



# AMORE PACIFIC

**3Q 2023 Earnings Release**

2023. 10. 31



# CONTENTS

1. 3Q 2023 Earnings Summary
2. Domestic Business
3. Overseas Business
4. Financial Summary

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## FORWARD-LOOKING STATEMENTS

As a note, it is suggested to use this material only as a reference, as it contains information and data that are subject to changes without prior notice due to uncertainties, changes in the organizational structure, redefinition of accounting policies, etc., and may cause the actual results to differ from those stated or implied in this material.

# 3Q 2023 Earnings Summary

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**Revenue down 5.1% to KRW 888.8 billion, operating profit down 8.2% to KRW 17.3 billion**

Domestic revenue down 7.5%, operating profit down 34.5%. Overseas revenue down 3.6%, operating profit mitigated losses

(Unit: KRW bn)

	2022 3Q	% of Revenue	2023 3Q	% of Revenue	YoY(%)
Revenue <sup>1)</sup>	936.4	100.0	888.8	100.0	-5.1
Domestic	587.1	62.7	543.2	61.1	-7.5
Cosmetics	488.8	52.2	445.6	50.1	-8.8
Daily Beauty	98.3	10.5	97.7	11.0	-0.6
Overseas	329.5	35.2	317.7	35.7	-3.6
	2022 3Q	OP Margin (%)	2023 3Q	OP Margin (%)	YoY(%)
Operating Profit <sup>1)</sup>	18.8	2.0	17.3	1.9	-8.2
Domestic	29.2	5.0	19.1	3.5	-34.5
Cosmetics	28.4	5.8	21.8	4.9	-23.4
Daily Beauty	0.8	0.8	-2.7	-2.7	Turned to red
Overseas	-9.0	-2.7	-8.3	-2.6	Mitigated losses
Net Profit	21.8	2.3	26.6	3.0	+22.2

1) Includes intercompany transactions, Cosvision, Wedream, etc

# 3Q 2023 Expense Summary

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- Personnel expense increased by 16% due to one-off labor cost impact. Marketing expense went up by 4% with increased investments in major brands targeting the western market
- Depreciation cost decreased by 20% due to global offline store restructuring

(Unit: KRW bn)

	2022 3Q	2023 3Q	YoY(%)
Revenue	936.4	888.8	-5.1
Cost of sales	314.7	275.0	-12.6
Gross Profit	621.7	613.8	-1.3
S&A Expenses	602.9	596.6	-1.0
Personnel Expense <sup>1)</sup>	148.2	172.6	+16.4
Marketing Expense <sup>2)</sup>	109.4	113.8	+4.0
Commission <sup>3)</sup>	208.1	181.0	-13.0
Depreciation Cost <sup>4)</sup>	53.9	43.0	-20.2
Operating Profit	18.8	17.3	-8.2
OP Margin (%)	2.0%	1.9%	-0.1%p
Consolidated Net Income	21.8	26.6	+22.2

1) Personnel Expense: Salaries and Retirement Benefits, Employee Benefits

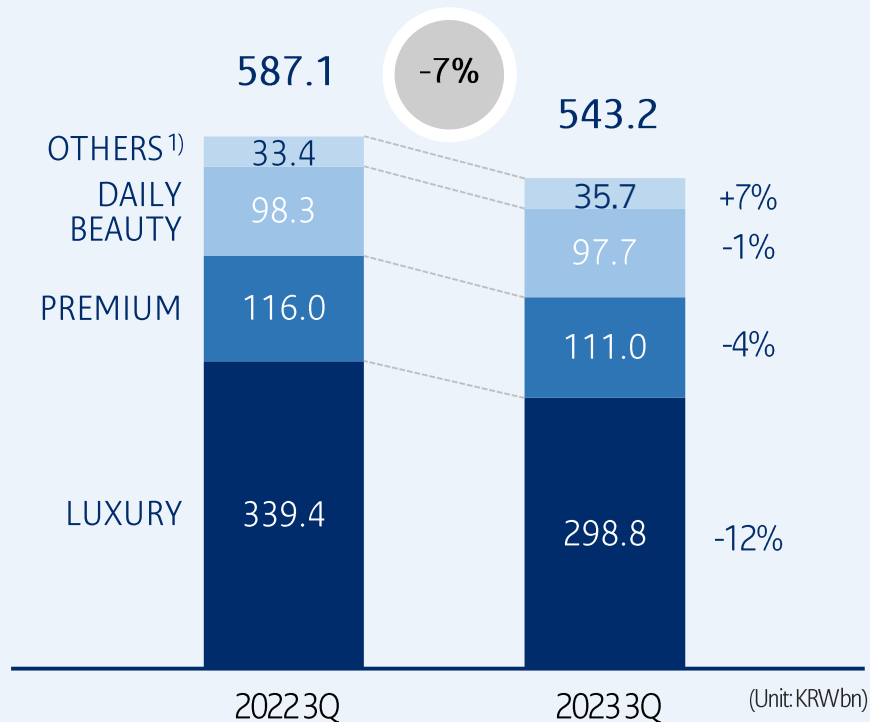
2) Marketing Expense: Advertisement and Promotion Expense

3) Commission: Service Fees and Distribution Commission

4) Depreciation Cost: Depreciation and Amortization

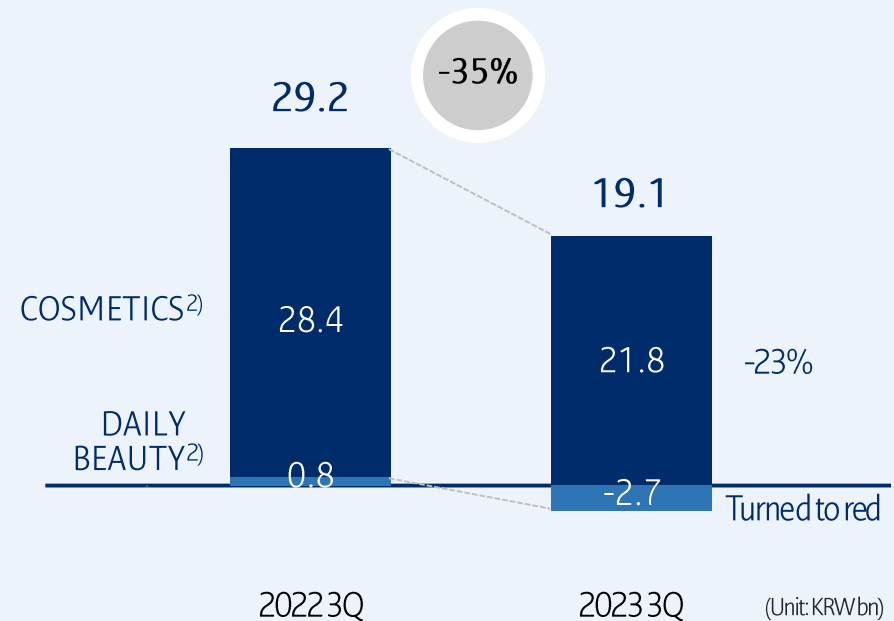
## Revenue decreased 7%

- Travel retail sales declined by double digit (23% of total domestic revenue)
- Multi-brand shop channel sales increased 50%
- Despite overall online sales declining by double digits, pure domestic online sales posted growth



## Operating profit decreased 35%

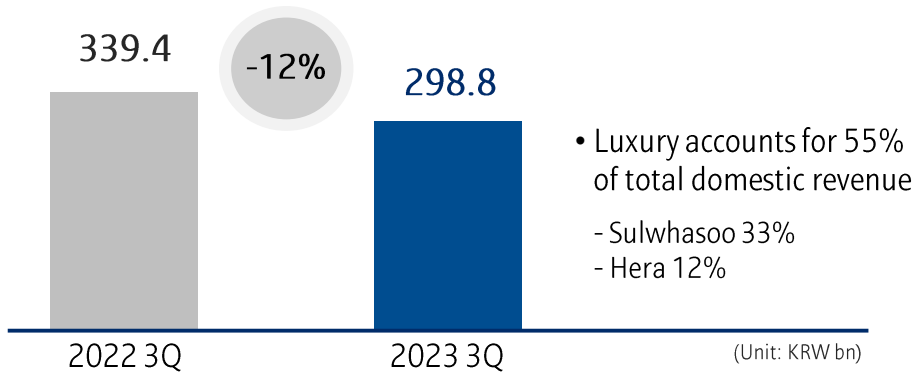
- Cosmetics business operating profit declined due to one-off labor cost impact
- Daily Beauty business operating profit turned to red with increased marketing investments in fostering premium line products



1) Others: OEM, Rental Income, etc. 2) Partial changes were made to domestic operating profit due to changes in the definition of geographical area for some countries (Middle East, etc.) and affiliation of intercompany transaction items as of 1Q 2023. Earnings of 2022 were restated accordingly.

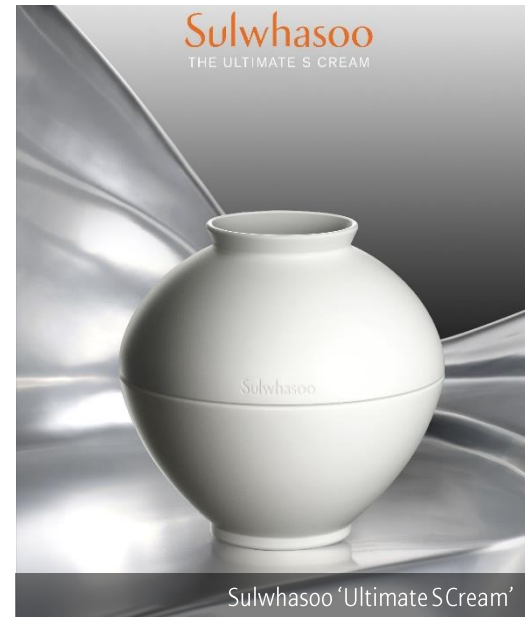


## LUXURY



- Luxury accounts for 55% of total domestic revenue
  - Sulwhasoo 33%
  - Hera 12%

- Although luxury cosmetics revenue declined due to decrease in new commerce\* and travel retail sales, revenue from pure domestic e-commerce, department store, and Amore Store channels posted growth
- Sulwhasoo elevated brand value by launching new products and hosting events emphasizing brand heritage
  - Launched 'Ultimate S' line and hosted 'Art and Heritage Night' in collaboration with Amorepacific Museum of Art
  - Pure domestic e-commerce, department store sales grew and resulted in an increase in sales portion of key products
- Sales of Hera and Primera increased through brand campaigns and strong sales from multi-brand shop channel
  - [Hera] Executed 'How Far Can You Go' brand campaign both online and offline
  - [Primera] Promoted brand campaign with new brand ambassador (Sakura from 'Le Sserafim') and launched new product
- Reinforced brand positioning of key products within major online platforms
  - [Vital Beautie] 'Meta Green' ranked #1 keyword search for 4 consecutive years within 'Catechin' category on Naver platform
  - [Goutal] 'Petit Chérie' recorded #1 ranking in perfume category on Naver platform



Sulwhasoo 'Ultimate S Cream'

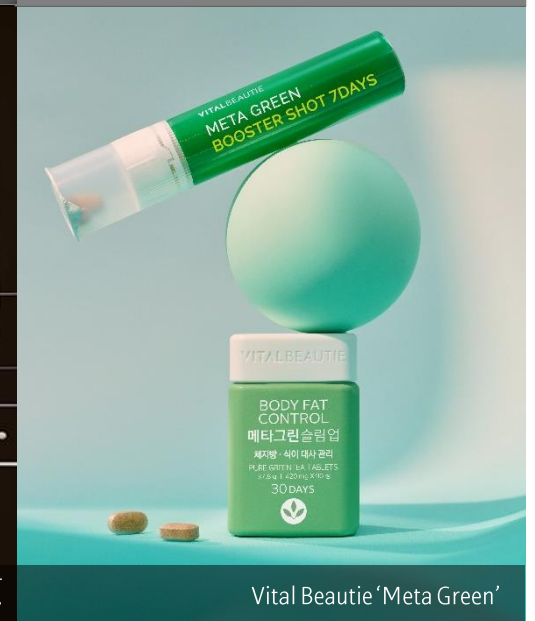


Here.  
NOW.  
*Myself.*

Hera Brand Campaign 'How Far Can You Go'

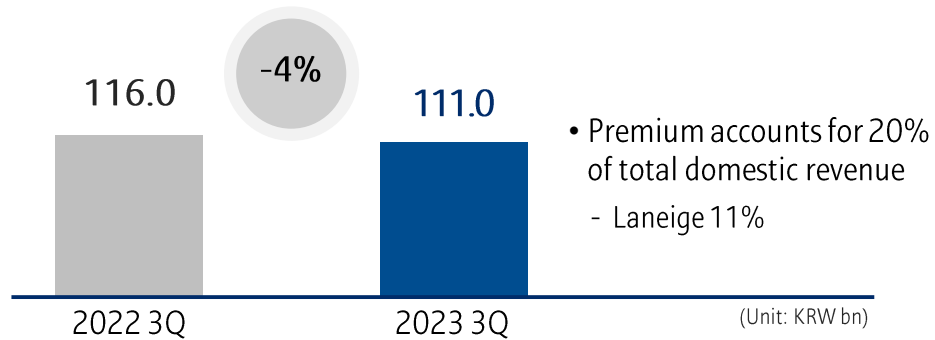


Primera 'Organience Barrier Repair Seed Peptide Reserve Serum'

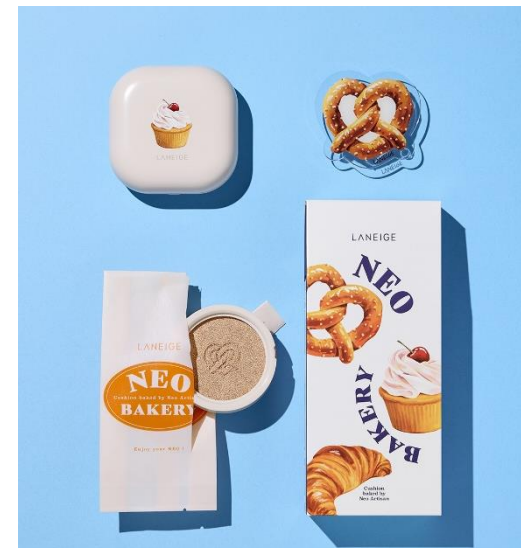


Vital Beautie 'Meta Green'

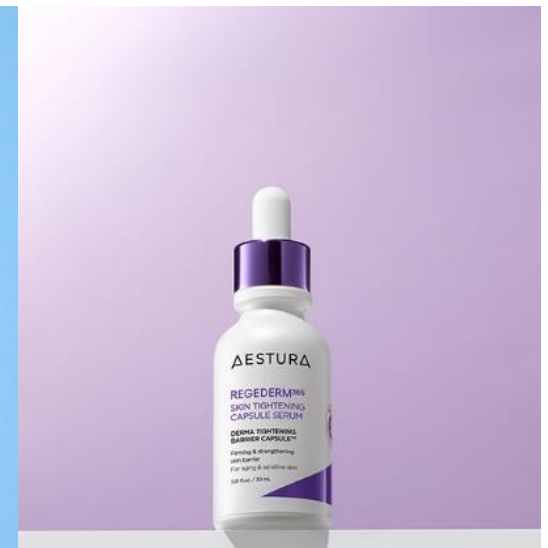
## PREMIUM



- Despite the decrease in global e-commerce sales, growth from domestic e-commerce and multi-brand shop channel sales mitigated the decline of premium cosmetics revenue
- Launched new products within key categories and strengthened competitiveness in multi-brand shop channel
  - [Laneige] Launched Olive Young exclusive collection 'Neo Bakery' edition and recorded best daily sales
  - [Aestura] Launched slow-aging product 'Regederm 365 Skin Tightening Capsule Serum', enhanced leadership in derma category by receiving 'Brand of the Year'\* for 8 consecutive years and maintained #1 ranking in Olive Young's derma category
  - [Hanyul] Strengthened functional skincare category by launching 'Red Rice Moisture Firming Essence Skin'
- Created viral content and raised brand attractiveness through collaborative content and products
  - B. Ready launched 'B. Ready X Nice Weather (Lifestyle Specialty Store)' collaborative products and operated a pop-up store
  - Launched 'NCT Dream Gel Nail Glaze' limited edition, a company wide collaboration with NCT



Laneige 'Neo Bakery' Limited Edition



Aestura 'Regederm 365 Skin Tightening Capsule Serum'



Hanyul 'Red Rice Moisture Firming Essence Skin'

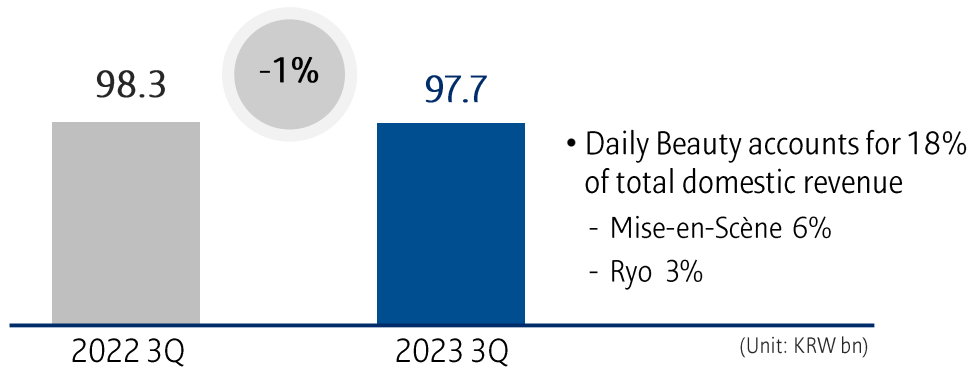


B. Ready X Nice Weather Collaborative Limited Edition

\* 'Brand of the Year' is an award hosted by Customers Council that selects the most loved brand in various fields through direct voting by consumers nationwide, and AESTURA was awarded in both dermatologists and derma-cosmetics categories



## DAILY BEAUTY



- Despite sales growth from multi-brand shop and pure domestic e-commerce channels, overall revenue decreased due to decline in global e-commerce sales
- Pure domestic e-commerce and multi-brand shop sales grew mainly driven by functional key products
  - [Ryo] 'ROOT:GEN', a hair loss treatment for women, recorded strong sales driven by strengthened online and offline marketing
  - [Illyoon] 'Ceramide Ato' posted robust growth by reinforcing brand leadership within multi-brand shops
  - [LABO H] Drove sales by introducing new brand ambassador (Actress Jihu Park) and rolling out marketing campaign to strengthen its brand image of 'professional scalp care'
- Expanded premium product portfolio to target millennials and Gen Z customers
  - [Longtake] Enhanced product line-up by newly launching a perfume category and uplifted brand image by operating 'My Little Forest' pop-up event and announcing its new brand ambassador (Key from SHINee)
  - [HappyBath] Expanded young customer base in their 20s by launching 'Skin U Innoscent Perfume Scrub'



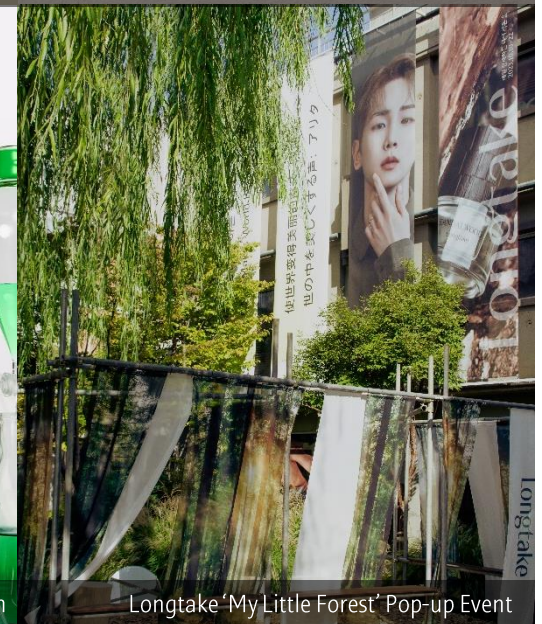
Ryo 'ROOT:GEN'



Happybath 'Skin U Innoscent Perfume Scrub'



LABO-H 'Scalp Strengthening Clinic' Marketing Campaign

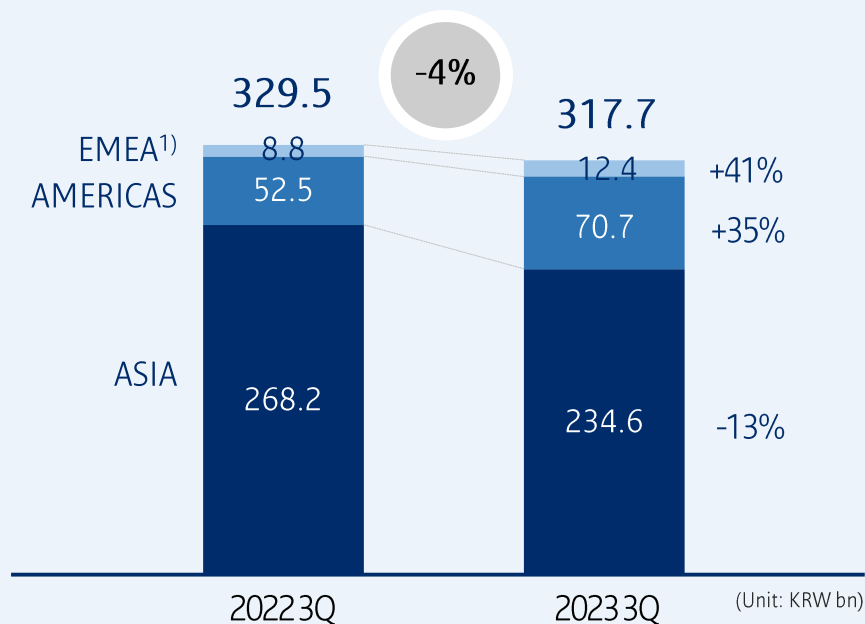


Longtake 'My Little Forest' Pop-up Event



## Revenue decreased 4%

- Asia revenue declined by 13%  
(China sales accounts for approximately 50% of Asia sales)
- Americas sales grew by 35% with channel diversification of major brands
- EMEA revenue posted strong growth of 41% driven by Laneige



## Operating profit mitigated losses

- Although China continued to incur loss, Asia mitigated operating loss compared to last year and last quarter
- Americas operating profit decreased due to increase in marketing investment and PMI (Post Merger Integration) expenses related to Tata Harper
- EMEA operating profit declined with increased marketing expense on raising brand awareness of Laneige



\*Partial changes were made to the definition of geographical area for some countries (Middle East, etc.) and affiliation of intercompany transaction items as of 1Q 2023. Revenue and operating profit for 2022 were restated accordingly.

## ASIA

- China revenue declined by mid-teens (local currency)
  - [Sulwhasoo] Showed strong initial performance of the newly launched 'UltimateS Cream' through online and offline marketing. Enhanced brand competitiveness by introducing new local brand Ambassador (Baijingting(白敬亭)) and strengthening customer engagement
  - [Laneige] Posted solid sales growth by strengthening marketing content of key products ('Perfect Renew 3X Serum', new China exclusive product 'Pepta-Collagen Sleeping Mask') and inviting major KOLs to Korea
  - [Innisfree] Executed rebranding campaign and improved its product and channel portfolio
- Other Asia (ASEAN, Japan etc.) revenue remained flat
  - [ASEAN] Laneige launched the renewed 'Neo Cushion' and posted growth driven by strong sales of key products. Enhanced brand attractiveness by strengthening marketing on Sulwhasoo ('UltimateS Cream') and Innisfree (Rebranding)
  - [Japan] Revenue grew more than 30% (local currency) due to increased sales in Laneige and Innisfree from strengthened relationship with major retailers, and new brand launches of Hera and Aestura



Sulwhasoo's new local brand ambassador attending 'UltimateS Cream' launching event in Shanghai (China)



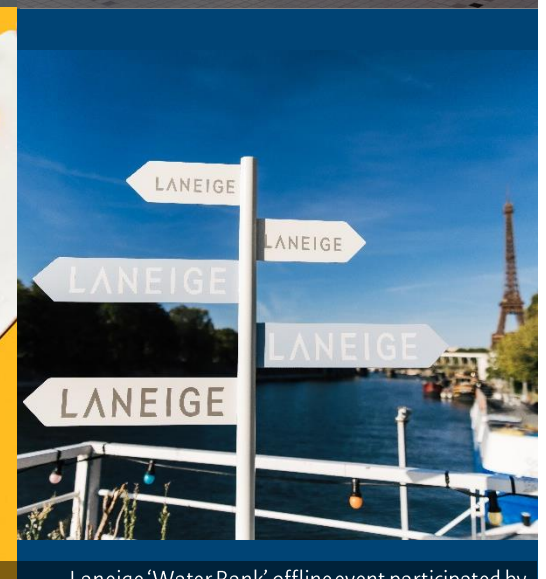
HERA's Pop-up Store in Shibuya Tokyo (Japan)

## AMERICAS & EMEA

- Americas sales increased by 35% driven by strong growth of major brands
  - [Laneige] Launched in Mexico Sephora, bridging Central and South American markets
  - [Sulwhasoo] Posted growth through the launch of 'First Care Activating Serum VI' and channel diversification
  - [Innisfree] Expanded its multi-brand shop channel and posted steady growth of its key product ('Daily UV Sunscreen'). Enhanced brand attractiveness by receiving 'Best Product' award from beauty magazine Allure
- Laneige drove sales of EMEA by rolling out its marketing campaign
  - [Laneige] Increased brand awareness through offline marketing campaigns in major European cities (Paris, London etc.) inviting influencers to promote 'Water Bank' line
  - [Goutal] Sales decreased due to restructuring of offline boutique stores



Innisfree 'Daily UV Defense Sunscreen' (North America)



Laneige 'Water Bank' offline event participated by influencers at the Seine River in Paris (EMEA)

# Financial Summary

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## Income Statement

(Unit: KRW bn, %)

	2022 3Q		2023 3Q	
	Amount	% of Sales	Amount	% of Sales
Revenue	936.4	100.0	888.8	100.0
Cost of sales	314.7	33.6	275.0	30.9
Gross Profit	621.7	66.4	613.8	69.1
S&A Expenses	602.9	64.4	596.6	67.1
Operating Profit	18.8	2.0	17.3	1.9
Non-Operating Profit/Expense	40.1		20.9	
Profit Before Tax	58.9	6.3	38.2	4.3
Consolidated Net Income	21.8	2.3	26.6	3.0

## Statement of Financial Position

(Unit: KRW bn, %)

	2022.12	2023.09
<b>Assets</b>	5,801.8	5,862.7
Current Assets	1,735.0	1,837.6
Trade receivables	285.1	356.9
Inventories	408.9	372.6
Non-current Assets	4,066.8	4,025.1
Property, Plant and Equipment	2,475.3	2,443.5
Intangible Assets	357.8	366.1
Investments in associates	247.3	274.2
<b>Liabilities</b>	1,022.5	986.0
Current Liabilities	831.1	800.9
Non-current Liabilities	191.4	185.1
<b>Shareholder's Equity</b>	4,779.3	4,876.7
Share Capital	34.5	34.5
Retained Earnings	4,010.1	4,095.3
Non-controlling Interest	-19.3	-21.1