SECTOR UPDATE

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Tech Team

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▶ **AT A GLANCE**

Naver (035420 KS, 183,200)		
Target price	KRW280,000	52.8%
BUY		
Kakao (035720 KS, 33,850)		
Target price	KRW44,000	30%
BUY		
Soop (067160 KQ, 47,600)		
Target price	KRW70,000	47.1%
BUY		

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Internet (OVERWEIGHT)

2Q preview: Strategic differences cause earnings performance to diverge

- Internet companies are likely to report divergent 2Q earnings performances due to their disparate strategies. Naver's operating profit growth likely slowed to 1.4% y-y on increased investments, while Kakao's operating profit likely surged 18.3% y-y thanks to its divestitures of loss-making subsidiaries.
- Naver's profit growth is slowing due to heavy investments, but its long-term appeal remains strong given its new growth drivers (including its AI factory, commerce, and financial service businesses).
- Kakao's profitability should improve thanks to restructuring, but delays in securing new growth drivers limit upside for its valuation. Investment focus should remain on Naver in 2H.

WHAT'S THE STORY?

2Q preview—strategic differences mean disparate earnings performances: Differences in growth strategies are causing internet companies' earnings to diverge. We believe Naver's 2Q sales grew 16% y-y, driven by resilient commerce sales growth. However, its operating profit likely rose just 1.4% y-y, weighed down by increased investments. In contrast, Kakao's 2Q sales growth was likely modest at 1.2% y-y due to divestitures of loss-making subsidiaries, yet its operating profit likely surged 18.3% y-y thanks to these divestitures. Soop's sales likely dropped 2.4% y-y—weak Star Balloon sales (since last year) likely persisted—and its operating profit likely fell 24.7% y-y, pressured by higher personnel costs stemming from its acquisition of a volleyball team.

AI monetization to gain momentum in 2H: While platform companies plan to enhance their AI agent services in 2H, outcomes should diverge by firm. Naver's AI search service, which has demonstrated high conversion rates, should begin monetization in earnest through ad integration in 2H. Kakao aims to strengthen its AI agent ecosystem by integrating external services into Kanana, but limited user engagement suggests that monetization will take longer to materialize.

AI factory business emerging as new growth driver: AI data centers are emerging as a new growth engine, and Naver has officially started its AI factory business. The AI factory model—leasing GPU computing resources—is experiencing rapid growth on rising demand for AI services. However, profitability remains highly sensitive to GPU prices, financing costs, GPU rental rates, and utilization levels, introducing significant uncertainty.

(Continued on the next page)

If the company discloses information such as its funding strategy or the signing up of major clients, uncertainty may be reduced, enabling a renewed evaluation of the new businesses.

Korean won-pegged stablecoin a new opportunity: Won-pegged stablecoins remain a strategic growth priority for Korea's platform firms, but regulatory uncertainty persists amid delays in passing the Digital Asset Basic Act. The emergence of Open USD—a dollar-pegged stablecoin that shares reserve yields with ecosystem participants—offers a potential template to resolve the impasse over issuer eligibility. With the National Assembly's Policy Committee aiming to revive legislative efforts before year-end, passage of the bill could reignite investor interest in the sector.

Naver still our top pick: Momentum in the internet sector is poised to pick up in 2H, fueled by rising expectations towards AI service monetization, visible progress in developing its AI factory businesses, and anticipated regulatory clarity for digital assets. Yet with each player charting a distinct growth path, stock performance is set to diverge sharply. We put forward Naver as our top pick, given its expanding growth portfolio (centered on commerce, AI infrastructure, and financial services). Kakao, despite its profitability improvements, has yet to articulate a clear growth plan—a cautious approach is advised.

2Q preview: Strategic differences result in disparate earnings performances

The internet companies under our coverage are likely to report divergent earnings performances once again in 2Q. We believe Naver's 2Q sales grew a solid 16% y-y, driven by resilient commerce sales growth. However, its operating profit likely expanded just 1.4% y-y, weighed down by increased GPU procurement and higher commerce marketing expenses. In contrast, Kakao's 2Q sales growth was likely modest at 1.2% y-y due to divestitures of its loss-making subsidiaries (*eg*, portal, gaming), yet its operating profit likely surged 18.3% y-y thanks to these divestitures. Naver's focus on aggressive investments to secure future growth drivers contrasts with Kakao's efforts to lift profitability via restructuring. This strategic divide means their earnings are heading in different directions.

Despite falling platform sales, Soop is expanding its investments. Even as its platform sales likely continued to contract y-y in 2Q, dragging down its overall sales by an estimated 2.4% y-y, the company decided to acquire a professional women's volleyball team. Higher personnel costs likely caused operating profit to fall 24.7% y-y in 2Q. But in a sign of earnings improvement, platform sales likely rebounded q-q (+6.4% q-q) thanks to the return of popular streamer Commander Ziko. If the acquired volleyball team is leveraged to produce exclusive content, it could help minimize associated costs.

2Q preview

	(KRWb)	2Q26			Diff (%)		2Q25	1Q26	Chg	
		New	Old	Consensus	Old	Consensus			(% y-y)	(% q-q)
Naver	Sales	3,383.4	3,360.9	3,345.2	0.7	1.1	2,915.1	3,241.1	16.1	4.4
	Operating income	529.1	548.4	578.4	(3.5)	(8.5)	521.6	541.8	1.4	(2.3)
	Net income	481.2	495.7	537.1	(2.9)	(10.4)	497.4	291.0	(3.2)	65.4
Kakao	Sales	2,048.3	2,005.7	2,056.0	2.1	(0.9)	2,024.2	1,942.1	1.2	5.5
	Operating income	231.1	217.9	223.4	6.1	3.5	195.3	211.4	18.3	9.3
	Net income	229.8	193.7	200.4	18.6	14.7	171.8	226.8	33.7	1.3
Soop	Sales	114.1	119.5	115.6	(4.5)	(1.3)	116.9	106.0	(2.4)	7.6
	Operating income	22.6	32.3	27.3	(30.0)	(17.2)	30.0	21.2	(24.7)	6.5
	Net income	18.8	27.0	23.5	(30.6)	(20.1)	22.5	22.5	(16.6)	(16.5)

Source: Company data, Samsung Securities estimates

Investment strategy and target price revisions: Naver still our top pick

We remain OVERWEIGHT on the internet sector. The sector's underperformance in 1H stemmed largely from platform companies' lack of clear new growth drivers, coupled with strong market concentration on semiconductor stocks. But in 2H, the sector could regain momentum as key catalysts align: The monetization of AI services, tangible progress in expanding AI infrastructure and AI factory businesses, and anticipated regulatory clarity for digital assets. It remains to be seen whether the semiconductor industry's dominance in the domestic equity market will ease, but growing market discussions surrounding the probability that chip stocks' valuations might have peaked suggest a rising likelihood of portfolio rebalancing towards internet names in 2H.

That said, it is unlikely that all companies in the sector will move in the same direction. Naver and Kakao have clearly divergent growth strategies and investment themes. Naver is expanding its future growth portfolio around e-commerce, AI infrastructure, and financial services. This expansion may lead to higher near-term cost pressure, potentially slowing the pace of profitability improvement this year. Nevertheless, from 2027, as earnings from its AI services and AI factory businesses grow, investor sentiment is likely to shift towards greater optimism towards its new growth drivers, outweighing current doubts.

In contrast, Kakao is currently focused on restructuring (to improve profitability) rather than growth. The divestiture of loss-making subsidiaries and cost efficiency measures have been positive for its earnings improvement, yet no clear new growth drivers can be identified. Its AI services have also seen limited user adoption, and labor union resistance to restructuring remains a concern. Until the challenge of securing new growth drivers is addressed, a meaningful valuation re-rating is unlikely.

We therefore reduce our target prices for both Naver and Kakao. We lower our 12-month target price for Naver by 6.7% from KRW300,000 to KRW280,000 to reflect expectations of higher costs this year. However, given our continued bullishness towards its longer-term growth portfolio, we maintain our BUY rating. We cut our target price for Kakao by 26.7% to KRW44,000. We previously valued Kakao using a P/S multiple to account for the low profitability of its subsidiaries. Having made significant progress in divesting its loss-making subsidiaries, its profitability looks set to normalize from 2027. As a result, we switch to valuing Kakao using a P/E multiple instead.

We revise down our target price for Soop by 12.5% to KRW70,000, reflecting increased costs related to the acquisition of a women's volleyball team. However, with the return of Commander Ziko driving a q-q rebound in platform sales, and strengthening shareholder returns keeping its dividend yield in the 7% range, we maintain BUY.

In conclusion, for the internet sector in 2H, we suggest maintaining exposure and adopting a select-and-focus approach. Naver still offers a compelling longer-term growth story, powered by its AI, commerce, and financial service businesses. Kakao, on the other hand, has improved its margins but that does not appear to be enough to meaningfully drive up its shares. To claw back its valuation premium, Kakao must deliver earnings growth in areas such as AI, digital assets, and new platforms. Until then, expectations surrounding won-pegged stablecoins are likely to be the main driver of its short-term share performance.

Target prices

	Opinion	Old	New	Diff (%)	Notes
Naver	BUY	300,000	280,000	-6.7	Our operating profit estimates for 2026 and 2027 have been revised down 1.9% and 3%, respectively, to account for the anticipated increase in short-term operating expenses. Our target price has been lowered from KRW300,000 to KRW280,000, reflecting the decline in global peer valuations. A target P/E of 23.4x is applied to its 2027 estimated EPS. The target P/E is based on the average 2027 P/E of global platform and neo-cloud companies.
Kakao	BUY	60,000	44,000	-26.7	The target price calculation method has been changed from a P/S multiple comparison method to a P/E comparison method. A target P/E of 22.4x is applied to our 2027 estimated EPS figure, which reflects likely profitability improvements (following the sale of its loss-making subsidiaries). Our target P/E is based on the average 2027 P/E of global mobile platform, stablecoin, and mobility companies.
Soop	BUY	80,000	70,000	-12.5	Our 2026 operating profit estimate has been cut by 5.6% to reflect slowing platform sales growth. A target P/E of 9.2x is applied to our 2026 estimated EPS. Our target P/E is based on the average P/E of global streaming platforms, with a 50% discount applied given its disparate growth.

Source: Samsung Securities estimates

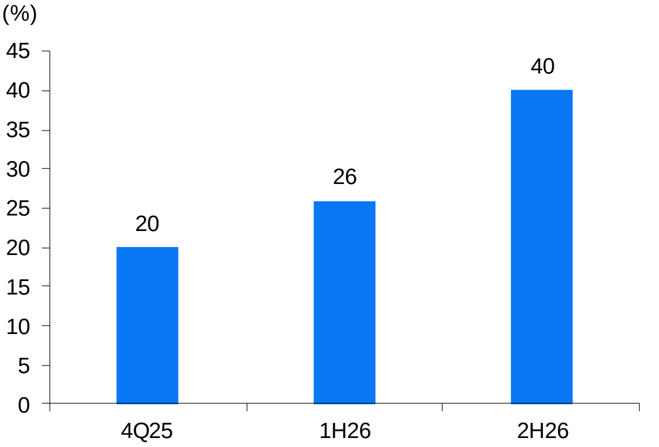
AI monetization: Changing speed and direction

A key focus for the internet sector in 2H26 should be whether AI can help firms defend their platform traffic and record tangible revenue growth. From this perspective, Naver and Kakao's AI strategies are increasingly diverging. Naver is directly integrating AI into its monetized businesses—search, shopping, places, reservations, and payments—successfully reinforcing traffic retention and improving conversion rates. In contrast, Kakao—though it has launched Kanana and ChatGPT for Kakao—has yet to clearly demonstrate how AI usage will result in traffic or sales growth at Talk-Biz or its e-commerce business. This strategic divergence is likely to widen the performance gap between the two companies in 2H, particularly in terms of the pace at which ads are monetized.

Naver's AI strategy has already shown partial success in defending its search traffic. After launching AI Tab (beta version) in April, Naver rolled it out to all users on Jun 26. Unlike a simple Q&A chatbot, Naver's AI Tab is an agentic search service that understands user intent and context to drive actual actions—such as product searches, location discovery, map checks, and real-time bookings. Within roughly two months of its beta launch, cumulative users surpassed 4m, with product and location card click-through rates (CTRs) exceeding 20%. Notably, those who used AI Tab 11 or more times showed 2.7x higher product clicks and 2x higher location clicks (vs single-visit users). This indicates that Naver's AI search is not merely replacing traditional search results but actively drawing users into Naver's broader ecosystem (spanning shopping, places, and reservation services).

In 2H, Naver's AI focus should shift from traffic defense to ad monetization. Naver reported that its ad revenue rose 9.3% y-y in 1Q, with over 50% of this growth attributable to AI. This reflects the effectiveness of AI-driven targeting (like ADVoost) in improving the efficiency of its existing ad products. More importantly, monetization of generative AI ad placements has now begun. Naver began testing shopping- and local-service-integrated generative AI ads in its AI Briefing interface in 2Q and plans to fully scale monetization in 3Q. The full commercial launch of AI Briefing ads is scheduled to happen in July. As a result, Naver's advertising revenue in 2H is likely to benefit not only from a recovery in traditional search and display ads but also from the expansion of new ad formats (powered by AI Briefing and AI Tab).

Naver AI Briefing: Exposure rate



Source: Company data

Naver AI Briefing ads to begin in July

Source: Company data

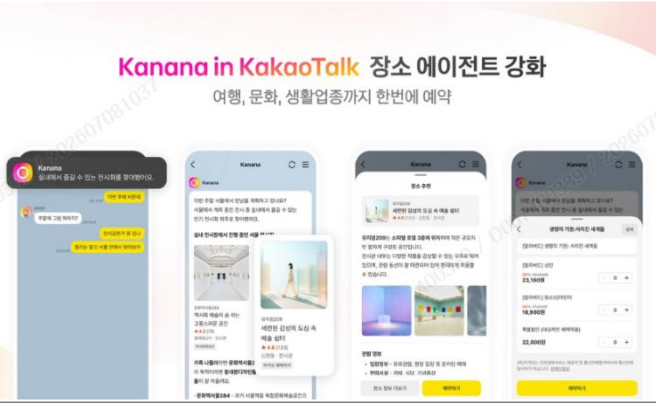
In contrast, while Kakao has moved quickly to launch AI services, benefits stemming from this remain limited (vs the benefits logged by Naver). Kakao has introduced ChatGPT for Kakao, Kanana in KakaoTalk, and Kanana Search, with a long-term goal of onboarding 50m KakaoTalk users to its AI ecosystem. ChatGPT for Kakao has surpassed 11m cumulative sign-ups, with MAU and messages per user more than doubling q-q. Kanana also aims to enable agent-based commerce—recommending products and locations, and facilitating reservations and payments—within KakaoTalk conversations. However, these metrics remain early-stage adoption indicators. Unlike Naver, Kakao has not yet clearly demonstrated measurable monetization outcomes such as improved CTR, purchase/conversion rates, or direct advertising revenue contributions.

Kakao's core challenge lies in the weak link between its service design and monetization path. Naver's AI Tab is embedded directly into the high-frequency search bar, with results seamlessly leading to shopping, places, reservations, and payments. Kakao's AI, while it has been built on top of KakaoTalk—the nation's largest messaging platform—lacks clarity: 1) it is unclear when users should use the AI; 2) it is questionable how deeply the AI should be involved in conversations (to maintain a natural feeling); and 3) there exists an ambiguity to how these interactions might translate to ad or commerce revenue. During its 1Q earnings call, analysts asked why Kakao's AI services were launched without major promotions—user adoption (of the services) and the public's evaluation (of the services) fell short of expectations. Kakao responded that it prioritizes long-term retention and experience refinement over short-term traffic figures, choosing a phased rollout of these new services. This response suggests that Kakao's AI strategy remains in the experimental and validation phase.

Moreover, Kakao's external partnership strategy may underperform in 2H. The company is pursuing integrations with third-party AI agents, agent builders, and context-aware reservation/payment links. However, aligning interests with external partners, designing seamless in-app service touchpoints, and validating the quality of AI responses against actual behavioral conversion remain unresolved. To effectively use its massive user base to benefit its external partners, Kakao must first drive meaningful engagement with its own AI services—something it has yet to achieve. Additionally, while KakaoTalk has extremely high daily usage figures as a messaging app, its usage (as a starting point for search, shopping, or location discovery services) remains far lower than Naver's, making it harder to prove advertising efficiency and conversion rates.

In conclusion, the gap between Naver and Kakao in terms of AI monetization is likely to widen in 2H. Naver has created a virtuous cycle of directly embedding AI into its existing search, advertising, and commerce businesses, which action has helped it defend traffic, improve conversion rates, and drive up ad revenue. Kakao, despite owning Korea's largest messaging platform, has yet to finely tune the entry points, usage context, and monetization pathways of its AI services. Naver is well-positioned to further accelerate ad revenue growth through AI Briefing ads and AI Tab. Kakao, despite improvements in AI usability and external integrations, will likely require more time before its AI services deliver measurable revenue contributions.

Strengthening Kanana in KakaoTalk: Location agent



Source: Company data

Introduction of ChatGPT search within KakaoTalk

Source: Company data

AI data centers: Opportunities and uncertainties

AI data centers are emerging as a new revenue model for platform companies. Naver has outlined a roadmap to expand its AI infrastructure: 2) starting with 55 MW of operational capacity in 1H27; 2) securing 100 MW by end-2027; 3) possessing 200 MW by end-2028; and 4) having 1 GW by end-2031 (targeting KRW2t in related sales *pa*).

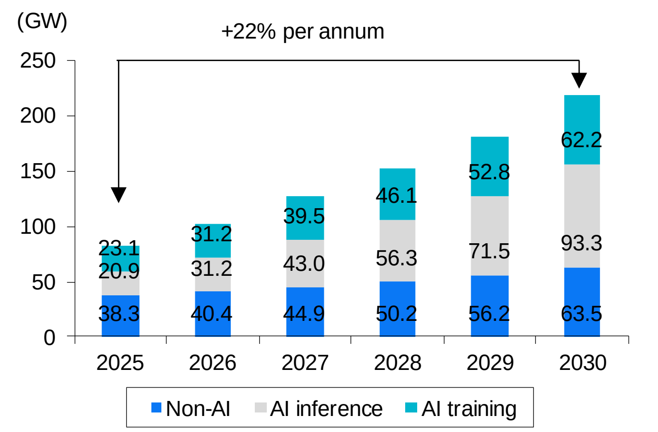
The key thing to note is the mismatch between surging AI inference demand and its constrained supply. Global tech and platform firms are rapidly expanding services—AI agents, search, e-commerce, and physical AI—driving sharp growth in inference computing needs. However, to operate an AI data center, several things are simultaneously required: 1) land; 2) power; 3) cooling capacity; 3) regulatory approval; and 4) GPUs. In Korea, the power supply remains the most critical bottleneck. Out of the 786 power application requests for data centers over Aug 2024-Mar 2026, 522 were for the Seoul Metropolitan Area (SMA), with only 27 (of the 522 requests) receiving approval. In contrast, the Busan-Gyeongnam area approved 10 out of 24 power applications, while Seoul approved just 1 (of 522 requests). AI data center expansion cannot be accelerated solely by investment intent or capital strength. In the short term, the power supply shortage is likely to sustain a premium in terms of AI data center pricing.

However, there is also a risk that premiums will soften over the longer term due to increased supply, as major Korean conglomerates—including SK Group, GS Group, and Shinsegae Group—have announced large-scale AI data-center development plans. SK Group is advancing a nationwide 15 GW AI data center project; GS Group is evaluating a 2.4 GW AI data center cluster along the east coast; and Shinsegae Group is developing an AI data center in partnership with Reflection AI (US). If these projects are completed as planned, the domestic AI data-center supply could expand significantly over the longer term. However, there are still many hurdles to overcome—including land acquisition, power-supply allocation, regulatory approval, financing, and long-term customer contracts—before the projects become operational. Substantial time is needed before these data centers come online. Thus, while short-term supply constraints will likely persist, long-term increases in supply may gradually erode utilization rates and rental premiums.

From this perspective, Naver's AI factory can be viewed as a positive growth engine. Notably, Naver could begin supplying GPU-as-a-Service (GPUaaS) as early as 2027, leveraging its expansion of the GAK Sejong data center and leasing facilities secured through colocation agreements. Moreover, by integrating its own cloud, HyperCLOVA X, AI agents, and AI infrastructure, Naver could build a differentiated business model, going beyond simple GPU leasing.

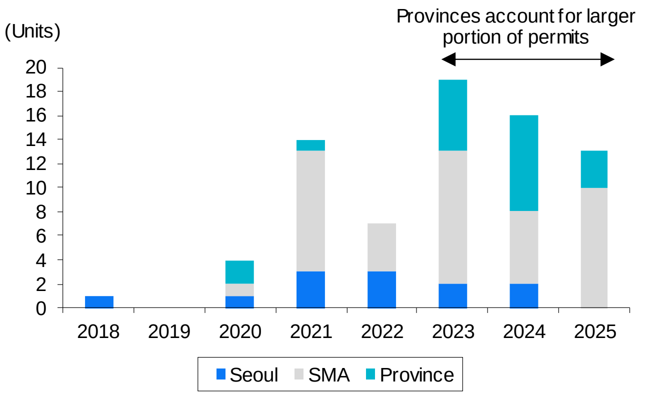
However, for the market to fully recognize the AI factory business as a viable revenue model, two key indicators must be verified. First, the existence of long-term customer contracts. While Naver has reportedly been introduced to global big-tech firms through Nvidia, confirmation is needed regarding which companies it has signed contracts with and for how long. Without stable off-take contracts, declining utilization could directly pressure profitability. Second, transparency in terms of investment structure is essential. The market needs detailed disclosure about which investors are participating in the SPV that owns the GPUs, and under what financing terms—particularly the interest rates and mechanisms used to secure the GPU chips. If additional disclosures occur this year (enhancing its earnings visibility), the market is likely to assign a higher valuation to the AI factory business.

Global AI workload demand



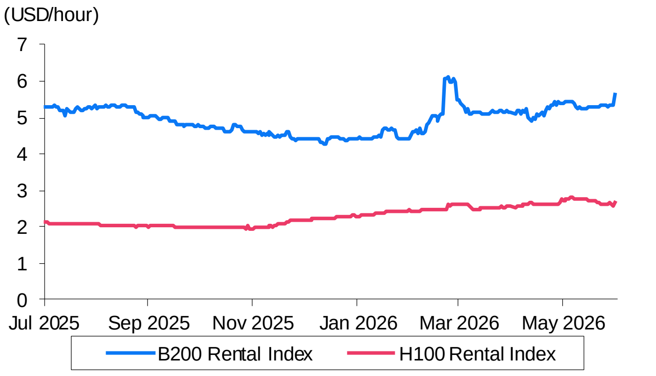
Source: McKinsey Data Center Demand Model

Domestic data center permits approved



Note: 2026 data are based on permit status as of April.
Source: Ministry of Land, Infrastructure and Transport (MOLIT) Building Lifecycle Management System, Samsung Securities

GPU hourly rental rate trends



Source: Bloomberg, Samsung Securities

Domestic major corporations' AI data center construction plans

Company	Timing	Region	Scale (Capacity/Site)
SK Telecom	Groundbreaking: Sep 2025	Ulsan	2027: 100 MW
	Phase 1 Operation: Nov 2027		2029: 5 GW
	Phase 2 Operation: Feb 2029		2035: 15 GW
KT	Targeted launch: Mid-2026	Bucheon	2031: 1 GW
LG Uplus	Targeted operation of Data Center 1: 2027	Paju	Hyperscale-class
GS	Construction completion: 2028	Donghae	2028: 1.2 GW
	Additional capacity: 2029		2029: 2.4 GW
Shinsegae	Groundbreaking: 2H26	TBD	250 MW
Naver	Phased operation: 2027–2028	Sejong	1H27: 55 MW
			End-2027: 100 MW
			2028: 200 MW

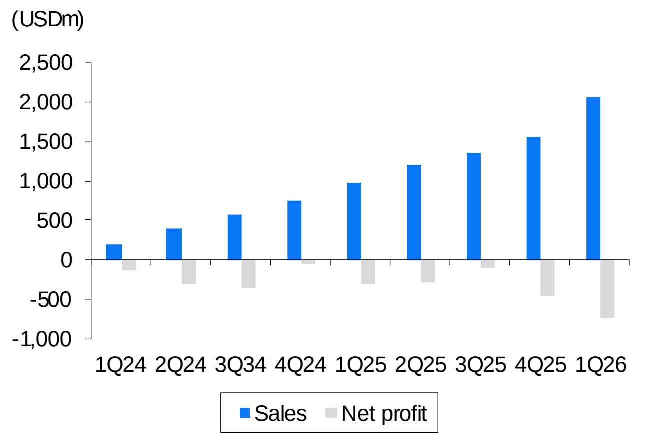
Source: Company data

GAK Sejong expansion plans

Phase	Completion	Power capacity	Key servers
Phase 1	South gate Nov 2023	45 MW	CPU + NVIDIA H100-based AI servers
Phase 2	South gate 2028	+45 MW (cumulative: 90 MW)	Next-generation AI GPU servers (DLC-enabled)
Phase 3	South gate 2029	+45 MW (cumulative: 135 MW)	Ultra-large AI GPU cluster (DLC-enabled)
Phases 4–6	North gate TBD	TBD	TBD

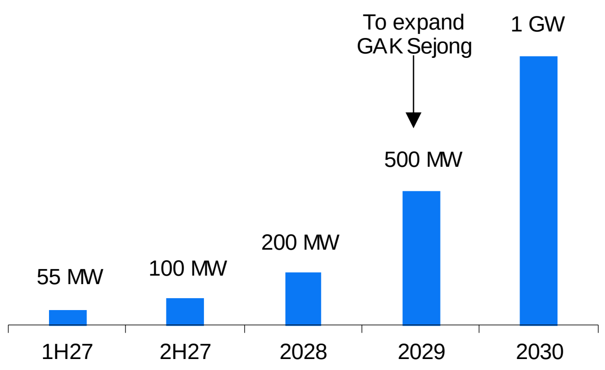
Source: Company data

CoreWeave revenue vs net income



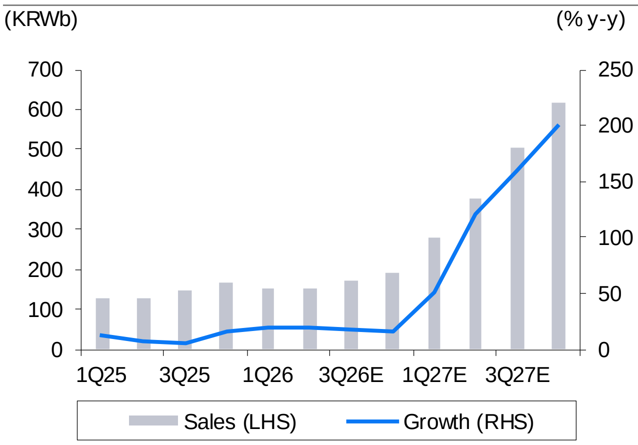
Source: Bloomberg

Naver: AI factory expansion plans



Source: Company data

Naver Enterprise division: Revenue outlook



Source: Company data, Samsung Securities estimates

Won-pegged stablecoin: Long-term opportunity for platforms despite regulatory delay

Although the regulatory framework for won-pegged stablecoins remains unclear, such stablecoins represent a compelling long-term growth story for Korea's internet and platform sectors—two natural beneficiaries of evolution of domestic digital payment infrastructure. Korea's digital asset regulations can be divided into two categories: 1) the Act on the Protection of Virtual Asset Users, which took effect in Jul 2024; and 2) the Digital Asset Basic Act, which is intended to comprehensively govern issuances, circulation, disclosure, listings, stablecoin rules, and permissible business operators. In Jun 2025, Rep. Min Byung-deok introduced a bill proposing to permit the issuance of won-pegged stablecoins, establish a Presidential Digital Asset Committee, and implement a pre-approval system for stablecoins. However, legislative progress stalled early this year amid geopolitical tensions related to the Iran conflict. The bill was excluded from the agenda of the Bill Review Subcommittee in May, effectively halting discussions. With post-local-election committee reshuffling and the scheduled autumn session of the National Assembly, a substantive review is unlikely before September at the earliest.

The core obstacle to legislation is not disagreement over the need for won-pegged stablecoins, but rather key unresolved issues, which include: 1) whether issuances should be restricted to banks or extended to fintechs, platforms, and virtual asset service providers; 2) the design of reserve requirements and redemption obligations; 3) whether issuance and distribution functions should be separated; and 4) whether shareholder ownership caps for crypto exchanges should be imposed. In Jan 2026, the Financial Services Commission (FSC) confirmed that key provisions of the Digital Asset Basic Act—including shareholder composition for stablecoin issuers—remained undetermined. Thus, while the policy direction favors stablecoin institutionalization, the lack of clarity regarding issuance rights and profit-sharing mechanisms has prevented domestic firms from moving beyond proof-of-concept and feasibility studies.

Meanwhile, international efforts to secure a share of the dollar-pegged stablecoin market are accelerating. On Jun 30, a consortium including Visa, Mastercard, and Coinbase unveiled Open USD (OUSD), a dollar-pegged stablecoin that is set to be launched by year-end. OUSD will allow partners to issue and redeem tokens without fees or issuance limits, and will distribute net yields from reserve assets—after operational costs—to ecosystem participants. This contrasts with existing models like USDT and USDC, where a single issuer captures all reserve yield. Instead, OUSD creates an economic incentive structure where payment networks, platforms, and financial institutions share rewards based on their contribution to liquidity and adoption.

The emergence of OUSD presents Korean firms with both a strategic opportunity and structural risk. On the one hand, it offers Korean financial, payment, and tech firms an early chance to gain hands-on experience as global payment infrastructure shifts towards stablecoin-based systems. According to Seoul Economic Daily, 13 Korean companies—including Samsung Electronics, Dunamu, Shinhan Financial Group, Hana Life, KB Kookmin Card, Hyundai Card, and Kbank—are listed among the participants in Open Standard, alongside global giants like BlackRock, Google, Stripe, Visa, and Mastercard. However, several of these Korean firms have signaled caution regarding their formal participation or prior consultation. At this stage, the more significant development is not the depth of Korean participation, but the unequivocal acceleration of global players' efforts in establishing a dollar-stablecoin payment standard.

The downside is equally clear: While Korea's regulatory framework for won-pegged stablecoins remains delayed, global dollar stablecoin networks may lock in standards for payments, remittances, settlement, and cross-border commerce. If this happens, Korean firms may find themselves relegated to passive participants of dollar-centric infrastructure, rather than architects of a won-based ecosystem. In sectors such as international payments, B2B settlement, cross-border e-commerce, and digital content monetization, this could result in the gradual outflow of domestic payment data and financial value-added services from Korea's digital economy to offshore networks. In this sense, OUSD's launch is not just an opportunity—it is also a stark reminder of the opportunity cost of regulatory delays.

From a platform company's perspective, the long-term upside of won-pegged stablecoins remains substantial, primarily through structural improvements to the digital payment revenue model. Today, services like Naver Pay and Kakao Pay dominate user touchpoints but rely heavily on credit card networks for transaction processing—resulting in significant fee leakage to card issuers, payment gateways (PGs), and value-added networks (VANs). If won-pegged stablecoins were integrated into platform wallets, loyalty points, easy payments, and merchant settlements, they could replace a meaningful portion of card-based transactions with lower-cost digital rails. This would directly improve platform payment margins and strengthen merchant fee pricing competitiveness.

Further strategic upside lies in the potential for reserve yield distribution—not concentrated solely with the issuer, but shared across ecosystem participants, based on actual usage and liquidity contributions, as modeled by OUSD. If Korea adopts a similar structure, platform firms would not need to be formal issuers to capture meaningful economic value. Naver Pay and Kakao Pay, with their massive user bases, high-volume e-commerce transaction flows, frequent peer-to-peer transfers, and extensive merchant settlement networks, are uniquely positioned as core distribution channels for won-pegged stablecoin adoption. Dunamu, as Korea's largest virtual asset exchange, is likewise poised to become a critical node in the distribution and liquidity infrastructure. Thus, even without direct issuance rights, won-pegged stablecoins represent a compelling long-term upside for platform firms by enabling: Lower payment processing costs, streamlined merchant settlement cycles, participation in network-wide yield distribution, and accumulation of financial data.

From an investment perspective, however, it remains prudent to treat this as an option value rather than a near-term earnings driver. Key variables—including issuer eligibility, reserve yield allocation mechanics, platform firms' potential equity stakes in issuers, payment/remittance licensing, and alignment with forex regulations—remain unresolved. That said, the direction is unmistakable. Globally, stablecoin infrastructure is evolving into collaborative ecosystems involving payment networks, financial institutions, and tech firms—exemplified by OUSD. In Korea, once legislation passes, competition among banks, fintechs, platforms, and virtual asset service providers to form such consortia will be inevitable. Won-pegged stablecoins are not a near-term earnings catalyst. But should regulation materialize, won-pegged stablecoins should drive up earnings at platform leaders like Naver and Kakao over the longer term as they record: 1) a reduction in payment fee leakage; 2) faster and cheaper merchant settlements; 3) enhanced financial data moats; 4) improved commerce conversion rates; and 4) new avenues for financial-product expansion.

Digital Asset Basic Act legislative timeline

Timing	Key events & discussion points	Notes
Jul 2025	US passage of the Genius Act accelerated global regulatory clarity	Overseas regulatory advancement
Sep 2025	Ruling party's Digital Assets Task Force launched and began formal legislative preparation	Domestic legislative readiness
Dec 2025	Financial Services Commission (FSC) proposed to the ruling party: Cap on virtual asset exchange ownership (15-20%) and bank-led consortium model	Regulatory tightening stance
Jan 2026	Ruling party TF opposed the FSC proposal, advocating for market activation	Emerging policy divergence
Feb 2026	Jeong Hae-ah, Chair of the Policy Committee, endorsed the FSC proposal	Internal division within ruling party
Feb-Mar 2026	Ruling party TF attempted partial adoption of the FSC proposal	Compromise efforts underway
Mar 2026	Inter-ministerial consultation on the Digital Assets Basic Act postponed (external factors including Middle East conflict)	Discussion delayed
Apr 2026	Reopening of legislative discussions by the National Assembly's Subcommittee on Public Affairs failed	
Jul 2026	Temporary session of the National Assembly's Subcommittee on Public Affairs raised necessity of addressing current status of the Digital Assets Basic Act	Renewed push for legislative passage in 2H26

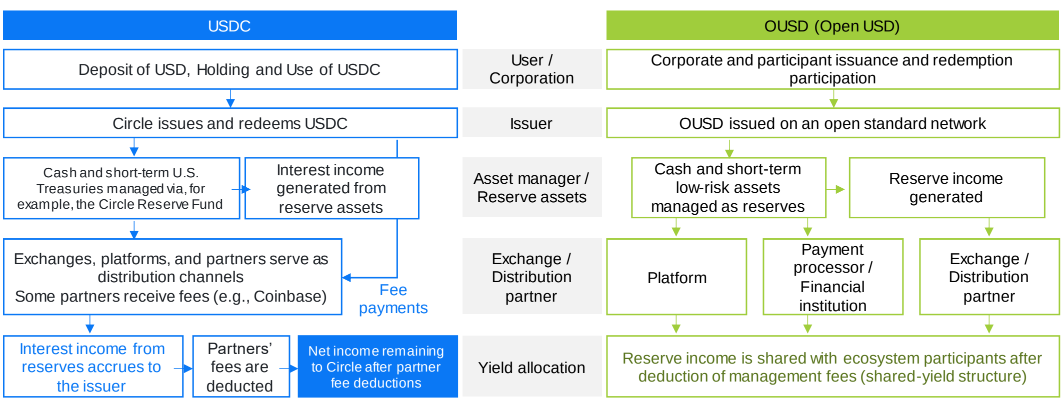
Source: Samsung Securities combined

Key issues of the Digital Asset Basic Act

Issue	Key content
Requirements for won-pegged stablecoin issuance	Ongoing discussions on capital adequacy (potential increase from KRW0.5b to KRW1b), composition of reserve assets, and redemption obligations
Scope of issuers	Debate over whether issuance should be limited to banks or extended to non-banks (fintech, IT firms, virtual asset service providers)
Supervisory authority	Allocation of supervisory responsibilities and roles among the Financial Services Commission (FSC), Financial Supervisory Service (FSS), and Bank of Korea (BOK)
Establishment of a Digital Assets Committee	Push to create a presidential-level committee as a central policy coordination body
Exchange regulation	Discussions on listing/delisting criteria, conflict-of-interest prevention, and enhanced disclosure requirements
Licensing system for market participants	Proposal to introduce a business-specific licensing system covering issuance, distribution, custody, and trading
Inclusion of STOs and tokenized securities	Debate on whether Security Token Offerings (STOs) should be included in the Basic Act or regulated under a separate law
Regulation of DeFi and overseas entities	Uncertainty regarding the scope of regulation applicable to decentralized services and foreign-based exchanges

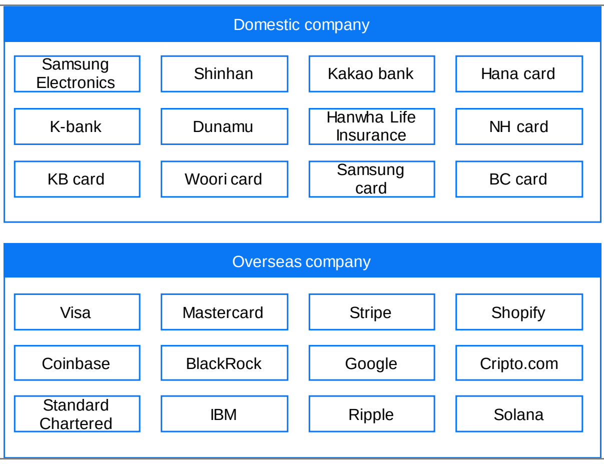
Source: Financial Services Commission, Bank of Korea, Samsung Securities

Revenue structures: USDC vs OUSD



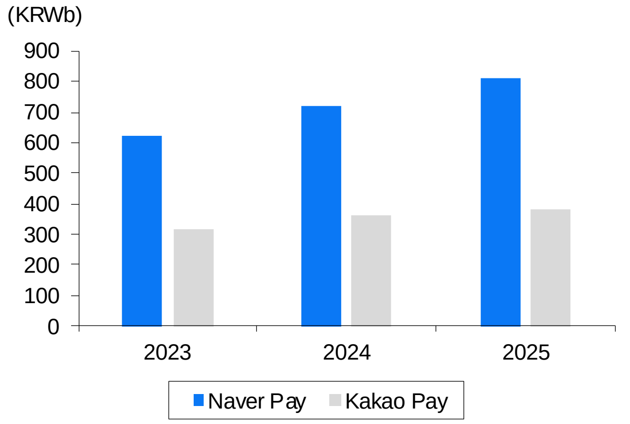
Source: Samsung Securities combined

Open USD: Participating companies



Source: Samsung Securities combined

Naver Pay and Kakao Pay: Annual payments (fees)



Source: Company data

COMPANY UPDATE

2026. 7. 15

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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 its AI factory business and its won-pegged stablecoin business.

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)

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

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	
	New	Old	Consensus	New	Old			(% 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		

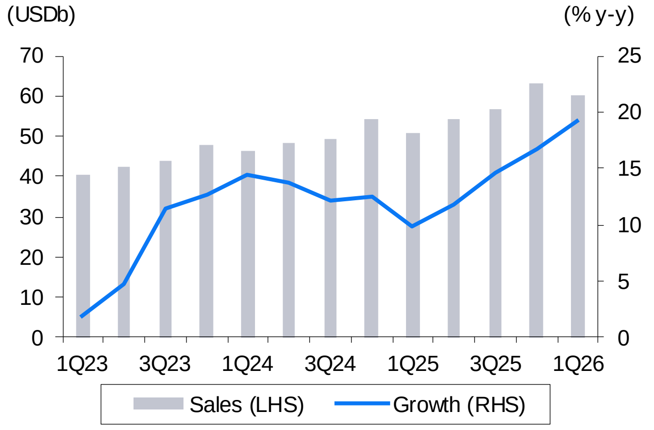
Source: Company data, FnGuide, Samsung Securities estimates

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

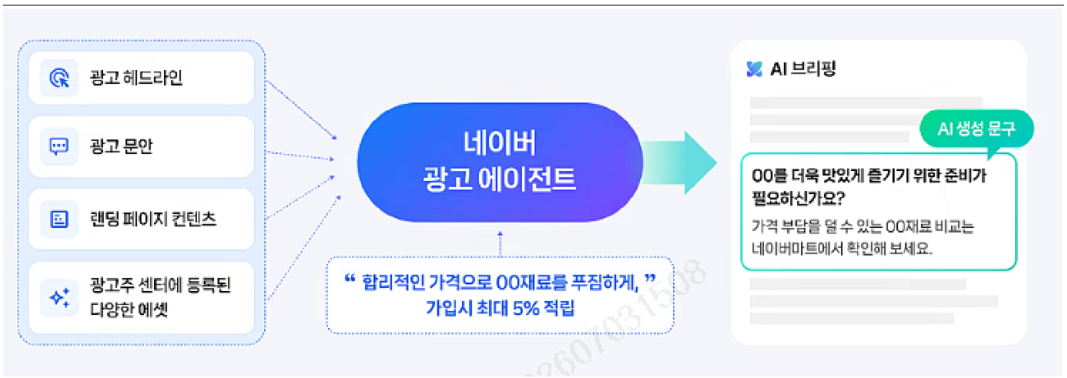
Source: Alphabet, Samsung Securities

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



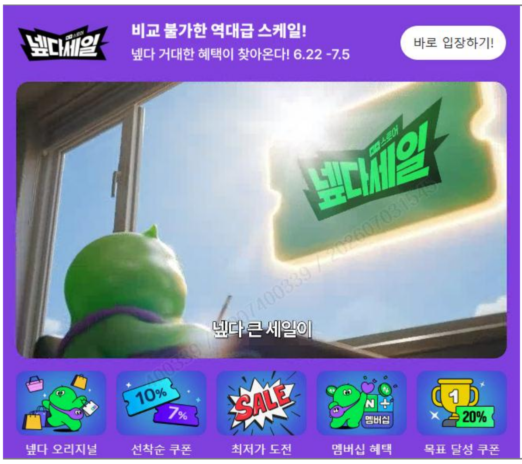
Source: Bloomberg

Naver AI ads



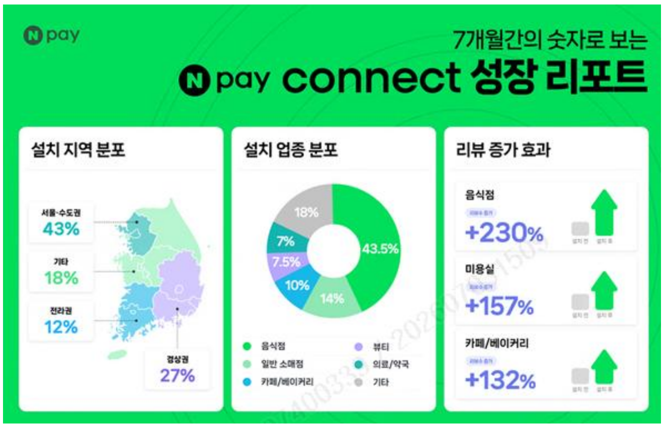
Source: Company data

Commerce 'Nepda Sale' (Jun 22-Jul 5)



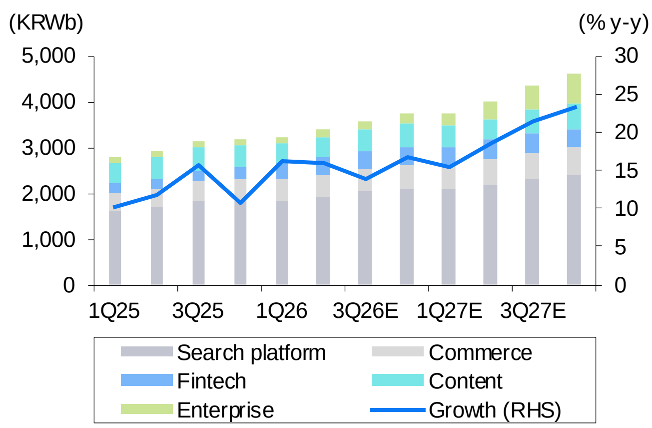
Source: Company data

NPay Connect installed at 100,000 offline merchants



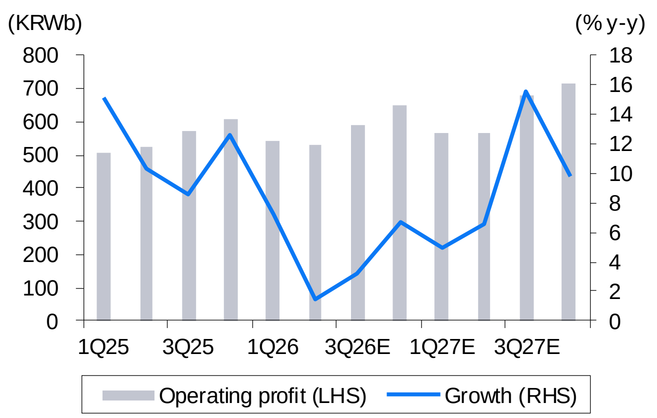
Source: Company data

Quarterly sales, by division



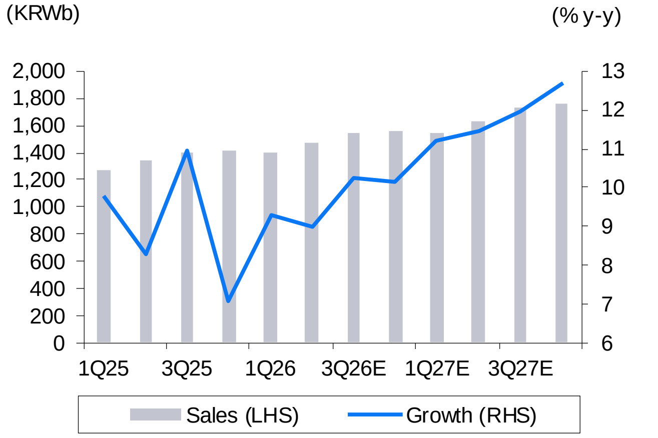
Source: Company data, Samsung Securities

Quarterly operating profit



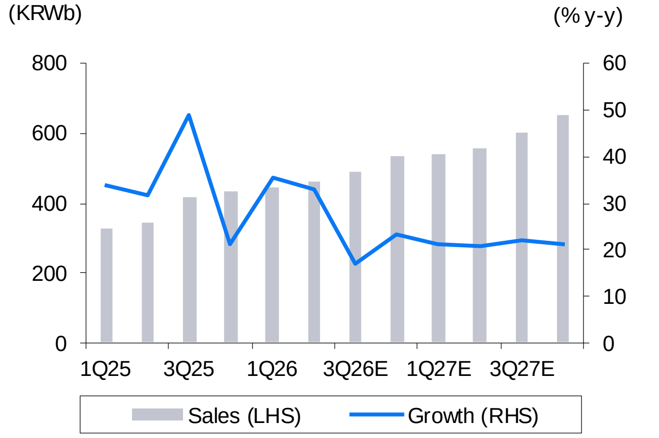
Source: Company data, Samsung Securities

Advertising sales



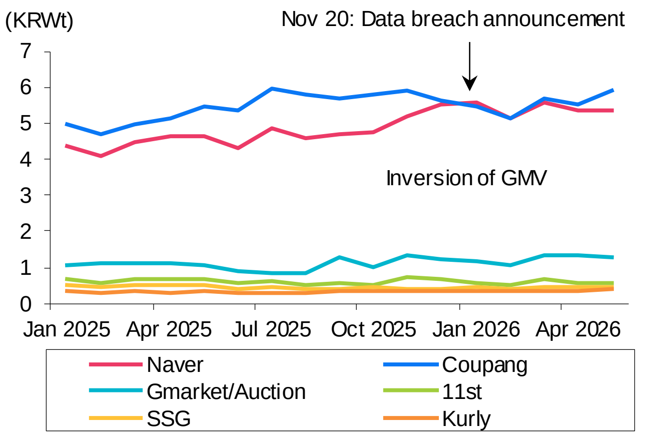
Source: Company data, Samsung Securities

Service sales



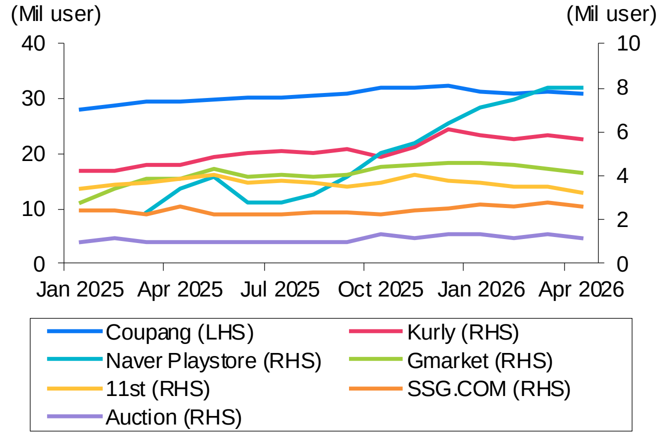
Source: Company data, Samsung Securities

Monthly GMV, by player



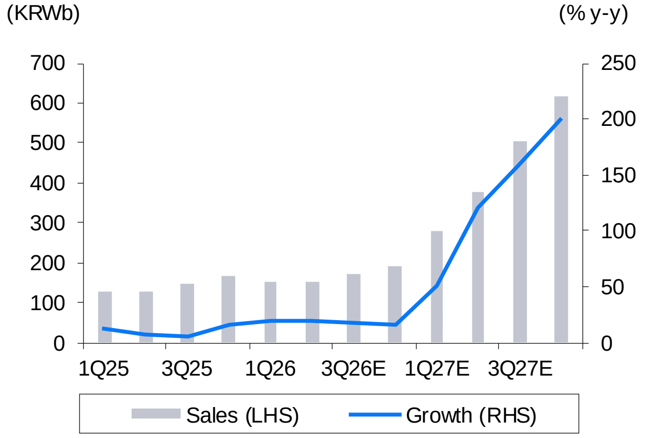
Source: Wise retail

E-commerce mobile app MAU



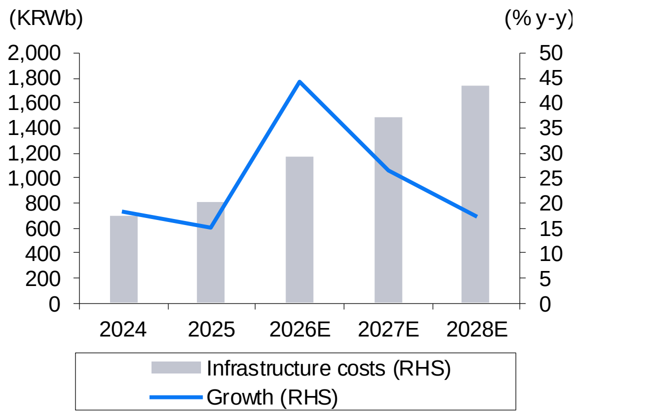
Source: Sensor Tower

Enterprise sales



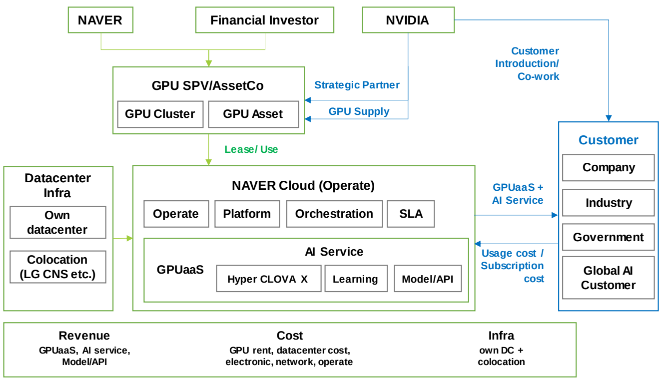
Source: Company data, Samsung Securities

Annual infrastructure cost



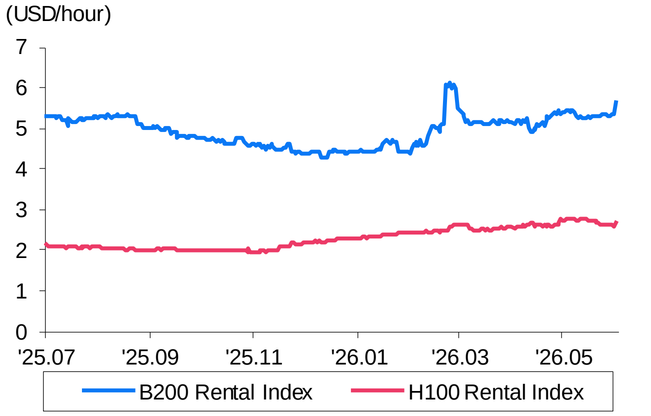
Source: Company data, Samsung Securities

Naver AI factory business model



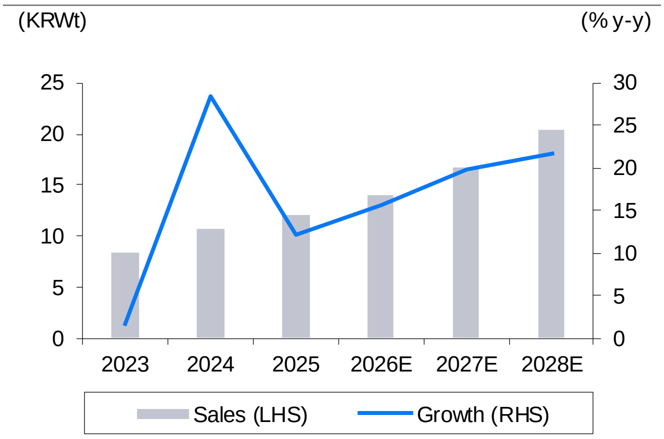
Source: Company data, Samsung Securities

GPU Rental Index



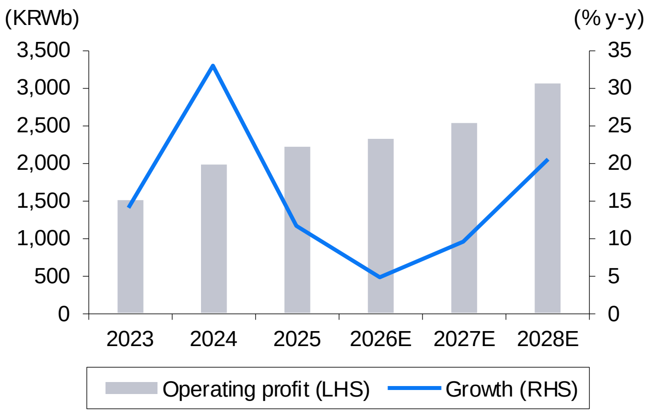
Note: Rent cost (USD) per hour
Source: Bloomberg, Silicon Data

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

COMPANY UPDATE

2026. 7. 15

Tech Team

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AT A GLANCE

BUY

Target price	KRW44,000	26.6%
Current price	**KRW34,750**	
Market cap	KRW15.4t/USD10.2b	
Shares (float)	442,981,070 (75.7%)	
52-week high/low	KRW67,700/KRW33,150	
Avg daily trading value (60-day)	KRW89.9b/ USD59.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Kakao (%)	-16.3	-41.4	-42.1
Vs Kospi (%pts)	-0.1	-59.6	-73.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	44,000	60,000	-26.7%
2026E EPS	1,538	1,564	-1.7%
2027E EPS	1,959	2,208	-11.3%

SAMSUNG vs THE STREET

No of estimates	17
Target price	65,235
Recommendation	4.0

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

Samsung Securities

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Kakao (035720)

Challenges to growth strategy

- We believe Kakao's 2Q sales grew only 1.2% y-y due to the divestiture of several subsidiaries. However, the resulting improvement in profitability likely drove an 18% y-y increase in operating profit.
- Reflecting underwhelming AI services, waning restructuring momentum amid labor-management tensions, and a lack of new growth drivers, we cut our target price by 26.7% to KRW44,000.

WHAT'S THE STORY?

2Q preview—Profitability improves following subsidiary divestitures: Following the May divestiture of AXZ, the operator of Daum, Kakao is likely to see a decline in portal sales from 2Q. Consolidated sales likely grew just 1.2% y-y following the divestiture of portal, gaming, and healthcare businesses, but operating profit likely rose 18.3% y-y to KRW231.1b on related cost reductions. KakaoTalk ad sales likely increased 17% y-y, supported by strong growth in brand message ads, while Kakao Pay's sales likely jumped 40% y-y, fueled by higher securities trading volumes. We believe the commerce, mobility, and music segments maintained stable single-digit sales growth, while story sales likely fell 9.6% y-y amid continued weakness in the webtoon market.

KakaoTalk ad sales still growing: KakaoTalk ad sales continued to grow strongly, driven by the expansion of brand message ads launched in May 2025 and additional ad inventory from new tabs such as Feed and Short Form. Kakao expects ad sales to grow more than 10% this year, supported by ad product launches. However, nearly 60% of consumers report discomfort with receiving promotional messages according to a Seoul YMCA survey, while user feedback on the Feed and Now tabs remains largely negative. To sustain ad sales growth, Kakao must first deliver greater value to consumers.

SUMMARY FINANCIAL DATA

(Continued on the next page)

(KRWb)	2025	2026E	2027E	2028E
Revenue	8,099	8,311	8,981	9,702
Operating profit	732	961	1,130	1,280
Net profit (adj)	518	703	817	955
EPS (adj) (KRW)	1,527	1,538	1,959	2,222
EPS (adj) growth (% y-y)	nm	0.7	27.4	13.4
EBITDA margin (%)	19.4	21.2	22.1	22.7
ROE (%)	4.6	5.0	6.0	6.6
P/E (adj) (x)	39.4	22.6	17.7	15.6
P/B (x)	2.3	1.3	1.2	1.1
EV/EBITDA (x)	16.4	8.3	7.6	7.2
Dividend yield (%)	0.1	0.3	0.3	0.3

Source: Company data, Samsung Securities estimates

AI strategy requires a complete reset: Kakao is pursuing a dual-track AI agent strategy centered on Kanana and ChatGPT, but both services are underperforming. Kanana suffers from weak model capabilities and a design misaligned with conversational context; ChatGPT for Kakao offers little differentiation from standalone AI apps and has failed to generate meaningful traffic. Although Kakao plans to expand Kakao Tools from an internal service into an external platform to foster an agent ecosystem, its current functionality remains limited to basic conversational search and information retrieval—far short of the experience users expect. Kakao needs to redesign its AI services from the ground up, beginning with consumer needs rather than provider-driven assumptions.

Labor dispute threatens restructuring momentum: The union representing employees across five Kakao entities, including Kakao itself, continues to take industrial action, including partial strikes, in pursuit of performance-based bonuses, wage increases, and greater job security. Although the dispute has yet to significantly disrupt operations, Kakao may need to offer wage increases or slow subsidiary restructuring to reach an agreement. Restructuring-led profitability improvement has been the company's most compelling investment thesis this year, but prolonged labor tensions threaten to undermine that momentum.

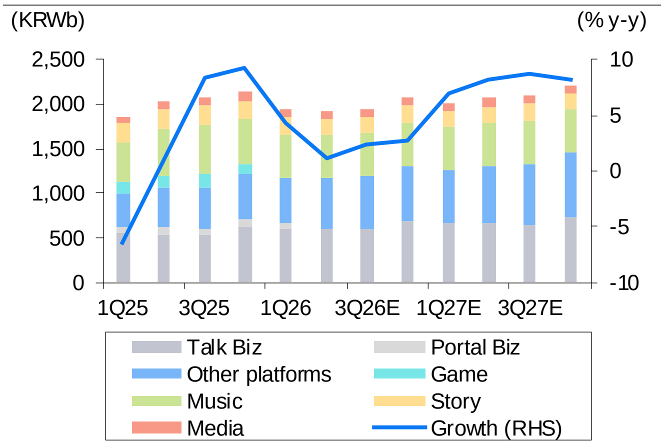
Digital Asset Basic Act offers upside: We have shifted our valuation methodology for Kakao from a P/S-based approach to a P/E-based approach. This leads us to cut our target price by 26.7% from KRW60,000 to KRW44,000. Our new target is based on a P/E multiple of 22.4x applied to our 2027 EPS forecast, which reflects improved profitability following subsidiary divestitures. The target multiple is the 2027 average P/E multiple of global mobile-platform, stablecoin, and mobility companies. Kakao's AI agent initiatives, positioned as a key growth driver, have yet to deliver measurable results, while union resistance has weakened restructuring momentum. Kakao therefore lacks sufficient grounds to command a valuation premium to peers. Nevertheless, we maintain our BUY rating, noting that Kakao Pay and Kakao Bank stand to gain from new business opportunities if Korea's won-pegged stablecoin market gains traction. Market activation, however, hinges on passage of the government's proposed Digital Asset Basic Act. Investors should closely monitor legislative developments.

Forecast and consensus

(KRWb)	2Q26			Diff (%)		2Q25	1Q26	Chg	
	New	Old	Consensus	Old	Consensus			(% y-y)	(% q-q)
Sales	**2,048.3**	**2,005.7**	**2,056.0**	**2.1**	**(0.9)**	**2,024.2**	**1,942.1**	**1.2**	**5.5**
Platform	1,190.3	1,159.6		2.6		1,051.1	1,182.7	13.2	0.6
Talk Biz	606.9	623.0		(2.6)		542.1	608.6	12.0	(0.3)
Portal Biz	20.3	0.0		nm		78.3	67.6	(74.1)	(70.0)
Other platforms	563.1	536.6		4.9		434.8	506.5	29.5	11.2
Content	858.0	846.1		1.4		973.1	759.4	(11.8)	13.0
Game	0.0	0.0		nm		142.6	0.0	nm	nm
Music	564.1	548.6		2.8		517.5	484.6	9.0	16.4
Story	197.8	198.6		(0.4)		218.7	182.4	(9.6)	8.4
Media	96.1	98.9		(2.8)		94.2	92.4	2.0	4.0
Operating expenses	**1,817.2**	**1,787.8**		**1.6**		**1,828.9**	**1,730.7**	**(0.6)**	**5.0**
Labor costs	440.7	439.7		0.2		482.5	444.9	(8.7)	(0.9)
Cost of sales	732.9	707.0		3.7		713.0	701.2	2.8	4.5
Marketing costs	86.0	90.3		(4.7)		87.3	72.5	(1.4)	18.6
Outsourcing/infra	251.9	250.7		0.5		232.2	208.2	8.5	21.0
D&A expenses	200.8	190.9		5.2		221.2	196.8	(9.2)	2.0
Other	104.9	109.2		(3.9)		92.8	107.1	13.1	(2.0)
Operating profit	**231.1**	**217.9**	**223.4**	**6.1**	**3.5**	**195.3**	**211.4**	**18.3**	**9.3**
Pre-tax profit	302.4	254.9	255.0	18.6	18.6	145.7	286.6	107.6	5.5
Net profit	229.8	193.7	200.4	18.6	14.7	171.8	226.8	33.7	1.3
Net profit (controlling)	195.3	164.6	170.6	18.6	14.5	161.2	171.7	21.1	13.8
Margins (%)									
Operating profit	11.3	10.9	10.9			9.6	10.9		
Pre-tax profit	14.8	12.7	12.4			7.2	14.8		
Net profit	11.2	9.7	9.7			8.5	11.7		
Net profit (controlling)	9.5	8.2	8.3			8.0	8.8		

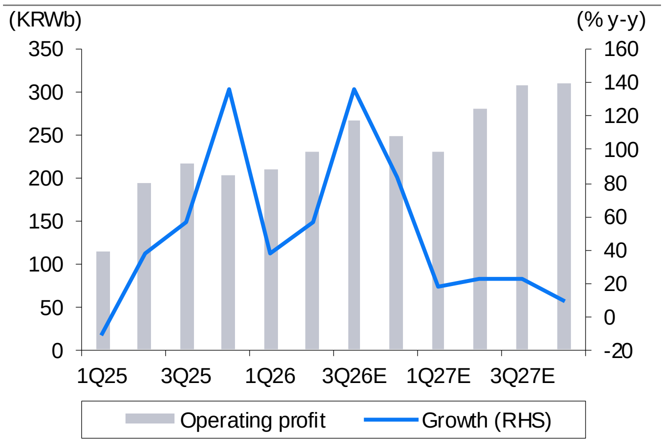
Source: Company data, FnGuide, Samsung Securities estimates

Quarterly sales, by division



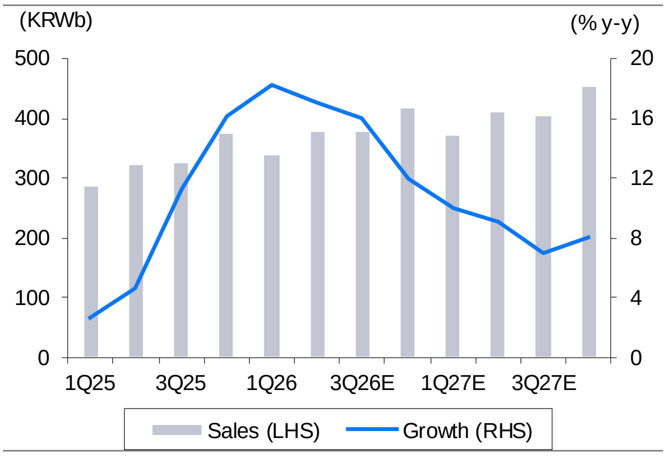
Source: Company data, Samsung Securities estimates

Quarterly operating profit



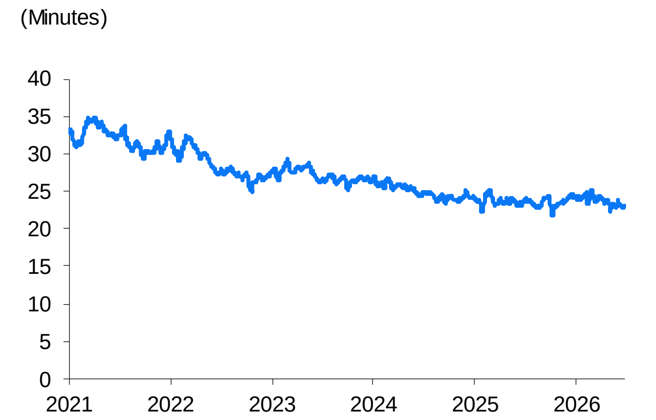
Source: Company data, Samsung Securities estimates

Talk Biz: Ad sales



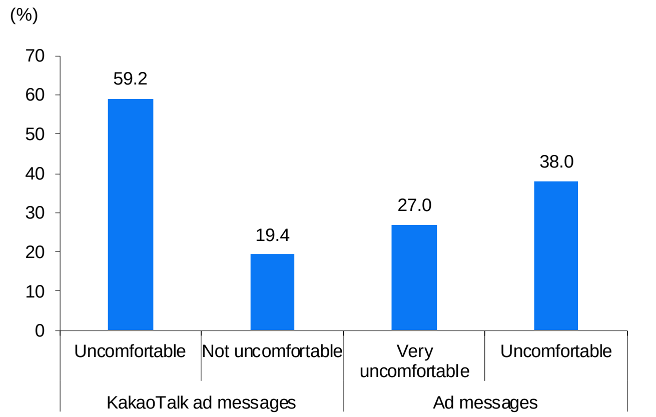
Source: Company data, Samsung Securities estimates

KakaoTalk: Average daily time spent



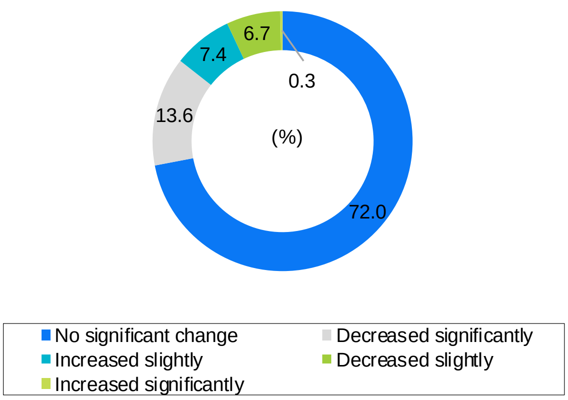
Source: Sensor tower

KakaoTalk brand message ads: User perception



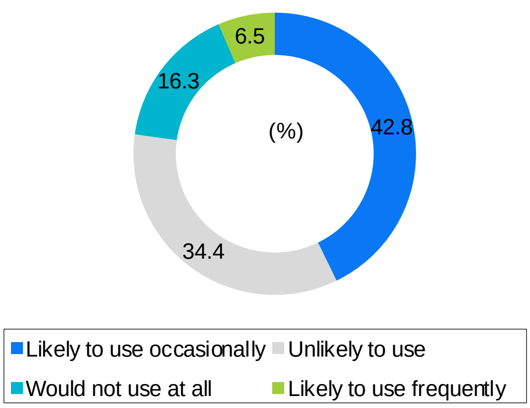
Note: Survey of 2,000 KakaoTalk users
Source: Seoul YMCA

Impact of Short-Form tab on KakaoTalk usage time



Note: Survey of 1,000 respondents aged 20-60
Source: Media Research Center, Korea Press Foundation

ChatGPT for Kakao: User response



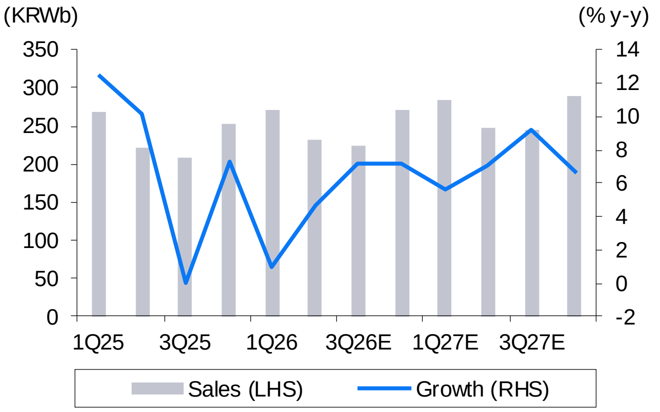
Note: Survey of 1,000 respondents aged 20-60
Source: Media Research Center, Korea Press Foundation

Kakao: Key labor union demands

Category	Key labor union demands
Management reform & accountability	Strengthening management accountability and establishing check-and-balance systems for management failures
Job security & safety net	Alleviating job insecurity caused by reorganization, divestments, spinoffs, and restructuring
Performance reward & profit sharing	Performance bonus pool linked to operating profit (approx. 13-14%), excluding RSU bonuses
Working environment & welfare	Improving working hours, fairness in evaluation and recruitment, and welfare/office settlement

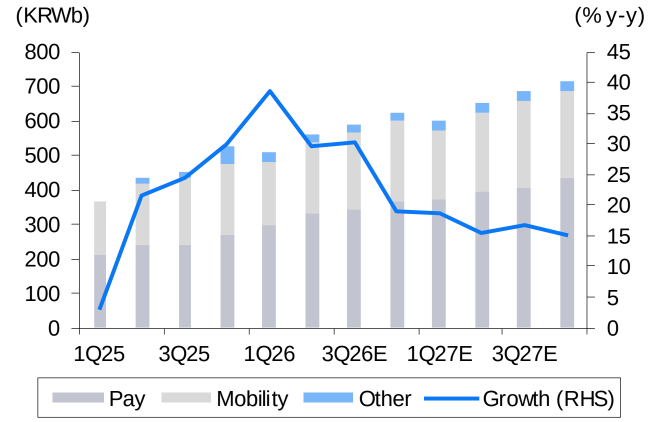
Source: Company data, Samsun Securities

Talk Biz: Commerce sales



Source: Company data, Samsung Securities estimates

Other platforms: Sales



Source: Company data, Samsung Securities estimates

Kakao: Valuation

(KRWb)	
12-month forward sales	1,959
Target P/E* (x)	22.4
Fair market value	43,888
Target price (KRW)	**44,000**
Current price (KRW)	35,350
Upside (%)	24.5%

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

Peers: P/S and P/E 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
Tencent	12.4	11.2	4.1	3.8
LY corporation	16.3	16.6	1.5	1.3
Circle	64.1	37.1	5.2	3.9
Gojek	71.8	30.7	2.8	2.5
Target multiple	**34.1**	**22.4**	**4.9**	**4.2**

Note: As of Jul 10 close
Source: Bloomberg

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**7,864**	**8,099**	**8,311**	**8,981**	**9,702**
Cost of goods sold	0	0	0	0	0
Gross profit	**7,864**	**8,099**	**8,311**	**8,981**	**9,702**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	7,369	7,367	7,350	7,851	8,422
Operating profit	**495**	**732**	**961**	**1,130**	**1,280**
Operating margin (%)	6.3	9.0	11.6	12.6	13.2
Non-operating gains (losses)	**-498**	**-119**	**-48**	**-55**	**-24**
Financial profit	405	393	384	420	423
Financial costs	368	398	379	431	462
Equity-method gains (losses)	56	90	147	125	140
Other	-592	-204	-199	-169	-125
Pre-tax profit	**-3**	**613**	**913**	**1,076**	**1,257**
Taxes	160	95	196	258	302
Effective tax rate (%)	-5,701.5	15.5	21.5	24.0	24.0
Profit from continuing operations	-111	527	763	817	955
Profit from discontinued operations	-51	-9	-60	0	0
Net profit	**-162**	**518**	**703**	**817**	**955**
Net margin (%)	-2.1	6.4	8.5	9.1	9.8
Net profit (controlling interests)	55	491	576	728	853
Net profit (non-controlling interests)	-217	26	128	89	102
EBITDA	1,331	1,572	1,764	1,983	2,204
EBITDA margin (%)	16.9	19.4	21.2	22.1	22.7
EPS (parent-based) (KRW)	124	1,110	1,300	1,644	1,926
EPS (consolidated) (KRW)	-365	1,170	1,588	1,845	2,156
Adjusted EPS (KRW)*	-193	1,527	1,538	1,959	2,222

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**10,722**	**12,374**	**17,340**	**18,124**	**18,721**
Cash & equivalents	6,170	6,374	7,720	7,291	6,474
Accounts receivable	549	569	557	602	652
Inventories	81	77	85	92	99
Other current assets	3,922	5,354	8,978	10,138	11,495
Fixed assets	**15,051**	**15,409**	**14,495**	**15,543**	**16,890**
Investment assets	5,750	6,066	6,514	7,477	8,732
Tangible assets	1,363	1,557	1,574	1,636	1,703
Intangible assets	5,171	5,228	3,859	3,882	3,908
Other long-term assets	2,768	2,559	2,547	2,547	2,547
Total assets	**25,773**	**27,784**	**31,835**	**33,666**	**35,611**
Current liabilities	**8,545**	**8,780**	**12,952**	**13,932**	**14,889**
Accounts payable	228	228	129	139	149
Short-term debt	1,458	938	894	894	894
Other current liabilities	6,859	7,613	11,929	12,898	13,845
Long-term liabilities	**3,285**	**3,779**	**2,986**	**3,064**	**3,140**
Bonds & long-term debt	328	991	354	354	354
Other long-term liabilities	2,957	2,788	2,632	2,710	2,787
Total liabilities	**11,830**	**12,559**	**15,938**	**16,996**	**18,029**
Owners of parent equity	**10,141**	**11,276**	**11,893**	**12,578**	**13,388**
Capital stock	44	44	44	44	44
Capital surplus	8,911	8,803	8,645	8,645	8,645
Retained earnings	1,943	2,685	3,327	4,012	4,822
Other	-758	-256	-123	-123	-123
Non-controlling interests' equity	**3,802**	**3,949**	**4,003**	**4,092**	**4,194**
Total equity	**13,943**	**15,225**	**15,897**	**16,671**	**17,582**
Net debt	-3,384	-4,792	-4,766	-4,433	-3,752

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**1,250**	**1,405**	**3,050**	**1,630**	**1,630**
Net profit	-162	518	703	817	955
Non-cash profit and expenses	1,462	1,014	814	949	1,046
Depreciation	576	583	572	619	671
Amortization	260	258	231	234	253
Other	627	174	10	95	122
Changes in A/L from operating activities	-4	-106	1,543	-58	-245
Cash flow from investments	**10**	**-478**	**-763**	**-1,184**	**-1,293**
Change in tangible assets	-348	-465	-558	-681	-738
Change in financial assets	164	-843	313	-300	-335
Other	194	830	-517	-202	-221
Cash flow from financing	**-521**	**-708**	**37**	**-58**	**-69**
Change in debt	-36	-404	1,116	184	179
Change in equity	71	-108	-158	0	0
Dividends	-43	-39	-33	-44	-44
Other	-513	-158	-888	-198	-204
Change in cash	781	204	1,346	-429	-817
Cash at beginning of year	5,389	6,170	6,374	7,720	7,291
Cash at end of year	6,170	6,374	7,720	7,291	6,474
Gross cash flow	**1,300**	**1,532**	**1,517**	**1,766**	**2,001**
Free cash flow	**871**	**926**	**2,488**	**949**	**893**

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	4.1	3.0	2.6	8.1	8.0
Operating profit	7.5	47.8	31.3	17.6	13.3
Net profit	nm	nm	35.8	16.2	16.8
Adjusted EPS**	nm	nm	0.7	27.4	13.4
Per-share data (KRW)					
EPS (parent-based)	124	1,110	1,300	1,644	1,926
EPS (consolidated)	-365	1,170	1,588	1,845	2,156
Adjusted EPS**	-193	1,527	1,538	1,959	2,222
BVPS	23,100	25,625	26,911	28,460	30,292
DPS (common)	68	75	98	98	98
Valuations (x)					
P/E***	n/a	39.4	22.6	17.7	15.6
P/B***	1.7	2.3	1.3	1.2	1.1
EV/EBITDA	13.0	16.4	8.3	7.6	7.2
Ratios (%)					
ROE	0.6	4.6	5.0	6.0	6.6
ROA	-0.6	1.9	2.4	2.5	2.8
ROIC	-22.5	16.0	23.3	26.4	27.2
Payout ratio	54.0	6.7	7.6	6.0	5.1
Dividend yield (common)	0.2	0.1	0.3	0.3	0.3
Net debt to equity	-24.3	-31.5	-30.0	-26.6	-21.3
Interest coverage (x)	2.4	4.1	5.0	5.7	6.3

COMPANY UPDATE

2026. 7. 15

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Soop (067160)

Platform sales to rebound but costs growing

- We believe Soop's sales rebounded q-q in 2Q on the return of a popular streamer, but its operating profit likely fell 24.7% y-y—17.2% below consensus—due to the acquisition of a professional volleyball team.
- The acquisition of the volleyball team has raised its expenses, and the firm needs to prove that its additional sports content can offset these higher costs.
- The decline in share price suggests that its dividend yield has risen to the 7% range, preserving the stock's investment appeal.

AT A GLANCE

BUY

Target price	**KRW70,000**	**47.1%**
Current price	**KRW47,600**	
Market cap	KRW547.15b/USD366.48m	
Shares (float)	11,494,767 (66.7%)	
52-week high/low	KRW95,400/KRW45,500	
Avg daily trading value (60-day)	KRW3.4b/ USD2.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Soop (%)	0.2	-27.5	-47.5
Vs Kosdaq (%pts)	31.5	-12.9	-46.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	70,000	70,000	0.0%
2026E EPS	8,053	8,053	0.0%
2027E EPS	8,784	8,784	0.0%

SAMSUNG vs THE STREET

No of estimates	7
Target price	74,167
Recommendation	3.6

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

WHAT'S THE STORY?

2Q preview—operating profit to fall on acquisition of volleyball team: We believe Soop's platform sales rose 6.4% q-q in 2Q, with streamer Commander Zico's return revitalizing Excel broadcasts, but fell 6.8% y-y. Ad sales likely grew 10.7% y-y, with the pace of y-y growth slowing (vs that seen in 1Q). As its platform sales have not yet recovered to 2Q25 levels, the firm's total sales likely fell 2.4% y-y. Operating profit probably declined 24.7% y-y—17.2% below consensus—due to increased costs (stemming from the acquisition of a women's volleyball team).

Star Balloon sales show signs of recovery: According to Poong Today's estimates, the firm's Star Balloon sales in 2Q increased 5.5% q-q, marking a clear uptick thanks to Commander Zico's return. While Star Balloon sales have not yet reached last year's peak levels, the return of the popular streamer has laid the foundations for a sales recovery, which is positive.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	467	480	515	552
Operating profit (KRWb)	125	112	122	134
Net profit (adj) (KRWb)	104	96	101	111
EPS (adj) (KRW)	8,933	8,053	8,784	9,662
EPS (adj) growth (% y-y)	7.2	-9.9	9.1	10.0
EBITDA margin (%)	31.8	28.3	28.4	28.6
ROE (%)	24.1	19.3	17.9	17.6
P/E (adj) (x)	7.6	5.9	5.4	4.9
P/B (x)	1.5	1.0	0.9	0.8
EV/EBITDA (x)	3.9	1.6	0.8	0.0
Dividend yield (%)	5.0	7.1	7.8	8.6

Source: Company data, Samsung Securities estimates

Samsung Securities

Need to prove value of professional volleyball team acquisition: Amid soaring costs to secure sports broadcasting rights, Soop is shifting strategy, directly securing IP through team partnerships and operations (rather than competing to win broadcast rights). In May, Soop acquired the Pepper Savings Bank Women's Volleyball Team and rebranded it Soop Supers. With related operating costs estimated at KRW6b-7b *pa*, the company's ability to offset these new expenses through content development work should determine whether the acquisition actually boosts its earnings.

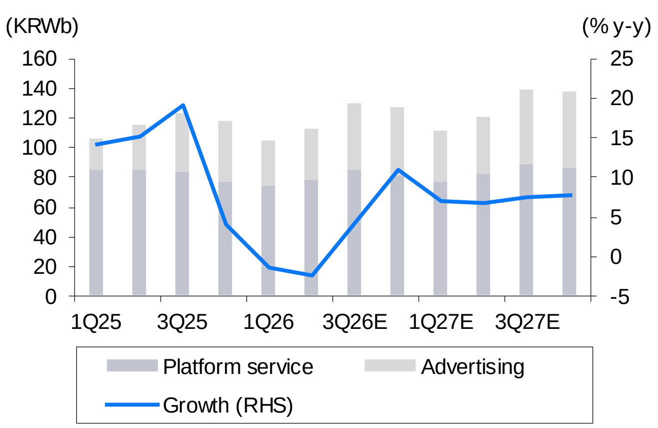
Rising dividend yield: Reflecting the increase in costs (related to the acquisition of the volleyball team), we revise down our 2026 and 2027 operating profit forecasts by 12.2% and 14.7%, respectively, and cut our target price by 12.5% from KRW80,000 to KRW70,000 (based on a forward P/E of 8.1x, which is a 50% discount to the average at which global streaming platforms are trading—the discount is due to the growth disparities). While Soop's short-term profitability is being pressured by its new investments, the recent decline in its share price has elevated its implied dividend yield to a sector-leading level of 7%, suggesting that downside pressure on its shares will abate.

2Q26 preview

(KRWb)	2Q26			Diff (%)		2Q25	1Q26	Chg	
	New	Old	Consensus	Old	Consensus			(% y-y)	(% q-q)
Sales	**114.1**	**119.5**	**115.6**	**(4.5)**	**(1.3)**	**116.9**	**106.0**	**(2.4)**	**7.6**
Platform Service	78.8	80.4		(2.0)		84.5	74.0	(6.8)	6.4
Advertising	33.8	37.5		(9.9)		30.8	30.5	9.8	10.7
Other	1.5	1.5		(2.6)		1.6	1.5	(4.1)	2.0
Operating expenses	**91.5**	**87.2**		**5.0**		**86.9**	**84.8**	**5.3**	**7.9**
Labor costs	29.7	28.4		4.6		30.5	28.9	(2.7)	2.6
Commission and service charge	20.5	24.2		(15.2)		18.5	15.9	11.0	28.6
Paying charges	13.6	13.6		0.1		14.6	12.8	(6.4)	6.4
Depreciation	5.7	5.8		(1.7)		5.5	5.5	3.5	3.0
Other	22.0	15.3		44.5		17.9	21.7	23.1	1.8
Operating profit	**22.6**	**32.3**	**27.3**	**(30.0)**	**(17.2)**	**30.0**	**21.2**	**(24.7)**	**6.5**
Pre-tax profit	24.7	35.6	30.0	(30.6)	(17.7)	30.2	28.3	(18.3)	(12.9)
Net profit	18.8	27.0	23.5	(30.6)	(20.1)	22.5	22.5	(16.6)	(16.5)
Net profit (controlling)	18.7	26.5	22.7	(29.6)	(17.6)	22.0	22.4	(15.1)	(16.5)
Margins (%)									
Operating profit	19.8	27.0	23.6			25.7	20.0		
Pre-tax profit	21.6	29.8	26.0			25.8	26.7		
Net profit	16.5	22.6	20.3			19.3	21.2		
Net profit (controlling)	16.4	22.2	19.6			18.8	21.1		

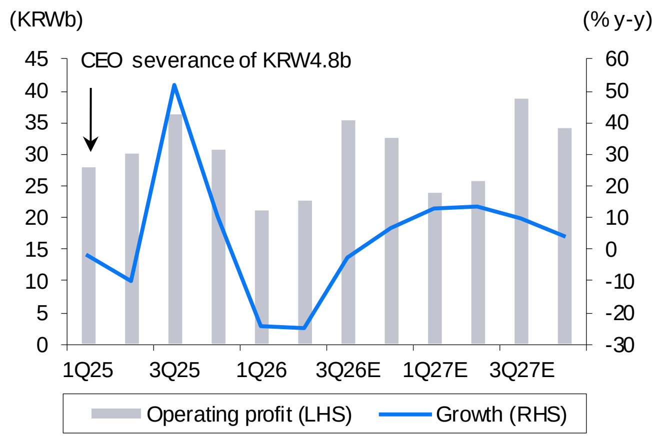
Source: Company data, FnGuide, Samsung Securities estimates

Quarterly sales and growth



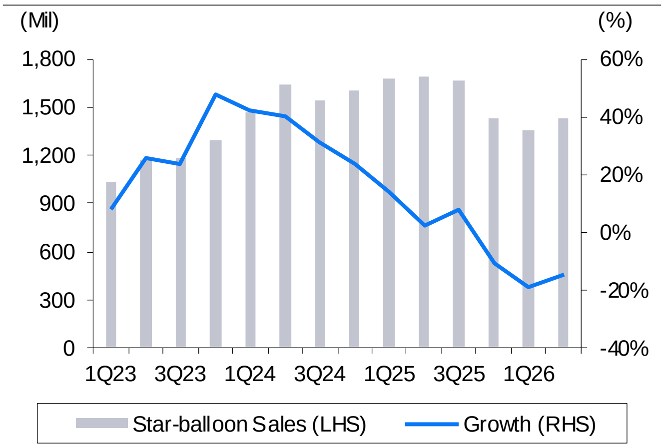
Source: Company data, Samsung Securities estimates

Quarterly operating profit and growth



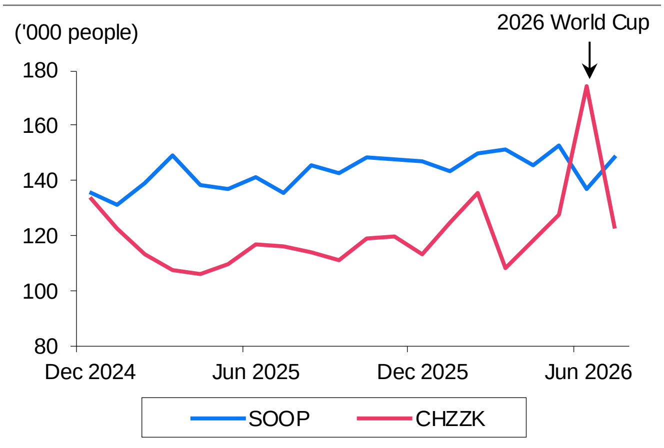
Note: CEO severance recognition timing revised from 3Q25 to 1Q25 due to accounting adjustment
Source: Company data, Samsung Securities estimates

Star-balloon sales volume



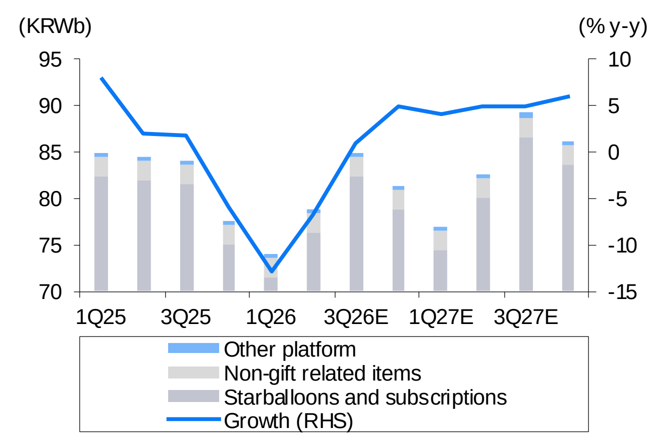
Source: Poong Today, Samsung Securities

Major Korean streaming platforms: Average viewer numbers



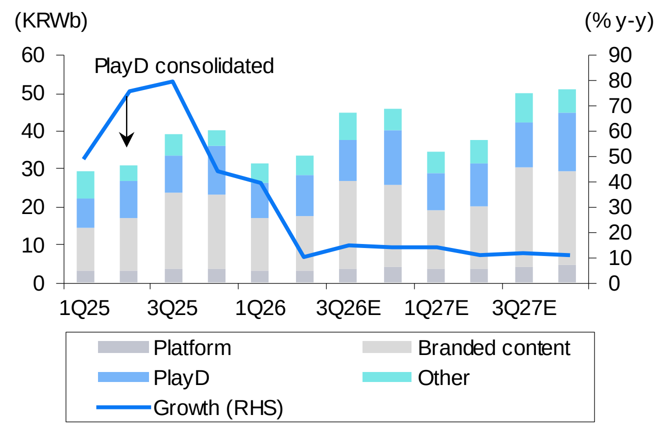
Source: Softcone Viewership, Samsung Securities

Quarterly platform service sales



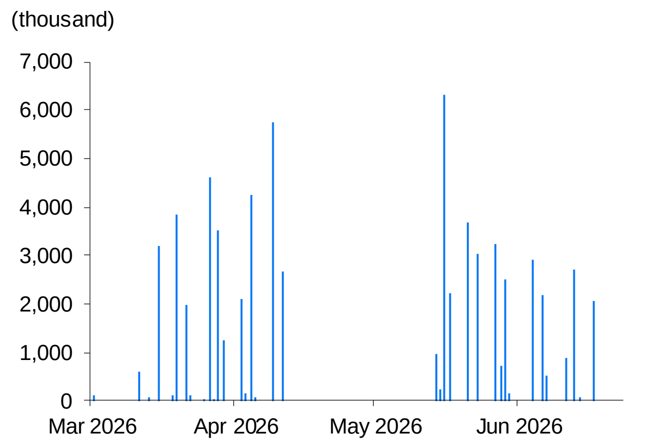
Source: Company data, Samsung Securities estimates

Quarterly commerce sales



Source: Company data, Samsung Securities estimates

‘Commander Zico’: Daily star-balloon sales

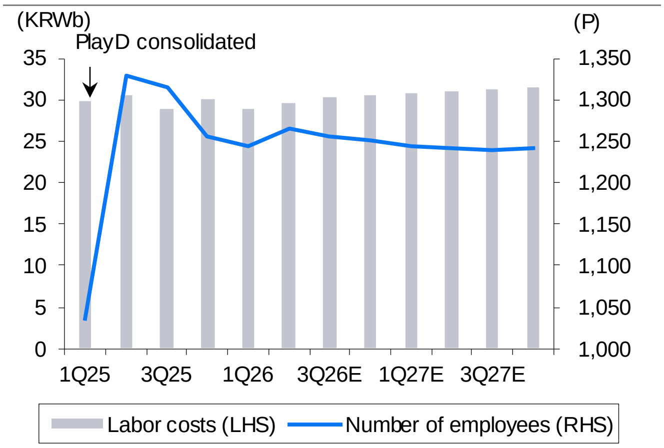


Source: Poong Today

Volleyball team now called Soop Supers

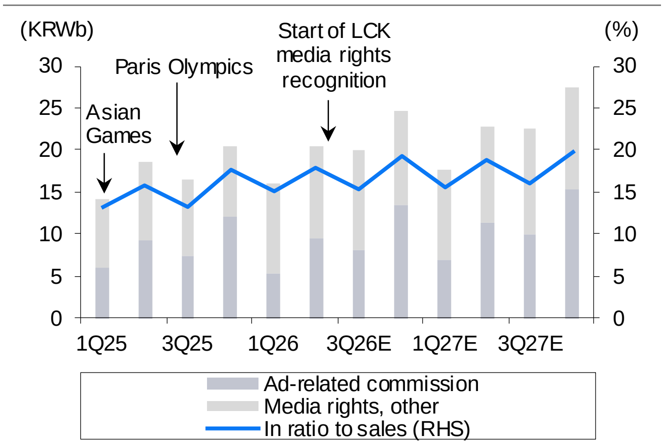
Source: Company data

Quarterly labor costs



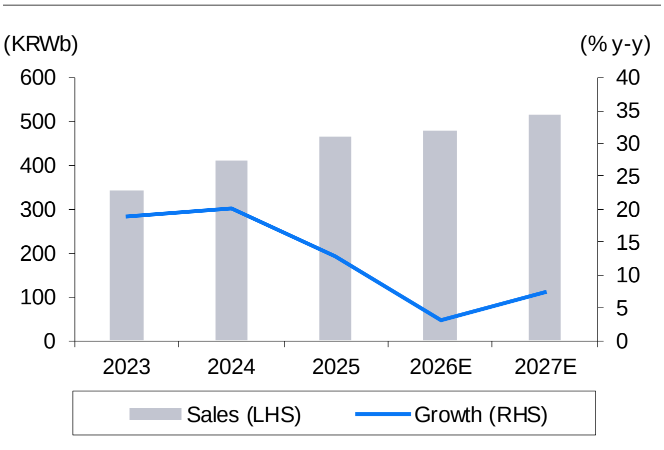
Source: Company data, Samsung Securities estimates

Quarterly commission and service charges



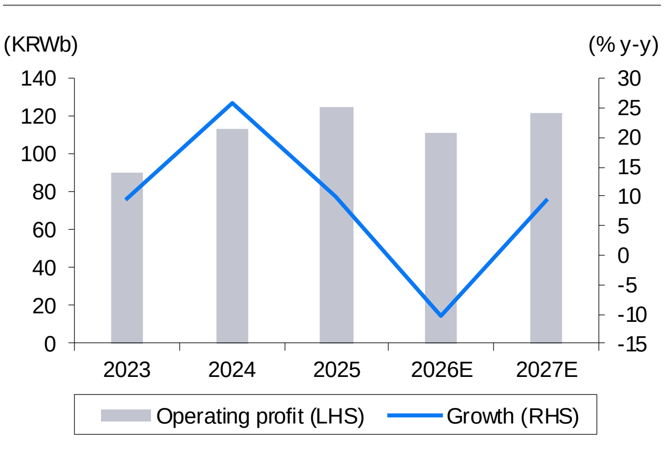
Source: Company data, Samsung Securities estimates

Annual sales



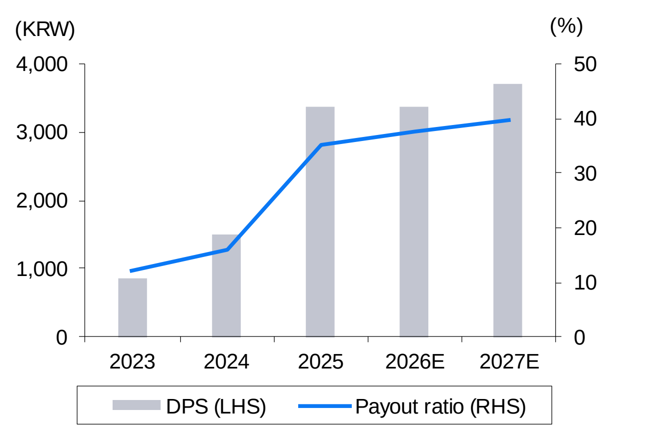
Source: Company data, Samsung Securities estimates

Annual operating profit



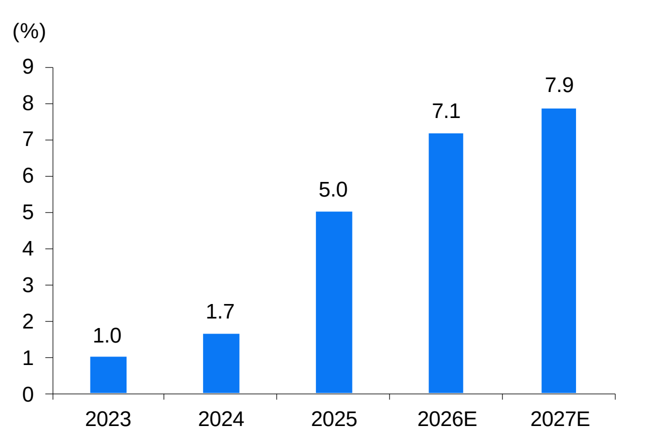
Source: Company data, Samsung Securities estimates

Annual DPS and payout ratio



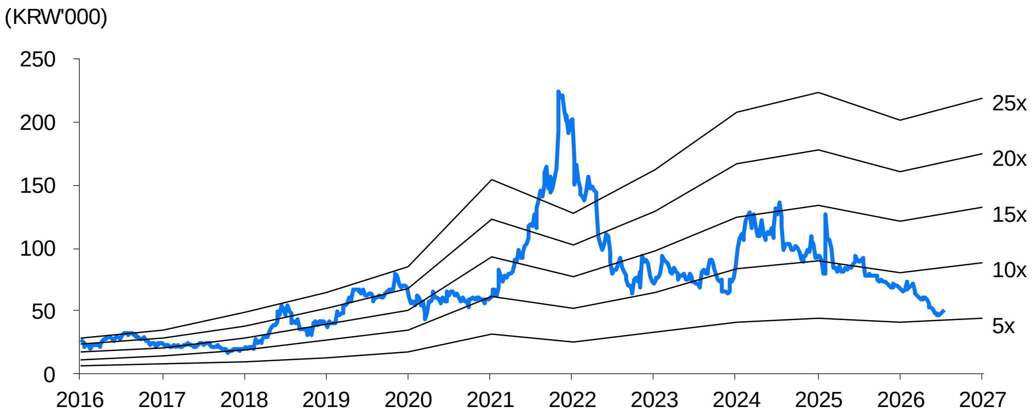
Source: Company data, Samsung Securities estimates

Dividend yield



Source: Company data, Samsung Securities estimates

12-month forward P/E



Source: QuantiWise, Samsung Securities

Valuation

(KRW)	
2026E EPS	8,418
Target P/E (x) *	8.2
Fair value per share	69,039
Target price	**70,000**
Current price	48,700
Upside (%)	43.7

Note: *50% discount to the average 2026 P/E at which peer group is trading;
Based on Jul 10 closing price
Source: Samsung Securities estimates

Global peers: P/E valuation

(x)	2026E	2027E	Average
BiliBili	17.7	14.0	15.8
JOYY	12.8	10.7	11.7
HUYA	16.6	11.3	13.9
Douyu	35.6	12.7	24.1
Average	20.7	12.2	16.4

Note: Based on Jul 10 closing prices
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	**107.7**	**116.9**	**125.9**	**116.2**	**106.0**	**114.1**	**131.3**	**128.9**	**113.3**	**121.9**	**141.1**	**139.0**
Platform service	84.9	84.5	84.1	77.5	74.0	78.8	85.0	81.4	77.0	82.7	89.3	86.3
Advertising	21.9	30.8	39.0	40.2	30.5	33.8	44.8	46.0	34.7	37.6	50.2	51.1
Other	0.9	1.6	2.8	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.7	1.7
Operating expenses	**79.7**	**86.9**	**89.6**	**85.5**	**84.8**	**91.5**	**96.1**	**96.3**	**89.4**	**96.3**	**102.5**	**105.1**
Labor costs	29.7	30.5	29.0	30.0	28.9	29.7	30.4	30.5	30.7	30.9	31.2	31.5
Commission and service charges	14.1	18.5	16.6	20.4	15.9	20.5	20.0	24.7	17.7	22.8	22.5	27.4
Paying charges	14.2	14.6	14.5	13.1	12.8	13.6	14.7	14.1	13.3	14.3	15.4	14.9
Depreciation	5.1	5.5	5.4	5.5	5.5	5.7	5.8	5.9	6.1	6.2	6.3	6.4
Other	16.6	17.9	24.2	16.5	21.7	22.0	25.2	21.0	21.6	22.1	27.0	24.8
Operating profit	**27.9**	**30.0**	**36.3**	**30.6**	**21.2**	**22.6**	**35.3**	**32.6**	**24.0**	**25.6**	**38.6**	**34.0**
Pre-tax profit	29.9	30.2	37.8	33.7	28.3	24.7	37.2	35.1	26.4	27.9	41.2	36.8
Net profit	23.4	22.5	29.4	28.4	22.5	18.8	28.3	26.7	20.1	21.2	31.3	28.0
Net profit (controlling)	23.0	22.0	28.9	27.9	22.4	18.7	28.1	26.5	20.0	21.1	31.2	27.8
Adjusted EPS (KRW)	1,992	2,007	2,516	2,418	1,608	1,638	2,483	2,323	1,751	1,860	2,733	2,440
Margins (%)												
Operating profit	26.0	25.7	28.8	26.4	20.0	19.8	26.9	25.3	21.1	21.0	27.4	24.4
Pre-tax profit	27.8	25.8	30.0	29.0	26.7	21.6	28.3	27.2	23.3	22.9	29.2	26.5
Net profit	21.7	19.3	23.4	24.5	21.2	16.5	21.5	20.7	17.7	17.4	22.2	20.1
Net profit (controlling)	21.4	18.8	23.0	24.0	21.1	16.4	21.4	20.6	17.6	17.3	22.1	20.0

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2026E			2027E			2028E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**490.8**	**480.3**	**(2.1)**	**527.3**	**515.4**	**(2.3)**	**565.2**	**552.1**	**(2.3)**
Platform service	323.1	319.2	(1.2)	339.2	335.3	(1.2)	357.6	353.7	(1.1)
Advertising	161.5	155.1	(4.0)	181.4	173.6	(4.3)	200.3	191.3	(4.5)
Other	6.2	6.0	(2.6)	6.7	6.5	(2.6)	7.3	7.1	(2.6)
Operating expenses	**363.6**	**368.6**	**1.4**	**384.0**	**393.2**	**2.4**	**409.8**	**418.3**	**2.1**
Labor costs	113.7	119.4	5.0	116.4	124.2	6.7	121.5	129.6	6.7
Commission and service charges	107.9	81.1	(24.8)	117.0	90.5	(22.7)	126.4	97.5	(22.8)
Paying charges	54.7	55.2	0.9	57.4	58.0	1.0	60.5	61.2	1.1
Depreciation	23.3	22.9	(1.7)	25.4	25.0	(1.7)	27.5	27.1	(1.7)
Other	64.0	90.0	40.5	67.7	95.5	41.0	73.9	103.0	39.3
Operating profit	**127.3**	**111.7**	**(12.2)**	**143.3**	**122.2**	**(14.7)**	**155.4**	**133.8**	**(13.9)**
Pre-tax profit	140.9	125.3	(11.1)	159.5	132.3	(17.0)	174.6	145.7	(16.6)
Net profit	107.1	96.2	(10.2)	121.2	100.6	(17.0)	132.7	110.7	(16.6)
Net profit (controlling)	105.1	95.7	(8.9)	118.9	100.1	(15.8)	130.1	110.1	(15.4)
Adjusted EPS (KRW)	9,110	8,053	(11.6)	10,322	8,784	(14.9)	11,297	9,662	(14.5)
Margins (%)									
Operating profit	25.9	23.3		27.2	23.7		27.5	24.2	
Pre-tax profit	28.7	26.1		30.2	25.7		30.9	26.4	
Net profit	21.8	20.0		23.0	19.5		23.5	20.0	
Net profit (controlling)	21.4	19.9		22.5	19.4		23.0	19.9	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**413**	**467**	**480**	**515**	**552**
Cost of goods sold	0	0	0	0	0
Gross profit	**413**	**467**	**480**	**515**	**552**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	300	342	369	393	418
Operating profit	**114**	**125**	**112**	**122**	**134**
Operating margin (%)	27.5	26.8	23.3	23.7	24.2
Non-operating gains (losses)	**15**	**7**	**14**	**10**	**12**
Financial profit	11	12	20	18	19
Financial costs	1	2	7	6	6
Equity-method gains (losses)	0	0	0	0	0
Other	4	-4	0	-1	-1
Pre-tax profit	**128**	**132**	**125**	**132**	**146**
Taxes	26	28	29	32	35
Effective tax rate (%)	20.2	21.1	23.2	24.0	24.0
Profit from continuing operations	102	104	96	101	111
Profit from discontinued operations	0	0	0	0	0
Net profit	**102**	**104**	**96**	**101**	**111**
Net margin (%)	24.8	22.2	20.0	19.5	20.0
Net profit (controlling interests)	101	102	96	100	110
Net profit (non-controlling interests)	1	2	0	1	1
EBITDA	135	148	136	146	158
EBITDA margin (%)	32.6	31.8	28.3	28.4	28.6
EPS (parent-based) (KRW)	8,805	8,860	8,325	8,705	9,582
EPS (consolidated) (KRW)	8,910	9,025	8,367	8,749	9,630
Adjusted EPS (KRW)*	8,332	8,933	8,053	8,784	9,662

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**615**	**745**	**930**	**1,056**	**1,189**
Cash & equivalents	224	134	212	305	405
Accounts receivable	23	37	34	37	39
Inventories	0	1	1	1	1
Other current assets	369	574	683	713	743
Fixed assets	**100**	**140**	**117**	**93**	**69**
Investment assets	13	8	7	8	8
Tangible assets	36	42	27	5	-17
Intangible assets	16	51	49	47	45
Other long-term assets	35	39	34	34	34
Total assets	**716**	**885**	**1,047**	**1,149**	**1,258**
Current liabilities	**325**	**371**	**473**	**510**	**548**
Accounts payable	1	0	0	0	0
Short-term debt	2	0	0	0	0
Other current liabilities	322	371	473	510	548
Long-term liabilities	**8**	**11**	**11**	**11**	**12**
Bonds & long-term debt	0	3	3	3	3
Other long-term liabilities	8	8	8	8	9
Total liabilities	**333**	**382**	**484**	**521**	**560**
Owners of parent equity	**379**	**467**	**527**	**591**	**661**
Capital stock	6	6	6	6	6
Capital surplus	66	66	66	66	66
Retained earnings	380	464	523	587	658
Other	-74	-69	-69	-69	-69
Non-controlling interests' equity	**4**	**36**	**37**	**37**	**38**
Total equity	**382**	**503**	**563**	**628**	**699**
Net debt	-288	-239	-365	-470	-582

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**157**	**121**	**127**	**142**	**152**
Net profit	102	104	96	101	111
Non-cash profit and expenses	47	54	41	44	46
Depreciation	20	21	22	22	22
Amortization	1	2	2	2	2
Other	25	30	17	20	22
Changes in A/L from operating activities	27	-8	5	17	17
Cash flow from investments	**-43**	**-185**	**-48**	**-13**	**-13**
Change in tangible assets	-13	-19	-4	0	0
Change in financial assets	-5	-39	-46	-13	-13
Other	-25	-127	2	0	-0
Cash flow from financing	**-28**	**-27**	**-37**	**-35**	**-39**
Change in debt	-1	-3	-1	1	1
Change in equity	0	-0	0	0	0
Dividends	-9	-16	-36	-36	-40
Other	-18	-8	-0	0	0
Change in cash	88	-90	78	93	100
Cash at beginning of year	136	224	134	212	305
Cash at end of year	224	134	212	305	405
Gross cash flow	**149**	**157**	**137**	**145**	**157**
Free cash flow	**144**	**102**	**124**	**142**	**152**

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	20.1	12.9	3.0	7.3	7.1
Operating profit	25.7	10.0	-10.5	9.4	9.5
Net profit	37.3	1.3	-7.3	4.6	10.1
Adjusted EPS**	28.7	7.2	-9.9	9.1	10.0
Per-share data (KRW)					
EPS (parent-based)	8,805	8,860	8,325	8,705	9,582
EPS (consolidated)	8,910	9,025	8,367	8,749	9,630
Adjusted EPS**	8,332	8,933	8,053	8,784	9,662
BVPS	35,552	43,822	49,354	55,352	61,956
DPS (common)	1,500	3,380	3,380	3,718	4,090
Valuations (x)					
P/E***	10.9	7.6	5.9	5.4	4.9
P/B***	2.6	1.5	1.0	0.9	0.8
EV/EBITDA	5.6	3.9	1.6	0.8	0.0
Ratios (%)					
ROE	30.2	24.1	19.3	17.9	17.6
ROA	15.8	13.0	10.0	9.2	9.2
ROIC	-95.6	-117.4	-97.6	-65.6	-55.8
Payout ratio	15.8	35.4	37.7	39.6	39.6
Dividend yield (common)	1.7	5.0	7.1	7.8	8.6
Net debt to equity	-75.3	-47.5	-64.8	-74.9	-83.3
Interest coverage (x)	135.7	196.5	281.2	300.2	314.6

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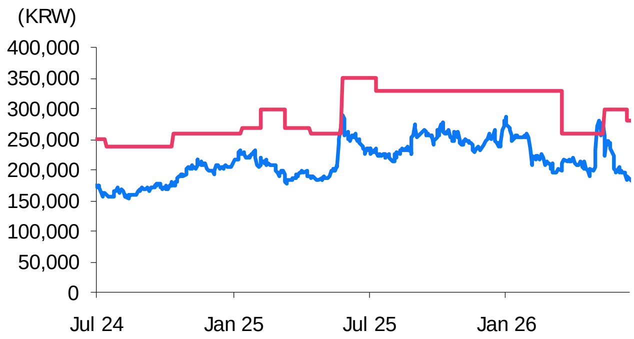
Target price changes in past two years

Naver



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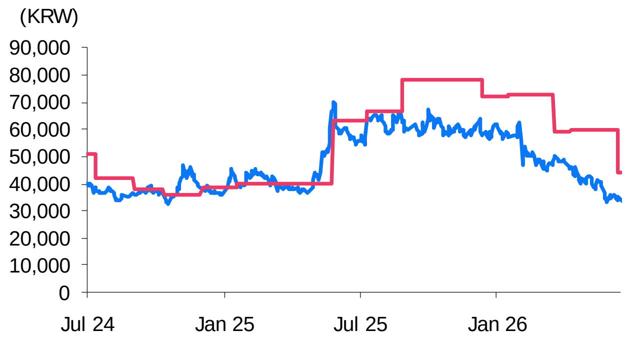
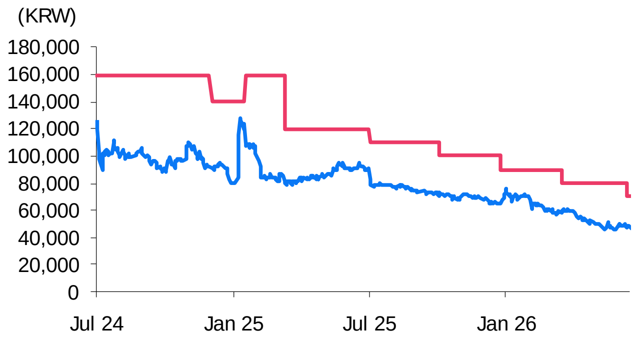


Soop



Rating changes over past two years (adjusted share prices)

Naver

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)**	

Kakao

Date	2024/7/12	8/9	9/30	11/8	12/30	2025/2/14	6/23	8/8	9/24	2026/1/9	2/13	4/15
Recommendation	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	BUY	BUY	BUY
Target price (KRW)	51000	42000	38000	36000	39000	40000	63000	67000	78000	72000	73000	59000
Gap* (average)	-22.09	-13.99	-2.04	9.84	-0.25	5.22	-6.72	-6.11	-22.40	-17.97	-30.41	-18.29
(max or min)**	-17.84	-7.86	3.68	29.44	16.15	66.50	-14.13	0.00	-13.21	-13.61	-14.66	-14.24

Date	5/8	7/10
Recommendation	BUY	BUY
Target price (KRW)	60000	44000
Gap* (average)	-34.76	
(max or min)**	-23.42	

Soop

Date	2024/2/16	12/30	2025/2/13	4/8	7/30	10/31	2026/1/22	4/15	7/10
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	160000	140000	160000	120000	110000	100000	90000	80000	70000
Gap* (average)	-31.72	-30.55	-42.81	-27.25	-30.62	-30.96	-27.24	-35.44	
(max or min)**	-14.38	-8.64	-31.88	-20.50	-26.82	-27.60	-16.22	-24.25	

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

OVERWEIGHT Expected to outperform market by 5% or more within 12 months

NEUTRAL Expected to outperform/underperform market by less than 5% within 12 months

UNDERWEIGHT Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.06.30

BUY (85.5%)·HOLD (14.5%)·SELL (0%)

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