

IT'S HANBUL

4Q19 Earnings Release

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IT'S HANBUL Strategic Planning Team



It'S HANBUL



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1. Summary of 4Q19 earnings(Consolidated FS)

4Q19 Sales of KRW 51.5 bil.(YoY -6.7%) and Operating profit of KRW 3.6 bil.(YoY +9.2%).

[Unit : KRW Mil.]	4Q18 (YoY)		3Q19 (QoQ)		4Q19	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Sales	55,267	100.0%	44,244	100.0%	51,548	100.0%
IT'S HANBUL	32,633	59.0%	20,831	47.1%	23,719	46.0%
Neopharm	19,180	34.7%	19,125	43.2%	22,810	44.3%
E-nature	499	0.9%	311	0.7%	324	0.6%
Anne Cosmetics	1,569	2.8%	1,394	3.2%	1,522	3.0%
Chinese branches *	6,937	12.6%	4,052	9.2%	7,451	14.5%
Internal transaction	(5,551)	-10.0%	(1,469)	-3.3%	(4,279)	-8.3%
COGS	23,383	42.3%	21,098	47.7%	22,780	44.2%
Growth profit	31,883	57.7%	23,146	52.3%	28,768	55.8%
SG&A	28,547	51.7%	23,820	53.8%	25,123	48.7%
Operating profit	3,337	6.0%	(674)	-1.5%	3,645	7.1%
IT'S HANBUL	(2,547)	-4.6%	(4,166)	-9.4%	(2,748)	-5.3%
Neopharm	5,747	10.4%	5,052	11.4%	5,617	10.9%
Others	137	0.2%	(1,560)	-3.5%	776	1.5%
Net income before income tax	3,963	7.2%	1,116	2.5%	3,563	6.9%
Corporate tax	1,271	2.3%	988	2.2%	4,696	9.1%
Net income	2,693	4.9%	127	0.3%	(1,133)	-2.2%

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



2. 4Q19 Sales analysis

- IT'S HANBUL's sales in China temporarily recovered around Single's Day in November, but its sales environment continues to be sluggish overall.
- In addition to efforts to improve profitability by reducing franchises and distribution stores, domestic channels are consistently striving to expand new channels such as online stores, TV shopping and H&B.
- The high margin Zeroid is leading company-wide profit growth for Neopharm, and existing brands such as Atopalm are maintaining steadiness.
- The newly launched brand T-els and health supplement brand Bulgaricus are expected to contribute to sales growth as a new driving momentum.
- The Chinese corporate body reached beyond its annual sales goal of KRW 20 billion, boosted mainly by Single's Day sales and is expected to focus on its OEM and ODM businesses.

Quarterly sales trends (Consolidated)

[Unit : KRW Mil.]	4Q18	1Q19	2Q19	3Q19	4Q19
Sales	55,267	52,339	56,328	44,244	51,548
IT'S HANBUL	32,633	28,906	29,438	20,831	23,719
Neopharm	19,180	19,855	21,451	19,125	22,810
E-Nature	499	446	826	311	324
Anne Cosmetics	1,569	1,388	1,585	1,394	1,522
Chinese branches	6,937	4,518	5,245	4,052	7,451
Internal transaction	(5,551)	(2,775)	(2,216)	(1,469)	(4,279)

Quarterly sales trends (Non-Consolidated)

[Unit : KRW Mil.]	4Q18	1Q19	2Q19	3Q19	4Q19
Sales	32,633	28,906	29,438	20,831	23,719
Domestic sales	10,970	7,377	6,161	2,946	2,994
Overseas exports	9,372	11,065	15,971	11,978	12,758
Duty free shops	8,563	8,407	4,673	3,441	4,106
OEM / ODM	3,728	2,058	2,633	2,467	3,862
QoQ(%)	2.6%	-11.4%	1.8%	-29.2%	13.9%
YoY(%)	-45.3%	-30.2%	-20.2%	-34.5%	-27.3%



3. 4Q19 Earnings analysis

- As for the gross margin, there is an upturn trend in the rate of sales cost due to increased raw cost per unit product following the decrease in production and discount policies to promote sales.
- IT'S HANBUL is decreasing its SG&A due to a company-wide effort to decrease costs by decreasing underachieving stores and reorganizing its labor force, but Neopharm's SG&A is expected to rise slightly based on marketing investments to find new sources of growth by launching new brands such as T-els and Bulgaricus.

Quarterly margin trends (Consolidated)

[Unit : KRW Mil.]	4Q18	1Q19	2Q19	3Q19	4Q19
Sales	55,267	52,339	56,328	44,244	51,548
COGS	23,383	22,250	24,497	21,098	22,780
Gross profit	31,883	30,089	31,831	23,146	28,768
SG&A	28,547	27,468	26,492	23,820	25,123
IT'S HANBUL	17,770	16,000	14,094	12,633	11,988
Neopharm	7,957	8,333	9,231	8,644	10,935
Others	2,820	3,134	3,167	2,543	2,200
Operation profit	3,337	2,621	5,339	(674)	3,645
IT'S HANBUL	(2,547)	(2,001)	(699)	(4,166)	(2,748)
Neopharm	5,747	6,334	5,957	5,052	5,617
Others	137	(1,712)	82	(1,560)	776

Quarterly margin trends (Non-Consolidated)

[Unit : KRW Mil.]	4Q18	1Q19	2Q19	3Q19	4Q19
Sales	32,633	28,906	29,438	20,831	23,719
COGS	17,410	14,908	16,043	12,365	14,479
Gross profit	15,223	13,999	13,394	8,466	9,240
Gross profit(%)	46.6%	48.4%	45.5%	40.6%	39.0%
SG&A	17,770	16,000	14,094	12,633	11,988
Labor	3,444	2,784	2,795	3,040	2,149
Marketing	2,123	1,671	1,846	1,807	2,308
Commission	6,539	6,525	5,397	3,530	3,860
Others	5,664	5,020	4,056	4,256	3,672
Operation profit	(2,547)	(2,001)	(699)	(4,166)	(2,748)
Operation profit(%)	-7.8%	-6.9%	-2.4%	-20.0%	-11.6%



4. Summary Consolidated FS

○ Financial Statement

[Unit : KRW Mil.]

Account subject	2015	2016	2017	2018	2019
Current assets	432,825	414,031	419,075	390,708	390,977
Non- current assets	57,139	125,330	143,340	144,873	148,461
Total assets	489,964	539,361	562,416	535,581	539,439
Current liabilities	102,429	90,947	91,196	51,933	57,924
Non-current liabilities	1,542	40,290	1,928	8,902	6,969
Total liabilities	103,971	131,237	93,124	60,835	64,893
Capital	5,724	5,724	10,965	10,965	10,965
Retained earnings	93,406	120,220	141,389	138,815	130,571
Capital surplus	104,956	88,574	285,944	285,944	271,434
Other equity items	6,976	1,224	(1,032)	(807)	(1,335)
Non-controlling interest	174,931	192,380	32,025	39,829	62,910
Total equity	385,993	408,123	469,292	474,746	474,545

○ Comprehensive Income Statement

[Unit : KRW Mil.]

Account subject	2015	2016	2017	2018	2019
Sales	325,413	326,052	245,737	214,122	204,458
COGS	116,066	112,642	90,395	84,499	90,624
SA&G	86,080	122,544	109,977	109,710	102,902
Operating profit	123,267	90,866	45,366	19,913	10,932
OPM(%)	37.9%	27.9%	18.5%	9.3%	5.3%
Financial income	4,133	6,695	5,989	7,511	8,101
Financial cost	424	1,611	2,729	3,656	2,200
Equity-method gains	(1,529)	3,137	-	-	-
Non-operating income	96	(79)	130	2,255	(1,253)
Corporate tax	45,190	27,705	6,744	7,468	9,324
Consolidation adjustment	-	(4,637)	-	-	-
Net income	80,353	66,667	42,012	18,556	6,257
NIM(%)	24.7%	20.4%	17.1%	8.7%	3.1%