

# LOTTE HIMART

KOREA NO.1 Home & Lifestyle Retailer

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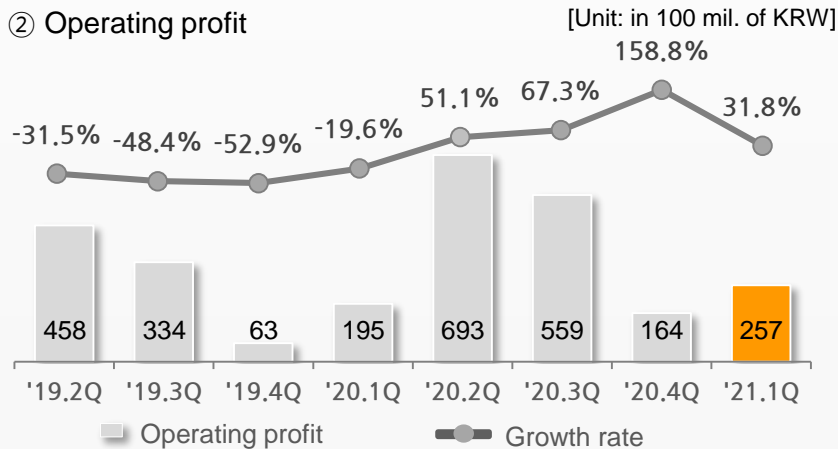
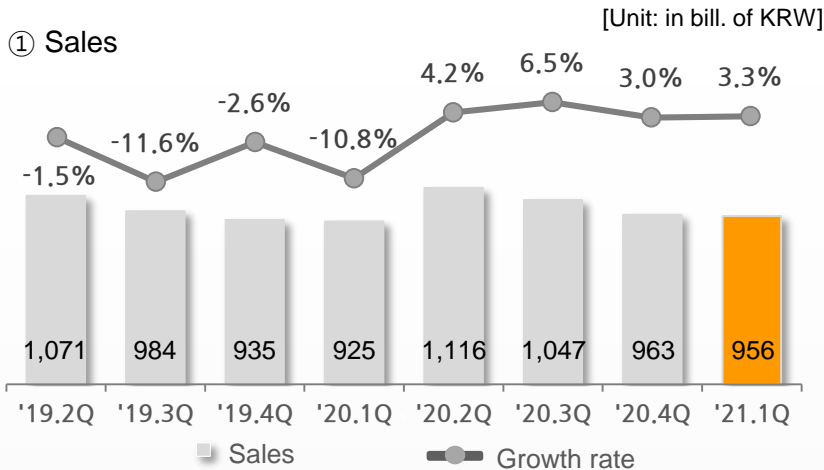
II

FY2021 1Q Performance Analysis

# 1. 1Q Highlights

## Sales & Profit

### ✓ Secure stable sales & profit in time of COVID-19



## Key Catalyst

### ✓ Maximizing channel competitiveness

- Strengthening online store
  - Expansion of premium large sized home appliances along with small and medium-sized/non-electric stock keeping unit
  - Improves profits by expanding direct to direct sales and Online-only PB
- Seeking offline store changes
  - Offline efficiency through megastore expansion and mart MD improvement
  - Continue building & scraping inefficient stores

### ✓ Improve trendy products (premium products)

- The trend of buying premium appliances as consuming leisure continues
  - product displays premiumization, expands premium exclusive installment team
- Interior/design appliances demand increases due to living space role play bigger role & consumption behavior chg.
  - Stay at home trend & design PB product expansion

### ✓ Differentiating customer service

- Home Care Services : Implements regular care services for household appliances and expand operational items
- Shipping & A/S Services : Introduction of on-time shipping and In-store A/S Center

## 2. Performance analysis

### '21 Q1 Financial Analysis

#### P&L Summary

[Unit: in 100 mil. of KRW]

Section	'20.1Q		'21.1Q		Change (YoY)		
		%		%	YoY	%p	YoY(%)
Sales	9,253	100%	9,559	100%	306	-	3.3%
Gross Profit	2,234	24.1%	2,233	23.4%	-1	-0.7p	0.0%
SG&A	2,038	22.0%	1,975	20.7%	-63	-1.3p	-3.1%
Labor	658	7.1%	646	6.8%	-12	-0.3p	-1.8%
Fees	448	4.8%	473	4.9%	25	+0.1p	5.5%
Transport & Installation	272	2.9%	275	2.9%	2	-	0.9%
Etc.	660	7.1%	582	6.1%	-78	-1.0p	-11.9%
Operating Profit	195	2.1%	257	2.7%	62	+0.6p	31.8%
Pre-tax Profit	148	1.6%	206	2.2%	58	+0.6p	39.1%
Net Income	114	1.2%	159	1.7%	46	+0.5p	40.1%

#### Financial Analysis

##### ✓ Increased in Sales (+3.3%)

- In consequence of “pent-up effect” due to the continuous effect of COVID-19, demand for replacing large-sized home appliances continued, which drove sales growth
- Growth of interior/design appliances due to increased stay time at home
- High mobile growth due to the strong sales of new mobile phones and PC growth due to base effect
- 1Q online store growth continues  
(+21% YoY, composition 18%)

##### ✓ Increased in Operating Profit (+31.8%)

- Leverage effect due to increase in sales  
- SG&A reduction : adv. fee (-38.6%), Rent (-26.8%)

##### ✓ OP margin improvement (2.1%→2.7%, +0.6p)

## 2. Performance analysis

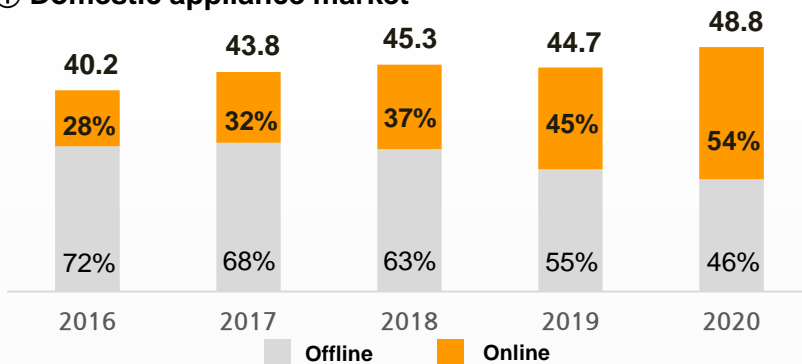
### Business status by Channel

#### Online market

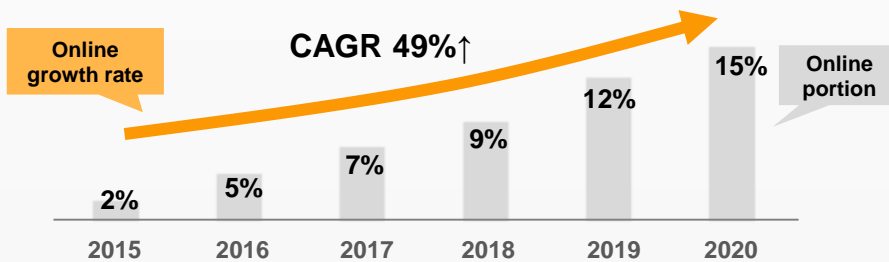
Increases online sales portion and continues growth in the future

##### ① Domestic appliance market

[Unit : In trillions of KRW]



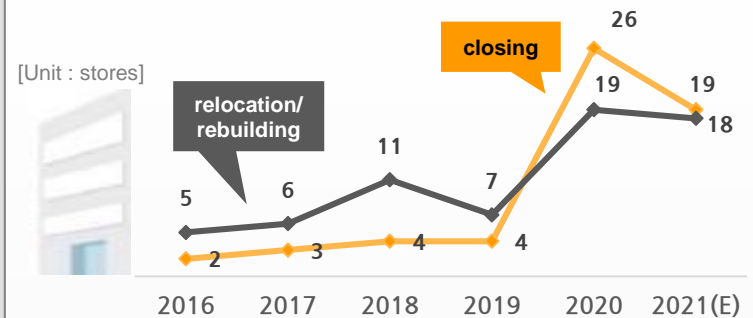
##### ② Online store trends



※ Source : Kostat, internal documents

#### Offline Channel

Diversifying type of stores through active restructuring and opening experiential stores



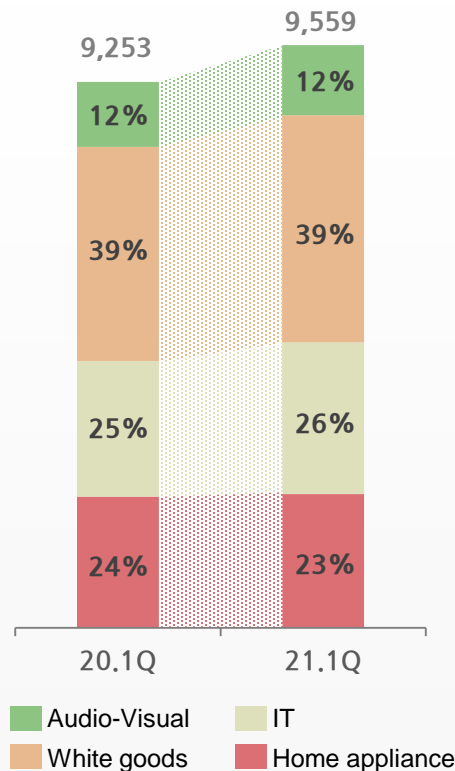
Category	2019	YoY	2020	YoY	2021 (E)	YoY
Street shop	359	+5	356	▲3	340	▲16
Shop-within-a-store	107	▲2	92	▲15	90	▲2
<b>Total stores</b>	<b>466</b>	<b>+3</b>	<b>448</b>	<b>▲18</b>	<b>430</b>	<b>▲18</b>

## 2. Performance analysis

### Sales Ratio and Trend by Segment

#### Sales & Product ratio

[Unit : In 100 mil. of KRW]

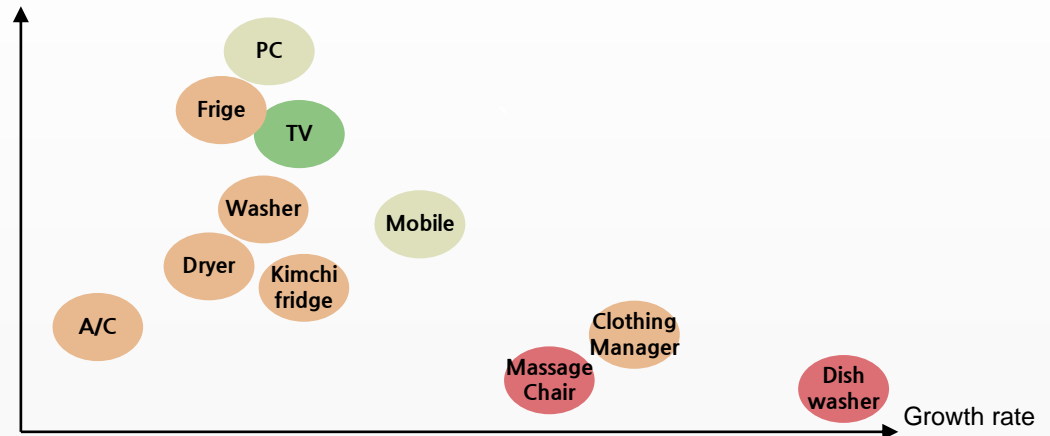


#### Product Lines

##### ✓ 1Q Key growth items

- TVs: Due to Enlargement & Advancement of the market, Premium TV grow rapidly (65" or bigger screen portion 59.7% → 68.2%, YoY)
- PC : High growth of laptops and table PCs due to deferred demand for new semester by Covid-19 outbreak
- Mobile: High growth due to strong sales of mobile phones (Galaxy S21, iPhone 12)
- Trend Home appliances : Home appliances such as dishwashers and clothing manager growth continues

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. Performance analysis

### Debt and Borrowings

- ✓ Debt ratio increased on a temporary basis due to issuing of bond-CP worth 300 billion krw in 2020

\* Total of 330 billion krw scheduled to be paid back in 2021

#### Borrowing and Financial Index

[Unit: In 100 mill. of KRWS]

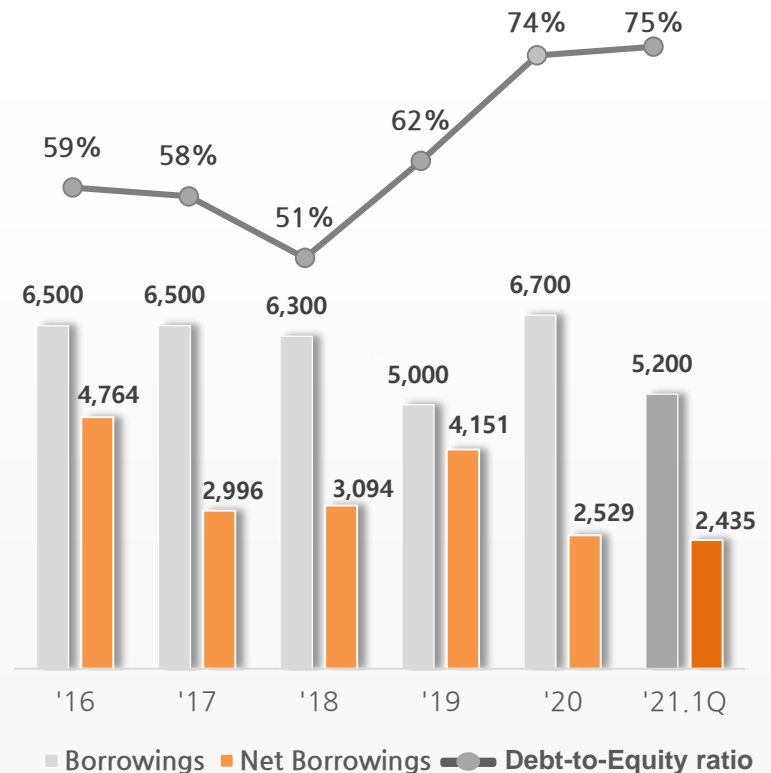
Category	FY 2020	1Q21	Change
Borrowings	6,700	5,200	-22.4%
Cash & cash equivalents	4,171	2,765	-33.7%
Net borrowings	2,529	2,435	-3.7%
Total Equity	19,260	19,144	-0.6%

Category	FY 2020	1Q21	Change
Debt ratio	73.9%	74.7%	+0.8p
Borrowings-to-Equity	34.8%	27.2%	-7.6p
Net borrowings-to-Equity	13.1%	12.7%	-0.4p

Credit Ratings	FY 2019	FY 2020	Note
Corporate bonds	AA-	AA-	-
CP	A1	A1	-

#### Chronological Progress

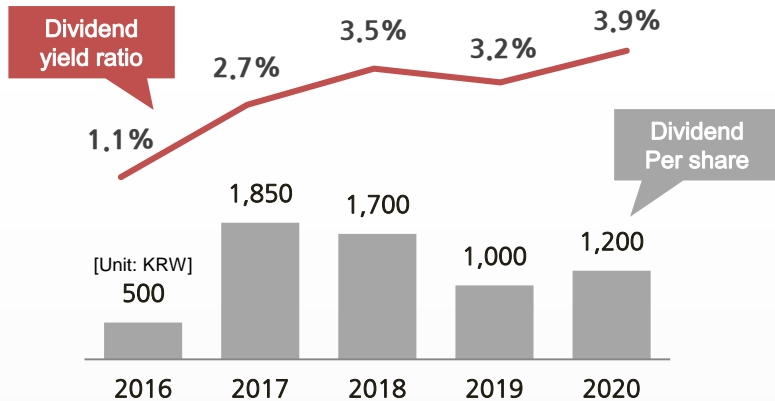
[Unit: In 100 mill. of KRWS]



# \* Shareholder friendly policy

- ✓ Increased shareholder value by maintaining payout ratio of 30% of net income since 2017, excluding one-offs
- ✓ Decision to purchase 472,000 treasury stock in May 2021 (2% of total shares)

## Dividend Status



[Unit: In 100 mill. of KRW, %]

Category	2016	2017	2018	2019	2020
Net income	1,214	1,484	855	- 999	287
Total dividend	118	437	401	236	283
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 52.6 billion; 2019: KRW 178.7 billion; 2020: KRW 78.5 billion)

## Treasury Stock Purchase/ESG

### ✓ Decision to buy treasury stock

- Purpose: shareholder value ↑ + stock stabilization
- # of shares : 472,000 common shares (2%)
- Estimated amount : approx. 18.5 billion krw
- Expected buying period: '21/5/10 ~ '21/8/7

### ✓ ESG Rating

- FY2020 rating



Year	Grade	Envir.	Social	Gov.
2019	A	B+	A+	B+
2018	A	B	A	A

※ Rating Agency: KCGS

# \* Summary of Income Statement (Annual)

[Unit : In 100 mill. KRW]

Section	FY2016			FY2017			FY2018			FY2019			FY2020		
		(%)	yoy		(%)	yoy		(%)	yoy		(%)	yoy		(%)	yoy
Sales	39,394	100	1.1%	40,993	100	4.1%	41,127	100	0.3%	40,265	100	-2.1%	40,517	100	0.6%
Gross Profit	10,134	25.7	5.2%	10,612	25.9	4.7%	10,729	26.1	1.1%	10,007	24.9	-6.7%	10,065	24.8	0.6%
SG&A	8,388	21.3	4.4%	8,537	20.8	1.8%	8,864	21.6	3.8%	8,908	22.1	0.5%	8,454	20.9	-5.1%
Labor	2,440	6.2	1.1%	2,458	6.0	0.7%	2,598	6.3	5.7%	2,733	6.8	5.2%	2,653	6.5	-2.9%
Fees	1,442	3.7	10.6%	1,630	4.0	13.0%	1,796	4.4	10.2%	1,902	4.7	5.9%	1,902	4.7	0.0%
Adv. Fees	981	2.5	4.1%	689	1.7	-29.8%	702	1.7	2.0%	671	1.7	-4.5%	442	1.1	-34.1%
DEPR	524	1.3	0.1%	492	1.2	-6.1%	478	1.2	-2.8%	1,356	3.4	183.4%	1,438	3.5	6.1%
Transport& Installment	1,331	3.4	12.3%	1,549	3.8	16.4%	1,559	3.8	0.6%	1,468	3.6	-5.7%	1,378	3.4	-6.1%
Etc.	1,670	4.2	0.4%	1,719	4.2	2.9%	1,731	4.2	0.7%	779	1.9	-55.0%	641	1.6	-17.7%
Operating Profit	1,745	4.4	9.0%	2,075	5.1	18.9%	1,865	4.5	-10.1%	1,099	2.7	-41.1%	1,611	4.0	46.6%
Pre-tax Profit	1,625	4.1	13.5%	1,990	4.9	22.4%	1,269	3.1	-36.2%	-839	-	Deficit	650	1.6	Surplus
Net Income	1,214	3.1	13.9%	1,484	3.6	22.2%	855	2.1	-42.4%	-999	-	Deficit	287	0.7	Surplus

※ FY2016 : K-IFRS No.1018 Accounting standards (old), FY2017~20 : K-IFRS No.1115 Accounting standards (new)

## MISSION

사랑과 신뢰를 받는  
제품과 서비스를 제공하여  
인류의 풍요로운 삶에 기여한다

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