

# kakao

November 2017 | Investor Relations



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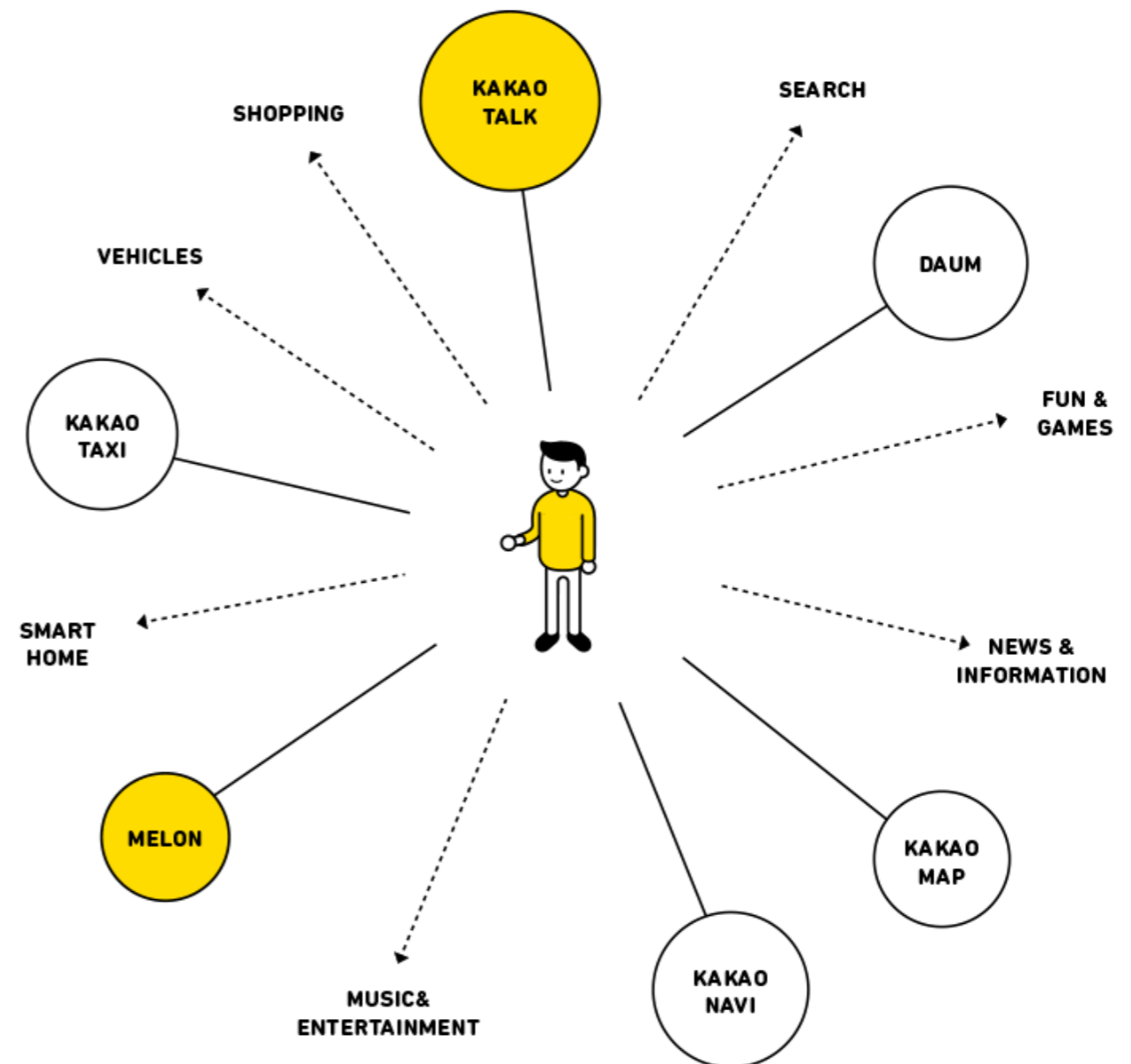
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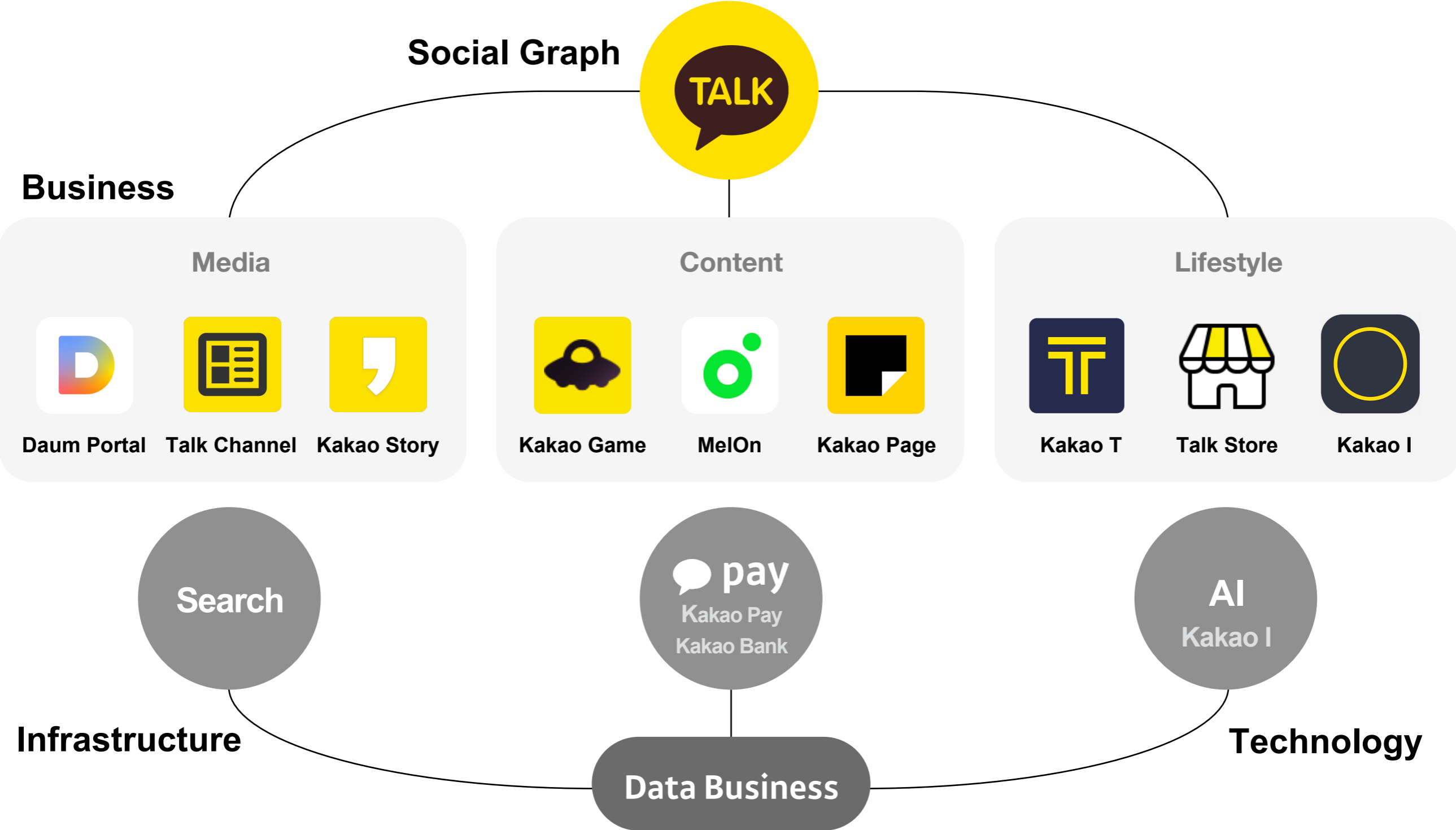
**Platforms**

Service/Business

Financials

# Key Platforms

Kakao provides mobile lifestyle services that make everyday connections boundless and better



# Kakao I

Kakao developed Korea's most loved artificial intelligence Kakao I to connect everything we need in our lives, just like the company developed the country's leading messenger Kakao Talk, which made endless communication possible.

## kakao ai eco-system



Platforms

**Service/Business**

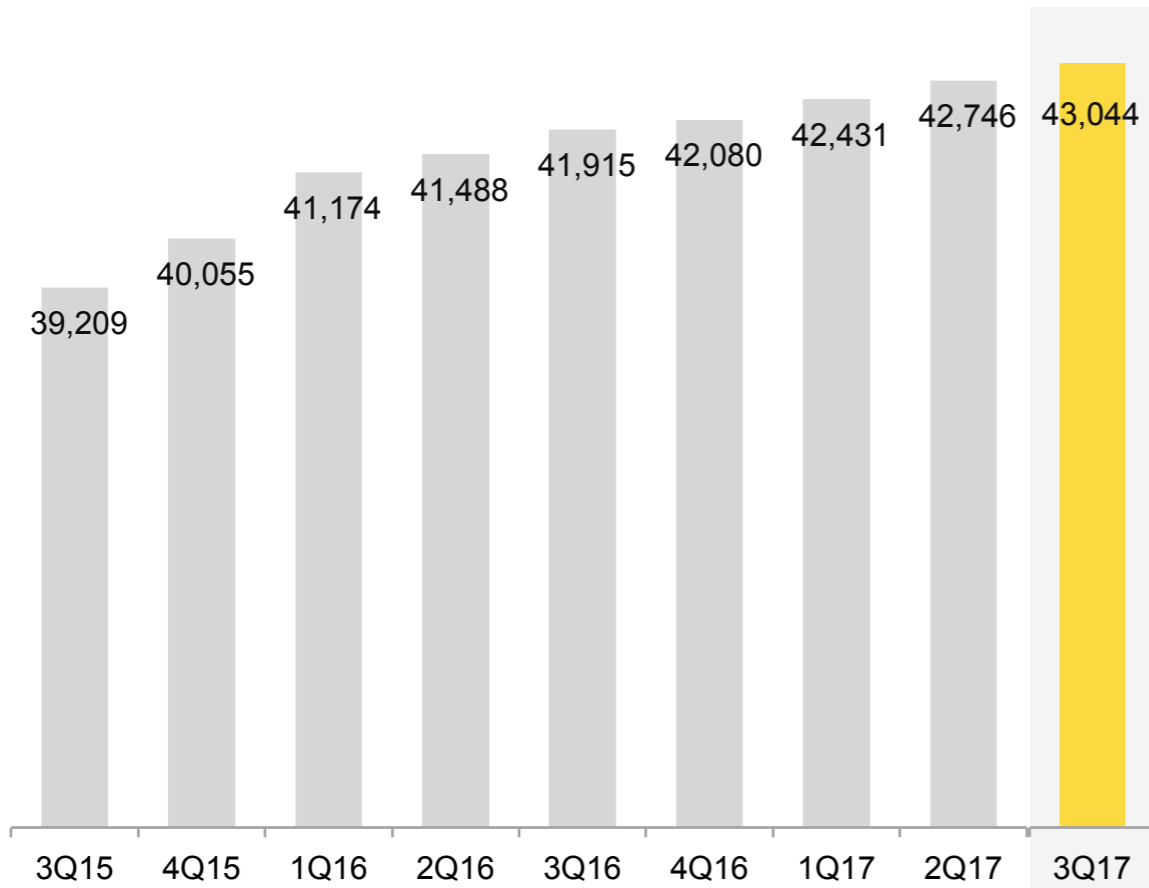
Financials

# Kakao Talk

- Continue to grow our domestic active users +1,129K yoy +298K qoq
- Reinforce content consumption habit on Kakao Talk via Talk Channel(30mn MAU) and # Search(11mn MAU)



## Monthly Active Users

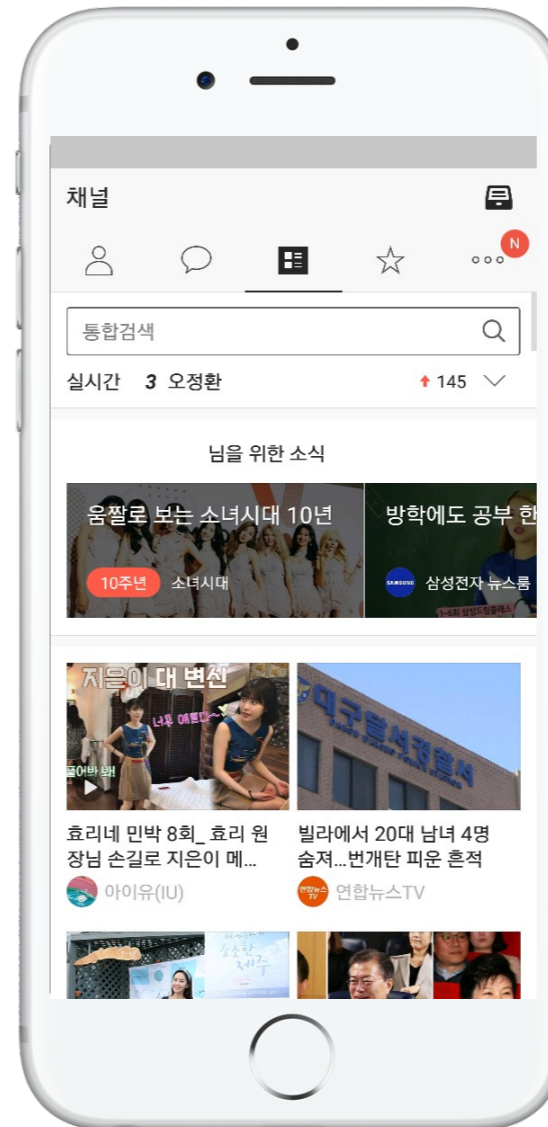


Korea	39,209	40,055	41,174	41,488	41,915	42,080	42,431	42,746	43,044
Global	48,464	48,321	49,318	49,100	49,189	48,955	49,158	49,468	49,844

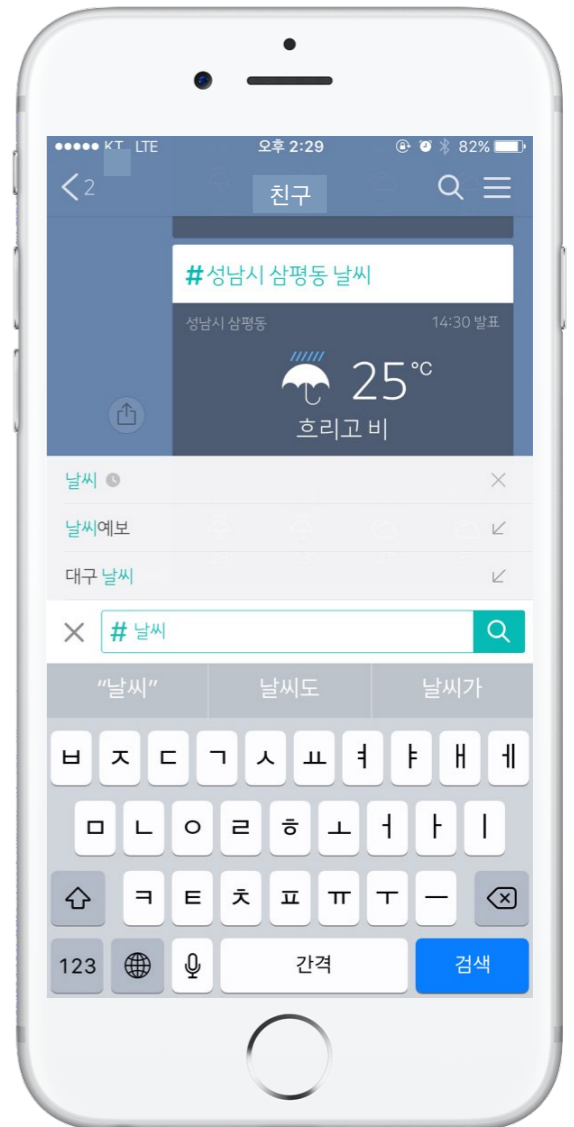
Average of monthly MAUs. Global includes domestic MAUs.



## Talk Channel



## #(Sharp) Search



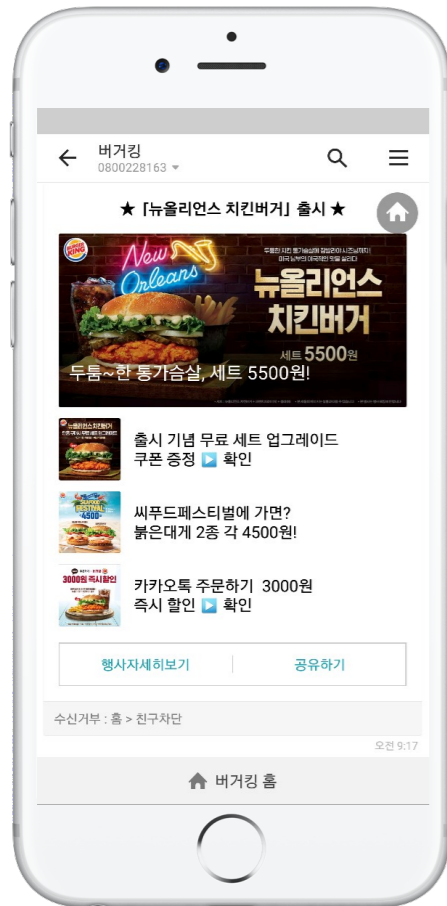
(in thousand)



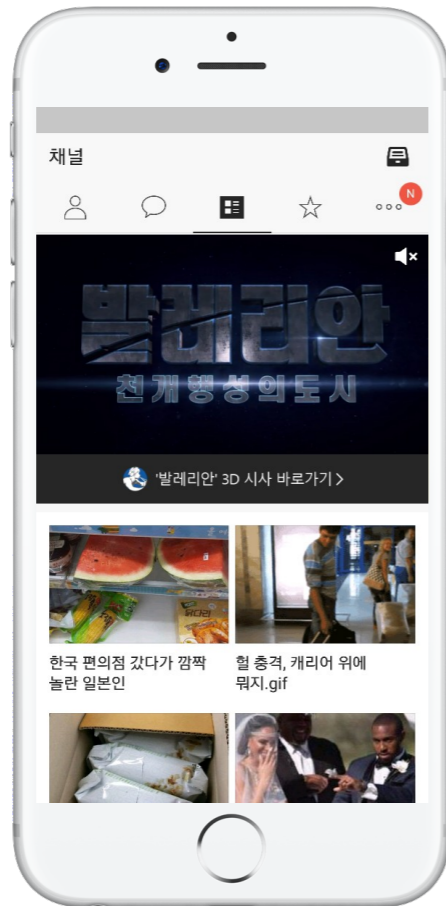
# Kakao Advertising

- Kakao accounts for 30% of total advertising revenue in 3Q 2017 (Kakao Talk > Kakao Story > Kakao Style)
- Plan to expand into a business platform, which will enable customer supports, orders, reservations and payments within Kakao Talk

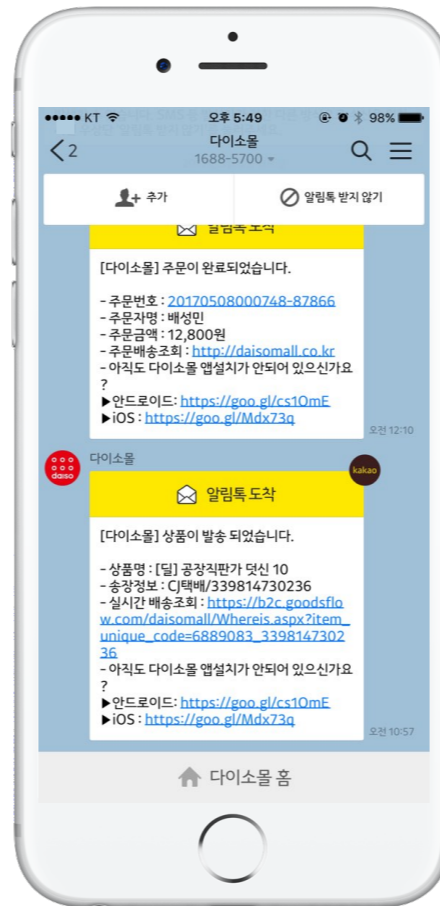
## Kakao Ads Products



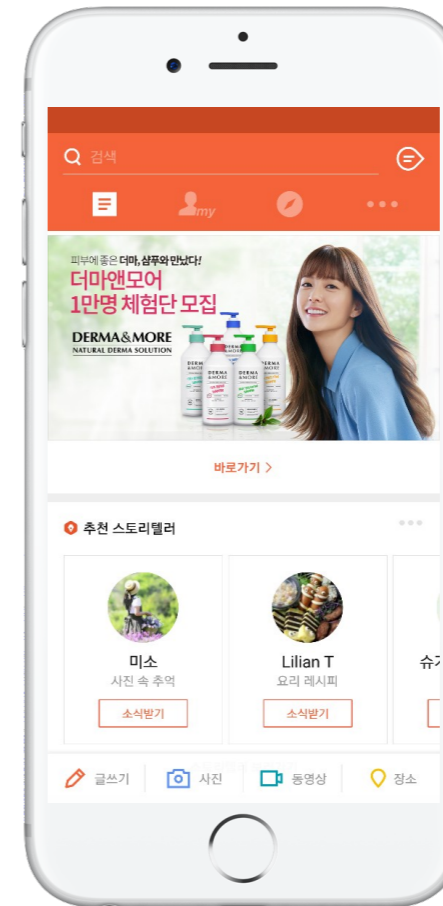
New Plus Friend



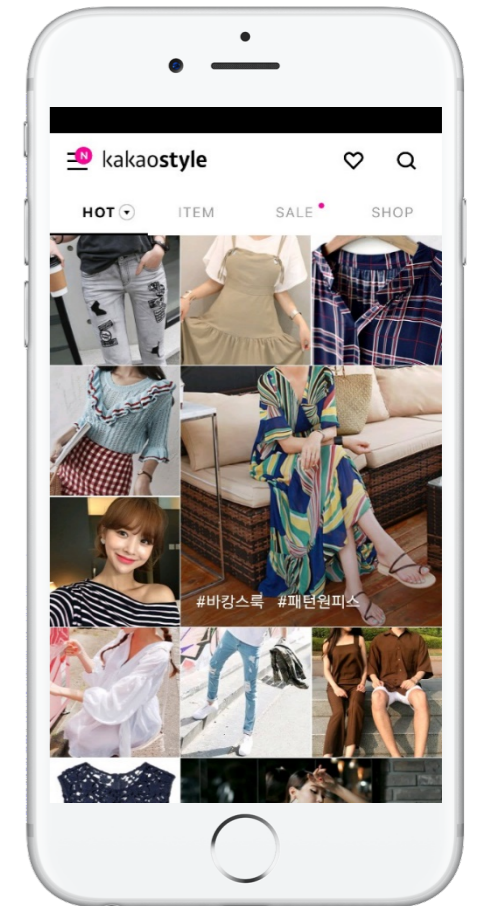
Outstream video ads



Notification messaging



Kakao Story feed ads



Kakao Style DA

# Daum Portal Advertising

- More relevant content via user targeting lead to higher visit frequency and more clicks
- New mobile ads such as 1boon, Focus View, Photo View, native ads, etc., reflecting latest trends

## Daum-PC ads

The screenshot shows the Daum PC portal main page. At the top, there is a search bar and a yellow 'Search' button. Below the search bar, there are navigation links for '카테고리', '뉴스', '지도', '쇼핑', '카카오TV', '웹툰', '브런치', '빌블레이', '같이가기', '게임', and '더보기'. The main content area features a large 'PC top banner' for 'FRIENDS RUN' with cartoon characters. Below this, there are news articles, a 'Shopping banner' for various products like shoes and bags, and a '카카오TV' section with video thumbnails. A yellow callout box labeled 'PC top banner' points to the 'FRIENDS RUN' banner, and another yellow callout box labeled 'Shopping banner' points to the product grid.

PC portal main page ads

## Daum-Mobile ads

The image shows two mobile devices displaying ads. The left device shows a 'Mobile banner ad' for Lotteria, featuring a red background with the text '롯데리아 치킨/데리버거 각 2개 버거 4개에 5,000원!' and images of burgers. A yellow callout box labeled 'Mobile top banner' points to this ad. The right device shows a 'Photo View' ad for Tory Burch, featuring a grid of handbags. A yellow callout box labeled 'Photo View' points to this ad.

Mobile banner ads

Photo View

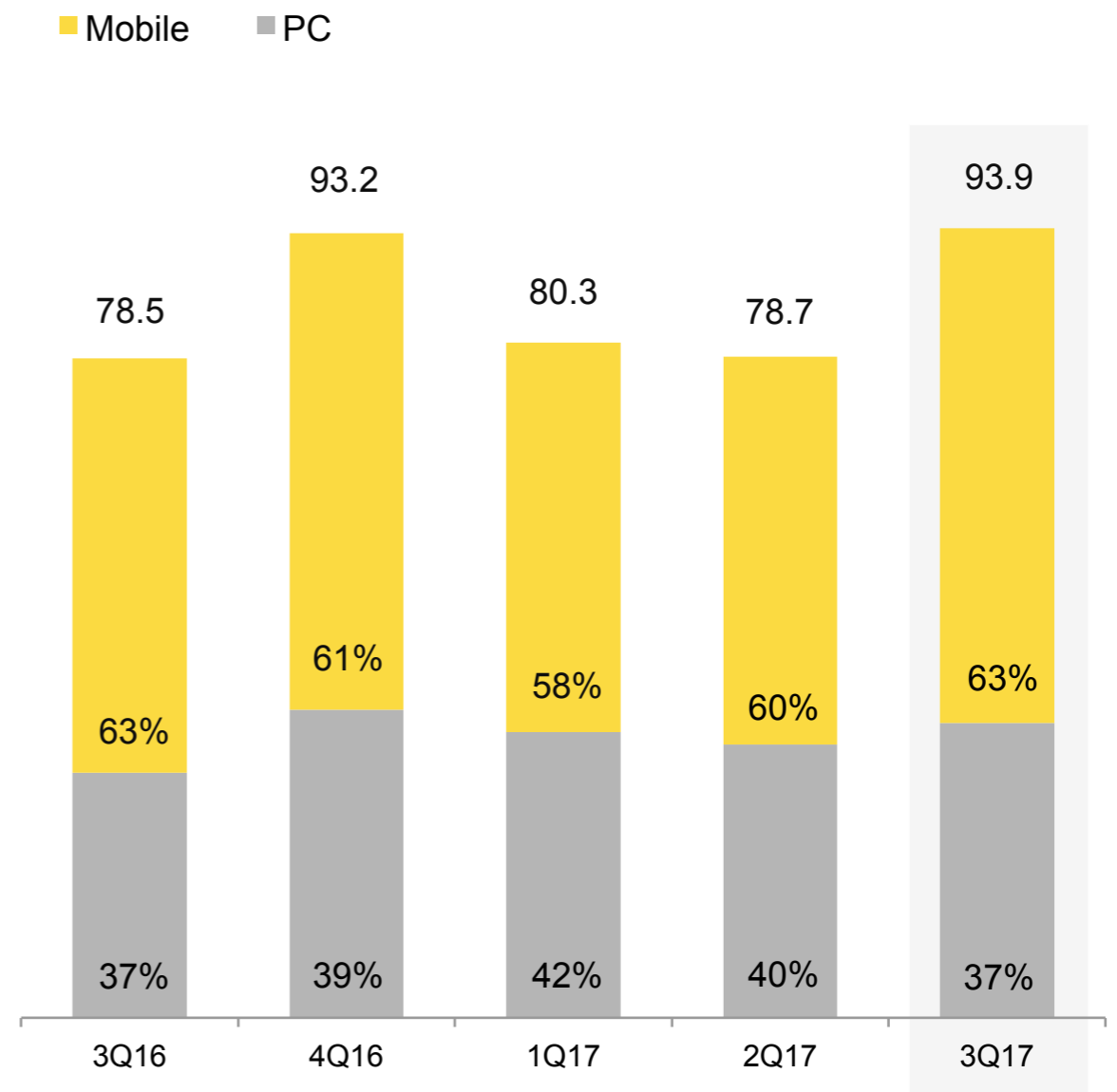
# Game

- Strengthening mobile game content by enhancing marketing capability via the Game-Tab and expanding publishing lineup
- Continuous and diligent update on PC publishing titles and new PC game discovery/sourcing

## Game line-ups

Platform	Game Title	Release Date
Mobile channeling	Scions of Fate	'17.10
	Pentastorm	'17.4
	Destiny Child	'16.11
Mobile Publishing	Onmyoji	'17.8
	Day of Break	'17.3
	Miracle Nikki	'16.7
PC Publishing	Battle Ground	'17.11
	EOS	'16.10
	Black Desert	'14.12

## Game revenue trend by platforms



(in billion Won)

# Music

- MelOn paying users increased by 800K since March 2016, and Daily new registered users more than doubled after linking with Kakao ID
- Applying Kakao AI technology 'Kakao I', MelOn provides voice recognition and music AI assistant function

## Overview



No.1 Intergrated Music Company

- ▶ Digital music service(B2C)  
: Korea's No.1 digital music platform MelOn
- ▶ Music distribution/Content aggregation(B2B)  
: Korea's No.1 K-Pop content distributor
- ▶ Labels & artist management(production)  
: Korea's Top #5 production company

## MelOn

- ▶ 4.4mn MelOn paying users as of 3Q17 end
- ▶ 340mn streaming, 50m download per month
- ▶ No.1 in digital music service with 58% market share

## Synergies

User

User increase and user experience enhancement by utilizing two companies' assets

- ✓ Apply Kakao ID(Sep. '16), Kakao Pay(Jan. '17)

Tech.

Service improvement by adopting high-level technology

- ✓ Recommendation tech, music recognition tech, big data processing tech

Marketing

Marketing/promotion based on Kakao platform

- ✓ Kakao Friends emoticon marketing

Content

Content distribution expansion

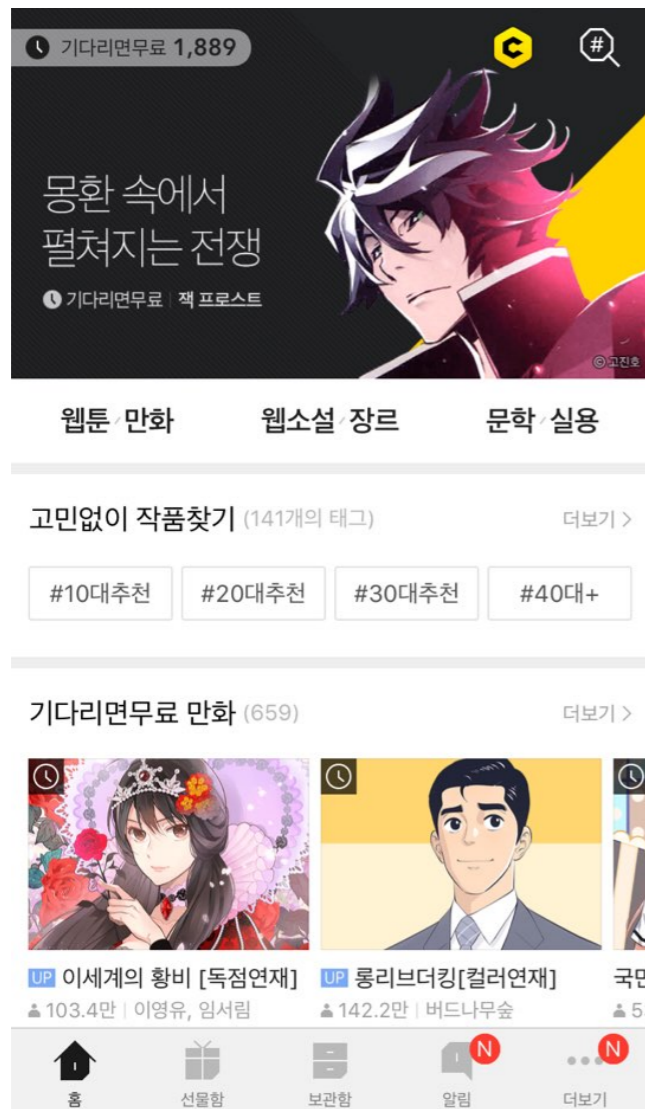
- ✓ Talk Channel, Daum Search and etc.

# Web Literatures & Emoticon

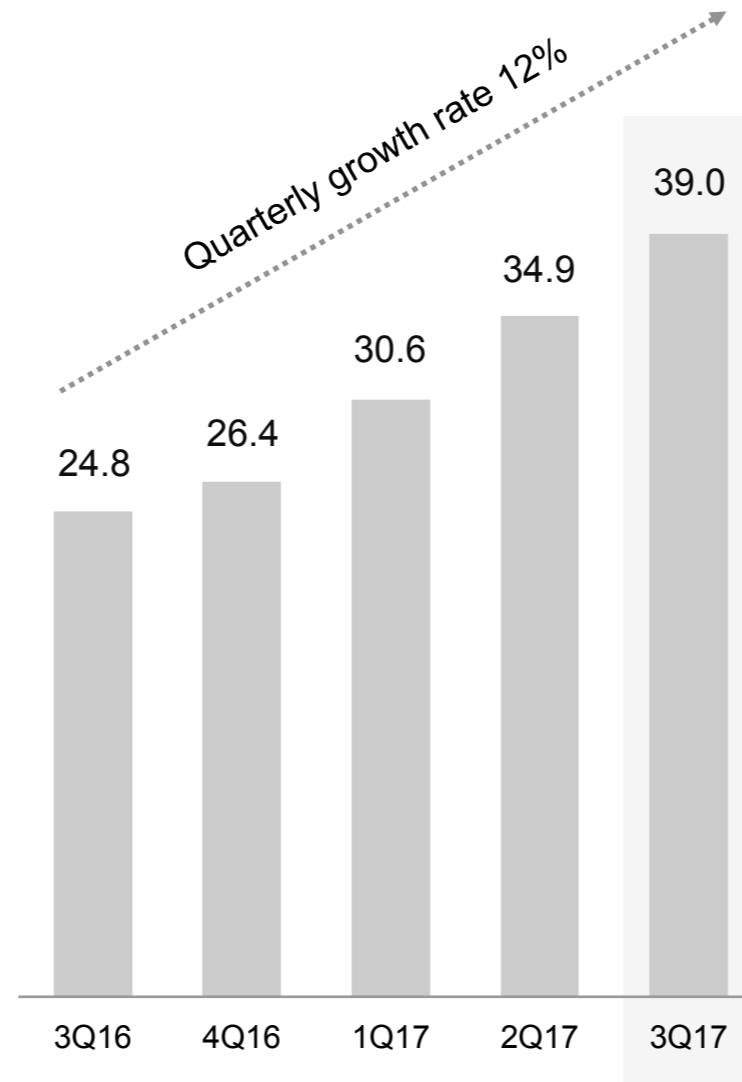
- Kakao Page, No1. mobile literature service app in Korea, and Piccoma, No 2. in Japan, continue to increase number of paying users
- 'Cash Friend', the reward-based ad platform launched in June 2017

## Kakao Page

▶ 16,000,000 registered user base

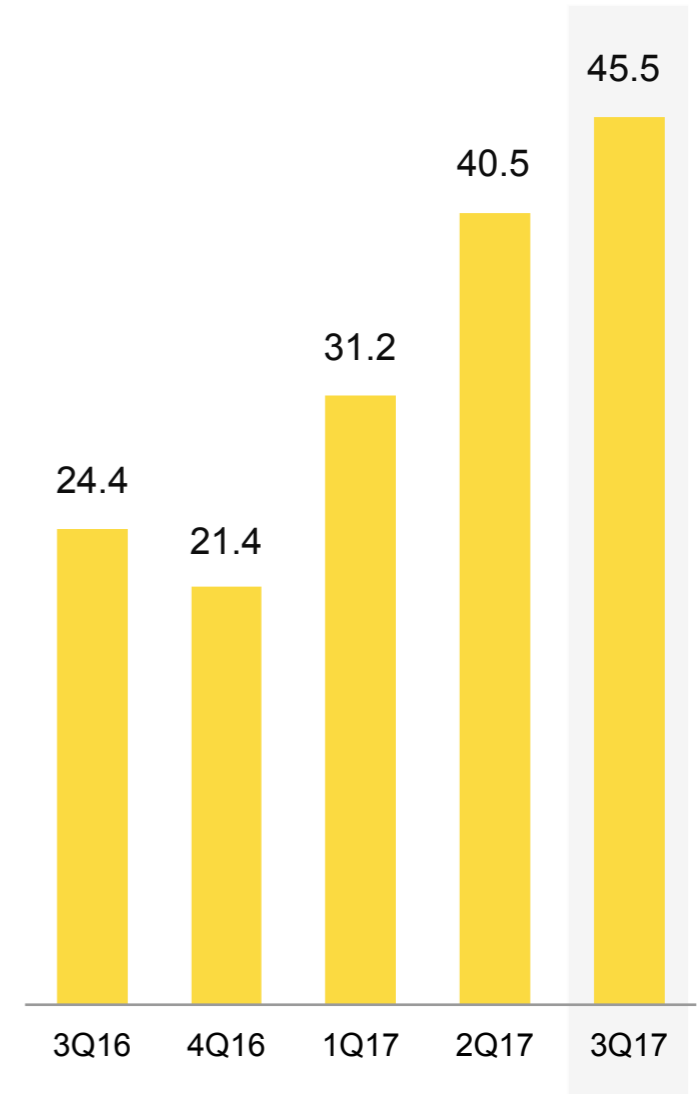


## Kakao Page GMV trend



## Content-Others revenue trend

Including Kakao Page, Daum Webtoon, Piccoma and B2C emoticon sales

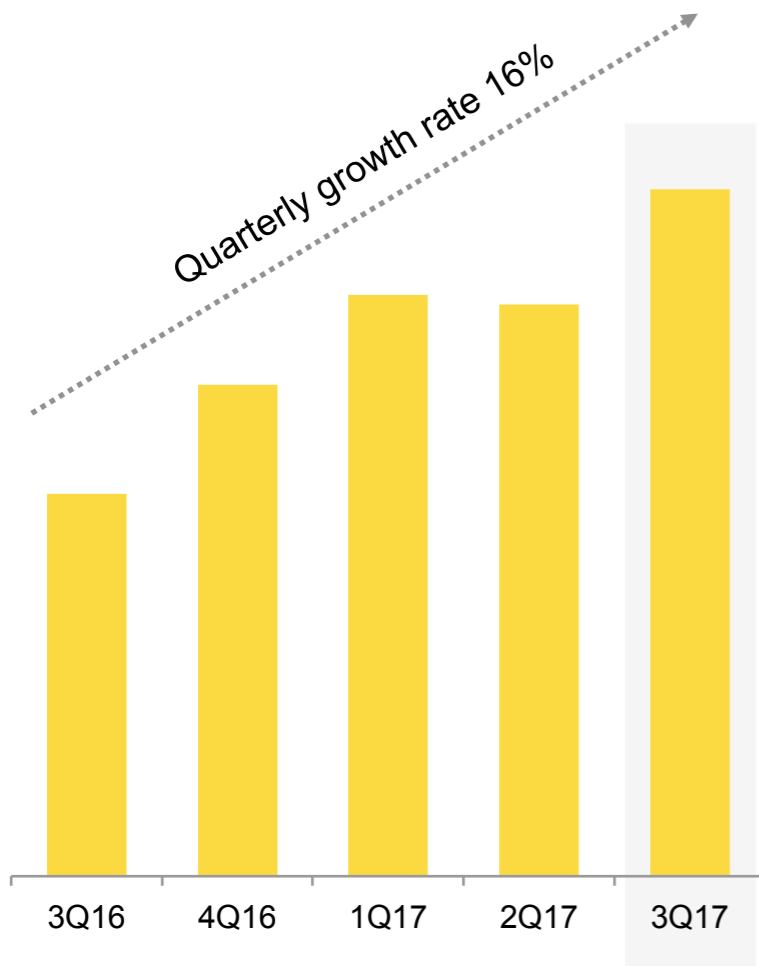


(in billion Won)

# Kakao Talk Gift

- Mobile social commerce with 2,000 brands and 100,000 products in Kakao Talk
- Carry out sustainable growth through UI/UX upgrades such as category expansion, multi-product purchase and feedback features

Talk Gift revenue trend



Talk Gift user interface

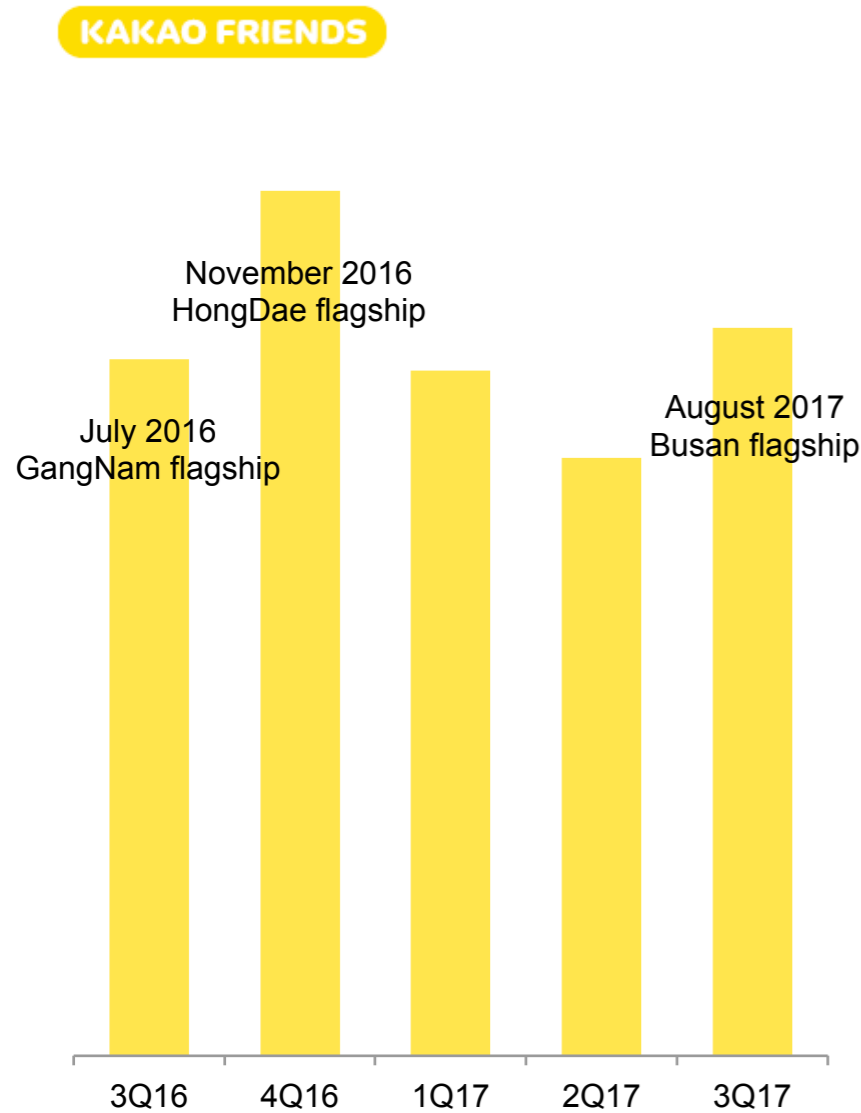


— Kakao Talk built-in — Great selection — Recipient enters address →

# Kakao Friends

- Sustainable growth through large-scale stores, online/global expansion, and product innovation
- Secured L-T partnership with large IP licensees, expand publishing business, and cooperate with various brands

## Quarterly revenue trend



## Offline stores

- ▶ Total 22 brand stores
  - Main department store, shopping mall, duty-free shop
  - 3 online including China's Tmall
  - 3 flagships stores



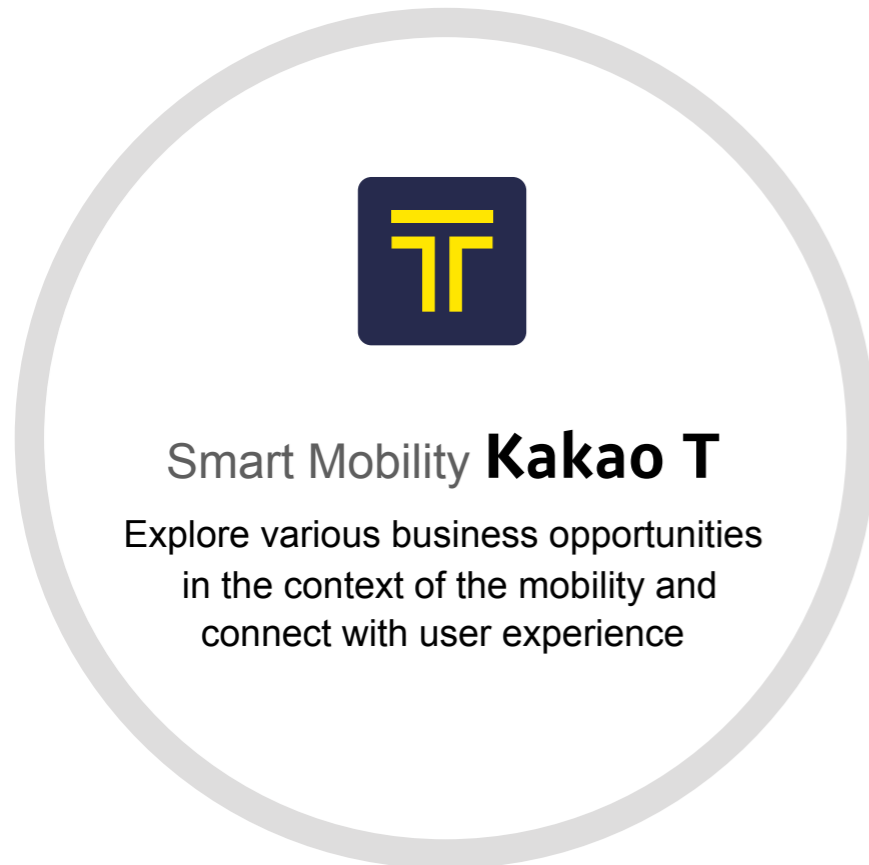
▶ Busan flagship opened on August 15, 2017

## Partnership / Publishing



# Kakao T

- Established Kakao Mobility Corporation on August 1, 2017.
- Lead smart mobility market innovation centering Kakao T, by connecting its users seamlessly to more smart mobility services



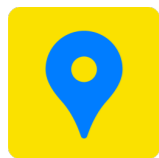
- Kakao Taxi**
- ▶ 16 million passengers, over one million daily average calls
  - ▶ Test driving marketing for Jaguar, Benz, Volkswagen, Ford, etc.
  - ▶ New partnership with Korea Smart Card Co. to jointly introduce automatic pay option on the Kakao Taxi app in 1H18
  - ▶ B2B business taxi service to be launched in 1Q18

- Kakao Driver**
- ▶ 3.1 million registered users, 107K drivers
  - ▶ Continuous service enhancement through additional features such as fixed fare option for users

- Kakao Parking**
- ▶ Newly launched on October 24, 2017
  - ▶ Provide useful information and seamless convenience leveraging Kakao T, Kakao Talk and Kakao Pay

- Kakao Navi**
- ▶ 11 million registered users
  - ▶ In the context of the future direction of mobility, connected cars and autonomous driving, Kakao Navi will play a key role as a core service

## Other location based services



**Kakao Map**



**Kakao Bus**



**Kakao Subway**



**Kakao Place**

- ▶ Kakao Map, Kakao Bus, Kakao Subway, and Kakao Place are all showing steady increases, and they are positioned as easy and fast accessible services for public transportation users.

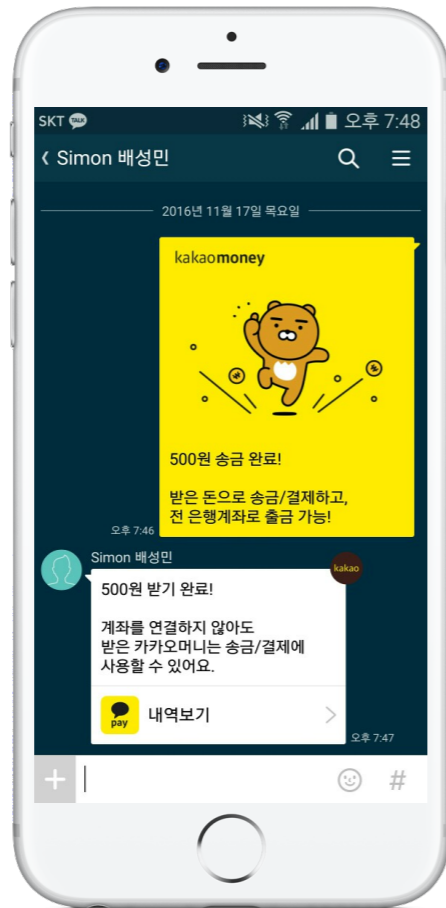


# Kakao Pay

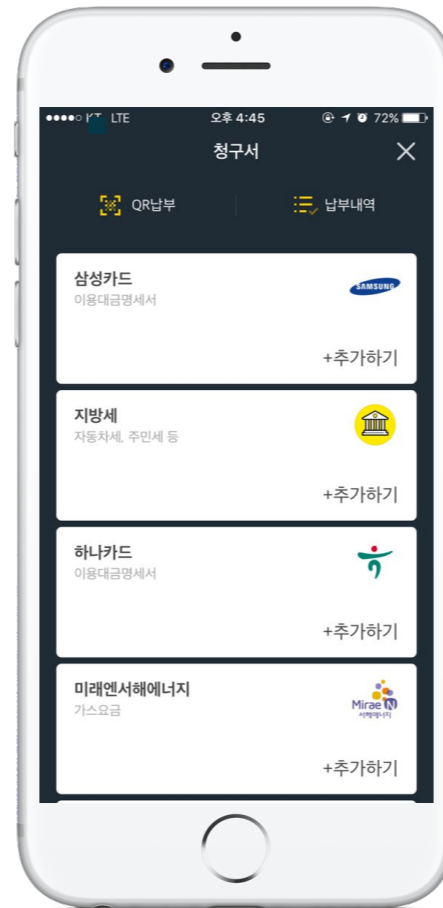
- Kakao Pay accumulated 20 million members, and evolved from payment transactions to offer innovative and convenient mobile financial services including bill payment, remittance, membership management and money transfer
- Ant Financial Services Group invested \$200 million in Kakao Pay Corp. as a part of a larger strategic partnership agreement in April 2017



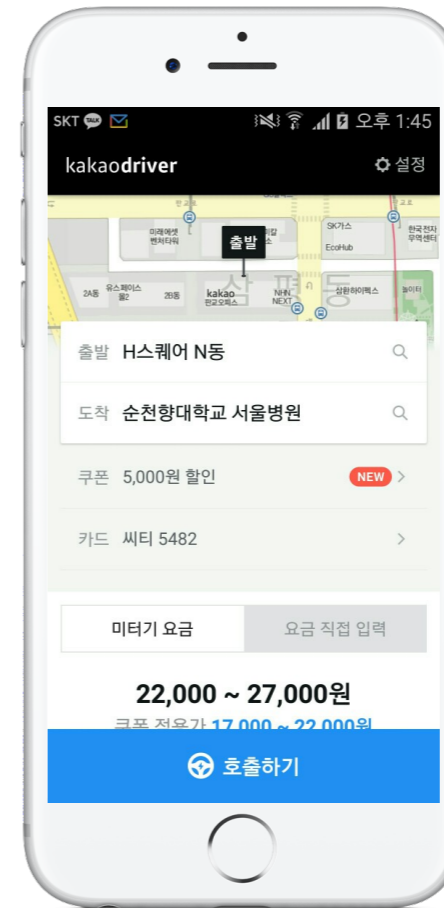
Kakao easy payment



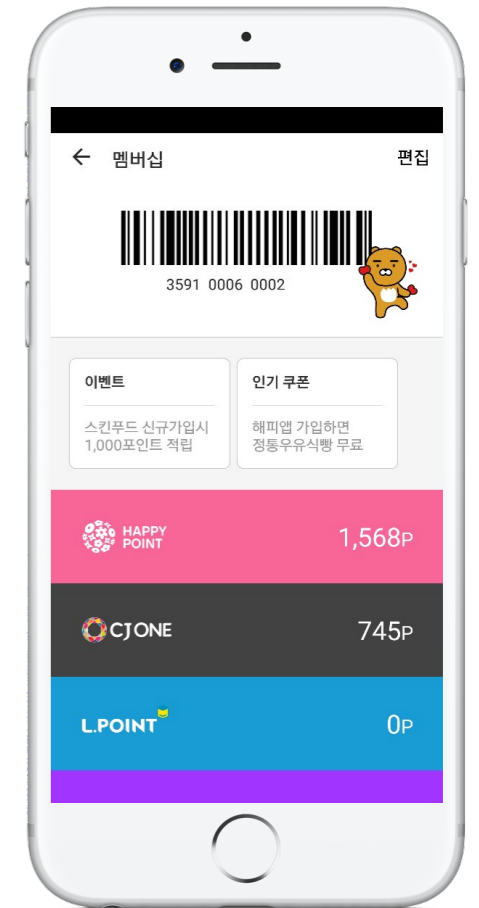
Kakao Money transfer



Kakao Billing



Kakao T auto pay



Kakao Membership

# Kakao Bank

- Kakao Bank has grown rapidly since its official launch on July 27, 2017
- Plan to offer house deposit loans in 1Q18 and credit cards in 2019



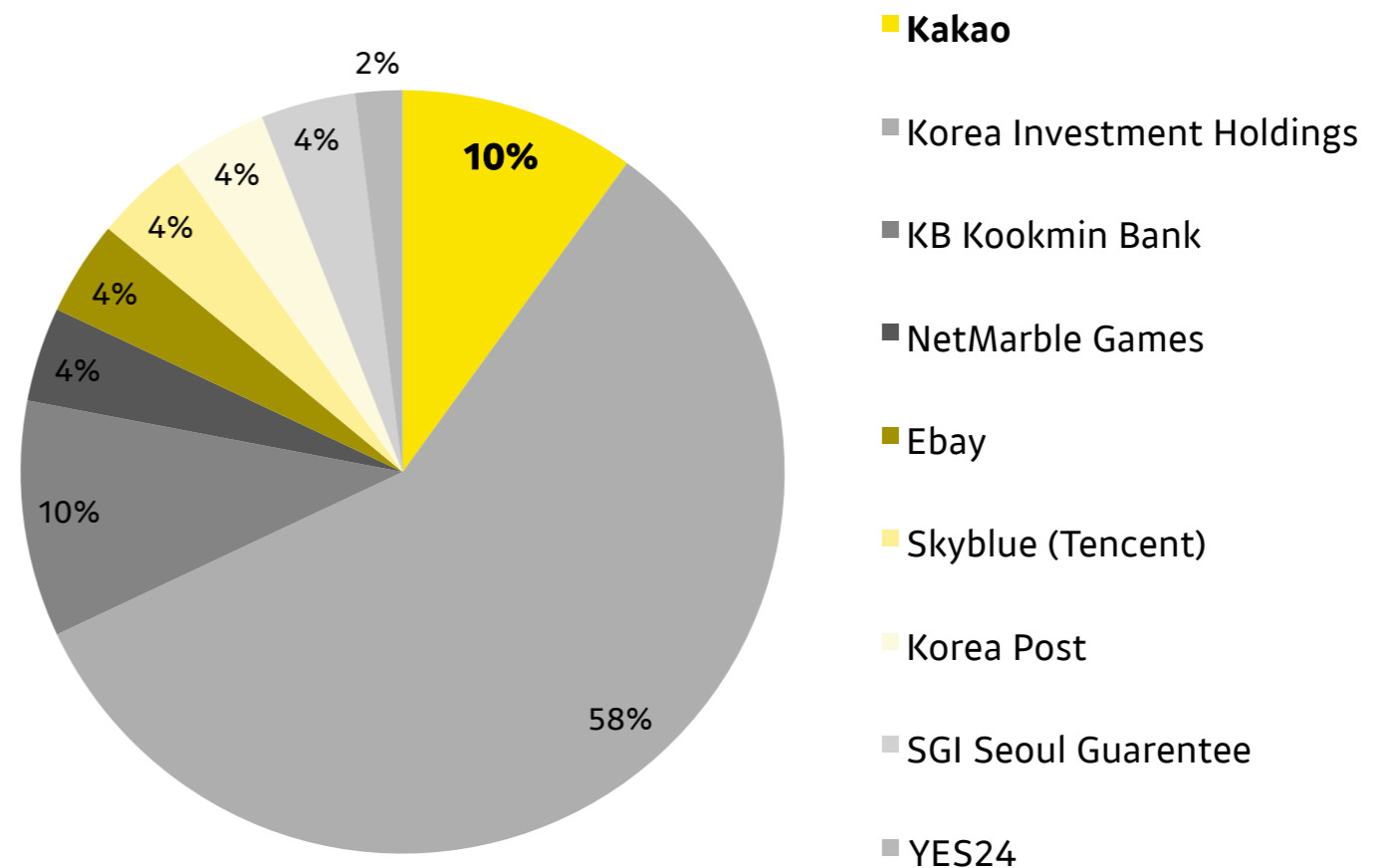
Kakao Bank

as of October 31, 2017

## Performance

## Shareholdings

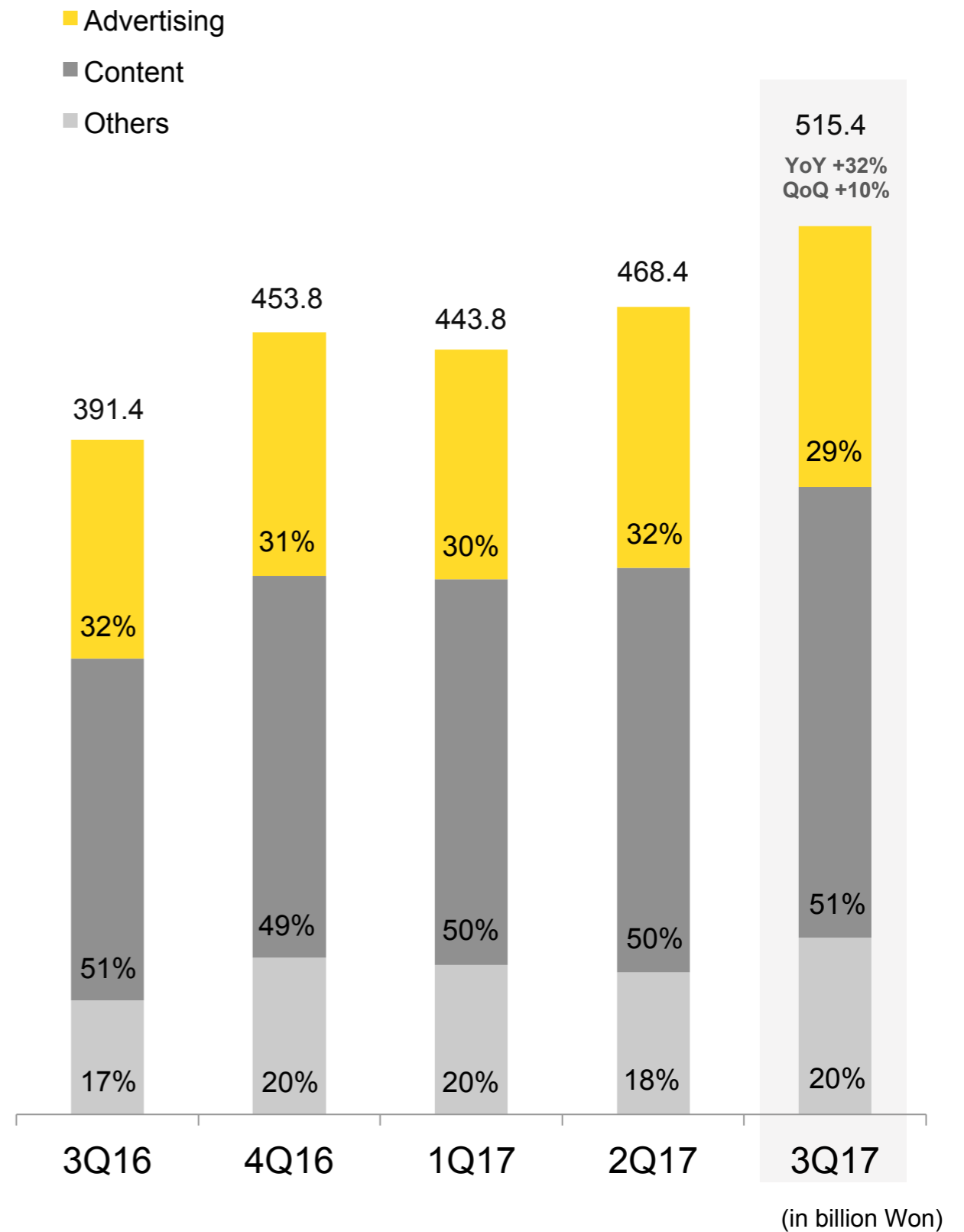
Capital	KRW 800 billion
# of employees	259 people excluding CS
# of call center agents	431 people
Account opened	4.35 million
Debit card issued	3.18 million
Deposits	KRW 4.02 trillion
Credit Loans	KRW 3.39 trillion



Platforms  
Service/Business  
**Financials**

# Revenue Trend

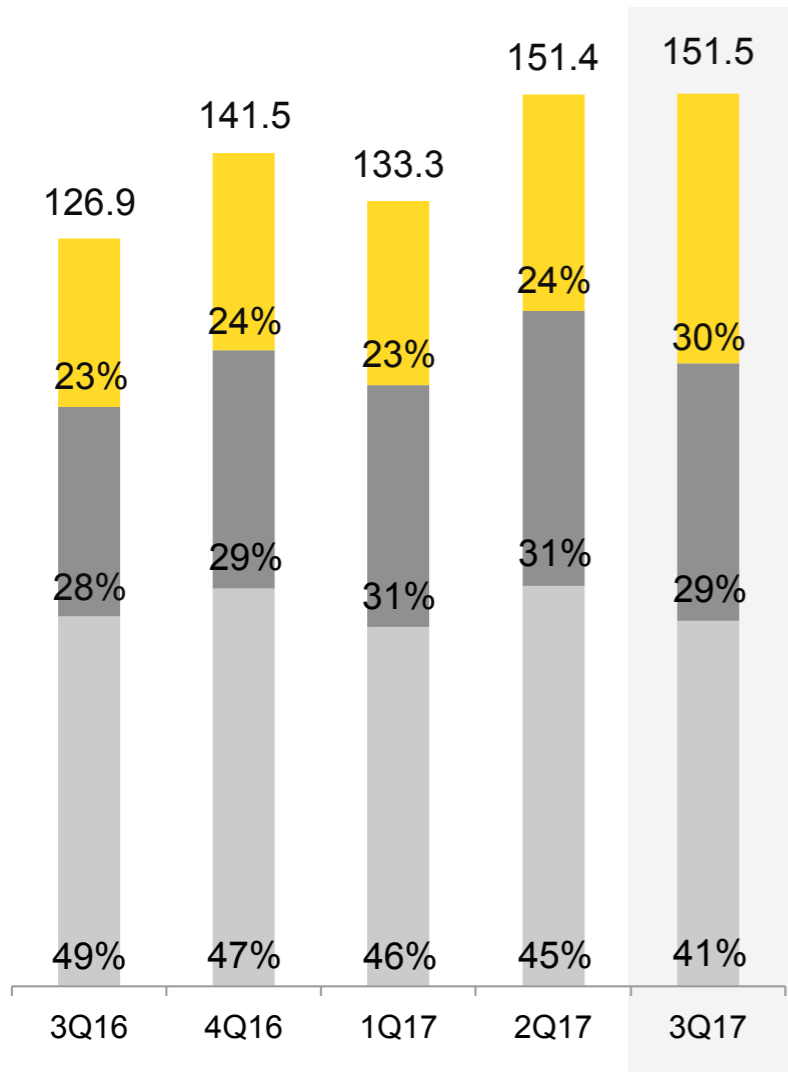
A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Talk Plus Friends Talk PC Brand Emoticon Notification Talk Support Talk Talk Reward Auto View Talk Hairshop Talk Order Talk Mart
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
C O N T E N T	Game	Kakao Game Kakao Games
	Music	Melon Kakao Music
	Web literature	Kakao Page Daum Webtoon Piccoma
	Emoticon	Talk B2C Emoticon
O T H E R S	Commerce	Talk Gift Kakao Friends Makers with Kakao Kakao Farmer
	Mobility	Kakao T (Taxi Driver Parking Navigator)
	Fintech	Kakao Pay
	Misc.	Loen (offline record distribution, production, etc.)



# Revenue Breakdown

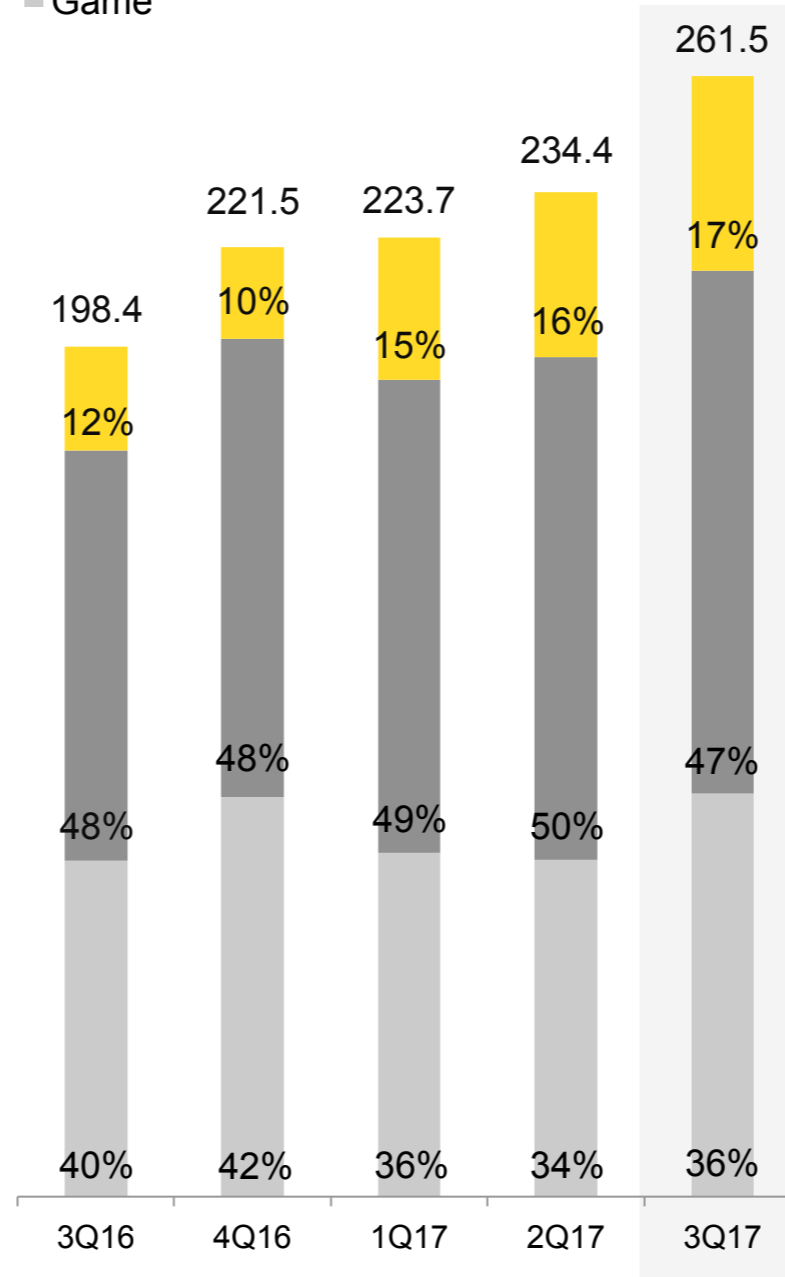
## Advertising

- Kakao ads
- Daum-Mobile
- Daum-PC



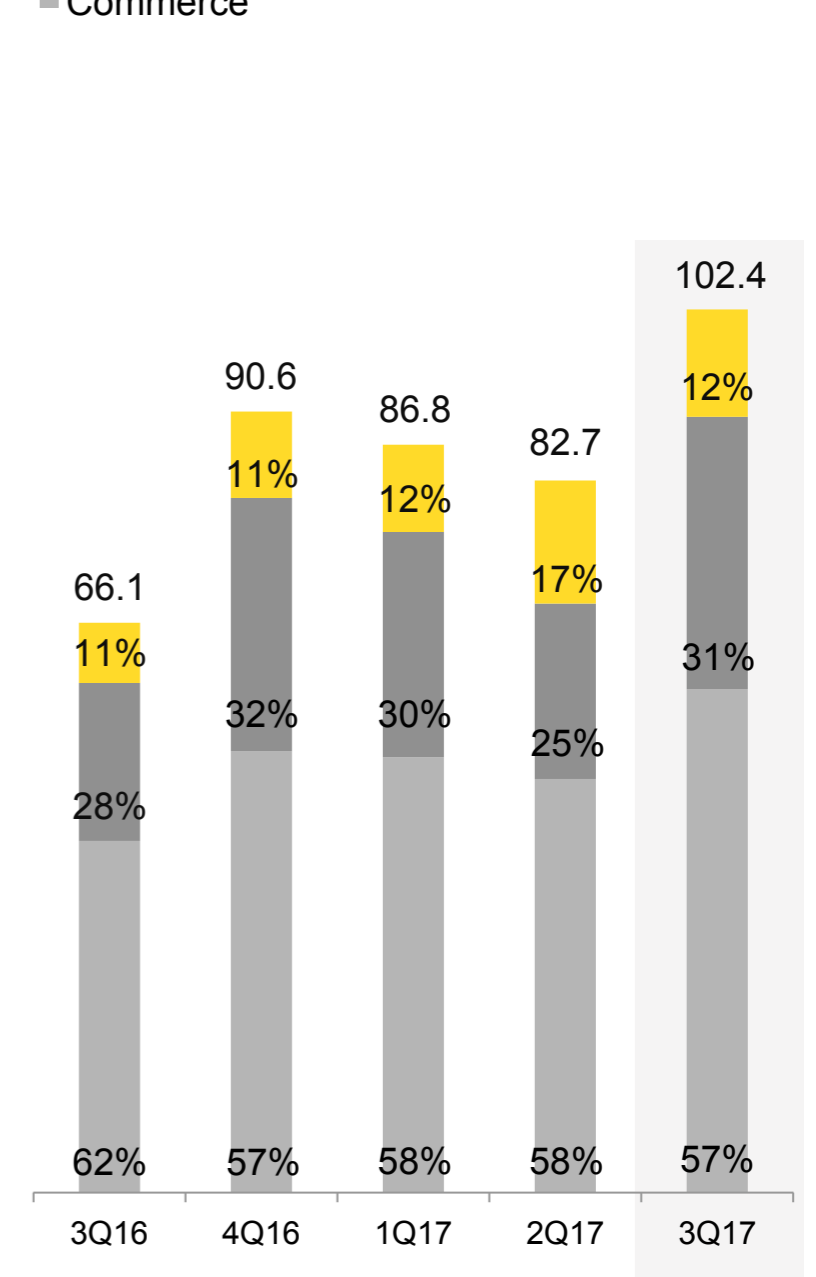
## Content

- Web literatures & Emoticon
- Music
- Game



## Others

- Miscellaneous
- Loen- offline record, production, etc.
- Commerce



(in billion Won)

# Kakao Consolidate Financial Statements

## Consolidated Statements of Income

(KRW mn)	3Q16	4Q16	1Q17	2Q17	3Q17
<b>Revenues</b>	<b>391,391</b>	<b>453,839</b>	<b>443,787</b>	<b>468,443</b>	<b>515,413</b>
Advertising	126,925	141,482	133,302	151,398	151,491
Content	198,365	221,521	223,694	234,394	261,495
Game	78,461	93,186	80,288	78,653	93,947
Music	95,519	106,940	110,324	117,089	122,067
Webtoon/Novel/Emoticon	24,385	21,395	33,081	38,653	45,481
Others	66,101	90,836	86,791	82,651	102,427
<b>Operating Expenses</b>	<b>361,136</b>	<b>415,668</b>	<b>405,453</b>	<b>423,804</b>	<b>468,047</b>
Labor Costs	75,604	83,776	84,808	88,064	84,668
Fringe Benefits	12,566	15,085	13,436	12,992	13,499
Depreciation	14,317	14,412	14,816	14,919	15,338
Rental Fees	8,059	8,467	8,749	8,886	9,242
Commissions	146,618	161,997	160,388	178,765	189,755
Advertising	23,936	36,141	24,959	21,929	33,460
Bad Debt Expenses	-1,823	1,182	141	45	-144
Amortization	15,107	17,273	16,773	16,352	16,439
Content Fees	22,913	19,794	24,923	28,321	33,658
Ad Agency Fees	19,357	22,654	19,051	23,974	21,975
Event Fees	294	1,002	110	327	407
Others	24,187	33,885	37,299	29,229	49,749
<b>Operating Profit</b>	<b>30,256</b>	<b>38,171</b>	<b>38,333</b>	<b>44,638</b>	<b>47,366</b>
Other Revenues	3,744	15,869	2,388	3,784	16,148
Other Expenses	6,329	14,059	14,952	9,878	6,181
Financial Income	2,648	9,187	4,737	4,585	11,390
Financial Expenses	7,106	4,246	9,895	3,540	3,116
Equity-method, Net	-2,122	-3,511	-2,367	-3,570	-2,535
<b>Profit before Income Tax Expenses</b>	<b>21,089</b>	<b>41,412</b>	<b>18,244</b>	<b>36,020</b>	<b>63,071</b>
Income Tax Expenses	7,463	13,771	-36,241	23,518	23,170
Net Profit from Continued Oper.	13,626	27,641	54,486	12,503	39,902
<b>Net Profit</b>	<b>13,626</b>	<b>27,641</b>	<b>54,486</b>	<b>12,503</b>	<b>39,902</b>
Net Profit of Controlling Interests	12,215	23,449	53,715	11,303	32,055
Net Profit of Non-controlling Int.	1,411	4,191	771	1,199	7,847

## Consolidated Statements of Financial Position

(KRW mn)	2015.12.31	2016.12.31	2017.09.30
<b>Current Assets</b>	<b>970,067</b>	<b>1,216,958</b>	<b>2,143,548</b>
Cash and Cash Equivalents	397,177	641,644	953,532
S-T Financial Instruments	373,389	236,748	440,407
Accounts Receivable	88,822	173,853	185,940
Other Financial Assets	59,619	83,340	301,392
Other Current Assets	51,060	81,373	262,276
<b>Non-Current Assets</b>	<b>2,218,411</b>	<b>4,267,159</b>	<b>4,350,550</b>
Equity Method Investments	68,704	117,076	134,655
Tangible Assets	219,052	253,854	264,623
Intangible Assets	1,855,604	3,733,166	3,703,579
Other Non-current Assets	75,051	163,063	247,693
<b>Total Assets</b>	<b>3,188,478</b>	<b>5,484,117</b>	<b>6,494,098</b>
<b>Current Liabilities</b>	<b>316,078</b>	<b>806,020</b>	<b>1,060,838</b>
Trade and N-T Payables	89,506	263,130	264,211
Income Taxes Payable	29,448	30,944	114,476
Short-Term Debt	22,055	200,374	154,197
Other Current Liabilities	175,069	311,572	527,954
<b>Non-Current Liabilities</b>	<b>286,925</b>	<b>975,153</b>	<b>988,035</b>
Bonds	199,383	319,255	319,527
Bonds- CB/EB	-	476,122	474,794
Deferred Income Tax Liab.	48,636	142,919	136,387
Other Non-Current Liab.	38,905	36,857	52,327
<b>Total Liabilities</b>	<b>603,003</b>	<b>1,781,173</b>	<b>2,048,873</b>
Paid-in Capital	30,098	33,858	33,970
Capital Surplus	2,274,186	3,105,014	3,552,564
Capital Adjustments	-9,032	-11,232	-7,827
Accum. Other Compre. Inc.	829	920	8,084
Retained Earnings	256,313	303,952	391,019
Non-controlling Interests	33,081	270,432	467,416
<b>Total Equity</b>	<b>2,585,475</b>	<b>3,702,944</b>	<b>4,445,225</b>
<b>Total Liabilities &amp; Equity</b>	<b>3,188,478</b>	<b>5,484,117</b>	<b>6,494,098</b>

# Kakao Financial Statements

## Statements of Income

(KRW mn)	3Q16	4Q16	1Q17	2Q17	3Q17
<b>Revenues</b>	210,165	241,239	225,889	244,545	257,994
Advertising	120,915	136,054	125,076	143,128	141,496
Content	63,996	72,499	64,333	65,746	79,128
Game	48,570	56,091	46,720	46,522	59,270
Music	3,155	3,369	2,938	2,669	2,600
Webtoon/Novel/Emoticon	12,270	13,040	14,675	16,555	17,257
Others	25,254	32,685	36,479	35,671	37,370
<b>Operating Expenses</b>	199,705	225,767	209,397	216,952	228,439
Labor Costs	49,214	52,044	51,811	50,796	49,161
Fringe Benefits	8,421	10,569	8,414	7,885	7,625
Depreciation	12,491	12,276	12,477	12,344	12,370
Rental Fees	2,396	2,616	2,480	2,308	2,273
Commissions	64,514	72,184	73,040	78,828	89,740
Advertising	13,858	22,248	9,014	8,347	9,390
Bad Debt Expenses	-320	-216	82	-28	62
Amortization	5,708	5,561	5,417	5,277	4,821
Content Fees	13,438	11,646	11,062	12,728	13,091
Ad Agency Fees	19,281	22,562	18,987	23,910	21,843
Event Fees	242	693	120	299	372
Others	10,462	13,556	16,493	14,259	17,693
<b>Operating Profit</b>	10,460	15,472	16,492	27,593	29,555
Other Revenues	1,780	2,082	1,460	2,445	240,651
Other Expenses	4,203	19,712	3,123	13,814	4,430
Financial Income	517	19,246	35,067	2,037	1,671
Financial Expenses	6,974	4,234	23,399	-1,018	1,741
<b>Profit before Income Tax Expenses</b>	1,580	12,853	26,497	19,278	265,705
Income Tax Expenses	-100	2,872	-48,911	10,690	60,826
Net Profit from Continued Oper.	1,680	9,981	75,408	8,588	204,879
<b>Net Profit</b>	1,680	9,981	75,408	8,588	204,879

## Statements of Financial Position

(KRW mn)	2015.12.31	2016.12.31	2017.09.30
<b>Current Assets</b>	718,533	511,067	870,913
Cash and Cash Equivalents	190,785	279,217	417,539
S-T Financial Instruments	361,809	37,190	98,223
Accounts Receivable	87,162	95,980	83,978
Other Current Assets	78,778	98,679	271,172
<b>Non-Current Assets</b>	2,398,531	4,318,230	4,404,420
Equity Method Investments	474,327	2,337,040	2,442,759
Tangible Assets	210,393	203,866	203,381
Intangible Assets	1,652,605	1,694,581	1,624,592
Other Non-current Assets	61,205	82,743	133,687
<b>Total Assets</b>	3,117,064	4,829,297	5,275,333
<b>Current Liabilities</b>	265,747	813,859	972,057
Trade and N-T Payables	91,748	174,592	146,400
Income Taxes Payable	24,581	7,168	73,666
Short-Term Debt	-	200,000	150,000
Other Current Liabilities	149,419	432,099	601,992
<b>Non-Current Liabilities</b>	276,435	640,280	640,879
Bonds	199,383	319,255	319,527
Bonds- CB/EB	-	248,928	247,122
Deferred Income Tax Liab.	44,394	43,266	33,275
Other Non-Current Liab.	32,658	28,830	40,955
<b>Total Liabilities</b>	542,182	1,454,139	1,612,936
Paid-in Capital	30,098	33,858	33,970
Capital Surplus	2,291,486	3,057,264	3,061,268
Capital Adjustments	-9,032	-11,232	-7,827
Accum. Other Compre. Inc.	244	5,046	5,895
Retained Earnings	262,086	290,222	569,091
<b>Total Equity</b>	2,574,882	3,375,158	3,662,397
<b>Total Liabilities &amp; Equity</b>	3,117,064	4,829,297	5,275,333

thank you

