

4th Quarter 2017 Results

February 8, 2018 | Investor Relations



Disclaimer

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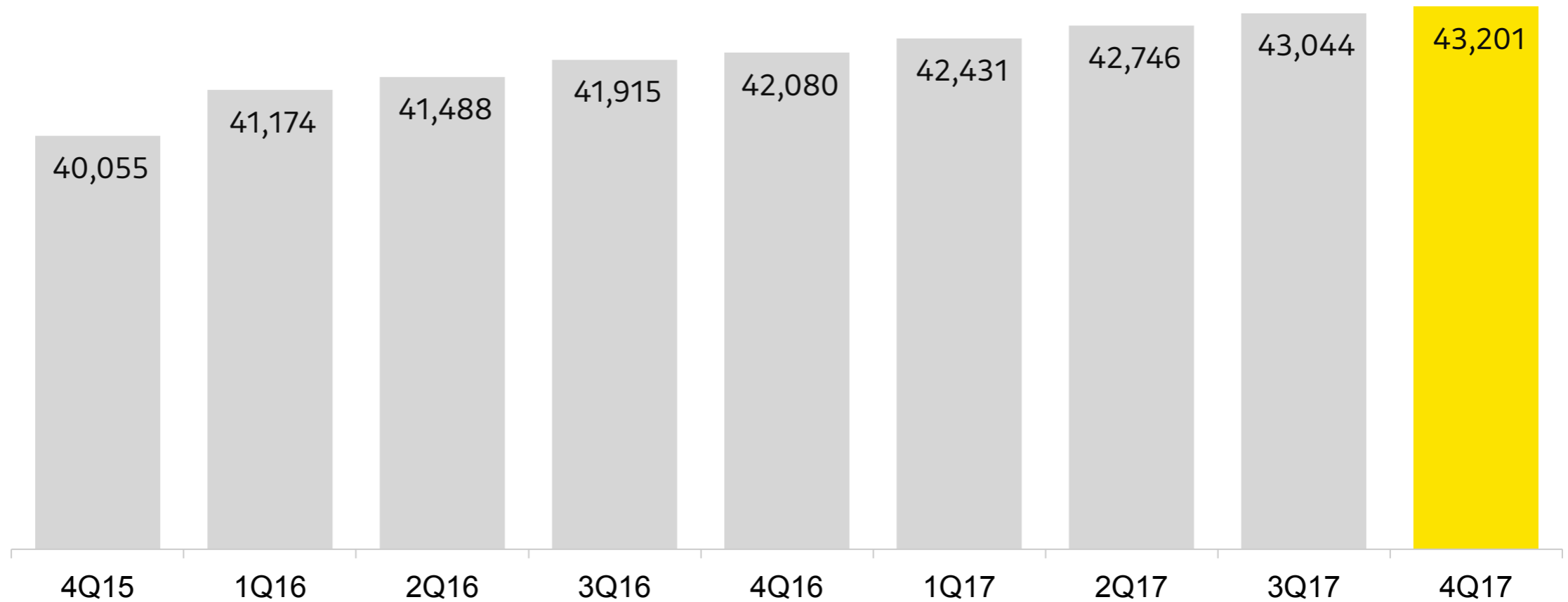
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Kakao Talk Monthly Active Users



Continue to grow our domestic active users +1,121K yoy +157K qoq

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



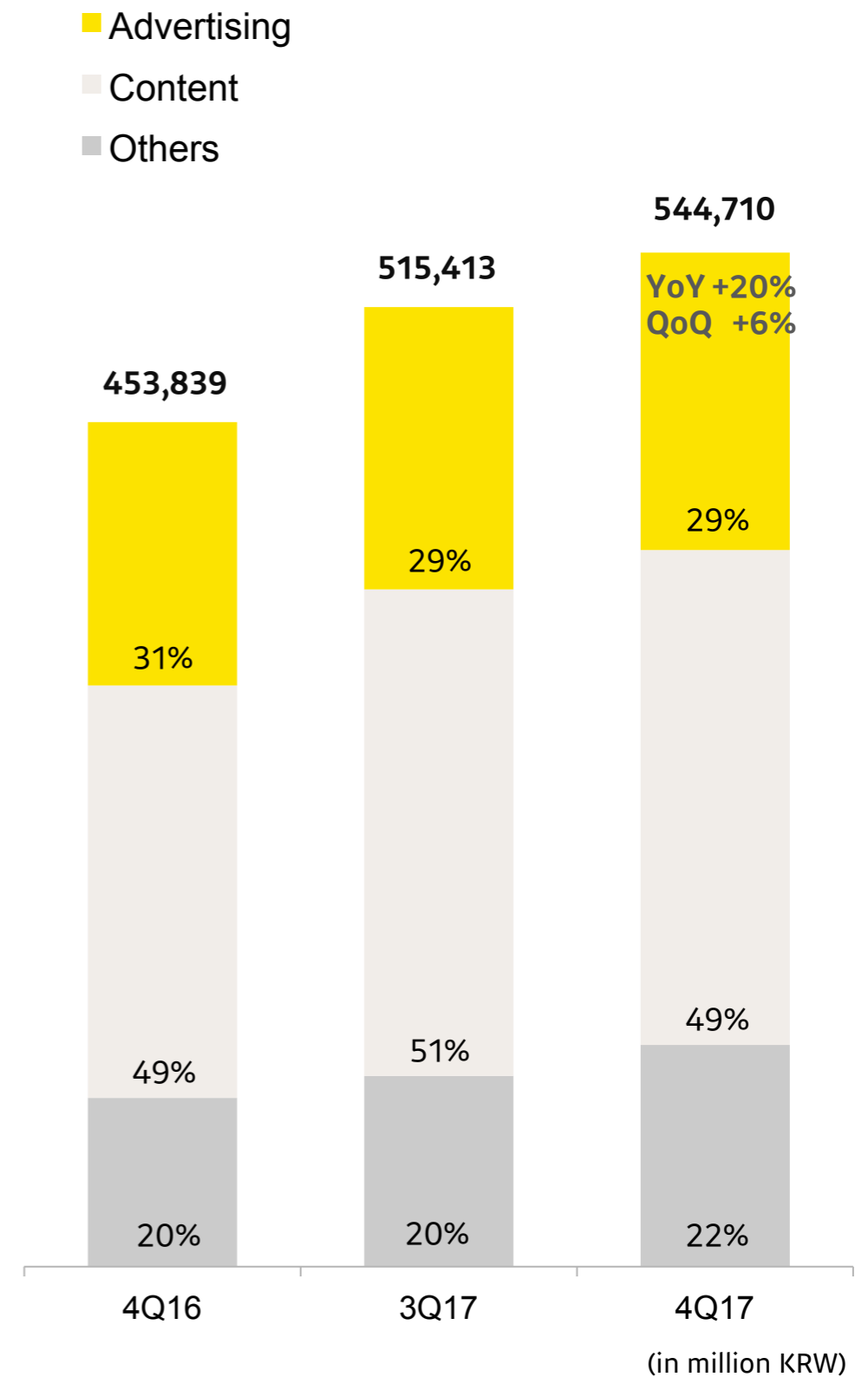
	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Korea	40,055	41,174	41,488	41,915	42,080	42,431	42,746	43,044	43,201
Global	48,321	49,318	49,100	49,189	48,955	49,158	49,468	49,844	49,709

Average of monthly MAUs. Global includes domestic MAUs.

(in thousand)

Revenue

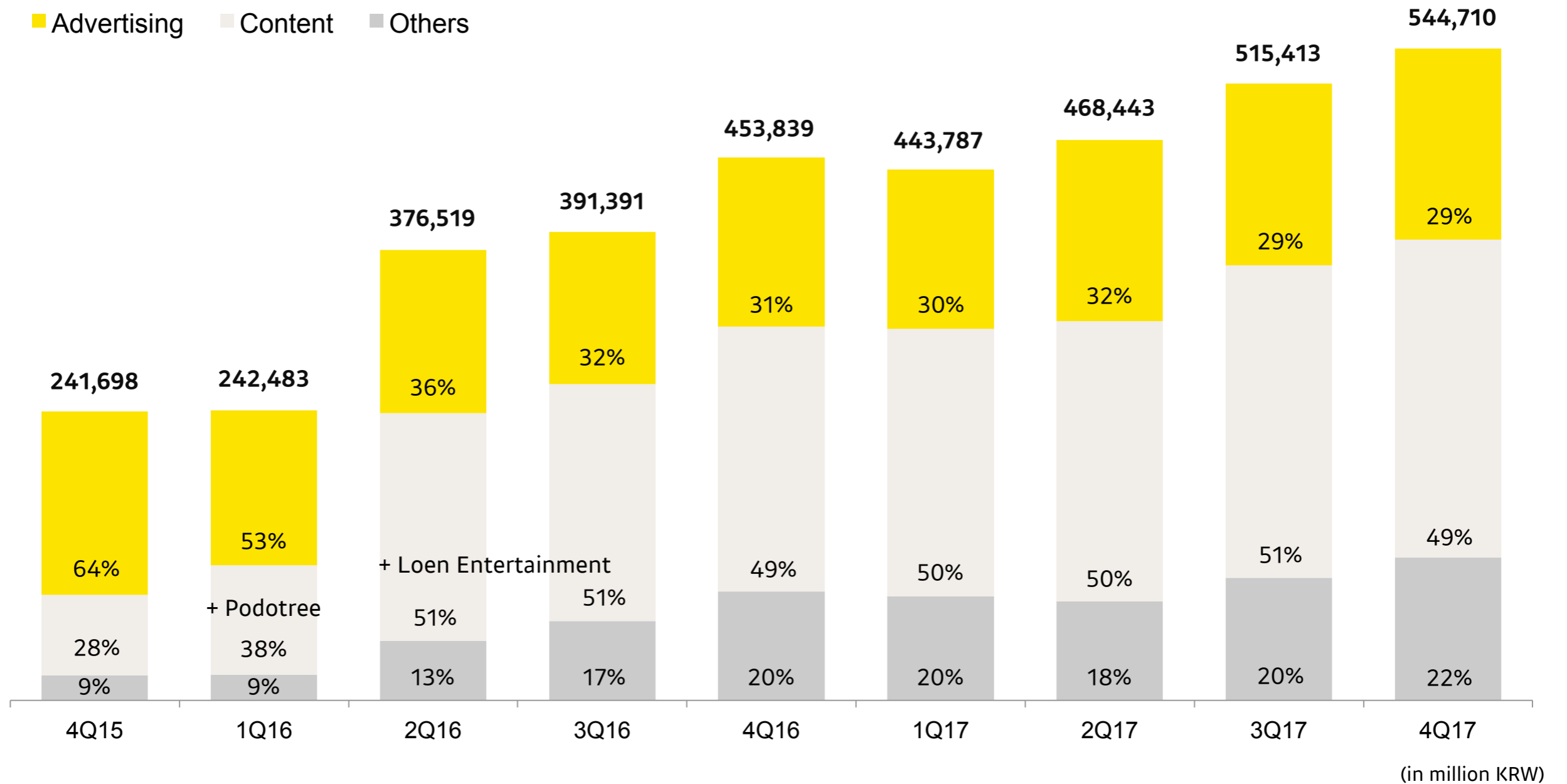
Advertising	Portals	Daum PC Daum Mobile
	Messenger	New Plus Friends Brand Emoticon Talk Reward Info Talk/Friend Talk/Support Talk Auto View Talk Hairshop Talk Order Talk Mart Talk PC
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
Content	Game	Mobile Game PC Game
	Music	MelOn Kakao Music
	Web 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)

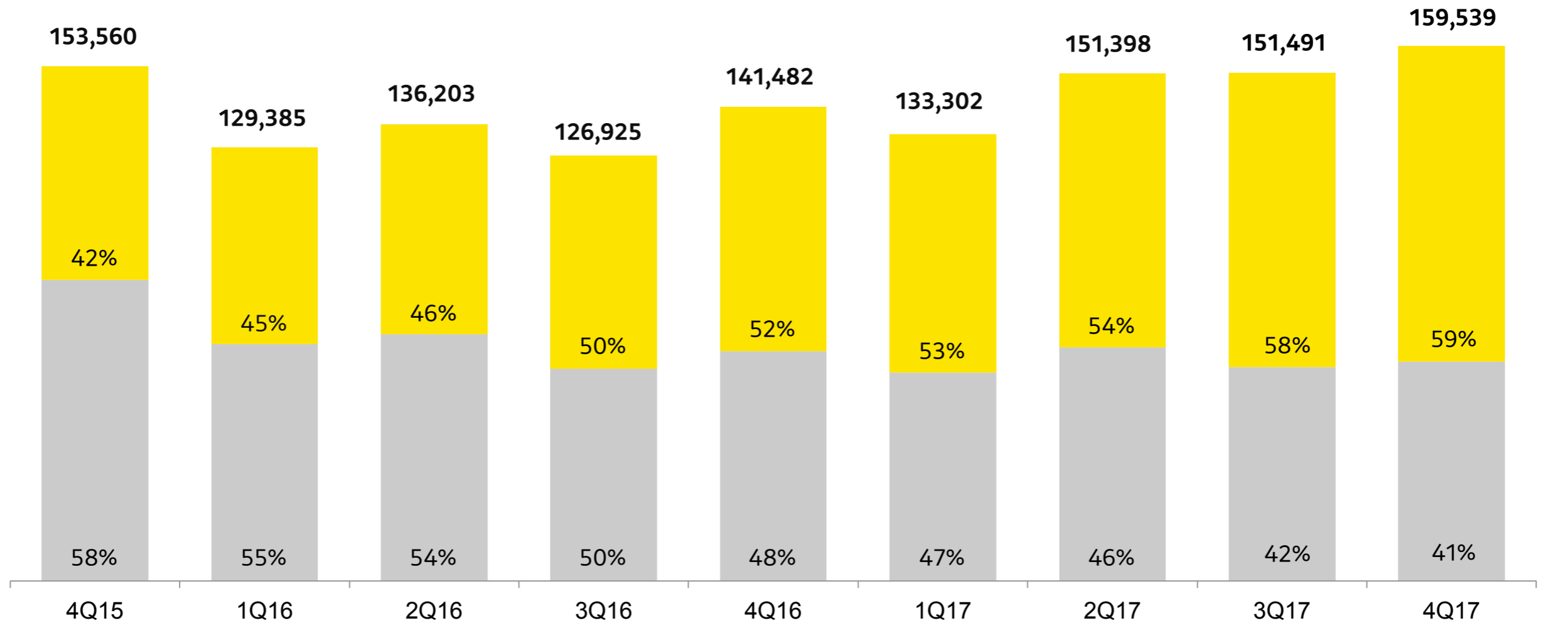


Advertising

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

Mobile Advertising YoY +29%

■ Mobile ■ PC



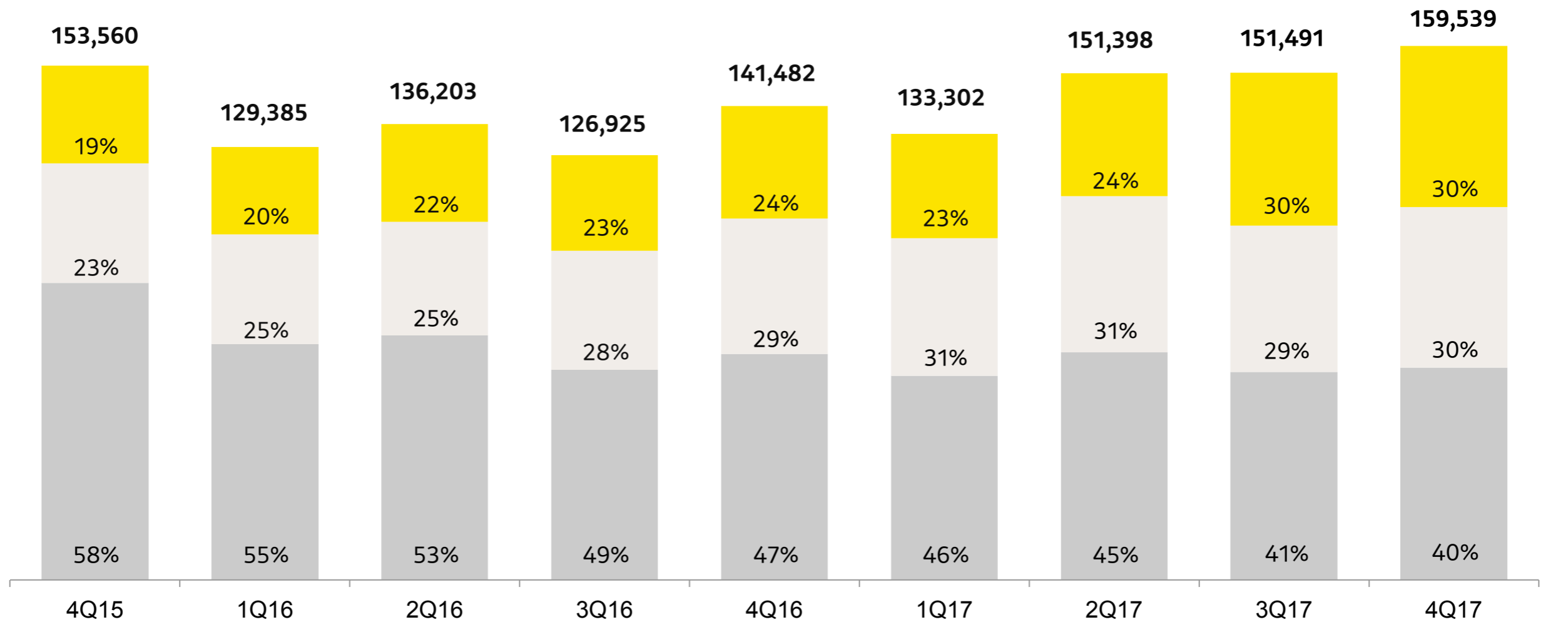
(in million KRW)

Advertising_kakao · Daum

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



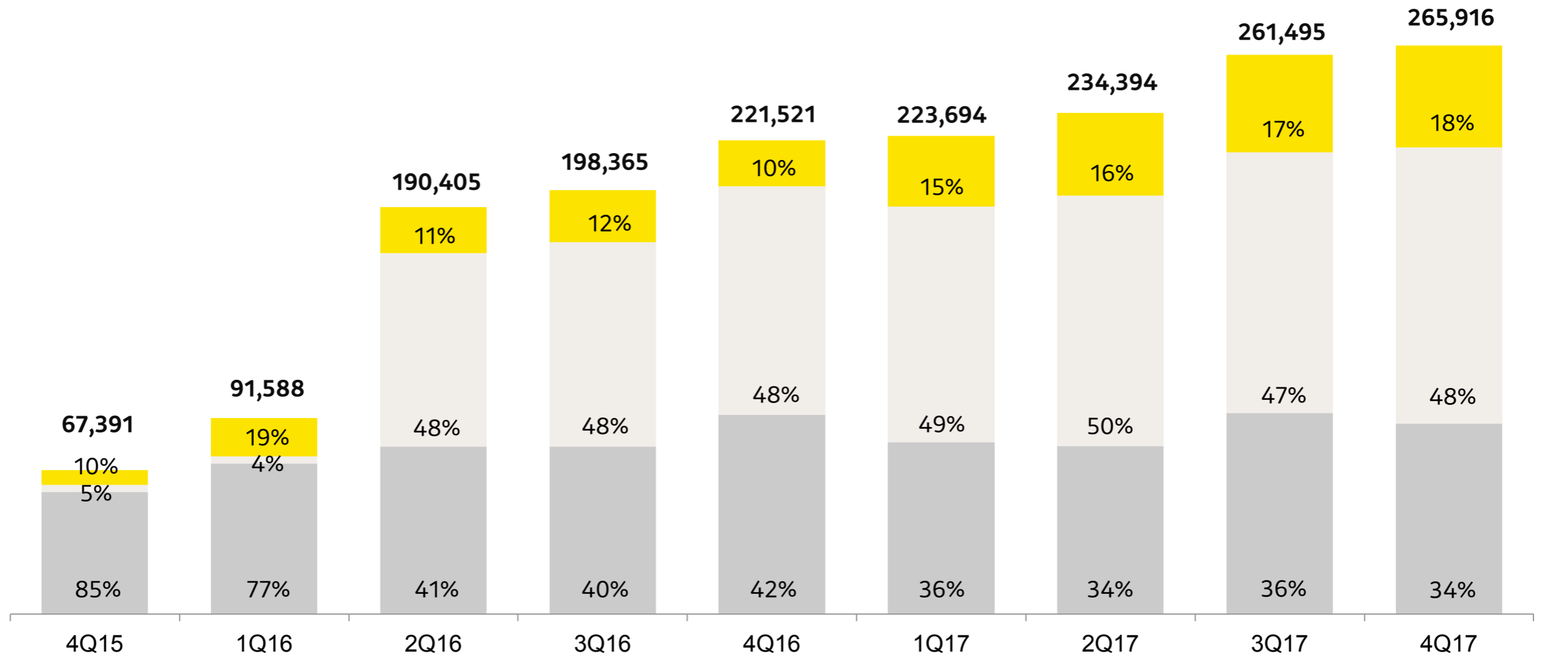
(in million KRW)

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



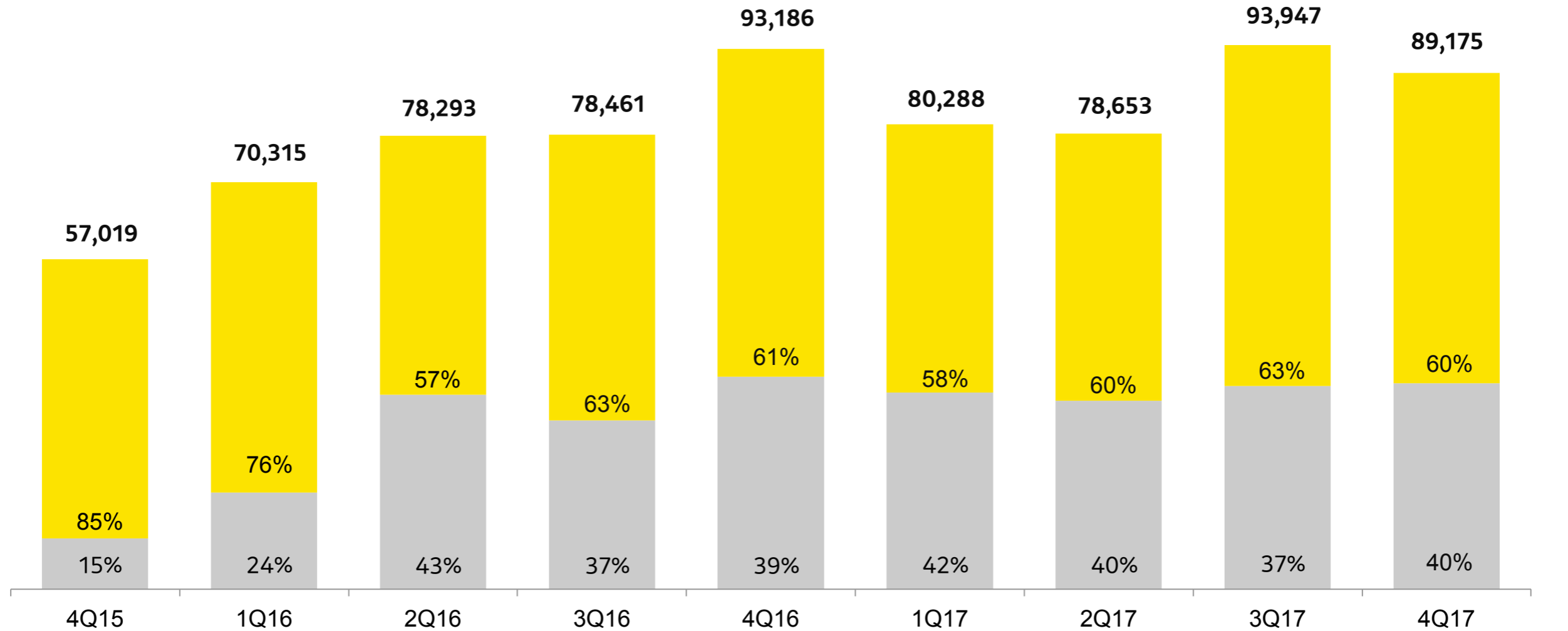
(in million KRW)

Content_Game

4Q Game YoY -4% / QoQ -5%

Mobile Game -5% (y) / -9% (q) PC Game -3% (y) / +1% (q)

■ Mobile ■ PC



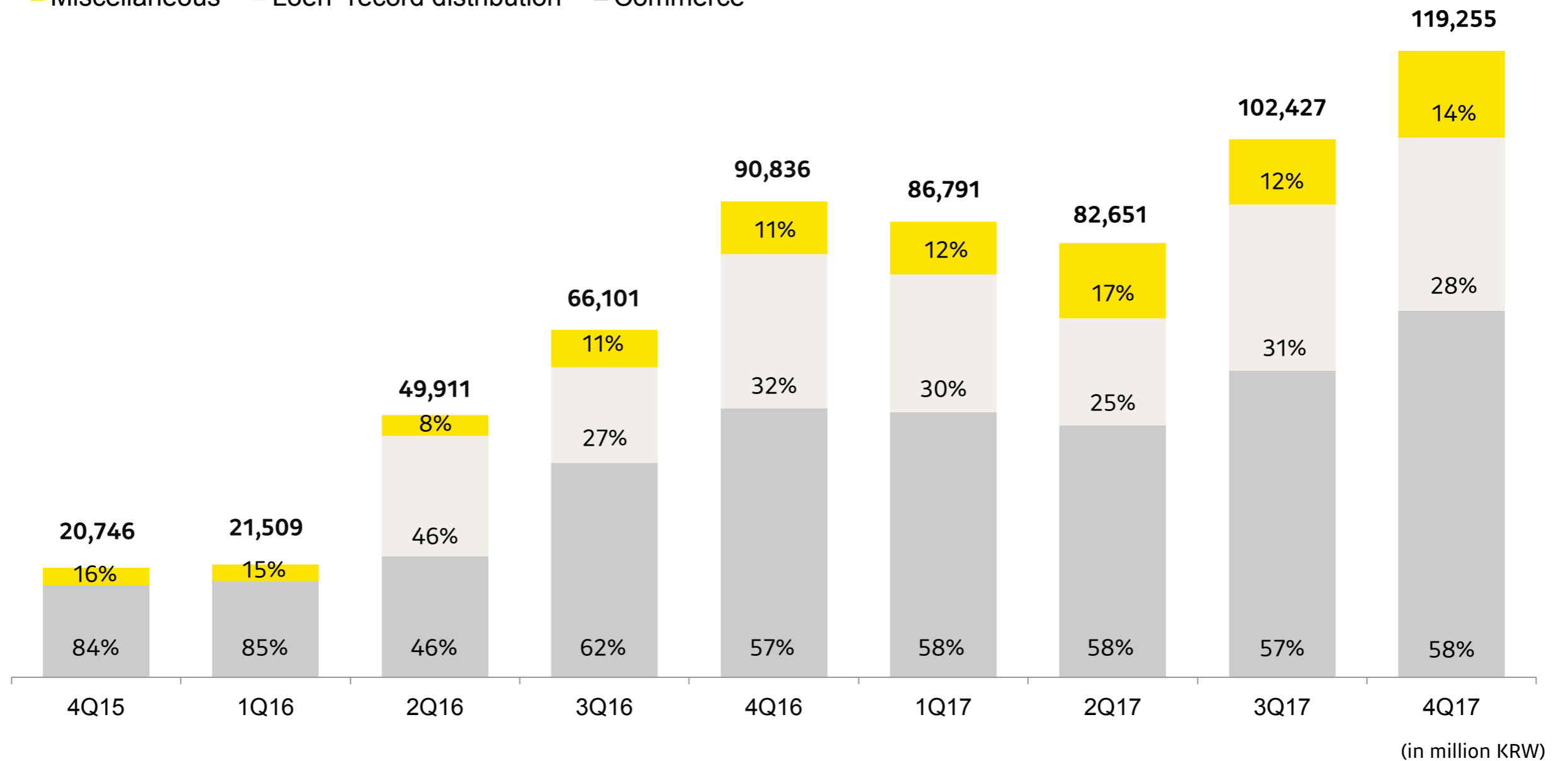
(in million KRW)

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



Summary Results

	4Q17	YoY	QoQ	FY2017	YoY
Total Revenue	544,710	20%	6%	1,972,352	35%
Advertising	159,539	13%	5%	595,729	12%
Content	265,916	20%	2%	985,499	40%
Others	119,255	31%	16%	391,123	71%
Operating Expenses	510,008	23%	9%	1,807,312	34%
Operating Income	34,702	-9%	-27%	165,040	42%
Operating Margin	6.4%	-2.0%p	-2.8%p	8.4%	0.4%p
EBITDA	69,824	-	-12%	294,799	28%
Other Non-Operating Exp., Net	-44,283	n/a	n/a	-52,974	762%
Finance Income, Net	29,138	490%	252%	33,299	4,703%
Income from Equity Inv., Net	18,140	n/a	n/a	9,668	n/a
Income before Tax	37,697	-9%	-40%	155,033	55%
Income Tax	17,026	24%	-27%	27,472	-21%
Net Income	20,671	-25%	-48%	127,561	95%
Equity Holders of the Parent	13,623	-42%	-57%	110,696	92%
Non-Controlling Interest	7,048	68%	-10%	16,865	117%

(in million KRW)

Operating Expenses

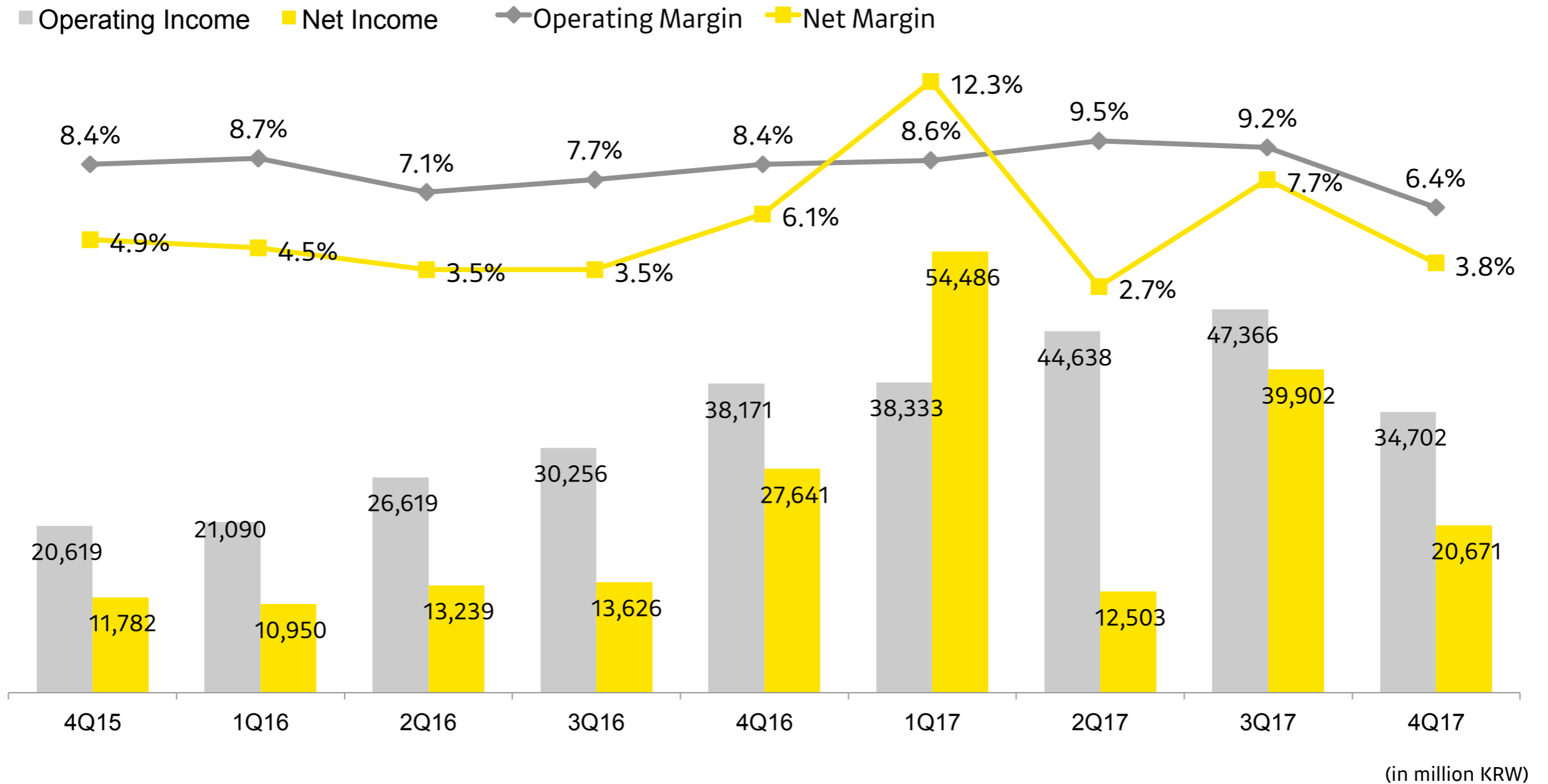
	4Q17	YoY	QoQ	FY2017	YoY
OP Expenses	510,008	23%	9%	1,807,312	34%
Labor costs	102,966	23%	22%	360,505	21%
Fringe benefits	13,445	-11%	-	52,692	-3%
Depreciation	15,659	9%	2%	60,733	8%
Rental fees	9,259	9%	-	36,138	23%
Commissions	201,467	24%	6%	730,374	41%
Advertising	36,130	-	8%	116,478	39%
Bad Debt Exp.	1,112	-6%	n/a	1,154	n/a
Amortization	19,463	13%	18%	69,027	20%
Content fees	34,448	74%	2%	121,350	52%
Ad agency fees	23,576	4%	7%	88,577	6%
Event fees	943	-6%	132%	1,787	-
Others	51,540	52%	4%	168,497	91%

(in million KRW)

Profits

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

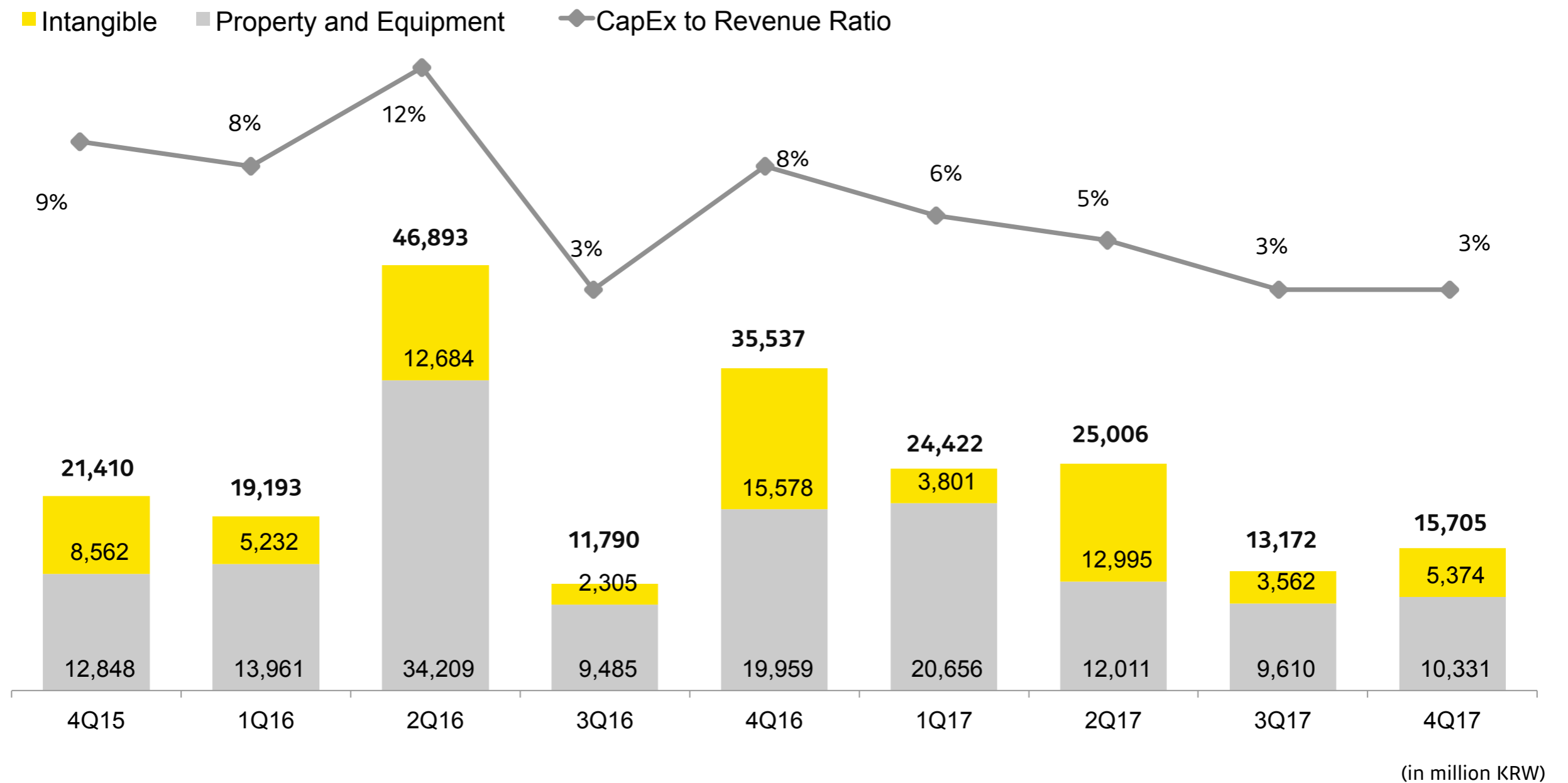
One-off Bonus paid in the 4Q of KRW 17.6 billion was reflected in the 4Q



Capital Expenditure

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

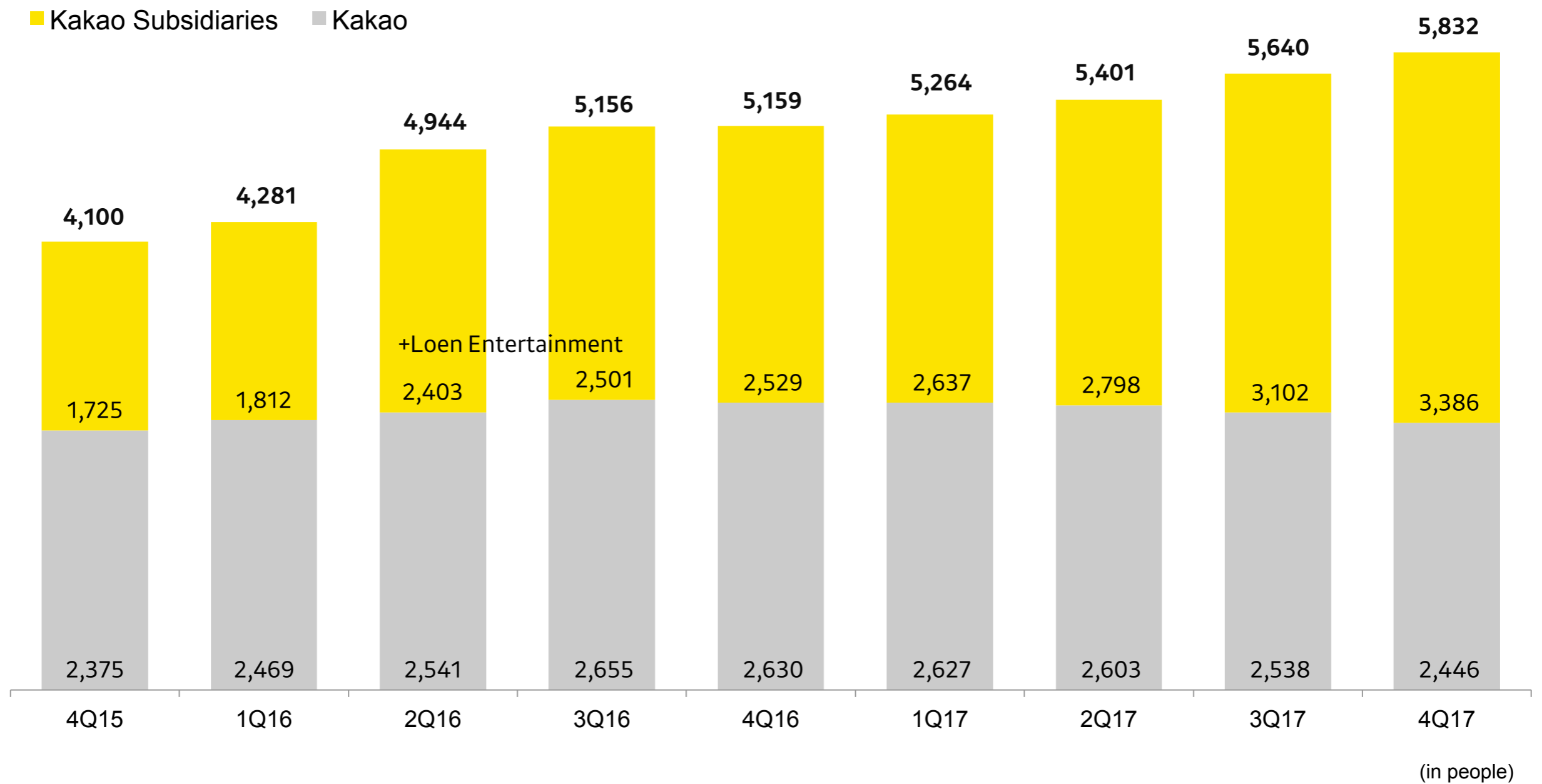
Accumulated intangible YoY -28% property and equipment (server, network, etc.) YoY -32%



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						Statements of Financial Position			
(in million KRW)	4Q16	1Q17	2Q17	3Q17	4Q17	(in million KRW)	2015.12.31	2016.12.31	2017.12.31
Revenues	241,239	225,889	244,545	257,994	250,273	Current Assets	718,533	511,067	632,508
Advertising	136,054	125,076	143,128	141,496	154,640	Cash and Cash Equivalents	190,785	279,217	388,574
Content	72,499	64,333	65,746	79,128	52,963	S-T Financial Instruments	361,809	37,190	14,834
Game	56,091	46,720	46,522	59,270	32,401	Accounts Receivable	87,162	95,980	77,955
Music	3,369	2,938	2,669	2,600	2,532	Other Current Assets	78,778	98,679	151,145
Web literature and Emoticon	13,040	14,675	16,555	17,257	18,030	Non-Current Assets	2,398,531	4,318,230	4,324,369
Others	32,685	36,479	35,671	37,370	42,669	Equity Method Investments	474,327	2,337,040	2,368,582
Operating Expenses	225,767	209,397	216,952	228,439	226,361	Tangible Assets	210,393	203,866	208,084
Labor Costs	52,044	51,811	50,796	49,161	52,271	Intangible Assets	1,652,605	1,694,581	1,620,416
Fringe Benefits	10,596	8,414	7,885	7,625	6,981	Other Non-current Assets	61,205	82,743	127,287
Depreciation	12,276	12,477	12,344	12,370	12,624	Total Assets	3,117,064	4,829,297	4,956,878
Rental Fees	2,616	2,480	2,308	2,273	2,164	Liabilities	265,747	813,859	948,682
Commissions	72,184	73,040	78,828	89,740	77,344	Trade and N-T Payables	91,748	174,592	163,318
Advertising	22,248	9,014	8,347	9,390	9,863	Income Taxes Payable	24,581	7,168	81,258
Bad Debt Expenses	-216	82	-28	62	47	Short-Term Debt	-	200,000	-
Amortization	5,561	5,417	5,277	4,821	4,578	Other Current Liabilities	149,419	432,099	704,106
Content Fees	11,646	11,062	12,728	13,091	15,728	Non-Current Liabilities	276,435	640,280	450,452
Ad Agency Fees	22,562	18,987	23,910	21,843	23,416	Bonds	199,383	319,255	149,777
Event Fees	693	120	299	372	682	Bonds- CB	-	248,928	243,197
Others	13,556	16,493	14,259	17,693	20,665	Deferred Income Tax Liab.	44,394	43,266	29,207
Operating Profit	15,472	16,492	27,593	29,555	23,911	Other Non-Current Liab.	32,658	28,830	28,271
						Total Liabilities	542,182	1,454,139	1,399,134
Other Non-Operating Income	2,082	1,460	2,445	240,651	50	Paid-in Capital	30,098	33,858	34,004
Other Non-Operating Expenses	19,712	3,123	13,814	4,430	64,892	Capital Surplus	2,291,486	3,057,264	3,036,396
Finance Income	19,246	35,067	2,037	1,671	4,549	Capital Adjustments	-9,032	-11,232	-6,026
Finance Costs	4,234	23,399	-1018	1,741	27,673	Accum. Other Compre. Inc.	244	5,046	-4,722
Profit before Income Tax Expenses	12,853	26,497	19,278	265,705	-64,054	Retained Earnings	262,086	290,222	498,092
Income Tax Expenses	2,872	-48,911	10,690	60,826	6,945	Total Equity	2,574,882	3,375,158	3,557,744
Net Profit from Continued Oper.	9,981	75,408	8,588	204,879	-70,999	Total Liabilities & Equity	3,117,064	4,829,297	4,956,878
Net Profit	9,981	75,408	8,588	204,879	-70,999				

thank you

