

NEXON Co., Ltd.

Q1 2025 Earnings Prepared Remarks

May 13th, 2025

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

Thank you Kawai-san. Good afternoon and thank you to those joining today's call.

Earlier today, Nexon posted a letter and slide deck with details on our recent performance and outlook. On today's call, I'll start with some context on our progress then hand off to Uemura-san, who will review the financials.

Nexon's first quarter revenue grew 5% year over year and came within our expectations at ¥113.9 billion. Operating income increased by 43% to ¥41.6 billion, exceeding our outlook.

Nexon has begun the year with a clear demonstration of our commitment to our 2025 priorities and multi-year IP Growth Initiative. Last quarter, we identified the need to strengthen and regain momentum in key franchises while maintaining steady progress on developing and releasing new games.

I'm pleased to report that our progress to-date in 2025 checks each of those boxes. In Q1, our three biggest franchises, *Dungeon&Fighter*, *MapleStory* and *FC*, together delivered a meaningful 21% year-over-year growth, up from 8% in Q4. This included a clear turnaround for PC *Dungeon&Fighter* in Korea and a strong performance for *MapleStory*. *Dungeon&Fighter* in Korea more than doubled its MAUs and PUs versus a year ago, achieving record-high quarterly revenue. Also in Korea, *MapleStory* achieved strong improvements to DAUs, pay rate, and ARPPU to deliver year-over-year revenue growth of 43%.

Additionally, we launched two new games in the quarter. *The First Berserker: Khazan*, is a strategic first step in our initiative for introducing the *Dungeon&Fighter* franchise to a global audience. Players around the world – particularly in the West – recognized the high quality and gave *Khazan* on PC a Metacritic score of 83. The game also earned an 88 on Steam and a 90 on Open Critic. *Khazan* delivered on our strategic goals, and set the stage for two related games expected by 2027.

The second new game – *MABINOGI MOBILE* – outperformed our expectations in its debut in Korea. Enjoyed by a broad range of players, the game charted in the launch window as the #1 most popular and #3 grossing game on Android, and the #1 grossing game on iOS. This success creates potential for roll outs in additional markets.

And finally, we are excited about our progress on partnerships with Tencent, which includes new co-developed content for *Dungeon&Fighter Mobile* coming to China later this year. Additionally, last month, Tencent announced pre-registrations for *Khazan* and *THE FINALS*, specifically adapted to match the tastes of millions of players in the region.

Looking to our Second Quarter guidance, we begin with the recognition of a difficult comparison which

includes the explosively successful launch of *Dungeon&Fighter Mobile* in China last year. Nevertheless, we expect our Q2 revenue to be largely similar to last year on a constant-currency basis. This is attributable to strong growth expected from PC *Dungeon&Fighter* and *MapleStory*, plus a solid traction from new games, particularly *MABINOGE MOBILE*.

Our second quarter is also notable for updates on two new and highly innovative games – *ARC Raiders* and *MapleStory N*.

Earlier this month, Embark Studios hosted a large, global tech test for *ARC Raiders* which for the first time revealed the game's intense, tactile PvPvE gameplay and progression system. The response to the test on player forums was deeply gratifying and test metrics widely exceeded our expectations:

- We set a goal for five million YouTube Views and got more than 20 million;
- We set a goal to be a top 10 viewed game on Twitch, and reached the top six;
- We exceeded our wishlist goal on Steam by more than 50%.

The game performed well, particularly in Western markets, and the early retention rate showed a 25-point improvement over the previous test in Q4 last year. The Embark team is now heads-down on integrating test feedback and polishing the game.

Next, *MapleStory N*, the first game in our MapleStory Universe initiative which adopts blockchain technology to reward player engagement, is scheduled for release on May 15. *MapleStory N* features a user-driven economy with rewards based on digital ownership of NFTs rather than cash shops. The game will be available in select markets around the world.

To summarize the last four months, we achieved turnaround performances in our biggest franchises, successfully launched new games, built on partnerships and continued to make steady progress in developing all-new games with potential to break out as hits.

Nexon is delivering on its promises to our players, and to our investors.

With that, I'll hand off to Uemura-san.

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

Thank you, Junghun.

Our first quarter results offer a clear reflection of our priorities and longer-term IP Growth Initiatives, with turnaround performances in *Dungeon&Fighter* and *MapleStory* as well as strategic progress in IP expansion which included the successful launches of two new games: *The First Berserker: Khazan* and *MABINOGE MOBILE*.

Q1 revenue came within the expected range at ¥113.9 billion. Year over year, it was up 5% on an as-reported basis and up 9% on a constant-currency basis, driven by the collective growth in our three largest franchises and contributions from new games.

Operating income was ¥41.6 billion, exceeding our outlook. Stronger-than-expected performances of our major titles like *Dungeon&Fighter* (PC) and *MapleStory* drove higher margin, plus costs came in below our plan. Year over year, operating income increased by 43%, driven by the collective strong growth of our three key franchises and a Q1 2024 one-time impairment loss of ¥6.2 billion, which did not repeat this year. This was achieved while investing to expand our IP portfolio.

Despite the operating income outperformance, net income came within the expected range at ¥26.3 billion due to an FX loss of ¥4.2 billion and an impairment loss of ¥1.6 billion on an investment accounted for using the equity method. Year over year, it was down 27%, due to an FX loss of ¥4.2 billion recorded in Q1 2025 while recording an FX gain of ¥10.7 billion in Q1 2024.

Turning to performance by franchise, in Q1 our *Dungeon&Fighter* franchise grew 60% year over year, driven by contributions from *Dungeon&Fighter Mobile* in China and *The First Berserker: Khazan*, which released in March, plus strong growth from PC *Dungeon&Fighter* in Korea, which nearly doubled revenue from a year ago.

In China, PC *Dungeon&Fighter* came in at the high end of our outlook, driven by the new year update which provided solid improvements to the in-game economy balance and generated an increase in DAUs throughout the quarter. In Korea, the new year update more than doubled both MAUs and PUs, driving record-high quarterly revenue.

For *Dungeon&Fighter Mobile*, DAUs tracked below our expectations in China, resulting in Q1 revenue which fell short of our outlook.

The First Berserker: Khazan made a global debut on March 28 with great ratings from both players and critics. While revenue in Q1 was below our outlook, the game achieved our objective as a strategic first step to introduce and expand *Dungeon&Fighter* IP to a global audience.

Next, our *MapleStory* franchise returned to growth, increasing 8% year over year, driven by the strong performance of its PC version in Korea and the West.

In Korea, the successful large winter update introduced in December drove strong improvements to player engagement, represented by key metrics including DAUs, pay rate, and ARPPU. As a result, Q1 revenue in Korea marked 43% year-over-year growth, exceeding our expectations.

Global *MapleStory* also exceeded our outlook, but declined year over year compared to the record-high sales in Q1 2024 driven by a large and highly anticipated update. However, service in the Western markets continued to demonstrate strength with a 35% year-over-year revenue growth, driven by the hyperlocalized content developed by our team in Los Angeles.

For *MapleStory Worlds*, Q1 revenue increased by 11% year over year as we expanded the service region into Europe.

Turning to our FC franchise, *FC ONLINE* exceeded our outlook driven by the well-received *Team Of The Year* feature, while *FC MOBILE* fell short of expectations. Overall, franchise revenue declined year over year, but came within the expected range.

And finally, *MABINOgi MOBILE* – a new experience on an established franchise launched on March 27, and significantly out-performed our expectations, demonstrating broad appeal with strongly positive feedback. *MABINOgi MOBILE* is a cross-platform game available both on PC and mobile.

Moving on to our second quarter 2025 outlook, we expect FX to negatively impact revenue by approximately 10%. Our Q2 revenue is expected to be in the range of ¥99.6 billion to ¥110.3 billion, representing a 19% to 10% decrease on an as-reported basis or 9% decrease to 1% increase on a constant-currency basis year over year.

Despite an extremely high comparison with Q2 2024 driven by the explosively successful launch of *Dungeon&Fighter Mobile* in China last year, we expect our Q2 revenue to be largely similar to last year on a constant-currency basis. This is attributable to strong growth expected from PC *Dungeon&Fighter* and *MapleStory* as well as a solid contribution from *MABINOgi MOBILE*.

We expect the *Dungeon&Fighter* franchise to decline by approximately 40% this year versus a year ago. This is due to the difficult comparison with last Q2 when the franchise revenue increased by 162% with the launch of *Dungeon&Fighter Mobile*. However, the result will be partially offset by growth from PC *Dungeon&Fighter* and a contribution from *The First Berserker: Khazan*.

Dungeon&Fighter Mobile will host a one-year anniversary event to energize the base and attract new players. However, we anticipate a sequential decline in revenue due to seasonality.

For the PC version of *Dungeon&Fighter*, we expect revenue to return to growth year over year in China, and momentum to continue in Korea.

Moving to *MapleStory*, we expect the franchise to accelerate growth to approximately 20% year over year.

For the PC version of *MapleStory* in Korea, we expect revenue to increase year over year. In April, we celebrated its 22nd anniversary with a major content update and events. In the coming months, we will release a rich pipeline of new content including a large-scale summer update.

We also expect year-over-year growth in Global *MapleStory* and *MapleStory Worlds*.

The May 15 launch of our innovative blockchain project, *MapleStory N*, will generate valuable learnings about player rewards, but is not expected to deliver significant revenue in the second quarter.

Revenues from our FC franchise are expected to decrease year over year, however, we anticipate increased player excitement as we get closer to the World Cup in the summer of 2026.

MABINOGE MOBILE is expected to make a significant contribution in Q2 although we anticipate its momentum to settle down following a successful launch.

We expect Q2 operating income to be in the range of ¥22.5 billion to ¥31.1 billion, representing a 50% to 31% decrease on an as-reported basis or a 45% to 24% decrease on a constant-currency basis year over year.

Regarding cost, we anticipate increased royalty expenses and platform fees due to *MABINOGE MOBILE*, which is developed by our joint venture studio. Also, we expect increased marketing expenses associated with promotions for new titles and increased fees to creators tied to revenue growth in *MapleStory Worlds*. However, we expect a decrease in HR costs due to lower performance-based bonuses.

We anticipate net income to be in the range of ¥16.8 billion to ¥23.3 billion, representing a 58% to 42% decrease on an as-reported basis or 54% to 36% decrease on a constant currency basis year over year. In Q2 2024, we recorded an FX gain of ¥8.2 billion.

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

We started the execution of a ¥50 billion share repurchase from February 14 as a part of the one-year ¥100 billion share repurchase policy.

Through the end of April, we have acquired approximately 14.8 million shares for ¥30.3 billion. We are scheduled to complete the purchase of the remaining ¥19.7 billion worth of shares by June 30, 2025.

After the acquisition of the first ¥50 billion of the plan, we intend to buy the remaining ¥50 billion by February 2026, with the consideration of factors including investment opportunities, financial conditions, and the market environment.

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.

Before we take your questions, I want to offer some perspective on how Nexon plans to navigate the volatile economic climate that is currently disrupting global markets.

We believe Nexon is insulated from much of the economic volatility and positioned for stability and growth. To start, games have been historically resistant to macroeconomic challenges and our portfolio of digital entertainment is not expected to be impacted by tariffs.

More importantly, our company is anchored by recurring revenue from multiple, established franchises; a clearly defined growth plan; a robust pipeline of new games in development; strategic partnerships for capturing new growth opportunities in large markets; world-class live operations; and a balance sheet with approximately ¥600 billion in cash that can be used to drive new opportunities and to enhance shareholder returns.

Come what may, our company is well-built, resilient and positioned for sustained growth. Nexon can and will continue to deliver on our promises to players, and to our investors.

Operator, we are ready to take questions.