

# Kakao Q1 2017 Results

2017. 5. 11 | Investor Relations

# Disclaimer

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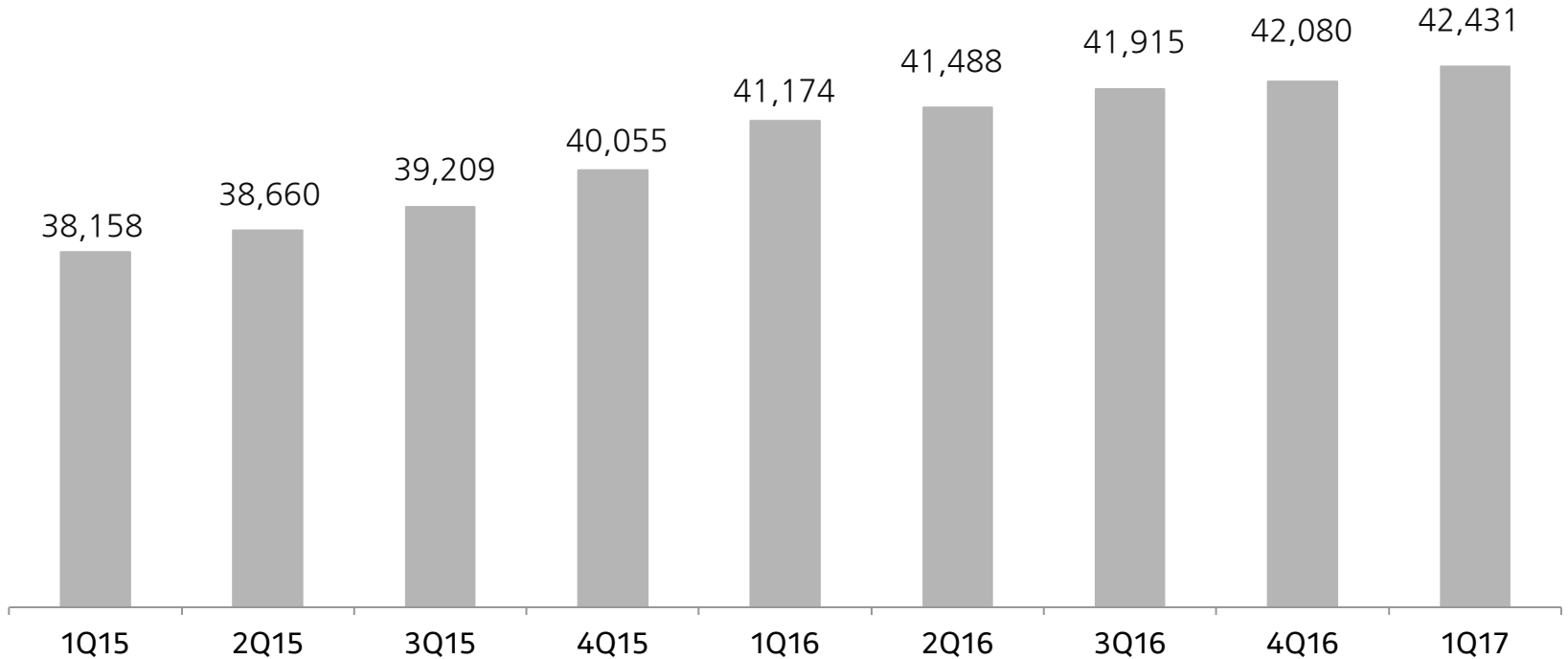
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# Kakao Talk Monthly Active Users (MAUs)



Continue to grow our domestic active users YoY +1,257K, QoQ +351K

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



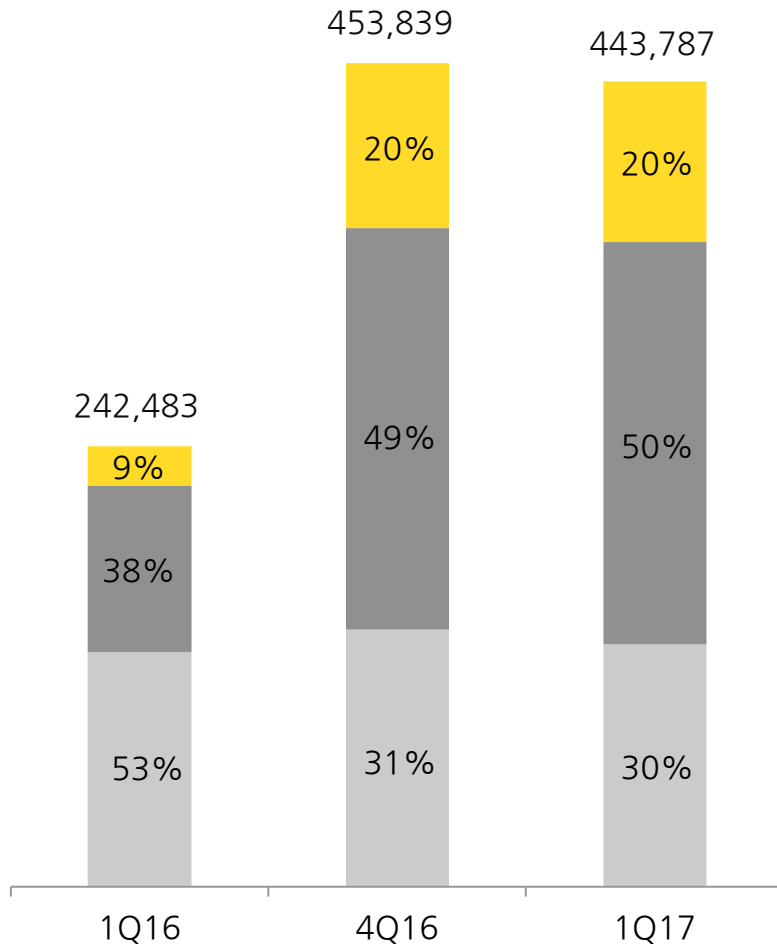
(in thousand)

Korea	38,158	38,660	39,209	40,055	41,174	41,488	41,915	42,080	42,431
Global	48,207	48,073	48,464	48,321	49,318	49,100	49,189	48,955	49,158

Average of monthly MAUs. Global includes domestic MAUs.

# Revenue Categories

■ Advertising ■ Content ■ Others  
(in million KRW)



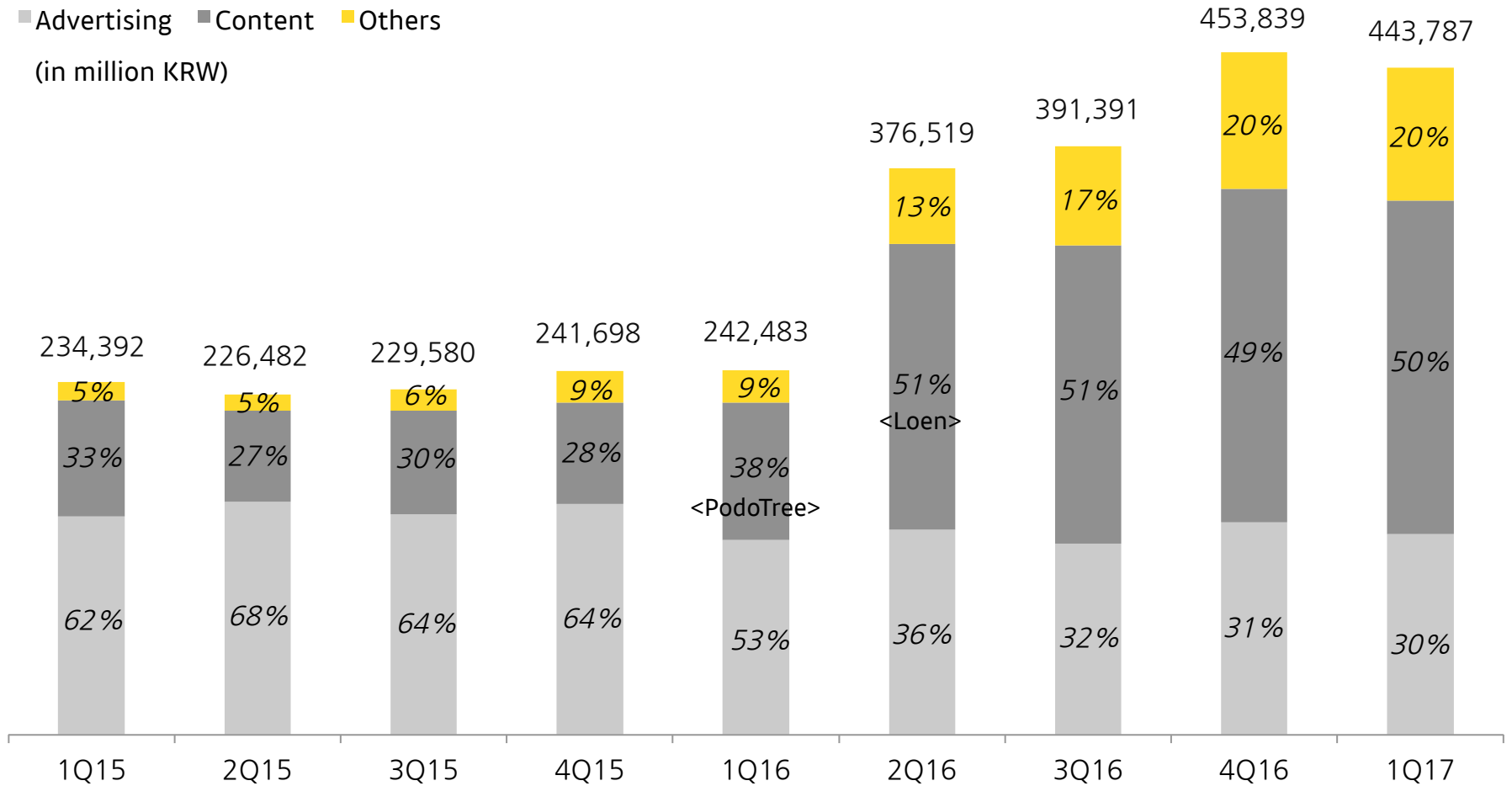
A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Talk Plus Friends Talk PC Brand Emoticon Notification Talk Friend Talk Talk Reward Talk Hairshop* Talk Order
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
C O N T E N T	Game	Kakao Game Kakao Games
	Music	Melon Kakao Music
	Webtoon • Web novel	PodoTree Kakao Page Daum Webtoon
	Emoticon	Talk B2C Emoticon
O T H E R S	Commerce	Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer
	Mobility	Kakao Taxi • Black Kakao Driver
	Fintech	Kakao Pay
	Misc.	Loen (production, etc.)

\* Reclassified from Others(Misc.) to Advertising from 1Q17

# Total Revenue

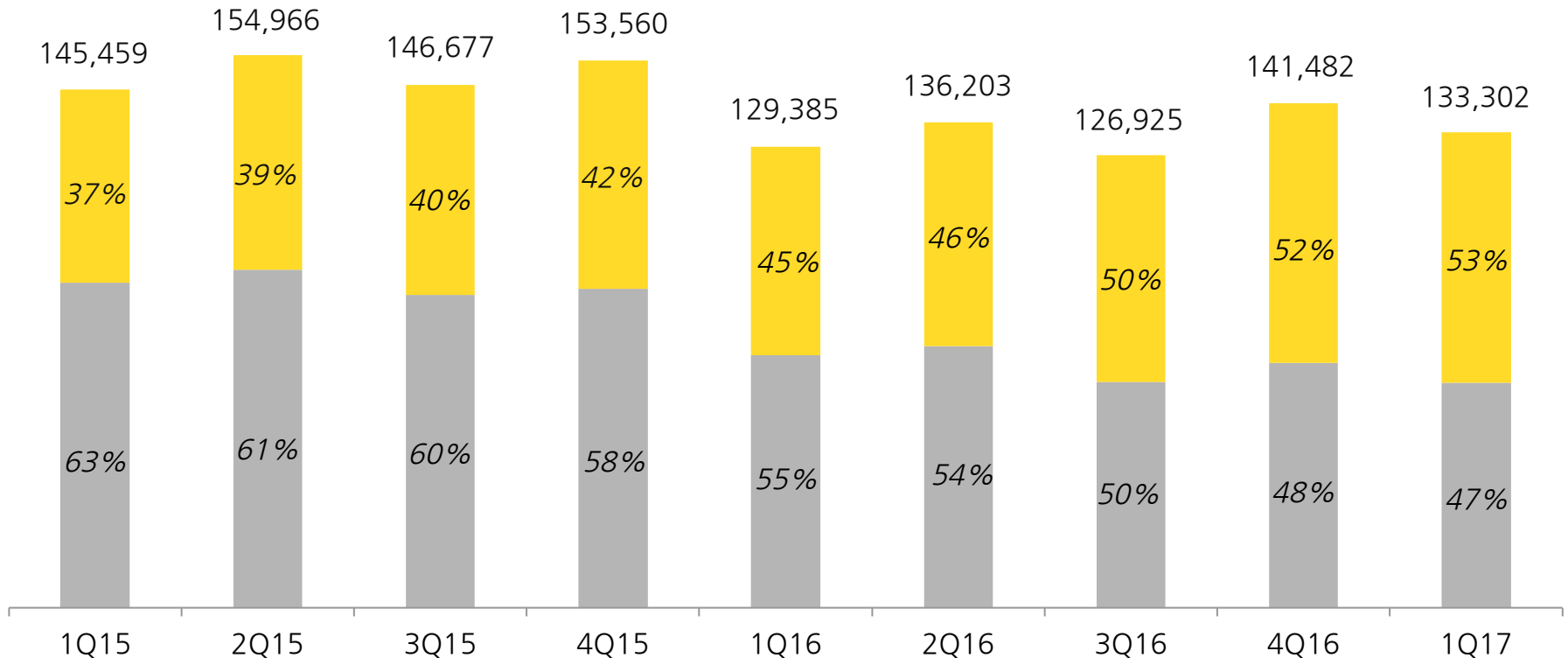
Content and commerce revenue growth, and addition of Loen(2Q'16~) led YoY 83% up, intensifying competition in mobile game resulted in QoQ 2% down

■ Advertising ■ Content ■ Others  
(in million KRW)



**Mobile ads growth led YoY 3% up despite the adverse financial impact of PC syndicate restructuring (completed in Sept. '16), weak seasonality resulted in QoQ 6% down**

■ PC ■ Mobile  
(in million KRW)

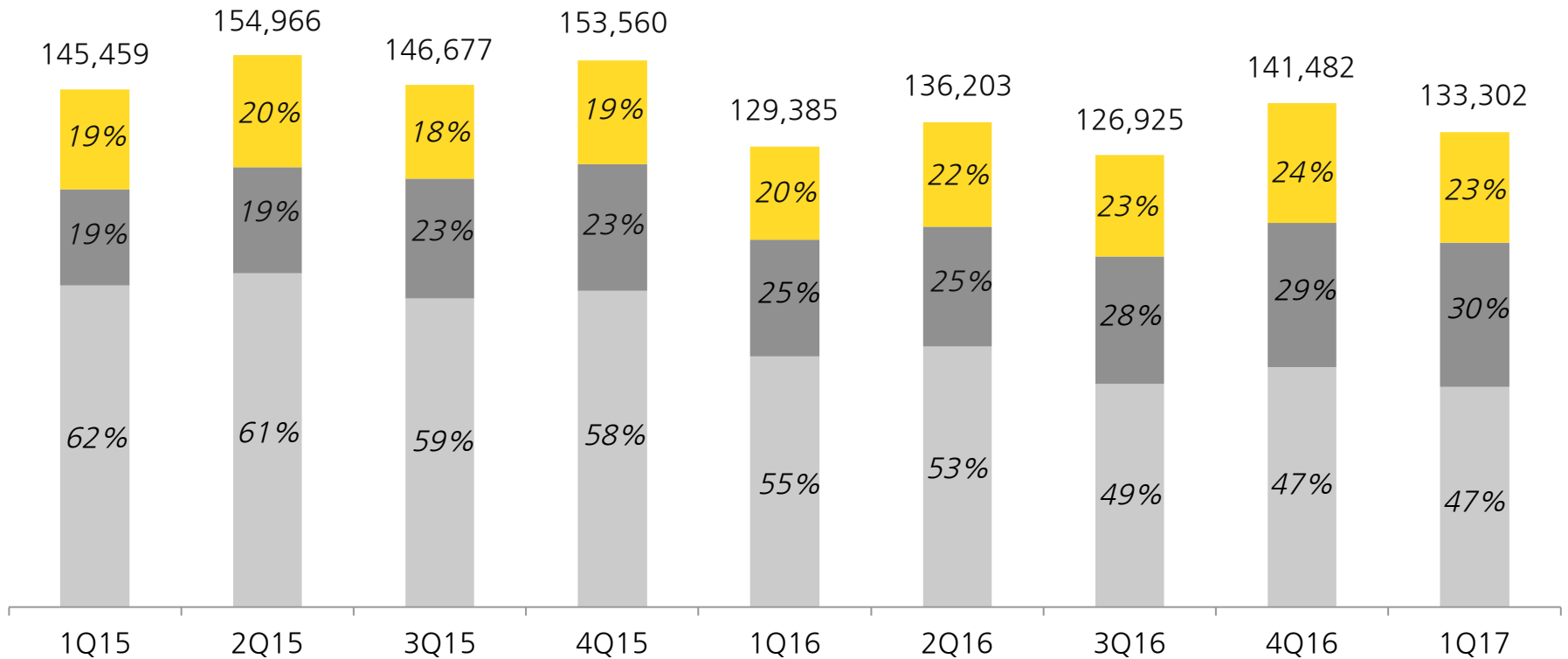


# Advertising- Daum vs. Kakao Platforms

Daum-PC, Daum-mobile and Kakao platform accounted for 47%, 30% and 23%, respectively

■ Daum-PC ■ Daum-Mobile ■ Kakao Platform

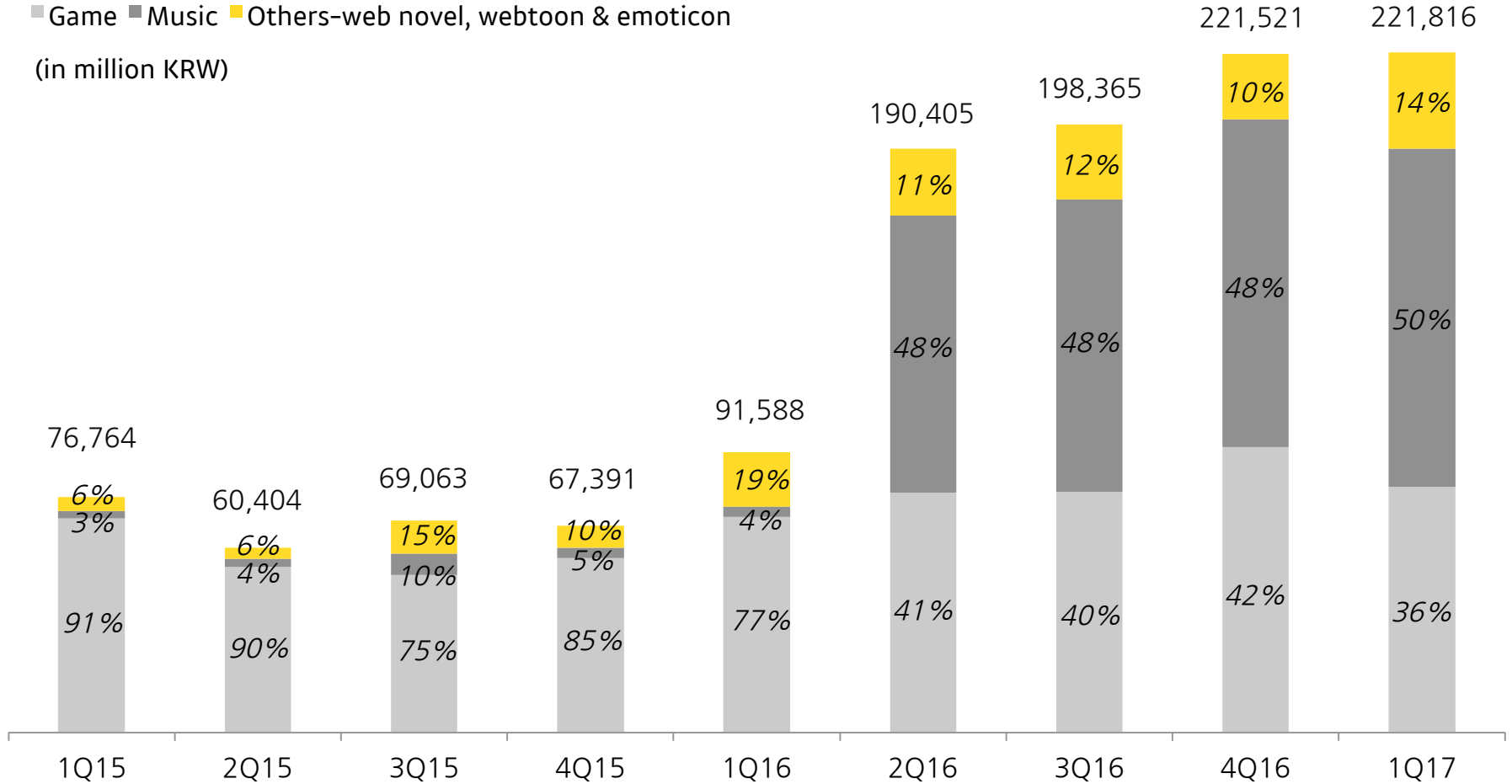
(in million KRW)



## Loan addition and web novel•webtoon growth led YoY 142% up, flat QoQ due to mobile game decline

■ Game ■ Music ■ Others-web novel, webtoon & emoticon

(in million KRW)

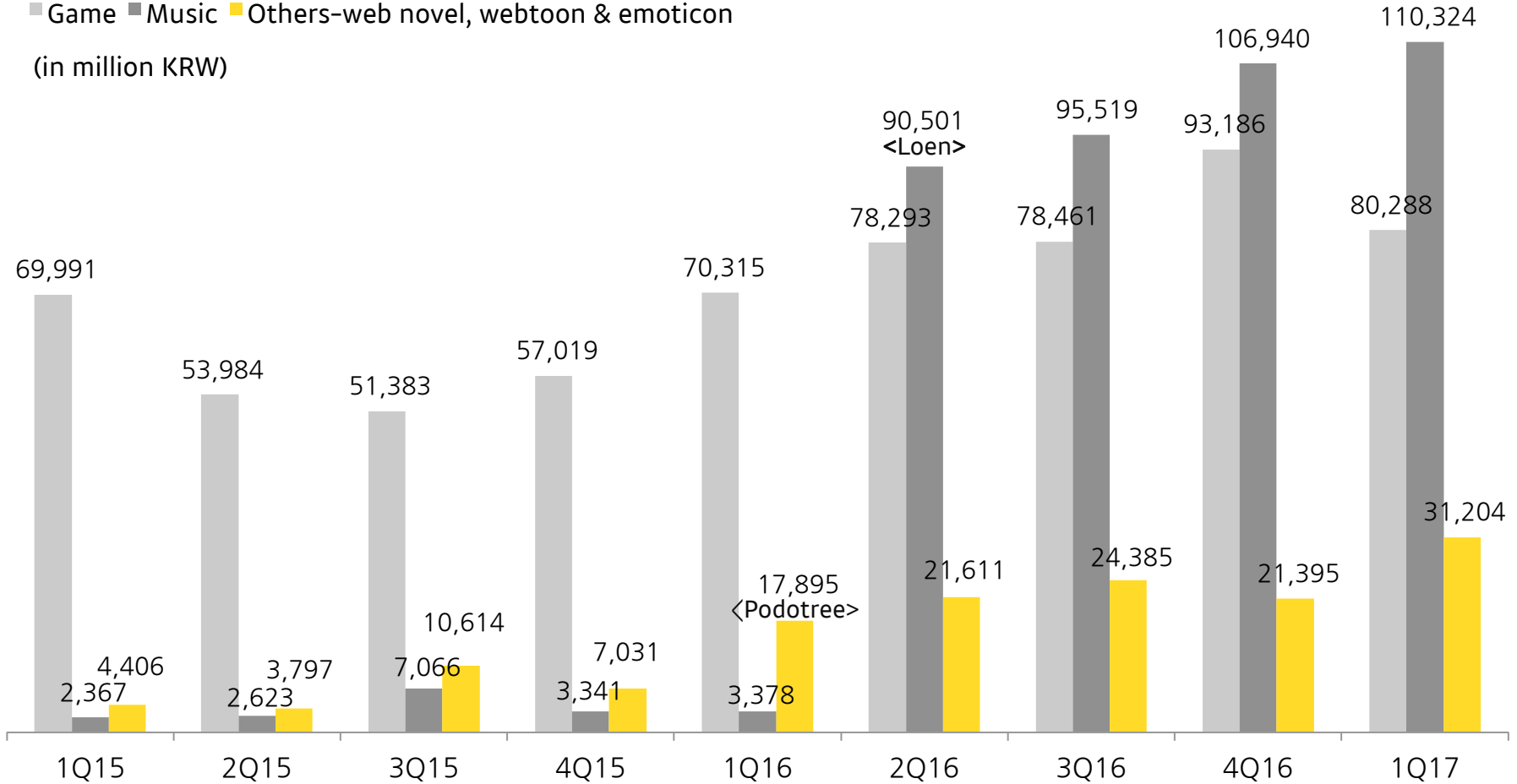




Game declined due to intensifying competition in new mobile games, all others continued to grow

■ Game ■ Music ■ Others-web novel, webtoon & emoticon

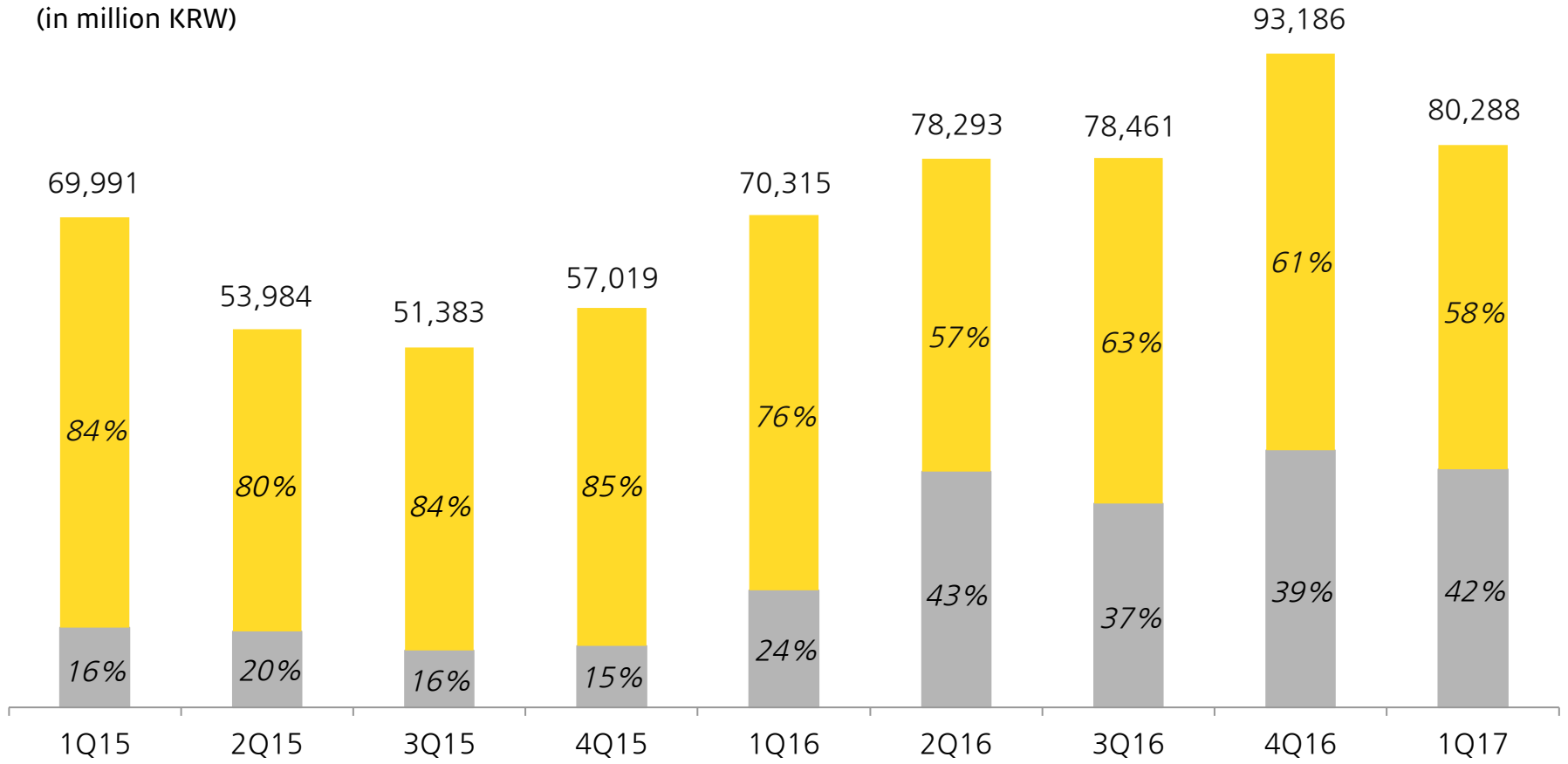
(in million KRW)



Sustained high performance of 'Black Desert' in both domestic and overseas markets led YoY 14% up, intensifying competition in new mobile games resulted in QoQ 14% down

■ PC ■ Mobile

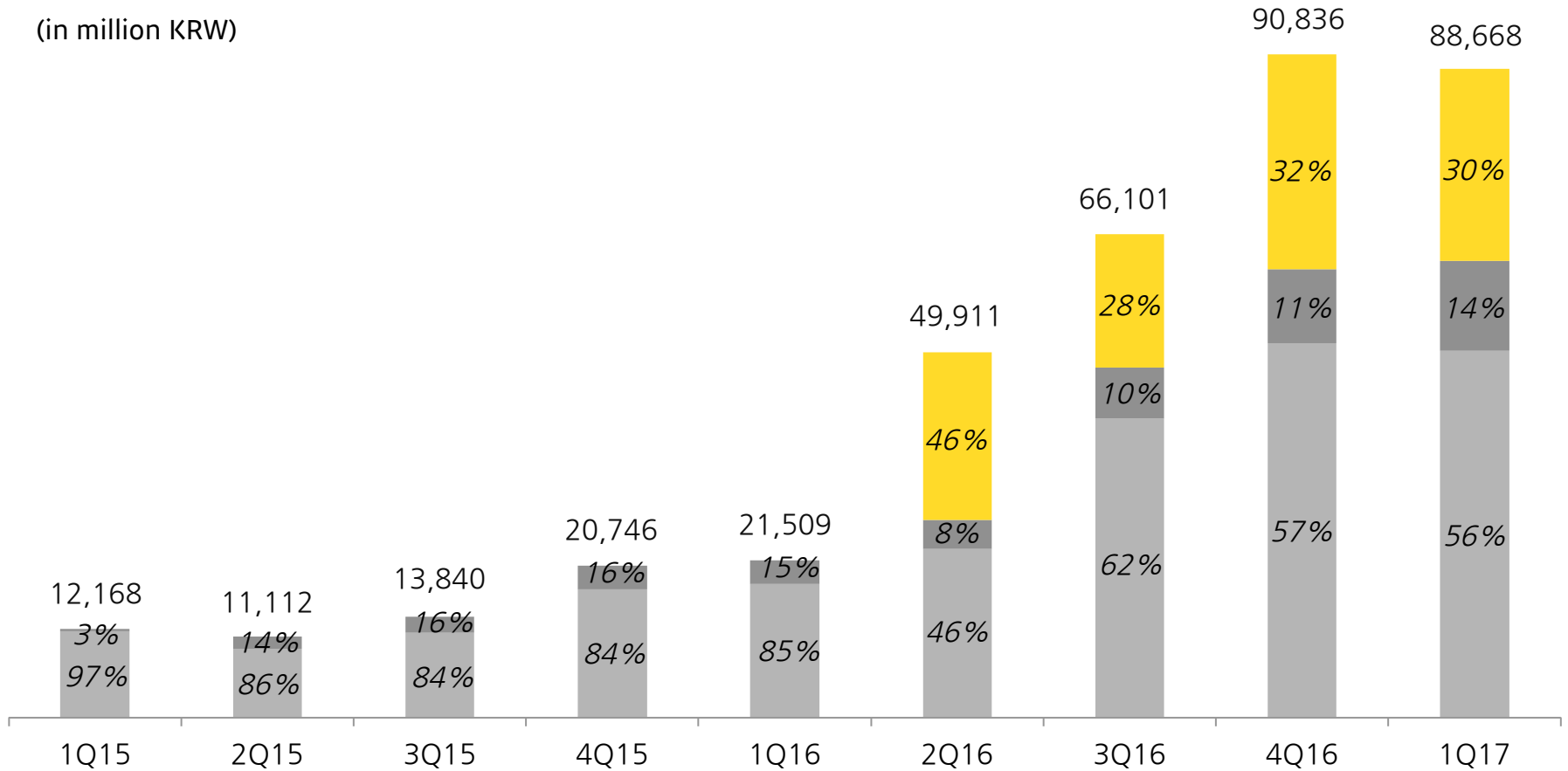
(in million KRW)



**Strong growth in commerce, and addition of Loen's other revenue led YoY 312% up, negative seasonal effects on some commerce services resulted in QoQ 2% down**

■ Commerce ■ Miscellaneous ■ Loen-others

(in million KRW)



# Summary Results

(in million KRW)

	1Q17	4Q16	QoQ	1Q16	YoY
<b>Total Revenue</b>	443,787	453,839	-2%	242,483	83%
Advertising	133,302	141,482	-6%	129,385	3%
Content *	221,816	221,521	-	91,588	142%
Others	88,668	90,836	-2%	21,509	312%
<b>Operating Expenses</b>	405,453	415,668	-2%	221,394	83%
<b>Operating Income</b>	38,333	38,171	-	21,090	82%
Operating Margin	8.6%	8.4%	0.2%p	8.7%	-0.1%p
EBITDA	69,922	69,856	-	42,582	64%
Finance Income	4,737	9,187	-48%	3,756	26%
Finance Expenses	9,895	4,246	133%	3,276	202%
Other, Net	-14,931	-1,701	778%	-4,914	204%
<b>Income before Tax</b>	18,244	41,412	-56%	16,656	10%
Income Tax	-36,241	13,771	n/a	5,707	n/a
<b>Net Income</b>	54,486	27,641	97%	10,950	398%

\* Loen Entertainment's acquisition of 76.4% stake on March 16, 2016 applied to consolidated results from 2Q 2016

# Operating Expenses

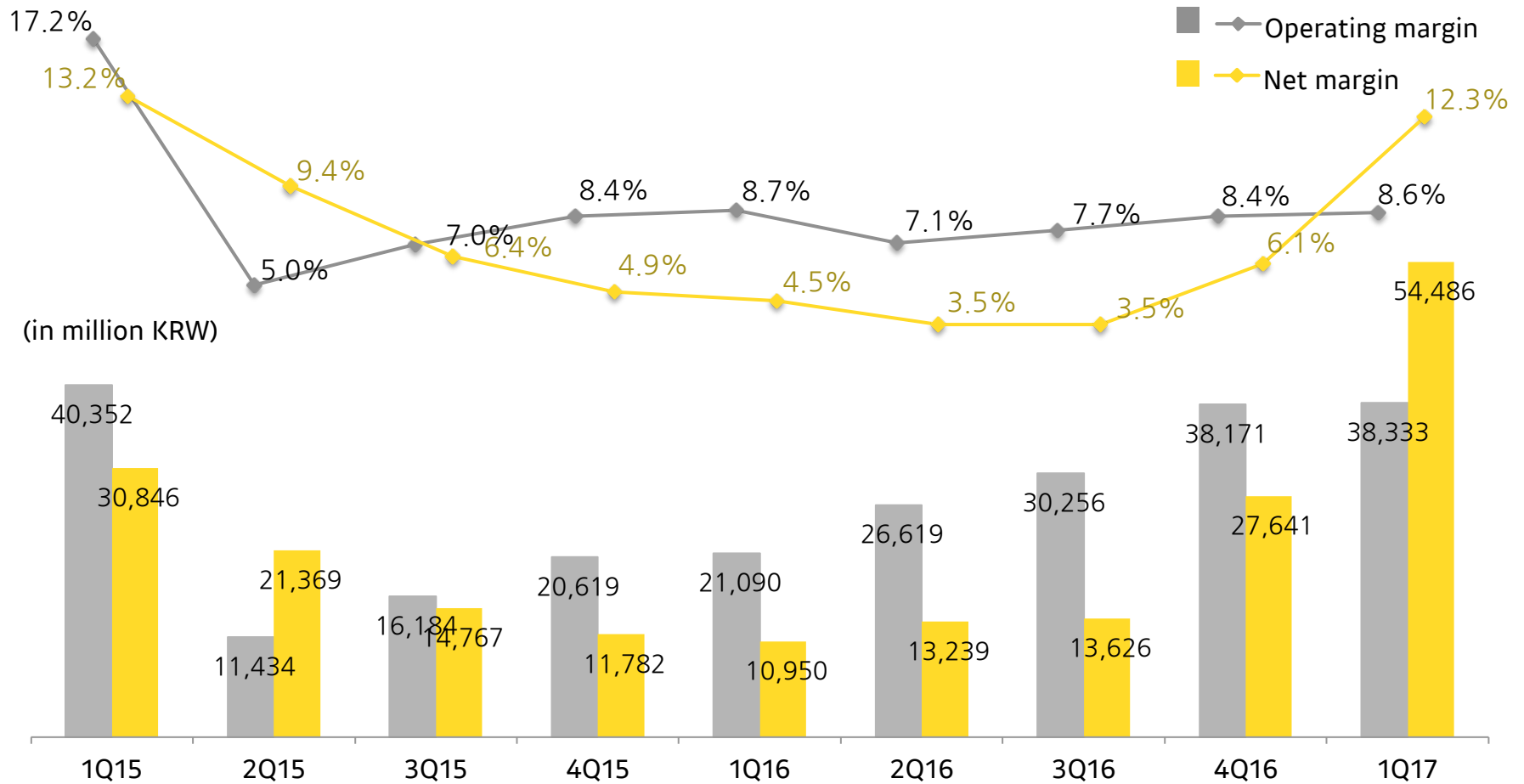
(in million KRW)

	1Q17	4Q16	QoQ	1Q16	YoY
<b>OP Expenses</b>	405,453	415,668	-2%	221,394	83%
Labor costs	84,808	83,776	1%	62,282	36%
Fringe benefits	13,436	15,085	-11%	10,448	29%
Depreciation	14,816	14,412	3%	13,005	14%
Rental fees	8,749	8,467	3%	5,340	64%
Commissions *	160,388	161,997	-1%	64,923	147%
Advertising	24,959	36,141	-31%	7,709	224%
Bad Debt Exp.	141	1,182	-88%	814	-83%
Amortization	16,773	17,273	-3%	8,487	98%
Content fees	24,923	19,794	26%	17,369	43%
Ad agency fees	19,051	22,654	-16%	20,580	-7%
Event fees	110	1,002	-89%	116	-5%
Others	37,299	33,885	10%	10,323	261%

\* Increase in revenue share to game developers, settlement fee, and Loen Entertainment's MelOn related fee

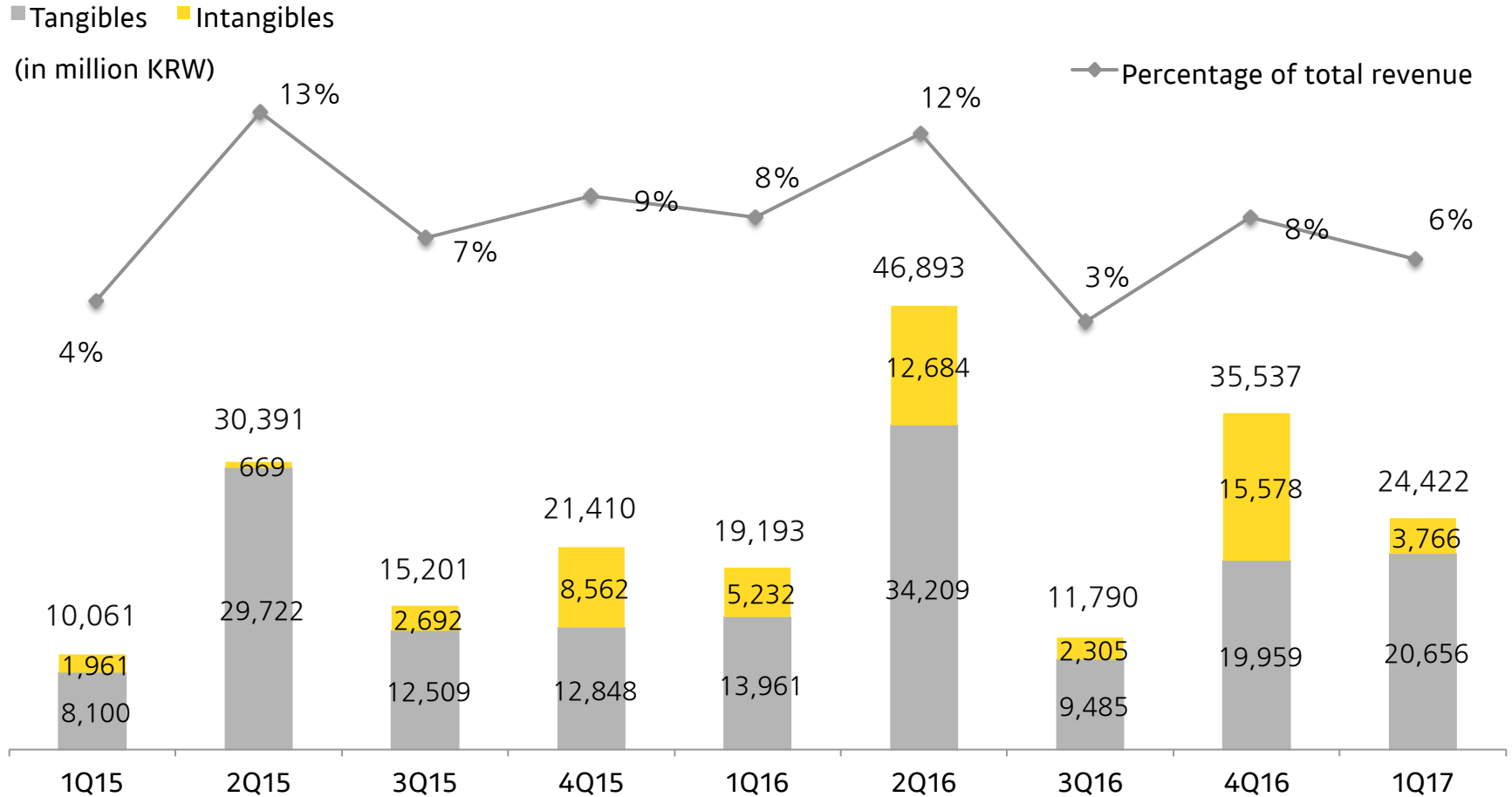
# Income

**Operating income YoY 82% up, flat QoQ, Net Income YoY 398% up, QoQ 97% up**



# Capital Expenditure

## 1Q CapEx 24.4 bn Won, YoY 27% up, due to Loen consolidation

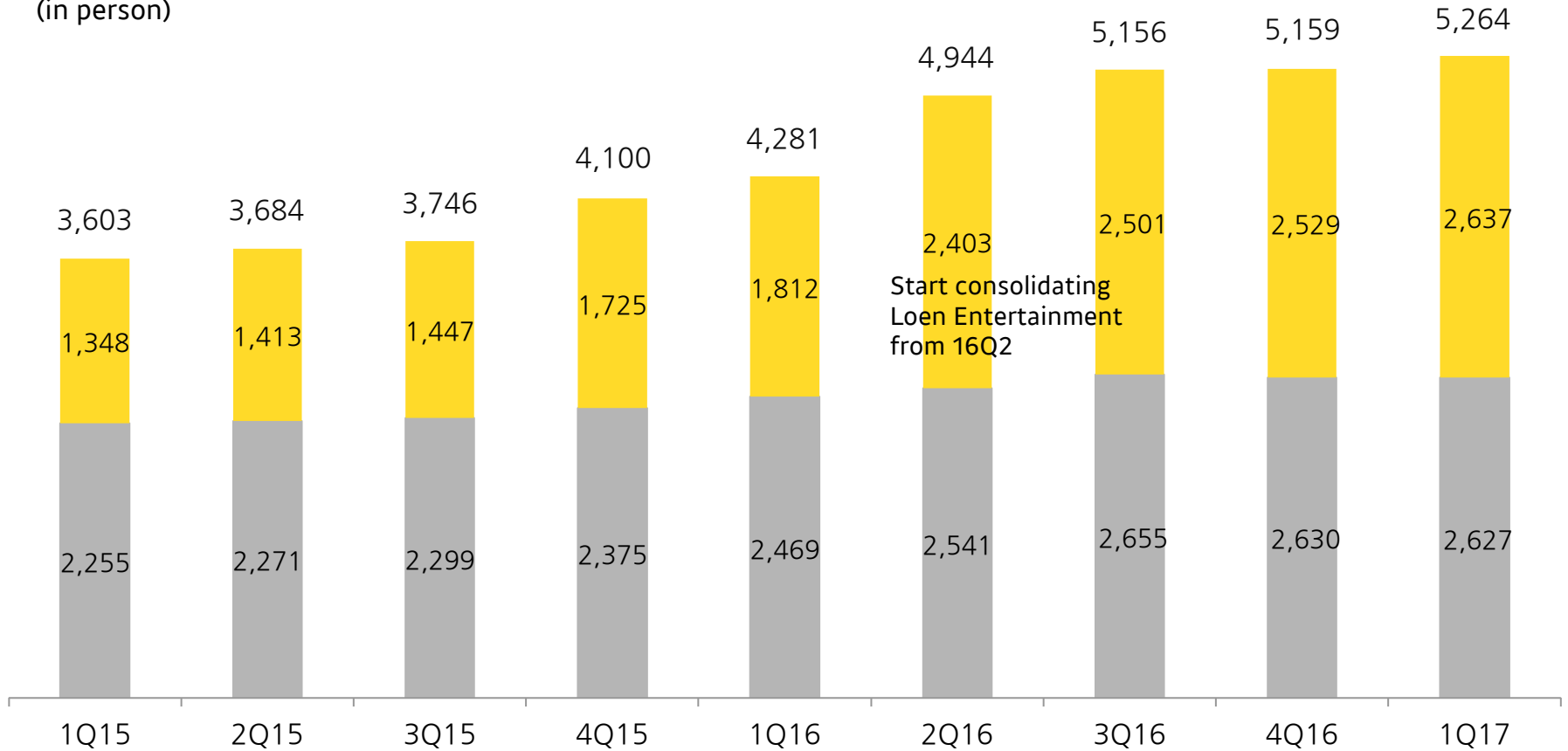


# Employees

**Total 5,264 employees as of 1Q end, QoQ decrease of 3 from Kakao, and 108 increased at subsidiaries**

■ Kakao ■ Subsidiaries

(in person)





# Consolidated Financial Statements

Consolidated Statements of Income					
(in million KRW)	1Q16	2Q16	3Q16	4Q16	1Q17
<b>Revenues</b>	<b>242,483</b>	<b>376,519</b>	<b>391,391</b>	<b>453,839</b>	<b>443,787</b>
Advertising	129,385	136,203	126,925	141,482	133,302
Content	91,588	190,405	198,365	221,521	221,816
Game	70,315	78,293	78,461	93,186	80,288
Music	3,378	90,501	95,519	106,940	110,324
Webtoon/Novel/Emoticon	17,895	21,611	24,385	21,395	31,204
Others	21,509	49,911	66,101	90,836	88,668
<b>Operating Expenses</b>	<b>221,394</b>	<b>349,900</b>	<b>361,136</b>	<b>415,668</b>	<b>405,453</b>
Labor Costs	63,665	75,563	75,604	83,776	84,808
Fringe Benefits	10,448	16,001	12,566	15,085	13,436
Depreciation	13,005	14,460	14,317	14,412	14,816
Rental Fees	5,340	7,408	8,059	8,467	8,749
Commissions	64,923	142,980	146,618	161,997	160,388
Advertising	7,709	15,967	23,936	36,141	24,959
Bad Debt Expenses	814	-1,332	-1,823	1,182	141
Amortization	8,487	16,718	15,107	17,273	16,773
Content Fees	17,369	19,655	22,913	19,794	24,923
Ad Agency Fees	20,580	20,937	19,357	22,654	19,051
Event Fees	116	374	294	1,002	110
Others	8,940	21,170	24,187	33,885	37,299
<b>Operating Profit</b>	<b>21,090</b>	<b>26,619</b>	<b>30,256</b>	<b>38,171</b>	<b>38,333</b>
Other Revenues	3,438	2,206	3,744	15,869	2,388
Other Expenses	5,839	5,179	6,329	14,059	14,952
Financial Income	3,756	9,081	2,648	9,187	4,737
Financial Expenses	3,276	9,351	7,106	4,246	9,895
Equity-method, Net	-2,513	-2,237	-2,122	-3,511	-2,367
<b>Profit before Income Tax Expenses</b>	<b>16,656</b>	<b>21,139</b>	<b>21,089</b>	<b>41,412</b>	<b>18,244</b>
<b>Income Tax Expenses</b>	<b>5,707</b>	<b>7,900</b>	<b>7,463</b>	<b>13,771</b>	<b>-36,241</b>
<b>Net Profit from Continued Oper.</b>	<b>10,950</b>	<b>13,239</b>	<b>13,626</b>	<b>27,641</b>	<b>54,486</b>
<b>Net Profit</b>	<b>10,950</b>	<b>13,239</b>	<b>13,626</b>	<b>27,641</b>	<b>54,486</b>
Net Profit of Controlling Interests	13,176	8,834	12,215	23,449	53,715
Net Profit of Non-controlling Int.	-2,226	4,405	1,411	4,191	771

Consolidated Statements of Financial Position			
(in million KRW)	2015.12.31	2016.12.31	2017.03.31
<b>Current Assets</b>	<b>970,067</b>	<b>1,216,958</b>	<b>1,234,450</b>
Cash and Cash Equivalents	397,177	641,644	618,541
S-T Financial Instruments	373,389	236,748	273,176
Accounts Receivable	88,822	173,853	166,003
Other Current Assets	110,679	164,713	176,730
<b>Non-Current Assets</b>	<b>2,218,411</b>	<b>4,267,159</b>	<b>4,260,188</b>
Equity Method Investments	68,704	117,076	98,155
Tangible Assets	219,052	253,854	263,425
Intangible Assets	1,855,604	3,733,166	3,719,432
Other Non-current Assets	75,051	163,063	179,175
<b>Total Assets</b>	<b>3,188,478</b>	<b>5,484,117</b>	<b>5,494,638</b>
<b>Liabilities</b>	<b>316,078</b>	<b>806,020</b>	<b>770,121</b>
Trade and N-T Payables	89,506	263,130	247,581
Income Taxes Payable	29,448	30,944	34,482
Short-Term Debt	22,055	200,374	200,224
Other Current Liabilities	175,069	311,572	287,834
<b>Non-Current Liabilities</b>	<b>286,925</b>	<b>975,153</b>	<b>977,551</b>
Bonds	199,383	319,255	319,329
Bonds- CB/EB	-	476,122	476,341
Deferred Income Tax Liab.	48,636	142,919	137,839
Other Non-Current Liab.	38,905	36,857	44,042
<b>Total Liabilities</b>	<b>603,003</b>	<b>1,781,173</b>	<b>1,747,672</b>
Paid-in Capital	30,098	33,858	33,908
Capital Surplus	2,274,186	3,105,014	3,103,430
Capital Adjustments	-9,032	-11,232	-10,935
Accum. Other Compre. Inc.	829	920	-3,006
Retained Earnings	256,313	303,952	347,660
Non-controlling Interests	33,081	270,432	275,908
<b>Total Equity</b>	<b>2,585,475</b>	<b>3,702,944</b>	<b>3,746,966</b>
<b>Total Liabilities &amp; Equity</b>	<b>3,188,478</b>	<b>5,484,117</b>	<b>5,494,638</b>

# Financial Statements (Kakao Only)

## Statements of Income

(in million KRW)	1Q16	2Q16	3Q16	4Q16	1Q17
<b>Revenues</b>	<b>203,027</b>	<b>206,774</b>	<b>210,165</b>	<b>241,239</b>	<b>225,889</b>
Advertising	124,481	130,580	120,915	136,054	125,076
Content	63,958	56,644	63,996	72,499	64,333
Game	51,562	42,726	48,570	56,091	46,720
Music	3,378	2,991	3,155	3,369	2,938
Webtoon/Novel/Emoticon	9,018	10,928	12,270	13,040	14,675
Others	13,163	19,550	25,254	32,685	36,479
<b>Operating Expenses</b>	<b>173,069</b>	<b>191,670</b>	<b>199,705</b>	<b>225,767</b>	<b>209,397</b>
Labor Costs	45,349	48,830	49,214	52,044	51,811
Fringe Benefits	7,927	11,693	8,421	10,569	8,414
Depreciation	12,354	12,793	12,491	12,276	12,477
Rental Fees	2,205	2,525	2,396	2,616	2,480
Commissions	55,595	57,520	64,514	72,184	73,040
Advertising	3,885	8,418	13,858	22,248	9,014
Bad Debt Expenses	908	116	-320	-216	82
Amortization	5,800	5,906	5,708	5,561	5,417
Content Fees	10,863	11,722	13,438	11,646	11,062
Ad Agency Fees	20,012	21,152	19,281	22,562	18,987
Event Fees	110	359	242	693	120
Others	8,061	10,635	10,462	13,556	16,493
<b>Operating Profit</b>	<b>29,958</b>	<b>15,105</b>	<b>10,460</b>	<b>15,472</b>	<b>16,492</b>
Other Revenues	1,660	960	1,780	2,082	1,460
Other Expenses	2,980	6,197	4,203	19,712	3,123
Financial Income	3,557	6,427	517	19,246	35,067
Financial Expenses	1,788	8,510	6,974	4,234	23,399
<b>Profit before Income Tax Expenses</b>	<b>30,407</b>	<b>7,784</b>	<b>1,580</b>	<b>12,853</b>	<b>26,497</b>
Income Tax Expenses	7,054	4,628	-100	2,872	-48,911
Net Profit from Continued Oper.	23,353	3,157	1,680	9,981	75,408
<b>Net Profit</b>	<b>23,353</b>	<b>3,157</b>	<b>1,680</b>	<b>9,981</b>	<b>75,408</b>

## Statements of Financial Position

(in million KRW)	2015.12.31	2016.12.31	2017.03.31
<b>Current Assets</b>	<b>718,533</b>	<b>511,067</b>	<b>493,467</b>
Cash and Cash Equivalents	190,785	279,217	261,861
S-T Financial Instruments	361,809	37,190	16,899
Accounts Receivable	87,162	95,980	77,233
Other Current Assets	78,778	98,679	137,474
<b>Non-Current Assets</b>	<b>2,398,531</b>	<b>4,318,230</b>	<b>4,345,826</b>
Equity Method Investments	474,327	2,337,040	2,368,459
Tangible Assets	210,393	203,866	206,547
Intangible Assets	1,652,605	1,694,581	1,689,813
Other Non-current Assets	61,205	82,743	81,007
<b>Total Assets</b>	<b>3,117,064</b>	<b>4,829,297</b>	<b>4,839,293</b>
<b>Liabilities</b>	<b>265,747</b>	<b>611,662</b>	<b>556,632</b>
Trade and N-T Payables	91,748	174,592	148,533
Income Taxes Payable	24,581	7,168	6,646
Short-Term Debt	-	200,000	150,000
Other Current Liabilities	149,419	229,902	251,453
<b>Non-Current Liabilities</b>	<b>276,435</b>	<b>842,477</b>	<b>840,912</b>
Bonds	199,383	319,255	319,329
Bonds- CB/EB	-	451,126	452,665
Deferred Income Tax Liab.	44,394	43,266	35,947
Other Non-Current Liab.	32,658	28,830	32,971
<b>Total Liabilities</b>	<b>542,182</b>	<b>1,454,139</b>	<b>1,397,544</b>
Paid-in Capital	30,098	33,858	33,908
Capital Surplus	2,291,486	3,057,264	3,058,151
Capital Adjustments	-9,032	-11,232	-10,935
Accum. Other Compre. Inc.	244	5,046	5,001
Retained Earnings	262,086	290,222	355,623
<b>Total Equity</b>	<b>2,574,882</b>	<b>3,375,158</b>	<b>3,441,749</b>
<b>Total Liabilities &amp; Equity</b>	<b>3,117,064</b>	<b>4,829,297</b>	<b>4,839,293</b>

