

Lifetime **Value** Creator

LOTTE Himart Co., Ltd

# 4Q 2023 Earnings Release

2024. 2. 20

# Disclaimer

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# Summary

**Revenue decreased ▲21.2% YoY in 4Q to KRW 578.5B, ▲21.8% YoY in cumulative 2023 to KRW 2,610.1B**

- Sales continued to decline due to economic recession, store closures (4Q : ▲18 stores, cumulative 2023 : ▲56 stores), Online Business Segment Restructuring, etc.
- But, stores (317 stores, 75.3% of total revenue) growth rate gradually improvement (SSSg : 1Q ▲22.0% → 4Q ▲7.8%)

**Gross profit decreased ▲8.0% YoY in 4Q to KRW 146.6B, decreased ▲10.6% YoY in cumulative 2023 to KRW 678.2B**

- margin structure improvement based on new product management systems and Inventory consolidation (inventory decreased KRW 128.1B YoY in end of 2023)
- Improve gross margin contribution from high-margin product categories (kitchen/seasonal appliances, etc.) and PB categories (2022 : 22.7% → 2023 : 26.0%, +3.3%p)

**Operating profit deficit narrowed YoY in 4Q to KRW ▲10.0B, turned to profit YoY in cumulative 2023 to KRW 8.2B**

- Operating profit increased KRW +34.8B YoY in 4Q, turned to profit + 60.2B YoY in cumulative 2023

## Continued execution of the mid long term strategies

1  
Customer lifetime Care  
Home Total Care Service

2  
Build a New Image  
Differentiate PB

3  
Futuristic  
Store Format  
Innovation

4  
HIMART Only  
Differentiate  
E-Commerce

# Summary of Financial Results

[Unit : KRW in 100 million]

C a t e g o r y	FY 2022		FY 2023		YoY	FY 2022	Ratio	FY 2023	Ratio	YoY	
		Ratio		Ratio							
Revenue	7,343	-	5,785	-	▲21.2%	33,368	-	26,101	-	▲21.8%	
Gross Profit	1,593	21.7%	1,466	25.3% (+3.6%p)	▲8.0%	7,587	22.7%	6,782	26.0% (+3.3%p)	▲10.6%	
SG & A Expenses	2,041	27.8%	1,567	27.1% (▲0.7%p)	▲23.2%	8,107	24.3%	6,699	25.7% (+1.4%p)	▲17.4%	
Operating Profit	▲448	▲6.1%	▲100	▲1.7% (+4.4%p)	<i>Deficit narrowed</i>	▲520	▲1.6%	82	0.3% (+1.9%p)	<i>Turn to profit</i>	
EBITDA	▲116	▲1.6%	207	3.6% (+5.2%p)	<i>Turn to profit</i>	859	2.6%	1,321	5.1% (+2.5%p)	53.9%	
Profit Before Tax	▲1,647	▲22.4%	▲378	▲6.5% (+15.9%p)	<i>Deficit narrowed</i>	▲5,577	▲16.7%	▲301	▲1.2% (+15.5%p)	<i>Deficit narrowed</i>	
Net Profit	▲1,478	▲20.1%	▲465	▲8.0% (+12.1%p)	<i>Deficit narrowed</i>	▲5,279	▲15.8%	▲354	▲1.4% (+14.4%p)	<i>Deficit narrowed</i>	
Impairment losses	Goodwill	▲903	▲12.3%	-	-	-	▲4,331	▲13.0%	-	-	-
	C G U	-	-	▲130	▲2.2%	-	▲370	▲1.1%	▲130	▲0.5%	-

※ This material has not been audited by our external auditors and is subject to change.

# Strong business restructuring in 2023

## Establishing a Profitable Business Structure through Annual Profit and Cost Structure Innovation in 2023


[Unit : KRW in 100 million, Store]

Category	1Q	2Q	3Q	4Q	FY 2023	Key impacts									
<b>Revenue growth rate</b> [Cumulative store closures for 2022-2023]	▲25.6% [52]	▲23.4% [64]	▲16.9% [78]	▲21.2% [96]	▲21.8%	✓ Closing of irrecoverable stores <table border="1"> <thead> <tr> <th>Category</th> <th>FY 2023</th> <th>FY 2022</th> </tr> </thead> <tbody> <tr> <td>Stores</td> <td>▲56</td> <td>▲40</td> </tr> </tbody> </table>	Category	FY 2023	FY 2022	Stores	▲56	▲40			
Category	FY 2023	FY 2022													
Stores	▲56	▲40													
<b>Gross Margin Ratio</b> [ Y o Y ]	22.3% [+0.2%p]	27.1% [+3.3%p]	28.6% [+5.4%p]	25.3% [+3.6%p]	26.0% [+3.3%p]	✓ One-time revenue and expenses <table border="1"> <thead> <tr> <th>Category</th> <th>Amount</th> <th>Impact</th> </tr> </thead> <tbody> <tr> <td>One-time revenue VAT refund</td> <td>356</td> <td>Gross Margin Ratio +1.0%p</td> </tr> <tr> <td>One-time costs Inventory, retirement, etc.</td> <td>263</td> <td>SG&amp;A ratio +0.7%p</td> </tr> </tbody> </table>	Category	Amount	Impact	One-time revenue VAT refund	356	Gross Margin Ratio +1.0%p	One-time costs Inventory, retirement, etc.	263	SG&A ratio +0.7%p
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<b>SG&amp;A ratio</b> [ Y o Y ]	26.4% [+3.3%p]	25.9% [+2.2%p]	23.6% [+0.5%p]	27.1% [▲0.7%p]	25.7% [+1.4%p]										
<b>Operating Profit</b> [Exclude One-time costs]	▲258 [▲192]	78 [97]	362 [134]	▲100 [▲49]	82 [▲11]										

# In 2024, Intensifying Focus on Four Major Strategies Aligned with The Customer Lifetime Care Strategic Direction

1

## Customer lifetime Care Home Total Care Service

- OFF Line Home  Center continuous expansion : 43 Stores (2023) → 116 Stores (2024)
- ON Line Home Total Care Service : Reopening in March 2024
- Service advancement : The number of items will increase from 150 to 200 between 2023 and 2024, 100% Guarantee Total Service

2

## Build a New Image Differentiate PB

- 2023 PB product sales growth rate 6.4% (compared to the company's overall sales growth rate +28.2%p increase), sales composition ratio 4.2% (YoY +1.2%p)
- Professional PB consulting (August 2023 ~ March 2024)
  - Branding, Design, Development Capabilities, Store Display Strategies, Online Specialty Stores, etc.

3

## Futuristic Store Format Innovation

- Enhancing store potential with targeted trade area reformat & New MD Trial
  - Restructured stores in 2023 show more than 20% improvement
  - 43 Stores (2023) → 73 Stores (2024, total 116 stores(E))

4

## HIMART Only Differentiate E-Commerce

- Break out of cost-dependent sales & Focus on rebuilding differentiated capabilities (June 2024)

March 2024	May 2024	June 2024
Home Total Care Service Complete	Exhibits, Set, PB Specialisation	ON-OFF Remote Consultation

Foundation for deepening the four major strategies of customer lifetime care

# 2024, The Inaugural Year of **Turn Around!**

## Revenue

- ✓ **Despite the closure of stores in 2023, efforts will be made to grow sales in 2024**
  - **An expected execution of reformatting 116 stores by the year 2024**  
[ restructured stores in 2023 show more than **20%** improvement ]
  - **Expecting around 5 new store openings**

## Gross Profit

- ✓ **Improvement of overall merchandise operations in 2023 → Advancement of merchandise operations in 2024** [ standardisation of the products handled by business districts ]
- ✓ **High margin PB, Service Product Lead : Revenue proportion is expected to grow from 4.8% in 2023 to over **6%** in 2024**

## SG & A Expenses

- ✓ **System-based business innovation → Simplification of tasks and optimization of operations**
- ✓ **H2 2023, Logistics Network Improvement (11DC→2DC) → Full effects expected in 2024**

## 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

# [Appendix] Summary of Income Statement

[Unit : KRW in 100 million]

Category	FY 2022	FY2023			
	4Q	1Q	2Q	3Q	4Q
Revenue	7,343	6,261	6,797	7,259	5,785
Gross Profit	1,593	1,395	1,841	2,079	1,466
SG & A Expenses	2,041	1,653	1,763	1,717	1,567
Labor expenses	829	537	563	552	501
Commission expenses	412	402	392	383	384
Trans. & Installation expenses	237	206	289	286	183
Etc.	563	508	519	495	498
Operating Profit	<b>▲448</b>	<b>▲258</b>	<b>78</b>	<b>362</b>	<b>▲100</b>
Profit Before Tax	<b>▲1,647</b>	<b>▲294</b>	23	347	<b>▲378</b>
Net Profit	<b>▲1,478</b>	<b>▲181</b>	22	271	<b>▲465</b>

# [Appendix] Summary of Balance Statement

[Unit : KRW in 100 million]

Category	FY 2022	FY2023			
	4Q	1Q	2Q	3Q	4Q
<b>Total Assets</b>	<b>24,642</b>	<b>25,526</b>	<b>24,642</b>	<b>24,338</b>	<b>23,707</b>
<b>Current Assets</b>	6,585	7,694	7,041	7,050	6,608
Cash & cash equivalent	1,020	2,014	1,957	2,512	2,467
<b>Non-Current Assets</b>	18,057	17,831	17,601	17,288	17,099
Tangible assets	6,898	6,611	6,425	6,240	6,356
Goodwill	8,376	8,376	8,376	8,376	8,376
<b>Total liabilities</b>	<b>11,689</b>	<b>12,816</b>	<b>11,891</b>	<b>11,306</b>	<b>11,209</b>
<b>Current Liabilities</b>	7,639	7,547	6,932	6,406	7,148
Short-term borrowings & bonds	3,899	3,400	2,877	2,884	3,848
<b>Non-Current Liabilities</b>	4,050	5,269	4,959	4,900	4,061
Long-term borrowings & bonds	2,338	3,694	3,457	3,473	2,482
<b>Equity</b>	<b>12,953</b>	<b>12,710</b>	<b>12,751</b>	<b>13,032</b>	<b>12,498</b>
Capital stock	1,180	1,180	1,180	1,180	1,180

# [Appendix] Store Operation Status

[Unit: Store]

Category	FY 2021	FY 2022	FY 2023			
			1Q	2Q	3Q	4Q
Total stores	427	391	379	367	353	336
<i>Net increase (YoY)</i>	▲21	▲36	▲12	▲24	▲38	▲55
Street stores	340	309	303	298	289	283
<i>Net increase (YoY)</i>	▲17	▲31	▲6	▲11	▲20	▲26
Shop-within-a-stores	87	82	76	69	64	53
<i>Net increase (YoY)</i>	▲4	▲5	▲6	▲13	▲18	▲29

# [Appendix] Summary of Sales by Product Category

[Unit : KRW in 100 million]

Category	4Q 2022	Ratio	4Q 2023	Ratio (YoY)	YoY	FY 2022	Ratio	FY 2023	Ratio (YoY)	YoY
Revenue	7,343	100.0%	5,785	100.0%	▲21.2%	33,368	100.0%	26,101	100.0%	▲21.8%
AV appliances	956	13.0%	741	12.8% (▲0.2%p)	▲22.5%	4,141	12.4%	3,210	12.3% (▲0.1%p)	▲22.5%
White goods	3,145	42.8%	2,465	42.6% (▲0.2%p)	▲21.6%	15,506	46.5%	12,231	46.9% (+0.4%p)	▲21.1%
IT appliances	1,788	24.4%	1,477	25.5% (+1.1%p)	▲17.4%	7,571	22.7%	6,018	23.1% (+0.4%p)	▲20.5%
Household appliances	798	10.9%	583	10.1% (▲0.8%p)	▲26.9%	3,585	10.7%	2,660	10.2% (▲0.5%p)	▲25.8%
Kitchen appliances	819	11.2%	702	12.1% (+0.9%p)	▲14.3%	3,522	10.6%	2,815	10.8% (+0.2%p)	▲20.1%
Etc.	▲163	▲2.2%	▲183	▲3.2% (▲1.0%p)	12.3%	▲957	▲2.9%	▲833	▲3.2% (▲0.3%p)	▲13.0%