

Webzen, Inc. (KOSDAQ: 069080 - NASDAQ-ADR: WZEN)

Industry: Massively Multiplayer Online Gaming (MMOG)

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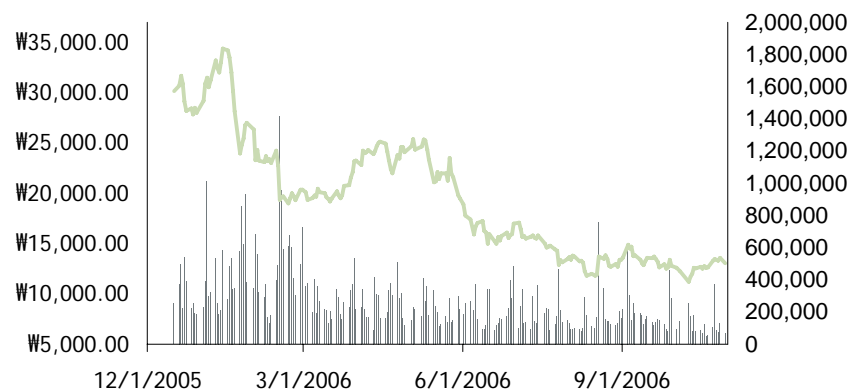
BUSINESS DESCRIPTION

Webzen, Inc. develops MMORPGs (massively multiplayer online role-playing games) and currently provides subscription-based online gaming to gamers primarily in South Korea and China, but is looking to expand beyond Asia. The company's principal franchise, MU - Legend of Continent, has been one of the most popular MMORPG in Asia. While MU subscription is significantly declining, Webzen is currently developing a wide pipeline of new MMORPGs and MMOGs including (1) Soul of the Ultimate Nation, or SUN (2) Kingdom Warriors (3) Huxley (4) Project Wiki (5) Parfait Station and (6) All Points Bulletin. The company IPOed in 2000, and the three founders own approximately 18% of total shares outstanding. The company is based in Seoul, South Korea.

INVESTMENT THESIS

Webzen is currently trading near 52-week lows after massive selling from investors as a result of (1) rapidly declining MU subscriptions (2) delayed Soul of the Ultimate Nation release (3) discouraging user statistics in the SUN open beta. We think the market has over-sold on these factors, and that all bad news is now sufficiently priced into the equity value. Under conservative assumptions, we don't believe there is much further down-side, and that even if one of the future games do well, the stock price could double as renewed investor confidence kick in. We utilized conservative assumptions and discovered that even if the games bomb, we will lose only marginal amounts of capital compared to what there is to gain.

STOCK PRICE PERFORMANCE



FINANCIAL SUMMARY

Results of Operations

	FY Ended Dec 31,			
	2003	2004	2005	LTM ⁽¹⁾
Revenue	₩56,937.0	₩53,192.4	₩29,014.8	₩23,662.6
<i>Growth</i>	--	(6.6%)	(45.5%)	(18.4%)
EBIT	34,285.0	20,433.3	(18,068.8)	(28,919.6)
<i>EBIT Margin</i>	60.2%	38.4%	(62.3%)	(122.2%)
After-tax Earnings	36,012.0	21,658.1	(12,932.2)	(23,205.5)
<i>Net Margin</i>	63.2%	40.7%	(44.6%)	(98.1%)
D&A	4,126.0	3,546.0	3,473.3	3,130.9
CapEx	8,576.0	7,821.0	4,367.4	0.0
Interest Expense	0.0	0.0	0.0	0.0
EPS Current Sh.	\$0.00	\$0.00	\$0.00	\$0.00

Balance Sheet Data

Total Debt	₩0.0
Cash & Equivalents	₩101,925.8
Net Debt	₩101,925.8

Credit Statistics

	LTM
Total Debt/EBITDA	not meaningful
EBITDA/Interest	not meaningful

Valuation Multiples

	MMORPG Industry
EV/Revenue	3.1X
EV/EBITDA	13.1X
EV/EBIT	not meaningful (see comp)
P/E	not meaningful (see comp)

Public Market Overview

Share Price (10/27/06)	₩13,600.0
52 <i>Week High</i>	₩36,000.0
52 <i>Week Low</i>	₩10,650.0
Diluted Shares Outstanding	12,972.0
Market Value of Equity (million KRW)	₩176,419.2
Plus: Net Debt	-₩101,925.8
Enterprise Value (million KRW)	₩74,493.4

	2003	2004	2005	LTM ⁽¹⁾
EV/Revenue	1.3x	1.4x	2.6x	3.1x
EV/EBITDA	1.9x	3.1x	-5.1x	-2.9x
EV/EBIT	2.2x	3.6x	-4.1x	-2.6x
P/E	4.9x	8.1x	-13.6x	-7.6x

(1) Figures as of 06/30/2006, CapEx information for LTM not available
all currency figures in millions south korean won