

2nd Quarter 2018 Results

August 9, 2018 | Investor Relations



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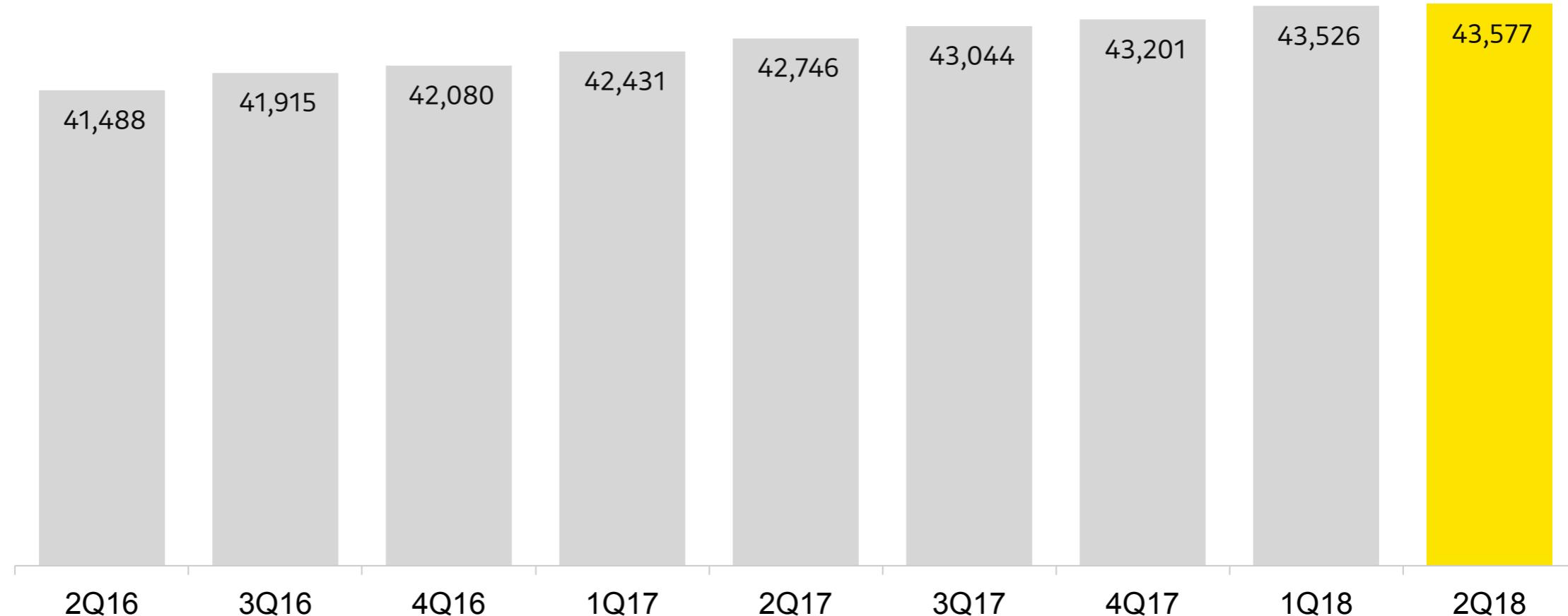
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Kakao Talk Monthly Active Users



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

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

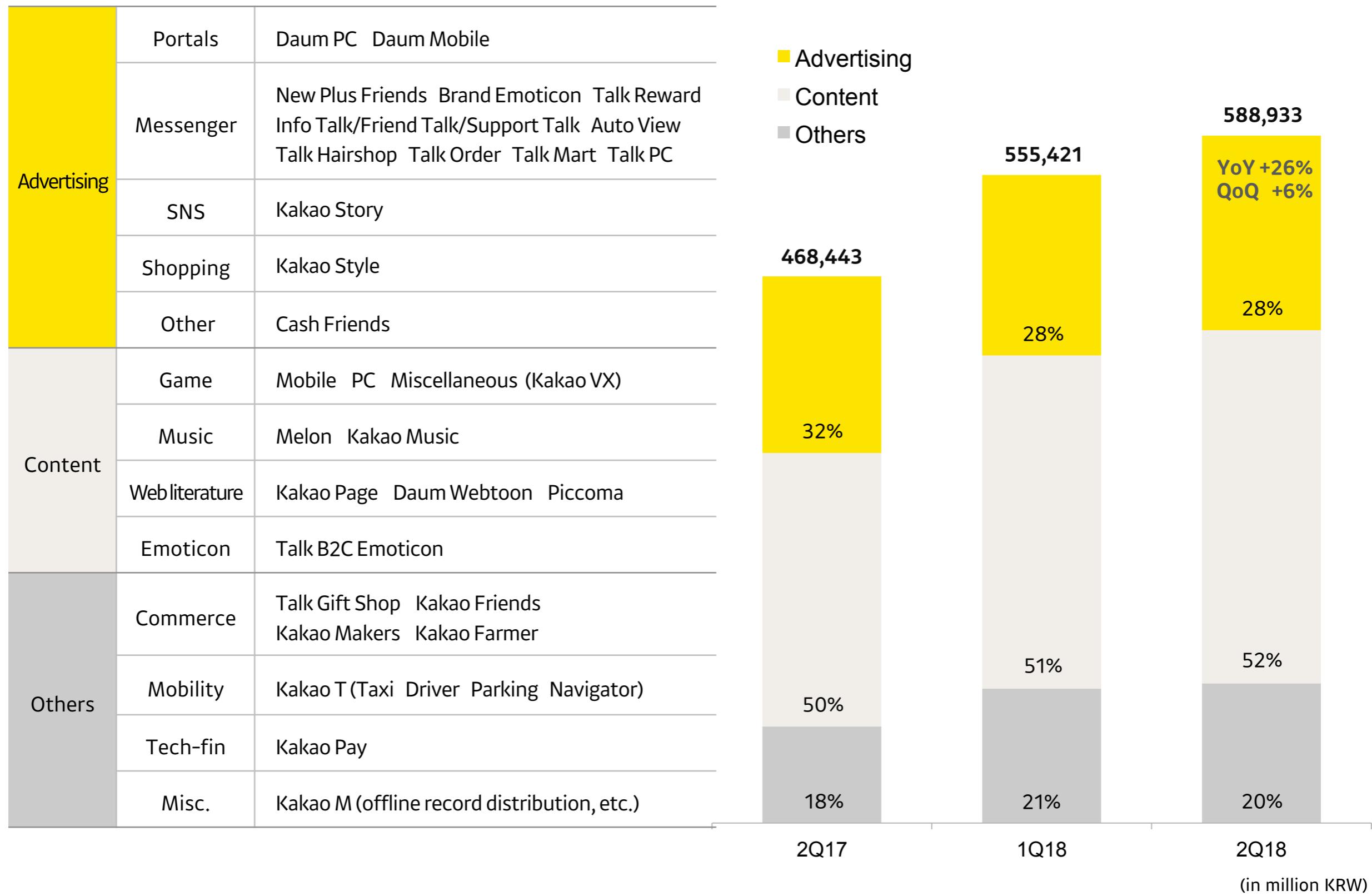


Korea	41,488	41,915	42,080	42,431	42,746	43,044	43,201	43,526	43,577
Global	49,100	49,189	48,955	49,158	49,468	49,844	49,709	50,348	50,113

Average of monthly MAUs. Global includes domestic MAUs.

(in thousand)

Revenue

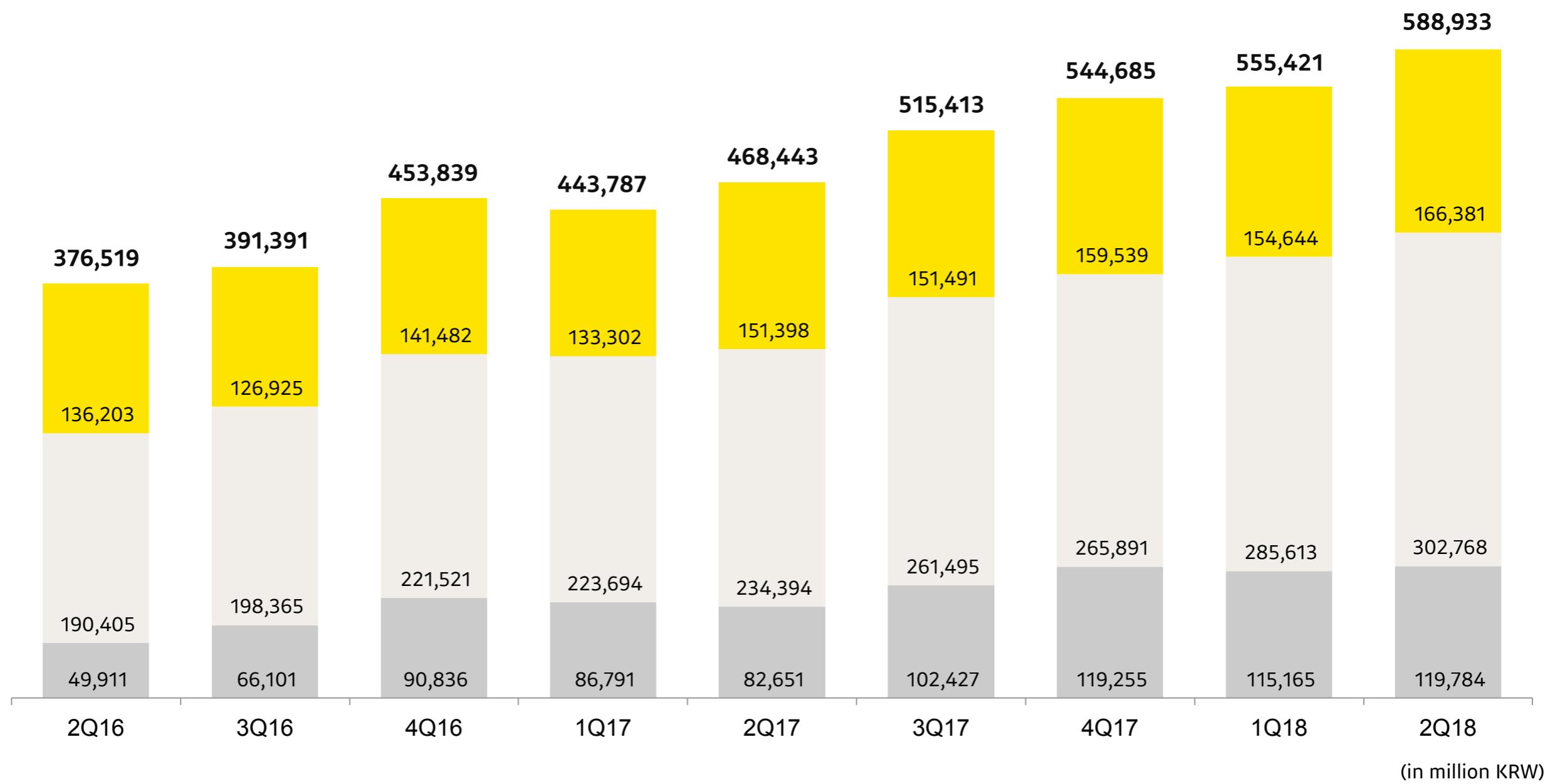


Revenue

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

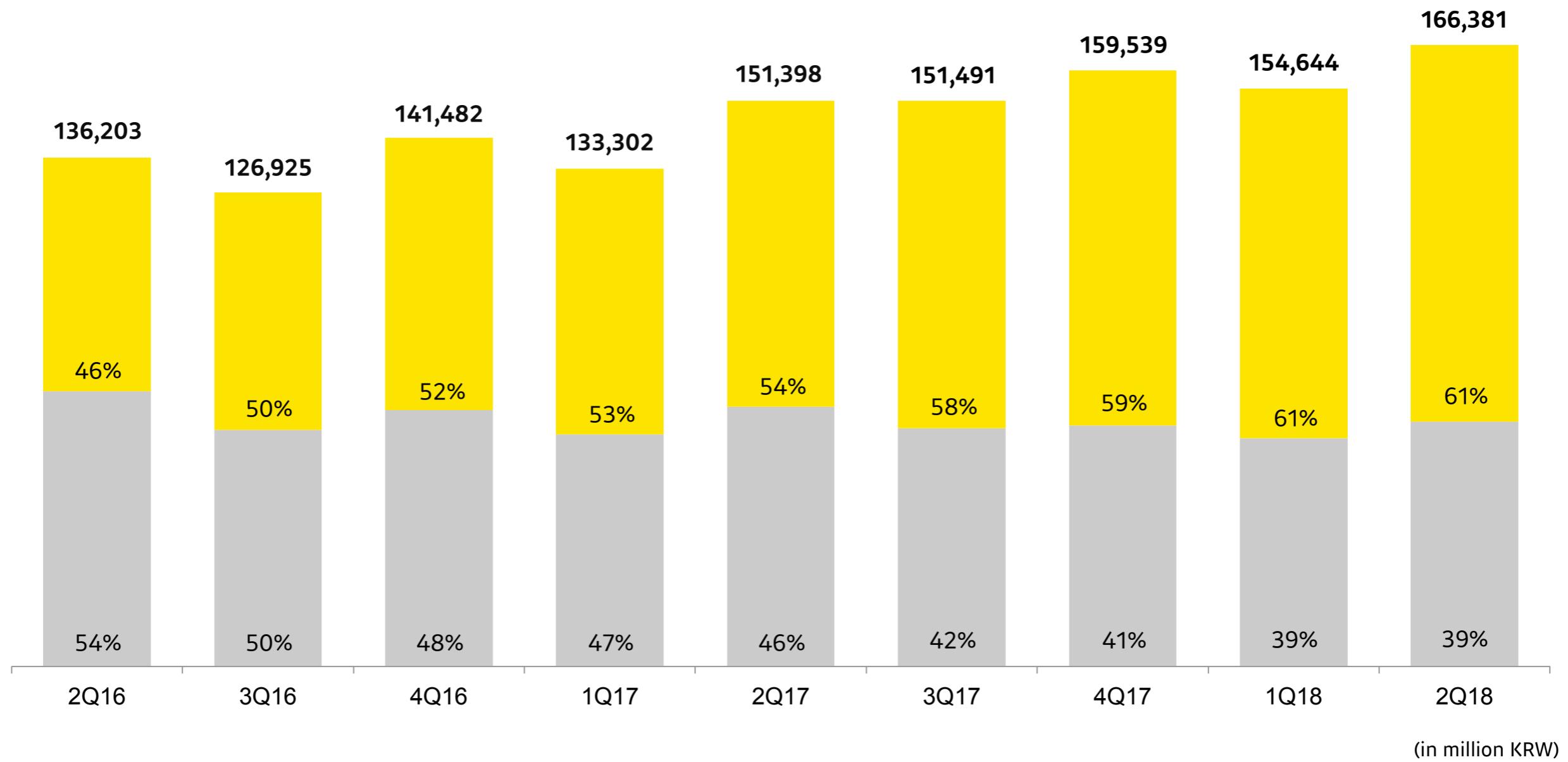


Advertising

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

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

■ Mobile ■ PC

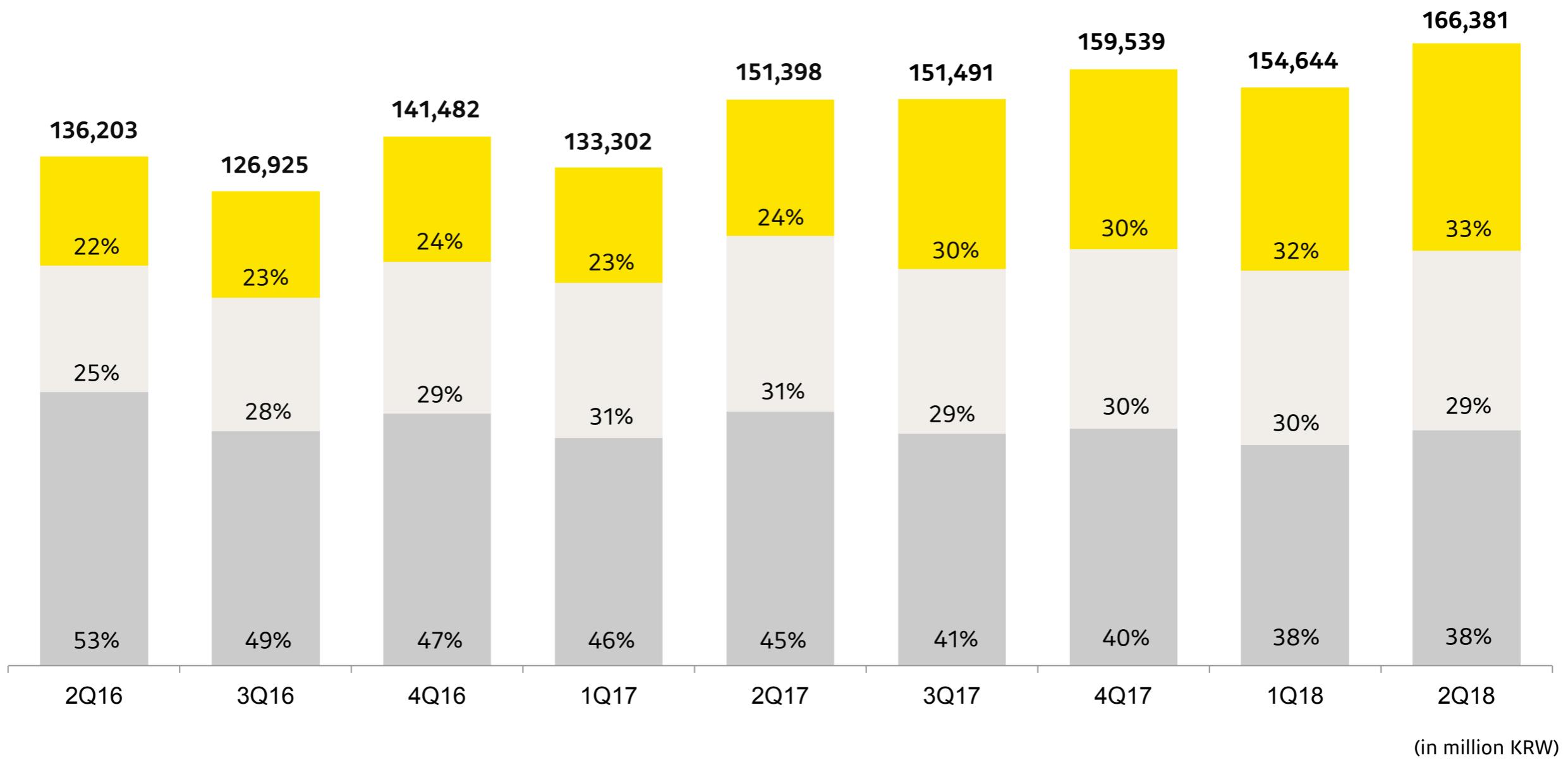


Advertising: kakao . Daum

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

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

■ Kakao Ads ■ Daum Mobile Ads ■ Daum PC Ads

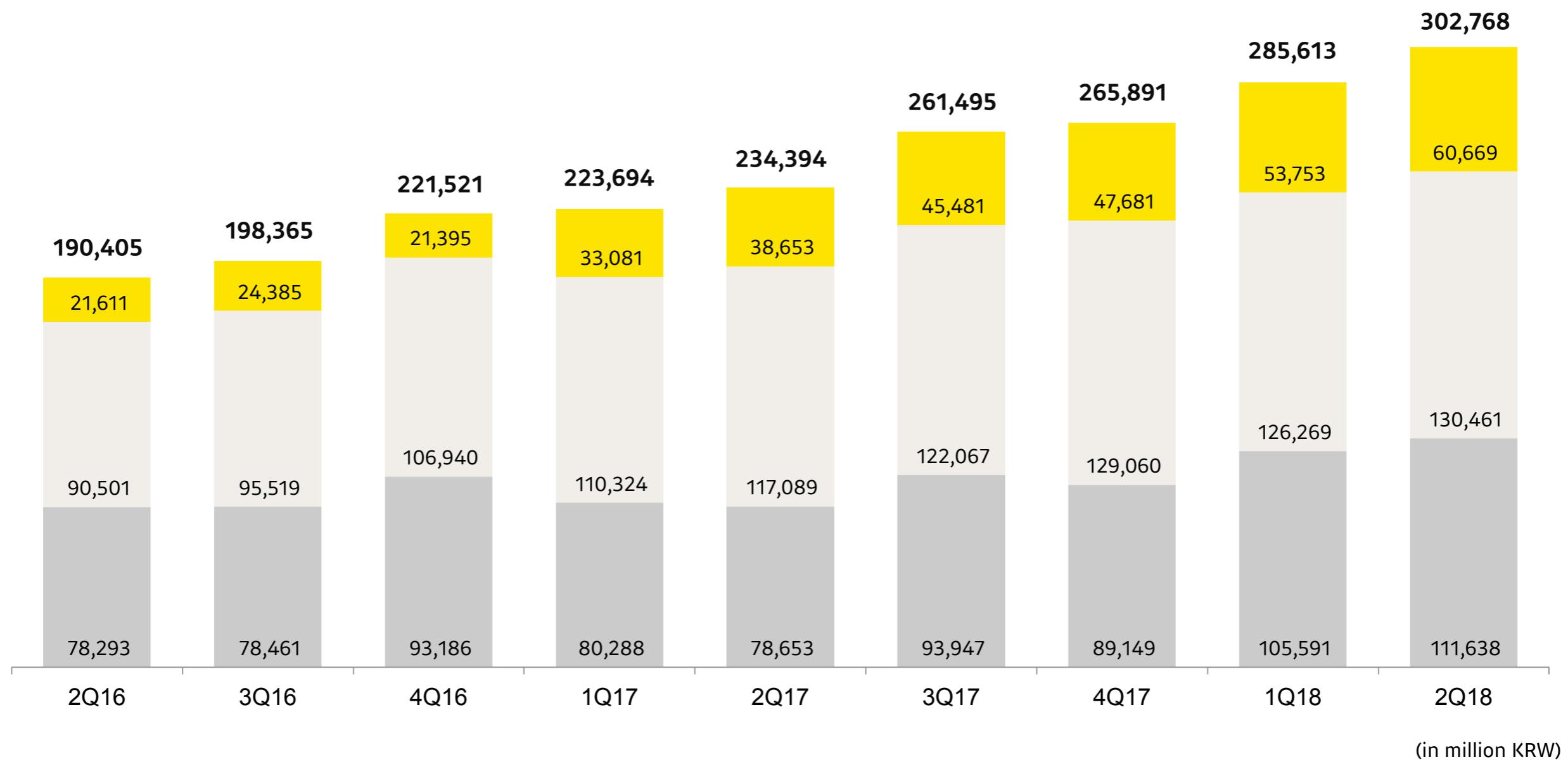


Content

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

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

■ Web literature & Emoticon ■ Music ■ Game



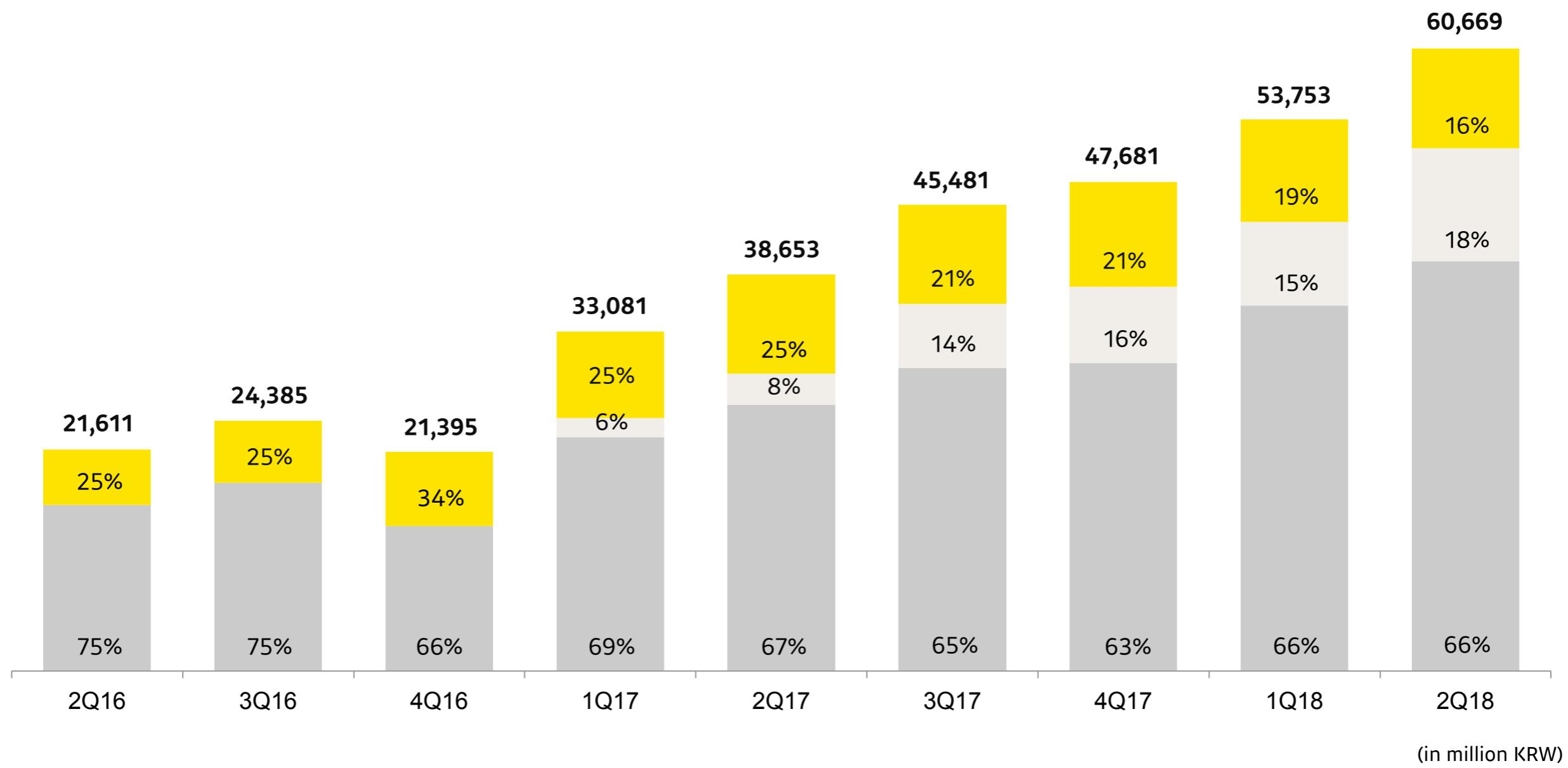
Content: Web literature & Emoticon

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)

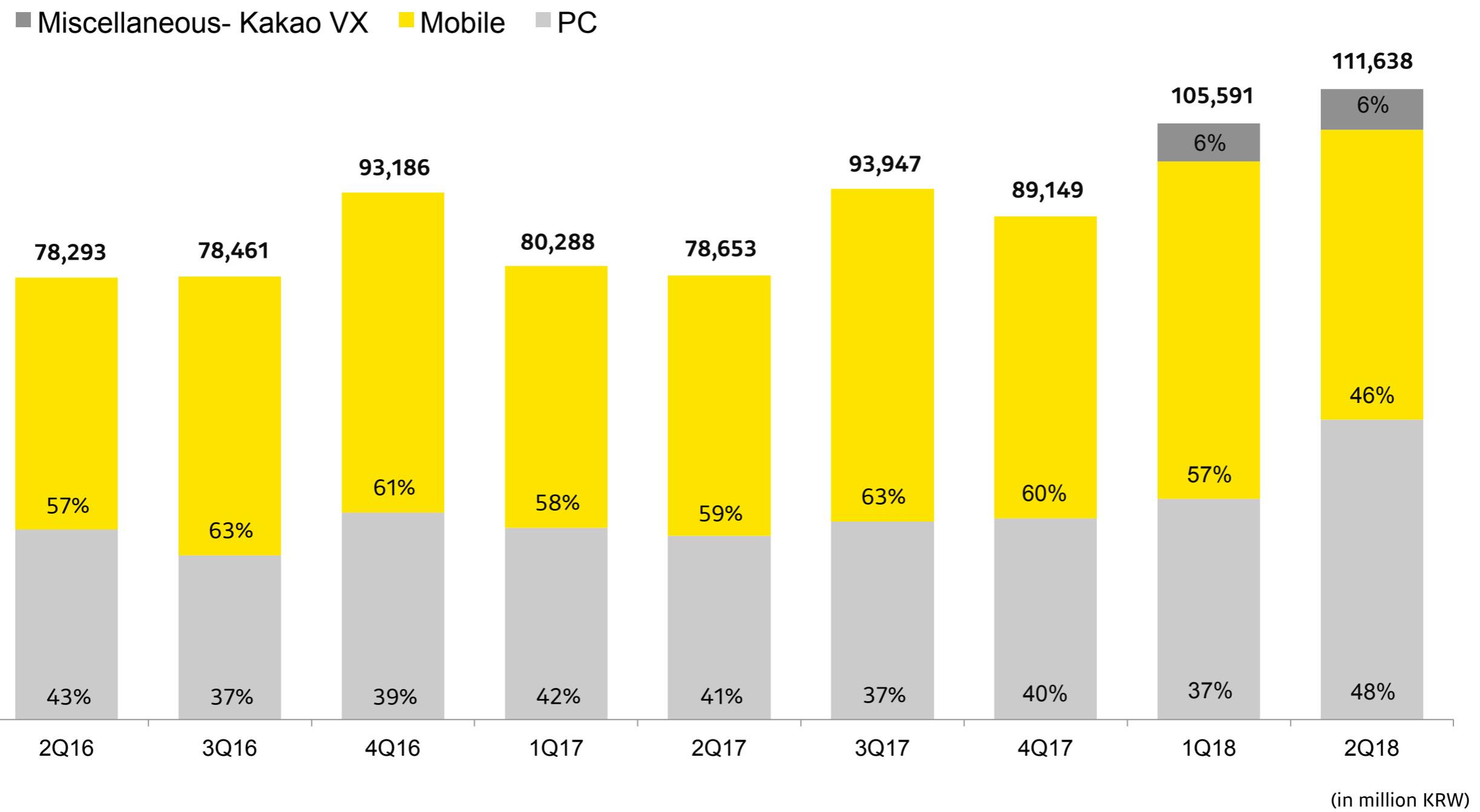
■ Emoticon & others ■ Piccoma (Japan) ■ Kakao Page



Content: Game

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

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

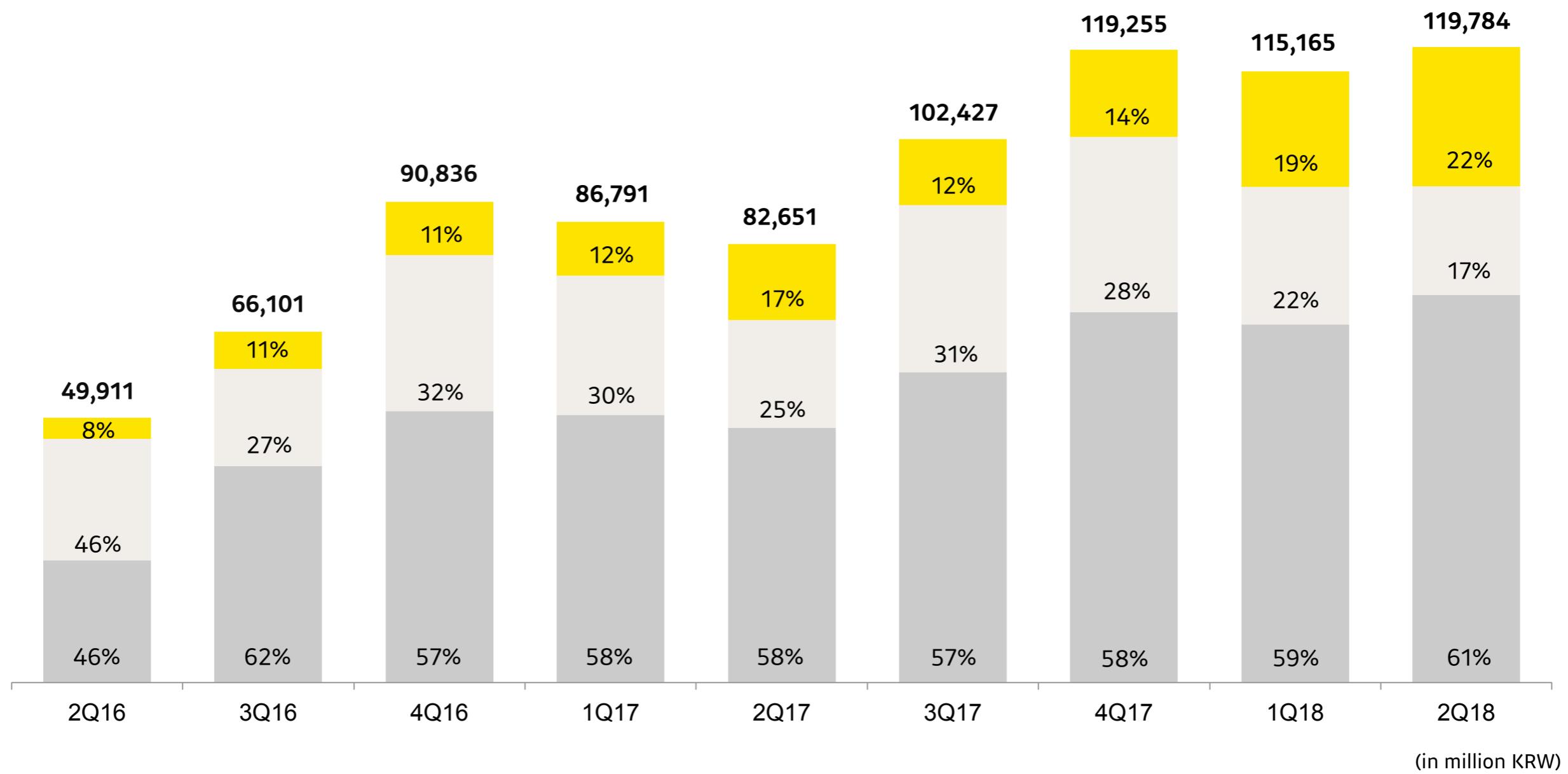


Others

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

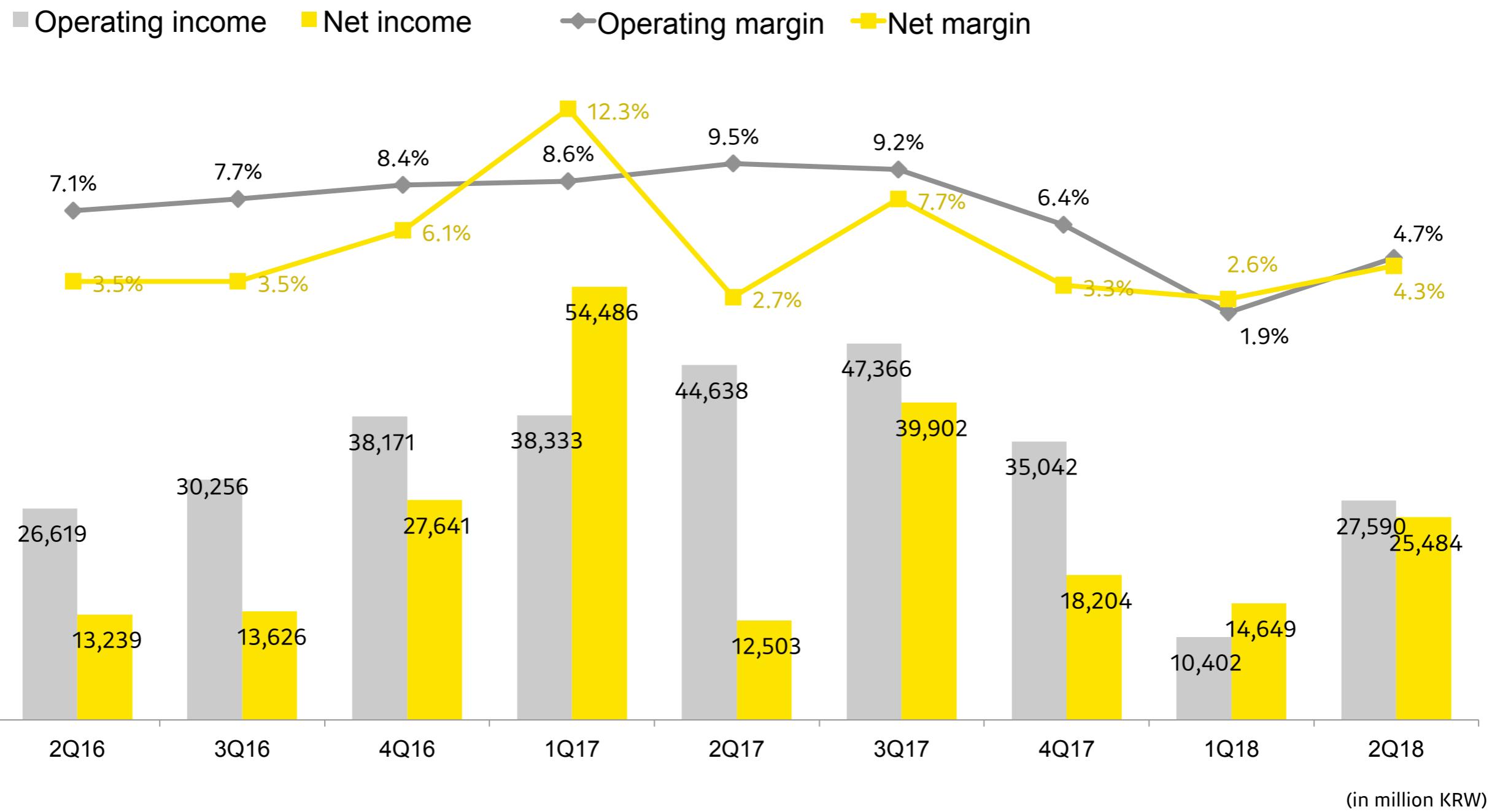
	2Q18	1Q18	QoQ	2Q17	YoY
OP Expenses	561,343	545,020	3%	423,804	32%
Labor costs	107,933	109,973	-2%	88,064	23%
Fringe benefits	15,890	15,258	4%	12,992	22%
Depreciation	16,268	15,985	2%	14,919	9%
Rental fees	11,069	10,210	8%	8,886	25%
Commissions	223,014	210,281	6%	178,765	25%
Advertising	45,311	47,941	-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%

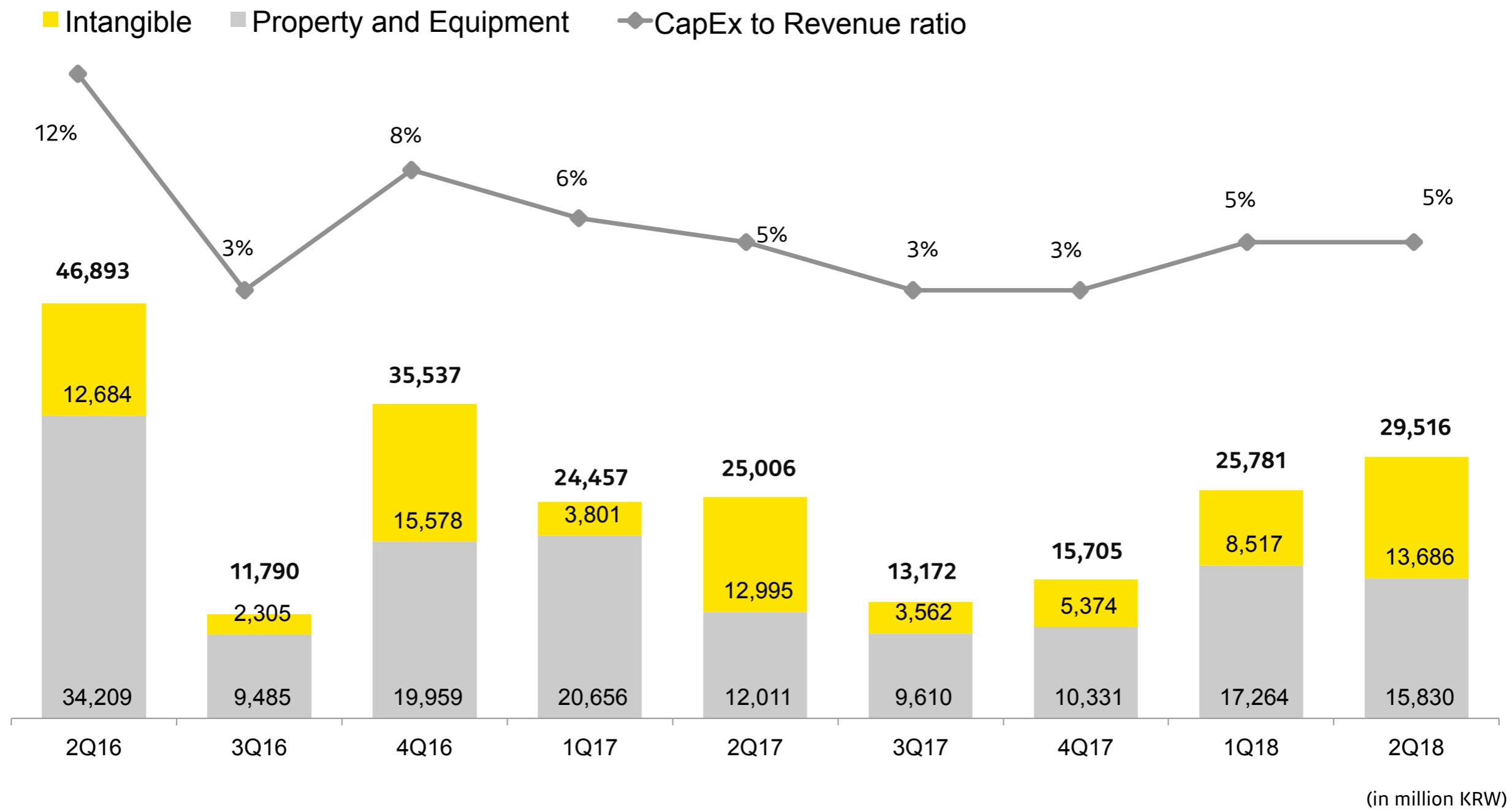
New business investment-related operating loss of KRW 53.5 billion to build mid- to long-term growth bases such as transportation/mobility, tech-fin, global expansion, artificial intelligence, and block chain



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%

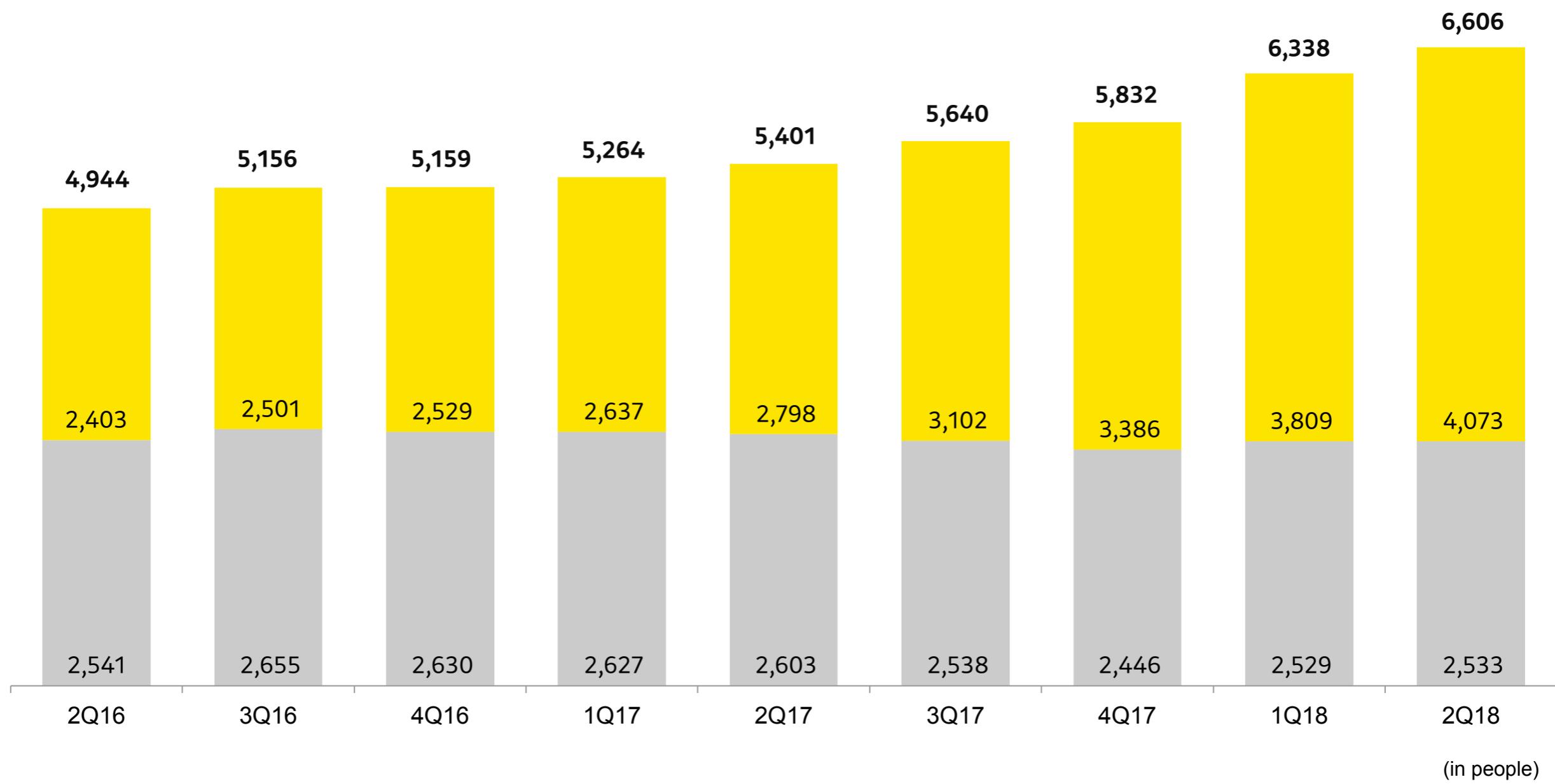


Employees

Total 6,606 Employees

QoQ 4 increased at Kakao, and 264 increased at subsidiaries

■ Subsidiaries ■ Kakao



Consolidated Financial Statements

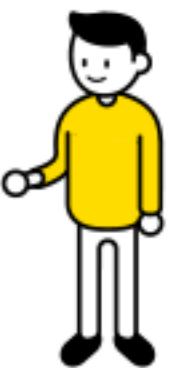
Consolidated Statements of Income					
(in million KRW)	2Q17	3Q17	4Q17	1Q18	2Q18
Revenues	468,443	515,413	544,685	555,421	588,933
Advertising	151,398	151,491	159,539	154,644	166,381
Content	234,394	261,495	265,891	285,613	302,768
Game	78,653	93,947	89,149	105,591	111,638
Music	117,089	122,067	129,060	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
Operating Expenses	423,804	468,047	509,643	545,020	561,343
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
Operating Profit	44,638	47,366	35,042	10,402	27,590
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
Profit before Income Tax Expenses	36,020	63,071	35,962	37,181	60,011
Income Tax Expenses	23,518	23,170	17,758	22,531	34,527
Net Profit from Continued Oper.	12,503	39,902	18,204	14,649	25,484
Net Profit	12,503	39,902	18,204	14,649	25,484
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
Current Assets	1,216,958	1,993,096	3,005,101
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
Non-Current Assets	4,267,159	4,356,332	4,731,616
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
Total Assets	5,484,117	6,349,428	7,736,717
Liabilities	806,020	1,040,863	1,697,822
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
Non-Current Liabilities	975,153	800,745	253,191
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
Total Liabilities	1,781,173	1,841,609	1,951,013
Paid-in Capital	33,858	34,004	38,193
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
Total Equity	3,702,944	4,507,820	5,785,704
Total Liabilities & Equity	5,484,117	6,349,428	7,736,717

Financial Statements (Kakao only)

Statements of Income						Statements of Financial Position			
(in million KRW)	2Q17	3Q17	4Q17	1Q18	2Q18	(in million KRW)	2016.12.31	2017.12.31	2018.06.30
Revenues	244,545	257,994	250,273	244,578	252,523	Current Assets	511,067	632,508	1,350,858
Advertising	143,128	141,496	154,640	146,378	160,791	Cash and Cash Equivalents	279,217	388,574	747,162
Content	65,746	79,128	52,963	49,759	43,939	S-T Financial Instruments	37,190	14,834	402,011
Game	46,522	59,270	32,401	27,026	21,220	Accounts Receivable	95,980	77,955	73,810
Music	2,669	2,600	2,532	2,298	2,285	Other Current Assets	98,679	151,145	127,874
Web literature and Emoticon	16,555	17,257	18,030	20,435	20,434	Non-Current Assets	4,318,230	4,324,369	4,689,080
Others	35,671	37,370	42,669	48,441	47,792	Equity Method Investments	2,337,040	2,368,582	2,607,287
Operating Expenses	216,952	228,439	226,361	228,192	223,005	Tangible Assets	203,866	208,084	205,992
Labor Costs	50,796	49,161	52,271	54,844	51,112	Intangible Assets	1,694,581	1,620,416	1,613,864
Fringe Benefits	7,885	7,625	6,981	8,359	7,737	Other Non-current Assets	82,743	127,287	261,938
Depreciation	12,344	12,370	12,624	12,673	12,684	Total Assets	4,829,297	4,956,878	6,039,938
Rental Fees	2,308	2,273	2,164	2,420	2,440	Liabilities	813,859	948,931	1,252,991
Commissions	78,828	89,740	77,344	75,084	70,322	Trade and N-T Payables	174,592	163,318	170,369
Advertising	8,347	9,390	9,863	5,850	2,677	Income Taxes Payable	7,168	81,507	39,119
Bad Debt Expenses	-28	62	47	193	381	Short-Term Debt	200,000	-	-
Amortization	5,277	4,821	4,578	4,439	4,413	Other Current Liabilities	432,099	704,106	1,043,503
Content Fees	12,728	13,091	15,728	16,651	17,480	Non-Current Liabilities	640,280	450,237	95,722
Ad Agency Fees	23,910	21,843	23,416	22,274	29,557	Bonds	319,255	149,777	39,926
Event Fees	299	372	682	296	702	Bonds- CB/EB	248,928	243,197	-
Cost of Goods	9,181	13,236	16,414	21,096	18,810	Deferred Income Tax Liab.	43,266	28,992	22,754
Miscellaneous	5,078	4,457	4,251	4,013	4,690	Other Non-Current Liab.	28,830	28,271	33,042
Operating Profit	27,593	29,555	23,911	16,386	29,518	Total Liabilities	1,454,139	1,399,168	1,348,713
Other Non-Operating Income	2,445	240,651	50	50,042	3,545	Paid-in Capital	33,858	34,004	38,193
Other Non-Operating Expenses	13,814	4,430	64,892	4,973	7,317	Capital Surplus	3,057,264	3,036,434	4,087,116
Finance Income	2,037	1,671	4,549	17,829	39,812	Capital Adjustments	-11,232	-6,026	-2,917
Finance Costs	-1018	1,741	27,673	9,207	1,439	Accum. Other Compre. Inc.	5,046	-4,472	-20,046
Profit before Income Tax Expenses	19,278	265,705	-64,054	70,077	64,120	Retained Earnings	290,222	497,769	588,879
Income Tax Expenses	10,690	60,826	7,267	16,693	19,806	Total Equity	3,375,158	3,557,710	4,691,225
Net Profit from Continued Oper.	8,588	204,879	-71,321	53,384	44,314	Total Liabilities & Equity	4,829,297	4,956,878	6,039,938
Net Profit	8,588	204,879	-71,321	53,384	44,314				

thank you



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