

IT'S HANBUL

3Q18 Earnings Release

2018.11.14

IT'S HANBUL External Cooperation Team



It'S HANBUL



Disclaimer

This presentation has been prepared by IT'S HANBUL ("the Company") with an aim of providing investors with the latest information about the Company. The presentation may not be reproduced in whole or in part; neither can any of its contents be divulged to any third party without the prior consent of the Company.

By participating in this presentation, investors are assumed to acknowledge the stated restrictions; any violation of the restrictions is a violation of the Capital Market Consolidation Act in Korea.

The accuracy of the "forward-looking statements" included in this presentation has not been verified independently. Such forward-looking statements consist of projections and outlook of the Company concerning its business status and financial results and include, but are not limited to, words such as "expectation," "forecast," "plan," "anticipation," or "(E)." The forward-looking statements are subject to changes in the business environment, and they involve inherent risks and uncertainties. Please note that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statements.

Furthermore, any future expectations are based on the current business environment and the Company's management direction as of the date of presentation. Future projections may differ or change due to changes in the business environment or due to strategic changes by the Company. The contents of this presentation may change without any prior notification. None of the Company or its respective officers shall assume legal responsibility for any damages or losses that may have occurred from the use of this presentation, including errors and other mistakes that may be included in this presentation.

This presentation neither constitutes nor forms part of an offer or a solicitation to purchase or subscribe to securities for sale, and any information included in this presentation may not be used as basis for related contracts, subscriptions, or investment decisions.

All investment decisions should be based on the information in the securities registration statement provided to the Financial Supervisory Service.



1. Summary of 3Q18 earnings(Consolidated FS)

3Q18 Sales of KRW 46.5 bil.(YoY -16.5%) and Operating profit of KRW 2.2 bil.(YoY -73.8%).

[Unit : KRW Mil.]	3Q17 (YoY)		2Q18 (QoQ)		3Q18	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Sales	55,701	100.0%	54,043	100.0%	46,533	100.0%
IT'S HANBUL	44,398	79.7%	36,905	68.3%	31,800	68.3%
Neopharm	11,470	20.6%	16,088	29.8%	14,378	30.9%
E-nature	-	0.0%	1,245	2.3%	671	1.4%
Anne Cosmetics	-	0.0%	-	0.0%	1,082	2.3%
Chinese branches *	-	0.0%	1,022	1.9%	2,804	6.0%
Internal transaction	-168	-0.3%	-1,217	-2.3%	-4,202	-9.0%
COGS	22,286	40.0%	21,368	39.5%	18,096	38.9%
Growth profit	33,415	60.0%	32,675	60.5%	28,437	61.1%
SG&A	25,116	45.1%	28,748	53.2%	26,264	56.4%
Operating profit	8,299	14.9%	3,926	7.3%	2,173	4.7%
IT'S HANBUL	5,800	10.4%	462	0.9%	99	0.2%
Neopharm & Others	2,499	4.5%	3,464	6.4%	2,074	4.5%
Net income before income tax	9,226	16.6%	5,416	10.0%	2,997	6.4%
Corporate tax	2,423	4.4%	1,361	2.5%	1,386	3.0%
Net income	6,803	12.2%	4,056	7.5%	1,611	3.5%

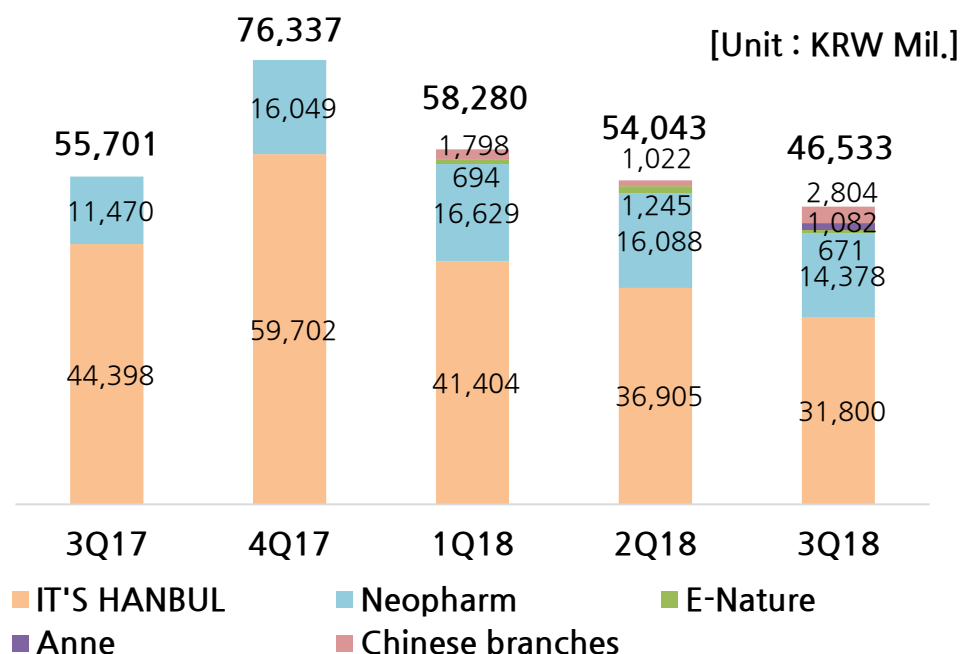
* Chinese branches has recorded the combined results of the Huzhou manufacturing Company and the Shanghai Sales Company.



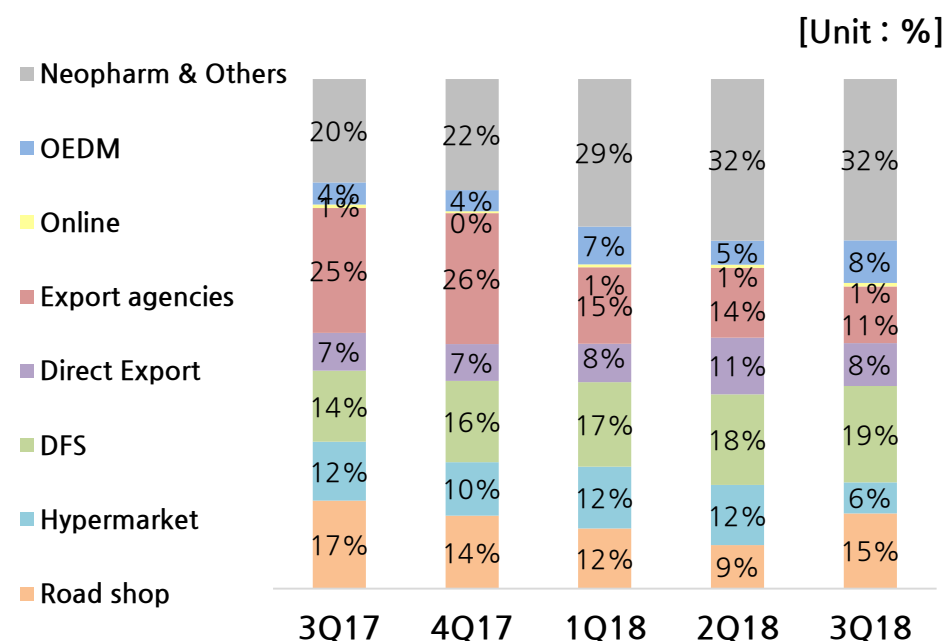
2. 3Q18 Sales analysis

- Despite It'S HANBUL's D'escargot line suffering mildly stunted trend in growth recently due to the implementation of price defense business policy and distribution channel expenditures, qualitative growth is anticipated through future product launching, in tandem with active mergers and acquisitions of within the beauty industry, and becoming an official corporate body within the Chinese market.
- Amid the off-season numbers for Neopharm during the summer season, Atopalm is currently experiencing stable growth through the exclusive, summer product launching with sun cushions and other products, while Zeroid and Real-barrier lead the dermacosmetics category, resulting in the store expansion within hospitals and clinics, as well as the H&B Shop, for an increase in sales growth performance.
- As a color cosmetics manufacturing specialist, Anne was integrated as a subsidiary following the acquisition of shares in July 2018.
- Chinese branches are experiencing a continued increasing trend in sales growth, and following the launching of the inaugural Hangzhou branch in November 2018, further sales growth is anticipated.

Consolidated sales by business division



Consolidated sales ratio by channel

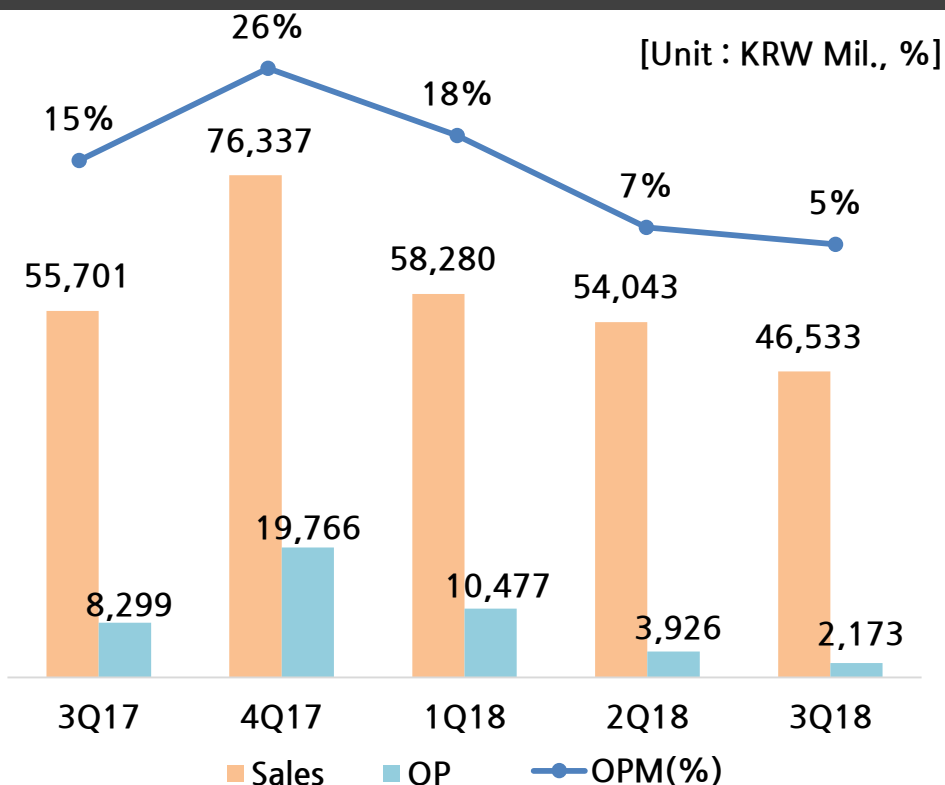




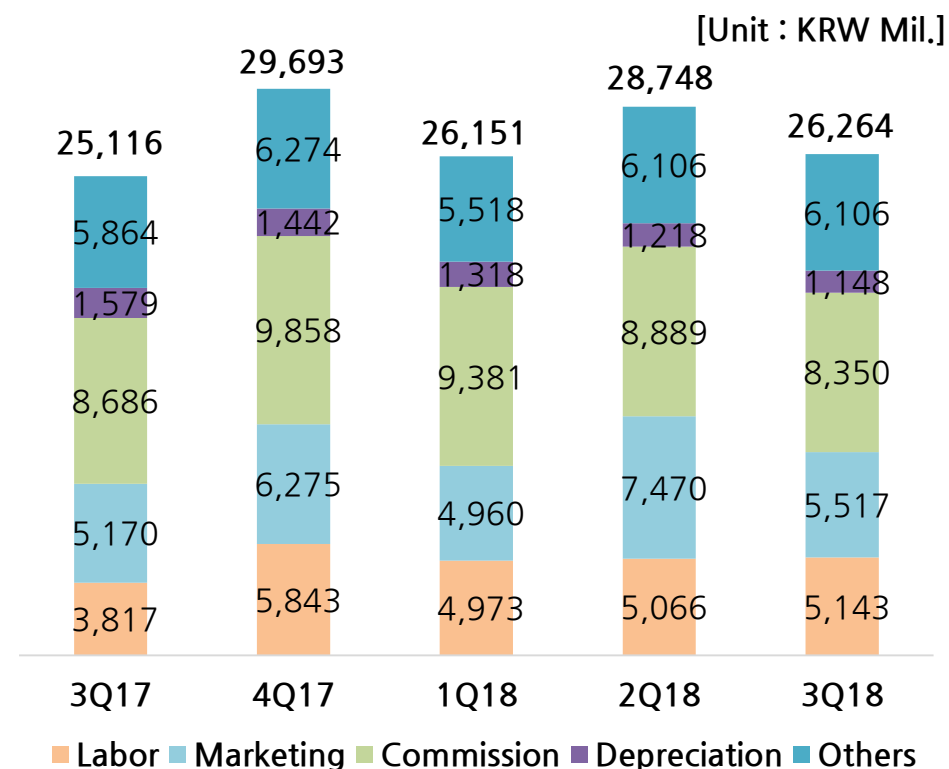
3. 3Q18 Earnings analysis

- The budget for SG&A expenditure saw a reduction in marketing costs reaching KRW 2 billion, compared to the previous quarter, and eliminated single expenses arising from model replacement and theater advertising. Surcharge cost reduction is also on a decreasing trend thanks to optimized efficiency in domestic store operations amid efforts to improve upon profitability.
- However, the high contribution margins of export agencies are undergoing a steep decrease in sales, while business sales profits continue on the decline following the poor performance of subsidiaries. Business sales profits growth is anticipated through future product launching, in tandem with active mergers and acquisitions within the beauty industry, and becoming an official corporate body within the Chinese market.

Consolidated earnings trend



Consolidated SG&A trend





4. Summary Consolidated FS

○ Financial Statement

[Unit : KRW Mil.]

Account subject	2014	2015	2016	2017	2018 3Q
Current assets	156,254	432,825	414,031	419,075	390,556
Non- current assets	28,009	57,139	125,330	143,340	144,491
Total assets	184,263	489,964	539,361	562,416	535,047
Current liabilities	75,193	102,429	90,947	91,196	53,640
Non-current liabilities	9,607	1,542	40,290	1,928	9,386
Total liabilities	84,801	103,971	131,237	93,124	63,026
Capital	5,724	5,724	5,724	10,965	10,965
Retained earnings	53,614	93,406	120,220	141,389	139,200
Capital surplus	9,193	104,956	88,574	285,944	285,944
Other equity items	(2,297)	6,976	1,224	(1,032)	(892)
Non-controlling interest	-	174,931	192,380	32,025	36,804
Total equity	99,462	385,993	408,123	469,292	472,021

○ Comprehensive Income Statement

[Unit : KRW Mil.]

Account subject	2014	2015	2016	2017	2018 3Q
Sales	260,706	325,413	326,052	245,737	158,856
COGS	99,390	116,066	112,642	90,395	61,116
SA&G	56,051	86,080	122,544	109,977	81,163
Operating profit	105,264	123,267	90,866	45,366	16,576
OPM(%)	40.4%	37.9%	27.9%	18.5%	10.4%
Financial income	1,100	4,133	6,695	5,870	5,659
Financial cost	210	424	1,611	2,521	2,725
Equity-method gains	(112)	(1,529)	3,137	-	-
Non-operating income	1,062	96	(79)	41	2,550
Corporate tax	35,318	45,190	27,705	6,744	6,197
Consolidation adjustment	-	-	(4,637)	-	-
Net income	71,785	80,353	66,667	42,012	15,863
NIM(%)	27.5%	24.7%	20.4%	17.1%	10.0%