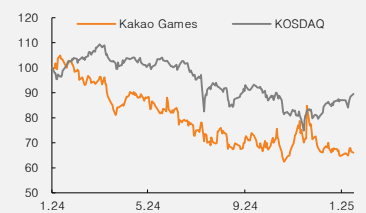


(Maintain)	Buy
Target price	▼ W21,000
Current price (2/10/25)	W16,280
Upside	29.0%

OP (24, Wbn)	6
Consensus OP (24F, Wbn)	10
EPS growth (24, %)	RR
Market EPS growth (24F, %)	68.2
P/E (24, x)	-
Market P/E (24F, x)	10.8
KOSDAQ	749.67

Market cap (Wbn)	1,349
Shares (mn)	83
Free float (%)	45.4
Foreign ownership (%)	11.5
Beta (12M)	0.78
52-week low (W)	15,390
52-week high (W)	25,450

(%)	1M	6M	12M
Absolute	-2.6	-5.6	-36.0
Relative	-6.7	-3.8	-29.5



Mirae Asset Securities Co., Ltd.

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Kakao Games

Look ahead to 2026

4Q24 review: Below-consensus results

Kakao Games reported below-consensus 4Q24 results, with revenue of W160bn (-21% YoY; vs. consensus of W174bn) and an operating loss of W6bn (turning to red YoY; vs. consensus of -W3bn). Mobile revenue came in at W109bn (-30% YoY; 8% lower than expected), as revenue from existing titles continued to stabilize downward. PC revenue was W21bn (+57% YoY), missing expectations by 4% due to: 1) dissipating *PUBG* update effects; and 2) the later-than-expected domestic launch of *Path of Exile 2*. Other revenue fell 9% QoQ (-6% YoY) to W30bn due to unfavorable seasonality and the end of new title launch effects. Meanwhile, operating expenses decreased 10% YoY to W166bn (4% lower than expected) thanks to: 1) reduced labor costs resulting from enhanced workforce efficiency in non-core businesses; and 2) efficient marketing spend.

Diversified new offerings

Upcoming releases include: 1) *Section 13* (roguelike; global) in 2Q25; 2) Project C (subculture; Korea/Japan) and *Goddess Order* (action RPG; global) in 3Q25; 3) Project Q (MMORPG; domestic), *God Save Birmingham* (survival; global), and *Chrono Odyssey* (action RPG; global) in 2H25; 4) *ArcheAge Chronicles* (action RPG; global) in 1H26; and 5) Project S (looter shooter; global) and an action RPG based on the *Swordmaster's Youngest Son* manga sometime in 2026.

Trim TP to W21,000, but maintain Buy rating

We trim our target price for Kakao Games by 5% to W21,000 (based on a 2026F target P/E of 21x), as we: 1) changed our valuation base year from 2025 to 2026 in light of the new title release schedule; and 2) revised down our earnings estimates to reflect the downward stabilization in revenue from existing titles. The stock is currently trading at a 2026F P/E of 16x.

While the firm has a diverse lineup of upcoming releases, *ArcheAge Chronicles* is the only major title with blockbuster potential. We expect momentum to build as the game's launch timeline becomes clearer. The firm plans to conduct a small-scale closed user test in April and a closed beta test (CBT) in 2H25. Given the CBT schedule, we believe that the game could also be showcased at global gaming expos.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	1,148	1,025	739	794	1,088
OP (Wbn)	176	75	6	30	105
OP margin (%)	15.3	7.3	0.8	3.8	9.7
NP (Wbn)	-234	-229	-95	38	84
EPS (W)	-2,929	-2,774	-1,146	453	1,015
ROE (%)	-12.4	-14.9	-6.9	2.8	6.0
P/E (x)	-	-	-	36.0	16.0
P/B (x)	2.1	1.5	1.0	0.9	0.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

Table 1. Quarterly and annual earnings

(Wbn)

	1Q24	2Q24	3Q24	4Q24	1Q25F	2Q25F	3Q25F	4Q25F	2023	2024	2025F	2026F
Revenue	200	185	194	160	160	164	219	252	854	739	794	1,088
(YoY)	-2.5%	-16.2%	-14.3%	-20.7%	-20.3%	-11.3%	12.8%	57.2%	-25.6%	-13.5%	7.4%	37.1%
Mobile	161	135	127	109	111	106	164	171	666	532	553	584
PC	16	16	34	21	26	25	25	52	51	87	128	397
Other	23	34	33	30	22	32	30	29	137	120	113	107
Operating expenses	191	187	188	166	172	169	201	221	775	732	764	983
Labor	46	44	45	44	45	46	46	47	175	180	184	195
Fees/commissions	99	90	89	72	76	73	104	123	365	350	375	579
Marketing	9	10	15	11	13	13	13	14	58	46	53	62
Other	36	43	39	39	39	38	38	38	177	156	152	146
OP	9	-2	6	-6	-13	-6	18	30	79	6	30	105
(YoY)	-12.7%	TTR	-80.1%	TTR	TTR	TTB	206.8%	TTB	-54.9%	-91.8%	356.3%	255.4%
OP margin	4.7%	-1.2%	2.9%	-3.9%	-8.0%	-3.5%	8.0%	12.1%	9.3%	0.9%	3.7%	9.7%
NP attributable to owners of the parent	1	-9	-4	-82	-8	-1	18	29	-229	-95	38	84
Net margin	0.5%	-5.1%	-2.1%	-51.3%	-5.3%	-0.9%	8.3%	11.6%	-26.8%	-12.8%	4.7%	7.7%

Source: Company data, Mirae Asset Securities Research

Table 2. Annual earnings forecast revisions

(Wbn)

	Previous		Revised		Chg.		Consensus		Diff.		Notes
	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	
Revenue	905	1,111	794	1,088	-12%	-2%	868	982	-9%	11%	Revenue from existing titles continues to stabilize downward
OP	81	217	30	105	-63%	-52%	71	116	-58%	-9%	
NP	88	186	38	84	-57%	-55%	47	79	-	6%	
OP margin (%)	8.9%	19.5%	3.7%	9.7%	-	-	8.2%	11.8%	-	-	
Net margin (%)	9.7%	16.7%	4.7%	7.7%	-	-	5.4%	8.1%	-	-	

Source: FnGuide, Mirae Asset Securities Research

Table 3. 4Q24 review

(Wbn)

	Actual	Mirae Asset	Diff.	Consensus	Diff.
Revenue	160	171	-7%	176	-9%
OP	-6	-2	231%	-2	-
NP attributable to owners of the parent	-82	-1	-	-12	-

Source: Company data, FnGuide, Mirae Asset Securities Research

Table 4. Valuation table

	Value	Notes
2026F NP attributable to owners of the parent (Wbn)	84	
Target P/E (x)	21	- Nexon's avg. P/E in 2021, when the firm was developing new titles amid a downward stabilization in revenue from existing titles
Target market cap (Wbn)	1,767	
No. of shares ('000)	83,960	- Reflected convertible bonds
TP (W)	21,000	
CP (W)	16,280	
Upside	29.0%	

Source: Mirae Asset Securities Research

Kakao Games (293490 KQ)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	1,025	739	794	1,088
Cost of revenue	0	0	0	0
GP	1,025	739	794	1,088
SG&A expenses	951	732	764	983
OP (adj.)	75	6	30	105
OP	75	6	30	105
Non-operating profit	-440	-126	4	0
Net financial income	-14	-14	-12	-9
Net income from associates	-21	-113	17	9
Pretax profit	-365	-120	34	105
Income tax	-43	4	7	21
Profit from continuing operations	-322	-124	28	84
Profit from discontinued operations	0	3	10	0
NP	-322	-121	38	84
Attributable to owners	-229	-95	38	84
Attributable to minority interests	-94	-26	0	0
Total comprehensive income	-344	-121	38	84
Attributable to owners	-249	-88	27	61
Attributable to minority interests	-95	-33	10	23
EBITDA	171	67	80	151
FCF	97	34	94	132
EBITDA margin (%)	16.7	9.1	10.1	13.9
OP margin (%)	7.3	0.8	3.8	9.7
Net margin (%)	-22.3	-12.9	4.8	7.7

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	1,021	824	907	1,022
Cash & equivalents	654	630	709	817
AR & other receivables	101	65	67	72
Inventory	80	16	16	17
Other current assets	186	113	115	116
Non-current assets	2,450	2,369	2,335	2,317
Investments in associates	203	181	184	188
PP&E	116	91	87	86
Intangible assets	1,639	1,533	1,498	1,477
Total assets	3,471	3,193	3,242	3,339
Current liabilities	710	1,117	1,123	1,129
AP & other payables	74	90	92	94
Short-term financial liabilities	506	894	895	895
Other current liabilities	130	133	136	140
Non-current liabilities	1,135	592	599	605
Long-term financial liabilities	807	289	289	289
Other non-current liabilities	328	303	310	316
Total liabilities	1,845	1,710	1,721	1,734
Equity attributable to owners	1,399	1,333	1,370	1,454
Capital stock	8	8	8	8
Capital surplus	1,099	1,099	1,099	1,099
Retained earnings	277	183	220	304
Minority interests	227	151	151	151
Shareholders' equity	1,626	1,484	1,521	1,605

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	125	34	96	135
NP	-322	-121	38	84
Non-cash income/expenses	551	78	72	75
Depreciation	35	9	5	4
Amortization	61	52	45	41
Other	455	17	22	30
Chg. in working capital	5	94	8	6
Chg. in AR & other receivables	-42	30	-1	-1
Chg. in inventory	41	64	0	0
Chg. in AP & other payables	28	5	0	0
Income tax	-55	-4	-9	-21
Cash flow from investing activities	-54	188	-14	-25
Chg. in PP&E	-27	16	-2	-3
Chg. in intangible assets	-8	54	-10	-20
Chg. in financial assets	42	67	-2	-2
Other	-61	51	0	0
Cash flow from financing activities	-44	-130	1	1
Chg. in financial liabilities	18	-130	1	1
Chg. in equity	-34	0	0	0
Dividends	0	0	0	0
Other	-28	0	0	0
Chg. in cash	27	-24	79	107
Beginning balance	627	654	630	709
Ending balance	654	630	709	817

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

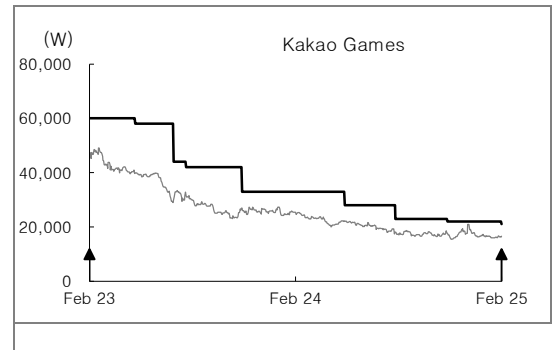
	2023	2024F	2025F	2026F
P/E (x)	-	-	36.0	16.0
P/CF (x)	9.3	-	12.3	8.5
P/B (x)	1.5	1.0	0.9	0.9
EV/EBITDA (x)	16.9	29.4	23.5	11.8
EPS (W)	-2,774	-1,146	453	1,015
CFPS (W)	2,767	-517	1,320	1,925
BPS (W)	17,565	16,697	17,150	18,165
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	-10.7	-27.9	7.4	37.1
EBITDA growth (%)	-36.6	-60.6	19.4	87.7
OP growth (%)	-57.6	-91.3	356.3	255.4
EPS growth (%)	RR	RR	TTB	124.3
AR turnover (x)	13.0	10.4	14.1	18.9
Inventory turnover (x)	10.1	15.3	48.9	65.7
AP turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	-8.8	-3.6	1.2	2.6
ROE (%)	-14.9	-6.9	2.8	6.0
ROIC (%)	3.1	0.6	1.7	5.5
Debt-to-equity ratio (%)	113.5	115.2	113.1	108.0
Current ratio (%)	143.7	73.8	80.8	90.5
Net debt-to-equity ratio (%)	32.0	31.5	25.5	17.4
Interest coverage ratio (x)	1.9	0.2	0.8	2.9

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
Kakao Games (293490)	02/11/25	Buy	21,000
	11/07/24	Buy	22,000
	08/07/24	Buy	23,000
	05/09/24	Buy	28,000
	11/09/23	Buy	33,000
	08/02/23	Buy	42,000
	07/11/23	Buy	44,000
	05/04/23	Buy	58,000
	02/09/23	Buy	60,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	84.62%	7.14%	8.24%	0%
Investment banking services	85.71%	0%	14.29%	0%

* Based on recommendations in the last 12-months (as of December 31, 2024)

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