COMPANY UPDATE

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Krafton (259960)

PUBG growth intact; focus on new-title momentum

- Krafton reported a 67% y-y growth in operating profit for 2Q, driven by strong sales growth in PC PUBG and the success of Subnautica II, surpassing consensus by 9.6%.
- The PUBG IP has demonstrated sustained growth potential through mode expansion and IP collaborations. Meanwhile, the upcoming release of five additional titles in 2H should alleviate concerns over lack of new titles.
- We maintain BUY on the stock and keep it as our sector top pick.

▶ AT A GLANCE

BUY

Target price	**KRW320,000**	**31.1%**
Current price	**KRW244,000**	
Market cap	KRW11.3t/USD7.8b	
Shares (float)	46,137,833 (56.9%)	
52-week high/low	KRW339,000/KRW204,000	
Avg daily trading value (60-day)	KRW38.9b/ USD26.9m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Krafton (%)	9.2	-6.3	-27.8
Vs Kospi (%pts)	61.8	-13.6	-58.8

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	320,000	320,000	0.0%
2026E EPS	11,632	17,968	-35.3%
2027E EPS	29,537	29,768	-0.8%

▶ SAMSUNG vs THE STREET

No of estimates	18
Target price	376,667
Recommendation	4.0

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

WHAT'S THE STORY?

Delivers strong 2Q results led by PUBG growth and successful launch of new title: Krafton reported 2Q sales of KRW1.3t, up 95% y-y and beating consensus by 7.5%, fueled by: 1) strong sales growth in PC PUBG; and 2) contributions from the new title, Subnautica II. Subnautica II, combined with its predecessor, has sold approximately 6m units, generating KRW234.5b in revenue. PC PUBG saw a 57% y-y increase in sales, driven by the launch of two high-quality modes and successful collaborations with Stellar Blade Contender Eve and Aespa. Krafton's operating profit rose 67% y-y to KRW410.9b, exceeding consensus by 9.6%.

Sustained growth potential of PUBG confirmed: PC PUBG continued to deliver stable revenue growth in 2Q through a steady pipeline of new modes and IP collaborations. It should keep enjoying a y-y sales growth in 2H, led by the release of two additional high-quality modes, update of its user-generated content (UGC) platform, and launch of new collaborations with animated IPs, supercars, and K-pop idols.

(Continued on the next page)

SUMMARY 2Q26 RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,290.2	94.9	-5.9	1.3	7.5
Operating profit	410.9	67.0	-26.8	-12.6	9.6
Pre-tax profit	94.2	294.2	-86.9	-44.1	-67.1
Net profit	-29.9	nm	nm	nm	nm
Margins (%)					
Operating profit	31.8				
Pre-tax profit	7.3				
Net profit	-2.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	15.4	21.0	8.3
P/B	1.6	1.4	1.2
EV/EBITDA	9.7	7.2	5.3
Div yield (%)	0.9	0.9	0.9
EPS growth (% y-y)	-16.5	-27.4	153.9
ROE (%)	10.6	10.8	16.5
Per-share data (KRW)			
EPS	16,021	11,632	29,537
BVPS	157,747	174,729	203,734
DPS	2,240	2,240	2,240

Samsung Securities

Elevated expectations for upcoming titles: Krafton is set to unveil five new titles at Gamescom in August. These titles, scheduled for sequential launches from 4Q26 through 2027, should drive additional growth going forward. Among them, a new shooting game under development by PUBG Studio and the East Asian fantasy action RPG Tarae: The Unbound are reported to have high production quality. Additionally, Palworld Mobile, scheduled for release in 1H27, is generating strong anticipation following the PC original's success. Momentum from upcoming releases should strengthen in 2H.

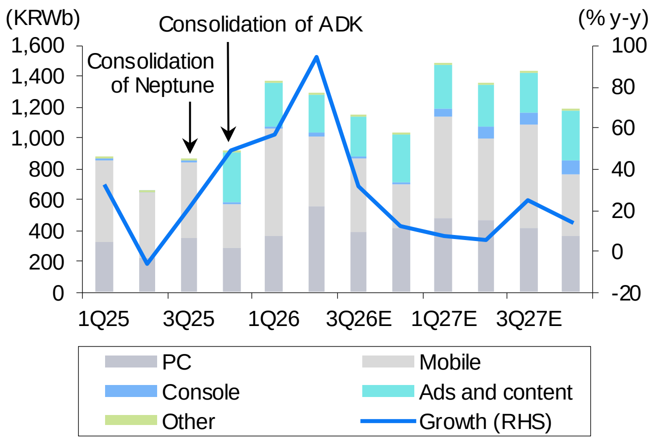
Maintaining BUY: We maintain our BUY rating and KRW320,000 target price (based on 13.6x 12-month forward P/E, the average of domestic and overseas gaming peers). With PUBG's growth sustainability now validated, the success of Subnautica II and a robust of pipeline of upcoming titles should address the company's key weakness—ie, its historical overreliance on a single IP. As Krafton is poised for gradual valuation re-rating underpinned by consistent new title releases, we continue to recommend it as our sector top pick for 2H.

2Q review

(KRWb)	2Q26			Diff (%)		2Q25	1Q26	Chg	
	New	Old	Consensus	Old	Consensus			(% y-y)	(% q-q)
Sales	**1,290**	**1,274**	**1,201**	**1.3**	**7.5**	**662**	**1,371**	**94.9**	**(5.9)**
PC	560	526		6.5		220	364	155.1	54.0
Mobile	451	461		(2.1)		428	703	5.5	(35.8)
Console	24	24		(0.4)		10	14	143.3	72.1
Advertising and content	250	253		(1.2)		0	281	n/a	(11.1)
Other	5	10		(49.1)		5	10	5.0	(47.8)
Operating expenses	**879**	**804**		**9.4**		**416**	**810**	**111.4**	**8.6**
Personnel	251	231		9.1		167	289	50.8	(13.1)
Platform fees/cost of revenue	166	155		7.5		84	115	98.3	45.1
Commission paid	342	295		16.3		96	289	255.9	18.6
Marketing	45	46		(2.1)		26	42	72.3	7.0
Other	74	78		(5.5)		43	75	72.3	(1.3)
Operating profit	**411**	**470**	**375**	**(12.6)**	**9.6**	**246**	**562**	**67.0**	**(26.8)**
Pre-tax profit	94	169	286	(44.1)	(67.1)	24	719	294.2	(86.9)
Net profit	(30)	125	220	(124.0)	(113.6)	16	514	nm	nm
Net profit (controlling)	(27)	125	188	(121.9)	(114.6)	15	515	nm	nm
Margins (%)									
Operating profit	29.4	36.9	31.2			37.2	40.9		
Pre-tax profit	29.3	13.2	23.8			3.6	52.4		
Net profit	21.7	9.8	18.3			2.3	37.5		
Net profit (controlling)	21.7	9.8	15.6			2.3	37.5		

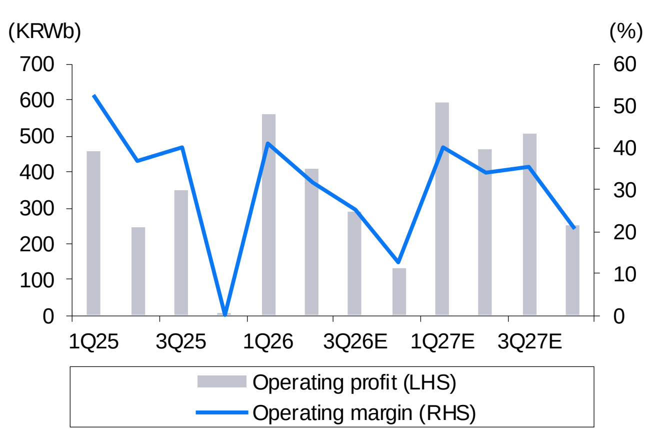
Source: Company data, FnGuide, Samsung Securities estimates

Sales, by platform



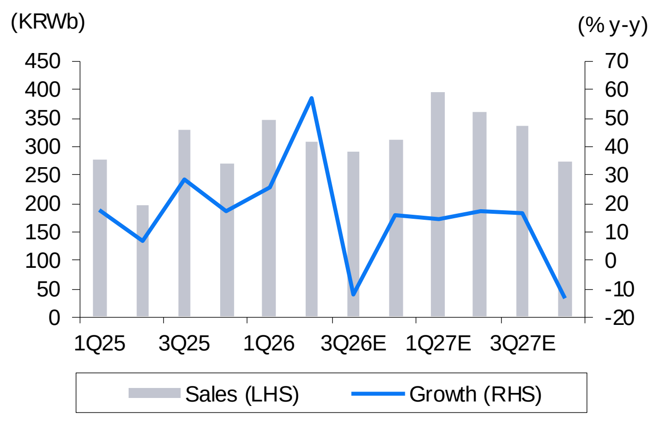
Source: Company data, Samsung Securities estimates

Operating profit vs operating margin



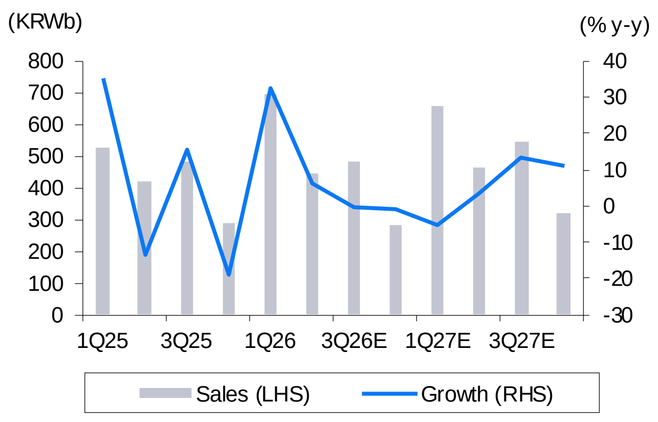
Source: Company data, Samsung Securities estimates

PUBG (PC): Sales



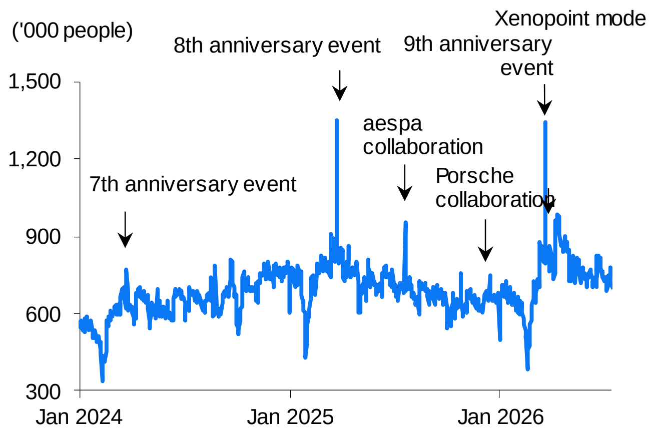
Source: Company data, Samsung Securities estimates

PUBG Mobile: Sales



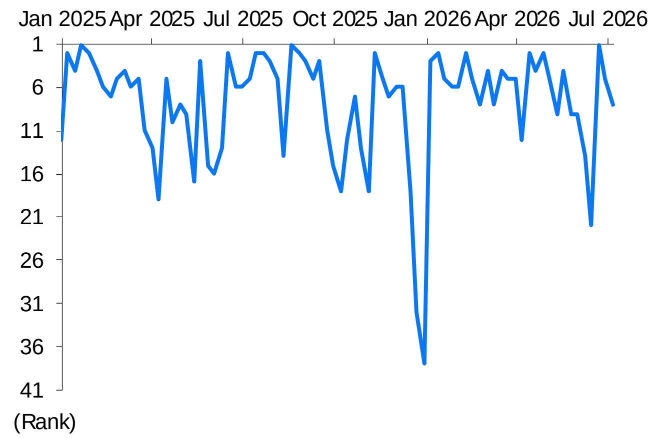
Source: Company data, Samsung Securities estimates

PUBG on Steam: Concurrent number of users



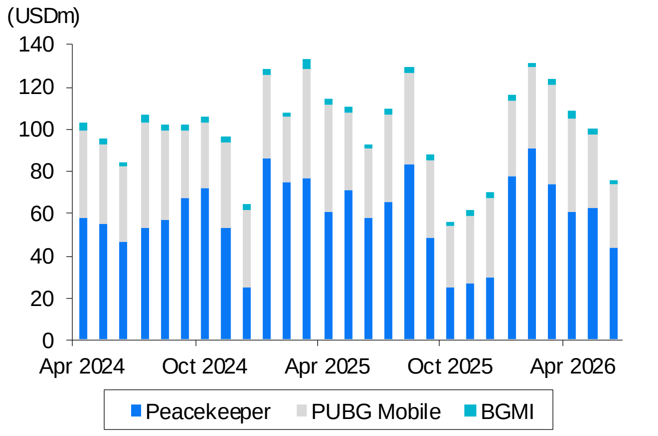
Source: SteamDB

PUBG on Steam: Weekly global sales ranking



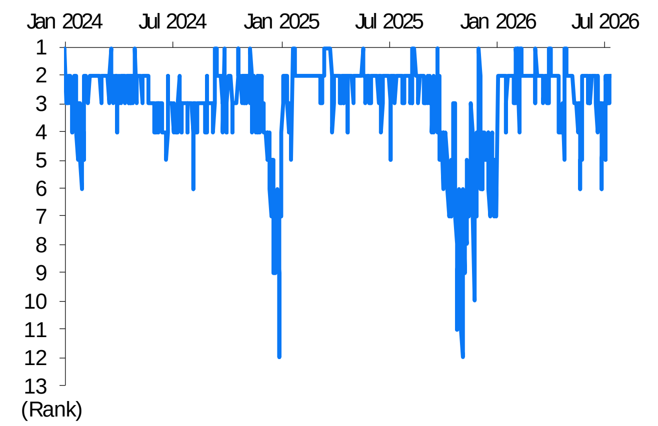
Source: SteamDB

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

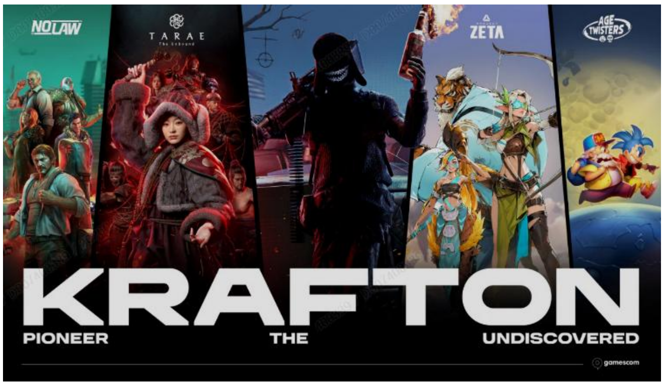
Palworld was officially released on Steam on Jul 10

Source: Company data

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

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
	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
TBD	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	23,864
Target P/E (x) *	13.6
Fair value per share	323,893
Target price	**320,000**
Current price	244,000
Upside (%)	31.1

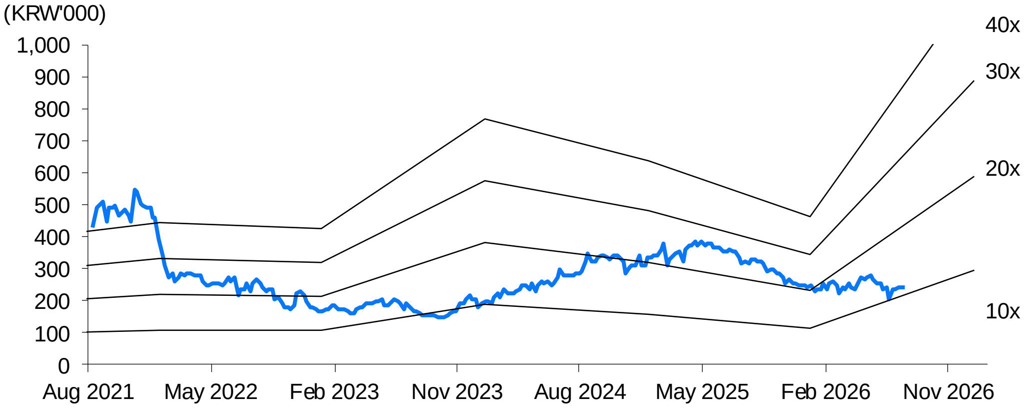
Note: *12M FWD P/E at peers, Based on Jul 29 closing prices
Source: Samsung Securities estimates

Global peer P/E valuations

(x)	2025E	2026E	Weighted average
EA	11.1	10.6	10.8
Tencent	7.0	9.4	8.2
NetEase	6.6	17.9	12.3
Nexon	24.2	23.5	23.8
Netmarble	13.3	12.1	12.7
Shift Up	12.4	14.7	13.6
Average	**11.1**	**10.6**	**10.8**

Note: Based on Jul 29 closing prices
Source: Bloomberg

12-month forward P/E band



Source: QuantiWise, Samsung Securities

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	**874**	**662**	**871**	**920**	**1,371**	**1,290**	**1,145**	**1,031**	**1,478**	**1,357**	**1,434**	**1,182**
PC	324	220	354	287	364	560	388	414	478	472	422	364
Mobile	532	428	488	292	703	451	484	289	664	521	664	407
Console	13	10	10	10	14	24	13	11	44	86	76	85
AD/Contents				323	281	250	255	311	286	272	266	319
Other	5	5	18	7	10	5	5	6	6	6	6	6
Operating expenses	**417**	**416**	**522**	**917**	**810**	**879**	**857**	**899**	**882**	**894**	**924**	**931**
Personnel	166	167	161	290	289	251	257	265	272	278	282	288
Platform fees/cost of revenue	105	84	129	104	115	166	120	125	145	135	127	115
Commission paid	84	96	142	390	289	342	353	370	341	351	365	376
Marketing	23	26	43	52	42	45	52	61	44	47	65	65
Other	39	43	48	81	75	74	76	78	80	82	85	88
Operating profit	**457**	**246**	**349**	**2**	**562**	**411**	**288**	**132**	**596**	**463**	**510**	**251**
Pre-tax profit	499	24	487	(50)	719	94	274	126	591	461	512	229
Net profit	371	16	369	(23)	514	(30)	205	94	443	346	384	172
Net profit (controlling)	372	15	368	(20)	515	(27)	207	95	447	349	388	174
Adjusted EPS (KRW)	6,781	4,735	4,611	-258	7,405	-2,484	4,677	2,021	9,692	7,474	8,219	4,153
Margins (%)												
Operating profit	52.3	37.2	40.0	0.3	40.9	31.8	25.2	12.8	40.3	34.1	35.6	21.2
Pre-tax profit	57.1	3.6	55.9	(5.5)	52.4	7.3	23.9	12.2	39.9	34.0	35.7	19.4
Net profit	42.5	2.3	42.4	(2.5)	37.5	(2.3)	17.9	9.2	30.0	25.5	26.8	14.5
Net profit (controlling)	42.6	2.3	42.2	(2.2)	37.5	(2.1)	18.1	9.2	30.3	25.7	27.1	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	**4,863**	**4,837**	**(0.5)**	**5,219**	**5,451**	**4.5**	**5,769**	**5,811**	**0.7**
PC	**1,575**	**1,726**	**9.7**	**1,630**	**1,736**	**6.5**	**1,799**	**1,965**	**9.2**
Mobile	2,034	1,927	(5.2)	2,264	2,256	(0.3)	2,503	2,315	(7.5)
Console	71	61	(13.5)	77	291	277.8	155	338	118.0
AD/Contents	1,142	1,096	(4.0)	1,201	1,143	(4.8)	1,260	1,166	(7.4)
Other	42	26	(37.2)	47	24	(48.3)	52	26	(50.2)
Operating expenses	**3,191**	**3,445**	**8.0**	**3,346**	**3,631**	**8.5**	**3,603**	**3,880**	**7.7**
Personnel	998	1,063	6.5	1,025	1,120	9.3	1,104	1,206	9.2
Platform fees/cost of revenue	487	526	8.0	492	522	6.1	532	574	8.0
Commission paid	1,205	1,354	12.4	1,265	1,433	13.3	1,345	1,498	11.4
Marketing	186	199	7.2	210	221	5.3	225	227	0.7
Other	316	303	(4.1)	355	336	(5.4)	398	376	(5.5)
Operating profit	**1,672**	**1,392**	**(16.7)**	**1,872**	**1,820**	**(2.8)**	**2,166**	**1,930**	**(10.9)**
Pre-tax profit	1,509	1,213	(19.6)	1,852	1,793	(3.2)	2,149	1,906	(11.3)
Net profit	1,099	784	(28.7)	1,370	1,344	(1.9)	1,590	1,430	(10.1)
Net profit (controlling)	1,100	790	(28.2)	1,372	1,358	(1.0)	1,592	1,444	(9.3)
Adjusted EPS (KRW)	17,968	11,632	(35.3)	29,768	29,537	(0.8)	34,569	31,419	(9.1)
Margins (%)									
Operating profit	34.4	28.8		35.9	33.4		37.5	33.2	
Pre-tax profit	31.0	25.1		35.5	32.9		37.2	32.8	
Net profit	22.6	16.2		26.3	24.7		27.6	24.6	
Net profit (controlling)	22.6	16.3		26.3	24.9		27.6	24.9	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**2,710**	**3,327**	**4,837**	**5,451**	**5,811**
Cost of goods sold	0	0	0	0	0
Gross profit	**2,710**	**3,327**	**4,837**	**5,451**	**5,811**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,527	2,272	3,445	3,631	3,880
Operating profit	**1,182**	**1,054**	**1,392**	**1,820**	**1,930**
Operating margin (%)	43.6	31.7	28.8	33.4	33.2
Non-operating gains (losses)	**540**	**-95**	**-179**	**-28**	**-24**
Financial profit	33	25	30	37	40
Financial costs	9	12	37	40	44
Equity-method gains (losses)	-48	-46	-27	-25	-25
Other	565	-63	-145	0	6
Pre-tax profit	**1,723**	**959**	**1,213**	**1,793**	**1,906**
Taxes	420	225	429	448	477
Effective tax rate (%)	24.4	23.5	35.4	25.0	25.0
Profit from continuing operations	1,303	734	784	1,344	1,430
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,303**	**734**	**784**	**1,344**	**1,430**
Net margin (%)	48.1	22.1	16.2	24.7	24.6
Net profit (controlling interests)	1,306	735	790	1,358	1,444
Net profit (non-controlling interests)	-3	-1	-6	-13	-14
EBITDA	1,289	1,200	1,593	2,046	2,185
EBITDA margin (%)	47.6	36.1	32.9	37.5	37.6
EPS (parent-based) (KRW)	27,162	15,438	16,977	29,431	31,296
EPS (consolidated) (KRW)	27,089	15,415	16,844	29,140	30,987
Adjusted EPS (KRW)*	19,196	16,021	11,632	29,537	31,419

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**5,004**	**4,866**	**5,192**	**6,100**	**6,969**
Cash & equivalents	582	597	1,169	1,711	2,317
Accounts receivable	1,007	1,339	1,121	1,286	1,334
Inventories	0	0	0	0	0
Other current assets	3,416	2,931	2,902	3,102	3,318
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**	**10,106**	**11,443**	**12,853**
Current liabilities	**785**	**1,583**	**1,818**	**1,902**	**1,995**
Accounts payable	0	460	0	0	0
Short-term debt	7	252	260	260	260
Other current liabilities	778	872	1,558	1,643	1,735
Long-term liabilities	**306**	**666**	**560**	**565**	**549**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	306	666	560	565	549
Total liabilities	**1,090**	**2,250**	**2,377**	**2,467**	**2,544**
Owners of parent equity	**6,828**	**7,041**	**7,593**	**8,854**	**10,201**
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	6,329	7,589	8,936
Other	264	-78	-214	-214	-214
Non-controlling interests' equity	**1**	**143**	**136**	**122**	**108**
Total equity	**6,829**	**7,184**	**7,729**	**8,976**	**10,309**
Net debt	-513	-183	80	-463	-1,077

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**908**	**1,045**	**1,093**	**1,419**	**1,630**
Net profit	1,303	734	784	1,344	1,430
Non-cash profit and expenses	126	517	515	697	749
Depreciation	85	110	142	160	180
Amortization	22	36	58	66	74
Other	19	371	314	471	495
Changes in A/L from operating activities	-276	241	73	-174	-72
Cash flow from investments	**-832**	**-580**	**-57**	**-307**	**-357**
Change in tangible assets	-20	-76	-154	-170	-191
Change in financial assets	-65	-46	-126	-103	-130
Other	-747	-457	222	-34	-36
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	572	542	607
Cash at beginning of year	721	582	597	1,169	1,711
Cash at end of year	582	597	1,169	1,711	2,317
Gross cash flow	**1,428**	**1,251**	**1,299**	**2,041**	**2,179**
Free cash flow	**888**	**968**	**939**	**1,249**	**1,440**

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	45.4	12.7	6.6
Operating profit	54.0	-10.8	32.0	30.7	6.0
Net profit	119.3	-43.7	6.8	71.5	6.3
Adjusted EPS**	81.1	-16.5	-27.4	153.9	6.4
Per-share data (KRW)					
EPS (parent-based)	27,162	15,438	16,977	29,431	31,296
EPS (consolidated)	27,089	15,415	16,844	29,140	30,987
Adjusted EPS**	19,196	16,021	11,632	29,537	31,419
BVPS	150,187	157,747	174,729	203,734	234,720
DPS (common)	0	2,240	2,240	2,240	2,240
Valuations (x)					
P/E***	16.3	15.4	21.0	8.3	7.8
P/B***	2.1	1.6	1.4	1.2	1.0
EV/EBITDA	11.2	9.7	7.2	5.3	4.7
Ratios (%)					
ROE	21.1	10.6	10.8	16.5	15.2
ROA	18.1	8.5	8.0	12.5	11.8
ROIC	64.6	36.3	28.3	38.4	39.0
Payout ratio	0.0	13.6	12.3	7.2	6.7
Dividend yield (common)	0.0	0.9	0.9	0.9	0.9
Net debt to equity	-7.5	-2.6	1.0	-5.2	-10.5
Interest coverage (x)	125.0	90.5	45.2	56.2	56.5

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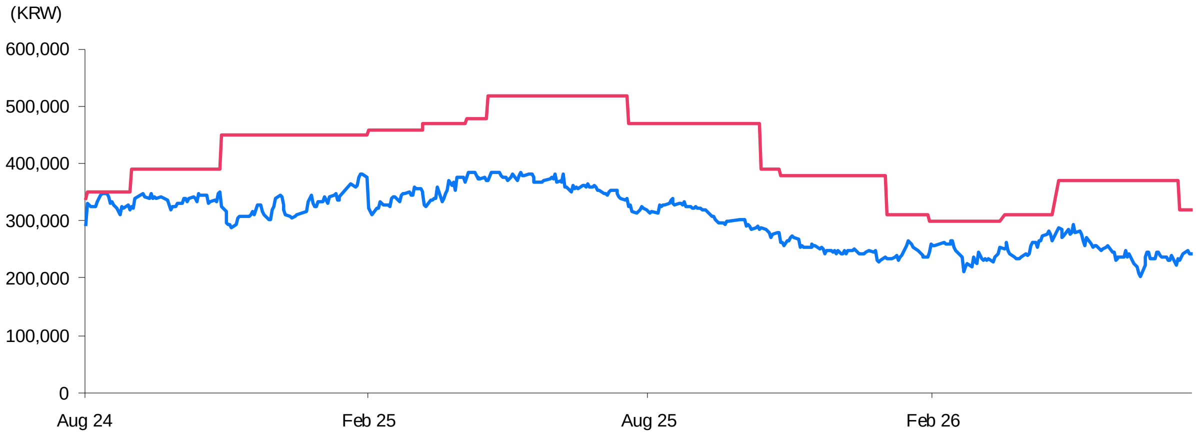
Target price changes in past two years



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

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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

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BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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