COMPANY UPDATE

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Tech Team

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Krafton (259960)

PUBG still growing; next IP a key challenge

- Krafton enjoyed a strong rebound in PUBG traffic and revenue in 1Q led by a major update and promotional campaign celebrating the title's 9th anniversary.
- For 2026, the company plans to strengthen the lifecycle of the PUBG IP through content updates centered on well-crafted game modes.
- Given the continued high uncertainty surrounding the release of a next-generation title, the company's stock price should rise gradually in line with PUBG's profit growth.

WHAT'S THE STORY?

PUBG sales to rebound y-y in 1Q: Krafton launched a major update for PUBG on Mar 10 to mark the title's 9th anniversary, triggering a strong rebound in traffic and revenue across all platforms. For instance, PUBG's peak concurrent players on Steam temporarily reached 1.3m—matching the level seen in March of last year—while maintaining a sustained peak of around 800,000 players. PUBG Mobile China also climbed to the top of revenue rankings, fueled by the Lunar New Year event and a collaboration with Ferrari. Led by the y-y hike in PUBG sales across all platforms, Krafton should see operating profit rebounding to the KRW400b range in 1Q.

PUBG to keep evolving in 2026: According to the newly revealed PUBG update roadmap, the company plans to: 1) conduct major world updates to deepen the game's tactical gameplay, including a terrain-destruction system; and 2) extend the IP's lifecycle by introducing a variety of well-crafted game modes that can deepen player engagement. It should also seek top-line growth by expanding collaborations with IPs from games and animations—eg Stellar Blade.

SUMMARY FINANCIAL DATA

(Continued on the next page)

	2025	2026E	2027E	2028E
Revenue (KRWb)	3,327	4,854	5,465	5,977
Operating profit (KRWb)	1,054	1,353	1,565	1,722
Net profit (adj) (KRWb)	734	1,015	1,181	1,302
EPS (adj) (KRW)	16,021	21,052	24,402	26,918
EPS (adj) growth (% y-y)	-16.5	31.4	15.9	10.3
EBITDA margin (%)	36.1	32.3	33.1	33.4
ROE (%)	10.6	13.4	13.8	13.4
P/E (adj) (x)	15.4	11.5	9.9	9.0
P/B (x)	1.6	1.3	1.2	1.0
EV/EBITDA (x)	9.7	6.9	5.8	5.0
Dividend yield (%)	0.9	0.9	0.9	0.9

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW310,000	29.7%
Current price	**KRW239,000**	
Market cap	KRW11.4t/USD7.7b	
Shares (float)	47,406,091 (56.0%)	
52-week high/low	KRW386,000/KRW211,000	
Avg daily trading value (60-day)	KRW35.6b/ USD23.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Krafton (%)	-1.2	-20.4	-35.9
Vs Kospi (%pts)	-6.7	-50.9	-73.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	310,000	300,000	3.3%
2026E EPS	21,052	21,052	0.0%
2027E EPS	24,402	24,402	0.0%

SAMSUNG vs THE STREET

No of estimates	18
Target price	350,941
Recommendation	3.9

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

Limited new game momentum a key challenge: Despite PUBG's continued growth, the limited near-term new title momentum remains a risk. Although Krafton aims to release Subnautica II by year-end despite ongoing legal disputes with the former leadership of Unknown World (developer of the game), growing uncertainty and noise around the release have heightened concerns about its commercial success. For a meaningful valuation uplift, Krafton should unveil a new title capable of becoming a "second PUBG."

Shares to rise gradually in tandem with PUBG's profit growth: Reflecting PUBG's revenue and traffic recovery, we raise our target price for Krafton by 3.3% from KRW300,000 to KRW310,000 (based on 14.7x 2026 P/E, a 10% discount to the average 2026 P/E of domestic and global gaming companies to account for the limited near-term new-title momentum). Until a new title generates meaningful valuation upside, the stock should advance gradually in tandem with PUBG's profit growth.

PUBG 9th anniversary update

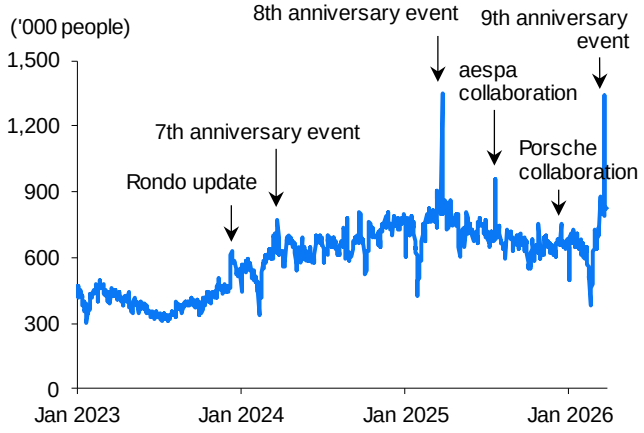
Source: Krafton

40.2 update

Category	Details
Battlefield festival content	9th anniversary statue, hologram birthday effects, in-game thematic additions
Enhanced rewards	'Event pass: Allday party' pack upon login; G-Coin and BP obtainable via missions
Map update	Rebalanced item and cover composition to improve usability
Arcade mode update	Increased map rotation rates for 'Team deathmatch' and 'Intense Battle Royal', along with optimized loot configurations
PC mode update	Addition of creator attribution features within UGC, improving usability and content transparency

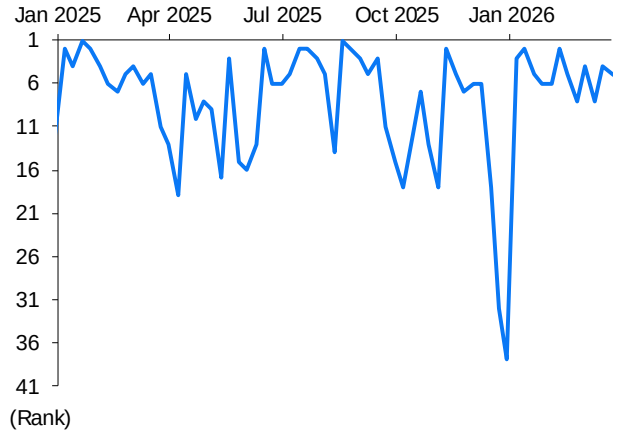
Source: SteamDB

PUBG on Steam: Concurrent number of users



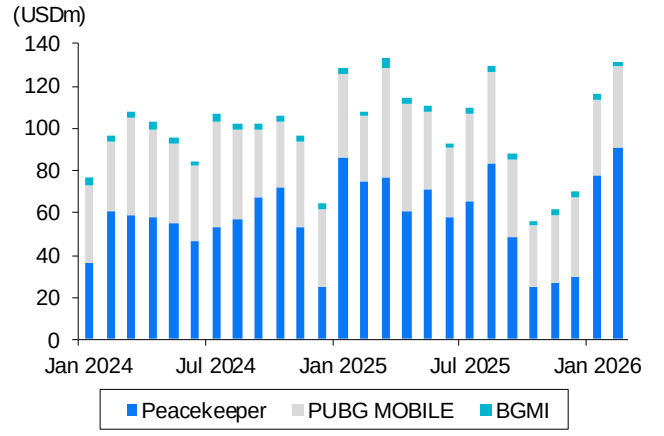
Source: SteamDB

PUBG on Steam: Weekly global sales ranking



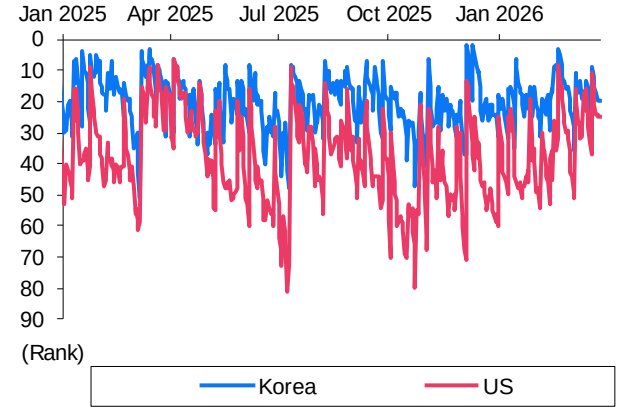
Source: SteamDB

PUBG mobile monthly revenue



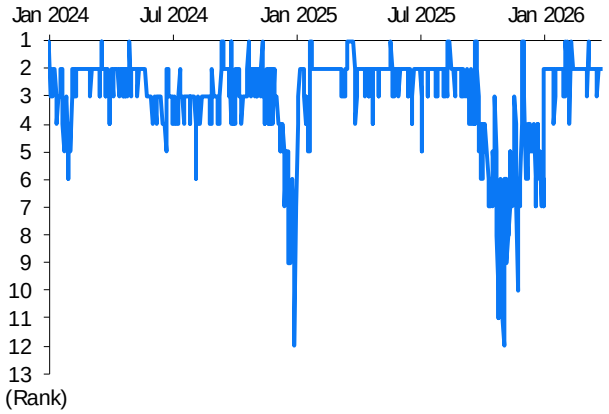
Source: Sensor Tower

PUBG mobile revenue ranking, by country



Note: Based on iOS revenue ranking
Source: Sensor Tower

PUBG Mobile: iOS game sales ranking in China



Source: Sensor Tower

PUBG x Ferrari in China (Feb 13)

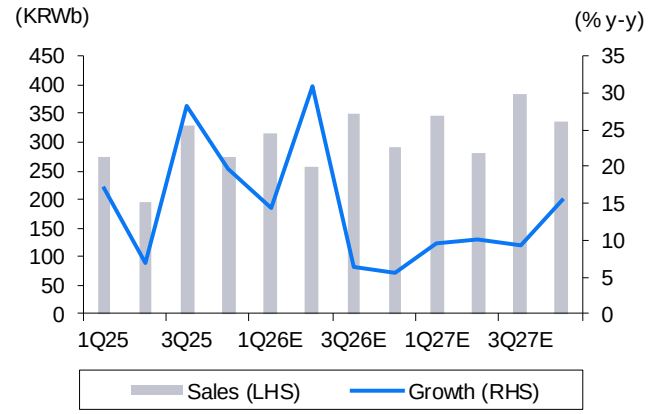
Source: PUBG

PUBG update roadmap

Category	Details
World updates	Launch erangel map 'Destructible terrain system', Miramar 'secret room' Rondo terrain enhancement
In-game content	Physics-based interactive environment, equipment system upgrade UI/UX improvement
Gun play	Meta rotation system, four-month weapon cycle structure
Competition	Season and reward system overhaul; performance-based reward alignment
Diversity	Launch roguelike genre Xeno Point Launch Starbreeze collaboration Payday
UGC	Dedicated UGC space, creation tool expansion, user-generated content accessibility enhancement
Collaboration	Game/animation IP collaboration expansion, artist partnership strengthening
Server/ anti-cheat enhancements	Server expansion, large-scale combat environment quality improvement Detection technology advancement, anti-cheat system reinforcement

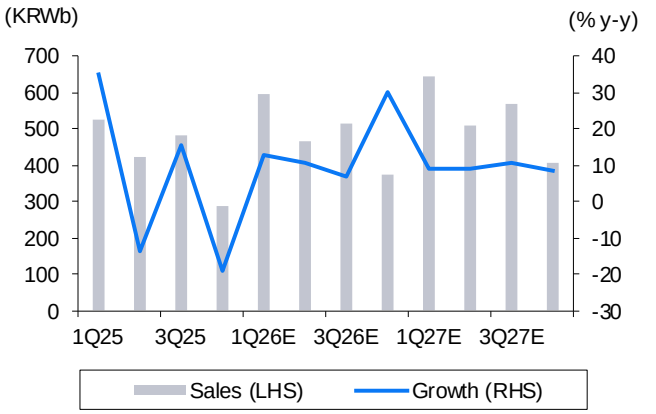
Source: Samsung Securities

PUBG (PC): Sales



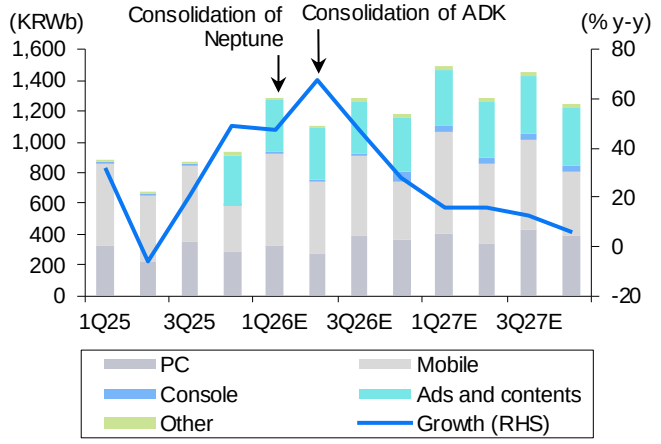
Source: Krafton, Samsung Securities

PUBG Mobile: Sales



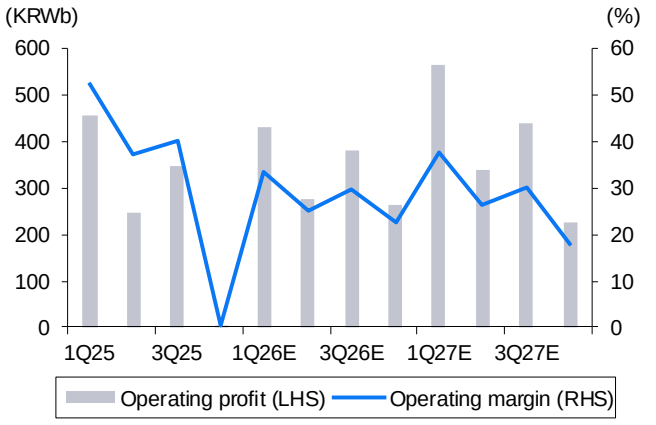
Source: Krafton, Samsung Securities

Sales, by platform



Source: Krafton, Samsung Securities

Operating profit vs operating margin



Source: Krafton, Samsung Securities

Upcoming titles

Launch	Title	Genre	Platform	Note
1Q26	PUBG: Blindspot	5vs5 top-down tactical shooter	PC	Steam free early access launch on Feb 5
2H26	Subnautica II	Underwater survival adventure	PC, console	Early access launch scheduled for PC and Xbox Game Pass in 2026
2027	Palworld Mobile	Survival craft	Mobile	CBT scheduled for 2026
	No Law	Open-world shooter RPG	PC, console	Developed by Swedish developer Neon Giant; official release for 2027
	Dinkum together	Frontier life simulation	Mobile, PC, console	Developing a mobile-centric cross-platform game based on Dinkum IP
TBD	Black Budget	Extraction shooter	PC, console	Closed alpha testing in progress
	Valor	Battle royal	Console	Gameplay validation in progress
	Project Windless	Open-world action RPG	PC, console	The Bird That Drinks Tears IP-based title

Source: Company data, Samsung Securities

1Q26 preview

(KRWb)	1Q26			Diff (%)		1Q25	4Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**1,285**	**1,254**	**1,138**	**2.5**	**12.9**	**874**	**920**	**47.0**	**39.7**
PC	327	353		(7.5)		324	287	1.0	13.7
Mobile	599	542		10.7		532	292	12.6	105.1
Console	11	11		0.0		13	10	(18.4)	10.0
Ads and contents	330	330		0.0		0	323	n/a	2.0
Other	19	19		0.0		5	7	264.4	162.5
Operating expenses	**856**	**887**		**(3.5)**		**417**	**917**	**105.3**	**(6.7)**
Personnel	247	247		0.0		166	290	48.2	(15.1)
Platform fees/cost of revenue	129	136		(4.8)		105	104	23.1	24.6
Commission paid	371	371		0.0		84	390	340.7	(5.0)
Marketing	36	50		(28.2)		23	52	57.1	(30.6)
Other	73	83		(12.2)		39	81	90.0	(9.6)
Operating profit	**429**	**367**	**368**	**17.0**	**16.6**	**457**	**2**	**(6.1)**	**17,550.9**
Pre-tax profit	431	365	389	18.1	10.9	499	(50)	(13.5)	nm
Net profit	324	274	301	18.1	7.6	371	(23)	(12.9)	nm
Net profit (controlling)	320	271	298	18.1	7.5	372	(20)	(13.9)	nm
Margins (%)									
Operating profit	33.4	29.3	32.3			52.3	0.3		
Pre-tax profit	33.6	29.1	34.2			57.1	(5.5)		
Net profit	25.2	21.8	26.4			42.5	(2.5)		
Net profit (controlling)	24.9	21.6	26.2			42.6	(2.2)		

Source: Company data, Samsung Securities

Valuation

	(KRW)
2026E EPS	21,052
Target P/E (x) *	14.7
Fair value per share	309,492
Target price	**310,000**
Current price	239,000
Upside (%)	29.7

Note: * 10% discount to the 2026E average P/E at which peer group is trading; Based on Apr 15 closing prices
Source: Samsung Securities estimates

Global peer P/E valuations

(x)	2025	2026E
EA	15.1	15.3
Tencent	13.9	12.6
NetEase	20.6	17.8
Nexon	30.5	23.2
Netmarble	13.1	12.7
Shiftup	18.7	16.3
Average	**19.0**	**17.4**

Note: Based on Apr 15 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	**874**	**662**	**871**	**920**	**1,285**	**1,110**	**1,282**	**1,176**	**1,488**	**1,281**	**1,448**	**1,248**
PC	324	220	354	287	327	273	388	367	406	334	434	387
Mobile	532	428	488	292	599	473	522	381	653	517	579	415
Console	13	10	10	10	11	9	9	59	51	44	41	45
AD/Contents				323	330	336	343	350	357	364	371	379
Other	5	5	18	7	19	19	20	21	21	22	23	23
Operating expenses	**417**	**416**	**522**	**917**	**856**	**833**	**901**	**912**	**925**	**943**	**1,009**	**1,023**
Personnel	166	167	161	290	247	205	209	215	221	226	230	234
Platform fees/cost of revenue	105	84	129	104	129	113	142	137	152	134	160	144
Commission paid	84	96	142	390	371	400	408	421	425	455	468	487
Marketing	23	26	43	52	36	39	64	59	45	45	65	69
Other	39	43	48	81	73	75	77	80	82	84	86	89
Operating profit	**457**	**246**	**349**	**2**	**429**	**277**	**381**	**265**	**563**	**338**	**438**	**226**
Pre-tax profit	499	24	487	(50)	431	276	367	279	563	337	443	231
Net profit	371	16	369	(23)	324	207	275	209	422	253	332	174
Net profit (controlling)	372	15	368	(20)	320	205	272	207	418	251	329	172
Adjusted EPS (KRW)	6,781	4,735	4,611	-258	6,591	4,251	5,921	4,288	8,703	5,161	6,708	3,829
Margins (%)												
Operating profit	52.3	37.2	40.0	0.3	33.4	25.0	29.7	22.5	37.9	26.4	30.3	18.1
Pre-tax profit	57.1	3.6	55.9	(5.5)	33.6	24.8	28.6	23.7	37.8	26.3	30.6	18.5
Net profit	42.5	2.3	42.4	(2.5)	25.2	18.6	21.5	17.8	28.4	19.8	22.9	13.9
Net profit (controlling)	42.6	2.3	42.2	(2.2)	24.9	18.4	21.3	17.6	28.1	19.6	22.7	13.8

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2026E			2027E			2028E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**4,715**	**4,854**	**2.9**	**5,141**	**5,465**	**6.3**		**5,977**	**n/a**
PC	1,378	1,354	(1.7)	1,554	1,561	0.4		1,716	n/a
Mobile	1,822	1,974	8.3	1,927	2,164	12.3		2,324	n/a
Console	79	88	11.2	106	180	70.5		243	n/a
AD/Contents	1,359	1,359	0.0	1,471	1,471	0.0		1,592	n/a
Other	77	79	1.6	84	89	6.5		101	n/a
Operating expenses	**3,499**	**3,501**	**0.1**	**3,818**	**3,900**	**2.2**		**4,255**	**n/a**
Personnel	861	876	1.7	891	910	2.2		980	n/a
Platform fees/cost of revenue	533	522	(2.2)	588	590	0.4		640	n/a
Commission paid	1,540	1,601	3.9	1,705	1,835	7.6		2,015	n/a
Marketing	218	198	(9.3)	248	223	(9.8)		237	n/a
Other	347	305	(12.0)	386	341	(11.5)		383	n/a
Operating profit	**1,216**	**1,353**	**11.2**	**1,324**	**1,565**	**18.2**		**1,722**	**n/a**
Pre-tax profit	1,173	1,353	15.4	1,287	1,574	22.3		1,737	n/a
Net profit	879	1,015	15.4	965	1,181	22.3		1,302	n/a
Net profit (controlling)	871	1,005	15.4	956	1,169	22.3		1,289	n/a
Adjusted EPS (KRW)	19,058	21,052	10.5	20,779	24,402	17.4		26,918	n/a
Margins (%)									
Operating profit	25.8	27.9		25.7	28.6			28.8	
Pre-tax profit	24.9	27.9		25.0	28.8			29.1	
Net profit	18.7	20.9		18.8	21.6			21.8	
Net profit (controlling)	18.5	20.7		18.6	21.4			21.6	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,710**	**3,327**	**4,854**	**5,465**	**5,977**
Cost of goods sold	0	0	0	0	0
Gross profit	**2,710**	**3,327**	**4,854**	**5,465**	**5,977**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,527	2,272	3,501	3,900	4,255
Operating profit	**1,182**	**1,054**	**1,353**	**1,565**	**1,722**
Operating margin (%)	43.6	31.7	27.9	28.6	28.8
Non-operating gains (losses)	**540**	**-95**	**0**	**9**	**14**
Financial profit	33	25	33	41	46
Financial costs	9	12	17	20	22
Equity-method gains (losses)	-48	-46	-24	-25	-25
Other	565	-63	9	13	16
Pre-tax profit	**1,723**	**959**	**1,353**	**1,574**	**1,737**
Taxes	420	225	338	394	434
Effective tax rate (%)	24.4	23.5	25.0	25.0	25.0
Profit from continuing operations	1,303	734	1,015	1,181	1,302
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,303**	**734**	**1,015**	**1,181**	**1,302**
Net margin (%)	48.1	22.1	20.9	21.6	21.8
Net profit (controlling interests)	1,306	735	1,005	1,169	1,289
Net profit (non-controlling interests)	-3	-1	10	12	13
EBITDA	1,289	1,200	1,569	1,808	1,995
EBITDA margin (%)	47.6	36.1	32.3	33.1	33.4
EPS (parent-based) (KRW)	27,162	15,438	21,198	24,659	27,200
EPS (consolidated) (KRW)	27,089	15,415	21,412	24,908	27,474
Adjusted EPS (KRW)*	19,196	16,021	21,052	24,402	26,918

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**5,004**	**4,866**	**5,660**	**6,323**	**7,074**
Cash & equivalents	582	597	1,083	1,480	1,850
Accounts receivable	1,007	1,339	1,465	1,555	1,727
Inventories	0	0	0	0	0
Other current assets	3,416	2,931	3,112	3,288	3,497
Fixed assets	**2,915**	**4,567**	**4,897**	**5,328**	**5,870**
Investment assets	1,148	1,320	1,637	2,055	2,582
Tangible assets	240	579	587	597	607
Intangible assets	656	1,804	1,808	1,812	1,816
Other long-term assets	871	865	865	865	865
Total assets	**7,919**	**9,434**	**10,557**	**11,651**	**12,944**
Current liabilities	**785**	**1,583**	**1,725**	**1,736**	**1,795**
Accounts payable	0	460	588	624	693
Short-term debt	7	252	252	252	252
Other current liabilities	778	872	885	860	851
Long-term liabilities	**306**	**666**	**733**	**733**	**764**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	306	666	733	733	764
Total liabilities	**1,090**	**2,250**	**2,457**	**2,469**	**2,559**
Owners of parent equity	**6,828**	**7,041**	**7,947**	**9,017**	**10,207**
Capital stock	5	5	5	5	5
Capital surplus	1,478	1,477	1,477	1,477	1,477
Retained earnings	5,081	5,637	6,543	7,613	8,803
Other	264	-78	-78	-78	-78
Non-controlling interests' equity	**1**	**143**	**153**	**165**	**178**
Total equity	**6,829**	**7,184**	**8,100**	**9,181**	**10,385**
Net debt	-513	-183	-709	-1,172	-1,617

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**908**	**1,045**	**1,282**	**1,348**	**1,472**
Net profit	1,303	734	1,015	1,181	1,302
Non-cash profit and expenses	126	517	561	639	706
Depreciation	85	110	145	163	183
Amortization	22	36	71	80	90
Other	19	371	345	397	433
Changes in A/L from operating activities	-276	241	44	-79	-103
Cash flow from investments	**-832**	**-580**	**-244**	**-300**	**-347**
Change in tangible assets	-20	-76	-153	-172	-194
Change in financial assets	-65	-46	-47	-78	-97
Other	-747	-457	-44	-50	-56
Cash flow from financing	**-259**	**-452**	**-128**	**-125**	**-119**
Change in debt	-6	374	-16	-14	-9
Change in equity	6	-1	-0	0	0
Dividends	0	0	-100	-99	-99
Other	-259	-824	-13	-12	-12
Change in cash	-139	15	486	397	370
Cash at beginning of year	721	582	597	1,083	1,480
Cash at end of year	582	597	1,083	1,480	1,850
Gross cash flow	**1,428**	**1,251**	**1,576**	**1,820**	**2,009**
Free cash flow	**888**	**968**	**1,128**	**1,176**	**1,278**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	41.8	22.8	45.9	12.6	9.4
Operating profit	54.0	-10.8	28.3	15.7	10.0
Net profit	119.3	-43.7	38.3	16.3	10.3
Adjusted EPS**	81.1	-16.5	31.4	15.9	10.3
Per-share data (KRW)					
EPS (parent-based)	27,162	15,438	21,198	24,659	27,200
EPS (consolidated)	27,089	15,415	21,412	24,908	27,474
Adjusted EPS**	19,196	16,021	21,052	24,402	26,918
BVPS	150,187	157,747	180,034	204,277	231,248
DPS (common)	0	2,240	2,240	2,240	2,240
Valuations (x)					
P/E***	16.3	15.4	11.5	9.9	9.0
P/B***	2.1	1.6	1.3	1.2	1.0
EV/EBITDA	11.2	9.7	6.9	5.8	5.0
Ratios (%)					
ROE	21.1	10.6	13.4	13.8	13.4
ROA	18.1	8.5	10.2	10.6	10.6
ROIC	64.6	36.3	34.2	38.4	40.3
Payout ratio	0.0	13.6	9.8	8.5	7.7
Dividend yield (common)	0.0	0.9	0.9	0.9	0.9
Net debt to equity	-7.5	-2.6	-8.7	-12.8	-15.6
Interest coverage (x)	125.0	90.5	107.9	127.5	142.3

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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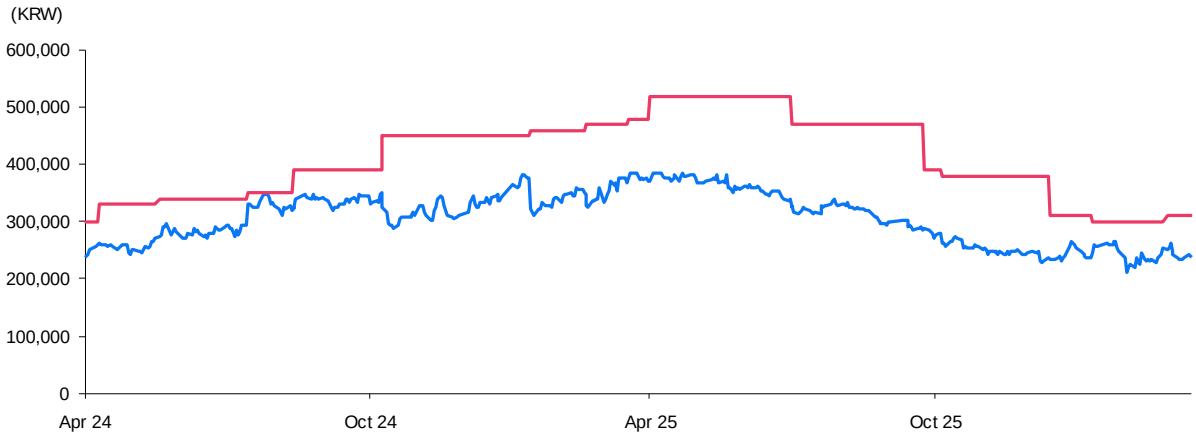
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/4/11	5/9	6/17	8/13	9/11	11/8	2025/2/12	3/19	4/16	4/30	7/30	10/24
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	300000	330000	340000	350000	390000	450000	460000	470000	480000	520000	470000	390000
Gap* (average)												
(max or min)**												

Date	11/5	2026/1/13	2/10	3/30
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	380000	310000	300000	310000
Gap* (average)				
(max or min)**				

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

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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