

# LOTTE HIMART

KOREA NO.1 Home & Lifestyle Retailer

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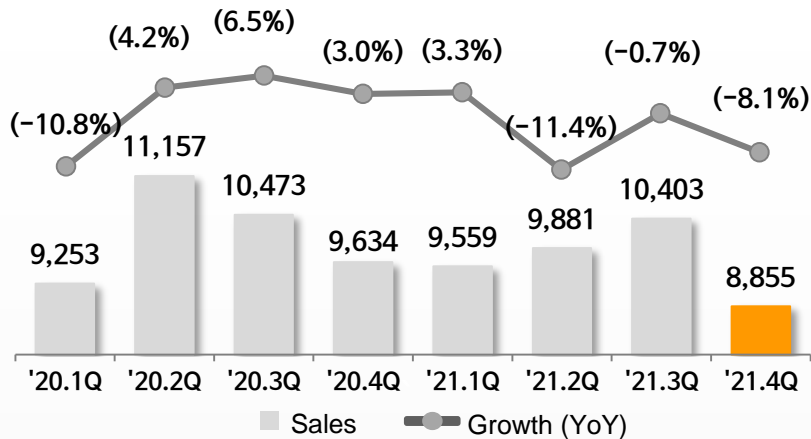
**Key Strategy**

# 1. 4Q Highlights

## Sales & Profit

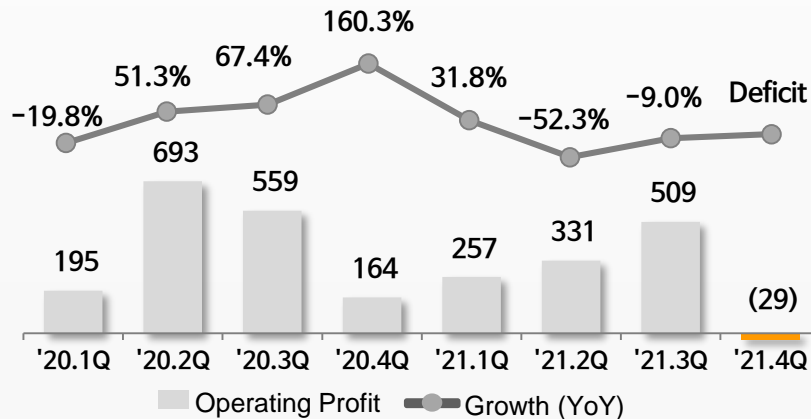
### ① Sales

[Unit : In 100 mill. KRW]



### ② Operating profit

[Unit : In 100 mill. KRW]



## Financial Analysis

### ✓ Decrease in Sales (-8.1% YoY)

- Sales decreased due to reduction in offline traffic (strengthening of social distancing) and reduction in Covid-19 special replacement demand

### ✓ Decrease in Gross Profit (-12.4% YoY)

- Gross Profit decreased due to a decrease in the proportion of high margin appliances (large-size) and an increase in the proportion of low-margin IT appliances

### ✓ Operating Profit turned red

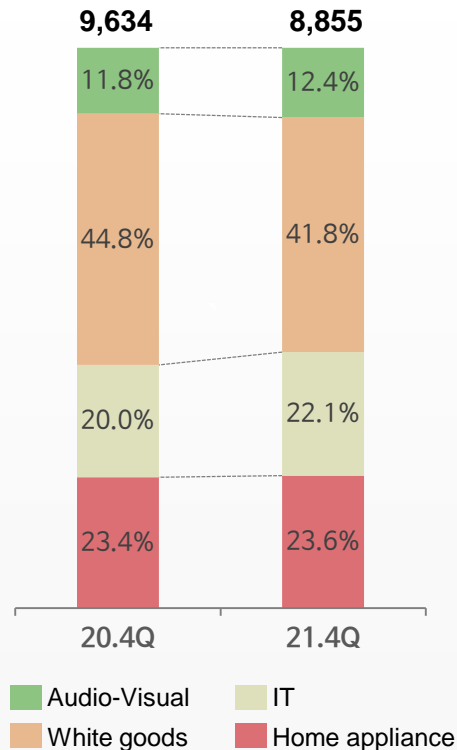
- Operating profit decreased compared to the same period last year despite a decrease in SG&A expenses (▲8.6 bil. KRW) due to a decrease in gross profit

## 2. Performance analysis

### Sales Ratio and Trend by Segment

#### Sales & Product ratio

[Unit : In 100 mill. KRW]

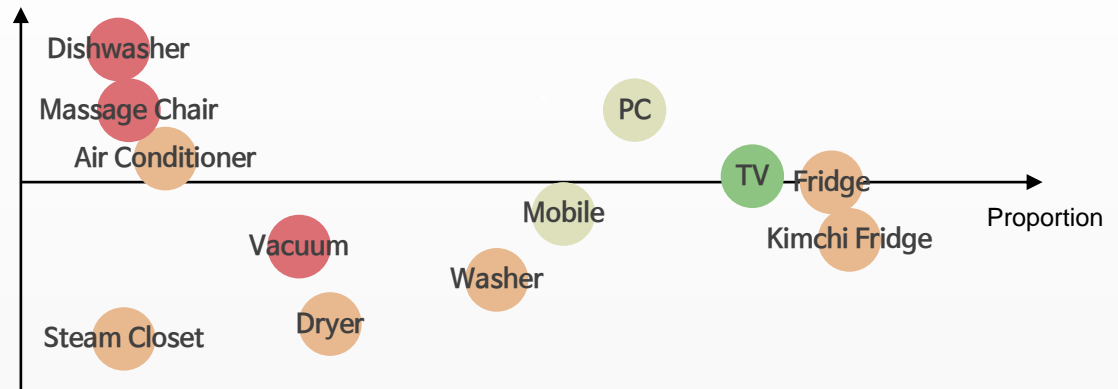


#### Sales Trend by Items

##### ✓ 4Q Sales Trend by Item

- Kimchi refrigerator : Seasonal sales Index decreased
- PC : Sales increased due continued demand for PCs due to the trend of staying at home continued because of the social distancing
- Mobile : Reverse growth due to differences in iPhone launch timing (launched 27/9)
- Winter Appliances : Low sales of winter products due to warmer weather than usual

Growth Rate



■ **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

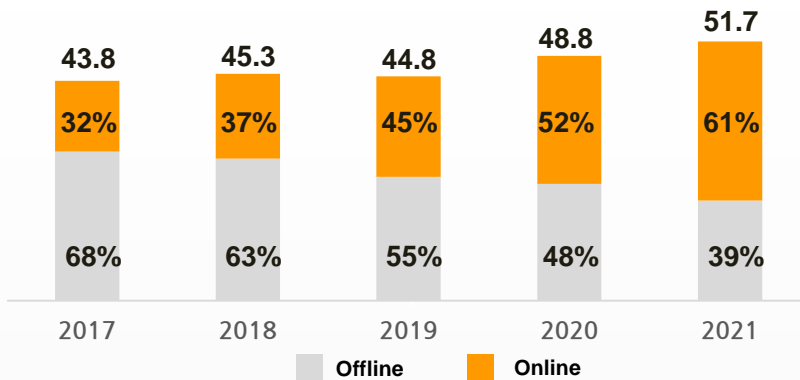
### Business status by Channel

#### Online

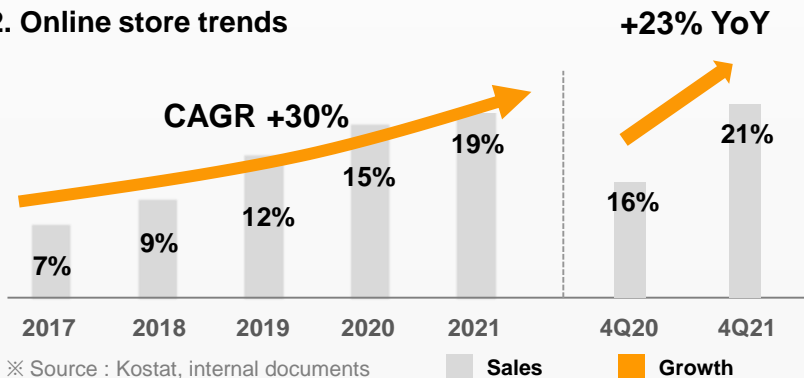
Online sales increased and continued to grow in the Future

##### 1. Domestic appliance market

[Unit : In trillions of KRW]



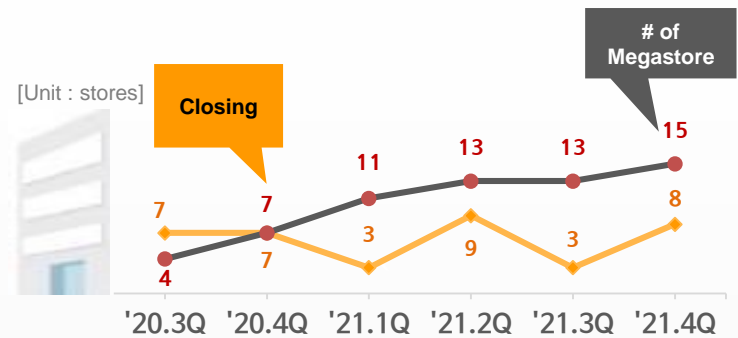
##### 2. Online store trends



※ Source : Kostat, internal documents

#### Offline

Diversifying type of stores through active restructuring and opening experiential stores



Category	2020	YoY	2021	YoY	2022(E)	YoY
Stand-Alone	356	▲3	339	▲17	323	▲16
Shop-in-Shop	92	▲15	88	▲4	86	▲2
<b>Total stores</b>	<b>448</b>	<b>▲18</b>	<b>427</b>	<b>▲21</b>	<b>409</b>	<b>▲18</b>

# 3. Key Promotional Strategy

## Maximize Online Biz.

- **Strengthening product & Mktg. competitiveness**
  - Expansion of SKUs in home appliances and related categories
  - Reinforcing target marketing based on big data
- **Continue to promote new business**
- **Strengthening infrastructure**
  - Develop new contents for sustainable growth



## Customer Experience

- **↑ competitiveness by enhance store efficiency**
- **Megastore Expansion (Experience-focused)**
  - Correct Megastore positioning to diversify customer experiences (Digital, Living, Warehouse specialized stores)

Architectural improvement



Warehouse-type Store



Health & Beauty



Digital

# 3. Key Promotional Strategy

## Product Competitiveness

- **Strengthening trend product curation**
  - Source various products such as healthcare, animals, and sleep tech products
- **Activation of PB (HIMADE) Sales**
  - Expand SKUs & increase sales composition
    - Encourage customer participation by Crowd Funding

Trendy Items



PB(HIMADE)



## CS Differentiation

- **Continue relationship with customer through CS**
  - Customer lock-in effect through post-purchase mgmt. through CS app
- **Encourage store visits through increasing Apple Service Store within offline stores**
- **Inducing repurchase through regular care service**

애플 서비스센터



홈케어 서비스



# \* Summary of Income Statement (4Q)

## Summary

[Unit : In 100 mill. KRW]

Section	'20.4Q		'21.4Q		증감		
		%		%	Growth	%p	Growth(%)
Sales	9,634	100.0%	8,855	100.0%	-779	-	-8.1%
Gross Profit	2,250	23.4%	1,971	22.3%	-278	-1.1%p	-12.4%
SG&A	2,086	21.7%	2,000	22.6%	-86	0.9%p	-4.1%
Labor	695	7.2%	653	7.4%	-42	0.2%p	-6.1%
Fees	474	4.9%	475	5.4%	1	0.4%p	0.2%
Trans & Install	278	2.9%	282	3.2%	4	0.3%p	1.6%
Etc.	639	6.6%	590	6.7%	-49	0.0%p	-7.7%
Operating Profit	164	1.7%	-29	-	-192	-	-
Pre-tax Profit	-604	-	-1,336	-	-732	-	-
Net Income	-667	-	-1,340	-	-673	-	-

# \* Debts

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

## Borrowing and Financial Index

[Unit: In 100 mill. of KRW]

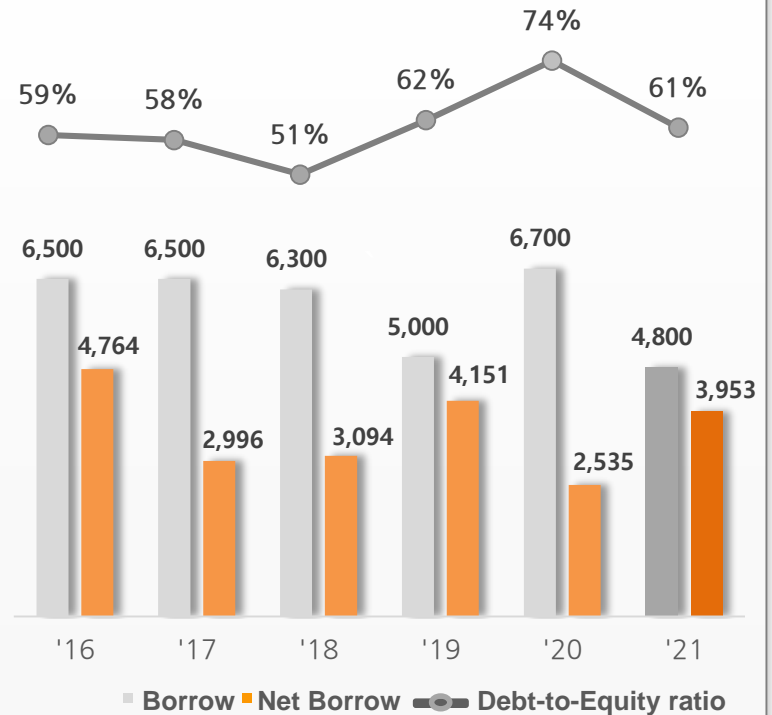
Category	FY 2020	FY 2021	Change
Borrowings	6,700	4,800	-28.4%
Cash & cash equivalents	4,165	847	-79.7%
Net borrowings	2,535	3,953	+55.9%
Total Equity	19,260	18,274	-5.1%

Category	FY 2020	FY 2021	Change
Debt ratio	73.9%	61.1%	-12.8%
Borrowings-to-Equity	34.8%	26.3%	-8.5%
Net borrowings-to-Equity	13.2%	21.6%	+8.5%

Credit Ratings	FY 2020	FY 2021	Change
Corporate bonds	AA-	AA-	-
CP	A1	A1	-

## Yearly Progress

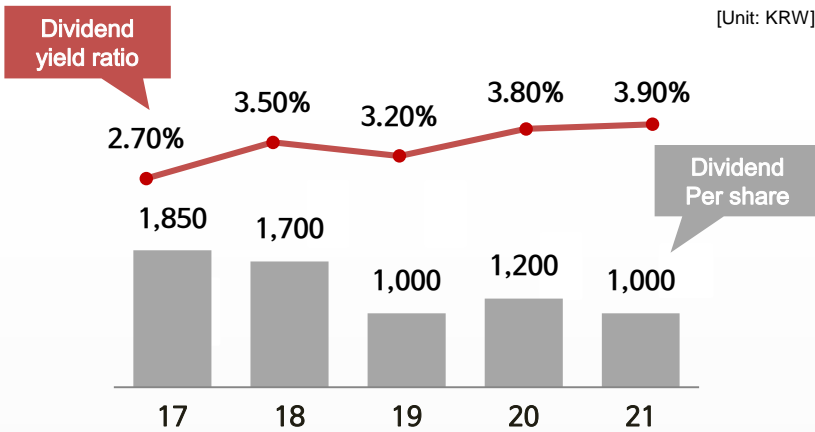
[Unit: In 100 mill. of KRW]



# \* 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



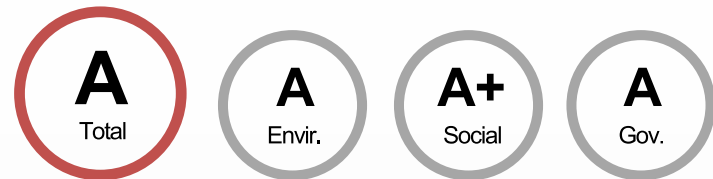
[Unit: In 100 mill. of KRW, %]

Category	2017	2018	2019	2020	2021
Net income	1,484	855	- 999	287	-575
Total dividend	437	401	236	283	231
Payout ratio	29.4	47.0 [29.1%]	- [30.0%]	98.6 [26.4%]	- [27.0%]

## 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.



Publication of sustainability report ( December )

※ Evaluation agency : KCGS

[Excluding one-offs]: Impairment losses on goodwill and tangible assets  
(2019: KRW 178.7 billion; 2020: KRW 78.5 billion; 2021: KRW 143.1 billion)

# \* Summary of Income Statement (Annual)

[Unit : In 100 mill. KRW]

Section	FY2017			FY2018			FY2019			FY2020			FY2021		
		(%)	yoy		(%)	yoy		(%)	yoy		(%)	yoy		(%)	yoy
<b>Sales</b>	40,993	100	4.1%	41,127	100	0.3%	40,265	100	-2.1%	40,517	100	0.6%	38,697	100	-4.5%
<b>Gross Profit</b>	10,612	25.9	4.7%	10,729	26.1	1.1%	10,007	24.9	-6.7%	10,065	24.8	0.6%	9,327	24.1	-7.3%
<b>SG&amp;A</b>	8,537	20.8	1.8%	8,864	21.6	3.8%	8,908	22.1	0.5%	8,454	20.9	-5.1%	8,259	21.3	-2.3%
<b>Labor</b>	2,458	6	0.7%	2,598	6.3	5.7%	2,733	6.8	5.2%	2,653	6.5	-2.9%	2,542	6.6	-4.2%
<b>Fees</b>	1,630	4	13.0%	1,796	4.4	10.2%	1,902	4.7	5.9%	1,902	4.7	0.0%	1,962	5.1	3.2%
<b>Adv&amp; Promotion</b>	689	1.7	-29.8%	702	1.7	2.0%	671	1.7	-4.5%	442	1.1	-34.1%	352	0.9	-20.4%
<b>DEPR</b>	492	1.2	-6.1%	478	1.2	-2.8%	1,356	3.4	183.4%	1,438	3.5	6.1%	1,410	3.6	-2.0%
<b>Transport &amp; Installation</b>	1,549	3.8	16.4%	1,559	3.8	0.6%	1,468	3.6	-5.7%	1,378	3.4	-6.1%	1,365	3.5	-0.9%
<b>Etc.</b>	1,719	4.2	2.9%	1,731	4.2	0.7%	779	1.9	-55.0%	641	1.6	-17.7%	627	1.6	-2.1%
<b>Operating Profit</b>	2,075	5.1	18.9%	1,865	4.5	-10.1%	1,099	2.7	-41.1%	1,611	4.0	46.6%	1,068	2.8	-33.7%
<b>Pre-tax Profit</b>	1,990	4.9	22.4%	1,269	3.1	-36.2%	-839	-	-	650	1.6	-	-335	-0.9	-
<b>Net Income</b>	1,484	3.6	22.2%	855	2.1	-42.4%	-999	-	-	287	0.7	-	-575	-1.5	-

※ 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