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Huons

Investor Relations

4Q. 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)

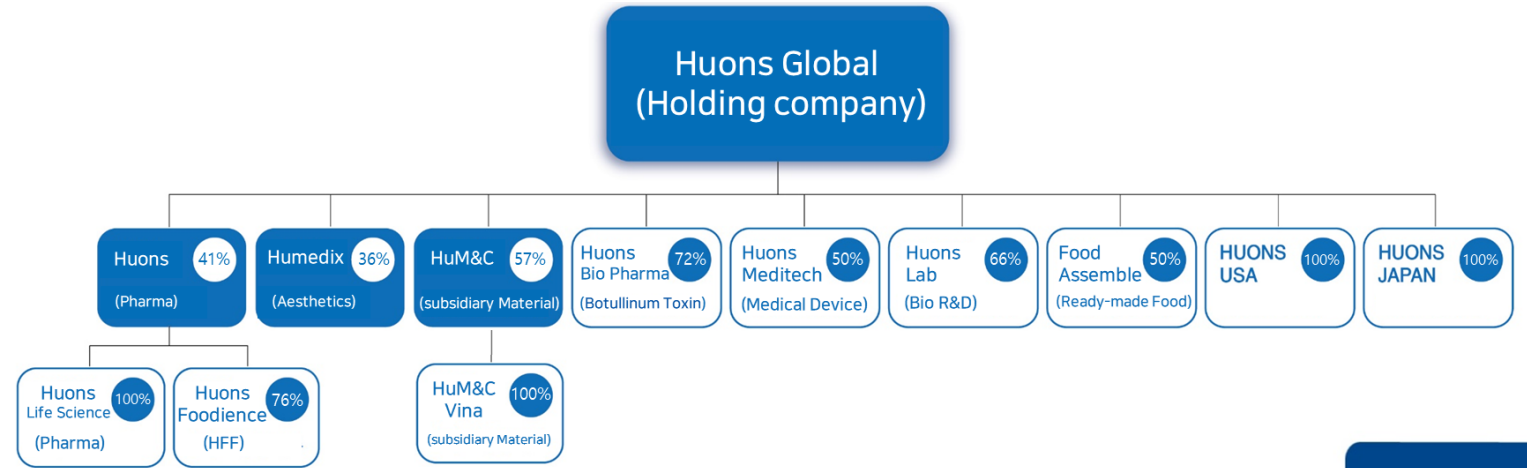
Location

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 Aesmetic business



Total 2,100 people

Company share ratio

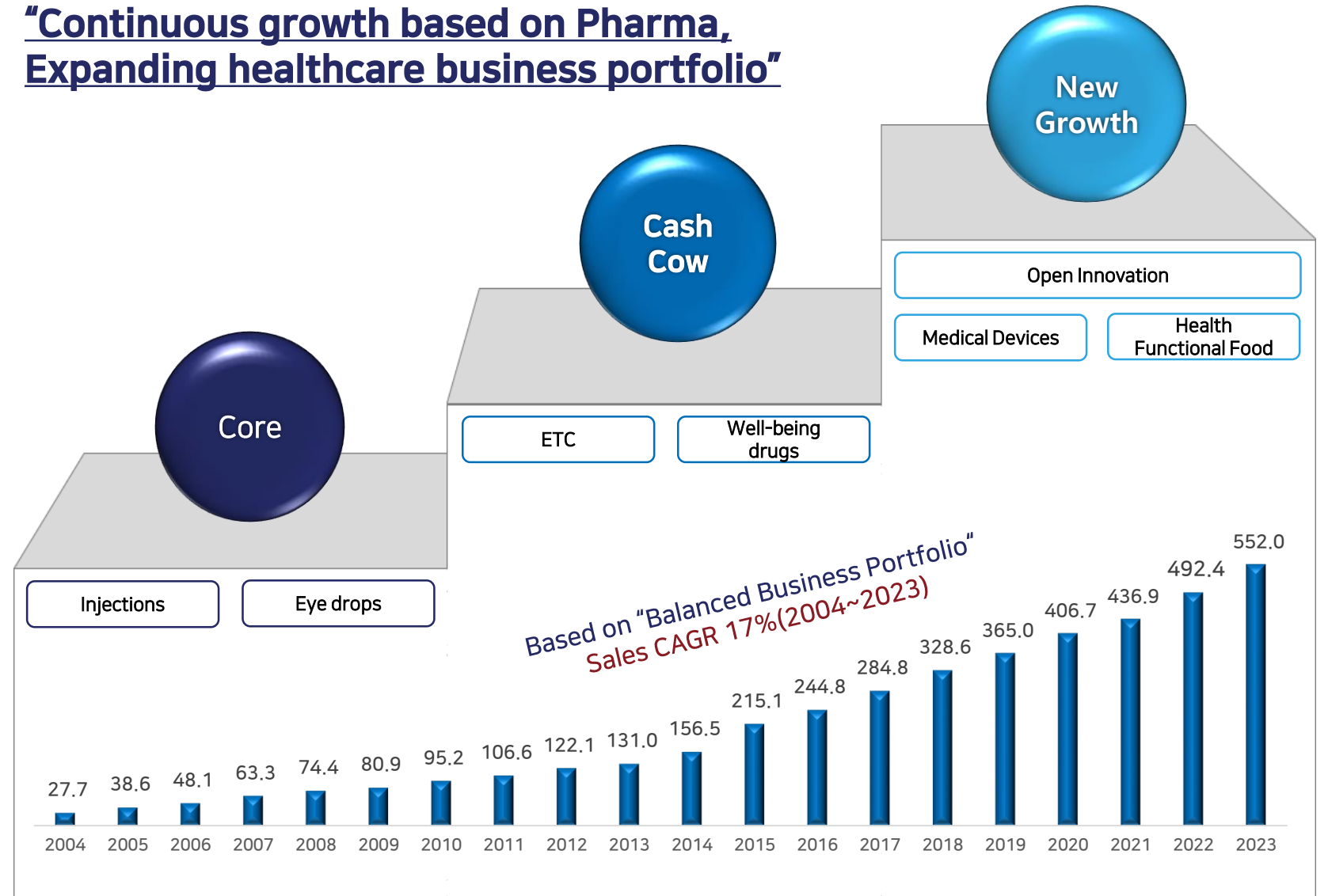
KOSDAQ Listed

Based on common stock, as of Dec 31, 2023

## History

- 1965 Established Kwang Myung Pharmaceutical Company
- 2006 Listed on KOSDAQ
- 2016 Spin-off as a business company
- 2017 0.9% Sodium Chloride Inj. approval from the U.S. FDA
- 2018 1% Lidocaine Inj.(amp.) approval from the U.S. FDA
- 2019 0.75% Bupivacaine Dextrose Inj. approval from U.S. FDA
- 2020 1% Lidocaine Inj.(vial) approval from the U.S. FDA
- 2020 Launch of "Elruby Menolacto Probiotics"  
(Korea's First Female Menopausal Latobacillus)
- 2022 Establishment of Huons Foodience, a HFF subsidiary  
(Merger of Huons Nature-Huons Natural)
- 2023 2% Lidocaine Inj.(vial) approval from the U.S. FDA
- 2023 Acquired Huons Life Science (formerly Crystal Life Science)

## "Continuous growth based on Pharma, Expanding healthcare business portfolio"

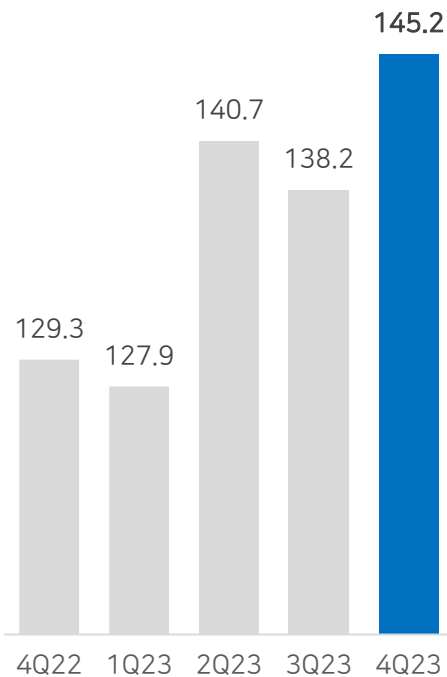


(unit : billion KRW, including earnings before spin-off, consolidated-basis since 2017)

- Increased sales and profit through continued high growth in ETC division
- Increase in cost due to operation of the 2nd factory

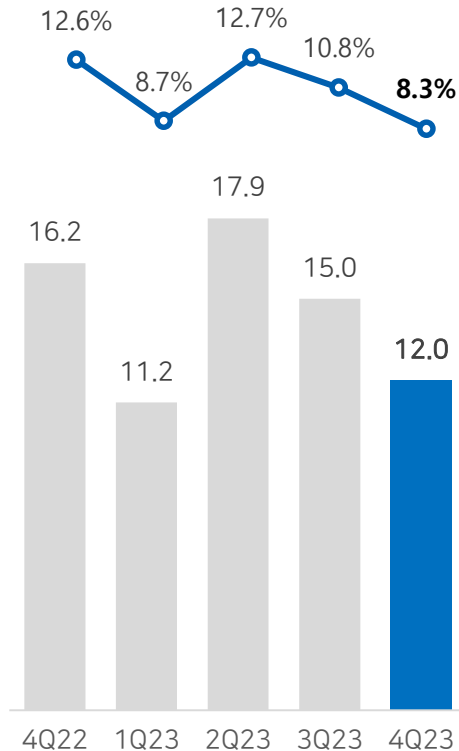
**Sales**

[Unit: billion KRW]



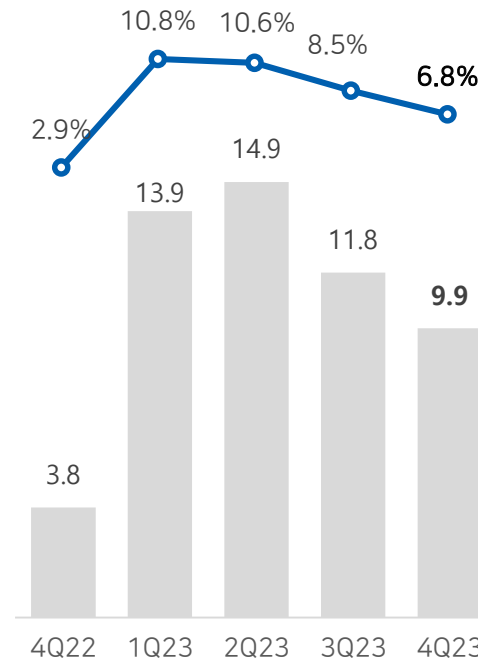
**Operating Profit**

[Unit: billion KRW, %]



**Net Profit**

[Unit: billion KRW, %]



**[Sales]**

**145.2 bil KRW** (YoY ▲12.3%, QoQ ▲5.1%)

- ✓ Expansion of injectable exports to US with 2% lidocaine inj.
- ✓ Increased winter-related pharmaceutical sales

**[Operating Profit]**

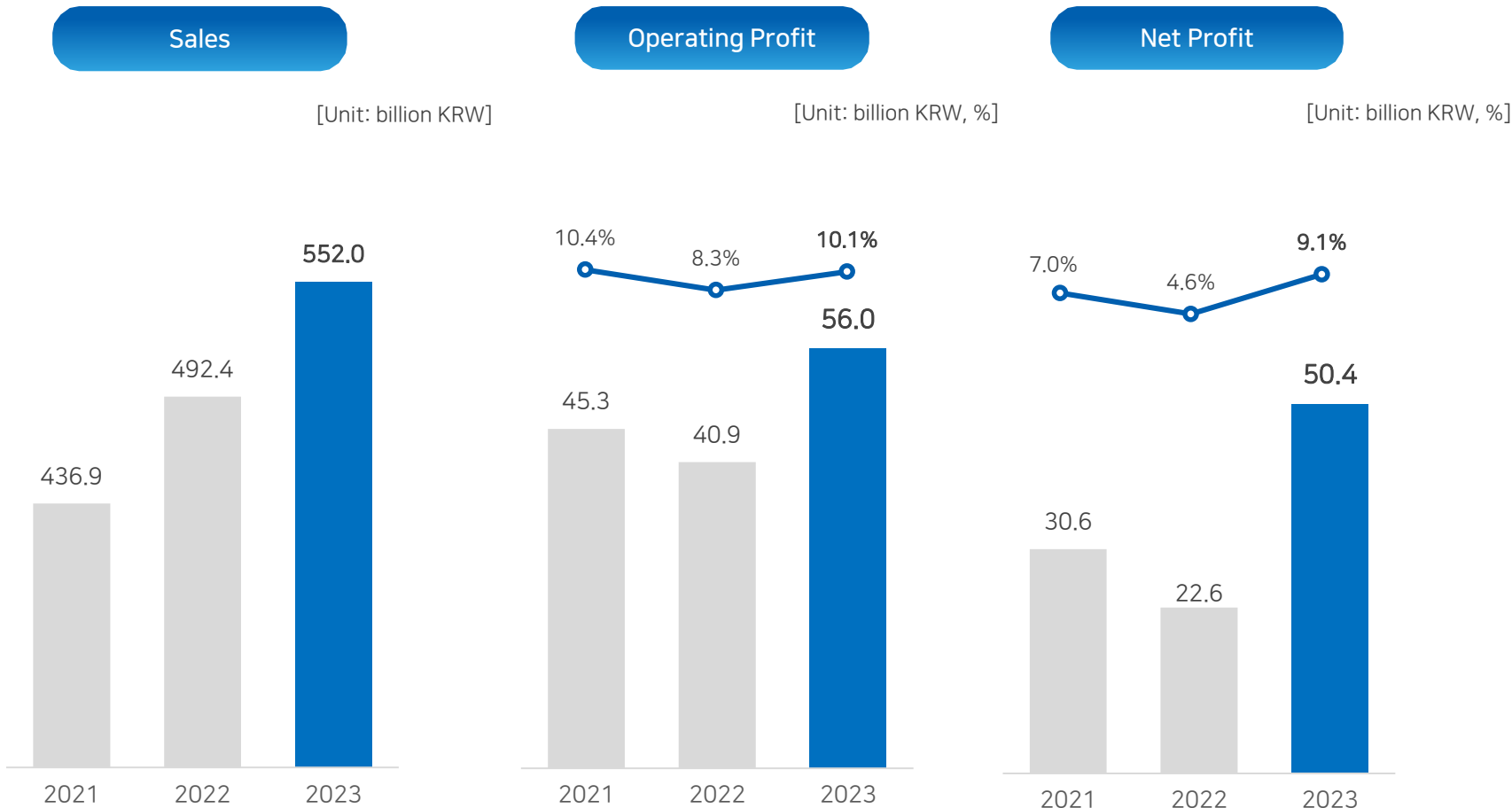
**12.0 bil KRW** (YoY ▼26.2%, QoQ ▼19.8%)

**[Net Profit]**

**9.9 bil KRW** (YoY ▲162.3%, QoQ ▼16.2%)

- ✓ Inventory reserve setting
- ✓ Increase in one-time costs such as year-end bonuses

- Achieved record high sales and profits through high growth in pharmaceutical exports



**[Sales]**

**552.0 bil KRW (YoY ▲12.1%)**

- ✓ Increase in injectable exports especially to US
- ✓ Expanding market for non-reimbursed medicines and eye drops

**[Operating Profit]**

**56.0 bil KRW (YoY ▲37.0%)**

**[Net Profit]**

**50.4 bil KRW (YoY ▲122.9%)**

- ✓ Increase in initial operation costs of 2<sup>nd</sup> Factory
- ✓ Efficient management of SG&A cost
- ✓ Increase in financial asset valuation gains

- 4Q Cost of sales **73.3 bil KRW** (YoY ▲23.4%, QoQ ▲8.1%) / SG&A expenses **60.0 bil KRW** (YoY ▲11.7%, QoQ ▲8.2%)
  - ✓ Increase in initial operation costs of 2nd Factory
  - ✓ Incurring one-time costs such as inventory valuation losses and bonus payments etc.
  - ✓ Reducing the proportion of SG&A expenses (Advertising, Commissions)

### Cost Analysis (Quarterly)

[Unit: billion KRW, %]

Classification	4Q22		1Q23		2Q23		3Q23		4Q23		YoY	QoQ
Sales	129.3		127.9		140.7		138.2		<b>145.2</b>		+12.3%	+5.1%
Costs of sales	59.4	46%	59.1	46%	65.7	47%	67.8	49%	<b>73.3</b>	<b>50%</b>	+23.4%	+8.1%
<b>SG&amp;A expenses</b>	53.7	42%	57.6	45%	57.1	41%	55.4	40%	<b>60.0</b>	<b>41%</b>	<b>+11.7%</b>	<b>+8.2%</b>
Personal expense	7.8	6%	8.1	6%	7.8	6%	7.7	6%	<b>8.9</b>	<b>6%</b>	+15.1%	+15.3%
Advertising	4.5	4%	6.0	5%	6.2	4%	4.9	4%	<b>5.7</b>	<b>4%</b>	+27.7%	+16.5%
commissions	11.0	9%	12.3	10%	12.6	9%	11.0	8%	<b>12.8</b>	<b>9%</b>	+16.4%	+16.8%
R&D	8.7	7%	8.2	6%	7.3	5%	9.2	7%	<b>8.1</b>	<b>6%</b>	-5.9%	-11.9%
Others	21.8	17%	23.0	18%	23.1	16%	22.5	16%	<b>24.4</b>	<b>17%</b>	+11.9%	+8.0%

※ "%" is % of Sales

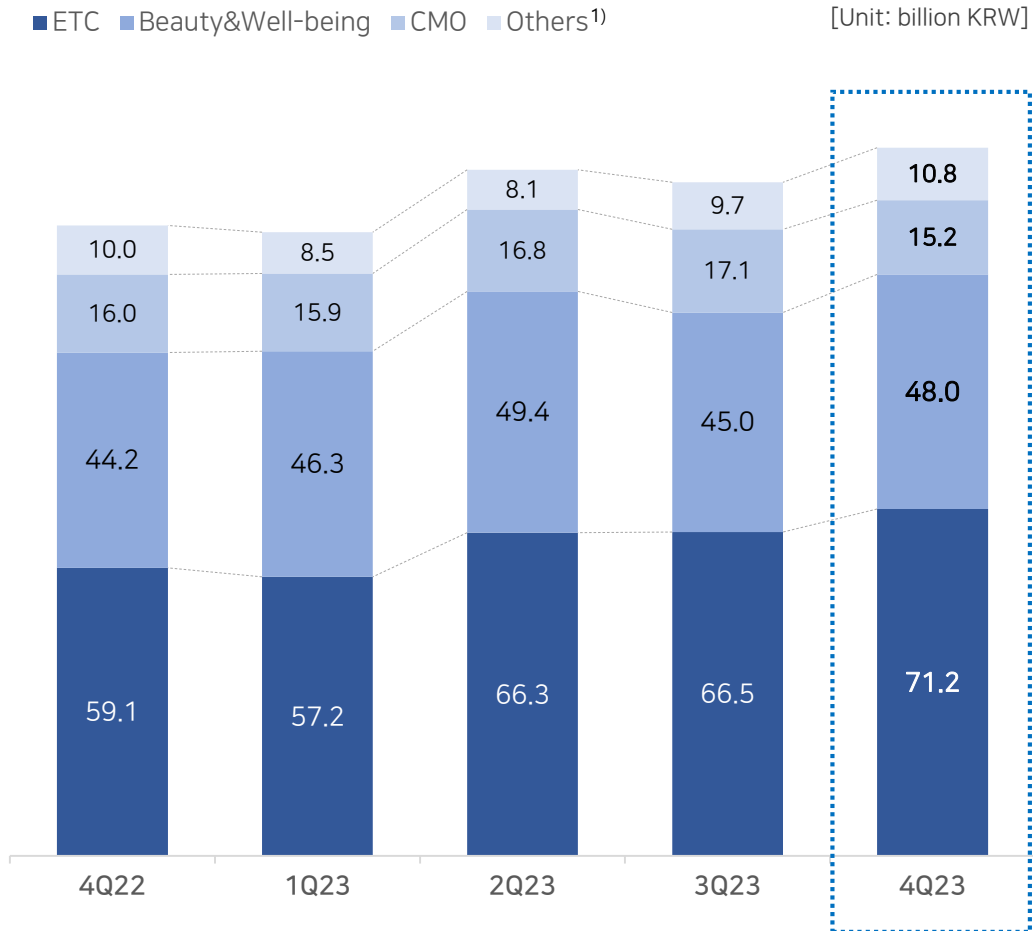
### Cost Analysis (Aannual)

[Unit: billion KRW, %]

구분	2022		2023		YoY
Sales	492.4		<b>552.0</b>		+12.1%
Costs of sales	224.4	46%	<b>265.9</b>	<b>48%</b>	+18.5%
<b>SG&amp;A expenses</b>	227.1	46%	<b>230.1</b>	<b>42%</b>	<b>+1.3%</b>
Personal expense	31.6	6%	32.6	6%	+3.1%
Advertising	21.3	4%	23.0	4%	+7.9%
commissions	44.4	9%	48.7	9%	+9.7%
R&D	36.5	7%	32.9	6%	-9.8%
Others	93.4	19%	93.0	17%	-0.4%



#### Sales Breakdown



#### 4Q Business Performance Review

**[ETC]** 4Q Sales **71.2 bil KRW** (YoY ▲20.4%, QoQ ▲7.1%)

**[Beauty·Well-being]** 4Q Sales **48.0 bil KRW** (YoY ▲8.8%, QoQ ▲6.8%)

**[CMO]** 4Q Sales **15.2 bil KRW** (YoY ▼4.8%, QoQ ▼10.7%)

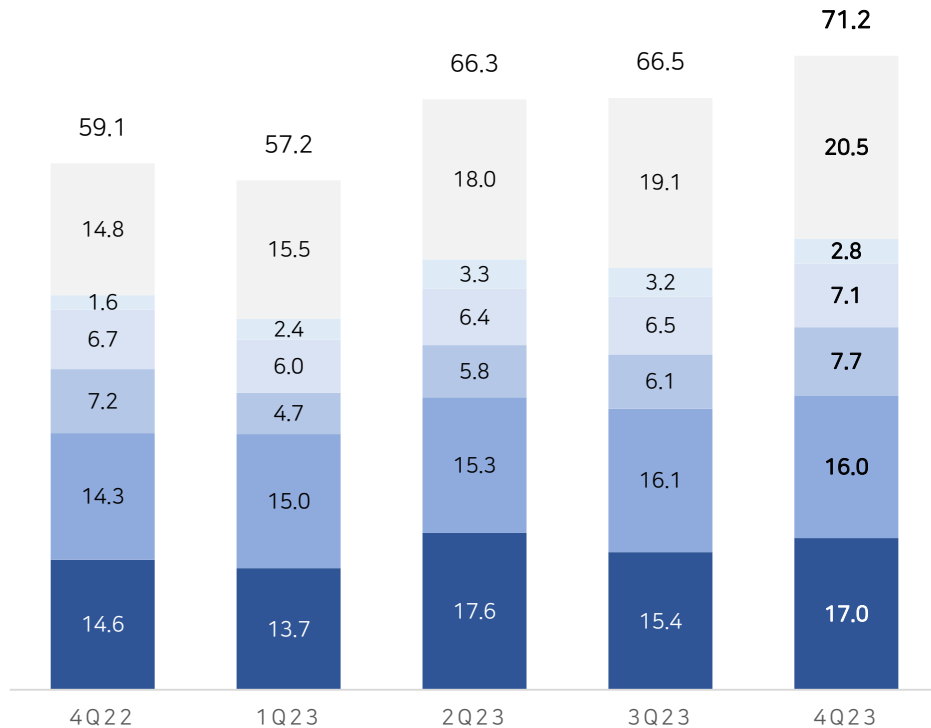
- **Recorded highest quarterly ETC sales**
  - Stable sales growth of chronic disease(circulatory, metabolic) ETC
  - Increased sales of winter-related ETC (NSAIDs, antibiotics, respiratory)
  
- **Expansion of pharmaceutical exports (4Q exports sales 15.5 bil KRW, YoY ▲19.1% QoQ ▲6.3%)**
  - Exports of injectables to North America amounted KRW 7.4 billion
  - First export of anesthetics to Canada
  - Continued expansion of injectable exports to Japan, Middle East, and South America
  
- **Profitability-focused portfolio improvement**
  - Eye drop CMO sales increase (2<sup>nd</sup> factory begins operation)
  - Stable sales of HFF despite reducing home shopping broadcast

### 3. Performance by Business Divisions\_ETC / Beauty·well-being

#### ETC

4Q Sales **71.2 bil KRW** (YoY ▲20.4%, QoQ ▲7.1%)

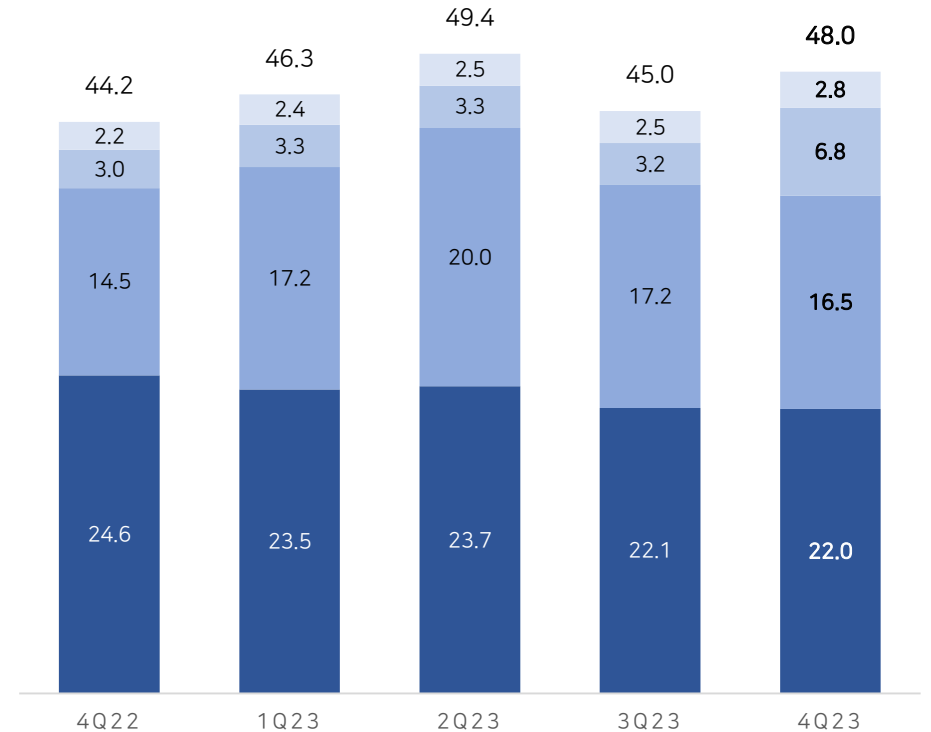
■ Anesthetic    ■ Circulatory    ■ Metabolic    [Unit: billion KRW]  
 ■ Digestive    ■ Eye drops    ■ Others



#### Beauty·Well-being

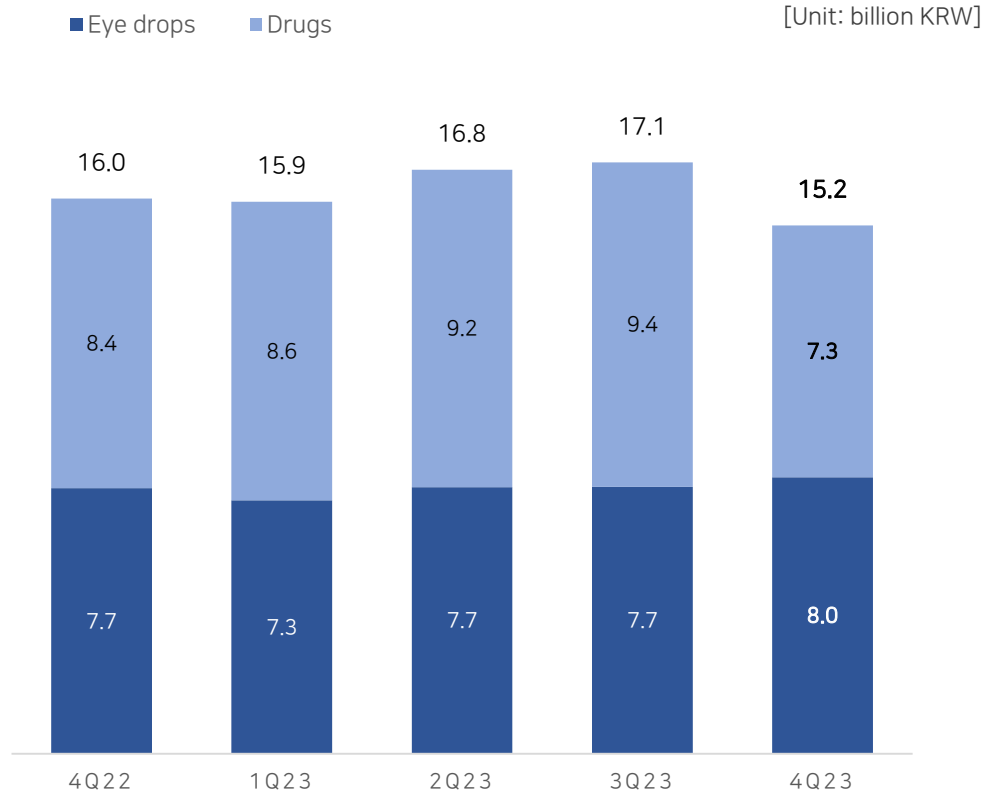
4Q Sales **48.0 bil KRW** (YoY ▲8.8%, QoQ ▲6.8%)

■ Wellbeing·Obesity·Pain    ■ HFF    ■ Medical Devices    ■ Others    [Unit: billion KRW]



**CMO**

4Q Sales **15.2 bil KRW** (YoY ▼4.8%, QoQ ▼10.7%)

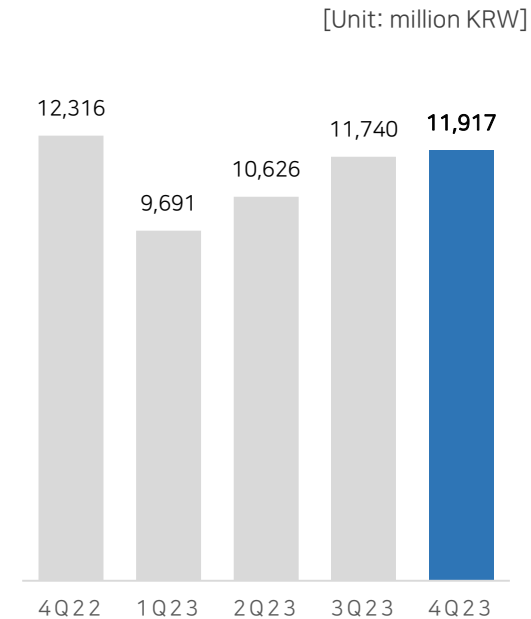


**hu** Huons Foodience

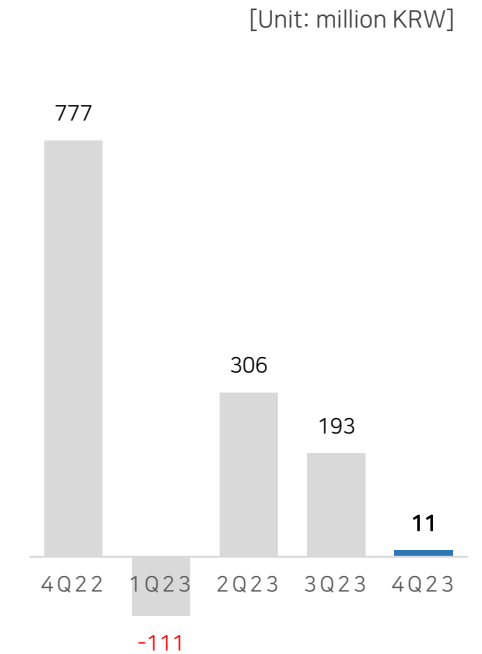
4Q Sales **11.9 bil KRW** (YoY ▼3.2%, QoQ ▲1.5%)

4Q OP **11 mil KRW** (YoY ▼98.6%, QoQ ▼94.2%)

**Sales**

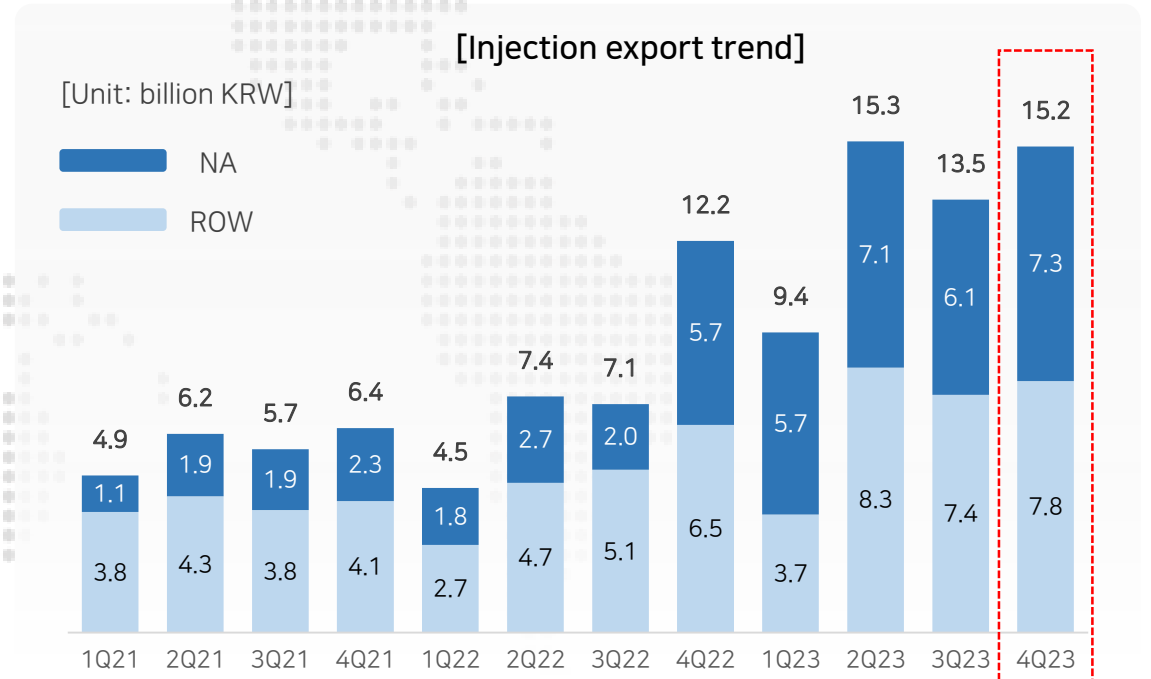
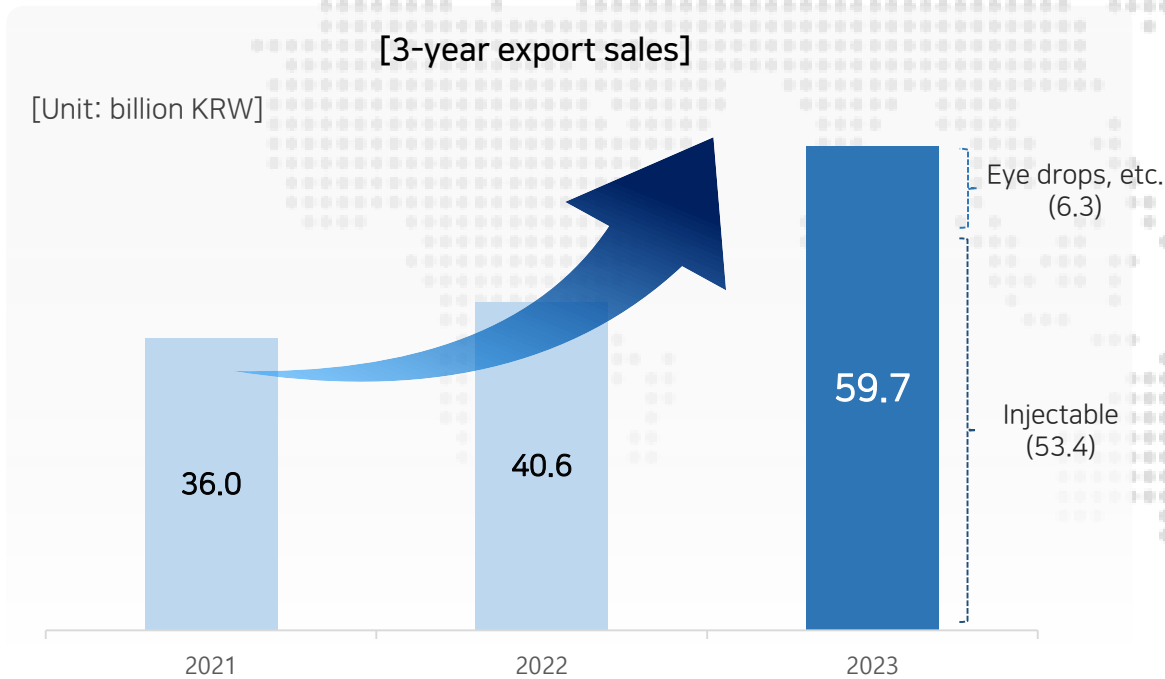


**Operating Profit**



**FY2023 Huons Export sales 59.7 bil KRW (YoY ▲47%)**

- 2023, pioneering overseas markets focusing on exports of injectable drugs
  - North America 26.2bil KRW(YoY ▲113%), Rest of the World 27.2bil KRW(YoY ▲ 43%)
- 2024, strategy to expand export items and diversify export countries
  - North America: 2% lidocaine anesthetic market expansion, CMC eye drops and HFF market entry
  - Other countries: promote new registration in European and Middle Eastern markets based on FDA ANDA items



- **1<sup>st</sup> factory : Increasing production through process improvement**
  - Increase in batch size of export items (Bupivacaine, Lidocaine, etc) / Extension of packaging room
- **2<sup>nd</sup> factory : Start of commercial production of eye drops line / Construction of injection lines**
  - New eye drops CMO sales from 2<sup>nd</sup> factory
  - Injection(vial, cartridge) lines expansion in progress



[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	130,464	18	103%
Eye drops	42,730	26	100%
Pills/Capsule	133,513	19	113%



[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 Tubes)	170	+48%	4Q23
Injections - Vial (Unit: million Vials)	53	+204%	2H25
Injections - cartridge (Unit: million Ctgs)	66	+49%	2H25

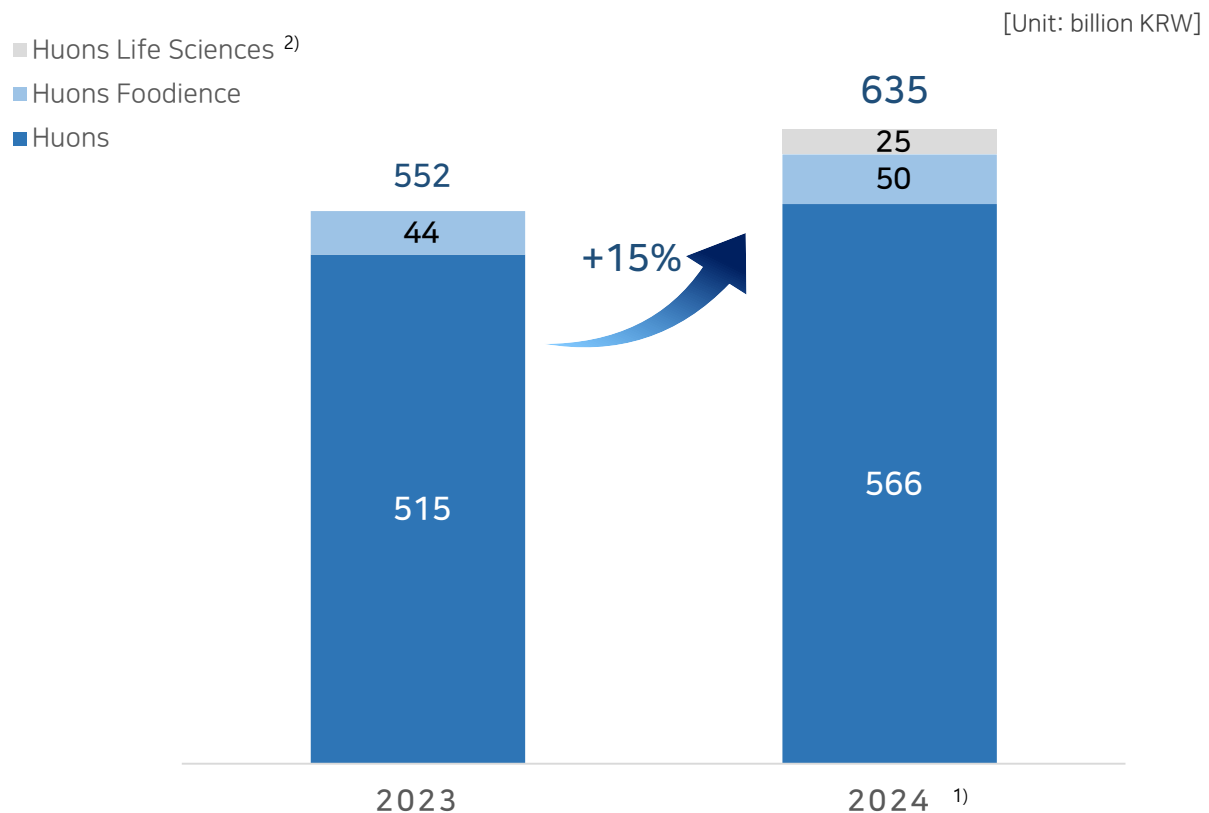
### Dry eye disease new drug pipelines

- Clinical trial of New Drugs for Dry Eye : FPR2 Selective peptide ligand 'HUC1-394' apply for phase 1 IND approval
- Development of eye drop with low-concentration cyclosporine: 'HUC2-007' phase 3 clinical trials in progress

	NCP112(HUC1-394) / <a href="#">New chemical Entities</a>	HU007(HUC2-007) / <a href="#">Incrementally Modified Drug</a>
Substance	NCP112 Heptameric peptide FPR2 (GPCR of Immune Control Function in Innate) agonist	Cyclosporine 0.02% + trehalose 3% compound agent
Development stage	Phase 1 IND approval in Korea	Progress of Phase 3 in Korea
Features	<ul style="list-style-type: none"> <li>✓ A new mechanism-based treatment for dry eyes</li> <li>✓ Low likelihood of side effects and toxicity due to the use of peptide agents</li> <li>✓ As FPR2 Selective peptide ligand, inhibit inflammatory reactions by activating FPR2</li> <li>✓ Restoring damaged cornea by suppressing conjunctivitis caused by dry eyes</li> </ul>	<ul style="list-style-type: none"> <li>✓ Improved side effects of cyclosporine eye drops, such as eye surface irritation, by applying low-concentration cyclosporine</li> <li>✓ Same anti-inflammatory effect even with low-concentration cyclosporine</li> <li>✓ Improved medication convenience</li> </ul>
Remarks	In-Licensing from Nova Cell Technology	Core technology business supported by the Ministry of Trade, Industry and Energy

**2024 Huons target Sales 635 bil KRW (YoY ▲15%)**

[2024 Sales Plan]



## Main business strategies

### Huons

- Accelerating pharmaceutical exports & Promotion of drugs registration in global strategic markets
- Domestic market growth through fostering the company's mega brands

### Huons Foodience

- Expansion of HFF export business
- Development of exclusive products with individually recognized raw materials

### Huons Life Sciences

- Turn to surplus in the first year of incorporation as a subsidiary
- Expansion of ETC(tablets and capsules) production line

1) This is based on our business plan and may change in the future. The difference between the total sales of each company and the target sales is due to consolidation adjustments.

2) Former Crystal Life Sciences. Newly incorporated subsidiary in 2024.

• **Company Profiles**

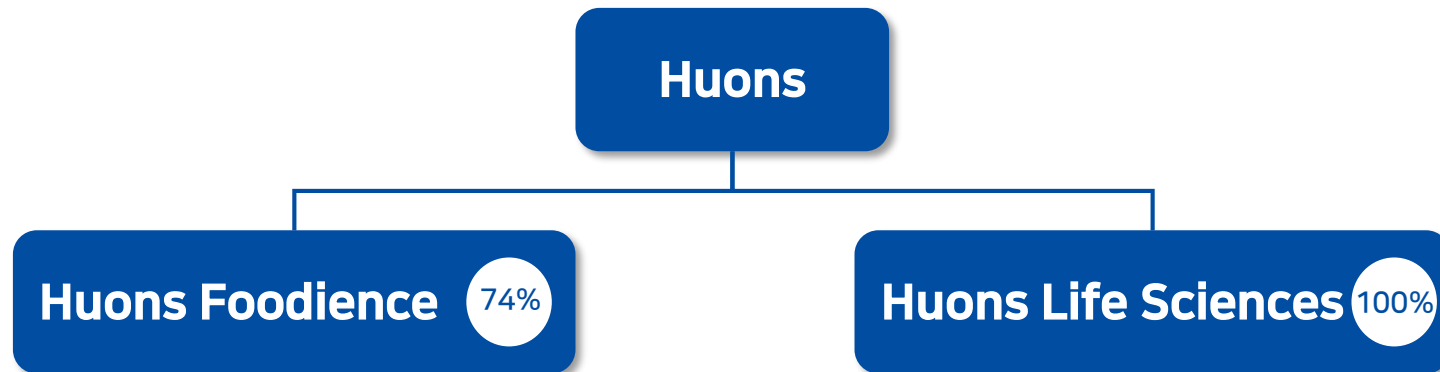
[Base Date: End of 2023]

Company Name	Huons Life Sciences Co., Ltd.
CEO	Byung-bok, Min
Foundation	November 2015 (Incorporation as subsidiary in Dec. 2023)
Location	70 Osongsaengmyeong 6-ro, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do
Business Category	Pharmaceuticals
Issued Capital	7,224,120,000 KRW

• **Financial Status**

[Unit: million KRW]

구 분	2021	2022	2023
Assets	33,634	28,537	18,647
Liabilities	43,337	42,326	28,566
Equity	(9,703)	(13,789)	(9,919)
Sales	16,470	16,002	20,270
Operating loss	(1,534)	(2,852)	(801)





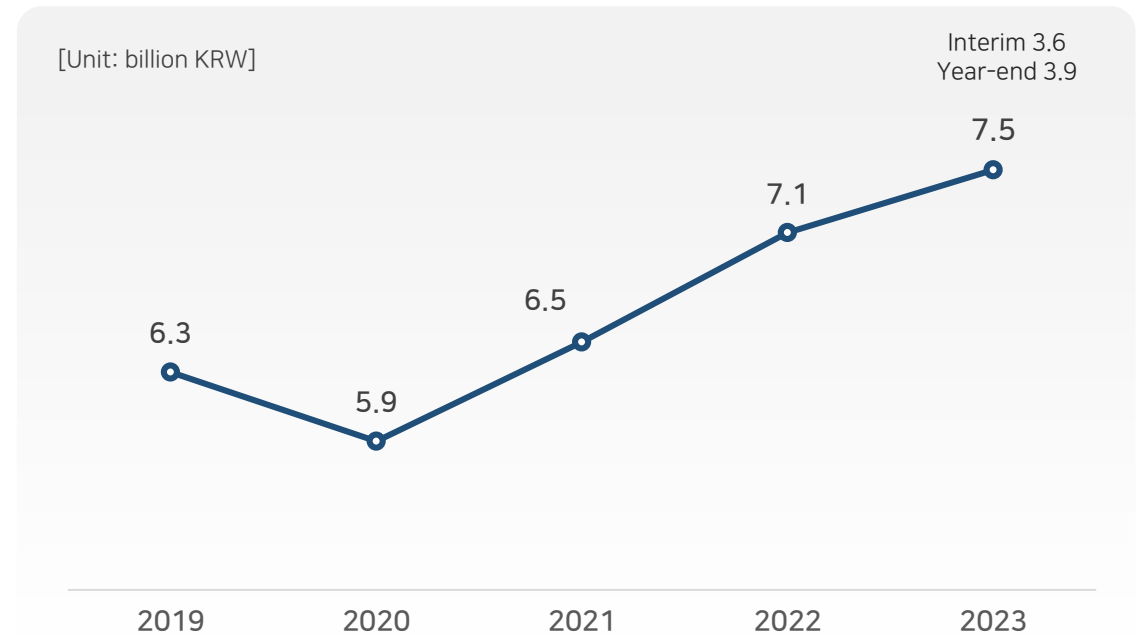
**Strengthening shareholder return policy**

- Implementation of a transparent and active shareholder return policy to increase corporate value
- Implemented interim dividend / Increased dividend per share : **Dividends twice a year / Cash dividend of 630 KRW per share (YoY +5%)**

[Mid-to long-term Dividend policy]

Dividend basis	Dividends Per Share
Target dividend	0% ~ 30% increase compared to the dividend per share of the previous business year
Type of dividends	Cash dividends (Year-end dividends + Interim dividends)
Application period	3 years (2023 ~2025)

[Total dividends by year]



<p><b>Soo-Young Song</b></p> <p>CEO / President Inside Director</p> <ul style="list-style-type: none"> <li>- CEO of Deloitte Consulting Japan</li> <li>- BS, Industrial Engineering, Hanyang Univ.</li> </ul>	<p><b>Sang-Bae Yoon</b></p> <p>CEO / Vice President Inside Director</p> <ul style="list-style-type: none"> <li>- ETC Unit Head of Boryung Pharma.</li> <li>- MS, Pharmacy, JoongAng Univ.</li> </ul>	<p><b>Si-Baek Kim</b></p> <p>Head of Factory Inside Director</p> <ul style="list-style-type: none"> <li>- SK Chemicals</li> <li>- BS, Chemical education, Chungbuk National Univ.</li> </ul>	<p><b>Sung-Tae Yoon</b></p> <p>Chairman Non-Executive Director</p> <ul style="list-style-type: none"> <li>- Huons Group Chairman</li> <li>- IBM Korea</li> <li>- MS, Project Mgt., Hanyang Univ.</li> </ul>
<p><b>Duk-Ho Lim</b></p> <p>Outside Director</p> <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>	<p><b>Do-Ik Jung</b></p> <p>Outside Director</p> <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>	<p><b>Yong-Gon Park</b></p> <p>Outside Director</p> <ul style="list-style-type: none"> <li>- President of KFRI</li> <li>- Ph.D, Food and Microbiology, Youngnam Univ.</li> </ul>	<p><b>In-Sang Yoon</b></p> <p>Non-Executive Director</p> <ul style="list-style-type: none"> <li>- Head of Strategic Planning of Huons Global</li> <li>- Bachelor of Chemistry, Emory University</li> </ul>

## Committee under the B.O.D.

### Audit committee

**Chairman** 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

### Consolidated Statement of Financial Position

[Unit: million KRW]

Classification	4Q22	1Q23	2Q23	3Q23	4Q23
<b>Assets</b>	<b>472,627</b>	<b>469,951</b>	<b>473,508</b>	<b>497,160</b>	<b>537,286</b>
<b>Current assets</b>	<b>247,015</b>	<b>239,345</b>	<b>239,357</b>	<b>257,749</b>	<b>271,322</b>
Cash etc.*	84,621	62,432	51,878	71,033	80,330
Accounts receivable	75,212	78,971	86,632	87,482	101,923
Inventory Asset	74,480	84,901	88,129	86,937	76,598
<b>Non-current assets</b>	<b>225,612</b>	<b>230,605</b>	<b>234,151</b>	<b>239,411</b>	<b>265,964</b>
<b>Liabilities</b>	<b>185,107</b>	<b>174,711</b>	<b>163,317</b>	<b>176,505</b>	<b>206,873</b>
<b>Current liabilities</b>	<b>103,453</b>	<b>94,414</b>	<b>83,510</b>	<b>97,197</b>	<b>133,866</b>
Accounts payable	16,615	19,199	16,961	15,179	13,741
Short-term borrowings			207	207	21,307
<b>Non-current liabilities</b>	<b>81,654</b>	<b>80,297</b>	<b>79,807</b>	<b>79,308</b>	<b>73,007</b>
Long-term borrowings	65,826	65,000	65,000	65,000	58,350
<b>Equity</b>	<b>287,520</b>	<b>295,240</b>	<b>310,191</b>	<b>320,655</b>	<b>330,412</b>
<b>Equity attributable to owners of parent</b>	<b>282,456</b>	<b>290,216</b>	<b>305,070</b>	<b>315,512</b>	<b>325,404</b>
Retained earnings	207,686	214,504	229,280	237,497	247,513
<b>Non-controlling interests</b>	<b>5,064</b>	<b>5,024</b>	<b>5,121</b>	<b>5,143</b>	<b>5,008</b>
<b>Stability Indicator</b>					
Current ratio	239%	254%	287%	265%	203%
Debt to equity ratio	64%	59%	53%	55%	63%
Borrowing ratio	23%	22%	21%	20%	24%
Net debt ratio	-7%	1%	4%	-2%	0%
Interest coverage ratio	1510%	1630%	3414%	2427%	1770%

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

\*\* Figures accumulated for 4 quarters

### Financial Statements of Comprehensive Income

[Unit: million KRW]

Classification	4Q22	1Q23	2Q23	3Q23	4Q23
<b>Sales</b>	<b>129,314</b>	<b>127,919</b>	<b>140,697</b>	<b>138,166</b>	<b>145,224</b>
Cost of sales	59,390	59,126	65,722	67,789	73,262
Gross profit	69,924	68,794	74,974	70,377	71,962
<b>SG&amp;A expenses</b>	<b>53,684</b>	<b>57,606</b>	<b>57,098</b>	<b>55,425</b>	<b>59,975</b>
<b>Operating Profit</b>	<b>16,240</b>	<b>11,187</b>	<b>17,876</b>	<b>14,952</b>	<b>11,987</b>
Gains/Losses on investments in associates	-554	17	149	243	-404
Other gains/losses	-85	6,241	487	-683	1,057
Profit before tax	15,601	17,446	18,512	14,512	12,640
Income tax expense	11,837	3,578	3,649	2,732	2,766
<b>Net Profit</b>	<b>3,764</b>	<b>13,869</b>	<b>14,863</b>	<b>11,780</b>	<b>9,874</b>
Profit, attributable to owners	3,777	13,916	14,776	11,766	10,016
Profit, attributable to non-controlling interests	-13	-47	87	14	-142
<b>A Profitability Indicator</b>					
Operating profit ratio	12.6%	8.7%	12.7%	10.8%	8.3%
EBITDA Margin	15.9%	12.1%	15.8%	14.2%	11.7%
Net profit ratio	2.9%	10.8%	10.6%	8.5%	6.8%
ROE**	8.1%	9.8%	11.9%	14.7%	16.3%
Sales/Asset**	108%	111%	110%	111%	109%
Leverage	164%	159%	153%	155%	163%

**Thank you**