

4Q19 & FY2019 Earnings Results


Feb 10, 2020



Disclaimer



This document contains information and financial data that have not been audited by an independent auditor.

The reason for our earnings release announcement prior to an independent auditor's audit is to communicate our financial results to the market and investors in a timely manner.

Also, the information and projections contained in this document are based on our internal analysis of the market and industry environment. Please note that these estimates are subject to change according to the changes in the management environment and industry conditions.

1. Earnings Summary

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1. Earnings Summary

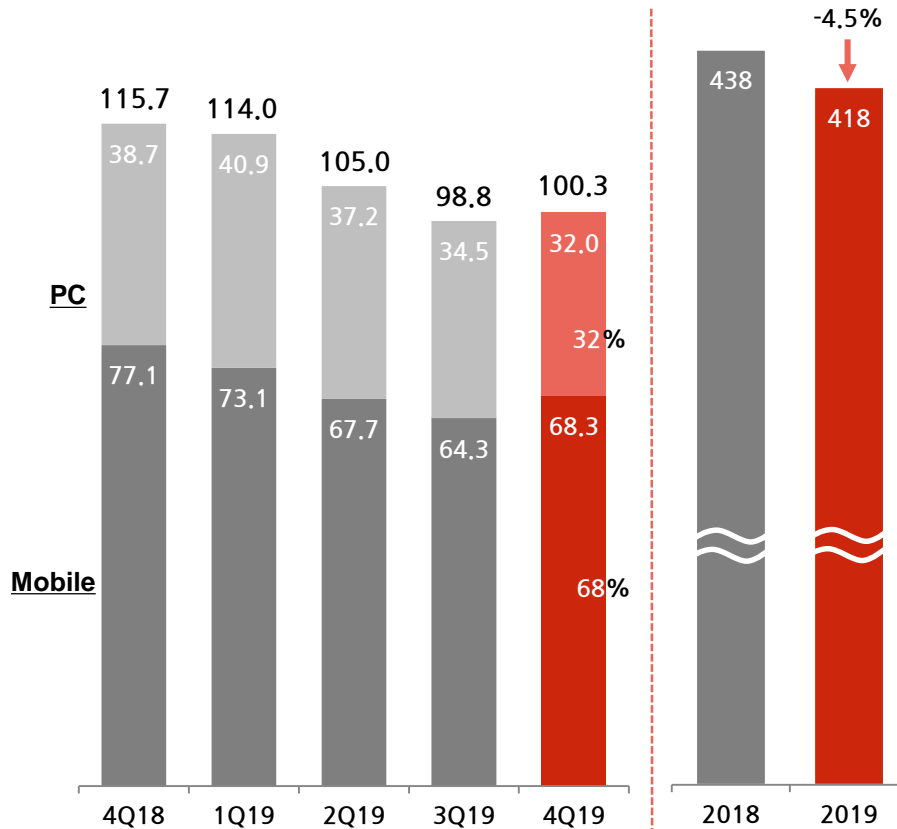


(KRW mil.)	4Q18	1Q19	2Q19	3Q19	4Q19	Change		FY 2019	Change
						Y/Y	Q/Q		Y/Y
Operating revenue	382,457	370,591	366,191	351,715	400,636	4.8%	13.9%	1,489,133	17.8%
Games	115,730	114,003	104,963	98,751	100,268	-13.4%	1.5%	417,985	-4.5%
Payment & Ad	136,655	124,023	131,482	122,450	140,483	2.8%	14.7%	518,437	29.5%
Contents	44,903	49,627	48,898	44,549	44,769	-0.3%	0.5%	187,843	18.2%
Commerce	53,871	50,752	49,063	52,210	71,684	33.1%	37.3%	223,708	27.6%
Technology	31,715	25,341	29,954	31,879	42,090	32.7%	32.0%	129,264	26.4%
Others	8,175	13,780	9,861	8,562	6,380	-22.0%	-25.5%	38,582	147.1%
Internal transaction	-8,592	-6,933	-8,030	-6,685	-5,037	-	-	-26,685	-
Operating Expenses	365,890	348,862	340,750	329,701	382,891	4.6%	16.1%	1,402,203	17.2%
Operating Income	16,567	21,729	25,441	22,015	17,745	7.1%	-19.4%	86,930	26.6%
<i>OPM</i>	4.3%	5.9%	6.9%	6.3%	4.4%	0.1%p	-1.9%p	5.8%	0.4%p
Pre-tax Income	-2,850	28,589	27,644	43,250	-29,159	N/A	N/A	70,323	-54.3%
Income tax Expenses	7,356	17,497	10,341	12,487	1,578	-78.5%	-87.4%	41,902	-14.6%
Net Income	-10,205	11,092	17,303	30,763	-30,737	N/A	N/A	28,421	-72.9%
<i>NPM</i>	-2.7%	3.0%	4.7%	8.7%	-7.7%	-5.0%p	-16.4%p	1.9%	-6.4%p

2-1. Operating Revenues : Games



(KRW bil.)



Revenue KRW 100.3 b

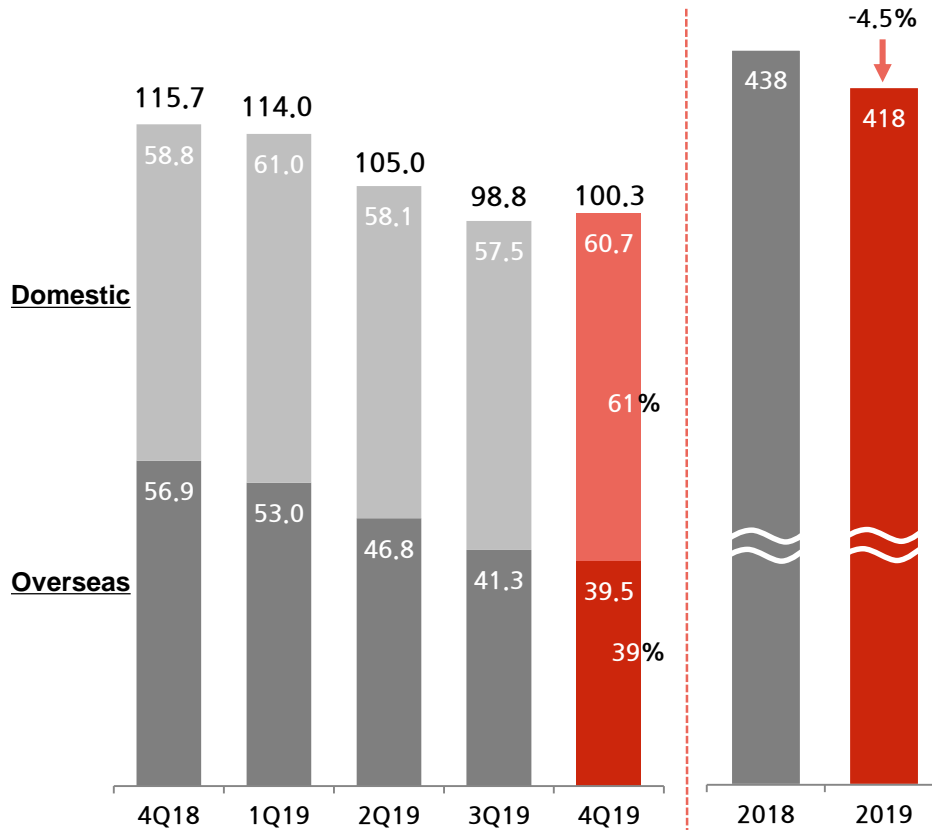
Y/Y -13.4% , Q/Q +1.5%

- **PC Online Games KRW 32.0 b**
Y/Y - 17.4% , Q/Q - 7.3%
 - Web-board game recorded similar revenue to 3Q
 - Decreased Y/Y due to the base effect of “NHN Hangame” (Japan)
- **Mobile Games KRW 68.3 b**
Y/Y - 11.3% , Q/Q + 6.3%
 - #Compass recorded the highest revenue on Dec thanks to the collaboration with external IP
 - Web-board games’ revenue increased continuously
 - Crusader Quest rebounded Q/Q
 - LINE Disney Tsum Tsum, slowly decreasing

2-1. Operating Revenues : Games by Region (Development Base)



(KRW bil.)



Revenue KRW 100.3 b

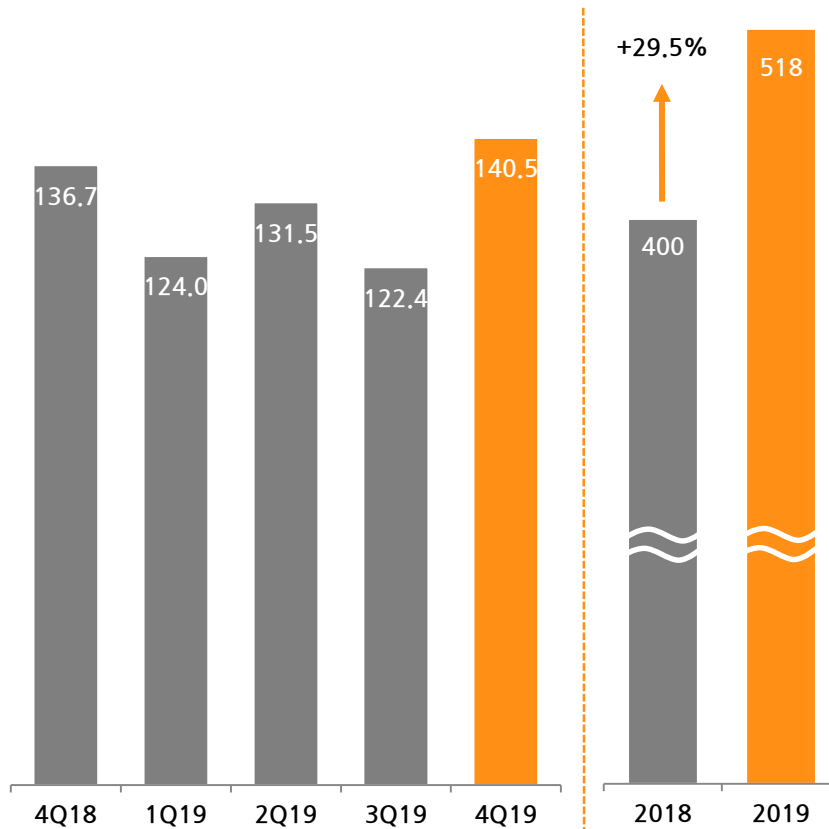
Y/Y -13.4%, Q/Q +1.5%

- Domestic Games KRW 60.7 b
Y/Y + 3.3% , Q/Q + 5.6%
- Overseas Games KRW 39.5 b
Y/Y - 30.6% , Q/Q - 4.2%

2-2. Operating Revenues : Payment & Ad



(KRW bil.)



Revenue KRW 140.5 b

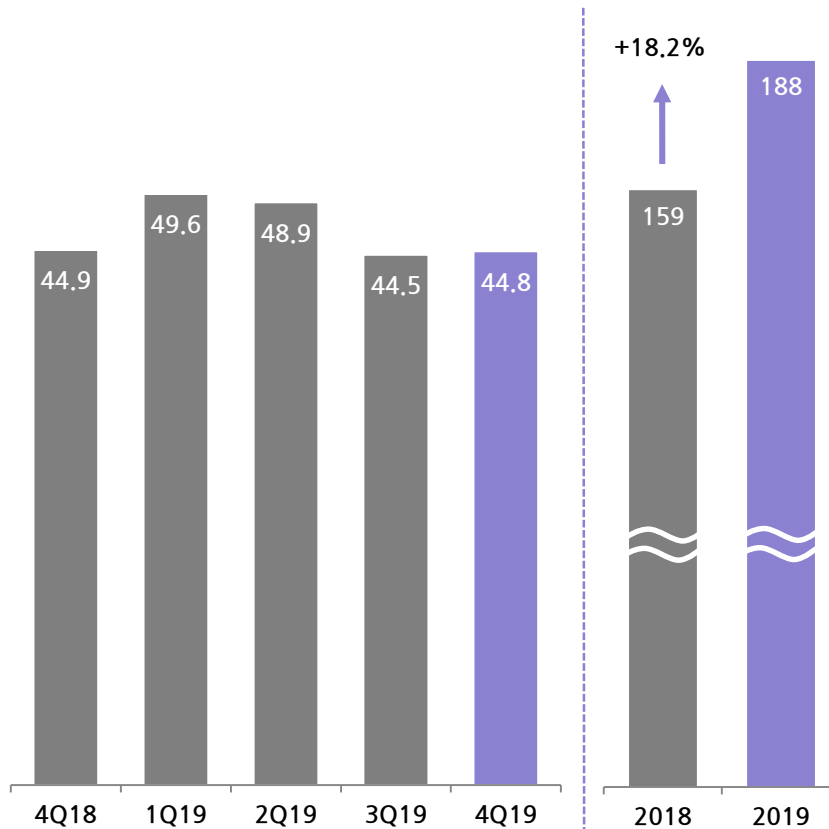
Y/Y + 2.8%, Q/Q + 14.7%

- **NHN PAYCO**
 - 4Q Transaction Volume grew 30% Y/Y
 - 4Q Offline transaction increased 5 times Y/Y
- **NHN KCP**
 - #1 PG player in domestic market
 - Revenue mainly grew from online commerce & foreign merchants transactions
- **AD Business**
 - NHN ACE: DSP sales continuously improved

2-3. Operating Revenues : Contents



(KRW bil.)



Revenue KRW 44.8 b

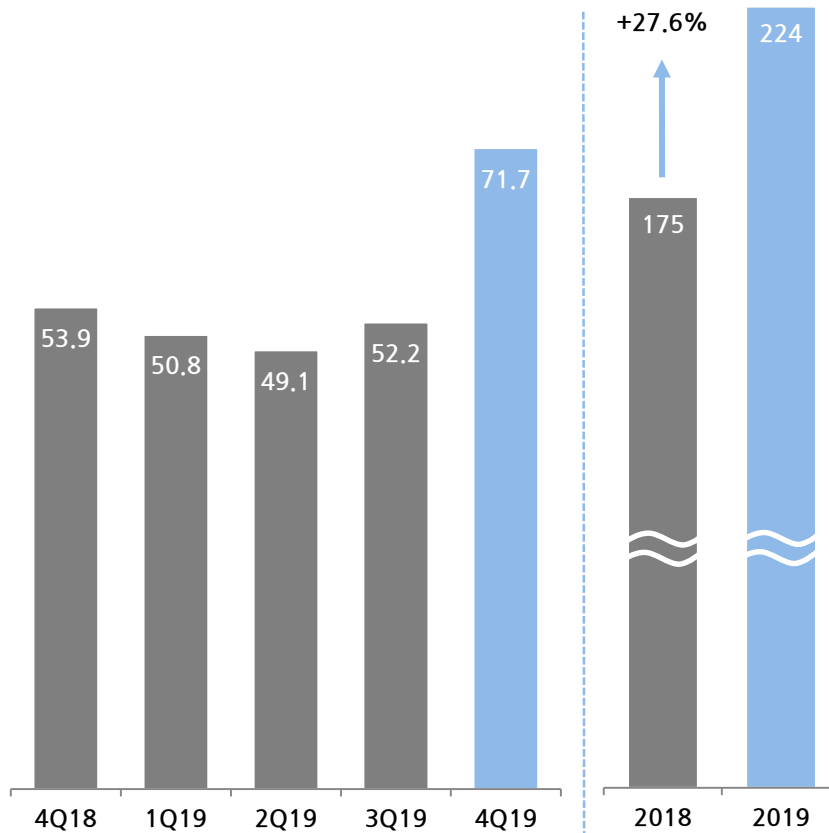
Y/Y - 0.3%, Q/Q + 0.5%

- **NHN Bugs**
 - Increased thanks to album released & expansion of B2B music source distribution
- **NHN Comico**
 - Contents revenue grew led by user increase
- **NHN Ticketlink**
 - Decreased Q/Q due to weak seasonality

2-4. Operating Revenues : Commerce



(KRW bil.)



Revenue KRW 71.7 b

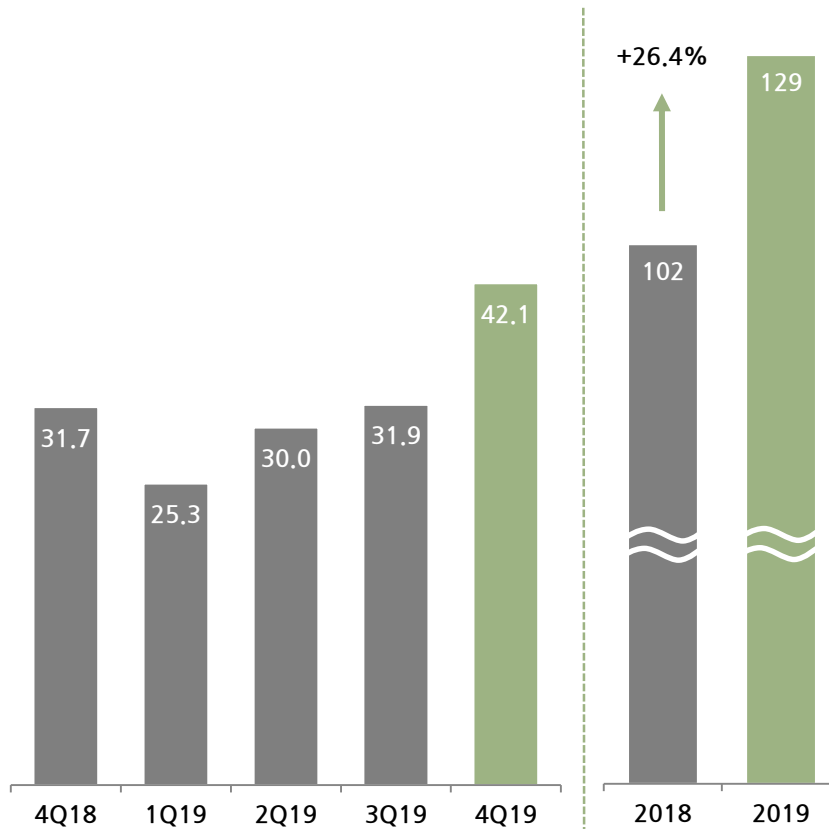
Y/Y + 33.1% , Q/Q + 37.3%

- **Accommate**
 - Increased significantly thanks to high seasonality (Singles Day in China)
- **NHN Global**
 - Steady growth led by BM diversification
- **NHN Godo**
 - Maintained stable revenue trend

2-5. Operating Revenues: Technology



(KRW bil.)



Revenue KRW 42.1 b

Y/Y + 32.7% , Q/Q + 32.0%

- **PNP Secure**
 - Increased significantly Q/Q thanks to high seasonal impact
- **TOAST Cloud**
 - Increased continuously led by external sales for financial / public institutions & commerce companies
- **NHN Techorus**
 - Increased thanks to global cloud product reselling

3. Operating Expenses



Operating Expenses KRW 382.9 b Y/Y + 4.6% , Q/Q + 16.1%

- Commission : Q/Q + 24.0%, increased cost of sales & sales related commission led by commerce & payment businesses revenue growth
- Labor : Q/Q + 6.5%, due to one-off year-end bonus
- Marketing : Q/Q + 13.1%, due to mobile game marketing (#Compass, Crusader Quest, etc.)
- Communications : Q/Q - 7.8%, due to reduced IDC expense as a result of operational efficiency
- Others : Q/Q + 6.6%, increased one-offs such as bad debt expense, etc.

(mil. KRW)	4Q18	1Q19	2Q19	3Q19	4Q19	Change		FY 2019	Change
						Y/Y	Q/Q		Y/Y
Operating Expenses	365,890	348,862	340,750	329,701	382,891	4.6%	16.1%	1,402,203	17.2%
Commission	213,731	202,790	198,337	190,654	236,347	10.6%	24.0%	828,129	23.8%
Labor	96,338	92,711	87,832	83,906	89,392	-7.2%	6.5%	353,840	6.4%
Marketing	13,909	12,101	14,676	16,720	18,911	36.0%	13.1%	62,409	30.2%
Depreciation	15,256	18,019	18,347	18,180	17,644	15.7%	-2.9%	72,189	62.8%
Communications	6,388	6,720	6,882	6,848	6,315	-1.1%	-7.8%	26,765	7.9%
Others	20,268	16,520	14,677	13,393	14,282	-29.5%	6.6%	58,871	-23.8%

4. Incomes



Operating Income KRW 17.7 b : Y/Y + 7.1%, Q/Q - 19.4%

Net loss KRW 30.7 b : Goodwill impairment loss KRW 33.4 b / Losses on disposals of subsidiaries KRW 9.3 b
/ Losses on evaluation on FVPL(Fair value through profit or loss) KRW 5.4 b

(mil. KRW)	4Q18	1Q19	2Q19	3Q19	4Q19	Change		FY 2019	Change
						Y/Y	Q/Q		Y/Y
Operating Income	16,567	21,729	25,441	22,015	17,745	7.1%	-19.4%	86,930	26.6%
<i>Operating Profit Margin</i>	4.3%	5.9%	6.9%	6.3%	4.4%	0.1%p	-1.9%p	5.8%	0.4%p
Non-operating Profit	-19,417	6,859	2,203	21,235	-46,904	-	-	-16,607	-
Financial Income	13,180	10,154	8,087	17,790	12,785	-3.0%	-28.1%	48,817	-58.8%
Non-operating Income	3,485	3,596	4,593	7,424	1,129	-67.6%	-84.8%	16,741	-60.2%
Equity Method Income	6,716	453	566	489	2,762	-58.9%	465%	4,270	-70.3%
Financial Expense	21,420	2,346	6,748	1,530	26,931	25.7%	1,661%	37,555	-9.7%
Non-operating Expense	31,772	3,177	3,693	1,169	36,526	15.0%	3,025%	44,565	6.4%
Equity Method Loss	-10,395	1,820	602	1,768	124	-	-93.0%	4,315	-31.5%
Pre-tax Income	-2,850	28,589	27,644	43,250	-29,159	-	-	70,323	-54.3%
Income Tax	7,356	17,497	10,341	12,487	1,578	-78.5%	-87.4%	41,902	-14.6%
Net Income	-10,205	11,092	17,303	30,763	-30,737	-	-	28,241	-72.9%
<i>Net Profit Margin</i>	-2.7%	3.0%	4.7%	8.7%	-7.7%	-5.0%p	-16.4%p	1.9%	-6.4%p

Appendix

1. Employees



NHN parent basis : 900 Q/Q - 18 people

Consolidated basis : 4,743 Q/Q - 5 people

		3Q19	4Q19	Q/Q
KOREA	NHN	918	900	-18
	NHN PAYCO	218	221	+3
	NHN PixelCube	145	139	-6
	NHN Bigfoot	27	23	-4
	NHN Starfish	24	25	+1
	NHN Wetoo	96	88	-8
	NHN Godo (Excluding Accommate)	240	233	-7
	NHN Bugs	119	117	-2
	NHN KCP	281	301	+20
	NHN AD	143	143	0
	NHN ACE	61	59	-2
	Wisdom House Media Group	154	145	-9
	NHN Doctor Tour	274	267	-7
	Others	785	818	+33
JAPAN	NHN JAPAN	176	169	-7
	NHN PlayArt	191	190	-1
	NHN Comico	47	48	+1
	NHN Techorus	98	97	-1
	NHN Fukuoka	23	23	0
	NHN SAVAWAY	54	50	-4
US	NHN Global & etc.	129	131	+2
	LA Showroom	34	34	0
CHINA	NHN ST	148	158	+10
	Accommate & etc.	313	309	-4
Others	NHN Singapore & etc.	50	55	+5
Total		4,748	4,743	-5

2-1. Financial Statement (Parent)



Income Statement

(mil. KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Sales	60,249	63,686	62,541	65,669	69,510
Game	46,530	49,155	46,355	45,613	48,698
Others	13,719	14,531	16,185	20,056	20,812
Operating Expenses	52,377	54,258	56,076	57,240	63,238
Commission	22,467	23,763	24,439	23,824	24,329
Labor	20,788	21,078	21,201	21,088	22,409
Marketing	1,911	1,825	2,156	3,358	4,440
Depreciation	3,387	3,910	4,250	4,803	5,145
Others	3,824	3,682	4,030	4,167	6,915
Operating Income	7,872	9,428	6,465	8,429	6,272
<i>OPM</i>	<i>13.1%</i>	<i>14.8%</i>	<i>10.3%</i>	<i>12.8%</i>	<i>9.0%</i>
Financial Income	1,739	7,355	5,764	1,125	873
Other Income	1,631	2,993	3,308	2,887	-607
Financial Expense	44,345	439	10,053	-152	32,763
Other Expense	484	1,272	835	916	4,513
Pre-tax Income	-33,587	18,064	4,649	11,678	-30,738
Income Tax	-670	5,605	-2,501	1,719	-5,119
Net Income	-32,916	12,459	7,150	9,959	-25,619
<i>NPM</i>	<i>-54.6%</i>	<i>19.6%</i>	<i>11.4%</i>	<i>15.2%</i>	<i>-36.9%</i>

Balance Sheet

(mil. KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Current Assets	162,545	169,586	160,823	96,529	85,462
Cash and Cash Equivalent	8,772	8,327	26,481	25,955	14,842
Accounts Receivables	142,974	145,505	123,155	63,726	65,632
Others	10,799	15,754	11,187	6,849	4,988
Non-current Assets	1,504,391	1,527,057	1,457,766	1,497,713	1,482,460
Tangible Assets	80,770	83,204	83,777	174,179	177,200
Intangible Assets	13,940	13,335	12,897	21,713	21,748
Investment Assets	1,295,855	1,315,038	1,245,487	1,221,218	1,191,400
Others	113,826	115,480	115,605	80,602	92,112
Total Assets	1,666,936	1,696,643	1,618,590	1,594,242	1,567,922
Current Liabilities	109,956	124,791	41,884	43,876	45,522
Accounts Payables	21,243	22,469	20,865	29,450	28,395
Short-term Borrowings	61,800	66,800	2,800	3,097	3,133
Accrued Income Taxes	18,911	27,503	9,978	2,599	3,765
Others	8,002	8,019	8,241	8,731	10,229
Non-current Liabilities	22,642	24,374	25,056	25,688	27,944
Long-term Accounts Payables	3,784	3,796	3,706	3,792	752
Allowance for Severance Pay	18,248	19,138	19,961	20,543	25,800
Others	609	1,440	1,389	1,353	1,392
Total Liabilities	132,598	149,166	66,940	69,565	73,466
Shareholders' Equity	1,534,338	1,547,477	1,551,650	1,524,677	1,494,456
Paid-in Capital	9,783	9,783	9,783	9,783	9,783
Capital Surplus	1,273,667	1,273,667	1,273,667	1,273,667	1,273,667
Capital Adjustment	-44,000	-44,477	-44,229	-79,298	-80,283
Other Comprehensive Income	2,570	3,727	-11,596	-13,459	-13,014
Retained Earnings	292,318	304,777	324,024	333,984	304,303
Total Equity	1,534,338	1,547,477	1,551,650	1,524,677	1,494,456

2-2. Financial Statement (Consolidated)



Income Statement

(mil. KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Sales	382,457	370,591	366,191	351,715	400,636
Game	115,730	114,003	104,963	98,751	100,268
Payment & Ads	136,655	124,023	131,482	122,450	140,483
Contents	44,903	49,627	48,898	44,549	44,769
Commerce	53,871	50,752	49,063	52,210	71,684
Technology	31,715	25,341	29,954	31,879	42,090
Others	8,175	13,780	9,861	8,562	6,380
Internal transaction	-8,592	-6,933	-8,030	-6,685	-5,037
Operating Expenses	365,890	348,862	340,750	329,701	382,891
Commission	213,731	202,790	198,337	190,654	236,347
Labor	96,338	92,711	87,832	83,906	89,392
Marketing	13,909	12,101	14,676	16,720	18,911
Depreciation	15,256	18,019	18,347	18,180	17,644
Communications	6,388	6,720	6,882	6,848	6,315
Others	20,268	16,520	14,677	13,393	14,282
Operating Income	16,567	21,729	25,441	22,015	17,745
<i>OPM</i>	<i>4.3%</i>	<i>5.9%</i>	<i>6.9%</i>	<i>6.3%</i>	<i>4.4%</i>
Financial Income	13,180	10,154	8,087	17,790	12,785
Equity Method Income	6,716	453	566	489	2,762
Other Income	3,485	3,596	4,593	7,424	1,129
Financial Expense	21,420	2,346	6,748	1,530	26,931
Equity Method Loss	-10,395	1,820	602	1,768	124
Other Expense	31,772	3,177	3,693	1,169	36,526
Pre-tax Income	-2,850	28,589	27,644	43,250	-29,159
Income Tax	7,356	17,497	10,341	12,487	1,578
Net Income	-10,205	11,092	17,303	30,763	-30,737
<i>NPM</i>	<i>-2.7%</i>	<i>3.0%</i>	<i>4.7%</i>	<i>8.7%</i>	<i>-7.7%</i>

Balance Sheet

(mil. KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Current Assets	1,006,318	997,854	910,761	998,818	1,064,088
Cash and Cash Equivalent	385,498	454,396	444,739	468,573	457,784
Accounts Receivables	298,900	269,741	210,681	225,340	285,885
Others	321,920	273,717	255,341	304,906	320,419
Non-current Assets	1,488,336	1,531,719	1,469,972	1,456,256	1,446,906
Tangible Assets	370,746	367,855	364,738	367,376	366,835
Intangible Assets	554,035	551,725	497,214	494,952	468,592
Investment Assets	453,560	456,574	455,182	441,418	425,364
Accounts Receivable	34,715	33,361	35,006	37,367	37,549
Others	75,280	122,204	117,833	115,144	148,566
Total Assets	2,494,654	2,529,572	2,380,733	2,455,073	2,510,994
Current Liabilities	562,479	577,214	429,874	400,111	496,198
Accounts Payables	349,004	314,076	243,321	234,042	322,192
Short-term Borrowings	100,387	124,053	50,029	47,503	72,519
Accrued Income Taxes	38,065	47,136	51,063	44,223	25,247
Others	75,023	91,949	85,461	74,342	76,240
Non-current Liabilities	112,135	130,473	151,805	146,893	160,139
Long-term Accounts Payables	2,315	2,360	1,702	1,214	1,242
Long-term Borrowings	40,498	57,844	60,786	57,373	67,123
Allowance for Severance Pay	35,687	37,577	38,291	39,356	47,974
Deferred Income Tax Credits	22,023	21,700	21,349	19,357	13,625
Others	11,612	10,992	29,677	29,592	30,175
Total Liabilities	674,615	707,687	581,679	547,004	656,337
Shareholders' Equity	1,582,280	1,591,282	1,598,674	1,665,675	1,596,639
Paid-in Capital	9,783	9,783	9,783	9,783	9,783
Capital Surplus	1,237,639	1,237,639	1,237,639	1,237,639	1,237,639
Capital Adjustment	-26,932	-31,531	-34,717	-4,375	-37,038
Other Comprehensive Income	-24,390	-23,349	-21,486	-14,677	-16,884
Retained Earnings	386,181	398,741	407,456	437,306	403,139
Non-controlling Interests	237,759	230,604	200,380	242,394	258,019
Total Equity	1,820,040	1,821,886	1,799,054	1,908,070	1,854,657

THANK YOU



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