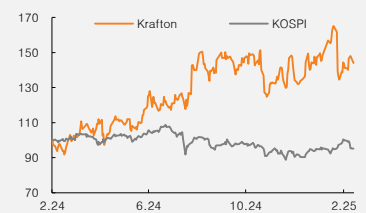


(Maintain)	Buy
Target price	▲ W500,000
Current price (3/4/25)	W334,000
Upside	49.7%

OP (24, Wbn)	1,182
Consensus OP (24F, Wbn)	1,230
EPS growth (24, %)	122.3
Market EPS growth (24F, %)	68.2
P/E (24, x)	11.5
Market P/E (24F, x)	10.8
KOSPI	2,528.92

Market cap (Wbn)	16,001
Shares (mn)	48
Free float (%)	57.7
Foreign ownership (%)	41.6
Beta (12M)	0.55
52-week low (W)	213,000
52-week high (W)	383,000

(%)	1M	6M	12M
Absolute	-7.9	7.6	53.6
Relative	-9.6	9.8	62.4



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Krafton

Evolving with the times

Adapting to changing player habits

The rise of short-form content has affected gaming habits, leading to a reduction in the average play time per session. Gamers, looking for quick dopamine hits, are less interested in titles that require long-term character progression and gravitating more toward single-session, short-duration games.

Krafton is actively adapting to this shift in preferences. For example, the firm has updated *PUBG* to increase item spawn rates and reduce the duration of “blue zone” phases (changes that have the effect of speeding up the game). Looking ahead, we think the firm could also expand the *PUBG* player base by enabling user-generated content (similar to how user-created maps helped boost the popularity of *StarCraft*).

PUBG traffic continues to grow; 1Q25 earnings surprise likely

PUBG has continued to perform strongly in 2025, with PC/mobile traffic hitting post-pandemic highs. In February, peak concurrent users on Steam (PC) reached 820,000 (+35% YoY). In addition, *PUBG* mobile revenue in China appears to have normalized following sluggishness in 4Q24, increasing more than 40% YoY in the first two months of the year (according to Sensor Tower).

For 1Q25, we raised our PC and mobile revenue estimates by 8% and 17%, respectively. We now forecast 1Q25 revenue at W830bn (+25% YoY; 10% above the consensus) and operating profit at W413bn (+33% YoY; 17% above the consensus). A new map release should provide a significant boost to the mobile segment, driving strong overall results.

Maintain Buy and raise TP to W500,000 (from W450,000)

We raise our target price for Krafton to W500,000 (based on a target P/E of 21x), as we revised up our 2025 earnings forecasts to reflect the strong performance of *PUBG* on both PC and mobile. The stock is currently trading at a 2025F P/E of 14x. While large-scale investments in developing/securing new IP have increased cost pressures, we believe the negative impact on earnings will be fully offset by solid growth in *PUBG* revenue.

PUBG has shown resilience even amid the industry-wide trend of declining player engagement, and the potential introduction of user-generated content could expand its player base further. In the medium to long term, we also see ample upside to pricing, given the game’s low ARPU relative to other genres. We expect *PUBG*’s sustained growth to remain a key driver of company-wide earnings this year.

(Dec.)	2022	2023	2024	2025F	2026F
Revenue (Wbn)	1,854	1,911	2,710	3,066	3,410
OP (Wbn)	752	768	1,182	1,323	1,430
OP margin (%)	40.6	40.2	43.6	43.2	41.9
NP (Wbn)	500	595	1,306	1,119	1,205
EPS (W)	10,194	12,221	27,162	23,364	25,156
ROE (%)	10.3	11.2	21.1	15.2	14.1
P/E (x)	16.5	15.8	11.5	14.3	13.3
P/B (x)	1.6	1.7	2.2	2.0	1.7
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	666	707	719	618	830	717	823	695	1,911	2,710	3,066	3,410
(YoY)	23.6%	82.7%	59.7%	15.5%	24.7%	1.4%	14.4%	12.6%	3.1%	41.8%	13.1%	11.2%
PC	244	191	274	233	302	220	307	256	584	942	1,084	1,228
(YoY)	37%	63%	126%	39%	24%	15%	12%	10%	26%	61%	15%	13%
Mobile	402	500	425	362	506	452	472	396	1,245	1,690	1,827	1,915
(YoY)	16%	104%	38%	6%	26%	-10%	11%	9%	-1%	36%	8%	5%
Console	11	9	12	12	12	34	33	31	56	44	110	216
Other	8	7	8	10	11	11	11	12	26	34	45	51
Operating expenses	355	375	395	402	418	418	449	457	1,143	1,527	1,742	1,981
Labor	121	130	133	133	140	154	161	163	427	517	618	739
App fees/COGS	86	78	101	85	98	90	109	96	227	349	392	462
Commissions	61	76	80	98	80	83	86	105	259	316	353	374
Ads	12	21	30	38	46	40	40	41	66	101	167	186
Stock-based compensation	42	35	14	11	15	13	15	13	28	102	55	61
Other	32	35	36	38	39	39	39	39	136	141	156	158
OP	311	332	324	215	413	299	373	238	768	1,182	1,323	1,430
(YoY)	9.7%	152.6%	71.4%	31.1%	32.9%	-9.9%	15.0%	10.6%	2.2%	54.0%	11.9%	8.0%
OP margin	46.6%	47.0%	45.1%	34.9%	49.7%	41.7%	45.4%	34.3%	40.2%	43.6%	43.2%	41.9%
NP attr. to owners of the parent	350	342	122	492	341	256	312	211	595	1,306	1,119	1,205
Net margin	52.4%	48.3%	16.9%	79.5%	41.0%	35.7%	37.9%	30.4%	31.1%	48.1%	36.5%	35.3%

Source: Company data, Mirae Asset Securities Research

Table 2. Earnings forecast revisions

(Wbn)

	Previous		Revised		Chg.		Consensus		Diff.		Notes
	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	
Revenue	2,851	3,176	3,066	3,410	8%	7%	3,079	3,442	0%	-1%	Raised <i>PUBG</i> PC/mobile revenue estimates
OP	1,160	1,232	1,323	1,430	14%	16%	1,330	1,456	0%	-2%	
NP	1,008	1,068	1,119	1,205	11%	13%	1,145	1,245	-2%	-3%	
OP margin	40.7%	38.8%	43.2%	41.9%	-	-	43.2%	42.3%	-	-	
Net margin	35.3%	33.6%	36.5%	35.3%	-	-	37.2%	36.2%	-	-	

Source: Mirae Asset Securities Research

Table 3. Valuation table

	Value	Notes
2025F NP attr. to owners of the parent (Wbn)	1,119	
Target P/E (x)	21	Avg. multiple in 2H22, when new titles were released amid slowing growth of existing titles
Target market cap (Wbn)	23,953	
No. of shares ('000)	47,908	
TP (W)	500,000	
CP (W)	334,000	
Upside	49.7%	

Source: Mirae Asset Securities Research

Krafton (259960 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	1,911	2,710	3,066	3,410
Cost of revenue	0	0	0	0
GP	1,911	2,710	3,066	3,410
SG&A expenses	1,143	1,527	1,742	1,981
OP (adj.)	768	1,182	1,323	1,430
OP	768	1,182	1,323	1,430
Non-operating profit	61	541	169	177
Net financial income	29	35	46	58
Net income from associates	-44	505	124	119
Pretax profit	829	1,723	1,492	1,607
Income tax	235	420	373	402
Profit from continuing operations	594	1,303	1,119	1,205
Profit from discontinued operations	0	0	0	0
NP	594	1,303	1,119	1,205
Attributable to owners	595	1,306	1,119	1,205
Attributable to minority interests	-1	-3	0	0
Total comprehensive income	593	1,303	1,119	1,205
Attributable to owners	594	1,305	1,121	1,207
Attributable to minority interests	-1	-2	-2	-2
EBITDA	876	1,282	1,415	1,517
FCF	628	1,281	1,150	1,226
EBITDA margin (%)	45.8	47.3	46.2	44.5
OP margin (%)	40.2	43.6	43.2	41.9
Net margin (%)	31.1	48.2	36.5	35.3

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	3,964	5,004	6,082	7,225
Cash & equivalents	721	582	1,639	2,762
AR & other receivables	717	1,041	1,055	1,070
Inventory	0	0	0	0
Other current assets	2,526	3,381	3,388	3,393
Non-current assets	2,476	2,915	2,968	3,039
Investments in associates	571	722	729	737
PP&E	257	240	228	222
Intangible assets	608	656	712	780
Total assets	6,440	7,920	9,049	10,264
Current liabilities	521	785	793	802
AP & other payables	35	36	37	39
Short-term financial liabilities	73	73	74	75
Other current liabilities	413	676	682	688
Non-current liabilities	361	306	308	309
Long-term financial liabilities	131	165	165	165
Other non-current liabilities	230	141	143	144
Total liabilities	882	1,091	1,101	1,111
Equity attributable to owners	5,555	6,828	7,947	9,153
Capital stock	5	5	5	5
Capital surplus	1,472	1,472	1,472	1,472
Retained earnings	3,895	5,201	6,320	7,526
Minority interests	4	1	1	1
Shareholders' equity	5,559	6,829	7,948	9,154

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	662	1,336	1,205	1,286
NP	594	1,303	1,119	1,205
Non-cash income/expenses	324	484	419	430
Depreciation	77	72	68	66
Amortization	31	27	25	22
Other	216	385	326	342
Chg. in working capital	-139	-66	-7	-7
Chg. in AR & other receivables	-148	-307	-10	-10
Chg. in inventory	0	0	0	0
Chg. in AP & other payables	-62	0	0	0
Income tax	-146	-420	-373	-402
Cash flow from investing activities	-394	-373	-141	-156
Chg. in PP&E	-34	-55	-55	-60
Chg. in intangible assets	25	-76	-80	-90
Chg. in financial assets	20	-23	-6	-6
Other	-405	-219	0	0
Cash flow from financing activities	-225	-32	1	1
Chg. in financial liabilities	0	1	1	1
Chg. in equity	23	0	0	0
Dividends	0	0	0	0
Other	-248	-33	0	0
Chg. in cash	46	-139	1,057	1,123
Beginning balance	675	721	582	1,639
Ending balance	721	582	1,639	2,762

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

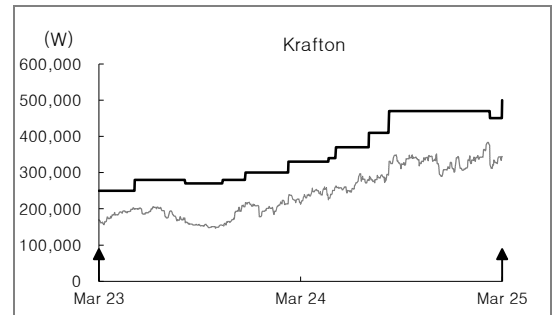
	2023	2024F	2025F	2026F
P/E (x)	15.8	11.5	14.3	13.3
P/CF (x)	10.3	8.4	10.4	9.8
P/B (x)	1.7	2.2	2.0	1.7
EV/EBITDA (x)	10.0	8.8	8.0	6.7
EPS (W)	12,221	27,162	23,364	25,156
CFPS (W)	18,854	37,146	32,102	34,131
BPS (W)	114,849	142,531	165,892	191,048
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	3.1	41.8	13.1	11.2
EBITDA growth (%)	2.0	46.3	10.4	7.2
OP growth (%)	2.2	54.0	11.9	8.0
EPS growth (%)	19.9	122.3	-14.0	7.7
AR turnover (x)	3.1	3.2	3.0	3.3
Inventory turnover (x)	0.0	0.0	0.0	0.0
AP turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	9.5	18.1	13.2	12.5
ROE (%)	11.2	21.1	15.2	14.1
ROIC (%)	41.3	62.2	64.1	66.6
Debt-to-equity ratio (%)	15.9	16.0	13.8	12.1
Current ratio (%)	761.4	637.8	766.8	901.1
Net debt-to-equity ratio (%)	-11.6	-53.7	-59.5	-64.0
Interest coverage ratio (x)	86.2	183.3	226.0	243.4

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
Krafton (259960)	03/06/25	Buy	500,000
	02/12/25	Buy	450,000
	08/13/24	Buy	470,000
	07/08/24	Buy	410,000
	05/09/24	Buy	370,000
	04/26/24	Buy	340,000
	02/13/24	Buy	330,000
	11/27/23	Buy	300,000
	10/17/23	Buy	280,000
	08/10/23	Buy	270,000
	05/11/23	Buy	280,000
	02/09/23	Buy	250,000



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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