

# **IT'S HANBUL**

## **3Q19 Earnings Release**

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IT'S HANBUL Strategic Planning Team



# It'S HANBUL



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# 1. Summary of 3Q19 earnings(Consolidated FS)

**3Q19 Sales of KRW 44.2 bil.(YoY -4.9%) and Operating profit of KRW -0.7 bil.(YoY deficit conversion).**

[Unit : KRW Mil.]	3Q18 (YoY)		2Q19 (QoQ)		3Q19	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
<b>Sales</b>	<b>46,533</b>	<b>100.0%</b>	<b>56,328</b>	<b>100.0%</b>	<b>44,244</b>	<b>100.0%</b>
IT'S HANBUL	31,800	68.3%	29,438	52.3%	20,831	47.1%
Neopharm	14,378	30.9%	21,451	38.1%	19,125	43.2%
E-nature	671	1.4%	826	1.5%	311	0.7%
Anne Cosmetics	1,082	2.3%	1,585	2.8%	1,394	3.2%
Chinese branches *	2,804	6.0%	5,245	9.3%	4,052	9.2%
Internal transaction	(4,202)	-9.0%	(2,216)	-3.9%	(1,469)	-3.3%
<b>COGS</b>	<b>18,096</b>	<b>38.9%</b>	<b>24,497</b>	<b>43.5%</b>	<b>21,098</b>	<b>47.7%</b>
<b>Growth profit</b>	<b>28,437</b>	<b>61.1%</b>	<b>31,831</b>	<b>56.5%</b>	<b>23,146</b>	<b>52.3%</b>
<b>SG&amp;A</b>	<b>26,264</b>	<b>56.4%</b>	<b>26,492</b>	<b>47.0%</b>	<b>23,820</b>	<b>53.8%</b>
<b>Operating profit</b>	<b>2,173</b>	<b>4.7%</b>	<b>5,339</b>	<b>9.5%</b>	<b>(674)</b>	<b>-1.5%</b>
IT'S HANBUL	99	0.2%	(699)	-1.2%	(4,166)	-9.4%
Neopharm	3,448	7.4%	5,957	10.6%	5,052	11.4%
Others	(1,374)	-3.0%	82	0.1%	(1,560)	-3.5%
<b>Net income before income tax</b>	<b>2,997</b>	<b>6.4%</b>	<b>6,577</b>	<b>11.7%</b>	<b>1,116</b>	<b>2.5%</b>
Corporate tax	1,386	3.0%	1,930	3.4%	988	2.2%
<b>Net income</b>	<b>1,611</b>	<b>3.5%</b>	<b>4,646</b>	<b>8.2%</b>	<b>127</b>	<b>0.3%</b>

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



## 2. 3Q19 Sales analysis

- In the case of IT'S HANBUL, there was a slump in sales between July-August as the summer off-season, but sales recovered beginning September and before China's Singles' Day in November.
- Off-line Stores saw a drop in sales due to the restructuring of shops that demonstrated poor progress, yet there is progression for profitable improvements with prospects for restructuring of shops within the year.
- Duty free shops continue to suffer from difficult business environments due to deepening competition among masstige brands in addition to changes in consumer demands for luxury brands.
- Plans for mid- and long-term growth through fortification of channel accessibility and launching of new goods customized for online and new circulatory channels(H&B, TV Shopping).
- Overseas exports saw a reflection of KRW 6.3 million in pre-order sales during September, just ahead of China's Singles' Day in November, and gradual recovery is expected before the high-demand season of the fourth quarter.

### Quarterly sales trends (Consolidated)

[Unit : KRW Mil.]	3Q18	4Q18	1Q19	2Q19	3Q19
Sales	46,533	55,267	52,339	56,328	44,244
IT'S HANBUL	31,800	32,633	28,906	29,438	20,831
Neopharm	14,378	19,180	19,855	21,451	19,125
E-Nature	671	499	446	826	311
Anne Cosmetics	1,082	1,569	1,388	1,585	1,394
Chinese branches	2,804	6,937	4,518	5,245	4,052
Internal transaction	(4,202)	(5,551)	(2,775)	(2,216)	(1,469)

### Quarterly sales trends (IT'S HANBUL)

[Unit : KRW Mil.]	3Q18	4Q18	1Q19	2Q19	3Q19
Sales	31,800	32,633	28,906	29,438	20,831
Off-line Stores	9,690	10,559	6,212	3,768	2,246
Duty free shops	8,807	8,563	8,407	4,673	3,441
Online mall	331	411	740	864	701
H&B / TV Shopping	-	-	1,047	1,529	(1)
OEM / ODM	3,883	3,728	2,824	2,633	2,467
Overseas exports	9,090	9,372	9,676	15,971	11,978



### 3. 3Q19 Earnings analysis

- In the case of total sales profit, there is a continuous tendency for a rise in cost to sales ratios through implementation of large discount policies for the sake of rise in cost and revitalization of sales according to reductions in production.
- In the case of SG&A, total labor costs maintain a stable standard despite payment of one-time retirement allowance in accordance with the third-quarter restructuring of workforce.
- Continued decrease in total SG&A through control of enterprise expenses such as cuts in marketing costs for profitable improvements and deducted fees through shop closeouts.

#### Quarterly margin trends (Consolidated)

[Unit : KRW Mil.]	3Q18	4Q18	1Q19	2Q19	3Q19
Sales	46,533	55,267	52,339	56,328	44,244
COGS	18,096	23,383	22,250	24,497	21,098
Gross profit	28,437	31,883	30,089	31,831	23,146
SG&A	26,264	28,547	27,468	26,492	23,820
IT'S HANBUL	16,797	17,770	16,000	14,094	12,633
Neopharm	7,192	7,957	8,333	9,231	8,644
Others	2,274	2,820	3,134	3,167	2,543
Operation profit	2,173	3,337	2,621	5,339	(674)
IT'S HANBUL	99	(2,547)	(2,001)	(699)	(4,166)
Neopharm	3,448	5,747	6,334	5,957	5,052
Others	(1,374)	137	(1,712)	82	(1,560)

#### Quarterly margin trends (IT'S HANBUL)

[Unit : KRW Mil.]	3Q18	4Q18	1Q19	2Q19	3Q19
Sales	31,800	32,633	28,906	29,438	20,831
COGS	14,904	17,410	14,908	16,043	12,365
Gross profit	16,896	15,223	13,999	13,394	8,466
Gross profit(%)	53.1%	46.6%	48.4%	45.5%	40.6%
SG&A	16,797	17,770	16,000	14,094	12,633
Labor	3,051	3,444	2,784	2,795	3,040
Marketing	2,418	2,123	1,671	1,846	1,807
Commission	6,633	6,539	6,525	5,397	3,530
Others	4,696	5,664	5,020	4,056	4,256
Operation profit	99	(2,547)	(2,001)	(699)	(4,166)
Operation profit(%)	0.3%	-7.8%	-6.9%	-2.4%	-20.0%



## 4. Summary Consolidated FS

### ○ Financial Statement

[Unit : KRW Mil.]

Account subject	2015	2016	2017	2018	2019 3Q
Current assets	432,825	414,031	419,075	390,708	391,518
Non- current assets	57,139	125,330	143,340	144,873	144,502
<b>Total assets</b>	<b>489,964</b>	<b>539,361</b>	<b>562,416</b>	<b>535,581</b>	<b>536,020</b>
Current liabilities	102,429	90,947	91,196	51,933	48,189
Non-current liabilities	1,542	40,290	1,928	8,902	12,341
<b>Total liabilities</b>	<b>103,971</b>	<b>131,237</b>	<b>93,124</b>	<b>60,835</b>	<b>60,530</b>
Capital	5,724	5,724	10,965	10,965	10,965
Retained earnings	93,406	120,220	141,389	138,815	134,226
Capital surplus	104,956	88,574	285,944	285,944	270,592
Other equity items	6,976	1,224	(1,032)	(807)	(857)
Non-controlling interest	174,931	192,380	32,025	39,829	60,563
<b>Total equity</b>	<b>385,993</b>	<b>408,123</b>	<b>469,292</b>	<b>474,746</b>	<b>475,490</b>

### ○ Comprehensive Income Statement

[Unit : KRW Mil.]

Account subject	2015	2016	2017	2018	2019 3Q
<b>Sales</b>	<b>325,413</b>	<b>326,052</b>	<b>245,737</b>	<b>214,122</b>	<b>152,911</b>
COGS	116,066	112,642	90,395	84,499	67,845
SA&G	86,080	122,544	109,977	109,710	77,780
<b>Operating profit</b>	<b>123,267</b>	<b>90,866</b>	<b>45,366</b>	<b>19,913</b>	<b>7,286</b>
<b>OPM(%)</b>	<b>37.9%</b>	<b>27.9%</b>	<b>18.5%</b>	<b>9.3%</b>	<b>4.8%</b>
Financial income	4,133	6,695	5,989	7,511	7,334
Financial cost	424	1,611	2,729	3,656	1,547
Equity-method gains	(1,529)	3,137	-	-	-
Non-operating income	96	(79)	130	2,255	(1,056)
Corporate tax	45,190	27,705	6,744	7,468	4,628
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>7,389</b>
<b>NIM(%)</b>	<b>24.7%</b>	<b>20.4%</b>	<b>17.1%</b>	<b>8.7%</b>	<b>4.8%</b>