



Doosan Infracore

Doosan Infracore

# 2018 2Q Earnings Release

July 2018



# 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.

While the statements in this presentation represent our current assumptions plans and expectations and we believe these judgments are reasonable they are not guarantees of future performance and involve known and unknown risks uncertainties such as FX & raw material costs and other factors that may cause actual results to differ materially from the results performance achievements or financial position expressed or implied in this presentation.

This presentation is provided only as a reference material. It does not constitute or form part of an offer, invitation or recommendation to purchase any securities. Doosan Infracore assumes no responsibility for investment decisions. We trust your decisions will be based on your own independent judgment.

# Table of Contents

---

**1** 2Q18 Results

**2** Highlights

# 2Q18 Results

- Sales increased 21% year-on-year thanks to continued favorable trends in all businesses.
- EBIT improved 27% year-on-year primarily due to sales growth and improved profitability.
- Net profit increased 71% year-on-year, despite F/X losses during the quarter.

## Income Statement

(Unit : KRW billion)

	2Q17	1Q18	2Q18	YoY	QoQ
Sales	1,773.4	1,956.9	2,144.1	+20.9%	+9.6%
EBIT	214.7	241.6	273.1	+27.2%	+13.0%
EBIT margin(%)	12.1%	12.3%	12.7%	+0.6%p	+0.4%p
(Net Financial Cost)	45.4	47.7	46.2	+1.8%	-3.0%
(F/X gains/losses)	7.8	13.1	-18.3	-	-
Net Profit	83.6	141.4	142.8	+71.0%	+1.0%

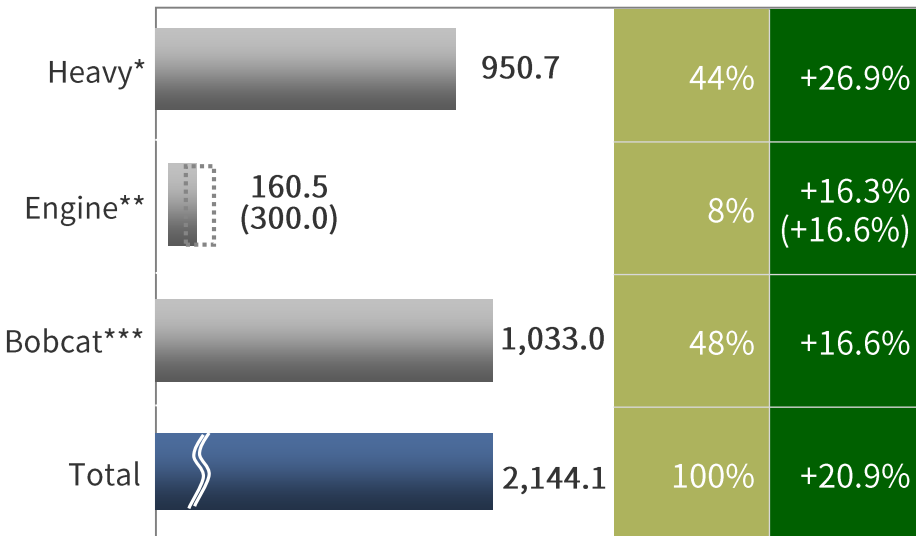
# 2Q18 Sales and EBIT by division

- Heavy : Heavy business led the overall sales growth. EBIT margin improved 1.9%p YoY thanks to operating leverage.
- Engine : Revenue grew both from internal and external sales, while profitability grew at an accelerated pace (+2.1% YoY) thanks to product mix improvement.
- Bobcat : Sales growth accelerated and EBIT continued to grow year-on-year.

## Sales

(Unit : KRW billion)

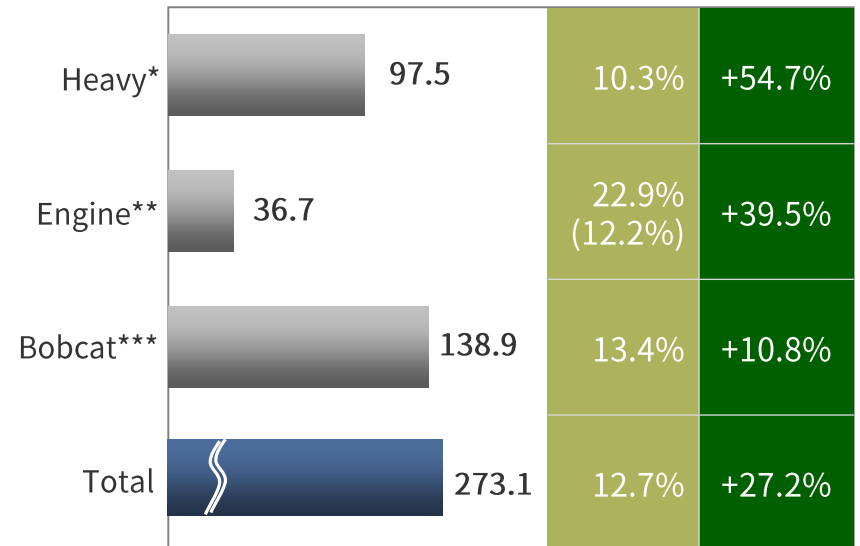
% of sales YoY



## EBIT & Margin

(Unit : KRW billion)

% of sales YoY



\* Includes NA/EU Heavy from 1Q18

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

\*\*\* Excludes NA/EU Heavy from 1Q18

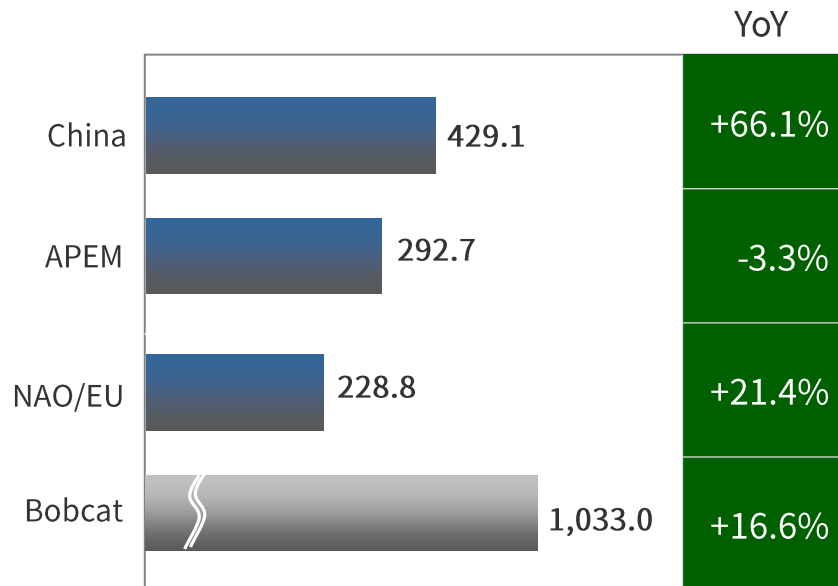
Note : Sales breakdown based on 3<sup>rd</sup> party revenue

# Regional breakdown (Construction equipment)

- China : Sales surged in 2Q thanks to strong demand + benefits from stronger environmental regulations + market share gains.
- APEM : Temporary slowdown in sales due to lower demand in Korea and supply shortage in Southeast Asia, but should rebound in 2H.
- NAO/EU : Continued sales growth in developed markets backed by solid demand and enhanced sales channel.
- Bobcat : Steady sales by region and products due to seasonality and demand growth.

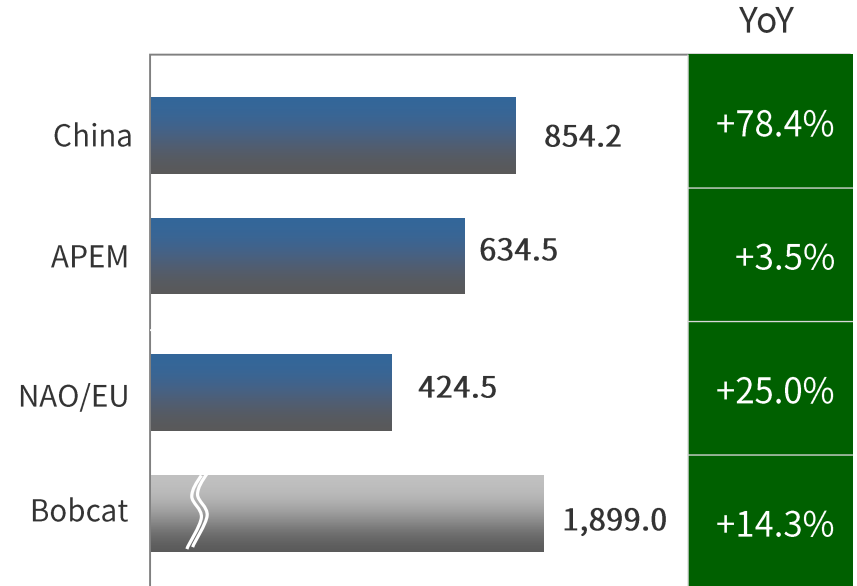
## CE regional breakdown(2Q18)

(Unit : KRW billion)



## CE regional breakdown(1H18)

(Unit : KRW billion)



# Financial structure

- Net debt : Increased by KRW74.6bn. However, actual net debt declined by KRW109.2bn if we exclude the impact from currency (KRW87.6bn) and increase in net debt by KRW96.2bn at DCFL, which is our captive financing arm in China.
- Liability to equity ratio : Declined by -10%p thanks to increase in net profit.

## Balance Sheet

(Unit : KRW billion)

	2017	1Q18	2Q18	Compared to 2017
Current Assets	3,767.4	4,350.4	4,436.3	+668.9
Fixed Assets	6,508.7	6,530.3	6,600.7	+92.0
Total Assets	10,276.1	10,880.7	11,037.0	+760.9
Total liabilities	7,102.9	7,538.9	7,515.3	+412.4
- Net Debt	3,618.6	3,500.7	3,693.2 *	+74.6
Total shareholder's Equity	3,173.2	3,341.8	3,521.7	+348.5
Liabilities/Equity Ratio	223.8%	225.6%	213.4%	-10.4%p

\* Net debt at DCFL(Doosan China Financial Leasing Corp., Captive financing arm in China) increased by KRW96.2bn compared to end-2017

# Table of Contents

---

**1** 2Q18 Results

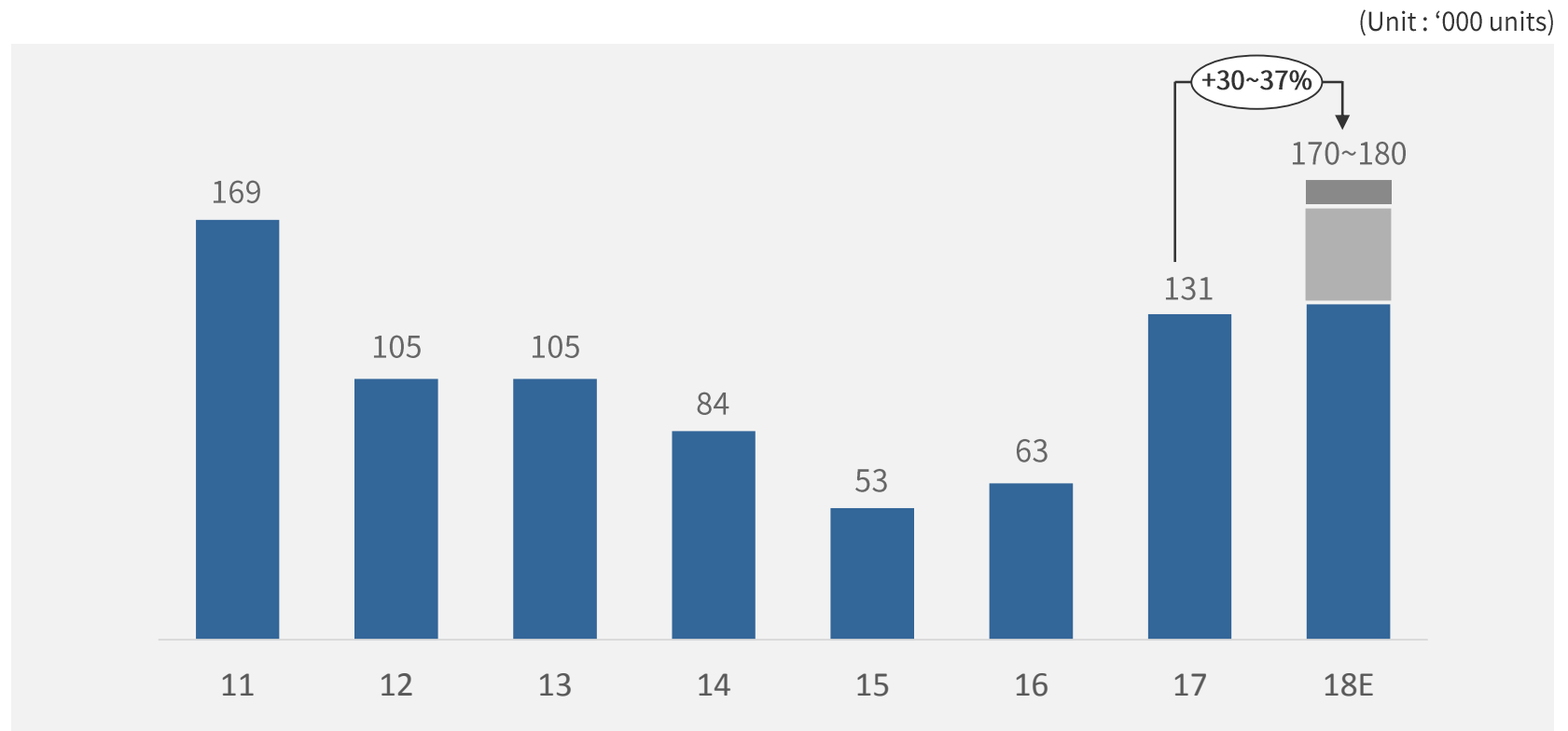
**2** Highlights



# Heavy (China) – Upward Revision of Outlook

- Reflecting our outlook for 2H18 based on infrastructure investment, growing demand from the mining industry and replacement demand stemming from stricter environmental regulations, we upwardly revise our 2018 outlook for Chinese excavator market volume to 170-180K units, exceeding the peak of 2011.

## Outlook : Excavator market in China

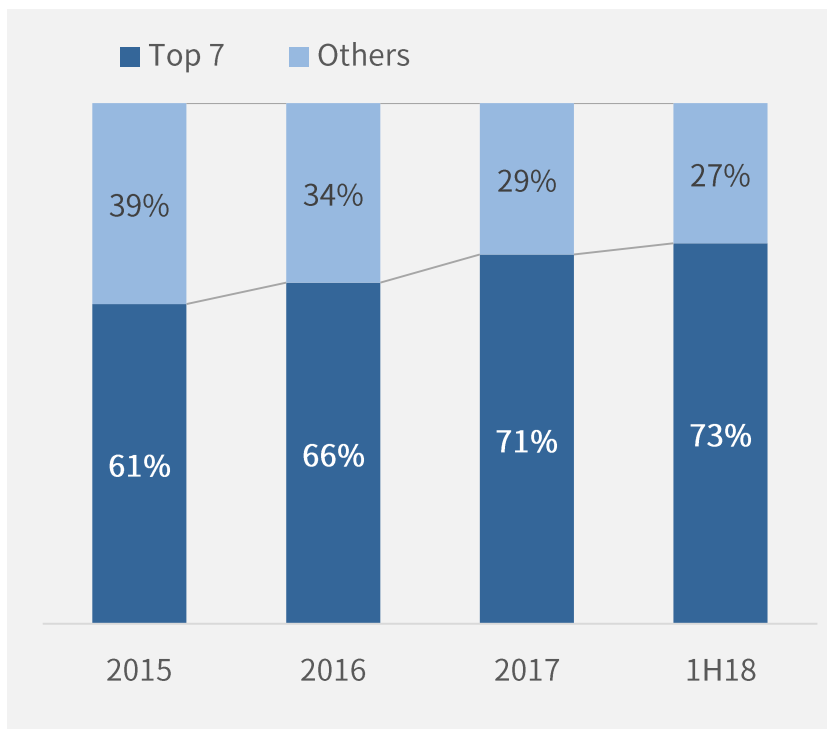


\* Source: CCMA

# Heavy (China) – Enhanced competitiveness amidst market consolidation

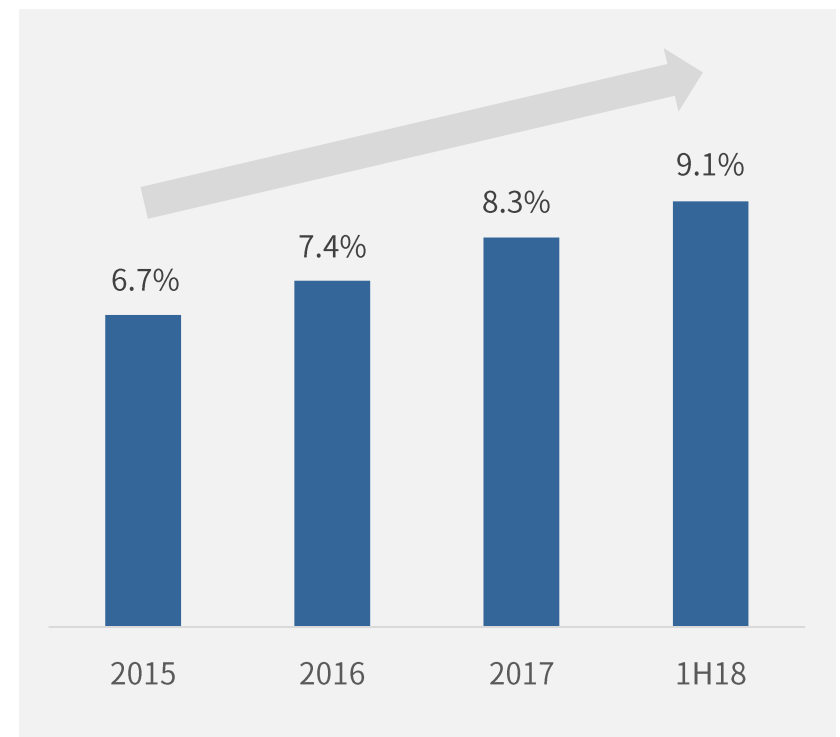
- With market consolidation in China, market share of top seven players has reached 73%.
- DI's market share has also improved on the back of 1) launch of competitive products and 2) stronger sales channel.

M/S trend in China (Top 7 vs Others)



\* Source: CCMA

DI's M/S trend in China

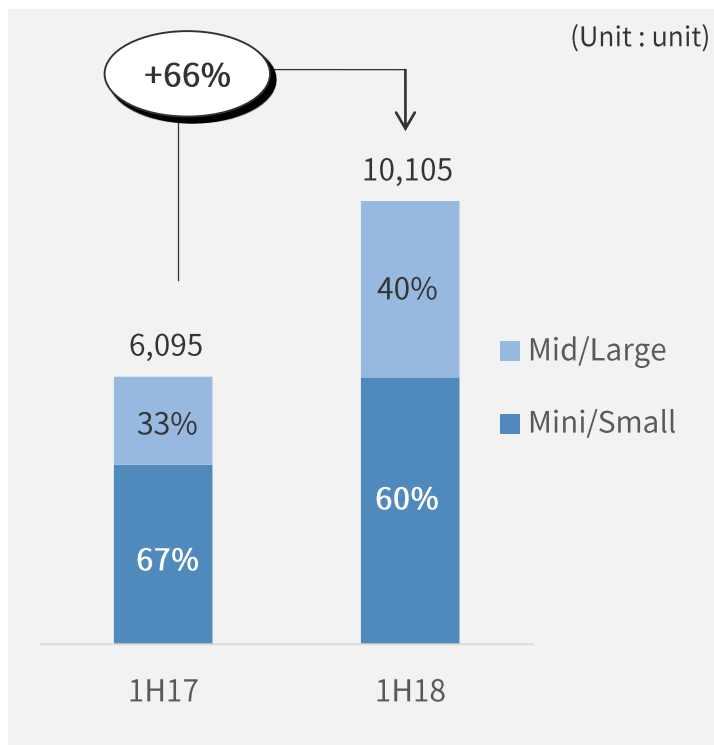


\* Source: CCMA

# Heavy (China) – Sales with both profitability and stability

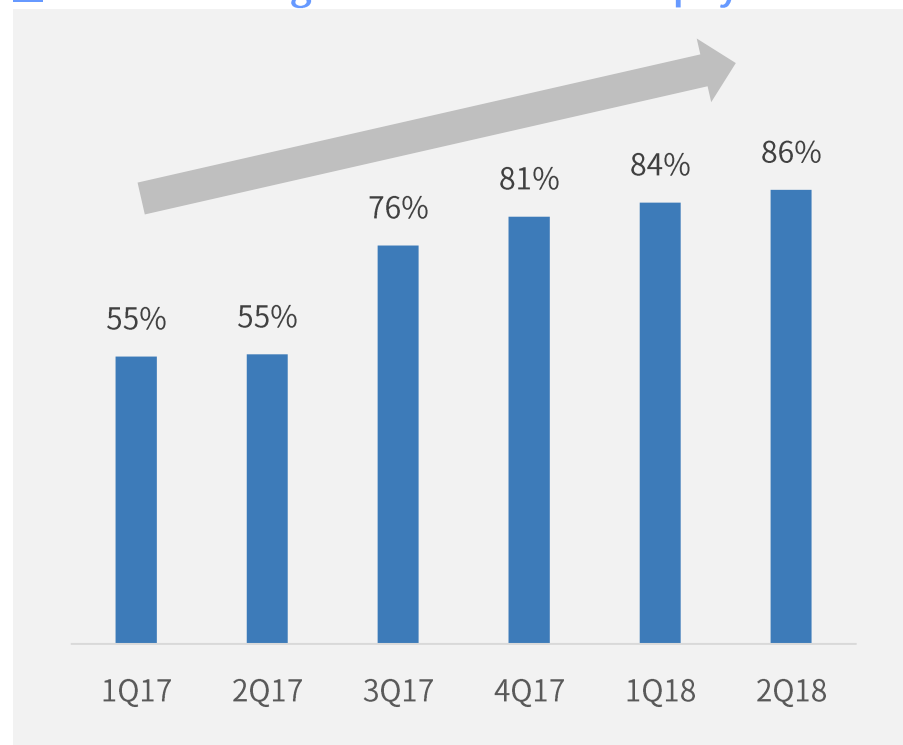
- Sales contribution from mid/large-sized excavators increased to 40% in 1H18 as a result of growing demand from infrastructure/mining industries. Price hike in 2H should continue to buoy our profitability.
- DI continues to expand cash sales and sales with high level of advanced payment to minimize the risk of sales receivables and maintain stable cash flow.

## DI's sales volume & mix trend



\* Source: CCMA

## Sales of cash sales + sales with high level of advanced payment\*



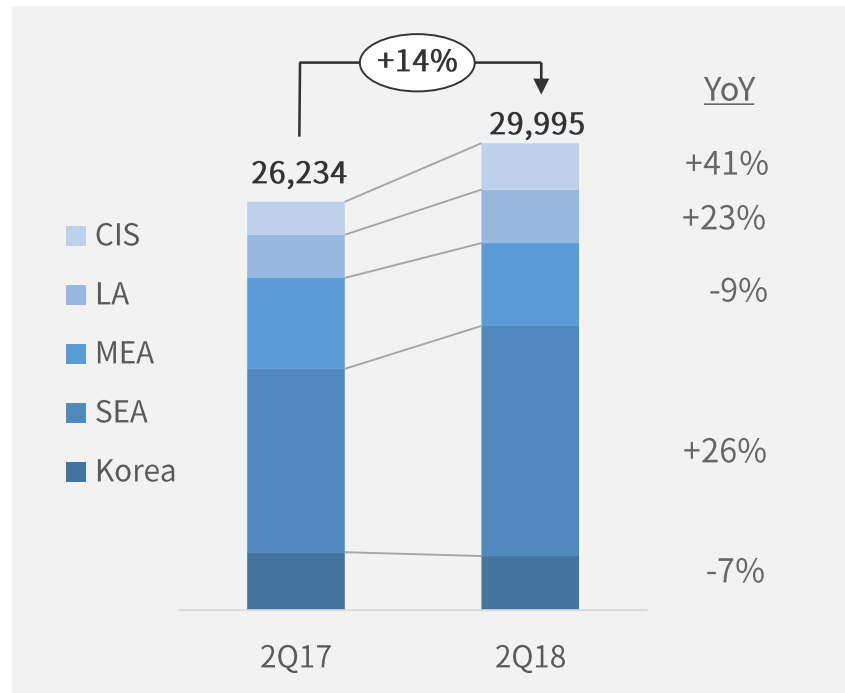
\* Sales with high level of advanced payment : Sales with 60% or more advanced payment within 1 year, Company data

# Heavy (APEM) – Temporary setback in SEA during 2Q

- Market demand in APEM continued to grow by 14% YoY in 2Q18 excluding Korea and MEA.
- We strategically focused more on highly profitable due to shortage in some key components and sales in SEA remained flat year-on-year. In other regions, DI outperformed the market growth.
- DI continues to work on channel expansion and sales activities for fleet orders. Furthermore, it is solidifying its presence in key markets such as Myanmar and raising prices to improve profitability.

## Market volume in APEM

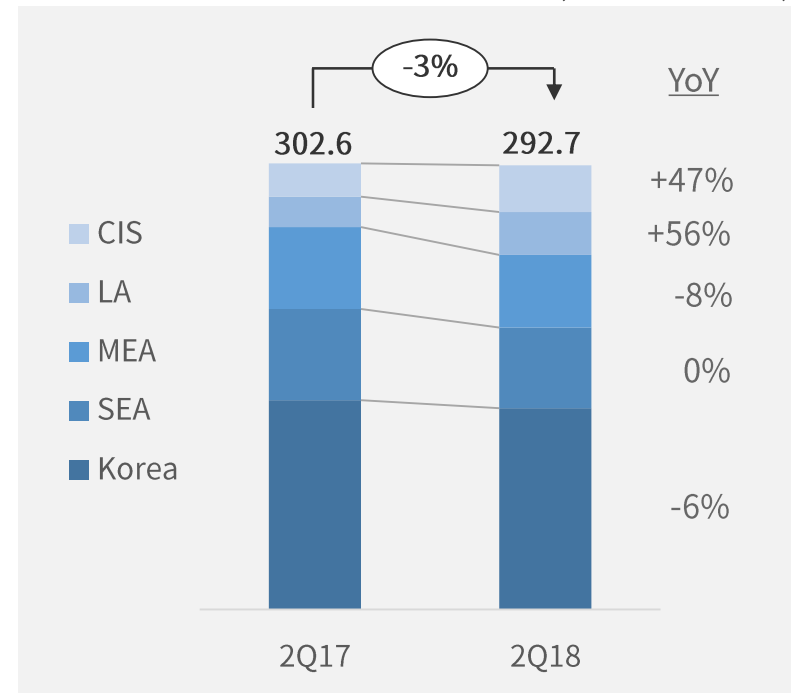
(Unit : unit)



\* Source: Company data

## DI's sales trend in APEM

(Unit : KRW billion)



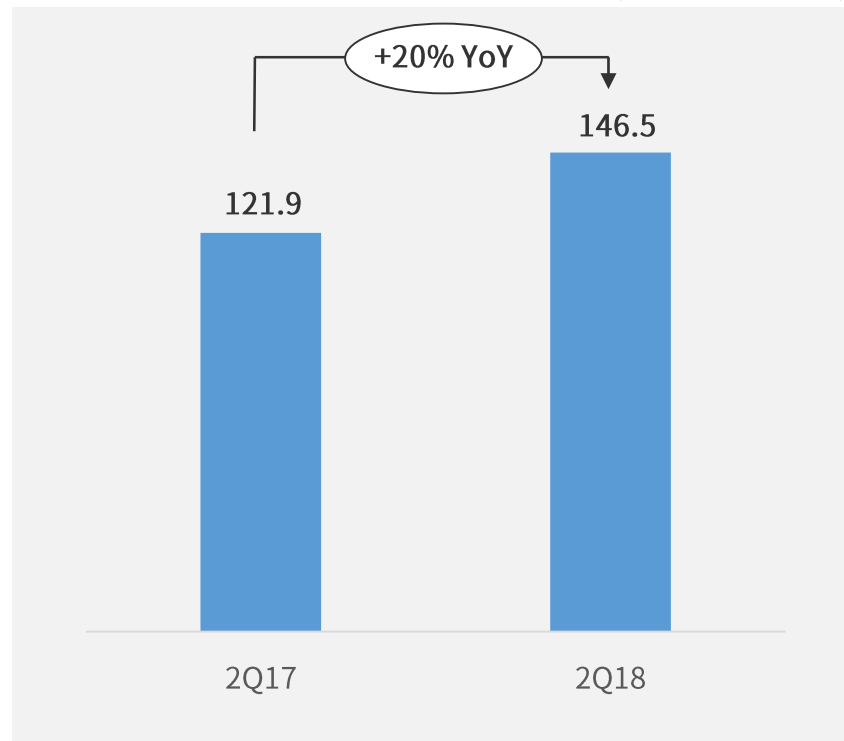
\* Source: Company data

# Heavy (NAO/EU) – Market demand growth + Market share gain

- NAO/EU sales grew by more than 20% year-on-year in 2Q18 on the back of economic recovery of developed markets and construction demand for housing and infrastructure.
- As evidenced by the supply shortage in the market, demand in NAO remained strong and DI is endeavoring to expand its dealer network.
- Demand in EU was supported by infrastructure investment and DI also gained market share.

## DI's Sales trend in EU

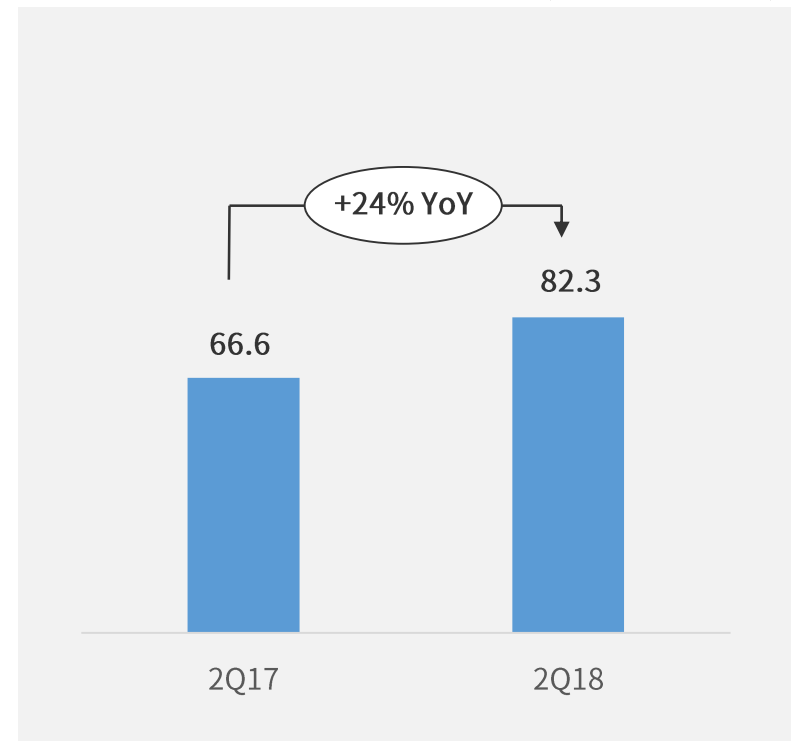
(Unit : KRW billion)



\* Source: Company data

## DI's Sales trend in NAO

(Unit : KRW billion)



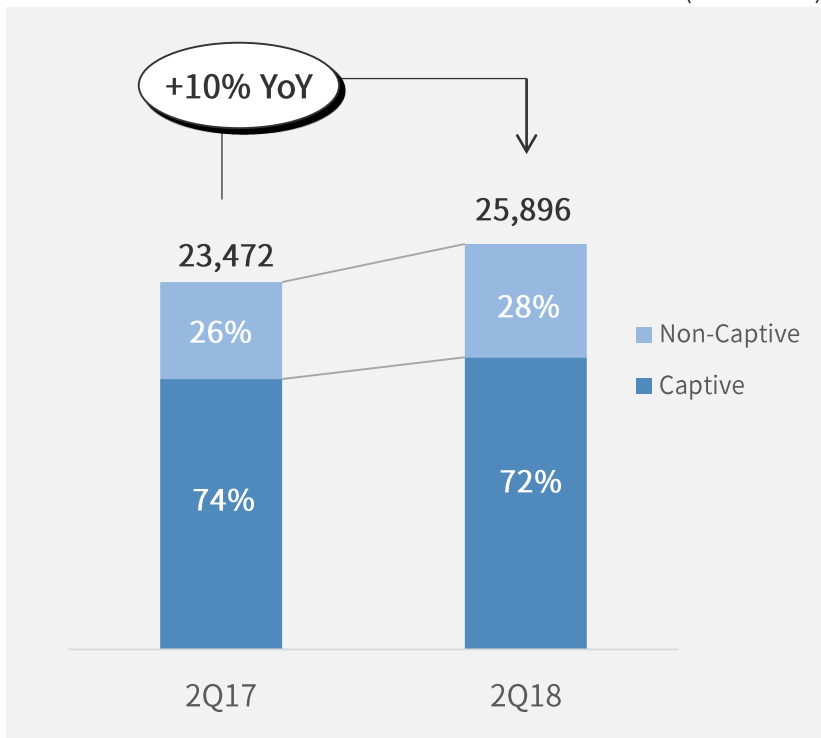
\* Source: Company data

# Engine – Expansion in both internal/external sales + profit improvement

- Sales volume increased substantially for external sales, particularly for vehicle engines and generator engines related to US shale gas production.
- EBIT margin improved in line with volume growth and product mix improvement.
- Efforts towards new biz opportunities are likely to bear fruit with the upcoming change in emission standard to Stage5 in 2019.

## Sales volume by segment

(Unit : unit)



\* Figures based on total sales, which includes internal sales

## EBIT improvement trend



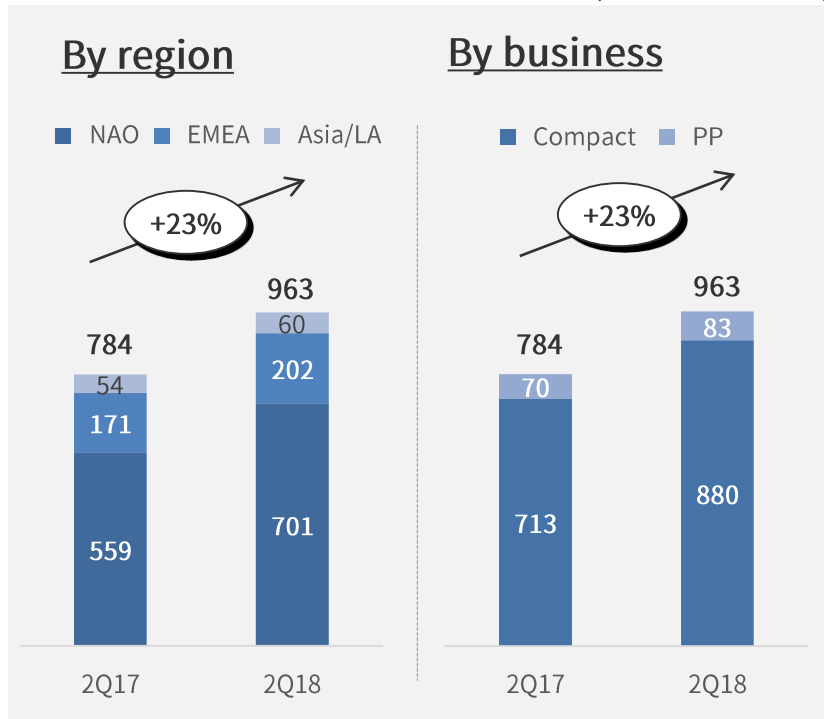
\* Figures based on total sales, which includes internal sales

# Doosan Bobcat – Highest quarterly sales in NAO/EMEA within last three years

- Sales increased steadily in all regions and business segments during 2Q thanks to favorable market demand. In particular, NAO and EMEA recorded the highest quarterly sales within the last three years.
- Based on solid performance and early debt repayment, DBI secured sound financial stability.

## Sales by Region/Business

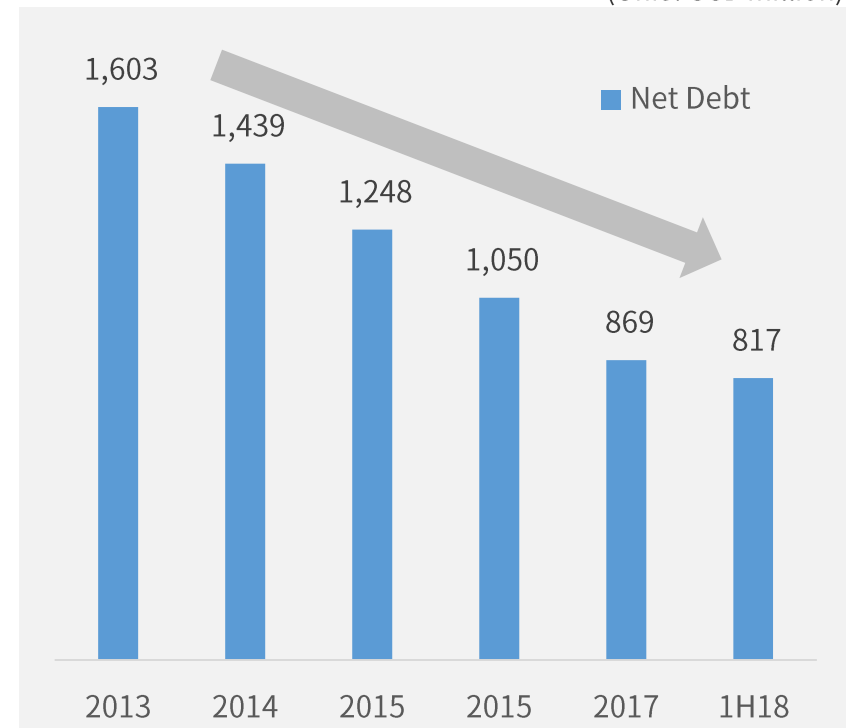
(Unit : USD million)



\* Source: Company data

## Annual net debt trend

(Unit : USD million)



\* Source: Company data





# [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
2015	Market	3,437	2,417	11,995	8,837	5,120	3,555	2,600	2,529	2,689	2,987	3,249	3,460	52,875
	DI	179	153	828	613	360	250	165	163	198	191	191	235	3,526
	M/S	5.7%	6.6%	7.5%	6.9%	7.0%	7.0%	6.3%	6.4%	7.4%	6.4%	5.9%	6.8%	6.7%
2016	Market	2,483	3,199	13,096	6,462	4,778	3,651	3,093	3,859	4,856	5,344	5,934	6,158	62,913
	DI	167	278	1,001	517	387	233	230	261	343	398	449	385	4,649
	M/S	6.7%	8.7%	7.6%	8.0%	8.1%	6.4%	7.4%	6.8%	7.1%	7.4%	7.6%	6.3%	7.4%
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							111,176
	DI	710	1,018	3,288	2,180	1,595	1,314							10,105
	M/S	7.4%	10.5%	9.0%	8.7%	9.0%	10.6%							9.1%

## • Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

Region	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	YoY
China	220.4	258.4	175.7	262.2	916.8	425.1	429.1	+66.1%
APEM	310.7	302.6	258.3	216.1	1,087.7	341.8	292.7	-3.3%
NAO/EU	151.3	188.5	177.5	161.8	679.1	195.6	228.8	+21.4%
Bobcat	776.1	885.9	834.3	886.2	3,382.6	866.0	1,033.0	+16.6%
Total	1,458.5	1,635.4	1,445.9	1,526.4	6,066.1	1,828.6	1,983.6	+9.6%