



# Homeplus – A world class business

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Tesco in Asia 2010, 21st–23rd November

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# South Korea

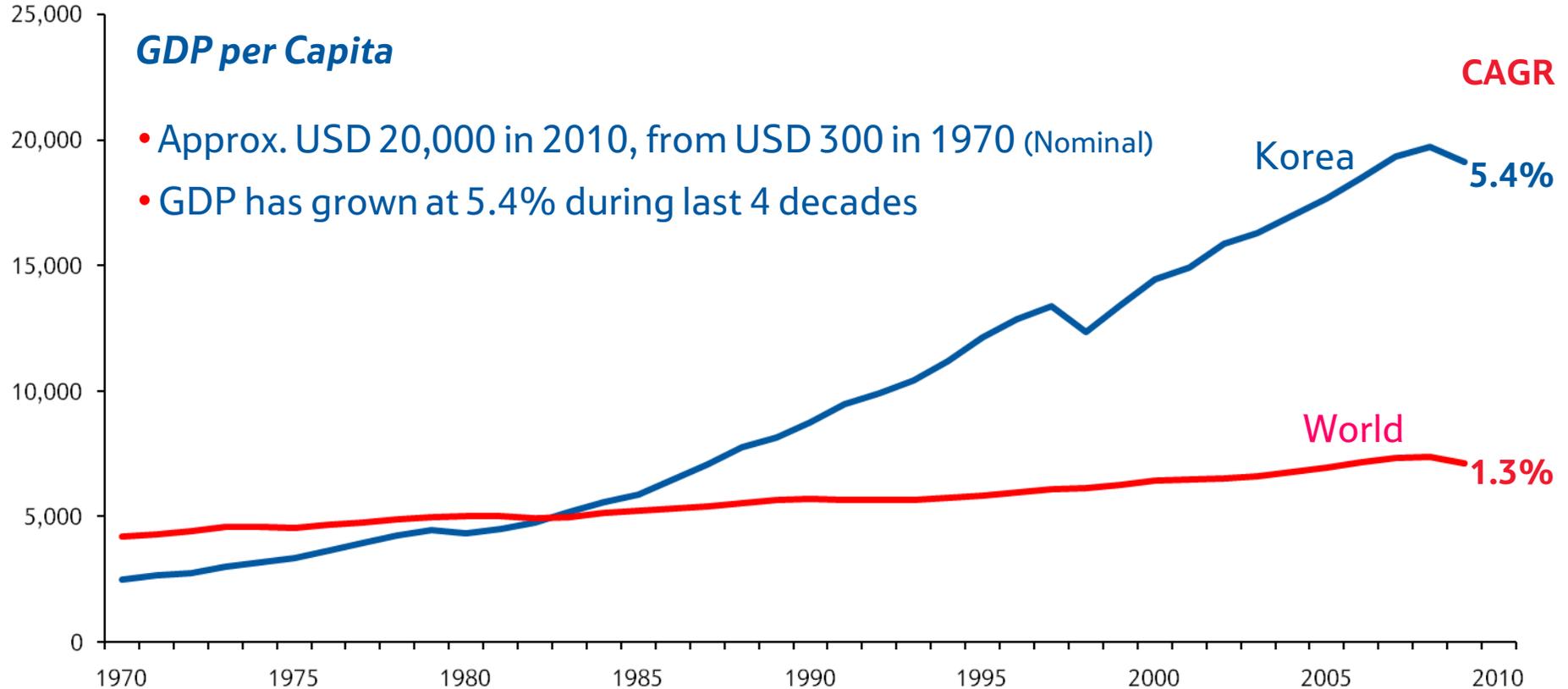
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- 41% in size compared to the UK
  - Korea peninsula is 90% of the UK
  - Only 30% of the land mass is habitable
- 50m population (growing at 0.5% annually)
  - 48.6% lives in Seoul metropolitan area
  - 37 cities have over 250,000 people which is similar to Nottingham
- 13th largest economy in the world
- 10th largest international trading volume (Export 9th)
- 81% of all students go to college/university



# Korea is one of the fastest growing countries

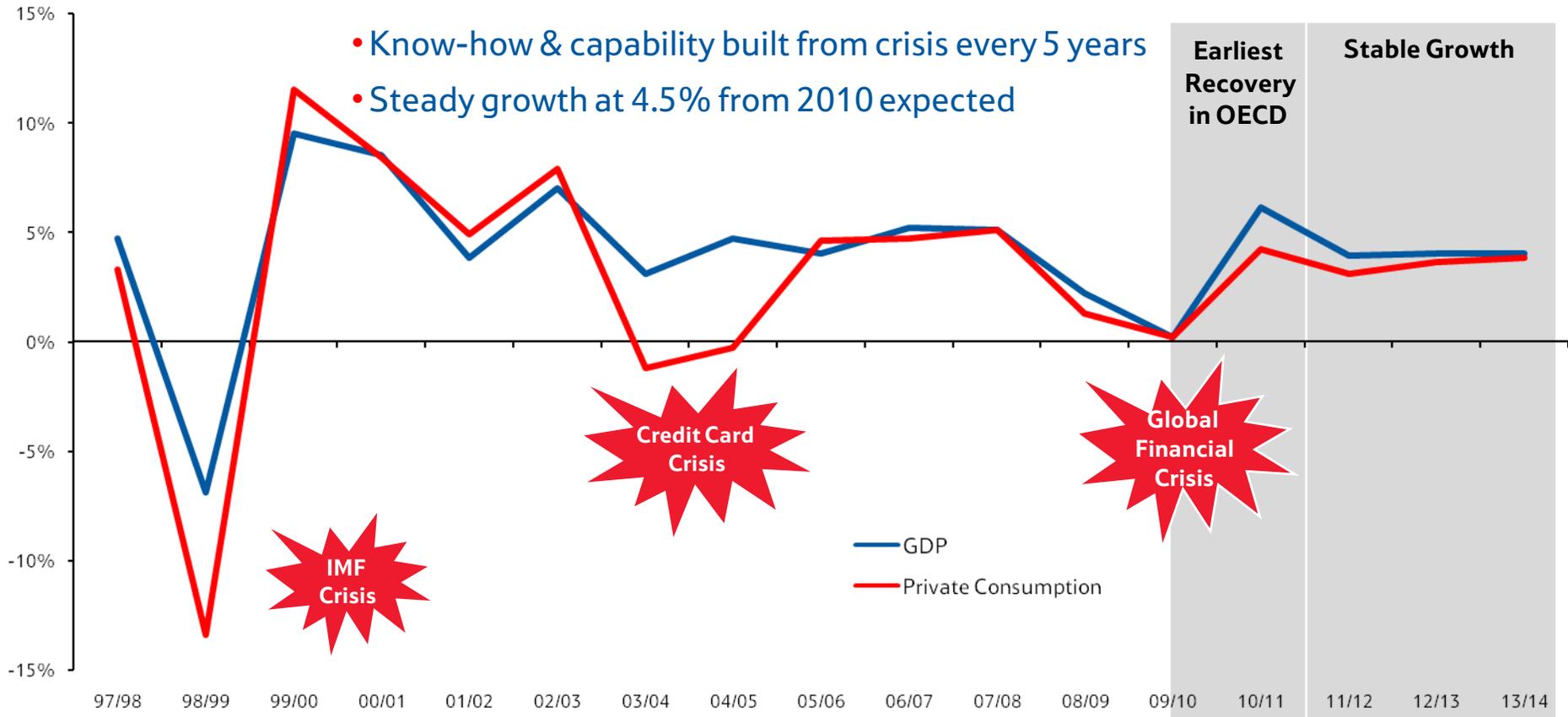
(2005 constant price USD)



**Korea's historical GDP growth rate has been more than four times the world average**

Source: ERS International Macroeconomic

# Fast economic recovery and stable growth



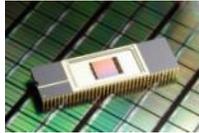
**The economy has grown throughout recent international crises – and steady growth is expected going forward**

\* Source: EIU November, 2010

# Korea has a modern and dynamic economy

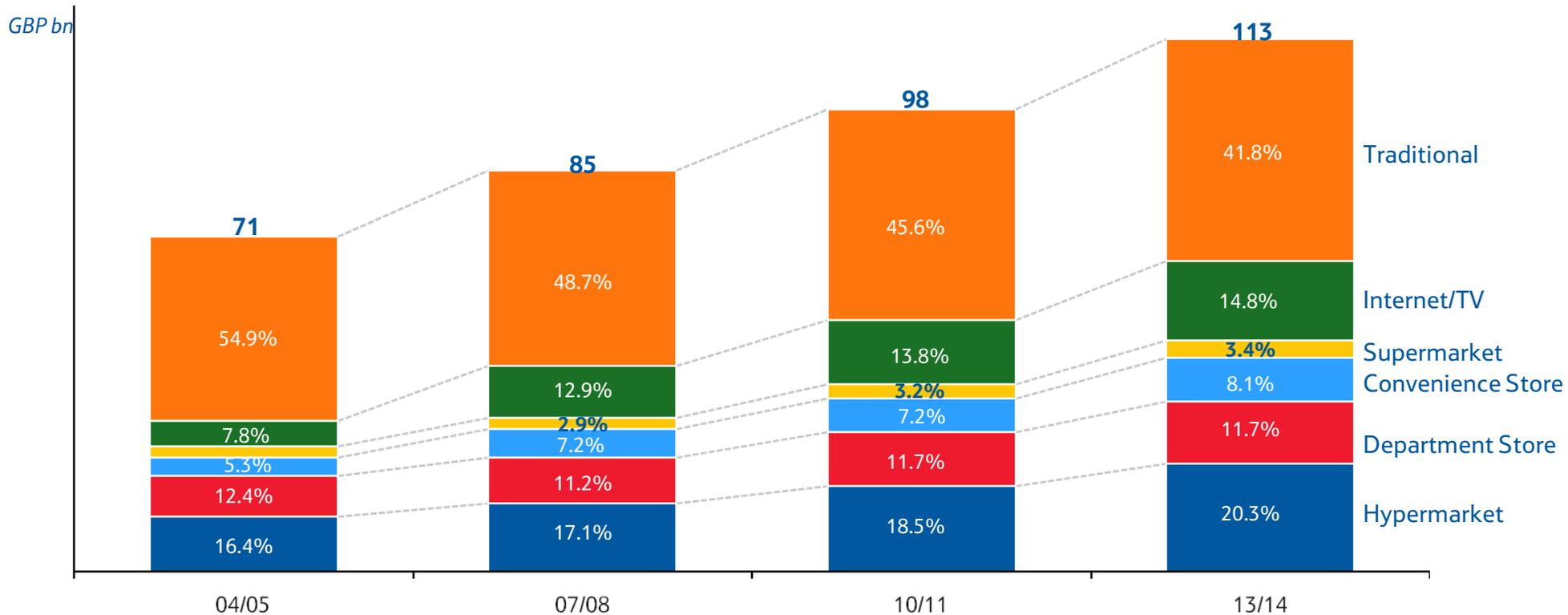
<b>Now</b>	127 World No. 1 products 387 World Top Class products	
	<b>LNG Delivery Ship</b> 80.5%	Unbeatable No. 1 through steady technology development
	<b>Memory Semi conductor</b> 49.1%	World market '1 Strong: Samsung(Korea)', '3 middle: Hynix(Korea), Elfida(Japan), Micron(USA)'
	<b>Desalination Plant</b> 43.0%	Started Desalination Plant in 1978 World No.1 from 2000
	<b>TFT- LCD</b> 38.5%	World No.1 from 2005(Samsung) - Taiwan 35%, Japan 10%
	<b>Mobile Phone</b> 31.0%	World No.1 market share with strong composition (Samsung 20%, LG 11%)

Source:SERI

<b>Future</b>	22 categories in 6 industries for next generation Engine	
	<b>New IT</b>	Non memory Semi-conductor, LED lighting, AMOLED, RFID Network
	<b>Convergence - Fusion industry</b>	Robot, Nano Fusion (Nano Tech + other industry) IT Fusion (IT + Conventional industry)
	<b>Bio</b>	New Medicine & Medical equipment
	<b>Energy Environment</b>	Solar Energy, Ocean Bio Fuel, Nuclear Plant
	<b>Transport system</b>	Green Car, Vessel system, Ocean system
	<b>Knowledge Service</b>	Design, Health Care, Cultural Contents, Tourism

Source:MKE

# Retail market overview



**Modern retail still has significant potential for growth, as it currently represents only 54% of retail sales**

Source: NSO, SERI

# Our business in Korea

## 118 Hypermarket stores



## 245 Express stores



## Tenant



## Retailing Services



- Offering 19 products
- Personal Finance, Telecom Services and Living Services

- Established 1999
- Sales £ 4.5 bn, Profit: £ 287 m
- Leading store formats
- Retailing Services

## Grocery Home Shopping



## 305 Artisee Boulangerie bakery shops



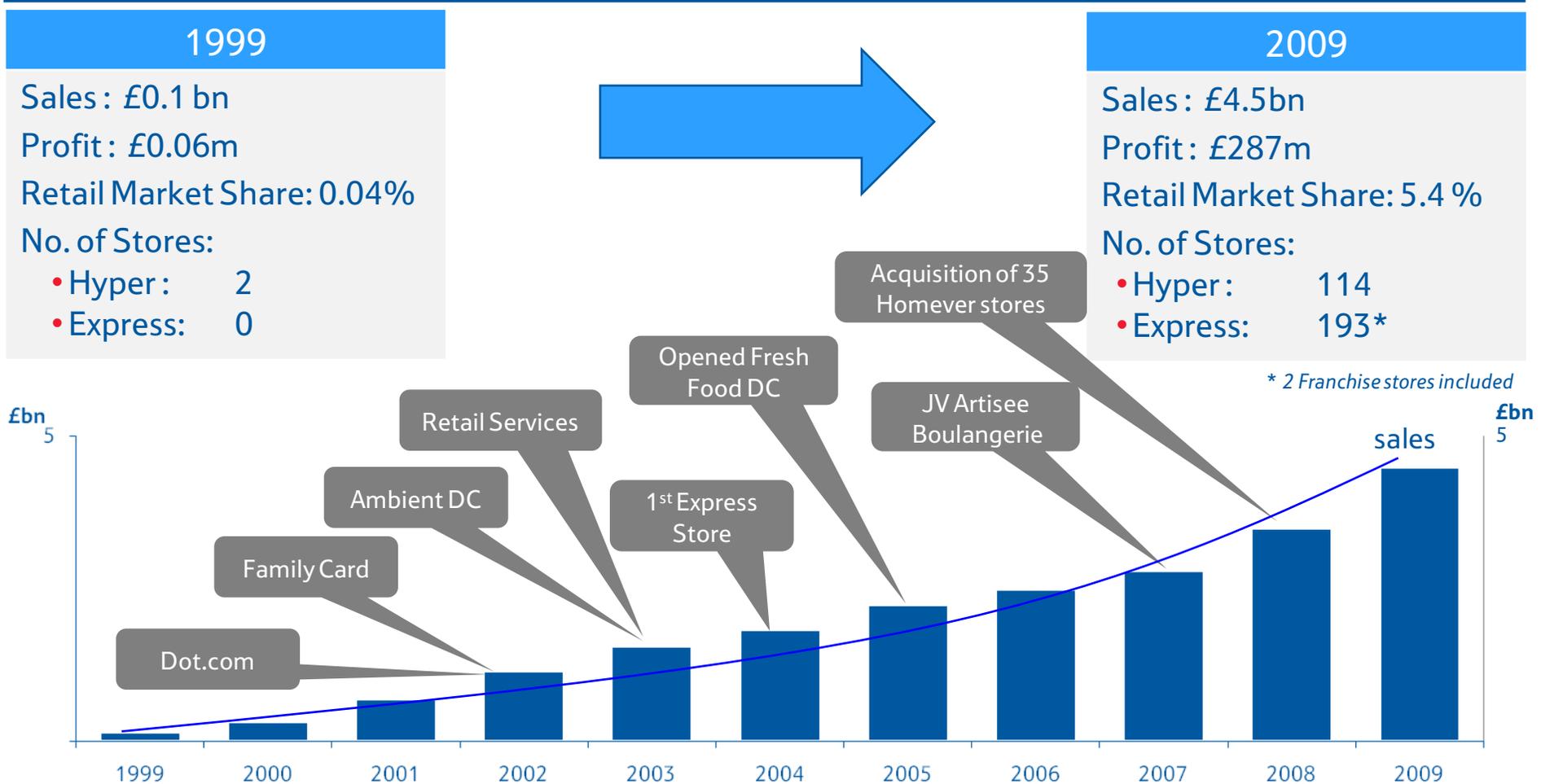
# Our main competitors

		<b><u>Home plus</u></b>	<b>Ε·MART</b>	
<b>Market Share</b>	<b>Total Retail*</b>	4.3%	4.8%	2.4%
	<b>Fresh &amp; Grocery**</b>	9.2%	10.5%	5.7%
<b>Sales Growth</b> (3 yr CAGR 2006~2009)		21.7%	5.3%	5.8%
<b>Hypermarkets</b>		118 <small>(Acquired 35 Homever in 2009)</small>	123 <small>(Acquired 16 Walmart in 2006)</small>	86 <small>(Acquired 14 ex GS Mart in 2010)</small>
<b>Express (Superstores)</b>		245	17	277
<b>Total Space</b> (sqm. March 2010)		1.0m	1.1m	0.8m

\* KNSO Market Share (12 mth - 2009)

\*\* TNS Market Share (12 wks – 12th Sept '10)

# Fastest growth in Korea



**Homeplus has grown sales at an average of 42% per year over 10 years**

# Most admired brand value

**Service Hall of Fame**  
(June 2008)



**Management Quality Hall of Fame**  
(October 2008)



**Most Admired Company**  
**The First to enter Hall of Fame**  
(October 2010)



**130 Grand Awards**  
**since establishment**

**Best Employer in Asia**  
(March 2009)



**Corporate Culture Grand Prix**  
(May 2003)



# Customers love Homeplus the most

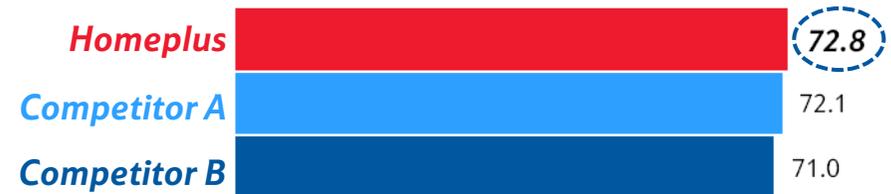
## Price & Promotion

- ✓ The prices are good
  - Competitive Price, Attractive Promotion



## Range

- ✓ I can get what I want
  - Various Food & Non-food Range



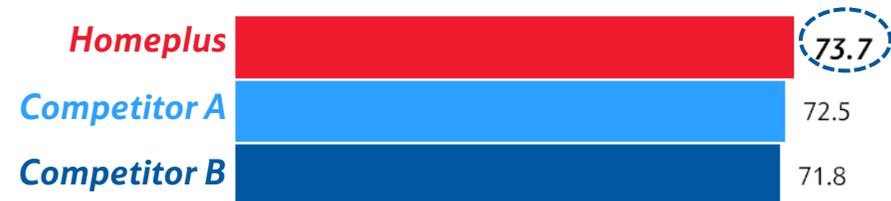
## Store Environment

- ✓ Shopping is easy and enjoyable
  - One-stop shopping with a variety of amenities



## Customer Services

- ✓ The staff are great
  - Kind & helpful staff service

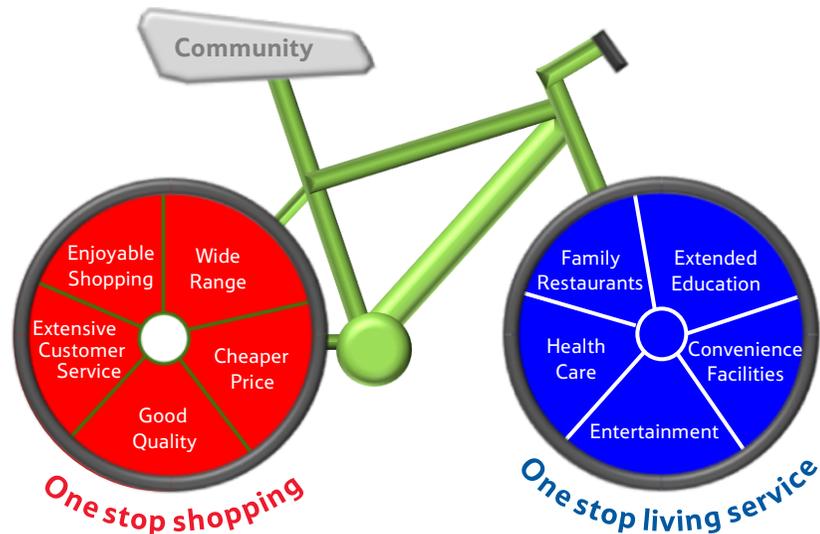


Source: Q2 2010 Homeplus Image Tracker (Competitor A&B are either E-Mart or Lotte Mart)

# World class capabilities

## Community Centre Store Concept

- One Stop Shopping Services
- One Stop Living Services



## Family Card

- 5.7 m active members
- 86% sales participation

## Most efficient supply chain

- World Class ambient DC
  - 99% store service level
- Korea's best quality controlled Fresh DC
- Leading CO<sub>2</sub> reduction

## Tesco Operating Model

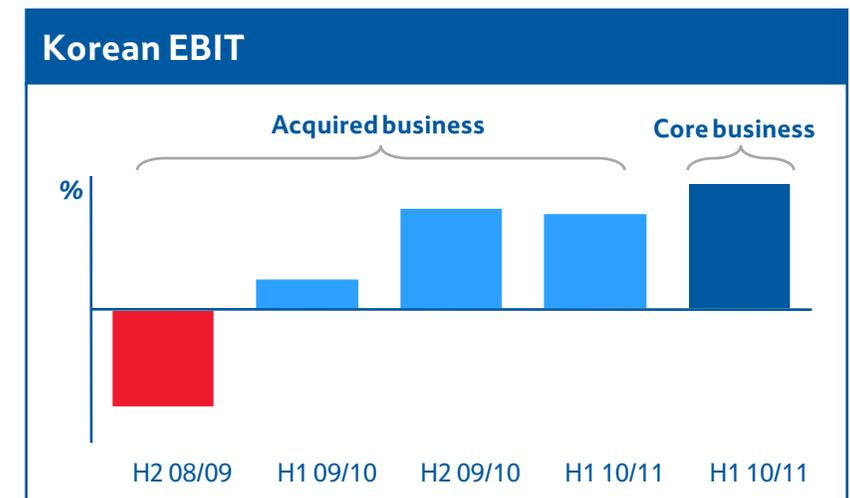
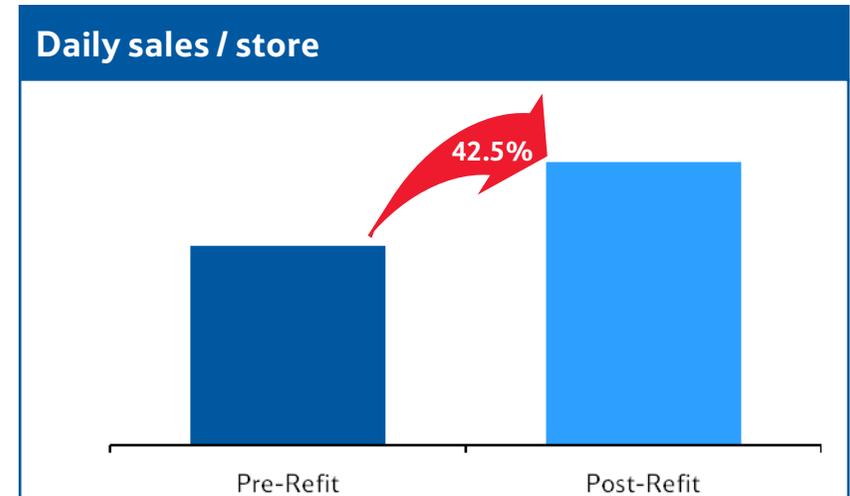
- Common standards across international business
    - Customer driven range
    - Simple replenishment
    - Enhanced ordering
  - Accommodate local practices
- Right Range  
High Availability**

## High talented people

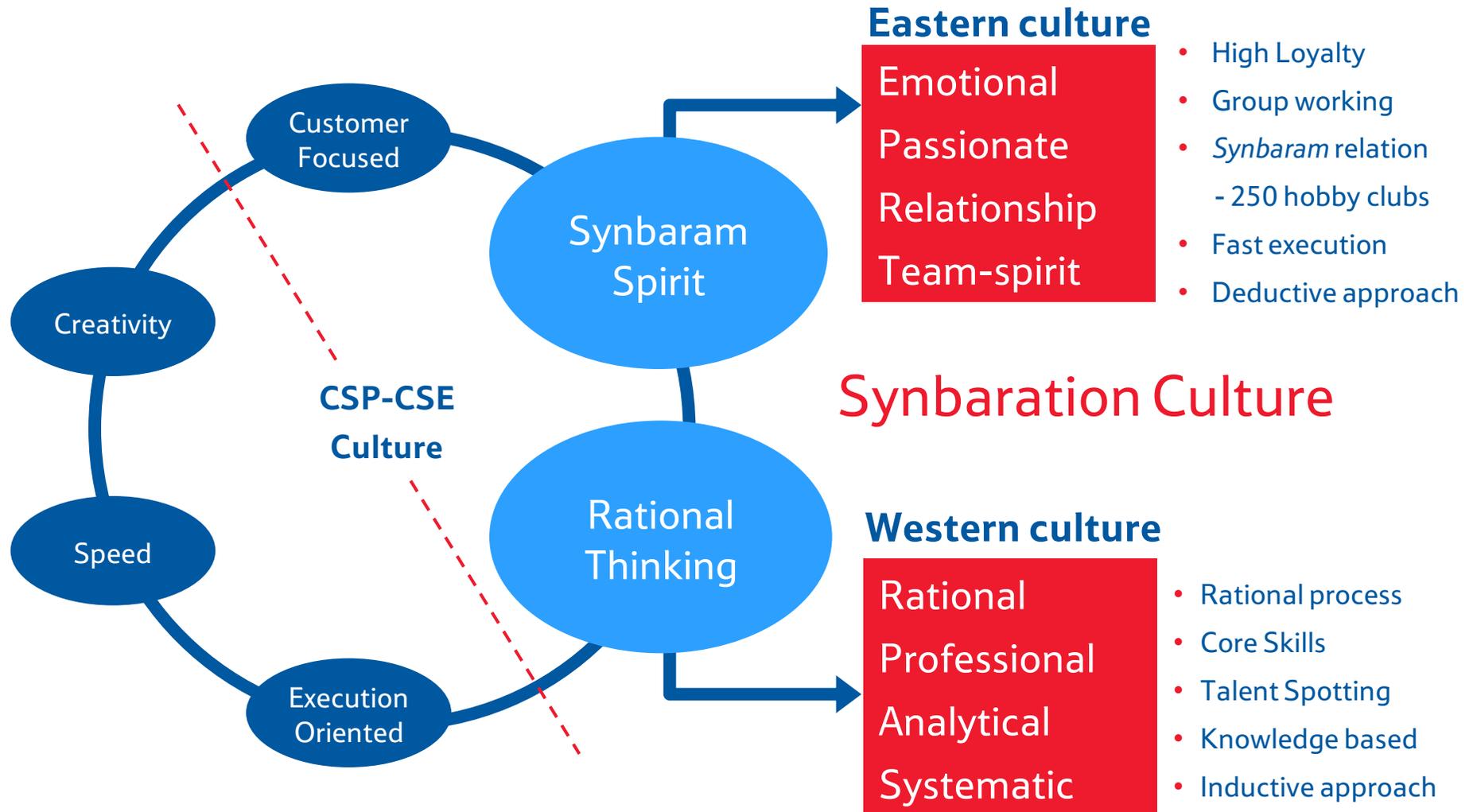
- Best Employer in Asia (Hewitt & WSJA)
- We recruit the best talent
- We develop the talent to the best
- We retain talent the best

# Successful Homever integration

- Completed integration faster than planned
  - ✓ All 32 stores refitted within 6 months
  - ✓ Integration completed earlier:
    - IT (42 days), DC (60 days)
  - ✓ Labour union issue resolved in 45 days which lasted for 510 days before acquisition
- Achieved integration synergies than more than business case
- Dramatically improved customer satisfaction in shopping experience
- Won the hearts of the Homever staff and aligned the corporate culture
- Sales density and profitability continues to converge with our core business

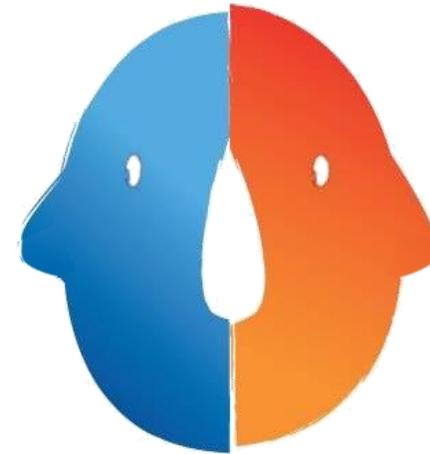
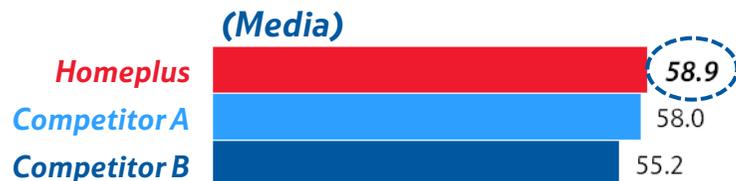
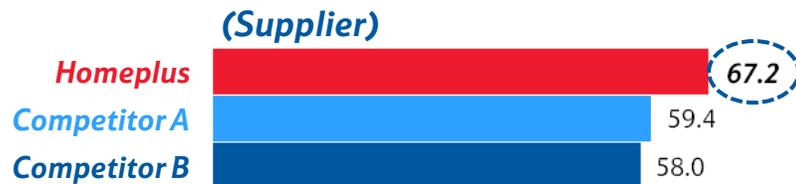
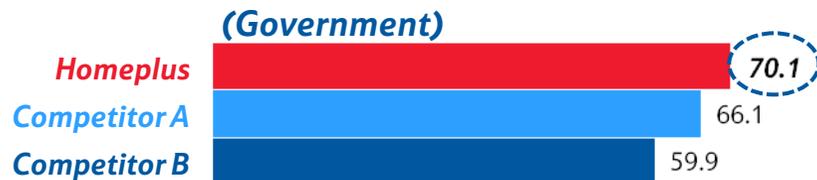
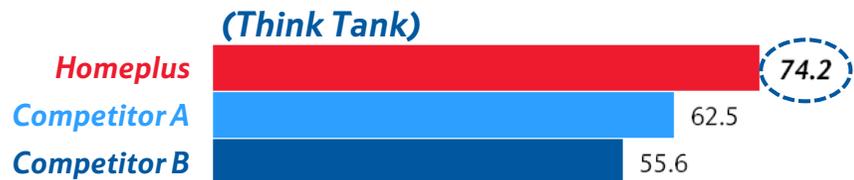


# Synbaration Culture – The best of the West with the best of the East



# Social contribution has improved Homeplus brand value

## <Stakeholder Viewpoint>

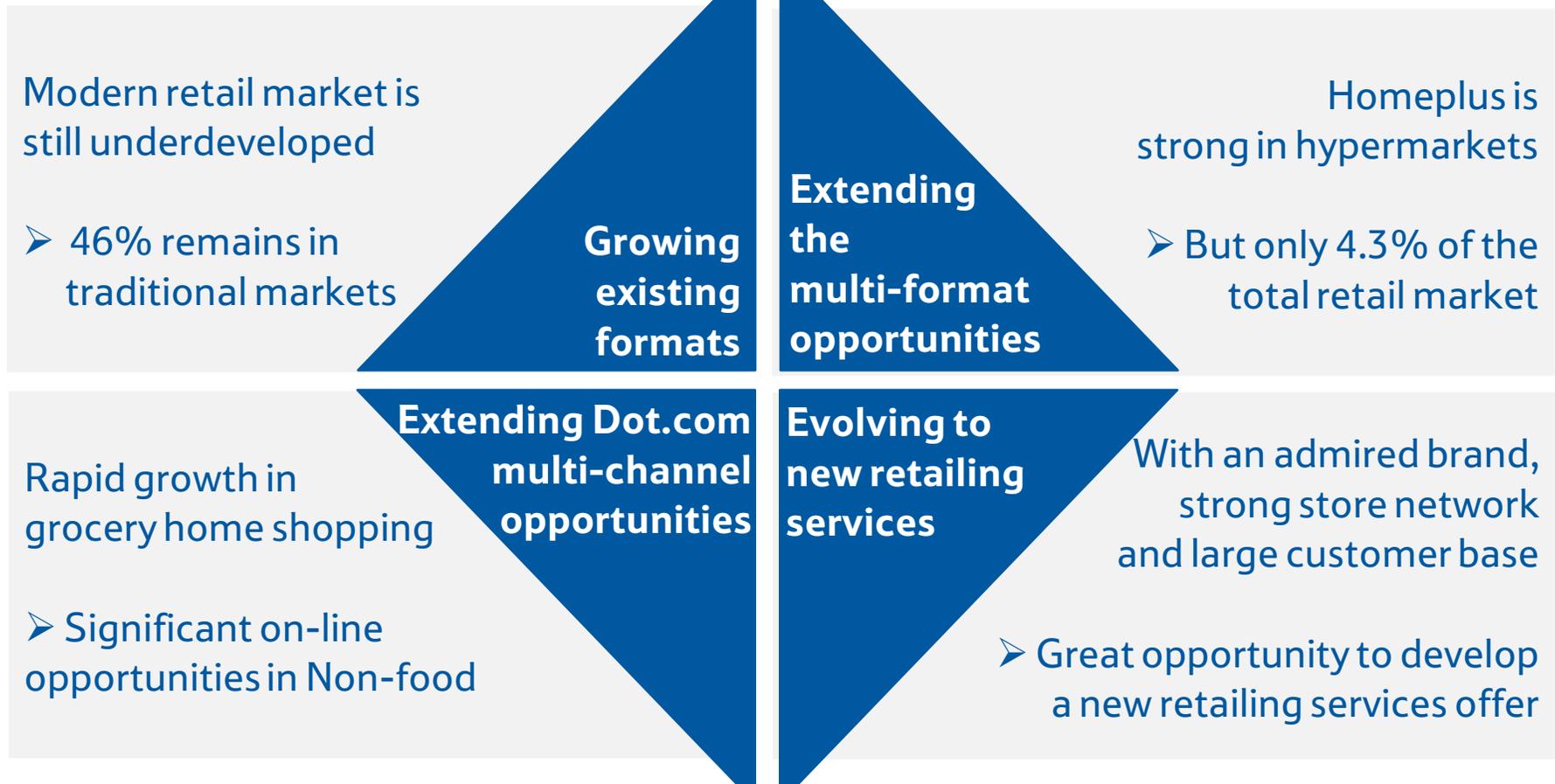


**Growth Contribution**

- Most Admired Company Hall of Fame
- 1<sup>st</sup> place for KS-SQI (Korea Standard Service Quality Index)
- Brand Stock 6th place

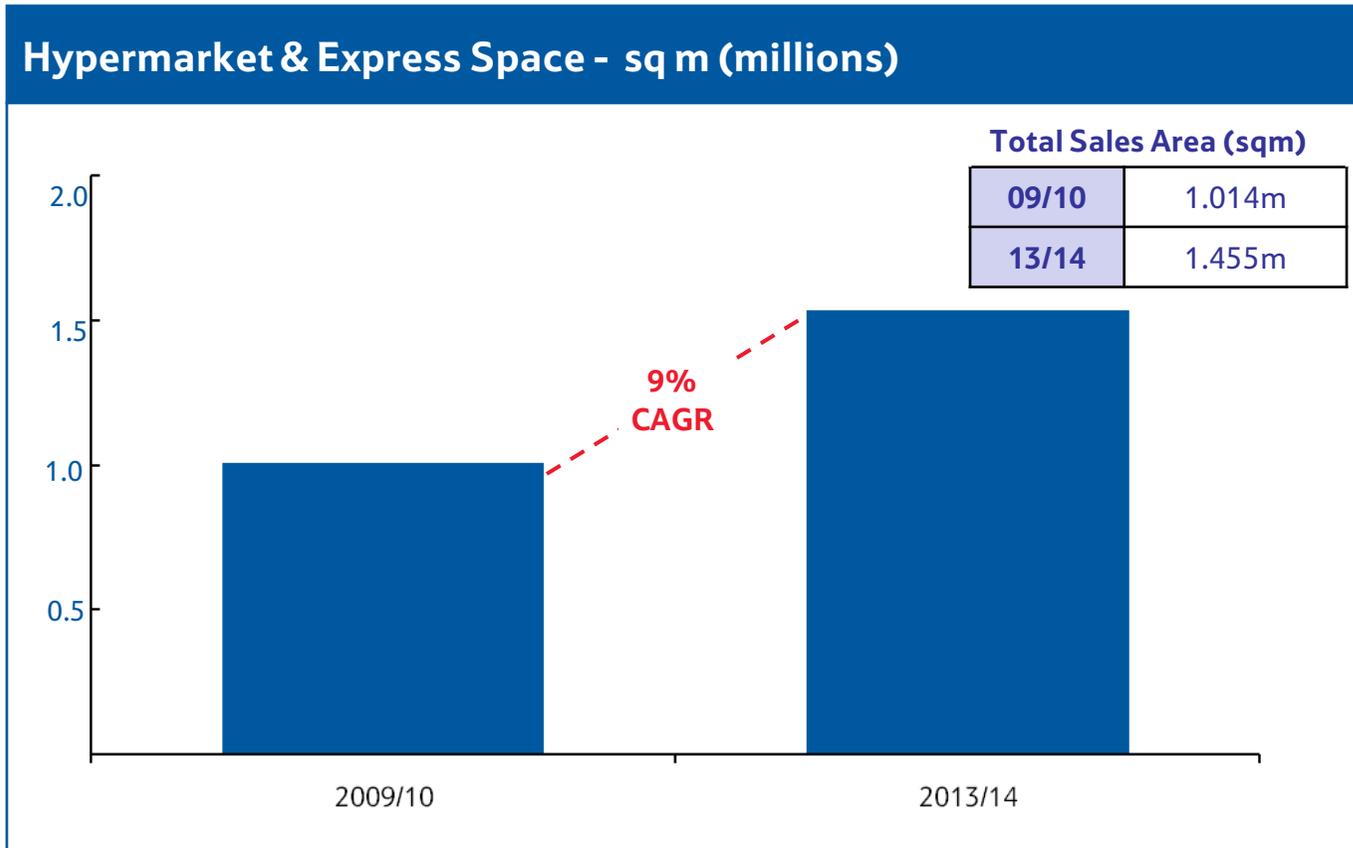
Source: Quantitative Stakeholder Audit 2010 (Competitor A&B are either E-Mart or Lotte Mart)

# Homeplus has many avenues for organic growth



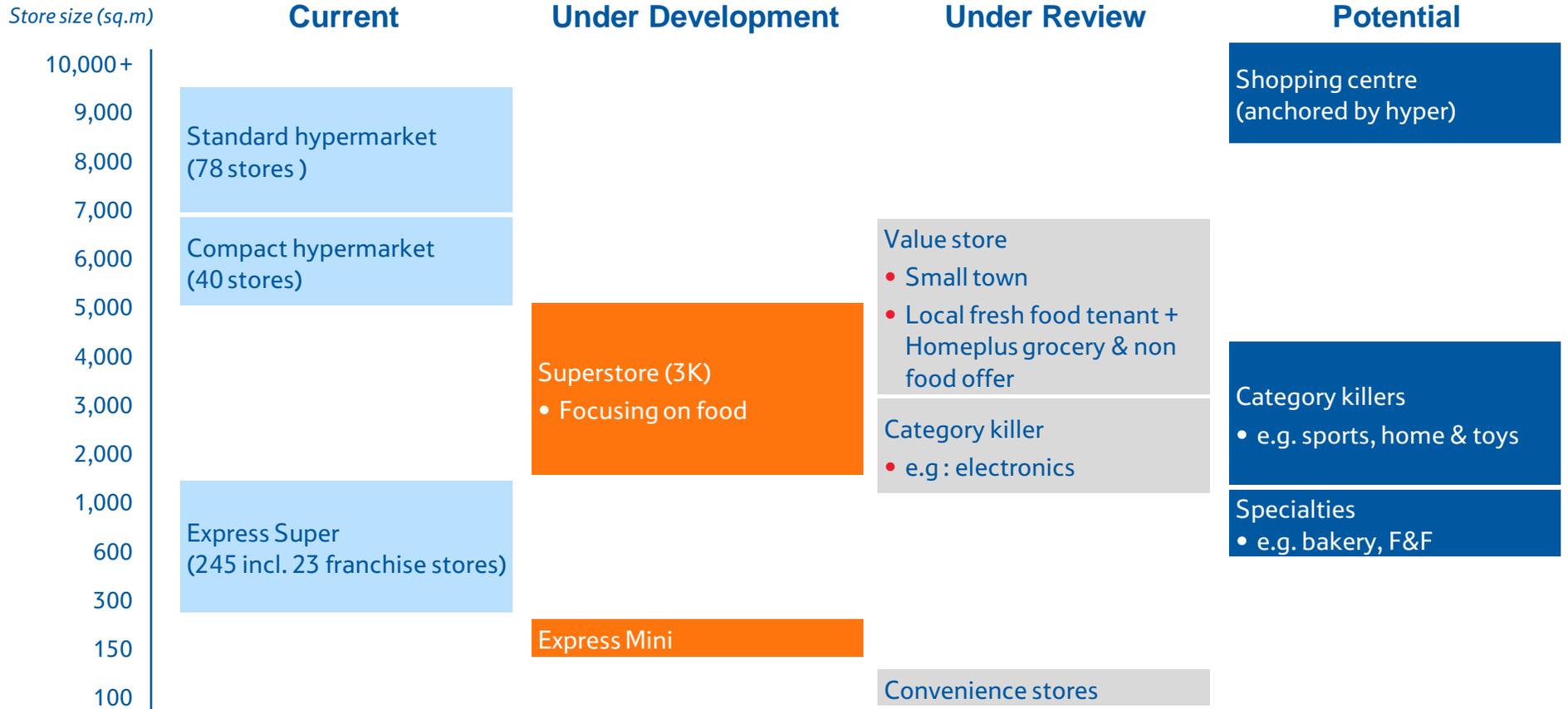
If Homeplus were to grow to the same size of the total retail market that Tesco have achieved in the UK it would be more than three times as big

# Planned growth in existing formats



Working to achieve good growth within regulatory framework

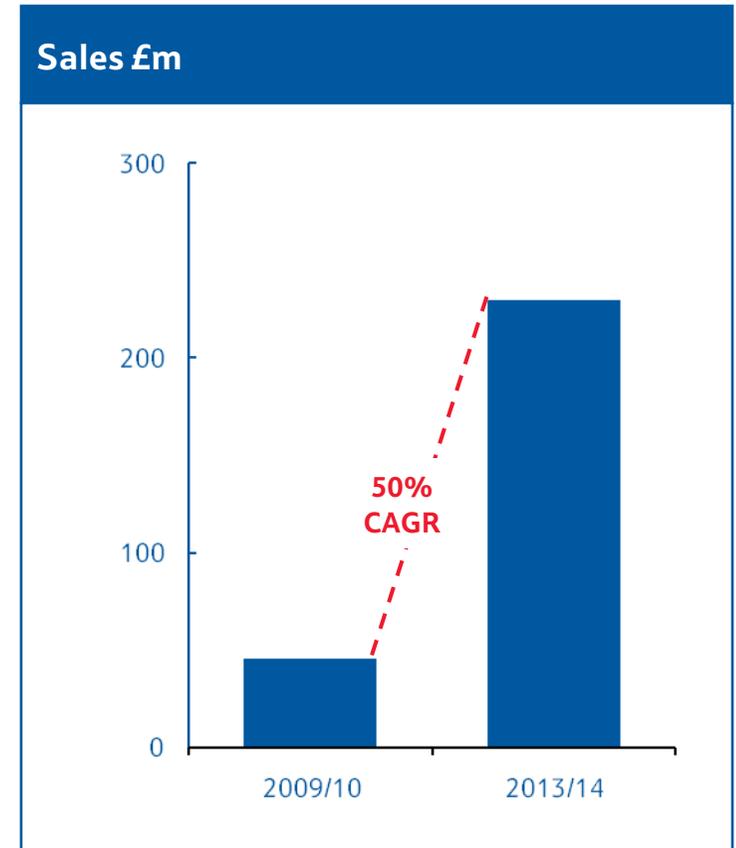
# Extending multi-format opportunities



**With only 4.3% share of the retail market, Homeplus has many opportunities for future growth**

# Dot.Com business opportunities

- No.1 Grocery Home Shopping provider in Korea
  - ✓ Sales increase: 104% (09/10)
- 4% sales participation planned for 13/14
  - ✓ Solidify Grocery Home Shopping and maintain market leader position
- Aim to become a multi-channel online player
  - ✓ Extend to Non-Food
  - ✓ Grocery Home Shopping + Dropship (supplier based) + DC Based + Market place



Sales participation will reach c.4% in 13/14 with 50% annual growth

# Following the customer into Retailing Services

## Where we are Today **£18m** Profit

- Telecom Shop
  - ✓ Strategic alliance with 3 MNOs: (SKT, KT, LGU+)
  - ✓ Sales commission base
  - ✓ Mobile 300K / Broadband 80k customers (09')
- Mart-surance
  - ✓ Strategic alliance/sales commission base
  - ✓ Sales by in/out bound call & in-store shop
  - ✓ Car 76K / Life 43K customers (09')
- Co-brand Credit Cards
  - ✓ Shinhan, Hyundai, KEB
  - ✓ 1.2 million Co-brand cards active (09')
- Other Retailing Services
  - ✓ Loan, ATM, Travel etc.

## Tomorrow **£50m** Profit

- MVNO
  - ✓ Add HMP own brand Telecom Services
  - ✓ Set up a JV with one MNO
  - ✓ Offer competitive mobile services
- Insurance Joint Venture
  - ✓ Exclusive alliance with life insurance company
  - ✓ Profit sharing scheme with insurance company
- JV Credit Card Company opportunities
  - ✓ Offer HMP own brand credit card
  - ✓ Set up a JV with credit card Co.
- Other Retailing Services
  - ✓ Develop new services

As we progress from commission-based arrangements to our own brand services, we can see the potential to grow our Retailing Services to £50m of profit in the medium term

# Homeplus eParan foundation for sustainability

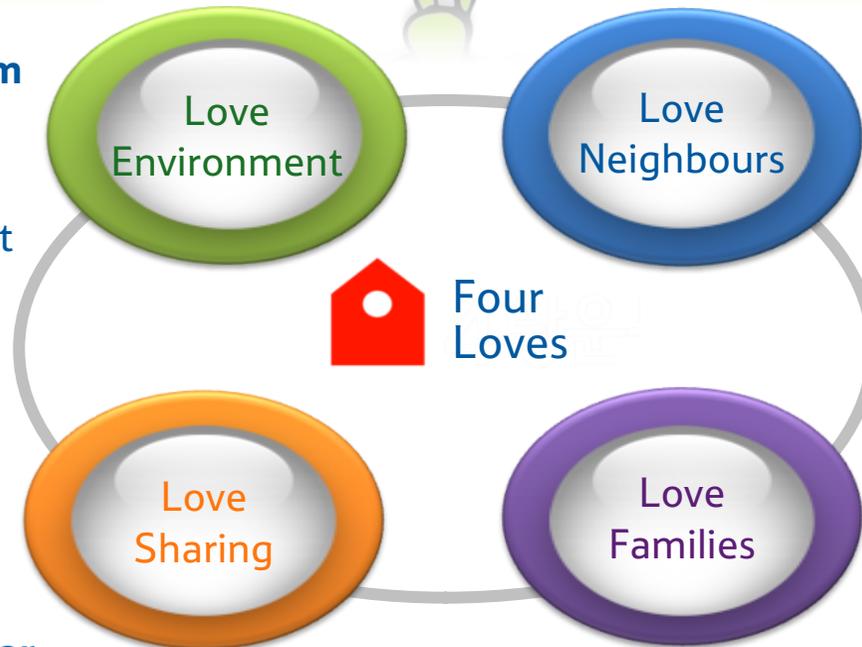
**93%** of CEOs believe that **sustainability issues** will be critical to the future success of their business.

*Accenture report, UNGC Leader's summit*

**96%** of CEOs believe that sustainability issues should be **fully integrated in to the strategy and operations** of a company.



- e-Paran children program
- Green consumption
- Customer green lifestyle
- Green store / Management



- Extended education academy
- Scholarship programme
- Music & Art program for local communities

- All staff participating in 'Matching Grant'
- Homeplus sharing bazaar
- Support for bakery business of disabled

- Work-family balance programme
- Nanny development programme

# Homeplus Vision House



# We are confident of future success

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- In 11 years, Homeplus, Tesco Korea has grown from two stores to 2nd position in the hypermarket sector and we are closing in on the market leader
- The fast growth of Express, Grocery Home Shopping and the expansion of Retailing Services, together with our planned new hypermarket openings, gives us the platform for strong future growth
- The acquisition of the Homever store portfolio has given us a stronger position in the Seoul Metropolitan area and substantial synergies in terms of commercial margin and central costs
- Our investment in supply chain, global sourcing, private brand and the Tesco Operating Model will enable us to further improve on our world-class operating margin
- Together with outstanding financial performance, building the most respectable corporate image through social contribution to the community, we believe that we can achieve sustainable growth.