



Doosan Infracore

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2019 1Q Earnings Release

April 2019



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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1Q19 Results

- Sales increased 12% YoY thanks to continued favorable trends in the heavy business from China and developed markets and growth in Bobcat.
- EBIT improved 4% YoY primarily due to volume growth and price hike, despite increased costs.
- Net profit decreased due to currency and increased corporate taxes in line with profit improvement.

Income Statement

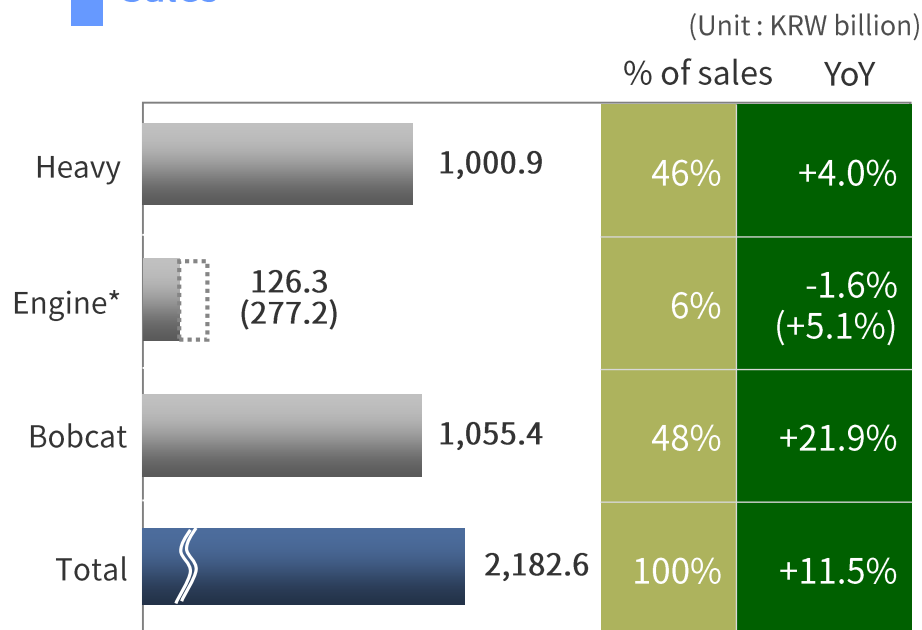
(Unit : KRW billion)

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	1,956.9	1,783.3	2,182.6	+11.5%	+22.4%
EBIT	241.6	142.0	250.0	+3.5%	+76.1%
EBIT margin(%)	12.3%	8.0%	11.5%	-0.8%p	+3.5%p
(Net Financial Cost)	47.7	41.0	44.1	-7.4%	+7.6%
(F/X gains/losses)	13.1	2.3	7.5	-42.8%	+226.1%
Net Profit	141.4	21.1	130.7	-7.6%	+518.2%

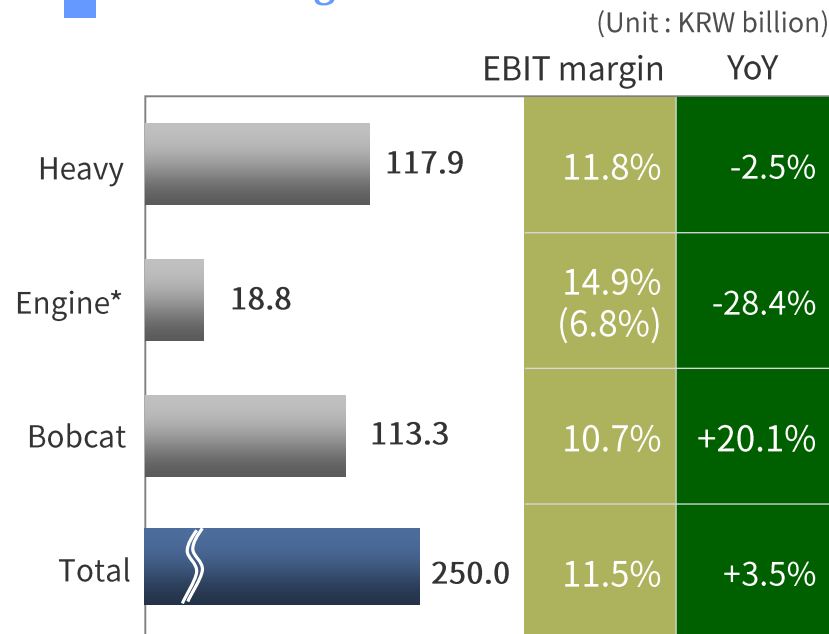
1Q19 Sales and EBIT by division

- Heavy : Revenue increased thanks to strong performance in China and developed markets. However, EBIT decreased marginally due to increased material/labor costs.
- Engine : Revenue grew from internal customers, while EBIT declined due to increase in costs.
- Bobcat : Revenue surged in view of the stable housing market in US and restocking demand from dealers. EBIT margin remained above 10% level.

Sales



EBIT & Margin



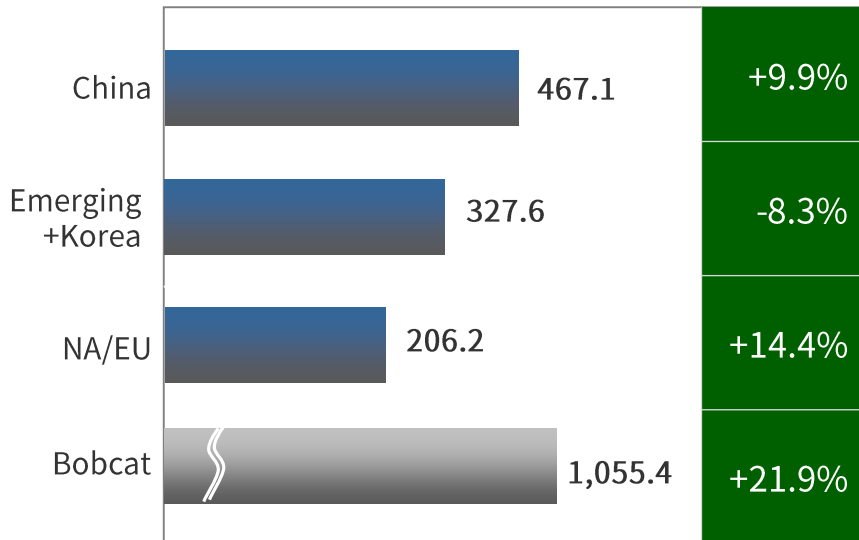
* Numbers in parenthesis are based on total sales of engine business, which includes internal sales
 Note : Sales breakdown based on 3rd party revenue

Regional breakdown (Construction equipment)

- China : Sales increased 10% YoY in 1Q thanks to continued infrastructure investment and replacement demand.
- Emerging + Korea : Revenue decreased -8% YoY due to sluggish market conditions in the region. Sales strategy remained focused on profitability and cash flow.
- NA/EU : Sales increased 14% YoY in line with demand growth supported by economic recovery in developed markets.

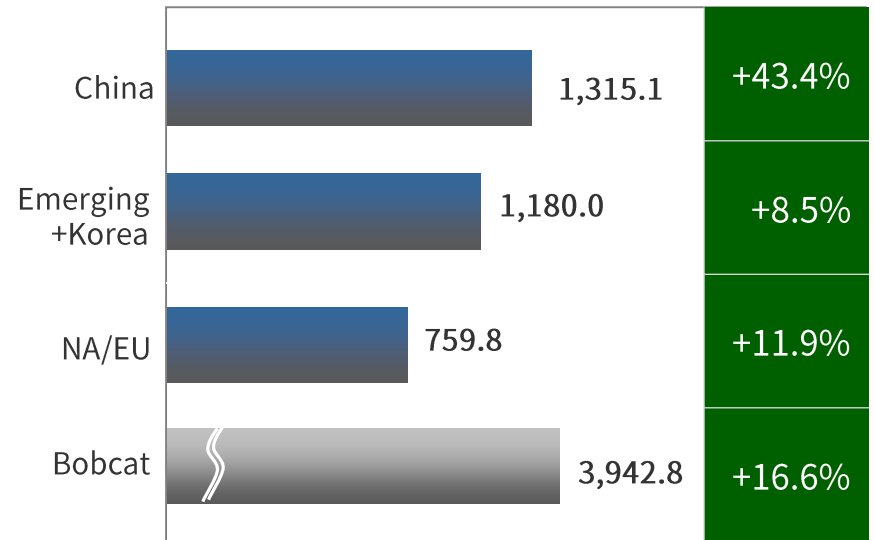
CE regional breakdown(1Q19)

(Unit : KRW billion)
YoY



CE regional breakdown(2018)

(Unit : KRW billion)
YoY



Financial structure

- Net debt increased by KRW80.6bn due to unfavorable impact from currency (KRW25.9bn) and increase in working capital during the high demand season.
- Despite improvement in net income, the liability/equity ratio also increased due to seasonality.

Balance Sheet

(Unit : KRW billion)

	2017	2018	1Q19	Compared to 2018
Current Assets	3,767.4	4,426.8	5,392.9	+966.1
Fixed Assets	6,508.7	6,602.3	6,734.3	+132.0
Total Assets	10,276.1	11,029.2	12,127.2	+1,098.0
Total liabilities	7,102.9	7,208.4	8,135.5	+927.1
- Net debt	3,618.6	2,998.9	3,079.5	+80.6
Total shareholder's Equity	3,173.2	3,820.8	3,991.7	+170.9
Liabilities/Equity Ratio	223.8%	188.7%	203.8%	+15.1%p

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1 1Q19 Results

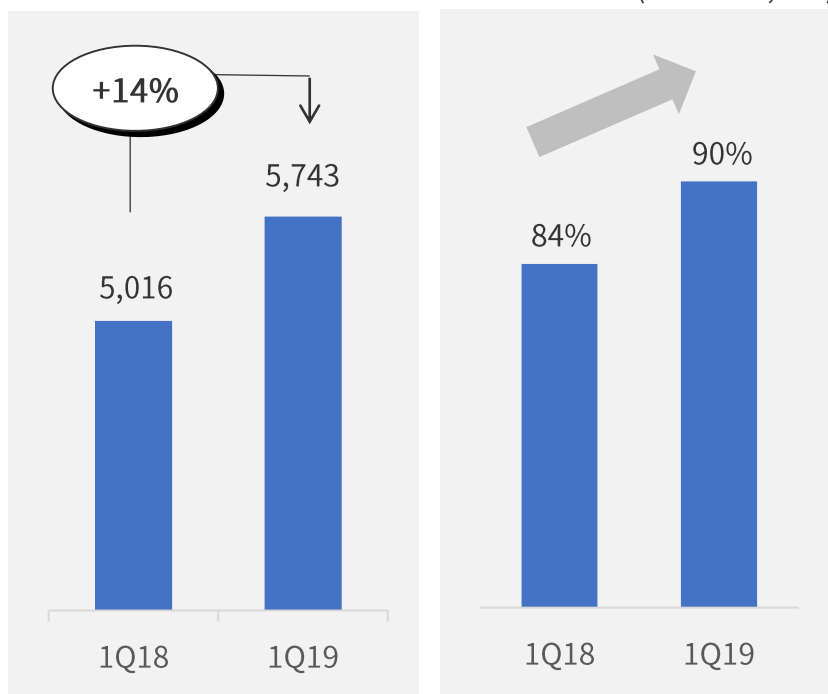
2 Highlights

Heavy (China) – Steady growth based on stability

- Excavator sales volume in China grew +14% YoY thanks to continued infrastructure investment and replacement demand.
- We continued to focus our efforts to enhance profitability and minimize risk of sales receivables.
- Despite heightened competition, we have consistently gained market share amongst foreign brands, which mainly target financially sound customer base.

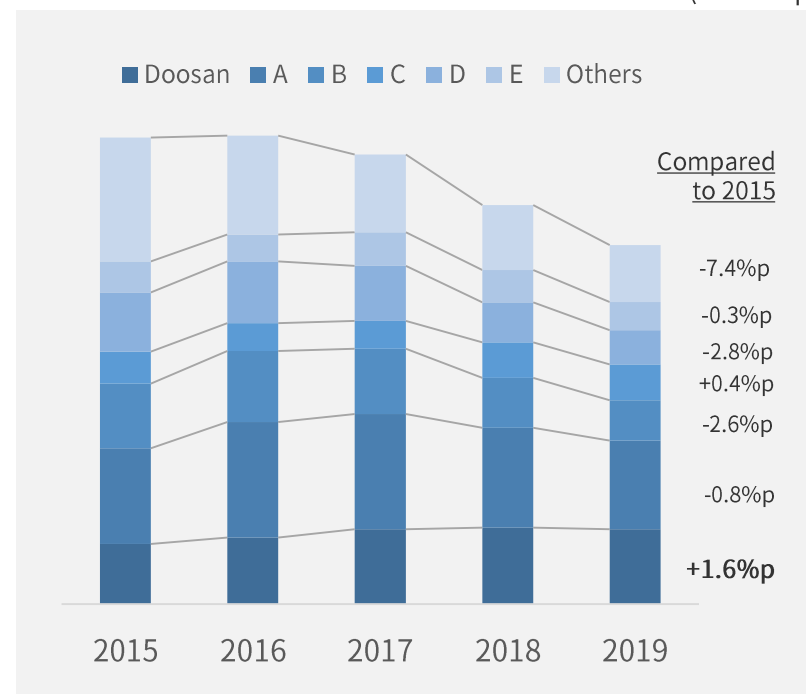
DI's sales volume & Percentage of cash sales + sales with high level of advanced payment*

(Unit : unit, YoY)



Market share trend of foreign brands

(Unit : %p)



* Source: CCMA, Company data

* Sales with 60% or more advanced payment within 1 year, Company data

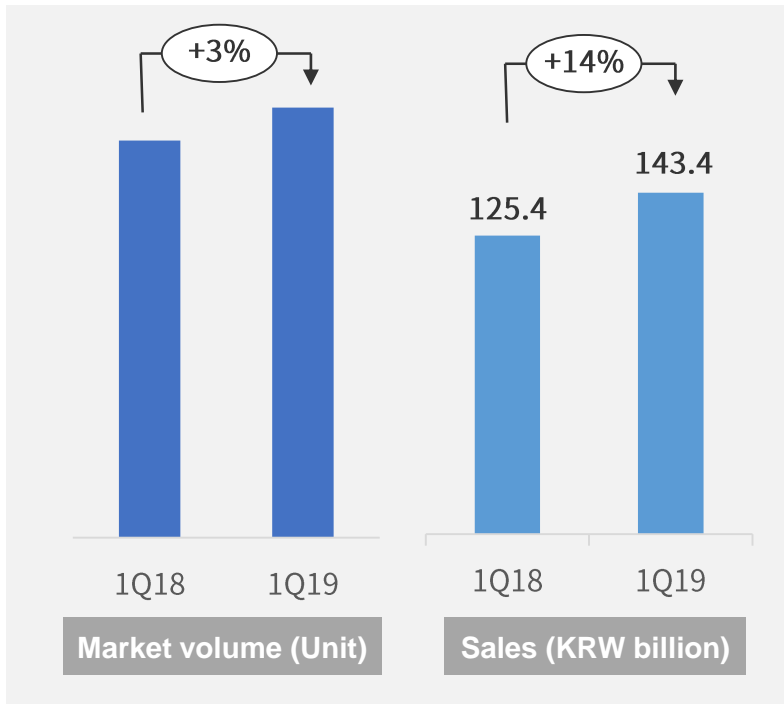
* Source: CCMA

Heavy (NA/EU) – Demand growth + Enhanced competitiveness

- Sales in North America and Europe continued to grow double-digit YoY backed by economic recovery of developed markets and construction demand for housing and infrastructure.
- NA enhanced competitiveness by expanding dealer coverage expansion, introducing more customized sales programs and improving our ability to service customers.
- Europe worked to stabilize operation at new dealers in Czechs Republic, Italy and France, while also endeavoring to enhance our ability to service customers.

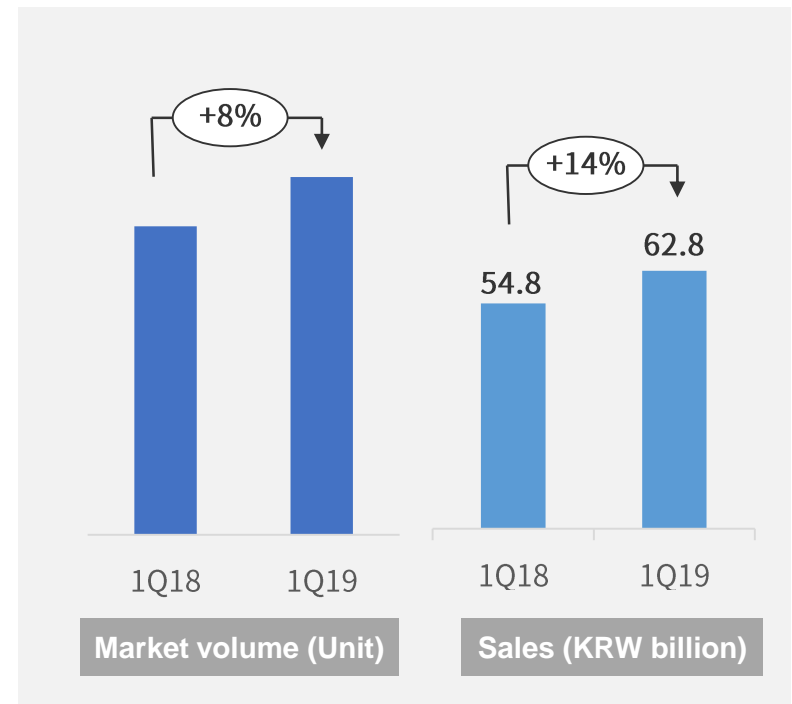
Market volume + DI's sales trend in EU

(Unit : YoY)



Market volume + DI's sales trend in NA

(Unit : YoY)

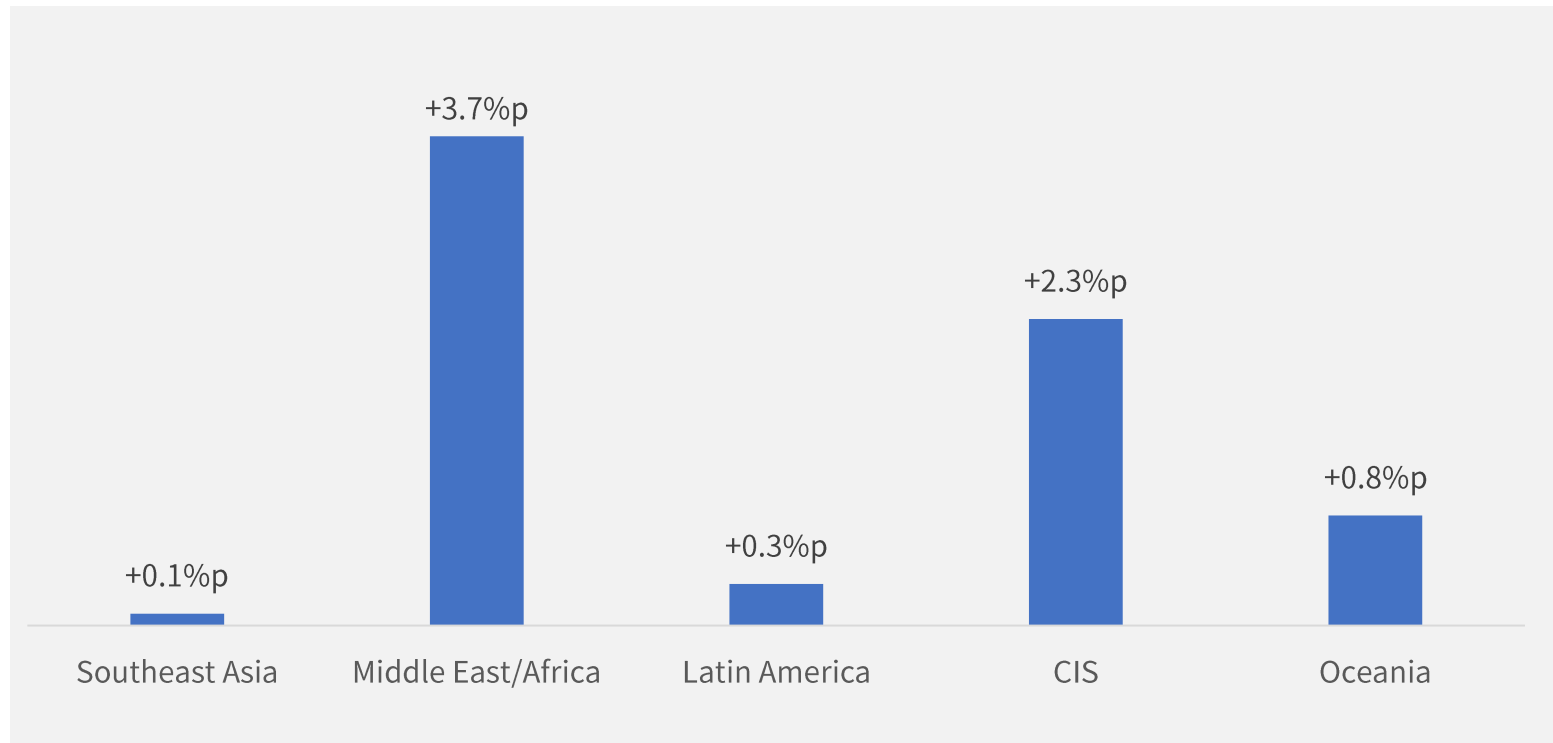


Heavy (Emerging Markets) – Market share gains in all regions

- Market share increased in all regions as a result of our efforts to improve sales channel and increase sales of large-sized equipment. We also successfully secured sizable orders in strategic countries.
- In addition, we continued to improve profitability by raising prices and tightly managed receivables to avert F/X and AR collection risks.

DI's market share trend in emerging markets

(Unit : %p YoY)

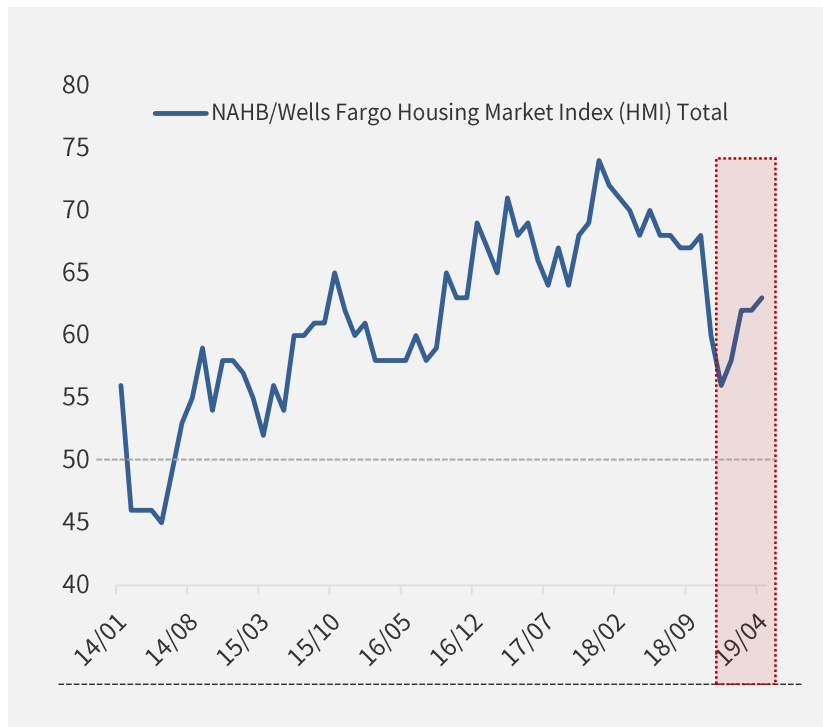


Bobcat – Strong growth supported by US housing market

- Growth expectation for US housing market remains intact as the housing market index, which had been sluggish since 2H18, started to rebound.
- Sales increased substantially by more than 20% YoY thanks to favorable demand in NAO.

U.S. NAHB-Wells Fargo Housing Market Index

(Unit : pt)

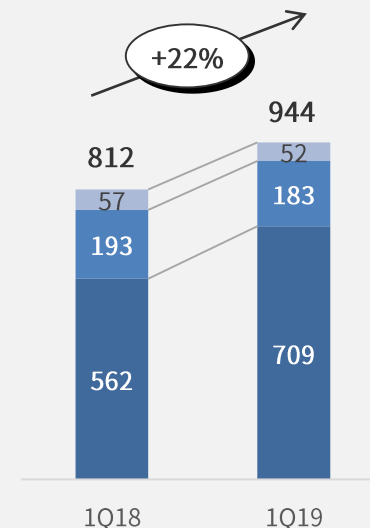


Sales by Region/Business

(Unit : USD M)

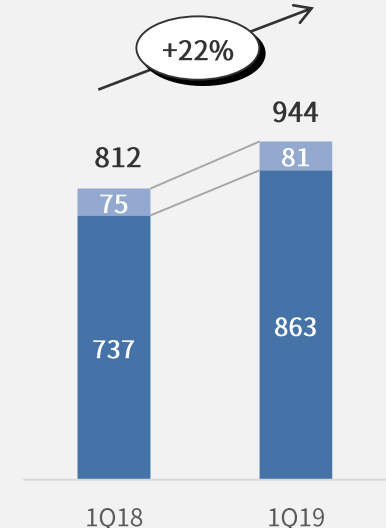
By region

■ NAO ■ EMEA ■ Asia/LA



By business

■ Compact ■ PP



* Source: U.S. Census Bureau, NABH, Poor<50<Good

* Note: as of April 2019



[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
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	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										69,284
	DI	701	1,603	3,439										5,743
	M/S	6.9%	9.3%	8.2%										8.3%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

Region	1Q18	2Q18	3Q18	4Q18	2018	1Q19	YoY
China	425.1	429.1	207.1	253.7	1,315.1	467.1	+9.9%
Emerging + Korea	357.2	302.0	278.1	242.7	1,180.0	327.6	-8.3%
NA/EU	180.2	219.5	193.6	166.5	759.8	206.2	+14.4%
Bobcat	866.0	1,033.0	1,030.4	1,013.4	3,942.8	1,055.4	+21.9%
Total	1,828.6	1,983.6	1,709.2	1,676.4	7,197.8	2,056.2	+12.5%