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# EDITED TRANSCRIPT

WBTV.OQ - Q2 2025 Webtoon Entertainment Inc Earnings Call

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**David Neil** *JP Morgan - Analyst*

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## PRESENTATION

### Operator

Thank you for standing by. My name is John and I will be your conference operator today. At this time, I would like to welcome everyone to the WEBTOON Entertainment second quarter in 2025 earnings conference call. (Operator Instructions)

Thank you. I would now like to turn the call over to Soohwan Kim, Vice President of Investor Relations. Please go ahead.

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**Soohwan Kim** - *Webtoon Entertainment Inc - Vice President of Investor Relations*

Good afternoon.

Thank you for joining us our remarks today will include forward-looking statements regarding our future plans, objectives, and expected performance, in particular our guide us for the next quarter. Actual results may vary materially from say statements. Information concerning risks, uncertainties, and other factors could cause these results to different is included in our SEC filings, including those state in the risk factors session of our annual report on 10-K.

These forward-looking statements represent our outlook only as of the date of this call. We undertake no obligation to revise ord forward-looking statements. Additionally, the matter we'll discuss it will include both GAAP and non-GAAP financial measures, reconciliations of any non-GAAP financial measures, the most directly comparable GAAP measures are set forth in our earnings press release. Non-gap financial measures should be considered in addition to and not as a substitute for GAAP measures. Joining me today on the call are JunKoo Kim, founder and CEO, David Lee, CFO and COO, and Yongsoo Kim, Chief Strategy Officer. With that, I will now turn the call over to our founder and CEO JunKoo Kim.

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**Junkoo Kim** - *Webtoon Entertainment Inc - Chief Executive Officer, Director*

Thank you everyone for joining the call today. I'll make a few brief remarks on the second call before turning the call over to David to discuss our research and honor.

For my first thought on the quarter, please see the shareholder letter posted on our Investor Relations website. We are pleased to report through second quarter result with both revenue and adjusted EBITDA coming in of the top end of our guidance range. Let me share some highlights from the second quarter.

For our English language we commit as we continue to implement significant product updates in May and June to enhance the user experience, making it easier for our readers to find a new titles and drive engagement. We are pleased to see increased the user activity compared to last quarters as a result of these changes, and we continue to focus on ways to improve our platform experience for users.

We are expanding our library and audience even further through reformat of existing franchise and pirates and so significant leadership with our initiative in this area. In the core, we launched the popular Japanese manga titles, Metal Alchemist, and from all the countries in to master swordmen that have attached millions of views on our platform. Building on our partnership with IDW publishing, which launched in April, we expanded our company's offering in June by partnering with Dark Horse Commis.

This strategy expansion brings beloved franchise such as the Legend of Kora or follow up to Nickelodeon, Avatar, the last Airbender to our English language platform. We are also incredibly excited to announce today that WEBTOON Entertainment and Disney are teaming up to bring iconic comics from Disney, Marvel, 20th century Studio, and Star Wars to our mobile vertical scroll format.

WEBTOON Entertainment and Disney will bring around 100 blockbuster comics to Western starting with an all new dedicated section on our global English language app. Fans will first to be able to enjoy Amazing Spider-Man, Avengers, Star Wars, and Disney as old as time, tweeted tale. In addition to reformative comics, brand new regional Western cities are also in development for Weston's global platform.

These original web comic series will include new adventures for beloved characters from superhero epics to Galaxy spanning adventure, giving fans more of what they love. We are thrilled to kick off this collaboration with iconic cities from their comic book catalog, and this is just the site. Together, we are bringing this legendary storytelling to a new generation of mobile native comic fans while giving existing fans a new way to experience series and create their love.

Please stay tuned.

I'm pleased with the progress we have made thus far this year and look forward to making continued strategy investment and progress during the second half of the year.

With that, I will now turn the call over to David.

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**David Lee** - *Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director*

Thank you, JK, and thank you everyone for joining us today.

I'll be discussing the details on second quarter 2025 results compared to the comparable quarter in the prior year unless otherwise noted.

During the second quarter, we grew revenue 5.5% on a constant currency basis, similar to last quarter, with growth across all revenue streams. Reported revenue was up 8.5%. Net loss was \$3.9 million compared to a net loss of \$76.6 million in the year prior, driven by lower GNA expenses associated with the IPO, which took place in the prior year quarter.

Adjusted EBITDA was \$9.7 million compared to \$20.4 million in the same quarter of 2024.

As a result, our adjusted earnings per share for the quarter was \$0.07 compared to adjusted earnings per share of \$0.18 in the prior year. Turning to operational health we delivered another successful quarter of web comic app user growth, attracting a highly engaged audience with better monetization opportunities. While app MAU declined 3.4% overall, we saw a 4.8% increase in web comic app MAU excluding the impact of web novel users. This growth was led by increases across important English-speaking markets, as well as growth in most of our non-English markets.

Our English platform web comic app MAU was up 19% for the second consecutive quarter, demonstrating continued momentum in this important region.

We believe recently introduced reformat tidal launches and product changes will continue to drive increased user activity over time. With regard to global MAU, it was down 7.6% in the quarter, primarily driven by Korea and rest of world, including Wattpad's impact in particular, as it is the largest contributor to rest of world MAU.

Wattpad continues to be impacted by a government ban in one country, which we expect will lapse in Q3. Additionally, another country that represents a smaller number of users enacted a new ban on Wattpad towards the end of Q2. Last quarter we also discussed the impact of our MAU from a Wattpad security upgrade which affected search engine indexing. It's taking longer than anticipated for the search engine to re-crawl the majority of our pages, and we expect to see lingering effects on MEU in the near term.

While WOA is not currently a significant revenue driver, it plays a critical role in our broader ecosystem as a powerful source of IP.

LAA continues to be a leading global platform for web novels, and we are focused on driving growth over time.

Now, I'd like to provide an update on our different revenue streams at a consolidated level.

Starting with paid content.

In the quarter, we posted 2.0% revenue growth on a constant currency basis year over year.

This was driven by continued strength in Japan, offset by declines in Korea and the rest of the world.

AR or ARPPU growth on a constant currency basis was 7.4% in the quarter, with increases in all three regions.

We believe there's further opportunity for monetization as there's still a great deal of free content on our platform before users hit the paywall, and our ARPU is relatively low for the amount of entertainment we deliver.

We believe new platform upgrades and new content will continue to help bolster this.

Advertising posted 10.2% revenue growth in the second quarter on a constant currency basis year over year, driven by constant currency revenue growth in Korea and Japan, offset by a decline in the rest of the world.

In Korea, this growth was the result of increased ad sales from both neighbor as well as other partners.

Japan's growth was driven by continued growth in pre-rollouts.

In the rest of the world, the decline was primarily driven by Wattpad impacts.

Finally, our IP adaptation business saw revenue increase 42.6% year on year on a constant currency basis in Q2, driven by revenue growth on a constant currency basis in Korea and the rest of the world, offset by a decline on a constant currency basis in Japan.

Korea benefited from revenue recognition of the remarried empress.

In Japan, we are relatively early days with our IP adaptation business with a small revenue base that can fluctuate depending on milestones, but we're pleased with our pipeline of upwards of 20 anime projects in Japan.

As we've discussed in the past, revenue recognition for IP adaptations is dependent on achieving certain milestones which can vary from quarter to quarter.

Now, let's take a look at our results in the context of our core geographies.

In Korea during the second quarter, our revenue grew 9.2% year over year on a constant currency basis, driven by double digit constant currency growth in advertising and IP adaptations offset by a single digit constant currency decline in paid content.

During the second quarter, Korea MAU was \$23 million, decreasing 11.1% year over year. Korea MPU was \$3.4 million, declining 8.5%, but we saw strong growth of 8.3% for Korea ARPU on a constant currency basis. Paying ratio was 14.9%, up 42 basis points year-over-year. Moving to Japan, revenue growth on a constant currency basis was 5.7% year over year. This was driven by single digit constant currency revenue growth and paid content, double-digit constant currency revenue growth in advertising, and offset by a double digit constant currency revenue decline in IP adaptations. As mentioned in our shareholder letter, LINE Manga was the number one overall app for revenue, including mobile games, for the second consecutive quarter and for the first half of 2025, according to Sensor Tower. Japan's MAU increased 2.8% year-over-year to \$22.6 million and PU grew 1.3% year over year to \$2.3 million and paying ratio was 10%, down 15 basis points year-over-year. Our paid users remain strong with our Japan ARPU of \$23.70 growing 3.8% year-over-year on a constant currency basis.

Rest of world saw a revenue decline of 4.4% year-over-year on a constant currency basis, driven by declines in paid content and advertising, offset by double-digit growth in IP adaptations. While rest of world MAU and MPU declined 8.7% and 5.9% year-over-year, respectively, paying ratio of 1.5% was up 5 basis points year over year.

Rest of World ARPU of \$6.60 grew 2.2% year-over-year on a reported and constant currency basis. We're pleased with the user response and increased engagement we have seen so far from changes we've made in our English language web comic app. Turning now to profitability, gross profit for the quarter increased 5.1% to \$87.3 million. Gross profit benefited from higher cross-border paid content growth in Japan and better advertising in Japan. This resulted in a gross margin of 25.1% compared to 25.9% in the prior year. Gross margin was up sequentially from 22% in Q1.

The year-over-year compare is less operationally relevant because as we disclosed previously, starting in Q4'2024, we began to improve our attribution from marketing to cost to revenue. We continue to see gross profit margin accretion from mix as we generate more revenue from higher margin businesses.

Adjusted EBITDA for the quarter was \$9.7 million compared to \$20.4 million in the prior year. Total GNA expenses for the quarter were \$65 million compared to \$138.7 million in the prior year. The prior year quarter included several one-time expenses primarily related to our IPO. Interest income for the quarter was \$4.9 million compared to \$2 million in the prior year, and other loss for the quarter was \$1.4 million compared to other income of \$2.3 million in the prior year period. Income tax benefit was \$0.8 million in the quarter compared to income tax expense of \$1.9 million in the prior year.

Depreciation and amortization for the quarter was \$8.4 million compared to \$8.9 million in the prior year. Net loss for the second quarter was \$3.9 million compared to a net loss of \$76.6 million in the prior year quarter due to lower GNA expenses associated with the IPO. As a result, GAAP loss per share was \$0.03 compared to loss per share of \$0.70 in the prior year period.

Adjusted earnings per share was \$0.07 in the quarter compared to adjusted earnings per share of \$0.18 in the year prior. Moving on to our business outlook for the third quarter.

For third quarter of 2025, we expect to deliver revenue growth in the range of 9.4% to 12.2% on a constant currency basis. This represents anticipated revenue in the range of \$380 million to \$390 million. This guidance is based on current FXs rates. As we complete our infrastructure updates, we expect to see improvement in product start to realize towards the end of the year.

We anticipate third quarter adjusted EBITDA in the range of \$2 million to \$7 million, representing an adjusted EBITDA margin in the range of 0.5% to 1.8%. We expect to maintain our investment in marketing to drive future growth. The first half of this year has been an exciting one for Webtoon Entertainment, and we're pleased with the progress we've made. With product improvement and greater diversity of content, we remain optimistic for the future.

With that, I'd like to turn it back to our operator to begin the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

Thank you, ladies and gentlemen. This now begins the question-and-answer session. (Operator Instructions)

Thank you. Our first question comes from the line of Eric Sheridan with Goldman Sachs. Please go ahead.

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### Eric Sheridan - Goldman Sachs - Analyst

Thanks so much for taking the question and congrats on the Disney announcement parallel to the earnings release. I want to go back to Disney as well as the announcement intra quarter around Dark Horse Comics and get a better sense from you as to how to think about bringing very established IP like this to platform what you think that might do to user growth, what it might do to monetization levels looking out over the next couple of years, and is there any way to have a better understanding of some of the unit economics between the content provider and your platform as some of these agreements scale? Thanks so much.

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### David Lee - Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director

Thank you, Eric. This is David Lee to start us off.

First, I wanted to highlight the difference in this major milestone in our collaboration with Disney versus our proven track record as you know, as in partnering with great franchises like IDW. We have a great history. We know how to bring Sonic the Hedgehog, for example, with IDW to our North America users in particular to mutually benefit our partner.

But this relationship, this collaboration with Disney, is remarkable one for the amount of IP that Disney holds. They are a great company and we're privileged to be able to have this collaboration. I wanted to make sure I highlight that this includes partnership and collaboration with Marvel, 20th Century Studios, Star Wars there was recently a variety article that posted where a sense of how this will roll out was revealed.

But quotes from Disney Amazing Superman, Avengers, Star Wars, Alien, Disney as Old as Time. So the power of Disney's IP, I think, is a standout for us. However, we also have global category leadership and what we've called in the past demographic gold, particularly here in the United States, where you're seeing us for actually three consecutive quarters, dried nearly 18% to 19% English web comic app MAU growth, with importantly a strong Gen Z population that is super relevant for global storytellers like Disney.

We have not disclosed any significant deviation in our strong unit economics, and I think that when you think about the opportunity, it gives us the opportunity to accelerate new user growth, to let them discover stories that they had not had access to prior, and we hope to deliver equal or more value to our friends at Disney by introducing a brand new relevant format of vertical scrolling content in the hands of Gen Z consumers on their app.

So we're really excited about this particular relationship, which will span several years. Let me caveat, as I can imagine your next question is, how much of that is showing up in your Q3 guidance, and I also want to be explicit on that. We are extremely bullish on the strategic value to both

parties in the mid to long term, but we are not incorporating any short term financial benefit as we built this collaboration for the long term, and we expect to see those benefits to both parties in the mid to long term over time.

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**Eric Sheridan** - *Goldman Sachs - Analyst*

Great, appreciate it.

Thank you so much.

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**Operator**

The next question comes from the line of Benjamin Black with Deutsche Bank. Please go ahead.

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**Benjamin Black** - *Deutsche Bank - Analyst*

Hi, this is Jeff Imran. Thanks for taking my question just as a follow up on on the Disney partnership, is there any sort of marketing arrangements or any other kind of aspects of the partnership that that you could talk about?

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**David Lee** - *Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director*

Yeah, I think that this partnership being a milestone for us, it's also important to note, as we just mentioned, that being able to give Disney the ability to reach out to this next generation of users, the Gen Z generation, which is already spending upwards of 30 minutes to 60 minutes on English web team platform is critical and then for us attracting new users faster, we already are demonstrating nearly 19% web comic app MAU growth, and I wanted to clarify, I think I got too excited. It's not Superman, it's Spider-Man that we're very excited to partner with Disney.

At this point, we haven't provided more specifics that I can share. But I think it's strategically a great opportunity, a great collaboration for both parties.

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**Benjamin Black** - *Deutsche Bank - Analyst*

Okay, great. Thanks. And maybe just one quick follow up you talked about your new on boarding pro process with the revamped home tab, driving increased personalization. Can you talk about how we should be thinking about user trends going forward? You talked about, the English language web comic app, I mean, you're growing strong again how can, how should we see that impacting trends? Thanks.

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**David Lee** - *Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director*

Yeah, first, let me cover the specific introductions because they're quite significant in totality. So as you mentioned, we have a new onboarding process and this allows for preference inputs, so it guides the consumer to be able to pick content that is more relevant. We have a new home tab. We have a new search tab, and a very exciting new upgrade is we have new and hot, which is how users can find new and trending titles using a trailer-like style video.

All of which we've talked about has been aggressively rolled out to date, but frankly there's more product updates to come, so we're not done. In terms of your question of how we expect it to roll out going forward, the reason why we're clearly investing to drive this nearly 19% in the last three quarters webcomic English app MAU grow is because we're pairing it with ways for the consumer to discover and habituate content. I point you to AR poop. ARPU has been a highlight for us across all regions, even nascent regions like what we call rest of world that ARPU growth for us for a new potential market where we are less mature, and here we're talking about an increase in the rest of the world of 2.2%, but it's strongly up

as a total company. To us that shows potential to habituate more web comic app users, particularly those in our English speaking regions, and to pair it with improved product. We haven't provided guidance beyond Q3, so I'm not going to give you specific financial guidance tied to the product rollout. But our testing, as we've described, even before we began this relapse, has continued to be quite promising. We look at everything from episodes red, we look at light heavy medium users, and we're very excited about the promise of what we're doing here in the US and the fact that it's the largest addressable market from a countryside standpoint means that we're going to invest behind those opportunities as well.

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**Operator**

The next question comes from the line of Mark Mahaney with Evercore ISI. Please go ahead.

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**Unidentified Participant**

Hi, this is David on from Mark, can you maybe just talk about your advertising outlook for T3 and maybe the second half, especially on video, how exposed is ad growth to macro versus your product levers, and then, just on the Disney partnership, anything you can share around the partnership terms, the commercial terms.

Thank you.

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**David Lee - Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director**

Sure, first on advertising, advertising continues to be a strong driver of growth, speaking first to our performance in the report quarter of Q2. So, from a global standpoint, on a constant currency basis, you'll note, as we mentioned in the call that we were up 10.2% double digit and when you look at the composition of that growth, it's remarkable that we continue to see strong growth on a constant currency basis both in Korea and Japan.

With regard to video, having consumers have the opportunity to watch a video to access content that they otherwise would pay on average that \$0.15 to \$0.70 for that paid episode in Daily Pas is an alternative way to create more habit formation, frankly for paid content as well as to generate higher CPM video-based advertising.

I'd like to say it's a proven formula for the company as pioneered in Korea and what we're seeing in Japan. I think it's extremely early days for us in North America. In North America, we frankly are still putting in place the foundation to realize the financial return we believe exists for 26 and beyond, and it's why senior leadership has taken a direct focus on North America because it's not just potentially accretive. We see it as a way to create habit formation for US consumers who may not yet be habituated but one day will to have an alternative video ad format to access a dropping episode potentially from some of our great collaborations with folks like Disney and IDW.

With regard to Disney, unfortunately it's too early for us to disclose any financial terms. I want to reiterate how pleased we are to be able to have this collaboration with Disney, and I also want to reiterate that we did not disclose any material significant change in unit economics going forward in any of our guidance. We think this is a strategic win-win and a financial win-win for both parties.

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**Operator**

Your next question comes from the line of Matthew Costs with Morgan Stanley. Please go ahead.

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**Matthew Costs - Morgan Stanley - Analyst**

Hi, thanks for taking the question. I guess as you think about all the success that you've had recently in terms of bringing on kind of existing IT and content onto the English language service over the past couple of months. How does that impact the strategy of making Making the app a destination

for native user created content and sort of giving consumers the the experience of thinking well hey I can cross over to become a creator and they can distribute my own content you know through through Webtoon as well is there a conflict there or do you think it's an on ramp for people to get onto onto Webtoon?

Thank you.

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**David Lee** - *Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director*

Thank you. I'll start, but I would love for Yongsoo, who leads our strategy, but most importantly, the business you're speaking of what we call Global Webtoon to offer his view directly from a corporate standpoint, we think it's actually complimentary, when you think about content that people love, they haven't seen in our web comic format like what we're talking about with Disney, it's a wonderful way to generate new users for us, but also to create a new generation of fans and fandom for partners like Disney. And yet we have always had a strong creator ecosystem, \$24 million creators that have the ability to create content that we call originals, new content. And then, Yong So can speak to this, but we also have the ability to merge those two concepts even with IP from a partner like Disney. This deal does include these 100 or so potential opportunities with this collaboration does include the ability to create original content. Using our great creators to create a refreshed storyline from wonderful franchises Disney has long had in place. Let me turn to Yongsoo, so he can provide his perspective too.

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**Yongsoo Kim** - *Webtoon Entertainment Inc - Chief Strategy Officer*

Yeah, David already covered the right point, and this kind of collaboration. There's some well known IP in the market, bringing a lot of the user to Western platform. And with the recommendation feature in our app in home care and from onboarding to the user will also discover an experienced we original as well as of. Naturally, we believe that this kind of partnership will increase our user consumption, living consumption, as well as new user.

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**Matthew Costs** - *Morgan Stanley - Analyst*

Great thank you.

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**Operator**

The next question comes from the line of Doug Anmuth from JP Morgan. Please go ahead.

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**David Neil** - *JP Morgan - Analyst*

Right, this is Dave Neil for Doug, thanks for taking the questions. I have to, first one on your 3G guide, it includes a very strong acceleration and constant currency revenue growth. So could you talk about some of the drivers of that growth and how you think about sustainability of that strength looking out over the next few quarters, and I have a follow up.

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**David Lee** - *Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director*

Thank you, Dave. First, I want to be clear that the Q3 guide does not include any short term impact from the collaboration we were just discussing with Disney. When you think about either it sequentially or year on year, I want to break out the components to the extent I can, as I know we typically are not guided by subtype. Crossover IP was a theme, as we mentioned with remarried Empress in Q2, but it's an important theme in Q3 on a YOI basis incorporated in the guide.

Now the reason why that's important is we've long said even when we release Q1 day, I remember speaking to you saying that the fundamentals of our pay content business are strong and our advertising business continues to grow, but the timing in a given quarter, potentially to the detriment of expectation in Q1, can also be to our benefit in a quarter, and you've seen that now in Q2, and we think you'll see that to a certain extent in Q3.

The basis of our guidance though in terms of our philosophy remains the same. Let me briefly also touch upon the adjusted EBITDA as that may be a question both on the year-on-year compare as well as more recently the sequential compare.

When you think about the adjusted EBITDA guide midpoint of 4.5 for the quarter, it reflects our desire to continue to invest in the English-speaking web comic app MAU growth paired with the new product rollout that you've seen. There are other factors, but that is the single factor I wanted to mention to you. It's in a proactive, strategic decision that JK and the team have made, I think for the right long term growth versus a passive forecast, there really is no mention or disclosure of a weakness in the Q3 guy. It's a deliberate choice to grow as I think we have some great collaborations in place, great product now in place, and I think product market fit already in places like the US.

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**David Neil** - *JP Morgan - Analyst*

Got it. And then I guess I'll follow up on the Disney collaboration. I think in the letter you talked about them creating a brand new version of that comic series.

For your platform, is this exclusive to you guys and it kind of sounds to me in a way, like their way of acknowledging your platform and webcomics as a new way to deliver their content. Is that kind of like the right way to think about it? And when you look at the collaboration overall, are you, do you feel more excited about this new web comic series or is it the existing series that are being reformatted to your web content that's more exciting.

Thank you.

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**David Lee** - *Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director*

Well, first, we're excited about both to answer your last question. I mean, imagine an original permutation of a story or a follow on or a backstory to one of the great franchises that Disney already has in place with huge fandom in place. We find that very exciting for Disney and for us, which is the concept of new originals that start with the storyline that they may have already created.

With regard to exclusivity, you'll there was a recent article that went live by Variety where Disney themselves are quoted. I would turn you to their quote which acknowledges us and recognizes Webtoon as the category leader in this format with its increasing relevance to Gen Z. So that, I think in their own words is where you should interpret how what acknowledgement they may be thinking. We're very honored. To be acknowledged by them, and we're very excited to go forward. We have said, and they have said that this is several years of durability. Beyond that at this point, I can't really disclose more.

Over time, I want to let you know that you'll be immediately seeing some of the wonderful. Stories, the existing franchises from Disney appear on our platform. These great originals we mentioned, we don't want to rush. We want to honor the original story, and they will take more time, which is why the agreement is in duration for several years. I think that's what we can say on the collaboration with Disney.

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**David Neil** - *JP Morgan - Analyst*

Sounds good. I look forward to reading Disney on your App.

**Operator**

Your next question comes from the line of Andrew Marok with Raymond James. Please go ahead.

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**Andrew Marok** - *Raymond James - Analyst*

Hi, thanks for taking my question.

I saw in the shareholder letter to talk about the rest of the world advertising business kind of being dragged down a bit by some of the Wattpad impacts, but can you talk a bit about that rest of world ads business ex the Wattpad impact, I guess how would you characterize advertiser awareness and appetite in the market at this point? Thank you.

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**David Lee** - *Webtoon Entertainment Inc - Chief Financial Officer, Chief Operating Officer, Director*

Thank you, Andrew. It's a great question. I want to be clear. We are so pleased, we disclose so much to you all in terms of MAU. The key metric that's tied to our revenue is the reason why we keep on talking about this web comic app MAU, which you saw up globally, and you also saw particularly up in the more larger promising regions where English is the language spoken up nearly 19%. But we also disclosed total MAU, and I want to be clear Wattpad. Is the single biggest driver of the company's entire MAU loss year on year.

When you double click into rest of world, while Wattpad is not a significant revenue generator, it continues to be an important source of IP. We've seen many examples of crossover IP become large series releases, for example, on Tubi with Sideline the quarterback and me. So we're committed to that business, but the role of that business is not to contribute large amounts of short term revenue either in advertising or paid content, frankly.

With regard to advertising, and let me double click on that, we talked about two countries banning us, one of which, the impact of which we will lap already in this current quarter of Q3, specific to Wattpad. So I think some of the issues there also the search engine indexing is temporal, which over time we will overcome and overlap.

We are very bullish still on rest of world ads, but we recognize that it's a new advertising market for us, so we are taking time to put in place the fundamentals so that we, when we scale the business as we grow, for example, this WEBTOON and Wattpad business in the US, we can do so with the best ad products that will take a bit more time to produce and also a direct ad sales team which we are taking the time to build out. Mid to long term, we still believe that rest of world advertising will be a very important strategic and financial driver, but it's too early these days to count on it in our guidance.

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**Andrew Marok** - *Raymond James - Analyst*

Very clear. Thank you.

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**Operator**

And it seems that we have no further questions for today. That concludes the Q&A session in today's conference call. We would like to thank everyone for their participation. You may now disconnect your lives. Have a pleasant day, everyone.

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