

# LOTTE HIMART

KOREA NO.1 Home & Lifestyle Retailer

# Disclaimer

---

This presentation has been produced by LOTTE Himart Co., Ltd. solely for information purposes. The information contained in this presentation has not been independently verified. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such information or any opinion contained herein. The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of the presentation. Neither LOTTE Himart Co., Ltd. nor any of its affiliates, advisor or directors shall have any liability whatsoever (in negligence or otherwise) for any loss arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. This presentation does not constitute or form part of an offer, invitation or recommendation to purchase or subscribe for any securities and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.

The presentation may contain statements that reflect LOTTE Himart Co., Ltd.'s beliefs and expectations about the future. These forward-looking statements are based on a number of assumptions about the future, some of which are beyond LOTTE Himart Co., Ltd.'s control. Such forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. LOTTE Himart Co., Ltd.' does not undertake any obligation to update any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

All or any part of this presentation may not be taken away, reproduced, redistributed or retransmitted in any manner. The information provided herein shall be kept confidential unless such information is already publicly available.

# Contents

**I**

**FY2021 3Q Highlights**

**II**

**FY2021 3Q Performance Analysis**

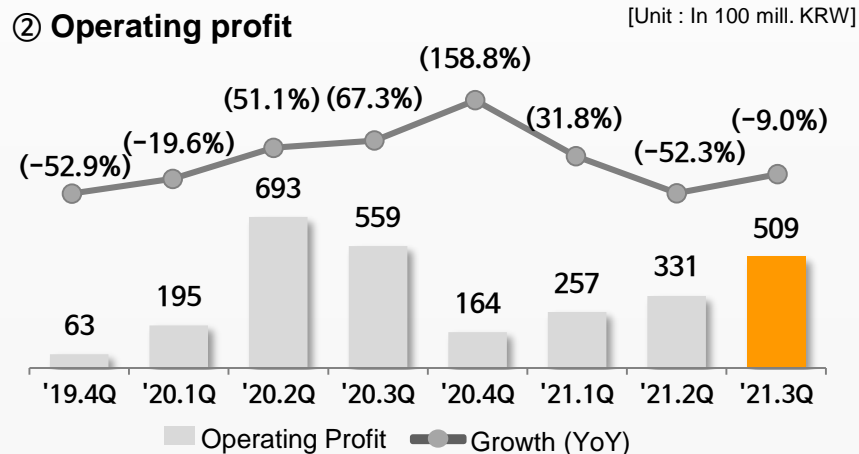
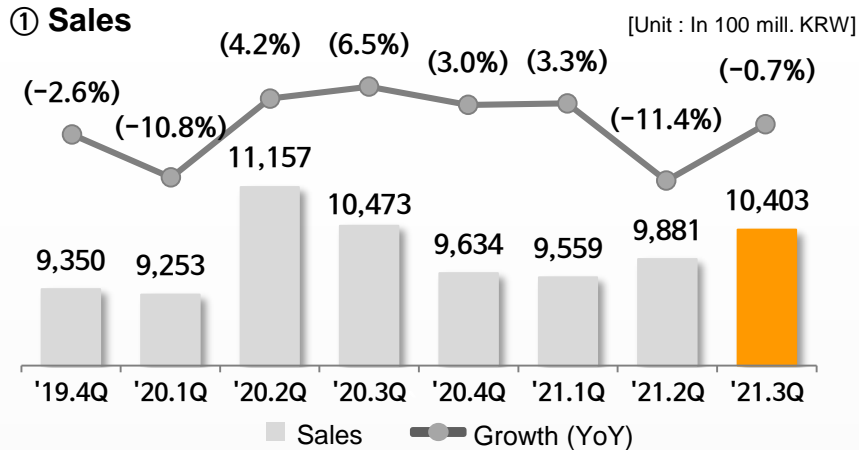
**III**

**Key Promotional Strategy**

# 1. 3Q Highlights

## Sales & Profit

- ✓ Both Sales and Operating profit ↓ due to government cuts in energy efficiency appliance rebate budget



## Financial Analysis

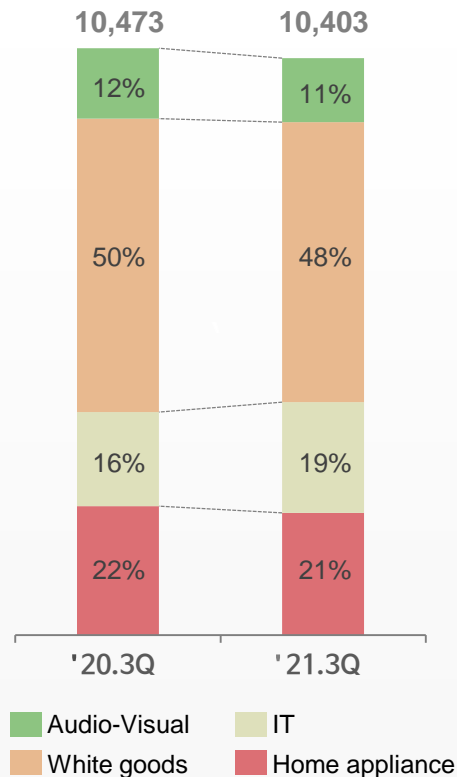
- ✓ **Decrease in Sales (-0.7% YoY)**
  - Home appliances' sales growth slowed due to the government cutbacks on refund project for efficient home appliances this year (Items eligible for a refund dropped in sale)
    - Refund budget on FY20 : ₩300 bil.
    - Refund budget on FY21 : ₩70 bil. (limited to electric-welfare households)
- ✓ **Decrease in Gross Profit (-0.4% YoY)**
  - Despite a 0.7% dropped in sales year-over-year, gross profit only dropped 0.4% due to less sales deduction of points and cash back year-over-year
- ✓ **Decrease in Operating Profit (-9.0% YoY)**
  - Increased fees due to increase in sales of online partners such as Coupang
  - Increased installation fees due to increase in sales of air conditioner in July

## 2. Performance analysis

### Sales Ratio and Trend by Segment

#### Sales & Product ratio

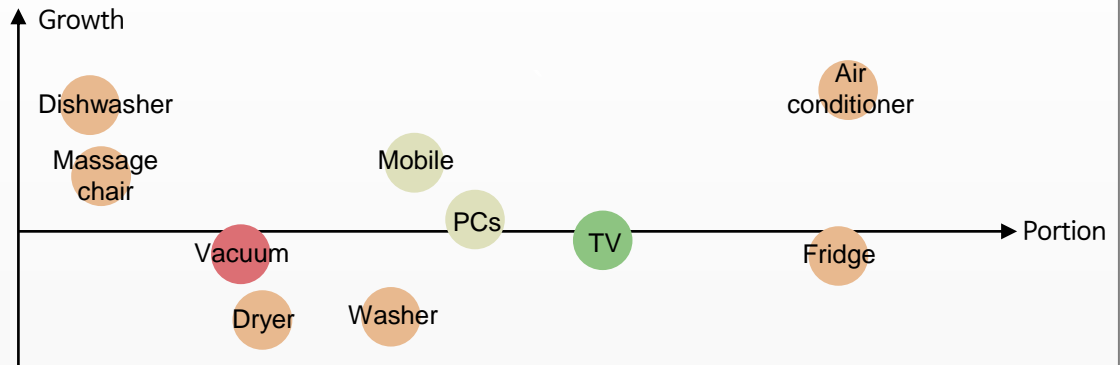
[Unit : In 100 mill. KRW]



#### Sales Trend by Items

##### ✓ 3Q Sales Trend by Item

- Air Conditioner : Sales increased year-over-year as demand for air conditioners surged due to continued heat wave in July
- PC : Sales increased due to increased demand for desktop and tablet PC due to continued social distancing
- Mobile : Demand for premium mobile phones such as Galaxy Z series continues
- Trendy Appliances : Demand for trendy appliances such as dishwashers continues



**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

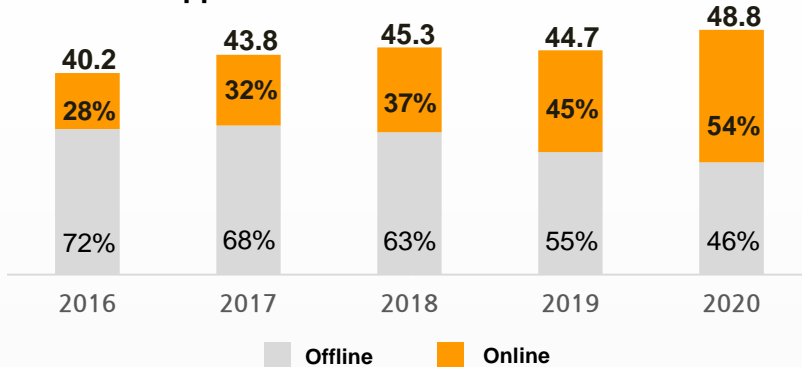
## Business status by Channel

### Online

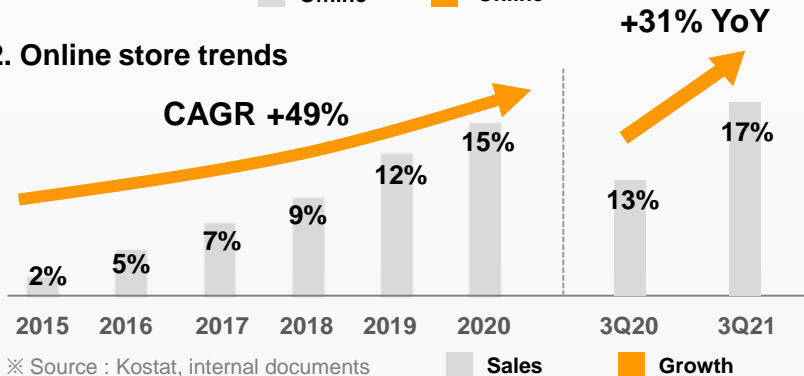
Increases online sales portion and continues growth in the future

#### 1. Domestic appliance market

[Unit : In trillions of KRW]



#### 2. Online store trends

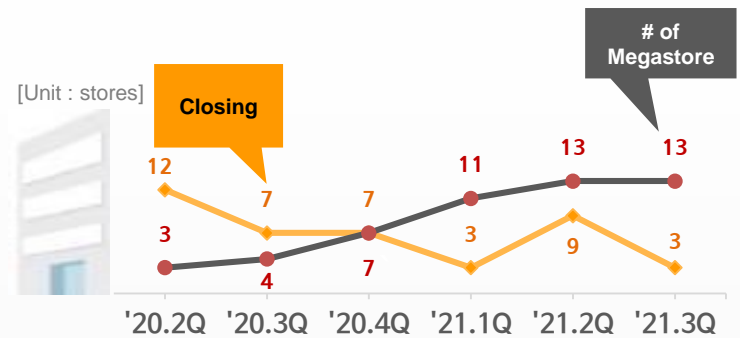


※ Source : Kostat, internal documents

■ Sales ■ Growth

### Offline

Diversifying type of stores through active restructuring and opening experiential stores



Category	2020	YoY	'21 3Q	YoY	2021 (E)	YoY
Stand-Alone	356	▲3	345	▲11	339	▲17
Shop-in-Shop	92	▲15	88	▲4	88	▲4
<b>Total stores</b>	<b>448</b>	<b>▲18</b>	<b>433</b>	<b>▲15</b>	<b>427</b>	<b>▲21</b>

# 3. Key Promotional Strategy

## Maximize Online Biz.

- **Expand SKU to increase competitiveness in online**
  - Increase various small to medium-sized Items
  - Enhance premium for large appliances
- **Profit-driven product operation**
  - Online-only PB items / Premium Brand Expansion
- **Strengthening infrastructure investment**



## Offline Biz. Efficiency

- **↑ competitiveness by enhance store efficiency**
  - Inefficient store restructuring (renewal & closing)
- **Megastore Expansion**
  - Premium / Trend / Experiential store
- **Merchandiser improvement of small stores**



# 3. Key Promotional Strategy

## Product Competitiveness

- **Strengthening premium trend products**
  - Activation of sales through premium delivery
  - Enhancement of Stay-at-home trend sales
- **Activation of PB (HIMADE) Sales**
  - ※ Reinforcement of PB organization and quality testing

### Premium Appliances



※ Premium Appliances:  
drum washer 21kg↑,  
4 door fridge, 65inch TV or  
higher

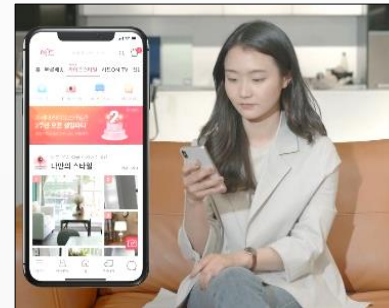
### PB(HIMADE)



## CS Differentiation

- **Expansion of home care services**
  - Implementation of regular home appliances care
  - Continuous expansion of new services
- **Enhancement of delivery and after-sales service**
- **Reinforcement of customer consultation**

### Offline Consultation



Target : offline customers  
Effect : increase in offline sales

### Online Consultation



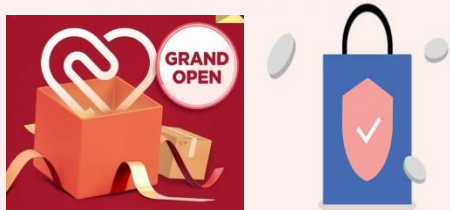
Target : premium customers  
Effect : provide online consultation

# 3. Key Promotional Strategy

## Heart Market



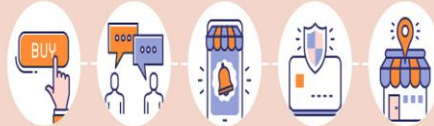
### Safe Transaction Service



Store the transaction amount safely until the buyer actually receives the product



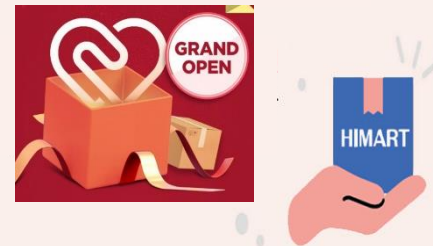
### Heart Table



Meet at a table in a nearby Himart offline store and trade comfortably and safely



### Heart Box



Untact transaction where you can leave the transaction items at a nearby Himart store and visit them

# \* Summary of Income Statement (3Q)

## Summary

[Unit : In 100 mill. KRW]

Section	'20.3Q		'21.3Q		증감		
		%		%	Growth	%p	Growth(%)
Sales	10,473	100.0%	10,403	100.0%	-70	-	-0.7%
Gross Profit	2,664	25.4%	2,655	25.5%	-10	0.1%p	-0.4%
SG&A	2,105	20.1%	2,146	20.6%	40	0.5%p	1.9%
Labor	654	6.2%	630	6.1%	-23	-0.2%p	-3.6%
Fees	480	4.6%	504	4.8%	24	0.3%p	4.9%
Trans & Install	380	3.6%	424	4.1%	44	0.4%p	11.4%
Etc.	591	5.6%	588	5.6%	-3	0.0%p	-0.6%
Operating Profit	559	5.3%	509	4.9%	-50	-0.4%p	-9.0%
Pre-tax Profit	537	5.1%	474	4.6%	-62	-0.6%p	-11.6%
Net Income	408	3.9%	359	3.5%	-49	-0.4%p	-11.9%

# \* Debts

✓ Debt ratio decreased by 9.9%p due to repayment of borrowings of ₩180 bil. in July 2021

## Borrowing and Financial Index

[Unit: In 100 mill. of KRW]

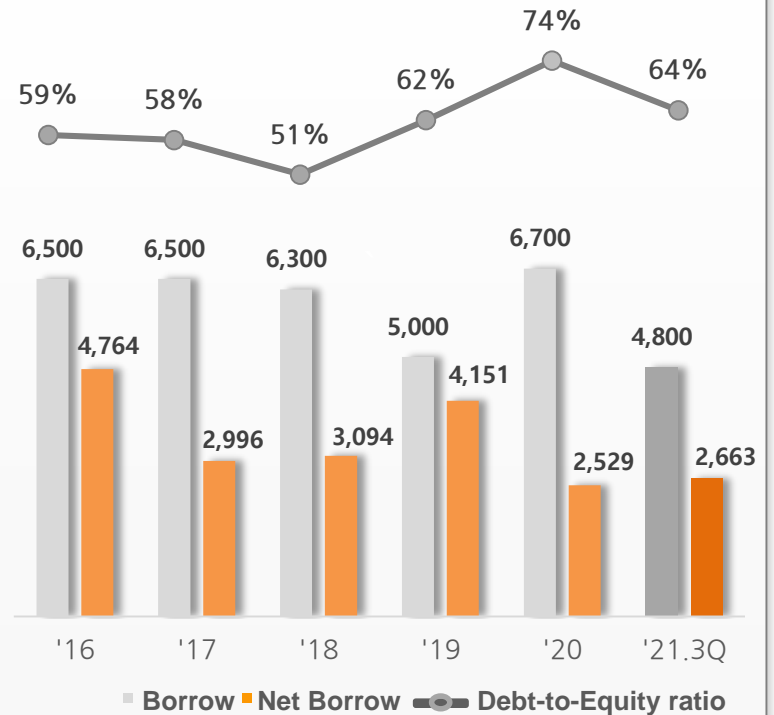
Category	FY 2020	3Q21	Change
Borrowings	6,700	4,800	-28.4%
Cash & cash equivalents	4,165	2,137	-48.7%
Net borrowings	2,535	2,663	+5.0%
Total Equity	19,260	19,575	+1.6%

Category	FY 2020	3Q21	Change
Debt ratio	73.9%	64.0%	-9.9%
Borrowings-to-Equity	34.8%	24.5%	-10.3%
Net borrowings-to-Equity	13.2%	13.6%	+0.4%

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

## Yearly Progress

[Unit: In 100 mill. of KRW]

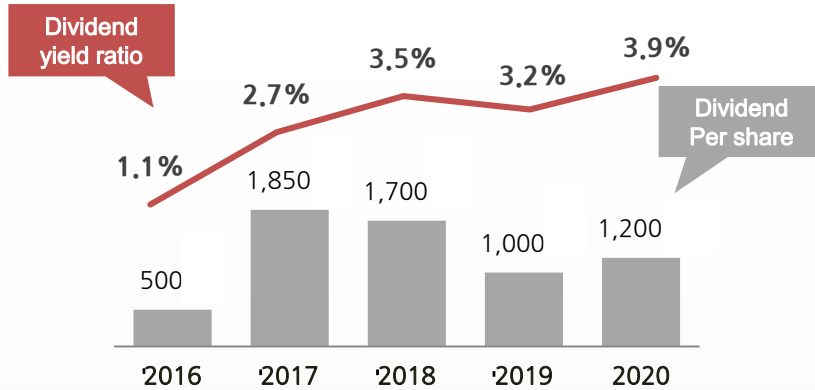


# \* Shareholder Policy

- ✓ Increased shareholder value by maintaining payout ratio of 30% of net income since 2017, excluding one-offs
- ✓ 「Green-U-Smile」 slogan announcement, Implementation of eco-friendly mgmt. such as establishment of an ESG team and use of eco-friendly shopping bags

## Dividend Status

[Unit: KRW]



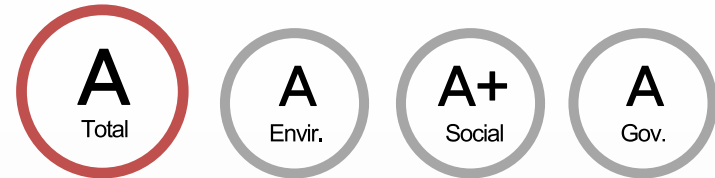
[Unit: In 100 mill. of KRW, %]

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 [29.1%]	- [30.0%]	98.6 [26.4%]

## ESG Activities

### ✓ ESG Grade

- 2021 ESG Grade (↑ in Environment rating)



Year	Grade	Grade		
		Envir.	Social	Gov.
2020	A	B+	A+	A
2019	A	B+	A+	B+

Feb 2021 : ESG TFT Est. → June ESG team Est. → Sep ESG committee Est.



Eco-friendly shopping bag



ISO 14001 certification

※ Evaluation agency : KCGS

[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
<b>Sales</b>	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%
<b>Gross Profit</b>	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%
<b>SG&amp;A</b>	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%
<b>Labor</b>	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%
<b>Fees</b>	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%
<b>Adv&amp; Promotion</b>	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%
<b>DEPR</b>	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%
<b>Transport &amp; Installation</b>	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%
<b>Etc.</b>	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%
<b>Operating Profit</b>	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%
<b>Pre-tax Profit</b>	1,625	4.1	13.5%	1,990	4.9	22.4%	1,269	3.1	-36.2%	-839	-	-	650	1.6	-
<b>Net Income</b>	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  
제품과 서비스를 제공하여  
인류의 풍요로운 삶에 기여한다

We enrich people's lives by providing  
superior products and services that  
our customers love and trust