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Huons

1Q 2024 Business Performance

2024. 5. 10.



**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.

# 1. Business Performance\_Profit & Loss Analysis

- Growth of domestic ETC / Expansion of CMO business through operation of 2<sup>nd</sup> factory
- Normalization of cost ratio due to increase in production volume of 2<sup>nd</sup> factory
- Increased sales commissions and new product marketing costs

**Sales**

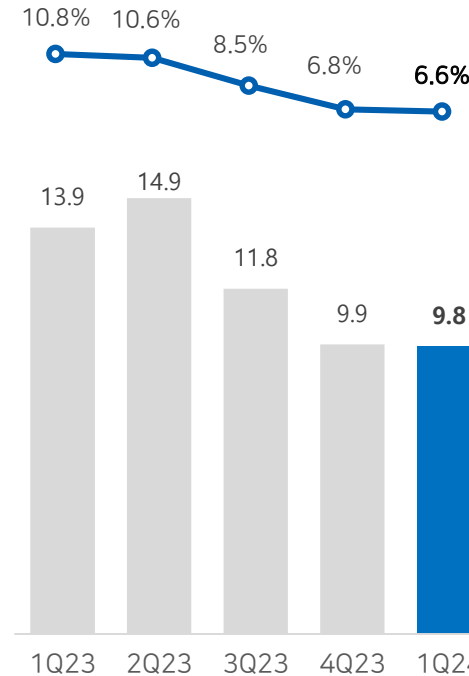
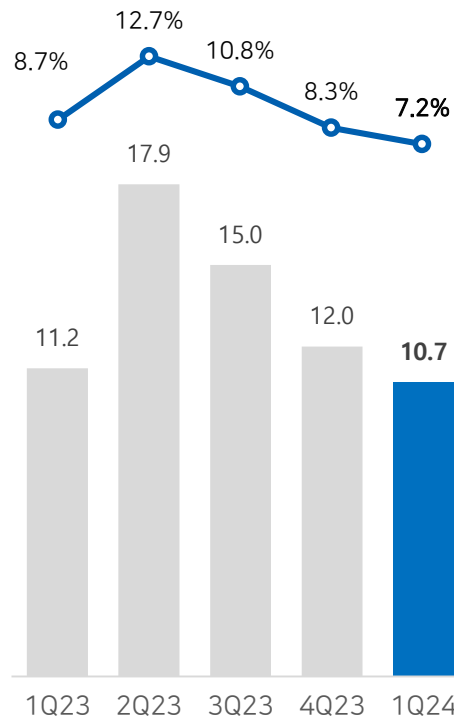
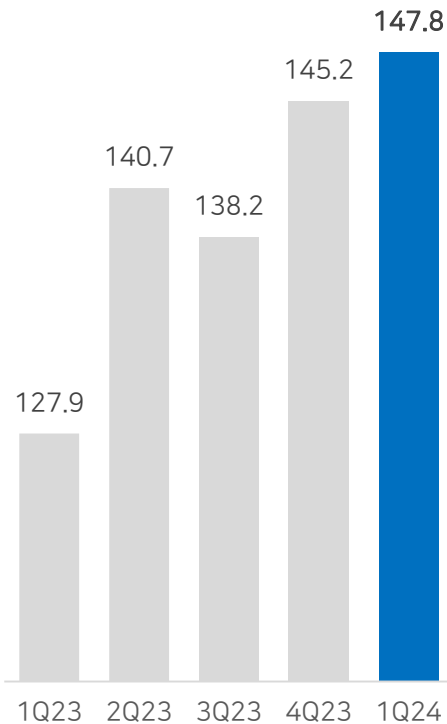
**Operating Profit**

**Net Profit**

[Unit: billion KRW]

[Unit: billion KRW, %]

[Unit: billion KRW, %]



**[Sales]**

- 147.8bil KRW** (YoY ▲15.5%, QoQ ▲1.7%)
- ✓ Stable high growth of ETC sales (YoY +12%)
  - ✓ Business expansion of eye drops CMO and medical devices

**[Operating Profit]**

**10.7bil KRW** (YoY ▼4.4%, QoQ ▼10.8%)

**[Net Profit]**

**9.8bil KRW** (YoY ▼29.3%, QoQ ▼0.7%)

- ✓ Increased pharmaceutical sales commissions and marketing expenses for launching new HFF products

- 1Q Cost of sales **73.2bil KRW** (YoY ▲23.9%, QoQ ▼0%) / SG&A **63.8bil KRW** (YoY ▲10.8%, QoQ ▲6.4%)
  - ✓ Cost ratio recovery due to increase of eye drops CMO sales in 2<sup>nd</sup> factory
  - ✓ Increased business costs for newly incorporated subsidiary

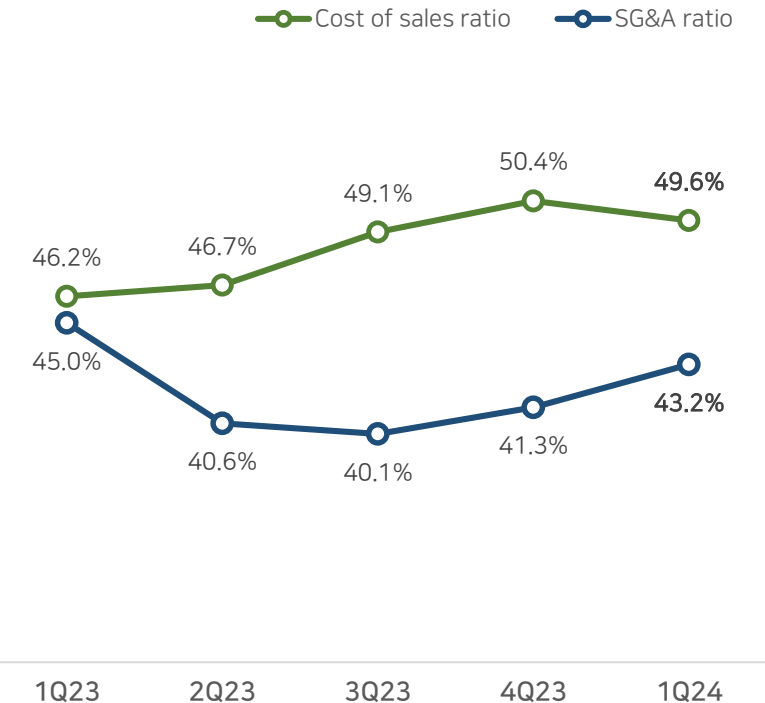
Cost Analysis

[Unit: billion KRW, %]

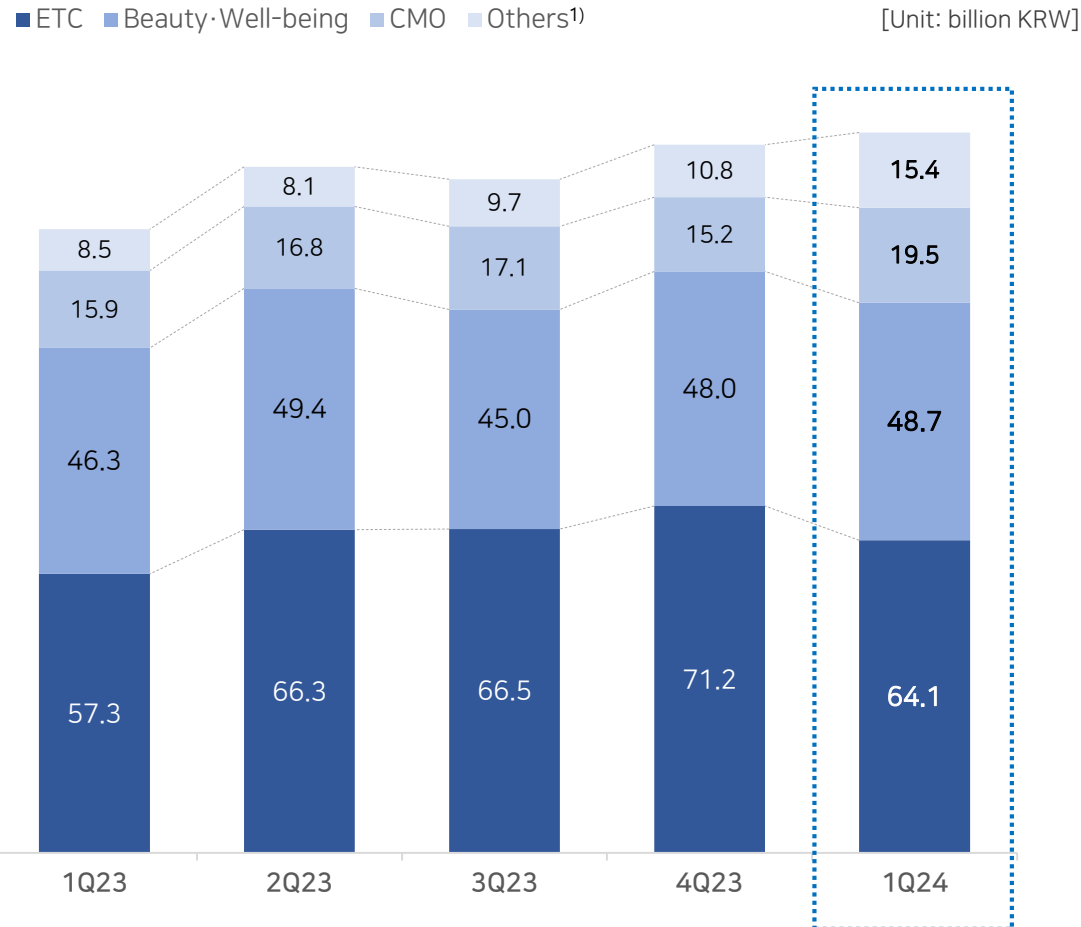
	1Q23		2Q23		3Q23		4Q23		1Q24		YoY	QoQ
Sales	127.9		140.7		138.2		145.2		<b>147.8</b>		+15.5%	+1.7%
Costs of sales	59.1	46.2%	65.7	46.7%	67.8	49.1%	73.3	50.4%	<b>73.2</b>	<b>49.6%</b>	+23.9%	-0.0%
<b>SG&amp;A Expenses</b>	57.6	45.0%	57.1	40.6%	55.4	40.1%	60.0	41.3%	<b>63.8</b>	<b>43.2%</b>	<b>+10.8%</b>	<b>+6.4%</b>
Labor	8.1	6.4%	7.8	5.6%	7.7	5.6%	8.9	6.1%	<b>8.8</b>	<b>6.0%</b>	+8.7%	-0.9%
Advertising	6.0	4.7%	6.2	4.4%	4.9	3.6%	5.7	4.0%	<b>5.6</b>	<b>3.8%</b>	-8.0%	-3.2%
Commissions	12.3	9.6%	12.6	9.0%	11.0	7.9%	12.8	8.8%	<b>14.2</b>	<b>9.6%</b>	+15.8%	+10.8%
R&D	8.2	6.4%	7.3	5.2%	9.2	6.7%	8.1	5.6%	<b>7.3</b>	<b>5.0%</b>	-10.4%	-9.9%
Others	23.0	18.0%	23.1	16.4%	22.5	16.3%	24.4	16.8%	<b>27.9</b>	<b>18.9%</b>	+21.4%	+14.5%

※ '%' is % of Sales

Cost of sales/SG&A Ratio



### Sales by Business Divisions



### 1Q Earnings Review

**[ETC]** 1Q Sales **64.1bil KRW** (YoY ▲12.0%, QoQ ▼9.9%)

- Decrease in anesthetic's exports due to the supply chain easing in the U.S.
- Expand domestic ETC sales through various sales networks

**[Beauty·Well-being]** 1Q Sales **48.7bil KRW** (YoY ▲5.2%, QoQ ▲1.4%)

- Growth of medical devices business (launch of CGMs 'Dexcom G7' in Feb)
- Increased HFF sales through new product marketing activities

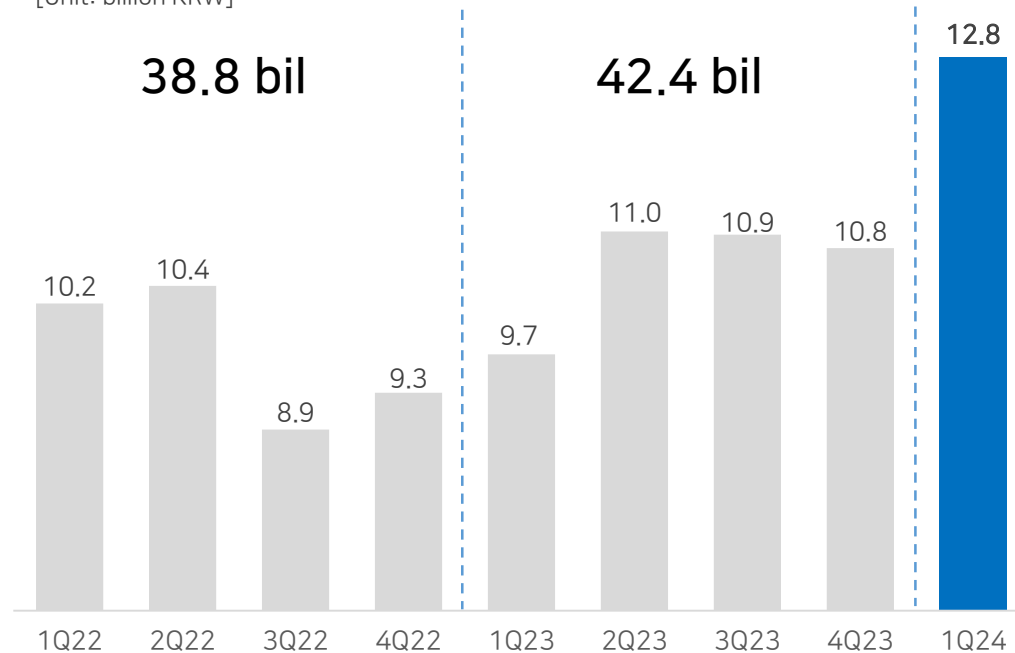
**[CMO]** 1Q Sales **19.5bil KRW** (YoY ▲23.0%, QoQ ▲28.1%)

- Operation of new manufacturing line at 2<sup>nd</sup> factory for eye drops
- Increase in contract sales of Injectable drugs

- Record high sales with operation of new eye drop line in 2<sup>nd</sup> factory (1Q 12.8bil KRW, YoY ▲32.1%, QoQ ▲18.5%)
  - Rapidly Increasing factory utilization rate due to rising demand for eye drops
  - In progress of registering of new eye drop products at 2<sup>nd</sup> factory (target to add 7 items in the 2H24)
  - Preparing to export CMC(carboxymethylcellulose) eye drops to the North America within the year

Eye Drops Sales<sup>1)</sup>

[Unit: billion KRW]



Utilization rate of the eye drops production lines

Eye Drops Production Lines		2022		2023		1Q24	
		CAPA <sup>2)</sup>	Production (Operation rate)	CAPA	Production (Operation rate)	CAPA	Production (Operation rate)
1 <sup>st</sup> Factory	single dose (Line 1)	300 mil tubes	330 mil tubes (111.3%)	355 mil tubes	354 mil tubes (99.8%)	85 mil tubes	77 mil tubes (90.4%)
	single dose (Line 2)						
	single dose (Line 3)						
	multi dose (Line 1)						
2 <sup>nd</sup> Factory	single dose (Line 4)					38 mil tubes	23 mil tubes (59.6%)
	multi dose (Line 2)						

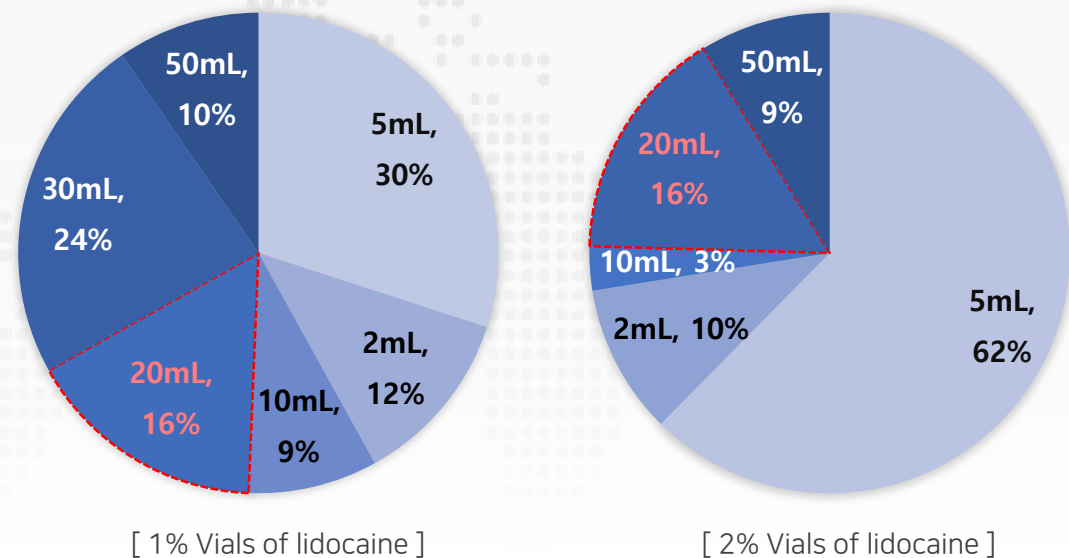
1) Eye drops sales in ETC + CMO (see 5. Appendix\_sales breakdown)  
 2) Calculated depending on the number of operating days and shift work method

- Partial resolution of the lidocaine injection shortage in the U.S. (1Q export sales<sup>1)</sup> 10.1bil KRW YoY ▼10.4%, QoQ ▼38.6%)
  - Sales of North America: 38bil KRW(YoY ▼34%), Rest of the world: 63bil KRW(YoY ▲14%)
- Expansion of export countries and products to target overseas markets
  - North America: Registration of new anesthetic products (Multi-Dose Vials, Dental Cartridge), Export of CMC eye drops and HFF
  - Rest of the World: Export growth of dental anesthetic injections , Launch of FDA-approved products in Europe and Middle East markets

[Status of US FDA ANDA Products]

Year	Products	Formulation
Upcoming ~2025	Lidocaine HCl 2% and epinephrine 1:100,000 Inj, USP	Single-Dose Cartridge
	Lidocaine Hydrochloride Inj, USP 2%	20mL Multi-Dose Vials
	Lidocaine Hydrochloride Inj, USP 1%	20mL Multi-Dose Vials
2023	Lidocaine Hydrochloride Inj, USP 2%	5mL Single-Dose Vials
2020	Lidocaine Hydrochloride Inj, USP 1%	5mL Single-Dose Vials
2019	Bupivacaine Hydrochloride in 8.25% Dextrose Inj, USP 0.75%	2mL Single-Dose Ampules
2018	Lidocaine Hydrochloride Inj, USP 1%	5mL Single-Dose Ampules
2017	Sodium Chloride Inj, USP 0.9%	5mL, 10mL Ampules

[U.S. Lidocaine Anesthetic Market in 2023<sup>2)</sup>]



**Sales Guidance in 2024: 635.3bil KRW (YoY ▲ 15%)**

Target Sales	Business Divisions	Comments
<p><b>635.3bil KRW<sup>1)</sup></b></p> <p>Huons(separate): 566.0bil KRW                      HuonsFoodience: 50.2bil KRW                      HuonsLifeSciences<sup>2)</sup>: 25.3bil KRW</p>	ETC	<ul style="list-style-type: none"> <li>- Sustainable growth in the domestic pharmaceutical market</li> <li>- Decrease in US anesthetic inj. exports / Increase in ROW exports</li> </ul>
	Beauty·Well-being	<ul style="list-style-type: none"> <li>- Increase in CGMs 'Dexcom G7' sales</li> <li>- In progress of HFF business restructuring for profit improvement</li> </ul>
	CMO	<ul style="list-style-type: none"> <li>- Eye drops sales growth by increasing production at 2<sup>nd</sup> factory</li> <li>- Increase in contracts of Injection drugs</li> </ul>
	Subsidiaries	<ul style="list-style-type: none"> <li>- HuonsFoodience: expansion of HFF exports and red ginseng sales</li> <li>- HuonsLifeSciences: aiming to increase sales and reduce costs for turning to profit within the year</li> </ul>

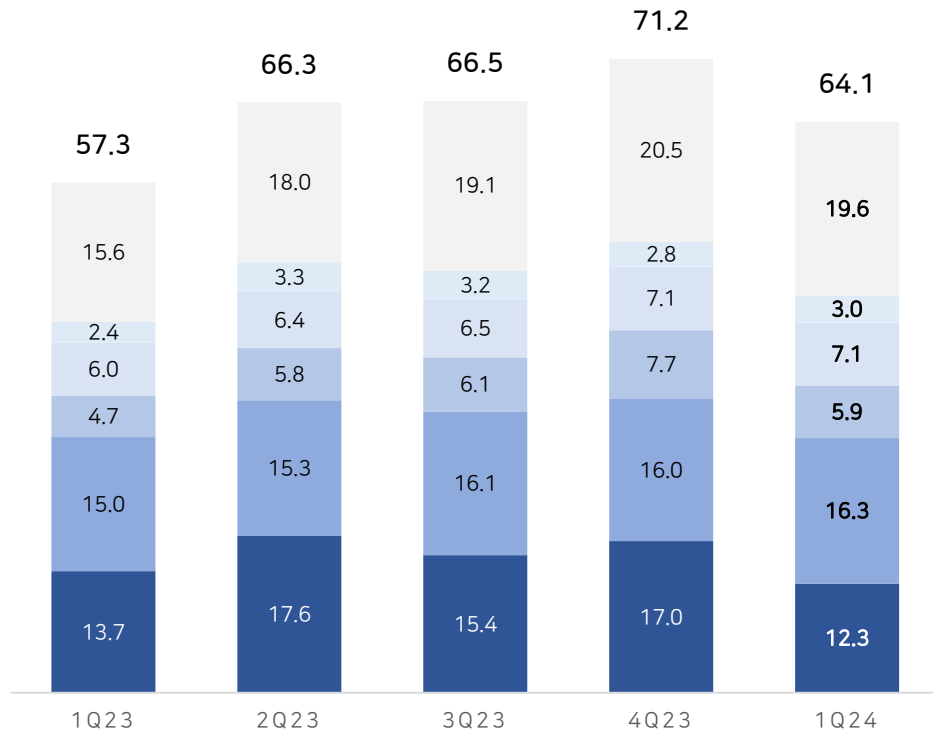


# APPENDIX

**ETC**

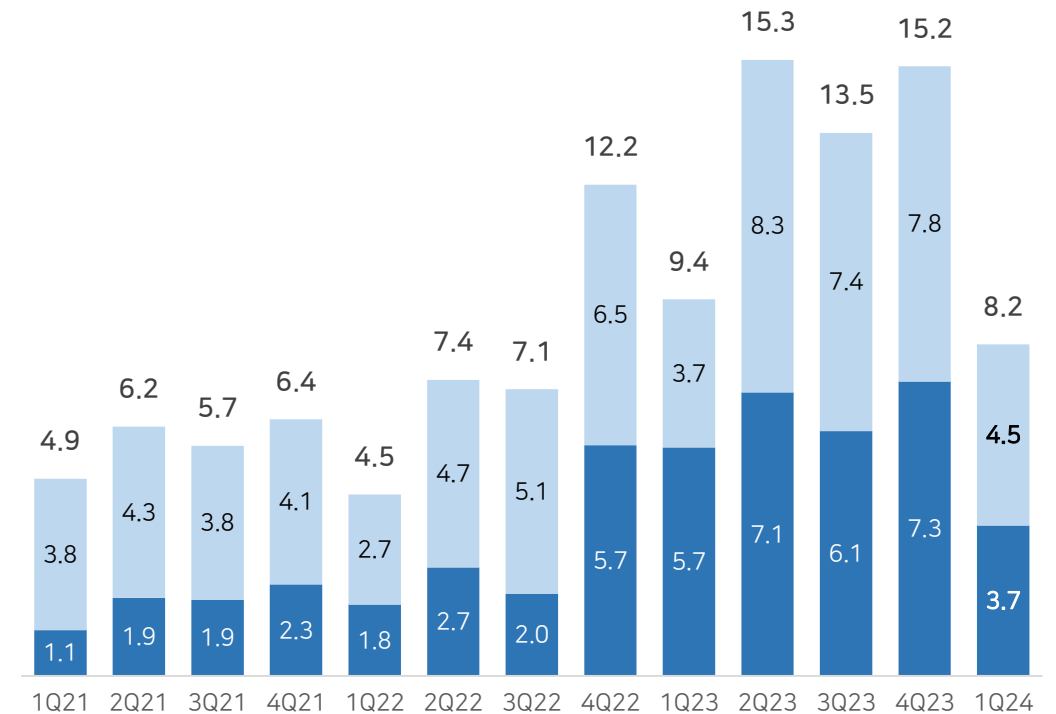
1Q Sales **64.1bil KRW** (YoY ▲12.0%, QoQ ▼9.9%)

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



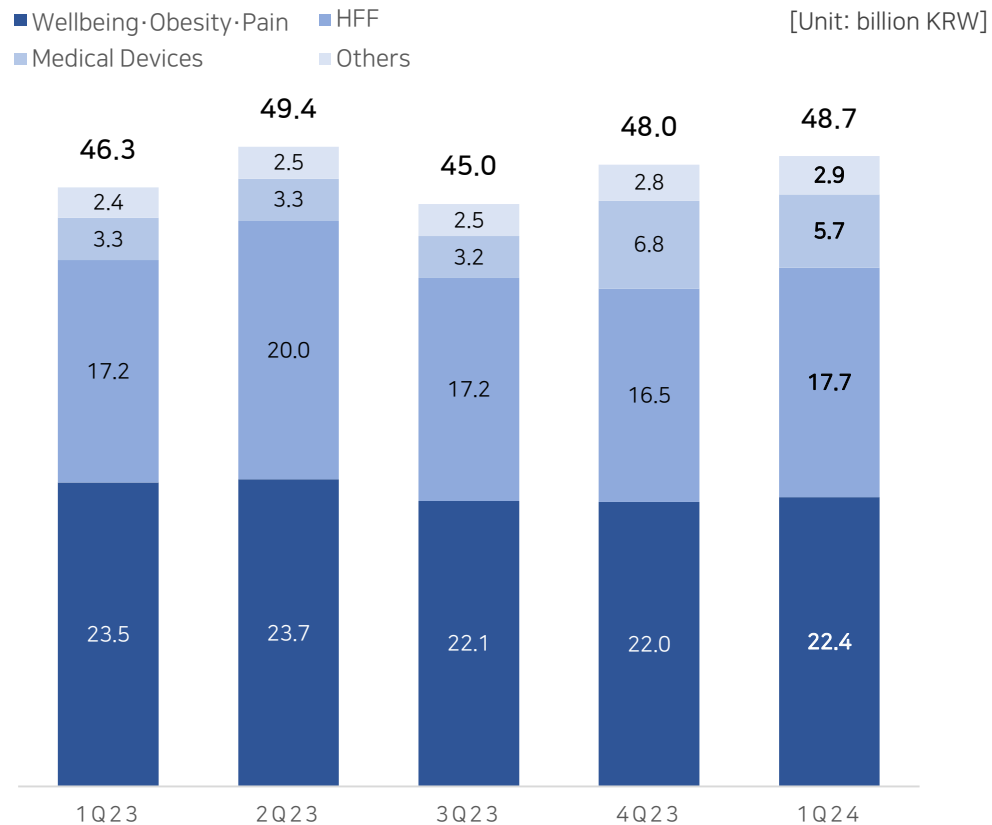
**[Injectables export sales trend]**

■ North America   
 [Unit: billion KRW]  
■ ROW



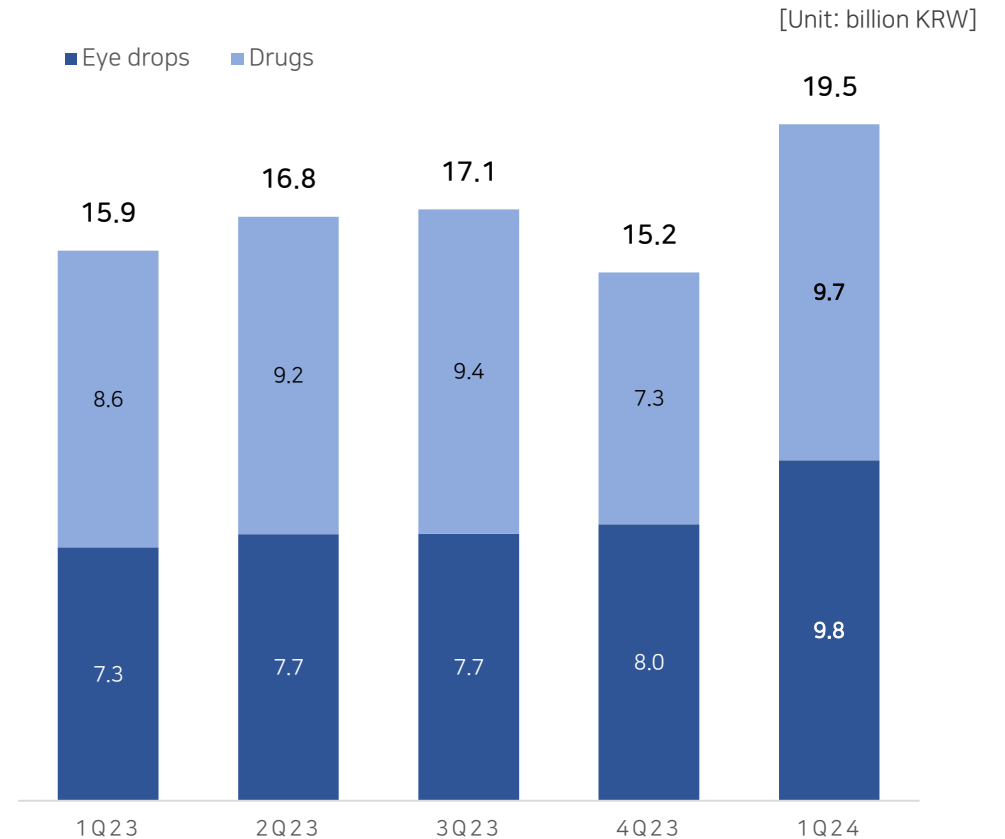
Beauty·Well-being

1Q Sales **48.7bil KRW** (YoY ▲5.2%, QoQ ▲1.4%)



CMO

1Q Sales **19.5bil KRW** (YoY ▲23.0%, QoQ ▲28.1%)



## **hu** Huons Foodience

1Q Sales **11.2bil KRW** (YoY ▲15.8%, QoQ ▼5.8%)

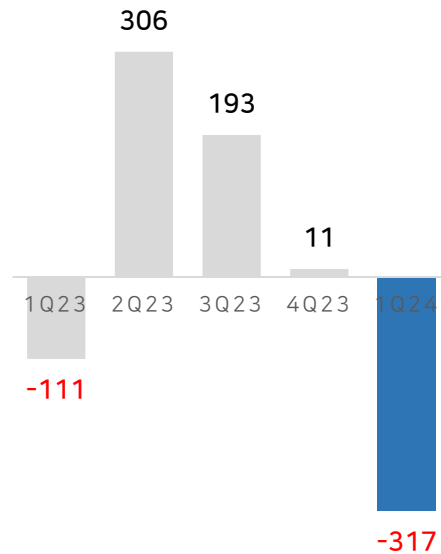
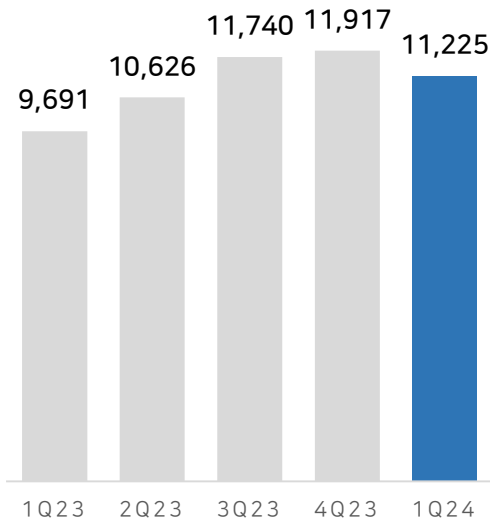
1Q Operating Loss **0.3bil KRW** (YoY continued deficit, QoQ turned to deficit)

Sales

Operating Profit & Loss

[Unit: mil KRW]

[Unit: mil KRW]



## **hu** HuonsLifeSciences

1Q Sales **5.6bil KRW** (YoY ▲26.8%, QoQ ▲27.2%)

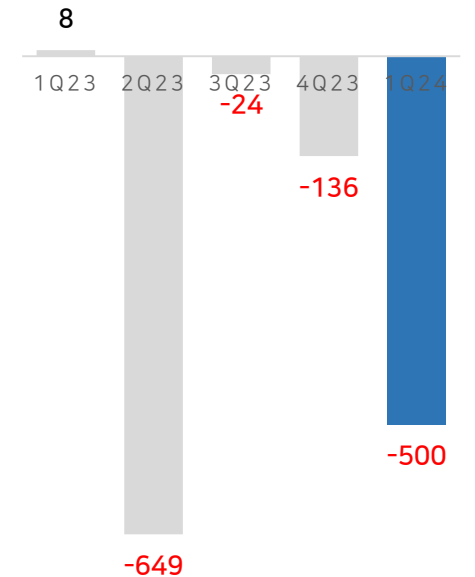
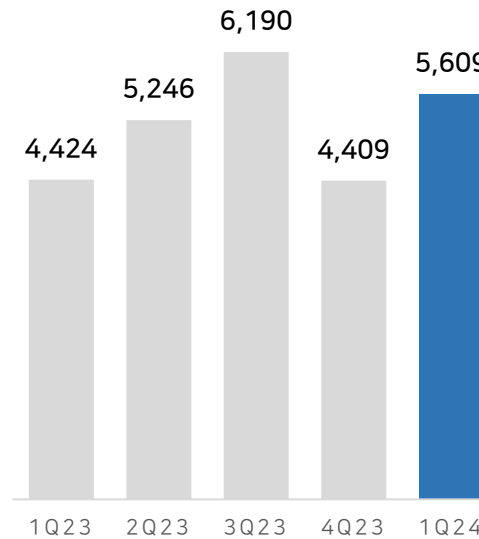
1Q Operating Loss **0.5bil KRW** (YoY continued deficit, QoQ continued deficit)

Sales

Operating Profit & Loss

[Unit: mil KRW]

[Unit: mil KRW]



### Consolidated Statement of Financial Position

[Unit: mil KRW]

Classification	1Q23	2Q23	3Q23	4Q23	1Q24
<b>Assets</b>	<b>469,951</b>	<b>473,508</b>	<b>497,160</b>	<b>537,286</b>	<b>542,821</b>
<b>Current assets</b>	<b>239,345</b>	<b>239,357</b>	<b>257,749</b>	<b>271,322</b>	<b>262,033</b>
Cash etc.*	62,432	51,878	71,033	80,330	67,876
Accounts receivable	78,971	86,632	87,482	101,923	95,079
Inventory Asset	84,901	88,129	86,937	76,598	81,541
<b>Non-current assets</b>	<b>230,605</b>	<b>234,151</b>	<b>239,411</b>	<b>265,964</b>	<b>280,788</b>
<b>Liabilities</b>	<b>174,711</b>	<b>163,317</b>	<b>176,505</b>	<b>206,873</b>	<b>206,505</b>
<b>Current liabilities</b>	<b>94,414</b>	<b>83,510</b>	<b>97,197</b>	<b>133,866</b>	<b>130,571</b>
Accounts payable	19,199	16,961	15,179	13,741	16,697
Short-term borrowings		207	207	21,307	41,500
<b>Non-current liabilities</b>	<b>80,297</b>	<b>79,807</b>	<b>79,308</b>	<b>73,007</b>	<b>75,934</b>
Long-term borrowings	65,000	65,000	65,000	58,350	61,700
<b>Equity</b>	<b>295,240</b>	<b>310,191</b>	<b>320,655</b>	<b>330,412</b>	<b>336,316</b>
<b>Equity attributable to owners of parent</b>	<b>290,216</b>	<b>305,070</b>	<b>315,512</b>	<b>325,404</b>	<b>331,379</b>
Retained earnings	214,504	229,280	237,497	247,513	253,487
<b>Non-controlling interests</b>	<b>5,024</b>	<b>5,121</b>	<b>5,143</b>	<b>5,008</b>	<b>4,936</b>
<b>Stability Indicator</b>					
Current ratio	254%	287%	265%	203%	201%
Debt to equity ratio	59%	53%	55%	63%	61%
Borrowing ratio	22%	21%	20%	24%	31%
Net debt ratio	1%	4%	-2%	0%	11%
Interest coverage ratio	1630%	3414%	2427%	1770%	1350%

### Financial Statements of Comprehensive Income

[Unit: mil KRW]

Classification	1Q23	2Q23	3Q23	4Q23	1Q24
<b>Sales</b>	<b>127,919</b>	<b>140,697</b>	<b>138,166</b>	<b>145,224</b>	<b>147,760</b>
Cost of sales	59,126	65,722	67,789	73,262	73,248
Gross profit	68,794	74,974	70,377	71,962	74,512
<b>SG&amp;A expenses</b>	<b>57,606</b>	<b>57,098</b>	<b>55,425</b>	<b>59,975</b>	<b>63,820</b>
<b>Operating Profit</b>	<b>11,187</b>	<b>17,876</b>	<b>14,952</b>	<b>11,987</b>	<b>10,692</b>
Gains/Losses on investments in associates	17	149	243	-404	119
Other gains/losses	6,241	487	-683	1,057	1,567
Profit before tax	17,446	18,512	14,512	12,640	12,377
Income tax expense	3,578	3,649	2,732	2,766	2,573
<b>Net Profit</b>	<b>13,869</b>	<b>14,863</b>	<b>11,780</b>	<b>9,874</b>	<b>9,804</b>
Profit, attributable to owners	13,916	14,776	11,766	10,016	9,881
Profit, attributable to non-controlling interests	-47	87	14	-142	-77
<b>A Profitability Indicator</b>					
<b>Operating profit ratio</b>	<b>8.7%</b>	<b>12.7%</b>	<b>10.8%</b>	<b>8.3%</b>	<b>7.2%</b>
<b>EBITDA Margin</b>	<b>12.1%</b>	<b>15.8%</b>	<b>14.2%</b>	<b>11.7%</b>	<b>10.8%</b>
Net profit ratio	10.8%	10.6%	8.5%	6.8%	6.6%
<b>ROE**</b>	<b>9.8%</b>	<b>11.9%</b>	<b>14.7%</b>	<b>16.3%</b>	<b>14.7%</b>
<b>Sales/Asset**</b>	<b>111%</b>	<b>110%</b>	<b>111%</b>	<b>109%</b>	<b>113%</b>
Leverage	159%	153%	155%	163%	161%

**Thank you**