



# 4Q18 Earnings Presentation

Pearl Abyss Corp.  
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PEARLABYSS

# Disclaimer

Financial results and operating performance data contained in this presentation are for investors' reference, and may change as a result of final settlement results. We do not assure the perfect accuracy of the financial results described in this presentation. Also, the data may change due to future events.

This presentation contains future “expectation” data. This is related to future events and show the company's future expectations on financial and business results. However, the actual results may differ due to unexpected changes in global and domestic financial markets, changes in the industry and changes in the company's business plan.

We do not take any responsibility for any loss due to this data.

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# 1. 2018 Overview

## ◆ Continuous IP enhancement using world-class technologies, overseas market expansion and extension on to new game platforms

### - Black Desert: IP Enhancement

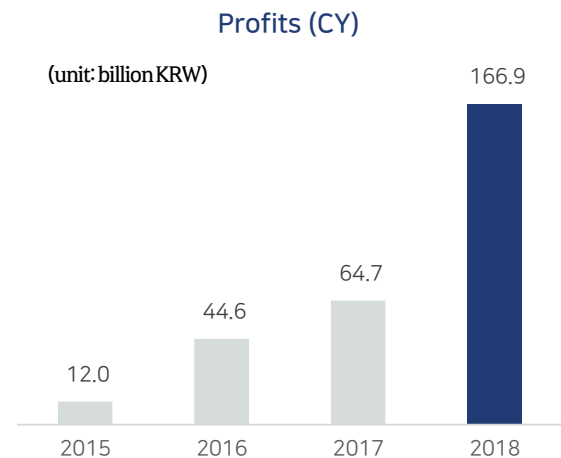
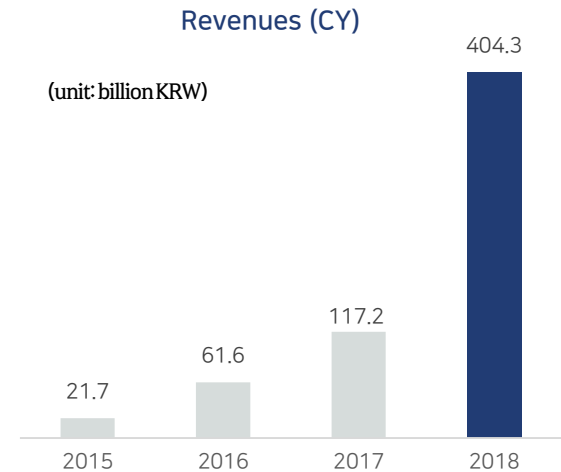
- Remaster launched in all service regions (Aug. 2018)
- Constant content updates: provided monthly/bimonthly major content updates including new classes and territories
- Accumulated more than 10 million players and 2.4 billion hours of play time worldwide

### - Global Market Expansion: Beyond Asia to Europe and the U.S.

- Launched Black Desert in Thailand and Southeast Asia (Jan. 2018): accumulated more than 750,000 players in first 4 months
- Re-opened service of Black Desert in Russia (Nov. 2018): self-published by Pearl Abyss H.K
- Established overseas branches to secure local networks: Japan (July 2018) / U.S. (Aug. 2018)
- Acquired CCP Games to make headway into the western market

### - Platform Extension: Demonstrating the Full Potential of the Black Desert IP

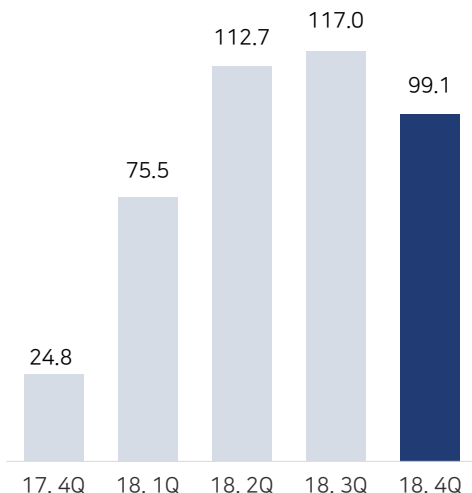
- Black Desert Mobile: Released in Korea (Feb. 2018) and Taiwan (Aug. 2018)
  - ✓ Top sales rankings in both the App Store & Google Play
  - ✓ Recognized with 6 awards including “Game of the Year” at the 2018 Korea Game Awards
  - ✓ Number of players and revenues rebounded after the Awakening system update in Korea
- Black Desert for Xbox: available for pre-order (Jan. 7 ~ Mar. 3, 2019)
  - ✓ OBT ( Nov. 2018 ): 190,000 participants (90% of players that registered)



## 2. 4Q18 Highlights

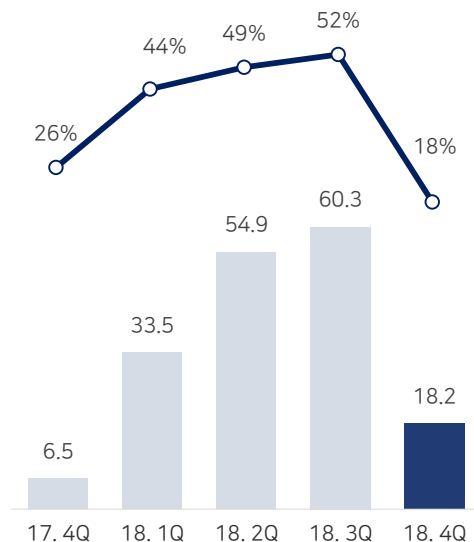
- ◆ KRW 99.1 billion in operating revenue, KRW 18.2 billion in operating profit and KRW 13.6 billion in net profit recorded in the 4th quarter of 2018
- ◆ Operating revenue (299%), operating profit (180%) and net profit (1,057%) increased compared to the same period last year

<Operating Revenue>



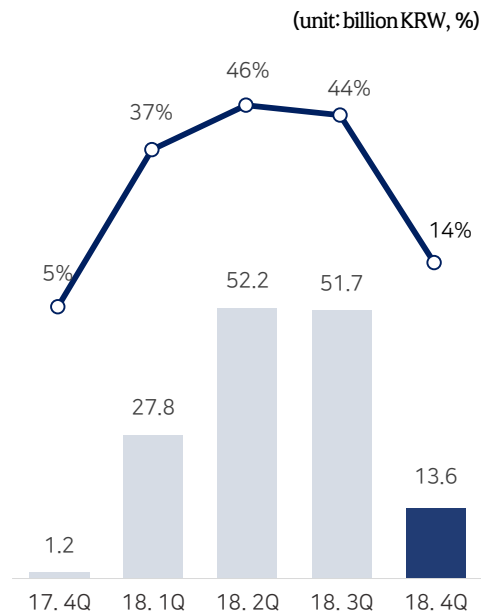
KRW 99.1 billion in revenue  
YoY 299.8 % Increase  
QoQ 15.3 % Decrease

<Operating Profit>



KRW 18.2 billion in operating profit  
YoY 180.4 % Increase  
QoQ 69.9 % Decrease

<Net Profit>

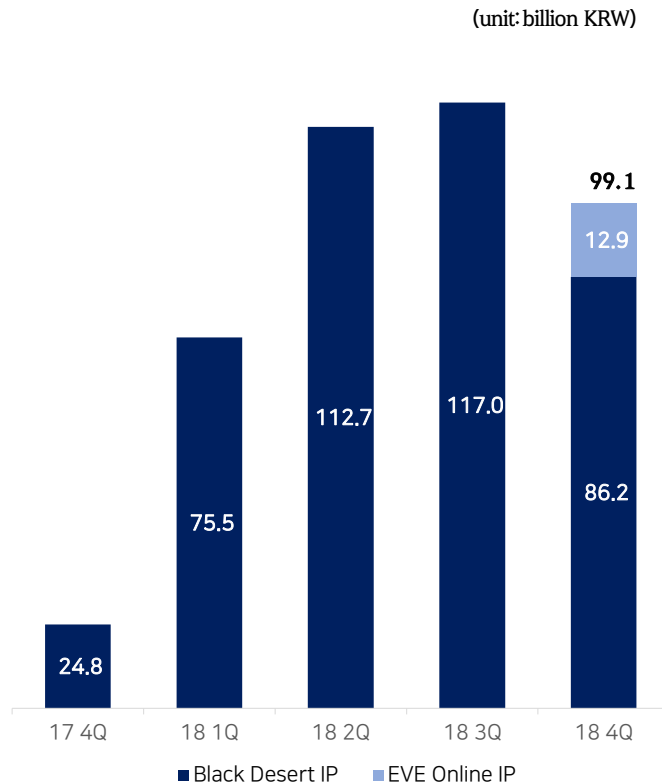


KRW 13.6 billion in net profit  
YoY 1,057 % Increase  
QoQ 73.8 % Decrease

### 3. 4Q18 Revenues

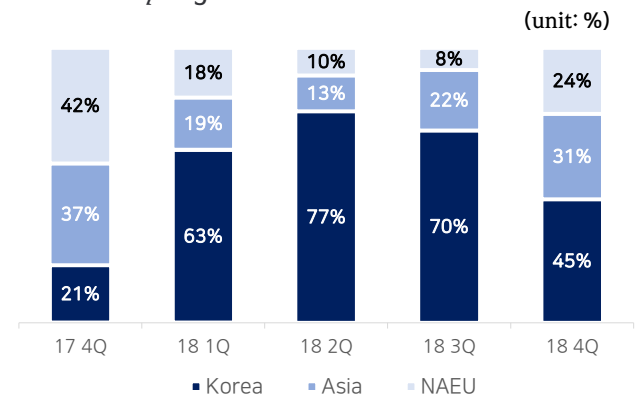
- ◆ Increase in Global Revenue: due to continued global service expansion of Black Desert and acquisition of CCP Games
- ◆ Increase in sales generated from PC segment with the addition of EVE Online

< Revenue by IP >

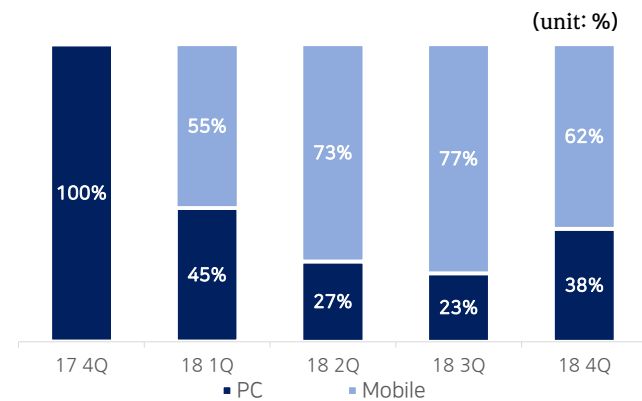


※ EVE Online IP revenue was generated in 70 days (2018. 10. 23~)

< Revenue by region >



< Revenue by platform >



## 4. 4Q18 Expenses

### ◆ KRW 80.9 billion in 4Q operating expenses, 42.8% increased compared to 3Q

- Labor Costs : increased 81.3% QoQ from hiring new employees and additional costs generated by CCP Games employees
- Commissions : increased 31.3% QoQ due to consulting fees from acquiring CCP Games and cloud server costs
- Advertising Costs : similar to 3Q, generated by Awakening update marketing, etc.

(Unit : million KRW, %)

Category	4Q17	1Q18	2Q18	3Q18	4Q18	Percentage	Percentage of Revenue	QoQ	YoY
<b>Operating Expenses</b>	<b>18,239</b>	<b>41,934</b>	<b>57,860</b>	<b>56,676</b>	<b>80,918</b>	<b>100.0%</b>	<b>81.6%</b>	<b>42.8%</b>	<b>343.7%</b>
Labor	7,351	9,789	14,975	11,879	21,535	26.6%	21.7%	81.3%	193.0%
Commissions	2,082	17,836	29,998	31,461	41,313	51.1%	41.7%	31.3%	1,884 %
Advertising	5,209	10,506	9,195	9,959	9,499	11.7%	9.6%	(4.6)%	82.3%
D&A	577	645	700	873	2,582	3.2%	2.6%	195.8%	347.3%
etc.	3,020	3,158	2,992	2,504	5,989	7.4%	6.0%	139.2%	98.4%

### ※ Quarterly status of employees and the proportion of development staff

(unit: number of employee, %)

Category	4Q17	1Q18	2Q18	3Q18	4Q18	Percentage	QoQ	YoY
<b>Employees</b>	<b>356</b>	<b>440</b>	<b>513</b>	<b>570</b>	<b>953</b>	<b>100%</b>	<b>67.2%</b>	<b>167.7%</b>
Development	233	268	311	347	595	62.4%	71.5%	155.4%
Business / Staff	123	172	202	223	358	37.6%	60.5%	191.1%

※ Additional 255 employees from CCP Games included in 4Q18 figures

## 5. 2019 Outlook

### ◆ Capitalize on new and existing IPs and secure new growth engines

#### ✓ Secure advanced technology for high-quality game development

- Develop the next-generation proprietary game engine for application to the development of new IPs
- Exchange know-how with CCP Games for strategic entry into western markets

#### ✓ Continue efforts to prolong PLC

- Black Desert: The largest PvP combat “National War”  
New territory “Odilita” and New system “Adventure journal”
- Black Desert Mobile: All class succession, New character release, “Desert” area release
- EVE Online : EVE Invasion World Tour, Voice of Adventure

#### ✓ From Asian game company to global game studio

- Launch Black Desert for console (March)
- Launch Black Desert Mobile in Japan, U.S. and Europe
  - Japan : Scheduled to launch on Feb. 26 (available for pre-registration starting Jan. 8, CBT on Jan. 31)
- Venture into Sci-fi genre : known for loyal fanbase, popular in the West

#### ✓ Continue to utilize existing IPs and obtain new competitive IPs

- Shadow Arena: new MMORPG battle royale mode in Black Desert launched in all service regions in Jan. 2019
- New-projects under development using EVE Online IP : NOVA, WoA, Echoes
- Project K / Project V



# Appendix

- ▶ Consolidated Financial Statements

# A1. Consolidated Financial Statements

## Statement of Financial Position

(Unit : million KRW)

	2017.12.31	2018.12.31
<b>Assets</b>		
<b>I . Current Assets</b>	279,877	354,798
Cash and Cash Equivalents	240,510	228,971
ST Financial Instruments	16,286	53,092
Liquidity investment assets	-	3,958
AFS financial assets	4,771	-
Account receivables & Other receivables	16,692	50,016
Others	1,618	18,761
<b>II . Non-Current Assets</b>	16,703	357,101
Account receivables & Other receivables	3,066	16,519
LT Financial Instruments	126	128
Non-liquidity investment assets	-	6,407
Tangible Assets	6,237	35,793
Intangible Assets	4,222	286,700
Investment in affiliated companies	602	736
Deferred tax asset	2,450	9,678
Other non-current assets	-	1,140
<b>Total Assets</b>	<b>296,580</b>	<b>711,899</b>

	2017.12.31	2018.12.31
<b>Liabilities</b>		
<b>I . Current Liabilities</b>	19,757	116,297
Other liabilities	7,153	26,572
Short-term borrowings	-	20,000
Current Portion of Long-Term Debt	-	20,000
Income taxes payable	1,528	23,752
Others current liabilities	11,076	25,973
<b>II . Non-Current Liabilities</b>	1,626	188,792
Other liabilities	-	1,982
Long-term debt	-	115,905
Finance lease liabilities	-	20,377
Provision	-	27,715
Net defined benefit liability	654	-
Other non current liabilities	972	-
Deferred tax liability	-	22,813
<b>Total Liabilities</b>	<b>21,383</b>	<b>305,089</b>
<b>Capital</b>		
I . Capital stock	6,033	6,472
II . Capital Surplus	181,490	192,111
III. Retained Earnings	85,134	230,400
IV. Capital Adjustments	3,115	(18,972)
V . Accumulated other comprehensive Income	(575)	(3,201)
VI. Non-controlling interests	-	-
<b>Total Capital</b>	<b>275,197</b>	<b>406,810</b>

※ This financial statement may change as a result of final settlements.

## A2. Consolidated Financial Statements

### Comprehensive Income Statement

(Unit : million KRW)

	2017Y	1Q18	2Q18	3Q18	4Q18	2018Y
<b>Revenue</b>	<b>117,219</b>	<b>75,518</b>	<b>112,682</b>	<b>116,986</b>	<b>99,070</b>	<b>404,256</b>
Operating Expenses	52,488	41,934	57,860	56,675	80,918	237,388
<b>Operating Profit</b>	<b>64,731</b>	<b>33,584</b>	<b>54,822</b>	<b>60,311</b>	<b>18,152</b>	<b>166,868</b>
Financial Income	(6,147)	761	6,063	(1,774)	2,447	7,497
Non-Operating Income	(94)	(135)	6	151	(390)	(367)
Income from Equity Method	121	73	114	(6)	(63)	118
Income before Income Tax	58,611	34,283	61,005	58,682	20,146	174,116
Income Tax Expenses	9,061	6,450	8,844	6,971	6,684	28,849
<b>Net Profit</b>	<b>49,550</b>	<b>27,833</b>	<b>52,161</b>	<b>51,711</b>	<b>13,562</b>	<b>145,267</b>

※ This financial statement may change as a result of final settlements.

# Q & A