COMPANY UPDATE

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Naver (035420)

Long-term growth thesis intact

- We believe Naver's 2Q sales rose 16% y-y thanks to strong e-commerce growth, but its operating profit likely edged up just 1.4% y-y (missing consensus by 8.5%) due to a hike in investments.
- While profitability is set to decline this year due to increased investments, Naver should see a gradual hike in its valuation, having secured medium- to long-term growth drivers through initiatives such as the AI Factory and its KRW-pegged stablecoin business.

AT A GLANCE

BUY

Target price	KRW280,000	48.9%
Current price	**KRW188,000**	
Market cap	KRW29.5t/USD19.6b	
Shares (float)	156,944,242 (87.2%)	
52-week high/low	KRW287,000/KRW184,400	
Avg daily trading value (60-day)	KRW471.0b/ USD313.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Naver (%)	-23.9	-28.9	-25.7
Vs Kospi (%pts)	-9.2	-51.0	-65.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	280,000	280,000	0.0%
2026E EPS	10,600	10,600	0.0%
2027E EPS	12,157	12,157	0.0%

SAMSUNG vs THE STREET

No of estimates	21
Target price	329,667
Recommendation	4.0

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

WHAT'S THE STORY?

2Q preview—robust revenue growth, declining profitability: We expect Naver to announce a 16% y-y hike in sales in 2Q (flat q-q) on strong e-commerce revenue. Its advertising sales rose an estimated 9% y-y, supported by robust demand for e-commerce advertising, while service revenue (including commerce) likely grew 33% y-y, fueled by increased membership sign-ups (during the World Cup period) and expanded promotional campaigns (such as Samsung Electronics' 'Gamsa Sale' and 'Nepda Sale'). Growth at its financial services, enterprise solutions, and C2C e-commerce businesses (but excluding the webtoon content business, which is coming under pressure) likely drove overall revenue growth in 2Q. Despite projections of solid revenue growth, rising costs (including GPU depreciation, World Cup broadcasting fees, and e-commerce marketing expenses) likely limited operating profit to KRW529.1b (up 1.4% y-y but missing consensus by 8.5%).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	12,035	13,929	16,689	20,303
Operating profit (KRWb)	2,208	2,311	2,529	3,045
Net profit (adj) (KRWb)	1,819	1,861	2,201	2,643
EPS (adj) (KRW)	14,071	10,600	12,157	14,466
EPS (adj) growth (% y-y)	24.9	-24.7	14.7	19.0
EBITDA margin (%)	24.5	16.6	15.2	15.0
ROE (%)	7.4	6.3	6.8	7.7
P/E (adj) (x)	17.2	17.7	15.5	13.0
P/B (x)	1.3	0.9	0.9	0.8
EV/EBITDA (x)	11.9	12.0	11.5	9.9
Dividend yield (%)	1.1	1.5	1.5	1.5

Source: Company data, Samsung Securities estimates

Samsung Securities

Ongoing cost pressure: Naver is set to book higher costs in 2026 due to increased depreciation expenses (from expanded GPU/CPU purchases), costs related to unlimited free shipping and returns for Plus Store members, and higher costs associated with the deployment of Npay Connect terminals at offline stores. As such, margin contraction in the short term looks unavoidable. The timing of its profit recovery should depend on how quickly its advertising and e-commerce revenue growth can offset these higher expenses.

AI advertising and investment growth: Monetizing AI searches should be central to Naver's revenue momentum in 2H. Naver plans to introduce ads to its AI briefing feature in July, aiming to lift its overall ad sales growth into double digits. While more AI-powered searches may reduce the total number of clicks, the switch should lead to higher conversion rates and support premium ad pricing—offsetting any decline in clicks and boosting its total revenue. Much like Google, which saw its ad-revenue growth accelerate after launching ads in AI Overview and AI Mode in May 2025, we believe Naver will see a similar rebound in advertising growth following its own AI ad rollout in 2H26.

AI factory performance to lift shares: The AI Factory business should be launched in 1H27, positioning itself as a new growth driver (after AI searches are rolled out). Unlike other neo-cloud companies, Naver plans to minimize its depreciation and interest burden by establishing a special-purpose vehicle (SPV) to purchase GPUs and then lease them to customers, rather than owning the hardware directly. Naver intends to apply a 20% margin on COGSs (*eg*, data center and GPU leasing costs) when billing customers for GPU-as-a-Service (GPUaaS). This structure should allow Naver to more easily pass on AI Factory-related costs, provided that demand remains strong. However, since no customer contracts have yet been finalized, market recognition of the business's value remains limited. We believe that securing key customer agreements by year-end will significantly enhance the AI Factory business's visibility as a new growth driver and contribute meaningfully to the firm's valuation.

Attractive valuation relative to AI narrative: Given expectations for higher short-term operating expenses, we trim our 2026 and 2027 operating profit estimates by 1.9% and 3%, respectively. Reflecting a decline in its global peer valuation multiples, we also cut our target price from KRW300,000 to KRW280,000 (based on 23.4x 2027 P/E; aligning with the 2027 average of global platforms and neo-cloud peers; comparable to Alphabet's P/E). Naver is strengthening its core growth prospects through making aggressive investments in AI monetization and delivery competitiveness, while also pursuing mid- to long-term growth drivers such as won-based stablecoins and the AI Factory. Although we expect its valuation to rise over the longer term on these new business initiatives, near-term profit pressure from increased investments appears inevitable. We recommend buying the shares on any weakness stemming from earnings concerns.

2Q preview

(KRWb)	2Q26			Diff (%)		2Q25	1Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**3,383.4**	**3,360.9**	**3,345.2**	**0.7**	**1.1**	**2,915.1**	**3,241.1**	**16.1**	**4.4**
Search platform	1,929.0	1,909.0		1.1		1,693.1	1,839.8	13.9	4.9
Commerce	477.8	473.0		1.0		405.6	459.7	17.8	4.0
Fintech	373.3	373.3		0.0		227.5	351.1	64.1	6.3
Content	451.1	447.1		0.9		462.1	440.1	(2.4)	2.5
Enterprise	152.1	158.4		(4.0)		126.7	150.5	20.0	1.0
Operating expenses	**2,854.3**	**2,812.5**		**1.5**		**2,393.5**	**2,699.3**	**19.3**	**5.7**
Development & operations	764.0	762.1		0.2		683.1	748.9	11.8	2.0
Partner	1,268.2	1,220.3		3.9		1,030.2	1,188.0	23.1	6.8
Infrastructure	280.8	275.6		1.9		197.7	250.8	42.0	12.0
Marketing	541.3	554.5		(2.4)		482.4	511.7	12.2	5.8
Operating profit	**529.1**	**548.4**	**578.4**	**(3.5)**	**(8.5)**	**521.6**	**541.8**	**1.4**	**(2.3)**
Pre-tax profit	650.3	669.8	713.5	(2.9)	(8.9)	683.6	393.5	(4.9)	65.3
Net profit	481.2	495.7	537.1	(2.9)	(10.4)	497.4	291.0	(3.2)	65.4
Net profit (controlling)	476.4	490.7	524.1	(2.9)	(9.1)	488.8	285.3	(2.5)	67.0
Margins (%)									
Operating profit	15.6	16.3	17.3			17.9	16.7		
Pre-tax profit	19.2	20.0	21.3			23.5	12.1		
Net profit	14.2	14.8	16.1			17.1	9.0		
Net profit (controlling)	14.1	14.7	15.7			16.8	8.8		

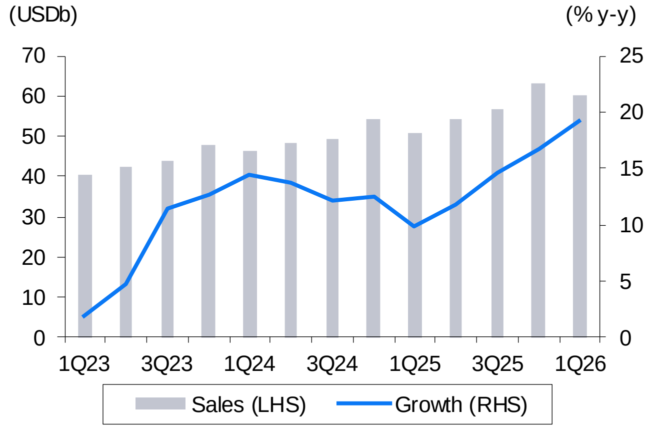
Source: Company data, FnGuide, Samsung Securities estimates

Alphabet AI's ad-launching schedule

Date	AAI Advertising Implementation Details
May 10, 2023	Launch of SGE (Search Generative Experience)
May 14, 2024	Official launch of AI Overviews in the US
May 21, 2024	Announcement of AI Overviews advertising tests at Google Marketing Live
Aug 15, 2024	Expansion to six countries: UK, India, Japan, Brazil, Mexico, and Indonesia
Oct 3, 2024	Official launch of AI Overviews advertising on mobiles in the US
Oct 28, 2024	AI Overviews expanded to over 100 countries
Mar 5, 2025	Begins testing AI Mode (Search Labs)
May 20, 2025	Official launch of AI Mode in the US
May 21, 2025	Announcement of AI Mode advertising tests, targeting desktop and mobile users in the US
May 20, 2026	Revealed and expanded testing of new AI Mode ad formats based on Gemini

Source: Alphabet, Samsung Securities

Ad revenue growth rate increased following the introduction of Alphabet's AI search ads

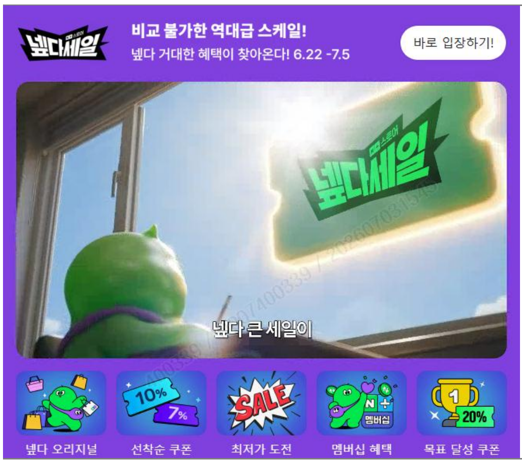


Source: Bloomberg

Naver AI ads

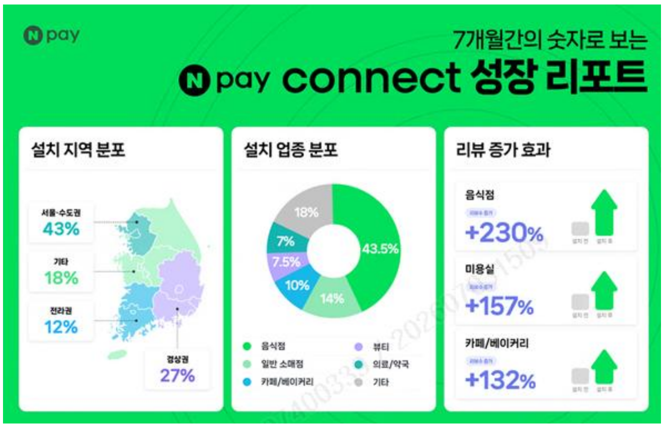
Source: Company data

Commerce ‘Nepda Sale’ (Jun 22-Jul 5)



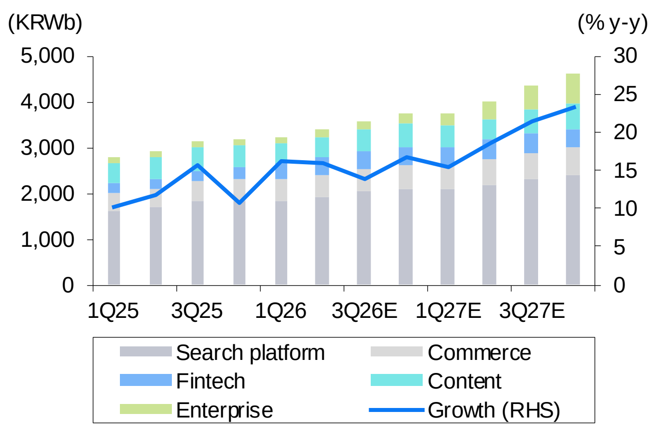
Source: Company data

NPay Connect installed at 100,000 offline merchants



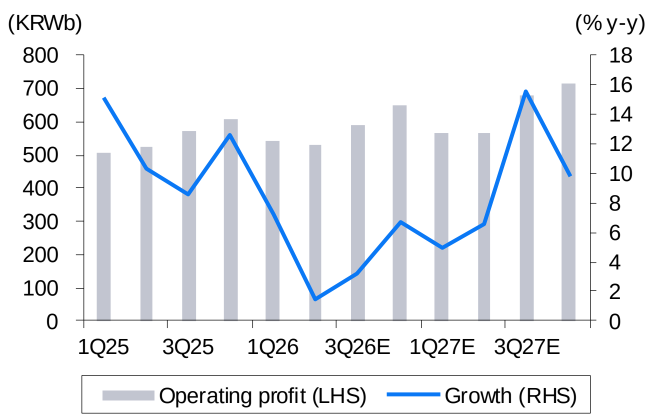
Source: Company data

Quarterly sales, by division



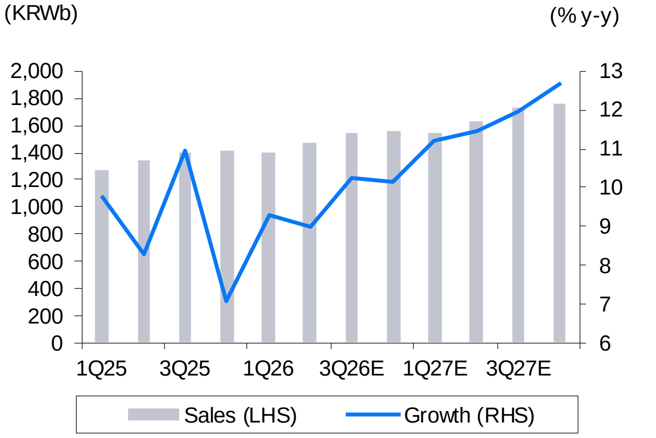
Source: Company data, Samsung Securities

Quarterly operating profit



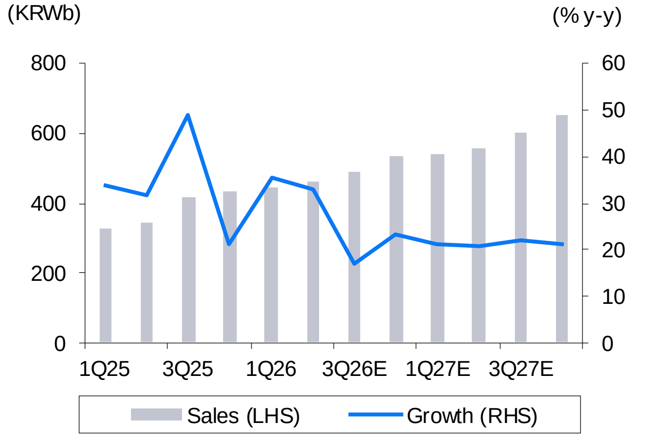
Source: Company data, Samsung Securities

Advertising sales



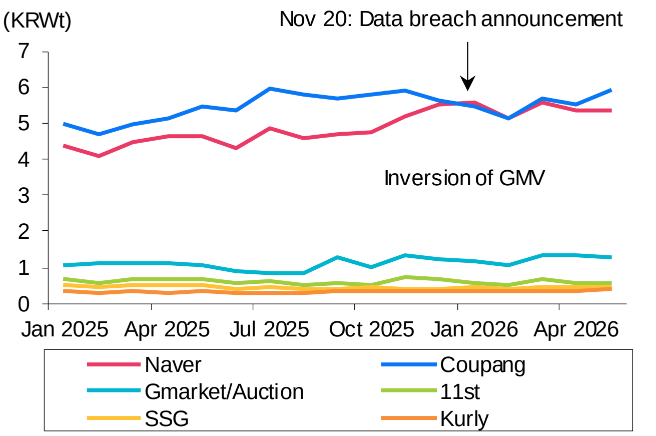
Source: Company data, Samsung Securities

Service sales



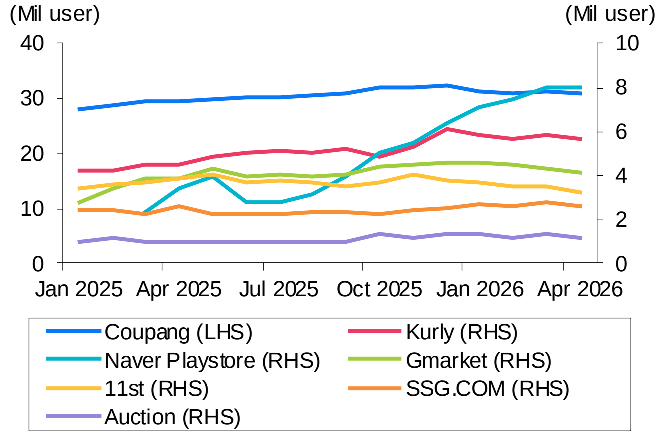
Source: Company data, Samsung Securities

Monthly GMV, by player



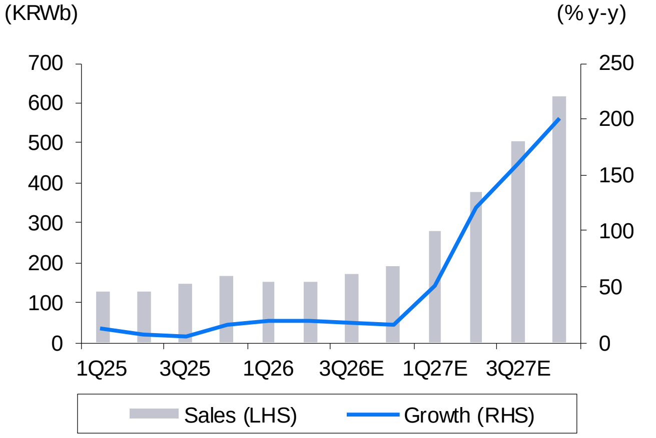
Source: Wise retail

E-commerce mobile app MAU



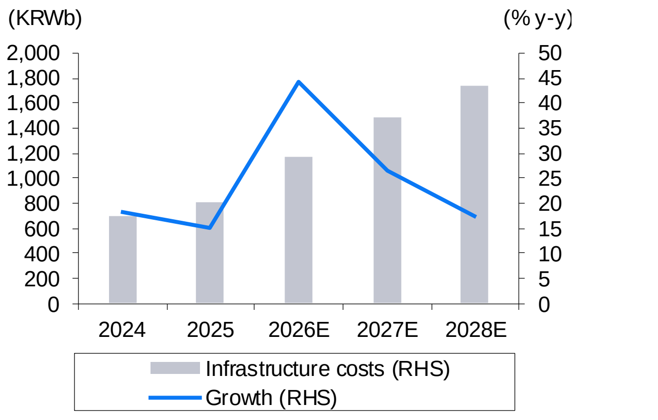
Source: Sensor Tower

Enterprise sales



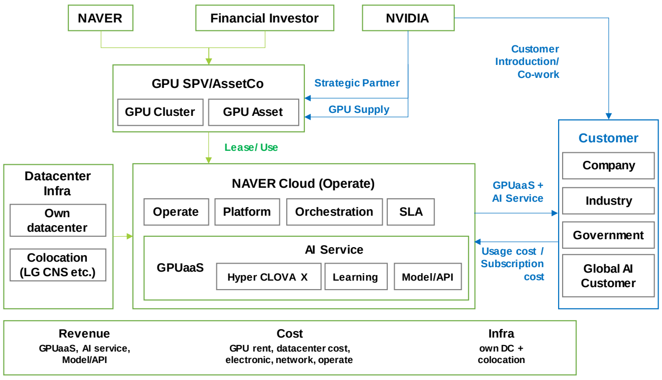
Source: Company data, Samsung Securities

Annual infrastructure cost



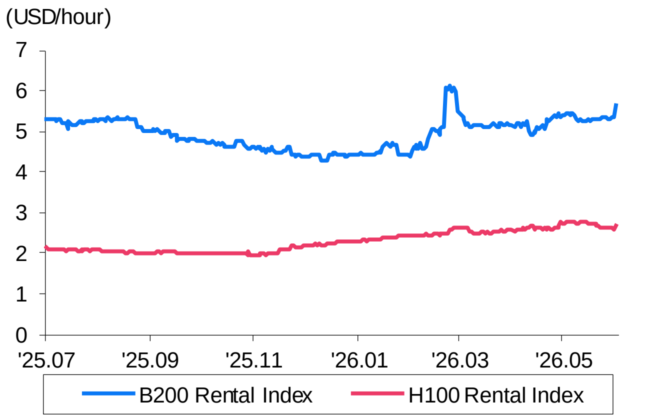
Source: Company data, Samsung Securities

Naver AI Factory business model



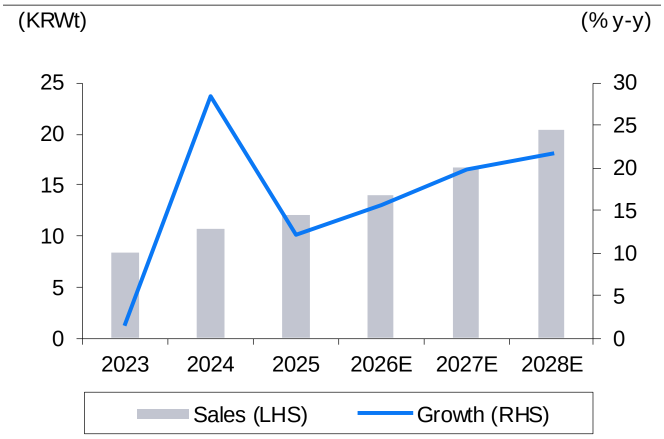
Source: Company data, Samsung Securities

GPU Rental Index



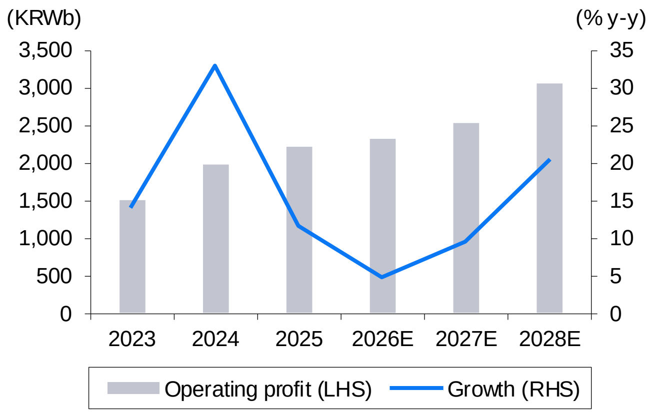
Note: Rent cost (USD) per hour
Source: Bloomberg, Silicon Data

Annual sales



Source: Company data, Samsung Securities

Annual operating profit



Source: Company data, Samsung Securities

Valuation

(KRW)	
2027E EPS	12,162
Target P/E* (x)	23.4
Fair value per share	284,429
Target price	**280,000**
Current price	191,300
Upside (%)	46.4%

Note: *Peer group's average 2027 P/E;
Based on Jul 10 closing price
Source: Samsung Securities

Global peers: P/E and P/S valuations

(x)	P/E		P/S	
	2026E	2027E	2026E	2027E
Alphabet	25.2	23.5	10.2	8.5
Meta platforms	14.7	15.2	5.8	4.9
Amazon	23.7	21.1	3.2	2.8
Microsoft	22.8	20.0	8.8	7.5
Circle	64.1	37.1	5.2	3.9
Average	**30.1**	**23.4**	**6.6**	**5.5**

Note: Based on Apr 14 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	**2,787**	**2,915**	**3,138**	**3,195**	**3,241**	**3,383**	**3,575**	**3,729**	**3,743**	**4,014**	**4,340**	**4,592**
Search platform	1,013	1,037	1,060	1,060	1,840	1,929	2,032	2,096	2,091	2,194	2,325	2,407
Commerce	788	861	985	1,054	460	478	492	512	506	544	562	577
Fintech	393	412	433	453	351	373	379	381	408	433	437	434
Content	459	474	509	457	440	451	501	548	460	464	512	560
Enterprise	134	132	150	172	150	152	171	192	278	379	504	615
Operating expenses	**2,281**	**2,394**	**2,567**	**2,584**	**2,699**	**2,854**	**2,987**	**3,078**	**3,174**	**3,451**	**3,660**	**3,876**
Development & operations	688	699	750	759	749	764	780	793	810	829	854	868
Partner	974	1,014	1,097	1,114	1,188	1,268	1,313	1,330	1,409	1,578	1,712	1,833
Infrastructure	189	198	219	205	251	281	311	328	337	369	378	400
Marketing	430	482	502	506	512	541	583	627	618	674	716	776
Operating profit	**505**	**522**	**571**	**611**	**542**	**529**	**589**	**651**	**569**	**564**	**680**	**716**
Pre-tax profit	580	684	857	300	393	650	720	751	676	671	795	832
Net profit	424	497	735	163	291	481	532	556	501	496	589	616
Net profit (controlling)	425	489	726	313	285	476	527	550	496	491	583	610
Adjusted EPS (KRW)	2,586	3,334	4,842	4,289	2,163	2,690	2,964	2,785	2,873	2,844	3,377	3,067
Margins (%)												
Operating profit	18.1	17.9	18.2	19.1	16.7	15.6	16.5	17.5	15.2	14.0	15.7	15.6
Pre-tax profit	20.8	23.5	27.3	9.4	12.1	19.2	20.1	20.1	18.1	16.7	18.3	18.1
Net profit	15.2	17.1	23.4	5.1	9.0	14.2	14.9	14.9	13.4	12.4	13.6	13.4
Net profit (controlling)	15.2	16.8	23.1	9.8	8.8	14.1	14.7	14.8	13.2	12.2	13.4	13.3

Source: Company data, Samsung Securities

Revisions to full-year forecasts

(KRWb)	2026E			2027E			2028E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**14,008**	**13,929**	**(0.6)**	**16,703**	**16,689**	**(0.1)**	**20,762**	**20,303**	**(2.2)**
Search platform	7,900	7,897	(0.0)	8,975	9,016	0.5	10,197	10,298	1.0
Commerce	1,934	1,941	0.4	2,178	2,188	0.5	2,460	2,473	0.5
Fintech	1,484	1,484	0.0	1,712	1,712	0.0	1,955	1,955	0.0
Content	2,027	1,941	(4.2)	2,268	1,997	(12.0)	2,360	2,049	(13.2)
Enterprise	663	666	0.5	1,570	1,776	13.1	3,791	3,529	(6.9)
Operating expenses	**11,652**	**11,618**	**(0.3)**	**14,094**	**14,160**	**0.5**	**17,618**	**17,258**	**(2.0)**
Development & operations	3,142	3,086	(1.8)	3,521	3,361	(4.5)	3,948	3,674	(6.9)
Partner	5,043	5,099	1.1	5,923	6,532	10.3	7,253	8,473	16.8
Infrastructure	1,167	1,171	0.3	1,894	1,483	(21.7)	3,030	1,745	(42.4)
Marketing	2,300	2,262	(1.6)	2,756	2,784	1.0	3,388	3,366	(0.6)
Operating profit	**2,357**	**2,311**	**(1.9)**	**2,609**	**2,529**	**(3.0)**	**3,144**	**3,045**	**(3.2)**
Pre-tax profit	2,559	2,515	(1.7)	3,056	2,975	(2.6)	3,667	3,572	(2.6)
Net profit	1,894	1,861	(1.7)	2,261	2,201	(2.6)	2,714	2,643	(2.6)
Net profit (controlling)	1,872	1,839	(1.8)	2,238	2,179	(2.6)	2,686	2,617	(2.6)
Adjusted EPS (KRW)	10,812	10,602	(1.9)	12,539	12,162	(3.0)	14,916	14,471	(3.0)
Margins (%)									
Operating profit	16.8	16.6		16.1	15.2		15.4	15.0	
Pre-tax profit	18.5	18.1		19.6	17.8		19.6	17.6	
Net profit	13.7	13.4		14.5	13.2		14.5	13.0	
Net profit (controlling)	13.5	13.2		14.4	13.1		14.4	12.9	

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**10,738**	**12,035**	**13,929**	**16,689**	**20,303**
Cost of goods sold	0	0	0	0	0
Gross profit	**10,738**	**12,035**	**13,929**	**16,689**	**20,303**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	8,758	9,827	11,618	14,160	17,258
Operating profit	**1,979**	**2,208**	**2,311**	**2,529**	**3,045**
Operating margin (%)	18.4	18.3	16.6	15.2	15.0
Non-operating gains (losses)	**343**	**212**	**204**	**446**	**527**
Financial profit	633	807	1,011	1,069	1,145
Financial costs	579	562	439	501	506
Equity-method gains (losses)	145	495	-161	-37	-34
Other	144	-528	-207	-85	-78
Pre-tax profit	**2,322**	**2,420**	**2,515**	**2,975**	**3,572**
Taxes	390	601	654	773	929
Effective tax rate (%)	16.8	24.8	26.0	26.0	26.0
Profit from continuing operations	1,932	1,819	1,861	2,201	2,643
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,932**	**1,819**	**1,861**	**2,201**	**2,643**
Net margin (%)	18.0	15.1	13.4	13.2	13.0
Net profit (controlling interests)	1,923	1,953	1,839	2,179	2,617
Net profit (non-controlling interests)	9	-134	21	22	26
EBITDA	2,653	2,953	2,311	2,529	3,045
EBITDA margin (%)	24.7	24.5	16.6	15.2	15.0
EPS (parent-based) (KRW)	11,913	12,376	11,722	13,887	16,674
EPS (consolidated) (KRW)	11,967	11,524	11,859	14,027	16,842
Adjusted EPS (KRW)*	11,265	14,071	10,600	12,157	14,466

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**9,375**	**10,928**	**11,564**	**11,131**	**10,863**
Cash & equivalents	4,196	5,984	5,762	4,127	2,507
Accounts receivable	478	492	283	348	422
Inventories	22	20	37	46	56
Other current assets	4,680	4,433	5,482	6,610	7,878
Fixed assets	**28,793**	**30,156**	**36,266**	**40,868**	**46,044**
Investment assets	20,910	21,394	25,971	30,573	35,749
Tangible assets	2,910	3,608	3,837	3,837	3,837
Intangible assets	3,657	3,421	4,556	4,556	4,556
Other long-term assets	1,316	1,733	1,902	1,902	1,902
Total assets	**38,168**	**41,084**	**47,830**	**51,999**	**56,906**
Current liabilities	**6,092**	**8,019**	**10,334**	**12,046**	**13,972**
Accounts payable	0	0	0	0	0
Short-term debt	135	132	2,326	2,326	2,326
Other current liabilities	5,957	7,887	8,008	9,720	11,646
Long-term liabilities	**5,075**	**4,113**	**4,996**	**5,663**	**6,413**
Bonds & long-term debt	2,870	1,256	1,120	1,120	1,120
Other long-term liabilities	2,204	2,856	3,876	4,543	5,293
Total liabilities	**11,167**	**12,131**	**15,330**	**17,709**	**20,385**
Owners of parent equity	**25,460**	**27,582**	**31,019**	**32,786**	**34,991**
Capital stock	16	16	16	16	16
Capital surplus	1,423	1,586	1,604	1,604	1,604
Retained earnings	25,965	27,626	29,071	30,839	33,044
Other	-1,944	-1,647	327	327	327
Non-controlling interests' equity	**1,541**	**1,371**	**1,481**	**1,503**	**1,529**
Total equity	**27,001**	**28,953**	**32,500**	**34,289**	**36,521**
Net debt	-3,321	-4,221	-3,189	-2,026	-936

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**2,590**	**3,096**	**3,167**	**4,277**	**4,931**
Net profit	1,932	1,819	1,861	2,201	2,643
Non-cash profit and expenses	1,003	1,362	1,016	988	1,175
Depreciation	609	680	0	0	0
Amortization	65	65	0	0	0
Other	329	617	1,016	988	1,175
Changes in A/L from operating activities	152	462	687	1,649	1,855
Cash flow from investments	**-1,340**	**-744**	**-1,041**	**-540**	**-608**
Change in tangible assets	-522	-1,220	-403	0	0
Change in financial assets	-2,225	449	180	-569	-640
Other	1,407	28	-817	29	32
Cash flow from financing	**-770**	**-524**	**59**	**-471**	**-465**
Change in debt	-377	372	741	70	79
Change in equity	180	164	18	0	0
Dividends	-119	-168	-394	-412	-412
Other	-454	-891	-306	-129	-131
Change in cash	619	1,788	-222	-1,635	-1,621
Cash at beginning of year	3,576	4,196	5,984	5,762	4,127
Cash at end of year	4,196	5,984	5,762	4,127	2,506
Gross cash flow	**2,935**	**3,181**	**2,877**	**3,189**	**3,818**
Free cash flow	**2,036**	**1,861**	**2,749**	**4,277**	**4,931**

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	11.0	12.1	15.7	19.8	21.7
Operating profit	32.9	11.6	4.7	9.4	20.4
Net profit	96.1	-5.9	2.3	18.3	20.1
Adjusted EPS**	60.5	24.9	-24.7	14.7	19.0
Per-share data (KRW)					
EPS (parent-based)	11,913	12,376	11,722	13,887	16,674
EPS (consolidated)	11,967	11,524	11,859	14,027	16,842
Adjusted EPS**	11,265	14,071	10,600	12,157	14,466
BVPS	170,953	184,396	207,247	219,056	233,787
DPS (common)	1,130	2,630	2,752	2,752	2,752
Valuations (x)					
P/E***	17.7	17.2	17.7	15.5	13.0
P/B***	1.2	1.3	0.9	0.9	0.8
EV/EBITDA	11.2	11.9	12.0	11.5	9.9
Ratios (%)					
ROE	7.9	7.4	6.3	6.8	7.7
ROA	5.2	4.6	4.2	4.4	4.9
ROIC	39.7	37.7	33.2	36.2	54.6
Payout ratio	8.8	20.2	22.4	18.9	15.7
Dividend yield (common)	0.6	1.1	1.5	1.5	1.5
Net debt to equity	-12.3	-14.6	-9.8	-5.9	-2.6
Interest coverage (x)	18.9	20.3	18.1	19.5	23.2

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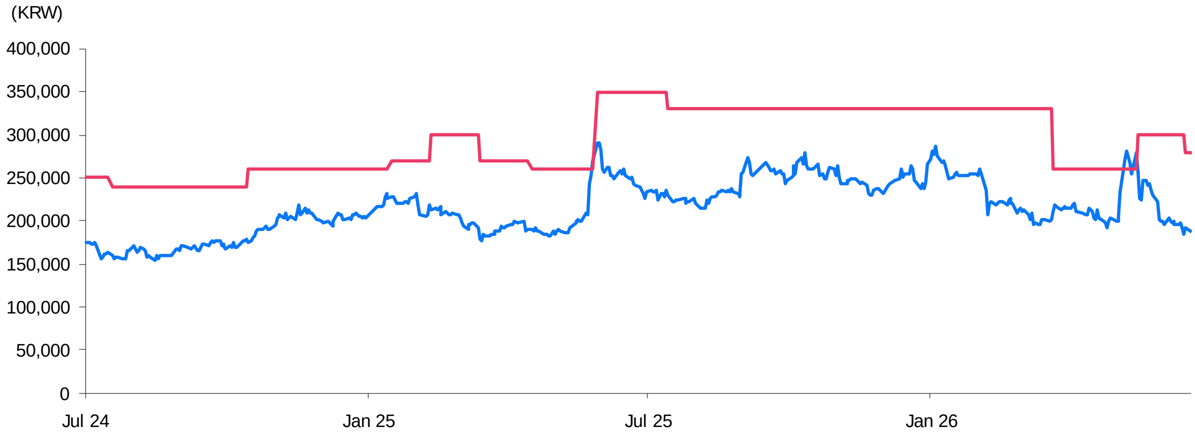
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/7	7/16	8/12	11/8	2025/2/10	3/7	4/8	5/12	6/23	8/8	2026/4/15	6/9
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	280000	250000	240000	260000	270000	300000	270000	260000	350000	330000	260000	300000
Gap* (average)	-37.88	-31.99	-30.43	-21.66	-18.21	-31.85	-29.75	-23.69	-29.48	-26.96	-15.95	-29.05
(max or min)**	-31.82	-28.80	-25.13	-10.77	-14.26	-28.00	-25.74	3.65	-17.00	-13.03	7.88	-17.33

Date	7/10
Recommendation	BUY
Target price (KRW)	280000
Gap* (average)	
(max or min)**	

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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