

Q1 '20 Earnings Presentation

Pearl Abyss Corp.

13 May, 2020



Disclaimer

This presentation contains forward-looking statements that relate to our future operations, prospects, developments, strategies, business growth, and financial outlook. Forward-looking statements are identified by words such as 'believes', 'estimates', 'expects', 'intends', 'may', 'projects', 'could', 'should', 'will', 'continue' and other similar expressions.

All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, do not guarantee future performance and are subject to certain risks, uncertainties, and other factors beyond our control and difficult to predict.

Also, Forward-looking statements are identified based on the current market situation and company's strategies, therefore, can be altered without notifications due to changes in market or the company's strategies.

Contents

- 01** Q1'20 Overview
- 02** Q1'20 Operating Performance
- 03** Q1'20 Revenue Breakdown
- 04** Q1'20 Operating Expenses
- 05** Q2'20 Highlight



Appendix

1. Q1'20 Overview

❖ Efforts on Improving IP Profitability

❖ Q1 Business Highlight

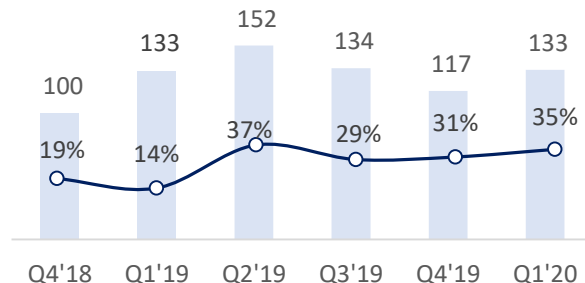
- Black Desert
 - Console : 'Cross-Play' → Increase in user/revenue
 - PC/Mobile : Maintained solid revenue
- EVE Online
 - Better user experience → Increase in user/revenue

❖ Improving IP Profitability

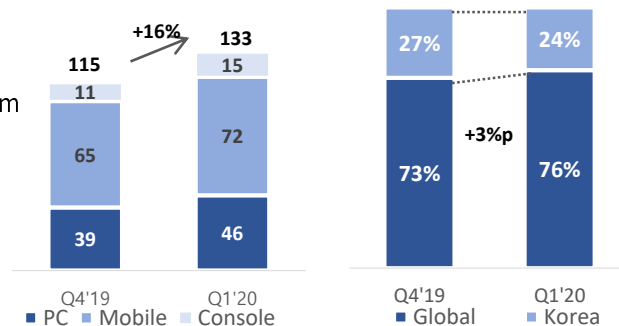
- Shadow Arena CBT : Upgrading the game with user feedbacks
 - ✓ 1st CBT('19.11) : First unveiling with 6 characters
 - ✓ 2nd CBT('20.01) : 2 new characters, ranking system, level-up system
 - ✓ 3rd CBT('20.02) : 1 new character, user matching system, UI upgrade
 - ✓ 4th CBT('20.04) : Game with AI, non-competition mode, better matching system
- EVE Online : Game approval from China (Mar. 12th)
- Black Desert Japan : Self-publishing preparation
- Black Desert Mobile : Cloud game streaming in CES 2020 with SKT

❖ Operating Revenue and OPM

(Unit: billion KRW)



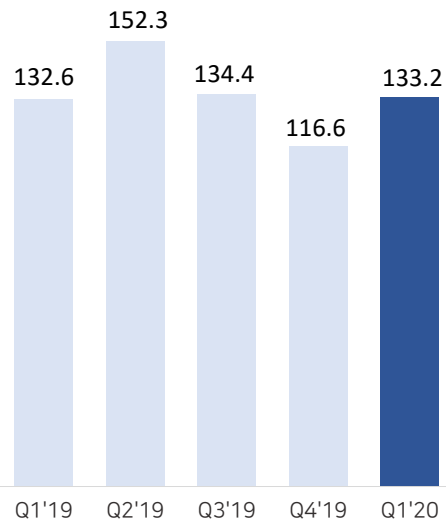
❖ Revenue by Platform and Region



2. Q1 '20 Operating Performance

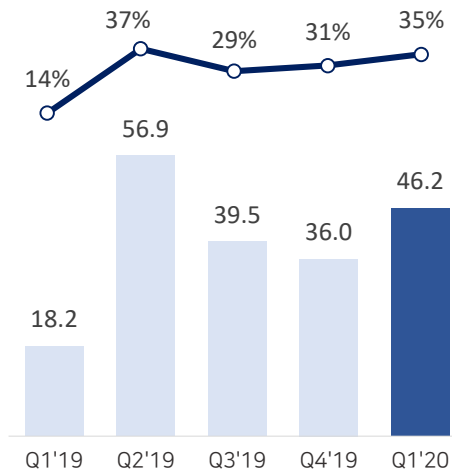
❖ Operating Revenue : 133.2 bil., Operating Profit : 46.2 bil., Net Profit : 48.3bil. (KRW)

❖ Operating Revenue



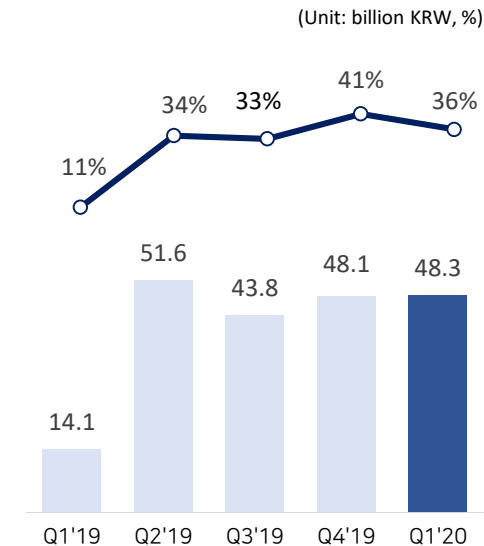
YoY 0.5 %
QoQ 14.2 %

❖ Operating Profit



YoY 153.8 %
QoQ 28.3 %

❖ Net Profit

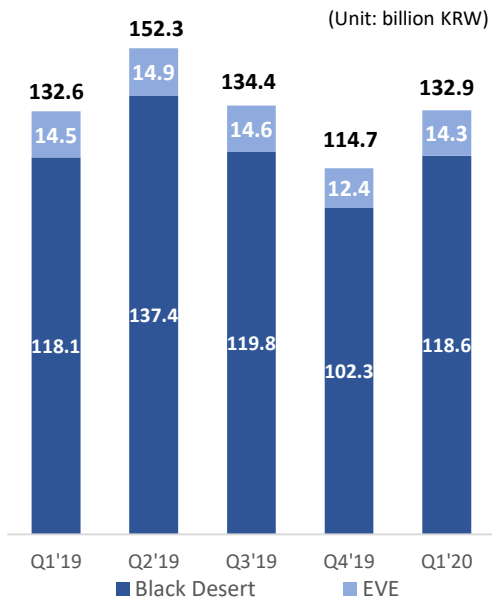


YoY 242.6 %
QoQ 0.4 %

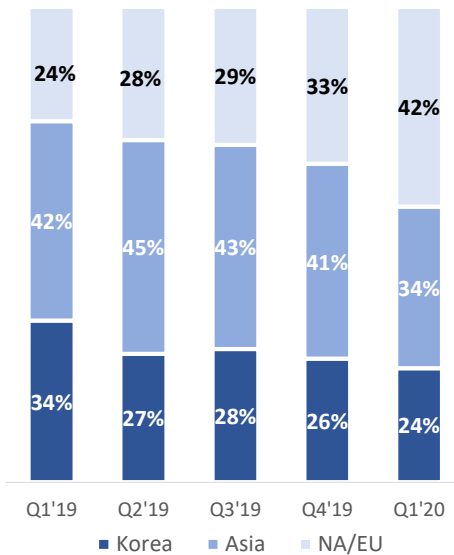
3. Q1 '20 Revenue Breakdown

Global Portfolio Expansion

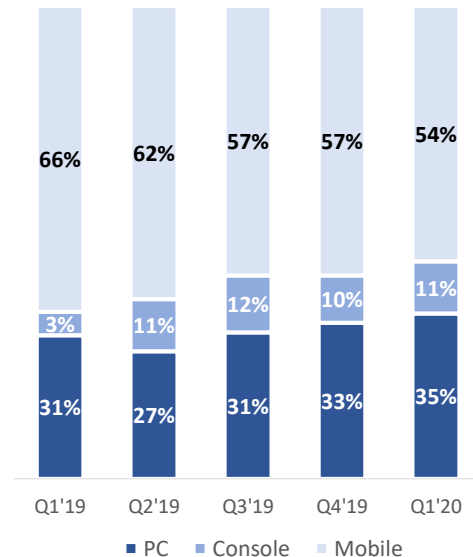
Revenue by IP



Revenue by Region



Revenue by Platform



(*) A 3 bil. of other revenues excluded (non-game revenue)

4. Q1 '20 Operating Expenses

❖ Operating Expenses : KRW 87.0 bil. (QoQ 7.8%)

- Labor costs (QoQ -3.2%) : Decreased without one-off costs incurred in Q4'19 (i.e. Severance package)
- Commissions (QoQ 81.8%) : Increased with normalization in console net revenue recognition (*Commission rate : 24.6%*)
- Advertising cost (QoQ -43.7%) : Dropped sharply with cost-effective marketing

(Unit : million KRW, %)

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	QoQ	YoY	Ratio	% of rev.
Operating Expenses	114,472	95,352	94,853	80,656	86,971	7.8%	-24.0%	100.0%	65.4%
Labor	33,987	25,461	26,688	33,099	32,039	-3.2%	-5.7%	36.8%	24.1%
Commissions	41,148	43,818	40,971	18,007	32,745	81.8%	-20.4%	37.7%	24.6%
Advertising	30,251	15,434	15,835	16,760	9,444	-43.7%	-68.8%	10.9%	7.1%
D&A	3,687	4,088	4,618	4,976	5,081	2.1%	37.8%	5.8%	3.8%
Etc.	5,399	6,551	6,741	7,814	7,662	-1.9%	41.9%	8.8%	5.8%

❖ Number of Employees

(Unit: No. of employee, %)

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	QoQ	YoY	%
Employees	1,005	1,074	1,151	1,232	1,246	1.1%	24.0%	100.0%
Development	620	635	709	748	735	-1.7%	18.5%	59.0%
Business / Staff	385	439	442	484	511	5.6%	32.7%	41.0%

5. Q2'20 Highlight

PEARL ABYSS

❖ Increasing IP profitability and securing new pipelines

❖ Q2 Business Highlight

- Shadow Arena : Early Access on May 21st
 - ✓ Final CBT : April. 17th ~ 20th, Global
 - ✓ Early Access : May 21st, Steam
 - ✓ Seek business opportunity from E-sports
 - ✓ Prepare console platform
- EVE Online : China
 - ✓ Launching : April. 27th
- Black Desert Japan : Self-publishing (April. 24th)
 - ✓ Improve both user experience and profitability

❖ New Pipelines

- New IP : Crimson Desert, DokeV, Plan 8
- EVE Echoes : Development in progress by Netease



Appendix



Consolidated Financial Statements (Statement of Financial Position)

(Unit : million KRW)

	2019.12.31	2020.03.31
Assets		
I . Current Assets	450,129	513,848
Cash and Cash Equivalents	176,366	134,506
ST Financial Instruments	184,596	282,845
Financial assets measured at fair value	3,896	2,596
AFS financial assets	6,122	6,634
Account receivables	68,924	75,585
Other Current Assets	10,225	11,682
II . Non-Current Assets	417,262	432,735
Account receivables	17,247	17,190
LT Financial Instruments	827	868
Financial assets measured at fair value	7,858	10,278
AFS financial assets	203	202
Tangible Assets	78,121	78,272
Intangible Assets	293,395	307,175
Investment in affiliated companies	832	896
Deferred tax asset	17,591	16,880
Other non-current assets	1,188	974
Total Assets	867,391	946,583

	2019.12.31	2020.03.31
Liabilities		
I . Current Liabilities	123,273	135,173
Other liabilities	38,731	34,705
Income taxes payable	11,030	16,591
Current portion of long-term debt	30,000	30,000
Lease liabilities	3,937	4,100
Other current liabilities	39,575	49,777
II . Non-Current Liabilities	155,101	159,006
Other liabilities	3,250	3,553
Long-term debt	87,890	91,130
Provision	592	654
Other non-current liabilities	11,477	11,506
Deferred tax liabilities	23,567	24,497
Lease liabilities	28,325	27,666
Total Liabilities	278,374	294,179
Capital		
I . Capital stock	6,512	6,536
II . Capital Surplus	200,034	201,384
III. Retained Earnings	389,231	437,564
IV. Capital Adjustments	-11,729	-12,282
V . Accumulated other comprehensive Income	4,969	19,202
VI. Non-controlling interests	0	0
Total Capital	589,017	652,404

Appendix.

Consolidated Financial Statements (Comprehensive Income Statement)

PEARL ABYSS

(Unit : million KRW)

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Revenue	132,630	152,273	134,402	116,631	133,187
Operating Expenses	114,472	95,352	94,853	80,656	86,971
Operating Profit	18,158	56,921	39,549	35,975	46,216
Financial Income	1,682	2,263	5,461	20,597	10,629
Non-Operating Income	252	(47)	685	(285)	1,541
Income from Equity Method	(3)	62	13	9	33
Income before Income Tax	20,089	59,199	45,708	56,296	58,419
Income Tax Expenses	5,942	7,627	1,873	8,199	10,086
Net Profit	14,147	51,572	43,835	48,097	48,333

PEARLABYSS

A stylized illustration of a diver in a dark, cavernous underwater environment. The diver is positioned in the lower center, wearing a blue and white suit with a glowing headlamp. A bright light emanates from the diver's headlamp, illuminating the surrounding water and the rocky floor. A thin, dark line, possibly a rope or cable, extends from the top of the frame down to the diver. The background is a deep blue, with faint, glowing particles or bubbles scattered throughout. The overall mood is mysterious and atmospheric.