

4Q23 Earnings Results

2024.2.2

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Earnings Summary

- 4Q Revenue grew 11.7% YoY*, 3.8% QoQ driven by growth in Commerce, Fintech and Contents
- Adjusted EBITDA** increased 19.2% YoY, 5.3% QoQ, supported by margin improvements in Contents and Commerce

bn KRW	4Q22	3Q23	4Q23	Y/Y	Q/Q	FY2022	FY2023	Y/Y
Revenue	2,271.7	2,445.3	2,537.0	11.7%	3.8%	8,220.1	9,670.6	17.6%
Search Platform	916.4	898.5	928.3	1.3%	3.3%	3,568.0	3,589.1	0.6%
Commerce	486.8	647.4	660.5	35.7%	2.0%	1,801.1	2,546.6	41.4%
Fintech	319.9	340.8	356.0	11.3%	4.5%	1,186.6	1,354.8	14.2%
Contents	437.5	434.9	466.3	6.6%	7.2%	1,261.5	1,733.0	37.4%
Cloud	111.1	123.6	125.9	13.3%	1.8%	402.9	447.2	11.0%
Operating Expenses	1,935.3	2,065.1	2,131.5	10.1%	3.2%	6,915.4	8,181.8	18.3%
Adjusted EBITDA	486.6	550.6	580.0	19.2%	5.3%	1,802.8	2,133.8	18.4%
Adjusted EBITDA margin (%)	21.4%	22.5%	22.9%	1.4%p	0.3%p	21.9%	22.1%	0.1%p
Operating Profit	336.5	380.2	405.5	20.5%	6.7%	1,304.7	1,488.8	14.1%
Operating margin (%)	14.8%	15.5%	16.0%	1.2%p	0.4%p	15.9%	15.4%	-0.5%p
Net Profit	131.8	356.2	301.8	129.1%	-15.3%	673.2	988.4	46.8%
Net margin (%)	5.8%	14.6%	11.9%	6.1%p	-2.7%p	8.2%	10.2%	2.0%p

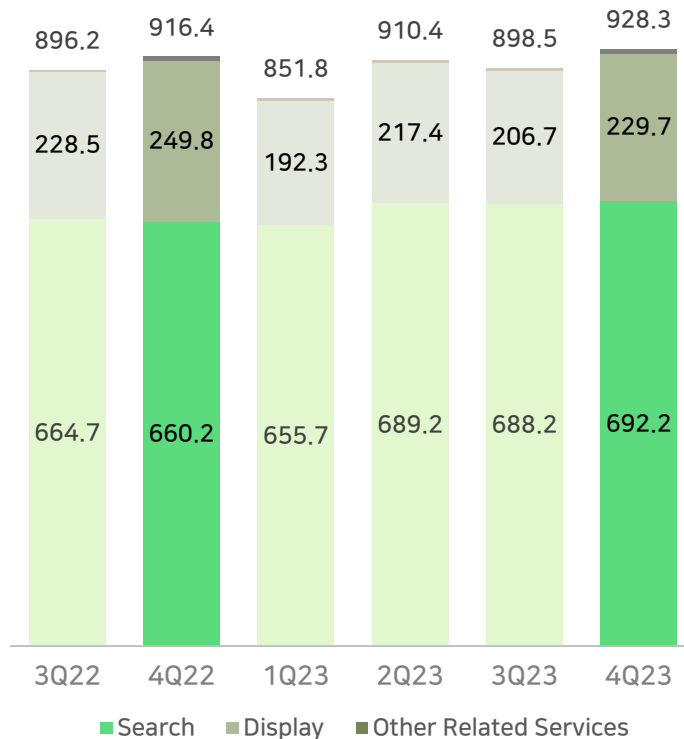
* Reflects accounting change from gross to net revenue recognition on sales promotions-linked revenue in Commerce and Fintech. Excluding such impact, as well as the effects from gross revenue accounting recognition changes in Webtoon since 2022 and acquisition of Poshmark, revenue grew YoY 8.3% in 4Q23 and YoY 11.8% in FY2023

** EBITDA + stock based compensation

Search Platform Search, Display, Other Related Services

Quarterly Revenue

(bn KRW)



4Q23 YoY 1.3% ↑ / QoQ 3.3% ↑

Search YoY 4.8% / QoQ 0.6%

Display YoY -8.1% / QoQ 11.1%

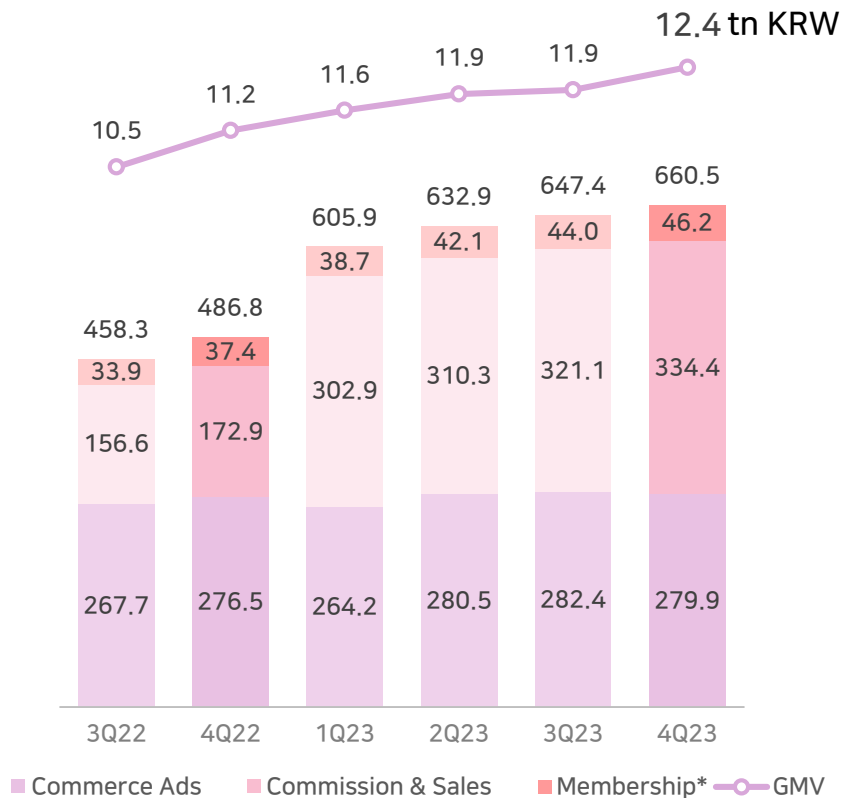
2023 YoY 0.6% ↑

- Growth in Search continued with CTR improvements following the mobile search revamp and ad product UI enhancements
- To offer AI based hyper-personalized content on various domains of the NAVER app(e.g. 'Home Feed', 'NAVER Clip'(shorts)), focusing on improving user experience and creating monetization opportunities
- Integrated 'Cue:' to PC search in late November; plan on expanding to mobile search in 2024. Launched pilot test of 'CLOVA for AD', the first generative AI-based ad model in Korea, with Nike in January 2024.

Commerce Ads, Commission & Sales, Membership

Quarterly Revenue

(bn KRW, tn KRW)



*Membership: subscription revenue

4Q23 YoY 35.7%¹⁾ ↑ / QoQ 2.0% ↑

Commerce Ads YoY 1.2% / QoQ -0.9%

Commission & Sales YoY 93.3%²⁾ / QoQ 4.1%

Membership YoY 23.5% / QoQ 5.2%

2023 YoY 41.4% ↑³⁾

- 4Q Commerce revenue rose from GMV growth and Brand Solution Package & Guaranteed Delivery monetization in October 2023
- GMV increased 11.0% YoY⁴⁾, 3.7% QoQ driven by rise in Brandstore and Service GMV
 - ▶ Product GMV grew 14.3% YoY⁵⁾ with Brandstore growth (excl. outlinked marketplaces)
 - ▶ Service GMV grew 34.3% YoY on travel and booking services growth
- To strengthen strategic partnerships with brands and to offer hyper-personalized shopping experiences by enhancing discovery elements with AI-based search/recommendation improvements

1) Total revenue: 11.8% YoY excl. Poshmark & accounting method changes

2) Commission & Sales revenue: 28.3% YoY excl. Poshmark & accounting method changes

3) FY23 total revenue: 14.8% YoY, excl. Poshmark & accounting method changes

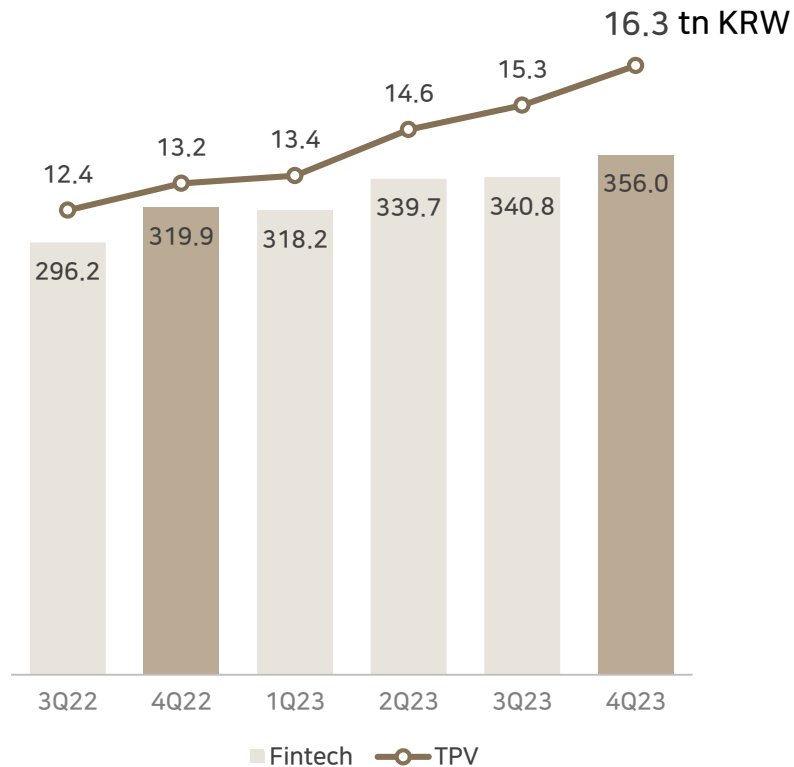
4) GMV: 4.9% YoY excl. Poshmark

5) Product GMV: 5.2% YoY excl. Poshmark

Fintech Payments, Platform Services etc.

Quarterly Revenue

(bn KRW, tn KRW)



4Q23 YoY 11.3% ↑ / QoQ 4.5% ↑

* Excluding effects from accounting method changes, YoY 12.2% / QoQ 5.3%

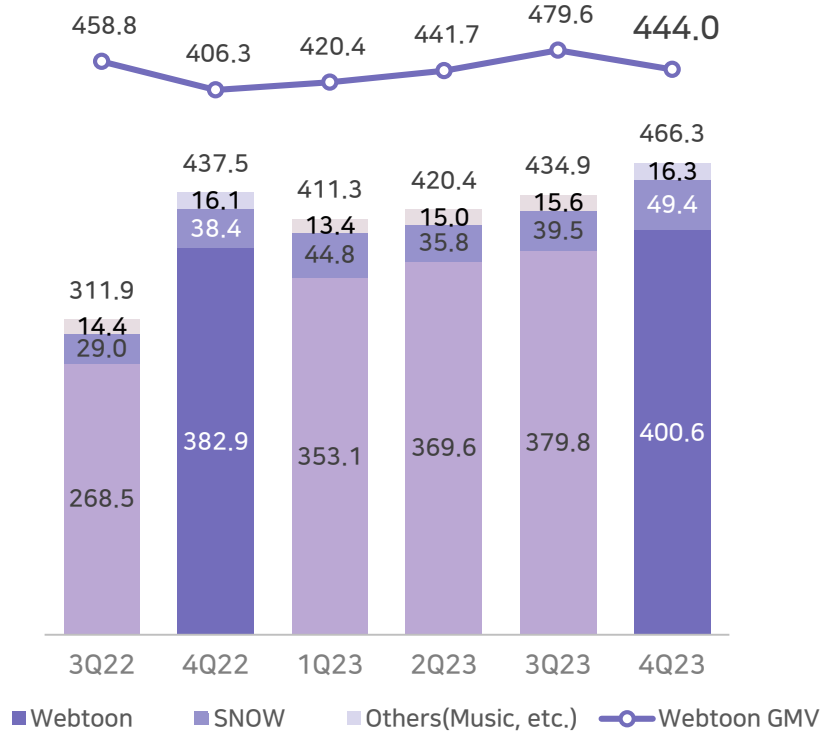
2023 YoY 14.2% ↑

- 4Q TPV grew 23.9% YoY, 7.0% QoQ to 16.3tn KRW
- Non-captive TPV grew 50.1% YoY, 10.5% QoQ to 7.7tn KRW, strengthening expansion of 3rd-party ecosystem
- Offline TPV grew over 2.7X YoY with continued growth in MST-based payments and booking/order services
- To strengthen platform business with financial brokerage service expansion. Extended loan comparison offerings including mortgage, rent loans and launched car insurance comparison service

Contents Webtoon, SNOW, Others

Quarterly Revenue

(bn KRW)



4Q23 YoY 6.6% ↑ / QoQ 7.2% ↑

Webtoon YoY 4.6% / QoQ 5.5%

SNOW YoY 28.7% / QoQ 25.2%

Others YoY 1.2% / QoQ 4.4%

2023 YoY 37.4% ↑

[Webtoon]

- Webtoon global GMV grew 9.3% YoY to 444bn KRW; achieved EBITDA positive for FY23
- Continued success around IP adaptations led to increased original IP consumption as well as production revenue. ARPPU rose following platform enhancements such as AI-based personalized recommendation and CRM

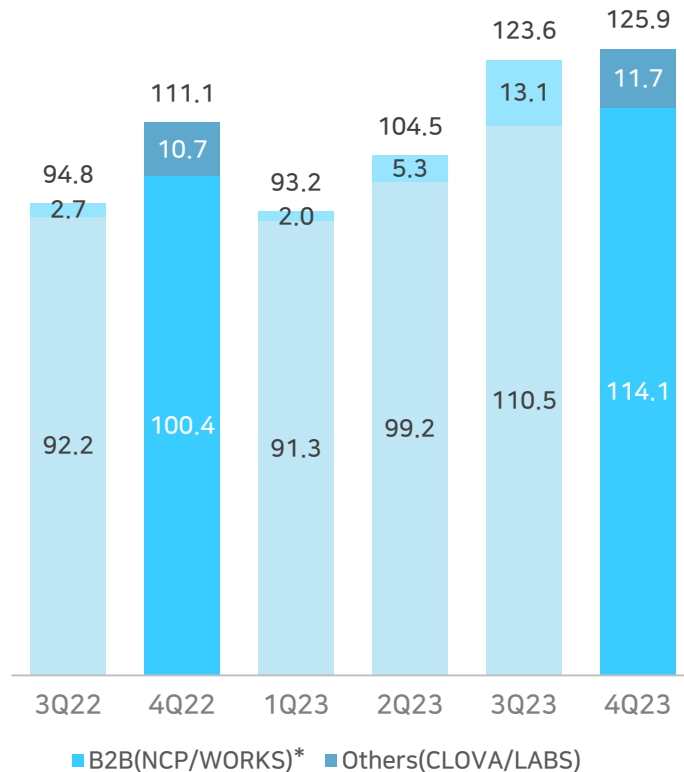
[SNOW]

- Strong growth in revenue from global success of AI products including EPIK Yearbook; expansion of service line-up led to increases in heavy users and paid users

Cloud B2B(NCP/Works), Others(CLOVA/LABS, etc.)

Quarterly Revenue

(bn KRW)



* B2B: HyperCLOVA (LLM) revenue included

4Q23 YoY 13.3% ↑ / QoQ 1.8% ↑

B2B YoY 13.7% / QoQ 3.3%

Others YoY 9.8% / QoQ -10.6%

2023 YoY 11.0% ↑

- Despite the base effect from changes in revenue recognition in 3Q23, B2B grew 13.7% YoY, 3.3% QoQ to 114.1bn KRW powered by monetization of HyperCLOVA(LLM) and increase in number of paid IDs on Line Works
- Secured reference for Neurocloud and started offering services in November.
Signed MOU to collaborate with Bank of Korea on developing a specialized model for financial services

Operating Expenses/Profit

- Adjusted EBITDA increased 19.2% YoY to 580bn KRW; EBITDA margin improved 1.4%p YoY even with Poshmark acquisition
- Development & Operations increased QoQ on recognition of year-end bonuses; marketing decreased QoQ with cost management efforts in Contents, driving increase in operating profit
- Infrastructure increased YoY on reflection of depreciation costs from new AI infrastructure investments and opening of GAK Sejong IDC

(bn KRW)	4Q22	3Q23	4Q23	Y/Y	Q/Q	FY2022	FY2023	Y/Y
Operating Expenses	1,935.3	2,065.1	2,131.5	10.1%	3.2%	6,915.4	8,181.8	18.3%
Development & Operations	561.5	631.4	661.5	17.8%*	4.8%	2,070.3	2,572.7	24.3%
└ Labor cost	469.5	533.9	560.0	19.3%	4.9%	1,736.7	2,175.9	25.3%
└ Others	92.1	97.6	101.5	10.2%	4.0%	333.6	396.8	18.9%
Partner	897.9	886.4	949.8	5.8%	7.1%	2,963.9	3,533.6	19.2%
Infrastructure	154.2	157.3	163.7	6.2%	4.1%	580.6	595.7	2.6%
Marketing	321.6	389.9	356.5	10.9%**	-8.6%	1,300.6	1,479.8	13.8%
Operating Profit	336.5	380.2	405.5	20.5%	6.7%	1,304.7	1,488.8	14.1%
Operating margin (%)	14.8%	15.5%	16.0%	1.2%p	0.4%p	15.9%	15.4%	-0.5%p
Depreciation & Amortization	108.1	95.7	106.7	-1.3%	11.5%	402.7	373.1	-7.3%
Stock-based compensation	41.9	74.8	67.7	61.5%	-9.4%	95.5	271.8	184.6%
Adjusted EBITDA	486.6	550.6	580.0	19.2%	5.3%	1,802.8	2,133.8	18.4%
Adjusted EBITDA margin (%)	21.4%	22.5%	22.9%	1.4%p	0.3%p	21.9%	22.1%	0.1%p
Net Profit	131.8	356.2	301.8	129.1%	-15.3%	673.2	988.4	46.8%
Net margin (%)	5.8%	14.6%	11.9%	6.1%p	-2.7%p	8.2%	10.2%	2.0%p

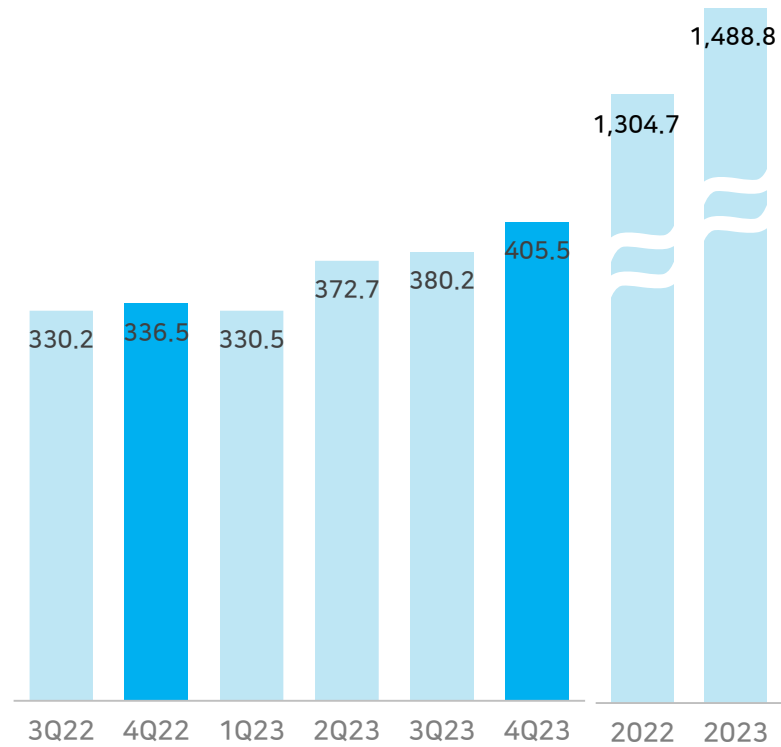
* Development & operations expenses 8.8% YoY, excluding Poshmark acquisition effect

** Marketing expenses -0.5% YoY excluding effects of changes in accounting method and Poshmark acquisition,

Operating Income, Adjusted EBITDA

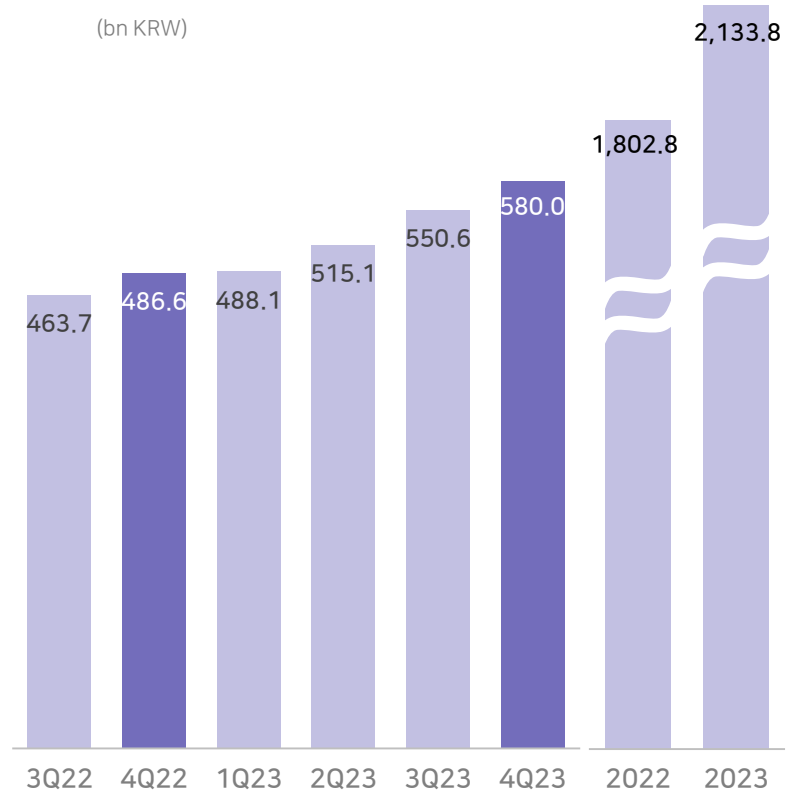
Operating Income

(bn KRW)



Adjusted EBITDA

(bn KRW)



4Q23 P&L by Segment

(bn KRW, %)	Reporting Segment					Adjustment*	Total (Consolidated)
	Search Platform	Commerce	Fintech	Contents	Cloud		
4Q Segment Revenue (A)	935.6	662.7	393.7	541.6	147.6	(144.2)	2,537.0
- External revenue	928.3	660.5	356.0	466.3	125.9	-	2,537.0
- Internal revenue	7.3	2.2	37.7	75.3	21.7	(144.2)	-
4Q Segment Profit/Loss (B)	514.6		20.5	(31.5)	(96.7)	(1.5)	405.5
4Q Segment Margin (C) [C = B / A]	32.2%		5.2%	-	-	-	16.0%

* Adjustments: Accounting adjustments including intercompany transactions

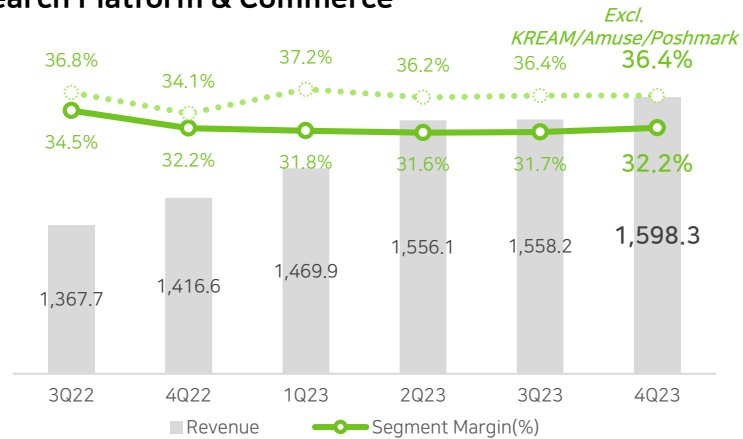
2023 P&L by Segment

(bn KRW, %)	Reporting Segment					Adjustment*	Total (Consolidated)
	Search Platform	Commerce	Fintech	Contents	Cloud		
2023 Segment Revenue (A)	3,635.7	2,546.9	1,499.0	2,023.2	533.9	(567.9)	9,670.6
- External revenue	3,589.1	2,546.6	1,354.8	1,733.0	447.2	-	9,670.6
- Internal revenue	46.6	0.2	144.3	290.2	86.7	(567.9)	-
2023 Segment Profit/Loss (B)	1,967.2		108.0	(229.4)	(348.2)	(8.9)	1,488.8
'23 Segment Margin (C) [C = B / A]	31.8%		7.2%	-	-	-	15.4%

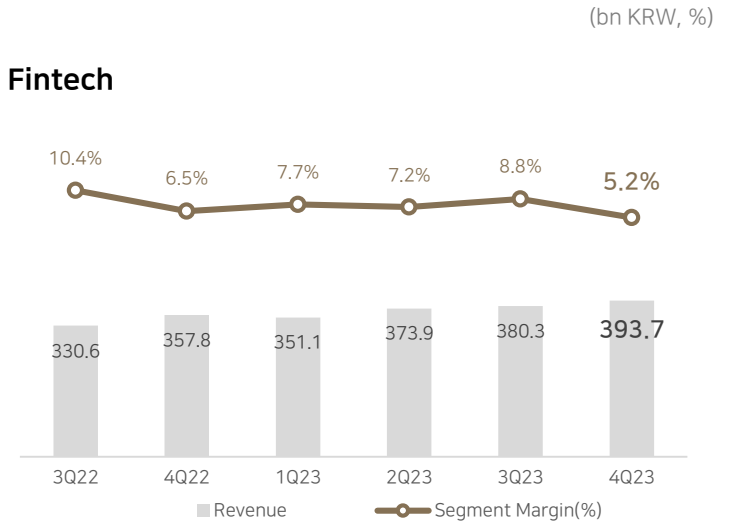
* Adjustments: Accounting adjustments including intercompany transactions

P&L by Segment

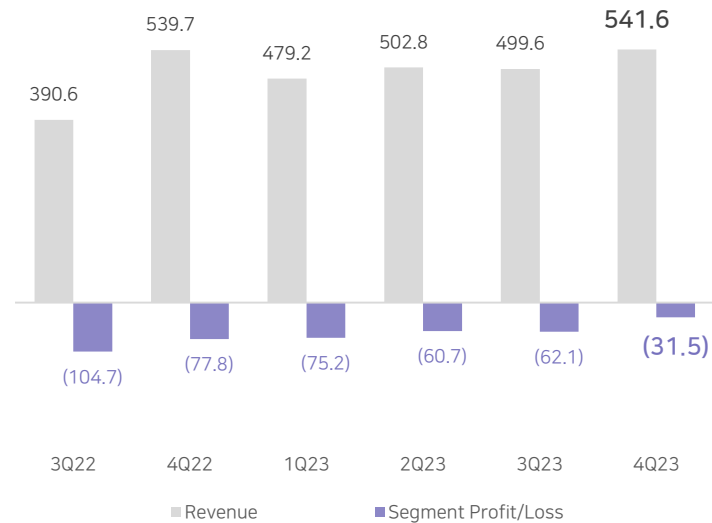
Search Platform & Commerce



Fintech

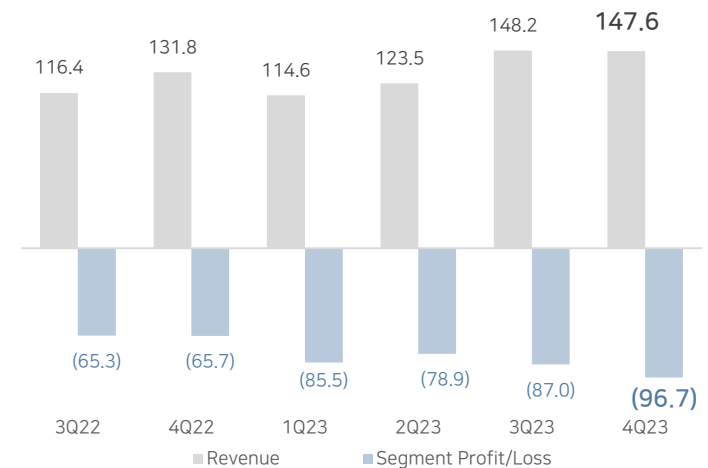


Contents*



* Webtoon turned EBITDA positive for FY23

Cloud



Cash & Borrowings, Consolidated FCF, Direct and Indirect Investments

Cash & Borrowings

Cash and cash equivalents + Short-term financial instruments

(bn KRW)	2Q23	3Q23	4Q23
Naver (Separate)	689.7	1,053.4	1,171.6
Naver (Consolidated)	3,775.2	4,268.2	4,384.7

Borrowings / Debentures (Consolidated)

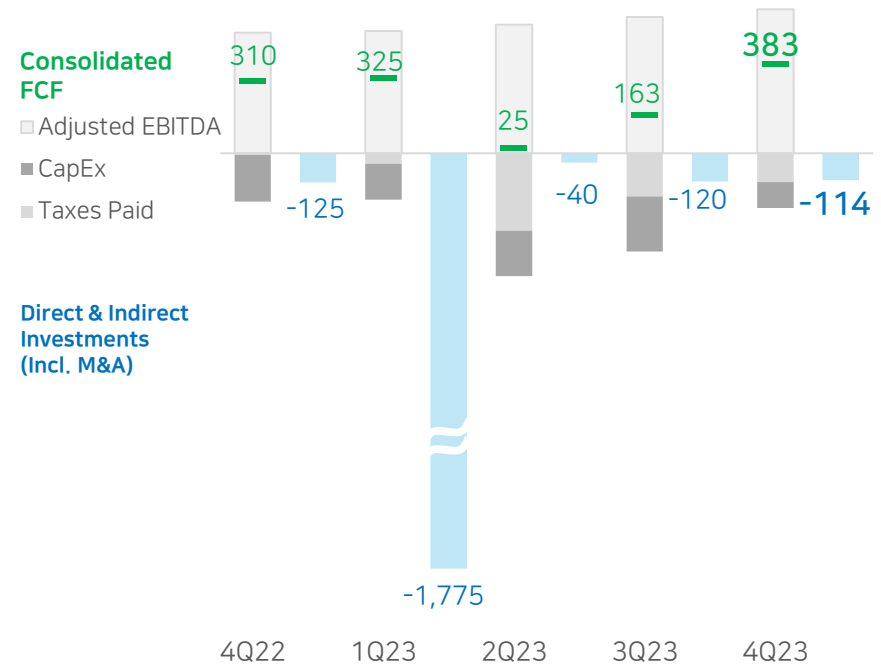
(bn KRW)	2Q23	3Q23	4Q23
Borrowings & Debentures	3,976.9	3,874.6	3,425.2
Short-term Borrowings	1,554.2	1,220.4	775.9*
Long-term Borrowings	2,422.8	2,654.2	2,649.3
Debentures	1,492.3	1,518.5	1,655.7
Borrowings	930.4	1,135.7	993.6

*Paid down all 800 mn loan raised in connection with Poshmark acquisition

Consolidated FCF, Direct and Indirect Investments

(bn KRW)

Dividend payment of 119bn KRW expected in April following approval of AGM resolution
(790 KRW per share, equivalent to 20% of 2-year avg. consolidated FCF)



* Consolidated FCF : Consolidated operating Income + non-cash expenses - CapEx - taxes paid

Appendix. Net Profit

- 4Q net profit rose 129.1% YoY but fell 15.3% QoQ
- Equity method gain decreased YoY and QoQ reflecting the decline in equity method valuation gain/loss
- Financial gain/loss decreased QoQ from losses in valuation of investments; other gain/loss increased YoY and QoQ reflecting the decrease in FX valuation losses

(bn KRW)	4Q22	3Q23	4Q23	Y/Y	Q/Q	FY2022	FY2023	Y/Y
Operating Profit	336.5	380.2	405.5	20.5%	6.7%	1,304.7	1,488.8	14.1%
Operating margin (%)	14.8%	15.5%	16.0%	1.2%p	0.4%p	15.9%	15.4%	-0.5%p
Non-operating profit/loss	-147.3	124.4	38.3	n/a	-69.2%	-220.9	-2.8	98.7%
Equity method gain/loss	305.3	119.9	51.0	-83.3%	-57.5%	96.8	266.5	175.5%
Financial profit/loss	-448.0	60.9	-36.1	91.9%	n/a	-252.6	-82.9	67.2%
Other profit/loss	-4.6	-56.5	23.4	n/a	n/a	-65.1	-186.5	-186.5%
Pre-tax income	189.2	504.5	443.8	134.6%	-12.0%	1,083.7	1,486.0	37.1%
Tax	57.4	148.3	141.9	147.2%	-4.3%	410.5	497.6	21.2%
Net Profit	131.8	356.2	301.8	129.1%	-15.3%	673.2	988.4	46.8%
Net Margin (%)	5.8%	14.6%	11.9%	6.1%p	-2.7%p	8.2%	10.2%	2.0%p

Thank You