

LOTTE HIMART

KOREA NO.1 Home & Lifestyle Retailer

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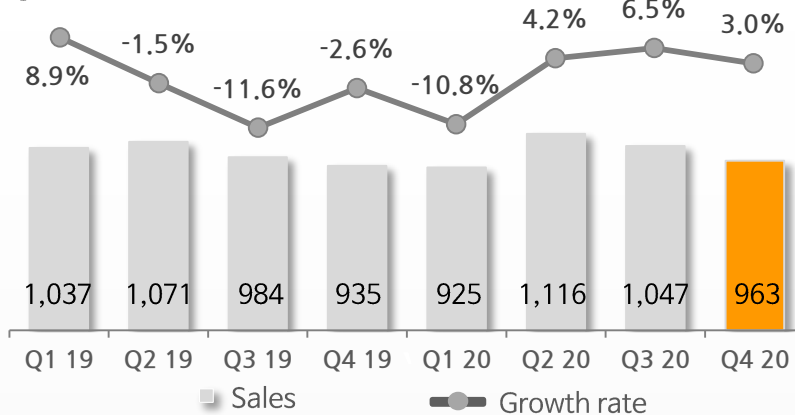
1. Q4 Highlights

Sales & Profit

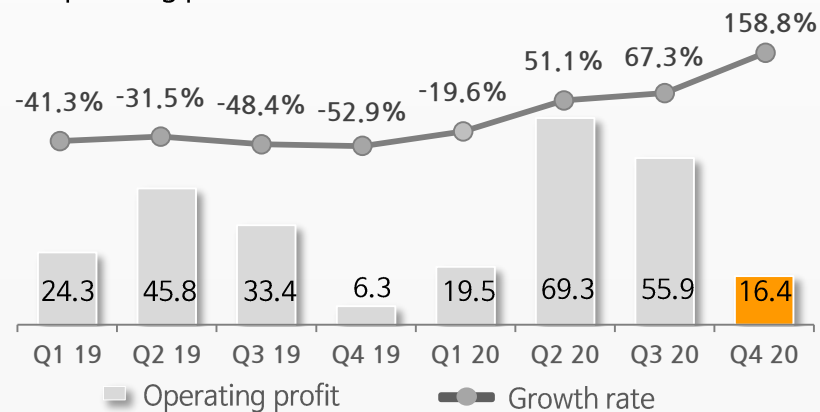
[Unit: in billions of KRW]

✓ Stable performance in the time of COVID-19

① Sales



② Operating profit



Key Catalyst

✓ Enhancing online biz / Variation on offline channel

- Launching online PB and expanding a variety of small to medium-sized products, non-electronics
- Megastores (+14 stores, total 21 stores): hub stores in a district
- Innovative shop-in-shop stores (+25 stores, total 37 stores): focusing small-medium sized products and IT products

✓ Strengthening premium products* and PB(HIMADE)

- Sales increased due to 'pent-up' demand for premium home appliances (Q4 20 +34%)
 - expansion of displaying premium products and increasing high-quality installation teams
- Expanding the role of residential space and consumption behavior changes with preference affect sales increase of interior design home appliances
 - focusing trendy products & design/premium PB

✓ Providing a differentiated customer service

- Launching appliance regular care service and increasing number of service centers nationwide

* 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. Q4 ANALYSIS

Q4 2020 Financial Analysis

Q4 Profit & Loss

[Unit: In billions of KRW]

Category	Q4 19		Q4 20		YoY Change		
		%		%		%p	%
Sales	935	100%	963	100%	28	-	3.0%
Gross Profit	223	23.8%	225	23.4%	2	▲0.4p	0.9%
Operating Expense	217	23.2%	209	21.7%	-8	▲1.5p	▲3.7%
Operating Profit	6	0.7%	16	1.7%	10	+1.0p	158.8%
Profit Before tax	-174	-	-60	-	114	-	-
Net Profit	-169	-	-67	-	102	-	-

Detail Analysis

- ✓ **Increased in sales by +3.0%**
 - Continuous demand of premium products and high growth in sales of indoor activity related home appliances
 - Online sales growth in Q4 (+17% YoY, portion 16%)
- ✓ **Operating profit up by +158.8%**
 - Operating margin rose dramatically due to sales growth and efficient execution of expenses – labor +3.6%, advertising ▲35.6%, rent ▲58.3%, etc.
- ✓ **Declined a deficit in Net profit**
 - Decreased amount of Impairment losses on goodwill and tangible assets led to improvement of loss in net profit

2. FY2020 ANALYSIS

FY2020 Financial Analysis

FY2020 Profit & Loss

[Unit: In billions of KRW]

Category	2019		2020		YoY Change		
		%		%		%p	%
Sales	4,026	100%	4,052	100%	25	-	0.6%
Gross Profit	1,001	24.9%	1,006	24.8%	6	▲0.1p	0.6%
Operating Expense	891	22.1%	845	20.9%	-45	▲1.2p	▲5.1%
Operating Profit	110	2.7%	161	4.0%	51	+1.3p	46.6%
Profit Before tax	-84	-	65	1.6%	149	-	Turn a Profit
Net Profit	-100	-	29	0.7%	129	-	Turn a Profit

Detail Analysis

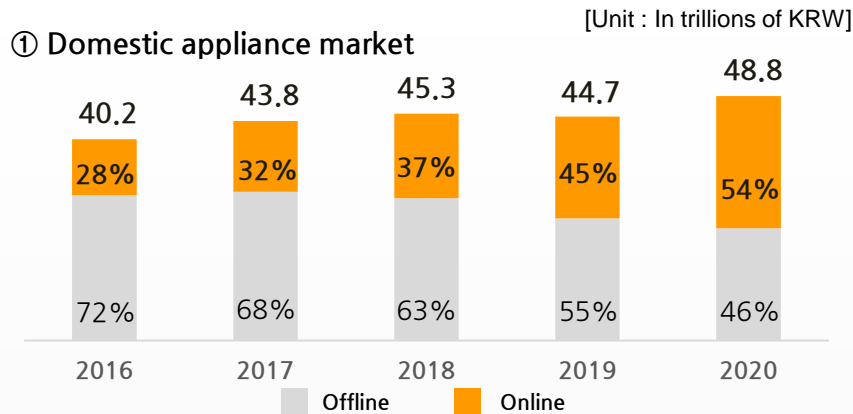
- ✓ **Increased in sales by 0.6%**
 - Despite economic recession and slow-down in consumption at the beginning of COVID-19, since upgrading social distancing level, 'indoor' and 'un-tact' have become a new trend and premium product preference led to sales growth
 - Online sales growth in 2020(+22% YoY, portion 15%)
- ✓ **Operating profit up by 46.6%**
 - Operating income improved through increased gross profit due to sales growth and efficient execution of expenses.
 - labor ▲2.9%, adv. ▲34.1%, installation ▲23.8% ,etc.
- ✓ **Net profit return to profit**
 - Impairment losses on goodwill and tangible assets KRW 79 billion in 2020 (2019: 179 billion)

2. FY2020 ANALYSIS

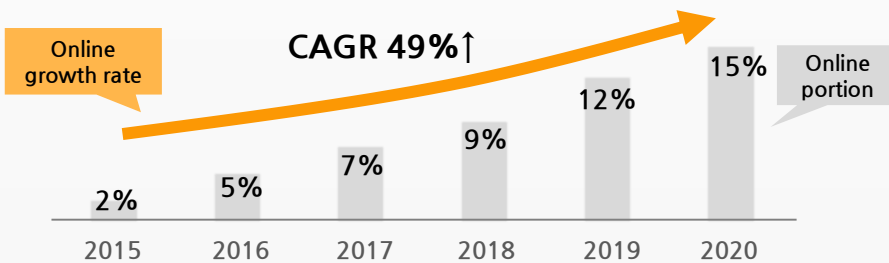
Business status by Channel

Online market

Increased online sales portion and continued growth in the future



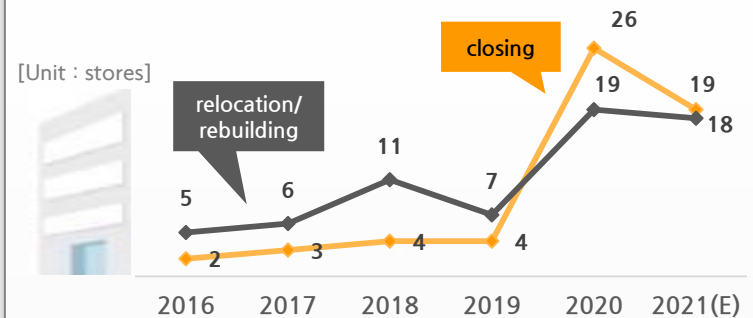
② Online shopping mall trend



* Source : National Statics Office, internal documents

Offline Channel

Diversifying type of stores through active restructuring and opening experiential stores



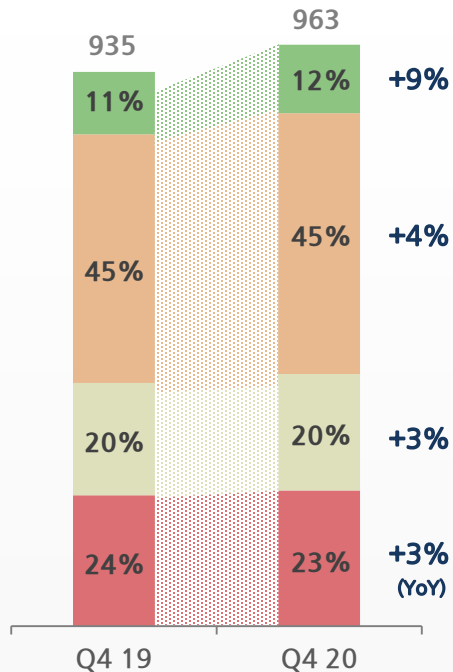
Category	2019	YoY	2020	YoY	2021(E)	YoY
Stand-alone	359	+5	356	▲3	344	▲12
Shop-in shop	107	▲2	92	▲15	91	▲1
Total stores	466	+3	448	▲18	435	▲13

2. FY2020 ANALYSIS

Sales Ratio and Trend by Segment

Sales & Product ratio

[Unit : In billions of KRW]



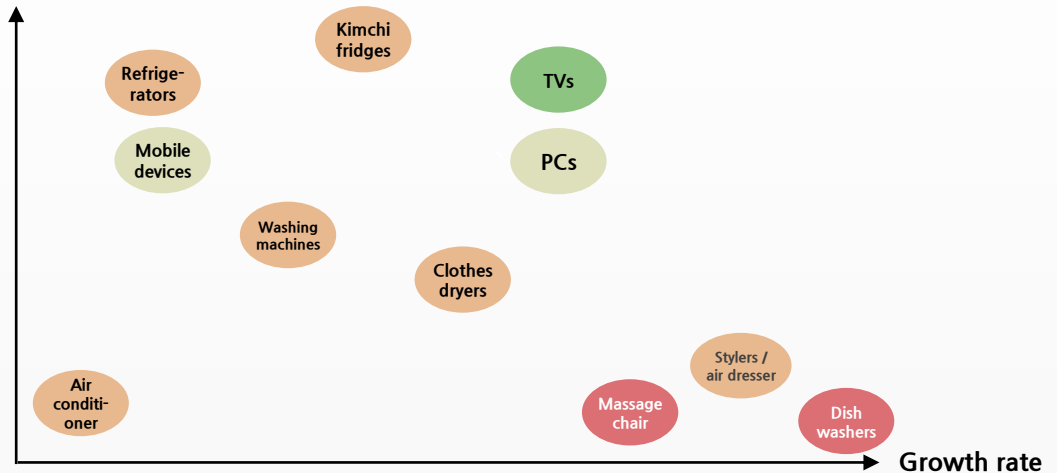
■ Audio-Visual ■ IT
■ White goods ■ Home appliance

Product Lines

✓ Q4 Best Sellers

- TVs: Customer demand for larger-screen, premium-quality TVs grew due to OTT, video streaming market growth
- White goods: Unit price has risen due to trend of preference for premium goods
- PC : More people working and studying at home resulted in more demand

Portion



■ **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. FY2020 ANALYSIS

Debt and Borrowings

✓ Debt ratio increased on a temporary basis due to issuing of a 300 billion in 2020

* KRW 150 billion is scheduled to be paid back in Q1 21 (total 330 billion in 2021)

Borrowing and Financial Index

[Unit: In billions of KRWS]

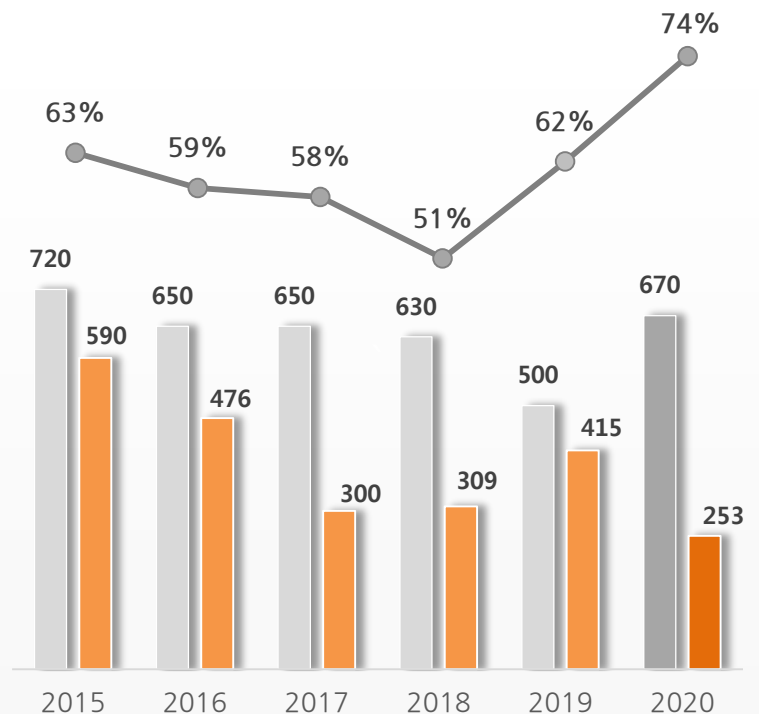
Category	2019	2020	YoY Change
Borrowings	500	670	34.0%
Cash & cash equivalents	85	417	391.3%
Net borrowings	42	253	-39.1%
Total Equity	1,922	1926	0.2%

Category	2019	2020	YoY Change
Debt-to-Equity	61.7%	73.9%	12.2p
Borrowings-to-Equity	26.0%	34.8%	8.8p
Net borrowings-to-Equity	21.6%	13.1%	-8.5p

Credit Ratings	2019	2020	Remarks
Corporate bonds	AA-	AA-	-
CP	A1	A1	-

Chronological Change

[Unit: In billions of KRWS]

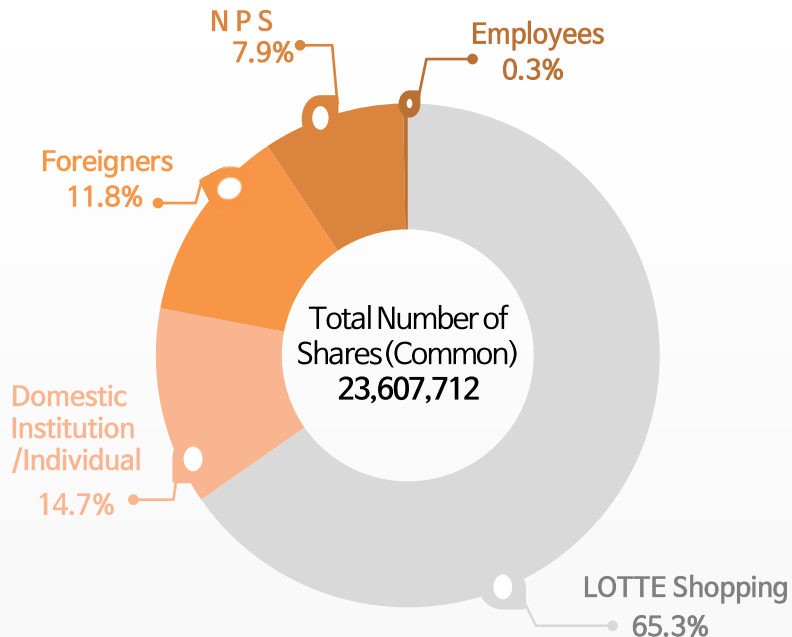


■ Borrowings ■ Net borrowings ● Debt-to-Equity ratio

* Shareholders and Dividends

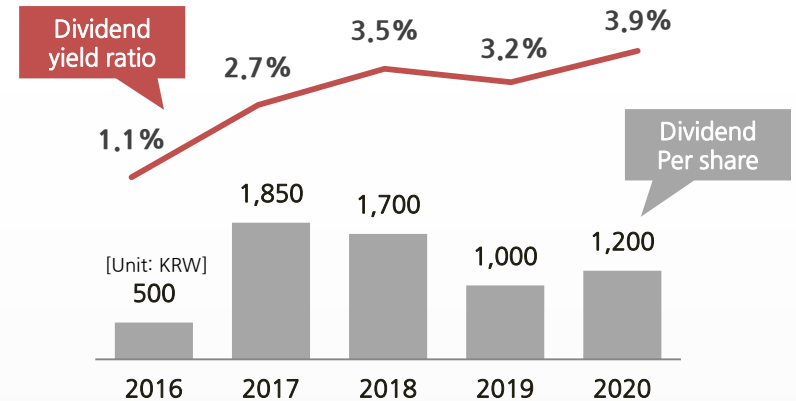
- ✓ Increased shareholder value by maintaining a dividend payout ratio of 30% of net income since 2017, excluding one-offs
- ✓ 2020 dividend ratio 3.9%, dividend payout per share KRW 1,200

Shareholders



※ End of 2020

Status of Dividend



[Unit: In billion of KRW, %]

Category	2016	2017	2018	2019	2020
Net income	121	148	86	-100	29
Total dividend	12	44	40	24	28
Payout ratio	9.7	29.4	47.0 [29.1%]	- [30.0%]	98.6 [26.4%]

※ [Excluding one-offs]: Impairment losses on goodwill and tangible assets (2018: KRW 53 billion; 2019: KRW 179 billion; 2020: KRW 79 billion)

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