

NAVER

(035420 KS/Buy)

IPO of LINE: Official offering price to be announced on June 27

Details on LINE's IPO

On June 10th, NAVER's board of directors announced that messaging app LINE will list shares on the New York Stock Exchange on July 14th and on the Tokyo Stock Exchange on July 15th.

Shares to be newly issued will represent 20% of existing LINE shares. Based on reported price estimates, the post-IPO market cap of LINE is estimated to reach W7.12-7.28tr. The official offering price will be announced on June 27th (before IPO demand forecasting). After the IPO, NAVER's ownership stake in LINE is estimated to be 72.7-74.3%. Starting today, we recommend that investors keep close tabs on the foreign investment trend.

LINE's market cap is anticipated to increase markedly after listing.

- 1) Reported IPO price estimates have been based on the assumption that all shares will be listed in the Japanese stock market.
- 2) However, 63% of the shares will be listed outside Japan, as Japanese investors are conservative about internet stocks.
- 3) New revenue sources, including timeline ads and LINE News ads, will likely boost valuation during demand forecasting.
- 4) Notably, US internet stocks received high valuations (P/S of around 30x) during their IPOs.

Table 1. LINE's post-IPO market capitalization (mn shares, Wmn)

	Shares	Market cap.	NAVER's stake in LINE	Value of NAVER's stake in LINE
Shares outstanding	175	5,292,458	100.0%	5,292,458
New issues	35	6,350,998	83.3%	
Stock option	26	7,123,022	74.3%	
Greenshoe option	5	7,281,803	72.7%	

Source: Mirae Asset Daewoo Research

Table 2. Recent IPOs of US internet stocks (US\$bn, x)

Metric	Facebook	Twitter	Snapchat
IPO/pre-market valuation	104	14	20
IPO/pre-market revenue	3.70	0.45	0.25-0.35
P/S ratio	28.10	31.70	80.57

Source: fool.com, Mirae Asset Daewoo Research

Table 3. IPO details ('000 shares)

IPO date	Jul. 15 (Japan)	Jul. 14 (US)
Demand forecasting	6/28 - 7/8	Japan
	6/27 - 7/8	US
New issues	35,000	
For investors (ex-Japan)	22,000	
For investors (Japan)	13,000	
Employees' holdings	650	For LINE Corp. employees' welfare
Greenshoe option	5,250	At a maximum
Shares outstanding	174,992	100% held by NAVER

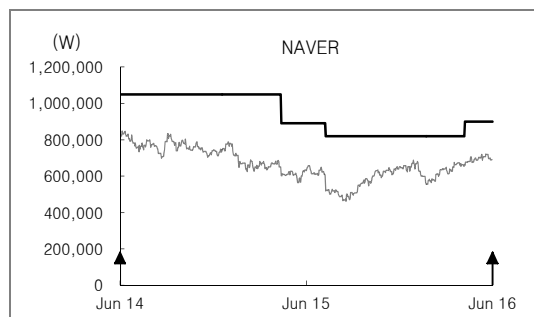
Source: Company data, Mirae Asset Daewoo Research

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
NAVER(035420)	04/28/2016	Buy	900,000
	07/30/2015	Buy	820,000
	05/04/2015	Buy	890,000
	06/20/2014	Buy	1,050,000



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 Mirae Asset Daewoo Co. Ltd., 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.

Equity Ratings Distribution

Buy	Trading Buy	Hold	Sell
68.29%	17.56%	14.15%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2016)

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