

# Krafton (259960)

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Rating **BUY**  
Maintain

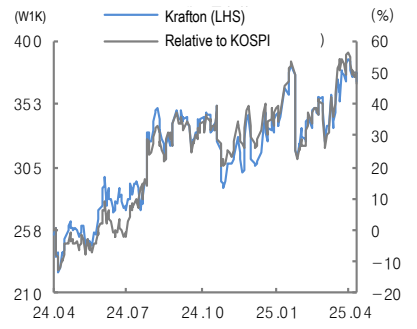
6M TP (₩) **540,000**  
Raised

CP (₩)  
(Apr 29, 2025) **370,000**

Digital content

KOSPI	2565.42
Market cap (Wbn)	17,727
Market cap portion (%)	0.83%
Paid-in capital (common; Wbn)	5
52w high/low (₩)	386,000/ 239,500
120d avg trading volume (Wbn)	54.1
Foreign ownership (%)	41.74%
Major Shareholders	Chang Byung-gyu: 22.76% IMAGE FRAME INVESTMENT(HK) LIMITED 13.86%

(%)	1M	3M	6M	12M
Abs. return	3.1	7.9	7.2	54.2
Rel. return	2.8	6.7	9.4	61.5



## Results Comment

# PUBG holds strong, new titles impress

- 1Q25 consensus beat on solid platform performance; China Mobile leads the upside
- Mobile revenue growth reflected; 2025 earnings forecasts revised up; TP raised by 15%
- High expectations for 2H new titles; yearly profit set to grow 20% or higher; Retain Top pick

Maintain Buy rating with TP raised to ₩540,000; Still our top gaming pick

We raise our target price for Krafton by 15% to ₩540,000, applying a target P/E of 20x to our revised 12MF EPS of ₩27,132. The upward revision reflects growth in PUBG Mobile revenue and an upward adjustment to earnings from mobile platform. Accordingly, 2025 revenue and OP forecasts have been revised up by a respective 7% and 11%.

### Revenue and profit surged even with minimal efforts

The gaming giant posted revenue of ₩874.2bn (+31% YoY, +42% QoQ) and OP of ₩457.3bn (+47% YoY, +112% QoQ) in 1Q25, both beating market consensus by a mile. By platform:

1) **PC revenue** came in at ₩323.5bn (+33% YoY, +39% QoQ), including an estimated ₩285.6bn from PUBG and ₩30.2bn from InZOI. While average Steam traffic for 1Q25 hovered around 750,000, events like the G-coin giveaway to celebrate PUBG's 8<sup>th</sup> anniversary likely sent ARPU decreasing YoY. Meanwhile, InZOI likely recorded sales of around 700,000 copies over just four days during the first quarter; 2) **Mobile revenue** reached ₩532.4bn (+32% YoY, +47% QoQ), with solid performance across all major regions, notably led by China. Operating expenses came in at ₩416.9bn (+4% QoQ). Noteworthy is that marketing expenses dropped 40% QoQ, despite new title launches. Given the commercial success achieved without sizeable marketing efforts, the company appears to be seeing an improving hit ratio.

### InZOI joins PUBG in lifting 1H, blockbuster title to come in 2H

InZOI, which launched in Early Access on March 28, sold over 1 million copies within the first week, with over 95% of sales reportedly from global markets. Cumulative sales of over 1.5 million copies—equivalent to AAA-grade domestic titles previously released on Steam—by the end of the year seem easily achievable. Through this success, Krafton seems to have secured a new long-cycle IP, beyond PUBG. Going into 2H25, **Subnautica II**, currently ranked fourth on Steam's wishlist and generating even faster excitement than InZOI, will likely be released through Early Access. IP awareness already appears high, as numerous in-game videos of the previous version have been uploaded on YouTube. This should signal that Krafton is well-positioned to secure another global IP in a short period of time. Furthermore, Krafton is currently developing three new PUBG-based games, one of which—**PUBG: Blindspot**—is slated for launch during the second half.

We find it appropriate to apply the global peer average multiple of 20x, based on the following reasons: 1) New releases are speeding up, with the addition of new IPs, 2) hit ratio is improving with the use of Early Access and community-based strategies, even without heavy marketing efforts. We also expect 2025 earnings to grow over 20% YoY, evidenced by the stellar performance from both the existing PUBG lineup and the newly launched titles. With earnings growth outpacing share price gains, Krafton remains highly attractive from the valuation perspective, and therefore, we maintain the company as our top gaming pick.

(Wbn, %)										
	1Q24	4Q24	1Q25					2Q25		
			Prev. est.	Prelim. result	YoY	QoQ	Consensus	Daishin est.	YoY	QoQ
Revenue	666	618	811	874	31.3	41.6	794	756	6.9	-13.5
OP	311	215	403	457	47.3	112.2	386	313	-5.8	-31.6
NP	350	492	338	388	10.9	-21.1	332	280	-18.1	-27.9

Source: Krafton, FnGuide, Daishin Securities Research Center

Operating results and major financial data

(Wbn, W, %)

	2023A	2024A	2025F	2026F	2027F
Revenue	1,911	2,710	3,309	3,752	3,954
OP	768	1,182	1,462	1,592	1,626
Pretax profit	829	1,723	1,707	1,835	1,869
NP	594	1,303	1,275	1,376	1,402
NP (controlling int.)	595	1,306	1,277	1,378	1,403
EPS	12,221	27,162	26,645	28,754	29,284
PER	15.8	11.5	13.7	12.8	12.6
BPS	114,012	141,993	169,157	197,909	227,194
PBR	1.7	2.2	2.2	1.9	1.6
ROE	11.2	21.1	17.1	15.7	13.8

\* EPS, BPS, and ROE based only on the controlling interest   Source: Krafton, Daishin Securities Research Center

Annual earnings forecast revision

(Wbn, W, %, %p)

	Previous		Revised		Change	
	2025F	2026F	2025F	2026F	2025F	2026F
Revenue	3,084	3,421	3,309	3,752	7.3	9.7
SG&A expense	1,774	1,998	1,847	2,160	4.1	8.1
OP	1,310	1,423	1,462	1,592	11.6	11.8
OP margin	42.5	41.6	44.2	42.4	1.7	0.8
Non-operating profit	142	105	245	243	72.2	131.9
Pretax profit	1,452	1,528	1,707	1,835	17.5	20.1
NP (controlling int.)	1,126	1,216	1,277	1,378	13.4	13.3
NP margin	36.3	35.3	38.5	36.7	2.3	1.4
EPS (controlling int.)	23,507	25,376	26,645	28,754	13.4	13.3

Source: Krafton, Daishin Securities Research Center

Tap 1. TP Calculation

(Wbn)

		Note
12MF NP (Controlling interest) (Wbn)	1,283.2	
Target PER (x)	20.0x	Average 12MF P/E of global peers
Targe market cap (Wbn)	25,664.1	
# of shares outstanding (1K shares)	47,911.0	
Fair price (W)	535,663	
Target price (W)	540,000	Rounded off
Current price (W)	370,000	
Upside potential	45.9%	

Source: Daishin Securities Research Center

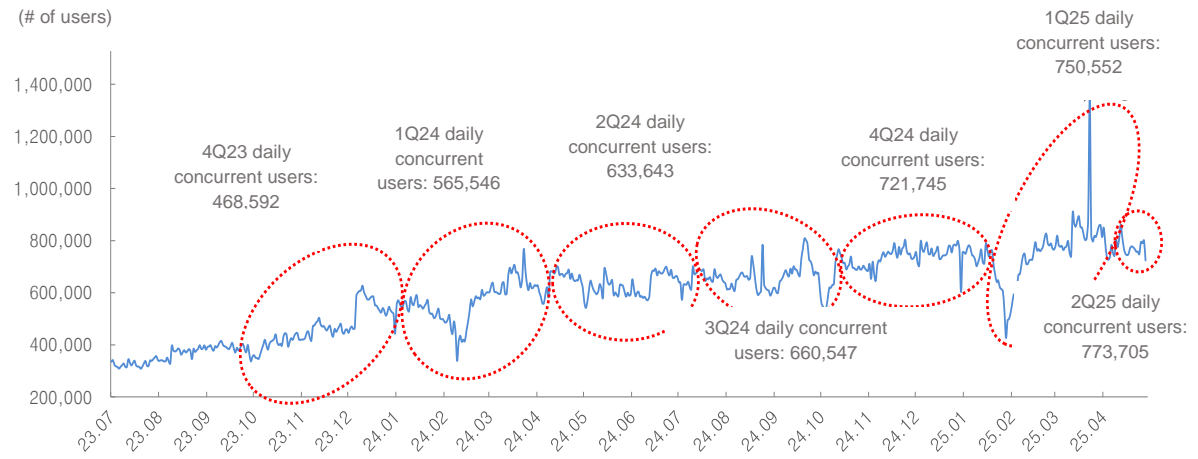
Tap 2. Earnings forecasts

(Wbn, %)

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25E	4Q25E	2024	2025E	2026E
Revenue	665.9	707.0	719.3	617.6	874.2	755.9	923.8	755.2	2,709.8	3,309.1	3,751.9
YoY	23.6%	82.6%	59.7%	15.5%	31.3%	6.9%	28.4%	22.3%	41.8%	22.1%	13.4%
QoQ	24.6%	6.2%	1.7%	-14.1%	41.5%	-13.5%	22.2%	-18.2%			
PC	243.7	191.3	274.3	232.6	323.5	273.3	413.8	269.5	941.9	1,280.1	1,515.1
Mobile	402.3	499.9	425.4	362.2	532.4	467.1	493.6	469.4	1,689.8	1,962.5	2,172.3
Console	11.5	8.8	11.8	12.3	13.1	10.4	11.2	11.2	44.4	46.0	44.9
Others	8.4	8.8	7.8	10.5	5.2	5.1	5.1	5.0	35.5	20.5	19.7
Operating expenses	355.4	374.9	394.9	402.1	416.9	443.1	491.8	495.3	1,527.3	1,847.1	2,160.3
Commissions paid	61.3	76.4	80.4	97.9	84.2	105.3	110.5	116.0	316.0	416.0	526.1
M. app commissions	85.9	77.5	101.1	84.8	105.0	102.4	127.8	104.2	349.3	439.4	500.0
Payroll	121.4	129.6	133.1	132.7	148.4	157.5	166.2	183.8	516.8	655.8	767.2
Marketing	12.4	21.2	29.9	37.9	22.9	18.3	29.3	38.1	101.4	108.6	114.3
Stock compensation	42.1	35.2	14.5	10.5	17.9	18.1	18.3	18.4	102.3	72.7	75.6
Other	32.3	35.0	35.9	38.3	38.5	41.6	39.7	34.7	141.5	154.5	177.0
OP	310.5	332.1	324.4	215.5	457.3	312.8	432.0	259.9	1,182.5	1,462.0	1,591.7
Margin	46.6%	47.0%	45.1%	34.9%	52.3%	41.4%	46.8%	34.4%	43.6%	44.2%	42.4%
NP	348.6	341.5	121.3	491.2	371.5	284.8	374.8	244.2	1,302.6	1,275.3	1,376.3
Margin	52.4%	48.3%	16.9%	79.5%	42.5%	37.7%	40.6%	32.3%	48.1%	38.5%	36.7%

Source: Krafton, Daishin Securities Research Center

Fig 1. PUBG PC: Traffic trends on Steam



Source: steamdb, Daishin Securities Research Center

Tap 3. 2025 Krafton new title lineup

Game	Date of launch	Genre	Platform	Developer	Note
inZOI	2025.03.28	Life simulation	PC, console	Krafton	Set for release via Early Access
Project AB (previously Dark and Darker Mobile)	2H25	Extraction RPG	Mobile	Bluehoe Studio	- North American soft launch scheduled in 1Q25 - Global launch scheduled in 2H25
Subnautica II	2H25	Ocean survival game	PC, console	Unknown worlds	- Set to launch on Xbox Game Pass
PUBG: Blindspot	2H25	PvP shooter, action	PC	PUBG Studio	Presented in G-Star 2024
Dinkum Mobile	2H25	Life simulation	PC, console	James Bendon	- publishing rights trasferred to Steam - Additional release of console-based version - Not the same as the title presented at G-Star 2024. The G-Star demo title Dinkum Together is scheduled for release in 2026

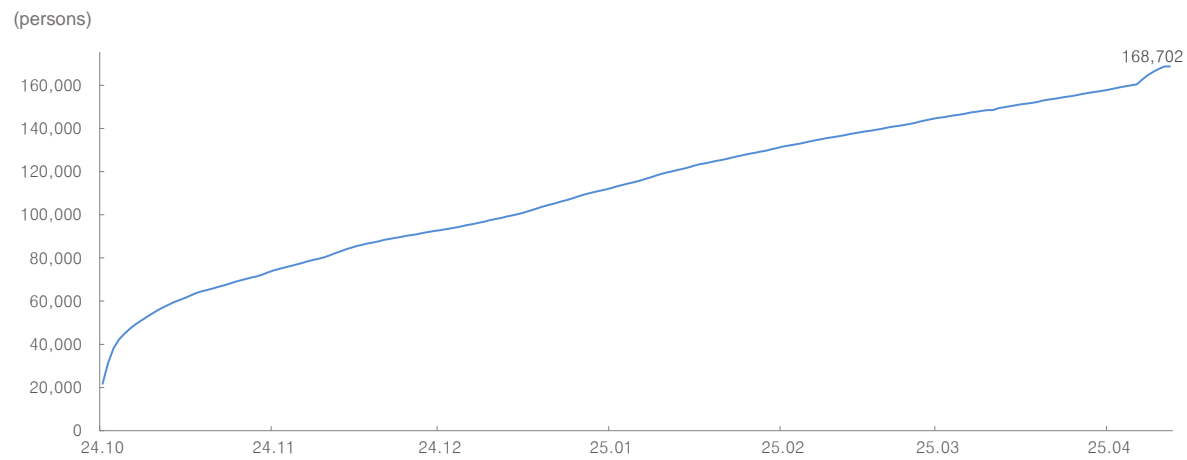
Source: Krafton, Daishin Securities Research Center

Tap 4. Subnautica series sales info

Game	Date of launch	Package sales volume	Price	Note
Subnautica	January 23, 2018	- At least 5.23 million sales volume recorded in across-the-board platforms two years after launch - Steam: cumulative sales of 6 million in 2024 - Epic Games: 4.5 million downloads in 2019's two-week free trial event	\$29.99	- Single play - Offline - approx. 30 hours long
Subnautica: Below Zero	May 14, 2021		\$29.99	- Single play - Offline - approx. 20 hours long

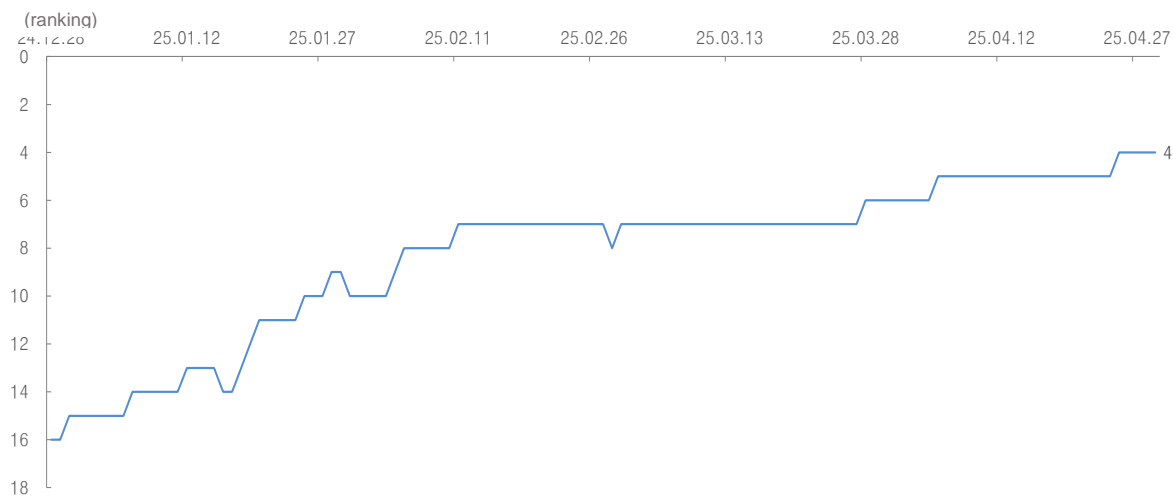
Source: Press, Unknown Worlds, Daishin Securities Research Center

Fig 2. Subnautica II follower trends on Steam: 148,556 followers as of Mar 28, 2025



Source: Kraiton, steamdb, Daishin Securities Research Center

Fig 3. inZOI jumps to 5<sup>th</sup> on Steam's wish list



Source: Kraiton, steamdb, Daishin Securities Research Center

Financial statements

Income statement					(Wbn)
	2023A	2024A	2025F	2026F	2027F
Revenue	1,911	2,710	3,309	3,752	3,954
Cost of goods sold	0	0	0	0	0
Gross profit	1,911	2,710	3,309	3,752	3,954
SG&A expenses	1,143	1,527	1,847	2,160	2,329
OP	768	1,182	1,462	1,592	1,626
OP margin	40.2	43.6	44.2	42.4	41.1
EBITDA	876	1,289	1,541	1,659	1,685
Non-OP	61	540	245	243	243
Income from affiliates	-44	-48	0	0	0
Financial revenue	38	33	25	26	26
FX related gains	71	158	158	158	158
Financial expense	-9	-9	-12	-16	-16
FX related losses	0	0	0	0	0
Others	76	565	231	233	233
Income before taxes	829	1,723	1,707	1,835	1,869
Income tax expense	-235	-420	-431	-459	-467
Income from cont. op.	594	1,303	1,275	1,376	1,402
Income from discount. op.	0	0	0	0	0
NP	594	1,303	1,275	1,376	1,402
NP margin	31.1	48.1	38.5	36.7	35.4
NP for non-contr. interest	-1	-3	-1	-1	-1
NP for contr. interest	595	1,306	1,277	1,378	1,403
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	7	7	7	7
Comprehensive income	593	1,376	1,349	1,450	1,475
Comp. income for non-contr. int.	-1	-4	-1	-1	-1
Comp. income for contr. int.	594	1,380	1,350	1,451	1,477

Valuation					(W, x, %)
	2023A	2024A	2025F	2026F	2027F
EPS	12,221	27,162	26,645	28,754	29,284
PER	15.8	11.5	12.7	11.8	11.6
BPS	114,012	141,993	169,157	197,909	227,194
PBR	1.7	2.2	2.2	1.9	1.6
EBITDAPS	17,982	26,805	32,169	34,636	35,159
EV/EBITDA	7.4	8.8	8.7	7.6	7.4
SPS	39,217	56,353	69,068	78,310	82,530
PSR	4.9	5.5	5.4	4.7	4.5
CFPS	18,854	29,699	27,777	30,216	30,739
DPS	0	0	0	0	0

Financial ratios					(W, x, %)
	2023A	2024A	2025F	2026F	2027F
Growth potential					
Revenue growth	3.1	41.8	22.1	13.4	5.4
OP growth	2.2	54.0	23.6	8.9	2.1
NP growth	18.8	119.3	-2.1	7.9	1.8
Profitability					
ROIC	37.4	60.7	67.1	67.5	66.1
ROA	12.3	16.5	17.1	16.1	14.4
ROE	11.2	21.1	17.1	15.7	13.8
Stability					
Debt ratio	15.9	16.0	13.5	11.5	10.0
Net borrowings ratio	-52.2	-53.3	-54.2	-53.4	-48.8
Interest coverage ratio	86.2	125.0	0.0	0.0	0.0

Source: Krafton, Daishin Securities Research Center

Balance sheet					(Wbn)
	2023A	2024A	2025F	2026F	2027F
Current assets	3,964	5,004	5,976	6,816	7,139
Cash & cash equiv.	721	582	1,331	2,006	2,254
Trade & other receive.	717	1,018	1,240	1,405	1,480
Inventories	0	0	0	0	0
Other current assets	2,526	3,405	3,405	3,405	3,405
Long-term assets	2,476	2,915	3,220	3,758	4,839
Tangible assets	257	240	200	169	147
Investments in affiliates	571	722	929	1,137	1,344
Other long-term assets	1,648	1,953	2,091	2,452	3,348
Total assets	6,440	7,919	9,196	10,574	11,978
Current liabilities	521	785	785	785	785
Payables & other liab.	224	238	238	238	238
Borrowings	7	7	7	7	7
Current portion of LT debts	0	0	0	0	0
Other current liabilities	290	539	539	539	539
Long-term liabilities	361	306	306	306	306
Borrowings	0	0	0	0	0
Convertible securities	0	0	0	0	0
Other long-term liab.	361	306	306	306	306
Total liabilities	882	1,090	1,090	1,090	1,090
Controlling interest	5,554	6,828	8,104	9,482	10,885
Capital stock	5	5	5	5	5
Capital surplus	1,472	1,478	1,478	1,478	1,478
Retained earnings	3,895	5,081	6,358	7,736	9,139
Other capital changes	183	264	264	264	264
Non-controlling interest	4	1	2	2	2
Total shareholders' equity	5,559	6,829	8,106	9,484	10,887
Net borrowings	-2,904	-3,642	-4,391	-5,066	-5,314

Cash flow statement					(Wbn)
	2023A	2024A	2025F	2026F	2027F
Operating cash flows	662	908	627	774	880
NP	594	1,303	1,275	1,376	1,402
Non-cash items	324	126	56	71	71
Depreciation	108	106	79	68	59
FX gains	-8	-96	-123	-123	-123
Equity method gain	44	48	0	0	0
Others	180	67	100	127	135
Chg in assets & liab.	-139	-276	-273	-215	-125
Other cash flows	-117	-244	-431	-459	-467
Investing cash flow	-394	-832	-455	-676	-1,210
Investment assets	-48	-666	-365	-586	-1,120
Tangible assets	-34	-20	-20	-20	-20
Others	-312	-146	-70	-70	-70
Financing cash flows	-225	-259	-65	-65	-65
Short-term borrowings	0	0	0	0	0
Bonds payable	0	0	0	0	0
Long-term borrowings	0	0	0	0	0
Rights offering	19	6	0	0	0
Cash dividends	0	0	0	0	0
Others	-244	-265	-65	-65	-65
Net chg in cash	46	-139	749	675	248
Beginning cash balance	675	721	582	1,331	2,006
Ending cash balance	721	582	1,331	2,006	2,254
NOPLAT	551	894	1,092	1,194	1,219
FCF	649	974	1,151	1,241	1,258

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**(Analyst: Lee Jee-eun)**

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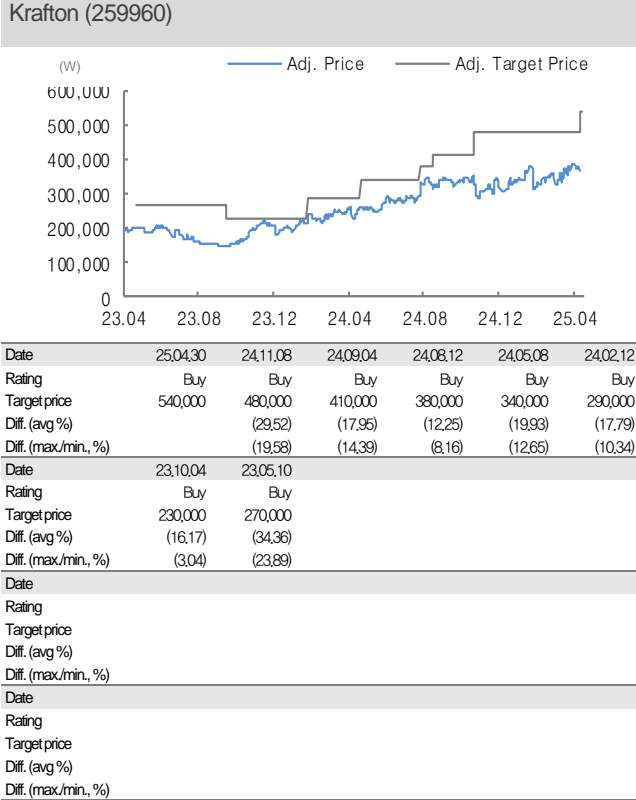
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[Target price history & investment rating]



Investment rating (As of Apr 27, 2025)

	Buy	Marketperform	Underperform
Ratio	91.0%	9.0%	0.0%

Sector ratings

- Overweight rating denotes industry indicators are expected to outperform the market over the next six months.
- Neutral rating denotes industry indicators are expected to be in line with the market over the next six months.
- Underweight rating denotes industry indicators are expected to underperform the market over the next six months.

Company ratings

- Buy rating denotes the stock is expected to outperform the market by at least 10%p over the next six months.
- Marketperform rating denotes the stock is expected to either outperform or underperform the market by less than 10%p over the next six months.
- Underperform rating denotes the stock is expected to underperform the market by at least 10%p over the next six months.