

kakao

February 2018 | Investor Relations



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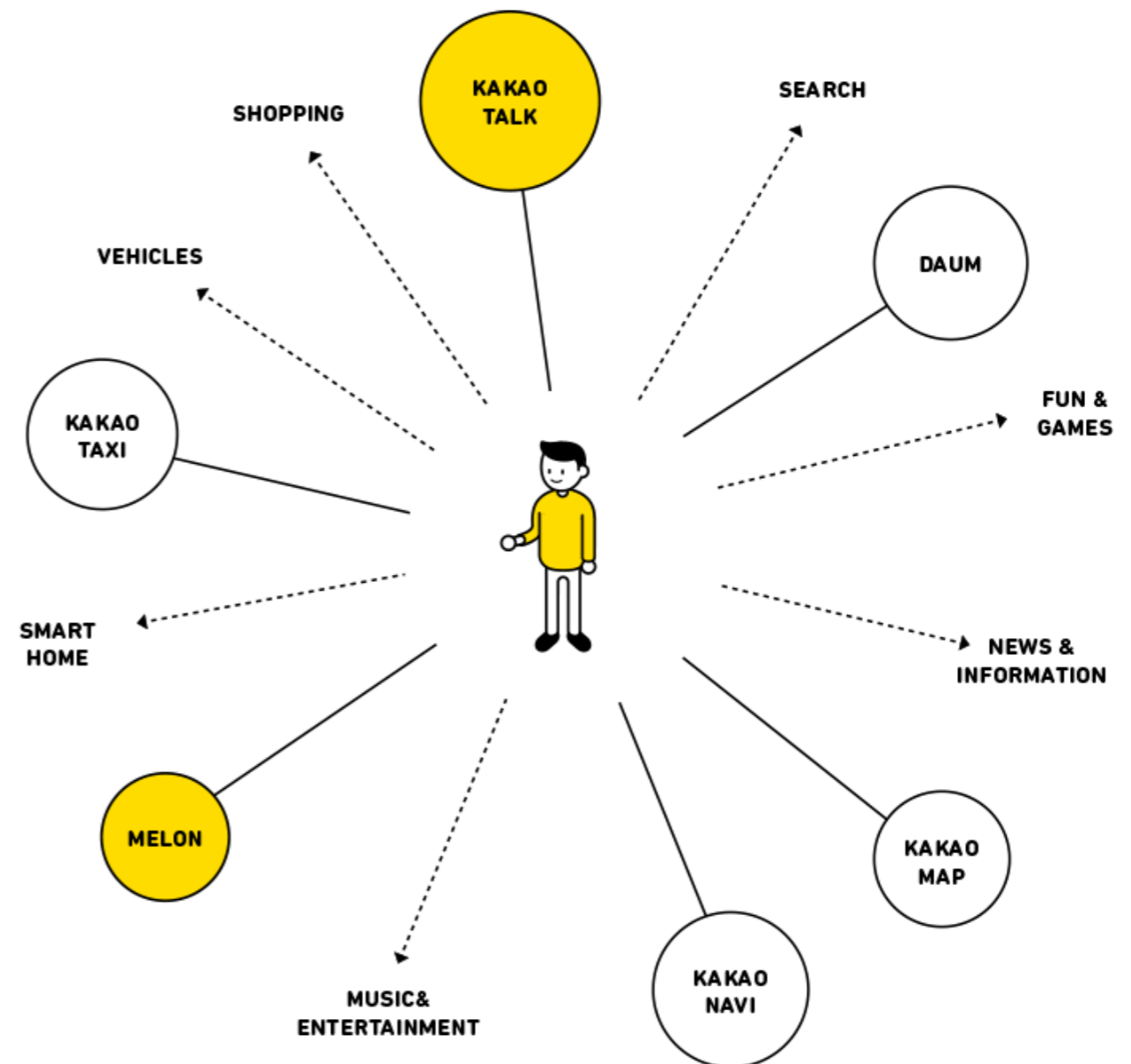
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Kakao ecosystem

Kakao business

Financial overview

Undisputed Market Leader



Most-used mobile messaging app globally⁽¹⁾
 43 Million MAU in Korea
 95% Market Share⁽²⁾
 83% Population Penetration⁽³⁾



#1 Brand Power
 Across 220 Industries in Korea⁽⁴⁾



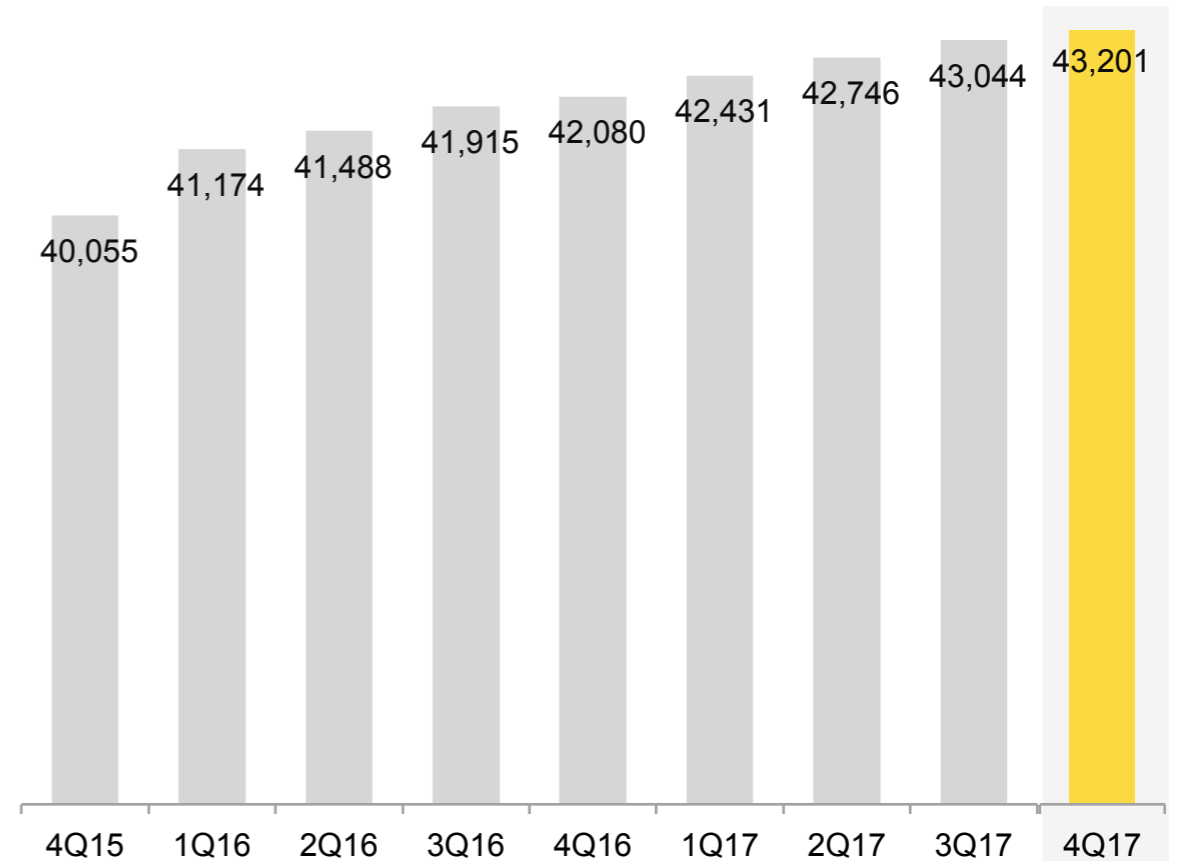
Most Admired Workplace
 Among Top 100 Companies in Korea by
 Market Cap.⁽⁵⁾



#1 Social Contribution Index
 Among the 57 Largest Conglomerate
 Groups in Korea⁽⁶⁾



Kakao Talk Monthly Active Users



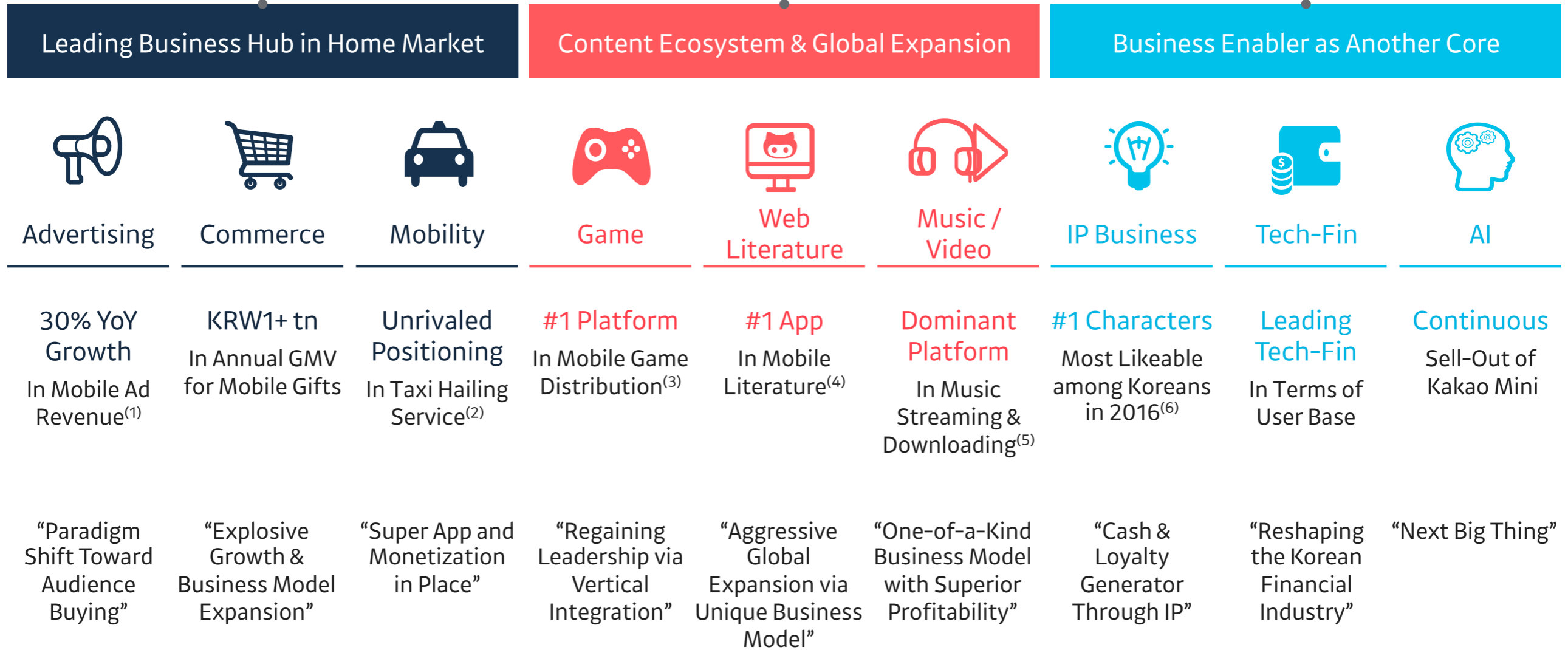
	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Korea	40,055	41,174	41,488	41,915	42,080	42,431	42,746	43,044	43,201
Global	48,321	49,318	49,100	49,189	48,955	49,158	49,468	49,844	49,709

Average of monthly MAUs. Global includes domestic MAUs (000).

Notes: (1) Number of sessions per user per day according to KPCB, Mary Meeker (2015 Internet Trends). (2) Based on total hours used by Nielsen KoreanClick. (3) Estimated Korean population announced by Ministry of the Interior and Safety. (4) The 19th Korea Brand Power Index (K-BPI) Research, March 2017. (5) Survey results of 1,879 university students in October 2017 by Jobkorea. (6) Based on big data analysis conducted by Korea Reputation Center among the 57 largest conglomerates in Korea.

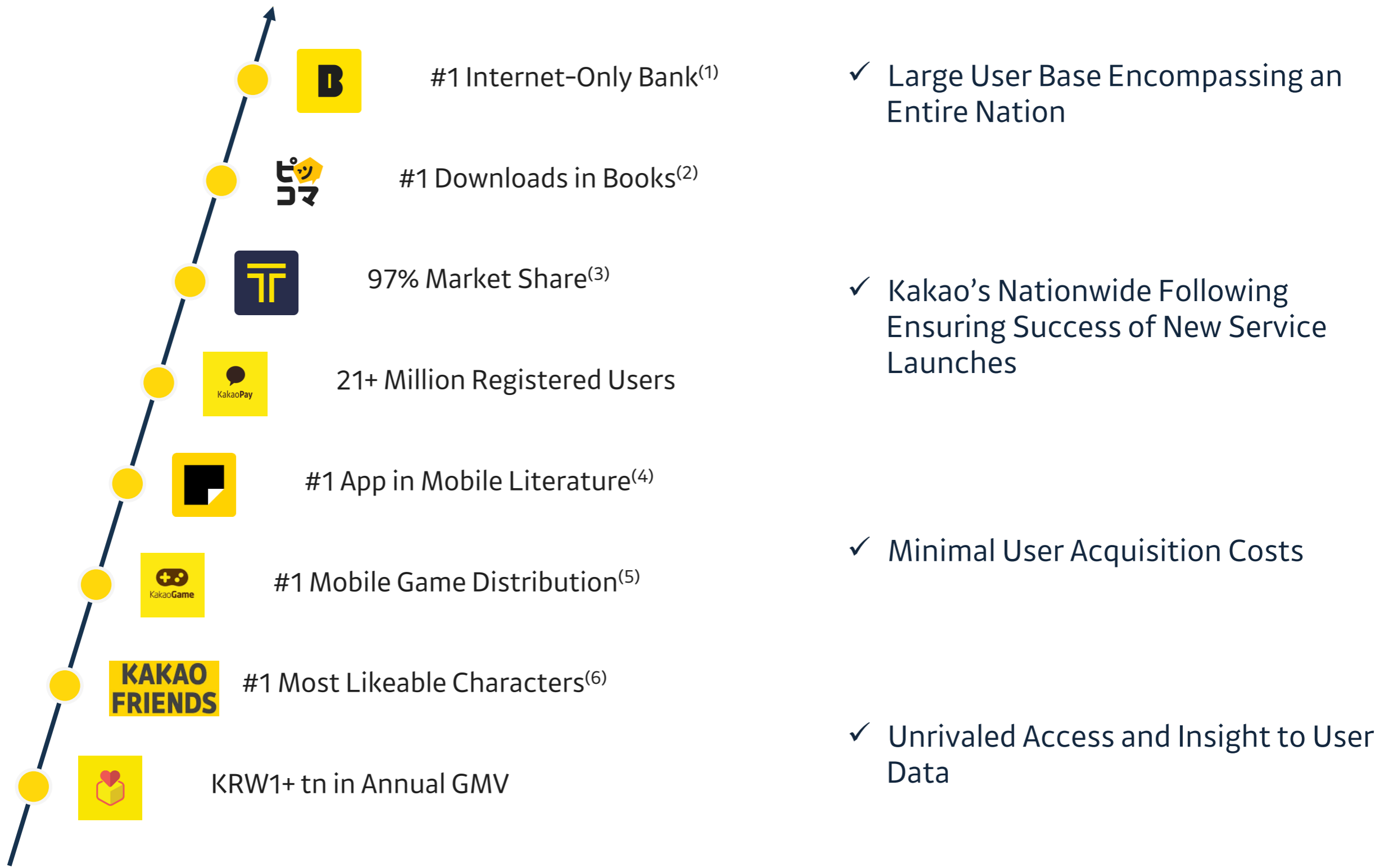
All-Encompassing Mobile Ecosystem

kakao



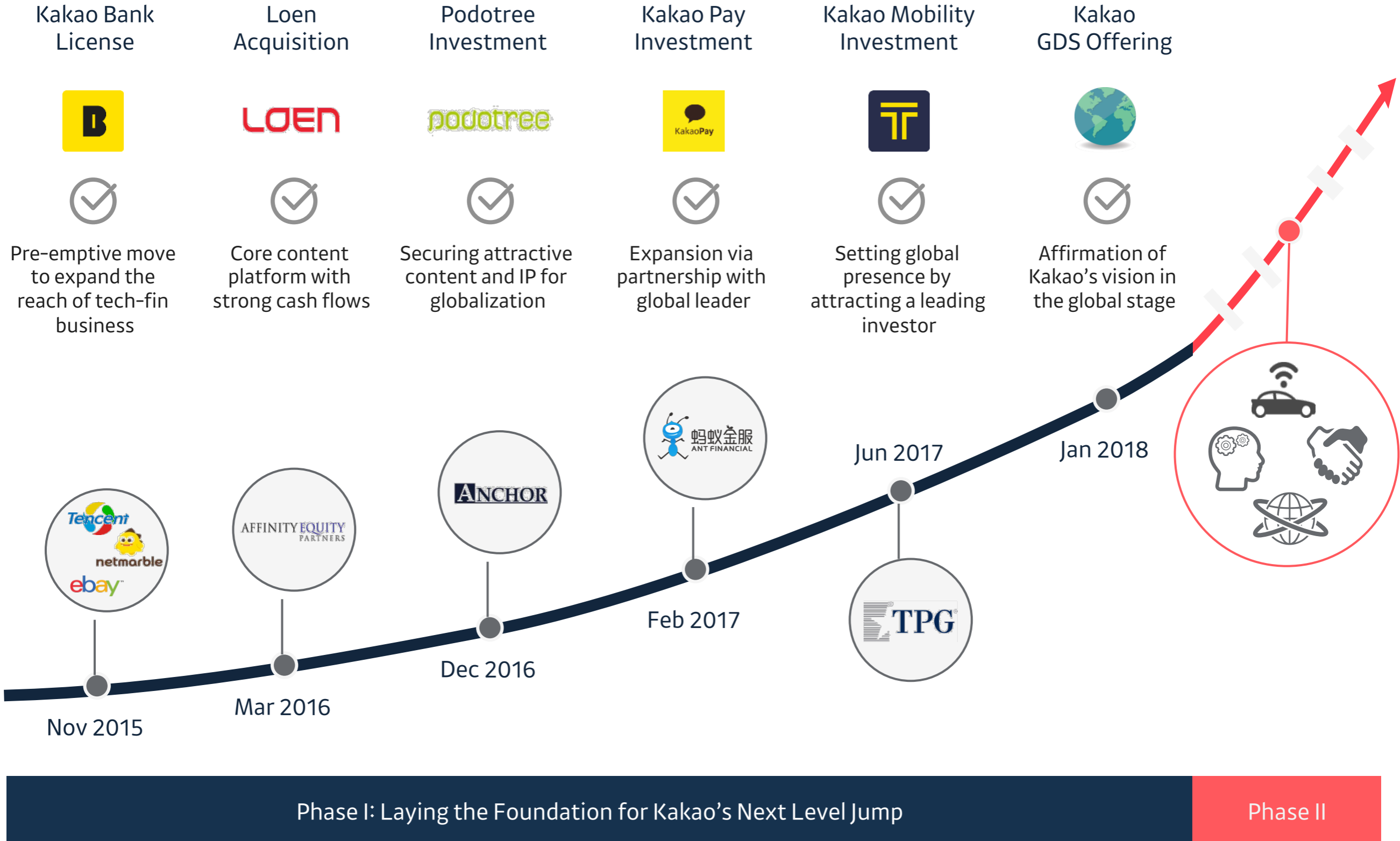
Notes: (1) Based on FY2017 performance. Mobile ad revenue is the sum of Daum mobile ads revenue and Kakao ads revenue. (2) Nielsen KoreanClick data in terms of unique users among Korean taxi-hailing mobile applications. (3) App Annie. Based on number of games in Top 100 on App Store. (4) Based on app downloads. (5) Based on Nielsen KoreanClick data of the average monthly number of unique visitors among the top 5 Korean music streaming and downloading services. (6) Korea Creative Content Agency survey announced in March 2017.

“Repeatable Success Formula” Enabling Impressive Hit Rate in New Services Roll-Out



Notes: (1) In terms of asset size. (2) In terms of Japan App Store Books category. (3) Nielsen KoreanClick data in terms of unique users among Korean taxi-hailing mobile applications. (4) Based on app downloads. (5) App Annie. Based on number of games in Top 100 on App Store in Korea in terms of grossing. (6) In Korea in 2016. Korea Creative Content Agency survey announced in March 2017.

Portfolio and Global Partnership Set Up for the Next Level Jump



Kakao I: Preparing for the Next Stage of AI-Empowered Kakao Ecosystem

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

Connector

Brain

Tool

Kakao I Inside

'Kakao I Inside' guarantees Kakao I technology and serves as a brand certification



Kakao Mini



Kakao App



Kakao Lens



Technology



Device



Car



Smart Home



Shopping

Meet Your Kakao I

kakao i

Voice Engine

Voice Tech, Image Fusion

Visual Engine

Visual, Object Recognition Tech

Conversational Engine

Natural Language Processing

Recommendation Engine

Based on Big Data & Deep Learning

Translation Engine

Multiple Language Processing Tech

Make Your Kakao I

Kakao I Open Builder

'Kakao I Open Builder' is a developer platform open to all partners willing to use Kakao I's features and services



Conversation



Translation



Living



News·Info



Finance



Order·Pay



Edu·Kids



Transportation

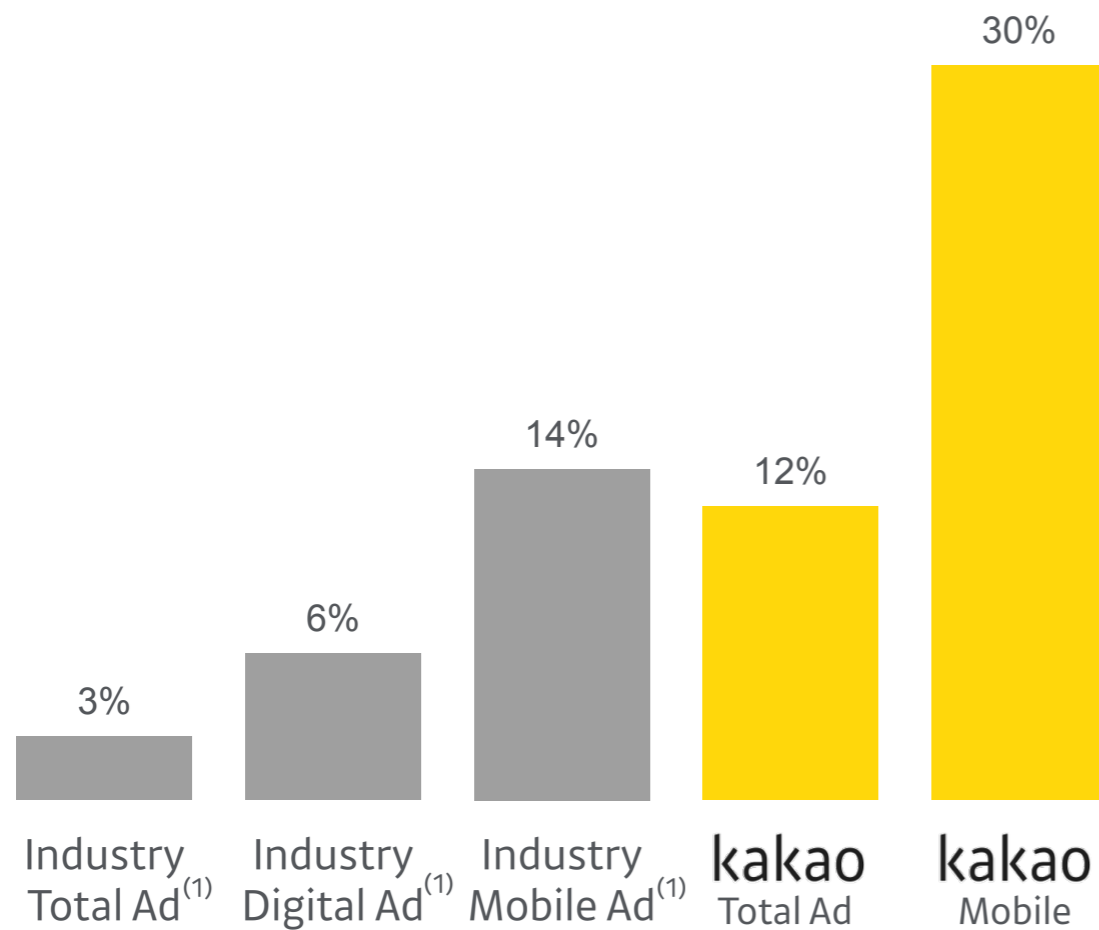
Kakao ecosystem

Kakao business

Financial overview

Advertising: Outpacing Market with Robust Growth Prospects

2017 Advertising Revenue Growth (YoY %)



Kakao's Ad Business Outpacing Overall Market

Inventory Buying → Audience Buying

Pricing
Higher Efficiency

Conversion
New Analytic Tools

Targeting
Moment Circle

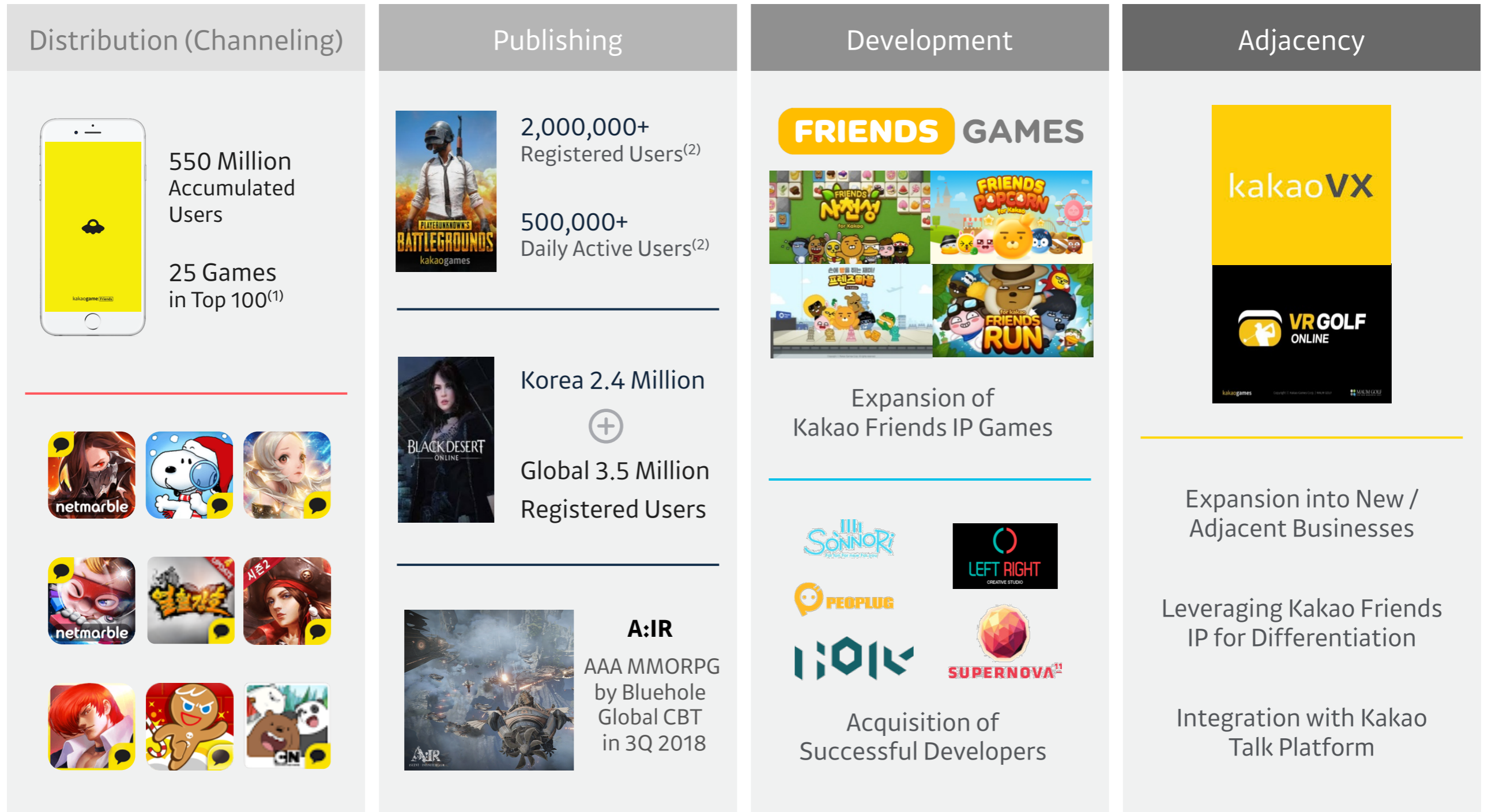
Supply
Innovative New Ad

Demand
Larger Pool
Including SME



Notes: (1) According to Kobaco's 2017 Ad Industry Report in Korea. 2017E YoY revenue growth. Online ad revenue includes PC and mobile ad revenue.

Game: Transforming into a Multi-Platform Publisher



Notes: (1) As of February 2, 2018. For Play Store in Korea and in terms of grossing. (2) PLAYERUNKNOWN'S BATTLEGROUNDS for Kakao only.

Music / Video: One-of-a-Kind Music & Content Player

LOEN → kakao **M**⁽¹⁾



Differentiated Value Offering as the #1 Music Platform of Korea

62% Market Share⁽²⁾

4.55 Million Paying Subscribers⁽³⁾

Robust and Stable Cash Flows



Robust Performance in Production and Ticket Business

25% Market Share⁽⁴⁾



IU

BTS

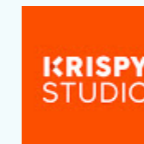
Apink



Structure Set Up for Business Scope Expansion into Video



Launched in June 2017 as Drama JV with Studio Dragon



Original IP with Branded Video Content Strategy

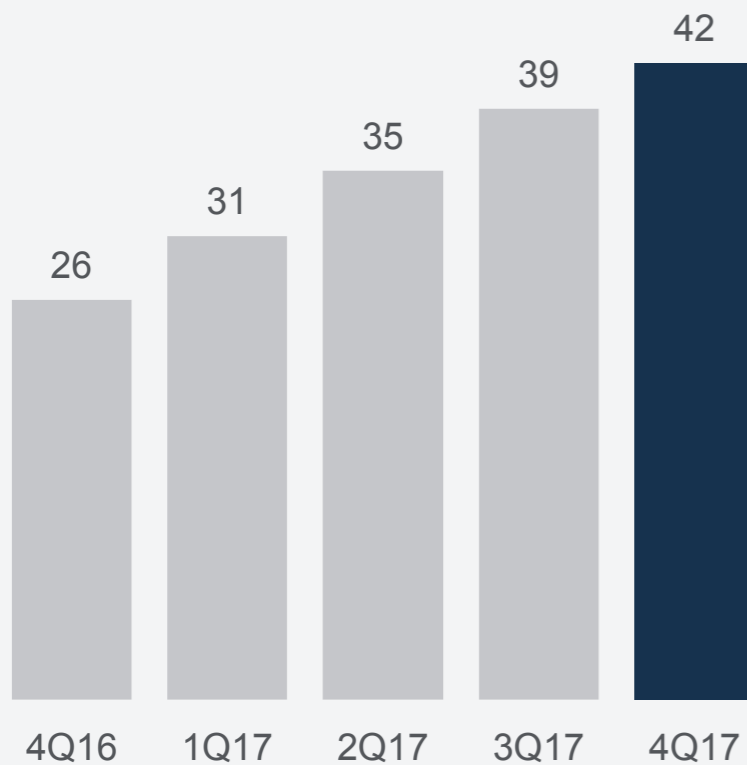
Notes: (1) Board of Directors approved the change of name to Kakao M Corp. on December 20, 2017 and the proposed change will be voted at the Annual General Meeting of shareholders scheduled in 2018. (2) Based on Nielsen KoreanClick data of the average monthly number of unique visitors among the top 5 Korean music streaming and downloading services in 4Q17. (3) As of December 30, 2017. (4) Based on Korean wholesale music distribution.

Web Literature: Growth through Innovative Business Model



Pioneer of the Innovative
“Wait-or-Pay” Business Model

Robust Growth in GMV
Kakao Page GMV Trend (KRW bn)



Introduction of Cash Friends
as “Ad-or-Pay” Business Model



2.5x Growth
in Monthly Revenue
Since Launch in May 2017⁽¹⁾

Application of the Business
Model into VOD Content

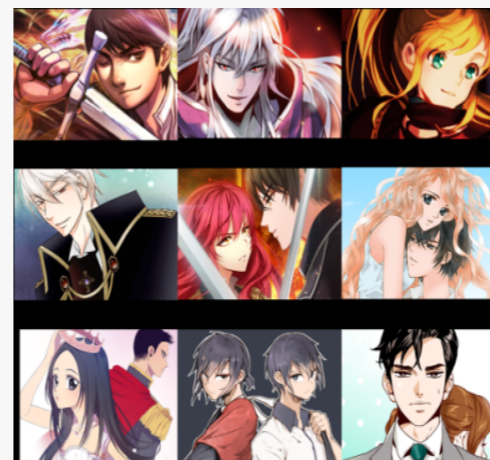


First 10 Minutes Free
Driving user interest and
engagement



Pause & Play
Offering video content in
segments

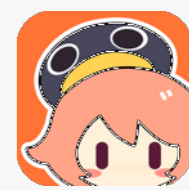
Vertical Integration by Acquiring
IP Rights of Attractive Content



Global Expansion through
Strong Content Library



Piccoma



Tencent
Dongman

Notes: (1) Cash Friends revenue in May 2017 and December 2017.

Commerce: Differentiated Business Model Leveraging Unique Strengths

Differentiated and Smart Strategy for Commerce Business

Robust Growth in Transaction Volume

E-commerce Industry



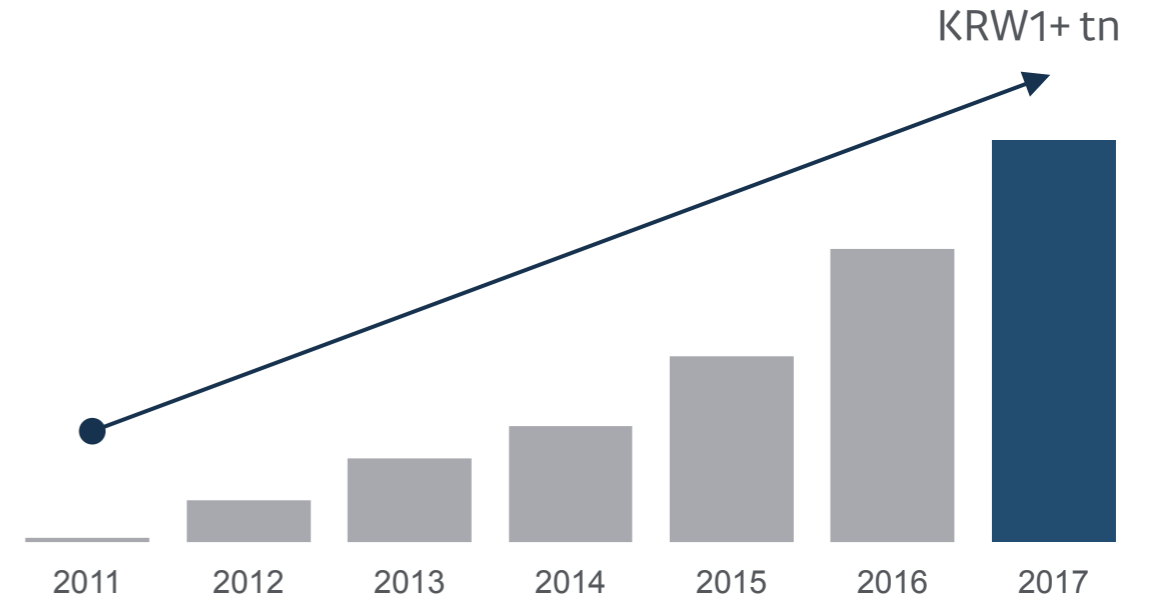
Price War /
No Brand Loyalty

VS.

Kakao Gift



Strategic Focus on
"Occasions"

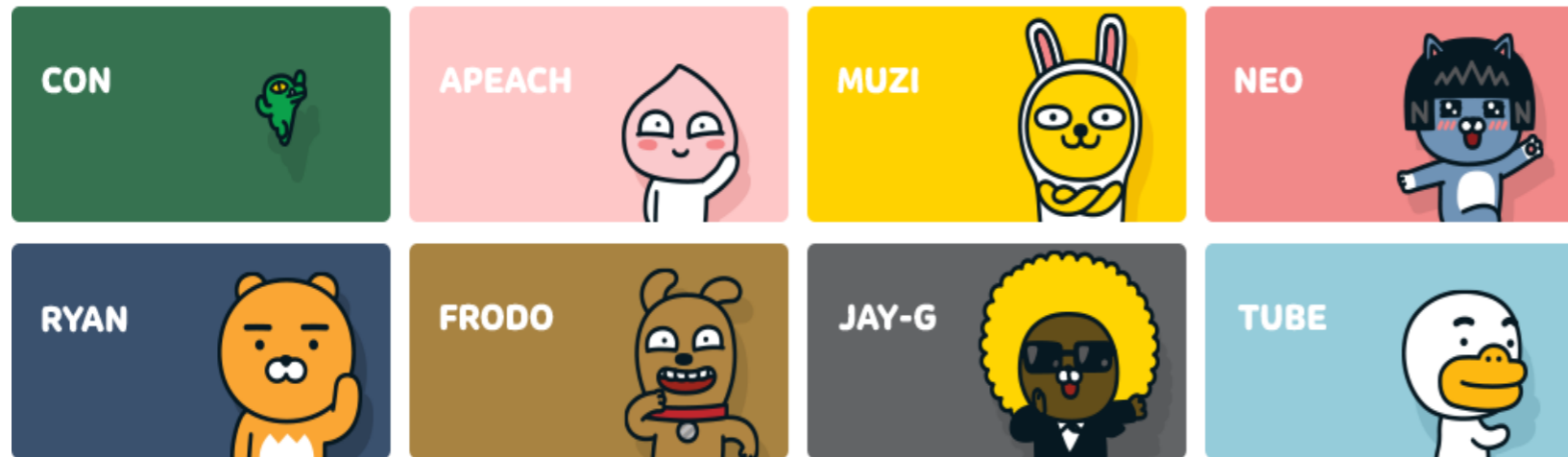


- ✓ Strategic Focus on the Selective Occasions of Gifting
- ✓ Value Proposition as True Omni-Commerce Channel
- ✓ Gifting Occasion Less Sensitive to Price Comparison

- ✓ Continuing Strong Growth Momentum Since Launch
- ✓ Expansion of User Base to Older Generations (30s~50s) and Increasing Basket Size
- ✓ Enhanced Profitability via Direct Purchasing
- ✓ Selective Entry into Adjacent Commerce Businesses

Kakao Friends IP: New Era of IP Business

#1 Most Likeable Characters in Korea ⁽¹⁾

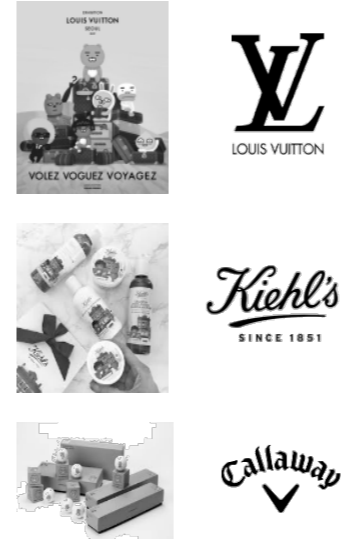
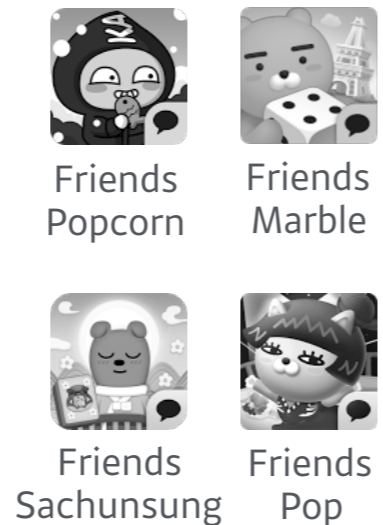
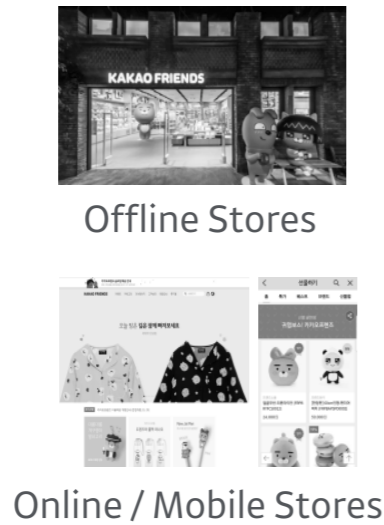


Emoticon

Merchandising

Game

Partnership / Licensing



3 Flagship Stores



GangNam
July 2016



HongDae
November 2016



Busan
August 2017

- ✓ Successful Launches Since July 2016
- ✓ 10,000+ Visitors per Day

Notes: (1) Korea Creative Content Agency survey announced in March 2017.

Mobility: Another Dominant Platform with Innovation

Dominant Taxi Hailing App in Korea



97%
Market Share⁽¹⁾

Korea's dominant taxi hailing platform

17 Million
Registered Users

50+% of economically active population in Korea⁽²⁾

2.4 Million
Peak Daily Taxi-Hailing Orders

Based on large user base and registered taxi driver base

Kakao T Super App: All-Inclusive Transportation Platform



Smart Marketing Tools

17mm Kakao T User Base → Marginal User Acquisition Cost for Launching New Services



Smart Monetization Tools

Unified Payment Method Across Different Services

Notes: (1) Nielsen KoreanClick data in terms of unique users among Korean taxi-hailing mobile applications. (2) Economically active population in Korea based on a survey conducted by Statistics Korea.

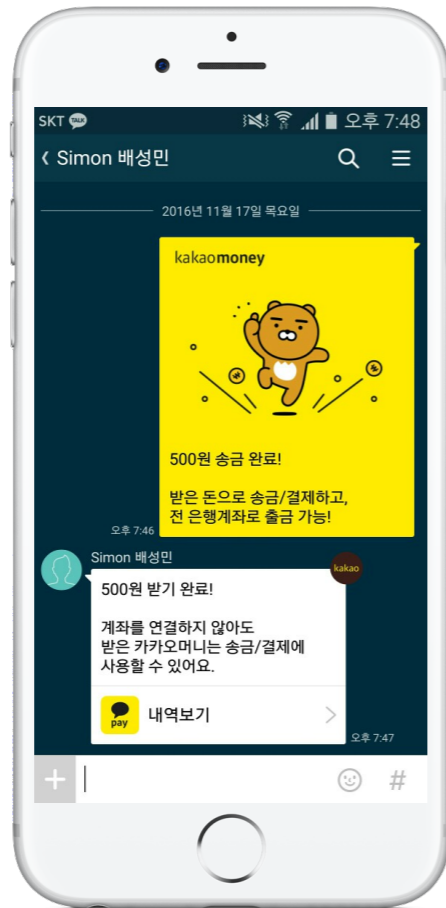
Tech-Fin: Robust Expansion of Business Scope

21 Million
Accumulated Members

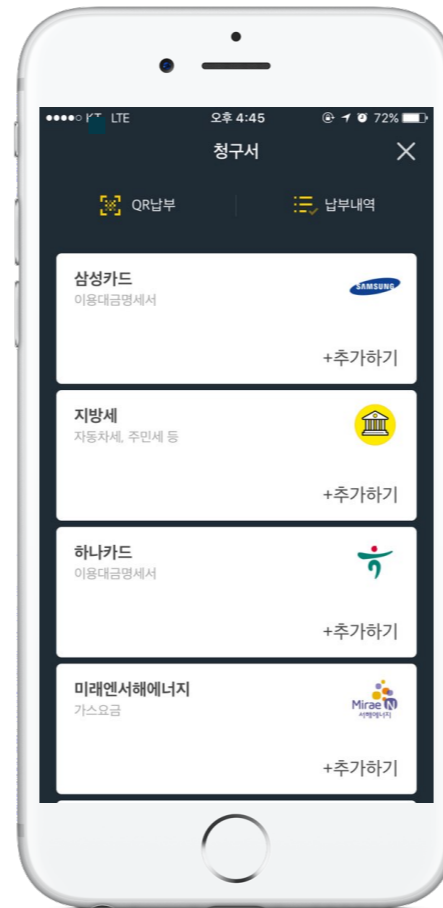
Services evolved from payment transactions to innovative and convenient mobile financial services including bill payment, remittance, membership management, money transfer, and authentication



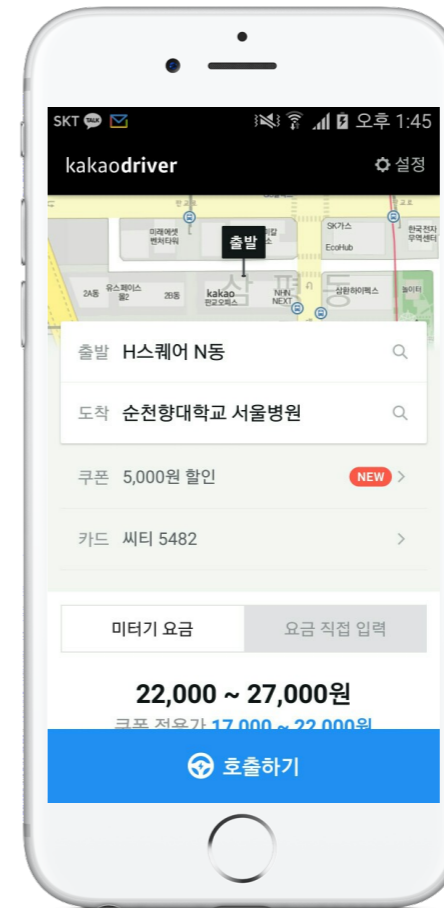
Kakao easy payment



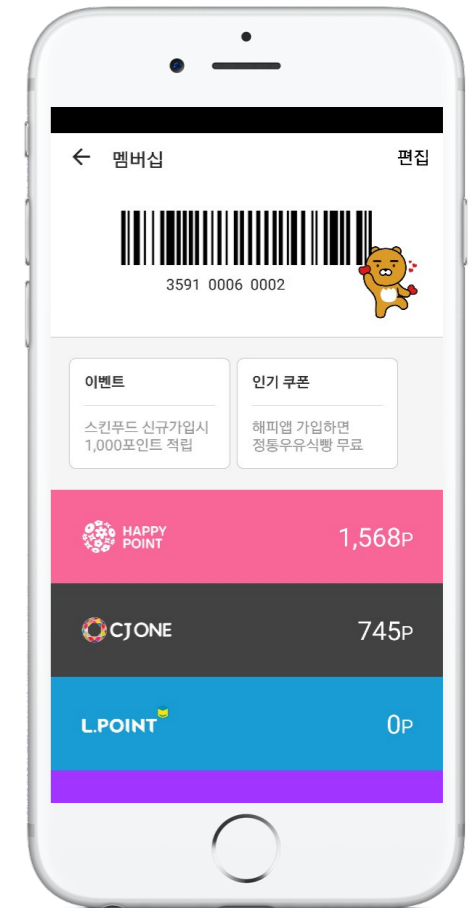
Kakao Money transfer



Kakao Billing



Kakao T auto pay



Kakao Membership

kakao Bank

Kakao Bank has grown rapidly since its official launch on July 27, 2017

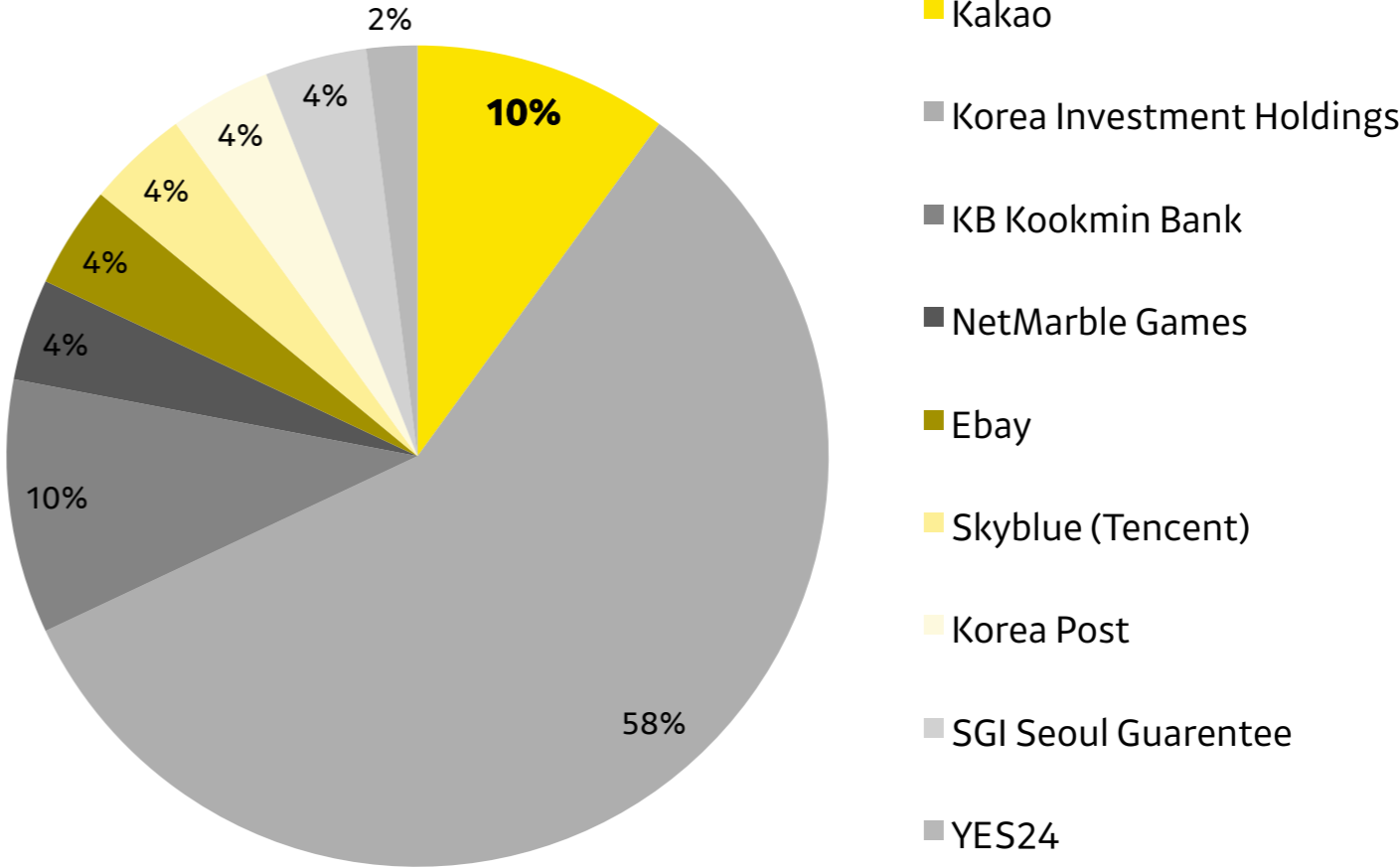


as of January 31, 2018

Performance

Capital	KRW 800 billion
# of employees	272 employees
# of call center agents	422 agents
Account opened	5.24 million
Debit card issued	3.94 million
Deposits	KRW 5.75 trillion
Credit Loans	KRW 5.20 trillion

Shareholdings



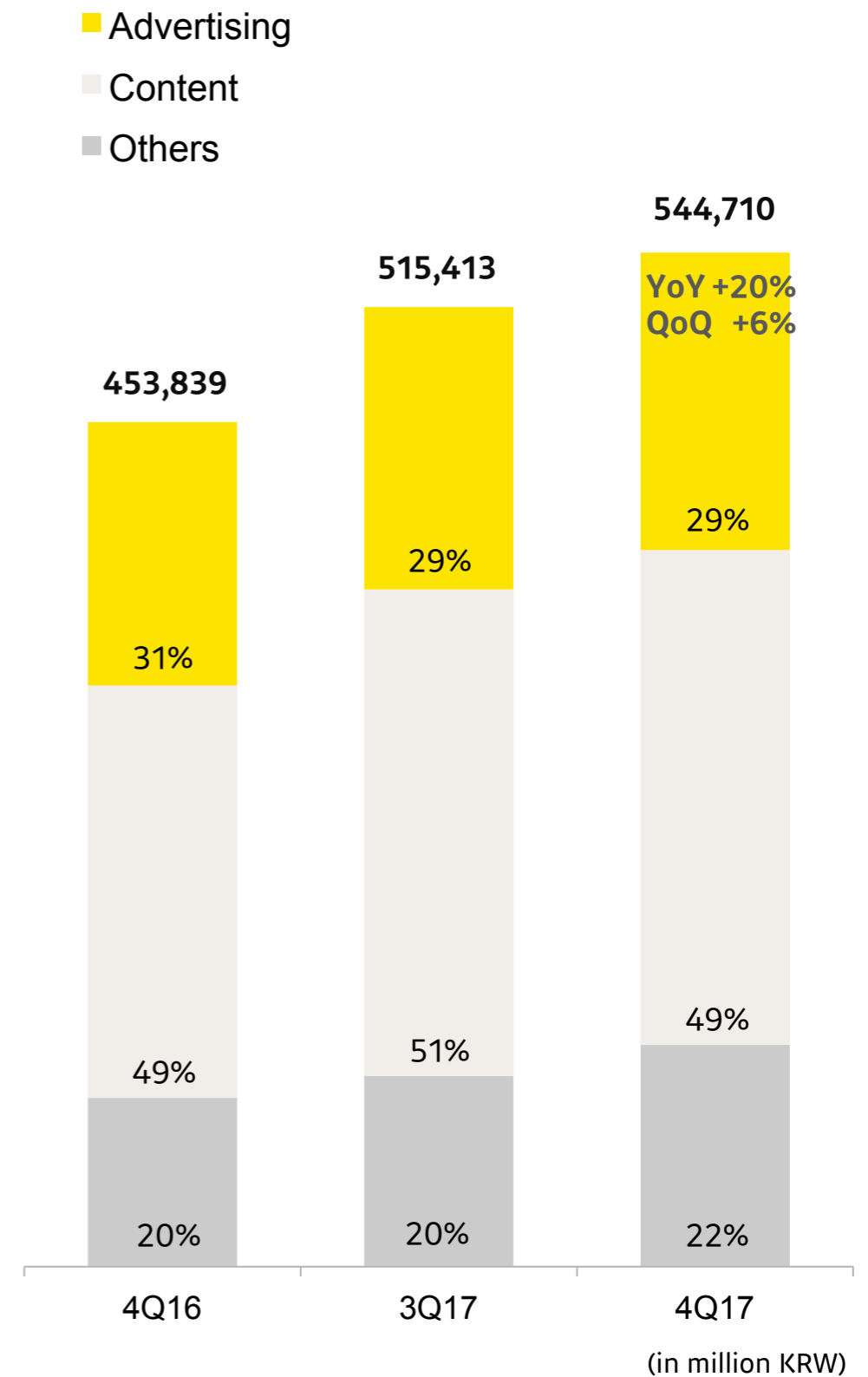
Kakao ecosystem

Kakao business

Financial overview

Revenue Breakdown

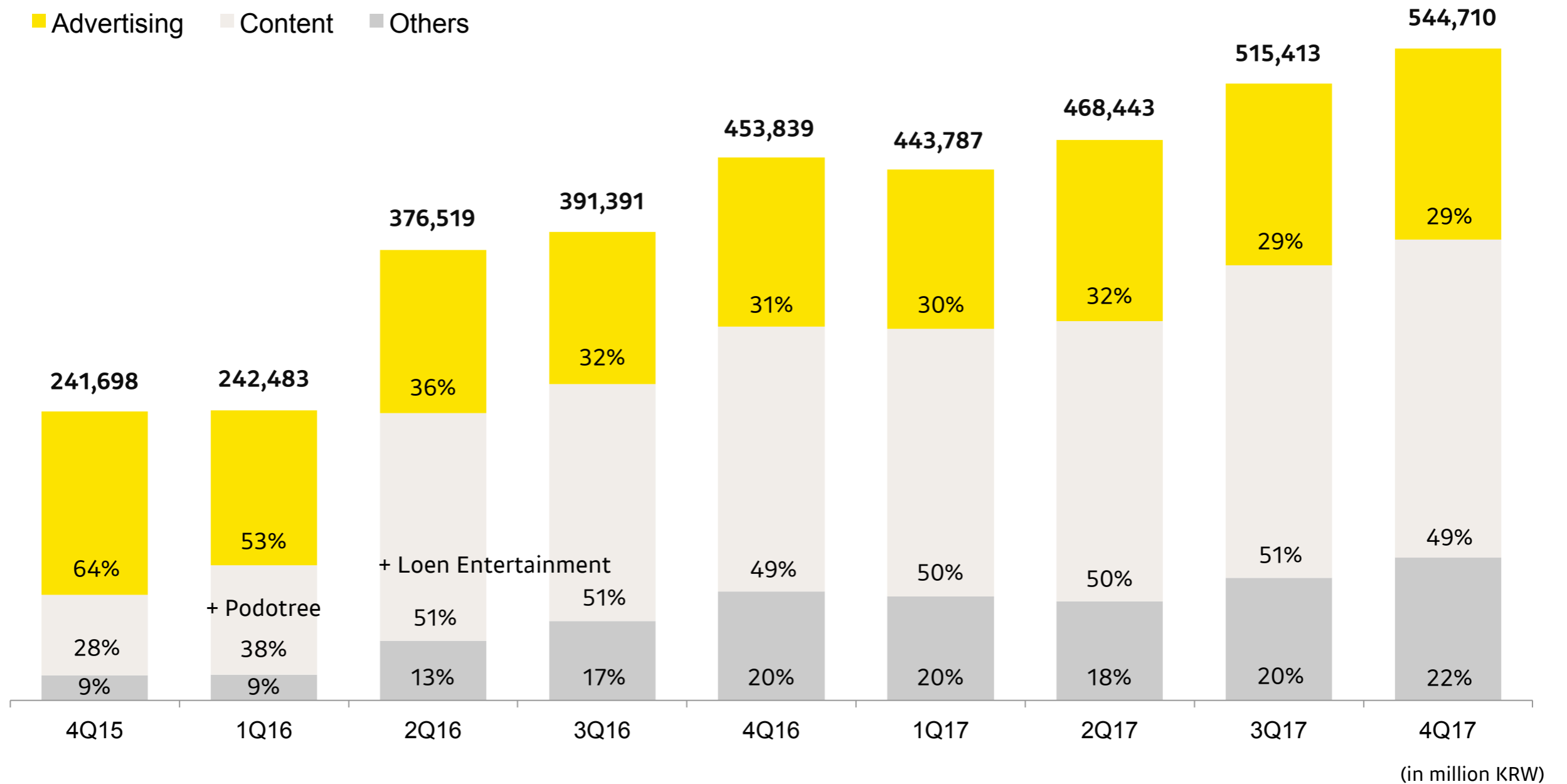
Advertising	Portals	Daum PC Daum Mobile
	Messenger	New Plus Friends Brand Emoticon Talk Reward Info Talk/Friend Talk/Support Talk Auto View Talk Hairshop Talk Order Talk Mart Talk PC
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
Content	Game	Mobile Game PC Game
	Music	MelOn Kakao Music
	Web literature	Kakao Page Daum Webtoon Piccoma
	Emoticon	Talk B2C Emoticon
Others	Commerce	Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer
	Mobility	Kakao T (Taxi Driver Parking Navigator)
	Tech-fin	Kakao Pay
	Misc.	Loen (offline record distribution, etc.)



Revenue

4Q Total Revenue YoY +20% / QoQ +6%

Advertising +13% (y) / +5% (q) Content +20% (y) / +2% (q) Others +31% (y) / +16% (q)

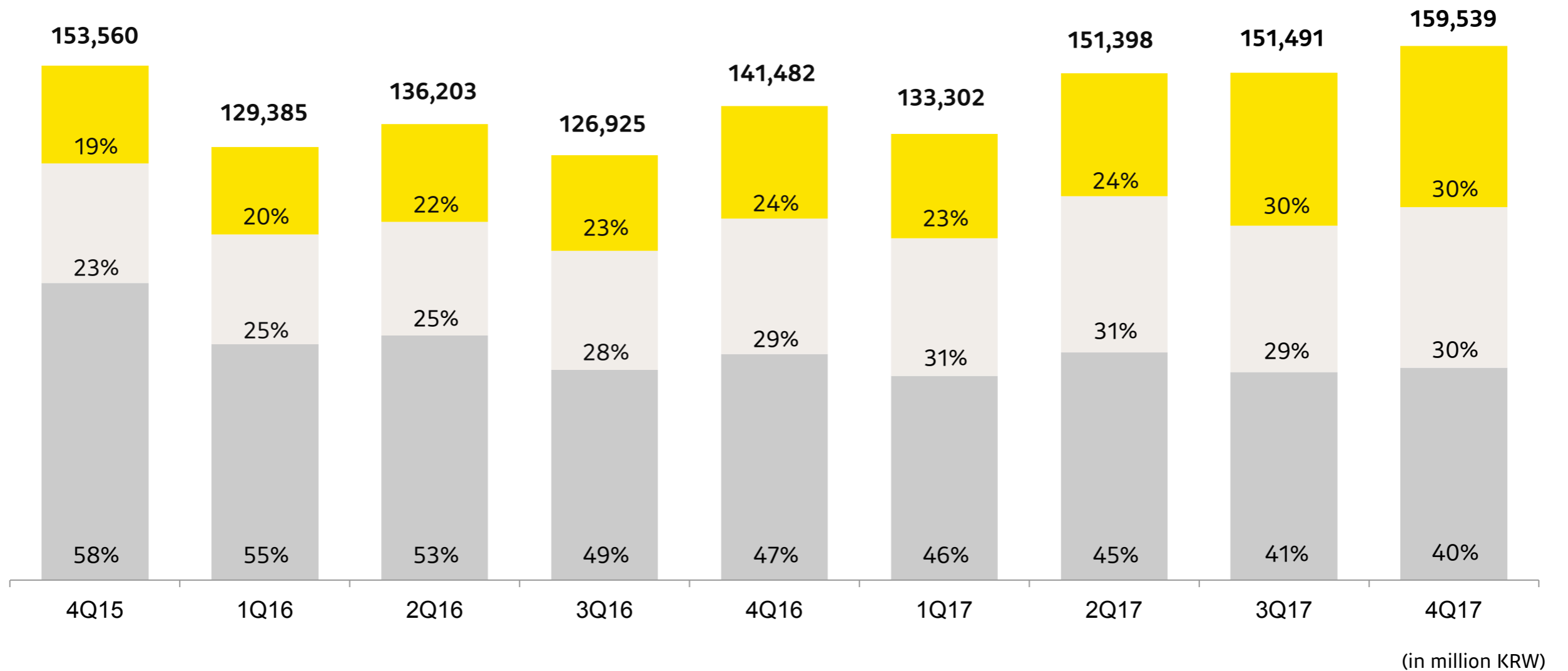


Advertising

4Q Advertising YoY +13% / QoQ +5%

Kakao Advertising YoY +44% Daum Mobile Advertising YoY +19% Daum PC Advertising YoY -6%

■ Kaka Ads ■ Daum Mobile Ads ■ Daum PC Ads

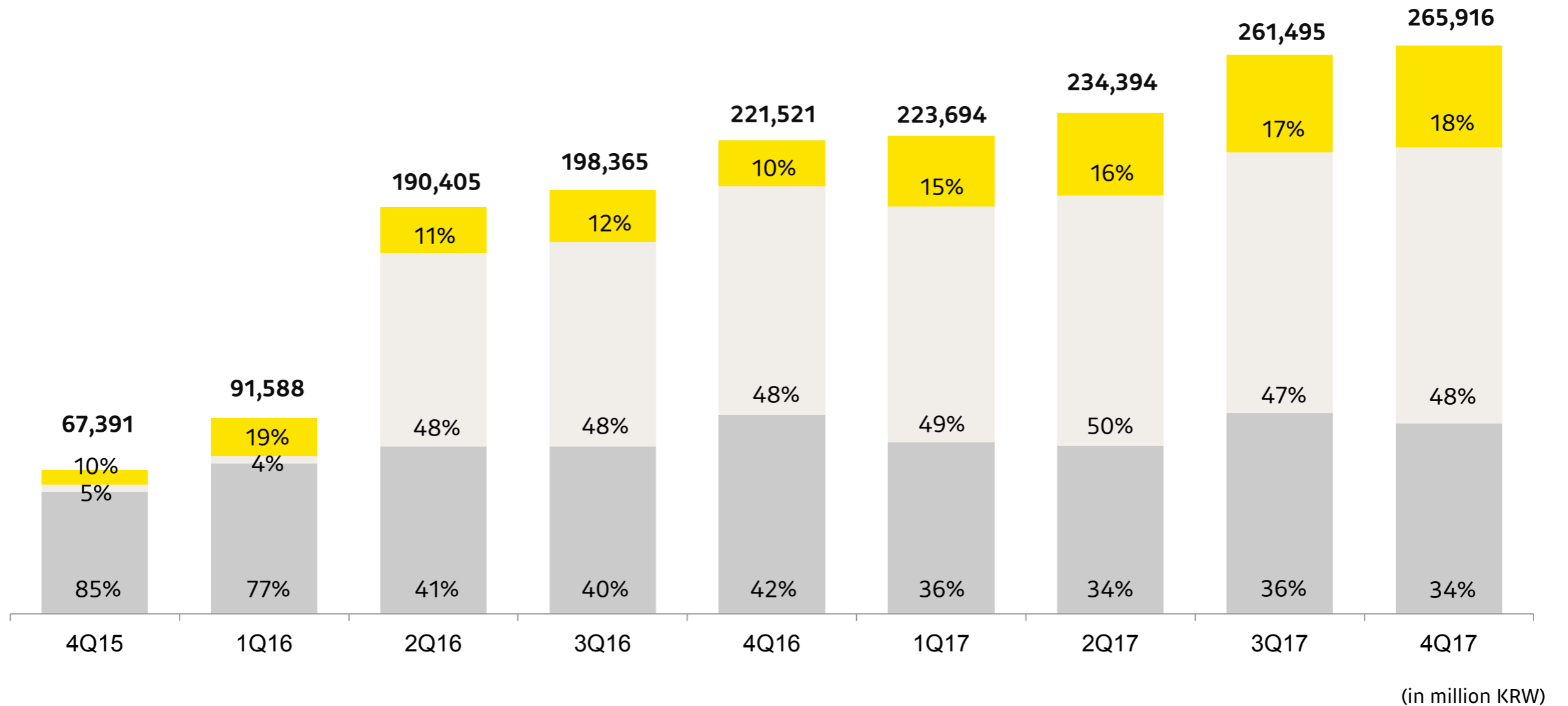


Content

4Q Content YoY +20% / QoQ +2%

Solid growth in paying user base of MelOn, web literature services and B2C emoticon, offset by a decrease in new mobile game releases

■ Web literature & Emoticon ■ Music ■ Game

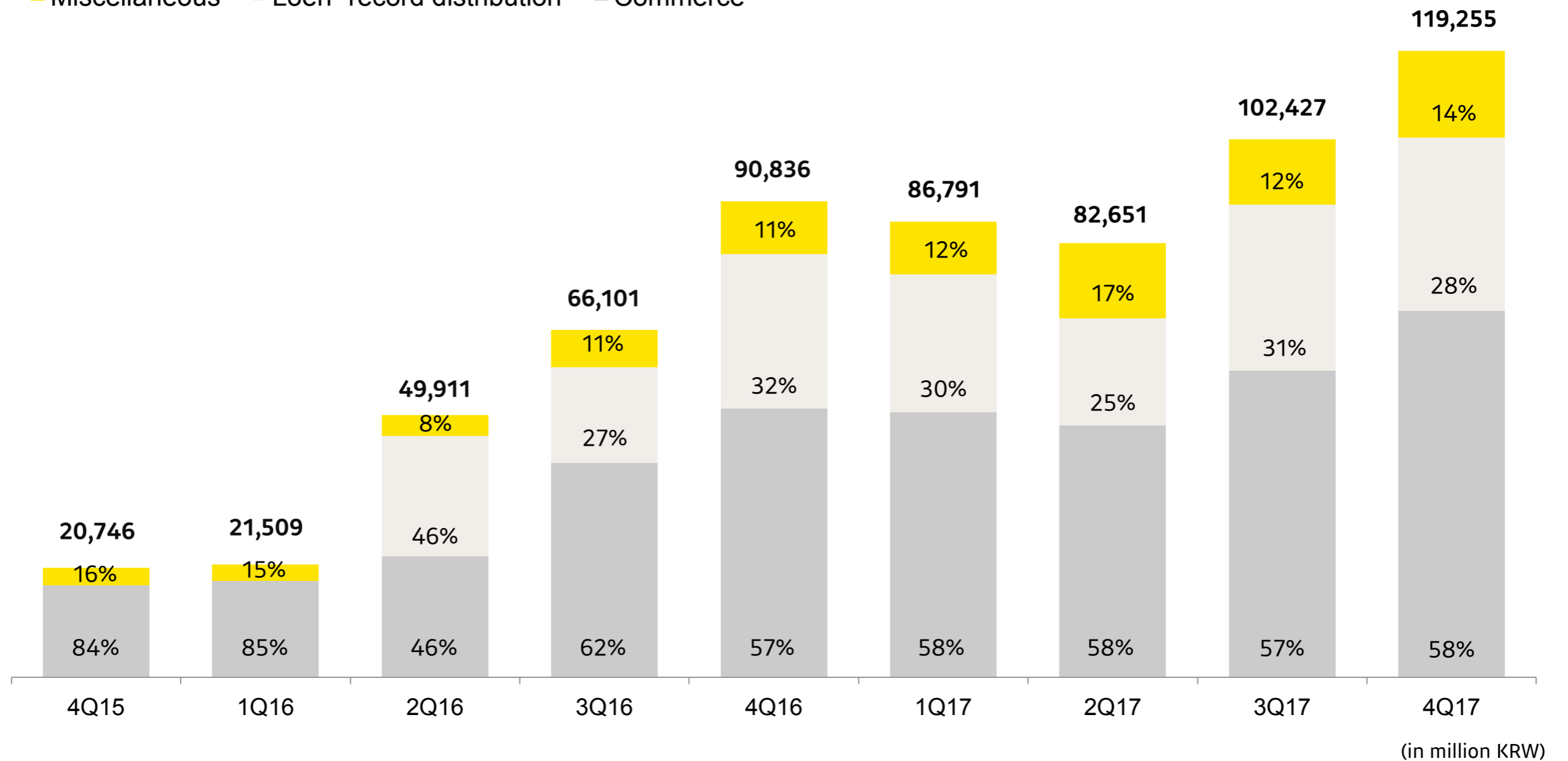


Others

4Q Others YoY +31% / QoQ +16%

Increased Loen's new record sales, and healthy growth of commerce and mobility platform revenue

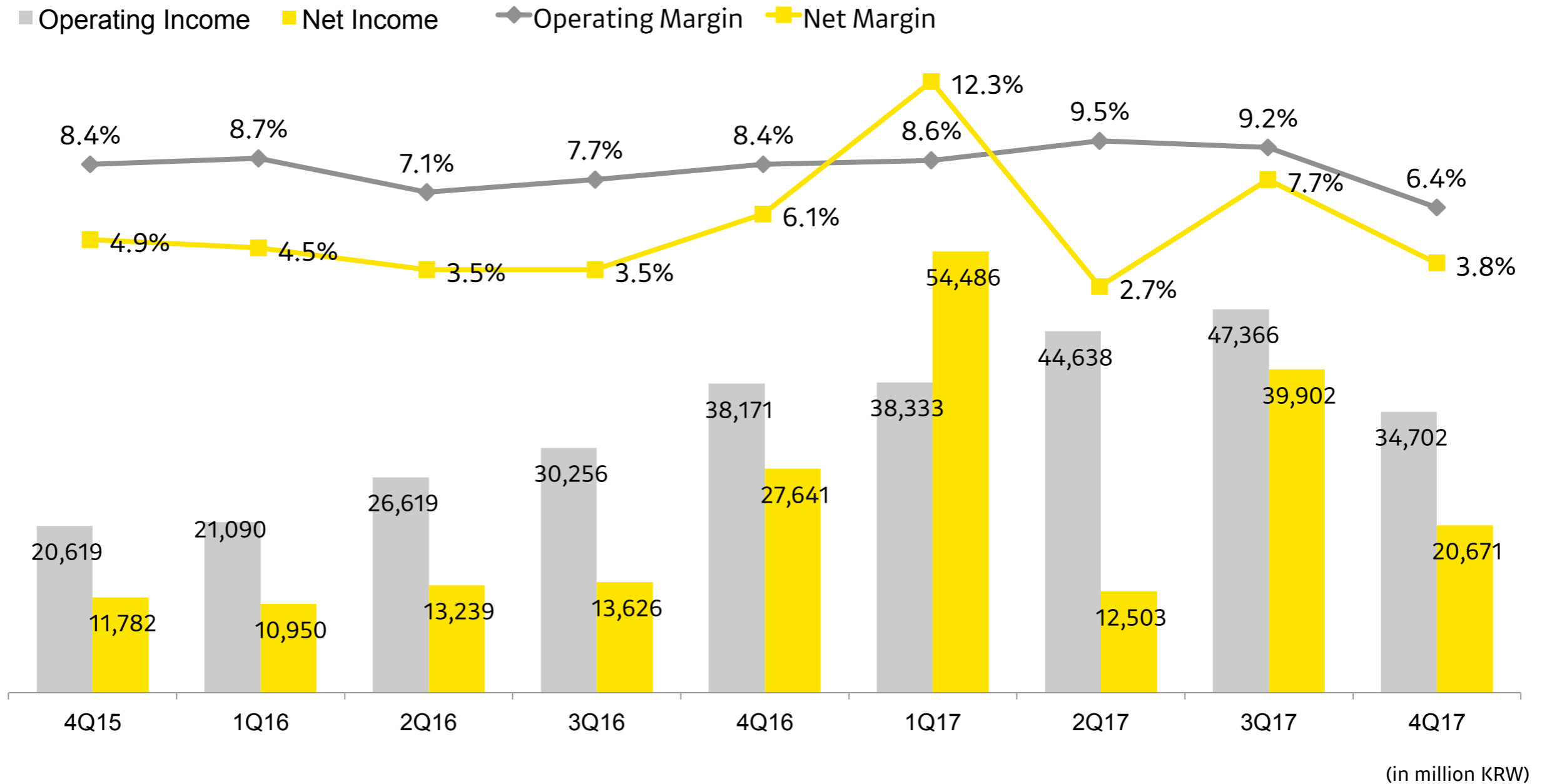
■ Miscellaneous
 ■ Loen- record distribution
 ■ Commerce



Profits

4Q Operating Income YoY -9% / QoQ -27% Net Income YoY -25% / QoQ -48%

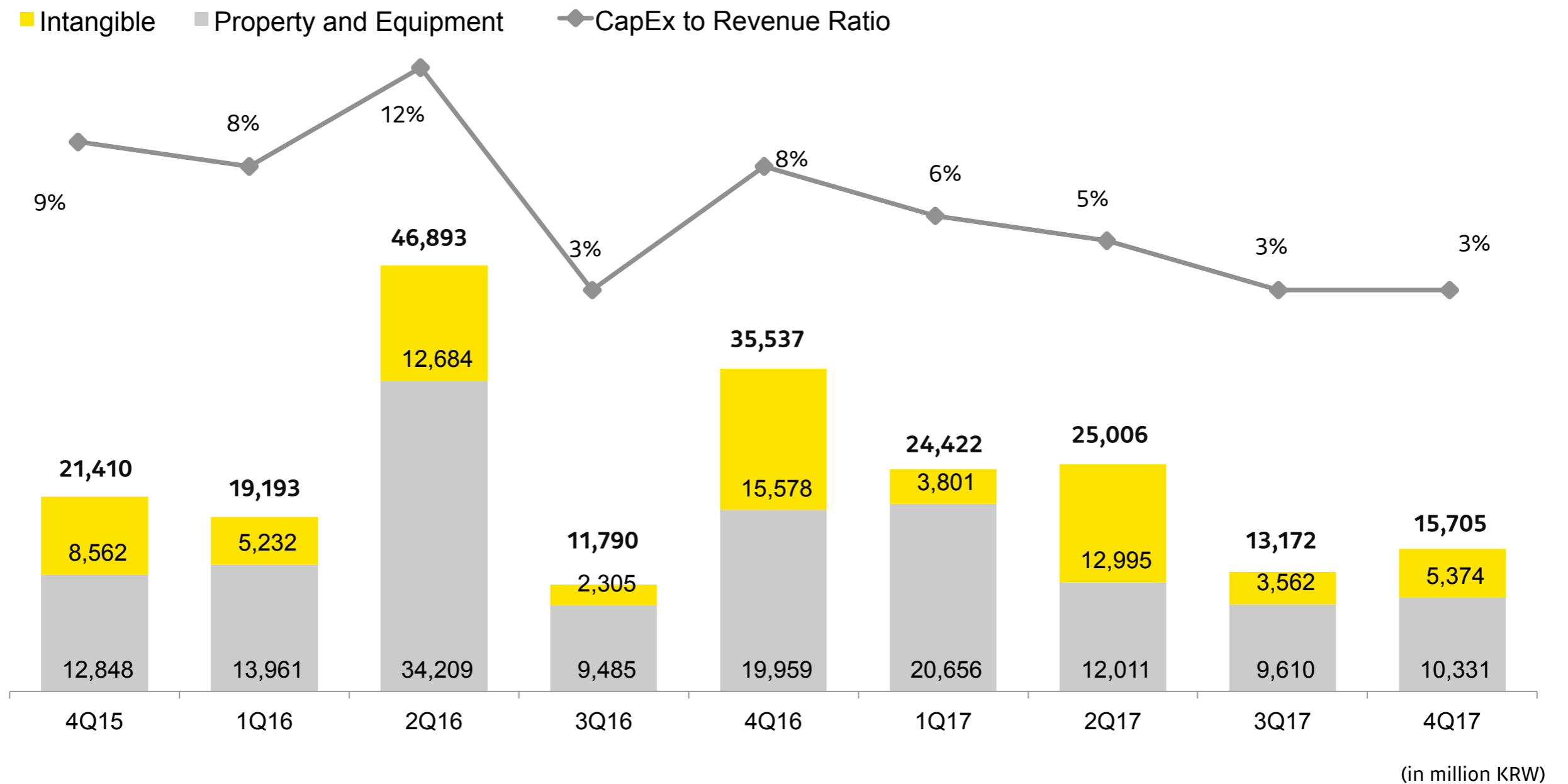
One-off Bonus paid in the 4Q of KRW 17.6 billion was reflected in the 4Q



Capital Expenditure

FY2017 CapEx to Revenue Ratio of 4% YoY -31%

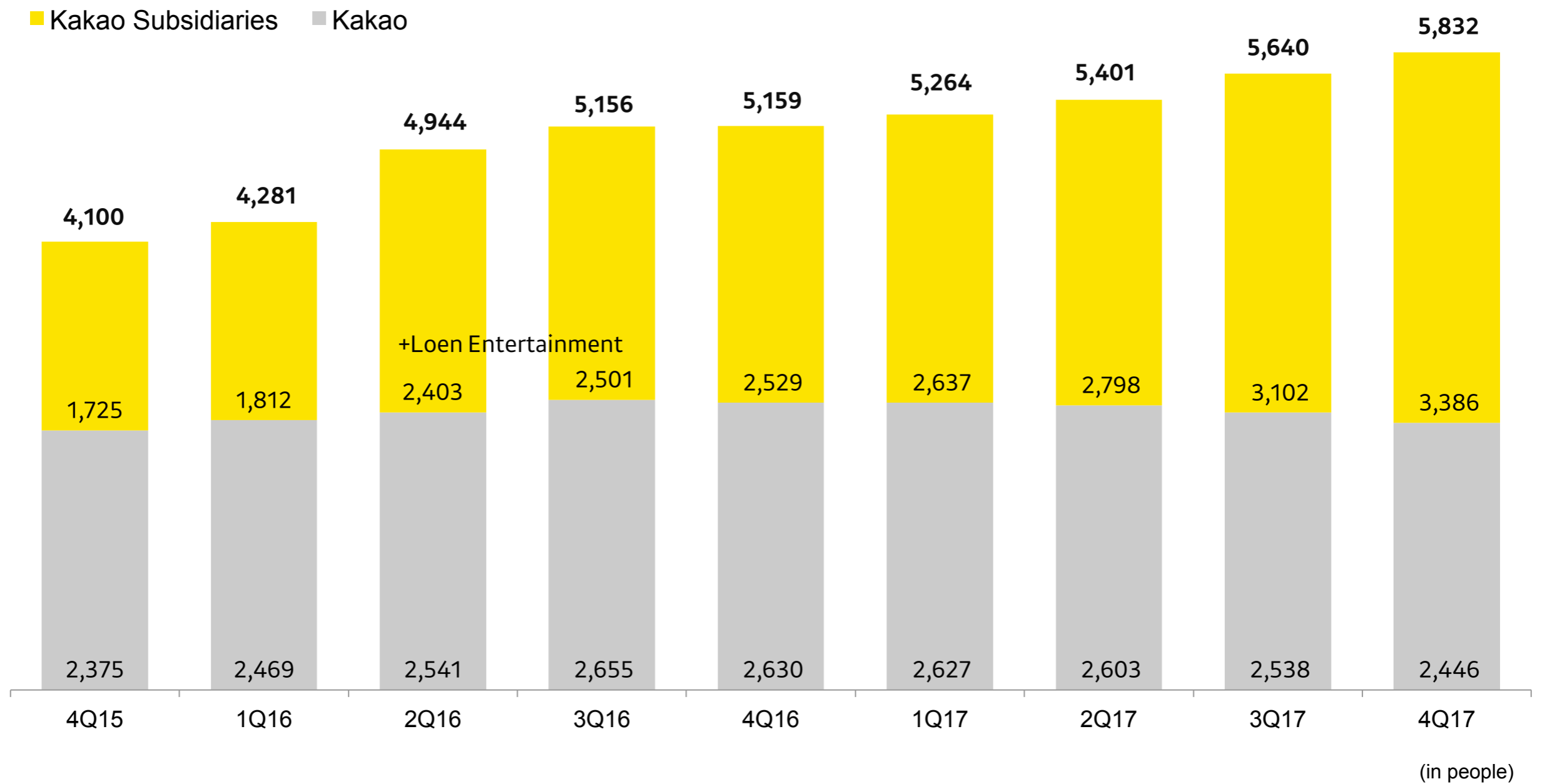
Accumulated intangible YoY -28% property and equipment (server, network, etc.) YoY -32%



Employees

Total 5,832 Employees

QoQ decrease of 92 from Kakao, and 284 increased at subsidiaries (Kakao Brain, Kakay Pay, etc.)



Consolidated Financial Statements

Consolidated Statements of Income

(in million KRW)	4Q16	1Q17	2Q17	3Q17	4Q17
Revenues	453,839	443,787	468,443	515,413	544,710
Advertising	141,482	133,302	151,398	151,491	159,539
Content	221,521	223,694	234,394	261,495	265,916
Game	93,186	80,288	78,653	93,947	89,175
Music	106,940	110,324	117,089	122,067	129,060
Web literature and Emoticon	21,395	33,081	38,653	45,481	47,681
Others	90,836	86,791	82,651	102,427	119,255
Operating Expenses	415,668	405,453	423,804	468,047	510,008
Labor Costs	83,776	84,808	88,064	84,668	102,966
Fringe Benefits	15,085	13,436	12,992	13,499	13,445
Depreciation	14,412	14,816	14,919	15,338	15,659
Rental Fees	8,467	8,749	8,886	9,242	9,259
Commissions	161,997	160,388	178,765	189,755	201,467
Advertising	36,141	24,959	21,929	33,460	36,130
Bad Debt Expenses	1,182	141	45	-144	1,112
Amortization	17,273	16,773	16,352	16,439	19,463
Content Fees	19,794	24,923	28,321	33,658	34,448
Ad Agency Fees	22,654	19,051	23,974	21,975	23,576
Event Fees	1,002	110	327	407	943
Others	33,885	37,299	29,229	49,749	51,540
Operating Profit	38,171	38,333	44,638	47,366	34,702
Other Non-Operating Income	15,869	2,388	3,784	16,148	13,917
Other Non-Operating Expenses	14,059	14,952	9,878	6,181	58,200
Finance Income	9,187	4,737	4,585	11,390	58,370
Finance Costs	4,246	9,895	3,540	3,116	29,233
Income from Equity Inv., Net	-3,511	-2,367	-3,570	-2,535	18,140
Profit before Income Tax Expenses	41,412	18,244	36,020	63,071	37,697
Income Tax Expenses	13,771	-36,241	23,518	23,170	17,026
Net Profit from Continued Oper.	27,641	54,486	12,503	39,902	20,671
Net Profit	27,641	54,486	12,503	39,902	20,671
Equity Holders of the Parent Co.	23,449	53,715	11,303	32,055	13,623
Non-Controlling Interest	4,191	771	1,199	7,847	7,048

Consolidated Statements of Financial Position

(in million KRW)	2015.12.31	2016.12.31	2017.12.31
Current Assets	970,067	1,216,958	1,995,555
Cash and Cash Equivalents	397,177	641,644	1,125,345
S-T Financial Instruments	373,389	236,748	385,697
Accounts Receivable	88,822	173,853	181,107
Other Financial Assets	59,619	83,340	53,781
Other Current Assets	51,060	81,373	249,625
Non-Current Assets	2,218,411	4,267,159	4,403,783
Equity Method Investments	68,704	117,076	162,579
Tangible Assets	219,052	253,854	271,044
Intangible Assets	1,855,604	3,733,166	3,686,677
Other Non-current Assets	75,051	163,063	283,484
Total Assets	3,188,478	5,484,117	6,399,339
Liabilities	316,078	806,020	1,039,976
Trade and N-T Payables	89,506	263,130	281,139
Income Taxes Payable	29,448	30,944	116,183
Short-Term Debt	3,859	200,265	169,830
Other Current Liabilities	175,069	311,572	472,825
Non-Current Liabilities	286,925	975,153	801,100
Bonds	199,383	319,255	149,777
Bonds- CB/EB	-	476,122	471,031
Deferred Income Tax Liab.	48,636	142,919	139,857
Other Non-Current Liab.	38,905	36,857	40,435
Total Liabilities	603,003	1,781,173	1,841,076
Paid-in Capital	30,098	33,858	34,004
Capital Surplus	2,274,186	3,105,014	3,640,015
Capital Adjustments	-9,032	-11,232	-6,210
Accum. Other Compre. Income	829	920	-4,998
Retained Earnings	256,313	303,952	404,642
Non-controlling Interests	33,081	270,432	490,810
Total Equity	2,585,475	3,702,944	4,558,263
Total Liabilities & Equity	3,188,478	5,484,117	6,399,339

Financial Statements (Kakao only)

Statements of Income

(in million KRW)	4Q16	1Q17	2Q17	3Q17	4Q17
Revenues	241,239	225,889	244,545	257,994	250,273
Advertising	136,054	125,076	143,128	141,496	154,640
Content	72,499	64,333	65,746	79,128	52,963
Game	56,091	46,720	46,522	59,270	32,401
Music	3,369	2,938	2,669	2,600	2,532
Web literature and Emoticon	13,040	14,675	16,555	17,257	18,030
Others	32,685	36,479	35,671	37,370	42,669
Operating Expenses	225,767	209,397	216,952	228,439	226,361
Labor Costs	52,044	51,811	50,796	49,161	52,271
Fringe Benefits	10,596	8,414	7,885	7,625	6,981
Depreciation	12,276	12,477	12,344	12,370	12,624
Rental Fees	2,616	2,480	2,308	2,273	2,164
Commissions	72,184	73,040	78,828	89,740	77,344
Advertising	22,248	9,014	8,347	9,390	9,863
Bad Debt Expenses	-216	82	-28	62	47
Amortization	5,561	5,417	5,277	4,821	4,578
Content Fees	11,646	11,062	12,728	13,091	15,728
Ad Agency Fees	22,562	18,987	23,910	21,843	23,416
Event Fees	693	120	299	372	682
Others	13,556	16,493	14,259	17,693	20,665
Operating Profit	15,472	16,492	27,593	29,555	23,911
Other Non-Operating Income	2,082	1,460	2,445	240,651	50
Other Non-Operating Expenses	19,712	3,123	13,814	4,430	64,892
Finance Income	19,246	35,067	2,037	1,671	4,549
Finance Costs	4,234	23,399	-1018	1,741	27,673
Profit before Income Tax Expenses	12,853	26,497	19,278	265,705	-64,054
Income Tax Expenses	2,872	-48,911	10,690	60,826	6,945
Net Profit from Continued Oper.	9,981	75,408	8,588	204,879	-70,999
Net Profit	9,981	75,408	8,588	204,879	-70,999

Statements of Financial Position

(in million KRW)	2015.12.31	2016.12.31	2017.12.31
Current Assets	718,533	511,067	632,508
Cash and Cash Equivalents	190,785	279,217	388,574
S-T Financial Instruments	361,809	37,190	14,834
Accounts Receivable	87,162	95,980	77,955
Other Current Assets	78,778	98,679	151,145
Non-Current Assets	2,398,531	4,318,230	4,324,369
Equity Method Investments	474,327	2,337,040	2,368,582
Tangible Assets	210,393	203,866	208,084
Intangible Assets	1,652,605	1,694,581	1,620,416
Other Non-current Assets	61,205	82,743	127,287
Total Assets	3,117,064	4,829,297	4,956,878
Liabilities	265,747	813,859	948,682
Trade and N-T Payables	91,748	174,592	163,318
Income Taxes Payable	24,581	7,168	81,258
Short-Term Debt	-	200,000	-
Other Current Liabilities	149,419	432,099	704,106
Non-Current Liabilities	276,435	640,280	450,452
Bonds	199,383	319,255	149,777
Bonds- CB	-	248,928	243,197
Deferred Income Tax Liab.	44,394	43,266	29,207
Other Non-Current Liab.	32,658	28,830	28,271
Total Liabilities	542,182	1,454,139	1,399,134
Paid-in Capital	30,098	33,858	34,004
Capital Surplus	2,291,486	3,057,264	3,036,396
Capital Adjustments	-9,032	-11,232	-6,026
Accum. Other Compre. Inc.	244	5,046	-4,722
Retained Earnings	262,086	290,222	498,092
Total Equity	2,574,882	3,375,158	3,557,744
Total Liabilities & Equity	3,117,064	4,829,297	4,956,878

thank you

