

# **IT'S HANBUL**

## **4Q18 Earnings Release**

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IT'S HANBUL External Cooperation Team



# It'S HANBUL



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# 1. Summary of 4Q18 earnings(Consolidated FS)

**4Q18 Sales of KRW 55.3 bil.(YoY -27.6%) and Operating profit of KRW 3.3 bil.(YoY -83.1%).**

[Unit : KRW Mil.]	4Q17 (YoY)		3Q18 (QoQ)		4Q18	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
<b>Sales</b>	<b>76,337</b>	<b>100.0%</b>	<b>46,533</b>	<b>100.0%</b>	<b>55,267</b>	<b>100.0%</b>
IT'S HANBUL	59,702	78.2%	31,800	68.3%	32,633	59.0%
Neopharm	16,049	21.0%	14,378	30.9%	19,180	34.7%
E-nature	-	-	671	1.4%	499	0.9%
Anne Cosmetics	-	-	1,082	2.3%	1,569	2.8%
Chinese branches *	-	-	2,804	6.0%	6,937	12.6%
Internal transaction	585	0.8%	-4,202	-9.0%	-5,551	-10.0%
<b>COGS</b>	<b>26,878</b>	<b>35.2%</b>	<b>18,096</b>	<b>38.9%</b>	<b>23,383</b>	<b>42.3%</b>
<b>Growth profit</b>	<b>49,458</b>	<b>64.8%</b>	<b>28,437</b>	<b>61.1%</b>	<b>31,883</b>	<b>57.7%</b>
<b>SG&amp;A</b>	<b>29,693</b>	<b>38.9%</b>	<b>26,264</b>	<b>56.4%</b>	<b>28,547</b>	<b>51.7%</b>
<b>Operating profit</b>	<b>19,766</b>	<b>25.9%</b>	<b>2,173</b>	<b>4.7%</b>	<b>3,337</b>	<b>6.0%</b>
IT'S HANBUL	15,984	20.9%	99	0.2%	-2,547	-4.6%
Neopharm & Others	3,782	5.0%	2,074	4.5%	5,884	10.6%
<b>Net income before income tax</b>	<b>20,516</b>	<b>26.9%</b>	<b>2,997</b>	<b>6.4%</b>	<b>3,963</b>	<b>7.2%</b>
Corporate tax	184	0.2%	1,386	3.0%	1,271	2.3%
<b>Net income</b>	<b>20,332</b>	<b>26.6%</b>	<b>1,611</b>	<b>3.5%</b>	<b>2,693</b>	<b>4.9%</b>

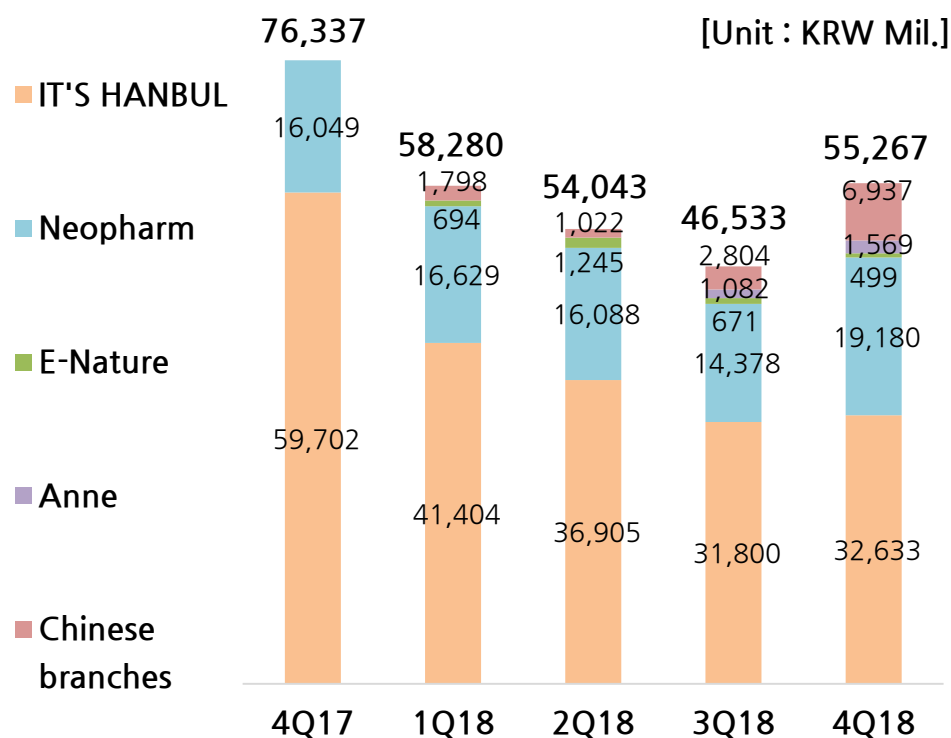
\* Chinese branches has recorded the combined results of the Huzhou manufacturing Company and the Shanghai Sales Company.



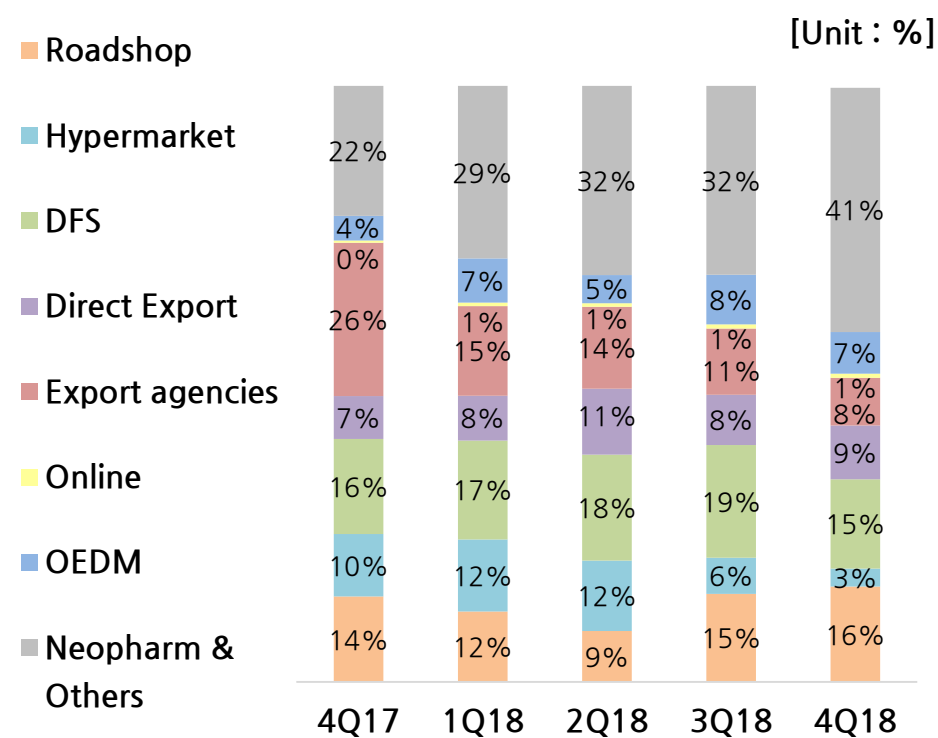
## 2. 4Q18 Sales analysis

- External growth of IT'S HANBUL is limited due to enforcement of Chinese electronic commercial law and decreasing export agencies & duty free shop channel sales.
- Structural reform of distribution channels continues by improving profitability through reducing the number of shops while expanding to online, home shopping, H&B, etc.
- Brand portfolio concentrated in IT'S SKIN will be diversified by launching a new brand and M&A in 1Q '19 to help invigorate China-based business.
- Neopharm's Zeroid products have a big margin and sell in more clinics and hospitals recording continuous sales growth amid an improving rate of operating profit.
- Increased demands during National Day in October and Singles Day in November have brought about significant sales in the Chinese branches with D'escargot line.

### Consolidated sales by business division



### Consolidated sales ratio by channel



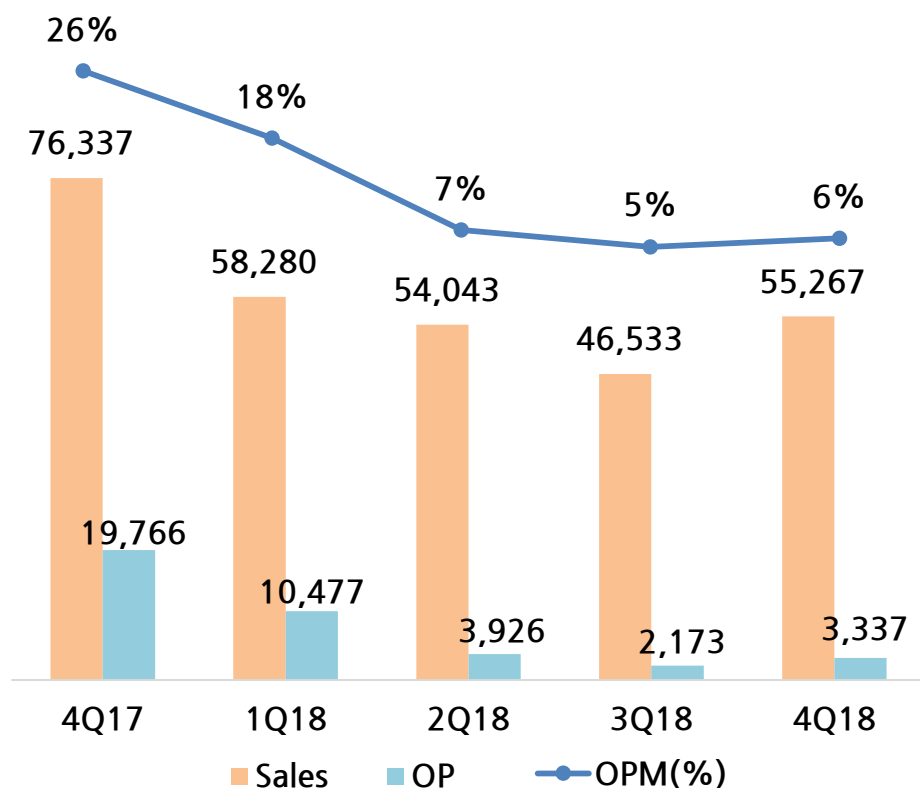


### 3. 4Q18 Earnings analysis

- COGS has increased, compared to the same quarter last year (4Q17 : 35.2% → 4Q18 : 42.3% / FY2017 - 36.8% → FY2018 - 39.5%), due to one-time cost issues, such as the increase of unit cost from the decreased output, the addition of Anne Cosmetics and Chinese branches as consolidated corporations, and inventory disposal.
- Among SG&A, marketing expense is managed within a stable range via online and SNS marketing activities out of traditional ones, such as TV-CM. Fees, which make up the largest percentage of SG&A, are expected to decrease amid the reducing of offline shops, such as road shops, Hypermarkets, etc., in the future.

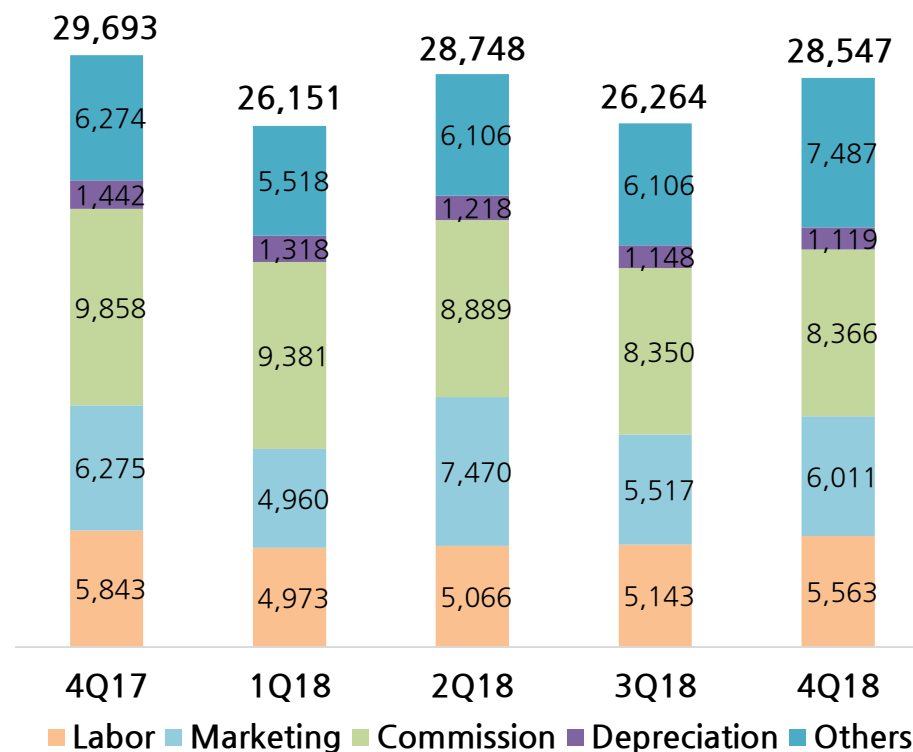
#### Consolidated earnings trend

[Unit : KRW Mil., %]



#### Consolidated SG&A trend

[Unit : KRW Mil.]





## 4. Summary Consolidated FS

### ○ Financial Statement

[Unit : KRW Mil.]

Account subject	2014	2015	2016	2017	2018
Current assets	156,254	432,825	414,031	419,075	390,708
Non-current assets	28,009	57,139	125,330	143,340	144,873
<b>Total assets</b>	<b>184,263</b>	<b>489,964</b>	<b>539,361</b>	<b>562,416</b>	<b>535,581</b>
Current liabilities	75,193	102,429	90,947	91,196	51,933
Non-current liabilities	9,607	1,542	40,290	1,928	8,902
<b>Total liabilities</b>	<b>84,801</b>	<b>103,971</b>	<b>131,237</b>	<b>93,124</b>	<b>60,835</b>
Capital	5,724	5,724	5,724	10,965	10,965
Retained earnings	53,614	93,406	120,220	141,389	138,815
Capital surplus	9,193	104,956	88,574	285,944	285,944
Other equity items	(2,297)	6,976	1,224	(1,032)	(807)
Non-controlling interest	-	174,931	192,380	32,025	39,829
<b>Total equity</b>	<b>99,462</b>	<b>385,993</b>	<b>408,123</b>	<b>469,292</b>	<b>474,746</b>

### ○ Comprehensive Income Statement

[Unit : KRW Mil.]

Account subject	2014	2015	2016	2017	2018
<b>Sales</b>	<b>260,706</b>	<b>325,413</b>	<b>326,052</b>	<b>245,737</b>	<b>214,122</b>
COGS	99,390	116,066	112,642	90,395	84,499
SA&G	56,051	86,080	122,544	109,977	109,710
<b>Operating profit</b>	<b>105,264</b>	<b>123,267</b>	<b>90,866</b>	<b>45,366</b>	<b>19,913</b>
<b>OPM(%)</b>	<b>40.4%</b>	<b>37.9%</b>	<b>27.9%</b>	<b>18.5%</b>	<b>9.3%</b>
Financial income	1,100	4,133	6,695	5,870	7,511
Financial cost	210	424	1,611	2,521	3,656
Equity-method gains	(112)	(1,529)	3,137	-	-
Non-operating income	1,062	96	(79)	41	2,255
Corporate tax	35,318	45,190	27,705	6,744	7,468
Consolidation adjustment	-	-	(4,637)	-	-
<b>Net income</b>	<b>71,785</b>	<b>80,353</b>	<b>66,667</b>	<b>42,012</b>	<b>18,556</b>
<b>NIM(%)</b>	<b>27.5%</b>	<b>24.7%</b>	<b>20.4%</b>	<b>17.1%</b>	<b>8.7%</b>