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# 2023 4Q Earnings Release

February 2024



**DEVELON**

# Disclaimer

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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.

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.

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# Table of Contents

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**1**

**2023 Results**

**2**

**2024 Outlook**

# 2023 Results

- Sales were similar to last year thanks to stronger market presence of the construction equipment division and steady demand of the engine division, despite lower global construction equipment demand.
- Nonetheless, EBIT improved 26% YoY thanks to continuous price hikes and improved regional/product mix.

## Income Statement

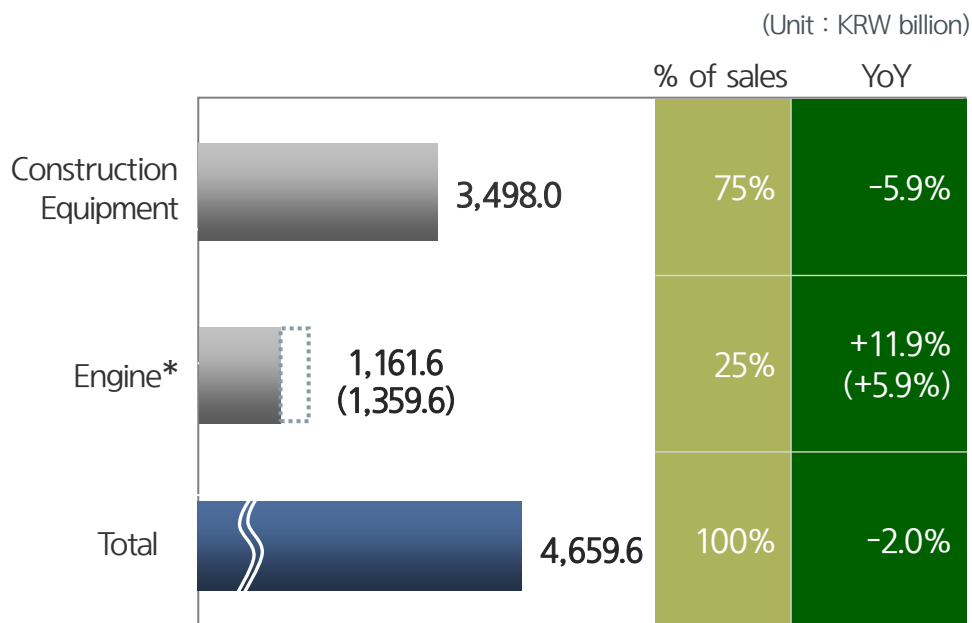
(Unit : KRW billion)

	4Q22	4Q23	YoY	2022	2023	YoY
Sales	1,236.8	981.6	-20.6%	4,756.1	4,659.6	-2.0%
EBIT	66.4	14.0	-78.9%	332.5	418.3	+25.8%
EBIT margin(%)	5.4%	1.4%	-4.0%p	7.0%	9.0%	+2.0%p
(Net Financial Cost)	15.0	13.2	-11.8%	65.9	59.9	-9.1%
(F/X gains/losses)	-45.2	-20.2	-	18.6	7.2	-61.1%
Pretax Profit	12.7	-27.3	-314.4%	278.7	342.4	+22.8%
Net Profit	32.7	-43.9	-234.1%	229.6	230.7	+0.5%

# 2023 Sales & EBIT by division

- Construction Equipment : Sales declined YoY due to weakness in Asian markets such as China and Korea. However, demand from North America/Europe and resource-rich countries in emerging markets remained stable. EBIT grew double-digit thanks to price hike and efforts towards cost improvement.
- Engine : Sales grew in line with steady third-party engine orders for generator, industrial and defense usages. EBIT margin also continued to increase alongside solid topline growth.

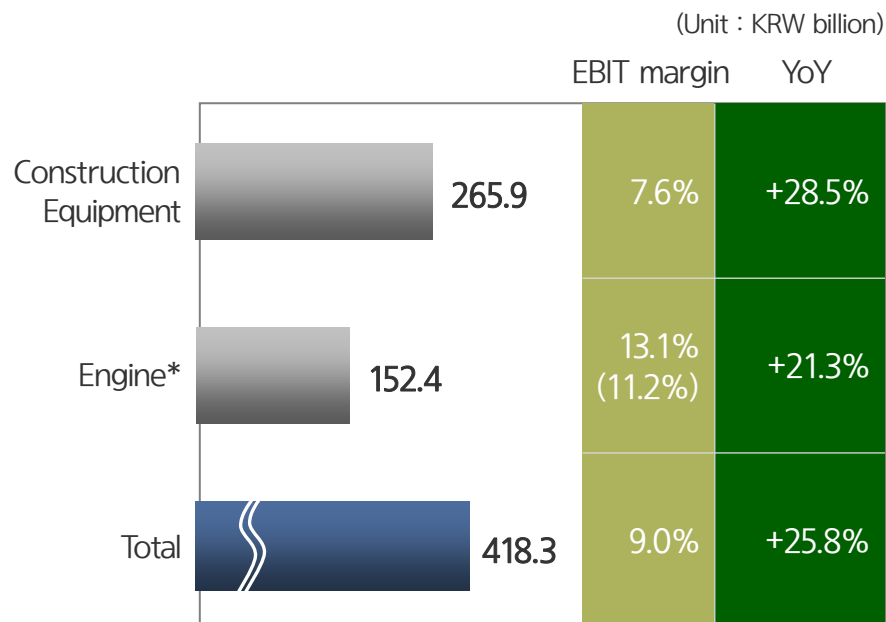
## Sales



Note : Sales breakdown based on 3rd party revenue

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

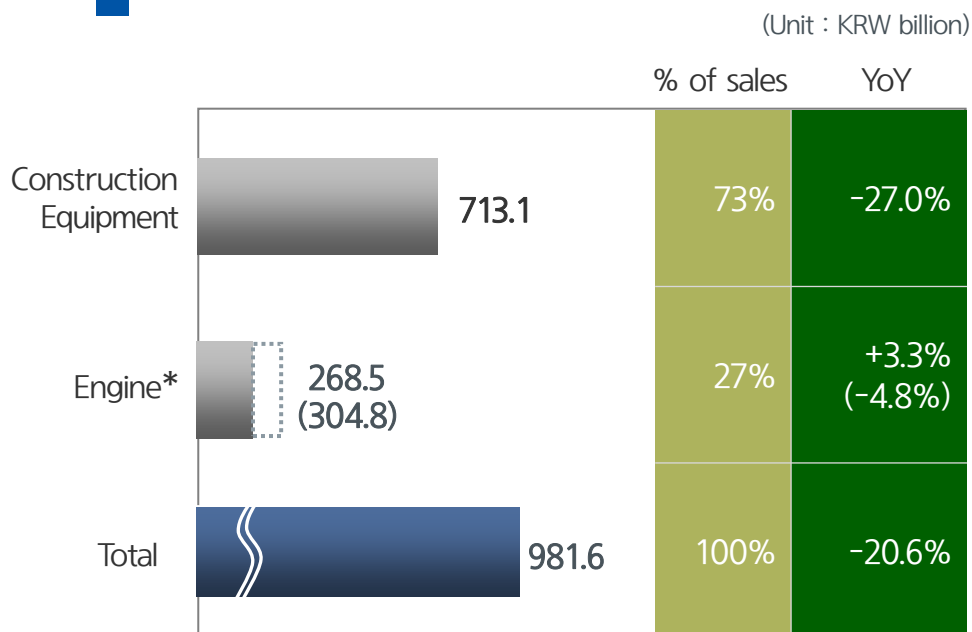
## EBIT & Margin



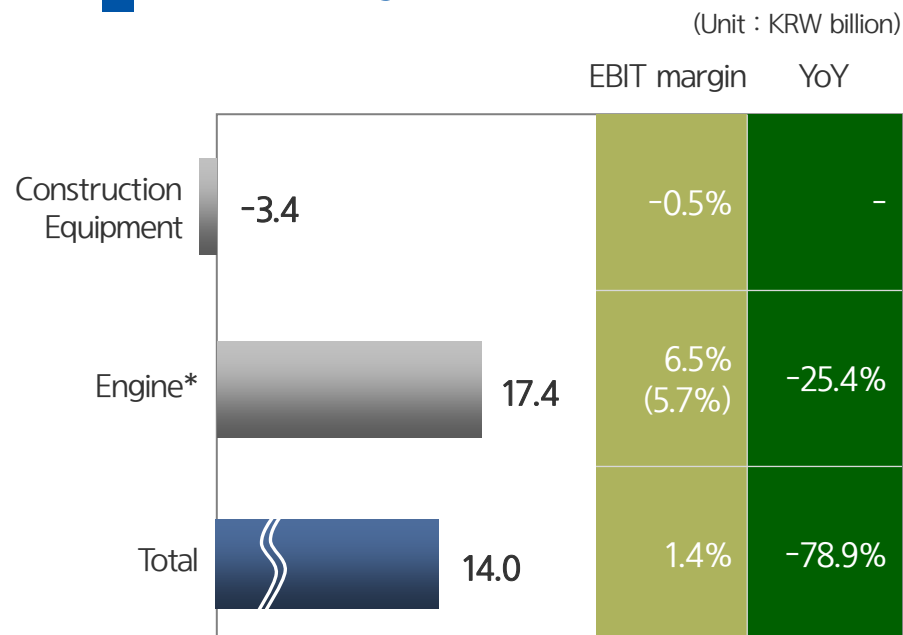
# 4Q23 Sales & EBIT by division

- Construction Equipment : Construction equipment market remained sluggish in Asia, while Europe also weakened during 4Q. EBIT turned red due to one-time items such as cost related to the change in brand name, however, if excluded EBIT improved marginally.
- Engine : Despite the high comparison base of last year, sales and EBIT remained steady thanks to solid engine demand for industrial and defense usages.

## Sales



## EBIT & Margin



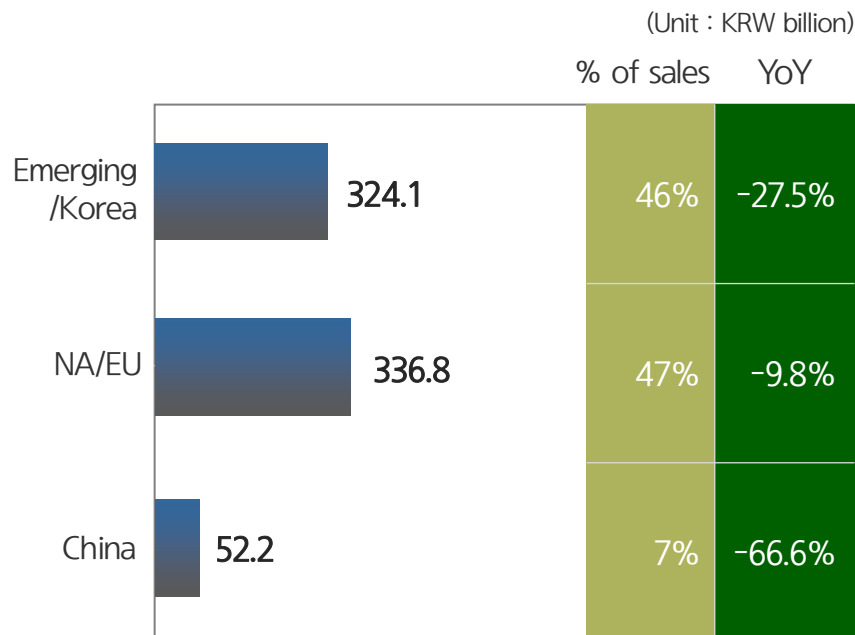
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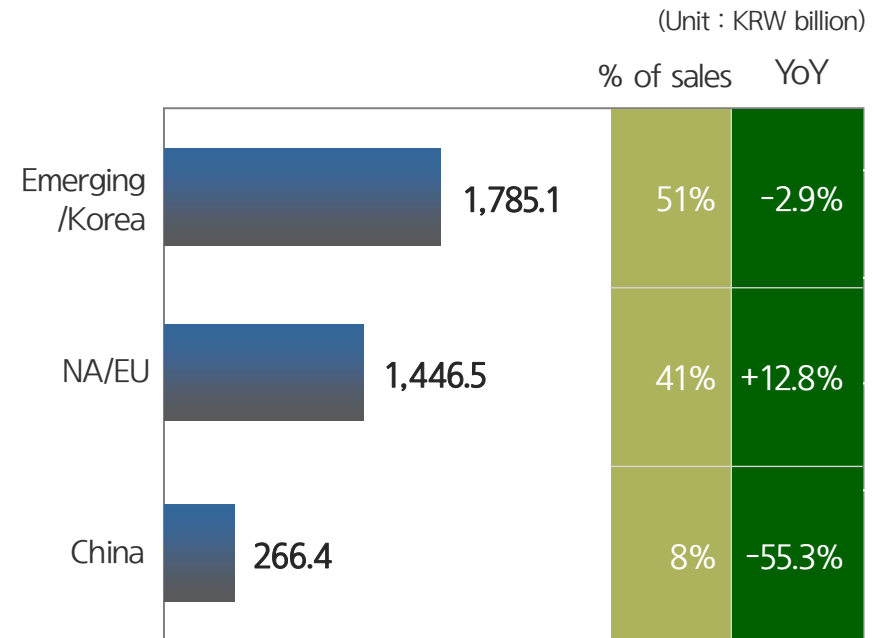
# Regional breakdown (Construction Equipment)

- Emerging/Korea : Sales declined due to weak demand in Asian markets following adverse business environments such as global tightening measures. However, we further solidified our market presence in the Middle East, Latin America and Oceania.
- NA/EU : Sales grew double-digit thanks to firm demand in North America, despite weakness in Europe from 2H.
- China : We expect the market to bottom-out, considering the previous sharp contraction in market size due to sluggish property market conditions.

## CE regional breakdown (4Q23)



## CE regional breakdown (2023)



# Financial structure

- Net debt fell below KRW 1tr thanks to increase in net profit and efforts towards debt repayment.  
(Net debt/equity ratio : -21.2%p compared to 2022)
- On top of investment for future growth and plans to enhance shareholders' return, we will endeavor to further improve our financial structure.

## Balance Sheet

(Unit : KRW billion)

	2021	2022	2023	Compared to 2022
Current Assets	3,239.9	3,130.9	2,833.4	-297.5
Fixed Assets	1,542.4	1,605.8	1,585.0	-20.8
Total Assets	4,782.3	4,736.7	4,418.4	-318.3
Total Liabilities	3,412.5	3,101.6	2,605.1	-496.5
- Net Debt	1,124.8	1,220.3	968.3	-252.0
Total Shareholder's Equity	1,369.8	1,635.1	1,813.3	+178.2
Liabilities/Equity Ratio	249.1%	189.7%	143.7%	-46.0%p
Net Debt/Equity Ratio	82.1%	74.6%	53.4%	-21.2%p

# Table of Contents

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**1**

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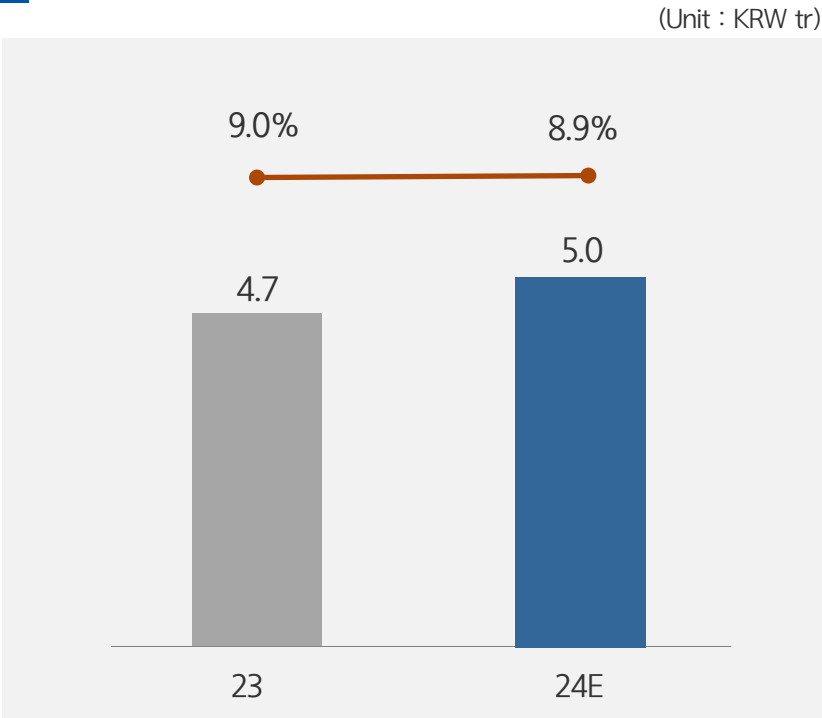
**2**

**2024 Outlook**

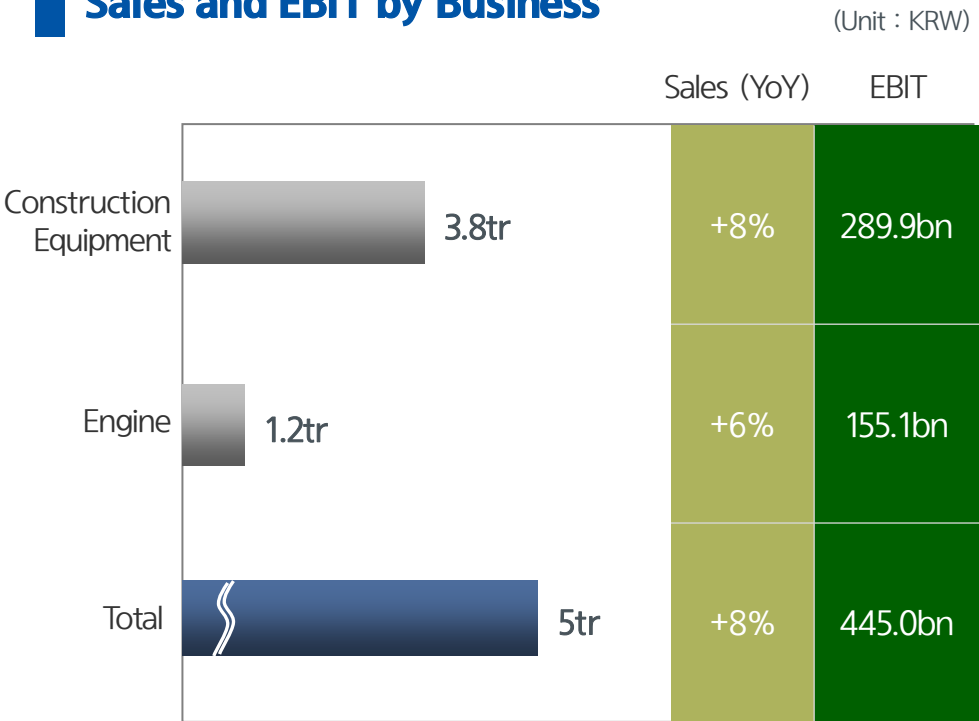
# 2024 Outlook

- Sales are forecasted to grow by 8% YoY to KRW 5tr thanks to growth in all businesses. We expect sales from construction equipment to grow in view of enhanced competitiveness of both product and dealer network. In addition, we should see steady sales from the engine division stemming from new products and customers.
- EBIT is expected to grow +6% YoY to KRW 445.0bn as a result of enhanced market presence, price increase and product mix improvement.

## Sales and EBIT Margin



## Sales and EBIT by Business

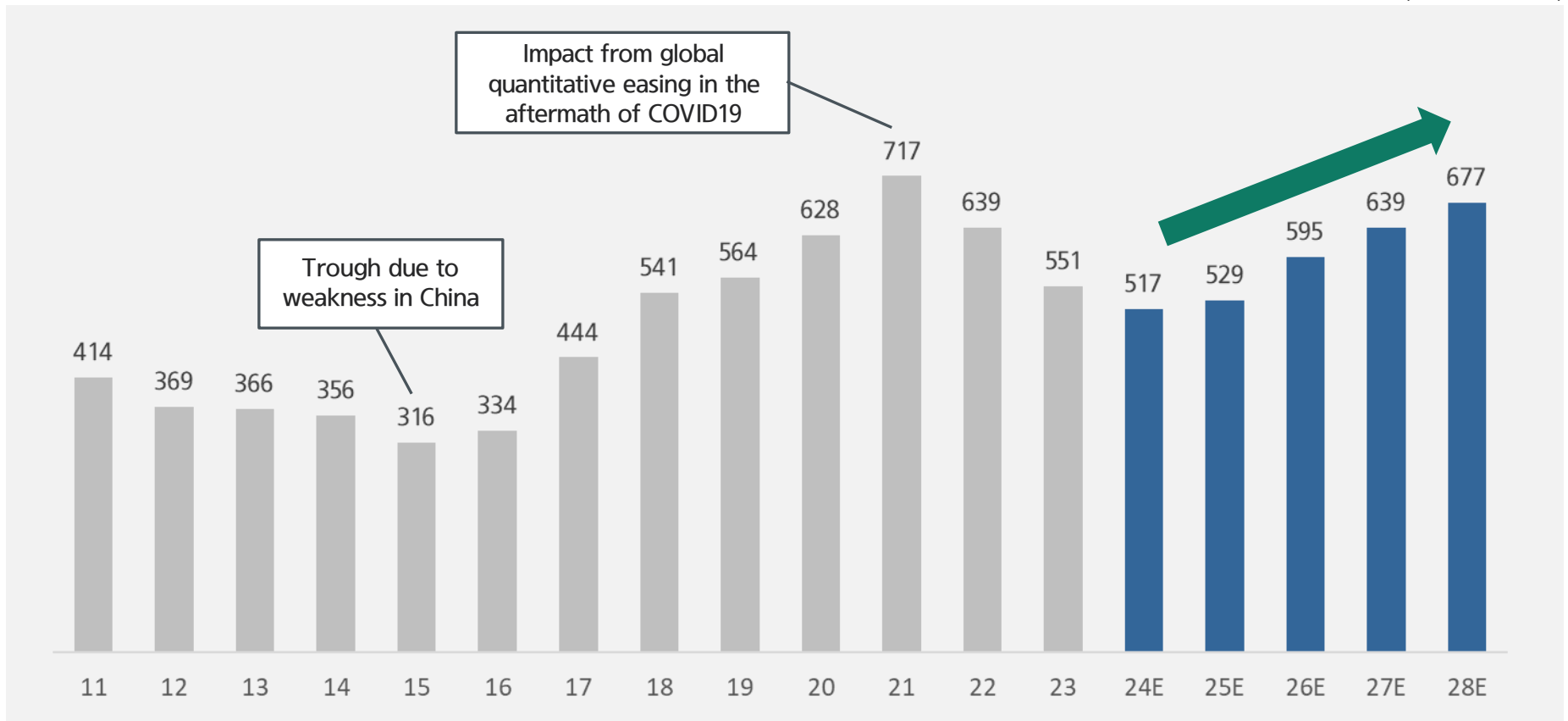


# Construction Equipment(Global)

- After years of contraction due to tightening measure and downward spiral of raw material prices, we forecast the global construction equipment market to start making a rebound during 2024.

## Global Market – Trend & Outlook

(unit : '000 units)

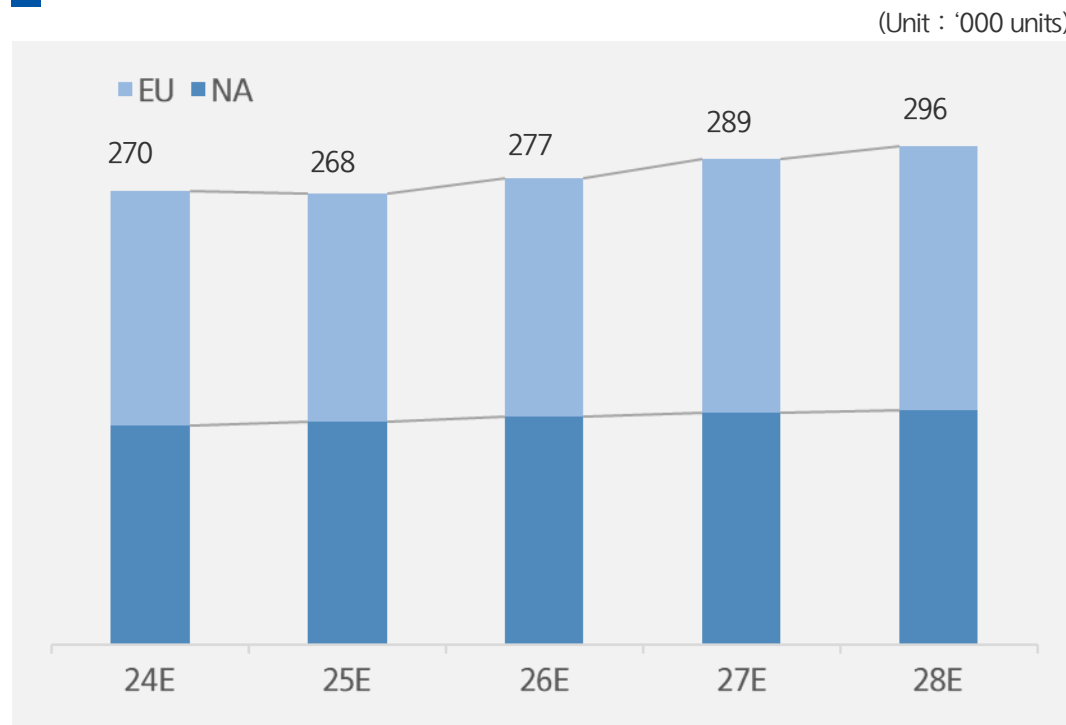


\* Source: Company source

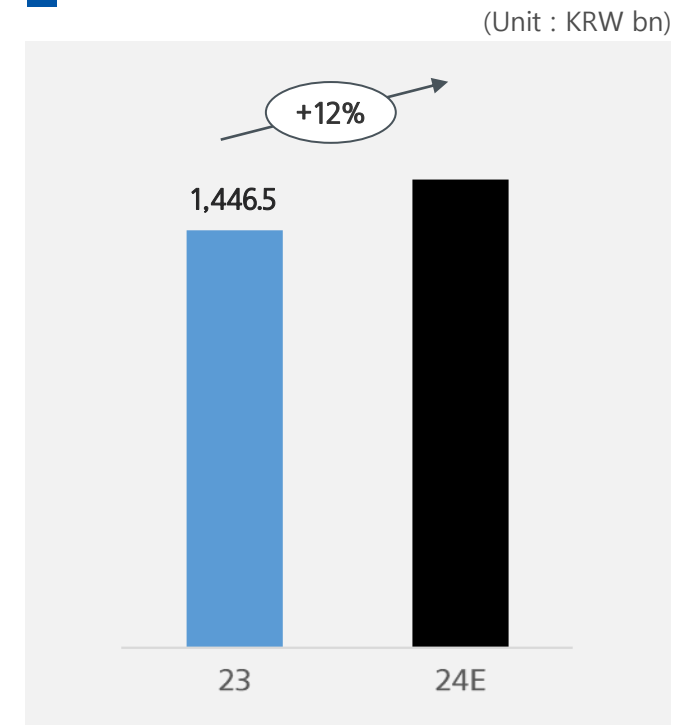
# Construction Equipment (NA/EU)

- [Market Outlook] Due to slowing economy, demand in Europe is expected to weaken and then gradually make recovery during 2024. On the other hand, demand in North America should continue to grow thanks to construction demand related to reshoring supply chains.
- [Sales Outlook] Sales are expected to grow +12% YoY via 1) expansion of dealer coverage by securing compact specialist dealers in developed markets and mega dealers in North America, while utilizing the newly established sales subsidiary in Germany, 2) new product launches and active cross-sales activities, and 3) price hike.

## NA/EU - Market Outlook



## NA/EU - Sales Outlook

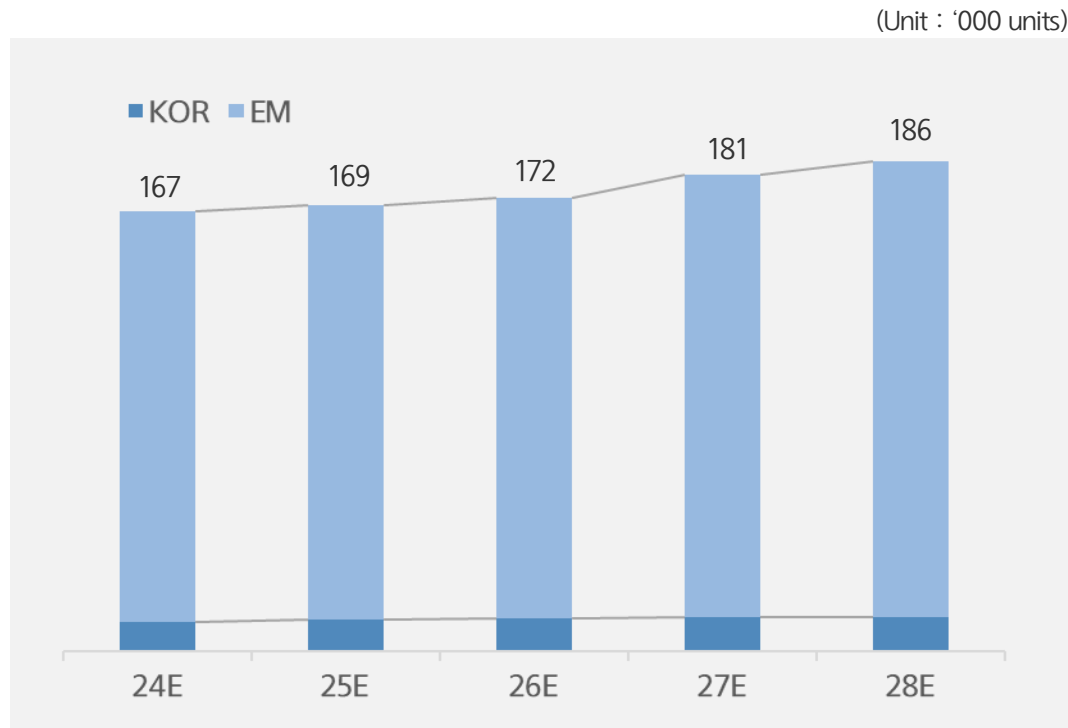


\* Source: Company source

# Construction Equipment (Emerging/Korea)

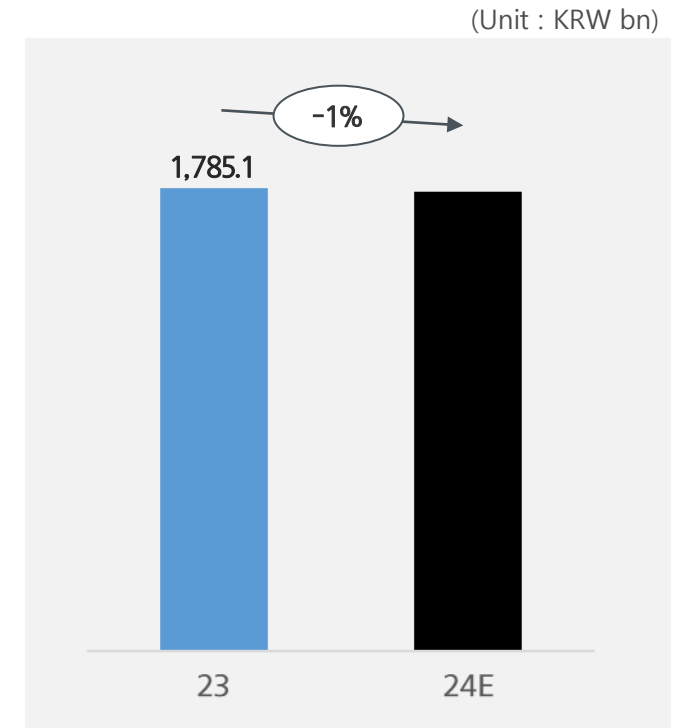
- [Market Outlook] In view of global tightening measure and downward trend in raw material prices, demand in emerging market should decline marginally in 2024, then make gradual recovery henceforth.
- [Sales Outlook] We plan to achieve stable sales and focus on improving profitability by 1) securing compact specialist dealers, while utilizing the newly established sales subsidiary in Indonesia, 2) expanding coverage of newly launched mini excavator models, 3) cross sales efforts and 4) price realization.

## EM/Korea - Market Outlook



\* Source: Company source

## EM/Korea - Sales Outlook

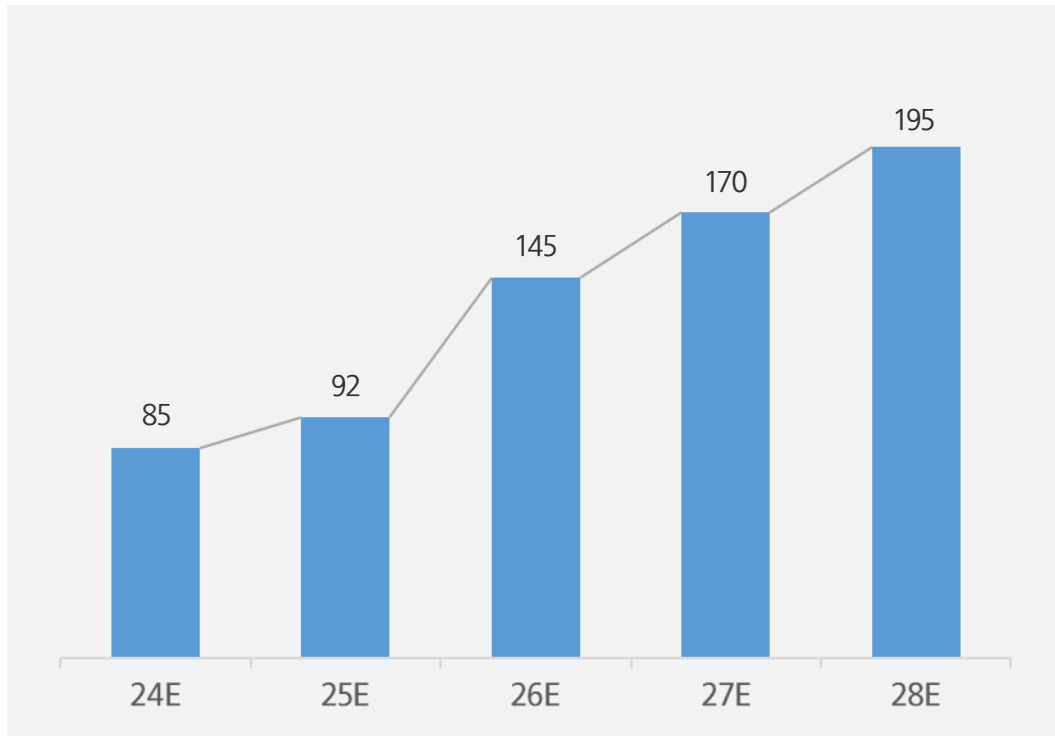


# Construction Equipment (China)

- [Market Outlook] Market is expected to decline due to delayed recovery of the real estate market. However, if China comes through with economic stimulus measures, we expect upside potential.
- [Sales Outlook] Sales should grow substantially via 1) greater sales of large/extra-large and wheel-typed models, and 2) aggressive exports. We continue to focus our efforts on profitability and minimizing risks of sales receivables.

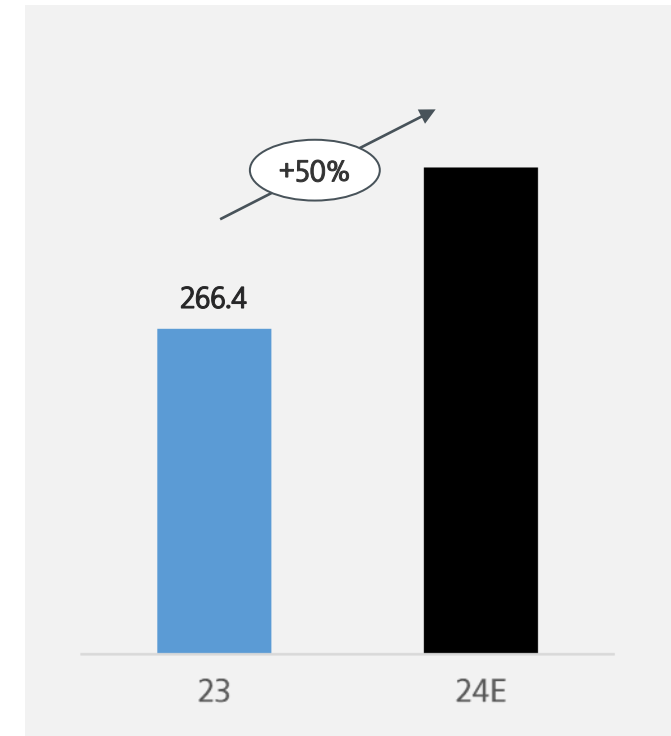
## China - Market Outlook

(Unit : '000 units)



## China - Sales Outlook

(Unit : KRW bn)

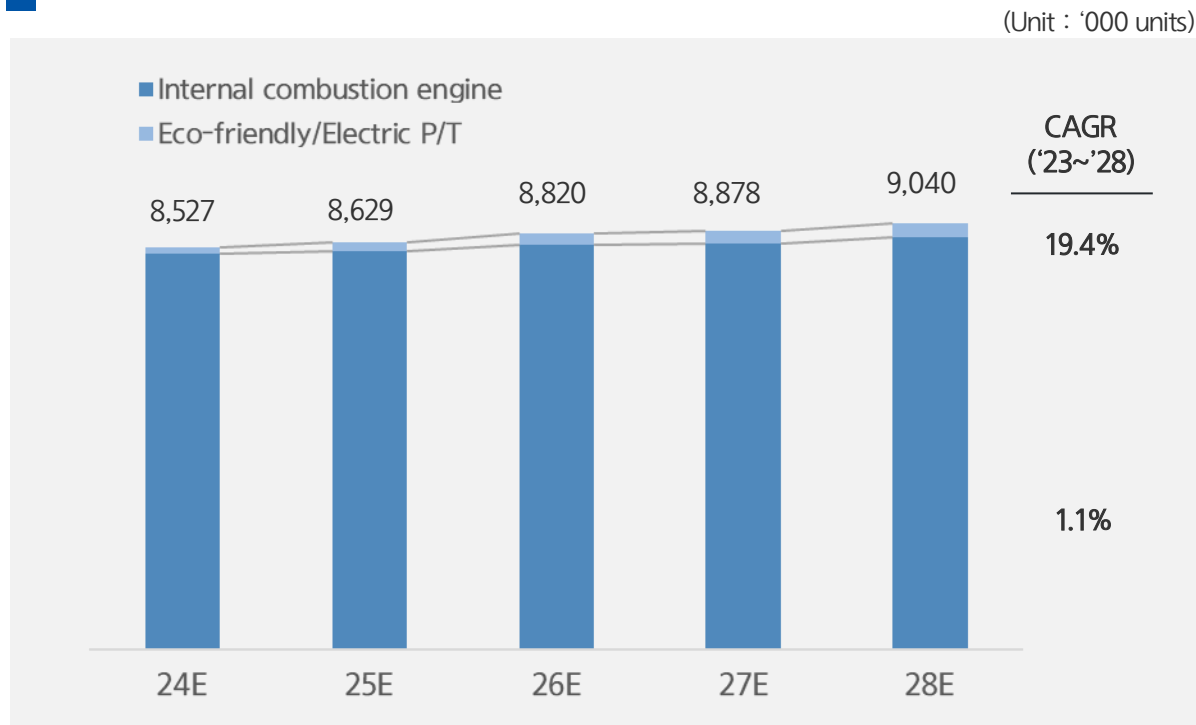


\* Source: Company source

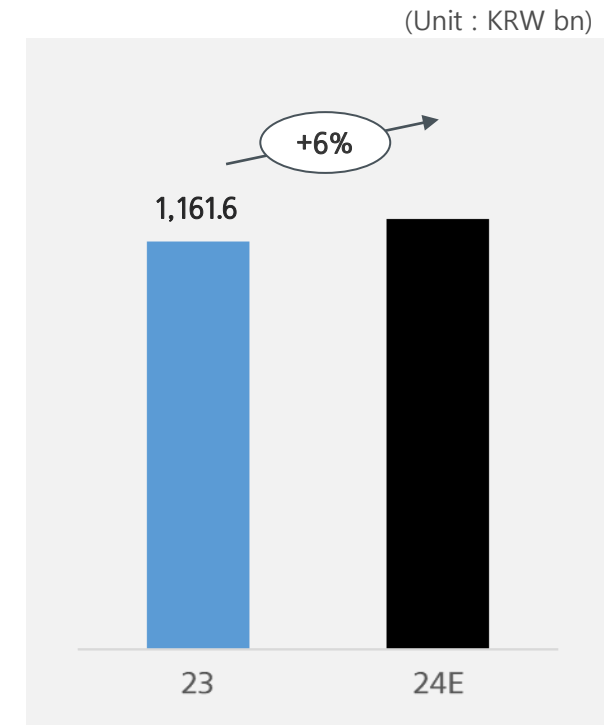
# Engine

- [Market Outlook] Market should grow thanks to increased electricity consumption in emerging markets and demand related to infrastructure investment in North America and Middle East. In particular, we anticipate strong demand for eco-friendly electric powertrains.
- [Sales Outlook] Sales should grow 6% YoY in line with 1) steady in-house demand and 2) additional 3<sup>rd</sup> party customers for generation and industrial usages. Furthermore, we expect to enhance competitiveness in both region and product line-up by securing new customers and competitive electronic engines.

## Engine - Market Outlook



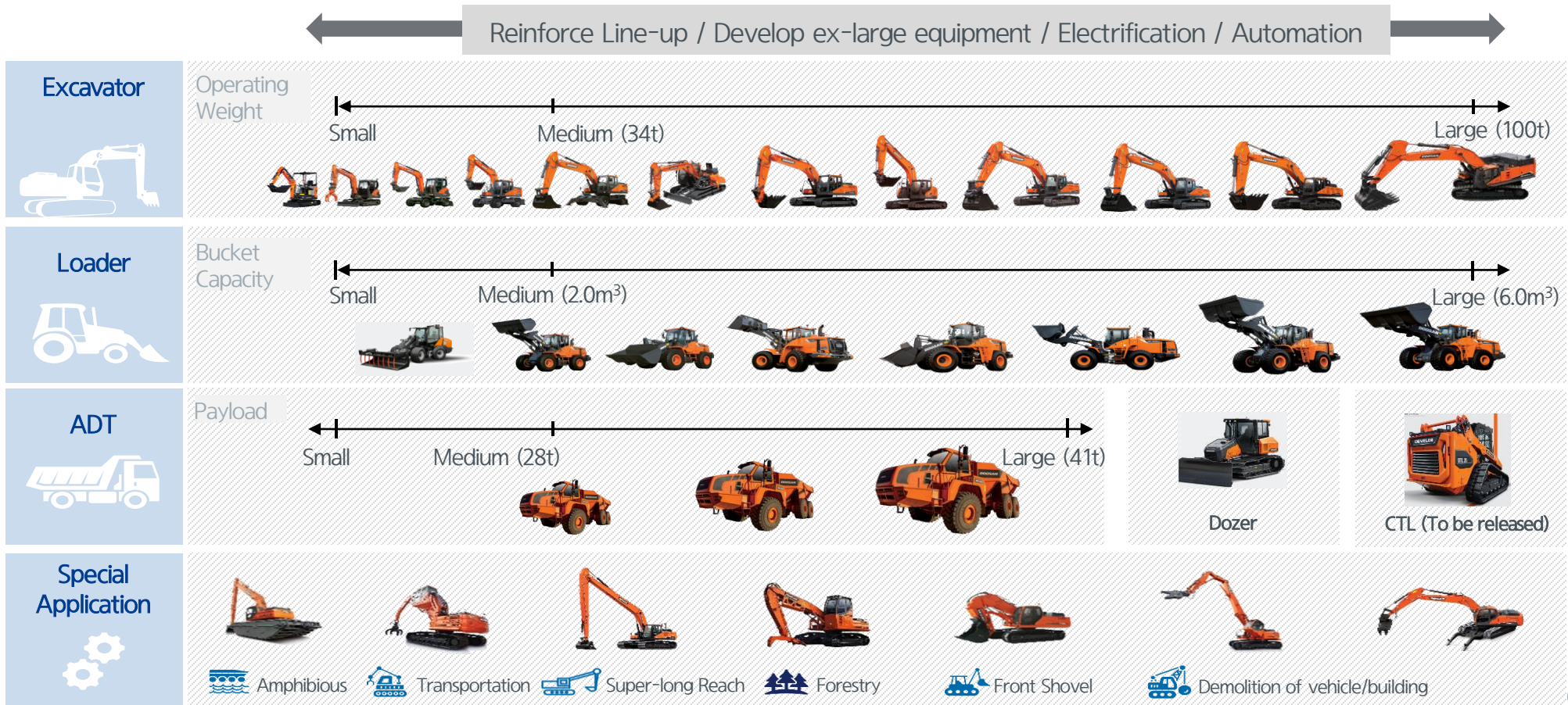
## Engine - Sales Outlook



\* Source: Company source

# Enhanced Competitiveness – Stronger new and upgraded product lineup

- We plan to develop construction equipment, special applications and attachments to strengthen our competitiveness and tailor to the diversifying customer needs and businesses. Furthermore, we will enhance our market position by expanding on our existing product offering such as development of extra-large equipment.
- In addition, we will endeavor to expand our electric line-up and secure capability for smart CE technology to become the first mover in the future market for construction equipment.



# Enhanced Competitiveness – Channel competitiveness for greater market presence

- Developed market : We plan to secure compact dealers and expand coverage with mega dealers to fill in the gap of missing or low performance regions. Also, we will maximize local operational efficiency by relocation/expansion of the customization centers.
- Emerging market : We will reinforce capability of subsidiaries in Brazil, Indonesia and Chile and re-establish our dealer network in Central/Western Africa to focus on expanding our presence in strategic countries.

## Sales

Sungnam, Korea | Yantai, China | Beijing, China |  
Americana, Brazil | Santiago, Chile |  
Suwanee, United States | Prague, Czech Republic |  
Jakarta, Indonesia | Mannheim, Germany

## Headquarter

Incheon, Korea

## PDC (Parts Distribution Center)

Ansan, Korea | Yantai, China |  
Halle, Germany | Dubai, United Arab Emirates |  
Singapore | Jundiai, Brazil |  
Miami, United States | Suwanee, United States |  
Seattle, United States | Cardiff, United Kingdom  
Jakarta, Indonesia |

## Production

Incheon, Korea | Gunsan, Korea  
Yantai, China | Tianjin, China  
Norway (Elnesvågen)

### Dealer Network



Construction  
Equipment : More  
than 300+ dealers



Emerging Markets (~100)



North America (~80)



China (~30)



Europe (~80)



Engine :  
More than 150+  
dealers

# Long-term Sales & EBIT Forecast

- Long-term outlook upwardly revised to reflect accelerated impact of inter-company synergy.

(Unit : KRW)

