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Huons

3Q 2023 Business Performance

2023. 11. 7.



**Huons**

## Disclaimer

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All information in this book including business performance and financial report is written by Korean-International Financial Reporting Standards(K-IFRS) .

This book includes a “forecast” about future. It is not about the past, but the future business plan including expected management status and financial performance, and sometimes there can be word such as ‘anticipation’, ‘forecast’, ‘plan’, ‘expectation’, and ‘(E)’.

A “forecast” can mean uncertain factors which can affect the company either positively or vice versa, and those can include:

- Domestic or international financial market trends including fluctuation of foreign exchange rate or interest rate.
- Company’s very important strategic decision such as M&A
- Unexpected business environment change in the main industry
- Other internal and external change that can affect the company’s management and finance.

Because of those uncertain risks, company’s actual business performance can be different from the “forecast” in this booklet. Also the information we provide is written as of the day we deliver the presentation, so it can be changed due to unexpected external status of industry or internal company’s revision of strategies without any prior notice in the future.

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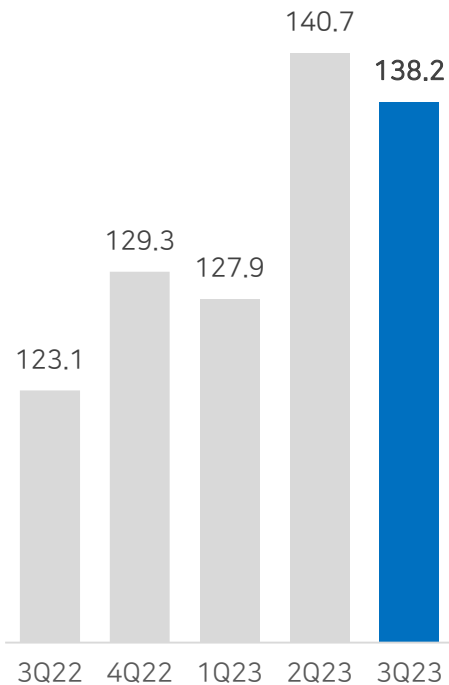
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# 1. Business Performance\_Profit & Loss Analysis

- Increased sales and profit through continued high growth in ETC division
- Increase in cost due to operation of the 2nd factory / Decrease in SG&A ratio

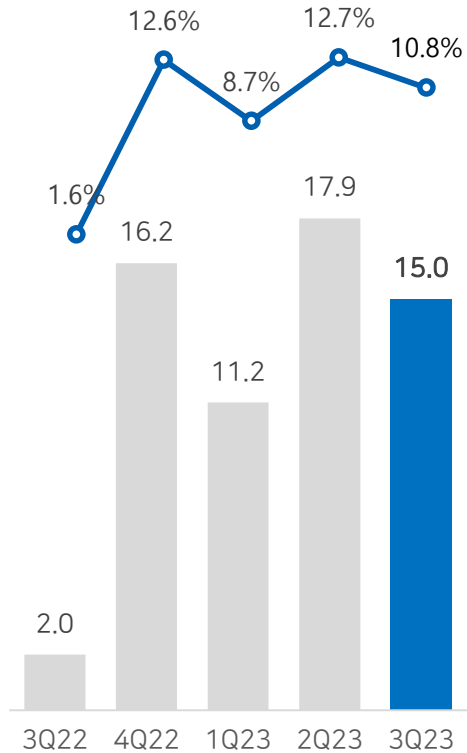
## Sales

[Unit: billion KRW]



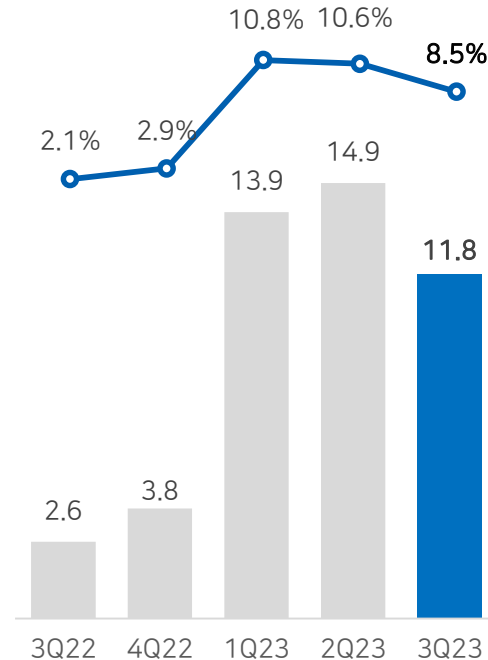
## Operating Profit

[Unit: billion KRW, %]



## Net Profit

[Unit: billion KRW, %]



### [Sales]

**138.2 bil KRW** (YoY ▲12.2%, QoQ ▼1.8 %)

- ✓ Sales increase due to high growth in the ETC division

### [Operating Profit]

**15.0 bil KRW** (YoY ▲638.4%, QoQ ▼16.4%)

- ✓ Increased in cost-of-sales ratio due to increase in 2<sup>nd</sup> factory costs
- ✓ Reduced proportion of SG&A expenses (Advertising, Commissions)

### [Net Profit]

**11.8 bil KRW** (YoY ▲348.1%, QoQ ▼20.7 %)

- ✓ Losses on valuation of liabilities in derivatives 1.9 bil KRW

# 1. Business Performance\_Cost Analysis

- Cost of sales **67.8 bil KRW** (YoY ▲ 17.6%, QoQ ▲ 3.1%) / SG&A expenses **55.4 bil KRW** (YoY ▼ 12.7%, QoQ ▼ 2.9%)
  - ✓ Depreciation cost and test production cost according to GMP certification of 2nd factory's eye drop production line in September
  - ✓ Reducing the proportion of SG&A expenses (Advertising, Commissions)

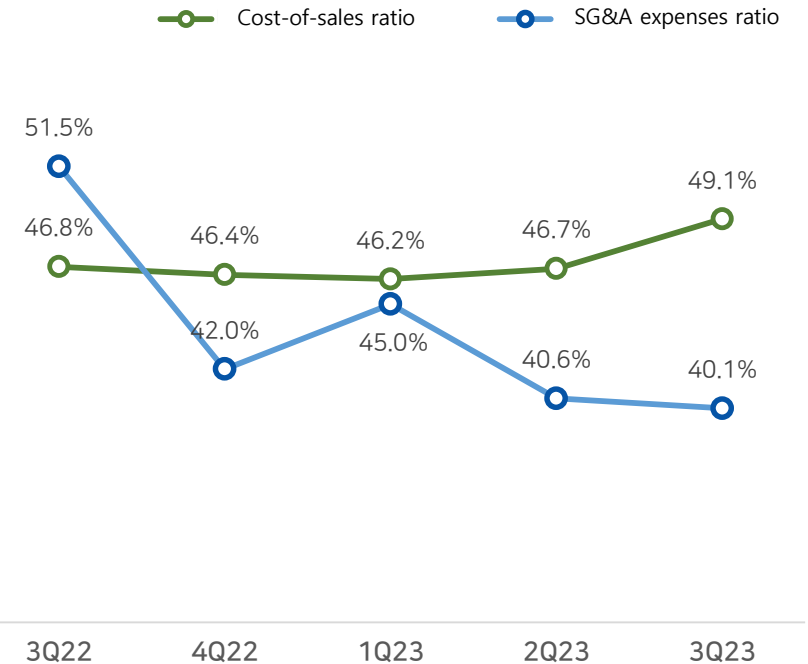
## Cost Analysis

[Unit: billion KRW, %]

	3Q22		4Q22		1Q23		2Q23		3Q23		YoY	QoQ
Sales	123.1		129.3		127.9		140.7		<b>138.2</b>		+12.2%	-1.8%
Costs of sales	57.6	47%	59.4	46%	59.1	46%	65.7	47%	<b>67.8</b>	<b>49%</b>	+17.6%	+3.1%
<b>SG&amp;A expenses</b>	63.5	52%	53.7	42%	57.6	45%	57.1	41%	<b>55.4</b>	<b>40%</b>	<b>-12.7%</b>	<b>-2.9%</b>
<b>Classification</b>	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	YoY	QoQ
Personal expense	7.9	6%	7.8	6%	8.1	6%	7.8	6%	<b>7.7</b>	<b>6%</b>	-2.2%	-1.0%
Advertising	5.7	5%	4.5	4%	6.0	5%	6.2	4%	<b>4.9</b>	<b>4%</b>	-14.0%	-20.8%
commissions	11.8	10%	11.0	9%	12.3	10%	12.6	9%	<b>11.0</b>	<b>8%</b>	-7.2%	-13.2%
R&D	9.3	8%	8.7	7%	8.2	6%	7.3	5%	<b>9.2</b>	<b>7%</b>	-1.1%	+26.6%
Others	28.7	23%	21.8	17%	23.0	18%	23.1	16%	<b>22.5</b>	<b>16%</b>	-21.4%	-2.5%

※ "%" is % of Sales

## Cost-of-sales ratio/SG&A expenses ratio



### Sales Breakdown

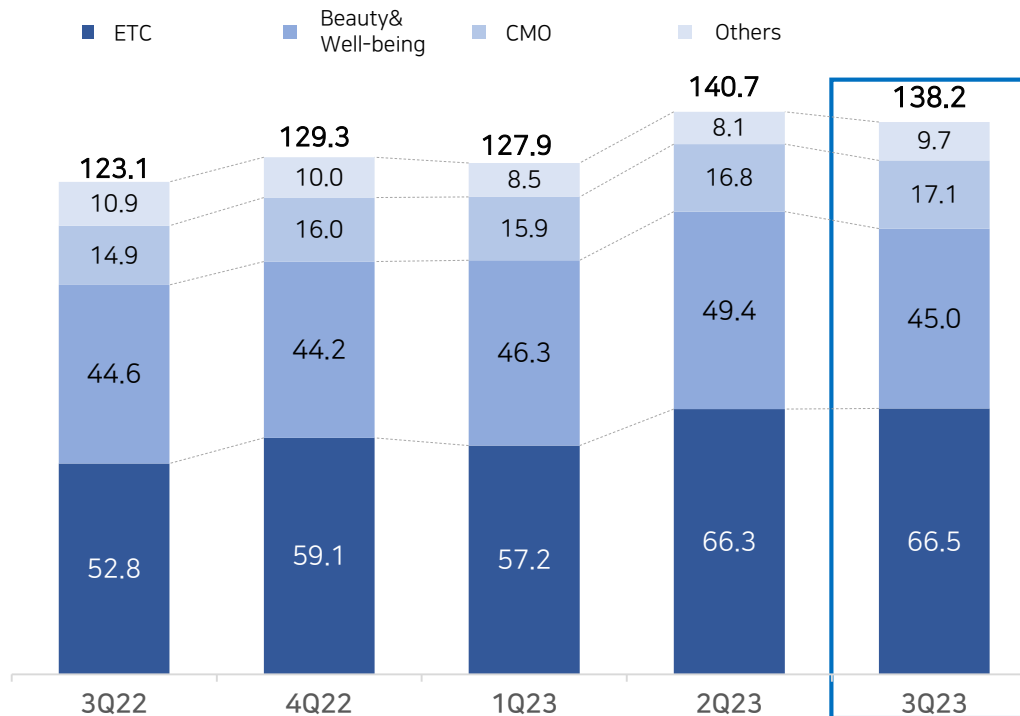
Others

[ETC] 3Q Sales **66.5 bil KRW** (YoY ▲26.0%, QoQ ▲0.2%)

[Beauty·Well-being] 3Q Sales **45 bil KRW** (YoY ▲0.9%, QoQ ▼9.0%)

[CMO] 3Q Sales **17.1 bil KRW** (YoY ▲ 14.7%, QoQ ▲1.3%)

[Unit: billion KRW]



※ Others : sales of subsidiary (including consolidation)

### 3Q Earnings Review

- Record the highest quarterly sales of ETC
  - Stable sales growth of drugs for chronic diseases (Circulatory, Metabolic)
  - First export of Sugammadex Sodium (Anesthetic muscle relaxant) to MENA
- Expanded exports of various drugs expected to boost profitability (3Q Export Amount 14.6 bil KRW, YoY ▲ 90.5%)
  - Increased exports of injections (Vial, Ample, Cartridge) and eye drops (Cyclosporine)
  - Gradually expanding exports to major ROW (Middle East, Southeast Asia, South America, etc)
- Increased sales of high margin drugs / Strategies for expanding profit in HFF business
  - Highest quarterly revenue for non-benefit injections (Vitamin, Selenase Inj.) (12.2 bil KRW, ▲ YoY 16.0%)
  - Menolacto, Stable sales despite decreased number of home shopping broadcasts (9.4 bil KRW)
  - Sagunja, the largest quarterly sales (3.4 bil KRW)

### 4Q Business Preview

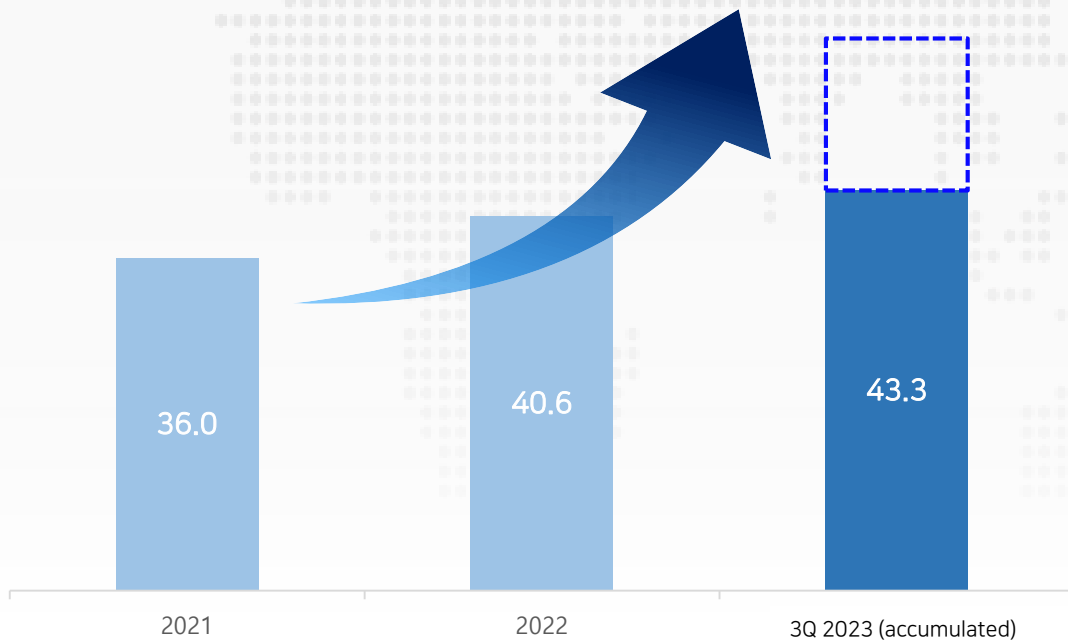
- Increased overseas exports centered on anesthetics
  - Increased sales of 2% Lidocaine anesthetic / First shipment of 1% lidocaine anesthetic to Canada
  - Approved to increase production unit of bupivacaine injections for export to U.S (70→300L)
- Expect to expand the medical device business
  - New product 'Dexcom G7' approved by the Ministry of Food and Drug Safety (In October)
  - First release of Smart Insulin Pen 'Diacon P8' in Korea (In November)

## Global business expansion by expanding exports of various medicines

Discover local business opportunities through collaboration with overseas affiliates → Expansion of export items such as injections and eye drops  
 Attempts to diversify overseas exports such as China, Southeast Asia, and the Middle East outside of North America → Approval of Saudi SFDA GMP in August 2023

[Three-year export trend]

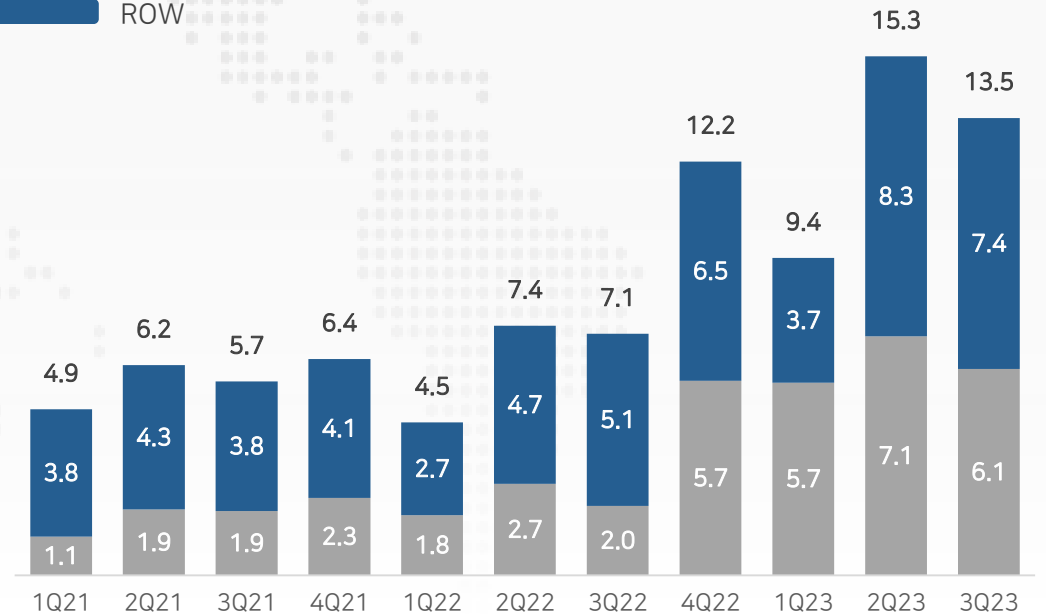
[Unit: billion KRW]



[Trends in Overseas Injections]

U.S.  
ROW

[Unit: billion KRW]



- **1<sup>st</sup> factory** : Increasing production through process improvement
  - CMO for some of our domestic injectable products / Increase in batch size of export items (Bupivacaine, Lidocaine, etc)
- **2<sup>nd</sup> factory** : Start of commercial production of eye drops line / Construction of injection lines
  - GMP approval of eye drops line in September 2023
  - Test production in progress and preparing for items approval / Commercial production operation plan for some items within this year

[Huons 1<sup>st</sup> factory]



Production Line			
Classification (Unit: million KRW)	Production performance (Accumulated 2023)	Average number of working days per month	Operation rate (Average 2023)
Injections	93,804	18	105%
Eye drops	31,620	26	99%
Pills/Capsule	89,428	19	114%

[Huons 2<sup>nd</sup> factory]



Production Line			
Classification	Production capacity	Scale of expansion (Compared to 1 <sup>st</sup> factory)	Operation time
Eye drops (Unit: million Tube)	170	+48%	4Q23
Injections - Vial (Unit: million Vial)	53	+204%	2H25
Injections - cartridge (Unit: million Ctg)	66	+49%	2H25



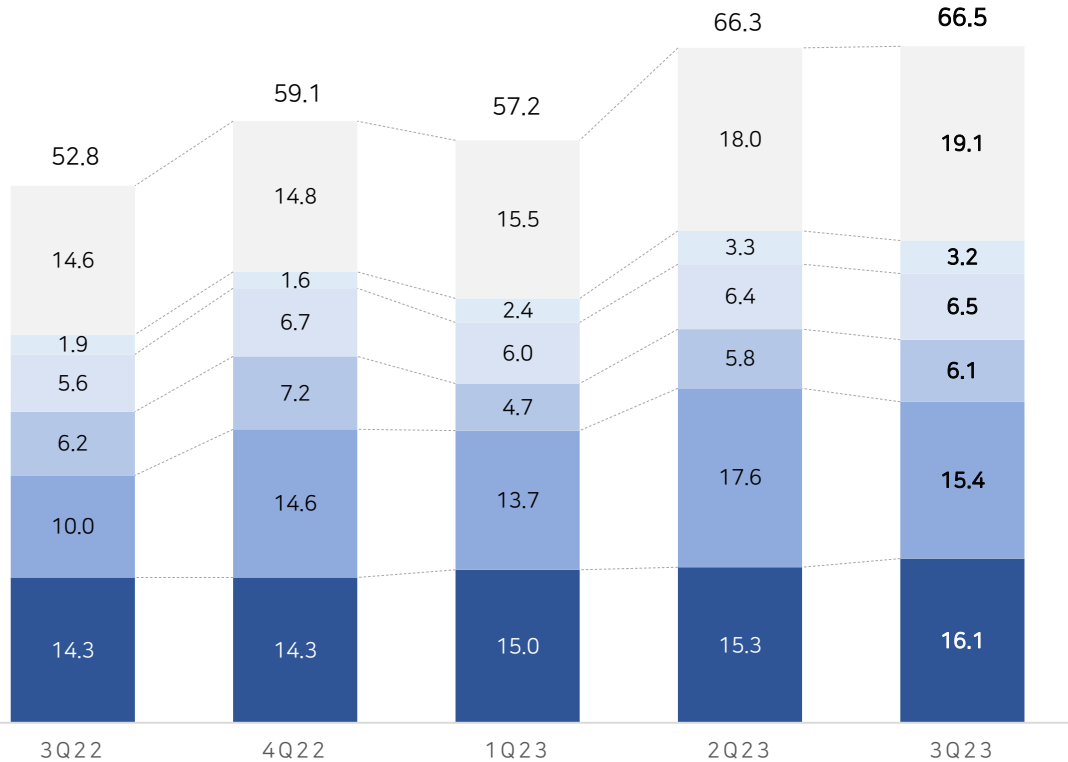
# APPENDIX

## ETC

3Q Sales **66.5 bil KRW** (YoY ▲26.0%, QoQ ▲0.2%)

[Unit: billion KRW]

■ Circulatory ■ Anesthetic ■ Metabolic ■ Digestive ■ Eye drops ■ Others

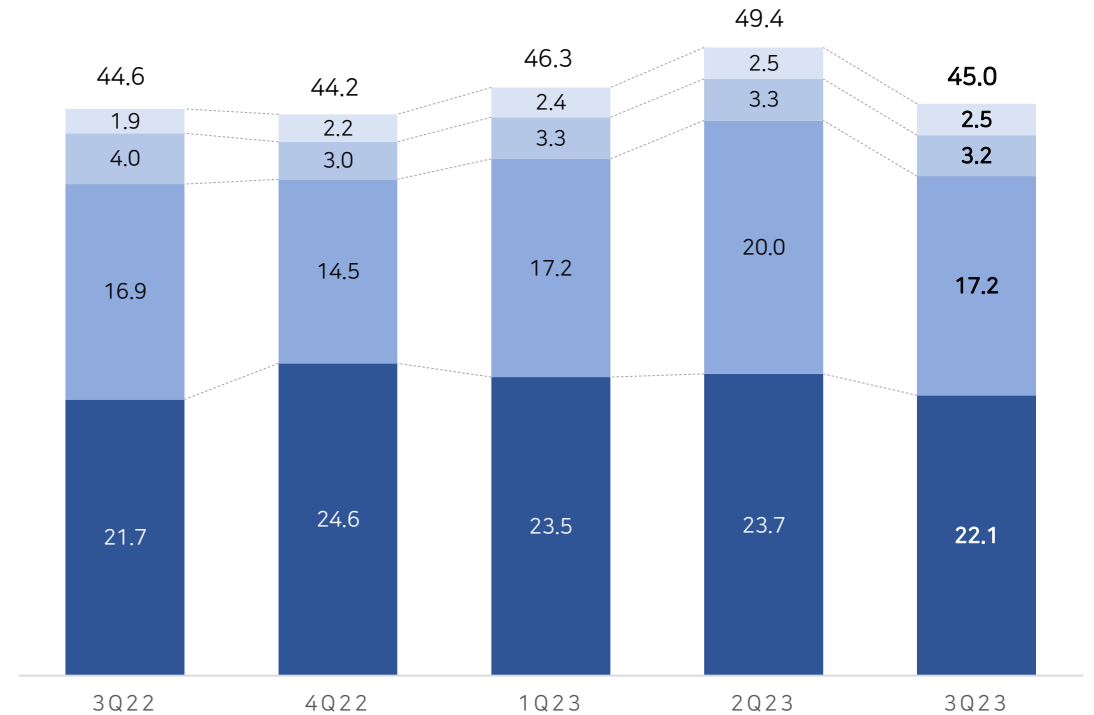


## Beauty·well-being

3Q Sales **45 bil KRW** (YoY ▲0.9%, QoQ ▼9.0%)

[Unit: billion KRW]

■ Wellbeing·Obesity·Pain ■ HFF ■ Medical Devices ■ Others

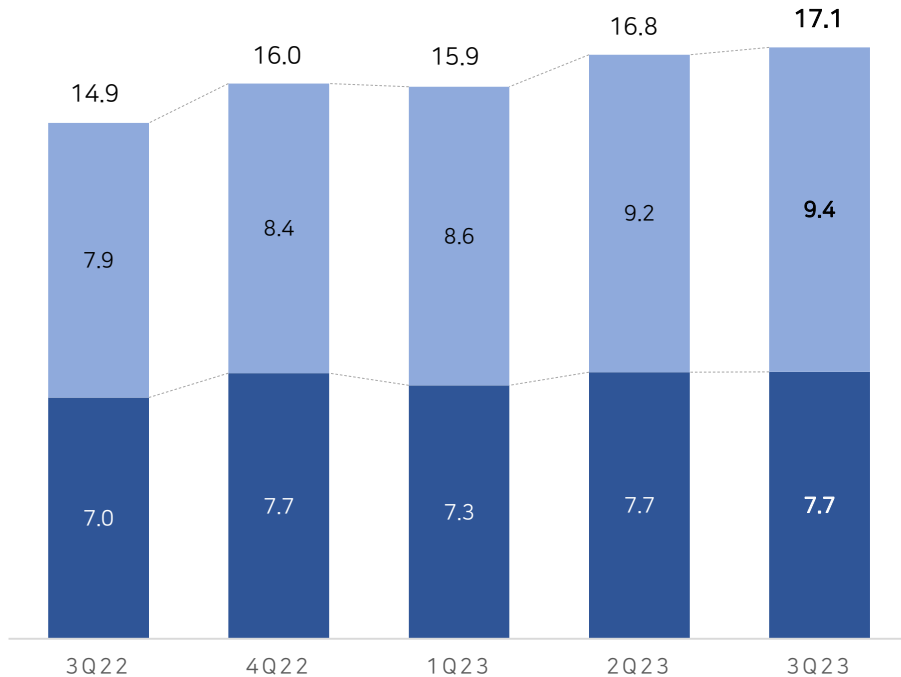


CMO

3Q Sales **17.1 bil KRW** (YoY ▲14.7%, QoQ ▲1.3%)

[Unit: billion KRW]

■ Eye drops ■ Drugs



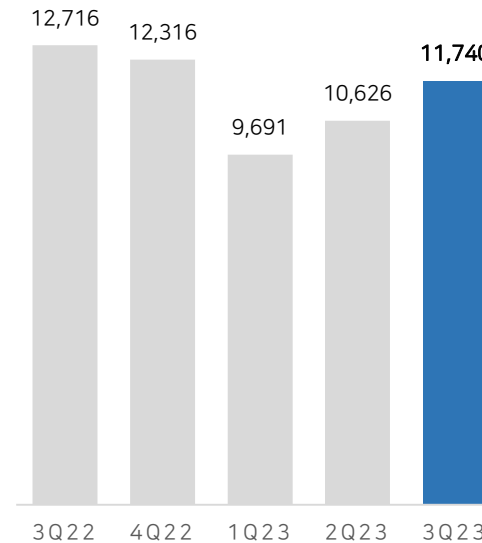
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3Q Sales **11.7 bil KRW** (YoY ▼7.7%, QoQ ▲10.5%)

3Q OP **0.2 bil KRW** (YoY ▼80.5%, QoQ ▼36.8%)

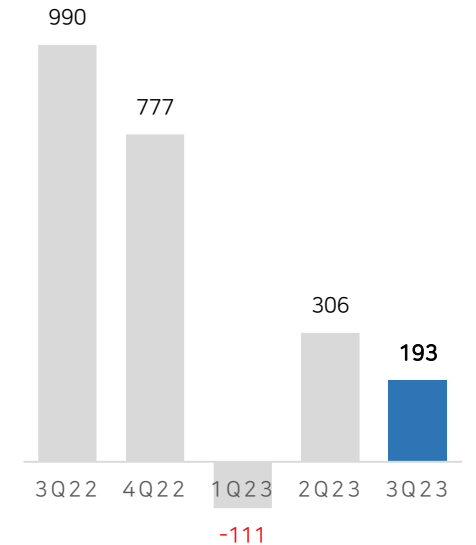
Sales

[Unit: million KRW]



Operating Profit

[Unit: million KRW]



### Consolidated Statement of Financial Position

[Unit: million KRW]

Classification	3Q22	4Q22	1Q23	2Q23	3Q23
<b>Assets</b>	<b>467,951</b>	<b>472,627</b>	<b>469,951</b>	<b>473,508</b>	<b>497,160</b>
<b>Current assets</b>	249,634	247,015	239,345	239,357	257,749
Cash etc.*	95,544	84,621	62,432	51,878	71,033
Accounts receivable	70,480	75,212	78,971	86,632	87,482
Inventory Asset	66,919	74,480	84,901	88,129	86,937
<b>Non-current assets</b>	218,317	225,612	230,605	234,151	239,411
<b>Liabilities</b>	<b>184,282</b>	<b>185,107</b>	<b>174,711</b>	<b>163,317</b>	<b>176,505</b>
<b>Current liabilities</b>	118,241	103,453	94,414	83,510	97,197
Accounts payable	13,266	16,615	19,199	16,961	15,179
Short-term borrowings	10,000			207	207
<b>Non-current liabilities</b>	66,041	81,654	80,297	79,807	79,308
Long-term borrowings	47,826	65,826	65,000	65,000	65,000
<b>Equity</b>	<b>283,669</b>	<b>287,520</b>	<b>295,240</b>	<b>310,191</b>	<b>320,655</b>
<b>Equity attributable to owners of parent</b>	278,604	282,456	290,216	305,070	315,512
Retained earnings	203,909	207,686	214,504	229,280	237,497
<b>Non-controlling interests</b>	5,065	5,064	5,024	5,121	5,143
<b>Stability Indicator</b>					
Current ratio	211%	239%	254%	287%	265%
Debt to equity ratio	65%	64%	59%	53%	55%
Borrowing ratio	20%	23%	22%	21%	20%
Net debt ratio	-13%	-7%	1%	4%	-2%
Interest coverage ratio	198%	1510%	1630%	3414%	2427%

\* Cash etc. = Cash & Cash Equivalent + Short-term Financial Instruments

\*\* Figures accumulated for 4 quarters

### Financial Statements of Comprehensive Income

[Unit: million KRW]

Classification	3Q22	4Q22	1Q23	2Q23	3Q23
<b>Sales</b>	<b>123,129</b>	<b>129,314</b>	<b>127,919</b>	<b>140,697</b>	<b>138,166</b>
Cost of sales	57,633	59,390	59,126	65,722	67,789
Gross profit	65,496	69,924	68,794	74,974	70,377
<b>SG&amp;A expenses</b>	<b>63,471</b>	<b>53,684</b>	<b>57,606</b>	<b>57,098</b>	<b>55,425</b>
<b>Operating Profit</b>	<b>2,025</b>	<b>16,240</b>	<b>11,187</b>	<b>17,876</b>	<b>14,952</b>
Gains/Losses on investments in associates	176	-554	17	149	243
Other gains/losses	2,100	-85	6,241	487	-683
Profit before tax	4,301	15,601	17,446	18,512	14,512
Income tax expense	1,672	11,837	3,578	3,649	2,732
<b>Net Profit</b>	<b>2,629</b>	<b>3,764</b>	<b>13,869</b>	<b>14,863</b>	<b>11,780</b>
Profit, attributable to owners	2,327	3,777	13,916	14,776	11,766
Profit, attributable to non-controlling interests	301	-13	-47	87	14
<b>A Profitability Indicator</b>					
Operating profit ratio	1.6%	12.6%	8.7%	12.7%	10.8%
EBITDA Margin	5.8%	15.9%	12.1%	15.8%	14.2%
Net profit ratio	2.1%	2.9%	10.8%	10.6%	8.5%
ROE**	6.2%	8.1%	9.8%	11.9%	14.7%
Sales/Asset**	106%	108%	111%	110%	111%
Leverage	165%	164%	159%	153%	155%

**Thank you**