



Program: First Up with Susan Li

Bloomberg TV

Guest: NEXON CFO Owen Mahoney

Interviewer: Susan Li

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Susan Li: Speaking of currencies world impact in corporate Japan and we just got numbers also from the online-games developer Nexon on Friday. Expecting improved sales momentum from China and South Korea to continue, so the company recently posted quarterly earnings that beat estimates and seen its biggest single day jumps since the listing. Its stocks are almost up double digits. Let's go live to Tokyo, Nexon's CFO, Owen Mahoney joins us live in the program this morning. Owen, great to have you back. Good numbers there that you posted. I want to first talk about the currency, since that is a big story this morning. I know for Nexon, it was a benefit not exactly primary in terms of a boost in net income, but can you tell me for every yen weakness, how does that impact Nexon?

Owen Mahoney: We get a benefit from the yen dropping. As the yen gets weaker, our reported earnings get stronger. Having said that, we over-performed on our expectations from both the top and the operating income line during the quarter, so we were happy with our quarter regardless of any effects of currency.

Susan Li: Owen, you're talking about improved sales in South Korea and China. What's selling well in South Korea and China? What is boosting your sales right now in these two markets?

Owen Mahoney: We've had excellent performance from our top games. Our top game in China is called Dungeon & Fighter. That's the game you see on the screen there. It has done very well. We have another game called Counter Strike Online, and it does very well in China. In Korea, our number 1 game is called Sudden Attack, and it's now the number 2 ranked PC game, and we also have a great new game called FIFA online 3. That's a game that we produce with our partnership with Electronic Arts. The game is off to a great start, we just launched that during the quarter. It's made a great beginning and it's a great start to our relationship with Electronic Arts. So it's a cross of several different products.

Susan Li: Owen, it's good that Nexon has gone to the mobile space pretty early, because that is something that, of course Facebook, and even LinkedIn is trying to target. Tell me about mobile, I mean how big of a component is that for your future games development of course? How big is it



contributing to your bottom line?

Owen Mahoney: Well, it's interesting. Mobile is, we think for the rest of the year, it would be somewhere between 20-25% of our total revenues. It's small in margin than the rest of our business because, of course, we have to pay platform fees to the platform companies like Apple and Google. Having said that, what we see overall in mobile is a convergence between the PC business and the mobile business, and so overall, we think that'll over a period of several years, it will become the same business. For now, it's about a quarter of our business.

Susan Li: Let's talk about your dividend. I think you handed a ten yen for your full year 2013. As you know, Warren Buffett says, if I am handing in a dividend, I can't find anything better to do with the money. Is that the case in Nexon?

Owen Mahoney: Well no, that's not the case. We believe strongly in shareholder returns. The whole management team in Nexon has most of its network tied up in the company so we're very much along - on the same side of the table as the rest of our shareholders in terms of shareholder returns. The dividend is on the low end of our range. It's the modest return. Our cash position is still very strong. It is about 1.3 billion US and we are a major cash generator. We believe a balanced approach to this is the right way to go about it. Having said that, we think that there are going to be a lot of opportunities - potential opportunities for M&A in the coming year, so we want to make sure that we continue to have a strong cash position, so when those opportunities arise at the right price at the right terms, then we can prudently go forward

Susan Li: Well, you brought up M&A. Does that mean that you're prepared to buy something this year?

Owen Mahoney: Well, we look for intellectual properties that we think are going to grow over time, so we see big opportunities for that. Particularly, small and medium sized game developers around the world, and so we look for those opportunities. Having said that, when the right opportunity doesn't come along, we don't go forward. We will wait, and we'd like like to preserve our cash positions, so that when a really good opportunity, like with gloops, which we purchased last year. When that comes along at the right price, then we can move quickly.

Susan Li: Owen, thank you so much for your time. Good to see you as always, Owen Mahoney, Chief Financial Officer of Nexon, which actually has 16% pop on Friday after its earnings came out in beat estimates.