

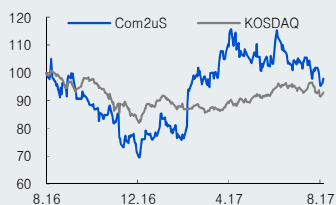
Game

Results Comment
August 9, 2017

(Upgrade)	Buy
Target Price (12M, W)	135,000
Share Price (08/08/17, W)	110,300
Expected Return	22%

OP (17F, Wbn)	213
Consensus OP (17F, Wbn)	202
EPS Growth (17F, %)	9.4
Market EPS Growth (17F, %)	42.7
P/E (17F, x)	8.5
Market P/E (17F, x)	10.0
KOSDAQ	651.67
Market Cap (Wbn)	1,419
Shares Outstanding (mn)	13
Free Float (%)	72.6
Foreign Ownership (%)	25.3
Beta (12M)	0.79
52-Week Low	78,500
52-Week High	130,400

(%)	1M	6M	12M
Absolute	-6.4	9.3	0.1
Relative	-4.7	2.1	7.0



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Com2uS

(078340 KQ)

Watch for diversification of overseas mobile games

2Q17 review: Revenue comes in line, but profits miss

For 2Q17, Com2uS's revenue was in line with the consensus, but profits slightly missed.

Positives: Overseas revenue grew a solid 5% QoQ and 4% YoY, accounting for 87% of overall revenue. Growth was particularly strong in North America and Europe, where revenue expanded 23% YoY. We believe key contributors were 1) the "World Arena Season 1" update (March-June) for the company's flagship title *Summoners War* and 2) the Mobile Masters Invitational, an e-sports tournament hosted by Amazon's Twitch in June.

Negatives: Domestic revenue contracted 10% YoY. We believe the company's new domestic releases in 1H17, *MLB 9 Innings* and *Majestia*, fared poorly in the quarter. Marketing expenses surged 58% QoQ, pushing up overall operating expenses. That said, marketing expenses were down 10% on a YoY basis, and as a percentage of revenue were down 2%p YoY to 15%.

2H17: Watch for *Summoners War* events/updates and new title releases

***Summoners War*:** We see several events and updates ahead that could boost sales in 2H17. Season 2 of the "World Arena" update (which had a positive impact in 2Q17) began on July 18th and is scheduled to last for a three-month period. A "Guild Siege" update is slated for late 3Q17. Guild Sieges are designed to encourage competition between players. Therefore, we expect the update to bolster the game's ecosystem and spur item sales. As for e-sports events, the company plans to hold a World Arena Championship in major countries in 2H17, with the offline finals taking place in the US.

New mobile releases: Com2uS has up to five titles lined up for 2H17: *Chain Strike* (mobile RPG), *Heroes War 2* (mobile RPG), *Danceville* (casual), *Birdie Crush* (casual), and *Ace Fishing* (VR). In 2018, the company is set to release two blockbuster titles: *Skylanders* mobile (RPG) and *Summoners War* MMORPG. For its RPG and MMORPG titles, we believe Com2uS is targeting the global market rather than the domestic market. It will be important to watch whether the company can build on its global success with *Summoners War* and generate overseas sales early on from its new games.

Upgrade from Trading Buy to Buy; Maintain TP of W135,000

We keep our target price on Com2uS at W135,000, but upgrade our rating from Trading Buy to Buy, as valuation (P/E of 8x) has become more attractive following the stock's recent correction. Amid solid traditional revenue streams, we believe the upcoming release of new titles could diversify revenue and raise growth expectations.

FY(Dec.)	12/14	12/15	12/16	12/17F	12/18F	12/19F
Revenue (Wbn)	235	434	513	566	628	685
OP (Wbn)	101	166	192	213	235	263
OP Margin (%)	43.0	38.2	37.4	37.6	37.4	38.4
NP (Wbn)	79	126	152	166	183	204
EPS (W)	6,981	9,779	11,796	12,910	14,201	15,844
ROE (%)	49.8	35.0	26.5	23.4	21.1	19.6
P/E (x)	17.3	12.1	7.4	8.5	7.8	7.0
P/B (x)	6.4	3.0	1.7	1.8	1.5	1.2
Dividend Yield (%)	0.0	0.0	1.6	1.3	1.3	1.3

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

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Earnings trends and forecasts

Table 1. Quarterly earnings trends

(Wbn, %)

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17F
Revenue	135	127	118	133	120	129
Domestic	18	19	18	18	14	17
Overseas	117	108	100	116	107	112
- Asia	50	47	44	45	40	40
- North America	42	37	33	43	41	45
- Europe	20	19	19	24	22	23
- Other	5	5	5	4	5	4
Operating profit	60	49	41	42	50	49
OP margin	44.2	38.4	34.8	31.8	41.6	37.8
Net profit	46	38	31	36	37	38
Net margin	34.4	30.0	26.2	26.8	30.5	29.0

Note: All figures are based on consolidated K-IFRS

Source: Company data, Mirae Asset Daewoo Research

Table 2. Annual earnings trends and forecasts

(Wbn, %)

	2013	2014	2015	2016	2017F	2018F
Revenue	81	235	434	513	566	628
Domestic	17	62	70	73	73	80
Overseas	65	172	363	440	493	548
- Asia	-	98	161	186	184	202
- North America	-	39	130	154	190	214
- Europe	-	26	51	82	101	113
- Other	-	8	22	18	18	18
Operating profit	8	101	166	192	213	235
OP margin	9.5	43.1	38.3	37.4	37.7	37.5
Net profit	19	79	126	152	166	183
Net margin	23.8	33.8	29.0	29.6	29.4	29.1
YoY						
Revenue		188.5	84.7	18.3	10.2	11.0
Domestic		275.4	12.2	3.5	0.0	10.0
Overseas		166.1	111.0	21.2	11.9	11.2
- Asia			63.9	15.6	-1.0	10.0
- North America			228.7	19.1	23.0	13.0
- Europe			94.7	59.5	23.0	12.0
- Other			161.0	-15.6	0.0	0.0
Operating profit		1208.9	63.9	15.7	11.1	10.3
Net profit		309.4	58.8	20.6	9.6	9.9

Note: All figures are based on consolidated K-IFRS

Source: Company data, Mirae Asset Daewoo Research estimates

Table 3. Earnings forecast revisions

(Wbn, W, %)

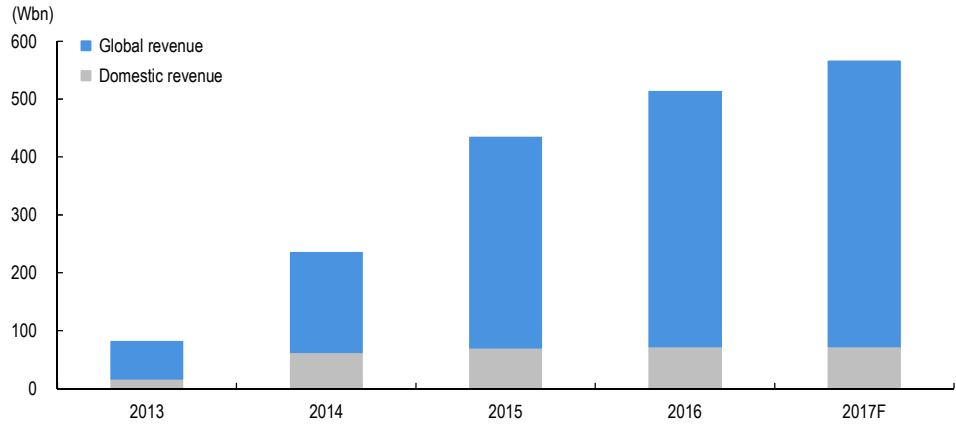
	Previous		Revised		% chg.		Note
	17F	18F	17F	18F	17F	18F	
Revenue	565	625	566	628	0.1	0.5	- Lowered domestic estimates; raised overseas estimates
Operating profit	212	234	213	235	0.6	0.5	- Revised down marketing spend
Net profit	166	183	166	183	0.2	-0.1	
EPS	12,880	14,259	12,910	14,201	0.2	-0.4	
OP margin	37.5	37.4	37.7	37.5			
Net margin	29.4	29.3	29.4	29.1			

Notes: All figures are based on consolidated K-IFRS; net profit is attributable to controlling and non-controlling interests; EPS is based on net profit attributable to controlling interests

Source: Mirae Asset Daewoo Research estimates

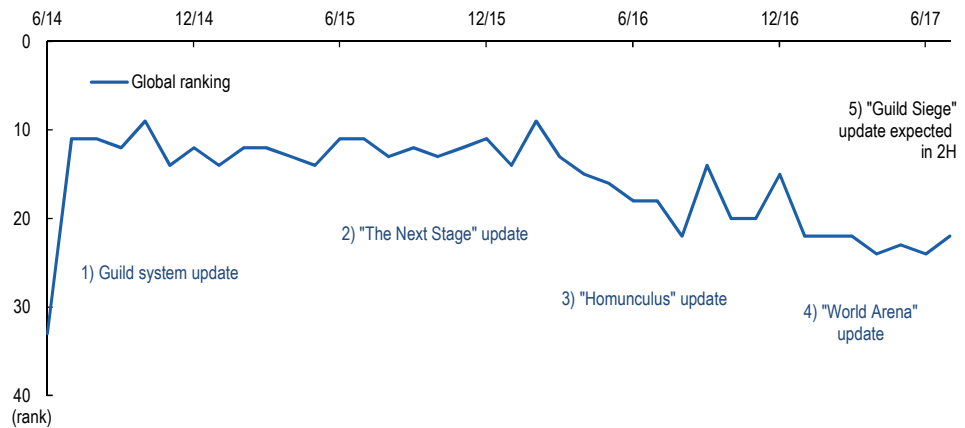
Key factors

Figure 1. Overseas revenue drives overall revenue growth



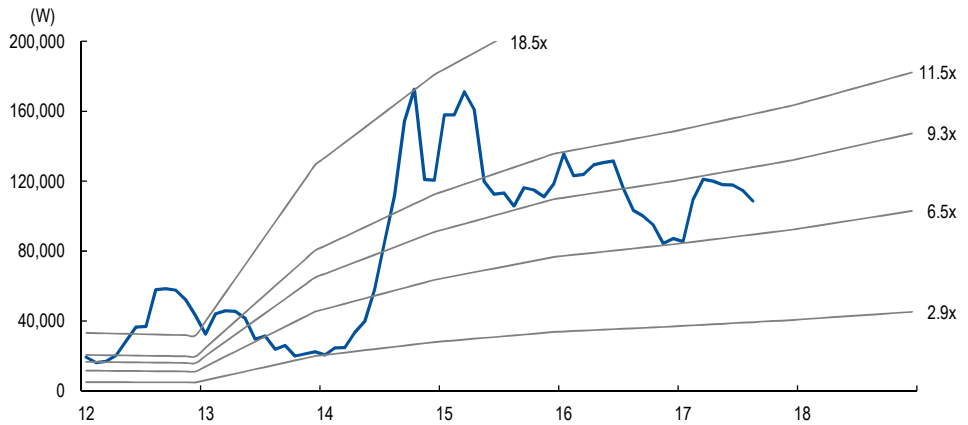
Source: Company data, Mirae Asset Daewoo Research

Figure 2. Summoners War: Global revenue ranking has been steady



Source: App Annie, Mirae Asset Daewoo Research

Figure 3. Valuation is undemanding at a 12-month forward P/E of 8x



Source: Mirae Asset Daewoo Research

New releases

Figure 4. *Chain Strike*(mobile RPG) to be launched in 2H17



Source: Company data, Mirae Asset Daewoo Research

Figure 5. *Ace Fishing*(VR) to be launched in 2H17



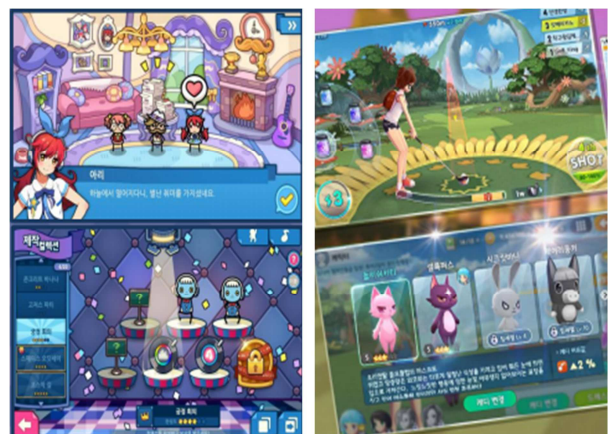
Source: Company data, Mirae Asset Daewoo Research

Figure 6. *Heroes War 2*(mobile RPG) to be launched in 2H17



Source: Company data, Mirae Asset Daewoo Research

Figure 7. *Danceville*(casual) and *Birdie Crush*(casual) to be launched in 2H17



Note: The left is *Danceville*, and the right is *Birdie Crush*.
Source: Company data, Mirae Asset Daewoo Research

Figure 8. *Summoners War*MMORPG to be launched in 2018



Source: Company data, Mirae Asset Daewoo Research

Figure 9. *Skylanders* mobile (RPG), based on Activision Blizzard's intellectual property, to be launched in 2018



Source: Company data, Mirae Asset Daewoo Research

Com2uS (078340 KQ/Buy/TP: W135,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Revenue	513	566	628	685
Cost of Sales	52	57	63	69
Gross Profit	461	509	565	616
SG&A Expenses	270	296	330	353
Operating Profit (Adj)	192	213	235	263
Operating Profit	192	213	235	263
Non-Operating Profit	7	7	7	7
Net Financial Income	8	0	0	0
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	199	220	242	270
Income Tax	47	54	59	66
Profit from Continuing Operations	152	166	183	204
Profit from Discontinued Operations	0	0	0	0
Net Profit	152	166	183	204
Controlling Interests	152	166	183	204
Non-Controlling Interests	0	0	0	0
Total Comprehensive Profit	145	166	183	204
Controlling Interests	145	166	183	204
Non-Controlling Interests	0	0	0	0
EBITDA	195	216	238	266
FCF (Free Cash Flow)	155	169	185	206
EBITDA Margin (%)	38.0	38.2	37.9	38.8
Operating Profit Margin (%)	37.4	37.6	37.4	38.4
Net Profit Margin (%)	29.6	29.3	29.1	29.8

Cash Flows (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Cash Flows from Op Activities	156	169	185	206
Net Profit	152	166	183	204
Non-Cash Income and Expense	43	57	62	69
Depreciation	2	2	2	2
Amortization	1	1	1	1
Others	40	54	59	66
Chg in Working Capital	4	-1	-1	-1
Chg in AR & Other Receivables	1	-6	-8	-7
Chg in Inventories	0	0	0	0
Chg in AP & Other Payables	0	0	0	0
Income Tax Paid	-50	-54	-59	-66
Cash Flows from Inv Activities	-131	-51	-61	-56
Chg in PP&E	-1	0	0	0
Chg in Intangible Assets	-1	0	0	0
Chg in Financial Assets	-119	-51	-61	-56
Others	-10	0	0	0
Cash Flows from Fin Activities	-20	-17	-18	-18
Chg in Financial Liabilities	-	-	-	-
Chg in Equity	0	0	0	0
Dividends Paid	0	-17	-18	-18
Others	-	-	-	-
Increase (Decrease) in Cash	5	100	106	133
Beginning Balance	85	90	190	296
Ending Balance	90	190	296	429

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Current Assets	654	812	987	1,182
Cash and Cash Equivalents	90	190	296	429
AR & Other Receivables	64	70	78	85
Inventories	0	0	0	0
Other Current Assets	500	552	613	668
Non-Current Assets	58	57	56	56
Investments in Associates	3	3	3	4
Property, Plant and Equipment	3	1	-1	-3
Intangible Assets	3	1	0	-1
Total Assets	712	869	1,043	1,238
Current Liabilities	74	82	91	99
AP & Other Payables	0	0	0	0
Short-Term Financial Liabilities	0	0	0	0
Other Current Liabilities	74	82	91	99
Non-Current Liabilities	3	3	3	3
Long-Term Financial Liabilities	0	0	0	0
Other Non-Current Liabilities	3	3	3	3
Total Liabilities	77	85	94	103
Controlling Interests	635	784	949	1,135
Capital Stock	6	6	6	6
Capital Surplus	208	208	208	208
Retained Earnings	435	583	749	935
Non-Controlling Interests	0	0	0	0
Stockholders' Equity	635	784	949	1,135

Forecasts/Valuations (Summarized)

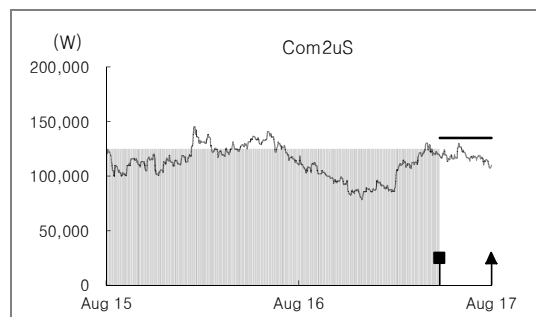
	12/16	12/17F	12/18F	12/19F
P/E (x)	7.4	8.5	7.8	7.0
P/CF (x)	5.7	6.4	5.8	5.2
P/B (x)	1.7	1.8	1.5	1.2
EV/EBITDA (x)	2.8	3.2	2.2	1.3
EPS (W)	11,796	12,910	14,201	15,844
CFPS (W)	15,166	17,346	19,056	21,232
BPS (W)	51,150	62,704	75,544	90,027
DPS (W)	1,400	1,400	1,400	1,400
Payout ratio (%)	11.5	10.5	9.6	8.6
Dividend Yield (%)	1.6	1.3	1.3	1.3
Revenue Growth (%)	18.2	10.3	11.0	9.1
EBITDA Growth (%)	15.4	10.8	10.2	11.8
Operating Profit Growth (%)	15.7	10.9	10.3	11.9
EPS Growth (%)	20.6	9.4	10.0	11.6
Accounts Receivable Turnover (x)	8.3	8.7	8.7	8.7
Inventory Turnover (x)	0.0	0.0	0.0	0.0
Accounts Payable Turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	23.5	21.0	19.1	17.9
ROE (%)	26.5	23.4	21.1	19.6
ROIC (%)	322.3	370.3	429.9	507.3
Liability to Equity Ratio (%)	12.1	10.8	9.9	9.1
Current Ratio (%)	879.0	989.4	1,083.0	1,189.7
Net Debt to Equity Ratio (%)	-89.9	-91.8	-93.2	-94.3
Interest Coverage Ratio (x)	6,487.4	0.0	0.0	0.0

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Com2uS (078340)	08/08/2017	Buy	135,000
	05/02/2017	Trading Buy	135,000
		No Coverage	



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 Mirae Asset Daewoo Co., Ltd., 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
69.67%	17.06%	13.27%	0.00%

* Based on recommendations in the last 12-months (as of June 30, 2017)

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