

Lifetime **Value** Creator

LOTTE Himart Co., Ltd

4Q 2022 Earnings Release

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The financial information in this document is prepared based on the preliminary operating performance of individual financial standards prepared in accordance with Korean International Financial Reporting Standards (K-IFRS).

As this material has been prepared for the convenience of investors while the external auditor has not completed the accounting audit, some of the contents may be changed during the audit process.

Summary

4Q22 Revenue 0.7 trillion KRW (▲17.1%, YoY), FY22 3.3 trillion KRW (▲13.8%, YoY)

- Declining demand for home appliances due to global inflation and high interest rate in 2022 (1Q-3Q base rate +1.2p YoY, 4Q +2.3p YoY)
- Declining demand for marriage/moving due to sluggish real estate transactions (# of real estate transaction in 2022 dropped 43.2% YoY according Korea Real Estate Board) ※ Sales Growth of 1Q-3Q dropped 12.8%, 4Q dropped 17.1% in 2022

4Q22 Gross Profit 159 billion KRW (▲19.2%, YoY), FY22 759 billion KRW (▲18.7%, YoY)

- Decrease in sales due to sluggish industry in 2022 along with increase % of online sales proportion
- Weak sales trend for high-margin products (large-sized, living/kitchen appliances) and increase sales portion in low-margin products (IT appliances) ※ Gross profit 4Q22 ▲0.6%p (22.3% → 21.7%) / FY22 ▲1.4%p (24.1% → 22.7%)

4Q22 Operating Profit ▲45 billion KRW (continued deficit, YoY), FY22 ▲52 billion KRW (turn to deficit, YoY)

- Decreased operating profit due to the burden of fixed costs and decrease in gross-profit ratio due to decrease in sales
- Impact of one-off costs such as compensation for early retirement

4Q22 Net Income ▲148 billion KRW (continued deficit, YoY), FY22 ▲528 billion KRW (continued deficit, YoY)

- Impairment loss : 4Q22 Goodwill loss of 90 billion KRW / FY22 Impairment loss : Goodwill loss of 433 billion KRW, CGU loss of 37 billion KRW

Establishment of Himart turn around strategy

I. Improvement of P&L structure for Recovery



II. Strengthening business model for sustainable growth

Summary of Financial Results

[Unit : KRW in 100 million]

Category	4Q21		4Q22			FY21		FY22		
	Value	Ratio	Value	Ratio	YoY	Value	Ratio	Value	Ratio	YoY
Revenue	8,855		7,343		<u>▲17.1%</u>	38,697		33,368		<u>▲13.8%</u>
Gross Profit	1,971	22.3%	1,593	21.7% (▲0.6p)	▲19.2%	9,327	24.1%	7,587	22.7% (▲1.4p)	▲18.7%
SG & A Expenses	2,000	22.6%	2,041	27.8% (5.2p)	2.1%	8,259	21.3%	8,107	24.3% (3.0p)	▲1.8%
Operating Profit	▲29	▲0.3%	▲448	▲6.1% (▲5.8p)	Continued Deficit	1,068	2.8%	▲520	▲1.6% (▲4.4p)	Turn to Deficit
EBITDA	337	3.8%	▲116	▲1.6%	Turn to Deficit	2,478	6.4%	859	2.6%	▲65.3%
Profit Before Tax	▲1,336	▲15.1%	▲1,647	▲22.4%	Continued Deficit	▲335	▲0.9%	▲5,577	▲16.7%	Continued Deficit
Net Profit	▲1,340	▲15.1%	▲1,478	▲20.1%	Continued Deficit	▲575	▲1.5%	▲5,279	▲15.8%	Continued Deficit
※ Impairment Loss	▲1,431	▲16.2%	▲903	▲12.3%	-	▲1,431	▲3.7%	▲4,701	▲14.1%	-

Lotte Himart's Key Turn Around Strategies

C a t e g o r y	6 Important Project
<p><i>I. Improvement of P&L structure for Recovery</i></p>	<p>1 <i>Improve efficiency through store consolidation and reorganization of existing store product lineups</i> - Improve store efficiency and test new format in existing store to recover profitability</p>
	<p>2 <i>Efficientate logistics network and fixed cost reduction</i> - Efficientate logistics by reducing size of DC and activate TC of the distribution center, and reduce cost through structural improvement of fixed costs for stores</p>
	<p>3 <i>Innovate product operation and system improvement</i> - Implement Product Life Cycle · Aging Evaluation & Establish specialized operating organization for optimal MD composition by commercial district</p>
<p><i>II. Strengthening business model for sustainable growth</i></p>	<p>4 <i>Reorganize online Biz</i> - Reorganize high-cost, low efficiency affiliate and consignment products & Maximize synergy through integration of online · offline purchases</p>
	<p>5 <i>Redesigning the PB strategies</i> - Increase sales by reorganizing PB Concept and strengthening product operating and warranty</p>
	<p>6 <i>Activation of care service</i> - Foster total care service through 5 care models (Warrant Service, Installation, Cleaning, Extension of warrant Membership replacement)</p>

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

Summary of Income Statement

[Unit : KRW in 100 million]

Category	4Q21	1Q22	2Q22	3Q22	4Q22
Revenue	8,855	8,412	8,875	8,738	7,343
Gross Profit	1,971	1,860	2,107	2,027	1,593
SG & A	2,000	1,942	2,105	2,020	2,041
Labor	653	612	610	610	829
Fees	475	484	487	482	412
Trans. & Installation Fees	282	263	370	351	237
Etc.	590	583	638	577	563
Operating Profit	▲29	▲82	3	7	▲448
Profit Before Tax	▲1,336	▲93	▲41	▲3,796	▲1,647
Net Profit	▲1,340	▲70	▲28	▲3,703	▲1,478

Summary of Balance Statement

[Unit: KRW in 100 million]

Category	4Q21	1Q22	2Q22	3Q22	4Q22
Total Assets	29,435	30,335	31,038	25,878	24,642
Current Assets	6,829	7,853	8,660	7,378	6,585
Cash & Cash Equivalent	847	615	1,603	1,175	1,020
Non-Current Assets	22,606	22,481	22,377	18,500	18,057
Tangible Assets	7,477	7,369	7,320	6,819	6,898
Goodwill	12,707	12,707	12,707	9,279	8,376
Total Liabilities	11,162	12,370	13,084	11,611	11,689
Current Liabilities	5,756	7,102	8,986	7,626	7,639
Short-term borrowings & bonds	1,388	1,393	4,096	3,099	3,899
Non-Current Liabilities	5,406	5,269	4,098	3,985	4,050
Long-term borrowings & bonds	3,394	3,395	2,319	2,329	2,338
Equity	18,274	17,964	17,954	14,267	12,953
Share Capital	1,180	1,180	1,180	1,180	1,180

Store Operation Status

[Unit: Store]

Category	FY 2020	FY 2021	FY 2022				FY 2022(E)
			1Q	2Q	3Q	4Q	
Total stores	448	427	422	418	407	391	391
<i>Change</i>	▲18	▲21	▲5	▲9	▲20	▲36	▲36
Street stores	356	339	335	331	320	308	308
<i>Change</i>	▲3	▲17	▲4	▲8	▲19	▲31	▲31
Shop-within-a-stores	92	88	87	87	87	83	83
<i>Change</i>	▲15	▲4	▲1	▲1	▲1	▲5	▲5

Summary of Financial Results by Products

Category	4Q21		4Q22			FY21		FY22		
		Ratio		Ratio (YoY)	YoY		Ratio		Ratio (YoY)	YoY
Revenue	8,855	100.0%	7,343	100.0%	▲17.1%	38,697	100.0%	33,368	100.0%	▲13.8%
Product Revenue	8,814	99.5%	7,294	99.3% (▲0.2p)	▲17.3%	38,524	99.6%	33,166	99.4% (▲0.2p)	▲13.9%
AV appliances	1,160	13.1%	956	13.0% (▲0.1p)	▲17.6%	4,607	11.9%	4,141	12.4% (+0.5p)	▲10.1%
White goods	4,116	46.5%	3,145	42.8% (▲3.7p)	▲23.6%	18,619	48.1%	15,504	46.5% (▲1.6p)	▲16.7%
IT appliances	1,955	22.1%	1,789	24.4% (+2.3p)	▲8.5%	8,340	21.6%	7,570	22.7% (+1.1p)	▲9.2%
Home appliances	2,000	22.6%	1,628	22.2% (▲0.4p)	▲18.6%	8,492	21.9%	7,169	21.5% (▲0.4p)	▲15.6%
Etc. (Sales allowance)	▲418	▲4.7%	▲225	▲3.1% (+1.6p)	▲46.0%	▲1,533	▲4.0%	▲1,218	▲3.7% (+0.3p)	▲20.5%
Other Sales	41	0.5%	50	0.7% (+0.2p)	23.0%	173	0.4%	202	0.6% (+0.2p)	16.7%