

**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:

Online gaming company Nexon's share is soaring in Tokyo after profit beat estimates. The company was also announcing a 10 billion yen share buyback. Shares overall are up to about 13% so far this year. The company, famous for titles like *MapleStory* and *Dungeon&Fighter*, popular with gamers in South Korea and China. Let's take it to Tokyo now to speak to its Chief Executive Officer, Owen Mahoney. So for this year on online gaming, are you looking for your *Super Mario*? Are you looking for your *Pokémon GO*? What's the plan this year?

Mr. Mahoney:

We think we have massive franchises that just keep getting stronger every year. *Dungeon&Fighter*, which is our biggest franchise, had a terrific Q4 and appears to be having a terrific Q1, so I think people are excited about that and starting to understand the longevity of our games. You know, *Dungeon&Fighter* is now 10 years old and it just appears to be getting stronger and stronger every year, so we think we've got that plus many others in the works.

Ms. Liu:

So why is that?

Mr. Mahoney:

We think that what makes Nexon so special is we're the No.1 company in making games last and grow for years and years. It's interesting. We were just going by the numbers from our IPO from 5 years ago, exactly 5 years ago that we did the IPO, the No.1 question that we got during that IPO from the investors and analysts who were looking at us was, "When does *Dungeon&Fighter* go away and *MapleStory* go away?" And they asked that question because most people think the games industry is hits driven and you can't make a franchise last for a long time. In fact, *Dungeon&Fighter* today is twice as big as it was during the IPO, 5 years ago. So it's really incredible. It's now, on a gross revenue-to-date basis, it's achieved 8.7 billion dollars U.S. in gross revenue. To just put that in perspective: *Star Wars*, which was my favorite franchise growing up, its life-to-date box office is 7.6 billion dollars U.S., and it's a 40-year-old franchise. *Dungeon&Fighter* is only 10 years old. I think people are starting to realize how important these franchises are.

Ms. Liu:

You're speaking of franchises, right? So I mentioned *Pokémon GO* for instance and we had this big revival, right, and the same thing with *Super Mario*, in fact. So what did you learn, seeing that phenomenon last year, what did you learn from that?

Mr. Mahoney:

To make a long story short, quality counts and differentiation counts. I've often said that if we had 5 *Marios* in our business, or 5 Nintendos in our business, we'd have a much healthier industry. So what we're really focusing on is, taking the cash flows that come from our business, from these great franchises such as *Dungeon&Fighter* and *MapleStory*, and putting that into development of new games that are differentiated and really fun. And if we really do that well with those experiments, then hits come out of that. When I was growing up, the TV industry in the 70's and 80's, which dates me a little bit, but there were a lot of sitcoms and buddy shows, and they were trying to engineer these hits. But then TV has really had a renaissance in the last 5 years, 10 years, from companies like Netflix and Amazon and so on, who are making these wonderful franchises like *West World* and *The Sopranos* and all these wonderful franchises that are very very strong. And so more people are coming into TV. So we'd like to see more companies in our industry making great games.

Ms. Man:

Talking about just the outlooks for certain markets, it seems like you are doing quite well when it came to Korea as well as China--very strong; Japan and North America seem to be declining a bit. But talking about China, because I think that's kind of a big focus on why your first quarter guidance has surged some 8-fold when it comes to profit growth. Can you sustain this type of growth, when you're talking about 30%-40% growth in China right now?

Mr. Mahoney:

We don't put out yearly outlook, but I think what we are seeing in China is the general strength in our major franchise. The monthly active user count is up, our paying user count is up, and we're seeing strength in the core key performance indicators in our business, so we think China is just a wonderful market. But then, you know, Japan has been up quarter-over-quarter and Southeast Asia is up, so we see a lot of opportunity across our major markets.

Ms. Man:

There has been a lot of talk, I guess, with some of the business models that some of these apps need to develop. And we're talking of Nintendo as well, we're talking about free-to-play, and this kind of gacha style, though very controversial, do you think this could actually be, looking forward here, a more of a lucrative approach for many of these companies now?

Mr. Mahoney:

In general, there are 2 ways to approach any business model. There is the approach that's, I'll call the more cynical approach, which is where you're trying to monetize as quickly as possible. And there is the much more...you can play the long game. And if you play the long game, you tend to keep people around for a long time. It's sort of like Software as a Service in the enterprise space. If you play to keeping people in your service, then you tend to have a very very long lifetime, and again that's what we think we do better than anybody else, but we do that by working very hard to build a community that engages people for a very long period of time. And if you do that well, then you can have a very healthy business over an extended period of time.

Ms. Liu:

I'm curious about here in the U.S. and about expanding here. I think you acquired a company called Big Huge Games based in Maryland and are you looking at expanding more over here?

Mr. Mahoney:

Absolutely. We think that there's a great opportunity in the North American market. There are a lot of great developers. I come from the U.S. and know a lot of developers from my earlier days. What we really want to find out are people who have the same approach to building a franchise into a community over a long period of time. That's sadly pretty unusual right now. A lot of companies seem to be focused on very short-term monetization. We don't want to be part of that at all. We want to build communities over a long period of time. What you saw with *Dungeon&Fighter* and *MapleStory* and other of our older franchises are bigger and more substantial franchises. If you do that well, you can build a great business over a long period of time.

Ms. Man:

If you're taking a look, you are staying your eyes on the Western market as well as your M&A, what are you looking for when it comes to your potential partners?

Mr. Mahoney:

We are looking for companies and teams that are willing to push the creative envelope. Again, to try to do something different than what's out in the market. And we're trying to look for people who have the same orientation that we do at building a community over a long period of time, because again, that's the most powerful idea in the video games business. It's a one that is least understood around the world and it's one that we think we're best at.

Ms. Liu:

Owen Mahoney, thank you. CEO and president of Nexon that was live from Tokyo. Appreciate your time.