

# 2024 Amorepacific Corporation

## Corporate Value-Up Initiative



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# Contents

## I

### Our Company

- 
- Company Overview
  - Current Business

## II

### Mid-Term Business Target

- 
- Business Review
  - Business Goal

## III

### Mid-Term Business Plan

- 
- Business Strategy
  - Business Roadmap

## IV

### How we communicate

- 
- Market Communication

# I

Our Company

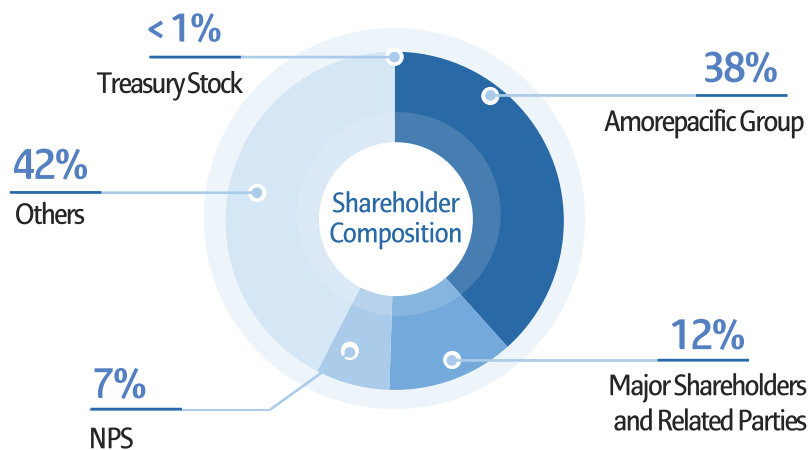
## Company Overview

### Company Information

Name of Company	Amorepacific Corp.	Listed Market	KOSPI
CEO	Kyungbae Suh (Chairman) Seunghwan Kim (CEO)	Date of listing	June 29, 2006
Headquarters	100, Hangang-daero, Yongsan-gu, Seoul, South Korea	Issued Shares	Common Stock 58,492,759 / Preferred Stock 10,557,830
Industry	Cosmetics manufacturing and sales	ESG Ratings	 <b>A</b>  <b>A</b>

### Shareholder Composition

[As of Dec 2023, Common Stock]



### Board Structure

Board of Directors	Total 10 directors (4 internal directors and 6 external directors)
Executive Committee	Deliberate and make decisions on business matters delegated by the Board of Directors
Risk Management Committee	Discuss, deliberate and make decisions on matters regarding overall business risk
Internal Transaction Committee	Deliberate matters and make decisions requiring prior review regarding transactions with counterparties associated with persons of special relationship
Compensation Committee	Discuss, deliberate, and make decisions on matters related to compensation for executives
ESG Committee	Discuss, deliberate, make decisions on overall matters related to ESG
Audit Committee	Audit accounting and company activities in accordance with law and regulations etc.
Independent Director Nomination Committee	Nominate candidates for independent directors at Shareholders General Meeting

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate



# I

Our Company

## Company Overview

■ Major Brands and Domestic Business

Amorepacific operates in the cosmetics and personal care industries and maintains a diverse brand portfolio within each segment

### ■ Major Brands and Domestic Business

## AMOREPACIFIC

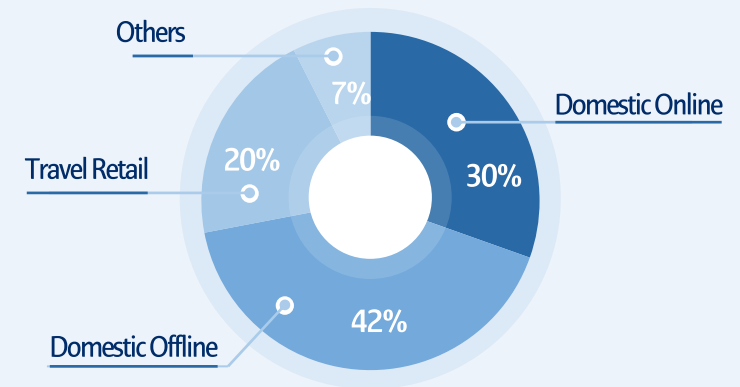
#### ■ Cosmetics

Luxury Cosmetics	Sulwhasoo	HERA
	prr	IOPE
		AP
Premium Cosmetics	LANEIGE	AESTURA
	M	한올
		COSRX

#### ■ Personal Care

Daily Beauty	ILLIYOON	RYO	LABO·H
	mise scène	HAPPY BATH	Longtake

#### ■ Domestic Sales Mix by Channel (2023)



- **Domestic Online:** Achieved sales growth driven by solid performance of key products from major platforms
- **Domestic Offline:** Expanded sales from MBS channel and improved profit structure of traditional offline channels
- **Travel Retail:** Reorganized operations focusing on key target customers and emerging channels

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

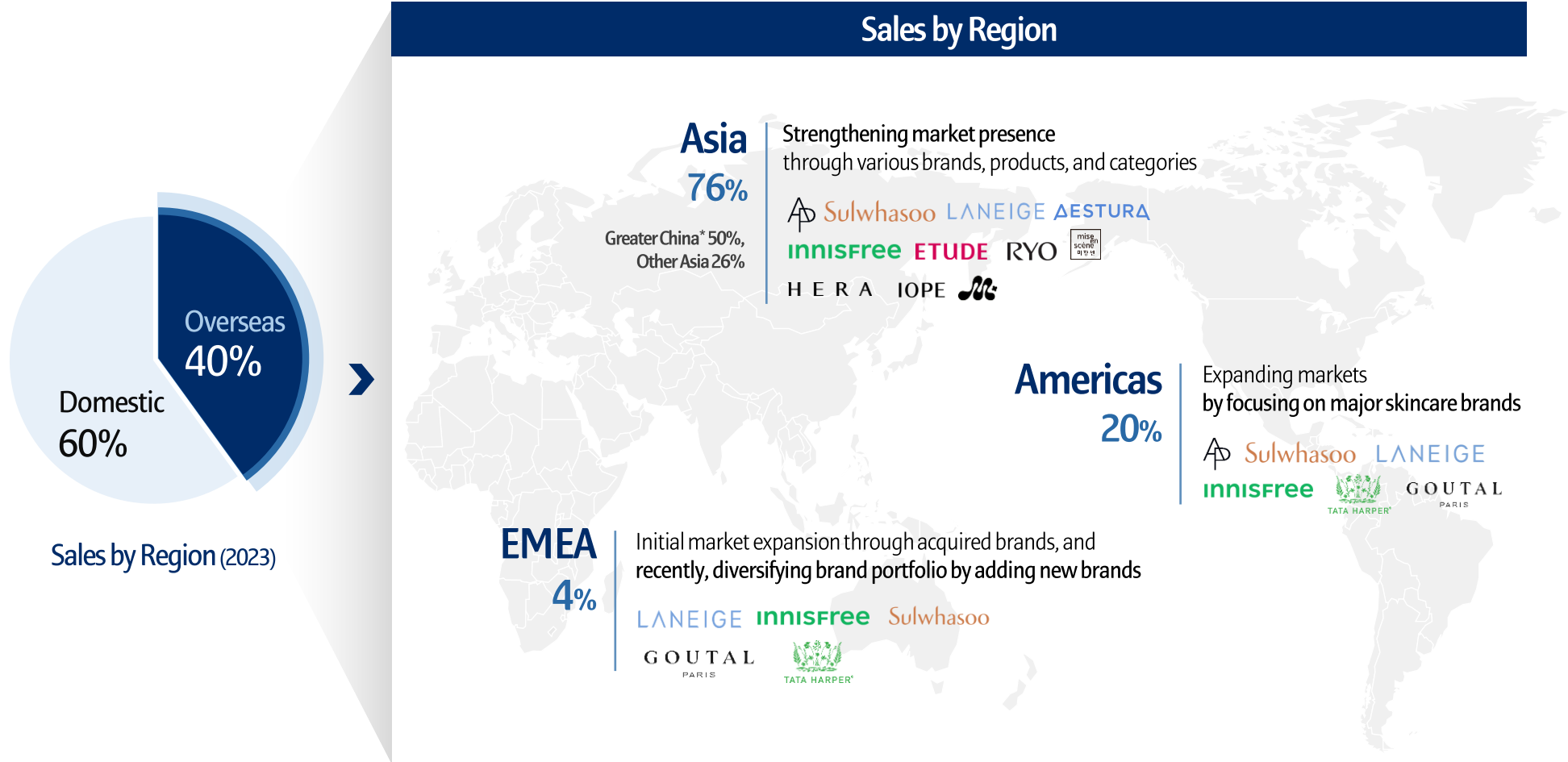
# I

Our Company

## Company Overview

■ Overseas Business

As of 2023, domestic sales compose 60% and overseas sales compose 40% of regional sales. The company is accelerating its expansion into major key markets, not only in Asia (including Greater China) but also in the Americas and EMEA, thereby strengthening its positioning as a global brand company



I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

\* Greater China includes China, Hong Kong and Taiwan

# I

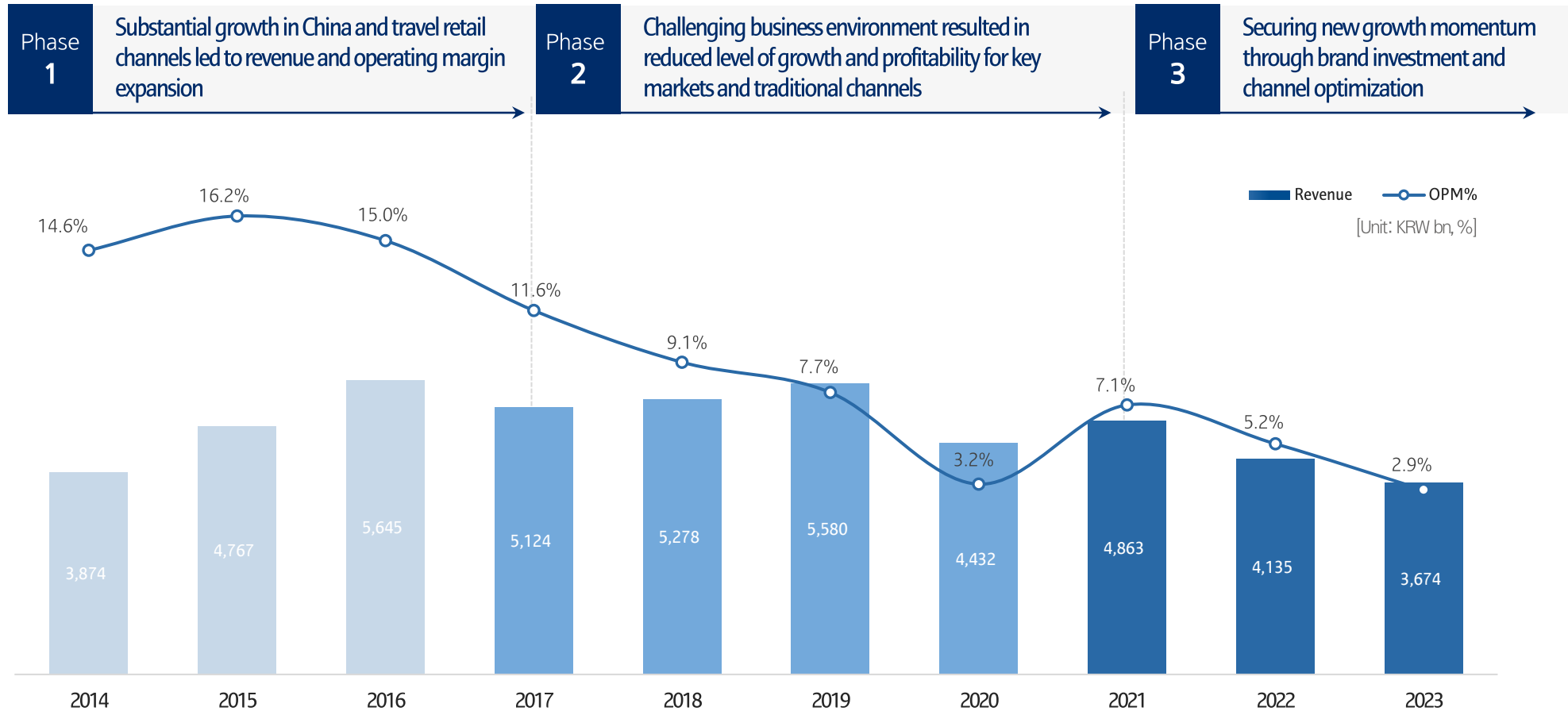
Our Company

## Current Business

■ Financial Performance

The company expanded its business through China and travel retail, but high dependency on this region and channel also caused delayed response to environmental changes, leading to slow down in sales and profitability in recent years

### 2014-2023 Revenue and Operating Margin Trend



I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

# I

Our Company

## Current Business

Financial Performance

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

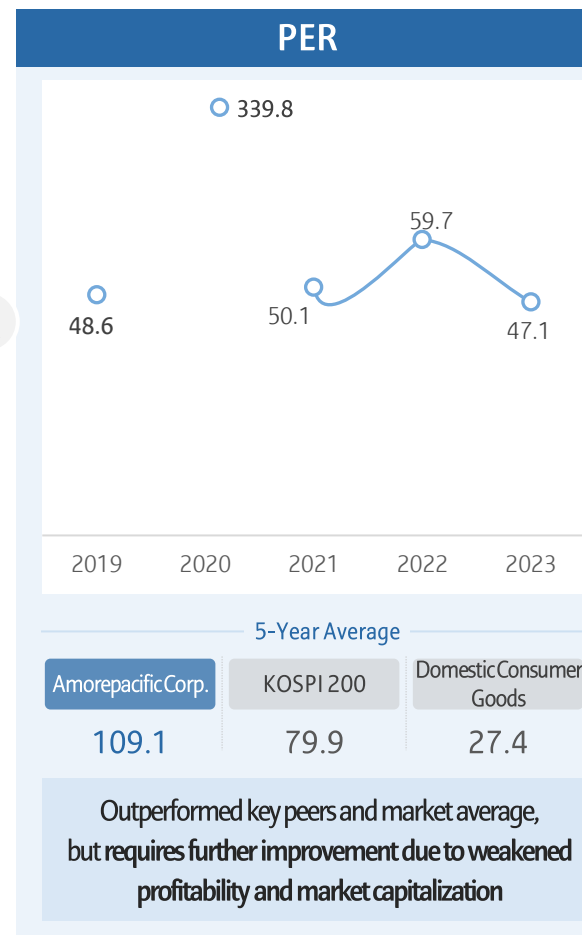
Although PBR is above the industry average, it declined to 2.0x in 2023 from 3.1x in 2019, due to **decline in ROE** resulting from lower profitability caused by weakened business performance



=



X



\* KOSPI 200: Average of KOSPI 200 companies selected by Korea Exchange as of September 30, 2024.

\* Domestic Consumer Goods: Average of 72 KOSPI-listed companies classified as consumer staples according to the Global Industry Classification Standard (GICS) industry classification.

# I

Our Company

## Current Business

### Financial Performance

#### I. Our Company

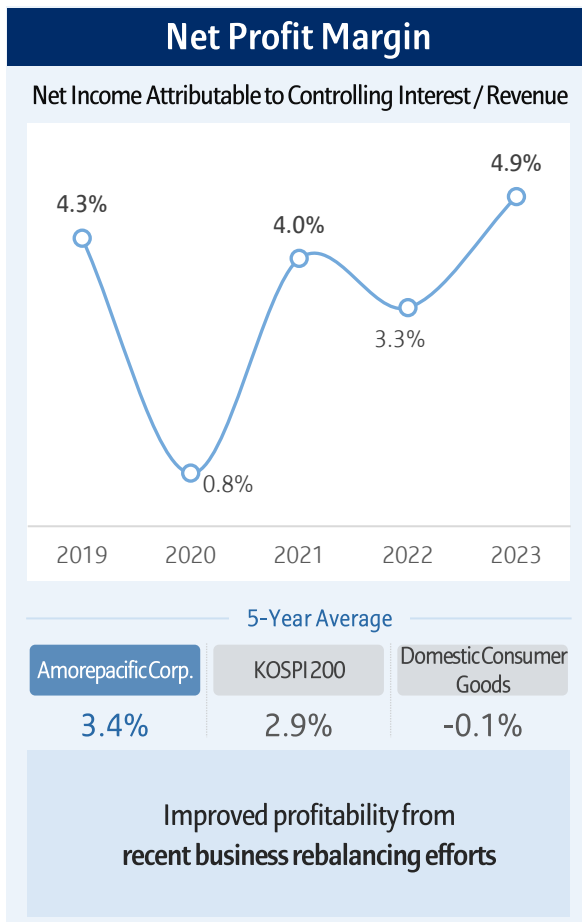
#### II. Mid-Term Business Target

#### III. Mid-Term Business Plan

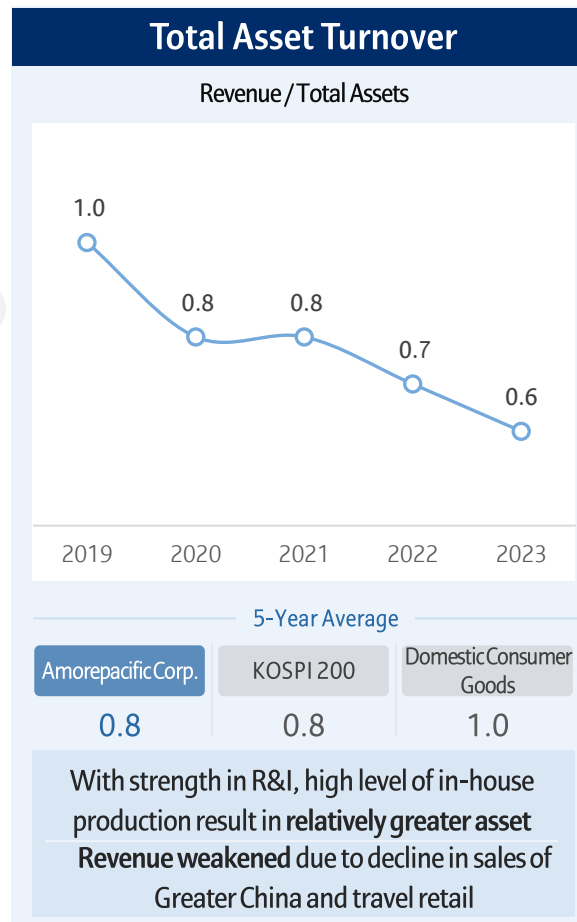
#### IV. How we communicate

Decline in sales and profitability led to lower net profit margin and asset turnover ratio, resulting in ROE lower than Cost of Equity. Optimization of asset management is required for the company by improving key regional/channel performance and rebalancing its regional/channel portfolio

## ROE



X



X



\* KOSPI 200: Average of companies included in KOSPI 200 selected by Korea Exchange as of September 30, 2024.

\* Domestic Consumer Goods: Average of 72 KOSPI-listed companies classified as consumer staples according to the Global Industry Classification Standard (GICS) industry classification.





Our Company

# Current Business

History of Financial Performance

I. Our Company

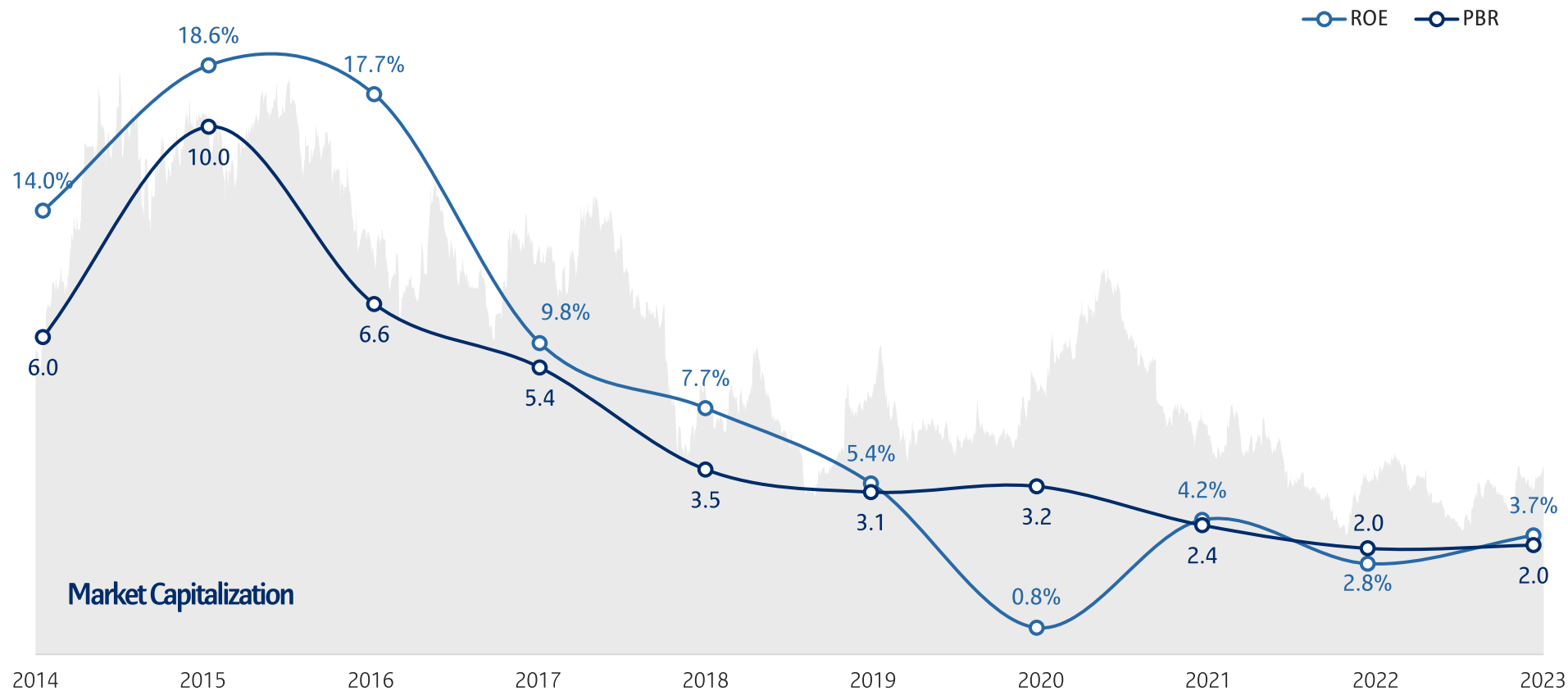
II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

Considering high correlation between ROE and stock price, recovering ROE through improvement in profitability is essential for enhancing corporate value

## Correlation Between ROE and Stock Price





Our Company

# Current Business

Recent Business Performance

I. Our Company

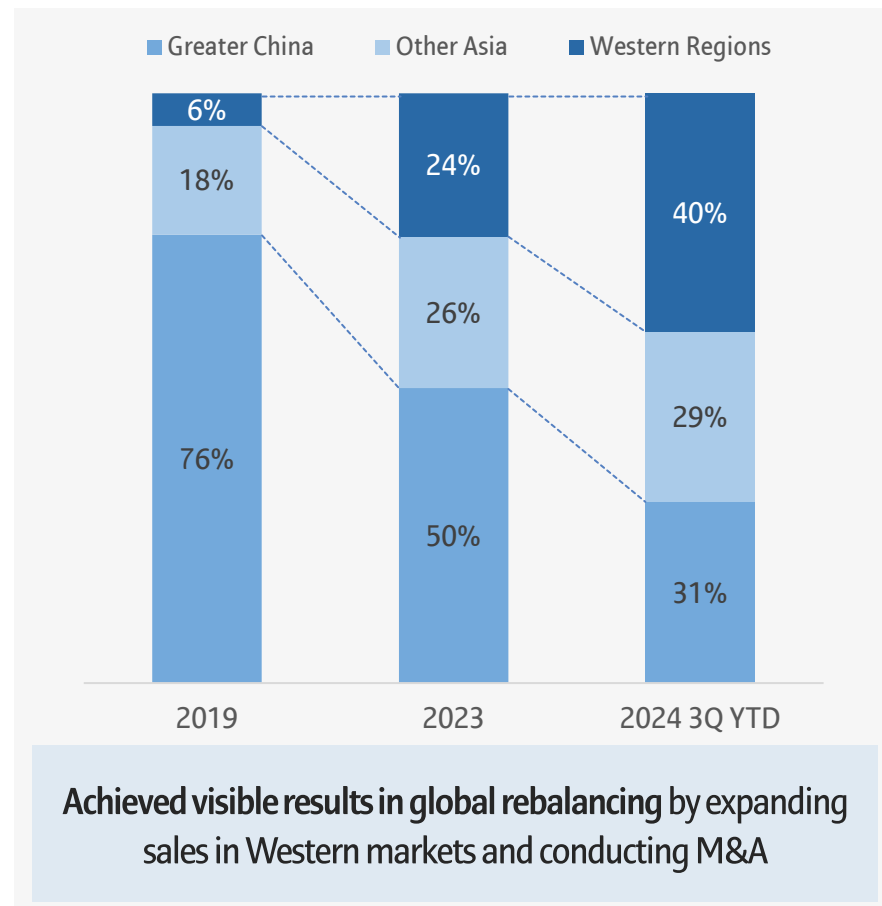
II. Mid-Term Business Target

III. Mid-Term Business Plan

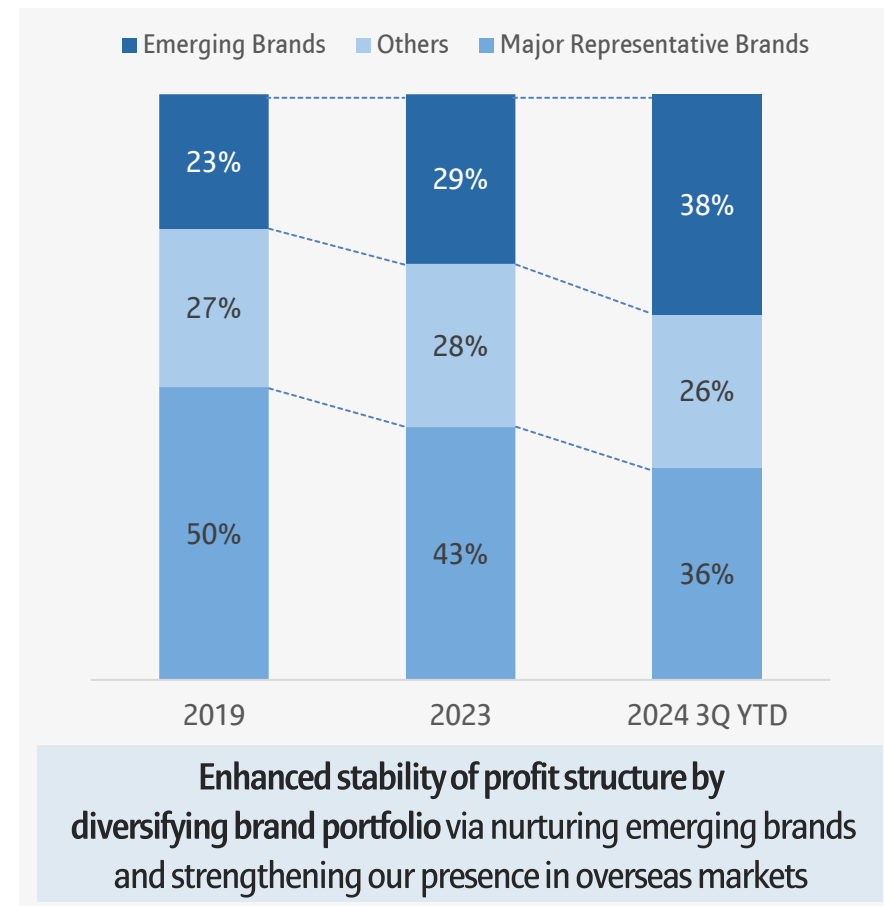
IV. How we communicate

By focusing on structural improvement to enhance business competitiveness through portfolio rebalancing etc., the company set the stage for new growth by exploring new markets focused on Western regions, expanding sales from emerging brands and acquiring new brands

## Sales Mix by Overseas Region<sup>1)</sup>



## Sales Mix by Brand<sup>2)</sup>



<sup>1)</sup> Major Representative Brands: Sulwhasoo, Ryo, Innisfree / Emerging Brands: Laneige, COSRX, Hera, Aestura, Illiyoona

# I

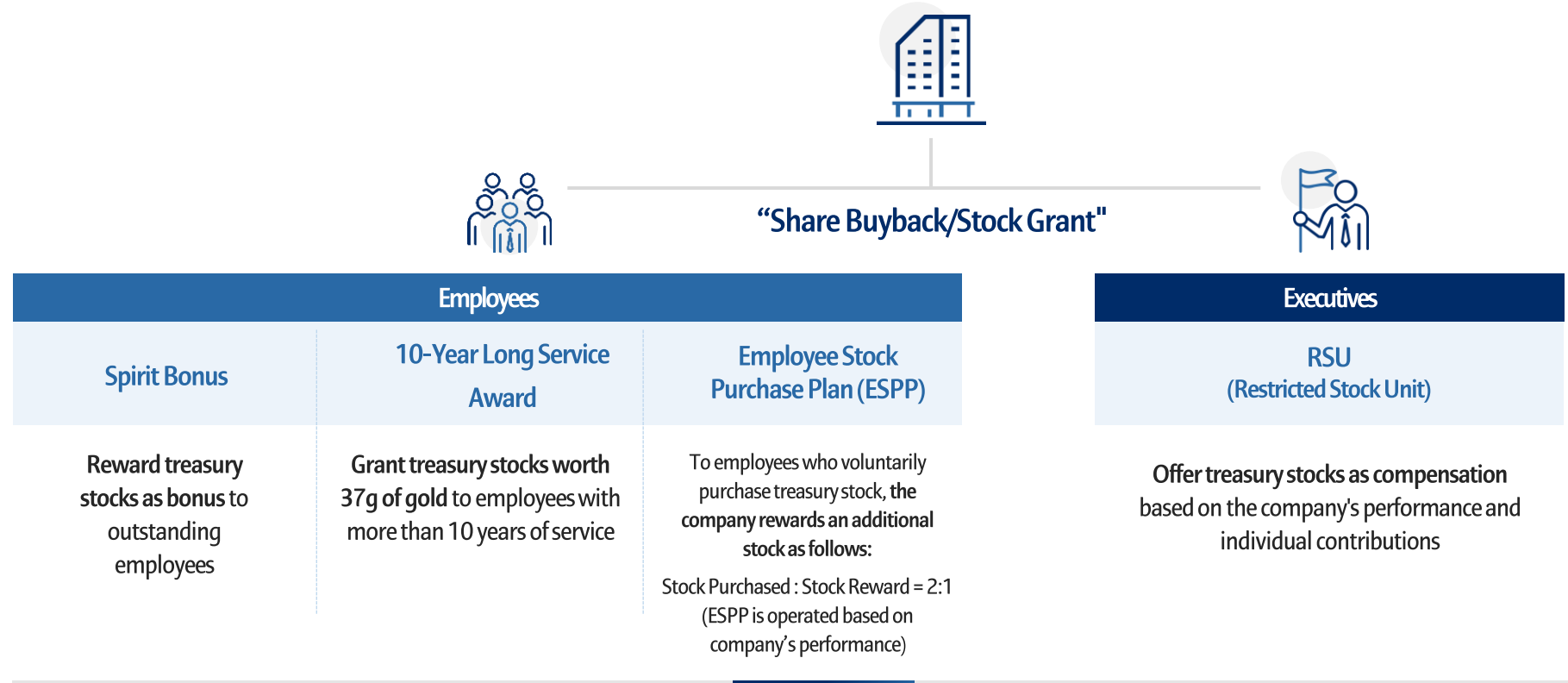
Our Company

## Current Business

▪ Stock Compensation

Aligned the interests of employee and management with corporate value by operating a comprehensive stock-based compensation system

### Stock-Based Compensation System



Strengthen responsible management and secure driving forces for continuous enhancement of corporate value through a stock-based compensation system linked to individual performance

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

# I

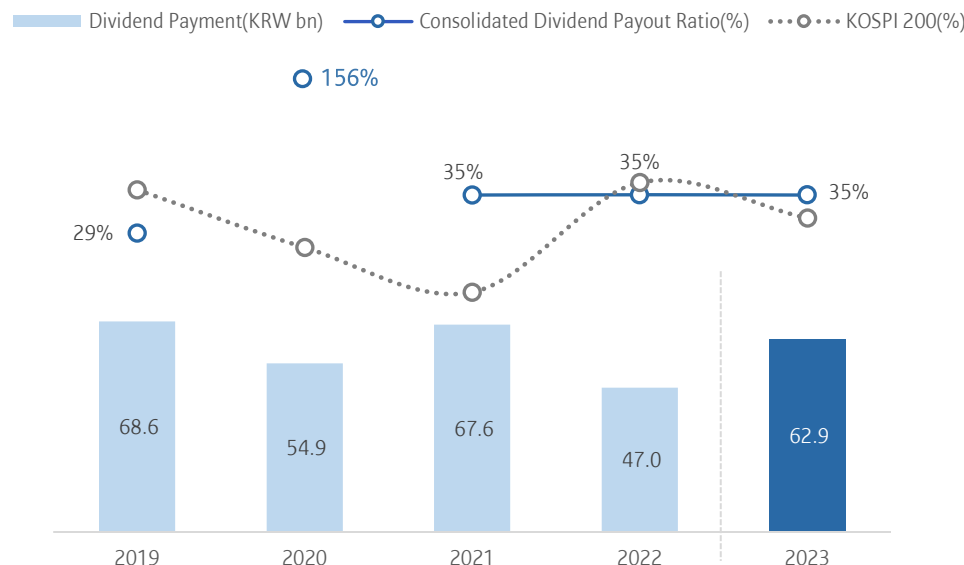
Our Company

## Current Business

### Dividend Policy

Despite fluctuations in profitability, the company maintained a stable dividend payout ratio to sustain shareholders' trust, and recently announced a long term dividend policy to enhance the company's credibility in the market and ensure dividend payment predictability

### Trends in Dividend Payment and Payout Ratio



The 5-year average consolidated dividend payout ratio is 57.9%, surpassing the KOSPI 200 average\* of 29.9

\* Updated Dividend Policy(2023~2025)

Dividend payout ratio set at 35% of the net profit based on Amorepacific Corp.'s consolidated financial statement<sup>1)</sup>

To increase shareholder benefits, the dividend payout ratio has been upgraded from the previous 30% to approximately 35%

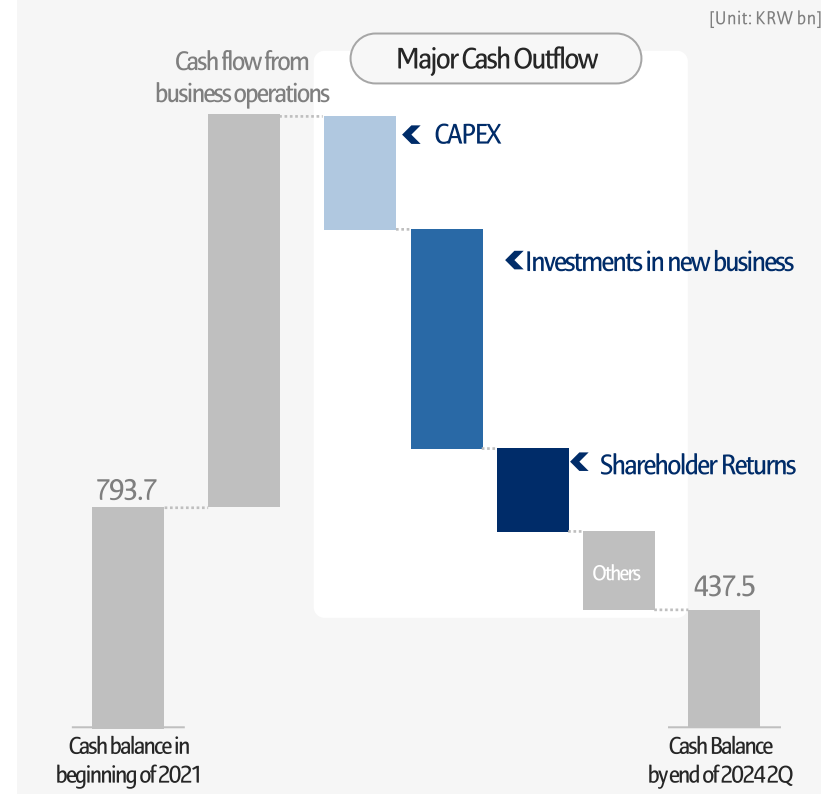
1) Excluding one-off, non-recurring profits and losses. Up to 50% of the annual free cash flow.

2) CAPEX = acquisition/disposal of tangible and intangible assets, new business investment = acquisition of stock investment, cash outflows related to business integration, shareholder return = dividends and share repurchases, other = changes in borrowings/lease liabilities, cash inflows or outflows due to foreign currency translation adjustments, etc.

\* KOSPI 200 : Average of companies selected by the Korea Exchange and included in KOSPI 200 as of September 30, 2024

### Cash Allocation by Major Item<sup>2)</sup> (2021~2024 2Q)

Acceleration of business portfolio reorganization through increased investments in new business, including M&A



I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

# II

Mid-Term Business Target

## Business Review

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

In order to maintain corporate value over the long term, sustainability needs to be secured through both enhancement of fundamental business competitiveness and improvement of governance structure protecting stakeholder benefits

### Conclusion

- Reinforce foundation for revenue and profit expansion through business structure improvement
- Prioritize the improvement of ROE considering the high correlation between ROE and stock price



“ Select key financial indicators to achieve balanced growth in revenue and profitability through the optimization of business portfolio ”

Revenue Growth Rate  
Operating Margin

ROE

- Strengthen stakeholder engagement to secure sustainable growth drivers
- Aim for continuous policy and system improvements to enhance shareholder rights in the mid to long term



“ Select non-financial indicators which enhance the governance structure to establish a virtuous cycle for increasing corporate value ”

Shareholder  
Return Policy

Core Governance  
Indicators

Sustainability  
Management



# II

Mid-Term Business Target

## Business Goal

I. Our Company

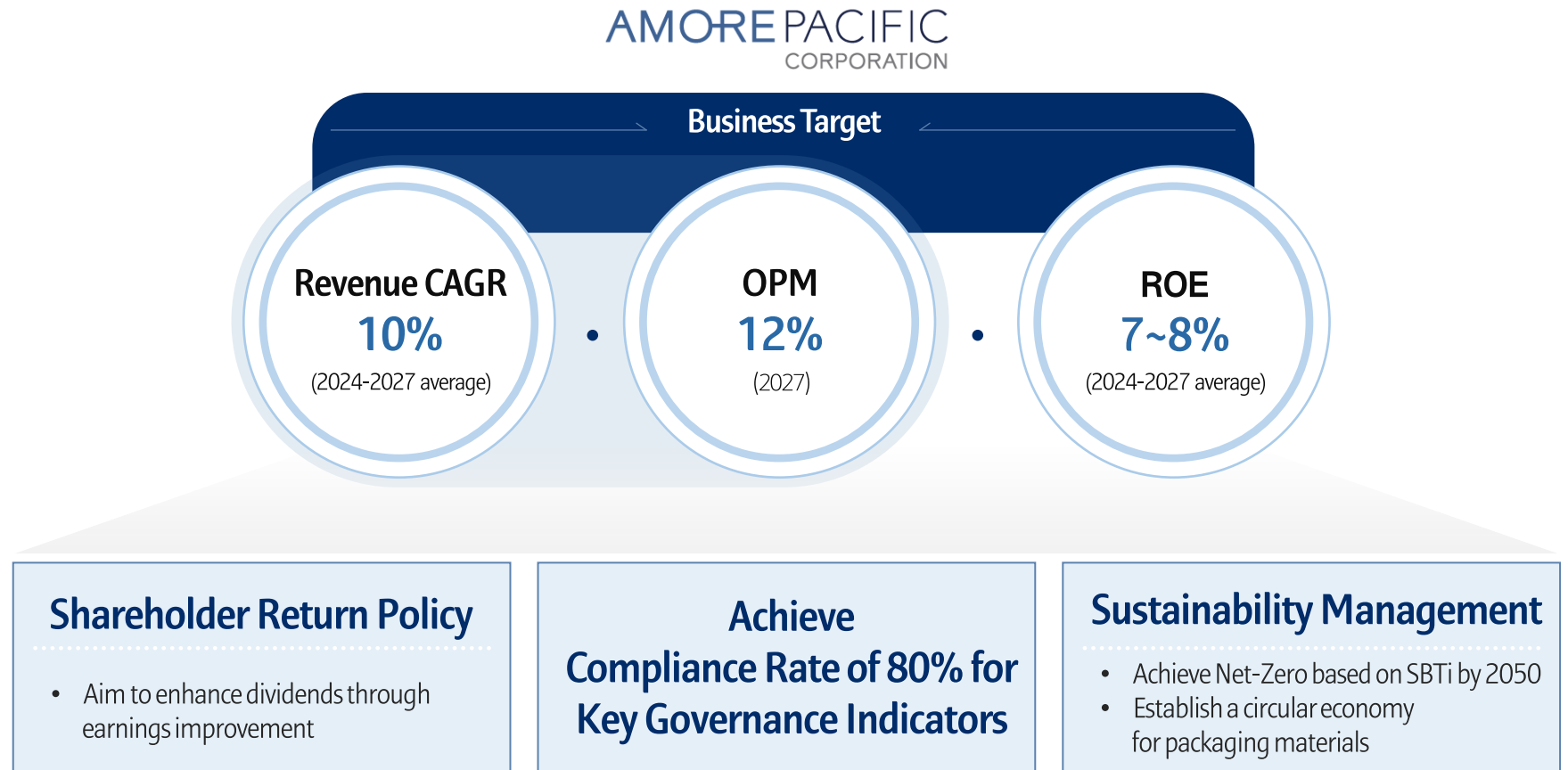
II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

The company will strengthen its capital efficiency through revenue growth and profit improvement, and continuously enhance its business structure to achieve a virtuous cycle for enhancing corporate value

### Goal for Value Up Initiative





Mid-Term Business Plan

# Business Strategy

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

Achieve both quantitative and qualitative growth by stabilizing the new business portfolio, and **leverage such experience and capabilities to successfully establish a business structure that continuously creates future growth opportunities**

## Strategic Direction

Pursue a balanced growth and profitability  
by optimizing business portfolio

### I Enhance Brand Competitiveness

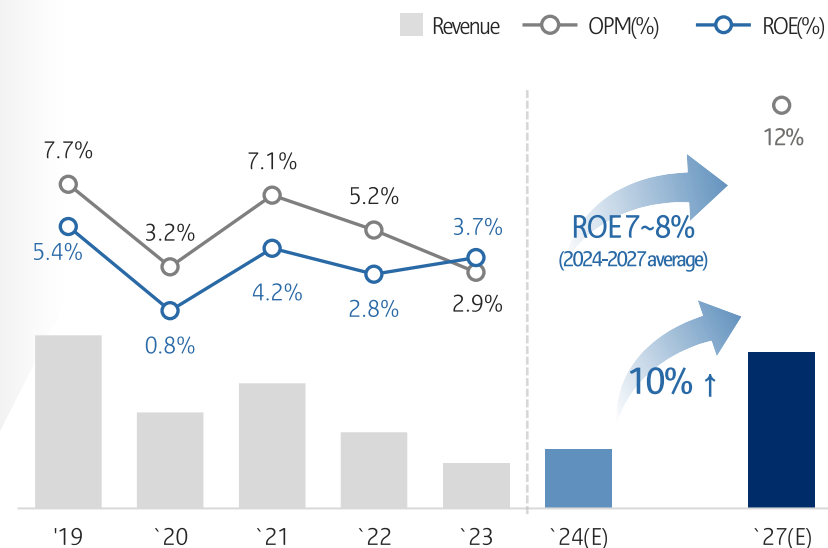
- **Profitability improvement** for major representative brands
- Achieve **continuous revenue growth** for global leading brands
- **Secure additional growth** by nurturing next global brands

### II Accelerate Global Rebalancing

- **Normalize business structure** in Greater China
- **Expand brands and customer base** in United States, Japan, Europe
- **Secure the next growth momentum** by penetrating emerging markets

## Mid-Term Target

	2019-2023	Target
Rev. CAGR	Negative Growth	10% (2024-2027 average)
OPM	5.2%	12% (2027)
ROE	3.4%	7~8% (2024-2027 average)





Mid-Term Business Plan

# Business Roadmap

## Strategic Direction

- I Enhance Brand Competitiveness

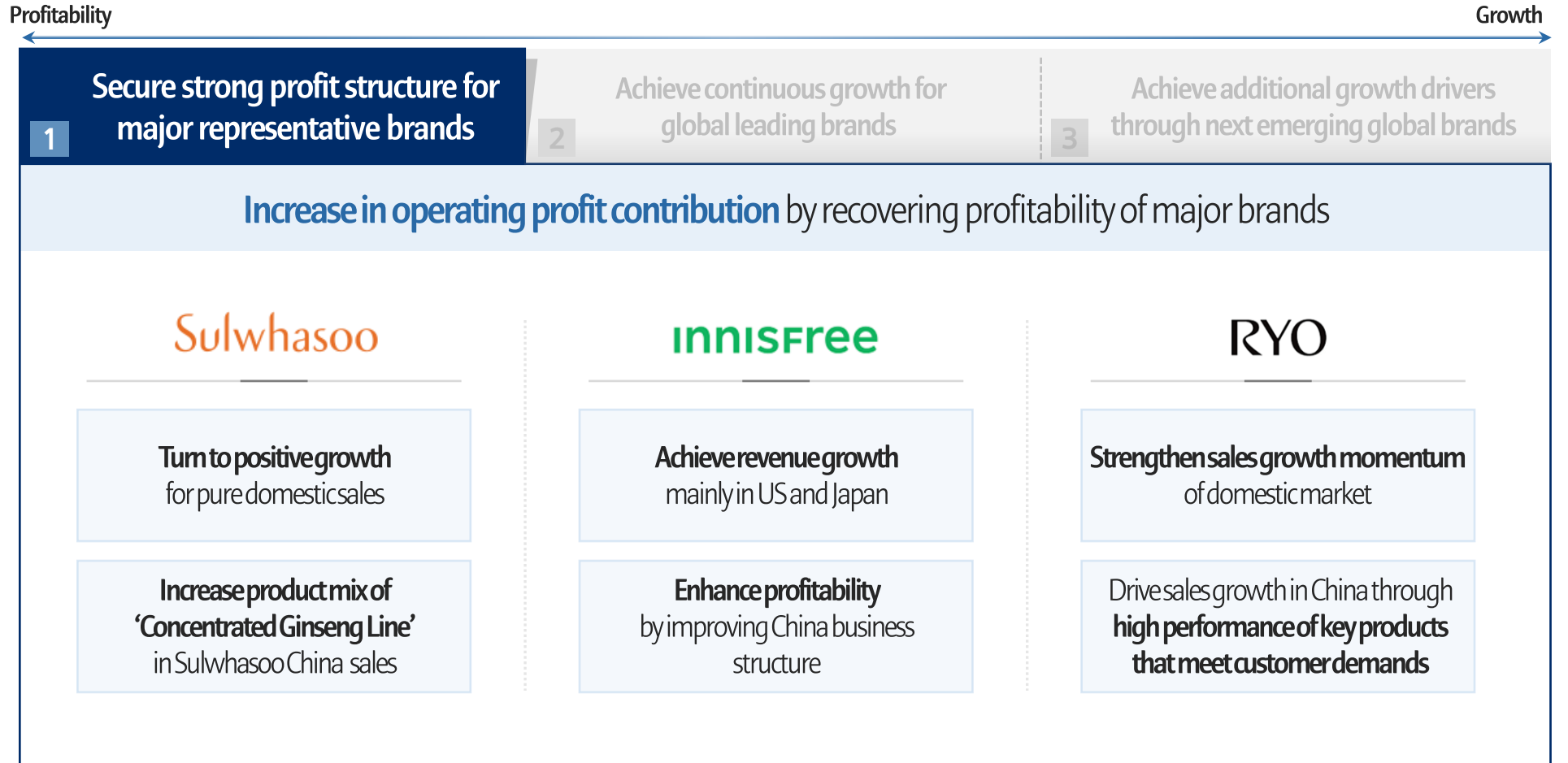
I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

**Enhance the profit structure of major representative brands** by targeting specific countries/customers and nurturing key products by each brand





Mid-Term Business Plan

# Business Roadmap

## Strategic Direction

- I Enhance Brand Competitiveness

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

Achieve profit growth and strengthen market presence through diversification of portfolio and products for global leading brands

Profitability

Growth

1

Secure strong profit structure for major representative brands

2

Achieve continuous growth for global leading brands

3

Achieve additional growth drivers through next emerging global brands

## LANEIGE

- Expand skincare portfolios and solidify leadership in lip category
- Expand to next emerging markets by leveraging presence in western markets



## COSRX

- Accelerate global expansion by diversifying products and categories





Mid-Term Business Plan

# Business Roadmap

## Strategic Direction

- I Enhance Brand Competitiveness

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

**Nurture next global brands** by brand specific global expansion strategies tailored to diverse needs and trends of global customers

Profitability

Growth

1

Secure strong profit structure for major representative brands

2

Achieve continuous growth for global leading brands

3

Achieve additional growth drivers through next emerging global brands

## HERA

- Enhance key product competitiveness in foundation and lip
- Accelerate penetration into Asian luxury makeup market



## AESTURA

- Expand market presence to global derma market
- Nurture next key products and categories



## ILLIYOON

- Strengthen portfolio to meet the demands of global derma customers
- Utilize cross border channel to drive global expansion







Mid-Term Business Plan

# Business Roadmap

## Strategic Direction

II Accelerate Global Rebalancing

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

**Achieve both revenue growth and profitability in global markets** by implementing differentiated strategies for channels/brands/marketing tailored to the characteristics of key regions with leading global beauty trends



## Accelerate Global Rebalancing

by executing optimized market expansion strategies for key beauty trend hubs



Mid-Term Business Plan

# Business Roadmap

■ Shareholder Return Policy

I. Our Company

II. Mid-Term Business Target

III. Mid-Term Business Plan

IV. How we communicate

Aim to increase dividend payment by leveraging profits generated from business structure improvement, and **continue to optimize capital allocation** considering the need for future growth investments in response to changes in business environment

## Shareholder Return Policy

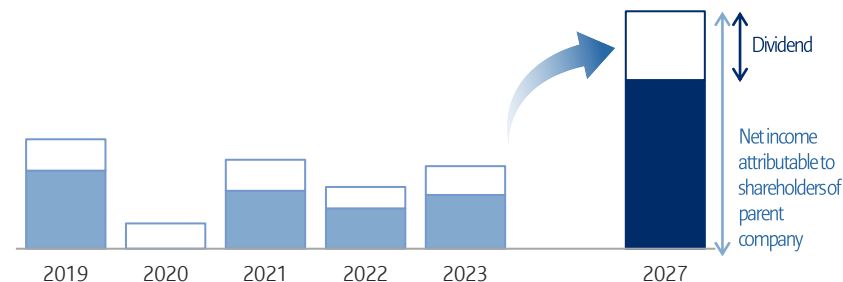
From 2023 to 2025,  
dividend payout ratio is 35% of net profit  
on consolidated financial statement

\*Within 50% of Annual Free Cash Flow



## Increase dividend payment through improved profitability by strengthening competitiveness of business portfolio

Aim to enhance long-term shareholder value by strengthening fundamental business competitiveness, rather than relying on one-time measures



## Optimize capital allocation with balancing shareholder returns and investment for growth

Continue to seek optimal allocation between investment for future and short term shareholder returns under the purpose of enhancing long-term corporate value



Mid-Term Business Plan

# Business Roadmap

■ Corporate Governance

I. Our Company

II. Mid-Term Business Target

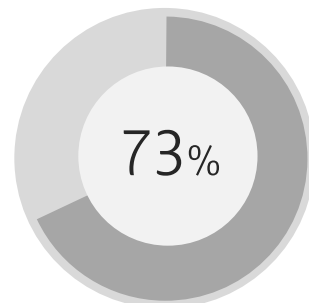
III. Mid-Term Business Plan

IV. How we communicate

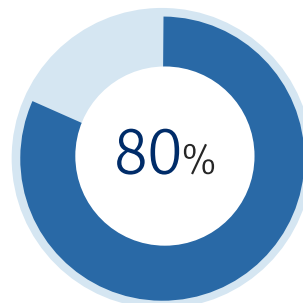
**Increase the compliance rate of key corporate governance indicators** by improving related policies and systems to establish a healthy governance structure

## Compliance Rate of Key Governance Indicators

Result for 2023



Target for 2024



Enhance compliance related policies to improve the predictability of shareholder dividends

New compliance indicators

Enhance predictability  
of cash dividends

Amended company articles to adopt the process of 'confirming dividend amount first, then designating payout date' (March 2024)

## Board of Directors

### Enhance independence, expertise, and diversity of Board of Directors



Mix of external directors is required to be over 50%

- Six out of total ten board members should be external directors



Appoint diverse external experts as members of Board of Directors and committees

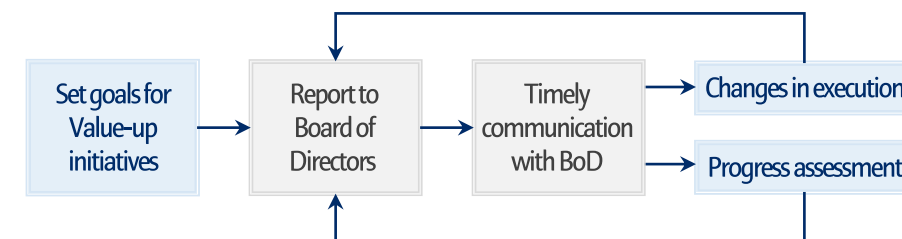
- Accounting, Finance, Business Administration, Marketing, IT/Digital, ESG etc.



Appoint directors based on practical experience and expertise, without any discrimination based on gender, region, educational background, disability, nationality, race, or cultural background

- Female ratio of BoD: 30%

### Continue to communicate with BoD regarding Value-Up initiatives



\* Reported to Board of Directors on Value-up initiatives in October 2024



Mid-Term Business Plan

# Business Roadmap

■ Sustainability Management

I. Our Company

II. Mid-Term Business Target

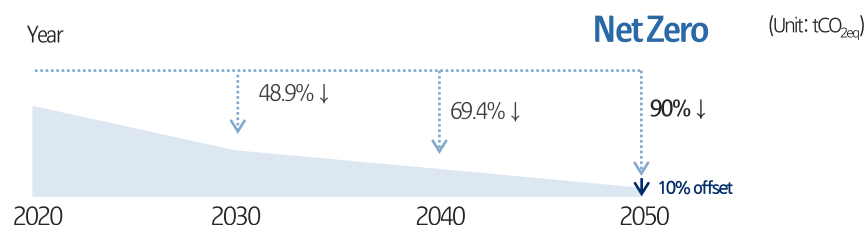
III. Mid-Term Business Plan

IV. How we communicate

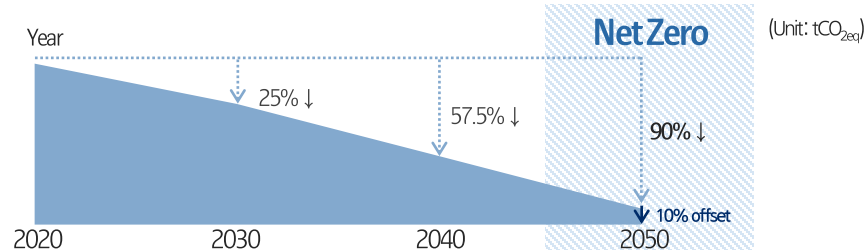
**Strengthen sustainability management** by executing initiatives on climate change, energy management, and enhancing circular economy

## ■ Achieve Net Zero based on SBTi Net-Zero Standard<sup>1)</sup>

### ➤ SBTi Scope 1&2 Reduction Target



### ➤ SBTi Scope 3 Reduction Target



#### Key solutions for reduction

Direct/indirect emissions (Scope 1&2)

Achieve RE 100 by 2025  
and enhance energy efficiency in all  
business sites

Supply chain emissions (Scope 3)

Procure low-carbon packaging materials  
and support suppliers in reducing carbon  
emissions

## ■ Enhance a circular economy of packaging

Reduce  
the use of  
new plastics



**Reduce plastic usage**  
by spreading campaigns for re-fills and  
eliminating unnecessary plastics



**Use 30% recycled plastics**  
for PET bottles by 2030

Collection  
and recycle of  
cosmetics  
containers



Encourage customer participation in  
**empty bottle collection campaign**  
(available both online and offline) **and**  
**recycle the empties collected**

<sup>1)</sup> Achieved SBTi certification in July 2024

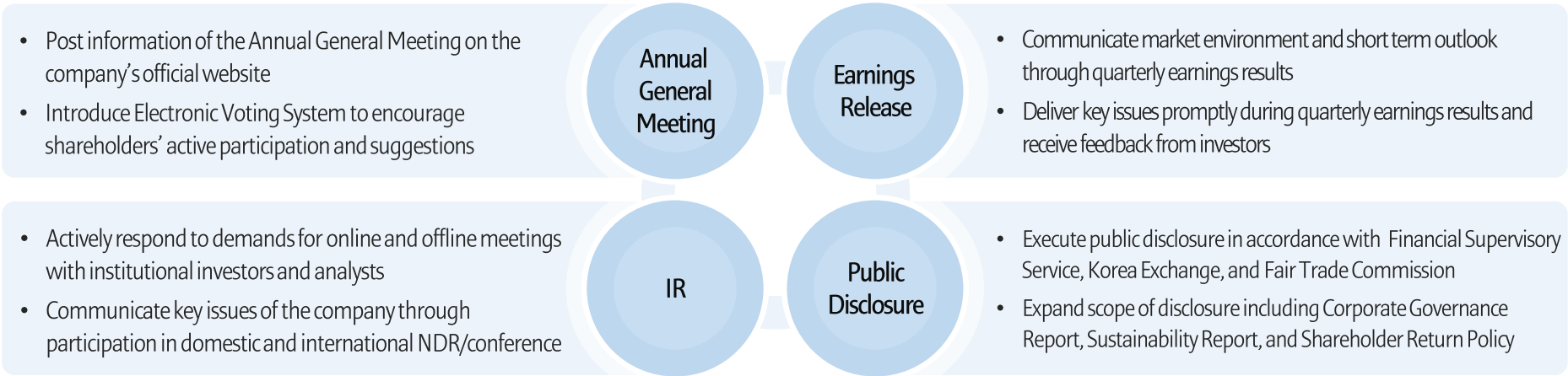
# IV

How we communicate

## Market Communication

Enhance market trust by transparently providing key information on current business and strategies through increased mutual communication by greater C-level engagement and diversification of communication channels

### Major Communication Activities



### “Strengthen Communication”

Increase C-Level engagement	Expand communication channels and pool of investors	Enhance accessibility of information
<ul style="list-style-type: none"> <li>Increase opportunities for presenting C-Level's point of view and directions regarding business environment, performance, and future growth strategies</li> <li>- Quarterly earnings release, Investor Day, etc.</li> <li>※ Number of Events Attended by CEO: 2 (2024) → 5+ (2025)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen communication through small sized management meetings between analysts and institutional investors</li> <li>Expand pool of investors and communication channels by extending overseas NDR coverage</li> </ul>	<ul style="list-style-type: none"> <li>Report to Board of Directors and conduct timely public disclosure with regards to changes and assessment of the Value-Up initiative</li> <li>Facilitate enhancing analysts and investors' understanding of the company's current business</li> </ul>

- I. Our Company
- II. Mid-Term Business Target
- III. Mid-Term Business Plan
- IV. How we communicate



# Appendix

## Consolidated Financial Statement

### State of Financial Position

(Unit: Million KRW)

	2019	2020	2021	2022	2023
Asset	5,989,008	5,701,918	6,116,714	5,801,783	5,886,511
Liabilities	1,490,167	1,237,520	1,372,414	1,022,508	1,013,806
Shareholder's Equity	4,498,841	4,464,398	4,744,300	4,779,275	4,872,705
Debt ratio	33.1%	27.7%	28.9%	21.4%	20.8%

### Income Statement

(Unit: Million KRW)

	2019	2020	2021	2022	2023
Revenue	5,580,142	4,432,179	4,863,128	4,134,933	3,673,964
Operating Profit	427,835	143,009	343,358	214,233	108,171
Net Income	223,761	21,869	180,858	129,264	173,879
Operating Profit Margin	7.7%	3.2%	7.1%	5.2%	2.9%

## Separate Financial Statement

### State of Financial Position

(Unit: Million KRW)

	2019	2020	2021	2022	2023
Asset	4,950,234	4,897,611	5,291,053	5,264,930	5,374,184
Liabilities	574,800	479,193	565,127	416,497	534,563
Shareholder's Equity	4,375,434	4,418,419	4,725,926	4,848,433	4,839,620
Debt ratio	13.1%	10.8%	12.0%	8.6%	11.0%

### Income Statement

(Unit: Million KRW)

	2019	2020	2021	2022	2023
Revenue	3,913,830	3,016,951	3,475,233	2,874,462	2,439,436
Operating Profit	440,473	158,775	340,131	235,367	82,465
Net Income	329,297	104,437	280,076	184,011	74,583
Operating Profit Margin	11.3%	5.3%	9.8%	8.2%	3.4%