

**IT'S HANBUL**

Investor Relations 2019

# **IT'S HANBUL**

## **2Q19 Earnings Release**

2019.08.14

IT'S HANBUL Strategic Planning Team



# IT'S HANBUL



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# 1. Summary of 2Q19 earnings(Consolidated FS)

**2Q19 Sales of KRW 56.3 bil.(YoY +4.2%) and Operating profit of KRW 5.3 bil.(YoY +36.0%).**

[Unit : KRW Mil.]	2Q18 (YoY)		1Q19 (QoQ)		2Q19	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
<b>Sales</b>	<b>54,043</b>	<b>100.0%</b>	<b>52,339</b>	<b>100.0%</b>	<b>56,328</b>	<b>100.0%</b>
IT'S HANBUL	36,905	68.3%	28,906	55.2%	29,438	52.3%
Neopharm	16,088	29.8%	19,855	37.9%	21,451	38.1%
E-nature	1,245	2.3%	446	0.9%	826	1.5%
Anne Cosmetics	-	0.0%	1,388	2.7%	1,585	2.8%
Chinese branches *	1,022	1.9%	4,518	8.6%	5,245	9.3%
Internal transaction	(1,217)	-2.3%	(2,775)	-5.3%	(2,216)	-3.9%
COGS	21,368	39.5%	22,250	42.5%	24,497	43.5%
<b>Growth profit</b>	<b>32,675</b>	<b>60.5%</b>	<b>30,089</b>	<b>57.5%</b>	<b>31,831</b>	<b>56.5%</b>
SG&A	28,748	53.2%	27,468	52.5%	26,492	47.0%
<b>Operating profit</b>	<b>3,926</b>	<b>7.3%</b>	<b>2,621</b>	<b>5.0%</b>	<b>5,339</b>	<b>9.5%</b>
IT'S HANBUL	462	0.9%	(2,001)	-3.8%	(699)	-1.2%
Neopharm & Others	3,464	6.4%	4,623	8.8%	6,039	10.7%
Net income before income tax	<b>5,416</b>	<b>10.0%</b>	<b>4,325</b>	<b>8.3%</b>	<b>6,577</b>	<b>11.7%</b>
Corporate tax	1,361	2.5%	1,709	3.3%	1,930	3.4%
<b>Net income</b>	<b>4,056</b>	<b>7.5%</b>	<b>2,616</b>	<b>5.0%</b>	<b>4,646</b>	<b>8.2%</b>

\* Chinese branches has recorded the combined results of the Huzhou manufacturing Company and the Shanghai Sales Company.

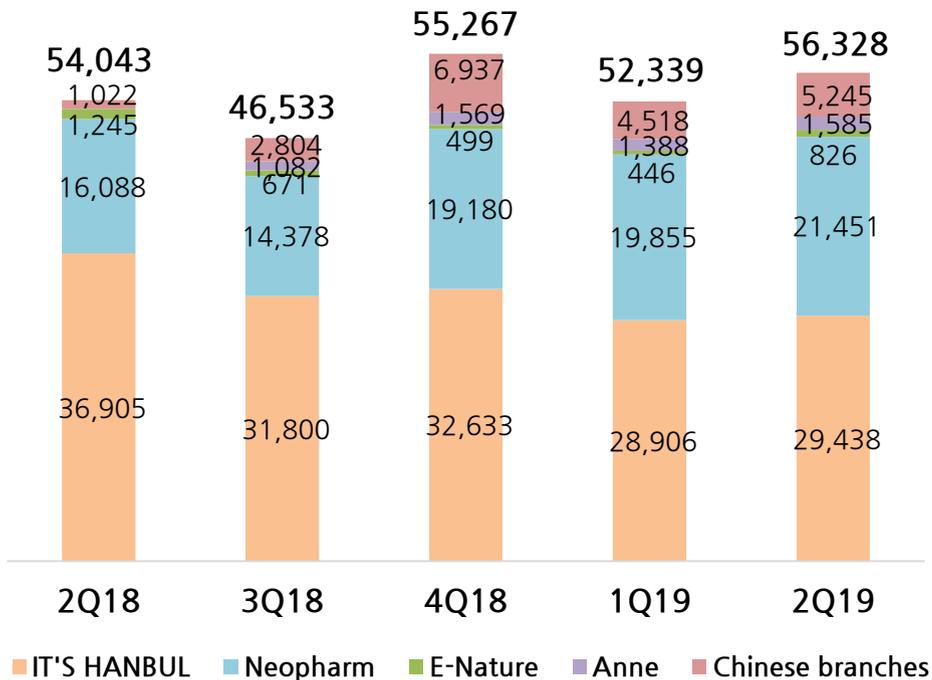


## 2. 2Q19 Sales analysis

- In the case of It'S HANBUL, the number of domestic channels such as Roadshops and Hypermarkets has dropped from 182 at the end of last year to 72 at the end of the second half of this year. The withdrawal of stores will continue until the end of this year.
- In the case of duty-free shops, sales are continuously decreasing due to the execution of China's Electronic Commerce Law. However, in the case of export agencies, the ratio is increasing due to an increase in export products in accordance with China's 6.18 shopping festival.
- In the case of new channels such as Online and TV Shopping, sales are gradually growing, but the growth of sales will be maximized with the launch of new products according to the characteristics of future channels.
- In the midst of strong growth of the existing Zeroid, Real-Barrier, and Derma-B, the performance affiliate Neopharm during the last quarter marked the highest in the history of the company owing to the high sales of health functional foods (Pro-B Life).

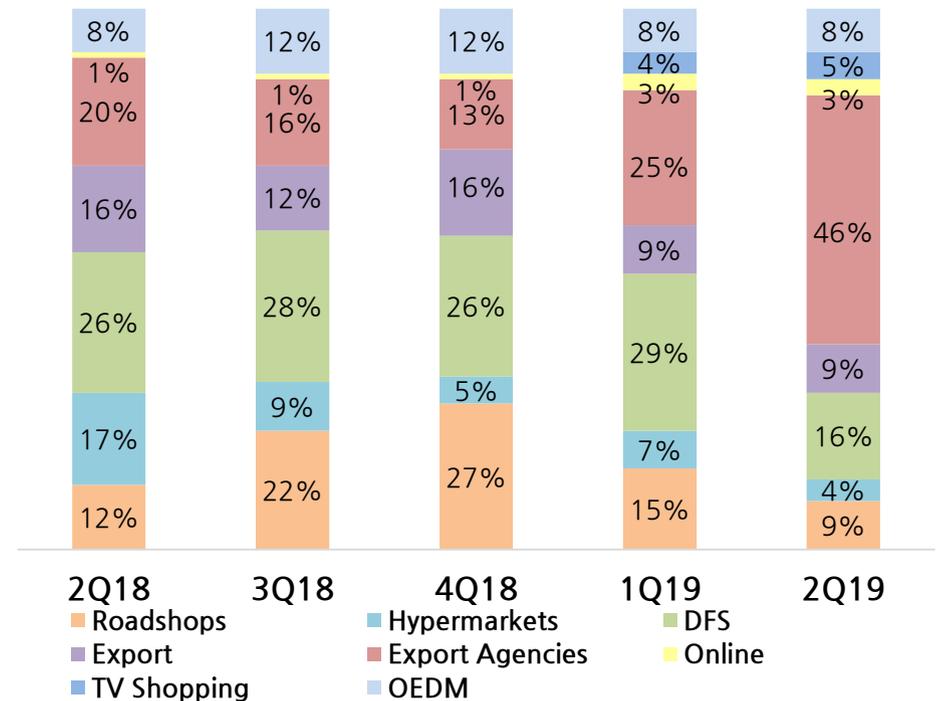
Consolidated sales by business division

[Unit : KRW Mil.]



Sales ratio by channel (IT'S HANBUL)

[Unit : %]

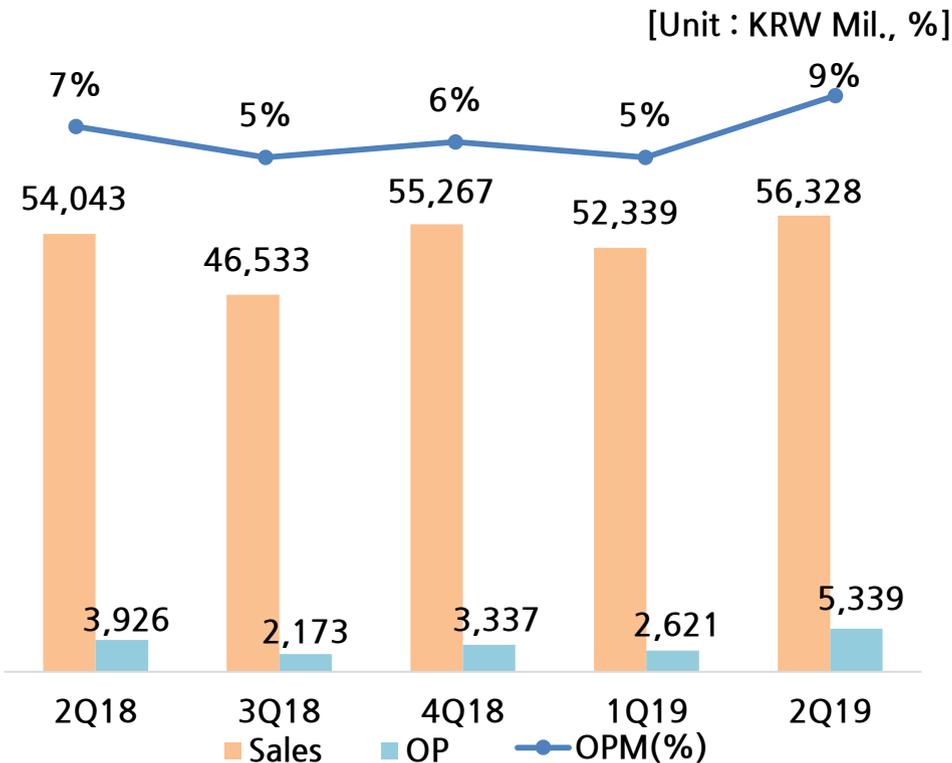




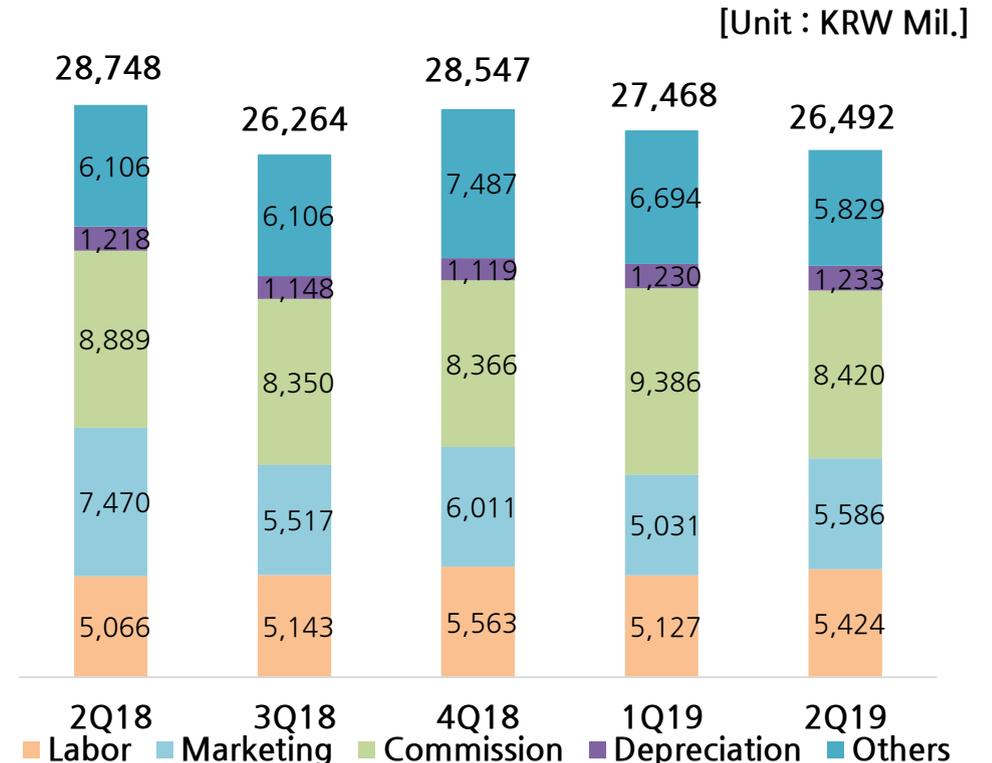
### 3. 2Q19 Earnings analysis

- The cost of sales is showing a gradual increase as a result of promotional effects, such as discount events for poorly-selling products in the case of It'S HANBUL (45% rate of cost to sales during the second quarter of 2018→ 54% rate of cost to sales during the second quarter of 2019).
- In the case of Neopharm, the rate of cost to sales is being defended stably despite the expansion of SKU, such as SKU's advancement of the health functional food business (29% rate of cost to sales during the second quarter of 2018 → 29% rate of cost to sales during the second quarter of 2019).
- In the case of It'S HANBUL, selling expenses are gradually decreasing through a reduction of fees and marketing costs as a result of the withdrawal of stores (KRW 20 billion during the second quarter of 2018 → KRW 14.1 billion during the second quarter of 2019).
- In the case of Neopharm, selling expenses have increased a little due to investments in marketing and fees for the growth of sales (KRW 7.1 billion during the second quarter of 2018 → KRW 9.2 billion during the second quarter of 2019).

Consolidated earnings trend



Consolidated SG&A trend





## 4. Summary Consolidated FS

### ○ Financial Statement

[Unit : KRW Mil.]

Account subject	2015	2016	2017	2018	2019 2Q
Current assets	432,825	414,031	419,075	390,708	402,344
Non-current assets	57,139	125,330	143,340	144,873	144,366
<b>Total assets</b>	<b>489,964</b>	<b>539,361</b>	<b>562,416</b>	<b>535,581</b>	<b>546,710</b>
Current liabilities	102,429	90,947	91,196	51,933	58,579
Non-current liabilities	1,542	40,290	1,928	8,902	12,774
<b>Total liabilities</b>	<b>103,971</b>	<b>131,237</b>	<b>93,124</b>	<b>60,835</b>	<b>71,353</b>
Capital	5,724	5,724	10,965	10,965	10,965
Retained earnings	93,406	120,220	141,389	138,815	136,562
Capital surplus	104,956	88,574	285,944	285,944	270,592
Other equity items	6,976	1,224	(1,032)	(807)	(1,011)
Non-controlling interest	174,931	192,380	32,025	39,829	58,133
<b>Total equity</b>	<b>385,993</b>	<b>408,123</b>	<b>469,292</b>	<b>474,746</b>	<b>475,357</b>

### ○ Comprehensive Income Statement

[Unit : KRW Mil.]

Account subject	2015	2016	2017	2018	2019 2Q
<b>Sales</b>	<b>325,413</b>	<b>326,052</b>	<b>245,737</b>	<b>214,122</b>	<b>108,666</b>
COGS	116,066	112,642	90,395	84,499	46,746
SA&G	86,080	122,544	109,977	109,710	53,959
<b>Operating profit</b>	<b>123,267</b>	<b>90,866</b>	<b>45,366</b>	<b>19,913</b>	<b>7,961</b>
<b>OPM(%)</b>	<b>37.9%</b>	<b>27.9%</b>	<b>18.5%</b>	<b>9.3%</b>	<b>7.3%</b>
Financial income	4,133	6,695	5,989	7,511	4,700
Financial cost	424	1,611	2,729	3,656	836
Equity-method gains	(1,529)	3,137	-	-	-
Non-operating income	96	(79)	130	2,255	(923)
Corporate tax	45,190	27,705	6,744	7,468	3,640
Consolidation adjustment	-	(4,637)	-	-	-
<b>Net income</b>	<b>80,353</b>	<b>66,667</b>	<b>42,012</b>	<b>18,556</b>	<b>7,262</b>
<b>NIM(%)</b>	<b>24.7%</b>	<b>20.4%</b>	<b>17.1%</b>	<b>8.7%</b>	<b>6.7%</b>