

**NAVER**

A Set of Global Challenges

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# 2Q21 Earnings Result

2021.07.22

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# Earnings Summary

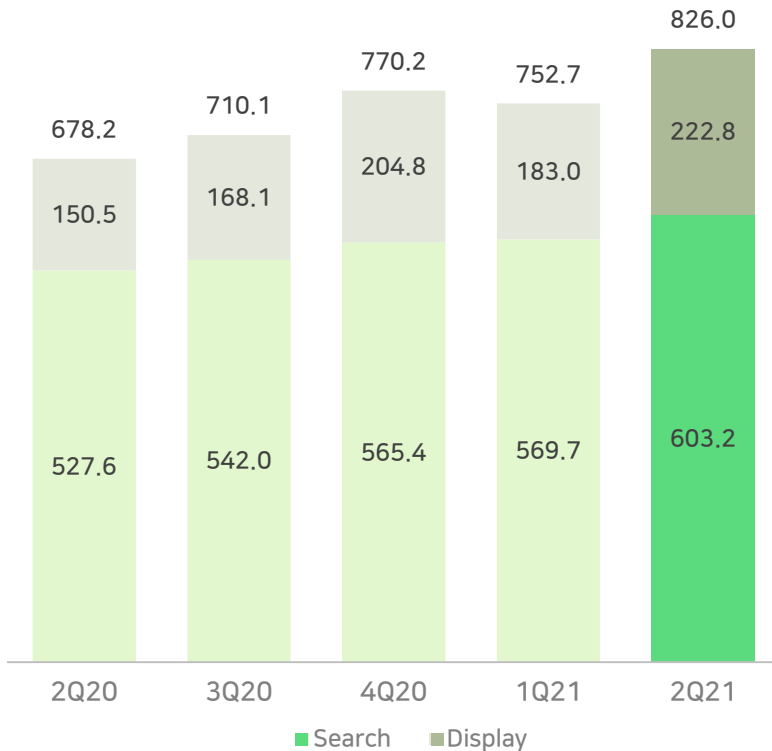
- Strong performance in all business lines led to 30.4% YoY revenue growth, continuing the five-quarter upward streak
- Portion of non-Search Platform sales exceeded 50% for the first time. Adjusted EBITDA increased 19.5% YoY, reaching an all-time high

| (bn KRW)           | 2Q20    | 3Q20    | 4Q20    | 1Q21     | 2Q21    | Y/Y    | Q/Q    |
|--------------------|---------|---------|---------|----------|---------|--------|--------|
| Operating Revenue  | 1,276.0 | 1,360.8 | 1,512.6 | 1,499.1  | 1,663.5 | 30.4%  | 11.0%  |
| Search Platform    | 678.2   | 710.1   | 770.2   | 752.7    | 826.0   | 21.8%  | 9.7%   |
| Commerce           | 256.2   | 285.4   | 316.8   | 324.4    | 365.3   | 42.6%  | 12.6%  |
| Fintech            | 164.7   | 174.0   | 201.1   | 209.5    | 232.6   | 41.2%  | 11.0%  |
| Contents           | 112.9   | 115.0   | 138.9   | 130.8    | 144.8   | 28.2%  | 10.7%  |
| Cloud              | 64.1    | 76.3    | 85.6    | 81.7     | 94.9    | 48.1%  | 16.2%  |
| Operating Expenses | 968.0   | 1,069.1 | 1,188.9 | 1,210.2  | 1,327.9 | 37.2%  | 9.7%   |
| Operating Income   | 308.1   | 291.7   | 323.8   | 288.8    | 335.6   | 8.9%   | 16.2%  |
| Adjusted EBITDA*   | 401.9   | 389.8   | 419.2   | 440.6    | 480.4   | 19.5%  | 9.0%   |
| Net Income         | 90.7    | 235.3   | 384.1   | 15,314.5 | 540.6   | 496.1% | -96.5% |

\* EBITDA + stock-based compensation

## Quarterly Revenue

(bn KRW)

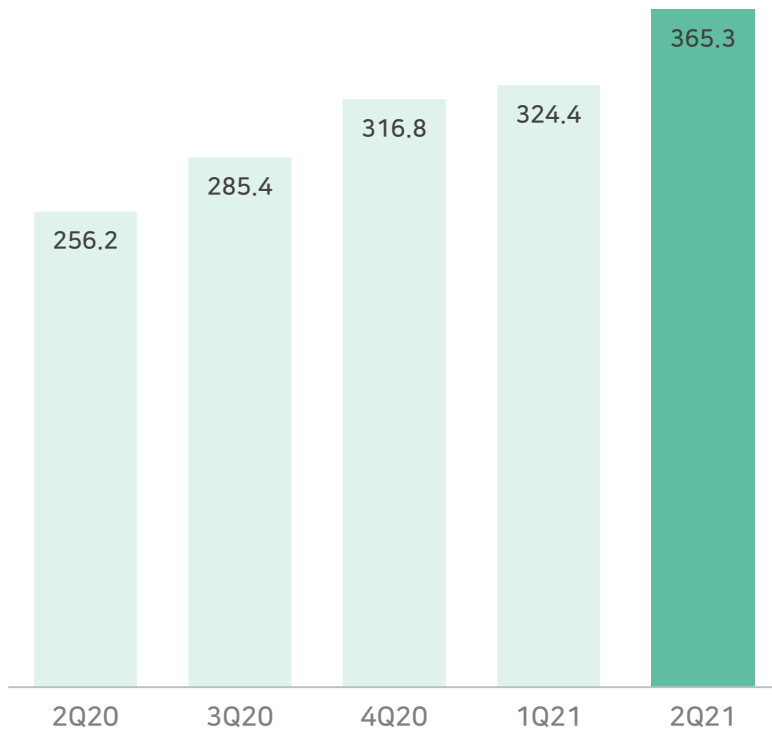


2Q21 YoY 21.8% ↑ / QoQ 9.7% ↑  
(Search) YoY 14.3% ↑ / QoQ 5.9% ↑  
(Display) YoY 48.0% ↑ / QoQ 21.7% ↑

- Search revenue rose 14.3% YoY as AI tech and UGC enhancement led to improved search quality and ads efficiency
- Display revenue growth remained high at 48.0% YoY from performance ads inventory growth and product upgrade

## Quarterly Revenue

(bn KRW)

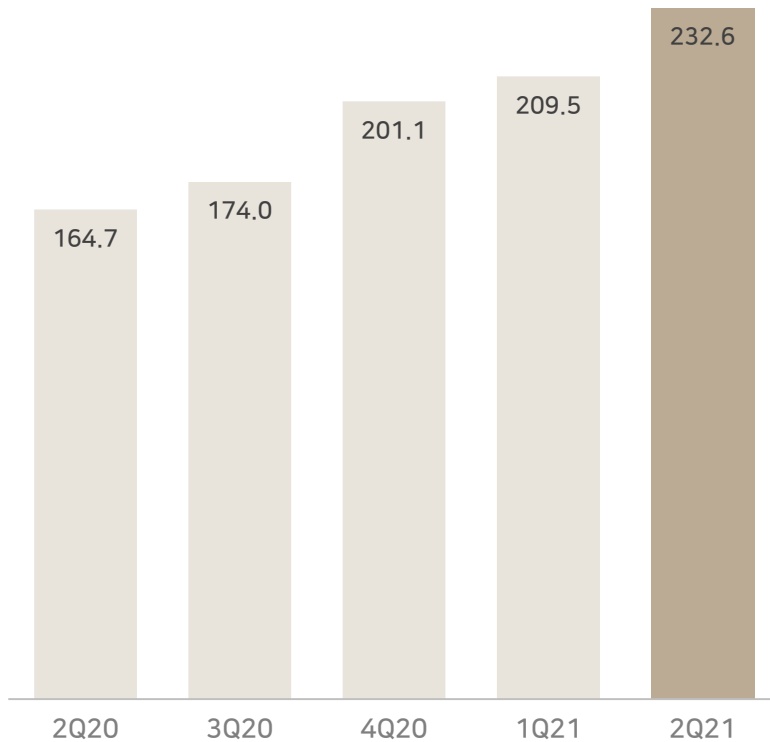


2Q21 YoY 42.6% ↑ / QoQ 12.6% ↑

- The number of Brandstores rose to 450+ and GMV grew 5x YoY
- Launch of Brand Search Ads in late March drove continued growth
- Shopping LIVE revenue rose 17x YoY thanks to distinguished technology and the largest SME pool

## Quarterly Revenue

(bn KRW)

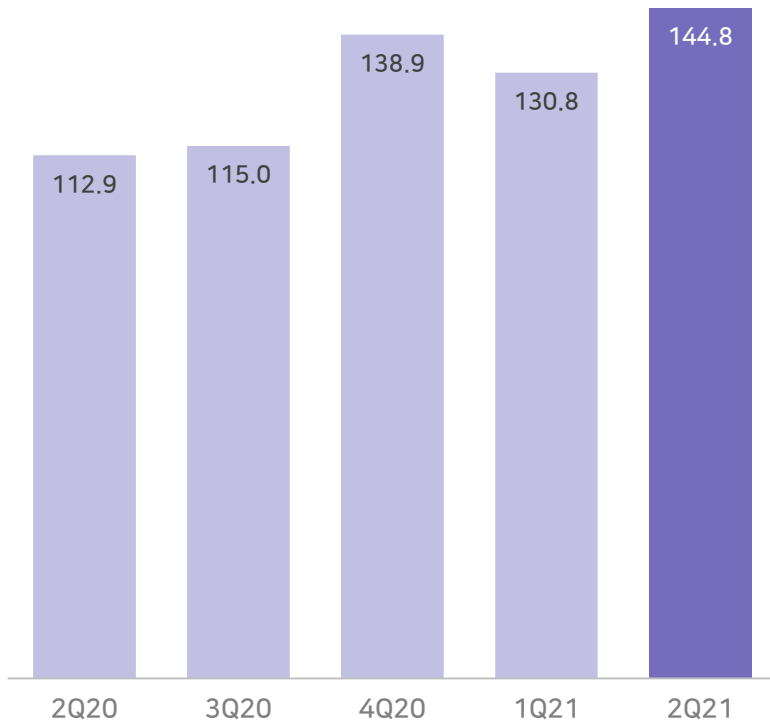


2Q21 YoY 41.2% ↑ / QoQ 11.0% ↑

- NAVER Pay GMV grew 47% YoY to 9.1 trillion KRW with outside partner expansion, existing account growth, as well as increased user base and per customer spending
- Beta testing of Pay Later service in 2Q21 has been running smoothly. Official launch to take place after strengthening payment experience and credit assessment capabilities

## Quarterly Revenue

(bn KRW)

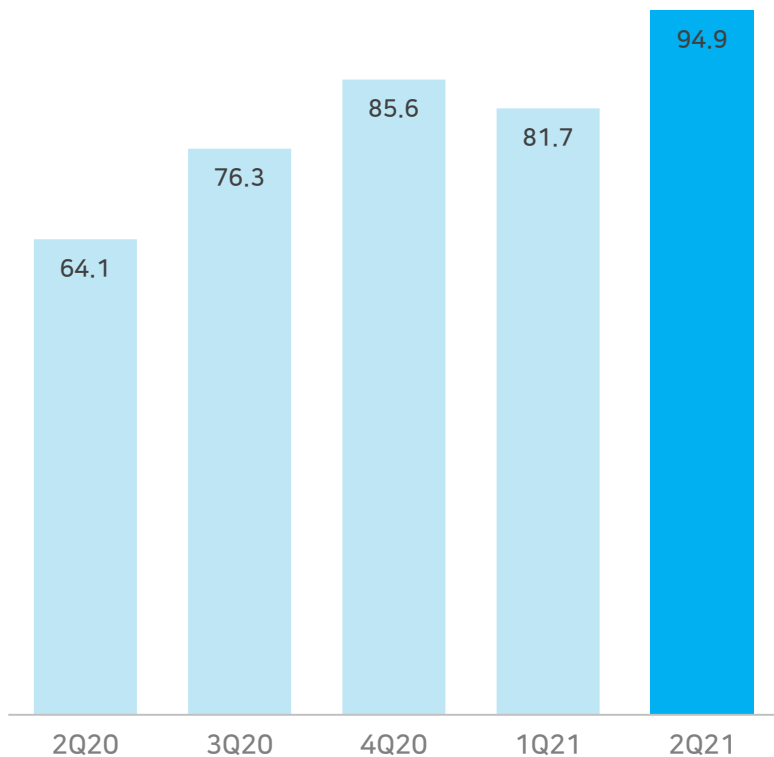


2Q21 YoY 28.2% ↑ / QoQ 10.7% ↑

- Webtoon revenue growth of YoY 52.7% outpaced GMV growth from higher paying user conversion and cross-border content expansion
- Integration of Wattpad/Webtoon studio signals the official launch of global IP business
- Snow revenue more than doubled YoY from introducing camera ads and ZEPETO monetization

### Quarterly Revenue

(bn KRW)



2Q21 YoY 48.1% ↑ / QoQ 16.2% ↑

- Strong NCP revenue growth continued (77% YoY) from higher cloud conversion demand
- Acquired banking sector public cloud client (NH Nonghyup) and Samsung Group reference after competing with global top-tier firms
- Began in-house test application of next generation B2B solutions including “Hyper Clova (AI model)” and cloud robotics system



# Operating Expenses/Income

- OP expenses rose 37.2% YoY from higher commission fees, Pay reward points, labor cost and stock-based compensation
- Net income rose 5x YoY due to equity method gains from A Holdings, while it fell QoQ on high base effect from LINE-Z Holdings merger related one-off gains

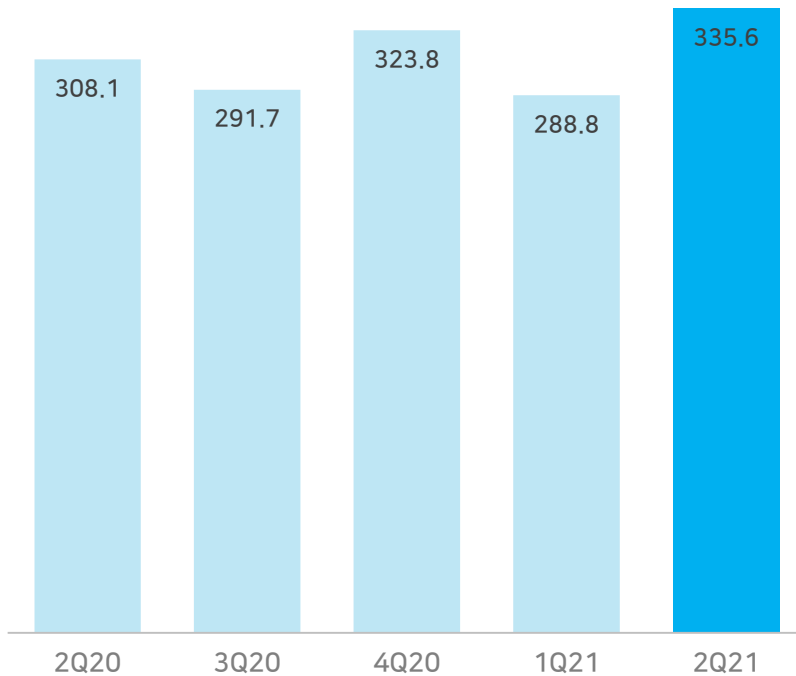
| (bn KRW)                   | 2Q20  | 3Q20    | 4Q20    | 1Q21     | 2Q21    | Y/Y    | Q/Q    |
|----------------------------|-------|---------|---------|----------|---------|--------|--------|
| Operating Expenses         | 968.0 | 1,069.1 | 1,188.9 | 1,210.2  | 1,327.9 | 37.2%  | 9.7%   |
| Development & Operations   | 289.7 | 311.7   | 312.4   | 374.3    | 399.6   | 38.0%  | 6.8%   |
| Partner                    | 427.5 | 457.0   | 534.9   | 510.0    | 581.7   | 36.1%  | 14.1%  |
| Infrastructure             | 136.1 | 144.8   | 157.9   | 155.0    | 170.6   | 25.3%  | 10.1%  |
| Marketing                  | 114.7 | 155.6   | 183.7   | 171.0    | 176.0   | 53.4%  | 2.9%   |
| Operating Income           | 308.1 | 291.7   | 323.8   | 288.8    | 335.6   | 8.9%   | 16.2%  |
| Non-cash expenses          | 93.8  | 98.1    | 95.5    | 151.8    | 144.7   | 54.3%  | -4.6%  |
| └ Stock based compensation | 29.5  | 26.4    | 19.9    | 70.9     | 59.0    | 100.0% | -16.8% |
| Adjusted EBITDA*           | 401.9 | 389.8   | 419.2   | 440.6    | 480.4   | 19.5%  | 9.0%   |
| Net Income                 | 90.7  | 235.3   | 384.1   | 15,314.5 | 540.6   | 496.1% | -96.5% |

\* EBITDA + stock-based compensation

# Operating Income, Adjusted EBITDA

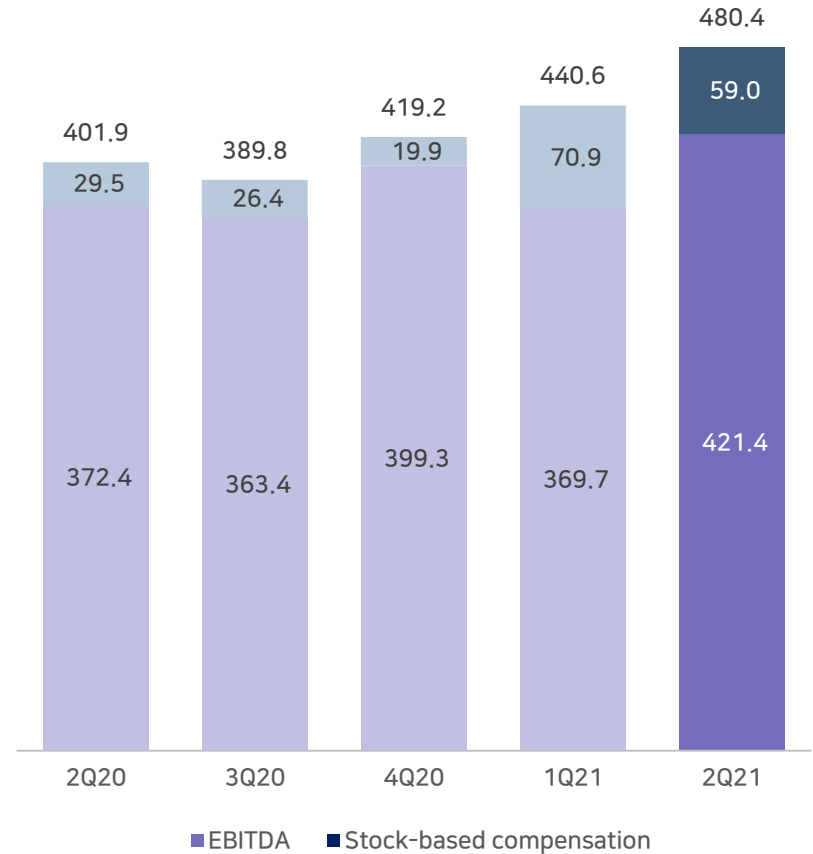
## Operating Income

(bn KRW)



## Adjusted EBITDA

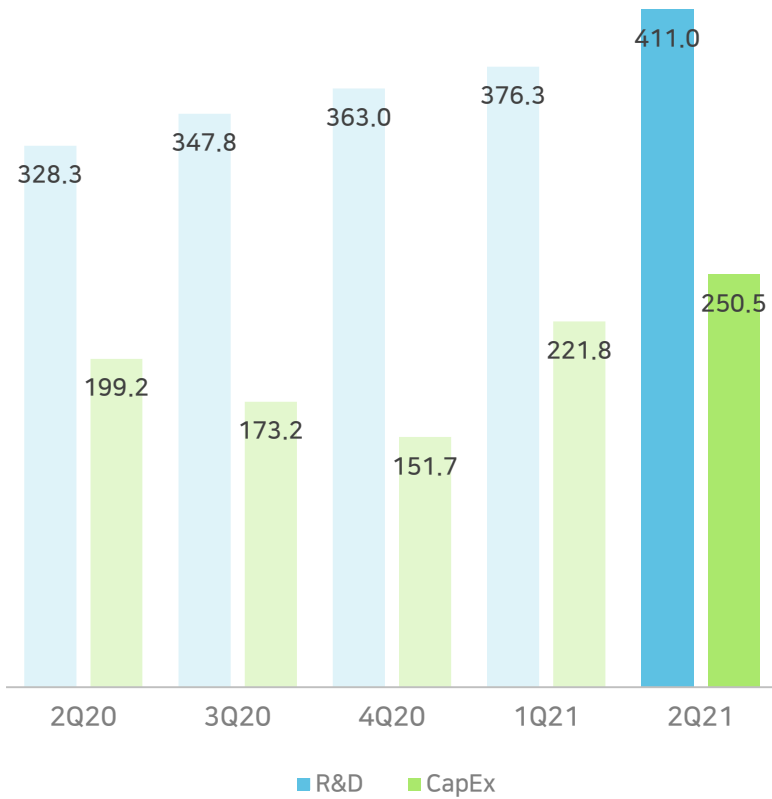
(bn KRW)



# R&D/CapEx, Net Income

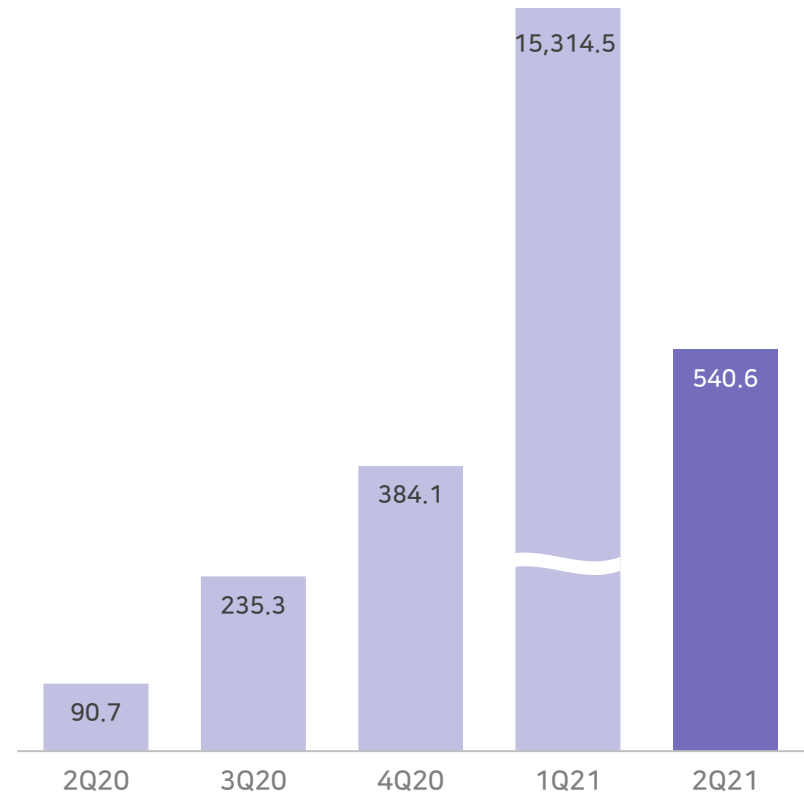
## R&D/CapEx

(bn KRW)



## Net Income

(bn KRW)



# Financial Statements Summary

## Consolidated Income Statement

| (mn KRW)                                   | 2Q20           | 3Q20           | 4Q20           | 1Q21              | 2Q21           |
|--|----------------|----------------|----------------|-------------------|----------------|
| Operating Revenue                          | 1,276,042      | 1,360,779      | 1,512,630      | 1,499,070         | 1,663,549      |
| Operating Expenses                         | 967,959        | 1,069,053      | 1,188,880      | 1,210,237         | 1,327,924      |
| Operating Income                           | 308,083        | 291,727        | 323,750        | 288,833           | 335,625        |
| Non-operating Revenue                      | 80,380         | 116,510        | 334,941        | 252,271           | 388,747        |
| Non-operating Expenses                     | 99,189         | 46,655         | 96,107         | 116,208           | 77,252         |
| <b>Pre-tax Income</b>                      | <b>289,274</b> | <b>361,582</b> | <b>562,584</b> | <b>424,896</b>    | <b>647,120</b> |
| Tax  | 93,670         | 117,610        | 157,766        | 110,269           | 106,568        |
| Net Income from Continuing Operations      | 195,604        | 243,972        | 404,819        | 314,627           | 540,552        |
| Net gain/loss from Discontinued Operations | -104,922       | -8,629         | -20,721        | 14,999,895        |                |
| <b>Net Income</b>                          | <b>90,682</b>  | <b>235,343</b> | <b>384,097</b> | <b>15,314,522</b> | <b>540,552</b> |
| Controlling Interests                      | 147,263        | 245,468        | 424,552        | 15,310,496        | 527,653        |
| Non-controlling Interests                  | -56,581        | -10,125        | -40,454        | 4,025             | 12,899         |

## Consolidated Statement of Financial Position

| (mn KRW)                   | 2Q20              | 3Q20              | 4Q20              | 1Q21              | 2Q21              |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current Assets             | 7,099,070         | 10,206,941        | 10,544,659        | 5,236,989         | 4,946,302         |
| Assets held for sale       |                   | 6,535,890         | 6,660,253         |                   |                   |
| Non-current Assets         | 7,593,094         | 5,245,619         | 6,469,579         | 25,194,018        | 26,748,586        |
| <b>Total Assets</b>        | <b>14,692,164</b> | <b>15,452,560</b> | <b>17,014,239</b> | <b>30,431,007</b> | <b>31,694,888</b> |
| Current Liabilities        | 4,579,566         | 7,272,227         | 7,911,751         | 3,538,672         | 3,635,599         |
| Liabilities held for sale  |                   | 3,730,412         | 4,675,241         |                   |                   |
| Non-current Liabilities    | 2,154,746         | 768,595           | 847,355           | 4,459,144         | 4,795,592         |
| <b>Total Liabilities</b>   | <b>6,734,312</b>  | <b>8,040,823</b>  | <b>8,759,107</b>  | <b>7,997,815</b>  | <b>8,431,191</b>  |
| Paid-in Capital            | 16,481            | 16,481            | 16,481            | 16,481            | 16,481            |
| Capital Surplus            | 2,334,872         | 1,446,115         | 1,793,273         | 1,321,026         | 1,432,457         |
| Other Components of Equity | -1,353,565        | -1,236,244        | -1,097,350        | -1,151,608        | -1,080,783        |
| Retained Earnings          | 5,944,391         | 6,233,586         | 6,654,814         | 21,899,571        | 22,450,465        |
| Non-controlling Interests  | 1,015,673         | 951,800           | 887,913           | 347,722           | 445,076           |
| <b>Total Equity</b>        | <b>7,957,851</b>  | <b>7,411,737</b>  | <b>8,255,132</b>  | <b>22,433,192</b> | <b>23,263,697</b> |

## Income Statement

| (mn KRW)                                   | 2Q20           | 3Q20           | 4Q20           | 1Q21           | 2Q21           |
|--|----------------|----------------|----------------|----------------|----------------|
| Operating Revenue                          | 993,667        | 1,056,140      | 1,158,862      | 1,135,808      | 1,245,246      |
| Operating Expenses                         | 631,532        | 689,285        | 772,494        | 763,814        | 865,940        |
| Operating Income                           | 362,135        | 366,855        | 386,368        | 371,993        | 379,307        |
| Non-operating Revenue                      | 43,173         | 92,083         | 182,503        | 113,348        | 162,254        |
| Non-operating Expenses                     | 59,376         | 44,557         | 115,263        | 74,632         | 55,946         |
| <b>Pre-tax Income</b>                      | <b>345,931</b> | <b>414,381</b> | <b>453,608</b> | <b>410,710</b> | <b>485,615</b> |
| Tax  | 92,153         | 112,075        | 139,833        | 111,179        | 111,868        |
| Net Income from Continuing Operations      | 253,779        | 302,306        | 313,775        | 299,530        | 373,746        |
| Net gain/loss from Discontinued Operations | -              | -              | -              | -              | -              |
| <b>Net Income</b>                          | <b>253,779</b> | <b>302,306</b> | <b>313,775</b> | <b>299,530</b> | <b>373,746</b> |

## Statement of Financial Position

| (mn KRW)                   | 2Q20             | 3Q20             | 4Q20             | 1Q21              | 2Q21              |
|----------------------------|------------------|------------------|------------------|-------------------|-------------------|
| Current Assets             | 912,221          | 1,685,606        | 958,003          | 2,089,381         | 1,546,778         |
| Non-current Assets         | 6,293,486        | 6,030,476        | 7,865,548        | 8,682,741         | 9,950,165         |
| <b>Total Assets</b>        | <b>7,205,707</b> | <b>7,716,082</b> | <b>8,823,551</b> | <b>10,772,123</b> | <b>11,496,943</b> |
| Current Liabilities        | 917,090          | 1,023,388        | 1,269,469        | 1,435,298         | 1,180,211         |
| Non-current Liabilities    | 242,705          | 247,564          | 291,955          | 1,525,012         | 1,891,369         |
| <b>Total Liabilities</b>   | <b>1,159,795</b> | <b>1,270,952</b> | <b>1,561,424</b> | <b>2,960,310</b>  | <b>3,071,580</b>  |
| Paid-in Capital            | 16,481           | 16,481           | 16,481           | 16,481            | 16,481            |
| Capital Surplus            | 362,406          | 362,406          | 675,892          | 838,284           | 949,628           |
| Other Components of Equity | -1,521,006       | -1,424,433       | -1,233,773       | -1,158,420        | -981,487          |
| Retained Earnings          | 7,188,030        | 7,490,675        | 7,803,527        | 8,115,468         | 8,440,741         |
| <b>Total Equity</b>        | <b>6,045,912</b> | <b>6,445,130</b> | <b>7,262,126</b> | <b>7,811,813</b>  | <b>8,425,364</b>  |