

NAVER

A Set of Global Challenges

3Q20 Earnings Result

2020.10.29

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Changes of Revenue Category

- Change of revenue category reflecting the approval of LINE-Z Holdings business integration antitrust review and NAVER's mid-long term business strategy

[Before]

Category	Composition
Ads	Display
Business Platform	Search Commission
IT Platform	Pay service, Digital Finance Cloud WORKS
Contents	Webtoon Music V Clova Plus Membership
LINE and Other Platforms	LINE, SNOW



[After]

Category	Composition
Search Platform	Search(excluding shopping) Display(excluding shopping, webtoon)
Commerce	Shopping related search & display Commission Plus Membership
Fintech	Pay service, Digital Finance
Contents	Webtoon(+LINE Manga) Music V SNOW
Cloud	Cloud WORKS Clova

Earnings Summary

- Operating Revenue increased 24.2% YoY on back of solid growth from Search Platform & Commerce along with acceleration of new businesses such as Fintech, Contents, and Cloud

(bn KRW)	3Q19	4Q19	1Q20	2Q20	3Q20	Y/Y	Q/Q
Operating Revenue	1,095.9	1,179.0	1,154.7	1,276.0	1,360.8	24.2%	6.6%
Search Platform	656.3	692.0	644.7	678.2	710.1	8.2%	4.7%
Commerce	202.6	219.0	231.2	256.2	285.4	40.9%	11.4%
Fintech	103.9	119.9	137.6	164.7	174.0	67.6%	5.7%
Contents	87.2	83.8	93.4	112.9	115.0	31.8%	1.8%
Cloud	45.9	64.3	47.7	64.1	76.3	66.2%	19.1%
Operating Expenses	809.4	903.6	862.9	968.0	1,069.1	32.1%	10.4%
Operating Income	286.5	275.4	291.8	308.1	291.7	1.8%	-5.3%
Adjusted EBITDA*	343.3	341.6	356.3	401.9	389.8	13.5%	-3.0%
Net Income	85.3	196.2	134.9	90.7	235.3	176.0%	159.5%

*EBITDA + stock-based compensation

Quarterly Revenue

(bn KRW)



3Q20 YoY 8.2% ↑ / QoQ 4.7% ↑

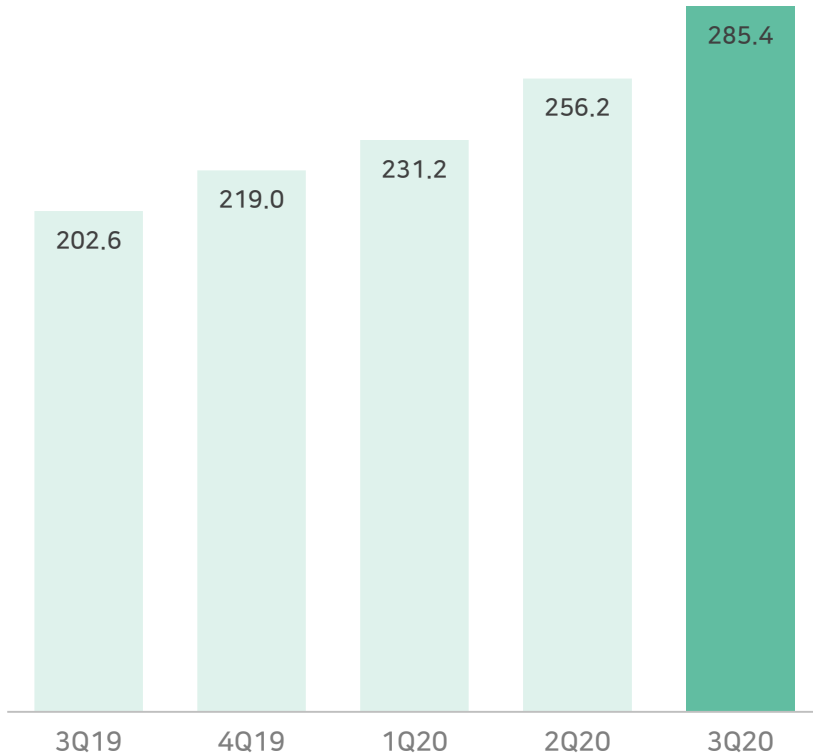
(Search) YoY 3.6% ↑ / QoQ 2.7% ↑

(Display ads) YoY 26.3% ↑ / QoQ 11.7% ↑

- Despite the proliferation of COVID-19 on August, revenue recovered to grow 8.2% YoY
- Display revenue was up 26.3% YoY on back of performance ads expansion & ad efficiency improvement efforts

Quarterly Revenue

(bn KRW)

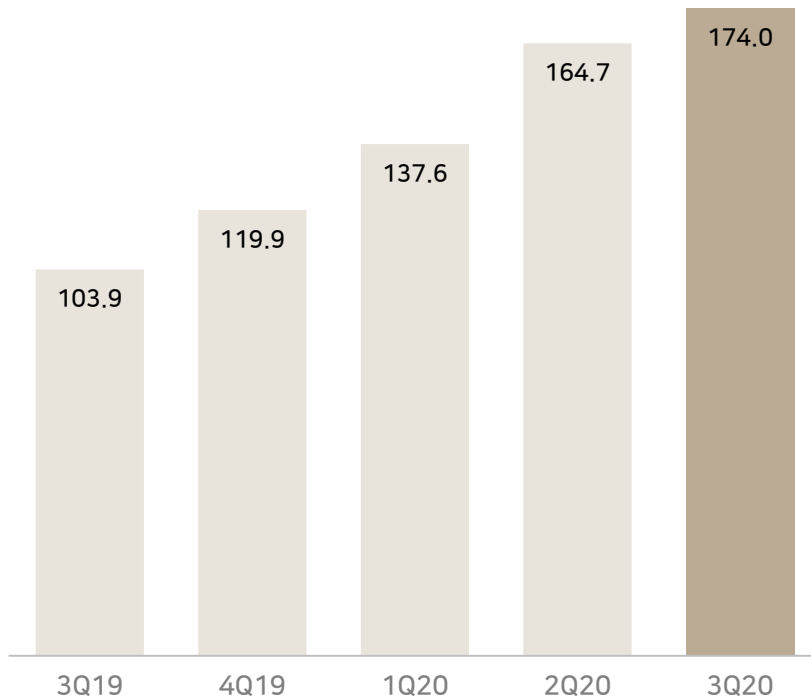


3Q20 YoY 40.9% ↑ / QoQ 11.4% ↑

- Smartstore GMV rose 72% YoY following the continued increase in online shopping demands and merchants inflow
- Strengthening shopping ecosystem via Plus Membership, Shopping LIVE!, CJ Logistics partnership, and more

Quarterly Revenue

(bn KRW)

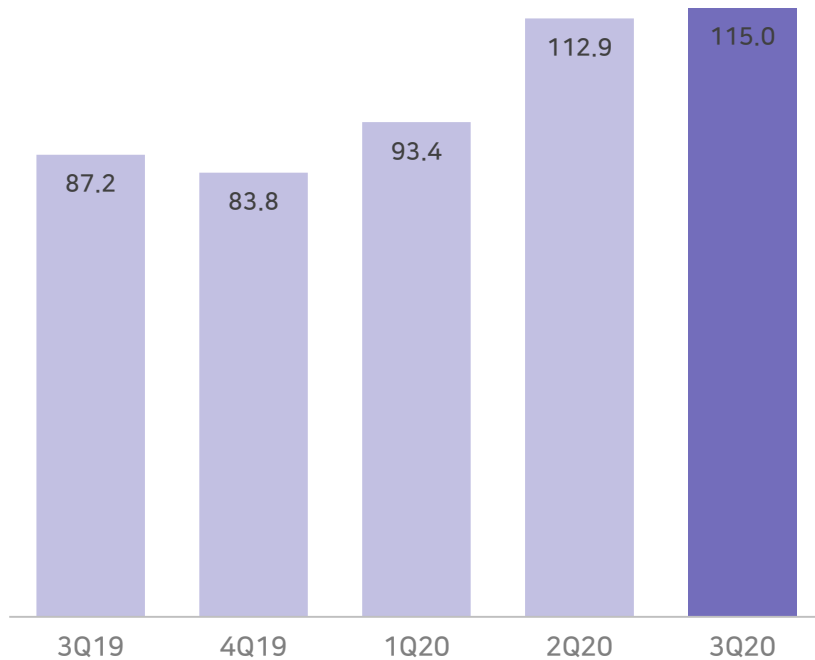


3Q20 YoY 67.6% ↑ / QoQ 5.7% ↑

- NAVER Pay GMV hiked 62% YoY to 6.8 trn KRW backed by persisting online commerce growth
- Launch of SME focused Fintech services such as Smartstore merchant loans & offline QR points payment in 4Q20

Quarterly Revenue

(bn KRW)

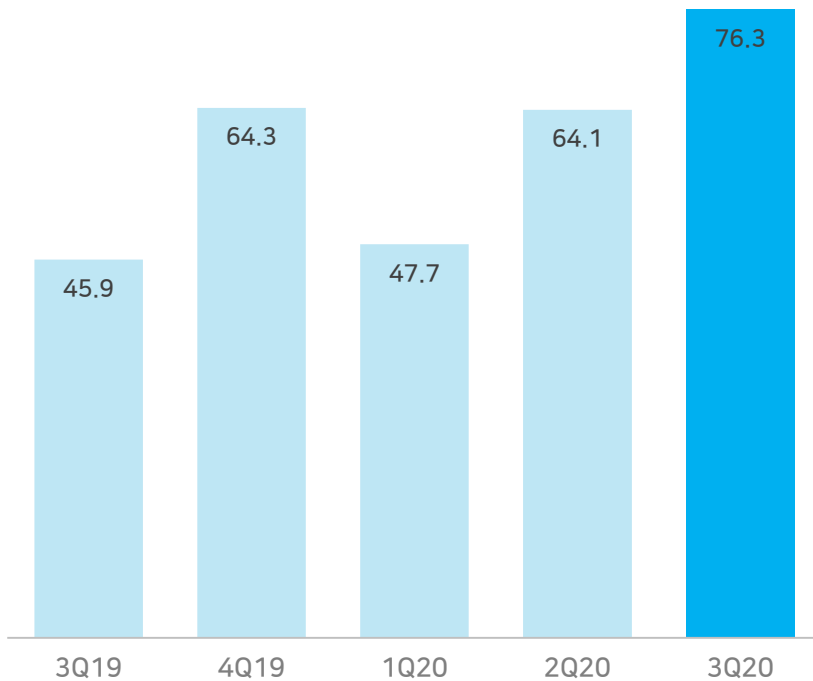


3Q20 YoY 31.8% ↑ / QoQ 1.8% ↑

- Europe & LATAM Webtoon MAU exceeds 5.5 mn & Global Webtoon MAU marked 67 mn while Global GMV grew over 40% YoY
- Continued to hold Beyond LIVE concerts. Recently renewed V LIVE to reinforce fan community services
- NAVER Z received investment from Big Hit Entertainment & YG to focus on expanding global entertainment IP businesses on Zepeto

Quarterly Revenue

(bn KRW)



3Q20 YoY 66.2% ↑ / QoQ 19.1% ↑

- With the spread of non contact environment, demand for Cloud service led to Cloud platform revenue growth of 156% YoY
- Unified B2B sales channel under Cloud. Plan to commercialize NAVER's B2B technology and services based on Cloud and to differentiate by introducing vertical-specific products

Changes of Expense Category

- Clearly reflecting expenses related to partner support & ecosystem expansion

[Before]

Category		Composition
NAVER	Platform Development & Operations	Labor Costs
		Employee Benefits
		Rent Payable etc.
		Total
	Agency & Partner Commission	Sales Commission
		Payment Commission
		Contents Commission etc.
		Total
	Infrastructure	Depreciation & Amortization
		Communication Expenses
		Labor Costs etc.
		Total
Marketing	Ads/Promotion, Pay Reward Points	
Total		

LINE & Other Platforms

[After]

Category		Composition
Development & Operations	Labor Costs	
	Employee Benefits	
	Rent Payable etc.	
	Total	
Partner	Sales Commission	
	Payment Commission	
	Contents Commission etc.	
	Pay Reward Points	
Total		
Infrastructure	Depreciation & Amortization	
	Communication Expenses	
	Labor Costs etc.	
	Total	
Marketing	Ads/Promotion	
Total		

* LINE expenses recognized under Net Income from Discontinued Operations, SNOW expenses retroactively reflected based on the expenses category change

Operating Expenses/Income

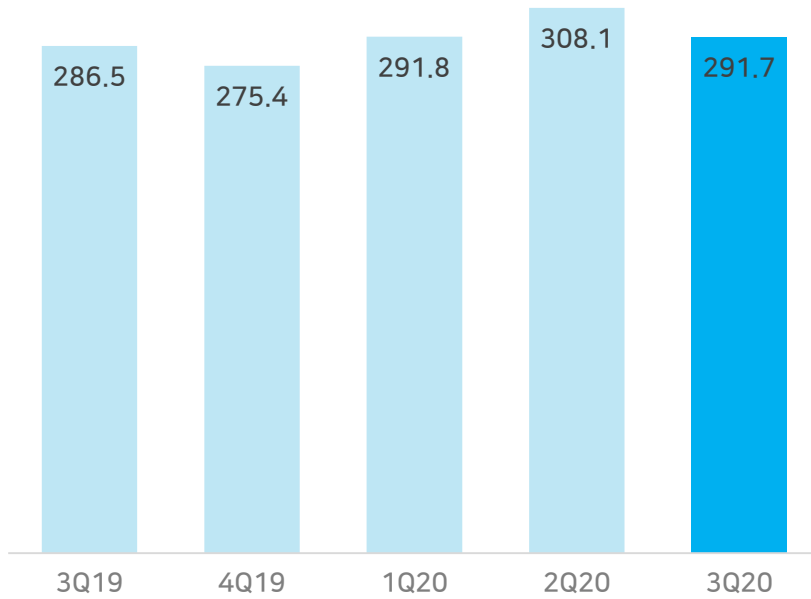
- Additional Pay reward points were booked following the launch of Naver Bankbook & Plus Membership, and increased global marketing expenses for Webtoon, WORKS, BAND

(bn KRW)	3Q19	4Q19	1Q20	2Q20	3Q20	Y/Y	Q/Q
Operating Expenses	809.4	903.6	862.9	968.0	1,069.1	32.1%	10.4%
Development & Operations	249.4	291.1	282.9	289.7	311.7	25.0%	7.6%
Partner	349.0	392.2	377.2	427.5	457.0	30.9%	6.9%
Infrastructure	106.2	117.3	110.9	136.1	144.8	36.3%	6.4%
Marketing	104.7	103.0	91.9	114.7	155.6	48.6%	35.7%
Operating Income	286.5	275.4	291.8	308.1	291.7	1.8%	-5.3%
Pre-tax Income	348.0	445.9	420.1	289.3	361.6	3.9%	25.0%
Tax	108.6	183.1	123.5	93.7	117.6	8.3%	25.5%
Net Income from Continuing Operations	239.5	262.8	296.6	195.6	244.0	1.9%	24.7%
Net Income	85.3	196.2	134.9	90.7	235.3	175.8%	159.4%

Operating Income, Adjusted EBITDA

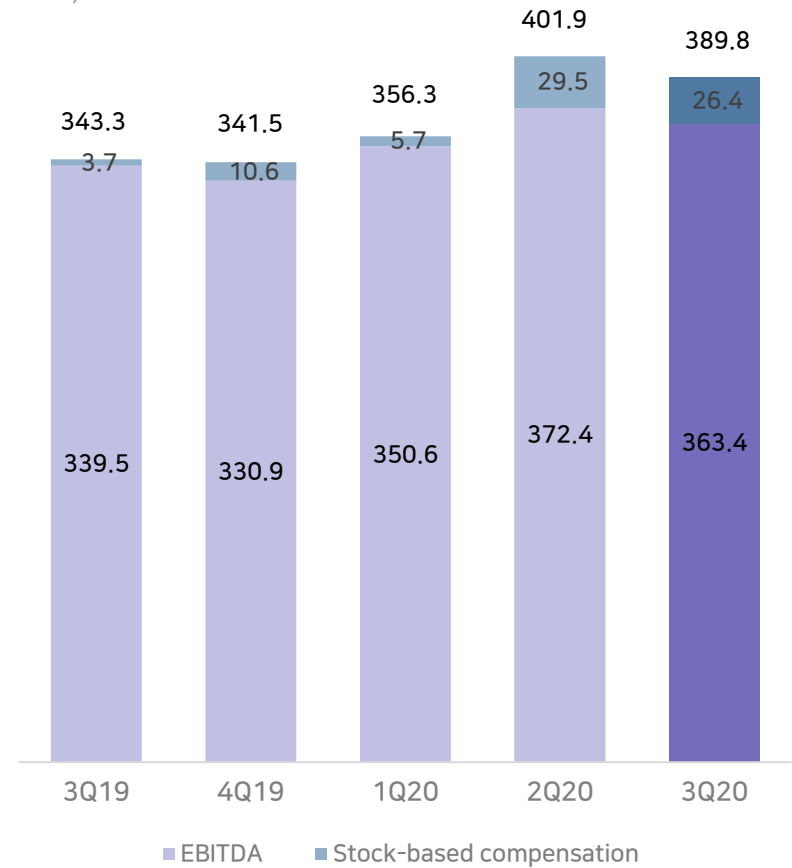
Operating Income

(bn KRW)



Adjusted EBITDA

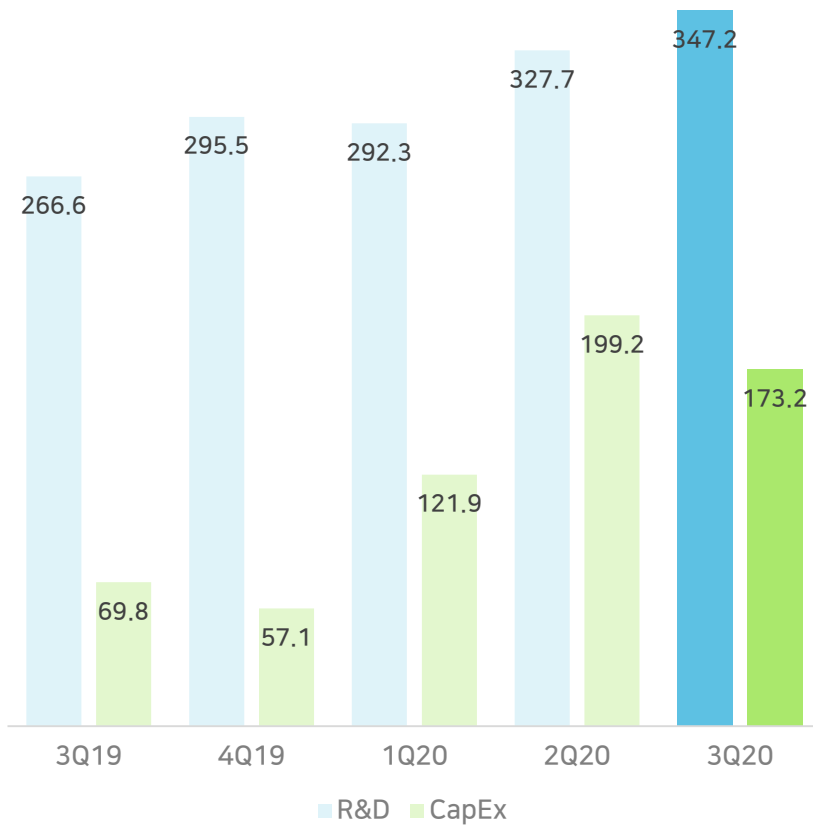
(bn KRW)



R&D/CapEx, Net Income

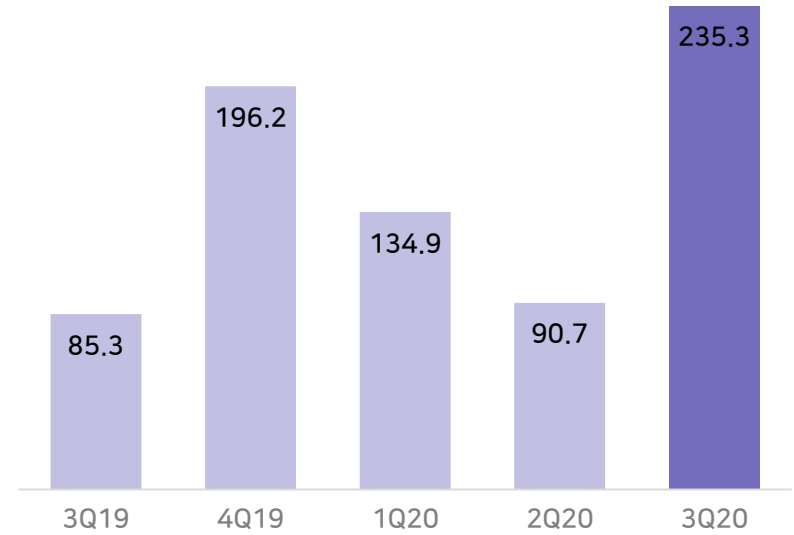
R&D/CapEx

(bn KRW)



Net Income

(bn KRW)



Financial Statements Summary

Consolidated Income Statement

(mn KRW)	3Q19	4Q19	1Q20	2Q20	3Q20
Operating Revenue	1,095,855	1,179,019	1,154,694	1,276,042	1,360,779
Operating Expenses	809,366	903,615	862,912	967,959	1,069,053
Operating Income	286,489	275,404	291,782	308,083	291,726
Non-operating Revenue	112,248	208,559	163,338	80,380	116,510
Non-operating Expenses	50,699	38,076	35,001	99,189	46,655
Pre-tax Income	348,038	445,887	420,119	289,274	361,581
Tax	108,555	183,074	123,489	93,670	117,610
Net Income from Continuing Operations	239,483	262,813	296,630	195,604	243,971
Net Income from Discontinued Operations	-154,214	-66,602	-161,755	-104,922	-8,629
Net Income	85,269	196,211	134,875	90,682	235,342
Controlling Interests	125,428	248,711	184,804	147,263	245,468
Non-controlling Interests	-40,160	-52,500	-49,929	-56,581	-10,125

Consolidated Statement of Financial Position

(mn KRW)	3Q19	4Q19	1Q20	2Q20	3Q20
Current Assets	5,497,195	5,643,714	6,533,603	7,099,070	10,206,941
Assets held for sale	-	-	-	-	6,535,890
Non-current Assets	6,309,522	6,655,813	7,232,431	7,593,094	5,245,619
Total Assets	11,806,717	12,299,527	13,766,034	14,692,164	15,452,560
Current Liabilities	3,343,625	3,773,119	4,097,112	4,579,566	6,493,785
Liabilities held for sale	-	-	-	-	3,730,412
Non-current Liabilities	2,025,575	2,022,482	2,213,686	2,154,746	1,547,037
Total Liabilities	5,369,200	5,795,601	6,310,798	6,734,312	8,040,822
Paid-in Capital	16,481	16,481	16,481	16,481	16,481
Capital Surplus	1,612,329	1,575,308	2,233,804	2,334,872	1,446,115
Other Components of Equity	-1,471,649	-1,498,653	-1,412,146	-1,353,565	-1,236,244
Retained Earnings	5,524,748	5,712,091	5,802,449	5,944,391	6,233,586
Non-controlling Interests	755,607	698,698	814,648	1,015,673	951,800
Total Equity	6,437,517	6,503,926	7,455,236	7,957,852	7,411,738

Income Statement

(mn KRW)	3Q19	4Q19	1Q20	2Q20	3Q20
Operating Revenue	996,224	990,995	917,961	993,667	1,056,140
Operating Expenses	653,551	629,554	592,504	631,532	683,285
Operating Income	342,673	361,441	325,457	362,135	372,855
Non-operating Revenue	107,353	88,182	150,046	43,173	92,083
Non-operating Expenses	29,138	40,669	29,119	59,376	44,557
Pre-tax Income	420,888	408,954	446,384	345,932	420,381
Tax	110,105	163,322	119,318	92,153	113,699
Net Income from Continuing Operations	310,783	245,632	327,066	253,779	306,682
Net Income from Discontinued Operations	-	-	-	-	-
Net Income	310,783	245,632	327,066	253,779	306,682

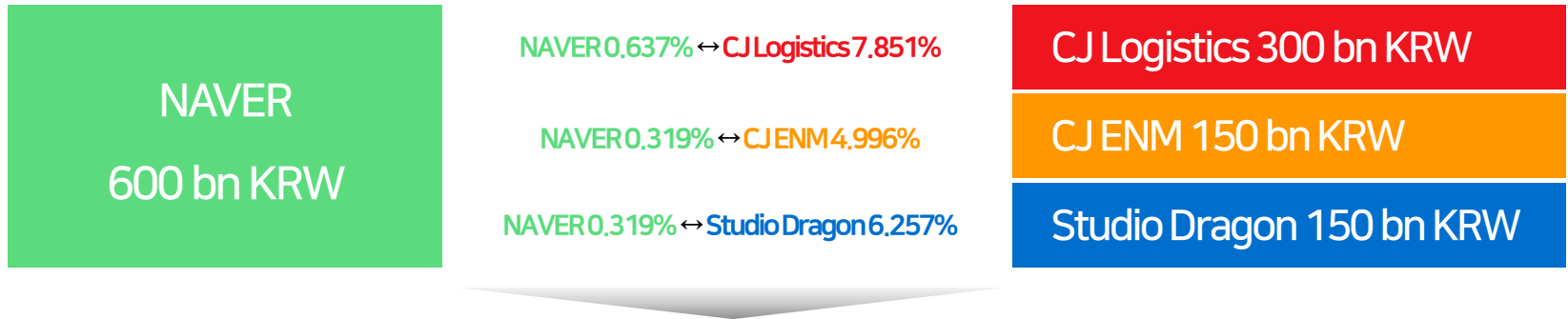
Statement of Financial Position

(mn KRW)	3Q19	4Q20	1Q20	2Q20	3Q20
Current Assets	1,468,747	880,762	1,044,023	912,221	1,685,606
Non-current Assets	5,446,104	5,790,825	5,950,738	6,293,486	6,028,827
Total Assets	6,914,851	6,671,587	6,994,761	7,205,707	7,714,433
Current Liabilities	1,419,144	908,933	1,049,880	917,090	1,017,364
Non-current Liabilities	201,624	233,108	237,392	242,705	247,564
Total Liabilities	1,620,768	1,142,041	1,287,272	1,159,795	1,264,928
Paid-in Capital	16,481	16,481	16,481	16,481	16,481
Capital Surplus	362,406	362,406	362,406	362,406	362,406
Other Components of Equity	-1,551,638	-1,548,532	-1,603,207	-1,521,006	-1,424,433
Retained Earnings	6,466,833	6,699,191	6,931,809	7,188,030	7,495,051
Total Equity	5,294,083	5,529,546	5,707,489	6,045,912	6,449,505

Appx. Earnings Summary (Categorization assuming continuing operations of LINE)

bn KRW	3Q19	4Q19	1Q20	2Q20	3Q20	Y/Y	Q/Q
Operating Revenue	1,664.8	1,787.4	1,732.1	1,902.5	2,059.8	23.7%	8.3%
Ads	152.7	171.8	144.0	174.7	187.8	22.9%	7.5%
Business Platform	719.3	746.5	749.7	777.2	816.4	13.5%	5.0%
IT Platform	116.3	136.0	148.2	180.2	204.7	75.9%	13.6%
Content Service	54.5	69.9	55.4	79.6	90.1	65.5%	13.2%
LINE & Other Platforms	622.0	663.2	634.8	690.8	760.8	22.3%	10.1%
Operating Expenses	1,462.7	1,614.0	1,510.6	1,671.9	1,801.5	23.2%	7.8%
Operating Income	202.1	173.4	221.5	230.6	258.3	27.8%	12.0%

Appx. Creating Global Growth Driver thru Strategic Investment in CJ Group



Logistics /Delivery	<ul style="list-style-type: none"> Strengthen NAVER Shopping's global logistic/delivery backed by strong partnership w/ CJ Logistics Provide differentiated logistics/delivery services to NAVER Shopping users & merchants Build global smart logistics through logistics/delivery data exchange & cooperation
Contents	<ul style="list-style-type: none"> Strengthen global premium contents competitiveness w/ CJ ENM & Studio Dragon Reinforce global content distribution by utilizing CJ held contents & producing NAVER's IP based contents
Technology	<ul style="list-style-type: none"> Discover promising future technologies & business partnership opportunities