

Q4 '19 Earnings Presentation

Pearl Abyss Corp.
13 Feb. 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.

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❖ IP Expansion and Enhancement + Securement of Future Growth Drivers

❖ All platform service around the globe

- Console Platform ① XBOX ONE (Mar., NA/EU)
② Play Station 4 (Aug., NA/EU, Asia)
- Global Coverage ① Black Desert Mobile (Feb., JP. / Dec., Global)
② EVE Online (Nov., Korea)

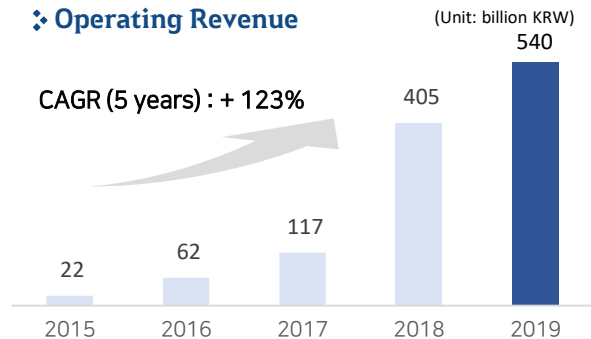
❖ Improved live service and user communication

- Updates : Diverse unique contents (i.e. The Great Ocean, The Great Desert)
- User Communication : Official creating service, user meetings

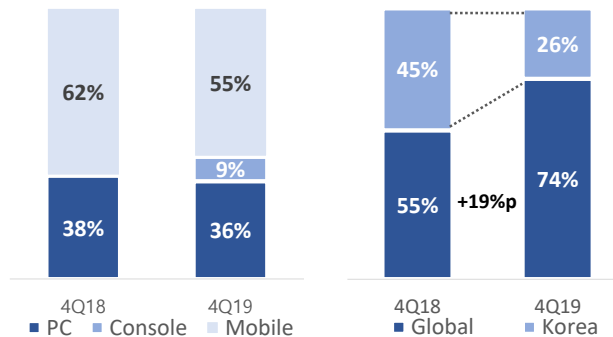
❖ New projects and technologies for future growth

- 4 New Projects : Shadow Arena, Crimson Desert, DokeV, Plan 8
- New Technologies : Next generation engine, Cross-platform
Cloud-game, Massive multi-play server

❖ Operating Revenue



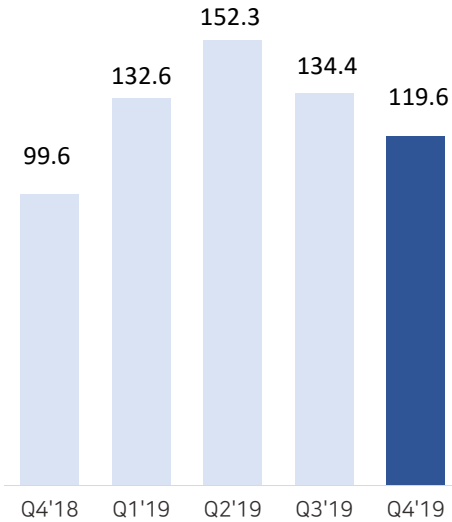
❖ Revenue by Platform and Region



2. Q4'19 Operating Performance

◇ Operating Revenue : 119.6 bil., Operating Profit : 39.1 bil., Net Profit : 49.6 bil. (KRW)

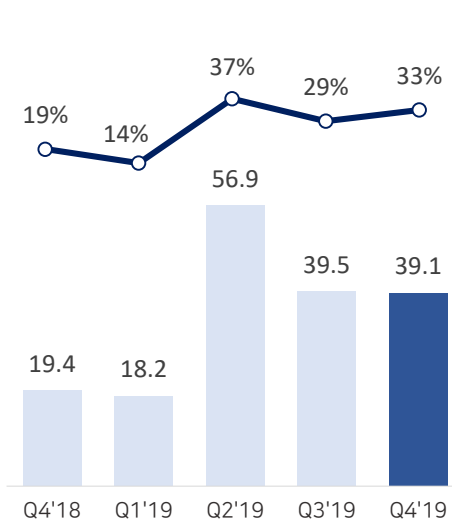
◇ Operating Revenue



YoY 20.1%

QoQ -11.0%

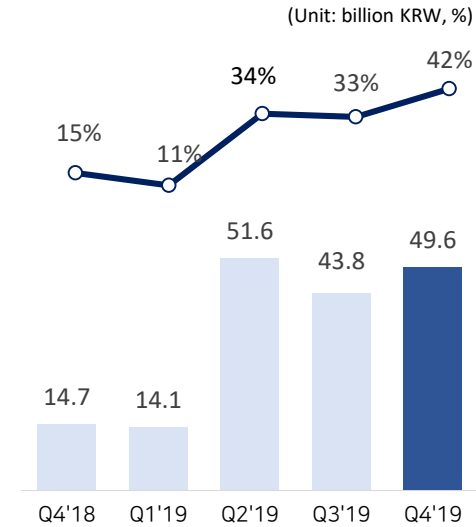
◇ Operating Profit



YoY 101.5%

QoQ -1.0%

◇ Net Profit



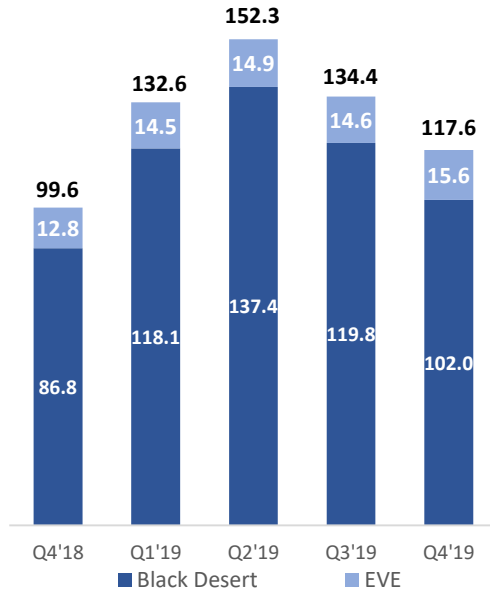
YoY 237.4%

QoQ 13.2%

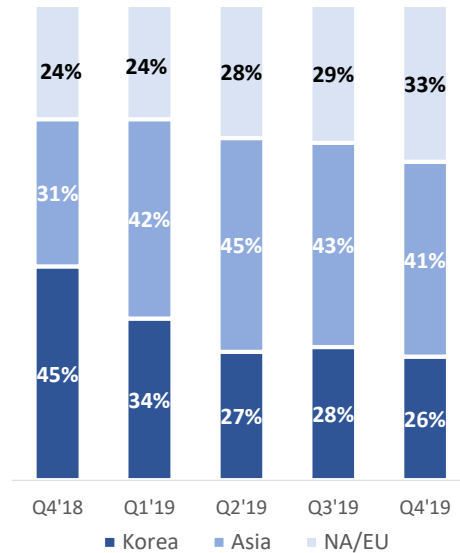
3. Q4'19 Revenue Breakdown

◇ Portfolio Diversification with Geographical Expansion

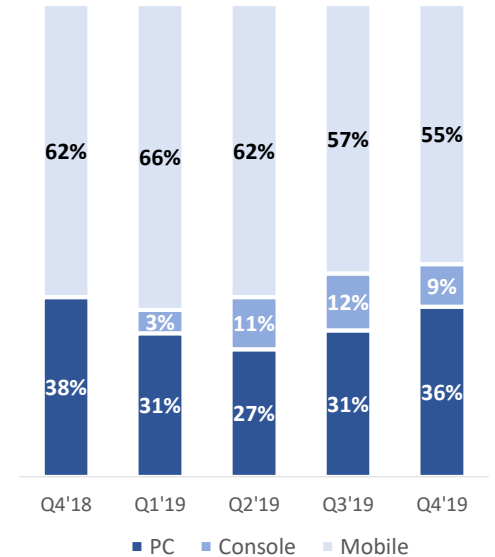
◇ Revenue by IP



◇ Revenue by Region



◇ Revenue by Platform



(*) Other Revenues at KRW 2.0 bil. (from subsidiaries)

4. Q4'19 Operating Expenses

Operating Expenses : KRW 80.5 bil. (QoQ -15.2%)

- Labor costs increased 18.5% QoQ with new employees and changes in recognizing retirement payment
- Commissions decreased 56.0% QoQ due to changes in revenue recognition method in console
- Advertising cost inched up 5.8% with a 'Black Desert Mobile global' launch

(Unit : million KRW, %)

	4Q18	1Q19	2Q19	3Q19	4Q19	QoQ	YoY	Ratio	% of rev.
Operating Expenses	80,185	114,472	95,352	94,853	80,478	-15.2%	0.4%	100.0%	67.3%
Labor	21,249	33,987	25,461	26,688	31,618	18.5%	48.8%	39.3%	26.4%
Commissions	41,238	41,148	43,818	40,971	18,007	-56.0%	-56.3%	22.4%	15.1%
Advertising	10,029	30,251	15,434	15,835	16,760	5.8%	67.1%	20.8%	14.0%
D&A	2,585	3,687	4,088	4,618	4,976	7.8%	92.5%	6.2%	4.2%
Etc.	5,084	5,399	6,551	6,741	9,117	35.2%	79.3%	11.3%	7.6%

Number of Employees

(Unit: No. of employee, %)

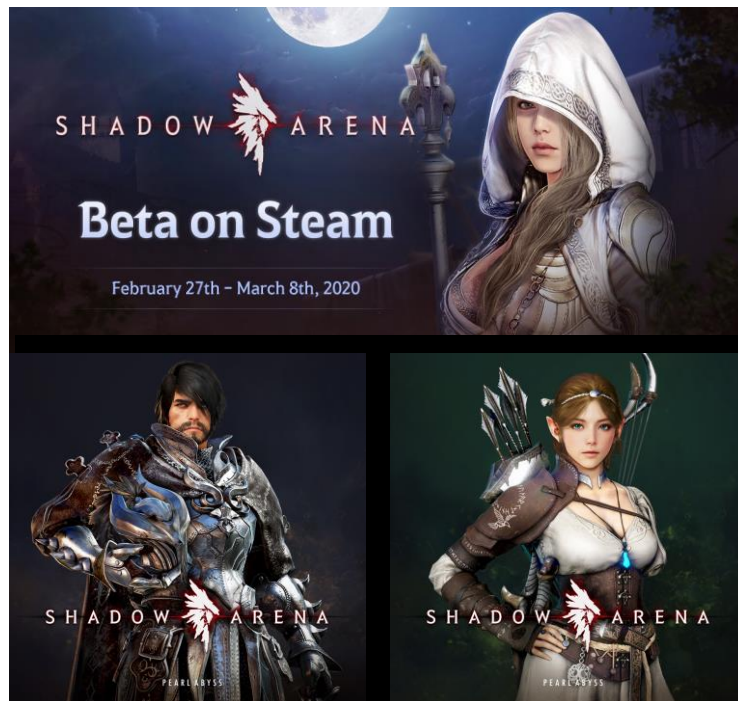
	4Q18	1Q19	2Q19	3Q19	4Q19	QoQ	YoY	Ratio
Employees	959	1,005	1,074	1,151	1,232	7.0%	28.5%	100.0%
Development	595	620	635	709	772	8.9%	29.7%	62.7%
Business / Staff	364	385	439	442	460	4.1%	26.4%	37.3%

5. 2020 Highlight

❖ Developing New Projects is Our Top Priority (supported by live operation and service expansion)

- ❖ Taking preemptive approach to the future changes
 - Thorough preparation of 5G, game streaming and cross-platform
- ❖ Securing both profitability and IP enhancement
 - Improve profitability through 'IDC' and efficient marketing
 - Enhance user loyalty with various events
 - Continue diverse contents updates
- ❖ Developing and servicing new games
 - Shadow Arena : Global test in 27 Feb.
 - New Projects : Crimson Desert, DokeV, Plan 8

(*) IDC : Internet Data Center



Appendix



(Unit : million KRW)

	2018.12.31	2019.12.31
Assets		
I . Current Assets	354,489	461,949
Cash and Cash Equivalents	228,971	177,059
ST Financial Instruments	53,092	184,596
Financial assets measured at fair value	0	3,896
AFS financial assets	3,958	6,122
Account receivables	50,015	80,064
Other Current Assets	18,452	10,212
II . Non-Current Assets	358,041	415,979
Account receivables	16,550	17,247
LT Financial Instruments	128	135
Financial assets measured at fair value	6,407	7,858
AFS financial assets	0	203
Tangible Assets	35,646	78,121
Intangible Assets	287,723	293,395
Investment in affiliated companies	736	832
Deferred tax asset	9,711	17,000
Other non-current assets	1,140	1,188
Total Assets	712,530	877,928

	2018.12.31	2019.12.31
Liabilities		
I . Current Liabilities	115,077	135,099
Other liabilities	25,933	45,095
Short-term borrowings	20,000	0
Income taxes payable	23,503	12,334
Current portion of long-term debt	20,000	30,000
Lease liabilities	0	3,937
Other current liabilities	25,628	43,733
Finance lease obligations	13	0
Non-current financial liabilities at fair value	0	0
II . Non-Current Liabilities	189,428	154,816
Other liabilities	1,740	3,250
Long-term debt	115,905	87,890
Provision	385	592
Other non-current liabilities	0	11,477
Deferred tax liabilities	23,691	23,282
Lease liabilities	0	28,325
Non-current financial liabilities at fair value	27,330	0
Finance lease obligations	20,377	0
Total Liabilities	304,504	289,915
Capital		
I . Capital stock	6,472	6,512
II . Capital Surplus	192,111	200,034
III. Retained Earnings	231,580	390,729
IV. Capital Adjustments	(18,972)	(14,233)
V . Accumulated other comprehensive Income	(3,165)	4,971
VI. Non-controlling interests	0	0
Total Capital	408,026	588,013

Appendix. Consolidated Financial Statements (Comprehensive Income Statement)

(Unit : million KRW)

	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	2019
Revenue	116,986	99,578	132,630	152,273	134,402	119,606	538,911
Operating Expenses	56,675	80,185	114,472	95,352	94,853	80,478	385,155
Operating Profit	60,311	19,393	18,158	56,921	39,549	39,128	153,756
Financial Income	(1,774)	2,447	1,682	2,263	5,461	20,560	29,965
Non-Operating Income	151	(390)	252	(47)	685	(2,232)	(1,341)
Income from Equity Method	(6)	(63)	(3)	62	13	9	82
Income before Income Tax	58,682	21,387	20,089	59,199	45,708	57,465	182,462
Income Tax Expenses	6,971	6,645	5,942	7,627	1,873	7,870	23,312
Net Profit	51,711	14,742	14,147	51,572	43,835	49,595	159,150

PEARLABYSS

A stylized illustration of a diver in a dark, cavernous space. The diver is wearing a blue and white suit and a helmet with a glowing light. A bright, circular light source is on the floor in front of the diver, casting a glow. The background is dark blue with some faint, glowing particles. The title 'PEARLABYSS' is written in white, uppercase letters across the center of the image.