

# 2Q 2023 Earnings Results

Investor Relations

2023. 8. 9

# KRAFTON

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# 2023 2Q Results at a Glance

## KEY PERFORMANCE



PUBG PC Revenue  
YoY **35% ↑**

**BATTLEGROUNDS  
MOBILE INDIA**

Resumed Service  
**May 29<sup>th</sup>(1)**



Studio Investments  
**7<sup>(2)</sup> / 15<sup>(3)</sup>**

## KEY FINANCIAL HIGHLIGHTS

**387.1** bn KRW

Revenue

**131.5** bn KRW

Operating Profit

**34**%

Operating Profit Margin

Note: (1) Service resumed on May 29, 2023 after a 10-month suspension from July 28, 2022 (2) Studio acquisitions and minority stake investments to be completed from January to May 2023, (3) Post-IPO studio acquisitions and minority stake investments

## PC / Console

## PUBG PC/Console Maintaining Sustainable Global Live Service with Diverse Updates and Improved Monetization

## Enhancing In & Out Game Experience under F2P + No P2W



## Tactical Gears Renewal



## New Arcade Mode: Bluebomb Rush



## Progressive Skin: Deadly Dollhouse SLR



## Survivor Pass: The Big Score

## Key Live Service Content for 3Q23



## Aston Martin & Seasonal Workshop



## Street Fighter 6 Collaboration



## PUBG Esports Global Partner Team Skins



## Miramar Map Sub Update

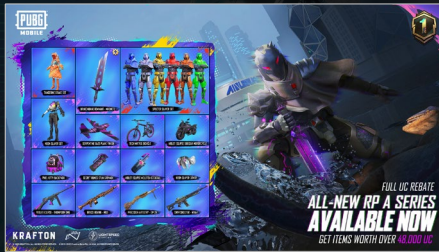




# Mobile

**PUBGM Generating Solid Traffic and Revenue Led by Growth in New Regions, BGMI Revenue Contribution Expected in 2H23**

## Live Service Expanding Traffic and Revenue



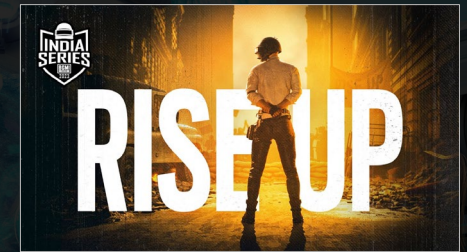
New Pass System RP A Series



Dinoground Mode



Dragon Ball Collaboration Skins & Mode



India BGIS 2023 Esports Tournament



Karol G Collaboration Skin & Voice Pack



X-Suit Upgrade Skin



Aston Martin Vehicle Skins



BGMI Login Event



# Scale-Up the Creative

Scale-Up the Future Growth Potential with Transition from a Global Game Company into a Global Publisher

## KRAFTON

**PUBG**  
STUDIOS

UNKNOWN WORLDS  
ENTERTAINMENT

Vector North

NEON  
GIANT



KRAFTON  
MONTREAL  
STUDIO

nirvanana

GOVERNANT

### 1. Publishing Accountability

Studio/Project supervised by Champions  
Virtual Organization System

### 2. Publishing Organization

Publishing by HQ (1PP & 2PP)  
Restructuring to strengthen 2PP

### 3. Discovering New Creative

**"The Creative"**  
Team of max 30 developers  
Soft Launch in 1.5 years

Expand Minority Investments  
Securing additional 2PP Titles

Game Studio Investments in 2023



[s:]  
STUDIO SAI

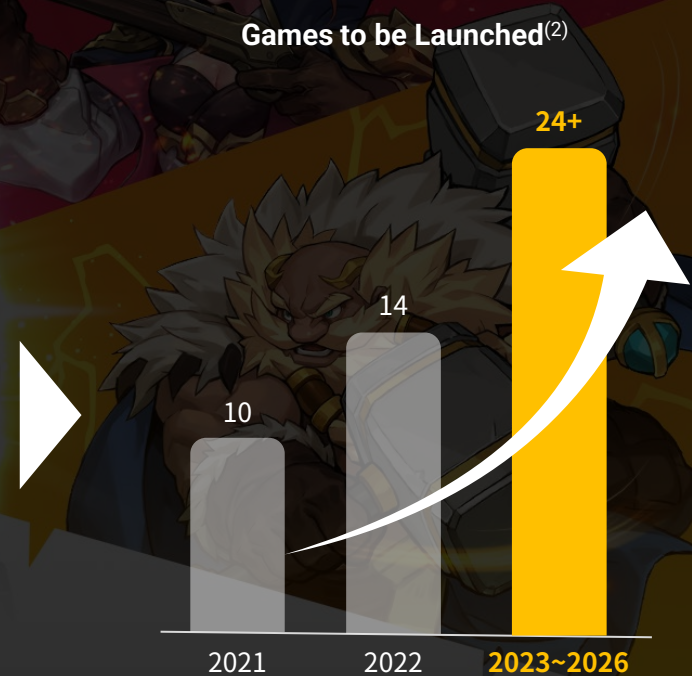
FUNNY  
STORM

PLAYGIG

GARDENS

+2 in progress<sup>(1)</sup>

Games to be Launched<sup>(2)</sup>



**"High Quality Games to  
Scale-Up Future Growth Potential"**



KRAFTON

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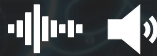
Note: (1) To be completed in August 2023 (2) Incubating projects as of August 2023

# Beyond Game

Focusing on Enhancing Efficiency in Game Development and Discovering New Gameplay Through AI and Deep Learning

## Deep Learning R&D Objectives and Core Technologies

### ① Game Dev Efficiency



TTS

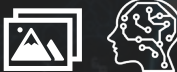


Image Generation



### ② New Gameplay



Language Model  
& Chatbot



3D Avatar & Animation

## Project Migaloo



- Deep Learning/AI technology applied to develop core open-world features and content
- Content creation and distribution using sandbox tools



# 2Q23 Financials

**Revenue** **KRW 387.1bn** (-28.2% QoQ, -8.6% YoY)

Revenue stabilized due to seasonality and major content updates concentrated in 2H23

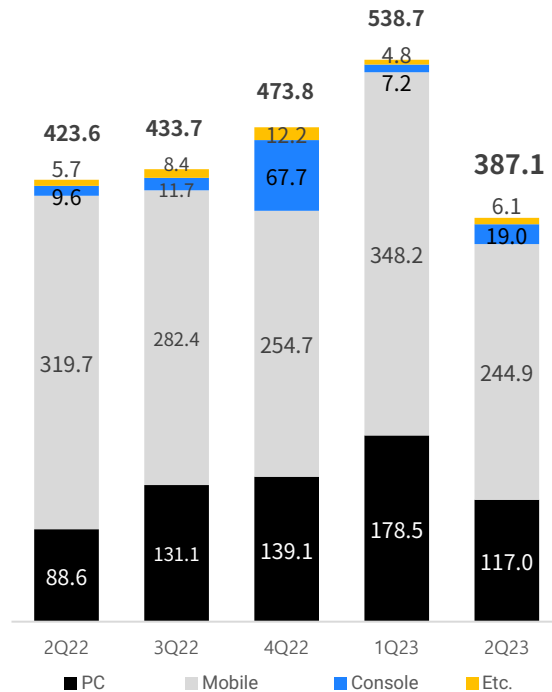
**Operating Profit** **KRW 131.5bn** (-53.5% QoQ, -20.7% YoY)

QoQ decline from stabilized revenue in 2Q23

**Net Profit** **KRW 128.5bn** (-51.9% QoQ, -33.7% YoY)

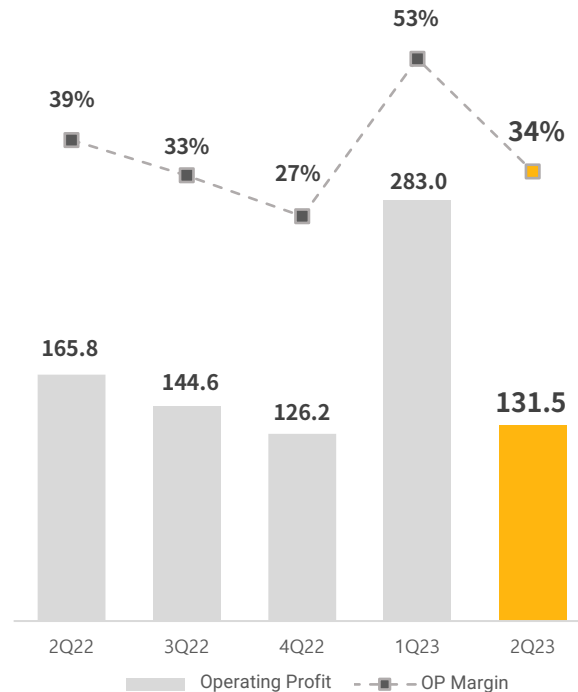
## Revenue

KRW bn



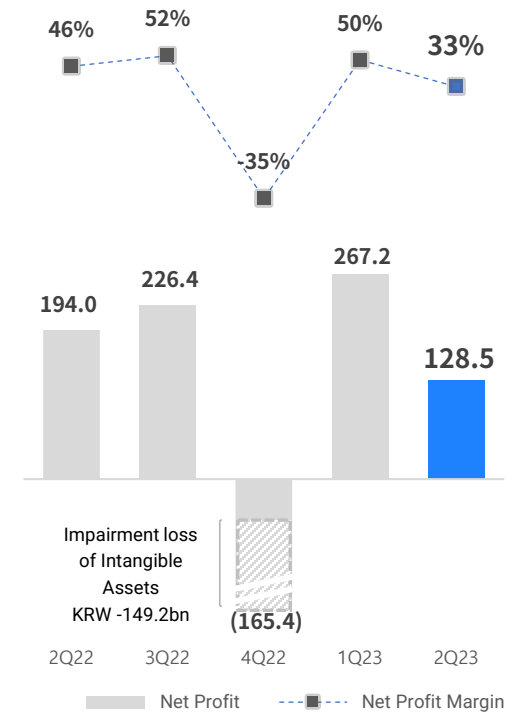
## Operating Profit

KRW bn



## Net Profit

KRW bn





# Expense Breakdown

## Operating Costs

**KRW 255.6bn** (-0.0% QoQ, -0.8% YoY)

- (Personnel) 2Q23 +2.4% QoQ, +9.6% YoY

Increased QoQ and YoY due to increase in headcount

- (Paid Commissions) 2Q23 +14.6% QoQ, -13.5% YoY

Increased QoQ on expenses related to PGS1 Esports event, decreased YoY from BGMI service suspension

KRW bn	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY
<b>Operating Costs</b>	<b>257.7</b>	<b>289.1</b>	<b>347.6</b>	<b>255.7</b>	<b>255.6</b>	<b>-0.0%</b>	<b>-0.8%</b>
% of Revenue	60.8%	66.7%	73.4%	47.5%	66.0%	18.5%p	5.2%p
Personnel	94.2	98.9	63.4	100.8	103.2	2.4%	9.6%
Platform Fees/Cost of Revenue <sup>(1)</sup>	50.1	47.8	57.7	46.7	32.2	-31.2%	-35.8%
Paid Commissions	81.5	85.2	102.7	61.6	70.6	14.6%	-13.5%
Marketing	11.3	19.7	81.2	5.1	8.7	70.5%	-23.3%
Share-based Payment Expenses	(8.4)	7.8	(9.7)	10.0	9.1	-9.8%	N/M
Others	29.0	29.7	52.4	31.4	31.9	1.5%	10.0%
<b>Operating Profit</b>	<b>165.8</b>	<b>144.6</b>	<b>126.2</b>	<b>283.0</b>	<b>131.5</b>	<b>-53.5%</b>	<b>-20.7%</b>
% OP Margin	39.2%	33.3%	26.6%	52.5%	34.0%	-18.5%p	-5.2%p
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>177.4</b>	<b>174.5</b>	<b>160.3</b>	<b>319.0</b>	<b>167.7</b>	<b>-47.4%</b>	<b>-5.4%</b>
% Adj. EBITDA Margin	41.9%	40.2%	33.8%	59.2%	43.3%	-15.9%p	1.5%p

Note: (1) Platform Fees/Cost of Revenue consist of Steam, market commissions, etc, (2) Adj. EBITDA = EBITDA + Share-based payment expenses

# Operating Profit / Adj. EBITDA

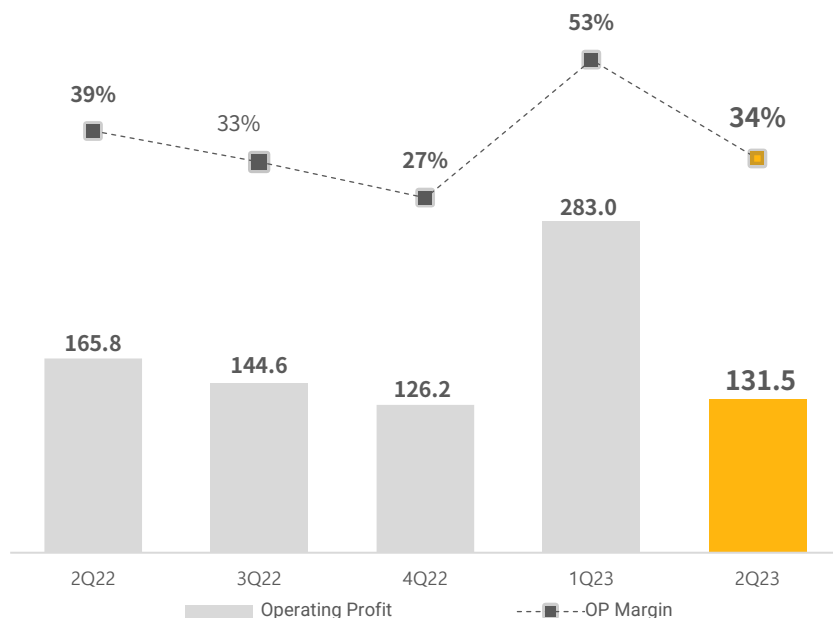
**Operating Profit** **KRW 131.5bn** (-53.5% QoQ, -20.7% YoY)

**Adj. EBITDA** **KRW 167.7bn** (-47.4% QoQ, -5.4% YoY)

- 2Q23 Adj. EBITDA decreased 5% YoY, with Adj. EBITDA margin of 43%

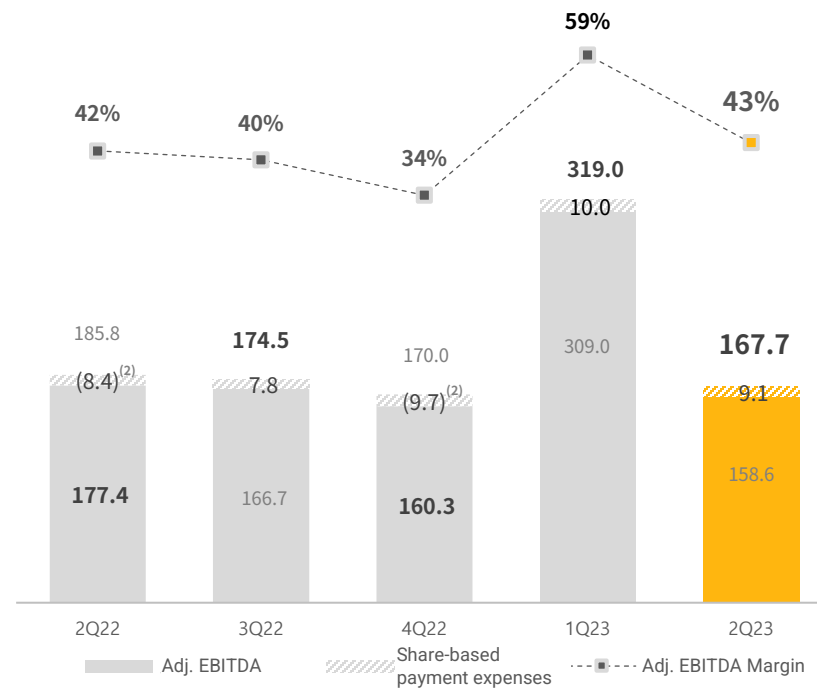
## Operating Profit

Unit: KRW bn



## Adj. EBITDA<sup>(1)</sup>

Unit: KRW bn



Note: (1) Adj. EBITDA = EBITDA + Share-based payment expenses, (2) Reversal of Share-based payment expenses

# Net Profit

**Profit Before Income Tax**      **KRW 159.5bn** (-56.0% QoQ, -38.7% YoY)

**Net Profit**      **KRW 128.5bn** (-51.9% QoQ, -33.7% YoY)

- 2Q23 Net Profit decreased YoY due to decreased Operating Profit and FX effects impacting Non-operating Profit

## Non-Operating Profit & Profit Before Income Tax

Unit: KRW bn

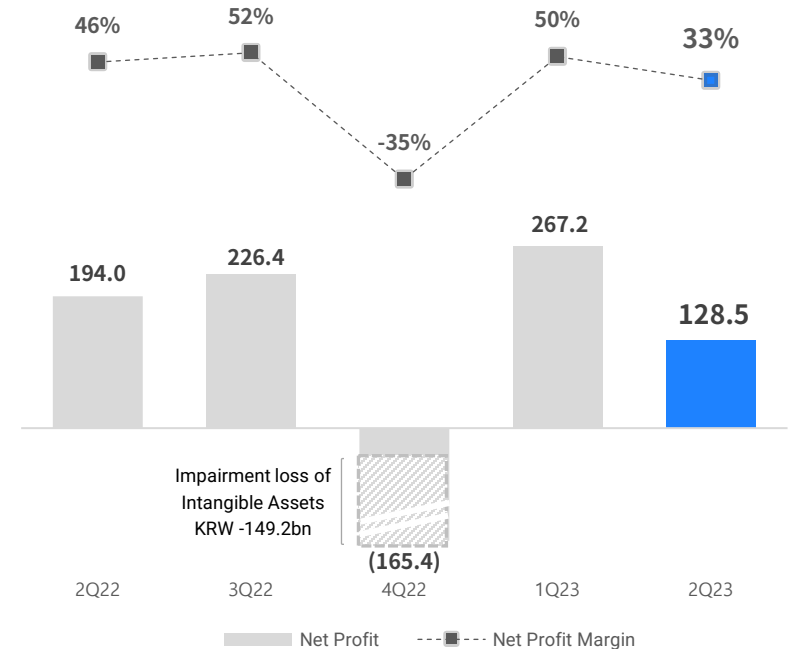
구분	2Q22	3Q22	4Q22	1Q23	2Q23
<b>Non-operating Profit</b>	94.5	169.1	(349.1)	79.4	28.0
<b>Non-Operating Income</b>	108.9	206.1	(40.2)	141.8	85.3
Other Income	101.3	196.2	(49.8)	131.9	74.0
Finance Income	7.5	9.9	9.6	9.9	11.3
<b>Non-Operating Expense</b>	14.4	37.0	308.9	62.4	57.3
Other Expense	12.8	35.5	306.0 <sup>(1)</sup>	60.5	54.9
Finance Expense	1.6	1.5	2.8	1.9	2.3
<b>Profit Before Income Tax</b>	260.3	313.7	(222.9)	362.4	159.5

Note: (1) Impairment loss of Intangible Assets (KRW -149.2bn)

(2) Gains and Losses on Valuation using equity method included in other income and expense

## Net Profit

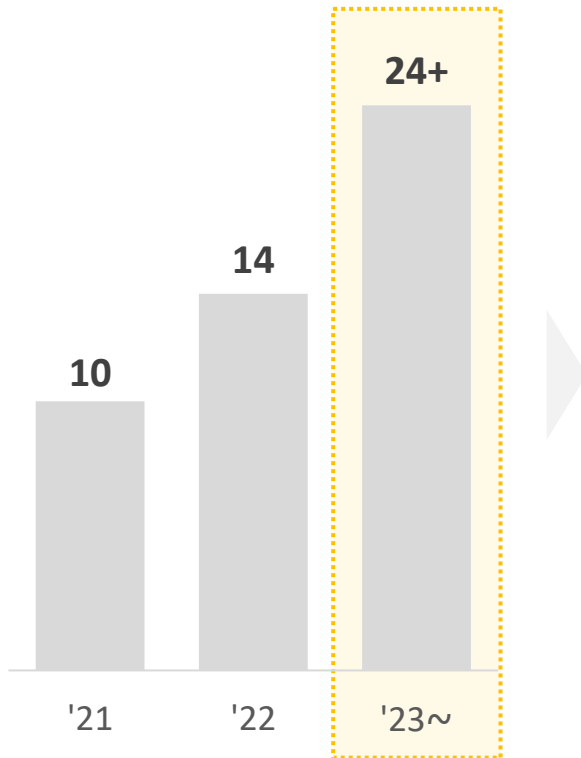
Unit: KRW bn





# KRAFTON Pipeline

## Incubating Pipeline<sup>(1)</sup>



## Game Release Plan

Title Categories	Total	'23	'24	'25~	Details
Strategic	6	-	4	2	<ul style="list-style-type: none"> <li>Project BlackBudget</li> <li>The Next Subnautica</li> <li>Project Impact</li> <li>Project GoldRush</li> <li>Project Windless</li> </ul>
Creative Studio (PC, Console)	8	3	3	2	<ul style="list-style-type: none"> <li>Project Isegye</li> </ul>
Creative Studio (Mobile)	7	5	1	-	<ul style="list-style-type: none"> <li>Defense Derby</li> </ul>
Publishing	4	1	1	2	

Note: (1) Incubating Projects as of August 2023

# KRAFTON Pipeline – Project Introduction

## Project BlackBudget

Challenging ourselves to popularize the extraction shooter genre based on our PUBG production & service experience

- An ever-changing PvPvE open-world and satisfying gunplay that deliver unpredictable and exciting experiences
- Considering release on PC/Console



Concept arts  
to be released later

## The Next Subnautica

The sequel to Subnautica, a survival adventure game that has garnered massive following

- Developing an expanded Subnautica experience and industry-competitive quality
- Additions include more expansive maps, creatures and interactions, augmented experience, and more



Image for reference (from Subnautica)

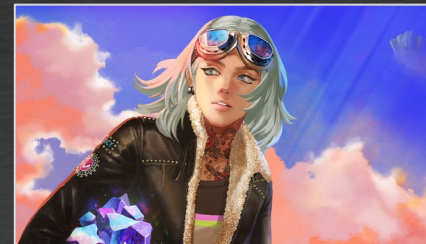


Image for reference (from Subnautica)

## Project GoldRush

Targeting a Western audience of the action-adventure sandbox genre, and challenging to present instant action and rewarding progression

- A Game-as-a-Service inviting players to enjoy pick-up-and-play action inside a compelling PvPvE sandbox – solo, or together with friends
- A challenging online world appealing to a new generation of gamers with a distinct identity and novel features



## Project Windless

Aspiring for high-quality global game based on the original 'The Bird That Drinks Tears'

- Currently finalizing game concept (on console) and development direction
- Established Montreal studio, recruited key talent with successful track record
  - ❖ Patrik Methé: Far Cry Game Director
  - ❖ Iain McCaig: Star Wars, Avengers Design Director
  - ❖ Gwangjae Son: Krafton Art Director



# Mid-to-Long Term Shareholder Return Policy

## Focus

- ✓ Shareholder return policy to **create higher shareholder value** as a listed company
- ✓ Build trust with our shareholders and the market **in the long term**
- ✓ **3-Year Plan** (FY2023~2025)

01

## Financial Resource

- ✓  $(FCF^{(1)} - \text{Investment}) \times 40\%$
- ✓ '**Investment**' excludes investments made using the IPO proceeds<sup>(2)</sup>

02

## Execution Method

- ✓ **Buyback and Retirement of Treasury Shares**
- ✓ **Retire 100%** of the purchased shares in the first year, FY2023
- ✓ **Retire minimum 60%** of the purchased shares years ahead

03



# Summary of Financial Statements

## Consolidated Income Statement

(KRW bn)	2Q22	3Q22	4Q22	1Q23	2Q23
<b>Revenue</b>	<b>423.6</b>	<b>433.7</b>	<b>473.8</b>	<b>538.7</b>	<b>387.1</b>
Operating Costs	257.7	289.1	347.6	255.7	255.6
<b>Operating Profit</b>	<b>165.8</b>	<b>144.6</b>	<b>126.2</b>	<b>283.0</b>	<b>131.5</b>
EBITDA	185.8	166.7	170.0	309.0	158.7
<b>Adj. EBITDA</b>	<b>177.4</b>	<b>174.5</b>	<b>160.3</b>	<b>319.0</b>	<b>167.7</b>
Non-Operating Profit	94.5	169.1	(349.1)	79.4	28.0
Other Income	101.3	196.2	(49.8)	131.9	74.0
Other Expenses	12.8	35.5	306.0	60.5	54.9
Finance Income	7.5	9.9	9.6	9.9	11.3
Finance Expenses	1.6	1.5	2.8	1.9	2.3
<b>Profit Before Income Tax</b>	<b>260.3</b>	<b>313.7</b>	<b>(222.9)</b>	<b>362.4</b>	<b>159.5</b>
Income Tax	63.0	83.1	(61.9)	95.2	31.0
Profit from Discontinued Operations	(3.4)	(4.2)	(4.4)	-	-
<b>Net Profit</b>	<b>194.0</b>	<b>226.4</b>	<b>(165.4)</b>	<b>267.2</b>	<b>128.5</b>

## Consolidated Statement of Financial Position

(KRW bn)	2Q22	3Q22	4Q22	1Q23	2Q23
Current Assets	3,811.0	3,979.2	3,892.6	4,075.3	4,006.8
Cash and Cash Equivalents <sup>(1)</sup>	3,079.2	3,261.1	3,125.3	3,216.0	3,054.1
Non-current Assets	2,117.7	2,321.6	2,145.2	2,237.1	2,391.1
<b>Total Assets</b>	<b>5,928.7</b>	<b>6,300.8</b>	<b>6,037.8</b>	<b>6,312.4</b>	<b>6,398.0</b>
Current Liabilities	434.7	480.6	411.5	398.6	492.6
Non-current Liabilities	416.2	418.5	509.9	513.3	523.4
<b>Total Liabilities</b>	<b>850.8</b>	<b>899.1</b>	<b>921.4</b>	<b>911.9</b>	<b>1,016.0</b>
Paid-in Capital	4.9	4.9	4.9	4.9	4.9
Capital Surplus	1,475.1	1,475.1	1,448.6	1,467.7	1,470.1
Other Components of Equity	191.1	288.5	190.1	188.0	206.6
Retained Earnings	3,406.6	3,633.0	3,467.6	3,735.0	3,695.8
Non-controlling Interests	0.2	0.2	5.2	4.9	4.5
<b>Total Equity</b>	<b>5,077.9</b>	<b>5,401.7</b>	<b>5,116.4</b>	<b>5,400.5</b>	<b>5,382.0</b>

Note: (1) Including FVPL (Fair Value through Profit or Loss)

# Our Vision

## WHY

We believe **games** will become the world's **most powerful medium**.

## HOW

Based on our **creativity**, steadfast dedication toward **new challenges** and **technological development**,

## WHAT

We will further **expand our original IPs** and build **immersive, virtual worlds**, where our fans play together and share fun moments.

**We will meet everyone in the world we are building.**