

# INVESTOR RELATIONS

August 2022

# KRAFTON

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# **2022 Growth Strategy**

# Our Quests Never End : A Glimpse at 2022

## Our Core : Games

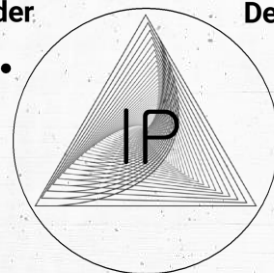
- **Games-as-a-Service : Boost player engagement and improve efficiency of the live service**
- **New Titles**
  - Project M and The Callisto Protocol are scheduled to launch in '22

## Beyond the Game

- **Expanding into new areas where KRAFTON's game production capabilities can be leveraged** (Virtual Human, Deep Learning, Web 3.0/NFT, VR, etc.)

**World  
Builder**

**Interaction  
Designer**



**Fun**

## " The Potential "

- **A new program that encourages a constant flow of small and quick trials/challenge-taking**
  - A team of max 20 people can try out new project ideas for one year and undergo user testing

# Boost Play Engagement and Improve Operational Efficiency for the Three Most Important PUBG Games



## "Battlegrounds for All"

The transition to F2P led to improved new user care and monetization efficiency, making PUBG a game that is even more loved in the long run



## "Repositioning"

Set a clearly distinctive position in the market with a focus on hardcore/proficient players to expand the service and make it sustainable



## "Further grow PUBG fandom"

Strengthen the fandom by constantly updating fresh content and creating continued momentum



# KRAFTON Pipeline: 2022 and Beyond <sup>(1)</sup>

## Road to Valor: Empires

DreaMotion  
Real-Time Strategic Simulation

1H22 Global Launch

## Project M

Unknown Worlds  
Turn-based Strategy

Targeting 2H22 for  
Early Access

## Project Biringam

KRAFTON HQ  
Open world PvP Shooter

Targeting 2023 for  
an Early Access

## Project Black Budget

PUBG Studios  
PvPvE Looter Shooter

TBD

## Defense Derby

Rising Wings  
Real-Time Strategic Defense

Targeting 2H22 Soft Launch

## The Callisto Protocol

Striking Distance Studios  
Action/Horror

Dec 2, 2022 Global Launch

## Project FF

Bluehole Studio  
Hero Collector RPG

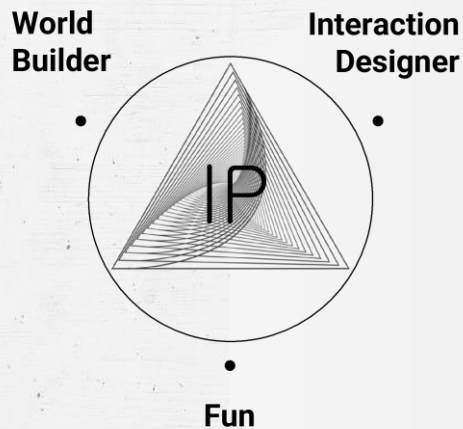
Targeting 2023 for  
Launch

## Project Windless

KRAFTON HQ  
The Bird that Drinks Tears

TBD

# Expandable Areas Leveraging KRAFTON's Game Production Capabilities



**Virtual Reality (VR)**

- A platform that allows a fully immersive experience that goes beyond gamers and can offer expanded interactive content to a broader audience
- The market is still young to reach mainstream popularity, but the COVID pandemic and the rise of the Oculus Quest 2 install base has grown the VR market into a size that is worthy of making small-scale attempts
  - Devices sold in 2021: PS5 around 12M, Xbox Series around 8M, Oculus Quest 2 around 7M

**Deep Learning**

- Internalizing generation technology, which is key to developing a virtual human
  - Text-to-Speech / Speech-to-Text
  - Open-Domain Conversation
  - Vision / Character Generation & Animation

**Web 3.0 & NFT**

- Has the unique trait of an open API that allows for payment (asset transfer) that facilitates a network effect
- The role of traditional platforms have further shrunken down due to ecosystems where more power is shared to creators and consumers
- Gaming companies must be able to provide new value to gamers and creators in the new Web 3.0 environment and this must be based on fun games



# New Projects within the Web 3.0 & NFT Area

## Web 3.0 Business Direction

### Fun

We have come a long way as a gaming company and while we continue to do what we do best, we will also nurture a C2E ecosystem wherein fresh content is created endlessly.

### Community-driven

We will grow together alongside a community centered around core fans and set priorities in alignment with them.

### Cooperation

We will collaborate with a variety of partners to create and operate a scalable ecosystem



## New Web 3.0 Projects

### User-Generated Metaverse Platform

- **Create a high quality metaverse with content production tools based on the Unreal Engine**
- **Activate a creator economy based on NFT**



# “The Potential” - A New Program that Encourages a Constant Flow of Small and Quick Trials/Challenge-Taking

**A max  
20-  
person  
team**

**Able to set up a team with up to 20 like-minded colleagues**

**1 year**

**Aiming to produce a build within 1 year that is worthy of user testing**

- The monthly milestone review on the 12<sup>th</sup> month will determine whether the build will be opened for user testing

**User  
Test**

**Support is offered to conduct user tests (soft launch) to verify the core gameplay/fun**

- If the build passes the user test hurdle, it will get a chance to be greenlit as an official new project via THE NEW process

## Key Direction

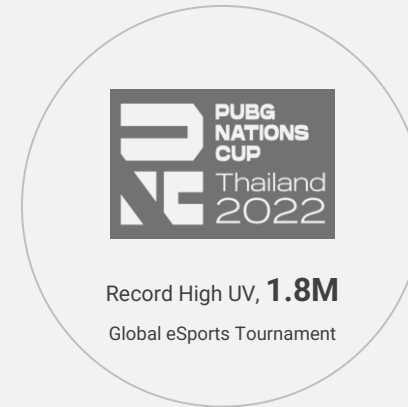
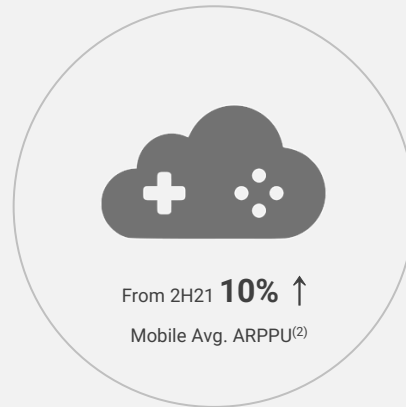
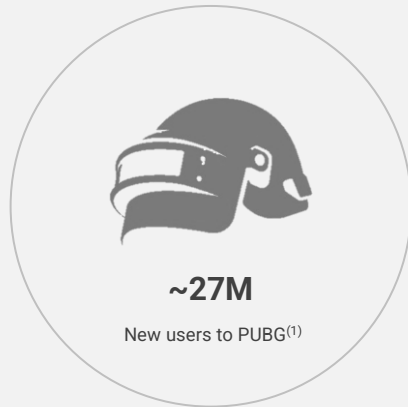
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- **Spirit: quickly taking on meaningful challenges on a small scale**
- **A streamlined process, so that more trials can be continued**
- **Going beyond traditional forms of games and expanding new tech areas such as Web 3.0/NFT games**

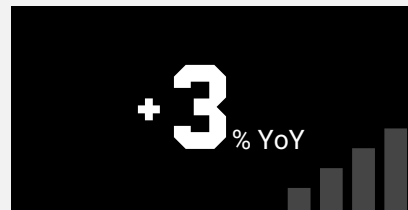
# **2Q22 & 1H22 Highlights**

# 2022 1H Results at a Glance

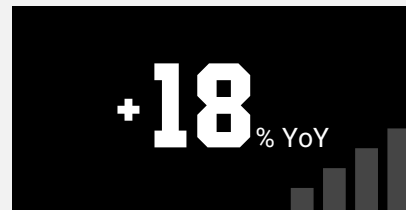
## KEY PERFORMANCE



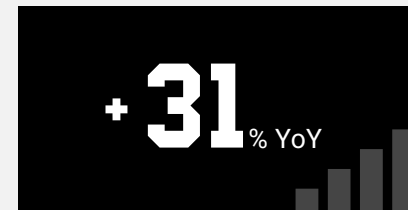
## KEY FINANCIAL HIGHLIGHTS<sup>(3)</sup>



Revenue



Operating Profit



Net Income

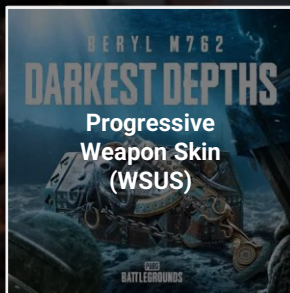
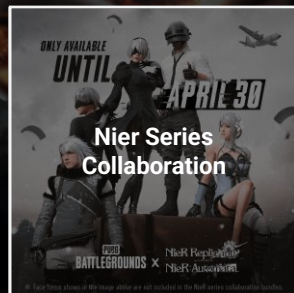
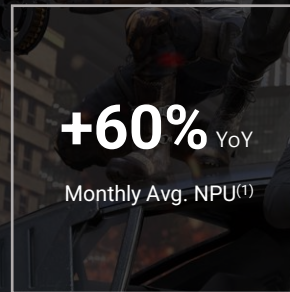
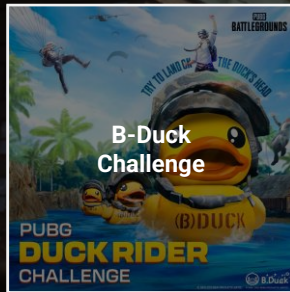
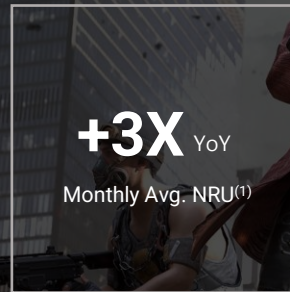
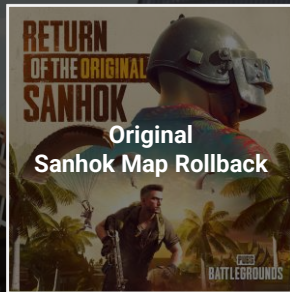
Note: (1) Cumulative NRU (New Registered Users) of PC and Console combined from Jan~Jun 2022, (2) Total of PUBGM Global, KR/JP, BGMI, and New State for 1H22 compared with 2H21, (3) 1H22 compared with 1H21



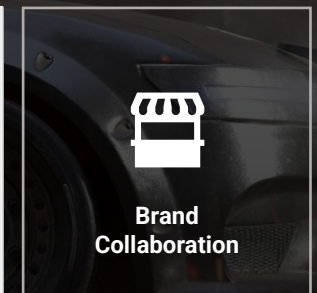
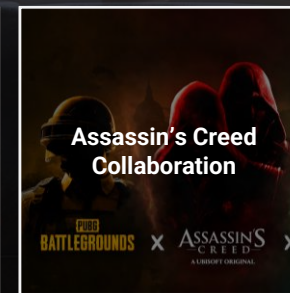
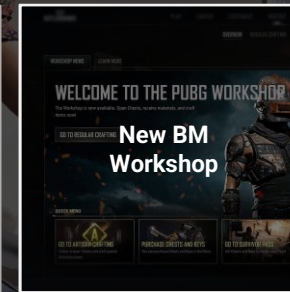
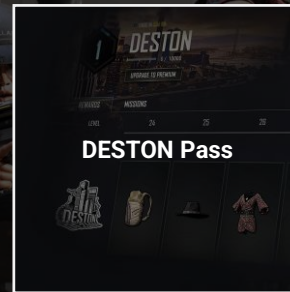
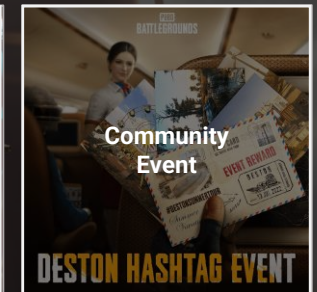
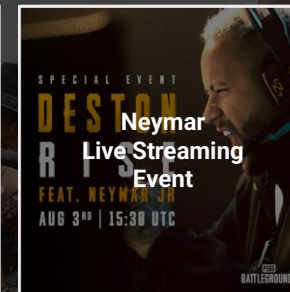
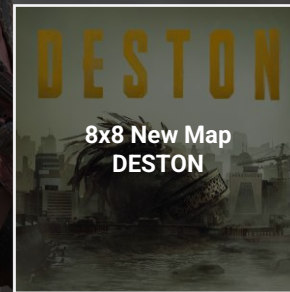
# PC/Console

## 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

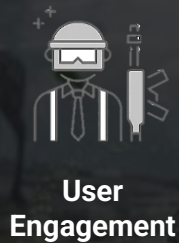
PUBGM on Steady Growth Track backed by Full-Packed Live Service Content, and New State on More Concerted Live Structure



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



Faster Gameplay,  
Better engagement



User Engagement



<Blackpink In-Game Concert>



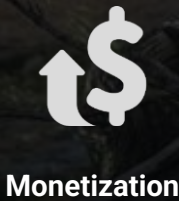
<Map Renewals and New 1x1 Map>



<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

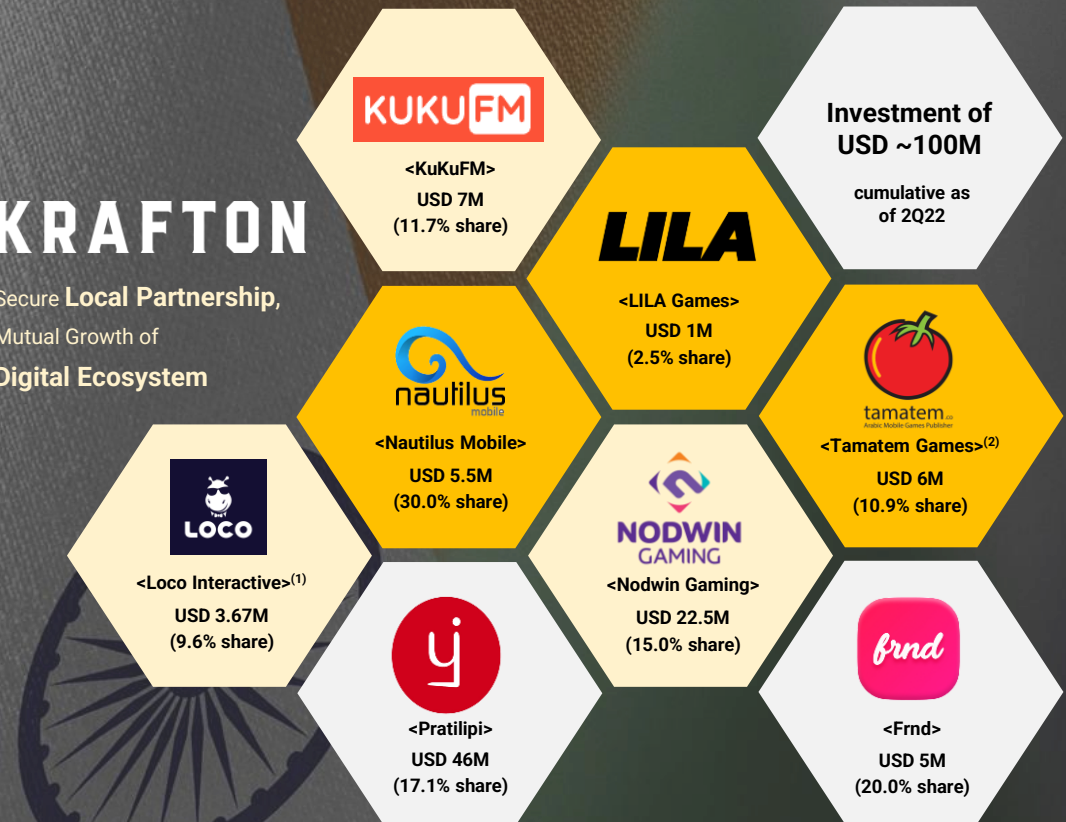


~24M TV Viewership

~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

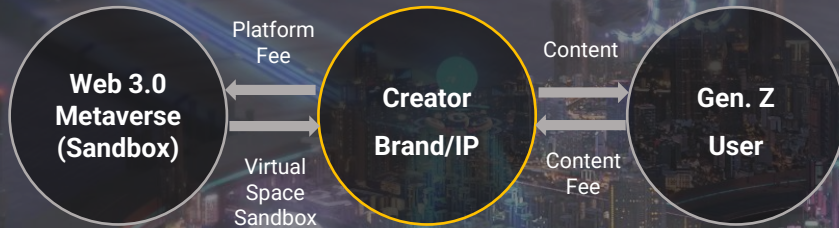




# New Growth – Web 3.0 Metaverse & Virtual Human

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)

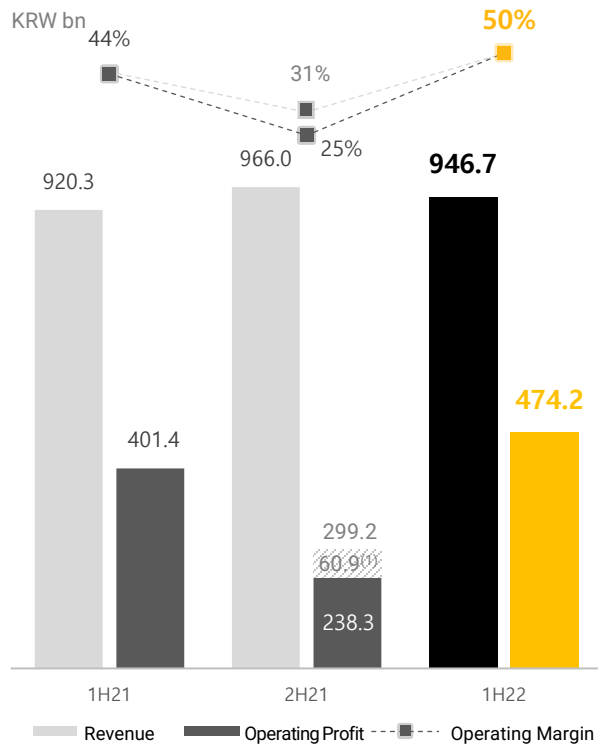
2Q22 KRW 423.7bn (-7.8% YoY, -19.0% QoQ)

## Operating Profit

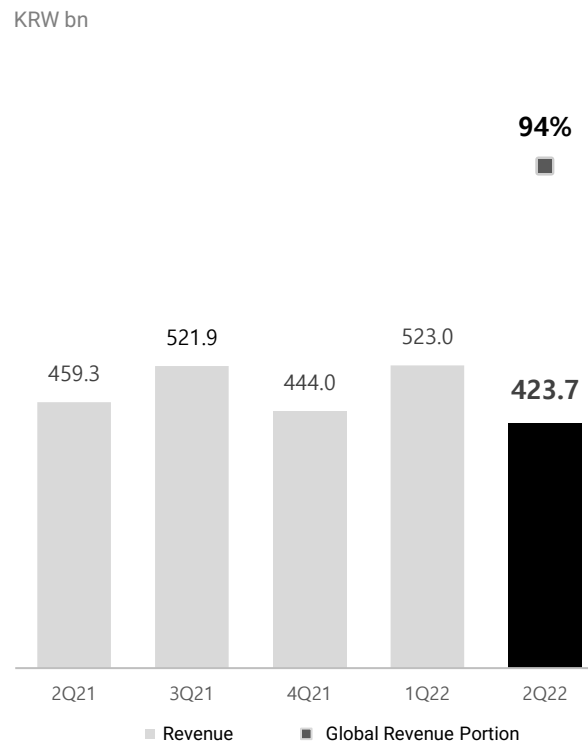
1H22 KRW 474.2bn (+18.1% YoY)

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

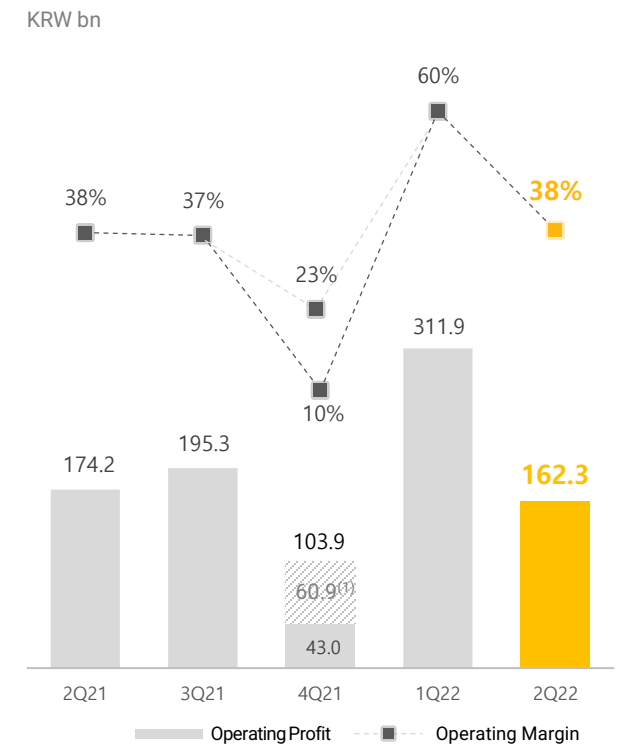
### 1H Earnings



### 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

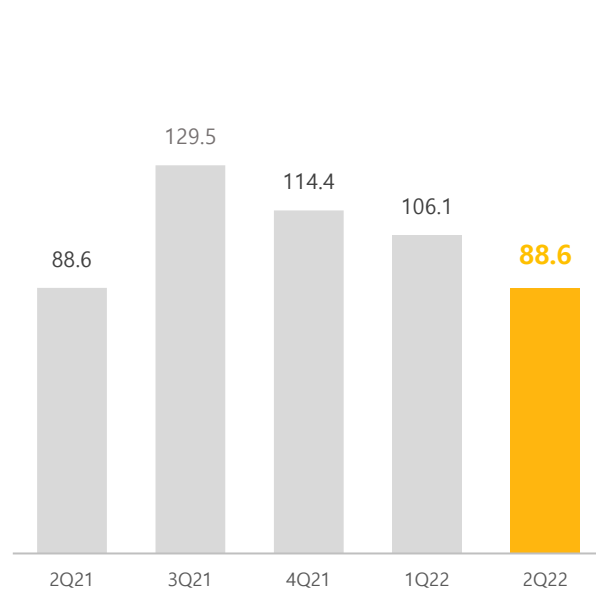
- (Mobile) 1H22 -2.4% YoY, 2Q22 -9.7% YoY, -19.3% QoQ

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

## PC

KRW bn

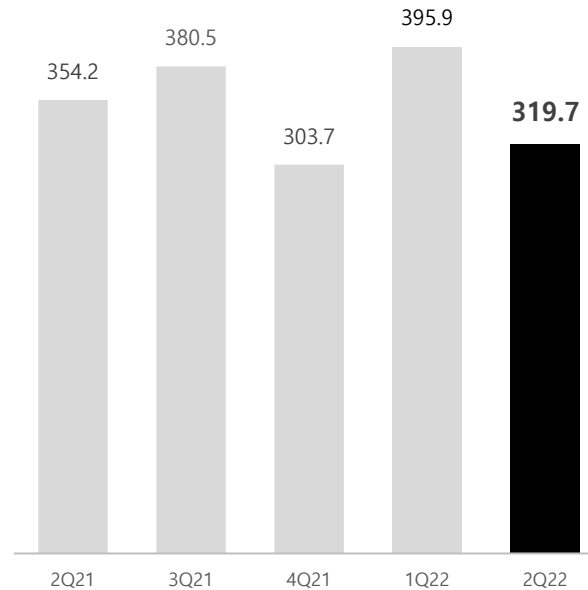
PUBG, Subnautica, Below Zero and more



## Mobile

KRW bn

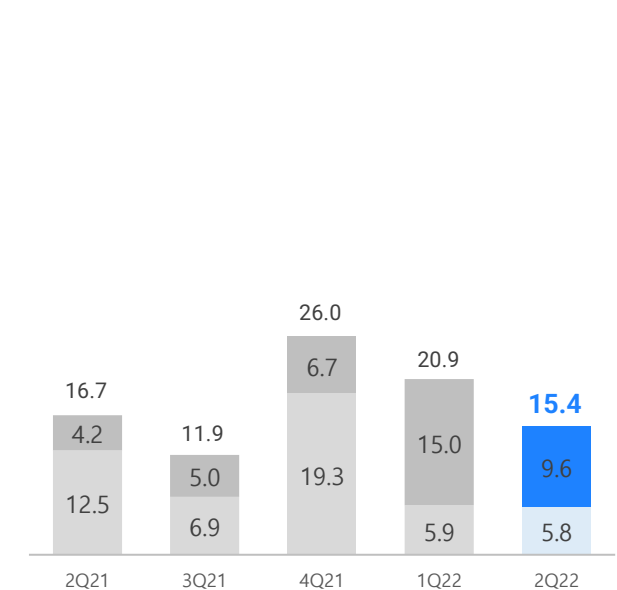
PUBGM, BGMI, New State, Technology Service and more



## 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)

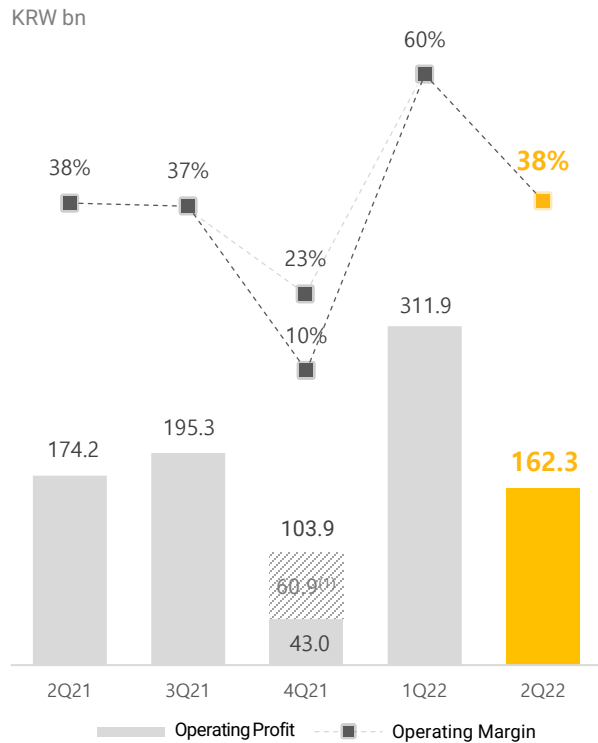
## Adj. EBITDA

1H22 KRW 452.6bn (-3.8% YoY)

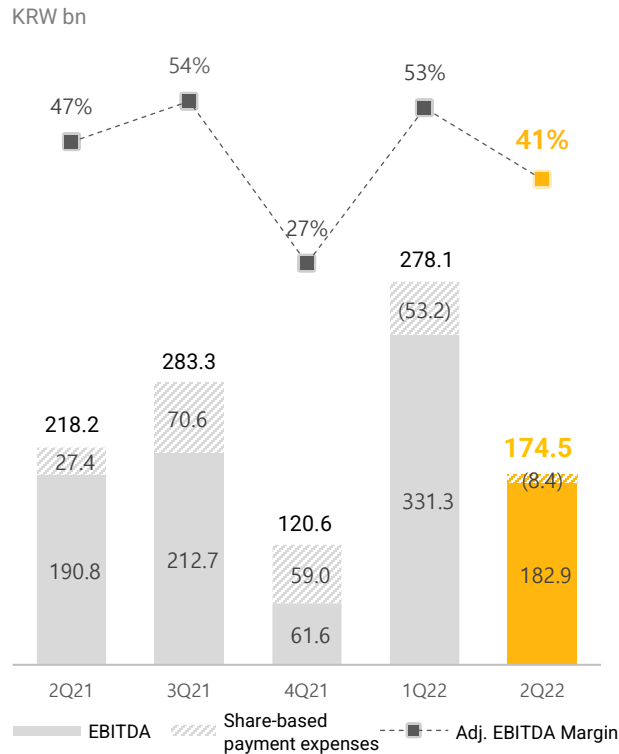
2Q22 KRW 174.5bn (-20.0% YoY, -37.2% QoQ)

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

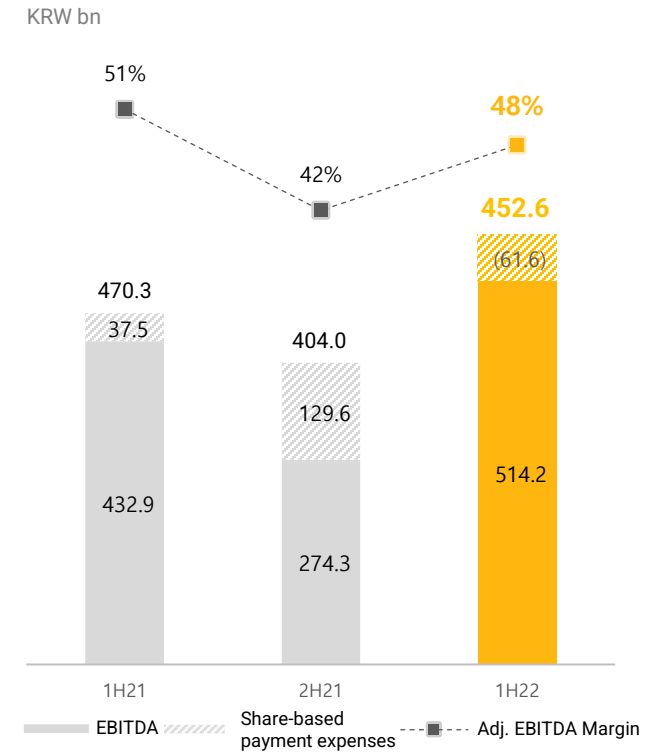
### Operating Profit (2Q)



### 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%

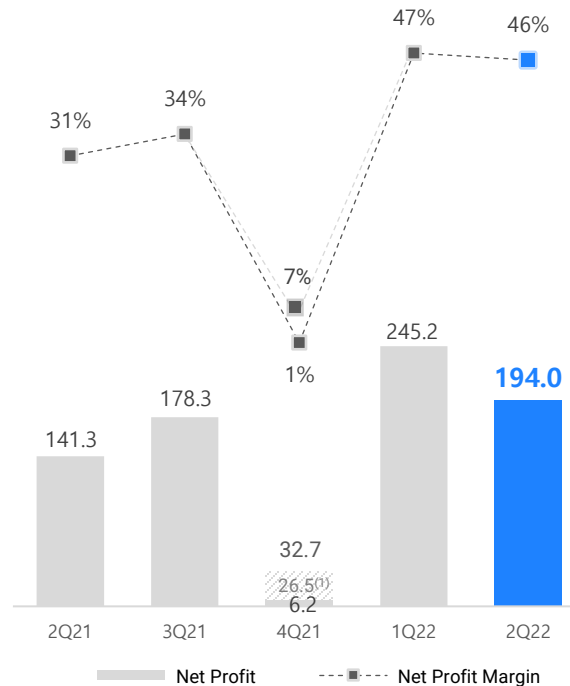
## Non-operating, Pretax Profit (2Q)

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

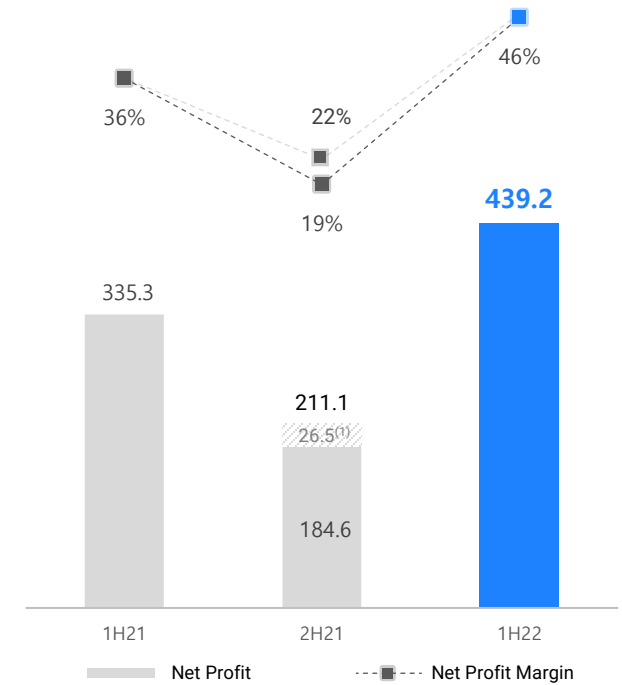
## Net Profit (2Q)

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>

# Appendix



# 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.**

# Founder and CEO

## Organization Led & Cultivated by a Tech-based Founder and CEO



### Byung-Gyu Chang

Cofounder & Chairman  
Member of the Strategy Committee

- KAIST BS / MS / Ph.D Candidate in Computer Science
- Current Chairman of KRAFTON
- Current Vice Chairman of Seoul Chamber of Commerce and Industry
- Previous Chairman of the Presidential Committee on the Fourth Industrial Revolution



### Chang-Han Kim

CEO  
Member of the Strategy Committee

- KAIST BS / MS / Ph.D in Computer Science
- Previous PUBG Corp CEO
- PUBG PD
- 20+ Years of Experience in Gaming Industry

“ **1<sup>st</sup> Generation Startup Founder,  
4-Time Serial Tech Entrepreneur** ”

“ **Veteran Game Producer with 20+ Years  
of Game Development Experience** ”

1997

Game  
Studio



2005

Search  
Engine



2007

Developed  
'TERA'  
1st Non-targeting  
MMORPG



2010

Early Tech  
Focused VC



2020 - Current

• KRAFTON CEO

2009 - 2016

- PUBG (Former Ginno Games) Ceo & Development PD
- Genre-defining title in Battle Royale

2003 - 2008

- NextPlay CTO & TD ('Punch Monster' Executive PD)
- 2D lateral scroll action RPG Game with 3D tech

2000 - 2003

- Imazic Head of Dev / Planning / Tech (Director of 'Sephhiroth')
- 1<sup>st</sup> UE-Based MMORPG in Korea

# Independent Studios

Studios Focus on Development Based on Creative Identity, while KRAFTON Provides Publishing, Tech, Biz Support

7 Independent Studios



Dreamotion



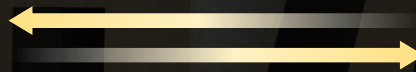
5MINLAB



UNKNOWN WORLDS  
ENTERTAINMENT

KRAFTON HQ

- Approve new games, milestones
- Approve studio budget, staffing
- Role as a Publisher



Independent Studios

- Decisions by the EPD
  1. Content Development
  2. Game Operation
  3. Publishing Plans
  4. Budget Allocation

# KRAFTON

Publishing

Tech (Dev Support)

Business Support

Incubating System



# Unique Development Culture

## Nurturing Differentiated Development Culture Aligned with the Studios' Respective Characteristics and Environment







Ana

HELLO WORLD, IT'S ME ANA! 🙄