



Doosan Infracore

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2020 3Q Earnings Release

October 2020



Disclaimer

This presentation contains preliminary figures which may be materially different from the final figures.

The financial information in this document are consolidated earnings results based on K-IFRS. Previous earnings results have also been restated in compliance with K-IFRS.

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3Q20 Results

- Sales increased +4% YoY thanks to the gradual recovery in global demand despite COVID-19.
 - Heavy : Revenue increased as a result of strong growth in China, recovery in developed and emerging markets and market share improvement.
 - Engine : Revenue decreased due to weak demand for vehicle and generator engines in line with slower global economy and lower oil price.
- EBIT grew double-digit YoY thanks to the strong recovery in the Heavy business.

Income Statement

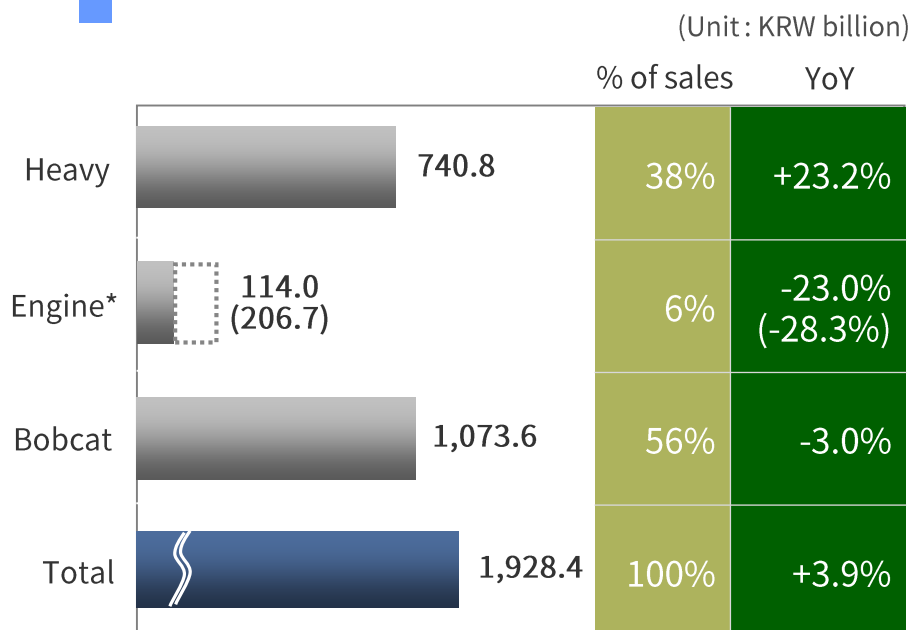
(Unit : KRW billion)

	3Q19	2Q20	3Q20	YoY	QoQ
Sales	1,856.7	1,975.7	1,928.4	+3.9%	-2.4%
EBIT	154.6	154.3	176.1	+14.0%	+14.2%
EBIT margin(%)	8.3%	7.8%	9.1%	+0.8%p	+1.3%p
(Net Financial Cost)	42.2	41.0	38.1	-9.6%	-7.0%
(F/X gains/losses)	-0.5	-4.6	14.9	-	-
Pretax Profit	96.5	106.5	126.8	+31.4%	+19.1%
Net Profit	53.3	78.1	82.1	+54.1%	+5.2%

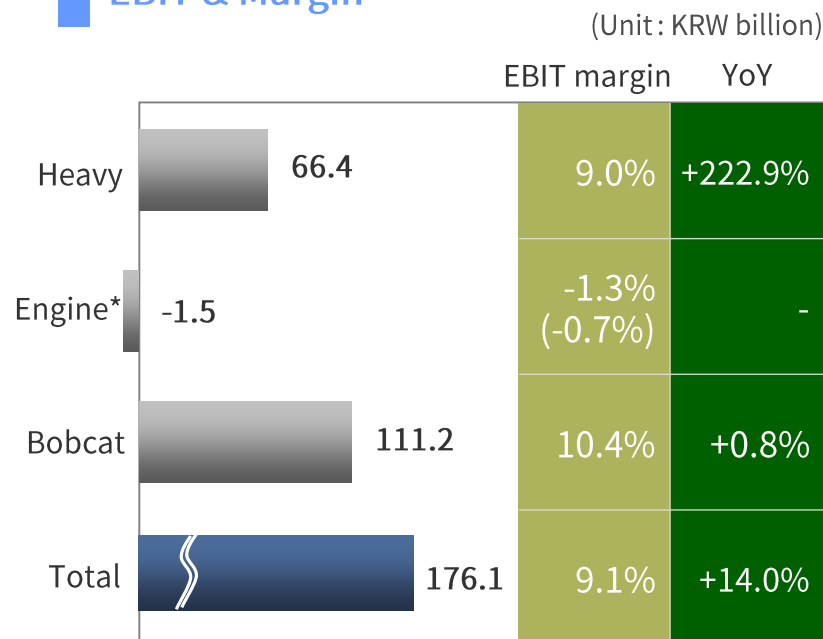
3Q20 Sales & EBIT by division

- Heavy : Sales and EBIT turned around in 3Q due to strong market growth in China and gradual recovery in both developed and emerging markets. Market presence improved in both developed and emerging markets.
- Engine : Revenue and EBIT decreased YoY due to slow demand for vehicle and generator engines, despite growing sales contribution from external G2 engine.
- Bobcat : Revenue decreased due to slow global demand, however EBIT rebounded thanks to cost reduction efforts.

Sales



EBIT & Margin



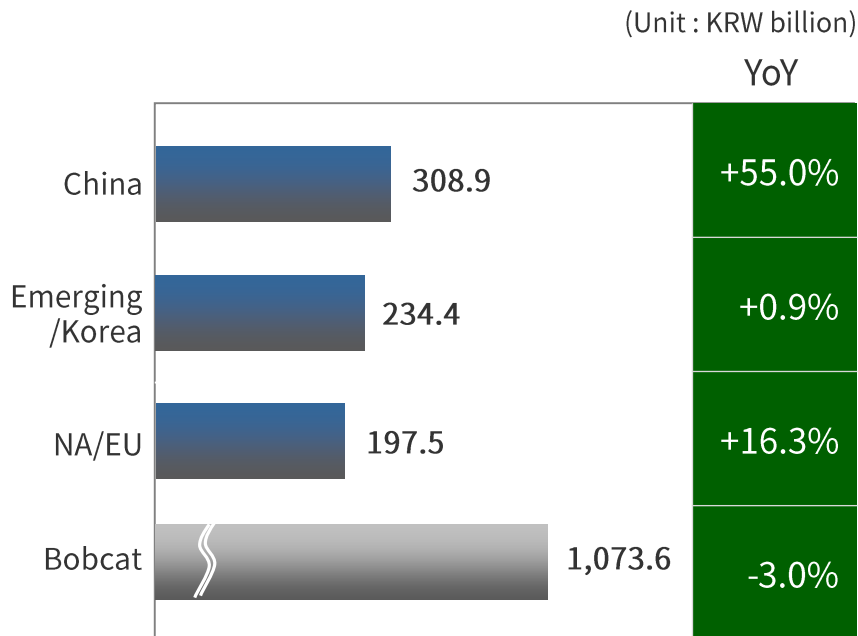
* Numbers in parenthesis are based on total sales of engine business, which includes internal sales

Note : Sales breakdown based on 3rd party revenue

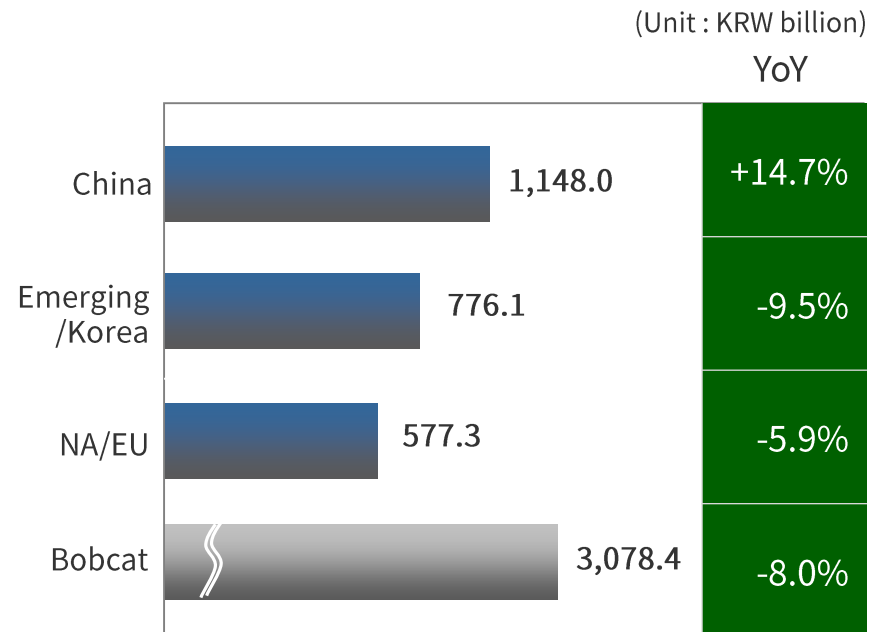
Regional breakdown (Construction equipment)

- China : Sales grew in 3Q thanks to infrastructure investment and rebuilding after the flood.
- Emerging/Korea : Despite weakness in markets such as Southeast Asia and CIS, sales grew +1% YoY thanks to market share gains.
- NA/EU : Demand started to recover from the trough in 2Q and revenue continued to grow in line with market share gains in the region.

CE regional breakdown (3Q20)



CE regional breakdown (3Q20 YTD)



Financial structure

- Despite the unfavorable impact from currency (KRW17.3bn), net debt decreased by KRW139.3bn thanks to improvement in working capital.
- Liability/equity ratio also improved by 4.4%p due to increase in net income.

Balance Sheet

(Unit : KRW billion)

	2018	2019	1Q20	2Q20	3Q20	Compared to 2019
Current Assets	4,426.8	4,304.9	5,142.8	5,035.6	4,897.9	+593.0
Fixed Assets	6,602.3	7,033.7	7,312.9	7,299.4	7,262.0	+228.3
Total Assets	11,029.2	11,338.6	12,455.7	12,335.0	12,159.9	+821.3
Total liabilities	7,208.4	7,071	7,953	7,782.4	7,506.2	+435.2
- Net Debt	2,998.9	3,022.7	3,363.7	3,259.2	2,883.4	-139.3
Total shareholder's Equity	3,820.8	4,267.6	4,502.7	4,552.6	4,653.7	+386.1
Liabilities/Equity Ratio	188.7%	165.7%	176.6%	170.9%	161.3%	-4.4%p
Net Debt/Equity Ratio	78.5%	70.8%	74.7%	71.6%	62.0%	-8.9%p

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1 3Q20 Results

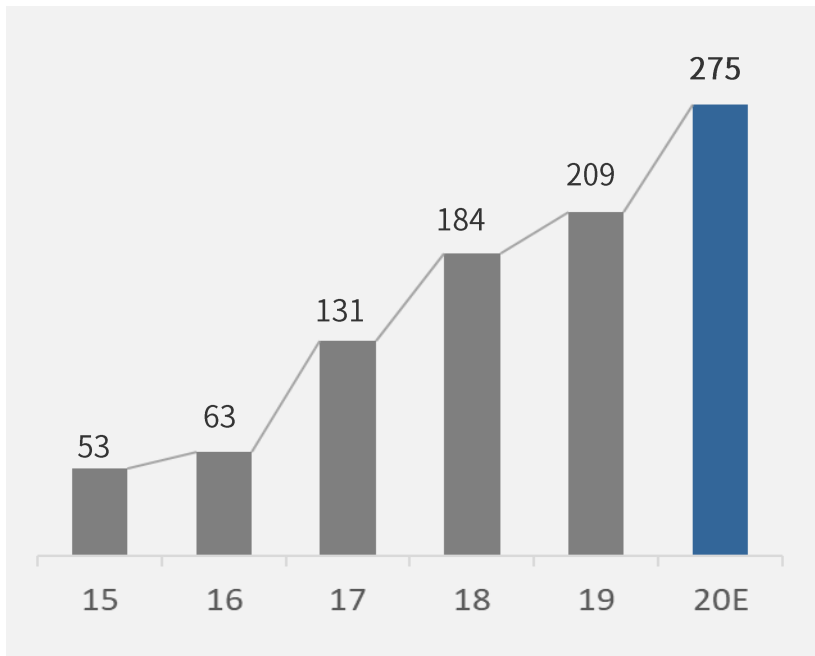
2 Highlights

Heavy (China) – Enhanced competitiveness amidst solid growth

- Excavator market surged by 63% YoY thanks to stimulus measures and rebuilding efforts after the recent flood.
- China's excavator market is forecasted at 275K units in 2020 in view of stimulus measures. We continue to expect solid demand in 2021 with the upcoming tightening of environmental regulation.
- We have consistently gained market share amongst foreign brands, which mainly target financially sound customer base.

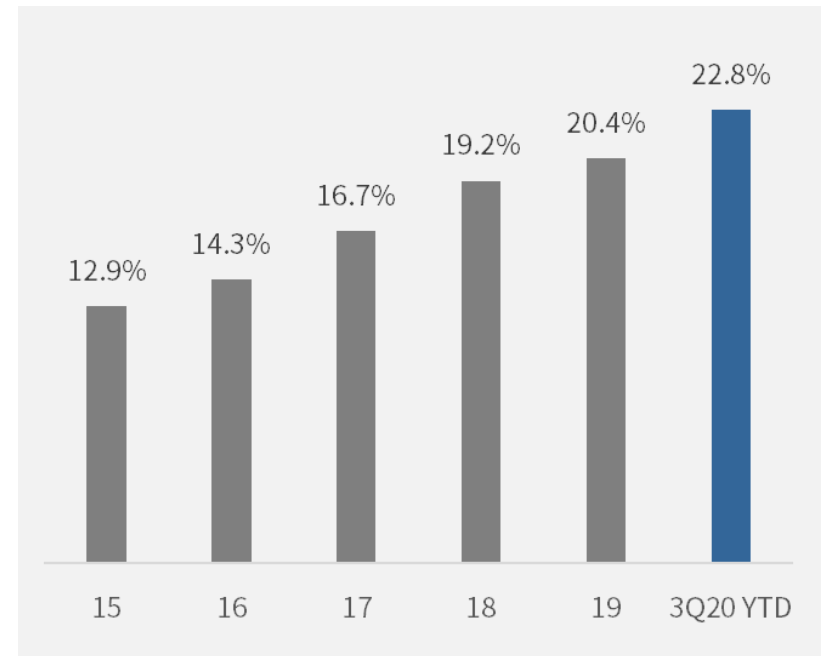
Revision of China's Outlook

(Unit : '000 units)



* Source: CCMA

DI's market share within foreign brands



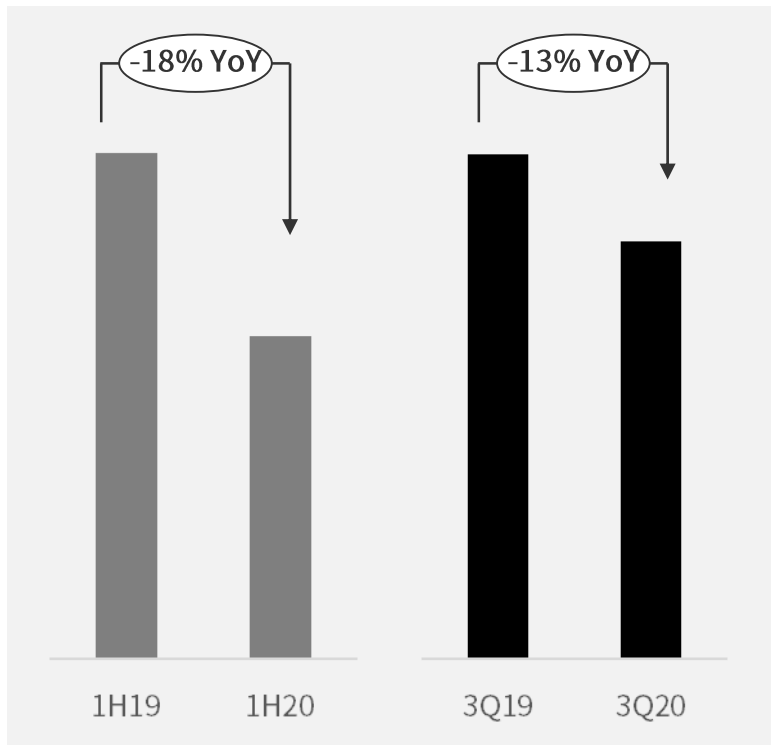
* Source: CCMA

Heavy (NA/EU) – Stable growth via market recovery and market share gains

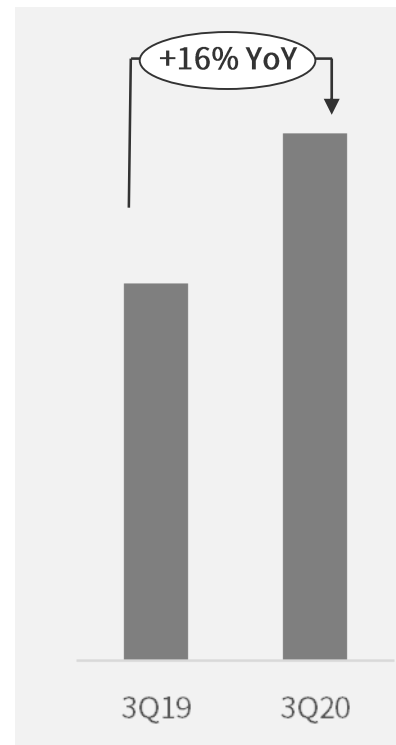
- NA/EU market in 3Q20 showed signs of recovery compared to 1H20. In particular, North America quickly turned around thanks to resumed infrastructure and construction projects.
- We continued to make progress in our market share efforts via improvement in dealer network, and volume growth in mini excavators and achieved sales growth of 16% YoY in 3Q20.

Market Trend

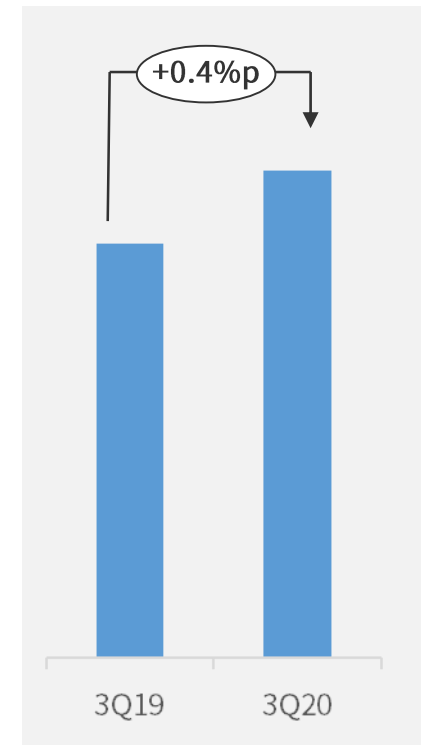
(Unit : units)



DI's sales



DI's market share

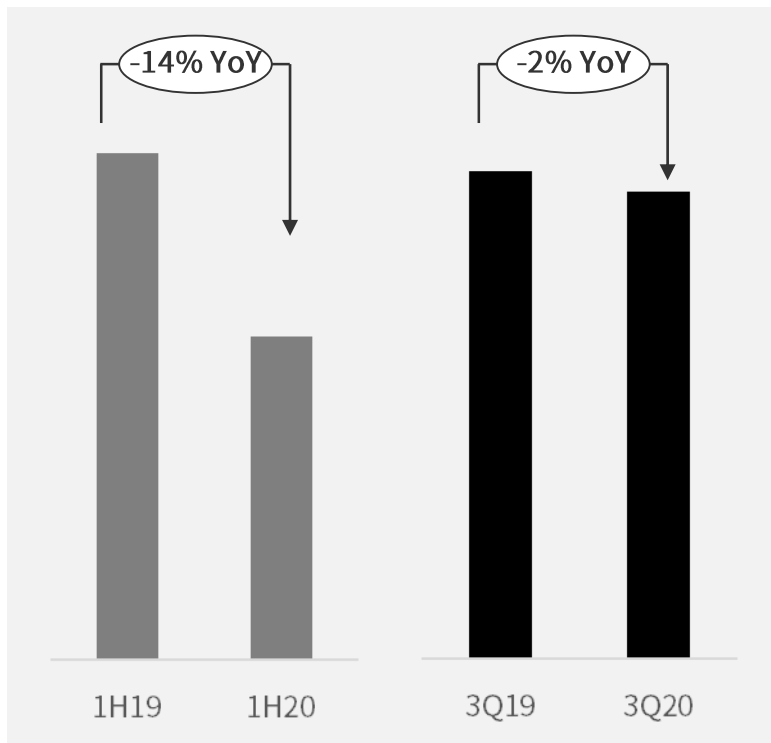


Heavy (Emerging/Korea) – Greater market share and profitability

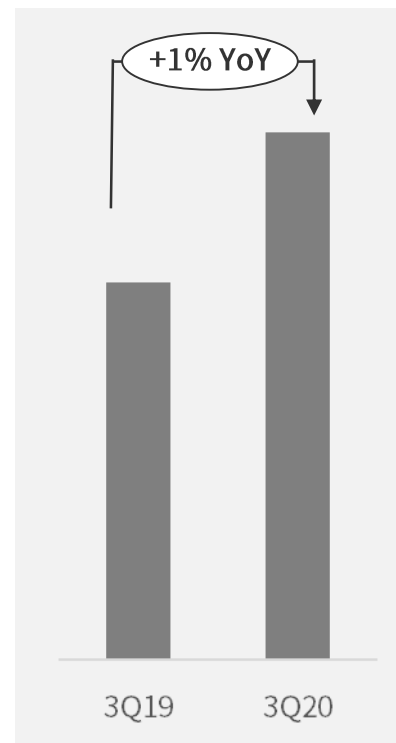
- Market declined by -2% YoY in 3Q20 due to continued weakness in markets such as Southeast Asia and CIS. However, revenue grew +1% YoY thanks to enhanced market presence.
- While we focus our efforts to manage receivable related risks in the midst of market volatility, we plan to launch new models in emerging markets ahead of expected infrastructure spending and recovery in the construction cycle in the region.

Market Trend

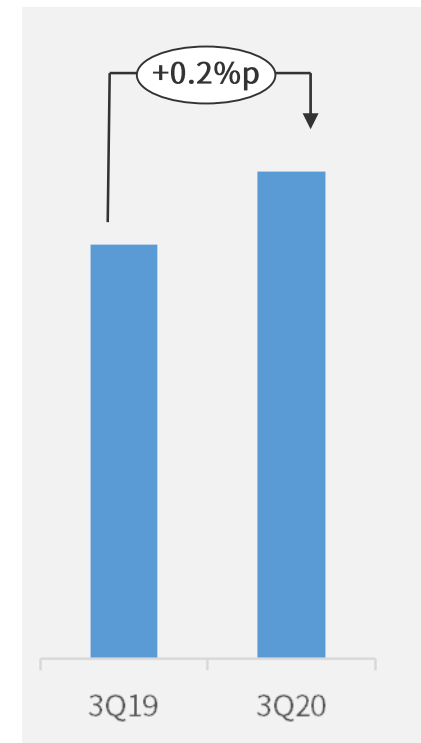
(Unit : units)



DI's sales



DI's market share





[Appendix] Business segment information

• China monthly sales volume & market share

(Unit : unit)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017	Market	3,946	13,908	20,588	13,668	10,486	8,225	6,993	7,952	9,525	9,661	12,885	12,722	130,559
	DI	295	1,202	1,701	1,217	914	766	514	554	718	769	1,165	1,036	10,851
	M/S	7.5%	8.6%	8.3%	8.9%	8.7%	9.3%	7.4%	7.0%	7.5%	8.0%	9.0%	8.1%	8.3%
2018	Market	9,547	9,723	36,643	25,034	17,780	12,449	9,316	10,087	11,702	13,490	14,150	14,269	184,190
	DI	710	1,018	3,288	2,180	1,595	1,314	613	683	860	991	1,082	1,293	15,630
	M/S	7.4%	10.5%	9.0%	8.7%	9.0%	10.6%	6.6%	6.8%	7.3%	7.3%	7.6%	9.1%	8.5%
2019	Market	10,134	17,266	41,884	26,342	16,717	12,409	10,171	11,536	13,162	14,869	17,149	17,230	208,869
	DI	701	1,603	3,439	1,802	1,088	1,074	539	629	969	1,041	1,262	1,123	15,270
	M/S	6.9%	9.3%	8.2%	6.8%	6.5%	8.7%	5.3%	5.5%	7.4%	7.0%	7.4%	6.5%	7.3%
2020	Market	7,749	6,893	46,201	43,367	29,513	21,724	16,243	18,067	22,578				212,335
	DI	370	482	3,151	3,239	2,166	1,320	943	1,126	1,551				14,348
	M/S	4.8%	7.0%	6.8%	7.5%	7.3%	6.1%	5.8%	6.2%	6.9%				6.8%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

	1Q19	2Q19	3Q19	4Q19	2019	YoY	1Q20	2Q20	3Q20	YoY
China	467.1	334.5	199.2	252.7	1,253.6	-4.7%	311.5	527.5	308.9	+55.0%
Emerging/Korea	327.4	297.5	232.4	225.1	1,082.4	-8.3%	316.2	225.5	234.4	+0.9%
NA/EU	206.4	237.2	169.8	199.0	812.4	+6.9%	198.7	181.1	197.5	+16.3%
Bobcat	1,055.4	1,182.0	1,107.3	1,114.6	4,459.3	+13.1%	1,052.8	952.0	1,073.6	-3.0%
Total	2,056.2	2,051.3	1,708.7	1,791.4	7,607.7	+5.7%	1,879.3	1,886.1	1,814.4	+6.2%

[Appendix] Doosan Bobcat – 3Q20 Results

- Sales decreased year-on-year as impact on global demand due to COVID-19 continued. However, major markets started recovery and sales grew 13% in 3Q20 compared to 2Q20.
- EBIT margin reached 10% thanks to measures such as cutback in marketing expense.

Income Statement

(Unit : KRW bn)

	3Q19	2Q20	3Q20	YoY	QoQ
Sales	1,128.0	963.8	1,084.9	-3.8%	+12.6%
EBIT	110.4	64.3	111.2	+0.8%	+73.0%
EBIT Margin	9.7%	6.7%	10.2%	+0.5%p	+3.6%p
EBITDA	133.9	94.2	142.1	+5.5%	+50.4%
Net Financial Cost	8.9	10.4	10.8	+21.7%	+4.3%
Profit before Tax	94.1	55.1	105.7	+12.4%	+91.8%
Net Profit	66.8	41.2	69.0	+3.3%	+67.6%
Net Profit Margin	5.9%	4.3%	6.3%	+0.4%p	+2.1%p

* F/X (KRW/USD) - 3Q19: KRW1,193.24/USD, 2Q20: KRW1,220.81/USD, 3Q20: KRW1,188.54/USD