

**LOTTE HIMART**

1Q 2024

# Earnings Release

Investor Relations | 2024.5.13



# Disclaimer

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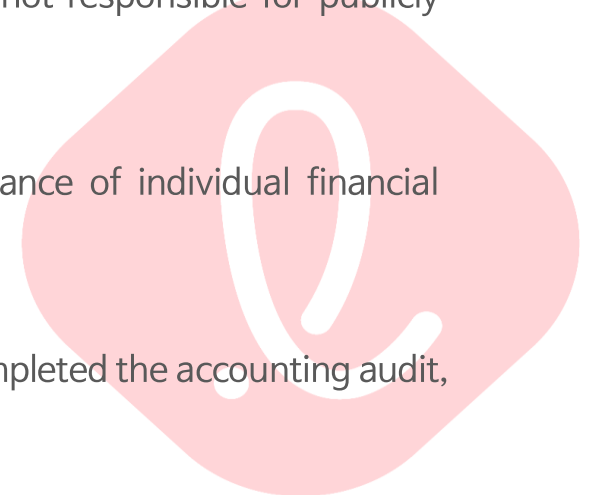
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# Summary

## 1. Operating profit rose by KRW 9.8 B YoY, but the failure to overcome a KRW ▲16.0 B loss remains disappointing

⇒ 1Q exhibits lower sales volumes compared to other quarters, with a higher proportion of low-margin Mobile and IT products (The profit margin for 1Q, which has a high proportion of Mobile and IT, is 16.39%, a decrease of ▲8.3% compared to the profit margin of all product categories)

## 2. Starting from the second half of '23, Lotte Himart is focusing on four strategic initiatives

### Positive effects

① **Store renovation** ⇒ **56 Stores +7.8% growth** (compared to non-renovated stores, an improvement effect of +18.2%p)

② **Home Total Care Service** ⇒

- ✓ Increase in customer visits and linked purchases
- ✓ Confirmed effect of generating new customers

### Launch & Opening

③ **PB** ⇒ **Combination of Product & Innovative Extended Warranty Service**

④ **E-Commerce** ⇒ **Plans to Open Stage-by-Stage Strategic Tasks**

# Performance Status

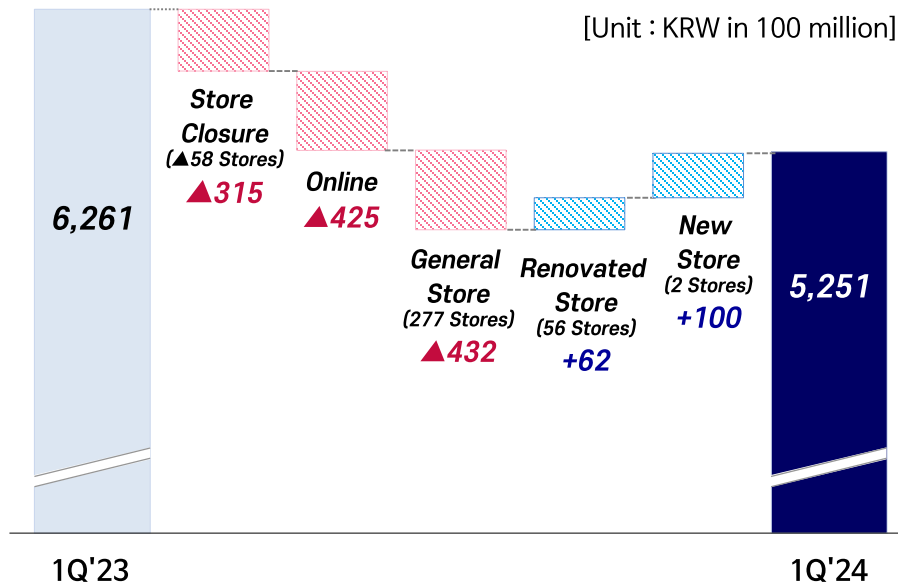
[Unit : KRW in 100 million]

Category	1Q '23		1Q '24		YoY		
	Value	Ratio	Value	Ratio	Net Change	Percentage Change	Composition Change Rate
Revenue	6,261	100.0%	5,251	100.0%	▲1,010	▲16.1%	-
Gross Profit	1,395	22.3%	1,323	25.2%	▲73	▲5.2%	+2.9%p
SG & A Expenses	1,653	26.4%	1,483	28.2%	▲170	▲10.3%	+1.8%p
Operating Profit	▲258	▲4.1%	<u>▲160</u>	▲3.1%	<u>+98</u>	<i>Deficit narrowed</i>	+1.1%p
EBITDA	59	0.9%	134	2.5%	+75	+128.0%	+1.6%p
Profit Before Tax	▲294	▲4.7%	▲215	▲4.1%	+79	<i>Deficit narrowed</i>	+0.6%p
Net Profit	▲181	▲2.9%	▲195	▲3.7%	※ <u>▲14</u>	<i>Deficit expansion</i>	▲0.8%p

※ Due to the base effect of a one-time corporate tax refund of 4.5 billion in Q1 2023, net income decreased

## 1 Revenue

### Revenue Increase/Decrease Status



- Non-viable stores closure → '23 ▲56, 1Q '24 ▲2
- Online inefficiency sales decline to continue until May '24
- Overall offline market sales downtrend

※ Home appliance market faces 24-month continuous decline ('22.03 - '24.02)

## 2 Gross Profit

margin structure improvement based on new product management systems and Inventory consolidation

- 1Q '24 inventory stands at KRW 407.3 B, marking a YoY decrease of KRW 96.2 B

※ Three-year inventory fluctuation 1Q '22 (KRW 628.1 B) → 1Q '23 (KRW 503.5 B) → 1Q '24 (KRW 407.3 B)

- 1Q Gross Margin: '23 22.3% → '24 25.2%, YoY +2.9%p

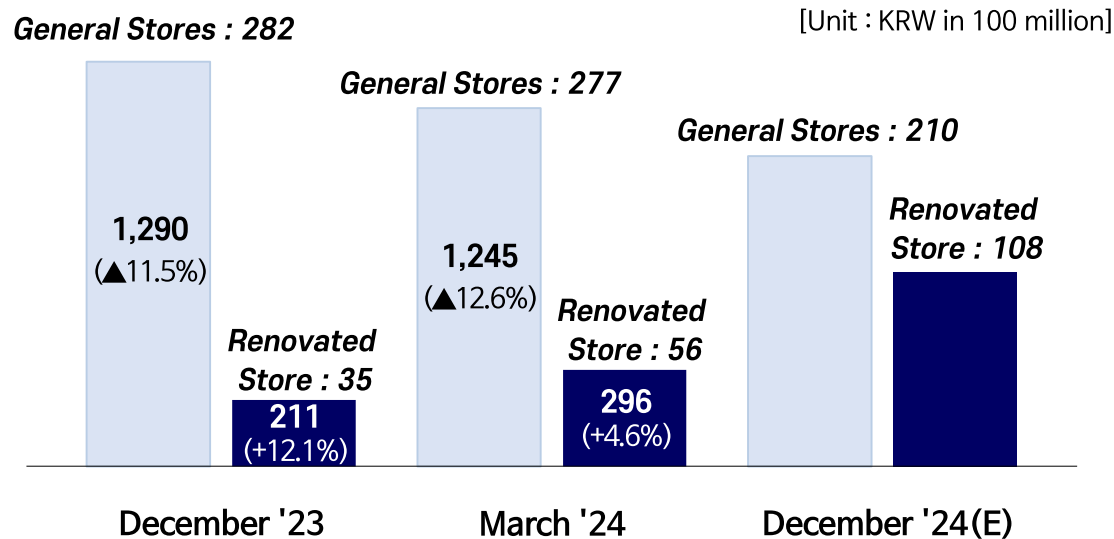
## 3 Increase in interest expenses → Plans to reduce the size of borrowings within this year

[Unit : KRW in 100 million]

Category	1Q '23	1Q '24	Increase (Rate)
Borrowings	7,150	6,400	▲750
Interest Expense	58	67	+9
Interest Rate	3.4%	4.2%	+0.8%p

## “ OFF Line, Setting Up for This Year's Revenue Turnaround ”

### Accelerated Renovation Initiatives for General Stores



“ 56 stores renovated from January to March '24, a growth of +7.8% ”

(compared to non-renovated stores, an improvement effect of +18.2%p)

#### ✔ Enhancing preferred products from international brands

Polarization in domestic market : premium appliances vs affordable options for solo households

“ Global Top 50 brand initiative launched (April to July) ”

⇒ Significant expansion of premium and basic product ranges in living, kitchen, and IT categories

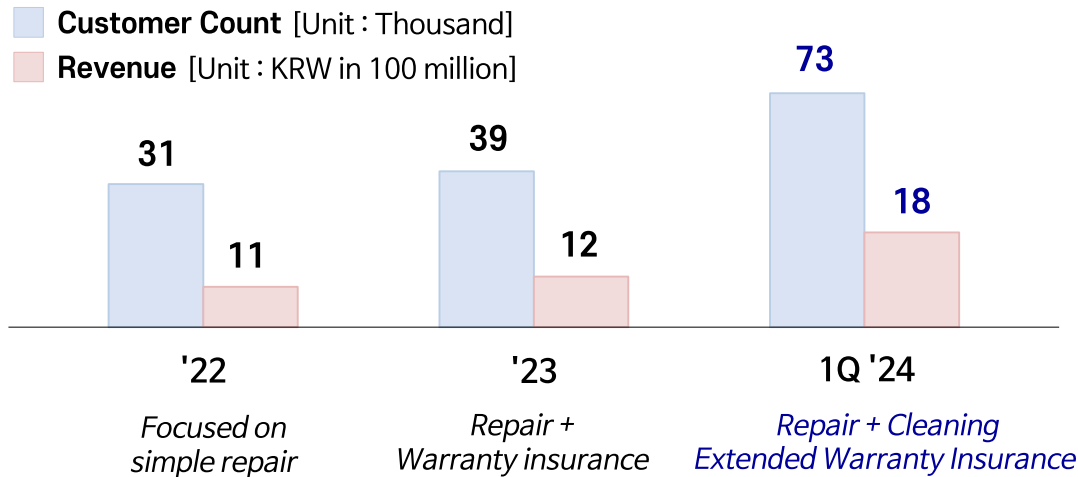
#### ✔ SKU standardization across markets

“ SKU Standardization System (POG) Completed (May) ”

⇒ Expanded premium product lineup and consulting capabilities

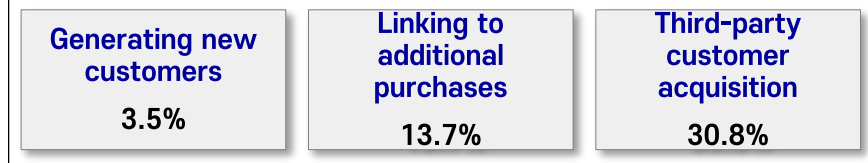
“ Expected **growth in purchase opportunities** through customer data-driven buying cycles! ”

### 3-Year Monthly Service Average



### Expanding A/S service

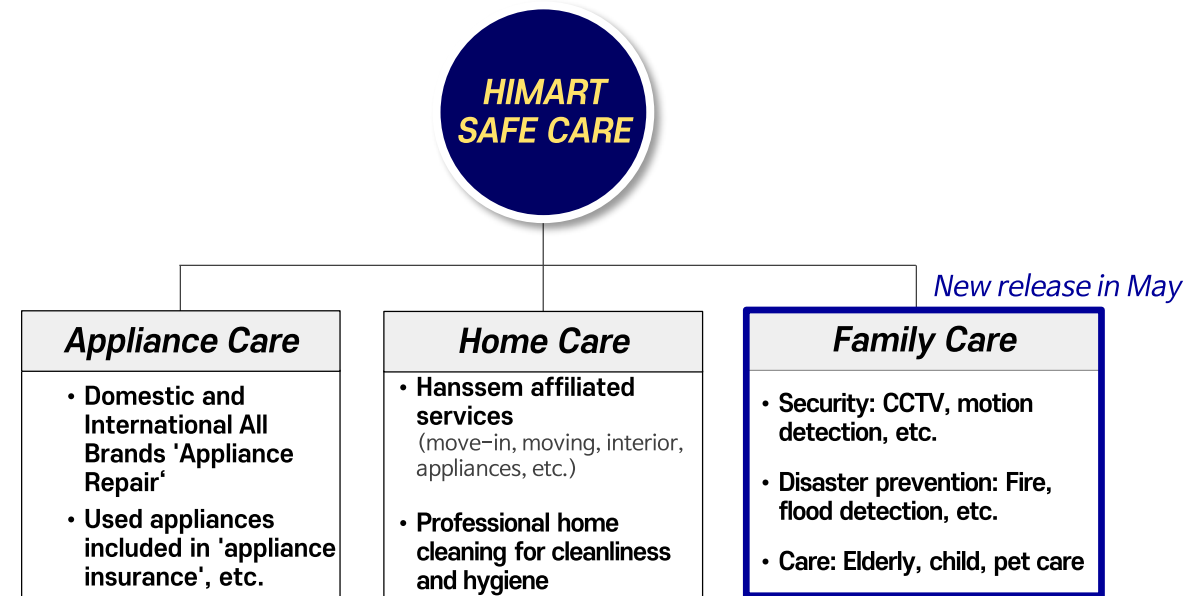
“ Among A/S service users ”



### '23, Home Total Care Service → Evolves into Himart Safe Care in late '24

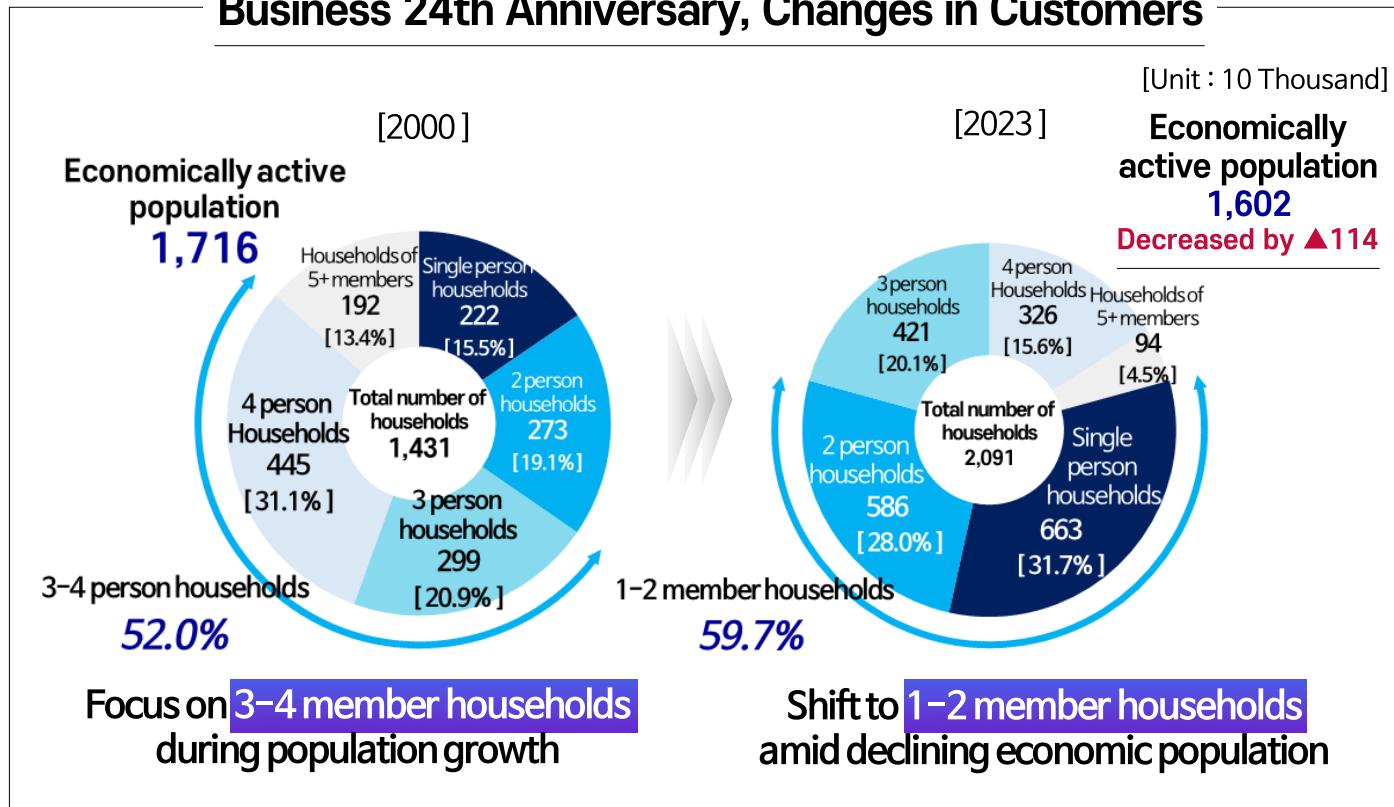
[Unit : KRW in 100 million]

'22	'23	'24(E)
184 <i>(Usage Count : 0.50 Million)</i>	213 <i>(Usage Count : 0.76 Million)</i>	400 <i>(Usage Count : 1.56 Million)</i>



## “ Focusing on PB, Young Minded, Small Family ”

### Business 24th Anniversary, Changes in Customers



### ✔ Combination of Product & Innovative Extended Warranty Service

#### Product PB

Essential features & corresponding prices  
Simple & Smart Design

#### Service PB

Pre-suggested replacement cycle  
Up to 5-year free warranty

#### Product Visualization

#### May 250L Refrigerator



245L ideal for 1-2 person households as a secondary option  
Top energy efficiency and rare indirect cooling in budget-friendly products

#### Sep. Stand Kimchi Refrigerator



150L size preferred for 1-2 person households  
Higher energy efficiency (Grade 1) compared to competitors (Grade 4)

## “ E-Commerce, Integrated Online and Offline Experience Content OPEN ”



[Example of App Curation Development]

May '24  
Expert Curators  
**Video Consultation OPEN**  
*(Contributes to activation on Mobile, PC, etc.)*



May **Himart Outlet** (Large-scale exhibition appliances, inventory clearance) OPEN



July **Himart Care · SET Specialty Store** OPEN



Sep. **Himart PB · Category Specialty Store** OPEN

### ON · OFF Line Integrated Customer Consultation System

✓ **Integrated expert consultation without ON-OFF distinction**

Store · Online customers ↔ 1:1 matching with expert consultants

Remote consultation utilized for exhibition · set · PB · service expert consultation provision

✓ **Appliance Life - Customized 1:1 service for each customer**

Suggestions for the optimal timing to purchase products and services

Management of Appliance Life through a specialized vertical app

Deepening the Foundation for the Four Major Strategies of Business Transformation

**In 2024, we will leap forward as**  
**a lifetime care company for Appliance Life and make it**  
**the inaugural year of Turn Around!**

- ✓ *Customer Data-Based Lifetime Care Home Total Care Service*
- ✓ *Focusing on PB, Young Minded, Small Family*
- ✓ *Futuristic Store Format Innovation*
- ✓ *Integrated Online and Offline Experience Content , E-Commerce*

## 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	FY2023				FY2024
	1Q	2Q	3Q	4Q	1Q
Revenue	6,261	6,797	7,259	5,785	5,251
Gross Profit	1,395	1,841	2,079	1,466	1,323
SG & A Expenses	1,653	1,763	1,717	1,567	1,483
Labor expenses	537	563	552	501	514
Commission expenses	402	392	383	384	337
Trans. & Installation expenses	206	289	286	183	168
Etc.	508	519	495	498	464
Operating Profit	▲258	78	362	▲100	▲160
Profit Before Tax	▲294	23	347	▲378	▲215
Net Profit	▲181	22	271	▲465	▲195

# Appendix Summary of Balance Statement

[Unit : KRW in 100 million]

Category	FY2023				FY2024
	1Q	2Q	3Q	4Q	1Q
<b>Total Assets</b>	<b>25,526</b>	<b>24,642</b>	<b>24,338</b>	<b>23,707</b>	<b>23,882</b>
<b>Current Assets</b>	7,694	7,041	7,050	6,608	6,939
Cash & cash equivalent	2,014	1,957	2,512	2,467	2,003
<b>Non-Current Assets</b>	17,831	17,601	17,288	17,099	16,943
Tangible assets	6,611	6,425	6,240	6,356	6,267
Goodwill	8,376	8,376	8,376	8,376	8,376
<b>Total liabilities</b>	<b>12,816</b>	<b>11,891</b>	<b>11,306</b>	<b>11,209</b>	<b>11,692</b>
<b>Current Liabilities</b>	7,547	6,932	6,406	7,148	8,471
Short-term borrowings & bonds	3,400	2,877	2,884	3,848	4,667
<b>Non-Current Liabilities</b>	5,269	4,959	4,900	4,061	3,221
Long-term borrowings & bonds	3,694	3,457	3,473	2,482	1,686
<b>Equity</b>	<b>12,710</b>	<b>12,751</b>	<b>13,032</b>	<b>12,498</b>	<b>12,190</b>
Capital stock	1,180	1,180	1,180	1,180	1,180

# Appendix Store Operation Status

[Unit: Store]

Category	FY2021	FY2022	FY2023	FY2024
				1Q
<b>Total stores</b>	<b>427</b>	<b>391</b>	<b>336</b>	<b>335</b>
<i>Net increase (YoY)</i>	<i>▲21</i>	<i>▲36</i>	<i>▲55</i>	<i>▲1</i>
<b>Street stores</b>	<b>340</b>	<b>309</b>	<b>283</b>	<b>283</b>
<i>Net increase (YoY)</i>	<i>▲17</i>	<i>▲31</i>	<i>▲26</i>	<i>-</i>
<b>Shop-within-a-stores</b>	<b>87</b>	<b>82</b>	<b>53</b>	<b>52</b>
<i>Net increase (YoY)</i>	<i>▲4</i>	<i>▲5</i>	<i>▲29</i>	<i>▲1</i>

# Appendix Summary of Sales by Product Category

[Unit : KRW in 100 million]

Category	FY2022		FY2023		1Q 2023		1Q 2024		
		Ratio		Ratio		Ratio		Ratio (YoY)	YoY
<b>Revenue</b>	<b>33,368</b>	100.0%	<b>26,101</b>	100.0%	<b>6,261</b>	100.0%	<b>5,251</b>	100.0%	<b>▲16.1%</b>
AV appliances	4,141	12.4%	3,210	12.3%	796	12.7%	714	13.6% (+0.9p)	▲10.3%
White goods	15,506	46.5%	12,231	46.9%	2,473	39.5%	2,132	40.6% (+1.1p)	▲13.8%
IT appliances	7,571	22.7%	6,018	23.1%	1,928	30.8%	1,554	29.6% (▲1.2p)	▲19.4%
Household appliances	3,585	10.7%	2,660	10.2%	646	10.3%	468	8.9% (▲1.4p)	▲27.6%
Kitchen appliances	3,522	10.6%	2,815	10.8%	700	11.2%	616	11.7% (+0.5p)	▲12.0%
Etc.	▲957	▲2.9%	▲833	▲3.2%	▲282	▲4.5%	▲233	▲4.4% (+0.1p)	▲17.4%