



# FY2019 2Q Earnings

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KOREA **NO.1** RETAILER

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# • FY2019 2Q Earnings (Consolidated)

✓ **Net Sale 4,581bn KRW(+14.8%), OP -30bn[-83bn], Net Profit -27bn[-122bn]**

- Subsidiaries : Net sales 1,786bn (+80.4%) / OP-16.9bn (-16.3bn)      \*Consolidated property tax 101bn[+12bn]
- Equity-method income : 15.4bn(+26.6bn)

(Unit : KRW Billion)

	2Q 2019	2Q 2018	Y o Y	1H 2019	1H 2018	Y o Y
<b>Net Sales</b>	<b>4,581</b>	<b>3,989</b>	<b>14.8%</b>	<b>9,166</b>	<b>8,096</b>	<b>13.2%</b>
<b>Gross Profit</b> (%)	<b>1,173</b> (25.6)	<b>1,097</b> (27.5)	<b>6.9%</b> (-1.9)	<b>2,322</b> (25.3)	<b>2,225</b> (27.5)	<b>4.4%</b> (-2.2)
<b>SG&amp;A</b> (%)	<b>1,203</b> (26.2)	<b>1,044</b> (26.2)	<b>15.2%</b> (-)	<b>2,278</b> (24.9)	<b>2,018</b> (24.9)	<b>12.9%</b> (-)
<b>Operating Profit</b> (%)	<b>-30</b> (-0.6)	<b>53</b> (1.3)	<b>[-83]</b> (-1.9)	<b>44</b> (0.4)	<b>207</b> (2.6)	<b>-78.5%</b> (-2.2)
<b>Pre-tax Profit</b> (%)	<b>-38</b> (-0.8)	<b>121</b> (3.0)	<b>[-159]</b> (-3.8)	<b>55</b> (0.6)	<b>288</b> (3.6)	<b>-80.9%</b> (-3.0)
<b>Net Profit</b> (%)	<b>-27</b> (-0.6)	<b>95</b> (2.4)	<b>[-122]</b> (-3.0)	<b>43</b> (0.5)	<b>219</b> (2.7)	<b>-80.4%</b> (-2.2)
(Owners of Parents)	(-25)	(91)	[-116]	(43)	(209)	(-79.5%)

# • FY2019 2Q Earnings (Separate)

✓ **Gross Sales 3,453bn KRW(-2.3%), OP -7bn[-62] ⇒ Recorded temporary loss from property tax**

- Recognized property tax for an year in 2Q : 84bn (+10bn)
- [Hyper] SSSg -4.6%      [Specialty] Loss increased from business excluding major formats (Nobrand, Electromart)
- [Traders] Retained steady top-line growth (+23%)

\* Included sales from PP and supply goods to NE.O as gross sales of '19 / Included online gross sales as gross sales of '18

(Unit : KRW Billion)

	2Q 2019	2Q 2018	Y o Y	1H 2019	1H 2018	Y o Y
<b>Gross Sales</b>	<b>3,453</b>	<b>3,533</b>	<b>-2.3%</b>	<b>7,156</b>	<b>7,257</b>	<b>-1.4%</b>
(Net Sales)	(3,086)	(3,108)	(-0.7%)	(6,410)	(6,396)	(0.2%)
<b>Gross Profit</b>	<b>869</b>	<b>906</b>	<b>-4.1%</b>	<b>1,792</b>	<b>1,861</b>	<b>-3.7%</b>
(%)	(25.2)	(25.6)	(-0.4)	(25.0)	(25.6)	(-0.6)
<b>SG&amp;A</b>	<b>876</b>	<b>851</b>	<b>2.9%</b>	<b>1,692</b>	<b>1,645</b>	<b>2.9%</b>
(%)	(25.4)	(24.1)	(+1.3)	(23.7)	(22.7)	(+1.0)
<b>Operating Profit</b>	<b>-7</b>	<b>55</b>	<b>[-62]</b>	<b>100</b>	<b>216</b>	<b>-53.9%</b>
(%)	(-0.2)	(1.5)	(-1.7)	(1.3)	(2.9)	(-1.6)
<b>Pre-tax Profit</b>	<b>-24</b>	<b>130</b>	<b>[-154]</b>	<b>107</b>	<b>296</b>	<b>-64.0%</b>
(%)	(-0.7)	(3.7)	(-4.4)	(1.5)	(4.1)	(-2.6)
<b>Net Profit</b>	<b>-11</b>	<b>104</b>	<b>[-115]</b>	<b>97</b>	<b>239</b>	<b>-59.4%</b>
(%)	(-0.3)	(2.9)	(-3.2)	(1.4)	(3.3)	(-1.9)

# 【 Business Overview 】

(Unit : KRW Billion)

	2Q 2019	2Q 2018	Y o Y	1H 2019	1H 2018	Y o Y
<b>Gross Sales</b>	<b>3,453</b>	<b>3,533</b>	<b>-2.3%</b>	<b>7,156</b>	<b>7,257</b>	<b>-1.4%</b>
Hypermarket	2,578	2,536	1.7%	5,417	5,262	3.0%
Traders	558	452	23.3%	1,109	911	21.7%
Specialty Stores	261	191	37.0%	523	370	41.4%
<b>Gross Profit</b>	<b>869</b>	<b>906</b>	<b>-4.1%</b>	<b>1,792</b>	<b>1,861</b>	<b>-3.7%</b>
Hypermarket	704	708	-0.5%	1,464	1,469	-0.3%
Traders	96	79	21.6%	190	157	21.5%
Specialty Stores	65	48	36.8%	131	92	42.7%
<b>Operating Profit</b>	<b>-7</b>	<b>55</b>	<b>[-62]</b>	<b>100</b>	<b>216</b>	<b>-53.9%</b>
Hypermarket	-4	56	[-60]	110	218	-49.3%
Traders	14	16	[-2]	27	29	-5.2%
Specialty Stores	-19	-16	[-3]	-41	-31	[-10]

\* Excluded minor business excluded(Gas, etc.)



✓ SSSg -4.6% : 2 less holiday (YoY, impact on SSSg -1.4%), Temporary closure of Changdong store for renewal (-0.2%, 3/1-6/12)

✓ Offline store GPM +0.1%

\* Total GPM -0.6% (27.9% → 27.3%) / Dilution from online transaction -0.7%



✓ Gross sales increase 23.3% : Continuous growth / Wolgye store recorded quarterly profit (Opened in Mar)

✓ SSSg +3.4% : 2 less holiday (YoY, impact on SSSg -1.9%)

\* Hanam store 2Q SSSg -8% from competition



✓ Poor OP trend of new stores : Dense opening schedule on 2H '18

\*106 store opened in 2H '18

✓ Performance of major format(Nobrand, Electro) is positive

\* 2Q OP improvement : NB +1.8bn , Electro +0.2bn

# 【 Key Consolidated Subsidiaries (Non-consolidated basis) 】

(Unit : KRW Billion)

	2Q 2019	2Q 2018	Y o Y	1H 2019	1H 2018	Y o Y
<b>Net Sales</b>	<b>1,786</b>	<b>990</b>	<b>80.4%</b>	<b>3,360</b>	<b>1,924</b>	<b>74.7%</b>
S - Food	327	310	5.5%	644	628	2.5%
E - Everyday	309	294	5.3%	607	573	5.9%
SSG.COM	208	-	[+208]	384	-	[+384]
Emart 24	338	256	32.3%	621	463	34.0%
Property	51	40	25.1%	97	81	19.9%
Chosun Hotel	50	46	8.4%	95	89	7.1%
G F H	196	-	[+196]	324	-	[+324]
Vietnam	17	14	23.4%	36	29	22.4%
<b>O P</b>	<b>-16.9</b>	<b>-0.6</b>	<b>[-16.3]</b>	<b>-41.3</b>	<b>-45</b>	<b>[-36.8]</b>
S - Food	7.2	6.9	[+0.3]	10.4	16.9	-38%
E - Everyday	4.5	1.6	[+2.9]	6.5	1.8	254%
SSG.COM	-11.3	-	[-11.3]	-22.2	-	[-22.2]
Emart 24	-6.4	-9.6	[+3.2]	-15.7	-22.0	[+6.3]
Property	2.4	5.7	[-3.3]	6.1	8.3	-27%
(EBITDA)	(26.5)	(13.1)	(+13.4)	(52.6)	(23.1)	(131.1%)
Chosun Hotel	-5.6	-1.2	[-4.4]	-11.1	-6.2	[-4.9]
G F H	-0.5	-	[-0.5]	-1.1	-	[-1.1]
Vietnam	-0.3	-0.5	[+0.2]	-1.0	-1.4	[+0.4]

- Shinsegae Food : OP Improved
- Everyday : OP improving trend
  - SSSg : 2Q +1.1% (1H +0.2%)
- SSG.COM : Further growth on GMV
  - 1Q 13.6% → 2Q 15.4% / 1H 14.5%
  - 1H 1,311bn (GMV)  
\*1Q 653bn / 2Q 658bn
- Emart 24 : Maintained OP recovery
  - Trend of OP Improvement  
: 18 1H +0.9bn → 19 1H +6.3bn
  - # : 1Q +171 → 2Q +200 \*19 1H 4,078
- Shinsegae Property
  - Goyang OP 4.5bn (-0.1bn),  
COEX 2.2bn (+3.7bn)
  - Tax reflection +6.5bn(+0.9bn)  
(Yearly property tax)
- C Hotel : Expect improvement in 2H
  - Performance improved  
(If considering property tax reflection)
- Good Food Holdings
  - 2Q OP 1bn  
(if excluding loss from new opening)

## 【 Non-operating Profit and Loss 】

(Unit : KRW Billion)

	2Q 2019	2Q 2018	Y o Y	1H 2019	1H 2018	Y o Y
Operating P / L	-30	53	[-83]	44	207	[-163]
Financial P / L	-24	-12	[-12]	-19	-2	[-17]
Other P / L	1	91	[-90]	1	80	[-79]
Equity-method P / L	15	-11	[+26]	29	3	[+26]
Pre-tax P / L	-38	121	[-159]	55	288	[-233]

### ✓ Key equity-method subsidiaries

(Unit : KRW Billion)

	Starbucks Coffee Korea				Starfield Hanam				Shinsegae TV Shopping			
	2Q 2019	2Q 2018	1H 2019	1H 2018	2Q 2019	2Q 2018	1H 2019	1H 2018	2Q 2019	2Q 2018	1H 2019	1H 2018
Sales	458	370	888	709	28	27	57	54	42	33	79	62
OP	40	35	75	58	7	7	19	18	0.6	-0.7	-3	-2
(EBITDA)	(85)	(55)	(163)	(99)	(14)	(14)	(33)	(31)	-	-	-	-
NP	30	27	56	46	0.4	3	7	10	0.5	-0.8	-3	-12
(Equity)	(15)	(14)	(28)	(23)	(0.2)	(1.5)	(4)	(5)	(0.3)	(-0.4)	(-2)	(-1)

\* # of Starbucks stores : 1,308 (+46 YTD / SSSg 1H +13.3%) / \* Shinsegae TV Shopping **recorded profit first**

\*2Q18 Starfield Anseong recorded -26bn of equity-method loss

# 【 Major plans for 2H 】

## 【 Recover Grocery CAT Edge 】

- ✓ **Fresh : Secure superiority on price & quality**
  - Enhance efficiency of logistics and strategic purchase
  - Apply two-track strategy with premium goods lineup
- ✓ **Processed : Construct dominance in pricing**
- ✓ **HMR : Improve average quality of goods & Expand ready-to-cook SKU**

## 【 Reevaluate Offline 】

- ✓ **Develop stores into online base for O2O**
  - Enlarge CAPA to cover N. W. metropolitan area (PP center expansion of Garden 5, Wolgye in Jul)
  - Test “Scan & Delivery” for 1 store (3Q)
- ✓ **Renew stores (9 stores in 2H)**
  - Enhance customer attraction & retention  
(Add Electromart) (Mall-type renovation)
  - Develop portfolio of stores  
(Focus on Food CAT + Add F&B / Entertainment tenants)  
※ SSSg of Renewed store : FY18 +4.3%(11 stores), 1H19 +4.5%(6)

## 【 Improve Efficiency of Offline 】

- ✓ **Apply SCO & ESL to enhance OP efficiency**
  - SCO(Self-Checkout) : Apply to every store (FY19 +53)
  - ESL(Electronic Shelf Label) : Reduce routine-work hour (FY19 +108)
- ✓ **Adjust inefficient SKU**
  - Reduce inefficient inventory
  - Enlarge the space for the popular MD items

## 【 Restructure Specialty Store 】

- ✓ **Accelerate the speed of restrucutre**
  - 1H Closure 12 → Jul 21 \*Boots 18, Pierrot 2
  - Effect on yearly OP recovery by closure : +14bn
- ✓ **Keep positive trend of 2 major formats (Sales portion 74%)**
  - No-brand, Electromart (2Q OP improvement +2bn)



# [ Appendix ]

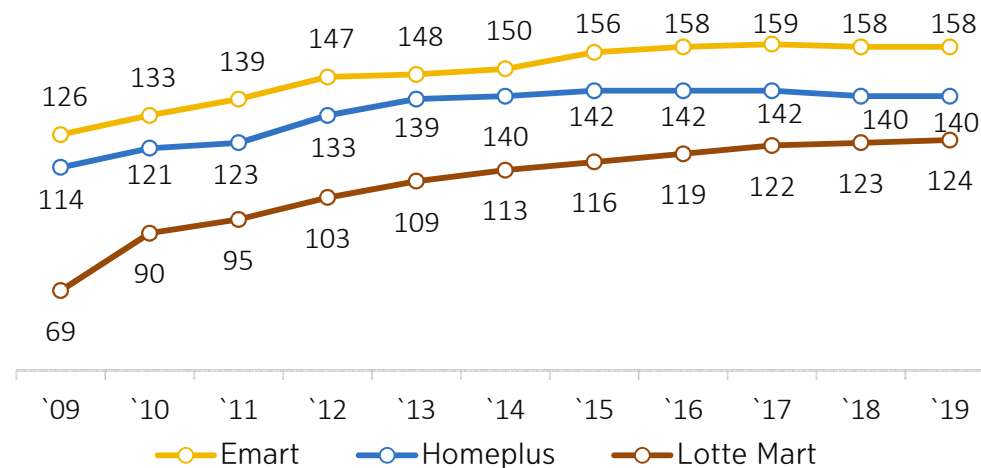
## Stores(domestic/overseas)

	(FY16)	(FY17)	(FY18)	(FY19)
• Domestic	147 → 145 → 143 →	<b>142</b>		
• Traders	11 → 14 → 15 →	<b>16</b>		
• China	7 → 1 → 0 →	<b>0</b>		
• Vietnam	1 → 1 → 1 →	<b>1</b>		
• Mongolia	1 → 2 → 2 →	<b>2</b>		

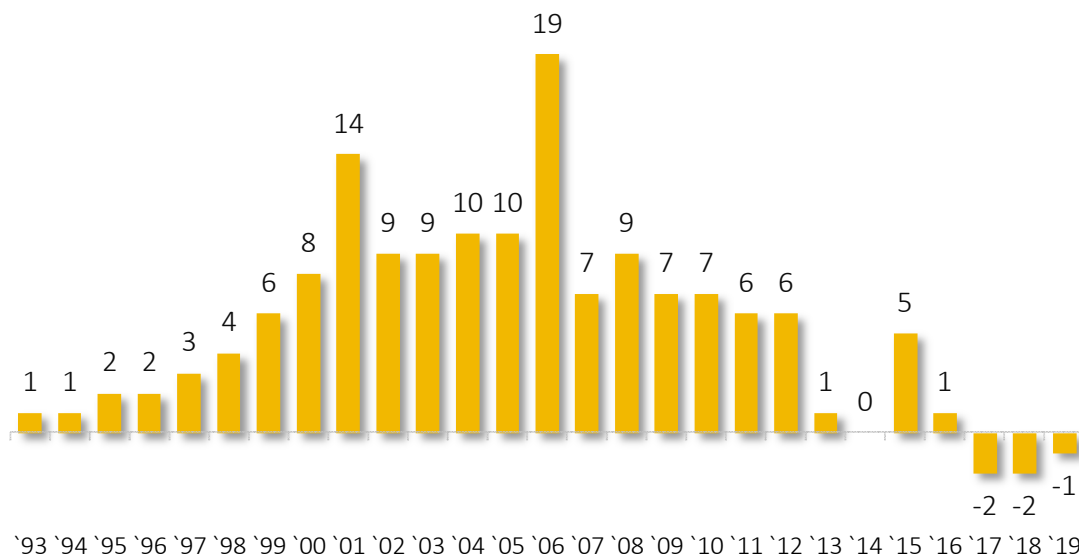
※ '19 1 Hypermarket closure (Mar, Deogi)

※ '19 1 Traders opening (Mar, Wolgye)

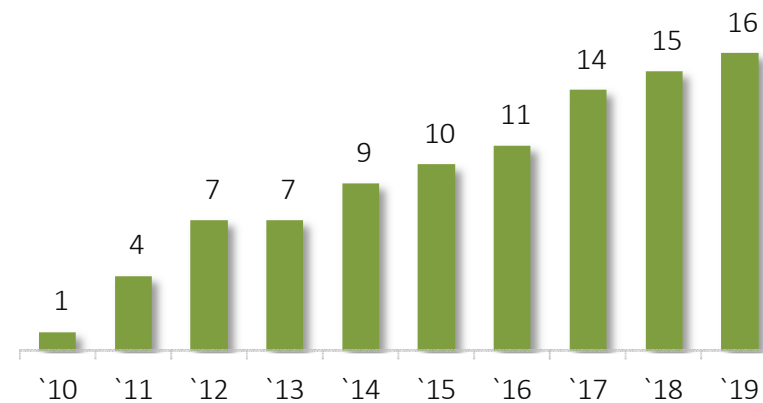
## 【 Current Number of Stores 】



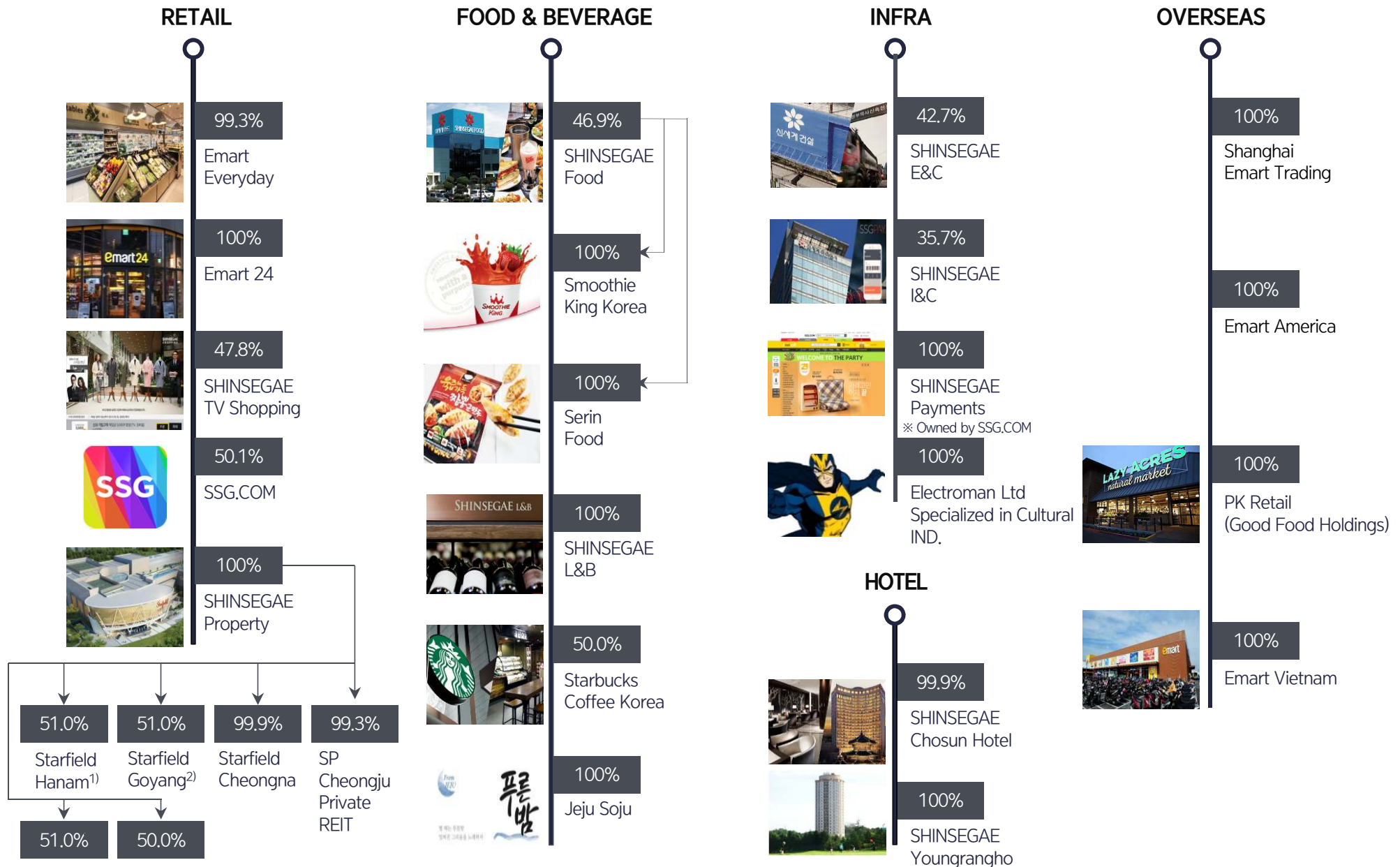
## 【 Net Increase of Domestic Hypermarket 】



## 【 Number of Traders 】



# Ownership Structure



1) Taubman Asia(TPA Hanam Union Square Holdings LP) holds 49% of shares of Starfield Hanam

2) NPS(National Pension Service) holds 49% of shares of Starfield Goyang

3) Taubman Asia(TPA Hanam Union Square Holdings LP) holds 49% of shares of Starfield Anseong

4) KT&G holds 50% of shares of Starfield Suwon

## Statements of Financial Position

### 【 Separate 】

(Unit : KRW Billion)

	FY19 1H	FY 2018	Y o Y
<b>Assets</b>	<b>15,446</b>	<b>14,139</b>	<b>1,307</b>
<i>(Lease)</i>	<i>(982)</i>	-	<i>(982)</i>
<b>Current</b>	<b>1,563</b>	<b>1,382</b>	<b>181</b>
Cash	19	14	5
Receivables	310	252	58
<b>Non-current</b>	<b>13,883</b>	<b>12,757</b>	<b>1,126</b>
PP&E	9,763	8,918	845
<b>Liabilities</b>	<b>6,799</b>	<b>5,910</b>	<b>889</b>
<i>(Lease)</i>	<i>(739)</i>	-	<i>(739)</i>
<b>Current</b>	<b>3,928</b>	<b>3,774</b>	<b>184</b>
Payables	726	752	-26
Borrowings	1,550	1,376	174
<b>Non-current</b>	<b>2,871</b>	<b>2,136</b>	<b>735</b>
Borrowings	1,680	1,589	91
<b>Equity</b>	<b>8,647</b>	<b>8,229</b>	<b>418</b>
Capital Stock	139	139	-
Hybrid Bond	778	379	399
Retained Earnings	2,773	2,768	5

### 【 Consolidated 】

(Unit : KRW Billion)

	FY19 1H	FY 2018	Y o Y
<b>Assets</b>	<b>20,843</b>	<b>16,754</b>	<b>4,089</b>
<i>(Lease)</i>	<i>(2,076)</i>	-	<i>(2,076)</i>
<b>Current</b>	<b>3,428</b>	<b>2,286</b>	<b>1,142</b>
Cash	497	283	213
Receivables	556	472	84
<b>Non-current</b>	<b>17,415</b>	<b>14,468</b>	<b>2,947</b>
PP&E	11,424	11,456	-32
<b>Liabilities</b>	<b>10,544</b>	<b>7,897</b>	<b>2,647</b>
<i>(Lease)</i>	<i>(1,807)</i>	-	<i>(1,807)</i>
<b>Current</b>	<b>5,817</b>	<b>4,999</b>	<b>818</b>
Payables	1,171	1,128	43
Borrowings	2,060	1,664	396
<b>Non-current</b>	<b>4,727</b>	<b>2,898</b>	<b>1,829</b>
Borrowings	2,020	2,120	-100
<b>Equity</b>	<b>10,299</b>	<b>8,857</b>	<b>1,442</b>
Owners of Parent	<b>8,883</b>	<b>8,172</b>	<b>711</b>
Capital Stock	139	139	-
<b>Non-controlling</b>	<b>1,416</b>	<b>685</b>	<b>731</b>

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