

# kakao

## Q4 2023 and Annual Earnings Results

2024. 2. 15 | Kakao Investor Relations



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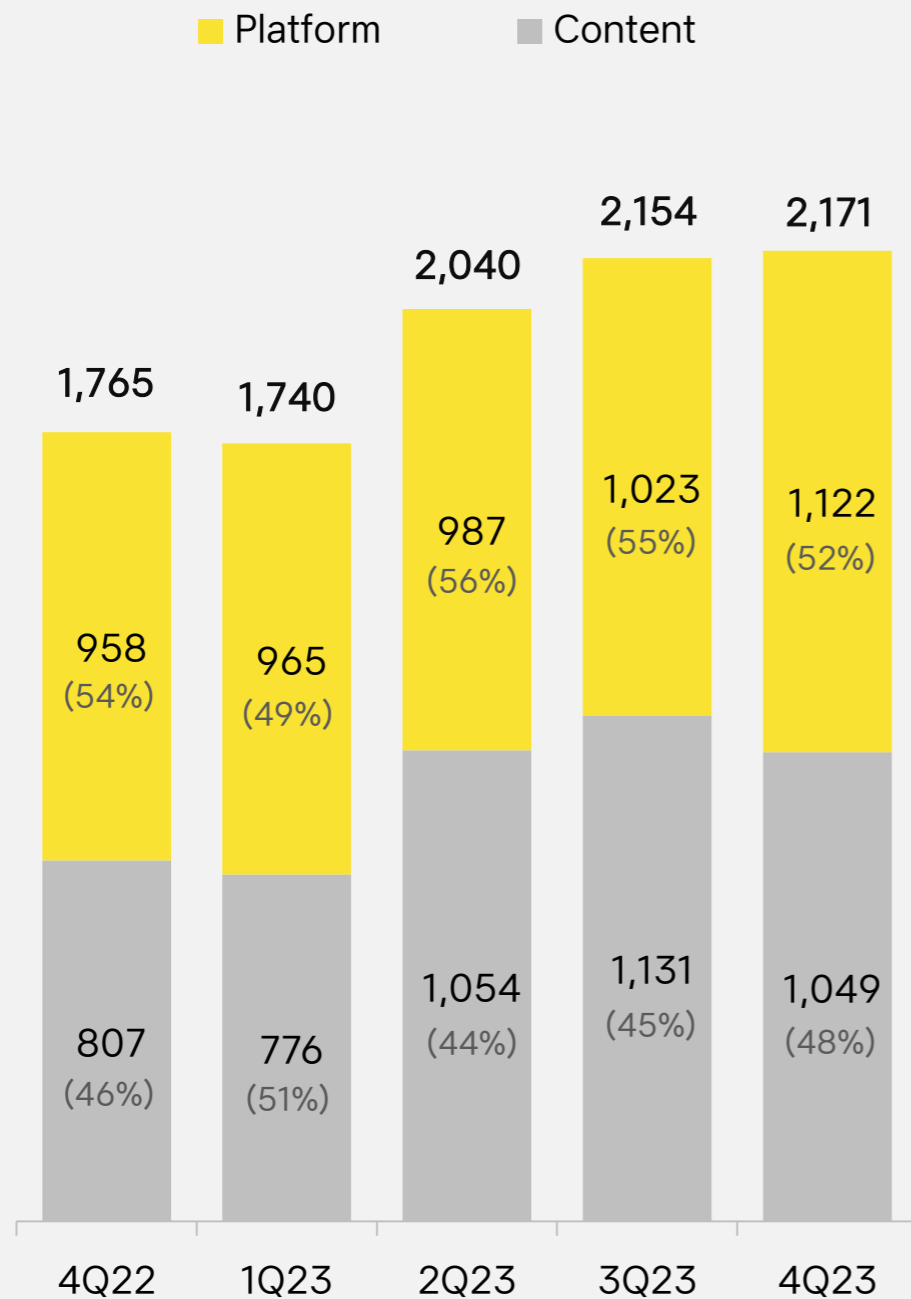
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# Revenue | 4Q23

**Q4 Revenue +23% YoY / +0.8% QoQ**

Q4 MIX : Platform 52%, Content 48%

(in bn KRW)



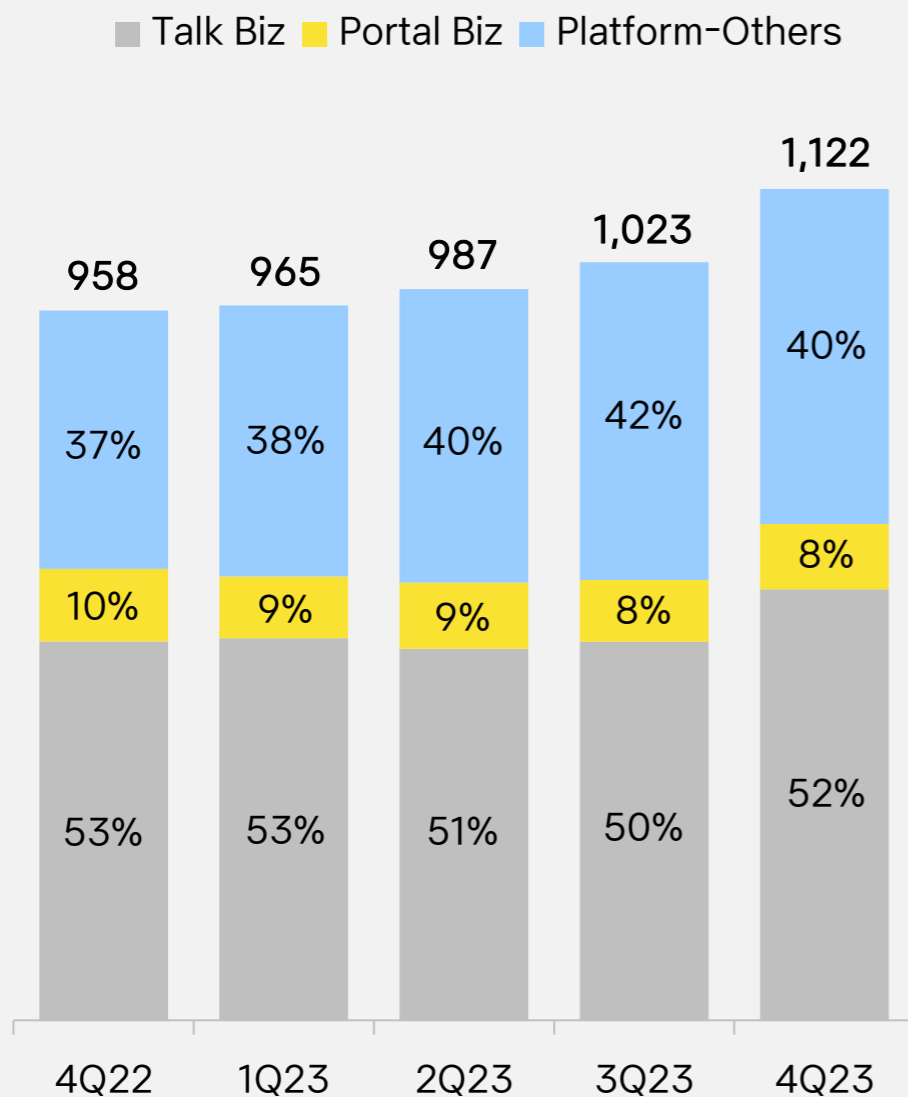
Revenue Breakdown			
Platform	Talk Biz	Advertising : Bizboard, Talk Channel, Emoticon	
		Commerce : Gift, Store, Makers, Kakao Friends Online	
	Portal Biz	Daum PC / Mobile Kakao Story / Style / Page Other Subsidiaries' Ad	
		Platform- Others	Mobility Pay Enterprise Blockchain Other Subsidiaries Kakao Friends-Others
	Content	Game	Mobile PC Other
		Music	SM Entertainment Melon Digital Music Distribution Album Distribution Music Production
Story		Entertainment	
		Piccoma	
Media	Video Production Talent Agency		

# Revenue | 4Q23

## Platform

4Q23 +17% YoY, +10% QoQ  
 FY23 +9% YoY

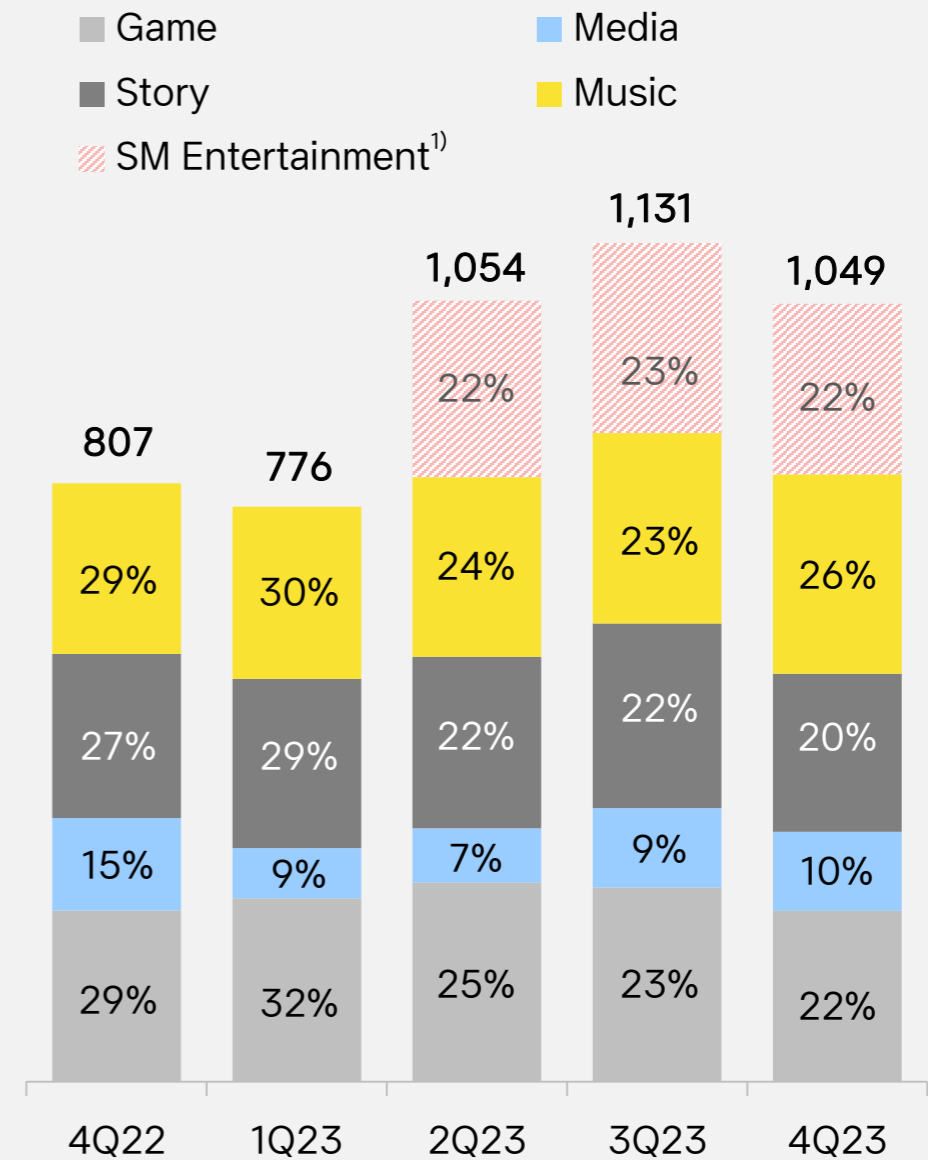
(in bn KRW)



## Content

4Q23 +30% YoY, -7% QoQ  
 FY23 +20% YoY

(in bn KRW)

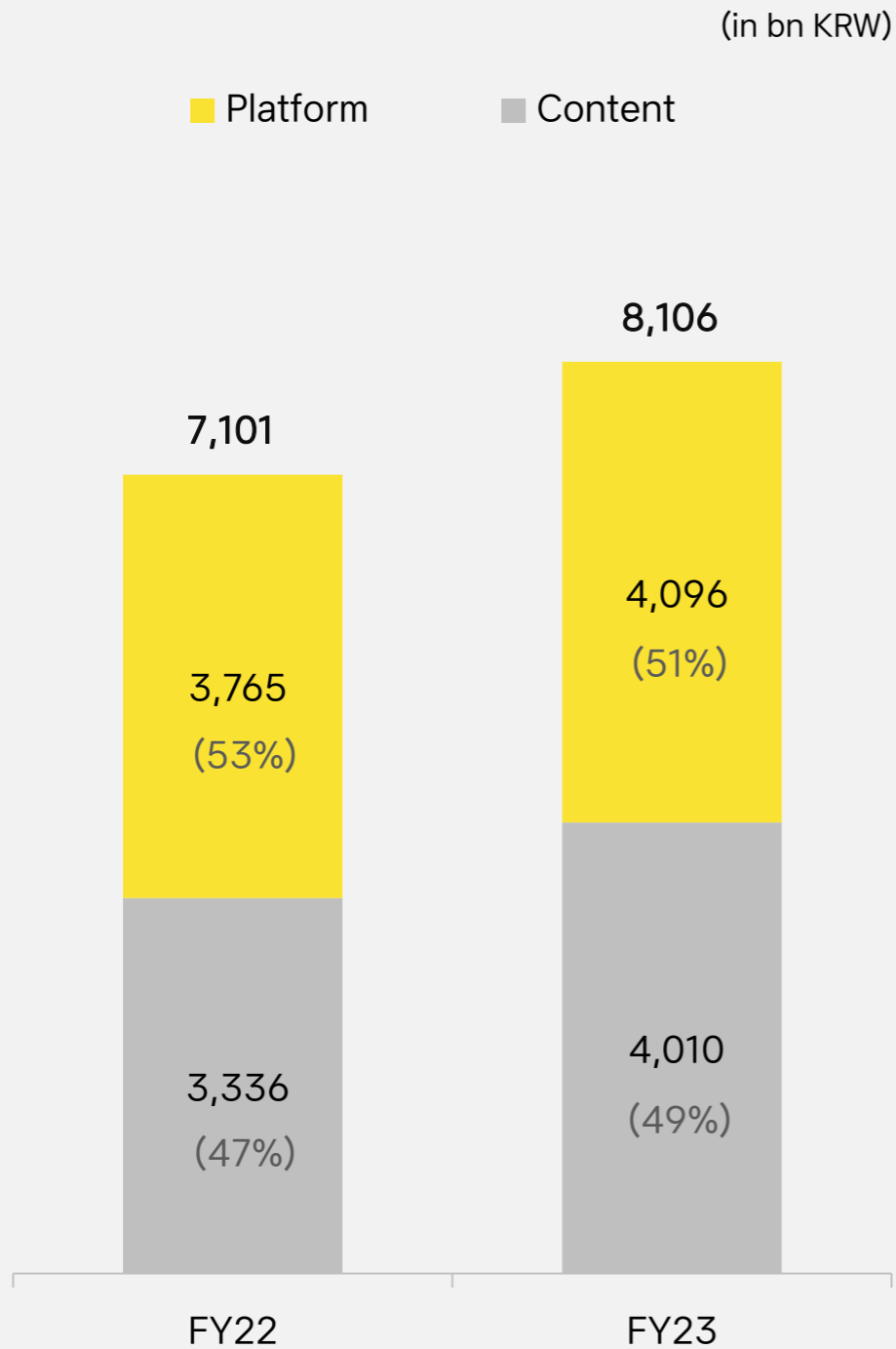


1) SM - before consolidation adjustment

# Revenue | FY2023

## Revenue +14% YoY

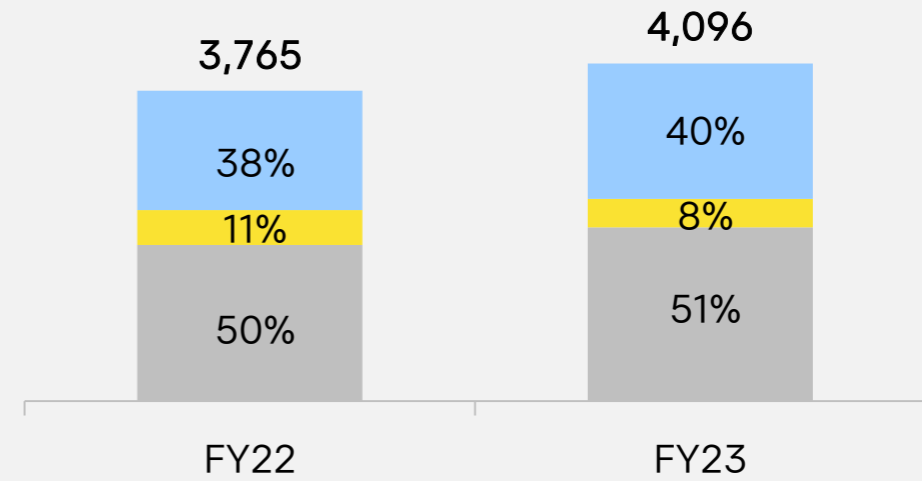
FY23 MIX : Platform 51%, Content 49%



## Platform +9% YoY

(in bn KRW)

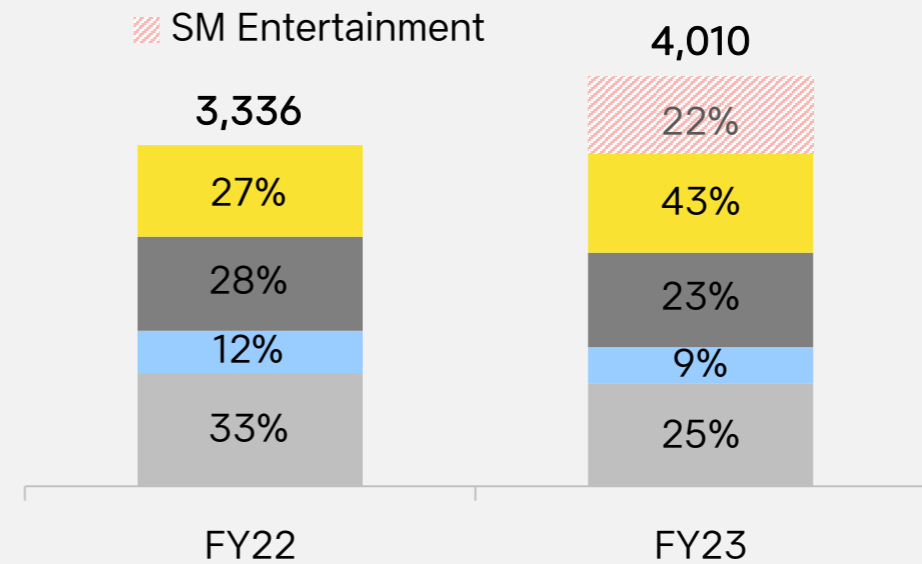
■ Talk Biz ■ Portal Biz ■ Platform-Others



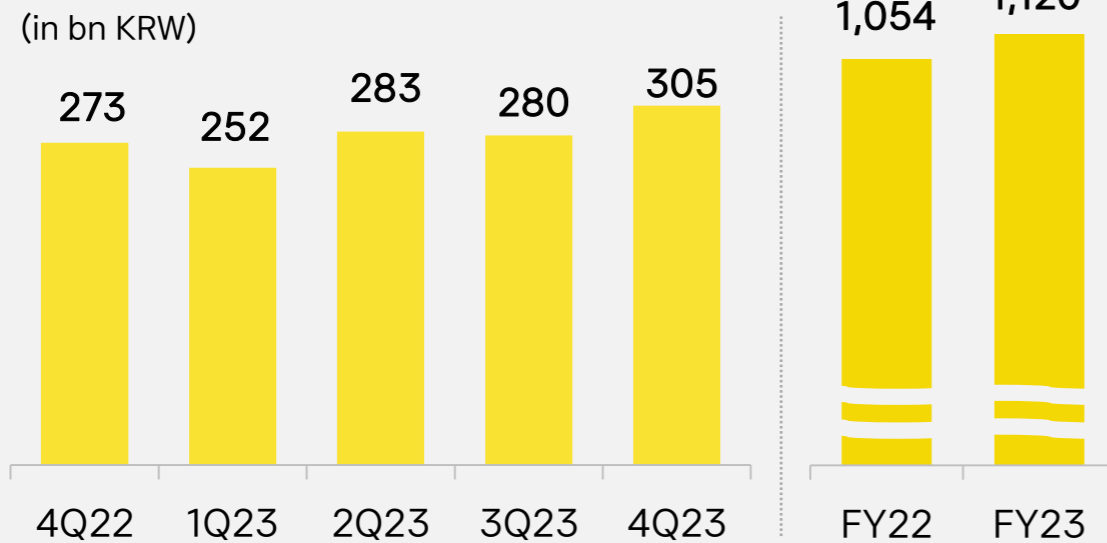
## Content +20% YoY

(in bn KRW)

■ Game ■ Story ■ SM Entertainment ■ Media ■ Music



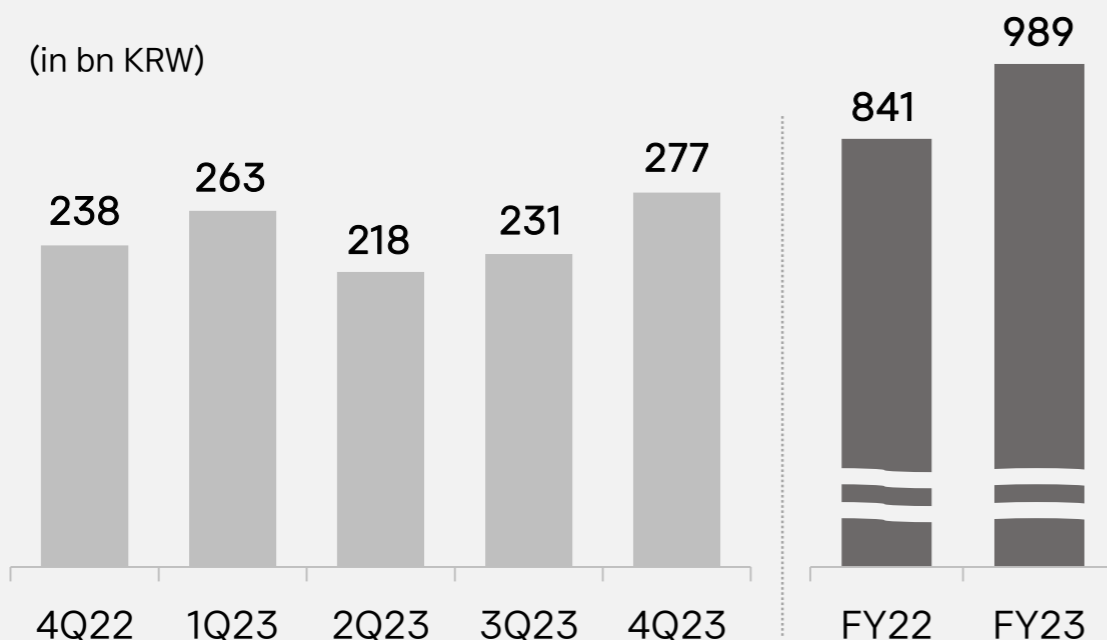
## Advertising



**4Q23 +11% YoY, +9% QoQ | FY23 +6% YoY**

- (YoY) ① Bizboard +12%, Advertiser demand increase led by improved attention to Bizboard CPT ② Message Biz +17%, Increased Talk Channel advertisers and Talk Channel friends, demand from financial sector ③ 3.7M combined paid subscribers for Emoticon Plus and Talk Drive, revenue +23%
- (QoQ) Peak seasonality

## Commerce



**4Q23 +16% YoY, +20% QoQ | FY23 +18% YoY**

- Total Commerce GMV : 2.6 tn KRW(+9% YoY)
- (YoY) ① Premium gift ② Advanced CRM marketing
- (QoQ) ① X-mas gift reservation feature ② Seasonality
- 4Q23 Change of revenue recognition timing from payment to usage, to be applied from 1Q22

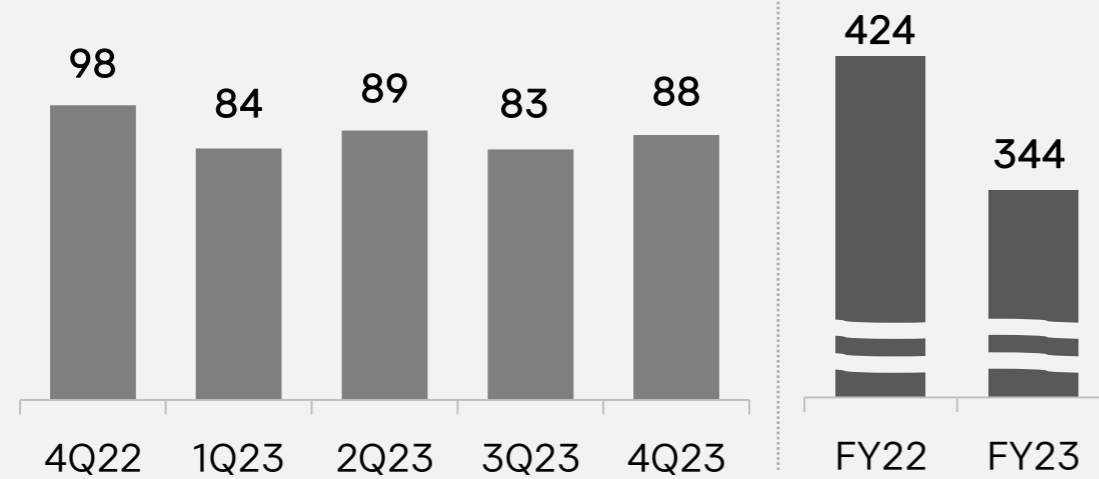
[Impact from Accounting Policy Change] (in bn KRW)

4Q22	1Q23	2Q23	3Q23	4Q23
(9.1)	(0.1)	(2.0)	(6.8)	1.0

Platform | Portal, Others

### Portal Biz

(in bn KRW)

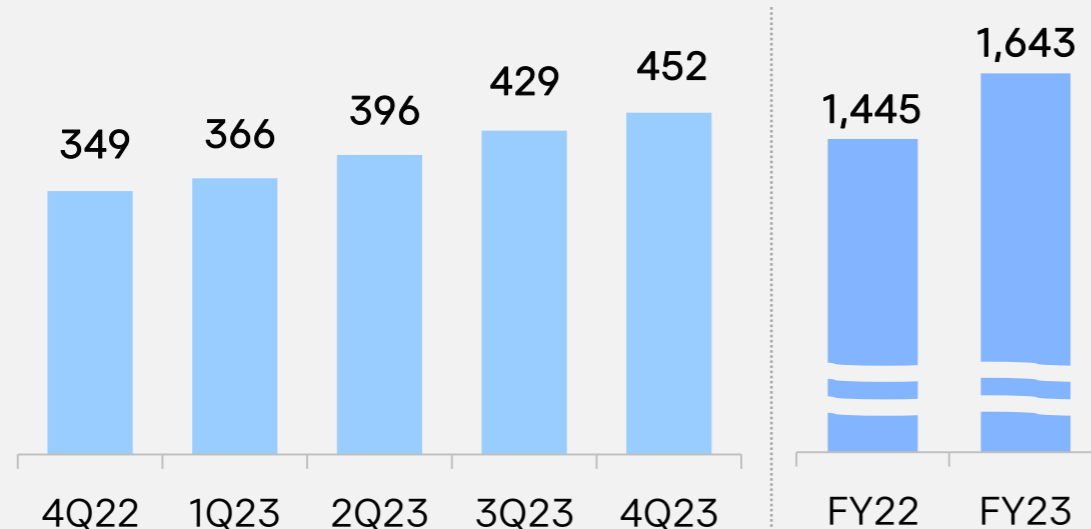


4Q23 -10% YoY, +6% QoQ | FY23 -19% YoY

- Proactive endeavor on profitability improvement via foundation of CIC in 2023
- Improving efficiency of advertising operation through global leading partners

### Platform-Others

(in bn KRW)

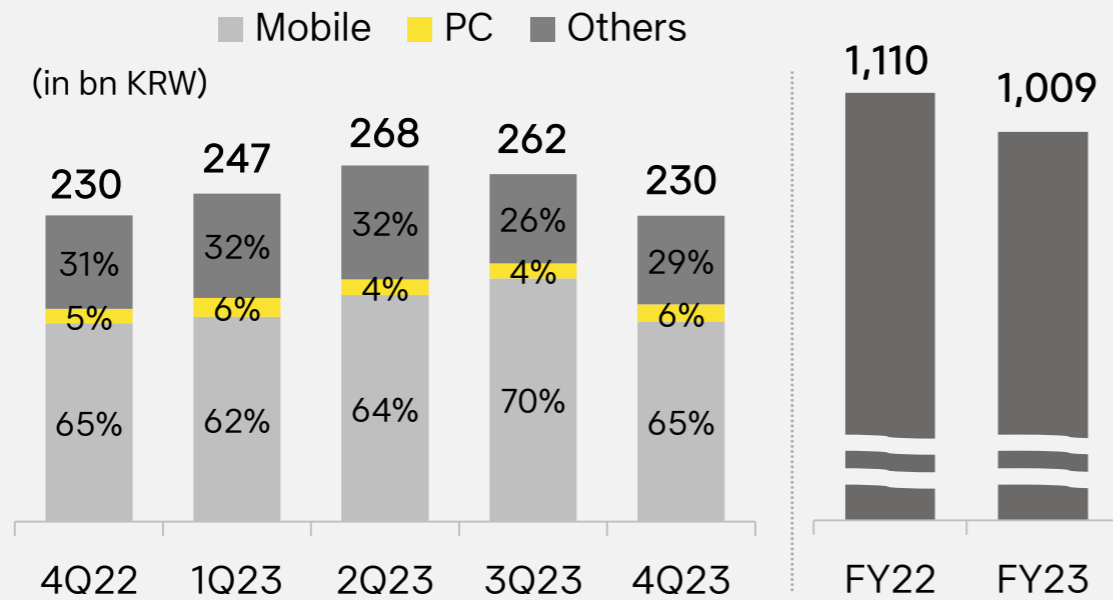


4Q23 +30% YoY, +6% QoQ | FY23 +14% YoY

- **Mobility** : Peak seasonality for mobility demand
- **Pay** : Record-high TPV of 38.1 tn KRW, +23% YoY  
 (YoY) ① Overseas Payment 2x ② Growth of financial services division across the board  
 (QoQ) ① Peak Seasonality ② Payment partnership with 11st

Content | Game, Music

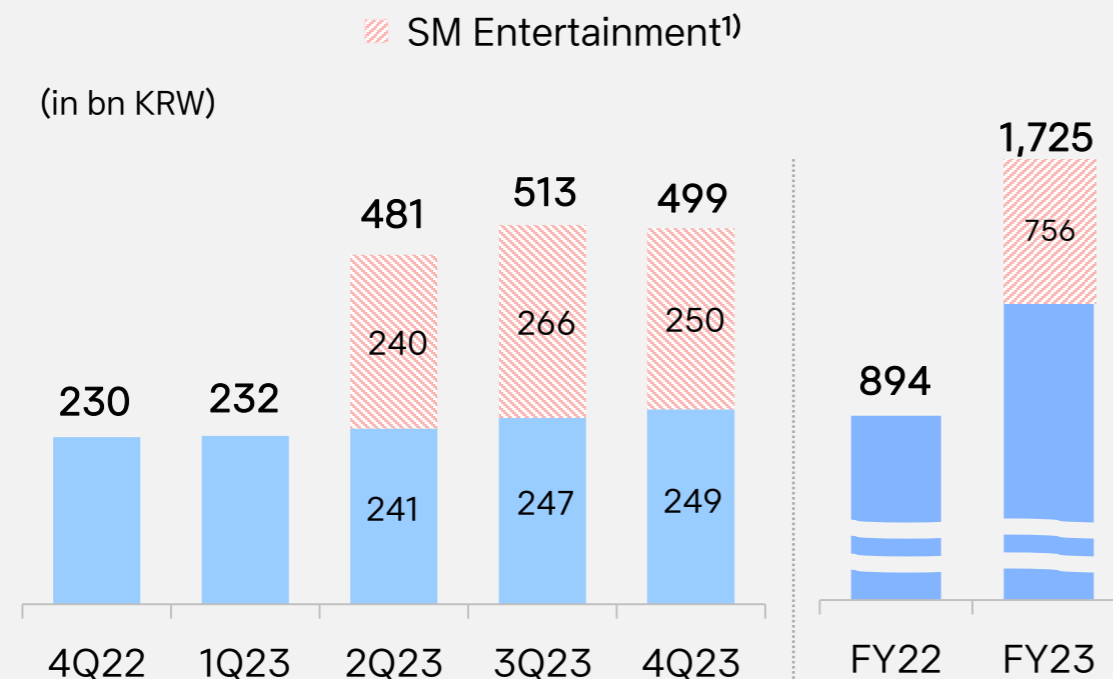
Game



4Q23 Flat YoY, -12% QoQ | FY23 -9% YoY

- (YoY) Stabilized revenue thanks to main game titles
- (QoQ) ① Delayed new title launch ② Removal of initial launch impact from 'Ares' in 3Q23, ③ Low seasonality in Others business

Music



4Q23 +117% YoY, -3% QoQ | FY23 +93% YoY

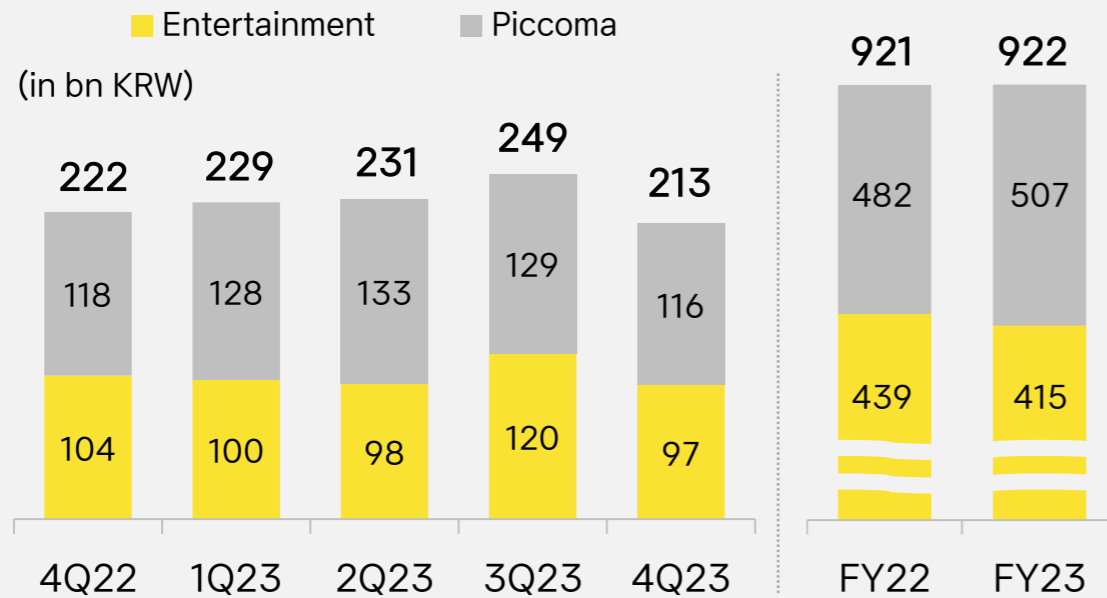
- (YoY) Impact from the consolidation of SM (ex. SM, +17% YoY, +5% QoQ)
- (QoQ) Robust performance by in-house artists including IVE offsetting weak album market

1) Before consolidation adjustment of SM Entertainment



Content | Story, Media

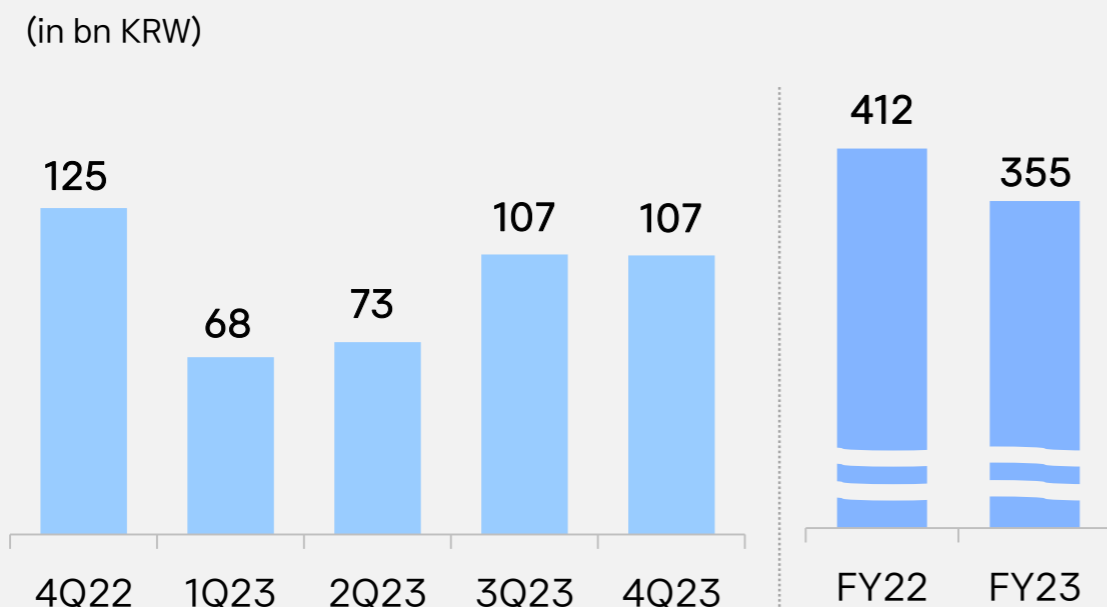
### Story



**4Q23 -4 % YoY, -14% QoQ | FY23 Flat YoY**

- **Piccoma:**  
 (YoY) Weakness in Yen offsetting increase in GMV  
 (QoQ) ① Q3 Summer holiday ② End of extended promotion  
 (in Yen) GMV +14% YoY, -10% QoQ  
 Revenue +2% YoY, -9% QoQ
- **Entertainment :**  
 (YoY) Continuous focus on profitability  
 (QoQ) High base from summer vacation

### Media



**4Q23 -15% YoY, Flat QoQ | FY23 -14% YoY**

- (YoY) Difference in production progress
- (QoQ) Stable revenue thanks to new production line-ups and continuous profit improvement

# Earnings Summary

(in bn KRW)	4Q22	3Q23	4Q23	YoY	QoQ	2022	2023	YoY
<b>Total Revenue</b>	1,765	2,154	2,171	23.0%	0.8%	7,101	8,106	14.2%
<b>Platform</b>	958	1,023	1,122	17.1%	9.7%	3,765	4,096	8.8%
Talk Biz	511	511	582	13.8%	13.8%	1,896	2,109	11.2%
Portal Biz	98	83	88	-10.0%	5.9%	424	344	-18.8%
Platform-Others	349	429	452	29.6%	5.5%	1,445	1,643	13.7%
<b>Content</b>	807	1,132	1,049	30.0%	-7.3%	3,337	4,010	20.2%
Game	231	262	231	-0.1%	-12.0%	1,110	1,009	-9.1%
Music	230	513	499	116.7%	-2.8%	894	1,725	92.9%
Story	222	249	213	-3.7%	-14.3%	921	922	0.1%
Media	125	107	107	-14.6%	-0.4%	412	355	-13.9%
<b>OPEX</b>	1,674	2,021	1,982	18.4%	-1.9%	6,537	7,604	16.3%
<b>Operating Profit</b>	91	133	189	108.6%	42.3%	564	502	-10.9%
<i>OPM</i>	5.1%	6.2%	8.7%	+3.6%p	+2.5%p	7.9%	6.2%	-1.7%p
<b>Net Profit</b>	(486)	44	(1,658)	CR	TR	1,069	(1,497)	TR
Controlling Interests	(109)	28	(836)	CR	TR	1,363	(676)	TR
Non-controlling Interests	(376)	16	(822)	CR	TR	(294)	(821)	CR
<i>Net Profit Margin</i>	-	2.1%	-	-	-	15.1%	-	-

## Earnings Sum. | ex. SM

(in bn KRW)	4Q22	3Q23	4Q23	YoY	QoQ	2022	2023	YoY
<b>Total Revenue</b>	1,765	1,898	1,941	10.0%	2.3%	7,101	7,381	3.9%
<b>Platform</b>	958	1,023	1,122	17.1%	9.7%	3,765	4,096	8.8%
Talk Biz	511	511	582	13.8%	13.8%	1,896	2,109	11.2%
Portal Biz	98	83	88	-10.1%	5.8%	424	344	-18.8%
Platform-Others	349	429	452	29.6%	5.5%	1,445	1,643	13.7%
<b>Content</b>	807	875	819	1.5%	-6.4%	3,337	3,285	-1.5%
Game	231	262	231	-0.1%	-12.0%	1,110	1,009	-9.1%
Music	230	257	269	16.8%	4.6%	894	1,000	11.8%
Story	222	249	213	-3.7%	-14.4%	921	922	0.1%
Media	125	107	107	-14.5%	-0.3%	412	355	-13.9%
<b>OPEX</b>	1,674	1,790	1,746	4.3%	-2.4%	6,537	6,911	5.7%
<b>Operating Profit</b>	91	108	195	114.8%	80.8%	564	470	-16.7%
<i>OPM</i>	5.1%	5.7%	10.0%	+4.9%p	+4.4%p	7.9%	6.4%	-1.6%p
<b>Net Profit</b>	(486)	14	(1,288)	CR	TR	1,069	(1,168)	TR
Controlling Interests	(109)	18	(721)	CR	TR	1,363	(573)	TR
Non-controlling Interests	(376)	(4)	(568)	CR	CR	(294)	(596)	CR
<i>Net Profit Margin</i>	-	0.7%	-	-	-	15.1%	-	-

# Operating Expenses

(in bn KRW)	4Q22	3Q23	4Q23	YoY	QoQ	2022	2023	YoY
Operating Expenses	1,674	2,021	1,982	18.4%	-1.9%	6,537	7,604	16.3%
Labor	411	468	477	16.0%	2.1%	1,701	1,865	9.6%
Cost of Revenue	704	872	770	9.4%	-11.7%	2,654	3,112	17.3%
Outsourcing / Infrastructure	245	289	324	32.1%	12.1%	924	1,138	23.1%
Marketing	108	125	125	15.5%	-0.1%	485	485	0.0%
Depreciation & Amortization	161	198	206	27.6%	3.6%	580	746	28.6%
Misc.	45	69	80	78.4%	16.4%	192	258	33.9%

## 4Q Analysis

- Labor (YoY) Consolidation of new subsidiaries including SM  
 (QoQ) SM cost account conversion effect<sup>1)</sup>
- Cost of revenue (YoY) Expansion of Talk Biz revenue  
 (QoQ) SM cost account conversion effect<sup>1)</sup>
- Outsourcing / Infrastructure (YoY, QoQ) Increase in franchise taxi commission and SM cost account conversion effect<sup>1)</sup>
- Marketing (YoY) Low base from Piccoma intentionally reducing the marketing expense to verify marketing cost efficiency  
 (QoQ) Flat
- Depreciation & Amortization (YoY) Reflected PPA cost associated with investment incl. SM, (QoQ) Increased investment in IDC including machinery

1) Converted commission fee of SM into labor cost and outsourcing/infrastructure cost under Kakao's consolidation accounting policy

# Operating Exp. | ex. SM

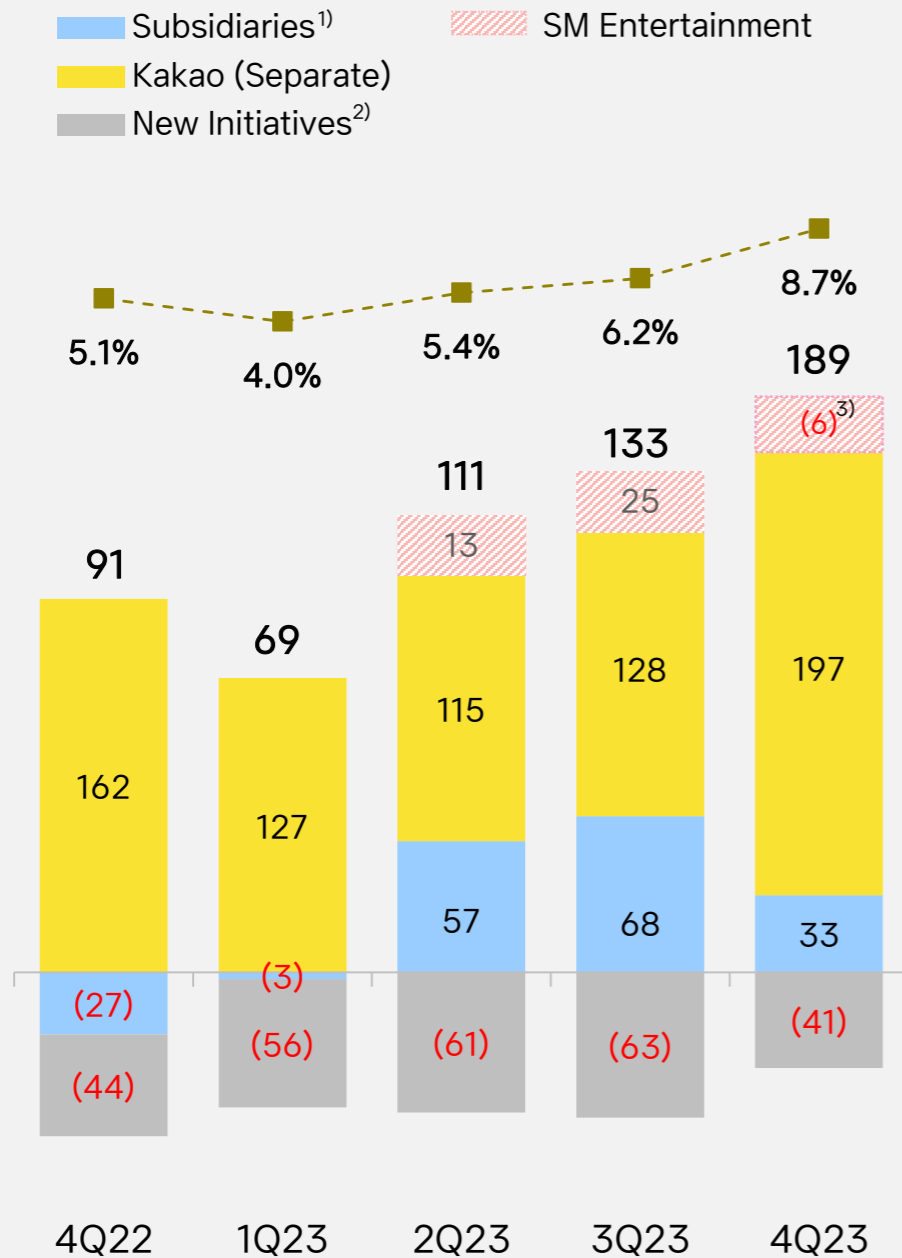
(in bn KRW)	4Q22	3Q23	4Q23	YoY	QoQ	2022	2023	YoY
Operating Expenses	1,674	1,790	1,746	4.3%	-2.4%	6,537	6,911	5.7%
Labor	411	448	389	-5.3%	-13.1%	1,701	1,737	2.1%
Cost of Revenue	704	726	718	1.9%	-1.1%	2,654	2,760	4.0%
Outsourcing / Infrastructure	245	280	290	18.2%	3.5%	924	1,082	17.2%
Marketing	108	113	119	9.9%	5.0%	485	466	-4.0%
Depreciation & Amortization	161	159	171	6.1%	7.5%	580	638	10.0%
Misc.	45	63	61	34.4%	-4.0%	192	228	18.7%

# Profits

## Operating Profit(M)

4Q23 +109% YoY, +42% QoQ

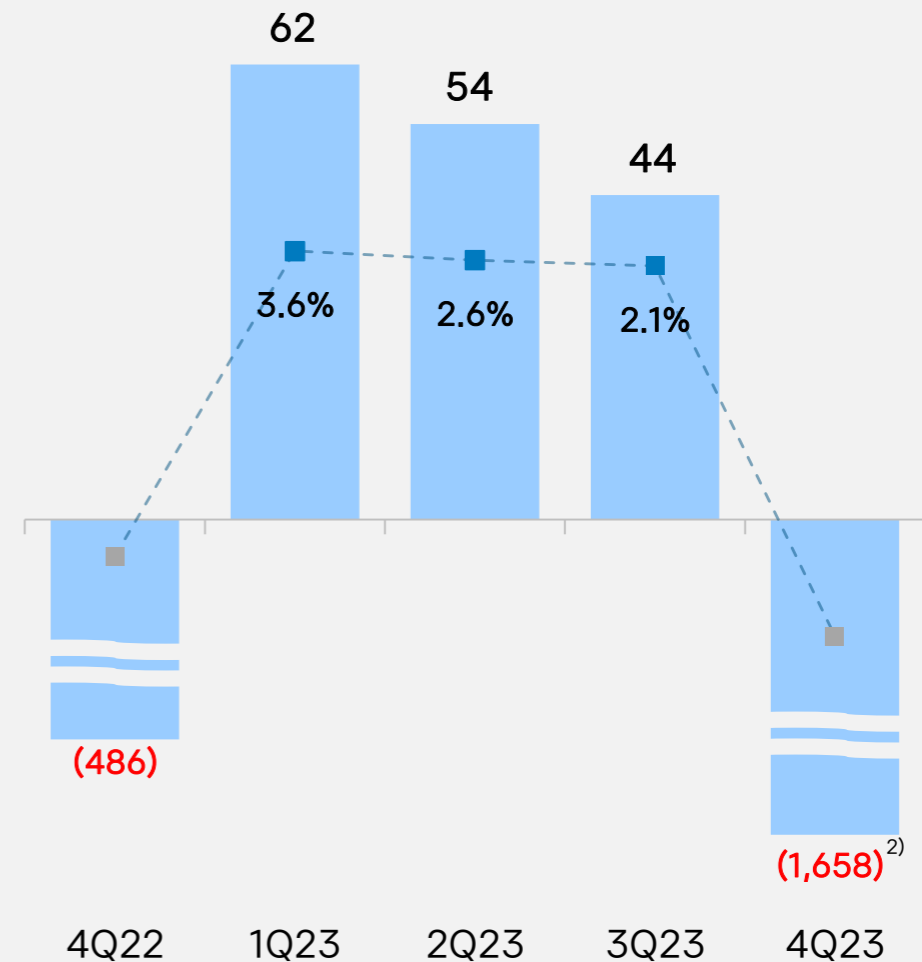
(in bn KRW)



## Net Profit(M)

4Q23 CR YoY, TR QoQ

(in bn KRW)

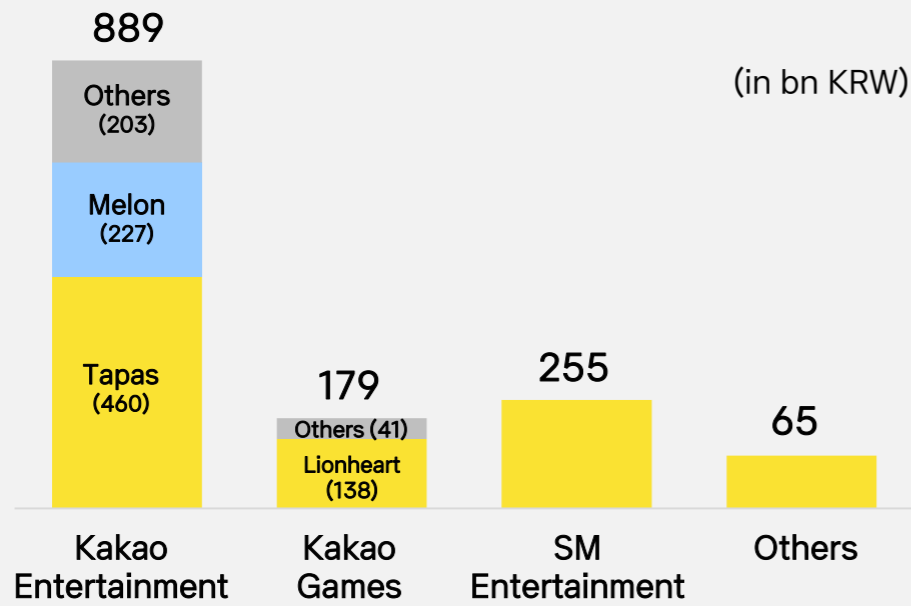


1) Subsidiaries: All business segments ex. Kakao & New Initiatives  
 2) New Initiatives: Kakao Enterprise, Kakao Brain, Kakao Healthcare  
 3) Reflected PPA cost and consolidation adjustment from SM Ent. OP (10.9 bn)  
 4) Subsidiaries includes internal transaction

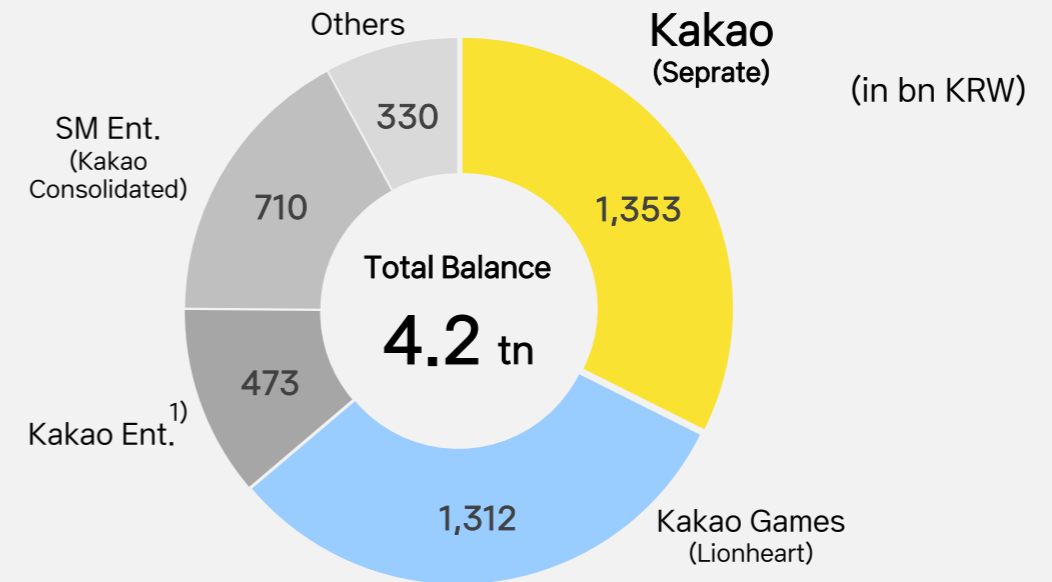
1) CapEx : Based on cash outflow for acquisition of tangible/intangible assets  
 2) 4Q23 : Net loss due to other expenses of 2.0 tn incl. impairment of goodwill (1.4 tn) and PPA impairment (270 bn)

Other Exp. | Goodwill, PPA

Goodwill Impairment (4Q23)

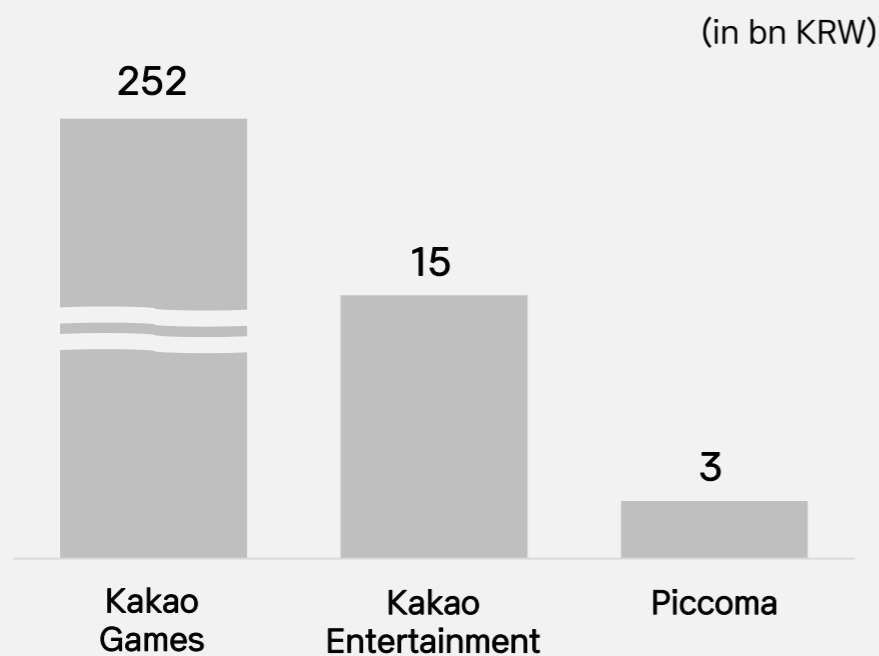


Goodwill Balance (FY2023 Year-end)

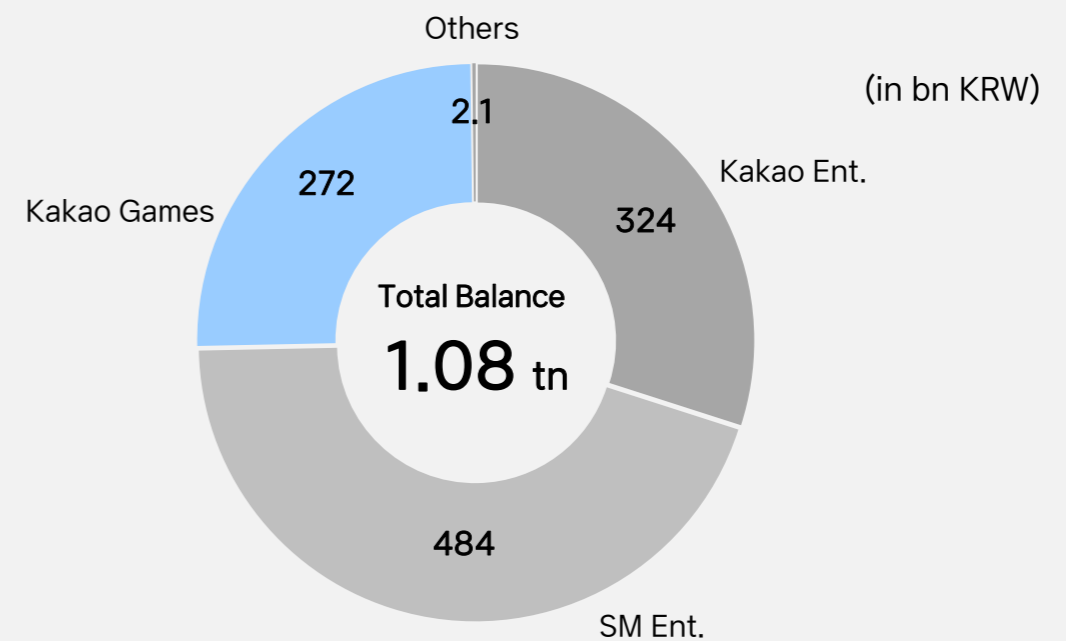


1) Remaining goodwill balance of Melon and Tapas is only 4.6 and 11.4 bn KRW, respectively

PPA Impairment (4Q23)



PPA Balance (FY2023 Year-end)



# Accounting Policy

Change in accounting for commerce revenue and sabbatical leave by applying conservative standards

(in bn KRW)	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23
<b>Total Revenue<sup>1)</sup></b>										
Commerce	4	2	(3)	(9)	(6)	(0)	(2)	(7)	1	(8)
<b>Operating Expenses<sup>2)</sup></b>										
Sabbatical leave	8	1	2	1	11	2	1	0	0	4
<b>Operating Profit</b>	(3)	1	(5)	(10)	(17)	(2)	(3)	(7)	1	(12)
<b>Non-operating income<sup>3)</sup></b>										
Derivative valuation loss	-	-	-	29	29	-	-	-	(4)	(4)
<b>Income Tax</b>										
Income from deferred income tax <sup>4)</sup>	-	-	-	(48)	(48)	-	-	-	-	-
Change effect of revenue and expenses <sup>5)</sup>	(1)	1	(1)	(2)	(4)	(1)	(1)	(2)	0	(3)
<b>Net Profit</b>	(3)	1	(4)	12	6	(2)	(2)	(5)	4	(5)

- 1) Revenue : Change in timing of revenue recognition for Talk Gift from the payment to the use of vouchers or receipt of delivered products
- 2) Operating expenses : Recognition of additional liabilities for sabbatical leave
- 3) Non-operating income : Additional derivative valuation loss related to put options
- 4) Deferred income tax : Error in non-inclusion of dividend income from the prior fiscal year
- 5) Change effect : Deferred income tax effect caused by error correction of revenue and operating expenses for prior accounting periods



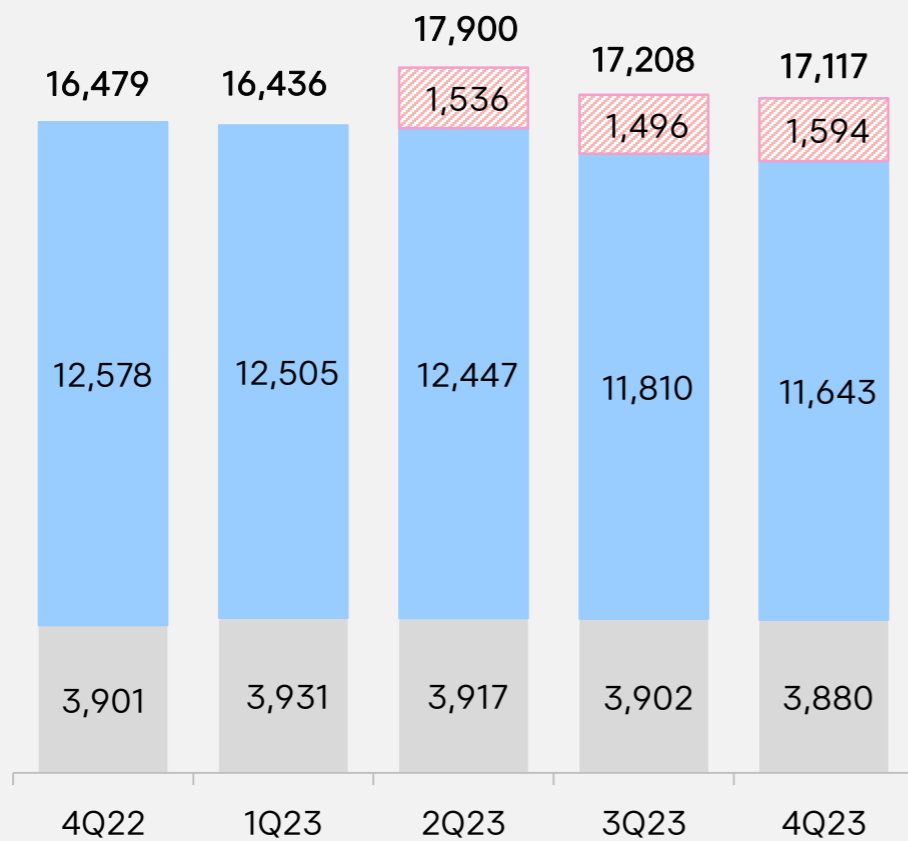
# Employees / CapEx

## Employees

-91 QoQ with conservative hiring

(# of people)

■ Kakao  
■ Subsidiaries(excl. SM)  
■ SM Entertainment

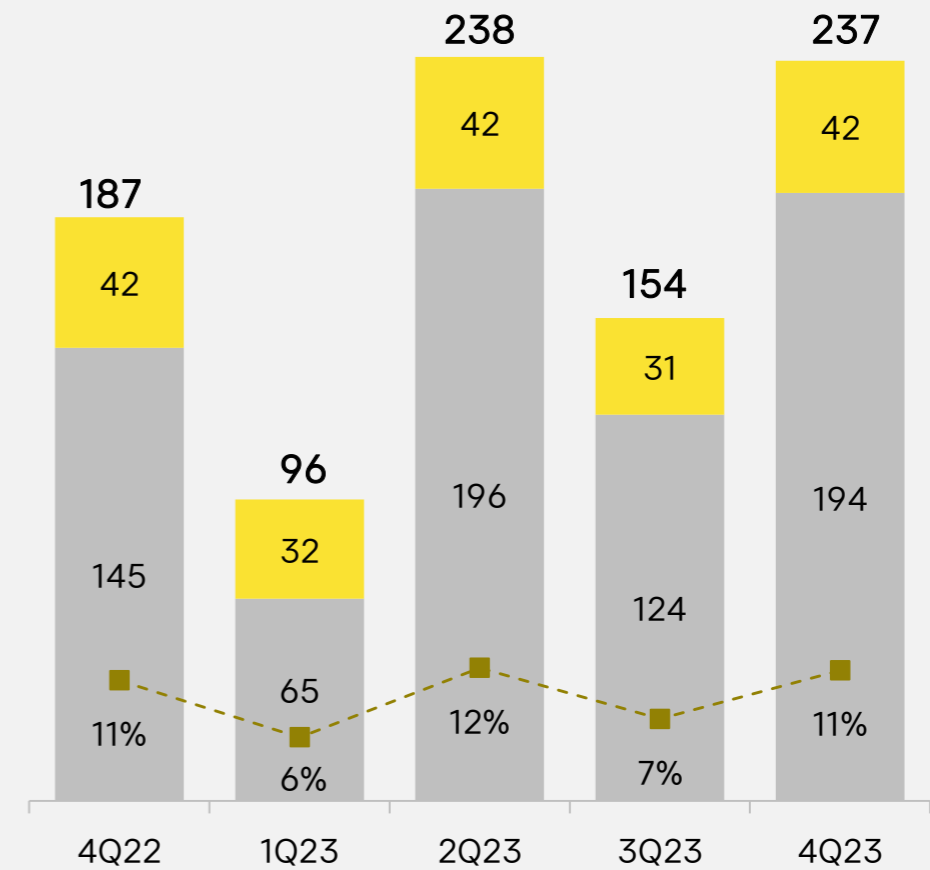


## CapEx

+82.2 bn QoQ with construction completion of AI Campus and increased investment in IDC facility

(in bn KRW)

■ PP&E  
■ Intangible  
- Capex to Revenue

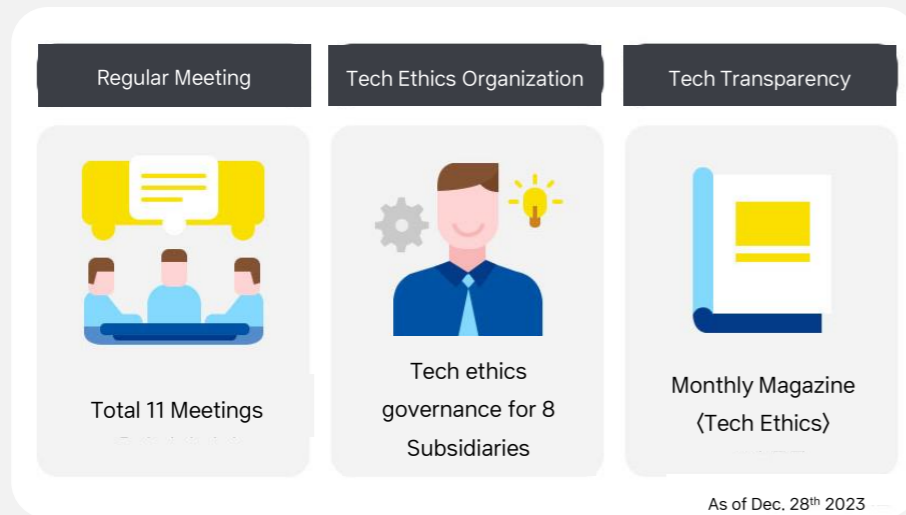


- 1) PP&E : Assets under construction related to data centers and machinery such as server networks
- 2) Intangible : Goodwill and other intangible assets including video production and distribution rights of story content

# ESG Activities

## 2023 DJSI World (3 year in a row) / S&P Global's The Sustainability Yearbook

### Annual Recap of Tech Ethics Committee



### Fortifying Digital Responsibility

- <Kakao Tech Ethics Report>  
: Annual activities recap of Korea's first-ever Tech Ethics Committee
- <Financial Safety Report>  
: Fostering a safe digital financial platform environment
- <Privacy Protection Guide for Seniors>  
: Bridging the digital divide and exclusion for seniors

### Kakao Shopping Value Plus & Our Local Market



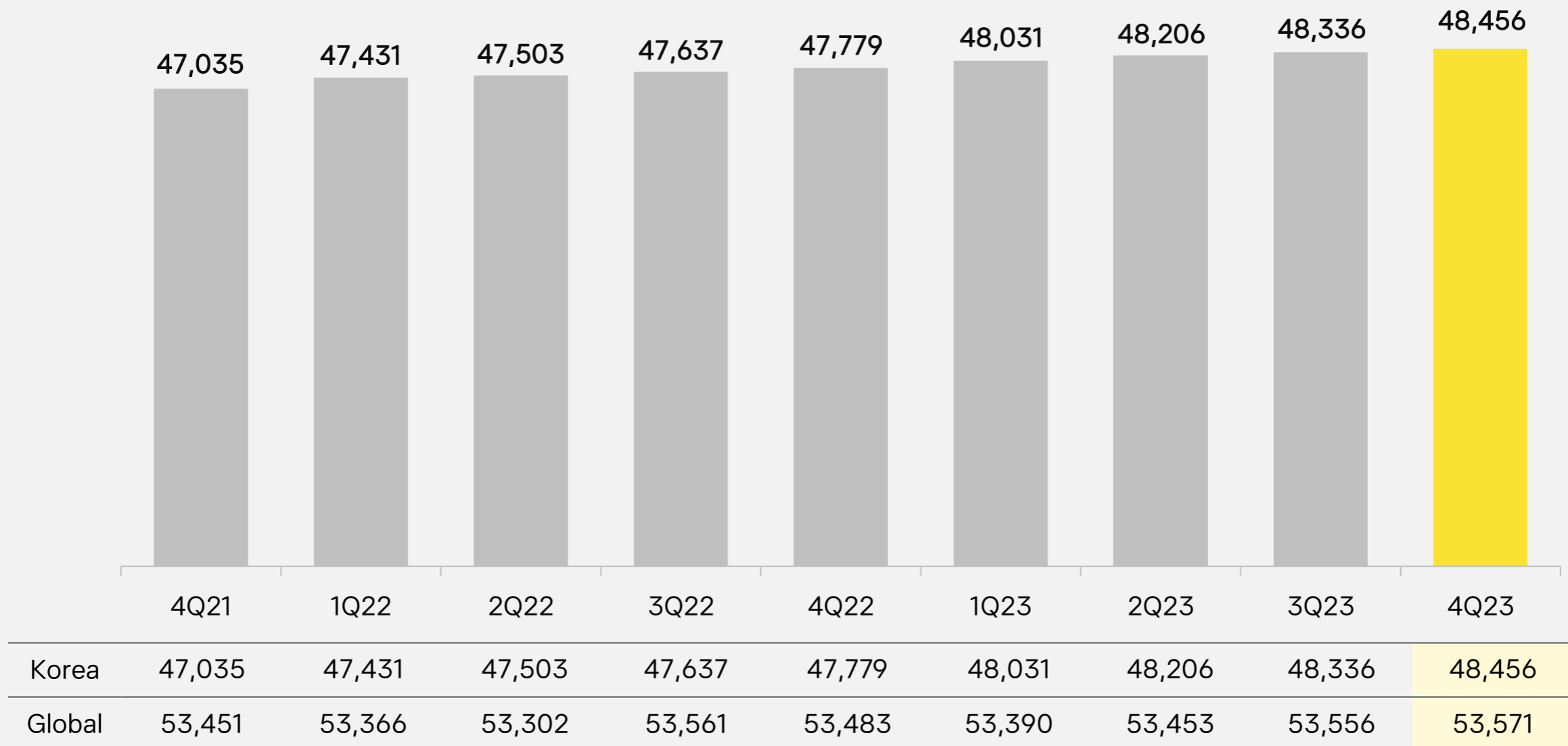
### Coexisting with SME Merchants

- Kakao Shopping Value Plus  
: Training Talk Store SME merchants into online sellers
- Our Local Market  
: Educating 100 local markets on how to use Talk Channel

# Kakao Talk MAU

Monthly Active Users in Korea grew by +677K YoY, +120K

(in thousands)



Average of monthly MAUs. Global includes domestic MAUs.

# Consolidated FS

## Income Statement

(in bn KRW)	4Q22	1Q23	2Q23	3Q23	4Q23
<b>Total Revenue</b>	<b>1,765</b>	<b>1,740</b>	<b>2,041</b>	<b>2,154</b>	<b>2,171</b>
Platform	958	965	987	1,023	1,122
Talk Biz	511	515	501	511	582
Portal Biz	98	84	90	83	88
New Biz	349	366	396	429	452
Content	807	776	1,054	1,132	1,049
Game	222	229	231	249	213
Music	231	247	269	262	231
Story	125	68	74	107	107
Media	230	232	481	513	499
<b>Operating Expenses</b>	<b>1,674</b>	<b>1,671</b>	<b>1,930</b>	<b>2,021</b>	<b>1,982</b>
Labor Cost	411	448	472	468	477
Cost of Revenue	704	667	803	872	770
Outsourcing / Infrastructure	245	242	282	289	324
Marketing Expense	108	115	120	125	125
Depreciation / Amortization Cost	161	150	192	198	206
Misc.	49	45	53	59	71
<b>Operating Profit</b>	<b>91</b>	<b>69</b>	<b>111</b>	<b>133</b>	<b>189</b>
<i>Margin(%)</i>	<i>5.1%</i>	<i>4.0%</i>	<i>5.4%</i>	<i>6.2%</i>	<i>8.7%</i>
Other Non-Operating Income	76	17	17	73	101
Other Non-Operating Expenses	993	42	28	80	1,989
Financial Income	141	79	62	56	120
Financial Expenses	257	46	51	71	101
Equity-method gain	21	34	28	33	25
Equity-method loss	46	40	29	23	30
<b>Profit before Income Tax</b>	<b>(967)</b>	<b>71</b>	<b>110</b>	<b>121</b>	<b>(1,684)</b>
Income Tax	(481)	9	56	77	(26)
<b>Net Profit</b>	<b>(486)</b>	<b>62</b>	<b>54</b>	<b>44</b>	<b>(1,658)</b>
Controlling Interests	(109)	76	55	28	(836)
Non-controlling Interests	(376)	(14)	(1)	16	(822)
EBITDAR	244	219	303	332	393
Adjusted EBITDAR <sup>1)</sup>	286	248	330	354	400

## Statement of Financial Position

(in bn KRW)	2021.12.31	2022.12.31	2023.12.31
<b>Current Assets</b>	<b>8,102</b>	<b>7,770</b>	<b>8,980</b>
Cash & Cash Equivalents	5,232	4,780	5,269
S-T Financial Instruments	1,574	1,210	1,662
Account Receivable	398	441	628
Other Current	319	362	565
Financial Assets	580	977	857
Other Current Assets	580	977	857
<b>Non-Current Assets</b>	<b>13,712</b>	<b>14,451</b>	<b>15,455</b>
Investments in Associates and Joint Ventures	3,216	2,652	2,951
Tangible Assets	555	885	1,324
Intangible Assets	6,348	6,022	5,829
Other Non-current Assets	3,594	4,891	5,351
<b>Financial Assets</b>	<b>965</b>	<b>757</b>	<b>1,147</b>
<b>Total Assets</b>	<b>22,780</b>	<b>22,978</b>	<b>25,582</b>
<b>Current Liabilities</b>	<b>5,630</b>	<b>5,286</b>	<b>6,809</b>
Account Payable and Other payable	1,231	1,374	1,857
Short-term Borrowings	1,259	1,097	1,630
Income Tax Payable	189	158	153
Other Current Liabilities	2,952	1,873	2,264
<b>Non-Current Liabilities</b>	<b>2,885</b>	<b>3,795</b>	<b>3,729</b>
Non-Current Finance Lease Obligations	1,318	1,643	1,731
Deferred Income Tax Liabilities	757	604	710
Other Non-Current Liabilities	810	1,548	1,288
<b>Financial Liabilities</b>	<b>674</b>	<b>440</b>	<b>817</b>
<b>Total Liabilities</b>	<b>9,190</b>	<b>9,520</b>	<b>11,356</b>
Paid-in Capital	45	45	45
Capital Surplus	7,781	8,116	8,859
Other Accumulated Earnings	77	41	8
Accumulated Other Comprehensive Income	372	(1,257)	(975)
Retained Earnings	1,710	2,983	2,213
Minority Interest	3,606	3,529	4,078
<b>Total Equity</b>	<b>13,590</b>	<b>13,457</b>	<b>14,226</b>
<b>Total Liabilities &amp; Equity</b>	<b>22,780</b>	<b>22,978</b>	<b>25,582</b>

1) Adjusted EBITDAR : included equity compensation expense

# Separate FS

Income Statement					
(in bn KRW)	4Q22	1Q23	2Q23	3Q23	4Q23
<b>Total Revenue</b>	<b>642</b>	<b>641</b>	<b>633</b>	<b>649</b>	<b>704</b>
<b>Operating Expenses</b>	<b>480</b>	<b>513</b>	<b>518</b>	<b>521</b>	<b>507</b>
Labor Cost	97	135	142	135	104
Cost of Revenue	238	234	218	230	241
Outsourcing / Infrastructure	74	70	78	68	73
Marketing Expense	10	3	5	9	11
Depreciation and Amortization	60	60	64	66	66
Misc.	2	12	12	13	13
<b>Operating Profit</b>	<b>162</b>	<b>127</b>	<b>115</b>	<b>128</b>	<b>197</b>
<i>Margin (%)</i>	<i>25.2%</i>	<i>19.9%</i>	<i>18.1%</i>	<i>19.8%</i>	<i>28.0%</i>
Other Non-Operating Income	19	3	4	7	12
Other Non-Operating Expenses	91	2	6	18	253
Financial Income	35	34	14	24	46
Financial Expenses	28	14	16	14	15
<b>Profit before income tax</b>	<b>97</b>	<b>149</b>	<b>111</b>	<b>128</b>	<b>(12)</b>
Income Tax	(186)	27	21	34	3
<b>Net Profit</b>	<b>283</b>	<b>122</b>	<b>91</b>	<b>95</b>	<b>(15)</b>
EBITDAR	230	187	180	195	263
Adjusted EBITDAR <sup>1)</sup>	248	201	192	207	269

Statement of Financial Position			
(in bn KRW)	2021.12.31	2022.12.31	2023.12.31
<b>Current Assets</b>	<b>2,413</b>	<b>2,349</b>	<b>2,156</b>
Cash & Cash Equivalents	1,479	1,249	1,439
S-T Financial Instruments	255	211	22
Account Receivable	152	139	157
Other Current Assets	527	750	539
<b>Non-Current Assets</b>	<b>7,612</b>	<b>8,457</b>	<b>9,353</b>
Investments in Associates, Subsidiaries & JV	3,548	4,752	5,472
Tangible Assets	313	501	737
Intangible Assets	1,574	1,609	1,595
Other Non-current Assets	2,178	1,596	1,549
<b>Total Assets</b>	<b>10,025</b>	<b>10,806</b>	<b>11,510</b>
<b>Current Liabilities</b>	<b>2,299</b>	<b>2,283</b>	<b>2,712</b>
Account Payable and Other payable	494	547	532
Short-term Borrowings	342	29	250
Income Tax Payable	56	-	-
Other Current Liabilities	1,408	1,707	1,930
<b>Non-Current Liabilities</b>	<b>1,171</b>	<b>1,511</b>	<b>1,477</b>
Non-Current Finance Lease Obligations	1,076	1,306	1,310
Deferred Income Tax Liabilities	-	91	55
Other Non-Current Liabilities	95	113	113
<b>Total Liabilities</b>	<b>3,470</b>	<b>3,793</b>	<b>4,189</b>
Paid-in Capital	45	45	45
Capital Surplus	5,489	5,591	5,699
Other Accumulated Earnings	77	41	8
Accumulated Other Comprehensive Income	241	11	(5)
Retained Earnings	703	1,325	1,574
<b>Total Equity</b>	<b>6,554</b>	<b>7,013</b>	<b>7,321</b>
<b>Total Liabilities &amp; Equity</b>	<b>10,025</b>	<b>10,806</b>	<b>11,510</b>

1) Adjusted EBITDAR : included equity compensation expense

**Thank You**

