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Hyundai Doosan Infracore 2022 2Q Earnings Release

July 2022



 **HYUNDAI**
DOOSAN INFRACORE

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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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2Q22 Results

- Despite solid growth of the construction equipment division in emerging markets and engine division, sales decreased -5% YoY due to sluggish demand for construction equipment in China.
- Although profitability continued to improve for the engine business, EBIT declined year-on-year as a result of issues of parts procurement and logistics as well as cost pressure from rising raw material prices.
- Deferred demand and additional price hike should continue to support sales and profitability in 2H22.

Income Statement

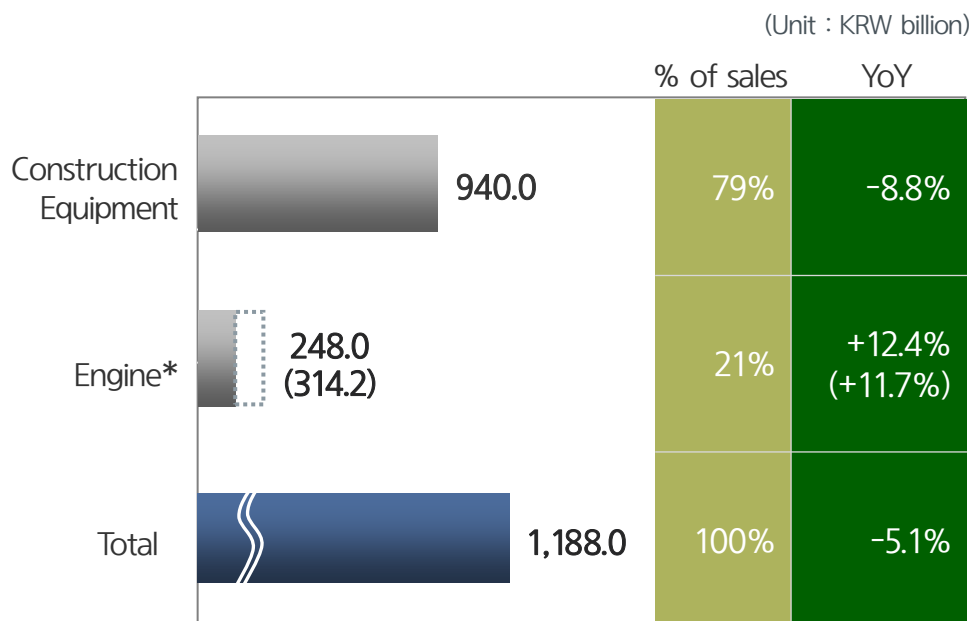
(Unit : KRW billion)

	2Q21	1Q22	2Q22	YoY	QoQ
Sales	1,251.3	1,154.5	1,188.0	-5.1%	+2.9%
EBIT	109.2	104.9	86.6	-20.6%	-17.4%
EBIT margin(%)	8.7%	9.1%	7.3%	-1.4%p	-1.8%p
(Net Financial Cost)	22.6	16.9	18.2	-19.5%	+7.7%
(F/X gains/losses)	7.1	12.4	13.1	+84.5%	+5.6%
Pretax Profit	88.4	97.3	78.8	-10.9%	-19.1%
Income/Loss from Discontinued Operations	94.9	0	0	-	-
Net Profit	156.0	74.2	57.5	-63.1%	-22.5%

2Q22 Sales & EBIT by division

- Construction Equipment : Demand remained solid in emerging and developed markets. However, sales and EBIT declined YoY due to lockdown in China, issues of parts procurement and related setback in production.
- Engine : Sales surged as a result of strong demand for generator and automotive engines thanks to global economic growth and oil price hike, while EBIT margin remained a strong double-digit.

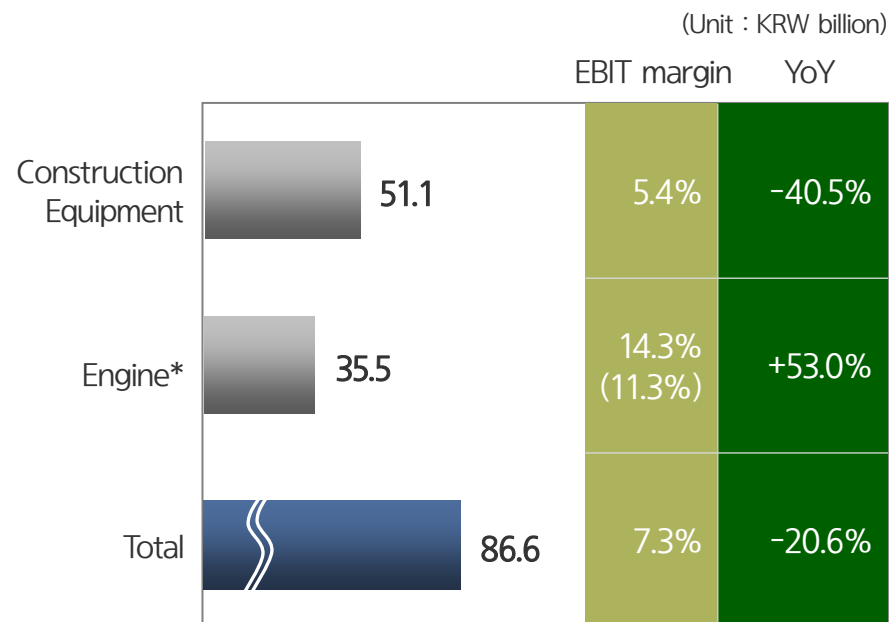
Sales



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



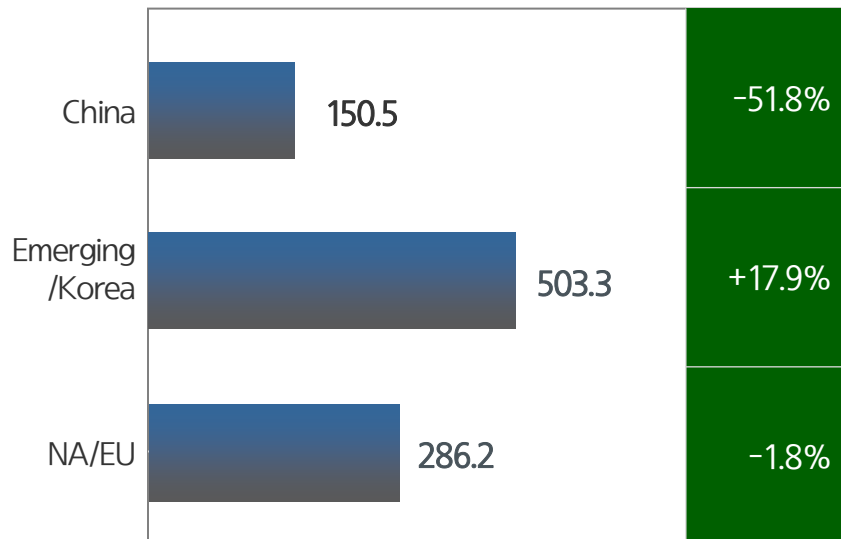
Regional breakdown (Construction Equipment)

- China : Sales continued to decrease due to slowing economy and Covid-linked lockdowns. However, we anticipate gradual recovery in demand from September in line with China's economic stimulus measures.
- 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/housing construction. However, sales were deferred to 2H due to parts procurement issues and related setback in production.

CE regional breakdown (2Q22)

(Unit : KRW billion)

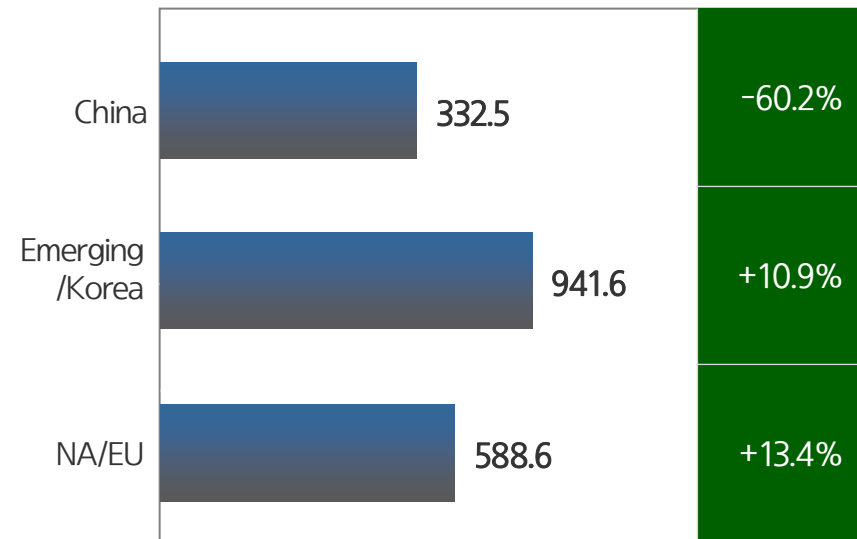
YoY



CE regional breakdown (1H22)

(Unit : KRW billion)

YoY



Financial structure

- Liabilities-to-equity ratio fell from 249% at end-2021 to 219% at end-1H22 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	1H22	Compared to 2021
Current Assets	5,049.6	3,239.9	3,387.3	+147.5
Fixed Assets	6,977.3	1,542.4	1,481.6	-60.8
Total Assets	12,026.9	4,782.3	4,868.9	+86.6
Total liabilities	7,537.9	3,412.5	3,342.6	-69.9
- Net Debt	2,505.5	1,124.8	1,332.8	+208.0
Total shareholder's Equity	4,489.0	1,369.8	1,526.2	+156.4
Net Debt/Equity Ratio	167.9%	249.1%	219.0%	-30.1%p
Current Assets	55.8%	82.1%	87.3%	+5.2%p

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1 **2Q22 Results**

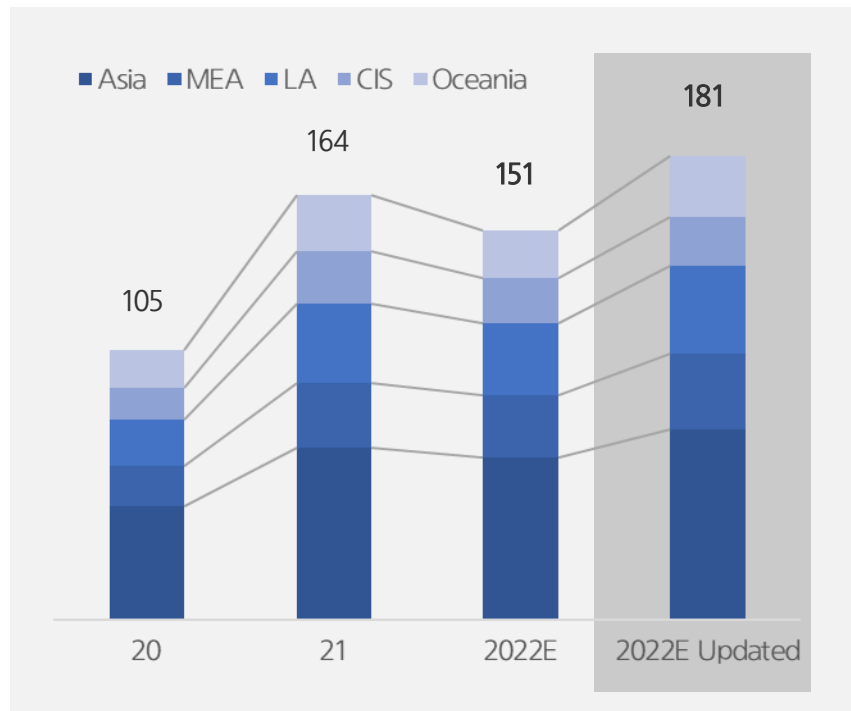
2 **Highlights**

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 continued to grow in 2Q22 thanks to infrastructure investment and rising raw material prices and as a result, we have revised up our market outlook for emerging markets.
- We have successfully won fleet deals in Southeast Asia/Middle East and Latin America, and captured demand thanks to stronger product competitiveness and utilization of China's production plant. We also endeavored to improve profitability by raising product prices and took efforts to enhance sales mix by selling more large-sized equipment.

Market Outlook

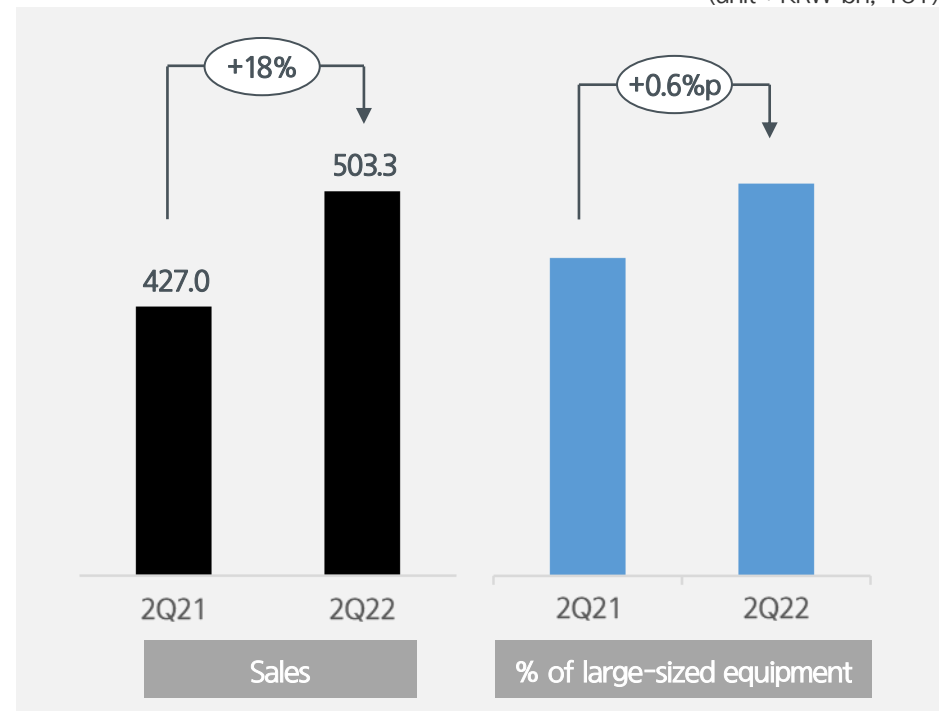
(unit : '000 units)



* Source: Company data, Excluding Korea

HDI – Sales & Change in sales mix

(unit : KRW bn, YoY)



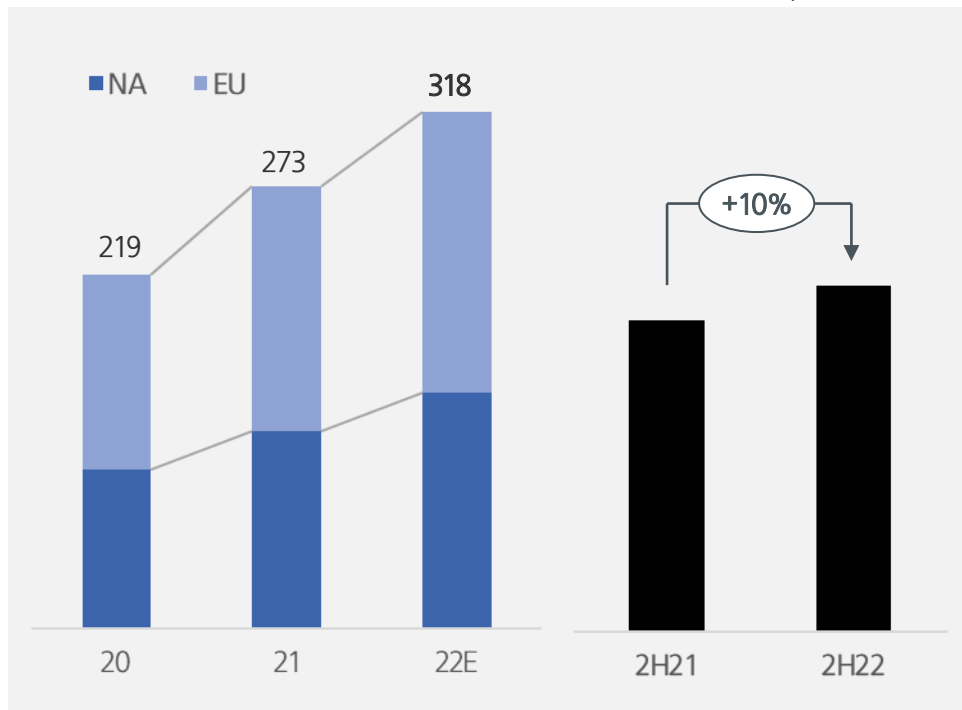
* Large-sized equipment : Above 34 tons

Construction Equipment(NA/EU)

- Developed market grew double-digit in 2Q22 thanks to demand from housing and infrastructure construction, and we continue to expect solid demand in 2H.
- Although sales were similar to last year due to production/logistics setbacks, we secured orders from key accounts on the back of our retail financing programs specifically designed for developed markets and launch of new products such as dozers last June. Going forward, we expect greater sales and profitability thanks to strong order backlogs and additional price hikes in the region.

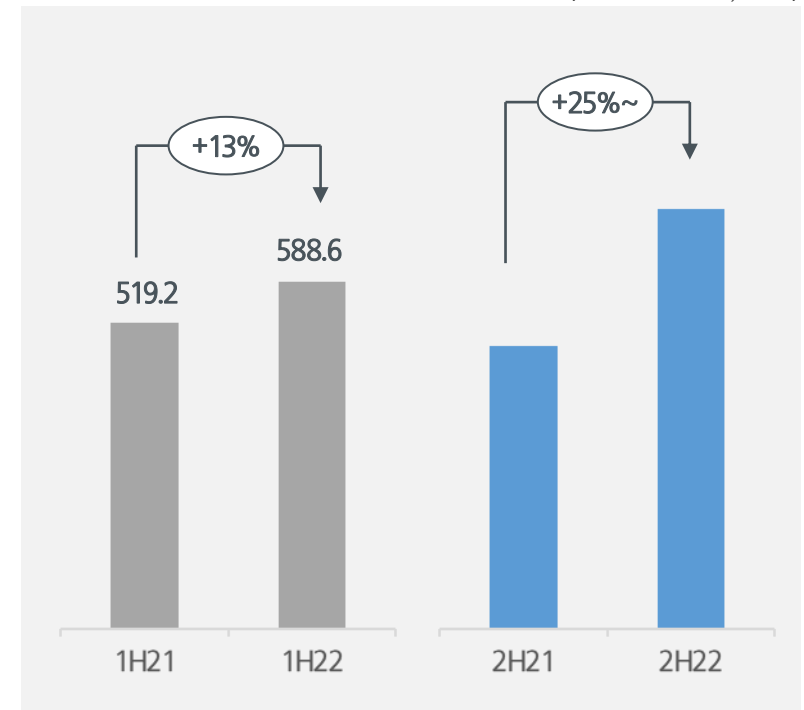
Market outlook – FY22 and 2H22

(unit : '000 units)



HDI – 1H Sales & 2H Outlook

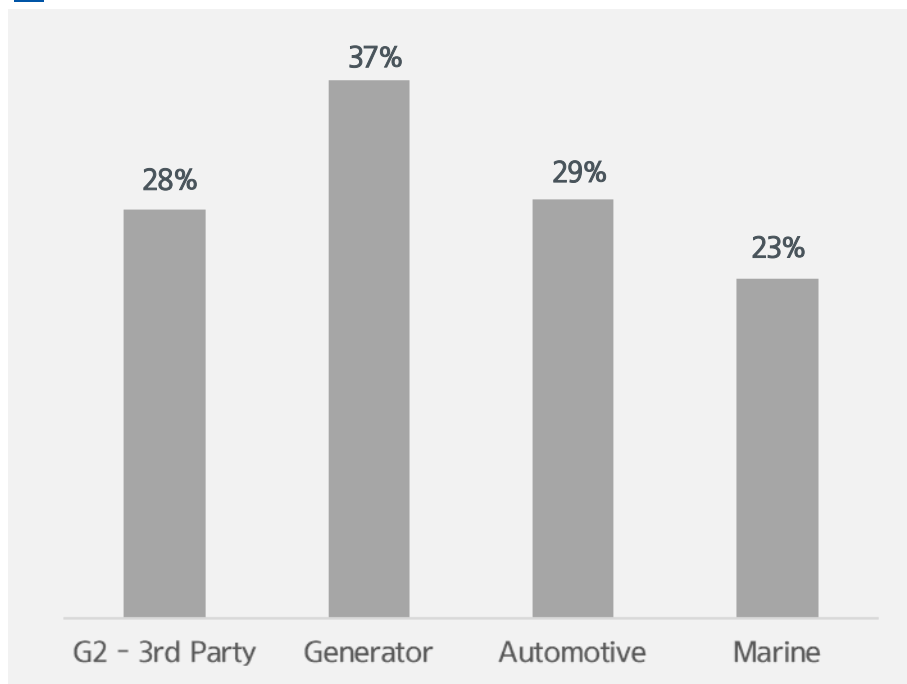
(unit : KRW bn, YoY)



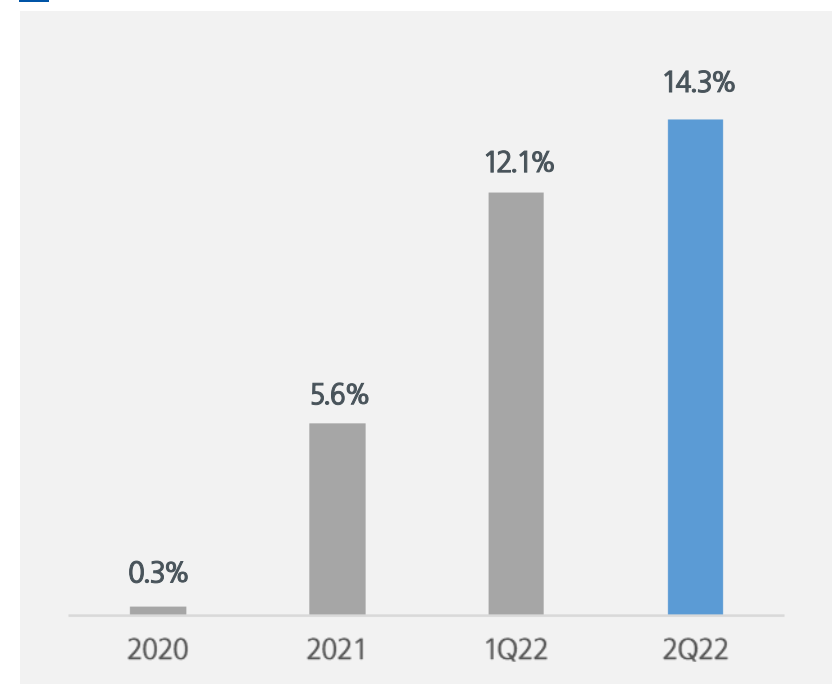
Engine

- Engine sales grew remarkably thanks to global economic growth and oil price hike. Operating leverage stemming from sales volume growth and profitable aftermarket sales also contributed towards improvement in profitability.
- Recent news of specialty engine exports, diversification of customers om North America for profitable gas generator engines and full-fledged launch of the engine aftertreatment business are part of our effort to grow our topline.
- We expect mid/long-term growth by securing competitiveness for future powertrain in line with tighter emission regulations and accelerating trend towards eco-friendly/carbon-neutrality.

HDI – Volume growth by products(1H22)



HDI – Profitability trend



Efforts to enhance shareholders' value – Dividends & R&D

- We plan to take various measures to return value back to our shareholders and as a first step, we will resume cash dividends for the fiscal year of 2022.
- We have recently begun to commercialize our digital technology by forming MOUs with construction companies to establish Smart Construction sites. Furthermore, we will continue to improve our enterprise value by consistently investing into R&D to secure eco-friendly technologies and new growth drivers.

Dividends

- Plan to resume cash dividends for fiscal year of 2022, which is the first time in 14 years since the last dividend payout in 2009.
- In the long run, HDI plans to pay dividends on par with KOSPI average payout ratio or dividend yield.

R&D as % of sales

