

NAVER

(035420 KS)

LINE IPO is just one of many scenarios

Internet

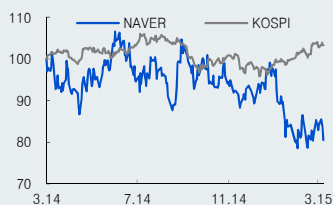
Company Update

April 3, 2015

| | |
|---------------------------|------------------|
| (Maintain) | Buy |
| Target Price (12M, W) | 1,050,000 |
| Share Price (04/02/15, W) | 642,000 |
| Expected Return | 64% |

| | |
|----------------------------|----------|
| OP (15F, Wbn) | 1,046 |
| Consensus OP (15F, Wbn) | 984 |
| EPS Growth (15F, %) | 62.9 |
| Market EPS Growth (15F, %) | 35.0 |
| P/E (15F, x) | 28.4 |
| Market P/E (15F, x) | 10.6 |
| KOSPI | 2,029.07 |
| Market Cap (Wbn) | 21,162 |
| Shares Outstanding (mn) | 33 |
| Free Float (%) | 79.0 |
| Foreign Ownership (%) | 52.8 |
| Beta (12M) | 0.66 |
| 52-Week Low | 626,000 |
| 52-Week High | 849,000 |

| (%) | 1M | 6M | 12M |
|----------|------|-------|-------|
| Absolute | -0.6 | -18.9 | -20.2 |
| Relative | -2.2 | -21.1 | -21.5 |



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LINE's IPO reapplication due to end of fiscal year

Yesterday, several foreign media outlets reported that LINE has refiled for an IPO on the Tokyo Stock Exchange. Two weeks earlier on March 20th, NAVER disclosed that it was considering listing the messaging service, but added that no decisions had yet been made. We believe the latest media reports should be construed in the context of NAVER's recent statement.

NAVER's affirmation that nothing had been decided regarding LINE's IPO suggests that the paperwork was refiled on April 1st in order to renew the original application, which expired at the end of Japan's fiscal year.

LINE IPO would be positive, but indecisiveness would be detrimental

Yesterday's media reports stated that LINE's IPO could be valued at JPY1tr (W9.3tr), well below the W12tr valuation implied in NAVER's current market cap of W21tr (W9tr of which represents the value of the domestic search business).

However, we believe the JPY1tr number reflects the Japanese media's generally conservative attitude towards unverifiable statements.

NAVER management has said that the objectives of a LINE IPO would be 1) to secure funds to better compete with global peers, and 2) raise the mobile messaging app's profile. In our view, the company is hoping to gain similar effects to Alibaba's NASDAQ listing. As such, we do not think NAVER would risk missing out on the potentially huge opportunity and settle on an IPO price below the app's current market value.

Retain Buy and TP of W1,050,000

Japanese internet firms trade at relatively low multiples, not because investors lack interest in the country's growth stocks, but because many of their businesses are maturing. During their high growth periods, internet firms like Yahoo Japan, Nintendo, and DeNA enjoyed high premiums, trading at P/E's of 50-100x.

If LINE does go public in 2015, we believe worries over the app's growth (which surfaced in 4Q14) will need to be addressed in order for the IPO to be a success. In other words, NAVER will have to prove its confidence in LINE's growth in its 1Q15 earnings release set in late April.

In 2014, LINE generated gross revenue of W1.23tr (net revenue of W758.6bn), LINE Corp. recorded net profit of W125.8bn, and LINE Plus posted a net loss of W72.3bn. For 1Q15, we expect LINE's net revenue to grow 9.4% QoQ to W242.7bn.

If LINE's earnings do not meet or exceed expectations in 1Q, or fail to surprise in either 2Q or 3Q, the messaging app's market debut could fizzle. We reiterate our Buy rating on NAVER with a target price of W1,050,000.

| FY (Dec.) | 12/11 | 12/12 | 12/13 | 12/14 | 12/15F | 12/16F |
|---------------|-------|--------|--------|--------|--------|--------|
| Revenue (Wbn) | 2,121 | 1,799 | 2,312 | 2,762 | 3,321 | 3,794 |
| OP (Wbn) | 660 | 521 | 524 | 761 | 1,046 | 1,292 |
| OP margin (%) | 31.1 | 29.0 | 22.7 | 27.6 | 31.5 | 34.1 |
| NP (Wbn) | 450 | 546 | 1,897 | 457 | 745 | 911 |
| EPS (W) | 9,350 | 11,346 | 45,425 | 13,868 | 22,587 | 27,648 |
| ROE (%) | 30.6 | 31.4 | 112.7 | 27.1 | 32.8 | 29.6 |
| P/E (x) | 22.4 | 19.9 | 15.9 | 51.3 | 28.4 | 23.2 |
| P/B (x) | 4.2 | 3.8 | 11.3 | 9.2 | 6.5 | 5.1 |

Notes: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
Source: Company data, KDB Daewoo Securities Research estimates

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PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

Figure 1. Nikkei news article on LINE IPO

April 2, 2015 2:00 am JST

Second-time lucky?

Line reapplies to list on Tokyo bourse

TOKYO -- Messaging app developer Line filed for a second time to go public in Tokyo, with an eye toward an initial public offering as early as this year.

The Japanese company plans to focus on listing on the Tokyo Stock Exchange, but will continue exploring the possibility of going public in the U.S. as well.

Some say Line's market capitalization would top 1 trillion yen (\$8.27 billion), which could make it the country's second-largest IPO this year after Japan Post Holdings.

Line initially planned to go public in 2014, but decided last September to hold off due to disagreements with South Korean parent Naver over the method of listing. The company did not rescind its application at the time, but the filing expired at the end of March.

The company has thrived on income from games and "stamps," or images that can be used in messages. Its group sales for fiscal 2014 surged 110% to 86.3 billion yen.

(Nikkei)

Source: Nikkei Asian Review, KDB Daewoo Securities Research

Figure 2. Wall Street Journal news article on LINE IPO

12:18 pm KST
Apr 2, 2015 ASIA

Line Refiles Paperwork for IPO, but No Plan to List

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By JONATHAN CHENG and ERIC PFANNER [CONNECT](#)

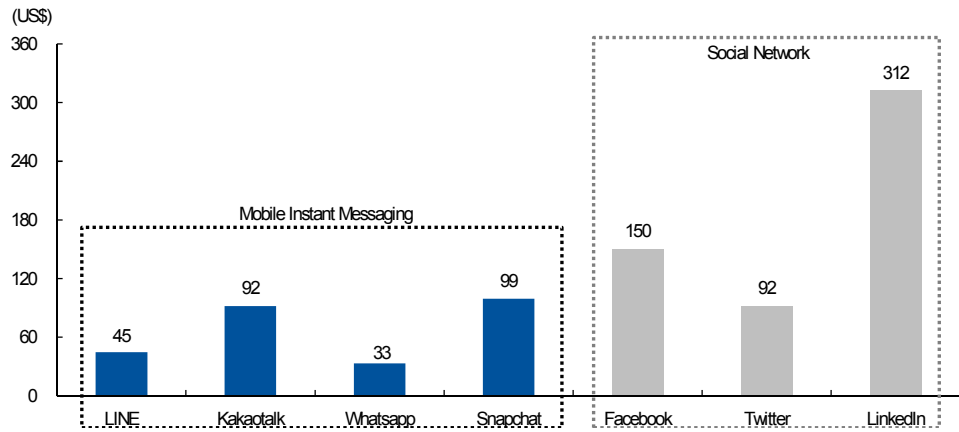
Line Corp., the Japanese operator of a popular smartphone messaging application, has refiled for a possible initial public offering on the Tokyo Stock Exchange, but has no immediate plans for a listing, according to a spokeswoman for its South Korean parent company.

Line filed last year for a possible listing but said in September that it would not go ahead with an IPO. The spokeswoman for the company's owner, Naver Corp., said Thursday that "nothing has changed from last year."

The original application expired at the end of Japan's fiscal year, on Tuesday. By renewing the filing, Line has the paperwork in place, should it decide to revive its IPO plans.

Source: Wall Street Journal, KDB Daewoo Securities Research

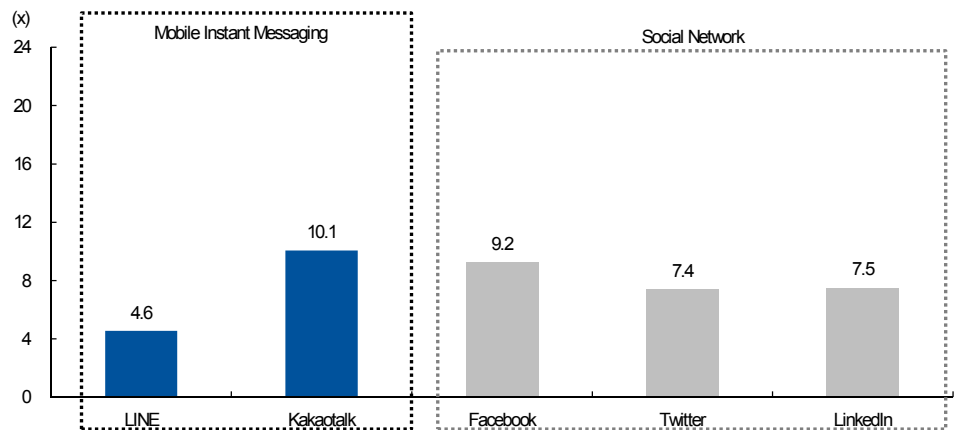
Figure 3. Value of MAU for each mobile messaging and SNS application



Notes: WhatsApp and Snapchat's current value are calculated as acquisition price * Facebook and Alibaba's price increase since the acquisition date, respectively; LINE's and KakaoTalk's values are assumed as JPY1tr (per news reports) and W5tr, respectively

Source: Company data, KDB Daewoo Securities Research

Figure 4. Estimated market cap/revenue of mobile messaging and SNS applications



Source: Company data, KDB Daewoo Securities Research

Table 1. Earnings and forecasts of global internet companies

(US\$mn, %)

| | Market cap | Revenue | | | Operating profit | | | OP margin | | | Net profit | | | Net margin | | | EPS | | |
|---------------|------------|---------|---------|---------|------------------|--------|--------|-----------|-------|-------|------------|--------|--------|------------|-------|-------|------|------|------|
| | | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F |
| NAVER | 19,353 | 2,621 | 2,989 | 3,549 | 720 | 915 | 1,222 | 27.5 | 30.6 | 34.4 | 432 | 664 | 878 | 16.5 | 22.2 | 24.7 | 13.7 | 20.5 | 26.9 |
| Daum Kakao | 5,910 | 474 | 935 | 1,099 | 168 | 238 | 324 | 35.4 | 25.5 | 29.4 | 143 | 188 | 244 | 30.1 | 20.1 | 22.2 | 5.0 | 3.7 | 4.7 |
| Interpark INT | 632 | 387 | 399 | 431 | 16 | 28 | 38 | 4.2 | 7.1 | 8.7 | 10 | 22 | 29 | 2.7 | 5.5 | 6.8 | 0.3 | 0.7 | 0.9 |
| Google | 371,451 | 66,001 | 61,350 | 72,484 | 16,496 | 24,192 | 27,891 | 25.0 | 39.4 | 38.5 | 14,444 | 15,949 | 19,205 | 21.9 | 26.0 | 26.5 | - | 28.6 | 33.0 |
| Yahoo | 41,311 | 4,618 | 4,379 | 4,397 | 143 | 518 | 551 | 3.1 | 11.8 | 12.5 | 7,522 | 569 | 510 | 162.9 | 13.0 | 11.6 | 1.2 | 0.9 | 0.9 |
| Amazon | 171,940 | 88,988 | 102,753 | 120,452 | 178 | 690 | 1,902 | 0.2 | 0.7 | 1.6 | -241 | 129 | 948 | -0.3 | 0.1 | 0.8 | -0.3 | 3.1 | 5.1 |
| Facebook | 229,393 | 12,466 | 17,132 | 22,625 | 4,994 | 8,811 | 11,776 | 40.1 | 51.4 | 52.0 | 2,925 | 2,835 | 4,616 | 23.5 | 16.5 | 20.4 | 1.1 | 1.9 | 2.5 |
| Twitter | 32,696 | 1,403 | 2,372 | 3,600 | -539 | -77 | 254 | -38.4 | -3.2 | 7.1 | -578 | -520 | -269 | -41.2 | -21.9 | -7.5 | -1.0 | 0.4 | 0.8 |
| LinkedIn | 31,069 | 2,219 | 2,980 | 3,878 | 36 | 270 | 453 | 1.6 | 9.1 | 11.7 | -16 | -34 | 111 | -0.7 | -1.2 | 2.9 | -0.1 | 3.0 | 4.2 |
| Groupon | 4,741 | 3,192 | 3,541 | 3,993 | -15 | 55 | 125 | -0.5 | 1.6 | 3.1 | -73 | -18 | 17 | -2.3 | -0.5 | 0.4 | -0.1 | 0.1 | 0.2 |
| Yahoo Japan | 23,052 | 3,857 | 3,522 | 3,730 | 1,971 | 1,645 | 1,715 | 51.1 | 46.7 | 46.0 | 1,249 | 1,089 | 1,112 | 32.4 | 30.9 | 29.8 | 0.2 | 0.2 | 0.2 |
| Rakuten | 23,486 | 5,668 | 5,677 | 6,363 | 1,008 | 1,080 | 1,317 | 17.8 | 19.0 | 20.7 | 669 | 622 | 783 | 11.8 | 11.0 | 12.3 | 0.5 | 0.5 | 0.6 |
| Alibaba | 203,018 | 12,231 | 16,434 | 21,486 | 4,062 | 6,028 | 8,585 | 33.2 | 36.7 | 40.0 | 4,059 | 5,191 | 7,668 | 33.2 | 31.6 | 35.7 | 2.2 | 2.8 | 3.7 |
| Baidu | 74,030 | 7,962 | 11,040 | 14,629 | 2,078 | 2,558 | 3,641 | 26.1 | 23.2 | 24.9 | 2,140 | 2,548 | 3,488 | 26.9 | 23.1 | 23.8 | 6.1 | 7.9 | 10.5 |
| Sohu | 2,070 | 1,673 | 2,050 | 2,416 | -205 | -38 | 43 | -12.3 | -1.9 | 1.8 | -167 | -61 | 4 | -10.0 | -3.0 | 0.1 | -4.2 | -0.8 | 1.6 |
| Sina | 2,148 | 768 | 848 | 987 | -26 | -10 | 50 | -3.4 | -1.1 | 5.1 | 177 | 18 | 69 | 23.0 | 2.1 | 7.0 | 0.8 | 0.6 | 1.5 |
| Youku | 2,463 | 654 | 920 | 1,243 | -149 | -244 | -154 | -22.8 | -26.5 | -12.4 | -144 | -224 | -151 | -22.1 | -24.3 | -12.1 | -0.8 | -0.8 | -0.5 |
| Tencent | 181,112 | 12,811 | 16,041 | 20,306 | 3,832 | 5,880 | 7,532 | 29.9 | 36.7 | 37.1 | 3,865 | 4,830 | 6,210 | 30.2 | 30.1 | 30.6 | 0.3 | 0.5 | 0.7 |
| Average | | | | | | | | 12.1 | 17.0 | 20.1 | | | | 18.8 | 10.1 | 13.1 | | | |

Notes: Based on Bloomberg consensus on Apr. 2nd

Source: Bloomberg, KDB Daewoo Securities Research

Table 2. Valuation comparison of global internet companies

(x, %)

| | Market cap | P/E | | | P/B | | | P/S | | | EV/EBITDA | | | ROE | | | ROA | | |
|---------------|------------|------|-------|------|------|------|------|------|------|------|-----------|------|------|-------|------|------|-------|------|------|
| | | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F | 14 | 15F | 16F |
| NAVER | 19,353 | 44.6 | 28.2 | 21.6 | 10.5 | 8.0 | 5.9 | 6.9 | 6.4 | 5.4 | 22.0 | 17.1 | 13.3 | 27.8 | 32.5 | 31.6 | 14.9 | 19.4 | 20.5 |
| Daum Kakao | 5,910 | 20.7 | 27.1 | 21.4 | 2.6 | 3.5 | 3.1 | 3.3 | 6.2 | 5.3 | - | 18.1 | 14.6 | 10.0 | 19.3 | 20.4 | 8.8 | 15.2 | 16.5 |
| Interpark INT | 632 | 62.4 | 29.2 | 20.8 | 4.5 | 5.2 | 4.3 | 1.7 | 1.6 | 1.5 | 26.9 | 16.0 | 12.2 | 8.5 | 16.1 | 19.5 | 2.7 | 5.9 | 7.7 |
| Google | 371,451 | - | 19.0 | 16.4 | - | 3.0 | 2.5 | - | 6.1 | 5.1 | 13.9 | 10.5 | 9.0 | 15.1 | 16.0 | 16.1 | 11.9 | 12.9 | 13.2 |
| Yahoo | 41,311 | 36.0 | 49.8 | 51.1 | 1.1 | 1.1 | 1.1 | 9.5 | 9.4 | 9.4 | 51.1 | 28.6 | 28.0 | 29.0 | 3.6 | 3.0 | 19.1 | 1.4 | 1.6 |
| Amazon | 171,940 | | 118.4 | 73.1 | 16.0 | 14.6 | 12.2 | 1.9 | 1.7 | 1.4 | 29.0 | 20.3 | 16.6 | -2.4 | 6.8 | 15.7 | -0.5 | 2.1 | 4.0 |
| Facebook | 229,393 | 74.2 | 41.9 | 32.1 | 6.3 | 5.5 | 4.6 | 17.2 | 13.4 | 10.1 | 33.2 | 21.0 | 15.9 | 11.3 | 11.0 | 13.4 | 10.1 | 11.8 | 13.9 |
| Twitter | 32,696 | - | 133.9 | 63.4 | 8.9 | 9.1 | 8.0 | 21.8 | 13.8 | 9.1 | - | 52.3 | 29.4 | -17.6 | -3.0 | 5.2 | -12.9 | -3.0 | 2.8 |
| LinkedIn | 31,069 | - | 82.3 | 58.6 | 9.3 | 9.0 | 7.9 | 13.8 | 10.4 | 8.0 | 96.6 | 35.3 | 25.3 | -0.5 | 6.0 | 8.7 | -0.4 | 3.0 | 5.0 |
| Groupon | 4,741 | - | 48.1 | 31.2 | 6.2 | 5.5 | 4.1 | 1.5 | 1.3 | 1.2 | 34.9 | 11.7 | 9.4 | -9.9 | 13.5 | 11.4 | -3.4 | 4.3 | 5.3 |
| Yahoo Japan | 23,052 | 20.9 | 21.1 | 20.7 | 4.0 | 3.8 | 3.3 | 6.7 | 6.5 | 6.2 | - | 10.6 | 10.0 | 20.2 | 19.8 | 17.1 | 15.0 | 14.4 | 13.2 |
| Rakuten | 23,486 | 39.5 | 37.5 | 29.9 | 6.6 | 6.2 | 5.1 | 4.7 | 4.1 | 3.7 | 7.3 | 9.9 | 8.3 | 19.6 | 17.5 | 18.6 | 2.0 | 2.1 | 2.5 |
| Alibaba | 203,018 | 37.6 | 29.4 | 22.0 | 9.1 | 7.3 | 5.5 | 16.6 | 12.3 | 9.4 | 29.1 | 21.9 | 16.5 | 31.9 | 25.5 | 26.3 | 15.8 | 14.7 | 14.8 |
| Baidu | 74,030 | 34.9 | 26.9 | 20.0 | 8.9 | 6.6 | 4.9 | 9.4 | 6.7 | 5.1 | - | 21.8 | 15.5 | 29.3 | 27.4 | 28.5 | 15.5 | 14.4 | 16.4 |
| Sohu | 2,070 | - | - | 34.1 | 1.7 | 1.7 | 1.6 | 1.2 | 1.0 | 0.9 | 525.2 | 16.4 | 8.1 | -15.4 | -3.4 | 3.0 | -5.7 | -2.2 | 0.4 |
| Sina | 2,148 | 42.0 | 50.6 | 20.9 | 1.0 | 0.9 | 0.9 | 2.7 | 2.5 | 2.2 | 74.1 | 21.9 | 8.6 | 10.6 | 2.7 | 5.0 | 5.4 | 1.5 | 3.1 |
| Youku | 2,463 | - | - | - | 1.1 | 1.2 | 1.2 | 3.6 | 2.7 | 2.0 | 41.4 | - | 51.1 | -7.7 | -6.6 | -3.9 | -6.4 | -7.1 | -3.5 |
| Tencent | 181,112 | 57.8 | 36.1 | 27.8 | 14.0 | 10.4 | 7.8 | 14.0 | 11.3 | 8.9 | 34.9 | 26.0 | 20.4 | 27.7 | 31.5 | 30.6 | 13.7 | 18.0 | 18.7 |
| Average | | 42.8 | 48.7 | 33.2 | 6.6 | 5.7 | 4.7 | 8.0 | 6.5 | 5.3 | 72.8 | 21.1 | 17.3 | 10.4 | 13.1 | 15.0 | 5.9 | 7.2 | 8.7 |

Notes: Based on Bloomberg consensus on Apr. 2nd

Source: Bloomberg, KDB Daewoo Securities Research

NAVER (035420 KS/Buy/TP: W1,050,000)

Comprehensive Income Statement (Summarized)

| (Wbn) | 12/13 | 12/14F | 12/15F | 12/16F |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Revenue | 2,312 | 2,762 | 3,321 | 3,794 |
| Cost of Sales | 0 | 0 | 0 | 0 |
| Gross Profit | 2,312 | 2,762 | 3,321 | 3,794 |
| SG&A Expenses | 1,788 | 2,001 | 2,275 | 2,502 |
| Operating Profit (Adj) | 524 | 761 | 1,046 | 1,292 |
| Operating Profit | 524 | 761 | 1,046 | 1,292 |
| Non-Operating Profit | -67 | -90 | -30 | -50 |
| Net Financial Income | 15 | 17 | 31 | 49 |
| Net Gain from Inv in Associates | -2 | 0 | 0 | 0 |
| Pretax Profit | 457 | 671 | 1,016 | 1,242 |
| Income Tax | 131 | 215 | 273 | 332 |
| Profit from Continuing Operations | 326 | 457 | 744 | 910 |
| Profit from Discontinued Operations | 1,569 | 0 | 0 | 0 |
| Net Profit | 1,895 | 457 | 744 | 910 |
| Controlling Interests | 1,897 | 457 | 745 | 911 |
| Non-Controlling Interests | -2 | -1 | -1 | -1 |
| Total Comprehensive Profit | 1,832 | 457 | 744 | 910 |
| Controlling Interests | 1,834 | 457 | 745 | 911 |
| Non-Controlling Interests | -2 | -1 | -1 | -1 |
| EBITDA | 656 | 868 | 1,133 | 1,363 |
| FCF (Free Cash Flow) | 248 | 819 | 1,003 | 1,133 |
| EBITDA Margin (%) | 28.4 | 31.4 | 34.1 | 35.9 |
| Operating Profit Margin (%) | 22.7 | 27.6 | 31.5 | 34.1 |
| Net Profit Margin (%) | 82.1 | 16.5 | 22.4 | 24.0 |

Cash Flows (Summarized)

| (Wbn) | 12/13 | 12/14F | 12/15F | 12/16F |
|--------------------------------|-------------|-------------|--------------|--------------|
| Cash Flows from Op Activities | 628 | 819 | 1,003 | 1,133 |
| Net Profit | 1,895 | 457 | 744 | 910 |
| Non-Cash Income and Expense | -1,162 | 416 | 364 | 390 |
| Depreciation | 116 | 94 | 76 | 62 |
| Amortization | 16 | 13 | 11 | 9 |
| Others | -1,294 | 309 | 277 | 319 |
| Chg in Working Capital | 71 | 139 | 132 | 112 |
| Chg in AR & Other Receivables | -54 | -45 | -56 | -47 |
| Chg in Inventories | 0 | 0 | 0 | 0 |
| Chg in AP & Other Payables | 0 | 0 | 0 | 0 |
| Income Tax Paid | -201 | -215 | -273 | -332 |
| Cash Flows from Inv Activities | -423 | -154 | -191 | -162 |
| Chg in PP&E | -361 | 0 | 0 | 0 |
| Chg in Intangible Assets | -40 | 0 | 0 | 0 |
| Chg in Financial Assets | 458 | -154 | -191 | -162 |
| Others | -480 | 0 | 0 | 0 |
| Cash Flows from Fin Activities | -162 | -178 | -22 | -22 |
| Chg in Financial Liabilities | 22 | -156 | 0 | 0 |
| Chg in Equity | -71 | 0 | 0 | 0 |
| Dividends Paid | -27 | -22 | -22 | -22 |
| Others | -86 | 0 | 0 | 0 |
| Increase (Decrease) in Cash | 40 | 369 | 747 | 907 |
| Beginning Balance | 395 | 435 | 804 | 1,551 |
| Ending Balance | 435 | 804 | 1,551 | 2,458 |

Source: Company data, KDB Daewoo Securities Research estimates

Statement of Financial Condition (Summarized)

| (Wbn) | 12/13 | 12/14F | 12/15F | 12/16F |
|----------------------------------|--------------|--------------|--------------|--------------|
| Current Assets | 1,336 | 1,841 | 2,797 | 3,882 |
| Cash and Cash Equivalents | 435 | 804 | 1,551 | 2,458 |
| AR & Other Receivables | 319 | 342 | 411 | 469 |
| Inventories | 0 | 0 | 0 | 0 |
| Other Current Assets | 582 | 695 | 835 | 955 |
| Non-Current Assets | 1,362 | 1,305 | 1,281 | 1,264 |
| Investments in Associates | 14 | 17 | 20 | 23 |
| Property, Plant and Equipment | 792 | 698 | 622 | 560 |
| Intangible Assets | 134 | 121 | 109 | 100 |
| Total Assets | 2,698 | 3,146 | 4,079 | 5,146 |
| Current Liabilities | 832 | 792 | 934 | 1,056 |
| AP & Other Payables | 156 | 186 | 224 | 256 |
| Short-Term Financial Liabilities | 242 | 86 | 86 | 86 |
| Other Current Liabilities | 434 | 520 | 624 | 714 |
| Non-Current Liabilities | 390 | 445 | 512 | 570 |
| Long-Term Financial Liabilities | 110 | 110 | 110 | 110 |
| Other Non-Current Liabilities | 280 | 335 | 402 | 460 |
| Total Liabilities | 1,222 | 1,236 | 1,447 | 1,625 |
| Controlling Interests | 1,471 | 1,907 | 2,629 | 3,519 |
| Capital Stock | 16 | 16 | 16 | 16 |
| Capital Surplus | 133 | 133 | 133 | 133 |
| Retained Earnings | 4,556 | 4,991 | 5,714 | 6,604 |
| Non-Controlling Interests | 4 | 3 | 3 | 2 |
| Stockholders' Equity | 1,475 | 1,910 | 2,632 | 3,521 |

Forecasts/Valuations (Summarized)

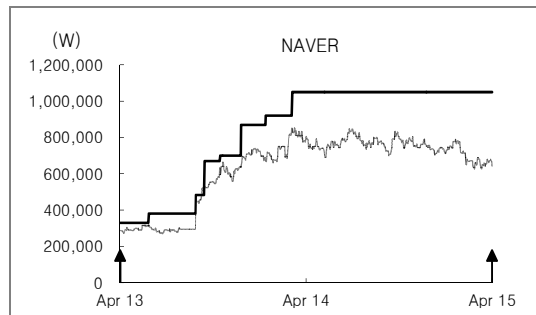
| | 12/13 | 12/14F | 12/15F | 12/16F |
|----------------------------------|--------|--------|--------|---------|
| P/E (x) | 15.9 | 51.3 | 28.4 | 23.2 |
| P/CF (x) | 41.2 | 26.9 | 19.1 | 16.3 |
| P/B (x) | 11.3 | 9.2 | 6.5 | 5.1 |
| EV/EBITDA (x) | 35.4 | 25.6 | 16.8 | 13.2 |
| EPS (W) | 45,425 | 13,868 | 22,587 | 27,648 |
| CFPS (W) | 17,566 | 26,471 | 33,608 | 39,439 |
| BPS (W) | 64,165 | 77,369 | 99,300 | 126,292 |
| DPS (W) | 734 | 734 | 734 | 734 |
| Payout ratio (%) | 1.2 | 4.7 | 2.9 | 2.4 |
| Dividend Yield (%) | 0.1 | 0.1 | 0.1 | 0.1 |
| Revenue Growth (%) | 28.5 | 19.5 | 20.2 | 14.2 |
| EBITDA Growth (%) | 4.5 | 32.3 | 30.5 | 20.3 |
| Operating Profit Growth (%) | 0.6 | 45.2 | 37.5 | 23.5 |
| EPS Growth (%) | 300.4 | -69.5 | 62.9 | 22.4 |
| Accounts Receivable Turnover (x) | 9.8 | 10.9 | 10.9 | 10.7 |
| Inventory Turnover (x) | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts Payable Turnover (x) | 0.0 | 0.0 | 0.0 | 0.0 |
| ROA (%) | 67.4 | 15.6 | 20.6 | 19.7 |
| ROE (%) | 112.7 | 27.1 | 32.8 | 29.6 |
| ROIC (%) | 56.5 | 80.7 | 162.8 | 285.2 |
| Liability to Equity Ratio (%) | 82.9 | 64.7 | 55.0 | 46.2 |
| Current Ratio (%) | 160.5 | 232.5 | 299.4 | 367.8 |
| Net Debt to Equity Ratio (%) | -42.4 | -65.7 | -81.1 | -89.5 |
| Interest Coverage Ratio (x) | 77.5 | 140.1 | 269.1 | 332.6 |

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

| Company (Code) | Date | Rating | Target Price |
|----------------|------------|--------|--------------|
| NAVER(035420) | 03/06/2014 | Buy | 1,050,000 |
| | 01/13/2014 | Buy | 920,000 |
| | 11/26/2013 | Buy | 870,000 |
| | 10/16/2013 | Buy | 700,000 |
| | 09/15/2013 | Buy | 670,000 |
| | 08/29/2013 | Buy | 483,000 |
| | 05/29/2013 | Buy | 382,000 |
| | 03/11/2013 | Buy | 330,000 |



Stock Ratings

Buy : Relative performance of 20% or greater
 Trading Buy : Relative performance of 10% or greater, but with volatility
 Hold : Relative performance of -10% and 10%
 Sell : Relative performance of -10%

Industry Ratings

Overweight : Fundamentals are favorable or improving
 Neutral : Fundamentals are steady without any material changes
 Underweight : Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at Daewoo Securities, we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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