COMPANY UPDATE

2026. 4. 21

Tech Team

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NCsoft (036570)

Three engines driving growth

- Aion II and Lineage Classic have emerged as major hits, solidifying NCsoft's track record of generating stable sales from legacy IPs.
- Through M&As, NCsoft has constructed a casual game value chain, establishing a new growth pillar.
- Commercial success of upcoming new IP titles, set for launch in 2H, could catalyze a valuation re-rating.

WHAT'S THE STORY?

Legacy IPs provide stable sales: NCsoft is successfully revitalizing its established IPs. Lineage Classic, released in 1Q, amassed sales of KRW50b within three weeks of launch, demonstrating strong market reception. The game maintains a PC cafe market share in the 20% range and remains the #2 PC game in terms of domestic traffic. Aion II sales are stabilizing at a lower level, but on track to reach KRW120b in 2Q. The two new titles are likely to contribute approximately KRW800b in sales in 2026, and the planned launch of two more spin-off titles this year should further enhance sales from NCsoft's legacy IP portfolio.

Casual game value chain established: With KRW40b in sales from LIHUHU and SpringComes to be consolidated starting 1Q, and JustPlay to contribute from 2Q, casual game sales are set to pass the KRW100b mark. With development studios and a reward-based gaming platform now in place, powerful synergies are expected within the casual gaming segment, paving the way for expanded external publishing initiatives.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW280,000	12.7%
Current price	**KRW248,500**	
Market cap	KRW5.4t/USD3.6b	
Shares (float)	21,544,022 (77.6%)	
52-week high/low	KRW248,500/KRW135,800	
Avg daily trading value (60-day)	KRW32.3b/ USD21.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
NCsoft (%)	8.8	19.8	74.5
Vs Kospi (%pts)	-0.0	-28.5	-28.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	280,000	280,000	0.0%
2025E EPS	-2,324	-2,324	0.0%
2026E EPS	16,290	16,290	0.0%

SAMSUNG vs THE STREET

No of estimates	19
Target price	304,444
Recommendation	3.9

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

SUMMARY FINANCIAL DATA

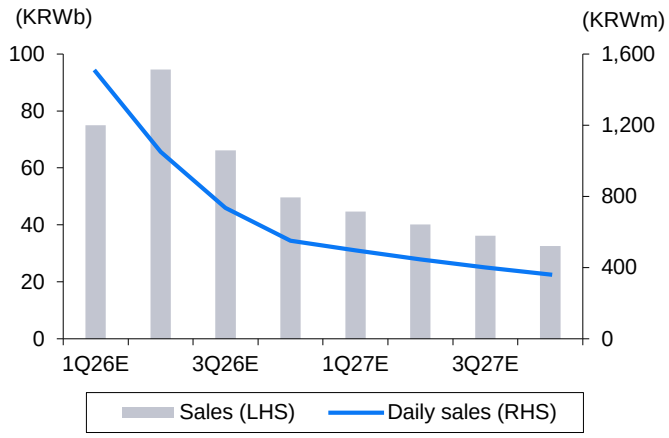
	2024	2025E	2026E	2027E
Revenue (KRWb)	1,578	1,507	2,584	2,990
Operating profit (KRWb)	-109	16	390	428
Net profit (adj) (KRWb)	94	347	341	377
EPS (adj) (KRW)	-2,886	-2,324	16,290	17,659
EPS (adj) growth (% y-y)	nm	nm	nm	8.4
EBITDA margin (%)	-0.0	7.3	18.8	17.6
ROE (%)	3.0	10.7	9.7	9.9
P/E (adj) (x)	n/a	n/a	15.3	14.1
P/B (x)	1.2	1.1	1.3	1.2
EV/EBITDA (x)	n/a	34.1	9.8	8.8
Dividend yield (%)	0.8	0.6	1.9	2.1

data, Samsung Securities estimates

New IPs anticipated for launch: In 2Q, closed beta tests (CBT) and focus group tests (FGT) will begin for *Time Takers*, *Breakers*, and *Cinder City*. While launch timelines may be delayed depending on test outcomes, successful entry into new genres would trigger a revaluation of the company's shares. The roadmap beyond *Cinder City* confirms that *Horizon Steel Frontiers* is scheduled for launch, which should help sustain investor anticipation for the company's upcoming portfolio of new titles.

Three engines driving valuation: We maintain our BUY rating and target price of KRW280,000 (based on 17.1x 2026 P/E, the average at which domestic and overseas game companies are trading). We recommend NCsoft as a top sector pick, as it is advancing three growth engines in parallel: revitalizing established IPs, expanding into new genres through M&As, and developing new IPs. With its growth strategy now clearly taking shape and profitability normalizing, we believe a valuation re-rating is warranted.

Lineage classic sales



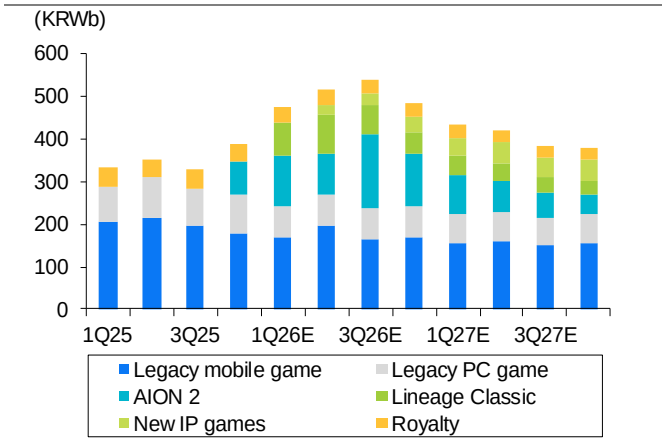
Source: NCsoft, Samsung Securities estimates

PC cafe usage time share

Rank	Title	Genre	Playtime share
1	League of Legends	RTS	33.4
2	Lineage Classic	RPG	14.5
3	PUBG: Battlegrounds	FPS	7.2
4	Valorant	FPS	6.3
5	EA Sports FC Online	Sports	5.6
6	Overwatch	FPS	4.8
7	Sudden Attack	FPS	4.2
8	AION 2	RPG	3.5
9	Lost Ark	RPG	2.8
10	MapleStory	RPG	2.4

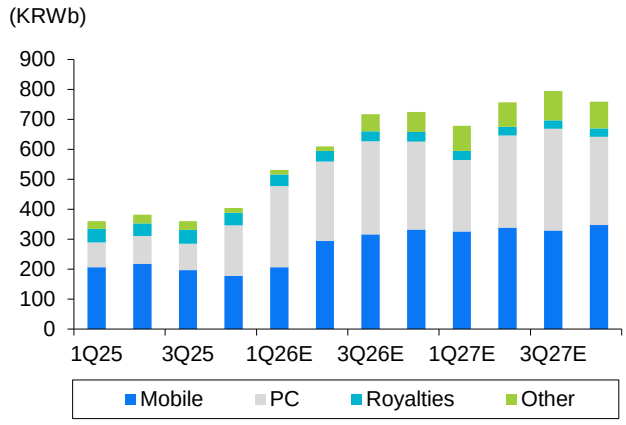
Note: As of Apr 15
Source: Gametrix

Legacy IP game sales



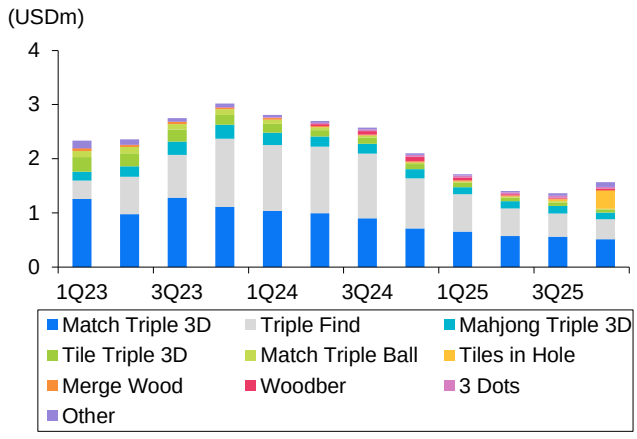
Source: NCsoft, Samsung Securities estimates

Sales, by platform



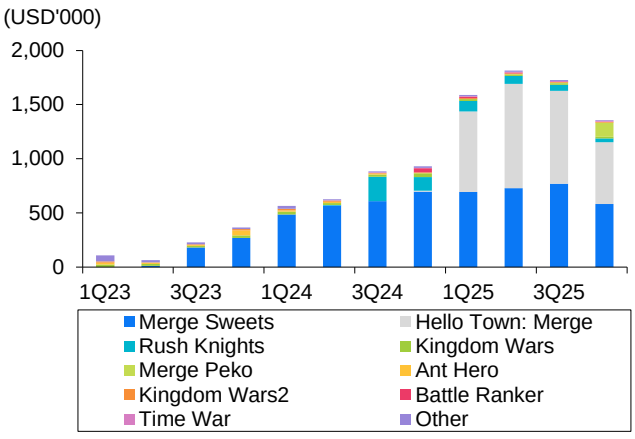
Source: NCsoft, Samsung Securities estimates

Lihuhu: Sales



Source: NCsoft, Samsung Securities estimates

SpringComes: Sales



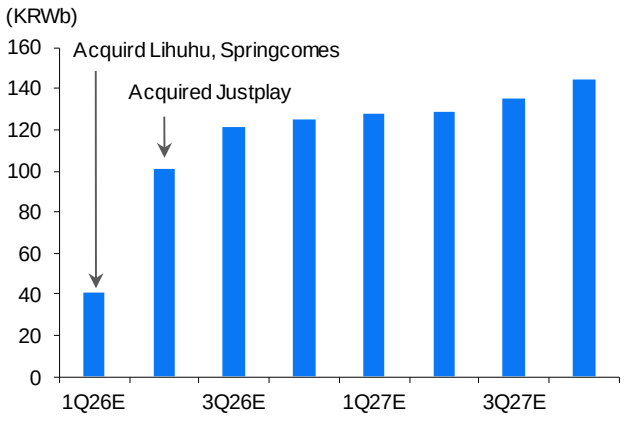
Source: NCsoft, Samsung Securities estimates

NCSoft casual game company acquisition

Company	Overview	Announce-ment	Investment size	Acquired stake	Key games
JustPlay	- Global ad-tech company founded in 2020 by former AppLovin executives - Develops and publishes 40+ mobile casual games - 25m global users, DAU 500K+ - Key games: <Solitaire Verse>, <Treasure Master>	'26.03	KRW301.6b (USD220m)	70%*	
Lihuhu	- Founded in 2017, developer of casual games such as Match-3D and Hole - 2025E revenue KRW30bn, OP KRW30b - Over 80% of revenue generated in North America and Europe, securing a global user base - Key games: <Match Triple>, <Hole'em All>	'25.12	KRW153.4b (USD140m)	67%*	
SpringComes	- Korea- based mobile game studio specializing in puzzle games - Strength in rapid development, launching 4~5 new games *pa* - 2025E revenue KRW28b, and expected to more than double in 2026	'25.12	Undisclosed	Undisclosed	
Moving Eye	- Slovenia-based indie game studio - Potential integration of NCsoft's technology stack (UA, LiveOps) under review through the Moving Eye partnership	'25.12	Undisclosed	Undisclosed	

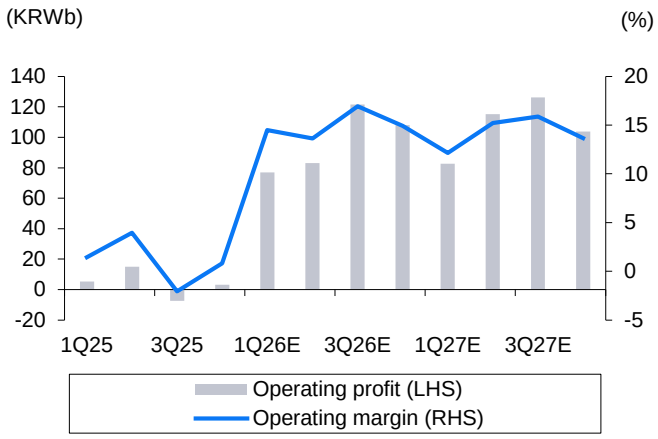
Note: *Hold a call option to acquire the remaining stake
Source: NCsoft

Casual game sales



Source: NCsoft, Samsung Securities estimates

Operating income



Source: NCsoft, Samsung Securities estimates

Upcoming titles

Launch	Title	Genre	Platform	Note
4Q25	Aion II	MMORPG	PC/mobile	Korea and Taiwan in 4Q25
1Q26	Lineage Classic	MMORPG	PC	Pre-open Feb 7; official launch Feb 11
2Q26	Time Takers	TPS	PC/console	Developed by Mistil Games
3Q26	Breakers: Unlock the World	Animation RPG	PC/mobile	Developed by VIC Game Studios; published by NCsoft
	Aion II Global	MMORPG	PC/mobile	Self-publishing
4Q26	Cinder City	TPS	PC/console	Disclosed via YouTube on Nov 14, 2022
2026	Guild Wars Reforged Mobile*	MMORPG	Mobile	IP spin-off game
	Aion Mobile*	MMORPG	Mobile	Shengqu Games developing by porting the PC version of Aion
2027	Horizon Steel Frontiers	MMORPG	PC/console	Global action RPG game IP-based

Note: Five IP spin-off games to be released in 2026

Source: Company data, Samsung Securities

Major games: Results and forecasts

(KRWm)	2025	2026E	2027E	2028E	1Q26E	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Lineage M	432,977	359,925	342,932	315,221	89,126	90,909	88,181	91,709	87,123	88,866	82,645	84,298
Daily sales	1,203	1,000	953	876	990	1,010	980	1,019	968	987	918	937
Days	360	360	360	360	90	90	90	90	90	90	90	90
Lineage II M	178,348	166,815	145,962	130,449	41,690	43,775	40,273	41,078	36,970	37,646	34,634	36,712
Daily sales	495	463	405	362	463	486	447	456	411	418	385	408
Days	360	360	360	360	90	90	90	90	90	90	90	90
Lineage W	183,086	149,350	131,645	118,251	35,823	39,406	37,435	36,687	33,018	33,678	31,994	32,954
Daily sales	509	415	366	328	398	438	416	408	367	374	355	366
Days	360	360	360	360	90	90	90	90	90	90	90	90
Casual game		388,395	536,789	711,830	40,500	101,250	121,500	125,145	127,648	128,924	135,371	144,847
Daily sales		1,079	1,491	1,977	450	1,125	1,350	1,391	1,418	1,432	1,504	1,609
Days		360	360	360	90	90	90	90	90	90	90	90
Aion II	77,361	508,486	270,032	110,173	119,700	95,760	172,368	120,658	90,493	72,395	57,916	49,228
Daily sales	1,934	1,412	750	306	1,330	1,064	1,915	1,341	1,005	804	644	547
Days	40	360	360	360	90	90	90	90	90	90	90	90
Lineage Classic		285,263	153,556	100,748	75,000	94,500	66,150	49,613	44,651	40,186	36,168	32,551
Daily sales		891	427	280	1,500	1,050	735	551	496	447	402	362
Days		320	360	360	50	90	90	90	90	90	90	90
Time Takers		79,800	97,456	55,215			42,000	37,800	30,240	25,704	21,848	19,664
Total sales		499	271	153			600	420	336	286	243	218
Average daily sales		160	360	360			70	90	90	90	90	90
Limit Zero Breakers		14,000	40,607	22,444				14,000	12,600	10,710	9,104	8,193
Total sales		200	113	62				200	140	119	101	91
Average daily sales		70	360	360				70	90	90	90	90
Cinder City		50,000	101,150	53,874				50,000	35,000	26,250	21,000	18,900
HorizonSteel Frontiers			383,500	324,853						100,000	157,500	126,000
Daily sales			1,743	902						2,500	1,750	1,400
Days			220	360						40	90	90

Source: Company data, Samsung Securities estimates

Valuation

2026E EPS	16,290
Target P/E (x)*	17.1
Fair value per share	279,108
Target price	280,000
Current price	230,000
Upside (%)	17.9

Note: Peer group's 2026E P/E average; Based on Apr 15 closing prices
Source: Samsung Securities estimates

Global peers: P/E valuations

(x)	2025	2026E
Krafton	11.9	10.4
Netmarble	14.2	12.9
EA	30.4	23.1
Bandai Namco	20.8	20.7
Nexon	21.3	18.4
Average	19.7	17.1

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	**360.3**	**382.4**	**360.0**	**404.2**	**531.5**	**610.2**	**717.7**	**724.8**	**679.4**	**757.2**	**794.7**	**759.1**
Mobile	206.3	219.0	197.2	178.1	207.1	295.3	316.2	332.1	325.9	338.5	329.1	347.7
PC	83.3	91.7	87.7	168.2	270.6	264.5	311.6	294.6	238.9	307.8	339.7	294.5
Royalties	45.0	42.3	46.8	42.4	38.5	35.2	33.2	32.3	30.2	29.3	27.9	27.8
Other	25.7	29.5	28.3	15.6	15.3	15.1	56.8	65.9	84.4	81.5	98.0	89.1
Operating expenses	**355.1**	**367.3**	**367.5**	**401.0**	**454.6**	**527.0**	**596.1**	**616.8**	**596.8**	**641.9**	**668.5**	**655.3**
Salaries and employee benefits	108.9	133.5	134.7	136.0	152.7	157.2	160.4	163.5	169.8	171.1	172.5	173.8
Commission paid	94.0	91.4	90.7	83.2	110.4	129.2	167.9	175.8	173.3	186.6	201.6	192.5
R&D expenses	90.9	70.2	77.3	83.3	93.5	97.3	100.2	106.3	109.2	113.4	116.5	117.4
Advertising expenses	13.3	22.7	15.8	49.5	47.8	91.5	114.8	116.0	88.3	113.6	119.2	113.9
Other	48.0	49.5	49.0	48.9	50.1	51.7	52.7	55.2	56.2	57.3	58.7	57.7
Operating profit	**5.2**	**15.1**	**(7.5)**	**3.2**	**77.0**	**83.2**	**121.6**	**108.0**	**82.6**	**115.2**	**126.2**	**103.8**
Pre-tax profit	31.3	(33.3)	435.1	28.2	83.5	91.8	147.5	126.5	96.7	132.6	145.1	121.6
Net profit	37.5	(36.0)	347.4	(1.5)	63.4	69.8	112.1	96.1	73.5	100.8	110.3	92.4
Net profit (controlling)	37.8	(35.4)	346.7	(2.4)	64.7	71.2	114.3	98.0	75.0	102.8	112.5	94.3
Adjusted EPS (KRW)	1,038	1,030	-3,858	-563	3,452	3,595	4,827	4,415	3,548	4,684	5,098	4,329
Margins (%)												
Operating profit	1.4	3.9	(2.1)	0.8	14.5	13.6	16.9	14.9	12.2	15.2	15.9	13.7
Pre-tax profit	8.7	(8.7)	120.9	7.0	15.7	15.0	20.5	17.4	14.2	17.5	18.3	16.0
Net profit	10.4	(9.4)	96.5	(0.4)	11.9	11.4	15.6	13.3	10.8	13.3	13.9	12.2
Net profit (controlling)	10.5	(9.3)	96.3	(0.6)	12.2	11.7	15.9	13.5	11.0	13.6	14.2	

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	**2,260.8**	**2,584.2**	**14.3**	**2,560.3**	**2,990.3**	**16.8**		**3,263.0**	**n/a**
Mobile	907.8	1,150.7	26.8	962.1	1,341.3	39.4		1,516.2	n/a
PC	1,035.8	1,141.3	10.2	1,132.1	1,180.9	4.3		1,222.2	n/a
Royalties	139.2	139.2	0.0	115.1	115.1	0.0		99.2	n/a
Other	177.9	153.1	(14.0)	351.0	353.0	0.6		425.3	n/a
Operating expenses	**1,908.4**	**2,194.4**	**15.0**	**2,147.0**	**2,562.5**	**19.4**		**2,776.3**	**n/a**
Salaries	572.9	633.8	10.6	602.3	687.1	14.1		723.1	n/a
Commission paid	518.0	583.4	12.6	649.4	753.9	16.1		859.6	n/a
R&D expenses	387.2	397.3	2.6	436.1	456.6	4.7		504.6	n/a
Advertising expenses	218.5	370.2	69.4	224.4	435.0	93.8		449.7	n/a
Other	211.9	209.7	(1.0)	234.7	229.9	(2.1)		239.3	n/a
Operating profit	**352.3**	**389.8**	**10.6**	**413.3**	**427.8**	**3.5**		**486.7**	**n/a**
Pre-tax profit	411.2	449.2	9.2	480.4	496.0	3.3		561.7	n/a
Net profit	312.5	341.4	9.2	365.1	377.0	3.3		426.9	n/a
Net profit (controlling)	318.8	348.2	9.2	372.4	384.5	3.3		435.4	n/a
Adjusted EPS (KRW)	14,923	16,290	9.2	17,097	17,659	3.3		19,948	n/a
Margins (%)									
Operating profit	15.6	15.1		16.1	14.3			14.9	
Pre-tax profit	18.2	17.4		18.8	16.6			17.2	
Net profit	13.8	13.2		14.3	12.6			13.1	
Net profit (controlling)	14.1	13.5		14.5	12.9			13.3	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**1,780**	**1,578**	**1,507**	**2,584**	**2,990**
Cost of goods sold	0	0	0	0	0
Gross profit	**1,780**	**1,578**	**1,507**	**2,584**	**2,990**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,643	1,687	1,491	2,194	2,562
Operating profit	**137**	**-109**	**16**	**390**	**428**
Operating margin (%)	7.7	-6.9	1.1	15.1	14.3
Non-operating gains (losses)	**69**	**230**	**445**	**59**	**68**
Financial profit	120	157	116	118	119
Financial costs	29	40	47	43	41
Equity-method gains (losses)	4	4	-23	-7	-7
Other	-26	109	399	-8	-3
Pre-tax profit	**206**	**121**	**461**	**449**	**496**
Taxes	-8	27	114	108	119
Effective tax rate (%)	-3.7	22.2	24.7	24.0	24.0
Profit from continuing operations	214	94	347	341	377
Profit from discontinued operations	0	0	0	0	0
Net profit	**214**	**94**	**347**	**341**	**377**
Net margin (%)	12.0	6.0	23.1	13.2	12.6
Net profit (controlling interests)	212	94	347	348	385
Net profit (non-controlling interests)	2	-0	1	-7	-8
EBITDA	249	-0	110	485	526
EBITDA margin (%)	14.0	-0.0	7.3	18.8	17.6
EPS (parent-based) (KRW)	9,663	4,291	16,023	16,164	17,849
EPS (consolidated) (KRW)	9,744	4,287	16,057	15,847	17,499
Adjusted EPS (KRW)*	9,865	-2,886	-2,324	16,290	17,659

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**140**	**107**	**150**	**440**	**489**
Net profit	214	94	347	341	377
Non-cash profit and expenses	72	-7	-231	135	143
Depreciation	110	106	90	87	90
Amortization	2	3	5	8	8
Other	-40	-116	-326	40	45
Changes in A/L from operating activities	-96	-43	13	1	16
Cash flow from investments	**113**	**1,294**	**-978**	**-329**	**-293**
Change in tangible assets	-117	-83	-138	-250	-253
Change in financial assets	-78	987	-430	-71	-33
Other	308	390	-410	-8	-8
Cash flow from financing	**-177**	**-523**	**-72**	**-26**	**-90**
Change in debt	20	-267	-22	-4	2
Change in equity	0	0	0	0	0
Dividends	-136	-64	-28	-22	-92
Other	-62	-193	-21	0	0
Change in cash	80	895	-935	-64	104
Cash at beginning of year	286	365	1,260	325	261
Cash at end of year	365	1,260	325	261	365
Gross cash flow	**286**	**87**	**116**	**476**	**520**
Free cash flow	**22**	**23**	**11**	**190**	**236**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,337**	**1,789**	**2,277**	**2,527**	**2,684**
Cash & equivalents	365	1,260	325	261	365
Accounts receivable	133	130	188	337	353
Inventories	1	1	1	3	3
Other current assets	1,838	397	1,763	1,927	1,964
Fixed assets	**2,057**	**2,165**	**2,108**	**2,338**	**2,503**
Investment assets	673	872	814	881	884
Tangible assets	1,001	998	1,059	1,221	1,384
Intangible assets	96	104	105	105	105
Other long-term assets	288	192	130	130	130
Total assets	**4,394**	**3,954**	**4,385**	**4,865**	**5,188**
Current liabilities	**614**	**322**	**606**	**632**	**656**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	614	322	606	632	656
Long-term liabilities	**526**	**568**	**353**	**488**	**502**
Bonds & long-term debt	170	170	40	40	40
Other long-term liabilities	357	398	313	448	462
Total liabilities	**1,141**	**890**	**959**	**1,120**	**1,158**
Owners of parent equity	**3,250**	**3,058**	**3,420**	**3,746**	**4,038**
Capital stock	11	11	11	11	11
Capital surplus	433	433	433	433	433
Retained earnings	3,473	3,474	3,662	3,987	4,280
Other	-667	-860	-686	-686	-686
Non-controlling interests' equity	**3**	**5**	**6**	**-1**	**-9**
Total equity	**3,253**	**3,064**	**3,425**	**3,745**	**4,029**
Net debt	-885	-1,059	-583	-593	-728

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-30.8	-11.3	-4.5	71.5	15.7
Operating profit	-75.4	nm	nm	2,324.4	9.8
Net profit	-50.9	-56.0	269.1	-1.7	10.4
Adjusted EPS**	-48.4	nm	nm	nm	8.4
Per-share data (KRW)					
EPS (parent-based)	9,663	4,291	16,023	16,164	17,849
EPS (consolidated)	9,744	4,287	16,057	15,847	17,499
Adjusted EPS**	9,865	-2,886	-2,324	16,290	17,659
BVPS	160,025	157,673	176,349	193,155	208,230
DPS (common)	3,130	1,460	1,150	4,754	5,250
Valuations (x)					
P/E***	24.4	n/a	n/a	15.3	14.1
P/B***	1.5	1.2	1.1	1.3	1.2
EV/EBITDA	17.7	n/a	34.1	9.8	8.8
Ratios (%)					
ROE	6.6	3.0	10.7	9.7	9.9
ROA	4.8	2.3	8.3	7.4	7.5
ROIC	14.6	-7.3	1.0	24.1	22.3
Payout ratio	1,475.4	1,549.6	6.4	26.5	26.5
Dividend yield (common)	1.3	0.8	0.6	1.9	2.1
Net debt to equity	-27.2	-34.6	-17.0	-15.8	-18.1
Interest coverage (x)	9.4	-10.6	3.6	38.8	42.7

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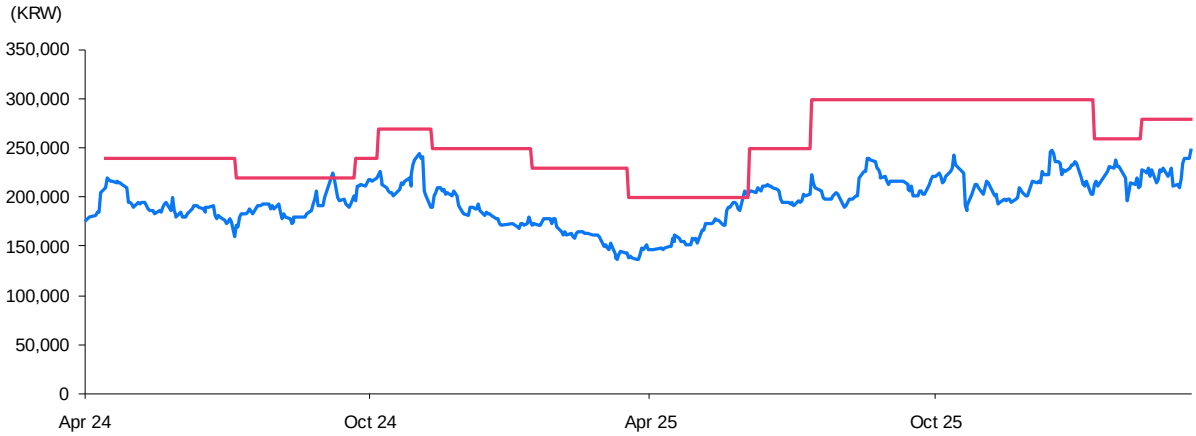
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/3/20	5/13	8/6	10/22	11/5	12/10	2025/2/13	4/16	7/3	8/12	2026/2/11	3/13
Recommendation	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	220000	240000	220000	240000	270000	250000	230000	200000	250000	300000	260000	280000
Gap* (average)	-16.29	-20.65	-13.65	-10.60	-20.02	-25.18	-30.22	-17.89	-18.99	-28.78	-15.50	
(max or min)**	-5.45	-8.33	2.05	-8.54	-9.44	-16.20	-22.43	3.25	-14.60	-17.50	-8.65	

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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* 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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