COMPANY UPDATE

2026. 7. 24

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Krafton (259960)

To report solid 2Q; new-game anticipation rising

- We forecast Krafton's 2026 operating profit to rise 91% y-y, surpassing consensus by 28%, led by strong growth in *PUBG* on Steam and the launch of *Subnautica II*.
- Valuation has reached historic lows amid limited new-title visibility. We, however, expect a share-price rebound in 2H, in light of the commercial success of *Palworld* on PC and the upcoming August unveiling of five new titles.

AT A GLANCE

BUY

Target price	KRW320,000	34.7%
Current price	**KRW237,500**	
Market cap	KRW11.0t/USD7.5b	
Shares (float)	46,137,833 (56.9%)	
52-week high/low	KRW348,000/KRW204,000	
Avg daily trading value (60-day)	KRW40.2b/ USD27.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Krafton (%)	7.2	-0.4	-31.8
Vs Kospi (%pts)	23.9	-30.0	-69.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	320,000	320,000	0.0%
2026E EPS	17,968	17,968	0.0%
2027E EPS	29,768	29,768	0.0%

SAMSUNG vs THE STREET

No of estimates	18
Target price	379,444
Recommendation	4.0

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

WHAT'S THE STORY?

***PUBG* growth to underpin 2Q operating profit surprise:** Krafton's PC *PUBG* revenue is forecast to rise 74% y-y in 2Q, fueled by the successful launch of high-quality modes and the Black Market on Steam. *Subnautica II* has sold over 5m units, generating KRW165b in revenue and contributing to a 140% y-y increase in PC sales. Mobile sales also rose 7.8% y-y. All told, we forecast Krafton's 2Q sales to rise 92.5% y-y, beating consensus by 6.8%, and operating profit to rise 91% y-y to reach KRW470.2b, surpassing consensus by 28.1%.

***PUBG*'s traffic and revenue growth continue:** *PUBG* on Steam has demonstrated y-y growth in both traffic and revenue driven by the launch of high-quality modes (*eg*, Xenopoint and Payday), major collaborations (*eg*, *PUBG* x *Stellar Blade Contender Eve*, and *PUBG* x *Aespa*), and Black Market 2026. These developments have alleviated prior concerns about PUBG's risk of peaking. Looking ahead, planned collaborations with K-pop idols, supercars, and animated IPs in 2H are expected to sustain this momentum.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	3,327	4,863	5,219	5,769
Operating profit	1,054	1,672	1,872	2,166
Net profit (adj)	734	1,099	1,370	1,590
EPS (adj) (KRW)	16,021	17,968	29,768	34,569
EPS (adj) growth (% y-y)	-16.5	12.2	65.7	16.1
EBITDA margin (%)	36.1	38.5	40.2	42.0
ROE (%)	10.6	14.7	16.1	16.0
P/E (adj) (x)	15.4	13.2	8.0	6.9
P/B (x)	1.6	1.3	1.1	1.0
EV/EBITDA (x)	9.7	5.8	4.9	3.9
Dividend yield (%)	0.9	0.9	0.9	0.9

Source: Company data, Samsung Securities estimates

Renewed expectations for new titles: While *Subnautica II* has been a commercial success, its high acquisition cost has limited its financial contribution. However, Krafton plans to unveil five new titles at Gamescom in August, reigniting market anticipation for its upcoming pipeline. Meanwhile, *Palworld*, officially launched on Steam on Jul 13, achieved a peak concurrent player count of 850,000, signaling strong market reception. This success is set to elevate expectations for *Palworld Mobile*, targeted for release next year.

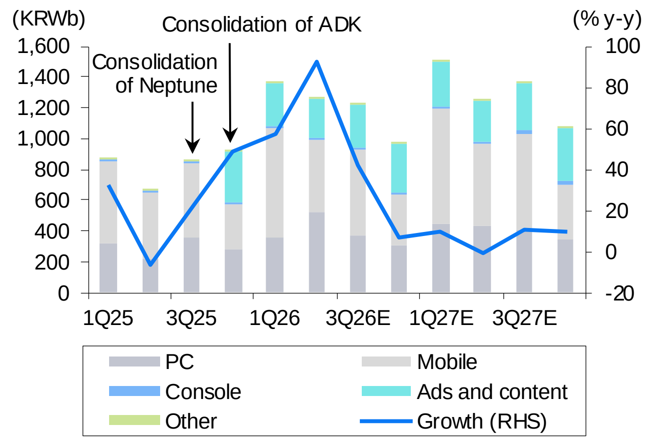
Valuation at historical lows: Reflecting peer valuation compression, we lower our target price by 5.9% from KRW340,000 to KRW320,000 (based on 11.5x 12-month forward P/E; a 5% discount to the domestic and international gaming sector average to reflect limited near-term new title momentum). The stock is trading at 7.8x forward P/E following recent share price weakness. However, we forecast the stock to rebound in 2H, in light of sustained *PUBG* growth, the upcoming Gamescom title announcements, and rising expectations for *Palworld Mobile*.

2Q preview

(KRWb)	2Q26E			Diff (%)		2Q25	1Q26	Chg	
	New	Old	Consensus	Old	Consensus			(% y-y)	(% q-q)
Sales	**1,274**	**1,139**	**1,193**	**11.8**	**6.8**	**662**	**1,371**	**92.5**	**(7.1)**
PC	526	323		63.0		220	364	139.5	44.6
Mobile	461	476		(3.1)		428	703	7.8	(34.4)
Console	24	22		10.7		10	14	144.2	72.8
Advertising and content	253	309		(18.2)		0	281	n/a	(10.0)
Other	10	10		(0.0)		5	10	106.3	2.5
Operating expenses	**804**	**804**		**(0.0)**		**416**	**810**	**93.3**	**(0.7)**
Personnel	231	242		(4.7)		167	289	38.2	(20.4)
Platform fees/cost of revenue	155	104		48.8		84	115	84.4	34.9
Commission paid	295	332		(11.3)		96	289	206.0	2.0
Marketing	46	49		(6.4)		26	42	76.0	9.3
Other	78	77		1.7		43	75	82.2	4.4
Operating profit	**470**	**336**	**367**	**40.1**	**28.1**	**246**	**562**	**91.1**	**(16.3)**
Pre-tax profit	169	334	304	(49.5)	(44.6)	24	719	605.1	(76.6)
Net profit	125	247	222	(49.5)	(43.7)	16	514	702.7	(75.7)
Net profit (controlling)	125	247	202	(49.5)	(38.1)	15	515	723.4	(75.7)
Margins (%)									
Operating profit	36.9	29.4	30.8			37.2	40.9		
Pre-tax profit	13.2	29.3	25.5			3.6	52.4		
Net profit	9.8	21.7	18.6			2.3	37.5		
Net profit (controlling)	9.8	21.7	16.9			2.3	37.5		

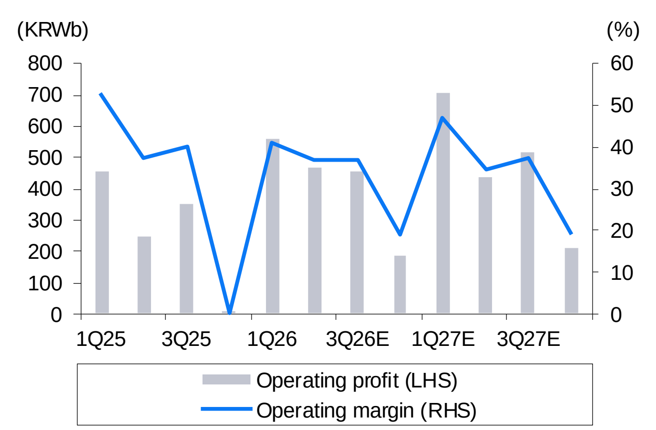
Source: Company data, FnGuide, Samsung Securities estimates

Sales, by platform



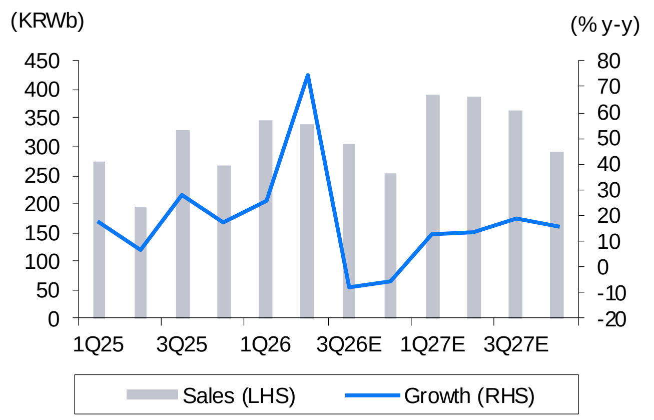
Source: Company data, Samsung Securities estimates

Operating profit vs operating margin



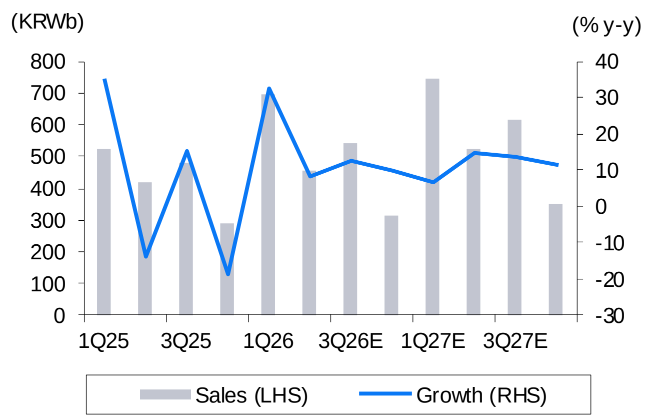
Source: Company data, Samsung Securities estimates

PUBG (PC): Sales



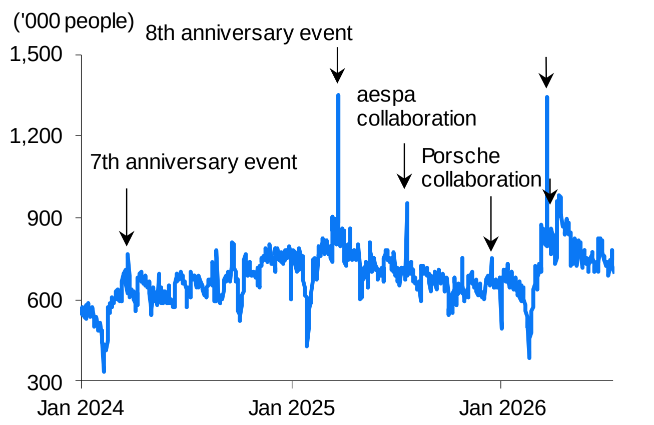
Source: Company data, Samsung Securities estimates

PUBG Mobile: Sales



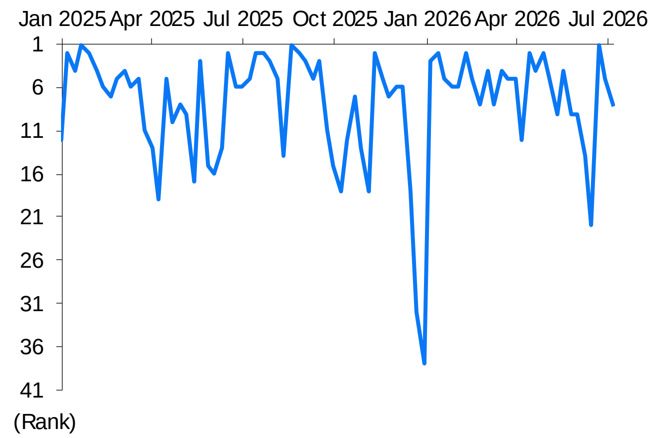
Source: Company data, Samsung Securities estimates

PUBG on Steam: Concurrent number of users



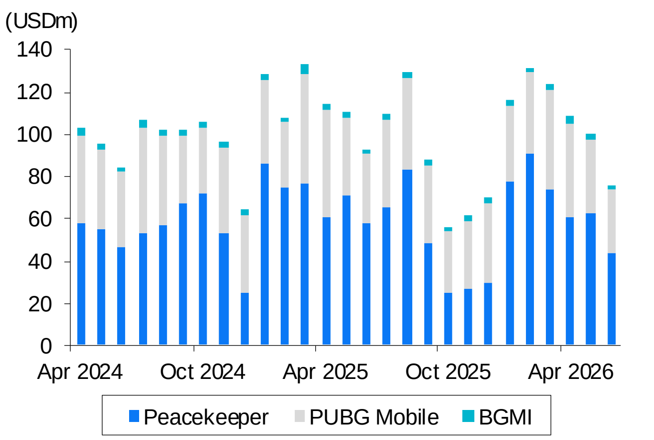
Source: SteamDB

PUBG on Steam: Weekly global sales ranking



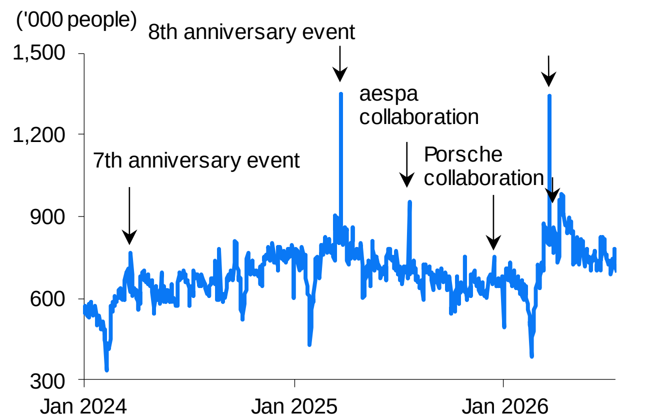
Source: SteamDB

Mobile game monthly sales



Source: Sensor Tower

PUBG Mobile China: iOS game sales ranking in China



Note: Ranked by iOS game sales
Source: Sensor Tower

Palworld was officially released on Steam on Jul 10

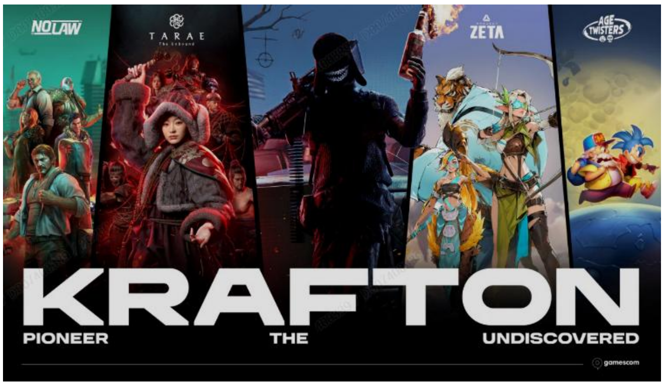
Source: Company data

Steam's Palworld reached a peak of 960,000 concurrent players, ranking #1 in traffic

Most Played Games →	Players Now	24h Peak
Palworld	577,088	820,115
Counter-Strike 2	558,686	1,222,593
Dota 2	387,425	751,455
TBH: Task Bar Hero	216,382	277,330
PUBG: BATTLEGROUNDS	179,094	738,567
Bongo Cat	154,095	175,587
FiveM	123,937	182,925
Marvel Rivals	117,321	119,927
EA SPORTS FC™ 26	107,431	129,931
Rust	75,977	140,128

Source: SteamDB

Five new titles are scheduled to be unveiled on Aug 10



Source: Company data

Titles to be revealed at Gamescom

Game	Genre	Platform	Developer	Features
Unannounced (Based on PUBG IP)	Unannounced	Unannounced	PUBG Studios	Leverages PUBG IP
No Law	Open-world FPS (single-player)	PC	Neon Giant	Cyberpunk city setting
Project Zeta	Multi-team tactical arena PvP	PC	Nirvana Studio	Four teams compete simultaneously
Age Twisters	Action roguelike	PC / Console	EF Games	2-player cooperative narrative adventure
Tarae: The Unbound	Action RPG	PC / Console	Bluehole Studio	Dark fantasy action RPG

Source: Company data, Samsung Securities

New and upcoming titles

Launch	Title	Genre	Platform	Note
2Q26	Subnautica II	Underwater survival adventure	PC, console	Early access on Steam and via Xbox Game Pass
2H26	Project Zeta	Multi-Team Tactical Arena	PC	Four teams compete simultaneously
2027	Palworld Mobile	Survival	Mobile	Platform expansion
	No Law	Open-world shooter RPG	PC, console	Developed by Neon Giant
	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 test at end-2025
	Valor	Battle Royale	Console	Gameplay validation in progress
	Age Twisters	Action Roguelike	PC, console	2-player cooperative narrative adventure
	Tarae: The Unbound	Action RPG	PC, console	Dark fantasy action RPG
	Unannounced	Unannounced	Unannounced	Leverages *PUBG* IP
	Project Windless	Open-world action RPG	PC, console	*The Bird That Drinks Tears* IP-based title

Source: Company data, Samsung Securities

Valuation

(KRW)	
12-month forward EPS	28,298
Target P/E (x) *	11.5
Fair value per share	324,521
Target price	**320,000**
Current price	234,500
Upside (%)	36.5

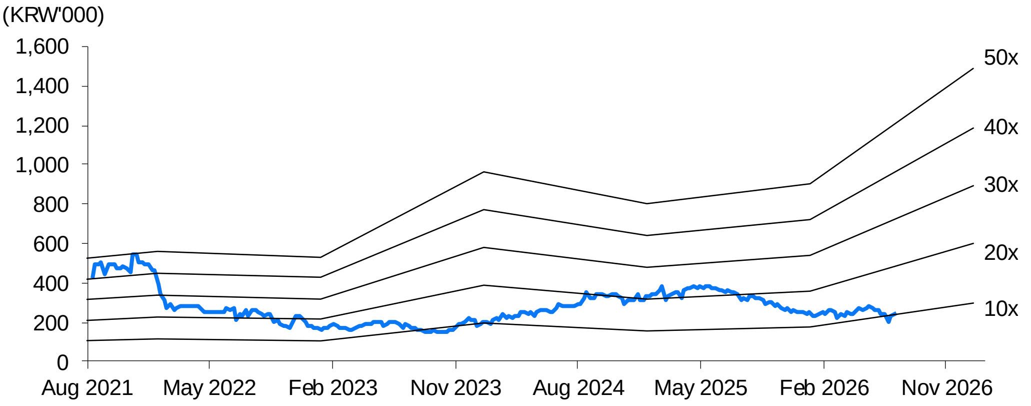
Note: *12M FWD P/E at peers, applying 5% discount reflecting limited expectations for new releases;
Based on Jul 21 closing prices
Source: Samsung Securities estimates

Global peer P/E valuations

(x)	2025E	2026E	Weighted average
EA	10.4	9.9	10.2
Tencent	7.3	8.7	8.0
NetEase	6.7	18.8	12.8
Nexon	16.3	15.8	16.0
Netmarble	14.0	12.7	13.4
Shiftup	11.0	13.2	12.1
Average	**10.4**	**9.9**	**10.2**

Note: Based on Jul 21 closing prices
Source: Bloomberg

12-month forward P/E band



Source: QuantiWise, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,710**	**3,327**	**4,863**	**5,219**	**5,769**
Cost of goods sold	0	0	0	0	0
Gross profit	**2,710**	**3,327**	**4,863**	**5,219**	**5,769**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,527	2,272	3,191	3,346	3,603
Operating profit	**1,182**	**1,054**	**1,672**	**1,872**	**2,166**
Operating margin (%)	43.6	31.7	34.4	35.9	37.5
Non-operating gains (losses)	**540**	**-95**	**-162**	**-21**	**-17**
Financial profit	33	25	33	40	43
Financial costs	9	12	36	40	44
Equity-method gains (losses)	-48	-46	-27	-25	-25
Other	565	-63	-132	4	9
Pre-tax profit	**1,723**	**959**	**1,509**	**1,852**	**2,149**
Taxes	420	225	410	481	559
Effective tax rate (%)	24.4	23.5	27.2	26.0	26.0
Profit from continuing operations	1,303	734	1,099	1,370	1,590
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,303**	**734**	**1,099**	**1,370**	**1,590**
Net margin (%)	48.1	22.1	22.6	26.3	27.6
Net profit (controlling interests)	1,306	735	1,100	1,372	1,592
Net profit (non-controlling interests)	-3	-1	-1	-2	-2
EBITDA	1,289	1,200	1,872	2,098	2,421
EBITDA margin (%)	47.6	36.1	38.5	40.2	42.0
EPS (parent-based) (KRW)	27,162	15,438	23,644	29,738	34,511
EPS (consolidated) (KRW)	27,089	15,415	23,612	29,698	34,464
Adjusted EPS (KRW)*	19,196	16,021	17,968	29,768	34,569

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**5,004**	**4,866**	**5,492**	**6,409**	**7,463**
Cash & equivalents	582	597	1,529	2,149	2,841
Accounts receivable	1,007	1,339	1,068	1,171	1,308
Inventories	0	0	0	0	0
Other current assets	3,416	2,931	2,896	3,089	3,315
Fixed assets	**2,915**	**4,567**	**4,915**	**5,344**	**5,884**
Investment assets	1,148	1,320	1,622	2,039	2,565
Tangible assets	240	579	615	625	635
Intangible assets	656	1,804	1,846	1,850	1,853
Other long-term assets	871	865	831	831	831
Total assets	**7,919**	**9,434**	**10,407**	**11,753**	**13,347**
Current liabilities	**785**	**1,583**	**1,815**	**1,896**	**1,993**
Accounts payable	0	460	0	0	0
Short-term debt	7	252	260	260	260
Other current liabilities	778	872	1,555	1,636	1,734
Long-term liabilities	**306**	**666**	**548**	**540**	**544**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	306	666	548	540	544
Total liabilities	**1,090**	**2,250**	**2,363**	**2,436**	**2,537**
Owners of parent equity	**6,828**	**7,041**	**7,904**	**9,178**	**10,673**
Capital stock	5	5	5	5	5
Capital surplus	1,478	1,477	1,474	1,474	1,474
Retained earnings	5,081	5,637	6,639	7,914	9,409
Other	264	-78	-214	-214	-214
Non-controlling interests' equity	**1**	**143**	**141**	**139**	**137**
Total equity	**6,829**	**7,184**	**8,044**	**9,317**	**10,810**
Net debt	-513	-183	-280	-901	-1,601

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**908**	**1,045**	**1,451**	**1,494**	**1,712**
Net profit	1,303	734	1,099	1,370	1,590
Non-cash profit and expenses	126	517	494	727	828
Depreciation	85	110	142	160	180
Amortization	22	36	58	66	74
Other	19	371	294	501	573
Changes in A/L from operating activities	-276	241	118	-122	-147
Cash flow from investments	**-832**	**-580**	**-55**	**-304**	**-354**
Change in tangible assets	-20	-76	-154	-170	-191
Change in financial assets	-65	-46	-126	-103	-130
Other	-747	-457	224	-31	-33
Cash flow from financing	**-259**	**-452**	**-261**	**-49**	**-35**
Change in debt	-6	374	961	80	96
Change in equity	6	-1	-3	0	0
Dividends	0	0	-100	-97	-97
Other	-259	-824	-1,119	-32	-34
Change in cash	-139	15	932	620	692
Cash at beginning of year	721	582	597	1,529	2,149
Cash at end of year	582	597	1,529	2,149	2,841
Gross cash flow	**1,428**	**1,251**	**1,593**	**2,097**	**2,418**
Free cash flow	**888**	**968**	**1,297**	**1,324**	**1,521**

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

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	41.8	22.8	46.2	7.3	10.6
Operating profit	54.0	-10.8	58.5	12.0	15.7
Net profit	119.3	-43.7	49.8	24.7	16.0
Adjusted EPS**	81.1	-16.5	12.2	65.7	16.1
Per-share data (KRW)					
EPS (parent-based)	27,162	15,438	23,644	29,738	34,511
EPS (consolidated)	27,089	15,415	23,612	29,698	34,464
Adjusted EPS**	19,196	16,021	17,968	29,768	34,569
BVPS	150,187	157,747	181,868	211,200	245,598
DPS (common)	0	2,240	2,240	2,240	2,240
Valuations (x)					
P/E***	16.3	15.4	13.2	8.0	6.9
P/B***	2.1	1.6	1.3	1.1	1.0
EV/EBITDA	11.2	9.7	5.8	4.9	3.9
Ratios (%)					
ROE	21.1	10.6	14.7	16.1	16.0
ROA	18.1	8.5	11.1	12.4	12.7
ROIC	64.6	36.3	38.6	40.0	44.0
Payout ratio	0.0	13.6	8.8	7.1	6.1
Dividend yield (common)	0.0	0.9	0.9	0.9	0.9
Net debt to equity	-7.5	-2.6	-3.5	-9.7	-14.8
Interest coverage (x)	125.0	90.5	54.2	57.8	63.4

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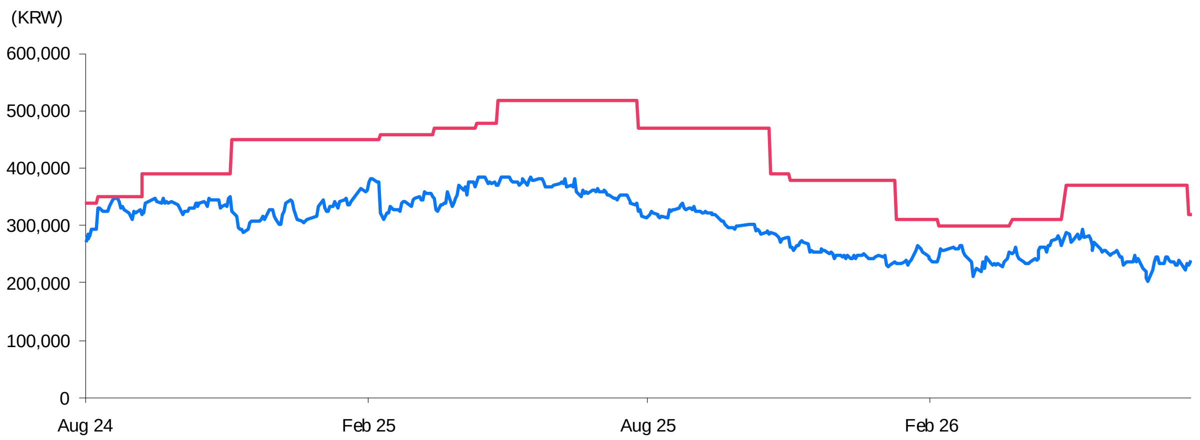
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/6/17	8/13	9/11	11/8	2025/2/12	3/19	4/16	4/30	7/30	10/24	11/5	2026/1/13
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	340000	350000	390000	450000	460000	470000	480000	520000	470000	390000	380000	310000
Gap* (average)	-16.76	-5.61	-13.29	-27.25	-26.43	-25.08	-21.22	-29.80	-33.18	-28.48	-34.01	-21.29
(max or min)**	-12.65	-0.29	-10.00	-14.89	-22.17	-19.68	-19.58	-25.77	-27.87	-26.92	-27.63	-14.35

Date	2/10	3/30	5/4	7/22
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	300000	310000	370000	320000
Gap* (average)	-19.48	-17.92	-33.02	
(max or min)**	-11.33	-8.55	-44.86	

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

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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General

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