

# kakao

Company Presentation  
April 2024



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# Company Overview



**Korea's mobile communication leader** with the undisputed dominant messenger app **Kakao Talk**  
48 mm domestic MAU vs. 52 mm population in Korea (93% penetration)



**Multiple revenue streams** across platform and content business, capturing the full range of **everyday mobile activities**  
Communication, e-commerce, payment & banking, ride-hailing, music streaming, webtoon, etc.



**Total package portfolio** across corporate growth cycle  
Early-stage growth (AI, healthcare, cloud and VC Investments) to self-sustaining growth (mobility, entertainment, and game)  
and profitable growth (Kakao Talk's advertising and commerce)

## Platform Businesses

### BACKBONE



Advertising



Commerce

85~100%<sup>(1)</sup>

### NEW INITIATIVES

- kakaobrain** AI
- kakaoenterprise** B2B / cloud
- kakaohealthcare** healthcare

### CONNECTED SERVICES

57.3%<sup>(1)</sup>  
**kakaomobility**  
ride-hailing & other mobility

46.5%<sup>(1)</sup>  
**kakaopay**  
payments & tech-fin

27.2%<sup>(1)</sup> (Associate)  
**kakaobank**  
internet banking

## Content Businesses

### GLOBAL GROWTH DRIVERS

66.0% <sup>(1)</sup> <b>kakao</b> ENTERTAINMENT	music / K-pop, media, and webtoon / web novel
91.1% <sup>(1)</sup> <b>kakaopiccoma</b>	webtoon (Japan)
39.9% <sup>(1)</sup> <b>SM</b> ENTERTAINMENT GROUP	K-pop
40.9% <sup>(1)</sup> <b>kakaogames</b>	mobile / PC games, virtual golf

Note: (1) Percentage figures indicate Kakao Corp's ownership stake in subsidiaries; all entities are consolidated subsidiaries but for Kakaobank (equity method accounting).

### REINVENTING

#### Redefining Kakao Talk and its Business Model

- Ongoing transition from a messenger app to a **comprehensive communication service platform**
- Ramp-up and monetization of **new tabs**, expansion of **user base** and **ad inventory**, **insulating the e-commerce** business from domestic competitors and the value-for-money Chinese platforms

### REALIGNING

#### More Focused Resource Allocation and Business Portfolio Optimization

- Ploughing the growing profits back into **major AI initiatives** and **key capex** projects to drive growth
- Streamlining the **group structure** to channel key resources to more promising areas and **reduce holdco discount**

### RECALIBRATING

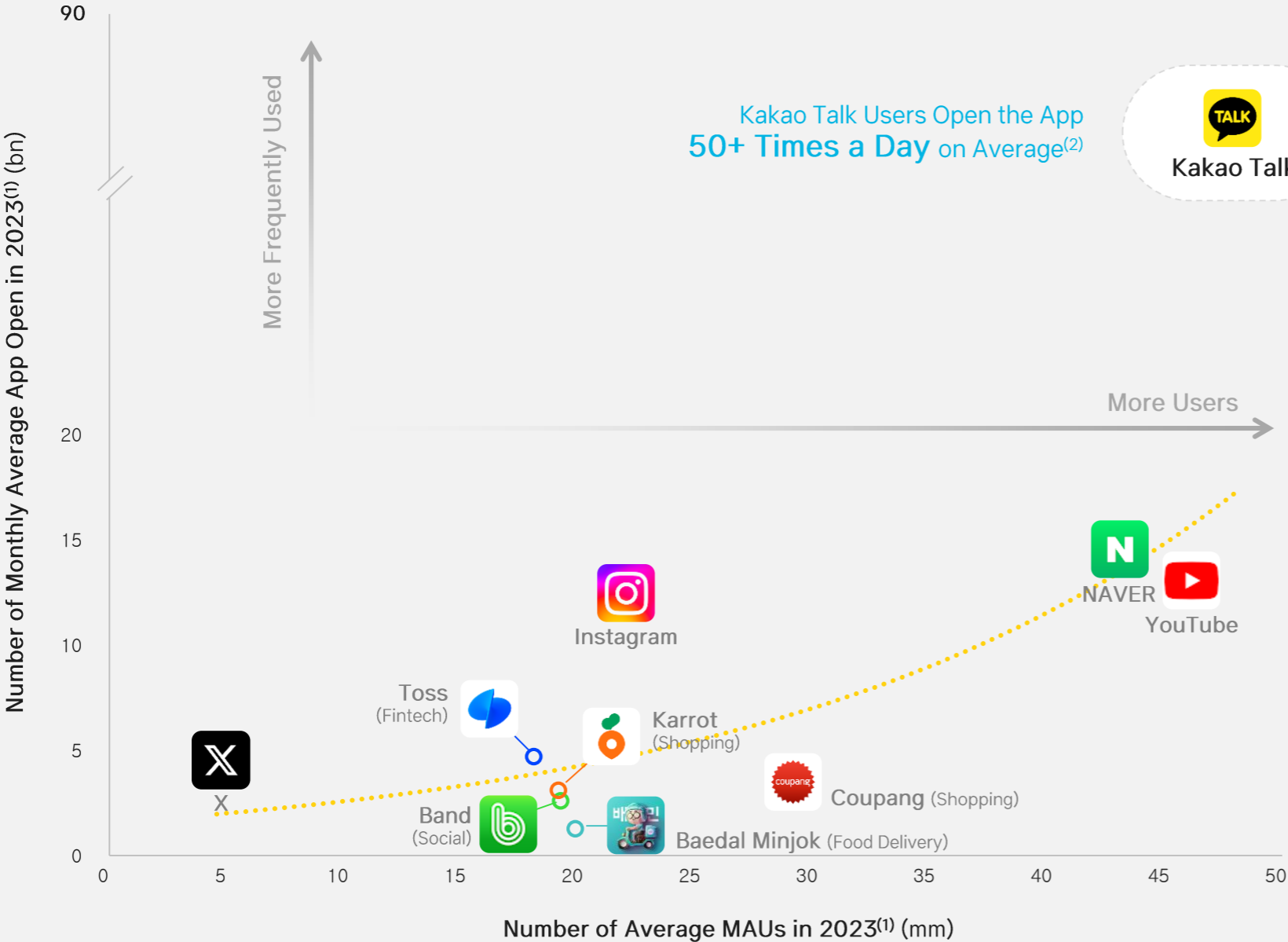
#### Better Financial Discipline and Improved Transparency

- **New management's** rigorous focus on **financial discipline** to drive profitability amid higher interest environment
- Key divisions delivering **profit upside** with new initiatives **narrowing losses**
- Transition to a more **conservative and transparent** accounting practice

Undisputed Market Leader in Korea's Mobile Space

Kakao Talk: No. 1 Mobile App in Korea

2023 Most Popular Apps in Korea by User Traffic & Usage Frequency<sup>(1)</sup>



**No. 1 Messenger in Korea**  
93% Population Penetration<sup>(3)</sup>



**No. 1 Mobility Platform in Korea**  
Taxi-Hailing, Designated Driver, Parking



**No. 1 Digital Bank in Korea**  
by Deposit & Loan Balance



**No. 1 Webtoon Platform in Korea**  
by In-App Purchase Revenue in 2023



**Global No. 1 Webtoon Platform**  
by In-App Purchase Revenue in 2023



**Top 1% Sustainability Distinction**  
by S&P Global's Corporate Sustainability Assessment in 2022 & 2023

Source: Company Information, Wiseapp Retail Goods, Korea's Fair Trade Commission, Sensor Tower, Mobile Index.  
Note: (1) Based on mobile app user data in January – November 2023 for Android and iOS, except for X (MAU as of 1H 2023 as compiled by Mobile Index). (2) Calculated as [avg. monthly app launch by MAUs] / [avg. number of MAUs] / 30 days based on the data from Wiseapp Retail Goods. (3) Based on annual average MAUs in 2023 and the number of total population in Korea as of April 2024.

# Making Every Korean's Daily Lives Better


A Life that Cannot Be Imagined without kakao




  
Shopping  
Fashion Items

  
Monitor  
My Health

  
Ask Merchant  
for Service

  
Advertise  
My Products

  
Book  
Flight Ticket

  
Find Best Route  
to Destination



## Solid Growth and Profitability Built on Unique, Differentiated Competitive Moat

### Advertising



Advertising Inventory backed by Unique Traffic Base of No. 1 Messenger App

#### Korea's Digital Advertising

KRW9 tn  
Online Ads TAM<sup>(1)</sup>

16% Share  
Digital Ads

### E-Commerce



E-Commerce Platform with Unique Business Model of Gifting

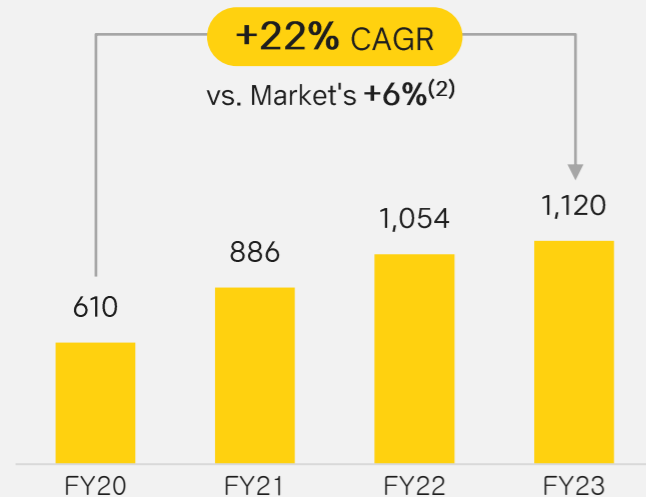
#### Korea's E-Commerce

KRW227 tn  
Online Retail TAM<sup>(4)</sup>

4% Share  
E-Commerce



### Kakao Talk's Advertising Revenue Growth (KRW bn)

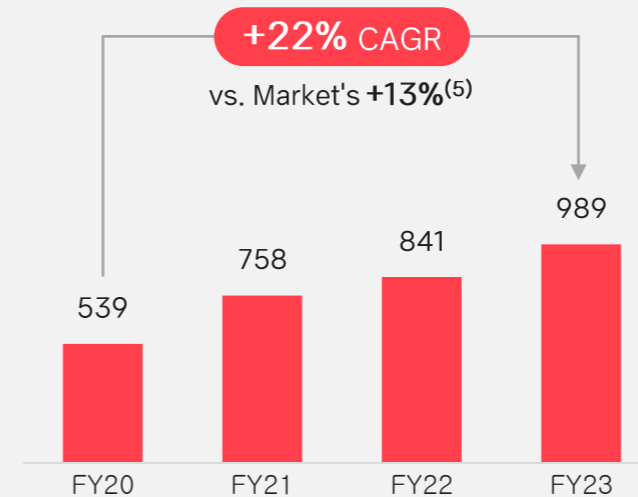


#### Key Growth Initiatives

- Focus on Enhancement of KakaoTalk Traffic Quality<sup>(3)</sup>
- Expansion of Location-based Ads for SMEs
- Maintained Growth Momentum with Unique Products & High ROAS



### Kakao's E-Commerce Revenue Growth (KRW bn)



#### Key Growth Initiatives

- Expansion of Selections to Luxury / High-end Brands
- Synergy Between Brand Store & Talk Channel
- Use Case Expansion from Gifting to Self-Purchases

Source: Korea Broadcast Advertising Corporation (KOBACO), Korea Statistical Information Service (KOSIS), Company Filings.

Note: All revenue figures are before restatement as per the recent changes in accounting policy for the purpose of consistent growth comparison.

(1) Korea's online advertisement market as of FY2023. (2) Korea's online advertisement market as per KOBACO.

(3) Ultimately leading to inventory expansion on the back of increased traffic in open chat and friend tabs. (4) Korea's online shopping market as of FY2023. (5) Korea's online shopping GMV as per KOSIS.

## Leadership Across Key Verticals With Continued Business Model Innovation

### Market Leadership

### Growth Strategy

Mobility

kakaomobility

**No. 1**

Mobility Platform  
in Korea

**95%**

Taxi-Hailing  
Market Share in Korea



Taxi

Expand  
**network of  
affiliated taxis**

Develop  
**advanced  
ads products**



Others

Evolve into  
**gig & car owner  
platform**

Story

kakao  
ENTERTAINMENT  
kakaopiccoma

**Global No. 1**

Webtoon Platform by  
In-App Purchase Rev.

**50%+**

Digital Webtoon  
Market Share in Japan



Ent.

Enhance **monetization**  
& diversify **IP library**



piccoma

Strengthen **original IPs**  
& expand **ads biz. model**

Music

kakao  
ENTERTAINMENT  
SM  
ENTERTAINMENT  
GROUP

**Top 2**

Entertainment  
Group in Korea

**33%**

Music Digital Retail  
Market Share in Korea



Music

Develop **localized IPs**  
in **global markets**



SM

Accelerate **global expansion**  
in North America & Japan

Game

kakaogames

**Top 5**

Game  
Publisher

**KRW1+ tn**

Revenue  
(FY2023)



Publish

Secure game **IPs**  
with **global potential**



Develop

Expand to **console games**  
& secure **global hubs**

Tech-Fin

kakaopay  
kakaobank

**No. 1**

Internet  
Bank

**KRW141 tn**

Total Payment Volume  
(FY2023)



Pay

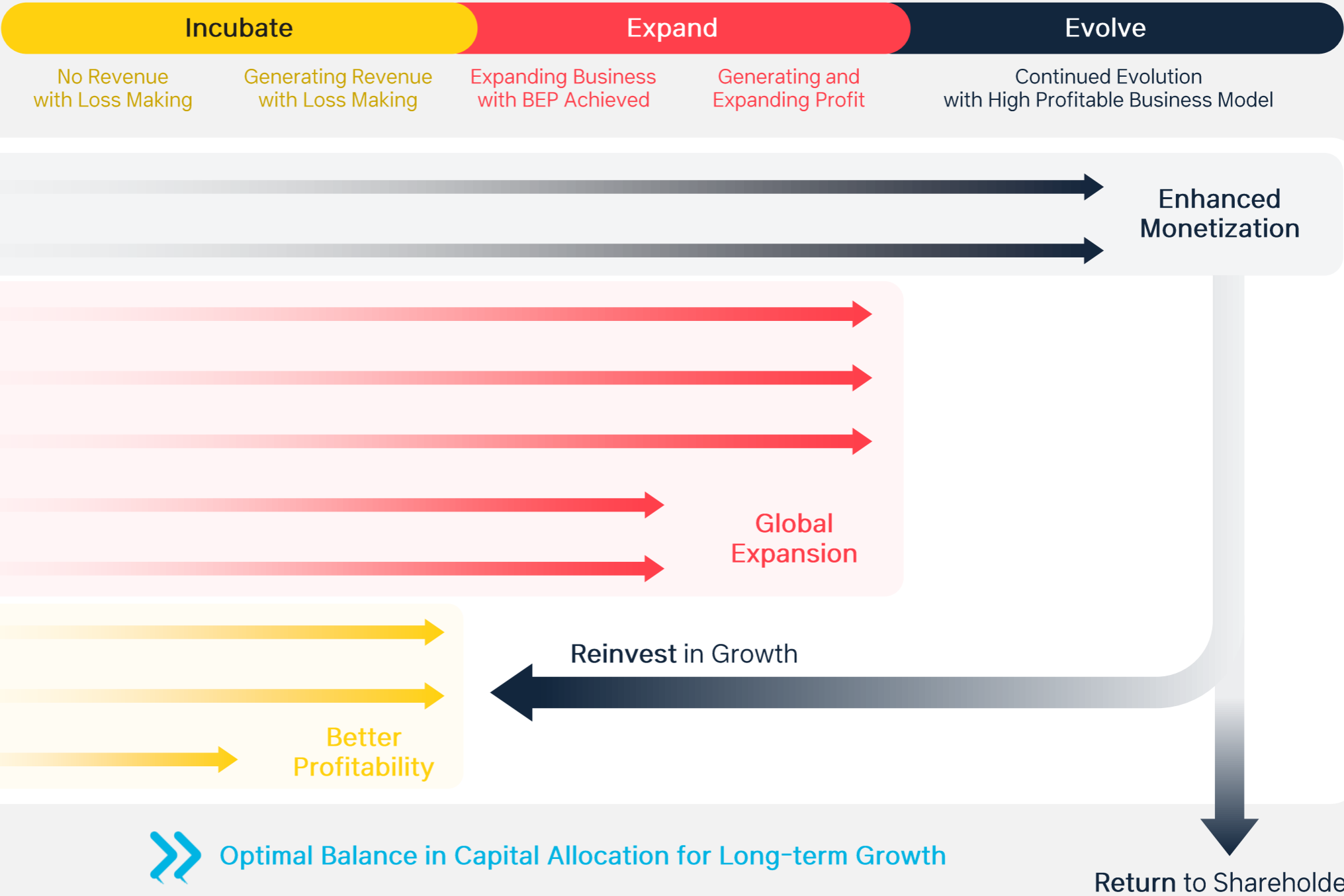
Maximize **cross-selling**  
(**24.7 mm users using 3+ use  
cases** in 2023 vs. 8.5 mm in 2022)



Bank

Deepen **penetration  
across all demographics**  
(Growth in all ages in FY2023)

Operating on the Full Range of Growth Cycle



### FY2023 Results Summary

- Robust top-line growth of +11% YoY recording KRW7.6 tn revenue in FY2023, driven by strong advertising and commerce business
- EBIT margin improved from 4% in 1Q23 to 8% in 4Q23 (excl. SM Entertainment), as losses from New Initiatives narrowed with ongoing optimization of operations and further cost savings from **successful restructuring plan**

### New Management

- Newly appointed leadership team (including CEO and CFO) focusing on strong growth and financial transparency to **redefine Kakao**
- Revamped Corporate Alignment Council (CAC) to **align interests / form consensus within Kakao ecosystem**

### More Conservative Accounting Practice

- Transition to a **more conservative accounting standards** to enhance financial soundness
- More **disciplined monitoring and evaluation of intangible assets** as well as **transparent and timely disclosure** of the details

### AI Initiatives

- Established a **new AI-dedicated unit under Kakao Corp's CAIO** to lead the group's overall AI strategy
- Focusing on revenue generation by launching **AI killer content** (vs. costly foundation model) to provide **unique AI experience for users** (achieved 1.5mm users within 1 month of launching the KakaoTalk AI function in December 2023)

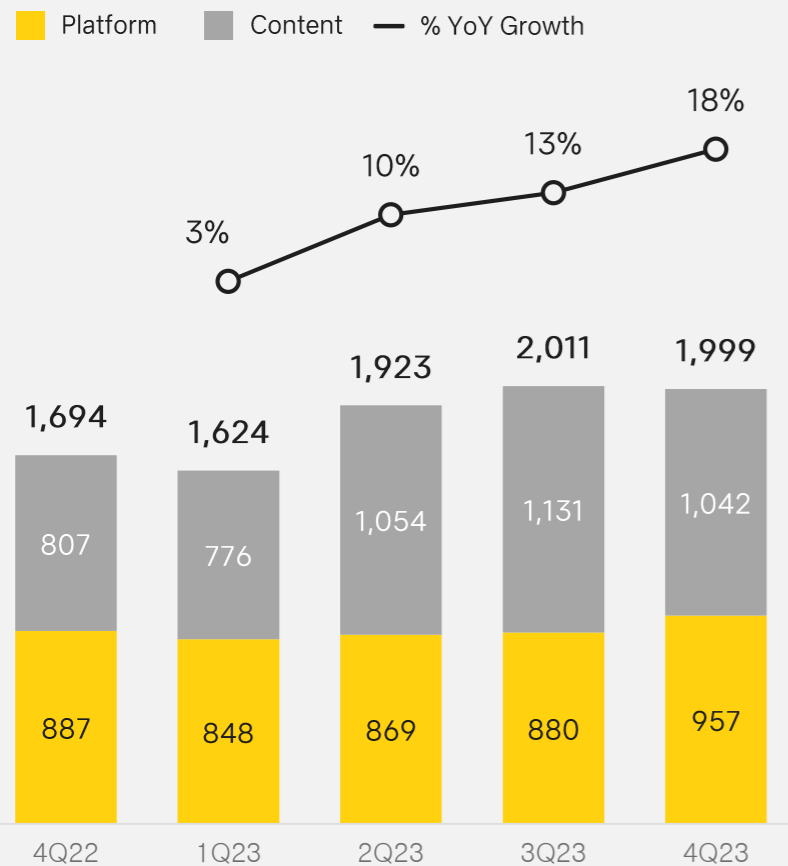
### Enhanced Local Service of Kakao Talk

- Unlocking a **next growth engine for Kakao's advertising business** by establishing a **new "Local" division** along with Advertising and Commerce for Talk Biz. (vs. a unit under Advertising business)
- **Broadening advertiser pool** by securing **SME merchants** based on expanded ads inventory that allows **location-based marketing** as well as **new localized ad products** with better accessibility for SMEs and higher ROAS

## Robust Financial Performance With Continued Transformation

### Revenue

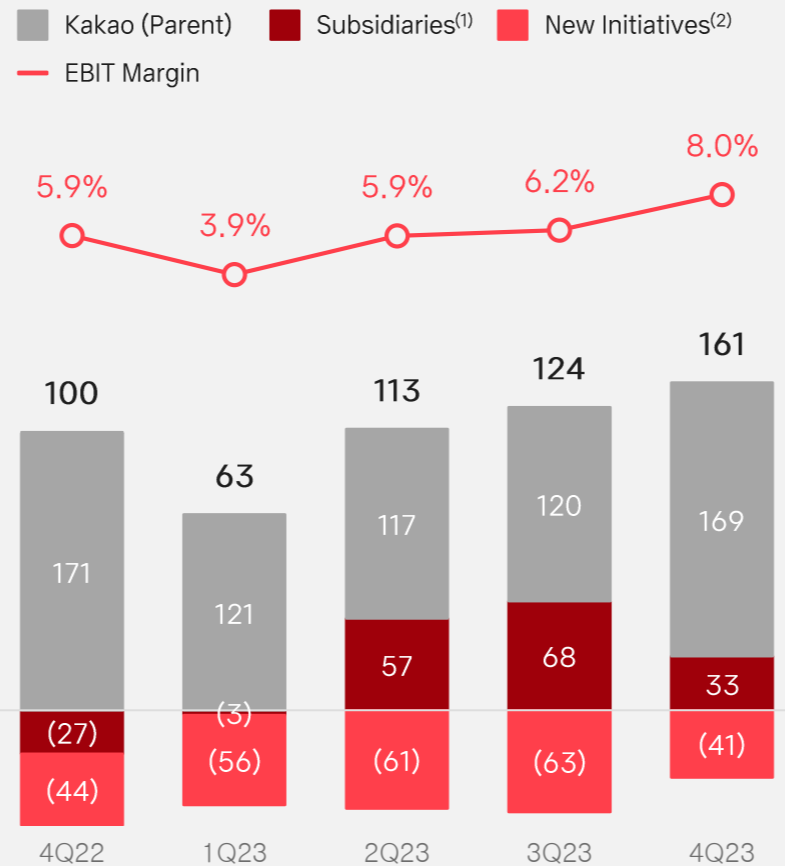
Quarterly Revenue (KRW bn)



- Overall growth with continued growth of Kakao Talk MAUs and Kakao Talk-native biz.
- Driven by robust performance of advertising (+11% YoY) and commerce (+16% YoY<sup>(3)</sup>)

### EBIT

Quarterly EBIT (KRW bn)



- **Subsidiaries EBIT turnaround** in 2Q23 with continued business development
- **New Initiative's narrowing loss** with ongoing optimization of operations

### 4Q23 Highlights



**Increased Advertising Revenue**  
(4Q23 +11 YoY, +9% QoQ)  
increased user traffic and  
acquired sizable SME advertisement clients



**Increased Commerce Revenue**  
(4Q23 +16% YoY<sup>(3)</sup>, +20% QoQ)  
execution of advanced CRM marketing and  
expansion of premium brands



**Expanded Profitability**  
(4Q23 EBIT +109% YoY, +42% QoQ)  
cost reduction of New Initiatives with  
continued profit generation from Subsidiaries

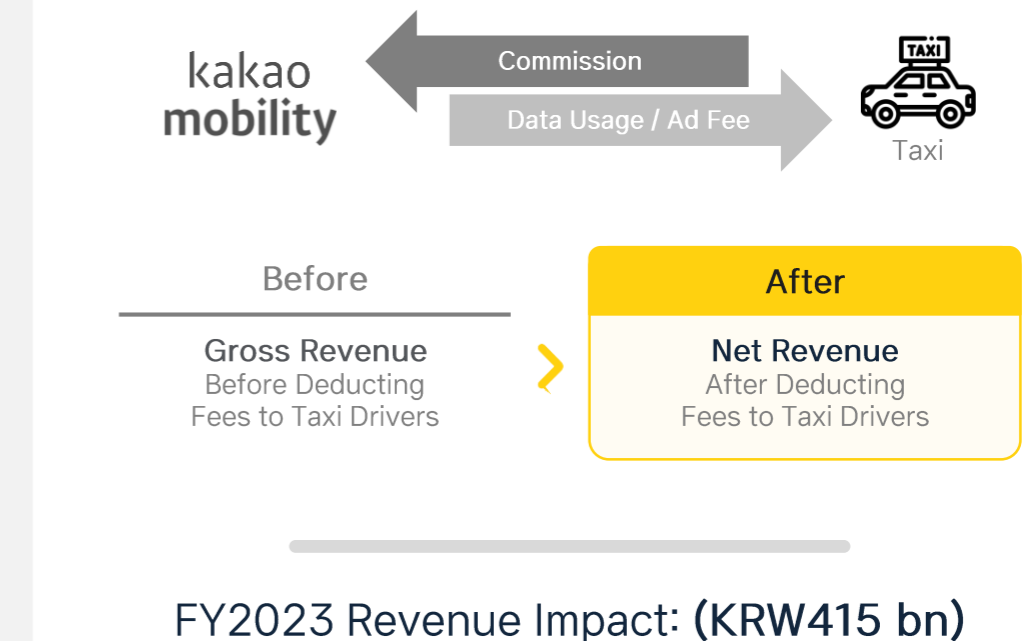
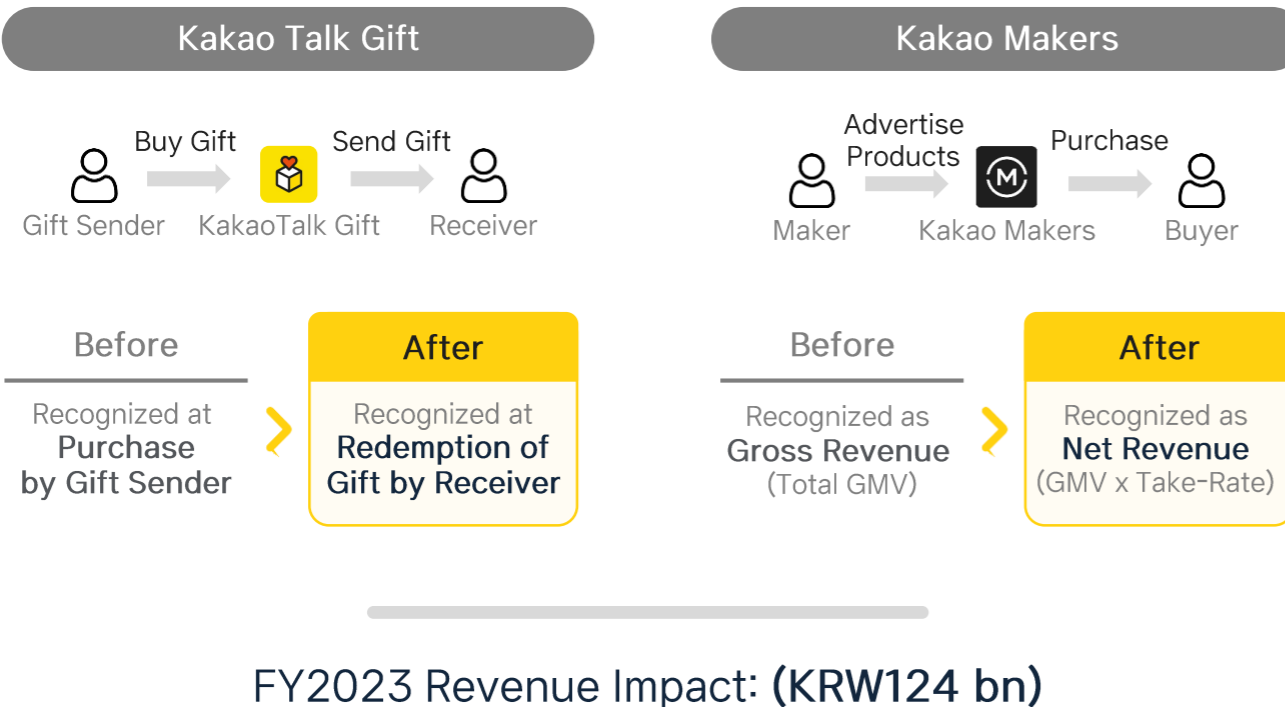
Note: (1) All business segments excl. Kakao (Parent) and New Initiatives. (2) Includes Kakao Enterprise, Kakao Brain, and Kakao Healthcare.  
(3) Before restating the financials to reflect the changes in accounting policy on March 20, 2024.

## Major Accounting Changes

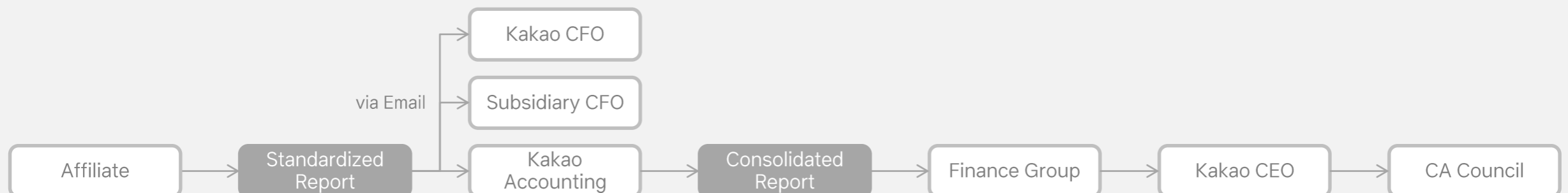
# More Conservative Accounting Practice to Enhance Financial Soundness

### Kakao Commerce - Changes in Revenue Recognition

### Kakao Mobility - Changes in Revenue Recognition



### Other Change: Formalized Reporting Process of Accounting Change after Deadline



# Major Accounting Changes (Cont'd)

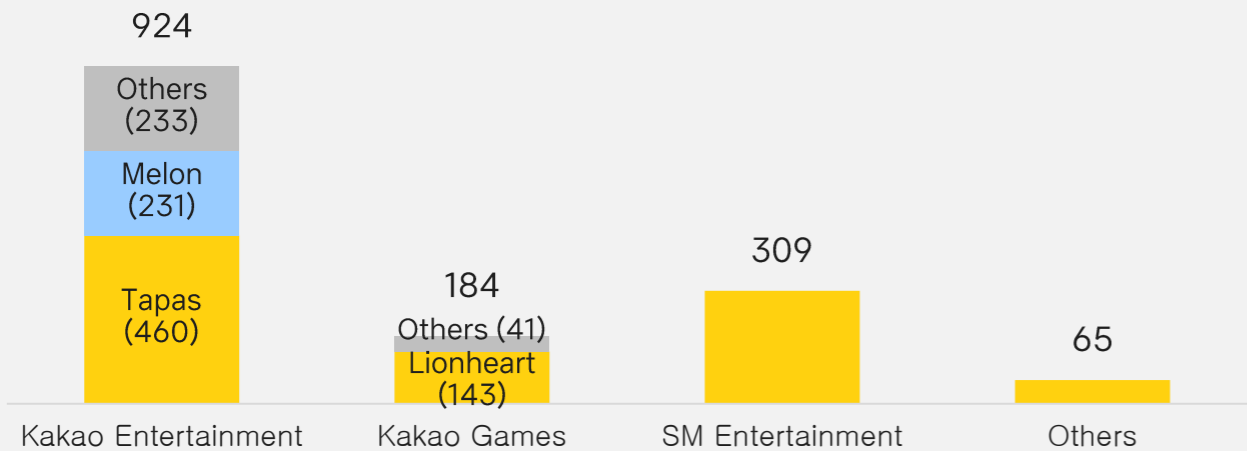


As the result of intangible impairment in Q4 2023, quarterly amortization cost is expected to decrease by KRW10 bn  
Goodwill impairment of KRW1,483 bn and PPA impairment of KRW314 bn in 4Q23 alone, reflecting recent challenging macro environment

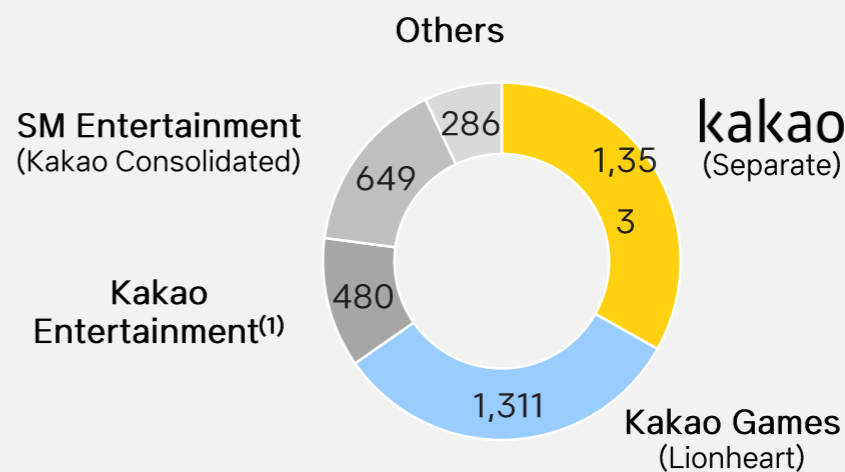


Implementation of more disciplined monitoring and transparent assessments of intangible assets  
Regular monitoring on the value of intangible assets, and timely disclosure of the details of any potential impairments

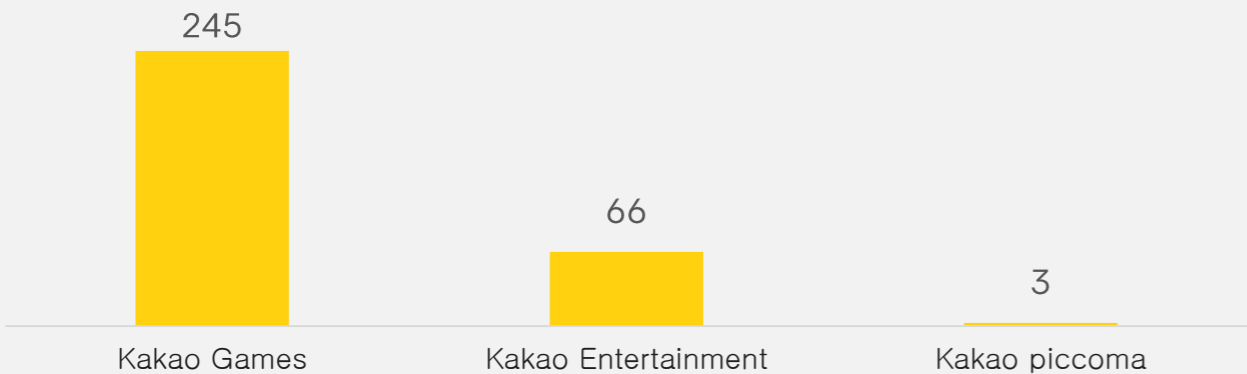
Goodwill Impairment (4Q23, in KRW bn)



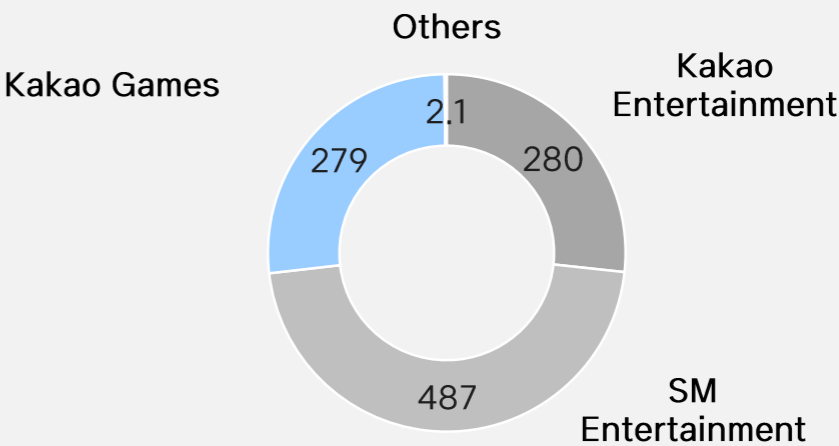
Goodwill Balance (as at end of FY2023, in KRW bn)



PPA Impairment (4Q23, in KRW bn)



PPA Balance (as at end of FY2023, in KRW bn)



Note: (1) Remaining goodwill balance of Melon and Tapas is only KRW4.6 bn and 11.4 bn, respectively.

# Financial Statement (Consolidated)

Consolidated Income Statement					
(KRW bn)	4Q22	1Q23	2Q23	3Q23	4Q23
<b>Total Revenue</b>	<b>1,694</b>	<b>1,624</b>	<b>1,923</b>	<b>2,011</b>	<b>1,999</b>
<b>Platform</b>	<b>887</b>	<b>848</b>	<b>869</b>	<b>880</b>	<b>957</b>
Talk Biz	520	485	480	479	538
Portal Biz	98	84	89	83	88
New Biz	269	280	300	317	331
<b>Content</b>	<b>807</b>	<b>776</b>	<b>1,054</b>	<b>1,131</b>	<b>1,042</b>
Music	230	232	481	513	498
Story	222	229	231	249	213
Game	231	247	269	262	232
Media	125	68	73	107	99
<b>Operating Expenses</b>	<b>1,595</b>	<b>1,561</b>	<b>1,810</b>	<b>1,887</b>	<b>1,838</b>
Labor Cost	411	448	472	468	472
Cost of Revenue	704	642	780	849	714
Outsourcing / Infrastructure	183	174	205	199	257
Marketing Expense	91	97	100	105	104
Depreciation & Amortization	161	150	192	198	210
Others	45	50	60	69	80
<b>Operating Profit</b>	<b>100</b>	<b>63</b>	<b>113</b>	<b>124</b>	<b>161</b>
<b>Margin (%)</b>	<b>5.9%</b>	<b>3.9%</b>	<b>5.9%</b>	<b>6.2%</b>	<b>8.0%</b>
Other Non-Operating Income	76	17	17	73	86
Other Non-Operating Expenses	993	42	28	80	2,164
Financial Income	141	79	62	56	121
Financial Expenses	253	46	51	70	141
Equity-method Gain	21	34	28	33	27
Equity-method Loss	46	40	29	23	27
<b>Profit Before Income Tax</b>	<b>(954)</b>	<b>65</b>	<b>112</b>	<b>113</b>	<b>(1,937)</b>
Income Tax	(468)	8	57	75	28
<b>Net Profit</b>	<b>(486)</b>	<b>57</b>	<b>55</b>	<b>37</b>	<b>(1,965)</b>
Controlling Interests	(112)	71	56	21	(1,160)
Non-Controlling Interests	(374)	(14)	(1)	16	(805)
<b>EBITDAR</b>	<b>253</b>	<b>213</b>	<b>305</b>	<b>324</b>	<b>369</b>
<b>Adjusted EBITDAR<sup>(1)</sup></b>	<b>295</b>	<b>242</b>	<b>332</b>	<b>345</b>	<b>376</b>

Consolidated Statement of Financial Position		
(KRW bn)	2022.12.31	2023.12.31
<b>Current Assets</b>	<b>7,756</b>	<b>8,943</b>
Cash & Cash Equivalents	4,780	5,269
Short-term Financial Instruments	1,210	1,662
Accounts Receivable	441	622
Other Current Financial Assets	362	575
Other Current Assets	963	815
<b>Non-Current Assets</b>	<b>14,451</b>	<b>15,090</b>
Investment in Associates and JVs	2,652	2,941
Tangible Assets	885	1,322
Intangible Assets	6,022	5,689
Other Non-Current Assets	4,891	5,138
<b>Financial Assets</b>	<b>757</b>	<b>1,147</b>
<b>Total Assets</b>	<b>22,964</b>	<b>25,180</b>
<b>Current Liabilities</b>	<b>5,210</b>	<b>6,767</b>
Accounts / Other Payable	1,374	1,799
Short-term Borrowings	1,097	1,629
Withholdings	442	522
Other Current Liabilities	2,297	2,816
<b>Non-Current Liabilities</b>	<b>3,798</b>	<b>3,737</b>
Non-Current Lease Obligations	1,643	1,731
Long-term Borrowings	1,176	846
Other Non-Current Liabilities	978	1,161
<b>Financial Liabilities</b>	<b>440</b>	<b>817</b>
<b>Total Liabilities</b>	<b>9,448</b>	<b>11,321</b>
<b>Paid-in Capital</b>	<b>45</b>	<b>45</b>
<b>Capital Surplus</b>	<b>8,116</b>	<b>8,840</b>
<b>Other Accumulated Earnings</b>	<b>41</b>	<b>8</b>
<b>Accumulated Other Comprehensive Income</b>	<b>(1,250)</b>	<b>(1,050)</b>
<b>Retained Earnings</b>	<b>3,031</b>	<b>1,926</b>
<b>Minority Interest</b>	<b>3,532</b>	<b>4,095</b>
<b>Total Shareholders' Equities</b>	<b>13,516</b>	<b>13,863</b>
<b>Total Liabilities &amp; Equities</b>	<b>22,964</b>	<b>25,184</b>

Note: (1) Adjusted EBITDAR includes share-based compensation expenses.

# Financial Statement (Standalone)

Income Statement					
(KRW bn)	4Q22	1Q23	2Q23	3Q23	4Q23
Total Revenue	651	610	612	617	660
Operating Expenses	480	489	495	498	485
Labor Cost	97	135	142	135	104
Cost of Revenue	238	210	195	207	220
Outsourcing / Infrastructure	74	70	78	68	72
Marketing Expense	10	3	5	9	11
Depreciation & Amortization	60	60	64	66	66
Others	2	12	12	13	13
Operating Profit	171	121	117	120	175
Margin (%)	26.2%	19.8%	19.1%	19.4%	26.6%
Other Non-Operating Income	10	3	4	5	6
Other Non-Operating Expenses	83	2	6	16	387
Financial Income	35	34	14	24	46
Financial Expenses	28	14	15	14	14
Profit Before Income Tax	106	142	114	120	(174)
Income Tax	(184)	25	21	31	21
Net Profit	290	117	93	88	(196)
EBITDAR	231	181	182	186	241
Adjusted EBITDAR <sup>(1)</sup>	248	195	194	198	247

Statement of Financial Position		
(KRW bn)	2022.12.31	2023.12.31
Current Assets	2,335	1,932
Cash & Cash Equivalents	1,249	1,439
Short-term Financial Instruments	211	22
Accounts Receivable	139	157
Other Current Assets	736	314
Non-Current Assets	8,457	9,423
Investments in Associates and JVs	4,752	5,353
Tangible Assets	500	737
Intangible Assets	1,609	1,585
Other Non-Current Assets	1,596	1,748
Total Assets	10,791	11,355
Current Liabilities	2,210	2,662
Accounts / Other Payable	547	532
Short-term Borrowings	29	250
Current Lease Obligations	142	150
Other Current Liabilities	1,493	1,729
Non-Current Liabilities	1,510	1,510
Non-Current Lease Obligations	1,306	1,310
Deferred Income Tax Liabilities	91	86
Other Non-Current Liabilities	113	115
Total Liabilities	3,721	4,172
Paid-in Capital	45	45
Capital Surplus	5,637	5,745
Other Accumulated Earnings	41	8
Accumulated Other Comprehensive Income	11	(5)
Retained Earnings	1,337	1,391
Total Shareholders' Equities	7,071	7,183
Total Liabilities & Equities	10,791	11,355

Note: (1) Adjusted EBITDAR includes share-based compensation expenses.

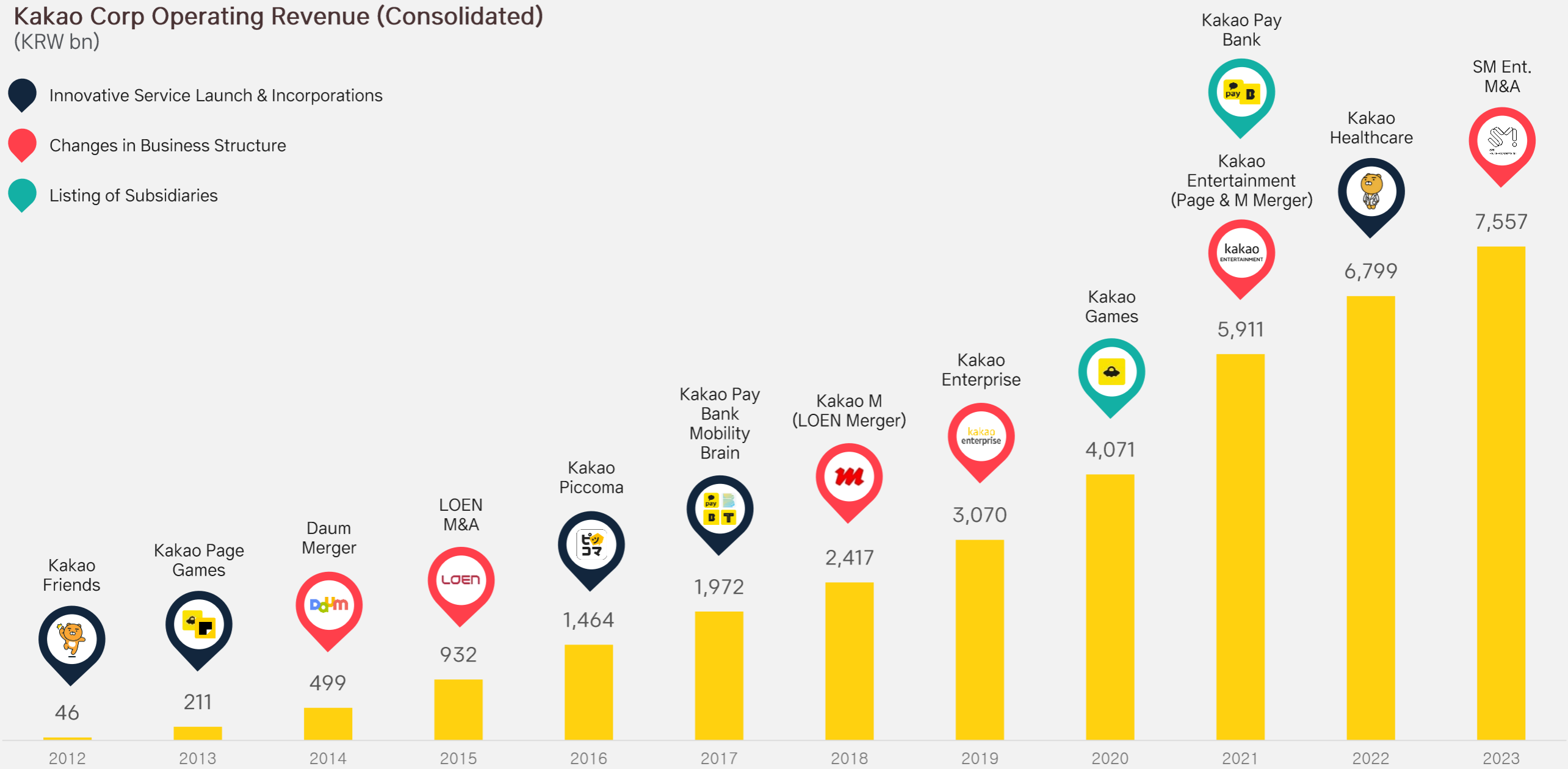
# Appendix

# Phenomenal Growth Trajectory Along With Growing Ecosystem

## Key Milestones

Kakao Corp Operating Revenue (Consolidated)  
(KRW bn)

- Innovative Service Launch & Incorporations
- Changes in Business Structure
- Listing of Subsidiaries



Note: 2022 / 2023 operating revenue figures are based on those after restatement as per the change in accounting policy.

## Kakao's Continued Focus on ESG Initiatives

Key ESG Initiatives



RE100<sup>(1)</sup>  
at Jeju Office



Upcycling  
Projects<sup>(2)</sup>



Green Digital  
Campaigns<sup>(3)</sup>



Social



KRW300 bn  
Established support fund for  
SMEs' digital transformation



Tech Campus  
with universities to  
nurture technical talents



'Kakao Together'  
Fundraising project for  
causes in need



Governance



DAO<sup>(4)</sup> Appointment  
First IT company to  
appoint DAO in Korea



New Committees  
Appointment of technology  
ethics and ERM committees



CEO KPI  
15% of CEO KPI dedicated  
to ESG related initiatives

### ESG Ratings



**Rated AA (2022)**  
From MSCI ESG ratings



**Grade A (2022)**  
From KCGS ESG ratings



**Top 1% (2023)**  
From S&P Global for  
sustainability distinction



**Member (2022)**  
Member of DJSI World,  
Asia Pacific, and Korea

Note: (1) RE100: An international agreement to replace 100% of electricity used by businesses with renewable energy by 2050. (2) Upcycling used T-shirts and sweaters to socks and cardigans. (3) Dark-mode of Kakao Talk, mobile e-bills, etc.

**Thank you**

