

Program: Bloomberg Daybreak: Asia
Bloomberg TV
Guest: Nexon President and CEO Owen Mahoney
Interviewer: Ms. Betty Liu and Ms. Yvonne Man
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Ms. Liu:

Joining us from Tokyo now is the Nexon CEO and President Owen Mahoney. Owen, thank you so much for joining us this morning.

Let's first talk about the forex headwinds because I know they've been quite significant for your company. In this past year we saw the yen surge again after the news came out of President-elect Donald Trump. Do you expect foreign exchange and particularly the stronger yen to continue be a big headwind for Nexon?

Mr. Mahoney:

We know it's really hard to tell what the foreign exchange rates are going to be. We are not really in the business of forecasting exchange rates. We're just in the business of managing our business and our business appears to be very strong. We had a terrific quarter and we have a lot of momentum going into the next quarter, so we're happy with how this year is turning out for us.

Ms. Liu:

Let's talk a little bit in particular about the Japanese mobile gaming market. We've seen some declining sales among some of the competitors like LINE and SQUARE ENIX. You yourself are seeing some slowdown as well or revenue declining in that area particularly in the Japanese mobile gaming market. So how are you dealing with that? What's your outlook in that area?

Mr. Mahoney:

We actually think that there's a lot of opportunity in the Japanese mobile games market because there's a lot of opportunity for a company that's bringing out quality products, quality online game products that are meant to grow over a period of years, and those are the type of products that we're introducing. We've had a couple of early successes in Japan in the last couple months. And one of those called HIDE AND FIRE has been very gratifying to see and we think it's differentiated from what else is out there and that's the way for the future. So we see a lot of opportunity in the Japanese market if you're in a position to put out quality products and we think we're in a terrific position for that.

Ms. Liu:

And that quality product for the next twelve months could include what? And I'm thinking I don't want to be too leading here Owen, but I'm thinking of things like virtual reality and other characteristics like that.

Mr. Mahoney:

We know it's funny, as consumers most of my team have a lot of hope for virtual reality-types of products, but currently the installed base is very very small and I think there are very expensive virtual reality products that are collecting dust right now. So right now our focus is on mobile and PC games. We've got 28 new mobile games in our pipeline that we're going to be showing next week at the Korean trade show G-STAR and we've got 7 new PC games. So that's where we think the real opportunity is for now at least. We'll see how it goes from there.

Ms. Liu:

OK, but can you be more specific then. There's a lot more hype than reality there in terms of the potential for VR. But you say there's a lot of opportunity, that there is much more you can do with your products, so what might we expect?

Mr. Mahoney:

Do you mean in the terms of new products coming from us?.

Ms. Liu:

Exactly.

Mr. Mahoney:

Or in virtual reality specifically?

Ms. Liu:

No, no, in new products coming from you.

Mr. Mahoney:

OK, so our focus is in mobile and in PC. Those are massive markets around the world and there are massive installed bases. So I think, you know, as you go down the different categories of products that we have, we have some games that have launched very nicely in one market that we're going to be bringing around the world. An example of that is MapleStory M, which is the mobile version of our second largest game MapleStory. That's done terrific in Korea. To start with, we are going to bring

that around the world.

Second is, wholly new intellectual property and franchises, such as Durango for example and many others that we're bringing out. And then we've got a significant number of partnerships that we've developed with game studios and game developers around the world. Not just in Asia but North America. So an example of that is LawBreakers by our partners in North America. So we've got several categories of products. It's really a new wave of games that we're bringing out that's been in development for the last two and a half years or so since the new management team came forward.

Ms. Man:

And Owen, you know, everyone's been talking about the buzz behind Nintendo's Super Mario Run. That could be seen as a threat to some of the mobile game developers. What's your take on that?

Mr. Mahoney:

One of the things we like about Nintendo is that they're very focused on quality. And so are we. And we think that game companies that focus on quality tend to do well over the long term. You know our two largest games Dungeon&Fighter and MapleStory have been phenomenally successful in places like China and Korea, and we think that if you build a business based off of quality products, that is games that are really fun to play and really differentiated from what else is out there, you're going to have a bright future.

Ms. Man:

You do a mix of mobile and PC games, I understand, but you know we see a PC game market that seems to be slowing down, worsening, or do you actually see it actually stabilizing?

Mr. Mahoney:

You know, what's interesting about PC is for the last ten years at least, analysts around the world have been counting out the PC business, have said that it's about to die. We've seen a resurgence or a renaissance in several different markets including North America on PC. But what we really think is happening is that mobile business and PC business are converging. Mobile platforms are stronger in the graphics processing unit and stronger in terms of networking area. So we can build a very rich experience on mobile, which wasn't even possible a couple of years ago

Ms. Man:

Thank you so much. Owen Mahoney, CEO and president of Nexon joining us from Tokyo.

Mr. Mahoney:

Thank you so much.