COMPANY UPDATE

2026. 1. 16

Tech Team

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Shift Up (462870)

Wait until new games released in 2027

- We forecast Shift Up's 4Q operating profit to fall 33% q-q on declining sales from existing games and increased development costs for new titles, falling 29% below consensus.
- With the next major release not expected until 2027, we see it as inevitable for its operating profit and valuation falling this year. We maintain our HOLD rating and recommend investing in 2027 when the next title becomes more visible.

WHAT'S THE STORY?

To suffer a larger-than-expected decline in operating profit in 4Q: We forecast Shift Up's 4Q sales to fall 18% q-q, hit by decreased sales of *Nikke* and *Stellar Blade*. *Nikke* sales kept tumbling q-q, dragged down by *Nikke*'s China sales down 17% q-q (vs *Nikke*'s global sales (eg, in Japan and Korea) up just 5% q-q). *Stellar Blade* sales likely fell 34% q-q, despite year-end promotions, due to a fall in sales volume. Operating profit should fall 33% q-q to KRW33.3b, missing FnGuide consensus by 29%, due to rising outsourcing & labor costs related to new game development.

Content vacuum to be extended: *Nikke Global* is mitigating sales decline through content updates, but *Nikke China* and *Stellar Blade* are experiencing rapid sales drops. The next major title, *Spirit*, is targeting a 2027 release, and delays to 2028 are also possible depending on development progress. *Stellar Blade II* is expected to launch after *Spirit*. In 2026, the company should suffer a fall in operating profit, faced by simultaneous challenges—declining sales from existing games and rising development costs (eg, labor and outsourcing) for *Spirit*.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	224	292	221	206
Operating profit (KRWb)	153	177	111	85
Net profit (adj) (KRWb)	148	166	101	82
EPS (adj) (KRW)	2,400	2,568	1,685	1,346
EPS (adj) growth (% y-y)	12.5	7.0	-34.4	-20.1
EBITDA margin (%)	70.1	62.5	51.3	41.7
ROE (%)	31.3	20.2	10.8	8.0
P/E (adj) (x)	26.4	13.8	20.8	26.1
P/B (x)	4.8	2.3	2.1	1.9
EV/EBITDA (x)	21.8	10.6	15.8	20.2
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

AT A GLANCE

HOLD

Target price	KRW32,000	-8.8%
Current price	KRW35,100	
Market cap	KRW2.1t/USD1.4b	
Shares (float)	58,961,440 (56.2%)	
52-week high/low	KRW68,800/KRW33,250	
Avg daily trading value (60-day)	KRW2.4b/ USD1.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Shift Up (%)	-7.1	-20.9	-41.4
Vs Kospi (%pts)	-20.8	-47.0	-69.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	32,000	40,000	-20.0%
2025E EPS	2,568	2,560	0.3%
2026E EPS	1,685	1,647	2.3%

SAMSUNG vs THE STREET

No of estimates	9
Target price	51,222
Recommendation	4.0

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

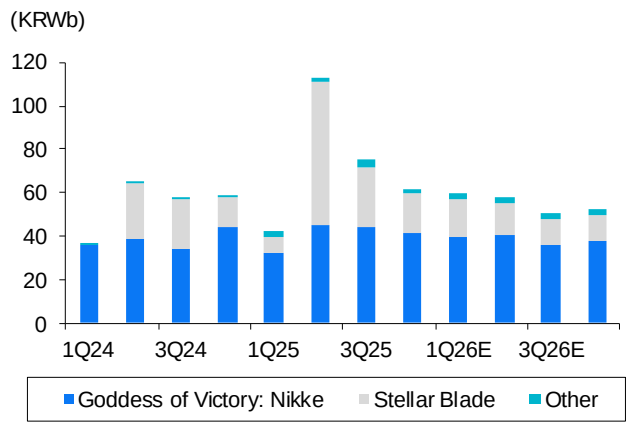
Wait until 2027: We lower our 2026 operating profit forecast for the company by 2.4% to reflect the declining sales and rising costs. We also cut our target price by 20% from KRW 40,000 to KRW 32,000 (based on 19x 2026 P/E, the average for domestic and international gaming companies). We shall maintain our HOLD rating until the next title becomes visible or the current P/E ratio (21.1x) falls to a more reasonable level.

4Q preview

(KRWb)	4Q25			Diff (%)		4Q24	3Q25	Chg	
	New	Old	Consensus	Old	Consensus			(% y-y)	(% q-q)
Sales	**61.7**	**71.4**	**69.1**	**-13.6**	**-10.6**	**63.5**	**75.5**	**-2.7**	**-18.2**
Goddess of Victory: Nikke	41.1	49.9		-17.6		43.9	44.5	-6.4	-7.5
Stellar Blade	18.3	18.0		1.6		14.3	27.7	27.5	-33.9
Other	2.3	3.5		-34.0		1.0	3.3	131.6	-30.0
Operating expenses	**28.5**	**29.3**		**-2.9**		**17.3**	**26.0**	**64.3**	**9.7**
Labor costs	14.4	16.1		-10.8		9.8	14.0	46.7	2.8
Commission paid	11.7	9.6		22.0		4.8	9.2	140.7	26.2
Other	2.4	3.7		-33.5		2.7	2.7	-9.6	-10.7
Operating profit	**33.3**	**42.1**	**46.9**	**-21.0**	**-29.0**	**46.2**	**49.5**	**-27.9**	**-32.8**
Pre-tax profit	41.3	44.1	52.0	-6.5	-20.7	70.6	68.1	-41.6	-39.4
Net profit	33.1	35.3	45.3	-6.2	-26.8	59.5	54.6	-44.4	-39.4
Net profit (controlling)	33.1	35.3	43.4	-6.2	-23.7	59.5	54.6	-44.4	-39.4
Margins (%)									
Operating profit	53.9	59.0	67.9			72.7	65.6		
Pre-tax profit	66.8	61.8	75.3			111.2	90.1		
Net profit	53.6	49.4	65.5			93.8	72.4		
Net profit (controlling)	53.6	49.4	62.8			93.8	72.4		

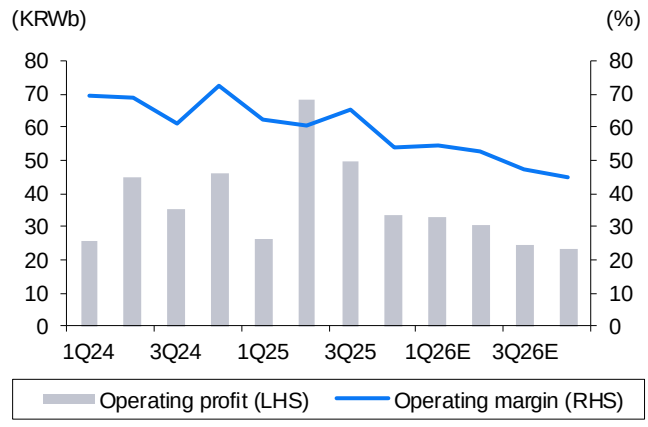
Source: Company data, FnGuide, Samsung Securities estimates

Quarterly sales, by game



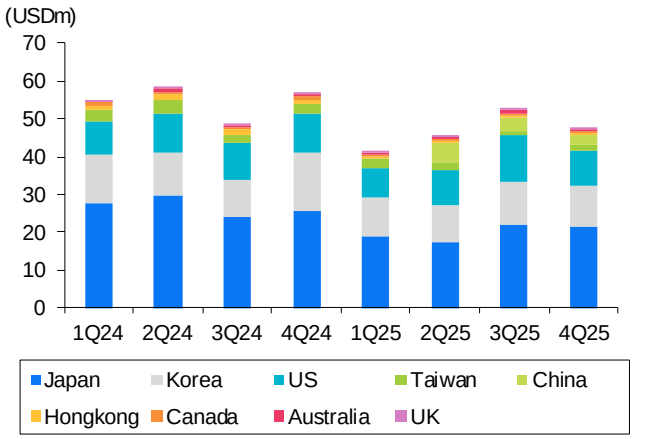
Source: Company data, Samsung Securities estimates

Quarterly operating profit



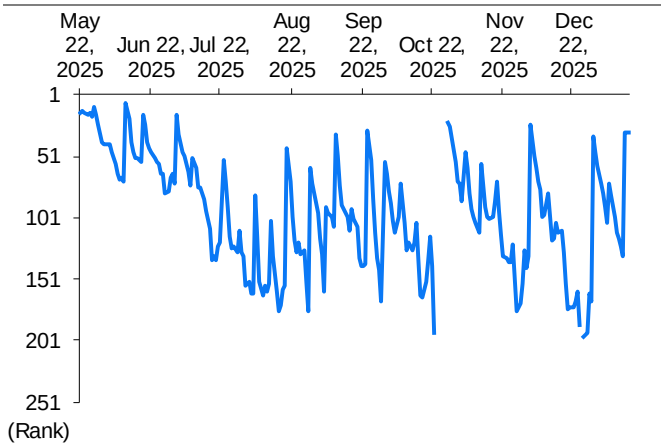
Source: Company data, Samsung Securities estimates

Nikke: Quarterly sales estimates



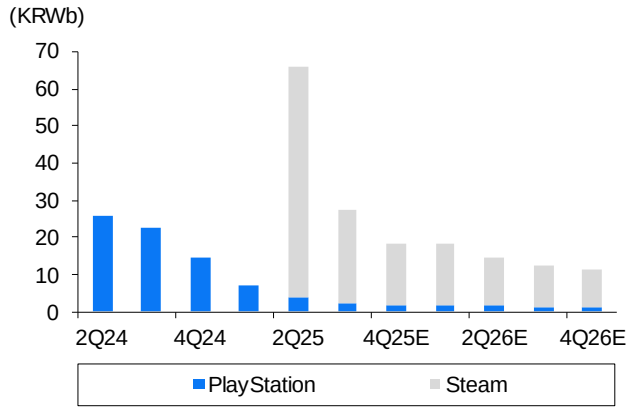
Source: Sensor Tower

Nikke: China iOS game sales ranking



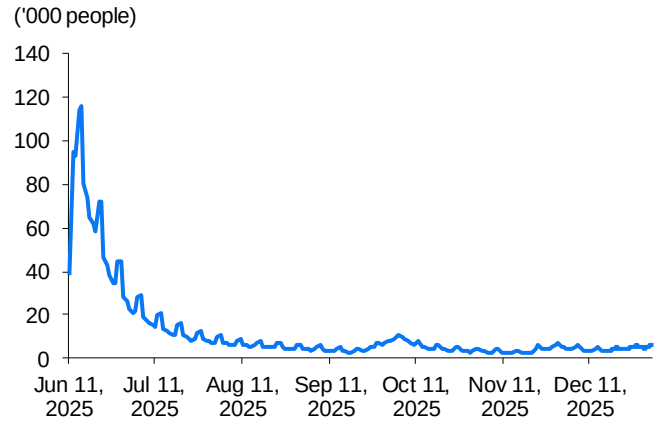
Source: Sensor Tower

Stellar Blade: Sales



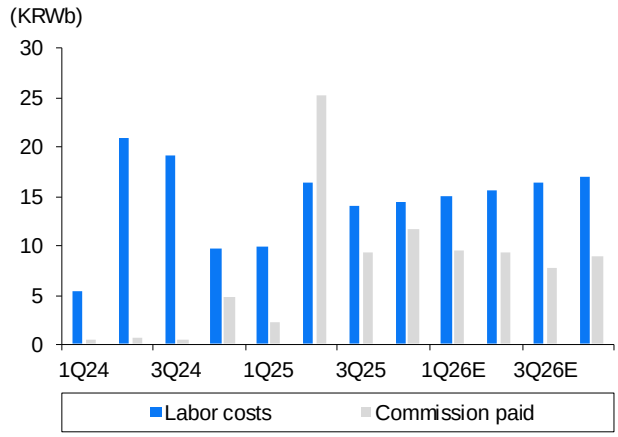
Source: Samsung Securities estimates

Stellar Blade: Concurrent number of players on Steam



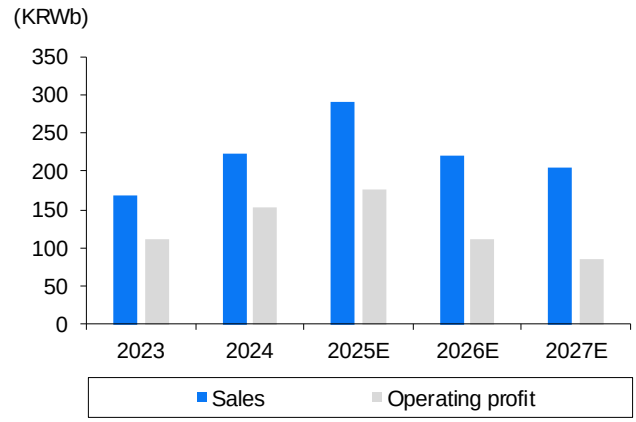
Source: SteamDB

Cost trend



Source: Company data, Samsung Securities estimates

Annual sales and operating profit



Source: Samsung Securities estimates

Shift Up: P/E valuation

	(KRW)
2026 EPS	1,685
Target P/E* (x)	19.0
Fair price per share	31,966
Target price	**32,000**
Current price	35,250
Upside (%)	(9.2)

Note: *Average of 2026 P/E multiples at which peer group is trading; Based on Jan 14 closing prices
Source: Samsung Securities estimates

Peer P/E valuations

(x)	2025E	2026E
NCsoft	18.8	17.1
Netmarble	13.8	13.6
Pearl Abyss	n/a	17.4
Nexon	30.1	26.4
EA	31.1	23.6
NetEase	16.6	15.7
Average	**22.1**	**19.0**

Note: Based on Jan 14 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E
Sales	**37.4**	**65.2**	**58.0**	**63.5**	**42.2**	**112.4**	**75.5**	**61.7**	**60.0**	**58.0**	**51.0**	**52.2**
Goddess of Victory: Nikke	36.5	38.5	34.2	43.9	32.3	45.1	44.5	41.1	39.3	40.7	35.9	38.0
Stellar Blade	0.0	25.9	22.6	14.3	7.0	65.7	27.7	18.3	18.2	14.7	12.5	11.4
Spirit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.9	0.9	1.2	1.0	2.9	1.6	3.3	2.3	2.5	2.6	2.7	2.7
Operating expenses	**11.4**	**20.2**	**22.4**	**17.3**	**16.0**	**44.2**	**26.0**	**28.5**	**27.1**	**27.5**	**26.8**	**28.7**
Labor costs	5.3	21.0	19.1	9.8	9.8	16.4	14.0	14.4	15.0	15.6	16.4	17.0
Commission paid	0.5	0.8	0.5	4.8	2.2	25.2	9.2	11.7	9.6	9.3	7.7	8.9
Other	5.6	-1.6	2.8	2.7	3.9	2.5	2.7	2.4	2.5	2.6	2.7	2.7
Operating profit	**25.9**	**45.0**	**35.6**	**46.2**	**26.3**	**68.2**	**49.5**	**33.3**	**32.8**	**30.5**	**24.2**	**23.5**
Pre-tax profit	29.2	47.1	31.8	70.6	31.6	62.6	68.1	41.3	34.9	34.8	28.7	27.3
Net profit	24.7	40.3	23.5	59.5	26.8	51.3	54.6	33.1	27.9	27.8	23.0	21.8
Net profit (controlling)	24.7	40.3	23.5	59.5	26.8	51.3	54.6	33.1	27.9	27.8	23.0	21.8
Adjusted EPS (KRW)	435	764	510	691	416	1,012	663	477	491	456	373	365
Margins (%)												
Operating profit	69.4	69.0	61.3	72.7	62.2	60.7	65.6	53.9	54.8	52.6	47.5	45.0
Pre-tax profit	78.2	72.3	54.9	111.2	74.9	55.7	90.1	66.8	58.2	60.0	56.3	52.3
Net profit	66.1	61.7	40.5	93.8	63.6	45.7	72.4	53.6	46.6	48.0	45.0	41.9
Net profit (controlling)	66.1	61.7	40.5	93.8	63.6	45.7	72.4	53.6	46.6	48.0	45.0	41.9

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	**280**	**292**	**4.3**	**208**	**221**	**6.4**	**310**	**206**	**(33.6)**
Goddess of Victory: Nikke	171	163	(4.4)	162	154	(5.1)	148	148	0.1
Stellar Blade	102	119	16.9	38	57	50.4	137	30	(77.8)
Project Spirit	0	0	n/a	0	0	n/a	16	16	0.0
Other	8	10	30.3	8	10	32.7	10	12	17.1
Operating expenses	**110**	**115**	**4.3**	**94**	**110**	**17.0**	**111**	**121**	**9.4**
Labor costs	57	55	(4.6)	62	64	3.9	78	74	(4.7)
Commission paid	38	48	26.8	17	36	115.2	15	35	139.9
Other	14	12	(20.0)	16	10	(34.4)	18	12	(35.5)
Operating profit	**170**	**177**	**4.2**	**114**	**111**	**(2.4)**	**200**	**85**	**(57.5)**
Pre-tax profit	179	204	14.0	134	126	(6.5)	222	102	(53.9)
Net profit	146	166	13.9	102	101	(1.6)	169	82	(51.5)
Net profit (controlling)	146	166	13.9	102	101	(1.6)	169	82	(51.5)
Adjusted EPS (KRW)	2,560	2,568	0.3	1,647	1,685	2.3	2,779	1,346	(51.6)
Margins (%)									
Operating profit	60.8	60.7		54.7	50.2		64.3	41.2	
Pre-tax profit	63.8	69.7		64.7	56.8		71.6	49.7	
Net profit	52.0	56.8		49.2	45.5		54.4	39.8	
Net profit (controlling)	52.0	56.8		49.2	45.5		54.4	39.8	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**169**	**224**	**292**	**221**	**206**
Cost of goods sold	0	0	0	0	0
Gross profit	**169**	**224**	**292**	**221**	**206**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	58	71	115	110	121
Operating profit	**111**	**153**	**177**	**111**	**85**
Operating margin (%)	65.9	68.1	60.7	50.2	41.2
Non-operating gains (losses)	**3**	**26**	**26**	**15**	**18**
Financial profit	2	21	36	23	26
Financial costs	1	2	8	11	10
Equity-method gains (losses)	0	0	0	0	0
Other	2	7	-2	2	2
Pre-tax profit	**114**	**179**	**204**	**126**	**102**
Taxes	8	31	38	25	20
Effective tax rate (%)	6.7	17.2	18.5	20.0	20.0
Profit from continuing operations	107	148	166	101	82
Profit from discontinued operations	0	0	0	0	0
Net profit	**107**	**148**	**166**	**101**	**82**
Net margin (%)	63.3	66.0	56.8	45.5	39.8
Net profit (controlling interests)	107	148	166	101	82
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	114	157	182	113	86
EBITDA margin (%)	67.4	70.1	62.5	51.3	41.7
EPS (parent-based) (KRW)	2,132	2,717	2,826	1,705	1,390
EPS (consolidated) (KRW)	2,132	2,717	2,826	1,705	1,390
Adjusted EPS (KRW)*	2,132	2,400	2,568	1,685	1,346

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**177**	**768**	**831**	**929**	**1,018**
Cash & equivalents	116	289	164	280	346
Accounts receivable	60	102	99	84	103
Inventories	0	0	0	0	0
Other current assets	1	377	568	565	568
Fixed assets	**27**	**36**	**87**	**85**	**84**
Investment assets	2	16	66	66	66
Tangible assets	1	3	2	1	0
Intangible assets	1	3	2	1	0
Other long-term assets	23	14	17	17	17
Total assets	**204**	**804**	**918**	**1,014**	**1,102**
Current liabilities	**11**	**29**	**28**	**23**	**29**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	11	29	28	23	29
Long-term liabilities	**12**	**11**	**9**	**9**	**9**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	12	11	9	9	9
Total liabilities	**23**	**39**	**37**	**32**	**38**
Owners of parent equity	**181**	**764**	**881**	**982**	**1,064**
Capital stock	10	12	12	12	12
Capital surplus	96	527	532	532	532
Retained earnings	71	219	385	486	567
Other	4	6	-48	-48	-48
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**181**	**764**	**881**	**982**	**1,064**
Net debt	-104	-278	-154	-272	-337

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**100**	**114**	**153**	**117**	**66**
Net profit	107	148	166	101	82
Non-cash profit and expenses	14	16	18	14	7
Depreciation	2	3	4	2	1
Amortization	0	1	1	1	0
Other	12	12	12	12	6
Changes in A/L from operating activities	-10	-44	-13	14	-18
Cash flow from investments	**4**	**-368**	**-239**	**0**	**-1**
Change in tangible assets	-0	-3	-1	0	0
Change in financial assets	-0	-0	0	0	-0
Other	4	-366	-238	-0	-0
Cash flow from financing	**-0**	**427**	**-52**	**-0**	**1**
Change in debt	-34	-1	-2	-0	1
Change in equity	44	433	5	0	0
Dividends	0	0	0	0	0
Other	-11	-5	-55	0	0
Change in cash	104	173	-126	117	66
Cash at beginning of year	12	116	289	164	280
Cash at end of year	116	289	164	280	346
Gross cash flow	**121**	**164**	**183**	**115**	**89**
Free cash flow	**100**	**111**	**152**	**117**	**66**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	155.2	32.9	30.2	-24.2	-6.8
Operating profit	508.1	37.5	16.1	-37.4	-23.6
Net profit	nm	38.7	12.1	-39.4	-18.5
Adjusted EPS**	nm	12.5	7.0	-34.4	-20.1
Per-share data (KRW)					
EPS (parent-based)	2,132	2,717	2,826	1,705	1,390
EPS (consolidated)	2,132	2,717	2,826	1,705	1,390
Adjusted EPS**	2,132	2,400	2,568	1,685	1,346
BVPS	3,568	13,104	15,196	16,929	18,342
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	26.4	13.8	20.8	26.1
P/B***	n/a	4.8	2.3	2.1	1.9
EV/EBITDA	-0.9-	21.8	10.6	15.8	20.2
Ratios (%)					
ROE	99.2	31.3	20.2	10.8	8.0
ROA	72.1	29.4	19.3	10.4	7.7
ROIC	180.1	144.3	130.5	87.8	67.0
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	n/a	0.0	0.0	0.0	0.0
Net debt to equity	-57.6	-36.4	-17.5	-27.7	-31.6
Interest coverage (x)	126.6	130.5	170.5	121.6	96.4

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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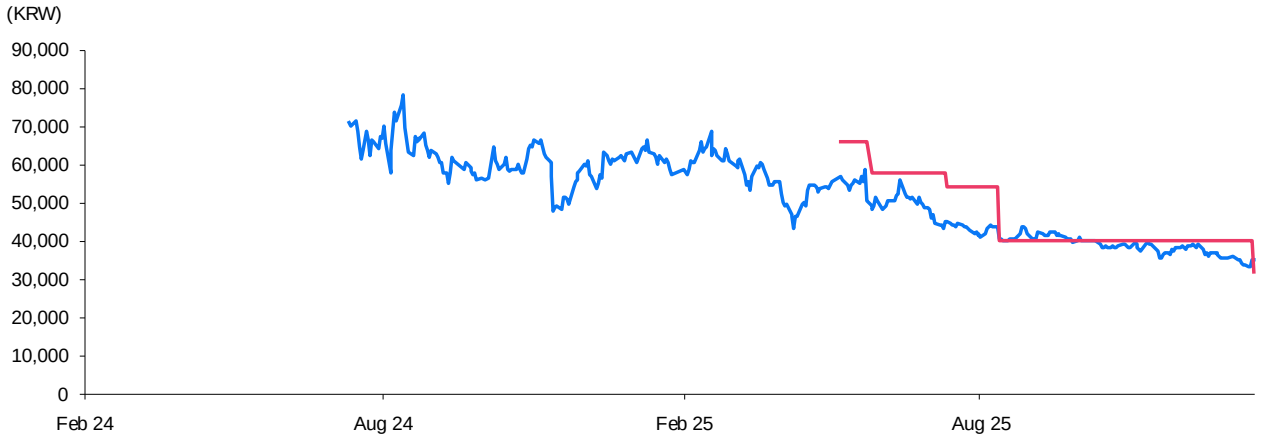
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2025/5/7	5/26	7/11	8/12	2026/1/15
Recommendation	BUY	BUY	BUY	HOLD	HOLD
Target price (KRW)	66000	58000	54000	40000	32000
Gap* (average)	-16.62	-15.05	-19.98	-3.15	
(max or min)**	-11.36	-3.28	-17.04	-16.88	

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%)

Global Disclosures & Disclaimers

General

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