

Internet

Company Report
December 18, 2017

(Downgrade) **Trading Buy**

Target Price (12M, W) ▼ **170,000**

Share Price (12/15/17, W) **142,500**

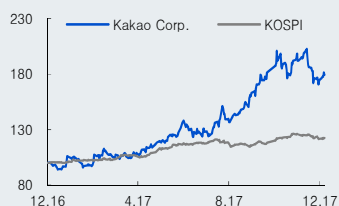
Expected Return **19%**

OP (17F, Wbn) 177
Consensus OP (17F, Wbn) 184

EPS Growth (17F, %) 108.1
Market EPS Growth (17F, %) 45.6
P/E (17F, x) 78.4
Market P/E (17F, x) 10.2
KOSPI 2,482.07

Market Cap (Wbn) 9,675
Shares Outstanding (mn) 68
Free Float (%) 59.9
Foreign Ownership (%) 22.1
Beta (12M) 0.79
52-Week Low 74,800
52-Week High 161,000

(%)	1M	6M	12M
Absolute	-7.5	35.1	82.5
Relative	-6.1	28.5	49.7



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[Internet/Game/Advertising]

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Kakao Corp.

(035720 KS)

New shares to be issued for future investments

US\$1bn-worth of new shares/GDRs to be issued to fund global content /platform/AI investments

On December 15th, Kakao announced its decision to issue US\$1bn-worth of new shares/global depositary receipts (GDRs). The GDRs will be listed on the Singapore Exchange.

Purpose: Kakao plans to spend US\$900mn of the proceeds on M&As and investments in mobile-focused global content and platform companies and the remaining US\$100mn on Industry 4.0-related companies and technologies (AI, etc.). We believe that foreign companies that have the potential to create synergies with Kakao and have demonstrated growth and profitability will be key targets.

Schedule: Kakao will hold an overseas roadshow and start the book-building process on January 8th, 2018. The price and number of new shares (underlying shares of the GDRs) to be issued will likely be confirmed sometime in January. The new shares are set to be listed on the Korea Exchange on February 1st, while the GDRs are expected to be listed on the Singapore Exchange on February 2nd.

Background: As of end-3Q17, Kakao held W516bn in cash assets and W408bn in net debt (parent basis). With the 2016 acquisition of LOEN having increased its debt levels, we believe Kakao had limited financial room to execute large M&As. We also think the company judged that it would be easier to raise such a large amount of cash from foreign institutional investors than from domestic investors, and decided to issue the shares in Singapore-listed GDRs in light of the discount rate and issuance process.

Share dilution in near term, but potential tailwind in medium/long term

Near term: Assuming an offering price of W144,000 per share, around 7.54mn shares will be newly issued, causing a roughly 11% share dilution. Foreign institutional investors may convert the GDRs into the company's shares and trade them in the Korean market. The increase in share count resulting from the new share issue could increase supply pressures. In addition, uncertainties regarding the use of the funds and synergy effects may weigh on the stock until it becomes clear where the company intends to invest the proceeds.

Medium/long term: Once the targets of the company's US\$1bn investment are confirmed, the stock could gain momentum, driven by the removal of uncertainties and expectations on synergy. Looking at the past three-year trend, Kakao's M&A deals were focused on social media and fintech in 2015, music (LOEN) and game content in 2016, and AI in 2017. Looking ahead, we think M&As related to global services (one of Kakao's weaknesses) and content platforms (by Kakao Games, which is seeking to go public, and Podotree) would be positively received by the market.

Downgrade to Trading Buy and lower TP to W170,000

We downgrade our rating on Kakao to Trading Buy from Buy and lower our target price to W170,000 (from W190,000) to reflect the near-term share dilution. We plan to revisit our investment opinion on the stock after the price and number of new shares (GDRs) to be issued are confirmed and the company's M&A targets become more visible.

FY (12)	12/14	12/15	12/16	12/17F	12/18F	12/19F
Revenue (Wbn)	499	932	1,464	1,961	2,244	2,382
OP (Wbn)	176	89	116	177	236	257
OP margin (%)	35.3	9.5	7.9	9.0	10.5	10.8
NP (Wbn)	150	76	58	123	139	152
EPS (W)	6,116	1,269	874	1,818	2,040	2,241
ROE (%)	11.4	3.0	1.9	3.3	3.4	3.6
P/E (x)	20.2	91.2	88.1	78.4	69.8	63.6
P/B (x)	2.9	2.7	1.5	2.4	2.3	2.3
Dividend yield (%)	0.1	0.1	0.2	0.1	0.2	0.2

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

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New share/GDR issue overview

1. GDR issue can be seen as private placement to foreign investors

On December 15th, Kakao announced its decision to issue US\$1bn-worth of GDRs, which will be listed on the Singapore Exchange. The company plans to spend US\$900mn of the proceeds on M&As and investments in mobile-focused global content and platform companies and the remaining US\$100mn on Industry 4.0-related companies and technologies (AI, etc.).

Table 1. Kakao GDR schedule

Date	Notes
Dec. 18, 2017	Registration statement takes effect
Jan. 8, 2018	Road show and GDR book building begins
Jan. 17, 2018	Book building ends
Jan. 18, 2018	Subscription begins
Jan. 23, 2018	Subscription ends and purchase contracts are signed
Jan. 24, 2018	Payment of subscription money
Jan. 25, 2018	New shares take effect and are registered
Feb. 1, 2018	New shares are listed on the KRX
Feb. 2, 2018	GDRs are listed on the SGX

Source: Company data, FSS, Mirae Asset Daewoo Research

Table 2. Kakao's GDR issue assumptions: Details to be confirmed in January 2018

Item	Details
No. of new shares to be issued	7,546,520 shares
Assumed price of new shares to be issued	W144,000
Total price of new shares to be issued	W1,087bn
No. of outstanding shares (current)	67,908,527 shares
No. of shares to be issued/outstanding shares	11%
Face value per share	W500
Total outstanding shares after offering	75,455,047 shares

Note: Price, total price, and no. of shares to be issued will be confirmed later in the GDR issue process, based on book-building results; assumed price of new shares to be issued is based on Dec. 14th closing price; total price of shares to be issued expected to be US\$1bn
Source: Company data, FSS, Mirae Asset Daewoo Research estimates

Table 3. Purpose of the issuance of new shares and GDRs

(US\$m)

Item		Investments	Notes
M&As and investments in mobile-focused global content and platform companies		900	<ul style="list-style-type: none"> - Target year: 2018 (subject to change, depending on M&A targets available on the market) - Region: Japan, China, and North America - M&A decisions to be made in consideration of profitability, growth potential, synergies, and shareholder value maximization
Global content	Companies with superior content, such as games, video content, webtoons, etc., and those with outstanding development capabilities		
Global platform	Platform companies that display steady subscriber growth		
Investments in Industry 4.0-related companies and technologies (AI, etc.)		100	<ul style="list-style-type: none"> - Target year: 2018-19 (subject to change depending on the company's strategy) - Region: Korea, China, and North America
AI-related companies and technologies	Source technologies and talents related to reinforcement learning, unsupervised learning, and neural network learning		
Other Industry 4.0-related companies and technologies	Internet of things (IoT), robots, and autonomous driving		
Total		1,000	

Source: Company data, FSS, Mirae Asset Daewoo Research estimates

2. Financial analysis

As of end-3Q17, Kakao held W516bn in cash assets and W408bn in net debt (parent basis). With the 2016 acquisition of LOEN having increased its debt levels, we believe Kakao had limited financial room to execute large M&As.

We also think the company judged that it would be easier to raise such a large amount of cash from foreign institutional investors than from domestic investors, and decided to issue the shares in Singapore-listed GDRs in light of the discount rate and issuance process.

Table 4. Kakao's debt

(Wbn)

	2014	2015	2016	3Q17
Total debt	0	200	971	923
Short-term	0	0	200	357
Long-term	0	200	771	567
Cash and cash equivalents	566	553	316	516
Net debt	-565	-353	654	408

Note: Based on non-consolidated K-IFRS; in January 2017, the company repaid W50bn in short-term debt with its cash

Source: Company data, Korea Ratings, Mirae Asset Daewoo Research estimates

Table 5. Kakao's cash flow

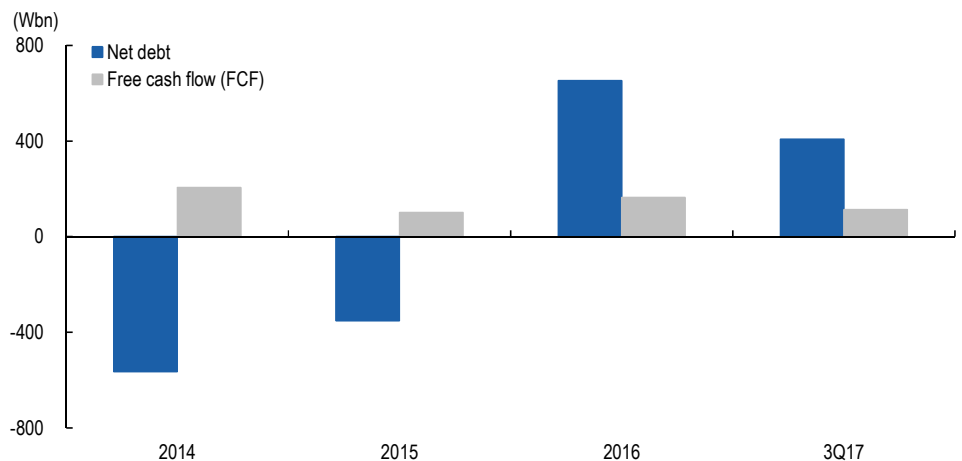
(Wbn)

	2014	2015	2016	3Q17
Cash flow from operations	221	184	132	212
Working capital	-6	-5	-90	44
Net cash flow from operations	227	189	222	169
Free cash flow	205	101	164	114
Internal cash flow	336	-415	-715	192
Available cash flow	372	-401	-705	189

Note: Based on non-consolidated K-IFRS

Source: Company data, Korea Ratings, Mirae Asset Daewoo Research estimates

Figure 1. Kakao's net debt and free cash flow



Source: Company data, Korea Ratings, Mirae Asset Daewoo Research

3. M&A trend

Looking at the past three-year trend, Kakao's M&A deals were focused on social media and fintech in 2015, music (LOEN) and game content in 2016, and AI in 2017.

Looking ahead, we think M&As related to global services (one of Kakao's weaknesses) and content platforms (by Kakao Games, which is seeking to go public, and Podotree) would be positively received by the market.

Table 6. Kakao's investments and cash utilization over past three years (Wbn)

Time	M&A or investment target	Amount
Jan. 2015	Kisnote (provider of communication application for kindergarten teachers and parents)	Undisclosed
Mar. 2015	K Cube Ventures	5.6
May 2015	Loc & All, operator of smartphone navigation application, Gookmin Navi Kim Kisa	62.6
May 2015	Path & Path Talk (social media platform)	Undisclosed
Jul. 2015	Podotree, operator of Kakao Page (transfer of stake held by Kakao Chairman Kim Beom-su)	19.2
Sep. 2015	Dunamu (fintech start-up)	3.0
Nov. 2015	Consortium investment in Kakaobank	30.0
Mar. 2016	LOEN, operator of music streaming service, Melon	1,877.5
Feb. 2016	Parking Square, operator of parking app, Park Here	5.6
Apr. 2016	Oscar Entertainment (MCN)	2.0
Mar. 2016	NAVIRO (Loc & All's Japanese joint venture)	4.4
Mar. 2016	Longtu Korea (game developer)	5.0
Jun. 2016	Peoplug (mobile game developer)	1.4
Jun. 2016	Roi Games (mobile game developer)	6.0
Jul. 2016	Shift Up (developer of mobile game, Destiny Child; by Kakao Growth-Sharing Game Fund)	Undisclosed
Jul. 2016	CNT Tech (order-processing platform operator; 20% stake)	5.0
Sep. 2016	Numberworks (big data analysis start-up)	6.6
Oct. 2016	Bluepin (child education content developer)	8.0
Jan. 2017	Neptune (game developer/publisher, which invested W5bn in Bluehole Studio; by Kakao Games and Kakao Growth-Sharing Game Fund)	10.0
Jan. 2017	* Partial repayment of short-term debt with cash holdings	50.0
Feb. 2017	Codesquad (education software developer; by K Cube Ventures)	0.4
Mar. 2017	Perseus (connected car security solution developer; by K Cube Ventures)	0.7
Apr. 2017	Intelon Optics (developer of biomechanics imaging technology for the eyes; by K Cube Ventures)	0.5
May 2017	SkelterLabs (AI start-up; by K Cube Ventures and Kakao Brain)	Undisclosed
May 2017	Exo Systems (wearable rehabilitation solution developer; by K Cube Ventures)	0.3
Jun. 2017	Lablup (AI big data solution developer; by K Cube Ventures and Stonebridge Capital)	2.0
Jun. 2017	Luxrobo (robot module platform developer; by Kakao Investment)	4.0
Aug. 2017	Kakaobank's additional rights issue	50.0
Aug. 2017	Torooc (home robot developer; by K Cube Ventures and Kakao Brain)	Undisclosed
Aug. 2017	DeepValidation (AI start-up; joint investment by K Cube Ventures, GS Home Shopping, and D. Camp)	0.4
Oct. 2017	Korea Credit Data (operator of Cash Note)	4.0
Nov. 2017	Cochlear.ai (audio analysis AI start-up; by Kakao Investment)	0.3

Note: Major known investment deals; total investment value for joint investment; K Cube Ventures and Kakao Brain are Kakao's wholly-owned subsidiaries

Source: Media reports, Mirae Asset Daewoo Research

Earnings forecasts and variables

4Q typically strong season for ads; Kakao Games to go public in 2018

In 4Q, Kakao's advertising business has been enjoying seasonally strong demand, while garnering growing attention from advertisers, thanks to its November launch of a new ad platform. In the game space, effects of the new mobile RPG Onmyoji have been dwindling, while revenue from publishing PlayerUnknown's Battlegrounds is projected to show a QoQ decline for 4Q, dragged down by hefty promotional expenses.

We expect Kakao to deliver double-digit revenue growth for 2018. Key earnings variables include mobile ad market growth (in the ad segment), new game launches, IPOs, and Podotree's move to strengthen its business model (content).

Table 7. Earnings trends and forecasts

(Wbn, %)

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17F	2016	2017F	2018F
Revenue	242	377	391	454	444	468	515	534	1,464	1,961	2,244
1) Ads	129	136	127	141	133	151	151	165	534	601	660
1-1) PC	71	74	62	68	63	70	64	71	275	267	259
1-2) Mobile	58	63	65	74	71	82	88	94	259	334	401
2) Content	92	190	198	222	222	236	261	264	702	984	1,113
2-1) Games	70	78	78	93	80	79	94	87	320	340	408
2-2) Music	3	91	96	107	110	118	122	127	296	477	522
2-3) Other	18	22	24	21	31	41	45	50	85	166	183
3) Other	22	50	66	91	89	81	102	105	228	377	471
Operating profit	21	27	30	38	38	45	47	47	116	177	236
OP margin	8.7	7.1	7.7	8.4	8.6	9.5	9.2	8.7	7.9	9.0	10.5
Net profit	11	13	14	29	54	13	40	33	65	140	157
Net margin	4.5	3.5	3.5	6.5	12.3	2.7	7.7	6.2	4.5	7.1	7.0
YoY											
Revenue	3.5	66.2	70.5	87.8	83.0	24.4	31.7	17.6	57.1	33.9	14.4
1) Ads	-11.1	-12.1	-13.5	-7.9	3.0	11.2	19.4	16.4	-11.1	12.5	9.8
1-1) PC	-22.3	-22.2	-29.3	-23.8	-12.0	-5.3	2.3	4.0	-24.0	-3.0	-3.0
1-2) Mobile	8.2	3.7	10.3	14.1	21.3	30.5	35.7	27.9	8.4	29.0	20.0
2) Content	19.3	215.2	187.2	228.7	142.2	24.1	31.8	19.2	156.5	40.1	13.1
2-1) Games	0.5	45.0	52.7	63.4	14.2	0.5	19.7	-6.6	37.8	6.2	20.0
2-2) Music	42.7	3350.7	1251.9	3100.6	3164.8	30.5	27.7	18.7	1824.7	61.1	9.3
2-3) Other	306.2	469.1	129.7	204.3	74.3	87.5	84.5	131.7	229.9	95.0	10.0
3) Other	76.8	349.1	377.6	337.9	312.2	61.8	55.0	15.5	294.6	65.0	25.0
Operating profit	-47.7	132.8	87.0	84.9	81.8	67.5	56.5	22.0	31.1	52.2	33.6
Net profit	-64.5	-38.0	-7.7	149.2	397.6	-5.6	192.8	12.6	-16.9	113.8	12.5

Notes: Music content revenue includes Loen, acquired in Mar. 2016; other content revenue includes webtoons, web novels, and emoticons; other revenue includes Kakao Friends and O2O (mobility) business; net profit is attributable to controlling and non-controlling interests

Source: Company data, Mirae Asset Daewoo Research estimates

Table 8. Earnings forecast revisions

(Wbn, W, %)

	Previous		Revised		% chg.		Notes
	17F	18F	17F	18F	17F	18F	
Revenue	1,922	2,241	1,961	2,244	2.0	0.1	Raised ad estimates
Operating profit	178	244	177	236	-0.7	-3.2	Raised marketing/labor estimates
Net profit	124	154	140	157	12.9	2.3	Lowered non-operating expenses estimates
EPS	1,769	2,187	1,818	2,040	2.8	-6.7	Revised controlling/non-controlling estimates
OP margin	9.3	10.9	9.0	10.5			
Net margin	6.5	6.9	7.1	7.0			

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling and non-controlling interests; EPS is attributable to controlling interests

Source: Mirae Asset Daewoo Research estimates

Valuation

Table 9. 12-month target price calculation (inclusion of new shares)

(Wbn, x, W)

			Valuation	Notes
Operating value (1)			11,612	
	2018F	Multiple		
Kakao Talk	580	7.6	4,407	Revenue x 2018F average PSR of LINE and Tencent
Daum	451	3.1	1,398	Revenue x 2018F average PSR of Yahoo Japan, and SINA
Kakao Games	408	4.4	1,436	Revenue x PSR of Netmarble Games and NetEase x equity stake (80%)
Kakao Mobility			1,129	TPG valuation x equity stake (69.3%)
Podotree	96	8.0	441	Revenue x China Literature PSR (30% discount) x equity stake (57.6%)
Kakao Pay			350	Alipay's valuation x equity stake (60.9%)
Kakao Friends	33	8.6	281	NP x Aurora's P/E
Loen			2,170	Market cap x equity stake (76.4%)
Investment asset value (2)			307	
Available-for-sale securities			173	As of end-3Q17
Investments in affiliates			135	A of end-3Q17
Total asset value (1+2=3)			11,919	
Net debt (4)			-444	As of end-3Q17 (proceeds from expected capital increases excluded)
Net asset value (3-4)			12,363	
No. of shares ('000 shares)			75,455	Total shares issued (including new shares and treasury shares)
12-month target price			170,000	

Note: For Kakao Mobility, TPG's valuation is based on June 2017 figures; for Kakao Pay, Alipay's valuation is based on February 2017 figures, 2018F earnings are based on our estimates; no. of newly-issued shares assumed to be 7,546,520 shares; no. of newly-issued shares to be confirmed on Jan. 18, 2018
Source: Mirae Asset Daewoo Research

Table 10. Earnings and valuation comparison of major global internet companies

(Wbn, x, %)

Company	Market cap	Revenue		Operating profit		Net profit		P/E		P/B		ROE	
		17F	18F	17F	18F	17F	18F	17F	18F	17F	18F	17F	18F
NAVER	27,821	4,712	5,486	1,253	1,585	848	1,122	33.1	24.9	4.6	3.9	19.9	20.7
Kakao	9,675	1,961	2,244	177	236	140	157	78.4	69.8	2.4	2.3	3.3	3.4
Interpark	316	485	528	28	31	16	18	21.3	18.4	1.8	1.7	8.7	9.4
Alphabet	807,930	96,836	114,603	40,059	48,112	32,060	38,481	24.8	22.0	4.6	3.8	15.3	16.1
Facebook	618,753	192,833	248,548	3,809	7,145	6,173	8,899	100.9	74.6	21.6	15.9	9.6	14.3
Amazon	572,631	43,796	58,362	21,068	24,942	21,173	25,235	27.5	25.5	6.9	5.5	24.3	22.7
eBay	43,647	10,411	11,151	3,053	3,281	2,354	2,510	19.1	17.2	3.9	3.4	19.4	18.4
SNAP	20,655	863	1,410	-887	-942	-813	-868	-	-	6.9	9.9	-33.9	-33.1
Twitter	17,982	2,607	2,768	486	498	327	356	53.6	48.9	3.3	3.2	6.1	5.6
Yahoo Japan	27,910	8,805	9,498	1,884	2,121	1,300	1,449	21.7	19.5	2.8	2.6	13.5	13.7
Rakuten	14,208	9,055	10,051	1,442	1,338	827	768	16.5	17.3	2.0	1.8	12.8	10.7
LINE	10,235	1,676	1,895	279	291	138	147	70.3	61.7	5.8	5.3	9.2	9.2
Tencent	514,881	39,376	54,588	13,923	16,906	10,734	14,044	47.6	36.6	13.2	9.8	31.2	30.1
Alibaba	484,039	40,086	54,596	12,103	16,986	14,244	18,525	33.4	25.9	7.9	6.2	20.0	22.1
Baidu	87,940	13,928	17,114	2,518	3,231	3,205	3,505	27.6	25.4	4.8	4.1	17.3	16.1
JD.com	62,716	59,707	77,777	60	727	809	1,403	78.0	47.2	8.7	7.6	1.8	9.8
Weibo	24,457	1,234	1,821	437	720	416	674	60.7	37.6	20.1	13.2	37.0	39.8
Average								40.9	33.2	7.1	5.9	15.6	16.4

Note: Data for domestic companies are based on Mirae Asset Daewoo Estimates; data for overseas companies are based on consensus, excluded Outliers when calculating average
Source: Bloomberg, Mirae Asset Daewoo Research estimates

Kakao Corp. (035720 KS/Trading Buy/TP: W170,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Revenue	1,464	1,961	2,244	2,382
Cost of Sales	0	0	0	0
Gross Profit	1,464	1,961	2,244	2,382
SG&A Expenses	1,348	1,784	2,007	2,124
Operating Profit (Adj)	116	177	236	257
Operating Profit	116	177	236	257
Non-Operating Profit	-16	-16	-17	-17
Net Financial Income	-5	0	0	0
Net Gain from Inv in Associates	-10	-8	0	0
Pretax Profit	100	161	219	240
Income Tax	35	21	61	67
Profit from Continuing Operations	65	140	157	173
Profit from Discontinued Operations	0	0	0	0
Net Profit	65	140	157	173
Controlling Interests	58	123	139	152
Non-Controlling Interests	8	17	19	21
Total Comprehensive Profit	65	147	157	173
Controlling Interests	58	132	141	155
Non-Controlling Interests	7	15	16	18
EBITDA	230	302	349	360
FCF (Free Cash Flow)	236	156	353	313
EBITDA Margin (%)	15.7	15.4	15.6	15.1
Operating Profit Margin (%)	7.9	9.0	10.5	10.8
Net Profit Margin (%)	4.0	6.3	6.2	6.4

Cash Flows (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Cash Flows from Op Activities	317	214	353	313
Net Profit	65	140	157	173
Non-Cash Income and Expense	155	175	174	169
Depreciation	56	60	48	39
Amortization	58	66	65	64
Others	41	49	61	66
Chg in Working Capital	115	-110	83	37
Chg in AR & Other Receivables	-28	-30	-29	-14
Chg in Inventories	-8	-2	-2	-1
Chg in AP & Other Payables	105	122	16	8
Income Tax Paid	-54	-10	-61	-67
Cash Flows from Inv Activities	-1,000	151	-65	-32
Chg in PP&E	-80	-56	0	0
Chg in Intangible Assets	-24	-17	0	0
Chg in Financial Assets	61	-67	-65	-32
Others	-957	291	0	0
Cash Flows from Fin Activities	924	408	-12	-15
Chg in Financial Liabilities	777	-44	1	1
Chg in Equity	835	448	0	0
Dividends Paid	-11	-19	-14	-16
Others	-677	23	1	0
Increase (Decrease) in Cash	244	766	256	256
Beginning Balance	397	642	1,407	1,664
Ending Balance	642	1,407	1,664	1,919

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Current Assets	1,217	2,084	2,430	2,732
Cash and Cash Equivalents	642	1,407	1,664	1,919
AR & Other Receivables	251	295	330	350
Inventories	13	15	17	18
Other Current Assets	311	367	419	445
Non-Current Assets	4,267	4,268	4,198	4,117
Investments in Associates	117	138	157	167
Property, Plant and Equipment	254	250	202	163
Intangible Assets	3,733	3,687	3,622	3,559
Total Assets	5,484	6,351	6,628	6,849
Current Liabilities	806	868	970	1,020
AP & Other Payables	263	309	354	376
Short-Term Financial Liabilities	211	168	170	171
Other Current Liabilities	332	391	446	473
Non-Current Liabilities	975	1,006	1,036	1,051
Long-Term Financial Liabilities	796	795	795	795
Other Non-Current Liabilities	179	211	241	256
Total Liabilities	1,781	1,873	2,006	2,071
Controlling Interests	3,433	4,004	4,129	4,265
Capital Stock	34	34	34	34
Capital Surplus	3,105	3,553	3,553	3,553
Retained Earnings	304	417	542	678
Non-Controlling Interests	270	474	493	514
Stockholders' Equity	3,703	4,478	4,622	4,779

Forecasts/Valuations (Summarized)

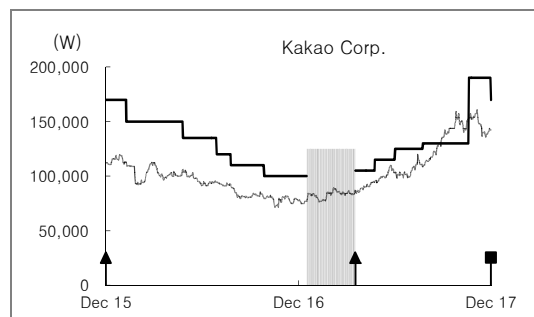
	12/16	12/17F	12/18F	12/19F
P/E (x)	88.1	78.4	69.8	63.6
P/CF (x)	23.1	30.7	29.2	28.3
P/B (x)	1.5	2.4	2.3	2.3
EV/EBITDA (x)	24.3	31.1	26.2	24.7
EPS (W)	874	1,818	2,040	2,241
CFPS (W)	3,339	4,643	4,877	5,041
BPS (W)	50,777	58,982	60,823	62,824
DPS (W)	148	200	240	260
Payout ratio (%)	15.3	9.7	10.4	10.2
Dividend Yield (%)	0.2	0.1	0.2	0.2
Revenue Growth (%)	57.1	33.9	14.4	6.1
EBITDA Growth (%)	40.2	31.3	15.6	3.2
Operating Profit Growth (%)	30.3	52.6	33.3	8.9
EPS Growth (%)	-31.1	108.0	12.2	9.9
Accounts Receivable Turnover (x)	11.1	10.4	10.2	9.9
Inventory Turnover (x)	163.5	143.6	141.8	136.8
Accounts Payable Turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	1.5	2.4	2.4	2.6
ROE (%)	1.9	3.3	3.4	3.6
ROIC (%)	2.6	4.2	5.5	5.8
Liability to Equity Ratio (%)	48.1	41.8	43.4	43.3
Current Ratio (%)	151.0	240.2	250.6	268.0
Net Debt to Equity Ratio (%)	3.3	-16.3	-22.2	-27.3
Interest Coverage Ratio (x)	8.1	0.0	0.0	0.0

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Kakao Corp. (035720)	12/17/2017	Trading Buy	170,000
	11/05/2017	Buy	190,000
	08/10/2017	Buy	130,000
	06/18/2017	Buy	125,000
	05/11/2017	Buy	115,000
	04/04/2017	Buy	105,000
	01/02/2017	No Coverage	
	10/13/2016	Buy	100,000
	08/11/2016	Buy	110,000
	07/15/2016	Buy	120,000
	05/12/2016	Buy	135,000
	01/26/2016	Buy	150,000
	08/16/2015	Buy	170,000



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 & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	74.52%	12.50%	12.98%	0.00%
Investment Banking Services	70.73%	19.51%	9.76%	0.00%

* Based on recommendations in the last 12-months (as of September 30, 2017)

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