



2024 CEO IR Day



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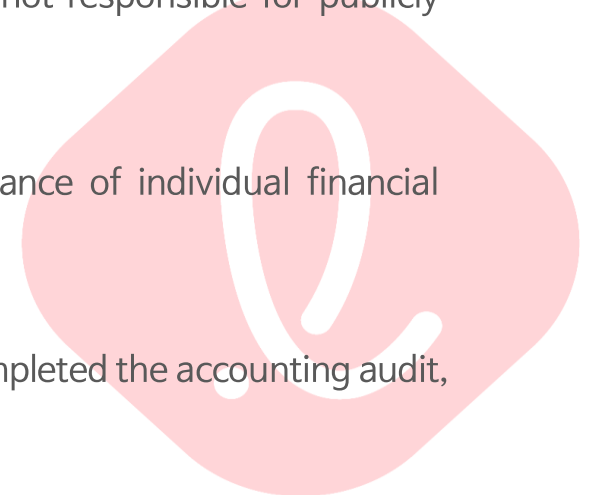
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Summary

❶ Operating loss of 13.3 billion KRW in the first half of 2024 (improved by 4.7 billion KRW YoY)
Revenue of 1,114.4 billion KRW, down 14.7% (Existing stores ▲7.2%, Online ▲39.2%)

→ The impact of the prolonged high-interest rate recession continues

❷ The progress of LOTTE HIMART's business transformation 4 strategies shows positive signals. However, as we are in a transitional phase, it is expected to take more time for the full impact to materialize

- | | | |
|-------|---|---|
| Good | { | ① Renewal of 68 stores resulted in a 6.5% growth |
| | | New stores' monthly sales: 1.4B KRW (2.9x existing), operating margin: 7.2% |
| | | ② <u>Home Total Care Service : 50% growth (usage: 85% Increase)</u> |
| Delay | { | ③ PB renewal ready, scheduled for launch in second half |
| | | ④ Online revamp to open sequentially, expected results in second Half |

❸ Focus areas for second half of 2024

Major overhaul of field workforce structure: discontinuation of promotional staff and direct hiring (effective July 1) → Overcoming sales limitations

"In addition to existing sales staff, focus on cultivating the industry's best and most distinctive talent"

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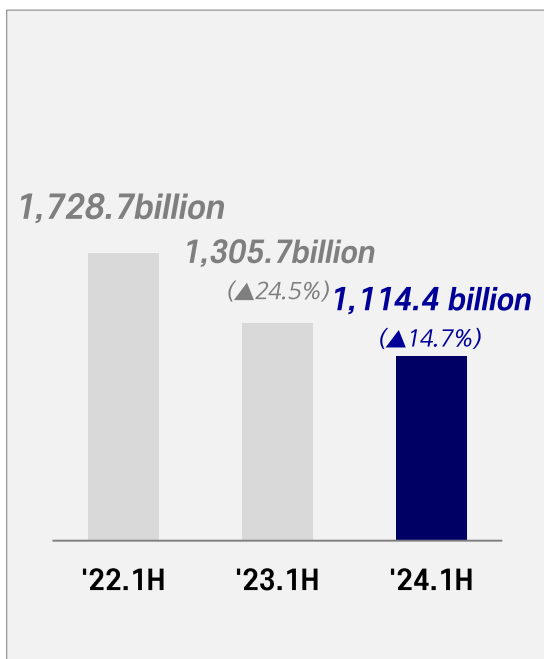
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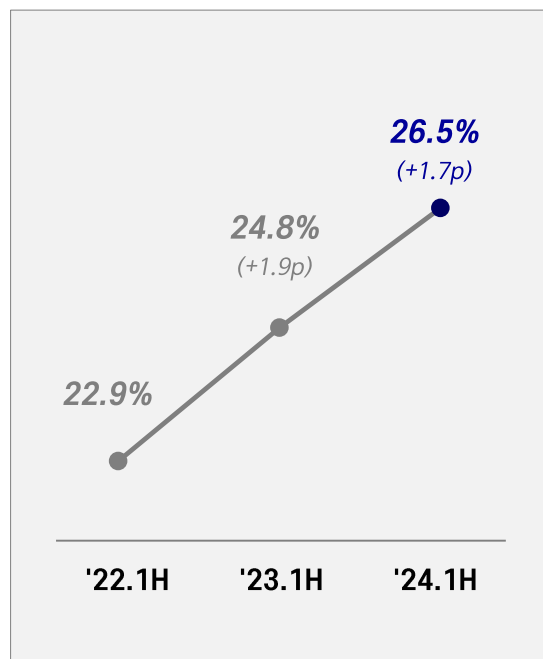
1H 2024 Key Operating Metrics

Sales decline trend not overcome, resulting in only marginal improvement in operating loss

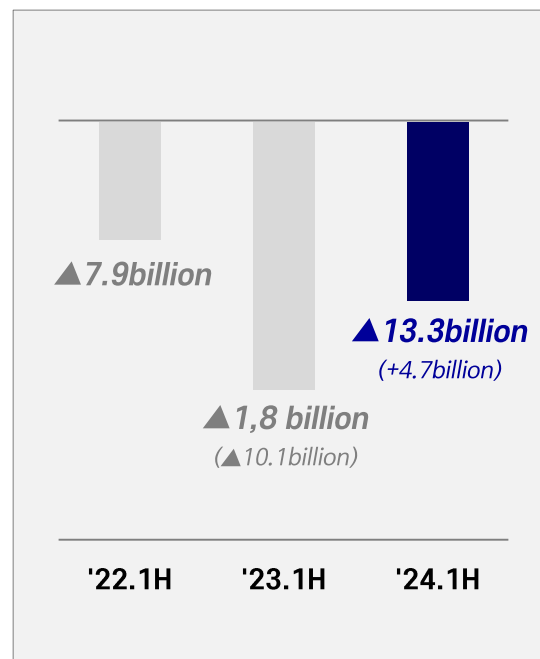
Revenue



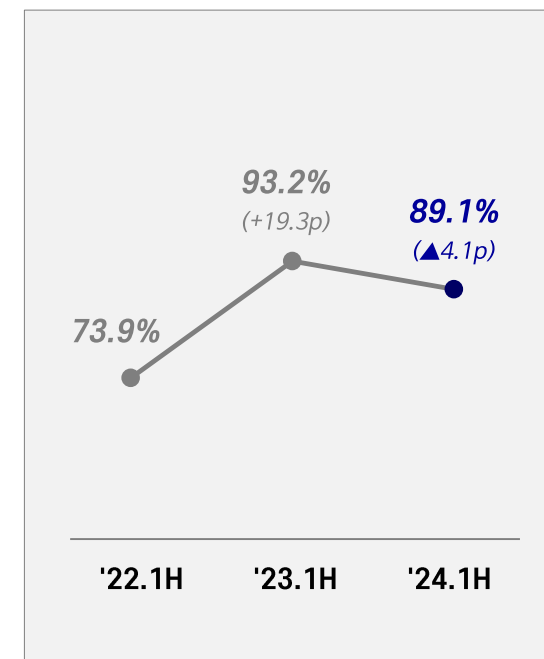
Gross Profit Ratio



Operating Profit



Debt Ratio



* Total Borrowings

- End of June 2022: KRW 650 billion
- End of June 2023: KRW 645 billion
- End of June 2024: KRW 565 billion

In the first half of 2024, HIMART's sales performance was disappointing

First-half sales performance

[Unit: KRW billion]

Category	H1 2023	H1 2024	Growth Rate
Total	1,305.7	1,114.4	▲14.7%
Offline	1,126.4	1,005.4	▲10.7%
Pre-investment Stores [259]	857.8	768.0	✓▲10.5%
Investment Ongoing Stores [Renovated 68 + New 2]	201.9	232.1	✓15.0%
Closed Stores [▲64]	66.8	5.3	-
Online [Total Revenue]	179.3 [297.1]	109.0 [169.2]	▲39.2% [▲43.0%]



Internal Factors

- ✓ February, re-emergence of “sales staff Issue” in media → “Inability to activate proactive sales”
- ✓ Significant impact from the decline of high-weight 2nd Brand
- ✓ Delay in e-commerce innovation preparation compared to plan

External Factors

- ✓ Decrease in new home appliance replacement demand due to reduced move-in volume
Economic slowdown and construction industry contraction leading to reduced move-in volume
H1 2023: 203,000 units → H1 2024: 184,000 units (▲9.0%)
- ✓ Increased economic burden due to prolonged high inflation and high interest rates
Decrease in new home appliance purchase and replacement demand under the high interest rate trend since 2022

※ Online Sales Growth Rate: January ▲48% → June ▲27%

※ Number of Closed Stores: ▲64 (2024 : ▲8, 2023 : ▲56)

However, strategic initiatives attempted since H2 2023 show positive signals for the mid-to-long-term business direction!

Strategy 1 Home Total Care Service

Current: securing 'customer data' based on purchase cycles



Second Phase: evolution to 'Himart Safety Care'

H1 2024 monthly average sales growth rate by service

Insurance	Cleaning	Installation	A/S
+143%	+20%	+91%	+16%

Category	2023	H1 2024	2024
Revenue	21.3 billion	15.1 billion [+50%]	40.0 billion [+88%]
Customer Data	1.69 million	1.33 million [+117%]	3.47 million [+106%]

Segmentation of existing functions

1 Home Appliance Care
A/S · Insurance · Cleaning · Installation

2 Home Care
Interior · Moving · Cleaning

3 Family Care *NEW*
Elderly Care · Disaster Prevention · Security

우리 가족
우리 집
우리 펫
안심할 수 있는
패밀리의 케어

New Store Opening: Anyang Enter Six (July)

"Safe services that eliminate household risks"

Products: Home cameras, door locks, fire detectors, gas shutoff devices, elderly tracking tags, pet care products, etc.

Strategy 2 Store Format Innovation

[Current: 68 stores undergoing renewal]
Strengthening basic store capabilities



[Future: Gradual renewal of 250 stores]

**"Strengthening store capabilities +
 Implementing market-specific MD"**

Strengthening basic store capabilities

- 1 Expanding SKU**
 (+733 SKU)
 IN +997, OUT ▲264
- 2 Completion of POG System implementation**
- 3 Increased customer inflow to Home Center**

Introduction of Specialty MD tailored to market characteristics

- 1 Built-in interior specialization**
- 2 Hobby specialization**
- 3 Wellness specialization**

Renewed Stores	Cumulative 68 stores in H1 2024	+6.5% growth
New Store Openings (2 Stores)	New stores' monthly sales: 1.4B KRW <i>2.9 times higher than existing stores</i>	Operating margin: 7.2% positive




New Store Opening: HIMART within Hanssem Gwanggyo (July)

Strategy 3 PB Renewal

Reposition HIMART with highly cost-effective PB products

May, 245L refrigerator (energy efficiency grade 1)



- **Sold 10,000 units** within 54 days of May 1st launch

Accounts for 37% of the annual sales volume for 150-300L refrigerators

- **29% of buyers are first-time purchasers aged 20-30**

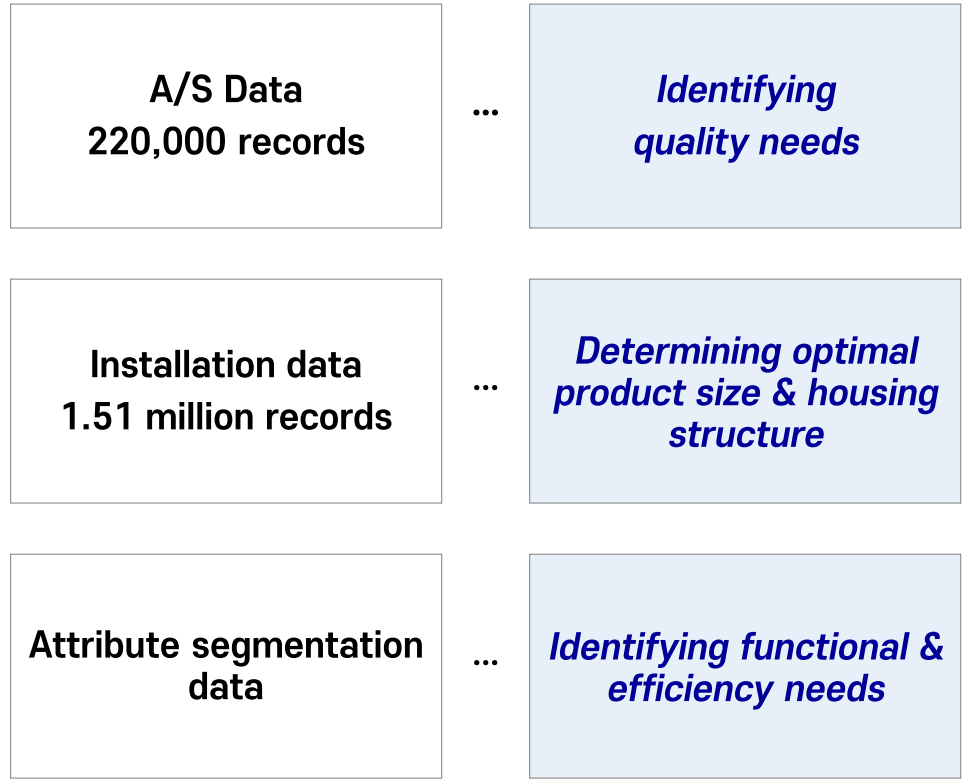
Compared to 13% of 20-30 year-olds purchasing refrigerators under 300L in 2023

H2 Focus, continued release of PB items targeting young-minded small families

Not just affordable, but products with essential functions and the best value for money



Data-driven New PB development



Further time is needed for the effects to materialize through diffusion

1 HIMART Safety Care

**Completion of a customer
lifetime care platform**

Expansion of positive consumer
perception

2 Store Renewal

**Revamping customer and
market-specific MD**

Expansion of renewed stores
(approximately 50 stores annually)

3 PB Innovation

**Continuous launch of new
PB products combined with
data science**

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Reasons for slow performance despite efforts

Analysis of 5,185 customer VOCs since 2023

✓ **Customer experiences that were inconvenient**

- Excessive promotion of specific brands
- Insufficient comparative consultations between brands and passive consultations on other brands
- Inadequate response to customers of small and medium-sized appliances

✓ **Lack of comprehensive brand assortment as a home appliance specialty store**

- Lack of after-sales service (A/S, etc.)
- Product recommendations not considering installation environment and customer usage
- Insufficient pricing and benefits, inconvenient refunds

✓ **Customer proposals focused on large and premium products**

“Result of reliance on promotional staff and lack of product diversity!”

Innovation in sales methods effective July 1, 2024

Over a year of preparation, LG and SAMSUNG promotional staff
⇒ **"New direct hires capable of selling all brands"**

Tasks and Strategies

Possessing specialized knowledge, over 5 years of experience, totaling approximately 1,000 people

⇒ **"Focus on cultivating the industry's best differentiated personnel"**



"Not just simple sales staff, but personalized experts"

1

Multi-brand consultations
Strengthening global brands

2

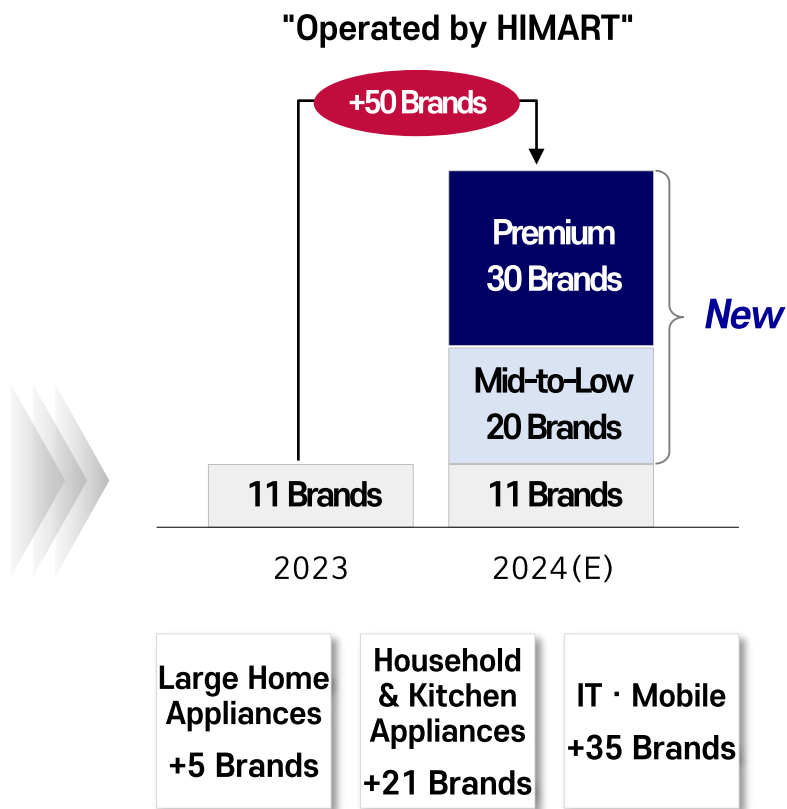
Personalized proposals for each customer
Completion of big data consultation platform

3

Personalized dedicated consultation system
Online & offline expert video consultation service

1 Introduction of various global brands and provision of diverse choices as a home appliance specialty store

Global Brands	[Sales Volume] [Unit: Trillion KRW]
Haier	(46)
LG	(30)
SAMSUNG	(26)
AEG	(23)
Bosch	(23)
ASUS	(22)
Midea	(18)
Liebherr	(18)
Motorola	(15)
Electrolux	(13)
TCL	(11)
Dyson	(11)
Sony	(9)
Miele	(8)
MSI	(8)
Ninja	(5)
Shark	(3)
Roborock	(2)
Rifen	(0.4)
MobiRichard	(0.3)
Cherry	(0.2)



✔ Strengthening brand pool → Enhancing customer choice diversity

[Top 5 Brand Revenue Proportion]

Best Buy	55%
Bic Camera	47%
HIMART	✔ 71%

✔ Strengthening cohesion with overseas brands : SCM agency collaboration

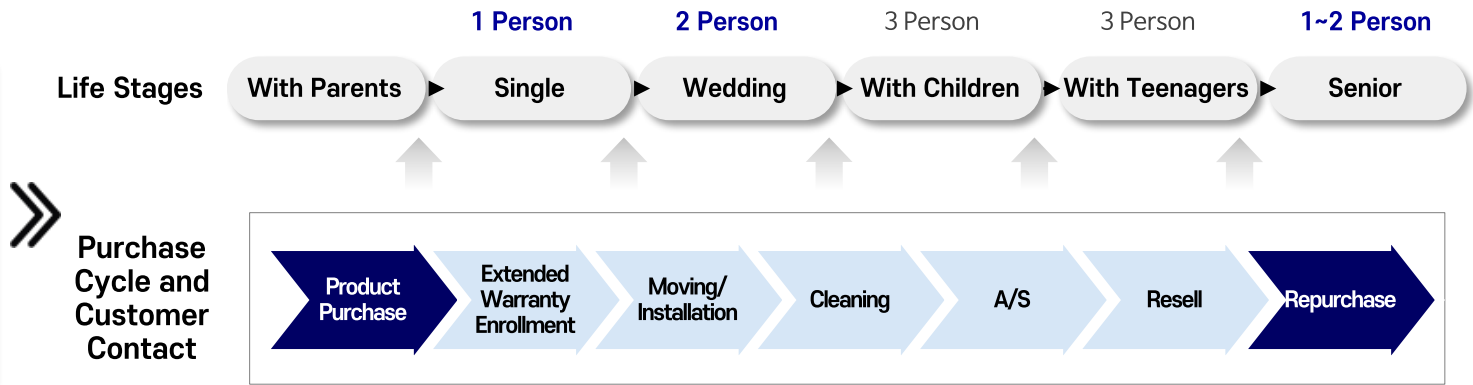
Big Brand	<i>Domestic A/S agency</i>
Small and medium overseas brands	<i>One-stop 3PL logistics business from customs clearance to delivery</i>

* Source: Disclosure materials and media research

② Completion of a consultation specialist system for 100% care before and after purchase

Completion of purchase cycle data

- ✓ Completion of product and service purchase cycle data
- ✓ Understanding purchase patterns by customer life stage
- ✓ Proposing customized products and services using owned product information



Product/Service recommendations based on owned products
(Sample Example, Recommendations for all owned products)

Category	Purchase Month	Product Life Stage (Ownership Period/ Expected Lifespan)	Maker
TV	15.09	<div style="display: flex; align-items: center;"> <div style="width: 80%; height: 10px; background-color: red;"></div> <div style="width: 10%; height: 10px; background-color: red; margin: 0 5px;"></div> <div style="width: 10%; height: 10px; border: 1px solid red; margin: 0 5px;"></div> 8.7 8.0 </div>	SAMSUNG
Dryer	19.11	<div style="display: flex; align-items: center;"> <div style="width: 70%; height: 10px; background-color: red;"></div> <div style="width: 10%; height: 10px; background-color: red; margin: 0 5px;"></div> <div style="width: 10%; height: 10px; border: 1px solid red; margin: 0 5px;"></div> 4.5 4.7 </div>	SAMSUNG
Electric Rice Cooker	19.12	<div style="display: flex; align-items: center;"> <div style="width: 70%; height: 10px; background-color: red;"></div> <div style="width: 10%; height: 10px; background-color: red; margin: 0 5px;"></div> <div style="width: 10%; height: 10px; border: 1px solid red; margin: 0 5px;"></div> 4.5 4.8 </div>	CUCHEN
Air Conditioner	19.09	<div style="display: flex; align-items: center;"> <div style="width: 30%; height: 10px; background-color: red; margin-right: 5px;"></div> <div style="width: 10%; height: 10px; border: 1px solid red; margin-right: 5px;"></div> <div style="width: 10%; height: 10px; border: 1px solid red; margin-right: 5px;"></div> 4.7 8.0 </div>	LG

Completion of big data on purchase cycles by life stage for a total of 160 categories

③ E-Commerce competitiveness enhanced by HIMART staff's consultation skills

① Product Differentiation

High-value PB brand to category-specific vertical markets

“ Only HIMART Products ”

- PB
- Specialty MD
- Exclusive Global Brand

② Service Differentiation

Taking care of all your concerns after purchase

“ 100% Assurance Service ”

- HIMART Safety Care
- Same-Day Installation
- Lifetime Care My Page 1:1 Curation

③ Price Leadership

From new products to promotions and exhibitions

“ Budget-Friendly Price Full Range ”

- Unopened Box Price
- Display Price



“ Expert video consultation demonstration ”



Expert video consultation service (launching in august)

Convenient access at your preferred time, receive easy consultation from experts, and resolve any post-purchase concerns

As a place you always want to visit, regardless of the economic situation

LOTTE HIMART will be Reborn

LOTTE HIMART's **New Slogan**

**The Place Where Home Appliances
Become Easy. LOTTE HIMART**

LOTTE HIMART's **New Vision**

**'Lifetime Care for Your Home
Appliances Life'**

**From Start to Finish, Your Home Appliances Life
with LOTTE HIMART**

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 Income Statement for the First Half of 2024

Category [Unit : KRW in 100 million]	2Q 23		2Q 24			1H 23		1H 24		
		Ratio		Ratio	Percentage Change		Ratio		Ratio	Percentage Change
Revenue	6,797	100.0%	5,893	100.0%	▲13.3%	13,057	100.0%	11,144	100.0%	▲14.7%
Gross Profit	1,841	27.1%	1,635	27.7% (+0.6p)	▲11.2%	3,236	24.8%	2,957	26.5% (+1.7p)	▲8.6%
SG & A Expenses	1,763	25.9%	1,607	27.3% (+1.4p)	▲8.8%	3,416	26.2%	3,090	27.7% (+1.5p)	▲9.5%
Operating Profit	78	1.2%	28	0.5% (▲0.7p)	▲64.4%	▲180	▲1.4%	▲133	▲1.2% (+0.2p)	continued deficit
EBITDA	392	5.8%	319	5.4% (▲0.4p)	▲18.5%	450	3.4%	453	4.1% (+0.7p)	0.6%
Profit Before Tax	23	0.3%	23	0.4% (+0.1p)	▲2.8%	▲270	▲2.1%	▲192	▲1.7% (+0.4p)	continued deficit
Net Profit	22	0.3%	14	0.2% (▲0.1p)	▲34.3%	▲159	▲1.2%	▲181	▲1.6% (▲0.4p)	continued deficit

※ Ordinary Income : In 2024, there was a fair value evaluation gain of 3.8 billion KRW from financial products (Lotte-KDB Open Innovation Fund: +1.1 billion KRW, IMM Coinvestment Fund (Hanssem): +2.8 billion KRW)

※ Net Income : ① In the first quarter of 2023, there was a one-time corporate tax refund base effect of ▲4.5 billion KRW.

② The change in the corporate tax rate (from 23.1% in 2023 to 9.9~20.8% in 2024) resulted in a corporate tax revenue effect (ordinary income deficit) impacting the reduction from January to June by ▲4.9 billion KRW.

Appendix Store Operation Status

Category [Unit: Store]	FY2021	FY2022	FY2023	FY2024	
				1Q	2Q
Total stores	427	391	336	335	329
<i>Net increase (YoY)</i>	▲21	▲36	▲55	▲1	▲6
Street stores	340	309	283	283	280
<i>Net increase (YoY)</i>	▲17	▲31	▲26	-	▲3
Shop-within- a-stores	87	82	53	52	49
<i>Net increase (YoY)</i>	▲4	▲5	▲29	▲1	▲3