

# 2Q22 & 1H22 Earnings Results

Investor Relations

2022. 8. 11

**K R A F T O N**

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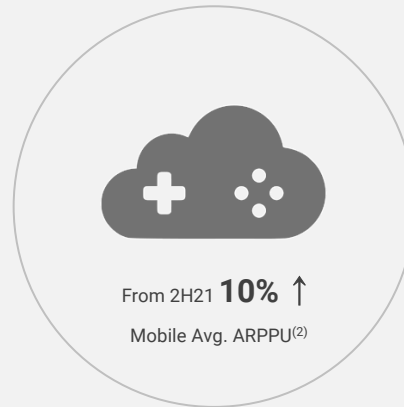
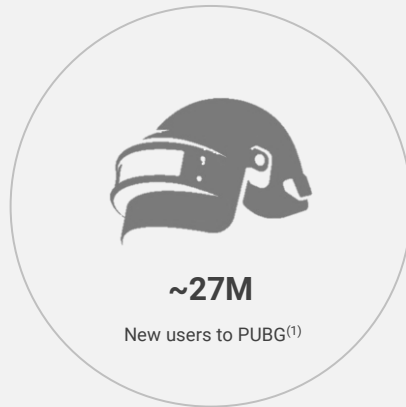
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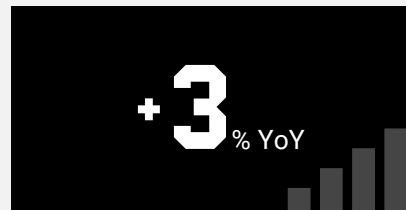
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# 2022 1H Results at a Glance

## KEY PERFORMANCE



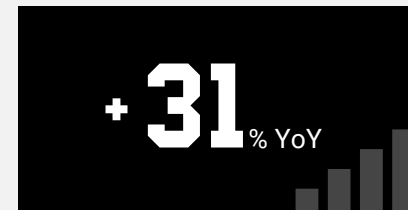
## KEY FINANCIAL HIGHLIGHTS<sup>(3)</sup>



Revenue



Operating Profit



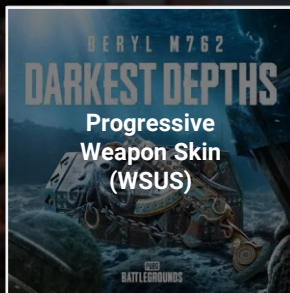
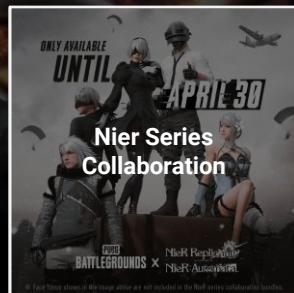
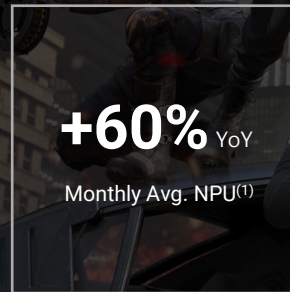
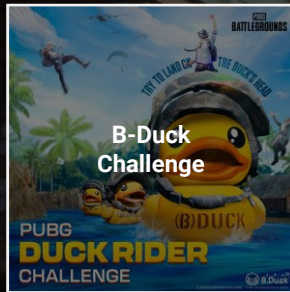
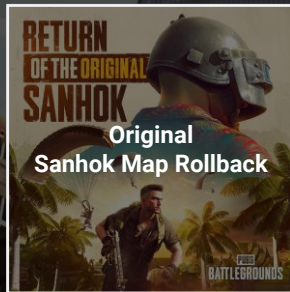
Net Income

Note: (1) Cumulative NRU (New Registered Users) of PC and Console combined from Jan~Jun 2022, (2) Total of PUBGM Global, KR/JP, BGMI, and New State for 1H22 compared with 2H21, (3) 1H22 compared with 1H21

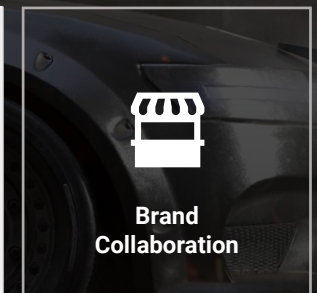
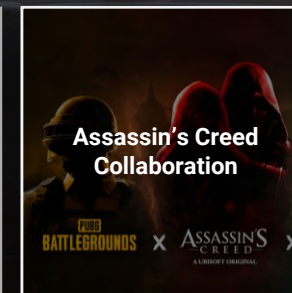
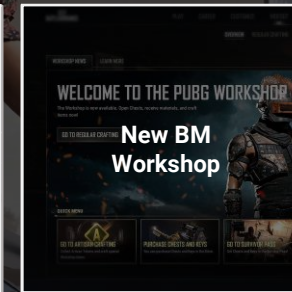
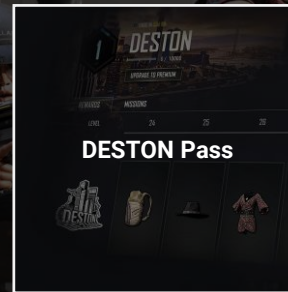
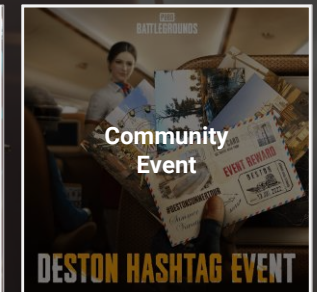
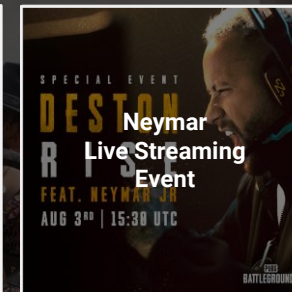
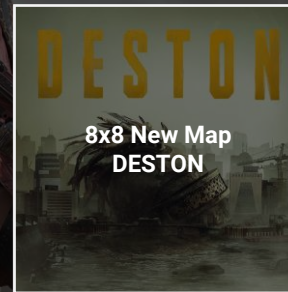
# PC/Console

## Improving Overall Gaming Experience for All Users, Yet More Efforts on Securing New and Returned Users

### 2Q22 Live Service Fostering In & Out Game Experience



### 3Q22 Live Service & Marketing Plan



Note: (1) Total of NRU (New Registered Users), NPU (New Paying Users) and ARPU (Average Revenue Per User) for PC and Console as of 2Q22



# Mobile – PUBG / New State

PUBGM on Steady Growth Track backed by Full-Packed Live Service Content, and New State on More Concerted Live Structure



Stronger User Engagement and Monetization  
with Attractive Global Brand Collaborations and Mode Services



Faster Gameplay,  
Better engagement



User  
Engagement



<Blackpink In-Game Concert>



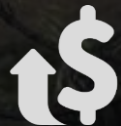
<Map Renewals and New 1x1 Map>



<Various Mode Services>



<Labs: AKINTA Bounty Royale>



Monetization



<Supercar Collaboration Skins>



<Brand Collaboration Buddy Items>



<New Gold Level Skins>



<Global IP Collaboration>

# INDIA

## Continuing the Path for Mutual Growth with India, Pursuing Diverse Business Areas and Expanding Strategic Partnerships

**BATTLEGROUNDS MOBILE INDIA** India's Beloved Game with 100M+ Downloads



<Silvanus X-Suit Skin>



<Evangelion Collaboration>



“Increased New Users, Retention and Revenue”

First-ever Indian TV Broadcast of eSports



**BGMI Masters Series**

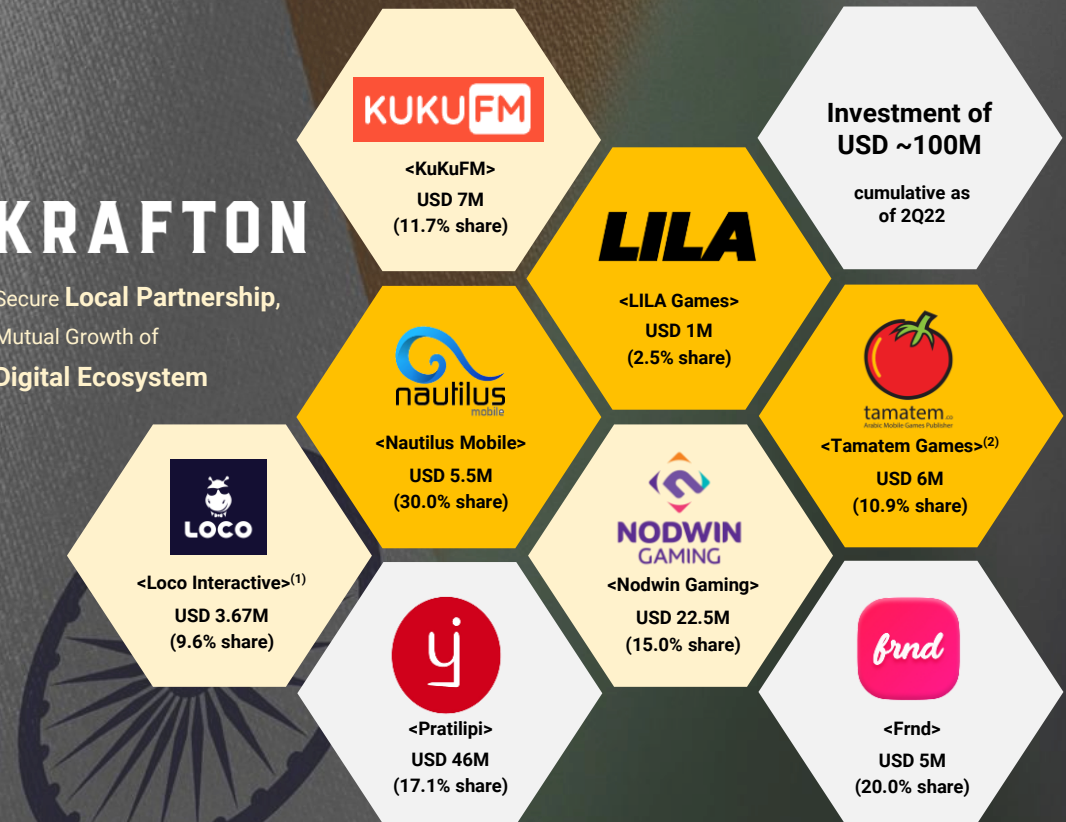
- Organizer: KRAFTON
- Held by: Nodwin Gaming
- Streamed on: Loco Interactive



~24M TV Viewership  
~200M Total Viewership

# KRAFTON

Secure **Local Partnership**,  
Mutual Growth of  
**Digital Ecosystem**



Note: (1) Convertible bonds account for USD 0.67M of the total 3.67M investment, not reflected in share ownership (2) MENA region publisher located in Jordan



# New IP Project – 2022/23

New Global Titles from the US to Expand KRAFTON's Game IP Library and Attract More Fans from Diverse Genres

## Project M



- Turn-based strategy PC game set in a Sci-Fi world
- Following the 'Easy-to-Learn, Hard-to-Master' formula, a game that is also fun to watch
- First look at Gameplay and the expansive Sci-Fi universe to be revealed at Gamescom Opening Night Live
- Steam Early Access targeting 2H22

## THE CALLISTO PROTOCOL



- New AAA Title by Glen Schofield & Team
- Global Release on Dec 2, 2022
- Best quality + Ultimate horror experience + Distinguished action mechanics
- Gamescom to fuel momentum for upcoming launch



# New IP Project – Project Windless

A New IP Expansion Project by KRAFTON, Targeting Global Multi-Media Franchise, Game Development Finally Announced

눈물을  
마시는 새

## Project Windless KRAFTON

- Korean fantasy novel with unique settings and rich narratives
- Expansion into media productions backed by strong fan base
- Visual R&D in progress by Iain McCaig
- Art Book ('22) and Graphic Novel (1H '23) to be released
- Game development team to be set up within '22

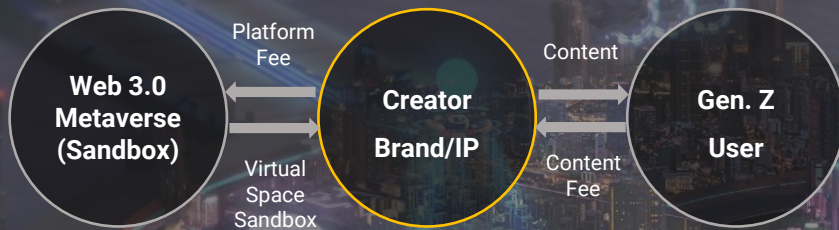




# New Growth – Web 3.0 Metaverse & Virtual Human

Leverage Our Core Technology on Building Interactive Virtual World, C2E Metaverse 'Project Migaloo' and Virtual Human 'ANA'

## C2E Metaverse: Project Migaloo



- Creator-centered value based on C2E ecosystem
- A Virtual Space for Fun inside KRAFTON's Interactive Virtual World
- Higher quality compared to existing Web 2.0 and Web 3.0 services
- In progress to set up a joint venture with Naver Z within '22

**KRAFTON**

**NAVER Z**

## Virtual Human: ANA



- Virtual Influencer targeting global Gen. Z with its own unique universe
- Differentiation by KRAFTON's own technology:  
UE5-based Hyper Realism, Rigging, AI Voice, Deep Learning, etc.
- Further activities in different forms of entertainment starting from the release of original music and music video, to global partnerships and collaborations

# 2Q22 Financials

## Revenue

1H22 KRW 946.7bn (+2.9% YoY)

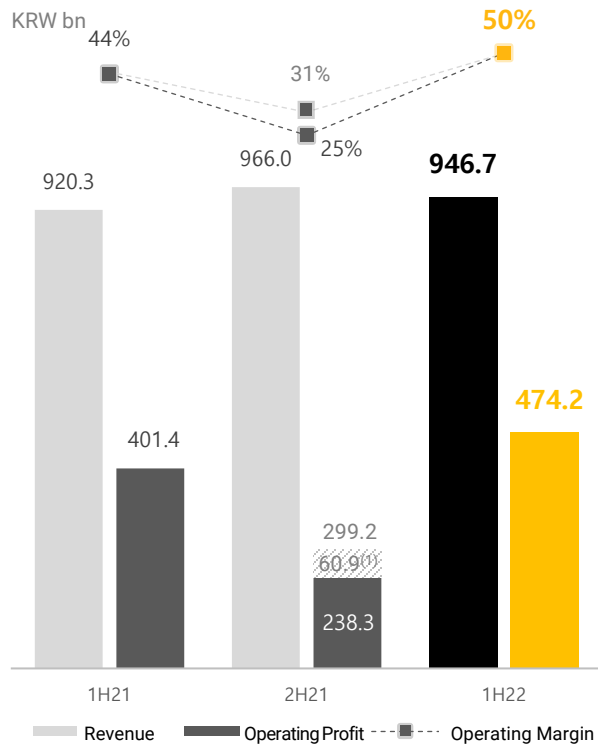
2Q22 KRW 423.7bn (-7.8% YoY, -19.0% QoQ)

## Operating Profit

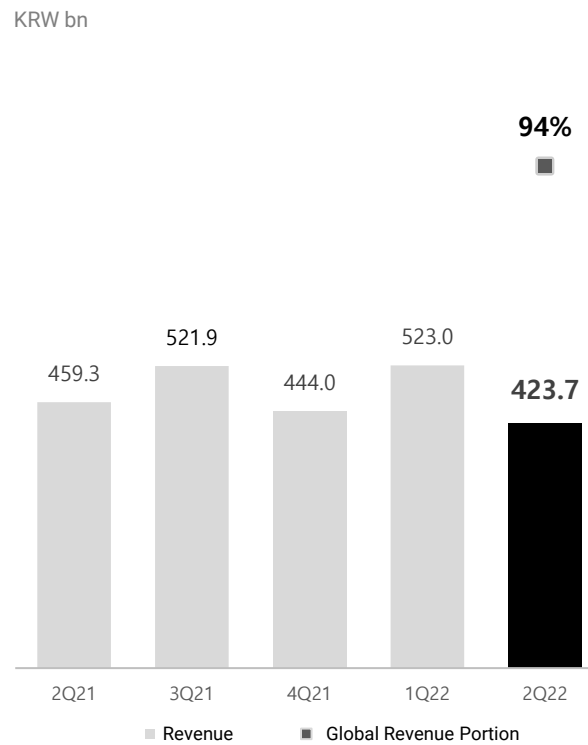
1H22 KRW 474.2bn (+18.1% YoY)

2Q22 KRW 162.3bn (-6.8% YoY, -48.0% QoQ)

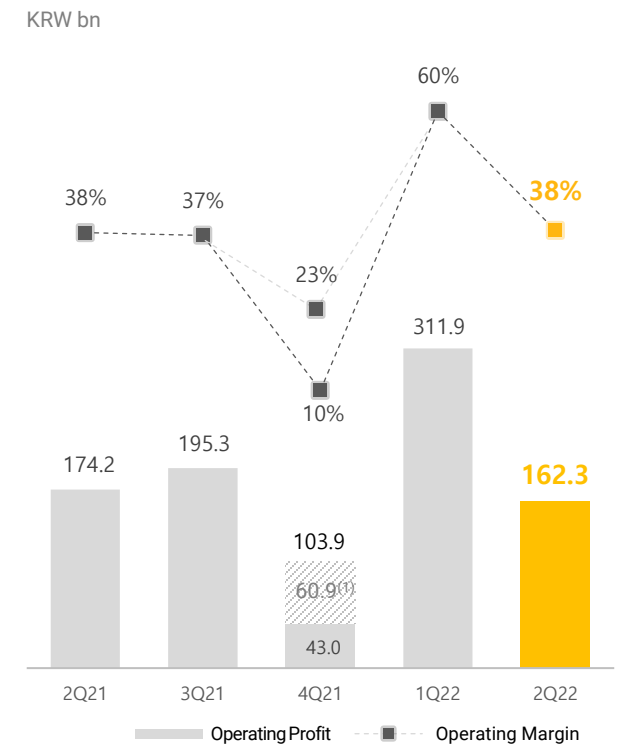
### 1H Earnings



### 2Q Revenue



### 2Q Operating Profit



Note: (1) One-off related to share-based payment expenses (W60.9bn)



# Revenue Breakdown

## Revenue

**1H22 KRW 946.7bn** (YoY +2.9%)

**2Q22 KRW 423.7bn** (YoY -7.8%, QoQ -19.0%)

- (PC) 1H22 +25.9% YoY, 2Q22 flat YoY, -16.5% QoQ

2Q22 was flat YoY given elimination of package sales and impact of free G-Coins after F2P transition, and decreased QoQ with more live service focusing on user engagement

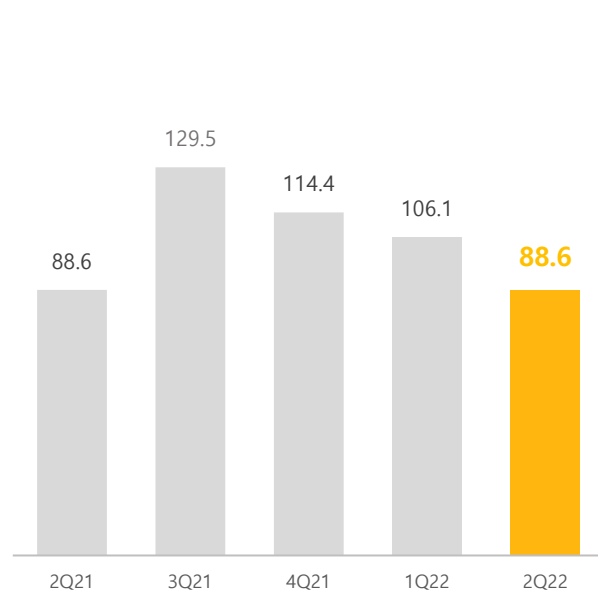
- (Mobile) 1H22 -2.4% YoY, 2Q22 -9.7% YoY, -19.3% QoQ

Excluding one-off revenue in 2Q21, 2Q22 grew YoY with solid growth of PUBGM, yet decreased QoQ on low seasonality

## PC

KRW bn

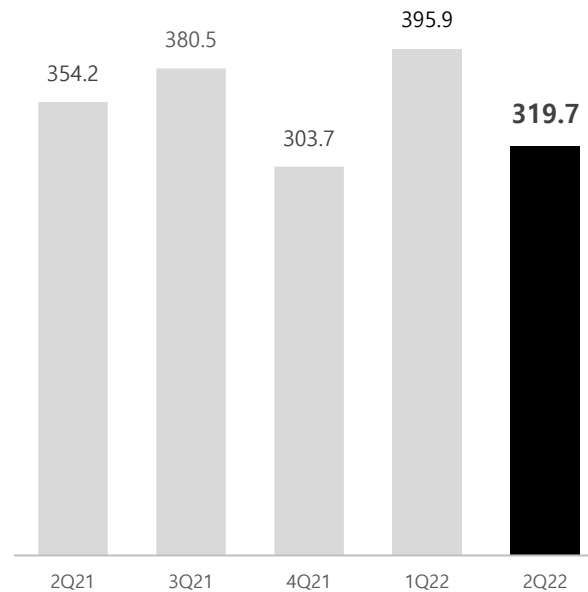
PUBG, Subnautica, Below Zero and more



## Mobile

KRW bn

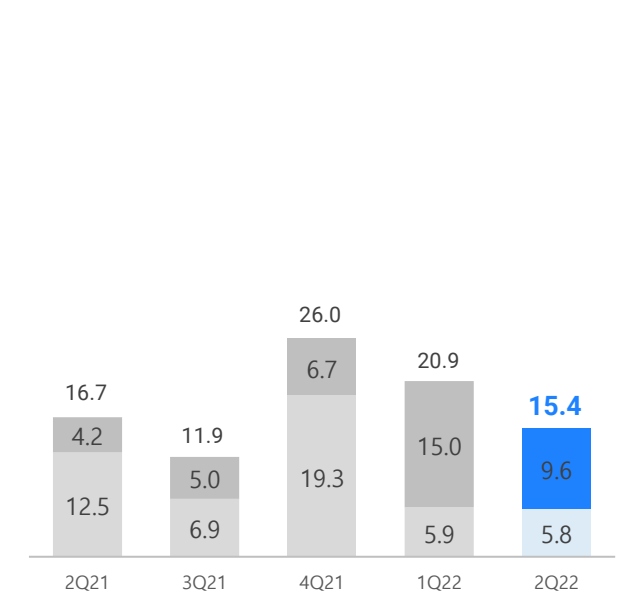
PUBGM, BGMI, New State, Technology Service and more



## Console / Others

KRW bn

PUBG, Subnautica, Below Zero, eSports and more



# Expense Breakdown

## Operating Costs

**1H22 KRW 472.5bn** (-9.0% YoY)

**2Q22 KRW 261.3bn** (-8.4% YoY, +23.8% QoQ)

- (Personnel) 1H22 +16.4% YoY, 2Q22 +3.7% YoY, -12.4% QoQ

Despite the increase in headcounts from business expansion, 2Q22 slightly rose YoY, but declined QoQ due to the decrease in performance-based incentives

- (Paid Commissions) 1H22 -19.7% YoY, 2Q22 -14.3% YoY, +46.1% QoQ

2Q22 declined YoY due to the absence of global-scale eSports events, but rose QoQ from hosting PNC 2022

KRW bn	2Q21	3Q21	4Q21	1Q22	2Q22	YoY	QoQ	1H21	1H22	YoY
<b>Operating Costs</b>	<b>285.2</b>	<b>326.6</b>	<b>401.0</b>	<b>211.1</b>	<b>261.3</b>	<b>-8.4%</b>	<b>23.8%</b>	<b>519.0</b>	<b>472.5</b>	<b>-9.0%</b>
% of Revenue	62.1%	62.6%	90.3%	40.4%	61.7%	-0.4%p	21.3%p	56.4%	49.9%	-6.5%p
Personnel	93.4	80.8	94.8	110.5	96.9	3.7%	-12.4%	178.1	207.4	16.4%
Platform fees / Cost of Revenue <sup>(1)</sup>	40.2	59.6	57.7	51.6	50.1	24.6%	-3.0%	76.0	101.7	33.9%
Paid Commissions	95.3	70.0	118.1	55.9	81.7	-14.3%	46.1%	171.5	137.7	-19.7%
Marketing	8.0	20.5	46.4	17.5	11.3	41.9%	-35.3%	15.4	28.8	86.8%
Share-based payment expenses	27.4	70.6	59.0	(53.2)	(8.4)	-130.6%	+84.2%	37.5	(61.6)	-264.5%
Others	20.9	25.1	25.1	28.8	29.8	42.7%	3.5%	40.6	58.6	44.4%
<b>Operating Profit</b>	<b>174.2</b>	<b>195.3</b>	<b>43.0</b>	<b>311.9</b>	<b>162.3</b>	<b>-6.8%</b>	<b>-48.0%</b>	<b>401.4</b>	<b>474.2</b>	<b>18.1%</b>
% Margin	37.9%	37.4%	9.7%	59.6%	38.3%	0.4%p	-21.3%p	43.6%	50.1%	6.5%p
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>218.2</b>	<b>283.3</b>	<b>120.6</b>	<b>278.1</b>	<b>174.5</b>	<b>-20.0%</b>	<b>-37.2%</b>	<b>470.3</b>	<b>452.6</b>	<b>-3.8%</b>
% Margin	47.5%	54.3%	27.2%	53.2%	41.2%	-6.3%p	-12.0%p	51.1%	47.8%	-3.3%p
<b>Net Profit</b>	<b>141.3</b>	<b>178.3</b>	<b>6.2</b>	<b>245.2</b>	<b>194.0</b>	<b>37.3%</b>	<b>-20.9%</b>	<b>335.3</b>	<b>439.2</b>	<b>31.0%</b>

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

1H22 KRW 474.2bn (+18.1% YoY)

2Q22 KRW 162.3bn (-6.8% YoY, -48.0% QoQ)

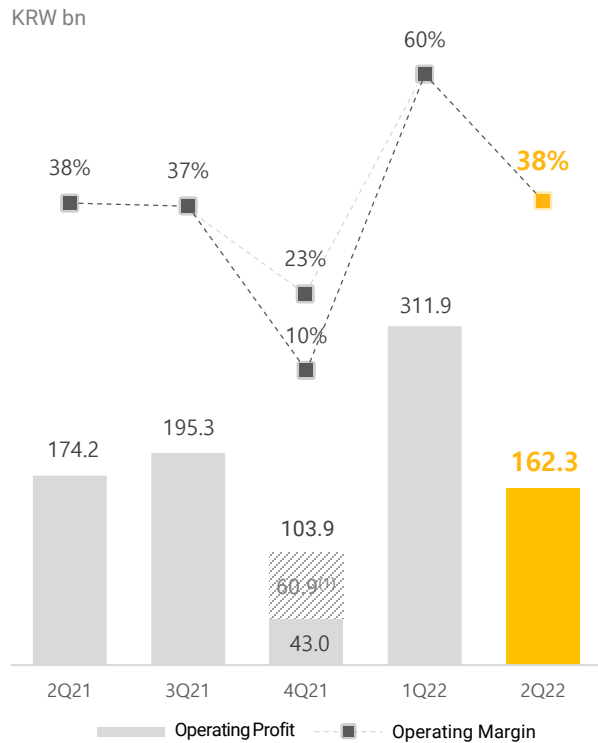
## Adj. EBITDA

1H22 KRW 452.6bn (-3.8% YoY)

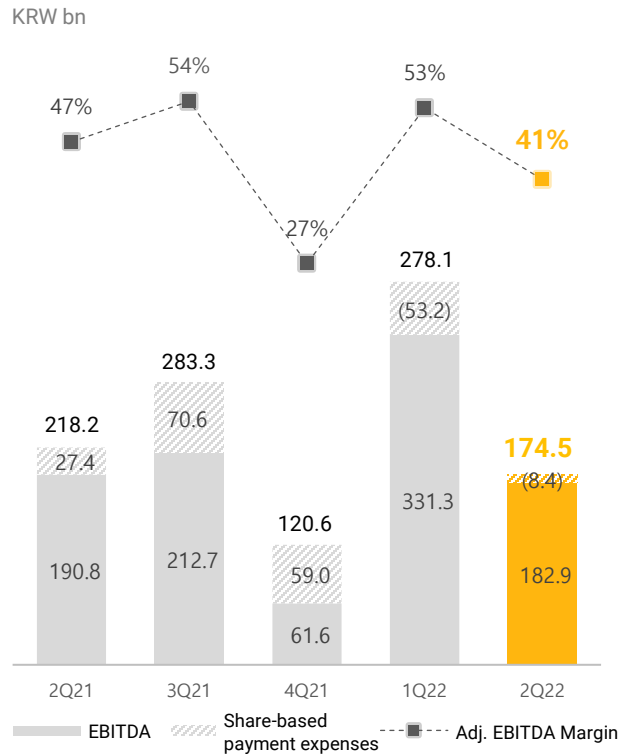
2Q22 KRW 174.5bn (-20.0% YoY, -37.2% QoQ)

• 2Q22 Adj. EBITDA declined 20% YoY, with adj. EBITDA margin of 41%

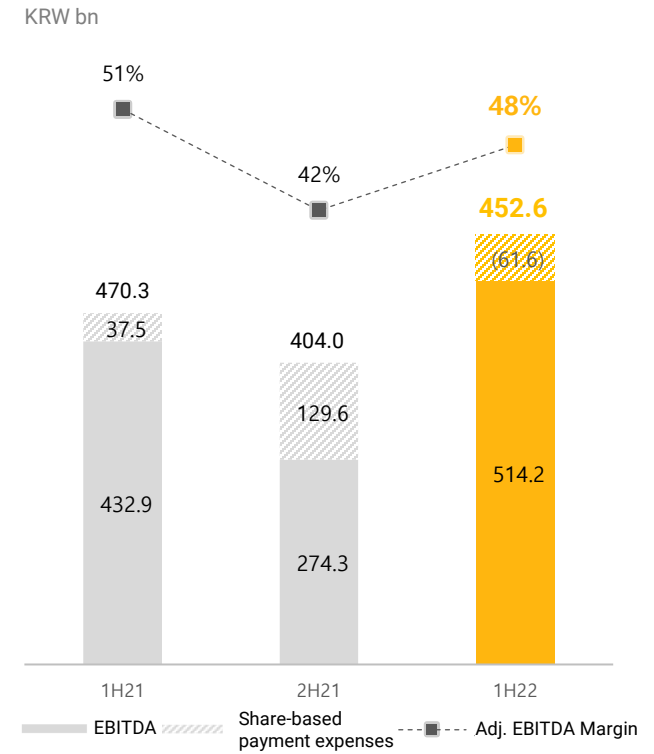
### Operating Profit (2Q)



### Adj. EBITDA (2Q)



### Adj. EBITDA (1H)



Note: (1) One-off related to share-based payment expenses (₩60.9bn)

# Net Profit

## Profit Before Income Tax

1H22 KRW 586.5bn (+32.3% YoY)

2Q22 KRW 256.8bn (+49.5% YoY, -22.1% QoQ)

## Net Profit

1H22 KRW 439.2bn (+31.0% YoY), **RECORD HIGH**

2Q22 KRW 194.0bn (+37.3% YoY, -20.9% QoQ)

- 2Q22 net profit rose YoY due to increased non-operating profit caused by f/x effects, with net profit margin of 46%

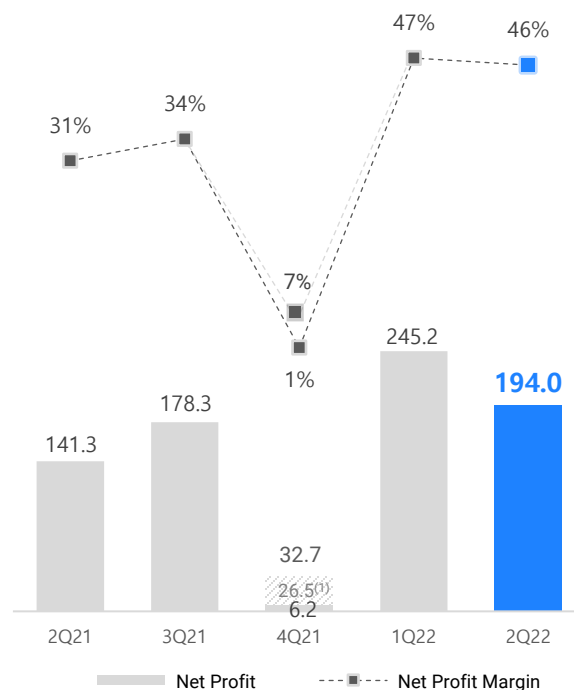
## Non-operating, Pretax Profit (2Q)

KRW bn

	2Q21	3Q21	4Q21	1Q22	2Q22
<b>Non-Operating Profit</b>	(2.4)	74.7	(5.7)	17.8	94.5
<b>Non-Operating Income</b>	5.4	86.3	23.9	43.7	108.9
Other Income	4.7	82.3	18.6	37.0	101.3
Finance Income	0.7	4.0	5.3	6.7	7.5
<b>Non-Operating Expense</b>	7.7	11.7	29.7	25.9	14.4
Other Expense	5.7	9.9	28.2	24.3	12.8
Finance Expense	2.1	1.8	1.5	1.7	1.6
<b>Profit Before Income Tax</b>	171.8	269.9	37.2	329.6	256.8

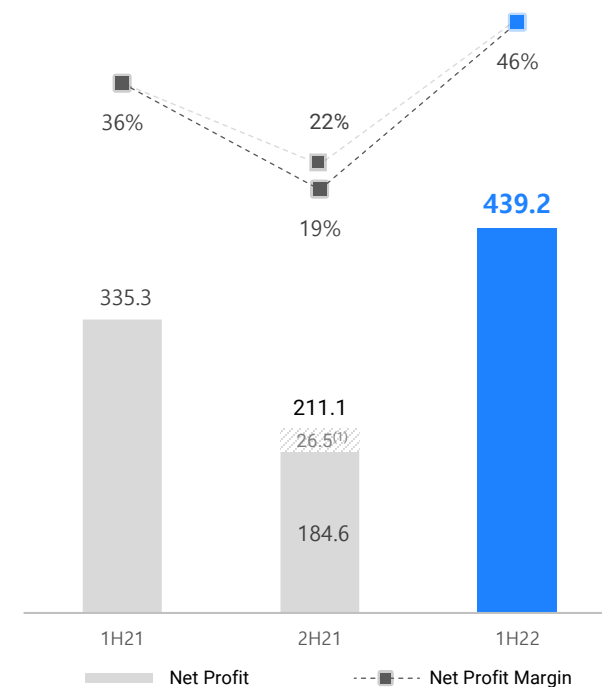
## Net Profit (2Q)

KRW bn



## Net Profit (1H)

KRW bn



Note: (1) Impairment losses for intangible assets (W26.5bn)



# Summary of Financial Statements

## Consolidated Income Statement

KRW bn	2Q21	3Q21	4Q21	1Q22	2Q22
<b>Revenue</b>	<b>459.3</b>	<b>521.9</b>	<b>444.0</b>	<b>523.0</b>	<b>423.7</b>
Operating Costs	285.2	326.6	401.0	211.1	261.3
<b>Operating Profit</b>	<b>174.2</b>	<b>195.3</b>	<b>43.0</b>	<b>311.9</b>	<b>162.3</b>
EBITDA	190.8	212.7	61.6	331.3	182.9
<b>Adj. EBITDA</b>	<b>218.2</b>	<b>283.3</b>	<b>120.6</b>	<b>278.1</b>	<b>174.5</b>
Non-operating Profit	(2.4)	74.7	(5.7)	17.8	94.5
Other Income	4.7	82.3	18.6	37.0	101.3
Other Expenses	5.7	9.9	28.2	24.3	12.8
Finance Income	0.7	4.0	5.3	6.7	7.5
Finance Expenses	2.1	1.8	1.5	1.7	1.6
<b>Profit before Income Tax</b>	<b>171.8</b>	<b>269.9</b>	<b>37.2</b>	<b>329.6</b>	<b>256.8</b>
Income Tax	30.5	91.6	31.0	84.4	62.9
<b>Net Profit</b>	<b>141.3</b>	<b>178.3</b>	<b>6.2</b>	<b>245.2</b>	<b>194.0</b>

## Consolidated Statement of Financial Position

KRW bn	2Q21	3Q21	4Q21	1Q22	2Q22
Current Assets	1,554.8	4,441.2	3,653.7	3,715.7	3,811.0
Cash and Cash Equivalents	624.5	3,593.9	3,019.3	1,952.8	1,193.6
Non-current Assets	735.7	863.0	1,981.4	2,054.2	2,117.7
<b>Total Assets</b>	<b>2,290.5</b>	<b>5,304.2</b>	<b>5,635.1</b>	<b>5,769.9</b>	<b>5,928.7</b>
Current Liabilities	532.0	574.1	638.2	529.4	434.7
Non-current Liabilities	188.9	210.0	388.7	393.7	416.2
<b>Total Liabilities</b>	<b>720.8</b>	<b>784.2</b>	<b>1,026.9</b>	<b>923.1</b>	<b>850.8</b>
Paid-in Capital	4.3	4.9	4.9	4.9	4.9
Capital Surplus	1,065.6	3,837.2	3,839.1	1,474.1	1,475.1
Other Components of Equity	126.5	126.2	206.3	155.1	191.1
Retained Earnings	373.3	551.6	557.8	3,212.7	3,406.6
Non-controlling Interests	0.0	0.1	0.1	0.1	0.2
<b>Total Equity</b>	<b>1,569.7</b>	<b>4,520.0</b>	<b>4,608.2</b>	<b>4,846.8</b>	<b>5,077.9</b>

# 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.**





Ana

HELLO WORLD, IT'S ME ANA! 🙄