

kakaogames

3Q 2023 Earnings Release

8 November 2023

Disclaimer

Q3 2023 financial information contained in this presentation are estimates based on K-IFRS standards, and all financial and business results except for the stand-alone statement are consolidated-basis results which include subsidiary performance.

Please note that the information was prepared to cater to investors and has not yet been reviewed by an outside auditor, and hence is subject to change upon the auditor's review.

Kakao Games therefore does not make any representation or accept liability as to the accuracy or completeness of the information herein and is not responsible for providing future updates on the information contained in this document.

Contents

01 Summary

02 Revenue Breakdown

03 OPEX Breakdown

04 Operating & Net Profit

Appendix.

- Upcoming Global Title
- Core line-up
- Financial Summary

Summary

- Despite revenue impact from the new title 'Ares: Rise of Guardians', Q3 Revenue down 14% YoY and 2% QoQ, on the back of prolonged recession
- Even with enhanced profitability from the game business, Q3 Operating Profit down 48% YoY and 15% QoQ, due to losses from non-game business

Billion Won	3Q22	4Q22	1Q23	2Q23	3Q23	YoY	QoQ
Revenue	306.9	235.7	249.2	271.1	264.7	-13.7%	-2.4%
Mobile	197.0	151.7	153.6	171.9	183.8	-6.7%	6.9%
PC	13.3	10.8	14.1	11.9	11.5	-13.5%	-3.0%
Others	96.6	73.2	81.5	87.3	69.4	-28.2%	-20.5%
OPEX	263.2	226.7	237.8	244.6	242.1	-8.0%	-1.0%
Operating Profit	43.7	9.0	11.3	26.5	22.6	-48.4%	-14.8%
OPM	14.2%	3.8%	4.6%	9.8%	8.5%	-5.7%p	-1.2%p
Net Income	11.3	-299.7	4.2	8.7	3.7	-67.3%	-57.4%
Controlling Interest	3.2	-295.4	2.2	3.4	3.0	-5.4%	-11.4%

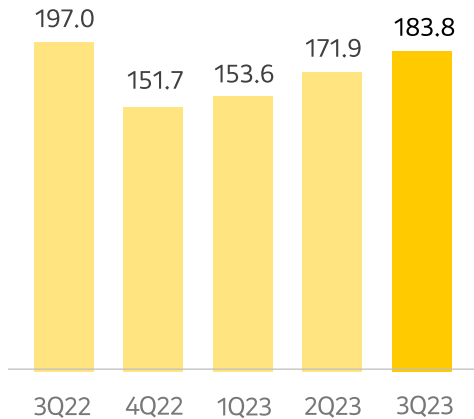
Revenue Breakdown

3Q Revenue reported 264.7 bn Won YoY 13.7% ▼ / QoQ 2.4% ▼

- Mobile Game : Marginal increase from new titles including ‘Ares: Rise of Guardians’, offsetting natural decline from legacy titles
- PC Game : Declined due to deferred effect from major events for ‘PUBG’
- Others : Continuing macro headwind from prolonged recession

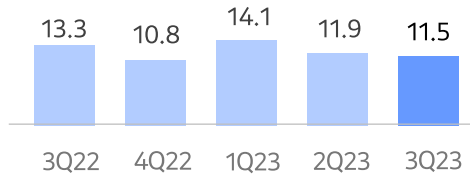
Mobile
(YoY 6.7% ▼ / QoQ 6.9% ▲)

(Billion Won)



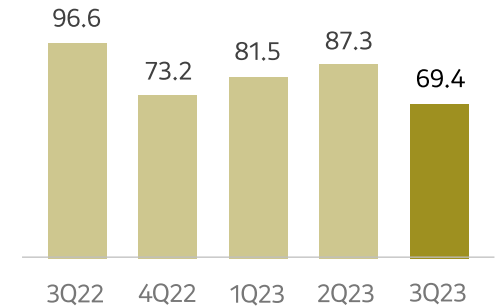
PC
(YoY 13.5% ▼ / QoQ 3.0% ▼)

(Billion Won)



Others
(YoY 28.2% ▼ / QoQ 20.5% ▼)

(Billion Won)



OPEX Breakdown

3Q Operating Expense reported 242.1 bn Won YoY 8.0% ▼ / QoQ 1.0% ▼

- Labor Cost : Implement management efficiency measures on businesses with declining profitability
- Commissions : Increase in developer RS following the release of newly published titles
- Marketing Cost : Strategic target marketing and sustained marketing efficiency from legacy titles
- Others (Amortization included) : Decrease in COGS on the back of non-game revenue decline

Billion Won	3Q22	4Q22	1Q23	2Q23	3Q23	YoY	QoQ
OPEX	263.2	226.7	237.8	244.6	242.1	-8.0%	-1.0%
Labor Costs	48.3	52.7	49.4	53.7	51.1	5.7%	-4.8%
Commissions	110.7	84.9	92.4	92.0	104.3	-5.8%	13.3%
Marketing Costs	20.9	15.2	20.3	20.6	13.2	-36.8%	-35.9%
Tangible/Intangible Amortization	21.5	20.8	21.1	21.5	21.7	0.8%	0.6%
Others	61.7	53.1	54.6	56.8	51.9	-15.9%	-8.6%
Operating Profit	43.7	9.0	11.3	26.5	22.6	-48.4%	-14.8%
Income Tax	15.2	-72.6	-1.5	9.4	10.0	-33.9%	7.3%

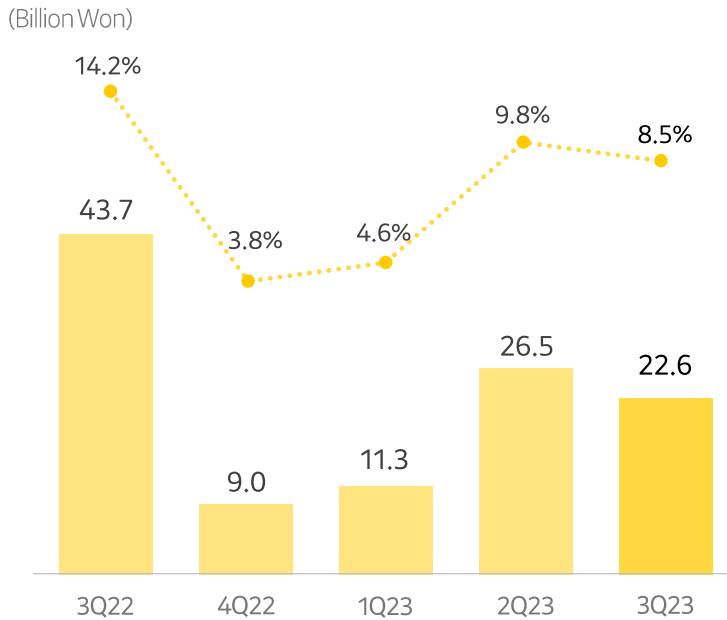
Profit

3Q Operating Profit 22.6 bn Won YoY 48.4% ▼ / QoQ 14.8% ▼

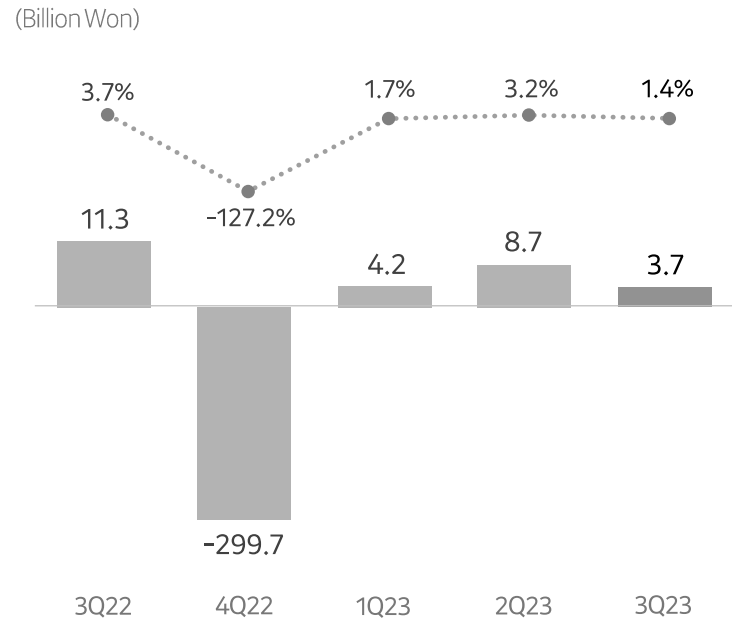
3Q Net Income 3.7 bn Won YoY 67.3% ▼ / QoQ 57.4% ▼

- Recognition of loss on valuation of financial assets due to exchange rate impact

Operating Profit (Margin)



Net Income (Margin)



Appendix.
Upcoming Global Title

ROM

REMEMBER OF MAJESTY



**Hard-Core MMORPG
with Massive Scale Competition**

Global concurrent launch, nation vs. nation rivalry
Quarter view perspective offering highly immersive
massivePvP combat

RedLab

Producer of mobile MMORPG 'Eos Red' Shin Hyun-Geun
at the helm Studio with proven MMORPG expertise

1H'24

Global Launch

Core Lineups

Diverse genres of new games are slated to be released in key global cities

Schedule	Title	Genre	Inhouse/ Publishing(Studio)	Device(Platform)	Region
1H24	Odin: Valhalla Rising	MMORPG	In-house(Lionheart)	PC+Mobile	N.America and Europe
	R.O.M	MMORPG	Publishing(Red Lab Games)	PC+Mobile	Global
	Eversoul	CollectibleRPG	Publishing(NINEARK)	Mobile	Japan
	ArcheAge War	MMORPG	In-house(XLGAMES)	PC+Mobile	Taiwan, Japan, etc.
	Goddess Order	ActionRPG	Publishing(Load Complete)	Mobile	Global
	Project V	Roguelike CasualRPG	In-house(Lionheart)	Mobile	Global

Financial Statement Summary

Consolidated Balance Sheet

Million Won	3Q22	4Q22	1Q23	2Q23	3Q23
Current Asset	1,130,641	1,057,387	1,022,072	1,046,300	1,041,522
Cash&Cash Equivalent	797,986	800,794	775,855	747,923	779,265
Financial Asset (Fair Value)	72,142	23,763	-	20,227	21,091
Others	260,514	232,830	246,217	278,150	241,166
Non-Current Asset	3,246,571	2,816,555	2,842,798	2,828,288	2,811,682
Available-for-Sale	278,720	239,152	254,394	264,280	227,948
Investment in Associates	302,385	218,668	214,924	212,346	206,813
Intangibles	2,352,873	2,033,253	2,023,172	2,009,894	2,036,783
Others	312,593	325,482	350,308	341,768	340,139
Total Asset	4,377,212	3,873,942	3,864,870	3,874,588	3,853,204
Current Liabilities	298,582	267,000	695,824	695,058	721,345
Non-Current Liabilities	1,675,458	1,592,049	1,157,643	1,151,678	1,142,201
Total Liabilities	1,974,040	1,859,048	1,853,467	1,846,736	1,863,545
Paid-in Capital	8,224	8,229	8,243	8,246	8,250
Capital Surplus	1,168,986	1,132,950	1,137,311	1,137,735	1,138,387
Other Capital Components	42,684	33,360	18,970	25,057	-7,473
Retained Earnings	802,361	507,080	509,322	512,763	515,758
Non-Controlling	380,918	333,274	337,557	344,050	334,737
Total Equity	2,403,172	2,014,893	2,011,403	2,027,852	1,989,659

Consolidated Income Statement

Million Won	3Q22	4Q22	1Q23	2Q23	3Q23
Revenue	306,887	235,658	249,162	271,092	264,698
OPEX	263,160	226,700	237,819	244,615	242,148
Operating Profit	43,728	8,958	11,342	26,478	22,551
Other Gains	3,282	-2,148	3,260	-318	957
Other Losses	11,066	160,580	5,515	810	783
Financial Income	9,759	10,850	11,548	6,986	5,559
Financial Expense	11,318	216,834	9,523	9,777	12,122
Equity Method	-7,914	-12,524	-8,400	-4,522	-2,428
EBT	26,470	-372,280	2,712	18,035	13,734
Income Tax	15,193	-72,622	-1,537	9,361	10,041
Net Income	11,277	-299,658	4,249	8,674	3,692
Controlling	3,153	-295,436	2,242	3,369	2,983
Non-Controlling	8,124	-4,221	2,007	5,305	709

E.O.D