



# AMORE PACIFIC

2023 Earnings Release

2024. 1. 30



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# FY 2023 Earnings Summary

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**Revenue down 11.1% to KRW 3.7 trillion, Operating profit down 49.5% to KRW 108.2 billion**

Domestic revenue down 14.4%, operating profit down 34.0%. Overseas revenue down 5.5%, operating profit turned to red

(Unit: KRW bn)

	2022	% of Revenue	2023	% of Revenue	YoY(%)
Revenue <sup>1)</sup>	4,134.9	100.0	3,674.0	100.0	-11.1
Domestic	2,581.3	62.4	2,210.8	60.2	-14.4
Cosmetics	2,156.4	52.2	1,824.4	49.7	-15.4
Daily Beauty	424.9	10.3	386.4	10.5	-9.1
Overseas	1,473.3	35.6	1,391.8	37.9	-5.5
	2022	OP Margin(%)	2023	OP Margin(%)	YoY(%)
Operating Profit <sup>1)</sup>	214.2	5.2	108.2	2.9	-49.5
Domestic	221.8	8.6	146.4	6.6	-34.0
Cosmetics	214.2	9.9	136.1	7.5	-36.5
Daily Beauty	7.6	1.8	10.3	2.7	+35.8
Overseas	2.5	0.2	-43.2	-3.1	Turned to red
Net Profit	129.3	3.1	173.9	4.7	+34.5

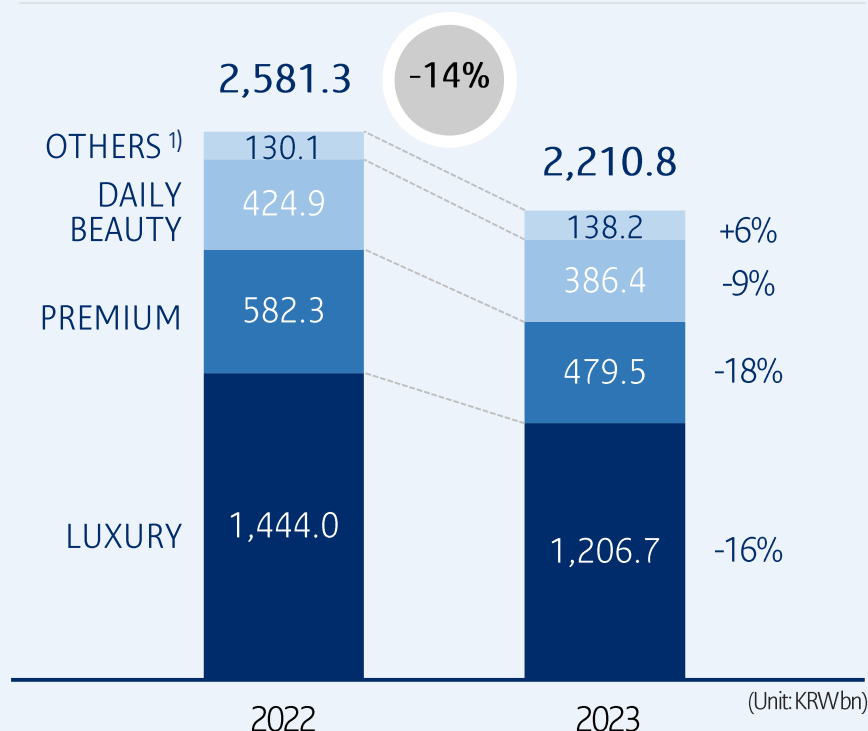
1) Includes intercompany transactions, revenue and operating profit from Cosvision, Wedream etc.

# FY 2023 Domestic Business

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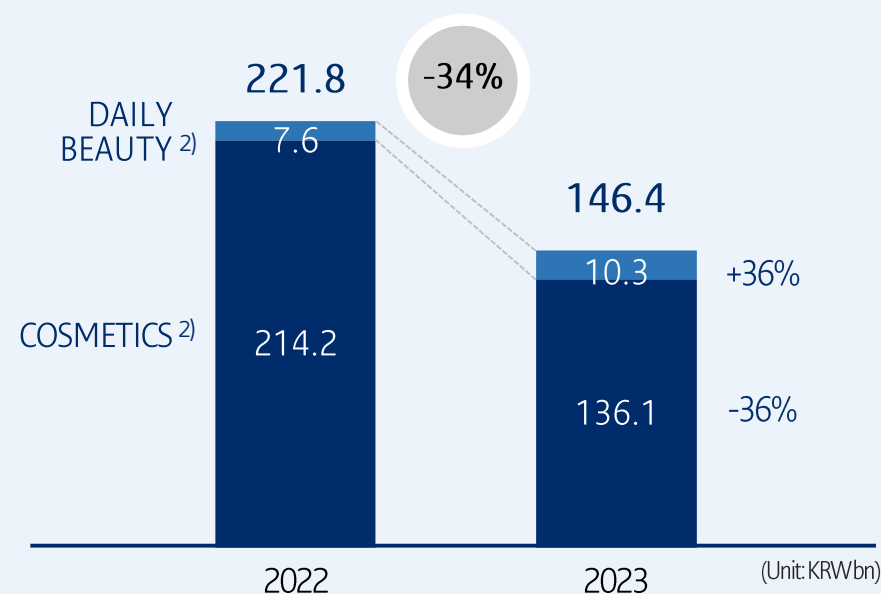
## Revenue declined 14%

- Travel retail channel sales declined by double digit (20% of total domestic revenue)
- Multi-brand shop channel posted more than 40% growth
- Despite double digit decline of total online sales, pure domestic online sales grew by acquiring #1 market share in the cosmetics e-commerce space



## Operating profit decreased 34%

- Cosmetics operating profit decreased due to sales decline in travel retail and online channels as well as increase in marketing expense
- Daily Beauty operating profit increased with stronger portion of sales of premium products



1) OEM, Rental Income etc.

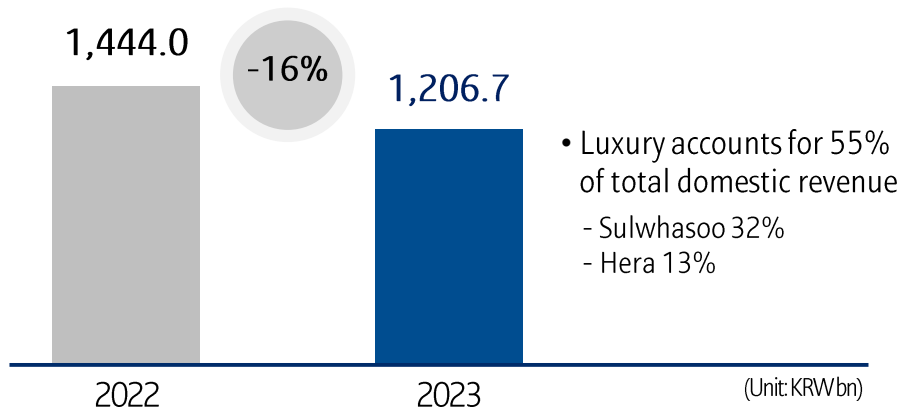
2) Partial changes were made to domestic operating profit due to changes in the definition of geographical area for some countries (Middle East, etc.) and affiliation of intercompany transaction items as of 1Q 2023. Earnings of 2022 were restated accordingly.



# FY 2023 Domestic Business

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## LUXURY

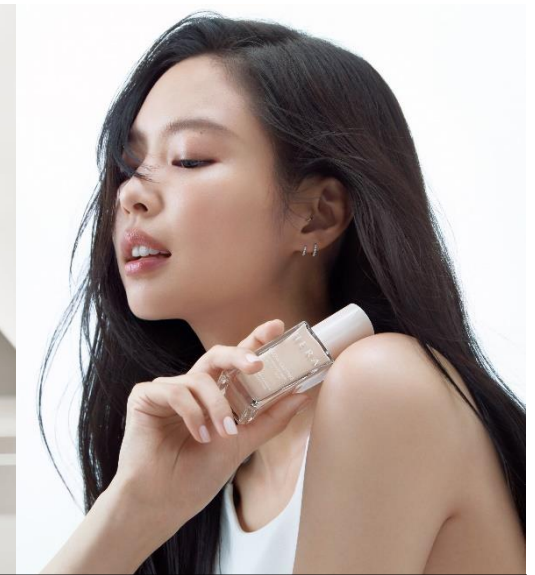


- Luxury accounts for 55% of total domestic revenue
  - Sulwhasoo 32%
  - Hera 13%

- Although overall luxury cosmetics revenue declined due to decrease in travel retail and global e-commerce channel sales, sales from pure domestic channels (department store, domestic e-commerce) posted growth
- Strengthened brand attractiveness by launching new products and executing brand campaigns
  - [Sulwhasoo] Executed 'First Care Activating Serum VI' campaign and launched 'The Ultimate S Cream'
  - [Hera] Launched 'Glow Lasting Foundation' and executed 'How Far Can You Go' brand campaign both online and offline with its global ambassador
  - [Primera] Launched 'Organience Barrier Repair' line and conducted ambassador campaign
- Reinforced brand positioning within major channels through launch of limited edition products
  - [Vital Beautie] Launched 'Meta Green Slim Up x Pochacco' edition
  - [Goutal] Launched 'Petite Chérie Color Edition,' 'Petite Chérie Candle' to mark the 25th anniversary of 'Petite Chérie'



Sulwhasoo 'The Ultimate S Cream'



Hera 'Glow Lasting Foundation'



Primera 'Organience Barrier Repair' Line

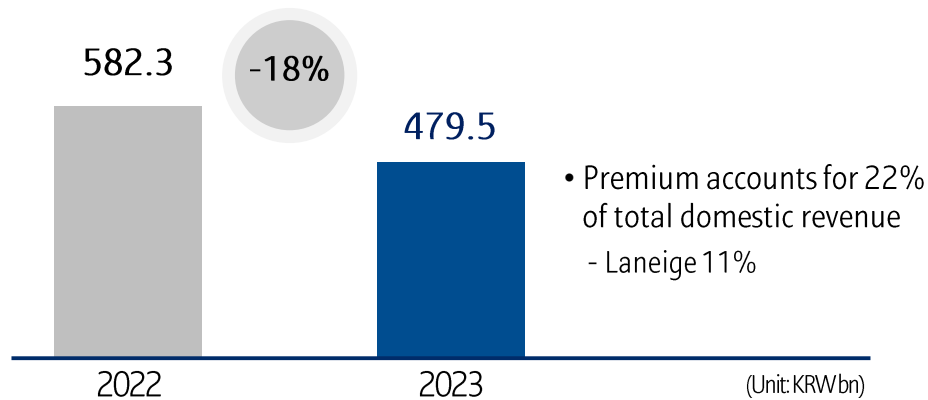


Vital Beautie 'Meta Green Slim Up x Pochacco'

# FY 2023 Domestic Business

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## PREMIUM



- Although premium cosmetics revenue declined due to decrease in travel retail and global e-commerce channels, multi-brand shop sales increased with enhanced competitiveness
- Strengthened product portfolio and reinforced foundation for growth
  - [Laneige] Launched new key products ('Perfect Renew 3X Serum', renewed 'Neo Cushion') and enhanced brand attractiveness by strengthening digital marketing, resulting in solid sales growth in multi-brand shop channel
  - [Aestura] Diversified product category through sun care ('Derma UV 365'), and slow-aging ('Regederm 365') products, ranked #1 market share in dermo-cosmetics category for Olive Young 2023 Awards
  - [Iope] Entered Olive Young and posted strong sales for its key product ('Retinol Super Bounce Serum') by focusing on marketing product efficacy
  - [Hanyul] Implemented rebranding marketing campaign and strengthened functional skin care product category ('Pure Artemisia Calming Water Cream', 'Red Rice Moisture Firming Essence Skin')
- Nurtured new growth categories of home-aesthetics brand and men's cosmetics
  - [Holital] Posted strong revenue growth by focusing on door to door channel and generating new customer demand
  - [Men's Cosmetics] B. Ready, Odyssey increased new product launches and grew in sales with enhanced brand newness



Laneige 'Perfect Renew 3X Serum'



Aestura 'Regederm 365'



Iope 'Super Bounce Serum'

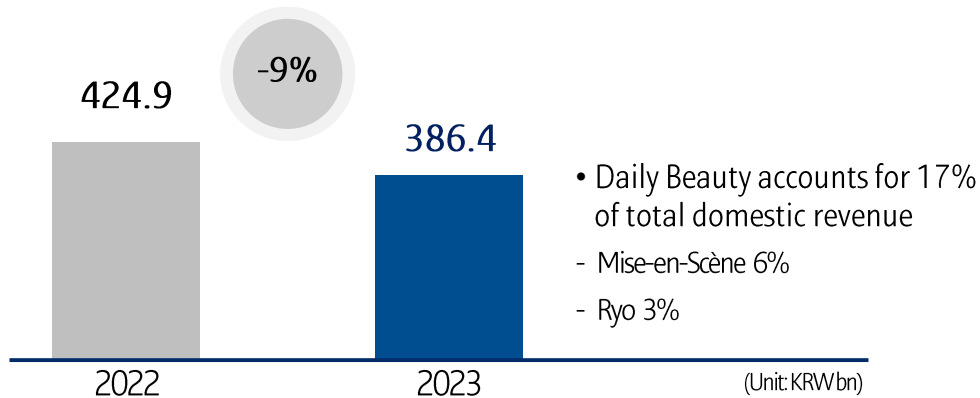


B. Ready 'True Tone Lotion'

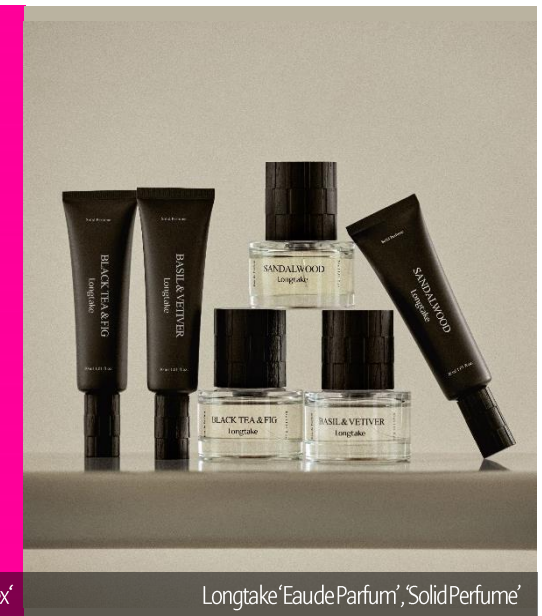
# FY 2023 Domestic Business

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## DAILY BEAUTY

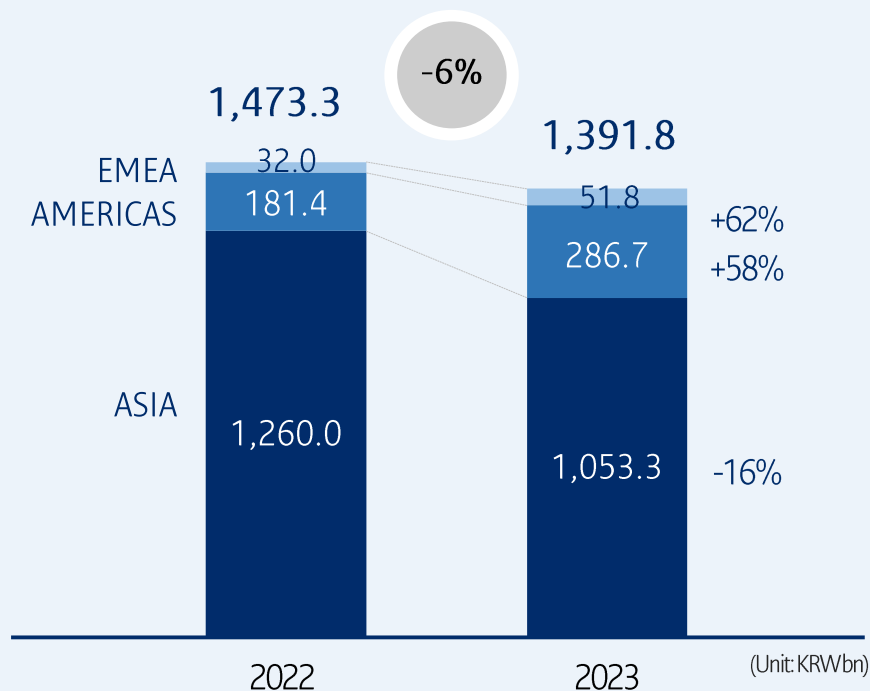


- Despite sales from multi-brand shop and pure domestic e-commerce channels grew by nurturing premium lines, overall revenue decreased due to reorganization of product portfolio
- Reinforced product competitiveness by launching new products with improved functionality and implementing product renewal
  - [Ryo] Launched a hair loss treatment for women 'ROOT:GEN' and renewed basic lines
  - [Mise-en-Scène] Introduced 'Innerplex,' applied with professional bonding technology for broken and damaged hair
  - [Longtake] Strengthened product portfolio by launching new products, 'Eau de Parfum' and 'Solid Perfume'
  - [Happybath] Enhanced brand competitiveness by diversifying 'Skin U' product portfolio
- Strengthened brand attractiveness through collaborations with popular characters and other industry brands
  - [Labo-H] Launched collaborative product with 'Chilsung Cider,' as scalp care solution for summer season
  - [Illiyoony] Increased collaborations with characters, including 'Sanrio' edition and 'Bellygom' collaborative products



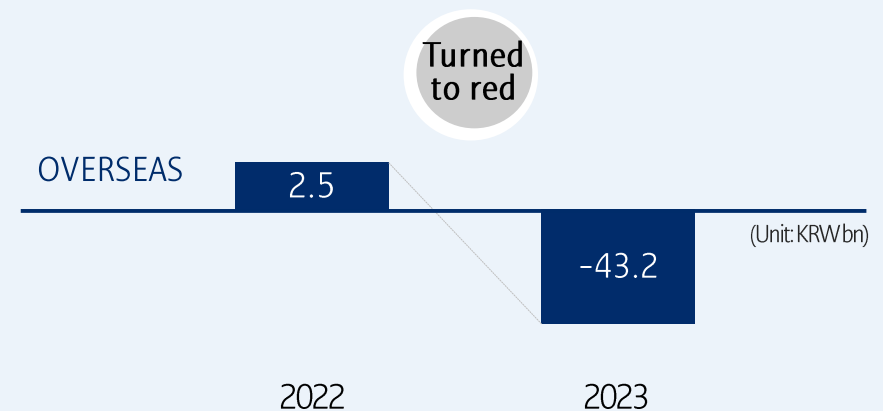
## Revenue declined 6%

- Asia revenue declined by 16% (China sales accounts for early 50% of Asia sales)
- Americas' revenue increased by 58% driven by strong sales of Laneige
- EMEA revenue posted 62% growth through business expansion in new countries (UK, Middle East)



## Operating profit turned to red

- Total Asia operating profit turned to red due to loss incurred from China business, but other Asia operating profit increased
- Operating profit of North America and EMEA combined increased with revenue growth



\*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



## ASIA

- China revenue declined by mid 20% (local currency)
  - Overall revenue declined due to brand renewals restructuring of offline stores, and downsizing inventory in major channels
  - Laneige sales grew driven by e-commerce channel growth by focusing on marketing key products ('Perfect Renew 3X Serum') and strengthening digital marketing content
  - Sulwhasoo ('First Care Activating Serum V1', 'Ultimate S Cream') and Innisfree ('Green tea Seed Hyaluronic Serum') enhanced brand competitiveness by launching high-functional products and executing rebranding campaigns
- Other Asia (ASEAN, Japan) revenue increased driven by Japan
  - [ASEAN] Total revenue was similar to last year. Laneige revenue increased due to strong sales of key products
  - [Japan] Revenue grew by 30% (local currency) with solid sales growth of Laneige and Innisfree sustained by strengthening relationship with major channels, and with new brand launches of Hera and Aestura



Pop-up store of Sulwhasoo's 'First Care Activating Serum V1' (China)



Laneige 'Perfect Renew 3X Serum' (China/ASEAN)

## AMERICAS & EMEA

- Americas sales grew by 58% by reinforcing major brands' product portfolios and offline channel expansion
  - Laneige reinforced its competitiveness in lip category by diversifying its product portfolio. Strong performance of e-commerce and multi-brand shop channel drove overall growth
  - Innisfree and Sulwhasoo posted revenue growth through expansion in multi-brand shop channel and strengthening brand competitiveness
- EMEA revenue increased by 62% with all brands achieving sales growth
  - Laneige expanded its brand presence by entering 'Space NK' in UK and Sephora in Middle East



Laneige 'Waterboat Event' along the Seine river (France)



Innisfree 'West Coast Truck Tour' (North America)

# 4Q 2023 Earnings Summary

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**Revenue down 14.9% to KRW 926 billion, Operating profit down 63.7% to KRW 20.7 billion**

Domestic revenue down 11.6%, operating profit up 16.6%. Overseas revenue down 18.3%, operating profit turned to red

(Unit: KRW bn)

	2022 4Q	% of Revenue	2023 4Q	% of Revenue	YoY(%)
Revenue <sup>1)</sup>	1,087.8	100.0	926.0	100.0	-14.9
Domestic	633.7	58.3	560.4	60.5	-11.6
Cosmetics	529.2	48.6	464.7	50.2	-12.2
Daily Beauty	104.5	9.6	95.7	10.3	-8.4
Overseas	437.2	40.2	356.9	38.5	-18.3
	2022 4Q	OP Margin (%)	2023 4Q	OP Margin (%)	YoY(%)
Operating Profit <sup>1)</sup>	57.0	5.2	20.7	2.2	-63.7
Domestic	44.6	7.0	52.0	9.3	+16.6
Cosmetics	42.1	8.0	47.9	10.3	+13.9
Daily Beauty	2.5	2.4	4.1	4.3	+62.4
Overseas	13.0	3.0	-33.7	-9.4	Turned to red
Net Profit	24.6	2.3	38.2	4.1	+55.5

1) Includes intercompany transactions, revenue and operating profit from Cosvision, Wedream etc.

# 4Q 2023 Income Statement

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- Total personnel expense decreased due to decline in overseas labor cost. Marketing expense climbed by 12% with increased marketing activities to strengthen holiday season demand
- Commission decreased by 28% due to reduced service fees by cost reduction in both domestic and overseas markets, as well as reduced distribution commission from revenue decline

(Unit: KRW bn)

	2022 4Q	2023 4Q	YoY(%)
Revenue	1,087.8	926.0	-14.9
Cost of sales	338.5	279.0	-17.6
Gross Profit	749.3	647.1	-13.6
S&A Expenses	692.3	626.4	-9.5
Personnel Expense <sup>1)</sup>	146.2	145.7	-0.3
Marketing Expense <sup>2)</sup>	138.3	155.4	+12.4
Commission <sup>3)</sup>	258.8	186.2	-28.1
Depreciation Cost <sup>4)</sup>	51.3	44.2	-13.8
Operating Profit	57.0	20.7	-63.7
OP Margin (%)	5.2%	2.2%	-3.0%p
Consolidated Net Income	24.6	38.2	+55.5

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

2) Marketing Expense: Advertisement and Promotion Expense

3) Commission: Service Fees and Distribution Commission

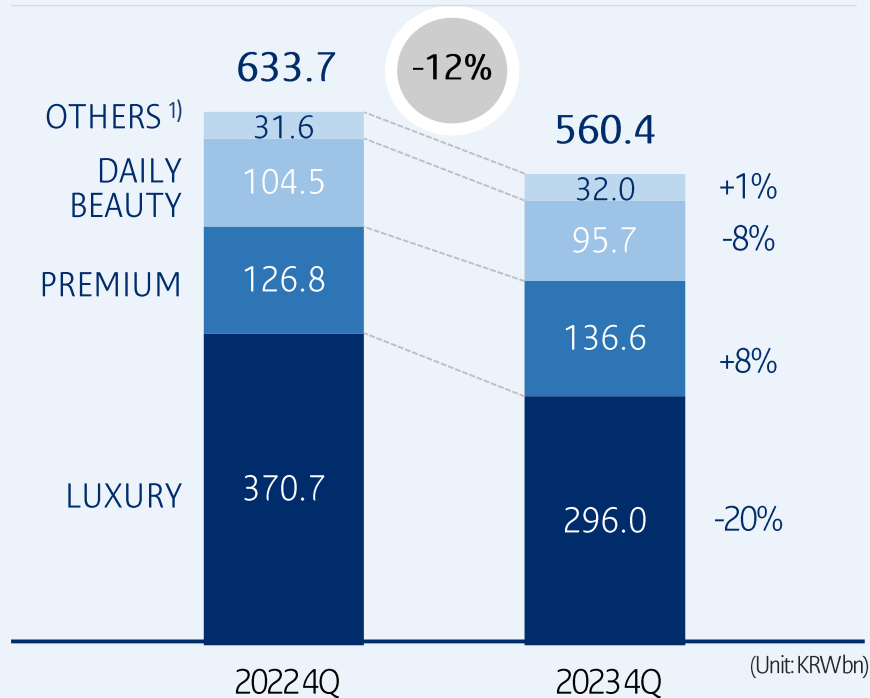
4) Depreciation Cost: Depreciation and Amortization

# 4Q 2023 Domestic Business

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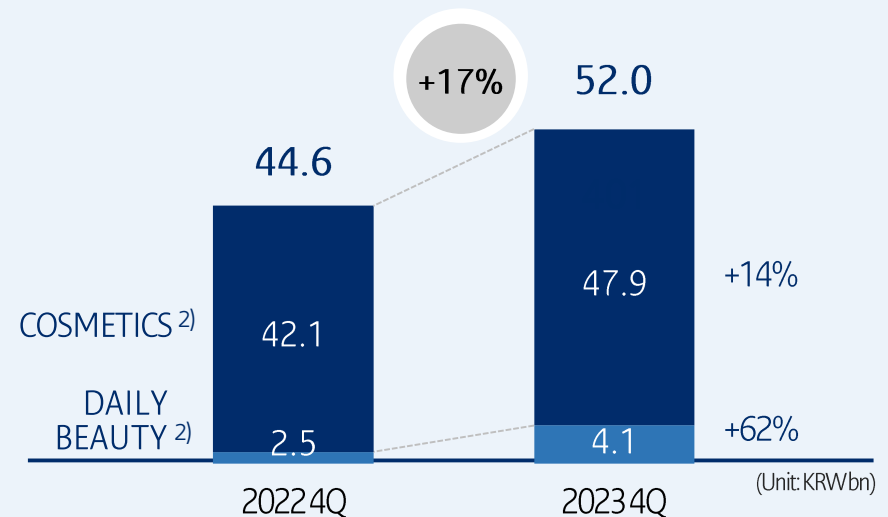
## Revenue declined 12%

- Travel retail channel sales declined by double digit (24% of total domestic revenue)
- Multi-brand shop channel sales posted more than 50% growth
- Despite the decline of total online sales, pure domestic online channel sales grew by double digit



## Operating profit increased 17%

- Cosmetics operating profit increased with enhanced profitability of major channels by focusing on improving profit structure
- Daily Beauty operating profit increased due to improved profitability of major brands from restructured product portfolio



1) 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.



# 4Q 2023 Domestic Business

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## LUXURY

- Pure domestic sales increased by enhancing competitiveness of luxury brands through the launch of seasonal products aimed for the year-end holiday season
  - Sulwhasoo launched '2023 Holiday Edition' and 'Perfecting Cushion'
  - Hera launched 'After Hours Collection,' Primer launched 'The Hand Cream Mist'
- Provided differentiated brand experience through operation of offline pop-up stores
  - Sulwhasoo strengthened customer communication by operating 'The Ultimate S' pop-up store
  - Vital Beauty operated 'Meta Green—How far have you gone with your weight loss journey?' pop-up store

## PREMIUM

- Total premium cosmetics revenue increased driven by Laneige and Aestura
  - Laneige revenue increased with robust sales growth within multi-brand shop channel through seasonal promotions for key products ('Cream Skin', 'Neo Cushion')
  - Aestura launched 'Oh Lolly Day' collaborative product. Revenue continued to post double digit growth driven by strong results within multi-brand shop and e-commerce channels
- Enhanced brand attractiveness and reinforced foundation for future growth through brand renewals and strengthening key products
  - Mamonde renewed its brand and launched a new key product ('Pore Shrinker Bakuchiol Cream')
  - Iope strengthened marketing for functional product 'Retinol Line' resulting in strong sales
  - Odyssey launched a new product line ('Chapter 5') for the first time in 8 years, targeting men's cosmetics market

## DAILY BEAUTY

- Reinforced brand positioning in multi-brand shop channel with robust growth of key products
  - [Mise-en-Scène] 'Hello Cream' ranked as No. 1 hair color product and 'Perfect Serum' ranked 2nd in hair care segment at 'Olive Young Awards'
  - [Labo-H] Anti-hair loss shampoo was awarded No. 1 product in shampoo category at Olive Young and Hwaha for 2 consecutive years
  - [Illiyoon] Cumulative sales of 'Ceramide Ato' exceeded 10 million products and ranked No. 1 brand in body care category at 'Olive Young Awards' for 3 consecutive years



Sulwhasoo '2023 Holiday Edition'



Aestura's collaborative product 'Oh Lolly Day' edition



Mamonde's brand renewal and new product 'Pore Shrinker Bakuchiol Cream'



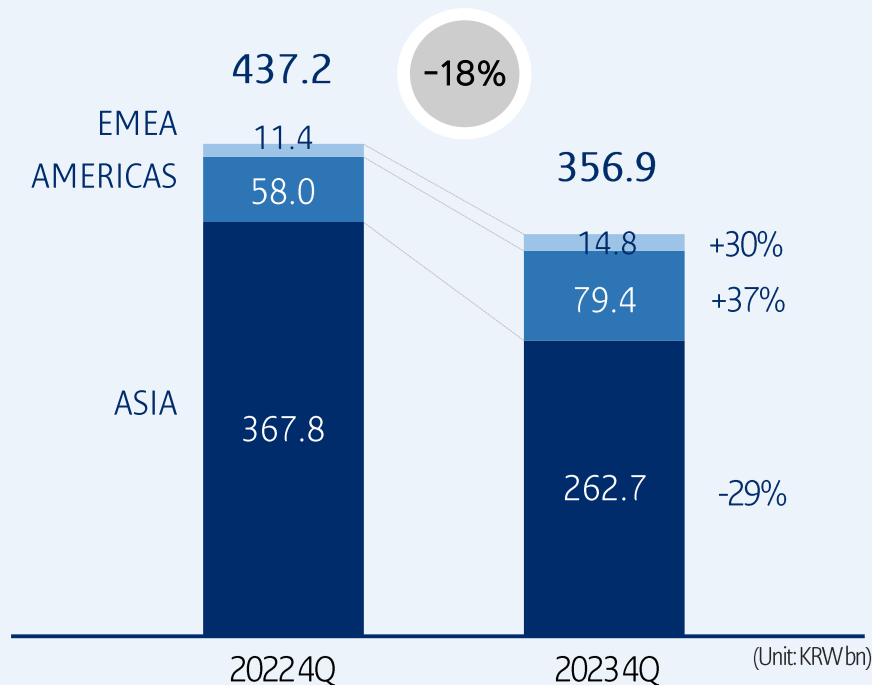
Illiyoon, Mise-en-Scène 'Olive Young Awards 2023'

# 4Q 2023 Overseas Business

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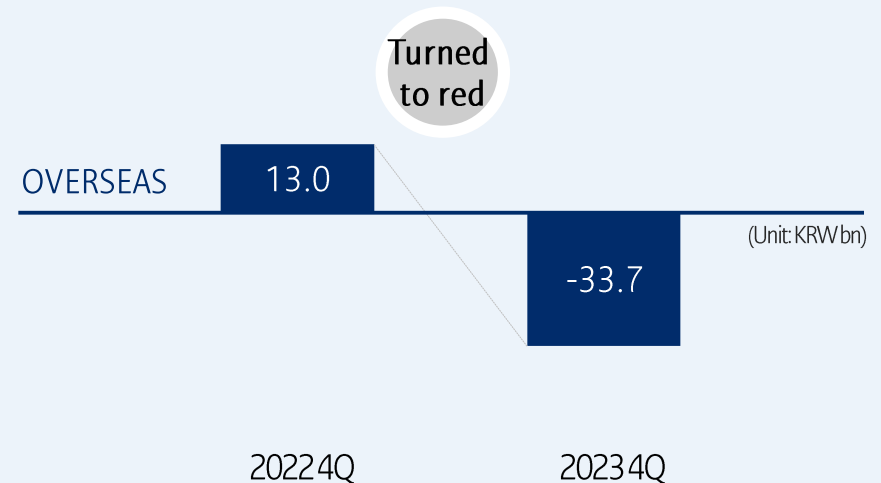
## Revenue declined 18%

- Asia revenue declined by 29% (China sales accounts for late 40% of Asia sales)
- Americas revenue increased by 37% due to sales growth of Laneige, Innisfree and Sulwhasoo
- EMEA revenue posted 30% growth driven by Laneige



## Operating profit turned to red

- Total Asia operating profit turned to red due to loss from China business while other Asia operating profit improved
- Americas and EMEA operating profit combined increased with growth in sales



\*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

# 4Q 2023 Overseas Business

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## ASIA

- China revenue declined by 40% (local currency)
  - Overall revenue declined due to downsizing inventory in major channels and focusing on increasing customer purchases in order to improve its business structure. Total sales (GMV) during Double 11 grew with strengthened key products and diversified platform strategy
  - Sales of Laneige ('Perfect Renew 3X Serum', 'Pepta-Collagen Sleeping Mask') and Mamonde ('Age Control' line) increased by reinforcing competitiveness of key products
  - Sulwhasoo operated a pop-up store ('Ultimate S Cream') and strengthened customer marketing, resulting in new customer acquisition within department stores
- Other Asia (ASEAN, Japan, etc) revenues slightly declined
  - [ASEAN] Laneige sales increased driven by key products ('Perfect Renew 3X Serum', 'Neo Cushion'), Sulwhasoo and Innisfree sales decreased due to restructuring of offline stores and product portfolio
  - [JAPAN] Revenue increased by 20% (local currency) with solid sales growth of Laneige ('Cream Skin') and Innisfree ('Retinol Cica') through enhanced product competitiveness, and with channel expansion of newly launched brands (Hera/Aeustra)



Sulwhasoo's Ultimate S Cream Pop-up Store (China)



Aestura's Pop-up Store at @Cosme (Japan)

## AMERICAS & EMEA

- Americas revenue increased 37% driven by sales growth from multi-brand shop and e-commerce channels
  - E-commerce channel posted strong growth due to solid performance of Laneige, Innisfree and Sulwhasoo during US shopping festivals (Black Friday, Cyber Monday)
  - Enhanced brand attractiveness by reinforcing holiday season products such as 'Laneige Holiday Lip Sleeping Mask' and 'Innisfree Joyful Holiday In The Isle'
- EMEA revenue grew by 30% mainly driven by Laneige
  - E-commerce sales during Black Friday season in UK recorded triple digit growth



Innisfree 'A Joyful Holiday In The Isle' (Global)



Laneige 'Holiday Lip Sleeping Mask' (Americas)



# Financial Summary

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## Income Statement

(Unit: KRW bn, %)

	2022		2023	
	Amount	% of Sales	Amount	% of Sales
Revenue	4,134.9	100.0	3,674.0	100.0
Cost of sales	1,337.5	32.3	1,155.1	31.4
Gross Profit	2,797.4	67.7	2,518.9	68.6
SG&A Expenses	2,583.2	62.5	2,410.7	65.6
Operating Profit	214.2	5.2	108.2	2.9
Other Income	10.3		172.5	
Profit Before Tax	224.5	5.4	280.6	7.6
Consolidated Net Income	129.3	3.1	173.9	4.7

## Statement of Financial Position

(Unit: KRW bn)

	2022.12	2023.12
<b>Assets</b>	5,801.8	5,886.5
Current Assets	1,735.0	1,952.2
Trade receivables	285.1	292.9
Inventories	408.9	394.3
Non-current Assets	4,066.8	3,934.3
Property, Plant and Equipment	2,475.3	2,441.6
Intangible Assets	357.8	340.7
Investments in associates	247.3	287.1
<b>Liabilities</b>	1,022.5	1,013.8
Current Liabilities	831.1	813.3
Non-current Liabilities	191.4	200.5
<b>Shareholder's Equity</b>	4,779.3	4,872.7
Capital Stock	34.5	34.5
Retained Earnings	4,010.1	4,101.4
Non-controlling Interest	-19.3	-25.3