



# FY2016 Q3 Earnings Release

**WEMADE ENTERTAINMENT**

**INVESTOR RELATIONS 2016.11.09**



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- Consolidated Companies

Wemade Entertainment, Wemade Next, Wemade Plus, Evo Games, Wemade IO, Joymax(Flero Games,D4Games, Joy Studio) Wemade Entertainment Online Co., Ltd, Wemade Entertainment USA Inc., Wemade Entertainment Shanghai Co., Ltd, Wemade Hong Kong Ltd. Wemade Science Technology(Yinchuan) Co., Ltd.

# FY2016 Q3 Earnings Release

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# I . FY2016 Q3 Results

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## 1. Operating Highlights

### Overseas

- Signed 'MIR2' mobile game and 'MIR' web game license agreement with 'Zhejiang Huanyou network Tech.' (Minimum Guarantee 50 billion won)
- 'Mir2 mobile' in China slightly decreased Q/Q
- 'Mir2' PC game in China maintained revenues of the Q2 level on Yuan basis

### Domestic

- Signed 'Fishing Strike' publishing agreement' with 'Netmarble';  
; Expected launch 1<sup>st</sup> half 2017

## 2. Income Statement - Wemade Ent. (Consolidated)

- Total revenues of 27.8 billion won (+7% Q/Q), Operating income of 4.0 billion won
- Net loss of 22.1 billion won due mainly to impairment charge on 'Kakao' shares.

[Million won]

	Q3'16	Q2'16	QoQ	Q3'15	YoY
<b>Revenue</b>	<b>27,758</b>	<b>25,917</b>	<b>7%</b>	<b>30,790</b>	<b>-10%</b>
Mobile	7,403	7,316	1%	8,122	-9%
Online	10,311	10,844	-5%	13,912	-26%
License	10,043	7,758	29%	8,757	15%
<b>Op Expense</b>	<b>23,780</b>	<b>25,876</b>	<b>-8%</b>	<b>30,573</b>	<b>-22%</b>
Labor	12,181	14,519	-16%	17,449	-30%
Service Fee	5,851	5,714	2%	6,553	-11%
Marketing	674	919	-27%	367	84%
D&A	2,049	2,180	-6%	2,486	-18%
Taxes	959	949	1%	1,099	-13%
Others	2,065	1,594	30%	2,618	-21%
<b>Op Income</b>	<b>3,978</b>	<b>41</b>	<b>9553%</b>	<b>218</b>	<b>1726%</b>
Non-Op.	-750	-541	-	-363	-
Financial	-29,776	-13,385	-	1,119	-
Equity Method	59	11	460%	-1,234	-
<b>Income before taxes</b>	<b>-26,488</b>	<b>-13,874</b>	<b>-</b>	<b>-260</b>	<b>-</b>
Income tax	-4,437	-1,708	-	-2,381	-
<b>Net Income</b>	<b>-22,051</b>	<b>-12,165</b>	<b>-</b>	<b>2,121</b>	<b>Turn to deficit</b>
Attributable to Wemade	-20,380	-11,061	-	3,437	Turn to deficit
Minority Interest	-1,672	-1,105	-	-1,316	-

## 3. Income Statement - Joymax (Consolidated)

- Total revenues of 7.7 billion won (+2% Q/Q)
- Joymax recorded consolidated operating losses of 0.7 billion won.

[Million won]

	Q3'16	Q1'16	QoQ	Q3'15	YoY
<b>Revenue</b>	<b>7,689</b>	<b>7,526</b>	<b>2%</b>	<b>9,128</b>	<b>-16%</b>
Mobile	6,381	6,828	-7%	5,287	21%
Online	1,308	698	87%	3,842	-66%
<b>Op Expense</b>	<b>8,399</b>	<b>8,767</b>	<b>-4%</b>	<b>10,859</b>	<b>-23%</b>
Labor	3,547	3,800	-7%	5,254	-32%
Service Fee	3,523	3,430	3%	3,059	15%
Marketing	312	254	23%	102	206%
D&A	385	472	-18%	1,223	-69%
Taxes	47	71	-34%	45	4%
Others	586	740	-21%	1,176	-50%
<b>Op Income</b>	<b>-710</b>	<b>-1,242</b>	<b>43%</b>	<b>-1,730</b>	<b>59%</b>
Non-Op.	-92	476	-119%	-155	41%
Financial	-594	-192	-209%	108	-650%
Equity Method	-482	-313	-54%	-28	-1605%
<b>Income before taxes</b>	<b>-1,877</b>	<b>-1,271</b>	<b>-48%</b>	<b>-1,805</b>	<b>-4%</b>
Income tax	-28	-96	70%	-184	85%
<b>Net Income</b>	<b>-1,849</b>	<b>-1,175</b>	<b>-57%</b>	<b>-1,621</b>	<b>-14%</b>
Attributable to Wemade	-1,694	-938	-81%	-1,484	-14%
Minority Interest	-155	-237	35%	-137	-13%

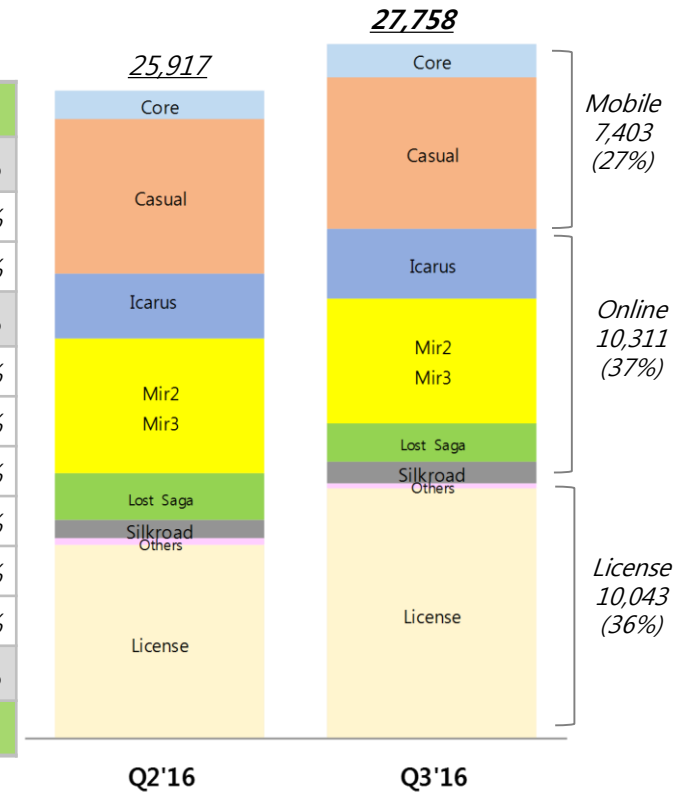
## 4. Revenue by Game

- Mobile game maintained revenues of the Q2 level.
- Online game revenues decreased 5% Q/Q due to decline in 'Lost Saga' domestic revenue.
- IP License revenues classify separately by IP licensing biz expansion. License revenues increased 29% Q/Q

### • Q3 Revenue by Game

[Million won]

	Q3'16	Q2'16	QoQ	Q3'15	YoY
<b>Mobile</b>	7,403	7,316	1%	8,122	-9%
Core	1,324	1,180	12%	1,718	-23%
Casual <sup>1</sup>	6,079	6,136	-1%	6,404	-5%
<b>Online</b>	10,311	10,844	-5%	13,912	-26%
MIR2	4,235	4,473	-5%	5,815	-27%
MIR3	734	921	-20%	940	-22%
Icarus	2,746	2,615	5%	2,848	-4%
Lost Saga	1,546	1,843	-16%	2,741	-44%
Silkroad	844	728	16%	658	28%
Others	205	264	-22%	910	-77%
<b>License</b>	10,043	7,758	29%	8,757	15%
<b>Total</b>	<b>27,758</b>	<b>25,917</b>	<b>7%</b>	<b>30,790</b>	<b>-10%</b>





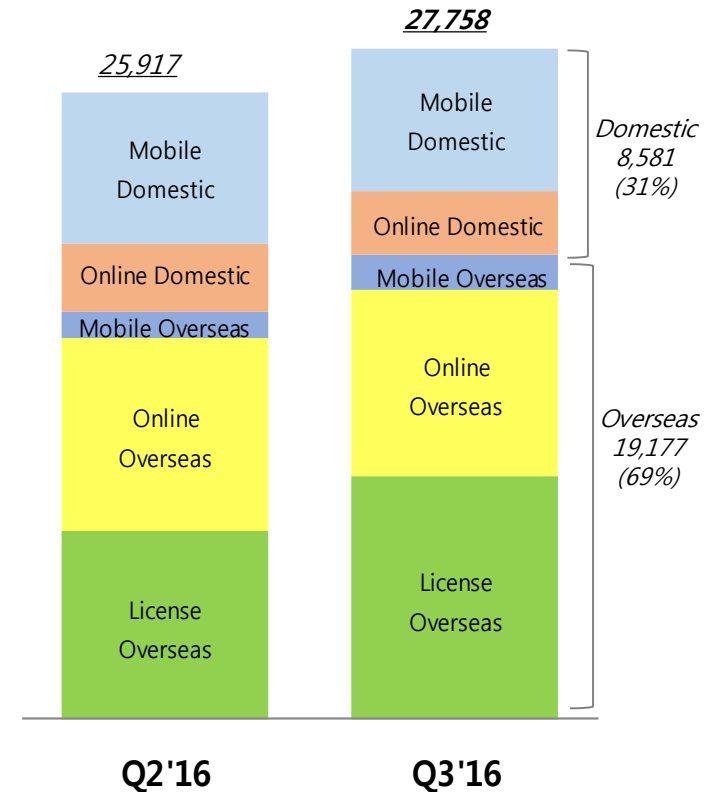
## 5. Revenue by Region

- Overseas revenues increased 14% Q/Q driven by improvement in overseas license revenue from China.
- Domestic revenues decreased 5% Q/Q due to decline in both mobile and online game

### • Q3 Revenue by Region

[Million won]

구 분	Q3'16	Q2'16	QoQ	Q3'15	YoY
<b>Domestic</b>	8,581	9,032	-5%	10,467	-18%
<i>Mobile</i>	5,941	6,216	-4%	7,043	-16%
<i>Online</i>	2,641	2,816	-6%	3,424	-23%
<b>Overseas</b>	19,177	16,885	14%	20,323	-6%
<i>Mobile</i>	1,463	1,100	33%	1,078	36%
<i>Online</i>	7,671	8,027	-4%	10,488	-27%
<i>License</i>	10,043	7,758	29%	8,757	15%
<b>Total</b>	<b>27,758</b>	<b>25,917</b>	<b>7%</b>	<b>30,790</b>	<b>-10%</b>



## 6. Operating Expenses

- Total operating expenses reduced 8% Q/Q mainly due to lower labor costs -16% Q/Q
- Expect continued decreased in operating expenses in Q4

### • Q3 Operating Expenses

[Million won]

	Q3'16	Q2'16	QoQ	Q3'15	YoY
Labor	12,181	14,519	-16%	17,449	-30%
Service Fee	5,851	5,714	2%	6,553	-11%
Marketing	674	919	-27%	367	84%
D&A	2,049	2,180	-6%	2,486	-18%
Taxes	959	949	1%	1,099	-13%
Others	2,065	1,594	30%	2,618	-21%
<b>Total</b>	<b>23,780</b>	<b>25,876</b>	<b>-8%</b>	<b>30,573</b>	<b>-22%</b>

## II. Appendix

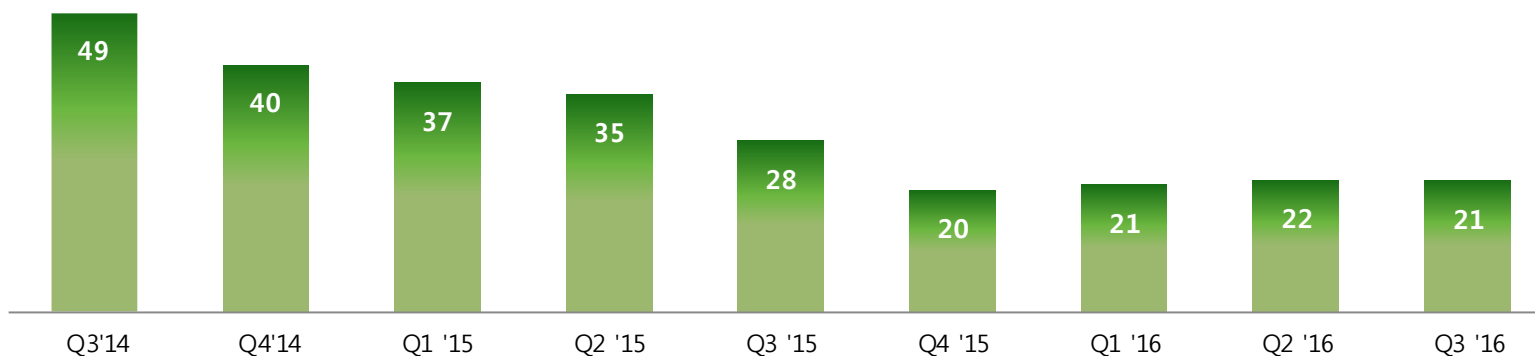
1. Revenue from "Legend of Mir2" (China)
2. Financial Statement – Wemade
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# 1. Revenue from “Legend of Mir2” (China)

- Revenue from ‘Mir2’ in China decreased 1% Q/Q on Yuan basis.

## • Mir2 China Revenue Trend

[Million RMB]



## • Mir2 China Revenue by Currency

[Million RMB, Million USD, Million KRW]

	Q3'16	Q2'16	QoQ	Q3'15	YoY
RMB	21.29	21.50	-1%	27.84	-24%
USD	3.2	3.3	-2%	4.36	-27%
KRW	3,552.0	3,813.3	-7%	5,140.81	-31%

# 2. Financial Statement - Wemade (Consolidated)

### • Statements of Financial Position

[Billion won]	2014	2015	2016.9.30
Current Assets	123.1	125.2	<b>131.5</b>
Non Current Assets	418.9	368.3	<b>292.2</b>
Total Assets	542.0	493.5	<b>423.7</b>
Liabilities	73.8	78.7	<b>66.8</b>
Equity	468.2	414.8	<b>356.9</b>
Liabilities & Equity	542.0	493.5	<b>423.7</b>

### • Income Statement

[Billion won]	2014	2015	2016
Revenues	162.7	126.6	<b>85.7</b>
Op Expense	194.1	138.3	<b>81.2</b>
Op Profit	-31.5	-11.7	<b>45.0</b>
Non Op Inc/Exp	310.4	-140.4	<b>-83.5</b>
Income before Taxes	278.9	-152.1	<b>-79.0</b>
Taxes	72.6	-27.9	<b>-15.0</b>
Net Income	206.3	-124.3	<b>-64.0</b>
Attributable to Wemade	211.8	-4.5	<b>-60.8</b>
Minority Interest	-5.5	-6.6	<b>-3.2</b>

### 3. Financial Statement - Joymax (Consolidated)

#### • Statements of Financial Position

[Billion won]	2014	2015	2016.09.30
Current Assets	57.2	47.8	45.3
Non Current Assets	50.7	47.9	47.6
Total Assets	108.0	95.7	92.9
Liabilities	8.9	20.5	21.4
Equity	99.1	75.2	71.5
Liabilities & Equity	108.0	95.7	92.9

#### • Income Statement

[Billion won]	2014	2015	2016
Revenues	30.5	30.3	23.2
Op Expense	35.2	38.2	26.0
Op Profit	-4.7	-7.9	-2.8
Non Op Inc/Exp	1.3	-12.7	-1.0
Income before Taxes	-3.4	-20.6	-3.8
Taxes	0.5	0.7	-0.3
Net Income	-4.0	-21.3	-3.5
Attributable to Joymax	-4.3	-20.5	-2.7
Minority Interest	0.3	-0.8	-0.8

# 4. Financial Statement - Joymax

### • Statements of Financial Position

[Billion won]	2014	2015	2016.09.30
Current Assets	32.5	20.4	20.8
Non Current Assets	56.1	58.6	58.2
Total Assets	88.6	79.0	79.0
Liabilities	5.4	5.3	3.2
Equity	83.2	73.7	75.8
Liabilities & Equity	88.6	79.0	79.0

### • Income Statement

[Billion won]	2014	2015	2016
Revenues	10.1	8.6	7.1
Op Expense	15.4	17.8	5.5
Op Profit	-5.3	-9.2	1.6
Non Op Inc/Exp	5.4	-1.1	0.3
Income before Taxes	0.1	-10.3	1.9
Taxes	0.6	1.2	-0.1
Net Income	-0.5	-11.5	2.0

**Thank you**