63	-12.80	-17.85	-22.59	-16.76	-5.61	-13.29	-27.25	-26.43	-25.08	-21.22	-29.80
(max or min)**	-10.80	-4.81	-13.33	-17.58	-12.65	-0.29	-10.00	-14.89	-22.17	-19.68	-19.58	-25.77
Date	7/30	10/24	11/5	2026/1/13								
Recommendation	BUY	BUY	BUY	BUY								
Target price (KRW)	470000	390000	380000	310000								
Gap* (average)	-33.18	-28.48	-34.01									
(max or min)**	-27.87	-26.92	-39.61									

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 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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