

2Q22 Earnings Result

2022.08.05

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Earnings Summary

- OP revenue rose 23.0% YoY and 10.9% QoQ, driven by Commerce, Fintech, Contents as well as the addition of newly acquired entities
- Operating margin was maintained at the previous quarter level of 16.4%
- Consolidation of EBJ, Munpia and Locus led to recognition of +98.0 bn KRW in OP revenue and +101.1 bn KRW in OP expenses

(bn KRW)	2Q21	3Q21	4Q21	1Q22	2Q22	Y/Y	Q/Q	2Q22 excl. M&A
Operating Revenue	1,663.5	1,727.3	1,927.7	1,845.2	2,045.8	23.0%	10.9%	1,947.8
Search Platform	828.4	829.5	895.5	849.9	905.5	9.3%	6.5%	905.5
Commerce	367.2	383.9	411.5	416.5	439.5	19.7%	5.5%	439.5
Fintech	232.6	241.7	295.2	274.8	295.7	27.1%	7.6%	295.7
Contents	140.4	175.9	218.7	212.0	300.2	113.8%	41.6%	202.1
Cloud&Others	94.9	96.2	106.9	92.1	104.9	10.5%	13.9%	104.9
Operating Expenses	1,327.9	1,377.5	1,576.5	1,543.4	1,709.6	28.7%	10.8%	1,609.5
Operating Profit	335.6	349.8	351.2	301.8	336.2	0.2%	11.4%	338.3
Operating Margin (%)	20.2%	20.3%	18.2%	16.4%	16.4%	-3.7%p	0.1%p	17.4%
Adjusted EBITDA*	480.4	510.1	483.5	419.9	432.6	-9.9%	3.0%	433.2
Adjusted EBITDA Margin (%)	28.9%	29.5%	25.1%	22.8%	21.1%	-7.7%p	-1.6%p	22.2%
Net Profit	540.6	322.7	299.8	151.4	158.5	-70.7%	4.7%	
Net Margin (%)	32.5%	18.7%	15.6%	8.2%	7.7%	-24.7%p	-0.5%p	

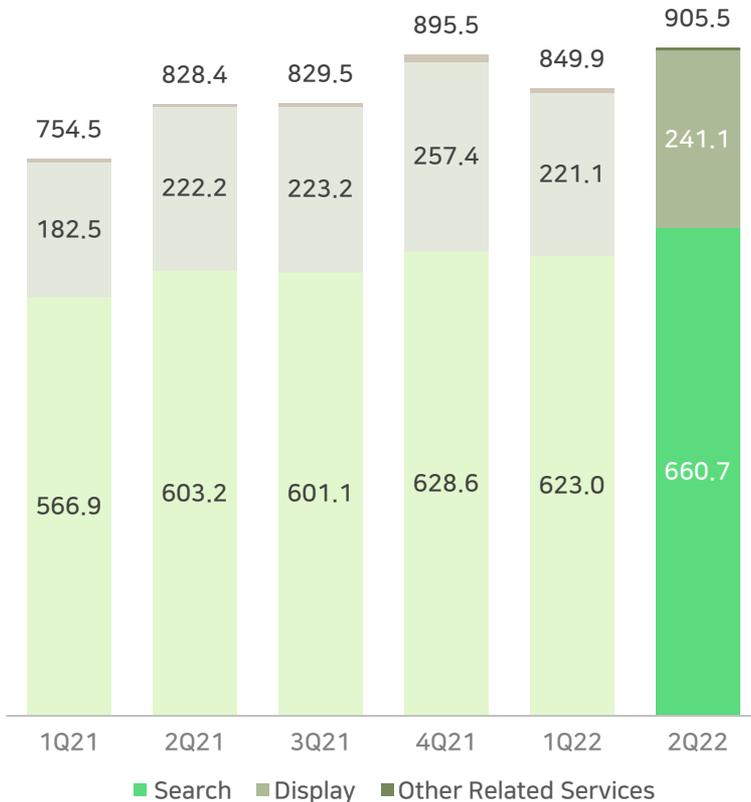
* EBITDA + Stock-based compensation (SBC)

Quarterly Revenue

(bn KRW)

2Q22 YoY 9.3% ↑ / QoQ 6.5% ↑

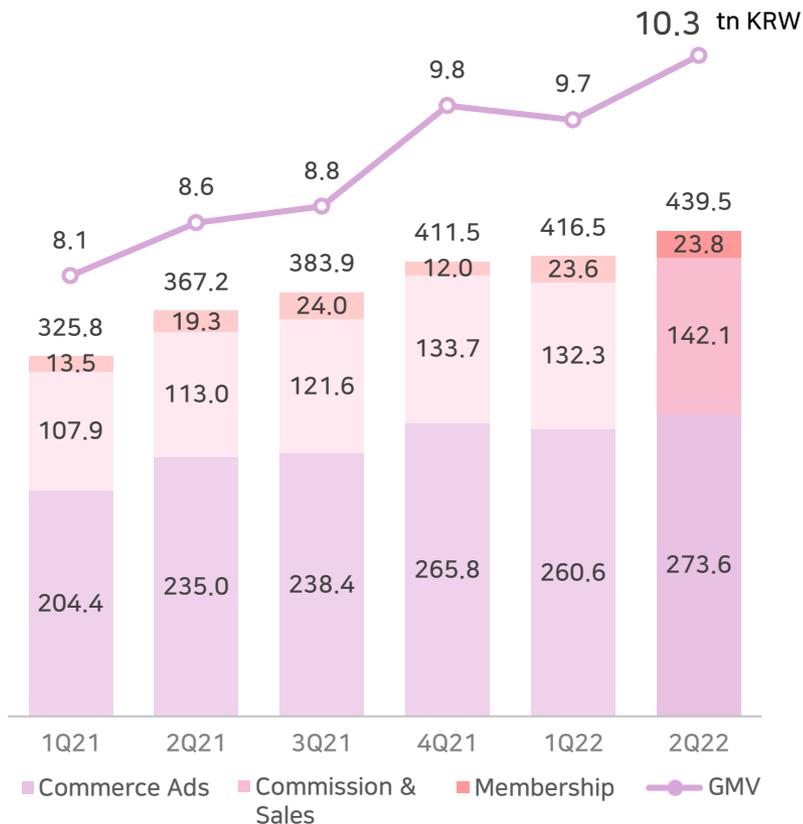
Search YoY 9.5% / QoQ 6.1%
Display YoY 8.5% / QoQ 9.0%



- Improved search quality and ads efficiency by expanding personalized and user intent based search results
- Increased efficiency of performance ads and continued to expand display product line-up, including full-screen and headline ads

Quarterly Revenue

(bn KRW, tn KRW)



2Q22 YoY 19.7% ↑ / QoQ 5.5% ↑

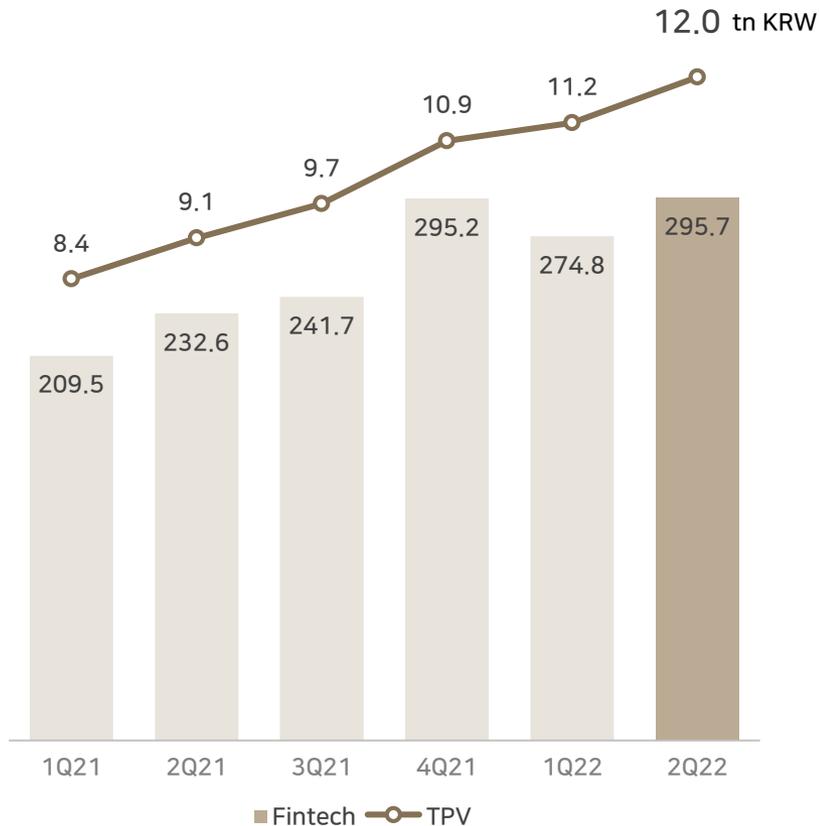
Commerce Ads YoY 16.5% / QoQ 5.0%
 Commission & Sales YoY 25.8% / QoQ 7.4%
 Membership YoY 23.1% / QoQ 0.6% *

- Commerce GMV increased 20.8% YoY, continuing solid growth despite high base effect (Smartstore grew 16.9% YoY)
- Brandstore GMV increased 86.2% YoY, taking up 11% of Smartstore GMV; Travel and Booking GMV grew c.2.1x to 1.1 tn KRW, which was accelerated by the "endemic"; KREAM GMV rose c. 2.4x to 350 bn KRW, driven by brand and category expansion

* 34.8% YoY, 10.1% QoQ, excluding the impact from changing monthly subscription fee recognition method to pro rata daily basis

Quarterly Revenue

(bn KRW, tn KRW)



2Q22 YoY 27.1% ↑ / QoQ 7.6% ↑

- 2Q TPV rose 32.0% YoY to 12.0 tn KRW, while non-captive TPV grew 60.3% YoY to 4.6 tn KRW, driving total growth
- Offline TPV grew 2.0x YoY to 702 bn KRW, driven by addition of large affiliates (IKEA, KORAIL, etc), enabling on-site QR payment through smartwatch app and expansion of membership benefits

Quarterly Revenue

(bn KRW)



2Q22 YoY 113.8% ↑ / QoQ 41.6% ↑

Webtoon YoY 136.4% / QoQ 53.2%

SNOW YoY 93.3% / QoQ -17.0%

Others YoY 8.2% / QoQ 43.2%

- Contents revenue excluding M&A effect recorded 44.0% YoY, but -4.6% QoQ due to “endemic”/back-to-school season, temporary uptick in 1Q22 Webtoon IP revenue, and FX losses from weaker yen
- Webtoon added +98 bn KRW revenue from new acquisitions
*Acquisition completed in April(EBJ/Locus) and in March(Munpia)
- Total global GMV rose 19.6% YoY to over 400 bn KRW

Quarterly Revenue

(bn KRW)



2Q22 YoY 10.5% ↑ / QoQ 13.9% ↑

B2B YoY 10.5% / QoQ 7.2%

Future Tech R&D YoY 10.4% / QoQ 101.8%

- Expanding into finance and healthcare sectors, offsetting high base effect from last year
- Chosen as the provider of IBK's Digital Transformation project with differentiated Neurocloud (Hybrid Cloud) technology
- Provided NAVER WORKS to Asan medical center.
On track to build 1784 robot tech-based smart hospital with Asan and KU-Anam Hospitals

* CLOVA device and LINE service revenue

Operating Expenses/Income

- Cost reclassification: Basic reward points (Partner → Marketing), Cloud's affiliate service related items (infrastructure → labor, partner, marketing etc)
- As stock-based compensation recognition declined with share price correction, labor cost grew at 11.7% YoY, offsetting wage increases and headcount growth from new hires and multiple acquisitions
- Partner expenses increased with the acquisition of EBJ and higher membership costs (TVING etc)
- Marketing costs rose with higher Pay point rewards, overseas marketing by Contents segment, as well as bigger marketing spend at newly acquired entities

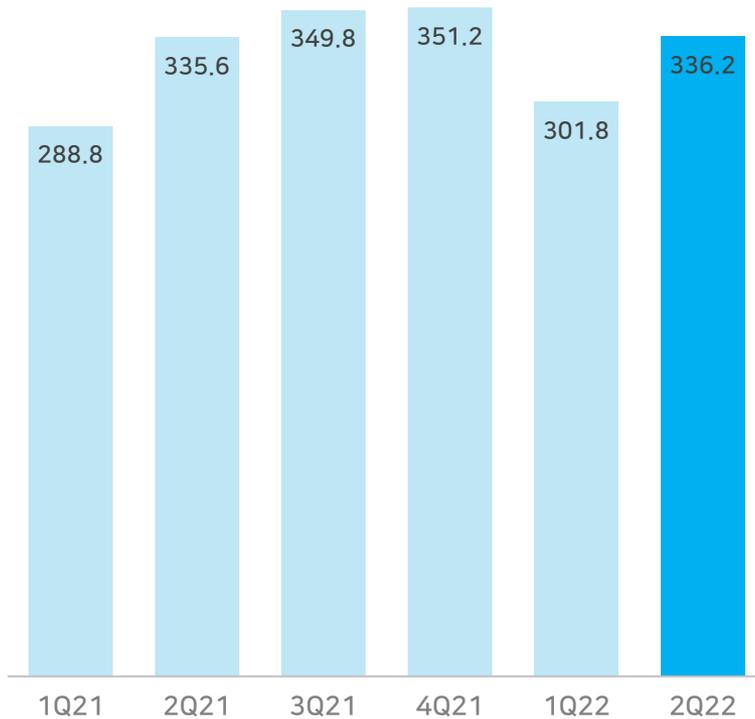
(bn KRW)	2Q21	3Q21	4Q21	1Q22	2Q22	Y/Y	Q/Q	2Q22 excl. M&A
Operating Expenses	1,327.9	1,377.5	1,576.5	1,543.4	1,709.6	28.7%	10.8%	1,609.5
Development & Operations	432.0	419.6	494.9	472.1	515.1	19.2%	9.1%	504.3
└ Labor cost	388.1	368.0	431.0	400.2	433.7	11.7%	8.4%	425.1
└ Others	43.9	51.6	63.9	71.9	81.4	85.5%	13.2%	79.2
Partner	526.9	548.8	638.3	623.7	720.1	36.7%	15.5%	639.5
Infrastructure	120.5	127.6	139.5	132.7	141.4	17.3%	6.6%	141.4
Marketing	248.5	281.6	303.8	315.0	333.0	34.0%	5.7%	324.2
Operating Profit	335.6	349.8	351.2	301.8	336.2	0.2%	11.4%	338.3
Operating margin (%)	20.2%	20.3%	18.2%	16.4%	16.4%	-3.7%p	0.1%p	17.4%
Depreciation & Amortization	85.7	89.3	95.3	94.6	96.6	12.6%	2.1%	95.4
Stock-based compensation	59.0	71.0	37.0	23.6	(0.1)	N/A	N/A	(0.5)
Adjusted EBITDA*	480.4	510.1	483.5	419.9	432.6	-9.9%	3.0%	433.2
Adjusted EBITDA margin (%)	28.9%	29.5%	25.1%	22.8%	21.1%	-7.7%p	-1.6%p	22.2%
Net Profit	540.6	322.7	299.8	151.4	158.5	-70.7%	4.7%	
Net margin (%)	32.5%	18.7%	15.6%	8.2%	7.7%	-24.7%p	-0.5%p	

* EBITDA + stock-based compensation (SBC)

Operating Income, Adjusted EBITDA

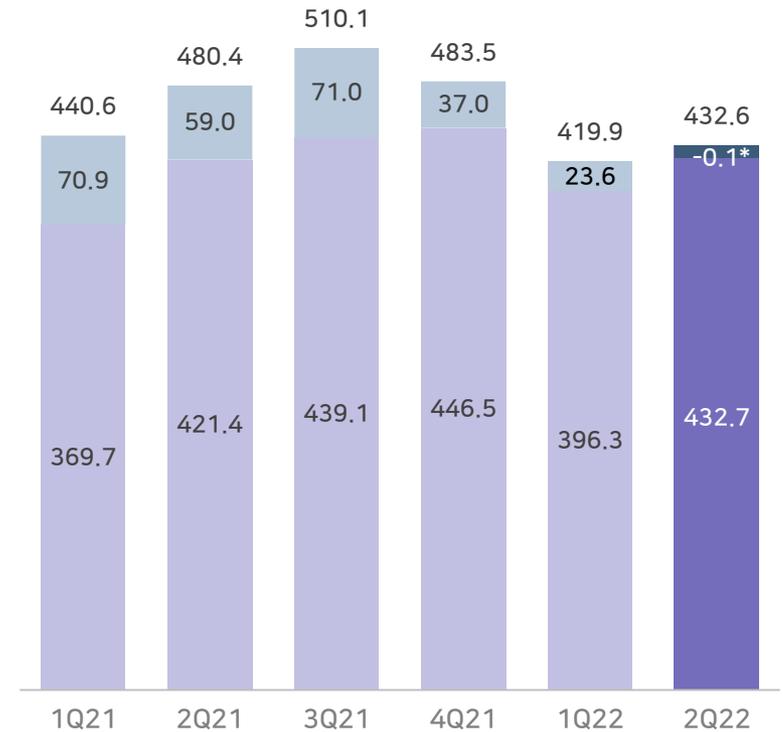
Operating Income

(bn KRW)



Adjusted EBITDA

(bn KRW)



■ EBITDA ■ Stock-based compensation

* Negative stock-based compensation due to reversal of accumulated reserves regarding stock option expense recognition following share price correction

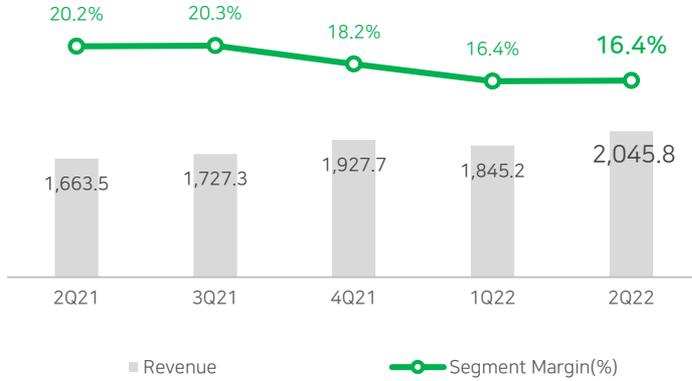
P&L by Segment

(bn KRW, %)	Reporting Segment					Adjustment*	Total (Consolidated)
	Search Platform	Commerce	Fintech	Contents	Cloud & Others		
2Q Segment Revenue (A)	919.3	439.7	330.3	363.4	124.4	(131.2)	2,045.8
└ External revenue	905.5	439.5	295.7	300.2	104.9	-	2,045.8
└ Internal revenue	13.7	0.2	34.5	63.3	19.5	(131.2)	-
2Q Segment Income/Loss (B)	448.5		22.5	(95.0)	(36.1)	(3.7)	336.2
2Q Segment Margin (C) [C = B / A]	33.0%		6.8%	-	-	-	16.4%

* Adjustments: Accounting adjustments including consolidating accounts regarding affiliate transactions

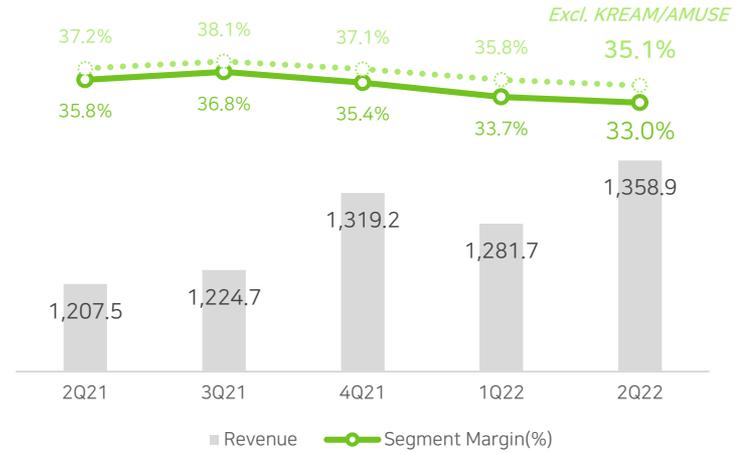
P&L by Segment

Consolidated

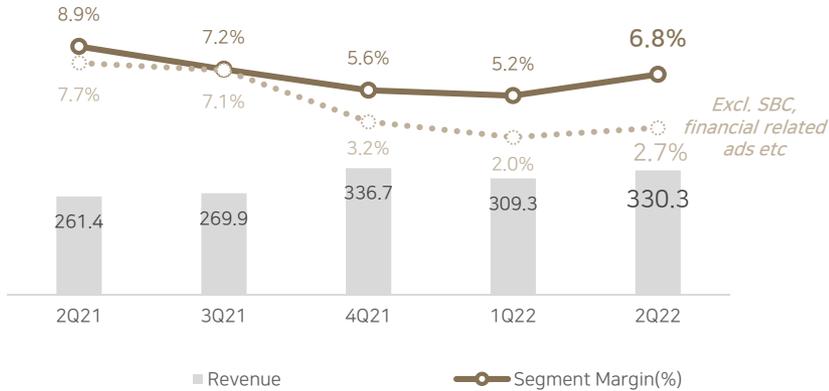


Search Platform & Commerce

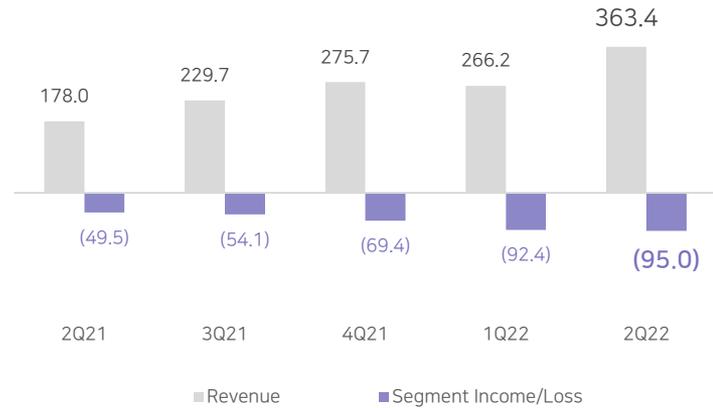
(bn KRW, %)



Fintech



Contents



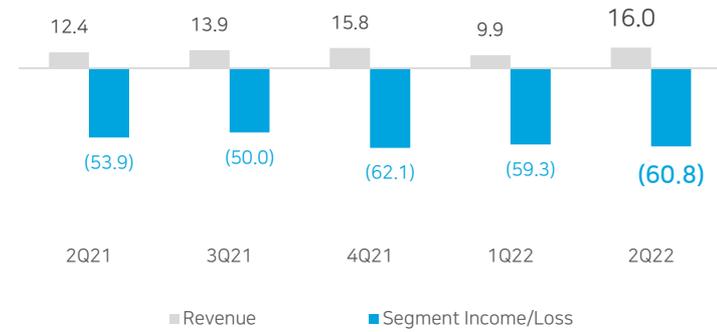
P&L by Segment

Cloud&Others (B2B)



Cloud&Others (Future Tech R&D)

(bn KRW)



Cash & Borrowings, Consolidated FCF & Direct and Indirect Investments, **NAVER** Shareholder Returns

Cash and Cash equivalent & Borrowings

Cash and cash equivalents / Short-term financial instruments

(bn KRW)	1Q22	2Q22
Non-consolidated	1,346.5	848.4*
Consolidated	3,499.2	3,463.3

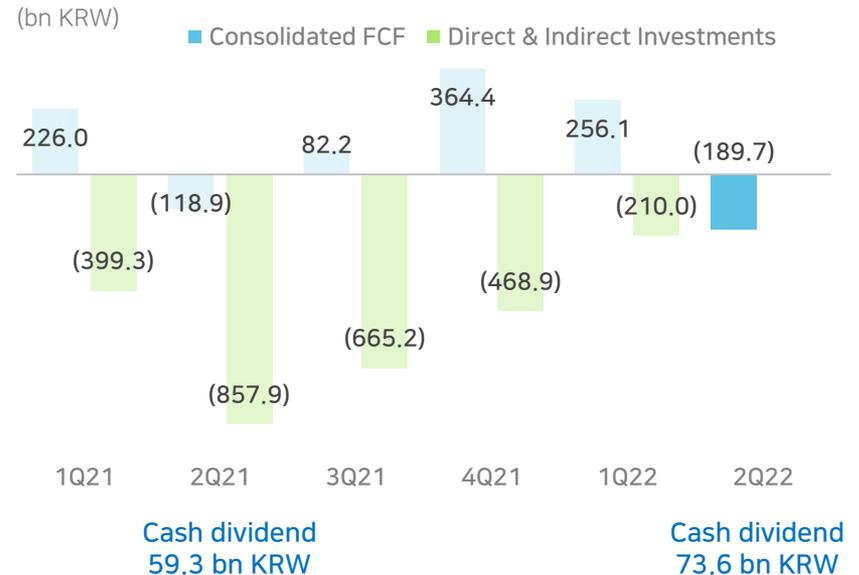
* QoQ decrease due to Tax, Cash dividend (bn KRW 73.6)

Borrowings / Debentures (Consolidated)

(bn KRW)	1Q22	2Q22
Borrowings & Debentures	3,639.5	3,631.5
Short-term Borrowings	529.7	498.1
Long-term Borrowing	3,109.8	3,133.3
Debentures*	1,657.5	1,723.3
Borrowings	1,452.3	1,410.0

* New facility investments, acquisition of other corporate securities, ESG bond issuances etc

Consolidated FCF*, Direct and Indirect Investments, Capital Return



Total outstanding shareholder return plan of 137.1 bn KRW ((A) + (B)) to be paid out in the form of quarterly dividends in 2H22, rather than share buyback

(A) 85.7 bn KRW: FY21 total shareholder return of 162 bn KRW minus cash dividends already paid
 (B) 51.4 bn KRW: FY20 share buyback which had been deferred

* Financial resources for shareholder return: 30% of avg. consolidated FCF in the past 2 years
 - Consolidated FCF : Consolidated operating Income + non-cash items - CapEx - tax
 - Non-cash-items: Tangible/intangible depreciation cost, bad debt expenses, retirement benefit expense (current term payment), stock compensation expense

Investment Assets (excl. Consolidated Entities)

FMV of Direct and Indirect Investments

(Unit: tn KRW)	Item	Fair Market Value (FMV)	Note
Key Affiliate Investments	Z Holdings	9.92	Shareholding 32.7%
	Weverse	0.21	Shareholding 49.0%
	Cafe24	0.04	Shareholding 14.8%
	Subtotal	10.17	Market Price (Public)*, Acquisition Price (Private)
Key Strategic Investments	Mirae Asset Securities	0.31	Shareholding 7.6%
	CJ Logistics	0.20	Shareholding 7.9%
	Emart	0.09	Shareholding 3.0%
	CJ ENM	0.10	Shareholding 5.0%
	Studio Dragon	0.13	Shareholding 6.3%
	Shinsegae International	0.01	Shareholding 6.9%
	Subtotal	0.85	FMV(Listed)
	Other Direct Investments	1.63	Market Price (Public)*, Acquisition Price (Private)
	Indirect Investments	3.21	Invested capital
Total Value of Investments		15.86 tn KRW	

* Market value of public (listed) companies updated as of June 30th

Appendix

Revenue & Expense breakdown

- Detailed adjustments were made in each account for the calculation of accurate segment P&L
- Cost reclassification: Basic reward points (Partner → Marketing), Cloud's affiliate service items (infrastructure → labor, partner, marketing etc)

Revenue breakdown

Segment	Items
Search Platform	Search
	Display
	Other Related Services (PC games, eXpert, Whale OS, Papago, etc.)*
Commerce	Commerce Ads
	Commission & Sales: Naver Shopping (SmartStore+affiliated malls)/Booking/Travel/KREAM/AMUSE
	Membership
Fintech	Pay service, Digital Finance (merchant loans/insurance etc.), Ads and others
Contents	Webtoon
	SNOW
	Others (Music, NOW, etc.)
Cloud	B2B: NAVER Cloud Service (NCP), WORKS
	Future Tech R&D: CLOVA/LABS (including solution/HW sales)

Expense breakdown

Category	Items
Development & Operations	Labor cost
	Stock-based compensation
	Other operational costs including rent, taxes, and supplies
Partner	Sales/payment/content related fees
	COGS etc
Infrastructure	Infrastructure equipment depreciation, communication costs (including rental expense)
Marketing	Basic/additional pay point rewards
	Performance and brand marketing

* Previously allocated to Contents and Cloud

2Q22 Webtoon Service Metrics, P&L by Key Region

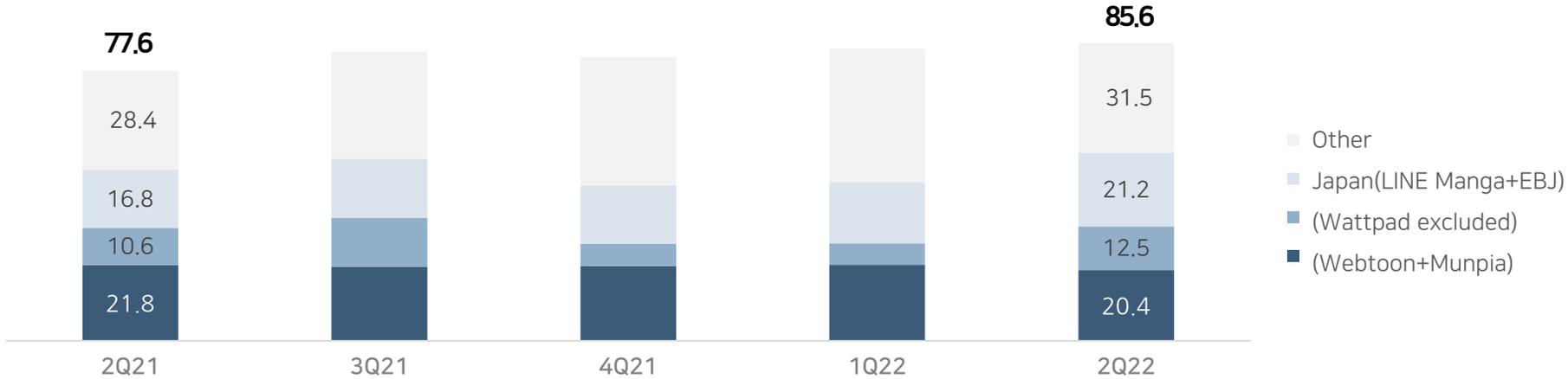
Item		Global	Korea	Japan	United States	Others**
Key Service Metrics*	MAU (in millions)	85.6	20.4	21.2	12.5	31.5
	PU (in thousands)	8,572	5,395	1,793	541	843
	ARPPU (KRW)	c. 13k KRW	8k-30k KRW (Webtoon, Webnovel, Munpia)	c. 35k-48k KRW (LDF,EBJ)	c. 13k KRW	c. 3k-24k KRW
	GMV (bn KRW)	406.5	150.2	219.1	21.0	16.2
Global P&L (bn KRW)	Total Revenue (excl. Wattpad)	232.3	91.9	112.4	16.7	11.3
	└ Paid content	171.9				
	└ Ads	30.5				
	└ IP development	29.9				
	Income	(29.1)	18.3	(9.9)	(21.8)	(15.7)

* MAU: End of 2Q22; includes EBJ, Munpia, excludes Wattpad 84mn / PU, ARPPU: 2Q22 average

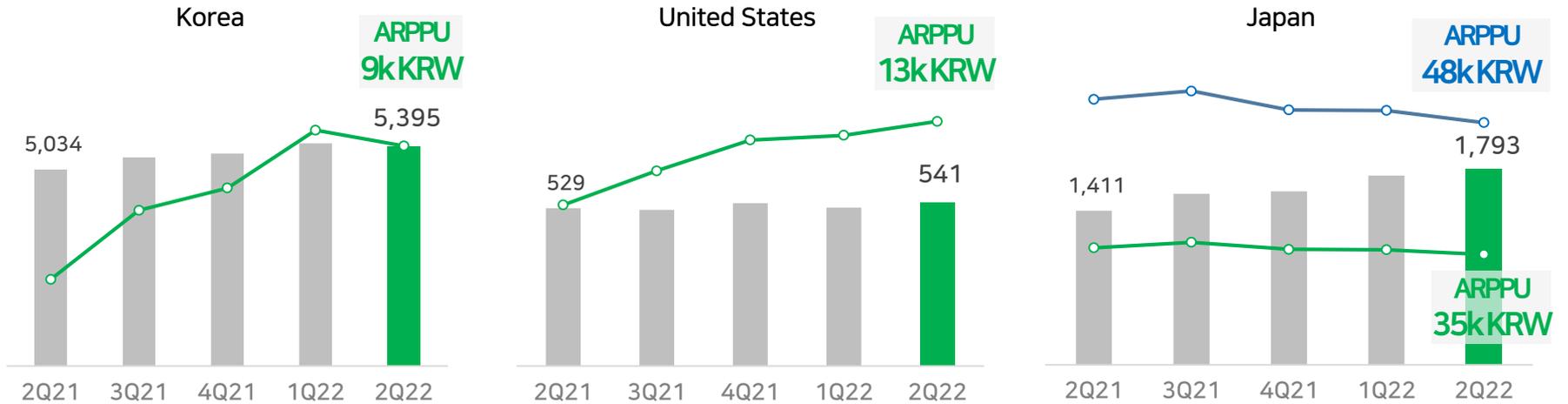
** Others: Europe/LATAM, Taiwan, Indonesia etc.

Webtoon KPI by Key Region

MAU* Trend (in millions)



Monthly PU by Region, ARPPU** Trend (in thousands, k KRW)



* MAU: End of 2Q22; includes EBJ, Munpia, excludes Wattpad 84mn

** ARPPU: 2Q22 average; Korea (Webtoon+Webnovel only, excluding Munpia) / US (excluding Wattpad)