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**Huons**

Investor Relations

1Q. 2023.



**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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## Company Profile

Company Name

HUONS CO., LTD.

CEO

Sooyoung Song, Sangbae Yoon

Foundation

July 1965 (Spin-off in May 2016)

Business Category

Pharmaceutical,  
Healthcare(Medical device, HFF)

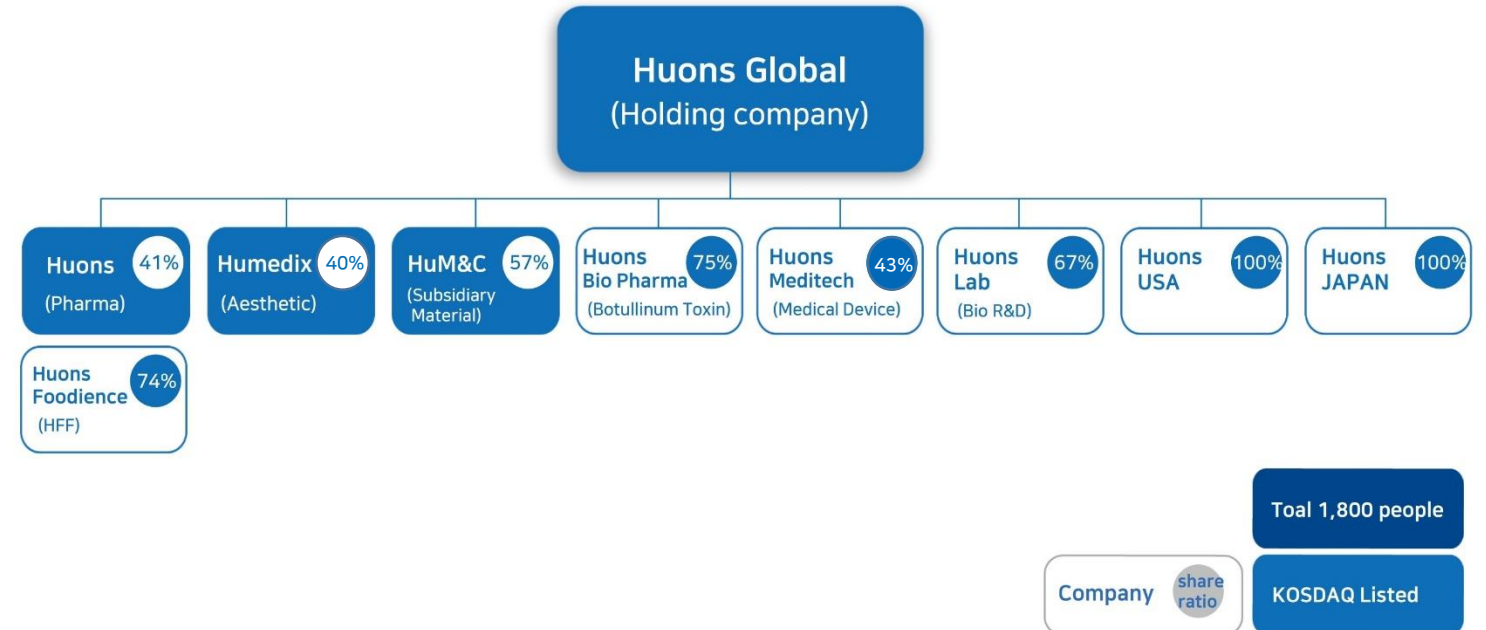
Location

Head Office: Seongnam-si, Gyeonggi-do, KR  
Factory: Jecheon-si, Chungcheongbuk-do, KR

Homepage

www.huons.com

**“Total Healthcare Group”**  
Includes Pharma, Medical Device, Health Functional Food and Cosmetic business

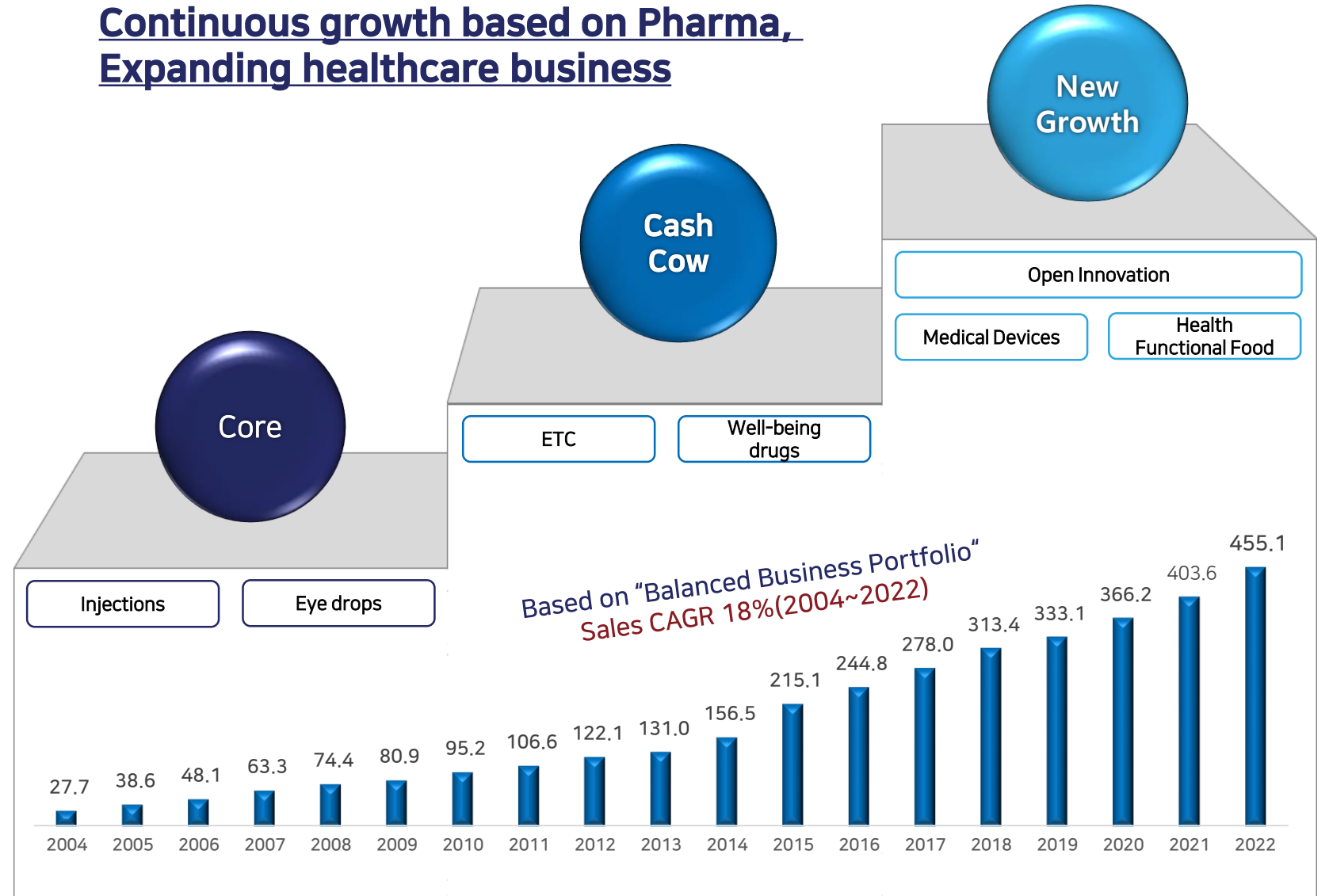


※ Percentage of shares is based on total number of issued shares including preferred shares.

## History

- 1965 Established Kwang Myung Pharmaceutical Company
- 2006 Listed on KOSDAQ
- 2016 Spin-off
- 2017 0.9% Sodium Chloride Inj. approval from the U.S. FDA
- 2018 1% Lidocaine Inj. (Amp.) approval from U.S. FDA
- 2019 0.75% Bupivacaine Dextrose Inj. approval from U.S. FDA
- 2020 1% Lidocaine Inj. (Vial) approval from U.S. FDA
- 2020 Domestic Launch of Elruby Menolacto Probiotics (Korea's First Female Menopausal Latobacillus)
- 2022 Establishment of Huons Foodience (Merger of Huons Nature-Huons Natural)

## Continuous growth based on Pharma, Expanding healthcare business

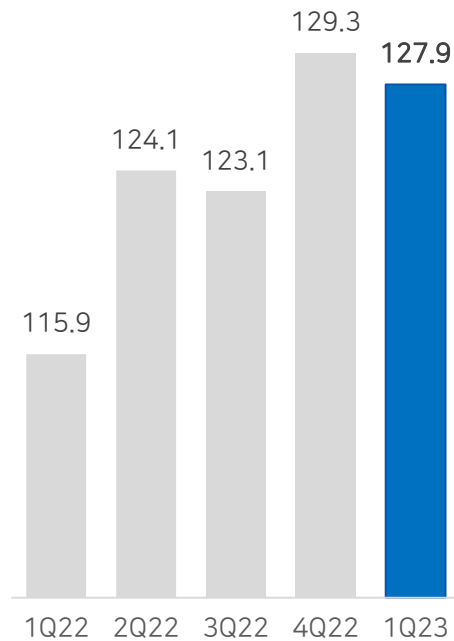


(Unit : Including Huons earning before split, Separated-basis, Billion KRW)

- Sales increased YoY through continued high growth in ETC division.
- Net profit increased due to gains on valuation/disposal of financial assets.

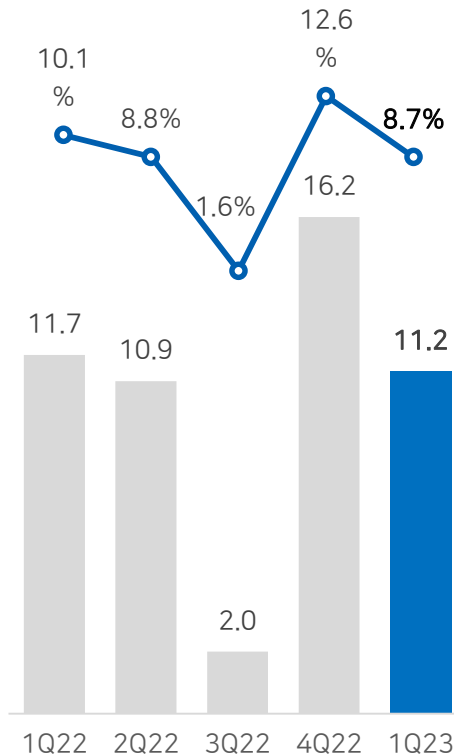
**Sales**

[Unit: billion KRW]



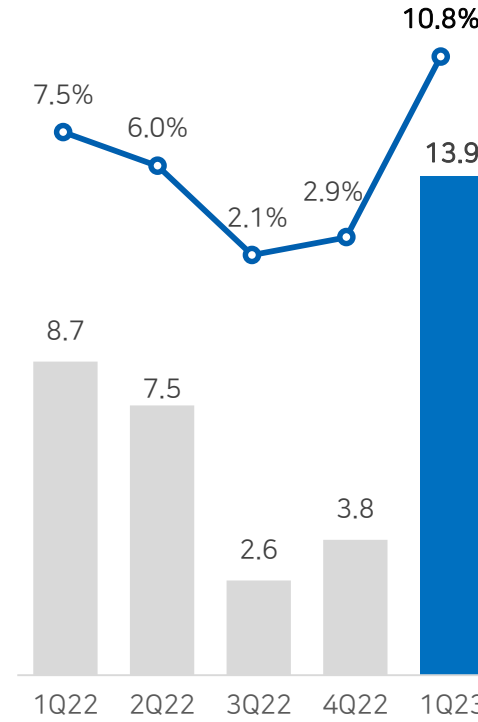
**Operating Profit**

[Unit: billion KRW, %]



**Net Profit**

[Unit: billion KRW, %]



**[Sales]**

**127.9 bil KRW (YoY ▲10.4%, QoQ ▼1.1%)**

- Increased exports of injections to the U.S
- Increased sales of well-being drugs (vitamin injections) and health functional food
- Decreased sales of subsidiary compared to the previous quarter (QoQ -21.3%)

**[Operating profit]**

**11.2 bil KRW (YoY ▼4.6%, QoQ ▼31.1%)**

- Incurred fixed costs before commercial productions at 2<sup>nd</sup> factory
- Increased advertising costs and commissions for health functional food business

**[Net profit]**

**13.9 bil KRW (YoY ▲59.1%, QoQ ▲268.4%)**

- Gains on valuation and disposal of financial assets

- Increased in the cost rate due to the cost input before commercial production at 2<sup>nd</sup> factory  
→ Expect to improve in the second half of the year
- Increased initial marketing costs due to new HFF products launches

## Cost Analysis

[Unit: billion KRW, %]

	1Q22		2Q22		3Q22		4Q22		1Q23		YoY	QoQ
Sales	115.9		124.1		123.1		129.3		127.9		+10.4%	-1.1%
Costs of sales	50.3	43%	57.1	46%	57.6	47%	59.4	46%	59.1	46%	+17.6%	-0.4%
<b>SG&amp;A expenses</b>	53.8	46%	56.1	45%	63.5	52%	53.7	42%	57.6	45%	+7.0%	+7.3%
<b>Classification</b>	amout	%	amout	%	amout	%	amout	%	amout	%	YoY	QoQ
Personal expense	8.0	7%	8.0	6%	7.9	6%	7.8	6%	8.1	6%	+2.0%	+5.0%
Advertising	5.0	4%	6.1	5%	5.7	5%	4.5	3%	6.0	5%	+21.6%	+34.4%
commissions	9.8	8%	11.8	9%	11.8	10%	11.0	9%	12.3	10%	+25.2%	+11.4%
R&D	8.2	7%	10.3	8%	9.3	8%	8.7	7%	8.2	6%	+0.2%	-5.3%
Others	22.9	20%	20.0	16%	28.7	23%	21.8	17%	23.0	18%	+0.2%	+5.5%

※ "%" is % of Sales

### [Cost of sales]

**59.1 bil KRW (YoY ▲17.6%, QoQ ▼0.4%)**

- Increased operating cost of test production in 2<sup>nd</sup> factory
- Increased cost ratio of the Huons Foodience (consolidated subsidiary) (Utilization reduction due to the off-season)

### [Selling general administrative expenses]

**57.6 bil KRW (YoY ▲7.0%, QoQ ▲7.3%)**

- Increased advertising costs due to the launch of new health functional foods
- Increased commissions due to normalization of TV home shopping operations of health functional foods

## Financial Status

[Unit: million KRW]

	2021	2022	1Q23	Compared to the end of previous year
Assets	436,898	472,627	469,951	-2,676
Current assets	234,498	247,015	239,345	-7,669
- cash etc.	70,127	84,621	62,432	-22,189
Non-current assets	202,399	225,612	230,605	+4,993
Liabilities	166,262	185,107	174,711	-10,396
Current liabilities	147,522	103,453	94,414	-9,039
Non-current liabilities	18,741	81,654	80,297	-1,357
- total borrowings	29,487	66,020	66,033	+13
Equity	270,635	287,520	295,240	+7,720

※ 'cash etc': cash & cash equivalents + short-term financial assets

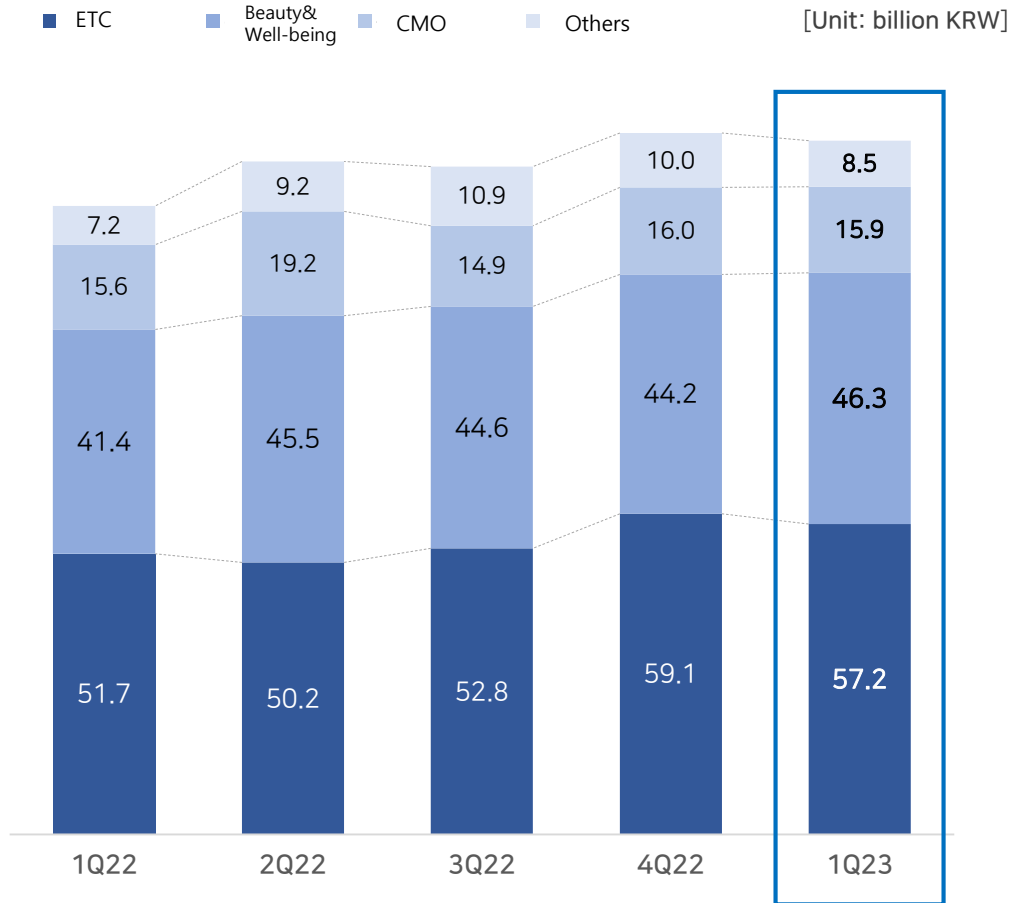
## Financial Ratio



※ Borrowings ratio = (total borrowings / equity)

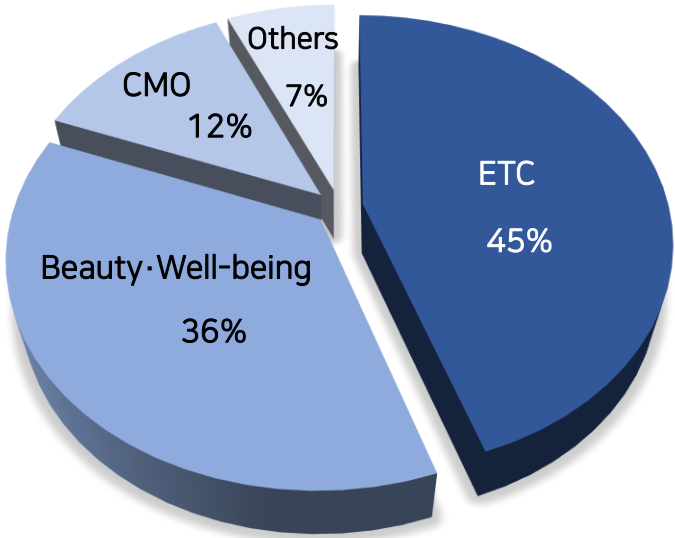


**Sales Breakdown**



[ETC] 1Q Sales 57.2 bil KRW (YoY ▲10.6%, QoQ ▼3.2%)  
 [Beauty·Well-being] 1Q Sales 46.3 bil KRW (YoY ▲11.9%, QoQ ▲4.8%)  
 [CMO] 1Q Sales 15.9 bil KRW (YoY ▲1.9%, QoQ ▼0.6%)

**Sales Share**

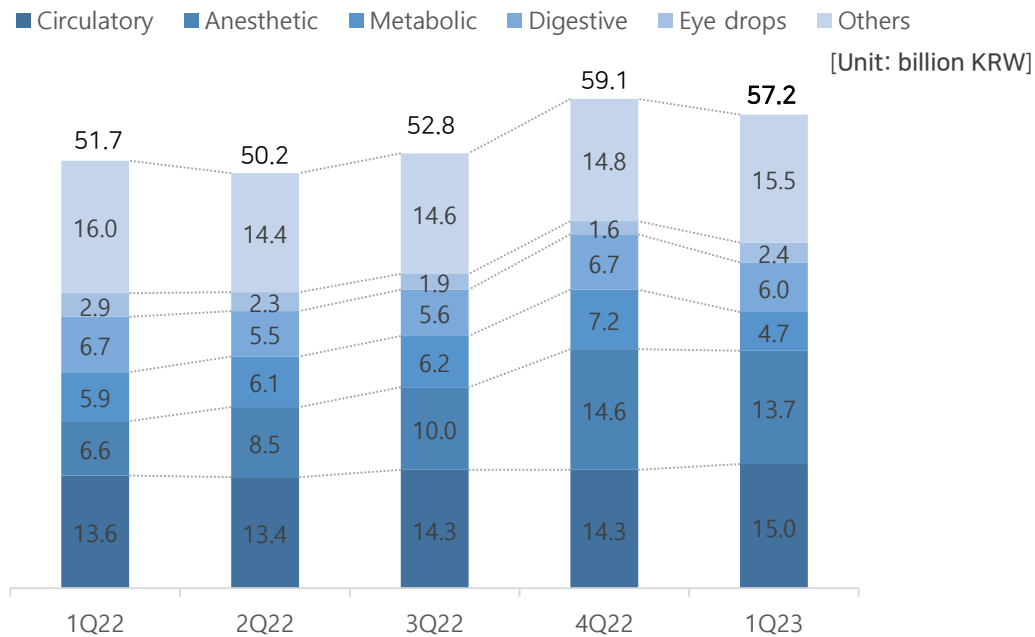


※ Others : sales of subsidiary (including consolidation)

## ETC

1Q sales 57.2 bil KRW (YoY ▲10.6%, QoQ ▼3.2%)

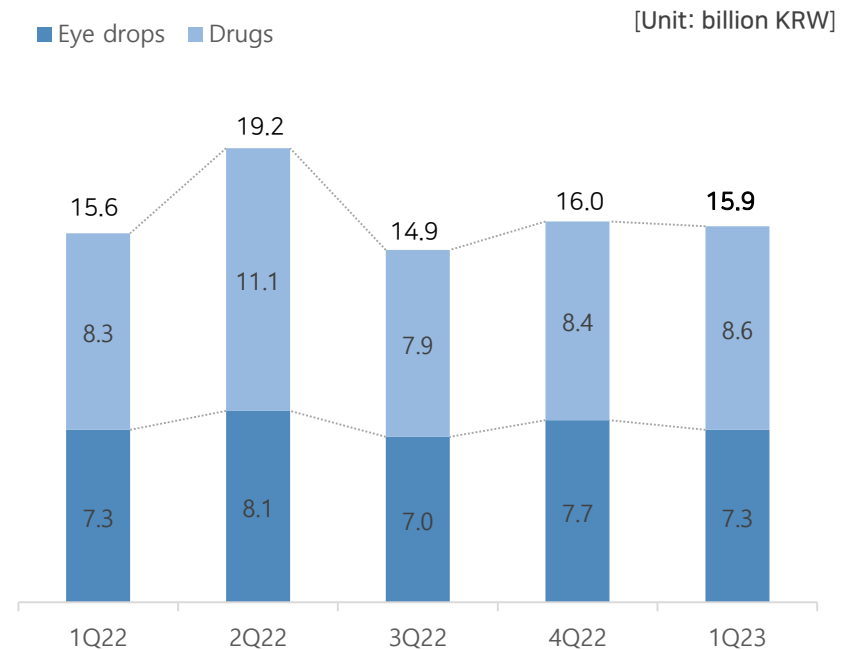
- Continued growth with Anesthetic sales of 13.7 bil KRW due to increased exports of injections to the U.S
- Increased sales of circulatory mechanical drugs by 10.5% year-on-year due to the activation of the chronic disease item group



## CMO

1Q sales 15.9 bil KRW (YoY ▲1.9%, QoQ ▼0.6%)

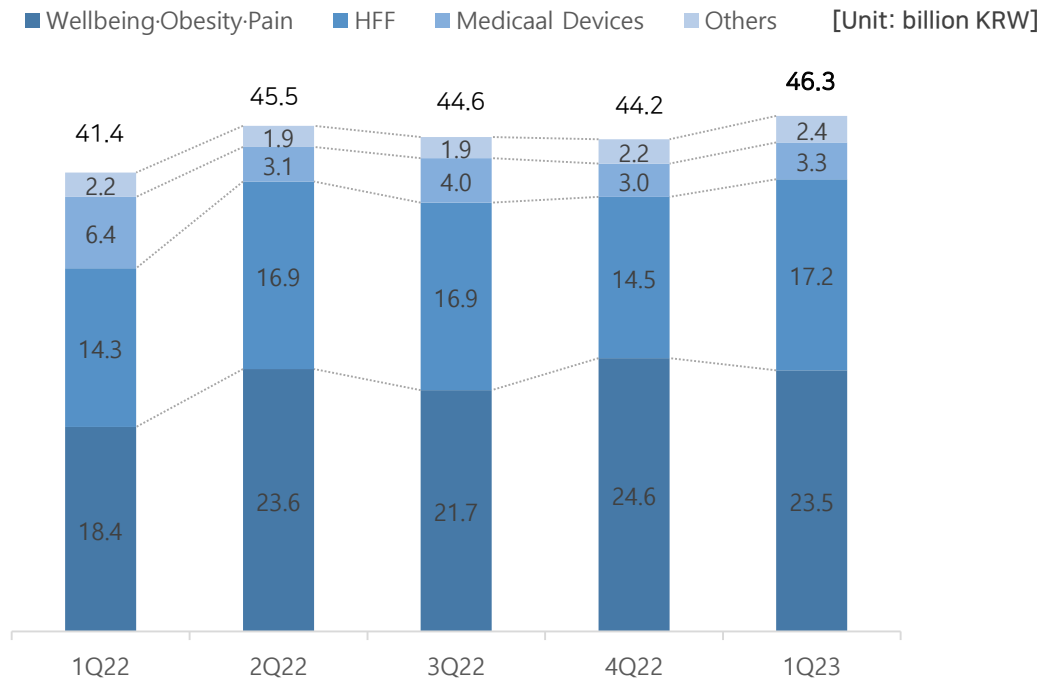
- Stable sales of eye drops/drugs
- New eye drops line in 2<sup>nd</sup> factory expected to operate in 4Q23



## Beauty·well-being

1Q sales 46.3 bil KRW (YoY ▲11.9%, QoQ ▲4.8%)

- Increased sales of non-benefit drugs(vitamin injections, etc.) as social activities rise due to the endemic
- Sales Growth of HFF due to new products launches and online sales increase

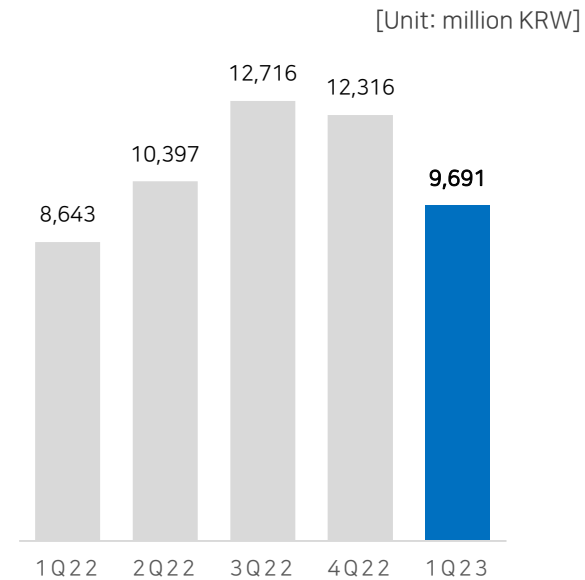


## **hu** Huons Foodience

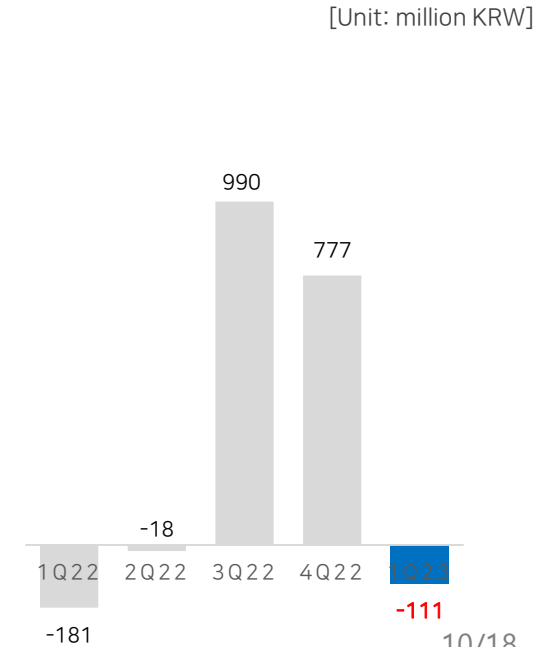
1Q sales 9.7 bil KRW (YoY ▲12.1%, QoQ ▼21.3%) / OP -1.1 bil KRW

- Sales reduction due to the off-season
  - sales & cost ratio expected to improve due to the launch of new product in 2H23

### Sales

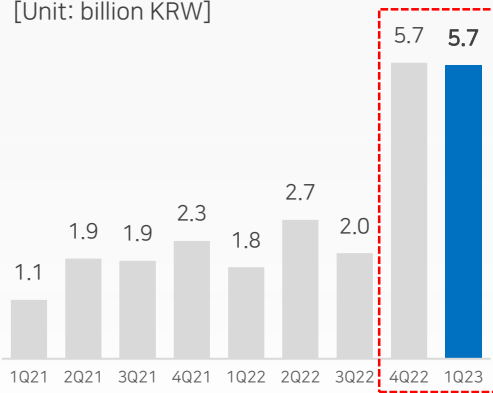


### Operating Profit



Expanding exports of injections to the North American market

[Unit: billion KRW]



[US export sales of injectables]

- Increased demand for injections (anesthetics) after Covid-19 pandemic
- Obtained permission to supply 1% Lidocaine Injection to Canada ('23. 3.)



[Items registered in the U.S. FDA ANDA]

Diversification of business portfolio through Open Innovation (Acquisition of domestic sales rights)

Spray-type hair loss treatment

Korea's First Spray Formulation Finasteride Hair Loss Treatment Co-Sales Agreement

Liposome nano arthritis treatment

Rheumatoid arthritis treatment market expansion and a joint sales contract

Multi-use Smart Insulin Pen

Construction of a portfolio of diabetes diseases with continuous blood glucose meter 'Dexcom G6'

Profitable health functional food business

Two Track

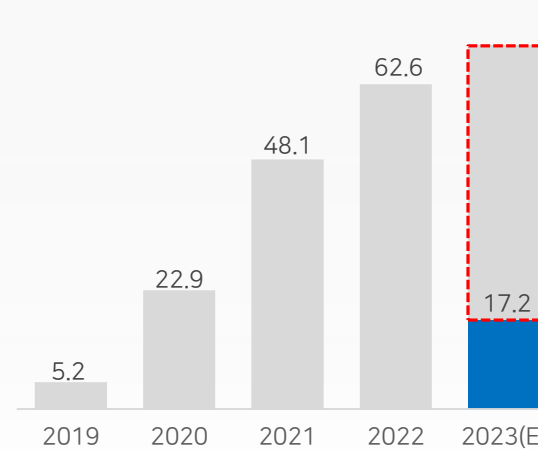
TV home shopping: Brand marketing and Sales growth

On/Offline Sales Channel: Secure profit margins by inducing repurchase

Premium Product Development

Development of individual recognized raw materials: YT1, Sagunja, Weissella

[Unit: billion KRW]



[ Sales of HFF ]



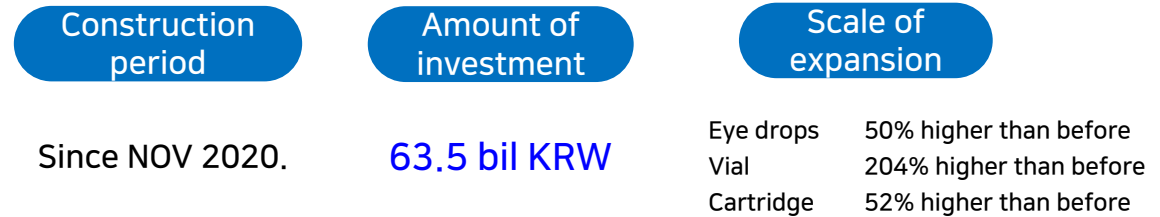
[ Expanding Menolacto's Product lineup ]

- **Eye drops line**, Completion of test production by item for Q4 operation  
(Preparing to start the GMP certification and item authorization process)
- **Injection (vial, cartridge) line**, Additional facilities in progress before installation

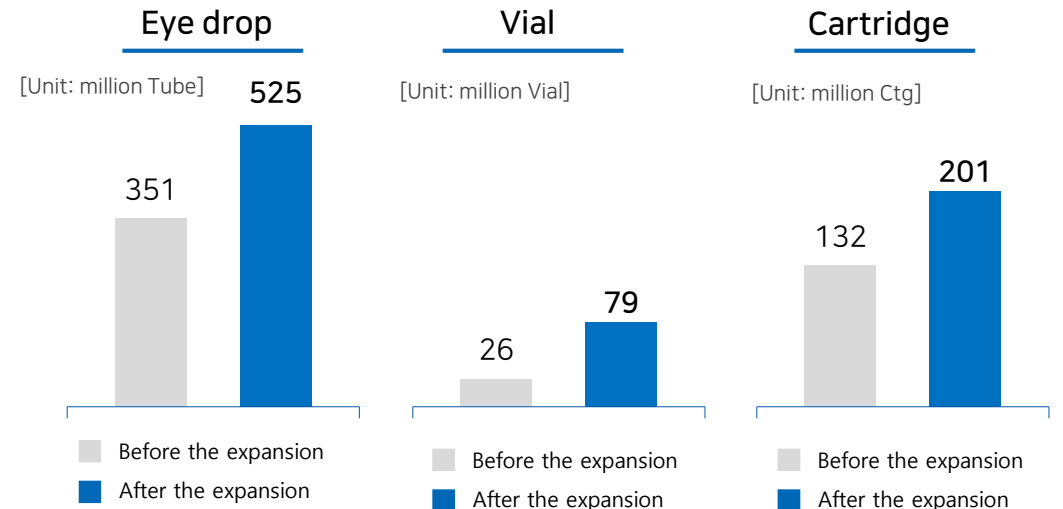
## Time Line



## Construction Status of the 2<sup>nd</sup> factory

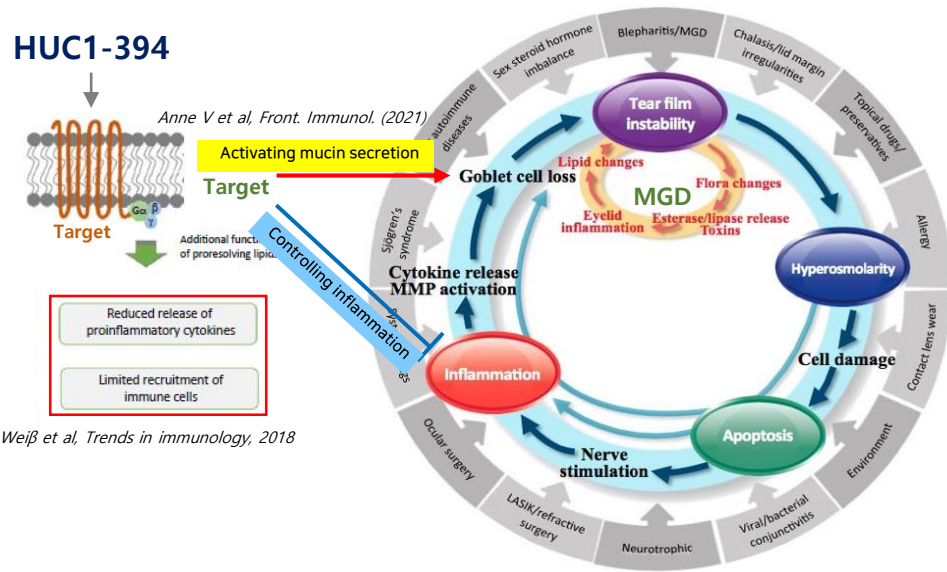


## An estimated annual production



Category		Project	Indication	Development Phase					
				Discovery	Preclinical	Phase I	Phase II	Phase III	Registration
NCE	New Chemical Entities	HUC1-394	Dry eye						
		HUC1-259	Liver disease						
		HUC1-288	Heart failure						
		HUC1-454	Prostate cancer						
		HUC1-505	Non-alcoholic steatohepatitis						
IMD	Incrementally Modified Drug	HUC2-007	Dry eye						
		HUC2-344	Diabetes						
		HUC2-364	Gastric reflux						
		HUC3-487	Glaucoma treatment						
		HUC2-511	Dry eye						
		HUC2-518	Epileptic bladder inflammation						
		HUC2-540	Hair loss						
		HUC2-541	Immunosuppressive effect						
HFF	Health Functional Food	HUN2-434	Muscle strength improvement						
		HUN2-465	Body fat reduction						
		HUN2-483	Cognitive intelligence improvement						
		HUN2-497	Prevention of stress						
		HUN2-506	Body fat reduction						
		HUN2-520	Gum health						
		HUN2-521	Improvement of vaginal health						
		HUN2-550	Andropause						
		HUN2-551	Gum health						

HUC1-394 Ocular disease: Goal to apply for phase 1 IND in 2Q23

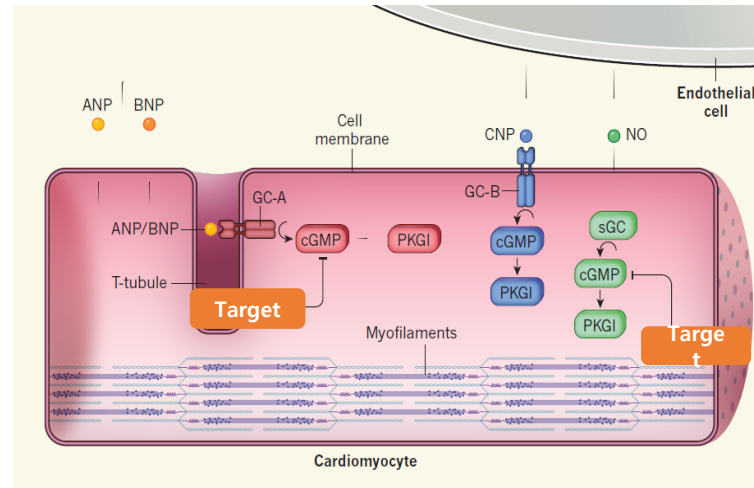


Source: Baudouin C et al., Ocul Surf, 11:246-258 (2013)

- Compound annual growth rate of 5% for dry eye syndrome treatments (From \$20.9 billion in 2018 to \$42.5 billion in 2024)
- Development of a treatment based on a new mechanism
- Multi-functional effect: Inflammatory treatment & Forming a tear film

HUC1-288 Heart failure treatment

[Mechanism of action]



Source: Nature, vol. 26, pages 416-417 (2015)

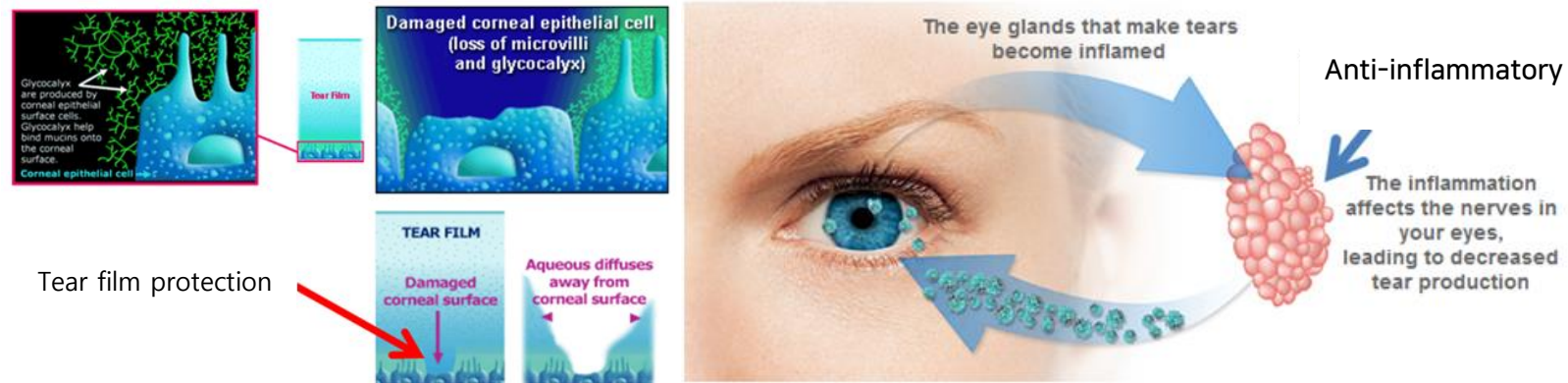
[Efficacy evaluation]

	Objects	Result
inhibition of cardiac hypertrophy	The weight of the Heart	Reduction
	The weight of the Heart tibia length	Reduction
	left ventricular weight tibia length	Reduction
Cardiac hypertrophy and fibrosis	ANP	Restrain
	BNP	Tendency to restrain
	A-SMA	Restrain
	TGF-β	Tendency to restrain
	B-MHC	Restrain

- Expectation of the chronic heart failure treatment market in the US. JP. 5EU ( CARG 12.25% / \$ 29.4 billion in '17, \$ 83.1 billion in '26)
- Development of a new synthetic drug that can improve heart failure symptoms by controlling cGMP and PKGI activity that protects the heart

HUC2-007 dry eye treatment: 2025 Item approval target

1. Efficacy substance: Cyclosporine 0.02% + Trehalose 3%
2. Mechanism of action: anti-inflammatory, tear film stabilization, suppression of tear evaporation
3. Characteristic
  - Dual effect of anti-inflammatory and ocular protection
  - Improved side effects of cyclosporine eye drops, such as eye surface irritation, by applying low-concentration cyclosporine
  - Same anti-inflammatory effect even with low-concentration cyclosporine
  - Improved medication convenience
  - Can be treated in all dry eye stages (can replace cyclosporine single eye dros and artificial tears)



4. Development schedule

- 30/11/2022, IND approval for phase 3 clinical trial
- 2023 phase 3 clinical trial, 2025 item approval target



## Consolidated Statement of Financial Position

[Unit: million KRW]

Classification	1Q22	2Q22	3Q22	4Q22	1Q23
<b>Assets</b>	<b>440,331</b>	<b>471,288</b>	<b>467,951</b>	<b>472,627</b>	<b>469,951</b>
Current assets	227,569	255,142	249,634	247,015	239,345
Non-current assets	212,762	216,146	218,317	225,612	230,605
<b>Liabilities</b>	<b>168,012</b>	<b>191,058</b>	<b>184,282</b>	<b>185,107</b>	<b>174,711</b>
Current liabilities	148,194	139,691	118,241	103,453	94,414
Non-current liabilities	19,818	51,368	66,041	81,654	80,297
<b>Equity</b>	<b>272,320</b>	<b>280,230</b>	<b>283,669</b>	<b>287,520</b>	<b>295,240</b>
Equity attributable to owners of parent	267,471	275,492	278,604	282,456	290,216
Issued capital	5,968	5,968	5,968	5,968	5,968
Capital surplus	71,886	71,886	71,882	69,784	69,784
Capital adjustments	-5,730	-5,398	-4,809	-2,108	-1,507
Other comprehensive income accumulated	1,376	1,454	1,654	1,127	1,467
Retained earnings	193,970	201,582	203,909	207,686	214,504
Non-controlling interests	4,849	4,738	5,065	5,064	5,024
<b>Total equity and liabilities</b>	<b>440,331</b>	<b>471,288</b>	<b>467,951</b>	<b>472,627</b>	<b>469,951</b>

## Financial Statements of Comprehensive Income

[Unit: million KRW]

Classification	1Q22	2Q22	3Q22	4Q22	1Q23
<b>Sales</b>	<b>115,870</b>	<b>124,074</b>	<b>123,129</b>	<b>129,314</b>	<b>127,919</b>
Cost of sales	50,288	57,078	57,633	59,390	59,126
Gross profit	65,581	66,995	65,496	69,924	68,794
SG&A expenses	53,850	56,125	63,471	53,684	57,606
<b>Operating Profit</b>	<b>11,732</b>	<b>10,870</b>	<b>2,025</b>	<b>16,240</b>	<b>11,187</b>
Gains/Losses on investments in associates	171	281	176	-554	17
Other gains/losses	-937	-1,761	2,100	-85	6,241
Profit before tax	10,966	9,390	4,301	15,601	17,446
Income tax expense	2,248	1,892	1,672	11,837	3,578
<b>Net Profit</b>	<b>8,718</b>	<b>7,498</b>	<b>2,629</b>	<b>3,764</b>	<b>13,869</b>
Profit, attributable to owners	8,728	7,612	2,327	3,777	13,916
Profit, attributable to non-controlling interests	-11	-114	301	-13	-47

## Board Members

<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; border-radius: 5px 5px 0 0;">Soo-Young Song</div> <p style="text-align: center;">CEO / President Inside Director</p> <div style="background-color: #f0f0f0; padding: 5px; border-radius: 0 0 5px 5px;"> <ul style="list-style-type: none"> <li>- CEO of Deloitte Consulting Japan</li> <li>- BS, Industrial Engineering, Hanyang Univ.</li> </ul> </div>	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; border-radius: 5px 5px 0 0;">Sang-Bae Yoon</div> <p style="text-align: center;">CEO / Vice President Inside Director</p> <div style="background-color: #f0f0f0; padding: 5px; border-radius: 0 0 5px 5px;"> <ul style="list-style-type: none"> <li>- ETC Unit Head of Boryung Pharma.</li> <li>- MS, Pharmacy, JoongAng Univ.</li> </ul> </div>	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; border-radius: 5px 5px 0 0;">Si-Baek Kim</div> <p style="text-align: center;">Head of Factory Inside Director</p> <div style="background-color: #f0f0f0; padding: 5px; border-radius: 0 0 5px 5px;"> <ul style="list-style-type: none"> <li>- SK Chemicals</li> <li>- BS, Chemical education, Chungbuk National Univ.</li> </ul> </div>	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; border-radius: 5px 5px 0 0;">Sung-Tae Yoon</div> <p style="text-align: center;">Chairman Non-Executive Director</p> <div style="background-color: #f0f0f0; padding: 5px; border-radius: 0 0 5px 5px;"> <ul style="list-style-type: none"> <li>- Chairman of KPBMA</li> <li>- IBM Korea</li> <li>- MS, Project Mgt., Hanyang Univ.</li> </ul> </div>
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<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; border-radius: 5px 5px 0 0;">Duk-Ho Lim</div> <p style="text-align: center;">Outside Director</p> <div style="background-color: #f0f0f0; padding: 5px; border-radius: 0 0 5px 5px;"> <ul style="list-style-type: none"> <li>- Chair professor of Hanyang Univ.</li> <li>- Outside director of KAIT</li> <li>- 13<sup>th</sup> President of Hanyang Univ.</li> </ul> </div>	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; border-radius: 5px 5px 0 0;">Do-Ik Jung</div> <p style="text-align: center;">Outside Director</p> <div style="background-color: #f0f0f0; padding: 5px; border-radius: 0 0 5px 5px;"> <ul style="list-style-type: none"> <li>-Chief expert member of Yoon &amp; Yang</li> <li>Secretary of Fair Trade Commission</li> <li>BS, Civil Engineering, MyungJI Univ.</li> </ul> </div>	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; border-radius: 5px 5px 0 0;">Yong-Gon Park</div> <p style="text-align: center;">Outside Director</p> <div style="background-color: #f0f0f0; padding: 5px; border-radius: 0 0 5px 5px;"> <ul style="list-style-type: none"> <li>- President of KFRI</li> <li>- Ph.D, Food and Microbiology, Youngnam Univ.</li> </ul> </div>
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## Audit committee

**Chairperman** Duk-Ho Lim  
**Member** Do-Ik Jung  
**Member** Yong-Gon Park

## ESG Committee

**Chairman** Soo-Young Song  
**Member** Duk-Ho Lim  
**Member** Do-Ik Jung

## Aims to Raise DPS and Conduct Interim Dividend

Reinforcing shareholder return policy and improving dividend predictability

[Status of 3-year cash dividends]

Dividend basis

**Dividends Per Share**

Target dividend

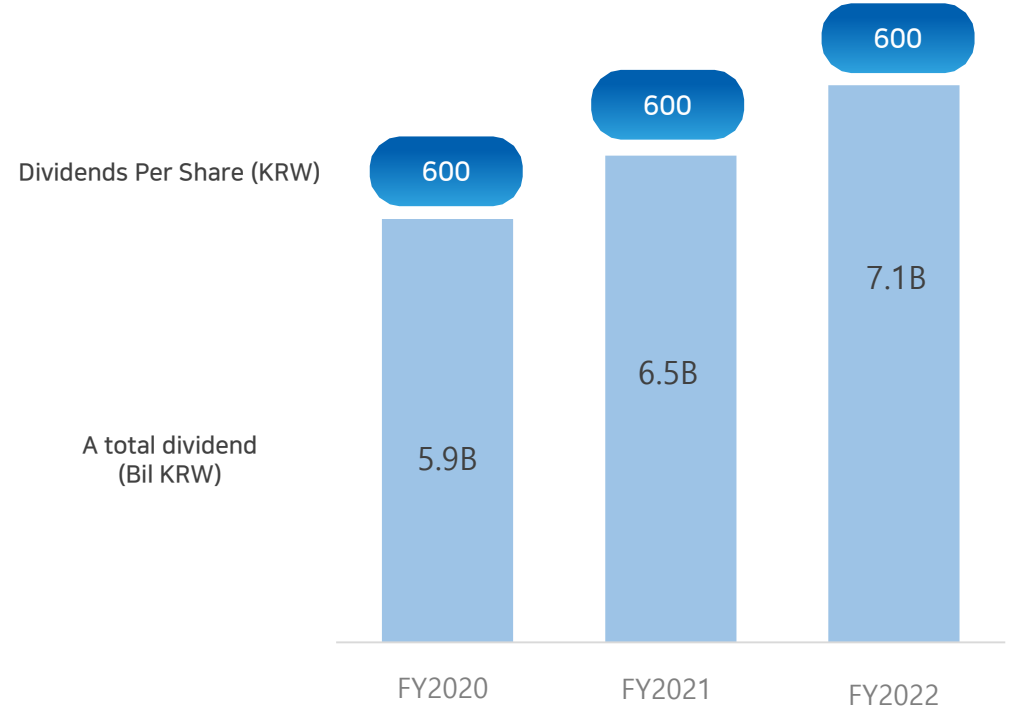
**0% ~ 30% increase compared to the dividend per share of the previous business year**

Types of dividends

**Cash dividends  
(Year-end dividends + Interim dividends)**

Application period

**3 years (2023 ~2025)**



**Thank you**