

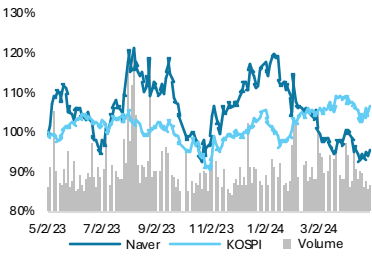
Naver Corporation

The Google of South Korea

Naver Corporation	KRX: 035420
Rating	BUY
Price Target	KRW 291,347
Price	KRW 188,800
Upside/Downside	54.3%

Market Cap (KRW)	27.40T
Shares Outstanding	150.98M
Free Float (%)	99.20
Avg Vol (3 month)	829.03K
FWD Dividend Yield (%)	0.66
TTM Return on Equity (%)	4.13

Trailing P/E	28.0x
Forward P/E	22.8x
Prices / Sales	2.9x
EV / Revenue	2.8x
EV / EBIT	18.6x
EV / EBITDA	12.3x



Key Executives

Byun Dae Gyu Chairman

Choi Soo-Yeon Chief Executive Officer

Kim Nam Su Chief Finance Officer

Major Shareholders

NPS of Korea 8.23%

Hae Jin Lee 3.77%

MFS International 0.65%

Analysts

Su Lin Lin Htet Lead Analyst

Sim Ru Xue Analyst

Daanvir Singh Narula Analyst

We initiate coverage on Naver (KRX: 035420) with a **BUY** rating and a KRW 291,347 target price, representing an upside potential of 54.3%. Our target price was derived using the 5-Year Exit Multiple Discounted Cash Flow (DCF) approach.

Investment Thesis

Maintaining dominance and expanding tech expertise: By leveraging on its generative AI technology HyperCLOVA X, Naver is expected to bolster brand loyalty through personalized experiences amongst consumers. Naver is also positioned to cater to businesses seeking to integrate AI into their operations; an opportunity to substantially grow its cloud segment. Its partnership with Samsung has exhibited benefits through upgrades in its services and expands Naver's expertise poising for accelerated international expansion.

Riding the tailwinds of E-commerce growth in Korea: Naver dominates the growing Korean e-commerce market and ever-increasing penetration rates. They have superior advertising tools and integrate seamlessly with the Naver ecosystem (payment, loyalty points). This attracts sellers with lower commission rates and easy customer reach. Consumers prefer Naver Shopping for its familiarity and youth appeal and Naver benefits from the growing retail sector in Korea. Naver's profitability and market leadership positions the company advantageously against foreign competition.

Strategic Expansion Drives Market Share and Growth : Naver's strategic acquisitions are constructing a digital empire. The acquisition of Poshmark (shopping platform) had helped Naver create footprint in US ecommerce market. Line's extensive user base in Southeast Asia assisted Naver with a SEA database. Wattpad's pool of talented writers prospect a continuous flow of new content assisted Naver to position itself as a leader in the US digital content sector. These acquisitions have bolstered Naver's presence in the US market and potentially pave the way for an IPO.

Financial Takeaway

Profitability promise through cost-cutting measures: Despite facing fierce competition from Google, Naver was able to improve performance via its commerce segment. Announced cutback of recruitment and marketing efforts, and cost synergies through its partnership with Samsung promises improved profitability.

Effective Liquidity Management: Despite the acquisition of Poshmark and investment in ventures, effective financial management has led to Naver maintaining healthy liquidity.

Investor Appeal: Stable operating cashflows indicate consistent performance, while forecasted EPS 8.9% growth rate makes Naver an attractive investment.

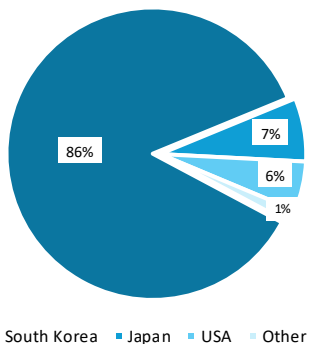
Investment Risk

Regulatory instability negatively impacts Naver's business mode: South Korea's Fair-Trade Commission announced new consumer protection measures for overseas online platforms. This could raise operational costs and compliance burdens for Naver.

Intensifying E-commerce Rivalry in South Korea: Alibaba is intensifying its presence in South Korea's e-commerce market, aiming to compete with leaders like Naver by leveraging its wide range of online retail, logistics, and cloud services.

"Heavy reliance on IP assets with a short life span is costly: While Naver Webtoon has attracted a global audience and talented artists, the volatile nature of artistic content could lead to fluctuations in popularity and revenue. Additionally, the need for effective talent management adds complexity and cost to Naver's operations, further increasing the investment risk.

Fig 1.1: Proportion of Revenue by Geography



Source: Annual Report

Established in South Korea in 1999, Naver engages in the provision of various services through its platform. Naver hosts various operating segments where Naver's main operating segments refer to its (1) search engine services, (2) e-commerce services, (3) and consumable content services (Fig 1.2). Naver mainly extends its presence across Asia with majority of its presence where South Korea stands as its main revenue driver (Fig 1.1). Besides its main operating segments, Naver operates a fintech segment and provides cloud solution services by providing payment solutions and cloud platform services, respectively.

Business Segments

Search Engine Services

Naver's search engine service (~43% of revenue), enable customers to access information through their input curated requirements. Naver earns revenue through operating as a medium for businesses to reach customers. To illustrate, Naver earns its revenues through facilitating search and display advertisement.

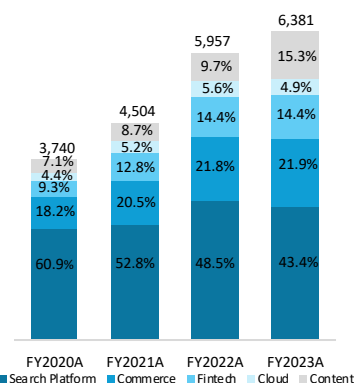
E-Commerce

Naver's provides an e-commerce platform (~22%) where it hosts 550,000 stores and sells over 1.4bn products, from health supplement category to fashion. It operates as a commerce aggregator with its revenue earned through ads on its platform, and commissioned sales. Its platform enables customers to compare offerings from respective sellers. In recent years, Naver has recorded heightened sales through its B2C and C2C platforms, Brand Store and Smart Store, respectively. With commissions earned from transactions, Naver facilitates stickiness through the provision of rebates to its customers.

Digital Content

With innovation to lead engagement and captivate interest, Naver's content business (~15% of revenue) provides an ecosystem for creators and users to freely express their creativity and consume content, respectively. Collectively, Naver hosts over 470mn people on its content platform presently. Its platform, Line, offers a variety of interactive and engaging applications for users (Fig 1.3). Naver's ecosystem enables constant interaction amongst users along with being a reliable informant of national and international matters. Naver earns its revenue through consumable content and advertisements on its platform.

Fig 1.2: Revenue by Segment (USD\$ mn)



Source: Annual Report

Fig 1.3: Line and its services

Offerings	Nature of Service
Line Games	Access to multiplayer games
Line Play	Virtual gaming platform
Line News	News notifications & articles
Line Today	Personalized news notifications & articles

Source: Annual Report

Fintech & Cloud Solution Services

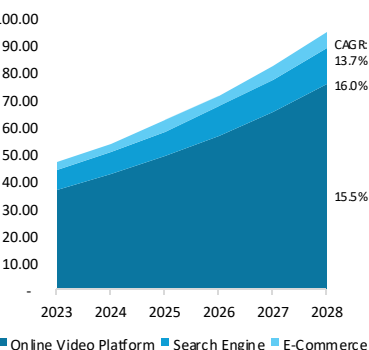
Its remaining segments fintech (~14% of revenue) and cloud solution services (~6% of revenue) offer convenient solutions such as facilitation of online payments and storage spaces for its customers, respectively.

Industry Overview

Increased Digital Connectivity & Technological Upgrades – Search Engine

The advent of the Covid-19 pandemic exhibited the robust resilience of the global search engine market where it experienced immense growth. Similarly, the South Korean search engine market is poised to experience substantial expansion. It is estimated to grow from USD\$5.0 bn from 2021 to USD\$13.5 bn by 2028 (~ CAGR of 13.7%, Fig 2.1).

Fig 2.1: Search, Content, and Commerce market growth (USD\$ mn)



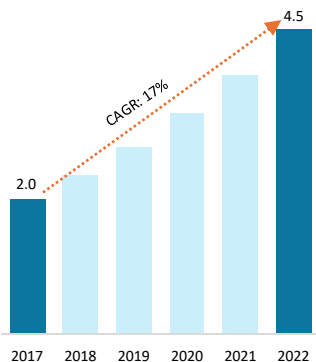
Source: Mordor Intelligence

South Korea's search engine market growth has been driven greatly by the increasing digital interconnectivity in South Korea. Its digital interconnectivity acts as a selling point to firms as it provides great reach. For instance, South Korea's smartphone penetration continues to rise as it records a record 94% in 2022. Additionally, South Korea's Ministry of Science and ICT has also reported that 99.96% of households in South Korea have access to the internet as of 2023. Looking ahead, the search engine market is poised for greater growth as the development and integration of AI into search engine models. Its integration and development are also backed by the South Korean government to support the implementation of the 'Digital Strategy of Korea'.

Consumer & Supplier Relationship Establishment – E-commerce

The South Korean e-commerce market is comprised of cross-border, domestic, B2B, and B2G e-commerce services. The market's greatest growth prospects lie in its cross-border, domestic, and B2B potential. The South Korean e-commerce market exhibited significant growth in its cross-border e-commerce (Fig 2.2), domestic firms will be able to

Fig 2.2: SK Cross-Border E-Commerce Market Growth (USD\$ mn)



Source: International Trade Administration

capitalize on the opportunity of providing similar goods ordered by customers from foreign competitors. With respect to its domestic e-commerce segment, the segment reached a value of USD\$180.4 bn, up from USD\$168.5 bn, and is presently South Korea's largest retail channel. With individual segments gearing towards growth through technological advancements, great prospects are expected from the e-commerce market where it is expected to grow from USD\$2.8 tn in 2024 to USD\$6.8 tn by 2029 (~ CAGR of 15.99%, Fig 2.1).

Online Content to Drive Online Video Platform Growth

Online video platforms software systems that allow users to upload, encode, manage, and stream video content over the internet. The market possesses great potential with high internet penetration rates, consumer preference switch from traditional television to online content, and technological advancements enabling connection through television. A restrainer of growth of the market, however, relates to the challenges of copyright infringement, privacy, and fierce competition. Despite the restraints, companies have the opportunity of reaching an increasing consumer base through technological adoption and advancements. Thus, valued at USD\$31.8 mn in 2022, the online video platform market is expected to grow to USD\$134.1 mn by 2032 (~ CAGR of 15.5%, Fig 2.1).

Competitive Positioning

Consistent dominance despite past regulation restrictions

The South Korean search engine market is an oligopolistic natured market with the main dominant players being Naver and Google. The industry exhibits fierce competition amongst players where Google has experienced the most significant rise in market share. The rise of Google can be attributed to its performance where it provided relevant and helpful results. Following the influx of users, marketing companies set aside bigger budgets for search ads on Google's platform. Naver's dominance in the market also led the Korean government to apply regulatory pressure to prevent a monopoly from being formed. Despite the restrictions and rise of Google, Naver continues to dominate by maintaining its position as market leader where Google has lost hold of approximately 9.1% of its market share since 1Q2021 (Fig 2.3). With the introduction of Google's AI "Gemini", Google saw a market share increase of approximately 3% from 2023 to 2024. Simultaneously, Naver's market share dropped 3.5%. With Naver's newly released search engine, CUE, powered by HyperCLOVA X (its newly developed generative AI), Naver is poised to enhance its services potentially growing its lead.

User experience-led advantage in C2C and B2C sales

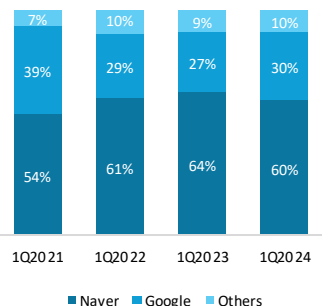
Among commerce platforms in Korea, Coupang takes the top spot in GMV market share at 22.5% and the highest average weekly spend per user. However, Naver comes as a close second in market share at 17.5%, while taking the leadership in EBIT margin at 15.4%. Coupang's massive success in E-commerce is due to its overweighting in D2C sales of groceries and daily necessities, while its C2C marketplace lags Naver's C2C business significantly where sales of electronics, fashion and other discretionary items take place. Coupang's market leadership also comes at the expense of its lower EBIT Margin of 1.9% as opposed to Naver's 15.4%.

Coupang and Naver rank in the top 2 most used apps among consumers across all age groups in Korea. Naver is the most used app for consumers in their 20s and 30s, while Coupang is the most used app for consumers in their 40s and beyond. According to Mezzomedia, the top reason for consumers choosing Naver is its convenience of ordering and payments, while the top reason for Gmarket and 11street is promotional events for price discounts.

Pioneering the Digital Content Sector

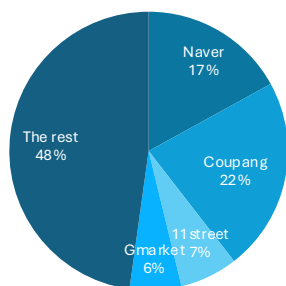
The latest reporting on market share exhibits that as of 2022, Naver Webtoon lead the North American market with a market share of 70.6% where other Korean webtoon platforms greatly lag behind Naver (Fig 2.5). Naver's success can be attributed to its acquisition of Wattpad in 2021 by enabling Naver to gain an additional 90 million users on top of its 76 million existing users. Presently, Naver has enlisted Goldman Sachs and Morgan Stanley as underwriters for its IPO that aims to raise USD\$500 mn. With its IPO, it is anticipated for Naver to be able to leverage on additional cash to grow its platform on a greater scale. Major competitors for this industry include Kakao Webtoon, which is under Kakao entertainment with a market cap of \$16.04bn.

Fig 2.3: Search Engine Market Share Comparison



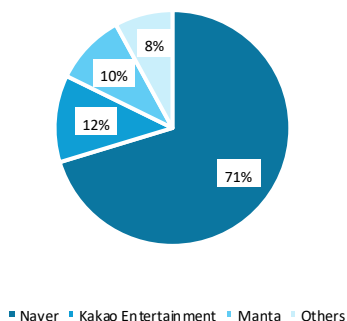
Source: Internet Trend

Fig 2.4: E-commerce GMV Market Share



Source: Euromonitor 2022

Fig 2.5: North America Webtoon Market Share



Source: Korea JoongAng Daily

Fig 3.1: Naver AI against competitors

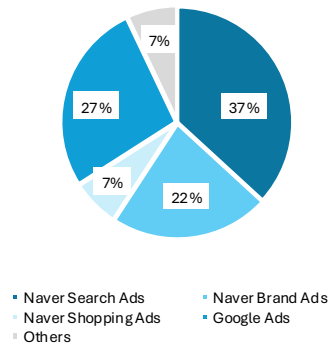
AI Model	Korean Data	General
LLAMA-2-7B	20.66%	23.95%
LLAMA-2-KO-EAN-7B	24.13%	20.37%
LLAMA-2-13B	28.55%	29.88%
POLYGLOT-12.8B	28.39%	27.90%
QWEN-72B (Alibaba)	44.79%	52.34%
Gemini Pro (Google)	42.94%	48.64%
GPT-3.5-TURBO	39.59%	42.47%
GPT-4	54.89%	60.49%
HyperCLOVAX (Naver)	55.21%	54.32%

Source: Pulse News Korea

Leveraging on HyperCLOVAX: Naver's new generative AI, HyperCLOVA X, presents immense scalability and provides it with an abundance of opportunities for growth. It provides a competitive edge and positions it to (1) facilitate rewarding B2B services and (2) bolster brand loyalty and experience increased ad spending on its platform.

Provided that 48% of South Korean companies are exploring the integration of AI in its operations, Naver stands to benefit with its ability to provide greater services with its new competition-cutting AI. Trained with 6,500x Korean data, powered by chips 8x more power efficient than chips run by competitors, and reducing AI hallucinations by 72% in contrast to competitors, Naver is expected to outshine its competitors as an option for South Korean businesses when integrating AI. Thus, with 48% of South Korean businesses exploring AI, and 12% of South Korean businesses yet to integrate AI, Naver is positioned tighten its grip on the market with greater opportunities than its competitors due to its technological competitive edge of speed, reliability, and wealth of Korean-specific data accumulated (Fig 3.1).

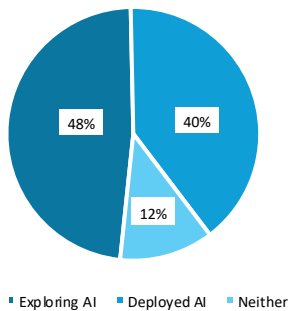
Fig 3.2: Respective Customer Lead Rates



Source: Waterbe Corp

By leveraging on the capabilities of HyperCLOVA X, Naver has launched CUE (November 2023), its new search engine service powered by HyperCLOVA X. With its integration of generative AI, Naver will be able to understand its consumers to greater extent. Thus, enabling it to provide improved personalized experiences through facilitating personalized ads, search suggestions, and shopping recommendations. We foresee scalability in its application with impact on various segments. To illustrate the impact, research conducted by Accenture discovered that 75% of consumers would be more likely to return and purchase a good/service. Further, additional research conducted by McKinsey concluded that companies excelling in personalization would lead them to net 40% more revenue than average market players. Presently, Naver has experienced its Search Platform revenue to increase as its search, and display revenue grew 6.2% and 5.3% y-o-y (1Q2023 to 1Q2024) from efficiency improvement and improved home feed performance, respectively. Thus, further substantiating the importance of personalization.

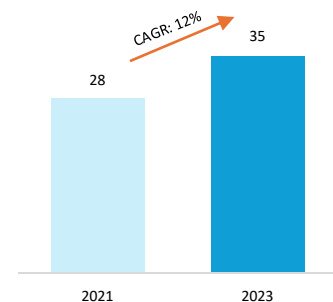
Fig 3.3: SK Business AI Adoption Status



Source: International Business Machines (IBM)

As an incidental benefit of bolstering brand loyalty, we foresee Naver experiencing greater traffic arising from marketers. Presently, Naver records an exceptional advertising customer lead rate relative to its industry competitors (Fig 3.2). Consequently, the implementation of AI in its search engine and commerce services, is expected to result in Naver's advertising customer lead rate to heighten steadily. Thus, we foresee the integration of AI to bolster brand loyalty to benefit Naver financially by improving the stickiness of its platform for customers - leading to increased ad spend on its platform.

Fig 3.4: Naver Pay Users B&A Samsung Partnership (mn)

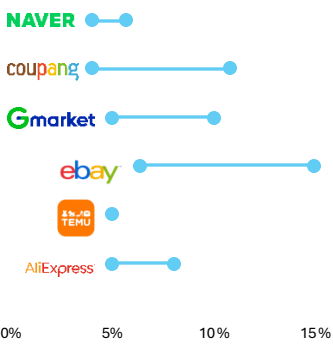


Source: The Korea Herald

Partnering with Samsung: By signing a memorandum of understanding with Samsung in December 2022, the partners are to embark on the development of intelligent office buildings and upgraded tech solutions. Presently, the partnership has awarded Naver's efforts into technological advancements by providing it AI chips. This enables Naver to transition away from using Nvidia chips which dramatically reduces its costs with industry sources claiming it will cost Naver a tenth of the amount to use in contrast to using Nvidia's chips. The partnership has also aided Naver to commercialize its platform by upgrading Naver Pay's services by enabling offline transactions and broadened applicability to 550,000 stores. It has also integrated Samsung Pay applicability into Naver's platform which opens Naver's platform to over 16 million additional customers.

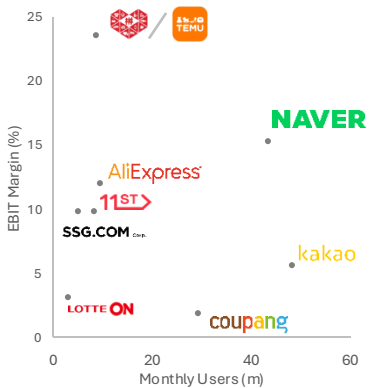
Following its MoU with Samsung, Naver and Samsung signed additional MoUs with the Saudi Arabian Ministry of Municipal and Rural Affairs and Housing, and the Ministry of Investment Saudi Arabia for a USD\$100 mn digital twin tower project. Naver is positioned to announce its presence in international markets with backing from Samsung and Saudi Arabian authorities. Therefore, Naver can capitalize on the additional expertise it is to gain from its venture into Saudi Arabia. With recognition from the Saudi government and its Samsung partnership, Naver is expected to improve its brand image in Saudi Arabia which poises it to extend its presence in Saudi Arabia. Naver is further complemented by its tech venture capital, D2 Startup Factory, which records over 140 acquisitions where the acquisitions record a 99% survival rate, 70% follow-up investment rate, and extended Naver's network by connecting it to 1,335 tech startups. Thus, Naver is poised to benefit from its venture into Saudi Arabia with Samsung and shows promise with its technological advancement efforts for future expansion and competitiveness.

Fig 3.5: Platform commission fees



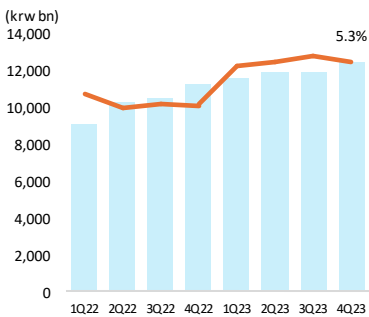
Source: SIG Research

Fig 3.6: Platform EBIT Mgn to Monthly Users



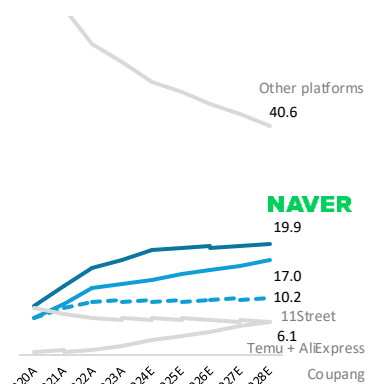
Source: SIG Research

Fig 3.7: Naver's GMV and take rate



Source: Naver

Fig 3.8: E-Commerce GMV Market Share (%)



Source: Euromonitor, SIG Research

Domestic eCommerce platform of choice

We estimate Naver's market share of the E-commerce market to be 17.9% as of 2023. Naver's digital presence and superior advertising tools allow sellers to reach their customers effectively. Naver operates the entire E-commerce process from marketing to payments processing, where its digital traffic channels serves as a funnel into the Naver shopping platform through referrals and prioritizing its shopping platform in its search results. As a result, Naver shopping spends virtually nothing on marketing ads. Additionally, Naver exploits its size as well as it being a tech-focused company which allows Naver to charge the lowest commission rate compared to other marketplace platforms. Additionally, 80.5% of firms choose Naver as their 1st ecommerce platform. These factors have led to Naver being the largest marketplace platform by seller size.

Consumers choose to shop on Naver Shopping because of its integration with the existing Naver ecosystem they are familiar with. Naver pay has a 74% usage rate in Korea, which incentivizes users to shop on Naver Shopping for point rewards, as well as ease of use with integration to existing Naver services. Its popularity among youths, where it was the #1 shopping platform of choice for users 20 - 39 is a testament to its effective ecommerce strategy among consumers.

Naver's low commission cost and appeal to the younger consumers makes Naver Brand Store (B2C) and Smart Store (C2C) the e-commerce solution of choice for all sellers, from business conglomerates to SMEs.

Weathering the Competition with Profitability Leadership

Despite lower fees per transaction and ongoing promotional efforts (e.g. Free Guaranteed Delivery), Naver is the leading platform in profitability and user base. Naver's LTM EBIT margin is 15.4%, above the industry median of 10% and the highest amongst peers. It also possesses the second highest user base platform in Korea. The high profitability margin gives Naver leeway to intensify its efforts to defend its market leadership against competition and foreign firms.

Additionally, Naver's commerce business enjoys GMV growth with its market leadership in the growing E-commerce market as well as increasing take rates per GMV. The two-pronged revenue gain is a result of the company's focus on its seller tools, ancillary services that enhance the performance of seller products on the platform. In 1Q 2023, Naver rolled out its Delivery Guaranteed service, in cooperation with CJ Logistics, a logistics program that guarantees next-day delivery for orders. The program saw significant take-up rates among its seller base which saw tangible benefits of 1.5x - 3x growth in their GMVs. Naver also leverages its database and AI tools to provide targeting based recommendation marketing with CLOVA MD, which saw high conversion rates and ROI far exceeding the increased fees charged by Naver.

Naver's superior profitability to its peers while increasing GMV and take rates makes the commerce business a growing behemoth and reliable source of profits.

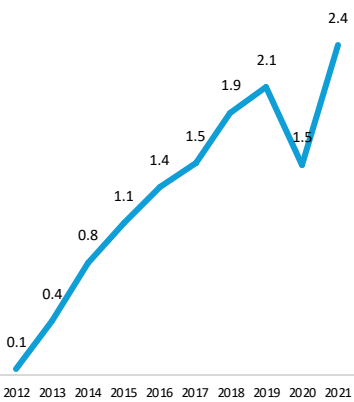
Overreacted Expectations of Chinese Platform Penetration

In 2023, China accounted for 48% of the foreign direct purchase market in Korea. Driven by the expansion of Chinese D2C platforms like Temu and AliExpress, China's product value grew 121% from the previous year. Temu and AliExpress connects Chinese businesses to sell discount unbranded Chinese products to the Korean consumer.

In 2023, discount store sales in Korea were the worst performing by store category, only seeing 0.5% growth while occupying 12.7% of retail sales value. For selling discount consumer goods at the cost of longer delivery times, we believe that the demand for Chinese discount products is niche and does not threaten Naver's seller base.

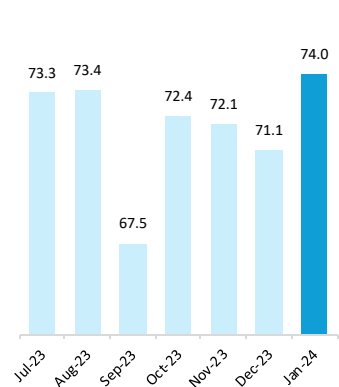
AliExpress expanded into Korea in 2018 and have been gradually gaining users on its platform. However, leading marketplaces like Naver and Coupang continued to see strong growth in payment volume. Additionally, AliExpress and Temu's heavy reliance on marketing spend to expand its share has made them major advertisers on Naver's channels, driving Naver's commerce advertisements revenues. Therefore, we believe the explosive Chinese Platform growth in Korea will taper rapidly, while Naver benefits from this in the short and long term.

Fig 3.9: Line Global Users (bn)



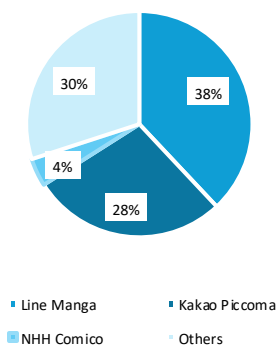
Source: Statista

Fig 3.10: Monthly E-commerce Users (mn)



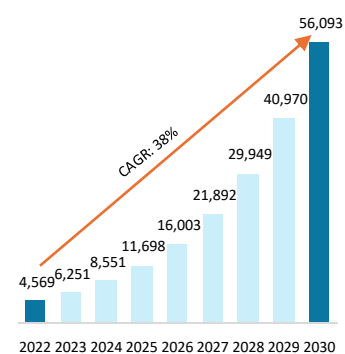
Source: Research Drive

Fig 3.11: Webtoon Market Share in Japan



Source: KED Global

Fig 3.12: Webtoon Market Growth (US\$ mn)



Source: Statista

Diversifying into E-commerce through the Acquisition of Poshmark

The fusion of Naver and Poshmark is set to forge the formidable platform for community-driven commerce and fashion, redefining the shopping experience with Naver's advanced search, AI recommendations, and e-commerce capabilities. Established in 2011 and headquartered in California, Poshmark ranks as a leading online marketplace in the United States, facilitating the purchase and sale of both new and used clothing, along with various home items. The platform boasts a user base exceeding 80 million. This strategic move, alongside the roll-out of HyperCLOVA X, an enhanced version of its AI technology, signals Naver's ambition to broaden its profit bases. The company witnessed a 9.5% increase in operating profit to 330.5 billion won (USD\$249.4 mn) on a consolidated basis for the first quarter, year-over-year, alongside a 23.6% boost in sales to 2.3 trillion won. This revenue increase was significantly buoyed by its e-commerce arm, which recorded a 45.5% sales growth, with Poshmark playing a pivotal role.

One of the PoshMark's competitor include ebay, however their target customers are different. PoshMark targets millennials whereas eBay targets Gen Xers and Baby Boomers. They charge flat rates from sellers and this business model had allowed them to attract more users onto the platform. This acquisition not only underlines Naver's commitment to enhancing its presence in the lucrative US market but also illustrates a strategic diversification of its portfolio.

Global Messaging Powerhouse with Untapped Revenue Potential

The significant reach and user engagement of the Line app, particularly its collaboration with giants like Disney, Facebook, and WeChat, exemplifies the success of Naver's strategy for international expansion. With an impressive user count of 217mn, largely concentrated in its home country of Japan where about 55% of the population utilizes the app, and around 70% of those are daily active users. Moreover, its widespread adoption in countries beyond Japan, such as Indonesia, Taiwan, and Thailand, underscores the effectiveness of Naver's global outreach, demonstrating the app's ability to attract and retain a diverse international user base.

The surge in LINE Messenger's popularity can significantly be attributed to its strategic marketing approach. By introducing four beloved characters or mascots, each symbolizing different emotions, LINE managed to carve out a unique merchandise platform for itself standing apart from other communication apps like Messenger and Whatsapp. Line offers features like in-app purchases, opening doors for Naver to diversify its revenue streams and explore new business models within the Line ecosystem. By combining Naver's technological capabilities with Line's user base, global reach, and marketing strategies, the company can create the synergy that positions them for significant future growth and dominance in the global messaging landscape.

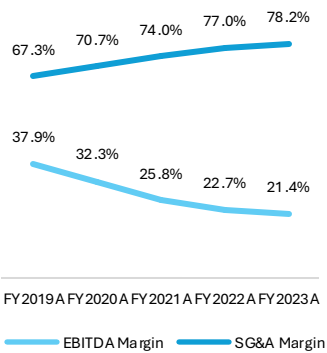
Company's Acquisition Strategy Aims for Dominance in Content Creation

The acquisition of Wattpad by Naver, under its Webtoon Entertainment umbrella, represents a strategic expansion aimed at consolidating Naver's foothold in the global digital storytelling and entertainment market. This move not only brings together two of the leading platforms in their respective domains; Webtoon in digital comics and Wattpad in social storytelling and web novels, but also signals a significant step towards Naver's ambition to dominate the content creation and distribution space internationally.

Wattpad, headquartered in Canada, boasts a massive global community of 94mn users, including five million writers who have contributed over one billion story uploads to the platform. The platform's success in fostering new writing talent and facilitating direct earnings for its writers through programs like the Wattpad Paid Stories program underscores its innovative approach to content creation and distribution.

Naver leverages Wattpad's strong creator base and pioneering technology, such as the Story DNA Machine Learning technology, which aids in identifying compelling stories for adaptation into TV, film, or book formats. With this, Naver can unlock new revenue streams beyond just advertising, empowering creators across all of Naver's platforms, from Webtoon artists to bloggers, with similar monetization options. The recent update of Naver webtoon, which is aiming for an IPO in the US, has clearly demonstrated the synergy, with the company looking to be valued at US\$3 billion to US\$4 billion.

Fig 4.1: Dropping profitability & rising SG&A costs



Source: Team Analysis

Fig 4.2: Search Revenue & Profitability

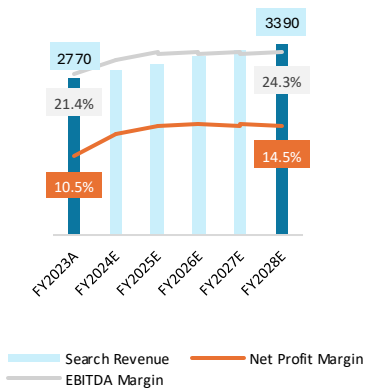
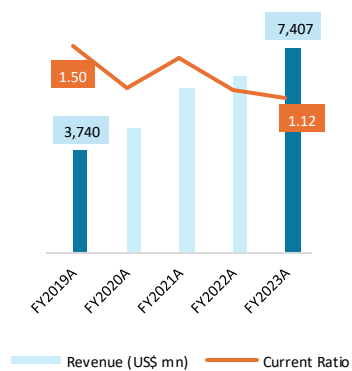
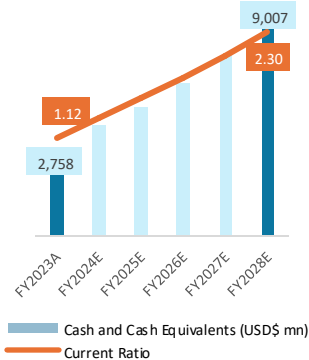


Fig 4.3: Revenue and Current Ratio



Source: Team Analysis

Fig 4.4: Forecasted Liquidity Positioning



Source: Team Analysis

Profitability promise through cost-cutting measures

Over the past five years, Naver has faced decreasing profitability margins. However, during the period, Naver continued to experience consistent top-line growth. Whilst Naver also faced fierce competition - particularly against Google who gained significant market share, Naver's e-commerce segment compensated by having grown at a CAGR of 27.15% from 2021 to 2023. Additionally, its prior dropping profitability margins can also be explained by the ramp-up of its recruitment and marketing initiatives - leading to the significant rise in SG&A expenses (Fig 4.1).

In the face of technological advancements and rising SG&A costs, Naver is expected to benefit from its technological advancements and its recruitment and marketing cost-cutting measures. Thus, its SG&A expenses are expected to drop - aiding its ability to improve its bottom line with stable growth into the future. Furthermore, with the expectation for Naver to experience significant growth and recapture its lost market share, Naver's margins are expected to improve steadily with its search engine services continuing to be the primary driver of its revenue (Fig 4.2).

Effective Liquidity Management

Over the years, Naver has experienced fluctuating levels of liquidity (Fig 4.3). Whilst its liquidity has dropped, its revenue has grown across the years which suggests efficient use of its assets to generate revenue. As no explicit information is available to explain Naver's debt overtaking its cash in 2021, one way it can be explained is its preparation for Naver to complete its acquisition of Poshmark for USD\$1.20 bn in 2023. With effective cash management and the synergies created from the acquisition, we expect Naver to continue to operate with financial stability whilst reducing its risk long-term by diversifying its revenue sources.

Indicated by its forecasted liquidity positioning (Fig 4.4), Naver is supported by its reserves to continue with its international ventures and support its R&D by funding its venture capital operations with D2SF. Provided Naver's historically underleveraged position with an average D/E ratio of 0.38, Naver is also positioned to benefit from the use of debt to enhance its returns through increasing its ROE.

The Investor Appeal

Historically, Naver has recorded stable operating cash flows. This is indicative of their consistent performance across several evolving industries and a testament to their adapting business model. With the expectation for Naver to improve its services through (1) upgraded search engine services, (2) e-commerce services, and (3) expansion into international markets, we forecast Naver to steadily grow its bottom line, operating cash flows, and free cash flow to firm with the following CAGR respectively: 10.73%, 5.98%, and 2.71% from 2023 to 2028. Further, Naver's EPS have grown an average of 15% y-o-y and is expected to grow at a CAGR of 8.9% from 2023 to 7.81 by 2028. Thus, Naver appears to be an attractive investment with increased payouts to shareholders, increasing cash flows, and opportunities to grow substantially.

Valuation

We reiterate our **BUY** recommendation on Naver with a target price of KRW 291,347, representing a 54.32% upside based on its latest closing price of KRW 188,800.

Revenue Build: Naver's largest drivers of Revenue growth comes from Search, Commerce and Fintech. For the Search and Commerce, we used a top-down approach by first getting an implied market size based on past revenues, applying a growth rate on the market size, then getting revenue by applying the forecasted market share of the company in the market. For Search and Commerce segments, we applied a market growth rate of 2%, 4%, while applying a market share of 61.2%, and 19.9% for the end of the forecasting period. We applied a 10% CAGR for the Fintech segment.

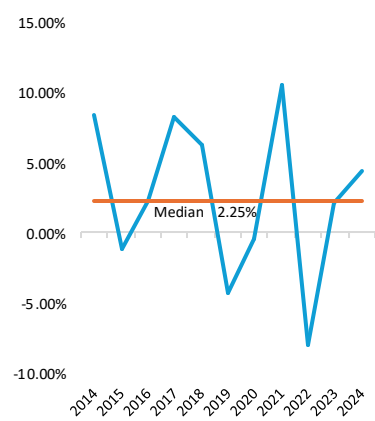
WACC: The components of the CAPM Cost of Equity includes the 10-Year South Korea Government Bond yield of 3.43%, with the Damodaran Equity Risk Premium for South Korea at 5.32%. We calculated Beta based on the comparable companies with a weightage of 51%, 28% and 21% in the Search, Commerce, and Fintech segments respectively to get a beta of 0.83, ending with a Cost of Equity of 7.85%

Fig 5.1: WACC Calculation

Capital Asset Pricing Model	
Risk-free Rate	3.43%
Equity Risk Premium	5.32%
Levered Beta	0.83
Cost of Equity	7.85%
Capital Structure	
Pre-tax Cost of Debt	4.72%
Corporate Tax Rate	26.40%
After-Tax Cost of Debt	3.48%
Capital Structure	
Market Debt to Equity	17.06%
Proportion of Equity	85.42%
Proportion of Debt	14.58%
WACC	7.21%

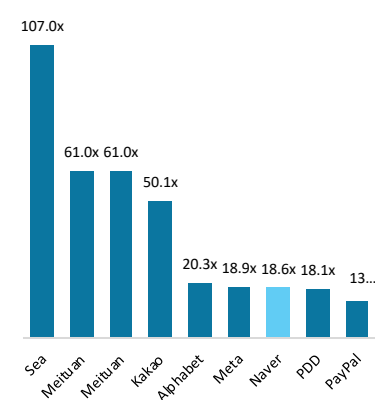
Source: Team Analysis

Fig 5.2: SK's nominal GDP growth rate



Source: International Monetary Fund

Fig 5.3: LTM EV/EBIT Peer Multiples



Source: Team Analysis

Fig 5.4: Relative Valuation

	Search	Commerce	Fintech
LTM Segment Weightage	51%	28%	21%
Median Peer Multiples	19.4x	18.8x	24.4x
25th Pctl.		Median	75th Pctl.
Share Price (KRW)	165,691	215,567	263,690
Upside/Downside	-12.2%	14.2%	39.7%

Source: Team Analysis

The pre-tax Cost of Debt was weighted to the respective borrowings amounts and their YTM interest rates. Applying the South Korea corporate tax rate of 26.40%, we get an after-tax Cost of Debt of 3.48%. Naver's low market debt-to-equity of 17.06%, low market beta, and undervalued market capitalization gets us a WACC of 7.21%.

DCF Valuation

We used a 5-year DCF model with a 19.5x EV/EBIT exit multiple to derive Naver's share price of KRW 291,347 (54.32% upside) as our primary valuation method.

For the Perpetual Growth method, we applied a 2.25% terminal growth rate from South Korea's median nominal GDP growth rate from the last 10 years.

Relative Valuation (Comparable Companies)

We screened for public comparable companies based on Internet, Commerce and Fintech companies that had a Market Capitalization of more than USD\$1.0 bn. We did not limit companies to a specific geography but included South Korean companies to the respective categories.

In the Internet category, we included companies who derived their revenue from media advertising, such as Alphabet, Meta, Tencent, as well as service platforms like Booking Holdings. Commerce mostly consists of international eCommerce platforms like Sea, Mecardolibre, Pinduoduo, as well as some Korean commerce companies like Shinsegae and Lotte Corp. Fintech consists of international payment companies like Paypal and Visa. In total, we have 21 companies from the list from the respective segments. The segment median multiples are then weighted the same as WACC, being 51%, 28% and 21% in the Search, Commerce, and Fintech for the final multiple being used in the DCF.

Naver currently trades on the low end of EV/EBIT compared to its peers, which benefits the company in a re-rating. The optimism in the DCF valuations as opposed to relative trading multiples can be attributed to the intense competition within the near future with long term market leadership at the end of the forecasting period.

Investment Risks

Regulatory Risk: South Korea's Regulatory Instability

The announcement by South Korea's Fair-Trade Commission of the "Comprehensive consumer protection measures related to overseas online platforms" could potentially present investment risks for companies like Naver. This initiative aims to impose the same service and support obligations on offshore e-commerce services that are required of domestic firms. The measures include requiring larger offshore e-commerce entities to designate local agents responsible for customer service inquiries, ensuring adherence to South Korean consumer protection laws. These regulations, aimed at creating a level playing field, might increase operational costs and compliance burdens for companies like Naver that operate in or are expanding into e-commerce.

Mitigation

It is crucial to establish a dedicated local team in South Korea responsible for ensuring compliance with the new regulations could be a key step. This team would be tasked with understanding local laws, liaising with regulators, and implementing necessary changes in operations. Designating a local agent, as required by the new rules, who is well-versed in South Korean consumer protection laws and e-commerce regulations, would also be part of this effort.

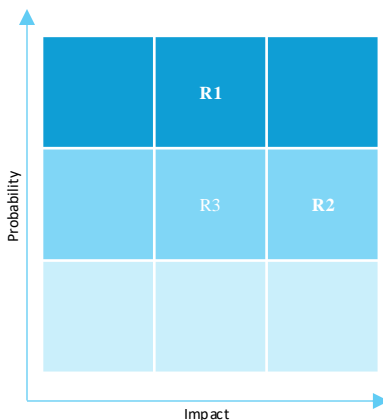
Market Risk: Intensifying E-commerce Rivalry:

In the fast-paced and highly competitive e-commerce market, Alibaba has been a key player looking to expand its influence and compete with regional leaders like Naver. Alibaba's approach includes leveraging its extensive ecosystem of online retail, logistics, and cloud computing services. This ecosystem allows Alibaba to offer a comprehensive suite of services to merchants and consumers, enhancing user experience and increasing market penetration. By focusing on markets where Naver has established a strong presence, particularly in areas related to e-commerce and digital content, Alibaba seeks to challenge Naver's dominance in South Korea.

Mitigation

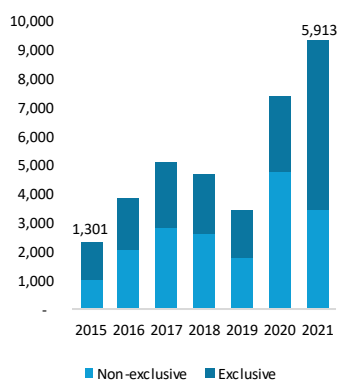
To mitigate the risks associated with operating in a highly competitive industry,

Fig 6.1: Risk Matrix



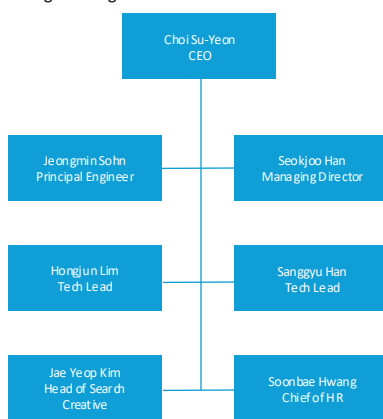
Source: Team Analysis

Fig.6.2 Number of Webtoon Artists on Naver



Source: Statista

Fig 7.1: Organisational Structure



Source: Annual Report

Fig 7.2: Sustainability Scores

Company	Sustainability Scores
Naver	15.6
Baidu, Inc.	19.2
Tencent Holdings Limited	19.5
Kakao Corp.	21.1
SK Telecom Co., Ltd.	25.9
NHN Corporation	31.9
Industry Median	20.3

Source: Sustainalytics

companies like Naver focus on innovation, user engagement, and expanding their service offerings. By continuously improving their platforms and services, and incorporating advanced technologies such as AI and machine learning for personalized experiences, and exploring new markets and segments, Naver can maintain its competitive edge. Strategic partnerships and collaborations can also play a crucial role in enhancing their ecosystem and providing comprehensive solutions to users and merchants alike.

Operational Risk: Challenges in Naver's Webtoon Strategy

Naver has capitalized on the global popularity of webtoons, digital comics that have seen a significant boom, especially in South Korea. By hosting a diverse array of webtoons through its platform, Naver Webtoon, the company has attracted a global audience and a talented pool of artists. The success of webtoons hinges on the creativity and innovation of these artists, making talent management a critical aspect of Naver's strategy.

Mitigation

To mitigate the challenges of talent management and ensure a steady stream of high-quality content, Naver invests in identifying, nurturing, and retaining artistic talent. This includes offering competitive compensation, creative freedom, and opportunities for artists to expand their reach globally. Furthermore, Naver also focuses on fostering a supportive community for artists, providing them with the tools and platforms to collaborate, share knowledge, and grow professionally.

Environmental, Social and Governance

Environmental

Going Green From the Ground Up: Naver's commitment to environmental responsibility starts with their infrastructure. They've set a clear goal of achieving carbon neutrality by 2040. This ambitious target pushes them to continuously improve energy efficiency within their data centres, the backbone of their digital operations. They're also exploring a shift towards renewable energy sources to power these facilities, further reducing their environmental footprint. **Eco-Conscious Operations:** Naver's green practices extend beyond data centres. They actively implement strategies to reduce their overall environmental impact. This might involve using energy-saving equipment in their offices, consolidating servers to optimize resource utilization, and adopting cloud-based solutions that can be more efficient.

Social

Empowering the Little Guys: Naver understands the importance of fostering a vibrant small business ecosystem. They don't just offer a platform for these businesses to operate on; they actively provide support and resources to help them succeed. This might include educational programs on how to effectively utilize the platform's features to reach customers, marketing tools, or even financial assistance initiatives. By empowering small businesses, Naver is contributing to inclusive economic growth and creating a more diverse marketplace.

Investing in People: Naver recognizes that their employees are their most valuable asset. They prioritize employee well-being by offering comprehensive healthcare benefits, flexible work arrangements, and fostering a positive work environment that promotes creativity and innovation. Investing in their employees not only creates a happier and more productive workforce, but it also helps Naver attract and retain top talent in a competitive market.

Governance

Transparency is Key: Naver believes in operating with complete transparency. They are committed to upholding the highest standards of corporate governance and publish regular ESG reports. These reports detail their environmental initiatives, social programs, and governance practices, providing stakeholders with a clear picture of their ESG performance. Transparency builds trust and allows investors and the public to hold Naver accountable for its ESG commitments.

Ethical Conduct Above All Else: Naver operates with strong ethical principles at the core of their business practices. This means treating their employees fairly, ensuring responsible sourcing of materials throughout their supply chain, and upholding the highest data privacy standards. By adhering to ethical practices, Naver builds trust with its stakeholders and demonstrates its commitment to responsible business conduct.

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Appendix A - Financial Analysis

Financial Analysis

Profitability	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Net Profit Margin	13.38%	18.89%	241.87%	9.25%	10.47%	13.44%	14.53%	14.76%	14.65%	14.47%
Return on Total Assets		6.47%	65.61%	2.14%	2.84%	3.28%	3.62%	3.74%	3.77%	3.80%
Return on Shareholders' Equity	8.89%	11.22%	71.42%	3.16%	4.15%	4.72%	5.18%	5.31%	5.31%	5.29%
PPE Turnover	0.53	0.37	0.34	0.40	0.36	0.44	0.45	0.46	0.45	0.44
EBIT Margin	26.48%	22.91%	19.44%	15.87%	15.40%	17.30%	17.63%	17.07%	16.56%	16.09%
EBITDA Margin	37.92%	32.25%	25.80%	22.70%	21.42%	23.22%	24.25%	24.27%	24.29%	24.30%
Net Income	500,633	850,925	14,407,262	590,132	775,397	926,017	1,071,814	1,161,384	1,225,726	1,290,866
Liquidity and Efficiency	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Current Ratio	1.50	1.19	1.41	1.17	1.12	1.33	1.56	1.80	2.04	2.30
Acid-Test Ratio	1.48	1.19	1.41	1.17	1.09	1.32	1.55	1.78	2.03	2.29
Accounts Receivable Turnover	0.00	0.00	0.00	0.00	0.05	0.01	0.03	0.03	0.02	0.03
Total Asset Turnover	0.35	0.29	0.21	0.24	0.27	0.24	0.24	0.25	0.25	0.26
Solvency	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Times Interest Earned	69.76	56.09	29.35	18.20	11.72	8.13	8.77	8.39	8.01	8.14
Debt-To-Equity	0.47	0.51	0.29	0.31	0.32	0.32	0.32	0.31	0.30	0.30
Equity Ratio	0.53	0.49	0.71	0.69	0.68	0.68	0.68	0.69	0.70	0.70
Net Debt	-1,740,502	-1,768,844	17,166	-331,008	-346,048	-2,057,952	-2,458,533	-3,320,830	-4,444,593	-5,620,499
Net Debt to EBIT	-1.76	-1.71	0.01	-0.33	-0.30	-1.73	-1.89	-2.47	-3.21	-3.91
Cash Flow	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Capex % of Revenue	10.0%	14.3%	11.1%	8.5%	6.6%	10.1%	10.1%	9.3%	8.9%	9.0%
Operating Cash Flow	1,165,044	1,228,904	1,205,630	1,128,155	1,533,629	2,425,409	1,206,075	1,652,907	1,936,965	2,050,522
Free Cash Flow	1,205,838	1,405,589	1,863,940	1,181,798	1,352,819	2,022,894	1,104,860	1,291,971	1,444,468	1,546,085
Unlevered FCF Margin	32.2%	31.2%	31.3%	18.5%	18.3%	29.4%	15.0%	16.4%	17.3%	17.3%
FCF Margin	50.9%	30.9%	23.8%	22.4%	23.1%	35.3%	16.0%	20.8%	22.8%	22.2%

Appendix B - Income Statement

Income Statement in USD(\$'000)	Historical					Forecasted				
	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Revenue	3,740,453	4,504,031	5,956,570	6,380,616	7,407,317	6,889,418	7,378,131	7,866,859	8,369,373	8,923,478
Total Revenue	3,740,453	4,504,031	5,956,570	6,380,616	7,407,317	6,889,418	7,378,131	7,866,859	8,369,373	8,923,478
Gross Profit	3,740,453	4,504,031	5,956,570	6,380,616	7,407,317	6,889,418	7,378,131	7,866,859	8,369,373	8,923,478
Selling General & Admin Exp.	2,517,798	3,182,878	4,406,693	4,913,063	5,795,639	5,264,027	5,563,659	5,932,196	6,311,129	6,728,965
Provision for Bad Debts	1,110	NA	NA	NA	0	-	-	-	-	-
Depreciation & Amort.	211,310	264,313	360,197	402,575	404,436	336,790	412,037	485,627	560,934	641,961
Amort. of Goodwill and Intangibles	7,429	11,186	18,506	32,815	41,612	71,376	75,904	80,601	85,792	91,239
Other Operating Expense	12,161	13,642	13,098	19,452	25,254	25,328	25,406	25,492	25,580	25,666
Other Operating Exp., Total	2,749,809	3,472,019	4,798,493	5,367,905	6,266,941	5,697,521	6,077,006	6,523,917	6,983,435	7,487,831
Operating Income	990,644	1,032,012	1,158,077	1,012,711	1,140,375	1,191,897	1,301,125	1,342,942	1,385,938	1,435,647
Interest Expense	(14,201)	(18,398)	(39,461)	(55,649)	(97,336)	(146,575)	(148,307)	(160,139)	(172,936)	(176,436)
Interest and Invest. Income	24,565	33,769	77,533	83,093	104,785	99,794	157,549	208,776	250,455	299,664
Net Interest Exp.	10,364	15,371	38,072	27,444	7,449	(46,781)	9,241	48,637	77,519	123,227
Income from Affiliates	37,658	116,018	464,482	16,438	187,130	116,018	121,819	127,910	134,305	141,021
Currency Exchange Gains/(Loss)	(5,964)	(10,320)	(22,815)	(61,394)	(32,725)	(26,388)	(28,260)	(30,132)	(32,057)	(34,179)
Other Non-Operating Inc.	(45,775)	(88,717)	(209,085)	(216,833)	17,424	17,424	17,424	17,424	17,424	17,424
EBT Excl Unusual Items	986,926	1,064,363	1,428,730	778,366	1,319,653	1,252,170	1,421,349	1,506,781	1,583,130	1,683,140
Gain (Loss) On Sale Of Invest.	206,433	320,584	426,776	(94,922)	(161,133)	222,369	238,143	253,918	270,138	288,022
Gain (Loss) On Sale Of Assets	1,233	2,194	2,340	157,762	2,381	36,178	46,007	58,099	73,514	49,931
EBT Incl. Unusual Items	1,194,592	1,387,141	1,857,846	841,206	1,134,689	1,510,717	1,705,499	1,818,797	1,926,782	2,021,093
	34%	30%	31%	38%	34%					
Income Tax Expense	404,035	418,237	566,745	318,668	380,206	506,203	571,470	609,433	645,616	677,217
Earnings from Cont. Ops.	790,557	968,904	1,291,101	522,538	754,483	1,004,514	1,134,029	1,209,364	1,281,166	1,343,876
Earnings of Discontinued Ops.	(449,830)	(251,372)	13,105,481	NA	-	-	-	-	-	-
Net Income to Company	340,727	717,532	14,396,581	522,538	754,483	1,004,514	1,134,029	1,209,364	1,281,166	1,343,876
Minority Int. in Earnings	159,906	133,393	10,680	67,594	20,914	78,497	62,216	47,980	55,440	53,009
Net Income	500,633	850,925	14,407,262	590,132	775,397	926,017	1,071,814	1,161,384	1,225,726	1,290,866
Pref. Dividends and Other Adj.	NA	NA	9	8,051	7,930					
NI to Common Incl Extra Items	500,633	850,925	14,407,253	582,082	767,467					
NI to Common Excl. Extra Items	950,463	1,102,297	1,301,772	582,082	767,467					

Appendix C - Balance Sheet

Balance Sheet										
Assets (\$000)										
Cash and Equivalents	3,239,971	1,470,503	2,335,031	2,166,147	2,757,994	4,809,757	5,527,979	6,547,024	7,750,989	9,007,270
Short Term Investments	251,116	267,665	565,462	967,239	623,283	680,279	746,788	826,041	915,368	1,006,626
Trading Asset Securities	56,940	848,079	408,041	591,748	538,067	538,067	538,067	538,067	538,067	538,067
Cash & Short Term Investments	3,548,026	2,586,248	3,308,534	3,725,134	3,919,344	6,028,103	6,812,834	7,911,132	9,204,424	10,551,963
Accounts Receivable	0	0	3,960	4,590	382,716	92,365	223,640	219,855	207,571	239,697
Other Receivables	6,833	1,262	1,106	10,344	930,401	148,345	350,924	460,540	456,687	417,042
Notes Receivable	14,246	1,562	105,105	15,341	10,317	36,888	45,669	35,482	35,920	42,045
Total Receivables	21,079	2,824	110,172	30,275	1,323,433	277,598	620,234	715,878	700,178	698,784
Inventory	47,739	3,993	5,155	6,880	107,270	37,720	51,733	70,719	59,914	68,888
Other Current Assets	1,271,647	4,352,809	1,216,892	1,358,195	80,556	80,556	80,556	80,556	80,556	80,556
Total Current Assets	4,888,491	6,945,874	4,640,752	5,120,483	5,430,603	6,423,977	7,565,357	8,778,285	10,045,072	11,400,191
Gross Property, Plant & Equipment	2,908,882	2,524,238	3,041,967	3,737,757	3,989,826	4,686,092	5,433,221	6,163,901	6,911,616	7,716,139
Accumulated Depreciation	(922,184)	(857,280)	(1,025,676)	(1,196,007)	(1,342,109)	(1,678,899)	(2,090,935)	(2,576,563)	(3,137,497)	(3,779,458)
Net Property, Plant & Equipment	1,986,698	1,666,958	2,016,291	2,541,750	2,647,717	3,007,193	3,342,285	3,587,338	3,774,120	3,936,682
Long-term Investments	3,020,384	3,993,510	20,661,548	17,760,786	16,354,764	16,354,764	16,354,764	16,354,764	16,354,764	16,354,764
Goodwill	183,750	31,464	521,612	753,599	1,988,101	1,988,101	1,988,101	1,988,101	1,988,101	1,988,101
Other Intangibles (Intangible Assets)	112,003	65,144	260,947	424,369	668,983	642,384	611,763	578,130	544,248	507,474
Loans Receivable Long-Term	342	474	467	3,635	22,822	22,822	22,822	22,822	22,822	22,822
Deferred Tax Assets, LT	330,258	99,766	82,634	211,328	294,146	273,580	292,987	312,394	332,349	354,353
Other Long-Term Assets	131,721	2,831,016	99,949	139,183	152,186	152,186	152,186	152,186	152,186	152,186
Total Assets	10,653,645	15,634,207	28,284,199	26,955,131	27,559,322	28,865,007	30,330,265	31,774,020	33,213,663	34,716,573
Liabilities (\$000)										
Accrued Exp.	387,667	232,641	300,798	271,525	397,482	361,023	381,572	406,848	432,836	461,493
Short-term Borrowings	441,936	457,924	387,288	1,155,608	607,564	607,564	607,564	607,564	607,564	607,564
Curr. Port. of LT Debt	43,329	87,309	0	0	34,153,276	341,533	341,533	341,533	341,533	341,533
Current Portion of Leases	146,331	49,019	88,667	153,765	181,010	181,010	181,010	181,010	181,010	181,010
Curr. Income Taxes Payable	271,793	353,167	432,558	277,580	257,771	257,771	257,771	257,771	257,771	257,771
Unearned Revenue, Current	125,630	33,742	64,758	101,911	99,864	112,165	94,584	109,233	121,254	126,633
Other Current Liabilities	1,851,528	4,634,797	2,019,627	2,397,587	2,977,332	2,977,332	2,977,332	2,977,332	2,977,332	2,977,332
Total Current Liabilities	3,268,213	5,848,599	3,293,696	4,357,976	4,862,556	4,838,398	4,841,367	4,881,290	4,919,300	4,953,336
Long-Term Debt	694,948	138,457	2,677,089	1,616,203	2,043,030	2,439,886	2,824,035	3,060,036	3,229,565	3,401,198
Long-Term Leases	480,981	84,695	172,657	468,551	400,159	400,159	400,159	400,159	400,159	400,159
Unearned Revenue, Non-Current	846	272	346	131	131	527	344	345	344	403
Pension & Other Post-Retire. Benefits	410,084	424,614	465,315	459,123	468,778	468,778	468,778	468,778	468,778	468,778
Def. Tax Liability, Non-Curr.	69,688	51,935	969,760	783,924	810,850	810,850	810,850	810,850	810,850	810,850
Other Non-Current Liabilities	95,294	1,500,082	533,927	622,488	282,620	282,620	282,620	282,620	282,620	282,620
Total Liabilities	5,020,053	8,048,652	8,112,790	8,308,395	8,868,124	9,241,217	9,628,152	9,904,079	10,111,616	10,317,344
Equity (\$000)										
Common Stock	14,276	15,145	13,836	13,105	12,710	12,710	12,710	12,710	12,710	12,710
Additio-I Paid In Capital	1,364,505	1,647,820	1,251,061	1,237,628	958,259	958,259	958,259	958,259	958,259	958,259
Retained Earnings	4,947,718	6,115,040	19,376,413	18,802,083	18,927,449	19,853,466	20,925,280	22,086,664	23,312,390	24,603,256
Treasury Stock	(1,204,331)	(1,116,227)	(895,144)	(808,601)	(657,507)	(650,932)	(644,422)	(637,978)	(631,598)	(625,282)
Comprehensive Inc. and Other	(93,778)	107,883	12,420	(1,159,041)	(1,345,509)	(1,345,509)	(1,345,509)	(1,345,509)	(1,345,509)	(1,345,509)
Total Common Equity	5,028,391	6,769,661	19,758,586	18,085,174	17,895,403	18,827,994	19,906,317	21,074,146	22,306,251	23,603,434
Total Minority Interest	605,201	815,894	412,823	561,563	795,796	795,796	795,796	795,796	795,796	795,796
Total Equity	5,633,592	7,585,555	20,171,410	18,646,737	18,691,199	19,623,790	20,702,114	21,869,942	23,102,048	24,399,230
Total Liabilities And Equity	10,653,645	15,634,207	28,284,199	26,955,131	27,559,322	28,865,008	30,330,266	31,774,021	33,213,663	34,716,573

Appendix D - Cash Flow Statement

Statement of Cash Flow										
Operating Activities (\$000)										
Net Income - CF	500,633	850,925	14,407,262	590,132	775,397	926,017	1,071,814	1,161,384	1,225,726	1,290,866
Depreciation & Amort.	395,263	395,126	360,197	402,575	404,436	336,790	412,037	485,627	560,934	641,961
Amort. of Goodwill and Intangibles	32,351	25,441	18,506	32,815	41,612	71,376	75,904	80,601	85,792	91,239
Depreciation & Amort., Total	427,614	420,567	378,703	435,390	446,048	408,166	487,941	566,229	646,726	733,200
(Gain) Loss From Sale Of Assets	308	(10,187)	2,471	(155,072)	354	0	-	-	-	-
Loss On Sale Of Investment	(230,858)	(7,713)	(17,291)	(11,355)	(4,632)	0	-	-	-	-
Asset Writedown & Restructuring Costs	7,904	78,474	4,847	10,689	24,518	0	-	-	-	-
Loss on Equity Investment	8,885	(183,418)	(14,572,638)	(7,841)	(187,130)	0	-	-	-	-
Stock-Based Compensation	54,497	132,160	216,594	74,129	208,210	0	-	-	-	-
Provision & Write-off of Bad debts	4,695	10,830	5,643	525	3,621	0	-	-	-	-
Other Operating Activities	(95,068)	(255,606)	788,841	(47,096)	(8,265)	0	-	-	-	-
Change in Accounts Receivable	(47,950)	(93,785)	(34,575)	(43,749)	32,756	290,351	(131,276)	3,785	12,284	(32,126)
Change in Other Receivables	-	-	-	-	-	782,055	(202,579)	(109,616)	3,853	39,645
Change in Notes Receivable	-	-	-	-	-	(26,571)	(8,781)	10,187	(438)	(6,125)
Change in Inventory	-	-	-	-	1,720.25	69,550	(14,013)	(18,986)	10,805	(8,975)
Change in Accrued Expenses	-	-	-	-	-	(36,460)	20,550	25,275	25,988	28,656
Change in Unearned Revenue	-	-	-	-	-	12,301	(17,581)	14,648	12,021	5,379
Change in Other Net Operating Assets	534,385	286,656	25,774	282,403	244,471	0	-	-	-	-
Cash from Ops.	1,165,044	1,228,904	1,205,630	1,128,155	1,533,629	2,425,409	1,206,075	1,652,907	1,936,965	2,050,522
Investing Activity (\$000)										
Capital Expenditure	(374,290)	(644,849)	(658,723)	(543,926)	(490,691)	(696,266)	(747,129)	(730,680)	(747,715)	(804,523)
Sale of Property, Plant and Equipment	5,790	7,632	5,850	9,473	5,604	0	-	-	-	-
Cash Acquisitions	(4,286)	(15,389)	(10,429,347)	3,310	(984,284)	0	-	-	-	-
Divestitures	8,404	0	0	0	-	0	-	-	-	-
Sale (Purchase) of Intangible assets	(60,932)	(87,450)	(45,178)	(42,364)	(39,067)	(44,777)	(45,284)	(46,968)	(51,911)	(54,464)
Invest. in Marketable & Equity Secur.	(476,128)	(1,336,924)	(993,201)	(368,114)	775,686	(56,997)	(66,509)	(79,253)	(89,327)	(91,258)
Net (Inc.) Dec. in Loans Orig/Sold: Investing	3,568	(38,799)	(97,894)	5,522	7,467	0	-	-	-	-
Change in Deferred Tax Assets, Non-Curr.	0	0	0	0	0	20,565	(19,407)	(19,407)	(19,955)	(22,004)
Change in Deferred Tax Liabilities, Non-Curr.	0	0	0	0	0	0	-	-	-	-
Change in Unearned Revenue Non Current	0	0	0	0	0	396	(183)	1	(2)	59
Other Investing Activities	(27,854)	(9,822)	(12,331)	(7,702)	(2,241)	0	-	-	-	-
Cash from Investing	(925,727)	(2,125,601)	(12,230,824)	(943,801)	(727,525)	(777,077)	(878,512)	(876,307)	(908,910)	(972,190)
Financing Activity (\$000)										
Short Term Debt Issued	189,459	1,797,267	227,689	108,333	693,488	0	-	-	-	-
Long-Term Debt Issued	NA	757,889	9,950,091	183,918	851,894	563,270	603,900	516,991	509,075	573,684
Total Debt Issued	189,459	2,555,155	10,177,780	292,251	1,545,382	563,270	603,900	516,991	509,075	573,684
Short Term Debt Repaid	(65,405)	(777,134)	(462,407)	(278,280)	(977,549)	-	-	-	-	-
Long-Term Debt Repaid	(118,511)	(817,872)	(99,845)	(216,754)	(628,805)	(166,414)	(219,750)	(280,989)	(339,547)	(402,051)
Total Debt Repaid	(183,916)	(1,595,007)	(562,252)	(495,034)	(1,606,354)	(166,414)	(219,750)	(280,989)	(339,547)	(402,051)
Issuance of Common Stock	NA	NA	188,669	47,665	21,450	0	-	-	-	-
Repurchase of Common Stock	(80,446)	(13,175)	NA	NA	-	6575	6,509	6,444	6,380	6,316
Common and/or Pref. Dividends Paid	(40,237)	(46,661)	(52,234)	(165,618)	(47,794)	0	-	-	-	-
Total Dividends Paid	(40,237)	(46,661)	(52,234)	(165,618)	(47,794)	0	-	-	-	-
Other Financing Activities	160,079	111,992	419,994	57,235	3,037	0	-	-	-	-
Cash from Financing	44,938	1,012,304	9,983,288	(311,166)	(84,280)	403,431	390,658	242,446	175,909	177,949
Other Cash Flow (\$000)										
Foreign Exchange Rate Adj.	74,340	(26,315)	(76,624)	34,725	(69,006)	0	-	-	-	-
Misc. Cash Flow Adj.	0	(1,906,657)	NA	NA	-	0	-	-	-	-
Net Change in Cash	358,595	(1,817,365)	(929,860)	(44,421)	652,818	2,051,763	718,222	1,019,046	1,203,964	1,256,281
Opening Cash	2,757,994	4,809,757	5,527,979	6,547,024	7,750,989	4,809,757	5,527,979	6,547,024	7,750,989	9,007,270
Ending Cash	4,809,757	5,527,979	6,547,024	7,750,989	9,007,270	4,809,757	5,527,979	6,547,024	7,750,989	9,007,270

Appendix E - IS Drivers

Income Statement items	Historical					Forecasted				
	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Revenue	3,740,453	4,504,031	5,956,570	6,380,616	7,407,317	6,889,418	7,378,131	7,866,859	8,369,373	8,923,478
<i>Search Platform</i>	N/A	2,279,348	2,380,286	2,890,072	2,769,536	2,901,691	3,038,025	3,152,029	3,269,378	3,390,161
<i>Commerce</i>	N/A	680,158	925,286	1,300,490	1,398,039	1,535,188	1,621,938	1,713,172	1,790,836	1,890,977
<i>Fintech</i>	N/A	349,113	575,270	855,397	921,093	1,013,203	1,114,523	1,214,830	1,318,090	1,423,538
<i>Cloud</i>	N/A	166,247	232,403	334,304	312,731	353,386	399,327	451,239	509,900	576,187
<i>Content</i>	114,396	265,586	390,786	576,308	979,215	1,085,950	1,204,318	1,335,589	1,481,168	1,642,616
SG&A	2,517,798	3,182,878	4,406,693	4,913,063	5,795,639	5,264,027	5,563,659	5,932,196	6,311,129	6,728,965
Income from Affiliates	168,263	37,658	116,018	464,482	16,438	116,018	121,819	127,910	134,305	141,021
Revenue										
Search Platform										
Revenue		2,279,348	2,380,286	2,890,072	2,769,536	2,901,691	3,038,025	3,152,029	3,269,378	3,390,161
<i>Naver's Market Share (%)</i>					55.2%					
<i>Implied Market Size</i>					5,017,276	5,117,622	5,219,974	5,324,374	5,430,861	5,539,478
<i>Search Engine Market Growth (y-o-y %)</i>						2.00%	2.00%	2.00%	2.00%	2.00%
Bull Case						57.20%	58.70%	59.70%	60.70%	61.70%
Base Case						56.70%	58.20%	59.20%	60.20%	61.20%
Bear Case						56.20%	57.70%	58.70%	59.70%	60.70%
Commerce										
Revenue	N/A	680,158	925,286	1,300,490	1,398,039	1,535,188	1,621,938	1,713,172	1,790,836	1,890,977
<i>Naver's Market Share</i>		9.0%	12.5%	15.4%	17.9%					
<i>Implied Market Size</i>		7,557,313	7,402,291	8,444,743	7,810,276	8,122,687	8,447,594	8,785,498	9,136,918	9,502,395
<i>Ecom Market Growth (y-o-y %)</i>						4.00%	4.00%	4.00%	4.00%	4.00%
Bull Case						19.20%	19.70%	20.20%	20.70%	21.20%
Base Case						18.90%	19.20%	19.50%	19.60%	19.90%
Bear Case						18.60%	18.10%	17.60%	17.10%	16.60%
Fintech										
Live Case		349,113	575,270	855,397	921,093	1,013,203	1,114,523	1,214,830	1,318,090	1,423,538
<i>Y-o-Y Growth</i>			65%	49%	8%					
Bull Case						12.00%	12.00%	11.00%	10.50%	10.00%
Base Case						10.00%	10.00%	9.00%	8.50%	8.00%
Bear Case						5.00%	5.00%	4.00%	3.50%	3.00%
Content										
Live Case		265,586	390,786	576,308	979,215	1,085,950	1,204,318	1,335,589	1,481,168	1,642,616
<i>% change Y-o-Y</i>		132%	47%	47%	70%					
Bull Case						15.90%	15.90%	15.90%	15.90%	15.90%
Base Case						10.90%	10.90%	10.90%	10.90%	10.90%
Bear Case						5.90%	5.90%	5.90%	5.90%	5.90%
Cloud										
Live Case		166,247	232,403	334,304	312,731	353,386	399,327	451,239	509,900	576,187
<i>% change Y-o-Y</i>		N/A	40%	44%	-6%					
Bull Case						18.00%	18.00%	18.00%	18.00%	18.00%
Base Case						13.00%	13.00%	13.00%	13.00%	13.00%
Bear Case						8.00%	8.00%	8.00%	8.00%	8.00%
Other Operating Expenses										
Live Case		13,642	13,098	19,452	25,254	25,328	25,406	25,492	25,580	25,666
<i>% of Revenue</i>		0.30%	0.22%	0.30%	0.34%	0.37%	0.34%	0.32%	0.31%	0.29%
Bull Case						0.19%	0.21%	0.24%	0.24%	0.24%
Base Case						0.29%	0.31%	0.34%	0.34%	0.34%
Bear Case						0.39%	0.41%	0.44%	0.44%	0.44%

Selling, General & Admin Exp											
Live Case	2,517,798	3,182,878	4,406,693	4,913,063	5,795,639	5,264,027	5,563,659	5,932,196	6,311,129	6,728,965	
% of Revenue	67%	70.67%	73.98%	77.00%	78.24%						
Bull Case						74.41%	73.41%	73.41%	73.41%	73.41%	
Base Case						76.41%	75.41%	75.41%	75.41%	75.41%	
Bear Case						78.41%	77.41%	77.41%	77.41%	77.41%	
Income from affiliates											
Live Case	168,263	37,658	116,018	464,482	16,438	116,018	121,819	127,910	134,305	141,021	
5Y Moving Median						116,018	116,018	116,018	116,018	116,018	
Bull Case						127,620	134,001	140,701	147,736	155,123	
Base Case						116,018	121,819	127,910	134,305	141,021	
Bear Case						104,416	109,637	115,119	120,875	126,919	
Currency Exchange Gains/(Losses)											
Live Case	(5,964)	(10,320)	(22,815)	(61,394)	(32,725)	(26,388)	(28,260)	(30,132)	(32,057)	(34,179)	
% of Revenue	-0.16%	-0.23%	-0.38%	-0.96%	-0.44%	-0.38%	-0.38%	-0.38%	-0.38%	-0.38%	
Bull Case						-0.28%	-0.28%	-0.28%	-0.28%	-0.28%	
Base Case						-0.38%	-0.38%	-0.38%	-0.38%	-0.38%	
Bear Case											
Other Non-Operating Income											
Live Case	(45,775)	(88,717)	(209,085)	(216,833)	17,424	(108,597)	(121,162)	(127,651)	(111,364)	(90,270)	
% change Y-o-Y						(108,597)	(121,162)	(127,651)	(111,364)	(90,270)	
Bull Case											
Base Case											
Bear Case											
Gain (Loss) On Sale Of Invest.											
Live Case	206,433	320,584	426,776	94,922	161,133	222,369	238,143	253,918	270,138	288,022	
% of Revenue	5.52%	7.12%	7.16%	-1.49%	-2.18%	3.23%	3.23%	3.23%	3.23%	3.23%	
Bull Case						5.23%	5.23%	5.23%	5.23%	5.23%	
Base Case						3.23%	3.23%	3.23%	3.23%	3.23%	
Bear Case						1.23%	1.23%	1.23%	1.23%	1.23%	
Gain (Loss) On Sale Of Assets											
Live Case	1,233	2,194	2,340	157,762	2,381	36,178	46,007	58,099	73,514	49,931	
% of Revenue	0.03%	0.05%	0.04%	2.47%	0.03%	0.53%	0.62%	0.74%	0.88%	0.56%	
Bull Case						1.03%	1.12%	1.24%	1.38%	1.06%	
Base Case						0.53%	0.62%	0.74%	0.88%	0.56%	
Bear Case						0.03%	0.12%	0.24%	0.38%	0.06%	
Minority Int. In Earnings											
5Y Average	159,906	133,393	10,680	67,594	20,914	78,497	62,216	47,980	55,440	53,009	
						78,497	62,216	47,980	55,440	53,009	

Appendix F - BS Drivers

Necessary Info	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Days in Year	365	365	365	365	365	365	365	365	365	365
Revenue	3,740,453	4,504,031	5,956,570	6,380,616	7,407,317	6,889,418	7,378,131	7,866,859	8,369,373	8,923,478
SG&A	2,517,798	3,182,878	4,406,693	4,913,063	5,795,639	5,264,027	5,563,659	5,932,196	6,311,129	6,728,965
Net Income	500,633	850,925	14,407,262	590,132	775,397	884,795	1,065,359	1,116,265	1,129,067	1,191,670
Working Capital Schedule										
Accounts Receivable	-	-	3,960	4,590	382,716	92,365	223,640	219,855	207,571	239,697
AR Days		-	N/A	0.24	9.54	12.58	7.82	10.29	9.32	9.15
Forecast						4.89	11.06	10.20	9.05	9.80
Other Receivables	6,833	1,262	1,106	10,344	930,401	148,345	350,924	460,540	456,687	417,042
OR Days		0.33	0.07	0.33	23.18	28.58	12.35	18.82	20.00	17.87
Forecast						7.86	17.36	21.37	19.92	17.06
Notes Receivable	14,246	1,562	105,105	15,341	10,317	36,888	45,669	35,482	35,920	42,045
NR Days		0.64	3.27	3.45	0.63	1.25	2.04	1.88	1.56	1.59
Forecast						1.95	2.26	1.65	1.57	1.72
Inventory	47,739	3,993	5,155	6,880	107,270	37,720	51,733	70,719	59,914	68,888
% of Revenue	1.28%	0.09%	0.09%	0.11%	1.45%	0.55%	0.70%	0.90%	0.72%	0.77%
Forecast						0.55%	0.70%	0.90%	0.72%	0.77%
Accrued Expenses	387,667	232,641	300,798	271,525	397,482	361,023	381,572	406,848	432,836	461,493
% of SG&A	15.40%	7.31%	6.83%	5.53%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%
Forecast						6.86%	6.86%	6.86%	6.86%	6.86%
Current Unearned Revenue	125,630	33,742	64,758	101,911	99,864	112,165	94,584	109,233	121,254	126,633
% of Revenue	3.36%	0.75%	1.09%	1.60%	1.35%	1.63%	1.28%	1.39%	1.45%	1.42%
Forecast						1.63%	1.28%	1.39%	1.45%	1.42%
Non-Current Unearned Revenue	846	272	346	131	131	527	344	345	344	403
% of Revenue	0.02%	0.01%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%
Forecast						0.01%	0.00%	0.00%	0.00%	0.00%
Short-Term Investments	251,116	267,665	565,462	967,239	623,283	680,279	746,788	826,041	915,368	1,006,626
% of Revenue	6.71%	5.94%	9.49%	15.16%	8.41%	9.87%	10.12%	10.50%	10.94%	11.28%
Forecast						9.14%	9.78%	10.61%	10.81%	9.97%
Deferred Tax Assets, Long-Term	330,258	99,766	82,634	211,328	294,146	273,580	292,987	312,394	332,349	354,353
Y-o-Y % Growth of Revenue		20.41%	32.25%	7.12%	16.09%	-6.99%	7.09%	6.62%	6.39%	6.62%
Deferred Tax Liabilities	69,688	51,935	969,760	783,924	810,850	754,158	807,655	861,155	916,163	976,818
Y-o-Y % Growth of Revenue		20.41%	32.25%	7.12%	16.09%	-6.99%	7.09%	6.62%	6.39%	6.62%
Current Portion of Leases	146,331	49,019	88,667	153,765	181,010	127,978	151,246	172,305	178,717	183,671
% of Revenue		1.09%	1.49%	2.41%	2.44%	1.86%	2.05%	2.19%	2.14%	2.06%
Forecast						1.86%	2.05%	2.19%	2.14%	2.06%
Non-Current Portion of Leases	480,981	84,695	172,657	468,551	400,159	301,835	369,373	435,293	425,225	446,206
% of Revenue		1.88%	2.90%	7.34%	5.40%	4.38%	5.01%	5.53%	5.08%	5.00%
Forecast						4.38%	5.01%	5.53%	5.08%	5.00%
Long-Term Debt	694,948	138,457	2,677,089	1,616,203	2,043,030	2,331,275	2,807,027	2,941,157	2,974,887	3,139,834
% Net Income Growth		69.97%	1593.13%	-95.90%	31.39%	14.11%	20.41%	4.78%	1.15%	5.54%

Appendix G - Supporting Schedules

CapEx Forecast	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
CapEx	374,290	644,849	658,723	543,926	490,691	696,266	747,129	730,680	747,715	804,523
% of Revenue	10%	14%	11%	9%	7%	10%	10%	9%	9%	9%

PPE Schedule	
Type of PPE	Useful Life % of PPE
Buildings	30 31.39%
Structures	10 3.94%
Vehicles	5 0.01%
Equipment	4 2.88%
Machinery	3 0.11%
Others	4.5 0.01%
Land	40 25.02%
Construction in Progress (Does not depreciate)	36.65%

Weighted Average Useful Lifetime (Years)	9.93
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	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
PPE - Opening Balance		2,647,717	3,007,193	3,342,285	3,587,338	3,774,120
CapEx		696,266	747,129	730,680	747,715	804,523
Depreciation		(336,790)	(412,037)	(485,627)	(560,934)	(641,961)
PPE - Closing Balance	2,647,717	3,007,193	3,342,285	3,587,338	3,774,120	3,936,682

Depreciation - Existing Assets	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
	266,665	266,665	266,665	266,665	266,665	266,665

Depreciation - New Acquisitions	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
2023	70,124	70,124	70,124	70,124	70,124
2024		75,247	75,247	75,247	75,247
2025			73,591	73,591	73,591
2026				75,306	75,306
2027					81,028
Total Depreciation - New Acquisitions	70,124	145,372	218,962	294,268	375,296

Intangible Asset Schedule										
	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
Purchase of Intangible Assets	60,932	87,450	45,178	42,364	39,067	44,777	45,284	46,968	51,911	54,464
% of Revenue	1.63%	1.94%	0.76%	0.66%	0.53%	0.65%	0.61%	0.60%	0.62%	0.61%

Useful Lifetime Assumption (Years)	10.00
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	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
Intangible Assets Opening Balance	668,983	642,384	611,763	578,130	544,248	507,474
CapEx		44,777	45,284	46,968	51,911	54,464
Amortization		(71,376)	(75,904)	(80,601)	(85,792)	(91,239)
Intangible Assets Closing Balance	668,983	642,384	611,763	578,130	544,248	507,474

Amortization - Existing Intangible Assets	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
	66,898	66,898	66,898	66,898	66,898	66,898

Amortization - Intangibles	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
2023	4,478	4,478	4,478	4,478	4,478
2024		4,528	4,528	4,528	4,528
2025			4,697	4,697	4,697
2026				5,191	5,191
2027					5,446
Total Amortization - New Intangibles	4,478	9,006	13,703	18,894	24,340

Amortization/Purchases	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
	1.07	0.75	0.86	0.89	0.84	0.86

Amortization of Goodwill & Intangibles	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
	33,574	39,089	41,929	43,357	47,041	

Debt Schedule										
	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
Total Debt	1,180,213	683,690	3,064,377	2,771,811	2,992,126	3,280,371	3,756,123	3,890,253	3,923,984	4,088,930
Short-term Borrowings	441,936	457,924	387,288	1,155,608	607,564	607,564	607,564	607,564	607,564	607,564
Current Portion of Long Term Debt	43,329	87,309	0	0	341,533	341,533	341,533	341,533	341,533	341,533
Long Term Debt	694,948	138,457	2,677,089	1,616,203	2,043,030	2,331,275	2,807,027	2,941,157	2,974,887	3,139,834

Debt Summary										
Long Term Debt										
Long Term Debt Beginning Balance					2,043,030	2,331,275	2,807,027	2,941,157	2,974,887	2,974,887
Long Term Debt Principal Payment					-166,414	-210,904	-278,789	-327,994	-376,292	-376,292
Interest Payment					-91,528	-104,441	-123,249	-126,177	-123,548	-123,548
New Debt Taken					454,659	686,655	412,919	361,724	541,239	541,239
Long Term Debt Ending Balance					2,331,275	2,807,027	2,941,157	2,974,887	2,974,887	3,139,834
Short-term Borrowings										
Interest Payment					-35,239	-35,239	-35,239	-35,239	-35,239	-35,239
Current Portion of LT Debt										
Interest Payment					-19,809	-19,809	-19,809	-19,809	-19,809	-19,809
Total Interest Payment					-146,575	-159,489	-178,297	-181,225	-178,596	-178,596

Current Portion of LT Debt										
Interest Rate (p.a.)						4.50%				
Short-term Borrowings Beginning Balance					341,533	341,533	341,533	341,533	341,533	341,533
Interest Expense					-19,809	-19,809	-19,809	-19,809	-19,809	-19,809
Short-term Borrowings Ending Balance					341,533	341,533	341,533	341,533	341,533	341,533

Short-term Borrowings										
Interest Rate (p.a.)						5.80%				
Short-term Borrowings Beginning Balance					607,564	607,564	607,564	607,564	607,564	607,564
Interest Expense					-35,239	-35,239	-35,239	-35,239	-35,239	-35,239
Short-term Borrowings Ending Balance					607,564	607,564	607,564	607,564	607,564	607,564

Long Term Debt										
Interest Rate (p.a.)						4.48%				
Loan Amortization (Years)						10.00				
2022 Long Term Debt					2,043,030					
Long Term Debt Beginning Balance					2,043,030	2,331,275	2,807,027	2,941,157	2,974,887	2,974,887
Long Term Debt Principal Payment					-166,414	-210,904	-278,789	-327,994	-376,292	-376,292
Long Term Debt Ending Balance					2,331,275	2,807,027	2,941,157	2,974,887	2,974,887	3,139,834
Implied New Debt					454,659	686,655	412,919	361,724	541,239	541,239
Total Interest Payment					-91,528	-104,441	-123,249	-126,177	-123,548	-123,548

Existing Debt										
Debt Beginning Balance					2,043,030	1,785,088	1,527,146	1,269,204	1,011,262	1,011,262
Principal Payment					-166,414	-173,869	-181,659	-189,797	-198,300	-198,300
Interest Payment					-91,528	-84,072	-76,283	-68,145	-59,642	-59,642
Debt Ending Balance					1,785,088	1,527,146	1,269,204	1,011,262	753,321	753,321

New Debt										
Principal Payment										
	2023E	454,659								
	2024E	686,655				-37,034				
	2025E	412,919					-58,437			
	2026E	361,724						-36,715		
	2027E	541,239								
Interest Payment										
	2023E	454,659								
	2024E	686,655				-20,369				
	2025E	412,919					-28,256			
	2026E	361,724						-15,418		
	2027E	541,239								

Interest and Invest Income Schedule

Interest Income = Average Cash and Cash Equivalents Balance * Interest Rate Earned on Cash

	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
Cash and Cash Equivalents	3,548,026	2,586,248	3,308,534	3,725,134	3,919,344	5,878,271	6,748,149	7,699,457	8,760,292	10,001,948
Average Cash and Cash Equivalents		3,067,137	2,947,391	3,516,834	3,822,239	4,898,807	6,313,210	7,223,803	8,229,875	9,381,120
Interest and Invest Income	24,565	33,769	77,533	83,093	104,785	126,303	164,422	187,192	213,801	243,402
% of Average Cash and Cash Equivalents		1.10%	2.63%	2.36%	2.74%	2.58%	2.60%	2.59%	2.60%	2.59%

Appendix H - WACC

Valuation Date	2/5/2024	KRW	USD/KRW
Share Price at Valuation Date	\$139.59	\$188,800.00	\$1,352.53

Implied Share Price	\$215.41
Upside (%)	54.32%
Recommendation	BUY

Weighted Average Interest Rates on Debt			
Debt Instrument	Interest Rate	Value (\$)	Percentage Value
Short-Term Borrowings	5.80%	\$607,564	17.93%
Current Portion of LT Debt	4.50%	\$341,533	10.08%
Long-Term Borrowings	4.48%	\$2,439,886	71.99%
Total		\$3,388,982	4.72%

Bottom-Up Beta Computation			
	Search	Commerce	Fintech
5Y Unlevered Beta	0.55		0.66
Revenue Weights	51%		28%
Weighted Average 5Y Unlevered Beta			0.68
Naver D/E Ratio			0.32
Naver Tax Rate			34%
Naver Levered Beta			0.83

Company Capital Structure			
Current Share Price	\$131.70	Add: Total Debt	\$3,388,982
Total No. of Shares Outstanding (millions)	150,810	Less: Total Cash	(\$2,757,994)
Market Capitalization	\$19,861,677	Enterprise Value	\$20,492,665

Weighted Average Cost of Capital (WACC) Calculation

Capital Asset Pricing Model		Notes:
Risk-free Rate	3.43%	South Korea 10-Year Government Bond Yield as at 09/11/2023
Equity Risk Premium	5.32%	Damodaran's South Korea Equity Risk Premium
Levered Beta	0.83	Bottom-Up Beta Computation
Cost of Equity	7.85%	
Cost of Debt		
Pre-tax Cost of Debt	4.72%	Weighted Average Interest Rate on Debt
Corporate Tax Rate	26.40%	
After-Tax Cost of Debt	3.47%	
Capital Structure		
Market Debt to Equity	17.06%	
Proportion of Equity	85.42%	
Proportion of Debt	14.58%	
WACC	7.21%	

Appendix I - DCF Valuation

Naver Corp For the Financial Year Ending 31 March All figures are expressed in USD Millions	Historical					Forecasted				
	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
BOP	4/1/2018	4/1/2020	4/1/2021	4/1/2022	4/1/2023	4/1/2024	4/1/2025	4/1/2026	4/1/2027	4/1/2028
EOP	3/31/2019	3/31/2021	3/31/2022	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	3/31/2028	3/31/2029
Days		365	365	365	365	366	365	365	365	366
Unlevered Free Cash Flow										
EBIT	\$1,341,167	\$1,535,448	\$2,017,985	\$1,014,142	\$1,232,025	\$1,657,293	\$1,853,807	\$1,978,936	\$2,099,718	\$2,197,529
EBIAT	\$987,099	\$1,130,090	\$1,485,237	\$746,408	\$906,770	\$1,219,767	\$1,364,402	\$1,456,497	\$1,545,392	\$1,617,381
Add: Depreciation & Amortization	\$218,739	\$275,499	\$378,703	\$435,390	\$446,048	\$408,166	\$487,941	\$566,229	\$646,726	\$733,200
Less: Capital Expenditure						(\$696,266)	(\$747,129)	(\$730,680)	(\$747,715)	(\$804,523)
Less: Changes in Net Working Capital						\$1,091,226	(\$354)	(\$75)	\$65	\$26
Free Cash Flow to Firm	\$1,205,838	\$1,405,589	\$1,863,940	\$1,181,798	\$1,352,819	\$2,022,894	\$1,104,860	\$1,291,971	\$1,444,468	\$1,546,085

Implied Share Price	
No. of Shares Outstanding (millions)	150,810
Discount Rate (WACC)	7.21%
Valuation Date	10/4/2024
Terminal Value Toggle	Exit Multiple
Implied Share Price	\$215.41

Free Cash Flow to Firm							
Free Cash Flow (FCFF)			\$2,022,894	\$1,104,860	\$1,291,971	\$1,444,468	\$1,546,085
Year Fraction			0.49	1.49	2.49	3.49	4.49
Year Fraction (Including Mid Year Discounts)			0.25	0.99	1.99	2.99	3.99
Present Value of FCFF			\$1,988,547	\$1,031,113	\$1,124,601	\$1,172,737	\$1,170,774

Discounted Cash Flow	
PV of Cumulative FCFF	\$6,487,772
PV of Terminal Value	\$31,349,243
Enterprise Value	\$37,837,015
Add: Cash	(\$2,757,994)
Less: Debt	(\$3,388,982)
Less: Minority Interest	\$795,796
Equity Value	\$32,485,835
Implied Share Price	\$215.41

PV of Terminal Value Calculation			
Perpetual Growth Method	Exit Multiple Method		
Terminal Growth Rate	2.25%	EV/EBIT	19.51x
Terminal Year		Terminal EBIT	\$2,197,529
FCFF	\$1,546,085	Terminal Value	\$42,866,093
Terminal Value	\$30,442,735	PV of Terminal Value	\$31,349,243
PV of Terminal Value	\$23,052,784		

WACC	Perpetual Growth Rate					
	\$160.40	1.75%	2.00%	2.25%	2.50%	2.75%
	8.21%	120.51	124.78	129.41	134.45	139.95
	7.71%	132.70	137.86	143.49	149.66	156.45
	7.21%	147.12	153.44	160.40	168.09	176.65
	6.71%	164.44	172.33	181.09	190.89	201.93
	6.21%	185.65	195.69	207.00	219.83	234.52

WACC	Exit Multiple					
	\$160.40	17.51x	18.51x	19.51x	20.51x	21.51x
	8.21%	185.75	195.97	206.19	216.42	226.64
	7.71%	189.87	200.31	210.74	221.18	231.62
	7.21%	194.10	204.75	215.41	226.07	236.72
	6.71%	198.43	209.31	220.19	231.07	241.96
	6.21%	202.87	213.98	225.10	236.21	247.33

WACC	Perpetual Growth Rate (KRW)					
	1.75%	2.00%	2.25%	2.50%	2.75%	
	8.21%	162,993	168,773	175,037	181,849	189,284
	7.71%	179,480	186,457	194,072	202,418	211,604
	7.21%	198,984	207,532	216,941	227,348	238,920
	6.71%	222,416	233,076	244,930	258,190	273,123
	6.21%	251,096	264,680	279,976	297,332	317,193

WACC	Exit Multiple (KRW)					
	17.51x	18.51x	19.51x	20.51x	21.51x	
	8.21%	251,235	265,059	278,884	292,709	306,533
	7.71%	256,807	270,923	285,038	299,153	313,268
	7.21%	262,520	276,934	291,347	305,761	320,174
	6.71%	268,378	283,097	297,816	312,536	327,255
	6.21%	274,385	289,417	304,450	319,483	334,516

Appendix J - Comparable Companies

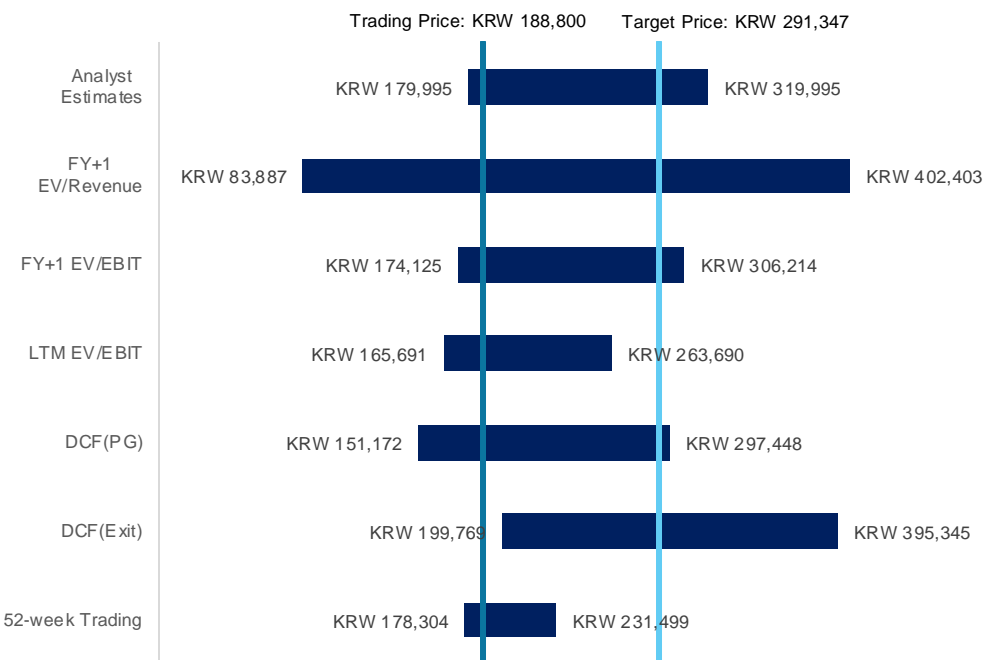
Comparable
Companies
Analysis

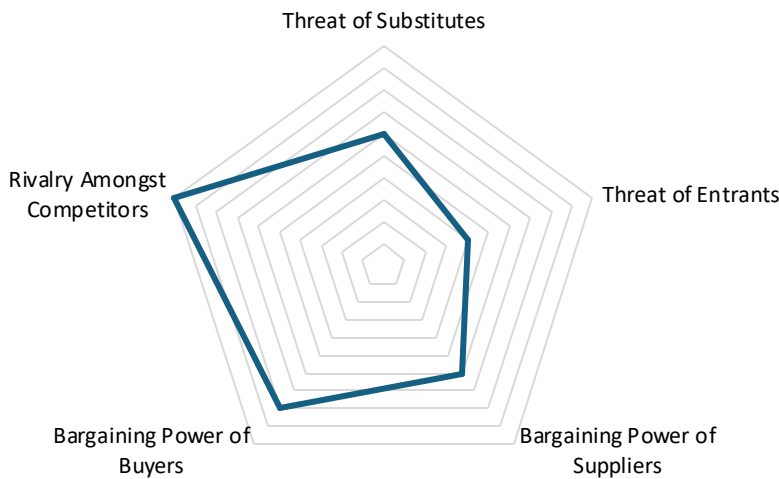
Date:	2/5/2024
Currency:	USD

Ticker	Company Name	Multiples											
		EV/Revenue			EV/EBITDA			EV/EBIT			P/E		
		LTM	FY+1	FY+2	LTM	FY+1	FY+2	LTM	FY+1	FY+2	LTM	FY+1	FY+2
Target Company													
KOSE:A035420	NAVER Corporation	2.8x	2.7x	2.5x	13.3x	12.4x	12.4x	18.5x	17.0x	17.0x	26.6x	20.7x	17.9x
Comparable Companies (Internet)													
NASDAQGS:GOOGL	Alphabet Inc.	6.1x	5.6x	5.1x	17.8x	13.5x	11.9x	20.2x	18.4x	16.1x	24.7x	21.7x	19.5x
KOSE:A035720	Kakao Corp.	2.8x	2.6x	2.3x	17.7x	16.1x	14.5x	48.2x	33.3x	27.1x	-19.6x	44.3x	36.4x
KOSE:A181710	NHN Corporation	0.2x	0.2x	0.2x	4.1x	2.9x	2.6x	14.0x	5.7x	4.7x	-87.1x	11.9x	9.5x
KOSE:A017670	SK Telecom Co., Ltd.	1.1x	1.2x	1.1x	3.8x	3.7x	3.7x	11.0x	11.4x	10.9x	9.3x	9.5x	9.0x
SEHK:700	Tencent Holdings Limited	4.9x	4.6x	4.1x	16.2x	12.1x	11.1x	18.3x	15.0x	13.2x	25.4x	19.6x	16.9x
SEHK:3690	Meituan	1.9x	1.7x	1.4x	37.8x	14.0x	10.1x	59.0x	21.1x	13.5x	44.4x	27.6x	17.1x
NASDAQGS:BKNG	Booking Holdings Inc.	5.6x	5.1x	4.7x	18.5x	15.0x	13.4x	20.0x	16.2x	14.4x	27.2x	20.2x	18.1x
NASDAQGS:BIDU	Baidu, Inc.	1.3x	1.2x	1.1x	4.6x	4.7x	4.4x	7.7x	7.3x	6.6x	12.8x	12.4x	11.4x
NASDAQGS:META	Meta Platforms, Inc.	7.7x	6.9x	6.1x	15.7x	11.9x	10.3x	19.0x	17.9x	15.6x	24.3x	21.3x	18.7x
Comparable Companies (Commerce)													
KOSE:A004170	SHINSEGAE Inc.	1.1x	1.1x	1.0x	6.3x	6.3x	5.9x	11.1x	11.0x	10.0x	6.8x	5.1x	4.4x
KOSE:A004990	LOTTE Corporation	0.7x	0.7x	0.7x	7.9x	8.8x	8.1x	21.3x	18.2x	17.3x	-118.2x	5.2x	4.9x
NASDAQGS:EBAY	eBay Inc.	2.5x	2.5x	2.4x	10.2x	8.0x	7.6x	12.0x	8.9x	8.6x	9.8x	15.2x	14.6x
NASDAQGS:PDD	PDD Holdings Inc.	4.1x	2.8x	2.2x	17.1x	10.6x	8.0x	17.4x	11.1x	8.1x	20.4x	15.9x	11.7x
NASDAQGS:MELI	MercadoLibre, Inc.	5.1x	4.2x	3.4x	27.1x	23.0x	17.3x	33.7x	28.3x	20.6x	74.8x	43.6x	31.5x
NYSE:SE	Sea Limited	2.7x	2.4x	2.1x	45.0x	25.2x	15.3x	102.8x	87.0x	30.9x	239.0x	108.6x	39.3x
NYSE:BABA	Alibaba Group Holding Limited	1.1x	1.1x	1.0x	5.6x	5.4x	5.2x	8.0x	8.6x	7.3x	13.0x	13.8x	11.5x
Comparable Companies (Fintech)													
NASDAQGS:PYPL	PayPal Holdings, Inc.	2.2x	2.1x	1.9x	11.8x	10.0x	9.5x	13.1x	11.8x	11.0x	15.9x	17.9x	15.6x
NYSE:FI	Fiserv, Inc.	5.7x	5.8x	5.3x	13.6x	12.4x	11.3x	21.9x	14.9x	13.4x	26.9x	24.7x	21.1x
NYSE:V	Visa Inc.	15.8x	15.0x	13.6x	22.5x	21.5x	19.2x	23.5x	22.3x	19.9x	29.1x	27.2x	24.3x
NYSE:MA	Mastercard Incorporated	16.3x	15.1x	13.3x	26.6x	24.5x	21.3x	28.1x	25.8x	22.4x	34.7x	31.1x	27.2x
NYSE:FOUR	Shift4 Payments, Inc.	2.0x	1.4x	1.1x	15.1x	7.9x	6.4x	28.4x	16.9x	12.1x	42.0x	15.3x	11.0x
Weighted Multiple													
Internet	51%												
Commerce	28%												
Fintech	21%												
Low		0.7x	0.6x	0.5x	6.0x	4.6x	4.1x	8.9x	7.8x	6.7x	-74.2x	9.5x	8.1x
25th Percentile		1.4x	1.4x	1.3x	7.2x	6.5x	6.1x	15.0x	11.7x	10.4x	12.7x	12.8x	11.4x
Mean		4.2x	3.9x	3.5x	16.2x	12.0x	10.2x	25.4x	19.1x	14.3x	19.5x	23.9x	17.7x
Median		3.3x	3.2x	2.9x	14.3x	11.2x	9.9x	19.5x	14.9x	12.5x	22.2x	19.8x	16.4x
75th Percentile		7.1x	6.5x	5.9x	20.0x	16.4x	13.4x	23.9x	20.6x	17.4x	33.6x	25.1x	21.1x
High		8.7x	7.8x	6.9x	37.5x	20.4x	16.7x	64.8x	46.8x	27.2x	98.4x	59.5x	35.3x

Appendix K - Football Field

Football Field





Threat of Entrants

Barriers to entry for content creation are low, but building a user base and monetizing content made it challenging. E-commerce requires infrastructure and brand building, but platform solutions can ease entry. Search requires significant resources for algorithms and data, but the open internet allows for new players. Attracting and retaining users in a crowded marketplace with established players is a significant hurdle. New entrants need to find a way to stand out, whether through a unique value proposition, a specific niche focus, or a strategic acquisition of existing user bases.

Threat of Substitutes

Brick-and-mortar stores, social commerce, and alternative content formats can be substitutes. Piracy and freely available content threaten paid content models. Many platforms leverage algorithms to curate personalized content feeds for users, further increasing the perception of substitutes. If a user discovers a new app that consistently recommends shows they love, or a competitor’s e-commerce platform that personalizes product suggestions based on past purchases, the incentive to switch becomes stronger.

Bargaining Power of Suppliers

Content creators with unique offerings or established followings have more bargaining power. Businesses selling niche products or with limited distribution channels have more leverage. The platform’s user base and dominance influence its negotiation power with suppliers.

Bargaining Power of Buyers

Consumers have high switching costs due to established accounts and loyalty programs, but can easily compare prices and options across platforms. The abundance of free and paid content across platforms gives buyers significant choice. The rise of ad-blocking technology and subscription fatigue (the burden of managing multiple paid subscriptions) gives consumers leverage. Platforms need to offer compelling value propositions, like exclusive content bundles or free ad-supported tiers, to retain users. Platforms that prioritize user privacy, data security, and fair pricing models will gain the trust of consumers, increasing their loyalty and reducing the urge to switch.

Rivalry Amongst Competitors

Established players compete fiercely for user engagement, content acquisition, and advertising revenue. The industry is fragmented with numerous players across content types (music, video, news) and e-commerce niches. Differentiation through user experience, content curation, AI-powered search, and logistics efficiency is crucial. The merging of search, e-commerce, and content creates a winner-takes-all mentality. Platforms strive to become one-stop shops for users, offering comprehensive search functions, diverse content libraries, and seamless shopping experiences. This intensifies competition for user attention and spending.

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