NINTENDO19 (DR)

Globlex Securities Co., Ltd.

3 July 2025

Play, Profit, Platform: Nintendo

- Nintendo turns beloved franchises into multi-platform cash flows—from consoles to films to theme parks.
- Tight hardware-software integration delivers superior margins vs. peers, even late in the console cycle.
- Recommend a BUY with TP of THB31.3 (¥13,622 based on JPY/THB at 0.23).

IP-powered growth beyond consoles

Nintendo is no longer just a game company—it's a full entertainment platform. Franchises like Mario, Zelda, and Pokémon now generate value through movies, theme parks, and licensed products. The Super Mario Bros. Movie grossed over $1.35b globally, while Super Nintendo World continues to attract large audiences in Japan and the U.S. These new formats aren't just nice to have—they grow the brand, attract new fans, and increase demand for games. Nintendo's strategy is to build a flywheel where content and characters reinforce each other across every touchpoint.

Global scale meets platform efficiency

Nintendo has sold over 152 million Switch consoles, making it one of the best-selling systems of all time. That scale matters—but so does profitability. In FY2025, even with hardware demand cooling, Nintendo maintained a strong 24.3% operating margin. This is thanks to its unique setup: Nintendo owns both the console and most of the top-selling games. That means more value stays inside the company. With a growing share of digital game sales and subscriptions, it continues to earn steady cash even between major product launches.

Strategic patience, platform longevity

Nintendo doesn't chase specs—it focuses on experiences. Instead of rushing into new tech, it builds consoles that last. The upcoming Switch 2 keeps the hybrid format that worked so well, adds a bigger screen, and launches with big titles like Mario Kart and Donkey Kong. A lower-priced Lite version is also expected, helping widen the user base. Nintendo is also focused on keeping players inside its system with features like backward compatibility and growing online services. The result: longer player retention and a platform that ages well.

Financial discipline meets global reach

Even during a down year, Nintendo shows strong fundamentals. In FY2025, it reported ¥278.8b in net profit, with double-digit ROE and over ¥1.4tr in net cash. It has almost no debt, so it can fund game development, hardware launches, and new content expansion without borrowing. Around 76% of its revenue comes from international markets, supported by loyal fans and proven franchises. This gives Nintendo a stable foundation and global reach, even as consumer trends shift.

Recommend a BUY with TP of THB 31.3 (¥13,622, based on JPY/THB at 0.23)

Bloomberg consensus recommends a BUY on NINTENDO19, with a TP of THB31.3 (¥13,622, based on JPY/THB at 0.23). This may look rich on paper, but Nintendo has the IP, cash, and margin strength to justify it. With recurring revenue from digital content, subscriptions, and new media formats, Nintendo offers a rare mix of earnings visibility and brand power.

Analyst

Suwat Sinsadok, CFA, FRM, ERP
suwat.s@globlex.co.th,
+662 687 7026

Assistant Analyst

Peerayu Sirivorawong

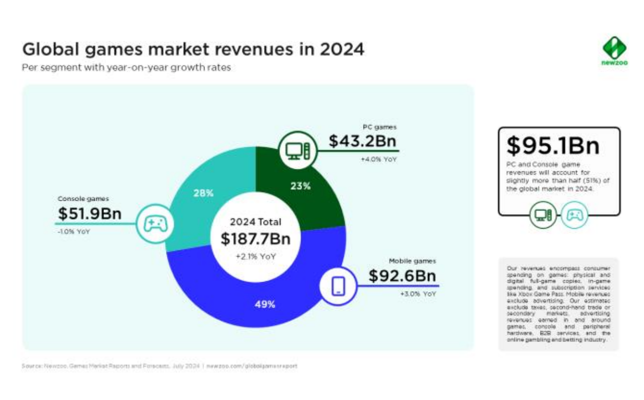
Global Gaming Landscape and Nintendo’s Long-Term Cycle

The global video game industry generated $187.7b in revenue in 2024, led by mobile gaming at $92.6b (~49%), followed by console gaming at $51.9b (~28%) and PC gaming at $43.2b (~23%), according to Newzoo. Nintendo operates solely in the console segment but punches above its weight—capturing ~20–25% of console revenue and over 35% of segment profits, thanks to its integrated hardware-software model and high-margin digital monetization. In FY2025, Nintendo’s revenue mix was ~45% hardware, ~35% software, ~15% online services (NSO), and ~5% from IP/media/theme parks.

While this mix is evolving, hardware cycles still drive financial performance. Revenue had peaked above ¥1.8tr during the Wii era (2006–2011), before collapsing below ¥600b during the Wii U cycle (2013–2016). The Switch era revived growth to ¥1.6tr at its peak, but FY2025 marked the late-cycle slowdown: console sales fell to 11m (from 18m), dragging revenue and net profit to ¥278.8b. This was driven by aging hardware, slower software output, and upfront Switch 2 costs—impacting margins.

Still, FY2025 operating margin held above 24%, buoyed by digital mix and pricing discipline. With Switch 2 off to a record start in FY2026, over 38m NSO subscribers, and growing IP monetization from films and parks, Nintendo enters a new cycle with stronger resilience. Hardware will still shape performance, but recurring revenues are softening the volatility, positioning Nintendo as a platform-based entertainment company with more durable earnings.

Exhibit 1: Global Gaming Market Breakdown



Sources: newzoo

Exhibit 2: Cycle of Nintendo Consoles Sales

Sources: voronoi

Nintendo's IP Flywheel: From Game Console to Global Media

Nintendo's greatest asset is its character IP. While many game companies depend on hit titles that fade after a few years, Nintendo's franchises—Mario, Zelda, Pokémon, and Animal Crossing—are cultural icons. In 2023, The Super Mario Bros. Movie proved just how powerful this IP can be beyond gaming, grossing $1.35b worldwide and becoming the highest-grossing video game movie of all time. This success not only boosted demand for Mario titles and merchandise—it also reintroduced Nintendo's world to a new generation of fans.

Beyond film, Nintendo is growing its physical footprint through Super Nintendo World theme parks in Japan and Los Angeles. These parks immerse visitors in its game universes and extend the brand into location-based entertainment. Together with upcoming media projects and licensing deals, these IP-led businesses support a powerful flywheel: games build fandom, media expands reach, and merchandise monetizes emotional attachment.

IP-related revenue contributed just 6% of total revenue in FY2025, but it delivered gross margins exceeding 90%—far above the ~65–70% seen in software. This reflects the capital-light nature of licensing deals with partners like Universal, where Nintendo earns royalties at minimal cost. As more films launch and park expansions continue, these high-margin, low-capex channels will become an increasingly valuable part of Nintendo's long-term profit model.

Exhibit 3: Nintendo's Franchises

Sources: nintendo.fandom

Exhibit 4: Top 10 Highest-Grossing Video Game Movies (Worldwide)

Rank	Released	Movie	Worldwide Box Office	Domestic Box Office	International Box Office
1	2023	The Super Mario Bros. Movie	$1,359,146,628	$574,934,330	$784,212,298
2	2025	A Minecraft Movie	$953,193,900	$423,943,857	$529,250,043
3	2024	Sonic the Hedgehog 3	$489,660,488	$236,115,100	$253,545,388
4	2016	Warcraft	$438,899,824	$47,365,290	$391,534,534
5	2019	Pokémon: Detective Pikachu	$428,919,826	$144,105,346	$284,814,480
6	2018	Rampage	$427,947,217	$101,028,233	$326,918,984
7	2022	Uncharted	$407,141,258	$148,648,820	$258,492,438
8	2022	Sonic the Hedgehog 2	$403,824,597	$190,872,904	$212,951,693
9	2016	The Angry Birds Movie	$352,288,341	$107,509,366	$244,778,975
10	2010	Prince of Persia: Sands of Time	$336,359,676	$90,759,676	$245,600,000

Sources: the-numbers

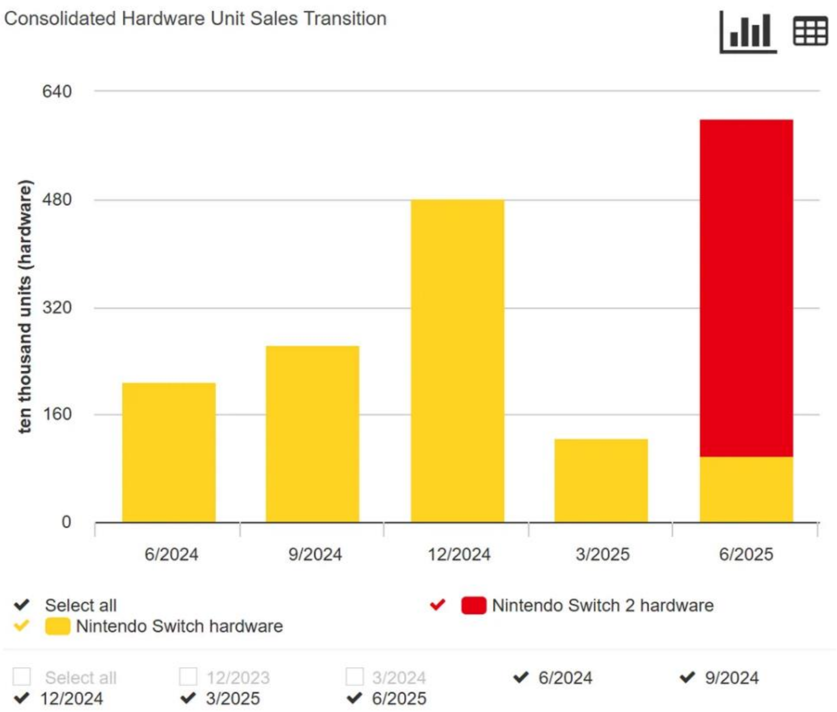
Globlex Securities Co., Ltd.

Switch to Switch 2: A New Cycle, Record-Breaking Start

Nintendo's next-generation console, the Switch 2, has launched with explosive demand. In just its first month, it sold an estimated 5.4 million units globally, doubling the original Switch's debut (2.7 million). Pre-orders alone reached 2.2 million units in Japan within three weeks, pointing to pent-up global demand. Sales outpaced legendary platforms like the PS2 (2.9m), Nintendo DS (2.8m), and even the PlayStation 5 (3.4m) during their respective launch windows.

This early momentum reflects Nintendo's deliberate strategy: a design familiar to users, with backward compatibility, improved performance, and a launch slate anchored by trusted IP. By taking an "Apple-style" approach—incremental innovation over radical reinvention—Nintendo avoided the pitfalls of past console missteps like the Wii U. Market consensus expects 15 million units sold in FY2026, setting a strong base for platform monetization.

Exhibit 5: Consolidated Switch Sales



Sources: nintendo.co.jp

Regionally, demand has been broad-based: 1.6 million units in Japan, 1.8 million in the Americas, 1 million in Europe, and 0.55 million elsewhere. This global spread reflects Nintendo's multi-market strength and ability to localize content effectively.

Looking ahead, Nintendo plans to extend the cycle with a multi-SKU approach. A cheaper "Lite" version is expected in FY2026, and the original Switch will remain supported. Key game releases—including Donkey Kong Bananza, Metroid Prime 4: Beyond, and Pokémon Legends Z-A—are lined up to sustain momentum into the holiday season and beyond.

With 38 million Nintendo Switch Online subscribers and a strong install base still active, the Switch 2 is positioned to drive a new multi-year platform cycle, de-risking the console transition and opening room for recurring revenue growth.

Globlex
Securities Co., Ltd.

Margins, Members, and Monetization: Nintendo's Digital Moat

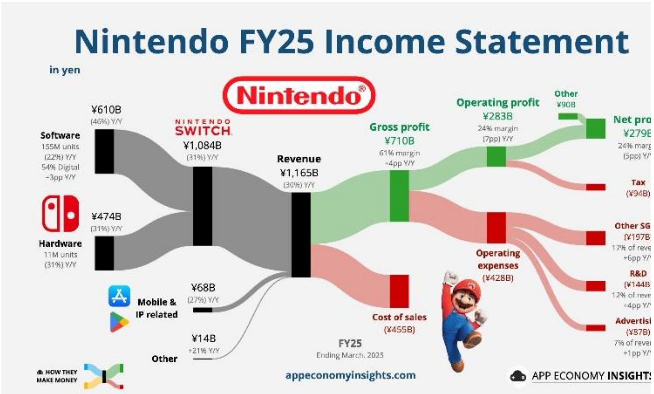
Nintendo's digital strategy is now a key profit engine, anchored by Switch Online, a robust digital storefront, and user monetization tied to subscriptions. As console cycles get more unpredictable, Nintendo's growing digital ecosystem helps smooth earnings across generations. Nintendo Switch Online (NSO) surpassed 38m subscribers in FY2025, quadrupling from 9.8m in FY2019. The service provides cloud saves, classic game libraries, and online play—building long-term user retention around first-party IP. Together with game downloads and DLC, digital sources now make up over 42% of Nintendo's total software revenue, up from just 30% in FY2020.

Digital attach rates are also rising: ~50% of all game purchases are now digital, reducing distribution costs and supporting margin expansion. Meanwhile, live-service titles like Mario Kart 8 Deluxe, Animal Crossing: New Horizons, and Splatoon 3 continue to engage users with seasonal updates and paid expansions. These "games-as-platforms" give Nintendo a hedge against console seasonality and sales volatility.

Exhibit 6: NSO subscribers as of 30th September 2024

Sources: Nintendo

Exhibit 7: Nintendo FY25 Income Statement



Sources: appeconomyinsights

Operationally, Nintendo delivers industry-leading margins. Its 24.3% FY2025 operating margin is well above the global gaming average (~15%) and outperforming even Sony's Game & Network Services division (13.9%), Nintendo's profitability reflects tight platform control and a software-driven margin profile. This reflects tight control over its vertical stack—hardware, software, and services—allowing for consistent pricing and high gross margins.

Even with expected FY2026 investments into Switch 2, profitability should hold firm. Nintendo's pricing discipline, combined with a rising share of digital and subscription revenue, provides insulation from hardware cycle troughs.

Finally, the balance sheet remains a core strength. Nintendo holds over ¥1.4tr in net cash, with zero net debt, enabling aggressive R&D, IP expansion, and potential M&A—without compromising returns. Free cash flow of over ¥400b/year gives Nintendo rare financial flexibility in a cyclical industry.

Valuation, Upside, and Long-Term Moat

Nintendo offers a rare mix of brand power, platform control, and financial resilience—all priced below global consumer tech peers. While earnings may dip modestly in FY2026 due to upfront Switch 2 investments, we believe this marks the start of a new growth cycle. Recurring digital revenue, rising subscription income, and monetization of IP through media and parks provide strong earnings visibility beyond hardware transitions.

Exhibit 1: Nintendo Stock Price

Sources: Yahoo Finance

Bloomberg consensus recommends a BUY on NINTENDO19, with a TP of THB31.3 (¥13,622, based on JPY/THB at 0.23).

Bloomberg consensus recommends a BUY on NINTENDO19, with a TP of THB31.3 (¥13,622, based on JPY/THB at 0.23). This may look rich on paper, but Nintendo has the IP, cash, and margin strength to justify it. With recurring revenue from digital content, subscriptions, and new media formats, Nintendo offers a rare mix of earnings visibility and brand power.

GENERAL DISCLAIMER

Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight:	The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral:	The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight:	The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.