

4th Quarter 2018 Results

February 14, 2019 | Investor Relations



Disclaimer

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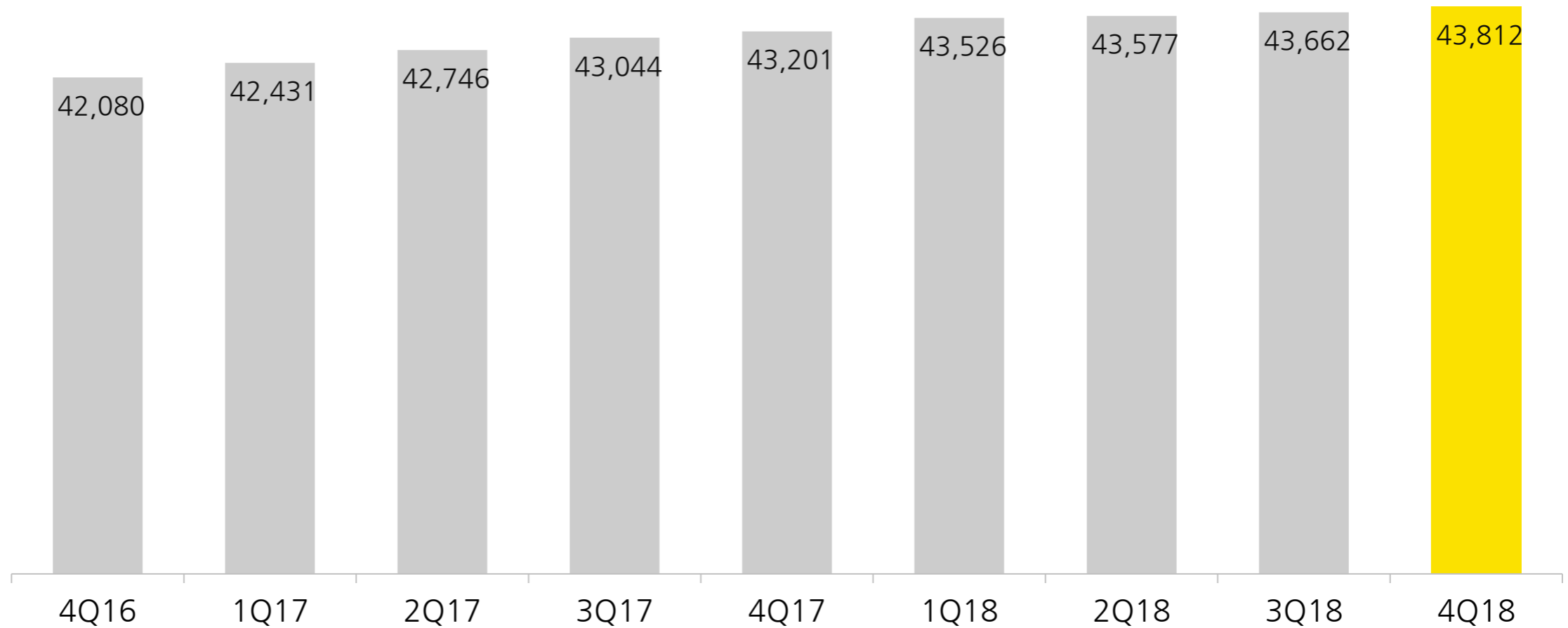
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Kakao Talk Monthly Active Users



Continue to grow our domestic active users +611K yoy , +150K qoq

Total countries serviced: 230+ (based on country codes), in 16 languages



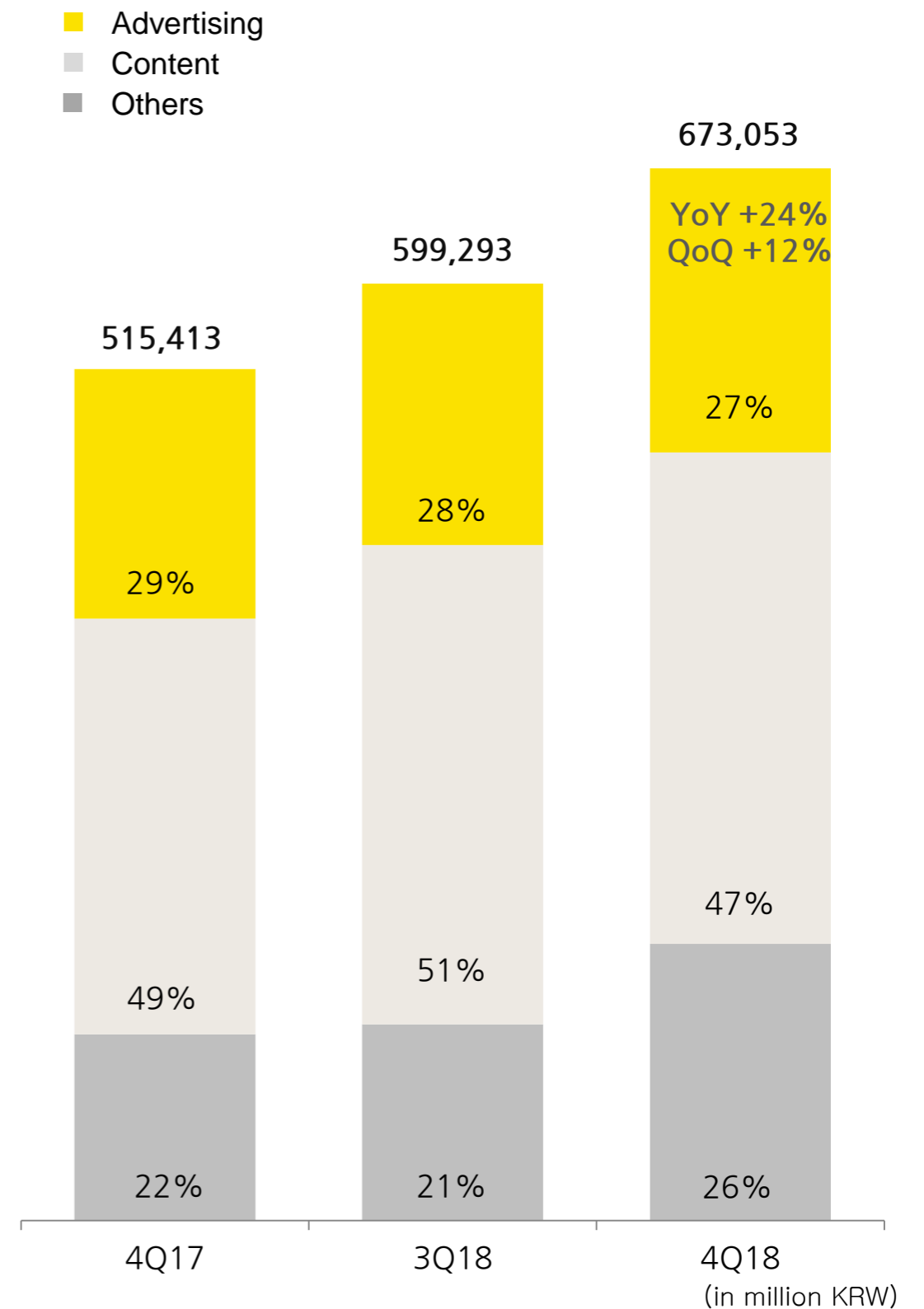
Korea	42,080	42,431	42,746	43,044	43,201	43,526	43,577	43,662	43,812
Global	48,955	49,158	49,468	49,844	49,709	50,348	50,113	50,187	50,219

Average of monthly MAUs. Global includes domestic MAUs.

(in thousand)

Revenue

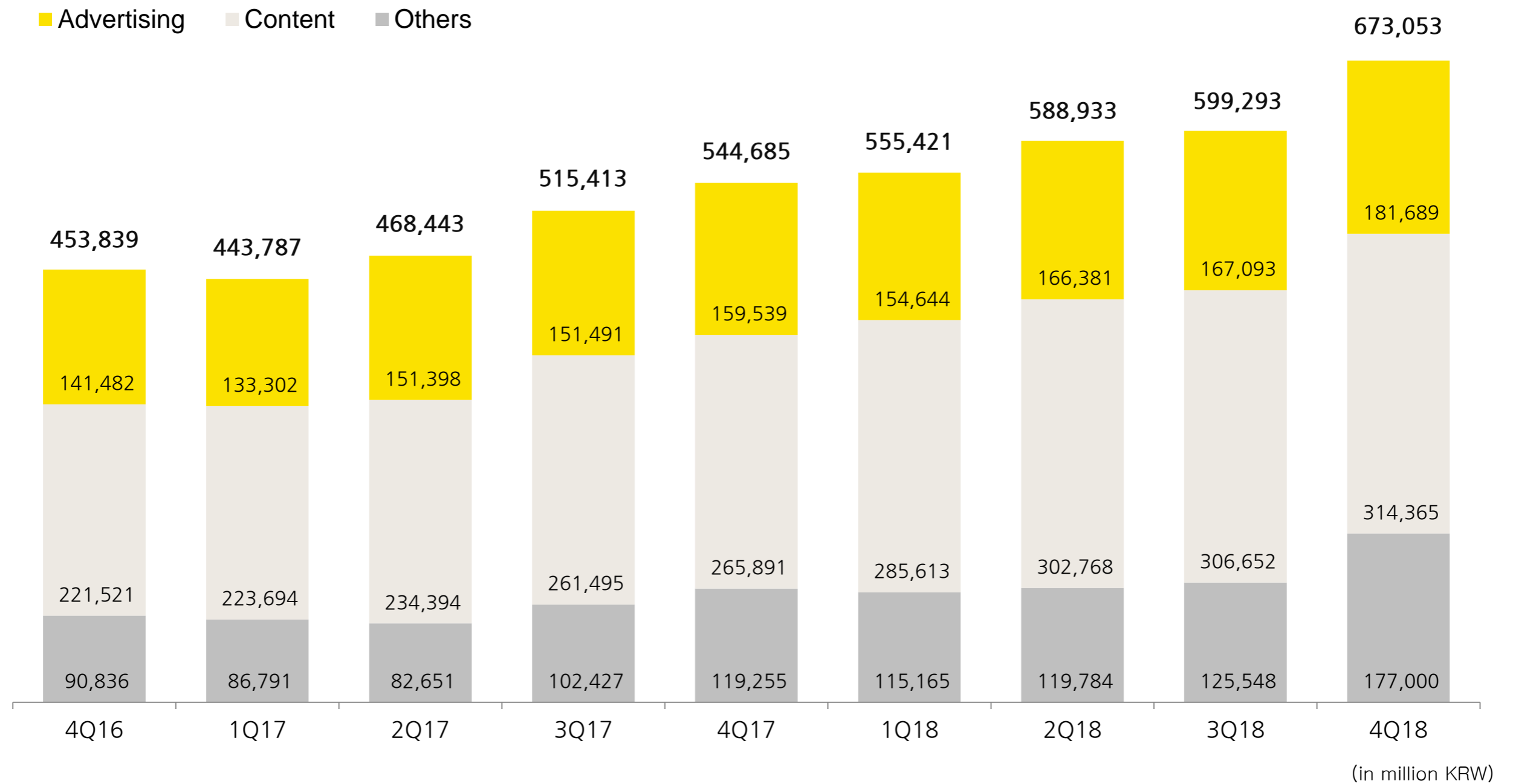
Advertising	Portals	Daum PC Daum Mobile
	Messenger	Plus Friends Brand Emoticon Talk Reward Info-Talk Support-Talk Talk Hairshop #Tab Talk Order Talk Mart Talk PC
	SNS	Kakao Story
	Shopping	Kakao Style
	Other	Cash Friends Other Subsidiaries' Ad
Content	Game	Mobile PC Miscellaneous (Kakao VX)
	Music	Melon Kakao Music
	Webliterature	Kakao Page Daum Webtoon Piccoma
	Emoticon	Talk B2C Emoticon
Others	Commerce	Talk Gift Shop Kakao IX Kakao Makers
	Mobility	Kakao T (Taxi Driver Parking Navigator)
	Tech-fin	Kakao Pay
	Misc.	Kakao M (offline record distribution, etc.)



Revenue

4Q Total Revenue YoY +24% / QoQ +12%

Advertising +14% (y) / +9% (q) Content +18% (y) / +3% (q) Others +48% (y) / +41% (q)

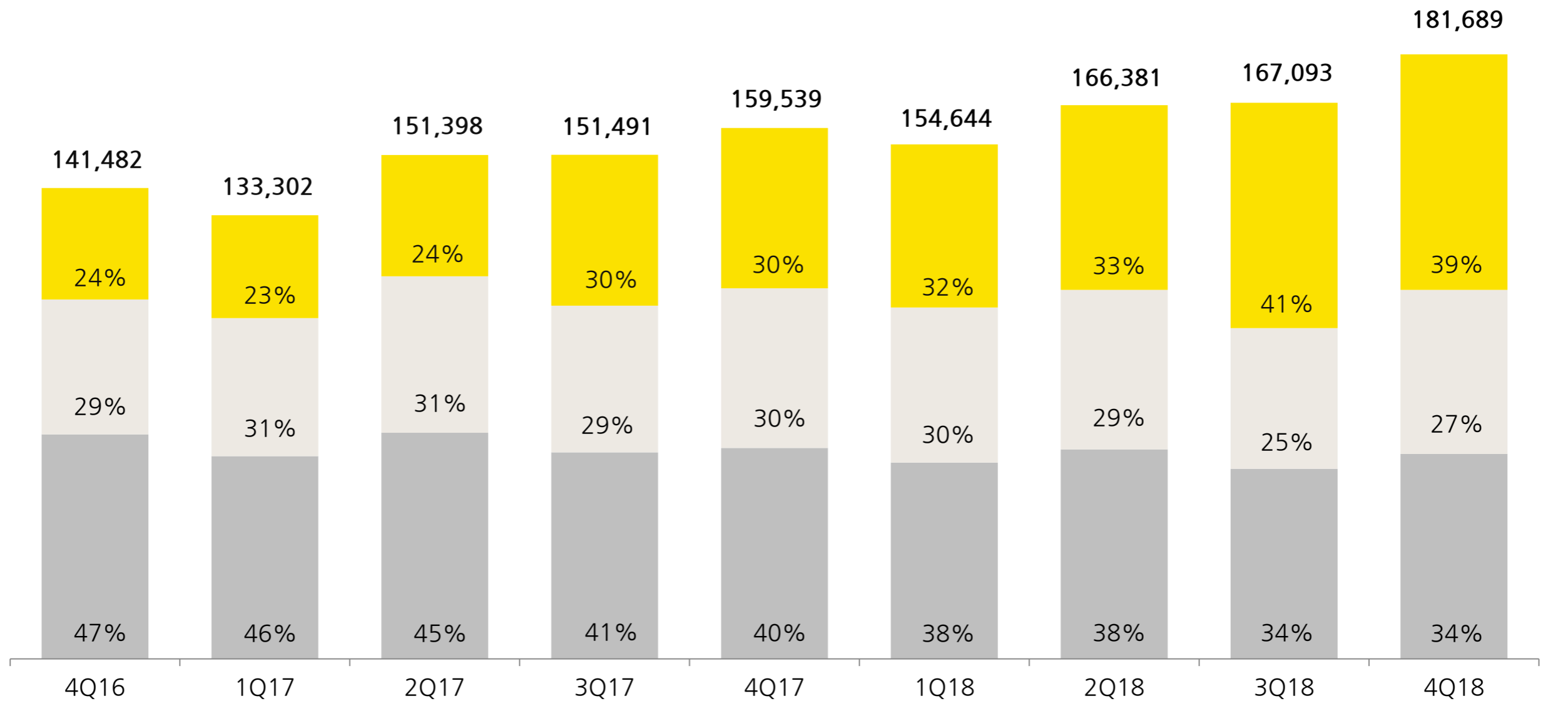


Advertising

4Q Advertising YoY +14% / QoQ +9%

Kakao Ads +47% (y) / +5% (q) Daum Mobile Ads +3% (y) / +17% (q) Daum PC Ads -3% (y) / +8% (q)

■ Kakao Ads ■ Daum Mobile Ads ■ Daum PC Ads



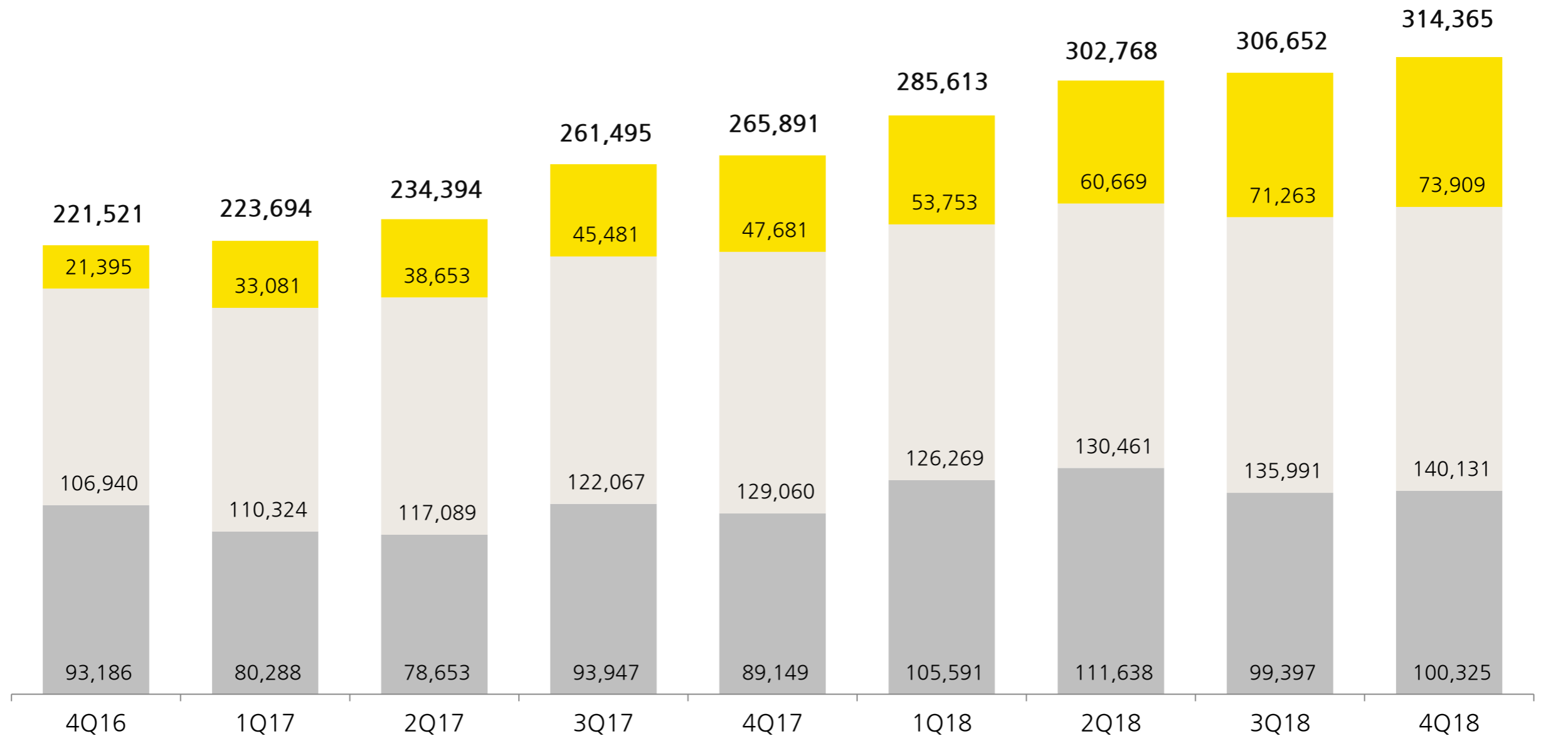
(in million KRW)

Content

4Q Content YoY +18% / QoQ +3%

Web literature & Emoticon +55% (y) / +4% (q) Music +9% (y) / +3% (q) Game +13% (y) / +1% (q)

■ Web literature & Emoticon ■ Music ■ Game



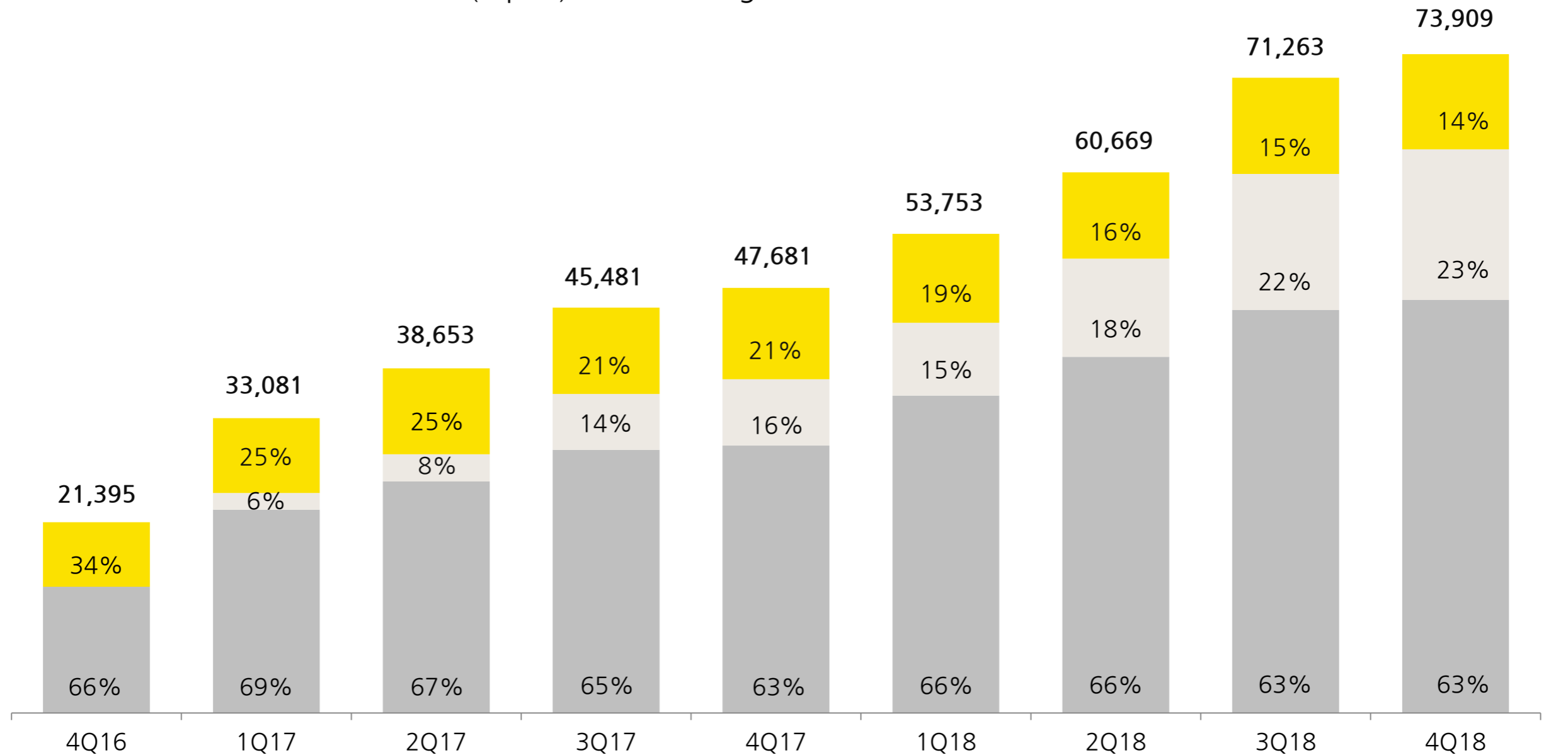
(in million KRW)

Content: Web literature & Emoticon

4Q Web literature & Emoticon Content YoY +55% / QoQ +4%

Emoticon & Others +4% (y) / -1% (q) Piccoma/Japan +127% (y) / +11% (q) Kakao Page +54% (y) / +2% (q)

■ Emoticon & Others ■ Piccoma (Japan) ■ Kakao Page



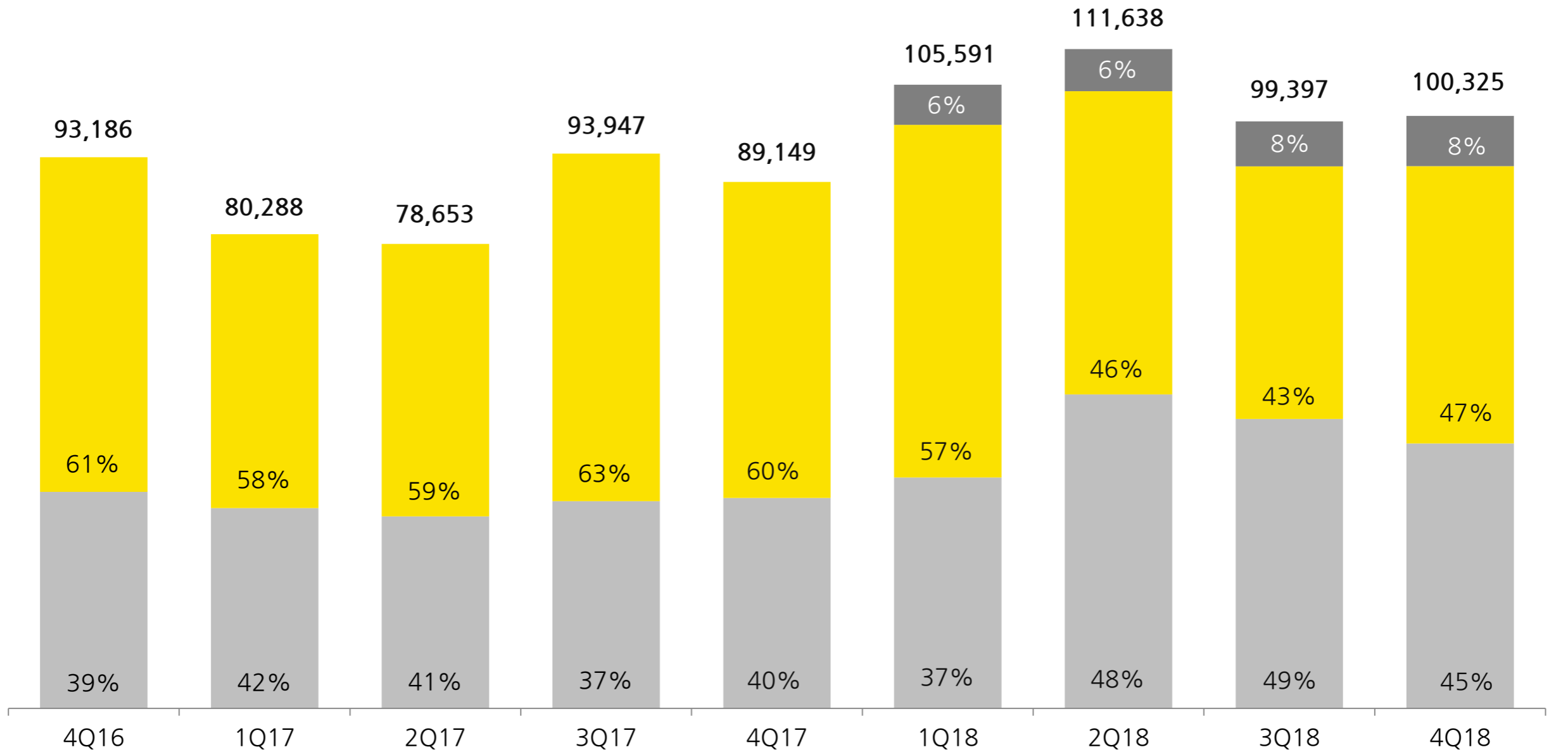
(in million KRW)

Content: Game

4Q Game YoY +13% / QoQ +1%

Miscellaneous- Kakao VX +12% (q) Mobile -12% (y) / +14% (q) PC +26% (y) / -8% (q)

■ Miscellaneous- Kakao VX ■ Mobile Game ■ PC Game



(in million KRW)

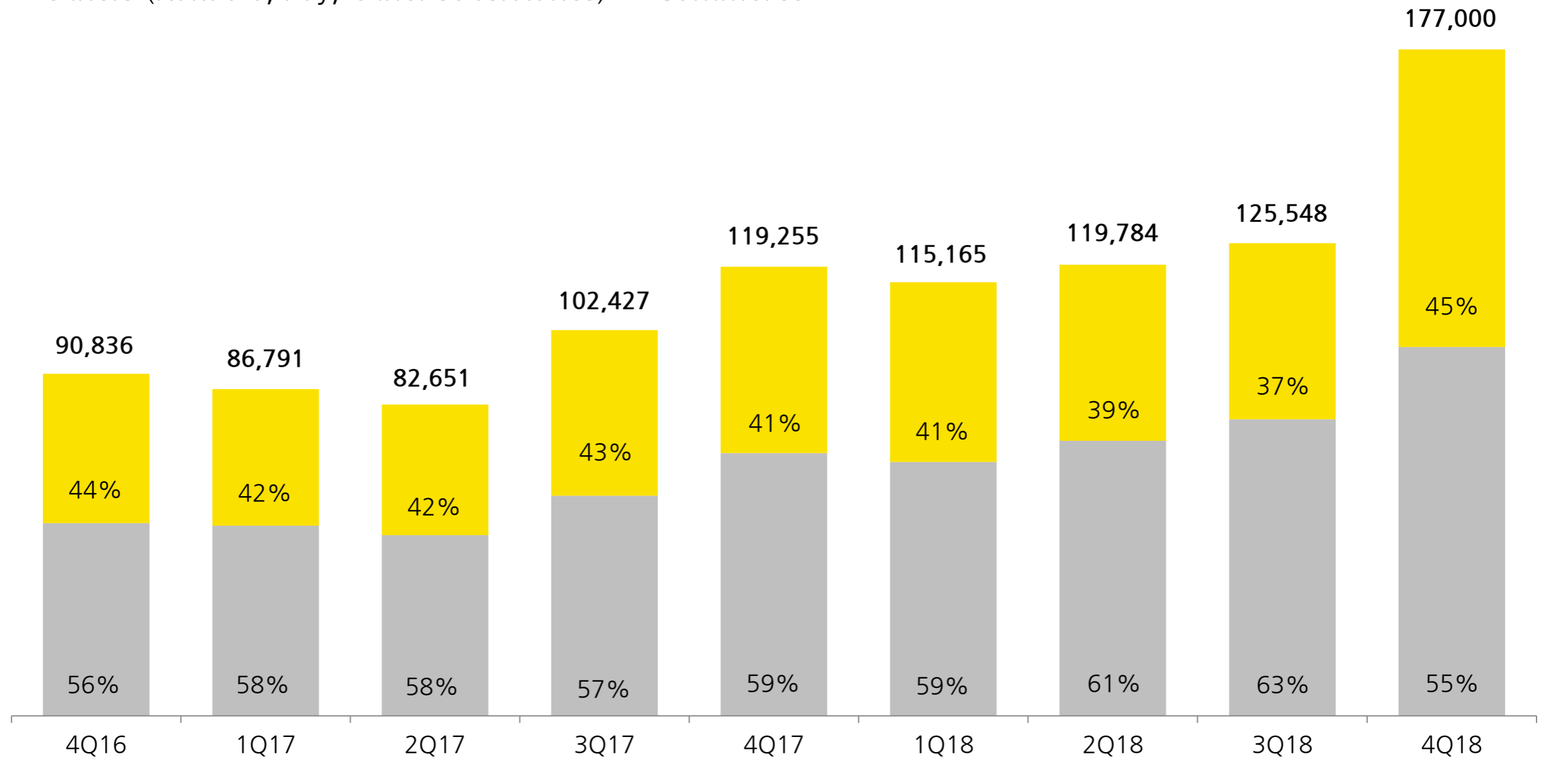
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Others

4Q Others YoY +48% / QoQ +41%

Others +60% (y) / +69% (q) Commerce +40% (y) / +24% (q)

■ Others (Kakao T, Pay, Other subsidiaries) ■ Commerce



(in million KRW)

Summary Results

	4Q18	3Q18	QoQ	4Q17	YoY	2018	2017	YoY
Total Revenue	673,053	599,293	12%	544,685	24%	2,416,701	1,972,326	23%
Advertising	181,689	167,093	9%	159,539	14%	669,807	595,729	12%
Content	314,365	306,652	3%	265,891	18%	1,209,398	985,474	23%
Others	177,000	125,548	41%	119,255	48%	537,496	391,123	37%
Operating Expenses	668,755	568,629	18%	509,643	31%	2,343,747	1,806,947	30%
Operating Income	4,298	30,664	-86%	35,042	-88%	72,954	165,380	-56%
Operating Margin	0.6%	5.1%	-4.5%p	6.4%	-5.4%p	3.0%	8.4%	-5.4%p
EBITDA	40,672	65,648	-38%	70,222	-42%	207,897	295,198	-30%
Other Non-Operating Exp., Net	-10,879	2,876	-478%	-45,630	-76%	-10,261	-54,321	-81%
Finance Income, Net	11,877	11,929	0%	29,042	-59%	58,029	33,203	75%
Income from Equity Inv., Net	-13,947	2,769	-604%	17,509	-180%	13,066	9,036	45%
Income before Tax	-8,652	48,238	-	35,962	-	133,787	153,298	-13%
Income Tax	19,943	40,854	-51%	17,758	12%	117,854	28,204	318%
Net Income	-28,595	7,384	-	18,204	-	15,933	125,094	-87%
Equity Holders of the Parent	-2,747	16,672	-	11,524	-	46,145	108,597	-58%
Non-Controlling Interest	-25,848	-9,287	-	6,680	-	-30,212	16,497	-

(in million KRW)

Operating Expenses

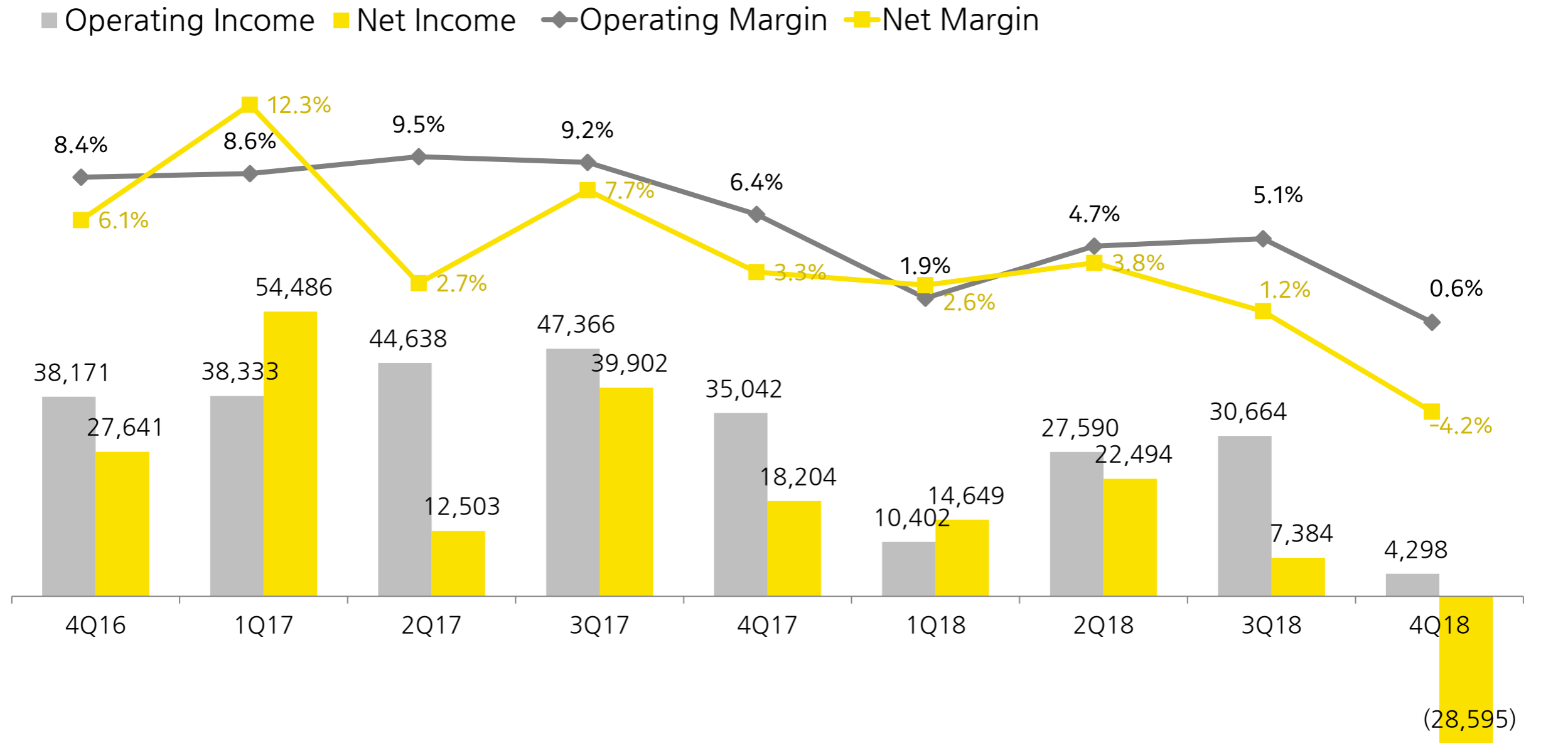
	4Q18	3Q18	QoQ	4Q17	YoY	2018	2017	YoY
OP Expenses	668,755	568,629	18%	509,643	31%	2,343,747	1,806,947	30%
Labor costs	136,399	110,926	23%	102,602	33%	465,231	360,141	29%
Fringe benefits	19,193	16,656	15%	13,447	43%	66,997	52,695	27%
Depreciation	18,389	16,980	8%	15,659	17%	67,621	60,733	11%
Rental fees	13,012	13,108	-1%	9,236	41%	47,400	36,115	31%
Commissions	254,654	228,619	11%	201,456	26%	916,568	730,363	25%
Advertising	54,538	36,274	50%	36,105	51%	184,065	116,453	58%
Bad Debt Exp.	1,853	-452	0%	1,112	67%	3,205	1,154	178%
Amortization	17,986	18,004	0%	19,521	-8%	67,322	69,085	-3%
Content fees	50,688	52,132	-3%	34,448	47%	188,493	121,350	55%
Ad agency fees	23,393	20,476	14%	23,576	-1%	89,954	88,577	2%
Event fees	1,441	913	58%	943	53%	3,487	1,787	95%
Cost of goods sold	65,879	45,276	46%	41,735	58%	200,849	133,247	51%
Miscellaneous	11,330	9,718	17%	9,803	16%	42,556	35,247	21%

(in million KRW)

Profits

4Q Operating Income YoY -88% / QoQ -86% Net Income YoY -257% / QoQ -487%

New business investment-related operating loss of KRW 65.0 billion to build mid- to long-term growth bases such as transportation/mobility, tech-fin, global expansion, artificial intelligence, and block chain



(in million KRW)

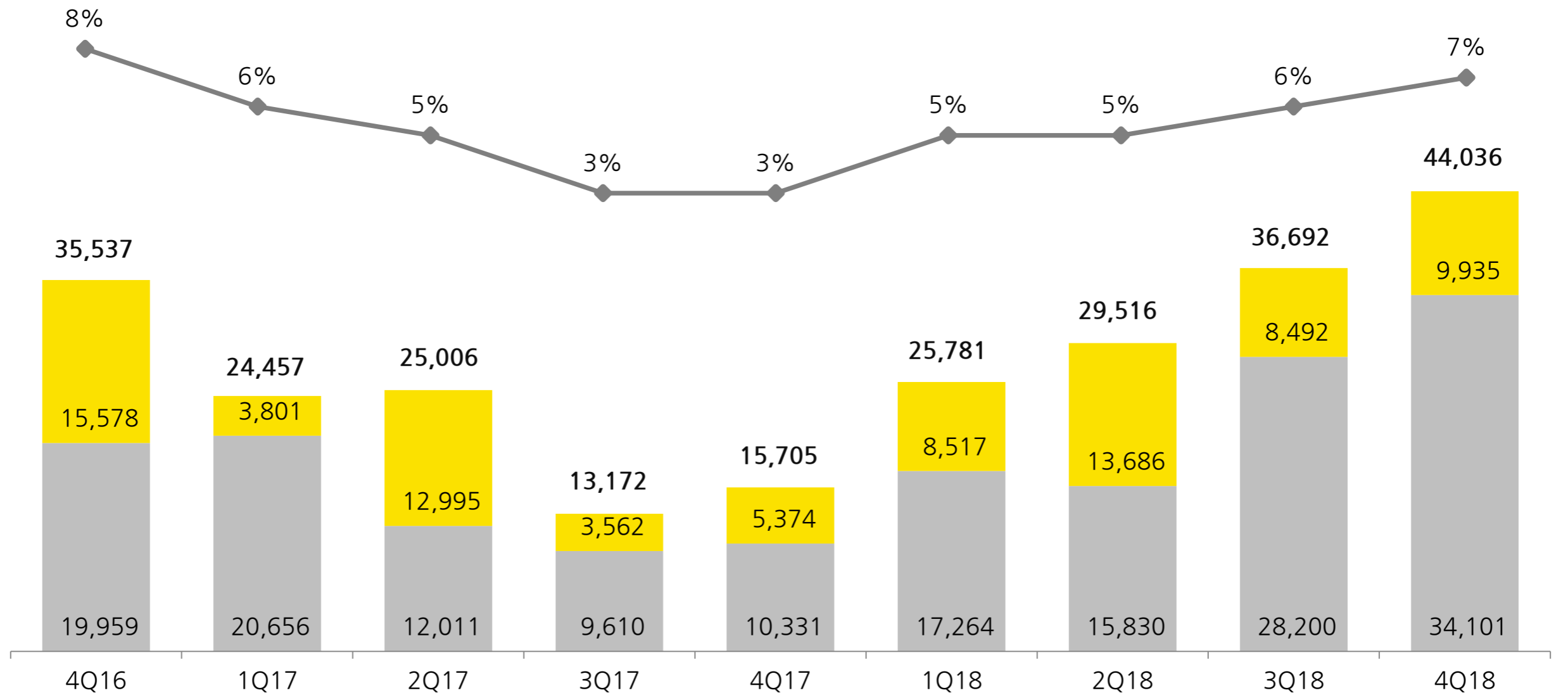
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Capital Expenditure

4Q Accumulated CapEx to Revenue Ratio of 6% / YoY +74%

Accumulated Intangible YoY +58% property and equipment (server, network, etc.) YoY +84%

■ Intangible ■ Property and Equipment ◆ CapEx to Revenue Ratio



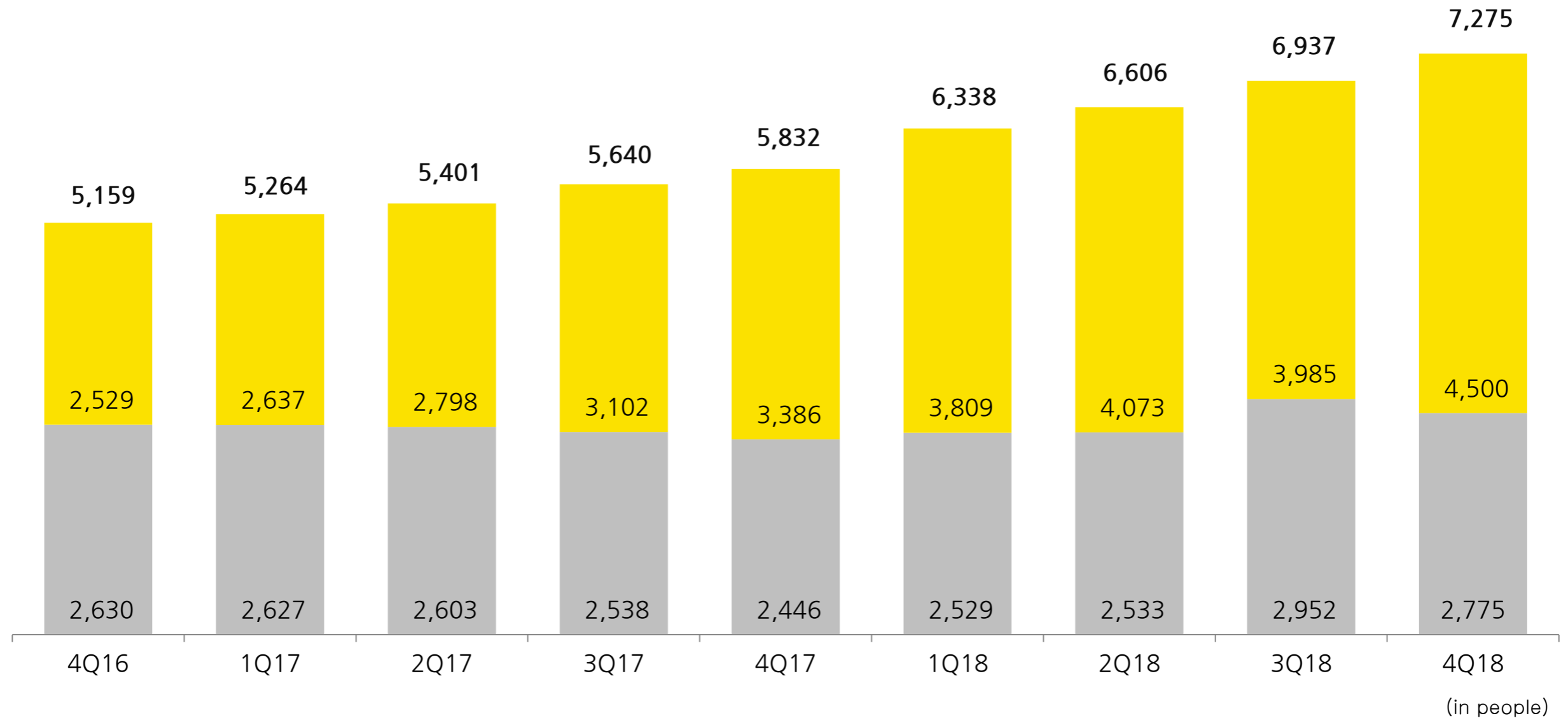
(in million KRW)

Employees

Total 7,275 Employees

Kakao Headquarter decreased by 177 qoq due to spin off and establishment of subsidiaries, total employee increased by 338 qoq owing to additional new hires for overall businesses

■ Subsidiaries ■ Kakao



Consolidated Financial Statements

Consolidated Statements of Income

(in million KRW)	4Q17	1Q18	2Q18	3Q18	4Q18
Revenues	544,685	555,421	588,933	599,293	673,053
Advertising	159,539	154,644	166,381	167,093	181,689
Content	265,891	285,613	302,768	306,652	314,365
Game	89,149	105,591	111,638	99,397	100,325
Music	129,060	126,269	130,461	135,991	140,131
Web literature and Emoticon	47,681	53,753	60,669	71,264	73,909
Others	119,255	115,165	119,784	125,548	177,000
Operating Expenses	509,643	545,020	561,343	568,629	668,755
Labor Costs	102,602	109,973	107,933	110,926	136,399
Fringe Benefits	13,447	15,258	15,890	16,656	19,193
Depreciation	15,659	15,985	16,268	16,980	18,389
Rental Fees	9,236	10,210	11,069	13,108	13,012
Commissions	201,456	210,281	223,014	228,619	254,654
Advertising	36,057	47,941	45,311	36,274	54,538
Bad Debt Expenses	1,112	877	926	-452	1,853
Amortization	19,521	14,583	16,749	18,004	17,986
Content Fees	34,496	39,988	45,685	52,132	50,688
Ad Agency Fees	23,576	22,390	23,695	20,476	23,393
Event Fees	943	383	751	913	1,441
Cost of Goods	41,735	46,835	42,860	45,276	65,879
Miscellaneous	9,803	10,315	11,193	9,718	11,330
Operating Profit	35,042	10,402	27,590	30,664	4,298
Other Non-Operating Income	13,927	12,858	12,504	27,492	25,288
Other Non-Operating Expenses	59,557	14,205	13,415	24,616	36,167
Finance Income	58,234	14,559	35,388	18,429	31,066
Finance Costs	29,193	8,585	7,140	6,500	19,189
Income from Equity Inv., Net	17,509	22,151	2,093	2,769	-13,947
Profit before Income Tax Expenses	35,962	37,181	57,021	48,238	-8,652
Income Tax Expenses	17,758	22,531	34,527	40,854	19,943
Net Profit from Continued Oper.	18,204	14,649	22,494	7,384	-28,595
Net Profit	18,204	14,649	22,494	7,384	-28,595
Equity Holders of the Parent Co.	11,524	13,854	18,366	16,672	-2,747
Non-Controlling Interest	6,680	796	4,128	-9,287	-25,848

Consolidated Statements of Financial Position

(in million KRW)	2016.12.31	2017.12.31	2018.12.31
Current Assets	1,216,958	1,993,096	2,850,456
Cash and Cash Equivalents	641,644	1,116,793	1,247,826
S-T Financial Instruments	236,748	394,152	923,209
Accounts Receivable	173,853	179,238	193,237
Other Financial Assets	83,340	134,445	220,822
Other Current Assets	81,373	168,468	265,362
Non-Current Assets	4,267,159	4,356,332	5,077,647
Equity Method Investments	117,076	161,950	264,321
Tangible Assets	253,854	271,044	314,566
Intangible Assets	3,733,166	3,689,582	3,866,590
Other Non-current Assets	163,063	233,756	632,170
Total Assets	5,484,117	6,349,428	7,928,103
Liabilities	806,020	1,040,863	2,042,498
Trade and N-T Payables	263,130	280,380	455,341
Income Taxes Payable	30,944	115,123	74,361
Short-Term Debt	200,265	170,137	603,119
Other Current Liabilities	311,680	475,224	909,678
Non-Current Liabilities	975,153	800,745	312,045
Bonds	319,255	149,777	39,939
Bonds- CB/EB	476,122	471,031	-
Deferred Income Tax Liab.	142,919	139,502	169,155
Other Non-Current Liab.	36,857	40,435	102,950
Total Liabilities	1,781,173	1,841,609	2,354,542
Paid-in Capital	33,858	34,004	41,744
Capital Surplus	3,105,014	3,603,587	4,621,958
Capital Adjustments	-11,232	-6,026	-9,381
Accum. Other Compre. Income	920	-4,968	-5,685
Retained Earnings	303,952	402,542	446,293
Non-controlling Interests	270,432	478,681	478,632
Total Equity	3,702,944	4,507,820	5,573,561
Total Liabilities & Equity	5,484,117	6,349,428	7,928,103

Financial Statements (Kakao only)

Statements of Income					
(in million KRW)	4Q17	1Q18	2Q18	3Q18	4Q18
Revenues	250,273	244,578	252,523	291,778	385,046
Advertising	154,640	146,378	160,791	152,533	166,472
Content	52,963	49,759	43,939	88,860	163,378
Others	42,669	48,441	47,792	50,386	55,197
Operating Expenses	226,361	228,192	223,005	255,788	344,574
Labor Costs	52,271	54,844	51,112	54,168	72,547
Fringe Benefits	6,981	8,359	7,737	8,705	9,895
Depreciation	12,624	12,673	12,684	13,326	14,666
Rental Fees	2,164	2,420	2,440	2,960	2,887
Commissions	77,344	75,084	70,322	103,531	158,236
Advertising	9,863	5,850	2,677	6,511	11,860
Bad Debt Expenses	47	193	381	-852	887
Amortization	4,578	4,439	4,413	6,997	10,257
Content Fees	15,728	16,651	17,480	17,633	15,056
Ad Agency Fees	23,416	22,274	29,557	20,426	21,867
Event Fees	682	296	702	628	1,015
Cost of Goods	16,414	21,096	18,810	16,964	20,007
Miscellaneous	4,251	4,013	4,690	4,790	5,393
Operating Profit	23,911	16,386	29,518	35,990	40,472
Other Non-Operating Income	50	50,042	3,545	2,613	2,359
Other Non-Operating Expenses	64,892	4,973	7,317	3,192	26,873
Finance Income	4,549	17,829	39,812	5,791	14,289
Finance Costs	27,673	9,207	1,439	6,934	18,552
Profit before Income Tax Expenses	-64,054	70,077	64,120	34,268	11,696
Income Tax Expenses	7,267	16,693	19,806	40,820	14,510
Net Profit from Continued Oper.	-71,321	53,384	44,314	-6,552	-2,815
Net Profit	-71,321	53,384	44,314	-6,552	-2,815

Statements of Financial Position			
(in million KRW)	2016.12.31	2017.12.31	2018.12.31
Current Assets	511,067	632,508	1,261,480
Cash and Cash Equivalents	279,217	388,574	250,920
S-T Financial Instruments	37,190	14,834	601,712
Accounts Receivable	95,980	77,955	71,333
Other Current Assets	98,679	151,145	337,515
Non-Current Assets	4,318,230	4,324,369	4,938,853
Equity Method Investments	2,337,040	2,368,582	1,496,538
Tangible Assets	203,866	208,084	236,016
Intangible Assets	1,694,581	1,620,416	2,875,510
Other Non-current Assets	82,743	127,287	330,790
Total Assets	4,829,297	4,956,878	6,200,333
Liabilities	813,859	948,931	1,250,706
Trade and N-T Payables	174,592	163,318	404,760
Income Taxes Payable	7,168	81,507	59,204
Short-Term Debt	200,000	-	-
Other Current Liabilities	432,099	704,106	786,742
Non-Current Liabilities	640,280	450,237	200,183
Bonds	319,255	149,777	39,939
Bonds- CB/EB	248,928	243,197	-
Deferred Income Tax Liab.	43,266	28,992	125,743
Other Non-Current Liab.	28,830	28,271	34,501
Total Liabilities	1,454,139	1,399,168	1,450,889
Paid-in Capital	33,858	34,004	41,744
Capital Surplus	3,057,264	3,036,434	4,096,216
Capital Adjustments	-11,232	-6,026	35,547
Accum. Other Compre. Inc.	5,046	-4,472	-1,606
Retained Earnings	290,222	497,769	577,543
Total Equity	3,375,158	3,557,710	4,749,444
Total Liabilities & Equity	4,829,297	4,956,878	6,200,333

Thank you

