

# NAVER

## 2Q24 Earnings Results

2024.8.9

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# Earnings Summary

- Revenue grew 8.4% YoY, 3.3% QoQ with contribution across all major businesses and increase in Cloud project revenue
- Adjusted EBITDA grew 23.9% YoY, 9.9% QoQ driven by search platform acceleration and productivity improvement generally
- Operating Profit continued to increase reaching Operating Margin of 18.1%

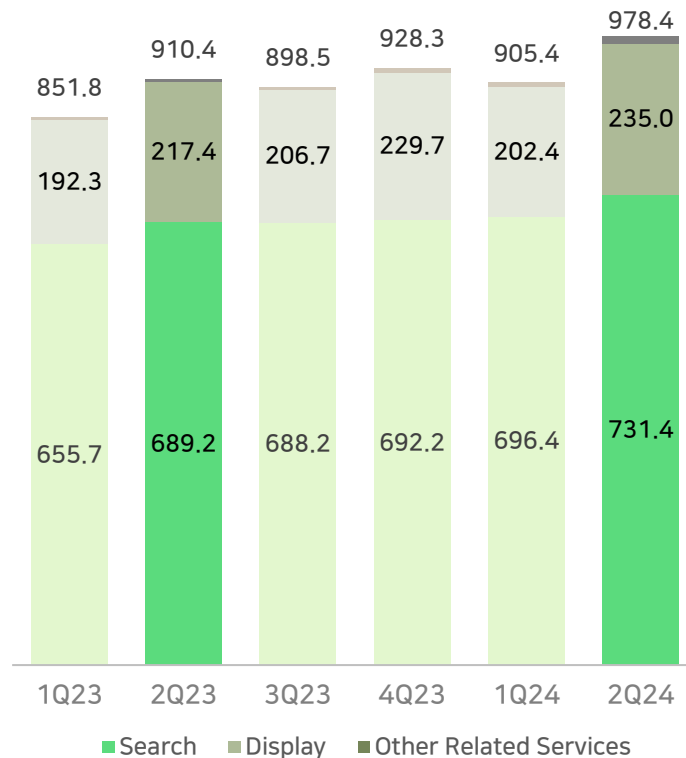
bn KRW	2Q23	3Q23	4Q23	1Q24	2Q24	Y/Y	Q/Q
<b>Revenue</b>	2,407.9	2,445.3	2,537.0	2,526.1	2,610.5	8.4%	3.3%
Search Platform	910.4	898.5	928.3	905.4	978.4	7.5%	8.1%
Commerce	632.9	647.4	660.5	703.5	719.0	13.6%	2.2%
Fintech	339.7	340.8	356.0	353.9	368.5	8.5%	4.1%
Contents	420.4	434.9	466.3	446.3	420.0	-0.1%	-5.9%
Cloud and Future R&D	104.5	123.6	125.9	117.0	124.6	19.2%	6.5%
<b>Operating Expenses</b>	2,035.2	2,065.1	2,131.5	2,086.8	2,137.8	5.0%	2.4%
<b>Adjusted EBITDA**</b>	515.1	550.6	580.0	581.0	638.4	23.9%	9.9%
Adjusted EBITDA Margin (%)	21.4%	22.5%	22.9%	23.0%	24.5%	3.1%p	1.5%p
<b>Operating Profit</b>	372.7	380.2	405.5	439.3	472.7	26.8%	7.6%
Operating Margin (%)	15.5%	15.5%	16.0%	17.4%	18.1%	2.6%p	0.7%p
<b>Net Profit</b>	286.7	356.2	298.4	555.8	332.1	15.8%	-40.3%
Net Margin (%)	11.9%	14.6%	11.8%	22.0%	12.7%	0.8%p	-9.3%p

\*\* EBITDA + stock-based compensation

# Search Platform Search, Display, Other Related Services

## Quarterly Revenue

(bn KRW)



**2Q24 YoY 7.5% ↑ / QoQ % 8.1% ↑**

Search YoY 6.1% / QoQ 5.0%

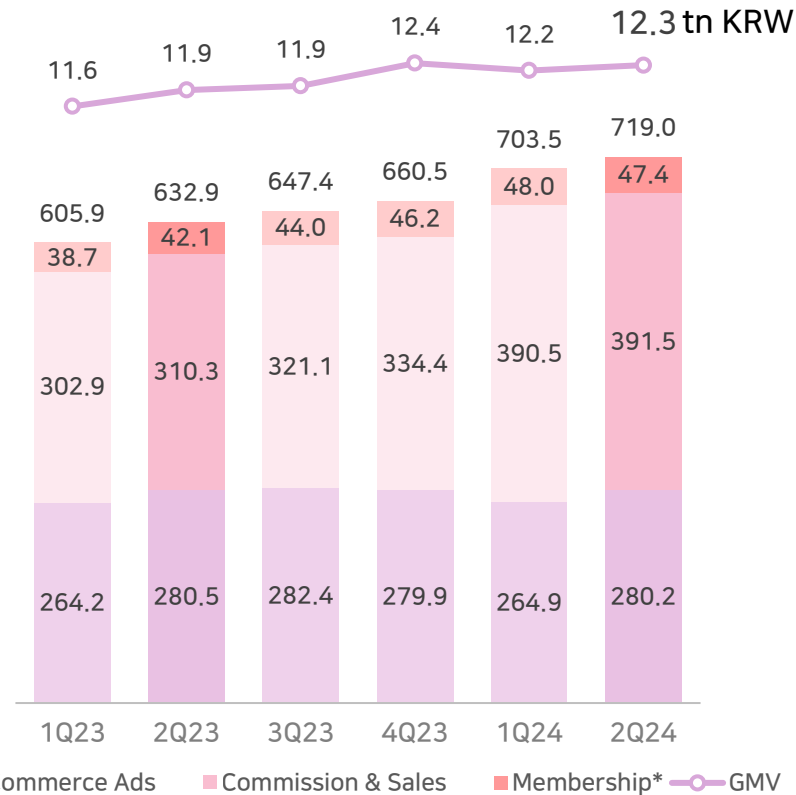
Display YoY 8.1% / QoQ 16.1%

- Search grew 6.1% YoY on further introduction of bidding for local ads, efficiency improvement and enhanced targeting for search ads
- Display grew 8.1% YoY, supported by ad inventory expansion in new services and boost in feed type ad revenue from enhanced targeting
- Time spent increased driven by Home Feed showcasing contents from Naver's various services. Number of advertisers for In-feed ads increased through improved ad efficiency from enhanced targeting

# Commerce Ad, Commission & Sales, Membership

## Quarterly Revenue

(bn KRW, tn KRW)



**2Q24 YoY 13.6% ↑ / QoQ 2.2% ↑**

Commerce Ad YoY -0.1% / QoQ 5.8%

Commission & Sales YoY 26.2% / QoQ 0.2%

Membership YoY 12.6% / QoQ -1.3%

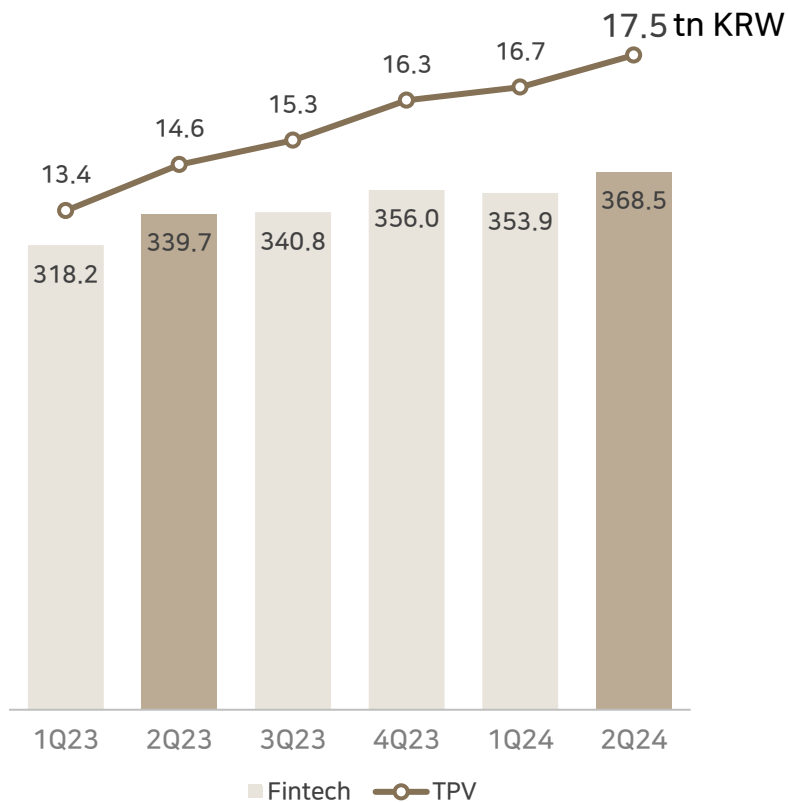
- Revenue increased 13.6% YoY, driven by adoption of new revenue streams such as Guaranteed Delivery and Brand Solution as well as continued growth in KREAM
- GMV(excluding outlink marketplaces) grew 7.6% YoY, 2.0% QoQ driven by Brandstore and Services segment
- Membership revenue continues to grow YoY on member and active user growth

\*Subscription revenue

## Fintech Payments, Digital Finance, etc.

### Quarterly Revenue

(bn KRW, tn KRW)



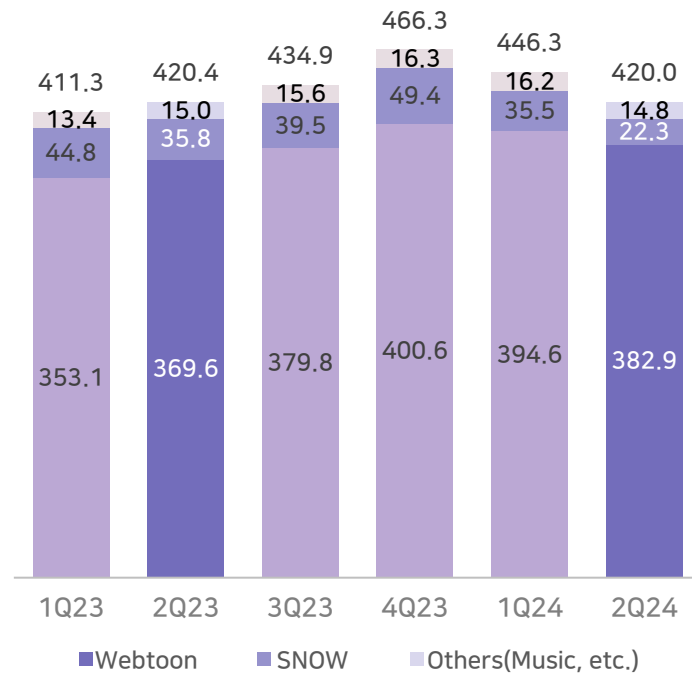
2Q24 YoY 8.5% ↑ / QoQ 4.1% ↑

- 2Q TPV grew 20.1% YoY, 5.2% QoQ to 17.5tn KRW as 3<sup>rd</sup> party ecosystem continued to expand
- Non-captive TPV grew 40.1% YoY, 6.6% QoQ to 8.8tn KRW, exceeding 50% of total TPV for the first time
- Offline TPV jumped 82% YoY as order/booking and onsite payments continued to increase
- Platform business grew on further expansion of loan/insurance comparison services such as rent loans, savings insurance, and international travel insurance
- Mortgage & rent loan comparison volume surpassed 2tn KRW in just six months time after launch

# Contents Webtoon, SNOW, Others

## Quarterly Revenue

(bn KRW)



**2Q24 YoY -0.1% ↓ / QoQ -5.9% ↓ 1)**

Webtoon YoY 3.6% / QoQ -3.0%<sup>2)</sup>

SNOW YoY -37.7% / QoQ -37.3%<sup>3)</sup>

Others YoY -1.2% / QoQ -8.5%

### [Webtoon]

- Paid content revenue grew on record-high Japan MPU and paying ratio. Japan ad revenue growth continued to expand YoY
- Recorded operating loss as a result of one-time IPO-related costs

### [SNOW]

- Naver Z deconsolidation effect reflected for the full quarter. Camera App saw continued rise in paying subscribers of AI features

1) Excl. Naver Z deconsolidation effect, total revenue grew YoY 4.1%, QoQ -2.5%

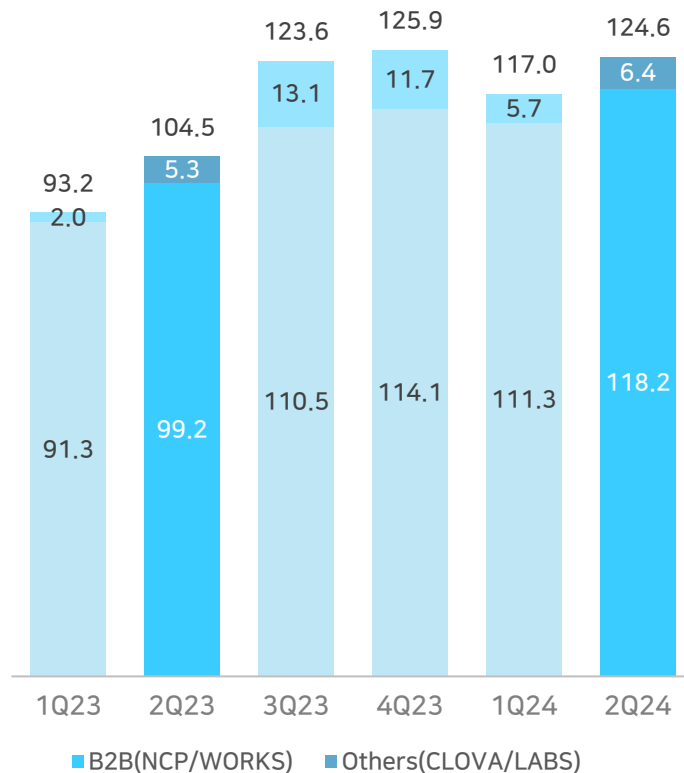
2) Revenue grew YoY 11.1% on a "constant currency basis" excl. deconsolidated and transferred operations as reported by Webtoon

3) Excl. Naver Z deconsolidation effect, SNOW revenue grew YoY 19.2%, QoQ 12.2%

## Cloud B2B(NCP/Works), Others(CLOVA/LABS, etc.)

### Quarterly Revenue

(bn KRW)



**2Q24 YoY 19.2% ↑ / QoQ 6.5% ↑**

B2B YoY 19.1% / QoQ 6.1%

Others YoY 22.0% / QoQ 13.3%

- Revenue from AI model (HCX) monetization including Neurocloud and Intel collaboration, along with increase in paying accounts for Line Works, contributed to 19.2% YoY Cloud revenue growth
- Continued interest from Bank of Korea, HD Hyundai, and Korea Hydro & Nuclear Power regarding HyperCLOVA X (HCX) services
- Securing references regarding adoption of NAVER LABS' technology to domestic theme park and National Museum of Korea. Signed phase one digital twin contract with Saudi's MOMRAH in July; expect to see revenue contribution from 2H24

\* B2B: includes revenue from HyperCLOVA(LLM)



# Operating Expenses/Profit

- Despite Webtoon's one-time IPO related costs, Development & Operations expenses increased 6.0% YoY on back of deconsolidation of Naver Z and enhanced productivity generally
- Marketing expenses decreased 4.3% on deconsolidation of Naver Z
- Infrastructure expenses increased 20.9% YoY following roll out of CHZZK and acquisition of new infrastructure

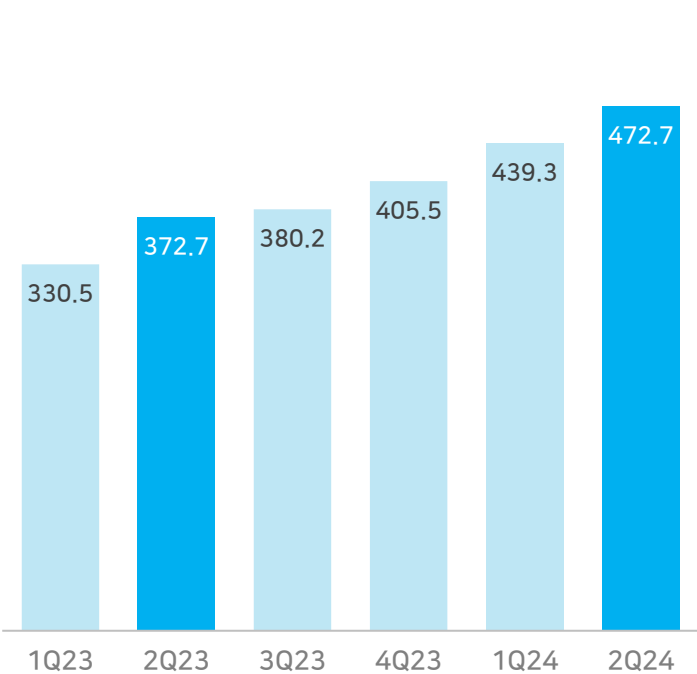
(bn KRW)	2Q23	3Q23	4Q23	1Q24	2Q24	Y/Y	Q/Q
<b>Operating Expenses</b>	<b>2,035.2</b>	<b>2,065.1</b>	<b>2,131.5</b>	<b>2,086.8</b>	<b>2,137.8</b>	<b>5.0%</b>	<b>2.4%</b>
Development & Operations	644.3	631.4	661.5	636.0	682.7	6.0%	7.3%
└ Labor cost	546.0	533.9	560.0	529.2	573.2	5.0%	8.3%
└ Others	98.3	97.6	101.5	106.8	109.5	11.4%	2.5%
Partner	865.5	886.4	949.8	913.5	916.6	5.9%	0.3%
Infrastructure	142.0	157.3	163.7	169.9	171.7	20.9%	1.1%
Marketing	383.4	389.9	356.5	367.5	366.8	-4.3%	-0.2%
<b>Operating Profit</b>	<b>372.4</b>	<b>380.2</b>	<b>405.5</b>	<b>439.3</b>	<b>472.7</b>	<b>26.8%</b>	<b>7.6%</b>
Operating margin (%)	15.5%	15.5%	16.0%	17.4%	18.1%	2.6%p	0.7%p
Depreciation & Amortization	88.2	95.7	106.7	107.7	111.1	26.0%	3.1%
Stock-based compensation	54.3	74.8	67.7	34.0	54.7	0.7%	61.0%
<b>Adjusted EBITDA</b>	<b>515.1</b>	<b>550.6</b>	<b>580.0</b>	<b>581.0</b>	<b>638.4</b>	<b>23.9%</b>	<b>9.9%</b>
Adjusted EBITDA margin (%)	21.4%	22.5%	22.9%	23.0%	24.5%	3.1%p	1.5%p
<b>Net Profit</b>	<b>286.7</b>	<b>356.2</b>	<b>301.8</b>	<b>555.8</b>	<b>332.1</b>	<b>15.8%</b>	<b>-40.3%</b>
Net margin (%)	11.9%	14.6%	11.9%	22.0%	12.7%	0.8%p	-9.3%p

\* Excluding one-time Webtoon IPO related costs, D&O decreased -0.5% YoY, +0.8% QoQ and Partner grew 4.3% YoY, -1.1% QoQ

# Operating Income, Adjusted EBITDA

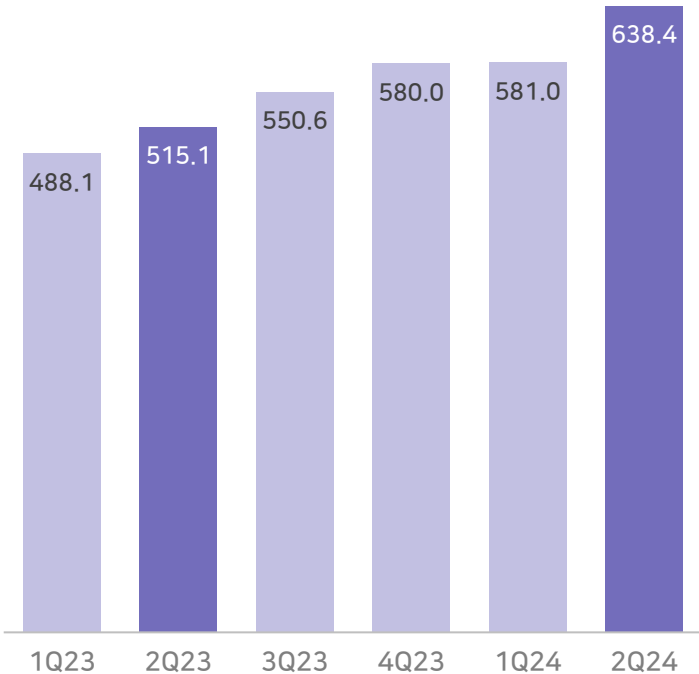
## Operating Income

(bn KRW)



## Adjusted EBITDA

(bn KRW)



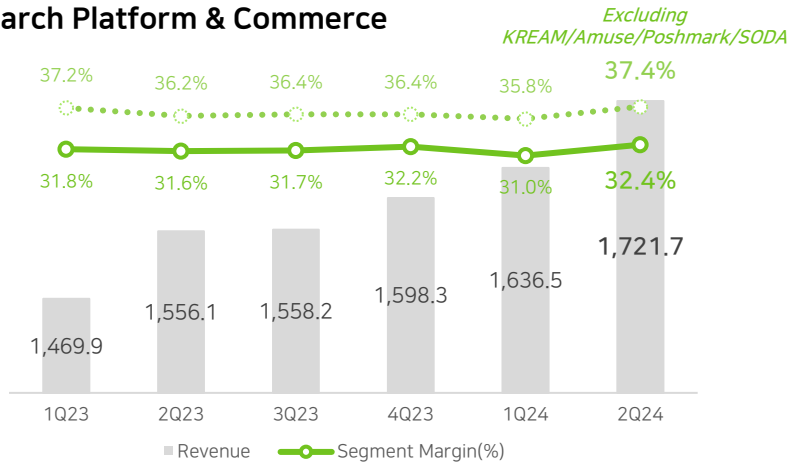
## 2Q24 P&L by Segment

(bn KRW, %)	Reporting Segment					Adjustment*	Total (Consolidated)
	Search Platform	Commerce	Fintech	Contents	Cloud		
2Q Segment Revenue (A)	1,001.5	720.2	404.3	487.2	143.0	(145.7)	2,610.5
- External revenue	978.4	719.0	368.5	420.0	124.6	-	2,610.5
- Internal revenue	23.1	1.1	35.8	67.2	18.4	(145.7)	-
2Q Segment Profit/Loss (B)	558.5		36.1	(68.6)	(65.1)	11.7	472.7
2Q Segment Margin (C) [C = B / A]	32.4%		8.9%	-	-	-	18.1%

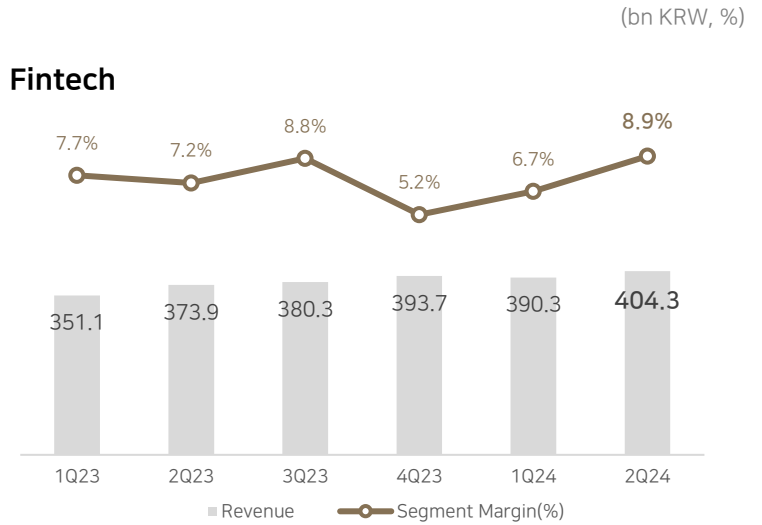
\* Adjustments: Accounting adjustments including intercompany transactions

# P&L by Segment

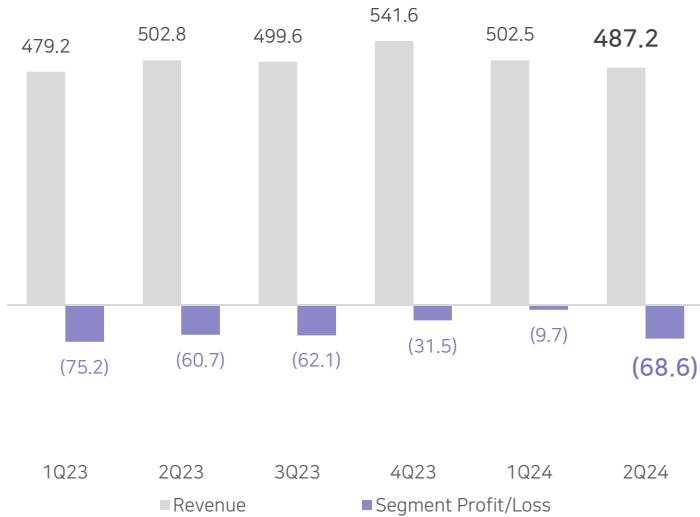
## Search Platform & Commerce



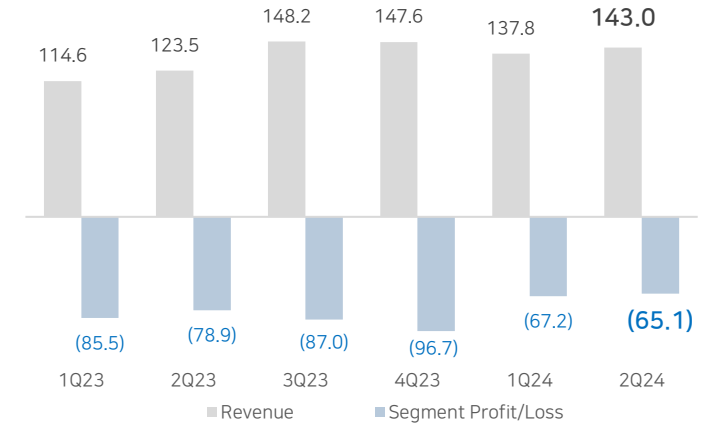
## Fintech



## Contents\*



## Cloud



\* Webtoon temporarily turned OP negative reflecting one-time IPO related costs

# Cash & Borrowings, Consolidated FCF, Direct and Indirect Investments

## Cash & Borrowings

### Cash and cash equivalents + Short-term financial instruments

(bn KRW)	4Q23	1Q24	2Q24
Naver(Separate)	1,171.6	1,449.2	1,719.0
Naver(Consolidated)	4,384.7	4,726.5	5,644.0

### Borrowings / Debentures(Consolidated)

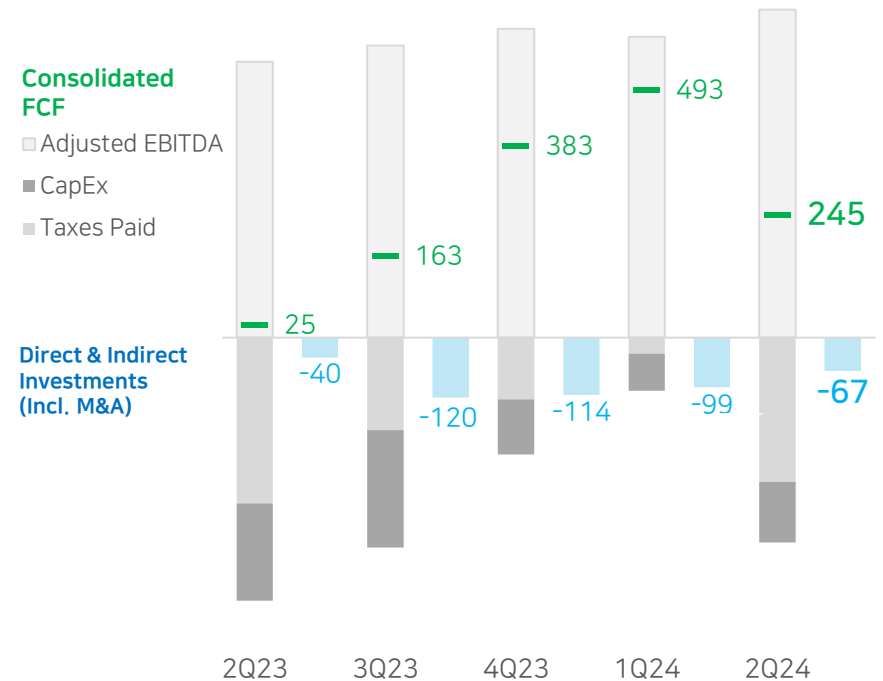
(bn KRW)	4Q23	1Q24	2Q24
Borrowings & Debentures	3,425.2	3,362.9	3,420.2
Short-term Borrowings	775.9*	325.2	392.3
Long-term Borrowings	2,649.3	3,037.8	3,027.9
Debentures	1,655.7	1,897.0	1,926.7
Borrowings	993.6	1,140.8	1,101.2

\*Paid off entire 800mn loan raised in connection with Poshmark acquisition

## Consolidated FCF, Direct and Indirect Investments

(bn KRW)

Cancellation of 1% of treasury shares took effect on Aug. 7<sup>th</sup>  
(1,624,086 shares, 264.2 bn KRW in value)



\* Consolidated FCF : Consolidated operating Income + non-cash expenses - CapEx - taxes paid

## Appendix. Net Profit

- 2Q Net Profit rose 15.8% YoY but fell 40.3% QoQ on base effect from 1Q gains on disposal of subsidiaries
- Other profit/loss: reflects YoY increase in loss on foreign currency translations regarding USD bonds

(bn KRW)	2Q23	3Q23	4Q23	1Q24	2Q24	Y/Y	Q/Q
Operating Profit	372.7	380.2	405.5	439.3	472.7	26.8%	7.6%
Operating margin (%)	15.5%	15.5%	16.0%	17.4%	18.1%	2.6%p	0.7%p
Non-operating profit/loss	48.4	124.4	33.7	220.9	-5.3	n/a	n/a
Equity method gain/loss	135.1	119.9	51.0	-85.2	89.1	-34.1%	n/a
Financial profit/loss	-66.8	60.9	-32.7	-49.4	-37.3	44.1%	24.5%
Other profit/loss	-19.8	-56.5	15.3	355.5	-57.1	-188.2%	n/a
Pre-tax income	421.1	504.5	439.2	660.2	467.4	11.0%	-29.2%
Tax	134.4	148.3	140.7	104.4	135.3	0.7%	29.6%
Net Profit	286.7	356.2	298.4	555.8	332.1	15.8%	-40.3%
Net Margin (%)	11.9%	14.6%	11.8%	22.0%	12.7%	0.8%p	-9.3%p

**Thank You**