

**e**mart

# FY2019 4Q Earnings

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KOREA **NO.1** RETAILER

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# • FY2019 4Q Earnings (Consolidated)

✓ **Net Sale 4,833bn KRW(+14.4%), OP -10bn[-71bn], Net Profit 68bn(+5.6%)**

- Subsidiaries : Net sales 1,887bn(+37.6%) / OP -29.7bn(-28.4bn)
- Equity-method income : 25.9bn(+6.5bn)

(Unit : KRW Billion)

	4Q 2019	4Q 2018	Y o Y	FY 2019	FY 2018	Y o Y
<b>Net Sales</b>	<b>4,833</b>	<b>4,226</b>	<b>14.4%</b>	<b>19,063</b>	<b>17,049</b>	<b>11.8%</b>
<b>Gross Profit</b> (%)	<b>1,230</b> (25.4)	<b>1,112</b> (26.3)	<b>10.6%</b> (-0.9)	<b>4,892</b> (25.7)	<b>4,596</b> (27.0)	<b>6.4%</b> (-1.3)
<b>SG&amp;A</b> (%)	<b>1,240</b> (25.7)	<b>1,051</b> (24.9)	<b>18.0%</b> (+0.8)	<b>4,741</b> (24.9)	<b>4,133</b> (24.3)	<b>14.7%</b> (+0.6)
<b>Operating Profit</b> (%)	<b>-10</b> (-0.3)	<b>61</b> (1.4)	<b>[-71]</b> (-1.7)	<b>151</b> (0.8)	<b>463</b> (2.7)	<b>-67.4%</b> (-1.9)
<b>Pre-tax Profit</b> (%)	<b>96</b> (2.0)	<b>46</b> (1.1)	<b>107.3%</b> (+0.9)	<b>282</b> (1.5)	<b>587</b> (3.4)	<b>-51.9%</b> (-1.9)
<b>Net Profit</b> (%)	<b>68</b> (1.4)	<b>65</b> (1.5)	<b>5.6%</b> (-0.1)	<b>224</b> (1.2)	<b>479</b> (2.8)	<b>-53.2%</b> (-1.6)
(Owners of Parents)	(81)	(52)	(+55.9%)	(234)	(453)	(-48.3%)

# • FY2019 4Q Earnings (Separate)

✓ **Gross Sales 3,604bn KRW(+0.4%), OP 25bn(-66.1%), Net Profit 88bn[+106bn]**

- [Hyper] SSSg degrowth decelerated in 4Q(1H -3.2% → 3Q -5.9% → 4Q -1.2%) \*FY2019 -3.4%
- [Traders] 4Q SSSg +1.5% \*FY2019 +1.8%
- [Specialty] Still in reorganization (4Q 14 store closures with 3 brand withdrawals) \*FY2019 59 store closures

\* 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)

	4Q 2019	4Q 2018	Y o Y	FY 2019	FY 2018	Y o Y
<b>Gross Sales</b>	<b>3,604</b>	<b>3,588</b>	<b>0.4%</b>	<b>14,673</b>	<b>14,924</b>	<b>-1.7%</b>
(Net Sales)	(3,228)	(3,136)	(2.9%)	(13,155)	(13,148)	(-)
<b>Gross Profit</b>	<b>866</b>	<b>904</b>	<b>-4.2%</b>	<b>3,627</b>	<b>3,810</b>	<b>-4.8%</b>
(%)	(24.0)	(25.2)	(-1.2)	(24.7)	(25.5)	(-0.8)
<b>SG&amp;A</b>	<b>841</b>	<b>829</b>	<b>1.4%</b>	<b>3,376</b>	<b>3,320</b>	<b>1.7%</b>
(%)	(23.3)	(23.1)	(+0.2)	(23.0)	(22.2)	(+0.8)
<b>Operating Profit</b>	<b>25</b>	<b>75</b>	<b>-66.1%</b>	<b>251</b>	<b>489</b>	<b>-48.7%</b>
(%)	(0.7)	(2.1)	(-1.4)	(1.7)	(3.3)	(-1.6)
<b>Pre-tax Profit</b>	<b>114</b>	<b>-2</b>	<b>[+116]</b>	<b>351</b>	<b>481</b>	<b>-27.0%</b>
(%)	(3.2)	(-0.1)	(+3.3)	(2.4)	(3.2)	(-0.8)
<b>Net Profit</b>	<b>88</b>	<b>-18</b>	<b>[+106]</b>	<b>291</b>	<b>362</b>	<b>-19.6%</b>
(%)	(2.5)	(-0.5)	(+3.0)	(2.0)	(2.4)	(-0.4)

# 【 Business Overview 】

(Unit : KRW Billion)

	4Q 2019	4Q 2018	Y o Y	FY 2019	FY 2018	Y o Y
<b>Gross Sales</b>	<b>3,604</b>	<b>3,588</b>	<b>0.4%</b>	<b>14,673</b>	<b>14,924</b>	<b>-1.7%</b>
Hypermarket	2,667	2,508	6.3%	11,040	10,710	3.1%
Traders	602	462	30.4%	2,337	1,910	22.4%
Specialty Stores	277	231	19.8%	1,073	818	31.2%
<b>Gross Profit</b>	<b>866</b>	<b>904</b>	<b>-4.2%</b>	<b>3,627</b>	<b>3,810</b>	<b>-4.8%</b>
Hypermarket	703	692	1.6%	2,958	2,978	-0.7%
Traders	101	78	30.1%	399	328	21.5%
Specialty Stores	59	57	5.0%	256	203	26.3%
<b>Operating Profit</b>	<b>25</b>	<b>75</b>	<b>-66.1%</b>	<b>251</b>	<b>489</b>	<b>-48.7%</b>
Hypermarket	43	99	-56.9%	283	510	-44.6%
Traders	5	9	-41.0%	48	63	-22.6%
Specialty Stores	-24	-26	[+2]	-86	-74	[-12]

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

**emart**

- ✓ 4Q GPM 26.4% (YoY -1.2%), Offline store impact(inventory shrinkage) -0.3% / Online dilution impact(goods supply, etc)-0.9%
- ✓ SSSg on recovery : 4Q -1.2%(Oct -2.2%, Nov +2.5%, Dec -3.6%)

**E-MART TRADERS**

- ✓ 4Q SSSg +1.5% \*Hanam impact from competition -10% / Same-store OP is the same(including Hanam)
- ✓ FY2019 3 new openings(Wolgye, Bucheon, Myeongji) : Wolgye OP +3bn \*FY2020 1 opening plan(Anseong)



- ✓ FY2019 59 store closures(1H 16, 2H 43 / 4Q Closure impact-5bn, Clearance-4bn) + reorganizing continuously
- ✓ Closed 59 store OP -22.7bn / Reflected impairment loss from shutdown -72.7bn precedently

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

(Unit : KRW Billion)

	4Q 2019	4Q 2018	Y o Y	FY 2019	FY 2018	Y o Y
<b>Net Sales</b>	<b>1,887</b>	<b>1,372</b>	<b>37.6%</b>	<b>7,102</b>	<b>4,659</b>	<b>52.4%</b>
SSG.COM	233	-	[+233]	844	-	[+844]
Emart 24	369	287	28.7%	1,354	1,038	30.5%
S - Food	339	313	8.1%	1,320	1,279	3.2%
E - Everyday	303	288	5.2%	1,230	1,175	4.6%
Property	58	45	29.6%	208	169	23.4%
Chosun Hotel	61	55	12.4%	209	192	9.0%
G F H	174	-	[+174]	702	-	[+702]
Vietnam	21	17	19.3%	75	62	20.5%
<b>O P</b>	<b>-29.7</b>	<b>-1.3</b>	<b>[-28.4]</b>	<b>-74.6</b>	<b>0.4</b>	<b>[-75]</b>
SSG.COM	-36.2	-	[-36.2]	-81.9	-	[-81.9]
Emart 24	-10.3	-10.2	[-0.1]	-28.1	-39.6	[+11.5]
S - Food	5.4	4.8	[+0.6]	22.2	27.4	[-5.2]
E - Everyday	1.7	-1.4	[+3.1]	15.4	5.3	[+10.1]
Property	2.7	-0.2	[+2.9]	12.5	10.8	[+1.7]
(EBITDA)	(29.5)	(7.3)	(+22.2)	(110.8)	(40.6)	(+70.2)
Chosun Hotel	1.1	-1.7	[+2.8]	-12.4	-7.6	[-4.8]
G F H	1.3	-	[+1.3]	-1.4	-	[-1.4]
Vietnam	0.1	0.1	[-]	-1.3	-1.5	[+0.2]

- **SSG.COM : Accelerating growth on GMV**
  - GMV 1H 14% → 3Q 21% → 4Q 28%  
\*FY2019 GMV 2,873bn(+19.7%)
  - 4Q one-time cost  
(Promotion 9.3bn, Goodwill depreciation 7.3bn)
  - NEO 3<sup>rd</sup> Opening(Gimpo, 12/20)  
(Boosting overnight delivery service : CAPA, Coverage)
- **Emart 24 : In store increasing trend**
  - # : 4Q +198 \*FY2019 4,488(ytd + 781)
- **Shinsegae Food : OP Improved**
- **Everyday : Continuous Improvement on OP**
  - # : 236(+4) \*direct-operating store 212(+5)
  - FY2019 SSSg +0.1%(4Q +2.3%)
- **Shinsegae Property**
  - Goyang OP 4Q 7.6bn (+1.3bn),  
COEX 4Q 1.7bn (+2.2bn)  
\* FY2019 Goyang 27bn(+1bn), COEX 8bn(+10bn)
  - EBITDA 4Q +22.2bn(FY20 YoY +70.2bn)
  - New Opening : Starfield Anseong(2H)
- **C Hotel : recorded 4Q surplus**
- **Good Food Holdings**
  - 4Q OP improved(year-end effect)
  - New Seasons Market Acquisition

# 【 Non-operating Profit and Loss 】

(Unit : KRW Billion)

	4Q 2019	4Q 2018	Y o Y	FY 2019	FY 2018	Y o Y
<b>Operating P / L</b>	<b>-10</b>	<b>61</b>	<b>[-71]</b>	<b>151</b>	<b>463</b>	<b>-67.4%</b>
Financial P / L	-26	-13	[-13]	-71	-29	[-42]
Tangible Asset P/L	207	-8	[+215]	212	68	[+144]
Equity-method P / L	26	19	[+7]	74	48	[+26]
Impairment Loss	-90	-11	[-79]	-90	-11	[-79]
Other P / L	-11	-2	[-9]	6	48	[-42]
<b>Pre-tax P / L</b>	<b>96</b>	<b>46</b>	<b>107.3%</b>	<b>282</b>	<b>587</b>	<b>-51.9%</b>

\* Impairment : Operating asset impairment(remained value at the end of 2019) 72.7bn + Asset financial securities impairment 17.5bn

## ✓ Key equity-method subsidiaries

(Unit : KRW Billion)

	Starbucks Coffee Korea				Starfield Hanam				Shinsegae TV Shopping			
	4Q 2019	4Q 2018	FY 2019	FY 2018	4Q 2019	4Q 2018	FY 2019	FY 2018	4Q 2019	4Q 2018	FY 2019	FY 2018
<b>Sales</b>	<b>519</b>	418	<b>1,870</b>	1,522	<b>29</b>	28	<b>116</b>	110	<b>45</b>	39	<b>162</b>	130
<b>OP</b>	<b>58</b>	41	<b>175</b>	143	<b>11</b>	10	<b>42</b>	41	<b>1</b>	-3	<b>-4</b>	-8
<b>(EBITDA)</b>	<b>(107)</b>	(62)	<b>(357)</b>	(225)	<b>(18)</b>	(17)	<b>(71)</b>	(68)	<b>-</b>	-	<b>-</b>	-
<b>NP</b>	<b>45</b>	33	<b>133</b>	112	<b>6</b>	5	<b>23</b>	23	<b>2</b>	-3.5	<b>-4</b>	-8
<b>(Equity)</b>	<b>(23)</b>	(16)	<b>(66)</b>	(56)	<b>(3)</b>	(2)	<b>(12)</b>	(11)	<b>(0)</b>	(0.2)	<b>(-2)</b>	(-1)

\* # of Starbucks stores : 1,378 (+116 YTD / SSSg 4Q +12.6% / FY2019 +11.3%)

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

# 【 Major plan for FY2020 】

## 【 Year of Customer 】

### ✓ Differentiate grocery / Efficient Operation of non-food

- [Fresh Food]  
Competency retrieval  
Against on/off retail channels
- [Processed]  
MD Customerization to meet  
Diversified customer needs
- [Non-food]  
Decisive reorganization  
By category & store

### ✓ Develop appealing pricing

- Develop pricing criteria for each MD  
Allocate resources
- Enhance basket size by synergy  
Between grocery & non-food

### ✓ Enhance customer analysis Infrastructure

- Enhance purchasing data analysis
- Make decision based on data

## 【 Retrieve SSSG 】

### ✓ Renovate hypermarket space

- Focus on customer needs and  
Objective of the visit
  - Buy Grocery + Enjoy Tenants  
(Ent, F&B, Specialty..)
  - Develop localized contents
- Optimizing store and MD  
Based on data analysis

### ✓ Deeper targeted marketing

- Personalize recommendation,  
Increase accuracy,  
Enlarge potential customer base  
(using machine learning)

### ✓ Strengthen the role of sites

- Give authority to store manager  
(To support unique marketing and  
MD operation for each store)

## 【 Create Cash Flow 】

### ✓ Examine business Based on ROI

- Enlarge investment to  
Hypermarket renovation  
(FY2020 CAPEX 160bn : +120bn YoY)
- Strict verification on the  
Feasibility of new business

### ✓ Reinvest saved cost to customer

- Reduce cost, improve profitability
  - Make investment source
  - Invest to renewal → Boost sales

### ✓ Achieve profitability from New growth driver BMs

- TR : Focus on core BM
- NB : Build BM for profitability
- Specialty : Renovate decisively,  
Focus on profitability

“ Turn Around ”



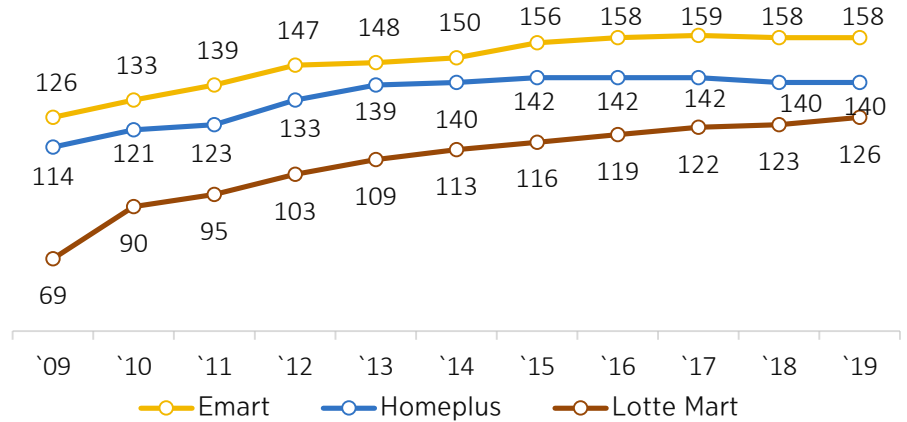
# [ Appendix ]

## Stores(domestic/overseas)

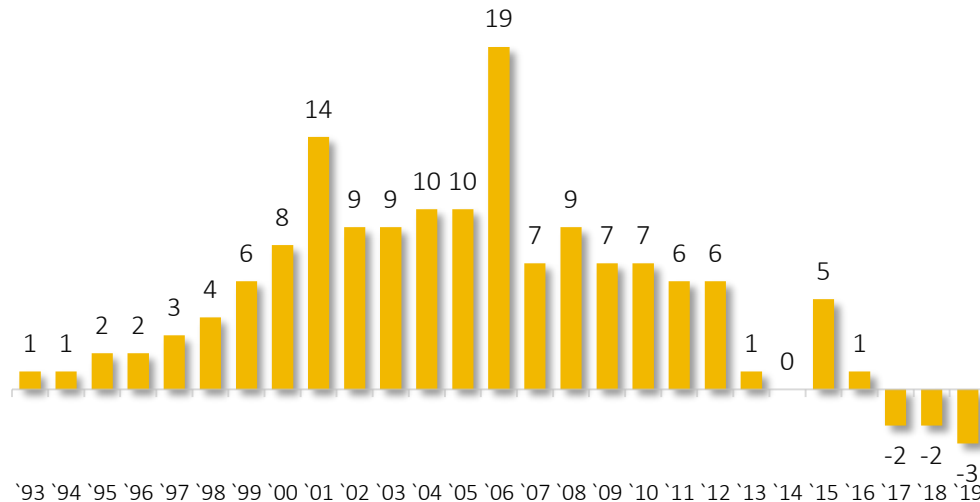
	(FY16)	(FY17)	(FY18)	(FY19)
• Domestic	147	145	143	140
• Traders	11	14	15	18
• China	7	1	0	0
• Vietnam	1	1	1	1

- \* '19 3 Hypermarket closure (Deogi, Seobusan, Sangmu)
- \* '19 3 Traders opening (Wolgye, Bucheon, Myongji) 3
- \* '19 3rd Mongolia store opening (Sep, Ulan Bator)

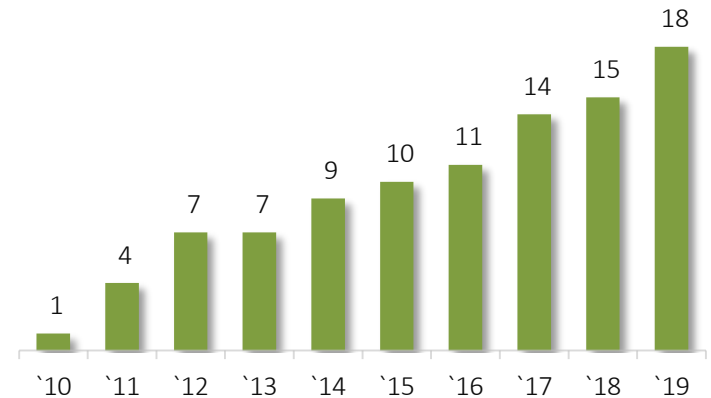
## 【 Current Number of Stores 】



## 【 Net Increase of Domestic Hypermarket 】

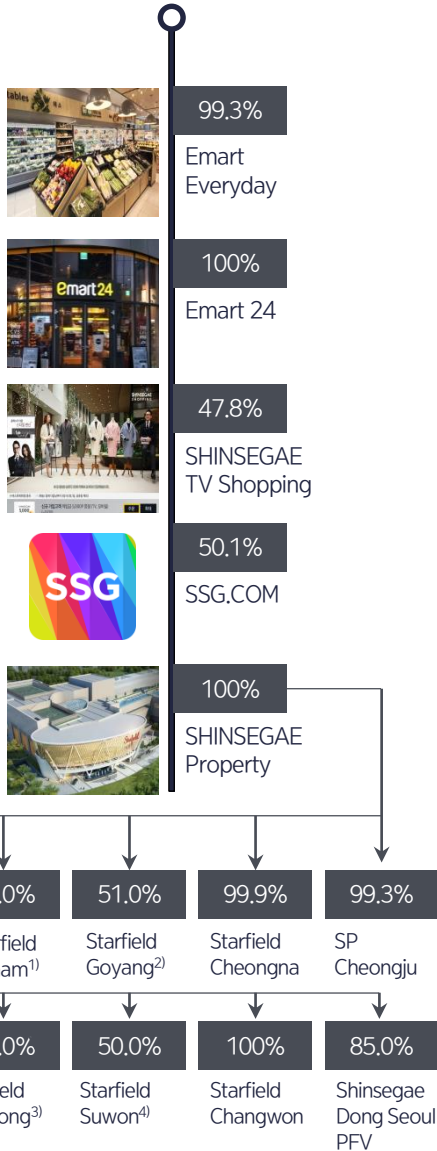


## 【 Number of Traders 】

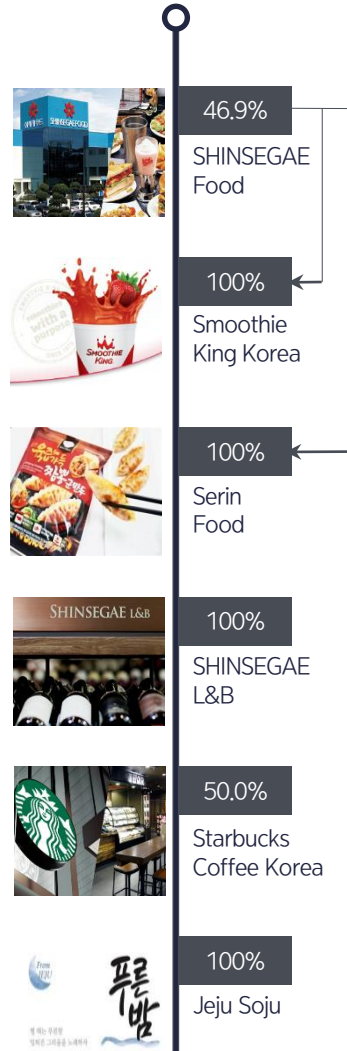


# Ownership Structure

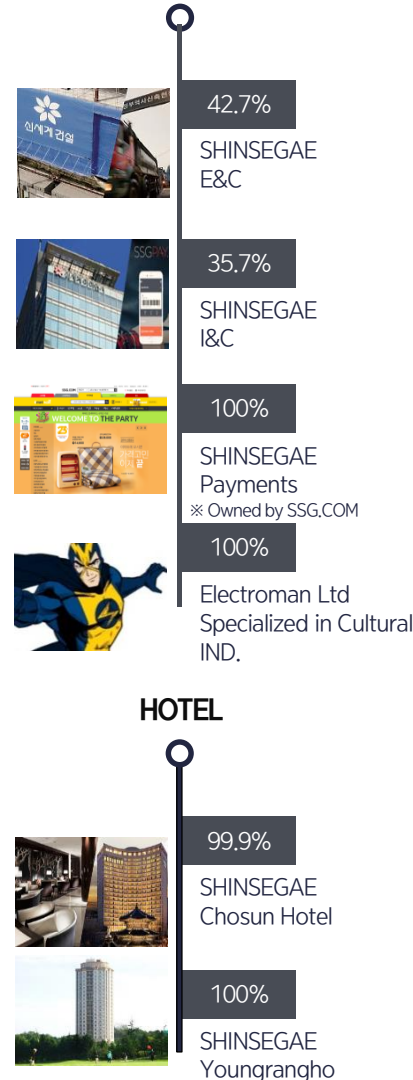
## RETAIL



## FOOD & BEVERAGE



## INFRA



## HOTEL

## OVERSEAS



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)

	FY 2019	FY 2018	Y o Y
<b>Assets</b>	<b>15,251</b>	<b>14,139</b>	<b>1,112</b>
<i>(Lease)</i>	<i>(1,104)</i>	-	<i>(1,104)</i>
<b>Current</b>	<b>1,807</b>	<b>1,382</b>	<b>425</b>
Cash	414	14	400
Receivables	269	252	17
<b>Non-current</b>	<b>13,444</b>	<b>12,757</b>	<b>687</b>
PP&E	9,320	8,918	402
<b>Liabilities</b>	<b>6,651</b>	<b>5,910</b>	<b>741</b>
<i>(Lease)</i>	<i>(1,103)</i>	-	<i>(1,103)</i>
<b>Current</b>	<b>3,327</b>	<b>3,774</b>	<b>-447</b>
Payables	790	752	38
Borrowings	730	1,376	-646
<b>Non-current</b>	<b>3,324</b>	<b>2,136</b>	<b>1,188</b>
Borrowings	1,920	1,589	331
<b>Equity</b>	<b>8,600</b>	<b>8,229</b>	<b>371</b>
Capital Stock	139	139	-
Hybrid Bond	778	379	399
Retained Earnings	2,907	2,768	139

### 【 Consolidated 】

(Unit : KRW Billion)

	FY 2019	FY 2018	Y o Y
<b>Assets</b>	<b>21,073</b>	<b>16,754</b>	<b>4,319</b>
<i>(Lease)</i>	<i>(2,159)</i>	-	<i>(2,159)</i>
<b>Current</b>	<b>3,632</b>	<b>2,286</b>	<b>1,346</b>
Cash	1,265	284	981
Receivables	508	472	-36
<b>Non-current</b>	<b>17,441</b>	<b>14,468</b>	<b>2,973</b>
PP&E	11,206	11,456	-250
<b>Liabilities</b>	<b>10,867</b>	<b>7,897</b>	<b>2,970</b>
<i>(Lease)</i>	<i>(2,215)</i>	-	<i>(2,215)</i>
<b>Current</b>	<b>5,404</b>	<b>4,999</b>	<b>405</b>
Payables	1,190	1,128	62
Borrowings	1,378	1,664	-286
<b>Non-current</b>	<b>5,463</b>	<b>2,898</b>	<b>2,565</b>
Borrowings	2,440	2,120	320
<b>Equity</b>	<b>10,206</b>	<b>8,857</b>	<b>1,349</b>
Owners of Parent	8,808	8,172	636
Capital Stock	139	139	-
Non-controlling	1,398	685	713

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