COMPANY UPDATE

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Kakao Pay (377300)

Brokerage growth strong; AI roadmap announced

- Kakao Pay grew its operating profit by 69.4% q-q to KRW15.8b in 3Q.
- While stricter household loan regulations have slowed loan refinancing, the company's securities brokerage subsidiary continued to deliver strong profit growth, supporting overall earnings.
- Going forward, the key will be to enhance earnings in areas beyond securities brokerage and to demonstrate improved fundamentals as a financial platform, leveraging the success of services that have secured user traffic.

▶ AT A GLANCE

BUY

Target price	KRW69,000	35.8%
Current price	**KRW50,800**	
Market cap	KRW6.9t/USD4.8b	
Shares (float)	135,137,122 (34.2%)	
52-week high/low	KRW93,800/KRW21,700	
Avg daily trading value (60-day)	KRW46.3b/ USD31.9m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Kakao Pay (%)	-3.2	61.0	107.8
Vs Kospi (%pts)	-14.2	2.9	33.7

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	69,000	69,000	0.0%
2025E EPS	463	357	29.6%
2026E EPS	745	462	61.3%

▶ SAMSUNG vs THE STREET

No of estimates	5
Target price	95,000
Recommendation	3.4

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

WHAT'S THE STORY?

Consolidated revenue grows 28% y-y to KRW238.4b: Kakao Pay in 3Q saw revenue from: 1) payments services rise 5.5% y-y to KRW129.7b; 2) financial services increase 72% y-y to KRW94.7b; and 3) platform services expand 69.2% y-y to KRW14b.

Revenue from financial services hits growth plateau—due to slowdown in loan refinancing: Kakao Pay's revenue from financial services slightly slowed growth to 72% y-y in 3Q (vs 81.8% y-y in 2Q), as the government's real estate measures dampened demand for loan refinancing. Due to a drop in revenue from loan services, revenue from financial services shrank 5.6% q-q. Financial services contributed 40% of revenue (down 2%pts q-q).

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Kakao Pay 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	238.4	238.3	0.0	186.2	28.0	244.9	(2.7)	256.5	(7.1)
Operating profit	15.8	9.3	69.4	(7.5)	n/a	9.7	62.9	7.9	101.2
Pre-tax profit	23.5	20.0	17.8	(27.7)	n/a			17.7	32.7
Net profit	15.2	12.7	19.5	(25.3)	n/a	14.6	4.0	11.1	36.5
Margins (%)									
Operating profit	6.6	3.9	2.7	(4.0)	10.7				
Pre-tax profit	9.9	8.4	1.5	(14.9)	24.8				
Net profit	6.4	5.3	1.0	(13.6)	19.9				

Source: Company data, Samsung Securities estimates

Valuation

(KRWb)	Sales (KRWb)	Net profit (KRWb)	EPS (KRW)	Chg (%)	Sales per share (KRW)	P/E (x)	P/S (x)	ROA (%)	ROE (%)
2023	615.4	(22.9)	3	(99.2)	4,583	n/a	10.8	(0.6)	(1.2)
2024	766.2	(21.5)	(102)	n/a	5,691	n/a	4.6	(0.5)	(1.1)
2025E	966.9	72.9	463	n/a	7,156	109.8	7.1	1.3	3.7
2026E	1,360.1	116.6	745	61.1	10,066	68.2	5.0	1.6	5.7
2027E	1,707.6	149.6	990	32.8	12,637	51.3	4.0	1.9	6.8

Source: Company data, Samsung Securities estimates

Consolidated operating profit at KRW15.8b—deeper in profits: Kakao Pay delivered a 3Q consolidated operating profit of KRW15.8b, up from KRW9.3b in 2Q. Subsidiary Kakao Pay Securities' profitability improvement, backed by an increase in trading volume for foreign stocks and cost efficiency efforts, is largely to credit.

Securities brokerage subsidiary maintains strong profit growth: Strong profit growth at Kakao Pay Securities continued into 3Q. The securities brokerage subsidiary's 3Q operating profit of KRW15.6b is up KRW10.4b q-q, which explains most of the increase in consolidated operating profit. The increment has two components: 1) top-line growth driven by a jump in stock transaction volume; and 2) profitability gains led by a rise in trading volume for foreign stocks.

> **1) Stock transaction volume up 172.8% y-y at KRW34.1t:** Kakao Pay Securities' stock transaction volume hit KRW34.1t in 3Q, continuing on an upward swing. Notably, its stock transaction volume has been accelerating growth, rising 53.4% y-y in 1Q, 100.9% y-y in 2Q and 172.8% y-y in 3Q. Overall market trading volume did increase in 3Q, but only by 3.2% y-y for domestic stocks and 14.3% y-y for foreign stocks, making it reasonable to infer that it successfully gained market share.
>
> **2) Operating margin sharply improves—rise in foreign stock trading and cost efficiency efforts:** Kakao Pay Securities' operating margin sharply improved by 18.6%pts to 26.5% in 3Q (vs 7.9% in 2Q). The company attributed this to an increase in trading volume for foreign stocks (lucrative business) and cost efficiency efforts.

Revising up full-year operating profit forecasts but maintaining target price of KRW69,000: Reflecting the securities brokerage subsidiary's profitability improvement, we revise up our 2025 and 2026 consolidated operating profit forecasts. But as absolute profit levels remain limited, making P/E valuation less meaningful, we maintain our target price of KRW69,000 (based on 7.4x 2026 P/S).

Needs more platform revenue to demonstrate differentiated earnings capacity: To rerate, Kakao Pay needs to: 1) show sustained growth in the securities business, along with its ability to consistently generate profits; and 2) expand platform services in line with increasing user traffic, proving its ability to generate earnings as a platform.

To attract user traffic, Kakao Pay has been scaling up its Pay AI service. Launched in June, Pay AI features a personalized health consultation service 'Managing my health with AI'. The AI service lineup broadened in October, with the launch of 'Finding my payment benefits with AI', which helps individuals spend more wisely. Additionally, the company announced plans to establish a Financial Agent AI ecosystem—covering asset management, payment agent functionalities, and more—by 1H26.

Connection with Kakao's Agentic AI platform—positive from medium term perspective: During the earnings call, the company updated on the work being done to connect with Kakao's Agentic AI platform. In phase one, it will be embedding Kakao Pay features into ChatGPT for Kakao (launched in October). In phase two, it will leverage agent-to-agent configuration to connect Pay AI and Kanana (Kakao's self-developed AI model). In phase three, it developed an architecture using playMCP to allow Kakao AI service to use data from Kakao Pay. In phase 4, it will set up standard payment protocols to build payment agents, thereby completing a closed loop payment circle housed inside Kakao's agent.

Detailing on how Kakao Pay is preparing to connect with Kakao's Agentic AI platform is positive in the medium term. After all, Kakao Pay is the most advantageously positioned payments firm within the AI ecosystem being built by Kakao Talk (with 40m MAU). Ultimately, if Kakao Pay's functionalities are successfully integrated with the expanding Kakao Agentic AI platform, Kakao Pay would be able to more effectively lock in users.

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	3,430	3,908	5,146	6,693	7,250
Cash and cash equivalents	1,257	1,564	1,417	1,283	1,162
Other current assets	2,173	2,343	3,730	5,410	6,088
Non-current assets	536	507	501	521	542
Investments in associates	29	45	48	50	52
Property and equipment	45	39	38	39	41
Intangible assets	144	127	118	123	128
Other non-current assets	318	296	297	309	321
Total assets	**3,966**	**4,415**	**5,647**	**7,214**	**7,792**
Current liabilities	1,909	2,381	3,559	5,020	5,459
Deposits received	522	584	528	479	433
Trade and other payables	574	624	773	804	837
Other current liabilities	813	1,173	2,258	3,737	4,189
Non-current liabilities	123	123	126	131	137
Total liabilities	**2,032**	**2,504**	**3,685**	**5,151**	**5,595**
Share capital	67	67	68	68	68
Share premium	1,815	1,818	1,807	1,807	1,807
Accumulated deficit	(170)	(184)	(121)	(21)	113
Other components equity	165	160	162	162	162
Non-controlling interest	58	50	47	47	47
Total equity	**1,935**	**1,911**	**1,962**	**2,063**	**2,196**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**615.4**	**766.2**	**966.9**	**1,360.1**	**1,707.6**
Digital Payment	443.4	490.0	505.0	599.7	713.9
Digital Finance	142.8	244.1	410.2	681.9	878.7
Others	29.1	32.1	51.8	78.5	114.9
Operating expenses	**672.0**	**823.7**	**914.0**	**1,246.7**	**1,549.6**
Labor expenses	203.1	215.4	252.6	295.5	329.5
Payment fee	318.0	360.2	385.5	448.9	526.7
Marketing	56.5	65.5	87.7	102.4	108.7
Others	94.3	182.5	188.2	399.9	584.8
Operating profit	**(56.6)**	**(57.5)**	**52.9**	**113.4**	**157.9**
OPM (%)	(9.2)	(7.5)	5.5	8.3	9.2
Other non-operating income	9.7	5.8	6.1	3.5	3.5
Other non-operating expense	15.9	19.0	12.4	16.9	16.9
Financial income	68.4	65.8	50.0	45.0	40.5
Financial cost	12.8	5.6	4.9	4.4	4.0
Share of loss of associates	1.6	5.1	3.3	2.6	2.7
Before tax	**(5.6)**	**(5.4)**	**94.9**	**143.2**	**183.7**
tax	17.3	16.2	22.0	26.6	34.1
Net profit	(22.9)	(21.5)	72.9	116.6	149.6
Growth (% y-y)	n/a	n/a	n/a	59.9	28.3

Margins

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Operating margin	**(9.2)**	**(7.5)**	**5.5**	**8.3**	**9.2**
Pre-tax profit margin	(0.9)	(0.7)	9.8	10.5	10.8
Net profit margin	(3.7)	(2.8)	7.5	8.6	8.8
ROA	(0.6)	(0.5)	1.3	1.6	1.9
ROE	(1.2)	(1.1)	3.7	5.7	6.8

Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	18.0	24.5	26.2	40.7	25.5
Operating profit	n/a	n/a	n/a	114.5	39.2
Net profit	n/a	n/a	n/a	59.9	28.3
Per-share data (KRW)					
EPS	**3**	**(102)**	**463**	**745**	**990**
SPS	4,583	5,691	7,156	10,066	12,637
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E	n/a	n/a	109.8	68.2	51.3
P/S	10.8	4.6	7.1	5.0	4.0

Year-end Dec 31	Sales (KRWb)	Net profit (KRWb)	EPS (KRW)	Chg (% y-y)	Sales per share (KRW)	P/E (x)	P/S (x)	ROA (%)	ROE (%)	DPS (KRW)	Div yield (%)
2023	615.4	(22.9)	3	(99.2)	4,583	n/a	10.8	(0.6)	(1.2)	-	-
2024	766.2	(21.5)	(102)	n/a	5,691	n/a	4.6	(0.5)	(1.1)	-	-
2025E	966.9	72.9	463	n/a	7,156	109.8	7.1	1.3	3.7	-	-
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Source: Company data, Samsung Securities estimates

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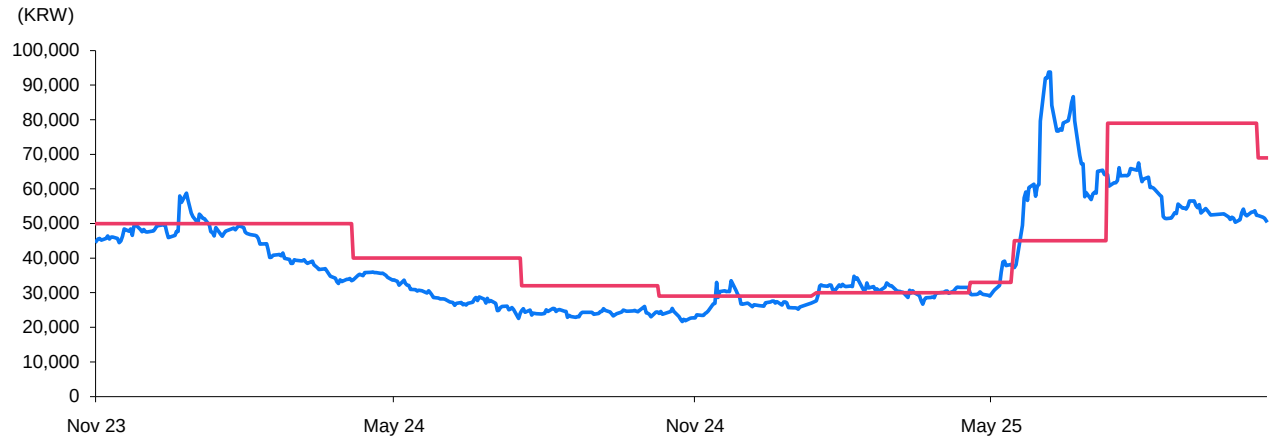
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/7/21	2024/4/26	8/7	10/30	2025/2/3	5/8	6/4	7/31	10/31
Recommendation	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY	BUY
Target price (KRW)	50000	40000	32000	29000	30000	33000	45000	79000	69000
Gap* (average)	-12.01	-25.87	-23.99	-9.68	2.97	-2.09	54.46	-28.21	
(max or min)**	-34.60	-10.13	-18.75	15.34	16.00	18.48	108.44	-14.56	

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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Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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