

# **4Q21 & FY2021 Earnings Results**

**Investor Relations**

2022. 2. 10

# **KRAFTON**

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**Our Quests  
Never End :  
A Glimpse at 2022**

**KRAFTON**

FEBRUARY 2022

CEO CH Kim

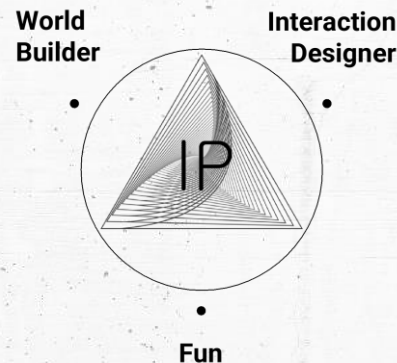
# Our Quests Never End : A Glimpse at 2022

## 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.)



## “ 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



# Strengthening Global Publishing Capabilities and Improving Operational Efficiency

**Service Ops**

**Branding & Marketing**  
(Including Creative,  
Digital Marketing / CRM)

**Communication**

**Community Management**

**Social Media**

**PR**

**Monetization**

**Regional Publishing**  
(Including Go-to-Market,  
Localization)



## Key Titles to Launch in 2022<sup>(1)</sup>

### Project M

Unknown Worlds

- A turn-based strategy game set in a Sci-Fi world (PC, Mobile)
- Following the 'Easy-to-Learn, Hard-to-Master' formula, aiming to be a game that is fun to watch others play
- Unique gaming experience created by Subnautica dev, Unknown Worlds!
- Targeting '22 for Early Access

### THE CALLISTO PROTOCOL

PUBG

Striking Distance Studios

- Quad A (AAAA), All day!
- Highest level of quality + maximum horror experience + distinguished action mechanics
- Targeting the second half of '22 for launch

Note: (1) Project M image is a concept art and The Callisto Protocol image is a scene in its cinematic trailer. The launch schedule is subject to change.



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

## Defense Derby

Rising Wings  
Real-time strategic defense

Targeting the first half of 2022  
for a soft launch

## Project M

Unknown Worlds  
Turn-based strategy

Targeting 2022 for  
an 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

## Road to Valor: Empires

DreaMotion  
Real-time strategic simulation

Targeting the first half of 2022 for  
a soft launch

## The Callisto Protocol

Striking Distance Studios  
Action/Horror

Targeting the second half of 2022  
for launch

## Project FF

Bluehole Studio  
Hero Collector RPG

Targeting 2023 for launch

## Project Windless

KRAFTON HQ  
The Bird that Drinks Tears

TBD



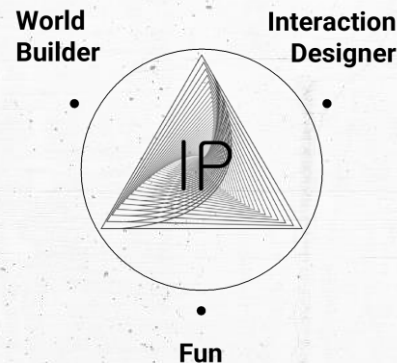
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## **It is Important to Swiftly Learn About New Markets Through Small and Quick Experiments**



**Taking  
on challenges  
in areas we already  
have  
a competitive edge**

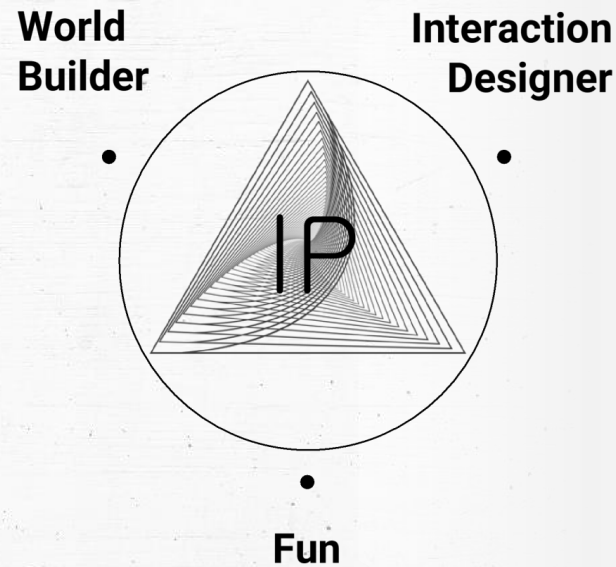
**Continue efforts to further solidify  
our standing in areas where we  
already have a clear competitive  
advantage**



**Taking  
on challenges  
in new areas  
where everyone is  
on equal footing**

**Various small and quick trials  
when approaching  
a new, fast-moving market**

# 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 shrunk 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



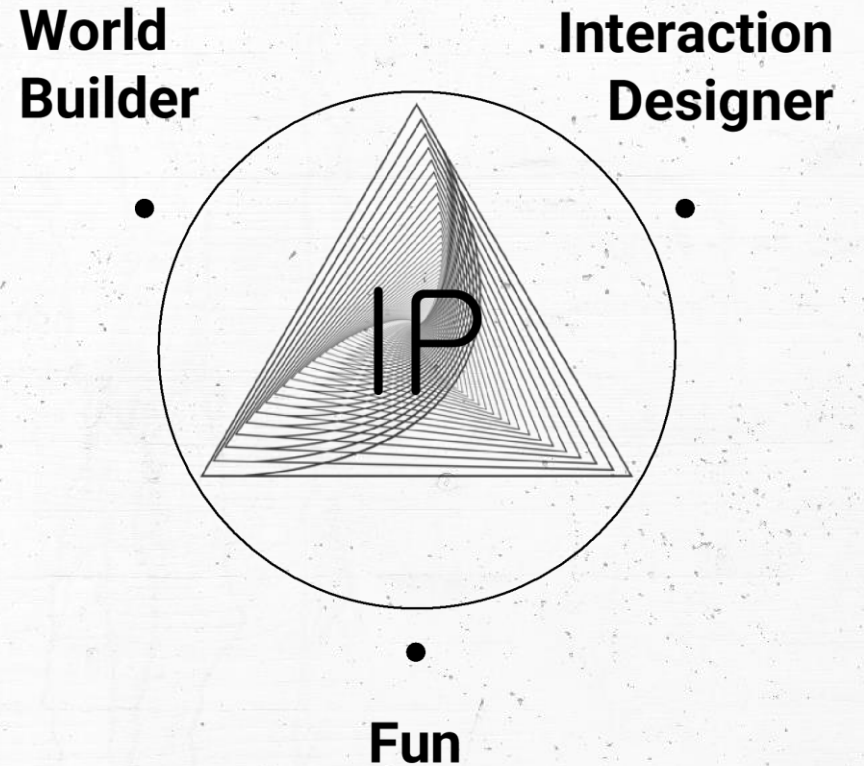
# Web 3.0

An Open API that enables payment

More power to creators



- More direct connections between creators and consumers are formed
- The role of traditional platforms are further reduced with the expansion of Web 3.0



## New Projects within the Web 3.0 & NFT Area

### Web 3.0 Business Direction

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#### 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

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#### 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

## Our Quests Never End : A Glimpse at 2022

### Our Core : Games

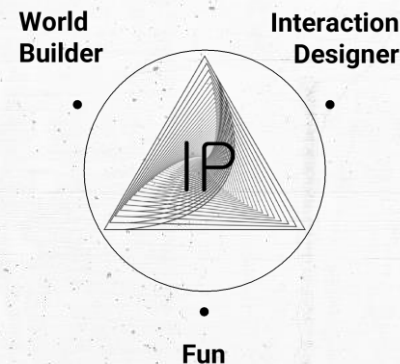
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### “ The Potential ”

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# **"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**

# WHY

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

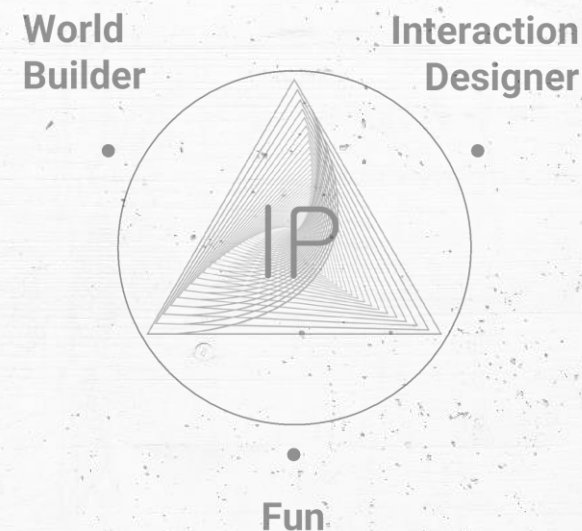
# HOW

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.



# **4Q21 & FY2021 Financial Highlights**

**KRAFTON**

FEBRUARY 2022

**CFO Dongkeun Bae**



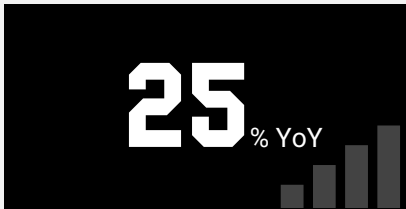
# 2021 Results at a Glance



## KEY PERFORMANCE



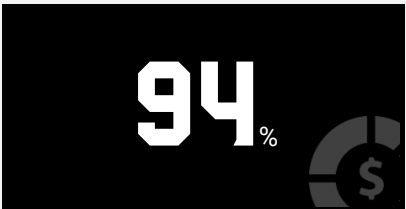
## KEY FINANCIAL HIGHLIGHTS



PUBG IP Revenue



Revenue



Overseas Revenue

Note: (1) Global MAU is the total average MAU of PUBG PC, Console, Mobile, BGMI, and New State in 2021

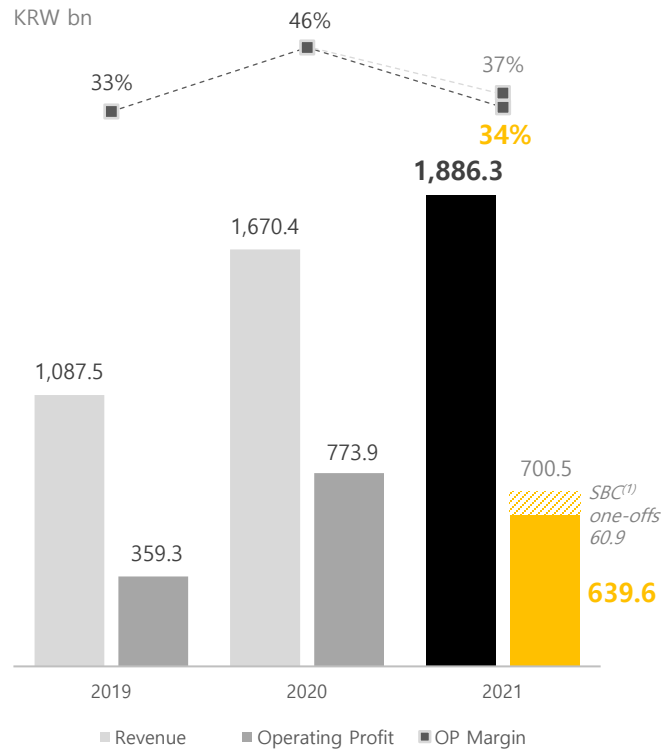
# 2021 & 4Q21 Financials



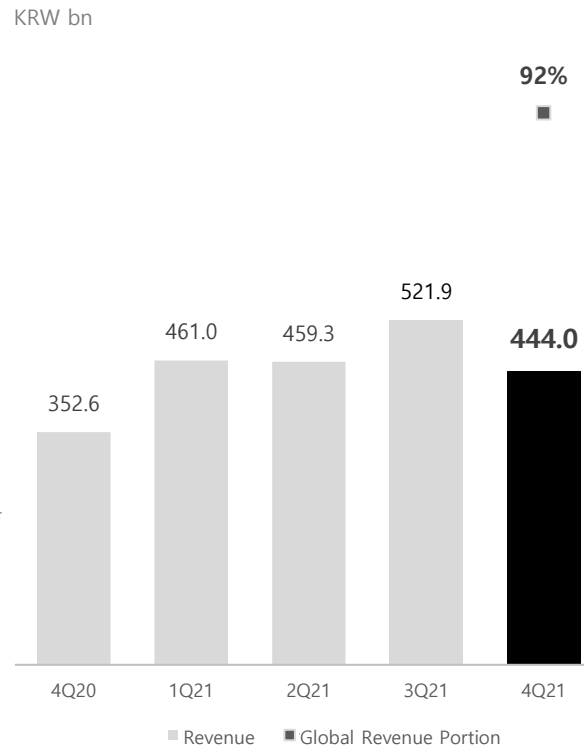
**Revenue**      **2021**    KRW 1,886.3bn (+12.9% YoY)  
                     **4Q21**    KRW 444.0bn (+25.9% YoY, -14.9% QoQ)

**Operating Profit**    **2021**    KRW 639.6bn (-17.3% YoY)  
                              **4Q21**    KRW 43.0bn (-53.6% YoY, -78.0% QoQ)

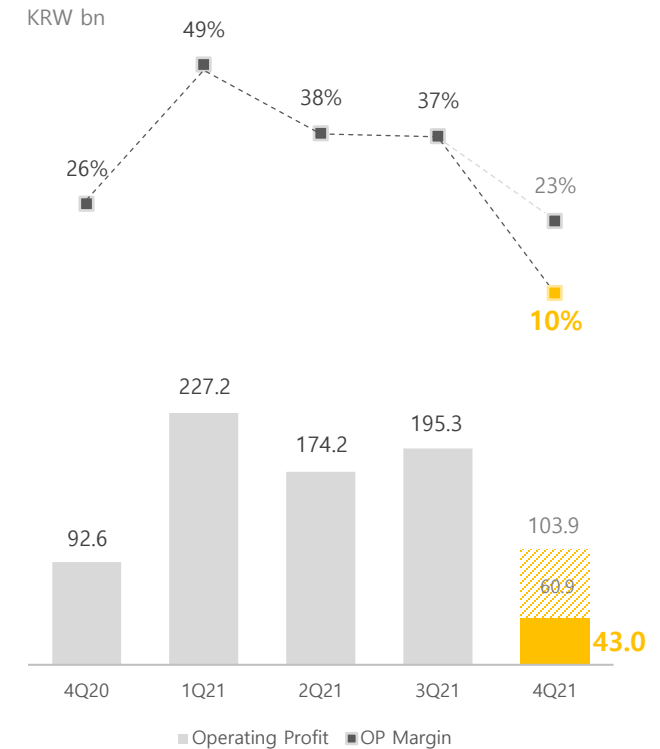
## Annual



## Quarterly Revenue



## Quarterly Operating Profit



Note: (1) Share-based payment expenses

## Secure long-term growth momentum with increased traffic after PUBG's transition to F2P

- (2021 Revenue +50.6% YoY) Increase in in-game ARPU through strengthened live service and monetization, expect sustainable growth on increased traffic in 2022
- (4Q21 Revenue +91.9% YoY, -11.2% QoQ) Various BM accelerated YoY growth, while F2P preparation weighed on QoQ decrease



### Key Achievements of F2P

**6.5M**

New PC/Console Users<sup>(1)</sup>

**20M+**

PC/Console JAN Avg MAU

**x2**

Play Time<sup>(2)</sup> on PC/Console

**x5**

Play Time<sup>(2)</sup> on PlayStation

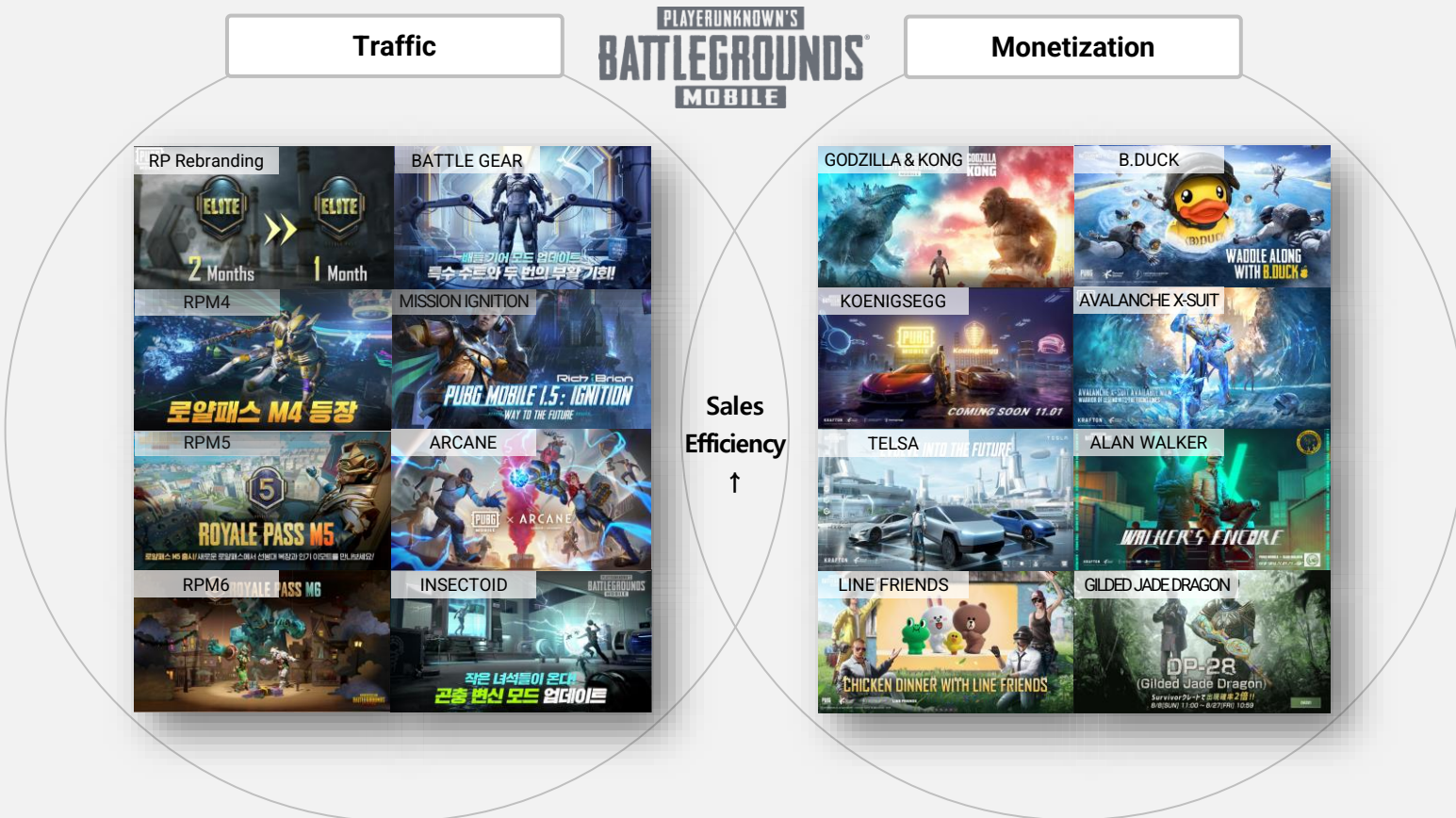
# BATTLEGROUNDS FOR ALL

Note: (1) New registered users during the first week of F2P, (2) Increase in Play Time compared to the previous week



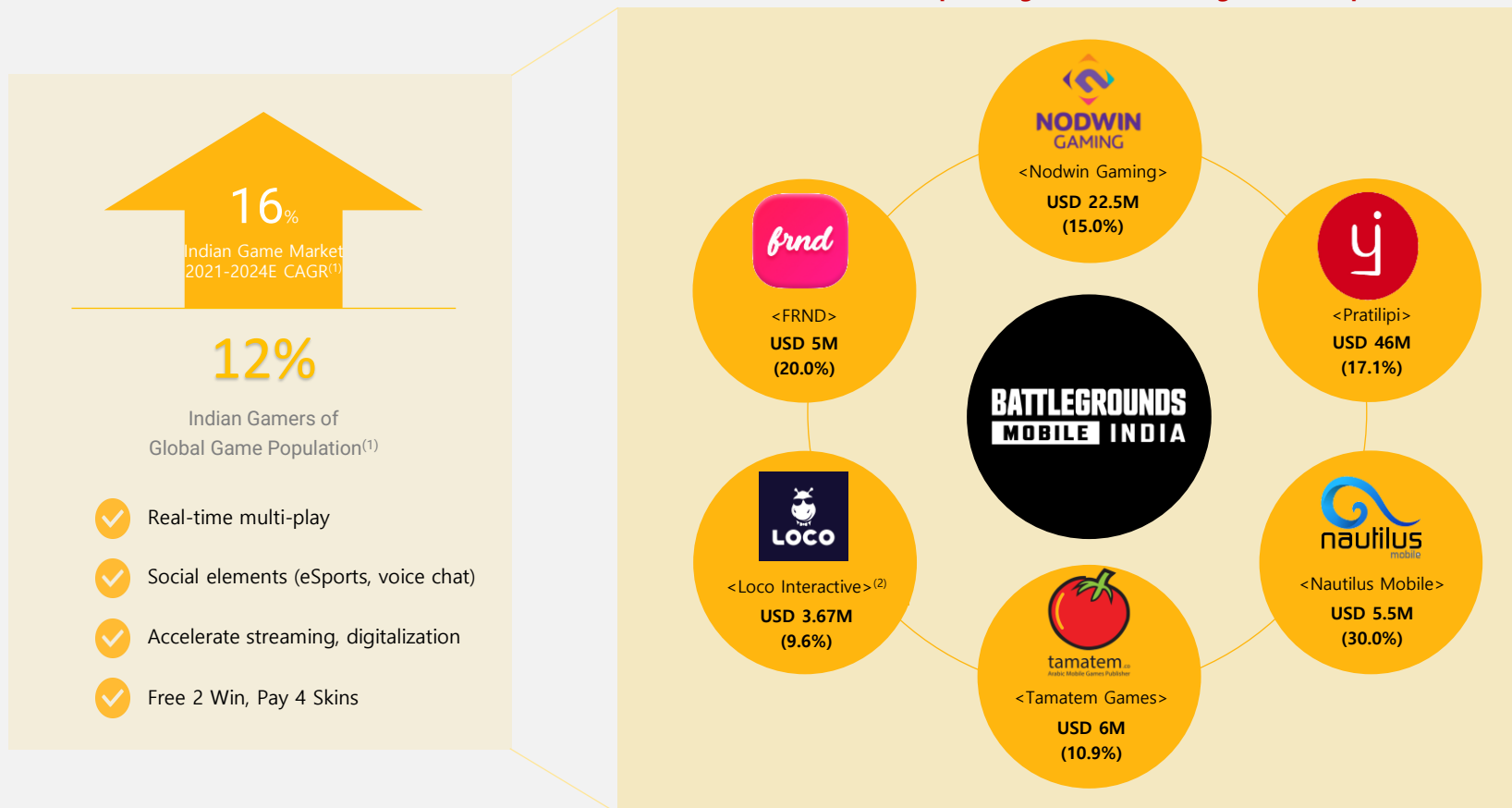
## Mobile continue to grow by increased sales efficiency of PUBGM and strong live service of BGMI & New State

- (2021 Revenue +5.7% YoY) With enlarged PUBG user pool, expect accelerated revenue growth through premium live service and loyal user base in 2022
- (4Q21 Revenue +9.9% YoY, -20.2% QoQ) Sales efficiency of PUBGM and BGMI, launch of NS led to YoY growth, yet low seasonal traffic led to QoQ decrease



Solidify our presence in India with loyal user base, securing business partnerships through investments

Build "Content Platform", expanding investment to games, deep tech in 2022



Note: (1) Newzoo 'Global Games Market Report 2021', (2) Convertible bonds account for USD 0.67M of the total 3.67M investment, not reflected in share ownership



# Mobile (cont) - New State



Differentiate New State's positioning with the highlight on core gameplay: Mini-Royale and Big Drop update



JAN

## Extreme BR Mode

- 4x4 Mini-Royale Mode
- New fast-paced sessions
- Unique New State features

FEB~MAR

## Unique Experience

- Round Death Match Mode
- 'New State Open Challenge'
- Introduction of Clan system

2Q

## Big Drop Update

- Codename 'AFRICA'
- 4x4 futuristic virtual city
- Big Drop update including new weapons



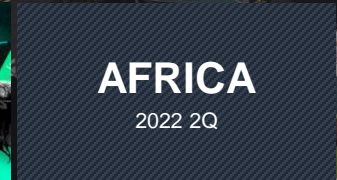
<RIMAC NEVERA Collaboration>



<Extreme BR Mode>



<OPEN CHALLENGE>



<New Map>

Expand  
Realistic BR Gameplay

Strengthen  
Core Community

Better  
User Retention



# Revenue Breakdown



**Revenue**      **2021 KRW 1,886.3bn (+12.9% YoY)**  
**4Q21 KRW 444.0bn (+25.9% YoY, -14.9% QoQ )**

- (Console) 2021 -34.3% YoY, 4Q21 -14.3% YoY, +22.3% QoQ

4Q21 declined YoY due to fewer content update ahead of F2P transition, and increased QoQ on back of inclusion of consolidated subsidiary Unknown Worlds in December

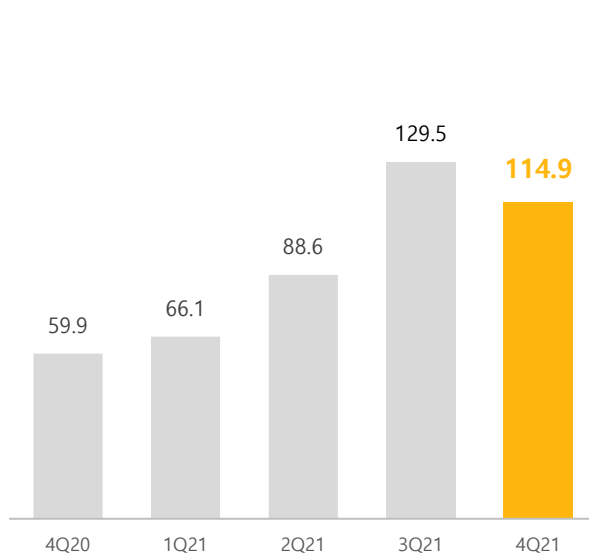
- (Other) 2021 +46.3% YoY, 4Q21 +109.9% YoY, +179.5% QoQ

4Q21 increased YoY and QoQ backed by broadcasting revenue from hosting PUBG Global Championship (PGC) 2021

## PC

KRW bn

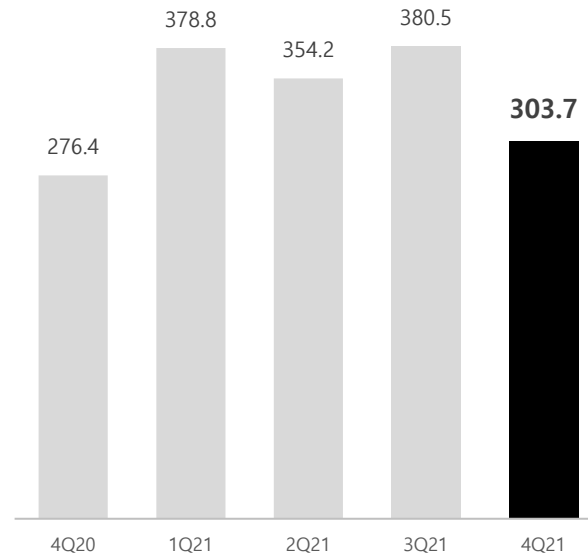
PUBG, TERA, ELYON



## Mobile

KRW bn

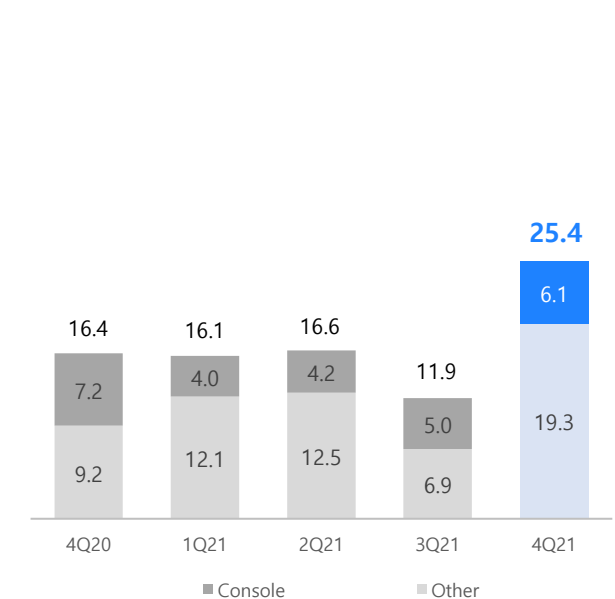
PUBGM, New State, BGMI, Technology Service and more



## Console / Other

KRW bn

PUBG, TERA, eSports and more



# Expense Breakdown



## Operating Costs

**2021 KRW 1,246.7bn** (+39.1% YoY)

**4Q21 KRW 401.0bn** (+54.2% YoY, +22.8% QoQ)

- (Personnel) 2021 +6.8% YoY, 4Q21 -12.4% YoY, +17.3% QoQ

4Q21 declined YoY due to change in accounting standard on performance-based incentives, rose QoQ on inclusion of consolidated subsidiary and one-off incentives

- (Paid Commissions) 2021 +32.2% YoY, 4Q21 +45.9% YoY, +68.6% QoQ

4Q21 rose YoY and QoQ due to hosting PGC 2021, BGMI and New State related server costs, and increased content outsourcing

KRW bn	4Q20	1Q21	2Q21	3Q21	4Q21	YoY	QoQ	2020	2021	YoY
<b>Operating Costs</b>	<b>260.1</b>	<b>233.8</b>	<b>285.2</b>	<b>326.6</b>	<b>401.0</b>	<b>54.2%</b>	<b>22.8%</b>	<b>896.6</b>	<b>1,246.7</b>	<b>39.1%</b>
<i>% of Revenue</i>	73.7%	50.7%	62.1%	62.6%	90.3%	16.6%p	27.7%p	53.7%	66.1%	12.4%p
Personnel	108.2	84.7	93.4	80.8	94.8	-12.4%	17.3%	331.2	353.7	6.8%
Platform fees/ Cost of Revenue <sup>(1)</sup>	34.2	35.8	40.2	59.6	57.7	68.9%	-3.2%	150.9	193.4	28.2%
Paid Commissions	80.9	76.1	95.3	70.0	118.1	45.9%	68.6%	272.0	359.6	32.2%
Marketing	12.3	7.4	8.0	20.5	46.4	276.2%	126.3%	42.6	82.3	93.1%
Share-based payment expenses	6.8	10.0	27.4	70.6	59.0	771.6%	-16.5%	36.8	167.0	353.7%
Others	17.7	19.8	20.9	25.1	25.1	42.5%	0.4%	63.2	90.8	43.7%
<b>Operating Profit</b>	<b>92.6</b>	<b>227.2</b>	<b>174.2</b>	<b>195.3</b>	<b>43.0</b>	<b>-53.6%</b>	<b>-78.0%</b>	<b>773.9</b>	<b>639.6</b>	<b>-17.3%</b>
<i>% Margin</i>	26.3%	49.3%	37.9%	37.4%	9.7%	-16.6%p	-27.7%p	46.3%	33.9%	-12.4%p
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>112.0</b>	<b>252.1</b>	<b>218.2</b>	<b>283.3</b>	<b>120.6</b>	<b>7.7%</b>	<b>-57.4%</b>	<b>854.8</b>	<b>874.2</b>	<b>2.3%</b>
<i>% Margin</i>	31.8%	54.7%	47.5%	54.3%	27.2%	-4.6%p	-27.1%p	51.2%	46.3%	-4.8%p
<b>Net Profit</b>	<b>41.3</b>	<b>194.0</b>	<b>141.3</b>	<b>178.3</b>	<b>6.2</b>	<b>-84.9%</b>	<b>-96.5%</b>	<b>556.3</b>	<b>519.9</b>	<b>-6.5%</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

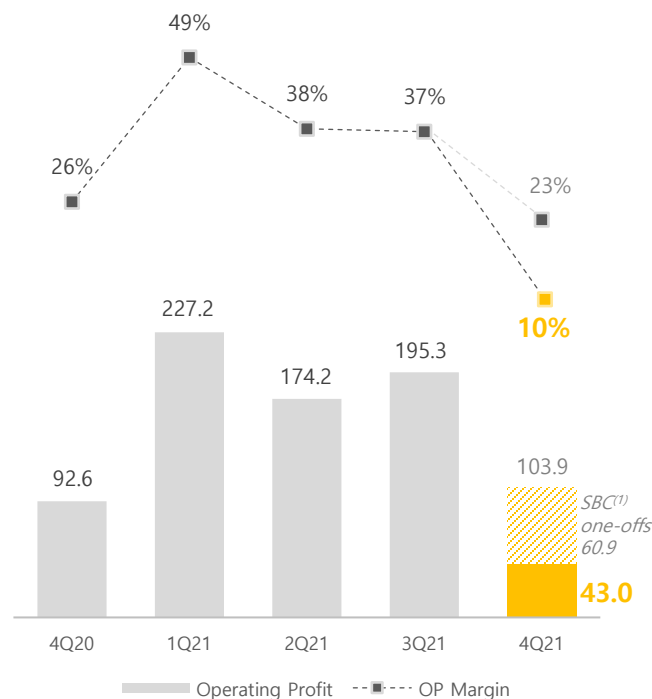


Operating Profit	2021	KRW 639.6bn (-17.3% YoY)
	4Q21	KRW 4.3bn (-53.6% YoY, -78.0% QoQ)
Adj. EBITDA <sup>(2)</sup>	2021	KRW 874.2bn (+2.3% YoY)
	4Q21	KRW 120.6bn (+7.7% YoY, -57.4% QoQ)

- Adj. EBITDA increased 7.7% YoY, with adj. EBITDA margin of 27.2%

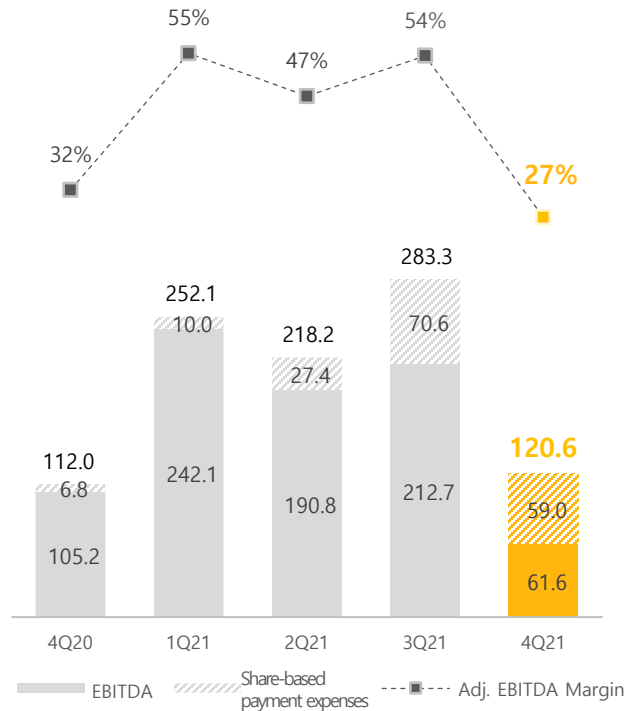
## Operating Profit (Quarterly)

KRW bn



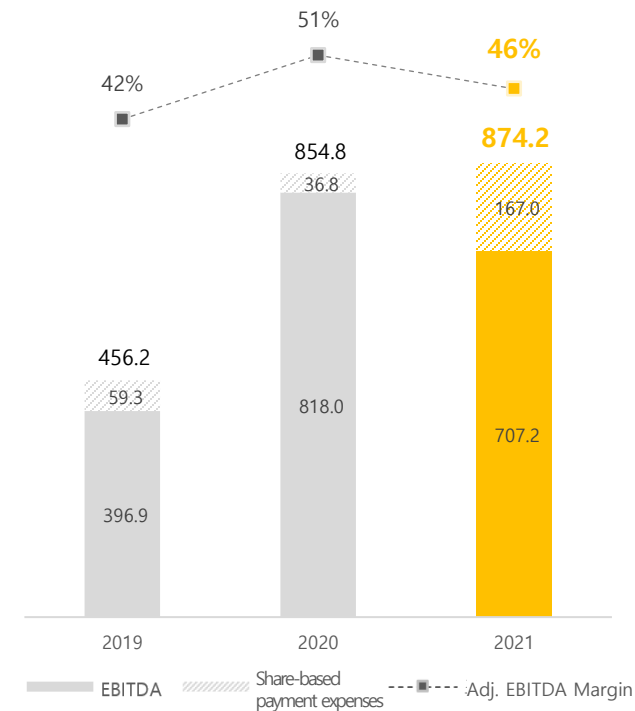
## Adj. EBITDA (Quarterly)

KRW bn



## Adj. EBITDA (Annual)

KRW bn



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



# Net Profit



Profit Before Income Tax	2021	KRW 750.4 bn (+12.5% YoY)
	4Q21	KRW 37.2bn (TTB YoY, -86.2% QoQ)
Net Profit	2021	KRW 519.9bn (-6.5% YoY)
	4Q21	KRW 6.2bn (-84.9% YoY, -96.5% QoQ)

- Net Profit decreased due to the recognition of impairment loss on intangibles and higher corporate income tax

## Non-operating, Pretax Profit (Quarterly)

## Net Profit (Quarterly)

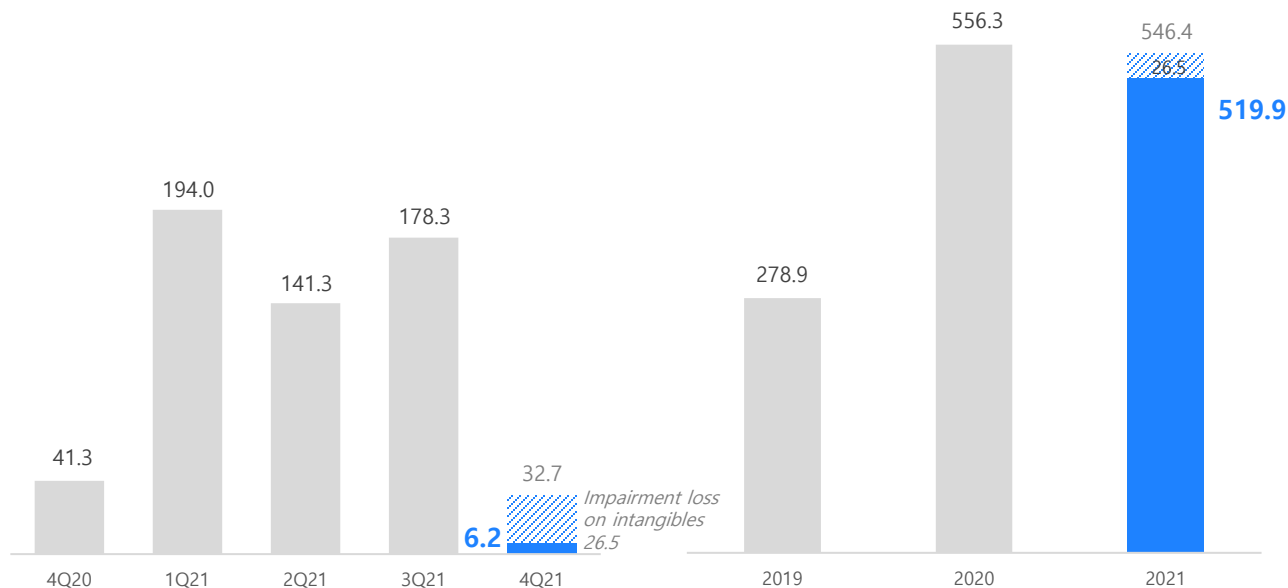
## Net Profit (Annual)

KRW bn

KRW bn

KRW bn

	4Q20	1Q21	2Q21	3Q21	4Q21
Non-operating Profit	-94.9	44.2	-2.4	74.7	-5.7
Non-operating Income	11.8	53.7	5.4	86.3	23.9
Other Income	11.2	52.8	4.7	82.3	18.6
Finance Income	0.6	0.8	0.7	4.0	5.3
Non-operating Expense	106.7	9.5	7.7	11.7	29.7
Other Expense	105.3	7.8	5.7	9.9	28.2
Finance Expense	1.4	1.7	2.1	1.8	1.5
Profit before Income Tax	-2.3	271.4	171.8	269.9	37.2



# Summary of Financial Statements



## Consolidated Income Statement

KRW bn	4Q20	1Q21	2Q21	3Q21	4Q21	2020	2021
<b>Revenue</b>	<b>352.6</b>	<b>461.0</b>	<b>459.3</b>	<b>521.9</b>	<b>444.0</b>	<b>1,670.4</b>	<b>1,886.3</b>
Operating Costs	260.1	233.8	285.2	326.6	401.0	896.6	1,246.7
<b>Operating Profit</b>	<b>92.6</b>	<b>227.2</b>	<b>174.2</b>	<b>195.3</b>	<b>43.0</b>	<b>773.9</b>	<b>639.6</b>
EBITDA	105.2	242.1	190.8	212.7	61.6	818.0	707.2
<b>Adj. EBITDA</b>	<b>112.0</b>	<b>252.1</b>	<b>218.2</b>	<b>283.3</b>	<b>120.6</b>	<b>854.8</b>	<b>874.2</b>
Non-operating Profit	-94.9	44.2	-2.4	74.7	-5.7	-107.1	110.7
Other Income	11.2	52.8	4.7	82.3	18.6	48.1	158.4
Other Expenses	105.3	7.8	5.7	9.9	28.2	152.9	51.6
Finance Income	0.6	0.8	0.7	4.0	5.3	3.5	10.9
Finance Expenses	1.4	1.7	2.1	1.8	1.5	5.7	7.0
<b>Profit before Income Tax</b>	<b>-2.3</b>	<b>271.4</b>	<b>171.8</b>	<b>269.9</b>	<b>37.2</b>	<b>666.8</b>	<b>750.4</b>
Income Tax	-43.6	77.4	30.5	91.6	31.0	110.5	230.5
<b>Net Profit</b>	<b>41.3</b>	<b>194.0</b>	<b>141.3</b>	<b>178.3</b>	<b>6.2</b>	<b>556.3</b>	<b>519.9</b>

## Consolidated Statement of Financial Position

(Unit: KRW bn)	4Q20	1Q21	2Q21	3Q21	4Q21
Current Assets	1,292.5	1,440.6	1,554.8	4,441.2	3,653.7
Cash and Cash Equivalents	719.8	750.2	624.5	3,593.9	3,019.3
Non-current Assets	426.6	657.1	735.7	863.0	1,981.4
<b>Total Assets</b>	<b>1,719.1</b>	<b>2,097.7</b>	<b>2,290.5</b>	<b>5,304.2</b>	<b>5,635.1</b>
Current Liabilities	406.7	509.7	532.0	574.1	638.2
Non-current Liabilities	98.3	166.9	188.9	210.0	388.7
<b>Total Liabilities</b>	<b>505.0</b>	<b>676.6</b>	<b>720.8</b>	<b>784.2</b>	<b>1,026.9</b>
Paid-in Capital	4.3	4.3	4.3	4.9	4.9
Capital Surplus	1,003.8	1,003.8	1,065.6	3,837.2	3,839.1
Other Components of Equity	168.1	181.1	126.5	126.2	206.3
Retained Earnings	37.9	232.0	373.3	551.6	557.8
Non-controlling Interests	0.0	0.0	0.0	0.1	0.1
<b>Total Equity</b>	<b>1,214.1</b>	<b>1,421.1</b>	<b>1,569.7</b>	<b>4,520.0</b>	<b>4,608.2</b>

# Q&A

Chairman

**BG Chang**

CEO

**CH Kim**

CFO

**Dongkeun Bae**





PROJECT M



THE  
CALLISTO  
PROTOCOL  
PUBG



눈물을  
마시는 새



DEFENSE  
DERBY  
Rule the Kingdom



BIRINGAM



PROJECT: FF

**MORE DETAILS ARE ON THE WAY**  
**STAY TUNED**





## 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.**