

**NEXON Co., Ltd.**

**Q4 2024 Earnings Prepared Remarks**

**Feb 13th, 2025**

**Junghun Lee, Representative Director, President and Chief Executive Officer, NEXON Co., Ltd.**

Thank you Kawai-san and good afternoon to those attending today's call. Earlier today, Nexon posted our quarterly earnings letter and slide deck with details on our recent performance and outlook.

Before taking your questions, I would like to offer context on how our outlook in Q1 and recent results have influenced our strategy in 2025 and progress toward the goals established in our 2027 mid-term plan. Following this, Uemura-san will provide a quick review of the financial data.

Highlights in our quarterly report include record-setting full-year 2024 revenue of ¥446.2 billion, up 5% year over year driven by the strong launch of *Dungeon&Fighter Mobile* in China and the global launch of *The First Descendant*. Operating income was ¥124.2 billion, down 8% year over year reflecting our ongoing investments to strengthen and expand our IP portfolio.

Q4 results came in below expectations with revenue of ¥79.7 billion and an operating loss of ¥1.7 billion.

Our Q1 outlook reflects recent success and momentum for *MapleStory* in Korea, offset by a slower start of the New Year update performance in China for the *Dungeon&Fighter* franchise.

In short, much of 2025 will be dedicated to strengthening and regaining momentum in our *Dungeon&Fighter* franchise, while maintaining steady progress in the development of new games – two important elements in the dynamic growth strategy outlined in our 2027 mid-term plan.

To reflect our confidence during this period and to enhance shareholder value, today we announced a ¥100-billion buyback policy. Uemura-san will provide more details on that shortly.

To summarize our recent performance, I'll start with our *Dungeon&Fighter* franchise, which grew revenue by 53% in 2024, driven by the strong launch of our mobile game in China. However, we saw slower growth in Q4 and, initial results from the Q1 New Year updates released in January.

Regarding the PC game in China, an IP collaboration in December did not meet our expectations for moving packaged-item sales. The Q1 New Year update, which included a brand-new area, a level-cap increase, and an overhaul of the progression system, started slow but more recently showed improvements including greater balance to the in-game economy and an increase in daily active users which puts the game close to the player levels seen last year.

While we expect Q1 revenue to decline year over year, we like where this is heading and believe the recovery will continue with the steady supply of new content coming this year.

In Korea – which received the same update nearly simultaneously – we saw immediate improvement in daily active users, resulting in the likelihood of delivering year-over-year sales growth in Q1.

Moving on to *Dungeon&Fighter Mobile*, our analysis shows that the Q4 level-cap increase in China effectively stabilized daily active users, but the subsequent New Year update in January has been slow to attract players. As a result, we expect a lower-than-anticipated Q1 revenue.

The analysis by our team and partners at Tencent points to two opportunities for growth in China: – more hyperlocalized content and all-new experiences which can attract a broader range of players.

For some time, we have been discussing with Tencent the need for greater adaptation to capture quickly evolving trends and unique preferences in that market. Last year's challenge with PC DNF and the slow start to this year's New Year updates advanced this discussion.

As a result, Nexon and Tencent have reached a co-development agreement that will increase our production capability. Nexon's Neople Studio will continue to develop core content and maintain overall creative control of the franchise. Tencent will provide additional production capacity for a variety of new experiences.

We look forward to updating you on a meaningful step forward.

Additionally, our teams are making steady progress on a series of games designed to create new revenue streams by extending *Dungeon&Fighter* into global markets. A strategic initial step – *The First Berserker: Khazan* – is scheduled for release on PC and console March 28. *Khazan* will be followed by *Dungeon&Fighter: ARAD* and Project OVERKILL – two more brand extensions designed to help meet our franchise growth target for 2027.

Turning to our *MapleStory* franchise, despite a 17% year-over-year decline in 2024 revenue, we are encouraged by signs of a turnaround. In *MapleStory* primary market, Korea, we've seen solid improvements in active users and player satisfaction following the Winter update posted in December. While it is too early to celebrate, we are encouraged by the momentum we're seeing in Q1, which includes a projected year-over-year sales increase of more than 30% and a meaningful improvement in player satisfaction.

We are similarly pleased with progress outside of Korea from *Global Maplestory*, which includes Japan, North America and Europe and Rest of World – a group that now represents 35% of franchise revenue and grew 24% year over year in 2024. And an all-new experience, *MapleStory Worlds*, delivered better-than-expected results with a Q4 soft launch in North and South America.

Turning to our FC franchise, full-year 2024 revenue was the second highest in franchise history, although down year over year from a record-high point in 2023. In Q4, franchise revenue grew year over year, although sales fell short of expectations as an October branding campaign did not deliver the expected level of sales. In 2025, we expect lower fan enthusiasm due to a lack of major professional soccer events ahead of the World Cup in 2026. Overall, the game is in good shape, and we anticipate stable operations throughout the year.

Turning to our Mabinogi franchise, pre-registration for *MABINOGE MOBILE* is now open, ahead of the March 27 release in Korea. We are also excited about the development on another Mabinogi franchise extension coming to PC and consoles: *Vindictus: Defying Fate*. And we are making steady progress on Mabinogi Eternity Project, which moves the classic PC experience onto the Unreal Engine 5. This project will provide greater graphic fidelity and larger-scale content with more freedom to engage the core and attract both new and dormant users.

Next, *The First Descendant*, is showing improved retention following the December Season 2 update. We expect the second episode of Season 2 scheduled in March to further strengthen retention. In addition, an influx of studio talent dedicated to accelerating content production will also help further improve the game performance.

Looking beyond our existing portfolio, we encourage investors to recognize Nexon's large pipeline of games in development which includes seven new games scheduled for release by 2027 – with each expected to deliver incremental annual revenue of more than ¥10 billion.

And now I will hand off to Uemura-san, who will provide some details on our results and outlook as well as on the ¥100-billion buyback we announced today.

**Shiro Uemura, Representative Director and Chief Financial Officer, NEXON Co., Ltd.**

Thank you, Junghun.

In Q4, while we continued to face challenges in Dungeon&Fighter franchise, we successfully turned around the momentum of *MapleStory* in the primary market, Korea.

Q4 revenue came in below our outlook at ¥79.7 billion, due to the shortfall in key titles, primarily our FC franchise and *The First Descendant*. Year over year, it was down 6% on an as-reported basis and down 4% on a constant-currency basis.

An operating loss of ¥1.7 billion was recorded due to an impairment loss of ¥7.0 billion. This was below our outlook due to revenue underperformance.

Net income exceeded our outlook at ¥32.0 billion, principally due to an FX gain of ¥31.7 billion primarily on cash deposits.

Looking at the performance by franchise, Dungeon&Fighter's franchise revenues grew 47% year over year, driven by the contribution from *Dungeon&Fighter Mobile*, which launched in China during Q2.

For the PC version in China, revenue fell short of our outlook as an IP collaboration and packaged-item sales in December did not meet our expectations.

While *Dungeon&Fighter Mobile* was slightly below our expectations, the number of its active users stabilized after the level cap increase in late November.

MapleStory's franchise revenues decreased year over year as planned.

For MapleStory in Korea, Net Promoter Scores improved by 6 points and the number of active players increased quarter over quarter, driven by the successful Winter update. Accordingly, its revenue exceeded our outlook.

*MapleStory* revenues outside of Korea increased by 8% year over year, driven by our hyperlocalization strategy.

*MapleStory Worlds*, which soft-launched in North and South America in October on top of the Korea service, exceeded our expectations driven by well-received content.

FC's franchise revenues increased year over year but fell below our outlook because the October branding campaign did not boost revenue to the expected extent.

As for other key titles, *The First Descendant* was below our outlook due to a greater-than-expected decline in traffic attributable to lack of content.

Next, I would like to talk about our full-year 2024 results.

In FY2024, we delivered record-breaking full-year revenues at ¥446.2 billion, up 5% year over year on an as-reported basis or up 1% on a constant-currency basis. While we faced challenges in our two biggest titles, *Dungeon&Fighter* in China and *MapleStory* in Korea, our new titles, *Dungeon&Fighter Mobile* in China and *The First Descendant*, significantly contributed to our revenues.

Operating income was ¥124.2 billion, down 8% year over year on an as-reported basis and 12% year over year on a constant currency basis as the increase in costs in relation to ongoing investments to support our long-term growth was larger than the increase in revenues.

HR costs increased year over year primarily due to proactive talent investments for mid-to-long-term growth as well as performance-based bonuses for successful new games. Also, impairment loss impacted a year-over-year decrease in operating income.

While operating income was down year over year, net income was ¥134.8 billion, up 91% on an as-reported basis or 84% on a constant currency basis.

FX gain primarily on our cash deposits increased by ¥20.5 billion year over year. Also, an impairment loss of ¥44.4 billion on our investment in AGBO was recorded in 2023.

Moving on to our first quarter 2025 outlook.

We expect our Q1 group revenues to be in the range of ¥109.9 billion to ¥122.1 billion, representing a 1% to 13% increase on an as-reported basis or a 2% to 14% increase on a constant-currency basis year over year.

We expect *Dungeon&Fighter* franchise revenues to grow double digits year over year.

For *Dungeon&Fighter Mobile* in China, while we anticipate an increase in revenue quarter over quarter due to strong seasonality, the New Year update introduced on January 13 has been slow to retain users as well as attract new and returning players.

For the PC version of *Dungeon&Fighter* in China, we expect revenue to decrease year over year. The New Year update started slow but more recently showed improvement including greater balance to the in-game economy and daily active users returning close to the levels seen last year.

As Junghun mentioned, Nexon has signed a co-development agreement with Tencent which would significantly increase our production capability and adapt the game to meet the unique tastes of Chinese players. Although overall responsibility for the franchise will remain with Nexon, the agreement could significantly improve user acquisition, engagement, retention and sales in China.

*The First Berserker: Khazan*, a new title for PC and console, is scheduled to launch globally on March 28. The purpose of this title is to spread the Dungeon&Fighter franchise to players worldwide ahead of new launches based on the Dungeon&Fighter IP, which include Project OVERKILL and *Dungeon&Fighter: ARAD*.

We expect MapleStory franchise revenues to increase year over year.

For the PC version of *MapleStory* in Korea, the Winter update in Q4 delivered an improvement in player numbers and provided good momentum into January. Consequently, we expect its revenue to increase more than 30% year over year. We are seeing a sign of recovery and hope to maintain a favorable trend in 2025.

FC franchise revenues are expected to decrease year over year due to a challenging comparison with Q1 2024. We expect the franchise to be challenged throughout 2025 by a lack of major professional soccer events happening ahead of the World Cup in 2026 while overall, the game is in good shape, and we anticipate stable operations throughout the year.

*MABINOGI MOBILE* is scheduled to launch in Korea on March 27. We will expand the fanbase for *Mabinogi* IP by extending the Mabinogi IP to mobile.

We expect Q1 operating income to be in the range of ¥29.6 to ¥35.4 billion, representing a 2% to 21% increase on an as-reported basis or a 3% decrease to 16% increase on a constant currency basis year over year.

On the cost side, we anticipate increased HR costs due to the performance-based bonuses and higher headcount as well as increased marketing expenses associated primarily with promotions for new titles. On the other hand, we expect decreased royalty costs due to a decrease in FC franchise revenues and lower PG fees due to a decrease in mobile revenues excluding *Dungeon&Fighter Mobile* in China, which is a royalty business.

We expect net income to be in the range of ¥22.0 billion to ¥26.6 billion, representing a 39% to 26% decrease on an as-reported basis or a 43% to 31% decrease on a constant currency basis year over year. In Q1 2024, we recorded the FX gain of ¥10.7 billion.

Finally, I'd like to provide an update on our shareholder return.

Nexon continues to generate significant cash flows, which strengthen our powerful balance sheet. In 2024, we generated more than ¥100 billion in operating cash for the seventh consecutive year, and we finished 2024 with a cash balance exceeding ¥600 billion.

This large and stable cash flow has allowed us to materially increase our dividend while also buying back stock. In 2024, we increased our dividend payout to ¥22.5 per share from ¥10 per share in 2023 and executed a share buyback of ¥51.4 billion.

Looking ahead, recognizing the importance of enhancing shareholder value while we regain momentum in our Dungeon&Fighter franchise in 2025, Nexon's board of directors has approved a share buyback policy of ¥100 billion over one year, including the remaining ¥50 billion of the ¥100 billion share buyback policy that we announced a year ago. We also approved the immediate execution of a ¥50 billion buyback from February 14 to June 30.

We are also committed to maintaining the semi-annual dividend of 15 yen per share, or 30 yen per share on an annual basis in 2025. While we expect this year to be challenging, we are confident in our strategy to materially grow our business over the next few years. We believe that the substantial buyback we are planning to execute this year will position Nexon and our shareholders well for the next phase of growth that we will deliver in the coming years.

I'll now turn the call over to Junghun for a quick summary ahead of taking your questions.



**Junghun Lee, Representative Director, President and Chief Executive Officer, NEXON Co., Ltd.**

Thank you Uemura-san.

We remain highly optimistic about the long-term growth potential for both our established franchises and our pipeline of new games in development. To resume growth in the Dungeon&Fighter franchise in China, we now have a co-development agreement with Tencent that will add significant development resources for improved adaptation and to reach a larger group of players.

We are also extremely pleased with *Maplestory*'s rebound in Korea.

And Nexon studios are making steady progress on an exciting pipeline of new games, including seven titles, EACH with the potential to add incremental annual revenue of more than ¥10 billion.

As a reflection of our long-term confidence and our commitment to enhancing shareholder value, Nexon has authorized a ¥100 billion share buyback policy.

With that, Operator we are ready to take questions.