

It°S HANBUL

Investor Relations 2017

IT°S HANBUL 2Q 2017 Earnings Release

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IR & PR Team



It'S HANBUL



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1. Summary of 1H '17 Earnings (Consolidated FS)

Sales decreased 35.4% to 113.7bn due to the THAAD issue, OP dropped 66.9% to 17.3bn.

[Unit: mn KRW]

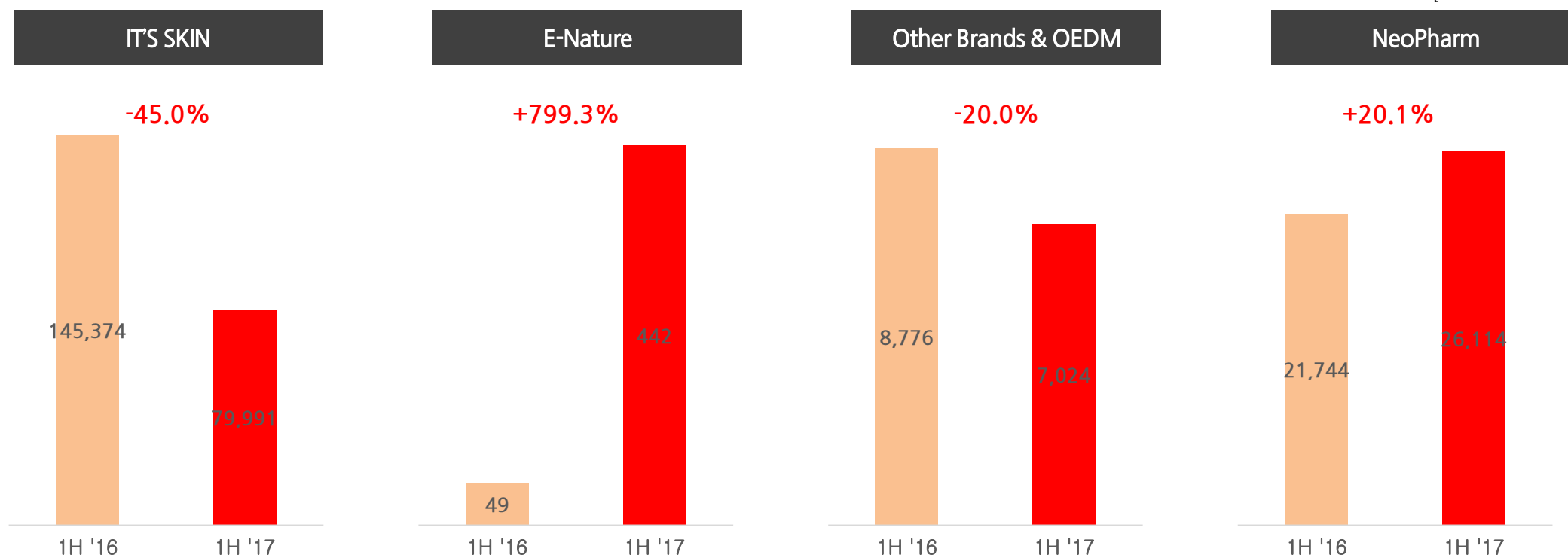
	1H '16		1H '17		YoY(%)
	Amount	% of Sales	Amount	% of Sales	
Sales	175,937	100.0%	113,700	100.0%	-35.4%
IT'S SKIN	145,374	82.6%	79,991	70.4%	-45.0%
E-NATURE	49	0.0%	442	0.4%	799.3%
Other Brands & OEDM	8,776	5.0%	7,024	6.1%	-20.0%
IT'S HANBUL	154,200	87.6%	87,457	76.9%	-43.3%
NEOPHARM	21,744	12.4%	26,114	23.0%	20.1%
Internal Transaction	-6	0.0%	129	0.1%	-2097.2%
COGS	60,729	34.5%	41,230	36.3%	-32.1%
Growth Profit	115,208	65.5%	72,470	63.7%	-37.1%
SG&A	62,900	35.8%	55,168	48.5%	-12.3%
Operating Profit	52,308	29.7%	17,302	15.2%	-66.9%
Recurring Profit	58,731	33.4%	19,014	16.7%	-67.6%
Income Tax	14,858	8.4%	4,137	3.6%	-72.2%
Consolidation Adjustment	-3,631	-2.1%	-	0.0%	-100.0%
Net Profit	40,242	22.9%	14,877	13.1%	-63.0%



2. 1H '17 Sales Breakdown by Brand

- **IT'S SKIN** : Sales dropped 45% YoY due to decrease in # of tourists and sluggish export to China, due to the THAAD issue.
- **E-Nature** : Naturalism Mask Sheets approved by CFDA getting more orders thru IT'S SKIN's net work after the merger.
- **Other Brands & OEM** : Despite the stable OEM sales, ICS, Customized Cosmetics Brand, temporarily experienced getting delayed orders because of the geopolitical reasons.
- **NeoPharm** : Sales grew from ATOPALM, No.1 Brand in Sensitive Skin Category in Korea as well as RealBarrier and ZEROID.

[Unit: mn KRW]





3. 1H '17 Sales Breakdown by Region

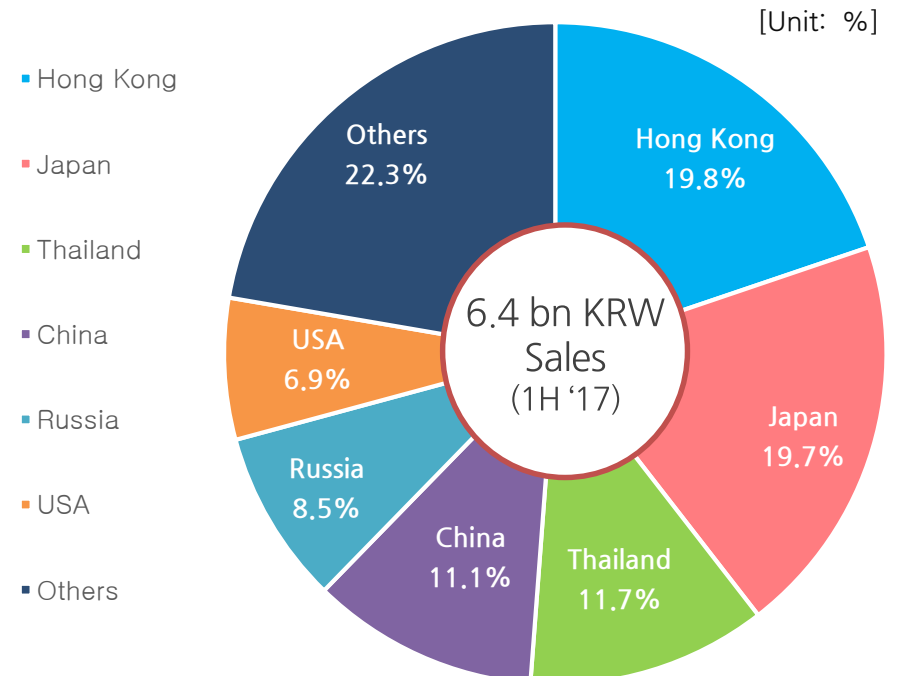
- **Hong Kong** : 116 stores of SASA started direct Sales & Promotion, and expected to expand the direct sales to China .
- **Japan** : Steady Sales from two stand alone shops and shop-in-shops, and planning to enter into a new drug store chain.
- **Thailand** : Expected to maintain Sales growth boosted by the global model GOT7, of which member came from Thailand.
- **Russia** : To open up new sales points, on top of the steady sales from stand alone shops at Vladivostok and Ulan-ude.
- **USA** : Highest growth rate to be obtained, after entering a super market chain and Drugstores, thanks to the K-beauty.
- **Spain** : Just entered into 101 stores of SEPHORA with 10 items, and expected to expand to other SEPHORA in Europe.

Newly Opened Sales Points during 1H '17



<Left : 101 stores SEPHORA Spain / Right : 116 stores SASA Hong Kong>

% of Sales by Region (As of 1H '17)





3. 1H '17 Sales Breakdown by Product

- Sales of Non-snail grew 125% QoQ (BB Cushion, Tone-up Cushion, Balm and Gel from *Tiger Cica Line* & *Life Color Line*.)
- Top 5 steady sellers such as Eye Cream, Skin, Lotion, Mask Sheet from '*PRESTIGE (Ginseng) D'escargot*' line and '*Power 10*' expanded line contributed the most as usual, while newly introduced products also generated sale growth in local market.
- '*Cica herb restore*' & '*Squeeze green watery sheet mask*' of E-Nature will enter into China after the success in EU and USA.
- Channel exclusive products drove the local market, *Life Color Line* for online transaction, '*Propolis Cream D'escargot*' only for tourist attraction stores / *D'escargot ample* for Homeshopping Channel, '*Power 10 Hair & Body*' for E-mart.





5. . Cost Analysis : SG&A

- **Labor Cost** : Increased 13% YoY after hiring more employees for all related companies after the Merger in May '17.
- **Marketing Cost** : THAAD and the Merger delayed the TV commercials or Advertisement cost by 34.4% YoY.
- **Commission** : Decreased by 14.3% YoY due to the Sales drop from the Duty Free Shops, and Hypermarket Stores.
- **Depreciation** : Increased by 20.4% from the interior deprecation both for opening up stores and interior renewal.

[Unit : mn KRW]

	1H '16		1H '17		YoY(%)
	Amount	%	Amount	%	
SG&A	62,900	100.0%	55,168	100.0%	-12.3%
Labor	7,384	11.7%	8,345	15.1%	13.0%
Marketing	22,195	35.3%	14,558	26.4%	-34.4%
Advertisement	17,929	28.5%	9,534	17.3%	-46.8%
Promotion	2,737	4.4%	3,729	6.8%	36.2%
Event	1,529	2.4%	1,296	2.3%	-15.3%
Commission	21,538	34.2%	18,448	33.4%	-14.3%
Payment Commission	9,763	15.5%	13,871	25.1%	42.1%
Selling Commission	11,775	18.7%	4,577	8.3%	-61.1%
Depreciation	2,684	4.3%	3,231	5.9%	20.4%
Others	9,099	14.5%	10,586	19.2%	16.3%



6. FS Summary

○ Statement of Financial Position

[Unit : Million KRW]

	2013	2014	2015	2016	2017 2Q
Current assets	11,408	156,254	432,825	414,031	380,416
Non-current assets	14,283	28,009	57,139	125,330	135,124
Total assets	25,691	184,263	489,964	539,361	515,540
Current liabilities	8,210	75,193	102,429	90,947	65,016
Non-current liabilities	282	9,607	1,542	40,290	2,222
Total liabilities	8,492	84,801	103,971	131,237	67,238
Capital stock	3,385	5,724	5,724	5,724	10,965
Retained earnings	13,814	53,614	93,406	120,220	118,906
Capital Surplus	-	9,193	104,956	88,574	289,031
Other equity items	-	(2,297)	6,976	1,224	(546)
Non-controlling interests	-	-	174,931	192,380	29,946
Total shareholders' equity	17,199	99,462	385,993	408,123	448,302

○ Comprehensive Income Statement

[Unit : Million KRW]

	2013	2014	2015	2016	2017 2Q
Sales	36,278	260,706	325,413	326,052	113,700
COGS	32,025	99,390	116,066	112,642	41,230
SG&A expenses	3,348	56,051	86,080	122,544	55,168
Operating income	906	105,264	123,267	90,866	17,302
Operating Margin(%)	2.5%	40.4%	37.9%	27.9%	15.2%
Financing Income	30	1,100	4,133	6,695	2,905
Financing Expense	98	210	424	1,611	1,173
Equity method income	-	(112)	(1,529)	3,137	-
Non-operating expenses	37	1,062	96	(79)	-20
Corporate tax	186	35,318	45,190	27,705	4,137
Consolidation Adjustment	-	-	-	(4,637)	-
Net income	690	71,785	80,353	66,667	14,877
Net Income Margin(%)	1.9%	27.5%	24.7%	20.4%	13.0%