



Introduction to CTK Cosmetics

“Cosmetic Full Service Platform Provider”



Investor Relations
June 2018

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Investor Relations 2018

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I.



Company Overview

- 01 Company Profile
- 02 Top Management
- 03 Organization
- 04 Growth History

01 Company Profile

Cosmetic Full Service Platform Provider

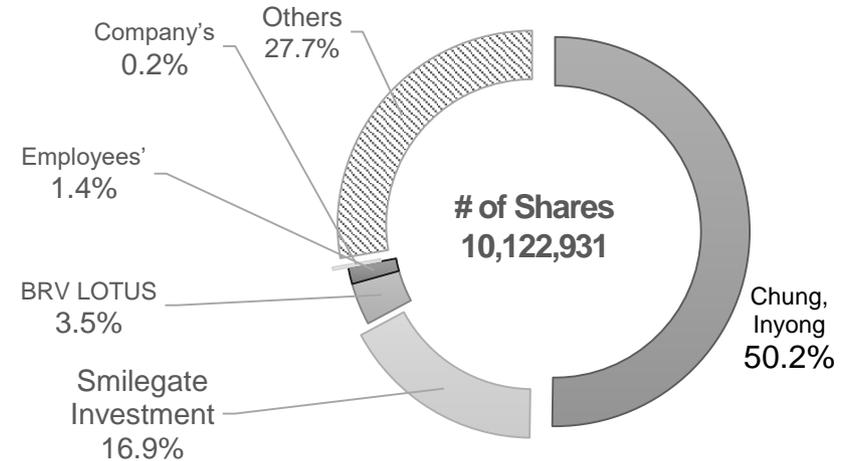
○ Company Profile

| | |
|------------------|---|
| Name | CTK Cosmetics Co., Ltd. |
| CEO | Chung, Inyong |
| Established on | May 8th, 2001 |
| Capital | KRW5bn |
| No. of Employees | 116 (As of March, 2018) |
| Major Business | Cosmetic Full Service |
| Location | 210-2 Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do |
| Web Site | www.ctkcosmetics.com |

○ Key Rewards

- Awarded Global Hidden Champion in 2018 by Ministry of SME, KOREA
- Awarded USD 100 Million of Export in 2017 by KOTRA
- Awarded USD 70 Million of Export in 2016 by KOTRA
- Certified as venture company in 2015

○ Share Ownership



| Major Shareholders | No. of shares | Percentage |
|----------------------------|---------------|------------|
| Chung, Inyong | 5,084,478 | 50.2% |
| Smilegate Investment | 1,714,477 | 16.9% |
| BRV LOTUS GROWTH FUND | 352,905 | 3.5% |
| Employees' Stock Ownership | 140,590 | 1.4% |
| Total | 7,397,916 | 73.3% |

02 Top Management



Inyong Chung
CEO

- VidiVici Cosmetics
- Ohio State University



Changyoon Hong
CFO

- VidiVici Cosmetics
- Sogang University,
Business Administration



Sunyoung Choi
CMO

- VidiVici Cosmetics
- Ewha Womans University,
Secretary Administration



Joonwoo Hong
VP-SCM

- Amore Pacific
- Ajou University,
Industrial Engineering



Ingyu Cho
VP - QA/QC

- Yonwoo
- Pigeon
- Unilever Korea
- Ajou University,
Mechanical Engineering



Samuel Chun
VP | CSO

- BRV Capital – Sr. Director
- Barclays IBD – VP
- Univ. of Chicago Booth, MBA
- NYU Stern, BS



Jeonghoon Jeon
Director - R&D

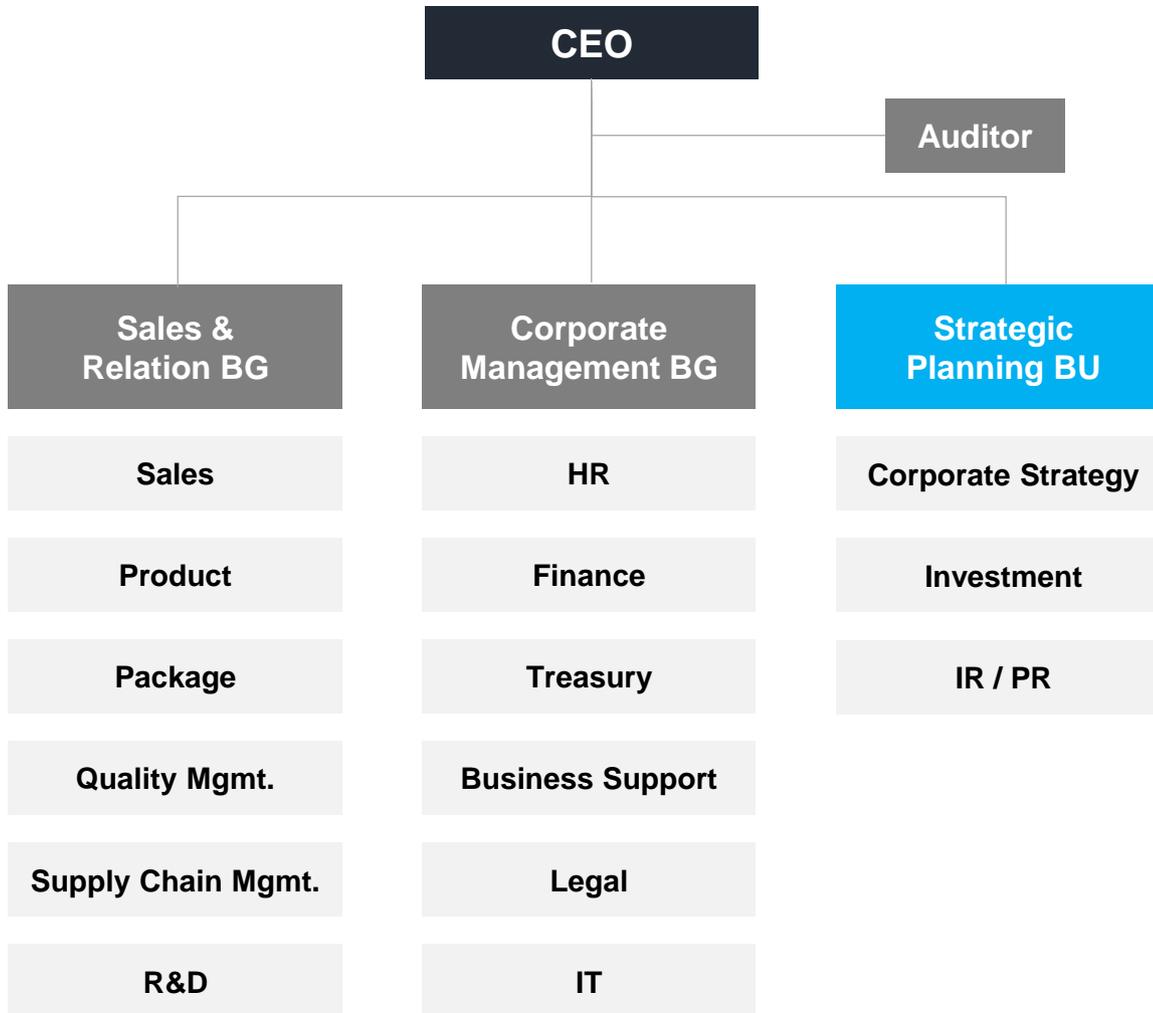
- Johnson & Johnson Korea
- Unilever Korea
- Hansol Group
- Chungbuk National University,
Chemical Engineering



Hyewon Yun
Director - Marketing

- Amore Pacific
- EsteeLauder Korea
- Cartier Korea
- Loreal Korea
- Ewha Womans University,
Chemistry

03 Organization

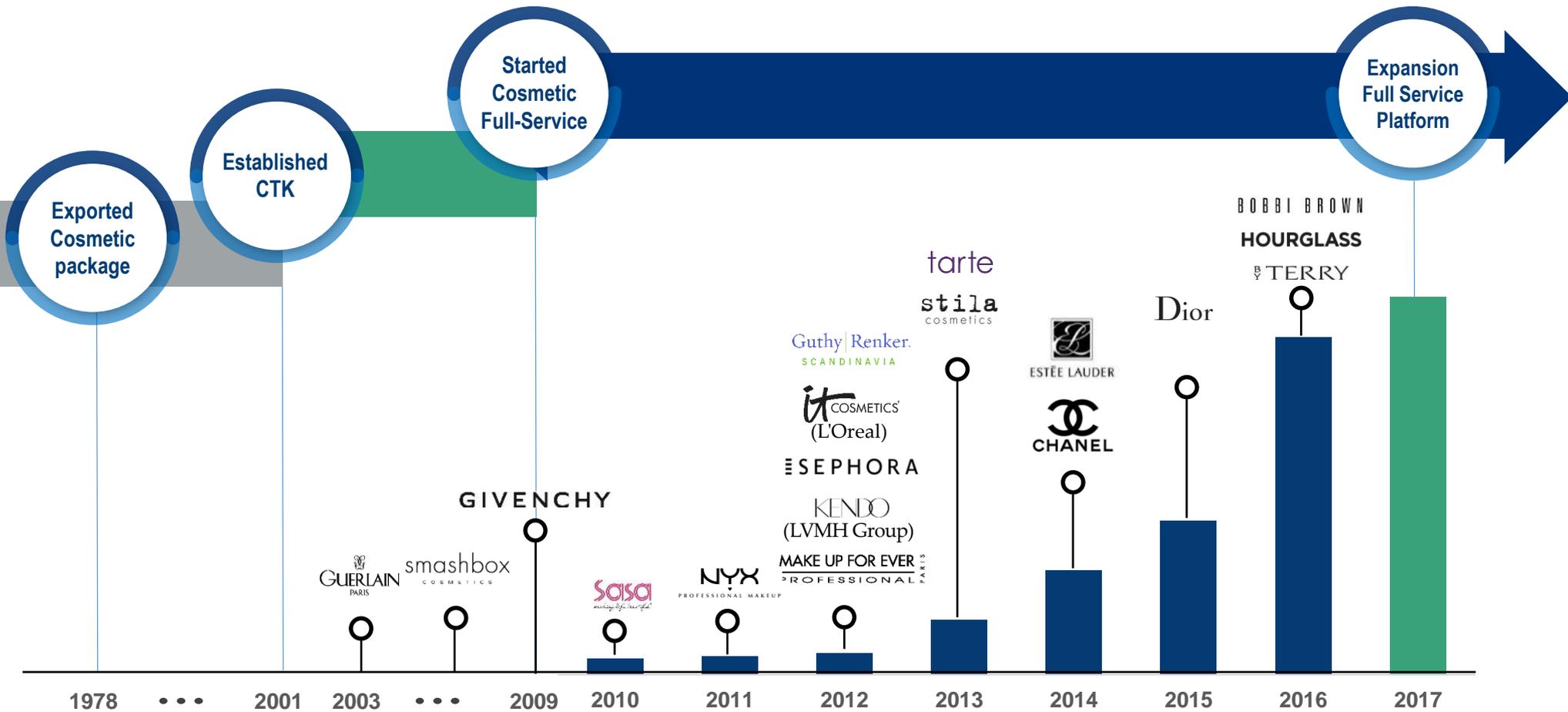


Key Comments

- **Sales & Relation Group** covers a full service business chain for efficiency:
 - R&D → Design → Product Planning / Development → Production → QA/QC → Shipping
- **Corporate Management Group** focuses on transparent management as a public company that covers:
 - Accounting / Finance, HR, Administration and Support
- **Newly created Strategic Planning Unit** is an independent business unit that focuses on the Company's both vertical and horizontal business expansion
 - Corporate strategy, investment, new business development, and IR/PR for both

04 Growth History

Significant Growth with Valuable Clients



II.



Business Overview

- 01 Business Model
- 02 Market Trend
- 03 Key Differentiator
- 04, 05 Key Customers
- 06 Open Innovation

01 Business Model – Full Service Platform

Providing Turn-Key Products from the Trend Research to the Shipping

COSMETIC BRAND
(Global Brand - New Brand)



Current CTK Full Service Platform (Product based Platform) Covers “A to Z” for Customers

Formula OEM/ODMs

COSMECCA, KOLMAR, ENPRANI etc.
(20 and more partners)

Package OEM/ODMs

PUM-TECH, SAMHWA, GREEN P&L, RICHCOS, etc.
(80 and more partners)

02 Changes in Cosmetics Market Trend

Needs for Full Service Increase due to the Changes in Cosmetics Market Trend Led by Millennials



Millennials lead
the fast change
in cosmetic trend

■ Global Brand ⇒ Focus on Open Innovation

1. Fast product development is the key element
2. Reducing in-house development
3. Active on M&A
4. Increasing outsourcing while liquidating factories
5. Leveraging full service platform

■ New Brand ⇒ Focus on Branding & Marketing

1. Low entry barriers of making cosmetic brands
2. Increase in importance of QA/QC
3. Looking for a turn-key product provider

Needs for
Full Service
Platform



03 Key Differentiator

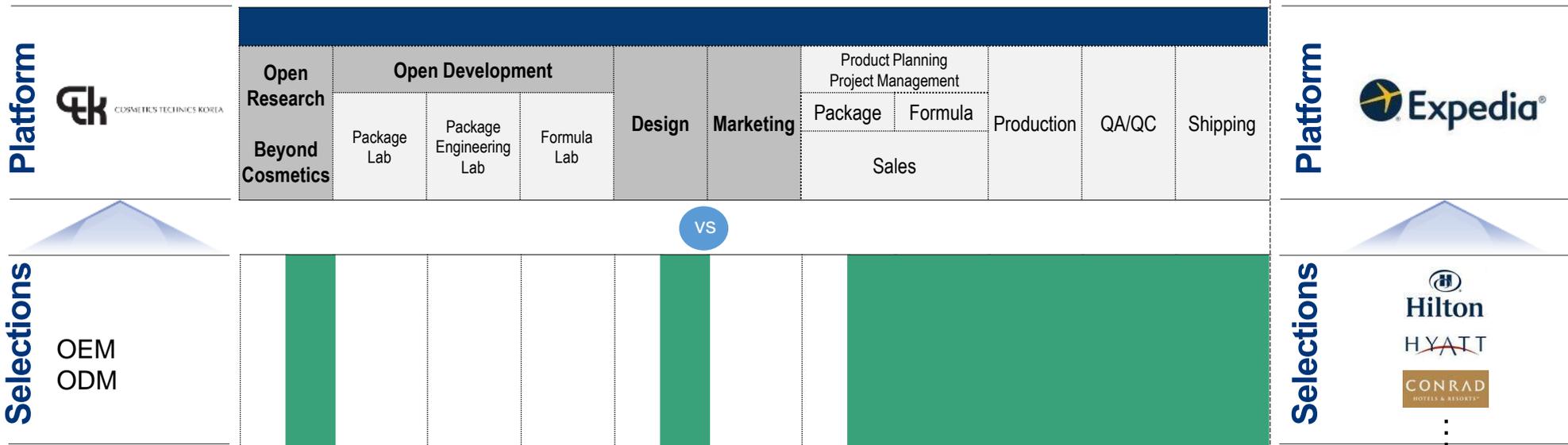
Providing More Choices to the Clients with our Open Research and Development

Cosmetics Industry

Travel Industry

■ Full Service

■ OEM/ODM



World's #1 cosmetics full service platform enables clients to

- 1. Focus on innovation and rapid development**
- 2. Better concentrate on sales & marketing**

04 Key Customers in Global Market

5 out of Global Top 11 Cosmetic Companies are Our Key Customers

| Rank | Company Name | Location | M/S ⁽¹⁾ | Brands |
|------|------------------------------|---------------|--------------------|--|
| 1 | L'OREAL | FRANCE | 14.3% | IT COSMETICS, NYX, L'OREAL, LANCOME, BIOTERM |
| 2 | UNILEVER | GBR | 10.5% | HOURGLASS, SUNSILK, REXONA, DOVE, VASELINE, AVIANCE.... |
| 3 | PROCTER & GAMBLE | USA | 9.0% | SK-II, PANTENE, OLAY, HERBAL ESSENCES, OLD SPICE |
| 4 | THE ESTEE LAUDER COS. | USA | 5.7% | ESTEE LAUDER, SMASH BOX, BOBBI BROWN, CLINIQUE |
| 5 | SHISEIDO CO. | JAPAN | 3.6% | SHISEIDO, IPSA, NARS, ANESSA, DOLCE&GABBANA |
| 6 | BEIERSDORF | GERMANY | 3.0% | NIVEA, EUCERIN, LA PRAIRIE, ATRIX, SELK, LABELLO |
| 7 | JOHNSON & JOHNSON | USA | 2.8% | AVEENO, CLEAN & CLEAR, NEUTROGENA |
| 8 | CHANEL | FRANCE | 2.7% | CHANEL |
| 9 | AVON PRODUCTS | USA | 2.7% | AVON, ANEW |
| 10 | KAO CORP. | JAPAN | 2.6% | KANEBO, SOFINA, BIORE, KMS California, JOHN FRIEDA |
| 11 | LVMH | FRANCE | 2.6% | SEPHORA, MJB, KVD, MAKE UP FOREVER, GUERLAN, DIOR |

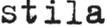
Source: Global Trade Atlas, KOTRA.

⁽¹⁾ Market shares for global brands.

05 Key Customers

CTK Cosmetics Provides over 50 Global and New Brands

○ Global Brands

| | | |
|--|--|---|
|  ESTÉE LAUDER |  CHANEL |  Dior |
|  SEPHORA |  BOBBI BROWN |  MAKE UP FOR EVER PROFESSIONAL |
|  GUERLAIN PARIS |  GIVENCHY |  HOURGLASS |
|  ORIGINS Powered by N. Yare. Proven by Science. |  Elizabeth Arden NEW YORK |  smashbox COSMETICS |
|  tarte |  Kat Von D |  philosophy |
|  MERLE NORMAN |  NARS |  ZARA |
|  L'ORÉAL |  MAESA BEAUTY |  sasa making life beautiful |
|  it COSMETICS (L'Oréal) |  KENDO (LVMH) |  BY TERRY |
|  MARC JACOBS |  MAC |  CLINIQUE |
|  AVEDA |  stila |  NYX PROFESSIONAL MAKEUP |
|  KIKO MAKE UP MILANO |  Too Faced |  Glossier. |

○ Independent Brands

| | | |
|---|--|---|
|  color me. |  Doll 10° |  STROKE OF BEAUTY |
|  PEACH & LILY |  LISE WATIER |  Luscious |
|  Vitabrid C ¹² C the Difference |  RED EARTH AUSTRALIA |  LAKMÉ |
|  GLANCIEUX |  ALEX COSMETIC |  mãreadesso |
|  KALERA |  GROUPE MARCELLE COSMETICS I COSMÉTIGUES |  Chi Chi |
|  COWO |  ORCHARD PRIVATE LABELING |  Peach Sage |
|  SUE DEVITT |  Vitality VUEBAR |  EOD COSMETICS |
|  YA-MIAN |  SAGE COSMETIC |  PAC |
|  NOCIBÉ la beauté libérée |  LOVE CHILD |  OMEGA PHARMA |
|  mirenesse |  COSLUXE |  COVER FX |
|  LAURA GELLER BEAUTY INGENUITY |  ALGENIST |  blinc cosmetics |
|  UNT |  MAKEUP CARTE |  Kjaer Weis |

06 CTK's Open Innovation

Improving Customer Satisfaction by Innovative R&D

CAPSULE COMPACT



CTK has more than 280 patents and has continued to focus on innovation

MESH JAR



BOBBI BROWN

Capsule Compact



World's First

CHANEL, Dior, ORIGINS, MAKE UP FOREVER, Stila

Mesh Jar



10 million Seller

• Customer benefit : The lightest and longest shelf life in cushion world

• Customer benefit : reduce mess-up, customer-friendly usage

III.

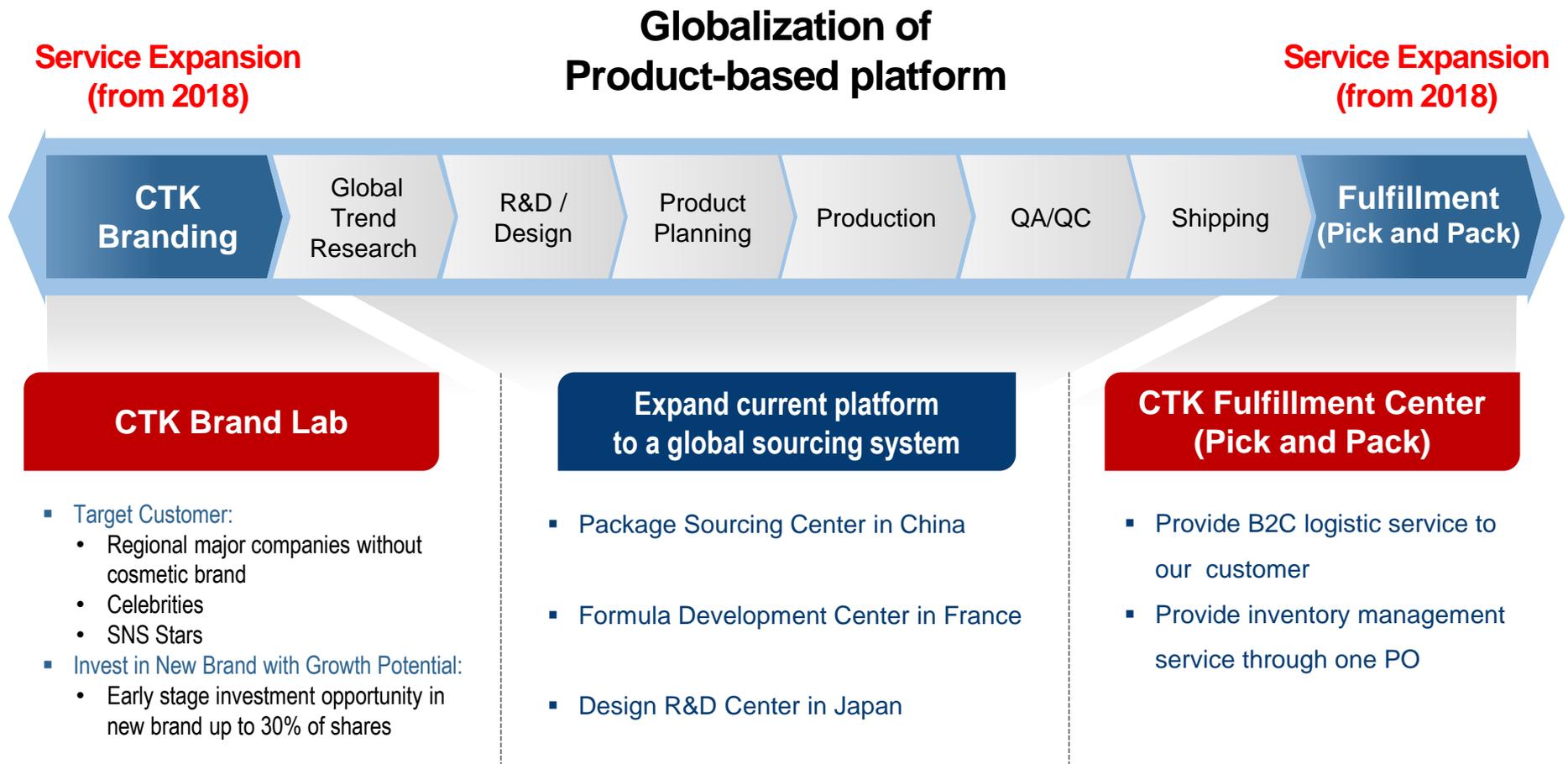


Growth Potentials

- 01 Extension of Full Service
- 02 Fulfillment
- 03 Brand Lab
- 04 Expansion to Global Market

01 Extension of Full Service

Discovering Potential New Customers through the Extension of Full Service



03 Fulfillment

Providing Inventory Management and Logistic Service through one P/O



| | |
|---------------|--|
| Name | ▪ CTK FULFILLMENT CENTER CO., LTD |
| Location | ▪ 2110 S. Parco Ave., Ontario, CA, USA 91761 |
| Size | ▪ 149,352 sq.ft. |
| Full Capacity | ▪ 300 Containers |
| Type | ▪ Lease |

Importance of Providing Fulfillment Service

- To provide “above & beyond” full service
 - By strong demand from major brands, CTK plans to provide not only “inventory management service”, but also “direct logistics” to end-users through one consolidated purchase order
 - Such fulfillment service will likely enhance stickiness between CTK and its brand customers

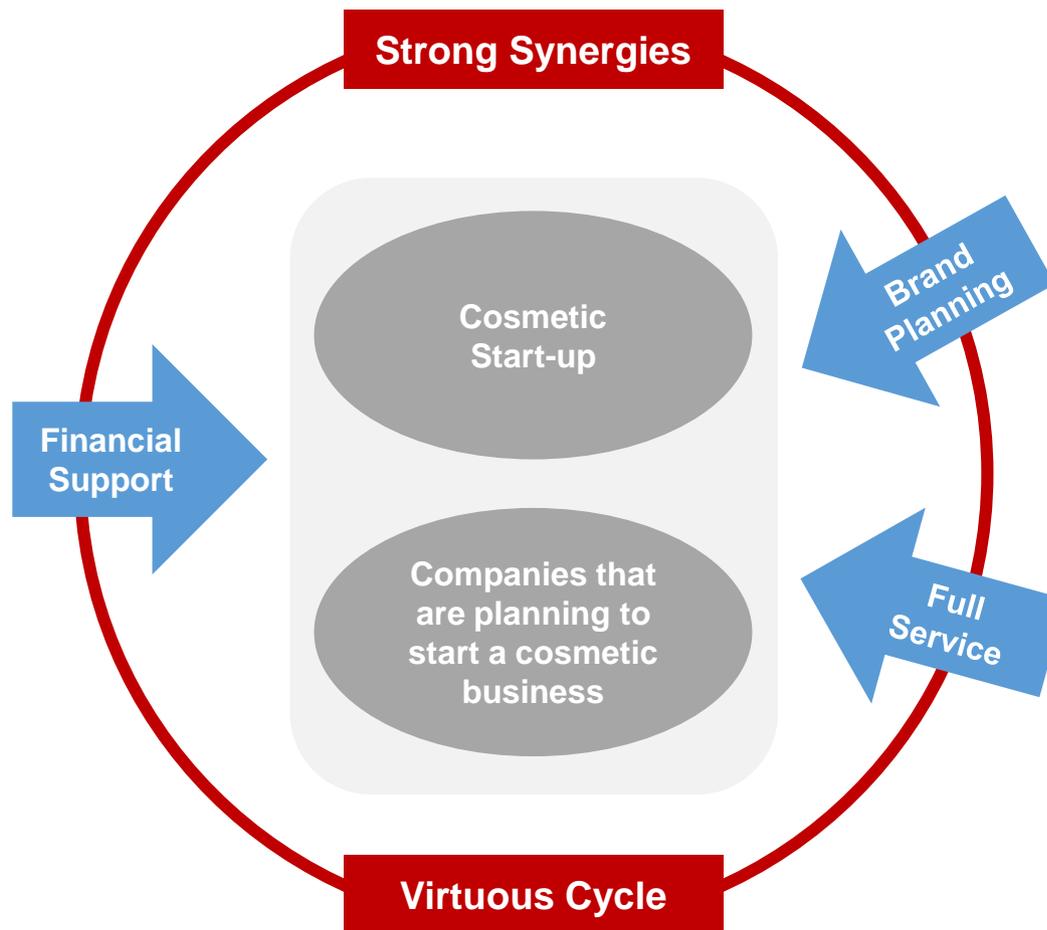
02 Brand Lab

Planning to Discover and Develop Strong North American Brands or Asian Startup Brands that can be Potential Customers



CTK Smilegate Global Partnership PEF

- Establishment: Q1 2018
- Fund size: ~USD20mm
- Fund life: 8-10 years
- Target: JV with new brands with strong growth potential
- Up to \$3mm investment per brand for up to 30% equity



CTK Brand Lab

- Provide brand concept for customer needs
- Research brand target
- Create best suitable brand

CTK Cosmetics

- R&D
- Product planning and development

04 Expansion to Global Market

Strengthening CTK's Competitiveness by Expanding Global Platform Business for 3~5 Years



Global Sourcing Platform

| Country | Global Platform | Time |
|---------|----------------------------|------|
| China | Package Sourcing Center | 2018 |
| France | Formula Development Center | 2019 |
| US | Marketing Center (NY, LA) | 2019 |
| Japan | Design R&D Center | 2020 |

New Service

| Country | New Service | Time |
|---------|---------------------------------------|-------------|
| US | 2-3 Fulfillment Centers in California | 2017 - 2019 |
| US | 1-2 Fulfillment Centers in New York | 2019-2020 |
| Korea | CTK Brand Lab | 2018 |

IV.



Key Financials

- 01 Summary of F/S
- 02 Revenues & Profits
- 03 Revenue – 1Q 2018
- 04 Profit – 1Q 2018
- 05 2018 Plan

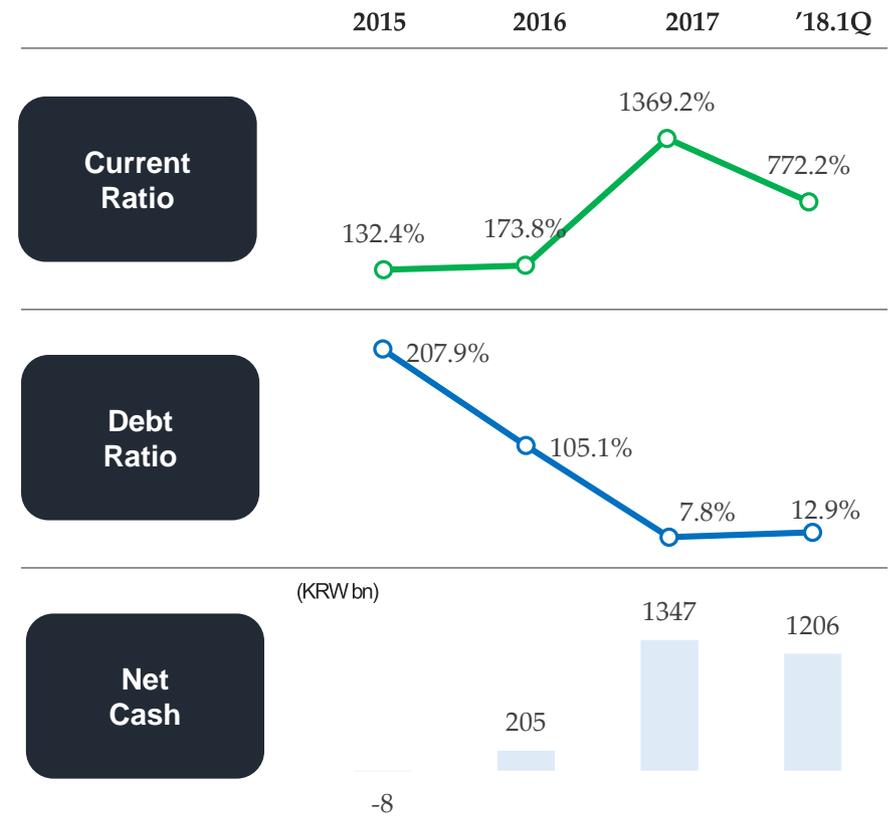
01 Summary of Financial Statements (K-IFRS Consolidated)

Maximization of Shareholders' Value through Stable and Sound Financial Status

○ Balance Sheet

| | (KRW mm) | | | |
|-----------------------------|---------------|---------------|----------------|----------------|
| | 2015 | 2016 | 2017 | '18.1Q |
| Current Assets | 25,483 | 63,968 | 163,529 | 150,175 |
| Non-Current Assets | 5,602 | 10,507 | 21,696 | 40,462 |
| Total Assets | 31,085 | 74,475 | 185,225 | 190,637 |
| Current Liabilities | 19,245 | 36,808 | 11,943 | 19,447 |
| Non-Current Liabilities | 1,743 | 1,364 | 1,502 | 2,322 |
| Total Liabilities | 20,988 | 38,172 | 13,445 | 21,768 |
| Capital Stock | 500 | 520 | 5,061 | 5,061 |
| Capital Surplus | (478) | 2,484 | 118,714 | 118,746 |
| Retained Earnings | 10,075 | 33,300 | 47,834 | 45,062 |
| Shareholders' Equity | 10,097 | 36,303 | 171,780 | 40,462 |

○ Ratios

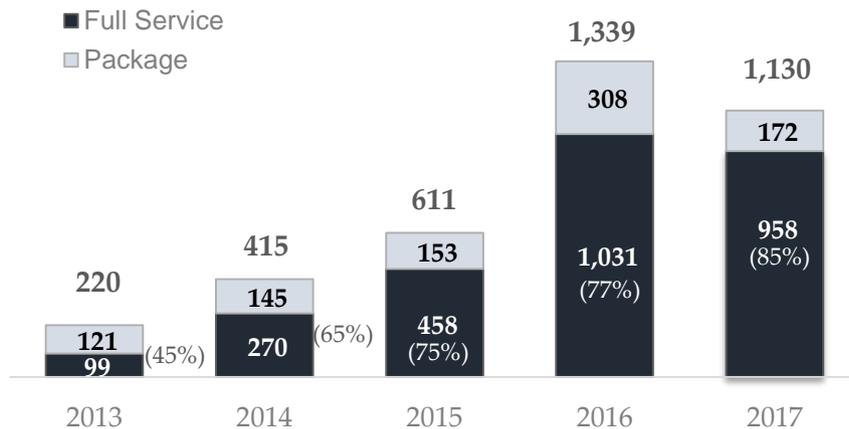


02 Revenues & Profits

Decreasing Revenue in 2017 due to the FDA Issue and F/X Rate (KRW/USD)

○ Revenues

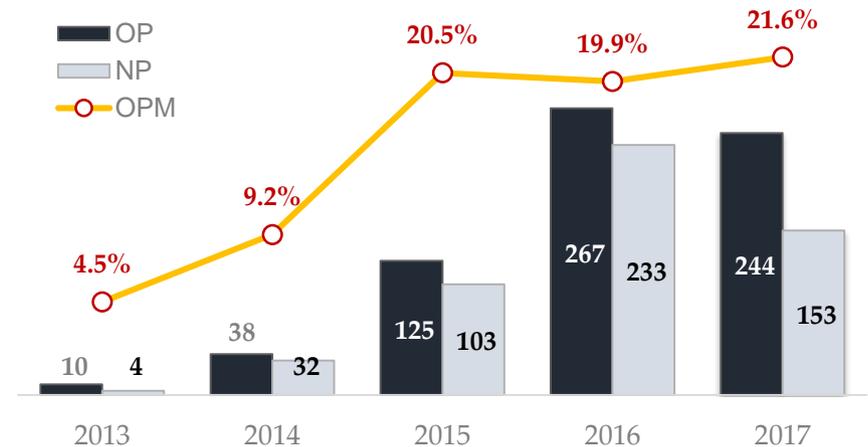
| | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------|----------|------|------|-------|-------|
| | (KRW mm) | | | | |
| Revenue | 220 | 415 | 611 | 1,339 | 1,130 |
| (Full Service) | 99 | 270 | 458 | 1,031 | 958 |
| (Package) | 121 | 145 | 153 | 308 | 172 |



- Decrease in revenue converted to KRW in 2017 mainly due to unfavorable F/X rate fluctuate
- Sales in Full Service, CTK's core business, shows continuous growth 45% in 2013 → 77% in 2016 → 85% in 2017

○ Profits

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------|----------|------|------|------|------|
| | (KRW mm) | | | | |
| OP | 10 | 38 | 125 | 267 | 245 |
| (OPM,%) | 4.5 | 9.2 | 20.5 | 19.9 | 21.6 |
| NP | 4 | 32 | 103 | 233 | 153 |



- Operating profit margin has improved to 22% in 2017, compared to 19.9% in 2016
- Decrease in net profit in 2017 mainly due to F/X rate. (KRW/USD)

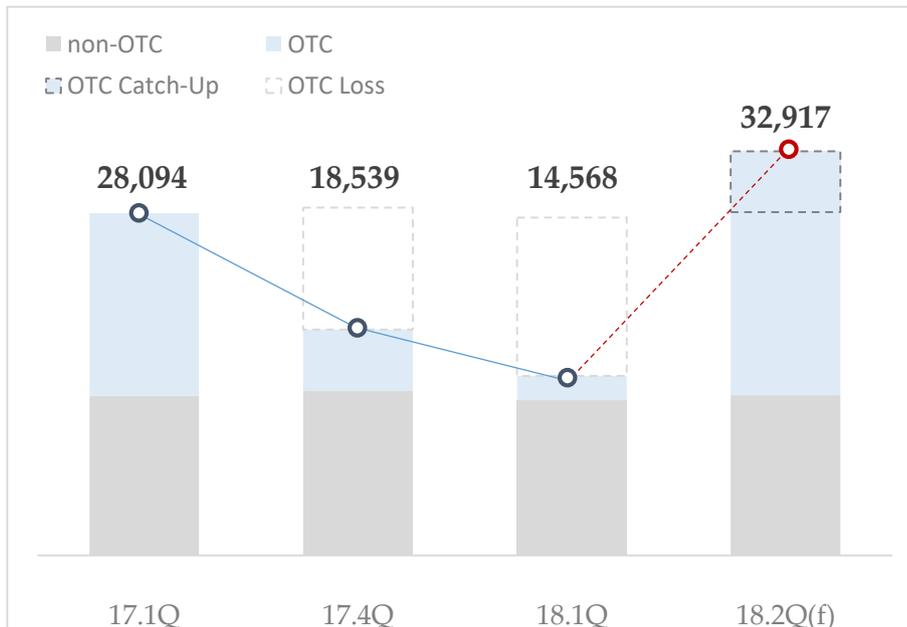
03 Revenue – Q1, 2018

Revenue Loss in OTC Products due to the FDA Issue Continued till March

○ Revenue

(KRW mm, USD thousand, %)

| | '17.1Q | '17.4Q | '18.1Q | QoQ | YoY | '18.2Q(f) |
|----------------|--------|--------|--------|--------|--------|-----------|
| Revenue | 28,094 | 18,539 | 14,568 | -21.4% | -48.1% | 32,917 |
| (in USD) | 24,265 | 16,577 | 13,586 | -18.0% | -44.0% | 30,763 |
| (F/X rate) | 1157.8 | 1118.4 | 1072.3 | -4.1% | -7.4% | 1,070.0 |



Major reasons

- Decrease in KRW sales mainly due to unfavorable F/X rate
- Revenue loss from the FDA issue ('17.11~'18.03)
 - Q1 2018 : KRW 13bn (USD 12mn)
 - Q4 2017 : KRW 10bn (USD 9mn)
- FDA issue is solved by adding domestic plant in U.S.
 - OTC products are produced in order from mid. of March

Prospect

- Loss from OTC products will likely be caught up in H2, 2018
- Dual production will reduce the catch-up period
 - U.S. : Domestic plant with full capacity of 1 mm units/month
 - non-US : Korean partner (Canada, EU, Asia, S.America)
- Plan to extend an additional batch(0.5mm units/month) in Q3 that will likely reduce the catch-up period

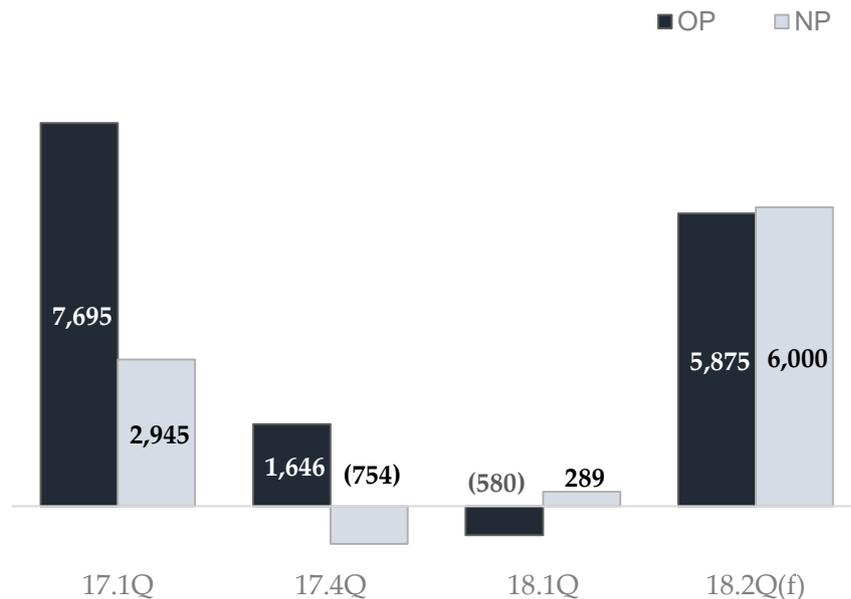
04 Profit – Q1, 2018

Decrease in Revenue to the BEP Level and One-time Cost Affect the Profit Loss

○ Profit

(KRW mm, %)

| | '17.1Q | '17.4Q | '18.1Q | QoQ | YoY | '18.2Q(f) |
|-----------|--------|--------|--------|---------|---------|-----------|
| OP | 7,695 | 1,646 | -580 | deficit | deficit | 5,875 |
| (OPM) | 27.4% | 8.9% | -3.9% | - | - | 17.8% |
| NP | 2,945 | -754 | 289 | surplus | -90.1% | 6,000 |



Major reasons

- Increase in sales cost due to the F/X rate
- Decrease in revenue to the BEP level
- Increase in payroll cost from recruiting and incentives
- One-time cost occurred : Shipping by Air
- Fixed cost from the subsidiaries still on investment period

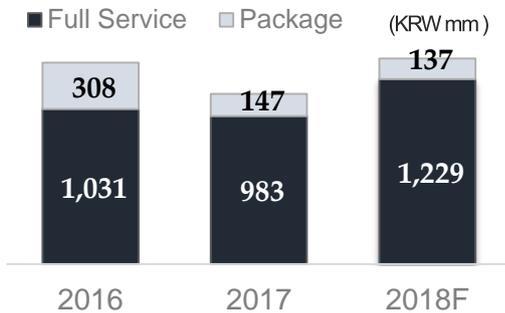
Prospect

- Downturn of F/X rate will be slowdown
- Revenue will be more than normal from Q2, 2018
- Subsidiaries will cover their fixed costs from the H2, 2018
- Recruiting for the next 3-year growth comes to the end

05 2018 Plan

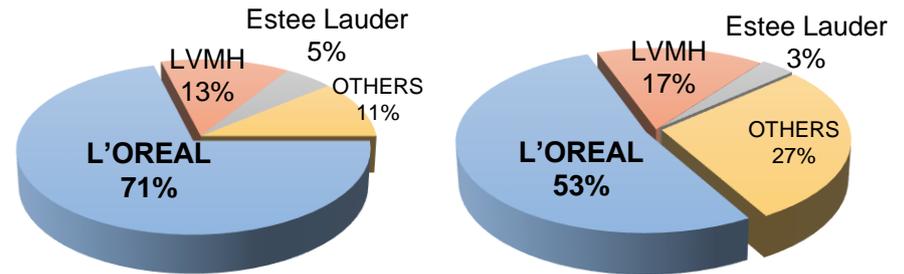
Expecting Revenue of \$120-130M in 2018

Revenue Structure



In 2018, the Full Service and Package revenue ratio is expected to be 9:1 where Full Service business, CTK's core business, is anticipated to show continuous growth

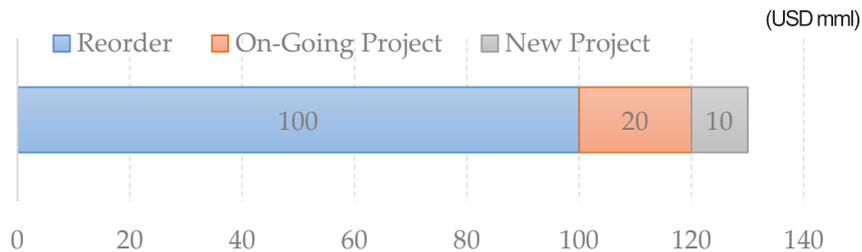
Revenue Breakdown by Brand



2017

2018F

Revenue Breakdown by Order Type



- Reorders are expected to occupy 70-75% of total revenue
- Sound base of revenue structure formed by reorders is expected to sustain

“Expecting Diverse Customer Pool”

- Expecting to diversifying customers: In 2018 sales portion by brands: L'OREAL 53%, LVMH 17%, ESTEE LAUDER 3%, Others 27%
- Invited 4 new customers in 2017; currently working on multiple on-going projects with them that would expect to generate sales in 2018