

3rd Quarter 2017 Results

November 9, 2017 | Investor Relations



Disclaimer

Financial information contained in this document is based on consolidated K-IFRS that have not been reviewed by an independent auditor: therefore, the information and financial data contained in this document are subject to change upon an independent auditor's review.

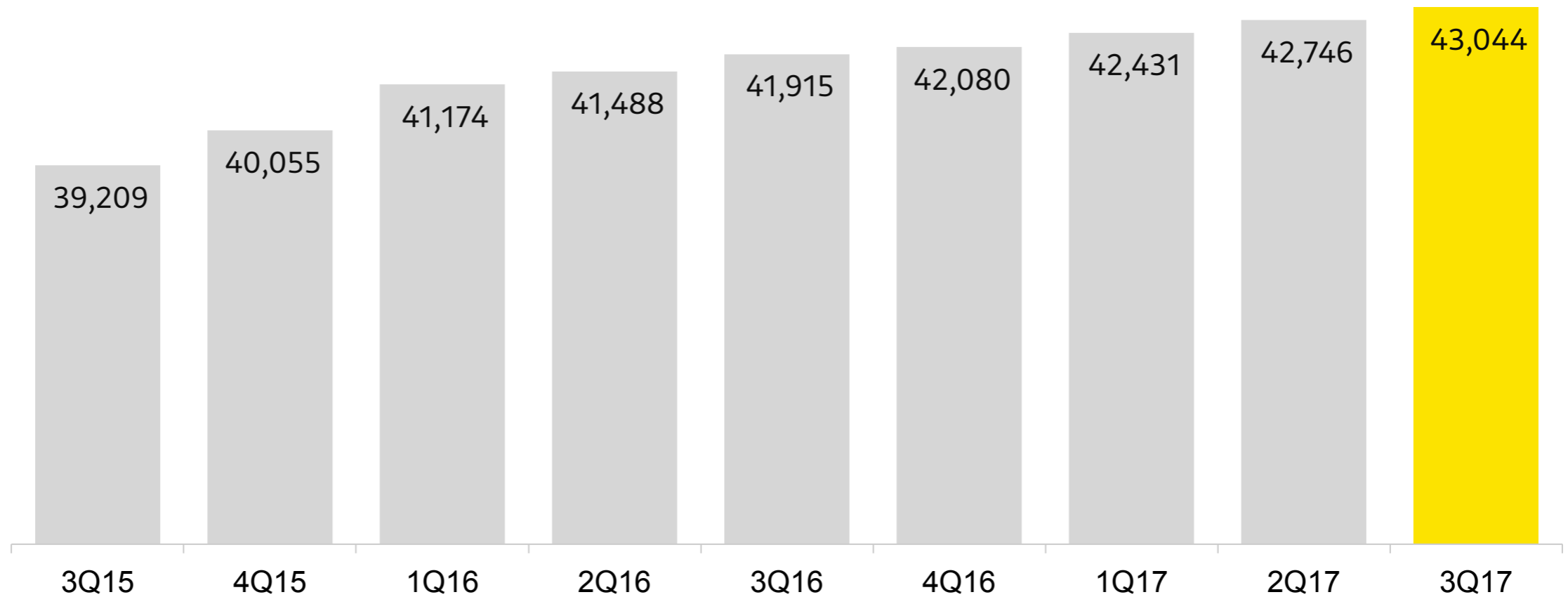
The company does not make any representation or accept liability, as to the accuracy or completeness of the information contained in this material. The format and contents of this document are subject to change for future filings and reports. Kakao is not liable for providing future updates on all figures included in this document.

Kakao Talk Monthly Active Users



Continue to grow our domestic active users +1,129K yoy +298K qoq

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



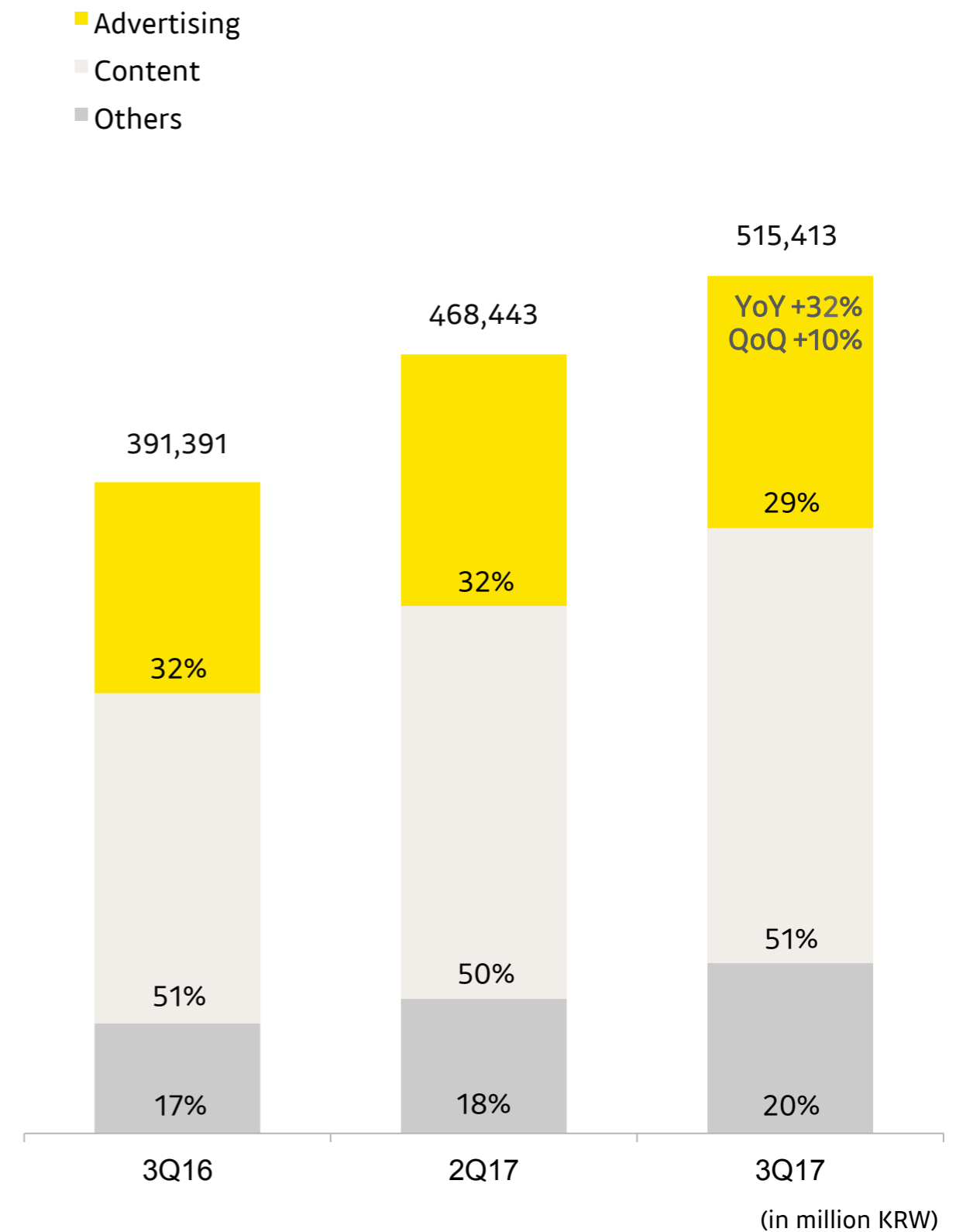
	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Korea	39,209	40,055	41,174	41,488	41,915	42,080	42,431	42,746	43,044
Global	48,464	48,321	49,318	49,100	49,189	48,955	49,158	49,468	49,844

Average of monthly MAUs. Global includes domestic MAUs.

(in thousand)

Revenue

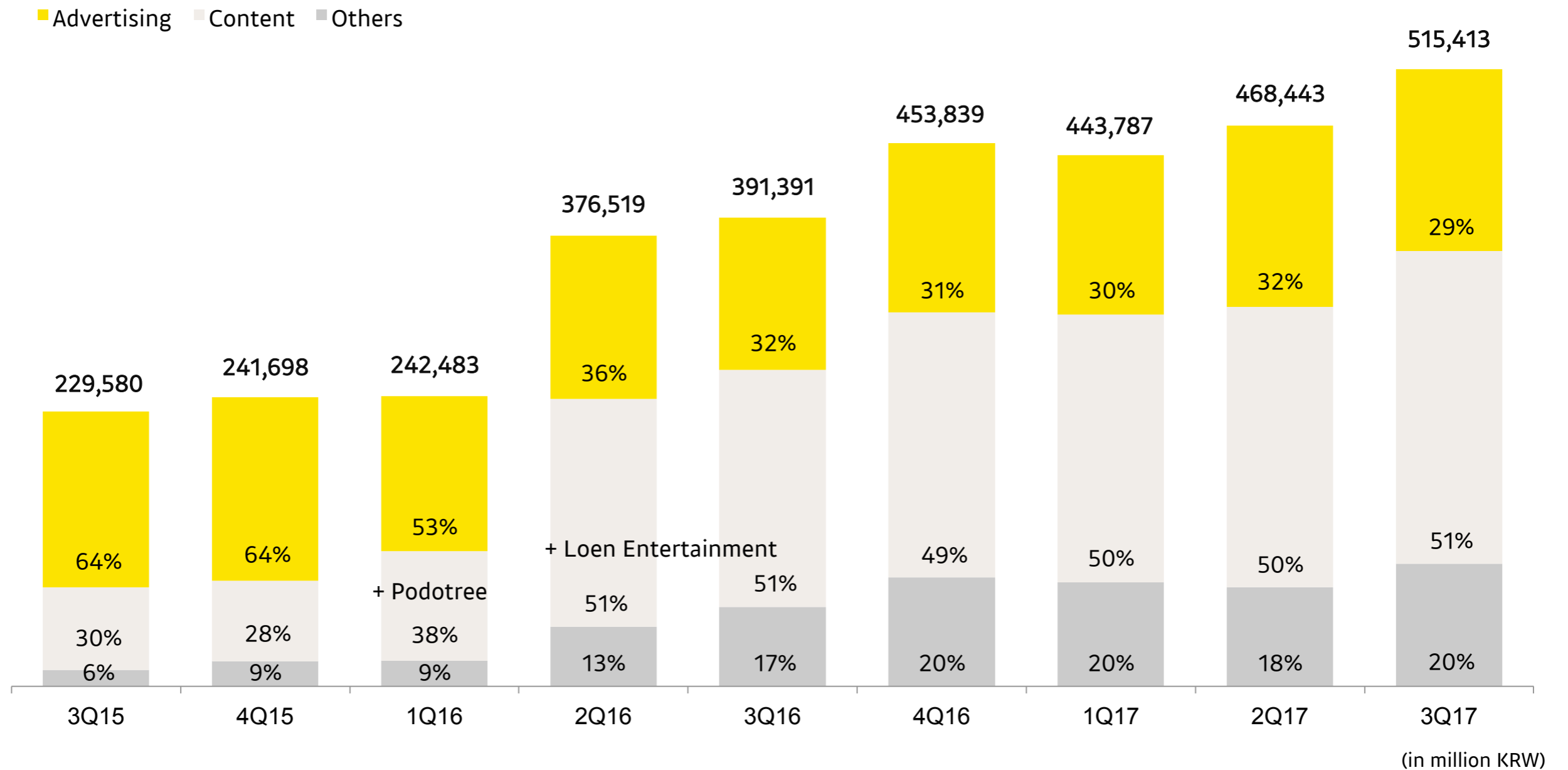
Advertising	Portals	Daum PC Daum Mobile
	Messenger	Talk Plus Friends Talk PC Brand Emoticon Notification Talk Friend Talk Talk Reward Talk Hairshop Talk Order Talk Mart
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
Content	Game	Kakao Game Kakao Games
	Music	Melon Kakao Music
	Web literature	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)
	Fintech	Kakao Pay
	Misc.	Loen (offline record, production, etc.)



Revenue

3Q total revenue YoY +32% / QoQ +10%

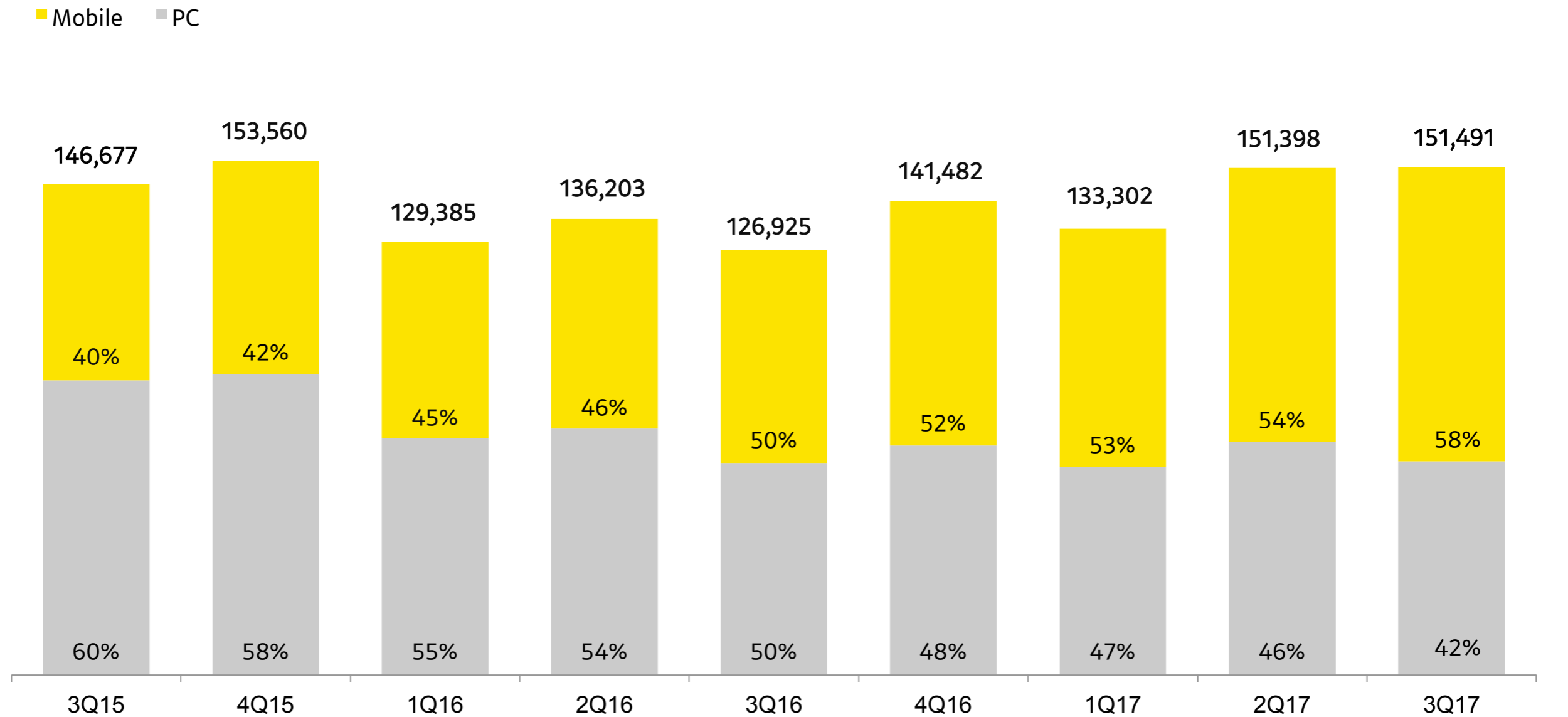
Advertising +19% (y) / - (q) Content +32% (y) / +12% (q) Others +55% (y) / +24% (q)



Advertising

3Q Advertising YoY +19% / QoQ –

Continued growth in mobile advertising and stabilized PC advertising (YoY +1%)

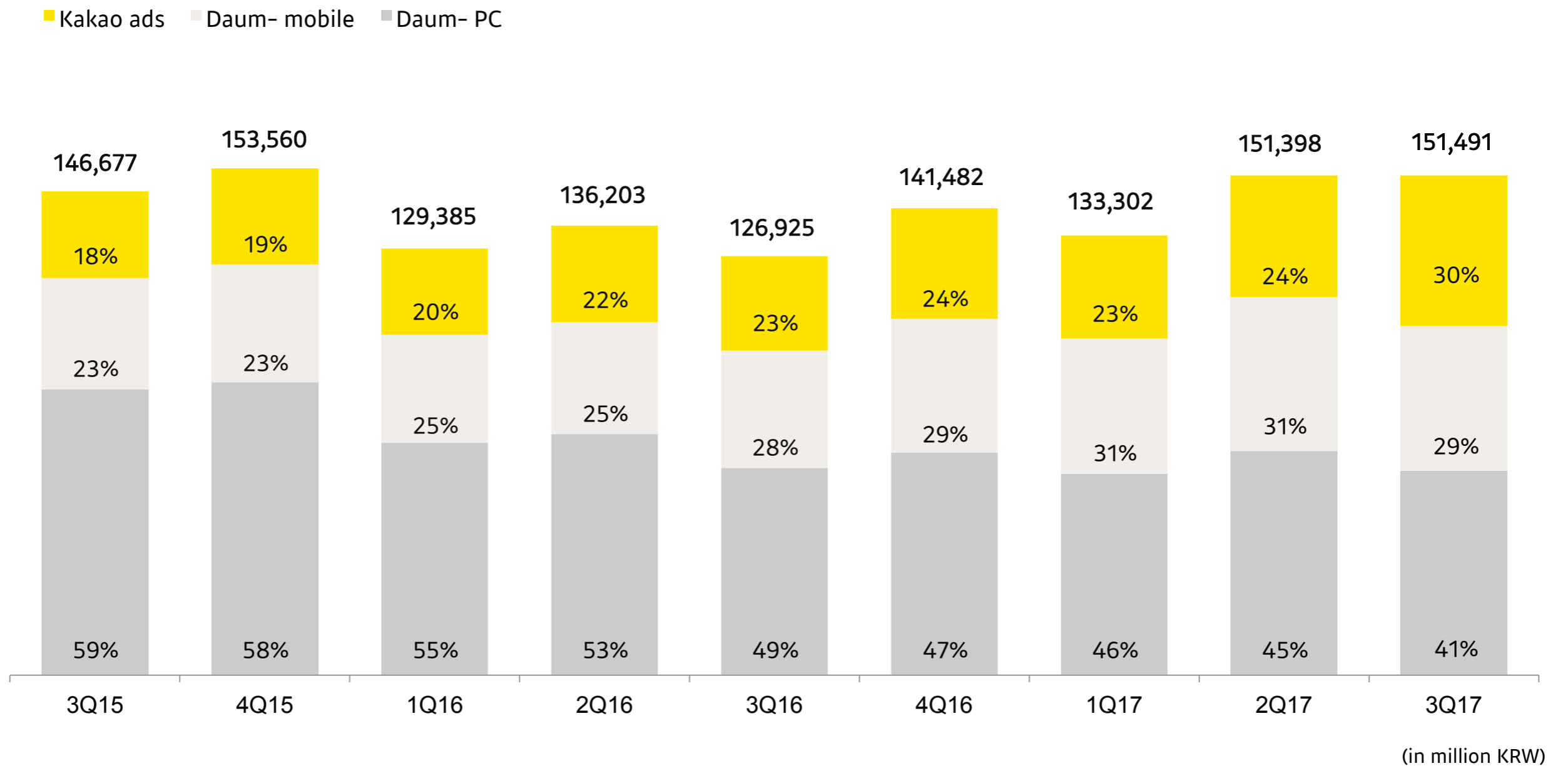


(in million KRW)

Advertising_Daum · Kakao

3Q Advertising YoY +19% / QoQ –

Growth of new ads products on Kakao Talk and Daum mobile ad growth

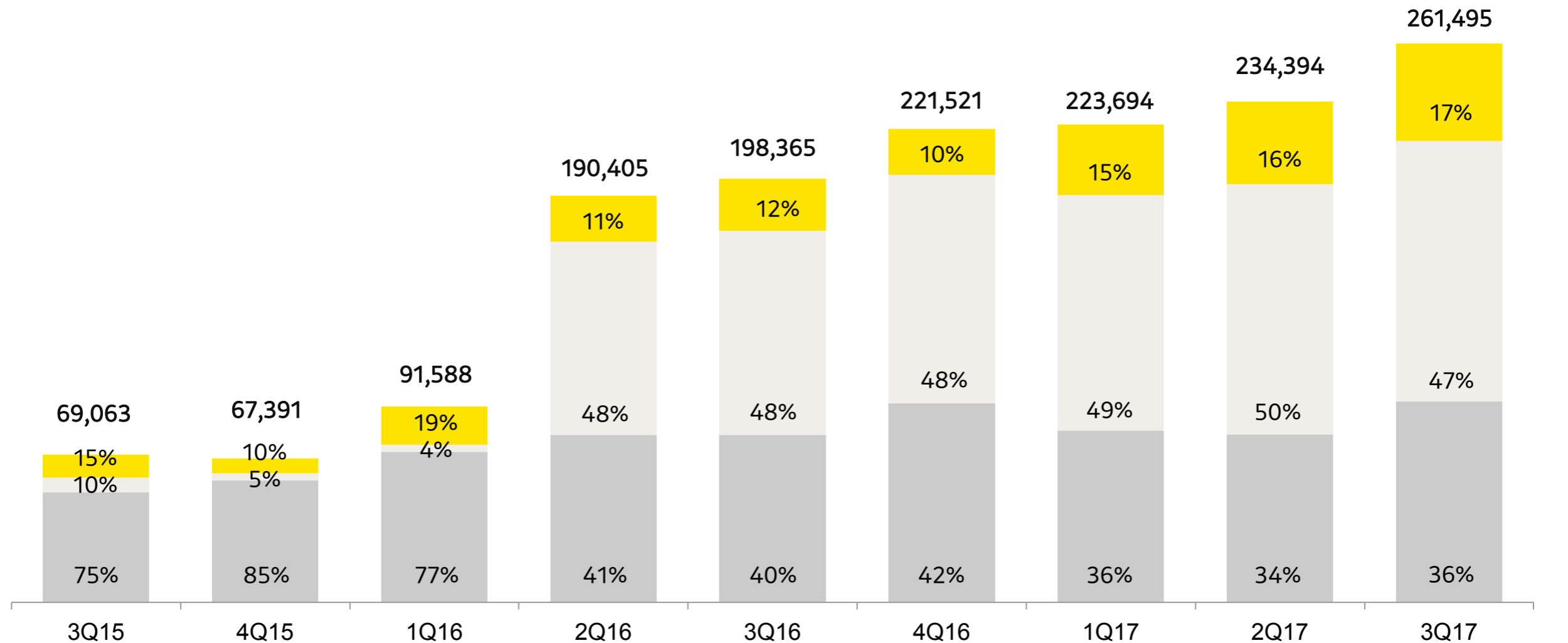


Content

3Q Content YoY +32% QoQ +12%

Solid growth of music (increased paying user of MelOn), games (mobile publishing expansion and PC growth), and Web literature & emoticons (increased trading volume)

■ Web literature & Emoticon ■ Music ■ Game

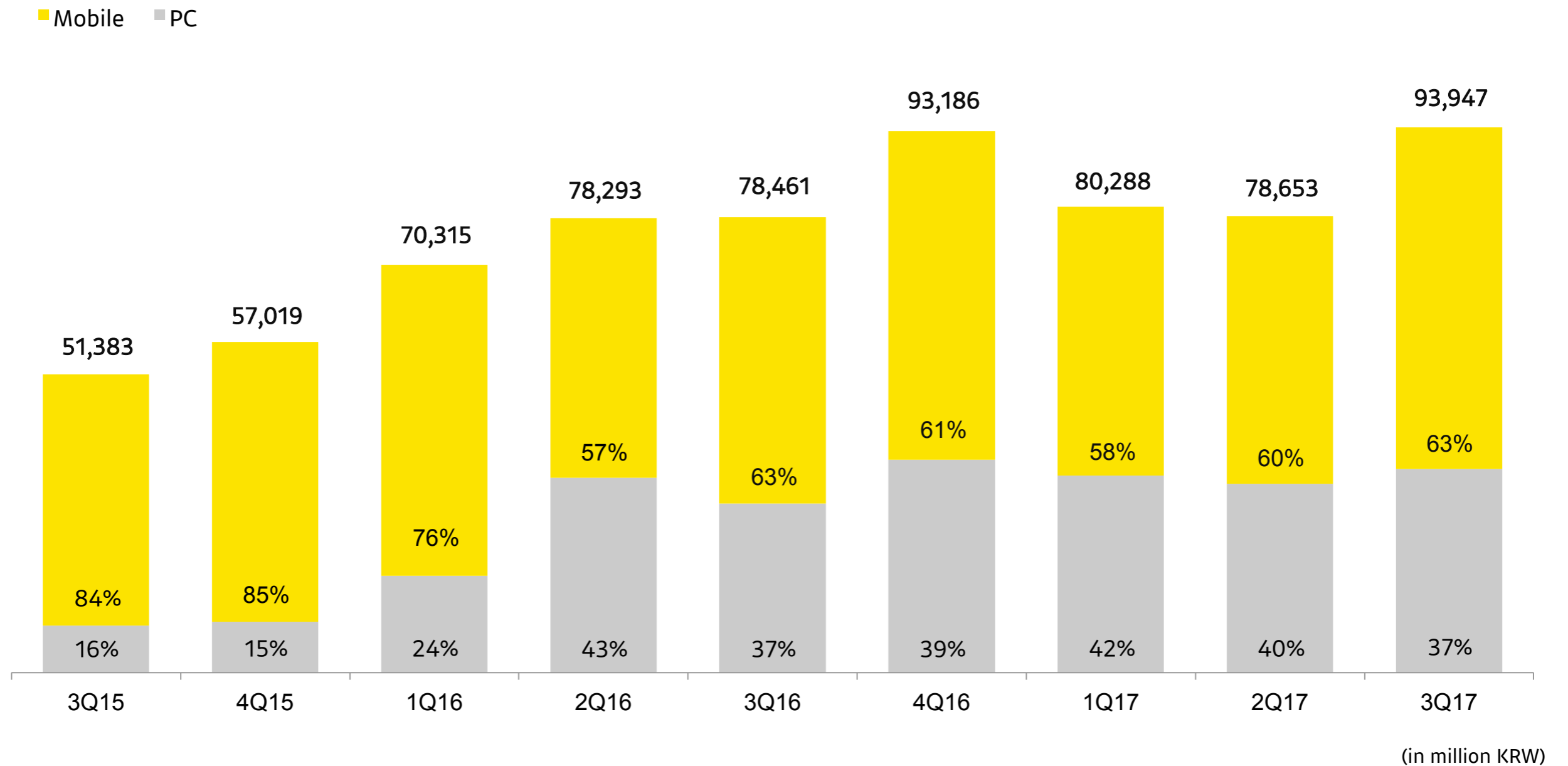


(in million KRW)

Content_game

3Q Game YoY +20% QoQ +19%

Expansion of mobile game publishing business and launch of Black Desert on Steam platform in 2Q

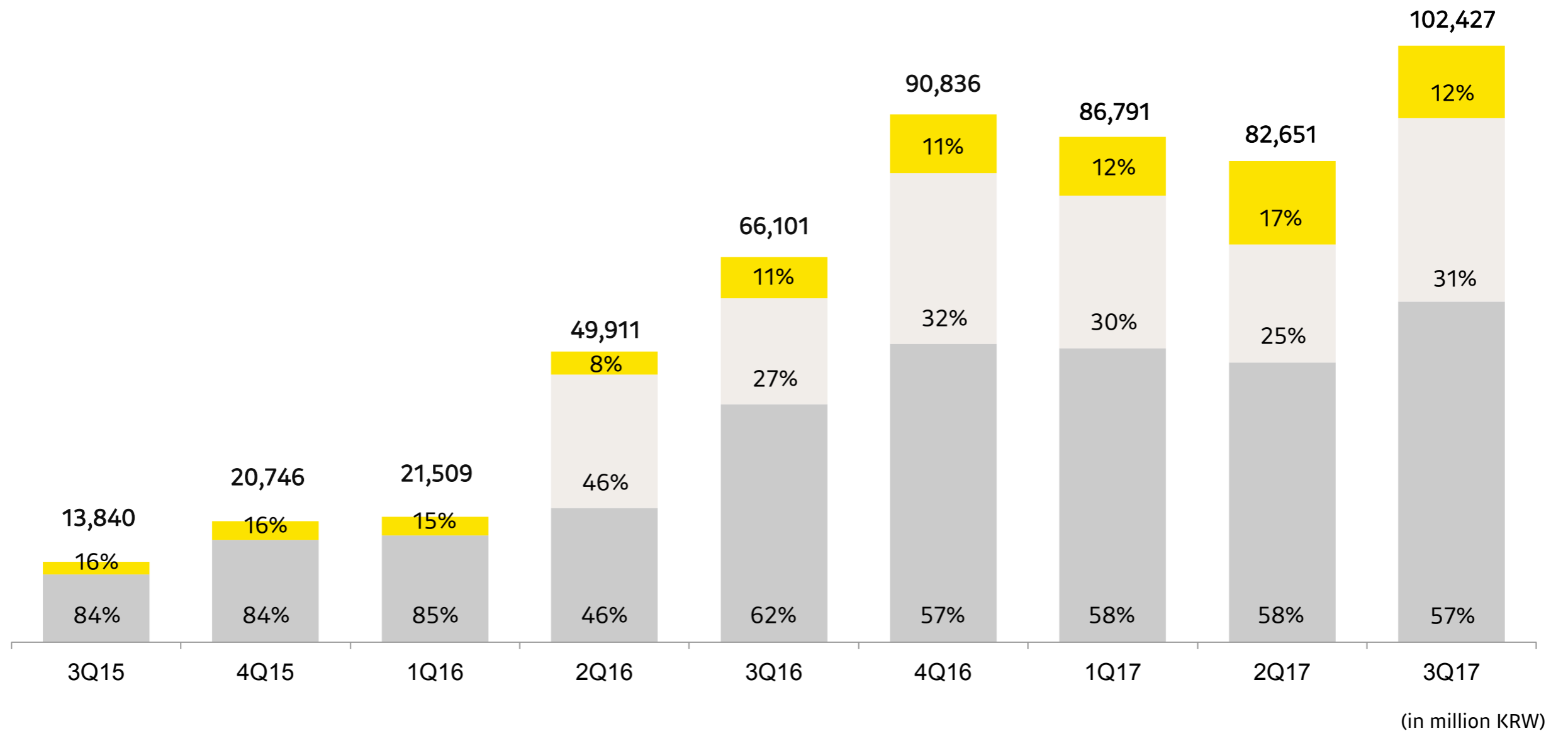


Others

3Q Others YoY +55% / QoQ +24%

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

■ Miscellaneous ■ Loen- offline ■ Commerce



(in million KRW)

Summary Results

	3Q17	2Q17	QoQ	3Q16	YoY
Total Revenue	515,413	468,443	10%	391,391	32%
Advertising	151,491	151,398	-	126,925	19%
Content	261,495	234,394	12%	198,365	32%
Others	102,427	82,651	24%	66,101	55%
Operating Expenses	468,047	423,804	10%	361,136	30%
Operating Income	47,366	44,638	6%	30,256	57%
Operating Margin	9.2%	9.5%	-0.3%p	7.7%	1.5%p
EBITDA	79,143	75,910	4%	59,679	33%
Finance Income	11,390	4,585	148%	2,648	330%
Finance Expenses	3,116	3,540	-12%	7,106	-56%
Other, Net	7,431	-9,663	n/a	-4,708	n/a
Income before Tax	63,071	36,020	75%	21,089	199%
Income Tax	23,170	23,518	-1%	7,463	210%
Net Income	39,902	12,503	219%	13,626	193%

(in million KRW)

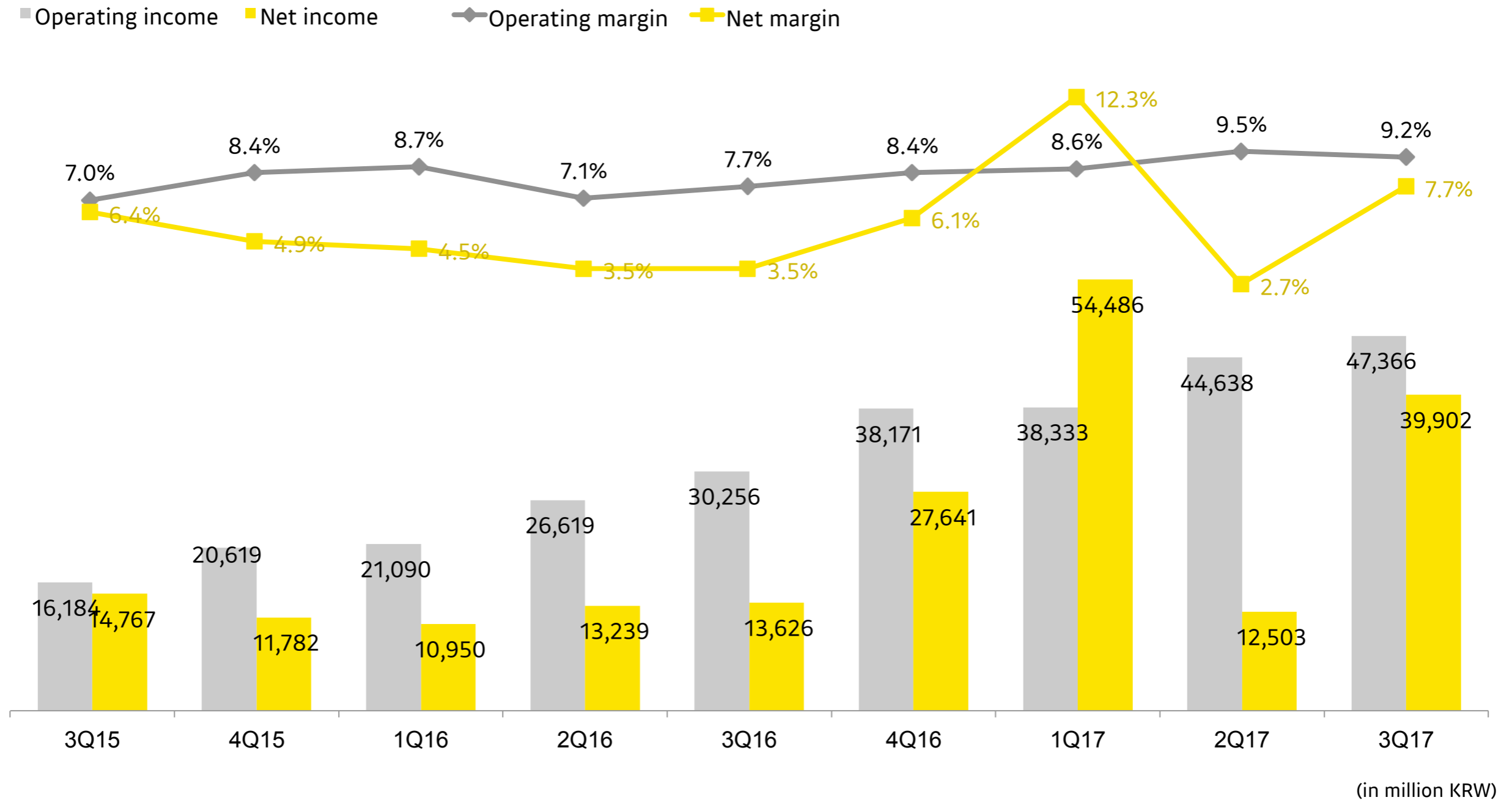
Operating Expenses

	3Q17	2Q17	QoQ	3Q16	YoY
OP Expenses	468,047	423,804	10%	361,136	30%
Labor costs	84,668	88,064	-4%	76,716	10%
Fringe benefits	13,499	12,992	4%	12,566	7%
Depreciation	15,338	14,919	3%	14,317	7%
Rental fees	9,242	8,886	4%	8,059	15%
Commissions	189,755	178,765	6%	146,618	29%
Advertising	33,460	21,929	53%	23,936	40%
Bad Debt Exp.	-144	45	n/a	-1,823	-92%
Amortization	16,439	16,352	1%	15,107	9%
Content fees	33,658	28,321	19%	22,913	47%
Ad agency fees	21,975	23,974	-8%	19,357	14%
Event fees	407	327	24%	294	38%
Others	49,749	29,229	70%	23,076	116%

(in million KRW)

Profits

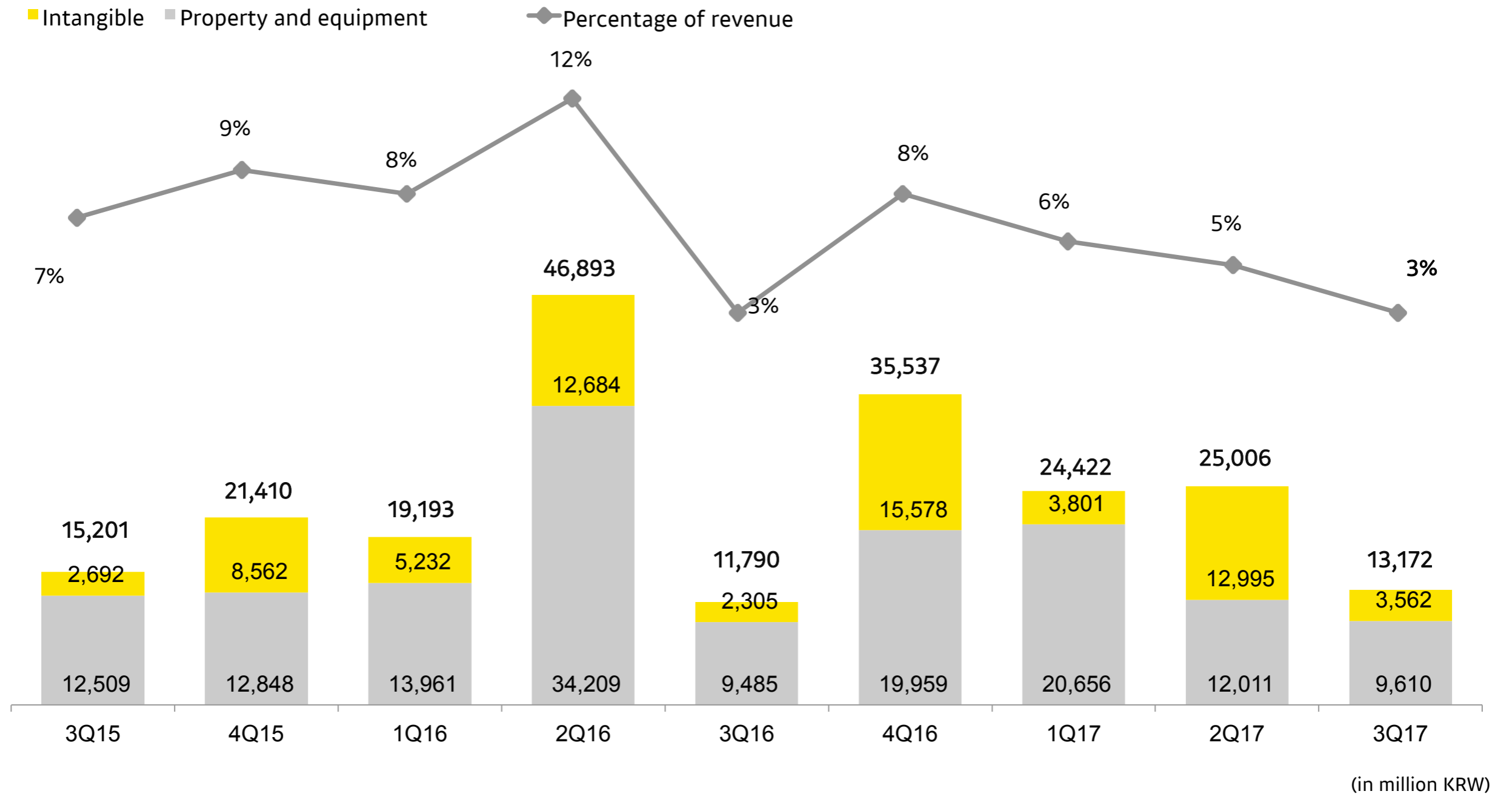
3Q operating income YoY +57% / QoQ +6% net income YoY +193% / QoQ +219%



Capital Expenditure

3Q accumulated CapEx YoY -20%

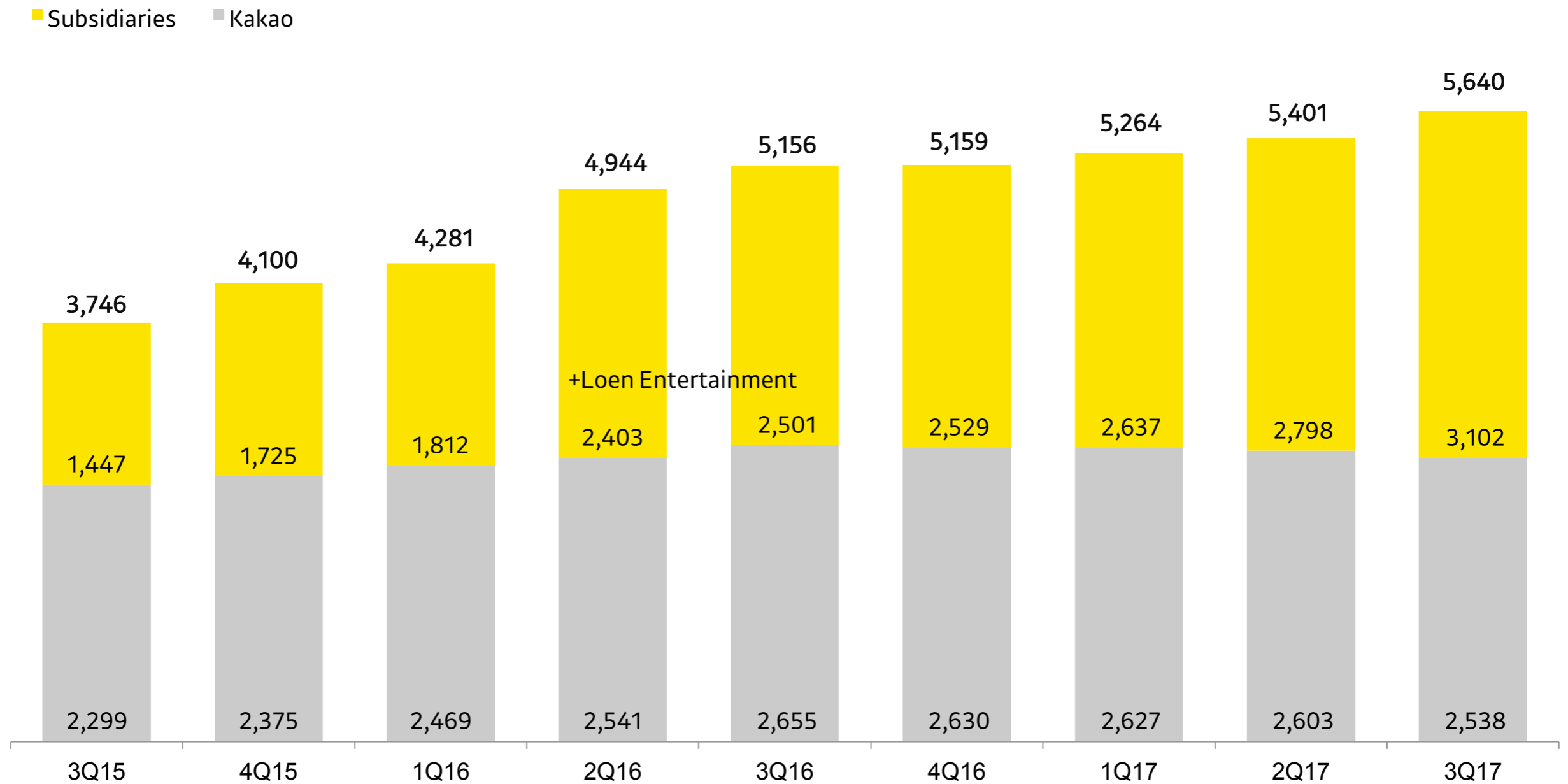
Accumulated intangible YoY +1% property and equipment (server, network, etc.) YoY -27%



Employees

Total 5,640 employees as of 3rd quarter end

QoQ decrease of 65 from Kakao, and 304 increased at subsidiaries



(in people)

Consolidated Financial Statements

Consolidated Statements of Income

(in million KRW)	3Q16	4Q16	1Q17	2Q17	3Q17
Revenues	391,391	453,839	443,787	468,443	515,413
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
Web literature and Emoticon	24,385	21,395	33,081	38,653	45,481
Others	66,101	90,836	86,791	82,651	102,427
Operating Expenses	361,136	415,668	405,453	423,804	468,047
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
Operating Profit	30,256	38,171	38,333	44,638	47,366
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
Profit before Income Tax Expenses	21,089	41,412	18,244	36,020	63,071
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
Net Profit	13,626	27,641	54,486	12,503	39,902
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

(in million KRW)	2015.12.31	2016.12.31	2017.09.30
Current Assets	970,067	1,216,958	2,143,548
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
Non-Current Assets	2,218,411	4,267,159	4,350,550
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
Total Assets	3,188,478	5,484,117	6,494,098
Liabilities	316,078	806,020	1,060,838
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
Non-Current Liabilities	286,925	975,153	988,035
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
Total Liabilities	603,003	1,781,173	2,048,873
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. Income	829	920	8,084
Retained Earnings	256,313	303,952	391,019
Non-controlling Interests	33,081	270,432	467,416
Total Equity	2,585,475	3,702,944	4,445,225
Total Liabilities & Equity	3,188,478	5,484,117	6,494,098

Financial Statements (Kakao only)

Statements of Income						Statements of Financial Position			
(in million KRW)	3Q16	4Q16	1Q17	2Q17	3Q17	(in million KRW)	2015.12.31	2016.12.31	2017.09.30
Revenues	210,165	241,239	225,889	244,545	257,994	Current Assets	718,533	511,067	870,913
Advertising	120,915	136,054	125,076	143,128	141,496	Cash and Cash Equivalents	190,785	279,217	417,539
Content	63,996	72,499	64,333	65,746	79,128	S-T Financial Instruments	361,809	37,190	98,223
Game	48,570	56,091	46,720	46,522	59,270	Accounts Receivable	87,162	95,980	83,978
Music	3,155	3,369	2,938	2,669	2,600	Other Current Assets	78,778	98,679	271,172
Web literature and Emoticon	12,270	13,040	14,675	16,555	17,257	Non-Current Assets	2,398,531	4,318,230	4,404,420
Others	25,254	32,685	36,479	35,671	37,370	Equity Method Investments	474,327	2,337,040	2,442,759
Operating Expenses	199,705	225,767	209,397	216,952	228,439	Tangible Assets	210,393	203,866	203,381
Labor Costs	49,214	52,044	51,811	50,796	49,161	Intangible Assets	1,652,605	1,694,581	1,624,592
Fringe Benefits	8,421	10,569	8,414	7,885	7,625	Other Non-current Assets	61,205	82,743	133,687
Depreciation	12,491	12,276	12,477	12,344	12,370	Total Assets	3,117,064	4,829,297	5,275,333
Rental Fees	2,396	2,616	2,480	2,308	2,273	Liabilities	265,747	813,859	972,057
Commissions	64,514	72,184	73,040	78,828	89,740	Trade and N-T Payables	91,748	174,592	146,400
Advertising	13,858	22,248	9,014	8,347	9,390	Income Taxes Payable	24,581	7,168	73,666
Bad Debt Expenses	-320	-216	82	-28	62	Short-Term Debt	-	200,000	150,000
Amortization	5,708	5,561	5,417	5,277	4,821	Other Current Liabilities	149,419	432,099	601,992
Content Fees	13,438	11,646	11,062	12,728	13,091	Non-Current Liabilities	276,435	640,280	640,879
Ad Agency Fees	19,281	22,562	18,987	23,910	21,843	Bonds	199,383	319,255	319,527
Event Fees	242	693	120	299	372	Bonds- CB	-	248,928	247,122
Others	10,462	13,556	16,493	14,259	17,693	Deferred Income Tax Liab.	44,394	43,266	33,275
Operating Profit	10,460	15,472	16,492	27,593	29,555	Other Non-Current Liab.	32,658	28,830	40,955
Other Revenues	1,780	2,082	1,460	2,445	240,651	Total Liabilities	542,182	1,454,139	1,612,936
Other Expenses	4,203	19,712	3,123	13,814	4,430	Equity	30,098	33,858	33,970
Financial Income	517	19,246	35,067	2,037	1,671	Paid-in Capital	2,291,486	3,057,264	3,061,268
Financial Expenses	6,974	4,234	23,399	-1018	1,741	Capital Surplus	-9,032	-11,232	-7,827
Profit before Income Tax Expenses	1,580	12,853	26,497	19,278	265,705	Accum. Other Compre. Inc.	244	5,046	5,895
Income Tax Expenses	-100	2,872	-48,911	10,690	60,826	Retained Earnings	262,086	290,222	569,091
Net Profit from Continued Oper.	1,680	9,981	75,408	8,588	204,879	Total Equity	2,574,882	3,375,158	3,662,397
Net Profit	1,680	9,981	75,408	8,588	204,879	Total Liabilities & Equity	3,117,064	4,829,297	5,275,333

thank you

