

kakao

2017. 8. | Investor Relations



Disclaimer

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Revenue

Kakao Talk

Advertising

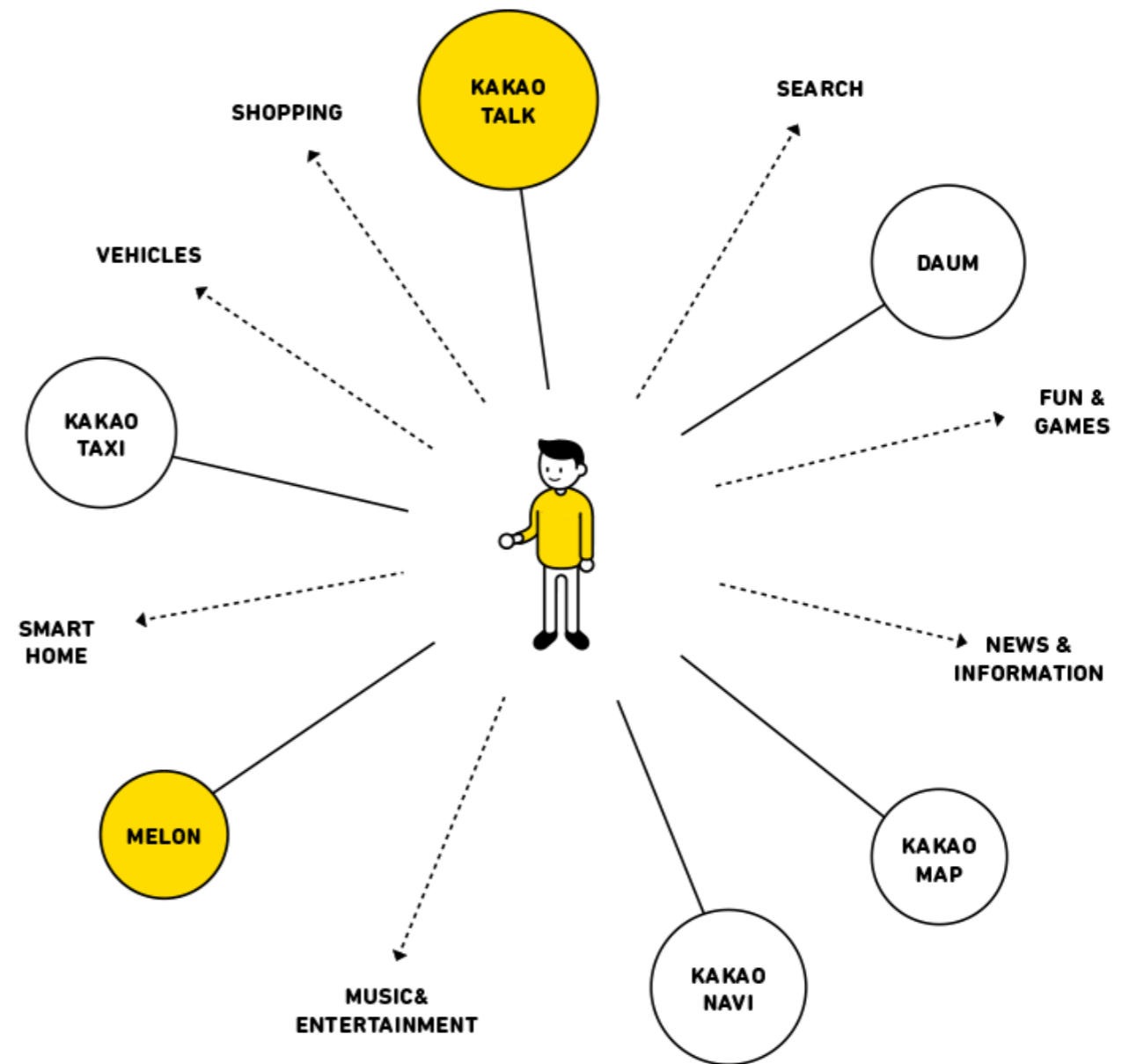
Content

Commerce

Smart Mobility

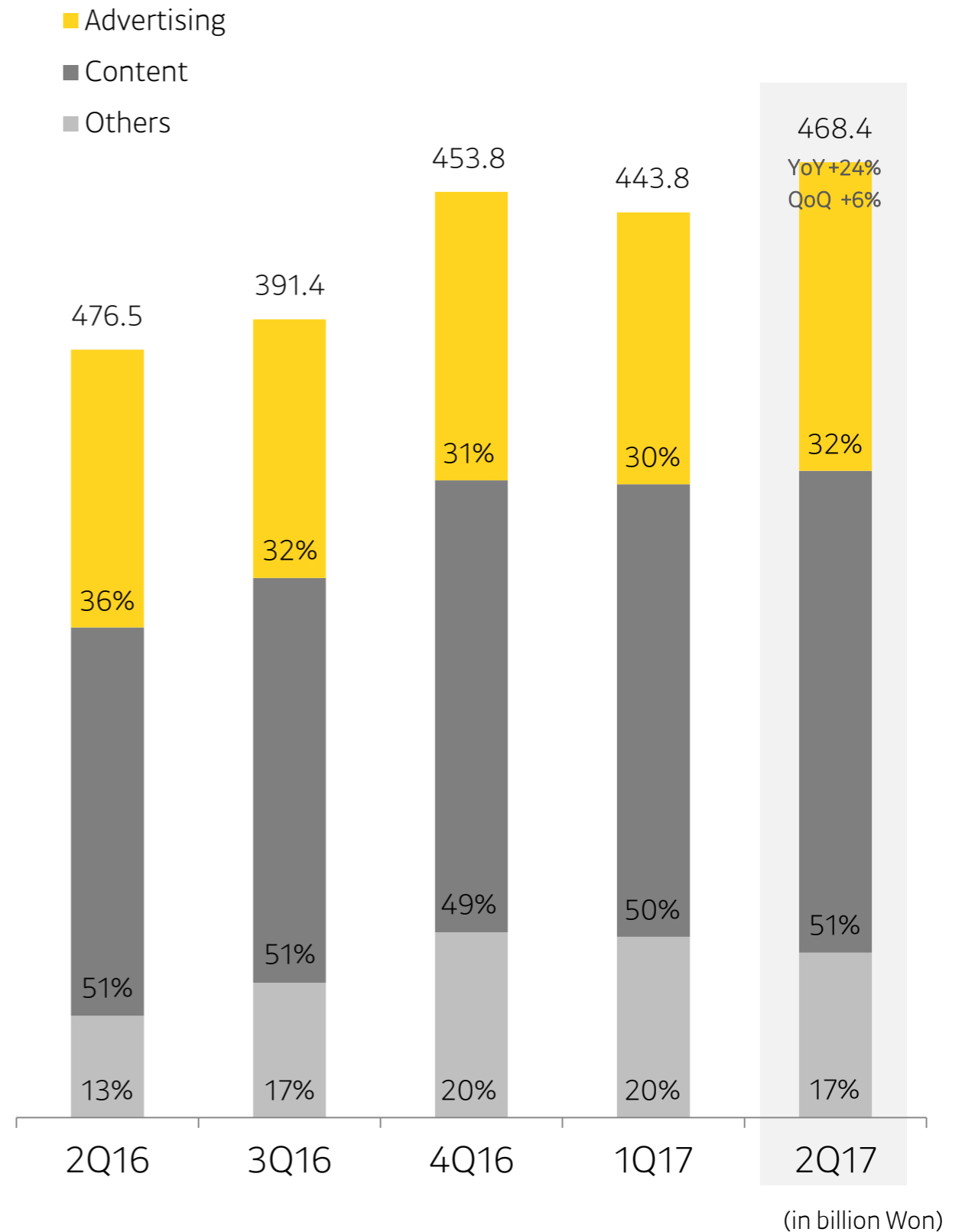
Fintech

Financial Statements



Revenue

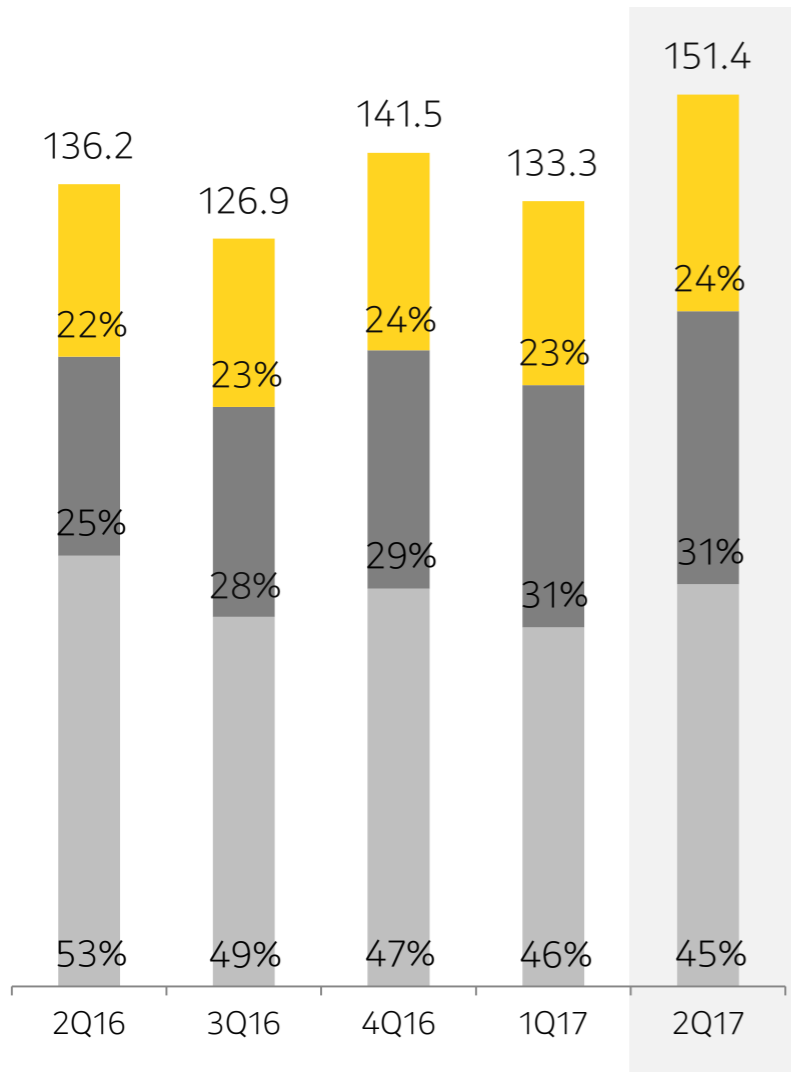
A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Talk Plus Friends Talk PC Brand Emoticon Notification Talk Friend Talk Talk Reward Auto View Talk Hairshop Talk Order Talk Mart
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
C O N T E N T	Game	Kakao Game Kakao Games
	Music	Melon Kakao Music
	Webtoon • Web novel	Kakao Page Daum Webtoon Kakao Japan
	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.)



Revenue_Breakdown

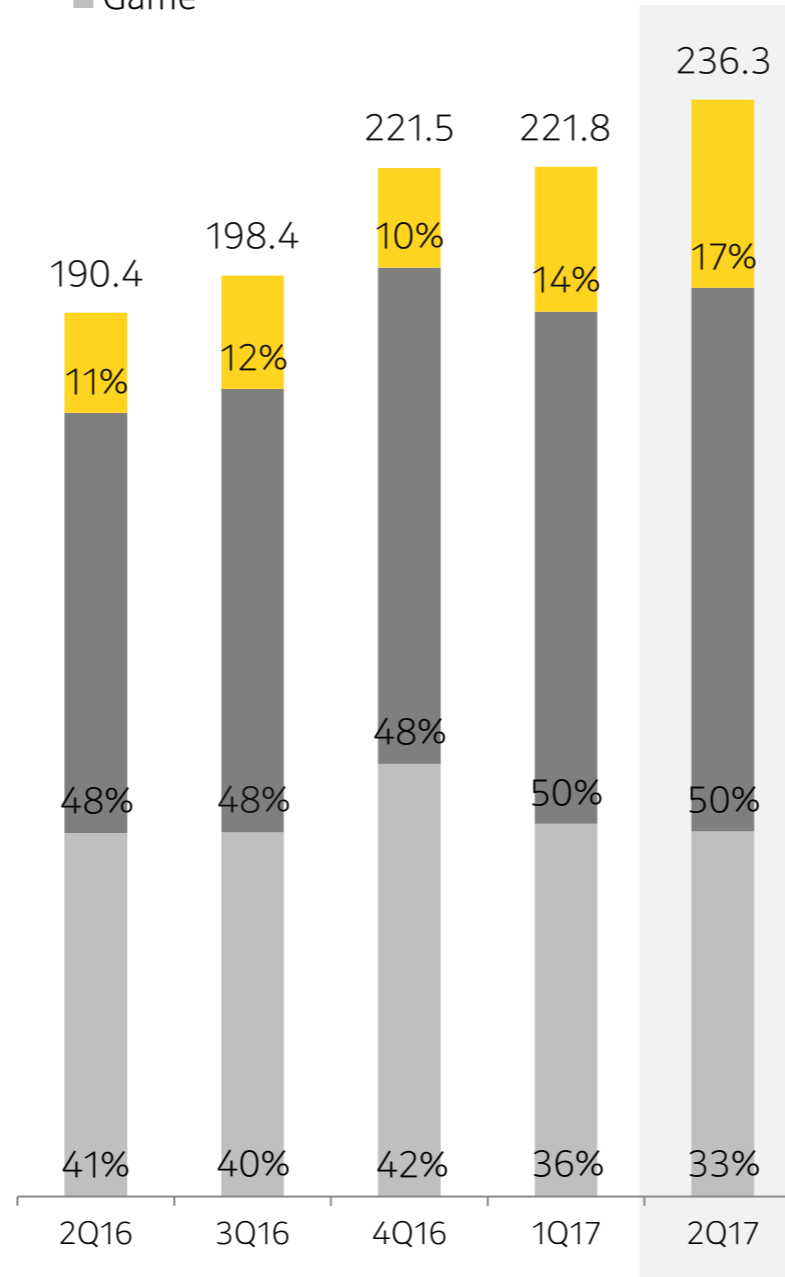
Advertising

- Kakao ads
- Daum-Mobile
- Daum-PC



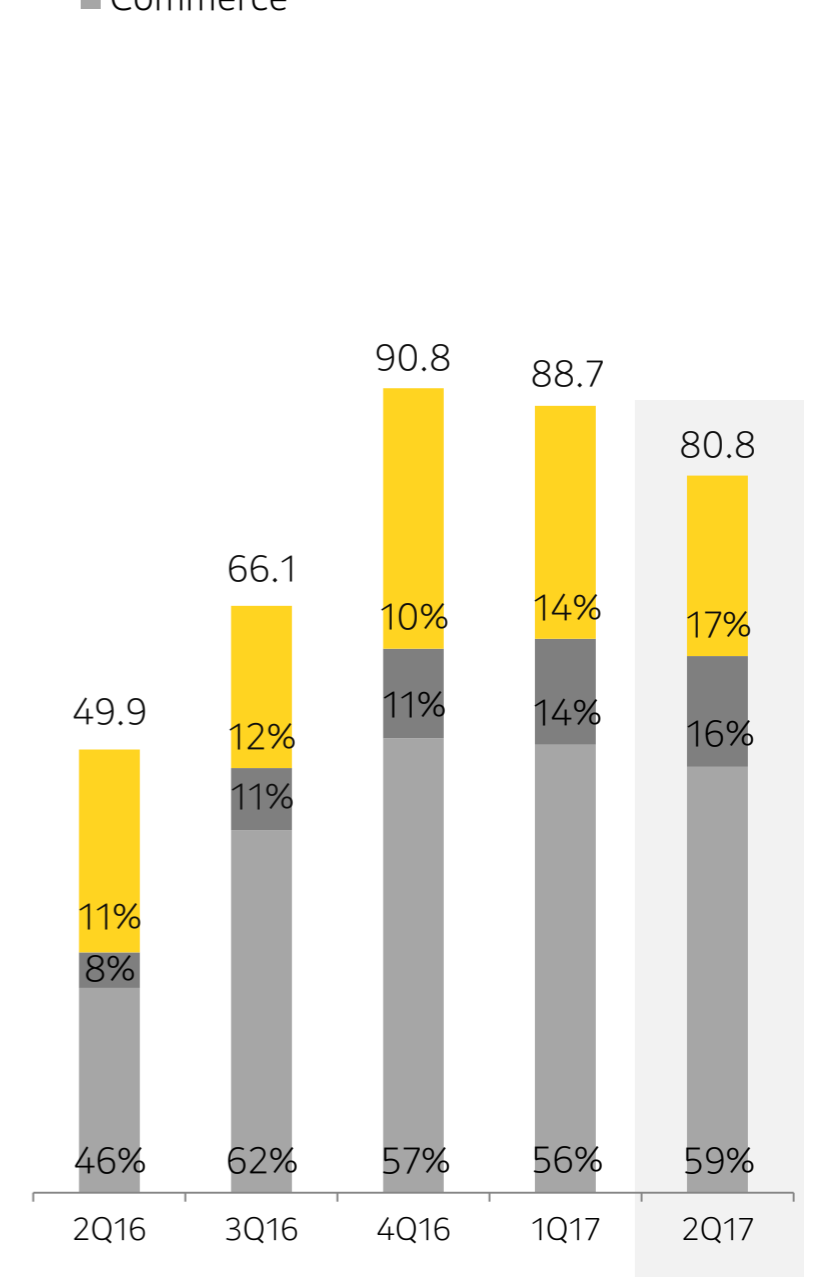
Content

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



Others

- Loen-other
- Miscellaneous
- Commerce



(in billion Won)

Kakao Talk

- Continue to grow our domestic active users +1,258K yoy +315K qoq
- Reinforce content consumption habit on Kakao Talk via Talk Channel(30mn MAU) and # Search(11mn MAU)



Monthly Active Users



Korea	38,660	39,209	40,055	41,174	41,488	41,915	42,080	42,431	42,746
Global	48,073	48,464	48,321	49,318	49,100	49,189	48,955	49,158	49,468

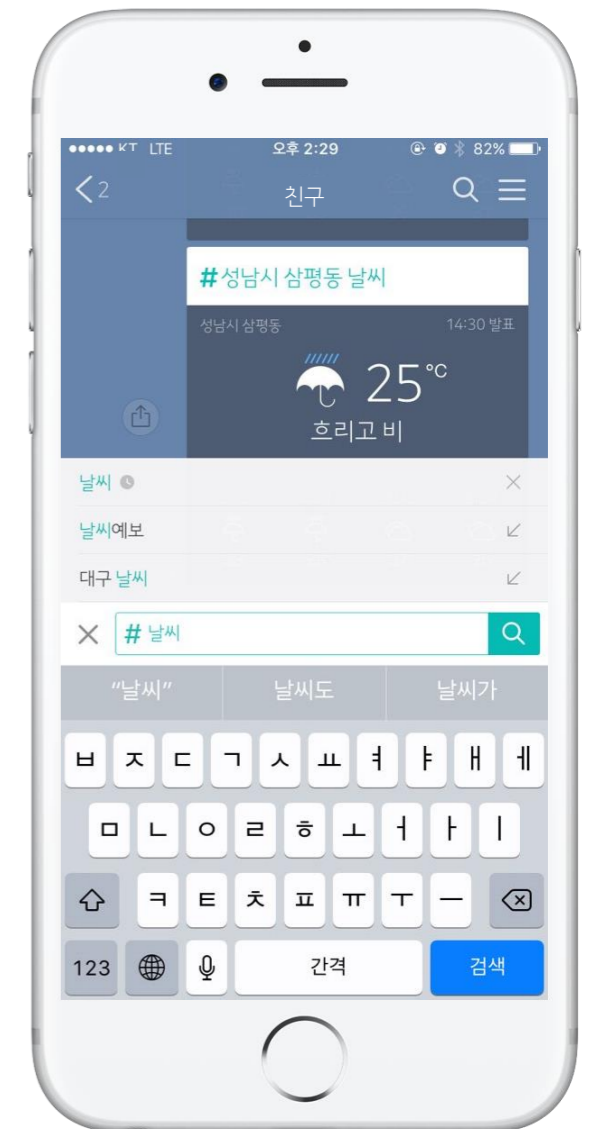
Average of monthly MAUs. Global includes domestic MAUs.



Talk Channel



#(Sharp) Search

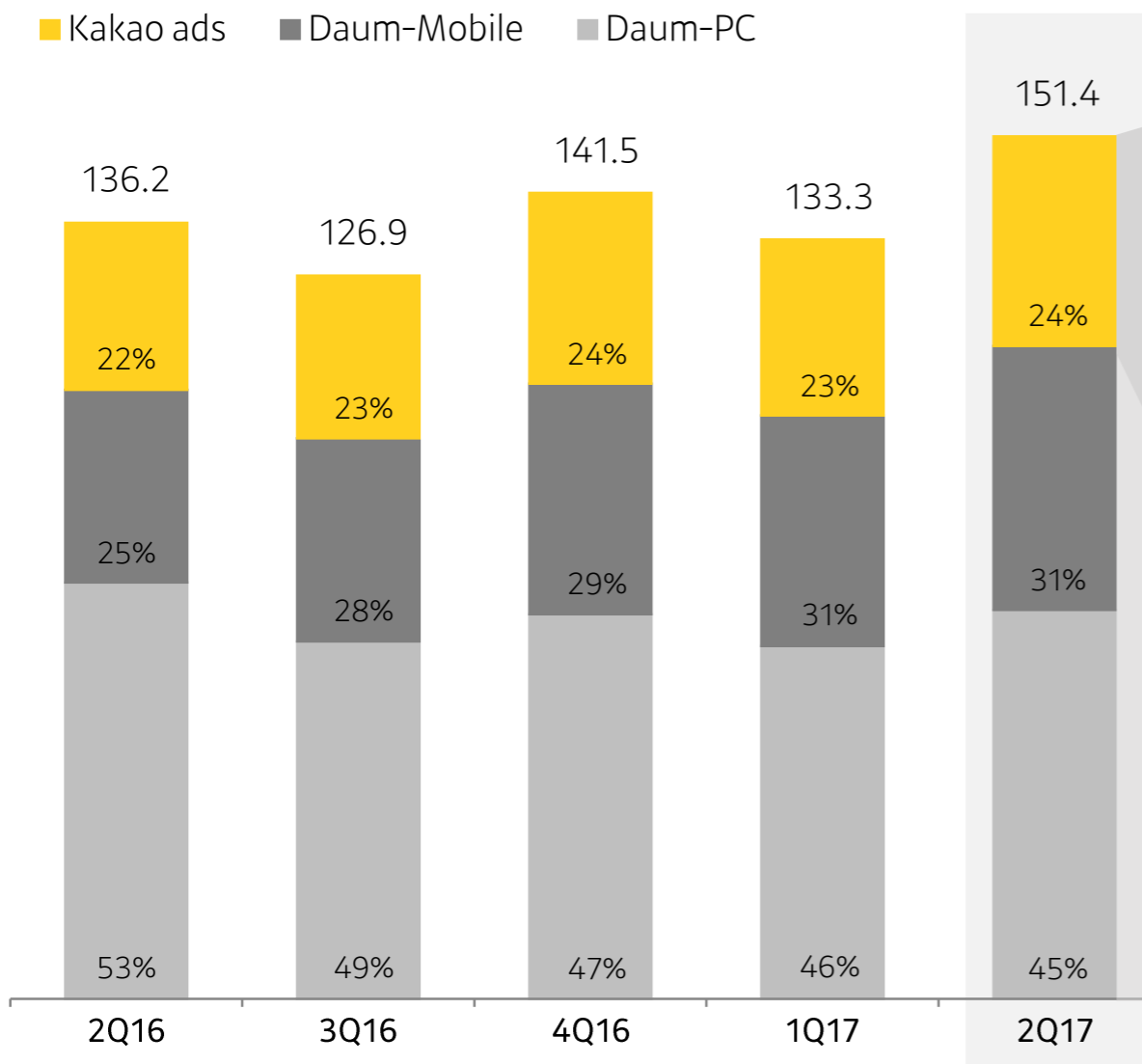


(in thousand)

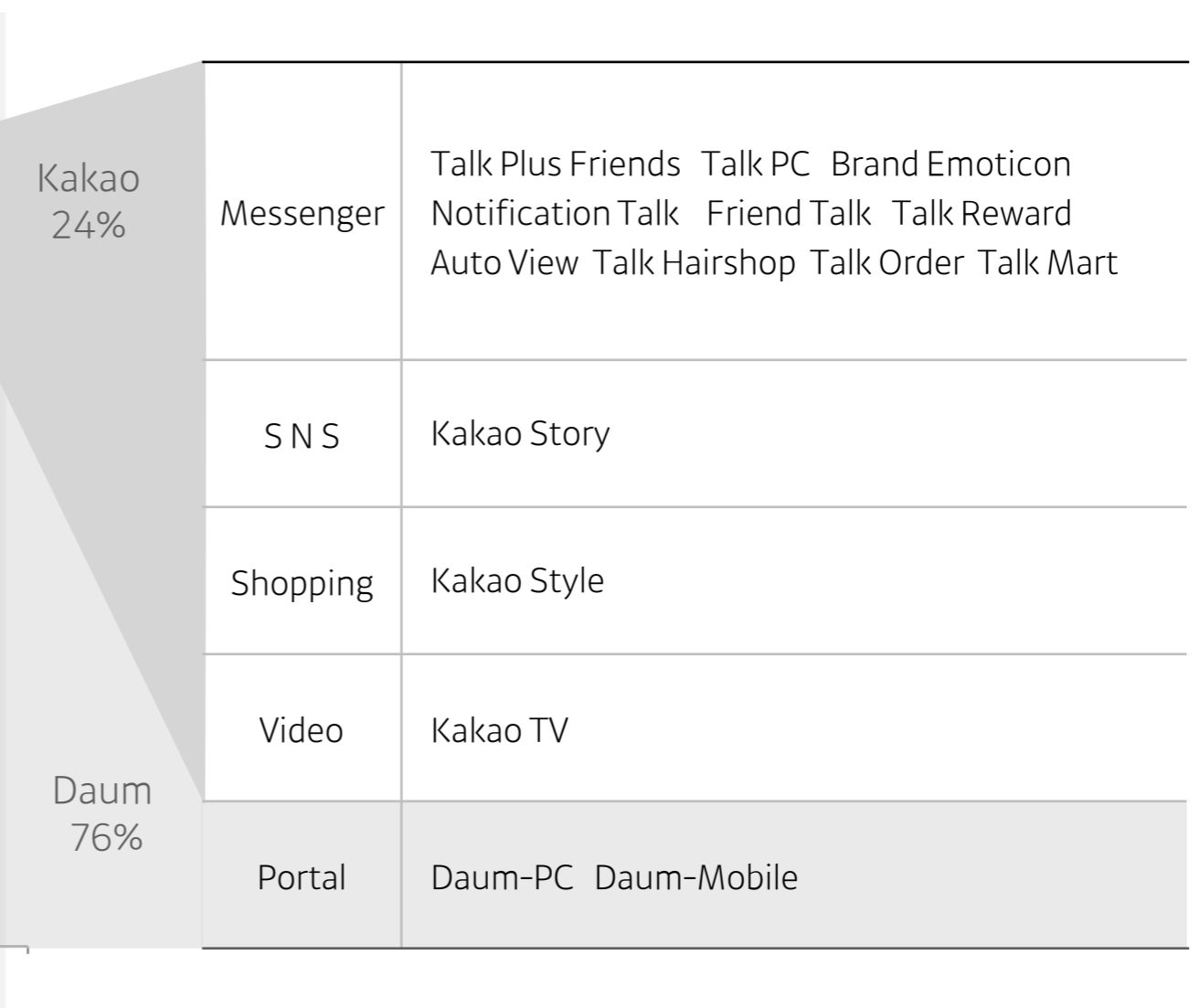
Advertising

- New keyword-based ads product that is more personalized and optimized for PC/Mobile/Kakao Talk users
- Maximize advertising efficiency by developing premium branding ads and launching new audience ads platform

Advertising revenue trend by platforms



Advertising products

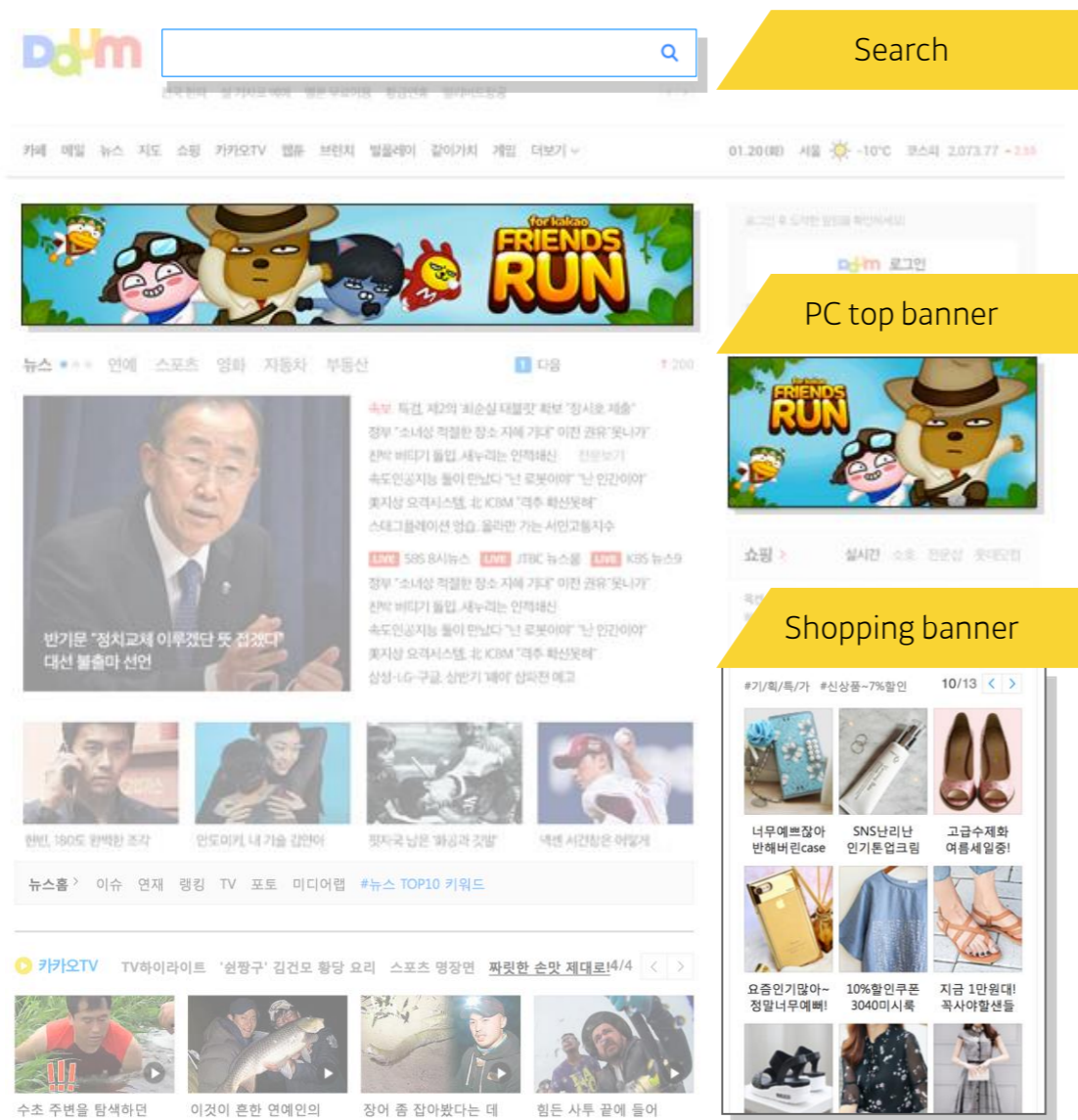


(in billion Won)

Advertising_Daum Portals

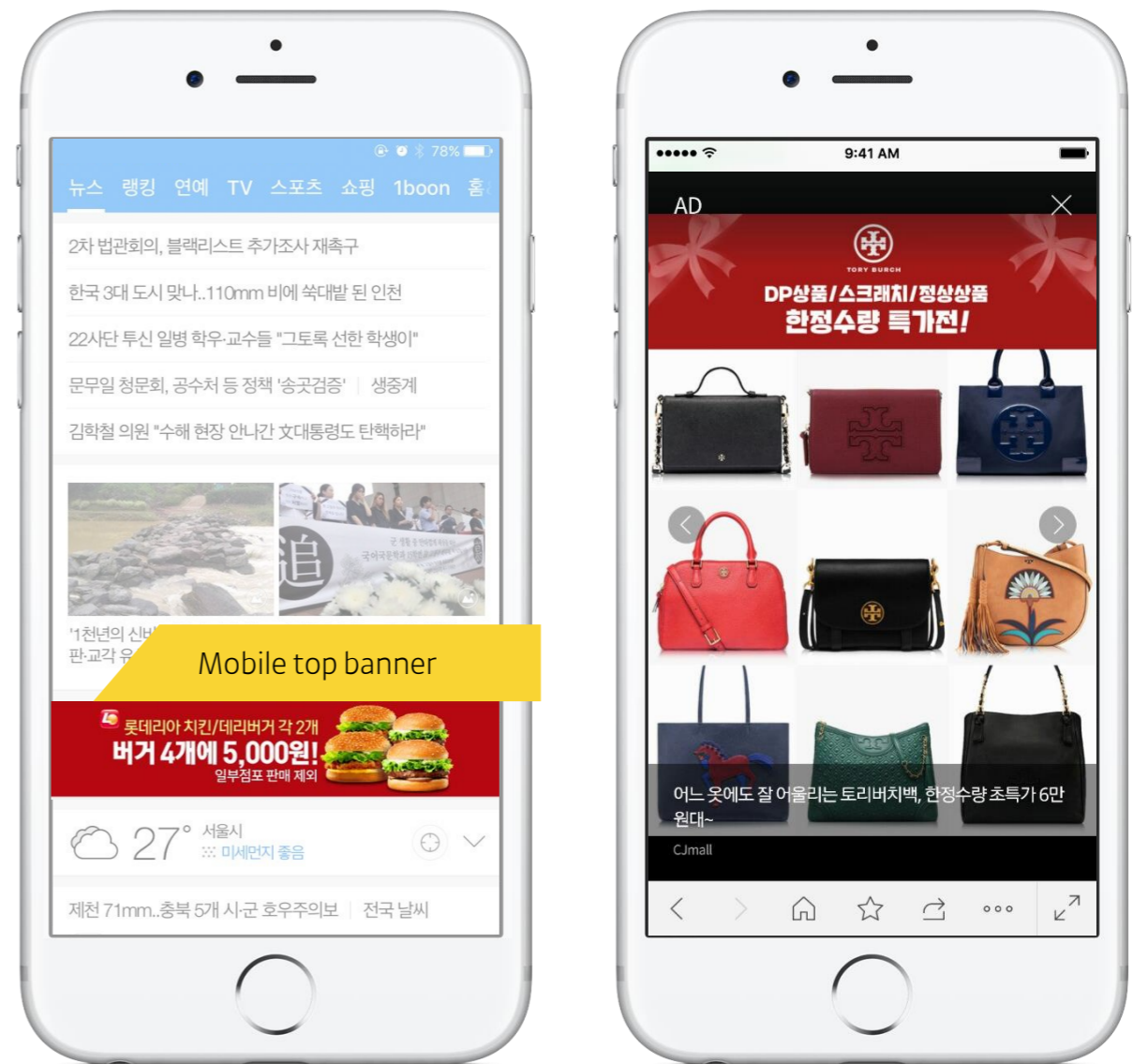
- Daum-PC homepage update and increase of ads loads corresponding to the context (Apr. 2017)
- New mobile ads such as 1boon, Focus View, Photo View, native ads, etc., reflecting latest trends

Daum-PC ads



[PC portal main page ads]

Daum-Mobile ads



[Mobile banner ads]

[Photo View]

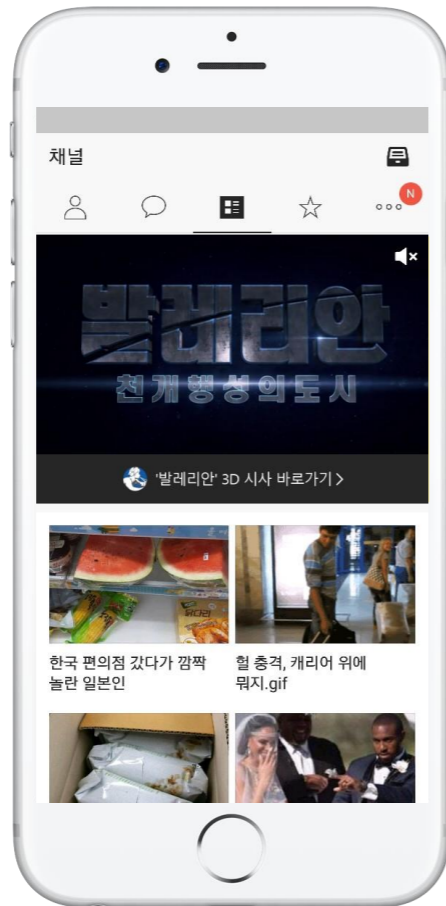
Advertising_Kakao

- Kakao accounts for 24% of total advertising revenue in 1Q 2017 (Kakao Talk 56% > Kakao Story 27% > Kakao Style 17%)
- Plan to expand into a business platform, which will enable customer supports, orders, reservations and payments within Kakao Talk

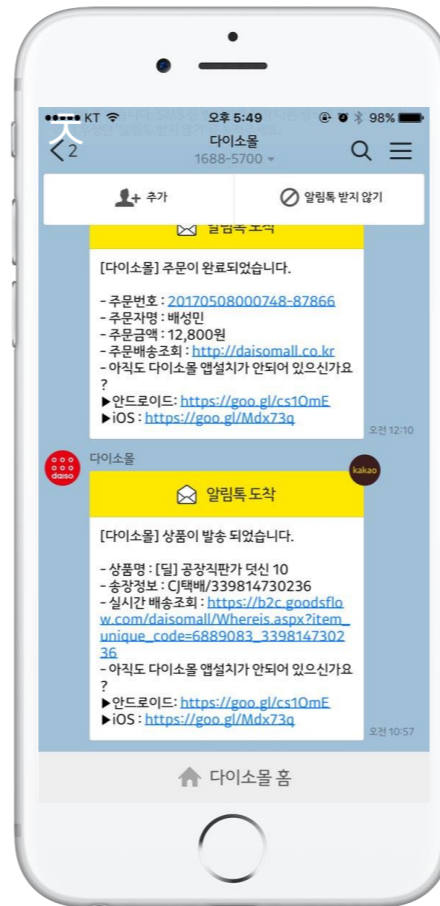
Kakao ads products



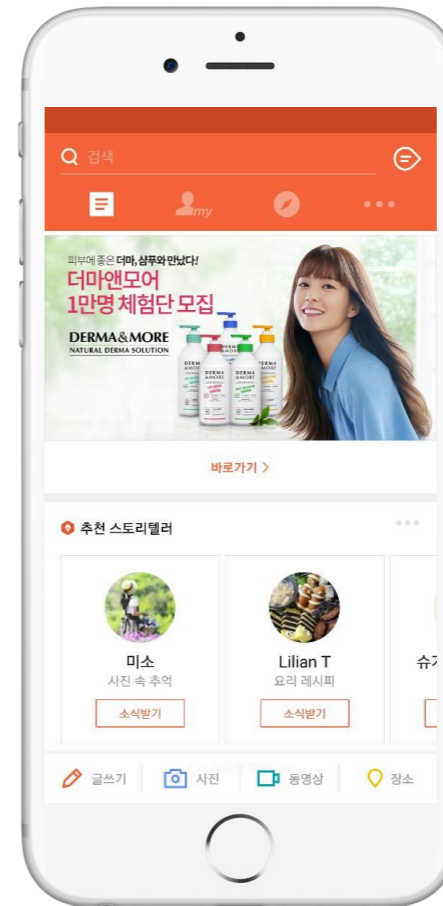
[New Plus Friend]



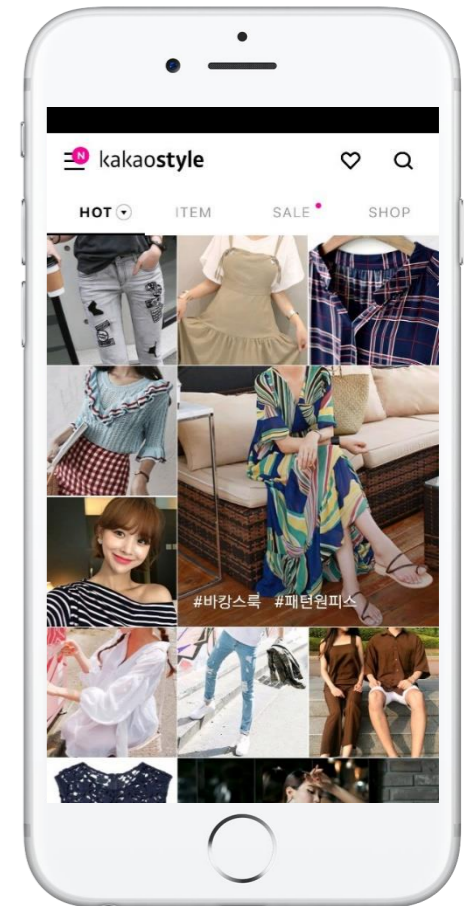
[Auto View]



[Notification Talk]



[Kakao Story]



[Kakao Style]

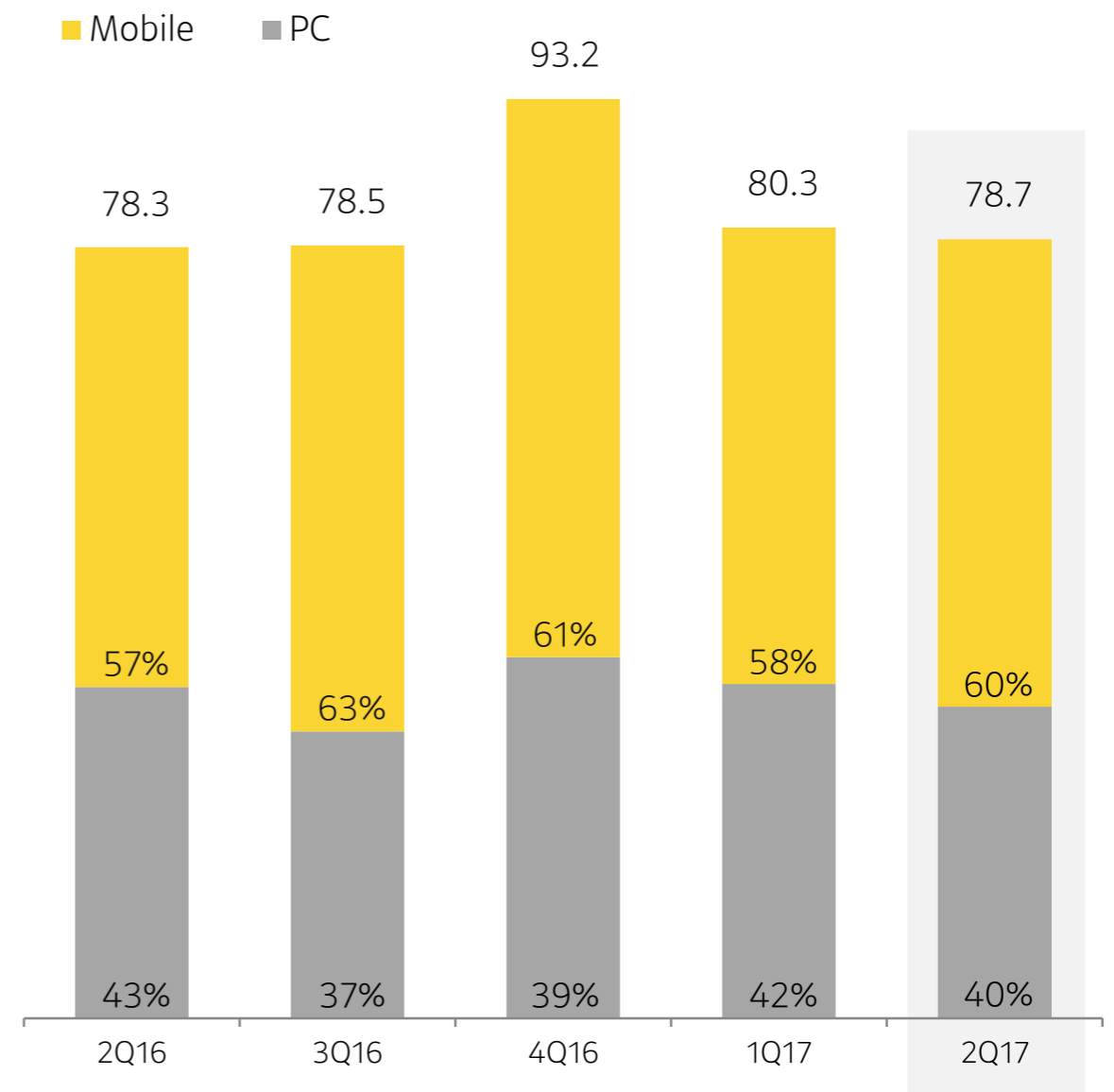
Content_Game

- Strengthening mobile game content by enhancing marketing capability via the Game-Tab and expanding publishing lineup
- Continuous and diligent update on PC publishing titles and new PC game discovery/sourcing

Game line-ups

Platform	Game Title	Revenue (Billion Won)
Mobile channeling	netmarble	
	Pentastorm	'17.4
	Destiny Chile	'16.11
Mobile Publishing	Onmyoji	'17.8
	Day of Break	'17.3
	Miracle Nikki	'16.7
PC Publishing	EOS	'16.10
	Black Desert_Global	'16.3
	Black Desert	'14.12

Game revenue trend by platforms



(in billion Won)

Content_Music

- MelOn paying users increased by 650K since March 2016, and Daily new registered users more than doubled after linking with Kakao ID
- Applying Kakao AI technology 'Kakao i' in August 2017, MelOn provides voice recognition and music AI assistant function

Overview



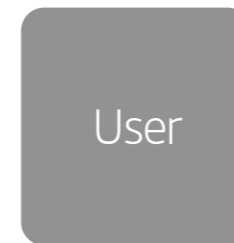
No.1 Intergrated Music Company

- ▶ Digital music service(B2C)
: Korea's No.1 digital music platform MelOn
- ▶ Music distribution/Content aggregation(B2B)
: Korea's No.1 K-Pop content distributor
- ▶ Labels & artist management(production)
: Korea's Top #5 production company

Melón

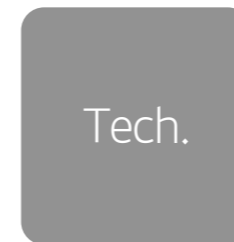
- ▶ 4.25mn MelOn paying users, 30mn registered users as of 2Q17 end
- ▶ 340mn streaming, 50m download per month
- ▶ No.1 in digital music service with 60% market share

Synergies



User increase and user experience enhancement by utilizing two companies' assets

- ✓ Apply Kakao ID(Sep. '16), Kakao Pay(Jan. '17)



Service improvement by adopting high-level technology

- ✓ Recommendation tech, music recognition tech, big data processing tech



Marketing/promotion based on Kakao platform

- ✓ Kakao Friends emoticon marketing



Content distribution expansion

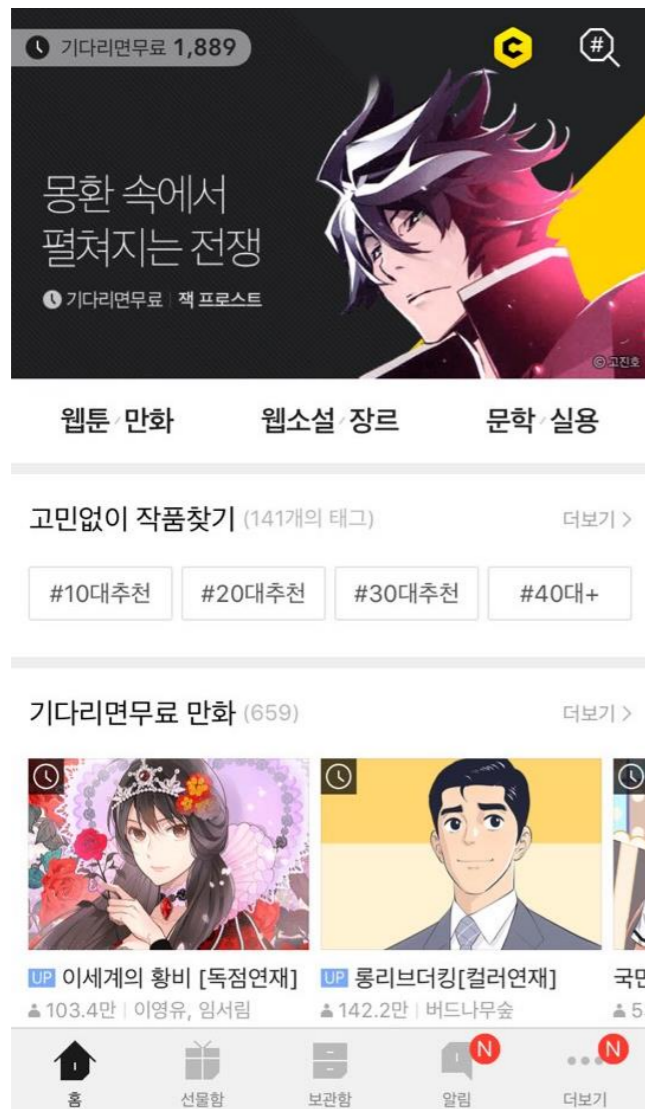
- ✓ Talk Channel, Daum Search and etc.

Content_Others

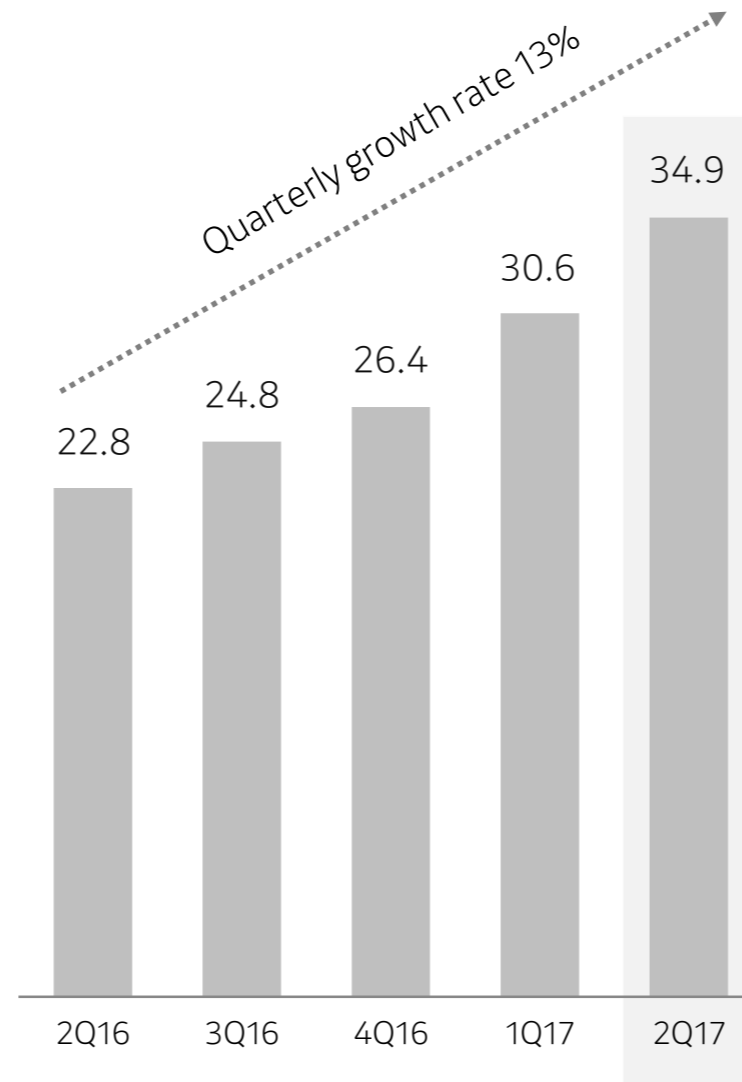
- Kakao Page, No1. mobile literature service app in Korea, continues to increase number of paying users
- 'Cash Friend', the reward-based ad platform will be launched in 1H17

Kakao Page

▶ 14.7mn users(August 2017)

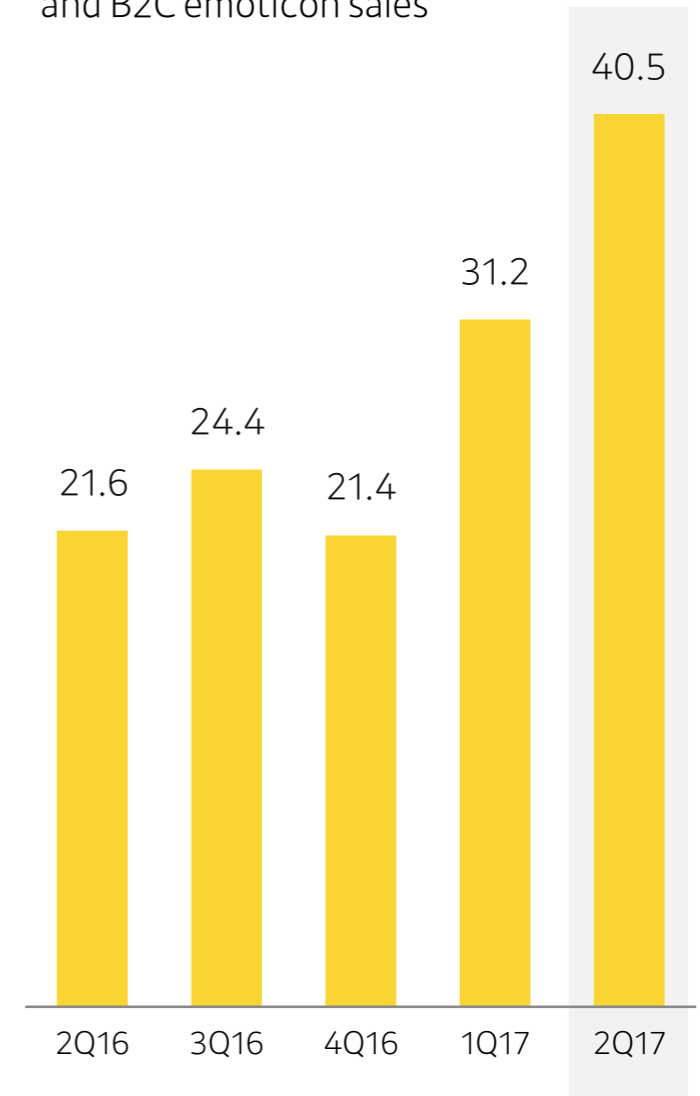


Kakao Page GMV trend



Content-Others revenue trend

Including Kakao Page, Daum Webtoon and B2C emoticon sales

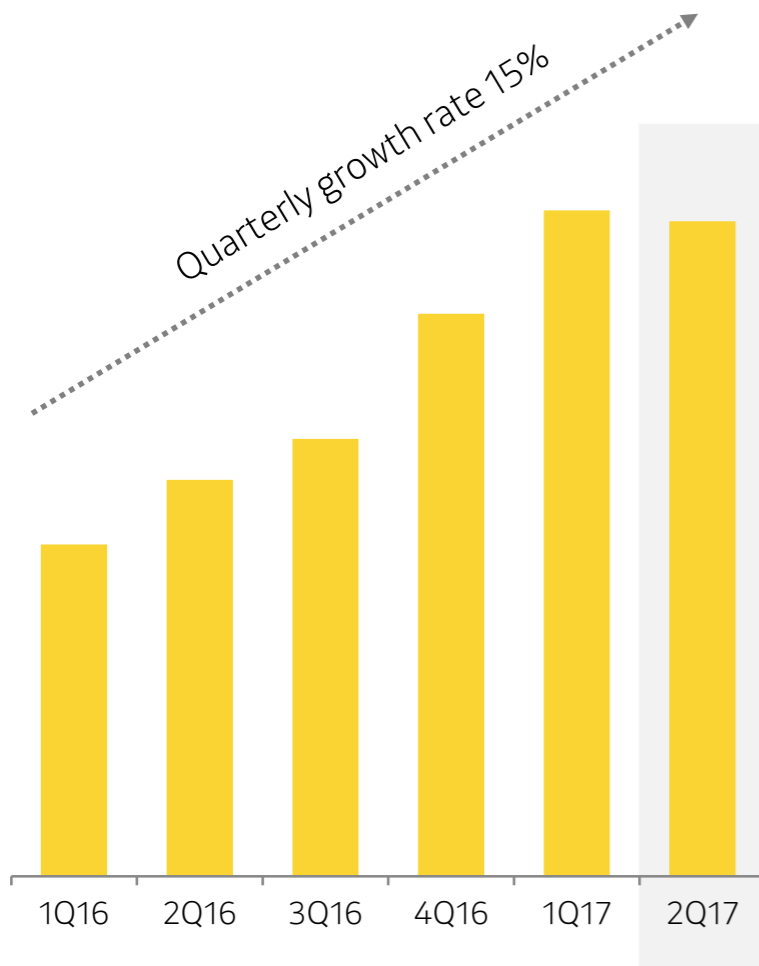


(in billion Won)

Commerce_Kakao Talk Gift Shop

- Mobile social commerce with 2,000 brands and 100,000 products in Kakao Talk
- Carry out sustainable growth through UI/UX upgrades such as category expansion, multi-product purchase and feedback features

Talk Gift Shop revenue trend



Talk Gift Shop user interface



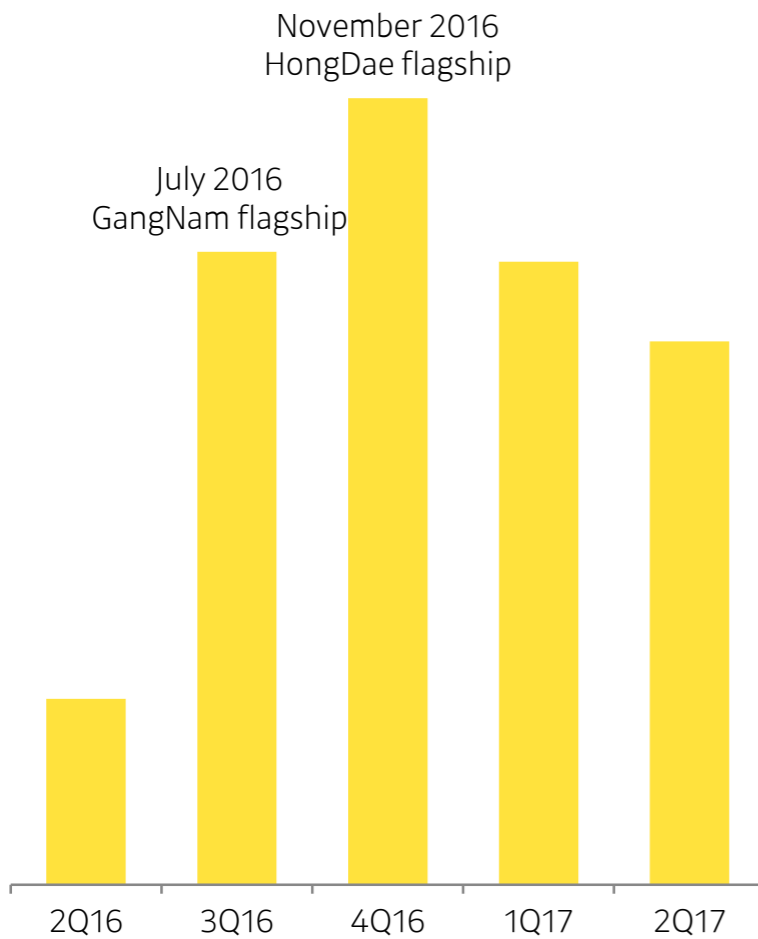
— Kakao Talk built-in — Great selection — Recipient enters address →

Commerce_Kakao Friends

- Sustainable growth through large-scale stores, online/global expansion, and product innovation
- Secured L-T partnership with large IP licensees, expand publishing business, and cooperate with various brands

Quarterly revenue trend

KAKAO FRIENDS



Offline stores

- ▶ Total 23 brand stores
 - Main department store, shopping mall, duty-free shop
 - 3 online including China's Tmall
 - 2 flagships in Seoul



- ▶ Busan flagship opened on August 15, 2017

Partnership / Publishing



Smart Mobility

- Established Kakao Mobility Corporation on August 1, 2017.
- Lead smart mobility market innovation centering Kakao Taxi, by connecting its users seamlessly to more smart mobility services



Kakao Taxi

- ▶ 15 million passengers, 240 million cumulative rides
- ▶ Test driving marketing for Jaguar, Benz, Volkswagen, Ford, etc.
- ▶ New partnership with Korea Smart Card Co. to jointly introduce automatic pay option on the Kakao Taxi app
- ▶ B2B business taxi service to be launched in 2H17



Kakao Driver

- ▶ Continuous service enhancement through additional features such as fixed fare option for users
- ▶ High user satisfaction driven by safety features and easy automatic payment etc.



Kakao Parking

- ▶ To be launched nationwide in 2H17
- ▶ Prepare to provide useful information and seamless convenience leveraging map, navigator, pay, etc.

Other location based services



Kakao Map



Kakao Navi



Kakao Bus



Kakao Subway

- ▶ Continue to expand to the adjacent mobility service area
- ▶ Plan to offer ads products on some platforms in 2H17

Fintech

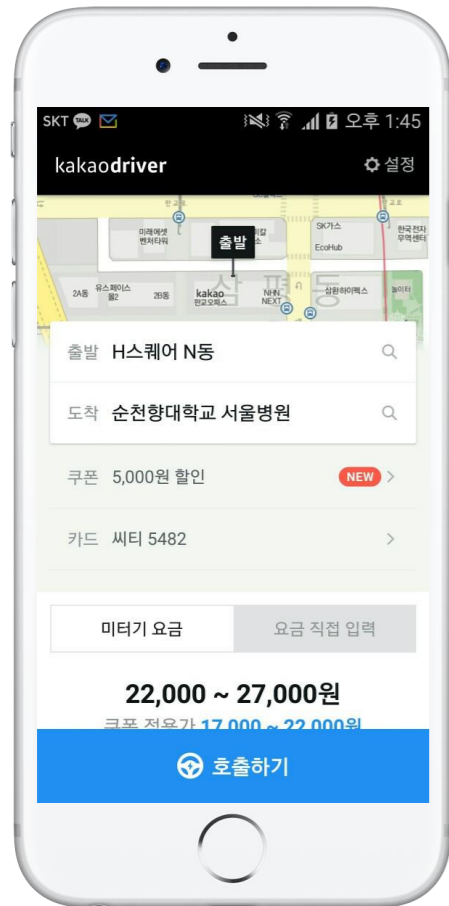
- Kakao Pay subscribers 16.8 million, total transaction volume 460 billion KRW(+15% qoq). Expanding business with Alipay partnership
- Kakao Bank has grown rapidly since its official launch on July 27, 2017.



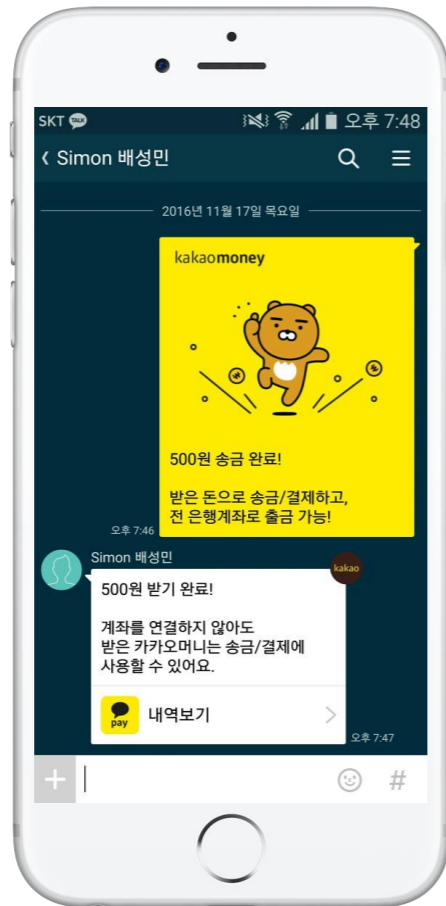
Kakao Pay



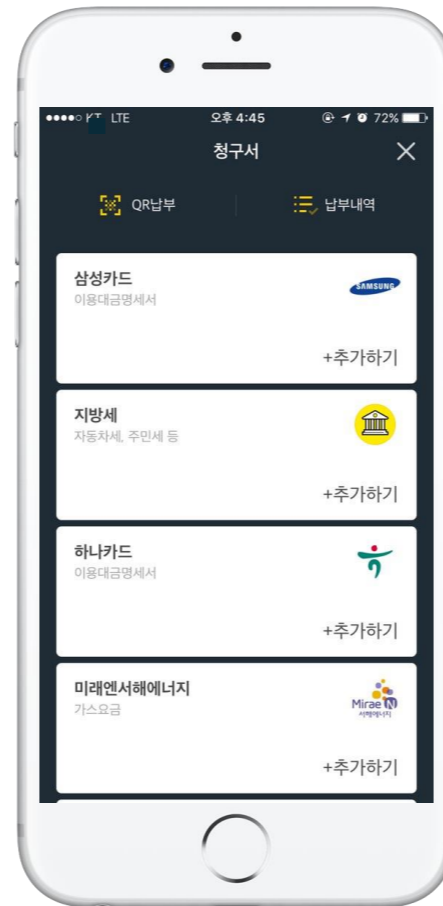
Kakao Bank



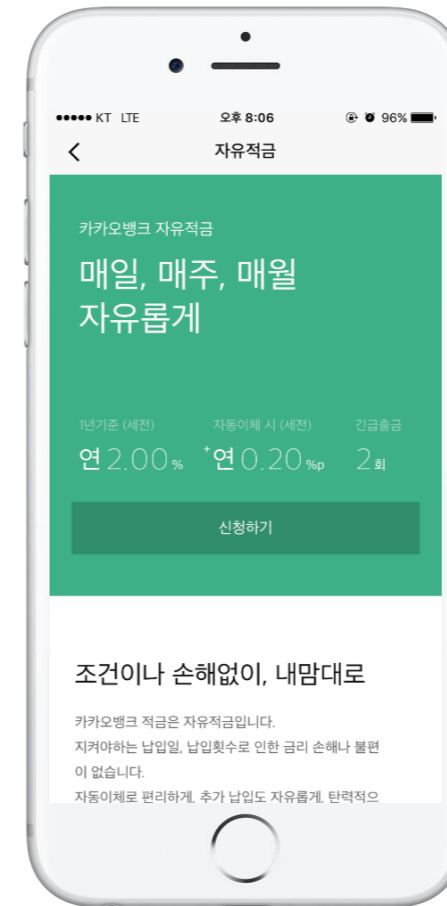
[Kakao Driver auto pay]



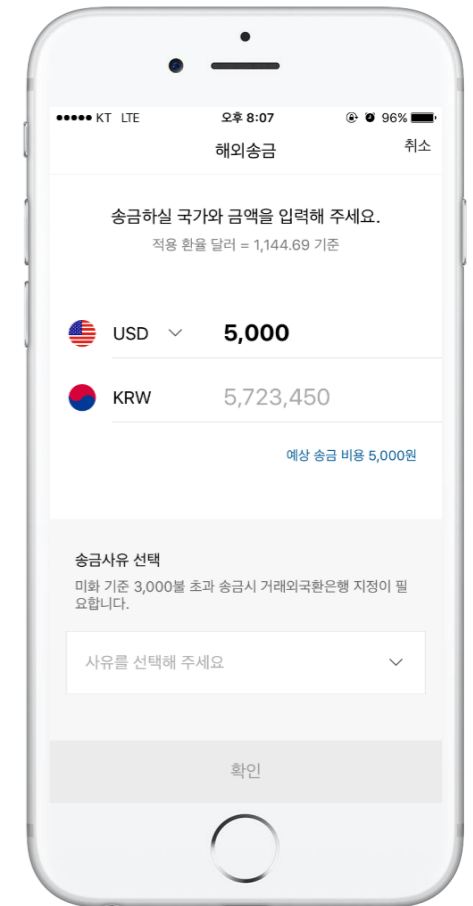
[Kakao Money transfer]



[Billing service]



[Installment Saving]



[FX transfer]

Kakao Consolidate Financial Statements

Consolidated Statements of Income

(KRW mn)	2Q16	3Q16	4Q16	1Q17	2Q17
Revenues	376,519	391,391	453,839	443,787	468,443
Advertising	136,203	126,925	141,482	133,302	151,398
Content	190,405	198,365	221,521	221,816	236,272
Game	78,293	78,461	93,186	80,288	78,653
Music	90,501	95,519	106,940	110,324	117,089
Webtoon/Novel/Emoticon	21,611	24,385	21,395	31,204	40,530
Others	49,911	66,101	90,836	88,668	80,774
Operating Expenses	349,900	361,136	415,668	405,453	423,804
Labor Costs	75,563	75,604	83,776	84,808	88,064
Fringe Benefits	16,001	12,566	15,085	13,436	12,992
Depreciation	14,460	14,317	14,412	14,816	14,919
Rental Fees	7,408	8,059	8,467	8,749	8,886
Commissions	142,980	146,618	161,997	160,388	178,765
Advertising	15,967	23,936	36,141	24,959	21,929
Bad Debt Expenses	-1,332	-1,823	1,182	141	45
Amortization	16,718	15,107	17,273	16,773	16,352
Content Fees	19,655	22,913	19,794	24,923	28,321
Ad Agency Fees	20,937	19,357	22,654	19,051	23,974
Event Fees	374	294	1,002	110	327
Others	21,170	24,187	33,885	37,299	29,229
Operating Profit	26,619	30,256	38,171	38,333	44,638
Other Revenues	2,206	3,744	15,869	2,388	3,784
Other Expenses	5,179	6,329	14,059	14,952	9,878
Financial Income	9,081	2,648	9,187	4,737	4,585
Financial Expenses	9,351	7,106	4,246	9,895	3,540
Equity-method, Net	-2,237	-2,122	-3,511	-2,367	-3,570
Profit before Income Tax Expenses	21,139	21,089	41,412	18,244	36,020
Income Tax Expenses	7,900	7,463	13,771	-36,241	23,518
Net Profit from Continued Oper.	13,239	13,626	27,641	54,486	12,503
Net Profit	13,239	13,626	27,641	54,486	12,503
Net Profit of Controlling Interests	8,834	12,215	23,449	53,715	11,303
Net Profit of Non-controlling Int.	4,405	1,411	4,191	771	1,199

Consolidated Statements of Financial Position

(KRW mn)	2015.12.31	2016.12.31	2017.06.30
Current Assets	970,067	1,216,958	1,561,776
Cash and Cash Equivalents	397,177	641,644	744,582
S-T Financial Instruments	373,389	236,748	372,168
Accounts Receivable	88,822	173,853	177,099
Other Current Assets	110,679	164,713	267,927
Non-Current Assets	2,218,411	4,267,159	4,289,978
Equity Method Investments	68,704	117,076	120,928
Tangible Assets	219,052	253,854	267,044
Intangible Assets	1,855,604	3,733,166	3,713,619
Other Non-current Assets	75,051	163,063	188,387
Total Assets	3,188,478	5,484,117	5,851,753
Current Liabilities	316,078	806,020	874,359
Trade and N-T Payables	89,506	263,130	297,284
Income Taxes Payable	29,448	30,944	40,950
Short-Term Debt	22,055	200,374	152,075
Other Current Liabilities	175,069	311,572	384,050
Non-Current Liabilities	286,925	975,153	986,429
Bonds	199,383	319,255	319,449
Bonds-CB/EB	-	476,122	476,563
Deferred Income Tax Liab.	48,636	142,919	140,117
Other Non-Current Liab.	38,905	36,857	50,300
Total Liabilities	603,003	1,781,173	1,860,788
Paid-in Capital	30,098	33,858	33,941
Capital Surplus	2,274,186	3,105,014	3,235,681
Capital Adjustments	-9,032	-11,232	-9,446
Accum. Other Compre. Inc.	829	920	-1,335
Retained Earnings	256,313	303,952	357,775
Non-controlling Interests	33,081	270,432	374,349
Total Equity	2,585,475	3,702,944	3,990,965
Total Liabilities & Equity	3,188,478	5,484,117	5,851,753

Kakao Financial Statements

Statements of Income

(KRW mn)	2Q16	3Q16	4Q16	1Q17	2Q17
Revenues	206,774	210,165	241,239	225,889	244,545
Advertising	130,580	120,915	136,054	125,076	143,128
Content	56,644	63,996	72,499	64,333	65,746
Game	42,726	48,570	56,091	46,720	46,522
Music	2,991	3,155	3,369	2,938	2,669
Webtoon/Novel/Emoticon	10,928	12,270	13,040	14,675	16,555
Others	19,550	25,254	32,685	36,479	35,671
Operating Expenses	191,670	199,705	225,767	209,397	216,952
Labor Costs	48,830	49,214	52,044	51,811	50,796
Fringe Benefits	11,693	8,421	10,569	8,414	7,885
Depreciation	12,793	12,491	12,276	12,477	12,344
Rental Fees	2,525	2,396	2,616	2,480	2,308
Commissions	57,520	64,514	72,184	73,040	78,828
Advertising	8,418	13,858	22,248	9,014	8,347
Bad Debt Expenses	116	-320	-216	82	-28
Amortization	5,906	5,708	5,561	5,417	5,277
Content Fees	11,722	13,438	11,646	11,062	12,728
Ad Agency Fees	21,152	19,281	22,562	18,987	23,910
Event Fees	359	242	693	120	299
Others	10,635	10,462	13,556	16,493	14,259
Operating Profit	15,105	10,460	15,472	16,492	27,593
Other Revenues	960	1,780	2,082	1,460	2,445
Other Expenses	6,197	4,203	19,712	3,123	13,814
Financial Income	6,427	517	19,246	35,067	2,037
Financial Expenses	8,510	6,974	4,234	23,399	-1018
Profit before Income Tax Expenses	7,784	1,580	12,853	26,497	19,278
Income Tax Expenses	4,628	-100	2,872	-48,911	10,690
Net Profit from Continued Oper.	3,157	1,680	9,981	75,408	8,588
Net Profit	3,157	1,680	9,981	75,408	8,588

Statements of Financial Position

(KRW mn)	2015.12.31	2016.12.31	2017.06.30
Current Assets	718,533	511,067	519,002
Cash and Cash Equivalents	190,785	279,217	187,675
S-T Financial Instruments	361,809	37,190	118,695
Accounts Receivable	87,162	95,980	80,744
Other Current Assets	78,778	98,679	131,887
Non-Current Assets	2,398,531	4,318,230	4,343,702
Equity Method Investments	474,327	2,337,040	2,368,945
Tangible Assets	210,393	203,866	207,211
Intangible Assets	1,652,605	1,694,581	1,684,701
Other Non-current Assets	61,205	82,743	82,844
Total Assets	3,117,064	4,829,297	4,862,703
Current Liabilities	265,747	813,859	768,571
Trade and N-T Payables	91,748	174,592	133,333
Income Taxes Payable	24,581	7,168	14,477
Short-Term Debt	-	200,000	150,000
Other Current Liabilities	149,419	432,099	470,761
Non-Current Liabilities	276,435	640,280	642,516
Bonds	199,383	319,255	319,449
Bonds- CB/EB	-	248,928	249,052
Deferred Income Tax Liab.	44,394	43,266	36,392
Other Non-Current Liab.	32,658	28,830	37,624
Total Liabilities	542,182	1,454,139	1,411,087
Paid-in Capital	30,098	33,858	33,941
Capital Surplus	2,291,486	3,057,264	3,058,510
Capital Adjustments	-9,032	-11,232	-9,446
Accum. Other Compre. Inc.	244	5,046	4,400
Retained Earnings	262,086	290,222	364,212
Total Equity	2,574,882	3,375,158	3,451,616
Total Liabilities & Equity	3,117,064	4,829,297	4,862,703

thank you

