

# LOTTE HIMART

KOREA NO.1 Home & Lifestyle Retailer

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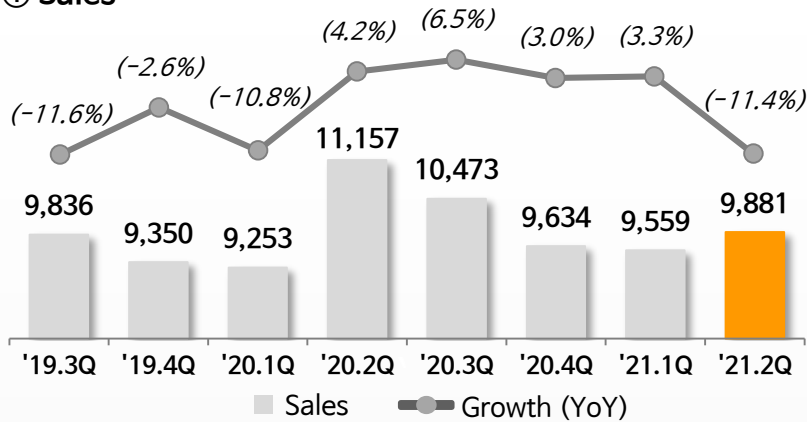
# 1. 2Q Highlights

## Sales & Profit

✓ Both Sales and Operating profit ↓ due to cool weather effect

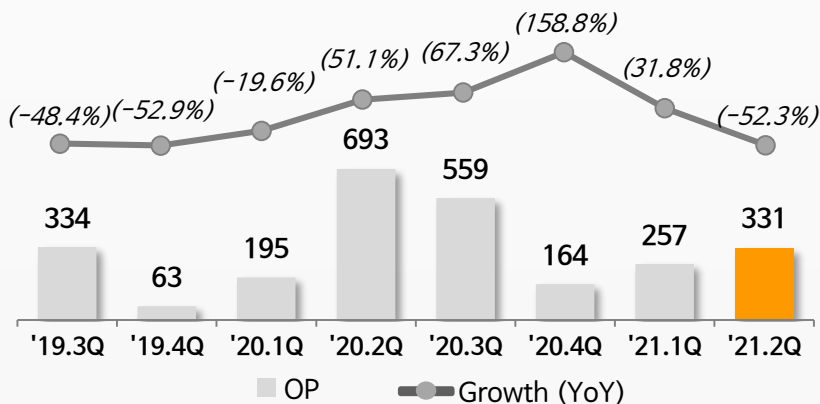
### ① Sales

[Unit : In 100 mill. KRW]



### ② Operating profit

[Unit : In 100 mill. KRW]



## Financial Analysis

✓ Decrease in Sales (-11.4% YoY)

- Air conditioner sales decreased due to sporadic rain in May and June  
→ 14.4 days of precipitation in May
- Home appliances' sales growth slowed due to the government cutbacks on refund project for efficient home appliances this year  
→ Declining demand for white goods such as washing machines and refrigerators.

✓ Decrease in Gross Profit (-15.4% YoY)

- Increase in the proportion of online sales
- Increase in sales deduction due to promotional expenses

✓ Decrease in Operating Profit (-52.3% YoY)

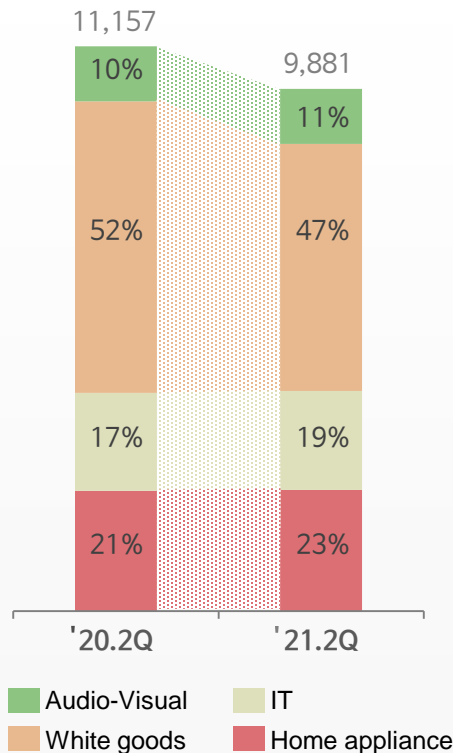
- Operating leverage effect due to sales ↓  
→ Reduced in SG&A expenses: (-3.9% YoY)
  - Labor cost (-5.1% YoY)
  - Installation & delivery cost (-14.2 YoY)

## 2. Performance analysis

### Sales Ratio and Trend by Segment

#### Sales & Product ratio

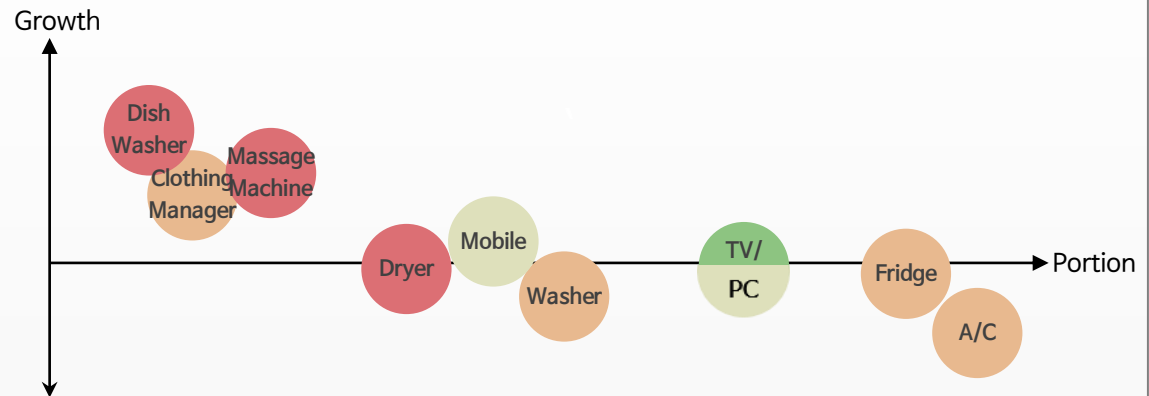
[Unit : In 100 mill. KRW]



#### Product Lines

##### ✓ 2Q Sales Trend by Item

- Air Conditioner : Sharp drop for its demand due to continued cool weather effect
- PC : Demand for PC slowed as it grew significantly due to corona virus last year
- Mobile : Demand for new mobile phones and unlocked phones increased
- Trendy Appliances : Dishwashers, clothing managers, massage machines all continued to grow year over year



## 2. Performance analysis

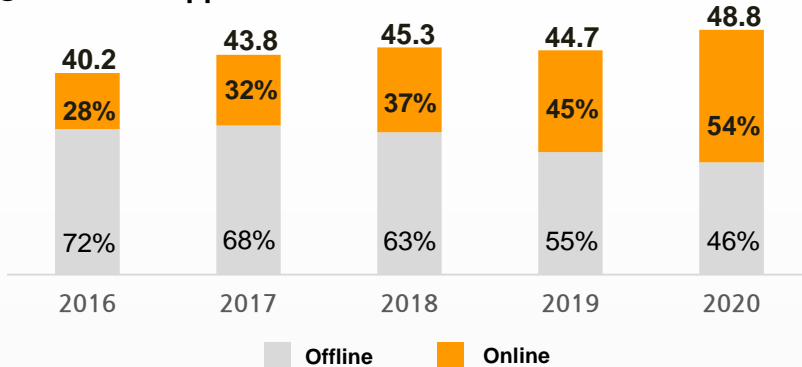
### Business status by Channel

#### Online market

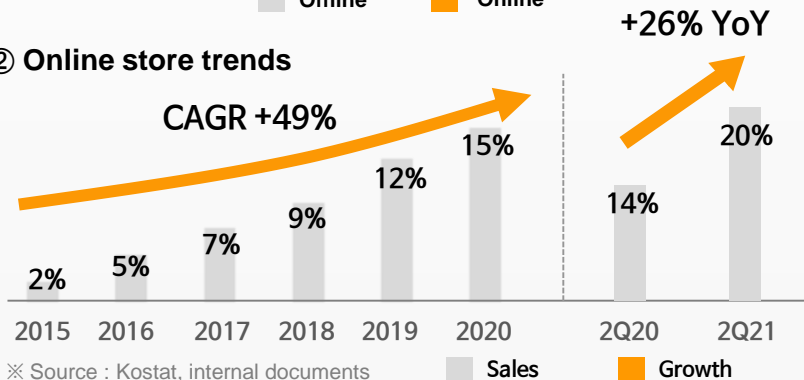
Increases online sales portion and continues growth in the future

##### ① Domestic appliance market

[Unit : In trillions of KRW]



##### ② Online store trends



※ Source : Kostat, internal documents

■ Sales

■ Growth

#### Offline Channel

Diversifying type of stores through active restructuring and opening experiential stores

[Unit : stores]



Category	2019	YoY	2020	YoY	2021 (E)	YoY
Stand-Alone	359	+5	356	▲3	338	▲18
Shop-in-Shop	107	▲2	92	▲15	88	▲4
<b>Total stores</b>	<b>466</b>	<b>+3</b>	<b>448</b>	<b>▲18</b>	<b>426</b>	<b>▲22</b>

## 2. Performance analysis

### Maximize Online Biz.

- Expand SKU to increase competitiveness in online
  - Systemize market place platform (MPP)
  - Increase Trendy and Non-electrical products
- Increase sales by selling premium products of large home appliances
- Developing online contents to increase online traffic
  - ※ MPP : commercial trading platform such as amazon and auction

### Premium Products



※ Premium items : Front-load Washer 21kg ↑, 4 door refrigerator, TV 65" ↑

### Online Contents



### Maximize Offline Biz. & Improve Products

- Maximize offline competitiveness by being efficient
  - Diversify stores through expansion of megastore
  - Continue Build & Scrape stores
- Differentiate customer services from competitors
  - Homecare services & Delivery & Repair services
- Customer consulting through DT

### Expansion of Megastore



Idea	• Premium / Trend / Experimental
Object	• Represent local business district

### Home Care Service



Strengthening customer connection through home care management after sales

# \* Summary of Income Statement (2Q)

## Summary

[Unit : In 100 mill. KRW]

Section	'20.2Q		'21.2Q		Change		
		%		%	Growth	%p	Growth(%)
Sales	11,157	100.0%	9,881	100.0%	-1,276	-	-11.4%
Gross Profit	2,917	26.1%	2,469	25.0%	-448	-1.2%p	-15.4%
SG&A	2,224	19.9%	2,138	21.6%	-86	1.7%p	-3.9%
Labor	646	5.8%	613	6.2%	-33	0.4%p	-5.1%
Fees	500	4.5%	511	5.2%	11	0.7%p	2.2%
Trans & Install	448	4.0%	384	3.9%	-64	-0.1%p	-14.2%
Etc.	631	5.7%	630	6.4%	-1	0.7%p	-0.1%
Operating Profit	693	6.2%	331	3.3%	-362	-2.9%p	-52.3%
Pre-tax Profit	569	5.1%	320	3.2%	-249	-1.9%p	-43.7%
Net Income	433	3.9%	247	2.5%	-186	-1.4%p	-42.9%

# \* Debts

- ✓ Debt ratio increased 0.8%p compared to the end of 2020 due to issuing of CB worth 140 bn KRW in June
- \* Total of 180 bn KRW scheduled to be paid back in 2H of 2021)

## Borrowing and Financial Index

[Unit: In 100 mill. of KRW]

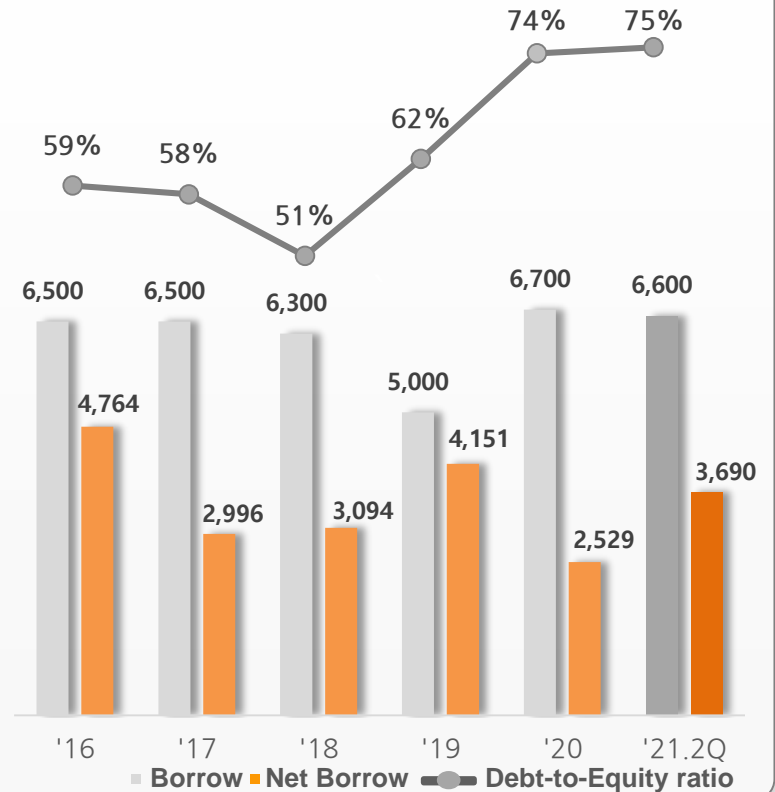
Category	FY 2020	2Q21	Change
Borrowings	6,700	6,600	-1.5%
Cash & cash equivalents	4,165	2,910	-30.1%
Net borrowings	2,535	3,690	+45.6%
Total Equity	19,260	19,206	-0.3%

Category	FY 2020	2Q21	Change
Debt ratio	73.9%	74.7%	+0.8p
Borrowings-to-Equity	34.8%	34.4%	-0.4p
Net borrowings-to-Equity	13.2%	19.2%	+6.0p

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

## Year Progress

[Unit: In 100 mill. of KRW]

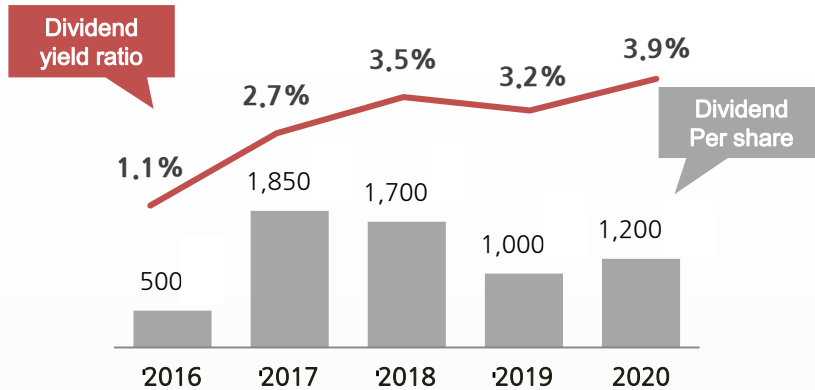


# \* Shareholder Policy

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

## Dividend Status

[Unit: KRW]



[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	-	98.6

## Treasury Stock Purchase/ESG

- ✓ **Decision to buy treasury stock**
  - Purpose: shareholder value ↑ + stock stabilization
  - # of shares : 472,000 common shares (2%)
  - Total amount : 18.6 billion KRW
  - Buying Period : 10/05/21 ~ 24/06/21
- ✓ **ESG Rating**
  - FY2020 rating of KCGS (Rating Agency)



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

[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)

# \* 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& Promotion	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& Installation	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	-	-	650	1.6	-
Net Income	1,214	3.1	13.9%	1,484	3.6	22.2%	855	2.1	-42.4%	-999	-	-	287	0.7	-

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

## MISSION

사랑과 신뢰를 받는  
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인류의 풍요로운 삶에 기여한다

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