

# 2<sup>nd</sup> Quarter 2018 Results

August 9, 2018 | 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.

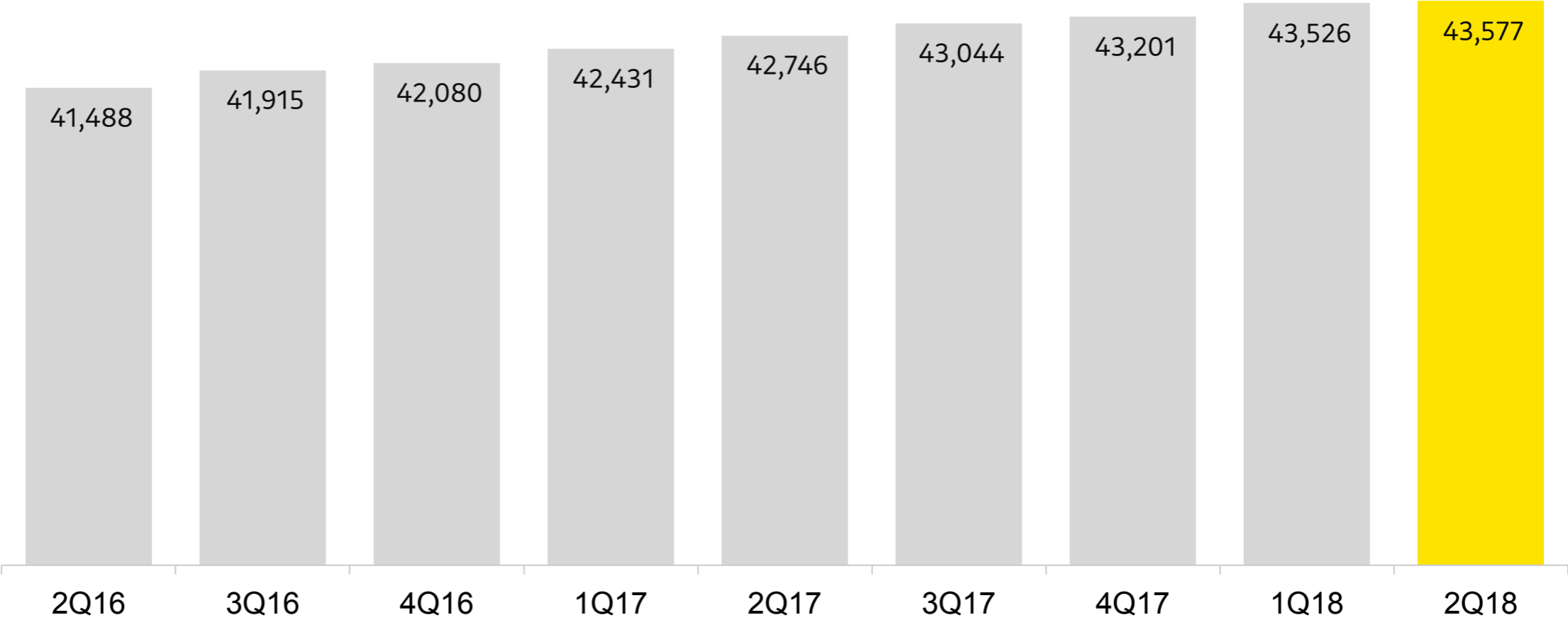
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# Kakao Talk Monthly Active Users



Continue to grow our domestic active users 831K yoy +51K qoq

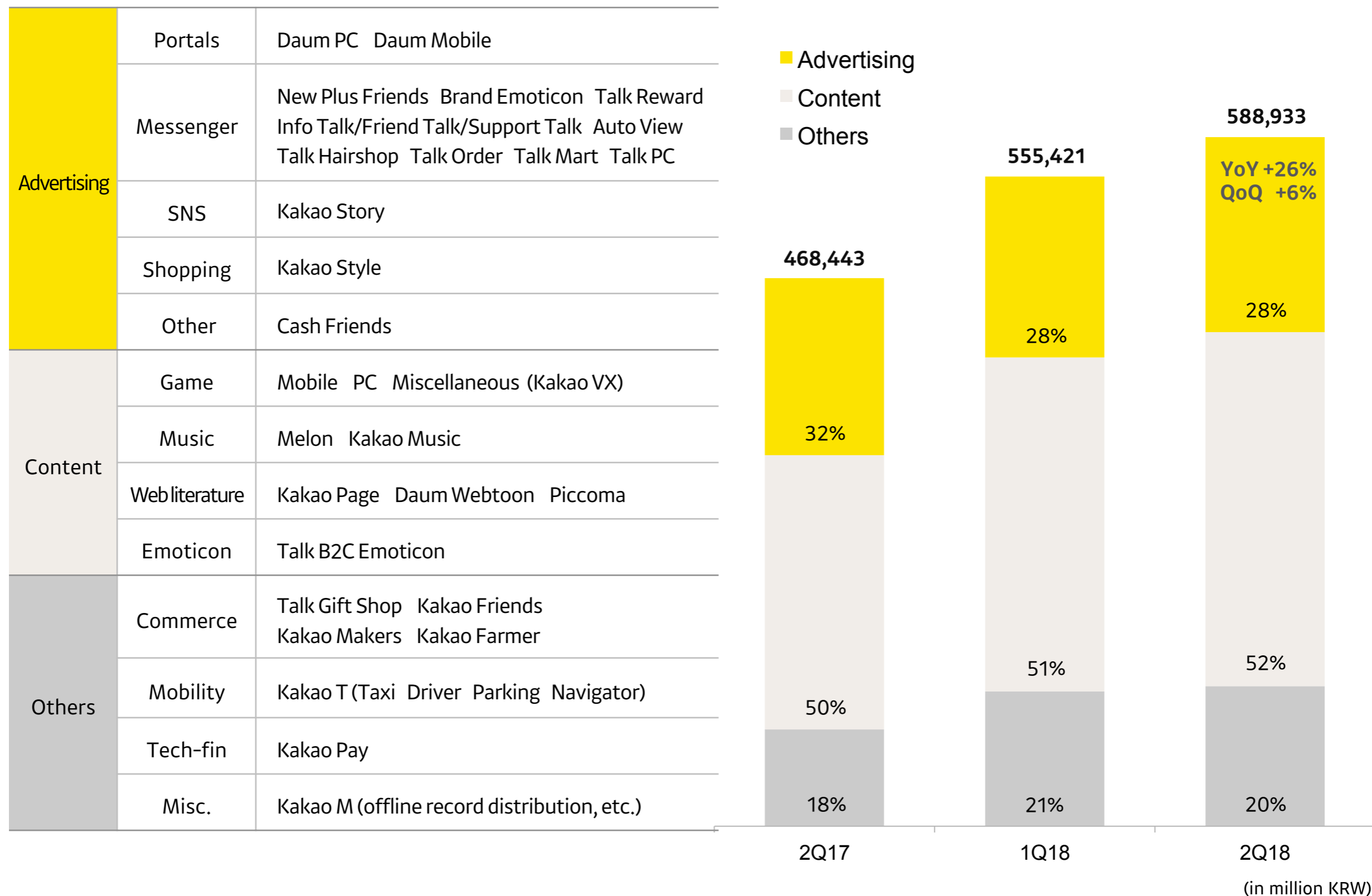
Total countries serviced: 230+ (based on country codes), in 16 languages



|        |        |        |        |        |        |        |        |        |        |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Korea  | 41,488 | 41,915 | 42,080 | 42,431 | 42,746 | 43,044 | 43,201 | 43,526 | 43,577 |
| Global | 49,100 | 49,189 | 48,955 | 49,158 | 49,468 | 49,844 | 49,709 | 50,348 | 50,113 |

Average of monthly MAUs. Global includes domestic MAUs. (in thousand)

# Revenue

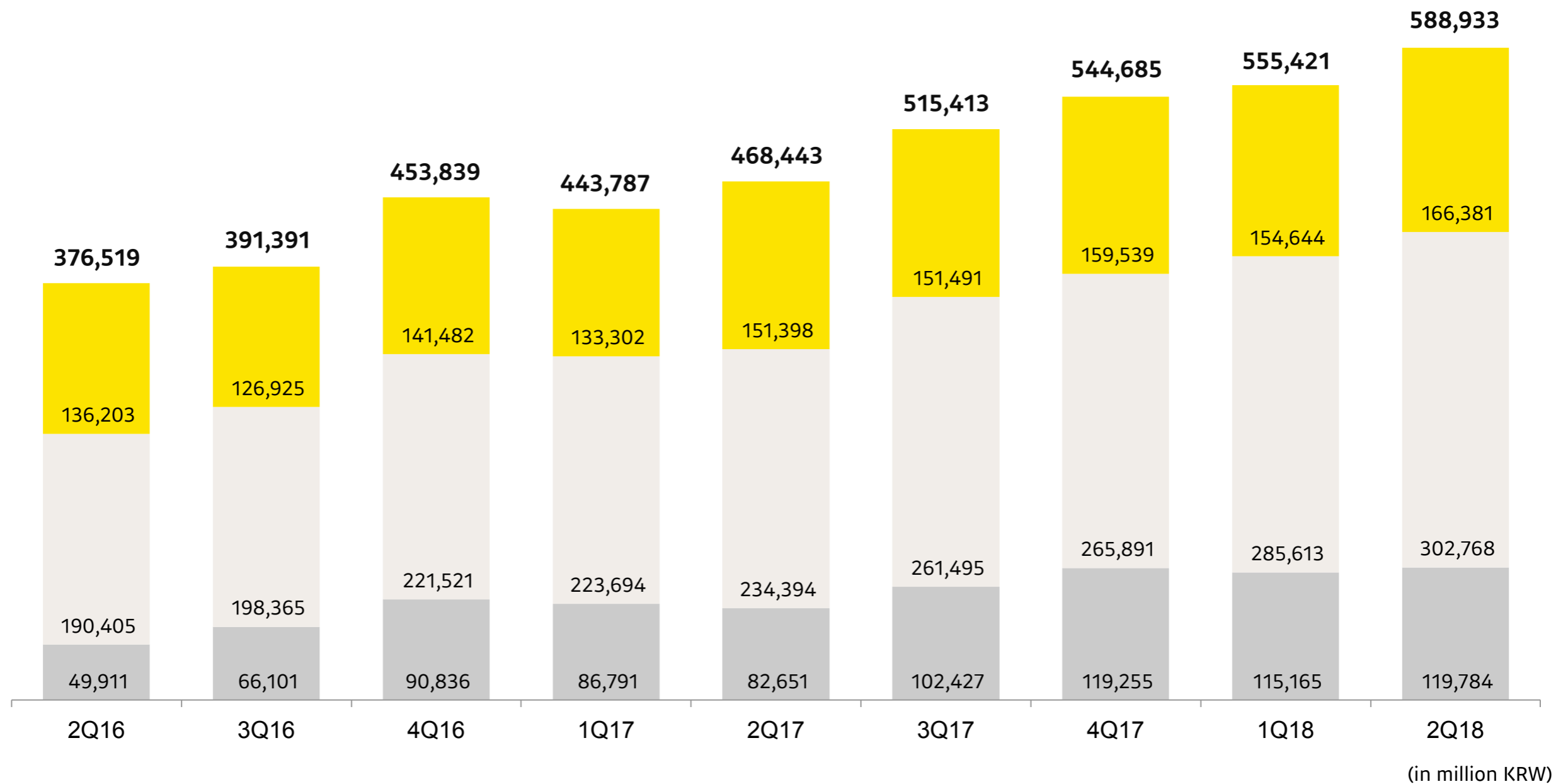


# Revenue

2Q Total Revenue YoY +26% / QoQ +6%

Advertising +10% (y) / +8% (q) Content +29% (y) / +6% (q) Others +45% (y) / +4% (q)

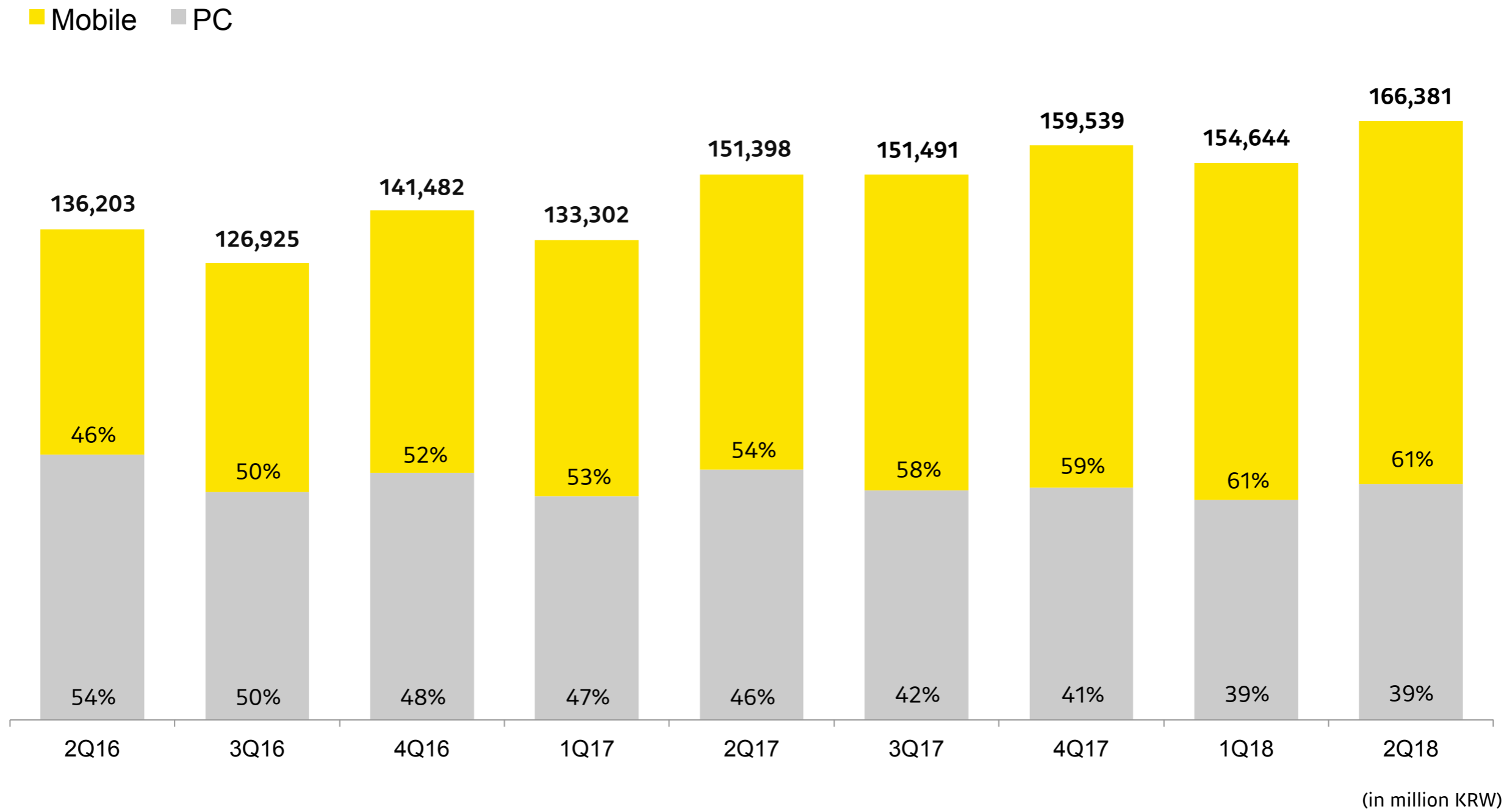
■ Advertising ■ Content ■ Others



# Advertising

2Q Advertising YoY +10% / QoQ +8%

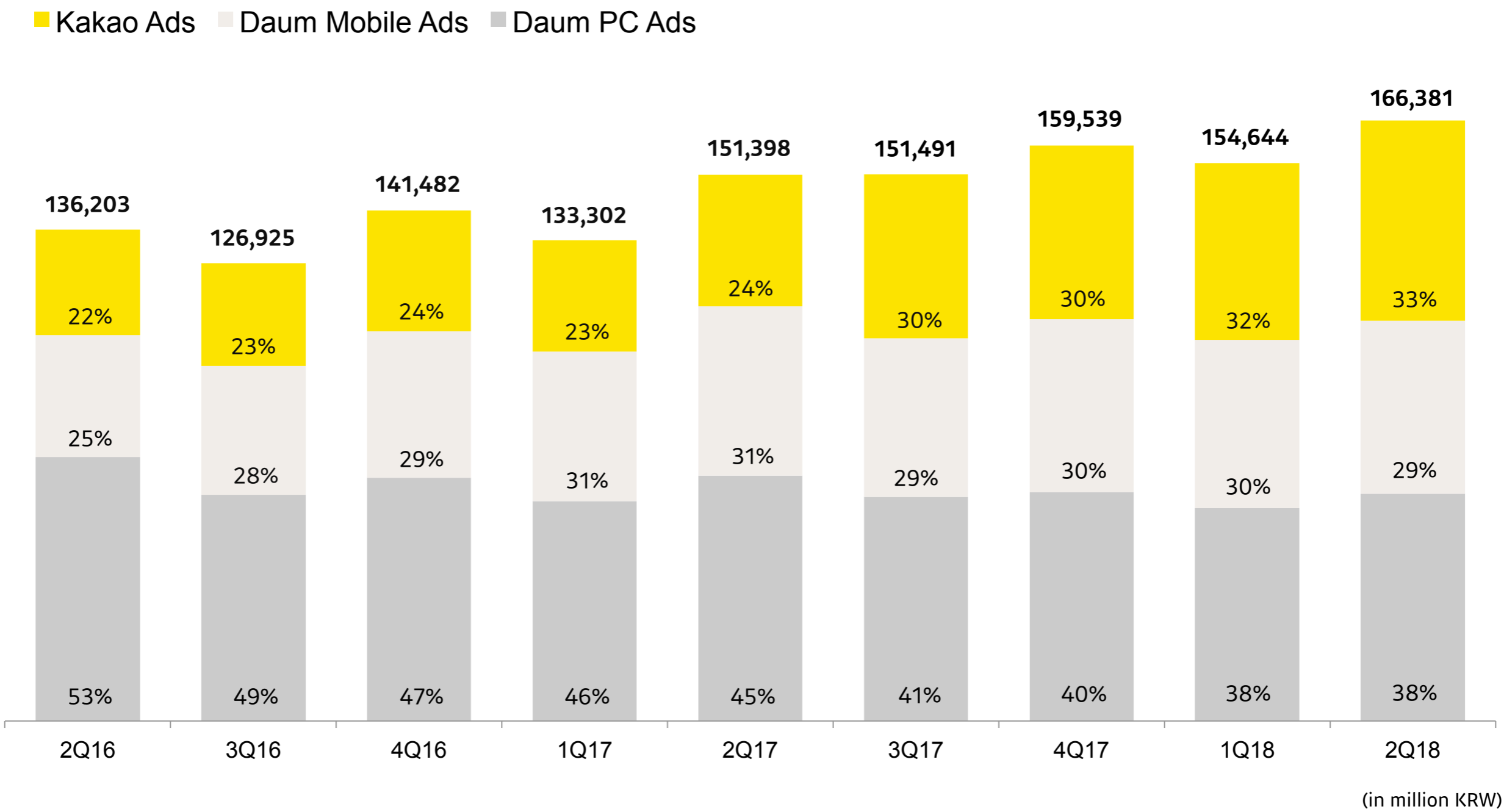
Mobile Advertising +23% (y) / +8 (q)    PC Advertising -6% (y) / +7% (q)



# Advertising: kakao · Daum

2Q Advertising YoY +10% / QoQ +8%

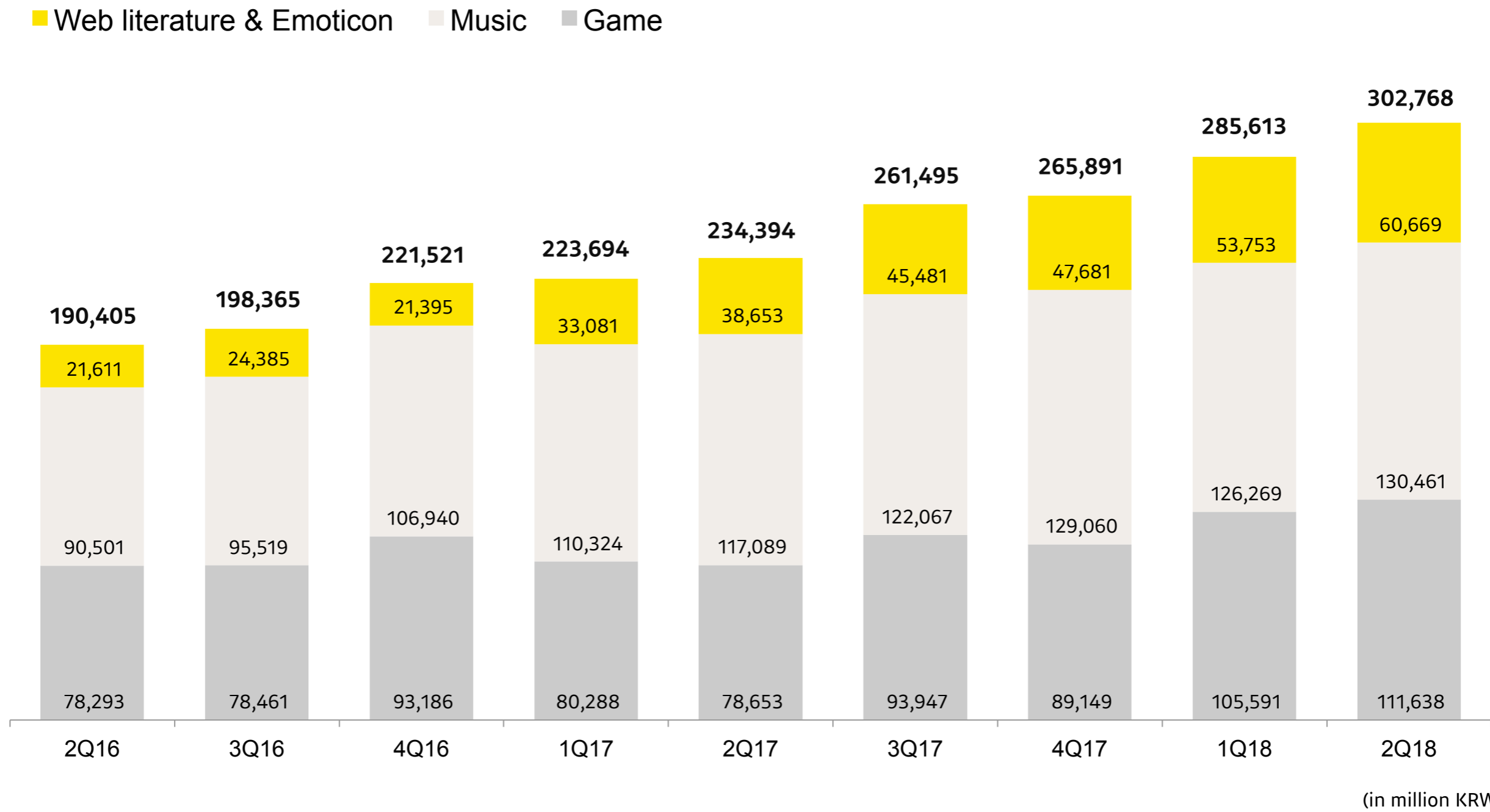
Kakao Advertising YoY +52%   Daum Mobile Advertising YoY +2%   Daum PC Advertising YoY -7%



# Content

2Q Content YoY +29% / QoQ +6%

Web literature & Emoticon +57% (y) / +13% (q) Music +11% (y) / +3% (q) Game +42% (y) / +6% (q)



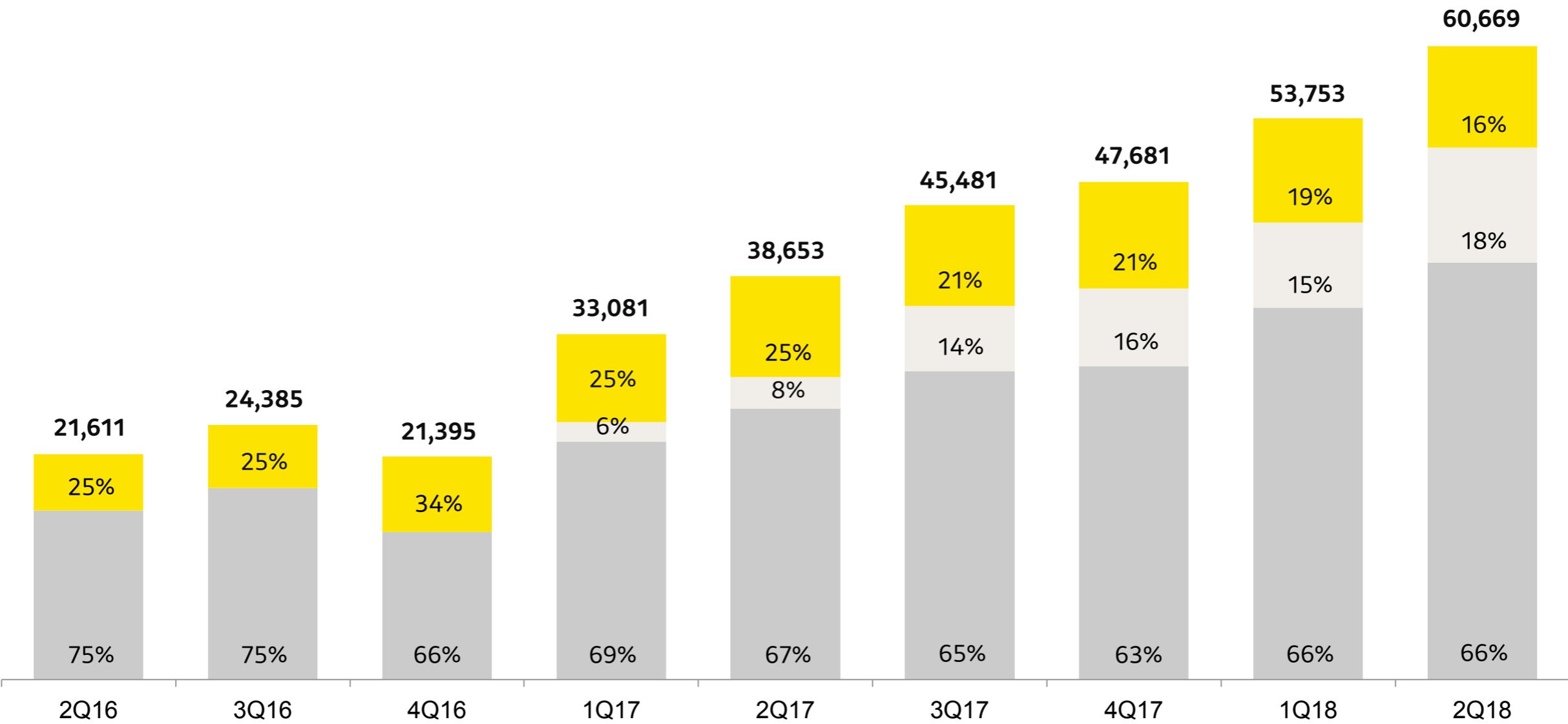
# Content: Web literature & Emoticon

NEW

2Q Web literature & Emoticon Content YoY +57% / QoQ +13%

Emoticon & +1% (y) / -3% (q) Piccoma/Japan +261% (y) / +35% (q) Kakao Page +54% (y) / +12% (q)

■ Emoticon & others ■ Piccoma (Japan) ■ Kakao Page

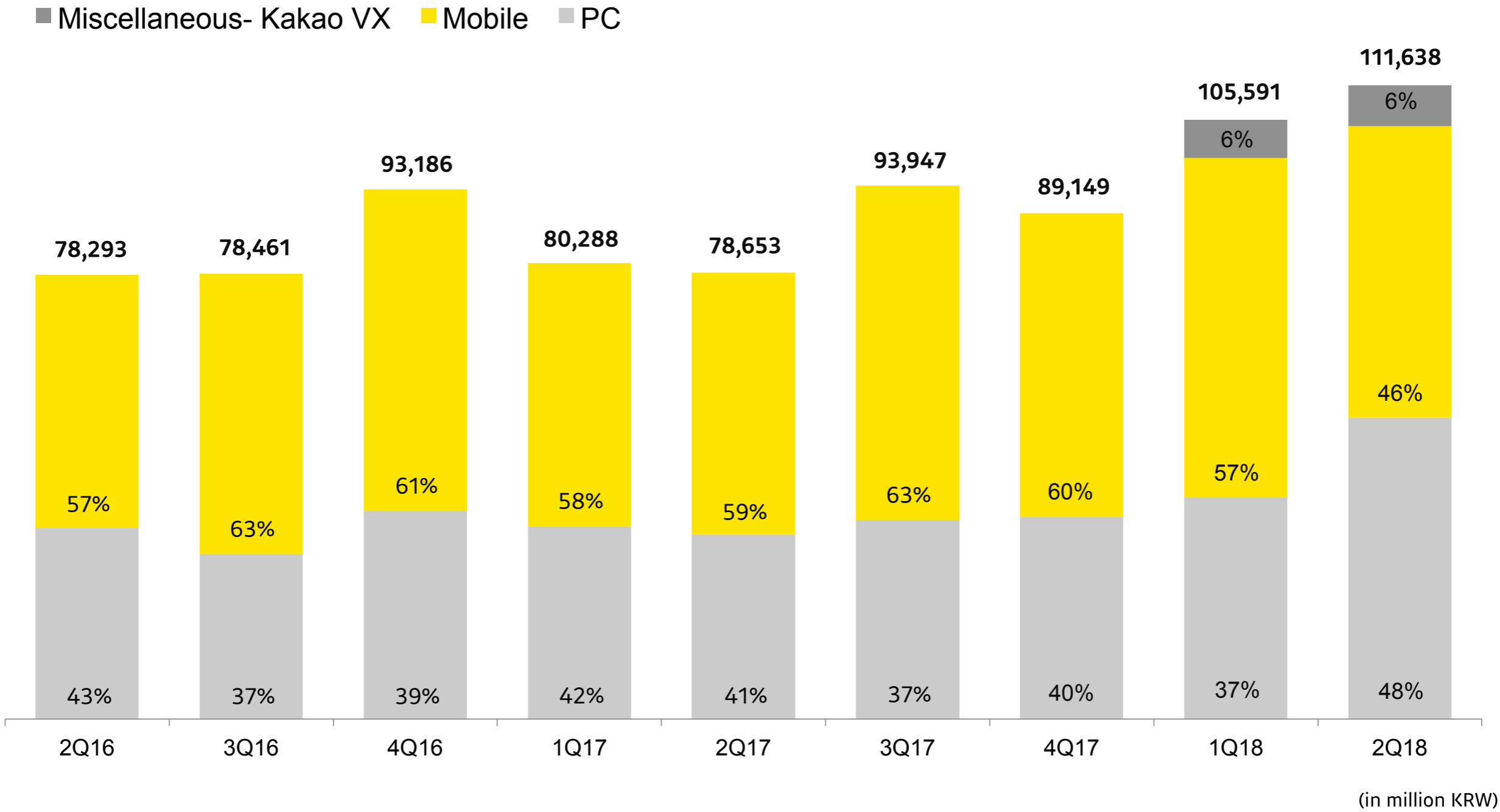


(in million KRW)

# Content: Game

2Q Game YoY +42% / QoQ +6%

Miscellaneous- Kakao VX +6% (q)    Mobile +11% (y) / -14% (q)    PC +63% (y) / +36% (q)

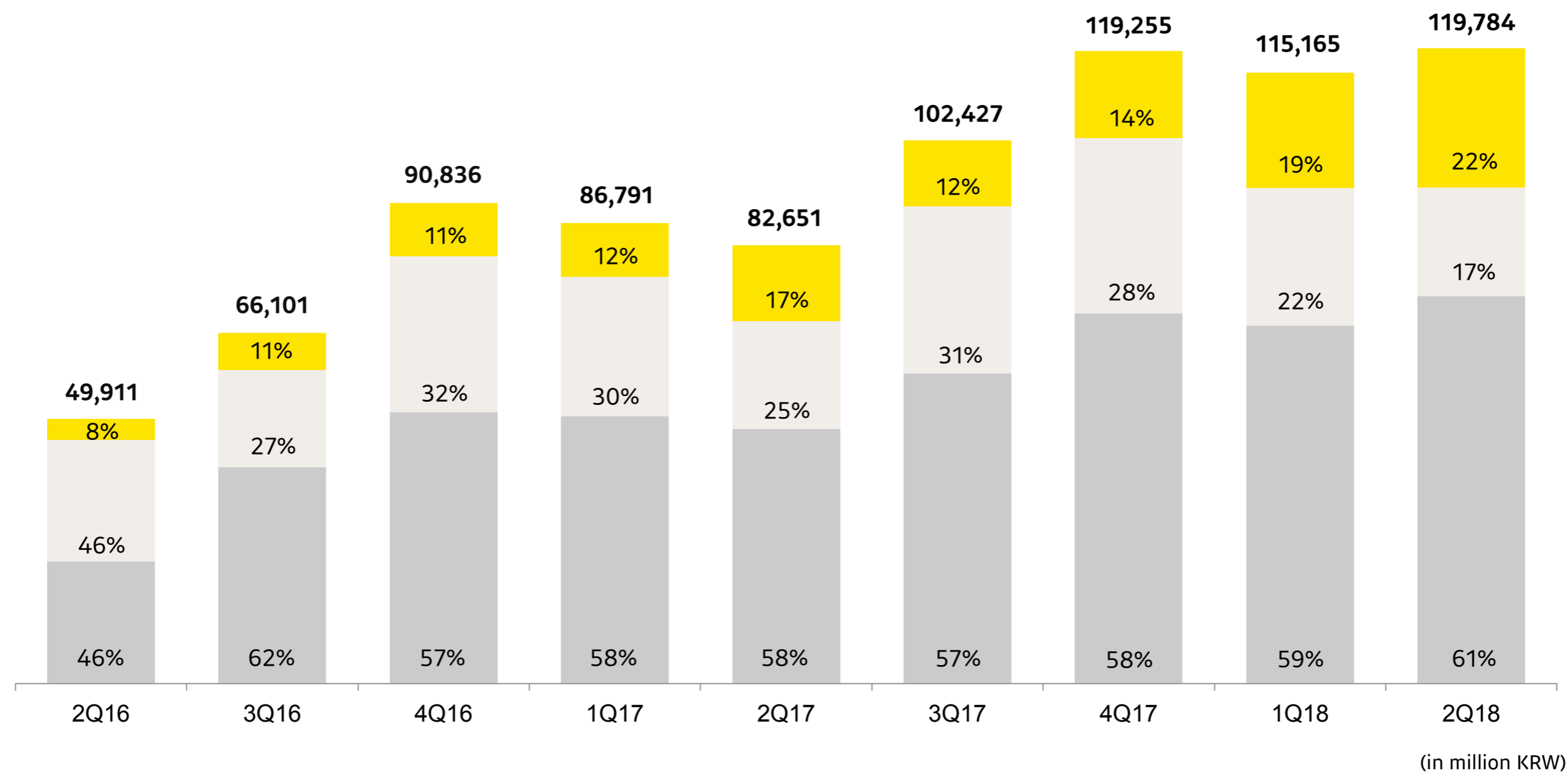


# Others

2Q Others YoY +45% / QoQ +4%

Others +83% (y) / +21% (q)   Kakao M- Offline +1% (y) / -21% (q)   Commerce +52% (y) / +8% (q)

Others (inc. Kakao T, Pay)   Kakao M- Offline   Commerce



# Summary Results

|                               | 2Q18    | 1Q18    | QoQ   | 2Q17    | YoY    |
|-------------------------------|---------|---------|-------|---------|--------|
| Total Revenue                 | 588,933 | 555,421 | 6%    | 468,443 | 26%    |
| Advertising                   | 166,381 | 154,644 | 8%    | 151,398 | 10%    |
| Content                       | 302,768 | 285,613 | 6%    | 234,394 | 29%    |
| Others                        | 119,784 | 115,165 | 4%    | 82,651  | 45%    |
| Operating Expenses            | 561,343 | 545,020 | 3%    | 423,804 | 32%    |
| Operating Income              | 27,590  | 10,402  | 165%  | 44,638  | -38%   |
| Operating Margin              | 4.7%    | 1.9%    | 2.8%p | 9.5%    | -4.8%p |
| EBITDA                        | 60,607  | 40,970  | 48%   | 75,901  | -20%   |
| Other Non-Operating Exp., Net | -910    | -1,347  | 32%   | -6,093  | 85%    |
| Finance Income, Net           | 28,248  | 5,974   | 373%  | 1,045   | 2,603% |
| Income from Equity Inv., Net  | 5,083   | 22,151  | -77%  | -3,570  | n/a    |
| Income before Tax             | 60,011  | 37,181  | 61%   | 36,020  | 67%    |
| Income Tax                    | 34,527  | 22,531  | 53%   | 23,518  | 47%    |
| Net Income                    | 25,484  | 14,649  | 74%   | 12,503  | 104%   |
| Equity Holders of the Parent  | 21,356  | 13,854  | 54%   | 11,303  | 89%    |
| Non-Controlling Interest      | 4,128   | 796     | 419%  | 1,199   | 244%   |

(in million KRW)

# Operating Expenses

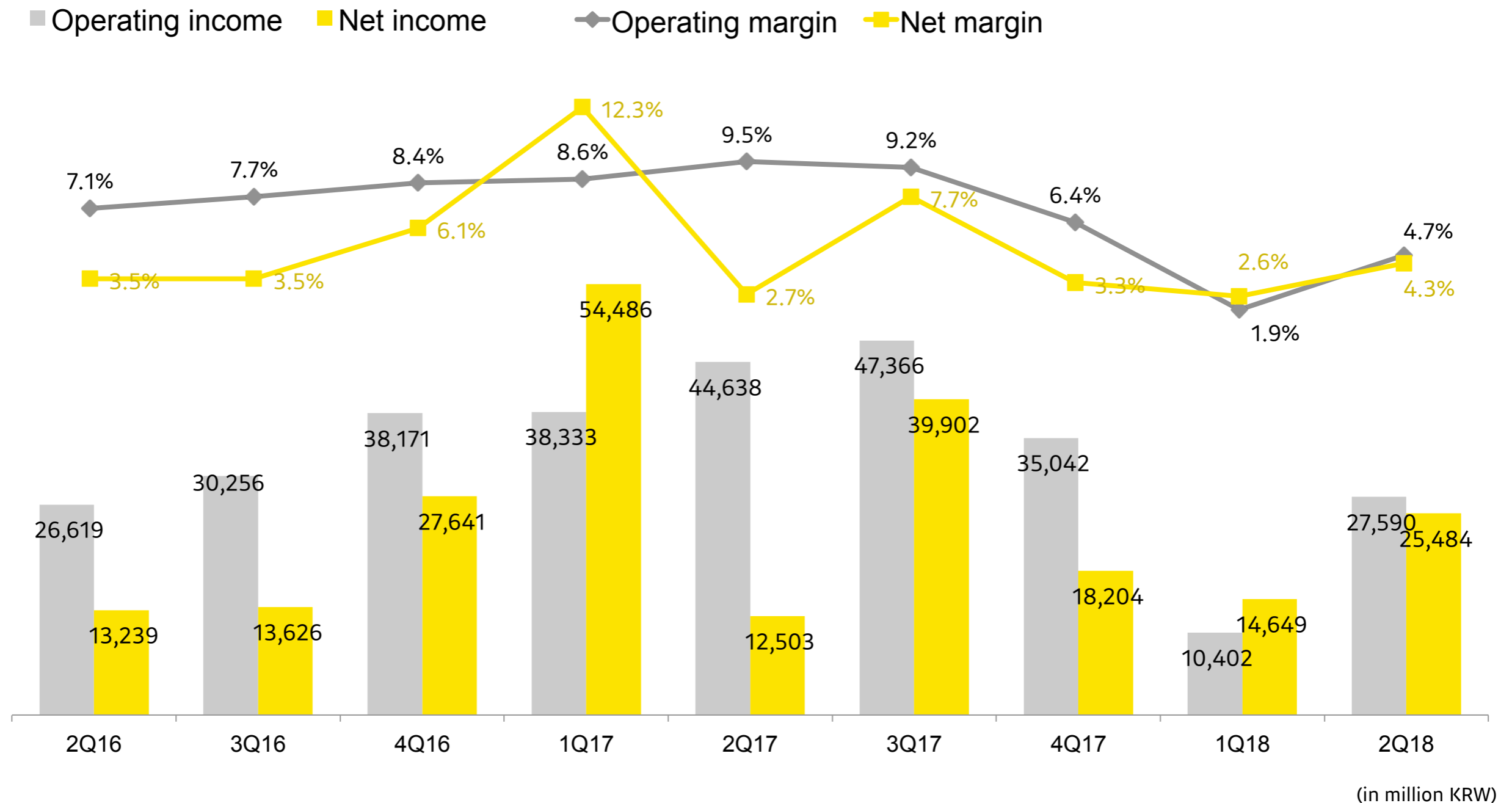
|                    | 2Q18    | 1Q18    | QoQ | 2Q17    | YoY    |
|--------------------|---------|---------|-----|---------|--------|
| OP Expenses        | 561,343 | 545,020 | 3%  | 423,804 | 32%    |
| Labor costs        | 107,933 | 109,973 | -2% | 88,064  | 23%    |
| Fringe benefits    | 15,890  | 15,258  | 4%  | 12,992  | 22%    |
| Depreciation       | 16,268  | 15,985  | 2%  | 14,919  | 9%     |
| Rental fees        | 11,069  | 10,210  | 8%  | 8,886   | 25%    |
| Commissions        | 223,014 | 210,281 | 6%  | 178,765 | 25%    |
| Advertising        | 45,311  | 47,941  | -5% | 21,929  | 107%   |
| Bad Debt Exp.      | 926     | 877     | 6%  | 45      | 1,956% |
| Amortization       | 16,749  | 14,583  | 15% | 16,352  | 2%     |
| Content fees       | 45,685  | 39,988  | 14% | 28,321  | 61%    |
| Ad agency fees     | 23,695  | 22,390  | 6%  | 23,974  | -1%    |
| Event fees         | 751     | 383     | 96% | 327     | 130%   |
| Cost of goods sold | 42,860  | 46,835  | -8% | 21,229  | 102%   |
| Miscellaneous      | 11,193  | 10,315  | 9%  | 8,001   | 40%    |

(in million KRW)

# Profits

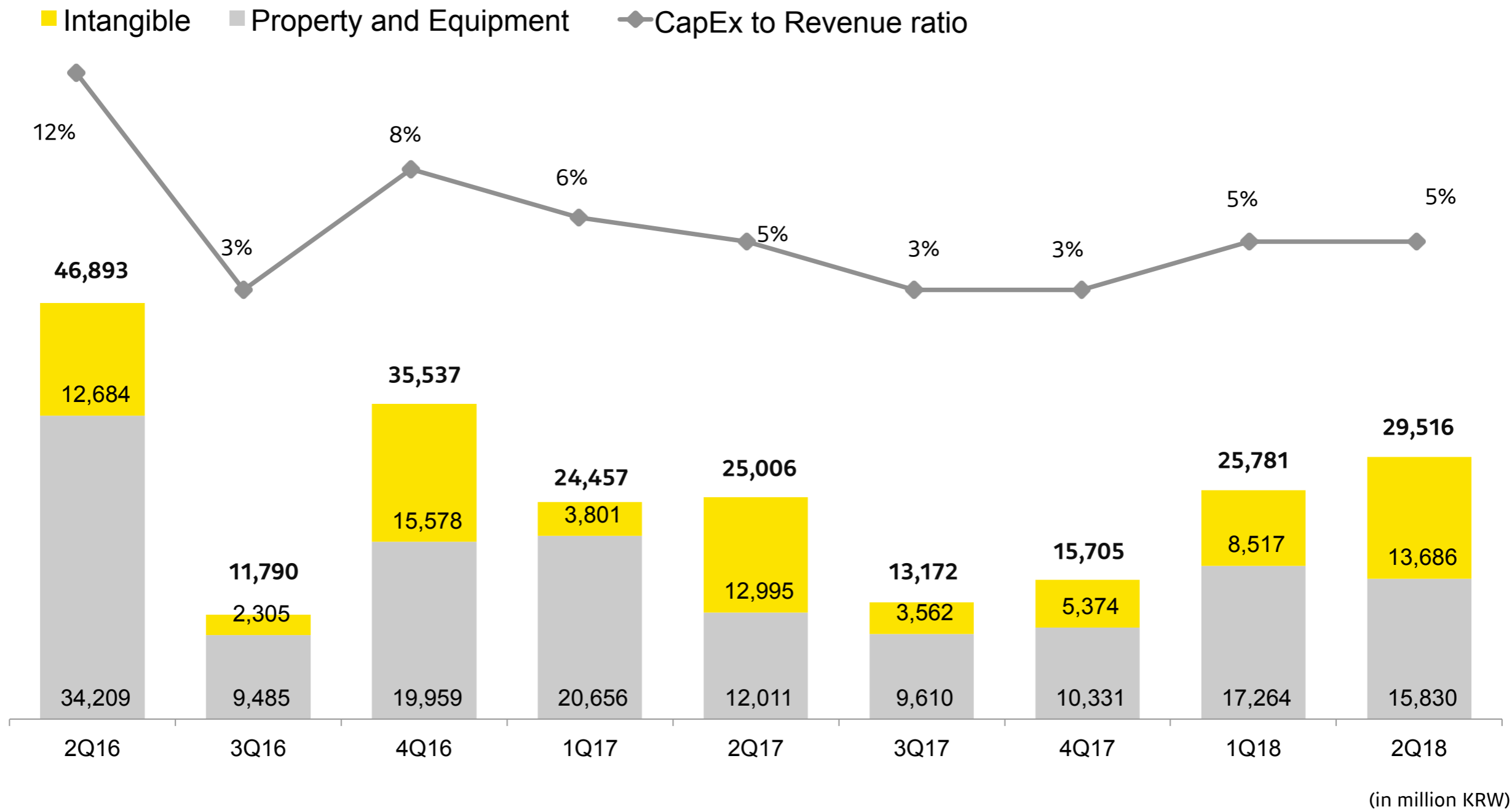
2Q Operating Income YoY -38% / QoQ +165% Net Income YoY +104% / QoQ +74%

New business investment-related operating loss of KRW 53.5 billion to build mid- to long-term growth bases such as transportation/mobility, tech-fin, global expansion, artificial intelligence, and block chain



# Capital Expenditure

1H accumulated CapEx to Revenue Ratio of 5% YoY +12%  
Intangible 1H YoY +32% property and equipment (server, network, etc.) 1H YoY +1%

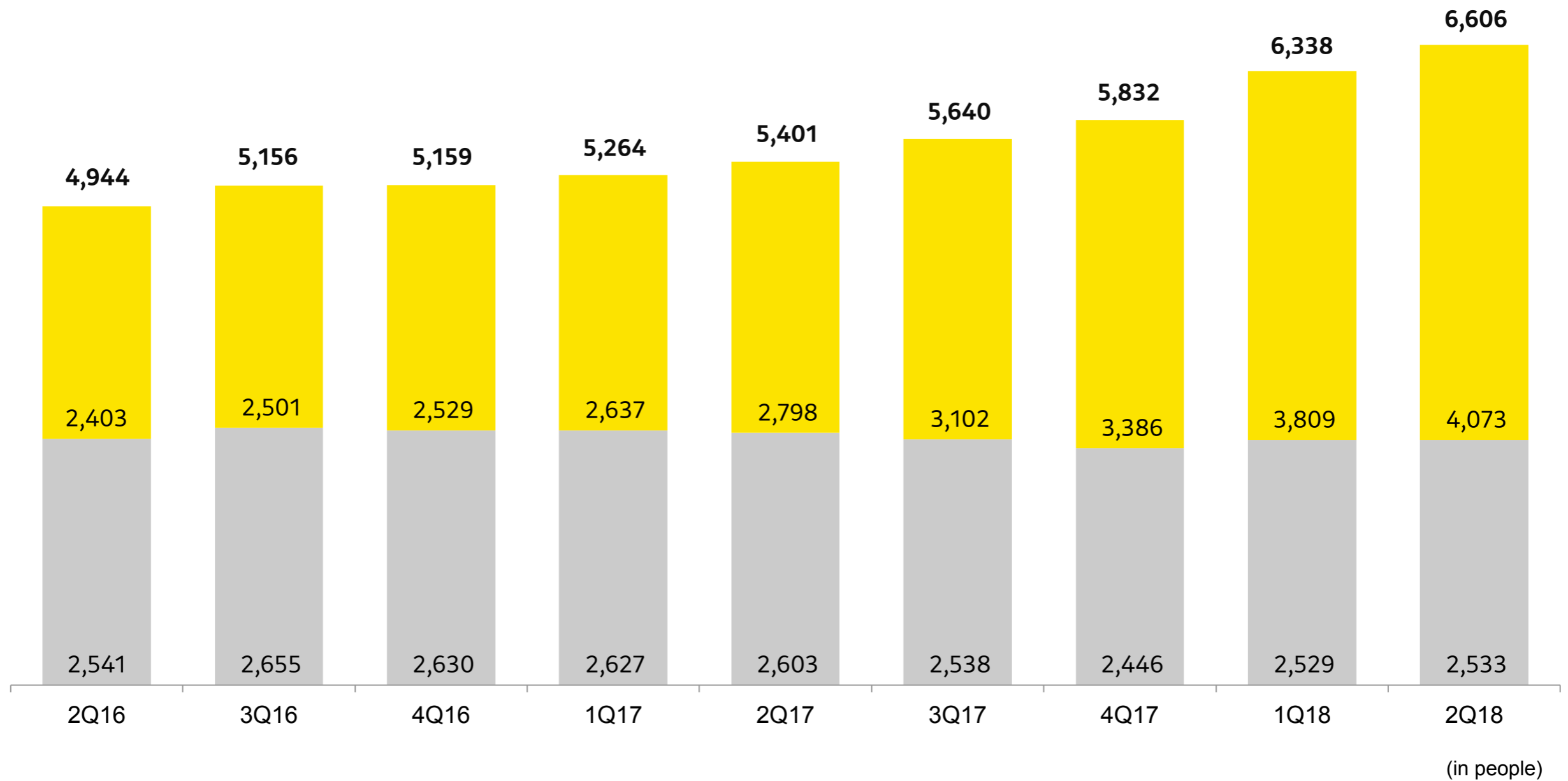


# Employees

## Total 6,606 Employees

QoQ 4 increased at Kakao, and 264 increased at subsidiaries

■ Subsidiaries ■ Kakao



# Consolidated Financial Statements

## Consolidated Statements of Income

| (in million KRW)                         | 2Q17           | 3Q17           | 4Q17           | 1Q18           | 2Q18           |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                          | <b>468,443</b> | <b>515,413</b> | <b>544,685</b> | <b>555,421</b> | <b>588,933</b> |
| Advertising                              | 151,398        | 151,491        | 159,539        | 154,644        | 166,381        |
| Content                                  | 234,394        | 261,495        | 265,891        | 285,613        | 302,768        |
| Game                                     | 78,653         | 93,947         | 89,149         | 105,591        | 111,638        |
| Music                                    | 117,089        | 122,067        | 129,060        | 126,269        | 130,461        |
| Web literature and Emoticon              | 38,653         | 45,481         | 47,681         | 53,753         | 60,669         |
| Others                                   | 82,651         | 102,427        | 119,255        | 115,165        | 119,784        |
| <b>Operating Expenses</b>                | <b>423,804</b> | <b>468,047</b> | <b>509,643</b> | <b>545,020</b> | <b>561,343</b> |
| Labor Costs                              | 88,064         | 84,668         | 102,602        | 109,973        | 107,933        |
| Fringe Benefits                          | 12,992         | 13,499         | 13,447         | 15,258         | 15,890         |
| Depreciation                             | 14,919         | 15,338         | 15,659         | 15,985         | 16,268         |
| Rental Fees                              | 8,886          | 9,242          | 9,236          | 10,210         | 11,069         |
| Commissions                              | 178,765        | 189,755        | 201,456        | 210,281        | 223,014        |
| Advertising                              | 21,929         | 33,460         | 36,057         | 47,941         | 45,311         |
| Bad Debt Expenses                        | 45             | -144           | 1,112          | 877            | 926            |
| Amortization                             | 16,352         | 16,439         | 19,521         | 14,583         | 16,749         |
| Content Fees                             | 28,321         | 33,658         | 34,496         | 39,988         | 45,685         |
| Ad Agency Fees                           | 23,974         | 21,975         | 23,576         | 22,390         | 23,695         |
| Event Fees                               | 327            | 407            | 943            | 383            | 751            |
| Cost of Goods                            | 21,229         | 39,939         | 41,735         | 46,835         | 42,860         |
| Miscellaneous                            | 8,001          | 9,810          | 9,803          | 10,315         | 11,193         |
| <b>Operating Profit</b>                  | <b>44,638</b>  | <b>47,366</b>  | <b>35,042</b>  | <b>10,402</b>  | <b>27,590</b>  |
| Other Non-Operating Income               | 3,784          | 16,148         | 13,927         | 12,858         | 12,504         |
| Other Non-Operating Expenses             | 9,878          | 6,181          | 59,557         | 14,205         | 13,415         |
| Finance Income                           | 4,585          | 11,390         | 58,234         | 14,559         | 35,388         |
| Finance Costs                            | 3,540          | 3,116          | 29,193         | 8,585          | 7,140          |
| Income from Equity Inv., Net             | -3,570         | -2,535         | 17,509         | 22,151         | 5,083          |
| <b>Profit before Income Tax Expenses</b> | <b>36,020</b>  | <b>63,071</b>  | <b>35,962</b>  | <b>37,181</b>  | <b>60,011</b>  |
| Income Tax Expenses                      | 23,518         | 23,170         | 17,758         | 22,531         | 34,527         |
| <b>Net Profit from Continued Oper.</b>   | <b>12,503</b>  | <b>39,902</b>  | <b>18,204</b>  | <b>14,649</b>  | <b>25,484</b>  |
| <b>Net Profit</b>                        | <b>12,503</b>  | <b>39,902</b>  | <b>18,204</b>  | <b>14,649</b>  | <b>25,484</b>  |
| Equity Holders of the Parent Co.         | 11,303         | 32,055         | 11,524         | 13,854         | 21,356         |
| Non-Controlling Interest                 | 1,199          | 7,847          | 6,680          | 796            | 4,128          |

## Consolidated Statements of Financial Position

| (in million KRW)                      | 2016.12.31       | 2017.12.31       | 2018.6.30        |
|---------------------------------------|------------------|------------------|------------------|
| <b>Current Assets</b>                 | <b>1,216,958</b> | <b>1,993,096</b> | <b>3,005,101</b> |
| Cash and Cash Equivalents             | 641,644          | 1,116,793        | 1,670,638        |
| S-T Financial Instruments             | 236,748          | 394,152          | 876,752          |
| Accounts Receivable                   | 173,853          | 179,238          | 173,920          |
| Other Financial Assets                | 83,340           | 134,445          | 124,806          |
| Other Current Assets                  | 81,373           | 168,468          | 158,985          |
| <b>Non-Current Assets</b>             | <b>4,267,159</b> | <b>4,356,332</b> | <b>4,731,616</b> |
| Equity Method Investments             | 117,076          | 161,950          | 235,688          |
| Tangible Assets                       | 253,854          | 271,044          | 275,741          |
| Intangible Assets                     | 3,733,166        | 3,689,582        | 3,720,578        |
| Other Non-current Assets              | 163,063          | 233,756          | 499,609          |
| <b>Total Assets</b>                   | <b>5,484,117</b> | <b>6,349,428</b> | <b>7,736,717</b> |
| <b>Liabilities</b>                    | <b>806,020</b>   | <b>1,040,863</b> | <b>1,697,822</b> |
| Trade and N-T Payables                | 263,130          | 280,380          | 325,369          |
| Income Taxes Payable                  | 30,944           | 115,123          | 50,178           |
| Short-Term Debt                       | 200,265          | 170,137          | 758,166          |
| Other Current Liabilities             | 311,680          | 475,224          | 564,108          |
| <b>Non-Current Liabilities</b>        | <b>975,153</b>   | <b>800,745</b>   | <b>253,191</b>   |
| Bonds                                 | 319,255          | 149,777          | 39,926           |
| Bonds- CB/EB                          | 476,122          | 471,031          | -                |
| Deferred Income Tax Liab.             | 142,919          | 139,502          | 153,904          |
| Other Non-Current Liab.               | 36,857           | 40,435           | 59,361           |
| <b>Total Liabilities</b>              | <b>1,781,173</b> | <b>1,841,609</b> | <b>1,951,013</b> |
| <b>Paid-in Capital</b>                | <b>33,858</b>    | <b>34,004</b>    | <b>38,193</b>    |
| Capital Surplus                       | 3,105,014        | 3,603,587        | 4,739,692        |
| Capital Adjustments                   | -11,232          | -6,026           | -2,917           |
| Accum. Other Compre. Income           | 920              | -4,968           | -21,192          |
| Retained Earnings                     | 303,952          | 402,542          | 440,588          |
| Non-controlling Interests             | 270,432          | 478,681          | 591,341          |
| <b>Total Equity</b>                   | <b>3,702,944</b> | <b>4,507,820</b> | <b>5,785,704</b> |
| <b>Total Liabilities &amp; Equity</b> | <b>5,484,117</b> | <b>6,349,428</b> | <b>7,736,717</b> |

# Financial Statements (Kakao only)

## Statements of Income

| (in million KRW)                         | 2Q17           | 3Q17           | 4Q17           | 1Q18           | 2Q18           |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                          | <b>244,545</b> | <b>257,994</b> | <b>250,273</b> | <b>244,578</b> | <b>252,523</b> |
| Advertising                              | 143,128        | 141,496        | 154,640        | 146,378        | 160,791        |
| Content                                  | 65,746         | 79,128         | 52,963         | 49,759         | 43,939         |
| Game                                     | 46,522         | 59,270         | 32,401         | 27,026         | 21,220         |
| Music                                    | 2,669          | 2,600          | 2,532          | 2,298          | 2,285          |
| Web literature and Emoticon              | 16,555         | 17,257         | 18,030         | 20,435         | 20,434         |
| Others                                   | 35,671         | 37,370         | 42,669         | 48,441         | 47,792         |
| <b>Operating Expenses</b>                | <b>216,952</b> | <b>228,439</b> | <b>226,361</b> | <b>228,192</b> | <b>223,005</b> |
| Labor Costs                              | 50,796         | 49,161         | 52,271         | 54,844         | 51,112         |
| Fringe Benefits                          | 7,885          | 7,625          | 6,981          | 8,359          | 7,737          |
| Depreciation                             | 12,344         | 12,370         | 12,624         | 12,673         | 12,684         |
| Rental Fees                              | 2,308          | 2,273          | 2,164          | 2,420          | 2,440          |
| Commissions                              | 78,828         | 89,740         | 77,344         | 75,084         | 70,322         |
| Advertising                              | 8,347          | 9,390          | 9,863          | 5,850          | 2,677          |
| Bad Debt Expenses                        | -28            | 62             | 47             | 193            | 381            |
| Amortization                             | 5,277          | 4,821          | 4,578          | 4,439          | 4,413          |
| Content Fees                             | 12,728         | 13,091         | 15,728         | 16,651         | 17,480         |
| Ad Agency Fees                           | 23,910         | 21,843         | 23,416         | 22,274         | 29,557         |
| Event Fees                               | 299            | 372            | 682            | 296            | 702            |
| Cost of Goods                            | 9,181          | 13,236         | 16,414         | 21,096         | 18,810         |
| Miscellaneous                            | 5,078          | 4,457          | 4,251          | 4,013          | 4,690          |
| <b>Operating Profit</b>                  | <b>27,593</b>  | <b>29,555</b>  | <b>23,911</b>  | <b>16,386</b>  | <b>29,518</b>  |
| Other Non-Operating Income               | 2,445          | 240,651        | 50             | 50,042         | 3,545          |
| Other Non-Operating Expenses             | 13,814         | 4,430          | 64,892         | 4,973          | 7,317          |
| Finance Income                           | 2,037          | 1,671          | 4,549          | 17,829         | 39,812         |
| Finance Costs                            | -1018          | 1,741          | 27,673         | 9,207          | 1,439          |
| <b>Profit before Income Tax Expenses</b> | <b>19,278</b>  | <b>265,705</b> | <b>-64,054</b> | <b>70,077</b>  | <b>64,120</b>  |
| Income Tax Expenses                      | 10,690         | 60,826         | 7,267          | 16,693         | 19,806         |
| <b>Net Profit from Continued Oper.</b>   | <b>8,588</b>   | <b>204,879</b> | <b>-71,321</b> | <b>53,384</b>  | <b>44,314</b>  |
| <b>Net Profit</b>                        | <b>8,588</b>   | <b>204,879</b> | <b>-71,321</b> | <b>53,384</b>  | <b>44,314</b>  |

## Statements of Financial Position

| (in million KRW)                      | 2016.12.31       | 2017.12.31       | 2018.06.30       |
|---------------------------------------|------------------|------------------|------------------|
| <b>Current Assets</b>                 | <b>511,067</b>   | <b>632,508</b>   | <b>1,350,858</b> |
| Cash and Cash Equivalents             | 279,217          | 388,574          | 747,162          |
| S-T Financial Instruments             | 37,190           | 14,834           | 402,011          |
| Accounts Receivable                   | 95,980           | 77,955           | 73,810           |
| Other Current Assets                  | 98,679           | 151,145          | 127,874          |
| <b>Non-Current Assets</b>             | <b>4,318,230</b> | <b>4,324,369</b> | <b>4,689,080</b> |
| Equity Method Investments             | 2,337,040        | 2,368,582        | 2,607,287        |
| Tangible Assets                       | 203,866          | 208,084          | 205,992          |
| Intangible Assets                     | 1,694,581        | 1,620,416        | 1,613,864        |
| Other Non-current Assets              | 82,743           | 127,287          | 261,938          |
| <b>Total Assets</b>                   | <b>4,829,297</b> | <b>4,956,878</b> | <b>6,039,938</b> |
| <b>Liabilities</b>                    | <b>813,859</b>   | <b>948,931</b>   | <b>1,252,991</b> |
| Trade and N-T Payables                | 174,592          | 163,318          | 170,369          |
| Income Taxes Payable                  | 7,168            | 81,507           | 39,119           |
| Short-Term Debt                       | 200,000          | -                | -                |
| Other Current Liabilities             | 432,099          | 704,106          | 1,043,503        |
| <b>Non-Current Liabilities</b>        | <b>640,280</b>   | <b>450,237</b>   | <b>95,722</b>    |
| Bonds                                 | 319,255          | 149,777          | 39,926           |
| Bonds- CB/EB                          | 248,928          | 243,197          | -                |
| Deferred Income Tax Liab.             | 43,266           | 28,992           | 22,754           |
| Other Non-Current Liab.               | 28,830           | 28,271           | 33,042           |
| <b>Total Liabilities</b>              | <b>1,454,139</b> | <b>1,399,168</b> | <b>1,348,713</b> |
| <b>Paid-in Capital</b>                | <b>33,858</b>    | <b>34,004</b>    | <b>38,193</b>    |
| Capital Surplus                       | 3,057,264        | 3,036,434        | 4,087,116        |
| Capital Adjustments                   | -11,232          | -6,026           | -2,917           |
| Accum. Other Compre. Inc.             | 5,046            | -4,472           | -20,046          |
| Retained Earnings                     | 290,222          | 497,769          | 588,879          |
| <b>Total Equity</b>                   | <b>3,375,158</b> | <b>3,557,710</b> | <b>4,691,225</b> |
| <b>Total Liabilities &amp; Equity</b> | <b>4,829,297</b> | <b>4,956,878</b> | <b>6,039,938</b> |

thank you

