

**It'S HANBUL**

Investor Relations 2017

# **IT'S HANBUL 4Q17 Earnings Release**

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# It'S HANBUL



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# 1. Summary of 4Q17 earnings(Consolidated FS)

**4Q17 sales of KRW 763bn(+37% QoQ, -6% YoY) and OP of KRW 195bn(+135% QoQ, +3% YoY)**

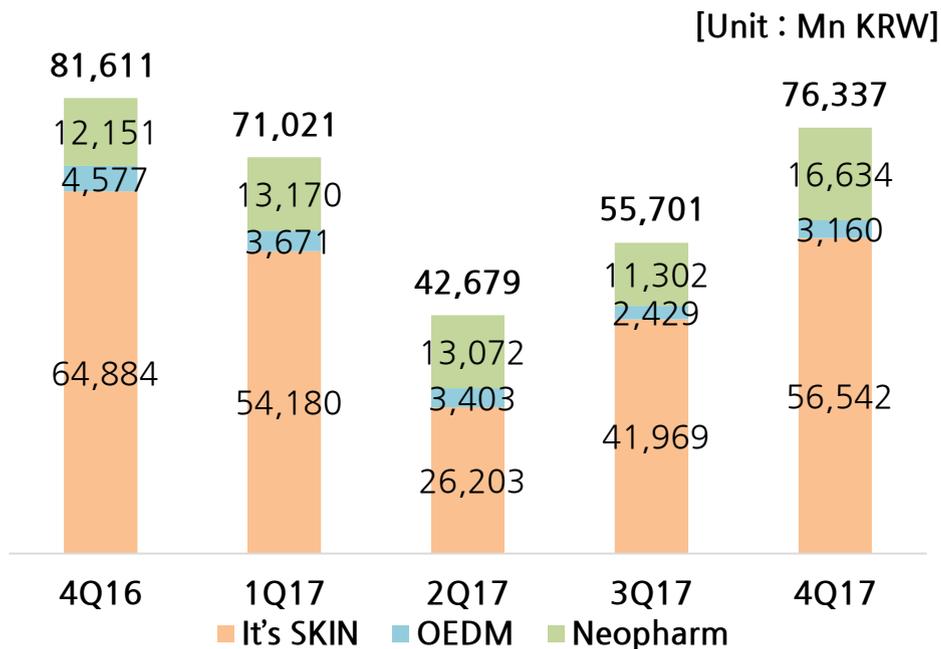
| [Unit : Mn KRW]              | 4Q16 (YoY) |            | 3Q17 (QoQ) |            | 4Q17    |            |
|------------------------------|------------|------------|------------|------------|---------|------------|
|                              | Amount     | % of sales | Amount     | % of sales | Amount  | % of sales |
| Sales                        | 81,611     | 100%       | 55,701     | 100%       | 76,337  | 100%       |
| IT'S SKIN                    | 64,884     | 80%        | 41,969     | 75%        | 56,542  | 73%        |
| OEDM                         | 4,577      | 6%         | 2,429      | 4%         | 3,160   | 5%         |
| IT'S HANBUL                  | 69,461     | 85%        | 44,398     | 80%        | 59,702  | 78%        |
| Neopharm                     | 12,181     | 15%        | 11,470     | 21%        | 16,049  | 22%        |
| Internal transaction         | (30)       | 0%         | (168)      | 0%         | 585     | 0%         |
| COGS                         | 28,171     | 35%        | 22,286     | 40%        | 28,294  | 37%        |
| Growth profit                | 53,440     | 65%        | 33,415     | 60%        | 48,043  | 63%        |
| SG&A                         | 34,593     | 42%        | 25,116     | 45%        | 28,561  | 37%        |
| Operating profit             | 18,847     | 23%        | 8,299      | 15%        | 19,482  | 26%        |
| Net income before income tax | 19,796     | 24%        | 9,226      | 17%        | 20,232  | 27%        |
| Corporate tax                | 6,594      | 8%         | 2,423      | 4%         | (2,294) | -3%        |
| Consolidation adjustment     | 111        | 0%         | -          | 0%         | -       | -          |
| Net income                   | 13,313     | 16%        | 6,803      | 12%        | 22,526  | 30%        |



## 2. 4Q17 Sales analysis

- In the case of IT'S SKIN, agent-based export to China and duty-free shops are leading the sales growth as the trend of deregulating customs clearance is expected to persist for a while.
- Neopharm is enjoying continued growth as H&B, one its main brands, wins more stores, and sales of its UV blocking products targeting the summer season are growing.
- Major hit trends in the 4thquarter include the continued popularity of new products such as color cosmetics of the Life Color line in commemoration of the year as well as creams of the Power 10 line.
- 2018 is expected to see further sales growth through the activation of the factory in Huzhou, China and full-fledged penetration into online and retail distribution channels in China.

Consolidated sales by business division



4Q17 Major hit products

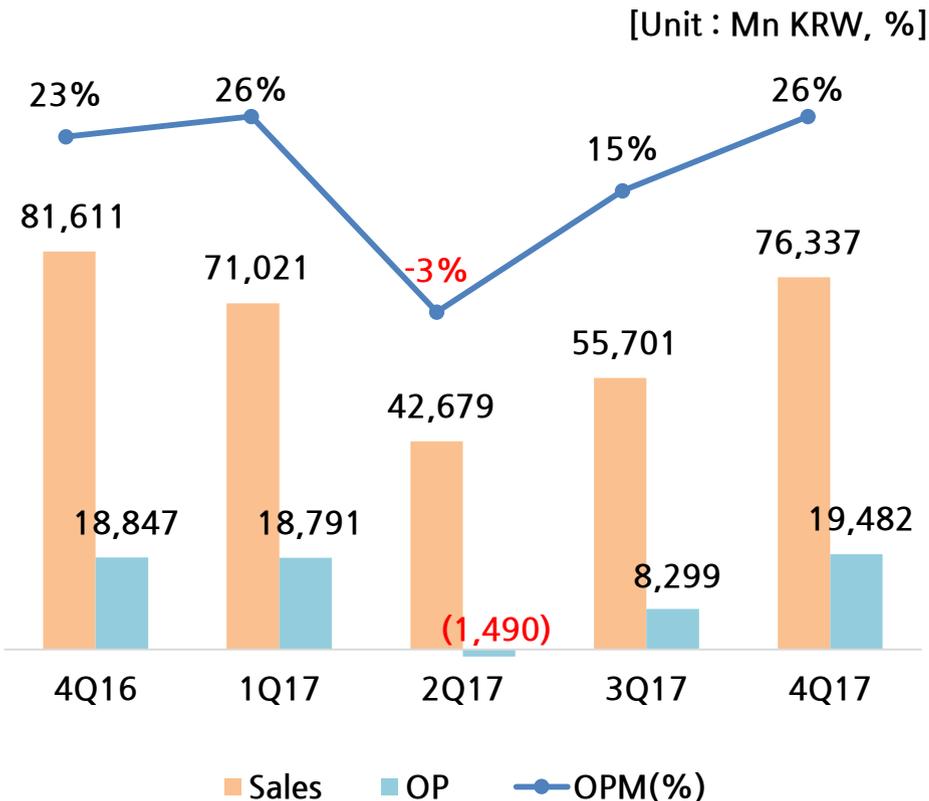




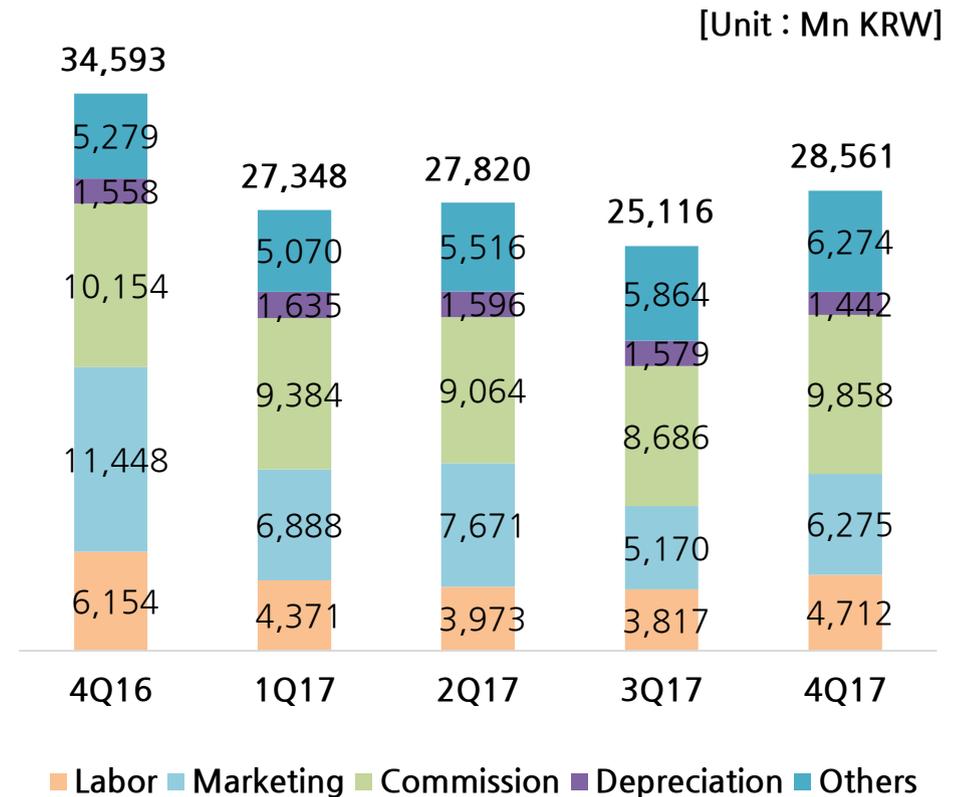
### 3. 4Q17 Earnings analysis

- SG&A maintained an improved overall profit ratio despite the increased variable cost from sales growth since the burden of fixed cost is removed.
- In terms of non-operation revenue, stable flow of interest income from the current fixed deposit.
- Regarding corporate tax, there was some refund from the cost in the 4th quarter due to tax adjustment of own stock after the merger.

Consolidated earnings trend



Consolidated SG&A trend





## 4. Summary Consolidated FS

### ○ Financial Statement

[Unit : Mn KRW]

| Account subject          | 2013          | 2014           | 2015           | 2016           | 2017           |
|--------------------------|---------------|----------------|----------------|----------------|----------------|
| Current assets           | 11,408        | 156,254        | 432,825        | 414,031        | 419,775        |
| Non-current assets       | 14,283        | 28,009         | 57,139         | 125,330        | 146,841        |
| <b>Total assets</b>      | <b>25,691</b> | <b>184,263</b> | <b>489,964</b> | <b>539,361</b> | <b>566,616</b> |
| Current liabilities      | 8,210         | 75,193         | 102,429        | 90,947         | 87,497         |
| Non-current liabilities  | 282           | 9,607          | 1,542          | 40,290         | 1,928          |
| <b>Total liabilities</b> | <b>8,492</b>  | <b>84,801</b>  | <b>103,971</b> | <b>131,237</b> | <b>89,425</b>  |
| Capital                  | 3,385         | 5,724          | 5,724          | 5,724          | 10,965         |
| Retained earnings        | 13,814        | 53,614         | 93,406         | 120,220        | 137,270        |
| Capital surplus          | -             | 9,193          | 104,956        | 88,574         | 296,974        |
| Other equity items       | -             | (2,297)        | 6,976          | 1,224          | (925)          |
| Non-controlling interest | -             | -              | 174,931        | 192,380        | 32,907         |
| <b>Total equity</b>      | <b>17,199</b> | <b>99,462</b>  | <b>385,993</b> | <b>408,123</b> | <b>477,191</b> |

### ○ Comprehensive Income Statement

[Unit : Mn KRW]

| Account subject          | 2013          | 2014           | 2015           | 2016           | 2017           |
|--------------------------|---------------|----------------|----------------|----------------|----------------|
| <b>Sales</b>             | <b>36,278</b> | <b>260,706</b> | <b>325,413</b> | <b>326,052</b> | <b>245,737</b> |
| COGS                     | 32,025        | 99,390         | 116,066        | 112,642        | 91,810         |
| SA&G                     | 3,348         | 56,051         | 86,080         | 122,544        | 108,845        |
| <b>Operating profit</b>  | <b>906</b>    | <b>105,264</b> | <b>123,267</b> | <b>90,866</b>  | <b>45,082</b>  |
| <b>OPM(%)</b>            | <b>2.5%</b>   | <b>40.4%</b>   | <b>37.9%</b>   | <b>27.9%</b>   | <b>18.3%</b>   |
| Financial income         | 30            | 1,100          | 4,133          | 6,695          | 5,987          |
| Financial cost           | 98            | 210            | 424            | 1,611          | 2,729          |
| Equity-method gains      | -             | (112)          | (1,529)        | 3,137          | -              |
| Non-operating income     | 37            | 1,062          | 96             | (79)           | 132            |
| Corporate tax            | 186           | 35,318         | 45,190         | 27,705         | 4,266          |
| Consolidation adjustment | -             | -              | -              | (4,637)        | -              |
| <b>Net income</b>        | <b>690</b>    | <b>71,785</b>  | <b>80,353</b>  | <b>66,667</b>  | <b>44,206</b>  |
| <b>NIM(%)</b>            | <b>1.9%</b>   | <b>27.5%</b>   | <b>24.7%</b>   | <b>20.4%</b>   | <b>18.0%</b>   |