

LOTTE HIMART

KOREA NO.1 Home & Lifestyle Retailer

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Contents

I

1Q Highlights

II

Performance Analysis

III

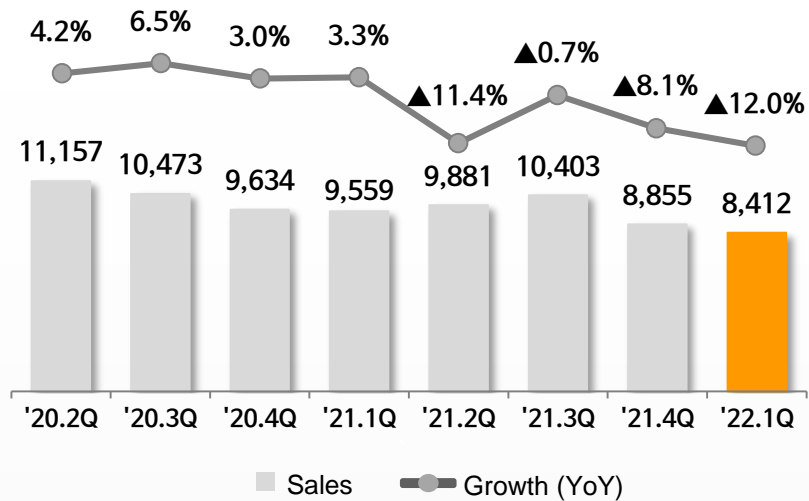
Key Strategy

1. 1Q Highlights

Sales & Profit

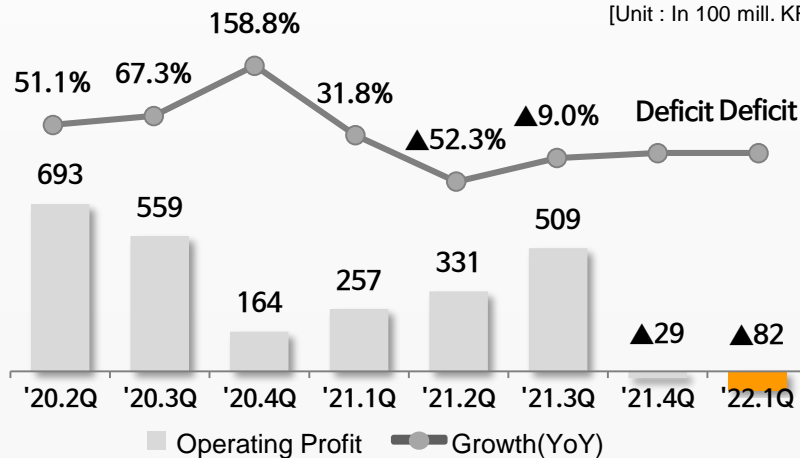
① Sales

[Unit : In 100 mill. KRW]



② Operating profit

[Unit : In 100 mill. KRW]



Financial Analysis

- ✓ **Decrease in Sales (▲12.0% YoY)**
 - Sales decreased due to domestic home appliance market continued to slow in the first quarter

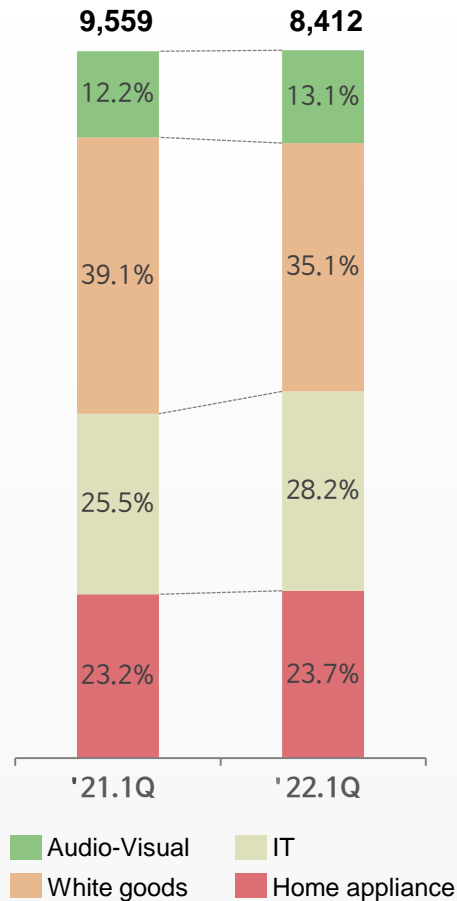
- ✓ **Decrease in Gross Profit (▲16.7% YoY)**
 - Gross profit decreased due to a decrease in the proportion of high margin appliances (large-size) and an increase in the proportion of low-margin IT appliances

- ✓ **Operating Profit turned red**
 - Operating profit decreased compared to the same period last year despite a decrease in SG&A expenses (▲1.7 YoY) due to a decrease in gross profit

2. Performance Analysis

Sales & Product ratio

[Unit : In 100 mill. KRW]

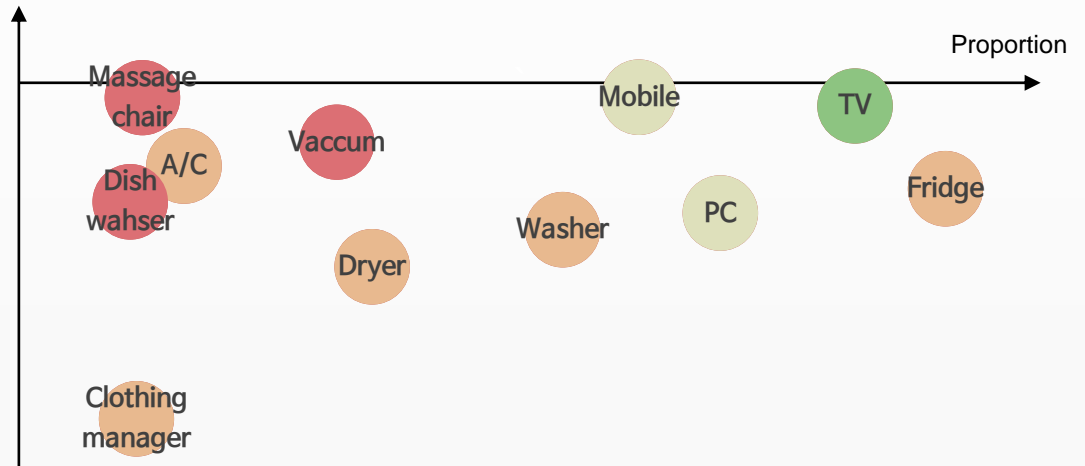


Sales Trend by Items

✓ 1Q sales trend by items

- White goods (large-size) : Decrease due to contraction in the overall home appliances market
- Smart device : Growth due to a rapid increase of game console market
- Clothing manager/Message chair : Reduced purchase demand
- IT : Growth due to grow in Apple brand items

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.

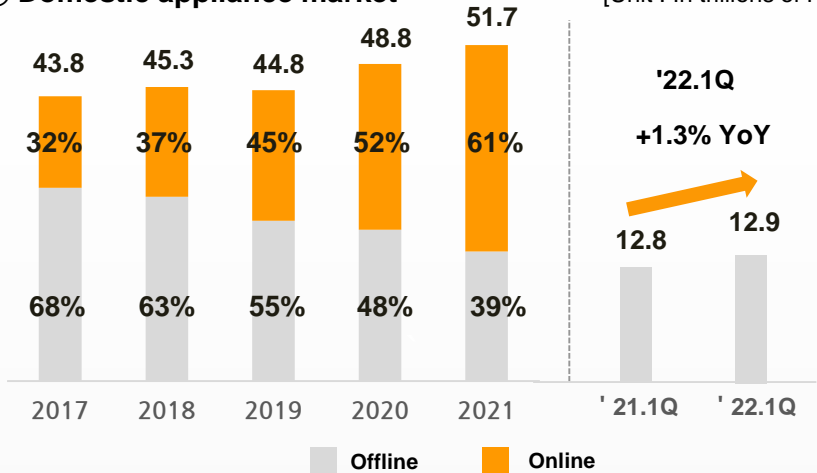
2. Performance analysis

Online

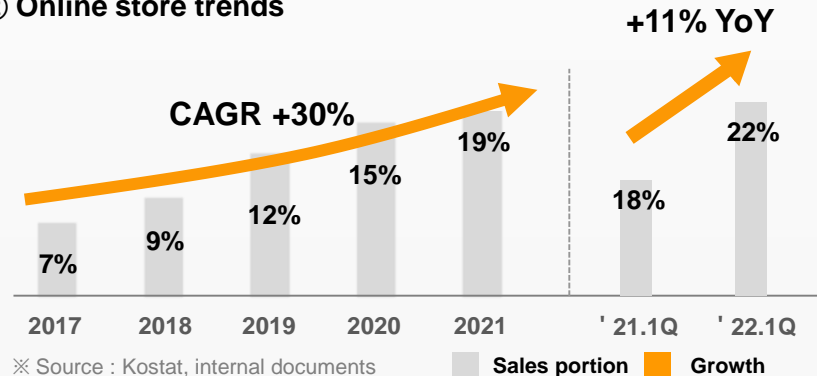
Online still maintains double-digit growth despite slowing YoY growth in the consumer electronics market

① Domestic appliance market

[Unit : In trillions of KRW]



② Online store trends

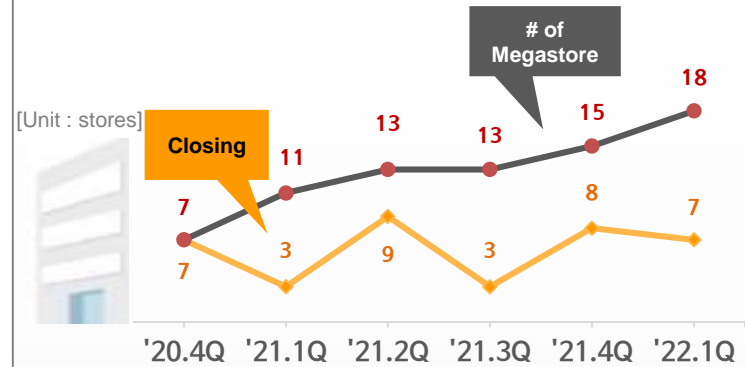


※ Source : Kostat, internal documents

■ Sales portion ■ Growth

Offline

Diversifying type of stores through active restructuring and opening experiential stores



Category	2021	YoY	'22.1Q	YoY	2022 (E)	YoY
Stand-Alone	339	▲17	335	▲19	323	▲16
Shop-in-Shop	88	▲4	87	▲4	86	▲2
Total stores	427	▲21	422	▲23	409	▲18

3. Key Strategy

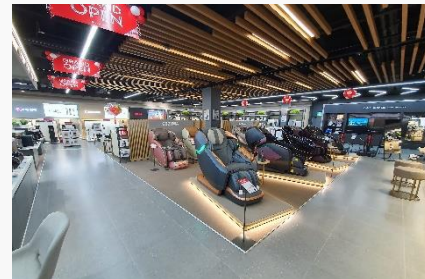
Maximize Online Biz.

- **Strengthening product & Mktg. competitiveness**
 - Expansion of SKUs in home appliances and related categories
 - Reinforcing target marketing based on big data
- **MZ generation target marketing**
 - Web drama published on mobile app and YouTube
 - Reinforcement of onsite crowds through TV CF Operation



Maximize Offline Biz.

- **Offline store format diversification**
 - Operating Super-sized store(landmark store), Megastore, Regular store, Discount store
- **Megastore Expansion (Experience-focused)**
 - Correct Megastore positioning to diversify customer experiences and building a representative store image in the region
 - Health&Beauty&Digital Specialized areas



3. Key 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

- **Expansion of Home-Care services**
 - Maintain continuous contact with customers through regular care service
 - regular care service : regular cleaning visit
- **Enhance shipping and Post care services**
 - Post Care service: Providing post care services and enhancing customer convenience through online apps (20 Apple Service Centers, +7 YoY)

Apple Service Center



Home Care Service



Appendix

- **Summary of Income Statement**
- **Debts**
- **Dividends**
- **ESG**

Summary of Income Statement

[Unit : In 100 mill. KRW]

Section	'21.1Q		'22.1Q		YoY		
		%		%		Composition	%
Sales	9,559	100.0%	8,412	100.0%	▲1,147	-	▲12.0%
Gross Profit	2,233	23.4%	1,860	22.1%	▲373	▲1.2%p	▲16.7%
SG&A	1,975	20.7%	1,942	23.1%	▲34	2.4%p	▲1.7%
Labor	646	6.8%	612	7.3%	▲34	0.5%p	▲5.3%
Fees	473	4.9%	484	5.8%	11	0.8%p	2.4%
Trans & Install	275	2.9%	263	3.1%	▲12	0.2%p	▲4.4%
Etc.	582	6.1%	583	6.9%	1	0.8%p	0.2%
Operating Profit	257	2.7%	▲82	-	▲339	-	-
Pre-tax Profit	206	2.2%	▲93	-	▲299	-	-
Net Income	159	1.7%	▲70	-	▲229	-	-

Debts

✓ Maintained debt ratio below 70% and maintained CB/CP credit rating level in '22.1Q

Borrowing and Financial Index

[Unit: In 100 mill. of KRW]

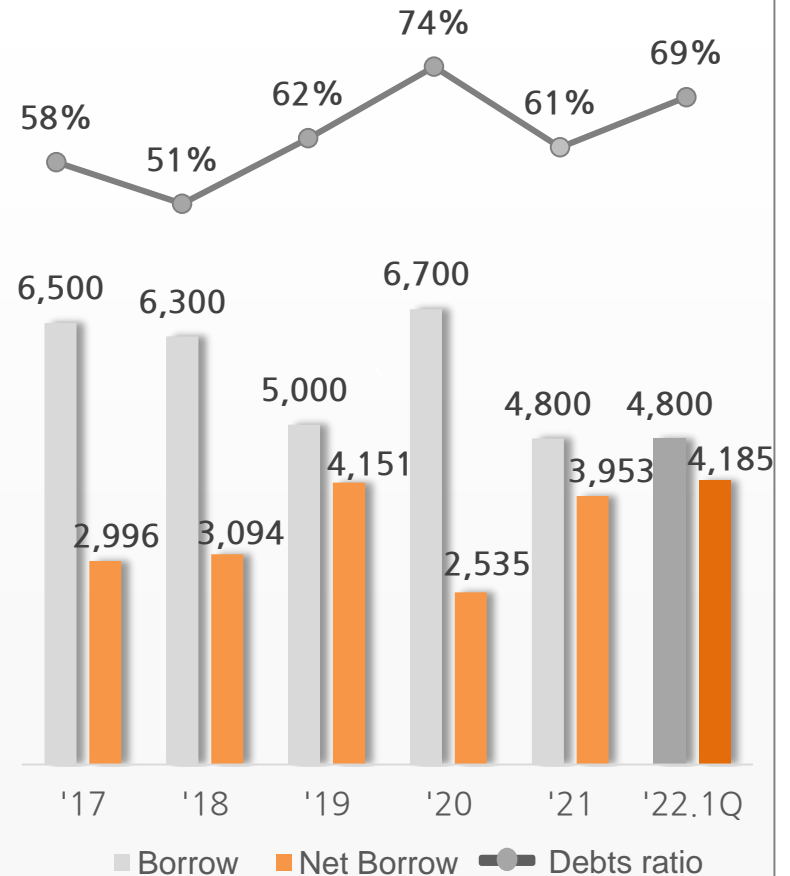
Category	2021	' 22.1Q	Growth
Borrowings	4,800	4,800	-
Cash & cash equivalents	847	615	▲27.4%
Net borrowings	3,953	4,185	+5.9%
Total Equity	18,274	17,964	▲1.7%

Category	2021	' 22.1Q	Growth
Debt ratio	61.1%	68.9%	+7.8%
Borrowings-to-Equity	26.3%	26.7%	+0.5%
Net borrowings-to-Equity	21.6%	23.3%	+1.7%

Credit Ratings	2021	' 22.1Q	Note
CB	AA-	AA-	-
CP	A1	A1	-

Yearly Progress

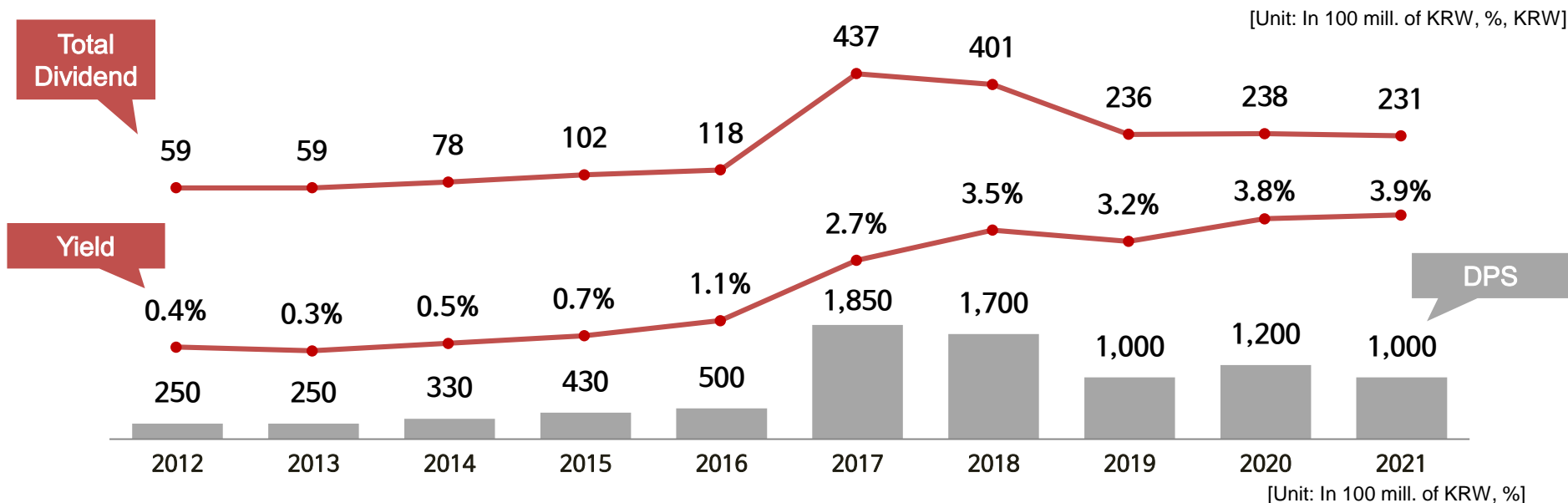
[Unit: In 100 mill. of KRW]



Dividends

✓ Increased shareholder value by maintaining dividend payout ratio of 30% of net income since 2017

※ Dividend Payout Ratio : In order to enhance shareholder value, one-off expenses such as reduction of good will are excluded



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

Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Stock price	68,800	87,500	67,500	59,000	42,200	68,900	46,650	30,900	31,150	25,150
D P S	250	250	330	430	500	1,850	1,700	1,000	1,200	1,000
Dividend	59	59	78	102	118	437	401	236	283	231
Market yield	0.4	0.3	0.5	0.7	1.1	2.7	3.5	3.2	3.8	3.9
Net profit	696	1,291	964	1,066	1,214	1,484	855	▲999	287	▲575
Payout ratio	8.5	4.6	8.1	9.5	9.7	29.4	46.9	-	98.6	-
(-)one-offs	8.5	4.6	8.1	9.5	9.7	29.4	29.1	30.0	26.4	27.0

ESG

- ✓ Maintain KCGS General Grade “A” (As of 2021 : Environment : A, Social : A+, Governance : A)
- ✓ 「Green-U-Smile」 slogan announcement, Implementation of eco-friendly mgmt. such as establishment of an ESG team and use of eco-friendly shopping bags

Environmental

① Waste appliances recovery

- '22.1Q 87,536 unit recovered (recover rate : 96%)
- Collect more small/medium waste appliances (E)
- Campaign to revitalize the waste appliances (E)

② Provide Eco-friendly products

- Advertise eco-label certified appliances via online mall
- Release eco-friendly PB items



Social

① Grow with Partners

- Support ESG of Partners(E)
- Support small-sized partners
→ CES Innovation Center

② Social Contribution Activities

- Hi-Science Concert (3/5 on YouTube)
- MoM easy HiDream (Jan., Mar.)
- Give Vietnam children in needs eco-friendly lantern (3/8)



Governance

① Securing Board Diversity

- Appoint first female director (Mar.)

② Strengthening ESG Mgmt.

- More ESG committee activation
→ Approval of revision of anti-corruption management policy
- Publication of sustainability report
- Anti-corruption/ethical management policy revision



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