



LOTTE HIMART

KOREA NO.1 Home & Lifestyle Retailer

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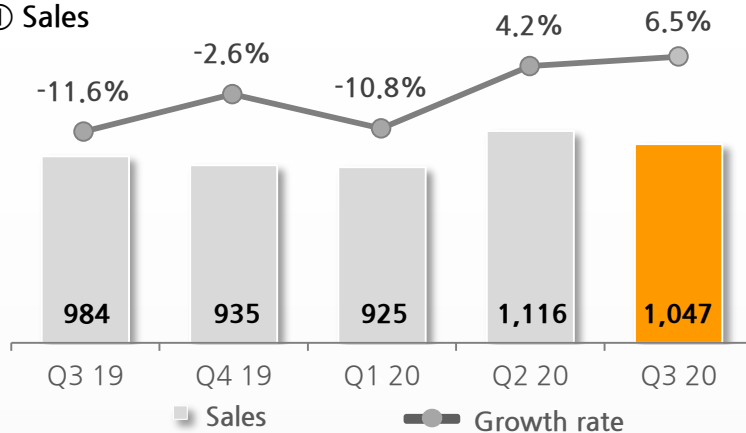
1. Q3 Highlights

Sales & Profit

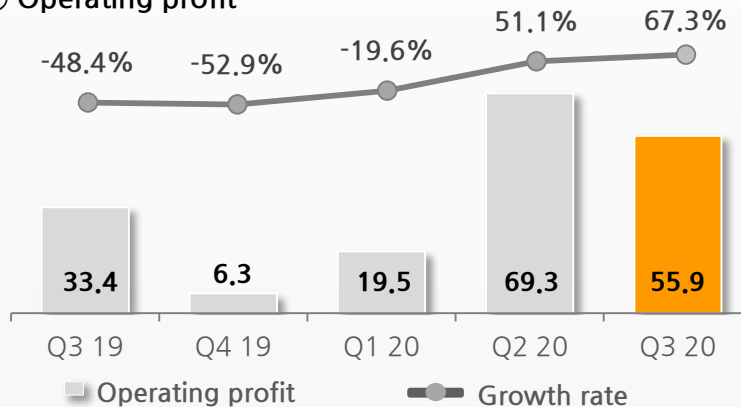
[Unit: in billions of KRW]

✓ Stable performance in the time of COVID-19

① Sales



② Operating profit



Key Catalyst

✓ Enhancing premium-quality products/ Strengthening PB sales

- Enlarged the display of premium products* and promote sales growth(20.Q3, +59%)
- Increased PB(HIMADE) gross sales and sales per SKU
- COVID-19 led to extra money(substitution effect) and residential time, it caused a trend: preference for premium appliances and home interior

✓ Push for changes through innovative operation

- Variation on offline channel by opening experiential stores: Megastore (+1store, total 4stores), Innovative shop-in-shop store (+3stores, total 3stores)
- Reallocating media advertisement led to reduction of overall advertising and promotion expenses (careful expenses management: boosting live streaming e-commerce, focusing on efficient execution of advertising and promotion)

※ Premium products (Big 4 products): TVs (65" ↑ OLED, QLED, NLED), Washing machines (21KG ↑ front-loading), fridges (4doors, fridges with water purifier), Kimchi fridges (400ℓ ↑)

2. Q3 Analysis

Q3 2020 Financial Analysis

Q3 Profit & Loss

[Unit: In billions of KRW]

Category	Q3 19		Q3 20		YoY Change		
		%		%		%p	%
Sales	984	100%	1,047	100%	64	-	6.5%
Gross Profit	256	25.9%	266	25.4%	12	-0.5p	4.7%
Operating Expense	221	22.5%	211	20.1%	-11	-2.4p	-4.8%
Operating Profit	33	3.4%	56	5.3%	23	1.9p	67.3%
Profit Before tax	28	2.9%	54	5.1%	26	2.2p	90.3%
Net Profit	22	2.2%	41	3.9%	19	1.7p	89.8%

Detail Analysis

✓ Increased in gross sales by 6.5%

- COVID-19 has led to increase in the amount of time people spend at home, resulting in high preference and growth in sales of appliances, furniture and home interior(desire to renovate their own place)
- COVID-19 has changed people's lifestyle which led to high growth in sales of various home appliances such as kitchen, health-care, IT products and premium design appliances

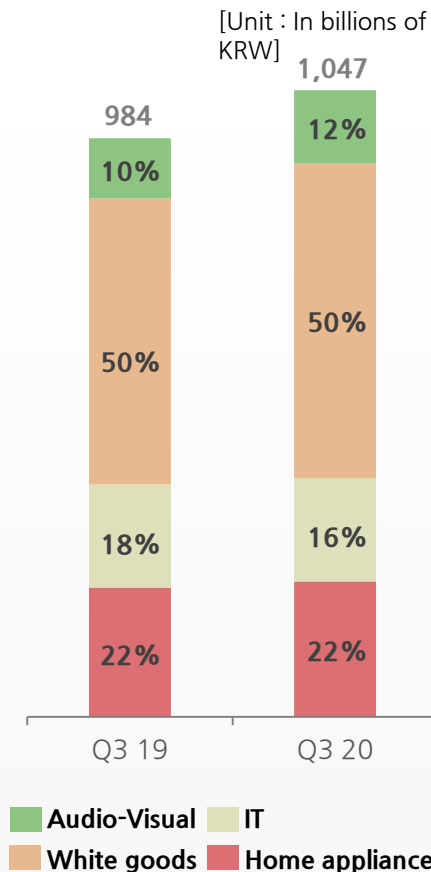
✓ Operating profit up by 67.3%

- Operating margin rose by 1.9%p(3.4% → 5.3%) due to sales growth and continuous efficient execution of operating expenses particularly labor and advertising cost.

2. Q3 Analysis

Sales Ratio and Trend by Segment

Sales & Product ratio



Product Lines

✓ Best Sellers

- **TVs:** Customer demand for larger-screen, premium-quality TVs grew due to OTT, video streaming market growth
- **Refrigerators:** Unit price has risen due to trend of preference for premium goods.
- **Kimchi fridges:** they are now looked upon as a non-seasonal product, leading to higher Q3 sales growth and effect of rebate scheme
- **Washing machines:** Consumption substitution effect caused purchasing power and unit price has risen due to demand for replacement of premium goods
- **Clothes dryers:** Effect of adding to rebate scheme product and low sales in Q2 19
- **PCs:** More people working and studying at home resulted in more demand for PCs
- **Dishwashers:** Dishwashers are also seeing a surge in popularity this year

✓ Slow Sellers

- **Air conditioners:** Prolonged rain and low temperatures led to decrease in sales
- **Mobile devices:** Decrease in demand and higher sales of mid-to-low-priced units

■ **Audio-Visual:** TVs, cameras, digital convergence devices, audio equipment, etc.

■ **White goods:** Refrigerators, Air conditioners, kimchi fridges, washing machine, clothes dryers, etc.

■ **IT:** PC, mobile devices, etc.

■ **Home appliance:** Vacuum cleaners, rice cookers, air purifiers, dehumidifiers, dishwashers, etc.

2. Q3 Analysis

Debt and Borrowings

✓ Debt ratio increased on a temporary basis due to issuing of a KRW 200 billion in June and KRW 100 billion in Aug.

*KRW 115 billion is scheduled to be paid back in Q4 20.

Borrowing and Financial Index

[Unit: In billions of KRWS]

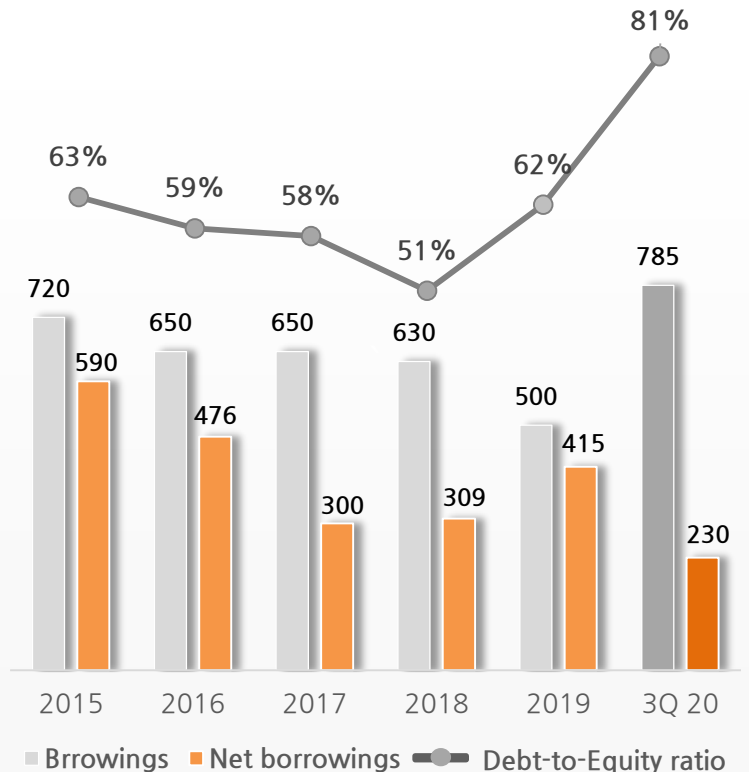
Category	Q4 19	Q3 20	YoY Change
Borrowings	500	785	57.0%
Cash & cash equivalents	85	555	554.1%
Net borrowings	4,5	230	-44.7%
Total Equity	1,922	1,993	3.7%

Category	Q4 19	Q3 20	YoY Change
Debt-to-Equity	61.7%	81.2%	19.5p
Borrowings-to-Equity	26.0%	39.4%	13.4p
Net borrowings-to-Equity	21.6%	11.5%	-10.1p

Credit Ratings	Q4 19	Q3 20	Remarks
Corporate bonds	AA-	AA-	-
CP	A1	A1	-

Chronological Change

[Unit: In billions of KRWS]



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