

# NCSOFT

(036570 KS)

## Lineage I still going strong

### Game

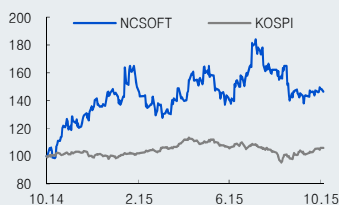
#### Earnings Preview

October 20, 2015

(Maintain)	<b>Buy</b>
Target Price (12M, W)	<b>270,000</b>
Share Price (10/19/15, W)	194,000
Expected Return	39%

OP (15F, Wbn)	269
Consensus OP (15F, Wbn)	275
EPS Growth (15F, %)	0.0
Market EPS Growth (15F, %)	23.3
P/E (15F, x)	18.5
Market P/E (15F, x)	11.5
KOSPI	2,030.27
Market Cap (Wbn)	4,254
Shares Outstanding (mn)	22
Free Float (%)	88.2
Foreign Ownership (%)	34.5
Beta (12M)	0.97
52-Week Low	130,500
52-Week High	244,000

(%)	1M	6M	12M
Absolute	0.8	4.9	46.4
Relative	-0.9	10.7	37.1



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[Internet/Game/Entertainment]

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### 3Q Lineage I revenue to be stronger than expected

We expect robust revenue from *Lineage I* in 3Q despite the absence of microtransaction events in the quarter. We estimate *Lineage I* revenue at W72bn (+5.1% YoY) for 3Q and W301.5bn (+14.6% YoY) for the full year. Even after almost two decades since its release, the title is still going strong, as evidenced by its solid user metrics and increasing ARPU.

Around 74% of *Lineage I* players are believed to be in their 30s or older (22% in their 50s), who tend to have stronger purchasing power. With no real competition around, user defection has also been limited, especially following the title's content update on October 14<sup>th</sup> (its first in seven years).

### Intellectual property value to become key theme in 2016

Two of the best performers in the global gaming sector during the past year have been Electronic Arts (EA), which has intellectual property (IP) rights to FIFA and the NBA, and Nintendo, which is well known for its Super Mario characters. In particular, Nintendo shares have risen to a P/E of above 60x following the company's announcement in March of a move into mobile games.

Many new titles have become instant hits by tapping into familiar characters and storylines rather than by focusing on differentiated gaming experiences. In this regard, we take note of NCSOFT's *Guild Wars 2* expansion pack (official release on October 23<sup>rd</sup> in the US and Europe) and *Blade & Soul China* mobile (published by Tencent), both of which are set to come out in 4Q.

Looking ahead to 2016, we foresee a number of new releases, including the PC game *Master X Master* (MXM; Korea and China), *Lineage I* mobile (internally developed), *Lineage II* mobile (developed by Netmarble for Korea and Snail Games for China), and *Aion* mobile (internally developed). Beta testing for the blockbuster *Lineage Eternal* is also expected to begin next year.

### Retain Buy and TP of W270,000; Dividend yield of 1.8%

We reiterate Buy on NCSOFT with a target price of W270,000. We believe the upcoming 3Q earnings report will bring renewed attention to the steady cash-generating power of *Lineage I*. That said, we revised down our 2015-16F EPS by 16.4% and 16%, respectively, as we pushed back the timing of revenue recognition for *Guild Wars 2* expansion pack and *Lineage Eternal*.

Over the next couple of years, the company is likely to produce a string of mobile titles based on its original IP, and new blockbusters on multi-platforms. In the global gaming sector, we note that stocks with rights to well-known IP are attracting a valuation premium.

Assuming DPS stays the same as last year (W3,430), the stock currently has a dividend yield of 1.8%, which should provide downside support to share prices.

FY (Dec.)	12/12	12/13	12/14	12/15F	12/16F	12/17F
Revenue (Wbn)	754	757	839	880	977	1,299
OP (Wbn)	151	205	278	269	323	521
OP margin (%)	20.0	27.1	33.1	30.6	33.1	40.1
NP (Wbn)	156	159	230	230	266	438
EPS (W)	7,120	7,245	10,487	10,489	12,135	19,970
ROE (%)	16.8	14.8	18.4	16.0	16.5	23.2
P/E (x)	21.1	34.3	17.4	18.5	16.0	9.7
P/B (x)	3.0	4.4	2.7	2.6	2.3	2.0

Notes: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests  
Source: Company data, KDB Daewoo Securities Research estimates

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Figure 1. ARPU trends by game

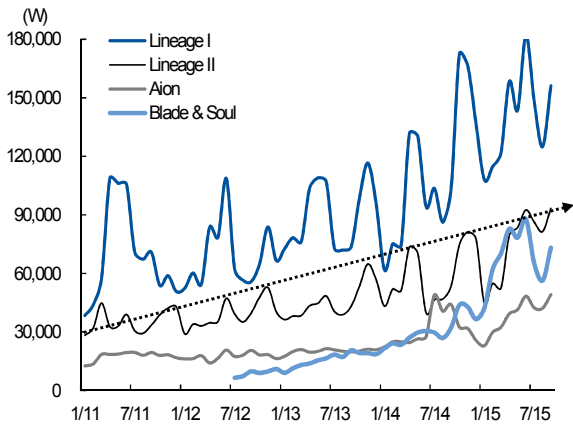
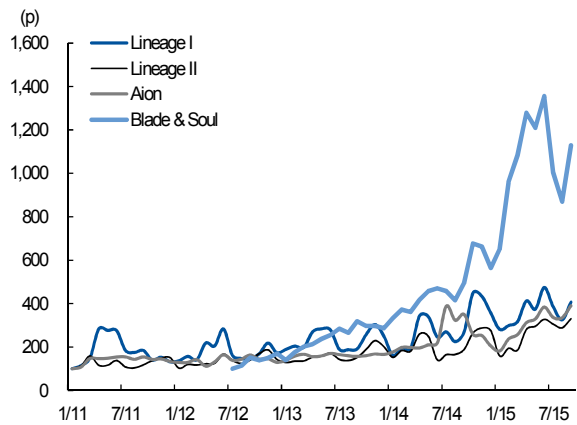


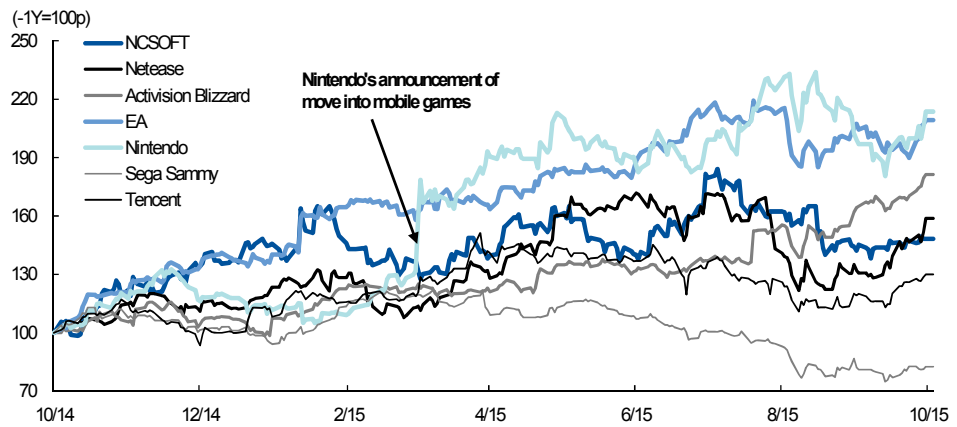
Figure 2. Relative changes in ARPU by game



Notes: Monthly revenue (quarterly revenue divided by three) divided by the sum of daily average concurrent users for each month; this calculation provides a good measure of changes in per-user revenue  
 Source: Gametrics, company data, KDB Daewoo Securities Research

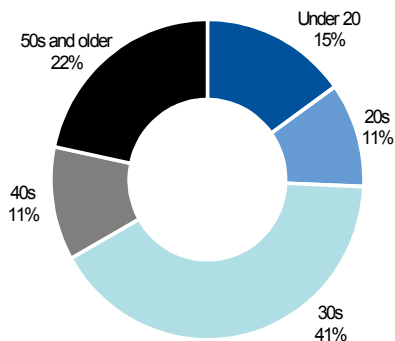
Note: As of January 2011; B&S revenue includes revenue from Japan and Taiwan  
 Source: Gametrics, company data, KDB Daewoo Securities Research

Figure 3. Relative share performances of major PC game developers



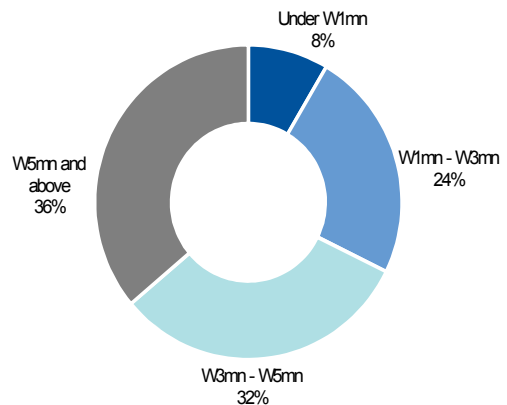
Source: Thomson Reuters, KDB Daewoo Securities Research

Figure 4. Breakdown of Lineage I players by age (3Q15)



Source: Koreanclick, KDB Daewoo Securities Research

Figure 5. Breakdown of Lineage I players by monthly income level (3Q15)



Source: Koreanclick, KDB Daewoo Securities Research

## Earnings and forecasts

**Table 1. Quarterly and annual earnings**

(Wbn, %)

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15F	4Q15F	2013	2014	2015F
Revenue	178	214	212	235	188	217	204	270	757	839	880
<i>Lineage I</i>	41	57	69	97	66	85	72	78	288	263	302
<i>Lineage II</i>	12	14	15	19	11	16	16	17	57	59	60
<i>Aion</i>	22	18	33	21	18	20	19	20	96	94	78
<i>Blade &amp; Soul</i>	19	19	20	25	27	30	27	28	69	83	111
<i>Guild Wars 2</i>	25	22	20	19	20	22	25	76	123	86	143
<i>WildStar</i>	0	28	16	5	3	2	2	2	0	50	9
Royalties	45	38	22	32	26	21	23	24	66	137	94
Other	14	18	18	16	18	20	20	25	58	67	83
<b>Revenue portion</b>											
<i>Lineage I</i>	23.0	26.6	32.4	41.1	35.1	39.3	35.2	28.9	38.0	31.4	34.3
<i>Lineage II</i>	6.5	6.3	7.0	8.3	5.9	7.5	7.9	6.3	7.6	7.1	6.9
<i>Aion</i>	12.5	8.6	15.6	8.9	9.7	9.2	9.5	7.5	12.7	11.3	8.9
<i>Blade &amp; Soul</i>	10.8	8.9	9.3	10.5	14.2	13.7	13.1	10.4	9.1	9.9	12.7
<i>Guild Wars 2</i>	14.1	10.4	9.3	8.2	10.6	10.3	12.1	28.0	16.3	10.2	16.2
<i>WildStar</i>	0.0	13.1	7.6	2.3	1.4	1.0	1.0	0.7	0.0	5.9	1.0
Royalties	25.0	17.6	10.5	13.8	13.6	9.6	11.3	8.8	8.7	16.3	10.6
Other	8.1	8.4	8.3	6.9	9.5	9.3	9.9	9.3	7.6	8.0	9.5
Operating expenses	134	149	130	148	143	150	149	168	551	561	611
Operating profit	45	65	81	87	45	67	56	102	205	278	269
OP margin (%)	25.0	30.4	38.4	37.2	23.9	30.8	27.2	37.6	27.1	33.2	30.6
Net profit	37	53	76	62	36	58	49	85	159	227	228
Net margin (%)	20.5	24.8	35.8	26.5	18.9	26.6	23.9	31.6	21.0	27.1	25.9
<b>YoY growth</b>											
Revenue	-3.6	11.4	24.7	12.0	5.6	1.7	-3.4	14.8	0.4	10.8	4.9
<i>Lineage I</i>	-37.9	-32.9	10.0	29.4	61.0	50.3	5.1	-19.3	40.3	-8.6	14.6
<i>Lineage II</i>	-18.5	-5.1	13.7	25.1	-5.0	19.9	8.3	-12.5	-12.2	4.1	1.5
<i>Aion</i>	-21.4	-21.1	45.7	-3.2	-17.8	9.5	-41.1	-2.7	-32.2	-1.4	-17.3
<i>Blade &amp; Soul</i>	16.5	35.2	-2.7	37.4	39.2	55.6	35.4	14.6	10.8	20.1	34.8
<i>Guild Wars 2</i>	-30.9	-23.1	-19.6	-42.6	-20.3	1.2	25.3	292.2	-25.2	-30.6	66.7
<i>WildStar</i>	-	-	-	-	-	-92.6	-87.1	-64.3	-	-	-82.4
Royalties	314.9	188.4	125.9	0.3	-42.5	-44.2	4.1	-26.7	2.9	107.5	-31.6
Other	13.1	32.8	2.8	13.4	23.9	12.5	15.3	54.3	13.8	15.9	24.7
Operating profit	-19.8	4.3	164.7	54.0	0.8	3.1	-31.7	16.3	35.7	35.5	-3.3
Net profit	-30.1	54.8	187.9	36.4	-2.7	9.3	-35.6	37.0	3.2	43.4	0.1

Notes: All figures are based on consolidated K-IFRS

Source: Company data, KDB Daewoo Securities Research estimates

**Table 2. Earnings forecast revisions**

(Wbn, W, %, %p)

	Previous		Revised		% chg.	
	2015F	2016F	2015F	2016F	2015F	2016F
Revenue	928	1,045	880	977	-5.2	-6.5
Operating profit	314	383	269	323	-14.3	-15.7
Pretax profit	336	403	281	339	-16.4	-15.9
Net profit	275	317	230	266	-16.4	-16.1
EPS	12,550	14,446	10,489	12,135	-16.4	-16.0
OP margin	33.8	36.7	30.6	33.1	-3.3	-3.6
Net margin	29.6	30.3	26.1	27.2	-3.5	-3.1

Notes: All figures are based on consolidated K-IFRS

Source: Company data, KDB Daewoo Securities Research estimates

Table 3. Earnings forecasts for global internet companies

(US\$m, %)

	Market cap	Revenue			Operating profit			OP margin			Net profit			Net margin			EPS		
		14	15F	16F	14	15F	16F	14	15F	16F	14	15F	16F	14	15F	16F	14	15F	16F
NCSOFT	3,772	797	776	876	264	244	305	33.2	31.4	34.8	218	201	251	27.4	25.9	28.6	10.5	9.2	11.5
Neowiz Games	344	191	180	205	28	30	48	14.7	16.9	23.5	-7	17	33	-3.8	9.5	15.9	-0.5	0.5	1.5
NHN Ent.	1,006	529	492	564	11	-55	-19	2.1	-11.3	-3.3	48	13	0	9.1	2.6	0.0	1.6	0.5	0.1
Gamevil	412	138	132	164	11	1	11	7.8	0.6	6.9	22	19	30	16.0	14.1	18.4	3.8	2.8	4.5
Com2uS	1,294	223	377	424	96	140	162	43.1	37.2	38.2	75	110	129	33.8	29.1	30.3	10.0	8.9	9.7
WeMade	706	155	127	176	-30	-1	51	-19.3	-1.1	28.9	201	-1	39	130.2	-1.0	22.0	12.1	-0.1	2.2
Nexon	5,863	1,638	1,556	1,658	431	502	559	26.3	32.3	33.7	278	415	446	17.0	26.7	26.9	0.8	1.0	1.0
Activision Blizzard	24,911	4,408	4,642	4,976	1,183	1,518	1,745	26.8	32.7	35.1	835	889	975	18.9	19.1	19.6	1.3	1.3	1.5
Electronic Arts	22,355	4,515	4,539	4,773	948	1,245	1,433	21.0	27.4	30.0	875	757	963	19.4	16.7	20.2	3.1	3.0	3.4
Take-Two	2,698	1,083	1,432	1,696	-258	153	251	-23.9	10.6	14.8	-279	45	86	-25.8	3.1		-4.0	1.0	1.7
Zynga	2,274	690	753	799	-245	-34	41	-35.4	-4.5	5.2	-226	-120	-40	-32.7	-15.9	-5.0	-0.2	0.0	0.0
Gameloft	411	302	305	332	-6	7	27	-2.1	2.2	8.0	-8	-8	16	-2.8	-2.5	4.7	-0.3	0.0	0.2
Glu Mobile	559	223	276	335	2	20	40	0.9	7.2	11.9	8	3	21	3.7	1.1	6.2	0.1	0.2	0.3
Nintendo	27,594	5,026	4,867	5,641	226	462	733	4.5	9.5	13.0	383	348	508	7.6	7.2	9.0	4.4	2.9	4.1
Sega Sammy	2,786	3,245	3,238	3,386	161	201	273	5.0	6.2	8.1	-103	139	188	-3.2	4.3	5.6	-0.9	0.6	0.8
Namco Bandai	5,526	5,170	4,700	4,830	515	489	523	10.0	10.4	10.8	344	322	347	6.6	6.9	7.2	1.6	1.5	1.6
Konami	3,296	1,994	2,120	2,064	140	244	246	7.0	11.5	11.9	91	151	153	4.5	7.1	7.4	0.8	1.1	1.1
DeNA	2,949	1,302	1,274	1,521	226	199	315	17.4	15.6	20.7	137	121	192	10.5	9.5	12.7	0.9	0.9	1.4
GREE	1,186	810	676	661	177	121	112	21.9	17.9	16.9	-90	74	69	-11.2	11.0	10.4	-0.4	0.3	0.3
GungHo Online	3,267	1,639	1,324	1,215	893	642	579	54.5	48.4	47.7	587	401	361	35.8	30.3	29.7	0.4	0.4	0.4
Netease.com	18,265	1,888	3,004	3,845	768	930	1,117	40.7	31.0	29.1	767	906	1,076	40.6	30.2	28.0	6.3	7.6	9.2
Tencent	178,444	12,811	15,470	19,642	4,662	6,047	7,654	36.4	39.1	39.0	3,865	4,687	6,076	30.2	30.3	30.9	0.4	0.5	0.7
Kingsoft	3,065	544	864	1,317	84	68	178	15.4	7.9	13.5	125	73	161	22.9	8.4	12.2	0.1	0.1	0.1
Average								13.4	16.5	20.8				15.4	11.9	15.5			

Notes: Based on Bloomberg consensus as of Oct. 19<sup>th</sup>

Source: Bloomberg, KDB Daewoo Securities Research

Table 4. Valuation comparison of global internet companies

(x, %)

	Market cap	P/E			P/B			P/S			EV/EBITDA			ROE			ROA		
		14	15F	16F	14	15F	16F	14	15F	16F	14	15F	16F	14	15F	16F	14	15F	16F
NCSOFT	3,772	17.2	18.6	15.0	2.5	2.6	2.3	4.7	4.8	4.3	11.0	10.9	8.9	15.8	15.2	16.2	12.6	12.2	13.4
Neowiz Games	344	-	29.8	10.2	1.3	1.3	1.1	2.1	1.9	1.6	13.7	8.0	5.2	-3.8	8.5	12.7	-2.4	5.4	9.0
NHN Ent.	1,006	34.3	107.1	380.7	0.9	0.9	0.9	1.7	2.0	1.8	104.0	-	43.7	2.3	0.9	0.1	1.8	0.9	-0.6
Gamevil	412	17.4	22.3	13.7	2.3	2.2	1.9	2.9	3.1	2.5	46.5	100.4	30.1	14.1	10.3	14.7	12.7	8.8	12.4
Com2uS	1,294	10.5	11.3	10.4	4.7	3.5	2.6	3.3	3.4	3.0	6.5	7.9	7.1	59.7	39.3	29.5	54.2	37.3	29.7
WeMade	706	3.6	-	18.9	2.0	1.9	1.7	5.5	5.6	4.0	-	92.8	11.8	66.0	-0.4	9.5	49.4	-1.3	7.1
Nexon	5,863	17.1	14.0	13.0	1.9	1.8	1.6	3.8	3.8	3.5	10.1	8.2	7.9	11.9	13.8	13.7	9.5	7.4	7.0
Activision Blizzard	24,911	26.7	25.5	22.1	3.2	3.0	2.8	5.3	5.4	5.0	9.6	15.2	13.3	12.5	12.5	12.3	6.9	7.6	7.9
Electronic Arts	22,355	23.3	24.3	21.3	6.6	6.3	4.9	5.0	4.9	4.7	14.0	13.9	12.6	32.3	30.3	29.0	17.5	16.1	16.2
Take-Two	2,698	-	30.8	18.1	5.3	4.8	3.9	2.1	1.9	1.6	-	11.5	7.3	-48.0	18.3	12.2	-15.7	4.1	6.0
Zynga	2,274	-	-	68.3	1.2	1.2	1.2	2.9	3.0	2.8	-	86.7	13.0	-9.1	-1.7	3.8	-7.5	-0.9	1.7
Gameloft	411	-	-	24.4	2.9	2.8	2.5	1.5	1.4	1.3	29.5	12.7	7.4	-17.4	-1.3	10.8	-12.0	3.4	6.1
Glu Mobile	559	51.3	25.0	13.9	1.9	1.7	1.7	1.7	2.0	1.7	47.2	14.3	8.0	3.7	8.8	12.5	2.9	10.7	18.8
Nintendo	27,594	46.0	67.1	47.4	2.3	2.3	2.3	4.9	5.7	4.9	-	37.9	27.0	5.2	3.7	4.6	4.6	3.2	4.4
Sega Sammy	2,786	-	17.6	13.0	1.0	0.9	0.9	0.9	0.9	0.8	13.2	6.1	4.9	-7.7	5.3	7.0	-4.8	4.5	5.9
Namco Bandai	5,526	16.4	16.9	15.6	2.1	2.0	1.8	1.1	1.2	1.1	-	6.2	5.9	13.8	12.1	11.9	9.7	8.2	8.5
Konami	3,296	30.7	21.2	20.9	1.7	1.6	1.5	1.7	1.6	1.6	8.9	8.0	7.9	5.7	7.8	7.2	4.0	5.5	5.5
DeNA	2,949	23.2	21.3	13.8	1.8	1.8	1.6	2.1	2.3	1.9	8.9	8.8	6.0	8.1	8.7	12.6	5.8	5.9	11.8
GREE	1,186	-	15.4	16.6	1.4	1.2	1.2	1.5	1.7	1.8	3.5	3.7	4.1	-9.9	8.6	7.1	-7.7	7.1	6.2
GungHo Online	3,267	7.5	8.1	8.8	4.9	3.3	2.7	2.6	2.5	2.7	4.6	3.9	3.8	65.6	41.3	34.7	49.7	36.4	31.3
Netease.com	18,265	22.8	18.3	15.1	4.5	4.1	3.4	7.9	6.1	4.8	18.0	14.8	12.1	21.8	23.4	23.1	16.5	18.0	18.0
Tencent	178,444	43.5	36.1	27.9	11.6	10.4	7.7	12.9	11.6	9.1	30.5	25.6	20.4	30.7	31.2	30.0	13.9	16.1	16.8
Kingsoft	3,065	28.8	36.2	17.5	2.5	2.8	2.4	4.2	3.6	2.3	-	24.5	10.5	10.1	9.2	17.6	5.1	4.3	8.0
Average		24.7	28.3	35.9	3.1	2.8	2.4	3.6	3.5	3.0	22.3	23.7	12.1	12.3	13.3	14.5	9.9	9.6	10.9

Notes: Based on Bloomberg consensus as of Oct. 19<sup>th</sup>

Source: Bloomberg, KDB Daewoo Securities Research

## NCSOFT (036570 KS/Buy/TP: W270,000)

## Comprehensive Income Statement (Summarized)

(Wbn)	12/14	12/15F	12/16F	12/17F
<b>Revenue</b>	<b>839</b>	<b>880</b>	<b>977</b>	<b>1,299</b>
<b>Cost of Sales</b>	<b>220</b>	<b>229</b>	<b>254</b>	<b>338</b>
<b>Gross Profit</b>	<b>619</b>	<b>651</b>	<b>723</b>	<b>961</b>
<b>SG&amp;A Expenses</b>	<b>340</b>	<b>382</b>	<b>400</b>	<b>440</b>
<b>Operating Profit (Adj)</b>	<b>278</b>	<b>269</b>	<b>323</b>	<b>521</b>
<b>Operating Profit</b>	<b>278</b>	<b>269</b>	<b>323</b>	<b>521</b>
<b>Non-Operating Profit</b>	<b>11</b>	<b>12</b>	<b>16</b>	<b>26</b>
Net Financial Income	17	22	27	34
Net Gain from Inv in Associates	-2	-1	-1	-1
Pretax Profit	289	281	339	547
Income Tax	61	53	76	114
Profit from Continuing Operations	228	228	263	433
Profit from Discontinued Operations	0	0	0	0
<b>Net Profit</b>	<b>228</b>	<b>228</b>	<b>263</b>	<b>433</b>
Controlling Interests	230	230	266	438
Non-Controlling Interests	-2	-2	-3	-5
<b>Total Comprehensive Profit</b>	<b>224</b>	<b>228</b>	<b>263</b>	<b>433</b>
Controlling Interests	228	231	268	440
Non-Controlling Interests	-4	-4	-4	-7
EBITDA	315	301	350	545
FCF (Free Cash Flow)	244	269	314	534
EBITDA Margin (%)	37.5	34.2	35.8	42.0
Operating Profit Margin (%)	33.1	30.6	33.1	40.1
Net Profit Margin (%)	27.4	26.1	27.2	33.7

## Statement of Financial Condition (Summarized)

(Wbn)	12/14	12/15F	12/16F	12/17F
<b>Current Assets</b>	<b>1,020</b>	<b>1,223</b>	<b>1,470</b>	<b>1,944</b>
Cash and Cash Equivalents	203	366	517	678
AR & Other Receivables	90	95	106	141
Inventories	1	1	1	1
Other Current Assets	726	761	846	1,124
<b>Non-Current Assets</b>	<b>679</b>	<b>650</b>	<b>630</b>	<b>628</b>
Investments in Associates	29	31	34	45
Property, Plant and Equipment	241	215	192	172
Intangible Assets	95	89	85	81
<b>Total Assets</b>	<b>1,699</b>	<b>1,874</b>	<b>2,099</b>	<b>2,572</b>
<b>Current Liabilities</b>	<b>245</b>	<b>257</b>	<b>286</b>	<b>380</b>
AP & Other Payables	25	27	30	39
Short-Term Financial Liabilities	0	0	0	0
Other Current Liabilities	220	230	256	341
<b>Non-Current Liabilities</b>	<b>78</b>	<b>82</b>	<b>91</b>	<b>120</b>
Long-Term Financial Liabilities	1	1	1	1
Other Non-Current Liabilities	77	81	90	119
<b>Total Liabilities</b>	<b>323</b>	<b>339</b>	<b>376</b>	<b>500</b>
<b>Controlling Interests</b>	<b>1,361</b>	<b>1,522</b>	<b>1,713</b>	<b>2,067</b>
Capital Stock	11	11	11	11
Capital Surplus	222	222	222	222
Retained Earnings	1,234	1,396	1,587	1,941
<b>Non-Controlling Interests</b>	<b>15</b>	<b>13</b>	<b>10</b>	<b>5</b>
<b>Stockholders' Equity</b>	<b>1,376</b>	<b>1,535</b>	<b>1,723</b>	<b>2,072</b>

## Cash Flows (Summarized)

(Wbn)	12/14	12/15F	12/16F	12/17F
Cash Flows from Op Activities	264	269	314	534
Net Profit	228	228	263	433
Non-Cash Income and Expense	109	61	74	102
Depreciation	30	26	23	20
Amortization	6	5	4	4
Others	73	30	47	78
Chg in Working Capital	-21	9	23	77
Chg in AR & Other Receivables	-11	-4	-10	-34
Chg in Inventories	0	0	0	0
Chg in AP & Other Payables	1	0	1	3
<b>Income Tax Paid</b>	<b>-69</b>	<b>-53</b>	<b>-76</b>	<b>-114</b>
Cash Flows from Inv Activities	-176	-36	-84	-278
Chg in PP&E	-19	0	0	0
Chg in Intangible Assets	-2	0	0	0
Chg in Financial Assets	-146	-36	-84	-278
<b>Others</b>	<b>-9</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash Flows from Fin Activities	-12	-68	-75	-84
Chg in Financial Liabilities	-8	0	0	0
Chg in Equity	1	0	0	0
Dividends Paid	-12	-68	-75	-84
<b>Others</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase (Decrease) in Cash	79	163	152	161
Beginning Balance	123	203	366	517
<b>Ending Balance</b>	<b>203</b>	<b>366</b>	<b>517</b>	<b>678</b>

Source: Company data, KDB Daewoo Securities Research estimates

## Forecasts/Valuations (Summarized)

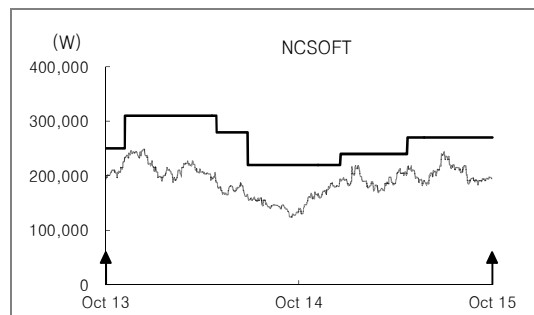
	12/14	12/15F	12/16F	12/17F
P/E (x)	17.4	18.5	16.0	9.7
P/CF (x)	11.9	14.7	12.6	8.0
P/B (x)	2.7	2.6	2.3	2.0
EV/EBITDA (x)	9.9	10.6	8.4	4.6
EPS (W)	10,487	10,489	12,135	19,970
CFPS (W)	15,336	13,164	15,389	24,399
BPS (W)	66,702	74,068	82,774	98,916
DPS (W)	3,430	3,430	3,830	4,830
Payout ratio (%)	30.1	33.0	31.9	24.4
Dividend Yield (%)	1.9	1.8	2.0	2.5
Revenue Growth (%)	10.8	4.9	11.0	33.0
EBITDA Growth (%)	30.7	-4.4	16.3	55.7
Operating Profit Growth (%)	35.6	-3.2	20.1	61.3
EPS Growth (%)	44.7	0.0	15.7	64.6
Accounts Receivable Turnover (x)	9.8	9.6	9.8	10.7
Inventory Turnover (x)	1,021.0	1,212.4	1,245.9	1,351.5
Accounts Payable Turnover (x)	27.7	26.7	27.4	29.7
ROA (%)	14.3	12.7	13.3	18.5
ROE (%)	18.4	16.0	16.5	23.2
ROIC (%)	93.7	103.2	146.0	357.0
Liability to Equity Ratio (%)	23.5	22.1	21.8	24.1
Current Ratio (%)	415.5	475.2	514.1	511.5
Net Debt to Equity Ratio (%)	-65.2	-71.3	-77.0	-84.7
Interest Coverage Ratio (x)	9,729.2	43,872.9	52,618.7	85,003.3

## APPENDIX 1

### Important Disclosures & Disclaimers

#### 2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
NCSOFT(036570)	05/13/2015	Buy	270,000
	01/07/2015	Buy	240,000
	07/16/2014	Buy	220,000
	05/18/2014	Buy	280,000
	11/26/2013	Buy	310,000
	10/11/2013	Buy	250,000



#### Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

#### Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

\* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

\* Although it is not part of the official ratings at Daewoo Securities, we may call a trading opportunity in case there is a technical or short-term material development.

\* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

\* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

#### Equity Ratings Distribution

Buy	Trading Buy	Hold	Sell
72.77%	13.86%	13.37%	0.00%

\* Based on recommendations in the last 12-months (as of September 30, 2015)

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