COMPANY UPDATE

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Tech Team

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Naver (035420)

Evolving into Korea's top AI platform

- Naver's 3Q sales grew 16% y-y thanks to robust growth of commerce sales, while its operating profit rose 9% y-y to meet consensus on rising costs (eg, infrastructure costs).
- The firm has recently secured 60,000 GPUs, and is thus expected to step up its efforts to advance its AI models and introduce AI services. New growth drivers include a collaboration between Disney and Naver Webtoon, and a tie-up between Naver Financial and Dunamu.
- We expect the firm to enjoy a valuation re-rating, as it has the potential to become Korea's best AI platform company.

WHAT'S THE STORY?

3Q review: Naver's 3Q sales grew 15.6% y-y (vs 11.7% y-y growth in 2Q25), on the back of explosive growth of its commerce sales (up 36% y-y). The firm's search platform sales growth improved to 6.3% y-y thanks to the introduction of AI services. The firm saw an increase in operating costs overall—mainly, development costs up 17% y-y (due to increasing hires for new businesses such as commerce and AI) and AI-related infrastructure costs rising 23% y-y. As a result, the firm's operating profit rose a mere 8.6% y-y, meeting consensus.

Ad and commerce sales growth powered by AI: The introduction of AI has been bolstering the firm's: 1) ad sales growth—via expansion in AI Briefing coverage, Home Feed content recommendation, and ad space optimization; and 2) commerce sales growth—via the launch of AI ad solution ADVoost Shopping (early next year, the firm should launch a shopping AI agent, accelerating its moves to introduce AI agents specializing in its vertical services).

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AT A GLANCE

BUY

Target price	KRW330,000	18.5%
Current price	**KRW278,500**	
Market cap	KRW43.7t/USD30.2b	
Shares (float)	156,852,638 (85.9%)	
52-week high/low	KRW290,500/KRW174,600	
Avg daily trading value (60-day)	KRW384.4b/ USD265.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Naver (%)	10.1	41.1	57.8
Vs Kospi (%pts)	-2.4	-9.8	1.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	330,000	330,000	0.0%
2025E EPS	14,422	12,364	16.6%
2026E EPS	15,934	14,652	8.7%

SAMSUNG vs THE STREET

No of estimates	19
Target price	330,842
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	3,138.1	15.6	7.7	2.3	3.1
Operating profit	570.6	8.6	9.4	-1.0	0.3
Pre-tax profit	856.9	31.2	25.3	21.8	26.5
Net profit	734.7	38.6	47.7	43.5	45.3
Margins (%)					
Operating profit	18.2				
Pre-tax profit	27.3				
Net profit	23.4				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	17.7	18.5	16.8
P/B	1.2	1.5	1.3
EV/EBITDA	11.2	13.3	6.4
Div yield (%)	0.6	0.5	0.5
EPS growth (% y-y)	60.5	28.0	10.5
ROE (%)	7.9	8.6	8.7
Per-share data (KRW)			
EPS	11,265	14,422	15,934
BVPS	170,953	184,075	201,744
DPS	1,130	1,250	1,412

Securing more GPUs to accelerate AI transition: Naver plans to purchase 60,000 units of Nvidia's latest GPUs (the highest number among Korean companies). Earlier, Naver has been selected as a government GPU lease partner and has participated, as part of a consortium, in a bid for the AI computing center project. Since the firm has secured the largest number of GPUs among Korean companies, we believe it will be able to upgrade its own AI model and operate its AI services smoothly.

Webtoon business growth recovers; partnership with Disney to provide breakthrough opportunity: The firm's webtoon sales recorded double-digit growth in 3Q for a second consecutive quarter on the back of AI-powered recommendation service. Webtoon Entertainment (a subsidiary of Naver), via an IP partnership with Disney, has begun posting Disney IP-based webtoons (including The Amazing Spider-Man, and The Avengers) on its global webtoon platform. The global IP partnership should accelerate the firm's content growth.

Dunamu deal to bring help the firm tap blockchain market: Naver Financial is in talks with Dunamu regarding an equity swap ratio between the two companies. When the swap ratio is agreed upon, the BOD of both companies will meet to approve the equity swap deal (which we expect to happen before end-November). The deal, if successful, should bring Naver additional sales (relating to Dunamu's cryptocurrency exchange business) and new business opportunities (eg, stablecoins and DeFi).

Earnings to grow on commerce growth, despite infrastructure investment: Naver plans to invest more than KRW1t in purchasing GPUs and CPUs this year (as it has secured GPUs to upgrade its sovereign AI model and offer AI services in earnest). The firm should increase such purchase cost to more than KRW1.5t next year. Such increases in infrastructure investment should cause the firm's operating margin to slow in the near term. We however believe the firm's earnings growth will reach around 10% on the back of robust growth of commerce sales.

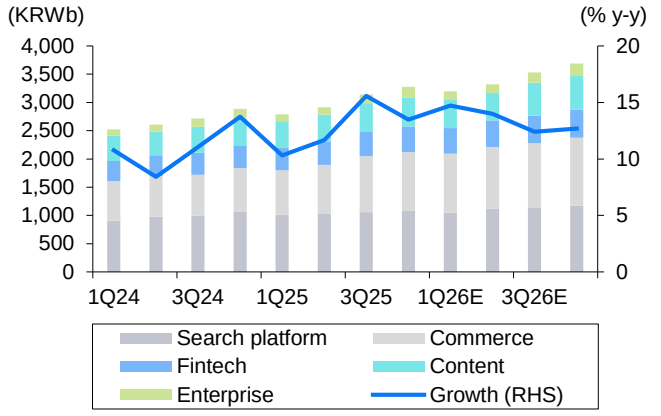
Korea's best AI platform company: We maintain our BUY rating on the stock with an unchanged target price of KRW330,000 (based on 21.1x 12-month forward P/E, the average for global internet platform companies). Naver has been aggressive in securing latest GPUs (backed by the government's AI initiative) and developing foundation AI model, physical AI, and AI services. The firm's existing vertical services have seen sales growth recover on the back of the launch of AI-enabled services, and the firm is set to enter the blockchain market via an equity swap with Dunamu. Although the firm's near-term earnings growth could slow, we believe the firm has secured new growth drivers in the long term. We believe our target offers plenty of additional upside given that the shares are currently trading at 17.1x 12-month forward P/E.

3Q review

(KRWb)	3Q25			Diff (%)		3Q24	2Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**3,138.1**	**3,068.1**	**3,043.0**	**2.3**	**3.1**	**2,715.6**	**2,915.1**	**15.6**	**7.7**
Search platform	1,060.2	1,079.3		(1.8)		997.7	1,036.5	6.3	2.3
Commerce	985.5	900.8		9.4		725.4	861.1	35.9	14.4
Fintech	433.1	425.2		1.9		385.1	411.7	12.5	5.2
Content	509.3	509.9		(0.1)		462.8	474.0	10.0	7.4
Enterprise	150.0	152.9		(1.9)		144.6	131.7	3.8	13.9
Operating expenses	**2,567.4**	**2,492.0**		**3.0**		**2,190.3**	**2,393.5**	**17.2**	**7.3**
Development & operations	749.8	708.9		5.8		656.9	699.3	14.2	7.2
Partner	1,097.0	1,065.2		3.0		938.0	1,014.0	17.0	8.2
Infrastructure	218.6	208.6		4.8		178.1	197.7	22.7	10.5
Marketing	502.0	509.3		(1.4)		417.3	482.4	20.3	4.0
Operating profit	**570.6**	**576.1**	**568.8**	**(1.0)**	**0.3**	**525.3**	**521.6**	**8.6**	**9.4**
Pre-tax profit	856.9	703.7	677.6	21.8	26.5	653.3	683.6	31.2	25.3
Net profit	734.7	512.0	505.7	43.5	45.3	530.1	497.4	38.6	47.7
Net profit (controlling)	726.4	522.8	493.6	39.0	47.2	520.4	488.8	39.6	48.6
Margins (%)									
Operating profit	18.2	13.6	18.7			19.3	17.9		
Pre-tax profit	27.3	12.9	22.3			24.1	23.5		
Net profit	23.4	9.5	16.6			19.5	17.1		
Net profit (controlling)	23.1	10.8	16.2			19.2	16.8		

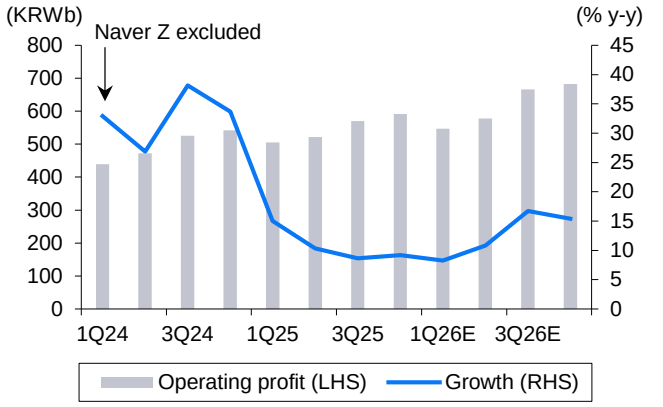
Source: Company data, FnGuide, Samsung Securities estimates

Quarterly sales, by division



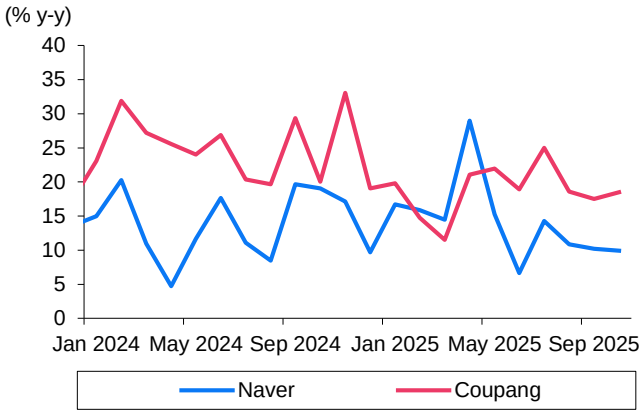
Source: Company data, Samsung Securities estimates

Quarterly operating profit



Source: Company data, Samsung Securities estimates

Naver vs Coupang: Commerce GMV growth

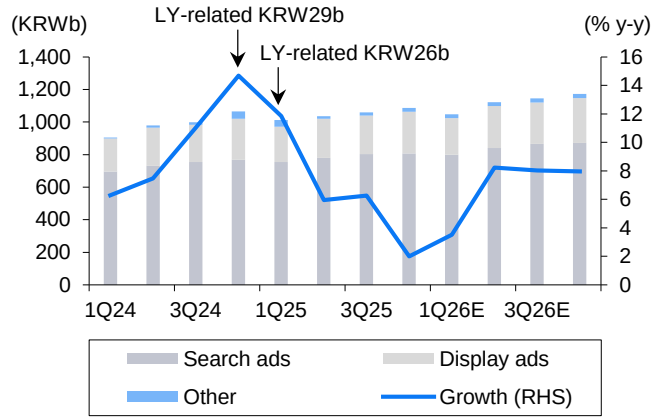


Source: WiseRetail, Samsung Securities

ADVoost Shopping (AI ad solution) released in May

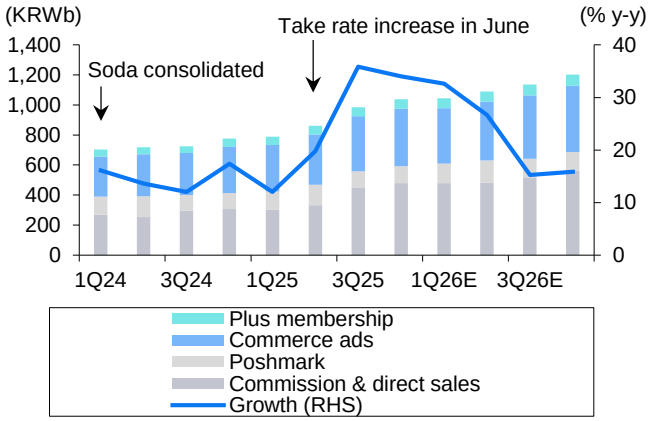
Source: Company data

Search platform sales



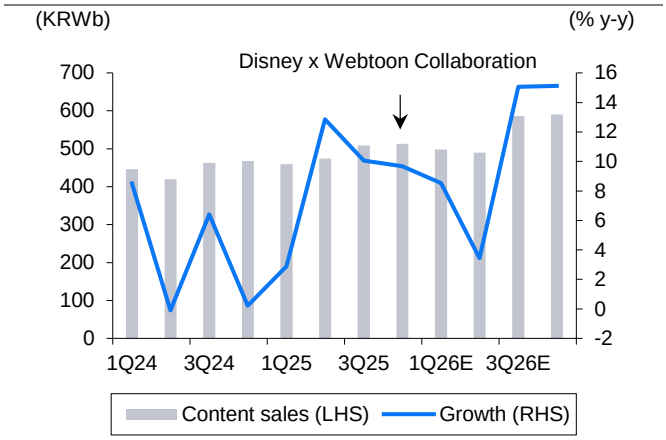
Source: Company data, Samsung Securities estimates

Commerce sales



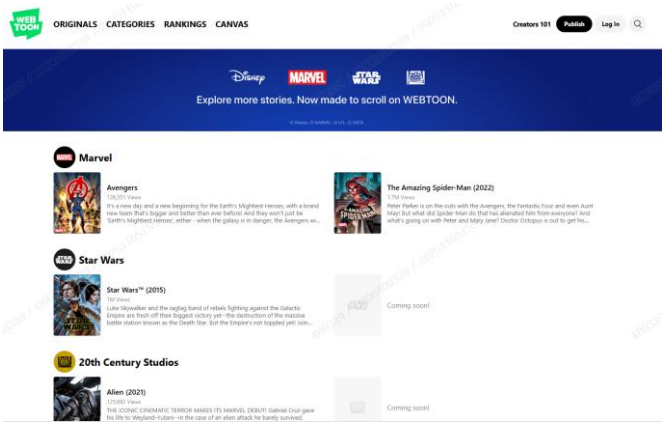
Source: Company data, Samsung Securities estimates

Content sales



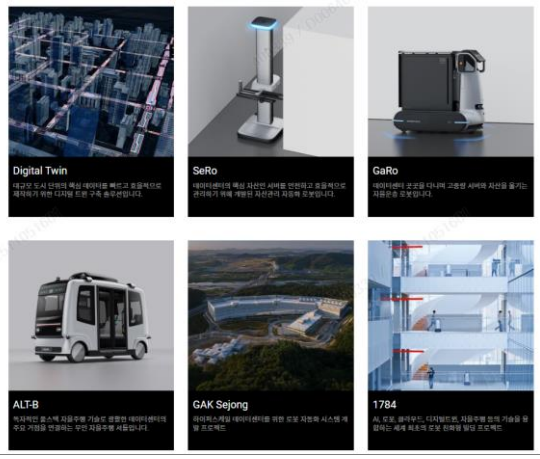
Source: Company data, Samsung Securities estimates

Disney x Webtoon collaboration



Source: Company data

NaverLabs robotics technology

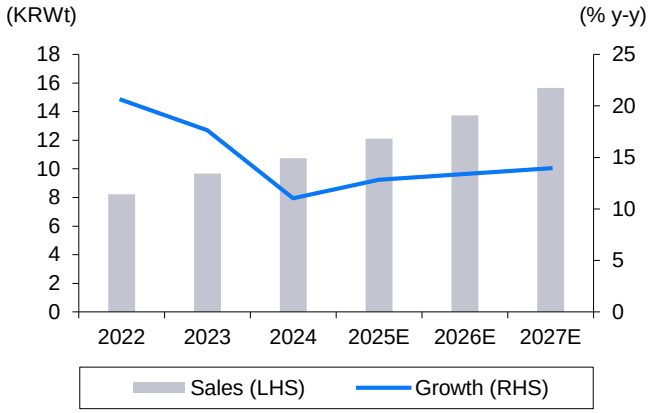


Source: Company data, Samsung Securities estimates

Naver and Nvidia collaborate to build physical AI platform

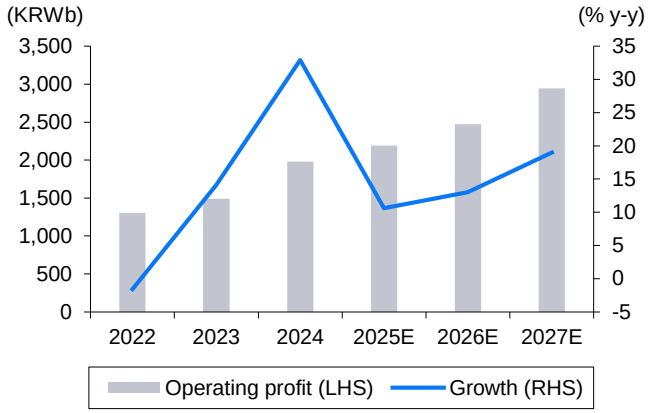
Source: Press release

Annual sales



Source: Company data, Samsung Securities estimates

Annual operating profit



Source: Company data, Samsung Securities estimates

Valuation

(KRW)	
12-month-forward EPS	15,482
Target P/E* (x)	21.1
Fair value per share	327,241
Target price	**330,000**
Current price	264,000
Upside (%)	25.0%

Note: *Peer group's 2025-2026 P/E applied on a 1:3 weighted average basis;
Based on Nov 4 closing price
Source: Samsung Securities estimates

Global peers: P/E and P/S valuations

(x)	P/E			P/S		
	2025E	2026E	Average	2025E	2026E	Average
Alphabet	25.8	23.8	24.3	9.9	8.7	9.0
Meta Platforms	21.6	18.9	19.6	8.1	6.8	7.1
Baidu	16.4	14.9	15.2	2.3	2.2	2.3
Amazon	29.2	26.9	27.5	3.8	3.4	3.5
LY Corporation	21.3	18.3	19.1	1.6	1.5	1.5
Average	**22.9**	**20.6**	**21.1**	**5.1**	**4.5**	**4.7**

Note: Based on Nov 4 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E
Sales	**2,526**	**2,610**	**2,716**	**2,886**	**2,787**	**2,915**	**3,138**	**3,275**	**3,197**	**3,323**	**3,528**	**3,690**
Search platform	905	978	998	1,065	1,013	1,037	1,060	1,086	1,048	1,122	1,145	1,173
Commerce	703	719	725	775	788	861	985	1,039	1,045	1,090	1,135	1,204
Fintech	354	368	385	401	393	412	433	448	451	468	485	501
Content	446	420	463	467	459	474	509	513	498	490	586	590
Enterprise	117	125	145	178	134	132	150	189	155	153	176	224
Operating expenses	**2,087**	**2,138**	**2,190**	**2,344**	**2,281**	**2,394**	**2,567**	**2,683**	**2,650**	**2,745**	**2,862**	**3,008**
Development & operations	636	683	657	689	688	699	750	787	808	822	837	877
Partner	913	917	938	1,022	974	1,014	1,097	1,143	1,110	1,142	1,185	1,248
Infrastructure	170	172	178	185	189	198	219	229	227	239	254	269
Marketing	367	367	417	448	430	482	502	524	505	542	586	613
Operating profit	**439**	**473**	**525**	**542**	**505**	**522**	**571**	**592**	**547**	**578**	**666**	**683**
Pre-tax profit	660	467	653	541	580	684	857	771	703	752	854	899
Net profit	556	332	530	514	424	497	735	661	527	600	697	724
Net profit (controlling)	511	338	520	554	425	489	726	654	522	594	690	717
Adjusted EPS (KRW)	1,839	2,675	3,192	3,719	2,586	3,334	4,852	3,658	3,464	3,892	4,469	4,110
Margins (%)												
Operating profit	17.4	18.1	19.3	18.8	18.1	17.9	18.2	18.1	17.1	17.4	18.9	18.5
Pre-tax profit	26.1	17.9	24.1	18.8	20.8	23.5	27.3	23.5	22.0	22.6	24.2	24.4
Net profit	22.0	12.7	19.5	17.8	15.2	17.1	23.4	20.2	16.5	18.1	19.7	19.6
Net profit (controlling)	20.2	13.0	19.2	19.2	15.2	16.8	23.1	20.0	16.3	17.9	19.6	19.4

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2025E			2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**12,044**	**12,115**	**0.6**	**13,440**	**13,738**	**2.2**	**14,926**	**15,655**	**4.9**
Search platform	4,306	4,195	(2.6)	4,814	4,488	(6.8)	5,445	4,877	(10.4)
Commerce	3,508	3,673	4.7	3,999	4,474	11.9	4,397	5,170	17.6
Fintech	1,670	1,686	1.0	1,869	1,904	1.9	2,096	2,137	2.0
Content	1,951	1,955	0.2	2,046	2,165	5.8	2,161	2,620	21.2
Enterprise	608	605	(0.5)	711	707	(0.5)	826	851	3.1
Operating expenses	**9,809**	**9,925**	**1.2**	**10,865**	**11,264**	**3.7**	**11,980**	**12,712**	**6.1**
Development & operations	2,834	2,924	3.2	3,085	3,344	8.4	3,357	3,692	10.0
Partner	4,184	4,228	1.0	4,628	4,685	1.2	5,116	5,274	3.1
Infrastructure	822	835	1.6	917	990	7.9	1,045	1,163	11.3
Marketing	1,969	1,939	(1.5)	2,234	2,245	0.5	2,463	2,583	4.9
Operating profit	**2,235**	**2,189**	**(2.1)**	**2,575**	**2,474**	**(3.9)**	**2,945**	**2,943**	**(0.1)**
Pre-tax profit	2,753	2,891	5.0	3,165	3,208	1.3	3,681	3,827	3.9
Net profit	2,005	2,317	15.6	2,336	2,548	9.1	2,712	3,063	12.9
Net profit (controlling)	2,009	2,294	14.2	2,341	2,522	7.7	2,718	3,032	11.6
Adjusted EPS (KRW)	12,364	14,422	16.6	14,652	15,934	8.8	16,957	19,125	12.8
Margins (%)									
Operating profit	18.6	18.1		19.2	18.0		19.7	18.8	
Pre-tax profit	22.9	23.9		23.6	23.4		24.7	24.4	
Net profit	16.6	19.1		17.4	18.5		18.2	19.6	
Net profit (controlling)	16.7	18.9		17.4	18.4		18.2	19.4	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**9,671**	**10,738**	**12,115**	**13,738**	**15,655**
Cost of goods sold	0	0	0	0	0
Gross profit	**9,671**	**10,738**	**12,115**	**13,738**	**15,655**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	8,182	8,758	9,925	11,264	12,712
Operating profit	**1,489**	**1,979**	**2,189**	**2,474**	**2,943**
Operating margin (%)	15.4	18.4	18.1	18.0	18.8
Non-operating gains (losses)	**-7**	**343**	**702**	**734**	**883**
Financial profit	603	633	568	615	760
Financial costs	683	579	451	472	458
Equity-method gains (losses)	267	145	546	458	481
Other	-195	144	39	133	101
Pre-tax profit	**1,481**	**2,322**	**2,891**	**3,208**	**3,827**
Taxes	496	390	575	660	764
Effective tax rate (%)	33.5	16.8	19.9	20.6	20.0
Profit from continuing operations	985	1,932	2,317	2,548	3,063
Profit from discontinued operations	0	0	0	0	0
Net profit	**985**	**1,932**	**2,317**	**2,548**	**3,063**
Net margin (%)	10.2	18.0	19.1	18.5	19.6
Net profit (controlling interests)	1,012	1,923	2,294	2,522	3,032
Net profit (non-controlling interests)	-27	9	22	25	31
EBITDA	2,071	2,653	2,959	5,552	6,021
EBITDA margin (%)	21.4	24.7	24.4	40.4	38.5
EPS (parent-based) (KRW)	6,180	11,913	14,538	16,251	19,536
EPS (consolidated) (KRW)	6,013	11,967	14,679	16,416	19,733
Adjusted EPS (KRW)*	7,021	11,265	14,422	15,934	19,125

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**7,028**	**9,375**	**10,466**	**14,411**	**18,355**
Cash & equivalents	3,576	4,196	5,260	8,597	11,732
Accounts receivable	491	478	0	0	0
Inventories	15	22	28	32	37
Other current assets	2,945	4,680	5,177	5,782	6,586
Fixed assets	**28,710**	**28,793**	**30,796**	**30,182**	**30,378**
Investment assets	21,231	20,910	23,609	26,073	29,347
Tangible assets	2,742	2,910	2,383	-294	-2,972
Intangible assets	3,446	3,657	3,393	2,993	2,593
Other long-term assets	1,291	1,316	1,410	1,410	1,410
Total assets	**35,738**	**38,168**	**41,261**	**44,593**	**48,734**
Current liabilities	**6,306**	**6,092**	**7,922**	**8,618**	**9,543**
Accounts payable	0	0	0	0	0
Short-term debt	333	135	129	129	129
Other current liabilities	5,973	5,957	7,792	8,489	9,414
Long-term liabilities	**5,194**	**5,075**	**4,008**	**4,282**	**4,646**
Bonds & long-term debt	2,649	2,870	1,252	1,252	1,252
Other long-term liabilities	2,545	2,204	2,757	3,031	3,395
Total liabilities	**11,500**	**11,167**	**11,930**	**12,900**	**14,189**
Owners of parent equity	**23,206**	**25,460**	**27,782**	**30,118**	**32,939**
Capital stock	16	16	16	16	16
Capital surplus	1,243	1,423	1,467	1,467	1,467
Retained earnings	24,544	25,965	27,694	30,030	32,851
Other	-2,597	-1,944	-1,395	-1,395	-1,395
Non-controlling interests' equity	**1,032**	**1,541**	**1,549**	**1,575**	**1,605**
Total equity	**24,238**	**27,001**	**29,331**	**31,693**	**34,545**
Net debt	-224	-3,321	-4,140	-7,806	-11,379

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**2,002**	**2,590**	**3,717**	**6,220**	**6,928**
Net profit	985	1,932	2,317	2,548	3,063
Non-cash profit and expenses	1,326	1,003	1,379	3,344	3,309
Depreciation	528	609	669	2,678	2,678
Amortization	54	65	100	400	400
Other	744	329	609	266	231
Changes in A/L from operating activities	361	152	430	690	917
Cash flow from investments	**-950**	**-1,340**	**-186**	**-346**	**-466**
Change in tangible assets	-633	-522	-338	0	0
Change in financial assets	402	-2,224	166	-371	-493
Other	-718	1,406	-14	25	27
Cash flow from financing	**-110**	**-770**	**-354**	**-266**	**-281**
Change in debt	-18	-377	131	28	37
Change in equity	-314	180	44	0	0
Dividends	-62	-119	-168	-187	-211
Other	284	-454	-361	-107	-108
Change in cash	852	619	1,065	3,336	3,136
Cash at beginning of year	2,724	3,576	4,196	5,260	8,597
Cash at end of year	3,576	4,196	5,260	8,597	11,732
Gross cash flow	**2,311**	**2,935**	**3,695**	**5,892**	**6,372**
Free cash flow	**1,362**	**2,036**	**3,366**	**6,220**	**6,928**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	17.6	11.0	12.8	13.4	14.0
Operating profit	14.1	32.9	10.6	13.0	19.0
Net profit	46.3	96.1	19.9	10.0	20.2
Adjusted EPS**	9.7	60.5	28.0	10.5	20.0
Per-share data (KRW)					
EPS (parent-based)	6,180	11,913	14,538	16,251	19,536
EPS (consolidated)	6,013	11,967	14,679	16,416	19,733
Adjusted EPS**	7,021	11,265	14,422	15,934	19,125
BVPS	154,077	170,953	184,075	201,744	220,642
DPS (common)	790	1,130	1,250	1,412	1,412
Valuations (x)					
P/E***	31.9	17.7	19.3	17.5	14.6
P/B***	1.5	1.2	1.5	1.4	1.3
EV/EBITDA	18.0	11.2	13.9	6.7	5.6
Ratios (%)					
ROE	4.4	7.9	8.6	8.7	9.6
ROA	2.8	5.2	5.8	5.9	6.6
ROIC	28.8	39.7	45.6	110.1	-132.6
Payout ratio	11.8	8.8	8.1	8.4	7.0
Dividend yield (common)	0.4	0.6	0.4	0.5	0.5
Net debt to equity	-0.9	-12.3	-14.1	-24.6	-32.9
Interest coverage (x)	11.7	18.9	20.6	23.2	27.4

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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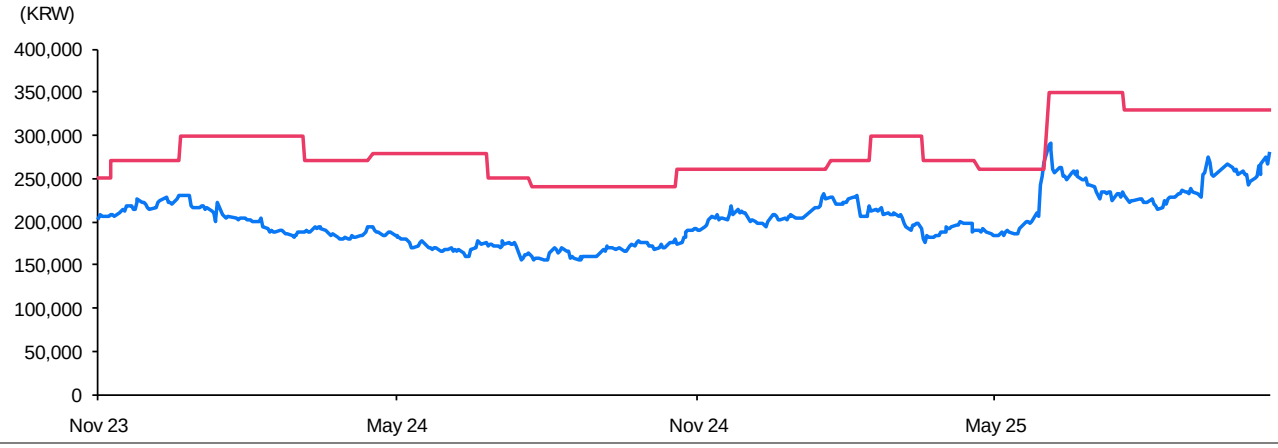
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/16	11/29	2024/1/10	3/26	5/7	7/16	8/12	11/8	2025/2/10	3/7	4/8	5/12
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	250000	270000	300000	270000	280000	250000	240000	260000	270000	300000	270000	260000
Gap* (average)	-21.97	-19.04	-32.32	-30.97	-37.88	-31.99	-30.43	-21.66	-18.21	-31.85	-29.75	-23.69
(max or min)**	-17.00	-15.00	-22.83	-27.93	-31.82	-28.80	-25.13	-10.77	-14.26	-28.00	-25.74	3.65

Date	6/23	8/8
Recommendation	BUY	BUY
Target price (KRW)	350000	330000
Gap* (average)	-29.48	
(max or min)**	-17.00	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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