

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

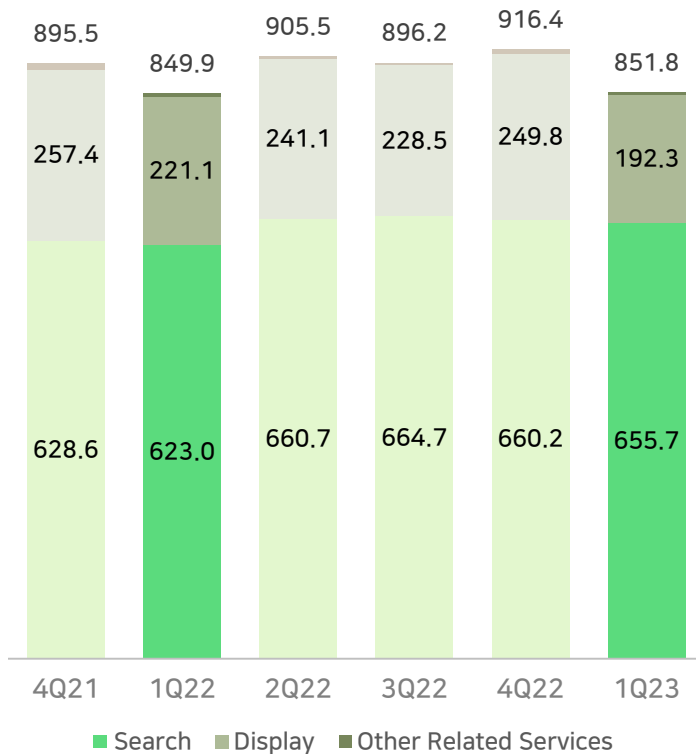
* Poshmark acquisition completed as of 5 January 2023. Excluding Poshmark consolidation impact, revenue was up 17.1% YoY, down 4.9% QoQ

** 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% ↓

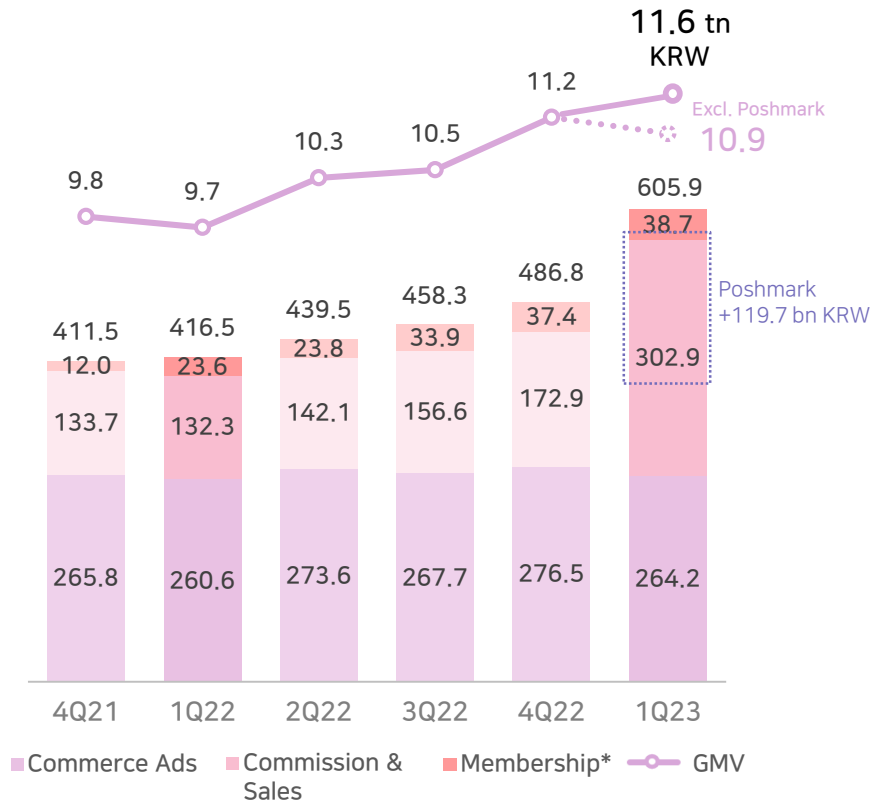
Search YoY 5.3% / QoQ -0.7%

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 11.2 million 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

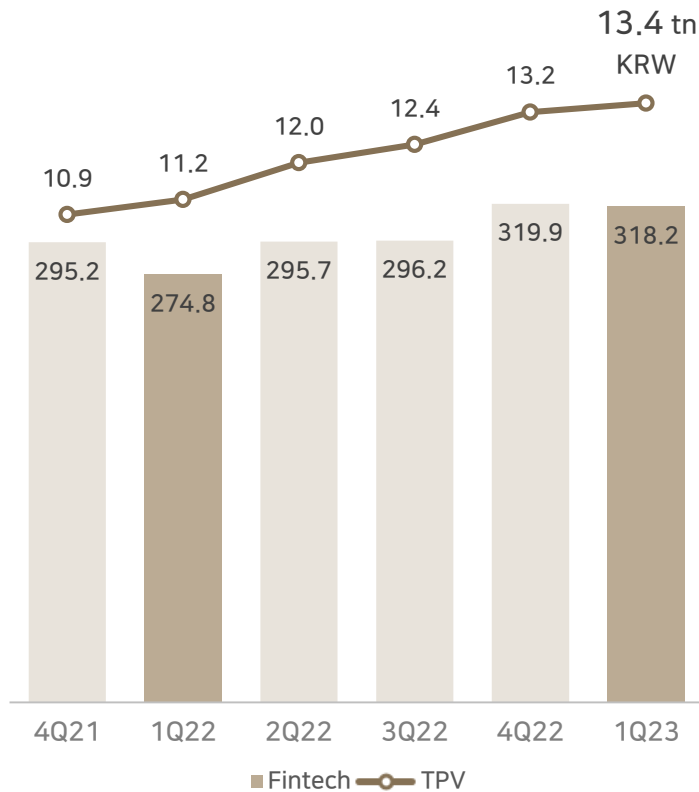
- Commission & Sales revenue** grew faster than GMV, led by higher contribution from services with higher take rate
- Subscription revenue growth driven by Membership subscriber increase of 35% YoY

* 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)

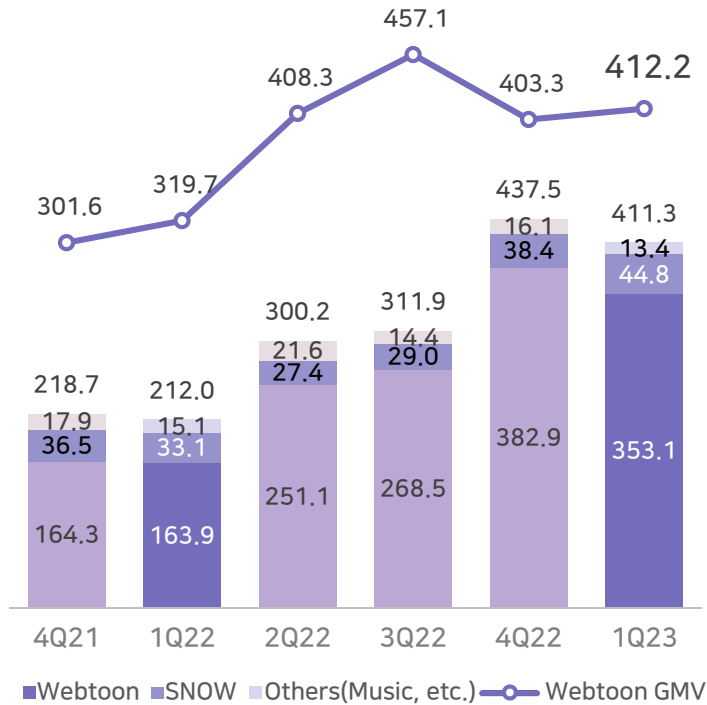


1Q23 YoY 15.8% ↑ / QoQ -0.5% ↓

- 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)

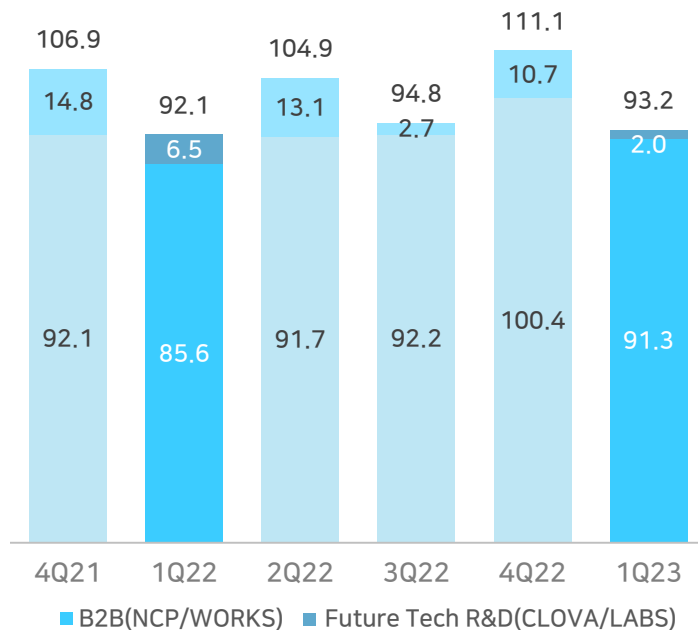
SNOW YoY 35.5% / QoQ 16.7%

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

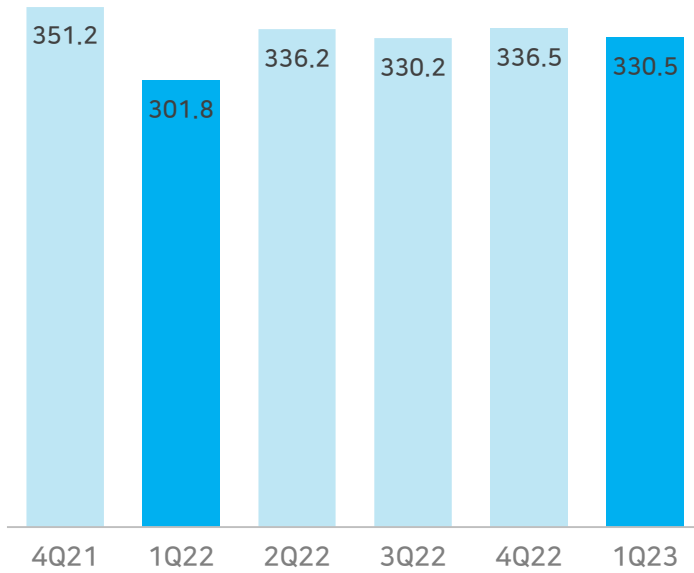
(bn KRW)	1Q22	2Q22	3Q22	4Q22	1Q23	Y/Y	Q/Q
Operating Expenses	1,543.4	1,709.6	1,727.1	1,935.3	1,950.0	26.3%	0.8%
Development & Operations	472.1	515.1	521.7	561.5	635.5	34.6%	13.2%
└ Labor cost	400.2	433.7	433.5	469.5	536.0	33.9%	14.2%
└ Others	71.9	81.4	88.2	92.1	99.5	38.3%	8.0%
Partner	623.7	720.1	722.2	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

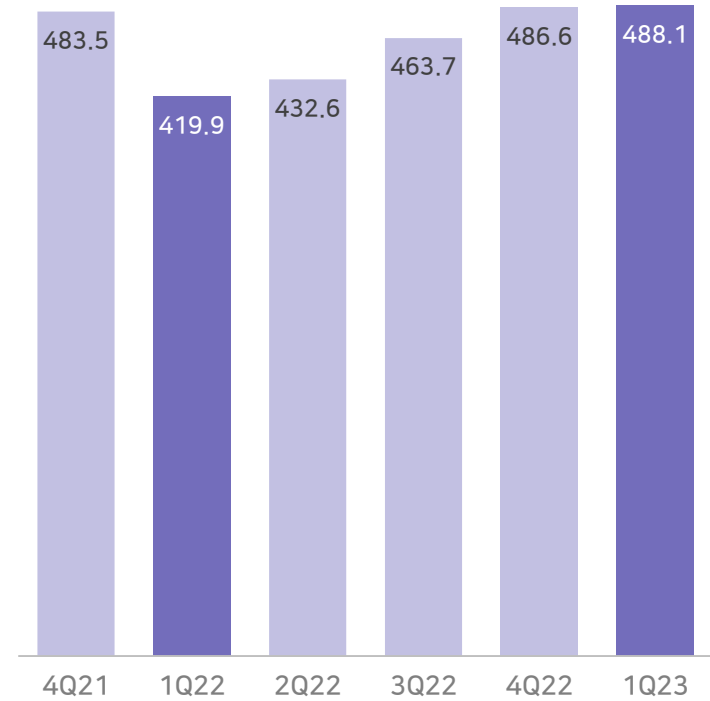
Operating Income

(bn KRW)



Adjusted EBITDA

(bn KRW)



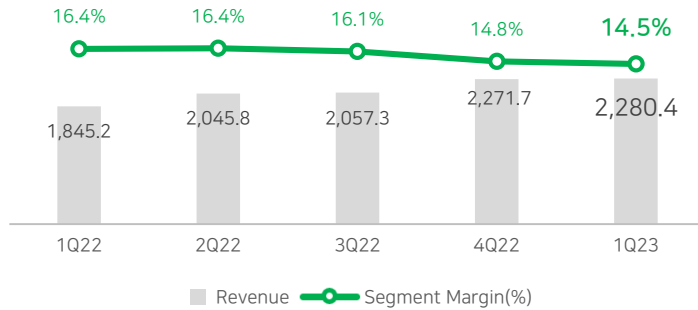
1Q23 P&L by Segment

(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%

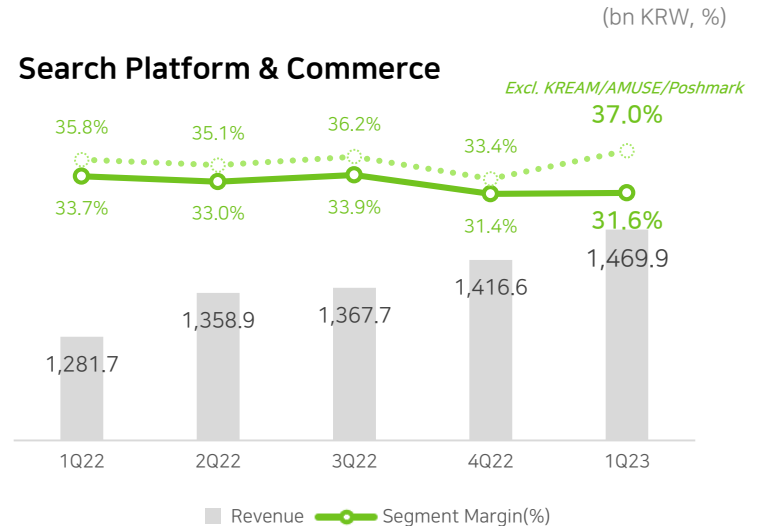
* Adjustments: Accounting adjustments including intercompany transactions

P&L by Segment

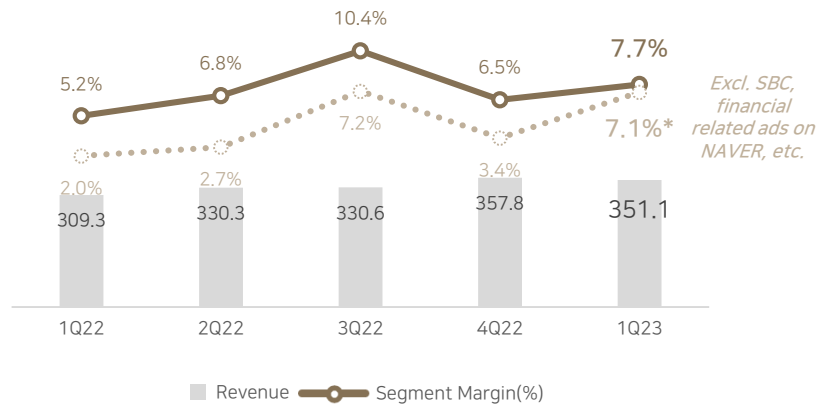
Consolidated



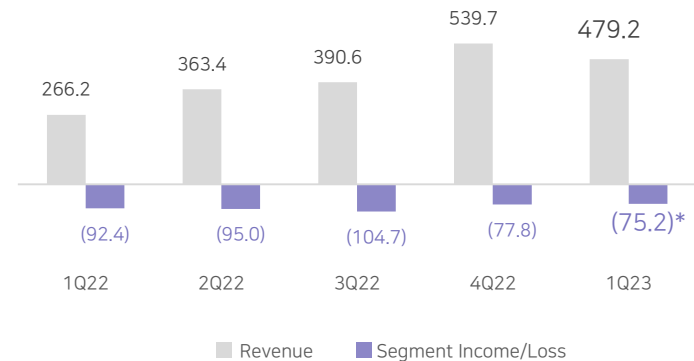
Search Platform & Commerce



Fintech



Contents



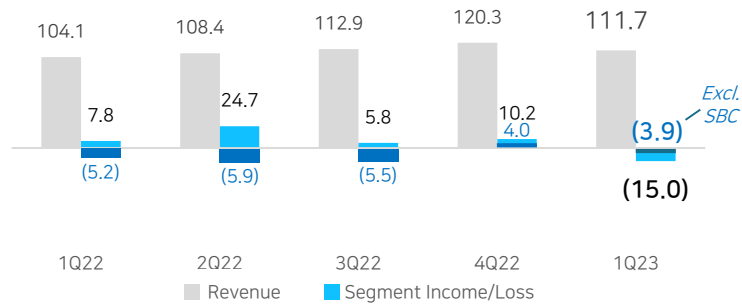
*Securities/Real estate page transferred from NAVER to Naver Financial in 1Q23

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

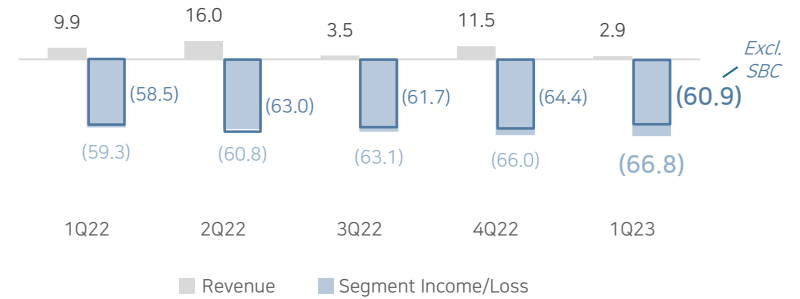
P&L by Segment

(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

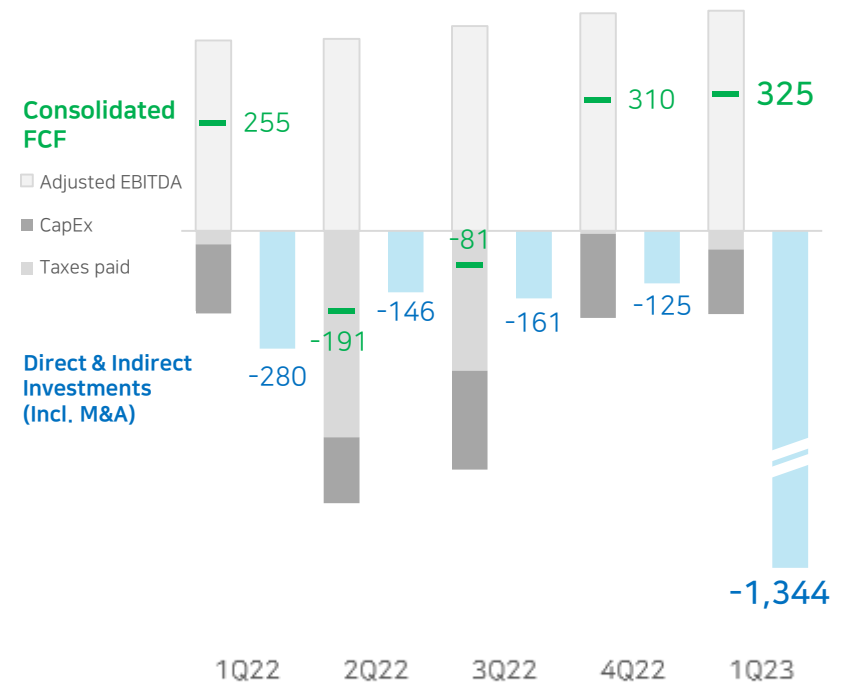
Borrowings / Debentures (Consolidated)

(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

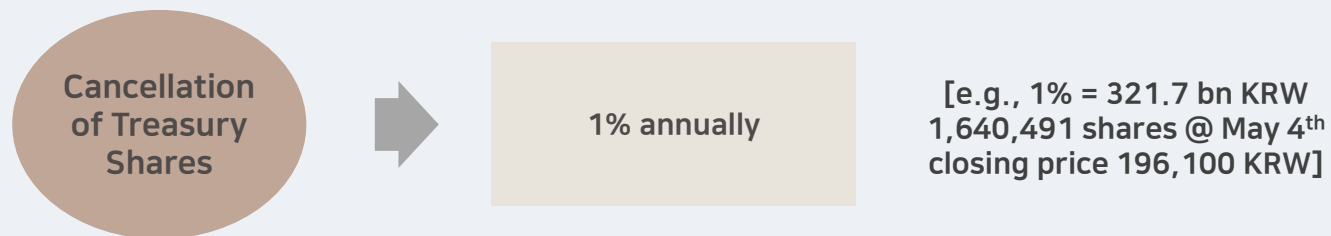


*Cash dividend for FY2022 to be paid within 3Q23 upon Board of Directors approval

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

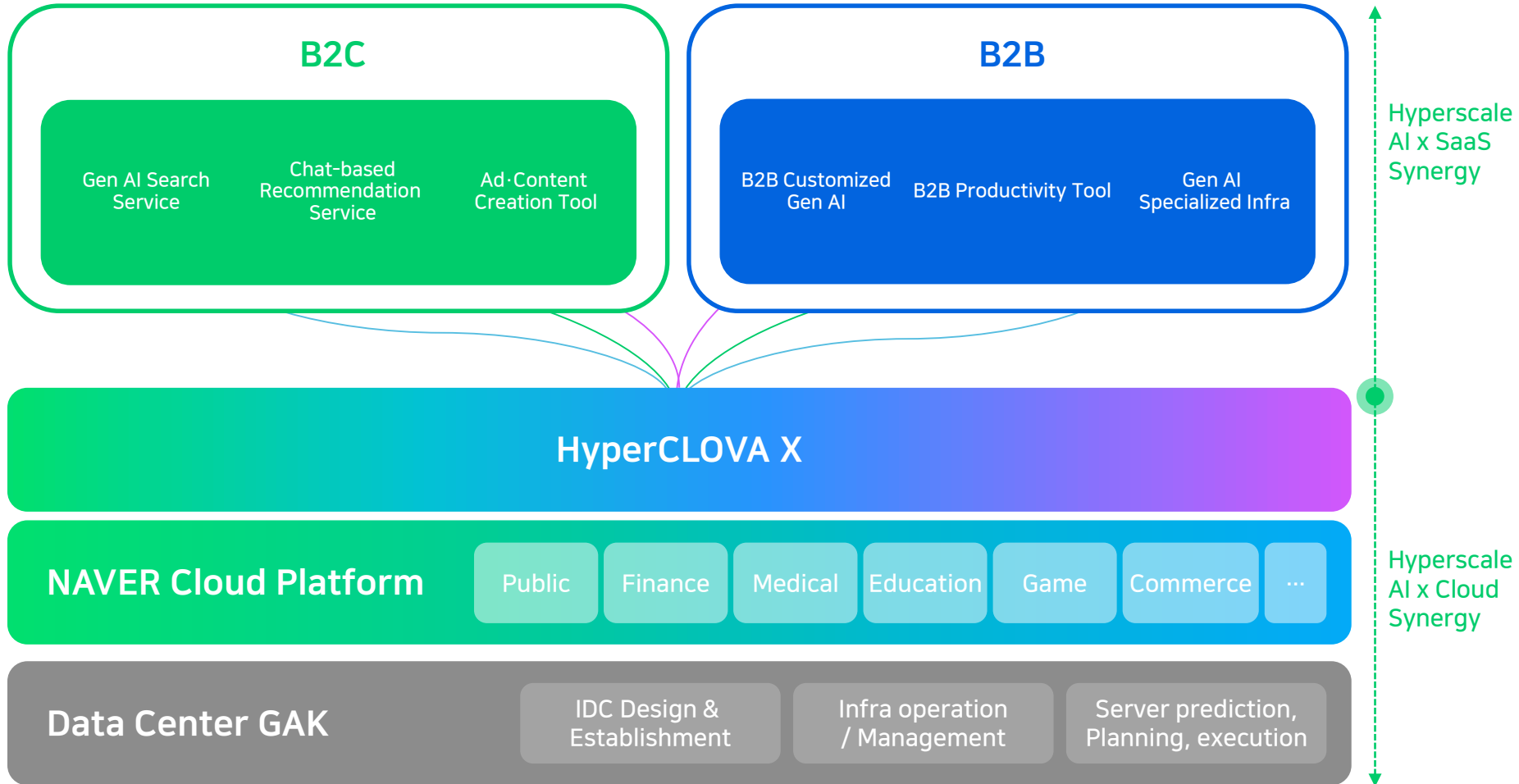
- For purposes of operating our employee equity compensation programs, we plan to maintain a treasury share balance of no more than 5% (vs. approximately 8% today) over the longer term

Special Cancellation of Treasury Shares



NAVER AI Tech & Services

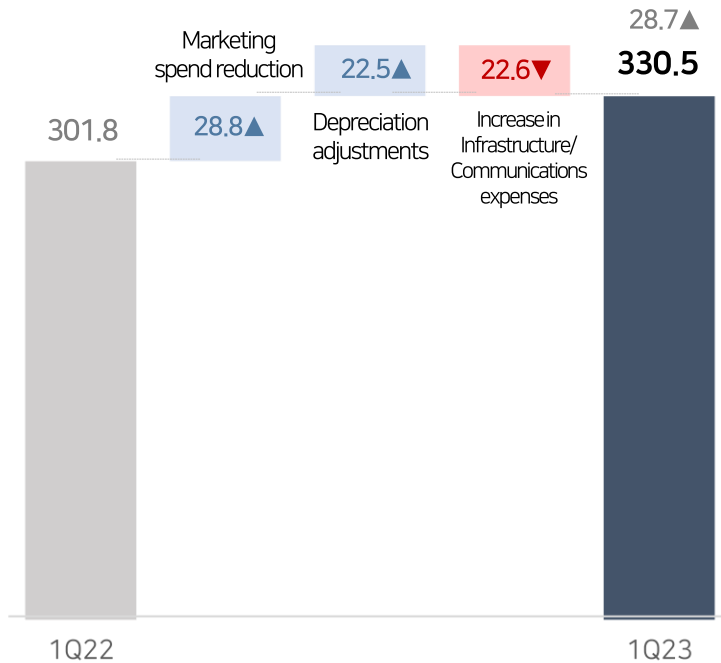
- Incorporating AI across all of our existing offerings will enhance TEAM NAVER's platform competitiveness
- With the launch of HyperCLOVA X this summer, we plan to provide generative AI-driven search for users and new customized services for enterprises



Appendix. Operating Profit Bridge Analysis

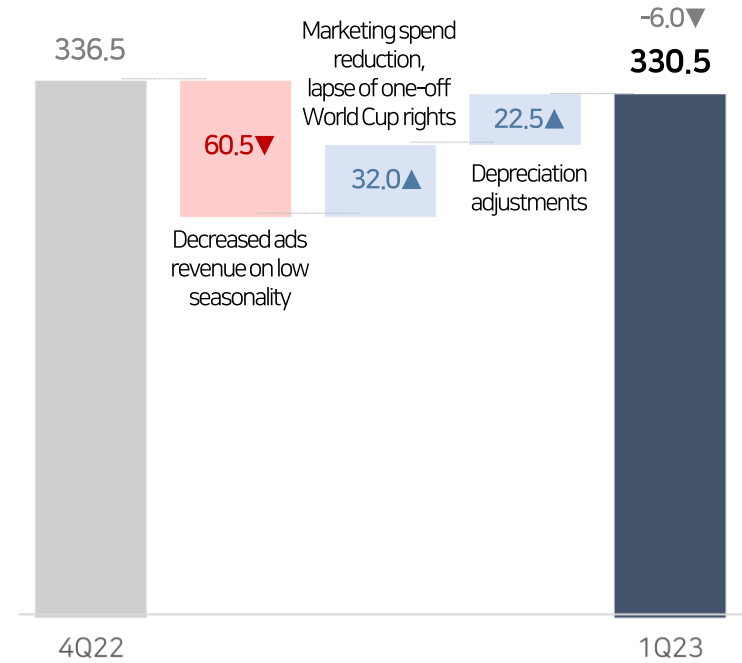
Year on Year Comparison

(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