COMPANY UPDATE

2026. 7. 24

Tech Team

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AT A GLANCE

BUY

Target price	KRW290,000	28.9%
Current price	**KRW225,000**	
Market cap	KRW4.8t/USD3.3b	
Shares (float)	21,544,022 (78.0%)	
52-week high/low	KRW338,000/KRW187,000	
Avg daily trading value (60-day)	KRW38.6b/ USD26.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
NC (%)	-6.8	-0.9	13.2
Vs Kospi (%pts)	7.7	-30.3	-49.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	290,000	290,000	0.0%
2026E EPS	16,857	16,857	0.0%
2027E EPS	26,263	26,263	0.0%

SAMSUNG vs THE STREET

No of estimates	17
Target price	373,235
Recommendation	4.0

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

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NC (036570)

Momentum still strong despite delays

- We believe NC's operating profit expanded 17% q-q in 2Q, supported by robust sales contributions from *Lineage Classic* and *JustPlay*.
- With the global launch of *Aion II* scheduled for September and a string of major title releases to follow, renewed momentum from new games is likely to drive a stock price rebound. We maintain our BUY rating.

WHAT'S THE STORY?

***Lineage Classic* drives earnings:** We believe NC's 2Q sales rose 26.6% q-q to KRW705.5b, exceeding consensus by 7.2%. *Lineage Classic*'s average daily sales likely climbed 15% q-q to KRW1.8b, supported by deferred sales from the prior quarter. With the full quarter's business days now reflected, we estimate *Lineage Classic*'s 2Q sales at KRW163b. Mobile casual game sales also likely rose from KRW35.5b in 1Q to KRW145.8b in 2Q, aided by the acquisition of *JustPlay*. Developer performance bonuses and *JustPlay* acquisition likely led to q-q increases of 5% and 20% in labor and marketing costs, respectively. Thanks to sales growth, operating profit likely expanded 16.6% q-q to KRW132.1b, in line with consensus.

Traffic to decline in 3Q: PC café traffic for *Lineage Classic* peaked in March, shortly after its February launch, and has since declined steadily. By June, monthly PC café users dropped to 1.78m—down 48% from March. *Aion II* has also seen consistent declines in both traffic and sales. While *Aion II* is set for a global release in September, its limited operating days in the quarter are likely to constrain its sales impact. We therefore expect the company's 3Q operating profit to fall below KRW100b.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2025	2026E	2027E	2028E
Revenue	1,507	2,720	3,501	3,595
Operating profit	16	456	708	632
Net profit (adj)	347	514	700	651
EPS (adj) (KRW)	-2,480	16,857	26,263	24,075
EPS (adj) growth (% y-y)	nm	nm	55.8	-8.3
EBITDA margin (%)	7.4	20.2	22.9	20.2
ROE (%)	10.8	13.9	16.5	13.7
P/E (adj) (x)	n/a	13.3	8.6	9.3
P/B (x)	1.2	1.1	1.0	0.9
EV/EBITDA (x)	33.1	6.6	4.0	3.6
Dividend yield (%)	0.6	3.2	4.3	4.0

Source: Company data, Samsung Securities estimates

Samsung Securities

Rich pipeline of new releases: With three new publishing titles—alongside *Aion II*—set to launch from September, we anticipate a gradual rebound in operating profit from 4Q onward. Major upcoming releases include *Horizon Steel Frontiers* in 2027 and *Guild Wars III* in 2028, with spin-off games like *Mistbound* and *Aion Mobile* planned to launch between these major titles, ensuring sustained momentum from new releases.

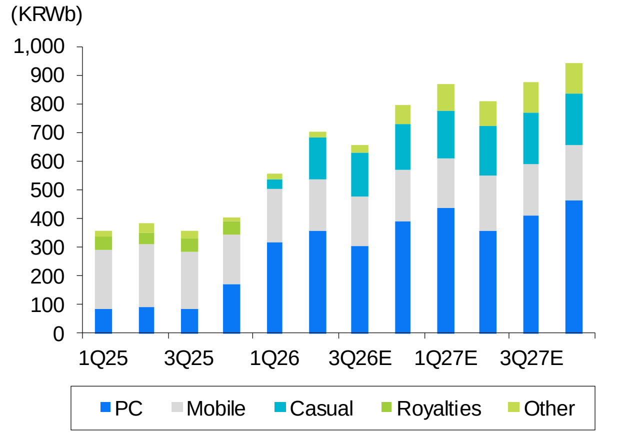
***Aion II* launch expectations key to recovery:** Reflecting the decline in *Lineage Classic* sales and delays in some title launches, we cut our 2026 operating profit forecast by 16.7% and reduce our target price by 17.1% from KRW350,000 to KRW290,000 (based on a P/E multiple of 14.8x, the average of domestic and international gaming peers, applied to our forward EPS forecast). The stock price has slid to 10.7x forward P/E amid falling *Lineage Classic* traffic. However, with the global launch of *Aion II* just two months away, further disclosures on the new title could trigger a rebound in stock price. We maintain our BUY rating.

2Q preview

(KRWb)	2Q26			Diff (%)		2Q25	1Q26	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	705.5	664.9	657.9	6.1	7.2	290.7	557.4	142.7	26.6
PC	358.6	314.8		13.9		91.7	318.4	290.9	12.6
Mobile	181.1	184.1		(1.7)		219.0	182.8	(17.3)	(0.9)
Casual	145.8	145.8		0.0		0.0	35.5	n/a	310.6
Royalties	0.0	0.0		0.0		42.3	0.0	n/a	n/a
Other	20.1	20.1		0.0		29.5	20.7	(31.7)	(3.0)
Operating expenses	573.4	549.6		4.3		367.3	444.1	56.1	29.1
Salaries and employee benefits	186.4	168.7		10.5		133.5	174.1	39.6	7.0
Commission paid	102.3	121.6		(15.9)		91.4	92.8	11.9	10.2
R&D expenses	92.3	88.8		3.9		70.2	86.2	31.3	7.0
Advertising expenses	137.3	114.6		19.9		22.7	36.8	505.2	273.1
Other	55.2	55.8		(1.1)		49.5	54.1	11.4	2.0
Operating profit	132.1	115.3	128.5	14.6	2.8	15.1	113.3	776.1	16.6
Pre-tax profit	163.1	135.1	148.7	20.7	9.7	(33.3)	187.3	nm	(12.9)
Net profit	130.5	108.1	109.5	20.7	19.2	(36.0)	152.4	nm	(14.4)
Net profit (controlling)	127.9	105.9	107.0	20.7	19.6	(35.4)	148.8	nm	(14.0)
Margins (%)									
Operating profit	18.7	17.3				5.2	20.3		
Pre-tax profit	23.1	20.3				(11.5)	33.6		
Net profit	18.5	16.3				(12.4)	27.3		
Net profit (controlling)	18.1	15.9				(12.2)	26.7		

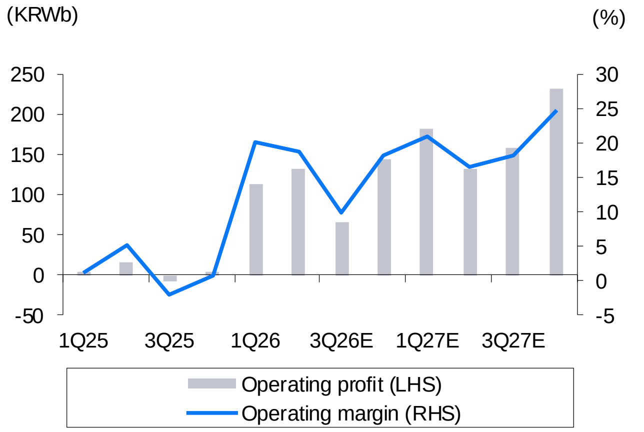
Source: Company data, Samsung Securities estimates

Sales, by platform



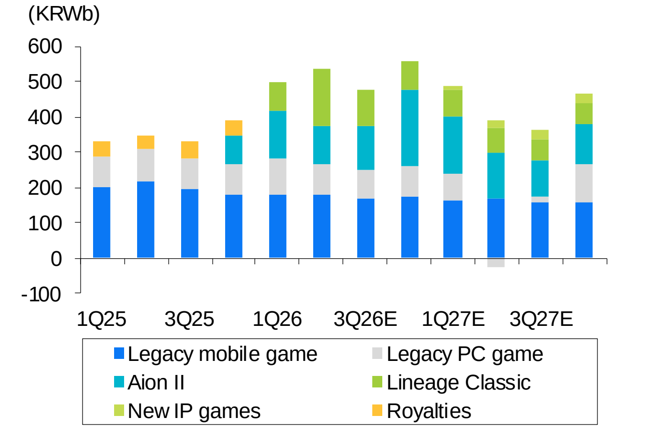
Source: NC, Samsung Securities estimates

Operating income



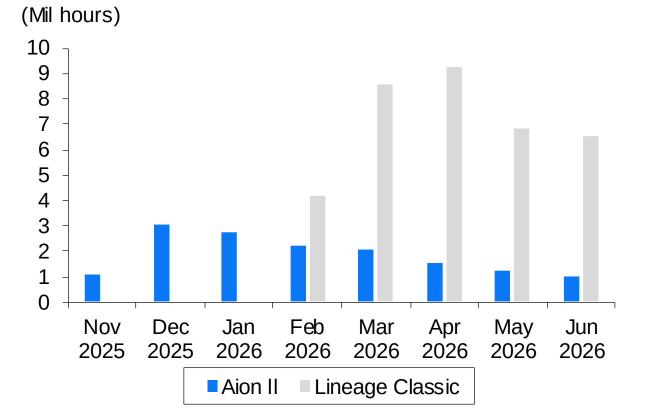
Source: NC, Samsung Securities estimates

Legacy IP game sales



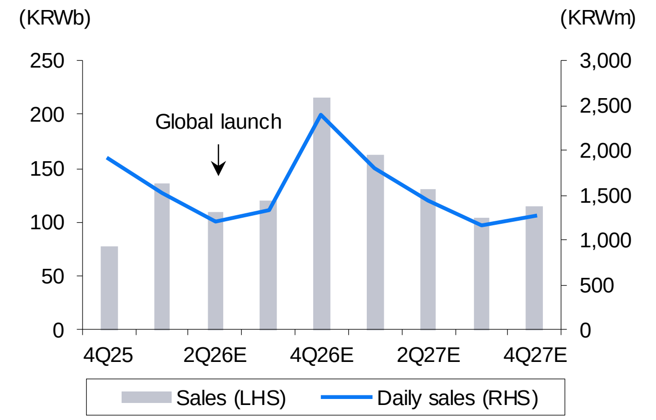
Source: NC, Samsung Securities estimates

Legacy IP PC café usage time



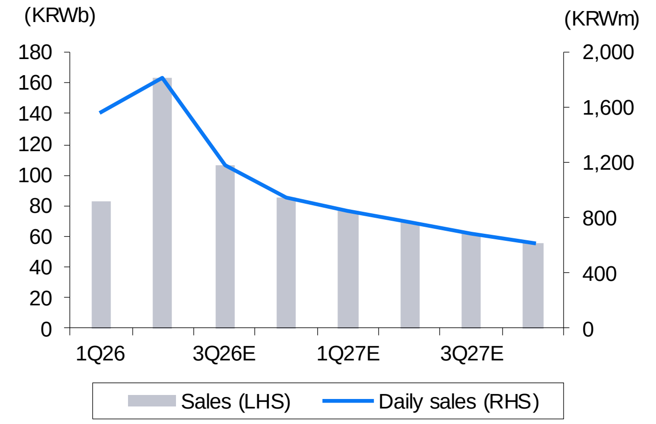
Source: thelog

Aion II sales



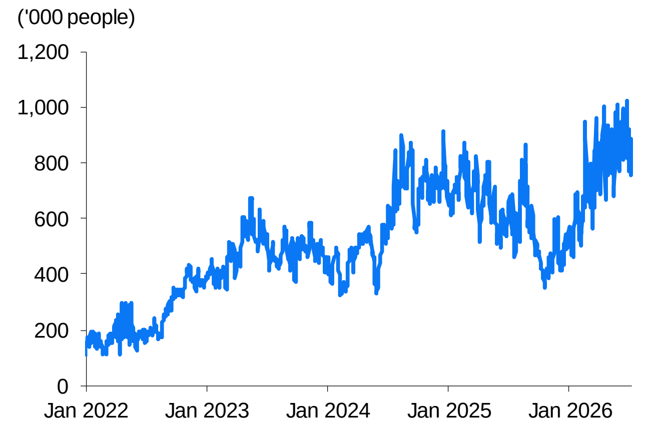
Source: NC, Samsung Securities estimates

Lineage Classic sales



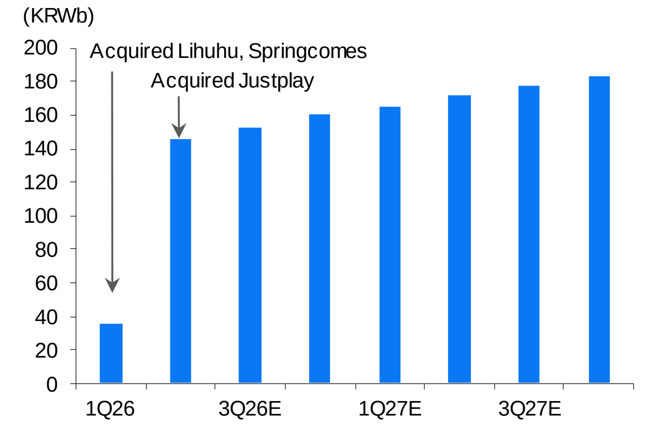
Source: NC, Samsung Securities estimates

Justplay DAU



Source: Sensor tower

Casual game sales



Source: NC, Samsung Securities estimates

Aion II Global: Business model

Category	Details
Service model	Free-to-play (F2P; game is free to download and play) Minimal barriers to global user entry
Core monetization	Monthly subscription membership (estimated: USD15) → Grants access to trading system and convenience features
Seasonal content	Battle Pass sales to drive recurring revenue
Item sales	Cosmetic items only (outfits, mounts, skins) → No direct combat-power boosting items sold
In-game currency	- Kina: Earned through gameplay (free) - Quna: Purchased with real money (premium currency)
Currency exchange	Two-way exchange between Kina and Quna allowed → Legal economic loop: Cash → Quna → Kina
Player trading	Player-to-player item trading enabled → Prices determined by market demand

Source: Company data, Samsung Securities

Guild Wars III: Trailer (Jun 6)

Source: Company data, Samsung Securities

New and 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
2H26	Aion II Global	MMORPG	PC/mobile	Self-publishing
	Time Takers	TPS	PC/console	Developed by Mistil Games
	Breakers: Unlock the World	Animation RPG	PC/mobile	Developed by VIC Game Studios; published by NC
	Cinder City	TPS	PC/console	Disclosed via YouTube on Nov 14, 2022
	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	Astrae Oratio	Collectible RPG	Mobile	Dynamisone developed
	Horizon Steel Frontiers	MMORPG	PC/console	Global action RPG game IP-based
2028	Guild Wars3	MMORPG	PC/console	*Guild Wars* IP-based

Note: Three IP spin-off games to be released in 2026
Source: Company data, Samsung Securities

Major games: Results and forecasts

(KRWm)	2025	2026E	2027E	2028E	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Lineage M	432,977	463,215	442,203	406,470	112,805	118,446	113,708	118,256	112,343	114,590	106,569	108,700
Daily sales	1,203	1,287	1,228	1,129	1,253	1,316	1,263	1,314	1,248	1,273	1,184	1,208
Days	360	360	360	360	90	90	90	90	90	90	90	90
Lineage II M	178,348	132,887	111,276	99,449	37,497	33,372	30,702	31,316	28,185	28,700	26,404	27,988
Daily sales	495	369	309	276	417	371	341	348	313	319	293	311
Days	360	360	360	360	90	90	90	90	90	90	90	90
Lineage W	183,086	116,717	97,674	87,736	32,485	29,237	27,775	27,220	24,498	24,988	23,738	24,450
Daily sales	509	324	271	244	361	325	309	302	272	278	264	272
Days	360	360	360	360	90	90	90	90	90	90	90	90
Lineage Classic		437,343	262,439	172,186	83,500	163,061	105,990	84,792	76,313	68,681	61,813	55,632
Daily sales		1,354	729	478	1,575	1,812	1,178	942	848	763	687	618
Days		323	360	360	53	90	90	90	90	90	90	90
Casual game		495,143	697,787	802,990	35,509	145,800	153,090	160,745	165,567	172,190	177,355	182,676
Daily sales		1,375	1,938	2,231	450	1,620	1,701	1,786	1,840	1,913	1,971	2,030
Days		360	360	360	90	90	90	90	90	90	90	90
Aion II	77,361	583,106	510,774	294,874	136,751	109,401	120,341	216,613	162,460	129,968	103,974	114,372
Daily sales	1,934	1,620	1,419	819	1,519	1,216	1,337	2,407	1,805	1,444	1,155	1,271
Days	40	360	360	360	90	90	90	90	90	90	90	90
Lineage Classic		437,343	262,439	172,186	83,500	163,061	105,990	84,792	76,313	68,681	61,813	55,632
Daily sales		1,354	729	478	1,575	1,812	1,178	942	848	763	687	618
Days		323	360	360	53	90	90	90	90	90	90	90
Time Takers		46,800	102,918	74,637			9,000	37,800	30,240	25,704	21,848	25,126
Daily sales		446	286	207			600	420	336	286	243	279
Days		105	360	360			15	90	90	90	90	90
Limit Zero Breakers		12,000	64,324	44,946				12,000	18,900	16,065	13,655	15,704
Daily sales		300	179	125				300	210	179	152	174
Days		40	360	360				40	90	90	90	90
Cinder City		8,500	338,314	175,845				8,500	122,400	85,680	68,544	61,690
Daily sales		31	940	488				1,700	1,360	952	762	685
Days		275	360	360				5	90	90	90	90
Horizon Steel Frontiers			257,500	340,893							100,000	157,500
Daily sales			1,981	947							2500	1750
Days			130	360							40	90

Source: Company data, Samsung Securities

Valuation

(KRW)	
Forward EPS	19,479
Target P/E* (x)	14.8
Fair value per share	287,909
Target price	**290,000**
Current price	213,500
Upside (%)	35.8

Note: Average forward P/E at which peers are trading;
Based on Jul 21 closing price
Source: Samsung Securities estimates

Global peers: P/E valuations

(x)	2026E	2027E
Krafton	10.3	9.1
Netmarble	7.3	8.7
Nintendo	19.7	21.4
Bandai Namco	20.4	18.9
Nexon	16.3	15.8
Average	14.8	14.8

Note: Based on Jul 21 closing prices
Source: Bloomberg

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**1,578**	**1,507**	**2,720**	**3,501**	**3,595**
Cost of goods sold	0	0	0	0	0
Gross profit	**1,578**	**1,507**	**2,720**	**3,501**	**3,595**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,687	1,491	2,263	2,793	2,962
Operating profit	**-109**	**16**	**456**	**708**	**632**
Operating margin (%)	-6.9	1.1	16.8	20.2	17.6
Non-operating gains (losses)	**230**	**445**	**183**	**168**	**181**
Financial profit	157	116	158	156	171
Financial costs	40	47	31	32	32
Equity-method gains (losses)	4	-20	-25	-26	-26
Other	109	396	81	69	69
Pre-tax profit	**121**	**461**	**639**	**876**	**813**
Taxes	27	114	125	175	163
Effective tax rate (%)	22.2	24.7	19.6	20.0	20.0
Profit from continuing operations	94	347	514	700	651
Profit from discontinued operations	0	0	0	0	0
Net profit	**94**	**347**	**514**	**700**	**651**
Net margin (%)	6.0	23.1	18.9	20.0	18.1
Net profit (controlling interests)	94	347	503	686	638
Net profit (non-controlling interests)	-0	1	11	14	13
EBITDA	-0	112	548	801	725
EBITDA margin (%)	-0.0	7.4	20.2	22.9	20.2
EPS (parent-based) (KRW)	4,291	16,023	23,351	31,860	29,597
EPS (consolidated) (KRW)	4,287	16,057	23,856	32,510	30,201
Adjusted EPS (KRW)*	-2,600	-2,480	16,857	26,263	24,075

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,789**	**2,267**	**2,609**	**3,145**	**3,736**
Cash & equivalents	1,260	504	1,170	1,562	2,122
Accounts receivable	130	187	278	330	341
Inventories	1	1	0	0	0
Other current assets	397	1,574	1,161	1,253	1,273
Fixed assets	**2,165**	**2,067**	**2,413**	**2,560**	**2,567**
Investment assets	872	751	785	809	814
Tangible assets	998	1,035	1,184	1,307	1,309
Intangible assets	104	111	257	258	258
Other long-term assets	192	170	187	187	187
Total assets	**3,954**	**4,333**	**5,023**	**5,705**	**6,304**
Current liabilities	**322**	**641**	**806**	**905**	**1,020**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	322	641	806	905	1,020
Long-term liabilities	**568**	**322**	**314**	**335**	**359**
Bonds & long-term debt	170	40	40	40	40
Other long-term liabilities	398	282	274	295	319
Total liabilities	**890**	**963**	**1,119**	**1,240**	**1,379**
Owners of parent equity	**3,058**	**3,365**	**3,880**	**4,427**	**4,875**
Capital stock	11	11	11	11	11
Capital surplus	433	433	433	433	433
Retained earnings	3,474	3,669	4,154	4,701	5,149
Other	-860	-749	-719	-719	-719
Non-controlling interests' equity	**5**	**6**	**23**	**37**	**50**
Total equity	**3,064**	**3,370**	**3,903**	**4,464**	**4,925**
Net debt	-1,060	-647	-1,251	-1,715	-2,284

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**107**	**162**	**585**	**795**	**812**
Net profit	94	347	514	700	651
Non-cash profit and expenses	-7	-203	118	150	123
Depreciation	106	91	83	84	84
Amortization	3	5	9	9	9
Other	-116	-298	26	56	29
Changes in A/L from operating activities	-43	-7	23	49	116
Cash flow from investments	**1,294**	**-832**	**123**	**-307**	**-115**
Change in tangible assets	-83	-103	-206	-207	-87
Change in financial assets	987	-353	50	-91	-19
Other	390	-377	278	-9	-9
Cash flow from financing	**-523**	**-82**	**-28**	**-132**	**-181**
Change in debt	-268	-24	-5	8	9
Change in equity	0	0	0	0	0
Dividends	-64	-28	-22	-139	-190
Other	-191	-30	-1	0	0
Change in cash	895	-757	666	392	561
Cash at beginning of year	365	1,260	504	1,170	1,562
Cash at end of year	1,260	504	1,170	1,562	2,122
Gross cash flow	**87**	**145**	**632**	**850**	**773**
Free cash flow	**23**	**59**	**378**	**138**	**726**

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	-11.3	-4.5	80.5	28.7	2.7
Operating profit	nm	nm	2,738.1	55.1	-10.7
Net profit	-56.0	269.1	47.9	36.3	-7.1
Adjusted EPS**	nm	nm	nm	55.8	-8.3
Per-share data (KRW)					
EPS (parent-based)	4,291	16,023	23,351	31,860	29,597
EPS (consolidated)	4,287	16,057	23,856	32,510	30,201
Adjusted EPS**	-2,600	-2,480	16,857	26,263	24,075
BVPS	157,673	173,514	199,254	227,346	250,338
DPS (common)	1,460	1,150	7,157	9,753	9,060
Valuations (x)					
P/E***	n/a	n/a	13.3	8.6	9.3
P/B***	1.2	1.2	1.1	1.0	0.9
EV/EBITDA	n/a	33.1	6.6	4.0	3.6
Ratios (%)					
ROE	3.0	10.8	13.9	16.5	13.7
ROA	2.3	8.4	11.0	13.1	10.8
ROIC	-7.3	1.1	31.8	43.4	38.7
Payout ratio	1,549.6	331.7	27.7	27.7	27.7
Dividend yield (common)	0.8	0.6	3.2	4.3	4.0
Net debt to equity	-34.6	-19.2	-32.1	-38.4	-46.4
Interest coverage (x)	-10.6	3.6	29.3	44.8	39.1

Compliance notice

- As of 7/23 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
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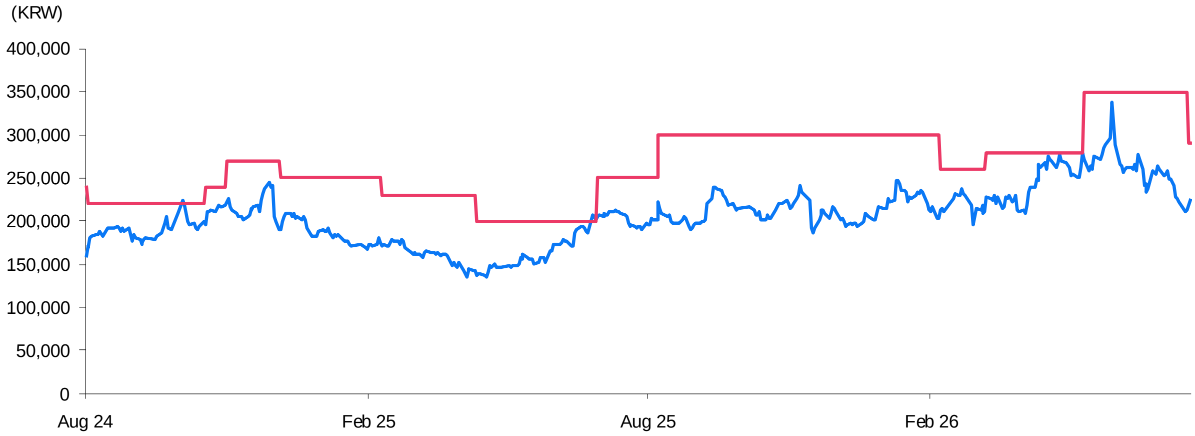
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/13	8/6	10/22	11/5	12/10	2025/2/13	4/16	7/3	8/12	2026/2/11	3/13	5/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	240000	220000	240000	270000	250000	230000	200000	250000	300000	260000	280000	350000
Gap* (average)	-20.65	-13.65	-10.60	-20.02	-25.18	-30.22	-17.89	-18.99	-28.78	-15.50	-13.06	-25.92
(max or min)**	-8.33	2.05	-8.54	-9.44	-16.20	-22.43	3.25	-14.60	-17.50	-8.65	-0.36	-3.43

Date	7/22
Recommendation	BUY
Target price (KRW)	290000
Gap* (average)	
(max or min)**	

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

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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
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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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