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2023 3Q Earnings Release

October 2023



DEVELON

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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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3Q23 Results

- Sales decreased due to weakness in Asian markets including Korea and China, despite solid performance from the construction equipment division in developed markets and engine division.
- However, EBIT continued to grow by +20% YoY thanks to enhanced product mix, price hike and improvement in cost structure as part of company-wide effort towards profitability.

Income Statement

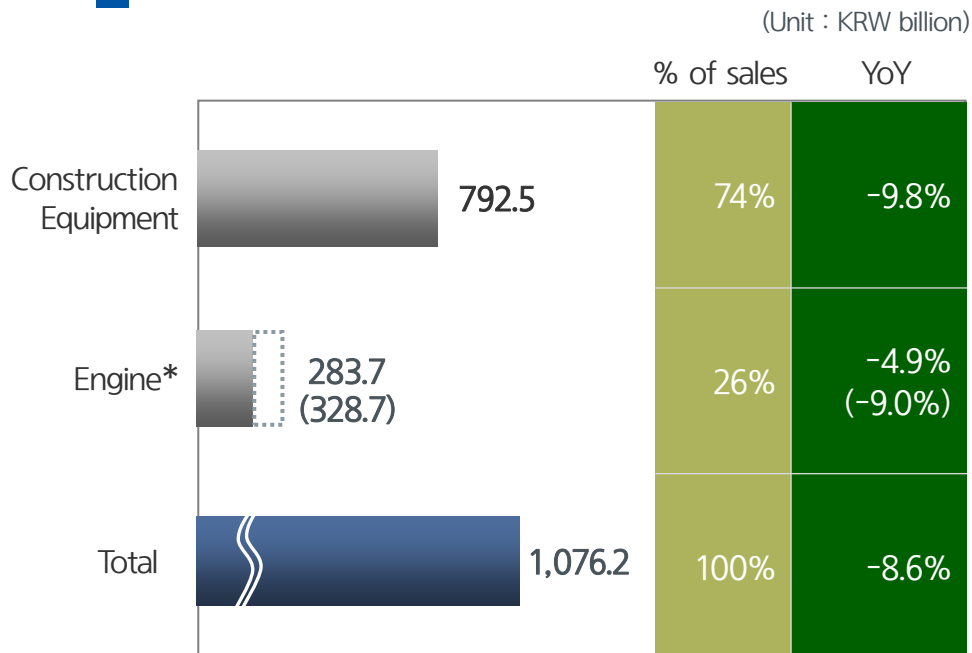
(Unit : KRW billion)

	3Q22	2Q23	3Q23	YoY	QoQ
Sales	1,176.9	1,314.0	1,076.2	-8.6%	-18.1%
EBIT	74.7	162.0	89.7	+20.0%	-44.7%
EBIT margin(%)	6.3%	12.3%	8.3%	+2.0%p	-4.0%p
(Net Financial Cost)	15.8	15.9	14.9	-5.7%	-6.3%
(F/X gains/losses)	38.3	7.3	5.1	-86.6%	-30.2%
Pretax Profit	89.9	152.9	71.1	-21.0%	-53.5%
Net Profit	65.1	113.2	49.0	-24.7%	-56.7%

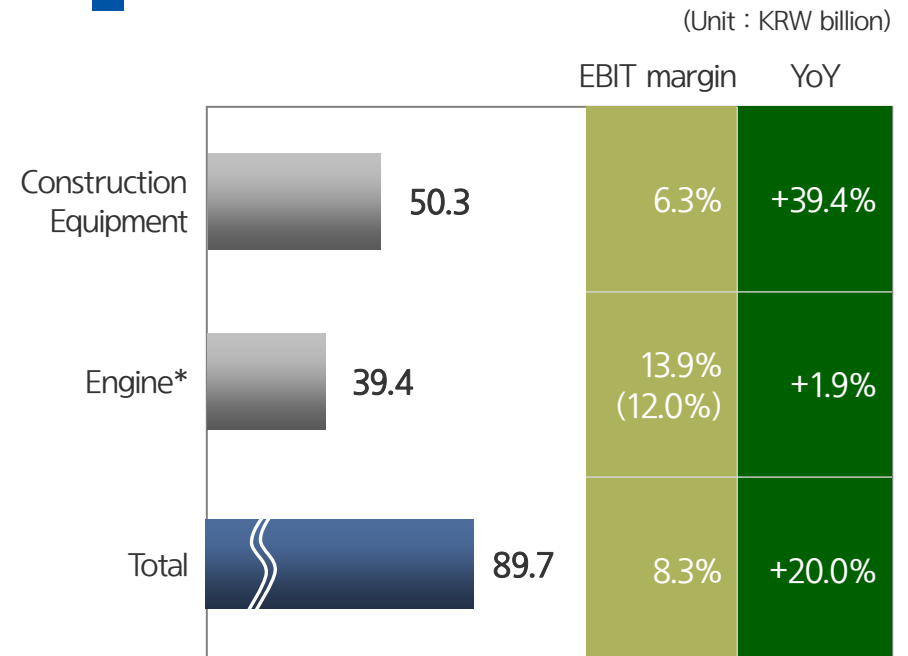
3Q23 Sales & EBIT by division

- Construction Equipment : Sales declined due to weakness in Asian markets, but EBIT grew year-on-year due to enhanced profitability in developed and emerging markets.
- Engine : Sales remained stable thanks to vehicle, materials/parts and defense engine sales, while EBIT margin remained a stable double-digit in view of price hike and product mix improvement.

Sales



EBIT & Margin



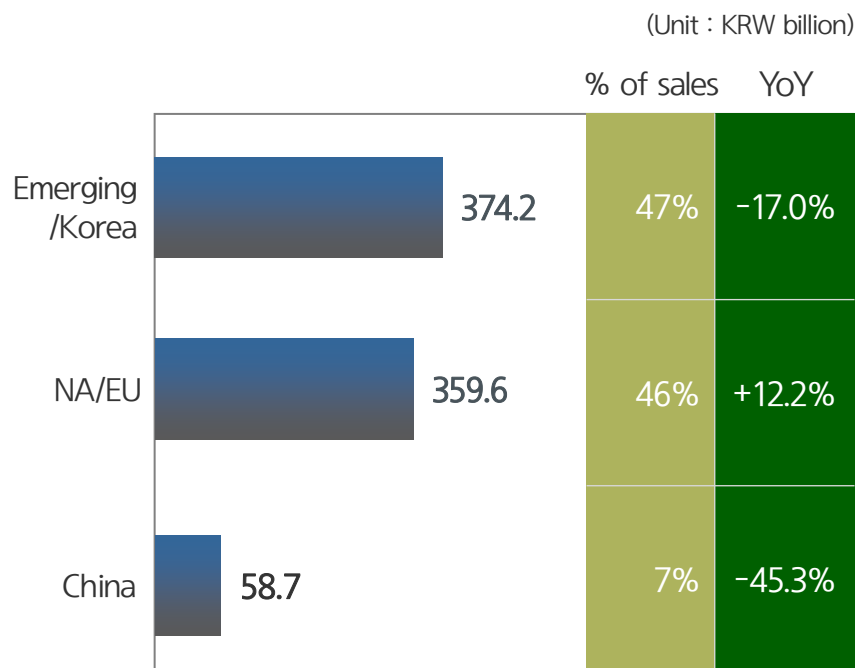
Note : Sales breakdown based on 3rd party revenue

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

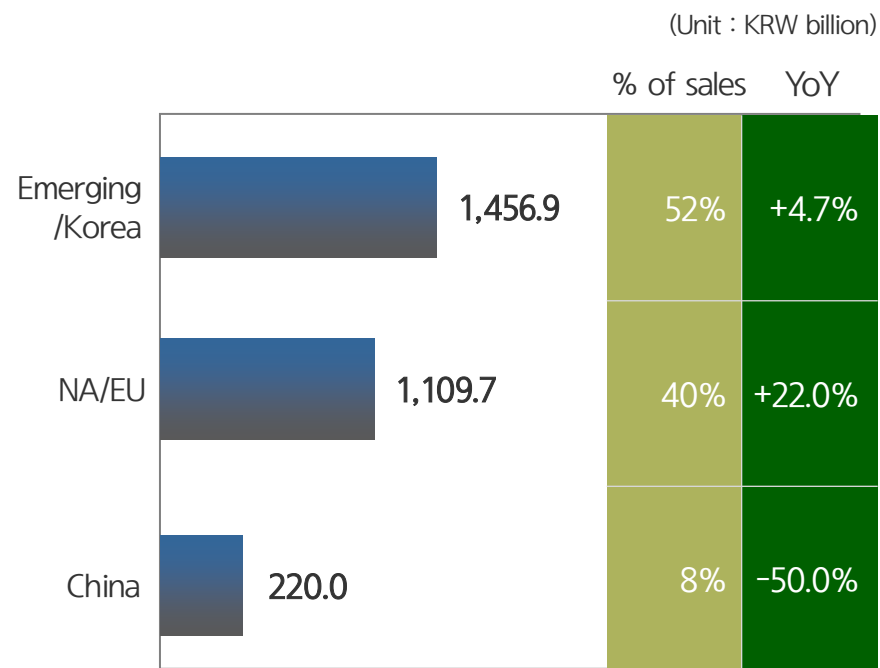
Regional breakdown (Construction Equipment)

- Emerging/Korea : Sales declined due to global tightening measures and particularly weak demand in Asia. However, demand in Middle East stayed firm, and our presence was further solidified in Latin America and Oceania.
- NA/EU : Market in North America continued to grow. Market in Europe declined, however, demand within Europe for regeneration of inner cities remained stable. Furthermore, EBIT increased double-digit thanks to price hike and enhanced product line-up.

CE regional breakdown (3Q23)



CE regional breakdown (3Q23 YTD)



Financial structure

- Net debt decreased by KRW77.8 billion compared to end-2022 thanks to increase in net profit.
(Net debt-to-equity ratio improved by 13.1%p compared to end-2022.)
- Going forward, we expect to lower net debt to less than KRW1tr at end-2023 in line with debt maturity schedule.

Balance Sheet

(Unit : KRW billion)

	2021	2022	3Q23	Compared to end-2022
Current Assets	3,239.9	3,130.9	3,200.2	+69.3
Fixed Assets	1,542.4	1,605.8	1,559.8	-46.0
Total Assets	4,782.3	4,736.7	4,760.0	+23.3
Total Liabilities	3,412.5	3,101.6	2,901.5	-200.1
- Net Debt	1,124.8	1,220.3	1,142.5	-77.8
Total Shareholder's Equity	1,369.8	1,635.1	1,858.5	+223.4
Liabilities/Equity Ratio	249.1%	189.7%	156.1%	-33.6%p
Net Debt/Equity Ratio	82.1%	74.6%	61.5%	-13.1%p

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1 **3Q23 Results**

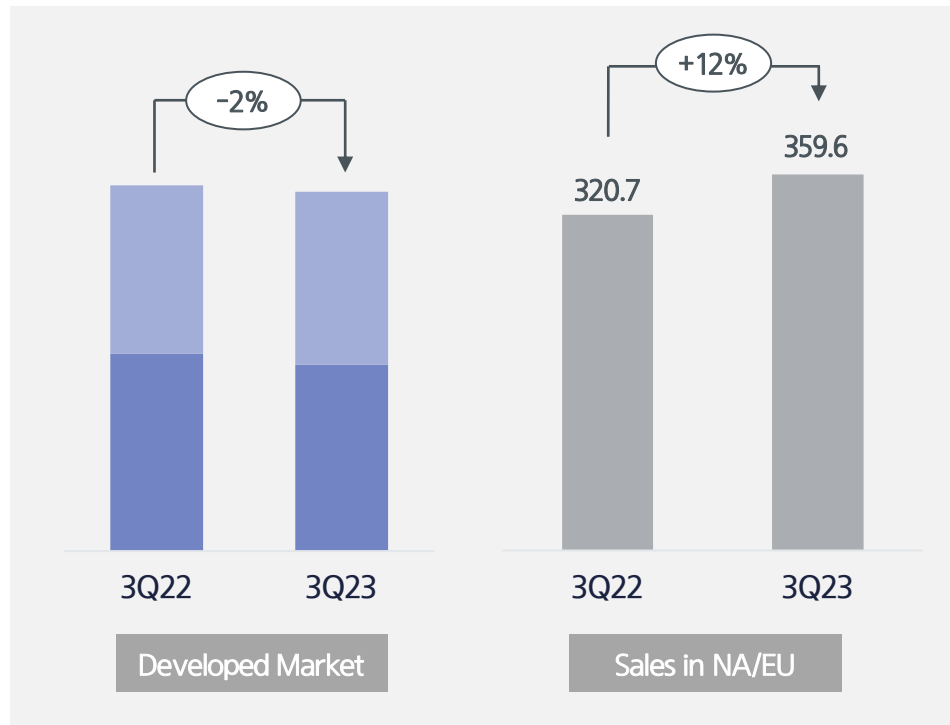
2 **Highlights**

Construction Equipment (NA/EU)

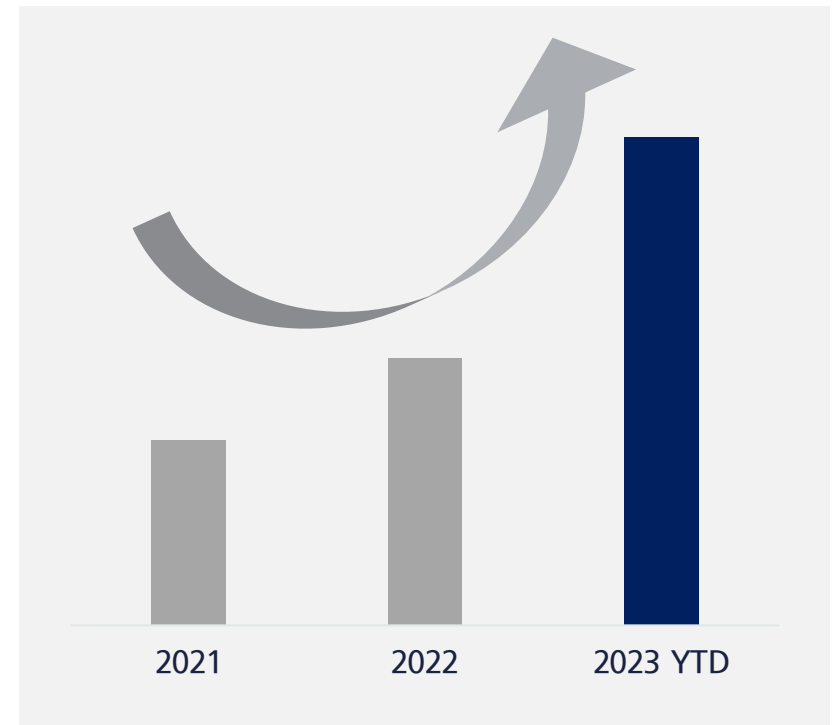
- Developed market declined marginally year-on-year due to sluggish construction cycle in Europe despite continued infrastructure investment and reshoring of manufacturing companies in North America.
- However, sales in NA/EU increased thanks to regionwide favorable sales in North America and demand for compact equipment in Europe to regenerate inner cities. Volume growth and price hike also contributed towards profitability.

Developed Market & HDI sales in NA/EU

(unit : KRW bn, YoY)



HDI – Profitability trend in NA/EU



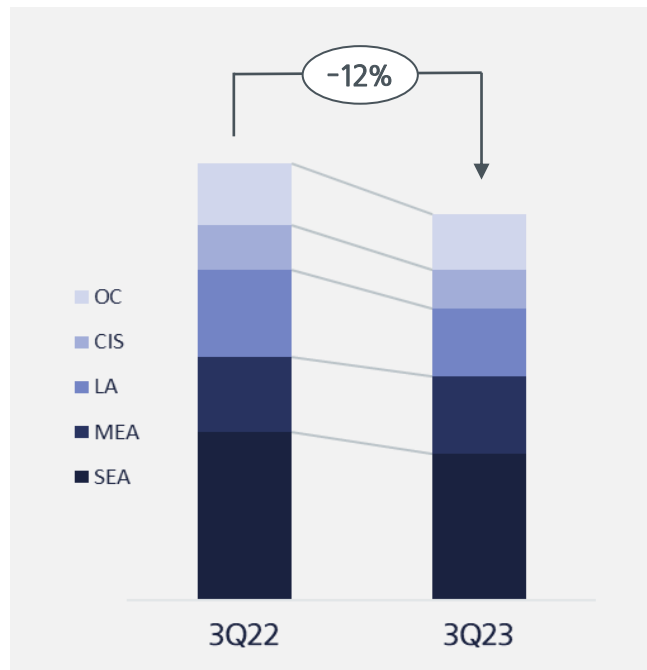
* Sales volume based on excavators, wheel loaders and ADT

Construction Equipment (Emerging/Korea)

- In view of last year's high comparison basis and global quantitative tightening, Korea and emerging markets, particularly in Southeast Asia, declined year-on-year. However, resource-rich countries continued to see solid demand from infrastructure investment and mining activities.
- Sales efforts were focused on growth markets, and we continued to see improvement in market share. We also endeavored to protect sales and profitability in the region by strengthening sales capability in non-growth markets, which resulted in multiple fleet deals.

Emerging Market

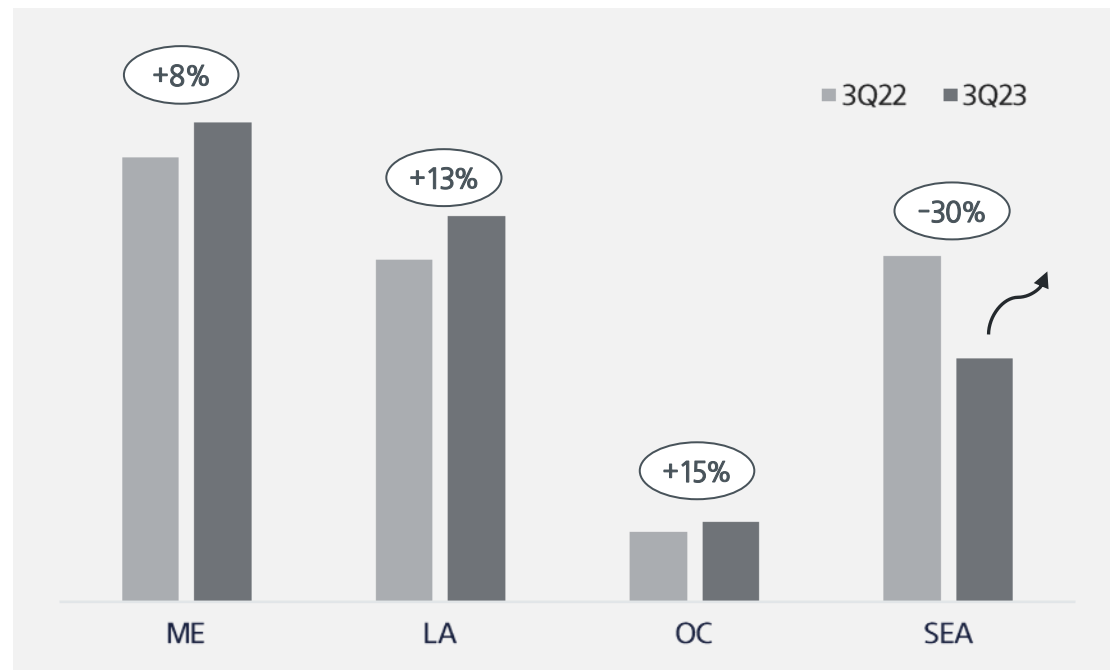
(unit : YoY)



* Sales volume based on excavators, wheel loaders and ADT

HDI – 3Q23 Sales Volume Trend

(unit : YoY)



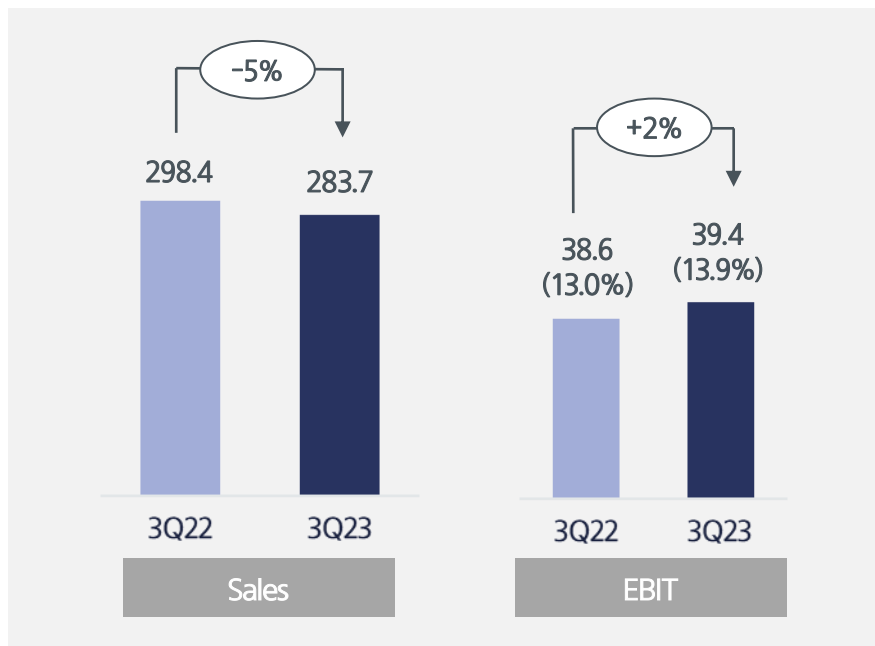
* Based on retail volume

Engine

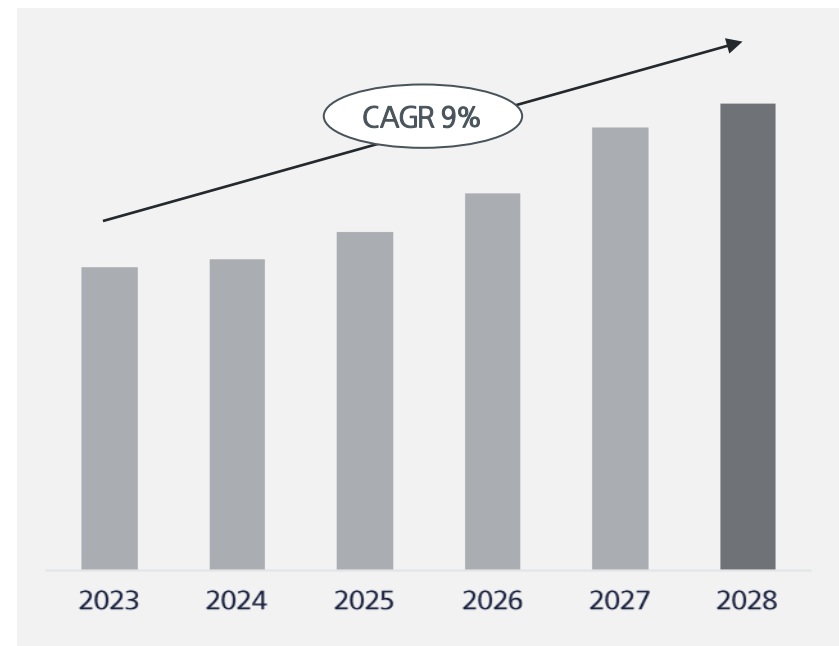
- Engine sales in 3Q23 remained stable thanks to solid performance in vehicle, materials & parts, and defense engines. EBIT margin remained double-digit as a result of price hike and improvement in product mix.
- Despite uncertainties surrounding the business environment, we are focused on growing external engine sales. Furthermore, we anticipate engine demand to grow for industrial/defense applications and gas generators in North America. From a mid-term view, we expect to create synergy within HD Hyundai Group and plan to actively penetrate the eco-friendly electric powertrain market.

HDI – Sales & Profitability

(unit : KRW bn, YoY)



HDI – Mid-term Sales Outlook



* Based on total sales of engine business, which includes internal sales

