SECTOR UPDATE

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Games (OVERWEIGHT)

Focus on signs of profitability improvement

- Increased macroeconomic uncertainty has enhanced the game industry's investment appeal as a market-neutral sector.
- Game companies' capital efficiency has been improving, backed by the overhaul of platform fees at major app stores, restructuring on marginal non-core operations, and increasing shareholder returns. Global market expansion, led by AAA games, is beginning to have measurable success.
- We remain OVERWEIGHT on the game sector. NCsoft and NHN are our top picks for their clearly visible turnaround potential.

WHAT'S THE STORY?

Rising macroeconomic uncertainty enhances game sector appeal: As global macroeconomic uncertainty intensifies—driven by rising oil prices, higher government bond yields, and broader inflationary pressures—there are growing concerns over the erosion of households' real disposable income. Against this backdrop, the game industry's inherently market-neutral profile is poised to gain renewed investor focus. Moreover, in the wake of a post-pandemic correction, domestic game valuations are down significantly from their highs. As a result, downside risk from further valuation compression now appears limited.

Signs of profitability improvement: The game sector is no longer just a defensive play—it is undergoing a structural improvement in profitability. Declining platform fees at major app stores, paired with game firms' rapid shift to direct-to-consumer payment models, are causing margins to widen structurally. At the same time, the industry's full-scale adoption of an "AI-first" approach is shortening development cycles and reducing labor costs (*ie*, resulting in cost control). These gains are being amplified by aggressive restructuring of marginal non-core businesses—and further reinforced by aggressive share buybacks and cancellations. Together, these forces should propel the entire sector into a new phase of sustained improvement in capital efficiency—reflected in rising ROE.

(Continued on the next page)

AT A GLANCE

Krafton (259960 KS, 239,000)		
Target price	KRW310,000	29.7%
BUY		
NCsoft (036570 KS, 248,500)		
Target price	KRW280,000	12.7%
BUY		
Netmarble (251270 KS, 50,700)		
Target price	KRW68,000	34.1%
BUY		
NHN (181710 KS, 39,650)		
Target price	KRW46,000	16%
BUY		

Overseas market expansion beginning to have measurable success: Korean game companies are successfully diversifying beyond their traditional focus on Asian mobile MMORPGs, and are now making strong inroads into the global Steam/console and hybrid-casual game markets. Domestic blockbusters like *ARC Raiders* and *Crimson Desert* have consecutively achieved tentpole-level success on global Steam and console markets, demonstrating Korean developers' global top-tier development capabilities. In the mobile game space, Korean companies are rapidly expanding into the fast-growing hybrid-casual segment by securing end-to-end value chain capabilities through M&A activity. Driven by aggressive global market entry by domestic studios, the previously stagnant Korean game industry is poised for significant top-line growth.

Still OVERWEIGHT; focusing on larger caps with turnaround story: We remain OVERWEIGHT on the game sector, which is uniquely positioned to demonstrate both macro resilience and improving fundamentals. We advocate a buying strategy focused on large caps with clear earnings turnaround visibility driven by game launches and structural reform. Our top picks are: 1) NCsoft, which has established a vertically integrated global casual-game ecosystem through M&As and is planning to launch multiple titles in 2H; and 2) NHN, whose top-line growth should receive a strong boost from deregulation of web-board games and explosive demand for GPU-as-a-service worldwide.

Game sector deserves renewed attention

Rising uncertainty elevates sector appeal

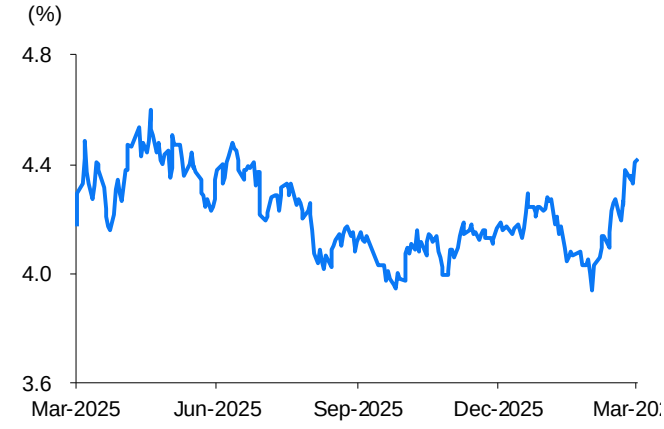
Growing macro uncertainty is drawing attention to the sector's defensive, market-neutral characteristics

Global macroeconomic uncertainty is once again intensifying. Heightened market volatility is being driven by: 1) rising oil prices and volatile exchange rates (reflective of geopolitical risks); and 2) a rebound in government bond yields (reflective of persistent inflationary pressures). These macro headwinds are increasingly pressuring households' real disposable income and dampening overall consumption capacity. In this environment, investors are seeking safe havens—assets with low macro sensitivity and reliable earnings visibility.

The game industry, with its inherently defensive, market-neutral characteristics, is emerging as a compelling option. Unlike many leisure activities, games offer an exceptionally low cost-per-hour experience. Even during economic downturns, consumer demand for games remains resilient—making them one of the most consumption-resistant forms of entertainment. Moreover, game stocks typically exhibit low beta, meaning they are less volatile than broader markets. In times of heightened market turbulence, this low-beta profile acts as a stabilizing force within portfolios.

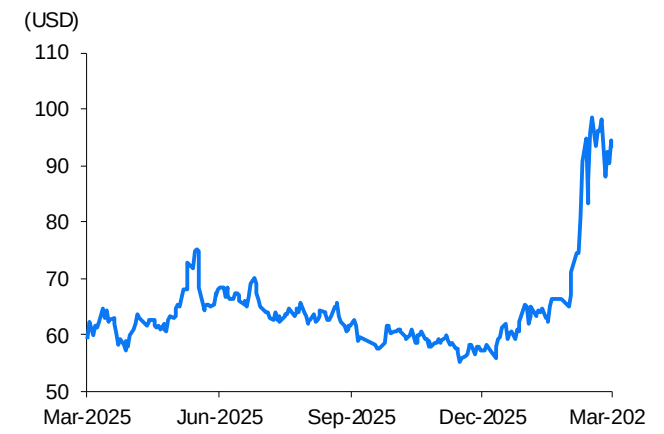
Despite the sector's market-neutral characteristics, game shares have historically been sensitive to market valuation swings because they were classified as high-growth names with elevated P/E multiples. However, following a prolonged post-pandemic correction, the entire sector is now trading at valuations significantly below historical averages. With the game industry no longer viewed as a speculative growth play, the risk of further valuation-driven price declines appears limited.

10-year UST yields



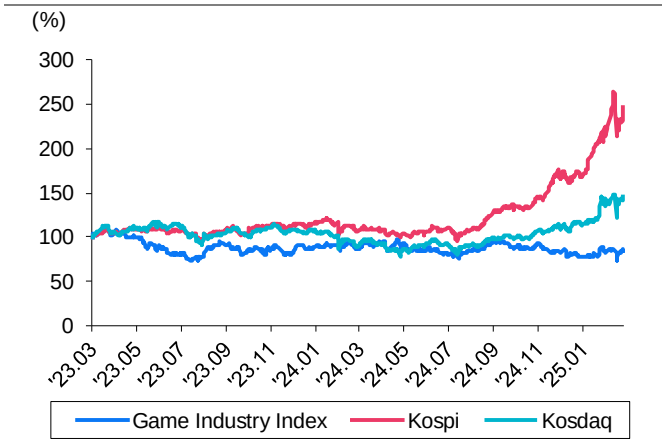
Source: Bloomberg

WTI crude oil prices



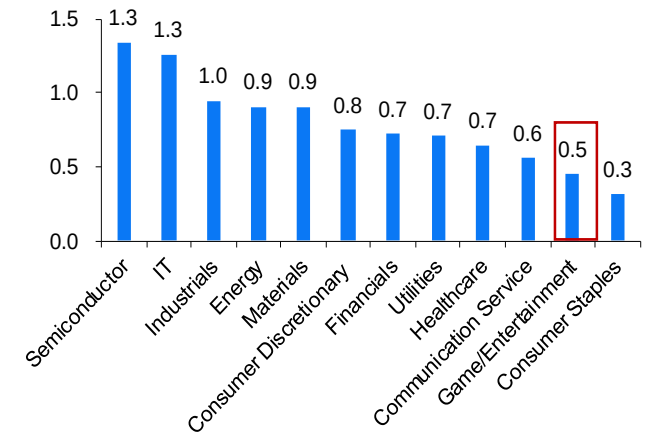
Source: Bloomberg

Relative performance: Game sector, Kospi, and Kosdaq



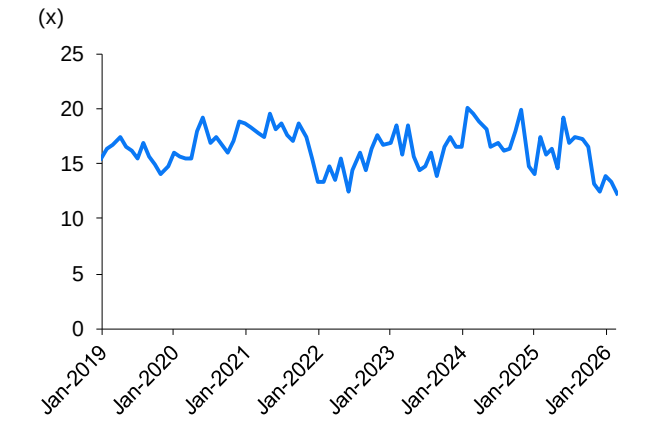
Source: FnGuide

Major sectors: Beta



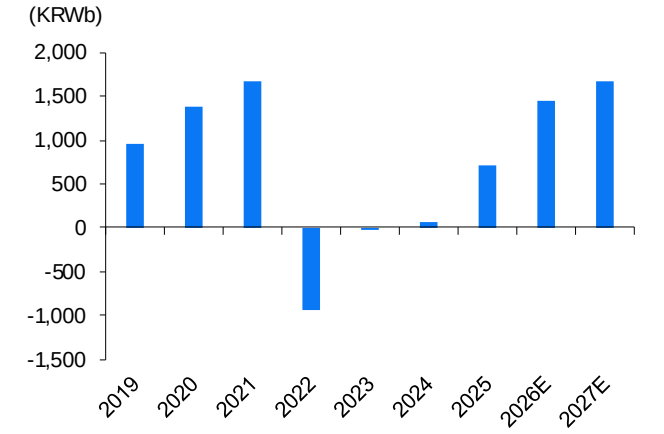
Note: based on Wise Index
Source: FnGuide

Game sector: Forward P/E



Note: Market cap-weighted average of major game companies;
Excludes unprofitable firms
Source: QuantiWise

Major game companies: Aggregate net income



Note: Aggregate net income of 10 major game companies
Source: QuantiWise

Industry profitability also improving; OVERWEIGHT on sector

The game sector is no longer viewed merely as a defensive play—it is now emerging as an attractive investment target thanks to structural profitability enhancements underway within the industry. Historically focused on top-line growth, game companies' priorities are now undergoing a fundamental shift towards capital efficiency. Companies are benefiting from lower fees across global app marketplaces, while expanding their own direct-to-consumer (DTC) payment systems to boost margins. At the same time, adoption of AI is enabling breakthrough reductions in development timelines and tighter control over labor costs. Concurrently, firms are rigorously restructuring non-core and underperforming business units. Complementing these operational improvements, game companies are enhancing shareholder returns through aggressive share buybacks. Together, these factors are driving a powerful increase in ROE, propelling the sector into an earnings leverage phase.

In summary, the game sector stands out as an investment opportunity that uniquely blends defensive resilience with offensive momentum. On the defensive side, the sector is anchored by low valuation multiples and low beta, providing a hedge against macroeconomic headwinds. On the offensive side, the sector is controlling costs and enhancing ROE to pull off a fundamentals turnaround. Even amid concerns over a slowdown in household consumption, the game sector is generating stable cash flows, thereby strengthening its earnings power. Thus, we are OVERWEIGHT on the sector.

Time to earn again

Signs of profitability improvement

Platform fee reduction and the rise of DTC payments

The game industry is entering a new era of structural margin improvement, driven by: 1) declining platform fees at major app stores; and 2) the accelerating adoption of direct-to-consumer (DTC) payment systems by game publishers.

First, platform fee cuts are gaining momentum. On Mar 4, Google unveiled a major overhaul of its Play Store commission and billing policy, which include: 1) separation of service fees from payment processing fees; 2) reduction of its standard service fee; and 3) full acceptance of third-party payment. If users pay via external payment methods, Google waives its entire payment processing fee. For new game downloads, its service fee drops from 25% to 20%. An additional 5% discount is available to apps that qualify for its Game Level Up program. This means new game downloads could see up to a 10% total fee cut, and existing games up to 5%. These changes are widely seen as the culmination of a multi-year legal battle with Epic Games and a strategic response to mounting global regulatory pressure on app store monopolies.

The updated rules should roll out first in the US and Europe (by Jun 30), with Australia to follow (by Sep 30), and then Korea and Japan (by Dec 31). Notably, Apple has already reduced its App Store fees in China. With Google's move, it is now highly probable that Apple will follow suit in Korea. All thing considered, we estimate that these shifts could increase operating margins by up to 8% for Korean game publishers by 2027, depending on their mobile publishing mix and the new-title portion of their revenue.

Changes to Google Play fees

	Previous fee	New fee (service + billing fee)	
		Game Level Up non participants	Game Level Up participants
First USD1m in revenue	15%	15% (10%+5%)	15% (10%+5%)
New installs	30%	25% (20%+5%)	20% (15%+5%)
Existing installs	30%	30% (25%+5%)	25% (20%+5%)
Subscriptions	15%	15% (10%+5%)	15% (10%+5%)

Note: 5% billing fee applies when using Google payment; external payments incur separate fees
Source: Google, Samsung Securities

Google Play: Game Level Up program

Requirements	Benefits
1. Player journey rewards - Design at least 10 stages of rewards based on level progression 2. Player continuity - Ensure gameplay continuity through cloud save and restore 3. Cross-device gameplay - Cross-platform support across mobile, PC, and tablet - Support for keyboard, mouse, and controllers 4. Revenue and KPI criteria - At least 1.6m MAU sustained daily over the previous 3 months - Monthly revenue of at least USD40,000	• Platform-wide exposure and promotion on Google Play • Game showcasing via YouTube • User rewards through Play points • Enhanced security against unauthorized access • User and device data insights

Source: Google

App store fee changes by region

	Apple	Google
US	External payments allowed (antitrust ruling; May 2025) 30% (27% with external payments)	• New fee system by Jun 2026
EU	DMA-based tiered fee system introduced (Jan 2024) Additional adjustments from Jan 2026 Legacy: 30%, SME 15% (inc. payment fees) New structure: [IAF + SSF + CTC] - Initial acquisition fee (IAF): 2% (only for 6 months) - Store service fees (SSF): 5% or 13% (SME 10%) - Core technology commission (CTC): 5%	• New fee system by Jun 2026
China	Fee reduction (Mar 2026, gov't agreement) Apps: 30% → 25% SMEs/2yr+: 15% → 12% Mini-program partners: 12%	• Service unavailable
Japan	Fee reduction (MSCA impact, Dec 2025) External payment 26% (21% with external payments) SMEs/2yr+: 15% (10% with external payments)	• New fee system by Dec 2026
Korea	30% (27% with external payments)	• New fee system by Dec 2026

Source: Company data, Samsung Securities

Impact of Google Play commission cuts on major game publishers

	Mobile portion of sales	In-app purchase ratio*	Revenue exposure to fee reduction**	Estimated payment fee savings***		2026E operating margin	Operating profit growth	
				Low (5%)	High (10%)		Low	High
Krafton	39%	14%	5%	0.3%	0.5%	26%	1.1%	2.1%
NCsoft	40%	70%	28%	1.4%	2.8%	16%	9.0%	23.2%
Netmarble	100%	80%	80%	4.0%	8.0%	13%	30.7%	61.3%
Pearl Abyss	5%	100%	5%	0.2%	0.5%	20%	1.3%	2.5%
Shift Up	60%	0%	0%	0.0%	0.0%	50%	0.0%	0.0%
Kakao Games	67%	100%	67%	3.3%	6.7%	-5%	n/a	n/a
DoubleU Games	91%	82%	74%	3.7%	7.4%	33%	11.4%	22.9%
NHN	13%	100%	13%	0.6%	1.3%	7%	9.3%	18.5%
Neowiz	47%	88%	42%	2.1%	4.2%	12%	17.0%	34.1%
C2S	78%	95%	74%	3.7%	7.4%	2%	156.6%	313.1%

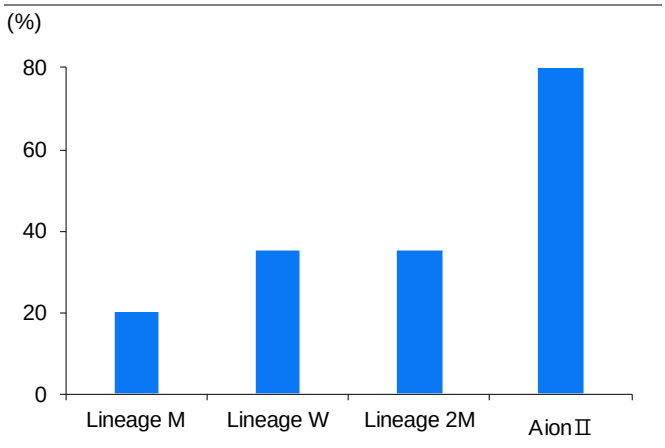
Note: *Share of self-published mobile revenue using IAP;
**IAP revenue portion of total revenue;
***Commission cut impact on total revenue
Source: Samsung Securities estimates

Beyond platform-driven cuts, Korean publishers are now aggressively pursuing their own DTC strategies. Historically, publishers avoided third-party app stores and PC client payments, fearing loss of visibility on Google Play and Apple's App Store rankings. However, they are now aggressively adopting client payments in the wake of: 1) intense pressure to improve profitability; and 2) segment diversification, which has reduced the marketing value of top placements.

Netmarble led the charge, implementing PC client payments across all cross-platform titles (excluding MMORPGs). The results are clear: its payment processing fees as a percentage of sales fell from 39% in 1Q24 to 32% by 4Q25. NCsoft followed in Nov 2024, expanding its proprietary cross-play platform, Purple, to all mobile games. The impact is already visible: over 90% of sales from its new title *Aion II*, and more than 20% of sales from legacy titles like *Lineage M*, now flows through Purple. Even DoubleU Games, a social casino operator, has made rapid progress, increasing its web-based DTC portion of payments from 8% in Aug 2024 to 27% in 4Q25.

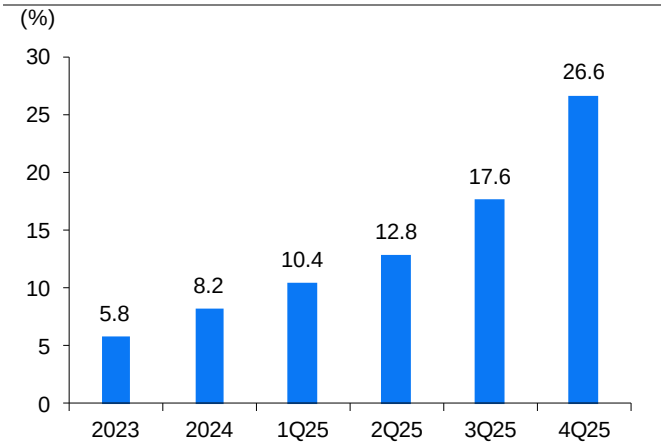
With Google and Apple relaxing restrictions on third-party app stores—and game publishers aggressively expanding their own DTC payment systems and applying a cross-platform strategy—a meaningful, structural cost advantage is now within reach. Payment processing fees—long the biggest source of revenue leakage—are poised to deliver real, sustainable savings.

NCsoft: In-house portion of payments, by game



Source: Company data

DoubleU Games: DTC portion of payments



Source: Company data

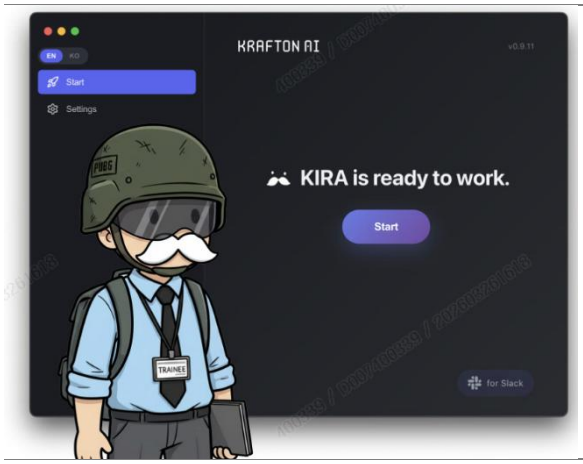
Transition to AI-First business model drives development efficiency and labor cost controls

The integration of AI into games is no longer about supplementary tools. It is triggering a fundamental, company-wide AI-first transformation, delivering measurable, bottom-line efficiency gains. According to Unity's 2026 Gaming Report, 95% of global game studios have now integrated AI into their core development workflows, up from 71% in 2023. This is not a trend; it is now a survival imperative.

Leading Korean game publishers are treating AI adoption not as an experiment but as a strategic lever for proactive workforce optimization and labor cost containment. Krafton, for example, executed a voluntary early retirement program in Nov 2025 and is now filling the resulting capacity gaps with AI agents. To support this shift, the company has built an internal "AI Learning Hub," investing KRW30b annually to upskill employees in AI tools. Meanwhile, NCsoft last year offered voluntary departures among art teams, whose roles have been increasingly replaced by generative AI. This year, it launched a dedicated "AI Innovation Task Force" to accelerate enterprise-wide AI adoption. Leveraging its proprietary AI model Varco, as well as global AI agents, the firm aims to dramatically shorten development cycles not just for flagship MMORPGs but even for new casual titles.

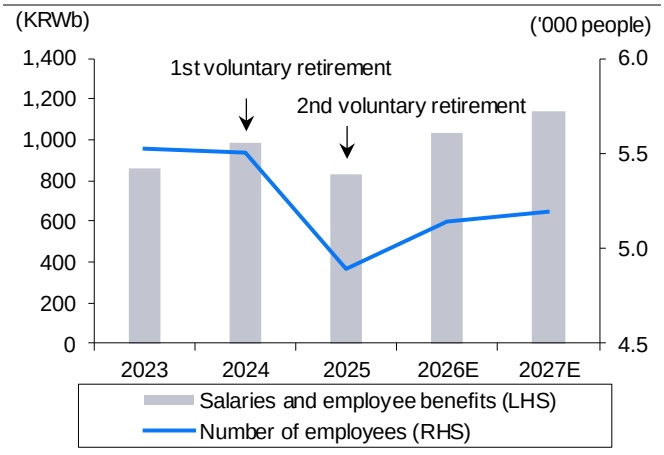
This AI-driven efficiency push is not unique to Korea. Global peers are making the same moves. Israeli game giant Playtika cut 15% of its workforce in January, citing AI-driven productivity gains. Ubisoft slashed 20% of its headquarters staff. Yet, both companies have publicly committed to increasing their AI investments, even amid these large-scale layoffs and project cancellations. This clearly demonstrates that AI-powered efficiency has become the core driver behind improvement in their fundamentals.

Krafton: Open-source personal AI assistant KIRA



Source: Company data

NCsoft: Employee numbers and labor costs



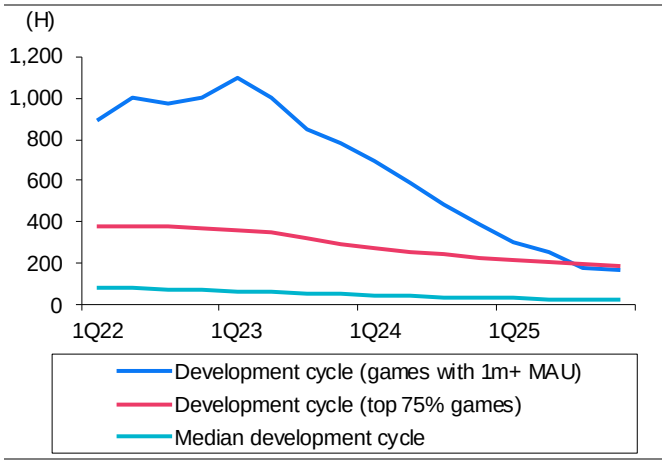
Source: Company data

The productivity gains are already visible. According to Unity's survey, 62% of developers now use AI to assist with coding, a key driver of faster development cycles. Electronic Arts CEO Andrew Wilson confirmed this on his latest earnings call, saying that AI has improved the company's game development efficiency by over 30%.

But AI's impact goes beyond cost controls. It is creating entirely new business models and player experiences. At CES 2025, in partnership with Nvidia, Krafton unveiled *PUBG Ally*, a co-playable character designed to hold natural conversations, adapt strategies, and even assist players in real-time

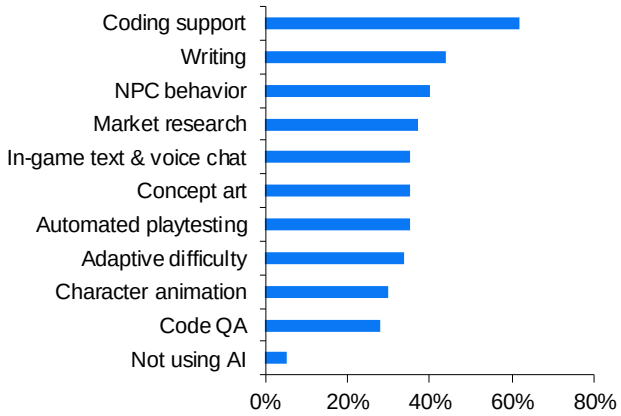
during gameplay. Similarly, Tencent is set to roll out an AI companion system in its *Game For Peace*, which remembers player interactions, builds emotional bonds, and evolves over time. The emergence of these advanced AI characters does not just extend single-player engagement and maximize user lifetime value (LTV); it is also paving the way for next-generation revenue models (*eg*, AI-powered celebrity-endorsed virtual personas).

Unity: Development cycle



Note: Based on Clint 2025 survey of 300 developers
Source: Company data

AI use cases in game development



Note: Based on Clint 2025 survey of 300 developers
Source: Unity

PUBG: AI CPC ALLY

Source: Nvidia

PUBG (China version): AI character example

Source: Tencent

Strategic divestment and focus on core competencies to boost profitability

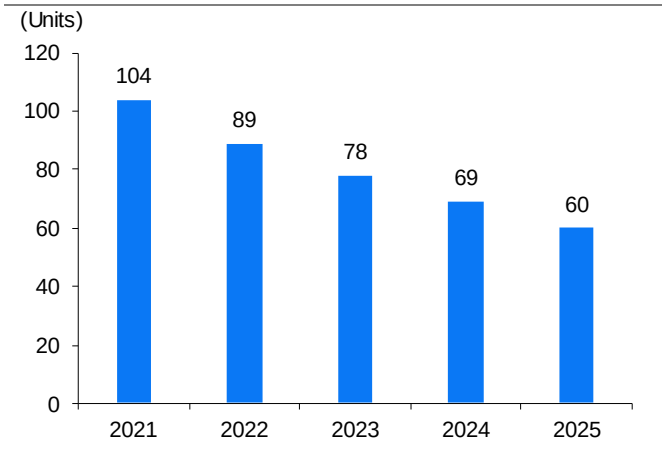
Game companies' profitability strategies have evolved beyond reactive cost-cutting. They are now executing business restructuring. During the global pandemic, many firms expanded aggressively into non-game ventures, buoyed by abundant liquidity. Today, they are decisively exiting or downsizing underperforming operations—not merely to cut losses, but to improve financials.

A good case in point is NHN. The company has aggressively divested nearly all non-core businesses (*eg*, e-commerce, content, and travel), retaining only its three strategic pillars: games, payments, and technology (cloud). As a result, its number of consolidated subsidiaries tumbled from 104 in 2021 to just 60 in 2025. Notably, by scaling back its loss-making e-commerce division and proactively recognizing impairment losses on goodwill, the company has significantly reduced the recurring risk of intangible asset amortization that had plagued its year-end financial statements. The restructuring of non-core assets has allowed sales growth in its core businesses to translate directly into earnings expansion.

Com2us is following a similar path. Since 2023, the company has systematically scaled back non-game operations in the metaverse, blockchain, and media segments. Most recently, it laid off some employees in the underperforming game business to improve labor efficiency. Thanks to the strict cost controls, its media subsidiaries, once massive loss centers, reached breakeven in 4Q25, and Com2us reported its first consolidated operating profit since 4Q21.

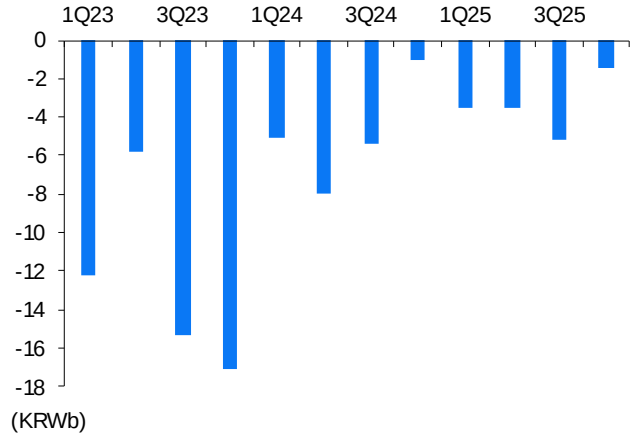
Yet, Com2uS still faces a key challenge. Its media subsidiaries (including Wysiwyg Studios and MyMusicTaste) remain in the red due to structural headwinds in the country's media industry. At the same time, the firm lacks compelling new titles to reignite growth at its core game business. As a result, we believe a decisive strategy of selective focus—*ie*, further divesting non-core assets and streamlining operations to fully redirect resources toward the game business—is the essential precondition for a valuation rebound.

NHN: Consolidated subsidiaries



Source: Company data

Com2us: Operating losses of consolidated subsidiaries



Source: Company data

Stronger shareholder returns to maximize ROE

Game companies' efforts to improve profitability are no longer confined to boosting operating profit. They are now strategically evolving toward maximizing ROE, the ultimate measure of capital efficiency. In the high-growth era, excess cash was usually reinvested into M&As or the development of potential new blockbusters. But as the industry matures, how companies allocate profits has become a key determinant of valuation.

The recent surge in shareholder returns is now a powerful catalyst for structurally lifting ROE across the sector. While the platform fee reductions, AI-driven efficiency gains, and restructuring of marginal non-core businesses restore earnings momentum, aggressive share buybacks and cancellations are directly enhancing ROE by reducing equity capital. While some of these moves are defensive responses to the third revision of the Commercial Act, the fact that many companies have chosen share cancellations over alternatives (*eg*, using treasury shares to issue exchangeable bonds or for employee compensation) signals deep confidence in improvement in their fundamentals.

The clearest example of this capital efficiency transformation is NCsoft. At a recent strategy briefing (March), the company unveiled a bold long-term target: achieve KRW5t in sales by 2030 and attain a 15% ROE. This is not merely about improving operating margins; it is a declaration that capital structure optimization is now the top strategic priority. To back this ambition, NCsoft has committed to distributing 30% of its consolidated net profit as dividends through 2027. The company has also announced plans to cancel treasury shares (around 10% of all shares issued) within the year, a move that should drive ROE up further.

In sum, game companies' proactive shareholder return policies are no longer just about increasing dividends. When combined with cost control and earnings turnarounds, these measures should structurally lift sector-wide ROE and act as the clearest signal of improving profitability, paving the way for game stocks to rerate.

Major game companies: Shareholder return policies

Company	Shareholder return policy	Treasury shares (%)	2025 dividend payout (%)
Krafton	- KRW1t+ shareholder return policy (2026E-2028E) - To pay annual dividends of KRW100b; share cancellation to surpass KRW700b (over 3 years)	6.2	13.6
NCsoft	- To pay 30% of consolidated net income as cash dividend (2025-2027)	10	6.4
Netmarble	- Target total shareholder return of 40% by 2028 - Full cancellation of treasury shares	4.7	29.3
Pearl Abyss		4.4	0
Kakao Games		0.1	0
DoubleU Games	- EBITDA-linked base dividend + special dividend - To cancel 1-2% of outstanding shares annually	8.9	12.8
NHN	- 15% of EBITDA allocated to shareholder returns (2026-2028) - DPS growth policy	5.9	26.7
Neowiz	- 20% of operating profit allocated to shareholder returns (2025-2027) - KRW100b+ annual shareholder returns (KRW50b in dividends and KRW50b in share cancellations)	9.4	12.9
Com2us	- 40-60% of operating cash flow allocated to shareholder returns	5.3	267.6
Shift Up	- Shareholder return policy announcement planned for 1H26	1.6	0

Source: Company data, Samsung Securities

Korean game companies growing the market pie

Achieving tangible results through overseas market expansion

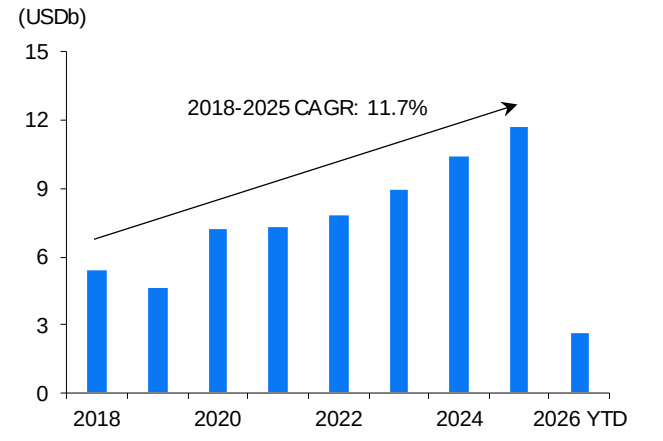
Domestic AAA games making their mark on global Steam and console markets

Korean game companies are increasingly solidifying their presence in the PC (Steam) and console markets in North America and Europe—markets they have been targeting for years as a new growth pillar. This is not a one-off surge, but the result of investments in IP creation, business model diversification, and the formation of AAA game development systems.

Korean game companies began turning their attention to the global Steam and console markets several years ago, as growth in the global mobile game market had stagnated amid rising competition from short-form video media. Meanwhile, the PC game market experienced accelerated growth as Steam consolidated previously fragmented download channels. Last year, the Steam market grew a rapid 12.5%. The console platform market continues to enjoy solid growth, underpinned by strong support from Gen Z and Gen Alpha consumers.

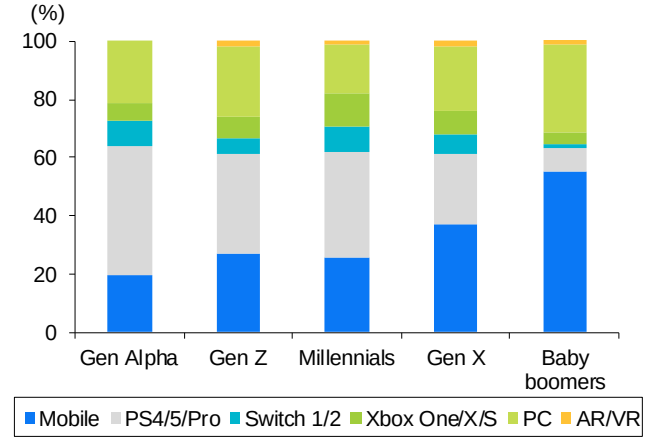
Despite the high attractiveness of the Steam and console markets, it was challenging for domestic companies to establish a foothold. Low understanding of North American and European users, limited experience in console game development, and heavy development costs acted as high entry barriers. Nevertheless, through persistent efforts, Korean game companies have begun to achieve measurable success on the global stage.

Steam PC market



Source: Sensor Tower

Platform preferences, by generation



Source: BCG consulting, Video Game Report 2026

Korean-made games' potential on the global stage was first demonstrated by Nexon's *Dave the Diver* and Neowiz's *Lies of P*.

Launched in Jun 2023, *Dave the Diver* blends oceanic exploration with the management of a sushi restaurant. Its originality resonated with audiences and critics, and the game earned a Metacritic score of 90 and rose to #1 on Steam's list of most-popular titles. It surpassed 8m units in global cumulative sales this year, becoming a steady global bestseller.

Launched in Sep 2023, *Lies of P* is a souls-like action game that reimagines the world of Pinocchio. It has won numerous domestic and international awards and has surpassed 3m units in cumulative sales worldwide.

Korean action RPGs continued to compete in the global market over 2024-2025. Shift Up's *Stellar Blade*, launched in Apr 2024, surpassed 6m units in cumulative sales. Nexon's *The First Descendant*, released in Jul 2024, achieved #1 on Steam's global sales chart and boasted 230,000 peak concurrent players. Nexon's *The First Berserker: Khazan*, released in Mar 2025, fell short of expectations with 30,000 peak concurrent players on Steam—but it still demonstrated the persistent commitment of Korean game studios to compete in the global AAA game market.

This year, Korean game companies are stepping up with AAA game launches, which can potentially reshape the landscape. Nexon, the Korean developer most serious about AAA games, released *ARC Raiders* late last year. Despite entering an extremely competitive extraction shooter market, *ARC Raiders* garnered positive reviews for its unique gameplay—and within just six months, surpassed 14m units in cumulative sales. It also earned critical acclaim, receiving multiple global awards, including the D.I.C.E. award.

In March, Pearl Abyss launched *Crimson Desert*, an open-world action RPG developed over seven years. The game boasted an impressive debut, selling 2m copies on its first day and earning praise for its stunning visuals and combat. While player and critical reception for *Crimson Desert* is sharply divided, its significance lies in firmly establishing the technical prowess of Korean games on the global AAA stage. As Korean game companies continue to accumulate expertise in the Steam and console markets, the success rate of new releases is gradually rising. Thus, we encourage investors to closely monitor the performance of Korean AAA titles scheduled for release this year and next.

Major cross-platform AAA game lineup

Game	Release date	Publisher	Genre	Platform	Performance
Battleground	Dec 2017	Krafton (PUBG)	Battle Royale, Action, FPS	PC, PS, Xbox	3.25m concurrent users
The Callisto Protocol	Dec 2022	Krafton	Action RPG	PC, PS, Xbox	2m copies sold within 1 year
Dave the Diver	Jun 2023	Nexon (Mint Rocket)	Marine Adventure	PC, PS, Xbox, Nintendo Switch, mobile	8m copies sold
Lies of P	Sep 2023	Neowiz (Round 8)	Action RPG	PC, PS, Xbox Game Pass	3m copies sold
The First Descendant	Jul 2024	Nexon (Nexon Games)	TPS	PC, PS, Xbox	Free-to-play model
Throne and Liberty	Oct 2024	NCsoft	MMORPG	PC, PS, Xbox	300,000 concurrent users
The First Berserker: Khazan	Mar 2025	Nexon	Action RPG	PC, PS, Xbox	Ranked #3 on Steam
Stellar Blade	Jun 2025	Shift Up	Action RPG	PC, PS, Xbox	6m copies sold
Arc Raiders	Oct 2025	Nexon (Embark)	Extraction Shooter	PC, PS5, Xbox, MS Store	14m copies sold
Crimson Desert	Mar 2026	Pearl Abyss	Open-World Action RPG	PC, PS5, Xbox, macOS	3m copies sold within 4 days

Source: Samsung Securities

Upcoming AAA Korean games

Game		Publisher	Release date	Platform	Details
Cinder City		NCsoft	4Q26	PC, PS, Xbox	Open-world MMO action game
Horizon Steel Frontier		NCsoft	2027	PC, mobile	Horizon IP-based MMORPG
Evil Bane		Netmarble	2H26	PC, PlayStation	4-player co-op action game with melee & ranged combat
Nakwon: Last Paradise		Nexon	-	PC, PlayStation, Xbox	Zombie apocalypse extraction survival game
Vindictus: Defying Fate		Nexon	-	PC, PlayStation, Xbox	Action game based on *Mabinogi Heroes* IP
Woochi the Wayfarer		Nexon Games	-	PC, PlayStation, Xbox	Action-adventure game based on classic Korean novel

Source: Samsung Securities

Competing in the Western hyper- & hybrid-casual market

The Western hyper- and hybrid-casual game market is also emerging as another high-growth frontier. Once dominated by low-barrier hyper-casual titles, this segment has evolved into a powerful engine of global mobile revenue driven by the rise of hybrid-casual games, which dramatically improve user retention and monetization.

The initial wave of growth in Western mobile markets was led by hyper-casual games. Characterized by intuitive controls and short play sessions, these games leveraged low development costs and inexpensive user acquisition to achieve explosive download volumes. Their core business model relied on in-app advertising (IAA; bombarding users with full-screen ads) and thrived in line with the global surge in smartphone penetration.

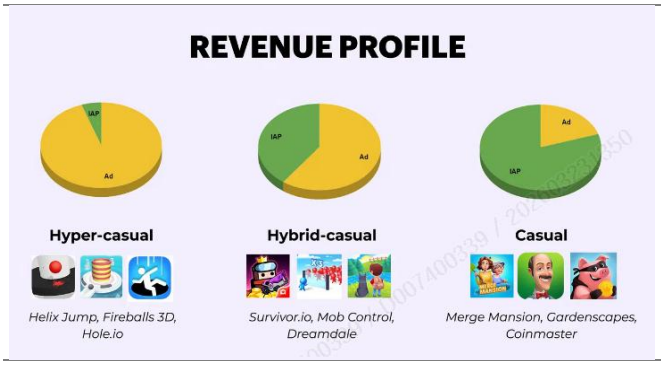
However, the landscape shifted dramatically after Apple's "app tracking transparency" policy launched in 2021. With the collapse of precise user targeting, cost per install (CPI) skyrocketed, while effective cost per mille (eCPM) plummeted. The foundational premise of "low-cost, high-volume acquisition" was shattered and profitability collapsed.

In response, the market shifted toward the hybrid-casual model. Hybrid-casual games retain the accessible core loop of hyper-casual, but layer in mid-core and RPG mechanics (*eg*, equipment collection, character progression, resource management, and roguelike elements). Titles like *Survivor.io* and *Archero* became global breakout hits. This hybrid model improved user retention and diversified profit structure, reducing heavy reliance on IAA, which previously accounted for more than 90% of revenue, to now include in-app purchases (IAP) and subscriptions. Paying user ratios (PUR) and customer lifetime value (LTV) have both risen, granting game developers sufficient profit resilience to offset the surge in marketing expenses.

Hyper-casual game segment

Source: Google

Revenue mix, by casual-game segment

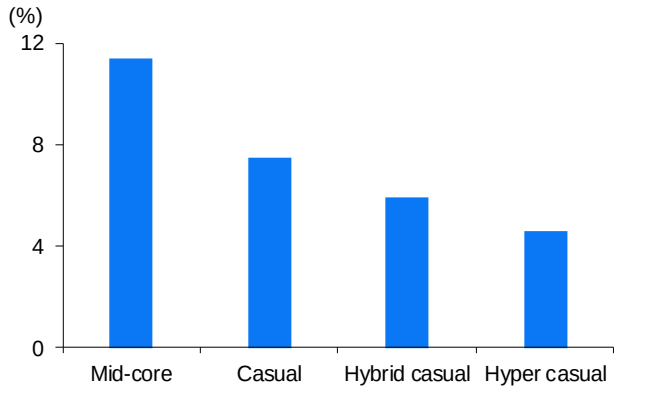


Source: Gamingion.com

As a result, the combination of hyper-casual games' overwhelming popularity and hybrid-casual games' strong profitability has led the overall casual-game market to become the fastest-growing sector globally. According to Sensor Tower, global hybrid-casual game IAP revenue surged 30% y-y to surpass USD2b in 2023. In Korea, hybrid-casual games (*eg*, swap-removal type and merge type) posted a 37% y-y surge in revenue over 1Q-3Q25, testifying to the segment's global dominance.

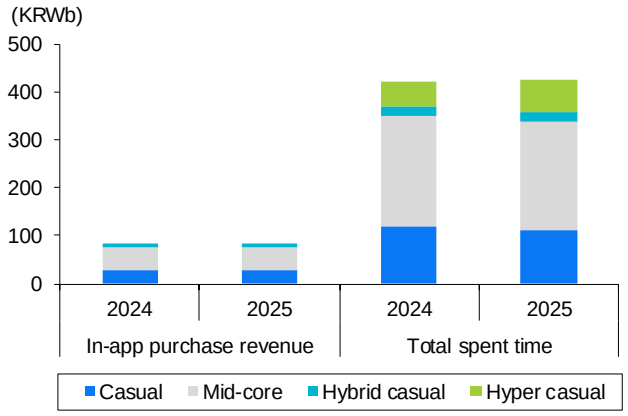
While the broader mobile game market stagnates, casual—now hybrid-casual—is the only segment still growing at scale. For Korean game publishers trying to escape the saturated domestic MMORPG market, Western casual is no longer optional—it is a must. Korean studios that are spearheading the shift toward Western casual games (*eg*, via proactive M&As or by securing the value chain) are well positioned to enjoy renewed rerating.

30-day retention, by segment



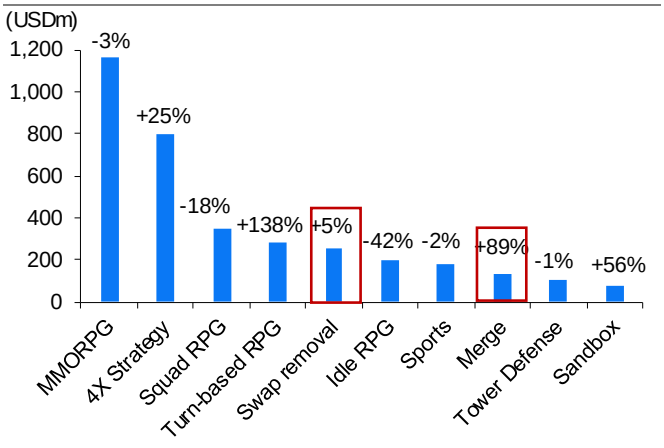
Source: Sensor Tower

Global mobile game metrics, by segment



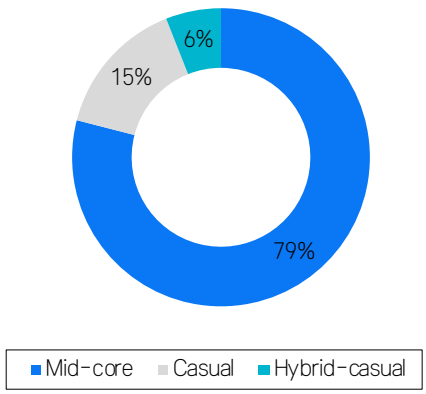
Source: Sensor Tower

Korea mobile game revenue & growth, by genre



Source: Sensor Tower

Korean mobile game IAP revenue mix, by segment



Note: Based on Jan-Sep 2025
Source: Sensor Tower

NCsoft: Competing in hybrid-casual market via vertical integration

In a strategic pivot, NCsoft is aggressively pursuing M&As to achieve full-scale vertical integration in the Western hybrid-casual market. In Dec 2025, it acquired Lihuhu Games, a Vietnam-based studio specializing in match-3 puzzle games, and Springcomes, a Korean developer with deep expertise in merge-2 mechanics—the core of hybrid-casual success. But its most significant move was the recent acquisition of a 70% stake in German-based mobile game reward platform JustPlay for USD2m.

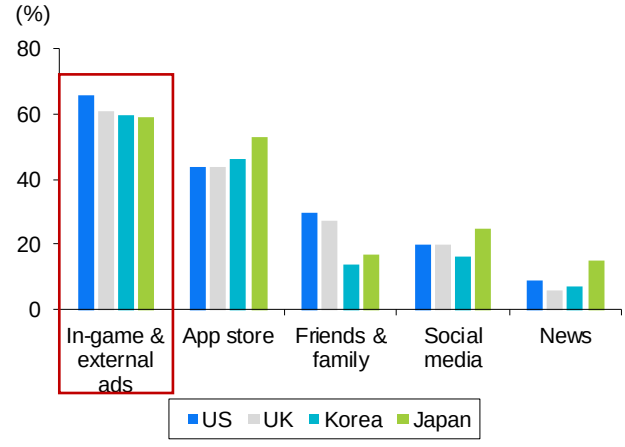
Founded in 2020 by ex-AppLovin executives, JustPlay operates a reward platform in which users earn cash or gift cards by playing mobile games. It competes with Canada's Mistplay (the market leader), as well as BestPlay and Cash Giraffe. Though a late entrant, JustPlay has rapidly closed the gap with Mistplay by leveraging advanced AdTech capabilities.

These game reward platforms serve as a critical marketing channel for casual-game developers, who are facing rising user acquisition costs (UA) due to intensifying competition. By providing download opportunities and encouraging sustained user engagement, these platforms drive higher user participation, improved payment rates, and ultimately elevated customer lifetime value (LTV).

It is worth noting that JustPlay has evolved beyond being a simple reward platform. It now develops and publishes over 40 of its own hybrid-casual titles, with 70% of total sales coming from North America. This signifies that JustPlay has secured a strategic distribution foothold in the Western hybrid-casual game market. If hybrid-casual games developed by Lihuhu Games or Springcomes are integrated onto the JustPlay platform in the future, a powerful synergy is anticipated—wherein JustPlay's own user traffic and increased payment volume will mutually reinforce each other.

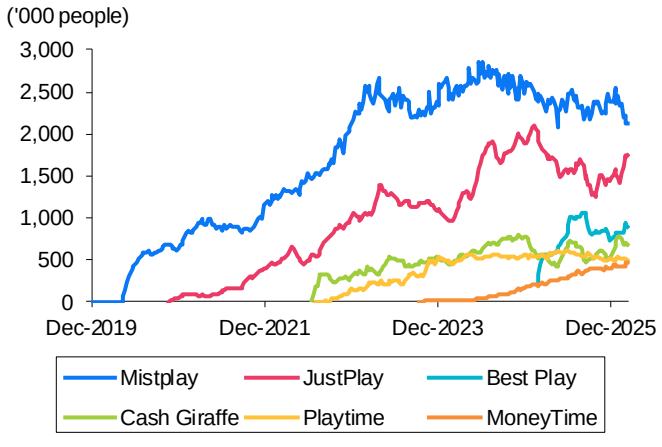
Through this acquisition, NCsoft is poised to complete vertical integration—spanning development, publishing, and marketing—in the casual-game ecosystem, successfully diversifying its traditionally MMORPG-centric portfolio.

Game discovery channels, by country



Note: Survey of 6,000 players in each country, top-2-box method
Source: Mistplay 2025 mobile game report

Reward-based game platforms: Weekly active users



Source: Sensor Tower

Large-cap focused investment strategy

Stock recommendations and top picks

Raise exposure to large-caps, with primary focus on NCsoft and NHN

NCsoft and NHN are our top picks. We also like Netmarble and Krafton.

NCsoft (036570KS, BUY, TP: KRW280,000)

NCsoft has three powerful growth drivers: 1) increasing sales from legacy IPs; 2) the upcoming 2H launch of *Cinder City*, a new IP-based AAA Steam game; and 3) expansion into the casual-game market through M&As and publishing partnerships. The firm is also likely to deliver improved profitability through AI adoption and restructuring, while further enhancing shareholder value through treasury stock cancellation (9.9%).

NHN (181710KS, BUY, TP: KRW46,000)

NHN's game sales should head north on: 1) the relaxation of the monthly payment limit for web-board games; and 2) the release of a title based on anime IP. Its profitability should improve, backed by addition of more GPU-as-a-service (GPUaaS) contracts. Another investment merit is visible progress from years of strategic restructuring: losses in its non-core businesses—particularly commerce and content—are narrowing, providing a solid foundation for earnings improvement.

Netmarble (251270KS, BUY, TP: KRW68,000)

We believe Netmarble had a weak 1Q, pressured by declining sales from legacy titles and game-launch delays. But both sales and operating profit should rebound from 2Q, driven by the launches of two titles in April. Looking ahead, a steady stream of releases throughout the year and efforts to cut fees and labor costs should combine to boost profitability. The recent decision to withdraw the planned IPO of its subsidiary signals stronger corporate governance. We therefore anticipate a stable rerating.

Krafton (259960KS, BUY, TP: KRW310,000)

Krafton's 1Q results should signal improvement, driven by a successful rebound in *PUBG* traffic and revenue. Looking to 2026, it is well-positioned to extend the lifecycle of its IP through consistent content updates (including new modes). However, prolonged legal uncertainty surrounding *Subnautica II* has amplified noise around its upcoming titles. As a result, its share-price appreciation in 2026 should be gradual, mirroring *PUBG* earnings growth.

COMPANY UPDATE

2026. 4. 24

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Research Center report database

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 sustained high uncertainty over the launch of a next-generation title, shares should rise only gradually, mirroring *PUBG*'s profit growth.

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

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 concurrent player count on Steam has briefly climbed as high as 1.3m—matching the level seen in Mar 2025—and its usual daily peak has been close to 800,000. *PUBG Mobile China* also climbed to the top of the revenue rankings, fueled by the Lunar New Year event and a collaboration with Ferrari. Led by the y-y spike in *PUBG* sales across all platforms, Krafton likely saw operating profit rebound to the KRW400b range in 1Q.

PUBG to keep evolving in 2026: According to a 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. Krafton will also seek top-line growth by expanding collaborations with IPs from games and animations—such as *Stellar Blade*.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	3,327	4,854	5,465	5,977
Operating profit	1,054	1,353	1,565	1,722
Net profit (adj)	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

Limited new-game momentum a key challenge: Despite *PUBG*'s sustained growth, 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—the game's developer), growing uncertainty and noise around the release have heightened concerns about its commercial success. For a meaningful valuation uplift, Krafton needs to 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 game companies, to account for the limited near-term new-title momentum). Until a new title generates meaningful valuation upside, we expect the stock to advance gradually, in tandem with *PUBG*'s profit growth.

PUBG 9th anniversary update

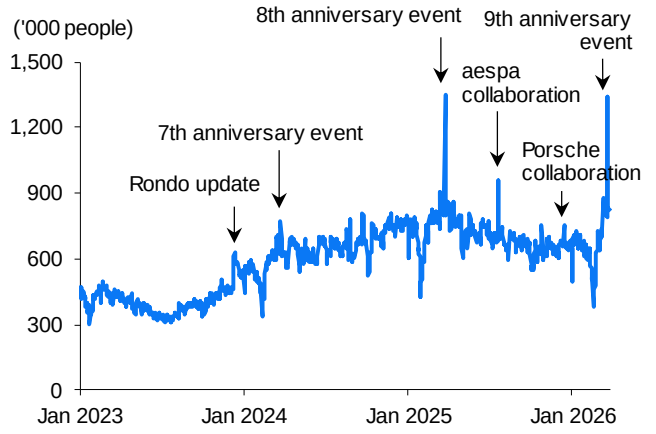
Source: Krafton

v40.2 update

Category	Details
Battlefield festival content	9th anniversary statue, hologram birthday effects, in-game thematic additions
Enhanced rewards	'Event pass: All-day 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 Royale', along with optimized loot configurations
PC mode update	Addition of creator attribution features within UGC, improving usability and content transparency

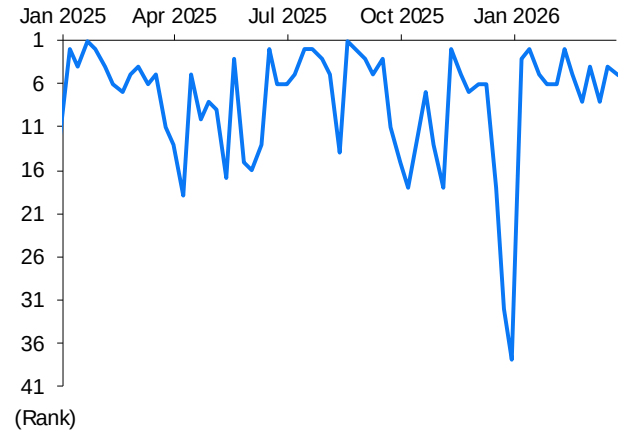
Source: SteamDB

PUBG on Steam: Concurrent users



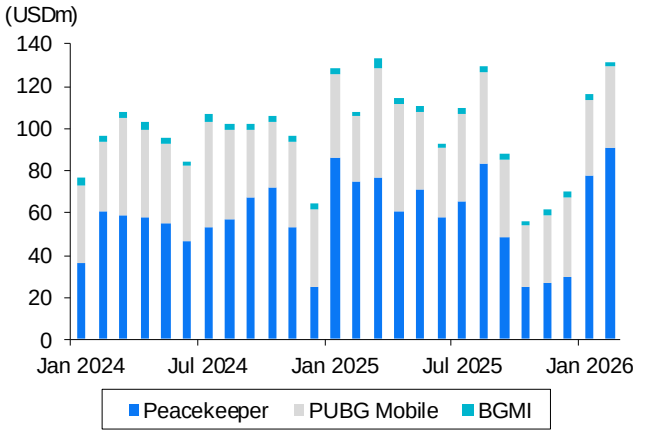
Source: SteamDB

PUBG on Steam: Weekly global sales ranking



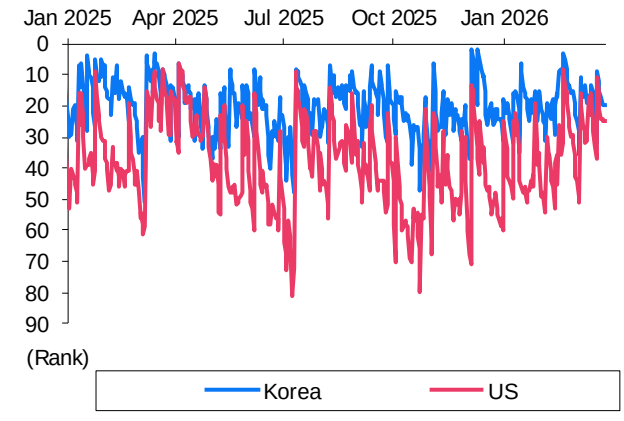
Source: SteamDB

PUBG mobile monthly revenue



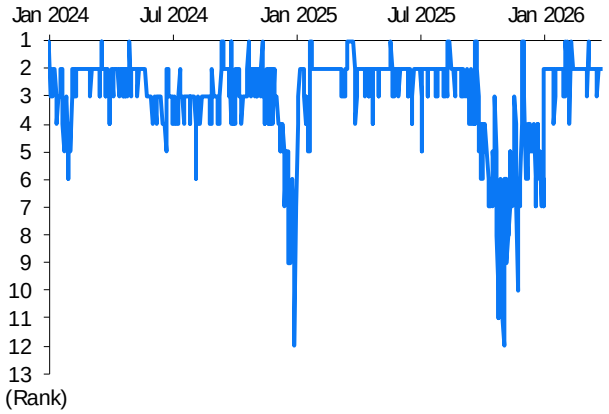
Source: Sensor Tower

PUBG mobile revenue ranking, by country



Note: Based on iOS
Source: Sensor Tower

PUBG Mobile: iOS game sales ranking in China



Source: Sensor Tower

PUBG x Ferrari in China (Feb 13)

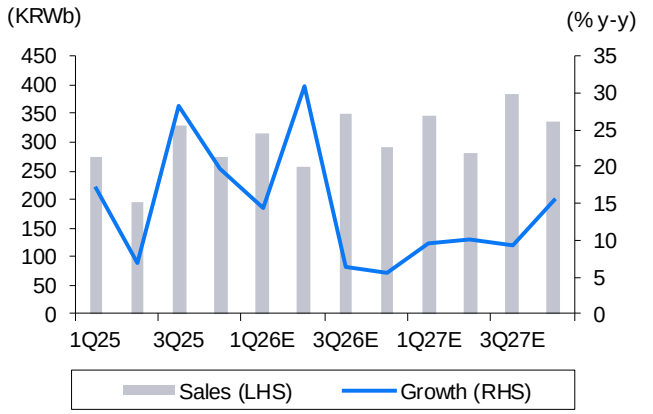
Source: PUBG

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

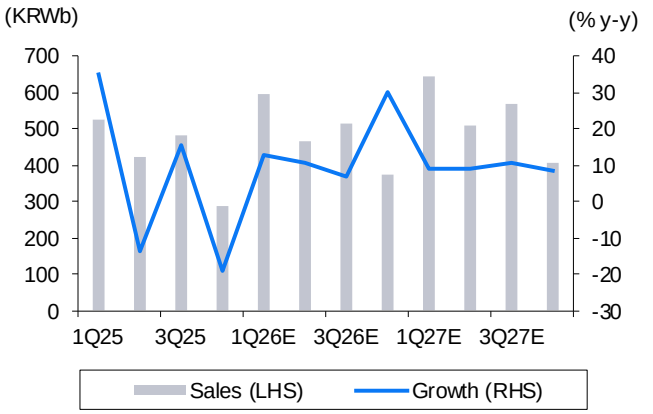
Source: Samsung Securities

PUBG (PC): Sales



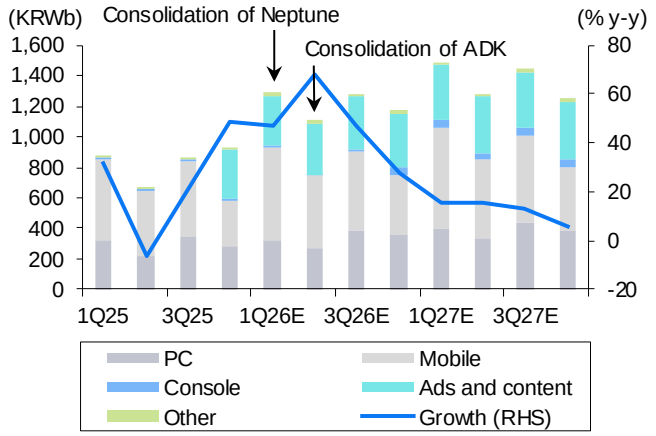
Source: Krafton, Samsung Securities

PUBG Mobile: Sales



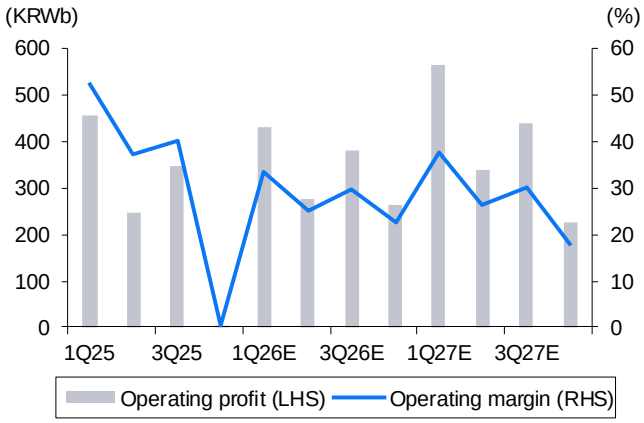
Source: Krafton, Samsung Securities

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	5 vs 5 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 royale	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

1Q 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 content	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 price
Source: Samsung Securities estimates

Global peers: P/E valuation

(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
Shift Up	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
Ads and content				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
Ads and content	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

COMPANY UPDATE

2026. 4. 24

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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.
- The commercial success of upcoming IP titles set to launch in 2H could catalyze a rerating.

WHAT'S THE STORY?

Legacy IPs providing 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 café market share in the 20% range and remains the #2 PC game in terms of domestic traffic. *Aion II* revenue is stabilizing at a lower level but remains on track to reach KRW120b in 2Q. We estimate that the two new games will contribute around 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 from 1Q, and JustPlay to contribute from 2Q, casual-game sales are set to pass the KRW100b mark. With development studios and a reward-based game platform now in place, powerful synergies are expected within the casual-game 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

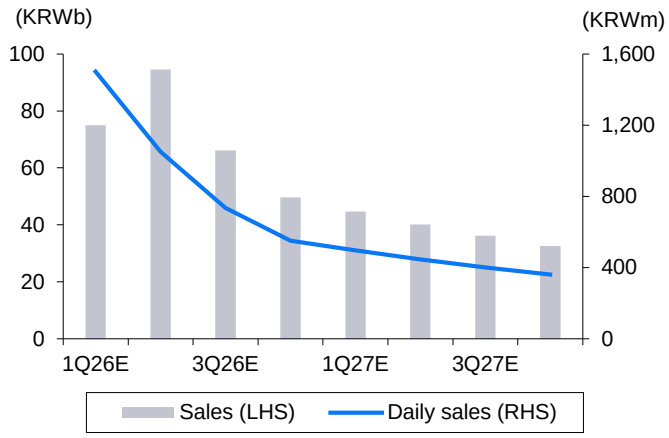
(KRWb)	2024	2025E	2026E	2027E
Revenue	1,578	1,507	2,584	2,990
Operating profit	-109	16	390	428
Net profit (adj)	94	347	341	377
EPS (adj) (KRW)	-2,886	-2,324	16,290	17,659
EPS (adj) growth (% y-y)	nm	nm	nm	8.4
EBITDA margin (%)	-0.0	7.3	18.8	17.6
ROE (%)	3.0	10.7	9.7	9.9
P/E (adj) (x)	n/a	n/a	15.3	14.1
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 and focus group tests 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). NCsoft is our top 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 rerating is warranted.

Lineage Classic: Sales



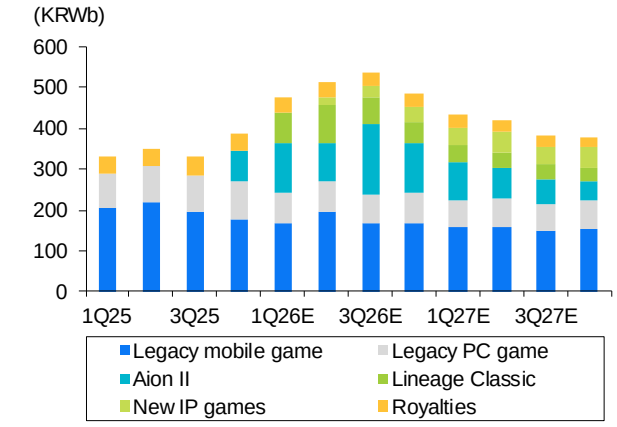
Source: NCsoft, Samsung Securities estimates

PC café 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 II	RPG	3.5
9	Lost Ark	RPG	2.8
10	MapleStory	RPG	2.4

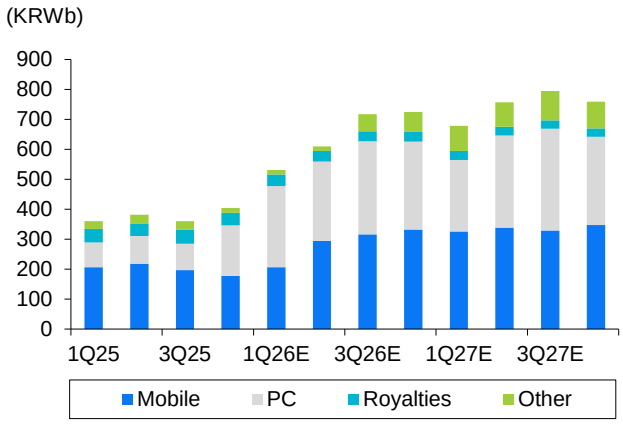
Note: As of Apr 15
Source: Gametrix

Legacy IP game sales



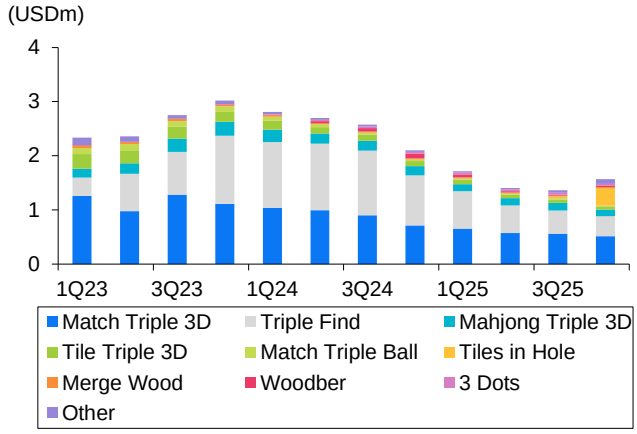
Source: NCsoft, Samsung Securities estimates

Sales, by platform



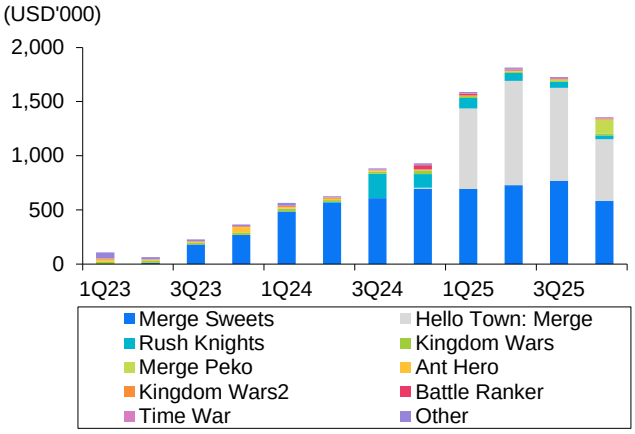
Source: NCsoft, Samsung Securities estimates

Lihuhu: Sales



Source: NCsoft, Samsung Securities estimates

SpringComes: Sales



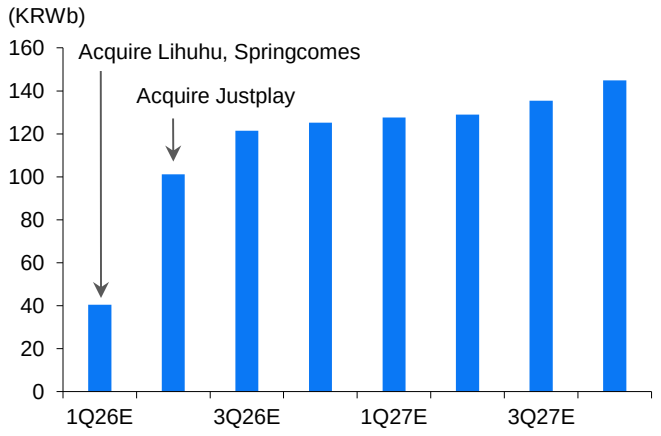
Source: NCsoft, Samsung Securities estimates

NCsoft: Casual-game company acquisitions

Company	Overview	Announcement	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, Over 500,000DAU - Key games: Solitaire Verse, Treasure Master	Mar 2026	KRW301.6b (USD220m)	70%*	
Lihuhu	- Founded in 2017, developer of casual games such as Match-3D and Hole - 2025E revenue KRW30b, operating profit KRW30b - Over 80% of revenue generated in North America and Europe, securing a global user base - Key games: Match Triple, Hole'em All	Dec 2025	KRW153.4b (USD140m)	67%*	
SpringComes	- Korea-based mobile game studio specializing in puzzle games - Strength in rapid development, launches 4-5 games *pa* - 2025E revenue KRW28b, and expected to more than double in 2026	Dec 2025	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	Dec 2025	Undisclosed	Undisclosed	

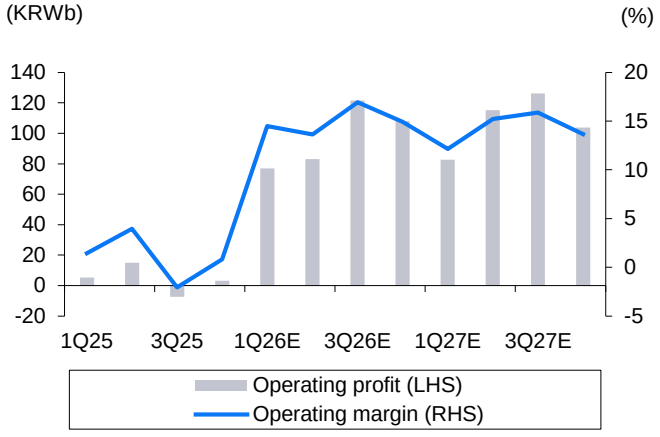
Note: *Holds call option to acquire remaining shares
Source: Company data

Casual-game sales



Source: NCsoft, Samsung Securities estimates

Operating profit



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
Horizon Steel 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

(KRW)	
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 average 2026E P/E;
Based on Apr 15 closing prices
Source: Samsung Securities estimates

Global peers: P/E valuation

(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

COMPANY UPDATE

2026. 4. 24

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Netmarble (251270)

Growing rapidly on steady title releases

- Despite Netmarble launching two titles in March, we now believe operating profit fell q-q in 1Q due to the limited number of days these games could contribute to revenue in the quarter. With at least two releases planned for each quarter this year, profits should grow steadily from April.
- Given a steady stream of game releases and ongoing cost structure upgrades, shares do not appear overly stretched at their current 12.4x P/E.

Tech Team

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AT A GLANCE

BUY

Target price	KRW68,000	34.1%
Current price	KRW50,700	
Market cap	KRW4.2t/USD2.8b	
Shares (float)	83,526,433 (38.1%)	
52-week high/low	KRW68,000/KRW41,350	
Avg daily trading value (60-day)	KRW15.3b/ USD10.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Netmarble (%)	-7.5	-8.8	22.5
Vs Kospi (%pts)	-14.9	-45.6	-49.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	68,000	74,000	-8.1%
2026E EPS	4,145	4,145	0.0%
2027E EPS	4,829	4,829	0.0%

SAMSUNG vs THE STREET

No of estimates	17
Target price	76,118
Recommendation	4.0

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

WHAT'S THE STORY?

1Q preview—a quiet quarter: Netmarble's *StoneAge: Idle Adventure,* released on Mar 3, remains the #2 games on the domestic iOS sales chart and within the top 5 on Google Play. *The Seven Deadly Sins: Origin*, launched globally on Mar 17, did not achieve high sales on Steam or consoles but performed well in Japan's iOS market, reaching #6. However, we now believe Netmarble's revenue fell 10.5% q-q in 1Q, as: 1) the new titles had only a limited number of days in which to contribute to 1Q sales; and 2) legacy games are experiencing sales erosion. Operating profit also likely tumbled 39.2% q-q to KRW67.4b.

Steady stream of game releases planned for 2026: In April, Netmarble plans to launch *Mongil: Star Dive* (Apr 15) and *SOL: Enchant* (Apr 24). Multiple releases are also planned for 2H, including *Solo Leveling: Karma*, *Shangri-La Frontier*, *Project Octopus*, and *Evilbane*. We expect sales and operating profit to begin rebounding in 2Q, supported by full-quarter sales contributions from March's new releases and the aforementioned upcoming titles.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	2,835	3,226	3,450	3,594
Operating profit	352	380	445	534
Net profit (adj)	231	285	368	476
EPS (adj) (KRW)	3,150	4,145	4,829	5,752
EPS (adj) growth (% y-y)	-74.9	31.6	16.5	19.1
EBITDA margin (%)	17.1	16.1	16.4	17.8
ROE (%)	4.1	5.1	6.3	7.7
P/E (adj) (x)	15.3	12.2	10.5	8.8
P/B (x)	0.7	0.7	0.7	0.7
EV/EBITDA (x)	10.3	9.5	8.3	6.8
Dividend yield (%)	1.8	2.1	2.8	2.8

Source: Company data, Samsung Securities estimates

Better profitability and governance ahead: Working to improve profitability, Netmarble has: 1) introduced AI-driven development to boost labor efficiency; and 2) sought to increase the share of mobile game payments processed through its own launcher (bypassing Google Play). Netmarble is also poised to benefit the most among domestic firms from the upcoming reduction in Google Play's fees, scheduled for full implementation by 2027, given its steady stream of mobile game releases. Netmarble has withdrawn the planned IPO for its subsidiary Netmarble Neo, opting instead to fully integrate the latter through a comprehensive share swap and share buyback/cancellation, addressing market concerns of a "duplicate listing".

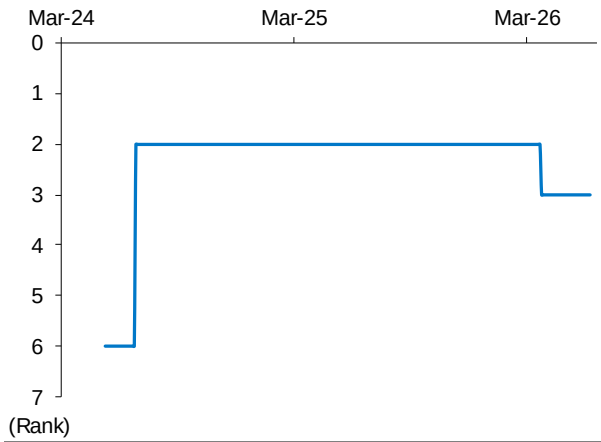
Still an attractive game stock: Reflecting the decline in sales from existing titles, we revise down our 2026 operating profit forecast by 3.1%, causing us to cut our target price by 8.1% from KRW74,000 to KRW68,000 (based on 16.5x 2026 P/E, the average at which domestic and international game companies are trading). While quarterly earnings may fluctuate due to the timing of game launches, steady releases throughout the year and ongoing cost structure improvements should combine to support stable annual profit growth.

1Q preview

(KRWb)	1Q26			Diff (%)		1Q25	4Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**714.0**	**723.9**	**700.5**	**-1.4**	**1.9**	**623.9**	**797.6**	**14.4**	**-10.5**
SpinX	150.7	156.4		-3.6		149.7	167.5	0.7	-10.0
Marvel Contest of Champions	57.0	82.8		-31.1		56.2	87.7	1.6	-35.0
The Seven Deadly Sins	30.6	26.2		17.0		31.2	31.9	-1.8	-4.0
Solo Leveling: Arise	25.5	22.3		14.6		49.9	31.9	-48.9	-20.0
Raven II	27.1	17.7		52.8		31.2	31.9	-13.1	-15.0
RF Online Next	27.1	31.3		-13.4		18.7	31.9	44.9	-15.0
Seven Knights Re:Birth	95.7	91.9		4.2		0.0	119.6	n/a	-20.0
Vampir	33.5	70.5		-52.5		0.0	55.8	n/a	-40.0
The Seven Deadly Sins: Origin	22.5	30.0		-25.0		0.0	0.0	n/a	n/a
Other	244.1	224.8		8.6		287.0	239.3	-14.9	2.0
Operating expenses	**646.6**	**628.3**	**620.6**	**2.9**	**4.2**	**574.2**	**686.8**	**12.6**	**-5.8**
Commission paid	234.8	241.7		-2.9		219.1	252.3	7.2	-6.9
Labor costs	183.5	175.5		4.6		172.1	182.0	6.6	0.8
Advertising expenses	160.5	145.9		10.0		114.2	178.7	40.5	-10.2
Other	67.8	65.1		4.1		68.8	73.8	-1.4	-8.1
Operating profit	**67.4**	**95.5**	**80.0**	**-29.5**	**-15.7**	**49.7**	**110.8**	**35.6**	**-39.2**
Pre-tax profit	89.0	41.2	118.8	115.8	-25.0	97.5	2.8	-8.7	3,057.8
Net profit	67.7	30.9	82.6	118.7	-18.1	80.2	-50.9	-15.7	nm
Net profit (controlling)	67.0	29.7	74.4	125.6	-9.9	75.6	-49.1	-11.4	nm
Margins (%)									
Operating profit	9.4	13.2	11.4			8.0	13.9		
Pre-tax profit	12.5	5.7	17.0			15.6	0.4		
Net profit	9.5	4.3	11.8			12.9	-6.4		
Net profit (controlling)	9.4	4.1	10.6			12.1	-6.2		

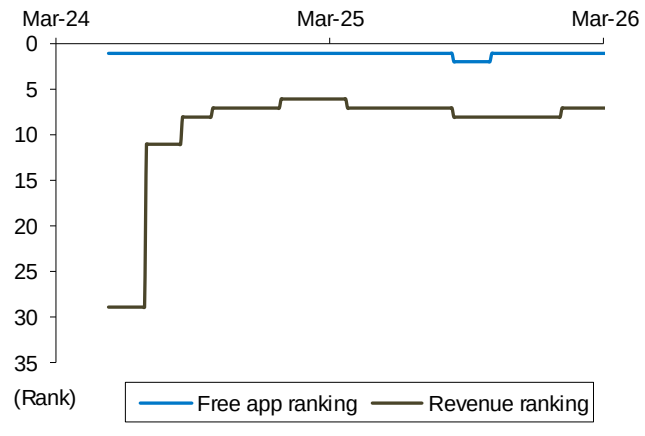
Source: Company data, FnGuide, Samsung Securities estimates

StoneAge Idle: iOS ranking



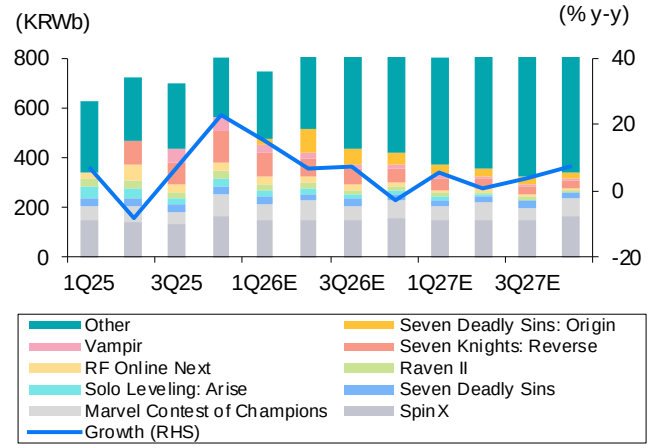
Source: Netmarble, Mobile Index

The Seven Deadly Sins: Origin - Japan iOS rank



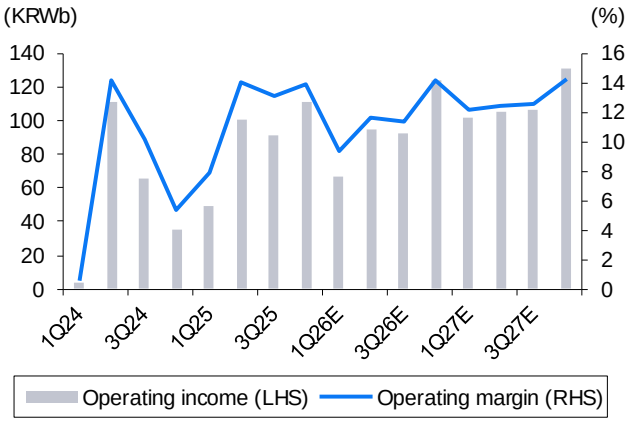
Source: Netmarble, Mobile Index

Quarterly sales



Source: Company data, Samsung Securities estimates

Quarterly operating profit



Source: Company data, Samsung Securities estimates

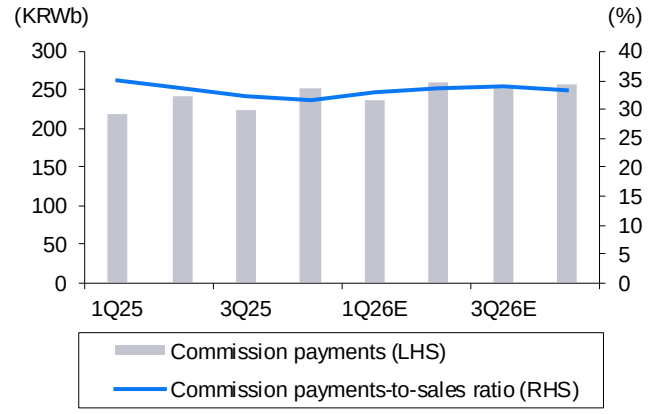
Mongil: Star Dive (Apr 15 launch)

Source: Company data

SOL: Enchant (Apr 23 launch)

Source: Company data

Payment fees



Source: Netmarble

Netmarble Neo merger

Category	Details
Structure	Comprehensive share swap
New shares issued	KRW82.7b
Exchange ratio	Netmarble:Netmarble Neo = 1:0.116
Exchange price	Netmarble KRW51,969 – Netmarble Neo KRW6,031
Agreement date	Mar 26, 2026
Purpose	- Full ownership of Netmarble Neo (100% subsidiary) - Removal of "duplicate listing" concerns; operational efficiency enhancement
Other	Treasury share acquisition (~KRW82.8b) to mitigate dilution; cancellation within the year

Source: Netmarble, DART

New and upcoming titles

Launch	Title	Genre	Platform	IP	Region
4Q25	Solo Leveling: Arise Overdrive	Action RPG	PC (steam)/console	Solo Leveling	Global
1Q26	StoneAge: Pet World	Collectible RPG	Mobile	StoneAge	Global
	The Seven Deadly Sins: Origin	Open world RPG	PC/mobile/console	The Seven Deadly Sins	Global
2Q26	SOL: Enchant	MMORPG	PC/mobile	New IP	Korea
	Mongil: Star Dive	Action RPG	PC/mobile	Monster Taming	Global
2H26	Solo Leveling: Karma	Roguelike Action RPG	PC/mobile	Solo Leveling	Global
	Shangri-La Frontier: The Seven Colossi	Action RPG	Mobile	Shangri-La Frontier	Global
	Project Octopus	Casual Roguelike RPG	Mobile	New	Global
	Evilbane	Co-op action	PC/console	Raven	Global

Source: Company data, Samsung Securities

Valuation

(KRW)	
2026E EPS	4,086
Target P/E* (x)	16.5
Fair value per share	67,581
Target price	**68,000**
Current price	50,700
Upside (%)	34.1

Note: *Average of 2026 P/E multiples at which peer group is trading;
Based on Apr 15 closing prices
Source: Samsung Securities estimates

Global peer P/E valuation

(x)	2025	2026E
Krafton	12.4	10.9
Shift Up	15.1	15.3
Com2us	49.2	20.9
NetEase	13.1	12.7
EA	23.2	21.6
Nexon	20.6	17.8
Average	**22.3**	**16.5**

Note: Based on Apr 15 closing prices
Source: Bloomberg, Samsung Securities

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	**623.9**	**717.6**	**696.0**	**797.6**	**714.0**	**816.6**	**816.4**	**879.0**	**840.2**	**848.7**	**844.2**	**917.1**
SpinX	149.7	143.5	132.2	167.5	150.7	149.2	147.7	155.1	148.9	147.4	146.0	167.9
Marvel Contest of Champions	56.2	64.6	48.7	87.7	57.0	62.7	53.3	93.3	56.0	61.6	55.4	99.8
The Seven Deadly Sins	31.2	28.7	27.8	31.9	30.6	29.7	29.1	28.0	26.6	25.2	24.2	23.5
Solo Leveling	49.9	43.1	27.8	31.9	25.5	20.4	16.3	13.1	10.5	8.4	6.7	5.4
Raven II	31.2	28.7	20.9	31.9	27.1	23.1	19.6	16.7	14.2	12.0	10.2	8.7
RF Online Next	18.7	64.6	34.8	31.9	27.1	23.1	19.6	16.7	14.2	12.0	10.2	8.7
Seven Knights Re:Birth		93.3	83.5	119.6	95.7	76.6	65.1	55.3	47.0	42.3	38.1	34.3
Vampir			62.6	55.8	33.5	20.1	16.1	13.7	11.6	9.3	8.4	7.5
The Seven Deadly Sins: Origin					22.5	94.5	66.2	52.9	45.0	36.0	32.4	29.1
Other	287.0	251.2	257.5	239.3	244.1	317.2	383.3	434.3	466.4	494.4	512.6	532.3
Operating expenses	**574.2**	**616.5**	**605.1**	**686.8**	**646.6**	**721.3**	**723.5**	**754.3**	**738.0**	**742.9**	**737.9**	**786.4**
Commission paid	219.1	242.4	224.9	252.3	234.8	276.7	277.5	294.2	277.1	277.5	271.8	294.0
Labor costs	172.1	174.9	170.4	182.0	183.5	185.1	186.7	188.4	190.0	192.1	194.2	196.3
Advertising expenses	114.2	135.4	145.3	178.7	160.5	181.9	181.8	188.2	186.9	188.6	187.5	204.3
Other	68.8	63.8	64.5	73.8	67.8	77.6	77.6	83.5	84.0	84.9	84.4	91.7
Operating profit	**49.7**	**101.1**	**90.9**	**110.8**	**67.4**	**95.3**	**92.8**	**124.6**	**102.2**	**105.8**	**106.3**	**130.7**
Pre-tax profit	97.5	189.9	55.9	2.8	89.0	118.2	114.1	53.6	129.7	131.7	135.1	87.9
Net profit	80.2	160.1	40.6	(50.9)	67.7	89.8	86.7	40.8	98.6	100.1	102.6	66.8
Net profit (controlling)	75.6	160.3	37.5	(49.1)	67.0	88.9	85.9	40.3	97.6	99.1	101.6	66.1
Adjusted EPS (KRW)	597	1,191	909	410	777	1,008	984	1,316	1,123	1,138	1,153	1,415
Margins (%)												
Operating profit	8.0	14.1	13.1	13.9	9.4	11.7	11.4	14.2	12.2	12.5	12.6	14.3
Pre-tax profit	15.6	26.5	8.0	0.4	12.5	14.5	14.0	6.1	15.4	15.5	16.0	9.6
Net profit	12.9	22.3	5.8	(6.4)	9.5	11.0	10.6	4.6	11.7	11.8	12.2	7.3
Net profit (controlling)	12.1	22.3	5.4	(6.2)	9.4	10.9	10.5	4.6	11.6	11.7	12.0	7.2

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	**3,007.2**	**3,225.9**	**7.3**	**3,137.3**	**3,450.3**	**10.0**		**3,594.3**	**n/a**
SpinX	602.9	602.9	0.0	610.2	610.2	0.0		660.2	n/a
Marvel Contest of Champions	266.6	266.4	(0.1)	245.5	272.8	11.1		288.6	n/a
The Seven Deadly Sins	117.4	117.4	0.0	99.5	99.5	0.0		83.6	n/a
Solo Leveling: Arise	75.3	75.3	0.0	30.9	30.9	0.0		12.6	n/a
Raven II	86.4	86.4	0.0	45.1	45.1	0.0		23.5	n/a
RF Online Next	86.4	86.4	0.0	45.1	45.1	0.0		23.5	n/a
Seven Knights Re:Birh	292.7	292.7	0.0	143.8	161.7	12.5		106.1	n/a
Vampir	83.3	83.3	0.0	35.5	36.8	3.6		23.3	n/a
The Seven Deadly Sins: Origin	180.0	236.1	31.2	81.1	142.5	75.8		90.2	n/a
Other	1,216.2	1,379.0	13.4	1,800.6	2,005.7	11.4		2,282.6	n/a
Operating expenses	**2,615.0**	**2,845.8**	**8.8**	**2,709.5**	**3,005.3**	**10.9**		**3,060.1**	**n/a**
Commission paid	1,004.8	1,083.2	7.8	1,017.3	1,120.5	10.1		1,092.3	n/a
Labor costs	717.3	743.7	3.7	727.5	772.6	6.2		807.4	n/a
Advertising expenses	607.3	712.4	17.3	651.0	767.3	17.9		801.0	n/a
Other	285.7	306.5	7.3	313.7	345.0	10.0		359.4	n/a
Operating profit	**392.2**	**380.1**	**(3.1)**	**427.8**	**444.9**	**4.0**		**534.2**	**n/a**
Pre-tax profit	419.9	375.0	(10.7)	534.3	484.3	(9.3)		625.8	n/a
Net profit	319.1	285.0	(10.7)	406.1	368.1	(9.3)		475.6	n/a
Net profit (controlling)	303.1	282.1	(6.9)	385.7	364.4	(5.5)		470.9	n/a
Adjusted EPS (KRW)	4,173	4,086	(2.1)	4,615	4,829	4.6		5,752	n/a
Margins (%)									
Operating profit	13.0	11.8		13.6	12.9			14.9	
Pre-tax profit	14.0	11.6		17.0	14.0			17.4	
Net profit	10.6	8.8		12.9	10.7			13.2	
Net profit (controlling)	10.1	8.7		12.3	10.6			13.1	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,664**	**2,835**	**3,226**	**3,450**	**3,594**
Cost of goods sold	0	0	0	0	0
Gross profit	**2,664**	**2,835**	**3,226**	**3,450**	**3,594**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	2,448	2,483	2,846	3,005	3,060
Operating profit	**216**	**352**	**380**	**445**	**534**
Operating margin (%)	8.1	12.4	11.8	12.9	14.9
Non-operating gains (losses)	**-139**	**-6**	**-5**	**39**	**92**
Financial profit	77	196	173	187	208
Financial costs	192	159	174	169	165
Equity-method gains (losses)	109	106	102	106	110
Other	-133	-149	-106	-84	-62
Pre-tax profit	**76**	**346**	**375**	**484**	**626**
Taxes	73	115	90	116	150
Effective tax rate (%)	95.8	33.3	24.0	24.0	24.0
Profit from continuing operations	3	231	285	368	476
Profit from discontinued operations	0	0	0	0	0
Net profit	**3**	**231**	**285**	**368**	**476**
Net margin (%)	0.1	8.1	8.8	10.7	13.2
Net profit (controlling interests)	26	225	282	364	471
Net profit (non-controlling interests)	-22	6	3	4	5
EBITDA	370	484	520	566	639
EBITDA margin (%)	13.9	17.1	16.1	16.4	17.8
EPS (parent-based) (KRW)	298	2,618	3,424	4,447	5,747
EPS (consolidated) (KRW)	37	2,685	3,458	4,492	5,805
Adjusted EPS (KRW)*	12,551	3,150	4,145	4,829	5,752

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,115**	**1,257**	**1,224**	**1,360**	**1,577**
Cash & equivalents	578	689	614	724	919
Accounts receivable	277	281	297	310	321
Inventories	2	2	2	2	2
Other current assets	258	285	312	325	335
Fixed assets	**7,062**	**6,837**	**6,957**	**6,958**	**6,958**
Investment assets	2,928	3,060	3,320	3,441	3,547
Tangible assets	340	402	362	329	301
Intangible assets	3,245	2,858	2,759	2,671	2,594
Other long-term assets	549	516	516	516	516
Total assets	**8,177**	**8,094**	**8,181**	**8,317**	**8,535**
Current liabilities	**1,348**	**1,901**	**1,747**	**1,590**	**1,436**
Accounts payable	28	23	26	27	28
Short-term debt	505	733	613	493	373
Other current liabilities	815	1,145	1,109	1,071	1,035
Long-term liabilities	**1,355**	**701**	**729**	**742**	**753**
Bonds & long-term debt	997	363	363	363	363
Other long-term liabilities	358	337	365	378	390
Total liabilities	**2,703**	**2,601**	**2,476**	**2,332**	**2,189**
Owners of parent equity	**5,416**	**5,430**	**5,640**	**5,916**	**6,272**
Capital stock	9	9	9	9	9
Capital surplus	3,055	3,061	3,143	3,143	3,143
Retained earnings	1,145	1,338	1,465	1,741	2,097
Other	1,207	1,023	1,023	1,023	1,023
Non-controlling interests' equity	**58**	**63**	**66**	**69**	**74**
Total equity	**5,474**	**5,492**	**5,706**	**5,985**	**6,346**
Net debt	1,009	756	696	459	138

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**288**	**338**	**285**	**335**	**423**
Net profit	3	231	285	368	476
Non-cash profit and expenses	382	258	158	156	158
Depreciation	53	48	40	33	27
Amortization	101	84	99	88	78
Other	228	127	18	35	53
Changes in A/L from operating activities	-35	-47	-33	-42	-39
Cash flow from investments	**37**	**-74**	**-20**	**-12**	**-11**
Change in tangible assets	-17	-47	0	0	0
Change in financial assets	-35	-38	-16	-7	-6
Other	89	10	-4	-4	-4
Cash flow from financing	**-221**	**-146**	**-192**	**-209**	**-234**
Change in debt	-148	-102	-120	-120	-120
Change in equity	5	6	83	0	0
Dividends	-0	-41	-72	-89	-114
Other	-77	-9	-83	0	0
Change in cash	148	111	-75	110	196
Cash at beginning of year	430	578	689	614	724
Cash at end of year	578	689	614	724	919
Gross cash flow	**385**	**489**	**443**	**524**	**634**
Free cash flow	**270**	**290**	**285**	**335**	**423**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	6.5	6.4	13.8	7.0	4.2
Operating profit	nm	63.5	7.8	17.0	20.1
Net profit	nm	7,076.8	23.5	29.2	29.2
Adjusted EPS**	nm	-74.9	31.6	16.5	19.1
Per-share data (KRW)					
EPS (parent-based)	298	2,618	3,424	4,447	5,747
EPS (consolidated)	37	2,685	3,458	4,492	5,805
Adjusted EPS**	12,551	3,150	4,145	4,829	5,752
BVPS	66,102	66,269	68,857	72,221	76,572
DPS (common)	417	876	1,081	1,397	1,397
Valuations (x)					
P/E***	4.1	15.3	12.2	10.5	8.8
P/B***	0.8	0.7	0.7	0.7	0.7
EV/EBITDA	14.9	10.3	9.5	8.3	6.8
Ratios (%)					
ROE	0.5	4.1	5.1	6.3	7.7
ROA	0.0	2.8	3.5	4.5	5.6
ROIC	0.3	7.2	9.5	11.4	14.0
Payout ratio	133.3	31.9	31.4	31.4	24.3
Dividend yield (common)	0.8	1.8	2.1	2.8	2.8
Net debt to equity	18.4	13.8	12.2	7.7	2.2
Interest coverage (x)	2.0	4.9	6.1	7.7	10.2

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

COMPANY UPDATE

2026. 4. 24

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Research Center report database

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NHN (181710)

Rapid growth driven by web-board games, GPUaaS

- NHN's game sales should head north on: 1) a rise in the monthly payment limit for web-board games in February; and 2) the release of a title based on popular IP.
- While the addition of more GPUaaS contracts should boost technology sales, restructuring of non-core subsidiaries should lift overall profitability.
- The stock should put in a solid performance, backed by robust growth in both game and technology sales, and improving profitability at subsidiaries.

AT A GLANCE

BUY

Target price	KRW46,000	19.3%
Current price	KRW38,550	
Market cap	KRW1.3t/USD0.9b	
Shares (float)	32,753,139 (37.3%)	
52-week high/low	KRW42,400/KRW18,770	
Avg daily trading value (60-day)	KRW3.5b/ USD2.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
NHN (%)	-1.4	43.3	82.7
Vs Kospi (%pts)	-6.9	-11.6	-23.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	46,000	46,000	0.0%
2025E EPS	1,401	1,401	0.0%
2026E EPS	2,854	2,854	0.0%

SAMSUNG vs THE STREET

No of estimates	7
Target price	46,000
Recommendation	4.0

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

WHAT'S THE STORY?

Game business—growth powered by web-board games: NHN's web-board game sales grew over 20% m-m on the relaxation of the monthly payment limit (from KRW700,000 to KRW1,000,000) in February. As a result, we estimate that web-board game sales expanded 8.8% y-y in 1Q, primarily driven by strong contributions from heavy users in PC-based games. Meanwhile, *Dissidia Duellum Final Fantasy*, released on Mar 24, has made a splash in Japan and is likely to serve as a key growth driver from 2Q.

GPUaaS sales to grow in earnest: Building on last year's momentum, GPU-as-a-Service (GPUaaS) is again set to lead growth in NHN's technology sales in 2026. The company should recognize sales from: 1) operating government-funded GPU infrastructure at the Yangpyeong data center from 2Q; and 2) Krafton, which should begin using NHN's GPU services, from 3Q. With these new GPUaaS contracts, NHN's technology sales should climb more than 25% in 2026.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	2,456	2,516	2,821	3,176
Operating profit	-33	132	204	240
Net profit (adj)	-193	58	127	167
EPS (adj) (KRW)	-2,101	1,401	2,854	3,604
EPS (adj) growth (% y-y)	nm	nm	103.6	26.3
EBITDA margin (%)	2.9	9.4	11.2	11.2
ROE (%)	-8.6	2.5	5.8	7.5
P/E (adj) (x)	n/a	20.7	13.5	10.7
P/B (x)	0.4	0.6	0.8	0.7
EV/EBITDA (x)	7.0	1.7	2.2	1.9
Dividend yield (%)	2.8	1.7	1.3	1.3

Source: Company data, Samsung Securities estimates

Subsidiary restructuring to boost profitability: NHN Bugs is scheduled for full divestment by end-March and should be excluded from consolidated results from 2Q. At the same time, NHN is planning to improve profitability at its e-commerce and global businesses by winding down underperforming operations. Additional streamlining of non-core subsidiaries (*eg*, content and e-commerce) should drive company-wide margin improvement this year.

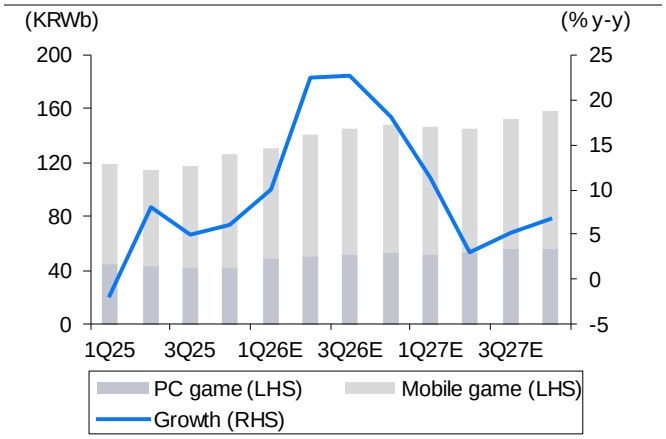
Games and cloud to fuel earnings momentum: We maintain our BUY rating on NHN and reiterate our target price of KRW46,000 (based on a 16x 2026 P/E, the domestic game industry average). NHN is benefiting from two key tailwinds: 1) the prospect of robust game sales growth, supported by regulatory easing for web-board games and new titles based on anime IPs; and 2) accelerating cloud sales driven by GPUaaS adoption. The stock should put in a solid performance this year, carried by improving earnings momentum.

Changes in web-board game regulations

	2014	2016	2018	2020	2022	2024	2026
Monthly payment limit	KRW300,000	KRW500,000	KRW500,000	KRW500,000	KRW700,000	KRW700,000	KRW1,000,000
Single bet limit	KRW30,000	KRW50,000	KRW50,000	KRW50,000	KRW70,000	KRW70,000	KRW100,000
Daily loss limit	KRW100,000	KRW100,000	KRW100,000	User sets limit up to KRW500,000	User sets limit up to KRW700,000	User sets limit up to KRW700,000	User sets limit up to KRW1,000,000
Game opponent selection	X	KRW2,500	KRW2,500	KRW2,500	KRW3,500	KRW3,500	KRW5,000
Automatic betting	X	X	X	X	X	X	X
Self-check frequency	Quarterly	Annually	Annually	Annually	Annually	Annually	Annually

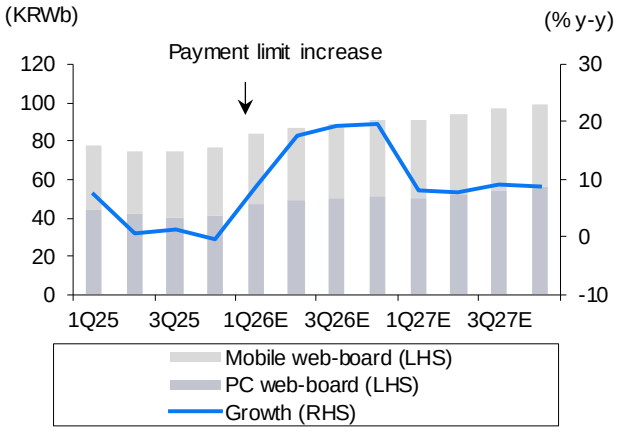
Source: Samsung Securities

Game sales



Source: Square Enix

Web-board game sales

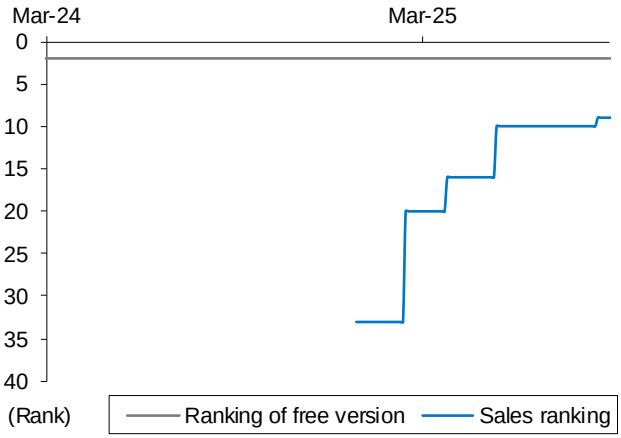


Source: Company data, Samsung Securities

Dissidia Duellum Final Fantasy (Mar 24)

Source: Square Enix

Dissidia Duellum Final Fantasy: Japan iOS ranking



Note: Top 100 rankings over the past 48 hours, aggregated at 10-minute intervals
Source: Mobile Index

Recent and upcoming titles

Launch	Title	Genre	Details
1Q26	Puzzle Star	Match-3 puzzle	Oshi no Ko (My Star's Child) IP-based
	Dissidia Duellum Final Fantasy	Fighting game	Final Fantasy IP-based
2Q26	Touken Puzzle	Action puzzle	Touken Ranbu IP-based
	Suuuiplash	Casual	Web 3-based
2H26	Project MM	Puzzle	IP-based
	EMMA	Casual	

Source: Company data, Samsung Securities

NHN Cloud key projects

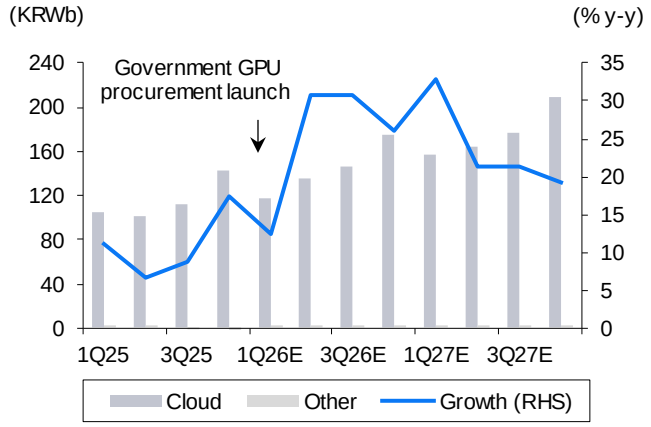
Project	Details	Data center	Revenue	Timeline
Government system migration	System migration following government data center fire, NHN cloud capacity provision	PPP Daegu data center	KRW1b-2b	4Q25
AI compute infrastructure expansion program	Government-owned GPU B200 procurement, deployment and operations support	Yangpyeong data center	KRW300b over 5 years	2Q26~
Krafton cloud GPU operation	Krafton GPU deployment and operations	Pangyo data center	KRW100b over 5 years	3Q26~
Disaster recovery system build	Hybrid DR system deployment (public+private cloud)	PPP Daegu data center	KRW70b	4Q26~
Dae-gu data center private sales	Partial data center capacity allocation and sales to private	PPP Daegu data center	KRW20b+ *pa*	3Q26~

Source: Company data, Samsung Securities

Yangpyeong 26 KW urban data center

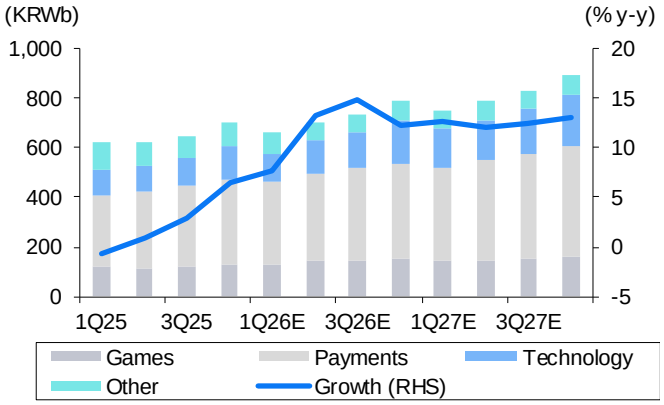
Source: Company data

Technology sales



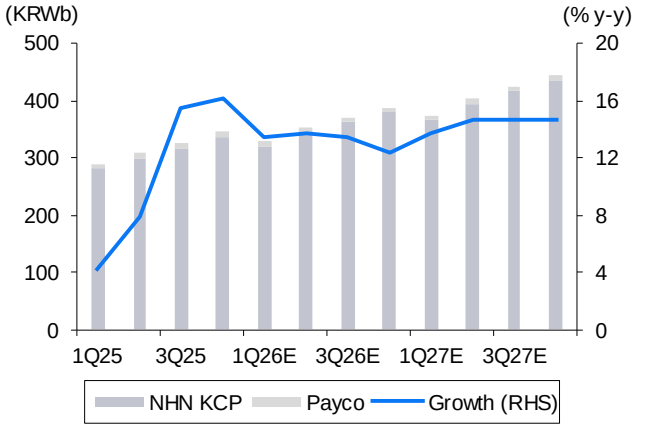
Source: Company data, Samsung Securities estimates

Quarterly sales, by division



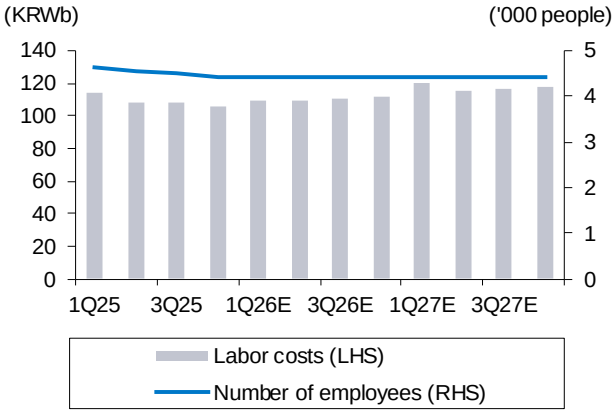
Source: Company data, Samsung Securities estimates

Payment sales



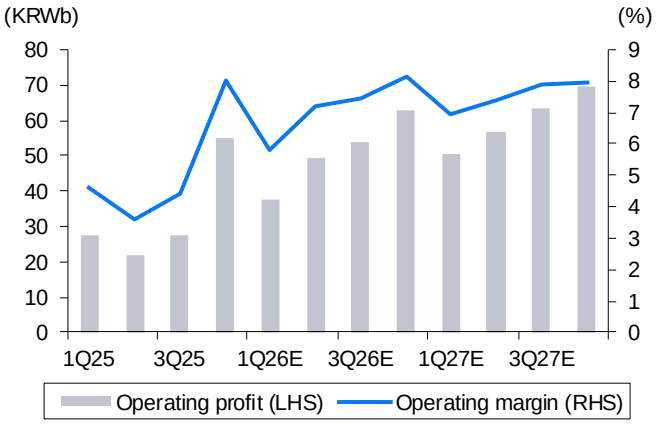
Source: Company data, Samsung Securities estimates

Labor costs and number of employees



Source: Company data, Samsung Securities estimates

Quarterly operating profit



Source: Company data, Samsung Securities estimates

1Q preview

(KRWb)	1Q26			Diff (%)		1Q25	4Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**646.9**	**669.6**	**645.2**	**(3.4)**	**0.3**	**600.1**	**685.7**	**7.8**	**(5.7)**
Games	131.5	125.6		4.7		119.6	126.1	9.9	4.2
Payment	329.4	343.9		(4.2)		290.3	345.6	13.5	(4.7)
Technology	118.9	132.7		(10.4)		105.6	139.1	12.6	(14.5)
Other	85.0	90.1		(5.6)		104.5	94.3	(18.6)	(9.8)
Internal transactions	(17.9)	(22.7)		(21.0)		(19.9)	(19.4)	(10.0)	(7.6)
Operating expenses	**609.1**	**639.3**		**(4.7)**		**572.5**	**630.6**	**6.4**	**(3.4)**
Salaries and employee benefits	108.8	110.6		(1.6)		113.8	106.2	(4.4)	2.5
Commission paid	426.5	438.7		(2.8)		368.4	454.5	15.8	(6.2)
Marketing expenses	23.6	26.4		(10.7)		18.2	23.9	29.5	(1.4)
D&A expenses	27.3	25.4		7.2		26.4	26.8	3.5	1.8
Other	23.0	38.2		(39.8)		45.7	19.2	(49.7)	19.9
Operating profit	**37.8**	**30.3**	**33.4**	**24.6**	**12.9**	**27.6**	**55.1**	**36.6**	**(31.5)**
Pre-tax profit	38.9	(9.3)	35.1	(517.4)	10.8	24.1	46.3	61.5	(16.0)
Net profit	19.4	(24.2)	19.4	(180.3)	0.2	(0.2)	28.7	nm	(32.2)
Net profit (controlling)	11.7	(14.5)	15.2	(180.3)	(23.3)	(3.8)	19.5	nm	(40.3)
Margins (%)									
Operating profit	5.8	4.5	5.2			4.6	8.0		
Pre-tax profit	6.0	(1.4)	5.4			4.0	6.7		
Net profit	3.0	(3.6)	3.0			(0.0)	4.2		
Net profit (controlling)	1.8	(2.2)	2.4			(0.6)	2.8		

Source: Company data, Samsung Securities estimates

NHN valuation

(KRWb)	
2026E EPS	2,854
Target P/E* (x)	16.0
Fair share price (KRW)	45,585
Target price (KRW)	**46,000**
Current price (KRW)	41,850
Upside (%)	9.9

Note: *Based on Mar 27 closing price
Source: Samsung Securities estimates

NHN's peers: Valuations

(x)	2025	2026E
Netmarble	13.9	12.6
NCsoft	15.1	15.3
Pearl Abyss	n/a	15.7
Com2us	49.2	20.9
Neowiz	9.9	13.6
Nexon	20.6	17.8
Target P/E	**21.7**	**16.0**

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	**600**	**605**	**626**	**686**	**647**	**686**	**719**	**770**	**729**	**769**	**809**	**870**
Games	120	115	118	126	131	141	145	149	146	145	153	159
Payment	290	309	327	346	329	352	371	389	375	404	426	446
Technology	106	104	112	139	119	137	146	175	158	166	177	209
Other	104	96	90	94	85	77	76	79	71	77	76	82
Internal transactions	(20)	(20)	(21)	(19)	(18)	(20)	(20)	(22)	(21)	(22)	(24)	(26)
Operating expenses	**572**	**583**	**598**	**631**	**609**	**636**	**665**	**707**	**678**	**712**	**745**	**801**
Salaries and employee benefits	114	108	108	106	109	110	111	112	120	115	116	117
Commission paid	368	392	405	454	426	455	480	518	483	520	549	599
Marketing expenses	18	21	24	24	24	24	25	26	26	27	29	31
D&A expenses	26	25	25	27	27	28	28	28	29	29	29	29
Other	46	37	36	19	23	21	21	22	21	21	22	24
Operating profit	**28**	**22**	**28**	**55**	**38**	**49**	**54**	**63**	**51**	**57**	**64**	**69**
Pre-tax profit	24	24	39	46	39	52	58	60	53	61	67	76
Net profit	(0)	11	18	29	19	31	38	39	34	39	43	49
Net profit (controlling)	(4)	9	12	20	12	21	27	28	24	28	31	37
Adjusted EPS (KRW)	74	223	131	984	336	591	744	1,184	688	757	884	1,275
Margins (%)												
Operating profit	4.6	3.6	4.4	8.0	5.8	7.2	7.5	8.2	7.0	7.4	7.9	8.0
Pre-tax profit	4.0	3.9	6.2	6.7	6.0	7.6	8.1	7.8	7.3	7.9	8.3	8.7
Net profit	(0.0)	1.9	2.9	4.2	3.0	4.6	5.2	5.0	4.7	5.1	5.4	5.7
Net profit (controlling)	(0.6)	1.5	1.9	2.8	1.8	3.1	3.8	3.7	3.3	3.6	3.9	4.3

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	2,819	2,821	0.1	3,194	3,176	(0.6)		3,576	n/a
Games	537	566	5.5	584	603	3.2		658	n/a
Payment	1,450	1,441	(0.6)	1,667	1,650	(1.0)		1,877	n/a
Technology	570	577	1.3	694	710	2.3		833	n/a
Other	351	317	(9.7)	348	305	(12.3)		313	n/a
Internal transactions	(88)	(81)	(8.2)	(100)	(93)	(7.3)		(105)	n/a
Operating expenses	2,628	2,617	(0.4)	2,953	2,936	(0.6)		3,276	n/a
Salaries and employee benefits	435	442	1.5	454	468	3.3		493	n/a
Commission paid	1,897	1,879	(0.9)	2,179	2,151	(1.3)		2,434	n/a
Marketing expenses	100	98	(1.5)	113	113	(0.5)		129	n/a
D&A expenses	111	111	0.0	116	116	0.0		121	n/a
Other	84	87	3.4	91	88	(3.3)		98	n/a
Operating profit	192	204	6.1	241	240	(0.3)		300	n/a
Pre-tax profit	197	209	6.1	257	256	(0.2)		318	n/a
Net profit	120	127	6.0	167	167	(0.2)		207	n/a
Net profit (controlling)	84	89	5.9	120	120	(0.2)		149	n/a
Adjusted EPS (KRW)	2,702	2,854	5.6	3,613	3,604	(0.2)		4,495	n/a
Margins (%)									
Operating profit	6.8	7.2		7.5	7.6			8.4	
Pre-tax profit	7.0	7.4		8.0	8.1			8.9	
Net profit	4.3	4.5		5.2	5.2			5.8	
Net profit (controlling)	3.0	3.1							

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,270**	**2,456**	**2,516**	**2,821**	**3,176**
Cost of goods sold	0	0	0	0	0
Gross profit	**2,270**	**2,456**	**2,516**	**2,821**	**3,176**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	2,214	2,489	2,384	2,617	2,936
Operating profit	**56**	**-33**	**132**	**204**	**240**
Operating margin (%)	2.4	-1.3	5.3	7.2	7.6
Non-operating gains (losses)	**-43**	**-97**	**1**	**5**	**16**
Financial profit	81	92	75	74	78
Financial costs	78	69	51	46	47
Equity-method gains (losses)	5	-11	-5	-5	-4
Other	-51	-109	-19	-18	-11
Pre-tax profit	**13**	**-130**	**133**	**209**	**256**
Taxes	36	63	76	82	90
Effective tax rate (%)	278.1	-48.7	56.7	39.0	35.0
Profit from continuing operations	-23	-193	58	127	167
Profit from discontinued operations	0	0	0	0	0
Net profit	**-23**	**-193**	**58**	**127**	**167**
Net margin (%)	-1.0	-7.8	2.3	4.5	5.2
Net profit (controlling interests)	-9	-133	37	89	120
Net profit (non-controlling interests)	-15	-60	21	38	47
EBITDA	149	72	236	315	357
EBITDA margin (%)	6.6	2.9	9.4	11.2	11.2
EPS (parent-based) (KRW)	-243	-3,904	1,098	2,712	3,664
EPS (consolidated) (KRW)	-656	-5,674	1,715	3,886	5,088
Adjusted EPS (KRW)*	182	-2,101	1,401	2,854	3,604

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,537**	**1,419**	**1,815**	**1,943**	**2,117**
Cash & equivalents	772	622	1,074	1,136	1,226
Accounts receivable	182	185	183	205	232
Inventories	67	49	32	35	40
Other current assets	516	563	526	567	619
Fixed assets	**1,912**	**1,774**	**1,687**	**1,674**	**1,662**
Investment assets	532	474	469	505	547
Tangible assets	706	701	653	561	464
Intangible assets	427	345	365	406	446
Other long-term assets	247	254	200	202	204
Total assets	**3,450**	**3,193**	**3,502**	**3,617**	**3,779**
Current liabilities	**888**	**878**	**1,174**	**1,135**	**1,098**
Accounts payable	0	0	0	0	0
Short-term debt	53	65	28	28	28
Other current liabilities	836	813	1,146	1,107	1,071
Long-term liabilities	**571**	**549**	**547**	**590**	**641**
Bonds & long-term debt	179	176	155	155	155
Other long-term liabilities	392	374	392	435	487
Total liabilities	**1,460**	**1,428**	**1,721**	**1,725**	**1,739**
Owners of parent equity	**1,631**	**1,451**	**1,483**	**1,555**	**1,656**
Capital stock	19	19	19	19	19
Capital surplus	1,229	1,229	1,229	1,229	1,229
Retained earnings	524	325	348	421	526
Other	-140	-121	-112	-113	-117
Non-controlling interests' equity	**358**	**314**	**298**	**337**	**383**
Total equity	**1,990**	**1,765**	**1,781**	**1,892**	**2,039**
Net debt	-547	-410	-859	-907	-984

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**165**	**47**	**551**	**133**	**169**
Net profit	-23	-193	58	127	167
Non-cash profit and expenses	232	468	172	164	173
Depreciation	75	86	86	92	96
Amortization	18	18	18	19	20
Other	138	364	68	53	57
Changes in A/L from operating activities	15	-168	368	-77	-82
Cash flow from investments	**-294**	**-50**	**55**	**-18**	**-20**
Change in tangible assets	-308	-42	-21	0	0
Change in financial assets	-9	-43	51	3	-0
Other	22	35	24	-21	-20
Cash flow from financing	**269**	**-149**	**-149**	**-33**	**-33**
Change in debt	176	22	-65	3	3
Change in equity	0	0	0	0	0
Dividends	-6	-21	-18	-15	-15
Other	100	-150	-66	-20	-21
Change in cash	141	-150	453	61	90
Cash at beginning of year	631	772	622	1,074	1,136
Cash at end of year	772	622	1,074	1,136	1,226
Gross cash flow	**209**	**275**	**230**	**291**	**340**
Free cash flow	**-153**	**-1**	**524**	**133**	**169**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	7.3	8.2	2.5	12.1	12.6
Operating profit	42.4	nm	nm	53.8	18.1
Net profit	nm	nm	nm	120.8	30.9
Adjusted EPS**	-43.4	nm	nm	103.6	26.3
Per-share data (KRW)					
EPS (parent-based)	-243	-3,904	1,098	2,712	3,664
EPS (consolidated)	-656	-5,674	1,715	3,886	5,088
Adjusted EPS**	182	-2,101	1,401	2,854	3,604
BVPS	48,402	45,675	48,114	50,463	53,726
DPS (common)	500	500	500	500	500
Valuations (x)					
P/E***	128.0	n/a	20.7	13.5	10.7
P/B***	0.5	0.4	0.6	0.8	0.7
EV/EBITDA	4.2	7.0	1.7	2.2	1.9
Ratios (%)					
ROE	-0.5	-8.6	2.5	5.8	7.5
ROA	-0.7	-5.8	1.7	3.6	4.5
ROIC	-10.0	-4.4	6.5	16.9	19.3
Payout ratio	-197.4	-12.0	41.7	17.4	12.8
Dividend yield (common)	2.1	2.8	1.7	1.3	1.3
Net debt to equity	-27.5	-23.2	-48.2	-47.9	-48.3
Interest coverage (x)	2.4	-1.1	6.6	10.0	11.7

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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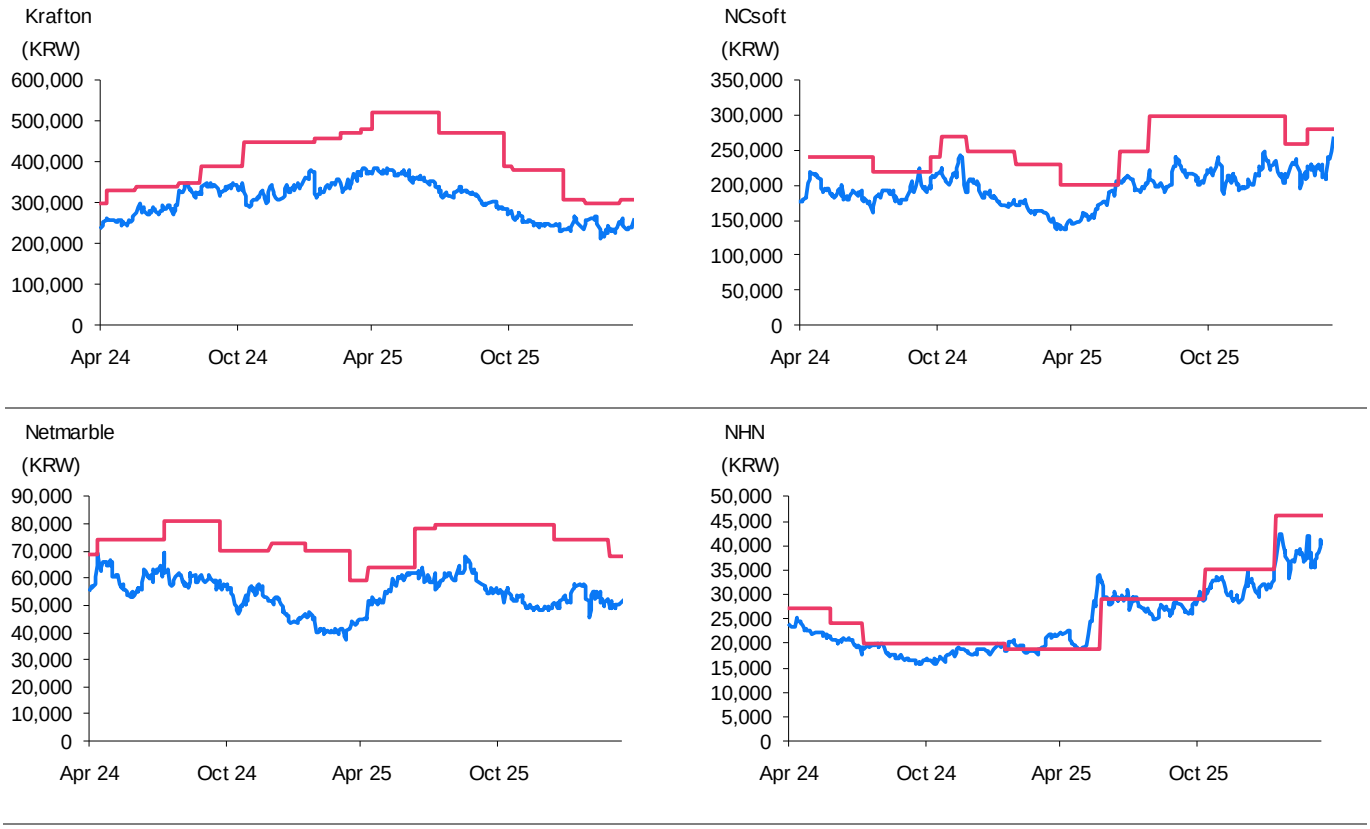
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Krafton												
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)	-17.85	-22.59	-16.76	-5.61	-13.29	-27.25	-26.43	-25.08	-21.22	-29.80	-33.18	-28.48
(max or min)**	-13.33	-17.58	-12.65	-0.29	-10.00	-14.89	-22.17	-19.68	-19.58	-25.77	-27.87	-26.92
Date	11/5	2026/1/13	2/10	3/30								
Recommendation	BUY	BUY	BUY	BUY								
Target price (KRW)	380000	310000	300000	310000								
Gap* (average)	-34.01	-21.29	-19.48									
(max or min)**	-27.63	-14.35	-29.67									
NCsoft												
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	
Netmarble												
Date	2024/2/8	5/10	8/9	10/22	12/30	2025/2/14	4/16	5/9	7/11	8/8	2026/1/15	3/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	69000	74000	81000	70000	73000	70000	59000	64000	78000	80000	74000	68000
Gap* (average)	-13.44	-18.59	-26.48	-23.22	-34.71	-40.50	-25.12	-11.50	-22.55	-30.27	-28.29	
(max or min)**	-3.19	-6.22	-21.98	-17.14	-27.81	-32.43	-22.80	-2.81	-18.21	-15.00	-21.76	
NHN												
Date	2024/2/15	6/25	8/7	2025/2/14	6/23	11/10	2026/2/13					
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY					
Target price (KRW)	27000	24000	20000	19000	29000	35000	46000					
Gap* (average)	-10.71	-15.79	-10.26	10.07	-3.66	-10.14						
(max or min)**	6.48	-11.88	-0.30	78.68	-14.48	0.00						

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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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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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