

# 4Q23 & FY2023 Earnings Results

**KRAFTON**

FEBRUARY 8, 2024

# Disclaimer

Financial statements included in this document are consolidated results of KRAFTON, Inc. (the “Company”) and its subsidiaries and have been prepared in accordance with K-IFRS.

Financial results and operational performance included herein have been prepared for investors’ convenience only and have not been audited by an independent auditor; as such, certain part (s) of this presentation are subject to change, upon completion of the audit review.

Company makes no representations as to the accuracy or completeness of the information herein, nor does the Company assume any duty to update any information, given that this presentation has been prepared based on currently available data.

Company shall not have any liability for any loss arising from any use of this presentation or its contents or otherwise arising in connection with this presentation, as this should not be construed to be related to any investment decision making and shall not be used for any legal proceedings.

# DARK AND DARKER MOBILE

KRAFTON in 2024

KRAFTON

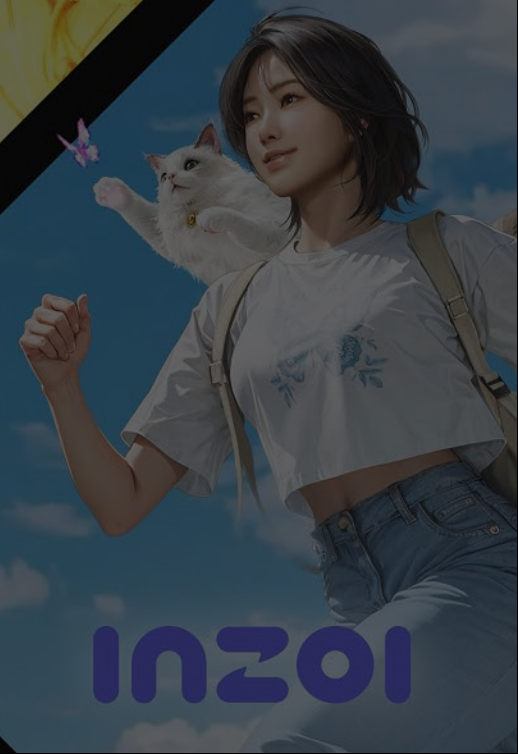
CEO CH Kim



#100

KRAFTON LIMITED SHOP

inzoi





# | Looking Back on 2023

## Confidence in **Long-term Growth** and **Sustainability** of PUBG IP

### 2023 Message Recap: PUBG IP

- **Strengthened F2P transition momentum**
  - Overall enhancements of In & Out-game content
  - Solid growth in traffic and revenue
- **Continued global long-term service, sustaining growth to become a ‘beloved game’**
  - Fresh experience to returned and new generations
  - Focus on enhanced Anti-Cheat capabilities to increase user trust and satisfaction

### Key Performance of PUBG in 2023

- **Solid growth of PUBG PC/Console**
  - Revenue growth for three consecutive years, 37% increase YoY
  - Highest PCU<sup>1)</sup> for the year in Dec, a 70% increase from the lowest
  - Improved monetization driven by In & Out-game content
- **Swift Recovery of BGMI after relaunch, confirming growth potential in the Indian market**
  - Record high traffic and revenue after relaunch
  - Localized content and marketing for revenue growth
  - Established dominant position in Indian Esports market



# KRAFTON's 2024 Strategic Focus

From “Original Creative” to **“Scale-up the Creative”**

## 2023 Message Recap: Key Direction



### Strengthen Production Management Capabilities

HQ control based on gameplay & quality standards  
Maximize Performance of Creative Studios



### Strengthen Publishing Capabilities

Expand our IP portfolio through investments + 2PP<sup>1)</sup>  
Maximize synergy by utilizing KRAFTON's global experiences & publishing process / infrastructure

## 2024 Strategic Focus: Scale-up the Creative

### Discover original creatives to scale-up as “1B IP”s

- “Original Creative” DNA + a shift in perspective
- Scale-up discovered creatives, production, service
- Creatives are discovered vs. Creatives can be scaled-up

**PUBG**  
**BATTLEGROUNDS**

- Amateur mod by PlayerUnknown called Battle Royale
- Implanted to a standalone game by skilled developers
- Global success as a mainstream genre
- Further success on mobile platform



# | Scale-up Direction

## Exploring Possibilities and Restructuring through Scale-up the Creative

Popularize Core Gameplay

IP Franchise

Transition to GaaS model

Expanding platforms

Reaching new markets

Expanding audience

### Direction of Restructuring

- Multi-Publishing Line to efficiently launch multiple new titles
- A single command line established to achieve effective alignment
- Centralize organizations to HQ

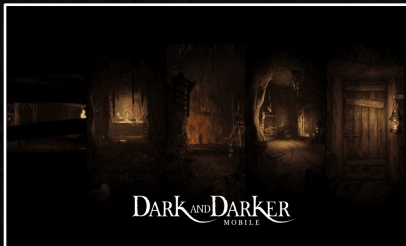


# Strategic Titles for 2024

## DARK AND DARKER MOBILE

**Bringing the pioneering original Extraction RPG to the mobile platform**

- Realistic medieval low fantasy
- Battle Royale with survival, exploration and RPG elements
- Differentiated physics based non-target action combat
- A dungeon-crawler including various objects and terrains
- Mobile-friendly gameplay experience and communities



## inZOI

**Securing the unique position of a life simulation game**

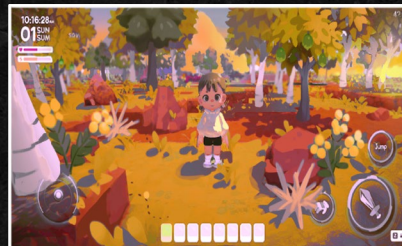
- Highly anticipated title based on global gamer reaction
- Ironically an opportunistic market being dominated by a single franchise for so long
- Unique hyper-realistic life simulation game by quickly adapting latest technologies
- Developed as a creative game through AI technologies



## DiNKUM Mobile

**Expanding a solo developer's creativity to the mobile market**

- Challenging new gameplay in a genre familiar to other platforms but rare to mobile
- Adopting the proven core mechanics of the original game for mobile gameplay
- Introducing monetization and seasonal updates for continuous live service



## BLACK BUDGET

**Popularizing the Extraction Shooter genre inheriting PUBG gunplay**

- Essential genre specific experience of gambling
- A world demanding strategic choices during every session
- Player progression varied by Risk-Reward decisions
- Inheriting and enhancing PUBG's powerful gunplay
- Deep and challenging gameplay experience



## SUBNAUTICA 2

**Sequel to the original IP pursuing community-first game development**

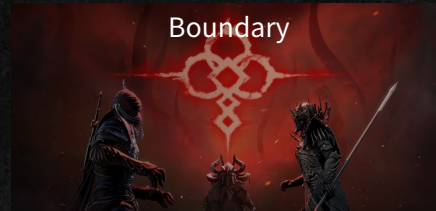
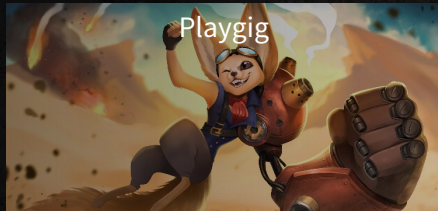
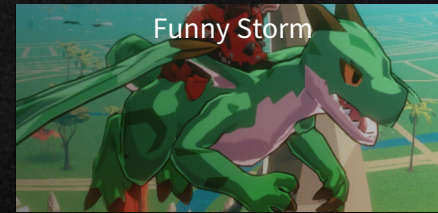
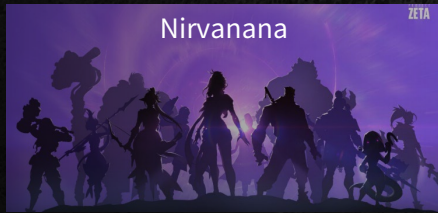
- Explore an oceanic world in stunning stylized graphics powered by Unreal Engine 5
- Single-player or optional 2-4 player co-op to uncover the mysteries on an entirely new alien planet
- Early Access is expected post-2024





# Venturing into Broader Discoveries Through 2PP

## Scale-up Potentials Through 2<sup>nd</sup> Party Publishing



...

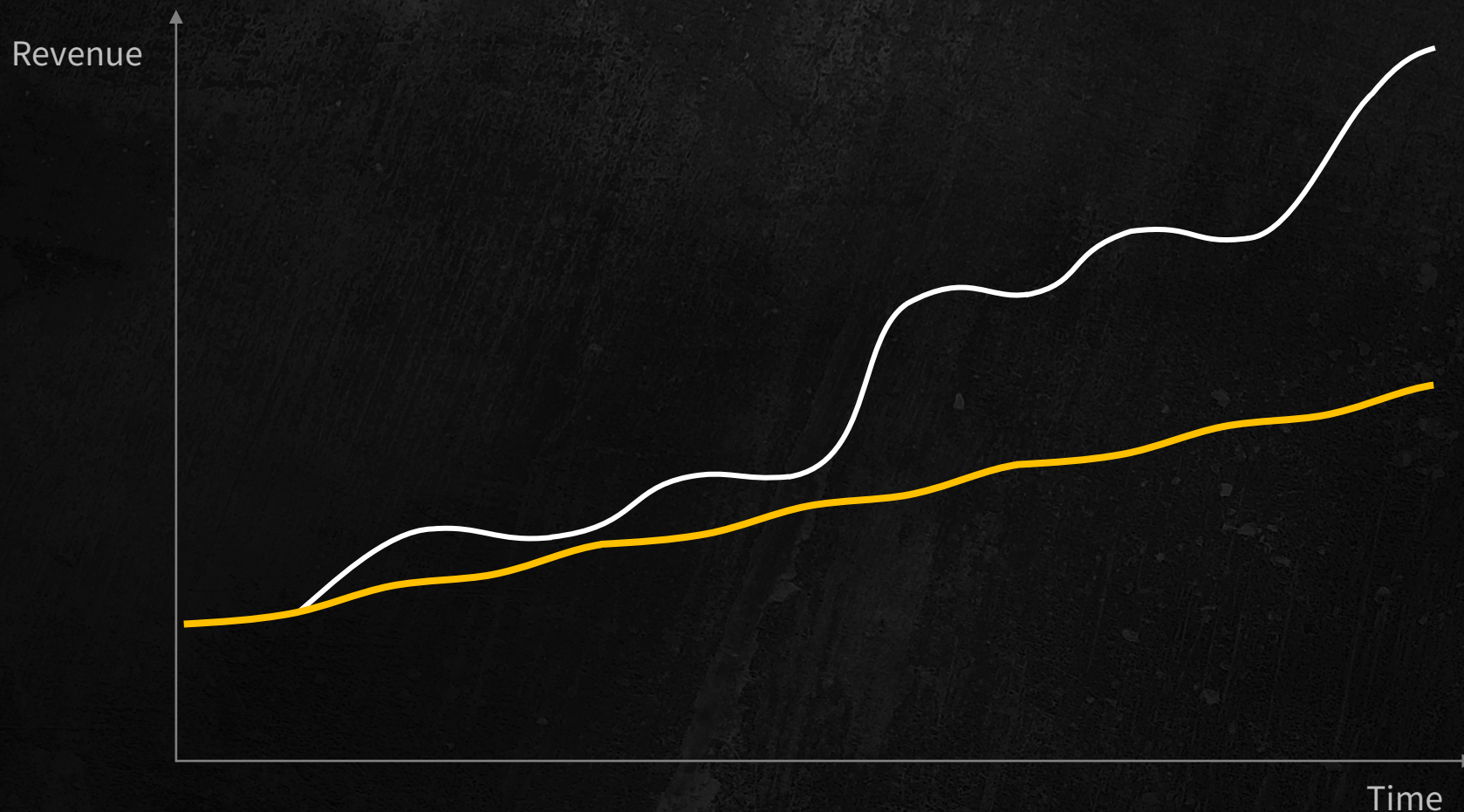
Is there an **Original Creative**?

Is there potential to be **Scaled-up** through 2PP?



# | 2024, the Tipping Point for Stepwise Growth

Seeking **Solid Growth for PUBG IP** and  
**Stepwise Growth Through New IPs** under 'Scale-up the Creative'



**Scale-up the Creative  
for Stepwise growth**

*Discover/nurture new IPs  
Return on investment  
In every 3 to 5 years*

**Solid Growth in  
Existing Live Service**

*User-oriented service/Update  
Operational excellence*



# KEY INITIATIVES FOR FUTURE GROWTH

2024  
2025  
2026  
2027



# | PUBG IP Franchise

Expand as a PUBG IP **Multi-product** and Ultimately Scale-up to a **10B IP**

## Enhance PUBG PC

Gameplay Platform

Strengthen Core & Community  
Diversify Gameplay Experience

## Venture Console

Reboot & Single-play

Implement Game Experience  
Optimized for Console

## Mobile Audience Expansion

Hardcore & Hybrid Casual

Mobile Adaptation of Hardcore Gaming  
Casual Genre for Player Expansion

Explore changes in **platform/genre player experiences** reflecting **core values** of PUBG

Priority on strengthening and expanding IP through **games**

Gradual expansion of **branding** and **products beyond games** to create cultural trends



## **BGMI** Solid Growth, Publishing/Esports/New Business Opportunities

**Steady Growth of BGMI**

**Expand Publishing Titles** Leveraging Strong Presence

Continuous Development of **BGMI Esports**

Increase Investment and Explore New Opportunities





## Advancements in Deep Learning Technology to Lead the Future

### 2023 Key Activities

#### ✓ AI Technology Development

LLM	LLM enhancements, Data generation / Programming / Application to learn game lores
Voice	Korean/Multi-language/Personalized TTS
Art	High Quality 2D Art generation, 2D→3D Avatar generation
Game AI	Reinforcement Learning / LLM-based Game AI Bot

#### ✓ Most AI research papers in domestic game industry

- Five regular track papers published at NeurIPS 2023 (#1 among Korean game companies, #3 among global)

### 2024 Strategic Focus (AI Application and Acceleration)

#### Production Cost Down

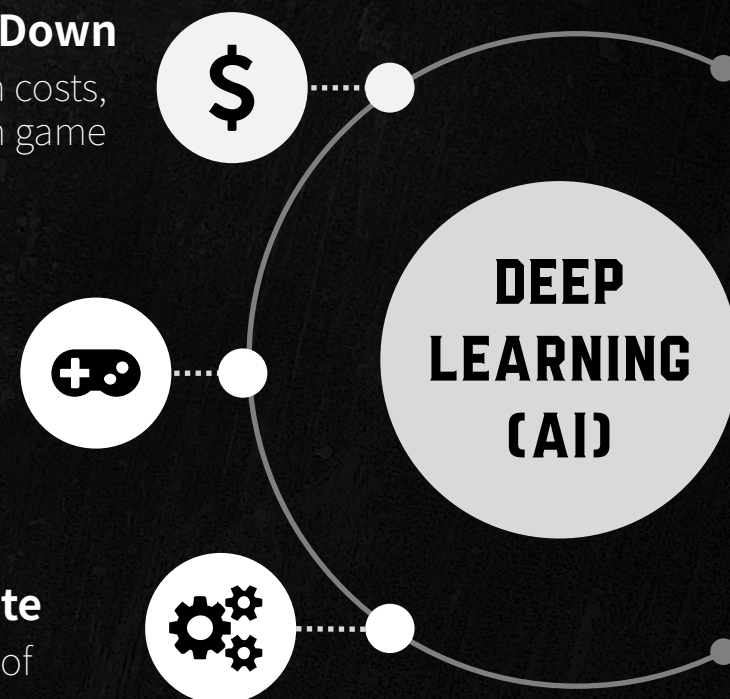
Dramatic reduction in costs,  
Significant increase in game  
production efficiency

#### New Gameplay

Reinvent gameplay,  
Provide personalized  
gaming experience

#### New Way to Create

Innovate the process of  
Creative production





# | Wrapping Up

**Focusing on Core Values of Original Creative**

**Scale-up the Creative: Long-term Perspective**

**More and Faster Attempts** (2PP, Multi-Publishing Line)

**Securing M&A Opportunities**

**Tipping Point for Stepwise Growth**

# 4Q23 & FY2023 Financial Performance

**KRAFTON**

CFO Dongkeun Bae



## REVENUE

FY2023 Revenue

**KRW 1.9<sup>tn</sup>**

Achieved all-time high revenue driven by our core IP, PUBG

## PC/CONSOLE

FY2023 PC/Console Revenue vs. FY2020

**2X** Growth

Robust growth of PC/Console revenue driven by F2P transition of PUBG PC/Console, enhanced live service, and stable traffic

## ORIGINAL CREATIVE

Incubating Pipelines (As of December 2023)

**30** Projects

Discovered 30 original creatives, Multi-Publishing Line for continuous release of new titles

# 2023 Results at a Glance

# 4Q Earnings Summary

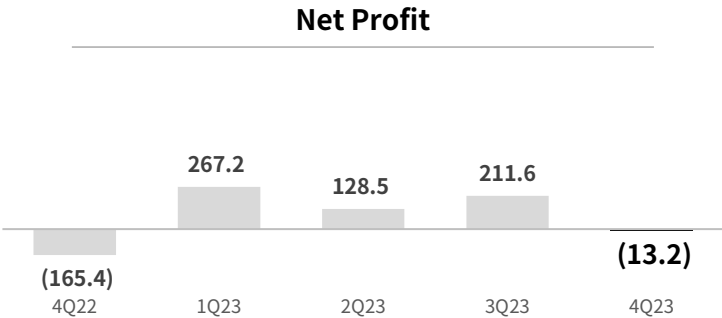
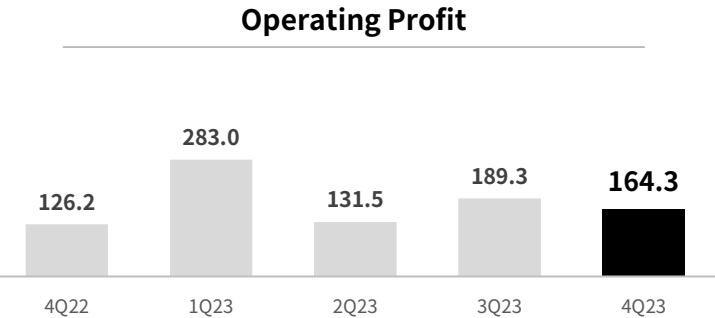
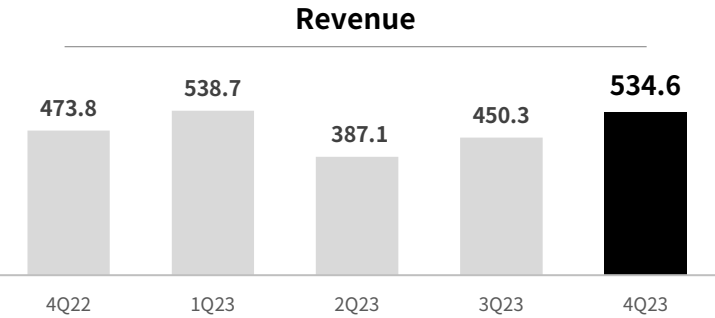
## Revenue KRW 534.6bn

Revenue grew QoQ 18.7% and YoY 12.8% driven by growth in PC, Mobile, and Console despite low-seasonality

## Operating Profit KRW 164.3bn

Operating profit grew 30.3% YoY on back of solid PUBG IP revenue, yet decreased 13.2% QoQ due to increased costs related to major games services

(KRW bn)	4Q 2022	3Q 2023	4Q 2023	QoQ	YoY	FY2022	FY2023	YoY
Revenue	473.8	450.3	534.6	18.7%	12.8%	1,854.0	1,910.6	3.1%
PC	139.1	121.3	167.1	37.8%	20.1%	465.0	583.9	25.6%
Mobile	254.7	309.1	342.7	10.9%	34.5%	1,252.8	1,244.8	-0.6%
Console	67.7	12.0	17.4	44.5%	-74.3%	104.1	55.7	-46.5%
Others	12.2	7.9	7.4	-6.6%	-39.3%	32.2	26.2	-18.6%
Operating Expenses	347.6	261.0	370.2	41.8%	6.5%	1,102.4	1,142.5	3.6%
Operating Profit	126.2	189.3	164.3	-13.2%	30.3%	751.6	768.0	2.2%
% Margin	26.6%	42.0%	30.7%	-11.3%p	4.1%p	40.5%	40.2%	-0.3%p
Adj. EBITDA <sup>1)</sup>	160.3	197.3	219.7	11.4%	37.0%	792.7	903.7	14.0%
% Margin	33.8%	43.8%	41.1%	-2.7%p	7.3%p	42.8%	47.3%	4.5%p
Net Profit	(165.4)	211.6	(13.2)	T/D <sup>2)</sup>	C/D <sup>2)</sup>	500.2	594.1	18.8%
% Margin	-34.9%	47.0%	-2.5%	-49.5%p	32.4%p	27.0%	31.1%	4.1%p



1) Adj. EBITDA = EBITDA + Share-based payment expenses  
 2) T/D: Turned to Deficit, C/D: Continued in Deficit



# Revenue Breakdown

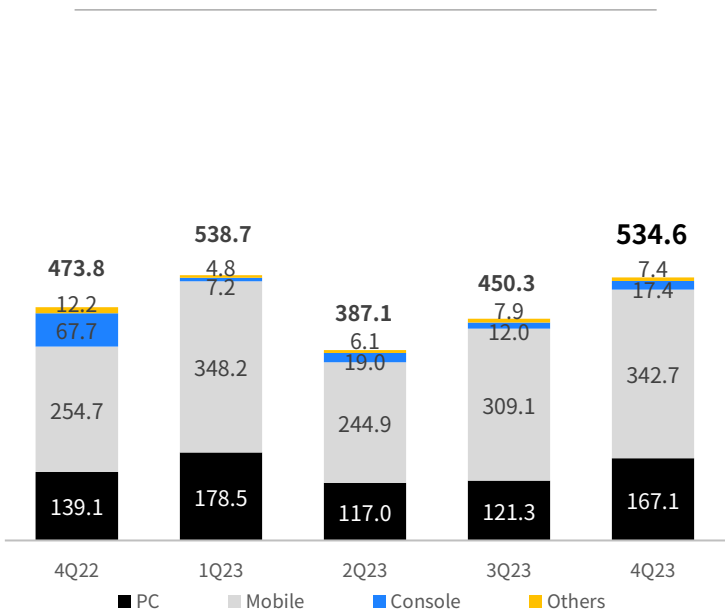
## Revenue

2023 KRW 1,910.6bn (YoY 3.1% ↑)

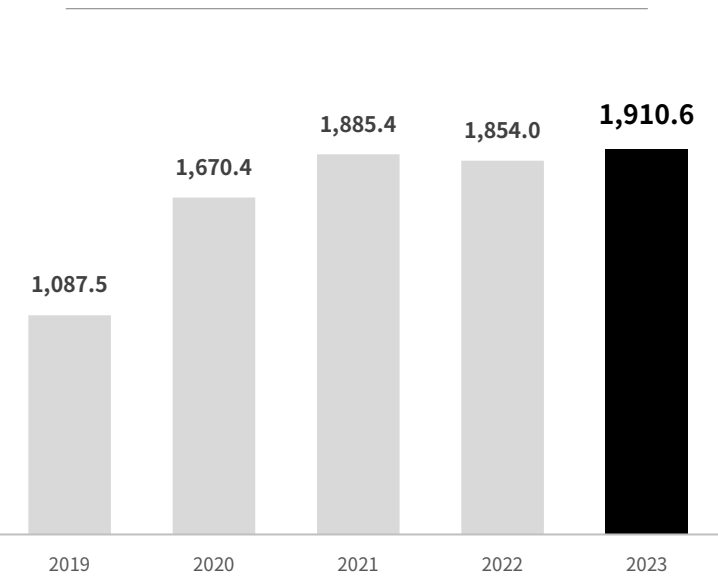
4Q23 KRW 534.6bn (QoQ 18.7% ↑, YoY 12.8% ↑)

(KRW bn)	4Q 2022	3Q 2023	4Q 2023	QoQ	YoY	FY2022	FY2023	YoY
Revenue	473.8	450.3	534.6	18.7%	12.8%	1,854.0	1,910.6	3.1%
PC	139.1	121.3	167.1	37.8%	20.1%	465.0	583.9	25.6%
Mobile	254.7	309.1	342.7	10.9%	34.5%	1,252.8	1,244.8	-0.6%
Console	67.7	12.0	17.4	44.5%	-74.3%	104.1	55.7	-46.5%
Others	12.2	7.9	7.4	-6.6%	-39.3%	32.2	26.2	-18.6%

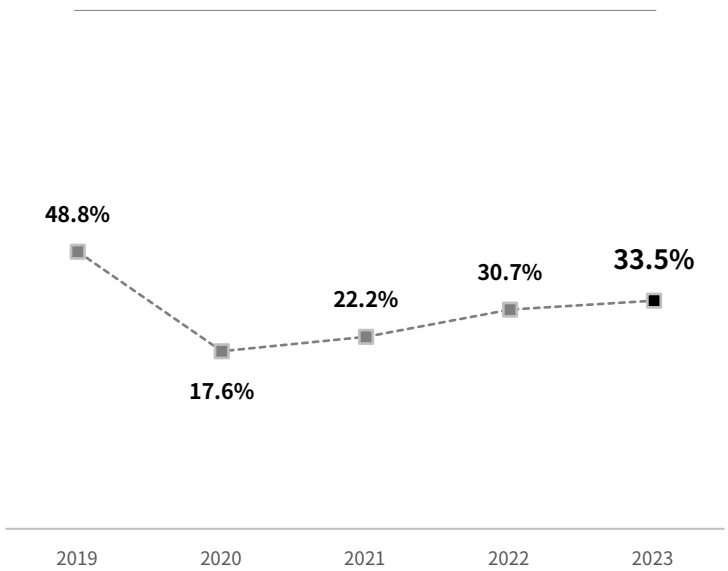
Revenue Breakdown (Quarterly)



Revenue (Annual)



PC/Console Revenue Proportion (Annual)





# Operating Expenses & Profit

## Operating Profit

**2023 KRW 768.0bn** (YoY 2.2% ↑)

**4Q23 KRW 164.3bn** (QoQ 13.2% ↓, YoY 30.3% ↑)

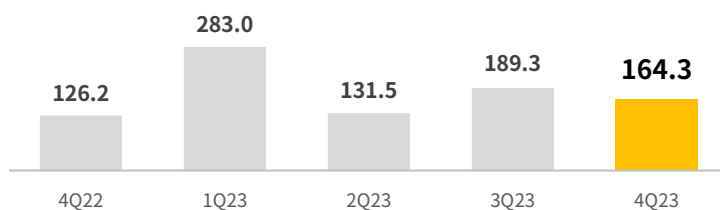
## Adj. EBITDA

**2023 KRW 903.7bn** (YoY 14.0% ↑)

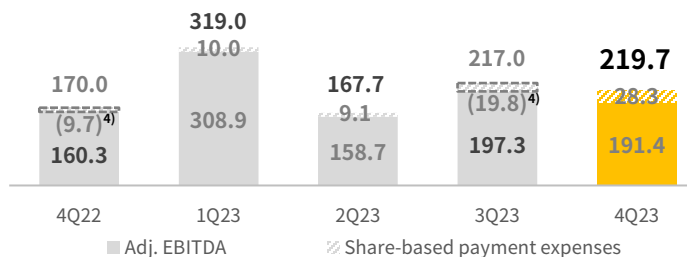
**4Q23 KRW 219.7bn** (QoQ 11.4% ↑, YoY 37.0% ↑)

(KRW bn)	4Q 2022	3Q 2023	4Q 2023	QoQ	YoY	FY2022	FY2023	YoY
<b>Operating Costs</b>	<b>347.6</b>	<b>261.0</b>	<b>370.2</b>	<b>41.8%</b>	<b>6.5%</b>	<b>1,102.4</b>	<b>1,142.5</b>	<b>3.6%</b>
Personnel	63.4 <sup>1)</sup>	102.3	120.9	18.2%	90.8%	364.8 <sup>1)</sup>	427.3	17.1%
Platform fees/Cost of Revenue <sup>2)</sup>	57.7	59.9	87.9	46.7%	52.4%	207.1	226.8	9.5%
Paid Commissions	102.7	64.9	61.9	-4.5%	-39.7%	325.3	258.9	-20.4%
Marketing	81.2	18.1	34.2	89.7%	-57.8%	129.7	66.1	-49.1%
Share-based Payment Expenses	(9.7)	(19.8)	28.3	n/m	n/m	(63.6)	27.6	n/m
Others	52.4	35.6	36.9	3.6%	-29.6%	139.1	135.9	-2.3%
<b>Operating Profit</b>	<b>126.2</b>	<b>189.3</b>	<b>164.3</b>	<b>-13.2%</b>	<b>30.3%</b>	<b>751.6</b>	<b>768.0</b>	<b>2.2%</b>
% Margin	26.6%	42.0%	30.7%	-11.3%p	4.1%p	40.5%	40.2%	-0.3%p
<b>Adj. EBITDA<sup>3)</sup></b>	<b>160.3</b>	<b>197.3</b>	<b>219.7</b>	<b>11.4%</b>	<b>37.0%</b>	<b>792.7</b>	<b>903.7</b>	<b>14.0%</b>
% Margin	33.8%	43.8%	41.1%	-2.7%p	7.3%p	42.8%	47.3%	4.5%p

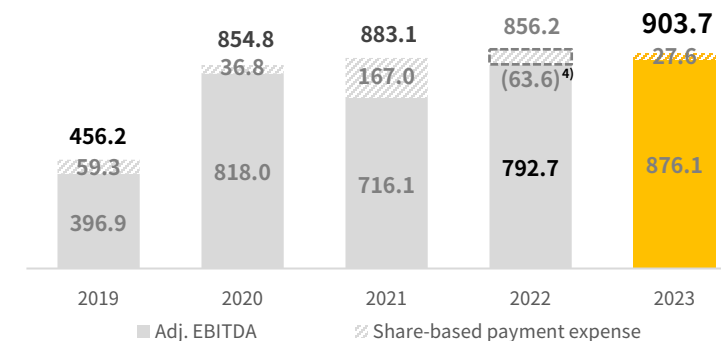
Operating Profit (Quarterly)



Adj. EBITDA (Quarterly)



Adj. EBITDA (Annual)



1) 4Q 2022 reversal of provision (KRW 38bn)

2) Platform fees / Cost of Revenue consist of Steam, market commissions, etc

3) Adj. EBITDA = EBITDA + Share-based payment expenses

4) Reversal of share-based payment expenses



# Net Profit

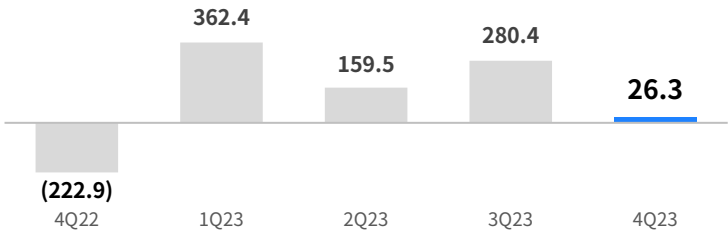
## Net Profit

**2023 KRW 594.1bn** (YoY 18.8% ↑)

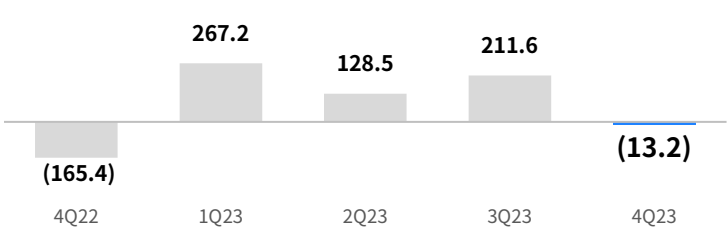
**4Q23 KRW -13.2bn** (QoQ T/D<sup>2</sup>, YoY C/D<sup>2</sup>)

(KRW bn)	4Q 2022	3Q 2023	4Q 2023	QoQ	YoY	FY2022	FY2023	YoY
<b>Non-Operating Profit</b>	<b>(349.1)</b>	<b>91.2</b>	<b>(138.0)</b>	<b>T/D<sup>2</sup></b>	<b>C/D<sup>2</sup></b>	<b>(67.7)</b>	<b>60.6</b>	<b>T/P<sup>2</sup></b>
<b>Non-Operating Income</b>	(40.2)	103.3	190.6	84.6%	n/m	318.5	521.0	63.6%
Other Income	(49.8)	94.7	182.8	93.1%	n/m	284.8	483.5	69.8%
Finance Income	9.6	8.6	7.8	-9.5%	-19.0%	33.7	37.5	11.3%
<b>Non-Operating Expense</b>	<b>308.9</b>	<b>12.1</b>	<b>328.6</b>	<b>2,619.8%</b>	<b>6.4%</b>	<b>386.2</b>	<b>460.4</b>	<b>19.2%</b>
Other Expenses	306.0	9.8	326.3	3,239.5%	6.6%	378.6	451.5	19.2%
Finance Expenses	2.8	2.3	2.4	1.7%	-17.3%	7.6	8.9	17.5%
<b>Profit Before Income Tax</b>	<b>(222.9)</b>	<b>280.4</b>	<b>26.3</b>	<b>-90.6%</b>	<b>T/P<sup>2</sup></b>	<b>683.9</b>	<b>828.6</b>	<b>21.2%</b>
Income Tax	(61.9)	68.9	39.5	-42.6%	n/m	168.7	234.6	39.0%
<b>Net Profit</b>	<b>(165.4)<sup>1)</sup></b>	<b>211.6</b>	<b>(13.2)</b>	<b>T/D<sup>2</sup></b>	<b>C/D<sup>2</sup></b>	<b>500.2<sup>1)</sup></b>	<b>594.1</b>	<b>18.8%</b>
% Margin	-34.9%	47.0%	-2.5%	-49.5%p	32.4%p	27.0%	31.1%	4.1%p

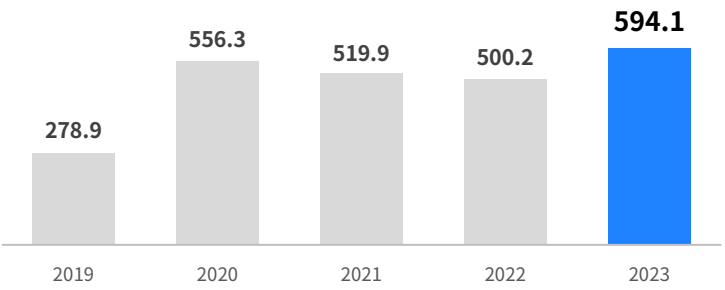
Profit Before Tax (Quarterly)



Net Profit (Quarterly)



Net Profit (Annual)



1) Including loss from Discontinued Operations (4Q 2022 KRW 4.4bn, FY2022 KRW 15bn)

2) T/D: Turned to Deficit, C/D: Continued in Deficit, T/P: Turned to Profit

# Q&A

CEO

CH Kim

CFO

Dongkeun Bae



# Appendix

# Summary of Financial Statements

## Consolidated Income Statement

(KRW bn)	2022				2023				2022	2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Revenue</b>	523.0	423.6	433.7	473.8	538.7	387.1	450.3	534.6	1,854.0	1,910.6
Operating Costs	208.0	257.7	289.1	347.6	255.7	255.6	261.0	370.2	1,102.4	1,142.5
<b>Operating Profits</b>	315.0	165.8	144.6	126.2	283.0	131.5	189.3	164.3	751.6	768.0
EBITDA	333.7	185.8	166.7	170.0	309.0	158.7	217.0	191.4	856.2	876.1
<b>Adj. EBITDA<sup>1)</sup></b>	280.5	177.4	174.5	160.3	319.0	167.7	197.3	219.7	792.7	903.7
<b>Non-Operating Profit</b>	17.8	94.5	169.1	(349.1)	79.4	28.0	91.2	(138.0)	(67.7)	60.6
Other Income	37.0	101.3	196.2	(49.8)	131.9	74.0	94.7	182.8	284.8	483.5
Other Expenses	24.3	12.8	35.5	306.0	60.5	54.9	9.8	326.3	378.6	451.5
Finance Income	6.7	7.5	9.9	9.6	9.9	11.3	8.6	7.8	33.7	37.5
Finance Expenses	1.6	1.6	1.5	2.8	1.9	2.3	2.3	2.4	7.6	8.9
<b>Profit Before Income Tax</b>	332.7	260.3	313.7	(222.9)	362.4	159.5	280.4	26.3	683.9	828.6
Income Tax	84.5	63.0	83.1	(61.9)	95.2	31.0	68.9	39.5	168.7	234.6
Profit from Discontinued Operations	(3.0)	(3.4)	(4.2)	(4.4)	-	-	-	-	(15.0)	-
<b>Net Profit</b>	245.2	194.0	226.4	(165.4)	267.2	128.5	211.6	(13.2)	500.2	594.1

1) Adj. EBITDA = EBITDA + Share-based Payment Expenses



# Summary of Financial Statements

## Consolidated Statement of Financial Position

(KRW bn)	FY 2022	FY 2023
<b>Assets</b>		
<b>Current Assets</b>	<b>3,892.6</b>	<b>3,964.4</b>
Cash and Cash Equivalents <sup>1)</sup>	3,125.3	3,061.4
Other Current Assets	49.2	49.0
<b>Non-current Assets</b>	<b>2,145.2</b>	<b>2,476.0</b>
Property and equipment	223.4	257.0
Intangibles	867.7	607.8
Investment in Associates	425.3	571.3
Other Non-current Assets	28.5	30.1
<b>Total Assets</b>	<b>6,037.8</b>	<b>6,440.5</b>

(KRW bn)	FY 2022	FY 2023
<b>Liabilities</b>		
<b>Current Liabilities</b>	<b>411.5</b>	<b>520.7</b>
<b>Non-current Liabilities</b>	<b>509.9</b>	<b>360.9</b>
<b>Total Liabilities</b>	<b>921.4</b>	<b>881.6</b>
<b>Equity</b>		
<b>Shareholders' equity</b>	<b>5,111.2</b>	<b>5,554.4</b>
Paid-in Capital	4.9	4.9
Capital Surplus	1,448.6	1,472.0
Other Components of Equity	190.1	182.5
Retained Earnings	3,467.6	3,895.0
<b>Non-controlling Interests</b>	<b>5.2</b>	<b>4.4</b>
<b>Total Equity</b>	<b>5,116.4</b>	<b>5,558.8</b>

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.**