

1Q 2020 Earnings Release

NCSOFT IR

May 12, 2020



Disclaimer

The financial results for 1Q 2020 have been prepared on an unaudited basis, and may be subject to change during independent auditing process.

Please note that NCSOFT will not be responsible for individual investment decisions based on this material.

※ Major Consolidated Subsidiaries (K-IFRS based):

NC West Holdings(100%, USA), NC Europe(100%, GBR), NC Japan(100%, JPN),
NC Taiwan(85%, TWN), NCSOFT Corporation(HQ, KOR),
NCSOFT Service(100%, KOR), NC Dinos (100%, KOR),
NC ITS(100%, KOR), Ntreev Soft(98%, KOR), This Game Studio(40%, CAN),
NC Vietnam Visual Studio (100%, VNM)

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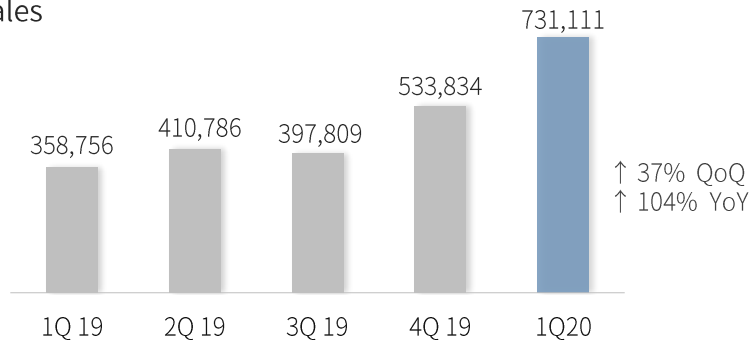
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1. Financial Highlights (Quarterly)

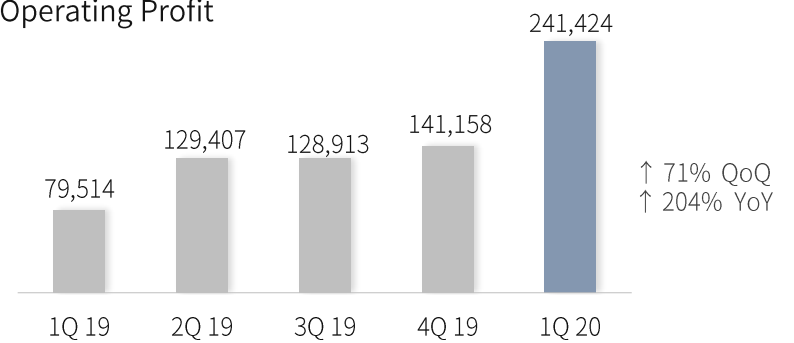
- Strong mobile game momentum and stable PC online games resulted in a historic sales of KRW 731.1 billion for the quarter
- Operating profit was KRW 241.4 billion, higher 71% qoq and 204% yoy

(Unit : KRW mn)

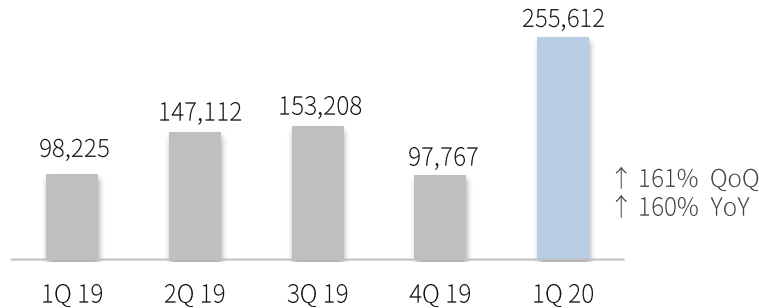
Sales



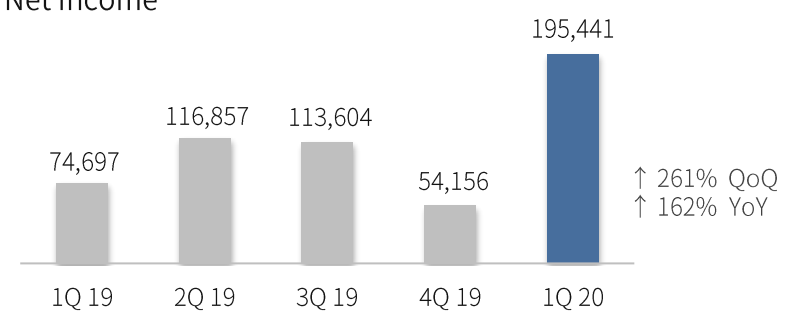
Operating Profit



Pre-tax Income



Net Income

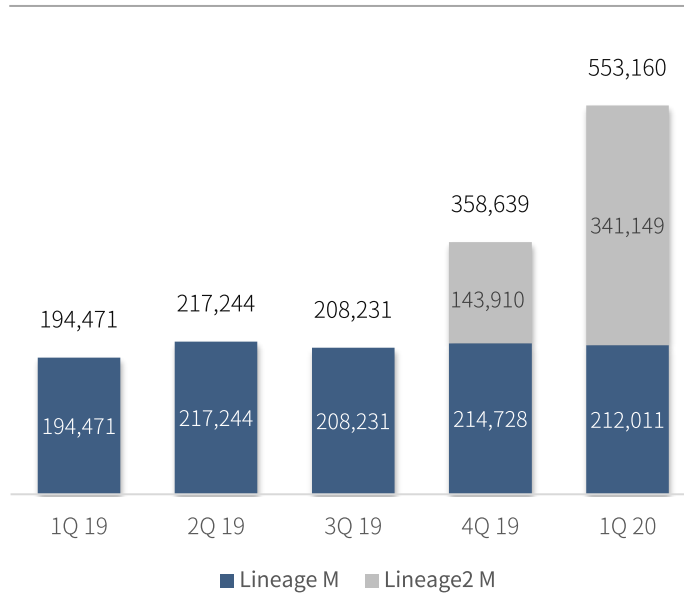


2. Sales Breakdown (by Game)

- Mobile game sales was KRW 553.2 billion, a jump of 54% qoq, with full-quarter recognition of L2M sales
- LM and PC online game sales was similar qoq reflecting stable operations

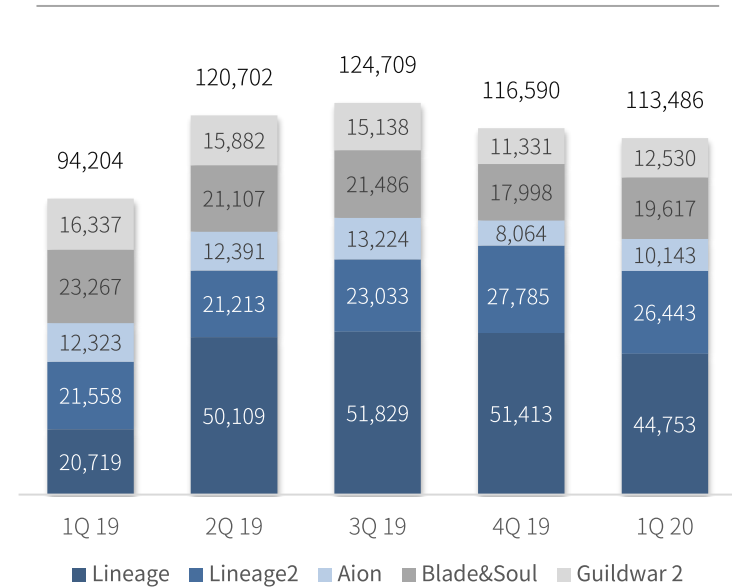
(Unit : KRW mn)

Mobile Game



* Not including other mobile games.

PC Online Game

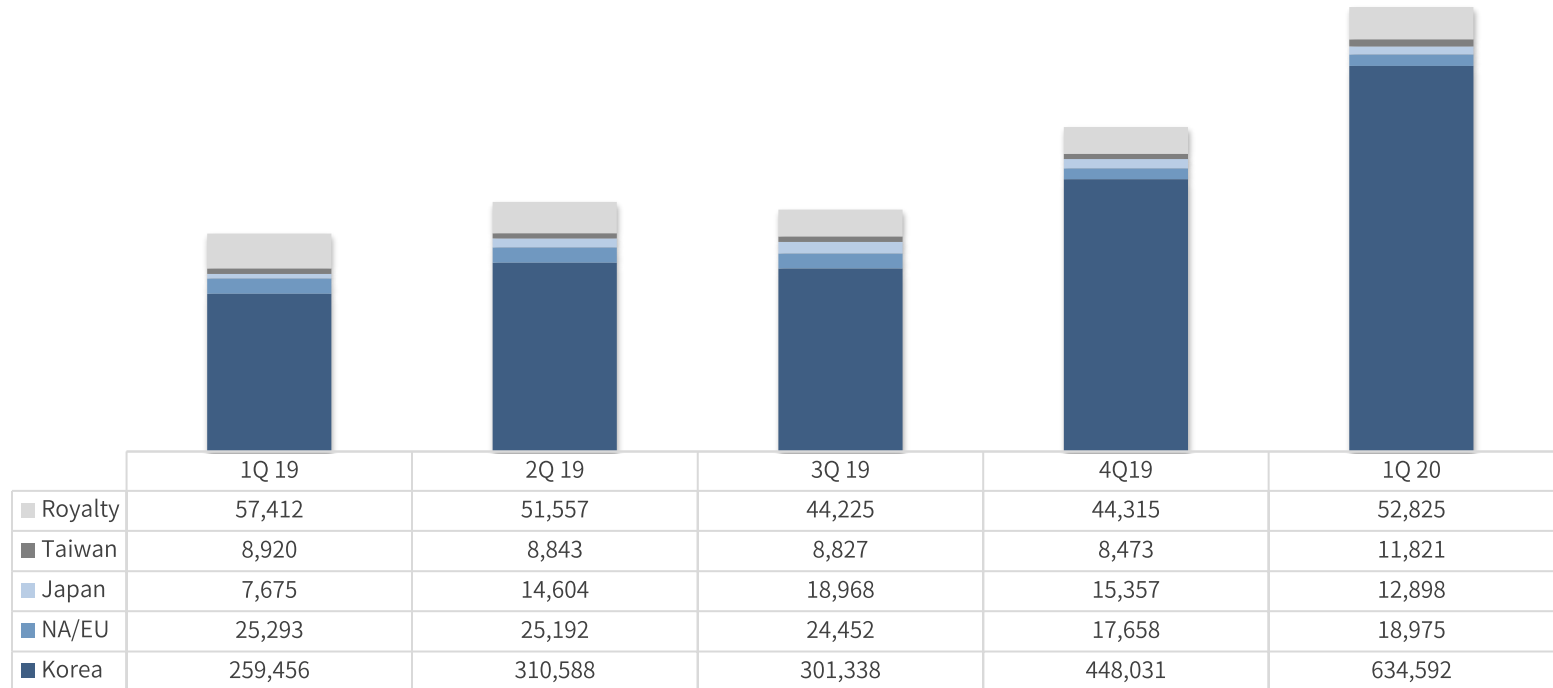


* Not including other PC online games

2. Sales Breakdown (by Region)

- Korea sales increased 42% qoq from the full-recognition of L2M sales
- Royalty sales was up 19% qoq, fueled by the Lineage M Taiwan update effects

(Unit : KRW mn)



3. Costs Breakdown

- Labor cost increased 25% qoq due to L2M incentives, regular bonuses, and headcount increases
- Variable cost increased because of high distribution fees as mobile game sales grew
- Marketing decreased 4% qoq from less advertising for new game launches

(Unit : KRW MN)

| | 1Q 19 | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 | QoQ | YoY |
|-----------------------------------|---------|---------|---------|---------|---------|------|------|
| Labor cost | 143,194 | 125,822 | 116,146 | 169,913 | 211,796 | 25% | 48% |
| Variable cost | 65,336 | 77,189 | 73,094 | 116,231 | 176,548 | 52% | 170% |
| Payment processing fees | 5,000 | 5,920 | 5,839 | 5,488 | 5,808 | 6% | 16% |
| Distribution fees | 59,658 | 67,137 | 64,411 | 108,792 | 167,795 | 54% | 181% |
| Royalty | 921 | 1,323 | 972 | 875 | 1,210 | 38% | 31% |
| Box & merchandise production fees | 182 | 502 | 709 | 1,258 | 559 | -56% | 207% |
| Others | (424) | 2,308 | 1,162 | (182) | 1,176 | N/A | N/A |
| Marketing | 18,987 | 24,230 | 22,766 | 41,291 | 39,573 | -4% | 108% |
| D&A | 11,982 | 12,974 | 12,747 | 14,266 | 14,825 | 4% | 24% |
| Others (*) | 39,743 | 41,164 | 44,144 | 50,975 | 46,945 | -8% | 18% |
| Total | 279,242 | 281,379 | 268,896 | 392,676 | 489,687 | 25% | 75% |

* 1Q20 Others include Bandwidth costs(3,647), Wage for outsourced staff(4,801), Outsourced R&D(1,972) etc.

4. Consolidated Financial Statements

(Unit : KRW MN)

[Statement of Financial Position]

| | 31 DEC 2019 | 31 MAR 2020 | | 31 DEC 2019 | 31 MAR 2020 |
|-------------------------------------|------------------|------------------|--|------------------|------------------|
| Assets | | | Liabilities | | |
| I. Current Assets | 2,076,674 | 2,306,021 | I. Current Liabilities | 449,765 | 558,216 |
| Cash & cash equivalents | 303,443 | 285,991 | Bonds | 11,310 | 11,100 |
| ST financial instruments | 676,810 | 817,135 | Account payables | 52,863 | 252,728 |
| Account receivables | 254,438 | 224,970 | Lease Liabilities | 31,381 | 31,831 |
| Other receivables | 16,118 | 12,539 | Current tax liabilities | 83,392 | 50,796 |
| ST Investment assets | 791,802 | 923,492 | Other provisions | 2 | 2 |
| Others | 34,063 | 41,894 | Others | 270,817 | 211,760 |
| II. Non-Current Assets | 1,269,863 | 1,264,831 | II. Non-Current Liabilities | 384,447 | 405,780 |
| LT loans | 4,588 | 4,588 | Bonds | 249,364 | 249,421 |
| Other receivables | 10,836 | - | Defined benefit obligations | 12,320 | 18,165 |
| LT Investment assets | 698,726 | 703,446 | LT employee benefits | 16,680 | 8,174 |
| Investments in affiliated companies | 43,614 | 44,059 | Lease Liabilities | 65,715 | 62,924 |
| Investment property | 93,685 | 93,356 | Others | 40,368 | 67,097 |
| Tangible assets | 350,409 | 347,141 | Total Liabilities | 834,212 | 963,996 |
| Intangible assets | 49,739 | 49,321 | Stockholders Equity | | |
| Others | 18,265 | 22,920 | I. Capital stock | 10,977 | 10,977 |
| Total Asset | 3,346,537 | 3,570,851 | II. Other paid-up capital | (2,245) | (2,245) |
| | | | III. Other components of equity | 108,350 | 113,938 |
| | | | IV. Retained earnings | 2,382,246 | 2,470,881 |
| | | | V. Non-controlling interests | 12,997 | 13,304 |
| | | | Total Stockholders Equity | 2,512,325 | 2,606,855 |
| | | | Total Liabilities and Stockholders Equity | 3,346,537 | 3,570,851 |

4. Consolidated Financial Statements

[Comprehensive Income Statement]

(Unit : KRW MN)

| | 1Q 19 | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 |
|---|---------|---------|---------|----------|---------|
| Sales | 358,756 | 410,786 | 397,809 | 533,834 | 731,111 |
| Operating Expenses | 279,242 | 281,379 | 268,896 | 392,676 | 489,687 |
| Operating Income | 79,514 | 129,407 | 128,913 | 141,158 | 241,424 |
| Non-operating Income | 18,711 | 17,705 | 24,295 | (43,391) | 14,188 |
| Income Before Income Tax Expense | 98,225 | 147,112 | 153,208 | 97,767 | 255,612 |
| Income Tax Expense | 23,528 | 30,255 | 39,604 | 43,612 | 60,172 |
| Net Income | 74,697 | 116,857 | 113,604 | 54,156 | 195,441 |
| Equity Attribution to the Owners of the Parent Company | 74,189 | 116,423 | 113,339 | 54,382 | 195,459 |
| Non-controlling Interest | 508 | 434 | 265 | (226) | (18) |

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