



# Korea Land and Housing Corporation

IR Presentation

October 2018

Certain information and statements made in this presentation contain “forward-looking statements”. Such forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “considering,” “depends,” “estimate,” “expect,” “intend,” “plan,” “planning,” “planned,” “project,” “trend,” and similar expressions. All forward-looking statements are the Company’s current expectation of future events and are subject to a number of factors that could cause actual results to differ materially from those described in the forward-looking statements. Caution should be taken with respect to such statements and you should not place undue reliance on any such forward-looking statements.

Financial information in this presentation is based on K-IFRS consolidated financial statements.

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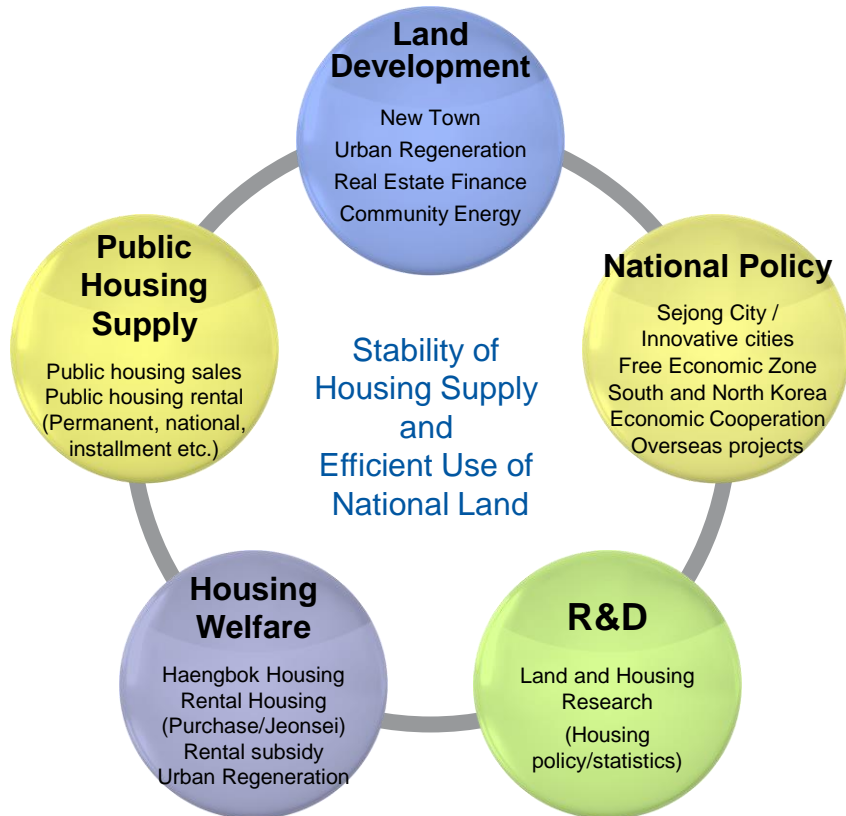
# 1. Overview of LH Corporation



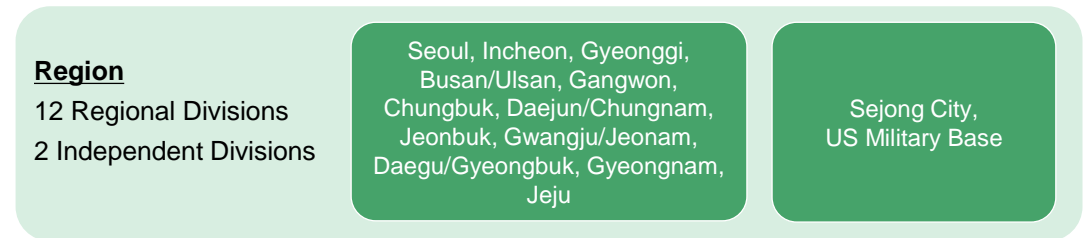
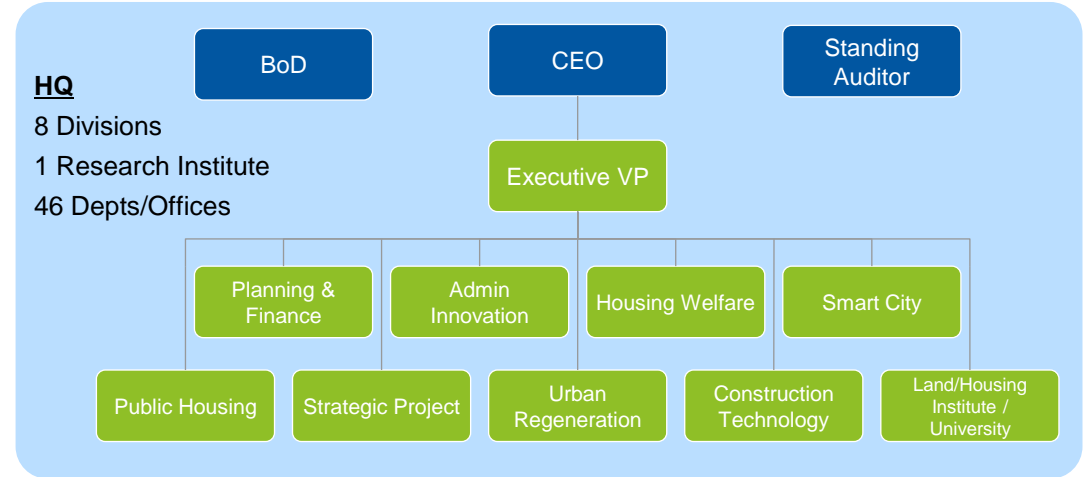
# 1-1. Overview of LH – Key Business and Organization

- Key Business – **Implement the land and housing policy** including housing welfare, land development and housing supply and management
- Organization – 8 Divisions at HQ and 12 Regional Divisions with about 8,300 employees

## Key Business Areas



## Organization



### <Directors and Employees (as of June 2018)>

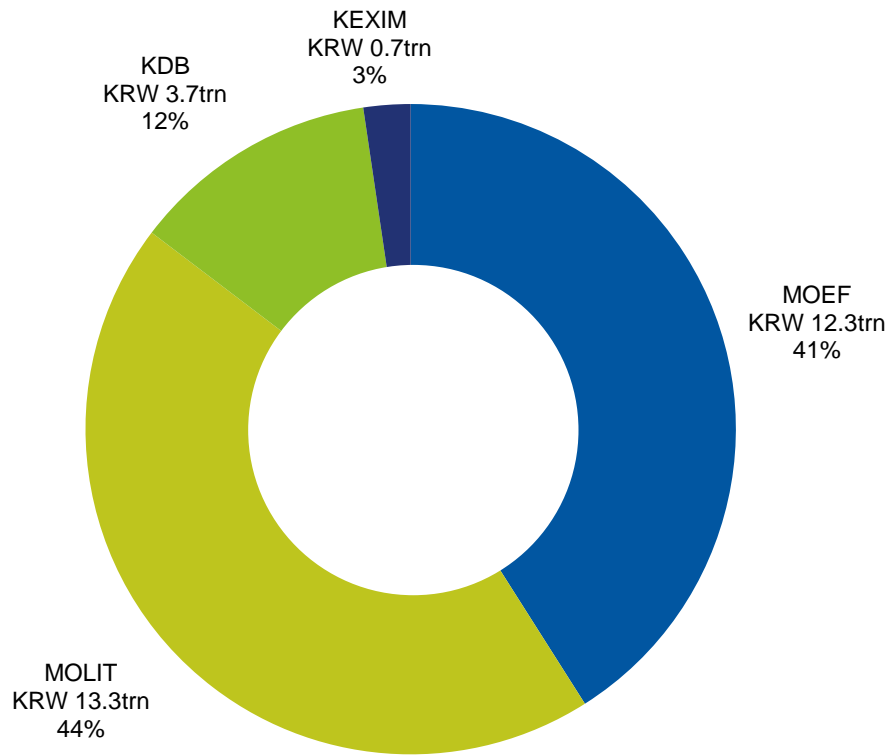
Total	Director	Grade 1	Grade 2	Grade 3	Grade 4 and Below
8,329	7	75	433	2,151	5,663

# 1-2. Overview of LH – Corporate Governance and Fiscal Contribution

- Corporate Governance – **Korea's largest public institution, directly and indirectly 100% owned by the government**
- Fiscal Contribution – Largest fiscal spending institution among 33 public institutions, representing 27.2% of the total fiscal spending in 2018

## Governance

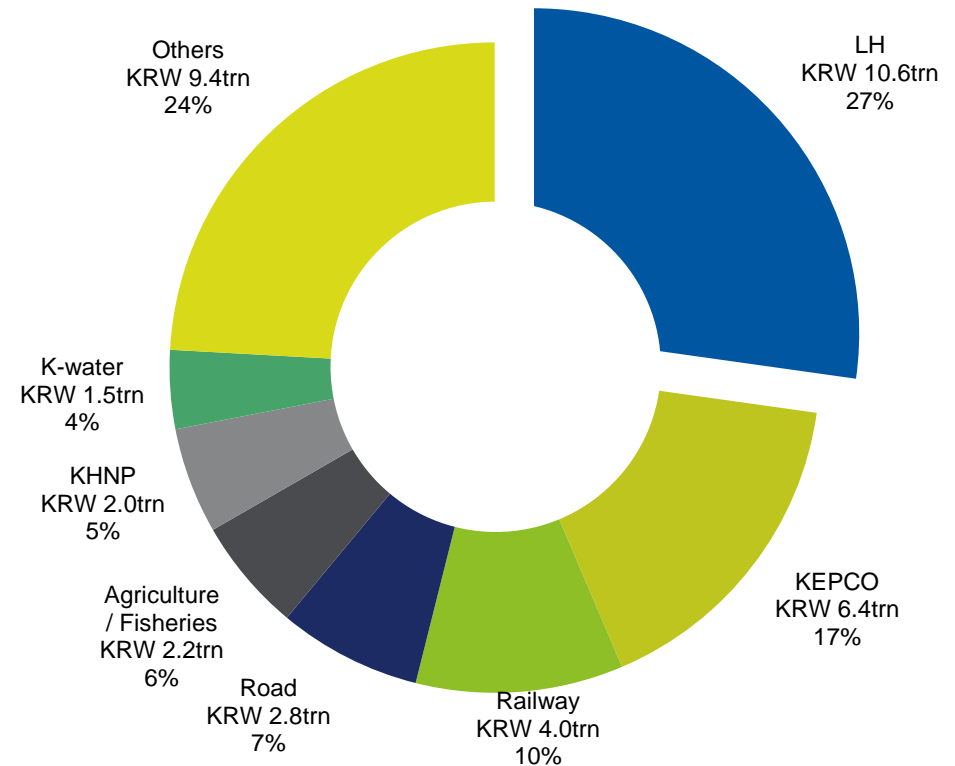
**Paid-in Capital: KRW 30.0trn (as of June 2018)**



Note: Shareholders' equity (KRW44.1trn) = Paid-in capital (30.0) + Retained earnings (14.1)

## Fiscal Contribution

**2018 Fiscal Spending Plan for Public Institutions: Total KRW 38.8trn**



Source: 2018 Fiscal Spending Plan by the MOEF

# 1-3. Government Support and Credit Ratings

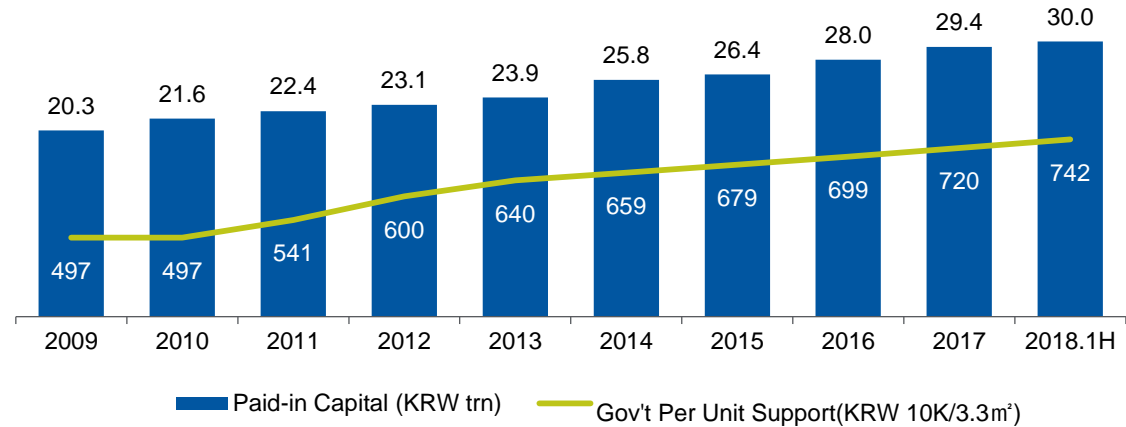
- Continued support and capital injection from the government to fulfill LH's policy functions including public housing and housing welfare
- Credit ratings on par with those of Korea sovereign** given 1) the LH's status as execution arm of government's land and housing policies and 2) improved financial condition

## Track Record of Government Support

- 2017** Reduce HUF<sup>(1)</sup> loan interest rate for Haengbok Housing (For projects co-developed with regional governments) (1.8% → 1.0%, to commence from 2018)
- 2016** Reduce HUF loan interest rate (0.2%p reduction)
- 2015** Amendment of HUF loan repayment terms (National Rental/Haengbok Housing 2.7% → 2.0% / 20 years of interest only payment + 20 years of principal repayment → 30 years + 15 years)
- 2014** Conversion of Government subsidies (for purchase and lease of multiple households) to equity (KRW 0.8trn)
- 2013** Conversion of Jeonsei lease into trust structure (fund transfer of KRW 4.6trn)
- 2012** Conversion of HUF into subordinated debt (Article 9, LH Act)
- 2011** Extension of HUF's interest only payment period (10 years → 20 years)
- 2010** **Establishment of loss reserve/protection terms for the five public policy businesses** (Article 11, LH Act) <Public housing, industrial complex, rental housing, Sejong administrative city, innovative city>

## Government Construction Cost Standard

(KRW tn, KRW10,000 per 3.3m<sup>2</sup>)



## Credit Ratings

	International			Domestic	
	MOODY'S	STANDARD & POOR'S	FitchRatings	KR KOREA RATINGS	NICE신용평가 NICE
	Aa2 (Stable)	AA (Stable)	AA- (Stable)	AAA (Stable)	AAA (Stable)
	Aa2 (Stable)	AA (Stable)	AA- (Stable)	-	-

## 2. 2018 Business Overview



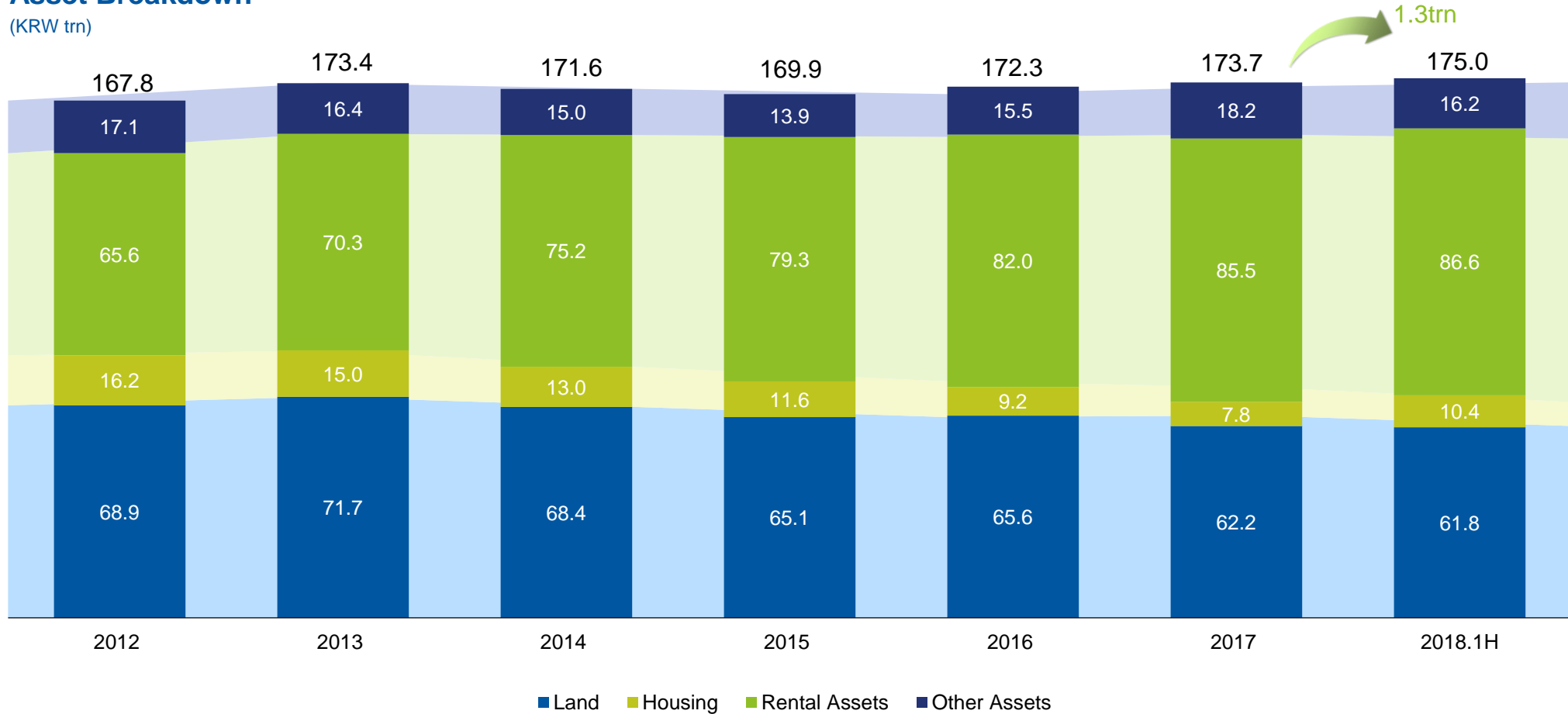


# 2-1. 2018 Business Overview – Assets

- Inventory assets(+KRW 2.2trn) and investment property(+KRW 1.0trn) increased.
- However, overall assets **increased only by KRW 1.3trn** due to decrease in other assets like accounts receivables.

## Asset Breakdown

(KRW trn)

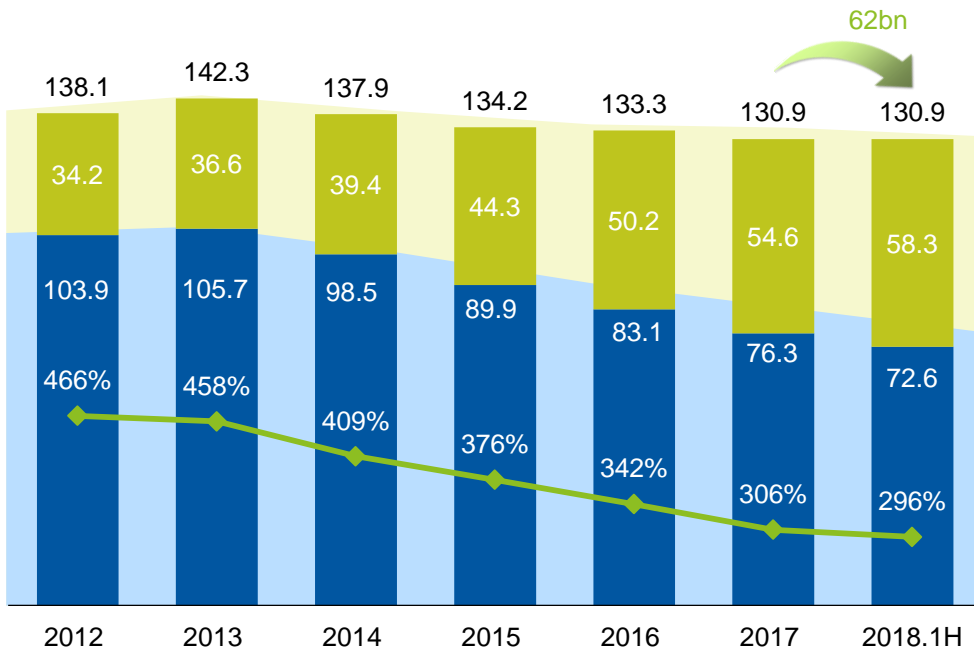


# 2-2. 2018 Business Overview – Liabilities

- Non-interest bearing liabilities increased (+ KRW 3.6trn) due to a rise in unearned revenue, but **total liabilities decreased due to the net repayment of interest bearing debt (△KRW 3.7trn)**
- Liabilities to equity ratio – Recorded 296% (△10%p YoY) in 2018, and interest bearing debt to equity ratio continued to decrease to 165% (△14%p)

## Total Liabilities

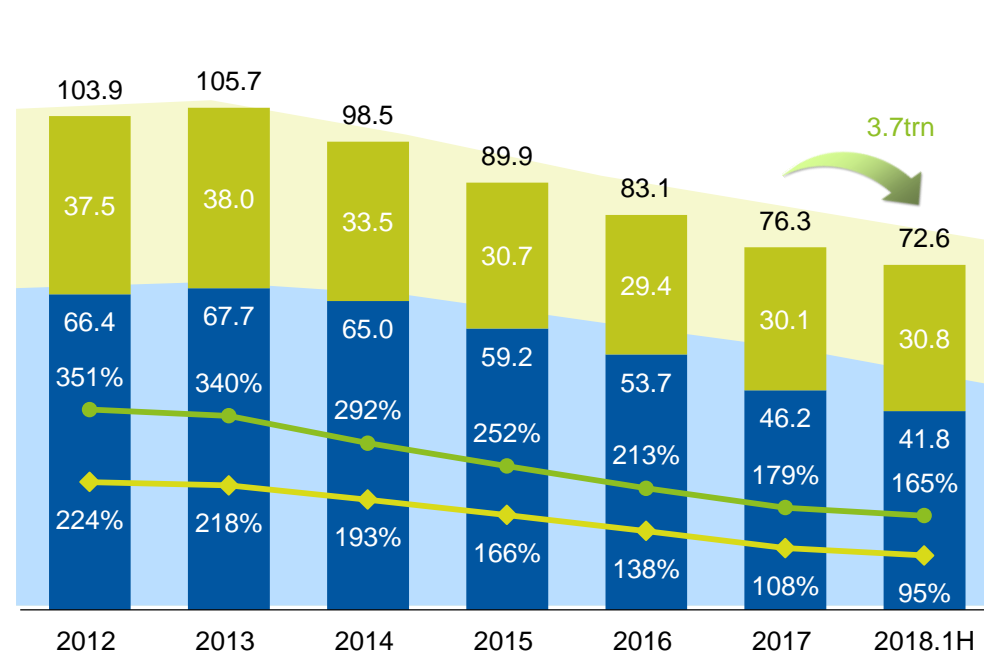
(KRW trn)



- Non-Interest Bearing Liabilities
- Interest Bearing Debt
- ◆ Liabilities to Equity Ratio

## Interest Bearing Debt

(KRW trn)

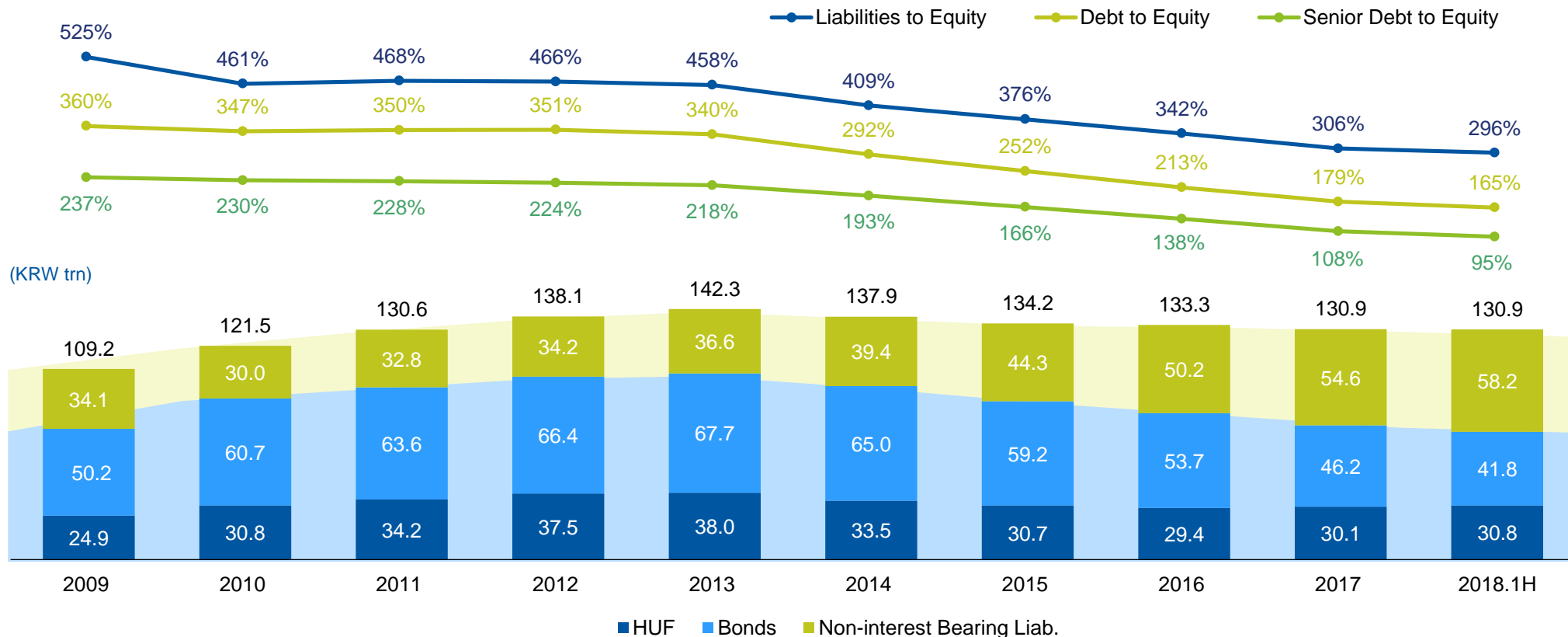


- Senior Interest Bearing Debt
- ◆ Interest Bearing Debt to Equity Ratio
- ◆ Senior Interest Bearing Debt to Equity Ratio

## 2-3. Continued Efforts to Improve Balance Sheet

- Total Liabilities – KRW 109.2trn in 2009 → KRW 142.3trn in 2013 (record high)  
→ KRW 130.9trn as of June 30, 2018 ( $\Delta$ KRW 11.4trn from 2013)
- Interest Bearing Debt – KRW 75.1trn in 2009 → KRW 105.7trn in 2013 (record high)  
→ KRW 72.6trn as of June 30, 2018 ( $\Delta$ KRW 33.1trn from 2013)
- Interest Bearing Debt to Equity Ratio: 360% in 2009 (record high) → 165% as of June 30, 2018 ( $\Delta$ 195%p from 2009)

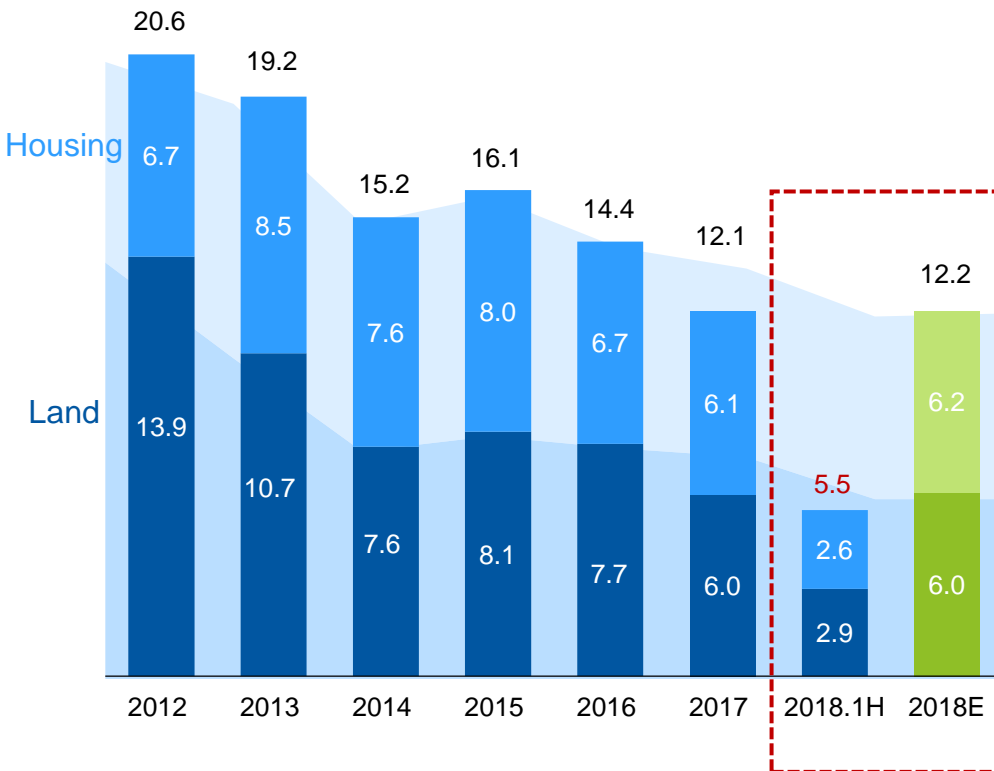
### Historical Total Liabilities



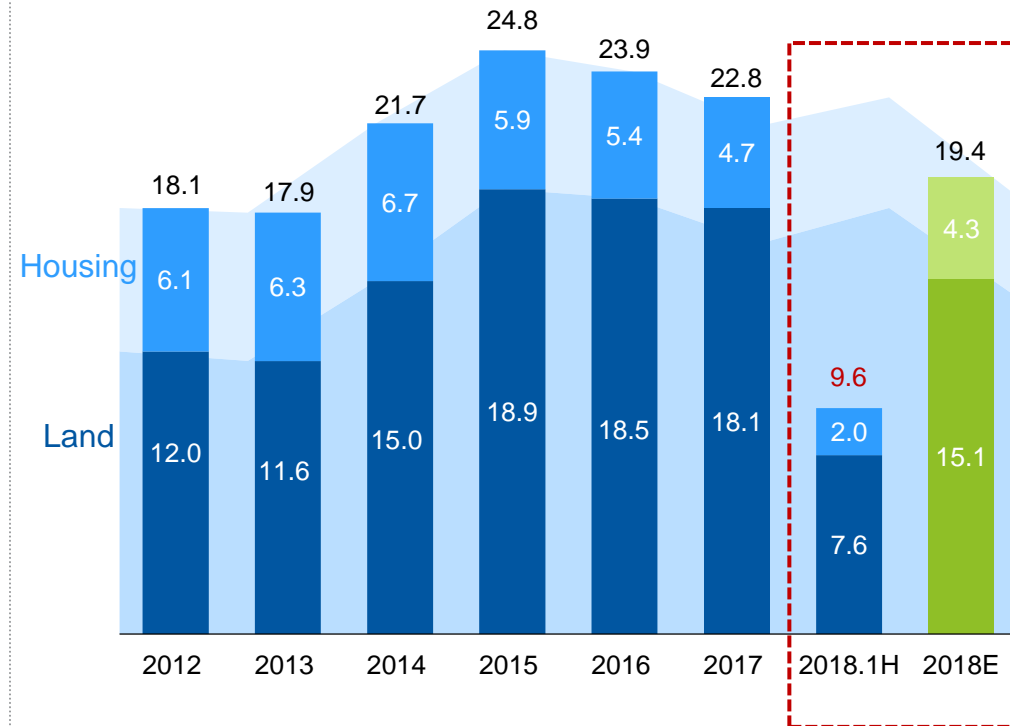
# 2-4. 2018 Business Overview – Capex and Return

- Capex – Recorded KRW 5.5trn, KRW 0.3trn increased from the initial plan. (KRW 1.0trn decreased compared to 2017 1H)
- Proceeds from Property Sales and Rental – Recorded KRW 9.6trn, up by KRW 0.8trn from the initial plan. (KRW 1.9trn decreased compared to 2017 1H)
  - **Net Return (= Proceeds from Property Sales and Rental – Capex) recorded KRW 4.0trn in 2018 1H, and expected to be 7.3trn until the end of 2018.**

**Capex**  
(KRW trn)



**Proceeds from Property Sales and Rental**  
(KRW trn)

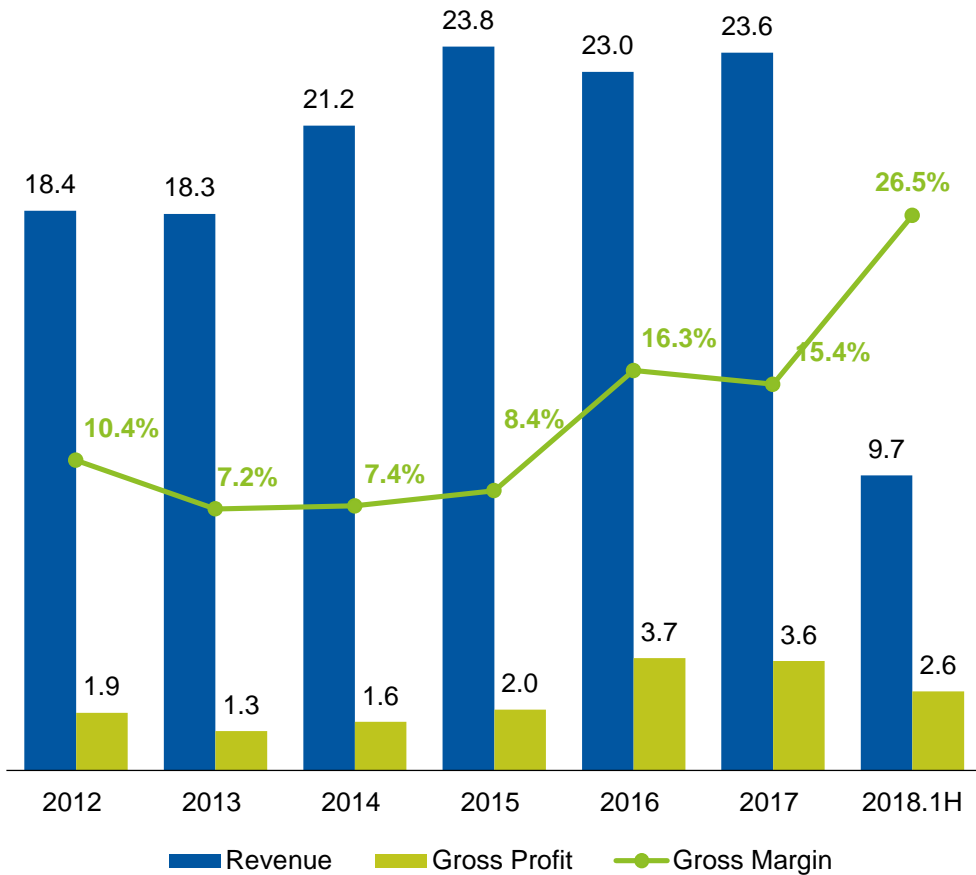


# 2-5. 2018 Business Overview – Profitability

- Net Income – **Achieved record high net income of KRW 1.7trn**, with net income margin **increased to 17.1% by 1.6%p** from the previous year(15.5%).

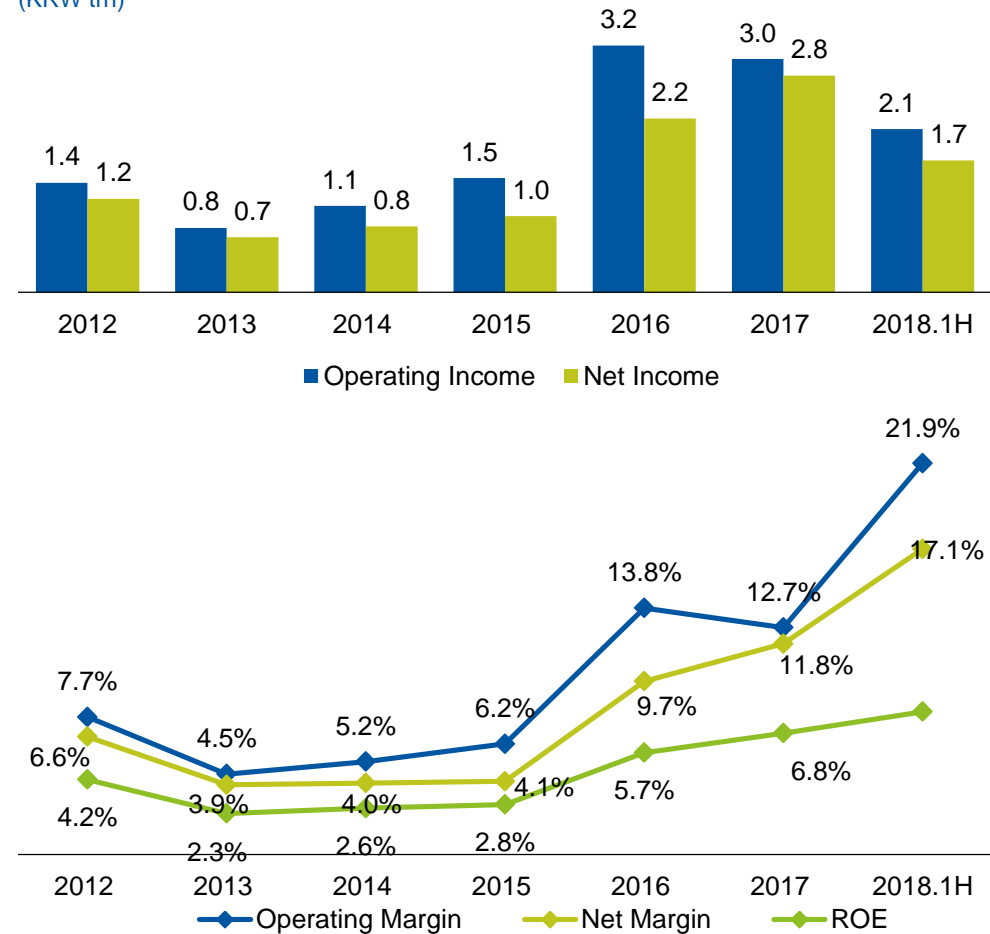
## Revenue / Gross Profit

(KRW trn)



## Operating Income / Net Income

(KRW trn)

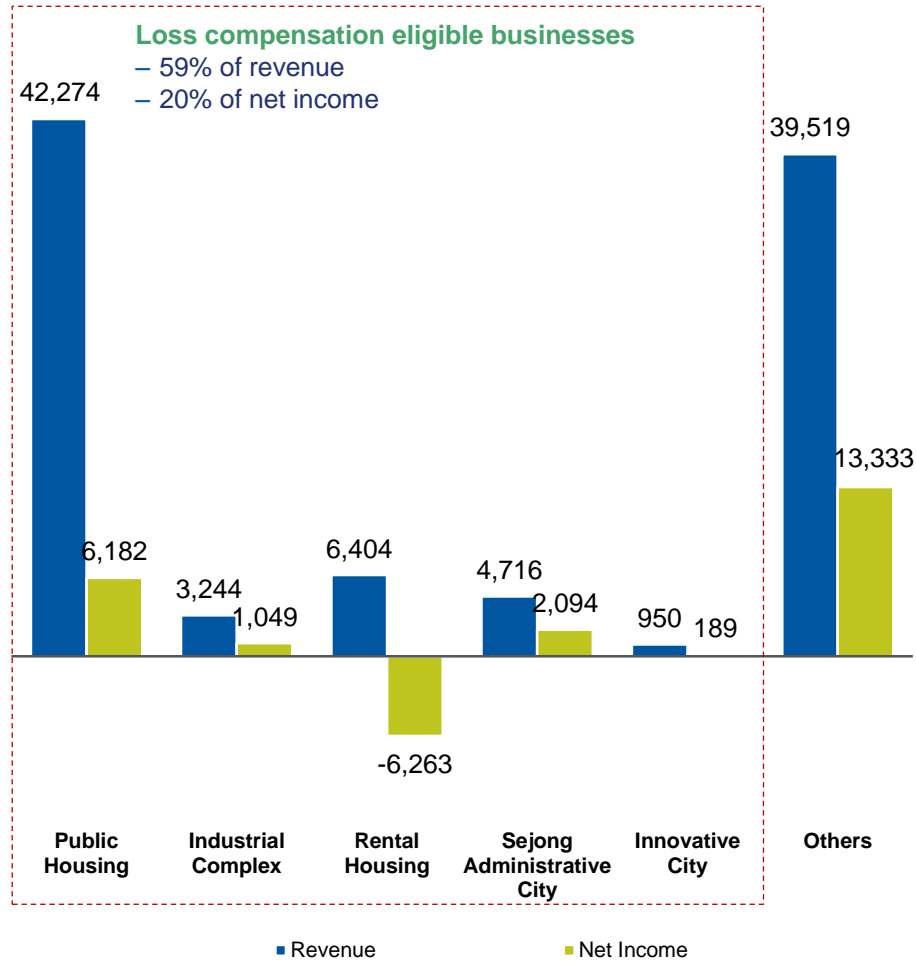


# 2-6. 2018 Business Overview – Business Segment

- Only rental housing business showed loss during the first half.
- Loss compensation businesses compose about 60% of all businesses on an asset base.

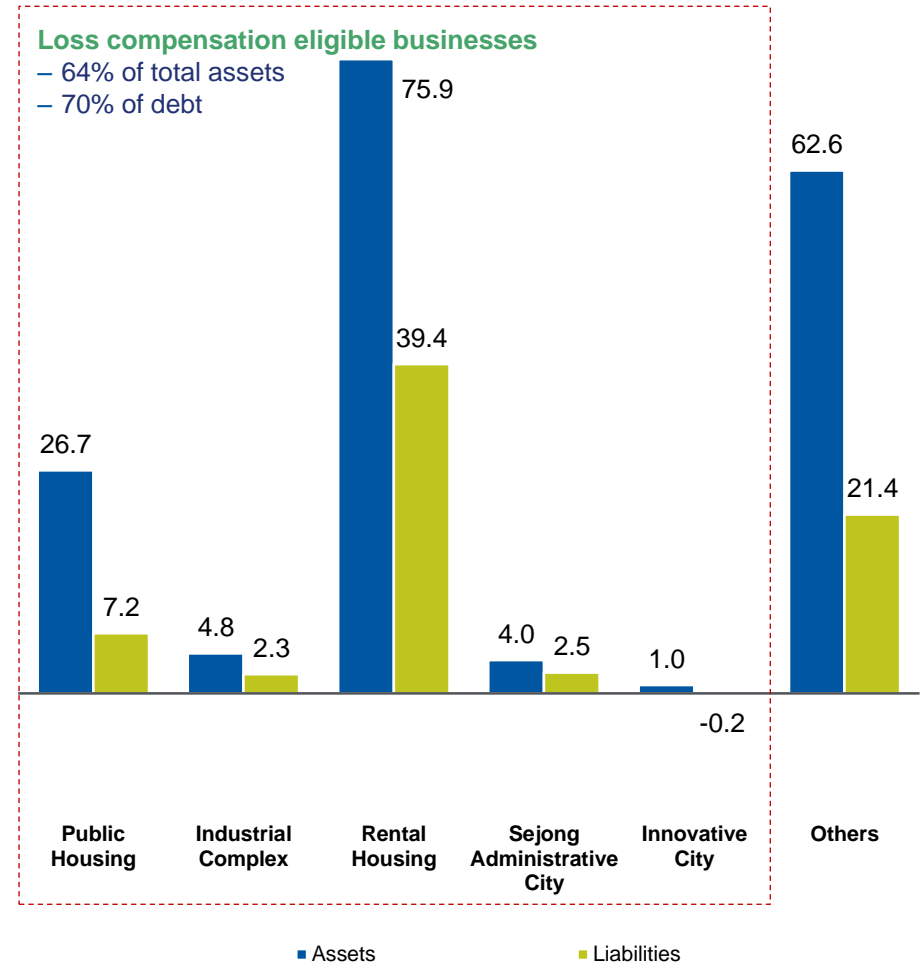
## Profitability by Business Segment

(KRW 100m, 2018 1H)



## Financial Position by Business Segment

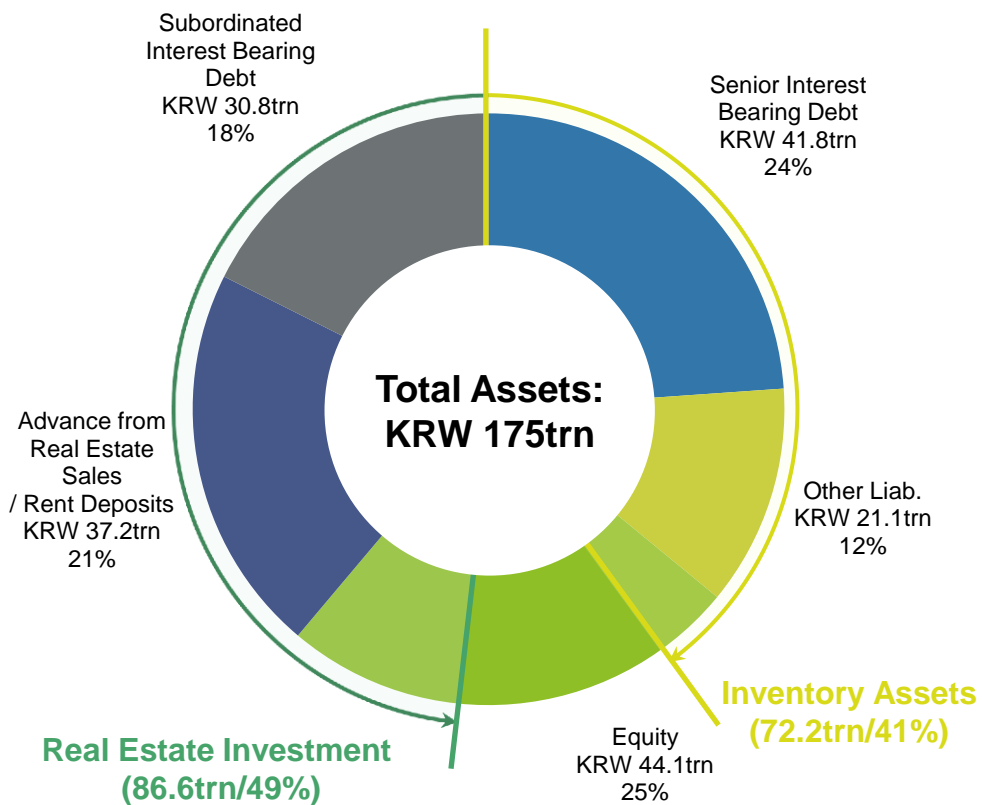
(KRW tn, 2018 1H end)



# 2-7. 2018 Business Overview – Debt Repayment Capability

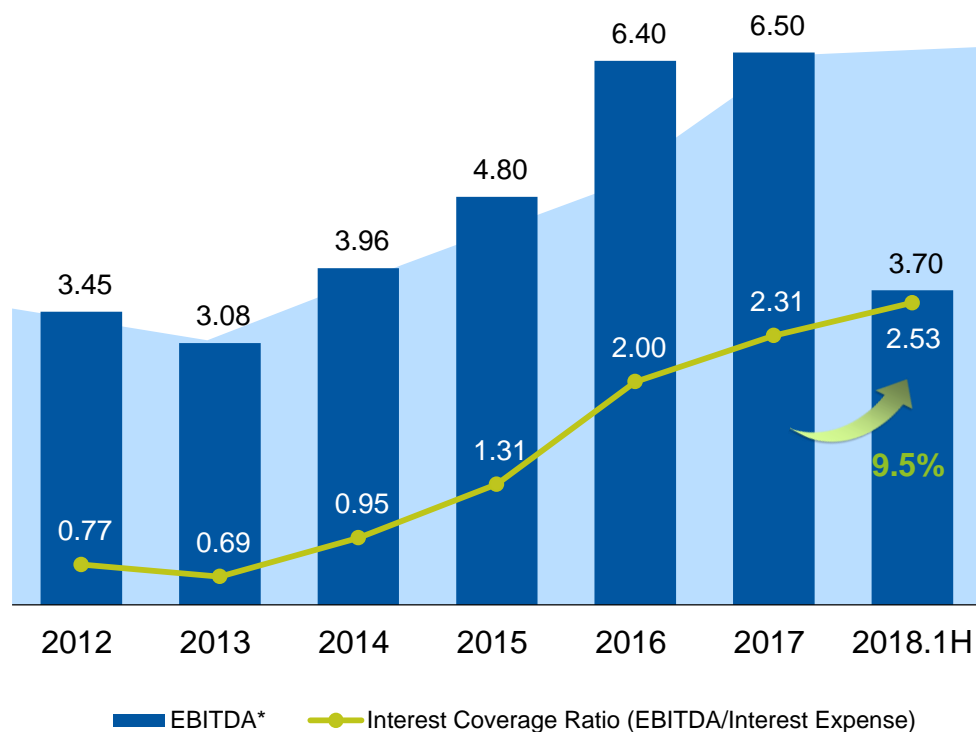
- Robust repayment capability with senior debt only accounting for **24% of total assets and 58% of inventory assets**
- Interest Coverage Ratio – Maintained above 2.0x for two consecutive years since 2016

## Repayment Capability



## Interest Coverage Ratio

(KRW trn, %)



\* Operating profit + interest expense in COGS + depreciation



### **3. Financial Forecast and Bond Issuance Plan**

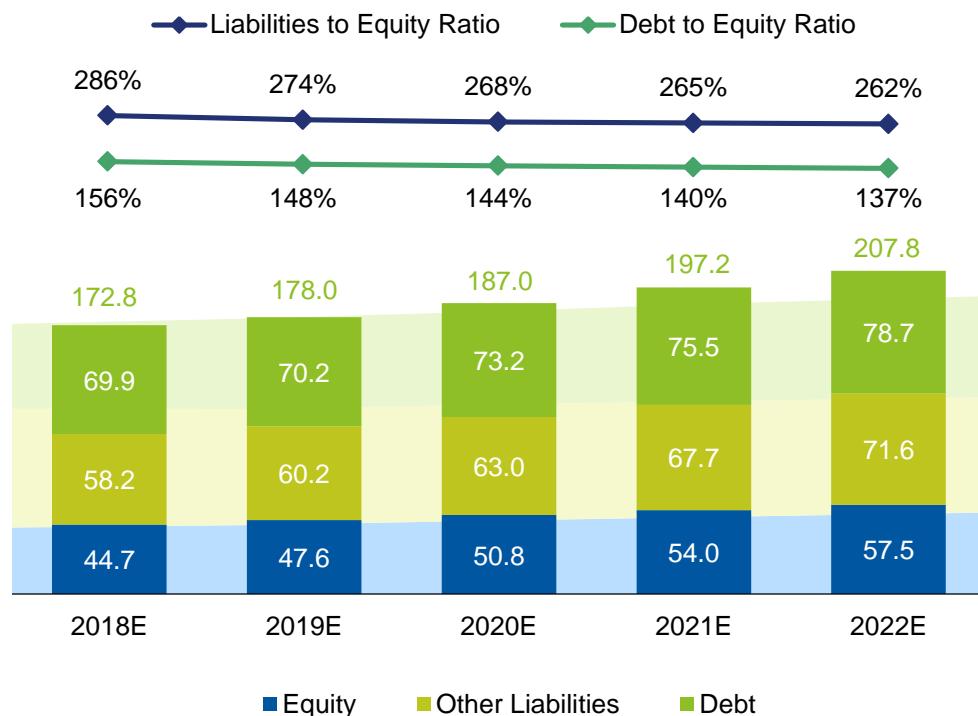




# 3-1. Mid-to-Long-term Financial Plan

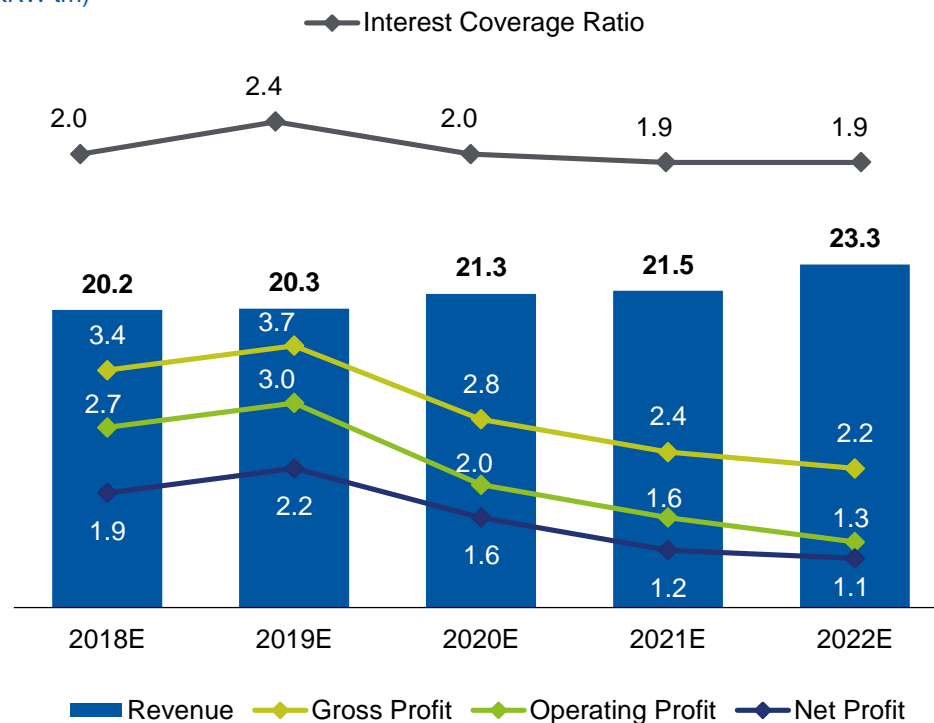
- Assets – Expected to increase given expanding supply of rental housing and growing investment for the government’s roadmap on housing welfare
- Profit – **Expected earnings of KRW 1.1-2.2trn per annum** derived from revenue recognition from land sales in 2014-2017 at the high point of the real estate market and increase in housing sales
- Debt – Expected to increase after 2019 due to growing investment. However, **debt to Equity ratio expected to decline until 2022.**

## Financial Profile



## P&L Forecast

(KRW trn)



# 3-2. Bond Issuance and Repayment Plan

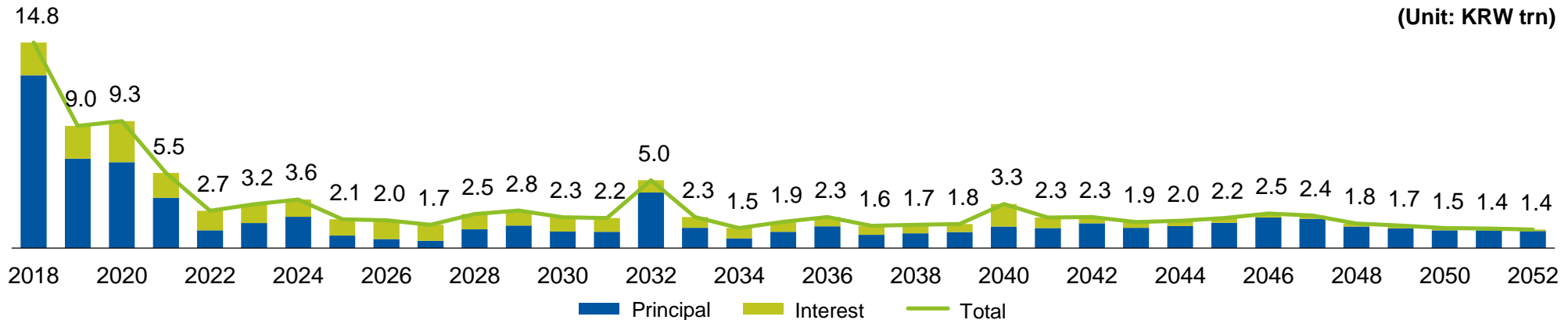
- Issuance – **Plans to issue KRW 2.0trn of bonds** to address the imbalance in cashflow
- Debt Repayment – Debt level expected to be KRW 15trn and KRW 9trn in 2018 and 2020, respectively. The Company will continue to decrease the debt balance with early redemption of existing debt.

## Bond Issuance Plan vs. Actual in 2018

	Domestic Bonds					(Unit: KRW bn)
	Total	Funding	Reimbursement for Land Expropriation	Foreign Bonds	Short-term Bonds	
Plan	2,000	1,036	166	299	500	
Actual (as of August)	665	467	84	114	-	

※ Early redemption as of August 2018: KRW 1,546bn (KRW 1,213bn from 2019 balance, KRW 333bn from 2020 balance)

## Principal Repayment Plan





**Thank You**

