

# 2Q23 Earnings Results

2023.8.4

# Disclaimer

The financial information included in this document are earnings results based on K-IFRS.

This document is provided for the convenience of investors,  
and the external review on our financial results are yet to be completed;  
therefore, certain part(s) of this document is subject to change upon such review results.

The Company does not make any representation or accept liability,  
as to the accuracy or completeness of the financial and operational results stated herein,  
and nothing contained herein is, or shall be relied upon, as a promise or representation, whether as to the past or the future.

This document shall not be utilized for any legal purposes in regards to any investor's investment results,  
and the Company hereby expressly disclaims any and all liability resulting from any investor's reliance on the information contained herein.

This document only speaks of the information as of the date such is made,  
and the Company is not responsible for providing updates contained in this document in light of new information or future events.

# Earnings Summary

- Revenue grew 17.7% YoY, 5.6% QoQ driven by growth in Commerce, Fintech and Contents\*
- Adjusted EBITDA increased 19.1% YoY, 5.5% QoQ to mark record high, driven by company wide cost reduction efforts, Webtoon returning to EBITDA positive, and further expansion of Poshmark's profitability

bn KRW	2Q22	3Q22	4Q22	1Q23	2Q23	Y/Y	Q/Q
Revenue	2,045.8	2,057.3	2,271.7	2,280.4	2,407.9	17.7%	5.6%
Search Platform	905.5	896.2	916.4	851.8	910.4	0.5%	6.9%
Commerce	439.5	458.3	486.8	605.9	632.9	44.0%	4.5%
Fintech	295.7	296.2	319.9	318.2	339.7	14.9%	6.7%
Contents	300.2	311.9	437.5	411.3	420.4	40.1%	2.2%
Cloud and Future R&D	104.9	94.8	111.1	93.2	104.5	-0.4%	12.1%
Operating Expenses	1,709.6	1,727.1	1,935.3	1,950.0	2,035.2	19.0%	4.4%
Adjusted EBITDA**	432.6	463.7	486.6	488.1	515.1	19.1%	5.5%
Adjusted EBITDA Margin (%)	21.1%	22.5%	21.4%	21.4%	21.4%	0.2%p	-
Operating Profit	336.2	330.2	336.5	330.5	372.7	10.9%	12.8%
Operating Margin (%)	16.4%	16.1%	14.8%	14.5%	15.5%	-1.0%p	1.0%p
Net Profit	158.5	231.6	131.8	43.7	286.7	80.9%	556.8%
Net Margin (%)	7.7%	11.3%	5.8%	1.9%	11.9%	4.2%p	10.0%p

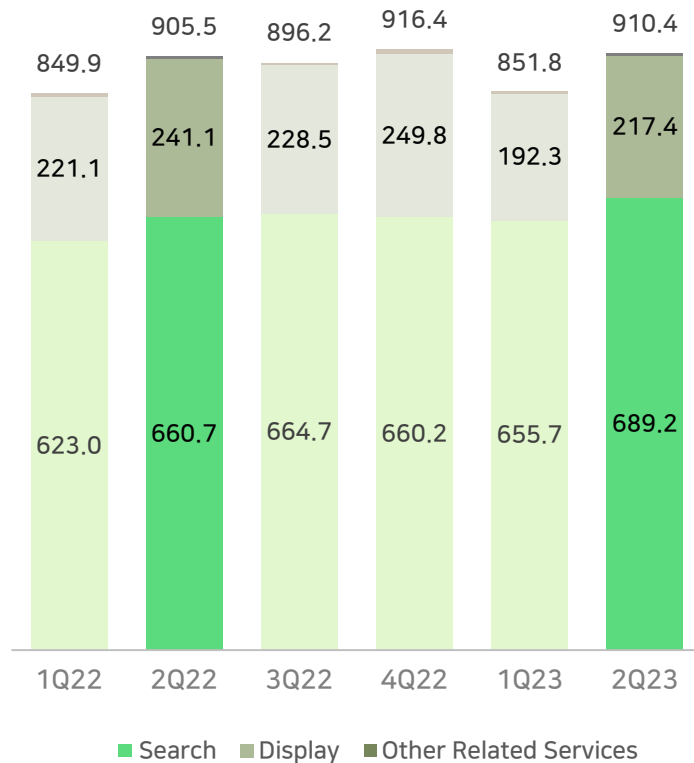
\* Excluding Poshmark consolidation impact, revenue was up YoY 11.7%, QoQ 5.8%

\*\* EBITDA + stock based compensation

# Search Platform Search, Display, Other Related Services

## Quarterly Revenue

(bn KRW)



**2Q23 YoY 0.5% ↑ / QoQ 6.9% ↑**

Search YoY 4.3% / QoQ 5.1%

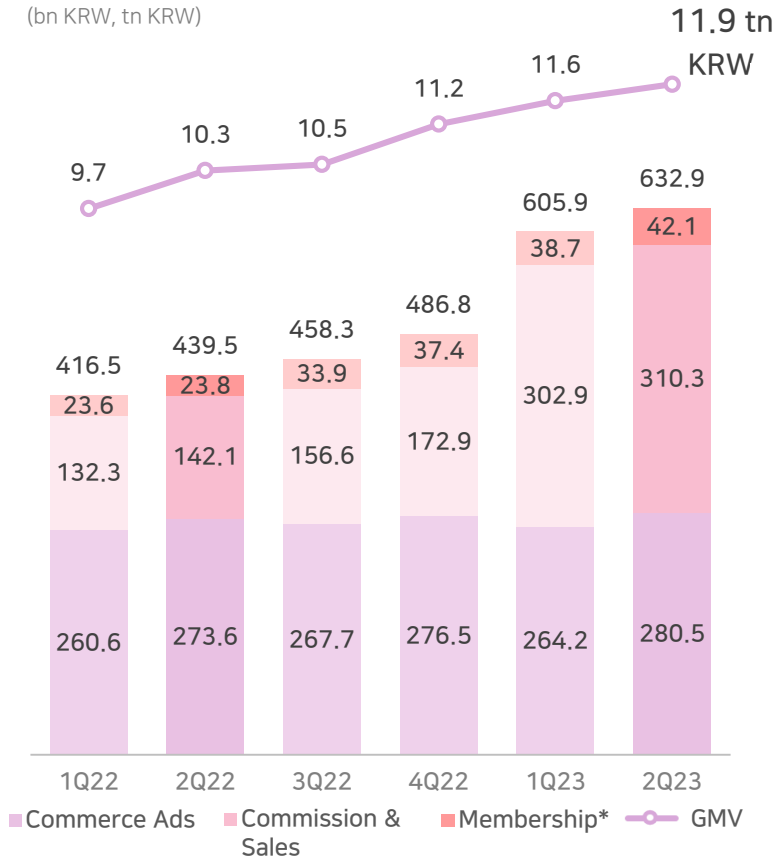
Display YoY -9.8% / QoQ 13.1%

- Despite continued online ads market slowdown, Search Ads grew YoY 4.3% as ad efficiency, including CTR, improved on product enhancements
- Display Ads declined 9.8% YoY on macroeconomic headwinds and base effect from Local Elections in 2Q22
- Place Ads grew 92% YoY on resumption of offline activities and holiday season while number of advertisers in 2Q grew across all sectors to 124K advertisers

# Commerce Ads, Commission & Sales, Membership

## Quarterly Revenue

(bn KRW, tn KRW)



\*Subscription revenue

## 2Q23 YoY 44.0% ↑ / QoQ 4.5% ↑

Commerce Ads YoY 2.5% / QoQ 6.1%

Commission & Sales\* YoY 118.3% / QoQ 2.4%

Membership YoY 77.4% / QoQ 8.8%

- Commerce Ads revenue grew 2.5% YoY, 6.1% QoQ despite weakened consumer sentiment and enterprise marketing cost control, driven by enhanced targeting
- Commission & Sales revenue\* increase was led by higher contribution from services with higher take rates such as Brandstore, Travel, and KREAM
- GMV\*\* increased 14.8% YoY, 2.5% QoQ driven by user experience enhancement features, despite slowdown in the e-commerce market
  - Product GMV grew 20% YoY along with Brandstore growth
    - Brandstore: GMV increased 57% YoY, number of stores increased by ~290 stores QoQ
  - Service GMV grew 40% YoY on resumption of offline activities and increases in spending for travel

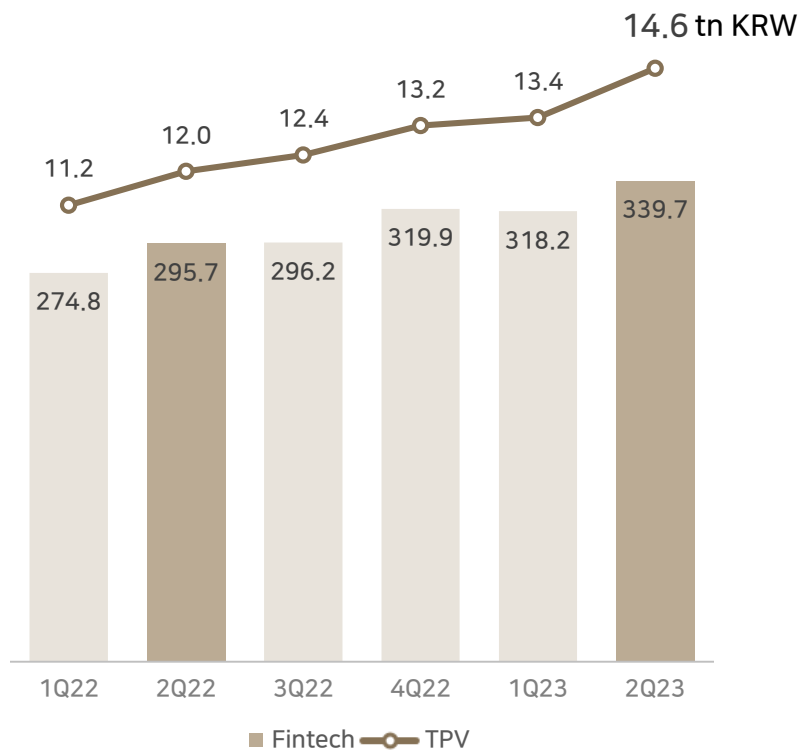
\* Commission & Sales revenue excl. Poshmark was up 33.4% YoY, 2.6% QoQ

\*\* GMV excl. Poshmark was up 8.6% YoY, 2.6% QoQ

## Fintech Payments, Digital Finance, etc.

### Quarterly Revenue

(bn KRW, tn KRW)



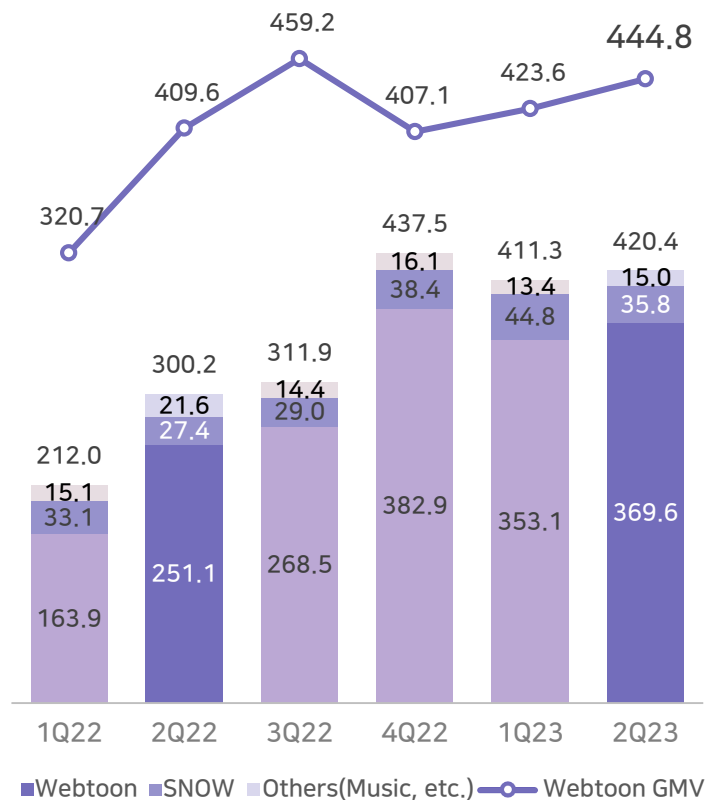
2Q23 YoY 14.9% ↑ / QoQ 6.7% ↑

- 2Q TPV grew 21.2% YoY, 9.2% QoQ to 14.6 tn KRW
- Non-captive TPV grew 40.5% YoY, 15.4% QoQ to 6.3 tn KRW, driving expansion of 3rd-party ecosystem
- Offline TPV grew 2X YoY to 1.4 tn KRW, on increased engagement in offline MST/QR payments following introduction of NAVER Pay X Samsung Pay service
- Continued expansion of loan service portfolio with launch of loan refinancing service. Selected as "Innovative Financial Service" provider for insurance brokerage service; to be launched in line with guidelines

# Contents Webtoon, SNOW, Others

## Quarterly Revenue

(bn KRW)



## 2Q23 YoY 40.1% ↑ / QoQ 2.2% ↑

Webtoon YoY 47.2% / QoQ 4.7%

SNOW YoY 30.4% / QoQ -20.1%

Others YoY -30.5% / QoQ 12.4%

## [Webtoon]

- Webtoon global GMV grew 8.6% YoY, 5.0% QoQ to 444.8bn KRW
- Number of paying users in Japan increased 20%+ YoY due to increase in original series, driving GMV growth. ARPPU in KR/US showed strong growth from product and CRM enhancements

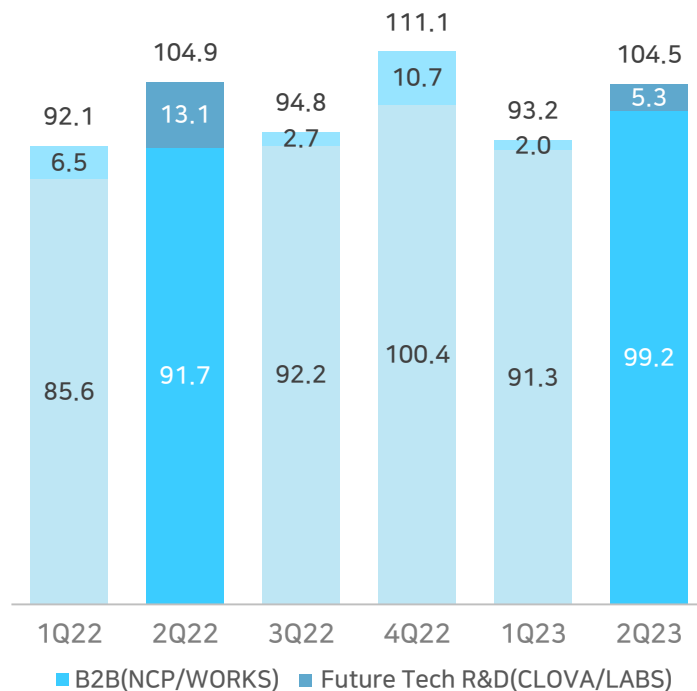
## [SNOW]

- Revenue grew 30.4% YoY with the success in SNOW Camera AI Profile product

# Cloud and Future R&D B2B(NCP/WORKS), Future Tech R&D(CLOVA/LABS, etc.)

## Quarterly Revenue

(bn KRW)



**2Q23 YoY -0.4% ↓ / QoQ 12.1% ↑**

B2B YoY 8.2% / QoQ 8.7%

Future Tech R&D YoY -59.9% / QoQ 166.9%

- B2B revenue grew 8.2% YoY and 8.7% QoQ to 99.2 bn KRW from increase in public sector spend
  - Next generation AI 'HyperCLOVA X' to be released on Aug 24<sup>th</sup>, as well as CLOVA X, a chat-based AI service with a stronger backbone
- Cloud service quality and portfolio, including B2B services, to be enhanced through CLOVA Studio



# Operating Expenses/Profit

- Limited QoQ rise in Development & Operations expense due to continued hiring freeze; Partner expense rose QoQ due to rise in Pay TPV and other revenue-linked commission
- Marketing expense increased marginally YoY despite increase in Pay point reward and overseas Contents marketing spend\*
- Infrastructure expenses increased QoQ on new AI infrastructure investments and IDC space-related expenses, but flat YoY due to extension of depreciation period in 1Q

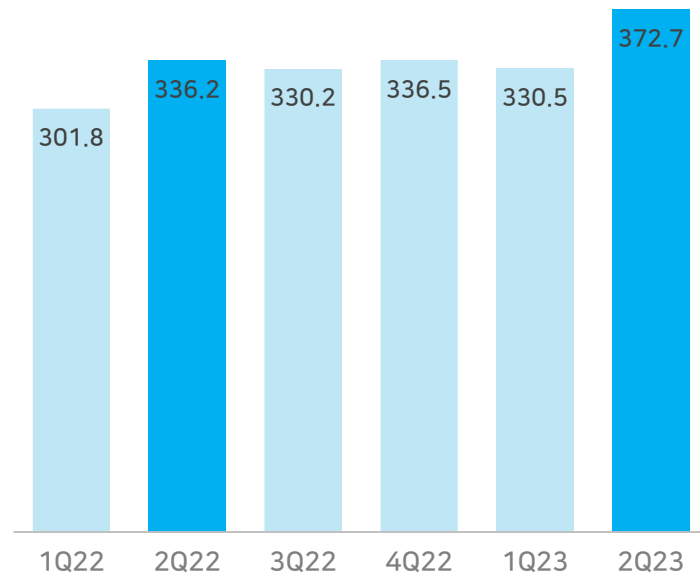
(bn KRW)	2Q22	3Q22	4Q22	1Q23	2Q23	Y/Y	Q/Q
Operating Expenses	1,709.6	1,727.1	1,935.3	1,950.0	2,035.2	19.0%	4.4%
Development & Operations	515.1	521.7	561.5	635.5	644.3	25.1%	1.4%
└ Labor cost	433.7	433.5	469.5	536.0	546.0	25.9%	1.9%
└ Others	81.4	88.2	92.1	99.5	98.3	20.7%	-1.2%
Partner	720.1	722.2	897.9	831.9	865.5	20.2%	4.0%
Infrastructure	141.4	152.2	154.2	132.6	142.0	0.4%	7.1%
Marketing	333.0	331.0	321.6	349.9	383.4	15.1%	9.6%
Operating Profit	336.2	330.2	336.5	330.5	372.7	10.9%	12.8%
Operating margin (%)	16.4%	16.1%	14.8%	14.5%	15.5%	-1.0%p	1.0%p
Depreciation & Amortization	96.6	103.4	108.1	82.5	88.2	-8.7%	6.8%
Stock-based compensation	-0.1	30.1	41.9	75.0	54.3	-	-27.6%
Adjusted EBITDA	432.6	463.7	486.6	488.1	515.1	19.1%	5.5%
Adjusted EBITDA margin (%)	21.1%	22.5%	21.4%	21.4%	21.4%	0.2%p	-
Net Profit	158.5	231.6	131.8	43.7	286.7	80.9%	556.8%
Net margin (%)	7.7%	11.3%	5.8%	1.9%	11.9%	4.2%p	10.0%p

\* Excluding Poshmark consolidation effect, Marketing expense remained flat YoY

# Operating Income, Adjusted EBITDA

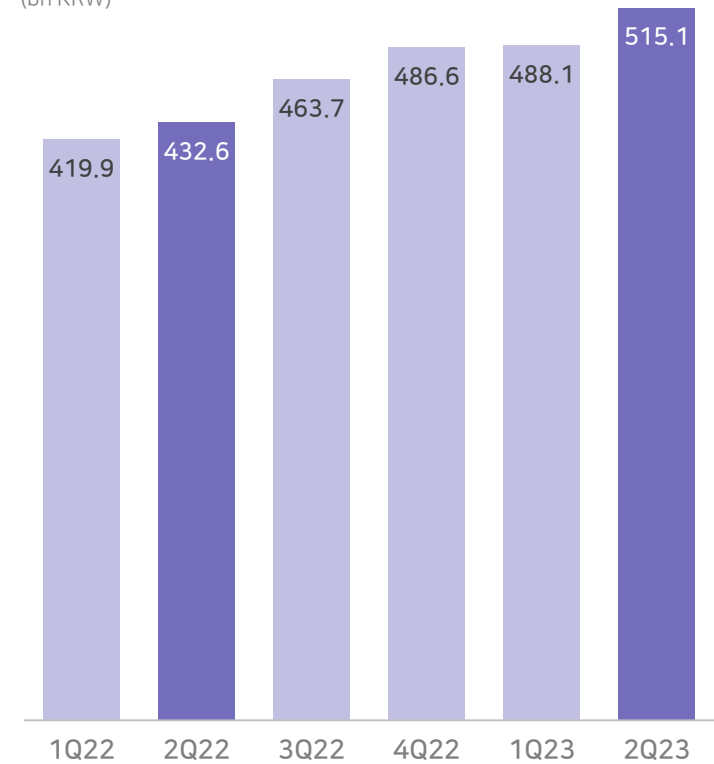
## Operating Income

(bn KRW)



## Adjusted EBITDA

(bn KRW)



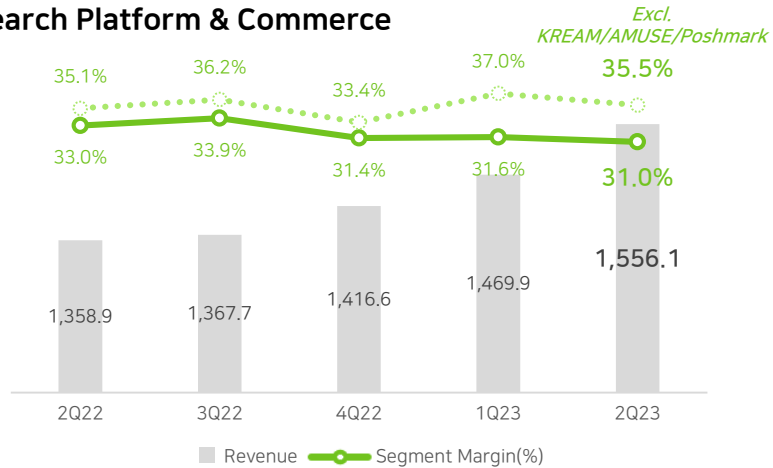
## 2Q23 P&L by Segment

(bn KRW, %)	Reporting Segment					Adjustment*	Total (Consolidated)
	Search Platform	Commerce	Fintech	Contents	Cloud and Future R&D		
2Q Segment Revenue (A)	923.1	633.0	373.9	502.8	123.5	(148.4)	2,407.9
└ External revenue	910.4	632.9	339.7	420.4	104.5	-	2,407.9
└ Internal revenue	12.6	0.1	34.2	82.4	19.0	(148.4)	-
1Q Segment Income/Loss (B)	481.8		27.0	(60.7)	(69.3)	(6.2)	372.7
1Q Segment Margin (C) [C = B / A]	31.0%		7.2%	-	-	-	15.5%

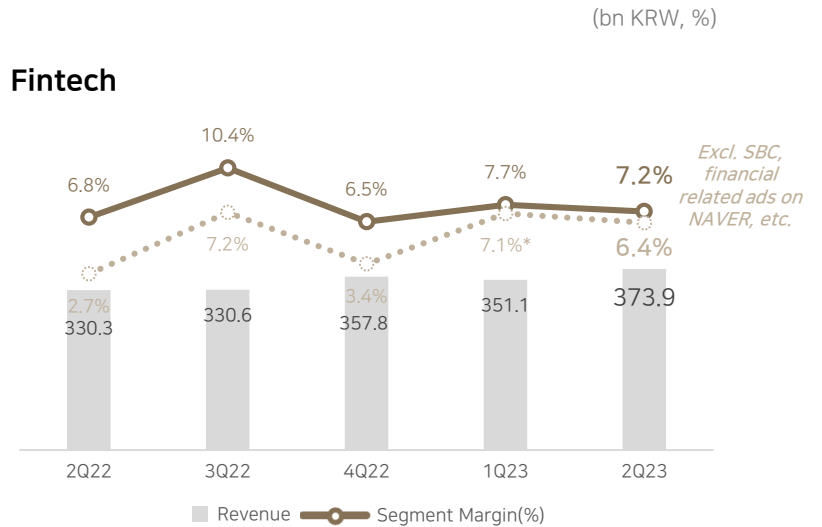
\* Adjustments: Accounting adjustments including intercompany transactions

# P&L by Segment

## Search Platform & Commerce

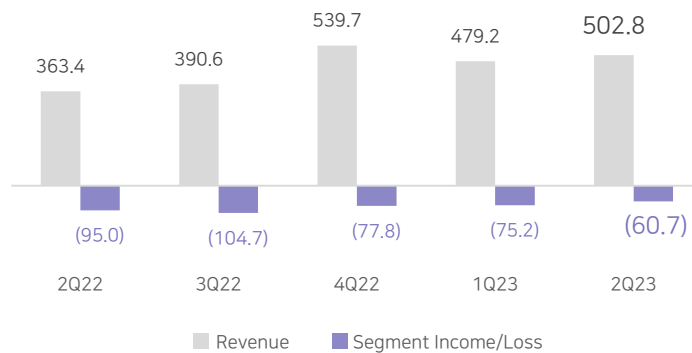


## Fintech

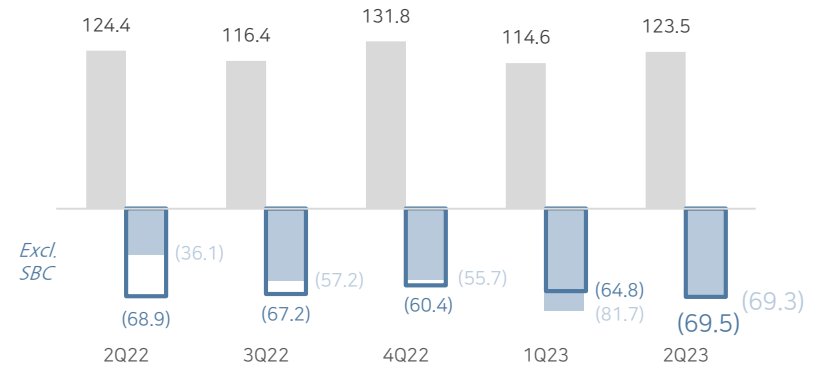


\*Securities/Real estate page transferred from NAVER to Naver Financial in 1Q23

## Contents



## Cloud and Future R&D



\*Includes 2Q23 Webtoon loss of 13bn KRW (25.6bn KRW YoY improvement)

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

## Cash & Borrowings

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

(bn KRW)	4Q22	1Q23	2Q23
Naver (Separate)	1,355.1	947.7	689.7
Naver (Consolidated)	3,940.6	3,827.6	3,775.2

### Borrowings / Debentures (Consolidated)

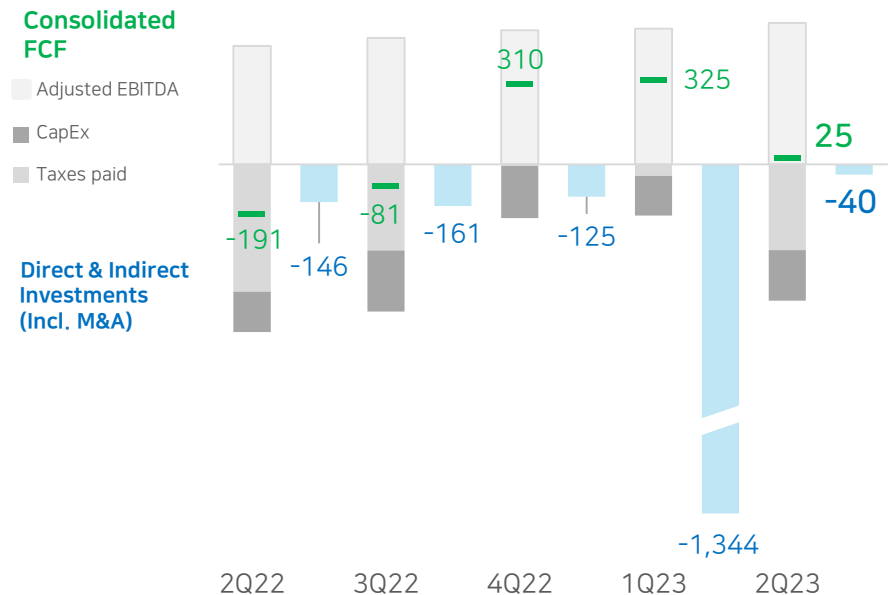
(bn KRW)	4Q22	1Q23	2Q23
Borrowings & Debentures	3,414.0	4,246.8	3,976.9
Short-term Borrowings	1,381.4	1,840.6	1,554.2
Long-term Borrowings	2,032.6	2,406.1	2,422.8
Debentures	1,704.5	1,484.5	1,492.3
Borrowings	328.0	921.7	930.4

\*Paid \$400mn (cumulative) out of \$800mn loan raised in connection with Poshmark acquisition in 1H

## Consolidated FCF, Direct and Indirect Investments

(bn KRW)

We plan to pay out 415 KRW per share as a dividend in August in accordance with our new shareholder return policy announced last quarter (Total 62.4bn KRW, 15% of 2-year avg. consolidated FCF)

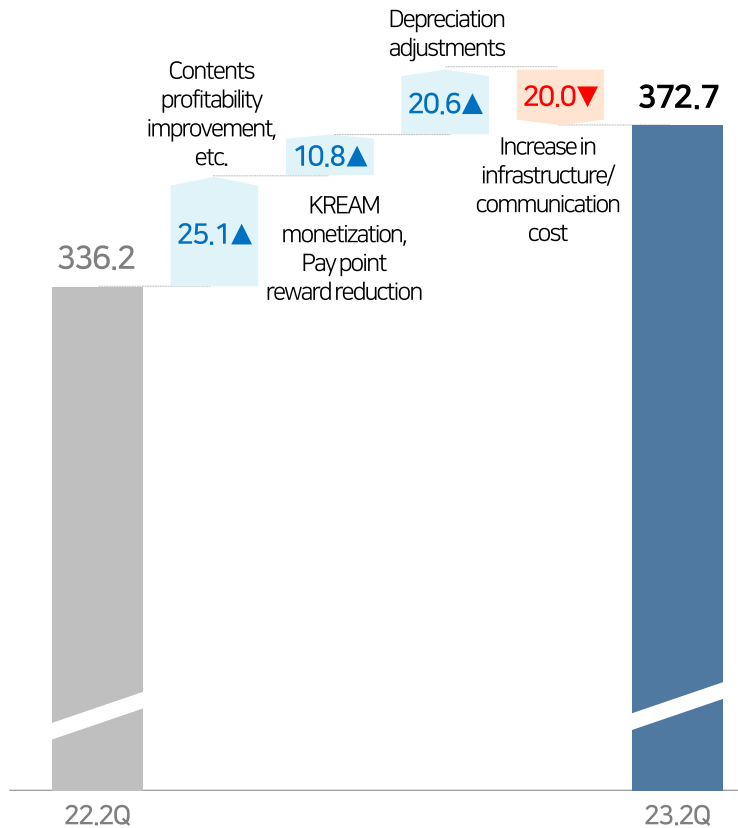


- Consolidated FCF : Consolidated operating Income + non-cash expenses - CapEx - taxes paid

# Appendix. Operating Profit Bridge Analysis

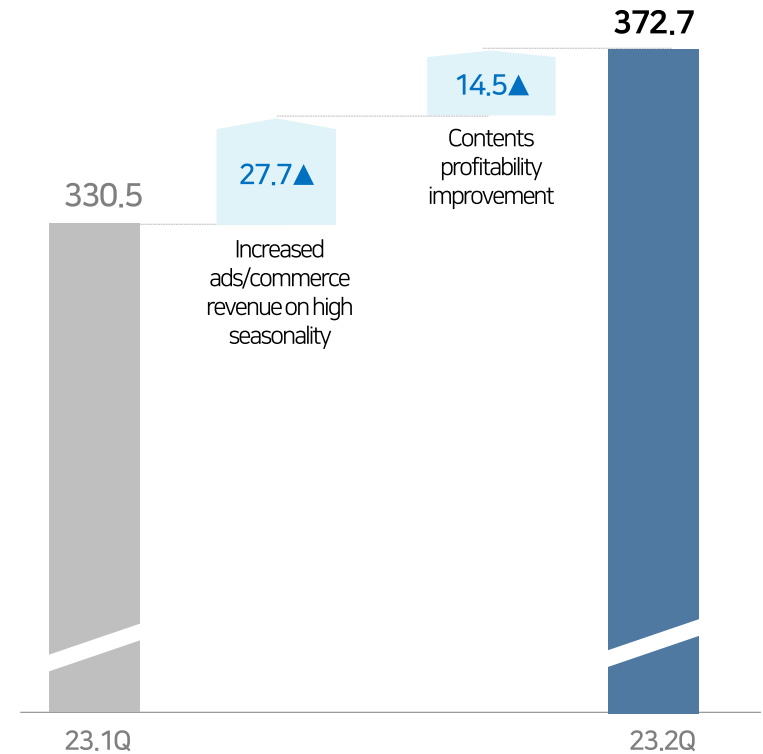
## Year on Year Comparison

(bn KRW)



## Quarter on Quarter Comparison

(bn KRW)



## Appendix. Net Income Breakdown

- 2Q net profit rose 80.9% YoY and 556.8% QoQ from equity method valuation gains and effect from deconsolidation of certain subsidiaries
- Equity method gain/losses: Increase in equity method gains
- Financial profit/loss: Wider valuation losses in financial assets vs. 2Q22

(bn KRW)	2Q22	3Q22	4Q22	1Q23	2Q23	Y/Y	Q/Q
Operating Profit	336.2	330.2	336.5	330.5	372.7	10.9%	12.8%
Operating margin (%)	16.4%	16.1%	14.8%	14.5%	15.5%	-1.0%p	1.0%p
Non-operating profit/loss	-73.0	44.5	-147.3	-213.9	48.4	n/a	n/a
Equity method gain/loss	-60.1	-1.0	305.3	-39.4	135.1	n/a	n/a
Financial profit/loss	57.0	186.4	-448.0	-40.9	-66.8	n/a	-63.5%
Other profit/loss	-69.9	-141.0	-4.6	-133.6	-19.8	71.7%	85.2%
Pre-tax income	263.2	374.7	189.2	116.6	421.1	60.0%	261.2%
Tax	104.7	143.2	57.4	72.9	134.4	28.4%	84.3%
Net Profit	158.5	231.6	131.8	43.7	286.7	80.9%	556.8%
Net Margin (%)	7.7%	11.3%	5.8%	1.9%	11.9%	4.2%p	10.0%p

**Thank You**