

# 3Q22 Earnings Results

2022.11.07

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# Earnings Summary

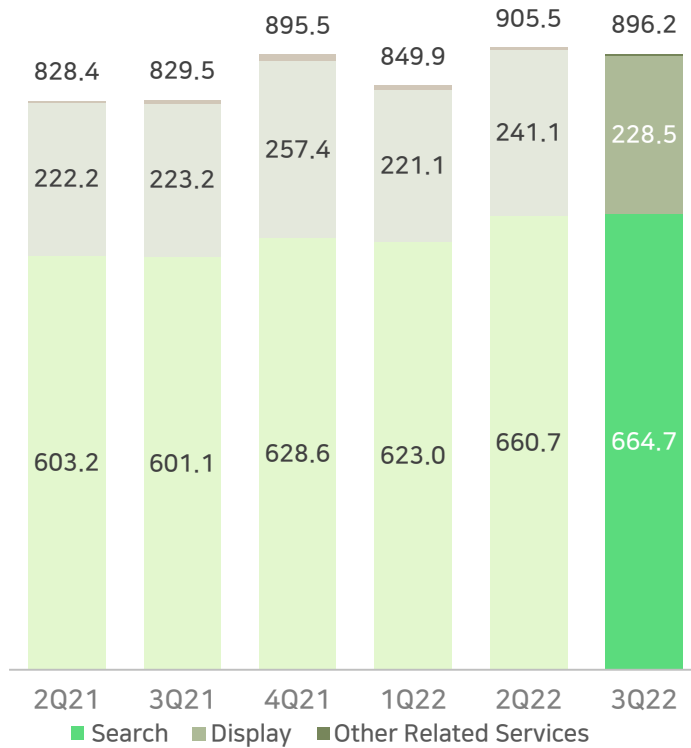
- Driven by continued momentum in core segments, revenue posted 19.1% YoY and 0.6% QoQ growth despite low 3<sup>rd</sup> quarter seasonality typically seen during the Chuseok holiday season
- Operating margin decreased slightly QoQ to 16.1%, while adjusted EBITDA margin (which excludes the volatility impact of stock-based compensation & amortization) improved 1.4%p QoQ to 22.5%

(bn KRW)	3Q21	4Q21	1Q22	2Q22	3Q22	Y/Y	Q/Q
<b>Revenue</b>	<b>1,727.3</b>	<b>1,927.7</b>	<b>1,845.2</b>	<b>2,045.8</b>	<b>2,057.3</b>	<b>19.1%</b>	<b>0.6%</b>
Search Platform	829.5	895.5	849.9	905.5	896.2	8.0%	-1.0%
Commerce	383.9	411.5	416.5	439.5	458.3	19.4%	4.3%
Fintech	241.7	295.2	274.8	295.7	296.2	22.5%	0.2%
Contents*	175.9	218.7	212.0	300.2	311.9	77.3%	3.9%
Cloud&Others	96.2	106.9	92.1	104.9	94.8	-1.5%	-9.6%
<b>Operating Expenses</b>	<b>1,377.5</b>	<b>1,576.5</b>	<b>1,543.4</b>	<b>1,709.6</b>	<b>1,727.1</b>	<b>25.4%</b>	<b>1.0%</b>
<b>Operating Profit</b>	<b>349.8</b>	<b>351.2</b>	<b>301.8</b>	<b>336.2</b>	<b>330.2</b>	<b>-5.6%</b>	<b>-1.8%</b>
Operating Margin (%)	20.3%	18.2%	16.4%	16.4%	16.1%	-4.2%p	-0.4%p
<b>Adjusted EBITDA</b>	<b>510.1</b>	<b>483.5</b>	<b>419.9</b>	<b>432.6</b>	<b>463.7</b>	<b>-9.1%</b>	<b>7.2%</b>
Adjusted EBITDA Margin (%)	29.5%	25.1%	22.8%	21.1%	22.5%	-7.0%p	1.4%p
<b>Net Profit</b>	<b>322.7</b>	<b>299.8</b>	<b>151.4</b>	<b>158.5</b>	<b>231.6</b>	<b>-28.3%</b>	<b>46.1%</b>
Net Margin (%)	18.7%	15.6%	8.2%	7.7%	11.3%	-7.4%p	3.5%p

\* Recently consolidated entities: Munpia (March), EBJ/LOCUS (April), Jakga Company (August), Studio JHS (September)

## Quarterly Revenue

(bn KRW)



**3Q22 YoY 8.0% ↑ / QoQ -1.0% ↓**

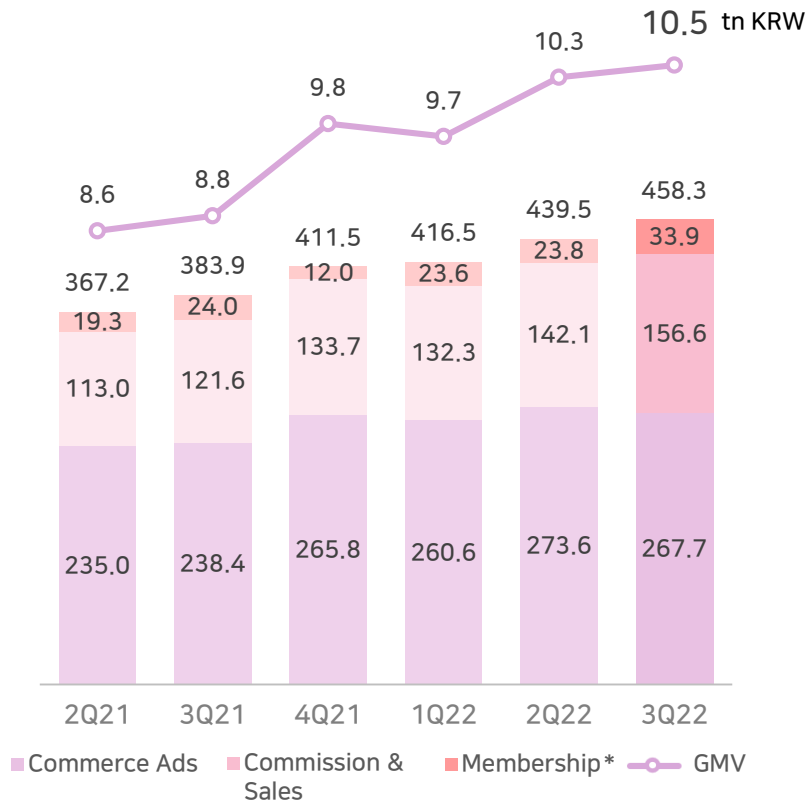
Search YoY 10.6% / QoQ 0.6%

Display YoY 2.3% / QoQ -5.3%

- Despite 3<sup>rd</sup> quarter low seasonality and a generally tighter macro environment, search ads recorded solid growth of over 10% YoY
- Expanded line-up of high efficiency premium product including full-screen ads, and commenced implementation of performance ads on Naver-served 3<sup>rd</sup> party domains

## Quarterly Revenue

(bn KRW, tn KRW)



\* Membership: User subscription revenue

## 3Q22 YoY 19.4% ↑ / QoQ 4.3% ↑

Commerce Ads YoY 12.3% / QoQ -2.1%

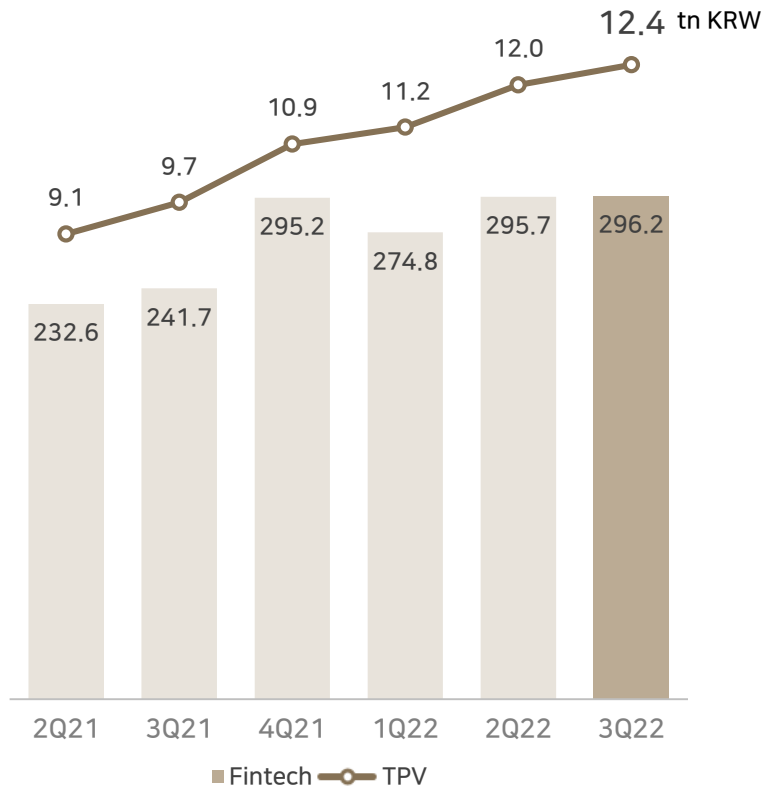
Commission & Sales YoY 28.8% / QoQ 10.2%

Membership YoY 41.4% / QoQ 42.7%

- Despite slight decline in display ads due to 3<sup>rd</sup> quarter low seasonality and a tightening macro environment, Commerce Ads growth driven by 13.2% YoY growth in search ads
- GMV increased 19.1% YoY on strong growth in Brandstore, Travel/Booking, and KREAM, and up 1% QoQ on low seasonality from Chuseok holiday
  - ▶ Brandstore GMV grew 70% YoY
  - ▶ Travel/Booking GMV grew c. 2.1x YoY to 1.2 tn KRW
  - ▶ KREAM GMV grew c. 2.7x YoY
- Commission & Sales revenue grew faster than GMV due to growth of higher take-rate segments (Brandstore, Travel/Booking), and increase in take-rate and overall contribution of KREAM
- Membership related sales and GMV growth driven by increase in subscriber count

## Quarterly Revenue

(bn KRW, tn KRW)

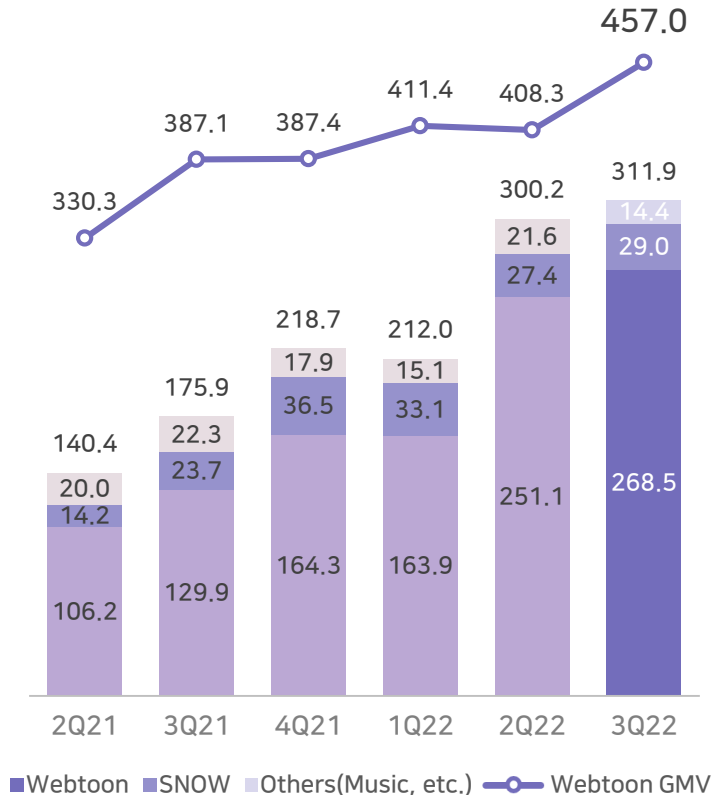


3Q22 YoY 22.5% ↑ / QoQ 0.2% ↑

- Recorded 3Q TPV of 12.4 tn KRW, equivalent to a YoY growth of 27.7% and, on the back of weak Chuseok holiday seasonality, 3.3% QoQ
- Non-captive TPV grew 48.9% YoY and 6.8% QoQ to 4.8 tn KRW, driving total TPV growth
- Offline TPV grew 2.0x YoY to 800 bn KRW, driven by increases in booking related payments, large-store additions to the network, and selective expansion of Naver membership program benefits to offline sites

## Quarterly Revenue

(bn KRW)



## 3Q22 YoY 77.3% ↑ / QoQ 3.9% ↑

Webtoon YoY 106.7% / QoQ 6.9%  
 SNOW YoY 22.4% / QoQ 5.6%  
 Others\* YoY -35.4% / QoQ -33.3%

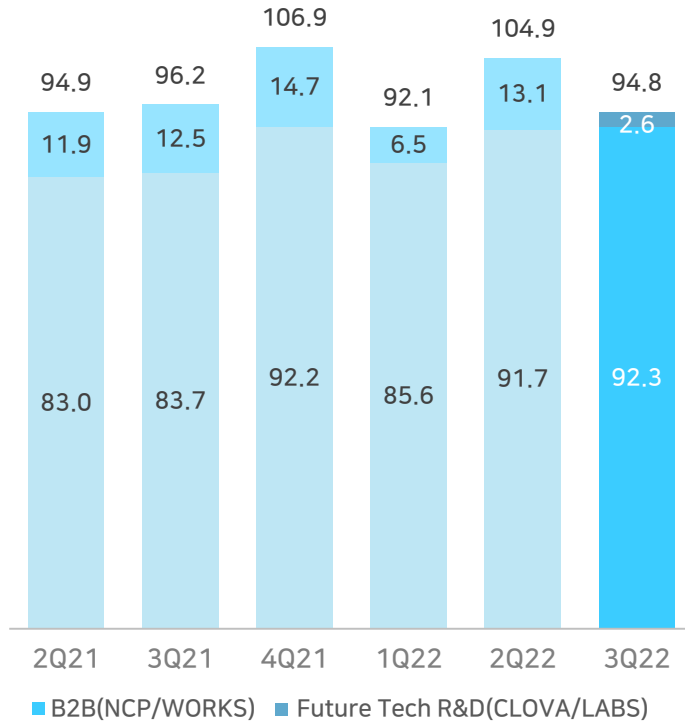
- Excluding consolidation impact (104.2 bn KRW in 3Q22)\*\* of acquired entities, revenue increased 26.4% YoY and 7.3% QoQ
- Global webtoon GMV grew 18.1% YoY and 11.9% QoQ to 457 bn KRW
- Improvement in Japan user and profitability metrics, with LINE manga and Ebook Japan combined paying user count growth of 29.2% YoY and 12.7% QoQ

\* Others decreased QoQ due to high base effect from one-off tax refund in 2Q22 related to V LIVE (deconsolidated in 1Q22)

\*\* Recently consolidated entities: Munpia (March), EBJ/LOCUS (April), Jakga Company (August), Studio JHS (September)

## Quarterly Revenue

(bn KRW)



**3Q22 YoY -1.5% ↓ / QoQ -9.6% ↓**

B2B YoY 10.2% / QoQ 0.6%

Future Tech R&D YoY -79.6% / QoQ -80.5%

- B2B revenue recorded solid growth exceeding 10% YoY;  
Future Tech R&D revenue declined due to temporary shipment suspension of certain CLOVA devices
- Organizational integration: Several AI (CLOVA) and B2B service units currently spread across multiple divisions to be unified under a new NAVER Cloud organization\*

\* Businesses to be integrated : Naver Cloud, Works Mobile, Papago, Whale, CLOVA, etc.



# Operating Expenses/Profit

- Labor cost growth trend continued YoY following consolidation of new entities and hires for business expansion, but was flat QoQ following recent head count growth deceleration initiatives
- Partner expenses increased YoY with the consolidation of new entities, while relatively flat QoQ
- Marketing costs decelerated YoY as a result of reward program optimization initiatives, and declined 0.6% QoQ
- Adjusted EBITDA, which excludes stock-based compensation affected by stock price fluctuations and depreciation costs related to infrastructure investment cycle, was up 7.2% QoQ with margin improving 1.4%p QoQ

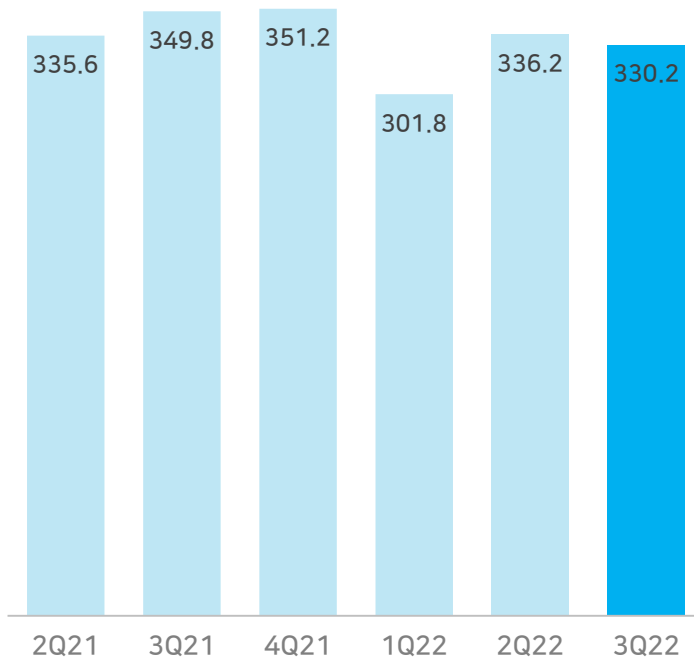
(bn KRW)	3Q21	4Q21	1Q22	2Q22	3Q22	Y/Y	Q/Q
<b>Operating Expenses</b>	<b>1,377.5</b>	<b>1,576.5</b>	<b>1,543.4</b>	<b>1,709.6</b>	<b>1,727.1</b>	<b>25.4%</b>	<b>1.0%</b>
Development & Operations	419.6	494.9	472.1	515.1	521.7	24.3%	1.3%
└ Labor cost	368.0	431.0	400.2	433.7	433.5	17.8%	0.0%
└ Others*	51.6	63.9	71.9	81.4	88.2	71.0%	8.3%
Partner	548.8	638.3	623.7	720.1	722.2	31.6%	0.3%
Infrastructure	127.6	139.5	132.7	141.4	152.2	19.3%	7.6%
Marketing	281.6	303.8	315.0	333.0	331.0	17.5%	-0.6%
<b>Operating Profit</b>	<b>349.8</b>	<b>351.2</b>	<b>301.8</b>	<b>336.2</b>	<b>330.2</b>	<b>-5.6%</b>	<b>-1.8%</b>
Operating margin (%)	20.3%	18.2%	16.4%	16.4%	16.1%	-4.2%p	-0.4%p
Depreciation & Amortization	89.3	95.3	94.6	96.6	103.4	15.8%	7.1%
Stock-based compensation	71.0	37.0	23.6	(0.1)	30.1	N/A	N/A
<b>Adjusted EBITDA*</b>	<b>510.1</b>	<b>483.5</b>	<b>419.9</b>	<b>432.6</b>	<b>463.7</b>	<b>-9.1%</b>	<b>7.2%</b>
Adjusted EBITDA margin (%)	29.5%	25.1%	22.8%	21.1%	22.5%	-7.0%p	1.4%p
<b>Net Profit</b>	<b>322.7</b>	<b>299.8</b>	<b>151.4</b>	<b>158.5</b>	<b>231.6</b>	<b>-28.3%</b>	<b>46.1%</b>
Net margin (%)	18.7%	15.6%	8.2%	7.7%	11.3%	-7.4%p	3.5%p

\* Others: space-related expenses (depreciation, rent expense), utility costs, etc.

# Operating Income, Adjusted EBITDA

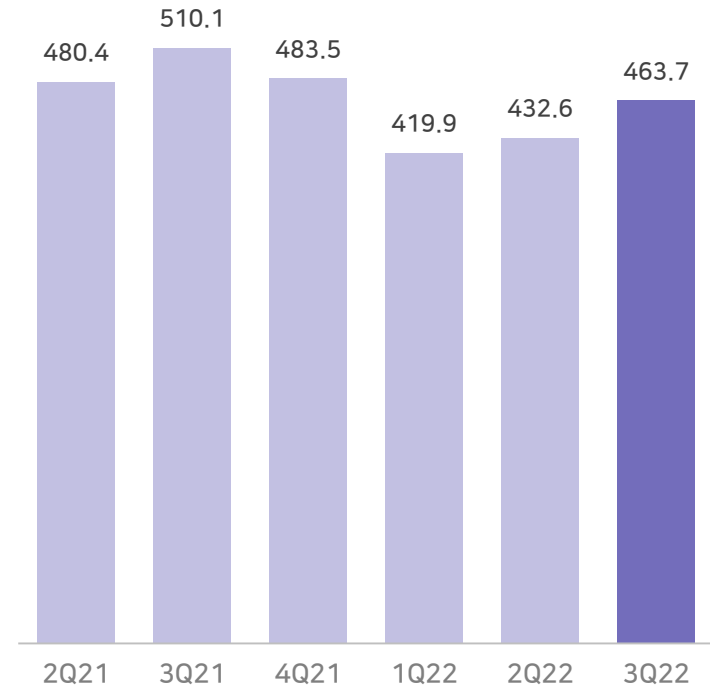
## Operating Income

(bn KRW)



## Adjusted EBITDA

(bn KRW)



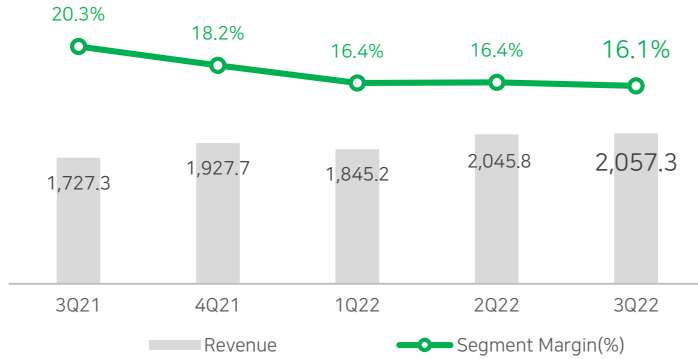
# P&L by Segment

(bn KRW, %)	Reporting Segment					Adjustment*	Total (Consolidated)
	Search Platform	Commerce	Fintech	Contents	Cloud & Others		
3Q Segment Revenue (A)	909.2	458.5	330.6	390.6	116.4	(147.9)	2,057.3
└ External revenue	896.2	458.3	296.2	311.9	94.8	-	2,057.3
└ Internal revenue	13.1	0.2	34.4	78.7	21.5	(147.9)	-
3Q Segment Income/Loss (B)	463.3		34.3	(104.7)	(57.2)	(5.4)	330.2
3Q Segment Margin (C) [C = B / A]	33.9%		10.4%	-	-	-	16.1%

\* Adjustments: Accounting adjustments including consolidating accounts regarding affiliate transactions

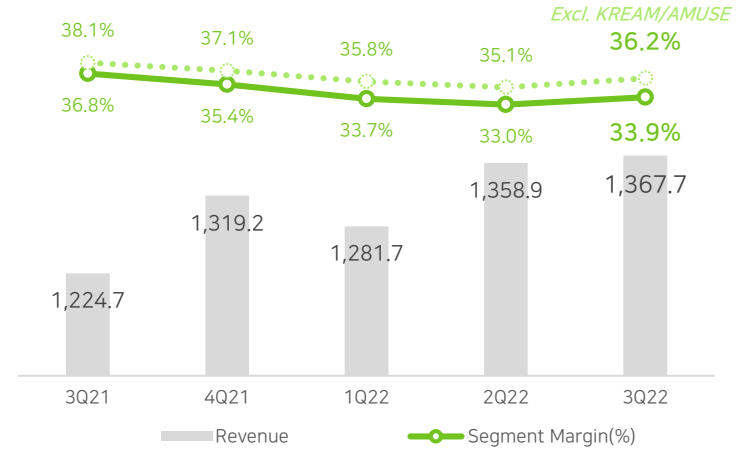
# P&L by Segment

## Consolidated

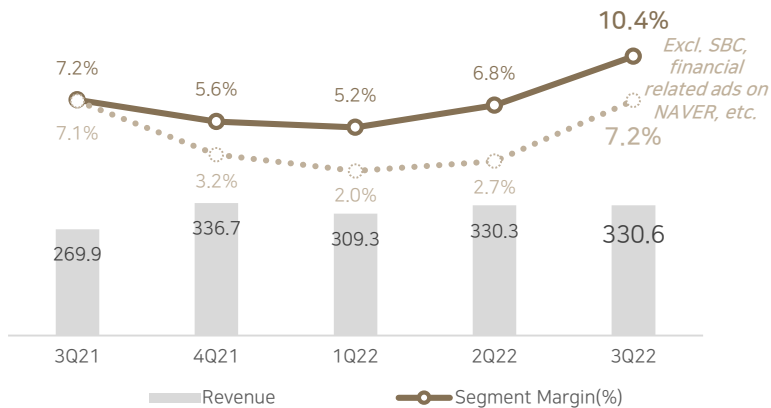


## Search Platform & Commerce

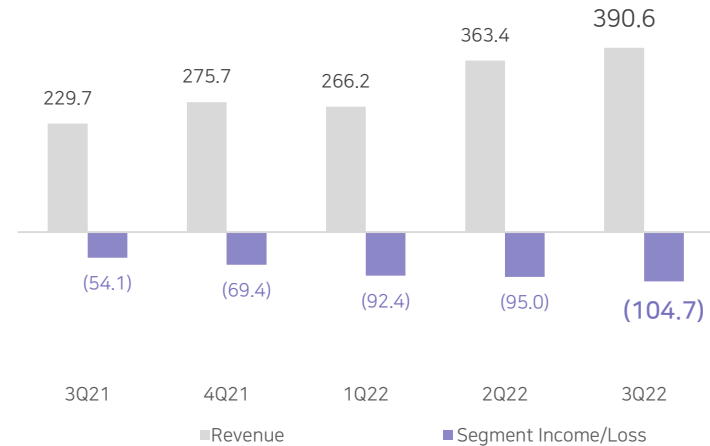
(bn KRW, %)



## Fintech



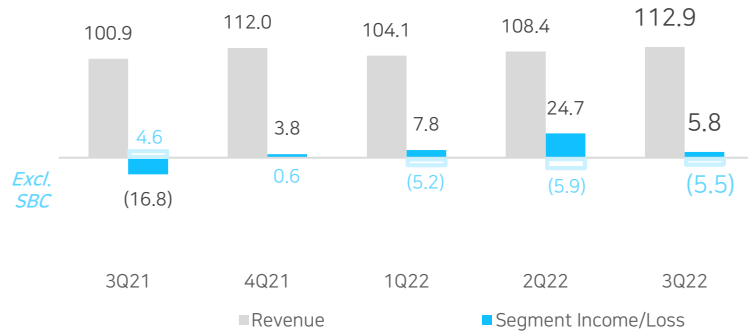
## Contents



\* Note: Fintech segment includes payment services, Pay Point reward ads, financial related ads, etc.

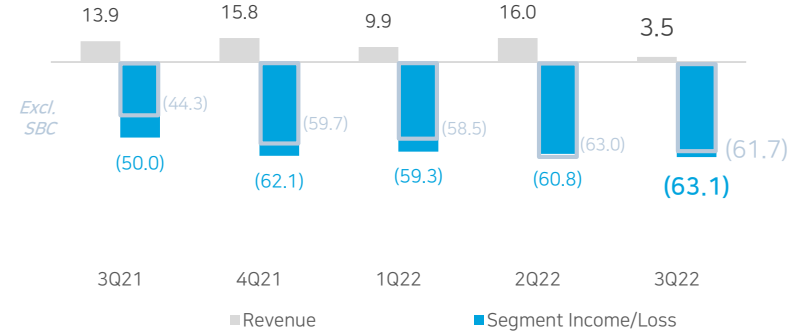
# P&L by Segment

## Cloud&Others (B2B)



## Cloud&Others (Future Tech R&D)

(bn KRW)



# Cash & Borrowings, Consolidated FCF, Direct and Indirect Investments, Shareholder Return

## Cash & Borrowings

### Cash and cash equivalents + Short-term financial instruments

(bn KRW)	1Q22	2Q22	3Q22
Naver (Separate)	1,346.5	848.4*	1,052.0**
Naver (Consolidated)	3,499.2	3,463.3	3,532.0

\* Decrease due to corporate tax payments and cash dividend

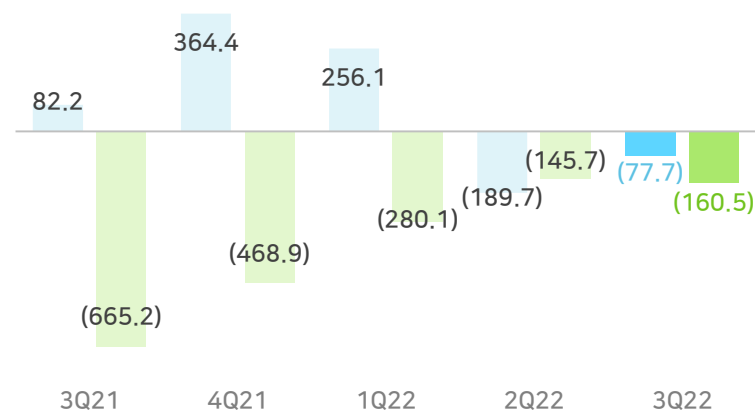
\*\* Increase due to decreases in corporate tax payments and investments into affiliates

### Borrowings / Debentures (Consolidated)

(bn KRW)	1Q22	2Q22	3Q22
Borrowings & Debentures	3,639.5	3,631.5	3,616.4
Short-term Borrowings	529.7	498.1	1,280.4
Long-term Borrowings	3,109.8	3,133.3	2,336.0
Debentures	1,657.5	1,723.3	1,836.6
Borrowings	1,452.3	1,410.0	499.4

## Consolidated FCF\*, Direct and Indirect Investments, Shareholder Return

(bn KRW) ■ Consolidated FCF ■ Direct & Indirect Investments



Special dividend of 137.1 bn KRW to be paid in Nov. 2022

Includes remaining unpaid 85.7 bn KRW of total shareholder return commitment of 162 bn KRW for FY21, plus deferred 51.4 bn KRW attributable to FY20

\* Shareholder return policy: 30% of last 2-year average consolidated FCF

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

- Non-cash expenses: Depreciation & amortization, bad debt expenses, current portion of accrued retirement benefits, stock based compensation

# 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	9.19	Shareholding 31.8%
	Weverse	0.21	Shareholding 44.6%
	Cafe24	0.04	Shareholding 14.8%
	<b>Subtotal</b>	<b>9.44</b>	<b>Market Price (Listed)*, Acquisition Cost (Unlisted)</b>
Key Strategic Investments	Mirae Asset Securities	0.28	Shareholding 7.7%
	CJ Logistics	0.16	Shareholding 7.9%
	E mart	0.07	Shareholding 3.1%
	CJ ENM	0.08	Shareholding 5.0%
	Studio Dragon	0.12	Shareholding 6.3%
	Shinsegae International	0.07	Shareholding 6.8%
	<b>Subtotal</b>	<b>0.79</b>	<b>FMV(Listed)</b>
	<b>Other Direct Investments</b>	<b>2.11</b>	<b>Market Price (Listed)*, Acquisition Cost (Unlisted)</b>
	<b>Indirect Investments</b>	<b>3.40</b>	<b>Invested Capital</b>
<b>Total Value of Investments</b>		<b>15.74 tn KRW</b>	

\* Market value of publicly-listed companies as of September 30<sup>th</sup>

**Thank You**