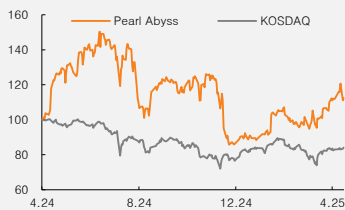


(Maintain)	Hold
Target price	▲ W35,000
Current price (5/13/25)	W35,550
Downside	-1.5%

OP (25F, Wbn)	119
Consensus OP (25F, Wbn)	138
EPS growth (25F, %)	55.1
Market EPS growth (25F, %)	25.0
P/E (25F, x)	24.4
Market P/E (25F, x)	9.5
KOSDAQ	731.88

Market cap (Wbn)	2,284
Shares (mn)	64
Free float (%)	58.2
Foreign ownership (%)	8.1
Beta (12M)	0.48
52-week low (W)	27,150
52-week high (W)	47,600

(%)	1M	6M	12M
Absolute	12.0	1.3	-8.5
Relative	6.4	-4.6	6.8



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Pearl Abyss

Crimson Desert on track for 4Q25 release

1Q25 review: In-line results

For 1Q25, Pearl Abyss reported revenue of W83.7bn (-2% YoY) and an operating loss of W5.2bn (swinging to a loss YoY), in line with the consensus estimates (revenue of W84.2bn and an operating loss of W3.8bn). Game revenue slipped 8% YoY to W83.5bn amid a continued downtrend in *Black Desert* revenue. We estimate *Black Desert* revenue at W61bn (-8% YoY); the mobile version appears to have performed poorly, with revenue falling around 10% QoQ (based on Sensor Tower data). *EVE* revenue likely remained flat QoQ at W22bn.

Operating expenses totaled W88.9bn (+5% YoY), 5% lower than expected. Notably, advertising and promotional expenses declined 38% QoQ to W7.3bn thanks to efficient marketing spend.

Status update on *Crimson Desert*

Development of *Crimson Desert* appears to be in its final stages, with quality assurance testing, voiceover recordings, and console certification currently in progress. In 2Q25, Pearl Abyss plans to begin full-scale marketing campaigns. Last week, the game was showcased at the PAX East event in Boston (the title's first demo in North America), where it received positive feedback on its graphics and combat system.

In June, the firm plans to participate in another global gaming exhibition, where it will showcase a new build (different from the boss fight showcased at Gamescom and The Game Awards last year). Going forward, Pearl Abyss plans to continue targeted marketing by engaging regularly with players, media outlets, and content creators.

Raise TP to W35,000; maintain Hold

We raise our target price on Pearl Abyss to W35,000 (from W30,000), as we changed our valuation base from 2025 to 2026 and revised up our earnings estimates to reflect lower projected operating expenses and a higher sales assumption for *Crimson Desert* (target P/E of 20x unchanged). While there are still concerns over valuation pressure and a potential gap in new releases after *Crimson Desert*, near-term momentum is likely to build ahead of the launch of *Crimson Desert* (likely in 4Q25).

Crimson Desert remains among the most highly anticipated upcoming games, given high-quality demos and positive feedback from global users at Gamescom and Tokyo Game Show in 2024. Additional marketing efforts and the unveiling of a new build at a global gaming exhibition in June should boost share price momentum.

(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	333	342	566	587	527
OP (Wbn)	-16	-12	119	148	79
OP margin (%)	-4.8	-3.5	21.0	25.2	15.0
NP (Wbn)	15	60	94	111	59
EPS (W)	237	939	1,457	1,724	918
ROE (%)	2.1	7.9	11.0	11.6	5.7
P/E (x)	163.7	29.5	24.4	20.6	38.7
P/B (x)	3.3	2.1	2.4	2.2	2.1
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	1Q25	2Q25F	3Q25F	4Q25F	2023	2024	2025F	2026F
Revenue	85	82	79	96	84	81	78	324	333	342	566	587
(YoY)	-0.4%	4.3%	-6.4%	13.4%	-2.1%	-1.3%	-2.2%	238.6%	-13.5%	2.7%	65.4%	3.7%
<i>Black Desert</i>	67	60	54	68	61	59	56	54	253	249	230	204
<i>EVE</i>	18	22	21	23	22	22	21	21	73	83	87	80
<i>Crimson Desert</i>	0	0	0	0	0	0	0	249	0	0	249	302
<i>DokeV</i> other new games	0	0	0	0	0	0	0	0	0	0	0	0
Other	1	0	5	5	0	0	0	0	8	10	1	1
Operating expenses	85	88	89	94	89	92	95	171	350	355	447	439
Labor	46	46	43	47	49	50	50	50	175	182	199	202
Commissions	17	18	17	18	17	17	18	70	69	71	122	127
Marketing	6	7	9	12	7	10	13	36	32	34	66	48
D&A	6	6	6	6	6	6	6	6	26	25	25	25
Other	10	10	13	10	9	9	9	9	48	43	36	36
OP	1	-6	-9	2	-5	-11	-18	153	-16	-12	119	148
(YoY)	-46.1%	RR	TTR	TTB	TTR	RR	RR	-	TTR	RR	TTR	24.2%
OP margin	0.7%	-7.1%	-11.6%	2.3%	-6.3%	-14.1%	-22.6%	47.2%	-4.9%	-3.6%	21.0%	25.2%
NP attributable to owners of the parent	13	9	-8	46	0	-9	-13	115	15	60	94	111
Net margin	15.0%	11.2%	-9.8%	48.3%	0.6%	-10.6%	-17.0%	35.4%	4.6%	17.6%	16.5%	18.9%

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	566	528	566	587	0%	11%	571	522	-1%	13%	Lowered operating expense estimates and raised sales volume assumption for <i>Crimson Desert</i>
OP	119	104	119	148	0%	43%	138	97	-14%	53%	
NP	95	83	94	111	-1%	34%	135	116	-31%	-5%	
OP margin	21.1%	19.6%	21.0%	25.2%	-	-	24.3%	18.6%	-	-	
Net margin	16.7%	15.7%	16.5%	18.9%	-	-	23.7%	22.3%	-	-	

Source: Mirae Asset Securities Research

Table 3. 1Q25 review

(Wbn)

	Actual	Mirae Asset	Diff.	Consensus	Diff.
Revenue	83.7	83.8	0%	84.2	-1%
OP	-5.2	-9.8	-	-3.8	-
NP attributable to owners of the parent	0.5	-6.0	-	3.1	-

Source: Company data, FnGuide, Mirae Asset Securities Research

Table 4. Valuation table

	Value	Notes
2026F NP attributable to owners of the parent (Wbn)	111	
Target P/E (x)	20	Avg. P/E from 2H19 to 1H20, when expectations for new releases were mixed with worries about delays
Target market cap (Wbn)	2,249	
No. of shares ('000)	64,248	
TP (W)	35,000	
CP (W)	35,550	
Upside	-1.5%	

Source: Mirae Asset Securities Research

Pearl Abyss (263750 KQ)

Income statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Revenue	342	566	587	527
Cost of revenue	0	0	0	0
GP	342	566	587	527
SG&A expenses	355	447	439	448
OP (adj.)	-12	119	148	79
OP	-12	119	148	79
Non-operating profit	90	4	0	0
Net financial income	10	11	15	18
Net income from associates	-4	-8	-15	-18
Pretax profit	78	123	148	79
Income tax	17	29	37	20
Profit from continuing operations	60	94	111	59
Profit from discontinued operations	0	0	0	0
NP	60	94	111	59
Attributable to owners	60	94	111	59
Attributable to minority interests	0	0	0	0
Total comprehensive income	78	94	111	59
Attributable to owners	78	94	111	59
Attributable to minority interests	0	0	0	0
EBITDA	13	142	170	100
FCF	-8	98	125	73
EBITDA margin (%)	3.8	25.1	29.0	19.0
OP margin (%)	-3.5	21.0	25.2	15.0
Net margin (%)	17.5	16.6	18.9	11.2

Balance sheet (summarized)

(Wbn)	2024	2025F	2026F	2027F
Current assets	453	537	654	709
Cash & equivalents	143	204	317	371
AR & other receivables	60	58	59	58
Inventory	0	0	0	0
Other current assets	250	275	278	280
Non-current assets	690	693	689	690
Investments in associates	41	41	42	42
PP&E	189	186	181	178
Intangible assets	248	245	246	250
Total assets	1,143	1,230	1,343	1,399
Current liabilities	133	131	132	128
AP & other payables	17	17	17	17
Short-term financial liabilities	5	5	5	0
Other current liabilities	111	109	110	111
Non-current liabilities	204	199	200	201
Long-term financial liabilities	97	97	97	97
Other non-current liabilities	107	102	103	104
Total liabilities	337	330	333	329
Equity attributable to owners	806	900	1,010	1,069
Capital stock	7	7	7	7
Capital surplus	220	220	220	220
Retained earnings	559	652	763	822
Minority interests	0	0	0	0
Shareholders' equity	806	900	1,010	1,069

Cash flow statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Operating cash flow	-5	110	134	83
NP	60	94	111	59
Non-cash income/expenses	-26	41	44	22
Depreciation	16	15	14	14
Amortization	9	9	8	7
Other	-51	17	22	1
Chg. in working capital	-34	-7	1	3
Chg. in AR & other receivables	-3	2	0	0
Chg. in inventory	0	0	0	0
Chg. in AP & other payables	0	0	0	0
Income tax	-14	-29	-37	-20
Cash flow from investing activities	56	-44	-21	-24
Chg. in PP&E	-3	-12	-9	-10
Chg. in intangible assets	-1	-6	-9	-11
Chg. in financial assets	44	-22	-3	-3
Other	16	-4	0	0
Cash flow from financing activities	-152	0	0	-5
Chg. in financial liabilities	-145	0	0	-5
Chg. in equity	0	0	0	0
Dividends	0	0	0	0
Other	-7	0	0	0
Chg. in cash	-93	61	113	54
Beginning balance	236	143	204	317
Ending balance	143	204	317	371

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

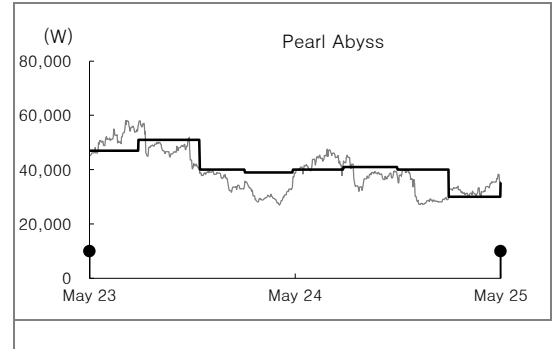
	2024	2025F	2026F	2027F
P/E (x)	29.5	24.4	20.6	38.7
P/CF (x)	52.3	17.0	14.8	28.1
P/B (x)	2.1	2.4	2.2	2.1
EV/EBITDA (x)	117.1	13.6	10.7	17.6
EPS (W)	939	1,457	1,724	918
CFPS (W)	530	2,091	2,406	1,266
BPS (W)	13,086	14,543	16,267	17,186
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	2.7	65.4	3.7	-10.3
EBITDA growth (%)	33.0	1,001.1	19.5	-41.3
OP growth (%)	RR	TTB	24.2	-46.8
EPS growth (%)	296.8	55.1	18.4	-46.8
AR turnover (x)	8.1	12.7	13.4	11.9
Inventory turnover (x)	5,660.4	4,657.0	4,780.7	4,248.2
AP turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	5.1	7.9	8.6	4.3
ROE (%)	7.9	11.0	11.6	5.7
ROIC (%)	-2.6	22.3	28.6	15.4
Debt-to-equity ratio (%)	41.8	36.7	32.9	30.8
Current ratio (%)	340.4	409.6	493.8	553.3
Net debt-to-equity ratio (%)	-33.4	-39.5	-46.6	-49.8
Interest coverage ratio (x)	-1.8	29.5	36.6	20.0

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
Pearl Abyss (263750)	05/14/25	Hold	35,000
	02/11/25	Hold	30,000
	11/12/24	Hold	40,000
	08/08/24	Hold	41,000
	05/10/24	Hold	40,000
	02/15/24	Hold	39,000
	11/27/23	Hold	40,000
	08/10/23	Hold	51,000
	02/15/23	Hold	47,000



Stock ratings

Buy	Expected 12-month return: +20% or greater
Hold	Expected 12-month return: Greater than -10% and less than +10%
Sell	Expected 12-month return: -10% or less

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

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.

Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

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	83.98%	6.63%	8.84%	0.55%
Investment banking services	88.24%	0%	11.76%	0%

* Based on recommendations in the last 12-months (as of March 31, 2025)

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