

# 1Q23 Earnings Results

2023.5.8

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# Earnings Summary

- Revenue grew 23.6% YoY, 0.4% QoQ primarily driven by growth in Commerce, Fintech and Contents\*
- Adjusted EBITDA increased 16.2% YoY, 0.3% QoQ; deceleration in labor cost growth, further optimization of marketing spend, and a positive EBITDA contribution from newly consolidated Poshmark resulted in a stable margin (%) QoQ

bn KRW	1Q22	2Q22	3Q22	4Q22	1Q23	Y/Y	Q/Q
Revenue	1,845.2	2,045.8	2,057.3	2,271.7	2,280.4	23.6%	0.4%
Search Platform	849.9	905.5	896.2	916.4	851.8	0.2%	-7.1%
Commerce	416.5	439.5	458.3	486.8	605.9	45.5%	24.5%
Fintech	274.8	295.7	296.2	319.9	318.2	15.8%	-0.5%
Contents	212.0	300.2	311.9	437.5	411.3	94.0%	-6.0%
Cloud&Others	92.1	104.9	94.8	111.1	93.2	1.2%	-16.1%
Operating Expenses	1,543.4	1,709.6	1,727.1	1,935.3	1,950.0***	26.3%	0.8%
Adjusted EBITDA**	419.9	432.6	463.7	486.6	488.1	16.2%	0.3%
Adjusted EBITDA Margin (%)	22.8%	21.1%	22.5%	21.4%	21.4%	-1.4%p	-
Operating Profit	301.8	336.2	330.2	336.5	330.5***	9.5%	-1.8%
Operating Margin (%)	16.4%	16.4%	16.1%	14.8%	14.5%	-1.9%p	-0.3%p
Net Profit	151.4	158.5	231.6	131.8	43.7	-71.2%	-66.9%
Net Margin (%)	8.2%	7.7%	11.3%	5.8%	1.9%	-6.3%p	-3.9%p

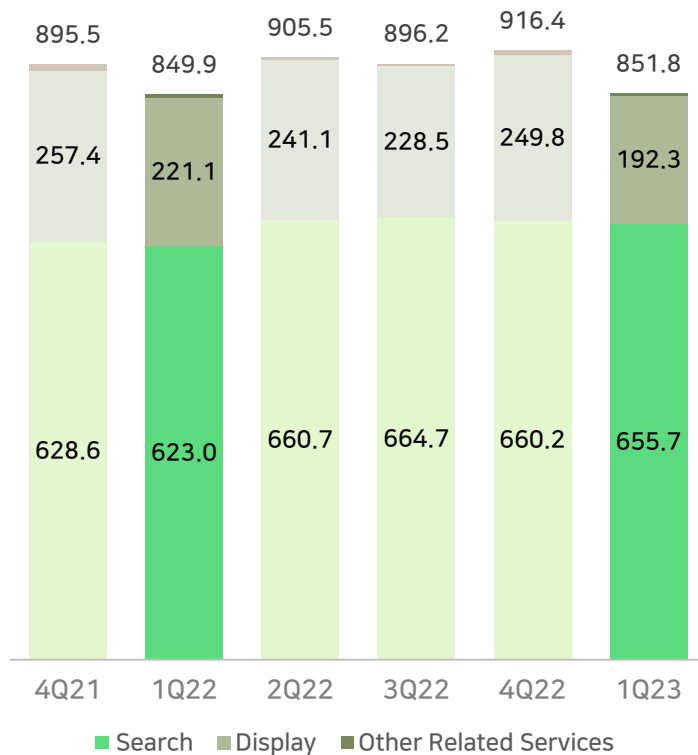
\* Poshmark acquisition completed as of 5 January 2023. Excluding Poshmark consolidation impact, revenue was up 17.1% YoY, down 4.9% QoQ

\*\* EBITDA + stock based compensation

\*\*\* Includes (prospective) depreciation period adjustment impact of 22.5 bn KRW in 1Q 23; see Operating Expense/Profit page for further detail

## Quarterly Revenue

(bn KRW)



**1Q23 YoY 0.2% ↑ / QoQ -7.1% ↓**

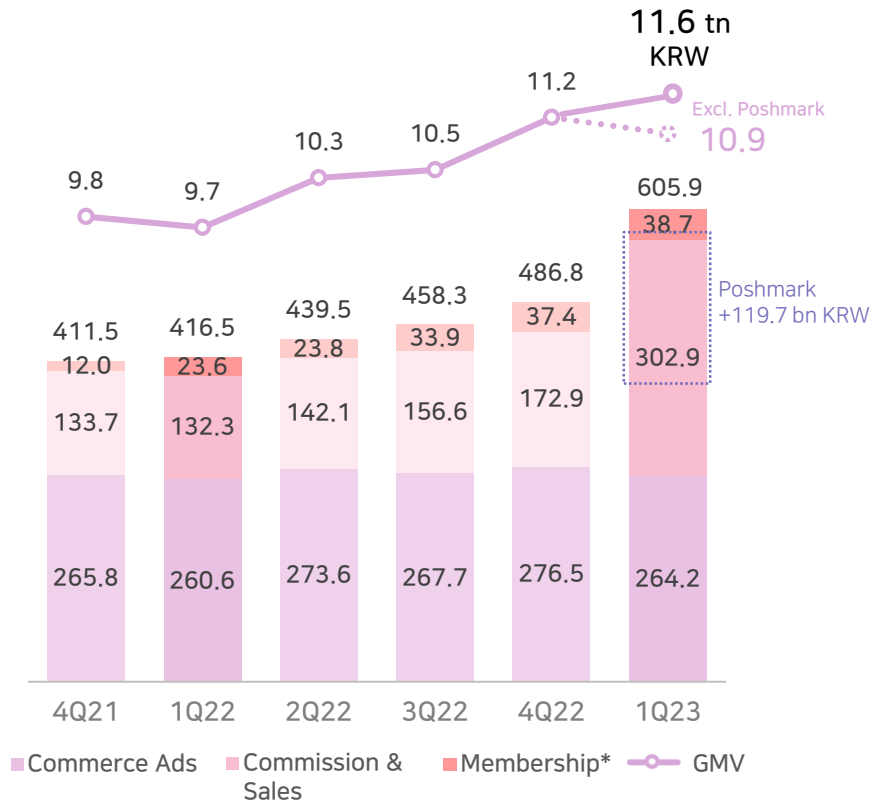
Search YoY 5.3% / QoQ -0.7%

Display YoY -13.1% / QoQ -23.0%

- Search Ads grew 5.3% YoY, despite contraction in advertising spend amidst a continued challenging macroeconomic environment
- Display Ads declined 13.1% YoY, reflecting macroeconomic headwinds as well as base effect of traffic driven by the Olympic Games and the Presidential Election in 1Q22
- Place Ads grew across all sectors supported by resumption of offline activities; number of advertisers in 1Q increased to 112K and revenue jumped 2x+

## Quarterly Revenue

(bn KRW, tn KRW)



\*Subscription revenue

**1Q23 YoY 45.5% ↑ / QoQ 24.5% ↑**

Commerce Ads YoY 1.4% / QoQ -4.4%

Commission & Sales YoY 129.0% / QoQ 75.2%

Membership YoY 64.0% / QoQ 3.5%

- Commerce Ads revenue maintained positive growth YoY, driven by growth in search ads
- GMV outperformed overall market, growing 19.7% YoY and 3.7% QoQ\*; key contributors include strength in Brandstore, Travel & Booking and KREAM, as well as consolidation impact of Poshmark
  - Product GMV grew 20.7% YoY to 8.0 tn KRW (excl. outlinked marketplaces)
  - Service GMV grew 2.2x YoY to 1.5 tn KRW

	Items Included
Product GMV	Smartstore, Poshmark, KREAM, AMUSE
Service GMV	Travel, Booking

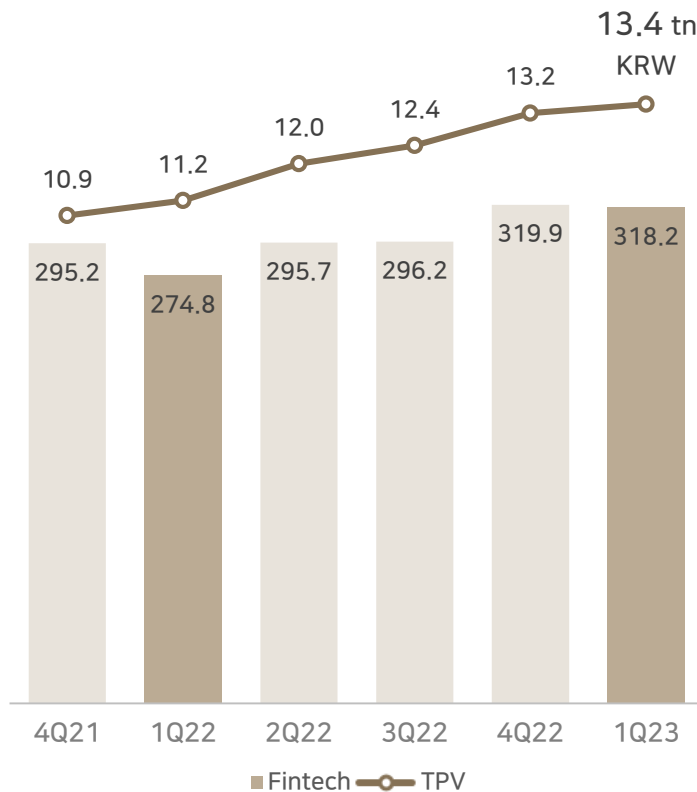
- Commission & Sales revenue\*\* grew faster than GMV, led by higher contribution from services with higher take rate
- Subscription revenue growth driven by Membership subscriber increase of 35% YoY

\* Excluding Poshmark consolidation impact, GMV was up 13.2% YoY, down 1.9% QoQ

\*\* Commission & Sales revenue excl. Poshmark was up 39.7% YoY, down 6.9% QoQ

## Quarterly Revenue

(bn KRW, tn KRW)

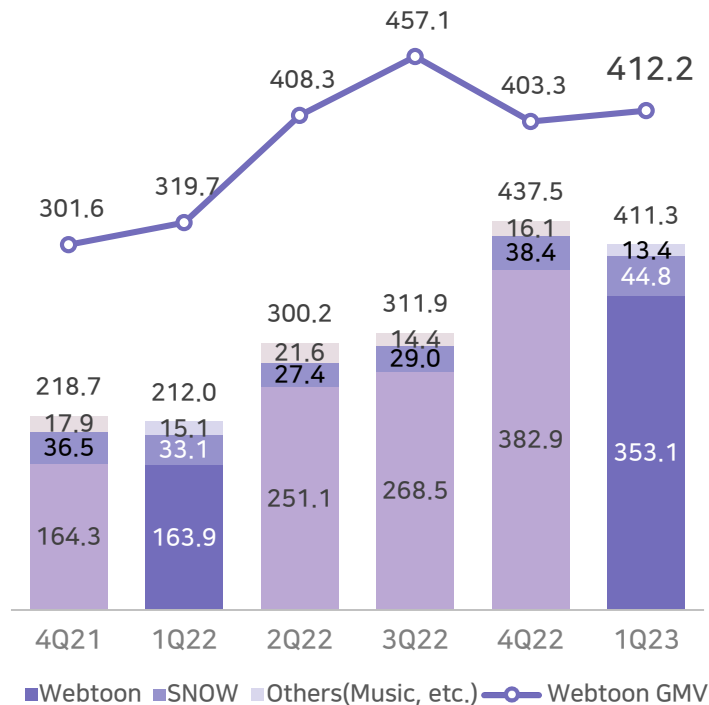


1Q23 YoY 15.8% ↑ / QoQ -0.5% ↓

- 1Q TPV (Total Payment Volume) grew 19.2% YoY, 1.5% QoQ to 13.4 tn KRW
- Non-captive TPV grew 31.5% YoY and 6.2% QoQ to 5.4 tn KRW
- Offline TPV grew 68.4% YoY to 810 bn KRW, driven by increase in number of partner stores.  
NAVER Pay x Samsung Pay (MST) integrated payment function introduced in late March
- Insurance claim service launched in 1Q.  
Loan refinancing (2Q) and deposit & savings account rate comparison service to be launched within FY23

## Quarterly Revenue

(bn KRW)



**1Q23 YoY 94.0% ↑ / QoQ -6.0% ↓**

Webtoon YoY 115.5% / QoQ -7.8% (YoY 43%, excl. accounting change impact)

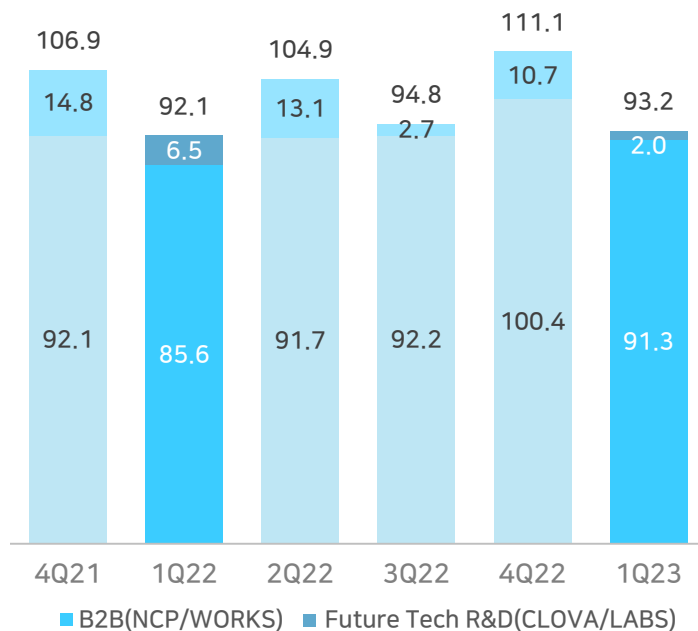
SNOW YoY 35.5% / QoQ 16.7%

Others YoY -11.5% / QoQ -17.2%

- Webtoon global GMV grew 2.2% QoQ, despite focus on profitability including marketing cuts and downsized operations in certain geographies, and increased 28.9% YoY to 412.2 bn KRW also reflecting consolidation impact of eBookJapan (EBJ)
- Number of paying users in Japan increased 16% YoY (excl. EBJ), supported by increase in original Webtoon titles (vs. licensed Manga) distribution and user interface enhancements
- Launched fan communication feature ('Creators') for amateur creators. Paid model to be introduced within FY2023

## Quarterly Revenue

(bn KRW)



**1Q23 YoY 1.2% ↑ / QoQ -16.1% ↓**

B2B YoY 6.6% / QoQ -9.1%

Future Tech R&D YoY -69.7% / QoQ -81.5%

- B2B revenue declined QoQ due to 1Q seasonality in the public sector but grew YoY. Future Tech R&D revenue on CLOVA devices fell
- Next generation AI model - 'HyperCLOVA X' - to be released this summer.  
CLOVA Studio product with a stronger backbone and AI developer toolkit expected to enhance Cloud offering with customized B2B solutions

# Operating Expenses/Profit

- Labor and Marketing expense increase attributable to consolidation impact of Poshmark as well as rise in stock-based compensation (Excluding Poshmark consolidation impact, headcount remained flat QoQ and Marketing costs declined both YoY and QoQ)
- Partner expense declined QoQ due to high base effect of World Cup broadcasting rights last quarter; YoY increase also attributable to Webtoon accounting changes since 4Q22
- Infrastructure expenses fell QoQ due to (prospective) extension of depreciation period\* for servers and equipment, which more accurately reflects their actual useful life and better conforms to recent global trends

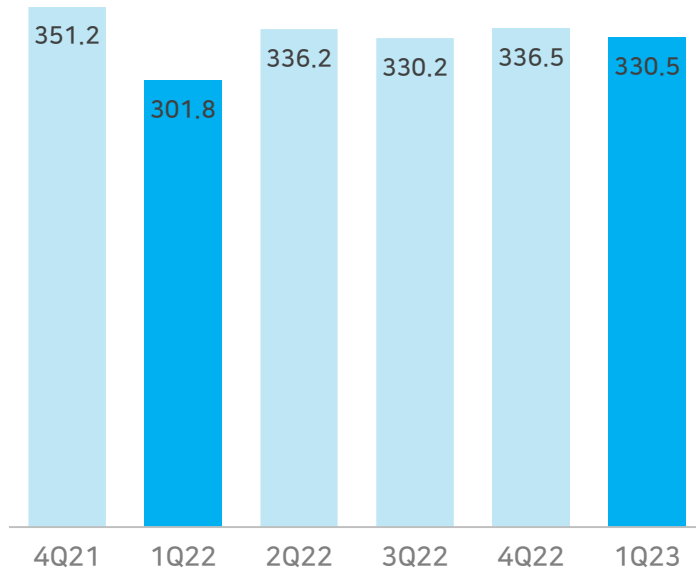
(bn KRW)	1Q22	2Q22	3Q22	4Q22	1Q23	Y/Y	Q/Q
Operating Expenses	1,543.4	1,709.6	1,727.1	1,935.3	1,950.0	26.3%	0.8%
Development & Operations	472.1	515.1	521.7	561.5	635.5	34.6%	13.2%
└ Labor cost	400.2	433.7	433.5	469.5	536.0	33.9%	14.2%
└ Others	71.9	81.4	88.2	92.1	99.5	38.3%	8.0%
Partner	623.7	720.1	722.2	897.9	831.9	33.4%	-7.4%
Infrastructure	132.7	141.4	152.2	154.2	132.6	-	-14.0%
Marketing	315.0	333.0	331.0	321.6	349.9	11.1%	8.8%
Operating Profit	301.8	336.2	330.2	336.5	330.5	9.5%	-1.8%
Operating margin (%)	16.4%	16.4%	16.1%	14.8%	14.5%	-1.9%p	-0.3%p
Depreciation & Amortization	94.6	96.6	103.4	108.1	82.5	-12.7%	-23.7%
Stock-based compensation	23.6	-0.1	30.1	41.9	75.0	217.8%	78.9%
Adjusted EBITDA	419.9	432.6	463.7	486.6	488.1	16.2%	0.3%
Adjusted EBITDA margin (%)	22.8%	21.1%	22.5%	21.4%	21.4%	-1.4%p	-
Net Profit	151.4	158.5	231.6	131.8	43.7	-71.2%	-66.9%
Net margin (%)	8.2%	7.7%	11.3%	5.8%	1.9%	-6.3%p	-3.9%p

\* Depreciation period for servers and equipment (prospectively) extended from 4 years to 5 years, resulting in (prospective) expense reduction impact of approximately KRW 22.5 bn for the quarter

# Operating Income, Adjusted EBITDA

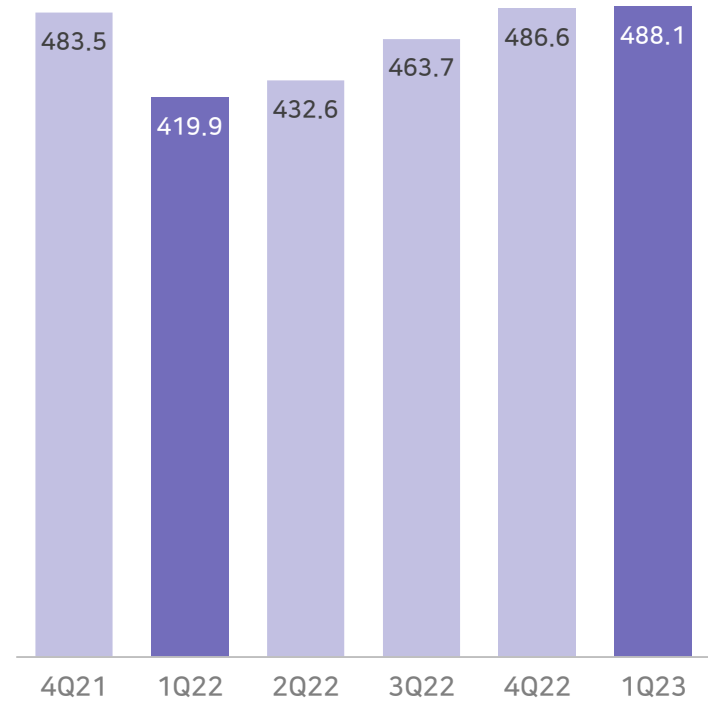
## Operating Income

(bn KRW)



## Adjusted EBITDA

(bn KRW)



# 1Q23 P&L by Segment

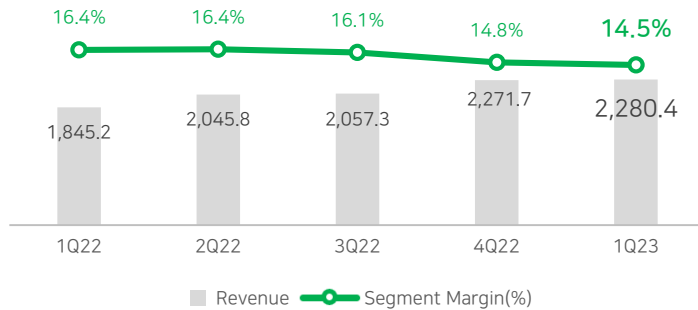
(bn KRW, %)	Reporting Segment					Adjustment*	Total (Consolidated)
	Search Platform	Commerce	Fintech	Contents	Cloud &Others		
1Q Segment Revenue (A)	864.0	606.0	351.1	479.2	114.6	(134.4)	2,280.4
└ External revenue	851.8	605.9	318.2	411.3	93.2	-	2,280.4
└ Internal revenue	12.2	0.1	32.9	67.8	21.4	(134.4)	-
1Q Segment Income/Loss (B)	464.1		27.1	(75.2)	(81.7)	(3.8)	330.5
1Q Segment Margin (C) [C = B / A]	34.7%		7.7%	-	-	-	14.5%

\* Adjustments: Accounting adjustments including intercompany transactions

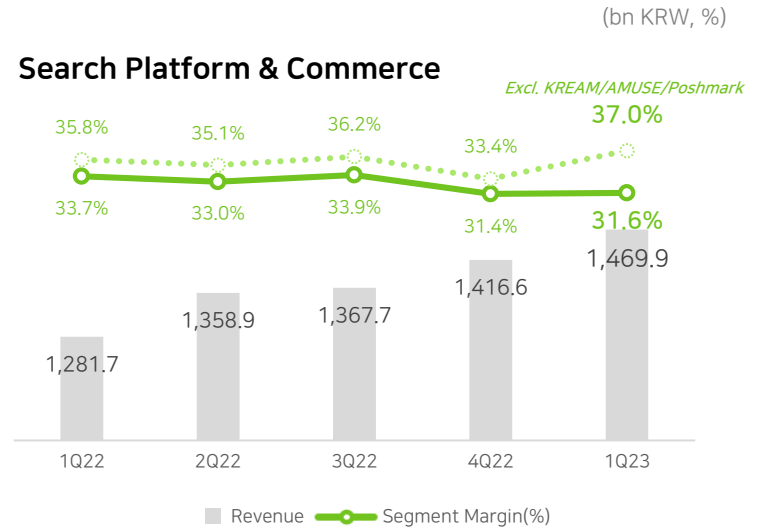
# P&L by Segment

NAVER

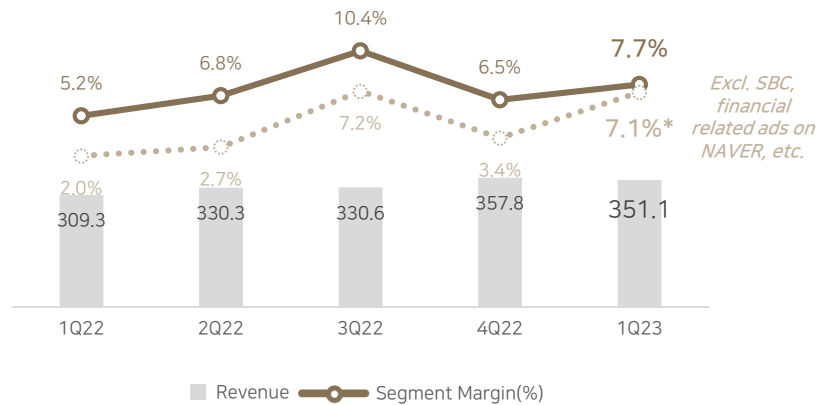
## Consolidated



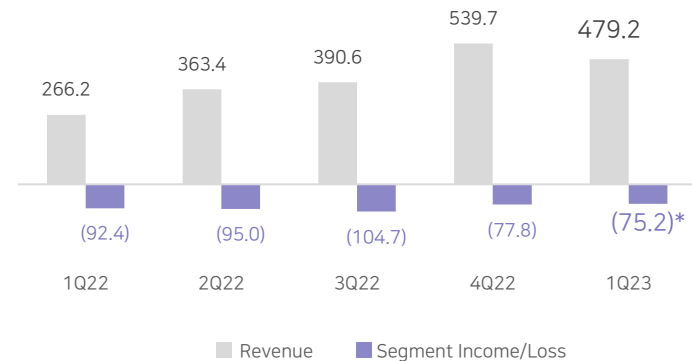
## Search Platform & Commerce



## Fintech



## Contents



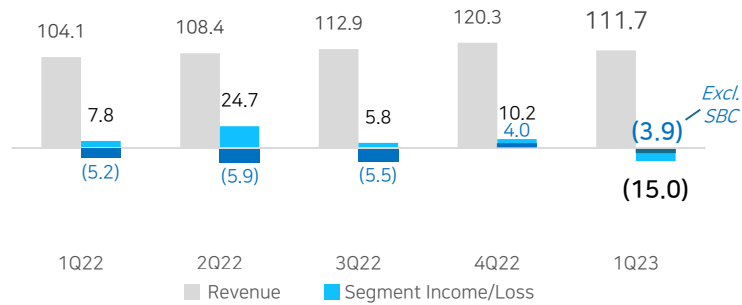
\*Securities/Real estate page transferred from NAVER to Naver Financial in 1Q23

\*Includes 1Q23 Webtoon loss of 21.4 bn KRW (7.9 bn KRW YoY improvement)

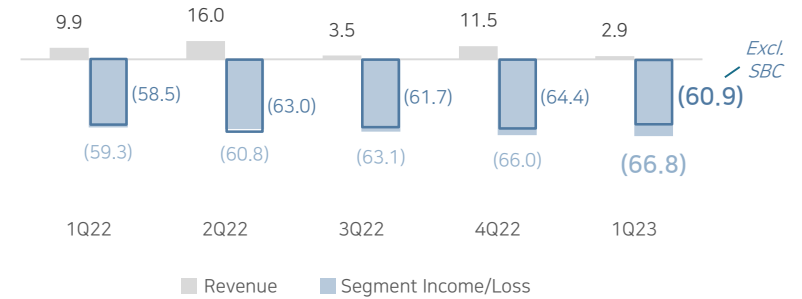
# P&L by Segment

(bn KRW)

## Cloud&Others (B2B)



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



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

## Cash & Borrowings

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

(bn KRW)	3Q22	4Q22	1Q23
Naver (Separate)	1,052.0	1,355.1	947.7
Naver (Consolidated)	3,532.0	3,940.6	3,827.6

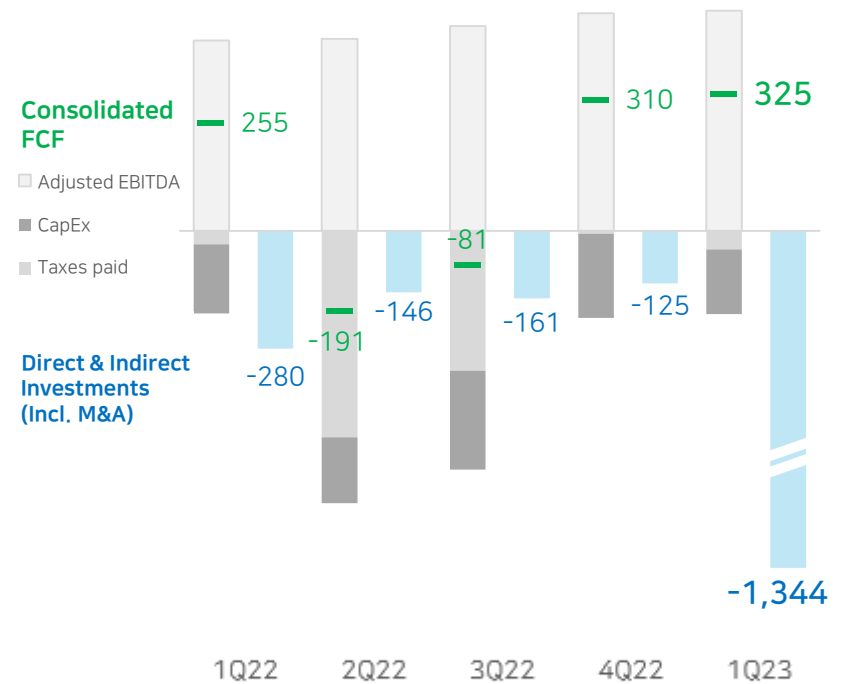
### Borrowings / Debentures (Consolidated)

(bn KRW)	3Q22	4Q22	1Q23
Borrowings & Debentures	3,616.4	3,414.0	4,246.8
Short-term Borrowings	1,280.4	1,381.4	1,840.6
Long-term Borrowings	2,336.0	2,032.6	2,406.1
Debentures	1,836.6	1,704.5	1,484.5
Borrowings	499.4	328.0	921.7

\* Prepaid (in 1Q) \$230mn of \$800mn loan raised in connection with Poshmark acquisition

## Consolidated FCF, Direct and Indirect Investments

(bn KRW)



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

# Shareholder Return Plan & Cancellation of Treasury Shares

New three-year shareholder return plan designed to reflect business environment, target leverage ratio and debt repayments:

15~30% of last 2-year average consolidated Free Cash Flow (FCF) to be paid annually in cash dividends

- Mid- to long-term Debt/EBITDA target of 2.0~2.5x (~2.5x for 2023 year-end)

## 3-Year Shareholder Return Plan

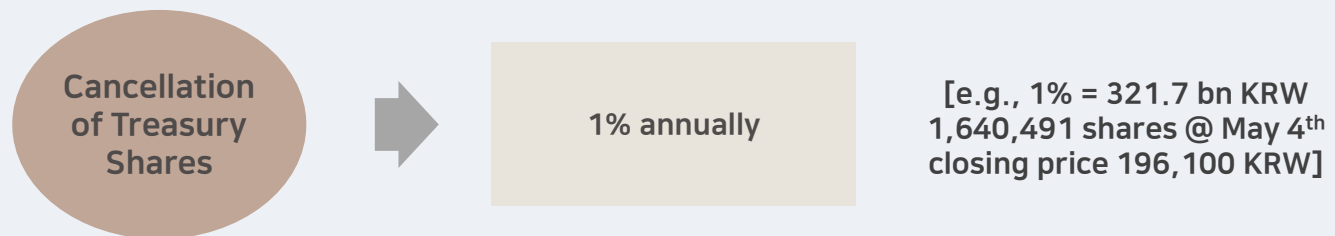


\*Cash dividend for FY2022 to be paid within 3Q23 upon Board of Directors approval

Separate from the above return plan, we will be canceling a portion of treasury shares: 1% (of total issued shares) annually over the next three years

- For purposes of operating our employee equity compensation programs, we plan to maintain a treasury share balance of no more than 5% (vs. approximately 8% today) over the longer term

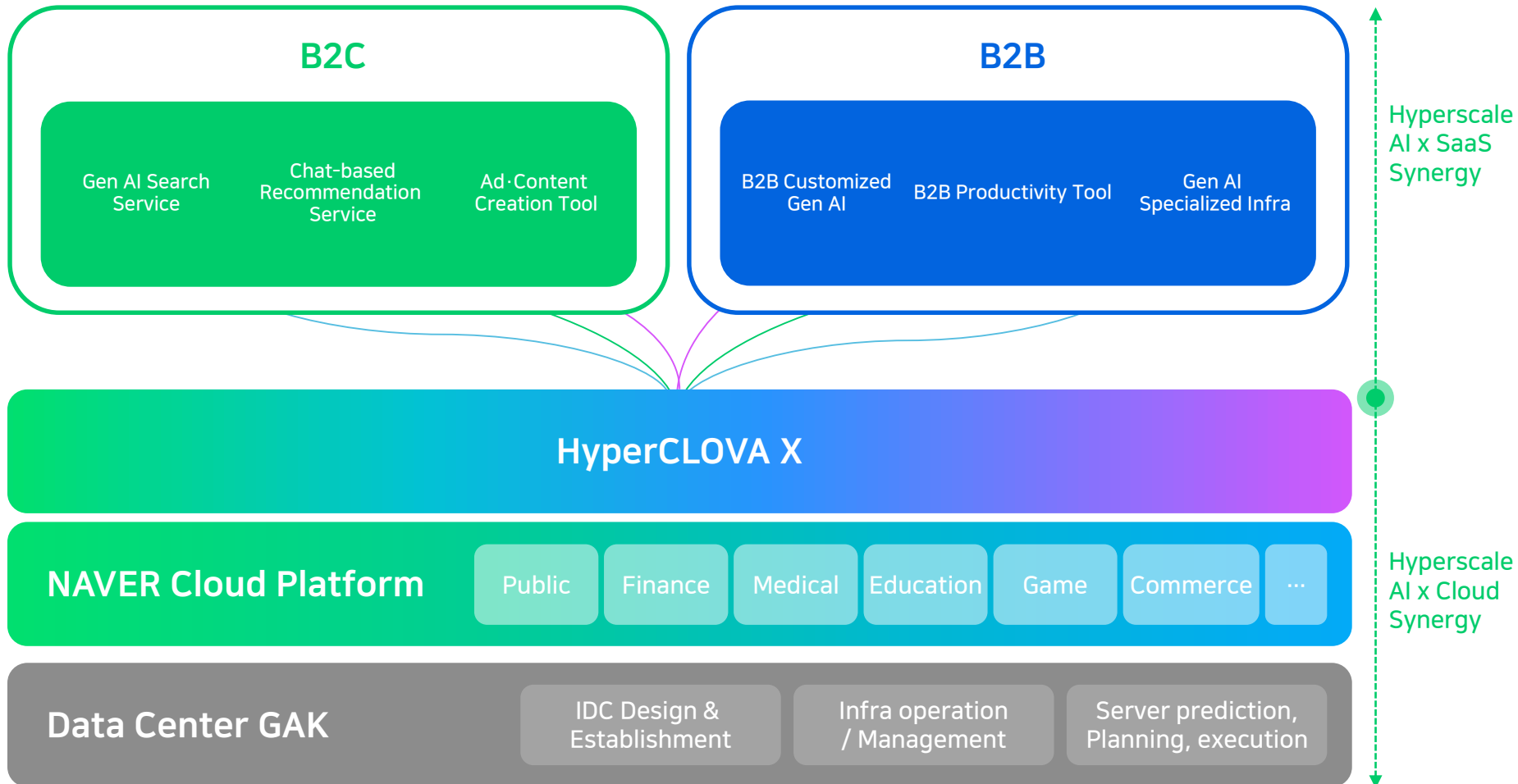
## Special Cancellation of Treasury Shares



# NAVER AI Tech & Services

NAVER

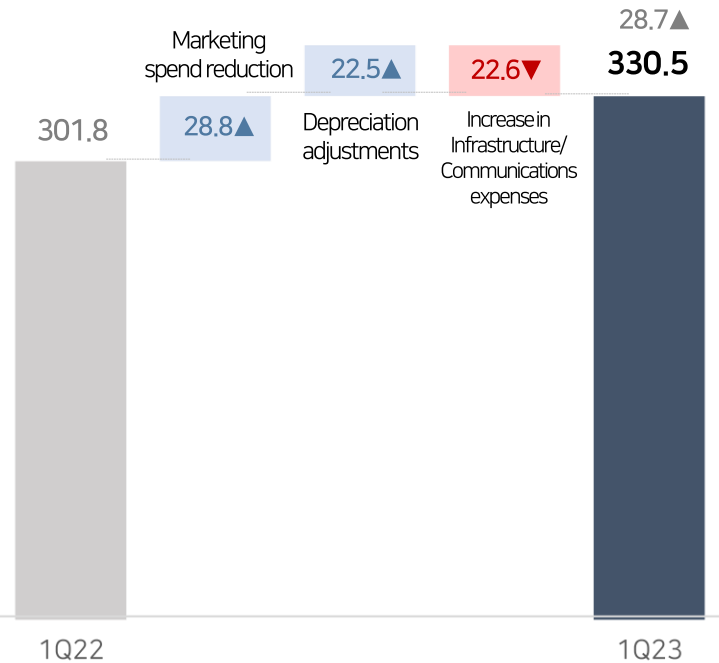
- Incorporating AI across all of our existing offerings will enhance TEAM NAVER's platform competitiveness
- With the launch of HyperCLOVA X this summer, we plan to provide generative AI-driven search for users and new customized services for enterprises



# Appendix. Operating Profit Bridge Analysis

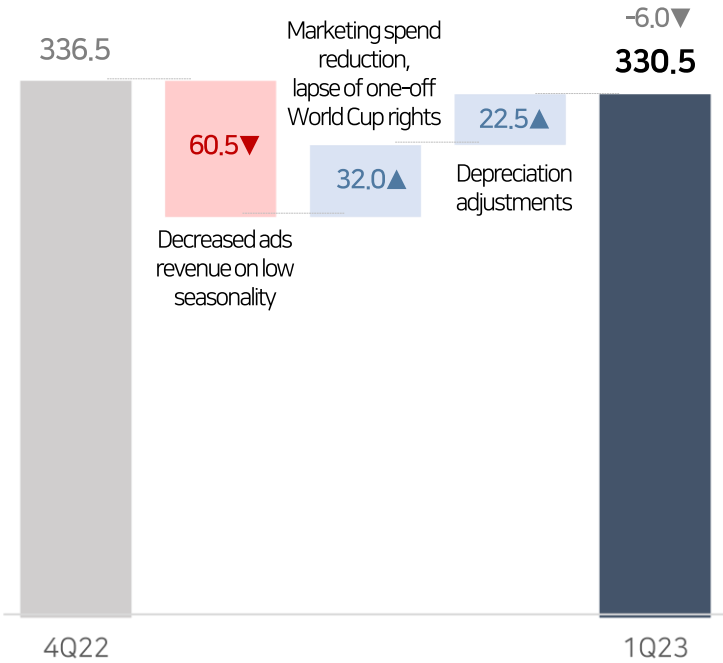
## Year on Year Comparison

(bn KRW)



## Quarter on Quarter Comparison

(bn KRW)



# Appendix. Net Income Breakdown

- 1Q net profit fell 71.2% YoY and 66.9% QoQ on widened FX and equity method valuation losses
- Other profit/loss: increased FX losses for NAVER debentures and borrowings led by rise in FX rates
- Equity method gain/loss: valuation loss across the board including A Holdings

(bn KRW)	1Q22	2Q22	3Q22	4Q22	1Q23	Y/Y	Q/Q
Operating Profit	301.8	336.2	330.2	336.5	330.5	9.5%	-1.8%
Operating margin (%)	16.4%	16.4%	16.1%	14.8%	14.5%	-1.9%p	-0.3%p
Non-operating profit/loss	-45.1	-73.0	44.5	-147.3	-213.9	n/a	-45.2%
Other profit/loss	-48.0	57.0	186.4	-448.0	-40.9	14.8%	90.9%
Financial profit/loss	150.3	-69.9	-141.0	-4.6	-133.6	n/a	n/a
Equity method gain/loss	-147.5	-60.1	-1.0	305.3	-39.4	73.2%	n/a
Pre-tax income	256.6	263.2	374.7	189.2	116.6	-54.6%	-38.4%
Tax	105.2	104.7	143.2	57.4	72.9	-30.7%	27.0%
Net Profit	151.4	158.5	231.6	131.8	43.7	-71.2%	-66.9%
Net Margin (%)	8.2%	7.7%	11.3%	5.8%	1.9%	-6.3%p	-3.9%p

**Thank You**