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Hyundai Doosan Infracore 2022 1Q Earnings Release

April 2022



 **HYUNDAI**
DOOSAN INFRACORE

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Highlights

1Q22 Results

- Despite solid growth of the construction equipment division in emerging/developed markets and engine division, sales decreased -13% YoY due to sluggish demand for construction equipment in China.
- EBIT remained similar to last year, thanks to increase in product prices worldwide and improvement in profitability of the engine business, even though issues of parts procurement and cost pressure from rising raw material prices as well as freight rates persisted.

Income Statement

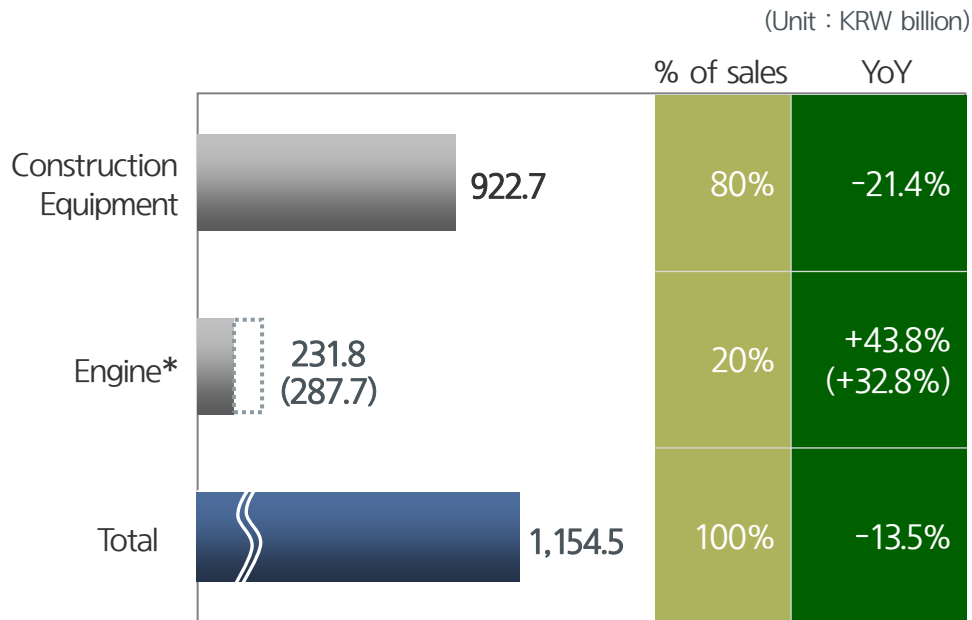
(Unit : KRW billion)

	1Q21	4Q21	1Q22	YoY	QoQ
Sales	1,334.5	1,036.0	1,154.5	-13.5%	+11.4%
EBIT	109.9	11.8	104.9	-4.5%	+787.6%
EBIT margin(%)	8.2%	1.1%	9.1%	+0.9%p	+8.0%p
(Net Financial Cost)	22.2	20.3	16.9	-23.9%	-16.7%
(F/X gains/losses)	16.1	0.7	12.4	-23.0%	+1,671.4%
Pretax Profit	97.7	-45.7	97.3	-0.4%	-
Income/Loss from Discontinued Operations	118.5	221.3	0.0	-	-
Net Profit	187.3	178.6	74.2	-60.4%	-58.4%

1Q22 Sales & EBIT by division

- Construction Equipment : Demand remained solid in emerging and developed markets. However, sales and EBIT declined YoY due to slowing demand in China.
- Engine : Sales surged as a result of strong demand for generator and vehicle engines thanks to global economic growth and oil price hike, while EBIT margin recovered to a stable double-digit number.

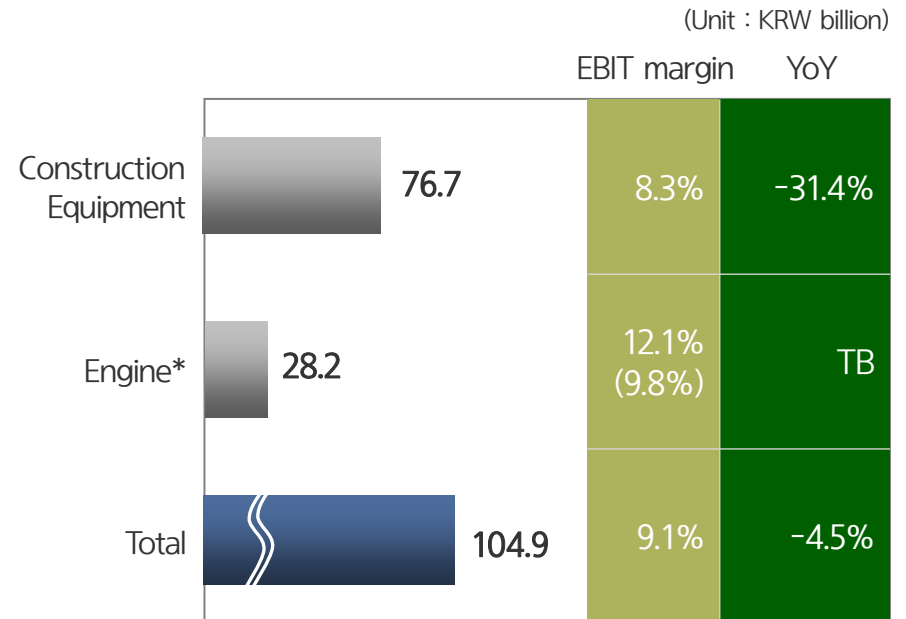
Sales



Note : Sales breakdown based on 3rd party revenue

* Numbers in parenthesis are based on total sales of engine business, which includes internal sales

EBIT & Margin



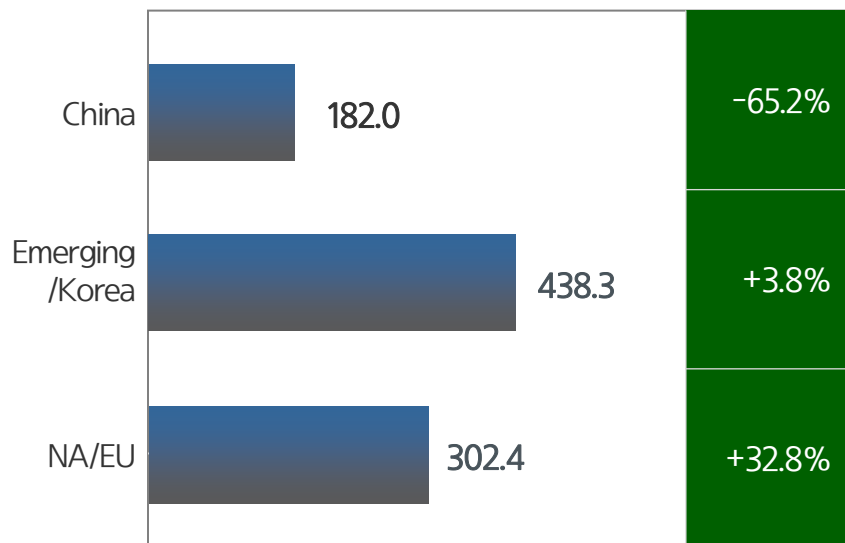
Regional breakdown (Construction Equipment)

- China : Sales continued to decrease due to Covid controls and large-scale lockdowns, which affected the progress of construction projects.
- Emerging/Korea : Sales grew thanks to rising raw material prices and government-led stimulus measures, despite the high comparison base in 2021.
- NA/EU : Demand remained strong due to favorable economic conditions and infrastructure investment as well as housing construction.

CE regional breakdown (1Q22)

(Unit : KRW billion)

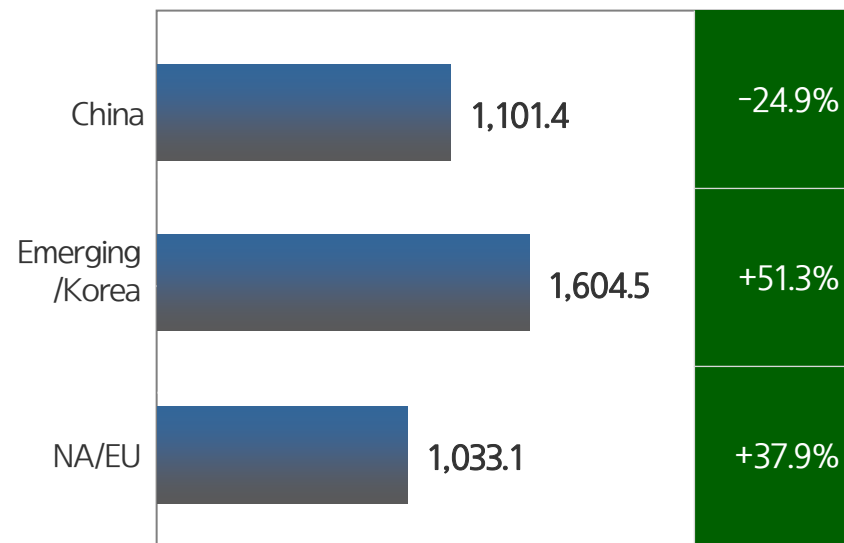
YoY



CE regional breakdown (2021)

(Unit : KRW billion)

YoY



Financial structure

- Liabilities-to-equity ratio fell from 249% at end-2021 to 228% at end-1Q22 thanks to increase in net profit.
- However, net debt deteriorated marginally as a result of increase in working capital during high demand season and corporate taxes related to the spin-off merger. Net debt should gradually decrease with debt maturity schedule.

Balance Sheet

(Unit : KRW billion)

	2020	2021	1Q22	Compared to 2021
Current Assets	5,049.6	3,239.9	3,292.2	+52.4
Fixed Assets	6,977.3	1,542.4	1,508.6	-33.8
Total Assets	12,026.9	4,782.3	4,800.8	+18.5
Total liabilities	7,537.9	3,412.5	3,335.1	-77.4
- Net Debt	2,505.5	1,124.8	1,263.9	+139.1
Total shareholder's Equity	4,489.0	1,369.8	1,465.7	+95.9
Net Debt/Equity Ratio	167.9%	249.1%	227.5%	-21.6%p
Current Assets	55.8%	82.1%	86.2%	+4.1%p

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1 **1Q22 Results**

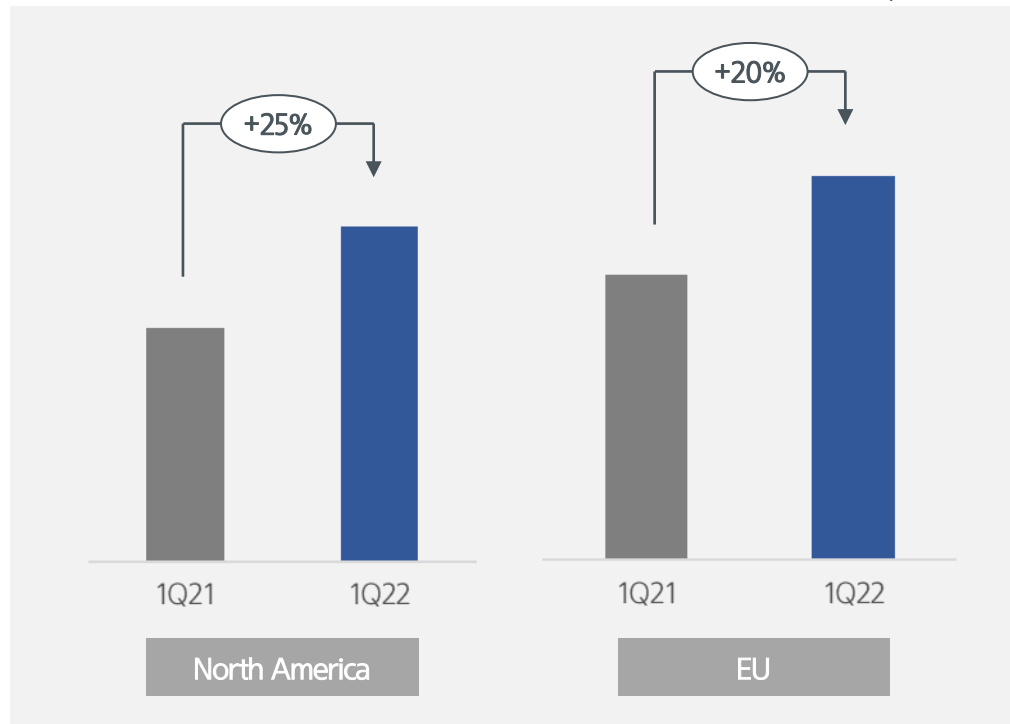
2 **Highlights**

Construction Equipment(NA/EU)

- Developed market grew double-digit in 1Q22 thanks to favorable economic conditions and demand from housing and infrastructure construction. We continue to expect solid demand in 2H and therefore, expect additional price hikes to reflect rising raw material prices.
- Sales surged by +33% YoY in light of new product launches, stronger channel competitiveness and efforts to win orders from key accounts. Profitability also improved via price realization.

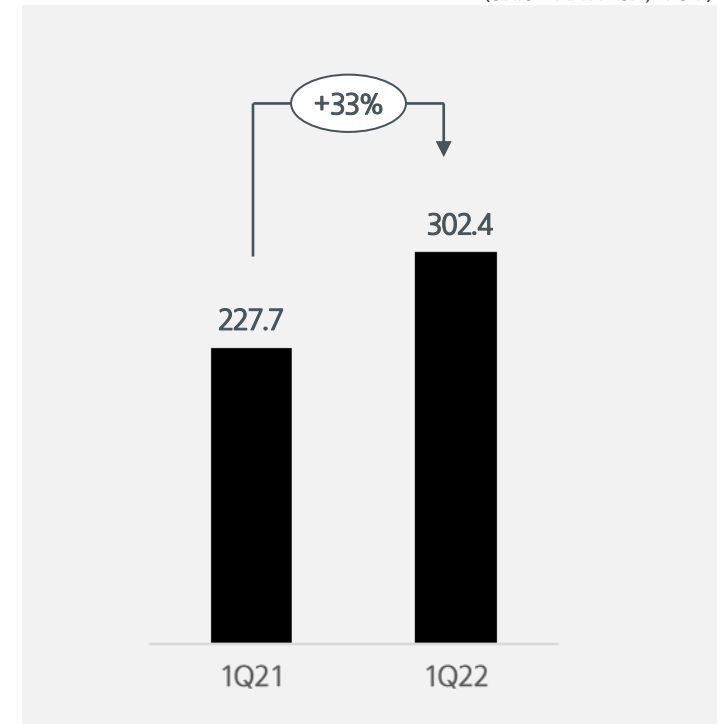
Market – Sales volume trend

(unit : YoY)



HDI – Sales trend

(unit : KRW bn, YoY)

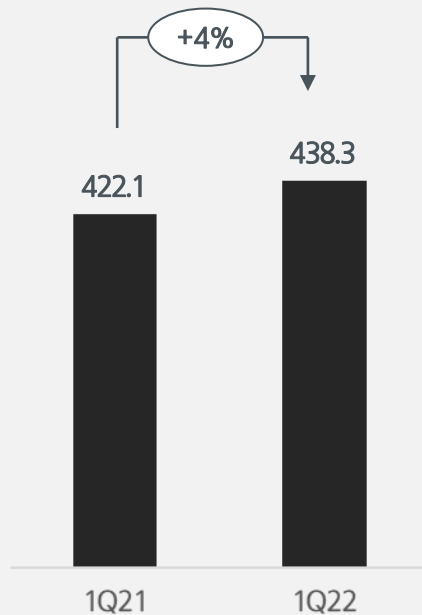


Construction Equipment(Emerging/Korea)

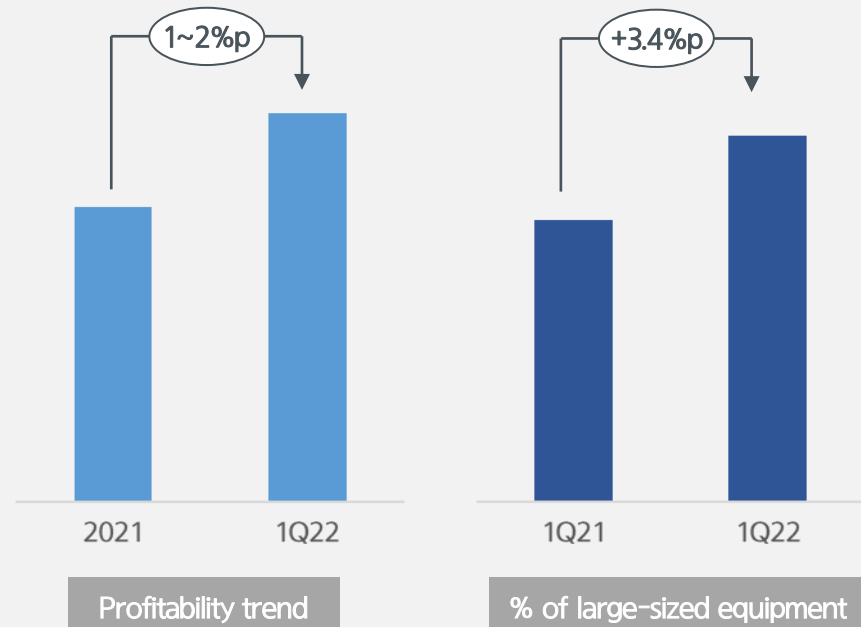
- In view of last year's high comparison basis and this year's global quantitative tightening, we expected demand to decline in 2022. However, markets grew in 1Q22 thanks to infrastructure investment and rising raw material prices.
- We captured demand in emerging markets with activities to win fleet deals, stronger product competitiveness and efforts to enhance our sales mix by selling more large-sized equipment. We also endeavored to improve profitability by raising product prices and offset the impact of rising raw material prices.

HDI – Sales trend

(unit : KRW bn, YoY)



HDI – Change in profitability & sales mix



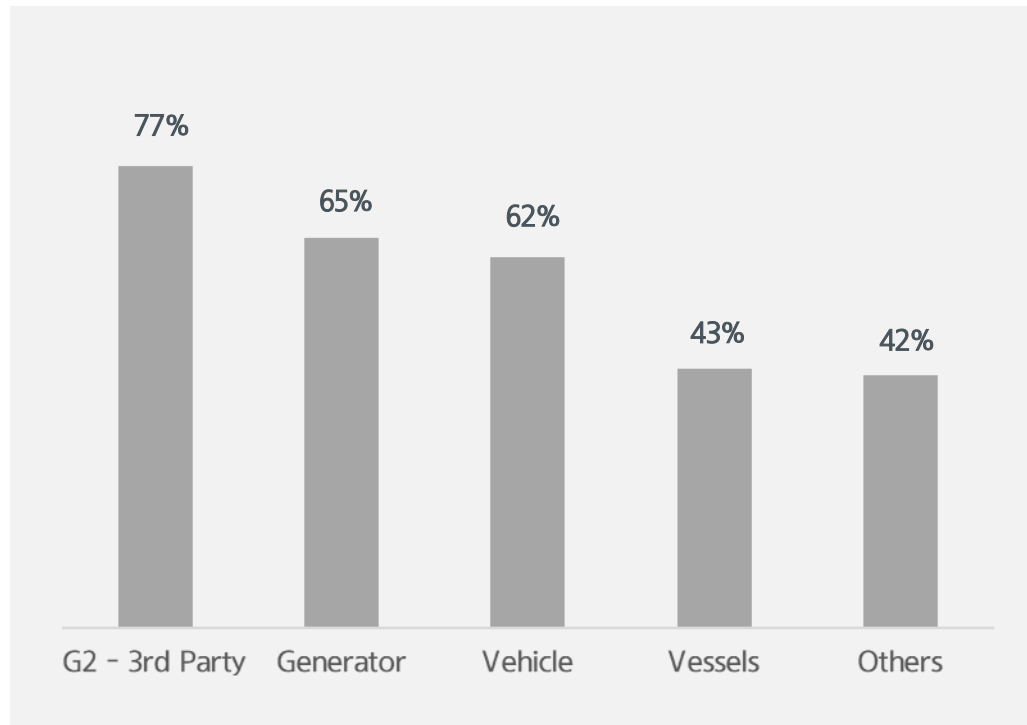
* Large-sized equipment : Above 34 tons

Engine

- Engine sales grew remarkably for G2/generator/vehicle engines in 1Q thanks to global economic growth and oil price hike. Operating leverage stemming from sales volume growth and profitable aftermarket sales also enabled engine division's profitability to reach double-digit EBIT margin.

HDI – Sales volume growth by products(1Q22)

(unit : YoY)



HDI – Profitability trend

