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TRADE LENS

Focus on the economics of investing.

COMPANY RESEARCH / No.15

KRX 035420 · Advertising, commerce and AI infrastructure

NAVER's AI Investment Paradox

Why is operating profit falling as revenue grows?

Tracing today's cost growth and the route to future cash returns

+10.7%
Q3 revenue · year on year [1]

−20.9%
Q3 operating profit · year on year [1]

81.9%
Partner + marketing share of cost growth [1]

Growth continued. Costs grew faster.
The test is profit conversion, not the size of AI spending.

Recurring platform income, front-loaded costs and external capital form one economic story.

Analysis date 14 Nov 2026

TRADELENS.KR

Business, profitability, cash flow and capital allocation

01 / RESEARCH VIEW

Costs outran revenue growth

TradeLens view | Separate strategic intent from the economics of today's spending.

Core conclusion

NAVER's issue is not an absence of growth: **costs increased faster than incremental revenue**. Partner and marketing expenses account for about 82% of the cost increase. AI-related spending includes content, payment touchpoints and acquisition—not just GPUs—so each investment needs its own payback test. [1] [2]

01 / Earnings today

Advertising, platform services and payments fund the current business. The relevant outcome is earnings after costs, not activity alone.

02 / Costs incurred first

Compute, content rights and offline terminals have different payback clocks. They cannot all be treated as one-off investment.

03 / Next-stage monetization

About KRW2tn of computing contracts create a future revenue route. Planned phased recognition from H1 2027 is separate from current earnings. [2]

04 / Evidence that changes the view

Recurring growth, stabilizing cost ratios, operating delivery and cash collection would support the front-loaded-investment thesis.

Base case: growth continues; profit recovery is conditional

The existing advertising and service growth base is constructive. However, persistent spending prevents an automatic return to past margins. Test cost conversion in the existing platform first, and evaluate AI factory delivery separately.

02 / EARNINGS BASELINE

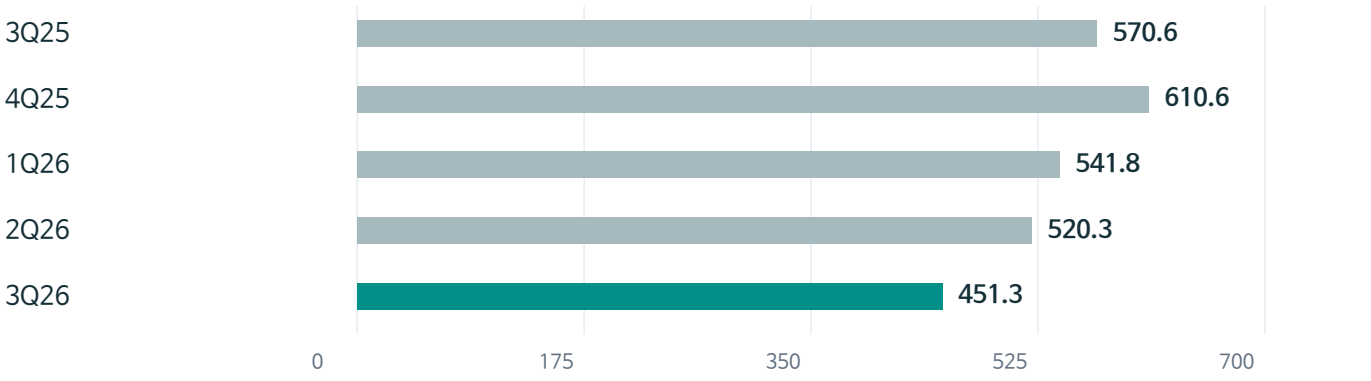
Revenue rose; margin fell to 13.0%

Consolidated quarters on the reclassified comparative basis in company IR.

Quarter	Revenue	Op. costs	Op. profit	Margin
3Q25	3,138.1	2,567.4	570.6	18.2%
4Q25	3,195.1	2,584.4	610.6	19.1%
1Q26	3,241.1	2,699.3	541.8	16.7%
2Q26	3,388.8	2,868.4	520.3	15.4%
3Q26	3,472.4	3,021.1	451.3	13.0%

Unit: KRW bn. Published rounded figures; small reconciliation differences remain. Q3 2026 revenue rose 10.7% and operating profit fell 20.9% year on year. [1]

Quarterly operating profit



Against Q3 2025, revenue increased **KRW334.3bn**, while operating costs rose **KRW453.7bn**. Cost growth of about 17.7% exceeded revenue growth, reducing the reported margin by 5.2 percentage points. [1]

Look at conversion of incremental revenue

A larger business is not automatically a more profitable one. This quarter, the extra cost absorbed more than all of the incremental revenue.

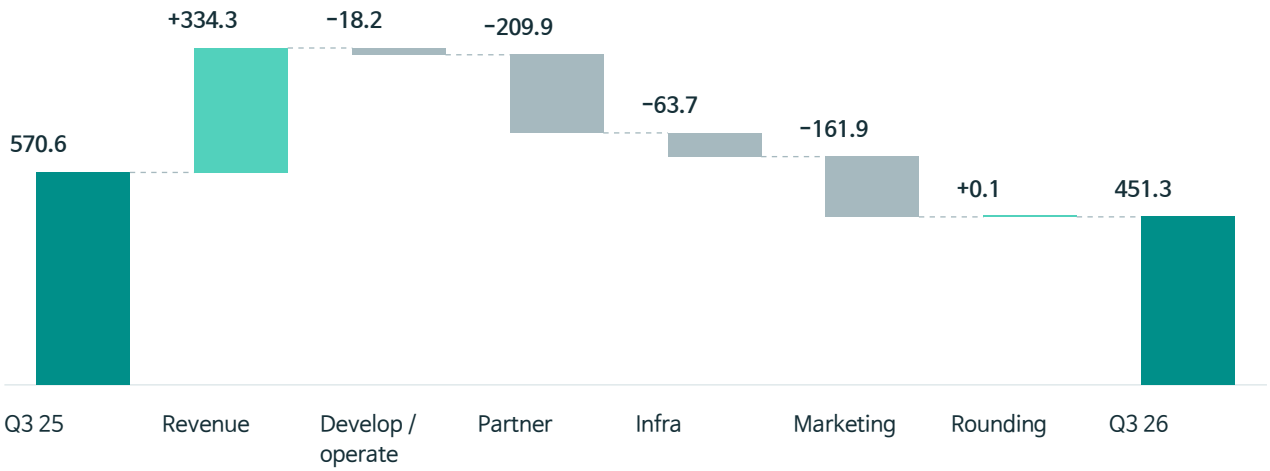
03 / PROFIT BRIDGE

Tracing the KRW119.3bn profit decline

An arithmetic revenue-to-cost bridge, not an allocation of undisclosed causal effects.

Q3 2025 → Q3 2026 operating profit

KRW bn



Operating profit 570.6 + revenue change 334.3 − cost change 453.7 + rounding 0.1 = 451.3 (KRW bn). The residual is not a separate business or expense. [1]

Observation	Calculation	Interpretation
Revenue increase	+KRW334.3bn	Growth remains positive
Cost increase	+KRW453.7bn	About 1.36× incremental revenue
Change in profit / revenue	-35.7%	Period-to-period ratio, not a new-business margin

Growth in partner and marketing expenses is different from depreciation alone. Content supply, merchant touchpoints and promotions may keep rising with users and transactions if their cost base is recurring. [1]

> **TradeLens interpretation**
>
> “Investing in AI” explains the strategy. The earnings explanation must identify the costs, their scale and the route from spending to recurring income.

04 / COST ECONOMICS

Partner and marketing: 82% of the increase

Read the expense categories and explanations together; do not invent project-level AI profit.

Expense	YoY increase	Share	Disclosure / economic test
Partner	209.9	46.3%	Connect terminals; broadcasting rights. Test repeat revenue.
Marketing	161.9	35.7%	Promotions; Connect rollout. Test retention after incentives.
Infrastructure	63.7	14.0%	Compute arrivals; new data-center floors. Test fixed-cost absorption.
Development / operations	18.2	4.0%	People and operations. Test productivity against added costs.

Unit: KRW bn. Share = category increase / total increase of 453.7. Company explanations are examples, not a complete causal allocation. [1]

Cost and profit mix per 100 of revenue



Revenue = 100. Ratios use published amounts; rounded labels may not sum to exactly 100. [1]

One-time buildout or a recurring running cost?

Terminal deployment may precede monetization, while merchant-retention incentives may recur. Content rights may need renewal; compute assets require power, operation and replacement after commissioning. The company positions data and content as foundations of its AI strategy, but stripping out all related spend would create an artificial “normal” profit. [12]

Testing the front-loaded-spending thesis

A slowdown in partner and marketing costs alongside repeat service growth would support payback. If comparable growth keeps requiring comparable subsidies, the elevated cost ratio may be structural.

05 / REVENUE MIX

Revenue growth has more than one source

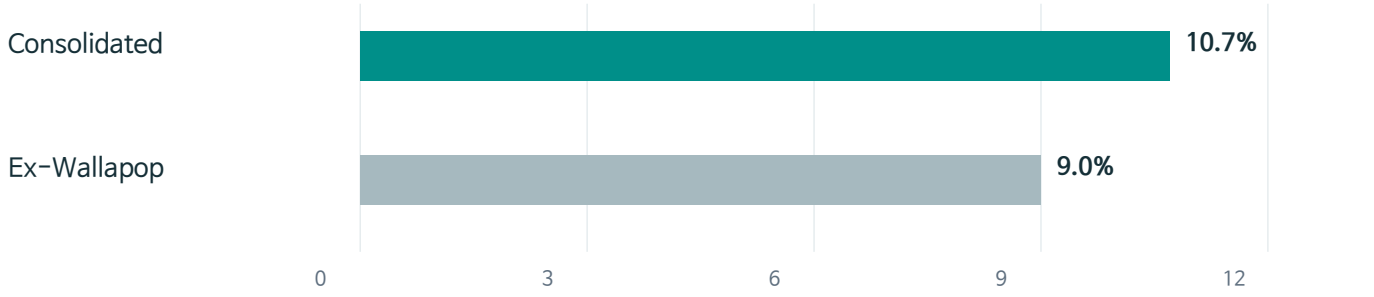
Compare NAVER Platform, Financial Platform and Global Opportunities on a consistent basis.

Revenue category	Q3 25	Q3 26	Change
NAVER Platform	1,816.6	1,948.4	+131.8
Financial Platform	427.3	487.7	+60.4
Global Opportunities	894.1	1,036.4	+142.3
Consolidated revenue	3,138.1	3,472.4	+334.3

Unit: KRW bn. Segment increases sum to 334.5 versus 334.3 consolidated; the 0.2 difference reflects published rounding, not an inferred other business. [1]

Reported growth and growth excluding Wallapop

YoY %



Revenue still grew 9.0% excluding Wallapop, so acquisition scope cannot explain all of the growth. Nor is the full 10.7% a like-for-like expansion of the same businesses. [1]

> **What the mix tells us**
>
> Incremental economics can differ across advertising, payments, content, C2C and enterprise solutions. Multiplying each segment's sales increase by the group margin would not establish its profit contribution.

06 / CORE PLATFORM

Turning AI activity into net earnings

Distinguish current advertising / service growth from later product and logistics plans.

Platform revenue	Q3 26	YoY	Economic test
Advertising	1,474.8	+5.5%	Advertiser returns, realized pricing and inference cost
Services	473.6	+13.1%	Revenue from transactions, fees and subscriptions after costs

Unit: KRW bn. Services is the company's revenue category, not payment or transaction volume. [1]

Discovery
User utility
→
Commercial action
Ad / purchase conversion
→
Realized income
Fees / ad revenue
→
Residual profit
Less compute / incentives

The 5 November N Ads update creates a route to more automated campaign operations. Its later announcement cannot explain Q3 growth retroactively. Repeat advertiser spending and improved earnings after costs are the relevant evidence. [5]

The proposed logistics subsidiary and leased facilities are another investment route. Lower direct construction outlays do not eliminate rent, possible lease liabilities, operating costs or minimum-volume exposure. Actual accounting depends on the contracts. [2] [11]

TradeLens interpretation

AI improvements can leverage an existing search and commerce user base. Engagement alone misses the income left after inference and promotional costs.

07 / PAYMENTS & ACQUISITION

Payment growth is not terminal payback

Assess strategic offline data alongside the economics of each merchant relationship.

KRW26.2tn / +15.6%

Q3 Npay payment volume. External payment volume grew 21.8%. [2]

KRW487.7bn / +14.1%

Financial Platform revenue. Its growth rate differs from payment volume. [1]

Dividing Financial Platform revenue by total payment volume does not establish a payment take rate. Revenue scope and settlement / partner terms differ across transaction types. Customer settlement funds must also be distinguished from cash freely allocable by the parent.

The March Retail & Insight partnership opens a route to about 4,000 affiliated marts; it does not prove installation or active use at every site. The H1 2027 goal of leading in active terminal units is a company target, not a current result. [6] [2]

Illustrative merchant model	Base	Higher retention cost
Initial acquisition cost	100	100
Monthly income / running cost	12 / 8	12 / 10
Net contribution / simple payback	4 / 25 months	2 / 50 months

Arbitrary monetary units. Payback = 100 / monthly contribution. Excludes churn, tax and discounting; these are not NAVER's terminal prices or margins.

Contribution after retention, not installations alone

Active merchant transactions must generate enough income after incentives to recover acquisition cost. That is the economic test of the offline data strategy.

08 / GLOBAL OPPORTUNITIES

Global growth is not all AI growth

Separate the growth drivers and cost structures of C2C, content and enterprise.

Global revenue	Q3 25	Q3 26	YoY
C2C	250.6	370.4	+47.8%
Content	498.2	472.6	−5.1%
Enterprise	145.3	193.3	+33.0%

Unit: KRW bn. Company's reclassified basis; minor aggregation differences reflect rounding. [1]

C2C: consolidation scope and marketplace activity

Wallapop consolidation and activity at Poshmark and SODA supported growth. Yet C2C revenue fell 6.9% sequentially. Assess repeat transactions and acquisition costs together, and separate the 2025 strategic acquisition announcement from 2026 consolidated results. [2] [7] [1]

Enterprise: current projects versus future compute contracts

Enterprise growth of 33.0% includes progress in current businesses such as Saudi digital-twin projects. The AI factory contracts announced in November are neither a cause of Q3 revenue nor Q3 recognized sales. [2]

> **The test of diversification**
>
> Offsetting content weakness with C2C and enterprise growth is constructive for sales. But aggregate growth does not reveal the efficiency of costs and capital across different business models.

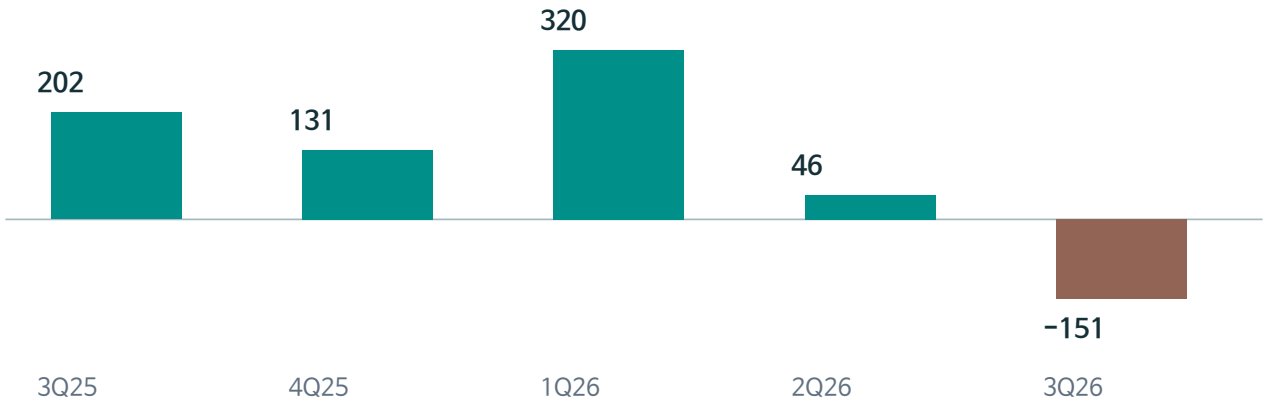
09 / CASH CONVERSION

Company-defined FCF turned negative

Separate the company's post-investment metric from statutory cash flows.

Company-defined quarterly FCF

KRW bn



Company-defined FCF = operating profit + non-cash expenses − CapEx − cash taxes. It is not statutory operating cash flow less CapEx and does not capture working-capital effects in the same way. [1] [9]

End-Q3 2026 measure	Amount	Scope
Consolidated cash / short-term instruments	7,710.3	Group-wide; not parent cash
Parent cash / short-term instruments	2,421.6	Separate parent statements
Company-defined net cash	1,974.9	Company formula, including exclusion of Financial cash

Unit: KRW bn. Net cash follows the IR definition; it is not the first row minus debt alone. [1]

Q3 FCF of -KRW151bn signals investment pressure, not immediate insolvency. The quarterly company figures sum to +KRW215bn for January - September. This remains a same-formula reference sum—not statutory cash flow or distributable cash. [1]

The cash recovery test

Look beyond earnings to cash after asset purchases, taxes, working capital and lease principal. Funding capacity can buy time for returns; it cannot replace them.

10 / AI FACTORY EXECUTION

Infrastructure and sales contracts are different

Do not combine different currencies, scopes and timelines into one backlog figure.

Announcement / stage	Disclosed terms	Earnings interpretation
8 Jun 2026	Gigawatt-scale AI factory initiative [4]	Strategic direction and expansion plan
27 Oct 2026	Infrastructure agreement up to US$9bn [3]	Asset / financing framework, not current sales
12 Nov 2026	About KRW2tn of computing-service contracts [2]	Monetization depends on future delivery
From H1 2027	Initial 55MW and phased revenue plan [3] [2]	Execution schedule, not completed results

Contract
Customer / price / term
→
Ready assets
Power / GPU / network
→
Delivery
Usage / acceptance
→
Collection
Bill / collect / renew

The company targets 200MW in 2028 and 1GW over the longer term. These are capacity plans, not paid usage or revenue. Undisclosed customer prices, utilization and margins cannot be extrapolated across planned capacity. [3]

> **A route to growth exists; returns depend on execution.**
>
> Initial customer contracts strengthen the demand evidence. Delivery timing, acceptance, repricing and unused-capacity exposure still determine how sales translate into cash for shareholders.

11 / CAPITAL & CONSOLIDATION

External capital does not erase group costs

Ownership, control, consolidated earnings and guarantees answer different questions.

Brookfield
100% of Asset Co. equity

→

Asset Co.
GPU / data-center assets

→

NAVER Cloud
Compute use / client service

The 27 October announcement states that externally owned Asset Co. is expected to be consolidated by NAVER on the basis of control. Equity ownership and consolidation are not the same test. [3] [10]

Dimension	Economic meaning
Initial funding	External capital funds assets; this is not the same as NAVER paying the full amount upfront.
Consolidated earnings	Intragroup charges are eliminated. Depreciation, operating costs and outside capital claims remain subject to contract and accounting.
Payment guarantee	Usage payments are guaranteed for up to eight years. This is neither immediate full cash outflow nor zero risk.

Based on the announced structure. Non-controlling interests, financial liabilities, leases and cash allocation depend on actual terms and later disclosures. [3] [10] [11]

TradeLens view: funding is shared; downside is not deleted

Scale can improve funding efficiency, but weak utilization or pricing can still burden consolidated earnings, guarantees and shareholder cash. Group profit and the parent shareholders' economic share must also be separated.

12 / UTILIZATION & UNIT ECONOMICS

Price and utilization determine the economics

Illustrative computing business. These are not NAVER's contract prices, costs or margins.

Model assumptions

Full-capacity volume is 1 and the price is 100. At utilization u, revenue = price × u; volume-linked cost = 35 × u; external revenue share = 20% of revenue; fixed cost = 30. Operating result = u × (0.8 × price − 35) − 30.

Utilization	Profit at 100	Profit at 90	Interpretation
50%	−7.5	−11.5	Fixed burden not covered
70%	+1.5	−4.1	A price decline erases profit
90%	+10.5	+3.3	High utilization remains price-sensitive

Break-even utilization	Price 100	Price 90
30 / (0.8 × price − 35)	66.7%	81.1%

Arbitrary units in a standalone model of external economic costs after intragroup eliminations. The 20% share is not a Brookfield term. Excludes tax, financing, initial capital recovery and technology replacement.

Initial customer commitments improve potential utilization but do not remove fixed burdens. Price competition raises the utilization needed for the same capacity. Spare capacity required to meet service levels also has a cost.

The economic validation point

Paid usage, realized prices, running costs and renewal terms matter more than installed MW. Expansion improves capital efficiency when monetization keeps pace.

13 / PROFIT RECOVERY TEST

A KRW2tn contract is not instant profit repair

An illustration linking contract value, period revenue and incremental contribution.

Assumed incremental contribution margin	Quarterly revenue needed to offset the profit decline
20%	KRW596.5bn
30%	KRW397.7bn
40%	KRW298.3bn

YoY Q3 profit decline of KRW119.3bn / contribution margin, holding other businesses and fixed costs constant. Not a company revenue target or project-margin estimate. [1]

Hypothetical term for KRW2tn	Annual revenue	Quarterly contribution at 20%	Gap covered
3 years	KRW666.7bn	KRW33.3bn	27.9%
5 years	KRW400.0bn	KRW20.0bn	16.8%
7 years	KRW285.7bn	KRW14.3bn	12.0%

KRW2tn is the announced scale; terms, even recognition and the 20% contribution margin are all assumptions. These are not actual duration, returns or quarterly sales; acceptance, ramp-up and repricing are excluded. [2]

One future contract cannot by itself explain away the current decline. Even with successful monetization, a faster group-margin recovery requires stabilizing partner, marketing and infrastructure burdens in the existing business.

> **Decision criterion**
>
> Contract value is evidence of a growth route. Profit recovery must be judged using the recognition schedule and the contribution that actually remains.

14 / OUTLOOK & MONITORING

Recovery needs both platform and new returns

State the base case and the evidence that would strengthen or change it.

Path	Evidence to watch	Economic implication
Base: selective recovery	Advertising / services grow; cost growth eases; AI delivery ramps	Revenue gradually converts to earnings
Upside: payback broadens	Lower retention cost, payment monetization and paid compute usage	Contribution improves in old and new businesses
Downside: persistent costs	Incentive dependence, inference costs, weak utilization / delays	Growth coexists with weak margin and cash pressure

Next evidence	Key question
Quarterly revenue / cost	Do partner / marketing ratios improve alongside platform net income?
Active merchants / retention	Do repeat transactions generate income after rewards?
AI contracts / consolidation / cash	Are delivery, collection, outside capital claims and guarantees transparent?

The April issue of US$500m five-year and EUR500m seven-year green bonds is historical evidence of funding access. Do not add these proceeds again to Q3 cash or treat issuance as proof of future profitability. [8]

Final view

NAVER's existing revenue base is growing. But an AI label alone does not justify rising costs. Near-term platform cost conversion and medium-term paid compute utilization and shareholder cash determine the quality of recovery.

15 / SOURCE REGISTER

Linking the analysis to issuer sources

Teal reference numbers, titles and Open source links lead directly to the original material.

01. NAVER | Q3 2026 earnings presentation

Open source

2026.11.12 · Issuer IR · Earnings, expenses, cash/debt and company-defined FCF

02. NAVER | Q3 results and AI / commerce plans

Open source

2026.11.12 · Issuer release · KRW2tn contracts, logistics subsidiary and AI agent plans

03. NAVER | Brookfield computing-infrastructure agreement

Open source

2026.10.27 · Issuer release · Asset Co., up to US$9bn, consolidation and guarantee

04. NAVER | Gigawatt-scale AI factory partnership

Open source

2026.06.08 · Company plan · Initial 55MW from 2027; longer-term expansion

05. NAVER | Advertising platform rebranded as N Ads

Open source

2026.11.05 · Service release · AI advertising agents and campaign-operation tools

06. NAVER | Npay Connect partnership with Retail & Insight

Open source

2026.03.11 · Company plan · Terminal rollout for about 4,000 partner marts

Nature of the evidence

Earnings use consolidated quarterly comparisons. Service releases, partnerships and agreements are used at their disclosed stage. Installation targets, aggregate contracts and future commissioning are not substituted for current revenue, profit or cash.

16 / SOURCE REGISTER

Strategy, capital and accounting references

Accounting standards explain principles; they do not determine undisclosed contract-specific treatment.

07. NAVER | Announcement of the Wallapop acquisition

Open source

2025.08.05 · Historical issuer release · European C2C and technology integration

08. NAVER | US-dollar and euro green-bond issuance

Open source

2026.04.15 · Historical financing · US$500m five-year and EUR500m seven-year bonds

09. IFRS Foundation | IAS 7 Statement of Cash Flows

Open source

2026.11.14 as of · Standard overview · Operating, investing and financing cash flows

10. IFRS Foundation | IFRS 10 Consolidated Financial Statements

Open source

2026.11.14 as of · Standard overview · Control-based consolidation; one economic entity

11. IFRS Foundation | IFRS 16 Leases

Open source

2026.11.14 as of · Standard overview · Recognition of right-of-use assets and lease liabilities

12. NAVER | Data and content strategy for the AI era

Open source

2026.05 · Company strategy · Linking differentiated content and data with AI

Scope of analysis

Acquisition and financing releases establish historical events and strategy. Undisclosed prices, costs and customer margins are not estimated. Illustrative models are separate from NAVER earnings forecasts.

17 / METHODOLOGY & USE

Methodology, disclaimer and use

Distinguish disclosed facts, company plans, TradeLens judgment and illustrations.

Item	Basis
Date / scope	14 Nov 2026 · NAVER (KRX 035420). Q3 results released on 12 November and issuer disclosures.
Units / rounding	Korean: KRW100m; English: KRW bn. 1bn = 10 × KRW100m. Rounding residuals are not inferred businesses.
Cash definition	Page 10 FCF / net cash use company definitions, not statutory operating cash flow or free parent cash.
Plans / models	AI commissioning, logistics and terminals retain disclosed status. Assumptions on pages 8, 13 and 14 are not actual terms or forecasts.
Service scope	Business, profitability, cash and capital allocation; no trade recommendations, timing, fair-value / price targets or personalized advice.

Disclaimer

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