

kakao

Company Presentation
April 2024



Disclaimer

Financial information contained in this document is based on consolidated K-IFRS that have not been audited by an independent auditor. Therefore, the information and financial data of Kakao and its subsidiaries (the "Company", or "Kakao") contained in this document are subject to change upon an independent auditor's audit.

The Company does not make any representation or accept liability, as to the accuracy or completeness of the information contained in this material.

The format and contents of this document are subject to change for future filings and reports. Kakao is not liable for providing future updates on all figures included in this document.

Therefore, this presentation contained herein should not be utilized for any legal purposes in regards to investors' investment results. The Company hereby expressly disclaims any and all liability for any loss or damage resulting from the investors' reliance on the information contained herein.

Company Overview



Korea's mobile communication leader with the undisputed dominant messenger app Kakao Talk
48 mm domestic MAU vs. 52 mm population in Korea (93% penetration)



Multiple revenue streams across platform and content business, capturing the full range of **everyday mobile activities**
Communication, e-commerce, payment & banking, ride-hailing, music streaming, webtoon, etc.



Total package portfolio across corporate growth cycle
Early-stage growth (AI, healthcare, cloud and VC Investments) to self-sustaining growth (mobility, entertainment, and game) and profitable growth (Kakao Talk's advertising and commerce)

Platform Businesses

BACKBONE

TALK



Advertising



Commerce

85~100%⁽¹⁾

NEW INITIATIVES

- kakaobrain** AI
- kakaoenterprise** B2B / cloud
- kakaohealthcare** healthcare

CONNECTED SERVICES

57.3%⁽¹⁾

kakaomobility
ride-hailing & other mobility

46.5%⁽¹⁾

kakaopay
payments & tech-fin

27.2%⁽¹⁾ (Associate)

kakaobank
internet banking

Content Businesses

GLOBAL GROWTH DRIVERS

66.0%⁽¹⁾

kakao
ENTERTAINMENT

music / K-pop, media, and webtoon / web novel

91.1%⁽¹⁾

kakaopiccoma

webtoon (Japan)

39.9%⁽¹⁾

SM
ENTERTAINMENT
GROUP

K-pop

40.9%⁽¹⁾

kakaogames

mobile / PC games, virtual golf

Note: (1) Percentage figures indicate Kakao Corp's ownership stake in subsidiaries; all entities are consolidated subsidiaries but for Kakaobank (equity method accounting).

REINVENTING

Redefining Kakao Talk and its Business Model

- Ongoing transition from a messenger app to a **comprehensive communication service platform**
- Ramp-up and monetization of **new tabs**, expansion of **user base** and **ad inventory**, **insulating the e-commerce** business from domestic competitors and the value-for-money Chinese platforms

REALIGNING

More Focused Resource Allocation and Business Portfolio Optimization

- Ploughing the growing profits back into **major AI initiatives** and **key capex** projects to drive growth
- Streamlining the **group structure** to channel key resources to more promising areas and **reduce holdco discount**

RECALIBRATING

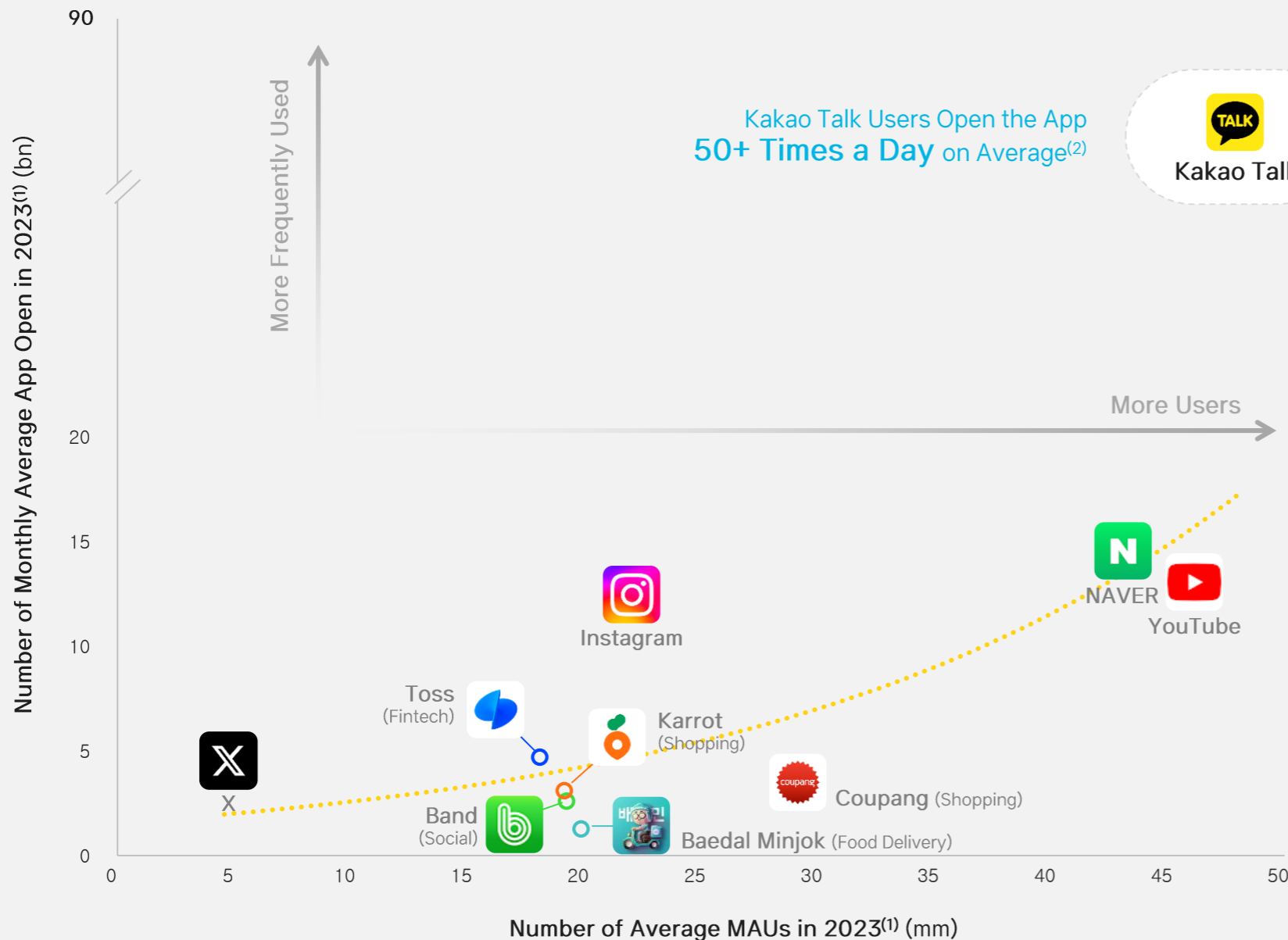
Better Financial Discipline and Improved Transparency

- **New management's** rigorous focus on **financial discipline** to drive profitability amid higher interest environment
- Key divisions delivering **profit upside** with new initiatives **narrowing losses**
- Transition to a more **conservative and transparent** accounting practice

Undisputed Market Leader in Korea's Mobile Space

Kakao Talk: No. 1 Mobile App in Korea

2023 Most Popular Apps in Korea by User Traffic & Usage Frequency⁽¹⁾



No. 1 Messenger in Korea

93% Population Penetration⁽³⁾



No. 1 Mobility Platform in Korea

Taxi-Hailing, Designated Driver, Parking



No. 1 Digital Bank in Korea

by Deposit & Loan Balance



No. 1 Webtoon Platform in Korea

by In-App Purchase Revenue in 2023



Global No. 1 Webtoon Platform

by In-App Purchase Revenue in 2023



Top 1% Sustainability Distinction

by S&P Global's Corporate Sustainability Assessment in 2022 & 2023

Source: Company Information, Wiseapp Retail Goods, Korea's Fair Trade Commission, Sensor Tower, Mobile Index.

Note: (1) Based on mobile app user data in January – November 2023 for Android and iOS, except for X (MAU as of 1H 2023 as compiled by Mobile Index). (2) Calculated as [avg. monthly app launch by MAUs] / [avg. number of MAUs] / 30 days based on the data from Wiseapp Retail Goods. (3) Based on annual average MAUs in 2023 and the number of total population in Korea as of April 2024.

Making Every Korean's Daily Lives Better


A Life that Cannot Be Imagined without kakao






Shopping
Fashion Items


Monitor
My Health


Ask Merchant
for Service


Advertise
My Products


Book
Flight Ticket


Find Best Route
to Destination



Key Products & Positioning - Kakao Talk

Solid Growth and Profitability Built on Unique, Differentiated Competitive Moat

Advertising



Advertising Inventory backed by Unique Traffic Base of No. 1 Messenger App

Korea's Digital Advertising

KRW9 tn
Online Ads TAM⁽¹⁾

16% Share
Digital Ads

E-Commerce



E-Commerce Platform with Unique Business Model of Gifting

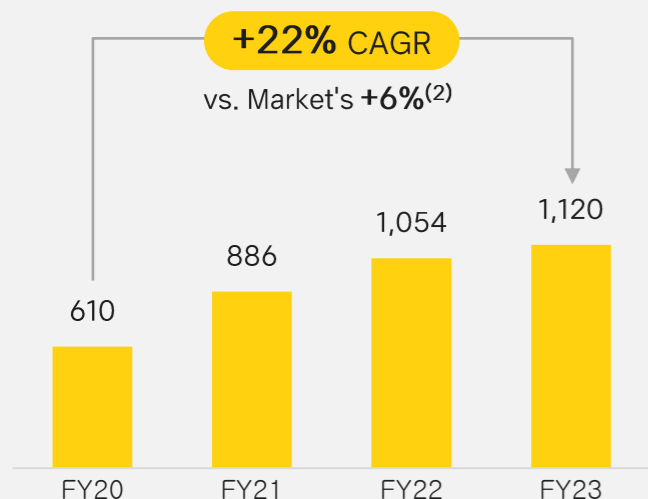
Korea's E-Commerce

KRW227 tn
Online Retail TAM⁽⁴⁾

4% Share
E-Commerce



Kakao Talk's Advertising Revenue Growth (KRW bn)

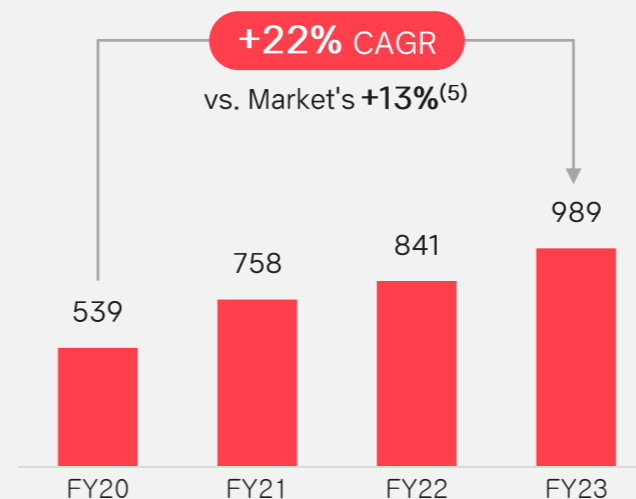


Key Growth Initiatives

- Focus on Enhancement of KakaoTalk Traffic Quality⁽³⁾
- Expansion of Location-based Ads for SMEs
- Maintained Growth Momentum with Unique Products & High ROAS



Kakao's E-Commerce Revenue Growth (KRW bn)



Key Growth Initiatives

- Expansion of Selections to Luxury / High-end Brands
- Synergy Between Brand Store & Talk Channel
- Use Case Expansion from Gifting to Self-Purchases

Source: Korea Broadcast Advertising Corporation (KOBACO), Korea Statistical Information Service (KOSIS), Company Filings.

Note: All revenue figures are before restatement as per the recent changes in accounting policy for the purpose of consistent growth comparison.

(1) Korea's online advertisement market as of FY2023. (2) Korea's online advertisement market as per KOBACO.

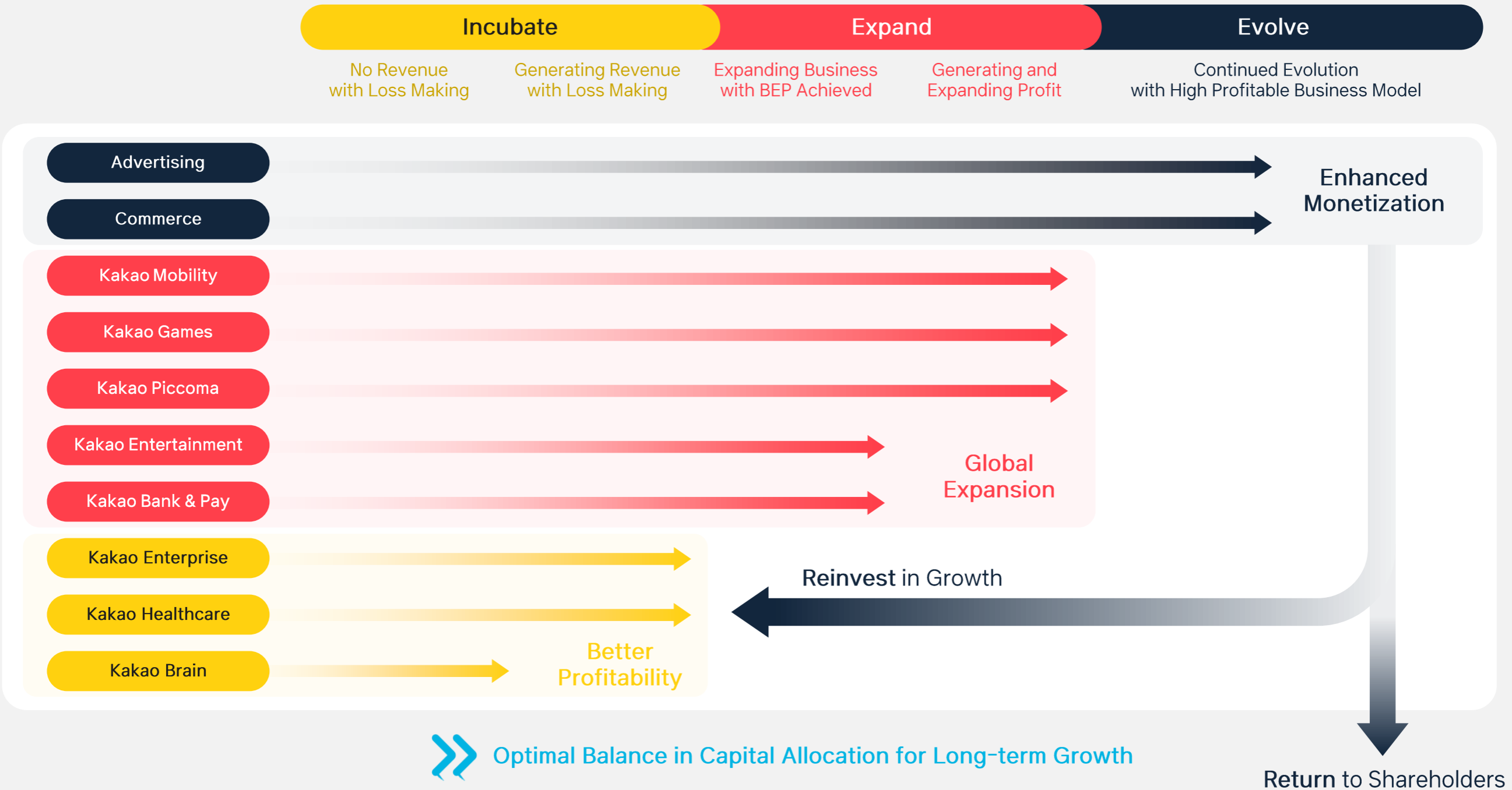
(3) Ultimately leading to inventory expansion on the back of increased traffic in open chat and friend tabs. (4) Korea's online shopping market as of FY2023. (5) Korea's online shopping GMV as per KOSIS.

Leadership Across Key Verticals With Continued Business Model Innovation



Source: Company Information, Korea's Fair Trade Commission, Sensor Tower.

Operating on the Full Range of Growth Cycle



FY2023 Results Summary

- Robust top-line growth of +11% YoY recording KRW7.6 tn revenue in FY2023, driven by strong advertising and commerce business
- EBIT margin improved from 4% in 1Q23 to 8% in 4Q23 (excl. SM Entertainment), as losses from New Initiatives narrowed with ongoing optimization of operations and further cost savings from **successful restructuring plan**

New Management

- Newly appointed leadership team (including CEO and CFO) focusing on strong growth and financial transparency to **redefine Kakao**
- Revamped Corporate Alignment Council (CAC) to **align interests / form consensus within Kakao ecosystem**

More Conservative Accounting Practice

- Transition to a **more conservative accounting standards** to enhance financial soundness
- More **disciplined monitoring and evaluation of intangible assets** as well as **transparent and timely disclosure** of the details

AI Initiatives

- Established a **new AI-dedicated unit under Kakao Corp's CAIO** to lead the group's overall AI strategy
- Focusing on revenue generation by launching **AI killer content** (vs. costly foundation model) to provide **unique AI experience for users** (achieved 1.5mm users within 1 month of launching the KakaoTalk AI function in December 2023)

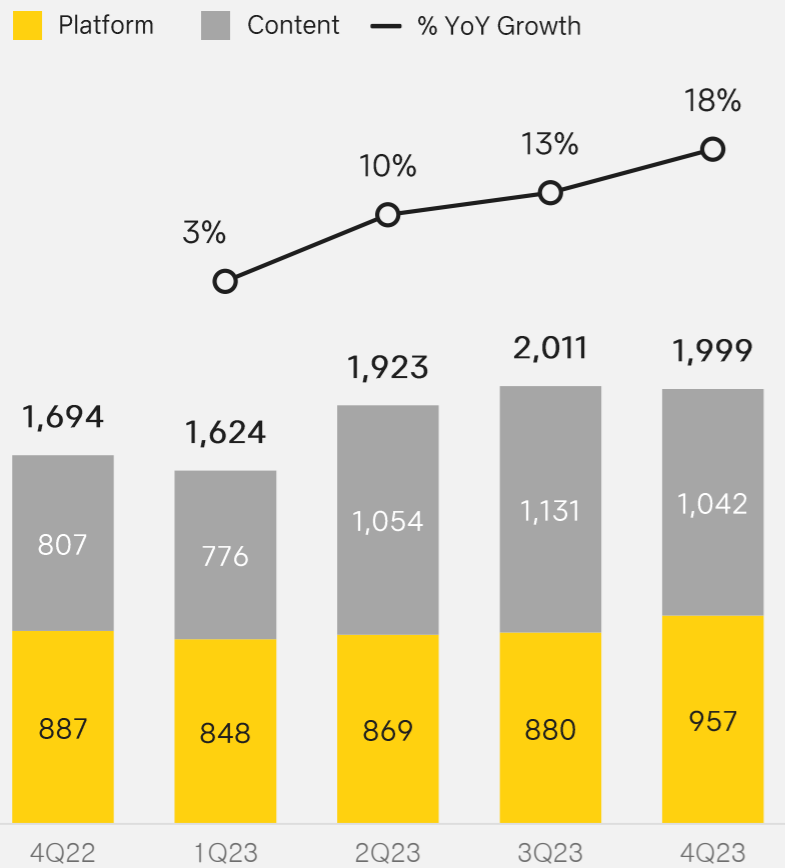
Enhanced Local Service of Kakao Talk

- Unlocking a **next growth engine for Kakao's advertising business** by establishing a **new "Local" division** along with Advertising and Commerce for Talk Biz. (vs. a unit under Advertising business)
- **Broadening advertiser pool** by securing **SME merchants** based on expanded ads inventory that allows **location-based marketing** as well as **new localized ad products** with better accessibility for SMEs and higher ROAS

Robust Financial Performance With Continued Transformation

Revenue

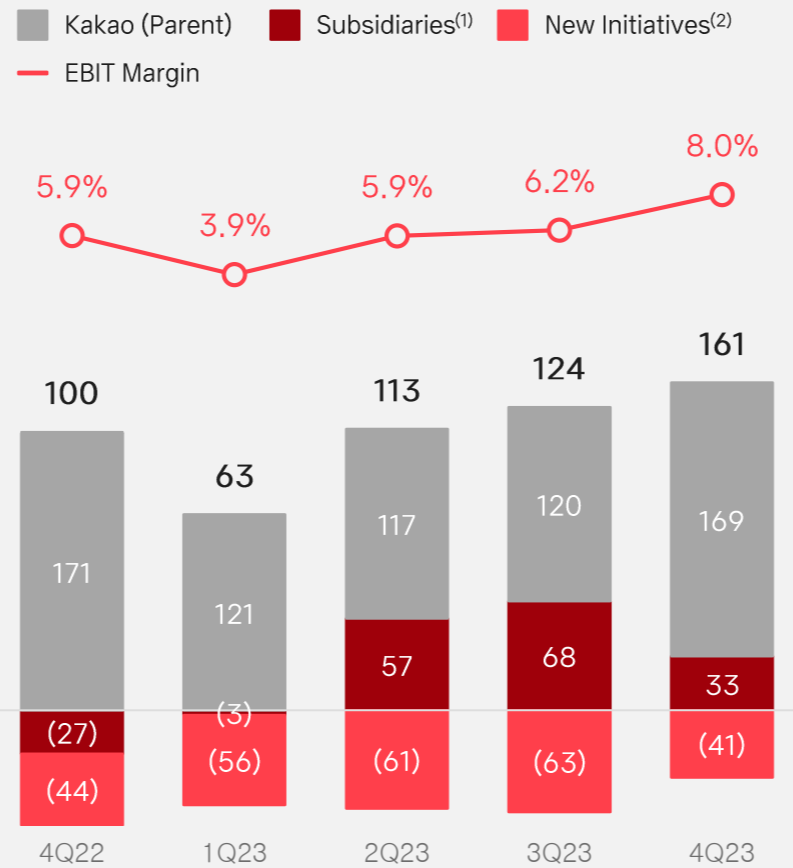
Quarterly Revenue (KRW bn)



- Overall growth with continued growth of Kakao Talk MAUs and Kakao Talk-native biz.
- Driven by robust performance of advertising (+11% YoY) and commerce (+16% YoY⁽³⁾)

EBIT

Quarterly EBIT (KRW bn)



- **Subsidiaries EBIT turnaround** in 2Q23 with continued business development
- **New Initiative's narrowing loss** with ongoing optimization of operations

4Q23 Highlights



Increased Advertising Revenue
 (4Q23 +11 YoY, +9% QoQ)
 increased user traffic and acquired sizable SME advertisement clients



Increased Commerce Revenue
 (4Q23 +16% YoY⁽³⁾, +20% QoQ)
 execution of advanced CRM marketing and expansion of premium brands



Expanded Profitability
 (4Q23 EBIT +109% YoY, +42% QoQ)
 cost reduction of New Initiatives with continued profit generation from Subsidiaries

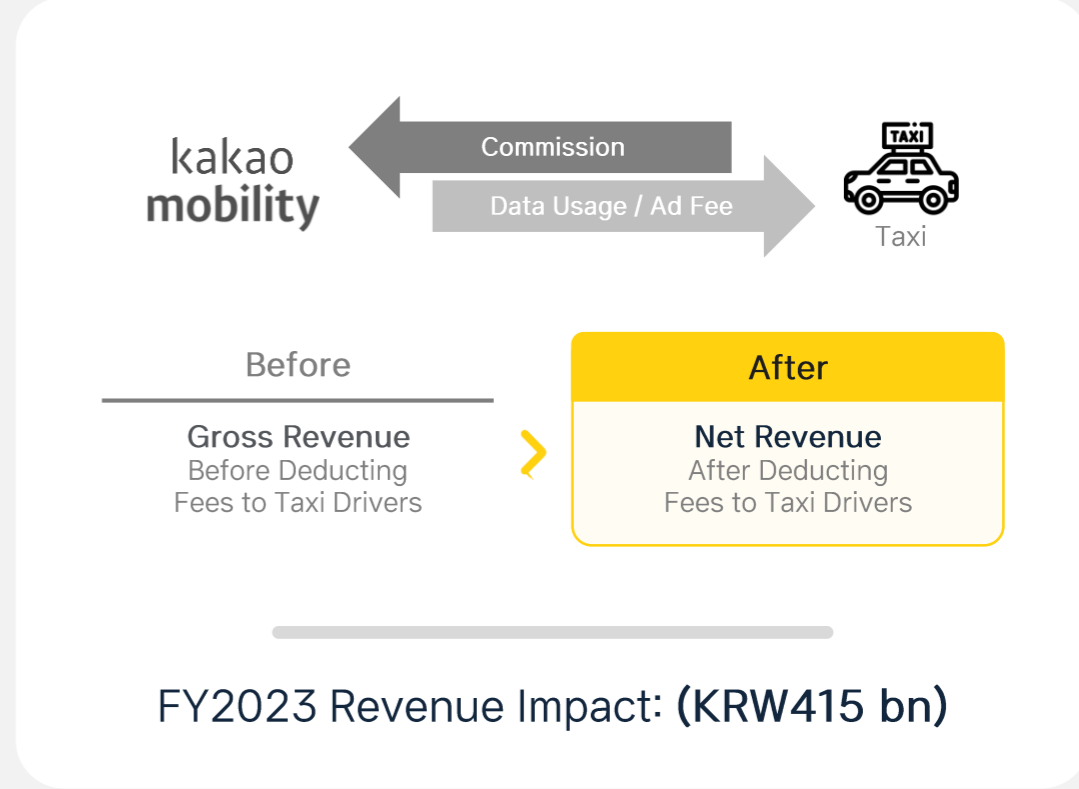
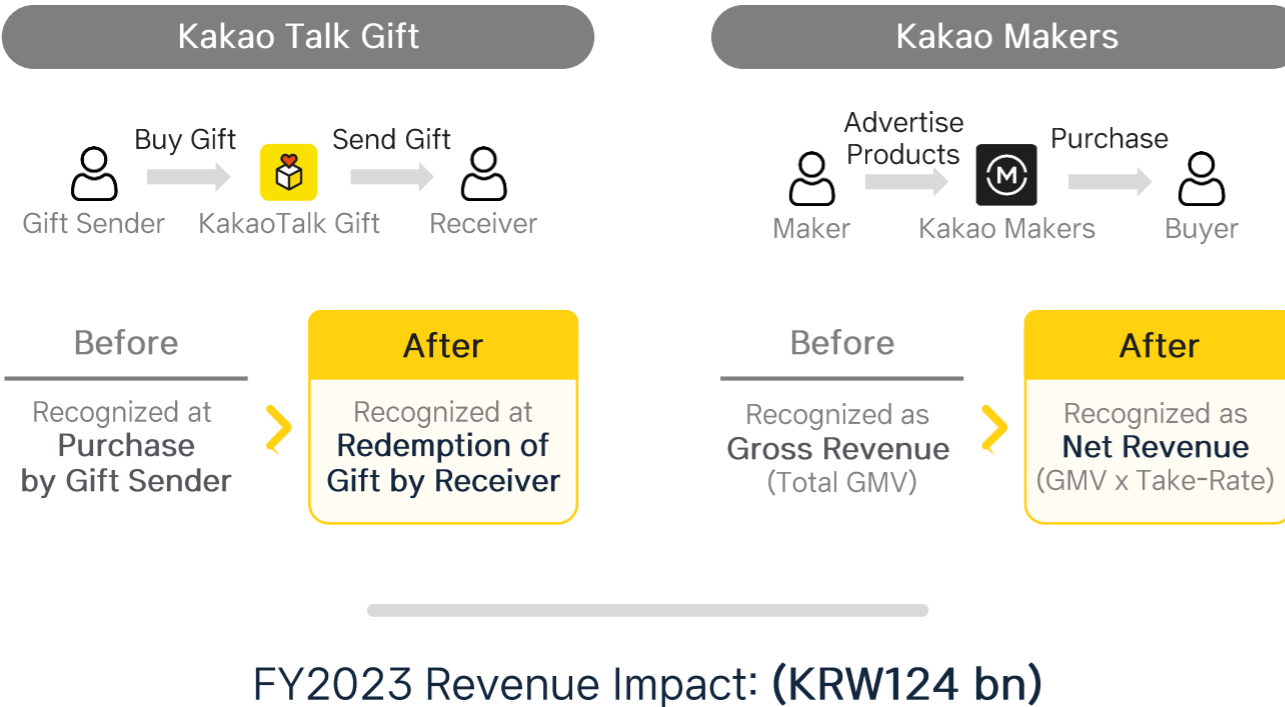
Note: (1) All business segments excl. Kakao (Parent) and New Initiatives. (2) Includes Kakao Enterprise, Kakao Brain, and Kakao Healthcare. (3) Before restating the financials to reflect the changes in accounting policy on March 20, 2024.

Major Accounting Changes

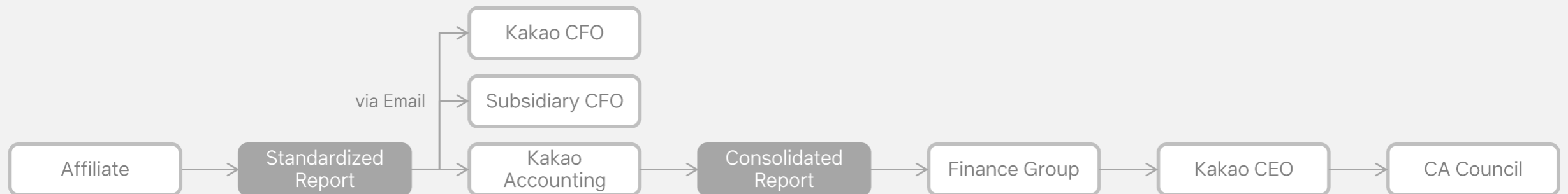
More Conservative Accounting Practice to Enhance Financial Soundness

Kakao Commerce - Changes in Revenue Recognition


Kakao Mobility - Changes in Revenue Recognition




Other Change: Formalized Reporting Process of Accounting Change after Deadline

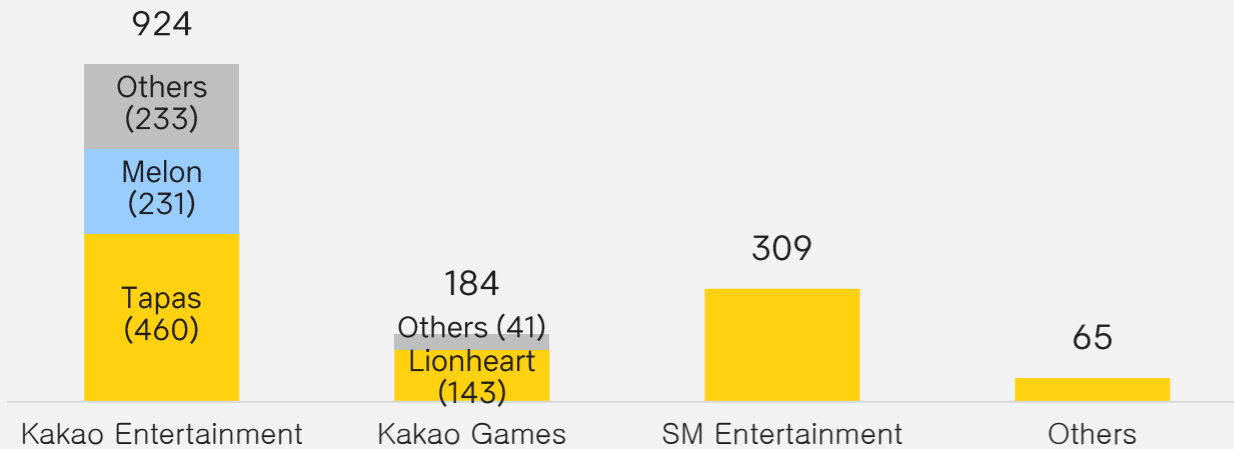


Major Accounting Changes (Cont'd)

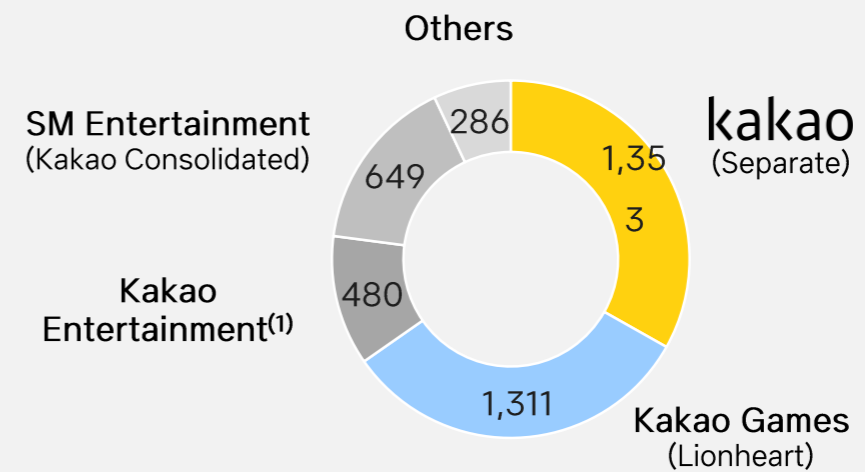
 **As the result of intangible impairment in Q4 2023, quarterly amortization cost is expected to decrease by KRW10 bn**
 Goodwill impairment of KRW1,483 bn and PPA impairment of KRW314 bn in 4Q23 alone, reflecting recent challenging macro environment

 **Implementation of more disciplined monitoring and transparent assessments of intangible assets**
 Regular monitoring on the value of intangible assets, and timely disclosure of the details of any potential impairments

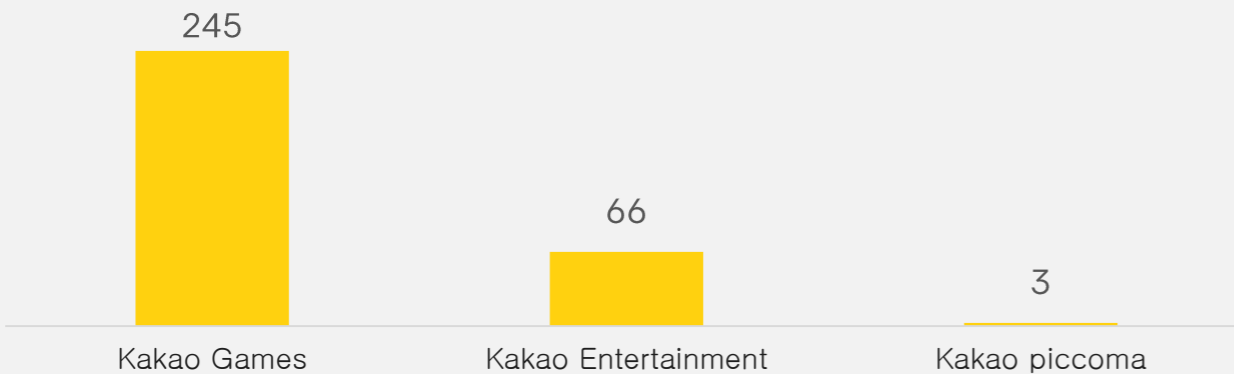
Goodwill Impairment (4Q23, in KRW bn)



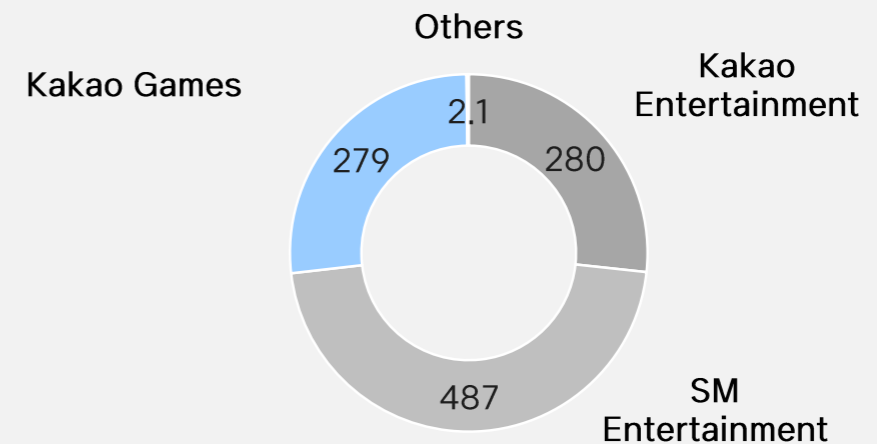
Goodwill Balance (as at end of FY2023, in KRW bn)



PPA Impairment (4Q23, in KRW bn)



PPA Balance (as at end of FY2023, in KRW bn)



Note: (1) Remaining goodwill balance of Melon and Tapas is only KRW4.6 bn and 11.4 bn, respectively.

Financial Statement (Consolidated)

Consolidated Income Statement					
(KRW bn)	4Q22	1Q23	2Q23	3Q23	4Q23
Total Revenue	1,694	1,624	1,923	2,011	1,999
Platform	887	848	869	880	957
Talk Biz	520	485	480	479	538
Portal Biz	98	84	89	83	88
New Biz	269	280	300	317	331
Content	807	776	1,054	1,131	1,042
Music	230	232	481	513	498
Story	222	229	231	249	213
Game	231	247	269	262	232
Media	125	68	73	107	99
Operating Expenses	1,595	1,561	1,810	1,887	1,838
Labor Cost	411	448	472	468	472
Cost of Revenue	704	642	780	849	714
Outsourcing / Infrastructure	183	174	205	199	257
Marketing Expense	91	97	100	105	104
Depreciation & Amortization	161	150	192	198	210
Others	45	50	60	69	80
Operating Profit	100	63	113	124	161
Margin (%)	5.9%	3.9%	5.9%	6.2%	8.0%
Other Non-Operating Income	76	17	17	73	86
Other Non-Operating Expenses	993	42	28	80	2,164
Financial Income	141	79	62	56	121
Financial Expenses	253	46	51	70	141
Equity-method Gain	21	34	28	33	27
Equity-method Loss	46	40	29	23	27
Profit Before Income Tax	(954)	65	112	113	(1,937)
Income Tax	(468)	8	57	75	28
Net Profit	(486)	57	55	37	(1,965)
Controlling Interests	(112)	71	56	21	(1,160)
Non-Controlling Interests	(374)	(14)	(1)	16	(805)
EBITDAR	253	213	305	324	369
Adjusted EBITDAR⁽¹⁾	295	242	332	345	376

Consolidated Statement of Financial Position		
(KRW bn)	2022.12.31	2023.12.31
Current Assets	7,756	8,943
Cash & Cash Equivalents	4,780	5,269
Short-term Financial Instruments	1,210	1,662
Accounts Receivable	441	622
Other Current Financial Assets	362	575
Other Current Assets	963	815
Non-Current Assets	14,451	15,090
Investment in Associates and JVs	2,652	2,941
Tangible Assets	885	1,322
Intangible Assets	6,022	5,689
Other Non-Current Assets	4,891	5,138
Financial Assets	757	1,147
Total Assets	22,964	25,180
Current Liabilities	5,210	6,767
Accounts / Other Payable	1,374	1,799
Short-term Borrowings	1,097	1,629
Withholdings	442	522
Other Current Liabilities	2,297	2,816
Non-Current Liabilities	3,798	3,737
Non-Current Lease Obligations	1,643	1,731
Long-term Borrowings	1,176	846
Other Non-Current Liabilities	978	1,161
Financial Liabilities	440	817
Total Liabilities	9,448	11,321
Paid-in Capital	45	45
Capital Surplus	8,116	8,840
Other Accumulated Earnings	41	8
Accumulated Other Comprehensive Income	(1,250)	(1,050)
Retained Earnings	3,031	1,926
Minority Interest	3,532	4,095
Total Shareholders' Equities	13,516	13,863
Total Liabilities & Equities	22,964	25,184

Note: (1) Adjusted EBITDAR includes share-based compensation expenses.

Financial Statement (Standalone)

Income Statement					
(KRW bn)	4Q22	1Q23	2Q23	3Q23	4Q23
Total Revenue	651	610	612	617	660
Operating Expenses	480	489	495	498	485
Labor Cost	97	135	142	135	104
Cost of Revenue	238	210	195	207	220
Outsourcing / Infrastructure	74	70	78	68	72
Marketing Expense	10	3	5	9	11
Depreciation & Amortization	60	60	64	66	66
Others	2	12	12	13	13
Operating Profit	171	121	117	120	175
Margin (%)	26.2%	19.8%	19.1%	19.4%	26.6%
Other Non-Operating Income	10	3	4	5	6
Other Non-Operating Expenses	83	2	6	16	387
Financial Income	35	34	14	24	46
Financial Expenses	28	14	15	14	14
Profit Before Income Tax	106	142	114	120	(174)
Income Tax	(184)	25	21	31	21
Net Profit	290	117	93	88	(196)
EBITDAR	231	181	182	186	241
Adjusted EBITDAR⁽¹⁾	248	195	194	198	247

Statement of Financial Position		
(KRW bn)	2022.12.31	2023.12.31
Current Assets	2,335	1,932
Cash & Cash Equivalents	1,249	1,439
Short-term Financial Instruments	211	22
Accounts Receivable	139	157
Other Current Assets	736	314
Non-Current Assets	8,457	9,423
Investments in Associates and JVs	4,752	5,353
Tangible Assets	500	737
Intangible Assets	1,609	1,585
Other Non-Current Assets	1,596	1,748
Total Assets	10,791	11,355
Current Liabilities	2,210	2,662
Accounts / Other Payable	547	532
Short-term Borrowings	29	250
Current Lease Obligations	142	150
Other Current Liabilities	1,493	1,729
Non-Current Liabilities	1,510	1,510
Non-Current Lease Obligations	1,306	1,310
Deferred Income Tax Liabilities	91	86
Other Non-Current Liabilities	113	115
Total Liabilities	3,721	4,172
Paid-in Capital	45	45
Capital Surplus	5,637	5,745
Other Accumulated Earnings	41	8
Accumulated Other Comprehensive Income	11	(5)
Retained Earnings	1,337	1,391
Total Shareholders' Equities	7,071	7,183
Total Liabilities & Equities	10,791	11,355




Note: (1) Adjusted EBITDAR includes share-based compensation expenses.

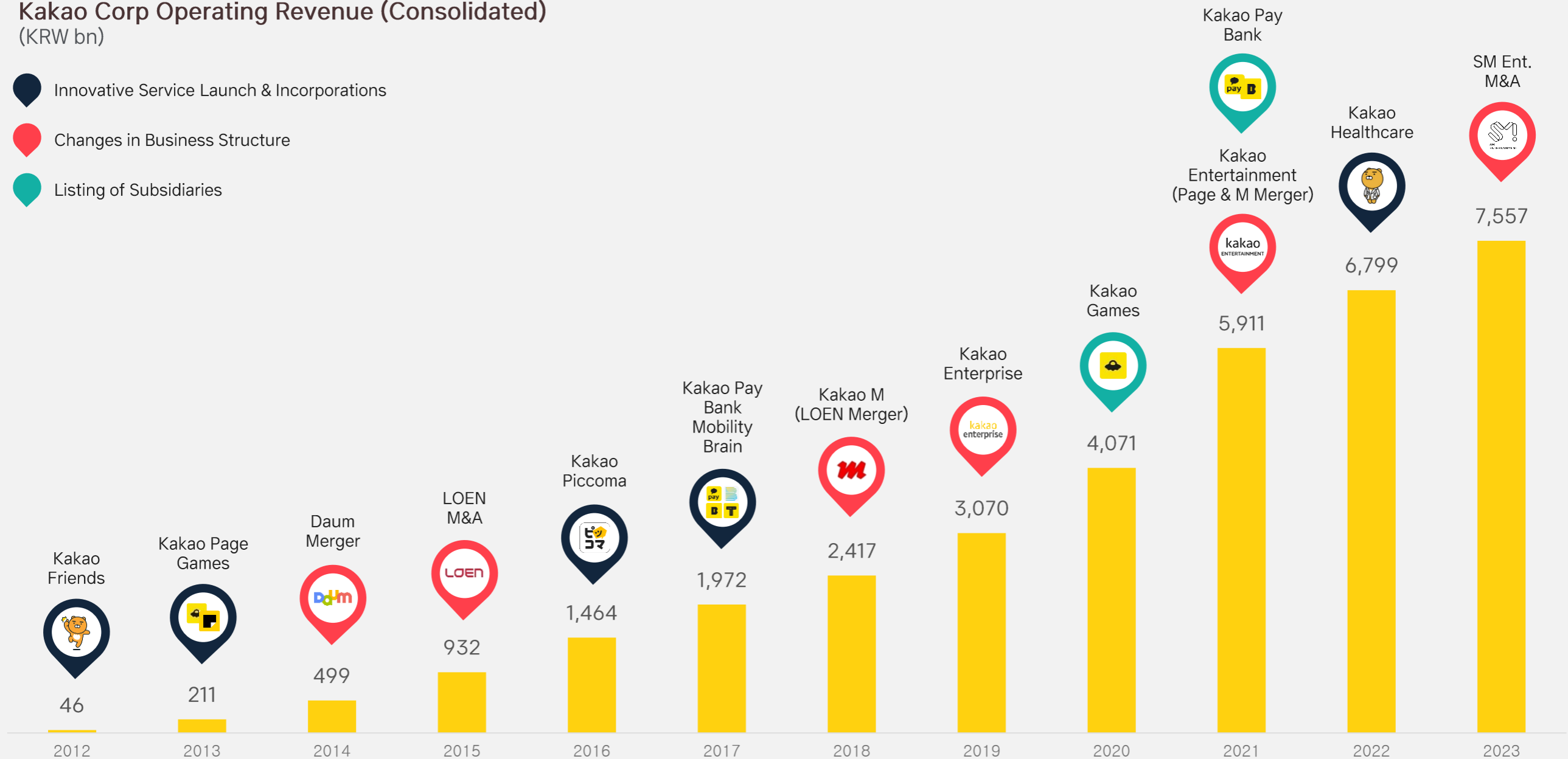
Appendix

Phenomenal Growth Trajectory Along With Growing Ecosystem

Key Milestones

Kakao Corp Operating Revenue (Consolidated) (KRW bn)

-  Innovative Service Launch & Incorporations
-  Changes in Business Structure
-  Listing of Subsidiaries



Note: 2022 / 2023 operating revenue figures are based on those after restatement as per the change in accounting policy.

Kakao's Continued Focus on ESG Initiatives

Key ESG Initiatives

 Environment	 RE100⁽¹⁾ at Jeju Office	 Upcycling Projects⁽²⁾	 Green Digital Campaigns⁽³⁾
 Social	 KRW300 bn Established support fund for SMEs' digital transformation	 Tech Campus with universities to nurture technical talents	 'Kakao Together' Fundraising project for causes in need
 Governance	 DAO⁽⁴⁾ Appointment First IT company to appoint DAO in Korea	 New Committees Appointment of technology ethics and ERM committees	 CEO KPI 15% of CEO KPI dedicated to ESG related initiatives

ESG Ratings

	Rated AA (2022) From MSCI ESG ratings
	Grade A (2022) From KCGS ESG ratings
	Top 1% (2023) From S&P Global for sustainability distinction
	Member (2022) Member of DJSI World, Asia Pacific, and Korea

Note: (1) RE100: An international agreement to replace 100% of electricity used by businesses with renewable energy by 2050. (2) Upcycling used T-shirts and sweaters to socks and cardigans. (3) Dark-mode of Kakao Talk, mobile e-bills, etc.

Thank you

