

As submitted confidentially to the Securities and Exchange Commission on February 9, 2024.

This draft registration statement has not been publicly filed with the Securities and Exchange Commission, and all information herein remains strictly confidential.

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**Amendment No. 1
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

WEBTOON ENTERTAINMENT INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7372
(Primary Standard Industrial
Classification Code Number)

81-3830533
(I.R.S. Employer
Identification Number)

**5700 Wilshire Blvd., Suite 220
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(323) 424-3795**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED _____, 2024.

Shares



WEBTOON ENTERTAINMENT INC.

Common Stock

This is an initial public offering of shares of the common stock of WEBTOON Entertainment Inc. We are offering _____ shares of our common stock to be sold in this offering. The selling stockholder is offering _____ shares of our common stock to be sold in this offering. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholder.

Prior to this offering, there has been no public market for shares of our common stock. We estimate that the initial public offering price per share will be between \$ _____ and \$ _____. We intend to apply to list our common stock on _____ under the symbol “_____.”

We qualify as an “emerging growth company” as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, we have elected to take advantage of certain reduced public company reporting requirements for this prospectus. See “Risk Factors” and “Prospectus Summary—Emerging Growth Company.”

Upon the completion of this offering, NAVER Corporation (“NAVER”) will beneficially own approximately _____ % of the voting power of our shares of common stock eligible to vote in the election of directors (or _____ % if the underwriters exercise in full their option to purchase additional shares of our common stock to cover over-allotments). As a result, we will be a “controlled company” as defined under the corporate governance rules of _____. See “Management—Controlled Company Exemption.”

Investing in our common stock involves risks. See “[Risk Factors](#)” beginning on page 22 to read about factors you should consider before purchasing shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discounts and commissions ⁽¹⁾	\$ _____	\$ _____
Proceeds to us, before expenses	\$ _____	\$ _____
Proceeds to the selling stockholder, before expenses	\$ _____	\$ _____

(1) See “Underwriting” for a description of the compensation payable to the underwriters.

The underwriters have the option, for a period of 30 days from the date of this prospectus, to purchase up to an additional _____ shares from us and up to an additional _____ shares from the selling stockholder at the initial public offering price less the underwriting discount and commissions to cover over-allotments.

The underwriters expect to deliver the shares of common stock against payment on or about _____, 2024.

(Listed in alphabetical order)

Goldman Sachs & Co. LLC

Morgan Stanley

Prospectus dated _____, 2024.

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Through and including _____, 2024 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer’s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Neither we, the selling stockholder, nor any of the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus, any amendment or supplement to this prospectus or any free writing prospectus prepared by us or on our behalf. We, the selling stockholder, and the underwriters take no responsibility for, and cannot assure you as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of our common stock offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock. Our business, results of operations, financial condition or prospects may have changed since that date.

Neither we, the selling stockholder, nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States (“U.S.”). Persons outside the U.S. who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our common stock and the distribution of this prospectus outside the U.S.

Pursuant to the laws of South Korea (“Korea”), we have filed with the Financial Services Commission of Korea a separate securities registration statement in the Korean language for the benefit of investors in Korea who may purchase shares of our common stock in the secondary market after the completion of the offering

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described in this prospectus (“post-IPO Korean investors”). Certain information in such filing is applicable only to the post-IPO Korean investors and therefore is not included in this prospectus. The information contained in such filing does not and will not form a part of this prospectus.

Market and Industry Data

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations, market position, market share, market opportunity and market size, has been obtained from third-party sources, including industry publications and other reports, internal data sources and management estimates, which we believe to be reliable and based on reasonable assumptions.

We have not commissioned any of the industry publications or other reports or sources generated by third-party providers that we refer to in this prospectus. Our management estimates are derived from such third-party sources, other publicly available information, our knowledge of our industry, internal company research, surveys, information from our customers and third-party partners, trade and business organizations and other contacts in the markets in which we operate and assumptions based on this information and knowledge.

Data regarding our industry and our market position and market share within our industry are inherently imprecise and are subject to significant business, economic and competitive uncertainties beyond our control, but we believe they generally indicate market size, market position and market share within our industry. In addition, assumptions and estimates of our and our industry’s forecasts, projections and future performance involve risks and uncertainties and are subject to change based on various factors, including those described in the section of this prospectus entitled “Risk Factors.” These and other factors could cause results to differ materially from those expressed in estimates made by third parties and us. See “Cautionary Note Regarding Forward-Looking Statements.”

Trademarks, Trade Names and Service Marks

Our design logos, “WEBTOON” and our other registered or common law trademarks, trade names and service marks appearing in this prospectus are the property of WEBTOON Entertainment Inc. or its affiliates. Solely for convenience, trademarks, trade names and service marks referred to in this prospectus may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks, trade names and service marks. This prospectus also contains additional trademarks, trade names and service marks belonging to other parties. We do not intend our use or display of other companies’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, such other parties.

Non-GAAP Financial Measures

This prospectus contains certain financial measures, including EBITDA and EBITDA margin, that are not required by, or prepared in accordance with, U.S. generally accepted accounting principles (“GAAP”). We refer to these measures as “non-GAAP” financial measures. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for our definitions of these non-GAAP measures, information about how and why we use these non-GAAP measures and a reconciliation of each of these non-GAAP measures to its most directly comparable financial measure calculated in accordance with GAAP.

GLOSSARY

As used in this prospectus, unless stated otherwise or the context otherwise requires:

- “*Advertising ARPMAU*” or “*Advertising average revenue per monthly active user*” means the average advertising revenue in a given month divided by the number of monthly active users for such month, averaged over each month in the given period.
- “*amateur creator(s)*” means creators who do not currently monetize their content as Paid Content on our platform as they are subject to our standard terms and conditions without Paid Content revenue sharing provisions. Amateur creators may monetize through other methods, including advertising if they meet certain viewership and subscriber thresholds.
- “*Coins*” means our in-app currency, which our users can purchase, earn by completing certain advertisement-associated actions or receive during in-app promotional events.
- “*consumer product unit(s)*” means merchandise produced and sold to consumers adapted from certain content on our offerings.
- “*creators*” means individuals who upload content to our platform and whose content remains available on our platform. Total creators include both amateur and professional creators.
- “*Daily Pass*” means a digital pass that provides users with access to locked episodes primarily from a series that is no longer publishing new episodes.
- “*Daily Time Spent Per Active User*” means the total time our users spent on our platform on a given day divided by the number of users who spent time on our platform on that given day, averaged over each day in the given period.
- “*eBookJapan*” means our eBook (including digital manga, which is manga in a digital format), web-comic and web-novel offering in Japan dedicated to professional creators.
- “*episode*” means a periodically uploaded chapter or installment of a web-comic or web-novel title.
- “*Fast Pass*” means a digital pass that provides users with early access to upcoming episodes for ongoing series of content on our platform, which must be purchased by Coins.
- “*IP Adaptations*” means adaptations of certain content on our offerings into other media formats such as film, streaming series, games and merchandise.
- “*LINE MANGA*” means our web-comic and digital manga offering in Japan dedicated to both amateur and professional creators.
- “*manga*” means a style of Japanese comic books and graphic novels typically presented in print format.
- “*MAU*” or “*monthly active users*” means users who visited our offerings at least once in the applicable calendar month, averaged over each month in the given period.
- “*MPU*” or “*monthly paying users*” means users who have paid to access Paid Content in the applicable calendar month, averaged over each month in the given period.
- “*Munpia*” means our web-novel offering and web-novel creator community in Korea.
- “*NAVER*” means NAVER Corporation, a global information communications technology (ICT) company and our parent, and its subsidiaries and affiliates, excluding WEBTOON, unless context otherwise requires.
- “*NAVER SERIES*” means our eBook, web-comic and web-novel offering in Korea dedicated to professional creators.
- “*NAVER WEBTOON*” means NAVER WEBTOON Ltd., one of our wholly owned subsidiaries in Korea that operates our offerings including WEBTOON and WEBTOON Korea.

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- “*offering*” means our mobile applications, websites or specific sections within such applications and websites where our creators post content, including WEBTOON, WEBTOON Korea, LINE MANGA, NAVER SERIES, eBookJapan, Mupia and Wattpad.
- “*Paid Content*” means content on our offerings that our users need to pay to access, including through the use of Coins.
- “*Paid Content ARPPU*” or “*Paid Content average revenue per monthly paying user*” means the average Paid Content revenue in a given month divided by the number of monthly paying users for such month, averaged over each month in the given period.
- “*Paid Content GMV*” means the total value of Coins purchased by users that have been spent.
- “*Paying ratio*” means, with respect to a given period, the ratio of MPU divided by MAU.
- “*Paying user*” means, with respect to a given period, a user who has paid to access Paid Content on our platform.
- “*professional creator(s)*” means creators who monetize through Paid Content on our platform under formal creator agreements with Paid Content revenue sharing provisions.
- “*Studio LICO*” means Studio LICO Corporation, one of our wholly owned subsidiaries in Korea that produces web-comics and animations based on content on our offerings.
- “*Studio N*” means Studio N Corporation, one of our wholly owned subsidiaries in Korea that produces feature films, TV series and animations based on content on our offerings.
- “*title*” means a sequential web-comic or web-novel story that is comprised of episodes.
- “*Wattpad*” means, as context requires, Wattpad Corp., one of our wholly owned subsidiaries in Canada which was acquired by NAVER in May 2021 and subsequently acquired by us from NAVER in June 2023, or Wattpad, the namesake global web-novel offering with a global community of creators who are mostly amateur creators that is run by Wattpad Corp.
- “*Wattpad WEBTOON Studios*” means Wattpad WEBTOON Studios Inc., one of our wholly owned subsidiaries in Canada that produces feature films, TV series and animations based on content on our offerings.
- “*web-comics*” means digitally created and serialized stories expressed through vertical, continuous and graphical content.
- “*web-novels*” means digitally created, serialized and text-based stories.
- “*WEBTOON*” means, as context requires, WEBTOON Entertainment Inc., a Delaware corporation, and its consolidated subsidiaries, or WEBTOON, the namesake global web-comic offering run by NAVER WEBTOON.
- “*WEBTOON English*” means WEBTOON offered in English.
- “*WEBTOON Korea*” means NAVER WEBTOON, our web-comic offering in Korea.

PROSPECTUS SUMMARY

This summary highlights selected information included elsewhere in this prospectus and does not contain all of the information you should consider before making an investment decision to purchase shares of our common stock. You should read this entire prospectus carefully, including the sections entitled “Risk Factors,” “Cautionary Note Regarding Forward-Looking Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as our combined financial statements and related notes included elsewhere in this prospectus, before making an investment decision to purchase shares of our common stock. Unless otherwise indicated or the context otherwise requires, references in this prospectus to “WEBTOON,” the “Company,” “we,” “us,” “our” or similar terms refer to WEBTOON Entertainment Inc., a Delaware corporation, and its consolidated subsidiaries.

Our Vision

To be the world’s storytelling platform empowering creation by anyone, for everyone.

Overview

WEBTOON is a global storytelling platform where a vibrant community of creators and users discover, create and share new content. We have pioneered a cultural movement by revolutionizing the storytelling format and democratizing content creation and publication. WEBTOON empowers creators by enabling them to participate economically in their own creation, and users, by offering an endless library of content. As of December 31, 2022, our community connected 22 million creators with over 175 million monthly active users as of the quarter ended September 30, 2023, in over 150 countries around the world.

Our founder, Junkoo Kim, started WEBTOON in 2005 while he was working as a search engineer at NAVER, the largest internet company in Korea. Junkoo was a lifelong lover of comics and their rich and vibrant worlds and diverse characters. He wanted to create a platform that empowered creators to share stories and fans, like himself, to discover this unique content. Instead of a traditional storytelling format, confined to a page or screen, he pioneered something different. Through serialized releases of bite-sized episodes available online, he created a format that was not only easily accessible and highly engaging for fans, but also easier for creators to create and share with a wide audience. WEBTOON initially focused almost entirely on seeding differentiated content and fostering user engagement until we began our Paid Content business model in 2012 and then began operating as an independent unit within NAVER in 2017. Though our roots are in Korea, we have built a truly global platform in the nearly two decades since our founding, broadening the reach and impact of our creators and their content.

Content on our platform tells stories created by our creators through multiple immersive formats. On our platform, creators tell long-form stories through our iconic serialized narratives in the form of short-form, bite-sized episodes. This content format results in a habitual behavior with an engaged user base. These stories are told primarily in two ways—web-comics, a graphical comic-like medium, and web-novels, which are text-based stories. The web-comic medium tells stories using a continuous vertical-scroll format that is easily read on mobile devices. For both formats, the serialized release of content is analogous to chapters of a book. These formats are not only accessible and highly engaging for fans, but also easier for creators to create, share and monetize their stories. We are able to further extend the reach, impact and monetization of our content by adapting it into other media formats such as film, streaming series, games, merchandise and print books. Over the past decade, we have adapted over 800 titles, including over 100 streaming series and films, over 70 games and approximately 10 million consumer product units as of September 30, 2023.

Creators power our content engine by authoring immersive visual stories, or titles, developing imaginative new characters and inspiring fandoms. Our creator base ranges from the individual enthusiast with a love of

storytelling to the professional author building a brand and an enterprise on our platform. WEBTOON provides creators with an opportunity to monetize their creativity through various means, including Paid Content, advertising and IP Adaptations. Our platform serves both amateur and professional creators. Professional creators are defined as creators who monetize through Paid Content on our platform under formal creator agreements with Paid Content revenue sharing provisions. We consider these two groups of creators separately because their intentions are often distinct. Amateur creators, which make up the vast majority of the 22 million creators on our platform, may come to our platform simply for the love of our unique form of storytelling and to connect with an engaged and like-minded audience. On the contrary, professional creators are often building a brand and an enterprise on our platform. In the year ended December 31, 2022, the average earnings per professional creator on our platform were \$58 thousand and, cumulatively, our creators earned over \$1.8 billion between 2017 and 2022. Due to the deep and continuous user engagement fostered through our serialized format, content on our platform has greater longevity. Some of the most successful series on our platform continue to attract new users after more than 10 years.

Users come to our platform to discover and consume engaging and immersive content. Our creators tell stories that are relatable to global audiences, attracting users across age groups, geographies and genders. The web-comic format has grown in popularity globally, with particular affinity among Gen Z audiences. As of September 30, 2023, our user base was highly global across over 150 countries with over half of our monthly active users coming from outside of our core markets of Korea, Japan and the U.S. and Canada (“North America”). Our largest proportion of users are Gen Z (under 24 years old) and millennials (25 to 34 years old), who are mobile-first, highly engaged users with increasing purchasing power.

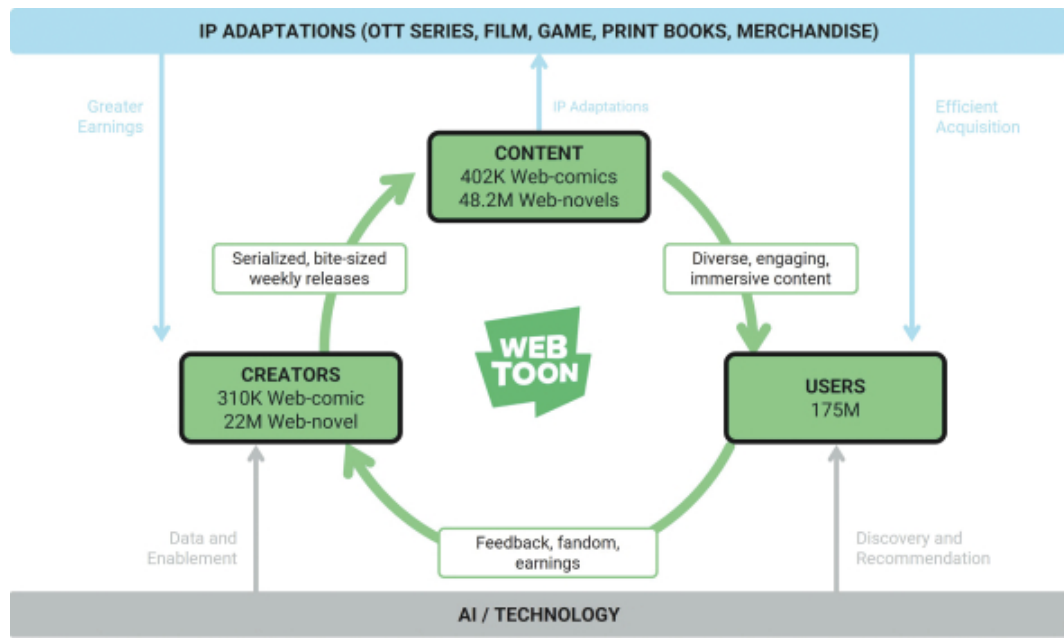
Community reinforces the benefits to creators and users on our platform. We help users and creators build relationships and engage with one another over content. As users, or “fans,” often develop a personal connection to the titles on our platform, they relish the direct engagement with creators through both our comments section at the end of each episode and the Creator Profile section, where creators can post messages and users can respond directly. Fans also appreciate the ability to potentially influence how stories unfold and how their favorite characters evolve, as creators may choose to incorporate fans’ feedback. This enables a positive feedback loop for content creation and user engagement. This community engagement powers a flywheel of user engagement and creator readership, which in turn drives WEBTOON’s success.

This vibrant ecosystem is amplified by our foundational technology and artificial intelligence capabilities, which enable content creation, along with our content discovery and recommendation engines. Our content creation technology helps creators enhance their storytelling skills, tailor the content to various global audiences and build more engaged, wider fan bases around the world. For users, our technology enables a personalized recommendation model and rule-based curation methodology to encourage new content discovery. These tools are highly scalable across markets and our newer markets are able to benefit from the content and platform infrastructure we have invested in and refined in Korea and Japan.

Our business model is driven by the shared success of all those who participate in our platform. The result is earnings for creators, diversity of content for users to enjoy, high-intent and relevant audiences for advertising partners and a multitude of intellectual property to be adapted by media partners. Greater engagement leads to higher revenue growth and stronger user economics, which in turn provides us the benefit of diversified revenue streams and allows for reinvestment into the creators on our platform. For the year ended December 31, 2022, we generated revenue of \$1,079 million, combined net loss of \$132.5 million and EBITDA of \$(82.6) million, representing a combined net loss margin of (12.3)% and an EBITDA margin of (7.7)%. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

Our Platform

Our creators, users and content drive a powerful community flywheel. By creating and publishing new and diverse content, creators on our platform help drive the scale of our user base. In turn, users build relationships with creators through real-time feedback and praise on content; fandoms built around popular characters, storylines or in-story universes; and monetary support through payments for access to content. This attracts new creators to our platform, who expand our community and deepen engagement with fans, which leads to an even stronger feedback loop and encourages more content creation. We further amplify this flywheel through other monetization models, including advertising and IP Adaptations. Finally, our platform is underpinned by our foundational technology and artificial intelligence, enabling content creation and discovery and recommendation. The result is increased user engagement, creator prosperity and, ultimately, WEBTOON success.



(1) Graphic shows user metrics, creator metrics and content metrics as of the quarter ended September 30, 2023, as of the year ended December 31, 2022, and as of December 31, 2022, respectively.

Our Content

We pioneered a new form of digital storytelling. Most of our content consists of long-form stories that are serialized into short-form image- or text-based pieces released on a weekly schedule. We focused on the development of this type of digital content because this mode of storytelling is not only appealing to our users, but it is also well suited to the success of individual creators. Creators can write new stories simply and easily, without expensive equipment or training. Creators are empowered to experiment and innovate because the time and resources required for each individual episode is less intensive than what would have gone into the entire title, and because creators receive real-time feedback from users. The bite-sized format leads to a high velocity of new content being released, driving more frequent user engagement. This format is specifically popular with Gen Z and millennial users because of their preference for bite-sized, flexible content. Finally, this format lends itself to a highly scalable content model that can be monetized both across geographic markets and across media formats via adaptations such as film and streaming series.

Web-comics are digitally created, weekly serialized stories expressed through vertical, continuous graphical content. Web-comics are optimized for mobile scrolling and often include unique special effects, such as sounds and animations. Web-comics generate the vast majority of revenue on our platform. As of December 31, 2022, creators had published over 402 thousand web-comic stories on our platform. As of September 2023, we enjoyed the number one market position in web-comics in all of our major geographies, including Korea, Japan, the U.S. and multiple geographies throughout Southeast Asia and Europe in terms of monthly active users.¹

Web-novels are digitally created, weekly serialized stories expressed through text with many titles releasing new content three to five times a week. As opposed to an eBook—a traditional long-form, text-based, online book (often an online version of a print book)—a web-novel is a long-form story serialized into short-form. Similar to our iconic web-comic format, the serialized nature of web-novels encourages habitual engagement from our users. Web-novels have an even lower barrier to creation than web-comics given that no illustration is required. This leads to a greater velocity of content generation. As of December 31, 2022, creators had generated over 48.2 million web-novel stories on our platform. As of September 2023, we enjoyed number one market positions in web-novels in Korea and the U.S. in terms of monthly active users.²

The size, breadth and depth of our content library are our key competitive strengths. Because our content is bite-sized, we empower creators to experiment and innovate, and receive feedback directly and in real time. This results in a high velocity of new content creation, with 104 thousand episodes published daily in the quarter ended December 31, 2022. On our platform, there are a number of high-earning stories—103 stories earned over \$1.0 million in Paid Content GMV in the year ended December 31, 2022. However, our stories are also well distributed with only % of our Paid Content GMV in that year generated by our 100 highest grossing stories.

Our content resonates globally, and our strategy includes the translation, adaptation and exportation of stories from one geography into another. For example, *True Beauty*, a romantic-comedy web-comic that was published in 2018 by a Korean creator, Yaongyi, has reached over 6.4 billion cumulative page views across 10 available languages, with over 76% of the page views coming from outside of Korea as of September 30, 2023. The title was also adapted into a streaming series in 2020 and reached global audiences on Netflix, Prime Video and Apple TV. Similarly, *Lore Olympus*, a web-comic that was published in 2018 by a creator in New Zealand, Rachel Smythe, has reached over 1.7 billion cumulative page views across seven available languages as of September 30, 2023. In any given market, we see the success of local content (original content created on our platform in the local language), as well as imported content (original content translated into other languages). For example, 45% of titles by professional creators outside of Korea are local to Korea and have been translated into other languages or imported into other geographies as of December 31, 2022. There were 787 and 489 imported titles available on LINE MANGA and WEBTOON English, respectively, as of December 31, 2022, an annual increase of 37% and 55%.

Our global platform enjoys connectivity and synergy across content, creators and users. We also tailor our strategy by geography and often operate multiple consumer offerings to best serve local consumer and creator preferences. For example, in Korea we offer ORIGINALS for professional web-comic content, CANVAS (locally known as Challenge Comics) for amateur web-comic content and multiple web-novel offerings targeted at different audiences. In Japan, our primary offering is LINE MANGA. Because of the widespread popularity of traditional offline manga, our local strategy uniquely includes the digitization of traditional offline manga, intended as a user acquisition tool. We have successfully converted digitized manga readers into consumers of our WEBTOON-format web-comics, with web-comics now accounting for the majority of content viewed by

¹ Data is from data.ai. The monthly active users number from data.ai only includes smartphones.

² Data is from data.ai. The monthly active users number from data.ai only includes smartphones.

daily users on our platform in Japan. In North America, we adapted our ORIGINALS and CANVAS offerings to local consumers by, for example, adding more social features that are popular with North American users.

We have strategically used acquisitions to grow our audience, deepen our reach in new geographies, diversify our creator base and expand our capabilities. In June 2023, we acquired, from NAVER, Wattpad, the largest global web-novel distribution platform for English-language content, with 91 million monthly active users as of the quarter ending September 30, 2023, which had been our sister entity since it was acquired by NAVER in May 2021. The Wattpad acquisition expanded our web-novel offering into North America and Europe and deepened our library of web-novels, which serves as a rich source of content for adaptations into web-comics. It also widened our creator and user acquisition funnel in North America and Europe. In 2022, we acquired eBook Initiative Japan Co., Ltd. (“eBIJ”), a leading Japanese publisher of web-based stories, thereby consolidating the then-largest web-based (eBookJapan) and app-based (our LINE MANGA) online comic offerings into one and strengthening our market leadership in Japan.

Our Creators

WEBTOON is powered by our creators and the content they bring to life on our platform. Our creators are inspired by the ability to tell their stories globally. Our creator strategy is to reach the broadest number of potential creators globally, to provide a platform that enables creator success and then to drive impact and earnings for our creators.

Our platform serves both amateur and professional creators. Amateur creators are defined as those who do not currently monetize through Paid Content on our platform and professional creators are defined as those who do so. As amateur creators gain popularity on our platform, we may sign formal creator agreements with them which will allow them to share revenue generated by users paying to access their content and become professional creators.

Amateurs are hobbyists and enthusiasts; anyone can become an amateur creator. These creators come to our platform because of their love of storytelling and the complete freedom to express whatever they desire (without editorial interference), as well as to access our high-intent and engaged global audience and the potential for future financial success. Professional creators, on the other hand, are building small businesses on our platform. Professionals can include both WEBTOON-born amateur creators that ultimately build a large following, as well as existing professional content creators from other industries or publishers.

The scale of our creator earnings is an indicator of our success in empowering creators. Cumulatively, our creators earned over \$1.8 billion between 2017 and 2022. For the year ended December 31, 2022, professional creators earned on average \$58 thousand per creator and 429 creators earned at least \$100 thousand.

Our creator base is also well distributed globally. Initially, our creator and user bases were concentrated in Korea. While in our early years we focused on cultivating the Korean creator ecosystem and content, we always recognized our platform’s global potential and aspired to expand globally. Over almost two decades since our founding, WEBTOON has done just that. As of September 30, 2023, our creator base spanned 150 countries across the world, fueling the steady expansion of our content library as we attract a global user base to our platform. As of December 31, 2022, our platform had 48.6 million pieces of content for users everywhere to enjoy, and including Wattpad, we empowered a creator base of 22 million.

Our Korean creators demonstrate the power of our platform and its global reach. Korea accounts for over half of our platform’s professional and amateur creators (excluding Wattpad), based on publishing language as a proxy for location. There is demonstrated global demand for Korean stories as 45% of titles by professional creators outside of Korea are local to Korea and have been translated into other languages or imported into

other geographies as of December 31, 2022. There were 787 and 489 imported titles available on LINE MANGA and WEBTOON English, respectively, as of December 31, 2022, an annual increase of 37% and 55%.

Our Users

As of the quarter ended September 30, 2023, 175 million monthly active users from 150 countries engaged on our platform across mobile and desktop devices. Our users are diverse across age, geography and gender. Our largest proportion of users are Gen Z (under 24 years old) and millennials (25 to 34 years old), who are mobile-first, highly engaged users with increasing purchasing power.

Our user strategy is to bring scaled audiences around the globe to our platform, to deliver them unique and easy-to-consume content, customized for their preferences, to drive more habitual engagement and, ultimately, to induce them to pay for content.

We acquire a significant portion of our user base through organic means. The strength of our brand, our leading market position in multiple regions and the viral nature of our stories enable us to benefit from word-of-mouth user adoption. We amplify organic marketing through collaborations with local creators or other popular technology platforms, such as our collaborations with Discord, Patreon and DC Comics, as well as through IP Adaptations. We also employ paid marketing strategies such as brand marketing, performance marketing and in-app giveaways, especially in countries such as the U.S., where we are meaningfully underpenetrated compared to our addressable user opportunity.

Once on our platform, we focus on user engagement and retention through multiple means. Users who discover our platform typically remain active because of the serialized form of our compelling content, which naturally creates a regular cadence of user frequency, and because of our simple and easy-to-use user interface. We historically experience higher user engagement and monetization in the third quarter of the calendar year due to the seasonal impacts of global vacation and holiday schedules of our users. We also leverage artificial intelligence combined with data on prior user consumption trends to provide users with a curated, personalized experience. In the month of September 2023, 27% of our NAVER SERIES readers and 31% of our WEBTOON English readers read a new story that we recommended. Finally, we allow users to interact directly with creators through creator profiles, which increases engagement. As of the quarter ended September 30, 2023, readers spent on average 26 minutes, 38 minutes and 27 minutes per day on WEBTOON Korea, LINE MANGA and WEBTOON North America³, respectively.

The majority of content on our platform is free to consume. Some content can only be accessed if a user pays. Users can pay by purchasing Coins, which can then be used to purchase content on our platform. Users can access this Paid Content in two different ways. A *Fast Pass* provides users with early access to upcoming episodes for ongoing series. A *Daily Pass* provides users with access to locked episodes, primarily from completed titles, meaning a series that is no longer publishing new episodes. Users receive a certain number of *Daily Passes* for free each day; additional *Daily Passes* and any *Fast Passes* must be purchased. Through the rewarding of *Daily Passes* and other targeted marketing campaigns, we provide engaged users with an opportunity to experience premium Paid Content for free, a process of habituation that induces their willingness to pay for content.

Our Community

The power of WEBTOON lies in the interactions of the various stakeholders on our platform—user to user, user to creator and creator to creator. Users build fandoms around beloved content, meeting others with similar passions. This social aspect of our platform drives greater user engagement. Users also leave comments and reviews for creators—praise and feedback on stories—and support their favorite creators monetarily. For

³ We measure users who read WEBTOON English in the U.S. as a proxy to track time spent by users in North America.

example, year to date as of September 2023, users posted an average of approximately one million comments every month on WEBTOON Korea and on WEBTOON English, and the creator profile offering on WEBTOON English saw a 37% increase in number of new posts year over year as of September 2023. Creators are inspired by this support and can incorporate feedback into future episodes. Finally, creators interact with each other, sharing best practices and advice. Altogether, this community powers a flywheel of engagement and creator success that has been the key to our success.

IP Adaptations

We enter into agreements with certain content creators who have stories with potential to become franchises across media formats. Using our multitude of proprietary data on which stories have resonated most with users in the past, we are able to identify and scale winning stories on our platform. We subsequently invest and scale such stories via adaptation into other formats, including films, streaming series, animation, video games, print books and merchandise. The majority of these adaptations are produced in partnership with third-party production companies in the form of a licensing agreement or in a limited preproduction capacity where we are paid a production fee for a service such as script development. The majority of production costs in these cases are borne by a third-party production partner. Occasionally, we may choose to rely entirely on our in-house production capability to produce the adaptation, if we determine the potential reward to be substantially in excess of the investment risk and the magnitude of the required investment to be manageable.

IP Adaptations have the benefit of extending the monetization potential of our content and increasing creator earnings. Our “One Story Multi-Use” strategy enables us to monetize a single story across multiple media formats and geographies. These adaptations also act as a source of organic user acquisition. Many users come to our platform after enjoying the adapted version of a story to discover the original web-comic or web-novel. For example, in the two months after we released *Sweet Home* on Netflix in December 2020, we saw a 30% increase in average monthly new users, compared to the two months prior to December 2020.

Over the past decade, over 100 different streaming series, films and animated series have been released based on WEBTOON stories, over 200 web-comics and web-novels have been published as print books, and more than 70 games have been released based on IP Adaptations. In the year ended December 31, 2022, we also sold over 1.1 million consumer product units based on our beloved characters.

A core of our strategy is identifying Korean-originated stories with global adaptation potential, and we have a track record of successful adaptations of Korean-originated stories for a global audience. For example, *True Beauty* was launched in Korea in April 2018; today, it is available in 10 languages, has generated 6.4 billion cumulative page views including more than 76% outside of Korea, and has been adapted into a TV series available on Netflix, Amazon Prime Video, and Apple TV. In addition, the following TV series based on Korean-originated stories have all reached number one on Netflix in the last few years: *Mask Girl* in August 2023, *Bloodhounds* in June 2023, *Black Knight* in May 2023, *All of Us Are Dead* in February 2022, and *Hellbound* in November 2021. We have also successfully adapted Korean stories into film, such as *Moon Man* in July 2022, which was a top 10 grossing film in 2022; and into animation, such as *Lookism* in December 2022, which was a Netflix Top 10 series.

We have also seen early success in cultivating local talent in the U.S. and adapting these stories to a global audience. For example, *Lore Olympus* was originally published on CANVAS, our offering for amateur web-comics, in 2017 and generated 2.7 million cumulative page views in the first 8 months. By 2021, *Lore Olympus* was adapted into 7 languages and reached number one on our North America professional web-comic offering. The print book adaptation of the web-comic is a New York Times bestseller and is currently in the process of being adapted into an animated streaming series. North America content on Wattpad has also been adapted into TV series, film, and animation. For example, *The Kissing Booth* has been adapted into three seasons on Netflix with the second season garnering 66 million viewers in the first four weeks.

Foundational Technology and Creator Support

Our content enablement technology, artificial intelligence (“AI”) and data analytics capabilities and creator support services are key pillars of our platform. We facilitate and democratize storytelling through an end-to-end technology toolkit enabling success, from creative development to publishing to user acquisition and, ultimately, monetization. Access to various aspects of this toolkit depends on the needs of the individual creators, with additional support offered to professional creators. Our creator toolkit includes the following.

- Content management tools: Enable amateur and professional creators of most of our offerings to publish content, manage their series and episodes, view an analytic dashboard and monitor their viewers’ comments.
- Creation support tools: Technology aimed at making it easier for anyone to create web-comics, such as using artificial intelligence to create illustrations.
- Community tools: Enable an actively engaged social community that provides comments, praise and feedback on content. Includes the creator page, a dedicated individual webpage to facilitate creators’ communication with fans by publishing posts and holding votes.
- Professional development: We supplement these tools with multilayered assistance, such as matching writers with illustrators and offering varying degrees of editorial support and translation services to both professional and amateur creators. We also promote the stories that we have identified as having high-potential for broader popularity throughout our platform, including cross-border into new geographies, and provide marketing and agency support regarding IP Adaptations.

We supplement our creators’ stories with an AI-powered recommendation engine that leverages our data advantage—deep, complex interest graphs mapping the type of content that different types of users enjoy the most. Finally, our community technology allows users to interact with their favorite creators, to influence the type of content being generated and to meet other users with similar interests.

Our technology benefits from our close relationship with NAVER as well. As a result of our relationship with NAVER, we have access to the learnings from their investments in artificial intelligence, such as user acquisition and advertising technology. At the same time, we combine these economies of scale in technology investments with the nimbleness and innovation of a high-growth startup.

Our Industry

We believe that the market opportunity for our offerings benefits from strong secular shifts and tailwinds. These trends in our favor include the following:

Demand for High-Quality User-Generated Digital Content. User-generated content has been increasingly in demand. With the rise of social media, individuals around the world have been able to consume user-generated content at record pace. For example, 39% of weekly media hours consumed in the U.S. was user-generated content.⁴ Digital comics are a growing portion of that user-generated content. The comic market is shifting from large distributors producing paper comics to user-generated digital comics. Additionally, the online comic books market is expected by 2022 to outpace the overall comic book market through 2030.⁵

The Rise of Creators. Creators continue to meet demand for user-generated content. Creators span hobbyists to small business owners, and many are young and tech-savvy; 30% of 18-to 24-year-olds and 40% of 25-to 34-year-olds in the U.S. consider themselves content creators.⁶ By posting engaging and unique content, creators

⁴ Content metrics are from a study by the Consumer Technology Association.

⁵ Analysis is from a report by Grand View Research.

⁶ Metrics are from a report by HubSpot.

can both earn a living from their online presence and gain widespread notoriety. To date, creator tools have largely focused on photo and short-form video content. We believe there is growing demand for broader formats, including storytelling and web-comics specifically.

Korean Cultural Exports Gain Global Adoption. The Korean Wave, also known as Hallyu, is a decades-long trend of the popularization of Korean pop culture on a global scale. These Korean cultural exports began in the 1990s, gained traction in the 2000s and rapidly accelerated in the last decade-plus, with K-pop, K-dramas and other Korean cultural exports entering the global mainstream. For example, music group BTS was named International Federation of the Phonographic Industry Global Recording Artist of the Year for 2020 and 2021; BLACKPINK became the most-streamed girl group in the world on Spotify in March 2023; *Squid Game* is the most-watched Netflix streaming series of all time; and *Parasite* won four Oscars, including Best Picture. The new format of web-comics also builds on a rich history of visual storytelling in Korea, having its origins in *manhwa*, Korean comics.

The Rise of Global Content Franchises. Franchises are evergreen intellectual property that can be continuously adapted in multiple ways, and they have become increasingly popular and lucrative in recent years. For example, in 2022, nine out of the top ten grossing films globally were adaptations of existing franchise content or sequels, and three were part of the Marvel Cinematic Universe. Technology platforms have introduced new models of promoting viral content and driving global fandoms, with millions of individuals following popular creators such as Mr. Beast and Charlie D’Amelio, among others. For example, in 2022, the top 10 creators on Roblox each earned \$23 million from selling original games and in-app purchases. Unlike traditional media models that require significant upfront investment to develop content, technology platforms have democratized the creation of content across content types, allowing any individual to develop high-quality premium content and distribute to a scaled audience. This new model of intellectual property creation also mitigates the traditional risk of whether a work will be a “hit” or “miss” that is inherent in traditional media production because unlike traditional media where producers and distributors have limited real-time audience feedback prior to release, our creators can receive user feedback real time as they develop their works, engage with and respond to fans and adapt and invest to further expand engagement and popularity.

Gen Z Purchasing Power on the Rise. Gen Z individuals increasingly desire short-form, user-generated content and are eager to consume cross-cultural content. Gen Z globally had over \$360 billion in estimated disposable income in 2022, which has more than doubled compared to three years ago.⁷ As Gen Z consumers enter the workforce and begin to have higher disposable incomes, their propensity to pay for content will likely increase.

Our Strengths

We believe that our key strengths include the following:

Leading Global Storytelling Platform. We pioneered a new form of globally adaptable storytelling that is digitally native, highly engaging and user-generated. We enjoy leading web-comic market positions as of September 30, 2023, in all of our major geographies, including Korea (#1), the U.S. (#1) and Japan (#1), and are ranked first in multiple geographies throughout Southeast Asia and Europe in terms of monthly active users.⁸ Our technology stack and user and creator products are highly scalable across markets, and our newer markets are able to benefit from the content and platform infrastructure we have invested in Korea and Japan. Our stories are also critically acclaimed and globally successful. Additionally, our “One Story Multi-Use” strategy enables us to monetize a single story across multiple media formats and geographies. For example, since 2020, *Sweet Home*, *Hellbound*, *All of Us Are Dead* and *Bloodhounds* have all ranked number one on Netflix. However, we may not

⁷ Data is from Gen Z Planet.

⁸ Data is from data.ai. The monthly active users number from data.ai only includes smartphones.

be always able to effectively identify popular content on our platform with adaptation potential, acquire a broad range of intellectual property rights of popular content for adaptation, or find appropriate adaptation partners who are willing to source or produce our content.

Creator Platform of Choice. We provide creators with access to high-intent audiences around the world who are passionate and engaged with web-comic and web-novel content. We provide creators with the essential resources for success, including tools to create, manage and monetize their content as well as interact directly with their fans. We also provide creators with multiple monetization opportunities, including revenue sharing from user purchases of Paid Content, advertising and IP Adaptations, because if we fail to properly support and incentivize our creators, they may choose to develop content on other competing interactive entertainment platforms. In the year ended December 31, 2022, professional creators earned on average \$58 thousand per creator, with 429 creators earning over \$100 thousand. Our deep creator loyalty is evidenced by the fact that over the last three years, we retained 100% of professional creators who create web-comics on WEBTOON Korea and WEBTOON English.

Efficient Content Creation Engine. Our evergreen content creation is powered by 22 million amateur creators and more than 11 thousand professional creators as of December 31, 2022, with 104 thousand episodes published on our platform each day in the quarter ended December 31, 2022. Because our content is bite-sized, this empowers creators to experiment and innovate, and allows them to receive feedback directly and in real-time, resulting in a high velocity of new content creation. Although content localization is challenging and requires investment of significant resources, we have a proven track record of content localization, enabling us to take content from one geography and leverage it to build an audience in a new geography and drive cross-border engagement.

Diversified Business Model. We generate revenue in multiple ways. In the year ended December 31, 2022, 78.9% of our revenue was from Paid Content, 13.4% was from advertising and 7.6% was from IP Adaptations. Even though we are in the early stage of our adaptation business and have a limited experience in generating substantial revenues from such adaptations, we believe we can further diversify our monetization strategy through IP Adaptations.

Attractive, Engaged, Global User Base. We have a scaled and global user base of 175 million monthly active users in more than 150 different countries as of the quarter ended September 30, 2023. Our user base is also highly engaged: in the quarter ended September 30, 2023, readers spent on average 26 minutes, 38 minutes and 27 minutes per day on WEBTOON Korea, LINE MANGA and WEBTOON North America, respectively, and the average user spent \$ on Paid Content per month in the quarter ended September 30, 2023. While we may be unable to maintain or increase our user base if we fail to anticipate, understand or respond to market trends and rapidly evolving user preferences, particularly among the younger generation, our current user base is young, balanced from a gender diversity perspective, digitally native and highly indexed to Gen Z and millennials.

Purpose-Built Proprietary Technology. We have developed a purpose-built technology platform that supports every aspect of our business, although certain new features have not fully launched yet. We benefit from NAVER's investments in research and development, combining these economies of scale in technology investments with the nimbleness and innovation of a high-growth startup.

Passionate Founder-Led Management Team. Our team is inspired by our love of storytelling and the opportunity to empower creators. Our leadership team is composed of executives with proven track records.

Our Growth Strategies

Our growth strategies include the following:

User Growth Strategies

Improve content localization tailored to each individual geography. For example, in Japan, our strategy focuses on adapting traditional offline manga into a digitized format to attract legacy manga consumers, and then converting those digitized manga consumers into WEBTOON-style web-comic consumers. In the U.S., we started with translating Korean titles into English and contextualizing Korean content for a U.S. audience, and now continue to develop a local creator base in the U.S. In Europe, we are currently translating and contextualizing both Korean and U.S. original content into the local languages and cultures and will ultimately focus on developing local creators.

Acquire new users organically through word-of-mouth or brand-marketing strategies, paying user acquisition or IP Adaptations, such as films, streaming series, print books and games. We also reach new creator communities and users through collaborations with popular platforms, such as Discord, Patreon, DC Comics and BTS's Hybe Entertainment.

Expand to new geographies through targeted launches or acquisitions. Our criteria are based on size of local user base, potential of local creator base, purchasing power, familiarity with similar content formats and overlapping language. The acquisition of Wattpad helped us reach a global and primarily English-speaking web-novel user base, which we also expect to be able to convert into web-comic consumers.

Increase engagement by continually improving our recommendation engine and launching new gamified features that have the potential to go viral.

Creator Growth Strategies

Increase creator earnings by continuing to build our audience, expand cross-border consumption of existing stories, increase our advertising products and advertiser base and scale our IP Adaptations business.

Cultivate fandoms by assisting high-potential creators with professional production support and launching awareness campaigns, including in-app promotions, creator branding and social marketing.

Incubate local creators, especially in newer geographies. For example, we organize an annual web-comic contest for amateur creators in certain geographies, such as the U.S., providing monetary rewards and the opportunity to debut as a featured creator.

Platform Growth Strategies

Increase Paid Content monetization by improving conversion, optimizing the quantity of content subject to a paywall, optimizing pricing schemes and finding new monetization models. We also intend to increase Paid Content monetization by adding additional features that strengthen the community aspects of our platform and deepen the interactions between users and creators.

Grow advertising by enhancing our advertising products and reaching new advertisers. To reach more advertisers, we plan to build local sales teams in new geographies, such as North America.

Leverage our “One Story Multi-Use” strategy by continuing to identify potential stories for adaptation into other media formats, such as film, streaming series, merchandise, games and print books. We also adapt stories cross-border by localizing content from one geography into another.

Continue to invest in our foundational technologies, especially in AI, which powers our entire platform, from our recommendation engine to content generation capabilities for creators to anti-piracy. We also continue to build technology solutions that make it easier to publish on our platform, such as AI-powered auto-painting and other automated content creation tools, as well as creator tools that make it easier to manage user communications and earnings.

Selectively pursue acquisitions where we see an opportunity to acquire a differentiated technology, brand or creator or user community.

Our Relationship with NAVER

Founded in 1999, NAVER is Korea’s largest internet company and its oldest surviving start-up, having grown into a global information and communications technology player. NAVER operates Korea’s No. 1 search engine and top 2 e-commerce platform, in addition to being a leading provider of fintech services, digital content and cloud services, with global reach. NAVER fosters a culture of “founder-type leaders,” which in turn supports the launch of innovative mobile applications created by NAVER employees, including LINE (Japan’s number one messaging app), ZEPETO (a metaverse platform) and WEBTOON. NAVER’s sustained research and development investment into AI, robotics and mobility, among other capabilities, propel NAVER forward as a trusted and innovative technology platform in the global market.

From WEBTOON’s inception as the brainchild of Junkoo Kim during his time as a search engineer at NAVER, our platform has benefitted from our connectivity. We have fostered a close, symbiotic partnership, complementing each other within the broader NAVER network, which will continue to support WEBTOON’s success across multiple fronts. Through our relationship, we have been able to leverage learnings from NAVER’s significant research and development investments into platform technologies, user engagement strategies and advertising capabilities, among other areas. For example, as we continue to build our artificial intelligence capabilities to recommend new content to users or to support creators by automating illustrations, we leverage NAVER’s fundamental technologies and data advantage.

NAVER has also supported strategic opportunities in the digital content industry, such as NAVER’s 2021 acquisition of Wattpad, which had been our sister entity until it was acquired by us from NAVER in June 2023, to help further strengthen our storytelling ecosystem, foster the expansion of our user base into new geographies and create an even stronger foundation to fund an aspiring generation of creators. We will continue to capitalize on our connectivity with NAVER to fuel our growth, combining our collective scale with the nimbleness and innovation of a high-growth startup to provide an open platform for anyone with a story to tell.

Summary of Risk Factors

An investment in shares of our common stock involves risks and uncertainties. The following list contains a summary of some, but not all, of these risks and uncertainties. You should consider the factors listed below and other factors, which are discussed in more detail in the section of this prospectus entitled “Risk Factors,” before making an investment decision to purchase shares of our common stock. If risks or uncertainties materialize, our

business, results of operations, financial condition or prospectus could be adversely affected, potentially in a material way which could result in a partial or complete loss of your investment. Such risks include, but are not limited to, the following:

Risks Related to Our Business, Industry and Operations

- We have experienced rapid growth in recent periods, and our historical growth rates may not be indicative of our future performance.
- Our growth depends on our ability to attract and empower creators and our ability to properly support and incentivize our creators to create compelling, engaging and interactive content.
- Our growth depends on our ability to retain, attract and engage with our users, and our ability to anticipate, understand and respond appropriately to market trends and rapidly changing user preferences in a timely manner.
- If we fail to retain or increase our paying users or if we fail to maintain or continue to increase our paying ratio, our business, financial condition or results of operations could be adversely affected.
- We operate in highly competitive markets, and we face significant competition to attract and empower our creators and users.
- Maintaining and enhancing the market recognition and reputation of our brands is a critical component of our relationship with creators, users and other third parties.
- Our growth depends on our ability to innovate and expand our advertising business and to develop effective advertising products.
- We intend to continue to diversify our monetization strategy and increase revenues from IP Adaptations, which may not be successful.
- We intend to continue to expand our presence in existing and into new geographic markets and execute upon our growth initiatives, and our international expansion efforts may not be successful.
- We face a variety of risks associated with conducting business around the world, and these risks will increase as we continue to expand our presence into new geographic markets.
- Our future growth depends on our ability to continue innovating our platform to offer attractive features and safe and civil experiences for our creators and users.
- We depend on effectively operating with mobile operating systems, hardware, technologies, products, standards and networks that we do not control, and changes to any of these or our platform could adversely affect our user retention, growth, engagement and monetization.
- We have a history of net losses, and we anticipate increasing expenses in the future, and we may not achieve or maintain profitability.
- If we fail to control our content-related costs, the expenses we incur may exceed the increase in revenues.
- The future success of our business relies heavily on our sales and marketing efforts, and if we fail to maintain sales and marketing efficiency, the marketing expenses we incur as we grow may exceed the increase in revenues.

Risks Related to Government Regulation and Legal Proceedings

- We are, and could become, subject to significant legal proceedings and regulatory investigations that may result in significant expenses, fines and reputational damage.

- The success of our growth strategy depends on our ability to provide a safe online environment for children.
- We are subject to complex and evolving federal, state and international laws, regulations, rules, standards and contractual obligations regarding privacy, data protection and cybersecurity, which could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention or engagement, any of which could adversely affect our business.

Risks Related to Intellectual Property

- Claims by others that we infringe, misappropriate or otherwise violate their intellectual property rights through the activities of our creators or users or the content on our platform could subject us to liability.
- Our defenses to claims of infringement, misappropriation or other violations of third-party intellectual property rights are costly and may not be successful.
- Failure to obtain, maintain, protect and enforce our proprietary and intellectual property rights could adversely affect our business.

Risks Related to This Offering and Ownership of our Common Stock

- NAVER controls a significant percentage of our voting power and may have interests that conflict with the interests of other stockholders.
- Following the completion of this offering, we will be a “controlled company” and, as a result, will qualify for exemptions from certain corporate governance requirements.
- Taking advantage of the reduced disclosure requirements applicable to “emerging growth companies” may make our common stock less attractive to investors.
- We have identified certain material weaknesses in our internal control over financial reporting, and if our remediation of such material weaknesses is not effective, or if we experience additional material weaknesses or otherwise are unable to implement and maintain effective internal control over financial reporting in the future, investors could lose confidence in the accuracy and completeness of our financial reports and the market price of shares of our common stock could be adversely affected.

Channels for Disclosure of Information

Following the closing of this offering, we intend to announce material information to the public through filings with the SEC, the investor relations page on our website, press releases, public conference calls and public webcasts. The information disclosed through the foregoing channels could be deemed to be material information. As such, we encourage investors, the media and others to follow the channels listed above and to review the information disclosed through such channels. Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

Emerging Growth Company

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”). An emerging growth company may take advantage of relief from certain reporting requirements and other burdens that are otherwise applicable generally to public companies. In particular, an emerging growth company is not required to:

- provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”);

- provide more than two years of audited financial statements and related management’s discussion and analysis of financial condition and results of operations;
- comply with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;
- provide certain disclosures regarding executive compensation required of larger public companies or hold stockholder advisory votes on executive compensation required by the Dodd-Frank Wall Street Reform and Consumer Protection Act; or
- obtain stockholder approval of any golden parachute payments not previously approved.

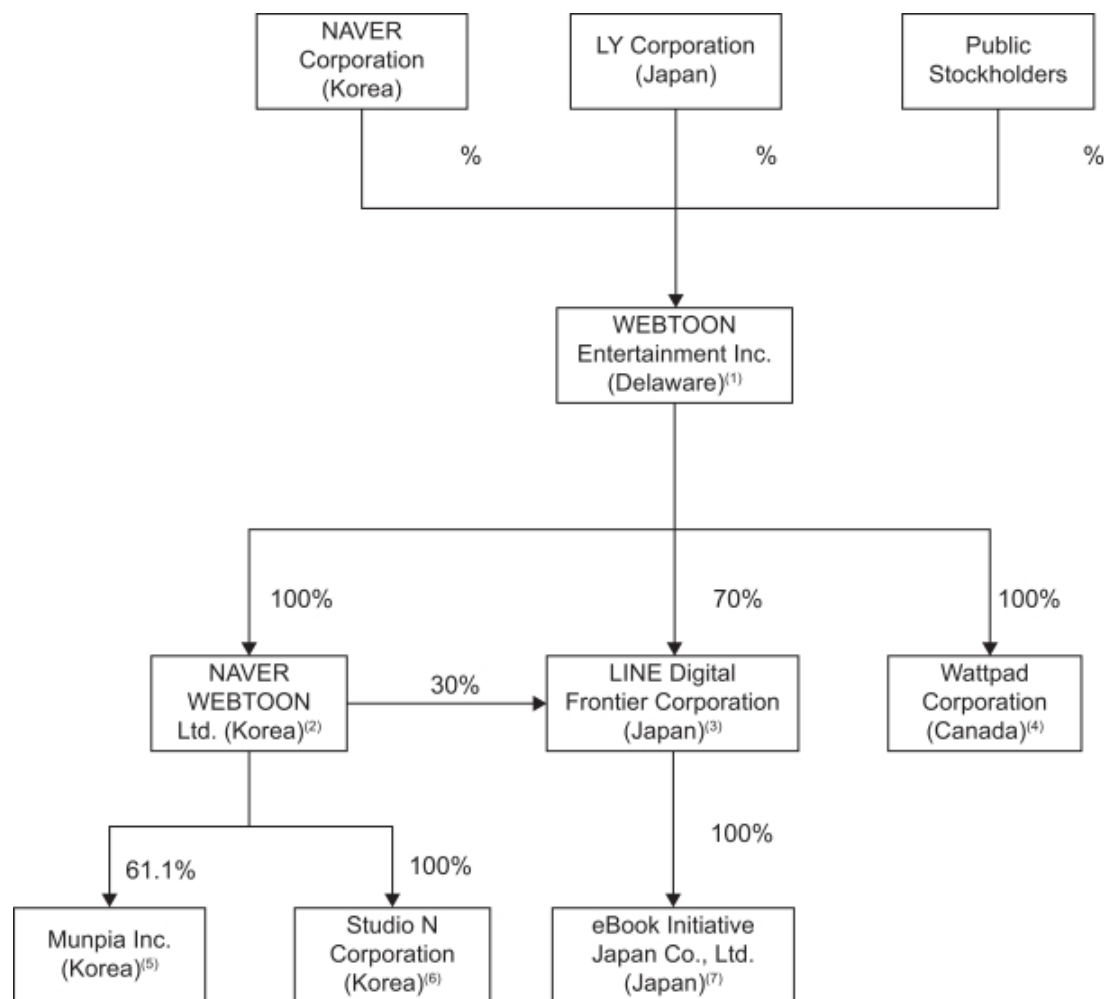
In addition, Section 107 of the JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for adopting new or revised financial accounting standards. We intend to take advantage of all of the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under Section 107 of the JOBS Act until we no longer qualify as an emerging growth company. Our election to use the phase-in periods permitted by this election may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the longer phase-in periods under Section 107 of the JOBS Act and who will comply with new or revised financial accounting standards. See “Risk Factors—Risks Related to This Offering and Ownership of our Common Stock—Taking advantage of the reduced disclosure requirements applicable to “emerging growth companies” may make our common stock less attractive to investors.”

Controlled Company Exemption

After the completion of this offering, NAVER will beneficially own approximately % of our total outstanding shares of common stock and voting power for the election of directors (or % if the underwriters exercise in full their option to purchase additional shares of common stock to cover over-allotments). As a result, upon completion of this offering, we will be a “controlled company” as defined under the corporate governance rules of . We intend to avail ourselves of the “controlled company” exemption under the rules of , including exemptions from certain of the corporate governance listing requirements. A controlled company is not required to have a majority of independent directors or form an independent compensation or nominating and corporate governance committee. As a controlled company, we will remain subject to rules that require us to have an audit committee composed entirely of independent directors, subject to the “phase-in” rules applicable to newly public companies. Under the “phase-in” rules, we are required to have at least three independent directors on our audit committee within one year of the effectiveness of the registration statement of which this prospectus forms a part. We expect to have independent directors upon the completion of this offering. Please read “Management—Controlled Company Exemption” and “Principal and Selling Stockholders.”

Corporate Structure

The following diagram summarizes our organizational structure and ownership after giving effect to this offering, with the percentages of ownership reflected assuming no exercise by the underwriters of their option to purchase additional shares of common stock to cover over-allotments. This diagram is for illustrative purposes only and does not represent all legal entities and subsidiaries of the Company.



- (1) WEBTOON Entertainment Inc. operates the U.S. operation of WEBTOON, our global offering.
- (2) NAVER WEBTOON Ltd. operates our offerings WEBTOON, WEBTOON Korea and NAVER SERIES.
- (3) LINE Digital Frontier Corporation operates our offering LINE MANGA.
- (4) Wattpad Corporation operates our offering Wattpad.
- (5) Munpia Inc. operates our offering Munpia.
- (6) Studio N Corporation is our main IP Adaptations business.
- (7) eBook Initiative Japan Co., Ltd. operates our offering eBookJapan.

Corporate Information

WEBTOON is a Delaware corporation and was incorporated in 2016. Our principal executive offices are located at 5700 Wilshire Blvd, Suite 220, Los Angeles, CA 90036, and our telephone number at this address is (323) 424-3795. Our website is <https://www.webtoons.com>. **The information contained on, or accessible through, our website is not a part of, and is not incorporated into, this prospectus. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website.**

THE OFFERING

Common stock offered by us in this offering	shares
Common stock offered by the selling stockholder in this offering	shares
Underwriters' option to purchase additional shares of common stock to cover over-allotments	shares
Common stock to be outstanding upon completion of this offering	shares (shares if the underwriters exercise in full their option to purchase additional shares of our common stock to cover over-allotments).
Use of proceeds	<p>We expect to receive approximately \$ million based on an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of our common stock by the selling stockholder.</p> <p>We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. See the section titled "Use of Proceeds" for more information.</p>
Dividend policy	<p>We currently do not anticipate paying any cash dividends after this offering and for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for working capital, to support our operations and to finance the growth and development of our business. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including, restrictions in our future debt instruments, our future earnings, capital requirements, financial condition, prospects and applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits. See "Dividend Policy."</p>
Emerging growth company	<p>We qualify as an "emerging growth company" as that term is used in the JOBS Act and, as such, we have elected to take advantage of certain reduced public company reporting requirements for this prospectus. See "Risk Factors" and "Prospectus Summary—Emerging Growth Company."</p>
Controlled company	<p>After the completion of this offering, NAVER will beneficially own approximately % of our total outstanding shares of common stock</p>

and voting power for the election of directors (or % if the underwriters exercise in full their option to purchase additional shares of common stock to cover over-allotments). As a result, upon completion of this offering, we will be a “controlled company” as defined under the corporate governance rules of . We intend to avail ourselves of the “controlled company” exemption under the rules of , including exemptions from certain of the corporate governance listing requirements. See “Management—Controlled Company Exemption.”

Listing and symbol

We intend to list our common stock on the under the symbol “. ”

Risk factors

You should read the section of this prospectus entitled “Risk Factors” and other information included in this prospectus for a discussion of factors you should consider carefully before making an investment decision to purchase shares of our common stock.

Unless otherwise indicated or the context otherwise requires, references to the number and percentage of shares of our common stock to be outstanding upon completion of this offering are based on shares of our common stock outstanding upon completion of this offering.

Unless otherwise indicated or the context otherwise requires, the information presented in this prospectus:

- gives effect to our amended and restated certificate of incorporation (the “Amended Charter”) and amended and restated bylaws (the “Amended Bylaws”), which will become effective upon the consummation of this offering;
- assumes an initial public offering price of \$ per share of our common stock, which is the midpoint of the estimated price range set forth on the cover page of this prospectus;
- assumes no exercise of the underwriters’ option to purchase additional shares of our common stock to cover over-allotments;
- excludes the issuance of up to % of the shares of our common stock outstanding at the closing of this offering (on a fully diluted basis) that we expect to reserve for issuance under our proposed long-term incentive plan (the “LTIP”); and
- excludes shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of , with a weighted-average exercise price of \$ per share.

SUMMARY COMBINED FINANCIAL AND OTHER DATA

The following table summarizes our combined financial and other data. We have derived the summary historical combined statement of operations data and combined statement of cash flows data for the year ended December 31, 2022, and the summary historical combined balance sheet data as of December 31, 2022, from our audited combined financial statements included elsewhere in this prospectus. The historical combined financial data below is only a summary and should be read in conjunction with the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as our combined financial statements included elsewhere in this prospectus. The historical combined financial data may not necessarily reflect what our financial condition, results of operations or cash flows may be in the future.

Combined Statement of Operations and Comprehensive Loss

<i>(in thousands of USD)</i>	Year Ended December 31, 2022
Revenue	\$ 1,079,388
Cost of revenue	(806,377)
Marketing	(180,002)
General and administrative expenses	(207,728)
Operating Loss	(114,719)
Interest income	1,166
Interest expense	(844)
Loss on equity method investments, net	(4,694)
Other income, net	937
Loss before income tax	(118,154)
Income tax expense	(14,369)
Combined Net Loss	(132,523)

Combined Balance Sheet

<i>(in thousands of USD)</i>	As of December 31, 2022
Cash and cash equivalents	\$ 279,709
Total current assets	555,437
Total assets	2,020,591
Total liabilities	505,125
Redeemable non-controlling interest in subsidiary	46,964
Total equity	1,468,502

Combined Statement of Cash Flows

<i>(in thousands of USD)</i>	Year Ended December 31, 2022
Net cash used in operating activities	\$ (140,608)
Net cash used in investing activities	(50,704)
Net cash provided by financing activities	350,342

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP financial measures are useful in evaluating and comparing our financial and operational performance over multiple periods, identifying trends affecting our business, formulating business plans and making strategic decisions.

<i>(in thousands of USD, except percentages)</i>	Year Ended December 31, 2022
EBITDA ^(a)	\$ (82,575)
EBITDA Margin ^(a)	(7.7)%

- (a) We define EBITDA as earnings (combined net income or loss) plus (i) interest expense, (ii) income tax expense and (iii) depreciation and amortization. We believe that EBITDA provides useful information to investors regarding our performance, as it removes items that reduce the comparability of our underlying core business performance across reporting periods. EBITDA margin measures EBITDA as a percentage of revenue. EBITDA and EBITDA margin are non-GAAP financial measures and are not intended to be substitutes for any GAAP financial measures. They should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP, such as combined net income (loss) or combined net income (loss) margin. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for information regarding our use of these non-GAAP financial measures, and for a reconciliation of each of these non-GAAP financial measures to its most directly comparable financial measure calculated in accordance with U.S. GAAP.

The following table reconciles net loss to EBITDA for the year ended December 31, 2022.

<i>(in thousands of USD)</i>	Year Ended December 31, 2022
Combined net loss	\$ (132,523)
Interest expense	844
Income tax expense	14,369
Depreciation and amortization	34,735
EBITDA	<u>\$ (82,575)</u>
Revenue	1,079,388
Combined Net Loss Margin	(12.3)%
EBITDA Margin	(7.7)%

RISK FACTORS

An investment in shares of our common stock involves risks and uncertainties. In addition to the other information in this prospectus, you should carefully consider the factors below before making an investment decision to purchase shares of our common stock. We seek to identify, manage and mitigate risks to our business, but risks and uncertainties are difficult to predict, and many are outside of our control and therefore cannot be eliminated. You should be aware that it is not possible to predict or identify all of these factors and that the following is not meant to be a complete discussion of all potential risks or uncertainties. If known or unknown risks or uncertainties materialize, our business, financial condition, results of operations, cash flows or prospects could be adversely affected, potentially in a material way, which could result in a partial or complete loss of your investment.

Risks Related to Our Business, Industry and Operations

We have experienced rapid growth in recent periods, and our historical growth rates may not be indicative of our future performance.

We have experienced rapid growth in our business and revenue in recent periods. You should not rely on our historical growth rates as an indication of our future performance. We anticipate that further growth of our business will be required to address any significant growth in our user base and creators and to take advantage of favorable market opportunities. Any future growth will likely place significant demands on our managerial, operational, administrative and financial resources. If we are not able to respond effectively to new or increased demands that arise because of our growth, or, if in responding, our management is materially distracted from current operations, our business could be adversely affected. In addition, if we do not have sufficient breadth and depth of the content necessary to satisfy increased demand arising from growth in our user base, our user satisfaction may also be adversely affected.

Our growth may decline in the future as a result of a variety of factors, including slowing demand for our platform, insufficient growth in the number of creators and users that use our platform, increased competition, insufficient growth of our overall market, our inability to continue to capitalize on growth opportunities, increasing regulatory costs and the maturation of our business. We believe that the growth of our business depends on a number of factors, including our ability to:

- continue to attract and empower creators to create engaging content;
- attract users and strengthen our brands;
- increase engagement with users and strengthen our community;
- increase our paying ratio and strengthen our monetization capability;
- continue to innovate and expand our advertising business;
- increase revenues from our IP Adaptations with increasing bargaining power vis-a-vis third-party intellectual property adaptation partners (e.g., studios, publishers, financiers, distributors, producers and potential buyers);
- expand our presence into new geographic markets;
- continue to innovate our platform; and
- maintain sales and marketing efficiency.

We may not successfully accomplish any of these objectives, or such changes may not be favorable to us, and, as a result, it is difficult for us to forecast our future results of operations. If the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or if we are unable to maintain revenue growth, our stock price could decline, it may be difficult to achieve and maintain profitability and our business, financial condition and results of operations could be adversely affected.

Our growth depends on our ability to attract and empower creators and our ability to properly support and incentivize our creators to create compelling, engaging and interactive content.

Our platform is powered by our creators and the content they bring to life. We depend on our creators to create compelling, engaging and interactive content and to enter into agreements with us with respect to the monetization and adaptation of such content. To facilitate and incentivize the content creation on our platform, we empower our creators with an end-to-end technology toolkit that enables content management, provides content creation support and is also supplemented with multilayered assistance. In addition, we provide our creators with an opportunity to monetize their creative efforts through various means, including Paid Content, advertising or IP Adaptations. If we fail to provide the right technologies or sufficient monetization opportunities to our creators, our creators may create less content or elect to create content on other platforms and, thus, our business, results of operations and financial condition could be adversely affected.

We compete to attract and empower creators by providing them the essential resources for success, including tools to create, manage and monetize their content. We compete for creators with popular technology platforms that provide creators the ability to create or distribute interactive content, and some of our creators have developed attractive businesses in developing content on our platform. Although our agreements with certain creators include certain exclusive distribution rights that the creators grant us, those agreements do not require them to continue to use our platform for any time period to create new content. In the future, if we are unable to continue to provide value to these creators and if they have alternative methods to publish and monetize their content, they may not continue to provide content to our platform. Should we fail to provide compelling advantages to continued use of our ecosystem to creators, they may elect to develop content on competing interactive entertainment platforms. We must continue to invest significant resources in research and development, including through acquisitions, in order to enhance our technology and platform. If a significant number of our creators no longer provide content, we may experience an overall reduction in the quality of user experiences, which could adversely affect users' interest in our platform and lead to a loss of revenue opportunities and adversely affect our results of operations. Failure to adequately identify and provide sufficient monetization opportunities could adversely affect our business, financial condition or results of operations.

In addition, as there are few barriers for our creators to publish their content on our platform, we cannot guarantee that the content created by all creators on our platform will be of sufficient quality to attract users to our platform. Furthermore, any disputes or legal proceedings with our creators, especially the franchise stars that create popular and engaging content, may disrupt our relationships with them. Therefore, we cannot assure you that we will obtain or retain content on our platform with monetization value. If we lack popular content that can be monetized or fail to acquire a broad range of intellectual property rights of such literary content for monetization, our business, financial condition or results of operations could be adversely affected.

Our growth depends on our ability to retain, attract and engage with our users, and our ability to anticipate, understand and respond appropriately to market trends and rapidly changing user preferences in a timely manner.

The size of our user base and our users' level of engagement are critical to our success, and our financial performance has been, and will continue to be, significantly determined by our success in retaining, attracting and engaging MAU and converting them into MPU. From our inception, we experienced our largest user growth in Korea, Japan and North America. We have experienced, and expect to continue to experience, fluctuations and declines in the size of our user base in one or more markets from time to time, particularly in markets where we have achieved higher penetration rates. Any future declines in the size of our user base may adversely impact our financial performance.

Our business performance is increasingly dependent on our ability to increase levels of user engagement in current and new markets. In particular, our performance will depend on our ability to convert the popularity of web-based comics and novels in Korea and Japan into other regions. If people do not perceive our platform to be useful, reliable or trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the

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frequency, duration or level of their engagement. A number of other online content platforms or social platforms that achieved early popularity have seen the sizes of their user bases or levels of engagement subsequently decline, in some cases precipitously.

Any number of factors could adversely affect user retention, growth or engagement, including if:

- we are unable to continue to offer content that users find highly engaging, that work with a variety of mobile operating systems, web browsers, other systems and networks and that achieve a high level of market acceptance, particularly in markets that we are targeting for expansion;
- we are unable to convert users like we do in Korea and Japan;
- users increasingly engage with competing products or services, particularly social media platforms, online content platforms and mobile games;
- we are unable to obtain, manage and prioritize content to ensure users are presented with content that is appropriate, interesting, useful and relevant to them;
- we are unable to introduce new and exciting features, products or services, or those we introduce are not favorably received;
- initiatives designed to attract and retain users and engagement are unsuccessful or discontinued, whether as a result of actions by us, users, creators, third parties or otherwise;
- we are unable to provide a compelling and intuitive user experience and environment, particularly relating to the delivery, quality, volume, design and layout of the content and advertisements delivered on our platform;
- we are unable to provide adequate customer service to users or creators, or maintain relationships with key platform partners such as advertisers;
- there are increased concerns of users or creators, or we suffer any incidents, relating to privacy, data protection, cybersecurity or safety;
- there are changes mandated by legislation, regulatory authorities or litigation that adversely affect our platform, content, users or creators; or
- we adopt terms, policies or procedures related to areas such as sharing, content, user data or advertising that are perceived negatively by our users or the general public.

There is no guarantee that we will not experience an erosion of our user base or a decline in engagement levels. A decrease in user retention, growth or engagement could negatively impact our revenue from users and render our platform less attractive to our creators and our platform advertisers, thereby reducing our revenues, which could adversely affect our business, financial condition and results of operations.

If we fail to retain or increase our paying users or if we fail to maintain or continue to increase our paying ratio, our business, financial condition or results of operations could be adversely affected.

We offer both Paid Content and free content to our users on our platform. A majority of our revenues are generated from the Paid Content on our platform. For the year ended December 31, 2022, our Paid Content revenue was \$851.9 million, which accounted for 78.9% of our total revenue. Our users may access our Paid Content by purchasing either our *Fast Pass*, which provides users with early access to upcoming episodes for ongoing series, or our *Daily Pass*, which provides users with access to locked episodes primarily from completed titles.

The success of our business depends largely on our ability to generate sufficient paying user traffic through engaging content so as to retain existing and attract new users that are willing to pay for the Paid Content. Among all users who use our platform in any period, only a small percentage of such users are paying users. To attract and retain our paying users, we must continue to offer engaging and diversified content that meets our users' fast changing appetite and enhance the interaction between users and creators. To that end, we must

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continuously anticipate, understand and respond appropriately to market trends and rapidly changing user preferences by generating suitable content in a timely and effective manner. We may not be able to maintain or continue to increase our paying ratio to achieve expected Paid Content revenues. If we fail to cater to the fast changing needs and preferences of our users, in particular our younger generation of users whose appetite may evolve from time to time and who may have higher demand in the quality and entertaining level of content, and, as a result, fail to deliver suitable content and a satisfactory user experience, our paying users will not find our Paid Content attractive or may find our *Daily Pass* or *Fast Pass* expensive. Consequently, they may reduce their spending on our Paid Content. As we generate a majority of our revenues from our paying users, it is particularly important for us to retain and increase the percentage of paying users and to maintain or increase their spending levels. There can be no assurance that we will be able to retain or increase paying users or that paying users will maintain or increase their spending. It is possible that we could lose more paying users than we gain in the future, which would cause a decrease in the monetization of our content and could adversely affect our business, financial condition and results of operations.

We operate in highly competitive markets, and we face significant competition to attract and empower our creators and users.

We face substantial competition across all geographic markets in which we operate and compete for both users and creators, and competitive pressures could adversely affect our business, financial condition or results of operations. We compete with companies of all sizes based on numerous factors, including our compelling, engaging and interactive content, personalized user experiences, various engaging and social features, advertising and promotional activities, brand recognition and loyalty, pricing and geographic reach. We compete for users and their engagement time with paper comics, other web-comic platforms, global entertainment companies, global gaming companies, online content platforms, as well as social platforms. Furthermore, the continued attractiveness of our content and geographic markets in which we operate may encourage the entry of new competitors of all sizes, which could increase other competitive pressures in the future. We may be unable to anticipate the timing and scale of the threats posed by our competitors or successfully respond to them. In addition, the cost of responding to increasingly significant and widespread competition worldwide, including management time and out-of-pocket expenses, could adversely affect our business, financial condition or results of operations.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages, such as:

- larger sales and marketing budgets and resources;
- broader and more established relationships and brand recognition with users and creators;
- greater resources to make acquisitions and enter into strategic partnerships;
- lower labor and research and development costs;
- stronger competitive positions in certain geographic regions or user demographics;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical and other resources.

We expect competition to continue to increase in the future. Conditions in our market could change rapidly and significantly as a result of technological advancements, the emergence of new entrants into the market, partnering or acquisitions by our competitors, continuing market consolidation or changing creator and user preferences, which can be difficult to predict or prepare for. Our competitors vary in size, and some may have substantially broader and more diverse offerings or may be able to provide more monetization opportunities for creators.

Maintaining and enhancing the market recognition and reputation of our brands is a critical component of our relationship with creators, users and other third parties.

Maintaining and enhancing the recognition and reputation of our brands is a critical component of our ability to compete for, and maintain and enhance our relationship with, creators, users and other third-party partners. We may also experience media, legislative or regulatory scrutiny of our actions or decisions regarding user privacy, data protection, cybersecurity, data use, content monitoring, advertising, competition and other issues, which may in the future adversely affect our reputation and brands. Our brands may also be negatively affected by the actions of people that are hostile or inappropriate, by accounts impersonating other people, by accounts identified as spam, by use or perceived use, directly or indirectly, of our products or services by people (including governments and government-sponsored actors) to disseminate information that may be viewed as offensive or inappropriate, by accounts introducing excessive amounts of spam on our platform, by third parties obtaining control over people's accounts or by cyberattacks or other security incidents. Maintaining and enhancing our brands may require us to make substantial investments, and these investments may not achieve the desired goals.

Many factors, some of which are beyond our control, are important to maintaining and enhancing our brands and may negatively impact our brands and reputation if not properly managed, including our ability to:

- maintain highly engaged users as user preferences evolve and as we expand into new markets;
- increase brand awareness among existing and potential users and creators through various means of marketing and branding activities; and
- adopt new technologies or adapt our platform and our systems to new user or creator requirements or emerging industry standards.

Additionally, we receive a high degree of media coverage around the world. Negative publicity about our company or executives, including about the quality of content shared on our platform, changes to our products, policies and services, our privacy, data protection, cybersecurity and policy enforcement, litigation, regulatory activity and the actions of certain accounts (including actions taken by prominent accounts on our platform or the dissemination of information that may be viewed as hateful, misleading or manipulative), even if inaccurate, could adversely affect our reputation. Such negative publicity and reputational harm could adversely affect our creators and users and their confidence in and loyalty to our platform and could result in decreased revenue or increased costs to reestablish our brands.

Our growth depends on our ability to innovate and expand our advertising business and to develop effective advertising products.

We generate a portion of our revenue from advertising on our platform. For the year ended December 31, 2022, our revenue from advertising was \$145.1 million, which accounted for 13.4% of our total revenue. Most of our advertisers do not have long-term commitments with us, and many of our advertisers can terminate their contracts with us at any time. Advertisers may not continue to do business with us, or they may reduce the budgets they are willing to commit to us, if we do not deliver advertisements in an effective manner or fail to develop effective advertising products, if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives or if they are not satisfied for any other reason. This requires us to effectively leverage digital technology and data analytics to gain new commercial insights and develop targeted marketing and advertising initiatives to reach users. If we are unable to provide advertisers with a suitable return on investment, the demand for our advertisements may not increase, or may decline, which may impact our revenue and financial results. In addition, our ability to generate and maintain our advertising revenues depends on a number of factors, including the maintenance and enhancement of our brands, our platform, the scale, engagement and loyalty of our users and the market competition on advertising prices. We cannot assure you that we will be able to retain existing advertisers or attract new ones. If we are unable to retain and enhance our relationships with advertisers, our business, financial condition and results of operations could be adversely affected.

We intend to continue to diversify our monetization strategy and increase revenues from IP Adaptations, which may not be successful.

We currently generate a substantial majority of our revenues from Paid Content distribution. We also generate a portion of our revenues from online advertising. We plan to strengthen revenue contribution from our other monetization methods, such as monetizing content on our platform via adaptations into film, streaming series and other rich media formats. We currently have various business models for IP Adaptations, including licensing out the rights to adapt content created by certain creators to intellectual property adaptation partners (e.g., studios, publishers, financiers, distributors, producers and potential buyers), participating in the preproduction phase for such adaptations, co-producing or investing in production for such adaptations alongside intellectual property adaptation partners and directly funding the entire project for such adaptations. We are in the early stage of our adaptation business and have a limited track record of, or experience in, generating substantial revenues from such adaptations. If our adaptation initiative does not enhance our monetization ability or enable us to develop new approaches to monetization, we may not be able to substantially increase our revenues or recover any associated costs. In addition, we may in the future introduce new services to further diversify our revenue streams, including services with which we have little or no prior development or operating experience. If these new or enhanced services fail to engage users, customers or content partners, we may fail to attract or retain users or to generate sufficient revenues to justify our investments and our business and operating results may suffer as a result.

Moreover, we may fail to effectively identify and develop popular content on our platform with adaptation potential, properly maintain our existing business relationship with our intellectual property adaptation partners in the future or develop new business relationships, our intellectual property adaptation partners may be less likely to source content from and develop business cooperation with us, the occurrence of which could adversely affect our business, financial condition and results of operations.

We intend to continue to expand our presence in existing and into new geographic markets and execute upon our growth initiatives, and our international expansion efforts may not be successful.

In recent years, we have grown, and we intend to continue to grow, our business by expanding our presence into new geographic markets. In seeking to expand our operations in geographic markets where we currently have a presence or to expand into new geographic markets where we currently do not have a presence, we expect, as we have in the past, to invest significant resources, incur expenses and face various challenges, including those related to compliance with market-specific laws or regulations, gaining acceptance of our platform, content and products from creators, users and third-party partners, some of whom may be less familiar with our company and our brands or have existing loyalty or relationships with competitors and their brands, the ability to monitor our platform in new and evolving markets and in different languages to confirm we maintain standards consistent with our brands and reputation and expanding our sales force and other personnel in those markets. We cannot predict with certainty the extent to which our platform, content and marketing efforts will be accepted or successful in any particular market, and it is possible that positive returns on our investments in a market will not be achieved for several years, or at all.

In addition, competition is likely to intensify in the new geographic markets where we plan to expand our presence. Local companies may have substantial competitive advantages because of their greater understanding of, and focus on, those local markets. Some of our competitors may also be able to develop and grow in certain geographic markets more quickly than we will. We may not be able to expand our presence in new geographic markets and attract creators or users in international markets and doing so will require considerable management attention and resources. International expansion is subject to the particular challenges of supporting a business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. If we are unable to offer our platform in certain countries, and successfully expand our presence into new geographic markets, our business, financial condition or results of operations could be adversely affected.

We face a variety of risks associated with conducting business around the world, and these risks will increase as we continue to expand our presence into new geographic markets.

We operate our platform in multiple geographies and are subject to risks and challenges associated with an international business. While we intend to continue to expand internationally, and this expansion is an important element of our future business strategy, there is no guarantee that our international expansion efforts will be successful. Expanding our presence into new geographic markets and having creators and users globally is accompanied by certain financial, economic and political risks, including:

- local and regional economic environments and policies in the markets we serve, including interest rates, monetary policy, inflation, economic growth, recession, commodity prices and currency controls or other limitations on the ability to expatriate cash;
- currency devaluations in jurisdictions experiencing high inflation rates or significant currency exchange fluctuations;
- compliance with local regulations and laws, including in some jurisdictions, local regulations related to privacy, data protection and cybersecurity, content monitoring, preclusion and removal of online entertainment platforms, particularly as these rules apply to interactions with children;
- lack of well-established, reliable or impartial legal systems in certain countries in which we operate and difficulties in enforcing contractual, intellectual property or other rights;
- labor market disruptions or increase in labor costs in individual countries or regions;
- foreign ownership and investment restrictions and potential nationalization or expropriation of our foreign assets;
- sovereign risk related to a default by, or deterioration in, the creditworthiness of local governments, particularly in emerging markets;
- political or social upheavals, economic instability, repression or human rights issues; and
- other geopolitical events, including natural disasters, disruptions to markets due to war, armed conflict, terrorism, epidemics or pandemics and actions taken in response to these events, including increased trade controls, sanctions and other restrictive measures.

Any of the foregoing risks could have a significant impact on our ability to offer our platform in new geographic markets, could harm our ability to generate revenue internationally and, consequently, adversely affect our business, financial condition and results of operations. In addition, these risks will increase as we continue to expand our presence into new geographic markets.

Our future growth depends on our ability to continue innovating our platform to offer attractive features and safe and civil experiences for our creators and users.

We research, develop and continue to innovate our platform to incorporate additional features, improve functionality or other enhancements and prioritize user safety and security in order to meet the rapidly evolving demands of our creators and users. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of the market is essential. Developments and innovations on our platform may rely on new or evolving technologies which are still in development or may never be fully developed. If we fail to anticipate creators' and users' needs, the quality of the content created on our platform may not attract users to engage with our experiences and result in a decline of users on our platform. When we develop new or enhanced features for our platform, we typically incur expenses and expend resources upfront to develop, market, promote and sell new features. Therefore, when we develop and introduce new or enhanced features, they must achieve high levels of creator and user acceptance in order to justify the investment in developing and bringing them to market. Further, we have made and may in the future make changes to our platform or have added and may in the future add features that our users or creators do not

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like or find useful. Such changes and new features may be difficult to remove from the platform and expensive to maintain.

New features or enhancements and changes to the existing features of our platform could fail to attain sufficient market acceptance for many reasons, including:

- failure to predict market demand accurately in terms of functionality and to supply features that meet this demand in a timely fashion;
- defects, bugs, errors or failures;
- negative publicity about performance or effectiveness;
- delays in releasing new features or enhancements on our platform; and
- introduction or anticipated introduction of competing products by competitors.

The failure to obtain market acceptance could adversely affect our brands, business, financial condition and results of operations.

We depend on effectively operating with mobile operating systems, hardware, technologies, products, standards and networks that we do not control, and changes to any of these or our platform could adversely affect our user retention, growth, engagement and monetization.

Because we depend on effectively operating with mobile operating systems, hardware, technologies, products, standards and networks, our application must remain interoperable with these and other popular mobile app stores and platforms and related hardware. Further, we are subject to the standard policies and terms of service of these operating systems, as well as policies and terms of service of the various application stores that make our application and experiences available to our creators and users. These policies and terms of service govern the availability, promotion, distribution, content and operation generally of applications and experiences on such operating systems and stores. Each provider of these operating systems and stores has broad discretion to change and interpret its terms of service and policies with respect to our platform, and those changes may be unfavorable to us and our creators' and users' use of our platform. If we were to violate, or an operating system provider or application store believes that we have violated, its terms of service or policies, that operating system provider or application store could limit or discontinue our access to its operating system or store. In some cases, these requirements may not be clear or our interpretation of the requirements may not align with the interpretation of the operating system provider or application store, which could lead to inconsistent enforcement of these terms of service or policies against us and could also result in the operating system provider or application store limiting or discontinuing access to its operating system or store. Any limitation on or discontinuation of our access to any third-party platform or application store could adversely affect our business, financial condition or results of operations. We may not successfully cultivate relationships with key industry participants or develop products that operate effectively with these technologies, systems, networks, regulations or standards. If it becomes more difficult for our users to access and engage with our platform on their mobile devices, if our users choose not to access or use our platform application on their mobile devices or if our users choose to use mobile products that do not offer access to our platform, our business and user retention, growth and engagement could be adversely affected.

The owners and operators of these mobile application platforms, primarily Apple and Google, each have approval authority over our platform's deployment on their systems and offer consumers products that compete with ours. Additionally, mobile devices are manufactured by a wide array of companies. Those companies have no obligation to test the interoperability of new mobile devices with our platform application and may produce new products that are incompatible with or not optimal for our platform. We have no control over these operating systems, application stores or hardware and any changes to these systems or hardware that degrade our platform's functionality, or give preferential treatment to competitive products, could adversely affect our

platform usage on mobile devices. An operating system provider or application store could also limit or discontinue our access to its operating system or store if it establishes more favorable relationships with one or more of our competitors, launches a competing product itself, or it otherwise determines that it is in its business interests to do so. Our competitors that control the operating systems and related hardware our application runs on could make interoperability of our platform with those mobile operating systems more difficult or display their competitive offerings more prominently than ours. Additionally, our competitors that control the standards for the application stores for their operating systems could make our platform application, or certain features of our platform, inaccessible for a potentially significant period of time. We plan to continue to introduce new technologies on our platform regularly and have experienced that it takes time to optimize such technologies to function with these operating systems, hardware and standards, impacting the popularity of our new technologies and features, and we expect this trend to continue.

Moreover, our platform requires high-bandwidth data capabilities. If the costs of data usage increase or access to cellular networks is limited, our user retention, growth and engagement could be adversely affected. Additionally, to deliver high-quality images and other content over mobile cellular networks, our platform must work well with a range of mobile technologies, systems, networks, regulations and standards that we do not control. In particular, any future changes to the iOS or Android operating systems or application stores may impact the accessibility, speed, functionality and other performance aspects of our platform, and may result in issues in the future from time to time. In addition, the proposal or adoption of any laws, regulations or initiatives that adversely affect the growth, popularity or use of the internet, including laws governing internet neutrality, could decrease the demand for our platform and increase our cost of doing business.

Restrictions on our ability to collect, use and otherwise process, data as desired could negatively impact our ability to leverage data about the content our creators create and how our users use our platform. This in turn could impact our resource planning and feature development planning for our platform. Similarly, at any time, these operating system providers or application stores can change their policies on how we operate on their operating system or in their application stores by, for example, applying content moderation for applications and advertising or imposing technical or code requirements. Actions by operating system providers or application stores such as the Apple App Store and the Google Play Store may affect the manner in which we collect, process and use data from end-user devices. Accordingly, future changes implemented by Apple or Google could adversely impact our revenue. In addition, these operating systems and application stores could change their business models and could, for example, increase application store fees, which could have an adverse impact on our business. There have been litigation and governmental inquiries over application store fees, and Apple or Google could modify their platform in response to litigation, investigations and inquiries in a manner that may adversely affect us.

We have a history of net losses, and we anticipate increasing expenses in the future, and we may not achieve or maintain profitability.

You should consider our business and prospects in light of the risks, expenses and difficulties encountered by companies in their early stage of development. We have incurred net losses since our inception, and given the significant costs and expenses, including user acquisition costs associated with our business plan, anticipate continuing net losses for the foreseeable future. We incurred combined net loss of \$132.5 million for the year ended December 31, 2022. As of December 31, 2022, we had an accumulated deficit of \$212.0 million. If our user growth does not increase to offset these anticipated increases in our operating expenses, our business, financial condition or results of operations could be adversely affected, and we may not be able to achieve or maintain profitability. These efforts may be more costly than we expect and may not result in increased revenue or growth of our business. In addition to the expected costs to grow our business, we also expect to incur significant additional legal, accounting and other expenses as a newly public company. If we fail to increase our revenue to sufficiently offset the increases in our operating expenses, we will not be able to achieve or maintain profitability in the future.

If we fail to control our content-related costs, the expenses we incur may exceed the increase in revenues.

High-quality and engaging content is the core driver and foundation of our platform. Content creation related costs, including payouts to creators, have historically accounted for a substantial portion of our cost of sales. We generally enter into revenue-sharing arrangements with certain of our creators pursuant to which we pay an upfront amount to obtain certain intellectual property and adaptation rights and we share revenue with them based on sales and other forms of monetization of the content they create. Due to the improving monetization prospects of engaging content, there is increasing competition for popular content. We expect our content-related costs to increase on an absolute basis as we expand our content library, and if we are unable to control our content-related costs, our business, financial condition or results of operations could be adversely affected.

The future success of our business relies heavily on our sales and marketing efforts, and if we fail to maintain sales and marketing efficiency, the marketing expenses we incur as we grow may exceed the increase in revenues.

We acquire users through both organic means and paid marketing strategies. We may be required to spend substantial resources on sales and marketing efforts to defend, maintain or improve our reputation or our brands or to successfully enter new markets, expand in existing markets or introduce new features on our platform. Our business, financial condition or results of operations could be adversely affected if we are unable to maintain and promote a favorable perception of our platform and brands on a cost-effective basis or if our marketing initiatives or promotional activities do not convey the desired message for our platform or its ability to attract creators and users. We expect our marketing expenses to increase in the future, particularly as we adapt to new and evolving media platforms and communication channels or enter new geographic markets. Our competitors could spend more resources on marketing efforts, use more efficient and effective marketing initiatives than we do or secure more effective endorsements from key opinion leaders or influencers, any of which may provide our competitors with a competitive advantage. If we are unable to continue to enhance and refine our marketing strategies, including if we fail to identify potential technologies to enhance our marketing and advertising capabilities, we may not be able to acquire sufficient users visiting our platform to sustain our growth. If we are unable to recover our marketing expenses through increased user traffic or increased revenue, we may not be able to generate a meaningful yield on our marketing efforts, which could have a material adverse effect on our growth, results of operations and financial condition. Furthermore, if claims that are made as part of our advertising or promotional activities, whether they are made by us or by social media influencers or other endorsers with whom we have relationships, become subject to legal or regulatory proceedings, it could damage our reputation or brands, cause us to alter our marketing initiatives in ways that could adversely affect our revenues or result in the imposition of significant damages or other penalties against us.

Future acquisitions of, or investments in, other companies, technologies or specialized employees could require significant management attention, disrupt our business and adversely affect our results of operations.

As part of our business strategy, we have made and intend to make acquisitions and investments to add complementary companies, features, technologies and highly skilled employees. In the future, we may not be able to find suitable acquisition or investment candidates, and we may not be able to complete acquisitions or investments on favorable terms, if at all. Pursuing acquisition targets, signing and closing acquisitions and investment transactions and integrating acquired businesses, brands, assets and technologies into our ongoing operations involve numerous potential risks that could adversely affect our business, financial condition or results of operations, including:

- diverting management's attention from other business priorities;
- receiving necessary consents, clearances and approvals in connection with a transaction, including under antitrust and competition laws, which could delay or prevent the completion of a transaction or otherwise restrict our ability to realize the expected financial or strategic goals of a transaction;

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- successfully integrating the operations, technologies, services, products, systems and features of the acquired businesses, brands or assets in an effective, timely and cost-efficient manner;
- to the extent applicable, integrating operations across different cultures and languages and addressing the particular economic, currency, political and regulatory risks associated with specific countries;
- realizing the full extent of the expected benefits or synergies as a result of a transaction, within the anticipated time frame or at all;
- successfully operating new lines of business, services, products or geographic markets;
- achieving distribution expansion related to services, products, categories and geographic markets;
- retaining key creators, users, employees, partners and suppliers of the acquired business;
- conforming standards, controls, procedures and policies of the acquired business with our own;
- developing and launching products and services with acquired technologies; and
- other unanticipated problems or liabilities.

Moreover, our acquisitions could result in substantial exposure to contingent liabilities, such as litigation, indemnification claims and earn-out obligations. The occurrence of these or other costs of acquisitions, such as incurrence of substantial additional debt or transaction costs or impairment of goodwill or other intangible assets, could adversely affect our business, financial condition or results of operations.

Our future success depends on the continuing efforts of our Founder and senior management and our ability to attract and retain highly skilled employees and key personnel.

We depend on the continued services and performance of our Founder, Junkoo Kim and members of our senior management team. Junkoo Kim has been responsible for our strategic vision, and should he stop working for us for any reason, it is unlikely that we would be able to immediately find a suitable replacement. We do not maintain key man life insurance for Junkoo Kim, and do not believe any amount of key man insurance would allow us to recover from the harm to our business if Junkoo Kim were to leave the Company for any reason. Similarly, members of our senior management team are highly sought after, and others may attempt to encourage these individuals to leave the Company. The loss of one or more of the members of the senior management team for any reason, or the inability to attract new or replacement members of our senior management team in the future, could disrupt our operations, create uncertainty among investors, adversely impact employee retention and morale and adversely affect our business.

Our business also depends on our ability to attract and retain highly skilled employees and key personnel representing diverse backgrounds, experiences and skill sets. The market for talented employees and key personnel in our industry is extremely competitive, and our ability to compete depends on our ability to hire, develop and motivate highly skilled employees and key personnel in all areas of our business and in all geographic markets in which we operate, particularly as we continue to expand globally. Maintaining our brands, our reputation and a diverse, equitable and inclusive work environment enables us to attract top talent. Furthermore, our ability to attract and retain talent has been, and may continue to be, impacted to varying degrees by challenges in the labor market that emerge from time to time, such as wage inflation, labor shortages and changes in immigration laws and government policies. If we are less successful in our hiring efforts, or, if we cannot retain highly skilled employees and key personnel, then our business, financial condition or results of operations could be adversely affected.

We are dependent on NAVER to carry out our activities, and we may not be able to find suitable replacements if our services agreements with NAVER are terminated.

We have historically operated as a subsidiary of NAVER and relied on NAVER for certain functions to operate our business. Although we have established and intend to expand our own corporate functions, including

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facilities, insurance, logistics, quality, compliance, finance, human resources, benefits administration, information technology, legal, corporate strategy, corporate governance, other professional services and general commercial support functions, we still rely, and expect to continue to rely, on NAVER for certain functions. Additionally, we may rely on certain intellectual property owned by NAVER to operate our business and may rely on implied licenses, rather than formal written license agreements, from NAVER with respect to our use of such intellectual property. Pursuant to certain services agreements, subsidiaries of NAVER provide us with certain administrative services, including services relating to infrastructure, information technology and systems, accounting and financial services, human resources and marketing, office facilities, administrative personal and other services. See “Certain Relationships and Related Party Transactions—Intercompany Services and Property Leases.” We expect to continue to rely on NAVER for the functions and services covered by the services agreements in the future. If our relationship with NAVER deteriorates, it could impact the services NAVER provides to us. If some or all of the services agreements with NAVER are terminated, we may not be able to bring the services and functions covered thereby in-house and, even if we are able to do so, we may need to continue to rely on third parties for all or part of these functions. Reliance on a third party may result in significant expenses and operational issues over which we will not have direct control.

Following the completion of this offering, certain of our executive officers and directors may have actual or potential conflicts of interest because of their equity interest in NAVER. Also, certain of NAVER’s current executive officers are our directors, which may create conflicts of interest or the appearance of conflicts of interest.

Because of their current or former positions with NAVER, certain of our executive officers and directors own equity interests in NAVER. Continuing ownership of shares of NAVER common stock and equity awards could create, or appear to create, actual or potential conflicts of interest if we and NAVER face decisions that could have implications for both companies following the completion of this offering. In addition, certain of NAVER’s current executive officers are our directors, and this could create, or appear to create, actual or potential conflicts of interest when we and NAVER encounter opportunities or face decisions that could have implications for both companies following the completion of this offering or in connection with the allocation of such directors’ time between us and NAVER. These actual or potential conflicts of interest could arise, for example, over matters such as the desirability of changes in our business and operations, funding and capital matters, regulatory matters and matters arising with respect to various intercompany service agreements with NAVER and its subsidiaries. See “Certain Relationships and Related Party Transactions—Intercompany Services and Property Leases.”

We expect that provisions relating to certain relationships and transactions in our Amended Charter will address certain actual or potential conflicts of interest between us, on the one hand, and NAVER and its directors, officers or employees who are our directors, officers or employees, on the other hand. See “Risk Factors—Risks Related to Our Business, Industry and Operations—NAVER is not limited in its ability to compete with us, and the corporate opportunity provisions in our Amended Charter could enable NAVER to benefit from corporate opportunities that may otherwise be available to us.” By becoming our stockholder, you will be deemed to have notice of, and consented to, these provisions of our Amended Charter.

NAVER is not limited in its ability to compete with us, and the corporate opportunity provisions in our Amended Charter could enable NAVER to benefit from corporate opportunities that may otherwise be available to us.

NAVER operates various internet services and may, from time to time, acquire and hold interests in businesses that compete, directly or indirectly, with us. NAVER may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Conflicts of interest could arise in the future between us, on the one hand, and NAVER, on the other hand, concerning, among other things, potential competitive business activities or business opportunities.

Our Amended Charter will provide that the doctrine of “corporate opportunity” does not apply with respect to NAVER or any of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries). The doctrine of corporate opportunity generally provides that a corporate fiduciary may not develop an opportunity using corporate resources or information obtained in their corporate capacity for their personal advantage, acquire an interest adverse to that of the corporation or acquire property that is reasonably incident to the present or prospective business of the corporation or in which the corporation has a present or expectancy interest, unless that opportunity is first presented to the corporation and the corporation chooses not to pursue that opportunity. The doctrine of corporate opportunity is intended to preclude officers, directors or other fiduciaries from personally benefiting from opportunities that belong to the corporation. Our Amended Charter will, to the extent permitted by Delaware law, renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to NAVER or any of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries), including any of the foregoing who serves as a director or officer of the Company. Such person will therefore have no duty to communicate or present corporate opportunities to us and will have the right to either hold any corporate opportunity for their (and their affiliates’) own account and benefit or to recommend, assign or otherwise transfer such corporate opportunity to persons other than us, including to any officers, directors or stockholders or their respective affiliates (other than those who are employees of the Company or its subsidiaries).

As a result, NAVER or any of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries) are not prohibited from operating or investing in competing businesses. We therefore may find ourselves in competition with such person, and we may not have knowledge of, or be able to pursue, transactions that could potentially be beneficial to us. Accordingly, we may lose a corporate opportunity or suffer competitive harm, which could negatively impact our business or prospects. See “Description of Capital Stock—Corporate Opportunity Doctrine.”

Our reliance on third parties in many aspects of our business exposes us to additional risks.

We rely on relationships with third parties in many aspects of our business, which exposes us to additional risks. For instance, we rely on certain local creators or popular technology platforms, such as our partnerships with Discord, Patreon and DC Comics, to drive user acquisitions, especially in new markets. Such local creators or popular technology platforms may limit or discontinue the access of potential users to our platform if they establish more favorable relationships with one or more of our competitors or they determine that we are a competitor. Any limitation on or discontinuation of access of potential users to our platform could significantly reduce our ability to acquire users, decrease the size of the user base we could convert into paying users or decrease the revenues we derive from paying users or advertisers, each of which would materially and adversely affect our business, financial condition and results of operations. We also rely on third-party intellectual property adaptation partners (e.g., studios, publishers, financiers, distributors, producers and potential buyers) for the adaptation or production of our content. We may not have sufficient control over the adaptation process and quality of the adaptation of content on our platform produced, on an outsourced basis, by our intellectual property adaptation partners, and we may be negatively affected by the activities or the lack of financial soundness of our intellectual property adaptation partners.

In addition, we rely on distributed computing infrastructure platforms and distribution channels to facilitate purchases of Coins. Our business will suffer if we are unable to maintain a good relationship with these distribution channels or develop relationships with new and emerging channels, if their terms and conditions or fee structure changes to our detriment, if we violate, or if a channel believes that we have violated, their terms and conditions or if any of these distribution channels loses market share or falls out of favor or is unavailable for a prolonged period of time. Furthermore, failure of these third parties to meet their obligations to us or substantial disruptions in our relationships with these third parties could adversely affect our business, financial condition or results of operations. See “Risk Factors—Risks Related to Our Business, Industry and Operations—If we, or our service providers, experience outages, constraints, disruptions or degradations in service, platform support or

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technological infrastructure, our ability to provide reliable services to our users and maintain the performance of our platform could be negatively impacted.” Managing these relationships inherently involves a lesser degree of control over business operations and compliance matters, thereby potentially increasing our reputational, legal, financial and operational risk. If our third-party partners fail to comply with applicable laws, regulations, quality standards or other obligations, norms or standards, our reputation or brands could be damaged, and we could be exposed to litigation, investigations, enforcement actions, monetary liability and additional costs that could adversely affect our business, financial condition or results of operations. Moreover, some third-party partners are located outside the U.S., which exposes us to additional risks inherent to conducting business around the world. These risks will increase as we continue to expand our presence in new geographic markets. See “Risk Factors—Risks Related to Our Business, Industry and Operations—We face a variety of risks associated with conducting business around the world, and these risks will increase as we continue to expand our presence into new geographic markets.”

In particular, NAVER Cloud Platform (“NAVER Cloud”) and Amazon Web Services (“AWS”) provide a distributed computing infrastructure platform for business operations, or what is commonly referred to as a “cloud” computing service. We have architected our software and computer systems so as to utilize data processing, storage capabilities and other services provided by NAVER Cloud and AWS. Currently, we run a material portion of our computing on these cloud services. Pursuant to their standard terms, AWS can terminate their contracts with us at any time. Also, we may not be able to renew our contracts with NAVER Cloud on terms acceptable to us, or at all. Given this, along with the fact that we cannot easily switch our NAVER Cloud and AWS operations to another cloud provider, any disruption of or interference with our use of NAVER Cloud and AWS, whether temporary, regular, prolonged or permanent, could adversely affect our business and operations.

Moreover, we utilize distribution channels, such as Apple or Google, to receive cash proceeds from sales of our Coins through direct purchases on our platform. Any scheduled or unscheduled interruption in the ability of our users to transact with these distribution channels could adversely affect our payment collection and, in turn, our revenue and bookings. We do not directly process purchases of Coins on our platform, and, thus, any information about those purchases (e.g., debit and credit card numbers and expiration dates, personal information and billing addresses) is disclosed only to the third-party online platform and service providers facilitating Coins purchases by users. We do not have control over the security measures of those providers, and their security measures may not be adequate. We could be exposed to litigation and possible liability if our users’ personal information or other transaction information involving Coin purchases is compromised, which could harm our reputation and our ability to attract users and could adversely affect our business. We also rely on the stability of such distribution channels and their payment transmissions to ensure continued payment services are provided to our users. If any of these providers fail to process or ensure the security of users’ payments for any reason, our reputation may be damaged, we may lose our paying users and users may be discouraged from purchasing Coins in the future, which could adversely affect our business, financial condition and results of operations.

Problematic content on our platform could affect the overall quality of our content, which could harm our reputation and deter our current and potential users from using our platform.

We, like others in the industry, face risk of violations of our content guidelines on our platform, including sophisticated attempts by bad actors to publish objectionable and offensive content on our platform. Although we have required our users to post appropriate content pursuant to our content guidelines and have set up screening procedures, our screening procedures may fail to screen out all potentially problematic content uploaded by creators and, even if properly screened, a third party may still find the content posted on our platform objectionable and offensive and take action against us in connection with the posting or dissemination of such content. For example, in the past, we had to remove content on our platform that was considered racially discriminatory and subjected us to negative publicity. Failure to identify or prevent objectionable and offensive content on our platform could hurt our reputation or reduce use of our platform, and adversely affect our business, financial condition and results of operations. It may also subject us to litigation and regulatory actions, which could result in monetary penalties and damages and divert management’s time and attention.

If we, or our service providers, experience outages, constraints, disruptions or degradations in service, platform support or technological infrastructure, our ability to provide reliable services to our users and maintain the performance of our platform could be negatively impacted.

Our users expect fast, reliable and resilient systems to enhance their experience, which depends on the continuing operation and availability of our information technology systems from a global network of third-party data centers, including third-party “cloud” computing services. We also provide services to our creators through our platform, including with our content enablement technology toolkit. The technologies on our platform are complex software products, and maintaining the sophisticated internal and external technological infrastructure required to reliably deliver these experiences and technologies is expensive and complex. The reliable delivery and stability of our platform has been, and could in the future be, adversely impacted by outages, constraints, disruptions, failures, interruptions, delays or degradations in our network and related infrastructure or those of our partners or service providers. We have experienced outages from time to time since our inception, during which our platform was unavailable for all or some of our users and creators. Outages, constraints, disruptions, failures, interruptions, delays or degradations, to which our business may be subject, can be caused by a number of factors, including a move to a new technology, the demand on our platform exceeding the capabilities of our technological infrastructure, computer and telecommunication failures, delays or failures resulting from earthquakes, adverse weather conditions, other natural disasters, pandemics, power loss, terrorism, geopolitical conflict, other physical security threats, cyberattacks or other security incidents, or other catastrophic events, the migration of data among data centers and to third-party hosted environments and issues relating to our reliance on third-party software and third parties that host our platform. Global climate change could also result in natural disasters occurring more frequently or with more intense effects, which could cause business interruptions. The unavailability of our platform, particularly if outages should become more frequent or longer in duration, could cause our users to seek other entertainment options, including those provided by our competitors, which may adversely affect our financial results. We may also experience a negative impact to our financial results as a result of decreased usage on our platform or decrease of payouts to creators. We may not always have full redundancy for all of our systems and our disaster recovery planning may not be sufficient to address all aspects of any unanticipated consequence or incident or allow us to maintain business continuity at profitable levels or at all. Further, in the event of damage or service interruption, our business interruption insurance policies will not adequately compensate us for any losses that we may incur. We may be subject to increased energy and other costs to maintain the availability or performance of our products in connection with any such events. These factors in turn could further reduce our revenues, subject us to liability or otherwise adversely affect our business, financial condition or results of operations.

In addition to the events described above, the data centers may also be subject to local administrative actions, changes to legal or permitting requirements and litigation that could stop, limit or delay operations. Despite a reliability program focused on anticipating and solving issues that may impact the availability of our platform and precautions taken at the data centers, such as disaster recovery and business continuity arrangements, the occurrence of spikes in usage volume, the occurrence of a natural disaster, hacking event or act of terrorism, cyberattacks or other security incidents, a decision to close the facilities without adequate notice, or our inability to secure additional or replacement data center capacity as needed or other unanticipated problems at the data centers could result in interruptions or delays on our platform, impede our ability to scale our operations or have other adverse impacts upon our business and adversely impact our ability to serve our creators and users.

Our creators or users may suffer a variety of outages or disruptions in accessing our platform for a variety of reasons, including issues with their technology providers. If we or our partners or third-party service providers experience outages and our platform is unavailable or if our creators and users are unable to access our platform within a reasonable amount of time or at all, as a result of any such events, our reputation and brands may be harmed, creator and user engagement with our platform may be reduced and our revenue and profitability could be negatively impacted. Customer support personnel and technologies are also critical to resolve issues and to allow creators and users to realize the full benefits that our platform provides. High-quality support is important

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for the retention of our existing creators and users and to encourage the expansion of their use of our platform. We must continue to invest in the infrastructure required to support our platform. If we do not help our creators and users quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our platform to existing and new creators and users could suffer. In addition, if we do not make sufficient investments in servers, software or personnel in support of our infrastructure, and to scale effectively and accommodate increased demands placed on our infrastructure, the reliability of our underlying infrastructure will be harmed and our ability to provide a quality experience for our creators and users could be adversely affected. This would lead to a reduction in the number of creators and users on our platform, a reduction in our revenues and ability to compete and our reputation with existing or potential creators or users could suffer.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovative approach, creativity and teamwork fostered by our culture and our business could be harmed.

We believe that a critical component of our success has been our culture. We have invested substantial time and resources in building out our team with an emphasis on shared values and a commitment to diversity and inclusion. As we continue to grow and develop the infrastructure associated with being a public company, we will need to expend significant efforts to maintain our culture among a larger number of employees dispersed in various geographic regions. Additionally, with some of our employees currently working remotely following the COVID-19 pandemic, it may be more difficult to maintain or enhance our culture. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our mission to build a leading story-based entertainment platform that engages and inspires creators and users globally.

Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics could adversely affect our business and reputation.

We regularly review metrics, such as our MAU, MPU, Paid Content ARPPU and Advertising ARPMAU, to evaluate growth trends, measure our performance and make strategic decisions. We measure these metrics based on a combination of internal data gathered on our platform, which have not been validated by an independent third party and data from third-party sources. Our internal data and the data from third-party sources have not necessarily been prepared on a consistent basis or with the same methodology and may therefore not necessarily be comparable. The methodologies used to measure these metrics require significant judgment and are susceptible to algorithm or other technical errors. In addition, we are continually seeking to improve the way we estimate our user base, and such estimates may therefore change due to improvements or changes in our methodology. Our metrics and estimates may also differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or the assumptions on which we rely. If our estimates are inaccurate, then investors will have less confidence in our company and our prospects, which could cause the market price of our common stock to decline, and our reputation and brands could be harmed.

Further, while these metrics are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our platform is used, and as a result, the metrics may overstate or understate the number of MAU and Paid Content ARPPU. For example, since users do not have to log into their accounts to access content on our platform (except Paid Content) and our system is not able to identify their identity without the user log-in information, our MAU may be inflated when the same user accesses our offerings from different devices or at different times without logging into his or her account. In addition, one single user may be counted as different users by our system if such user changes his or her geographic location. We continually seek to address technical issues in our ability to record our user data and improve our accuracy, but given the complexity of the systems involved, the rapidly changing nature of mobile devices and operating systems, how our platform manages identity and the way our users access our platform, we expect these issues to continue. Moreover, there are users who have multiple accounts, fake user accounts or fraudulent accounts created by bots to inflate user activity for a particular creator on our platform, thus making

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the creator's content appear more popular than it really is. We cannot eliminate duplicate users that access our content through multiple devices, and as a result, may double-count users. We strive to detect and minimize fraud and unauthorized access to our platform, which practices are prohibited in our terms of service, and we implement measures to detect and suppress that behavior, but we may not be successful in doing so. In addition, some of our demographic data may be incomplete or inaccurate. For example, because users self-report their dates of birth, our age demographic data may differ from our users' actual ages. If our users provide us with incorrect or incomplete information regarding their age or other attributes, then our estimates may prove inaccurate.

Errors or inaccuracies in our metrics or data could result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of active users were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to attract a sufficient number of users to satisfy our growth strategies. If our creators do not perceive our user, geographic or other demographic metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user, geographic or other demographic metrics, our reputation may be harmed. Our creators and partners may also be less willing to allocate their budgets or resources to our platform, which could adversely affect our business.

We focus our business on our creators and users, and acting in their interests in the long term may conflict with the short-term expectations of analysts and investors.

A significant part of our business strategy and culture is to focus on long-term growth and creator and user experience over short-term financial results. We expect our expenses to continue to increase in the future as we broaden our creator and user community, as our library grows, as we continue to seek ways to increase payments to our creators and as we develop and further enhance our platform, expand our technical infrastructure and data centers and hire additional employees to support our expanding operations. As a result, in the near- and medium-term, we may continue to operate at a loss, or our near- and medium-term profitability may be lower than it would be if our strategy were to maximize near- and medium-term profitability. We expect to continue making significant expenditures to grow our platform and develop new features, integrations, capabilities and enhancements to our platform for the benefit of our creators and users. Such expenditures may not result in improved business results or profitability over the long term. If we are ultimately unable to achieve or improve profitability at the level or during the time frame anticipated by securities or industry analysts, investors and our stockholders, the trading price of our common stock may decline.

We may require additional capital to support our business in the future, and this capital might not be available on reasonable terms, if at all.

We intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, including the need for creators to develop engaging and immersive content, enhance our existing experiences, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of our common stock. Any debt financing that we secure in the future could involve offering additional security interests and undertaking restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be impaired and our business, financial condition and results of operations could be adversely affected.

If the security of our platform is compromised, it could compromise our and our creators' and users' personal, sensitive, confidential and proprietary information, disrupt our internal operations and harm public perception of our platform, which could adversely affect our business and reputation.

We collect, store and otherwise process personal data and certain other sensitive and proprietary information in the operation of our business, including creator and user information, and other confidential data. While we have implemented measures designed to prevent unauthorized access to, or loss of, personal, sensitive, confidential or proprietary information, mobile malware, viruses, hacking, social engineering, spam and phishing attacks have occurred and may occur on our systems in the future. Cybersecurity risks have increased in recent years in part because of the proliferation of new technologies, including artificial intelligence, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, state-sponsored actors and other external parties. Cybersecurity risks also may derive from fraud or malice on the part of our employees or third parties, or may result from human error, software bugs, server malfunctions, software or hardware failure or other technological failure. Because of the popularity of our platform, we may be an attractive target for these sorts of cyberattacks and other security incidents.

Further, the techniques used to obtain unauthorized access to, or to disrupt, systems or networks, are constantly evolving, may see their effectiveness enhanced by threat actors' use of artificial intelligence and generally are not recognized until launched against a target. Consequently, we may be unable to anticipate these techniques, react in a timely manner or implement preventive measures, which could result in delays in our detection or remediation of, or other responses to, cyberattacks, security breaches and other security-related incidents. The wide availability of open-source software used in our solutions could also expose us to security vulnerabilities.

If any unauthorized access to our network, systems or data, including our sensitive and proprietary information, personal data from our users or creators, or other data, or any other security breach occurs, or is believed to have occurred, whether as a result of third-party action, employee negligence, error or malfeasance, defects, viruses, worms, malware, ransomware, denial of service attacks, credential stuffing, social engineering techniques, phishing or otherwise, our reputation, brands and competitive position could be damaged, our and our users' and creators' data and intellectual property could potentially be lost, disclosed, accessed or compromised, and we could be required to spend capital and other resources to alleviate problems caused by such actual or perceived breaches and remediate our systems, we could be exposed to a risk of loss, litigation, investigations or regulatory action and possible liability, and our ability to efficiently operate our business may be impaired. In the past, we have experienced cyberattacks and, if similar attacks occur and are successful, this could adversely affect our business or result in unfavorable publicity. For example, in July 2020, our database was accessed by unauthorized, malicious actors and approximately 270 million personal records were affected. As a result, we have been subject to claims, including a class action claim, and received a notice of intent to impose a £985,000 fine from the United Kingdom Information Commissioner's Office. Additionally, we contract with certain third parties to store and process certain data for us, including our distribution channels, and these third parties face similar risks of actual and potential security breaches, which could present similar risks to our reputation, business, financial condition and results of operations. Our ability to monitor our third-party service providers' data security is limited. Some of our third-party service providers may store or have access to our data and, despite such contractual provisions, may not have effective controls, processes or practices to protect our information from loss, unauthorized disclosure, unauthorized use or misappropriation or other cyberattacks or security incidents. A vulnerability in our third-party service providers' software or systems, a failure of our third-party service providers' safeguards, policies or procedures, or a cyberattack or other security incident affecting any of these third parties could harm our business.

The economic costs to us to reduce or alleviate cyber or other security problems such as spammers, errors, bugs, flaws, "cheating" programs, defects or corrupted data, could be significant and may be difficult to anticipate or measure. These issues may cause creators and users to use our platform less or stop using it altogether, and the costs could divert our attention and resources, any of which could result in claims, demands

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and legal liability to us, regulatory investigations and other proceedings, harm our reputation and brands, and otherwise adversely affect our business, financial condition or results of operations. There could also be regulatory fines imposed for certain data breaches that take place around the world. For example, the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, the “CCPA”), also allows for a private right of action for certain data breaches that relate to a specified set of personal information.

Although we maintain cyber, privacy and network security liability insurance, subject to applicable deductibles and policy limits, such coverage may not extend to all types of privacy, data protection and cybersecurity incidents, and it may be insufficient to cover all costs and expenses associated with such incidents. We cannot ensure that such insurance will continue to be available to us on commercially reasonable terms, or at all, or that our insurers will not deny coverage with respect to any particular incident.

We anticipate that our ongoing efforts related to privacy, data protection and cybersecurity, and content review will identify instances of misuse of user data or other undesirable activity by third parties on our platform.

In addition to our efforts to mitigate cybersecurity risks, we have made and are continuing to make investments in privacy, data protection, cybersecurity, safety and content review efforts to combat misuse of our services and user data by third parties, including investigations of individuals we have determined to have attempted to access user data without authorization. Our internal teams also continually monitor and address any unauthorized attempts to access data stored on servers that we own or control or data available to our third-party customer service providers. As a result of these efforts, we have discovered and announced, and anticipate that we will continue to discover and announce, additional incidents of misuse of, or unauthorized access of, user data or other undesirable activity by third parties. We have taken steps to protect the data that we have access to, but despite these efforts, our security measures or those of our third-party service providers could be insufficient or breached as a result of third-party action, malfeasance, employee errors, service provider errors, technological limitations, defects or vulnerabilities in our platform or otherwise. We may not discover all such incidents or activity or be able to respond to or otherwise address them, promptly or at all. Such incidents and activities have in the past, and may in the future, include the use of user data or our systems in a manner inconsistent with our terms, contracts or policies, the existence of false or undesirable user accounts, theft of Coins or other virtual items in valid user accounts, activities that threaten people’s safety on- or offline, or instances of spamming, scraping or spreading disinformation. We may also be unsuccessful in our efforts to enforce our policies or otherwise remediate any such incidents. Any of the foregoing developments, whether actual or perceived, may negatively affect user trust and engagement, harm our reputation and brands, require us to change our business practices in a manner adverse to our business and adversely affect our business and financial results. Any such developments may also subject us to future litigation and regulatory inquiries, investigations and proceedings, including from data protection authorities in countries where we offer services or have users, which could subject us to monetary penalties and damages, divert management’s time and attention and lead to enhanced regulatory oversight.

Our business is affected by seasonal demands, and our quarterly operations results fluctuate as a result.

We experience seasonality in monetization on our platform. Historically, we experienced higher levels of user engagement and monetization in the third quarter of the calendar year due primarily to increased use of our platform during the global vacation and holiday schedules of our users. In addition, many advertisers allocate the largest portion of their budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. As we continue to diversify our sources of revenues, and in particular increase revenues from advertising, the seasonal impacts may be more pronounced in the future or different altogether.

Our results of operations, which are reported in U.S. dollars, could be adversely affected if currency exchange rates fluctuate substantially in the future.

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. We incur expenses for employee compensation and other operating

expenses at our non-U.S. locations in local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in the dollar equivalent of our expenses being higher, which may not be offset by additional revenue earned in the local currency. This could have a negative impact on our reported results of operations. To date, we have not engaged in any hedging strategies, and any such strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures that we may implement in the future to mitigate this risk may not eliminate our exposure to foreign exchange fluctuations. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Increasing scrutiny and changing stakeholder expectations with respect to ESG and sustainability practices may impose additional costs or risks.

In recent years, companies across all industries are facing increasing scrutiny from stakeholders related to their ESG and sustainability practices. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including increasing attention and demands for action related to climate change, promoting the use of substitutes to fossil fuel products and encouraging the divestment of companies in the fossil fuel industry. Investor advocacy groups, proxy advisory firms, certain institutional investors and lenders, investment funds and other influential investors and rating agencies are also increasingly focused on ESG and sustainability practices and matters and on the implications and social cost of their investments and loans. We have established a long-term strategy intended to meet ESG-related objectives, which currently includes certain sustainability targets. However, we cannot guarantee that this long-term strategy will meet our ESG-related objectives. Such initiatives are voluntary, not binding on our business or management and subject to change. We may determine in our discretion that it is not feasible or practical to implement or complete certain of our ESG-related initiatives, or to meet previously set goals and targets based on cost, timing or other considerations. If we do not adapt to or comply with investor or other stakeholder expectations and standards on ESG matters (or meet ESG-related goals and targets that we have set), as they continue to evolve, if we are perceived to have not responded appropriately or quickly enough to growing concern for ESG and sustainability issues, regardless of whether there is a regulatory or legal requirement to do so, or if estimates, assumptions and/or third-party information we currently believe to be reasonable are subsequently considered erroneous or misinterpreted, we may suffer from reputational damage and our business, financial condition and/or stock price could be materially and adversely affected.

Further, our operations, projects and growth opportunities require us to have strong relationships with various key stakeholders, including our stockholders, employees, suppliers, customers, local communities and others. We may face pressures from stakeholders, many of whom are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability while at the same time remaining a successfully operating public company. If we do not successfully manage expectations across these varied stakeholder interests, it could erode our stakeholder trust and thereby affect our brands and reputation. Such erosion of confidence could negatively impact our business through decreased demand and growth opportunities, increased legal action and regulatory oversight, adverse press coverage and other adverse public statements, difficulty hiring and retaining top talent, difficulty obtaining necessary approvals and permits from governments and regulatory agencies on a timely basis and on acceptable terms and difficulty securing investors and access to capital. The occurrence of any of the foregoing could have a material adverse effect on our business and financial condition. In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters, which will likely lead to increased compliance costs as well as scrutiny that could heighten all of the risks identified in this risk factor. Such ESG matters may also impact our suppliers or customers, which could augment existing or cause additional impacts to our business or operations.

Our business and reputation may be harmed by changes in business, economic or political conditions that impact global markets, or by a systemic market event.

Concerns over global economic or market conditions, a recession or economic slowdown, geopolitical issues, including continued hostilities in Europe and the Middle East, the impacts of the COVID-19 pandemic, the

availability and cost of credit and slowing economic growth have contributed to general economic uncertainty and diminished expectations for the global economy. Additionally, acts of protest and civil unrest have caused economic and political disruption in the U.S., and the occurrence or threat of terrorist attacks in the U.S. or other countries could adversely affect the economies of the U.S. and other countries. A deterioration in global economic or market conditions could adversely affect our business, financial condition or results of operations. Further, inflation has been an ongoing concern in the U.S. since 2021. Ongoing inflationary pressures have resulted in and may result in additional increases to the costs of goods, services and personnel, which in turn could cause our capital expenditures and operating costs to rise. For instance, as inflation increases, our costs related to web-comic production and software infrastructure maintenance may rise. Sustained levels of high inflation caused the U.S. Federal Reserve and other central banks to increase interest rates multiple times in 2022 and 2023 in an effort to curb inflationary pressure on the costs of goods and services, which could have the effects of raising the cost of capital and depressing economic growth, either of which (or the combination thereof) could hurt the financial and operating results of our business. To the extent elevated inflation remains, we may experience further cost increases for our operations.

Risks Related to Government Regulations and Legal Proceedings

We are, and could become, subject to significant legal proceedings and regulatory investigations that may result in significant expenses, fines and reputational damage.

In the ordinary course of business, we may be subject to a wide variety of claims, lawsuits and regulatory and governmental investigations involving various issues such as intellectual property, commercial contracts, data privacy, cybersecurity, product liability, employment, class action, whistleblower and other litigation claims and governmental and other regulatory investigations and proceedings. These claims and lawsuits may result in significant expenses, fines and reputational damage. Litigation can be expensive and disruptive, regardless of the merit of the underlying claims. Some of these matters may involve parties seeking large or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. It is not feasible to predict the ultimate outcome of a legal proceeding, and our assessment of a proceeding, including any accruals taken in connection therewith, may not be consistent with the ultimate outcome of the legal proceeding. We could, from time to time in the future, be required to pay significant amounts as a result of settlement or judgments in legal proceedings, potentially in excess of accruals, including proceedings where we could be held jointly and severally liable among other defendants. In addition, our current estimates of the potential impact of legal proceedings on our reputation, business, financial condition or results of operations could change from time to time in the future. The resolution of, or increase in accruals for, a legal proceeding in a particular reporting period could adversely affect our financial condition, results of operations or cash flows for that period.

The success of our growth strategy depends on our ability to provide a safe online environment for children.

We have made significant efforts to provide a safe and enjoyable experience for users of all ages. We invest significant technical and human resources to prevent inappropriate content from being published on our platform. Notwithstanding our efforts, from time to time, inappropriate content is uploaded onto our platform and viewed by others prior to being identified and removed by us. This content could cause harm to our audience and to our reputation of providing a safe environment for children to play online. If we are unable to prevent or are perceived as not being able to sufficiently prevent, inappropriate content from appearing on our platform, parents of children will lose their trust in the safety of our platform, which would harm our overall acceptance by these audiences and would likely result in reduced revenue, a smaller user base and, ultimately, damage to our ability to continue to successfully operate our platform.

In addition to generally blocking inappropriate content, we have statutory obligations under U.S. federal law to block or remove child pornography and report offenses to the National Center for Missing and Exploited Children, or NCMEC. Notwithstanding our efforts, from time to time, sexual content involving cartoon characters that appear to be children are uploaded to our platform and viewed by others prior to being removed

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by us, and any future noncompliance by us or allegations of noncompliance by us with respect to U.S. federal laws on child pornography or the sexual exploitation of children could harm our reputation, create criminal liability and could be costly and time consuming to address or defend. We may also be subject to additional criminal liability related to child pornography or child sexual exploitation under other domestic and international laws and regulations.

The privacy of children's personal information collected online is also becoming increasingly scrutinized both in the U.S. and internationally. For example, the United Kingdom's Age Appropriate Design Code ("AADC") and incoming Online Safety Bill, focuses on online safety and protection of children's privacy online. A similar law, California's Age-Appropriate Design Code Act ("CAADCA"), was signed into law in California and is scheduled to go into effect on July 1, 2024. The CAADCA implements into law certain principles taken from the AADC, among other things, and imposes substantial new obligations upon companies. Passage of the CAADCA and similar laws may further complicate compliance efforts and may increase legal risk and compliance costs for us and our third-party partners. In the U.S., we may have obligations on the federal level under the Children's Online Privacy Protection Act ("COPPA"). Despite our efforts, no assurances can be given that the measures we have taken to address COPPA requirements will be sufficient to completely avoid allegations of COPPA violations, any of which could expose us to significant liability, penalties, reputational harm and loss of revenue, among other things. Additionally, new laws and regulations are being considered in various jurisdictions to require the monitoring of user content or the verification of users' identities and age and may restrict our ability to collect, use and otherwise process information, including personal information, about minors which may also result in limitations on our advertising services or our ability to offer products and services to minors in certain jurisdictions.

We are subject to complex and evolving federal, state and international laws, regulations, rules, standards and contractual obligations regarding privacy, data protection and cybersecurity, which could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention or engagement, any of which could adversely affect our business.

We are subject to a variety of laws, regulations, rules, standards and contractual obligations in the U.S. and other countries that involve matters central to our business, including privacy, data protection and cybersecurity, including with respect to minors. The regulatory frameworks for privacy, data protection, cybersecurity and data transfers worldwide are rapidly evolving and are likely to remain uncertain for the foreseeable future. Certain privacy, data protection and cybersecurity laws and regulations have placed and will continue to place privacy, data protection and cybersecurity obligations and restrictions on organizations such as ours and may require us to continue to change our policies and procedures. Our approach with respect to such laws and regulations may be subject to further evaluation and change, our compliance measures may not be fully adequate and may require modification, we may expend significant time and cost in developing and maintaining a privacy governance program, data transfer or localization mechanisms, or other processes or measures to comply with such laws and regulations, and we may potentially face claims, litigation, investigations or other proceedings or liability regarding such laws and regulations and may incur liabilities, expenses, costs and other operational losses under such laws and regulations and any measures we take to comply with them, and result in changes to our business practices, increased cost of operations and declines in user growth, retention or engagement, any of which could adversely affect our business. Some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of operating our products and services and other aspects of our business.

It is possible that the obligations imposed on us by applicable privacy, data protection and cybersecurity laws and regulations, or industry codes of conduct or other actual or asserted obligations relating to privacy, data protection or cybersecurity, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices in other jurisdictions. Significant fines and penalties may be imposed in connection with any violations of privacy, data protection or cybersecurity laws, regulations, rules, industry standards and other obligations depending on the severity of such violation, including recurring fines

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applicable for each violation. In addition, we may be subject to lawsuits, civil liability, sanctions, regulatory or government investigations, increased cost of operations and restrictions on our business practices. Additionally, due to the nature of our service, we are unable to maintain complete control over data security or the implementation of measures that reduce the risk of a cyberattack or other security incident. For example, our customers may accidentally disclose their passwords or store them on a mobile device that is “SIM swapped,” lost or stolen, creating the perception that our systems are not secured against third-party access. Any failure or perceived failure by us to comply with our privacy policies, our obligations to users or other third parties relating to privacy, data protection or cybersecurity or our other policies or obligations relating to privacy, data protection or cybersecurity or any actual or perceived compromise of security, including any such compromise that results in the unauthorized release, transfer or other processing of personal information or other user or creator data, may result in governmental investigations and enforcement actions, litigation, claims or public statements against us by consumer advocacy groups or others and could cause our creators and users to lose trust in us, any or all of which could have an adverse effect on our business, financial condition or results of operations.

We make public statements about our use and disclosure of personal information through our privacy policies, information on our website and press statements. Although we endeavor to comply with our public statements and documentation, we may at times fail to do so or be alleged to have failed to do so. The publication of our privacy policies and other statements that provide promises and assurances about privacy, data protection and cybersecurity can subject us to potential government or legal action if they are found to be deceptive, unfair or misrepresentative of our actual practices. Any concerns about our privacy, data protection and cybersecurity practices, even if unfounded, could damage our reputation and adversely affect our business.

Governmental agencies may restrict access to our platform, mobile applications, website or the internet generally, which could lead to the loss or slower growth of our creators or users.

Our future success will depend in part on market acceptance and widespread adoption across demographics and geographies of our platform over other interactive entertainment offerings. The widespread availability of content generated by our creators on our platform is a new development, and the regulatory framework for broad dissemination of this content is new and evolving. We provide our creators with the ability to publish their content throughout the world, and each country is developing regulations and policies to regulate this new space, including with respect to privacy, data protection and cybersecurity, intellectual property, child protection, consumer protection, ratings and taxes. If we are unable to allow creators to comply with potentially conflicting regulations throughout the world, our ability to execute on our business model would be severely impacted, and our ability to grow our business could be harmed. Changes to these laws, regulations, rules, standards or obligations could require us to change our business strategy, take on more onerous obligations and impact the functionality of our platform. If we are obligated to fundamentally change our business activities and practices or modify our platform, we may be unable to make these required changes and modifications in a commercially reasonable manner, or at all, and our ability to further develop and enhance our platform may be limited. The costs of compliance with, and other burdens imposed by, these laws, regulations, rules, standards and obligations, or any inability to adequately address these, may limit the use of our platform or reduce overall demand for our platform, which could adversely affect our business, financial condition or results of operations.

In addition, governmental agencies in any of the countries in which we, our users or creators are located could block access to or require a license for our platform, our website, our application stores or the internet generally for a number of reasons, including privacy, data protection, cybersecurity, confidentiality or regulatory concerns which may include, among other things, governmental restrictions on certain content in a particular country and a requirement that user information be stored on servers in a country within which we operate. Governmental agencies could issue fines or penalties if there are instances where we are found not to have been in compliance with regulations in any of these areas. Users generally need to access the internet, including in geographically diverse areas, and also mobile platforms such as the Apple App Store and the Google Play Store, to access our content on our platform. If governmental or other entities block, limit or otherwise restrict creators and users from accessing our platform, or users from engaging with content on our platform, our business could

be negatively impacted, we could be subject to additional fines and penalties, our creators and users could decline or grow more slowly and our business, financial condition or results of operations could be adversely affected.

In the EEA and United Kingdom, we are subject to the GDPR and UK GDPR, which impose stringent privacy, data protection and cybersecurity requirements on our business and could expose our business to considerable fines, penalties and other liabilities for noncompliance.

In the EEA, the GDPR imposes stringent privacy, data protection and cybersecurity requirements and carries considerable penalties for noncompliance, including fines up to €20 million or 4% of annual global revenues of the previous year, whichever is greater. Such fines would be in addition to (i) the rights of individuals to sue for damages in respect of any data privacy breach which causes them to suffer harm, (ii) the right of individual member states to impose additional sanctions over and above the administrative fines specified in the GDPR and (iii) the ability of supervisory authorities to impose orders requiring companies to modify their practices. If we are found not to be compliant with the GDPR or similar requirements, we may be subject to significant fines and the risk of civil litigation. Further, even the perception of such noncompliance may result in reputational damage and our business may be materially harmed.

Brexit has led to changes with regard to the regulation of privacy, data protection and cybersecurity in the United Kingdom. The United Kingdom maintains the Data Protection Act of 2018 and the United Kingdom General Data Protection Regulation (collectively, the “UK GDPR”), which together implement and complement the GDPR and provide for penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues. The UK GDPR currently imposes the same obligations as the GDPR in most material respects, but we cannot fully predict how the Data Protection Act, the UK GDPR and other United Kingdom data protection laws or regulations may develop in the medium to longer term, nor the effects of divergent laws and guidance regarding how personal data will be regulated. We continue to monitor and review the impact of any changes to EU, United Kingdom or Swiss law or guidance that could affect our operations. For example, we are evaluating the United Kingdom’s AADC, which focuses on online safety and protection of children’s privacy online. The AADC became effective September 2, 2021, and noncompliance with the AADC may result in audits or other proceedings by the United Kingdom’s Information Commissioner Office (“ICO”), the regulatory body set up to uphold information rights in the United Kingdom, and other regulators in the EEA or Switzerland, as noncompliance with the AADC may indicate noncompliance with other applicable data protection laws. In addition, we are monitoring developments with the EU’s Digital Services Act (“DSA”), which came into force on November 16, 2022, and will become fully applicable on February 17, 2024. The DSA imposes new content moderation obligations, notice and transparency obligations, advertising restrictions and other requirements on digital platforms to protect consumers and their rights online. Noncompliance with the DSA could result in fines of up to 6% of annual global revenues, which are in addition to the ability of civil society organizations and non-governmental organizations to lodge class action lawsuits. We may incur liabilities, expenses, costs and other operational losses under the GDPR and laws and regulations of applicable member states of the European Union and the United Kingdom relating to privacy, data protection and cybersecurity in connection with any measures we take to comply with them.

In both the EEA and United Kingdom, we rely on data transfer mechanisms such as Standard Contractual Clauses (“SCCs”) or UK SCCs to comply with data protection requirements when transferring personal data from the EEA or the United Kingdom to other countries. On June 4, 2021, the European Commission published two sets of new SCCs, which took effect on June 27, 2021. On June 28, 2021, the European Commission announced a decision of “adequacy” concluding that the United Kingdom ensures an equivalent level of data protection to the GDPR, which provides some relief regarding the legality of continued personal data flows from the EEA to the United Kingdom. Such adequacy decision must, however, be renewed after four years and may be modified or revoked in the interim. Further, data protection authorities may require measures to be put in place in addition to SCCs or UK SCCs for transfers to countries outside of the EEA, as well as Switzerland and the United Kingdom. In July 2023, the European Commission adopted an adequacy decision concluding the new

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EU-U.S. data privacy framework (the “EU-U.S. DPF”) constitutes a lawful data transfer mechanism under EU law for participating U.S. entities; however, the EU-U.S. DPF may be in flux as such adequacy decision has been challenged, and is likely to face additional challenges, at the Court of Justice of the European Union. In addition, in June 2023, the U.S. and UK announced a commitment in principle to establish a “data bridge” to extend the EU-U.S. DPF to the flow of UK personal data under the UK GDPR to participating entities in the U.S. Such data bridge could not only be challenged, but also may be affected by any challenges to the EU-U.S. DPF. Our third-party service providers may be affected similarly by these changes. In addition to other impacts, we may experience additional costs associated with increased compliance burdens, and we and our creators and users face the potential for regulators in the EEA, Switzerland or the United Kingdom to apply different standards to the transfer of personal data from the EEA, Switzerland or the United Kingdom to the U.S. and other non-EEA, Switzerland or United Kingdom countries, and to block, or require ad hoc verification of measures taken with respect to, certain data flows from the EEA, Switzerland and the United Kingdom to the U.S. and other non-EEA, Switzerland or United Kingdom countries. We also may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf, to the extent that any of our service providers or consultants have been relying on invalidated or insufficient contractual protections for compliance with evolving interpretations of, and guidance for, cross-border data transfers pursuant to the GDPR and UK GDPR. In such cases, we may not be able to find alternative service providers, which could limit our ability to process personal data from the EEA, Switzerland or the United Kingdom and increase our costs.

Our business could be subject to fines, penalties and administrative and criminal sanctions for failure to comply with privacy, data protection and cybersecurity laws in Korea.

We are subject to Korean laws, regulations and orders, including the Personal Information Protection Act (“PIPA”), the Act on the Promotion of Information and Communications Network Utilization and Protection of Information and the Credit Information Act, which specifically regulate the processing of certain personal information. PIPA requires us to seek and obtain consent from our consumers in Korea with respect to our use of their personal data and requires our officers and employees responsible for management of such personal data to take the necessary technological and managerial measures to prevent data breaches and, among other duties, notify the Personal Information Protection Commission of certain data breach incidents within 72 hours. Failure to comply with PIPA in any manner may subject such responsible officers and employees to certain administrative or criminal sanctions, ranging from a monetary penalty to imprisonment, for not having obtained such consent in an appropriate manner or for not having complied with such duties, including due to negligence. In case such officers and employees become subject to criminal liability as a result of such failure, we, as their employer, may become vicariously liable for their noncompliance with PIPA. Since PIPA and other Korean laws, regulations and orders in connection with personal information are complex and evolving and are subject to interpretation by government regulators which may change over time, we are subject to the risk of claims by regulators for our failure to comply with such laws, regulations and orders despite our efforts to comply with them.

We are subject to Japanese privacy, data protection and cybersecurity laws, including the Act on the Protection of Personal Information, and failure to comply with such laws may negatively affect our business, operations or financial conditions.

In Japan, we are subject to laws, regulations and guidelines regarding data privacy and security including those relating to the processing, safekeeping, and use of personal data, in respect of each of which the relevant regulators in Japan have broad discretion to interpret the relevant laws and regulations. The Act on the Protection of Personal Information (the “APPI”) in Japan is to protect rights and interests of individuals, while balancing the usefulness of personal information. The APPI mainly concerns three situations: (i) acquisition and use; (ii) storage; and (iii) transfer of personal information. When personal information is acquired, the purpose of use must be notified to the relevant individuals or made public, except in cases where the purpose of use has been made public in advance. The purpose of use must be specified, and the acquired personal information must be used within the scope of such purpose of use. When storing personal information, it is necessary to manage it

safely so that it will not be leaked. For the safe management, the APPI requires business operators holding personal information to establish an security management systems. It includes establishment of fundamental rules on personal information management, appointment of personnel responsible for personal information management, and provision of regular training courses on privacy and security breaches and implementation of physical and technical security control measures. Additionally, when transferring personal data to a third party, it is necessary, in principle, to obtain the consent of the principal in advance. The APPI requires business operators to make reports to the Personal Information Protection Commission (the “PIPC”) or other competent government entities and to notify to data subjects when certain data security incidents have occurred or may have occurred. In the event that an individual violates the above obligations under the APPI and also violates an associated improvement order issued by the PIPC, a criminal penalty of “imprisonment for not more than one year or a fine of not more than one million yen” could be imposed on the individual who violated the law. In addition, a criminal penalty of “a fine of up to 100 million yen” could be imposed on the violating entity. A victim may file a claim for damages based on torts against the offending entity for damages caused by the leakage and for compensation. Furthermore, if there is a contractual relationship between the victim and the entity, and the leakage of personal information is judged to constitute a breach of contract, damages may be claimed for breach of contract.

We may incur liabilities, expenses, costs and other operational losses under the APPI and other Japanese laws, regulations, guidelines and orders relating to privacy, data protection and cybersecurity. Also, since such laws, regulations, guidelines and orders are complex and evolving and are subject to interpretation by government regulators which may change over time, we are subject to the risk of claims by regulators for our failure to comply with such laws, regulations, guidelines and orders despite our efforts to strive to comply with them. Failure to comply with such laws, regulations, guidelines and orders may negatively affect our business, operations or financial conditions.

We are subject to a variety of federal and state laws in the U.S. that govern privacy, data protection and cybersecurity, which require us to expend considerable resources to ensure compliance and could subject us to fines, penalties and other liabilities for failure to comply.

In the U.S., although there is not yet a comprehensive federal data protection law equivalent to the GDPR, proposals for such comprehensive legislation are under constant consideration by Congress. In the meantime, we remain subject to existing federal regulation such as COPPA and the authority of the Federal Trade Commission (the “FTC”) under the Federal Trade Commission Act (the “FTC Act”). At the state level, California has enacted the CCPA, which gives California residents expanded privacy rights and protections, requiring us to modify our data processing practices and policies and incur compliance related costs and expenses. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches, which may increase the likelihood and cost of data breach litigation. Further, the CCPA has prompted similar legislative developments in other states in the U.S. such as Virginia, which in March 2021 enacted a Consumer Data Protection Act that became effective as of January 1, 2023, Colorado, which in June 2021 enacted a Colorado Privacy Act that became effective July 1, 2023, Utah, which in March 2022 enacted the Utah Consumer Privacy Act that became effective as of December 31, 2023, and Connecticut, which in May 2022 enacted the Act Concerning Personal Data Privacy and Online Monitoring that became effective as of December 31, 2023. In addition, laws in all 50 U.S. states generally require businesses to provide notice under certain circumstances to individuals whose personal information has been disclosed as a result of a data breach. The potential effects of new and evolving legislation relating to privacy, data protection and cybersecurity are far-reaching, create the potential for a patchwork of overlapping but different laws, and may require us to modify practices and policies and, incur substantial costs and expenses in an effort to comply, or restrict our operations. Aspects of the CCPA and other federal and state laws and regulations relating to privacy, data protection and cybersecurity, as well as their enforcement, remain unclear, and we may be required to modify our practices in an effort to comply with them. New legislation or regulatory decisions that restrict our ability to collect and use information about minors may also result in limitations on our advertising services or our ability to offer products and services to minors in certain jurisdictions. See “Risk Factors—Risks Related to Our Business, Industry and Operations—The success of our growth strategy depends on our ability to provide a safe online environment for children.”

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There also has been increasing regulatory scrutiny from the SEC with respect to adequately disclosing risks concerning cybersecurity. On July 26, 2023, the SEC adopted new cybersecurity disclosure rules for public companies that require disclosure regarding cybersecurity risk management (including the corporate board's role in overseeing cybersecurity risks, management's role and expertise in assessing and managing cybersecurity risks, and processes for assessing, identifying and managing cybersecurity risks) in annual reports. These new cybersecurity disclosure rules also require the disclosure of material cybersecurity incidents in a Form 8-K generally within four days of determining an incident is material. We will be subject to such annual report disclosure requirements starting with our 2024 Form 10-K and we will be subject to such Form 8-K disclosure requirements upon completion of the offering.

We are subject to laws and regulations worldwide, many of which are unsettled and still developing, and noncompliance with such laws and regulations could subject us to liability.

We are subject to a variety of laws in the U.S. and abroad that affect our business. As a global platform, we are subject to myriad regulations and laws regarding consumer protection, including the use of gift cards, advertising, electronic marketing, protection of minors, privacy, data protection and cybersecurity, data localization requirements, online services, anti-competition, freedom of speech, labor, real estate, taxation, intellectual property ownership and infringement, tax, export and national security, tariffs, anti-corruption and telecommunications, all of which are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly laws outside the U.S., and compliance with laws, regulations and similar requirements may be burdensome and expensive. Laws and regulations may be inconsistent from jurisdiction to jurisdiction, which may increase the cost of compliance and doing business and expose us to possible litigation, penalties or fines. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could make our platform less attractive to our users or creators or cause us to change or limit the offerings in our platform. We have policies and procedures designed to ensure compliance with applicable laws and regulations, but we cannot assure you that we will not experience violations of such laws and regulations or our policies and procedures.

We are potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could adversely affect our business or expose us to liability. Foreign governments may censor our platform in their countries, restrict access to our platform from their countries entirely, impose other restrictions that may affect their citizens' ability to access our platform for an extended period of time or even indefinitely, require data localization or impose other laws or regulations that we cannot comply with, would be difficult for us to comply with or would require us to rebuild our platform or the infrastructure for our platform. Numerous countries, including Germany, have regulations relating to this area and they may impose significant fines for failure to comply with certain content removal and disclosure obligations. Other countries, including Singapore, India, Turkey, Mexico, Australia and the United Kingdom, have implemented or are considering similar legislation imposing penalties for failure to remove certain types of content. On the other hand, some users and creators may choose not to use our platform if we actively police content.

In addition, new regulation by the U.S. federal government and its agencies, such as the U.S. FTC, state agencies or foreign jurisdictions, which may vary significantly, could require that certain content on our platform be modified or removed, increase the costs of operating or monitoring the content on our platform, impact user and creator engagement and thus the functionality and effectiveness of our platform or otherwise adversely affect our business. It is difficult to predict how existing or new laws may be applied. If we become liable, directly or indirectly, under these laws or regulations, we could be harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to modify our platform, which adversely affect our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or brands or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could adversely affect our business, financial condition or results of operations.

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It is also possible that a number of laws and regulations may be adopted or construed to apply to us or our users or our creators in the U.S. and elsewhere that could restrict the online and mobile industries, including creator and user privacy, data protection, cybersecurity, advertising, user acquisition practices, taxation, content suitability, intellectual property, distribution and antitrust, and our platform, content or components thereof may be deemed or perceived illegal or unfair practices. We anticipate that scrutiny and regulation of our industry will increase, and we will be required to devote legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the marketing of in-app purchases, banking institutions, unclaimed property or money transmission may be interpreted to cover the revenue that we receive from our platform. If that were to occur, we may be required to maintain certain records and seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements, and we may be subject to additional regulation and oversight and other operational requirements, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the U.S. or elsewhere, or any withdrawal by us from certain countries because of such actions, could adversely affect our users, including by giving our competitors an opportunity to penetrate geographic markets that we cannot access. As a result, our user growth, retention and engagement could be harmed.

We are subject to various governmental export control, trade sanctions and import laws and regulations that require our compliance and could subject us to liability if we violate these controls.

We are subject to laws and regulations that could limit our ability to permit access to our platform and content or to engage with certain content creators or contractors. For example, certain U.S. laws and regulations administered and enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), in combination with other applicable export control and economic sanctions laws and regulations, collectively referred to as the Trade Control Laws and Regulations, may limit our ability to give certain users and creators access to certain aspects of our platform and experiences, to engage with certain creators or contractors, or to permit downloads of our applications because such persons appear on restricted party lists maintained by OFAC or other U.S. government agencies or are located in countries or territories that are comprehensively embargoed by OFAC. The Trade Control Laws and Regulations are complex and dynamic, and monitoring and ensuring compliance can be challenging. In certain instances, we rely on our payment processors for compliance with certain of these Trade Control Laws and Regulations. Specifically, our payment processors will not allow any paid activity by users and creators that attempt to access our platform from various jurisdictions specified by OFAC, such as the Crimea region Ukraine, the so-called Donetsk People's Republic of Ukraine, the so-called Luhansk People's Republic of Ukraine, Cuba, Iran, North Korea and Syria, or paid activity by users and creators that appear on various U.S. and foreign government restricted party lists. In addition, the mobile application stores through which our applications are available have implemented protocols to prevent downloads in these specified countries and territories. However, users and creators from certain of these countries and territories have access to our web-based platform and content and there may be users and creators elsewhere that may be subject to restrictions of which we are not aware. Accordingly, there can be no guarantee we will be found to have been in full compliance with Trade Control Laws and Regulations during all relevant periods. Any failure by us or our payment processors or the mobile application stores to comply with the Trade Control Laws and Regulations may lead to violations of the Trade Control Laws and Regulations that could expose us to liability. Any failure to comply with applicable laws and regulations also could have negative consequences for us, including reputational harm, government investigations and monetary penalties. In addition, various foreign governments may also impose controls, export license requirements and restrictions. Compliance with such applicable regulatory requirements may create delays in the introduction of our platform in some international markets or prevent our international users from accessing our platform.

We are subject to the Foreign Corrupt Practices Act and similar anti-corruption, anti-bribery and anti-money laundering laws, and noncompliance with such laws can subject us to criminal or civil liability.

We are subject to the Foreign Corrupt Practices Act, U.S. domestic bribery laws, the United Kingdom's Bribery Act 2010 and other anti-corruption and anti-money laundering laws in the countries in which we conduct

activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector in order to influence official action, direct business to any person, gain any improper advantage, or obtain or retain business. As we increase our international business, our risks under these laws may increase.

As we increase our international business, we may engage with business partners and third-party intermediaries to market our solutions and obtain necessary permits, licenses and other regulatory approvals. In addition, we or our employees, agents, representatives, business partners or third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of our employees, agents, representatives, business partners or third-party intermediaries, even if we do not authorize such activities.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies, training and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Detecting, investigating and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources and attention from senior management, as well as significant defense costs and other professional fees. In addition, noncompliance with anti-corruption, anti-bribery, or anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties or injunctions against us, our officers or our employees, disgorgement of profits, suspension or debarment from contracting with the U.S. government or other persons, reputational harm, adverse media coverage and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our reputation could be harmed and our business, financial condition, results of operations and the price of our common stock could be adversely affected.

Changes in tax laws could subject us to additional tax liabilities.

Changes in tax laws or regulations in jurisdictions in which we operate, including changing laws in the U.S. and other countries, could negatively impact our effective tax rate and adversely affect our business, results of operations or financial condition. A change in statutory tax rate or certain international tax provisions in any jurisdiction would result in the revaluation of our deferred tax assets and liabilities related to that particular jurisdiction in the period in which the new tax law is enacted. Any such change would result in an expense or benefit recorded to our combined statement of earnings. We closely monitor these proposals as they arise in the jurisdictions where we operate. Changes to tax laws or regulations may occur at any time, and any related expense or benefit recorded may be material to the fiscal quarter and year in which the law change is enacted. We conduct business and file tax returns in numerous jurisdictions and are subject to regular reviews, examinations and audits by many tax authorities around the world. These reviews, examinations and audits can cover periods for several years prior to the date the review, examination or audit is undertaken and could result in the imposition of material tax liabilities, including interest and penalties, if our positions are not accepted by the applicable tax authority. In connection with various government initiatives, companies are required to disclose more information to tax authorities on operations around the world, which may lead to greater audit scrutiny of profits earned in other jurisdictions. We regularly assess the likely outcomes of our tax audits and disputes to determine the appropriateness of our tax reserves. However, any tax authority could take a position on tax treatment that is contrary to our expectations, which could result in tax liabilities, including interest and penalties, in excess of reserves.

Risks Related to Intellectual Property

Claims by others that we infringe, misappropriate or otherwise violate their intellectual property rights through the activities of our creators or users or the content on our platform could subject us to liability.

We have been and may in the future become subject to intellectual property disputes, and may become subject to liability, costs and awards of damages and injunctive relief as a result of these disputes. Our success depends, in part, on our ability to obtain and host content and develop our platform without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. However, there is no assurance that our content or platform will not be found to infringe, misappropriate or otherwise violate the intellectual property rights of third parties. Lawsuits may be time-consuming and expensive to resolve, and they divert management's time and attention. Additionally, there can be no assurance that favorable outcomes will be obtained in any such litigation or disputes. Further, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. Companies in the internet, technology and content industries typically own large numbers of copyrights, patents, trademarks, domain names and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property or other rights. As we expand in the global market and face increasing competition, the possibility of intellectual property rights and other claims against us grows. In addition, various "non-practicing entities," and other intellectual property rights holders may attempt to assert intellectual property claims against us or seek to monetize the intellectual property rights they own to extract value through licensing or other settlements. Our intellectual property rights may not be able to withstand any third-party claims challenging them.

If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we would be forced to limit or cease access to our platform or cease business activities related to such intellectual property. Any failure to do so may subject us to civil or criminal liability in certain jurisdiction. In addition, we may need to settle litigation and disputes on terms that are unfavorable to us. We may be required to make substantial payments for legal fees, settlement fees, damages, royalties or other fees in connection with a claimant securing a judgment against us. For example, we could be found liable for significant monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right. To the extent we hire personnel from competitors, we may be subject to allegations that such personnel have divulged proprietary or other confidential information to us. Further, we may be unaware of the intellectual property rights of others that may cover some or all of our technology. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to cover all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot ensure that the results of any such actions will not have an adverse effect on our business, financial condition and results of operations. Any intellectual property claim asserted against us, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease selling or using or recall products that incorporate the intellectual property rights that we allegedly infringe, misappropriate or otherwise violate;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology or content; or
- redesign or rebrand the allegedly infringing products to avoid infringement, misappropriation or other violation, which could be costly, time-consuming or impossible.

Our defenses to claims of infringement, misappropriation or other violations of third-party intellectual property rights are costly and may not be successful.

We rely on a variety of statutory and common-law frameworks and defenses relevant to the content available on our platform, including the U.S. Digital Millennium Copyright Act ("DMCA"), the Communications

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Decency Act, or CDA, the fair-use doctrine in the U.S., and the Electronic Commerce Directive in the EU, but those protections may change or disappear over time, increasing our exposure to claims of copyright or other intellectual property infringement, misappropriation or other violation. If we should lose or fail to qualify for statutory or other legal protections that immunize us from monetary damages for intellectual property infringement, misappropriation or other violation, the damages could be significant and have a material impact on our business.

In the U.S., the DMCA is intended, in part, to limit the liability of eligible service providers for caching, hosting, or linking to user content that includes materials that infringe copyrights or other rights. We rely on the protections provided by the DMCA in conducting our business. Similarly, Section 230 of the Communications Decency Act (“Section 230”) protects online distribution platforms from actions taken under various laws that might otherwise impose liability on the platform provider for what content creators develop or the actions they take or inspire. However, the DMCA, Section 230 and similar statutes and doctrines that we may rely on in the future are subject to uncertain judicial interpretation, regulatory supplementation or modification and legislative amendments. Our current protections from liability for third-party content posted on our platform in the U.S. could decrease or change, potentially resulting in increased liability for third-party content posted on our platform.

The EU has enacted copyright laws such as the Directive on Copyright in the Digital Single Market (the “Copyright Directive”) that came into effect on June 6, 2019, that require us to use best efforts in accordance with the high industry standards of professional diligence to exclude infringing content from our platform that may be uploaded by our users. Although we have set up certain procedures to enable copyright owners to provide us with notice of alleged infringement, it may not be possible to remove or disable all potentially infringing content that may exist. Similarly, although we have set up screening processes to try to filter out or disable access to content that we have previously been informed is subject to claims of copyright or other intellectual property protection, we may not be able to successfully filter out or disable access to all potentially infringing content available on our platform.

Each of these frameworks and defenses is subject to uncertain or evolving judicial interpretation, regulatory supplementation or modification and legislative amendments. In addition, pending or recently adopted legislation in the U.S., EU and UK may impose additional obligations or liability on us associated with content uploaded by users to our platform. If the rules, doctrines or currently available defenses change, if international jurisdictions refuse to apply protections similar to those that are currently available in the U.S., the EU or the UK if a court were to disagree with our application of those rules or doctrines to our services, we could be required to expend significant resources to try to comply with the new rules or incur liability, and our business, revenue and financial results could be adversely impacted.

While we have implemented measures to limit our exposure to claims of intellectual property infringement, intellectual property owners may allege that we failed to take appropriate measures, to prevent infringing activities on our systems, that we turned a blind eye to infringement, or that we facilitated, induced or contributed to infringement. We could be subject to an adverse judgment in any litigation relating to claims of infringement if a lawsuit were filed against us or be forced to settle any claims for an as-yet undetermined amount. Depending on how such claims are resolved, the impact on us could be material. Our insurance may not be adequate to cover these types of claims or any liability that may be imposed on us. Additionally, the risk of an adverse determination in any litigation or proceeding or an actual adverse determination in any litigation or proceeding may result in harm to our reputation or in adverse publicity. The risk of an adverse result or the actual adverse result in litigation may also require us to seek licenses from third parties, which may or may not be available on commercially reasonable terms or at all, pay ongoing royalties or become subject to injunctions requiring us to remove content, limit access to our platform or take other steps to prevent infringement, each of which could prevent us from pursuing some or all of our business and result in our users deferring or limiting their use of our platform, which could adversely affect our financial condition and results of operations.

Even if third-party claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our reputation, business and operating results. Moreover, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. We expect that the occurrence of infringement claims is likely to grow as the market for our content and platform grows. Accordingly, our exposure to damages resulting from infringement claims could increase, and this could further exhaust our financial and management resources.

Failure to obtain, maintain, protect and enforce our proprietary and intellectual property rights could adversely affect our business.

Our success depends to a significant degree on our ability to obtain, maintain, protect and enforce our proprietary information, intellectual property and technology, including our content, proprietary software technology, trademarks, domain names, know-how, our brands and similar intellectual property. We rely on a combination of copyrights, trademarks, trade secret laws, patents, service marks, contractual restrictions and other intellectual property laws in the U.S. and certain other jurisdictions, as well as confidentiality procedures and invention assignment agreements, to establish and protect our proprietary rights. However, copyrights, patent, trademark and trade secret protection may not be available to us in every country in which our platform is available. Further, any copyrights, patents, trademarks or other intellectual property rights that we have or may obtain may be challenged or circumvented by others or invalidated, declared generic or held unenforceable through administrative processes, including re-examination, inter partes review, interference and derivation proceedings and equivalent proceedings in foreign jurisdictions, such as opposition proceedings, or litigation. Our trademark applications and patents arising from any patent applications we may file in the future may not be granted and, even if we are successful in obtaining effective protection, it may be expensive to maintain these rights, including application and maintenance costs, and the time and cost required to defend our rights could be substantial. Additionally, the process of obtaining patent protection may be expensive and time-consuming, and we may be unable to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Moreover, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain.

We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. We attempt to protect our intellectual property, technology and confidential information by requiring our employees and other third parties who develop intellectual property on our behalf to enter into confidentiality and invention assignment agreements and third parties we share information with to enter into nondisclosure and confidentiality agreements or to be bound by professional, fiduciary or other contractual obligations requiring the applicable third party to protect our trade secrets, proprietary know-how and other confidential information. However, we cannot guarantee that we have entered into such agreements with each party who has developed intellectual property on our behalf and each party that has or may have had access to our confidential information, know-how or trade secrets, and such agreements may be insufficient or breached. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret or know-how is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, trade secrets and know-how can be difficult to protect and some courts inside and outside the U.S. are less willing or unwilling to protect trade secrets and know-how. Additionally, to the extent there are individuals not subject to invention assignment agreements, these individuals may make adverse ownership claims to our current and future intellectual property, and, to the extent that our employees, independent contractors or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Failure to adequately protect, enforce and defend our rights in our proprietary and intellectual property rights could adversely affect our business.

The protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources. We utilize various means, including our proprietary technology Toon Radar, to prevent and monitor unauthorized use of our intellectual property. However, the steps we take to obtain, maintain, protect, defend and enforce our intellectual property rights may be inadequate. For example, it is possible that third parties, including our competitors, may obtain patents relating to technologies that overlap or compete with our platform and technology. If third parties obtain patent protection with respect to such technologies, they may assert that our platform and technology infringes their patents and seek to charge us a licensing fee or otherwise preclude the use of our platform and technology. We may not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. If we fail to protect our intellectual property rights adequately, unauthorized third parties could copy and distribute our content. In addition, enforcing and defending our intellectual property rights might entail significant expense and may not ultimately be successful. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights.

The value of our intellectual property could diminish if others assert rights in or ownership of our copyrights, trademarks and other intellectual property rights, or use trademarks that are similar to our trademarks. We may be unable to successfully resolve these types of conflicts to our satisfaction. In some cases, litigation or other actions may be necessary to protect or enforce our copyrights, trademarks and other intellectual property rights. As we expand our global activities, our exposure to unauthorized copying and use of our content will likely increase. Moreover, policing unauthorized use of our content, technologies, trade secrets and intellectual property may be difficult, expensive and time-consuming. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We face risks associated with our “WEBTOON” trademark, trade name and service mark, which could adversely affect our business, including the value of our “WEBTOON” brand.

We face risks associated with our “WEBTOON” trademark, including the risk that the word “Webtoon” could become so commonly used that it becomes synonymous with the type of web-comics we display on our platform. In Korea, the “WEBTOON” wordmark has been declared generic and is not protectable as a registered trademark. In the U.S., although we have registered the “WEBTOON” wordmark and logo as trademarks in certain classes of goods and services in the U.S., we have not secured a wordmark registration in our key classes of goods and services. If we lose protection for the “WEBTOON” wordmark in the U.S., other parties could use the word “Webtoon” to refer to their own products, thus diminishing our “WEBTOON” brand. Further, if we lose protection for the “WEBTOON” wordmark, our competitors, such as KAKAO WEBTOON, may seek register trademarks or adopt service names similar to ours, or confusingly similar terms. If our efforts to oppose such registrations or use of names is unsuccessful, it could impede our ability to build brand identity and possibly lead to confusion in the marketplace. Over the long term, if we are unable to establish name recognition based on our trademarks, then we may not be able to compete effectively. Any claims or customer confusion related to our trademarks could damage our reputation and brands and substantially harm our business, financial condition and results of operation.

Our unregistered or future registered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential users or creators in our markets of interest. Third parties may assert that we are using trademarks or trade names that are confusingly similar to their marks. If any third party were able to establish that our trademarks or trade names were infringing their marks, that third party may be able to block our ability to use the infringing trademark or trade name and we

may be required to re-brand one or more of our products offered under the infringing trademark or trade name, which may require substantial time and monetary expenditure. In addition, if a third party were to bring such a claim, we would be required to dedicate time and resources to fight the claim, which time and resources could otherwise be used toward the maintenance of our own intellectual property.

Our intellectual property strategy may prove to be inadequate to protect our intellectual property rights.

We may choose not to pursue registrations in every jurisdiction or at all depending on the nature of the project to which the intellectual property rights pertain. For example, we make business decisions about when to seek copyright registrations for particular content and in what jurisdictions to seek trademark registrations, and the approach we select may ultimately prove to be inadequate. For example, we have chosen not to register copyrights in all of the content on our platform. In order to bring a copyright infringement lawsuit in the U.S., the applicable copyright must be registered and if a copyright is not registered within three months of the publication of the underlying work, there are limitations on the damages that the copyright owner may be awarded for infringement. Accordingly, the remedies and damages available to us for unauthorized use of certain content on our platform may be limited.

We may not be able to protect our intellectual property rights throughout the world.

We may be required to protect our intellectual property rights in an increasing number of jurisdictions, a process that is expensive and may not be successful, or which we may not pursue in every jurisdiction due to costs, complexities or other reasons. Filing, prosecuting, maintaining, defending and enforcing intellectual property rights in our platform and business in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the U.S. can be less extensive than those in the U.S. Competitors may use our technologies in jurisdictions where we have not obtained intellectual property rights to develop their own technologies and services and, further, may export otherwise infringing, misappropriating or violating technologies and services to territories where we have intellectual property protection, but enforcement is not as strong as that in the U.S. These technologies and services may compete with our technologies and services, and our intellectual property rights may not be effective or sufficient to prevent them from competing.

In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Many companies have encountered significant challenges in establishing and enforcing their proprietary rights outside of the U.S. These challenges can be caused by the absence or inconsistency of the application of rules and methods for the establishment and enforcement of intellectual property rights outside of the U.S. In addition, the legal systems of some countries, particularly developing countries, do not favor the enforcement of intellectual property protection. This could make it difficult for us to stop the infringement, misappropriation or other violation of our intellectual property rights. Accordingly, we may choose not to seek protection in certain countries, and we will not have the benefit of protection in such countries. Proceedings to enforce our intellectual property rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. In addition, changes in the law and legal decisions by U.S. courts and foreign countries may affect our ability to obtain adequate protection for our products, services and other technologies and the enforcement of intellectual property rights. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition and results of operations.

Digital piracy and the sale of counterfeit merchandise could adversely affect our business.

As the copying and distribution of content over the internet proliferates, the risk of piracy, grey market sales, illegal downloading, file-sharing or other infringement, misappropriation and other violation of our intellectual property is likely to continue to increase. We take various measures to prevent and monitor

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unauthorized use of our content, including developing proprietary technology to detect piracy and other technological measures. Despite our precautions, unauthorized third parties have copied and distributed our content and sold merchandise and products based on our content and may continue to do so in the future. If we fail to obtain appropriate relief through the judicial process or the complete enforcement of judicial decisions issued in our favor (or if judicial decisions are not in our favor) or if we fail to develop effective means of protecting and enforcing our intellectual property (whether copyrights or other intellectual property rights such as patents, trademarks and trade secrets), our results of operations, financial position, reputation and prospects may suffer. In addition, we supply a wide variety of merchandise based on our content to our users and counterfeit versions of these products may be offered by competitors. If a significant number of our users turn to counterfeit products for reasons such as lower prices, our revenue and growth could be adversely affected. In addition, the quality of counterfeit products cannot be guaranteed, and poor quality or defects in such products would affect our reputation, which may materially and adversely affect our business, financial condition and operating results.

Our intellectual property rights in content on our platform are limited by the terms of our agreements with content creators.

We enter into agreements with certain content creators who seek to monetize their content, which define our relationship with such creators and our rights to use and exploit the content they create. In accordance with the terms of such agreements, creators generally receive upfront fees and various revenue shares based on the creators' content, and we generally receive a certain period of exclusivity. However, once our exclusivity period ends, creators may be able to license their rights to third parties, including our competitors, which could diminish our brands and adversely affect our financial condition and competitive position. In addition, we may need the cooperation of a creator, as co-owner, to enforce our intellectual property rights against third parties and such cooperation may not be provided to us. For copyrights in which we retain partial ownership, we cannot be certain that activities such as the maintenance and prosecution of such copyrights by our creators, as co-owners, have been or will be conducted consistent with our best interests or in compliance with applicable laws and regulations. Although we attempt to protect our intellectual property by entering into such agreements with certain creators, such agreements may be insufficient or breached.

Disputes also may arise between us and creators regarding intellectual property subject to a content creator agreement, including:

- the scope of rights granted under the agreement and other interpretation-related issues;
- our financial and other obligations under the agreement;
- whether to accept opportunities to license or otherwise grant rights to the content to third parties;
- our right to negotiate independently with a potential licensee, studio, financier, distributor, producer and/or other potential purchaser of intellectual property rights in the content in our role as a publisher and/or producer; and
- the ownership of intellectual property resulting from the joint use of intellectual property by creators and us.

Any termination of or disputes over our agreements with creators could result in the loss of our ability to distribute certain content on our platform. Further, we have not entered into such agreements with each party who has developed content that we distribute on our platform. To the extent that we have not entered into such an agreement with a creator, we do not have rights in the intellectual property of the content distributed on our platform, including copyrights.

We use open-source software on our platform, which may pose particular intellectual property risks to, and could adversely affect, our business.

We have in the past and may in the future continue to use open-source software in our codebase and our platform. Some open-source software licenses require users who make available open-source software as part of

their proprietary software to publicly disclose all or part of the source code to such proprietary software or make available any derivative works of such software free of charge, under open-source licensing terms. The terms of various open-source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our use of the open-source software. Enforcement activity for open-source licenses can also be unpredictable. Were it determined that our use was not in compliance with a particular license, we may be required to purchase a costly license, publicly release the affected portions of our proprietary source code, defend claims, pay damages for breach of contract or copyright infringement, grant licenses to our proprietary software, re-engineer our platform, discontinue certain services or product offerings in the event re-engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from our product development efforts, any of which could negatively impact our business. Public release of our proprietary source code could allow our competitors to create similar technology with less development time and effort. Open-source compliance problems can also result in damage to reputation and challenges in recruitment or retention of engineering personnel. In addition to risks related to license requirements, use of certain open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties, indemnities or other contractual protections with respect to the software (for example, noninfringement or functionality). There is typically no support available for open-source software, and we cannot ensure that the authors of such open-source software will implement or push updates to address security risks or will not abandon further development and maintenance. Our use of open-source software may also present additional security risks because the source code for open-source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach our apps or websites and systems that rely on open-source software. While we monitor our use of open-source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open-source agreement, such use could inadvertently occur, or could be alleged to have occurred, in part because open-source license terms are often ambiguous. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have an adverse effect on our business, financial condition and results of operations.

We may utilize artificial intelligence, which could expose us to liability or adversely affect our business.

From time to time, we may utilize artificial intelligence, machine learning, data analytics and similar tools that collect, aggregate and analyze data (collectively, “AI Tools”) in connection with our business. There are significant risks involved in utilizing AI Tools and no assurance can be provided that the usage of such AI Tools will enhance our business or assist our business in being more efficient or profitable. AI Tools may have errors or inadequacies that are not easily detectable. If AI Tools are incorrectly designed or the data used to train them is incomplete, inadequate or biased in some way, our use of AI Tools may inadvertently reduce our efficiency or cause unintentional or unexpected outputs that are incorrect, do not match our business goals, do not comply with our policies or interfere with the performance of our platform, services, business and reputation. Additionally, our reliance on AI Tools could pose ethical concerns and lead to a lack of human oversight and control, which could have negative implications for our organization.

In addition, the use of AI Tools may enhance intellectual property, cybersecurity, operational and technological risks. Regulation of AI Tools is rapidly evolving worldwide as legislation and regulators are increasingly focusing on these powerful emerging technologies. The technologies underlying AI Tools and their use cases are subject to a variety of laws, including intellectual property, privacy, data protection and cybersecurity, consumer protection, competition and equal opportunity laws, and are expected to be subject to increased regulation in the near future. If we do not have sufficient rights to use the data or other material or content on which AI Tools rely, we may incur liability through the violation of such laws, third-party intellectual property, privacy or other rights, or contracts to which we are a party. See “Risk Factors—Risks Related to Intellectual Property—Failure to obtain, maintain, protect and enforce our proprietary and intellectual property rights could adversely affect our business.” Furthermore, the technologies underlying AI Tools are complex and rapidly developing, and as a result, it is not possible to predict all of the legal, operational or technological risks related to the use of AI Tools. Moreover, AI Tools are the subject of evolving review by various governmental

and regulatory agencies, including the SEC and the FTC, and changes in laws, rules, directives and regulations governing the use of AI Tools may adversely affect the ability of our business to use AI Tools. Further, we cannot guarantee that creators do not use artificial intelligence in connection with their creation of content distributed on our platform and such content may infringe, misappropriate or otherwise violate the rights of third parties.

Risks Related to Doing Business in Korea

There are special risks involved with investing in companies operating in Korea, including the possibility of restrictions being imposed by the Korean government in emergency circumstances, accounting and corporate disclosure standards that differ from those in other jurisdictions, and the risk of direct or vicarious criminal liability for executive officers of our Korean affiliates.

Our wholly owned subsidiary, NAVER WEBTOON, is a Korean company, and NAVER WEBTOON and our other Korean subsidiaries, which represent a substantial portion of our total revenues, operate in a business and cultural environment that is different from that of other countries. For example, under the Foreign Exchange Transaction Act of Korea, if the Korean government determines that in certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Economy and Finance of Korea prior to entering into a capital markets transaction, repatriating interest, dividends or sales proceeds arising from Korean securities or from the disposition of such securities or other transactions involving foreign exchange. Although investors will hold shares of our common stock, our Korean affiliates may experience adverse risks, which and in turn could adversely affect our business, prospects, financial condition and results of operations and could lead to a decline in the value of our common stock.

In addition, under Korean law, there are circumstances in which certain executive officers of a company may be investigated or held criminally liable either directly or vicariously for the actions of the company and its executives and employees. For example, complaints alleging infringement, misappropriation or other violation of intellectual property rights, breaches of certain Korean laws (e.g., labor standards laws and fair-trade laws) and product-related claims may be investigated and prosecuted as criminal offenses with both the company and the company's executive officers being named as defendants in such proceedings. These risks change over time.

As a result of these current and changing risks, our Korean subsidiaries' executive officers have in the past been named, and may be named in the future, in criminal investigations or proceedings stemming from our operations. If our Korean affiliates' executive officers were to be named in such criminal proceedings or held either directly or vicariously criminally liable for the actions of the company and its executives and employees, our business, financial condition and results of operations could be adversely affected.

NAVER WEBTOON's transactions with its subsidiaries and affiliates may be restricted under Korean fair trade regulations.

NAVER WEBTOON enters into business relationships and transactions with its subsidiaries and affiliates, which are subject to scrutiny by the Korean Fair Trade Commission ("KFTC") as to, among other things, whether such relationships and transactions constitute undue financial support among companies in the same business group. If, in the future, the KFTC determines that NAVER WEBTOON has engaged in transactions that violate the fair trade laws and regulations, it may be subject to an administrative and criminal fine, surcharge or other actions, which could adversely affect our business, financial condition and results of operations.

NAVER WEBTOON is subject to certain requirements and restrictions under Korean law that may, in certain circumstances, require it to act in a manner that may create conflicts of interest or the appearance of conflicts of interest with WEBTOON, as its parent, or our stockholders.

Under applicable Korean law, directors of a Korean company, such as NAVER WEBTOON, owe a fiduciary duty to the company as a whole rather than a certain group of stakeholders such as its shareholders. As

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a result, if circumstances arise in which the interests of NAVER WEBTOON may or appear to conflict with the interests of WEBTOON, as its parent, or our stockholders, NAVER WEBTOON may not be permitted under applicable Korean law to act in a manner that is in the best interest of WEBTOON, as its parent, or our stockholders. For example, providing guarantees or collateral by NAVER WEBTOON in favor of WEBTOON, as its parent without a justifiable cause and on other than an arm's length terms could be deemed a breach of a fiduciary duty by the directors of NAVER WEBTOON. Since a material portion of our operations are conducted by our Korean subsidiary, NAVER WEBTOON, any such occurrence with respect to NAVER WEBTOON or other Korean subsidiaries could adversely affect our business, financial condition and results of operations.

NAVER WEBTOON's transactions with related parties are subject to close scrutiny by the Korean tax authorities, which may result in adverse tax consequences.

Under Korean tax law, there is an inherent risk that any of NAVER WEBTOON's transactions with the Company as a parent company, any of its other affiliates or any other person or company that is related to NAVER WEBTOON may be challenged by the Korean tax authorities if such transaction is viewed as having been made on terms that were not on an arm's-length basis. If the Korean tax authorities determine that such transaction was not made on arm's-length terms, NAVER WEBTOON may not be permitted to deduct as expenses, or may be required to include as taxable income, any amount which is found to be undue financial support between related parties in such transaction, which may have adverse tax consequences for NAVER WEBTOON and, in turn, may adversely affect our business, financial condition and results of operations.

As NAVER WEBTOON and many of our affiliates are incorporated in Korea, it may be more difficult to enforce any judgments against such Korean subsidiaries or affiliates obtained in courts outside Korea.

Many of our subsidiaries and affiliates, including NAVER WEBTOON, are incorporated in Korea and most of their directors and executive officers reside in Korea. As a result, a substantial majority of their assets are located in Korea. As a result, it may be practically difficult for us or our stockholders to effect service of process in the U.S. upon NAVER WEBTOON or other Korean affiliates or any of their directors and executive officers or to enforce against those companies or their directors or executive officers any judgment obtained in a court in the U.S. which is predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Korea.

Risks Related to This Offering and Ownership of our Common Stock

NAVER controls a significant percentage of our voting power and may have interests that conflict with the interests of other stockholders.

Upon completion of this offering, NAVER will beneficially own approximately % of the total voting power of our outstanding shares of common stock (or % if the underwriters exercise in full their option to purchase additional shares of our common stock to cover over-allotments). As long as NAVER beneficially owns a majority of the total voting power of our outstanding shares of common stock, investors in this offering will not be able to affect the outcome of any matter submitted to our stockholders for approval and NAVER will generally be able to control, whether directly or indirectly through its ability to elect and remove directors, and subject to applicable law, all matters affecting us without the approval of other stockholders, including:

- determinations with respect to our business direction and policies, including the election and removal of directors and the appointment and removal of officers;
- determinations with respect to corporate transactions, such as mergers, business combinations or dispositions of assets;
- our financing and dividend policies;
- our compensation and benefit programs and other human resources policy decisions;
- determinations with respect to tax matters; and
- changes to any other agreements that may adversely affect us.

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If NAVER does not dispose of its remaining equity interest in our company, or if NAVER purchases shares of our common stock in the open market following the completion of this offering, it could remain our controlling stockholder for an extended period of time or indefinitely. Even if NAVER were to beneficially own less than a majority of the total voting power of our outstanding shares of common stock, NAVER may be able to influence the outcome of corporate actions requiring stockholder approval for as long as it owns a significant portion of our common stock. NAVER's interests may not be the same as, or may conflict with, the interests of our other stockholders. Actions that NAVER takes with respect to us, as a controlling or significant stockholder, may not be favorable to us or our other stockholders.

Following the completion of this offering, we will be a "controlled company" and, as a result, will qualify for exemptions from certain corporate governance requirements.

Upon completion of this offering, NAVER will beneficially own approximately % of the total voting power of our outstanding shares of common stock (or % if the underwriters exercise in full their option to purchase additional shares of our common stock to cover over-allotments). As a result, we will be a "controlled company" and, therefore, will qualify for exemptions from certain corporate governance requirements, including:

- the requirement that the Board be composed of a majority of independent directors;
- the requirement that the Nominating and Corporate Governance Committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities or, if no such committee exists, that our director nominees be selected or recommended by independent directors constituting a majority of the Board's independent directors in a vote in which only independent directors participate;
- the requirement that the Compensation Committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the Nominating and Governance Committee and the Compensation Committee.

Upon completion of this offering, we intend to utilize these exemptions. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the stock exchange corporate governance requirements.

Taking advantage of the reduced disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

We qualify as an "emerging growth company" as defined in the JOBS Act. An emerging growth company may take advantage of certain reduced reporting and other requirements that are otherwise applicable generally to public companies. Pursuant to these reduced disclosure requirements, emerging growth companies are not required to, among other things, comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, provide certain disclosures regarding executive compensation, holding stockholder advisory votes on executive compensation or obtain stockholder approval of any golden parachute payments not previously approved. In addition, emerging growth companies have longer phase-in periods for the adoption of new or revised financial accounting. We will cease to be an emerging growth company upon the earliest of (i) the last day of the fiscal year in which we have \$1.235 billion or more in annual revenues; (ii) the date on which we become a "large accelerated filer" (the fiscal year-end on which the total market value of our common equity securities held by non-affiliates is \$700 million or more as of June 30); (iii) the date on which we issue more than \$1.0 billion of non-convertible debt securities over a three-year period; or (iv) the last day of the fiscal year following the fifth anniversary of this offering.

We intend to take advantage of all of the reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under Section 107 of

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the JOBS Act, until we are no longer an emerging growth company. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act. Our election to use the phase-in periods permitted by this election may make it difficult to compare our combined financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the longer phase-in periods under Section 107 of the JOBS Act and who will comply with new or revised financial accounting standards. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our common stock price may be more volatile. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies.

We cannot be certain that an active trading market for our common stock will develop or be sustained following the completion of this offering.

Prior to the completion of this offering, there has been no public market for our common stock. We cannot assure you that an active trading market for shares of our common stock will develop or be sustained following the completion of this offering. If an active and liquid trading market does not develop, you may have difficulty selling or may not be able to sell any of your shares of our common stock at an attractive price or at all. An inactive trading market could also impair our ability to raise capital by selling shares of our common stock, our ability to attract and motivate our employees through equity incentive awards and our ability to acquire businesses, brands, assets or technologies by using shares of our common stock as consideration. Furthermore, the liquidity of the market for shares of our common stock may be constrained for as long as NAVER continues to own a significant portion of our common stock.

The stock price of our common stock may fluctuate significantly.

We cannot predict the prices at which shares of our common stock may trade after this offering. The price for shares of our common stock in this offering was determined by negotiations among us and representatives of the underwriters, and it may not be indicative of prices that will prevail in the open market following the completion of this offering. Consequently, you may not be able to sell your shares of our common stock at or above the initial public offering price at the time that you would like to sell.

The market price of shares of our common stock may be highly volatile and fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- changes in laws or regulations applicable to our industry or offerings;
- speculation about our business in the press or the investment community;
- price and volume fluctuations in the overall stock market;
- volatility in the market price and trading volume of companies in our industry or companies that investors consider comparable;
- share price and volume fluctuations attributable to inconsistent trading levels of our shares;
- our ability to protect our intellectual property and other proprietary rights and to operate our business without infringing, misappropriating or otherwise violating the intellectual property and other proprietary rights of others;
- sales of our common stock by us or our significant stockholders, officers and directors;
- the expiration of contractual lock-up agreements;
- the development and sustainability of an active trading market for our common stock;

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- success of competitive products or services;
- the public's response to press releases or other public announcements by us or others, including our filings with the SEC, announcements relating to litigation or significant changes to our key personnel;
- the effectiveness of our internal controls over financial reporting;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- tax developments in the U.S., Europe or other markets;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in accounting principles;
- litigation or governmental investigations initiated against us;
- reputational issues, including reputations issues involving our competitors and their products, NAVER and our third-party partners;
- overall market fluctuations and domestic and worldwide economic and political conditions, including related to geopolitical issues or the COVID-19 pandemic; and
- other factors described in this "Risk Factors" section and elsewhere in this prospectus.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock. If any of the forgoing events occur, it could cause our stock price to fall and may expose us to lawsuits, including securities class action litigation, that, even if unsuccessful, could result in substantial costs and divert our management's attention and resources. You should consider an investment in shares of our common stock to be risky, and you should invest in shares of our common stock only if you can withstand a significant loss and wide fluctuations in the market value of your investment.

We have identified certain material weaknesses in our internal control over financial reporting, and if our remediation of such material weaknesses is not effective, or if we experience additional material weaknesses or otherwise are unable to implement and maintain effective internal control over financial reporting in the future, investors could lose confidence in the accuracy and completeness of our financial reports and the market price of shares of our common stock could be adversely affected.

Upon becoming a public company, we will be required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and, beginning the first full fiscal year after the completion of this offering, provide an annual management report on the effectiveness of internal control over financial reporting, to which our independent registered public accounting firm will need to attest in accordance with guidelines set forth by the Public Company Accounting Oversight Board ("PCAOB") after we are no longer an "emerging growth company" as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. We may in the future identify material weaknesses when evaluating our internal control over financial reporting that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act.

As part of our readiness efforts for future compliance with Section 404 of the Sarbanes-Oxley Act we have identified certain material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a

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reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis. The material weaknesses are as follows:

- The Company did not design and maintain an effective control environment commensurate with its financial reporting requirements. Specifically, the Company lacked a sufficient complement of resources with an appropriate level of accounting knowledge, experience and training to appropriately analyze, record and disclose accounting matters timely and accurately. This material weakness contributed to the following additional material weaknesses:
- The Company did not design and maintain effective controls related to the period-end financial reporting process, including designing and maintaining formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures. Additionally, the Company did not design and maintain controls over the preparation and review of account reconciliations.
- The Company did not design and maintain effective controls over information technology (“IT”) general controls for information systems that are relevant to the preparation of its financial statements at certain subsidiary locations recently acquired. Specifically, the Company did not design and maintain (i) program change management controls for financial systems to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user access to financial applications, databases and operating systems to appropriate company personnel; and (iii) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.
- The Company did not design and maintain controls to validate the reliability of information from a third-party service provider used in the recording of revenue and revenue-related transactions at the parent and a subsidiary.
- The Company did not design and maintain effective controls related to segregation of duties at certain subsidiary locations acquired during 2022.

These material weaknesses resulted in material audit adjustments to the consolidated financial statements as of and for the year ended December 31, 2022. Additionally, these material weaknesses could result in a misstatement of substantially all of the Company’s accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Our remediation efforts of these outstanding material weaknesses are ongoing. We cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the internal control deficiencies that led to our material weaknesses, that the material weaknesses will be remediated on a timely basis, or that additional material weaknesses will not be identified in the future. If the steps we take do not remediate the outstanding material weaknesses in a timely manner, there could continue to be a possibility that these control deficiencies or others could result in a material misstatement of our annual or interim consolidated financial statements. Further, our current internal control over financial reporting and any additional internal control over financial reporting that we develop may become inadequate because of changes in conditions in our business. Additionally, weaknesses in our disclosure controls and procedures and internal control over financial reporting may be discovered in the future.

The process of designing and implementing internal control over financial reporting required to comply with the disclosure and attestation requirements of Section 404 of the Sarbanes-Oxley Act will be time consuming and costly. If during the evaluation and testing process we identify additional material weaknesses in our internal control over financial reporting or determine that these existing material weaknesses have not been remediated, our management will be unable to assert that our internal control over financial reporting is effective. Even if our

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management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal control over financial reporting. If we are unable to assert that our internal control over financial reporting is effective, or when required in the future, if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected, and we could become subject to litigation or investigations by the stock exchange on which our common stock is listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

The obligations associated with being a standalone public company will require significant resources and management attention.

Following the effectiveness of the registration statement of which this prospectus is a part, we will be directly subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the SEC and the applicable stock exchange. As a standalone public company, we will be required to:

- prepare and distribute periodic reports, proxy statements and other stockholder communications in compliance with the federal securities laws and rules;
- have our own board of directors and committees thereof, which comply with federal securities laws and rules and applicable stock exchange requirements;
- maintain an internal audit function;
- institute our own financial reporting and disclosure compliance functions;
- establish an investor relations function; and
- establish internal policies, including those relating to trading in our securities and disclosure controls and procedures.

These reporting and other obligations will place significant demands on our management, diverting their time and attention from sales-generating activities to compliance activities, and require increased administrative and operational costs and expenses that we did not incur as a private company, which could adversely affect our business, financial condition or results of operations.

If you purchase shares of our common stock sold in this offering, you will incur immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the amount of \$ _____ per share because the initial public offering price will be substantially higher than the pro forma net tangible book value per share of our outstanding common stock. This dilution would result because our earlier investors paid substantially less than the initial public offering price when they purchased their shares. In addition, you may also experience additional dilution upon future equity issuances, the exercise of stock options to purchase common stock granted to our employees and directors under our stock option and equity incentive plans or the exercise of warrants to purchase common stock. See “Dilution.”

We are a holding company and our only material assets are our equity interests in our subsidiaries. As a consequence, we depend on the ability of our subsidiaries to pay dividends and make other payments and distributions to us in order to meet our obligations.

We are a holding company with limited direct business operations. Our subsidiaries own substantially all of our assets and conduct substantially all of our operations. As a consequence, we depend on, among other things,

dividends from our subsidiaries and permitted payments to us under arrangements with our subsidiaries to meet our obligations. These obligations include operating expenses and interest and principal on current and any future borrowings. Our subsidiaries, including certain subsidiaries organized outside the U.S., may not be able to, or may not be permitted under the applicable laws of the jurisdiction of their organization to, pay dividends or make distributions or loans to enable us to meet our obligations. Each subsidiary is a distinct legal entity and, under certain circumstances, legal, tax and contractual restrictions may limit our ability to obtain cash from our subsidiaries. If the cash we receive from our subsidiaries pursuant to dividends and other arrangements is insufficient to fund any of our obligations, or if a subsidiary is unable to pay future dividends or distributions to us to meet our obligations, we may be required to raise cash through, among other things, the incurrence of debt (including convertible or exchangeable debt), the sale of assets or the issuance of equity. Our liquidity and capital position are highly dependent on the performance of our subsidiaries and their ability to pay future dividends and distributions to us as anticipated. The evaluation of future dividend sources and our overall liquidity plans are subject to a variety of factors, including current and future market conditions, which are subject to change.

We do not intend to pay any cash distributions or dividends on our common stock in the foreseeable future.

We currently intend to retain any future earnings and do not expect to pay any cash distributions or dividends in the foreseeable future. Any future determination to declare cash distributions or dividends will be made at the discretion of our board of directors, subject to applicable laws and provisions of our organizational documents, after taking into account our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. As a result, capital appreciation in the price of our common stock, if any, may be your only source of gain on an investment in our common stock. See “Dividend Policy.”

Future sales of our common stock, or the perception that such sales may occur, could depress our common stock price.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that such sales may occur, could depress the market price of our common stock. Our executive officers and directors and certain of our equity holders have agreed with the underwriters not to offer, sell, dispose of or hedge any shares of our common stock or any options or warrants to purchase any shares of our common stock, or securities convertible into, exchangeable for, or that represent the right to receive, shares of our common stock, subject to specified limited exceptions described elsewhere in this prospectus, during the period ending 180 days after the date of the final prospectus, except with the prior written consent of the representatives of the underwriters. Our Amended Charter will authorize us to issue up to _____ of our authorized shares of common stock, of which shares _____ of common stock will be outstanding. All shares of our common stock will be subject to the lock-up agreements or market stand-off provisions described under “Shares Eligible for Future Sale.” Shares of our common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act. The representatives of underwriters may, in their sole discretion and at any time without notice, release all or any portion of the shares subject to the lock-up. See “Underwriting.”

Upon the completion of this offering, the holders of an aggregate of _____ shares of our common stock, based on shares of common stock outstanding as of the date of effectiveness of this registration statement, or their transferees, will be entitled to rights with respect to the registration of their shares under the Securities Act. In addition, immediately following this offering, we intend to file a registration statement registering under the Securities Act the shares of common stock reserved for issuance under the LTIP. See the information under the heading “Shares Eligible for Future Sale” for a more detailed description of the shares that will be available for future sales upon completion of this offering. Sales of our common stock pursuant to these registration rights or this registration statement may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause our stock price to fall and make it more difficult for you to sell shares of our common stock.

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The price of our common stock could decline if securities analysts do not publish research or if securities analysts or other third parties publish inaccurate or unfavorable research about us.

The trading of our common stock is likely to be influenced by the reports and research that industry or securities analysts publish about us, our business, our market or our competitors. We do not currently have and may never obtain research coverage by securities or industry analysts. If no securities or industry analysts commence coverage of our Company, the trading price for our common stock would be negatively affected. If we obtain securities or industry analyst coverage but one or more analysts downgrade our common stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more securities or industry analysts cease to cover the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets which, in turn, could cause our stock price or trading volume to decline.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our combined financial statements and accompanying notes appearing elsewhere in this prospectus. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

Anti-takeover provisions in our governing documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Our Amended Charter, Amended Bylaws and Delaware law contain or will contain provisions that could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Among other things, our Amended Charter or Amended Bylaws will include the following provisions:

- authorizing “blank check” preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- providing for a classified board of directors with staggered, three-year terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- not providing for cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- limiting the ability of stockholders to call a special stockholder meeting;
- prohibiting stockholders from acting by written consent from and after the date on which NAVER and its affiliates cease to beneficially own at least 50% of the outstanding shares of common stock (the “Trigger Event”);
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- from and after the Trigger Event, the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of common stock of the Company entitled to vote thereon;

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- providing that our board of directors is expressly authorized to amend, alter, rescind or repeal our Amended Bylaws; and
- from and after the Trigger Event, requiring the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of common stock to amend provisions of our Amended Charter relating to the management of our business, our board of directors, stockholder action by written consent, calling special meetings of stockholders, competition and corporate opportunities, Section 203 of the Delaware General Corporation Law (the “DGCL”), forum selection and the liability of our directors, or to amend, alter, rescind or repeal our Amended Bylaws.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. We have opted out of Section 203 of the DGCL. However, our Amended Charter will contain similar provisions providing that we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the stockholder became an interested stockholder, unless (i) prior to the time such stockholder became an interested stockholder, the board approved the transaction that resulted in such stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the combined voting power of our common stock or (iii) following board approval, the business combination receives the approval of the holders of at least two-thirds of the combined voting power of our outstanding common stock not held by such interested stockholder at an annual or special meeting of stockholders. Our Amended Charter will provide that NAVER and its affiliates and any of their respective direct or indirect transferees and any group as to which such persons are a party, do not constitute “interested stockholders” for purposes of this provision.

In addition, our Amended Charter will provide that the federal district courts of the U.S. will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act but that the forum selection provision will not apply to claims brought to enforce a duty or liability created by the Exchange Act, as amended. Any provision of our Amended Charter, Amended Bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock. See “Description of Capital Stock—Anti-Takeover Effects of Delaware Law, Our Amended Charter and Our Amended Bylaws.”

Our Amended Charter will designate specific courts as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders’ abilities to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Amended Charter will provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum, to the fullest extent permitted by law, for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers or other employees or stockholders to us or our stockholders, (3) any action asserting a claim against us or any of our directors or officers or other employees or stockholders arising pursuant to any action to interpret, apply or enforce any right, obligation or remedy under any provision of the DGCL in our Amended Charter or Amended Bylaws, (4) any action asserting a claim that is governed by the internal affairs doctrine or (5) any other action asserting an “internal corporate claim” under the DGCL shall be the Court of Chancery of the State of Delaware (or any state or federal court located within the State of Delaware if the Court of Chancery does not have jurisdiction) (the “Delaware Forum Provision”). Notwithstanding the foregoing, our Amended Charter will provide that the Delaware Forum Provision will not apply to suits brought to enforce a duty or liability created by the Exchange Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Our Amended Charter will further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the U.S. shall, to the fullest extent permitted by

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law, be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the “Federal Forum Provision”).

The Delaware Forum Provision and the Federal Forum Provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the Delaware Forum Provision or the Federal Forum Provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition or results of operations. Any person or entity purchasing or otherwise acquiring any interest in our shares of capital stock shall be deemed to have notice of and consented to the Delaware Forum Provision and the Federal Forum Provision, but will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which do not relate strictly to historical or current facts and which reflect management's assumptions, views, plans objectives and projections about the future. Forward-looking statements may be identified by the use of words such as "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding:

- expected operating results, such as revenue growth and earnings;
- economic and industry trends;
- the demand for our platform in general;
- our ability to continue to attract and empower creators to create engaging content;
- our ability to grow and retain our user base and strengthen our brand;
- our ability to increase engagement with users and strengthen our community;
- our ability to attract and retain senior management team or key personnel;
- our ability to continue to innovate and expand our advertising business;
- our ability to increase paying ratio and strengthen our monetization capability;
- our ability to increase revenues from our intellectual property operations;
- our beliefs about and objectives for future operation;
- future acquisitions or investments;
- our ability to continue to grow across our current markets and expand into new markets;
- our ability to continue to innovate and enhance our offerings;
- the functionality and economics of our platform on mobile operating systems;
- our ability to maintain the security and availability of our platform;
- our ability to obtain, maintain, protect and enhance our intellectual property;
- the increased expenses associated with being a public company;
- our business model and expectations and management of future growth, including expansion in international markets and expenditures associated with such growth; and
- our ability to compete with existing and new competitors in existing and new markets.

Because forward-looking statements are based on current beliefs, expectations and assumptions regarding future events, they are subject to risks, uncertainties and changes that are difficult to predict and many of which are outside of our control. You should realize that if underlying assumptions prove inaccurate, or known or unknown risks or uncertainties materialize, our actual results and financial condition could vary materially from expectations and projections expressed or implied in our forward-looking statements. Risks and uncertainties include:

- we have experienced rapid growth in recent periods, and our historical growth rates may not be indicative of our future performance;
- our growth depends on our ability to attract and empower creators and our ability to properly support and incentivize our creators to create compelling, engaging and interactive content;

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- our growth depends on our ability to retain, attract and engage with our users, and our ability to anticipate, understand and respond appropriately to market trends and rapidly changing user preferences in a timely manner;
- if we fail to retain or increase our paying users or if we fail to maintain or continue to increase our paying ratio, our business, financial condition or results of operations could be adversely affected;
- we operate in highly competitive markets, and we face significant competition to attract and empower our creators and users;
- maintaining and enhancing the market recognition and reputation of our brands is a critical component of our relationship with creators, users and other third parties;
- our growth depends on our ability to innovate and expand our advertising business and to develop effective advertising products;
- we intend to continue to diversify our monetization strategy and increase revenues from IP Adaptations, which may not be successful;
- we intend to continue to expand our presence in existing and into new geographic markets and execute upon our growth initiatives, and our international expansion efforts may not be successful;
- we face a variety of risks associated with conducting business around the world, and these risks will increase as we continue to expand our presence into new geographic markets;
- our future growth depends on our ability to continue innovating our platform to offer attractive features and safe and civil experiences for our creators and users;
- we depend on effectively operating with mobile operating systems, hardware, technologies, products, standards and networks that we do not control, and changes to any of these or our platform could adversely affect our user retention, growth, engagement and monetization;
- we have a history of net losses, and we anticipate increasing expenses in the future, and we may not achieve or maintain profitability;
- if we fail to control our content-related costs, the expenses we incur may exceed the increase in revenues;
- the future success of our business relies heavily on our sales and marketing efforts, and if we fail to maintain sales and marketing efficiency, the marketing expenses we incur as we grow may exceed the increase in revenues;
- we are, and could become, subject to significant legal proceedings and regulatory investigations that may result in significant expenses, fines and reputational damage;
- the success of our growth strategy depends on our ability to provide a safe online environment for children;
- we are subject to complex and evolving federal, state and international laws, regulations, rules, standards and contractual obligations regarding privacy, data protection and cybersecurity, which could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention or engagement, any of which could adversely affect our business;
- claims by others that we infringe, misappropriate or otherwise violate their intellectual property rights through the activities of our creators or users or the content on our platform could subject us to liability;
- our defenses to claims of infringement, misappropriation or other violations of third-party intellectual property rights are costly and may not be successful;
- failure to obtain, maintain, protect and enforce our proprietary and intellectual property rights could adversely affect our business;

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- there are special risks involved with investing in companies operating in Korea, including the possibility of restrictions being imposed by the Korean government in emergency circumstances, accounting and corporate disclosure standards that differ from those in other jurisdictions, and the risk of direct or vicarious criminal liability for executive officers of our Korean affiliates;
- NAVER WEBTOON's transactions with its subsidiaries and affiliates may be restricted under Korean fair trade regulations;
- NAVER controls a significant percentage of our voting power and may have interests that conflict with the interests of other stockholders;
- following the completion of this offering, we will be a "controlled company" and, as a result, will qualify for exemptions from certain corporate governance requirements; and
- taking advantage of the reduced disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

You should also carefully read the risk factors described in the section of this prospectus entitled "Risk Factors" for a description of the material risks that could, among other things, cause our actual results to differ materially from those expressed or implied in our forward-looking statements. You should understand that it is not possible to predict or identify all such factors and you should not consider the risks described above to be a complete statement of all potential risks and uncertainties. We do not undertake to publicly update any forward-looking statement that may be made from time to time, whether as a result of new information or future events or developments, except as required by law.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$ (or \$ if the underwriters exercise in full their option to purchase additional shares of common stock to cover over-allotments) based on the assumed initial public offering price of \$ per share of common stock, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering. We will not receive any proceeds from the sale of our common stock by the selling stockholder. We will, however, bear the costs associated with the sale of shares of common stock by the selling stockholder, other than underwriting discounts and commissions. For more information, see “Principal and Selling Stockholders” and “Underwriting.”

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share of common stock, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering. Similarly, each increase (decrease) of shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$, assuming that the assumed initial public offering price per share remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering.

The principal purpose of this offering is to increase our capitalization and financial flexibility and create a public market for our common stock. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We cannot specify with certainty all of the particular uses for the remaining net proceeds to us from this offering.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock, and we currently do not anticipate paying any cash distributions or dividends after this offering and for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for working capital, to support our operations and to finance the growth and development of our business. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including restrictions in our future debt instruments, our future earnings, capital requirements, financial condition, prospects and applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits.

As a holding company, our ability to pay cash distributions or dividends depends on our receipt of cash distributions or dividends from our operating subsidiaries. Our ability to pay cash distributions or dividends may be restricted as a result of restrictions on operating subsidiaries' ability to pay cash distributions or dividends to us, including, but not limited to, as a result of local law restrictions or regulations or under agreement governing future indebtedness.

CAPITALIZATION

The following table sets forth our cash and restricted cash and capitalization as of December 31, 2023.

- on an actual basis; and
- on an as adjusted basis to reflect the sale and issuance by us of _____ shares of our common stock in this offering at an assumed initial public offering price of \$ _____ per share (which is the midpoint of the range set forth on the cover of this prospectus), and the application of net proceeds from this offering as described under “Use of Proceeds,” as if this offering and the application of the net proceeds of this offering had occurred on December 31, 2023.

You should read this table together with the sections of this prospectus captioned “Summary Combined Financial and Other Data,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Description of Capital Stock” and our audited combined financial statements and related notes included elsewhere in this prospectus.

<i>(in thousands of USD, except share and per share data)</i>	As of December 31, 2023	
	Actual	As Adjusted⁽¹⁾
Cash and restricted cash	\$ _____	\$ _____
Total long-term liabilities	\$ _____	\$ _____
Stockholders’ equity		
Common stock, \$0.01 par value per share; 5,000,000 shares authorized; _____ shares issued and outstanding, actual; _____ shares authorized, shares issued and outstanding, as adjusted		
Additional paid-in capital		
Accumulated deficit		
Total stockholders’ equity	\$ _____	\$ _____
Total capitalization	\$ _____	\$ _____

- (1) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share of common stock, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$ _____, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering. Similarly, each increase (decrease) of _____ shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$ _____, assuming that the assumed initial public offering price per share remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering.

The actual number of shares of common stock to be outstanding following this offering excludes _____ shares of common stock outstanding at the closing of this offering (on a fully diluted basis) that are reserved for future grants or for sale under the LTIP.

DILUTION

Investors purchasing our common stock in this offering will experience immediate and substantial dilution in the pro forma as adjusted net tangible book value of their shares of common stock. Dilution in pro forma as adjusted net tangible book value represents the difference between the initial public offering price of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after the offering.

Historical net tangible book value per share represents our total tangible assets (total assets excluding goodwill and other intangible assets, net) less total liabilities, divided by the number of shares of outstanding common stock. After giving effect to (1) the filing and effectiveness of our Amended Charter upon the consummation of this offering and (2) the sale of shares of common stock in this offering by the Company at an assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, the pro forma as adjusted net tangible book value as of December 31, 2023, would have been approximately \$ _____ million, or \$ _____ per share of common stock. This represents an immediate decrease in pro forma as adjusted net tangible book value of \$ _____ per share to our existing stockholders and an immediate dilution of \$ _____ per share to new investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors.

Assumed initial public offering price per share	\$
Historical net tangible book value per share as of December 31, 2023	\$
Pro forma decrease in net tangible book value per share as of December 31, 2023	\$
Pro forma net tangible book value per share as of December 31, 2023	\$
Increase in net tangible book value per share attributable to investors participating in this offering	\$
Pro forma as adjusted net tangible book value per share, as adjusted to give effect to this offering	\$
Dilution per share to new investors participating in this offering	\$

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share of common stock, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately \$ _____ per share, and increase (decrease) the dilution in the pro forma as adjusted net tangible book value per share to new investors by approximately \$ _____ per share, in each case, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering. Each increase (decrease) of _____ shares in the number of shares of common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately \$ _____ per share and increase (decrease) the dilution to investors participating in this offering by approximately \$ _____ per share, in each case assuming that the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering.

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If the underwriters exercise in full their option to purchase additional shares of common stock to cover over-allotments, our pro forma as adjusted net tangible book value per share after this offering would be \$ _____, and the dilution in pro forma as adjusted net tangible book value per share to investors purchasing shares of common stock in this offering would be \$ _____.

The following table summarizes, on an adjusted pro forma basis as of December 31, 2023, the number of shares of our common stock, the total consideration and the average price per share (i) paid to us by existing stockholders and (ii) to be paid by new investors acquiring our common stock in this offering at the assumed initial public offering price of \$ _____ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. As the table shows, new investors purchasing common stock in this offering will pay an average price per share substantially higher than our existing stockholder paid.

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholder		%	\$	%	\$
New investors		%	\$	%	\$
Total		%	\$	%	\$

If the underwriters exercise in full their option to purchase additional shares of common stock to cover over-allotments, the percentage of shares of common stock held by existing stockholders will decrease to approximately _____% of the total number of shares of our common stock outstanding after this offering, and the number of shares held by new investors will increase to _____, or approximately _____% of the total number of shares of our common stock outstanding after this offering.

Sales of shares of common stock by the selling stockholder in this offering (assuming no exercise by the underwriters of their option to purchase additional shares of common stock to cover over-allotments) will reduce the total number of shares of common stock beneficially owned by the selling stockholder to _____, or approximately _____% of the total outstanding shares of common stock, and will increase the number shares of common stock to be purchased by new investors to _____, or approximately _____% of the total outstanding shares of common stock.

To the extent that options are issued under our compensatory stock plans, or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operation should be read in conjunction with the sections of this prospectus captioned "Summary Combined Financial and Other Data" and "Business" and our audited combined financial statements and the related notes to those statements included elsewhere in this prospectus. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under the sections of this prospectus captioned "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

Overview

WEBTOON is a global storytelling platform where a vibrant community of creators and users discover, create, and share new content. WEBTOON empowers its community by enabling creators to participate economically in their own creations and by offering consumers an endless library of content. As of December 31, 2022, our community connected 22 million creators with over 175 million monthly active users and 8 million monthly paying users as of the quarter ended September 30, 2023, in over 150 countries around the world.

Content on our platform tells stories, across formats. On our platform, creators tell long-form stories through serialized narratives in the form of short-form, bite-sized episodes, creating a habitual behavior with an engaged user base. These stories are primarily told in two ways—web-comics, a graphical comic-like medium, and web-novels, which are text-based stories. The web-comic medium tells stories using a continuous vertical-scroll format that is easily read on mobile devices. We are able to extend the reach, impact and monetization of our content by adapting it into other media formats such as film, streaming series, games, merchandise and print books. Over the past decade, we have adapted over 800 titles, including over 100 streaming series and films, over 70 games and approximately 10 million consumer product units.

Creators power our content engine by authoring immersive visual stories, developing imaginative new characters and inspiring fandoms. Our creator base ranges from the individual enthusiast with a love of storytelling to the professional author building a brand and an enterprise on our platform. WEBTOON provides creators with an opportunity to monetize their creativity through various means, including Paid Content, advertising and IP Adaptations. Cumulatively, we have paid out over \$1.8 billion to creators between 2017 and 2022.

Users come to our platform to discover and consume engaging and immersive content. Our creators tell stories that are relatable to global audiences, attracting users across age groups, geographies and genders. Furthermore, our primary user base is Gen Z and millennials. WEBTOON helps fans discover engaging content across genres, with fresh, weekly releases.

Community reinforces the benefits to creators and users on our platform. We help users and creators build relationships and engage with one another over content. As users, or "fans," often develop a personal connection to the titles on our platform, they relish the direct engagement with creators through both our comments section at the end of each episode and the Creator Profile section, where creators can post messages and users can respond directly. Fans also appreciate the ability to potentially influence how stories unfold and how their favorite characters evolve, as creators may choose to incorporate fans' feedback. This enables a positive feedback loop for content creation and user engagement. This community engagement powers a flywheel of user engagement and creator readership, which in turn drives WEBTOON's success.

Our platform continuously empowers and incentivizes creators to drive creation of unique long-form stories. These stories are enjoyed on our platform by a growing base of loyal fans and importantly, enable us to expand

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the audience base off-platform over time. This continuous cycle results in successful and durable franchises within our ever-growing content library, empowering us with a multitude of monetization opportunities through IP Adaptations.

Our Story So Far

Year	Platform Expansion
2005-2007 Cultivate Creator Ecosystem	<ul style="list-style-type: none">Launched WEBTOON in Korea as a part of NAVER portal service (WEBTOON Korea)
2008-2016 Cement Leadership in Content	<ul style="list-style-type: none">Started development of creator ecosystem with launching platforms for amateur creatorsIntroduced Paid Content business model and started expanding to overseas markets, including:<ul style="list-style-type: none">LINE MANGA in Japan (2012)WEBTOON in the US (2014)
2017 – Present Diversified Content Expansion	<ul style="list-style-type: none">Began operating as an independent unit within NAVER in 2017Started value-chain expansions, including:<ul style="list-style-type: none">Creator community: Wattpad (2021),Munpia (2022)IP Adaptations: Studio N (2018), Wattpad WEBTOON Studio (2021)

WEBTOON today combines global scale and growth. For the year ended December 31, 2022:

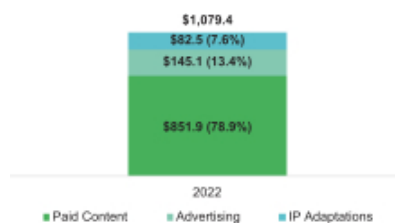
- we generated total revenue of \$1,079.4 million;
- we generated combined net loss of \$132.5 million, representing a combined net loss margin of (12.3)%; and
- we generated total EBITDA of \$(82.6) million, representing an EBITDA margin of (7.7)%.

How We Generate Revenue

We generate revenue from three distinct revenue streams: Paid Content, advertising and IP Adaptations.

Revenue Breakdown by Business for the Year Ended December 31, 2022

(\$ Million, % Contribution)



Paid Content

We generate Paid Content revenue from purchases by users of content on our platform. Content is purchased by users with Coins which can be exchanged for access to content that is behind a paywall or receive them for free during in-app promotional events.

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Users consume our content in episodes, or short-form units into which long-form stories are serialized, similar to chapters of a book. While the majority of content on our platform is free to read, those episodes that are behind a paywall are only accessible through purchase of a *Fast Pass* or *Daily Pass*. A *Fast Pass* provides users with early access to episodes that have not yet been (but ultimately will be) released from behind a paywall. A *Daily Pass* provides users with access to episodes of completed or non-active titles, defined as titles with no planned releases of future episodes. Users may receive up to a certain number of *Daily Passes* for free each day. Depending on the geographic market, a *Fast Pass* typically costs 15 to 70 cents per episode, while a *Daily Pass* costs 30 to 40 cents per episode.

Paid Content revenue also includes the sale of physical books from other publishers, which accounts for less than 1% of revenue in 2022.

In 2022, we generated \$851.9 million of Paid Content revenue, which comprised approximately 78.9% of our total revenue.

Advertising

We sell three types of advertising products: (1) display ads, (2) pre-roll ads and (3) achievement-based ads.

Display ads are placed within episodes, also known as in-stream, or in other general locations, regardless of whether the user is viewing the content for free or paying for access. Users can choose to watch a non-skippable pre-roll ad to unlock a paid episode for free. Both display and pre-roll ads are delivered on a cost per thousand impressions (“CPM”) basis. Achievement-based ads are ads where users are rewarded with Coins upon completion of specific tasks. Achievement-based ads are delivered on a cost per action (“CPA”) basis.

Advertising not only results in direct monetization, but can also serve as a tool to convert non-paying users into paying users. For example, our achievement-based ads tend to introduce users to the utility of Coins, which may ultimately drive higher paying user conversion.

In 2022, we generated \$145.1 million of advertising revenue, which comprised approximately 13.4% of our total revenue.

IP Adaptations

We generate IP Adaptations revenue from the production of adaptations of certain content on our platform into other media formats such as film, streaming series, games and merchandise. IP Adaptations help cultivate deeper relationships with fans of our original content; provide an additional source of revenue for our platform and creators; and can promote awareness of the WEBTOON brand and our content in its original form, thereby serving as a powerful user acquisition tool especially in newer markets such as North America.

Our production model may take the form of licensing, pre-production only, co-production with third-party partners and/or end-to-end in-house production. The majority of production to date has involved smaller investments with lower production risk being borne by us relative to third-party production partners. Occasionally, we may choose to rely entirely on using our in-house production capabilities or assume larger investments if we determine the potential reward to substantially exceed the investment risk and the magnitude of the required investment is manageable.

In 2022, we generated \$82.5 million of IP Adaptations revenue, which comprised approximately 7.6% of our total revenue.

Key Business Metrics

We believe our performance is dependent upon many factors, including the key metrics described below that we track and review to measure our performance, identify trends, formulate financial projections, and make strategic decisions.

Our offerings include WEBTOON, LINE MANGA, NAVER SERIES, eBookJapan, Munpia, Wattpad, and Yonder. We manage our business by tracking several operating metrics, including: monthly active users, or MAU; monthly paying users, or MPU; paid content average revenue per monthly paying user, or Paid Content ARPPU; and advertising average revenue per monthly active user, or Advertising ARPMAU. For a definition of these operating metrics, please see the “Glossary.” As a management team, we believe each of these operating metrics provides useful information to investors and others.

Our trends may fluctuate subject to various factors including (i) seasonality of our business where we see increased activity during holiday season, (ii) magnitude of our marketing campaigns, (iii) hiatus/return of creators and key titles on our platforms, (iv) TV shows, films, and or gaming release based on our contents as part of our IP Adaptation business, (v) our strategic decision to direct traffic to our mobile application may lead to fluctuations in trends as web users who view in both mediums may choose to continue to consume on our mobile application only and (vi) external factors impacting the global economy, our industry and our company.

Geographic Tracking

We review each metric by geography where our products are available and accessible. We categorize geographies into Korea, Japan, and Rest of World based on the location of our users:

- **Korea** includes WEBTOON Korea, NAVER SERIES, and Munpia where our contents are in Korean and targeted at Korean speaking users.
- **Japan** includes LINE MANGA and eBookJapan where our contents are in Japanese and targeted at Japanese speaking users.
- **Rest of World** includes WEBTOON in all other languages including English, Spanish, and more, as well as Wattpad, and Yonder where our contents are targeted at global users outside of Korea and Japan.

In particular, as a proxy of tracking our performance in North America which we consider as a key market, amongst Rest of World, we track users who consume WEBTOON offered in English (“WEBTOON English”) in the U.S. and Canada based on the IP location (collectively “WEBTOON North America”). For clarity, the following cases are not counted as part of WEBTOON North America but counted as part of Rest of World: (i) where users consume non-English (e.g., Spanish) WEBTOON content while they are physically based in North America and (ii) where users consume non-WEBTOON products (e.g., Wattpad) while they are physically based in North America.

Our methodology of geographic tracking may include an immaterial number of users not geographically located within the above segmentation. For instance, where users consume WEBTOON Korea content while they are physically based outside of Korea, the users will be counted as part of Korea. While we believe that these metrics are reasonable estimates of our user base for the applicable period of measurement, and that the methodologies we employ and update from time-to-time to create these metrics are reasonable bases to identify trends in user behavior, the preparation of each of such metrics involves the use of estimates, judgments and assumptions, and our metrics may be materially affected if such estimates, judgments or good faith assumptions prove to be inaccurate. See “Risk Factors—Risks Related to Our Business, Industry and Operations—Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics could adversely affect our business and reputation.”

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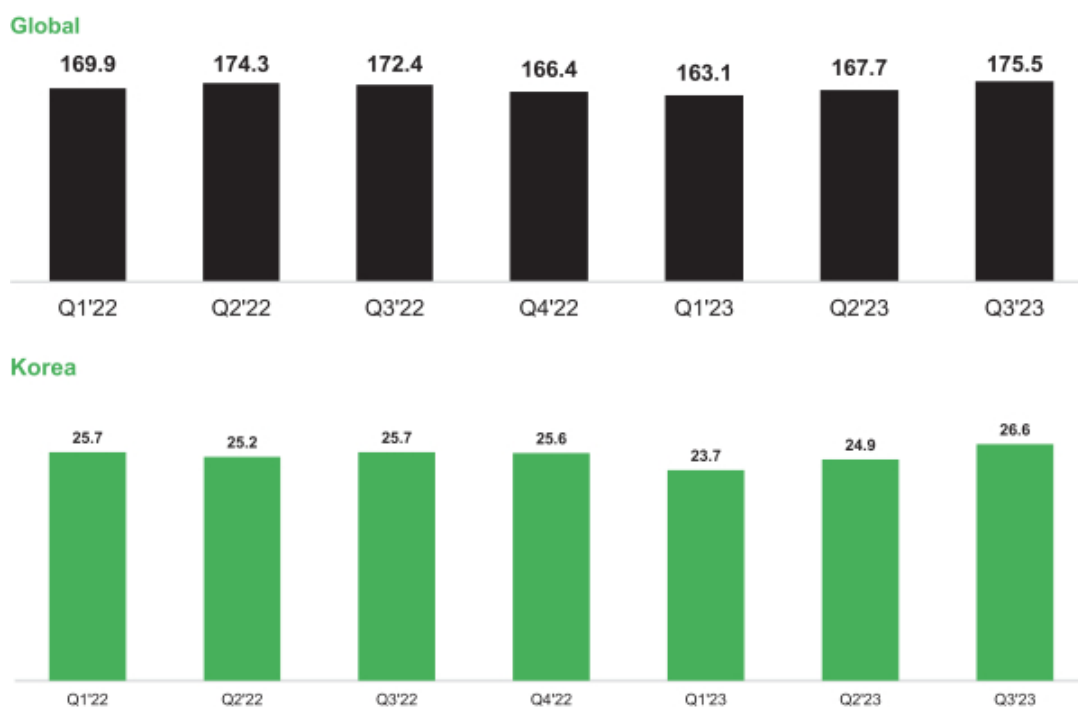
Monthly Active Users (MAU)

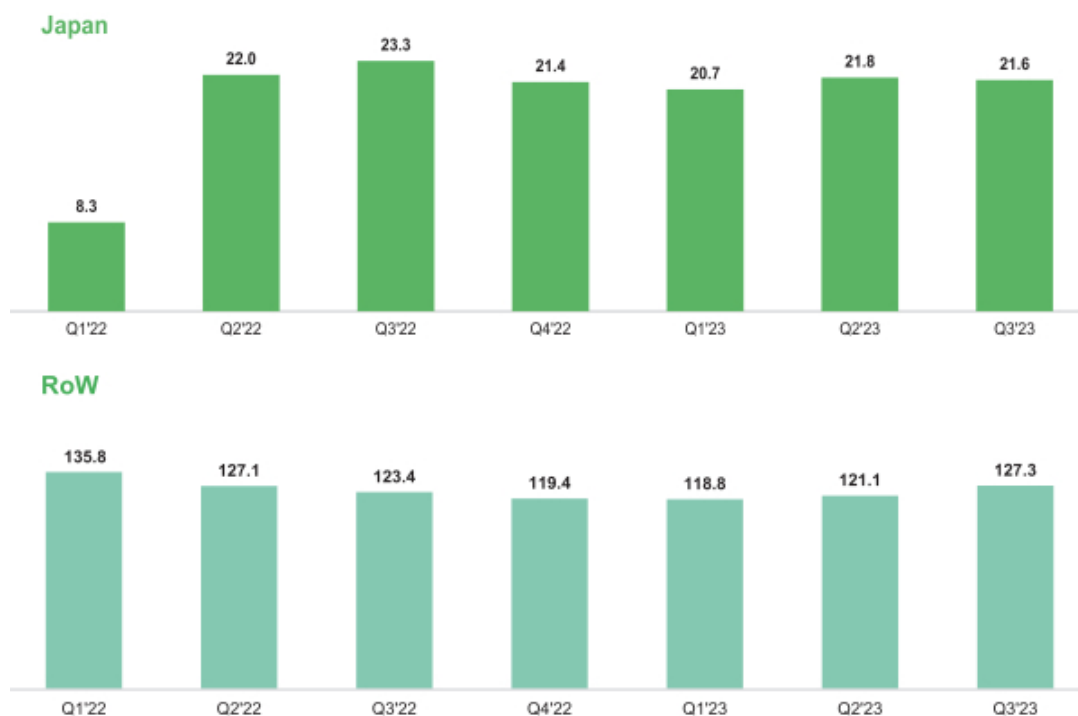
We define MAU as users based on each device logged in and each offering accessed from a single device and may include the same individual user multiple times if the user is logged in from multiple devices or if the user accesses multiple offerings from one device.

We track MAU as an indicator of the scale of our active user base, user engagement and adoption. We also break out MAU by geographic region to help us understand the global engagement. The chart below sets forth the trend in average MAU for each quarter. Units are in millions of users.

As of September 30, 2023, our global MAU has stabilized to reach 175.5 million. By geographic regions, Korea, Japan, and Rest of World contributed 15%, 12%, and 73% of global MAU respectively. We have demonstrated durable and consistent growth across regions:

- In Korea, our MAU have reached 26.6 million demonstrating a YoY increase of 3.4%.
- In Japan, our MAU have reached 21.6 million, demonstrating approximately a three times increase compared to the first quarter of 2022 because of the inclusion of eBIJ which we acquired on March 31, 2022.
- In Rest of World, our MAU have reached 127.3 million which is a relatively larger portion compared to Korea and Japan as it includes Wattpad which has a massive global user base of approximately 91 million.
 - WEBTOON North America MAU, also included under Rest of World, were over 9.2 million.





Monthly Paying Users (MPU)

We define MPU as users who have paid to access Paid Content in the applicable calendar month, averaged over each month in the given period. We define paying ratio as the ratio of MPU divided by MAU for the respective periods.

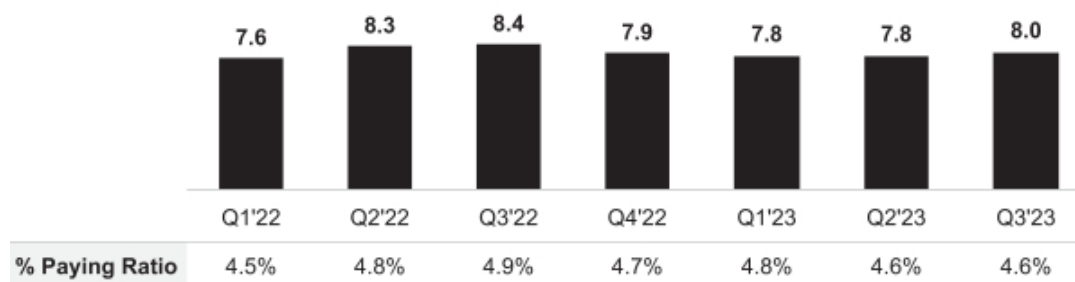
We view MPU and paying ratio to be indicators of the strength of our monetization.

The chart below sets forth the trend in average MPU and paying ratio for each quarter. Units are in millions of users for MPU and percentage for paying ratio.

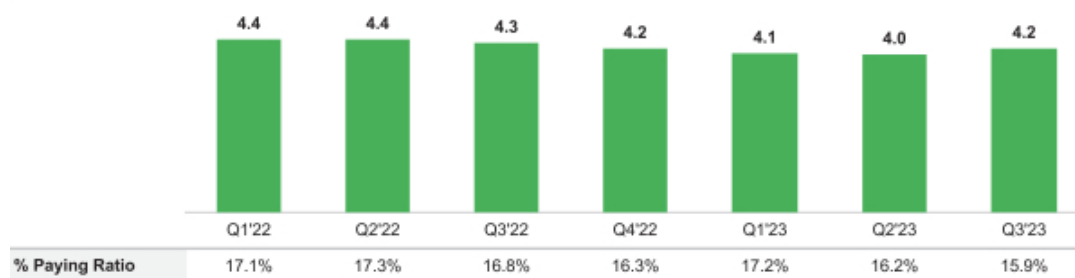
As of September 30, 2023, our global MPU have reached 8.0 million with a paying ratio of 4.6%. By geographic regions, Korea, Japan, and Rest of World contributed 53%, 25% and 22% of global MPU, respectively. We have demonstrated consistent growth of MPU and higher paying ratio across regions while paying ratio can vary due to the user’s ability and propensity to pay across different regions and different product offerings:

- In Korea, our MPU have reached 4.2 million with a paying ratio of 15.9%. Korea has the highest paying ratio as our home market with the longest history of monetization, resulting in users who are thoroughly familiar with the content journey from discovery to payment.
- In Japan, our MPU have reached 2.0 million with a paying ratio of 9.4%. After the eBIJ acquisition in 2022, our paying ratio has blended downwards to 8.2% and has since increased by 1.2% to reach the current rate.
- In Rest of World, our MPU have reached 1.7 million with a paying ratio of 1.4%. Our paying ratio is relatively lower as compared to Korea or Japan due to the inclusion of Wattpad. Wattpad has a different monetization model that primarily focuses on advertising and the business is in its early stage of monetizing its contents.
 - WEBTOON North America MPU were over 0.5 million with a paying ratio of 5.7%.

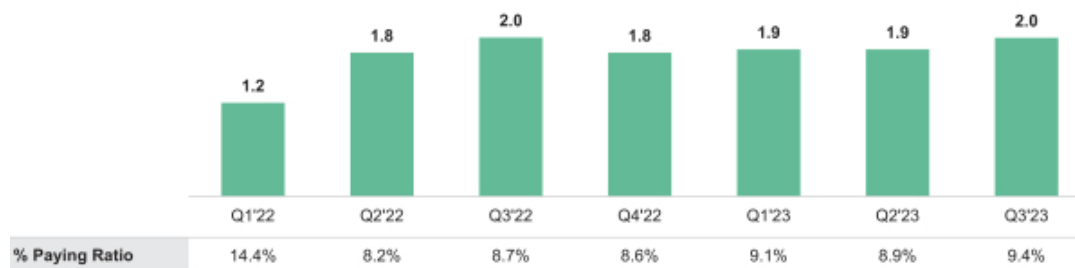
Global



Korea



Japan



RoW



Paid Content Average Revenue per Monthly Paying User (Paid Content ARPPU)

We define Paid Content ARPPU as average Paid Content revenue in a given month divided by the number of MPU for such month, averaged over each month in the given period.

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We view Paid Content ARPPU to be an indicator of both the strength of engagement and Paid Content monetization on our platform. Units are in U.S. dollar.

Advertising average revenue per monthly active user (Advertising ARPMAU)

We define Advertising ARPMAU as average Advertising revenue in a given month divided by the number of monthly active users for such month, averaged over each month in the given period.

We view Advertising ARPMAU as an additional indicator of our platform's overall monetization capacity, as advertising complements our monetization through Paid Content. Units are in U.S. dollar.

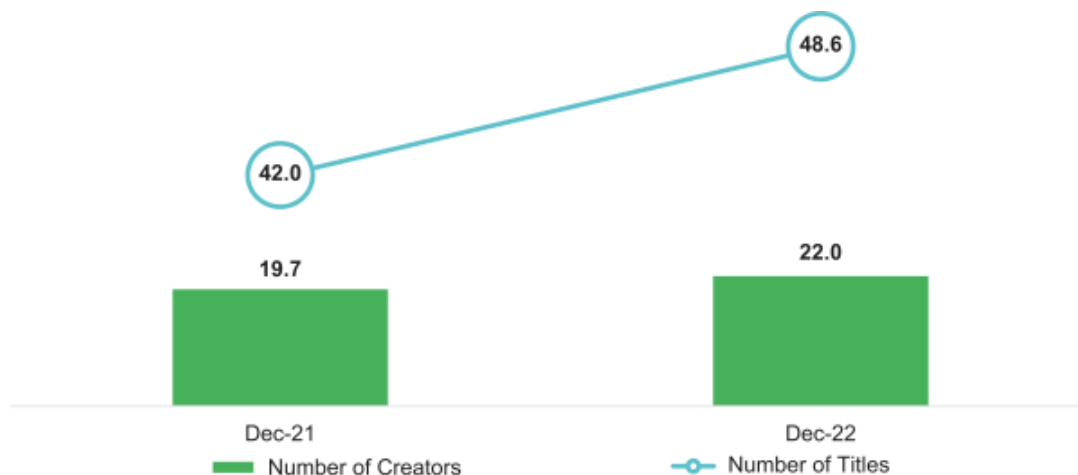
Key Factors Affecting Our Performance

Our ability to continue to attract and empower creators

Creators are the foundation of WEBTOON and we are committed to empowering their long-term success. This commitment ensures a diversity of content for our users and a platform for our creators to thrive creatively and financially. Our ability to cultivate successful creators allows us to continuously attract and retain new creators, particularly local creators in growing markets like North America, which in turn induces the creation of more localized content and ultimately helps attract new users.

The chart below sets forth the size of our digital content library and creator base over time. The number of creators and the number of titles show those serviced on our platform as of each time period.

Number of Creators and Titles ^{1 2} (Millions)



(1) Creators include professional and amateur creators.

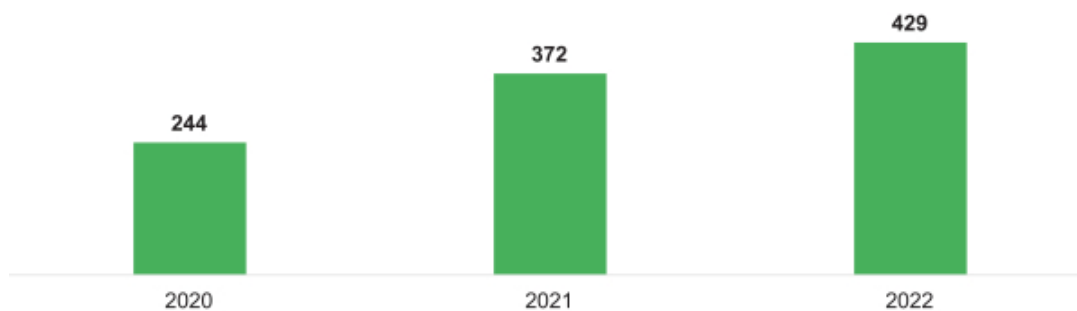
(2) Titles include both web-comics and web-novels. Number of titles includes ongoing and completed titles created by creators and excludes titles that have been removed from our offerings.

Financial success is important to attracting creators and incentivizing the creation of more compelling content. Cumulatively, we have paid out over \$1.8 billion to creators between 2017 and 2022. In the year ended December 31, 2022, our professional creators earned on average \$58 thousand per year. We continue to leverage

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our global user base and ability to facilitate cross-border content and IP Adaptations in order to help our creators successfully grow their earnings on our platform. As depicted in the chart below, a growing number of creators are making over \$100 thousand per year.

Number of Creators Earning Over \$100K Annually¹



(1) Creators include professional and amateur creators.

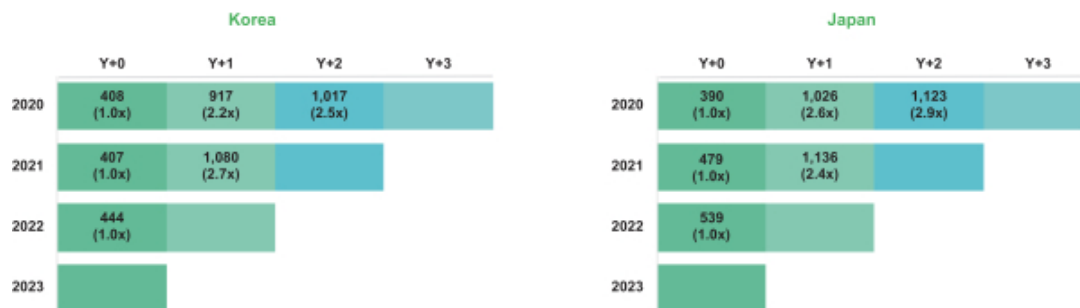
Our ability to continue to grow and engage our user base

While the growth in number of creators and volume of compelling content are key to attracting new users, the format and nature of our content creation contributes to our high engagement. The serialized format of our content enables creators to publish stories at weekly intervals across long periods of time, sometimes up to 17 years or longer. Our content recommendation engine complements the power of this diverse and continuously increasing supply of content by curating uniquely matched experiences for our users.

The increase in engagement on our platform is illustrated through the increase in frequency of visits, time spent and volume of activity, which we track by the number of episodes read. The analysis of WEBTOON annual cohorts below demonstrates the increase in content consumption per user over time. By the first year, WEBTOON users in Korea (WEBTOON Korea) and Japan (LINE MANGA) read more than two times the number of episodes than in year zero when they first joined our platform and consumed more than one episode. In Japan, the year-over-year growth in episodes read is modest for newer cohorts, due to the increase in consumption among newer cohorts in year zero of joining. This heightened initial engagement is a promising indicator of our content’s resonance with newer audiences and underscores the potential for sustained growth and deeper user engagement.

Annual Cohort of Number of Episodes Read per Active User of WEBTOON

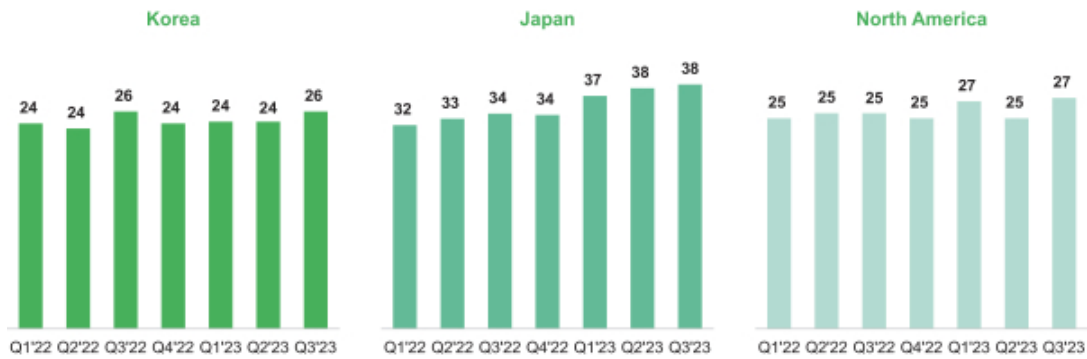
(Number of Episodes, Brackets Indexed to Year 0)



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The time spent on our platform has been largely stable for the past seven quarters across all regions, with average time spent across all WEBTOON offerings remaining steady at around 30 minutes for Korea, Japan and North America. We measure users who read WEBTOON English in the U.S. as a proxy to track time spent by users in North America. The longevity of the time spent on our offerings is a testament to our ability to provide high-quality, engaging content.

Daily Time Spent per Active User of WEBTOON
(Average minutes spent per day)

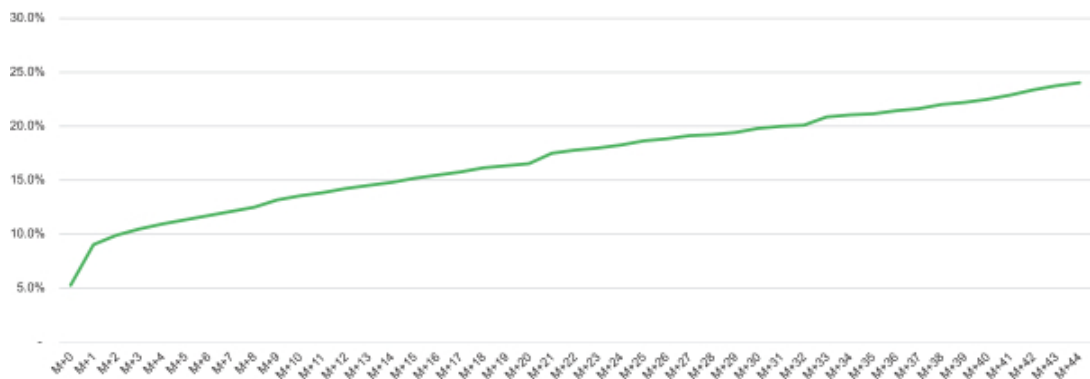


Our ability to continue to monetize

Our monetization strategy begins with the appeal of our massive library of compelling free content. We then target users by providing an opportunity to experience premium Paid Content through (i) achievement-based ads that award free Coins to users upon completion of specific actions, and (ii) various marketing campaigns where we give away free Coins. This process of habituation has successfully motivated non-paying users to ultimately purchase Coins that lead to Paid Content consumption.

The chart below demonstrates the increasing portion of MAU who become paying users in each cohort since January 2020. We have averaged conversion rates for all cohorts across WEBTOON Korea, LINE MANGA and WEBTOON North America since 2020 for simplicity. The chart shows that conversion of MAU to MPU steadily increased over time, reaching nearly 25% between three and four years after joining our platform.

Monthly Cohort of Paying User Conversion of WEBTOON in Korea, Japan and North America
(% of Monthly Paying Users to Monthly Active Users)

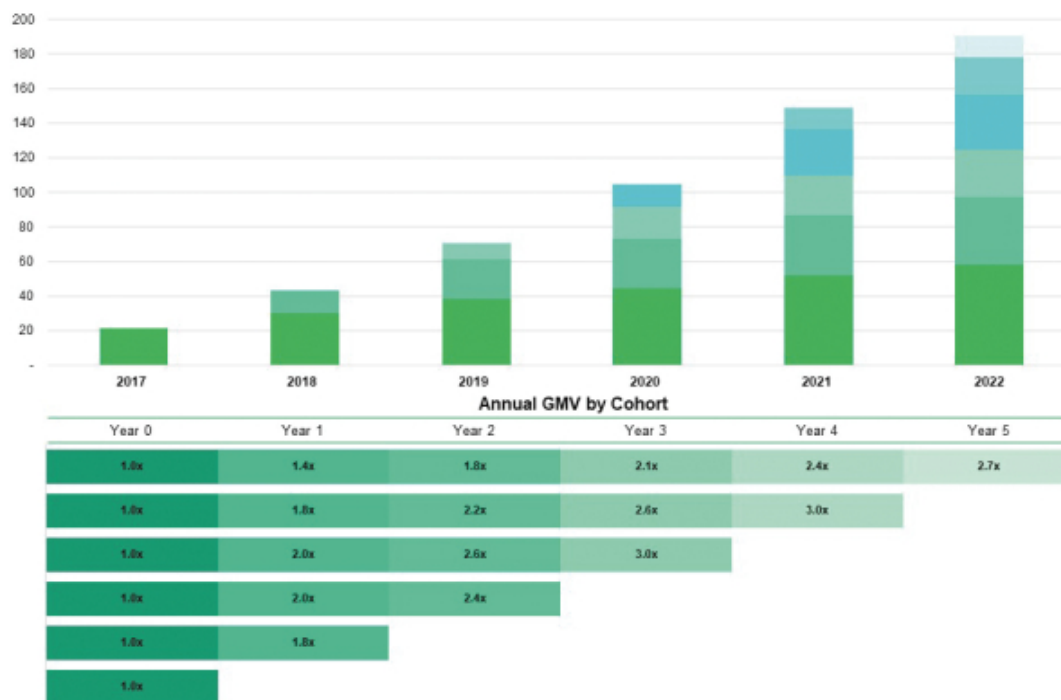


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We also monitor Paid Content GMV, defined as the total value of Coins purchased by users that have been spent, internally as a key metric to track the performance of our contents and monetization of users. This allows us to conduct various analysis including cohort. The below cohort analysis demonstrates our ability to drive monetization over time. Annual Paid Content GMV per paying user of WEBTOON Korea, for instance, has amplified over time. For instance, our 2017 cohorts are spending 2.7 times more compared to its first year. This is driven by the amount of money spent per user increasing over time as a result of the accumulation of new episode releases and the increase in content placed behind a paywall over time. We retain the ability to adjust prices, which are relatively low today compared to other forms of digital content.

Annual Cohort of Paid Content GMV per Paying User of WEBTOON Korea

(\$ Millions, Table Indexed to Year 0)



Our ability to grow advertising revenue

We benefit from a large percentage of our users being Gen Z and millennials, highly sought-after demographics that have traditionally been difficult for advertisers to reach. Our business model is unique in that advertising and Paid Content are not mutually exclusive, whereas many other platforms offer only one of either advertising support access or advertising-free subscription-based access. We are still in the early phases of exploring how advertising could better augment Paid Content monetization.

We believe that there is ample room to substantially increase advertising load and inventory more generally across our properties without compromising our reader experiences. We also continue to innovate with new advertising formats such as our achievement-based ads, which not only generate incremental revenue but also enhance engagement.

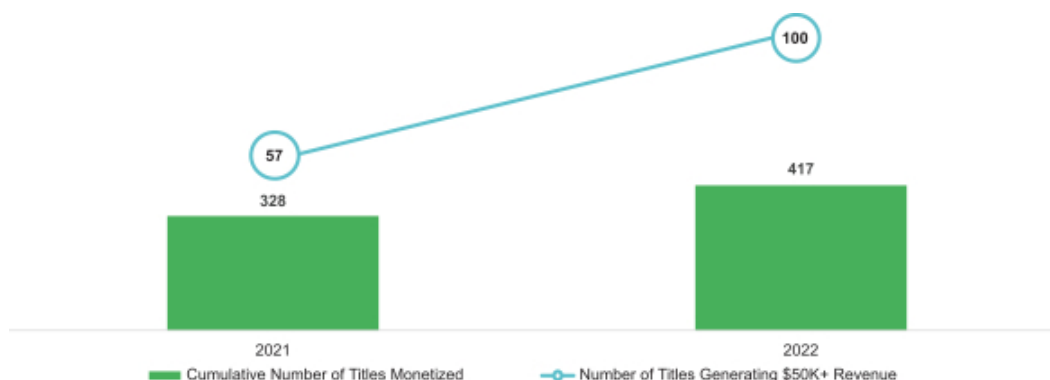
Our ability to expand our IP Adaptations business and negotiate attractive terms vis-à-vis media partners

Our ability to generate revenue depends on the demand for our creators’ intellectual property from the entertainment industry and our ability to negotiate attractive terms vis-à-vis media partners. We believe the success of our content studios, including Webtoon Wattpad Studios, is a critical driver of growth for our IP adaptations business. Our studio business takes a data and fandom-driven approach to determine which stories on our platform should be optioned for full off platform production, using readership and consumption trends to inform which storylines and characters are most desired by fans. It reduces the business risks on IP adaptations for our in-house production, as well as for our partners. Our financial performance also depends on the business model we employ for IP Adaptations. Our cost of revenue and capital expenditures may increase if we decide to assume incremental risk of production, for which we may or may not be able to realize commensurate returns.

We benefit from the vast “hit-rate” data we have accumulated relating to a robust slate of tested and proven titles among a library of intellectual property. Our “One Story Multi-Use” strategy has enabled us to successfully adapt, to date, more than 11% of our web-comic and web-novel titles in Korea into other formats including films, streaming series, games, merchandise and print books. The chart below sets forth the cumulative number of IP Adaptations produced per year based on our web-comic and web-novel titles in Korea. We also track the number of titles generating over \$50 thousand of revenue per year, through other formats mentioned above, as an indicator of the success of our IP Adaptations.

Cumulative Number of Korean Titles Monetized & Number of Korean Titles Generating \$50K+ Revenue in Each Year¹

(#)



(1) Number of titles includes ongoing and completed titles created by creators and excludes titles that have been removed from our offerings.

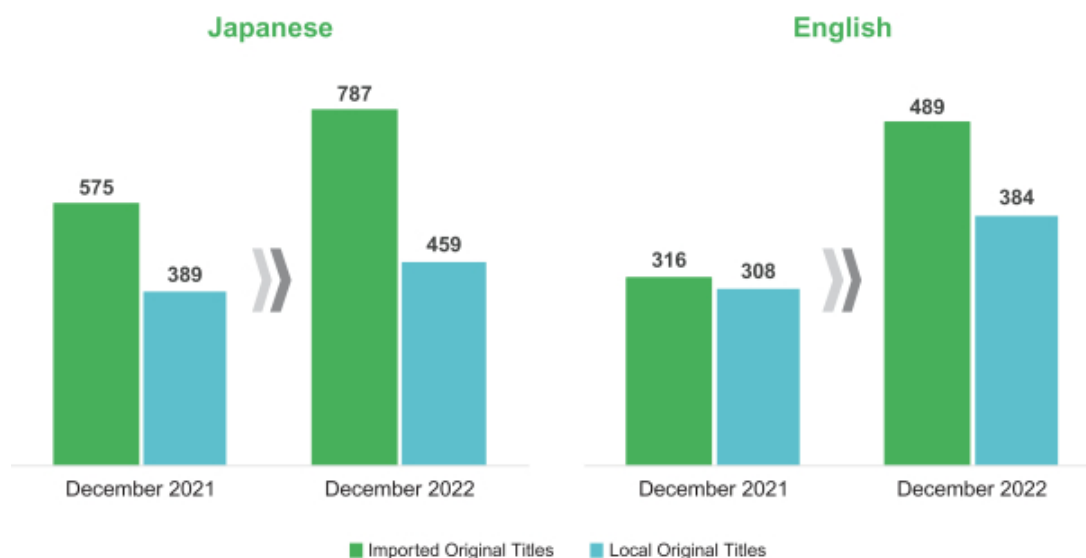
Our ability to expand presence into new geographic markets and penetrate new user demographics

We are dedicated to two main expansion strategies: (i) building a diverse and localized content library and (ii) expanding the reach of successful local content to a broader global audience. We are typically able to obtain more favorable revenue-sharing terms with creators regarding the translation and cross-border distribution of their titles outside of their home market, as creators can harness our platform to access global viewership and unlock greater monetization opportunities.

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The chart below shows the growing number of local and imported original web-comic titles available in Japanese (available on LINE MANGA) and English (available on WEBTOON English). Local original titles refer to original content created on our platform in the local language (e.g., content from Japan written in Japanese) while imported original titles refer to foreign original content translated into the local language (such as Japanese and English as noted in the chart below).

Number of Original Titles of WEBTOON¹ (Number of Titles)



(1) Number of titles includes ongoing and completed titles created by creators and excludes titles that have been removed from our offerings.

In addition, we build strategic partnerships with community, creator and content platforms, as well as fan bases such as Discord, Patreon, DC Comics and Hybe Entertainment, to tap into new user acquisition channels. These collaborations have brought meaningful user traffic to our platform.

Our continued investments in technology to drive innovation

Our investments in technology and infrastructure are critical for us to maintain our competitive advantage and continued growth of our platform. Key investment areas for our platform include artificial intelligence and machine learning, further advancement of our highly individualized curation algorithm and implementing new and engaging community features. We plan to continue to invest in artificial intelligence to enhance the content creation process, community tools for creators to reach their fans and personalization and gamification features.

Our ability to maintain marketing efficiency

We constantly evaluate our marketing efficiency in connection with the lifetime value of our users. We evaluate our marketing efficiency by tracking our marketing costs as a percentage of our revenue. For the year ended December 31, 2022, marketing expense accounted for 16.7% of our total revenue. We may increase the dollar amount of marketing expenses for the foreseeable future. However, we expect marketing expenses to decrease as a percentage of revenue as our business grows, although the percentage may fluctuate from period to period depending on fluctuations in the timing and extent of our marketing expenses and business seasonality.

Seasonality

Historically, we experienced higher levels of user engagement and monetization in the third quarter of the calendar year primarily as a result of increased use of our platform during the global vacation and holiday schedules of our users. In addition, many advertisers allocate the largest portion of their budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. As we continue to diversify our sources of revenue, and in particular increase revenue from advertising, the seasonal impacts may be more pronounced in the fourth quarter in the future or different altogether.

Impact of COVID-19

Although the COVID-19 pandemic caused disruption to certain aspects of our operations, we continued to experience an increase in our operational performance, cash flows and financial condition since inception. During the COVID-19 pandemic, we experienced an overall increase in user engagement and monetization, which may have been caused in part by the implementation of shelter-in-place orders to mitigate the COVID-19 pandemic.

We have seen this increase in engagement and monetization moderate as shelter-in-place orders have been lifted. There is still uncertainty around the long-term effects of the COVID-19 pandemic or recovery from the COVID-19 pandemic to our business. There can be no assurance that, as a result of the COVID-19 pandemic, recovery from it, or other global economic conditions (including fluctuation in foreign currency exchange rates, interest rates and inflation), users will not reduce their discretionary spending on our platform or may otherwise increase or maintain their usage of our platform, such that our revenue and financial condition will not be adversely affected.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, our management and board of directors also consider EBITDA and EBITDA margin, each of which is a non-GAAP financial measure, to assess the performance of our business. We define EBITDA as earnings (combined net income or loss) plus (i) interest expense, (ii) income tax expense and (iii) depreciation and amortization. We believe that EBITDA provides useful information to investors regarding our performance as it removes items that reduce the comparability of our underlying core business performance across reporting periods. EBITDA margin measures EBITDA as a percentage of revenue. EBITDA and EBITDA margin are non-GAAP financial measures and are not intended to be substitutes for any GAAP financial measures. They should be considered in addition to and not as a substitute for, or in isolation from, measures prepared in accordance with GAAP, such as combined net income (loss) or combined net income (loss) margin.

You are encouraged to evaluate our calculation of EBITDA and EBITDA margin, and the reasons we consider these adjustments appropriate for supplemental analysis. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of EBITDA. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of these measures following this offering, and any such modification may be material. EBITDA and EBITDA margin have their limitations as analytical tools, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- EBITDA does not include the interest expense and the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA does not reflect cash requirements for replacement of assets that are being depreciated or amortized; and

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- Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do.

The following table reconciles net loss to EBITDA for the year ended December 31, 2022.

<i>(in thousands of USD, except percentages)</i>	Year Ended December 31, 2022
Combined net loss	\$ (132,523)
Interest expense	844
Income tax expense	14,369
Depreciation and amortization	34,735
EBITDA	<u>\$ (82,575)</u>
Revenue	\$ 1,079,388
Combined Net Loss Margin	(12.3)%
EBITDA Margin	(7.7)%

For the year ended December 31, 2022, we generated combined net loss of \$132.5 million and EBITDA of \$(82.6) million.

Components of Results of Operations

Revenue

Our revenue is derived from three distinct revenue streams: Paid Content, advertising and IP Adaptations.

Our Paid Content revenue represents revenue generated from the sale of content on our platform to users. advertising revenue represents revenue earned for the display of advertisements on our platform, including in-stream placement within content. Our IP Adaptations revenue comprises revenue generated from adaptations of certain contents on our offerings into other media formats such as films, streaming series, games and merchandise, which may take the form of fixed licensing fees or other arrangements where we participate in the upside of such productions, or commissions from sales of merchandise. See Note 2. *Revenue* in the accompanying notes to our combined financial statements included elsewhere in this prospectus for more information.

Cost of Revenue

Cost of revenue consists of Paid Content creator revenue share with creators, app store fees and other variable costs. Creator revenue share include commissions payable to creators or publishers based on revenue generated from Paid Content. App store fees include platform fees payable to companies that provide users with the ability to download the mobile application through application stores and make purchases directly through such application (such as Google and Apple) and certain other payment-related costs. These expenses are lower in Korea where more people buy Coins through our website as opposed to purchases made through mobile applications. Other variable costs include, among other things, costs directly associated with our IP Adaptations business, including payroll and related personal expenses, amortization and production costs.

Marketing

Marketing expenses consist of expense incurred for the promotion of our brand, costs associated with user acquisition and costs associated with loyalty marketing campaigns where we give away free Coins. Marketing expenses also include compensation costs related to sales and marketing personnel.

General and Administrative Expenses

General and administrative expenses consist of all our operating costs, excluding cost of revenue and marketing, and include costs related to operating and maintaining our platform, general corporate function costs, stock-based compensation expense (benefit) and depreciation and amortization of non-operating assets. This does not reflect stock-based compensation expense for stock options granted pursuant to our Amended and Restated 2020 Stock Option, because the qualifying events were not probable of occurring. Upon consummation of this offering, we expect to recognize cumulative share-based compensation expense for the portion of the stock options that had met the service condition as of that date.

Interest Income

Interest income primarily consists of interest earned on our short-term, highly liquid investments with original maturities of three months or less, which are mainly comprised of bank deposits.

Interest Expense

Interest expense primarily consists of interest related to our outstanding debt obligations, including both short-term borrowings and long-term debt. See Note 9. *Debt* in the accompanying notes to our combined financial statements included elsewhere in this prospectus.

Loss on Equity Method Investment, Net

Loss on equity method investment, net, includes recognized loss associated with our investments accounted for using the equity method.

Other Income, Net

Other income, net, primarily consists of gains or losses on valuation of debt and equity securities, net, income or loss on foreign currency, net, retirement benefit, net, and other non-operating income or loss, net. See Note 4. *Other income, net* in the accompanying notes to our combined financial statements included elsewhere in this prospectus.

Income Tax Expense

Income tax expense primarily includes income taxes in certain federal, state, local, and foreign jurisdictions in which we conduct our business, primarily in the U.S., Korea, Japan and Canada. Foreign jurisdictions have different statutory tax rates from those in the U.S. Additionally, certain of our foreign earnings may also be taxable in the U.S. Accordingly, our effective tax rate will vary depending on the relative proportion of foreign to domestic income, use of tax credits, changes in the valuation of our deferred tax assets and liabilities, and changes in tax laws. See Note 12. *Income Taxes* in the accompanying notes to our combined financial statements included elsewhere in this prospectus.

Combined Statement of Operations and Comprehensive Loss

The following table sets forth our results of operations for the period presented and as a percentage of our revenue:

<i>(in thousands of USD)</i>	Year Ended	
	December 31, 2022	
Revenue	\$ 1,079,388	100.0%
Cost of revenue	(806,377)	(74.7)%
Marketing	(180,002)	(16.7)%
General and administrative expenses	(207,728)	(19.2)%
Operating loss	(114,719)	(10.6)%
Interest income	1,166	0.1%
Interest expense	(844)	(0.1)%
Loss on equity method investments, net	(4,694)	(0.4)%
Other income, net	937	0.1%
Loss before income tax	(118,154)	(10.9)%
Income tax expense	(14,369)	(1.3)%
Combined net loss	(132,523)	(12.3)%
Combined net loss attributable to non-controlling interests and redeemable non-controlling interests	(2,652)	(0.2)%
Total comprehensive loss attributable to WEBTOON Entertainment Inc.	<u>\$ (159,071)</u>	<u>(14.7)%</u>

Revenue

Revenue was \$1.08 billion for the year ended December 31, 2022, which included Paid Content revenue of \$851.9 million, advertising revenue of \$145.1 million and IP Adaptations revenue of \$82.5 million.

Cost of Revenue

Cost of revenue was \$806.4 million for the year ended December 31, 2022, which primarily consisted of creator revenue share and app store fees.

Marketing

Marketing expenses were \$180.0 million for the year ended December 31, 2022, which primarily consisted of paid marketing program costs and in-app promotions, such as free Coins to users.

General and Administrative Expenses

General and administrative expenses were \$207.7 million for the year ended December 31, 2022, and consisted of office lease expenses, costs related to the purchase and use of software, third-party consulting fees and other corporate costs and expenses.

Interest Income

Interest income was approximately \$1.2 million for the year ended December 31, 2022, which primarily consisted of interest earned on our short-term, highly liquid investments with original maturities of three months or less, which are mainly comprised of bank deposits.

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Interest Expense

Interest expense was \$0.8 million for the year ended December 31, 2022, related to our outstanding debt obligations.

Loss on Equity Method Investment, Net

Loss on equity method investment, net, was \$4.7 million for the year ended December 31, 2022, primarily due to the remeasurement of the previously held equity method investment in connection with the acquisitions of controlling financial interest of Mulpia Inc., Jakga Company Inc., eBIJ and Studio JHS Inc. in 2022.

Other Income, Net

Other income, net was \$0.9 million for the year ended December 31, 2022, consisting of approximately \$9.6 million of net retirement benefit, \$2.8 million of other non-operating income and \$0.6 million of gain on debt and equity securities, partially offset by \$12.0 million net loss on foreign currency.

Income Tax Expense

Income tax expense was \$14.4 million for the year ended December 31, 2022, including current and deferred income tax expenses.

Liquidity and Capital Resources

We have relied primarily upon cash generated from operations and cash provided by our parent company NAVER through capital contributions to finance our operations, repay or repurchase indebtedness, finance acquisitions and fund our capital expenditures. NAVER does not have any contractual obligation to provide additional capital to us and therefore there can be no assurance that NAVER will continue to provide additional capital in the form of debt or equity investment in the future to enable us to operate our business. As of December 31, 2022, we had \$279.7 million of cash and cash equivalents, which were primarily invested in short-term, highly liquid investments with original maturities of three months or less from the date of purchase and are mainly comprised of bank deposits. We believe that our existing cash and cash equivalent balances will be sufficient to support our working capital requirements for at least the next 12 months based on our current operating plans. However, our future capital requirements will depend on many factors, including our growth rate, sales and marketing activities and other factors affecting our business, including those described in the section titled “Risk Factors.” Our expected primary uses of our capital on short- and long-term bases are for repayment of debt, interest payments, working capital, capital expenditures, geographic expansion and other general corporate purposes.

We may, in the future, enter into arrangements to acquire or invest in complementary businesses, products and technologies, including intellectual property rights, which may require us to seek additional financing. To the extent additional funds are necessary to meet our liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of indebtedness, the issuance of additional equity or a combination of these potential sources of funds. Such financing, may however, not be available to us on favorable terms, or at all. In particular, rising inflation and interest rates have resulted, and may continue to result, in significant disruption of global financial markets, reducing our ability to access capital. If we are unable to raise additional funds on commercially reasonable terms or at all, our business, financial condition and results of operations could be adversely affected. See “Risk Factors—Risks Related to Our Business, Industry and Operations—We may require additional capital to support our business in the future, and this capital might not be available on reasonable terms, if at all.”

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Combined Statement of Cash Flows

The following table summarizes our cash flows for the period presented:

<i>(in thousands of USD)</i>	Year Ended December 31, 2022
Net cash used in operating activities	\$ (140,608)
Net cash used in investing activities	(50,704)
Net cash provided by financing activities	350,342
Effect of exchange rate changes on cash and cash equivalents	(20,414)
Net increase in cash and cash equivalents	\$ 138,616

Operating Activities

Net cash used in operating activities was \$140.6 million for the year ended December 31, 2022. The net cash outflows primarily resulted from a \$48.2 million change in accounts payable, a \$35.2 million change in other assets, a \$17.0 million change in accrued expenses and a \$10.0 million change in operating lease liabilities, partially offset by a \$30.5 million change in non-trade receivables (net of allowance) and a \$11.2 million change in trade receivables (net of allowance).

Investing Activities

Net cash used in investing activities was \$50.7 million for the year ended December 31, 2022, comprised primarily of purchases of securities of \$29.2 million, purchases of intangible assets of \$18.5 million and purchases of equity method investments of \$14.2 million, partially offset by proceeds from maturities of short-term investments of \$15.9 million, proceeds from sale of debt and equity securities of \$0.9 million and proceeds from sale of property and equipment of \$0.6 million.

Financing Activities

Net cash provided by financing activities was \$350.3 million for the year ended December 31, 2022, consisting primarily of proceeds from short-term borrowings of \$76.6 million, proceeds from issuance of common stock of \$408.4 million, partially offset by repayments of short-term borrowings of \$105.0 million.

Contractual Obligations

The following table presents a summary of our contractual obligations as of December 31, 2022:

<i>(in thousands of USD)</i>	2023	2024	2025	2026	2027	2028 and thereafter	Total
Operating Lease ⁽¹⁾	\$12,000	\$10,857	\$10,337	\$9,091	\$2,960	\$ 458	\$45,703
Debt Obligations ⁽²⁾	2,512	66	30	—	—	—	2,608
Total	\$14,512	\$10,923	\$10,367	\$9,091	\$2,960	\$ 458	\$48,311

(1) Future lease payment obligations for operating lease liabilities.

(2) Long-term debt principal repayment obligations for our bank loans and loans provided by Korea Small and Medium-sized Enterprises and Startups Agency.

Off-Balance Sheet Arrangements

As of December 31, 2022, we did not have any off-balance sheet financing arrangements (as defined under the rules and regulations of the SEC) or any relationships with unconsolidated entities or financial partnerships,

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including structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other purposes.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of foreign currency exchange rates and fluctuations in interest rates.

Foreign Currency Exchange Risk

Our revenue is generated globally in multiple currencies, primarily the Korean won, Japanese yen and U.S. dollar. Our results of current and future operations and cash flows are therefore subject to fluctuations due to changes in foreign currency exchange rates. As the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

Interest Rate Risk

Our cash and cash equivalents primarily consist of cash on hand and short-term, highly liquid investments with original maturities of three months or less from the date of purchase and are mainly comprised of bank deposits. As of December 31, 2022, we had cash and cash equivalents of \$279.7 million. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and fair market value of our investments. However, due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair value of our portfolio. We therefore do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

Critical Accounting Policies and Estimates

We believe that the following accounting policies and estimates involve a high degree of judgment and complexity. Accordingly, these are the policies and estimates we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of our operations. See Note 1. *Description of Business and Summary of Significant Accounting Policies* to our combined financial statements included elsewhere in this prospectus for a description of our other significant accounting policies. The preparation of our combined financial statements in conformity with GAAP requires us to make estimates and judgments that affect the amounts reported in those combined financial statements and the accompanying notes. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

Revenue Recognition

We generate revenue primarily by Paid Content, advertising and IP Adaptations. We recognize revenue when services are transferred to customers at the transaction price.

Paid Content revenue

We recognize revenue of Paid Content when we provide users with access to content on our platform in exchange for a purchase fee. On most of our platforms, users purchase access to content by first purchasing Coins and then redeeming such Coins for access to particular content. We recognize Paid Content revenue over the estimated service period upon redemption of Coins, which we determine based on the weighted average number of days between the first day the user is provided access to the content and the last day the user views the

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content. We believe this provides a reasonable depiction of the transfer of services. We recognize most of our Paid Content revenue on a gross basis, which means before deducting creator revenue share (commissions payable to the creator). In certain cases where we have determined that we act as an agent in such transfer of services, we recognize revenue net of the creator revenue share or other amounts remitted to the creator or publisher.

Advertising revenue

Advertising revenue is recognized at the point in time the advertisement is displayed or based on clicks, impressions or end-user activity. When the customer is an advertising agency, advertising revenue is comprised of the commission the Company earns for lending advertisement space to the advertising agency.

IP Adaptations revenue

We recognize revenue of IP Adaptations based on the terms of the contractual arrangement with our creators. In an arrangement where a creator has authority to make key creative decisions on the output, we recognize revenue over time on a percentage-of-completion basis. If we control the key creative decisions, we recognize revenue as fixed payments for the content upon delivery to and acceptance by the creator or as sales-based royalties when the sell-through sales of the content occur. When we serve as an agent through brokering licensing arrangements between creators or publishers and third-party platforms or through selling licensed merchandise, we recognize revenue on a net commission basis when we broker such arrangements or as net of the amounts remitted to the third-party merchant when control transfers to the customer, generally at the time of product shipment from its facilities.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Our deferred tax assets are recorded net of valuation allowances when, based on the weight of available evidence, it is more likely than not that all or some portion of the recorded deferred tax assets will not be realized in future periods.

Business Combinations

From time to time, we may enter into business combinations. In accordance with ASC 805, Business Combinations, we generally recognize the identifiable assets acquired and the liabilities assumed at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies.

We describe our accounting policy for business combinations in Note 1. *Description of Business and Summary of Significant Accounting Policies* in the accompanying notes to our combined financial statements. In Note 17 to the combined financial statements, we describe the business combination completed during the year ended December 31, 2022, and the estimates and assumptions used for each business combination.

Goodwill and Intangible Assets

In addition to intangible assets acquired individually, we have identified intangible assets and generated significant goodwill through our acquisitions. Brand, software, trademarks, copyrights and patents are amortized to cost of revenue and general and administrative expenses to operating expense on a straight-line basis over their estimated useful lives. Intellectual property rights with definite lives are amortized to operating expense over their estimated economic useful lives or the period over which we have exclusive and unrestricted rights to the content under the contract.

We evaluate goodwill and indefinite-lived intangible assets such as membership and publishing rights for impairment annually as of October 1, or earlier if an event or other circumstance indicates that it may not recover the carrying value of the asset. If we believe that, as a result of its qualitative assessment, it is more likely than not that the fair value of a reporting unit or other indefinite-lived intangible asset is greater than its carrying amount, a quantitative impairment test is not required. Reporting units are businesses for which individual financial information is available. If a qualitative assessment indicates that it is more likely than not that the carrying value of a reporting unit goodwill or other indefinite-lived intangible asset exceeds its fair value, a quantitative impairment test is performed. If the carrying amount of the reporting unit exceeds the fair value of the reporting unit, an impairment charge is recorded for the amount by which the carrying amount exceeds the fair value, not to exceed the amount of goodwill recorded for that reporting unit. Application of the goodwill impairment test requires judgment based on market and operational conditions at the time of the evaluation, including management's best estimates of the reporting unit's future business activity and the related estimates and assumptions of future cash flows from the assets that include the associated goodwill.

Recent Accounting Pronouncements

See Note 1. *Description of Business and Summary of Significant Accounting Policies* in the accompanying notes to our combined financial statements included elsewhere in this prospectus for more information.

JOBS Act Accounting Election

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. As an emerging growth company, we may take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our combined financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest to occur of: (i) the last day of the first fiscal year in which our total annual gross revenue exceeds \$1.235 billion; (ii) the date that we become a "large accelerated filer," with at least \$700.0 million of equity securities held by non-affiliates as of the end of the second quarter of that fiscal year; (iii) the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; and (iv) the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

BUSINESS

Our Vision

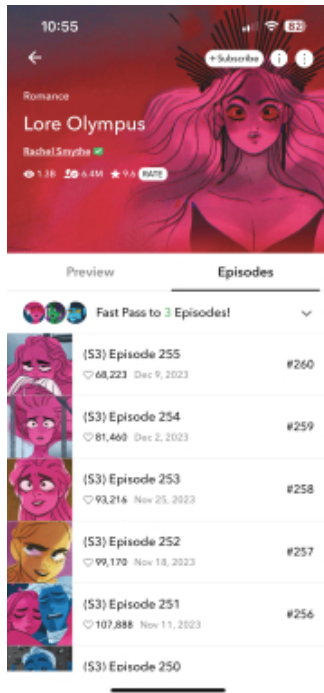
To be the world's storytelling platform empowering creation by anyone, for everyone.

The story of WEBTOON is best told through the stories of our creators.

- Rachel Smythe is a reader turned creator who discovered WEBTOON through her love for short horror stories. At the time, she was juggling multiple jobs in retail and graphic design. She started publishing content on our platform as a hobby. Her hit web-comic series, *Lore Olympus*, is the romantic retelling of the Greek myth of Persephone. It quickly gained popularity after its launch on WEBTOON in 2018 and had over 1.7 billion cumulative page views as of September 30, 2023. The series has won the Eisner Award and Ringo Award for Best Web-Comic twice, in 2022 and 2023, and won three consecutive Harvey Awards for Digital Book of the Year, making it the first series to do so. The print book is a New York Times bestseller and is currently in the process of being adapted into an animated streaming series.



Rachel Smythe, creator of Lore Olympus



Lore Olympus, *web-comic*



Lore Olympus, *print book*⁹

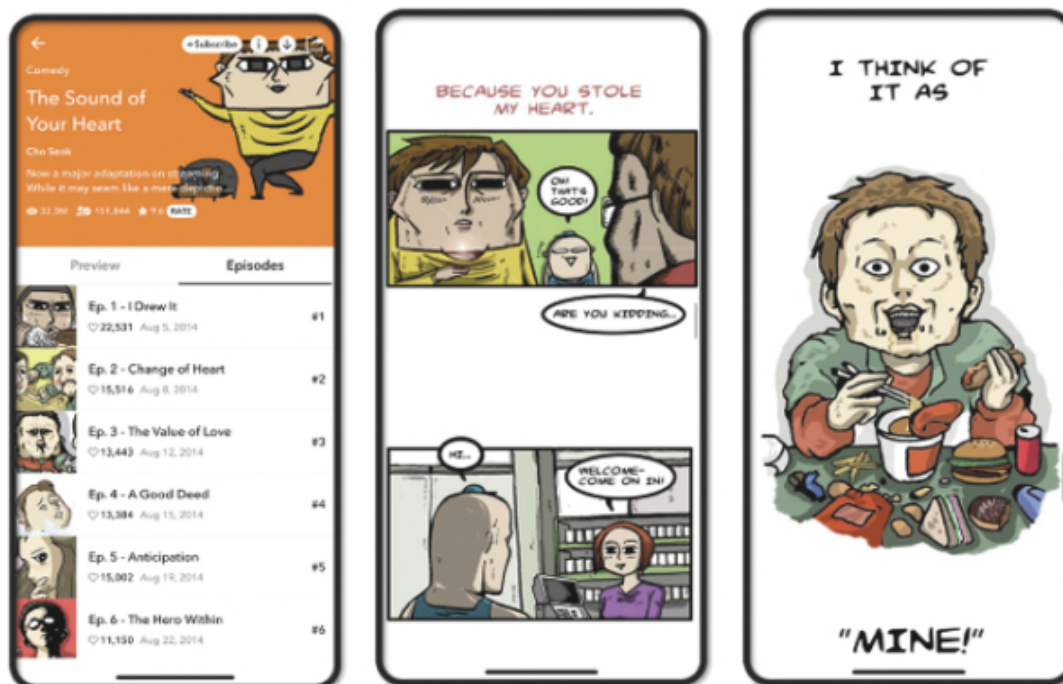
⁹ Pictures provided by INKLORE

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- Jo Seok started a semi-autobiographical story, *The Sound of Your Heart*, in 2006, hoping to spread cartoons to new audiences. Today the story remains one of the longest-running web-comic series on our platform, ending on its 1,237th episode in 2020. It was also published as a print book and adapted into a streaming series in 2016, streamed online through NAVER TV. The follow-up series, *The Sound of Your Heart: Reboot*, was produced by Netflix in 2018. In Seok's own words, featured in the final episode— "*I was able to continue the telling of a single WEBTOON story across 14 years, thanks to my fans. I will work on other stories, always remembering this feeling.*"



Jo Seok, creator of The Sound of Your Heart



The Sound of Your Heart, *web-comic*

The success of WEBTOON is rooted in the success of Smythe, Seok and the 22 million creators on our platform as of December 31, 2022.

Overview

WEBTOON is a global storytelling platform where a vibrant community of creators and users discover, create and share new content. We have pioneered a cultural movement by revolutionizing the storytelling format and democratizing content creation and publication. WEBTOON empowers creators, by enabling them to participate economically in their own creation, and users, by offering an endless library of content. As of December 31, 2022, our community connects 22 million creators with over 175 million monthly active users as of the quarter ended September 30, 2023, in over 150 countries around the world.

Our founder, Junkoo Kim, started WEBTOON in 2005 while he was working as a search engineer at NAVER, the largest internet company in Korea. Junkoo was a lifelong lover of comics and their rich and vibrant worlds and diverse characters. He wanted to create a platform that empowered creators to share stories and fans, like himself, to discover this unique content. Instead of a traditional storytelling format, confined to a page or screen, he pioneered something different. Through serialized releases of bite-sized episodes available online, he created a format that was not only easily accessible and highly engaging for fans, but also easier for creators to create and share with a wide audience. WEBTOON initially focused almost entirely on seeding differentiated content and fostering user engagement until we began our Paid Content business model in 2012 and then began operating as an independent unit within NAVER in 2017. Though our roots are in Korea, we have built a truly global platform in the nearly two decades since our founding, broadening the reach and impact of our creators and their content.

Content on our platform tells stories created by our creators through multiple immersive formats. On our platform, creators tell long-form stories through our iconic serialized narratives in the form of short-form, bite-sized episodes. This content format results in a habitual behavior with an engaged user base. These stories are told primarily in two ways—web-comics, a graphical comic-like medium, and web-novels, which are text-based stories. The web-comic medium tells stories using a continuous vertical-scroll format that is easily read on mobile devices. For both formats, the serialized release of content is analogous to chapters of a book. These formats are not only accessible and highly engaging for fans, but also easier for creators to create, share and monetize their stories. We are able to further extend the reach, impact and monetization of our content by adapting it into other media formats such as film, streaming series, games, merchandise and print books. Over the past decade, we have adapted over 800 titles, including over 100 streaming series and films, over 70 games and approximately 10 million consumer product units as of September 30, 2023.

Creators power our content engine by authoring immersive visual stories, or titles, developing imaginative new characters and inspiring fandoms. Our creator base ranges from the individual enthusiast with a love of storytelling to the professional author building a brand and an enterprise on our platform. WEBTOON provides creators with an opportunity to monetize their creativity through various means, including Paid Content, advertising and IP Adaptations. Our platform serves both amateur and professional creators, the latter defined as creators who monetize through Paid Content on our platform under formal creator agreements with Paid Content revenue sharing provisions. We consider these two groups of creators separately because their intention is often distinct: amateur creators may come to our platform simply for the love of our unique form of storytelling and to connect with an engaged and like-minded audience, and the vast majority of the 22 million creators on our platform are amateur creators. Professional creators are often building a brand and an enterprise on our platform. We believe there exists a strong potential for our amateur creator base to serve as a source of future professional creators. Particularly in markets where the creator talent base is in earlier stages of development, building a local amateur creator base will be one of the most important drivers of future professional content. A core part of our strategy in those markets is identifying high-potential amateur creators whom we promote and help start monetizing their content on our platform. For example, as of December 31, 2023, more than half of all web-comic professional creators in the United States were originally amateur creators on CANVAS. In the year ended December 31, 2022, the average earnings per professional creator on our platform were \$58 thousand and cumulatively, our creators earned over \$1.8 billion between 2017 and 2022. Due to the deep and continuous user engagement fostered through our serialized format, content on our platform has greater longevity. Some of the most successful series on our platform continue to attract new users after more than 10 years.

Users come to our platform to discover and consume engaging and immersive content. Our creators tell stories that are relatable to global audiences, attracting users across age groups, geographies and genders. The web-comic format has grown in popularity globally, with particular affinity among Gen Z audiences. As of September 30, 2023, our user base is highly global across over 150 countries with over half of our monthly active users coming from outside of our core markets of Korea, Japan and the U.S. and Canada. Our largest proportion of users are Gen Z (under 24 years old) and millennials (25 to 34 years old), who are mobile-first, highly engaged users with increasing purchasing power.

Community reinforces the benefits to creators and users on our platform. We help users and creators build relationships and engage with one another over content. As users, or “fans,” often develop a personal connection to the titles on our platform, they relish the direct engagement with creators through both our comments section at the end of each episode and the Creator Profile section, where creators can post messages and users can respond directly. Fans also appreciate the ability to potentially influence how stories unfold and how their favorite characters evolve, as creators may choose to incorporate fans’ feedback. This enables a positive feedback loop for content creation and user engagement. This community engagement powers a flywheel of user engagement and creator readership, which in turn drives WEBTOON’s success.

This vibrant ecosystem is amplified by our foundational technology and artificial intelligence capabilities, which enable content creation, along with our content discovery and recommendation engines. Our content

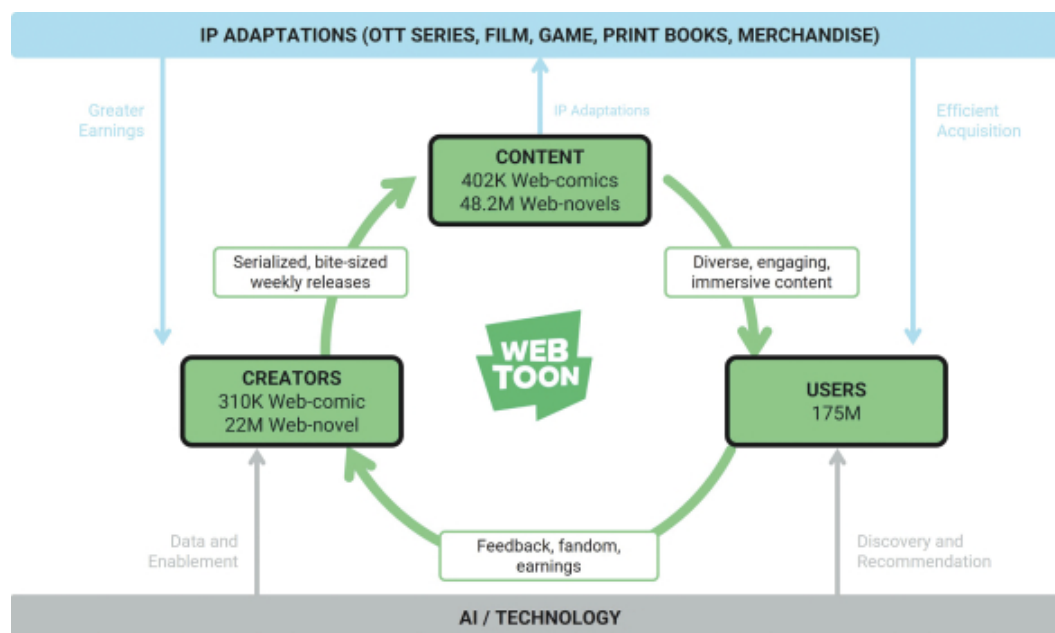
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creation technology helps creators enhance their storytelling skills, tailor the content to various global audiences and build more engaged, wider fan bases around the world. For users, our technology enables a personalized recommendation model and rule-based curation methodology to encourage new content discovery. These tools are highly scalable across markets and our newer markets are able to benefit from the content and platform infrastructure we have invested in and refined in Korea and Japan.

Our business model is driven by the shared success of all those who participate in our platform. The result is earnings for creators, diversity of content for users to enjoy, high-intent and relevant audiences for advertising partners and a multitude of intellectual property to be adapted by media partners. Greater engagement leads to higher revenue growth and stronger user economics, which in turn provides us the benefit of diversified revenue streams and allows for reinvestment into the creators on our platform. For the year ended December 31, 2022, we generated total revenue of \$1,079 million, combined net loss of \$132.5 million and total EBITDA of \$(82.6) million, representing a combined net loss margin of (12.3)% and an EBITDA margin of (7.7)%. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

Our Platform

Our creators, users and content drive a powerful community flywheel. By creating and publishing new and diverse content, creators on our platform help drive the scale of our user base. In turn, users build relationships with creators through real-time feedback and praise on content; fandoms built around popular characters, storylines or in-story universes; and monetary support through payments for access to content. This attracts new creators to our platform, who expand our community and deepen engagement with fans, which leads to an even stronger feedback loop and encourages more content creation. We further amplify this flywheel through other monetization models, including advertising and IP Adaptations. Finally, our platform is underpinned by our foundational technology and artificial intelligence, enabling content creation and discovery and recommendation. The result is increased user engagement, creator prosperity and, ultimately, WEBTOON success.

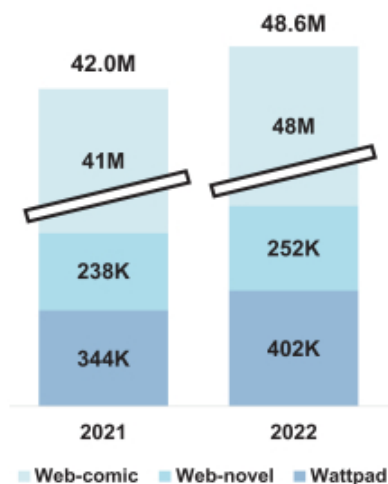


- (1) Graphic shows user metrics, creator metrics and content metrics as of the quarter ended September 30, 2023, as of the year ended December 31, 2022, and as of December 31, 2022, respectively.

Our Content

We pioneered a new form of digital storytelling. Most of our content consists of long-form stories that are serialized into short-form image- or text-based pieces released on a weekly schedule. We focused on the development of this type of digital content because this mode of storytelling is not only appealing to our users, but it is also well suited to the success of individual creators. Creators can write new stories simply and easily, without expensive equipment or training. Creators are empowered to experiment and innovate because the time and resources required for each individual episode is less intensive than what would have gone into the entire title, and because creators receive real-time feedback from users. The bite-sized format leads to a high velocity of new content being released, driving more frequent user engagement. This format is specifically popular with Gen Z and millennial users because of their preference for bite-sized, flexible content. Finally, this format lends itself to a highly scalable content model that can be monetized both across geographic markets and across media formats via adaptations such as film and streaming series.

Number of Content Titles Globally

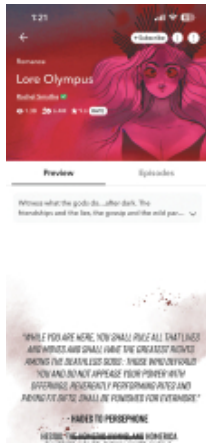


- **Web-comics** are digitally created, weekly serialized stories expressed through vertical, continuous graphical content. Web-comics are optimized for scrolling and often include unique special effects, such as sounds and animations. Web-comics generate the vast majority of revenue on our platform. As of December 31, 2022, creators had published over 402 thousand web-comic stories on our platform. As of September 2023, we enjoy the number one market position in web-comics in all of our major geographies, including Korea, Japan, the U.S. and multiple geographies throughout Southeast Asia and Europe in terms of monthly active users.¹⁰

¹⁰ Data is from data.ai. The monthly active users number from data.ai only includes smartphones.

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Lore Olympus is a romance web-comic created by Rachel Smythe and launched in March 2018. The web-comic details the friendships, gossip and love lives of the gods of Greek mythology. The series has over 1.7 billion cumulative page views as of September 30, 2023, and won the Eisner Award for Best Web-Comic in both 2022 and 2023.

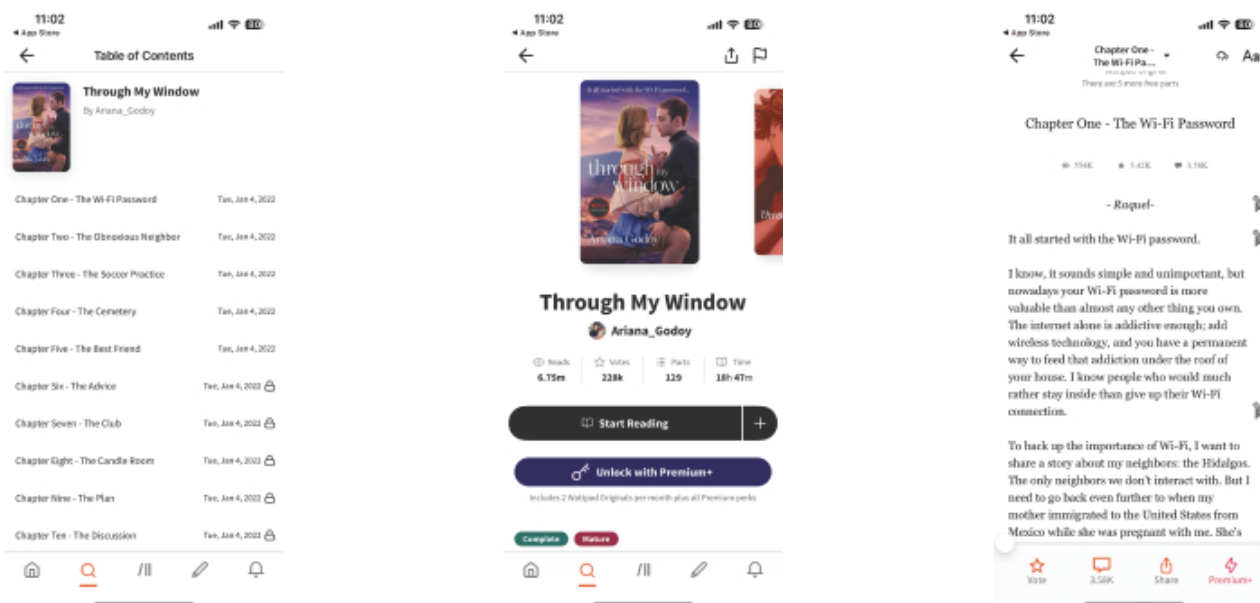


- **Web-novels** are digitally created, weekly serialized stories expressed through text with many titles releasing new content three to five times a week. As opposed to an eBook—a traditional long-form, text-based, online book (often an online version of a print book)—a web-novel is a long-form story serialized into short-form. Similar to our iconic web-comic format, the serialized nature of web-novels encourages habitual engagement from our users. Web-novels have an even lower barrier to creation than web-comics given that no illustration is required. This leads to a greater velocity of content generation. As of December 31, 2022, creators had generated over 48.2 million web-novel stories on our platform. As of September 2023, we enjoy number one market positions in web-novels in Korea and the U.S. in terms of monthly active users.¹¹

¹¹ Data is from data.ai. The monthly active users number from data.ai only includes smartphones.

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Through My Window is a romance web-novel written by Ariana Godoy. Originally published in Spanish, it has earned a combined total of 279 million reads between its original language and the English adaptation as of September 30, 2023. The web-novel portrays the main character's longtime crush on her mysterious next-door neighbor.



The size, breadth and depth of our content library are our key competitive strengths. Because our content is bite-sized, we empower creators to experiment and innovate, and receive feedback directly and in real time. This results in a high velocity of new content creation, with 104 thousand episodes published daily in the quarter ended December 31, 2022. On our platform, there are a number of high-earning stories—103 stories earned over \$1.0 million in Paid Content GMV in the year ended December 31, 2022. However, our stories are also well distributed with only % of our Paid Content GMV in that year generated by our 100 highest grossing stories.

Our content resonates globally, and our strategy includes the translation, adaptation and exportation of stories from one geography into another. For example, *True Beauty*, a romantic-comedy web-comic that was published in 2018 by a Korean creator, Yaongyi, has reached over 6.4 billion cumulative page views across 10 available languages, with over 76% of the page views coming from outside of Korea as of September 30, 2023. The title was also adapted into a streaming series in 2020 and reached global audiences on Netflix, Prime Video and Apple TV. Similarly, *Lore Olympus*, a web-comic that was published in 2018 by a creator in New Zealand, Rachel Smythe, has reached over 1.7 billion cumulative page views across seven available languages as of September 30, 2023. In any given market, we see the success of local content (original content created on our platform in the local language) as well as imported content (original content translated into other languages). For example, 45% of titles by professional creators outside of Korea are local to Korea and have been translated into other languages or imported into other geographies as of December 31, 2022. There were 787 and 489 imported titles available on LINE MANGA and WEBTOON English, respectively, as of December 31, 2022, an annual increase of 37% and 55%.

Our global platform enjoys connectivity and synergy across content, creators and users. We also tailor our strategy by geography and often operate multiple consumer offerings to best serve local consumer and creator preferences. For example, in Korea we offer ORIGINALS for professional web-comic content, CANVAS

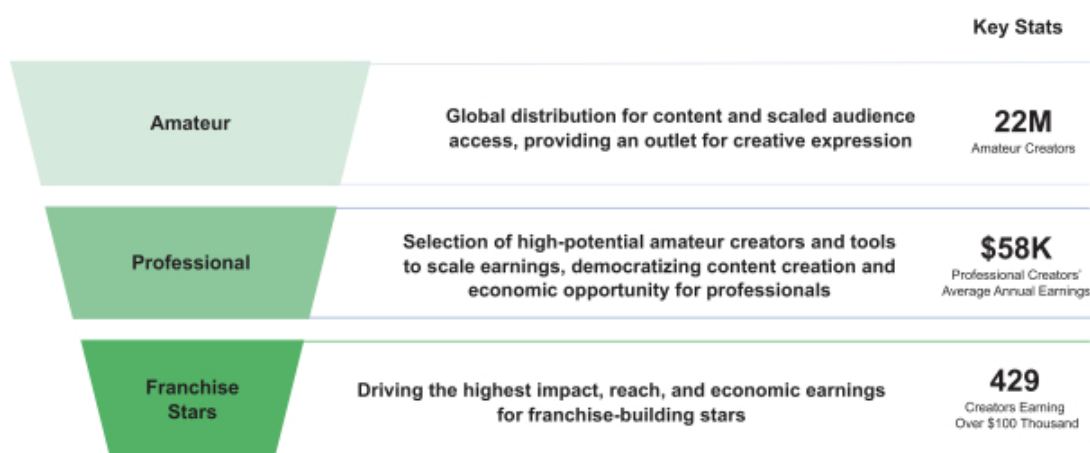
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(locally known as Challenge Comics) for amateur web-comic content and multiple web-novel offerings targeted at different audiences. In Japan, our primary offering is LINE MANGA. Because of the widespread popularity of traditional offline manga, our local strategy uniquely includes the digitization of traditional offline manga, intended as a user acquisition tool. We have successfully converted digitized manga readers into consumers of our WEBTOON-format web-comics, with web-comics now accounting for the majority of content viewed by daily users on our platform in Japan. In North America, we adapted our ORIGINALS and CANVAS offerings to local consumers by, for example, adding more social features that are popular with North American users.

We have strategically used acquisitions to grow our audience, deepen our reach in new geographies, diversify our creator base and expand our capabilities. In June 2023, we acquired, from NAVER, Wattpad, the largest global web-novel distribution platform for English-language content, with 91 million monthly active users as of the quarter ending September 30, 2023, which had been our sister entity since it was acquired by NAVER in May 2021. The Wattpad acquisition expanded our web-novel offering into North America and Europe and deepened our library of web-novels, which serves as a rich source of content for adaptations into web-comics. It also widened our creator and user acquisition funnel in North America and Europe. In 2022, we acquired eBIJ, a leading Japanese publisher of web-based stories, thereby consolidating the then-largest web-based (eBookJapan) and app-based (our LINE MANGA) online comic offerings into one and strengthening our market leadership in Japan.

Our Creators

WEBTOON is powered by our creators and the content they bring to life on our platform. Our creators are inspired by the ability to tell their stories globally. Our creator strategy is to reach the broadest number of potential creators globally, to provide a platform that enables creator success and then to drive impact and earnings for our creators.



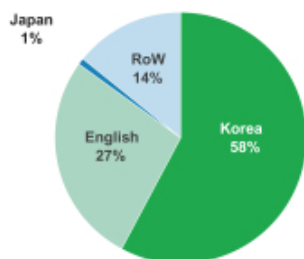
(1) Chart shows amateur creator metrics and professional creator earnings as of the year ended December 31, 2022.

Our platform serves both amateur and professional creators. Amateur creators are defined as those who do not currently monetize through Paid Content on our platform and professional creators are defined as those who do so. As amateur creators gain popularity on our platform, we may sign formal creator agreements with them which will allow them to share revenue generated by users paying to access their content and become professional creators.

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Amateurs are hobbyists and enthusiasts; anyone can become an amateur creator. These creators come to our platform because of their love of storytelling and the complete freedom to express whatever they desire (without editorial interference), as well as to access our high-intent and engaged global audience and the potential for future financial success. Professional creators, on the other hand, are building small businesses on our platform. Professionals can include both WEBTOON-born amateur creators that ultimately build a large following, as well as existing professional content creators from other industries or publishers.

Creators by Region (Excluding Wattpad)¹



Number of Creators Earning Over \$100K Annually²

(Number of Creators)



- (1) In chart (left), geographical distribution of creators is as of year ended December 31, 2022, and “RoW” (Rest of World) includes French, German, Spanish, Indonesian, Thai and Taiwanese.
- (2) In chart (right), creators include professional creators and amateur creators.

The scale of our creator earnings is an indicator of our success in empowering creators. Cumulatively, our creators earned over \$1.8 billion between 2017 and 2022. For the year ended December 31, 2022, professional creators earned on average \$58 thousand per creator and 429 creators earned at least \$100 thousand.

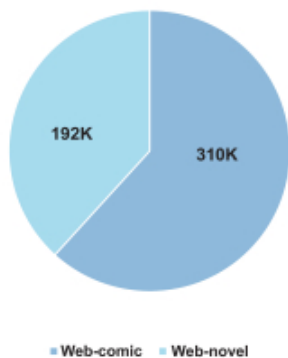
Our creator base is also well distributed globally. Initially, our creator and user bases were concentrated in Korea. While in our early years we focused on cultivating the Korean creator ecosystem and content, we always recognized our platform’s global potential and aspired to expand globally. Over almost two decades since our founding, WEBTOON has done just that. As of September 30, 2023, our creator base spanned 150 countries across the world, fueling the steady expansion of our content library as we attract a global user base to our platform. As of December 31, 2022, our platform had 48.6 million pieces of content for users everywhere to enjoy, and including Wattpad, empowered a creator base of 22 million.

Our Korean creators demonstrate the power of our platform and its global reach. Korea accounts for over half of our platform’s professional and amateur creators (excluding Wattpad), based on publishing language as a proxy for location. There is demonstrated global demand for Korean stories, as 45% of titles by professional creators outside of Korea are local to Korea and have been translated into other languages or imported into

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other geographies as of December 31, 2022. There were 787 and 489 imported titles available on LINE MANGA and WEBTOON English, respectively, as of December 31, 2022, an annual increase of 37% and 55%.

COMPOSITION OF GLOBAL CREATORS (Excluding Wattpad)¹



COMPOSITION OF GLOBAL CREATORS (Including Wattpad)

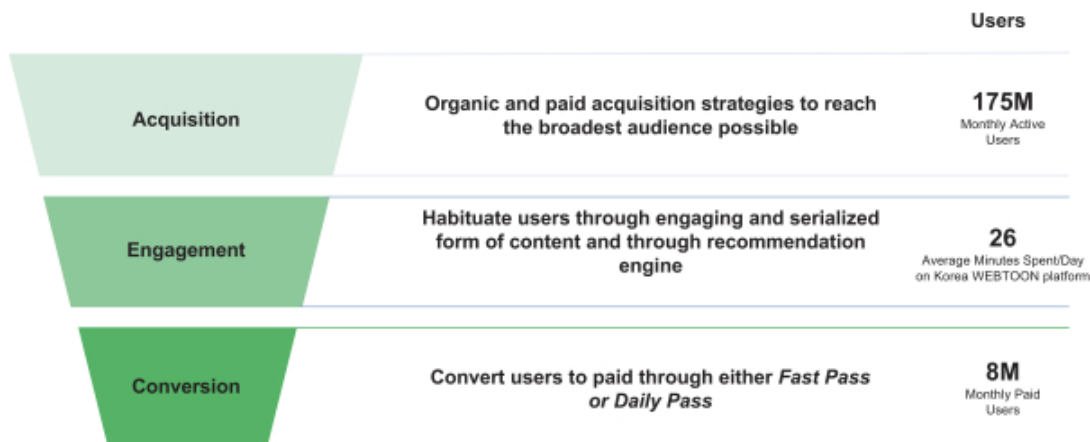


(1) Composition of global creators is as of year ended December 31, 2022.

Our Users

As of the quarter ended September 30, 2023, 175 million monthly active users from 150 countries engaged on our platform across mobile and desktop devices. Our users are diverse across age, geography and gender. Our largest proportion of users are Gen Z (under 24 years old) and millennials (25 to 34 years old), who are mobile-first, highly engaged users with increasing purchasing power.

Our user strategy is to bring scaled audiences around the globe to our platform, to deliver them unique and easy-to-consume content, customized for their preferences, to drive more habitual engagement and ultimately, to induce them to pay for content.



(1) Chart shows MAU, Daily Time Spent and MPU metrics as of the quarter ended September 30, 2023.

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We acquire a significant portion of our user base through organic means. The strength of our brand, our leading market position in multiple regions and the viral nature of our stories enable us to benefit from word-of-mouth user adoption. We amplify organic marketing through collaborations with local creators or other popular technology platforms, such as our collaborations with Discord, Patreon and DC Comics, as well as through IP Adaptations. We also employ paid marketing strategies such as brand marketing, performance marketing and in-app giveaways, especially in countries such as the U.S., where we are meaningfully underpenetrated compared to our addressable user opportunity.

Once on our platform, we focus on user engagement and retention through multiple means. Users who discover our platform typically remain active because of the serialized form of our compelling content, which naturally creates a regular cadence of user frequency, and because of our simple and easy-to-use user interface. We historically experience higher user engagement and monetization in the third quarter of the calendar year due to the seasonal impacts of global vacation and holiday schedules of our users. We also leverage artificial intelligence combined with data on prior user consumption trends to provide users with a curated, personalized experience. In the month of September 2023, 27% of our NAVER SERIES readers and 31% of our WEBTOON English readers read a new story that we recommended. Finally, we allow users to interact directly with creators through creator profiles, which increases engagement. As of the quarter ended September 30, 2023, readers spent on average 26 minutes, 38 minutes and 27 minutes per day on WEBTOON Korea, LINE MANGA and WEBTOON North America, respectively.

The majority of content on our platform is free to consume. Some content can only be accessed if a user pays. Users can pay by purchasing Coins, which can then be used to purchase content on our platform. Users can access this Paid Content in two different ways. A *Fast Pass* provides users with early access to upcoming episodes for ongoing series. A *Daily Pass* provides users with access to locked episodes, primarily from completed titles, meaning a series that is no longer publishing new episodes. Users receive a certain number of *Daily Passes* for free each day; additional *Daily Passes* and any *Fast Passes* must be purchased. Through the rewarding of *Daily Passes* and other targeted marketing campaigns, we provide engaged users with an opportunity to experience premium Paid Content for free, a process of habituation that induces their willingness to pay for content.

Our Community

The power of WEBTOON lies in the interactions of the various stakeholders on our platform—user to user, user to creator and creator to creator. Users build fandoms around beloved content, meeting others with similar passions. This social aspect of our platform drives greater user engagement. Users also leave comments and reviews for creators—praise and feedback on stories—and support their favorite creators monetarily. For example, every month year to date as of September 2023, users posted an average of approximately one million comments on WEBTOON Korea and on WEBTOON English, and the creator profile offering on WEBTOON English a 37% increase in number of new posts year over year as of September 2023. Creators are inspired by this support and can incorporate feedback into future episodes. Finally, creators interact with each other, sharing best practices and advice. Altogether, this community powers a flywheel of engagement and creator success that has been the key to our success.

IP Adaptations

We enter into agreements with certain content creators who have stories with potential to become franchises across media formats. Using our multitude of proprietary data on which stories have resonated most with users in the past, we are able to identify and scale winning stories on our platform. We subsequently invest and scale such stories via adaptation into other formats, including films, streaming series, animation, video games, print books and merchandise. The majority of these adaptations are produced in partnership with third-party production companies in the form of a licensing agreement or in a limited preproduction capacity where we are paid a production fee for a service such as script development. The majority of production costs in these cases are borne by a third-party production partner. Occasionally, we may choose to rely entirely on our in-house production capability to produce the adaptation, if we determine the potential reward to be substantially in excess of the investment risk and the magnitude of the required investment to be manageable.

IP Adaptations have the benefit of extending the monetization potential of our content and increasing creator earnings. Our “One Story Multi-Use” strategy enables us to monetize a single story across multiple media formats and geographies. These adaptations also act as a source of organic user acquisition. Many users come to our platform after enjoying the adapted version of a story to discover the original web-comic or web-novel. For example, in the two months after we released *Sweet Home* on Netflix in December 2020, we saw a 30% increase in average monthly new users, compared to the two months prior to December 2020.

A core of our strategy is identifying Korean-originated stories with global adaptation potential, and we have a track record of successful adaptations of Korean-originated stories for a global audience. For example, *True Beauty* was launched in Korea in April 2018; today, it is available in 10 languages, has generated 6.4 billion cumulative page views including more than 76% outside of Korea, and has been adapted into a TV series available on Netflix, Amazon Prime Video, and Apple TV. In addition, the following TV series based on Korean-originated stories have all reached number one on Netflix in the last few years: *Mask Girl* in August 2023, *Bloodhounds* in June 2023, *Black Knight* in May 2023, *All of Us Are Dead* in February 2022, and *Hellbound* in November 2021. We have also successfully adapted Korean stories into film, such as *Moon Man* in July 2022, which was a top 10 grossing film in 2022; and into animation, such as *Lookism* in December 2022, which was a Netflix Top 10 series.

We have also seen early success in cultivating local talent in the U.S. and adapting these stories to a global audience. For example, *Lore Olympus* was originally published on CANVAS, our offering for amateur web-comics, in 2017 and generated 2.7 million cumulative page views in the first 8 months. By 2021, *Lore Olympus* was adapted into 7 languages and reached number one on our North America professional web-comic offering. The print book adaptation of the web-comic is a New York Times bestseller and is currently in the process of being adapted into an animated streaming series. North America content on Wattpad has also been adapted into TV series, film, and animation. For example, *The Kissing Booth* has been adapted into three seasons on Netflix with the second season garnering 66 million viewers in the first four weeks.

Foundational Technology and Creator Support

Our content enablement technology, artificial intelligence and data analytics capabilities and creator support services are key pillars of our platform. We facilitate and democratize storytelling through an end-to-end technology toolkit enabling success, from creative development to publishing to user acquisition and, ultimately, monetization. Access to various aspects of this toolkit depends on the needs of the individual creators, with additional support offered to professional creators. Our creator toolkit includes the following.

- Content management tools: Enable amateur and professional creators of most of our offerings to publish content, manage their series and episodes, view an analytic dashboard and monitor their viewers’ comments.
- Creation support tools: Technology aimed at making it easier for anyone to create web-comics, such as using artificial intelligence to create illustrations.
- Community tools: Enable an actively engaged social community that provides comments, praise and feedback on content. Includes the creator page, a dedicated individual webpage to facilitate creators’ communication with fans by publishing posts and holding votes.
- Professional development: We supplement these tools with multilayered assistance, such as matching writers with illustrators and offering varying degrees of editorial support and translation services to both professional and amateur creators. We also promote the stories that we have identified as having high potential for broader popularity throughout our platform, including cross-border into new geographies, and provide marketing and agency support regarding IP Adaptations.

We supplement our creators’ stories with an AI-powered recommendation engine that leverages our data advantage—deep, complex interest graphs mapping the type of content that different types of users enjoy the

most. Finally, our community technology allows users to interact with their favorite creators, to influence the type of content being generated and to meet other users with similar interests.

Our technology benefits from our close relationship with NAVER as well. As a result of our relationship with NAVER, we have access to the learnings from their investments in artificial intelligence, such as user acquisition and advertising technology. At the same time, we combine these economies of scale in technology investments with the nimbleness and innovation of a high-growth startup.

Our Industry

We believe that the market opportunity for our offerings benefits from strong secular shifts and tailwinds. These trends in our favor include the following:

- **Demand for High-Quality User-Generated Digital Content.** User-generated content has been increasingly in demand. With the rise of social media, individuals around the world have been able to consume user-generated content at record pace. For example, 39% of weekly media hours consumed in the U.S. was user-generated content.¹² Digital comics are a growing portion of that user-generated content. The comic market is shifting from large distributors producing paper comics to user-generated digital comics. Additionally, the online comic books market is expected by 2022 to outpace the overall comic book market through 2030.¹³
- **The Rise of Creators.** Creators continue to meet demand for user-generated content. Creators span hobbyists to small business owners, and many are young and tech-savvy; 30% of 18- to 24-year-olds and 40% of 25- to 34-year-olds in the U.S. consider themselves content creators.¹⁴ By posting engaging and unique content, creators can both earn a living from their online presence and gain widespread notoriety. To date, creator tools have largely focused on photo and short-form video content. We believe there is growing demand for broader formats, including storytelling and web-comics specifically.
- **Korean Cultural Exports Gain Global Adoption.** The Korean Wave, also known as Hallyu, is a decades-long trend of the popularization of Korean pop culture on a global scale. These Korean cultural exports began in the 1990s, gained traction in the 2000s and rapidly accelerated in the last decade-plus, with K-pop, K-dramas and other Korean cultural exports entering the global mainstream. For example, music group BTS was named International Federation of the Phonographic Industry Global Recording Artist of the Year for 2020 and 2021; BLACKPINK became the most-streamed girl group in the world on Spotify in March 2023; *Squid Game* is the most-watched Netflix streaming series of all time; and *Parasite* won four Oscars, including Best Picture. The new format of web-comics also builds on a rich history of visual storytelling in Korea, having its origins in *manhwa*, Korean comics.
- **The Rise of Global Content Franchises.** Franchises are evergreen intellectual property that can be continuously adapted in multiple ways, and they have become increasingly popular and lucrative in recent years. For example, in 2022, nine out of the top ten grossing films globally were adaptations of existing franchise content or sequels, and three were part of the Marvel Cinematic Universe. Technology platforms have introduced new models of promoting viral content and driving global fandoms, with millions of individuals following popular creators such as Mr. Beast and Charlie D'Amelio, among others. For example, in 2022 the top 10 creators on Roblox each earned \$23 million from selling original games and in-app purchases. Unlike traditional media models that require significant upfront investment to develop content, technology platforms have democratized the creation of content across content types, allowing any individual to develop high-quality premium content and distribute to a scaled audience. This new model of intellectual property creation also mitigates the

¹² Content metrics are from a study by the Consumer Technology Association.

¹³ Analysis is from a report by Grand View Research.

¹⁴ Metrics are from a report by HubSpot.

traditional risk of whether a work will be a “hit” or “miss” that is inherent in traditional media production because unlike traditional media where producers and distributors have limited real-time audience feedback prior to release, our creators can receive user feedback in real time as they develop their works, engage with and respond to fans and adapt and invest to further expand engagement and popularity.

- **Gen Z Purchasing Power on the Rise.** Gen Z individuals increasingly desire short-form, user-generated content and are eager to consume cross-cultural content. Gen Z globally had over \$360 billion in estimated disposable income in 2022, which has more than doubled compared to three years ago.¹⁵ As Gen Z consumers enter the workforce and begin to have higher disposable incomes, their propensity to pay for content will likely increase.

Our Strengths

We believe that our key strengths include the following:

- **Leading Global Storytelling Platform.** We pioneered a new form of globally adaptable storytelling that is digitally native, highly engaging and user-generated. We enjoy leading web-comic market positions as of September 2023, in all of our major geographies, including Korea (#1), the U.S. (#1) and Japan (#1), and are ranked first in multiple geographies throughout Southeast Asia and Europe in terms of monthly active users.¹⁶ Our technology stack and user and creator products are highly scalable across markets and our newer markets are able to benefit from the content and platform infrastructure we have invested in Korea and Japan. Our stories are also critically acclaimed and globally successful. Additionally, our “One Story Multi-Use” strategy enables us to monetize a single story across multiple media formats and geographies. For example, since 2020, *Sweet Home*, *Hellbound*, *All of Us Are Dead* and *Bloodhounds* have all ranked number one on Netflix.
- **Creator Platform of Choice.** We provide creators with access to high-intent audiences around the world who are passionate and engaged with web-comic and web-novel content. We provide creators with the essential resources for success, including tools to create, manage and monetize their content as well as interact directly with their fans. We also provide creators with multiple monetization opportunities, including revenue sharing from user purchases of Paid Content, advertising and IP Adaptations. In the year ended December 31, 2022, professional creators earned on average \$58 thousand per creator and 429 earned over \$100 thousand. Our deep creator loyalty is evidenced by the fact that over the last three years, we retained 100% of professional creators who create web-comics on WEBTOON Korea and WEBTOON English.
- **Efficient Content Creation Engine.** Our evergreen content creation is powered by 22 million amateur creators and more than 11 thousand professional creators as of December 31, 2022, with 104 thousand episodes published on our platform each day in the quarter ended December 31, 2022. Because our content is bite-sized, this empowers creators to experiment and innovate and allows them to receive feedback directly and in real-time, resulting in a high velocity of new content creation. We also have a proven track record of content localization, enabling us to take content from one geography and leverage it to build an audience in a new geography and drive cross-border engagement.
- **Diversified Business Model.** We generate revenue in multiple ways. In the year ended December 31, 2022, 78.9% of our revenue was from Paid Content, 13.4% was from advertising and 7.6% was from IP Adaptations. Our diversified business model enables us to monetize user engagements across a broad range, including through users paying for premium content or through advertising revenue. IP Adaptations extend the monetization of our content across multiple formats and also serve as a source of organic user acquisition, attracting users to our platform to enjoy the original web-comic or web-novel.

¹⁵ Data is from Gen Z Planet.

¹⁶ Data is from data.ai. The monthly active users number from data.ai only includes smartphones.

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- **Attractive, Engaged, Global User Base.** We have a scaled and global user base of 175 million monthly active users in more than 150 different countries as of the quarter ended September 30, 2023. Our user base is also highly engaged: in the quarter ended September 30, 2023, readers spent on average 26 minutes, 38 minutes and 27 minutes per day on WEBTOON Korea, LINE MANGA and WEBTOON North America, respectively, and the average user spent \$ _____ on Paid Content per month in the quarter ended September 30, 2023. The user base is young, balanced from a gender diversity perspective, digitally native and highly indexed to Gen Z and millennials.
- **Purpose-Built Proprietary Technology.** We have developed a purpose-built technology platform that supports every aspect of our business. We benefit from NAVER's investments in research and development, combining these economies of scale in technology investments with the nimbleness and innovation of a high-growth startup. Our foundational technology enables creators to publish and manage content distribution, monitor earnings, illustrate graphics, monitor comments, detect piracy and translate stories. We also leverage data and artificial intelligence to inform a powerful recommendation engine.
- **Passionate Founder-Led Management Team.** Our team is inspired by our love of storytelling and the opportunity to empower creators. Our leadership team is composed of executives with proven track records.

Our Growth Strategies

Our growth strategies include the following:

User Growth Strategies

- *Improve content localization* tailored to each individual geography. For example, in Japan, our strategy focuses on adapting traditional offline manga into a digitized format to attract legacy manga consumers, and then converting those digitized manga consumers into WEBTOON-style web-comic consumers. In the U.S., we started with translating Korean titles into English and contextualizing Korean content for a U.S. audience, and now continue to develop a local creator base in the U.S. In Europe, we are currently translating and contextualizing both Korean and U.S. original content into the local languages and cultures and will ultimately focus on developing local creators.
- *Acquire new users* organically through word-of-mouth or brand-marketing strategies, paying user acquisition or IP Adaptations, such as films, streaming series, print books and games. We also reach new creator communities and users through collaborations with popular platforms, such as Discord, Patreon, DC Comics and BTS's Hybe Entertainment.
- *Expand to new geographies* through targeted launches or acquisitions. Our criteria are based on size of local user base, potential of local creator base, purchasing power, familiarity with similar content formats and overlapping language. Our acquisition of Wattpad helped us reach a global and primarily English-speaking web-novel user base, which we also expect to be able to convert into web-comic consumers.
- *Increase engagement* by continually improving our recommendation engine and launching new gamified features that have the potential to go viral.

Creator Growth Strategies

- *Increase creator earnings* by continuing to build our audience, expand cross-border consumption of existing stories, increase our advertising products and advertiser base and scale our IP Adaptations business.

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- *Cultivate fandoms* by assisting high-potential creators with professional production support and launching awareness campaigns, including in-app promotions, creator branding and social marketing.
- *Incubate local creators*, especially in newer geographies. For example, we organize an annual web-comic contest for amateur creators in certain geographies, such as the U.S., providing monetary rewards and the opportunity to debut as a featured creator.

Platform Growth Strategies

- *Increase Paid Content monetization* by improving conversion, optimizing the quantity of content subject to a paywall, optimizing pricing schemes and finding new monetization models. We also intend to increase Paid Content monetization by adding additional features that strengthen the community aspects of our platform and deepen the interactions between users and creators.
- *Grow Advertising* by enhancing our advertising products and reaching new advertisers. To reach more advertisers, we plan to build local sales teams in new geographies, such as North America.
- *Leverage our “One Story Multi-Use” strategy* by continuing to identify potential stories for adaptation into other media formats, such as film, streaming series, merchandise, games and print books. We also adapt stories cross-border by localizing content from one geography into another.
- *Continue to invest in our foundational technologies*, especially in artificial intelligence, which powers our entire platform, from our recommendation engine to content generation capabilities for creators to anti-piracy. We also continue to build technology solutions that make it easier to publish on our platform, such as AI-powered auto-painting and other automated content creation tools, as well as creator tools that make it easier to manage user communications and earnings.
- *Selectively pursue acquisitions* where we see an opportunity to acquire a differentiated technology, brand or creator or user community.

Our Products

User Journey

Users come to our platform to discover and consume compelling, engaging and interactive content in a serialized format. This experience for users is similar across web-comics and web-novels.

Discovering Content

The “For You” page is the first screen users see when they visit our app. The Big Banner helps users quickly discover new releases and trending series. My Series allows users to continue a series they have been reading. We employ a machine learning-based recommendation model and rule-based curation to encourage new series discovery.

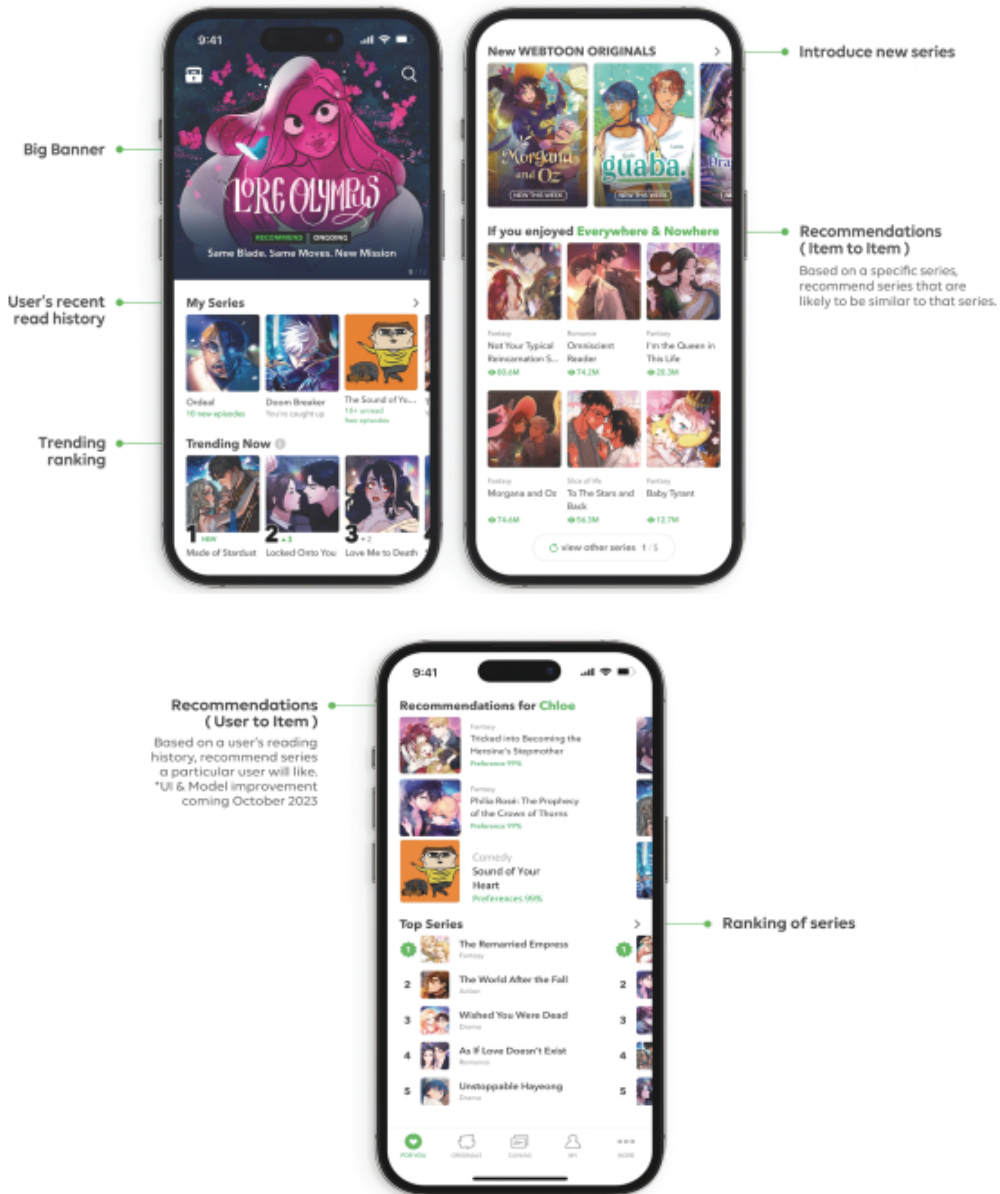
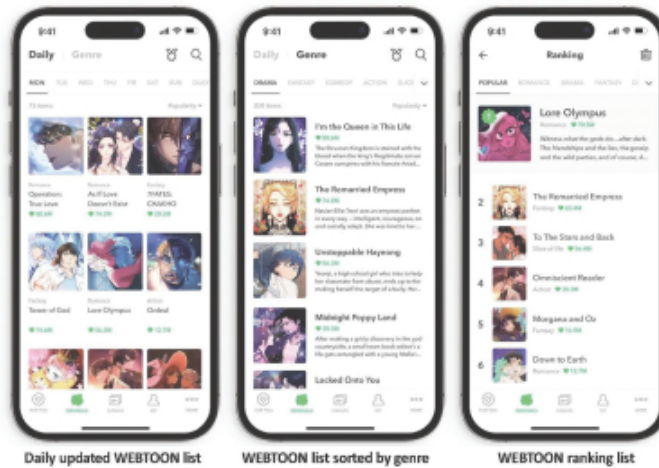


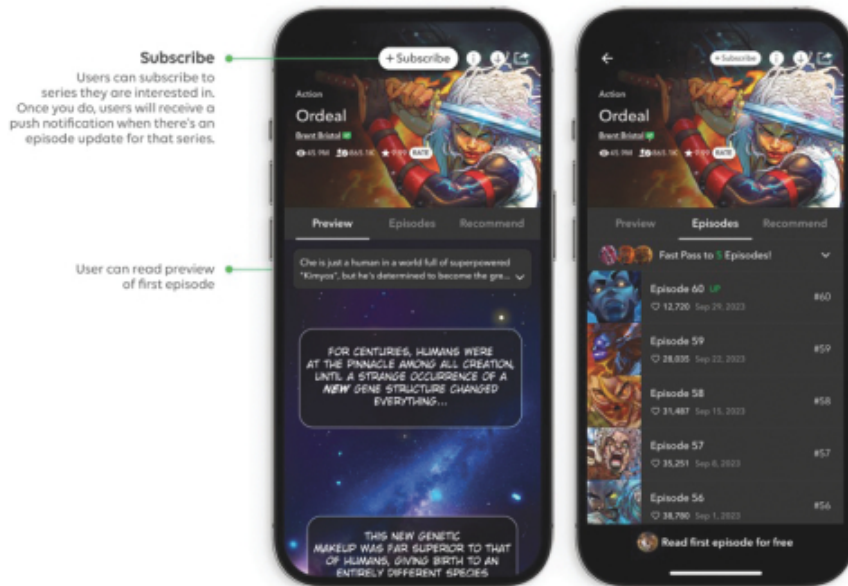
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WEBTOON's series are published each day of the week. Users can quickly check the day's updated series in the Daily menu. The Genre menu allows users to collect and view series in their favorite genre. We also offer a Ranking page, where users can check the most popular series on our platform in real time.



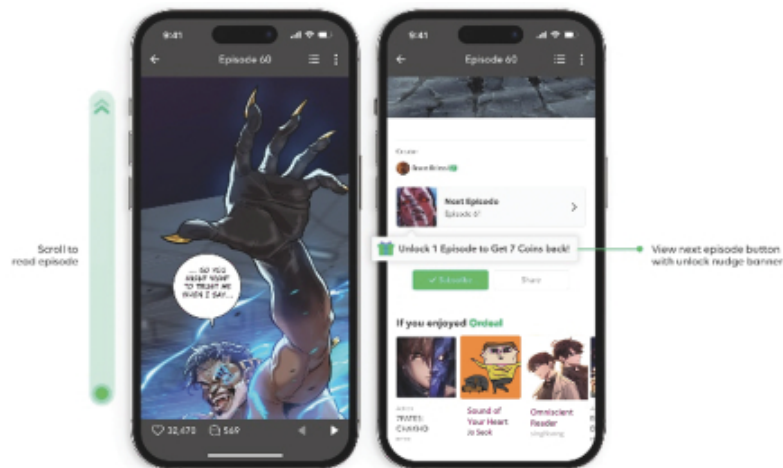
Consuming Content

Content is organized by series and episode. The content is typically serialized, with each episode being released weekly. The average episode takes approximately five to ten minutes to consume. Series Home provides information about a series to inform reading decisions. New readers of the series see the Preview Tab first and a portion of Episode 1. Returning readers will see the Episode Tab first and can resume from their last read episode.



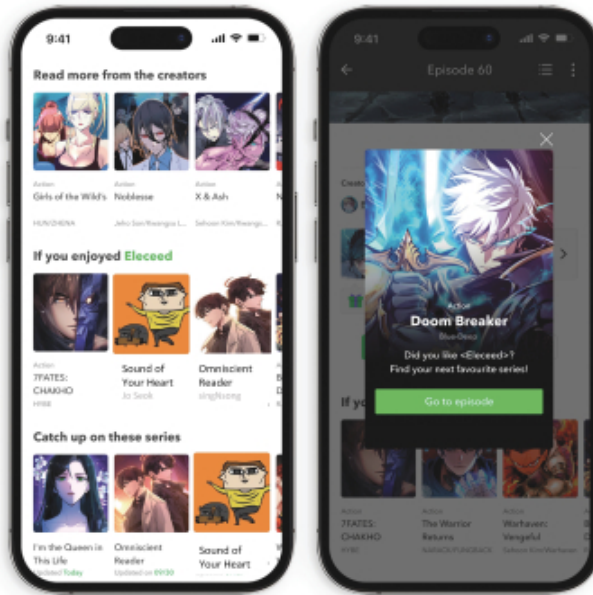
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Once an episode is selected, the story is displayed. If the episode is in a web-comic series, then the content is consumed in our iconic vertical and continuous format. The format is highly visual, empowering innovation and creativity. Creativity could take the form of speech bubbles, three dimensional items that “break” outside of the panel, long breaks that build tension and even animations or sounds.



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After finishing an episode, we incentivize users to continue to the next episode and read more. If the user has completed the last episode of a particular series, we offer machine learning-based recommendations for other series.



Recommendations for other series in the end of viewer

Web-novels are consumed in a similar serialized format, but are text based.

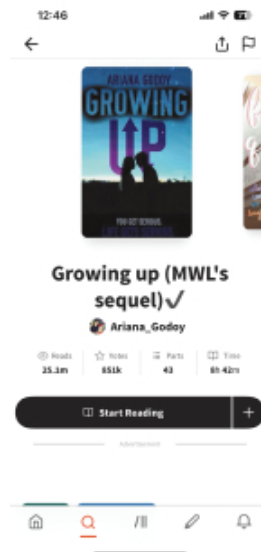
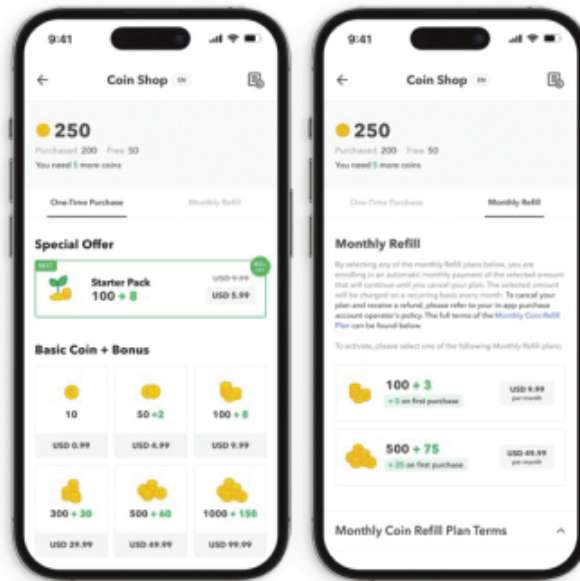


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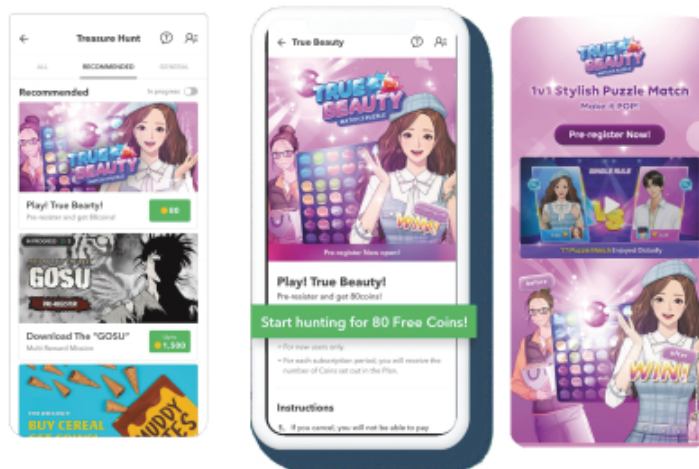
Paid Content

A majority of content on our platform is free to read. Some episodes, however, are Paid Content and must be “unlocked” by users through the utilization of Coins. Coins can be bought as a One-Time Purchase or a Monthly Refill. Coin packages can be used to create promotional products, such as time-limited products and starter packs, and are often marketed to target specific users.



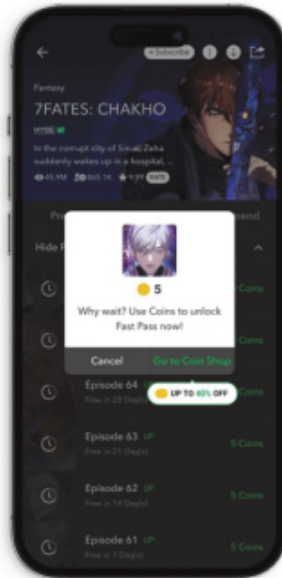
Coin Shop

In addition, users can earn Coins by completing certain actions associated with an advertisement, such as signing up for a newsletter or taking part in an online event.



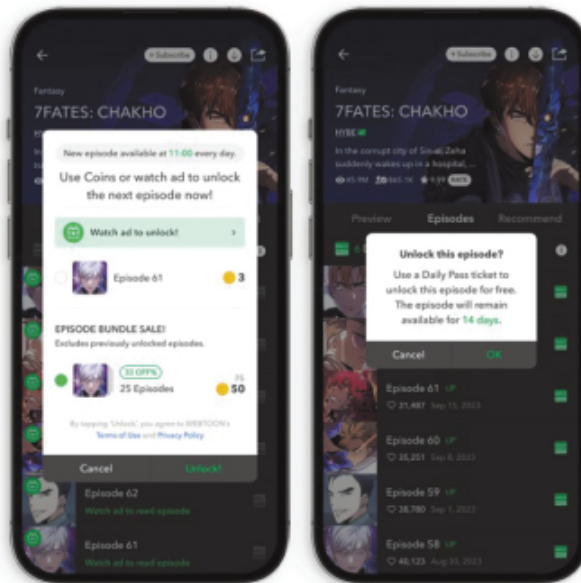
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A *Fast Pass* is required to view episodes of an ongoing series that have not yet been unlocked for free viewing. For ongoing seasons, earlier episodes are typically viewable for free. However, the most recent episodes may only be unlocked through the purchasing of a *Fast Pass*.



Unlock fast pass episode

A *Daily Pass* is required to view content from an episode of a completed series, meaning a series that is no longer publishing new episodes. In some cases, users may receive one free *Daily Pass* per day, which unlocks one episode and therefore encourages users to return daily. Viewing additional episodes of such completed series requires the purchase of additional *Daily Passes*.

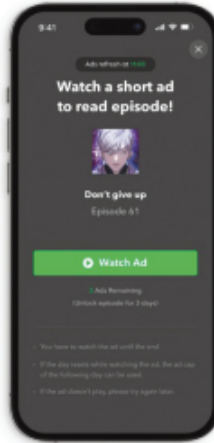


Unlock fast pass episode

Unlock daily pass episode

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Users can also unlock Paid Content for free by viewing certain pre-roll ads.



Daily pass rewarded video ads (Pre-roll ads)

User Engagement

Once a user is initiated on our platform, we send automatic push notifications to encourage revisiting our platform. Push notifications may be sent upon release of a new episode within a series being viewed, upon issuance of a *Daily Pass* or after an extended period of inactivity.



Push notifications for updates on episodes, daily pass ticket refill and reminder

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We also use various products to acquire users organically. “ToonFilter,” an internally developed artificial intelligence camera filter, has been in service globally, and “Cookies I Made,” which applies gamification elements to viewing works, is in operation in Korea, where Coins are also referred to as “Cookies.” These offerings help drive traffic to our platform through driving user engagement and habituation.



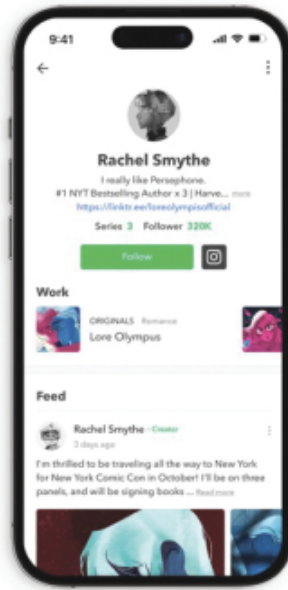
AI Toon Filter



Cookies I made (Gamification)

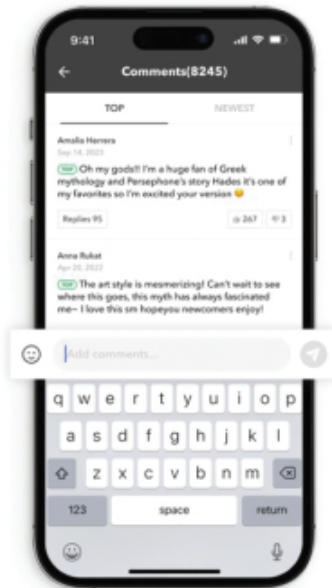
Social and Community Engagement

In addition to reading series, users can engage in various social activities. Users can send feedback to their favorite creators in the form of reviews and praise, and users can also interact with each other. “Creator Profile” pages allow writers and readers to interact with each other. Users can view posts from the creator, comment on posts and interact directly with their favorite creators.

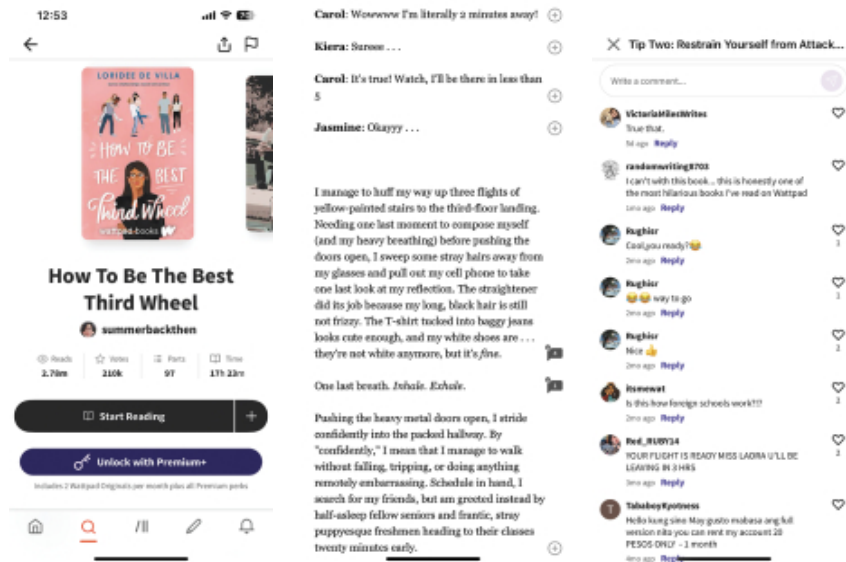


Creator's Profile

Users can comment directly on each episode and can also give existing comments a thumbs-up or thumbs-down.



WEBTOON comment function



Wattpad comment function

The Localization of Our Offerings

Core Consumer and Creator Offerings				
Offerings	Format	Currently Available Markets	Consumer Facing	Creator Facing
	Web-Comic	Global	P	
	Web-Novel	Global	P	P
	Web-Comic, Digital Manga	Japan	P	
	E-book (Novels & Comics)	Japan	P	
	Web-Novel, Web-Comic	Korea	P	
	Web-Novel	Korea	P	P
	Web-Comic	Global		P
	Web-Comic	Japan		P

Our content is globally adaptable, and our strategy includes the translation, adaptation and exportation of stories from one market to another. We tailor our approach to each market in order to optimize our offerings for the preferences of the user and creator bases in a given market. We strategically operate a number of consumer-facing and creator-facing applications by market to best serve local consumer and creator preferences. In each key region, we have main consumer-facing platforms where users can read and engage with stories, as well as a separate or sub-brand specifically designed to attract amateur creators. Each application benefits from our common content engine and personalization technology. Popular content can easily be distributed across markets. We often localize and translate content from one market to another. We also convert popular web-novels into web-comics and vice versa.

- In Korea, we provide a range of services to cater to diverse consumer preferences. Our offerings include community-based services as well as a premium content marketplace. Within the realm of web-comics, our main service is the WEBTOON Korea, where we publish stories by professional and amateur creators. Amateur creators can participate in the CANVAS program (locally known as Challenge Comics) to publish their web-comics and build an initial fan base on the WEBTOON platform. For web-novels, we operate Munpia, which is the leading web-novel community in Korea

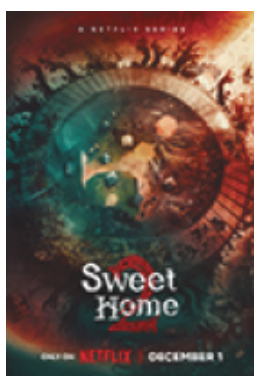
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and serves as a platform for many aspiring authors to make their debuts. In addition, we offer NAVER SERIES as a one-stop shop for premium content, encompassing not only web-novels and web-comics, but also eBooks.

- In Japan, our primary consumer offering is LINE MANGA, and our primary creator offering is LINE MANGA Indies, which is tailored towards amateur creators. While traditional manga is optimized for printed mediums, our platform is optimized for digital cell-phone consumption due to our vertical scrolling capability. In Japan, because of the widespread popularity of manga, our local strategy centers upon the digitization of offline manga, intended as a user acquisition tool. We have successfully converted digitized manga readers into consumers of web-comics and web-novels, with web-comics now the majority of content consumed on our platform in Japan. Finally, we also invest in our mobile web experience through eBookJapan in addition to our app in Japan (which is the focus of LINE MANGA), given that local consumers tend to use mobile web more than in other geographies.
- In North America, we have adapted our consumer (WEBTOON) and creator (CANVAS) offerings to U.S. consumers by, for example, adding more social features popular with U.S. users. Our focus in the U.S. also includes onboarding local creators to increase user penetration. In June 2023, we acquired, from NAVER, Wattpad, a community for amateur web-novel creators to distribute content, which had been our sister entity since it was acquired by NAVER in May 2021, in order to acquire original text-based stories and creators outside of Korea. Wattpad expands our web-novel presence in North America and serves as a source of content to be converted to web-comics.

IP Adaptations

Users also discover and consume content through a multitude of IP Adaptations, such as films or streaming series on widely distributed platforms like Netflix, HBO or Prime Video.



Sweet Home, Series | Netflix



Bloodhounds, Series | Netflix



All of Us Are Dead | Netflix



Noblesse, Anime | Prime Video

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We also occasionally publish certain popular web-comics and web-novels into print books that are then distributed via third-party book publishers. More often, we serve as a broker and negotiate publishing agreements with third-party book publishers on behalf of our creators.



Lore Olympus, *Print Book*¹⁷



Lore Olympus: Volume 4, *Print Book*¹⁷

We also broker agreements on behalf of creators with game developers and publishers to create games based on certain elements of our intellectual property.



¹⁷ Pictures provided by INKLORE



Tower of God: New World, *Mobile Game*¹⁸

Finally, we produce merchandise and offer experiences based on certain popular characters in our stories.



Yumi's Cells, *Wheat Ale*

¹⁸ Pictures provided by Netmarble, the game developer and publisher



Images from Maru Is a Puppy pop-up shop experience

In order to facilitate these IP Adaptations, we operate a number of subsidiary companies that focus on adapting web-comic and web-novel content into other media formats.

Company	Format
STUDIO LICO	Animation
STUDIO W	Audio / Visual Content (Film, TV, Animation)
W World Animation Studio	Audio / Visual Content (Film, TV, Animation), Paper Books

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Creator Products

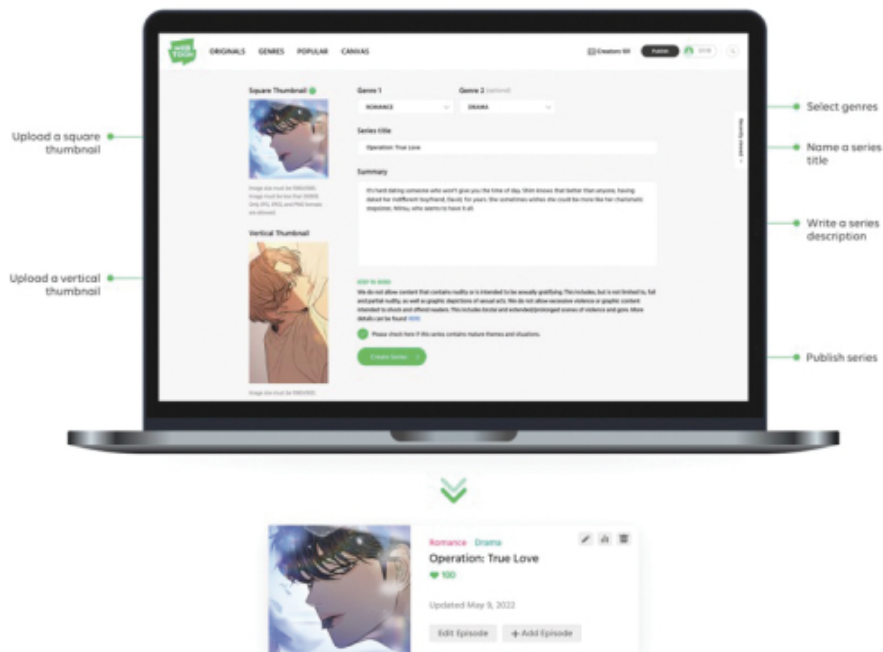
Content Creation

Today, creators can access our AI Painter, which is an auto-painting tool that leverages machine learning. We are in the process of exploring other similar AI-driven content generation tools.



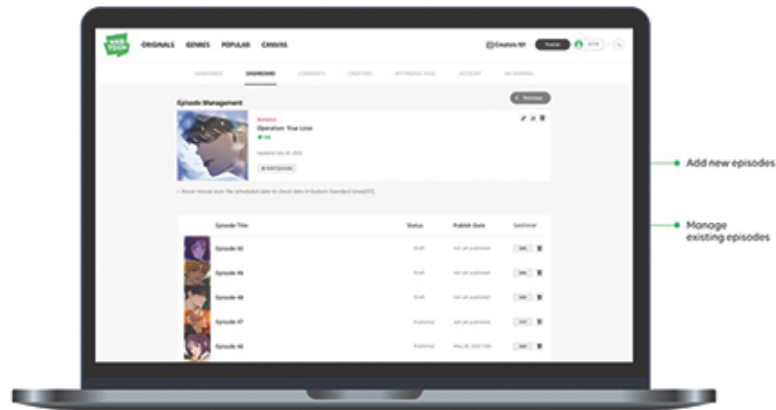
Content Management

Creators can easily create new series through our creator site.

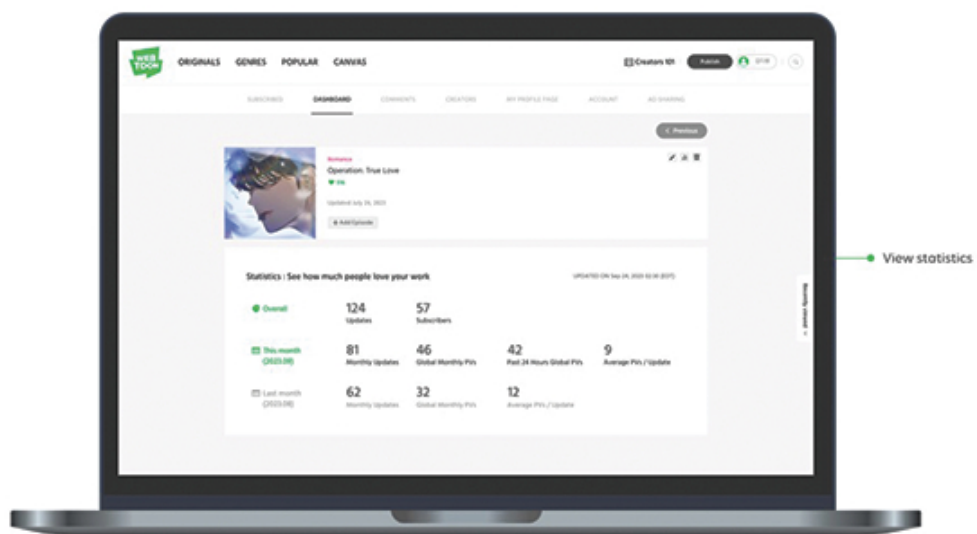


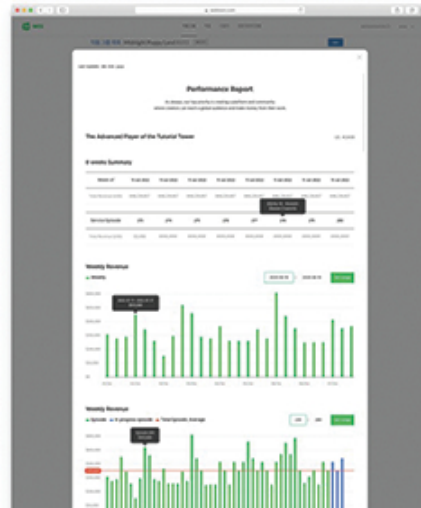
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Creators can also easily edit and manage episodes.

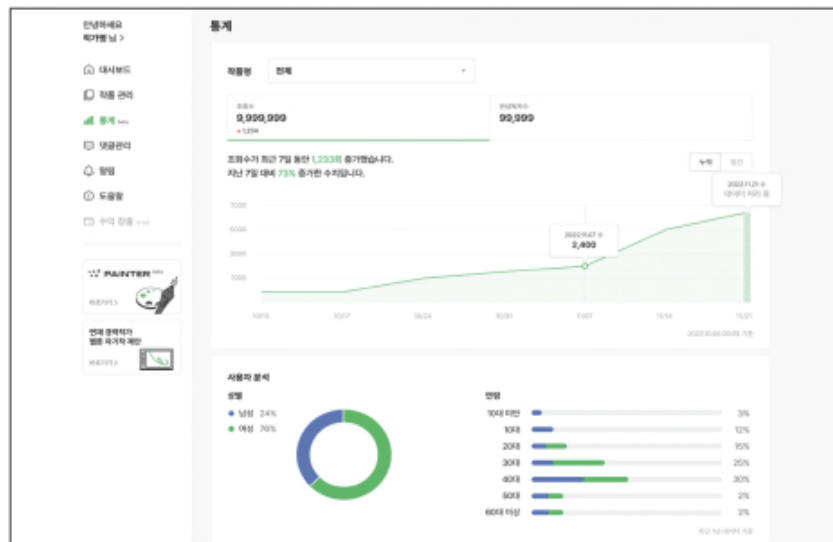


For amateur creators, we provide a dashboard where creators can view performance statistics for each series and episode.





Empowering our creators with earnings potential is critical to our long-term growth. We currently provide certain creators with a dashboard that helps manage creator earnings over time, and plan to further expand the coverage.



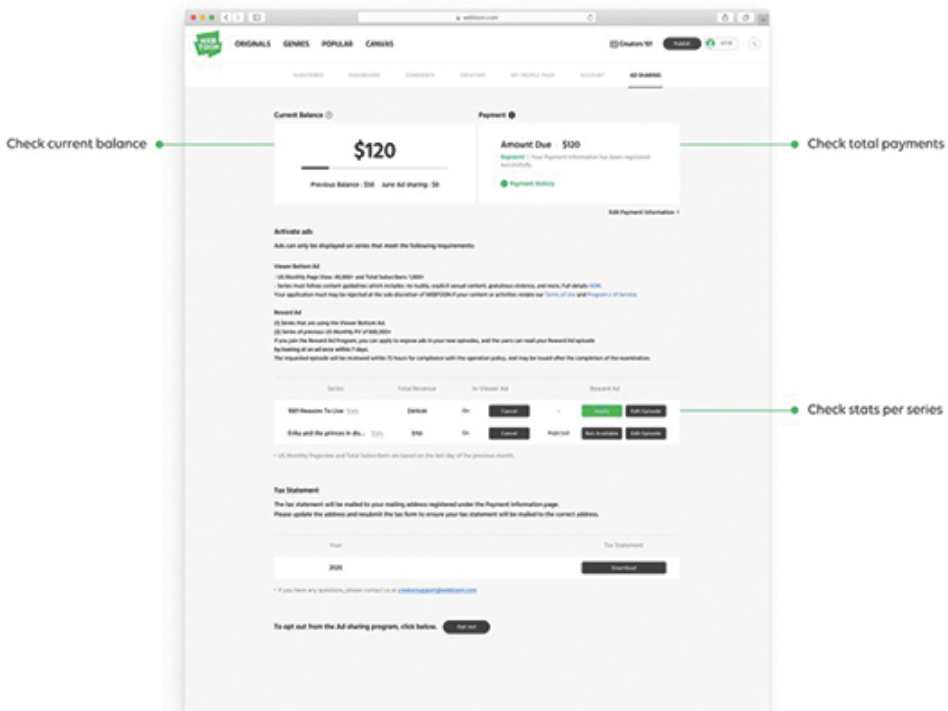
Platform for Amateur Creators

We provide similar tools for our amateur creators on our global amateur platform, CANVAS, or other variations of our amateur offerings in specific geographies (i.e., Challenge Comics in Korea and LINE MANGA Indies in Japan).

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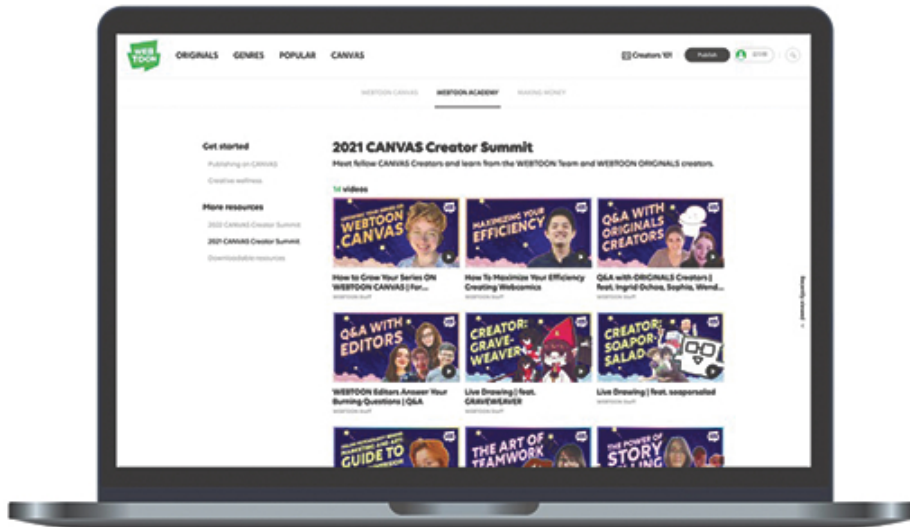
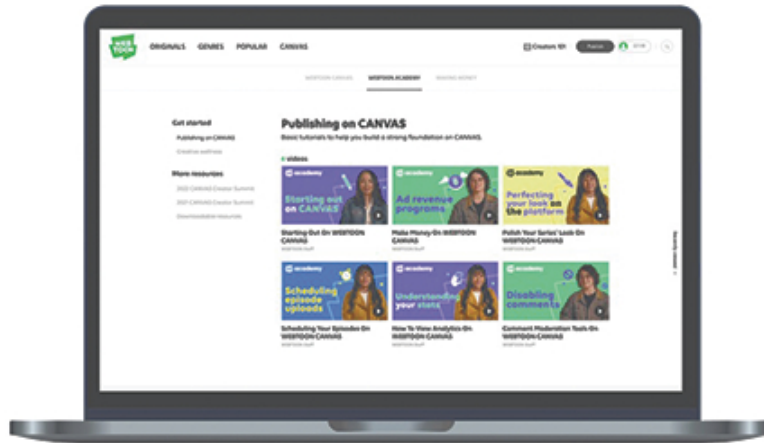
Advertising

Amateur creators on CANVAS exceeding a certain threshold of subscribers and views may take part in an advertising-based revenue sharing program.



Creator Support

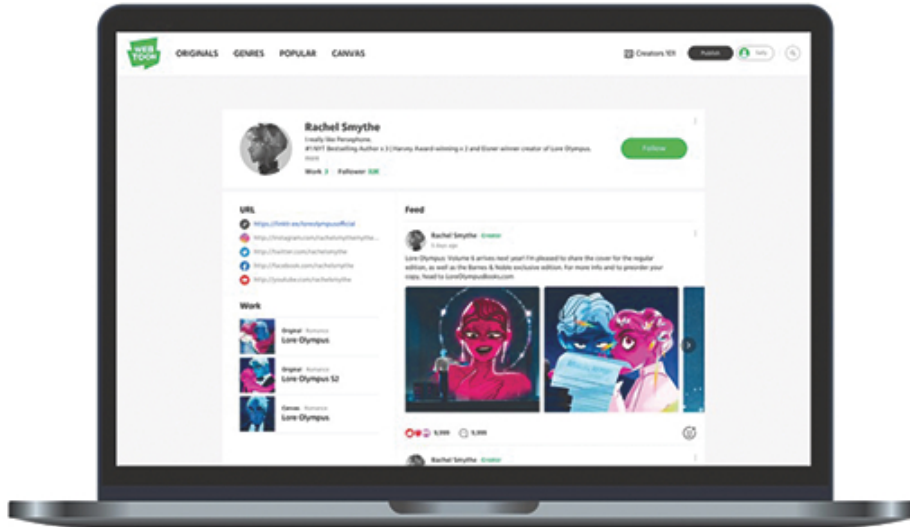
We provide creators with editorial support and various forms of training.



We also provide certain creators with increased opportunities for promotional campaigns.

Community

Creators can prepare a dedicated profile page to publish posts and communicate directly with fans. This allows creators to build deeper relationships with their fans and to start building fandoms around their stories.



Advertiser Products

We provide advertisers access to a global, highly engaged and high-intent audience. Our front-end advertiser product includes multiple ways to reach users in a native and organic way. Our back-end advertiser product is built on NAVER's or a third party's advertising platform.

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We offer three front-end advertiser products:

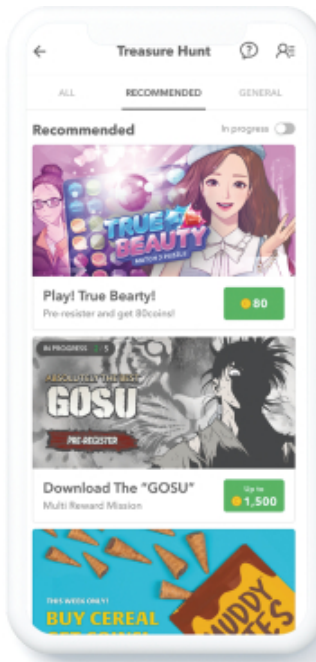
Display Ads

Display ads are nonintrusive banners viewable at the end of an episode and on the “Home” section, among other sections.

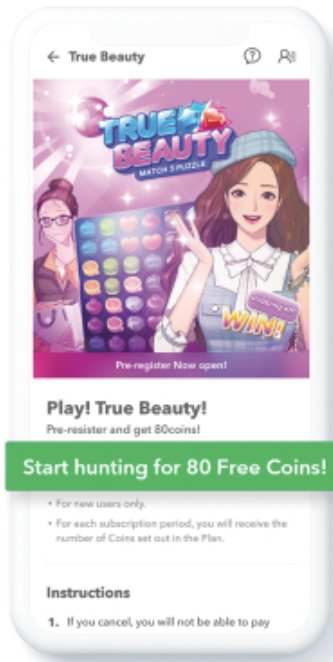


Achievement-Based Ads

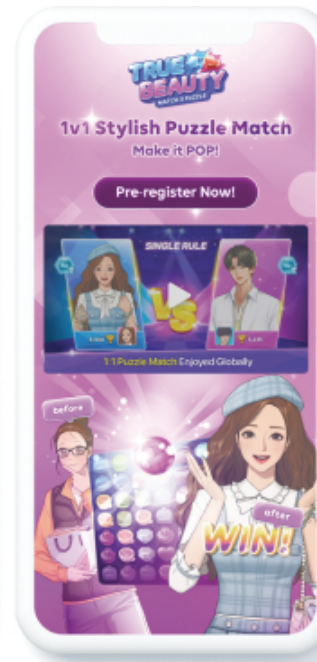
Achievement-based advertisements reward users with Coins upon completion of a specific task, such as subscribing to an advertiser partner's newsletter or visiting a promotional event on an advertiser partner's website.



Select an ad on the Offer-wall page



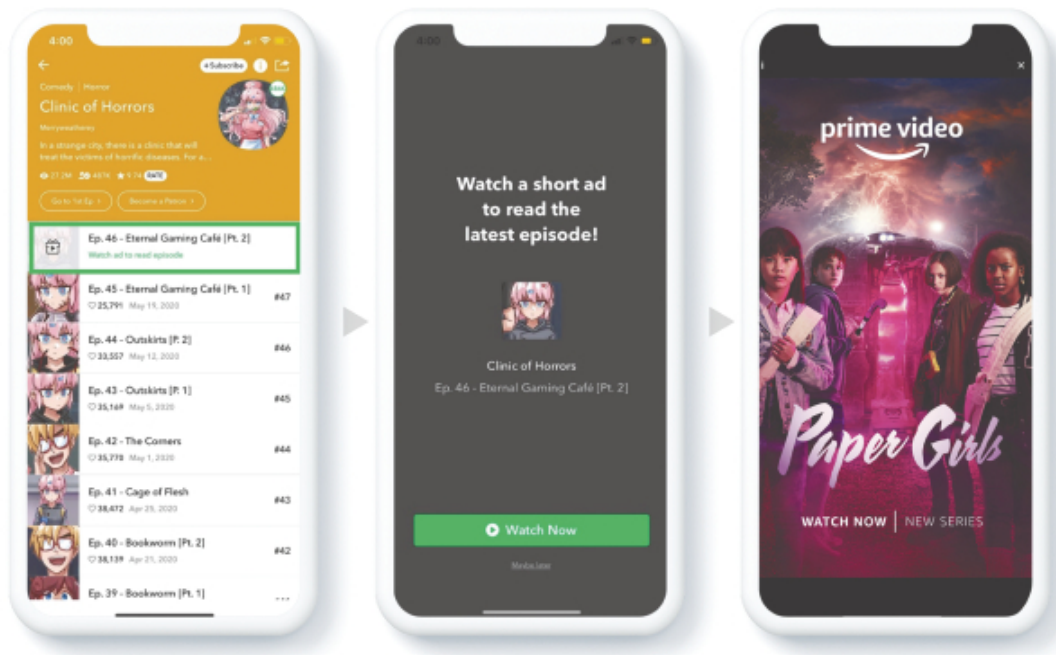
Tab on the action button



Complete an action and get rewarded!

Pre-Roll Ads

Pre-roll advertisements are video advertisements that may be viewed in order to unlock Paid Content for free. Users can choose to watch 30 second, non-skippable video ads to unlock certain episodes without paying.



Our Technology

Our technology fuels our competitive advantage, allowing us to deliver differentiated outcomes to creators and users at scale. We have a global team of software engineers and product managers who drive the development of our technology, representing approximately a quarter of our total employee base. We also benefit from the investment in technology infrastructure of our parent, NAVER. We continue to invest significant resources into artificial intelligence, aimed at enhancing our recommendation engine and facilitating content production.

Our Technology Architecture

A number of core principles underpin our technology architecture, which ensure scalability, reliability and flexibility. These principles include the following:

- **Scalable Cloud-Based Infrastructure:** We utilize the infrastructure of our parent, NAVER, to process video, audio and images. We use NAVER's cloud capabilities for computing and storage for most of our offerings, including all of our offerings in Korea. We therefore benefit from NAVER's years of investment in technology infrastructure, high-speed server capabilities and data transmission technology. Although we do not have a formal written agreement in place with NAVER, we leverage NAVER's large language model to inform our own innovations in artificial intelligence. We also efficiently integrate or otherwise utilize existing infrastructure in the case of acquisitions, as was the case for Wattpad and eBIJ.
- **Shared Back-End:** Because our platform consists of multiple mobile app offerings, we have designed certain back-end infrastructure to harmonize user-facing features across these apps. These features sit

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across all of our offerings, including those that may utilize a different back-end technology infrastructure or cloud provider. If we launch a new offering or other initiative, these back-end features can be efficiently updated across all of our offerings. Examples of our common features include:

- **Content Store Platform:** Infrastructure to manage and support in-app business models, including *Daily Pass*, *Fast Pass*, tipping and free Coins.
- **Community Features:** Creator profile page allowing creators to post announcements and surveys, and to communicate directly with users.
- **Royalty Settlement System:** Manages revenue sharing settlements for creators and third-party production studios.
- **Innovative Viewing Technology:** To ensure a stable and seamless reading experience, we have purpose-built our own viewer technology specifically designed for mobile, vertical web-comic formats. This includes features and functions customized to serial reading. We have also introduced a viewer specifically designed for web-novel platforms, optimized for reading serialized text-based content. Internally, we have an in-house team dedicated to developing and advancing this viewer technology.

Leveraging Our Data Assets

We have a highly differentiated first-party data set that provides us with significant insights into user behavior and consumption patterns and can be used to improve our overall platform. We run approximately _____ real-time processes per second at peak time, such as user action logs, clicks and ad exposures. Our technology team runs approximately _____ queries each week related to topics as varied as retention and payer penetration by cohort, number of viewed titles in a specific period, re-engagement rates of users related to specific promotional events and the revenue impact of different business models. We leverage these data assets in numerous aspects of our business. For example, our first-party data on user behavior enables our AI-based title recommendations. Our data also allows WEBTOON to offer advertisers a unique ability to target high-intent users. When we process our data, we take measures designed to protect the rights of the data subjects in compliance with applicable privacy laws.

Sales and Marketing

User Marketing

We aim to balance organic and paying user marketing channels. The strength of our brands, our leading market position in multiple regions and the viral nature of our stories enable us to benefit from word-of-mouth user adoption. We amplify organic marketing through partnerships with local tech platforms and communities, and through IP Adaptations of our stories, which reach new audiences through global distribution platforms, such as Netflix. We also employ paid marketing strategies, such as brand marketing, performance marketing and in-app giveaways. Our paid marketing strategy is typically title based, focusing on targeted promotions of certain highly popular stories. Our overall marketing strategy is intended to attract new audiences and to encourage user engagement. We monitor payback and return on advertising spend to assess our success at efficiently attracting and maintaining engagement of users.

Our user acquisition strategy varies by region:

- In Korea, we achieved broad user adoption and penetration of _____ % of the population with strong brand affinity as of the quarter ending September 30, 2023. As a result, our marketing spend is limited. We occasionally leverage in-app promotions, such as giveaways of free Coins, as a way of encouraging increased engagement by existing users.
- In Japan, our paid marketing strategy is focused on increasing brand awareness and targeting new users familiar with similar content genres, such as manga and anime. For paying user acquisition, we utilize a variety of digital channels, such as LINE, Google, Meta and TikTok.

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- In North America, our user acquisition is split between paid and organic. Our organic traffic benefits from partnerships with local creators or other popular technology platforms, such as our partnerships with Discord, Patreon, DC Comics and Hybe Entertainment, as well as through our IP Adaptations. Our paid marketing strategies include brand-marketing campaigns and performance marketing, aimed at increasing user awareness of and engagement with WEBTOON by promoting top content titles that have demonstrated strong readership.

Once users join our platform, we promote engagement through various in-app strategies, such as push notifications, banner ads and free Coin giveaways.

Creator Marketing

The vast majority of creators join our platform organically, attracted by our community of passionate users and the earnings opportunities on our platform. We cultivate this creator community through a dedicated team focused on creator outreach and support. This team targets both first-time writers and well-known professional creators from other industries. These strategies include highly publicized competitions on our platform and educational resources that we offer creators for free. We also participate in comic or anime conventions, such as Comic Con, where we often sponsor individual creators. We do not currently leverage any paid marketing spend on creator acquisition.

Our Competition

We compete for both users and creators. We compete to attract and retain our users, and for their engagement hours and spend, with multiple technology and content platforms. We also compete with similar technology and content platforms to provide creators with attractive opportunities to reach consumers and earn money.

Broadly, we compete for users and creators with companies in the following categories:

- social media platforms, such as Instagram, Pinterest, Snap, Facebook, YouTube, TikTok and Twitch;
- over-the-top platforms, such as Comcast, Disney and ViacomCBS;
- gaming companies, such as Activision Blizzard (subsidiary of Microsoft), Electronic Arts, Take-Two, Valve, Unity and Zynga; and
- video streaming services, such as Netflix.

In the specific context of web-comics:

- in Korea, we mainly compete with Kakao Webtoon (a web-comic platform operated by Kakao Entertainment Corporation) and
- in Japan, we mainly compete with Piccoma (a Japanese web-comic platform also operated by Kakao Entertainment Corporation) and with paper comics publishers, including Shueisha Inc. and Hakusensha Inc.

In the context of web-novels:

- in Korea, we compete with KakaoPage (a web-comics and web-novels platform run by Kakao Entertainment Corporation); Joara (a web-novel platform operated by Joara Inc.); and
- in the U.S., we compete with Radish (also owned by Kakao Entertainment Corporation), Archive of Our Own, FanFiction and WebNovel.

We believe we are able to successfully compete for users based on our large library of engaging content, unique content format, expansive range of genres, social and community features and personalization technology.

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We believe we are able to successfully compete for creators based on our highly attractive and engaged user base, monetization opportunities, creator enablement technology and community features.

For additional information about the risks to our business related to competition, see the section titled “Risk Factors—Risks Related to Our Business, Industry and Operations— We operate in highly competitive markets, and we face significant competition to attract and empower our creators and users.”

Privacy, Data Protection, Cybersecurity and Regulatory Matters

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business, including privacy, data protection and cybersecurity (including with respect to the personal information of minors). Many of these laws and regulations are still evolving and being tested in courts and could be interpreted and applied in a manner that is inconsistent from country to country or state to state and inconsistent with our current policies and practices and in ways that could adversely impact our business. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate. The costs of complying with these laws and regulations are high and are likely to increase in the future, particularly as the degree of regulation increases, our business grows and our geographic scope expands. Further, the impact of these laws and regulations may disproportionately affect our business in comparison to our peers in the technology sector that have greater resources. Any failure on our part to comply with these laws and regulations may subject us to significant liabilities or penalties, or otherwise adversely affect our business, financial condition or operating results. It is imperative that we secure the creative assets, performance and user data (including personal information) that are critical to our business. We devote considerable resources to our security program and regularly test the security of our services with the intent to ensure that user assets are securely stored, managed and otherwise processed. We take steps designed to make it easy for content developers and creators to securely build and distribute their content in our ecosystem.

We rely on a variety of statutory and common-law frameworks and defenses relevant to the content available on our service, including the Digital Millennium Copyright Act, or DMCA; the Communications Decency Act, or CDA; the fair-use doctrine in the U.S.; and the Electronic Commerce Directive in the EU. However, each of these frameworks and defenses is subject to uncertain or evolving judicial interpretation and regulatory and legislative amendments. In addition, pending or recently adopted legislation in the U.S. and EU may impose additional obligations or liability on us associated with content published by users to our platform. If the rules, doctrines or currently available defenses change, if international jurisdictions refuse to apply protections similar to those that are currently available in the U.S. or the EU, or if a court were to disagree with our application of those rules or doctrines to our services, we could be required to expend significant resources to try to comply with the new rules or incur liability, and our business, revenue and financial results could be adversely impacted.

We are also subject to U.S. federal and state and foreign laws and regulations regarding privacy, data protection and cybersecurity, including with respect to the storage, sharing, use, transfer, disclosure, protection and other processing of personal data. For example, the CCPA requires covered companies to, among other things, provide disclosures to California consumers and afford such consumers the ability to opt out of the sale of personal information. We have incurred additional costs and expenses in an effort to comply. Similar legislation has been proposed or adopted in other states. Aspects of the CCPA and these other state laws and regulations, as well as their enforcement, remain unclear, and we may be required to modify our practices in an effort to comply with them. In addition, foreign data protection, privacy, cybersecurity, consumer protection, content regulation and other laws and regulations may be more restrictive and burdensome than U.S. federal and state laws. For example, in the UK and EU, the GDPR and UK GDPR impose stringent operational requirements for entities processing personal information and significant penalties for noncompliance. Under the GDPR, violations may result in fines up to 20 million euros or up to 4% of the annual global revenues of the violating business, whichever is greater. In addition, there is uncertainty regarding adequate methods of data transfer from the EEA and UK to other countries, including the U.S.

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Children’s privacy has also been a focus of recent enforcement activity and subjects our business to potential liability that could adversely affect our business, financial condition or operating results. The FTC and state attorneys in the U.S. enforce COPPA, which requires companies to obtain parental consent before collecting personal information from children under the age of 13. In addition, the GDPR prohibits certain processing of the personal information of children under the ages of 13-16 (depending on the country) without parental consent. The CCPA requires companies to obtain the consent of children in California under the age of 16 (or parental consent for children under the age of 13) before selling their personal information. We take reasonable efforts designed to comply with these laws and regulations; however, due to increasing scrutiny from governmental entities generally, we may in the future face claims under COPPA, the GDPR, the CCPA or other laws relating to children’s privacy. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning content regulation and privacy, data protection and cybersecurity that could affect us if enacted in the future.

We take a variety of technical and organizational security measures and other measures designed to protect our data, including personal information and other data pertaining to our creators, users, employees and business partners. Despite the variety of reasonable measures we put in place, we may be unable to anticipate or prevent unauthorized access to, misuse, misappropriation or loss of such personal information and other data.

Noncompliance with any applicable laws and regulations could result in penalties or significant legal liability. Although we take reasonable efforts designed to comply with all applicable laws and regulations, there can be no assurance that we will not be subject to regulatory action, including fines, in the event of an incident. We or our third-party service providers could be adversely affected if legislation or regulations are expanded to require changes in our or our third-party service providers’ business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our or our third-party service providers’ business, operations or financial condition.

Government authorities outside the U.S. may also seek to restrict access to or block our service, prohibit or block the hosting of certain content available through our service or impose other restrictions that may affect the accessibility or usability of our service in that country for a period of time or even indefinitely. In addition, some countries have enacted laws that allow websites to be blocked for hosting certain types of restricted content or may require websites to remove certain restricted content. Our privacy policy and terms and conditions of use describe our practices concerning the use, transmission, disclosure and other processing of user information, including personal information, and are posted on our website. For additional information, please see the sections titled “Risk Factors—Risks Related to Our Business, Industry and Operations—If the security of our platform is compromised, it could compromise our and our creators’ and users’ personal, sensitive, confidential and proprietary information, disrupt our internal operations and harm public perception of our platform, which could adversely affect our business and reputation,” “Risk Factors—Risks Related to Our Business, Industry and Operations—We anticipate that our ongoing efforts related to privacy, data protection and cybersecurity, and content review will identify instances of misuse of user data or other undesirable activity by third parties on our platform” and “Risk Factors—Risks Related to Government Regulations and Legal Proceedings—We are subject to complex and evolving federal, state and international laws, regulations, rules, standards and contractual obligations regarding privacy, data protection and cybersecurity, which could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention or engagement, any of which could adversely affect our business.” Many of these laws and regulations are subject to change and uncertain interpretation, and could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention, or engagement, any of which could significantly harm our business.

Intellectual Property

Our intellectual property is an important aspect of our business, and our success depends in part on our ability to obtain, enforce, defend and protect our intellectual property rights. We rely on a combination of

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patents, copyrights, trademarks, trade secrets, know-how, license agreements, contractual provisions, non-disclosure agreements, employee non-disclosure and invention assignment agreements and confidentiality procedures to establish and protect our intellectual property rights. In addition to the protection provided by our intellectual property rights, we maintain a policy requiring our employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements to control access to our intellectual property.

As of September 30, 2023, we owned approximately 97 issued patents in the U.S. and foreign countries relating to aspects of our actual or contemplated operations and technologies (of which 11 are U.S. patents). Our issued patents are scheduled to expire between 2028 and 2042. As of September 30, 2023, we also had approximately 100 pending patent applications in the U.S. and abroad. There can be no assurance that each of our patent applications will result in the issuance of a patent. In addition, any resulting issued patents may have claims narrower than those in our patent applications. We seek to protect our proprietary inventions relevant to our business through patent protection; however, we are not dependent on any particular patent or application for the operation of our business.

We have registered the “WEBTOON” wordmark and logo as trademarks in certain classes of goods and services in the U.S. and other key jurisdictions in which we maintain operations. As of September 30, 2023, we were the registered holder of approximately 240 trademarks and have approximately 100 trademark applications in the U.S. and foreign countries. There can be no assurance that each of our trademark applications will result in the issuance of a trademark or that each resulting trademark registration will be able to be maintained. As of September 30, 2023, we were the registered holder of approximately 40 domestic and international domain names. We continually monitor the registration of our domain names, trademarks and service marks in the U.S. and in certain locations outside the U.S.

Despite our diligent efforts, we may not be able to obtain or maintain sufficient protection for or successfully enforce our intellectual property. Any current and future patents, trademarks and other intellectual property or other proprietary rights we own or license, or otherwise have a right to use, may be contested, circumvented or found unenforceable or invalid in certain jurisdictions. We cannot guarantee that our existing and future patents, copyrights, trademarks, trade secrets, domain names and other intellectual property rights will provide us with competitive advantages, distinguish our products from those of our competitors or prevent competitors from launching comparable products. We may also be dependent on third-party content, technology and intellectual property in connection with our business. Further, we may not be able to prevent third parties from infringing, diluting, misappropriating or otherwise violating our intellectual property rights, and we may face challenges to the validity or enforceability of our intellectual property rights. We cannot guarantee that our business does not and will not infringe or misappropriate the rights of third parties. Although we are not presently involved in intellectual property lawsuits, we may face allegations from third parties, including our competitors and “non-practicing entities,” that we have infringed, misappropriated or otherwise violated their intellectual property rights. There can be no guarantee that future lawsuits will not have a materially adverse impact on us. Further, certain federal statutes in the U.S. may apply to us with respect to various activities of our users, including the Digital Millennium Copyright Act, or the DMCA, which provides a statutory safe-harbor immunity from monetary damages for online service providers such as us from, among other things, infringing content published to our platform by our users, provided that we comply with certain statutory requirements of the DMCA. To enjoy the benefits of the safe harbor and be immune from monetary damages for infringing content published by our users, we must maintain certain practices, policies and procedures in compliance with the DMCA’s requirements, including registering a designated agent with the U.S. Copyright Office and maintaining that filing on a periodic basis with the U.S. Copyright Office. We must also expeditiously remove any infringing content upon acquiring actual knowledge of such infringement or, in the absence of actual knowledge, if we become aware of facts or circumstances from which infringing activity is apparent. We must also adopt and reasonably implement, and inform users of our platform, of a policy that provides for the termination in appropriate circumstances of users who are repeat infringers of the copyrights of third parties. If we fail to comply with the conditions for qualifying for safe-harbor immunity under the DMCA, we may be subject to monetary damages for infringing content on our platform. The damages for copyright infringement can

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be significant and may include the Company's profits derived from the infringed work. As we host millions of user-generated works, the Company could be subject to significant damages claims if we are determined not to comply with the DMCA safe harbors. Intellectual property disputes are common in our sector, and as we face increasing competition or grow our business, there is an ongoing risk that we may become involved in legal disputes involving intellectual property claims. In addition to the protection provided by our intellectual property rights, we maintain a policy requiring our employees and consultants and other third parties to enter into confidentiality and proprietary rights agreements to control access to our intellectual property.

For additional information on risks relating to intellectual property, please see the sections titled "Risk Factors—Risks Related to Intellectual Property—Claims by others that we infringe, misappropriate or otherwise violate their intellectual property rights through the activities of our creators or users or the content on our platform could subject us to liability," "Risk Factors—Risks Related to Intellectual Property—Failure to obtain, maintain, protect and enforce our proprietary and intellectual property rights could adversely affect our business," "Risk Factors—Risks Related to Intellectual Property—Failure to adequately protect, enforce and defend our rights in our proprietary and intellectual property rights could adversely affect our business" and "Risk Factors—Risks Related to Intellectual Property—We use open-source software on our platform, which may pose particular intellectual property risks to, and could adversely affect, our business."

Facilities

Our corporate headquarters, consisting of approximately 22,296 square feet of office space in Los Angeles, California, is leased through 2025. We lease additional office space in Korea, Japan and Canada. We also operate several data centers in Korea, Singapore, Germany and the U.S. pursuant to various lease agreements.

We intend to lease additional space as we add employees and expand geographically. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate any expansion of our operations.

Human Capital Resources

Employee

As of September 30, 2023, we employed approximately 1,981 full-time employees across the globe. In order to continue to evolve our platform, we must continue to invest heavily in attracting and retaining key talent, especially those focused on content, product and engineering functions. We monitor our progress with human capital metrics such as turnover rate and ratio of technical talents to overall employees. Our brand, platform, market position, reputation for innovation and cultivation and creator-centric culture support our ability to recruit best-in-class talent. As of September 30, 2023, we had 900 employees in our service and business functions, accounting for 45% of our full-time employees, and 453 employees in our tech functions, accounting for 23% of our full-time employees.

We operate our Company as a portfolio of small, vision-aligned teams. Each team maintains its own objectives, roadmap and key performance indicators. Organizing this way maximizes accountability, creativity and the number of leadership opportunities.

Team and Culture

At WEBTOON, our mantra is "We work for fun." Our team members are passionate about storytelling and are often fans of our unique form of content. As of September 30, 2023, we employ approximately 1,981 full-time employees globally. In order to continue to evolve our platform, we invest in attracting and retaining key talent, especially those focused on content, product and engineering. We are committed to creating a diverse and inclusive workforce, mirroring the environment we strive to create on our platform. Our brand, platform, market position,

reputation for innovation and creator-centric culture support our ability to recruit and retain best-in-class talent. We are also committed to the development of our team through leadership, technical and essential skills training. We host an annual internal conference called “WEBTOON We Are” aimed at sharing the diverse work experiences and perspectives of our employees and bringing together teams from various geographies and functions. In 2022, the conference featured 20 speakers with over 1,800 participants, the vast majority of our employees.

Legal Proceedings

From time to time, we are subject to legal proceedings, claims and investigations relating to intellectual property, data privacy and data protection, privacy and other torts, illegal or objectionable content, consumer protection, securities, labor and employment, contractual rights, civil rights infringement, false or misleading advertising, governmental investigations and other legal proceedings that arise in the ordinary course of our business. This risk is enhanced in certain jurisdictions outside of the U.S. where our protection from liability for content published on our platform by third parties may be unclear and where we may be less protected under local laws than we are in the U.S. Based on our current knowledge, we are not currently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, financial condition or results of operations. However, it often is not possible to predict the ultimate outcome of a legal proceeding, and our assessment of the materiality of a legal proceeding, including any accruals taken in connection therewith, may not be consistent with the ultimate outcome of the legal proceeding. In addition, our current estimates of the potential impact of legal proceedings on our business, financial condition or results of operations could change from time to time in the future. For additional information about our legal proceedings, see Note 10. *Commitments and Contingencies* to our combined financial statements included elsewhere in this prospectus.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information concerning the individuals who will serve as our executive officers and directors upon the consummation of this offering.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<i>Executive Officers</i>		
Junkoo Kim	46	Founder, Chief Executive Officer and Director
David J. Lee	52	Chief Financial Officer and Chief Operating Officer
Yongsoo Kim	38	Chief Strategy Officer
Chankyu Park	48	Chief Technology Officer
Hye Eun Son	46	Chief Design Officer
Hyojung Kim	48	Chief Product Officer
Hyung Il Kim	49	Head of Americas Ads
<i>Non-Employee Directors</i>		
Haejin Lee	56	Director
Seon Ju Chae	52	Director
Jun Masuda	46	Director

Junkoo Kim. Junkoo Kim is the founder of our Company and has served as a member of our board of directors and Chief Executive Officer since September 2016. Mr. Kim also serves as the Chief Executive Officer of NAVER WEBTOON since May 2017. Mr. Kim joined NAVER (then known as Search Solution Corp.) as a developer in 2004 and has over 19 years of experience in comics or digital content. Mr. Kim received his Bachelor of Science in Applied Chemistry from Seoul National University. We believe that Mr. Kim's extensive leadership experience, skills and background qualify him to serve as a member of our board of directors.

David J. Lee. David J. Lee joined our Company as Chief Financial Officer and Chief Operating Officer in November 2023 and oversees WEBTOON's, Wattpad's and Wattpad WEBTOON Studios' global corporate, financial and operations teams. Mr. Lee brings over 25 years of professional experience to the job, including 10 years as Chief Financial Officer or Chief Operating Officer in various companies and industries. Mr. Lee previously served as (i) founder, Chief Executive Officer and board chair of Inevitable Tech, Inc., a privately held agricultural technology company, from December 2022 to October 2023, (ii) President of AppHarvest, Inc., an agricultural technology public benefit corporation, from January 2021 to November 2022 and also the board member of AppHarvest, Inc. from January 2021 to December 2023, (iii) Chief Financial Officer of Impossible Foods Inc. from December 2015 to January 2021, where he also served as Chief Operating Officer from December 2015 until March 2019 and (iv) Chief Financial Officer at Zynga Inc. from April 2014 to December 2015. He also served as Senior Vice President of Corporate Strategy and Corporate Finance for Best Buy Co. Inc. from December 2012 to April 2014, and as Senior Vice President of Consumer Products and Strategy at Del Monte Foods Inc from February 2004 to December 2012. Earlier in his career, Mr. Lee worked at Leo Burnett Worldwide, Inc., an advertising company and worked in strategy at McKinsey & Company. Mr. Lee also currently serves on the board of directors for Zevia PBC and Benson Hill, Inc. He is also a Fellow at the Council of Korean Americans and the Network of Korean American Leaders. Mr. Lee received a Bachelor of Arts in Government from Harvard College and a Master of Business Administration from the University of Chicago.

Yongsoo Kim. Yongsoo Kim has served as our Chief Strategy Officer since December 2023 and leads global strategic initiatives. He joined our Company in November 2022 as Head of Strategy and served in the position until December 2023. Prior to joining our Company, he served as Chief Operating Officer at Mars Auto and as Principal at KKR, from January 2022 to October 2022 and from January 2018 to January 2022, respectively. Mr. Kim also served as Project Manager at Tesla from April 2017 to January 2018, and served as Engagement Manager at McKinsey & Company from October 2012 to April 2017. Mr. Kim served as a director

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at ECORBIT and TSK Corporation from October 2021 to March 2022 and from December 2020 to October 2021, respectively. Further, Mr. Kim served as an auditor at Hyundai Global Service from June 2021 to January 2022. Mr. Kim received a Bachelor of Business Administration at Yonsei University in 2012.

Chankyu Park. Chankyu Park has served as our Chief Technology Officer since March 2019. Mr. Park also has served as Leader of W Tech, All of WEBTOON Technical Division of NAVER WEBTOON since March 2018. Previously, Mr. Park served as Leader of Digital Contents & Audio Platform of NAVER, our parent, from March 2016 to February 2018. Mr. Park received a Bachelor of Science degree in Mathematics from Kwangwoon University.

Hyeun Son. Hyeun Son has served as our Chief Design Officer since March 2019. Ms. Son also has served as the Head of Design at NAVER WEBTOON, our subsidiary, since September 2017. Previously, Ms. Son served as designer at NAVER since 2006. Ms. Son received a Bachelor of Fine Arts in Visual Communication Design from Hongik University.

Hyojung Kim. Hyojung Kim has served as our Chief Product Officer since October 2022. Previously, Ms. Kim served as S Planning Leader at NAVER WEBTOON from April 2019 to September 2022. Ms. Kim also served as Product Design & Experience Leader at NAVER from April 2017 to March 2019, as Product Design & Experience UX Designer at NAVER from August 2016 to April 2017, and as Product UX Leader of NAVER from May 2010 to August 2016. Ms. Kim received a Bachelor of Arts in Metalwork from Kookmin University, a Master of Arts in Visual Design from Hongik University, and a Ph.D. in Visual Communication Design from Hongik University.

Hyung Il Kim. Hyung Il Kim has served as our Head of Americas Ads since January 2024 and was the Head of our Global IP business from November 2023 to January 2024. He previously served as our Chief Operating Officer and Secretary from February 2019 until October 2023, and as President of Americas Service from March 2023 until October 2023. Mr. Kim also served as Head of Global Ads at NAVER WEBTOON, our subsidiary, from June 2017 to February 2019, and as Head of GW Atom at NAVER, our parent, from September 2015 to March 2017. Mr. Kim also was Head of WEBTOON US Service at NAVER and at NAVER WEBTOON, from March 2017 to April 2017 and from May 2017 to April 2019, respectively. Mr. Kim received a Bachelor's degree in Business Administration from Yonsei University.

Haejin Lee. Haejin Lee has served as a member of our board of directors since October 2020. Mr. Lee also serves as the Global Investment Officer of NAVER since May 2017. Mr. Lee co-founded NAVER in June 1999 and served as chairman of the board of NAVER from November 2005 until March 2017. Prior to co-founding NAVER, from February 1992 to June 1999, Mr. Lee served in several roles at Samsung SDS Co., Ltd., an information technology services provider. Mr. Lee received a Bachelor of Science degree in computer science from Seoul National University and a Master of Science in computer science from Korea Advanced Institute of Science and Technology. We believe that Mr. Lee is qualified to serve on our board of directors based on his extensive industry expertise and leadership experience.

Seon Ju Chae. Seon Ju Chae has been a member of our board of directors since October 2020 and is also a member of the board of directors of NAVER since March 2022. Ms. Chae also has been the External/ESG Policy Representative of NAVER since March 2022. Previously, Ms. Chae served as the Chief Communication & Culture Officer of NAVER from September 2018 to March 2022. Ms. Chae received a Bachelor of Business Administration degree from Incheon National University. We believe that Ms. Chae is qualified to serve on our board of directors based on her knowledge of our company and leadership experience.

Jun Masuda. Jun Masuda has been a member of our board of directors since October 2020. He has also served as a member of the board directors of Line Digital Frontier Corporation, one of our wholly owned subsidiaries in Japan, since August 2020 and Executive Corporate Officer and Entertainment Company CEO at LY Corporation since October 2023. Previously, Mr. Masuda served as President and Representative Director,

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Chief Product Officer of Z Entertainment Corporation, formerly a subsidiary of Z Holdings Corporation (“Z Holdings”), between April 2021 and September 2023 and Director and Senior Managing Corporate Officer of Z Holdings between March 2021 to September 2023. We believe that Mr. Masuda is qualified to serve on our board of directors based on his knowledge of our company and leadership experiences.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Board of Directors

Upon consummation of this offering, our board of directors will consist of _____ individuals, including one as chairman. Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that _____, _____ and _____ do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the applicable rules and regulations of the SEC and the listing standards of _____. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our Company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director and the transactions involving them described in the section titled “Certain Relationships and Related Party Transactions.”

Our Amended Charter will provide that our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible and with the directors serving three-year terms. For further information, see the section entitled “Description of Capital Stock—Anti-Takeover Effects of Delaware Law, Our Amended Charter and Our Amended Bylaws.” Our board of directors will be divided among the three classes as follows:

- Our class I directors will be _____ and _____, and their term will expire at the first annual meeting of stockholders following this offering.
- Our class II directors will be _____ and _____, and their term will expire at the second annual meeting of stockholders following this offering.
- Our class III directors will be _____ and _____, and their term will expire at the third annual meeting of stockholders following this offering.

As a result, only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective term.

Committees of the Board of Directors

Our board of directors will establish, effective upon the consummation of this offering, audit, compensation and nominating and corporate governance committees. The composition, duties and responsibilities of these committees are set forth below. Our board of directors may from time to time establish certain other committees to facilitate the management of the Company.

Audit Committee

Our board of directors will establish, effective upon the consummation of this offering, an audit committee that is responsible for, among other matters, (1) appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm, (2) discussing with our independent registered

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public accounting firm its independence from us, (3) reviewing with our independent registered public accounting firm the matters required to be reviewed by applicable auditing requirements, (4) approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm, (5) overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC, (6) reviewing and monitoring our internal controls, disclosure controls and procedures and compliance with legal and regulatory requirements and (7) establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls, auditing and federal securities law matters.

Our audit committee will consist of _____, _____ and _____, with _____ serving as chairman. Rule 10A-3 of the Exchange Act and _____ rules require us to have one independent audit committee member upon the listing of our common stock on _____, a majority of independent directors within 90 days of the date of listing, and all independent audit committee members within one year of the date of listing. We intend to comply with the independence requirements within the time periods specified. Our board of directors has determined that _____ is an “audit committee financial expert” as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable rules and regulations. We believe that the composition and functioning of our audit committee complies with all applicable requirements of the Sarbanes-Oxley Act and all applicable SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us. Our board of directors will adopt, effective upon the consummation of this offering, a written charter for the audit committee, which will be available on our website upon the completion of this offering.

Compensation Committee

Our board of directors will establish, effective upon the consummation of this offering, a compensation committee that is responsible for, among other matters, (1) reviewing officer and executive compensation goals, policies, plans and programs, (2) reviewing and approving or recommending to our board of directors or the independent directors, as applicable, the compensation of our directors, Chief Executive Officer and other executive officers, (3) reviewing and approving the terms of any employment agreements, severance arrangements, change in control protections, indemnification agreements and other similar arrangements between us and our officers and other key executives, (4) appointing and overseeing any compensation consultants, (5) reviewing with management our disclosures under the caption “Compensation Discussion and Analysis” in our periodic reports or proxy statements to be filed with the SEC, to the extent such caption is included in any such report or proxy statement and (6) administering our equity incentive plans, to the extent such authority is delegated by our board of directors.

Our compensation committee will consist of _____, _____ and _____, with _____ serving as chairman. The composition of our compensation committee will meet the requirements for independence under current rules and regulations of the SEC and _____, including _____’s controlled company exemption. Each member of the compensation committee will also be a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986 (the “Code”). We believe that the composition and functioning of our compensation committee complies with all applicable requirements of the Sarbanes-Oxley Act and all applicable SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us. Our board of directors will adopt, effective upon the consummation of this offering, a written charter for the committee, which will be available on our website upon the completion of this offering.

Nominating and Corporate Governance Committee

Our board of directors will establish, effective upon the consummation of this offering, a nominating and corporate governance committee that is responsible for, among other matters, (1) identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of

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directors, (2) overseeing the organization of our board of directors to discharge the board's duties and responsibilities properly and efficiently, (3) developing and recommending to our board of directors a set of corporate governance guidelines and principles and (4) reviewing and approving related person transactions.

Our nominating and corporate governance committee will consist of _____, _____ and _____, with _____ serving as chairman. The composition of our nominating and corporate governance committee will meet the requirements for independence under current rules and regulations of the SEC and _____, including _____'s controlled company exemption. We believe that the composition and functioning of our nominating and corporate governance committee complies with all applicable requirements of the Sarbanes-Oxley Act and all applicable SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us. Our board of directors will adopt, effective upon the consummation of this offering, a written charter for the nominating and corporate governance committee, which will be available on our website upon the completion of this offering.

Controlled Company Exemption

After the completion of this offering, NAVER will beneficially own approximately _____% of our total outstanding shares of common stock and voting power for the election of directors (or _____% if the underwriters exercise in full their option to purchase additional shares of common stock to cover over-allotments). As a result, upon completion of this offering, we will be a "controlled company" as defined under the corporate governance rules of _____. We intend to avail ourselves of the "controlled company" exemption under the rules of _____, including exemptions from certain of the corporate governance listing requirements. As a controlled company, exemptions under the standards will free us from the obligation to comply with certain corporate governance requirements, including the requirements:

- that we have a compensation committee or nominating and corporate governance committee;
- that a majority of our board of directors consist of "independent directors," as defined under the rules of _____;
- that any corporate governance and nominating committee or compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that we have an annual performance evaluation of the nominating and governance committees and compensation committee.

Role of the Board of Directors in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors administers this oversight function directly through our board of directors as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure and our audit committee will have the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The audit committee will also have the responsibility to review with management the process by which risk assessment and management is undertaken, monitor compliance with legal and regulatory requirements and review with our independent auditors the adequacy and effectiveness of our internal control over financial reporting. Our governance and nominating committee will be responsible for periodically evaluating our corporate governance policies and system in light of the governance risks that we face and the adequacy of our policies and procedures designed to address such risks. Our compensation committee will assess and monitor whether any of our compensation policies and programs are reasonably likely to have a material adverse effect on us.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves or has served during the last completed fiscal year as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Indemnification of Directors and Officers

Our Amended Charter and Amended Bylaws will provide that we will indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to certain limited exceptions. For further information, see the section entitled “Description of Capital Stock—Indemnification and Limitations on Directors’ Liability.”

Code of Business Conduct and Ethics

Our board of directors will adopt a general code of ethics that applies to all of our employees, officers and directors effective upon the completion of the offering. In addition, our board of directors will adopt a code of ethics for executive officers and principal accounting personnel that applies to our principal executive officer, principal financial and accounting officer and other designated members of our management effective upon the completion of the offering. At that time, the full text of our codes of ethics will be available on the Investor Relations section of our website at www.webtoons.com. We intend to disclose future amendments to certain provisions of our codes of ethics, or waivers of certain provisions as they relate to our directors and executive officers, at the same location on our website or otherwise as required by applicable law. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus.

Corporate Governance Guidelines

Our board of directors will adopt corporate governance guidelines in accordance with the corporate governance rules of that serve as a flexible framework within which our board of directors and its committees operate. These guidelines will cover a number of areas including board membership criteria and director qualifications, director responsibilities, board agenda, roles of the chairman of the board, chief executive officer and presiding director, meeting of independent directors, committee responsibilities and assignments, board member access to management and independent advisors, director communications with third parties, director compensation, director orientation and continuing education, evaluation of senior management and management succession planning. A copy of our corporate governance guidelines will be posted on our website.

EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for our Chief Executive Officer and our two other most highly compensated officers, to whom we refer as our “Named Executive Officers.” For the year ended December 31, 2023, our Named Executive Officers and their positions were as follows:

- Junkoo Kim, Chief Executive Officer;
- David Lee, Chief Operating Officer and Chief Financial Officer; and
- Chankyu Park, Chief Technology Officer.

For the year ended December 31, 2022, our Named Executive Officers and their positions were as follows:

- Junkoo Kim, Chief Executive Officer;
- Hyung Il Kim, Chief Operating Officer; and
- Chankyu Park, Chief Technology Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from the currently planned programs summarized in this discussion.

Summary Compensation Table

Name and Principal Position ⁽¹⁾	Year	Salary (\$) ⁽²⁾	Bonus (\$) ⁽³⁾	Stock Awards (\$) ⁽⁴⁾	Option Awards (\$) ⁽⁵⁾	Non-Equity Incentive Plan Compensation (\$) ⁽⁶⁾	All Other Compensation (\$) ⁽⁷⁾	Total (\$)
Junkoo Kim, Chief Executive Officer	2023	595,825	159,122	8,906,610	—	684,000	—	10,345,557
	2022	598,961	158,350	—	—	705,000	58,630	1,520,941
Hyung Il Kim, Chief Operating Officer	2022	320,156	—	—	19,124	80,000	27,838	447,117
Chankyu Park, Chief Technology Officer	2023	247,093	772	—	406,841	146,711	—	801,417
	2022	253,783	—	—	106,242	122,926	—	482,951
David Lee, Chief Operating Officer and Chief Financial Officer	2023	63,462	600,000	1,446,944	3,325,598	—	—	5,436,004

- (1) Hyung Il Kim ceased to be Chief Operating Officer as of October 31, 2023 and David Lee was appointed Chief Operating Officers and Chief Financial Officer as of November 1, 2023.
- (2) Amounts in this column for Junkoo Kim include a base salary of \$480,000 in each of 2022 and 2023, payable by the Company, and a base salary of \$118,961 in 2022 and \$115,825 in 2023, payable by NAVER WEBTOON. Amounts in this column for Junkoo Kim (with respect to his NAVER WEBTOON base salary) and Chankyu Park in 2022 were converted to U.S. dollars (USD) from Korean Won (KRW) based on the USD/KRW exchange rate of 1,260.92 on December 31, 2022. Amounts in this column for Junkoo Kim (with respect to his NAVER WEBTOON base salary) and Chankyu Park in 2023 were converted to U.S. dollars (USD) from Korean Won (KRW) based on the USD/KRW exchange rate of 1,295.06 on December 29, 2023.

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- (3) Amounts in this column for Junkoo Kim reflect a retention bonus paid to Mr. Kim in 2022 in the amount of \$158,350 and 2023 in the amount of \$158,350 (see “—Retention Bonus Agreement”), and a bonus of \$772 to celebrate reaching our first monthly break-even point in June 2023. The amount in this column for David Lee reflects a cash sign-on bonus paid to Mr. Lee in 2023. See “—Employment Agreements.” The amount in this column for Chankyu Park reflects a bonus of \$772 to celebrate reaching our first monthly break-even point in June 2023. Amounts in this column for Junkoo Kim (with respect to the break-even point bonus) and Chankyu Park were converted to U.S. dollars (USD) from Korean Won (KRW) based on the USD/KRW exchange rate of 1,295.06 on December 29, 2023.
- (4) Amounts in this column reflect the aggregate grant date fair value of restricted stock units granted to Messrs. Kim and Lee in 2023, computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions used in calculating grant date fair value, see Note 11. *Stock-Based Compensation* in the accompanying notes to our combined financial statements included elsewhere in this prospectus.
- (5) Amounts in this column reflect the aggregate grant date fair values of options granted during the applicable fiscal year, computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions used in calculating grant date fair values, see Note 11. *Stock-Based Compensation* in the accompanying notes to our combined financial statements included elsewhere in this prospectus.
- (6) Amounts in this column for 2022 and 2023 reflect the actual amount earned by each Named Executive Officer under the Company’s performance-based cash incentive bonus program. See “—Executive Bonus Program.” Amounts in this column for Chankyu Park for 2022 were converted to U.S. dollars (USD) from Korean Won (KRW) based on the USD/KRW exchange rate of 1,260.92 on December 31, 2022. Amounts in this column for Mr. Park for 2023 were converted to U.S. dollars (USD) from Korean Won (KRW) based on the USD/KRW exchange rate of 1,295.06 on December 29, 2023.
- (7) Amounts in this column for Junkoo Kim reflect tax equalization payments in the amount of \$51,867 in respect of his 2022 income taxes for his 2022 compensation, a \$1,110 meal allowance, and \$5,653 in interest assistance on a personal loan. Amounts in this column for Junkoo Kim were converted to U.S. dollars (USD) from Korean Won (KRW) based on the USD/KRW exchange rate of 1,260.92 on December 31, 2022. Amounts in this column for Hyung Il Kim reflect a \$11,481 compensation and lifestyle allowance to make Mr. Kim whole for adjustments to the Company’s meal and health insurance allowances. The amounts also reflect a \$600 commuter allowance and \$15,757 in 401(k) plan matching contributions made on his behalf during fiscal year 2022. See “—Retirement Benefits” for additional information regarding 401(k) plan contributions.

Outstanding Equity Awards at Fiscal Year End

The following table summarizes, for each Named Executive Officer, the number of Options and RSUs held as of December 31, 2023.

Name	Grant Date ⁽⁴⁹⁾	Option Awards				Stock Awards	
		Number of securities underlying unexercised options exercisable (#)	Number of securities underlying unexercised options unexercisable (#)	Option exercise price (\$)	Option expiration date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽⁸⁾
Junkoo Kim, Chief Executive Officer	12/29/2023	—	115,389 ⁽¹⁾	331.00	11/23/2028	14,601 ⁽⁵⁾	8,906,610
Hyung Il Kim, Chief Operating Officer	11/23/2020	—	50 ⁽⁴⁾	610.00	11/22/2031		
	12/26/2022	—	54 ⁽²⁾	969.00	12/26/2030		
	10/07/2021	—	148 ⁽³⁾	391.00	10/07/2029		
	11/23/2020	—	1,264 ⁽¹⁾	331.00	11/23/2028		
Chankyu Park,	11/22/2023	—	1,650 ⁽⁴⁾	610.00	11/22/2031		

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Name	Grant Date ⁽⁴⁹⁾	Option Awards				Stock Awards	
		Number of securities underlying unexercised options exercisable (#)	Number of securities underlying unexercised options unexercisable (#)	Option exercise price (\$)	Option expiration date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽⁸⁾
Chief Technology Officer	12/26/2022	—	300 ⁽²⁾	969.00	12/26/2030		
	10/07/2021	—	338 ⁽³⁾	391.00	10/07/2029		
	11/23/2020	—	1,264 ⁽¹⁾	331.00	11/23/2028		
David Lee, Chief Operating Officer and Chief Financial Officer	11/22/2023	—	19,767 ⁽⁷⁾	610.00	11/22/2031	2,372 ⁽⁶⁾	1,446,944

- (1) Unvested options vest upon the satisfaction of the following conditions: (a) the closing of an initial public offering of the Company and (b) the Named Executive Officer's continued employment through November 23, 2023.
- (2) Unvested options vest upon the satisfaction of the following conditions: (a) the closing of an initial public offering of the Company and (b) the Named Executive Officer's continued employment through December 26, 2025.
- (3) Unvested options vest upon the satisfaction of the following conditions: (a) the closing of an initial public offering of the Company and (b) the Named Executive Officer's continued employment through October 7, 2024.
- (4) Unvested options vest upon the satisfaction of the following conditions: (a) the closing of an initial public offering of the Company and (b) the Named Executive Officer's continued employment through November 22, 2026.
- (5) Unvested RSUs vest upon either (i) the closing of an initial public offering of the Company, subject to Mr. Kim's continuous employment with the Company through the initial public offering, or (ii) Mr. Kim's continued employment through December 29, 2026.
- (6) Unvested RSUs vest upon the satisfaction of the following conditions: (i) the closing of an initial public offering or a change in control of the Company and (ii) 1/12th of the total number of RSUs time vest on the last day of each of the first 12 successive three-month periods following November 1, 2023, subject to the Mr. Lee's continuous employment with the Company through each time vesting date.
- (7) Unvested options vest in installments equal to 1/12th of the total number of options on the last day of each of the first 12 successive three-month periods following November 1, 2023, subject to Mr. Lee's continuous employment with the Company through each vesting date.
- (8) The amount in this column represents the fair market value of the Company's common stock as of December 31, 2023, multiplied by the number of reported shares.
- (9) All of the outstanding equity awards were granted pursuant to Third Amended and Restated 2020 Equity Incentive Plan.

Emerging Growth Company Status

As an emerging growth company we will be exempt from certain requirements related to executive compensation, including the requirements to hold a nonbinding advisory vote on executive compensation, to provide information relating to the ratio of total compensation of our Chief Executive Officer to the median of the annual total compensation of all our employees, and to provide pay versus performance disclosure, each as required by the Investor Protection and Securities Reform Act of 2010, which is part of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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Employment Agreements

Employment Agreement and Business Delegation Agreement with Junkoo Kim

On January 1, 2023, we entered into an executive employment agreement with Mr. Kim for a term of one year that expires on December 31, 2023, pursuant to which Mr. Kim serves as our Chief Executive Officer. Mr. Kim may resign at any time, subject to providing written notice of at least one calendar month. Under the employment agreement, Mr. Kim (a) is eligible to receive an annual base salary of \$480,000, (b) is eligible to receive an annual incentive bonus in respect of fiscal year 2023, with the target being equal to \$570,000, and (c) may not be employed by, or provide services to, a business that competes with the Company.

On January 1, 2023, NAVER WEBTOON entered into a business delegation agreement with Mr. Kim for a term of one year that expired on December 31, 2023, pursuant to which Mr. Kim may have resigned at any time, subject to providing written notice of at least one calendar month. Under the business delegation agreement, Mr. Kim (a) was eligible to receive an annual base salary of 150,000,000 Korean Won and (b) may not be employed by, or provide services to, a business that competes with NAVER WEBTOON for one year following December 31, 2023.

Employment Agreement with David Lee

On October 14, 2023, we entered into an executive employment agreement with Mr. Lee, pursuant to which Mr. Lee serves as our Chief Operating Officer and Chief Financial Officer. Under the employment agreement, Mr. Lee (a) is eligible to receive an annual base salary of \$500,000, (b) is eligible to receive an annual incentive bonus, with the target being up to 100% of his annual base salary, (c) received a \$600,000 lump sum cash sign-on bonus, (d) received a grant of stock options, which represented 0.5% of the Company's fully-diluted capital stock on the date of grant and a grant of restricted stock units, which represented 0.06% of the Company's fully-diluted capital stock on the date of grant, (e) is reimbursed for all reasonable and necessary commuting expenses for airfare, hotel, and ground transportation between the San Francisco Bay Area and Los Angeles for five days per week from January 1, 2024 to December 31, 2026 (or if earlier, the date of his termination of employment), with the aggregate amount reimbursed not to exceed \$50,000 for each six-month period between January 1, 2024 to December 31, 2026, and (f) is subject to restrictive covenants including (i) non-competition and non-solicitation of customers during employment, (ii) non-solicitation of employees during employment and for 12 months following the termination of Mr. Lee's employment, and (iii) perpetual confidentiality, assignment of inventions, and non-disparagement. In addition, Mr. Lee's executive employment agreement provides for certain severance benefits if we terminate Mr. Lee without "cause" or Mr. Lee resigns with "good reason." See "—Potential Payments upon a Termination of Employment."

Business Delegation Agreement with Chankyu Park

On January 1, 2023, NAVER WEBTOON entered into a business delegation agreement with Mr. Park for a term of one year that expired on December 31, 2023, pursuant to which Mr. Park may resign at any time, subject to providing written notice of at least one calendar month. Under the business delegation agreement, Mr. Park (a) is eligible to receive an annual base salary of 320,000,000 Korean Won, (b) is eligible to receive an annual incentive bonus in respect of fiscal year 2023, with the target being equal to 175,000,000 Korean Won, and (c) may not be employed by, or provide services to, a business that competes with the NAVER WEBTOON.

Retention Bonus Agreement

On July 1, 2022, the Company and Mr. Kim entered into a retention bonus agreement providing for a cash bonus in an aggregate amount of \$316,700, payable in two equal installments on each of December 23, 2022, and December 22, 2023, which was paid early in September 2023.

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Executive Bonus Program

As described above, the Named Executive Officers are eligible to receive a cash bonus for the 2022 fiscal year based on the target amount specified in his employment agreement. The cash bonus opportunity is generally earned based on the achievement of individual and organizational performance goals. The performance goals, the achievement of such performance goals, and the amounts of the bonuses payable in respect of such performance goals to the Named Executive Officers are determined in the sole discretion of the Company.

Long-Term Incentive Compensation

The Named Executive Officers have been granted long-term incentives in the form of stock and, in the case of Junkoo Kim and David Lee, restricted stock units (“RSUs”), each options (the “Options”) to purchase our common stock pursuant to the Company’s Third Amended and Restated 2020 Equity Incentive Plan and an underlying stock option agreement or restricted stock unit agreement.

The Options granted to the Named Executive Officers (other than David Lee) vest upon the satisfaction of the following conditions: (i) the closing of an initial public offering of the Company and (ii) the Named Executive Officer’s continued employment through the third anniversary of the date of grant. Upon the termination of a Named Executive Officer’s employment with the Company, any portion of such Options that is not vested as of the date of termination automatically expire. The Options expire on the eighth anniversary of the grant date.

The Options granted to David Lee vest in installments equal to 1/12th of the total number of Options on the last day of each of the first 12 successive three-month periods following November 1, 2023, subject to Mr. Lee’s continuous employment with the Company through each vesting date. Any portion of such Options that is not vested as of the date of termination automatically expire, unless Mr. Lee’s employment is terminated by the Company without “cause” or by Mr. Lee for “good reason” (as each of those terms is defined in Mr. Lee’s executive employment agreement), in each case, within 12 months following a change in control of the Company, in which case all of Mr. Lee’s Options that have not satisfied the requirements will vest in full. The Options expire on November 22, 2031.

The RSUs granted to David Lee vest upon the satisfaction of the following conditions: (i) the closing of an initial public offering or a change in control of the Company and (ii) 1/12th of the total number of RSUs time vest on the last day of each of the first 12 successive three-month periods following the vesting commencement date, subject to Mr. Lee’s continuous employment with the Company through each vesting date. Any portion of such RSUs that is not vested as of the date of termination automatically expire, unless Mr. Lee’s employment is terminated by the Company without “cause” or by Mr. Lee for “good reason” (as each of those terms is defined in Mr. Lee’s executive employment agreement), in each case, within 12 months following a change in control of the Company, in which case all of Mr. Lee’s RSUs that have not satisfied the time vesting requirements will vest in full.

The RSUs granted to Junkoo Kim vest upon either (i) the closing of an initial public offering of the Company, subject to Mr. Kim’s continuous employment with the Company through the initial public offering, or (ii) Mr. Kim’s continued employment through December 29, 2026. Upon the termination of Mr. Kim’s employment with the Company, any portion of such RSUs that is not vested as of the date of termination automatically expire.

Retirement Benefits

We have not maintained, and do not currently maintain, a defined benefit pension plan or nonqualified deferred compensation plan. We currently make available a retirement plan intended to provide benefits under Section 401(k) of the Code, pursuant to which employees, including David Lee and Hyung Il Kim (but not

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Junkoo Kim or Chankyu Park), can make voluntary pre-tax contributions. We match 100% of elective deferrals up to 7% of compensation. These matching contributions are immediately vested. All contributions under the plan are subject to certain annual dollar limitations, which are periodically adjusted for changes in the cost of living.

Potential Payments upon a Termination of Employment

Our Named Executive Officers participate in the NAVER WEBTOON Severance Pay Policy for Executives, which provides for severance pay upon a Named Executive Officer's (other than David Lee and Hyung Il Kim) termination of employment, if the Named Executive Officer has been employed for at least one year. We have the ability to reduce the severance pay in the event that a Named Executive Officer is terminated due to sanctions, for reasons attributable to the employee (such as failure to achieve business goals or lack of competence and leadership), or damage is caused to the Company or the Company's reputation due to the Named Executive Officer's intent, gross negligence or immoral conduct. The severance is payable in a lump sum in an amount equal to the product of (a) the sum of the Named Executive Officer's (i) total base pay and allowances for the three months prior to the resignation date, divided by three, plus (ii) the annual incentive compensation for the year prior to the resignation date, divided by 12, multiplied by (b) the number of whole and partial months the Named Executive Officer was employed by the Company, multiplied by (c) two (the "Severance Pay"). For Named Executive Officers (other than David Lee and Hyung Il Kim) employed less than one year, we provide a severance incentive arrangement that is calculated in the same way as the severance pay mentioned above. In addition, the Company may pay a discretionary additional bonus of up to 50% of the Severance Pay in recognition of any extraordinary contributions of the Named Executive Officer during employment. Our Named Executive Officers (other than David Lee) are not entitled to any enhanced severance or benefits in connection with a change in control.

The executive employment agreement for David Lee provides for the following severance benefits if we terminate Mr. Lee without "cause" or Mr. Lee resigns with "good reason" (as each of those terms is defined in Mr. Lee's executive employment agreement): (a) a lump sum payment equal to twelve months of his then-current annual salary, (b) a lump sum payment equal to his target annual bonus, prorated for the portion of the fiscal year elapsed as of Mr. Lee's termination date, (c) payment of any earned but unpaid annual bonus on the normal payment date. Payment of the severance benefits is subject to Mr. Lee's execution and non-revocation of a release of claims in favor of the Company, (d) reimbursement of a portion of the continuation coverage premiums under the Company's health and welfare benefits for twelve months following the termination date, and (e) if such termination or resignation occurs within 12 months following a change in control, Mr. Lee's unvested RSUs and Options will vest as described above (see "—Long-Term Incentive Compensation").

Equity and Cash Incentives—Summary of the 2024 Omnibus Incentive Plan

Prior to the consummation of this offering, we anticipate that our board of directors (the "Board") will adopt, and our stockholders will approve, the 2024 Omnibus Incentive Plan (which we refer to as the "2024 Plan"), pursuant to which employees, consultants and directors of our company and our affiliates performing services for us, including our executive officers, will be eligible to receive awards. We anticipate that the 2024 Plan will provide for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, other share-based awards, other cash-based awards, substitute awards, and performance awards intended to align the interests of participants with those of our stockholders. The following description of the 2024 Plan is based on the form we anticipate will be adopted, but since the 2024 Plan has not yet been adopted, the provisions remain subject to change. As a result, the following description is qualified in its entirety by reference to the final 2024 Plan once adopted, a copy of which in substantially final form has been filed as an exhibit to the registration statement of which this prospectus is a part.

Securities to Be Offered

The aggregate number of shares of common stock that may be issued or used for reference purposes or with respect to which awards may be granted under the 2024 Plan shall not exceed a number of shares of our common stock equal to _____ % of the fully diluted shares of our common stock outstanding at the closing of this offering (subject to adjustment in the event of certain transactions or changes of capitalization in accordance with the 2024 Plan) (the “Initial Share Reserve”). The number of shares of common stock available for issuance under the 2024 Plan will be subject to an annual increase on the first day of each calendar year beginning January 1, 2025, and ending and including January 1, 2034, equal to the lesser of (i) _____ % of the aggregate number of shares of common stock outstanding on the final day of the immediately preceding calendar year and (ii) any such smaller number of shares as is determined by the Board. The aggregate number of shares that may be issued or used under the 2024 Plan pursuant to incentive stock options (“ISOs”) shall not exceed an amount equal to the Initial Share Reserve. Shares of common stock subject to an award that expires or is canceled, forfeited or otherwise terminated without delivery of shares, shares tendered in payment of an option, shares covered by a stock-settled stock appreciation right (“SAR”) or other award that were not issued upon settlement, and shares delivered or withheld to satisfy any tax withholding obligations will again be available for delivery pursuant to other awards under the 2024 Plan. The number of shares of common stock available for issuance under the 2024 Plan will not be reduced by shares issued pursuant to awards issued or assumed in connection with a merger or acquisition as contemplated by applicable stock exchange rules.

Administration

The 2024 Plan will be administered by a committee of the Board that has been authorized to administer the 2024 Plan, except if no such committee is authorized by the Board, the Board will administer the 2024 Plan (as applicable, the “Committee”). The Committee will have broad discretion to administer the 2024 Plan, including the power to determine the eligible individuals to whom awards will be granted, the number and type of awards to be granted, and the terms and conditions of awards. The Committee may also accelerate the vesting or exercise of any award and make all other determinations and take all other actions necessary or advisable for the administration of the 2024 Plan. To the extent the Committee is not the Board, the Board will still retain the authority to take all actions permitted by the Committee under the 2024 Plan.

Eligibility

Employees, consultants and non-employee directors of our Company and its affiliates will be eligible to receive awards under the 2024 Plan. As stated above, the basis for participation in the 2024 Plan is the Committee’s decision to select, in its sole discretion, participants from among those eligible. As of _____, there were approximately _____ employees, _____ consultants and _____ non-employee directors who would be eligible to participate in the 2024 Plan.

Non-Employee Director Compensation Limits

The fair value of any awards granted under the 2024 Plan to a non-employee director as compensation for services on the Board, during any one fiscal year, taken together with any cash fees paid to such non-employee director during such period in respect of the non-employee director’s services as a member of the Board during such year, may not exceed \$ _____; however, the Board can make exceptions to this limit so long as the applicable non-employee director does not participate in the decision.

Types of Awards

Options

The 2024 Plan provides for the grant of both ISOs intended to qualify under Section 422 of the Code and nonstatutory stock options. We may grant options to eligible persons, except that ISOs may only be granted to

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persons who are our employees or employees of one of our parents or subsidiaries, in accordance with Section 422 of the Code. The exercise price of an option cannot be less than 100% of the fair market value of a share of common stock on the date on which the option is granted and the option must not be exercisable for longer than ten years following the date of grant. However, in the case of an ISO granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our equity securities, the exercise price of the option must be at least 110% of the fair market value of a share of common stock on the date of grant and the option must not be exercisable more than five years from the date of grant.

Options granted under the 2024 Plan generally must be exercised by the optionee before the earlier of the expiration of such option or at such time or times as shall be determined by the Committee at the time of grant. Each option award agreement will set forth the extent to which the optionee will have the right to exercise the option following the termination of the optionee's service with us, and the right to exercise the option of any executors or administrators of the optionee's estate or any person who has acquired such options directly from the optionee by bequest or inheritance.

Payment of the exercise price may be made in a manner approved by the Committee, which may include (a) immediately available funds in U.S. dollars, (b) delivery of common stock having a value equal to the exercise price, (c) a broker assisted cashless exercise or (d) any other means approved by the Committee.

SARs

A SAR is the right to receive an amount equal to the excess of the fair market value of one share of common stock on the date of exercise over the grant price of the SAR. The grant price of a SAR cannot be less than 100% of the fair market value of a share of common stock on the date on which the SAR is granted. The term of a SAR may not exceed ten years. The Committee has the discretion to determine other terms and conditions of a SAR award.

Restricted Stock Awards

A restricted stock award is a grant of shares of common stock subject to the restrictions on transferability and risk of forfeiture imposed by the Committee. Unless otherwise determined by the Committee and specified in the applicable award agreement, the holder of a restricted stock award has rights as a stockholder, including the right to vote the shares of common stock subject to the restricted stock award or to receive dividends on the shares of common stock subject to the restricted stock award during the restriction period. In the discretion of the Committee, dividends distributed prior to vesting may be subject to the same restrictions and risk of forfeiture as the restricted shares with respect to which the distribution was made.

Restricted Stock Units

A restricted stock unit ("RSU") is a right to receive cash, shares of common stock or a combination of cash and shares of common stock at the end of a specified period equal to the fair market value of one share of common stock on the date of vesting. RSUs may be subject to the restrictions, including a risk of forfeiture, imposed by the Committee. The Committee may determine that a grant of RSUs will provide a participant a right to receive dividend equivalents, which entitles the participant to receive the equivalent value (in cash or shares of common stock) of dividends paid on the underlying shares of common stock. Dividend equivalent rights may be paid currently or credited to an account, settled in cash or shares and may be subject to the same restrictions as the RSUs with respect to which the dividend equivalent rights are granted.

Performance Awards

A performance award is an award that vests and/or becomes exercisable or distributable subject to the achievement of certain performance goals during a specified performance period, as established by the

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Committee. Performance awards may be granted alone or in addition to other awards under the 2024 Plan and may be paid in cash, shares of common stock, other property or any combination thereof, as determined in the sole discretion of the Committee.

Other Stock-Based Awards

Other stock-based awards are awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, the value of shares of common stock.

Cash Awards

Cash awards may be granted on a free-standing basis or as an element of, a supplement to, or in lieu of any other award.

Substitute Awards

Awards may be granted under the 2024 Plan in substitution for similar awards held for individuals who become participants as a result of a merger, consolidation or acquisition of another entity by or with the Company or one of its affiliates.

Dividend Equivalent Rights

Dividend equivalent rights may be granted at the discretion of the Committee and represent the right to receive the value of dividends, if any, paid by in respect of the number of shares of common stock underlying an award. Dividend equivalent rights will be subject to the same vesting or performance conditions as the underlying award and will be paid only when the underlying award has become fully vested. Dividend equivalent rights may be settled in cash, shares or other property, or a combination thereof as determined by the Committee.

Certain Transactions

If any change is made to our capitalization, such as a stock split, stock combination, stock dividend, exchange of stock, or other recapitalization, merger, or otherwise, which results in an increase or decrease in the number of outstanding shares of common stock, appropriate adjustments will be made by the Committee in the shares subject to an award under the 2024 Plan. The Committee will also have the discretion to make certain adjustments to awards in the event of a change in control of the Company, such as the assumption or substitution of outstanding awards, the purchase of any outstanding awards in cash based on the applicable change in control price, the ability for participants to exercise any outstanding stock options, SARs, or other stock-based awards upon the change in control (and, if not exercised, such awards will be terminated) and the acceleration of vesting or exercisability of any outstanding awards.

Clawback

All awards granted under the 2024 Plan are subject to reduction, cancellation, or recoupment under any written clawback policy that we are required to adopt pursuant to listing standards or as is otherwise required under applicable law, including the final rule issued by the SEC implementing the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to recoupment of incentive-based compensation.

Plan Amendment and Termination

The Committee may amend or terminate any award, award agreement, or the 2024 Plan at any time, provided that the rights of a participant granted an award prior to such amendment or termination may not be

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impaired without such participant's consent. In addition, stockholder approval will be required for any amendment to the extent necessary to comply with applicable law or exchange listing standards. The Committee will not have the authority, without the approval of stockholders, to amend any outstanding option or SAR to reduce its exercise price per share. The 2024 Plan will remain in effect for a period of ten years (unless earlier terminated by the Board or Committee, as applicable).

Non-Employee Director Compensation

We did not have any non-employee directors who received compensation for their service on our board of directors and committees of our board of directors during 2022 or 2023, other than one grant to Seon Ju Chae of 1,000 options with an exercise price of \$969.00 on February 28, 2023. The options vest upon the satisfaction of the following conditions: (a) the closing of an initial public offering of the Company and (b) Ms. Chae's continued service through February 28, 2026.

Name	Option Awards (\$)⁽¹⁾	Total (\$)
Seon Ju Chae	\$361,400	\$361,400

Non-Employee Director Compensation Policy

Other than the arrangements described above, we do not currently have a formal policy with respect to compensating our non-employee directors for service as directors. Following the completion of this offering, we will implement a formal policy pursuant to which our non-employee directors will be eligible to receive compensation for service on our board of directors and committees of our board of directors.

⁽¹⁾ Amounts in this column reflect the aggregate grant date fair values of options granted during the applicable fiscal year, computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions used in calculating grant date fair values, see Note 11. *Stock-Based Compensation* in the accompanying notes to our combined financial statements included elsewhere in this prospectus.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions since January 1, 2021, and any currently proposed transactions to which we are a party in which the amount involved exceeded or exceeds \$120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, which are described under “Executive Compensation.”

Intercompany Services and Property Leases

We entered into certain service agreements with NAVER, LINE Corporation (“LINE”; now succeeded by LY Corporation) or its subsidiaries, pursuant to which NAVER, LINE or their subsidiaries have provided certain services to us, including but not limited to, information technology management, platform development and management, payment service, advertisement platform, management and administrative support service, software research and development service, content management and video production service, user interface development and design, customer support, and platform management services. NAVER or their subsidiaries have also granted us licenses to certain of their intellectual property, including trademarks, domain names and rights to titles. We also provided certain services or licensed the use of our platform or intellectual property to NAVER, LINE or their subsidiaries.

We have leased certain office spaces from NAVER since March 2022. During the year ended December 31, 2022, the operating lease expense associated with such lease is \$5.0 million and the related lease obligation is \$27.3 million as of December 31, 2022.

We also subleased certain portions of the premises located at Suite 220 on the second (2nd) floor of 5700 Wilshire Boulevard, Los Angeles, California that we rented from a third-party landlord to NAVER Z USA, INC., a subsidiary of NAVER, for a monthly rent of \$9,894.0 per month.

We also subleased certain portions of the premises located at Suite 640 on the sixth (6th) floor of 5750 Wilshire Boulevard, Los Angeles, California that we rented from a third-party landlord to NAVER BAND Inc., a subsidiary of NAVER, for a monthly rent of \$39,615 per month.

We believe that all such intercompany service agreements and property leases have been entered into in the ordinary course of business and have been conducted on an arm’s-length basis. During the year ended December 31, 2022, we earned revenue of approximately \$54.4 million from such agreements with NAVER, LINE or their respective subsidiaries. During the year ended December 31, 2022, we recognized cost of approximately \$14.8 million and expenses of approximately \$30.8 million for services provided by NAVER, LINE or their respective subsidiaries.

Loans

During the year ended December 31, 2021, we received a short-term loan of \$30.4 million from NAVER that was repaid during the year ended December 31, 2022.

In April 2022, Studio N received a loan of \$3.9 million from NAVER, who later assigned the loan to NW Media Contents, Inc., a subsidiary of NAVER, in June 2022. As of December 31, 2022, this loan is still outstanding with a maturity date of April 2023.

In February 2023, NAVER WEBTOON loaned approximately 15 billion Korean Won to NAVER WEBTOON COMPANY Corporation, a subsidiary of NAVER. The loan bears an interest rate of 5.26%.

Preferred Stock

On July 2, 2021, we entered into a share subscription agreement with NAVER Z Corporation., a subsidiary of NAVER, and the investors and interested parties named therein, including SNOW Corporation, a subsidiary of NAVER, and certain officers of NAVER's subsidiaries, pursuant to which we purchased 3,639 shares of NAVER Z Corporation's Series A redeemable convertible preferred shares at a price of 1.37 million Korean Won per share for an aggregate purchase price of 5.0 billion Korean Won.

On November 30, 2021, we entered into a share subscription agreement with NAVER Z Corporation, a subsidiary of NAVER, and the investors and interested parties named therein, including SNOW Corporation, a subsidiary of NAVER, and certain officers of NAVER's subsidiaries, pursuant to which we purchased 909 shares of NAVER Z Corporation's Series B redeemable convertible preferred shares at a price of 7.81 million Korean Won per share for an aggregate purchase price of 7.10 billion Korean Won.

Business Transfer Agreement

On April 24, 2023, we entered into a business transfer agreement with NAVER, pursuant to which we agreed to transfer certain assets, liabilities, rights and obligations in connection with Series On, a media platform, at a price of approximately 16 million Korean Won. As of December 31, 2022, the transferred assets and liabilities were valued at approximately 8.09 billion Korean Won and 10.2 billion Korean Won, respectively.

Directors and Senior Management

Mr. Haejin Lee, who currently serves as a director of our board of directors, also serves as an executive officer of NAVER.

Ms. Seon Ju Chae, who currently serves as a director of our board of directors, also serves as an executive officer and member of board of director of NAVER.

Mr. Jun Masuda, who currently serves as a director of our board of directors, also serves as an executive officer of LY Corporation and as an outside director of Demae-can Co., Ltd., an affiliate of LY Corporation.

Issuance of Common Stock

See "Item 15. Recent Sales of Unregistered Securities."

Registration Rights Agreement

In connection with the closing of this offering, we will enter into a registration rights agreement with NAVER and LY Corporation granting them registration rights. Under the registration rights agreement, we will agree to register the sale of shares of our common stock held by NAVER and certain other holders under certain circumstances, and to provide such stockholders with certain customary underwritten offering, block trade and piggyback rights. These registration rights will be subject to certain conditions and limitations. We will generally be obligated to pay all registration expenses in connection with these registration obligations, regardless of whether a registration statement is filed or becomes effective.

Limitation of Liability and Indemnification of Officers and Directors

Our Amended Charter and Amended Bylaws, each as expected to be in effect upon the consummation of this offering, will provide that we shall indemnify each of our directors and officers to the fullest extent permitted by the DGCL. For further information, see the section entitled "Description of Capital Stock—Indemnification and Limitations on Directors' Liability." We intend to enter into customary indemnification agreements with

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each of our executive officers and directors that provide them, in general, with customary indemnification in connection with their service to us or on our behalf.

Review, Approval or Ratification of Transactions with Related Persons

The audit committee of our board of directors will have primary responsibility for reviewing and approving transactions with related parties. Our audit committee charter will provide that the audit committee shall review and approve in advance any related party transactions.

We will adopt, effective upon the consummation of this offering, a formal written policy providing that our executive officers, directors, nominees for election as directors, beneficial owners of more than 5% of any class of our voting stock, any member of the immediate family of any of the foregoing persons and any firm, corporation or other entity in which any of the foregoing persons is employed, is a general partner or principal or in a similar position, or in which such person has a 5% or greater beneficial ownership interest, is not permitted to enter into a related party transaction with us without the consent of our audit committee, subject to the exceptions described below. In approving or rejecting any such proposal, our audit committee is to consider the relevant facts and circumstances available and deemed relevant to our audit committee, including whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction. Our audit committee is expected to determine that certain transactions will not require audit committee approval, including certain employment arrangements of executive officers, director compensation, transactions with another company at which a related party's only relationship is as a non-executive employee or beneficial owner of less than 5% of that company's shares, transactions where a related party's interest arises solely from the ownership of our common stock and all holders of our common stock received the same benefit on a pro rata basis and transactions available to all employees generally.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of _____, by:

- each of our named executive officers;
- each of our directors;
- all of our directors and executive officers as a group;
- each selling stockholder; and
- each person known to us to beneficially own 5% or more of our outstanding common stock.

For further information regarding material transactions between us and certain of our stockholders, see “Certain Relationships and Related Party Transactions.”

Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of our common stock beneficially owned by them, except to the extent this power may be shared with a spouse. All information with respect to beneficial ownership has been furnished by the respective directors, executive officers, or 5% or more stockholders, as the case may be. Unless otherwise noted, the mailing address of each listed beneficial owner is c/o WEBTOON Entertainment Inc., 5700 Wilshire Blvd., Suite 220, Los Angeles, CA 90036.

To the extent the underwriters sell more than _____ shares of common stock, the underwriters have the option to purchase, exercisable within 30 days from the date of this prospectus, up to an additional _____ shares from us.

Name of Beneficial Owner	Shares Beneficially Owned Before Offering		Share To Be Sold in This Offering Assuming No Exercise of the Underwriter Option	Shares To Be Sold in This Offering Assuming Full Exercise of the Underwriter Option	Shares Beneficially Owned After Offering Assuming No Exercise of the Underwriters' Option		Shares Beneficially Owned After Offering Assuming Full Exercise of the Underwriters' Option	
	Shares	% ⁽¹⁾			Shares	%	Shares	%
5% Stockholders:								
NAVER ⁽²⁾								
LY Corporation ⁽²⁾								
Directors and Named Executive Officers:								
Junkoo Kim								
David Lee								
Chankyu Park								
Haejin Lee								
Seon Ju Chae								
Jun Masuda								
All directors and executive officers as a group (individuals)								

(1) Based upon an aggregate of _____ shares outstanding as of _____, _____. For each stockholder, in accordance with Rule 13d-3 promulgated under the Exchange Act, this percentage is determined by assuming the named stockholder exercises all options and other instruments pursuant to which the stockholder has the right to acquire shares of our common stock within 60 days of _____, _____, but _____, _____, but _____.

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that no other person exercises any options or other purchase rights (except with respect to the calculation of the beneficial ownership of all directors and executive officers as a group, for which the percentage assumes that all directors and executive officers exercise all such options or other purchase rights).

- (2) NAVER and LY Corporation are each governed and controlled by a board of directors of more than three members. Each director has one vote, and the approval of a majority or a supermajority is required to approve an action. Under the so-called “rule of three,” if voting and dispositive decisions regarding an entity’s securities are made by a majority comprised of two or more individuals of a three-member (or greater) board, and a voting and dispositive decision requires the approval of a majority of those individuals, none of the individuals is deemed a beneficial owner of the entity’s securities. Based on the foregoing, no person exercises voting or dispositive control over any of the securities held by NAVER and LY Corporation, as applicable.

DESCRIPTION OF CAPITAL STOCK

We plan to file with the office of the Secretary of the State of Delaware our Amended Charter and adopt our Amended Bylaws, effective upon the consummation of this offering. Below is a summary of the material terms and provisions of our Amended Charter and our Amended Bylaws as expected to be in effect and affecting the rights of our stockholders upon the consummation of this offering, as well as relevant provisions of Delaware law affecting the rights of our stockholders. This summary does not purport to be complete and is qualified in its entirety by the provisions of our Amended Charter, our Amended Bylaws and the DGCL. Copies of our Amended Charter and Amended Bylaws have been filed with the SEC as exhibits to the registration statement of which this prospectus forms a part. References in this section to the “Company,” “we,” “us” and “our” refer to WEBTOON and not to any of its subsidiaries.

Authorized Capital

Upon the completion of this offering, our authorized capital stock will consist of _____ shares of common stock, par value \$ _____ per share and _____ shares of preferred stock, par value \$ _____ per share.

As of _____, there were _____ shares of common stock outstanding, held by approximately _____ stockholders.

Common Stock

Voting Rights. The holders of our common stock will be entitled to one vote per share on all matters submitted to a vote of stockholders; *provided, however,* that, except as otherwise required by law, holders of common stock, as such, shall not be entitled to vote on any amendment to our Amended Charter that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to our Amended Charter. Holders of our common stock will not have cumulative voting rights in the election of directors. Accordingly, the holders of a majority of the combined voting power of our common stock could, if they so choose, elect all the directors.

Dividend Rights. The holders of our common stock will be entitled to receive dividends if, as, and when declared by our board of directors, out of our legally available assets, in cash, property, shares of our common stock or other securities, after payments of dividends required to be paid on outstanding preferred stock, if any.

Distributions in Connection with Mergers or Other Business Combinations. Upon a merger, consolidation or substantially similar transaction, holders of our common stock will be entitled to receive equal per share payments or distributions.

Liquidation Rights. Upon our liquidation, dissolution or winding up, any business combination, or a sale or disposition of all or substantially all of our assets, the assets legally available for distribution to our stockholders will be distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debts and other liabilities and the payment of liquidation preferences, if any, on any outstanding preferred stock.

Other Matters. Our Amended Charter will not entitle holders of our common stock to preemptive or conversion rights or other subscription rights. There will be no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our common stock are, and the shares of common stock offered in this offering will be, fully paid and non-assessable.

Authorized but Unissued Preferred Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of _____, which would apply as long as our common stock is listed on _____, require

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stockholder approval of certain issuances equal to or exceeding 20% of the combined voting power of our common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans.

Unless required by law or by any stock exchange on which our common stock may be listed, the authorized shares of preferred stock will be available for issuance without further action by our stockholders. Our Amended Charter will authorize our board of directors to establish, from time to time, the number of shares to be included in each series of preferred stock, and to fix the designation, powers, privileges, preferences and relative participating, optional or other rights, if any, of the shares of each series of preferred stock, and any of its qualifications, limitations or restrictions. Our board of directors also will be able to increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series of preferred stock then outstanding, without any further vote or action by the stockholders.

The existence of unissued and unreserved common stock or preferred stock may enable our board of directors to issue shares to persons friendly to current management, which could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and could thereby protect the continuity of our management and possibly deprive stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Dividends

Declaration and payment of any dividend will be subject to the discretion of our board of directors. The time and amount of dividends will be dependent upon, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, debt repayment obligations, capital expenditure needs, contractual restrictions, covenants in the agreements governing our current and future indebtedness, industry trends, the provisions of Delaware law affecting the payment of dividends and distributions to stockholders and any other factors or considerations our board of directors may regard as relevant. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business and therefore do not anticipate paying any cash dividends on our common stock in the foreseeable future. See “Dividend Policy” and “Risk Factors—Risks Related to This Offering and Ownership of our Common Stock—We do not intend to pay any cash distributions or dividends on our common stock in the foreseeable future.”

Exclusive Forum

Our Amended Charter will provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum, to the fullest extent permitted by law, for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers or other employees or stockholders to us or our stockholders, (3) any action asserting a claim against us or any of our directors or officers or other employees or stockholders arising pursuant to any action to interpret, apply, or enforce any right, obligation or remedy under any provision of the DGCL in our Amended Charter or Amended Bylaws, (4) any action asserting a claim that is governed by the internal affairs doctrine or (5) any other action asserting an “internal corporate claim” under the DGCL shall be the Court of Chancery of the State of Delaware (or any state or federal court located within the State of Delaware if the Court of Chancery does not have jurisdiction) (the Delaware Forum Provision). Notwithstanding the foregoing, our Amended Charter will provide that the Delaware Forum Provision will not apply to suits brought to enforce a duty or liability created by the Exchange Act. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers.

Additionally, our Amended Charter will provide that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the U.S. shall, to the fullest extent permitted by

law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company are deemed to have notice of and consented to this provision. The Supreme Court of Delaware has held that this type of exclusive federal forum provision is enforceable. There may be uncertainty, however, as to whether courts of other jurisdictions would enforce such provision, if applicable.

Indemnification and Limitations on Directors' Liability

Section 145 of the DGCL grants each Delaware corporation the power to indemnify any person who is or was a director, officer, employee or agent of a corporation, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of serving or having served in any such capacity, if he or she acted in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. A Delaware corporation may similarly indemnify any such person in actions by or in the right of the corporation if he or she acted in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which the person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which the action was brought determines that, despite adjudication of liability, but in view of all of the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses which the Delaware Court of Chancery or other court shall deem proper.

Section 102(b)(7) of the DGCL enables a corporation in its certificate of incorporation, or an amendment thereto, to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for violations of the director's fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for director liability with respect to unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit. Our Amended Charter will provide for such limitation of liability.

Our Amended Charter and Amended Bylaws will indemnify our directors and officers to the full extent permitted by the DGCL and our Amended Charter also allows our board of directors to indemnify other employees. This indemnification will extend to the payment of judgments in actions against officers and directors and to reimbursement of amounts paid in settlement of such claims or actions and may apply to judgments in favor of the corporation or amounts paid in settlement to the corporation. This indemnification will also extend to the payment of attorneys' fees and expenses of officers and directors in suits against them where the officer or director acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. This right of indemnification is not exclusive of any right to which the officer or director may be entitled as a matter of law and shall extend and apply to the estates of deceased officers and directors.

We maintain a directors' and officers' insurance policy. The policy insures directors and officers against indemnified losses arising from certain wrongful acts in their capacities as directors and officers and reimburses us for those losses for which we have lawfully indemnified the directors and officers. The policy contains various exclusions that are normal and customary for policies of this type.

We believe that the limitation of liability and indemnification provisions in our Amended Charter, Amended Bylaws and insurance policies are necessary to attract and retain qualified directors and officers. However, these

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provisions may discourage derivative litigation against directors and officers, even though an action, if successful, might benefit us and other stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers as required or allowed by this limitation of liability and indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees, or agents as to which indemnification is sought from us, nor are we aware of any threatened litigation or proceeding that may result in an indemnification claim.

Anti-Takeover Effects of Delaware Law, Our Amended Charter and Our Amended Bylaws

Certain provisions of Delaware law, our Amended Charter and our Amended Bylaws that will be effective upon consummation of the offering could make the acquisition of the Company more difficult and could delay, defer or prevent a tender offer or other takeover attempt that a stockholder might consider to be in its best interest, including takeover attempts that might result in the payment of a premium to stockholders over the market price for their shares. These provisions also may promote the continuity of our management by making it more difficult for a person to remove or change the incumbent members of our board of directors.

Authorized but Unissued Shares; Undesignated Preferred Stock. The authorized but unissued shares of our common stock will be available for future issuance without stockholder approval except as required by law or by any stock exchange on which our common stock may be listed. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans. In addition, our board of directors may authorize, without stockholder approval, the issuance of undesignated preferred stock with voting rights or other rights or preferences designated from time to time by our board of directors. The existence of authorized but unissued shares of common stock or preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or otherwise.

Board Classification. Our Amended Charter will provide that our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible, and with the directors serving three-year terms. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board of directors. Our Amended Charter and Amended Bylaws will provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by our board of directors.

No Cumulative Voting. Our Amended Charter will provide that stockholders are not permitted to cumulate votes in the election of directors.

Special Meetings of Stockholders. Our Amended Bylaws will provide that special meetings of our stockholders may be called, prior to the Trigger Event, only by or at the direction of our board of directors or our Chairman at the request of holders of not less than a majority of the combined voting power of our common stock, and, from and after the Trigger Event, only by or at the direction of our board of directors or our Chairman.

Stockholder Action by Written Consent. Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our certificate of incorporation provides otherwise. Our Amended Charter will preclude stockholder action by written consent from and after the Trigger Event.

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Advance Notice Requirements for Stockholder Proposals and Nomination of Directors. Our Amended Bylaws will require stockholders seeking to bring business before an annual meeting of stockholders, or to nominate individuals for election as directors at an annual or special meeting of stockholders, to provide timely notice in writing. To be timely, a stockholder's notice will need to be sent to and received by our Secretary both (1) at our principal executive offices by hand delivery, overnight courier service or by certified or registered mail, return receipt required, and (2) by electronic mail, as provided in the Amended Bylaws, no later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the anniversary of the immediately preceding annual meeting of stockholders. However, in the event that the annual meeting is called for a date that is not within 30 days before or 70 days after the anniversary of the immediately preceding annual meeting of stockholders, or if no annual meeting was held in the preceding year, such notice will be timely only if received no earlier than the close of business on the 120th day prior to the annual meeting and no later than the close of business on the later of the 90th day prior to such annual meeting and the tenth day following the date on which a public announcement of the date of the annual meeting was made by us. Our Amended Bylaws also will specify requirements as to the form and content of a stockholder's notice. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our meetings of stockholders. These provisions may also discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the potential acquiror's own slate of directors or otherwise attempting to obtain control of the Company.

Removal of Directors; Vacancies. Under the DGCL, unless otherwise provided in our Amended Charter, directors serving on a classified board may be removed by the stockholders only for cause. Our Amended Charter will provide that, from and after the Trigger Event, directors may only be removed for cause and only by the affirmative vote of holders of at least 66 2/3% in voting power of all the then-outstanding shares of common stock of the Company entitled to vote thereon. In addition, our Amended Charter also will provide that from and after the Trigger Event, any newly created directorship on our board of directors that results from an increase in the number of directors and any vacancy occurring in our board of directors may only be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director (and not by the stockholders).

Supermajority Provisions. Our Amended Charter and Amended Bylaws will provide that our board of directors is expressly authorized to alter, amend, rescind or repeal, in whole or in part, our Amended Bylaws without a stockholder vote in any matter not inconsistent with Delaware law and our Amended Charter. From and after the Trigger Event, in addition to any vote of the holders of any class or series of capital stock of our Company required therein, our Amended Bylaws or applicable law, any amendment, alteration, rescission or repeal of our Amended Bylaws by our stockholders will require the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of our Company entitled to vote thereon, voting together as a single class.

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage. Our Amended Charter will provide that the following provisions in our Amended Charter may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of our Company entitled to vote thereon, voting together as a single class:

- the provision requiring a 66 2/3% supermajority vote for stockholders to amend our Amended Bylaws;
- the provisions providing for a classified board of directors (the election and term of our directors);
- the provisions regarding removal of directors;
- the provisions regarding stockholder action by written consent;
- the provisions regarding calling special meetings of stockholders;

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- the provisions regarding filling vacancies on our board of directors and newly created directorships;
- the provisions regarding competition and corporate opportunities;
- the provisions regarding Section 203 of the DGCL;
- the provisions eliminating monetary damages for breaches of fiduciary duty by a director and governing forum selection; and
- the amendment provision requiring that the above provisions be amended only with a 66 2/3% supermajority vote.

Corporate Opportunity Doctrine

Our Amended Charter will provide that we renounce any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may from time to time be presented to NAVER or any of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries) and that may be a business opportunity for NAVER, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so. No such person will be liable to us for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such person, acting in good faith, pursues or acquires any such business opportunity, directs any such business opportunity to another person or fails to present any such business opportunity, or information regarding any such business opportunity, to us unless, in the case of any such person who is our director or officer, any such business opportunity is expressly offered to such director or officer solely in his or her capacity as our director or officer. Neither NAVER nor any of its representatives have any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us or any of our subsidiaries.

Business Combination with Interested Stockholders

We have opted out of Section 203 of the DGCL; however, our Amended Charter will contain similar provisions providing that we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least 66 2/3% of our outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of our outstanding voting stock. For purposes of this section only, “voting stock” has the meaning given to it in Section 203 of the DGCL.

Under certain circumstances, this provision will make it more difficult for a person who would be an “interested stockholder” to effect various business combinations with us for a three-year period. This provision may encourage companies interested in acquiring us to negotiate in advance with our board of directors because

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the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Our Amended Charter will provide that NAVER and its affiliates, and any of their respective direct or indirect transferees and any group as to which such persons are a party, do not constitute “interested stockholders” for purposes of this provision.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be _____.

Listing

We intend to apply to list our common stock on the _____ under the symbol “_____.”

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for shares of our common stock. Future sales of shares of our common stock in the public market after this offering, and the availability of shares for future sale, could adversely affect the market prices prevailing from time to time. As described below, only a limited number of shares of common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nonetheless, sales of substantial amounts of our common stock in the future, or the perception that these sales could occur, could adversely affect prevailing market prices for our common stock and could impair our future ability to raise equity capital.

Upon the closing of this offering, a total of _____ shares of common stock will be outstanding, assuming the underwriters do not exercise their option to purchase additional shares of common stock to cover over-allotments. Of these shares, _____ shares of common stock sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by “affiliates,” as that term is defined in Rule 144 under the Securities Act.

The remaining outstanding shares of our common stock will be deemed “restricted securities” as that term is defined under Rule 144. Restricted securities may be sold in the public market only if their offer and sale is registered under the Securities Act or if the offer and sale of those securities qualify for an exemption from registration, including exemptions provided by Rules 144 and 701 under the Securities Act, which are summarized below.

As a result of the lock-up agreements and market stand-off provisions described below and the provisions of Rules 144 or 701, and assuming no exercise of the underwriters’ option to purchase additional shares of common stock to cover over-allotments, the shares of our common stock that will be deemed “restricted securities” will be available for sale in the public market following the completion of this offering as follows:

<u>Date</u>	<u>Number of Shares</u>
On the date of this prospectus (consisting of the shares sold in this offering)	
Beginning 180 days after the date of this prospectus	

Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (1) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale, (2) we have been subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (3) we are current in our Exchange Act reporting at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months, but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately _____ shares immediately after the completion of this offering (calculated on the basis of the assumptions described above and assuming no exercise of the underwriters’ option to purchase additional shares of common stock to cover over-allotments); and
- the average weekly trading volume of our common stock on _____ during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Registration Statement on Form S-8

We intend to file a registration statement on Form S-8, which will become effective immediately upon filing, under the Securities Act to register all of the shares of common stock reserved for issuance under the LTIP. Shares covered by the Form S-8 will then be eligible for sale in the public markets, subject to vesting restrictions, any applicable lock-up agreements described below and Rule 144 limitations applicable to affiliates. All shares of our common stock will be subject to the lock-up agreements or market stand-off provisions described below.

Lock-up Agreements

We, our directors and officers and substantially all of our stockholders, including the selling stockholder, have agreed with the underwriters that, for a period of 180 days following the date of this prospectus, subject to certain exceptions, we and they will not, directly or indirectly, offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or hedge any of our shares of common stock, or any options or warrants to purchase any shares of our common stock, or any securities convertible into, or exchangeable for or that represent the right to receive shares of our common stock. The representatives of the underwriters, in their sole discretion, may at any time release all or any portion of the shares from the restrictions in such agreements.

The lock-up agreements do not contain any pre-established conditions to the waiver by the representatives of the underwriters on behalf of the underwriters of any terms of the lock-up agreements. Any determination to release shares subject to the lock-up agreements would be based on a number of factors at the time of determination, including but not necessarily limited to the market price of the common stock, the liquidity of the trading market for the common stock, general market conditions, the number of shares proposed to be sold and the timing, purpose and terms of the proposed sale.

Registration Rights

Upon the completion of this offering, certain holders of our common stock will be entitled to certain rights with respect to the registration of the offer and sale of such shares under the Securities Act. If the offer and sale of these shares of our common stock are registered, the shares will be freely tradable without restriction under the Securities Act, subject to the Rule 144 limitations applicable to affiliates, and a large number of shares may be sold into the public market. For a further description of these rights, see the section entitled “Certain Relationships and Related Party Transactions—Registration Rights Agreement.”

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF OUR COMMON STOCK

The following is a general discussion of the material U.S. federal income tax considerations applicable to non-U.S. holders (as defined herein) with respect to their ownership and disposition of shares of our common stock acquired pursuant to this offering. All prospective non-U.S. holders of our common stock are urged to consult their tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of our common stock. In general, a non-U.S. holder means a beneficial owner of our common stock (other than a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not or is not treated as, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation created or organized under the laws of the U.S. or of any state thereof or the District of Columbia;
- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (1) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all of the trust's substantial decisions or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

This discussion is based on current provisions of the Code, existing and proposed U.S. Treasury Regulations promulgated thereunder, published administrative pronouncements and rulings of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as in effect as of the date of this prospectus. These authorities are subject to change and to differing interpretation, possibly with retroactive effect. Any change or differing interpretation could alter the tax consequences to non-U.S. holders described in this prospectus.

We assume in this discussion that a non-U.S. holder holds shares of our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances, nor does it address any estate or gift tax consequences, or any aspects of U.S. state, local or non-U.S. taxation. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, including, but not limited to, holders that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below), corporations that accumulate earnings to avoid U.S. federal income tax, tax-exempt organizations, banks, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, brokers, dealers or traders in securities, commodities or currencies, tax-qualified retirement plans, "qualified foreign pension funds" as defined in Section 897(1)(2) of the Code and entities in which all of the interests of which are held by qualified foreign pension funds or U.S. expatriates and former long-term residents of the U.S., holders subject to the Medicare contribution tax on net investment income or the alternative minimum tax, holders that are subject to the special tax accounting rules of Section 451(b) of the Code, holders who hold or receive our common stock pursuant to the exercise of employee stock options or otherwise as compensation, holders holding our common stock as part of a hedge, straddle or other risk reduction strategy, conversion transaction or other integrated investment, holders deemed to sell our common stock under the constructive sale provisions of the Code, controlled foreign corporations, passive foreign investment companies and certain former U.S. citizens or long-term residents.

In addition, this discussion does not address the tax treatment of partnerships (or entities or arrangements that are treated as partnerships for U.S. federal income tax purposes) or persons that hold our common stock through such partnerships. If a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds shares of our common stock, the U.S. federal income tax treatment of a

partner in such partnership will generally depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Such partners and partnerships are urged to consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of our common stock.

There can be no assurance that a court or the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling with respect to the U.S. federal income tax consequences to a non-U.S. holder of the purchase, ownership or disposition of our common stock.

Distributions on Our Common Stock

If we make distributions of cash or property on our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder's investment, up to such holder's adjusted tax basis in the common stock. To the extent a distribution exceeds such non-U.S. holder's adjusted tax basis in the common stock, the remaining excess will be treated as capital gain from the sale or exchange of such common stock, subject to the tax treatment described below in "—Gain on Sale, Exchange or other Disposition of Our Common Stock." Any such distribution will also be subject to the discussion below regarding effectively connected income, backup withholding and FATCA withholding.

Dividends paid to a non-U.S. holder will generally be subject to withholding of U.S. federal income tax at a 30% rate of the gross amount of dividends or such lower rate as may be specified by an applicable income tax treaty between the U.S. and such holder's country of residence.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the U.S. and, if an applicable income tax treaty so provides, that are attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder within the U.S., are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements. However, such U.S. effectively connected income, net of specified deductions and credits, is taxed at the same regular U.S. federal income tax rates applicable to U.S. persons (as defined in the Code). Any U.S. effectively connected earnings and profits of a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the U.S. and such holder's country of residence.

To claim a reduction or exemption from withholding, a non-U.S. holder of our common stock generally will be required to provide (a) a properly executed IRS Form W-8BEN or W-8BEN-E (or successor form), as applicable, and satisfy applicable certification and other requirements to claim the benefit of an applicable income tax treaty between the U.S. and such holder's country of residence, or (b) a properly executed IRS Form W-8ECI stating that dividends are not subject to withholding because they are effectively connected with such non-U.S. holder's conduct of a trade or business within the U.S. Non-U.S. holders are urged to consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

A non-U.S. holder that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Sale, Exchange or Other Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding and FATCA withholding, in general, a non-U.S. holder will not be subject to any U.S. federal income tax on any gain realized upon such holder's sale, exchange or other disposition of shares of our common stock unless:

- The gain is effectively connected with a U.S. trade or business of the non-U.S. holder and, if an applicable income tax treaty so provides, is attributable to a permanent establishment or a fixed base maintained in the U.S. by such non-U.S. holder, in which case the non-U.S. holder generally will be taxed at the regular U.S. federal income tax rates applicable to U.S. persons (as defined in the Code) and be required to file a U.S. federal income tax return. If the non-U.S. holder is treated as a foreign corporation for U.S. federal income tax purposes, the branch profits tax described above in "—Distributions on Our Common Stock" also may apply;
- The non-U.S. holder is an individual who is treated as present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions are met, in which case the non-U.S. holder will be subject to a flat 30% tax (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the disposition, which may be offset by U.S. source capital losses of the non-U.S. holder, if any (even though the individual is not considered a resident of the U.S.); or
- Our common stock would constitute a U.S. real property interest if we are, or have been, at any time during the five-year period ending on the date of such disposition (or the non-U.S. holder's holding period of our common stock, if shorter) a "United States real property holding corporation" for U.S. federal income tax purposes. Generally, a corporation is a U.S. real property holding corporation only if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we do not believe that we are, or have been, a U.S. real property holding corporation, or that we are likely to become one in the future. Even if we are or become a U.S. real property holding corporation, provided that our common stock is regularly traded, as defined by applicable Treasury Regulations, on an established securities market during the calendar year in which the disposition occurs, only a non-U.S. holder that holds more than 5% of our outstanding common stock, directly or indirectly, actually or constructively, during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock will be subject to U.S. federal income tax on the disposition of our common stock. In such case, such non-U.S. holder generally will be taxed on its net gain derived from the disposition at the regular U.S. federal income tax rates applicable to U.S. persons (as defined in the Code). No assurance can be provided that our common stock will continue to be regularly traded on an established securities market for purposes of the rules described above.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the gross amount of the dividends on our common stock paid to such holder and the tax withheld, if any, with respect to such dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. A non-U.S. holder will have to comply with specific certification procedures to establish that the holder is not a U.S. person (as defined in the Code) in order to avoid backup withholding at the applicable rate (currently 24%) with respect to dividends on our common stock. A non-U.S. holder generally will not be subject to U.S. backup withholding with respect to payments of dividends on our common stock if such holder establishes an exemption by certifying his, her or its non-U.S. status by providing a valid IRS Form W-8BEN or W-8BEN-E (or other applicable or successor form).

Information reporting and backup withholding will generally apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless

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the holder establishes an exemption by certifying his, her or its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the U.S. through a non-U.S. office of a broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Non-U.S. holders are urged to consult their tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available to the tax authorities of the country in which the non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder may be allowed as a credit against the non-U.S. holder's U.S. federal income tax liability, if any, and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

FATCA Withholding

Sections 1471 through 1474 of the Code, and the U.S. Treasury Regulations and other administrative guidance issued thereunder, commonly referred to as "FATCA," generally impose a U.S. federal withholding tax of 30% on dividends on, and, subject to the proposed Treasury regulations discussed below, the gross proceeds from a sale or other disposition of, stock in a U.S. corporation paid to (i) a "foreign financial institution" (as specifically defined for this purpose), unless such institution enters into an agreement with the U.S. government to, among other things, withhold on certain payments and to collect and provide to the U.S. tax authorities certain information regarding certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise qualifies for an exemption from these rules, or (ii) a "non-financial foreign entity" (as defined in the Code), unless such entity provides the withholding agent with either a certification that it does not have any direct or indirect "substantial United States owners" (as defined in the Code) or provides the applicable withholding agent with a certification identifying, and information regarding, such substantial United States owners, or otherwise qualifies for an exemption from these rules. An intergovernmental agreement between the U.S. and the non-U.S. holder's country of residence may modify the requirements described in this paragraph.

U.S. Treasury Regulations proposed in December 2018 eliminate possible FATCA withholding on the gross proceeds from a sale or other disposition of our common stock and may be relied upon by taxpayers until final regulations are issued.

We will not pay additional amounts or "gross up" payments to holders as a result of any withholding or deduction for taxes imposed under FATCA. Under certain circumstances, certain non-U.S. holders might be eligible for refunds or credits of such taxes. Investors are encouraged to consult with their tax advisors regarding the implications of FATCA to their particular circumstances.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.

UNDERWRITING

We, the selling stockholder and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC are the representatives of the underwriters.

<u>Underwriters</u>	<u>Number of Shares</u>
Goldman Sachs & Co. LLC	
Morgan Stanley & Co. LLC	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional _____ shares of common stock from the company and the selling stockholder to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days from the date of this prospectus. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by the company and the selling stockholder. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase _____ additional shares of common stock to cover over-allotments.

Paid by the Company

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	\$	\$
Total	\$	\$

Paid by the Selling Stockholder

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	\$	\$
Total	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ _____ per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors and holders of substantially all of the shares of our common stock, including the selling stockholder, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

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Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We intend to apply to list our common stock on the _____ under the symbol “_____.”

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering and a short position represents the amount of such sales that have not been covered by subsequent purchases. A “covered short position” is a short position that is not greater than the amount of additional shares of common stock for which the underwriters’ option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares of common stock to cover over-allotments pursuant to the option described above. “Naked” short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the _____, in the over-the-counter market or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$ _____. We have also agreed to reimburse the underwriters for certain Financial Industry Regulatory Authority (“FINRA”)-related expenses incurred by them in connection with the offering in an amount up to \$ _____.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market-making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

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In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors, and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of ours (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with us. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area (each, a “Member State”), no common shares (the “Shares”) have been offered or will be offered pursuant to the offering to the public in that Member State prior to the publication of a prospectus in relation to the Shares that has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State (all in accordance with the Prospectus Regulation), except that offers of Shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the underwriters for any such offer; or
- (c) in any other circumstance falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall require the issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

United Kingdom

In relation to the UK, no shares have been offered or will be offered pursuant to this offering to the public in the UK prior to the publication of a prospectus in relation to the shares that either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, except that offers of shares may be made to the public in the UK at any time under the following exemptions under the UK Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Representatives for any such offer; or

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- (c) in any other circumstance falling within section 86 of the Financial Services and Markets Act 2000, as amended, or the FSMA, *provided* that no such offer of units shall require the issuer or any underwriter to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any units in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and any units to be offered so as to enable an investor to decide to purchase or subscribe for any units; and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption form, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Korea

The shares of our common stock are not being offered or sold and may not be offered or sold to persons located in or who are resident of Korea in the primary market, and this prospectus and any other document or material in connection with the offer or sale of the shares may not be circulated or distributed, directly or indirectly, in Korea. Persons located in or who are resident of Korea will not be permitted to acquire, directly or indirectly, any shares of our common stock in this offering. Our common stock cannot be transferred to persons located in or who are resident of Korea at the time of issuance.

Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or the Companies (Winding Up and Miscellaneous Provisions) Ordinance, or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), or the Securities and Futures Ordinance, or (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which

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are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the shares under Section 275 of the SFA, except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation’s securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, or Regulation 32.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the shares under Section 275 of the SFA, except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA or (6) as specified in Regulation 32.

Solely for the purposes of our obligations pursuant to Section 309B of the SFA, we have determined, and hereby notify all relevant persons (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018, or the CMP Regulations) that the shares are “prescribed capital markets products” (as defined in the CMP Regulations) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or

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indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

The company and the selling stockholder estimate that their share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$.

The company and the selling stockholder have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors, and employees may purchase, sell, or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color, or trading ideas and/or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Kirkland & Ellis LLP, New York, New York. Davis Polk & Wardwell LLP, New York, New York is acting as counsel to the underwriters.

EXPERTS

The combined financial statements as of December 31, 2022, and for the year then ended included in this prospectus have been so included in reliance on the report of Samil PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or document referred to are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit.

The SEC maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available at the website of the SEC referred to above. Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. We also expect to make these reports and other information filed with or furnished to the SEC available, free of charge, through our website at www.webtoons.com. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of
WEBTOON Entertainment Inc.**

Opinion on the Financial Statements

We have audited the accompanying combined balance sheet of Webtoon Entertainment Inc. and its subsidiaries (the “Company”) as of December 31, 2022, and the related combined statements of operations and comprehensive loss, of changes in stockholders’ equity and group equity and of cash flows for the year then ended, including the related notes (collectively referred to as the “combined financial statements”). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These combined financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s combined financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these combined financial statements in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

December 15, 2023, except for the effects of the revision discussed in Note 19 to the combined financial statements, as to which the date is February 9, 2024

We have served as the Company’s auditor since 2023.

Webtoon Entertainment Inc.
Combined Balance Sheet
(in thousands of USD, except share and per share data)

	<u>As of December 31, 2022</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 279,709
Trade receivables, net of allowance for doubtful accounts of \$1,577 ¹	104,877
Non-trade receivables, net of allowance for doubtful accounts of \$89 ²	105,701
Other current assets, net ³	65,150
Total current assets	555,437
Property and equipment, net	21,617
Operating lease right-of-use assets	43,524
Debt and equity securities	109,139
Intangible assets, net	253,822
Goodwill	884,052
Equity method investments	76,806
Deferred tax assets	29,480
Other non-current assets ⁴	46,714
Total assets	<u>\$ 2,020,591</u>
Liabilities and equity	
Current liabilities:	
Accounts payable ⁵	\$ 153,331
Accrued expenses	51,699
Short-term borrowings and current portion of long-term debt ⁶	11,192
Current portion of operating lease liabilities ⁷	11,716
Contract liabilities	77,092
Other current liabilities	31,182
Total current liabilities	336,212
Non-current liabilities:	
Long-term operating lease liabilities ⁸	30,648
Defined Severance Benefits	29,597
Deferred tax liabilities	84,271
Other non-current liabilities	24,397
Total liabilities	\$ 505,125
Commitments and Contingencies (Note 10)	
Redeemable non-controlling interest in subsidiary	46,964
Stockholders' equity:	
Common stock, \$0.01 par value (5,000,000 authorized, 3,236,389.83 shares issued and outstanding as of December 31, 2022)	\$ 32
Additional paid-in capital	1,038,262
Accumulated other comprehensive loss	(36,667)
Accumulated deficit	(212,033)
Total stockholders' equity attributable to Webtoon Entertainment Inc.	789,594
Non-controlling interests in consolidated subsidiaries	85,395
Group Equity ⁹	593,513
Total equity	1,468,502
Total liabilities, redeemable non-controlling interest, and equity	<u>\$ 2,020,591</u>

¹ Includes amounts due from related parties of \$37,190 as of December 31, 2022. (See Note 16. *Related Party*)

² Includes amounts due from related parties of \$69,176 as of December 31, 2022. (See Note 16. *Related Party*)

³ Includes amounts due from related parties of \$158 as of December 31, 2022. (See Note 16. *Related Party*)

⁴ Includes amounts due from related parties of \$8,262 as of December 31, 2022. (See Note 16. *Related Party*)

⁵ Includes amounts due to related parties of \$43,731 as of December 31, 2022. (See Note 16. *Related Party*)

⁶ Includes amounts due to related parties of \$3,867 as of December 31, 2022. (See Note 16. *Related Party*)

⁷ Includes amounts due to related parties of \$6,348 as of December 31, 2022. (See Note 16. *Related Party*)

⁸ Includes amounts due to related parties of \$20,968 as of December 31, 2022. (See Note 16. *Related Party*)

⁹ See Note 1 within the Basis of Presentation for the definition of Group Equity.

The accompanying notes are an integral part of these Combined Financial Statements.

Webtoon Entertainment Inc.
Combined Statement of Operations and Comprehensive Loss
(in thousands of USD, except share and per share data)

	Year Ended December 31, 2022
Revenue ¹	\$ 1,079,388
Cost of revenue ²	(806,377)
Marketing ³	(180,002)
General and administrative expenses ⁴	(207,728)
Operating Loss	(114,719)
Interest income	1,166
Interest expense	(844)
Loss on equity method investments, net	(4,694)
Other income, net ⁵	937
Loss before income tax	\$ (118,154)
Income tax expense	(14,369)
Combined Net Loss	(\$ 132,523)
Combined Net Loss attributable to Webtoon Entertainment Inc.	(129,871)
Combined Net Loss attributable to non-controlling interests and redeemable non-controlling interests	(2,652)
Other comprehensive income (loss):	
Foreign currency translation adjustments, net of tax	(28,985)
Loss on valuation of financial assets measured at fair value, net of tax	(405)
Share of other comprehensive income of equity method investments, net of tax	190
Total other comprehensive loss, net of tax	(29,200)
Total Comprehensive Loss	\$ (161,723)
Total comprehensive loss attributable to Webtoon Entertainment Inc.	(159,071)
Total comprehensive loss attributable to non-controlling interests and redeemable non-controlling interests	(2,652)
Weighted average shares outstanding	
Basic	3,550,034
Diluted	3,550,034
Net Loss Per Share Attributable to Webtoon Entertainment Inc.	
Basic	(36.58)
Diluted	(36.59)

¹ Includes amounts earned from related parties of \$54,422 for the year ended December 31, 2022. (See Note 16. *Related Party*)

² Includes amounts incurred from related parties of \$14,848 for the year ended December 31, 2022. (See Note 16. *Related Party*)

³ Includes amounts incurred from related parties of \$574 for the year ended December 31, 2022. (See Note 16. *Related Party*)

⁴ Includes amounts incurred from related parties of \$30,194 for the year ended December 31, 2022. (See Note 16. *Related Party*)

⁵ Includes amounts earned from related parties of \$614 for the year ended December 31, 2022. (See Note 16. *Related Party*)

The accompanying notes are an integral part of these Combined Financial Statements.

Webtoon Entertainment Inc.
Combined Statement of Stockholders' Equity and Group Equity
(in thousands of USD, except share and per share data)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity attributable to Webtoon Entertainment Inc.	Non-controlling interests in consolidated subsidiaries	Group Equity	Total equity
	Shares	Amount							
Balance as of January 1, 2022	2,858,518	\$ 28	575,168	(7,467)	(108,186)	459,543	—	616,789	1,076,332
Combined Net Loss	—	—	—	—	(103,847)	(103,847)	(2,743)	(26,024)	(132,614)
Foreign currency translation adjustments, net of tax	—	—	—	(28,985)	—	(28,985)	—	—	(28,985)
Loss on valuation of financial assets measured at fair value, net of tax	—	—	—	(405)	—	(405)	—	—	(405)
Issuance of common stock	286,881	3	390,803	—	—	390,806	—	—	390,806
Equity in income of equity method investees	—	—	—	190	—	190	—	—	190
Equity-based compensation	—	—	—	—	—	—	2,305	—	2,305
Business Combination ¹	—	—	—	—	—	—	59,079	—	59,079
Issuance of common shares to acquire a subsidiary	90,990	1	70,857	—	—	70,858	—	—	70,858
Reclassification of redeemable non-controlling interest to non-controlling interest	—	—	—	—	—	—	25,020	—	25,020
Changes in ownership interest in subsidiary	—	—	(802)	—	—	(802)	(640)	—	(1,442)
Change in ownership interest in subsidiary due to purchase of treasury shares	—	—	173	—	—	173	(14,032)	—	(13,859)
Change in ownership interest in subsidiary due to issuance of common stock	—	—	4,651	—	—	4,651	15,608	—	20,259
Common control transaction	—	—	(2,748)	—	—	(2,748)	—	2,748	—
Redemption of redeemable non-controlling interest	—	—	160	—	—	160	798	—	958
Balance as of December 31, 2022	3,236,389	\$ 32	1,038,262	(36,667)	(212,033)	789,594	85,395	593,513	1,468,502

¹ Includes amount incurred from Munpia, Jakga, LOCUS, and SIDUS.

The accompanying notes are an integral part of these Combined Financial Statements.

Webtoon Entertainment Inc.
Combined Statement of Cash Flows
(in thousands of USD)

	For the Year Ended December 31, 2022
Operating activities	
Combined Net Loss	\$ (132,523)
Adjustments to reconcile net loss to cash used in operating activities:	
Provision for bad debt expense	2,876
Depreciation and amortization	34,735
Operating lease expense	10,988
Loss on foreign currency, net	16,441
Deferred tax expense	(7,145)
Gain on debt and equity securities, net	(624)
Loss on equity method investments, net	4,694
Remeasurement of contingent consideration liability	448
Other non-cash items	151
Changes in operating assets and liabilities:	
Changes in trade receivables, net of allowance	11,221
Changes in non-trade receivables, net of allowance	30,538
Changes in other assets	(35,181)
Changes in accounts payable	(48,199)
Changes in accrued expenses	(16,979)
Changes in contract liabilities	3,176
Changes in other liabilities	(5,207)
Changes in operating lease liabilities	(10,018)
Net cash used in operating activities	(140,608)
Investing activities:	
Proceeds from maturities of short-term investments	15,877
Proceeds from sale of debt and equity securities	871
Proceeds from sale of property and equipment	608
Payments made for loan receivable	(3,254)
Purchases of debt and equity securities	(29,200)
Purchases of property and equipment	(2,696)
Purchases of intangible assets	(18,492)
Purchases of equity method investments	(14,151)
Acquisitions of businesses, net of cash acquired	(520)
Other investing activities	253
Net cash used in investing activities	(50,704)
Financing activities:	
Proceeds from short-term borrowings	\$ 76,586
Proceeds from issuance of common stock	408,372
Repayments of short-term borrowings	(104,929)
Repayment of convertible debt	(2,257)
Payment of contingent consideration related to business acquisition	(2,020)
Acquisition of additional equity interests in non-wholly owned subsidiaries	(14,335)
Payments for the redemption of non-controlling interests	(11,075)
Net cash provided by financing activities	350,342
Effect of exchange rate changes on cash and cash equivalents	\$ (20,414)
Net increase in cash and cash equivalents	138,616
Cash and cash equivalents at beginning of the year	141,093
Cash and cash equivalents at end of the year	\$ 279,709
Supplemental disclosure:	
Income taxes paid	\$ 29,362
Interest paid	700
Non-cash transactions:	
Purchase of property and equipment included in accounts payable	\$ 9,175
Non-cash consideration transferred in business combinations	\$ 181,930

The accompanying notes are an integral part of these Combined Financial Statements.

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

Note 1. Description of Business and Summary of Significant Accounting Policies

Organization and Description of Business

Webtoon Entertainment Inc. (the “Parent”), together with its subsidiaries, and Wattpad Corporation (“Wattpad”) and its respective subsidiaries (combined Parent and Wattpad, the “Company,” “we,” “us” or “our”), are majority-owned subsidiaries of Naver Corporation (“Naver”) who are, on a combined basis, a leading online and web-comic platform service company. We provide hosting services for compact web-comics through both web and mobile applications and offer thousands of titles with episodes that are updated on a daily basis. We offer extensive and diverse genres of content, including fantasy, romance, and science fiction, on our platform. Platform refers to the various offerings through which we engage with users across diverse geographical markets including Korea, United States, Japan, Southeast Asia and Europe.

Wattpad, a global multi-platform entertainment company for original stories, content and advertising, became a wholly owned subsidiary of Naver and a sister entity of the Parent when it was acquired by Naver on May 10, 2021. On December 1, 2022, Wattpad Webtoon Studios Inc. (“WWS”), a newly created and wholly owned subsidiary of the Parent, entered into a purchase agreement with Wattpad pursuant to which WWS acquired Wattpad’s business related to the development of intellectual property (“IP”) into books, podcasts, movies and television productions (the “Studio Business”) for \$15.4 million. The Studio Business consisted of 100% voting equity interest in Wattpad Studio Inc., a wholly owned subsidiary of Wattpad, and certain assets and liabilities held by other subsidiaries of Wattpad. On June 1, 2023, subsequent to the fiscal periods presented in these Combined Financial Statements, the Parent entered into a stock contribution agreement with Naver pursuant to which the Parent acquired 100% of the common shares of Wattpad in exchange for 413,481.93 shares of the common stock of the Parent (the “Wattpad Transfer”).

The Studio Business acquisition and Wattpad Transfer were accounted for as common control transactions and included in the financial statements respectively on a combined basis. Transactions between entities under common control are accounted for in a manner similar to the pooling-of-interest method. Thus, the financial statements of the commonly controlled entities would be combined, retrospectively, as if the transactions had occurred at the beginning of the period.

Basis of Presentation

For the period prior to December 1, 2022, the accompanying financial statements and footnotes present the combined Parent consolidated and Wattpad consolidated financial information. For the period after December 1, 2022, the Studio Business financial information is presented as part of the Parent consolidated financial information and is combined with the remaining Wattpad consolidated financial information. These financial statements and footnotes are therefore referred to as “Combined Financial Statements” throughout. Naver’s equity interest in Wattpad during the period is reflected within “Group Equity” within the Combined Statement of Stockholders’ Equity and Group Equity.

The following Combined Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Our fiscal year ends on December 31. Dollar amounts presented in tables are shown in thousands of United States Dollars (*in thousands of USD*).

Changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for as equity transactions (investments by owners and distributions to owners acting in their capacity as owners) with no gain or loss recognized in consolidated net income (loss) or comprehensive income (loss). The carrying amount of any non-controlling interest is adjusted to reflect the change in a parent’s

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

ownership interest in the subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the parent. All intercompany and intra-entity transactions and balances have been eliminated. The Combined Financial Statements for all periods presented included all the cost of doing business, including the expenses that represent services provided by Naver to the Company and its subsidiaries. Such services under certain agreements are charged to the Company and its subsidiaries based on estimated cost allocation plus mark-up methodology, which management believes is approximating arm's length costs. The Company believes the charges are reasonably calculated in accordance with SAB Topic 1 Q2. The amounts are billed to and paid for by the Company or its subsidiaries on a regular basis.

Use of Estimates

The preparation of Combined Financial Statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the Combined Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates relate primarily to determining the fair value of assets and liabilities acquired in business combinations, acquired intangible assets and goodwill, unit price of virtual currency in revenue recognition, deferred revenue, allowance for doubtful accounts, evaluation of contingencies, deferred tax assets net of a valuation allowance, uncertain tax positions, the fair value of stock-based awards, and the fair value of debt and equity securities. We based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates.

Segment Information

The Company operates as one operating segment which is also its reportable segment. Our Chief Executive Officer ("CEO") is our Chief Operating Decision Maker ("CODM") who assesses performance and makes resource allocations based on financial data presented on a consolidated basis.

Foreign Currency

The functional currency of the Parent and reporting currency for the Company is U.S. dollars. The Korean won and the Japanese yen are the functional currencies of our major operating subsidiaries. The other subsidiaries predominantly utilize their local currencies as their functional currencies. Assets and liabilities of each subsidiary are translated into U.S. dollars at the exchange rate in effect at the end of each period. Revenue and expenses for these subsidiaries are translated into U.S. dollars using average rates that approximate those in effect during the period. Translation adjustments are included in Accumulated other comprehensive loss as a separate component of the Combined Statements of Stockholders' Equity and Group Equity and in the effect of exchange rate changes on cash and cash equivalents in the Combined Statements of Cash Flows.

Revenue Recognition

The Company primarily generates revenue through its platform by providing users with access to Paid Content, and by providing advertising services on the platform. We recognize revenue when services are transferred to customers at the transaction price which considers estimated returns, promotional discounts and earned loyalty rewards. Revenue excludes amounts collected on behalf of third parties, such as value added taxes. Historical data is used to estimate returns on promotional discounts and earned loyalty rewards using the expected value method. We include these amounts in the transaction price to the extent it is probable that a significant reversal of revenue will not occur and update our estimate of transaction price as additional information becomes available. For revenue contracts with multiple performance obligations, the transaction

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

price is allocated to each performance obligation using the relative stand-alone selling price which is primarily determined based on the price charged to customers for sales on a stand-alone basis.

Paid Content Revenue

Paid Content revenue is recognized when the Company provides services that provide content to users through the platform. Content provided by the platform includes, but is not limited to, web-comics, movies, web-novels, and e-books. We have an obligation to upload and maintain content on the platform by contracting with creators and publishers to make the content available to our customers. On most of our offerings, customers purchase access to content by first purchasing a virtual currency (such as Coins or Cookies) then redeeming such virtual currency for access to particular content. There are other offerings where content can be purchased directly with cash. For the majority of transactions, we have determined that we are the principal for services provided to users and recognize revenue gross of commissions payable to the creator or publisher. In cases where we have determined that we are an agent in the transaction, we recognize revenue net of amounts remitted to the creator or publisher. The determination of whether the Company is a principal or as an agent in Paid Content revenue transactions requires significant judgment and is based on an assessment of relevant accounting guidance and the arrangements the Company has in place with creators or publishers and end users. Key considerations in this determination include the Company's ability to control access to, monetization of, and promotion of the content, as well as its responsibility for resolution of end user inquiries and complaints and its ability to establish the price of the content on the platform. The period of time the user can view the content varies depending on the offering and the terms of the arrangement with the user. We recognize Paid Content revenue over the estimated service period, which we determine based on the weighted average number of days between the first day the user can access the content and last day the user views the content, which varies by platform and is typically between 2 to 4 days. We believe this provides a reasonable depiction of the transfer of services.

Paid Content revenue also includes the sale of physical books from other publishers. The Company earns commissions on the sales of books to end users from merchants that sell their products through the Company's offerings. For the majority of these transactions, the Company is not the seller of record, nor does it take control of the related inventory, which has led the Company to determine that it is an agent in these transactions. Accordingly, although the Company processes and collects the full payment on these transactions, it records revenue net of amounts remitted to the third party merchant when control transfers to the customer, generally at the time of product shipment from its facilities.

Advertising Revenue

We post advertisements on our websites and mobile applications and recognize revenue for advertising services. Advertising revenue is recognized at the point in time the advertisement is displayed or based on clicks, impressions, or end-user activity, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. When the customer is an advertising agency, advertising revenue is comprised of the commission the Company earns for lending advertisement space to the advertising agency.

IP Adaptations

We internally develop IP Adaptations for films, streaming series, or other rich media format adaptations, the majority of which are commissioned for production by third party studios or streaming platforms. IP Adaptations revenue is recognized based on the terms of the contract with the customer and the determination of the Company's performance obligation is dependent on which party has authority to make key creative decisions on the produced content. For IP Adaptations where the content is made to an individual customer specification such that the customer controls the output during the production process, the Company's performance obligation is production services. Revenue and the associated costs of such contracts are recognized over time on a percentage

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

of completion basis. For IP Adaptations where the Company controls the key creative decisions and output of the production process, its performance obligation is the sale of content to third-party studios and video-streaming platforms. Fixed payments for the content are recognized as revenue upon delivery and acceptance of the content or as sales-based royalties when sell-through sales of the content occur. IP Adaptations revenue also includes license fees generated from sub-licensing content to third parties and merchandise sales. Content sub-licensing revenue is recognized when the Company brokers licensing arrangements between creators or publishers and other third-party platforms on a net commission basis as the Company is acting as an agent in these transactions.

IP Adaptations also include the sale of licensed merchandise. The Company earns commissions on merchandise sales sold to end users from merchants that sell their products through the Company's offerings. For the majority of these transactions, the Company is not the seller of record, nor does it take control of the related inventory, which has led the Company to determine that it is an agent in these transactions. Accordingly, although the Company processes and collects the full payment on these transactions, it records revenue net of the amounts remitted to the third-party merchant when control transfers to the customer, generally at the time of product shipment from its facilities.

Cost of Revenue

Cost of revenue primarily consists of the commission fees payable to content rights holders as well as other costs directly associated with the acquisition, licensing and production of content, such as payroll and related personnel expenses, amortization and production related costs. Cost of revenue also includes fees charged by payment gateway companies for processing payments on the offerings as well as platform fees payable to companies that provide consumers with the ability to download the mobile app through app stores (such as Google and Apple) or to third parties providing a platform hosting service.

Marketing

Marketing expenses primarily consist of online and offline advertising and marketing program costs. Marketing expenses also include market research and public relations related expenses that support marketing activities. Advertising costs are expensed as incurred and total advertising expense is \$70.9 million for the year ended December 31, 2022.

General and Administrative Expenses

General and administrative expenses include all our operating costs, excluding cost of revenue and marketing, as described above. More specifically, these expenses include costs related to operating and maintenance of our platform, general corporate function costs, and depreciation and amortization of non-operating assets.

Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with U.S. GAAP which requires compensation expense for the grant-date fair value of equity-based awards to be recognized over the requisite service period. The Company determines the fair value of equity-based awards granted on the grant date using appropriate valuation techniques. Forfeitures are estimated using historical experience at the time of grant and revised in subsequent periods if actual forfeitures differ from initial estimate.

Under the Company's Amended and Restated 2020 Stock Option plan, the Company grants stock options to its employees that vest upon the satisfaction of both a service-based condition and a performance condition. The

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

performance condition of the Company's options is satisfied upon a qualified offering of the Company, which is defined in the Company's Amended and Restated 2020 Stock Option plan as the closing of an underwritten public offering pursuant to an effective registration statement under the U.S. Securities Act of 1933 or on the basis of an approved prospectus and/or pursuant to a valid registration, qualification or filing under applicable law of another jurisdiction, in each case of the Shares or other equity securities of the Company ("Qualified Offering"). The grant date fair value of the options, net of estimated forfeitures, is recognized as expense over the requisite service period using a graded vesting attribution when the performance condition is probable of occurring. As of December 31, 2022, the Company had not recognized stock-based compensation expense for the Company's options as the satisfaction of the performance condition was not probable. Upon satisfaction of the performance condition, the Company will immediately record cumulative stock-based compensation expense for the awards that have met the service-based vesting condition.

The Company estimates the fair value of its stock options granted using the Black-Scholes option-pricing model, which requires the input of assumptions that include the expected stock price volatility over the expected term of the award, actual and projected employee stock option exercise behaviors, the risk-free interest rate for the expected term of the award and expected dividends. Expected volatility is based on historical volatility of the stock of industry peers. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

Naver granted stock options to the Company's employees, which are option awards settled with cash and accounted for as liability classified awards marked to fair value each reporting period. Compensation cost is recognized on a straight-line basis over the vesting period and remeasured based on the fair value at each reporting period until settlement, net of forfeitures. The Company estimates and remeasures the fair value of its stock options granted using a binomial model.

Defined Severance Benefits

We accrue severance benefits for employees of our Korean subsidiaries. Pursuant to the Employee Retirement Benefit Security Act of Korea, eligible employees with one or more years of service are entitled to severance payments upon the termination of their employment based on their length of service and pay rate. We recognize the defined severance benefits in the Combined Balance Sheet with a corresponding adjustment to Combined Statement of Operations and Comprehensive Loss. The obligations are measured annually, or more frequently if there is a remeasurement event, based on our measurement date utilizing various actuarial assumptions and methodologies. We use certain assumptions including, but not limited to, the discount rates, salary growth rates, and certain employee-related factors, such as turnover, retirement age and mortality. We review our actuarial assumptions and make modifications to the assumptions based on current rates and trends when appropriate. We have adopted a policy of immediate recognition of actuarial gains and losses where any differences arising from the annual remeasurement is immediately charged in the period of the remeasurement within the Combined Statements of Operations and Comprehensive Loss as Other income, net.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Our deferred tax assets are recorded net of valuation allowances when, based on the weight of available evidence, it is more likely than

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

not that all or some portion of the recorded deferred tax assets will not be realized in future periods. Realization of our deferred tax assets is dependent on the generation of future taxable income. In considering the need for a valuation allowance, we consider our historical, as well as future projected taxable income, along with other positive and negative evidence in assessing the realizability of our deferred tax assets. Decreases to valuation allowances are recorded as reductions to our income tax expense and increases to valuation allowances result in additional expense for income taxes. We recognize and measure uncertain tax positions taken or expected to be taken in a tax return utilizing a two-step process. In the first step, recognition, we determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that has a likelihood of greater than 50 percent of being realized upon ultimate settlement.

The Company does not record a deferred tax liability for the excess of the book basis over the tax basis of its investments in foreign subsidiaries to the extent that the basis difference meets the indefinite reversal criteria. These criteria are met if the Company has invested or will invest the undistributed earnings on the foreign subsidiaries indefinitely. The management's intention is to invest the undistributed earnings on the foreign subsidiaries indefinitely. The decision as to the amount of undistributed earnings that the Company intends to maintain in non-U.S. subsidiaries takes into account various items, including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity plans, capital improvement programs, merger and acquisition plans, and planned loans to other non-U.S. subsidiaries.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less from the date of purchase and are mainly comprised of bank deposits.

Trade and Non-Trade Receivables, net of allowance

Receivables, net of allowance are stated at their carrying value, net of allowance for doubtful accounts based on the incurred loss model. Trade receivables are receivables due from customers and non-trade receivables are primarily receivables due from payment gateway providers. We review receivables by customer for collectability, perform on-going credit evaluations of our customers, and adjust credit limits based upon payment history and the customer's current creditworthiness, then determine the allowance for doubtful accounts based on historical write-off experience, customer-specific facts, and general economic conditions that may affect a client's ability to pay. We group our receivables by similar characteristics and estimate our allowance for doubtful accounts on a similar-characteristic portfolio basis using aging analyses and loss experience rates. Bad debt expense is included in General and administrative expenses.

Property and Equipment, net

Property and equipment, net is stated at historical cost, less accumulated depreciation. Property and equipment primarily include buildings, land, leasehold improvements, and information technology equipment. Depreciation expense is classified within General and administrative expenses in the Combined Statement of Operations and Comprehensive Loss. We compute depreciation using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

Leases

We determine whether an arrangement is or contains a lease at contract inception. Leases with contractual terms greater than twelve months are classified as either operating or finance leases. Operating leases are

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recorded as operating lease right-of-use assets and operating lease liabilities on the Combined Balance Sheet. We elected to account for lease and non-lease components as a single lease component for all classes of assets and elected to not record leases with an initial term of twelve months or less on the Combined Balance Sheet. If the rate implicit in the Company's leases is not readily determinable, we use our incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments over the lease term. When the Company has the option to extend the term or terminate the lease before the contractual expiration date, and it is reasonably certain that it will exercise the option, the Company considers these options in determining the lease term. The Company's operating leases are comprised of leases of real estate and equipment that are typically entered into for a fixed term that may contain extension and termination options. Certain agreements have free rent periods or escalating rent payment provisions. Rent expense is recognized on a straight-line basis over the lease term. The Company subleases its properties, which are all classified as operating leases. Any sub-leasing revenue is classified as other income. The Company does not have any finance leases. See Note 8. *Leases* for further information.

Impairment of Long-lived Assets

Long-lived assets include property and equipment, trademarks, copyrights, patents, software, brand and other intangible assets with finite lives. Long-lived assets are not required to be tested for impairment annually, but rather whenever circumstances indicate that the carrying amount of the asset may not be recoverable. Conditions that may necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may indicate potential impairment. When the undiscounted future cash flows indicate the long-lived asset or asset group is not recoverable, any potential impairment loss is measured and recognized at the amount by which the carrying value exceeds its fair value. The Company did not observe any impairment indicators and therefore did not perform any impairment testing on long-lived assets in the year ended December 31, 2022.

Change in Estimated Useful Lives of Intangible Assets

The Company reviews the estimated useful lives of its finite-lived intangible assets on at least an annual basis. This review indicates that the actual lives of certain intangible assets were shorter than the estimated useful lives over which such assets are amortized due to the abandonment of certain intangible assets that cease to be used. As a result, the Company accelerated amortization of these intangible assets by \$1.9 million for the year ended December 31, 2022.

Fair Value Measurements

Certain financial instruments are required to be recorded at fair value. Other financial instruments, including cash and cash equivalents, are recorded at cost, which approximates fair value. Additionally, trade receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of these financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and

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liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

We measure the fair value of certain equity securities based on quoted prices in active markets for identical assets or liabilities. Other debt and equity securities are valued either based on recent trades of securities in inactive markets or based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data.

Fair Value Option

The Company elects to account for debt securities under the fair value option in accordance with ASC 825, Financial Instruments, (“ASC 825”). Under the fair value option, these debt securities are recognized at fair value at inception and at each subsequent reporting date as a component of Other income, net in the Combined Statements of Operations and Comprehensive Loss.

Equity Securities without Readily Determinable Fair Value

For equity securities without readily determinable fair value, securities are recorded at cost less impairment, and adjusted for subsequent observable price changes as of the date that an observable transaction takes place. The Company performs a qualitative assessment on an annual basis to determine if any observable price changes have occurred. If the qualitative assessment indicates that an observable price change has occurred for the same or similar security of the issuer, a gain or loss is recorded equal to the difference between the fair value and carrying value in the current period as a component of Other income, net.

Loans

Typically, loans that do not meet the definition of a debt security, are stated at amortized cost, net of allowance for credit losses based on incurred loss model. We estimate the allowance for credit losses based upon historical experience, the age and delinquency rates of receivables and credit quality, as well as economic and regulatory conditions combined with reasonable and supportable management forecasts of collectability and other economic factors over the contractual term of the receivables. We write off loans against the allowance for credit losses when they are deemed to be uncollectible.

Equity Method Investments

We apply the equity method to account for investments in which we have the ability to exercise significant influence, but not control, over the investee. There is a rebuttable presumption that an investor has significant influence when it owns more than 20% of the common stock of in a corporation and more than 3% partnership interest in a partnership. This presumption may be overcome based on specific facts and circumstances that demonstrate the ability to exercise significant influence is restricted. We apply the equity method to investments in common stock. We record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of the net earnings or losses and other comprehensive income of the investee. Basis differences between the cost of an equity method investment and the underlying equity in the intangible assets are amortized over the estimated economic useful life of the underlying intangible asset. We

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record dividends or other equity distributions as reductions in the carrying value of the investment. If net losses reduce our carrying amount to zero, additional net losses may reduce other investments in the same investee, if they exist. Such additional equity method losses, if any, are based upon the change in our claim on the investee's book value.

Equity method investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any reversal of an impairment loss cannot exceed any previously recorded impairment. The Company may estimate the fair value of its equity method investments by considering recent investee equity transactions, discounted cash flow analysis, recent operating results, comparable public company operating cash flow multiples and, in certain situations, balance sheet liquidation values. If the fair value of the investment has dropped below its carrying amount, management considers several factors when determining whether an other-than-temporary decline has occurred, such as the length of the time and the extent to which the estimated fair value or market value has been below the carrying value, the financial condition and the near-term prospects of the investee, the intent and ability of the Company to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in market value, and general market conditions. The estimation of fair value and whether an other-than-temporary impairment has occurred requires the application of significant judgment and future results may vary from current assumptions. If declines in the value of the equity method investments are determined to be other-than-temporary, a loss is recorded in earnings in the current period as a component of Loss on equity method investment, net on the Combined Statements of Operations and Comprehensive Loss.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash, cash equivalents, and accounts receivable. We maintain cash deposits, cash equivalent balances with several financial institutions. Cash and cash equivalents may be withdrawn or redeemed on demand. We believe that the financial institutions that hold our cash and cash equivalents are financially sound and, accordingly, minimal credit risk exists with respect to these balances. We extend credit to our customers based on an evaluation of their ability to pay amounts due under contractual arrangement and generally do not obtain or require collateral. There are no individual customers who account for more than 10% of total revenue or trade receivables balance.

Business Combinations

We include the results of operations of the businesses that we acquire from the date of acquisition. We determine the fair value of the assets acquired and liabilities assumed based on their estimated fair values as of the respective date of acquisition. The excess purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates, and selection of comparable companies. Our estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill. At the conclusion of the measurement period, any subsequent adjustments are reflected in the Combined Statements of Operations and Comprehensive Loss. When we issue payments or grants of equity to selling stockholders in connection with an acquisition, we evaluate whether the payments or awards are compensatory. This evaluation includes whether cash payments or stock award vesting is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued

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employment is required for the cash to be paid or stock awards to vest, the award is treated as compensation for post-acquisition services and is recognized as compensation expense. Transaction costs associated with business combinations are expensed as incurred and are included in General and administrative expenses in our Combined Statements of Operations and Comprehensive Loss.

Common Control Transactions

Assets and liabilities transferred in common control transactions are recognized at the historical cost of the ultimate parent of the entities under common control. In determining the receiving entity in common control transactions, the entity that first came under control of the ultimate parent is presented as the accounting receiving entity regardless of the legal form of the transaction. Any difference in the amount paid by the receiving entity versus the assets and liabilities transferred at the historical cost of the ultimate parent to the receiving entity is recorded as an adjustment to equity. Business combinations between entities under common control that result in a change in reporting entity are accounted for retrospectively for all periods presented as if the combination had been in effect since the inception of common control. Assets acquisitions between entities under common control are accounted for prospectively. When performing goodwill impairment testing during the period when common control transactions are retrospectively presented, we use the historical reporting unit structures of each of the respective common control entities. The reporting units are reassessed for goodwill impairment testing purposes at the time of the common control transaction to the extent any changes are made to the reporting units as a result of such common control transaction.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. The Company evaluates goodwill and indefinite-lived intangible assets such as membership and intellectual property rights for impairment annually as of October 1, or earlier if an event or other circumstance indicates that it may not recover the carrying value of the asset. If the Company believes that, as a result of its qualitative assessment, it is more likely than not that the fair value of a reporting unit or other indefinite-lived intangible asset is greater than its carrying amount, a quantitative impairment test is not required. Reporting units are businesses for which individual financial information is available. If a qualitative assessment indicates that it is more likely than not that the carrying value of a reporting unit goodwill or other indefinite-lived intangible asset exceeds its fair value, a quantitative impairment test is performed. If the carrying amount of the reporting unit exceeds the fair value of the reporting unit, an impairment charge is recorded for the amount by which the carrying amount exceeds the fair value, not to exceed the amount of goodwill recorded for that reporting unit. Application of the goodwill impairment test requires judgment based on market and operational conditions at the time of the evaluation, including management's best estimates of the reporting unit's future business activity and the related estimates and assumptions of future cash flows from the assets that include the associated goodwill.

Net Loss Attributable to Common Stockholders

The share numbers are retroactively stated for purposes of calculating weighted average number of shares outstanding for loss per share to reflect the outstanding shares of Wattpad as if the equity structure of the Parent (the accounting acquirer) was stated to reflect the number of shares of Wattpad (the accounting acquiree) issued in the common control transactions. Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of common stock outstanding for the period. Diluted net loss per share is computed using the weighted-average number of shares of common stock and potentially dilutive potential common shares outstanding during the period. The dilutive net loss per share impact of the subsidiaries is included in our numerator when calculating combined net loss per share.

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Each reporting period, a measurement period adjustment is recorded to adjust the redeemable non-controlling interest to its maximum redemption amount with changes recorded in retained earnings (or Additional paid in capital if the Company has an accumulated deficit) if such non-controlling interest is probable of being redeemed. Changes to redemption value will be reflected as a corresponding adjustment to the numerator for earnings (loss) per share. As of December 31, 2022, no adjustments were made to redemption value or loss per share as the redeemable non-controlling interest was not probable of being redeemed.

Emerging Growth Company (“EGC”) Status

We are an EGC, as defined in the Jumpstart our Business Startups Act of 2012 (“JOBS Act”). Under the JOBS Act, an EGC may delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. We have elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an EGC or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our Combined Financial Statements may or may not be comparable to companies that comply with new or revised accounting pronouncements as of public companies’ effective dates.

Recent Accounting Pronouncements Adopted

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40). The update simplifies the accounting for convertible instruments and contracts on an entity’s own equity, including warrants, eliminating certain triggers for derivative accounting. We adopted this ASU on January 1, 2022, and determined it did not have a material impact on our Combined Financial Statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with ASC 606 as if it had originated the contracts. We adopted this ASU on January 1, 2022, and determined it did not have a material impact on our Combined Financial Statements.

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” (“ASU 2019-12”). ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company does not expect the adoption of ASU 2019-12 to have a material effect on the Company’s Combined Financial Statements.

Recent Accounting Pronouncements Yet to Be Adopted

In September 2022, the Financial Accounting Standards Board issued ASU 2022-04, “Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations.” This guidance requires disclosure of the key terms of outstanding supplier finance programs and a roll forward of the related obligations. The new standard does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. The ASU is effective for the Company for annual periods beginning

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

after January 1, 2023. We are currently evaluating the effect of adopting the ASU on our Combined Financial Statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326) for the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In October 2019, the FASB approved an extension for all non-Securities and Exchange Commission filers, including small reporting companies, to extend the effective date to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. As an EGC, the Company adopted this ASU effective January 1, 2023, and it has not had a material effect on our Combined Financial Statements.

Note 2. Revenue***Disaggregation of Revenue***

The following table shows revenue disaggregated by revenue stream for the year ended December 31, 2022:

	Year Ended December 31, 2022 <i>(in thousands of USD)</i>
Paid Content	\$ 851,871
Advertising	145,056
IP Adaptations	82,461
Total	\$ 1,079,388

The revenue stream disaggregation above takes into consideration how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Paid content revenue is generated from the provision of platform services that enable users to access content. Paid content revenue also includes \$8.6 million of physical book sales through the platform. Advertising revenue represents amounts earned for the display of advertisements on our offerings or product placement within content. IP Adaptations include the internal development of film, streaming series, or other rich media format adaptations commissioned by third party studios or streaming platforms; license fees generated from sub-licensing content to third parties; as well as \$4.2 million of commissions earned on merchandise sales through the Company's platform.

The following table shows disaggregation of revenue by geography for the year ended December 31, 2022:

	Year Ended December 31, 2022 <i>(in thousands of USD)</i>
Korea	\$ 601,170
Japan	337,660
Rest of World	140,558
Total	\$ 1,079,388

The revenue disaggregation by geography above is based on the location of the Company's customers at the time of sign-up as determined by the Company's internal systems utilizing standard geo-location technology.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements*****Contract Liabilities***

	<u>2022</u>
	<i>(in thousands of USD)</i>
Balance as of January 1	\$ 63,637
Increase in contract liabilities	44,943
Decrease in contract liabilities (revenue recognized)	<u>(31,488)</u>
Balance as of December 31	<u>\$ 77,092</u>

Contract liabilities primarily include payments received for virtual currency prior to the Company satisfying its performance obligation to deliver content to the customer.

We recognized revenue of \$31.5 million in 2022 that was included within Contract liabilities on the Combined Balance Sheet as of the beginning of the year.

As of December 31, 2022, our remaining performance obligations were \$77.1 million, and we expect to recognize the entire amount within one year.

Note 3. Loss per share

For the year ended December 31, 2022, for the purpose of calculating net loss per share and as a result of the common control transaction as described in Note 1. *Description of Business and Summary of Significant Accounting Policies*, the weighted-average number of shares used in the calculation reflects the outstanding shares of Wattpad as if the equity structure of the Parent (the accounting acquirer) was retroactively stated to reflect the number of shares issued in the Wattpad Transfer.

Basic loss per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted loss per share is computed using the weighted average number of outstanding shares of common stock and, potentially dilutive common shares outstanding during the period. Potentially dilutive common shares consist of incremental shares issuable upon the assumed exercise of stock options. For the year ended December 31, 2022, the Company's Korean subsidiaries each had outstanding stock options that will be settled in each respective subsidiary's common shares. The numerator of the Company's loss per share includes the Parent's proportionate share of the diluted earnings per share impact of outstanding subsidiaries' stock options.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

The following table sets forth the computation of basic and diluted loss per share for the years ended December 31, 2022:

	Year Ended December 31, 2022 <i>(in thousands of USD, except share and per share data)</i>
Basic net loss per share:	
Net loss attributable to Webtoon Entertainment Inc. stockholders	\$ (129,871)
Shares used in computation:	
Weighted-average common shares outstanding	3,550,034
Basic net loss per share	\$ (36.58)
Diluted net loss per share:	
Net loss attributable to Webtoon Entertainment Inc. stockholders	\$ (129,871)
Add: dilutive impact of subsidiary stock options	(21)
Diluted net loss attributable to Webtoon Entertainment Inc. stockholders	\$ (129,892)
Shares used in computation:	
Weighted-average common shares outstanding	3,550,034
Diluted net loss per share	\$ (36.59)

As the Company's share options feature a performance condition contingent on a Qualified Offering of the Company, all such awards were excluded from the calculation of basic and diluted net loss per share as such performance condition was not met as of the reporting date.

Note 4. Other Income, net

The following table summarizes Other income, net for the year ended December 31, 2022:

	Year Ended December 31, 2022 <i>(in thousands of USD)</i>
Gain on debt and equity securities, net	\$ 624
Loss on foreign currency, net	(12,035)
Retirement benefit, net	9,598
Other non-operating income, net	2,750
Total other income, net	\$ 937

Webtoon Entertainment Inc.**Notes to Combined Financial Statements****Note 5. Balance Sheet Components*****Other Current Assets***

	As of December 31, 2022
	<i>(in thousands of USD)</i>
Advance payments, net	\$ 48,317
Prepaid expenses	13,388
Others	3,445
Total other current assets	\$ 65,150

Advance payments arise primarily from the payment of minimum guarantees to creators or publishers for their provision of content such as web-comics on the Company's platform. The minimum guarantee is offset against commissions payable to creators or publishers. The Company recorded bad debt expenses on advance payments if the estimated future commissions payable is less than the carrying amount of such advance payments. The Company recorded an allowance on advance payments of \$0.4 million for the year ended December 31, 2022.

Others consist primarily of inventories, short-term loans, and the current portion of leasehold deposits. The allowance on short-term loans is \$0.4 million as of December 31, 2022.

Other Non-Current Assets

	As of December 31, 2022
	<i>(in thousands of USD)</i>
Long-term advance payments, net	\$ 31,120
Long-term prepaid expenses	937
Long-term loans, net	4,286
Leasehold deposits and others	10,371
Total other non-current assets	\$ 46,714

Long-term advance payments are the portion of advance payments expected to remain on the balance sheet beyond one year. The allowance on long-term advance payments was \$14.5 million as of December 31, 2022.

The allowance on long-term loans is \$0.7 million as of December 31, 2022.

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Notes to Combined Financial Statements

Note 6. Property and Equipment, net

Property and equipment, net consists of the following:

	<u>Estimated Useful Lives (in Years)</u>	<u>As of December 31, 2022</u>
		<i>(in thousands of USD)</i>
Land	Indefinite	\$ 6,786
Buildings	40	167
Equipment	3-5	22,401
Leasehold improvements	Lesser of lease term or useful life	10,307
Property and equipment		39,661
Less: Accumulated depreciation		(18,044)
Property and equipment, net		\$ 21,617

Depreciation expense on property and equipment is \$3.3 million for the year ended December 31, 2022 and is recorded within General and administrative expenses.

The Company acquired the majority of property and equipment through business combinations during the year (See Note 17. *Business Combination*). The land and buildings have been pledged as collateral in a short-term borrowing with the Industrial bank of Korea (See Note 9. *Debt*).

Note 7. Goodwill and Intangible Assets, net

Intangible assets, net consist of the following:

	<u>As of December 31, 2022</u>			
	<u>Estimated Useful Lives (in Years)</u>	<u>Gross amount</u>	<u>Accumulated Amortization</u>	<u>Carrying amount</u>
		<i>(in thousands of USD)</i>		
Intangible assets with definite lives:				
Brand	15	147,851	(10,024)	137,827
Intellectual property rights	10-14	103,391	(21,969)	81,422
Software	5	47,706	(16,837)	30,869
Trademarks, copyrights, and patents	4.32-15	\$ 3,594	\$ (536)	\$ 3,058
Intangible assets with indefinite lives:				
Intellectual property rights	Indefinite	346	—	346
Membership	Indefinite	300	—	300
Total intangibles		\$ 303,188	\$ (49,366)	\$ 253,822

Intangible assets, other than goodwill, are initially recognized at cost and are presented net of accumulated amortization. Brand, software, trademarks, copyrights, and patents are amortized to Cost of revenue and General and administrative expenses to operating expense on a straight-line basis over their estimated useful lives. Intellectual property rights with definite lives are amortized to operating expense over their estimated economic useful lives or the period over which we have exclusive and unrestricted rights to the content under the contract. Intellectual property rights consist of the exclusive rights, customer relations and publishing rights based on the contracts and they are amortized over the contractual terms. Intellectual property rights with perpetual exclusivity are treated as an indefinite lived asset.

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Amortization expense for intangible assets for the year ended December 31, 2022 was \$31.5 million, which includes the accelerated amortization expense for abandoned intellectual property rights of \$1.9 million. The amortization expense is recorded in General and administrative expenses or cost of revenue in our Combined Statements of Operations and Comprehensive Loss, depending upon the nature of activities.

Intangible asset amortization expense for the following five years is expected to be as follows:

<u>Years Ended December 31,</u>	<u>(in thousands of USD)</u>
2023	\$ 31,309
2024	30,905
2025	29,747
2026	23,975
2027	13,873
Thereafter	123,367
	<u>\$ 253,176</u>

The changes in the carrying amount of goodwill for the year ended December 31, 2022, are as follows:

	<u>Goodwill</u> <u>(in thousands of USD)</u>
Balance as of January 1, 2022	\$ 495,554
Acquisition	405,733
Foreign currency translation	(17,235)
Balance as of December 31, 2022	\$ 884,052

The Goodwill balance as of January 1, 2022 relates to the Wattpad acquisition. During 2022, the Company acquired Munpia, Jakga, eBIJ, Locus, and JHS (see Note 17. *Business Combinations*) for a total goodwill amount of \$405.7 million. Given the entities to which the goodwill relates, each comprise a separate reporting unit, and the business combinations resulted in the Company gaining control over each reporting unit in its entirety, no further allocation of goodwill was deemed necessary.

The Company elected to qualitatively evaluate for potential goodwill impairment to fulfill annual impairment testing requirements of goodwill under US GAAP by considering factors such as macroeconomic conditions, industry and market considerations, cost factors, financial performance, entity-specific events, events affecting reporting unit, and share price per ASC 350-20-35-3C and noted no factors or triggering events that would indicate the fair value of any reporting units were less than their carrying values for the fiscal year ended December 31, 2022.

Note 8. Leases

The components of lease expense are as follows:

	<u>Year Ended</u> <u>December 31, 2022</u> <u>(in thousands of USD)</u>
Operating lease expense ¹	\$ 10,988
Short-term lease expense	1,514
Total lease expense	\$ 12,502

¹ Includes operating lease expense of \$5,031 related to Naver. See Note 16. *Related Party* for further details.

Lease expense is included within General and administrative expenses of the Combined Statements of Operations and Comprehensive Loss.

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Supplemental disclosure of cash flow information related to operating leases are as follows:

	<u>As of December 31, 2022</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 10,018
Right-of-use assets obtained in exchange for operating lease liabilities	33,326

The following table presents the weighted average remaining lease term and discount rates as of December 31, 2022:

	<u>As of December 31, 2022</u> <i>(in thousands of USD)</i>
Weighted-average remaining lease term	4.05 years
Weighted-average discount rate	3.23%

The aggregate future lease payments for operating lease liabilities as of December 31, 2022, are as follows:

<u>Year</u>	<i>(in thousands of USD)</i>
2023	\$ 12,000
2024	10,857
2025	10,337
2026	9,091
2027	2,960
2028 and thereafter	458
Total future lease payments	45,703
Less: Imputed interest	(3,339)
Total	\$ 42,364

The Company subleases a portion of our operating lease right-of-use assets for buildings. Total other income generated from subleases is \$0.7 million for the year ended December 31, 2022, and is included within Other income, net of the Combined Statements of Operations and Comprehensive Loss.

Note 9. Debt

Short-Term Borrowings

The carrying amounts of short-term borrowings are as follows:

<u>Lender</u>	<u>Maturity Date</u>	<u>Interest rate (%)</u>	<u>Interest type</u>	<u>As of December 31, 2022</u> <i>(in thousands of USD)</i>
Industrial Bank of Korea Loan	Mar-23 ¹	3.13	Fixed rate	\$ 4,024
Industrial Bank of Korea Loan	Mar-23	4.93 ²	Floating rate	789
NW Media Loan ³	Apr-23	1.35	Fixed rate	3,867
Total short-term borrowings				\$ 8,680

¹ Our Korean subsidiary, Jakga, offers real estate as collateral for loans from Industrial Bank of Korea. The pledged asset, land and buildings, has a carrying value of \$6.9 million and is collateralized by \$4.8 million, or

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120% of the borrowings. The borrowings under this facility are for the purpose of acquiring buildings and land that is offered as collateral for loans.

² Calculated as the 3 month KORIBOR, which ranged from 1.39% - 4.08% plus 2.17%.

³ In April 2022, the Company received a loan of \$3.9 million from Naver that Naver subsequently transferred to its subsidiary NW Media Contents, Inc. in June 2022. In March 2023, the maturity date of NW Media Loan was extended to April 2024.

The weighted average interest rate on short term borrowings outstanding as of December 31, 2022, is 2.50%.

Long-Term Debt

The carrying amounts of long-term debt are as follows:

<u>Lender</u>	<u>Maturity Date</u>	<u>Interest rate (%)</u>	<u>Interest type</u>	<u>As of December 31, 2022</u> <i>(in thousands of USD)</i>
KEB Hana Bank Loan	Oct-23 ¹	5.74 ²	Floating rate	\$ 789
Industrial Bank of Korea Loan	Feb-23	7.34 ³	Floating rate	237
Industrial Bank of Korea Loan	Mar-23	4.45-5.31	Fixed rate	1,184
Industrial Bank of Korea Loan	Jul-23	5.14	Fixed rate	237
KOSME Loan ⁴	Feb-25	2.00	Fixed rate	56
KOSME Loan ⁴	Aug-25	2.25 ⁵	Floating rate	105
Total principal long-term debt				\$ 2,608
Less: current portion of long-term debt				(2,512)
Total long-term debt				\$ 96

¹ In the year ended December 31, 2023, the maturity date of the KEB Hana Bank Loan was extended to October 2024 with an interest rate of 5.64%.

² Calculated as the 3 month Certificate of Deposit rate, which ranged from 1.30% - 4.03%, plus 1.88%.

³ Calculated as the 3 month KORIBOR, which ranged from 1.39% - 4.08% plus 3.58%.

⁴ Korea Small and Medium-sized Enterprises and Startups Agency ("KOSME").

⁵ Calculated as the KOSME policy rate, which range from 2.15% - 2.30%.

Future principal payments for long-term debt as of December 31, 2022, are as follows:

<u>Year</u>	<i>(in thousands of USD)</i>
2023	\$ 2,512
2024	66
2025	30
Thereafter	—
Total	\$ 2,608

Revolving Credit Facility

In June 2017, the Company entered into a facility from KEB Hana Bank with an available credit limit of up to \$0.2 million. As of December 31, 2022, the company has not drawn any amounts from the facility.

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In February and April 2022, the Company also entered into one-year revolving credit facility arrangements with Shinhan Bank, KEB Hana Bank, and Kookmin Bank, providing collective available credit of \$63.1 million during the year ended December 31, 2022. As of December 31, 2022, the Company has not drawn any amounts from these facilities.

Note 10. Commitments and Contingencies

Contingencies

The Company records a loss contingency, consistent with ASC 450, when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company also discloses material contingencies when it believes a loss is not probable but reasonably possible. Accounting for contingencies requires us to use judgement related to both the likelihood of a loss and the estimate of the amount or range of loss.

Legal Proceedings

The Company is involved in a number of claims pending with various courts, or otherwise unresolved as of December 31, 2022. Adverse results in these claims may include awards of damages and may also result in, or even compel a change in the Company's business practices, which could materially impact the Company's future financial results. The Company cannot determine the potential loss or a range of possible losses for cases in their initial stages or where there is an unclear and inconsistent interpretation of laws related to the industry-specific grievances across various jurisdictions. Though the outcome of pending lawsuits and claims cannot be anticipated with certainty, the Company does not expect adverse results from its pending lawsuits and claims, as of December 31, 2022. The timing and outcome of ongoing legal proceedings are uncertain by nature. Therefore, while management deems the chance of a significant loss for all pending claims, whether asserted or unasserted, to be remote, the resolution of one or more of these legal matters against the Company during the same reporting period in excess of management's projections could negatively impact the Company's Combined Financial Statements for that reporting period.

Note 11. Stock-Based Compensation

2020 Stock Option Plan

In November 2020, the Company's Board of Directors approved and adopted the 2020 Stock Option Plan (the "2020 Plan") that was amended and restated in December 2021. The 2020 Plan governs the terms for the granting of incentive stock options or non-statutory stock options, to employees, consultants, and directors of the Company. Under the 2020 Plan, 254,648 shares of the Company's common stock were initially reserved for grant. Options under the 2020 Plan that expire or are forfeited, canceled, exchanged or repurchased generally are returned to the pool of shares of common stock available for issuance under the 2020 Plan. The maximum number of shares of the Company's common stock that may be issued under the 2020 Plan is 311,184 shares. As of December 31, 2022, the Company has 8,348 shares of common stock available for future issuance.

The Company's options are granted with exercise prices equal to the estimated fair value of common stock at the date of grant. The Company's options have a service-based vesting period and a performance condition. Options vest on the third anniversary of the grant date, subject to the recipient remaining an employee of the Company. The performance condition related to each option prohibits exercise of the options until a Qualified Offering of the Company has occurred, as defined in the 2020 Plan. The options expire 8 years from the grant date. During the year ended December 31, 2022, there was no compensation expense recorded for the Company's share options as the performance condition was not deemed probable.

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The table below summarizes the Company's stock option activity:

(in thousands of USD, except unit price)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
		<i>(in thousands of USD)</i>		
Balance as of January 1, 2022	286,613	\$ 338.22	7.02	15,128
Granted	21,821	969.00		
Forfeited	(5,598)	367.41		
Balance as of December 31, 2022	302,836	\$ 383.13	6.27	177,423

As of December 31, 2022, all of the Company's stock options were not vested or exercisable, as a Qualified Offering was not deemed probable of occurring.

The total unrecognized compensation expense related to unvested stock options is \$41.3 million. The \$21.8 million portion related to services already rendered will be immediately recognized at the time of a Qualified Offering, with the \$19.5 million residual expense recognized over the remaining service period, net of estimated forfeitures.

The fair value of the Company's stock options is estimated using a Black-Scholes option pricing model on the grant date based on the following assumptions:

	2020	2021	2022
Weighted-average expected term	5.5 years	5.5 years	5.5 years
Weighted-average expected volatility	61.00%	57.42%	31.50%
Expected dividend yield	— %	— %	— %
Risk-free interest rate	0.45%	0.99%-1.11%	3.85%
Weighted-average grant-date fair value	175.91	201.58	354.14

The expected term is the midpoint between the end of the requisite service period and the contractual term of the award. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group. As the Company is privately held and does not have a trading history for the Company's common stock, the expected price volatility for the Company's common stock is estimated by taking the average historical price volatility for industry peers. These industry peers were also utilized as benchmark references in the Company's common stock valuations. The Company utilized a dividend yield of zero, as it had no history or plan of declaring dividends on its common stock.

Naver Stock Option Grants

The Company's employees may participate in stock-based compensation plans of Naver. Employees within the Naver group may also retain their previously granted awards from Naver should they transfer and become an employee of the Company.

Naver stock options granted to the Company's employees were granted with exercise prices equal to the 2-month average price of Naver's common stock at the day before grant. Naver options granted to the Company's employees have a 2-year service-based vesting period and expire 5 years from the date the service condition is met. If the stock options holder transfers to Naver's affiliates such as Webtoon, the stock options must be exercised before the original expiry date, or the date on which the stock option holder resigns or retires, whichever comes earlier. The total share-based liabilities paid for Naver stock option in 2022 is \$0.1 million.

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The table below summarizes our Naver stock option activity:

(in thousands of USD, except unit price)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
			(in thousands of USD)	
Balance as of January 1, 2022	13,031	\$ 108.73	4.16	2,744
Transferred	(60)	226.73		
Exercised	(581)	101.71		
Balance as of December 31, 2022	12,390	\$ 103.30	3.17	455
Exercisable as of December 31, 2022	12,309	102.10	3.17	467
Expected to vest as of December 31, 2022	81	286.04	5.15	(12)

The estimated fair value of Naver stock options is estimated using a binomial model as of the reporting date. No Naver options were granted to the Company's employees in the year ended December 31, 2022.

The fair value of the Naver stock options is estimated as of December 31, 2022, with the following assumptions:

	2022
Weighted-average expected term	1.17 years
Weighted-average expected volatility	27.41%
Expected dividend yield	0.14%
Risk-free interest rate	3.73%-3.78%

The expected term is the period over which our employee groups are expected to hold their options which is based on our historical experience with similar grants. The risk-free interest rate is based on the expected Korea Treasury rate over the expected life. Volatility reflects movements in Naver's stock price over the most recent historical period equivalent to the expected life. Dividend yield is estimated over the expected life based on Naver's stated dividend policy and stock price.

Naver Common Stock Grants

Naver has a stock grant program under which it periodically grants employees of its consolidated group fully vested Naver common stock. For the year ended December 31, 2022, Naver granted 31,093 shares in the amount equal to \$5.0 million that is reflected as compensation expense under Combined Statement of Operations and Comprehensive Loss.

Munpia Stock Options

On February 17, 2021, March 31, 2021, and August 2, 2022, our Korean subsidiary, Munpia Inc. ("Munpia") granted incentive stock options to executives and employees under the Munpia incentive plan. The maximum number of shares of the Munpia's common stock that may be issued under the Munpia incentive plan is 602,797 shares, equivalent to the total number of stock options outstanding as of December 31, 2022. The options allow the holders to acquire Munpia common stock of each option with the weighted average exercise price of \$21.40 per share (27,117 Korean Won). The options have a service-based vesting period that requires 2

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

to 3 years of employment. The options expire 7 to 9 years from the date of grant. The fair value of the Munpia stock options is estimated on the grant date using the Binomial Tree model. For the year ended December 31, 2022, \$1.1 million was recognized as compensation expense under Combined Statement of Operations and Comprehensive Loss.

LOCUS Inc. (“LOCUS”) and SIDUS Inc. (“SIDUS”), Korean subsidiaries of the Company, each respectively grant stock options settleable in each respective subsidiary’s stock options. The compensation expense related to the stock options is reflected in Combined Statement of Operations and Comprehensive Loss and Other Comprehensive Income (Loss) and the net loss per share calculation.

A summary of compensation expense for stock-based payment arrangements recognized in Cost of revenue, Marketing and General and administrative expense on our Combined Statement of Operations and Comprehensive Loss is as follows:

	Year Ended December 31, 2022
	<i>(in thousands of USD)</i>
Cost of revenue	\$ 4,093
Marketing	277
General and administrative expenses	47
Total	\$ 4,417

Note 12. Income Taxes

The Company is subject to U.S. federal and various state corporate income taxes as well as taxes in foreign jurisdictions where foreign subsidiaries have been established.

Loss before income tax expense for the year ended December 31, 2022, is as follows:

	As of December 31, 2022
	<i>(in thousands of USD)</i>
U.S.	\$ (78,571)
Korea	66,575
Other	(106,158)
Loss before income tax expense	\$ (118,154)

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

The components of income tax expense for the year ended December 31, 2022, consist of the following:

	As of December 31, 2022
	<i>(in thousands of USD)</i>
Current income tax expense:	
U.S.	\$ 104
Korea	20,322
Other	19
Uncertain tax position liability (Korea)	1,069
Total current income tax expense	21,514
Deferred income tax expense:	
Korea	1,121
Other	(8,266)
Total deferred income tax expense	(7,145)
Total income tax expense	\$ 14,369
Effective tax rate	(12.16)%

The Company's effective tax rate is (12.2%) for the year ended December 31, 2022. The Company incurred net operating losses from the Parent and a majority of its foreign subsidiaries. The Company's current tax expenses are primarily attributable to the taxable income generated by its Korean subsidiaries, WTEK, Locus, Studio N, and Mumpia. The Company established full valuation allowances against deferred tax assets for the majority of its subsidiaries that generated taxable losses which contributed to the negative effective tax rate, where majority of deferred tax benefits from net operating losses were not recognized, yet there were current income tax expenses incurred by Korean subsidiaries. \$7.1 million of deferred tax benefits are primarily attributable to the reduction in deferred tax liabilities originally recognized in connection with business combination. The Company's effective tax rate differs from the federal statutory rate of 21.0% due to the tax benefits not recognized as a result of full valuation established by its Parent and most of its foreign subsidiaries.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

The reconciliation of taxes at the federal statutory rate of 21.0% to our income tax expense for the year ended December 31, 2022, is as follows:

	<u>2022</u>
	<i>(in thousands of USD)</i>
Provision computed at federal statutory rate	\$ (24,812)
State income taxes, net of federal effect	104
Difference in foreign tax rates	(1,668)
Permanent differences:	
- Capital gain on sale of business ¹	(1,413)
- Foreign tax	(972)
- Branch income	1,488
- Non-deductible stock compensation	1,058
- Others	869
Research and development tax credit	(412)
Change in valuation allowance	40,304
Uncertain tax positions liability	1,069
Other	(1,246)
Income tax expense	\$ 14,369

¹ Wattpad Corp (“Wattpad”) reported a capital gain in its Canadian tax return for the year ending December 31, 2022, from the sale of its studio business to Wattpad Webtoon Studios Inc. (“WWS”). Capital gain is only 50% taxable for Canadian tax purposes. As such, 50% of capital gain was deductible as a permanent difference.

For the year ended December 31, 2022, a permanent difference of \$1.5 million, net of foreign tax credit of \$13.9 million, was included as branch income in the U.S. and was primarily attributable to the income earned by its Korean subsidiary, Naver Webtoon Ltd. (“WTEK”).

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

Deferred tax assets (liabilities) as of December 31, 2022, consist of the following:

	<u>2022</u>
	<i>(in thousands of USD)</i>
Deferred tax assets:	
Stock compensation	\$ 444
Accrued expenses	7,483
Operating lease liabilities	14,674
Property and equipment	379
Intangible assets	7,181
Foreign currency translation	1,679
Defined severance benefits	10,061
Provision for bad debt expense	1,583
Contract liabilities	9,921
Capitalization of specified research	2,257
Net operating loss carryforwards	55,899
Tax credit	22,218
Others	1,046
Subtotal deferred tax assets	134,825
Less: Valuation allowance	(105,345)
Total deferred tax assets	29,480
Deferred tax liabilities:	
Valuation of investment	(9,595)
Operating lease right-of-use assets	(14,180)
Deferred gain on disposition of shares	(1,652)
Intangible assets	(58,844)
Total deferred tax liabilities	(84,271)
Net deferred tax assets	\$ (54,791)

Changes in the valuation allowance for deferred tax assets for the year ended December 31, 2022, are as follows:

	<u>2022</u>
	<i>(in thousands of USD)</i>
Beginning balance	\$ 66,733
Changes to existing valuation allowances	41,443
Valuation allowance release	(1,135)
Translation adjustments	(1,686)
Valuation allowance, balance at the ending	\$ 105,345

As of December 31, 2022, the Company recorded valuation allowance of \$105.3 million on its deferred tax assets related to temporary differences, net operating loss carry-forwards and tax credits of the Parent and foreign subsidiaries. The changes to existing valuation allowances were primarily attributable to the increased foreign tax credits in the Parent and net operating losses incurred by the Canadian and Japanese subsidiaries for which the Company have recorded a full valuation allowance.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

For the year ended December 31, 2022, the Company released \$1.1 million of valuation allowances at its operating subsidiary in Korea, Studio N, since it was determined that it was more likely than not that the deferred tax assets at these subsidiaries will be realizable based on the current prospects of their future taxable income.

The Company makes an ongoing assessment of our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences, expiration of tax credits and net operating loss carry-forwards and tax planning strategies. The Company will continue to evaluate the ability to realize our net deferred tax assets on an ongoing basis to identify whether any significant changes in circumstances or assumptions have occurred that could materially affect the ability to realize deferred tax assets.

Net operating loss carryforwards as of December 31, 2022, is as follows:

	<u>2022</u>
	<i>(in thousands of USD)</i>
Net operating loss carryforwards	\$ 179,622

As of December 31, 2022, the Company had \$179.6 million of net operating loss carry-forwards available to offset future taxable income, of which \$112.7 million and \$44.7 million are associated with the Company's Japanese and Canadian subsidiaries. Net operating loss ("NOL") from our Japanese subsidiaries begin to expire from 2031 through 2032 and NOL from Canadian subsidiaries begin to expire from 2041 through 2043. The remaining net operating loss mainly related to the Parent and its Korean subsidiaries which expires at various years through 2040. The Company also has U.S. tax credit carry-forward of approximately \$22.2 million as of December 31, 2022. The U.S. tax credits begin to expire from 2031 through 2032.

Uncertainty in Income Taxes

The Company and its subsidiaries file income tax returns in the U.S., Korea, Japan, Canada, and other jurisdictions. The Company and its subsidiaries are subject to income- or non-income tax examinations by tax authorities of these jurisdictions for all open tax years. The open tax years for the company's major tax jurisdictions are 2019 through 2022 for the U.S., 2018 through 2022 for Canada, and 2017 through 2022 for Japan. The open tax years for Korean subsidiaries excluding WTEK are 2017 through 2022, and the open tax year for WTEK is 2022.

The changes to our gross unrecognized tax benefits are as follows:

	<u>2022</u>
	<i>(in thousands of USD)</i>
Unrecognized tax benefits, balance at the beginning	\$ —
Additions based on tax positions related to the current year	1,069
Translation adjustments	5
Unrecognized tax benefits, balance at the ending	\$ 1,074

WTEK's tax audit for tax years 2020 and 2021 in Korea was initiated in December 2022. The result of the tax audit was announced in April 2023. (Refer to Note 22. *Subsequent Event* for further details.)

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Notes to Combined Financial Statements

The Company is currently unaware of any uncertain tax positions that could result in significant additional payments, accruals, or other material deviations from this estimate over the next 12 months.

Note 13. Retirement Benefits

Defined Severance Benefits

Changes in Defined Severance Benefits are as follows:

	<u>2022</u>
	<i>(in thousands of USD)</i>
Beginning balance, January 1	\$ 32,161
Current service costs	9,306
Interest expense	1,229
Actuarial gain	(10,827)
Payments from plans	(2,814)
Transfer in/out	883
Business combinations ¹	3,469
Cumulative effects of foreign currency translation	(2,275)
Ending balance, December 31	\$ 31,132
Current	\$ 1,107
Non-current	\$ 30,025

¹ This relates to the acquisition of Korean subsidiaries during 2022 (Munpia, LOCUS, and SIDUS).

Changes in plan assets are as follows:

	<u>2022</u>
	<i>(in thousands of USD)</i>
Beginning balance, January 1	\$ —
Payments to plans	43
Interest income	7
Actuarial loss	(5)
Payments from plans	(23)
Business combinations ¹	396
Cumulative effects of foreign currency translation	10
Ending balance, December 31	\$ 428

¹ This relates to the acquisition of Korean subsidiary SIDUS during 2022.

Our provision for retirement benefits is as follows:

	<u>As of December 31,</u>
	<u>2022</u>
	<i>(in thousands of USD)</i>
Defined benefit liabilities	\$ 31,132
Plan assets	(428)
Provision for Defined severance benefits	\$ 30,704

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

Net periodic cost consists of the following:

	As of December 31, 2022
	<i>(in thousands of USD)</i>
Current service costs	\$ 9,306
Interest expense	1,229
Actuarial loss (gain)	(10,827)
Net periodic benefit income	\$ (292)

The principal actuarial assumptions used to determine defined severance benefits are as follows:

	As of December 31, 2022
Discount rates	5.28% – 6.14%
Salary growth rates	4.00% – 12.16%

The principle actuarial assumption used to determine the net periodic income were as follows:

	As of December 31, 2022
Discount rates	2.50% – 3.75%
Salary growth rates	4.00% – 10.54%

The expected maturity analysis of undiscounted defined severance benefits as of December 31, 2022 is as follows:

	Defined severance benefits
	<i>(in thousands of USD)</i>
Less than 1 year	\$ 1,325
Between 1 - 2 years	1,938
Between 2 - 5 years	6,332
Over 5 years	663,860
Total	\$ 673,455

Defined Severance Contribution

During the year ended December 31, 2022, we recognized expense of \$1.5 million. Of the expense recognized in the year ended December 31, 2022, \$0.6 million is attributable to business combinations.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements****Note 14. Segment and Geographic Information****Segment Information**

The Company operates as one reportable segment. The Company's CODM is the CEO, who reviews financial information presented on a consolidated basis for the purposes of making operating decisions, assessing financial performance, and allocating resources. The CODM manages the Company as a consolidated ecosystem because the revenue streams are interrelated, and resources are shared. The CODM makes resource allocation decisions such as hiring, capital expenditures, and budget setting at a Company level.

Geographic Information

The Company's long-lived tangible assets, as well as the Company's operating lease right-of-use assets recognized on the Combined Balance Sheet, are located as follows:

	As of December 31, 2022
	<i>(in thousands of USD)</i>
Korea	\$ 56,186
Japan	2,105
Rest of World	6,850
Total	\$ 65,141

Note 15. Fair Value Measurements

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Note 1. *Description of Business and Summary of Significant Accounting Policies* should be read in conjunction with the information outlined below.

The table below presents the valuation techniques and the nature of significant inputs generally used in determining the fair value of Level 3 Instruments.

Level 3 Instruments	Valuation Techniques and Significant Inputs
	Recent third-party investments or pending transactions are considered to be the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate and available (i) Transactions in similar instruments; (ii) discounted cash flow techniques; (iii) third party appraisals; (iv) binomial option pricing models; and (v) industry multiples and public comparables.
Debt and Equity Securities	Evidence of value in investees includes recent or pending reorganizations (for example, merger proposals, tender offers and debt restructurings) and significant changes in financial metrics, including (i) current financial performance as compared to projected performance; (ii) capitalization rates and multiples; and (iii) market yields implied by transactions of similar or related assets.

The tables below present the ranges of significant unobservable inputs used to value the Company's Level 3 assets as of December 31, 2022. These ranges do not represent a range of values for any single instrument. For example, the lowest discount rate for a particular redeemable convertible preferred stock investment may be

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appropriate for valuing that specific debt security but may not be appropriate for valuing any other debt securities in this asset class. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 assets.

<u>Level 3 Instruments</u>	<u>Amount</u>	<u>Valuation Techniques</u>	<u>Significant Unobservable Inputs</u>	<u>Range of Significant Unobservable Inputs</u>
As of December 31, 2022				
Debt Securities				
Convertible Preferred Stock	\$ 10,938	Option Pricing model	Discount rate	9.58%-31.04%
			Volatility	45.20%-94.78%
Convertible Preferred Stock	262	Comparable multiples	PBR ¹	1.94-8.36
			PSR ²	2.16-12.36
Redeemable Convertible Preferred Stock	<u>68,787</u>	Option Pricing model	Discount rate	8.81%-17.93%
			Volatility	43.9%-63.34%
Total	<u>79,987</u>			
Equity Securities				
Redeemable Convertible Preferred Stock	\$ 15,000	Measurement alternative		
Contribution to investment fund	2,361	Measurement alternative		
Private equity securities	<u>3,111</u>	Measurement alternative		
Total	<u>20,472</u>			

¹ PBR: Price-to-Book value Ratio

² PSR: Price-to-Sales Ratio

As noted above, either the binomial optional pricing model or market approach were used in the determination of fair value of Level 3 assets as of December 31, 2022. The significant unobservable inputs used in the binomial option pricing model are the discount rate or market yield used to discount the estimated future cash flows expected to be received from the underlying investment, which include both future principal and interest payments. An increase in the discount rate or market yield would result in a decrease in the fair value. Included in the consideration and selection of discount rates or market yields is risk of default, rating of the investment, call provisions and comparable company investments. The significant unobservable inputs used in the market approach are based on market comparable transactions and market multiples of publicly traded comparable companies. Increases or decreases in market comparable transactions or market multiples would result in an increase or decrease, in the fair value.

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The following is a summary of the Company's assets categorized within the fair value hierarchy:

	As of December 31, 2022			Total
	Level 1	Level 2	Level 3	
	<i>(in thousands of USD)</i>			
Equity Securities	\$8,680	\$ —	\$ 20,472	\$ 29,152
Debt Securities	—	—	79,987	79,987
Total recorded at fair value	<u>\$8,680</u>	<u>\$ —</u>	<u>\$100,459</u>	<u>\$109,139</u>

The Level 1 equity securities relate to a contribution to investments in public equity securities that have readily determinable fair values.

The Level 3 equity securities relate to the Company's investments in privately held companies through the purchase of redeemable convertible preferred stock. For these equity securities, the Company does not have the ability to exercise significant influence on the investee, and therefore accounts for them as equity securities under ASC Topic 321 *Investments in Equity Securities*, electing to apply the measurement alternative.

In June 2021, the Company loaned Premier Luna Ltd. ("Premier") \$90.9 million short-term loan with 0% interest (the "Premier Loan"). In September 2021, the Premier Loan was amended to increase the loan principal by \$4.2 million. In December 2021, the Premier Loan was further amended to increase the loan principal by an additional \$0.8 million and to extend the maturity of the total loan amount to March 31, 2022. The purpose of the Premier Loan was to facilitate the acquisition of shares in a Korean company, Mupia. In February 2022, in accordance with the terms of the agreement with Premier, \$91.3 million of the outstanding Premier Loan was settled in exchange for 3,225,511 shares of Mupia. As a result, the Company gained control of Mupia (refer to Note 17. *Business Combination – Mupia* for further details). The remaining principal of the loan was settled in cash in April 2022.

The Company made an irrevocable election to account for the Premier Loan using the fair value option measures the fair value of such debt securities in accordance with ASC 820. Under the fair value option, the Premier Loan, in its entirety, is required to be recorded at its initial fair value on the date of issuance and each balance sheet date thereafter. Changes in the estimated fair value of the Premier Loans are recognized as non-cash changes in Other income, net in the Combined Statements of Operations and Comprehensive Loss.

The other Level 3 debt securities relate to the Company's investments in privately held companies through the purchase convertible preferred stock and redeemable convertible preferred stock that meet the definition of a debt security.

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

The below table presents a summary of changes in fair value of Level 1 and Level 3 assets by investment type (in thousands of USD):

	Year Ended December 31, 2022		
	Level 1	Level 3	
	Equity Securities	Equity Securities	Debt Securities
Beginning balance, January 1	\$ 13,441	\$ 631	\$ 181,799
Purchases	—	17,265	11,935
Consolidation inclusion	—	3,201	(16,152)
Net unrealized gain (loss)	(2,988)	(610)	3,408
Sales and Settlement	—	(27)	(92,960)
Reclassification	—	—	(2,556)
Currency translation differences	(1,773)	12	(5,487)
Ending balance, December 31	\$ 8,680	\$ 20,472	\$ 79,987

For the year ended December 31, 2022, the Company recognized a net realized gain (loss) of \$(4) thousand and \$0.8 million related to the Level 3 equity securities and debt securities, respectively.

Note 16. Related Party

The Company's Related Parties

Naver and Line Corporation (“Line”) are the primary shareholders of the Parent. Related parties include Naver’s controlled affiliates, Company’s management, Company directors, and stakeholders that hold significant influence over the Company. During the year ended December 31, 2022, the Company provided advertising services to Naver group companies and Line giving rise to related party trade and non-trade receivables as of December 31, 2022. Additionally, during the year ended December 31, 2022, the Company received brand-usage and outsourcing services from Naver and Line, which resulted in the Company recognizing related party payables as of December 31, 2022.

During the year ended December 31, 2021, the Company received a short-term loan of \$30.4 million from Naver that was repaid during the year ended December 31, 2022.

In March 2022, the Company started leasing office space from Naver. Operating lease expense from the lease is \$5.0 million during the year ended December 31, 2022, with related lease obligation of \$27.3 million as of December 31, 2022. Related to the lease from Naver the Company paid a rental security deposit of \$4.3 million to Naver. The Company also subleases part of its office space to other related parties and total other income generated from subleases is \$0.5 million for the year ended December 31, 2022.

In April 2022, Studio N Corporation, the Company’s subsidiary received the NW Media Loan from Naver, which was transferred to its subsidiary NW Media Contents, Inc. in June 2022. See additional details related to the loan in Note 9. *Debt*.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements****Related Party Transactions and Balances**

The Company entered into the following significant related party transactions during the periods presented:

	Year Ended December 31, 2022
	<i>(in thousands of USD)</i>
Revenue generated	\$ 54,422
Cost of revenue incurred	14,848
Marketing expenses incurred	574
General and administrative expenses incurred	30,194
Other income, net	614
Naver Loan repaid	(30,416)
NW Media Loan received	3,867
Loan receivable provided	158

The Company had the following significant balances due from and due to related parties as of December 31, 2022:

	As of December 31, 2022
	<i>(in thousands of USD)</i>
Due from related parties	
Trade receivables	\$ 37,190
Non-trade receivables	69,176
Other non-current assets	8,262
Loan receivable	158
Due to related parties	
Current portion of operating lease liabilities	6,348
Operating lease liabilities	20,968
Naver Loan	—
NW Media Contents Inc. Loan	3,867
Accounts payable	43,731
Other	3,056

Note 17. Business Combinations**Munpia**

On February 9, 2022, the Company acquired a controlling financial interest in Munpia and its subsidiaries, located in Korea that operate a web-novel offering on which online users can read, write and share web-novels. This acquisition allows the Company to strengthen its content pool. The Company entered into a Share Purchase Agreement in September 2021 pursuant to which the Company acquired 20.2% of the shares of Munpia in October 2021 for \$51.2 million in cash and accounted for the investment using the equity method. On February 9, 2022, the Company acquired additional shares of Munpia from Premier in exchange for a partial settlement of an outstanding loan with Premier (the "Premier Loan") of \$91.3 million. See Note 15. *Fair Value Measurements* in the accompanying notes for further details on the Premier Loan. The Premier Loan was measured at fair value using a discounted cash flow method applying a discount rate of 13%. The acquisition of the additional shares on February 9, 2022 via partial settlement of the Premier Loan increased the shares of

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

Munpia held by the Company to 56.3%, triggering a change of control over Munpia. The acquisition was considered a step acquisition and accounted for under the acquisition method.

As of the acquisition date, the previously held equity method investment and non-controlling interests including redeemable non-controlling interests were measured at fair values using a discounted cash flow model applying a discount rate of 13.6% and a terminal growth rate of 1.0% incorporating historical financial information, the business plans of the target, and market outlook information. As a result of the remeasurement of the previously held equity method investment, the Company recognized a gain of \$0.1 million in Other income, net in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

A summary of the related accounting for the acquisition is as follows (in thousands of USD):

Fair values of purchase consideration, non-controlling interests and previously held equity interest	
Purchase consideration (Premier Loan settlement)	\$ 90,813
Non-controlling interests (inclusive of redeemable non-controlling interests)	110,091
Previously held equity interest	<u>50,771</u>
Aggregate of fair values of purchase consideration, non-controlling interests and previously held equity interest	<u>251,675</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	13,413
Trade receivables	4,943
Other current assets	19,085
Property and equipment	953
Intangible assets	15,518
Other non-current assets	1,570
Deferred tax assets	268
Accounts payable	3,359
Contract liabilities	3,336
Accrued expenses	410
Operating lease liabilities	455
Other current liabilities	1,138
Provision for retirement benefits	562
Deferred tax liabilities	<u>3,657</u>
Total identifiable net assets	<u>42,833</u>
Goodwill	<u>\$ 208,842</u>

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the technical expertise of the acquired workforce. None of the goodwill generated from the acquisition was tax deductible. The intangible assets acquired relate to brand and intellectual property rights. The remaining useful life of the brand is 15.0 years, and the remaining useful life of intellectual property rights is 10.8 years.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements*****Unaudited Pro Forma Financial Information***

Munpia is included in the Company's combined results beginning February 28, 2022. Total revenues and net income attributable to Munpia and its subsidiaries for the period from February 28, 2022, to December 31, 2022 were \$36.0 million and \$1.0 million, respectively. The following unaudited pro forma financial information presents the combined results of operations of the Company, in thousands, as if the acquisition of Munpia occurred on January 1, 2022. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place on the date indicated or of results that may occur in the future.

	Year Ended December 31, 2022
Total revenue	\$ 1,086,232
Combined Net Loss	\$ (128,803)

The unaudited pro forma financial information presented above include the following adjustment:

- Non-recurring adjustments directly attributable to the business combination, including acquisition related costs of \$0.7 million for the year ended December 31, 2022. The acquisition related costs are included in General and administrative expenses in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

Jakga

On July 5, 2022, the Company acquired a controlling financial interest in Jakga, a professional agency for web-novel writers, to enhance the Company's existing product offerings. The Company initially acquired shares of redeemable preferred stock of Jakga representing 25.9% of the voting equity interests in November 2020. The Company acquired additional shares of common stock representing 10.0% of the voting equity interests in October 2021, redeemable preferred stock representing 5.4% of the voting equity interests in March 2022 and common stock representing 5.0% of the voting equity interests in July 2022. The common stock and preferred stock were accounted for as an equity method investment and a debt security, respectively. The Company paid \$1.7 million in cash for the acquisition of additional shares on July 5, 2022, which increased the voting equity interests in Jakga held by the Company to 50.4%. The acquisition was considered a step acquisition and accounted for under the acquisition method.

As of the acquisition date, the previously held equity method investment and debt security and non-controlling interests were measured at fair value using a discounted cash flow model applying a discount rate of 14.9% and a terminal growth rate of 1.0% incorporating historical financial information, business plans of the target, and market outlook information. As a result of the remeasurement of the previously held equity method investment and debt security, the Company recognized a gain of \$2.6 million in Other income, net in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

A summary of the related accounting for the acquisition is as follows (in thousands of USD):

Fair values of purchase consideration, non-controlling interests and previously held equity interest	
Purchase consideration (Cash)	\$ 1,719
Non-controlling interests	20,912
Previously held equity interest	19,551
Aggregate of fair values of purchase consideration, non-controlling interests and previously held equity interest	42,182
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	123
Trade receivables	1,026
Debt and equity securities	1,003
Other current assets	2,211
Property and equipment	6,866
Intangible assets	2,108
Other non-current assets	195
Accrued expenses	270
Contract liabilities	129
Operating lease liabilities	26
Other non-current liabilities	17,099
Total identifiable net assets	(3,992)
Goodwill	\$46,174

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the technical expertise of the acquired workforce. None of the goodwill generated from the acquisition was tax deductible. The intangible asset acquired relates to copyrights. The useful life of the copyrights is 7.5 years.

Unaudited Pro Forma Financial Information

Jakga is included in the Company's combined results beginning June 30, 2022. Total revenues and net loss attributable to Jakga for the period from June 30, 2022, to December 31, 2022 were \$7.0 million and \$(2.0) million, respectively. The following unaudited pro forma financial information presents the combined results of operations of the Company, in thousands, as if the acquisition of Jakga occurred on January 1, 2022. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place on the date indicated or of results that may occur in the future.

	Year Ended December 31, 2022
Total revenue	\$ 1,085,841
Combined Net Loss	\$ (130,740)

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

The unaudited pro forma financial information presented above include the following adjustment:

- Non-recurring adjustments directly attributable to the business combination, including acquisition related costs of \$0.1 million for the year ended December 31, 2022. The acquisition related costs are included in General and administrative expenses in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

eBIJ

On March 31, 2022, the Company acquired a controlling financial interest in eBook Initiative Japan Co., Ltd., an online service for eBooks in Japan to strengthen its competitiveness in web-comic and web-novel business in Japan. The Company initially acquired 33.9% of the shares of eBIJ in November 2021. The shares were accounted for as an equity method investment. On March 31, 2022 the Company paid \$52.5 million in cash and exchanged its own common stock with fair value of \$70.9 million to acquire additional shares of eBIJ which increased the shares of eBIJ held by the Company to 100.0%. Given the acquisition date fair value of eBIJ is more reliably measurable than the Company's common stock exchanged, the \$70.9 million fair value of the Company's common stock exchanged was determined based on the public trading value before the tender offer. The cash consideration transferred is included in "Acquisitions of businesses, net of cash acquired" in investing activities of the Combined Statement of Cash Flows. The acquisition was considered a step acquisition and accounted for under the acquisition method.

On March 31, 2022, in conjunction with the acquisition of a controlling financial interest in eBIJ by Company, eBIJ entered into an Amendment to Business Partnership Agreement for Electronic Book Business with a former stockholder pursuant to which the terms of a preexisting arrangement with the former stockholder were modified. The modified arrangement includes payments to the former stockholder based on a percentage of eBIJ's future revenues, payable until the Company completes an initial public offering, which represents contingent consideration in the business combination that is considered as an assumed liability. ASC Topic 805 requires that contingent consideration classified as a liability to be recognized at fair value on the acquisition date and be re-measured each reporting period with subsequent adjustments recognized in the Combined Statements of Operations and Comprehensive Loss. We estimate the fair value of contingent consideration liabilities using an income-based valuation methodology that is calculated by weighting the cash flow from payments to the former stockholder by the annual probability of an initial public offering success, discounted using weighted average cost of capital. At the acquisition date on March 31, 2022, contingent consideration presented as other non-current liability totaled \$13.9 million. As of December 31, 2022, contingent consideration presented as other non-current liability totaled \$10.8 million in our Combined Balance Sheet.

The fair value of the previously held equity method investment at acquisition date represents 33.9% of implied enterprise value of eBIJ amounting to \$72.6 million that was determined using a discounted cash flow model incorporating historical financial information, business plans of the target, and market outlook information. As a result of the remeasurement of the previously held equity method investment, the Company recognized a loss of \$11.9 million in Other income, net in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

A summary of the related accounting for the acquisition is as follows (in thousands of USD):

Fair values of purchase consideration and previously held equity interest	
Purchase consideration (Cash)	\$ 52,493
Purchase consideration (Shares)	70,858
Previously held equity interest	72,633
Aggregate of fair values of purchase consideration and previously held equity interest	195,984
Recognized amounts of identifiable assets acquired, and liabilities assumed	
Cash and cash equivalents	59,162
Trade receivable, net	38,800
Other current assets	13,344
Property and equipment	1,035
Intangible assets	104,421
Other non-current assets	3,172
Deferred tax assets	797
Accounts payable	67,354
Other current liabilities	8,069
Deferred tax liabilities	26,968
Other non-current liabilities	13,928
Total identifiable net assets	104,412
Goodwill	\$ 91,572

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the technical expertise of the acquired workforce. None of the goodwill generated from the acquisition was tax deductible. The intangible asset acquired relates to two brands: eBook Japan and Bookfan. The useful life of the brands is 15.0 years.

Unaudited Pro Forma Financial Information

eBIJ is included in the Company's combined results beginning March 31, 2022. Total revenue and net loss attributable to eBIJ for the period from April 1, 2022, to December 31, 2022 were \$176.9 million and \$3.1 million, respectively.

The following unaudited pro forma financial information presents the combined results of operations of the Company, in thousands, as if the acquisition of eBIJ occurred on January 1, 2022. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place on the date indicated or of results that may occur in the future.

	Year Ended December 31, 2022
Total revenue	\$ 1,140,872
Combined Net Loss	\$ (129,114)

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

There were no non-recurring pro forma adjustments as there were no acquisition related costs incurred as a result of the business combination.

LOCUS

On March 31, 2022, the Company acquired 53.6% of LOCUS Inc. and its subsidiaries a 3D animation and visual special effects production company. This acquisition allows the Company to build an intellectual property value chain, including visualization of the Company's web-comics and web-novel intellectual property. The fair value of the purchase consideration was \$23.2 million paid in cash at closing which is reflected in "Acquisitions of businesses, net of cash acquired" under investing activities in the Combined Statement of Cash Flows. The acquisition was accounted for under the acquisition method.

As of the acquisition date, the non-controlling interests were measured at fair value using a discounted cash flow model applying a discount rate of 13.8% and a terminal growth rate of 1.0% incorporating historical financial information, the business plans of the target, and market outlook information.

A summary of the related accounting for the acquisition is as follows (in thousands of USD):

Fair values of purchase consideration and non-controlling interests	
Purchase consideration	\$ 23,226
Non-controlling interests	<u>12,158</u>
Aggregate of fair values of purchase consideration and non-controlling interests	<u>35,384</u>
Recognized amounts of identifiable assets acquired, and liabilities assumed	
Cash and cash equivalents	3,060
Trade receivables	2,544
Non-trade receivables	5,040
Other current assets	19,429
Debt and equity securities	—
Operating lease right-of-use assets	620
Property and equipment	1,193
Intangible assets	5,795
Other non-current assets	832
Contract liabilities	807
Short-term borrowings and current portion of long-term debt	8,465
Other current liabilities	2,009
Operating lease liabilities	6,219
Other non-current liabilities	17,248
Deferred tax liabilities	959
Total identifiable net assets	<u>2,806</u>
Goodwill	<u>\$ 32,578</u>

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the technical expertise of the acquired workforce. None of the goodwill generated from the acquisition was tax deductible. The intangible asset acquired relates to intellectual property rights. The remaining useful lives of intellectual property rights are between 5.8 and 9.8 years.

Unaudited Pro Forma Financial Information

LOCUS is included in the Company's combined results beginning March 31, 2022. Total revenues and net loss attributable to LOCUS for the period from March 31, 2022, to December 31, 2022, were \$18.2 million and \$6 million, respectively. The following unaudited pro forma financial information presents the combined results of operations of Webtoon and LOCUS, in thousands, as if the acquisition occurred on January 1, 2022. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place on the date indicated or of results that may occur in the future.

	Year ended December 31, 2022
Total revenue	\$ 1,084,557
Combined Net Loss	\$ (132,159)

The unaudited pro forma financial information presented above include the following adjustments:

- Non-recurring adjustments directly attributable to the business combination, including acquisition related costs of \$0.1 million for the year ended December 31, 2022. The acquisition related costs are included in General and administrative expenses in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

JHS

On August 22, 2022, Munpia, a partially-owned subsidiary of the Parent, acquired a controlling financial interest in Studio JHS Inc. ("JHS"), a web-novel and web-comics content creator. This acquisition allows the Company to expand its business and create synergies in the market. WTEK, a subsidiary of the Parent and the parent company of Munpia, initially acquired 35.0% of the shares of JHS in August 2018. The shares of JHS were initially accounted for as an equity method investment. In June 2022, Munpia entered into a Stock Exchange Agreement with JHS pursuant to which Munpia acquired 100.0% of the shares of JHS, including the shares held by WTEK, in exchange for the issuance of 1,263,119 shares of Munpia to the shareholders of JHS, including 442,112 shares to WTEK, on August 22, 2022. The acquisition was considered a step acquisition and accounted for under the acquisition method.

As of the acquisition date, the newly issued 821,007 shares of Munpia to the shareholders of JHS at a contracted exchange ratio was estimated to be fair value based on a valuation performed with the assistance of a third party firm in May 2022 using a range of values under a discounted cash flow model applying a discount rate of 13.8% and terminal growth rate of 1.0% incorporating historical financial information, business plans of Munpia, and market outlook information. Also, as of the acquisition date, the previously held equity method investment by the Company (i.e., 35.0% of the shares of JHS previously held by WTEK) was valued with the assistance of a third party valuation firm using a discounted cash flow model applying a discount rate of 13.8% and terminal growth rate of 1.0% incorporating historical financial information, business plans of JHS, and market outlook information. As a result of the remeasurement of the previously held equity method investment, the Company recognized a gain of \$9.9 million in Other income, net in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

The summary of the related accounting is as follows (in thousands of USD):

Fair values of purchase consideration and previously held equity interest	
Purchase consideration (Shares)	\$ 20,259
Previously held equity interest	10,910
Aggregate of fair values of purchase consideration and previously held equity interest	31,169
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,503
Trade receivables	768
Other current assets	1,668
Intangible assets	3,573
Other non-current assets	214
Accrued expenses	740
Contract liabilities	1,423
Other current liabilities	175
Deferred tax liability	786
Total identifiable net assets	4,602
Goodwill	\$ 26,567

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the technical expertise of the acquired workforce. None of the goodwill generated from the acquisition was tax deductible. The intangible asset acquired relates to intellectual property rights. The remaining useful lives of intellectual property rights is 4.3 years.

Unaudited Pro Forma Financial Information

JHS is included in the Company's combined results beginning August 31, 2022. Total revenues and net loss attributable to JHS for the period from August 31, 2022, to December 31, 2022 were \$6.0 million and \$(0.1) million, respectively. The following unaudited pro forma financial information presents the combined results of operations of the Company, in thousands, as if the acquisition of JHS occurred on January 1, 2022. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the combined results of operations that would have been achieved if the acquisition had taken place on the date indicated or of results that may occur in the future.

	Year ended December 31, 2022
Total revenue	\$ 1,087,634
Combined Net Loss	\$ (129,834)

The unaudited pro forma financial information presented above include the following adjustment:

- Non-recurring adjustments directly attributable to the business combination, including acquisition related costs of \$0.2 million for the year ended December 31, 2022. The acquisition related costs

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

are included in General and administrative expenses in the Combined Statements of Operations and Comprehensive Loss for the year ended December 31, 2022.

Note 18. Equity Method Investments

The Company accounts for investments using the equity method when the Company can exercise significant influence over operating and financial policies, but does not hold a controlling interest in the investee. Equity method investments as of December 31, 2022, are as follows:

	<u>As of December 31, 2022</u> <i>(in thousands of USD)</i>
Equity method investments in affiliates	\$ 72,955
Joint venture	3,851
Total	\$ 76,806

The Company's proportionate share of net income(loss) resulting from these investments is reported under the line item captioned Loss on equity method investments, net in our Combined Statements of Operations and Comprehensive Loss. The following tables summarize revenues for the year ended December 31, 2022:

	<u>2022</u> <i>(in thousands of USD)</i>
Equity method investments in affiliates	\$ (4,603)
Joint venture	(91)
Total	\$ (4,694)

The carrying value of our equity method investments is reported under the line item captioned Equity method investments in the Combined Balance Sheet. The following table summarizes the change in the balance of the Company's equity method investment:

	<u>2022</u> <i>(in thousands of USD)</i>
Balance at January 1	\$ 203,871
Additions	14,151
Other than temporary impairment losses	(1,576)
Valuation gain, net	156
Reclassification	2,556
Share of other comprehensive income	190
Business combination effect	(139,671)
Currency translation differences	(2,871)
Balance at December 31	\$ 76,806

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

Investments in affiliates and joint ventures are accounted for under the equity method are as follows:

	2022
Studio Toon Corp. ¹	49.00%
Studio Horang	41.50%
Soo Comics	40.00%
JetKStudio	40.00%
Sellev. (Cuttingedge)	39.98%
The Studio Paran	35.06%
JQ Comics	35.06%
Big Picture Co., Ltd.	35.00%
Yumi Studio	35.00%
Studio Yell	35.00%
Studio Mool	35.00%
Sam Studio	35.00%
OnlyOne Entertainment	35.00%
THE GRIMM Entertainment	34.98%
Studio Hohoi	33.02%
Studio 1991	30.07%
Studio 389	30.02%
Studio Dragon Japan CO., LTD.	30.00%
Playlist Corp.	29.00%
Purple Duck Co.	26.78%
AtoZ	26.67%
XTORM Co.	25.00%
Geulgun	22.22%
Semicolon Studio	21.90%
AtoZ-IP investment association	20.00%
Sinamon ²	16.44%
Bifrost ²	14.15%
YLab ²	12.02%
JAYPLEMEDIA ²	11.21%
P&I Culture Technology Fund ³	10.47%
ISU Contents Korea Adventure Fund ³	9.30%
ECRUX Animation Fund ³	8.58%
ISU-S&M Contents Fund ³	8.33%
KB NEW Contents Fund ³	8.16%
SHINE PARTNERS ²	4.89%
Michigan Fan Asia Contents Fund ³	4.29%
Logan 1st Contents Valuation Fund ³	4.10%
BY4M Studio ²	1.63%

¹ Joint venture includes Studio Toon Corp.

² The equity method is applied to Sinamon, Bifrost, YLab, JAYPLEMEDIA, Shine Partners, and BY4M Studio since the investors have the ability to exercise significant influence over the investee even though they hold less than 20 percent of the voting stock.

³ These funds were accounted for using the equity method as our limited partnership interest was greater than 3-5%.

Webtoon Entertainment Inc.

Notes to Combined Financial Statements

Note 19. Condensed Financial Information of Parent

The Company performed a test on the restricted net assets of combined subsidiary in accordance with U.S. Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), “General Notes to Financial Statements” and concluded that it was applicable for the Company to disclose the financial statements of the parent company, Webtoon Entertainment Inc.

The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Combined Financial Statements except that the parent company has used equity method to account for its investment in its subsidiaries. The condensed financial information of the parent company has been revised to reflect the gross presentation of revenue, consistent with how the revenue is recognized for the Parent within the Combined Financial Statements.

Webtoon Entertainment Inc.
Notes to Combined Financial Statements
Condensed Balance Sheet
(in thousands of USD, except share and per share data)

	As of December 31, 2022
Assets	
Current assets:	
Cash and cash equivalents	\$ 121,341
Trade receivables, net of allowance	809
Non-trade receivables, net of allowance	10,822
Other current assets, net	7,179
Total current assets	\$ 140,151
Property and equipment, net	430
Operating lease right-of-use assets	3,864
Debt and equity securities	17,264
Intangible asset, net	206
Investments in subsidiaries	594,191
Long-term loan ¹	76,131
Other non-current assets	99
Total assets	\$ 832,336
Liabilities and Equity	
Current liabilities:	
Accounts payable	\$ 18,487
Accrued expenses	4,980
Current portion of long-term operating lease liabilities	1,886
Contract liabilities	14,730
Total current liabilities	\$ 40,083
Non-current liabilities:	
Long-term operating lease liabilities	2,659
Total liabilities	\$ 42,742
Stockholders' equity	
Common stock	32
Additional paid-in capital	1,038,262
Accumulated other comprehensive income	(36,667)
Accumulated deficit	(212,033)
Total stockholders' equity	789,594
Total liabilities and stockholders' equity	\$ 832,336

¹ Long-term loans consist of \$22,839 and \$53,292 to our subsidiaries, WTEK and Line Digital Frontier Corporation ("LDF"), respectively.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements****Condensed Statement of Operations and Comprehensive Loss**
(in thousands of USD)

	Year Ended December 31, 2022
Revenue	\$ 100,921
Cost of revenue	(96,365)
Marketing	(66,585)
General and administrative expenses	(15,461)
Operating Loss	\$ (77,490)
Interest income	965
Interest expense	(8)
Loss on equity method investments, net	(25,713)
Other loss, net	(1,497)
Loss before income tax	\$ (103,743)
Income tax expense	(104)
Net Loss	\$ (103,847)
Other comprehensive income (loss):	
Share of other comprehensive income of equity method investments, net of tax	(29,200)
Total other comprehensive loss, net of tax	(29,200)
Total comprehensive loss	\$ (133,047)

Webtoon Entertainment Inc.
Notes to Combined Financial Statements

Condensed Statement of Cash Flows
(in thousands of USD)

	For the Year Ended December 31, 2022
Operating activities:	
Net loss	\$ (103,847)
Adjustments to reconcile net income to cash used in operating activities:	
Depreciation and amortization	221
Interest income	(723)
Operating lease expense	1,772
Loss on foreign currency, net	858
Loss on investments in subsidiaries, net	25,713
Other non-cash items	(1,279)
Changes in operating assets and liabilities	
Changes in trade receivables, net of allowance	268
Changes in non-trade receivables, net of allowance	(2,732)
Changes in other assets	(3,285)
Changes in accounts payable	1,425
Changes in accrued expenses	1,938
Changes in operating lease liabilities	(1,863)
Changes in contract liabilities	7,827
Net cash used in operating activities	\$ (73,707)
Investing activities:	
Payments made for loan receivable	\$ (22,839)
Purchases of debt and equity securities	(17,264)
Purchases of property and equipment	(114)
Purchases of intangible assets	(174)
Purchases of investments in subsidiaries	(20,003)
Net cash used in investing activities	\$ (60,394)
Financing activities:	
Proceeds from issuance of common stock	\$ 408,372
Proceeds from short-term borrowings	22,000
Repayments of short-term borrowings	(22,000)
Additional purchases of investments in subsidiaries	(165,533)
Net cash provided by financing activities	\$ 242,839
Effect of exchange rate changes on cash and cash equivalents	(858)
Net increase in cash and cash equivalents	107,880
Cash and cash equivalents at beginning of the year	13,461
Cash and cash equivalents at end of the year	\$ 121,341
Supplemental disclosure:	
Income taxes paid	\$ 978
Interest paid	8
Interest received	241
Non-cash transactions:	
Loans related to the issuance of stock ¹	\$ 53,292

¹ Loan to LDF the Parent's equity issued to acquire eBIJ.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements****Note 20. Redeemable Non-Controlling Interest in Subsidiary**

In February 2022, the Company acquired a controlling interest in Munpia and recognized non-controlling interest at its fair value. In connection to the Company's acquisition of Munpia in February 2022, the Company entered into a Shareholders' Agreement under which the third-party former majority owner of Munpia has the right to require the Company to redeem its Munpia shares if certain events that are not solely within the Company's control occur. The redemption price on the put option shall equal \$26.20 (the equivalent of KRW 33,251) per share plus 15% per annum.

As a portion of the Munpia shares held by holders other than the Company are redeemable, such shares must be classified outside of stockholders' equity. The Company does not consider the redemption of the redeemable non-controlling interest probable of being redeemable. Accordingly, the redeemable non-controlling interest will not be remeasured until the redeemable non-controlling interest is probable of becoming redeemable. During the year 2022, the third-party former owner of Munpia sold a portion of their Munpia shares to their employees and other third-parties, and the redemption rights under the Shareholders' Agreement did not transfer along with the shares that were sold. Accordingly, such shares sold are no longer redeemable and the shares that were sold were reclassified from redeemable non-controlling interest to non-controlling interest.

Prior to the acquisition, in September 2021, Company entered into a side letter agreement with a third party, Cloudary, under which the Cloudary had the option to require the Company to purchase Cloudary's Munpia shares for \$26.20 per share (the equivalent of KRW 33,251). Such put option was set to expire upon the earlier of (i) March 2023 or (ii) when Cloudary holds less than 5% of the outstanding shares of Munpia. When the Company acquired Munpia in February 2022, the shares held by Cloudary were recognized as redeemable non-controlling interest. In December 2022, Cloudary exercised its put option and the Company purchased 425,016 of Cloudary's Munpia shares. As a result of the exercise, Cloudary owned less than 5% of the outstanding shares of Munpia, and the remaining Munpia shares held by Cloudary were no longer redeemable. Accordingly, the remaining Cloudary owned shares were reclassified from redeemable non-controlling interest to non-controlling interest.

The following table summarizes the redeemable non-controlling interest activity for the year ended December 31, 2022:

	<u>Year ended</u> <u>December 31, 2022</u> <i>(in thousands of USD)</i>
Balance at the beginning of the period	\$ —
Recognition of redeemable non-controlling interest at Munpia acquisition date	84,002
Redemption of redeemable non-controlling interest	(11,311)
Reclassification of redeemable non-controlling interest to non-controlling interest ¹	(25,818)
Net income attributable to redeemable non-controlling interest	91
Balance as of December 31, 2022	\$ 46,964

¹ Representative of the reclassification of Cloudary's Munpia shares from redeemable non-controlling interest to non-controlling interest and the reclassification of the Munpia shares sold by Premier from redeemable non-controlling interest to non-controlling interest.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements****Note 21. Non-Controlling Interest in Subsidiaries**

The Company had non-controlling interests in several of its subsidiaries. The balance of non-controlling interest is as follows:

<u>Subsidiary</u>	<u>As of December 31, 2022</u>	
	<u>Third-Party Ownership (%)</u>	<u>Non-Controlling Interest (in thousands)</u>
Munpia Inc. ¹	21.87%	\$ 54,456
LOCUS Inc.	46.36%	11,169
Jakga Company Inc.	37.40%	19,770
Total		\$ 85,395

¹ The Munpia non-controlling interest balance excludes redeemable non-controlling interest discussed in Note 20. *Redeemable Non-Controlling Interest in Subsidiary*.

Munpia

Munpia and its subsidiaries' non-controlling interest represents the majority of the Company's non-controlling interests. The changes in non-controlling interests related to the Company's other subsidiaries is immaterial.

In February 2022, the Company acquired a controlling financial interest in Munpia (acquiring 56.3% of Munpia's outstanding equity). However, at acquisition, a portion of the non-controlling interest balance (33.4%) is redeemable and discussed separately in Note 20. *Redeemable Non-Controlling Interest in Subsidiary*.

In August 2022, the Company's subsidiary, Munpia, issued 1,263,119 new shares. As a part of this share issuance, the Company's subsidiary WTEK received 442,112 of the new Munpia shares in exchange for 1,077 shares of Studio JHS Inc. The remaining 821,007 of new Munpia shares were issued to third-party shareholders. These transactions resulted in a net increase to the Company's non-controlling interest balance.

In August 2022, Munpia repurchased 561,647 Munpia shares held by a third-party shareholder. These shares of Munpia were reclassified to treasury stock of Munpia. This transaction resulted in decrease to the Company's non-controlling interest balance.

In December 2022, the Company's subsidiary, WTEK acquired 425,016 shares of Munpia pursuant to a put option executed by Cloudary, a third-party shareholder, resulting in a decrease in the Company's redeemable non-controlling interest. The remaining Cloudary owned Munpia shares were reclassified from redeemable non-controlling interest to non-controlling interest.

As a result of the transactions summarized above and reclassifications from redeemable non-controlling interest to permanent equity, the non-controlling interests in Munpia held by third parties increased from 10.4% to 21.9%.

Webtoon Entertainment Inc.**Notes to Combined Financial Statements**

The following table summarizes the effects of the changes in the Company's ownership interest in Munpia on the Company's equity in 2022.

	Year ended December 31, 2022
Net loss attributable to Company	\$ (129,871)
Transfer (to) from non-controlling interest	
Changes in the Company's equity for the issuance of 1,263,119 Munpia shares	4,651
Changes in the Company's equity for the purchase of 561,647 Munpia shares	173
Changes in the Company's equity for the purchase of 425,016 Munpia shares	160
Net transfer (to) from non-controlling interest	4,984
Change from net income (loss) attributable to Webtoon Entertainment Inc. and transfer (to) from non-controlling interest	\$ (124,887)

Note 22. Subsequent Events

On June 2, 2023, the Company entered into a Stock Transfer Agreement pursuant to which the Company sold 25,550 shares of LOCUS which represents 14.4% of the shares of LOCUS for \$5.0 million to third party investors on June 27, 2023. Following the sales of the shares, the Company held a minority voting interest with 39.2% of the shares of LOCUS. During November, the Company sold 27,907 shares of LOCUS for \$5.5 million to third party investors, and LOCUS issued 32,160 new shares, which resulted in decreasing the Company's voting interest to 19.82% as at the end of November. Accordingly, the Company will deconsolidate LOCUS and its subsidiaries and account for its investment in LOCUS as an equity method investment on a going forward basis. We are currently calculating the financial effect of the sales of the shares and the deconsolidation.

In December 2022, the Korean National Tax Service ("KNTS") initiated a regular tax audit for WTEK covering tax years 2020 and 2021. The audit process comprehensively reviewed the company's tax returns for both 2020 and 2021 tax years. As of April 2023, the audit has been completed, and the KNTS assessed taxes in the amount of \$7.3 million (equivalent to KRW 9,285 million) which comprised of corporate income tax ("CIT") of \$7.3 million (equivalent to KRW 9,215 million) and value-added tax ("VAT") of \$0.1 million (equivalent to KRW 71 million). The tax assessment primarily relates to the disallowance of losses on a disposition of the Parent's share in 2020. The assessment also includes a deemed distribution from a disproportionate capital increase of its investment in an affiliate and the disallowance of research and development credits. The Company did not appeal the assessment result and settled the tax payment in May 2023.

Shares

WEBTOON Entertainment Inc.

Common Stock



Goldman Sachs & Co. LLC

Morgan Stanley

Through and including _____, 2024 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses to be paid by the registrant, other than estimated underwriting discounts and commissions, in connection with this offering. All expenses will be borne by the registrant. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee and the listing fee.

	<u>Amount to be Paid</u>
SEC Registration Fee	\$ *
FINRA filing fee	*
listing fee	*
Printing	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	\$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145 of the DGCL authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents. As permitted by Section 102(b)(7) of the DGCL, the registrant's certificate of incorporation to be in effect upon the closing of this offering includes provisions that eliminate the personal liability of its directors and officers for monetary damages for breach of their fiduciary duty as directors and officers, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions or (iv) for any transaction from which the director derived an improper personal benefit.

In addition, as permitted by Section 145 of the DGCL, the by-laws of the registrant provide that:

- The registrant shall indemnify its directors and officers for serving the registrant in those capacities or for serving other business enterprises at the registrant's request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.
- The registrant may, in its discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law.
- The registrant is required to advance expenses, as incurred, to its directors and officers in connection with defending a proceeding, except that such director or officer shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification.
- The registrant is not obligated pursuant to the by-laws to indemnify a person with respect to proceedings initiated by that person, except with respect to proceedings authorized by the registrant's Board of Directors or brought to enforce a right to indemnification.

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- The rights conferred in the by-laws are not exclusive, and the registrant is authorized to enter into indemnification agreements with its directors, officers, employees and agents and to obtain insurance to indemnify such persons.
- The registrant may not retroactively amend the by-law provisions to reduce its indemnification obligations to directors, officers, employees and agents.

The registrant also maintains directors' and officers' insurance to insure such persons against certain liabilities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

We intend to enter into separate indemnification agreements with our directors and officers. Each indemnification agreement will provide, among other things, for indemnification to the fullest extent permitted by law and our Amended Charter and Amended Bylaws against any and all expenses, judgments, fines, penalties and amounts paid in settlement of any claim. The indemnification agreements will provide for the advancement or payment of all expenses to the indemnitee and for reimbursement to us if it is found that such indemnitee is not entitled to such indemnification under applicable law and our Amended Charter and Amended Bylaws.

These indemnification provisions may be sufficiently broad to permit indemnification of the registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since January 1, 2021, we have issued the following unregistered securities:

- (1) In May 2021, we issued an aggregate of 433,668.64 shares of common stock and 217,485.48 shares of common stock to NAVER and LINE, respectively, at a price of \$423.46 per share in order to fund our operation;
- (2) Between November 2021 and March 2022, we issued an aggregate of 174,099.90 shares of common stock to NAVER at a purchase price of \$836.70 per share in order to fund the acquisition of eBIJ by LDF ("eBook Acquisition");
- (3) In March 2022, we issued an aggregate of 90,990 shares of common stock at a price of \$836.70 per share of common stock to NAVER WEBTOON and LDF, who then transferred such shares to Z Holdings through a series of transactions in March 2022;
- (4) Between April and May 2022, we issued an aggregate of 180,277.69 shares of common stock to NAVER for an aggregate purchase price of approximately \$268.0 million in accordance with a certain transaction agreement, dated as of September 30, 2021, by and among NAVER, LDF and Z Holdings in connection with eBook Acquisition;
- (5) In May 2022, we issued an aggregate of 38,546.55 shares of common stock to LINE at a price of \$1,513.99 per share;
- (6) In June 2022, we issued an aggregate of 3,335.55 shares of common stock to three accredited investors at a price of \$1,513.99 per share; and

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- (7) In May 2023, we issued 413,781.93 shares of common stock to NAVER at a price of \$1,513.99 per share in connection with the acquisition of stock ownership of Wattpad Corp. from NAVER.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe each of these transactions was exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act (and Regulation D promulgated thereunder) as transactions by an issuer not involving any public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed on the share certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules.

Exhibits

See the Exhibit Index immediately preceding the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

Financial Statement Schedules

All financial statement schedules are omitted because the information called for is not required or is shown either in the financial statements or in the accompanying notes.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

EXHIBIT INDEX

Exhibit Number	Description
1.1**	Form of Underwriting Agreement
3.1**	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect immediately prior to the consummation of this offering
3.2**	Form of Amended and Restated By-Laws of the Registrant, to be in effect immediately prior to the consummation of this offering
4.1**	Specimen Common Stock Certificate of the Registrant
5.1**	Opinion of Kirkland & Ellis LLP
10.1**	Form of Director and Officer Indemnification Agreement
10.2**†	Form of Long-Term Incentive Plan
10.3**†	Form of Registration Rights Agreement by and among the Registrant and the other parties thereto
10.4**†	Employment Agreement, dated January 1, 2023, between the Registrant and Junkoo Kim
10.5**†	Business Delegation Agreement, dated January 1, 2023, between NAVER WEBTOON Ltd. and Junkoo Kim
10.6**†	Employment Agreement, dated October 14, 2023, between the Registrant and David Lee
21.1**	List of Subsidiaries of the Registrant
23.1**	Consent of Samil PricewaterhouseCoopers, independent registered public accounting firm
23.2**	Consent of Kirkland & Ellis LLP (included in Exhibit 5.1)
24.1**	Power of Attorney (included in signature page)
107**	Filing Fee Table

* Filed herewith

** To be filed by amendment

† Management compensatory plan or contract

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of _____, State of California, on the _____th day of _____, 2024.

WEBTOON Entertainment Inc.

By: /s/

Name:

Title:

POWER OF ATTORNEY

Each person whose signature appears below appoints _____ and _____ and each of them, any of whom may act without the joinder of the other, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any Registration Statement (including any amendment thereto) for this offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or would do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/</u> Junkoo Kim	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	
<u>/s/</u> David J. Lee	Chief Financial Officer and Chief Operating Officer <i>(Principal Financial and Accounting Officer)</i>	
<u>/s/</u> Haejin Lee	Director	
<u>/s/</u> Seon Ju Chae	Director	
<u>/s/</u> Jun Masuda	Director	