COMPANY UPDATE

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Tech Team

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Krafton (259960)

PUBG sales grow again

- Krafton reported 1Q sales and operating profit of KRW1.37t and KRW561.6b (up 57% and 23% y-y), the latter beating consensus by 53%.
- Reflecting the PUBG's extended IP lifecycle and the accelerated launch of Subnautica II, we revise up our full-year operating profit forecast by 31.1% and also increase our target price by 19% to KRW370,000.

▶ AT A GLANCE

BUY

Target price	KRW370,000	32.6%
Current price	**KRW279,000**	
Market cap	KRW13.2t/USD8.8b	
Shares (float)	46,132,393 (55.8%)	
52-week high/low	KRW386,000/KRW211,000	
Avg daily trading value (60-day)	KRW41.1b/ USD27.4m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Krafton (%)	14.3	3.3	-25.6
Vs Kospi (%pts)	-7.0	-44.7	-74.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	370,000	370,000	0.0%
2026E EPS	23,600	23,600	0.0%
2027E EPS	26,666	26,666	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	16
Target price	382,500
Recommendation	4.0

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

WHAT'S THE STORY?

1Q review—earnings surprise based on robust growth in PUBG sales: Krafton's 1Q sales jumped 57% y-y (20.5% above consensus), driven by strong sales growth in the PUBG franchise (up 24% y-y) and contributions from the firm's SDK Group acquisition. The remarkable 1Q performance came primarily from a 32% y-y increase in mobile platform sales—for reference, PUBG Mobile China sales were fueled by the Lunar New Year event and a collaboration with Ferrari. PC sales also grew 12.5% y-y on the New Year's rerun event and the PUBG's 9th anniversary campaign. Meantime, operating profit jumped 22.8% y-y, exceeding consensus by 52.5%.

Launch of several well-crafted game modes fuels PUBG growth: This year, PUBG's traffics and sales should be driven by content updates (centering on well-crafted game modes) and strategic external IP collaborations. The Xeno Point mode, launched in April, has already boosted Steam traffic, and the upcoming Payday IP mode should further enrich the game's content ecosystem.

Subnautica II to become available soon: Unknown World (developer of this game) has confirmed that Subnautica II will launch in early access on May 15. With Subnautica I and Subnautica: Below Zero combined having sold 18.5m copies—and ranking top on Steam's Wishlist for 34 straight weeks—the sequel is on track to sell over 10m copies.

(Continued on the next page)

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,371.4	56.9	49.1	-0.0	13.7
Operating profit	561.6	22.8	22,981.6	0.0	37.0
Pre-tax profit	719.1	44.1	nm	-0.0	66.2
Net profit	514.1	38.4	nm	0.0	45.8
Margins (%)					
Operating profit	41.0				
Pre-tax profit	52.4				
Net profit	37.5				

data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	15.4	11.8	10.5
P/B	1.6	1.5	1.3
EV/EBITDA	9.7	6.8	6.1
Div yield (%)	0.9	0.8	0.8
EPS growth (% y-y)	-16.5	47.3	13.0
ROE (%)	10.6	16.8	14.4
Per-share data (KRW)			
EPS	16,021	23,600	26,666
BVPS	157,747	186,255	212,819
DPS	2,240	2,240	2,240

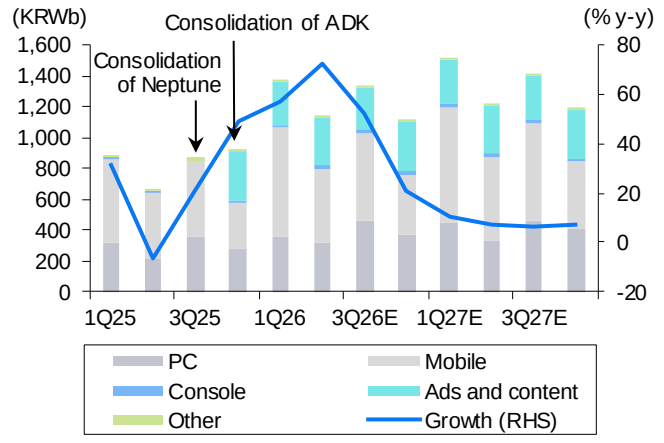
Earnings momentum to drive the stock higher: Reflecting the outstanding PUBG IP sales and the accelerated launch of Subnautica II, we revise up our full-year operating profit forecast by 31.1% and also increase our target price from KRW310,000 to KRW370,000 (based on a 15.8x 2026 P/E; a 5% discount to the average 2026 P/E of domestic and global gaming companies to account for the limited near-term new-title momentum). While long-term growth hinges on expanding its new game slate, 2026 earnings momentum—powered by Subnautica II and PUBG's extended IP lifecycle—should remain the primary driver of the share price.

1Q26 review

(KRWb)	1Q26			Diff (%)		1Q25	4Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**1,371**	**1,254**	**1,138**	**9.4**	**20.5**	**874**	**920**	**56.9**	**49.1**
PC	364	353		3.0		324	287	12.5	26.6
Mobile	703	542		29.8		532	292	32.0	140.5
Console	14	11		29.5		13	10	5.7	42.5
Ads and contents	281	330		(14.8)		0	323	n/a	(13.1)
Other	10	19		(46.5)		5	7	95.1	40.5
Operating expenses	**810**	**887**		**(8.7)**		**417**	**917**	**94.3**	**(11.7)**
Personnel	289	247		17.4		166	290	74.0	(0.3)
Platform fees/cost of revenue	115	136		(15.4)		105	104	9.3	10.6
Commission paid	289	371		(22.1)		84	390	243.1	(26.0)
Marketing	42	50		(16.4)		23	52	83.1	(19.1)
Other	75	83		(10.1)		39	81	94.6	(7.4)
Operating profit	**562**	**367**	**368**	**52.9**	**52.5**	**457**	**2**	**22.8**	**nm**
Pre-tax profit	719	365	389	96.9	84.8	499	(50)	44.1	nm
Net profit	514	274	301	87.7	71.0	371	(23)	38.4	nm
Net profit (controlling)	515	271	298	89.8	72.8	372	(20)	38.4	nm
Margins (%)									
Operating profit	40.9	29.3	32.3			52.3	0.3		
Pre-tax profit	52.4	29.1	34.2			57.1	(5.5)		
Net profit	37.5	21.8	26.4			42.5	(2.5)		
Net profit (controlling)	37.5	21.6	26.2			42.6	(2.2)		

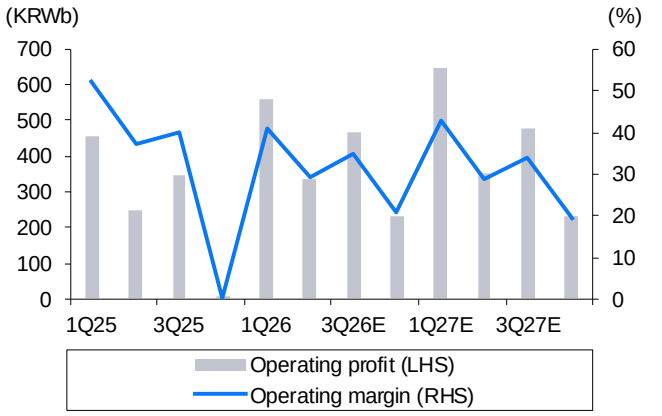
Source: Company data, Samsung Securities

Sales, by platform



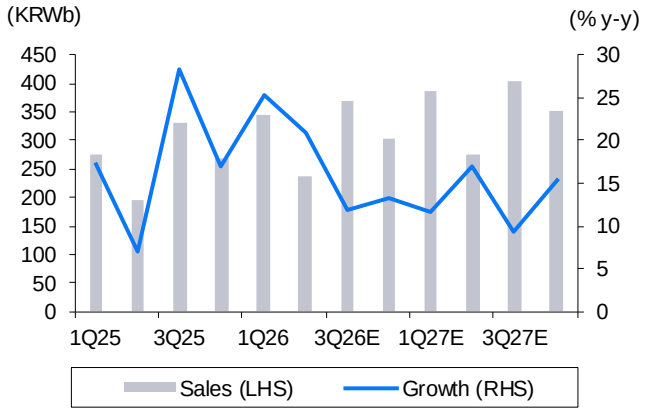
Source: Krafton, Samsung Securities

Operating profit vs operating margin



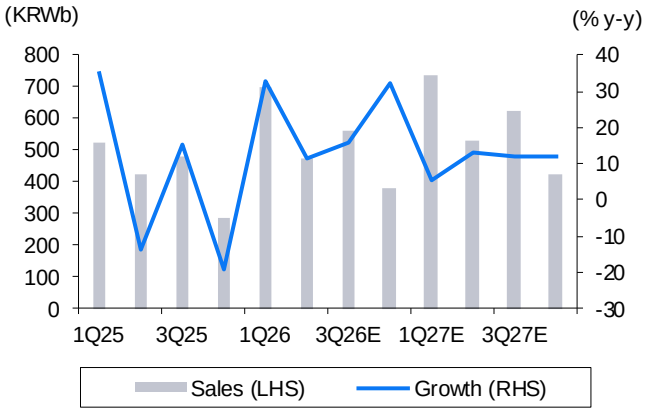
Source: Krafton, Samsung Securities

PUBG (PC): Sales



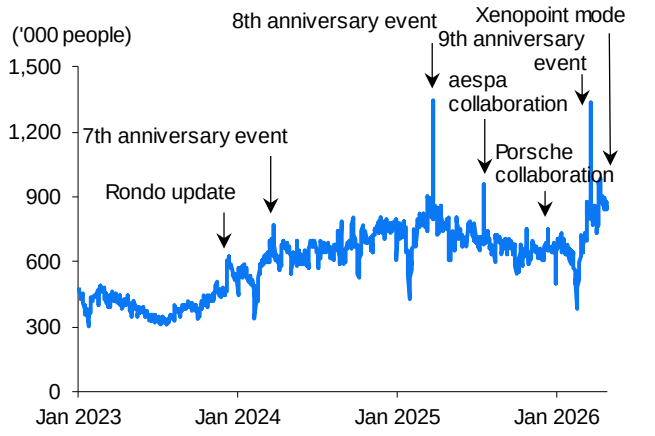
Source: Krafton, Samsung Securities

PUBG Mobile: Sales



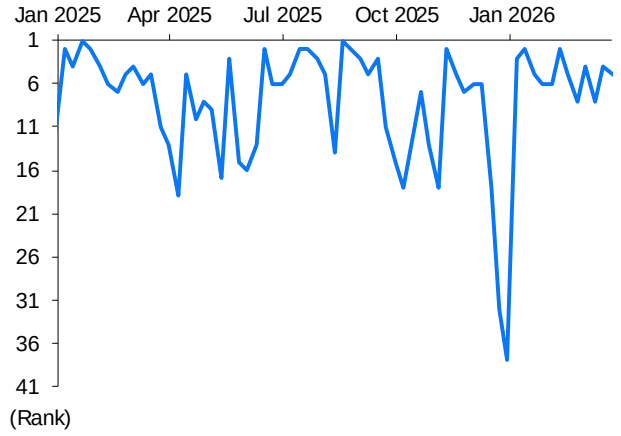
Source: Krafton, Samsung Securities

PUBG on Steam: Concurrent number of users



Source: SteamDB

PUBG on Steam: Weekly global sales ranking



Source: SteamDB

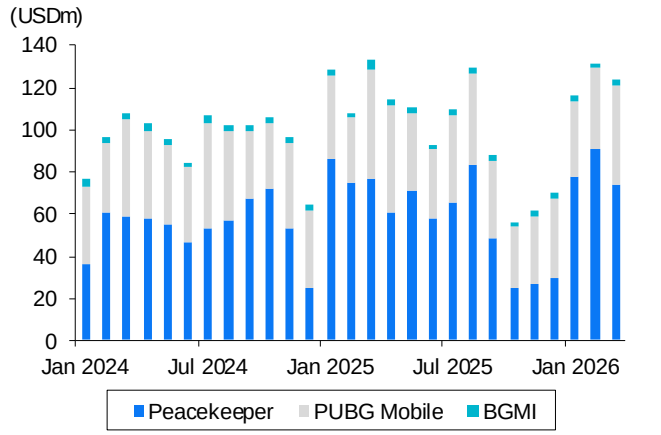
PVE Contents 'Xeno Point' launch (Apr 2026)

Source: Krafton

Stellar Blade X PUBG: EVE Contender

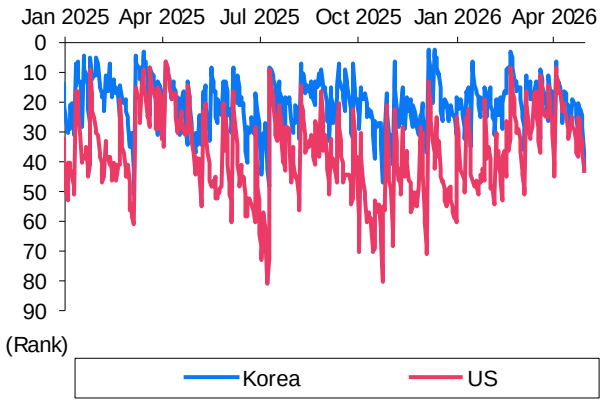
Source: Krafton

PUBG mobile monthly revenue



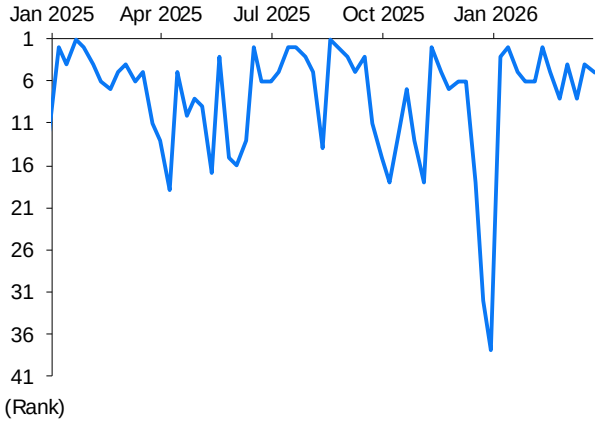
Source: Sensor Tower

PUBG mobile revenue ranking, by country



Note: Based on iOS revenue ranking
Source: Sensor Tower

PUBG Mobile: iOS game sales ranking in China



Source: Sensor Tower

PUBG x Ferrari in China (Feb 13)

Source: PUBG

PUBG update roadmap

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

Source: Samsung Securities

Upcoming titles

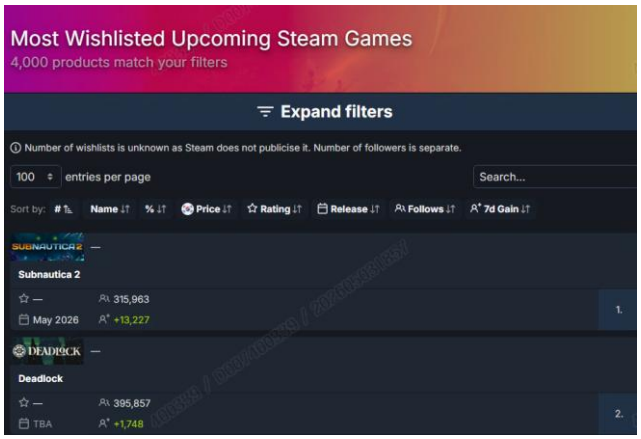
Launch	Title	Genre	Platform	Note
1Q26	PUBG: Blindspot	5vs5 top-down tactical shooter	PC	Steam free early access launch on Feb 5
2H26	Subnautica II	Underwater survival adventure	PC, console	Early access launch scheduled for PC and Xbox Game Pass in 2026
2027	Palworld Mobile	Survival craft	Mobile	CBT scheduled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

Source: Company data, Samsung Securities

Subnautica early excess (May 15, 2026)

Source: Unknown Worlds

Subnautica 2 still ranking #1 on Steam wishlist



Source: Steam DB

Valuation

	(KRW)
2026E EPS	23,600
Target P/E (x) *	15.8
Fair value per share	371,807
Target price	370,000
Current price	265,000
Upside (%)	39.6

Note: * 5% discount to the 2026E average P/E at which peer group is trading; Based on Apr 30 closing prices
Source: Samsung Securities estimates

Global peer P/E valuations

(x)	2026E	2027E
NC	17.9	15.6
Netmarble	12.5	11.2
Nexon	16.6	15.9
EA	23.5	21.8
NetEase	12.4	11.2
Average	16.6	15.1

Note: Based on Apr 30 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	874	662	871	920	1,371	1,139	1,329	1,112	1,513	1,221	1,409	1,188
PC	324	220	354	287	364	323	462	377	451	335	460	409
Mobile	532	428	488	292	703	476	564	386	743	539	632	433
Console	13	10	10	10	14	22	23	21	23	21	22	23
AD/Contents				323	281	309	269	317	286	314	283	311
Other	5	5	18	7	10	10	11	11	11	12	12	12
Operating expenses	417	416	522	917	810	804	863	880	864	869	934	955
Personnel	166	167	161	290	289	242	247	254	261	267	271	276
Platform fees/cost of revenue	105	84	129	104	115	104	135	116	138	105	134	123
Commission paid	84	96	142	390	289	332	349	373	336	369	377	399
Marketing	23	26	43	52	42	49	53	56	45	43	63	65
Other	39	43	48	81	75	77	79	81	84	86	88	91
Operating profit	457	246	349	2	562	336	466	232	650	351	475	232
Pre-tax profit	499	24	487	(50)	719	334	452	246	649	351	480	236
Net profit	371	16	369	(23)	514	247	334	182	480	260	355	175
Net profit (controlling)	372	15	368	(20)	515	247	335	183	481	260	355	175
Adjusted EPS (KRW)	6,781	4,735	4,611	-258	7,405	5,148	7,237	3,810	10,030	5,362	7,268	4,005
Margins (%)												
Operating profit	52.3	37.2	40.0	0.3	40.9	29.4	35.1	20.8	42.9	28.8	33.7	19.6
Pre-tax profit	57.1	3.6	55.9	(5.5)	52.4	29.3	34.0	22.2	42.9	28.8	34.0	19.9
Net profit	42.5	2.3	42.4	(2.5)	37.5	21.7	25.2	16.4	31.7	21.3	25.2	14.7
Net profit (controlling)	42.6	2.3	42.2	(2.2)	37.5	21.7	25.2	16.4	31.8	21.3	25.2	14.7

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	4,952	5.0	5,141	5,332	3.7		5,738	n/a
PC	1,378	1,526	10.7	1,554	1,656	6.6		1,771	n/a
Mobile	1,822	2,129	16.8	1,927	2,347	21.8		2,582	n/a
Console	79	80	0.8	106	89	(15.8)		162	n/a
AD/Contents	1,359	1,176	(13.4)	1,471	1,193	(18.9)		1,170	n/a
Other	77	42	(45.9)	84	47	(44.1)		52	n/a
Operating expenses	3,499	3,357	(4.1)	3,818	3,623	(5.1)		3,880	n/a
Personnel	861	1,032	19.9	891	1,076	20.7		1,159	n/a
Platform fees/cost of revenue	533	470	(11.8)	588	500	(14.9)		528	n/a
Commission paid	1,540	1,342	(12.8)	1,705	1,481	(13.2)		1,575	n/a
Marketing	218	200	(8.4)	248	217	(12.4)		226	n/a
Other	347	312	(9.9)	386	349	(9.4)		392	n/a
Operating profit	1,216	1,595	31.1	1,324	1,709	29.1		1,858	n/a
Pre-tax profit	1,173	1,751	49.3	1,287	1,716	33.3		1,867	n/a
Net profit	879	1,278	45.3	965	1,270	31.5		1,381	n/a
Net profit (controlling)	871	1,279	47.0	956	1,271	33.0		1,383	n/a
Adjusted EPS (KRW)	19,058	23,600	23.8	20,779	26,666	28.3		29,084	n/a
Margins (%)									
Operating profit	25.8	32.2		25.7	32.1			32.4	
Pre-tax profit	24.9	35.4		25.0	32.2			32.5	
Net profit	18.7	25.8		18.8	23.8			24.1	
Net profit (controlling)	18.5	25.8		18.6	23.8			24.1	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,710**	**3,327**	**4,952**	**5,332**	**5,738**
Cost of goods sold	0	0	0	0	0
Gross profit	**2,710**	**3,327**	**4,952**	**5,332**	**5,738**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,527	2,272	3,357	3,623	3,880
Operating profit	**1,182**	**1,054**	**1,595**	**1,709**	**1,858**
Operating margin (%)	43.6	31.7	32.2	32.1	32.4
Non-operating gains (losses)	**540**	**-95**	**156**	**7**	**9**
Financial profit	33	25	33	39	40
Financial costs	9	12	18	20	22
Equity-method gains (losses)	-48	-46	-24	-25	-25
Other	565	-63	164	13	16
Pre-tax profit	**1,723**	**959**	**1,751**	**1,716**	**1,867**
Taxes	420	225	473	446	485
Effective tax rate (%)	24.4	23.5	27.0	26.0	26.0
Profit from continuing operations	1,303	734	1,278	1,270	1,381
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,303**	**734**	**1,278**	**1,270**	**1,381**
Net margin (%)	48.1	22.1	25.8	23.8	24.1
Net profit (controlling interests)	1,306	735	1,279	1,271	1,383
Net profit (non-controlling interests)	-3	-1	-2	-2	-2
EBITDA	1,289	1,200	1,811	1,951	2,131
EBITDA margin (%)	47.6	36.1	36.6	36.6	37.1
EPS (parent-based) (KRW)	27,162	15,438	26,991	26,821	29,179
EPS (consolidated) (KRW)	27,089	15,415	26,954	26,784	29,140
Adjusted EPS (KRW)*	19,196	16,021	23,600	26,666	29,084

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**908**	**1,045**	**1,569**	**1,432**	**1,563**
Net profit	1,303	734	1,278	1,270	1,381
Non-cash profit and expenses	126	517	693	689	754
Depreciation	85	110	145	163	183
Amortization	22	36	71	80	90
Other	19	371	478	446	481
Changes in A/L from operating activities	-276	241	72	-80	-87
Cash flow from investments	**-832**	**-580**	**-242**	**-297**	**-343**
Change in tangible assets	-20	-76	-153	-172	-194
Change in financial assets	-65	-46	-47	-78	-97
Other	-747	-457	-42	-47	-52
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	776	484	465
Cash at beginning of year	721	582	597	1,373	1,857
Cash at end of year	582	597	1,373	1,857	2,322
Gross cash flow	**1,428**	**1,251**	**1,971**	**1,959**	**2,135**
Free cash flow	**888**	**968**	**1,416**	**1,260**	**1,370**

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)	2024	2025	2026E	2027E	2028E
Current assets	**5,004**	**4,866**	**5,857**	**6,613**	**7,404**
Cash & equivalents	582	597	1,373	1,857	2,322
Accounts receivable	1,007	1,339	1,385	1,480	1,605
Inventories	0	0	0	0	0
Other current assets	3,416	2,931	3,099	3,275	3,476
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**	**10,754**	**11,941**	**13,274**
Current liabilities	**785**	**1,583**	**1,683**	**1,697**	**1,732**
Accounts payable	0	460	556	594	644
Short-term debt	7	252	252	252	252
Other current liabilities	778	872	876	852	836
Long-term liabilities	**306**	**666**	**708**	**710**	**726**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	306	666	708	710	726
Total liabilities	**1,090**	**2,250**	**2,391**	**2,408**	**2,458**
Owners of parent equity	**6,828**	**7,041**	**8,221**	**9,394**	**10,678**
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	6,817	7,990	9,274
Other	264	-78	-78	-78	-78
Non-controlling interests' equity	**1**	**143**	**141**	**139**	**137**
Total equity	**6,829**	**7,184**	**8,362**	**9,533**	**10,816**
Net debt	-513	-183	-999	-1,549	-2,089

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	41.8	22.8	48.9	7.7	7.6
Operating profit	54.0	-10.8	51.3	7.1	8.7
Net profit	119.3	-43.7	74.2	-0.6	8.8
Adjusted EPS**	81.1	-16.5	47.3	13.0	9.1
Per-share data (KRW)					
EPS (parent-based)	27,162	15,438	26,991	26,821	29,179
EPS (consolidated)	27,089	15,415	26,954	26,784	29,140
Adjusted EPS**	19,196	16,021	23,600	26,666	29,084
BVPS	150,187	157,747	186,255	212,819	241,916
DPS (common)	0	2,240	2,240	2,240	2,240
Valuations (x)					
P/E***	16.3	15.4	11.8	10.5	9.6
P/B***	2.1	1.6	1.5	1.3	1.2
EV/EBITDA	11.2	9.7	6.8	6.1	5.3
Ratios (%)					
ROE	21.1	10.6	16.8	14.4	13.8
ROA	18.1	8.5	12.7	11.2	11.0
ROIC	64.6	36.3	39.6	42.0	43.8
Payout ratio	0.0	13.6	7.7	7.8	7.1
Dividend yield (common)	0.0	0.9	0.8	0.8	0.8
Net debt to equity	-7.5	-2.6	-11.9	-16.2	-19.3
Interest coverage (x)	125.0	90.5	127.2	139.2	153.5

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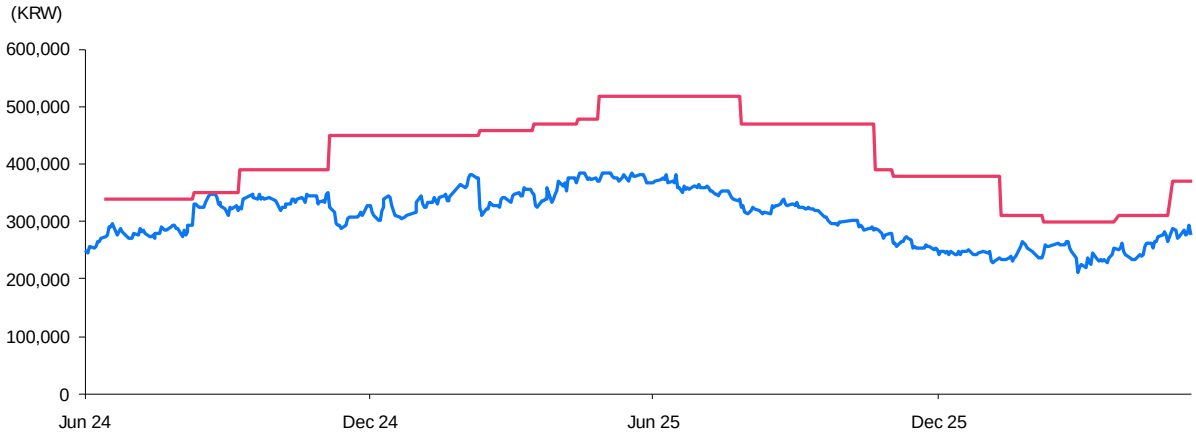
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/9	6/17	8/13	9/11	11/8	2025/2/12	3/19	4/16	4/30	7/30	10/24	11/5
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	330000	340000	350000	390000	450000	460000	470000	480000	520000	470000	390000	380000
Gap* (average)	-22.59	-16.76	-5.61	-13.29	-27.25	-26.43	-25.08	-21.22	-29.80	-33.18	-28.48	-34.01
(max or min)**	-17.58	-12.65	-0.29	-10.00	-14.89	-22.17	-19.68	-19.58	-25.77	-27.87	-26.92	-27.63

Date	2026/1/13	2/10	3/30	5/4
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	310000	300000	310000	370000
Gap* (average)	-21.29	-19.48	-17.92	
(max or min)**	-14.35	-11.33	-24.84	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

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Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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