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Hyundai Doosan Infracore 2021 4Q Earnings Release

February 2022



 **HYUNDAI**
DOOSAN INFRACORE

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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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Table of Contents

1

2021 Results

2

2022 Outlook

2021 Results

- Sales increased +15% YoY as demand for construction equipment and engines recovered thanks to global infrastructure investment and raw material/oil price hikes.
- Despite the increase in sales, EBIT maintained the level of the last year due to cost pressure from rising raw material prices and freight rates.

Income Statement

(Unit : KRW billion)

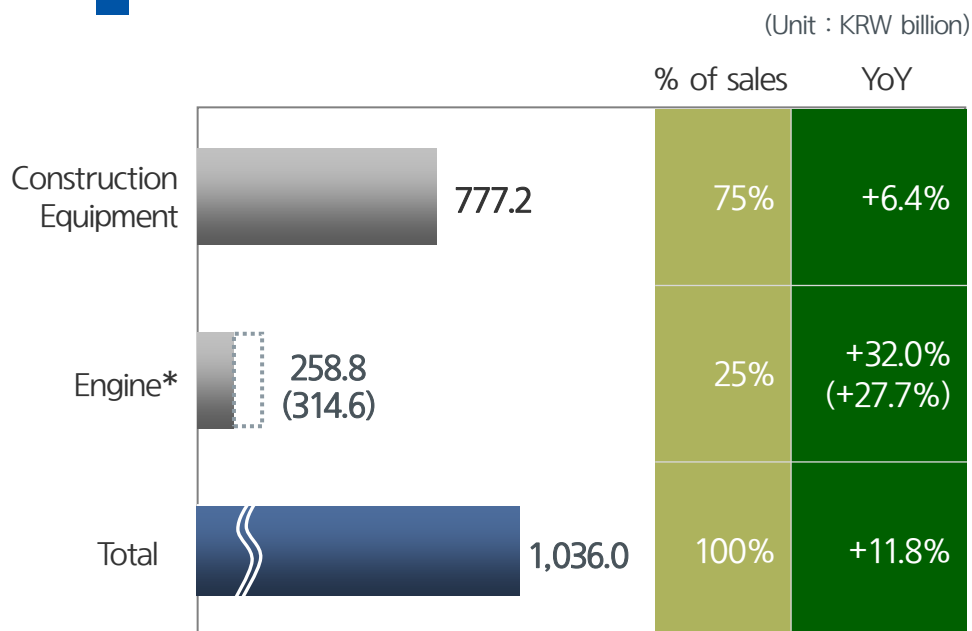
	4Q20	4Q21	YoY	2020	2021	YoY
Sales	926.7	1,036.0	+11.8%	3,988.1	4,593.7	+15.2%
EBIT	10.8	11.8	+9.6%	264.4	264.5	+0.0%
EBIT margin(%)	1.2%	1.2%	0.0%p	6.6%	5.8%	-0.8%p
(Net Financial Cost)	20.9	20.3	-2.9%	94.6	86.1	-9.0%
(F/X gains/losses)	-18.5	0.7	-	-10.5	46.2	-
Pretax Profit	-45.2	-45.7	-	112.7	174.0	+54.5%
Net Profit	50.2	178.6	+255.5%	285.1	567.8*	+99.2%

* Deficit carried forward(KRW 207.1 bn), which could be used as a result of the spin-off, was recognized as corporate tax revenues.

4Q21 Sales & EBIT by division

- Construction Equipment : Despite sluggish trends in China, sales grew +6% YoY thanks to favorable trends in emerging and developed markets. However, EBIT declined due to increased raw material prices and freight rates and one-off items.
- Engine : EBIT turned black and continued to grow as a result of solid demand from construction equipment business and double-digit demand growth for 3rd party generators/commercial vehicles.

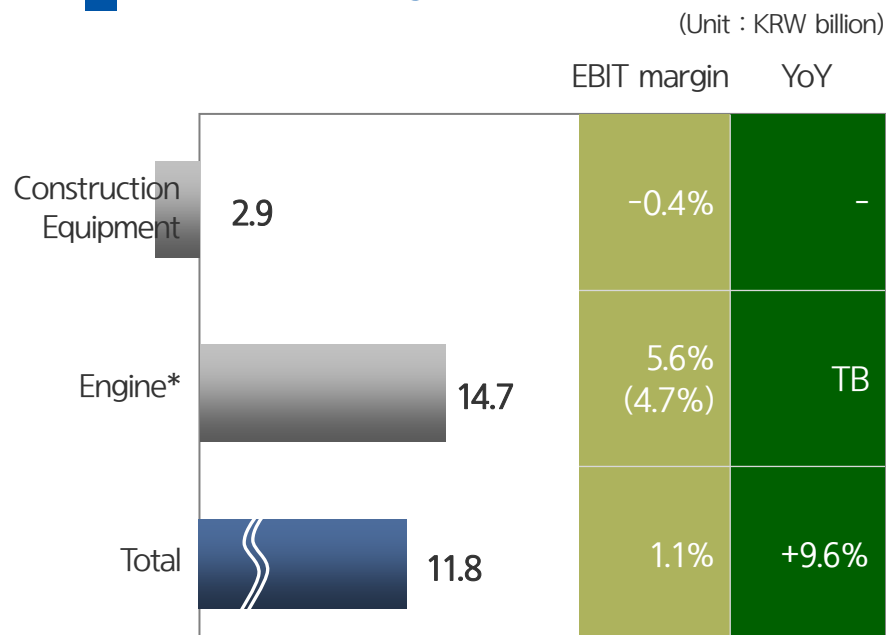
Sales



Note : Sales breakdown based on 3rd party revenue

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

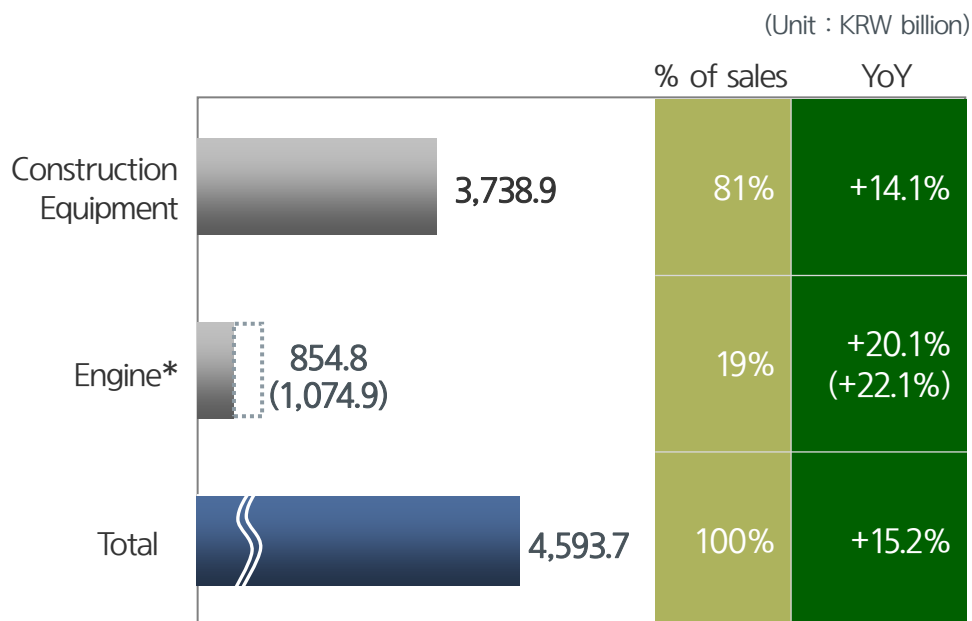
EBIT & Margin



2021 Sales & EBIT by division

- Construction Equipment : Sales grew thanks to infrastructure-related demand and rising raw material prices. However, EBIT declined due to slowing demand in China and cost pressure.
- Engine : Sales grew as a result of demand from construction equipment business and third-party customers for generator, materials and parts. EBIT continued to increase alongside solid topline growth.

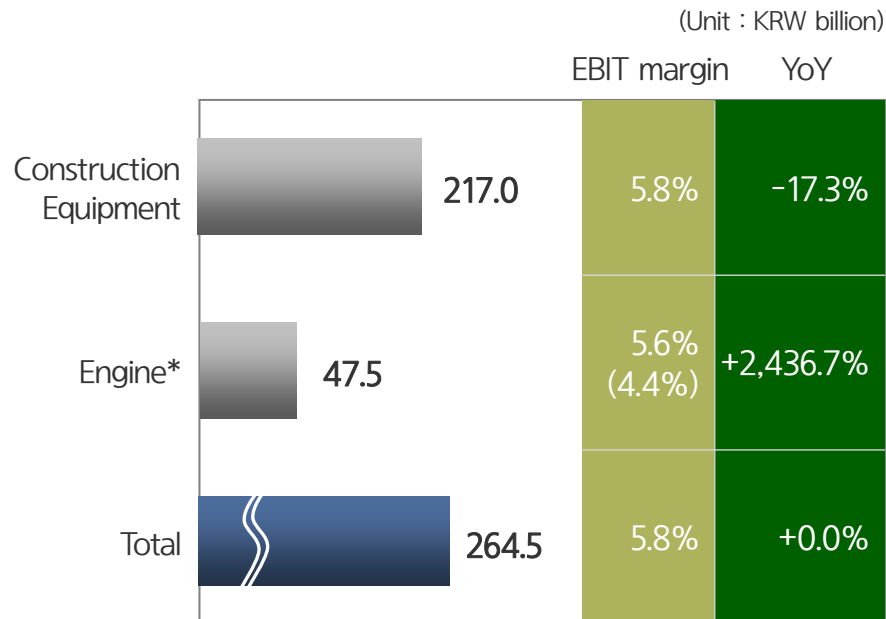
Sales



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



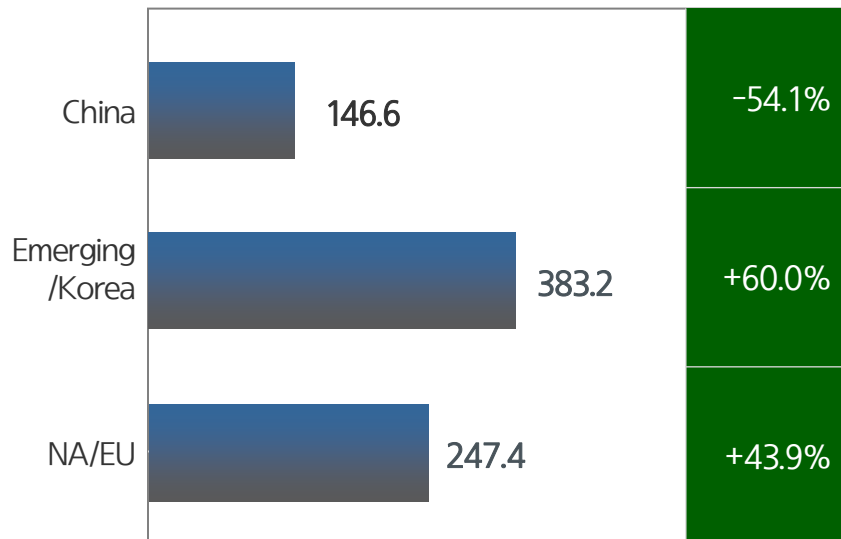
Regional breakdown (Construction Equipment)

- China : Sales decreased due to slowdown in new construction projects as the Chinese government strengthened environmental regulations and safety diagnosis.
- Emerging/Korea : Sales grew substantially in all regions thanks to rising raw material prices and government-led stimulus measures.
- NA/EU : Demand recovered quickly in line with accelerated pace in vaccination rates and infrastructure investment. We continued to gain market share via our efforts to strengthen channel competitiveness.

CE regional breakdown (4Q21)

(Unit : KRW billion)

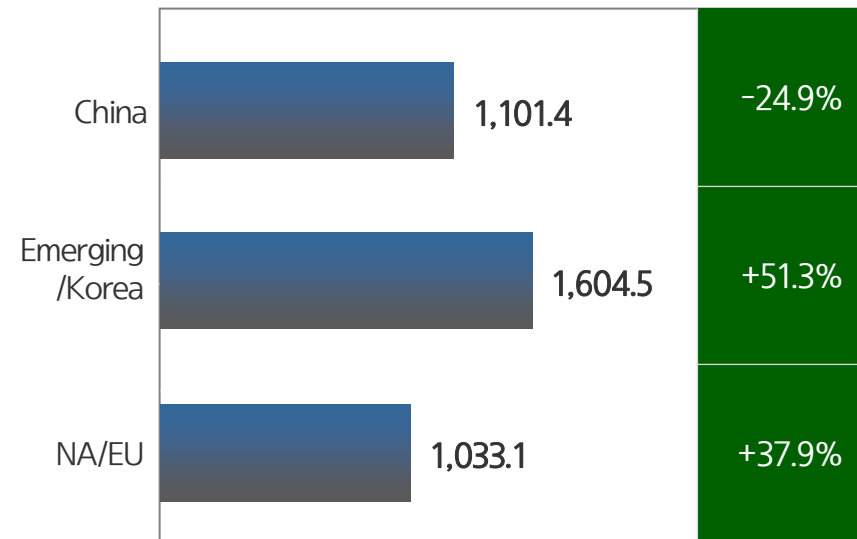
YoY



CE regional breakdown (2021)

(Unit : KRW billion)

YoY



Financial structure

- Although our financial structure deteriorated due to the artificial nature of the spin-off merger, net debt-to-equity ratio fell from 382% at the end of 3Q21 to 249% at the end of 2021 following the rights issue.
- Net debt stands at KRW 1.1 trillion and this should gradually decrease with the debt maturity schedule.

Balance Sheet

(Unit : KRW billion)

	2020	3Q21 (Post-spin-off)	2021	Compared to 3Q21 (Post-spin-off)
Current Assets	5,049.6	3,177.3	3,239.9	+62.6
Fixed Assets	6,977.3	1,592.6	1,542.4	-50.2
Total Assets	12,026.9	4,769.9	4,782.3	+12.4
Total liabilities	7,537.9	3,780.4	3,412.5	-367.9
- Net Debt	2,505.5	1,545.1	1,124.8	-420.3
Total shareholder's Equity	4,489.0	989.5	1,369.8	+380.3
Net Debt/Equity Ratio	167.9%	382.1%	249.1%	-133.0%p
Current Assets	55.8%	156.1%	82.1%	-74.0%p

Table of Contents

1 2021 Results

2 2022 Outlook

Strategic Roadmap

Global Top 5 in Construction Equipment Biz
within Hyundai Heavy Industries Group

ESG Management – Value creation for human and future society based on innovation

① Diversify Business Portfolio

- Gain competitiveness via expansion of channel coverage and product line-up
- Enhance competitiveness for small-sized equipment by securing HDI compact line-up
- Stable revenue from AM/special equipment market
- Expand 3rd party engine sales and create new source of income via E-PP/Hybrid.

② Strengthen Competitiveness

- Secure stable cost structure that can sustain market downturn
- Enhance cost competitiveness by optimizing vendor sourcing
- Strengthen quality and service by enhancing uptime, such as strengthening channel service capabilities and providing preemptive after service

③ Secure Future Technology

- Step-by-step commercialization of eco-friendly products to deal with climate change
- Accelerate digitalization and electrification
- Secure and commercialize digital solutions such as XiteCloud, Clue Insights and DXP

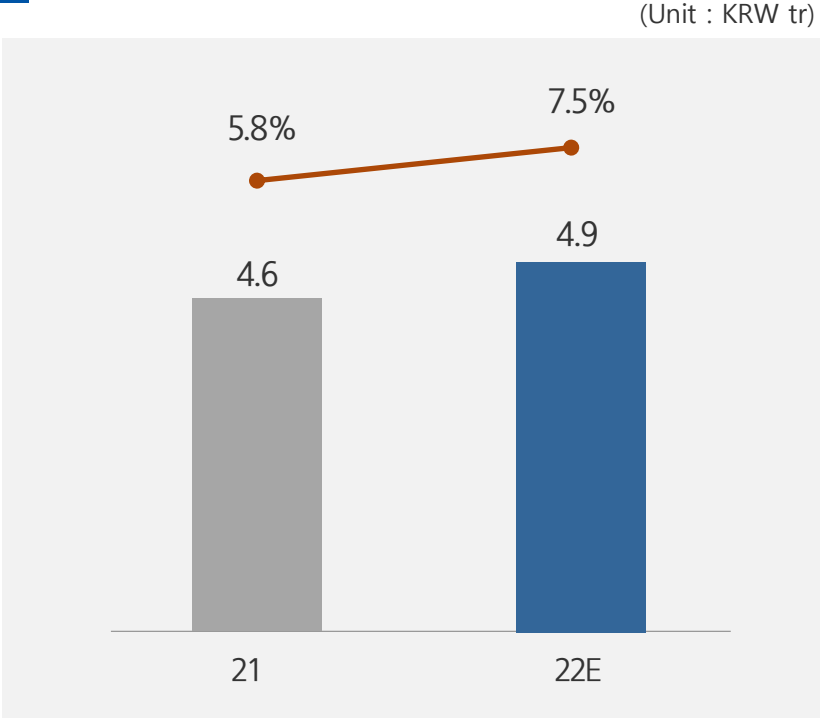
Create Synergies

Improvement in procurement and logistics efficiency / Optimization of sales and AS
/ Internalization of key components / Other synergies such as optimizing R&D, production and quality

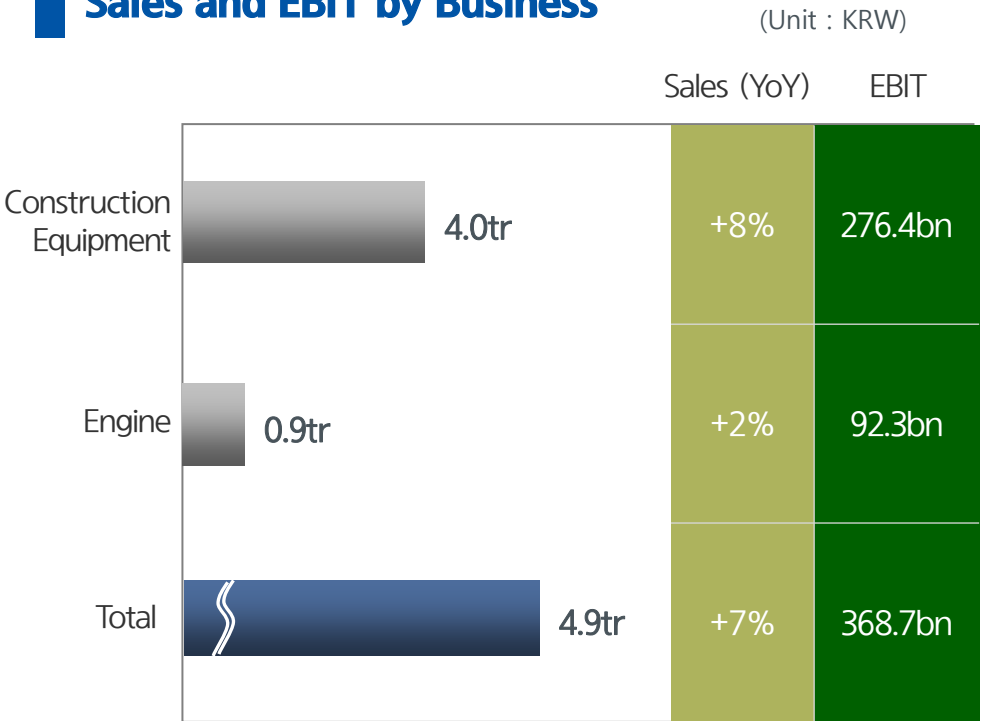
2022 Outlook

- Sales is forecasted to grow by 7% YoY to KRW 4.9tr thanks to growth in all businesses.
- While global infrastructure investment demand remains solid, EBIT is expected to grow +39% YoY to KRW 368.7bn, based on growing construction equipment demand in developed markets and expansion in engine business. Our EBIT projection also assumes price increase and product mix improvement,

Sales and EBIT Margin



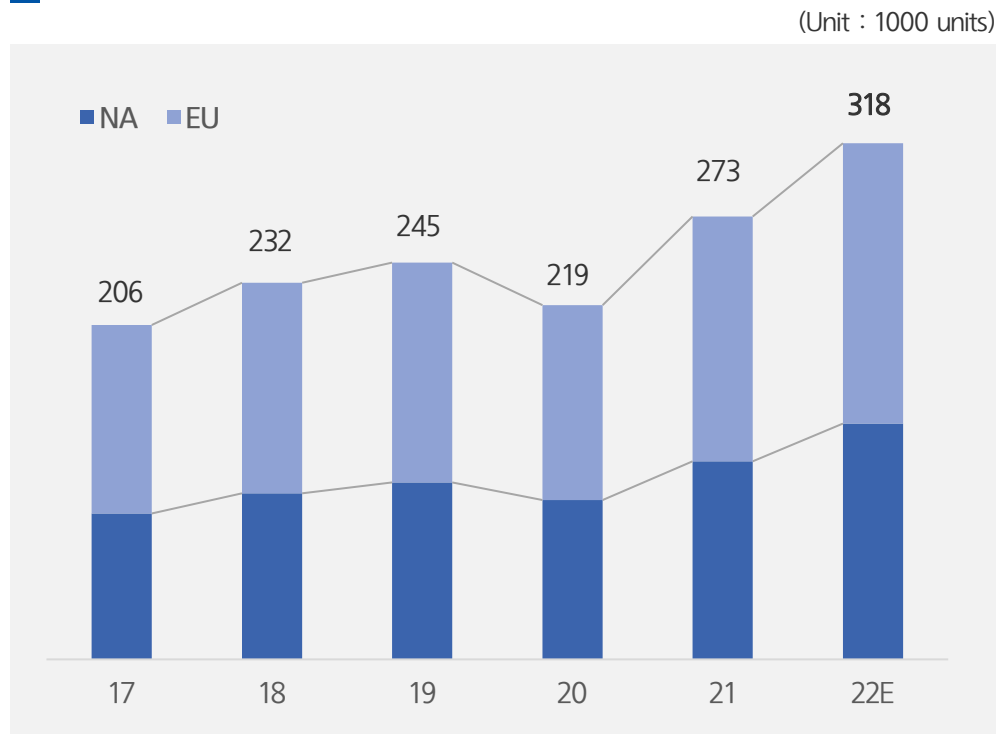
Sales and EBIT by Business



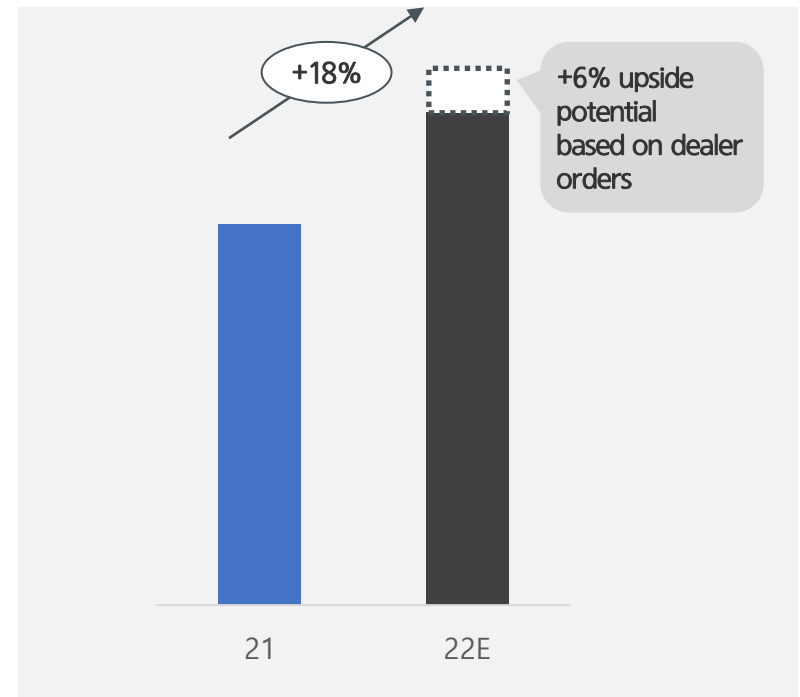
Construction Equipment (NA/EU)

- Developed markets should grow thanks to positive economic outlook, pass of the US infrastructure bill and infrastructure investment led by EU. Furthermore, we are seeing backorder due to supply/logistic issues last year.
- Sales are expected to grow +18% YoY thanks to product price hike and stronger channel competitiveness attained from securing mega/new dealers in NA and operating company owned stores in EU. We also expect to gain market share thanks to new product launches including MEX, dozer and wheel loader.

Market Outlook for NA/EU



HDI's Sales Outlook for NA/EU

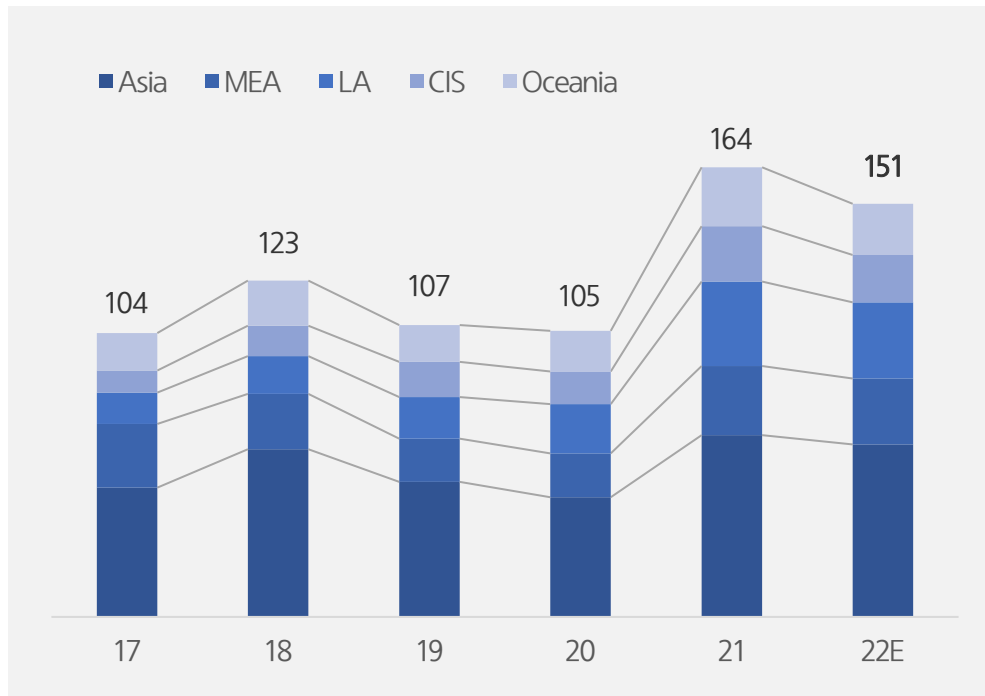


Construction Equipment(Emerging/Korea)

- In view of explosive market growth seen last year thanks to infrastructure investment and raw material price hike and this year's quantitative tightening, we expect demand to decline marginally in 2022.
- HDI plan to capture demand by securing additional dealers in the region, expand channel coverage and focus on digital marketing. We will also launch new models made in our China plant for emerging market to further enhance our product lineup in the region and raise prices to focus on profitability.

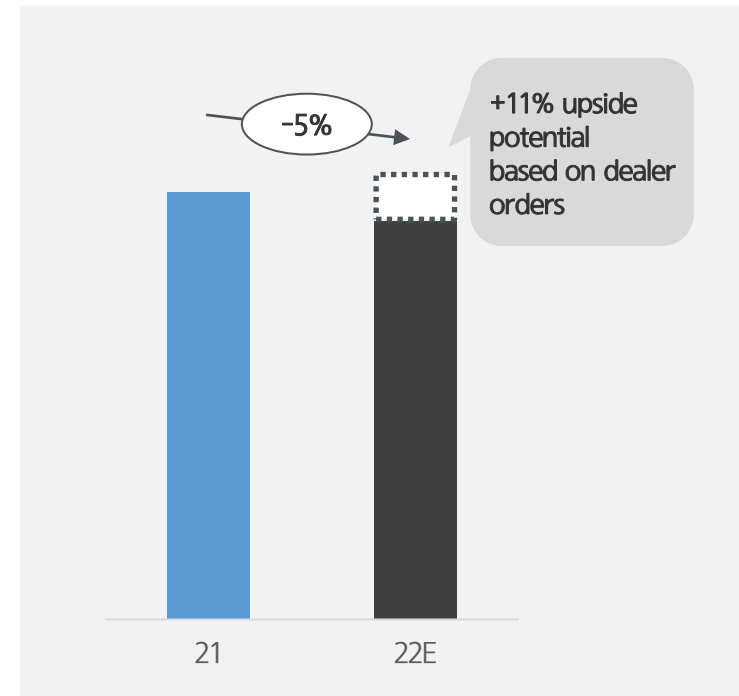
Market Outlook for EM

(Unit : '000 units)



* Source: Company data, Excluding Korea

HDI's Sales Outlook – EM/Korea

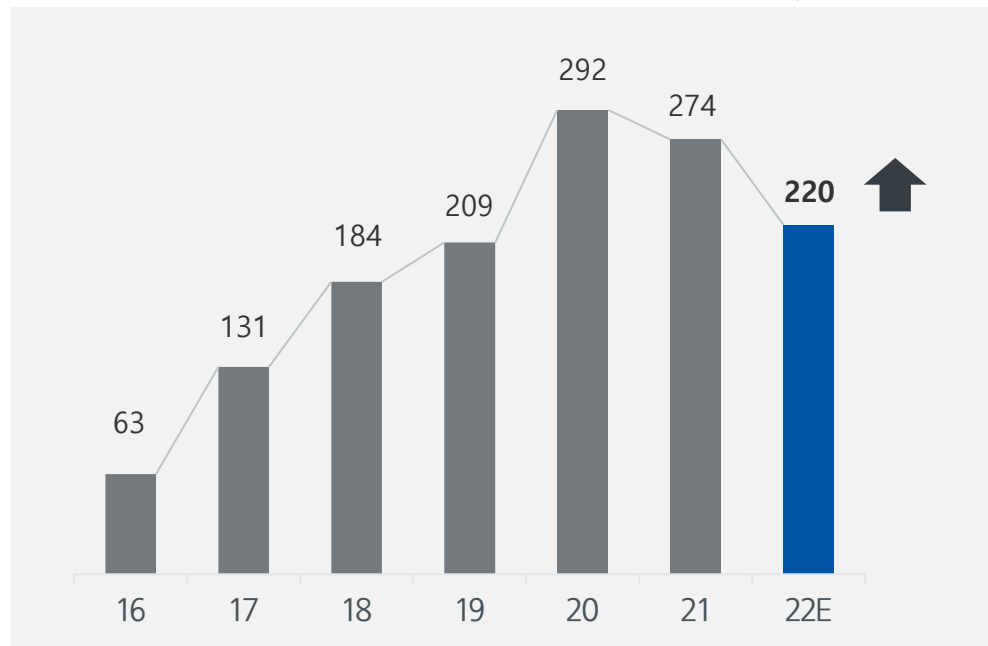


Construction Equipment(China)

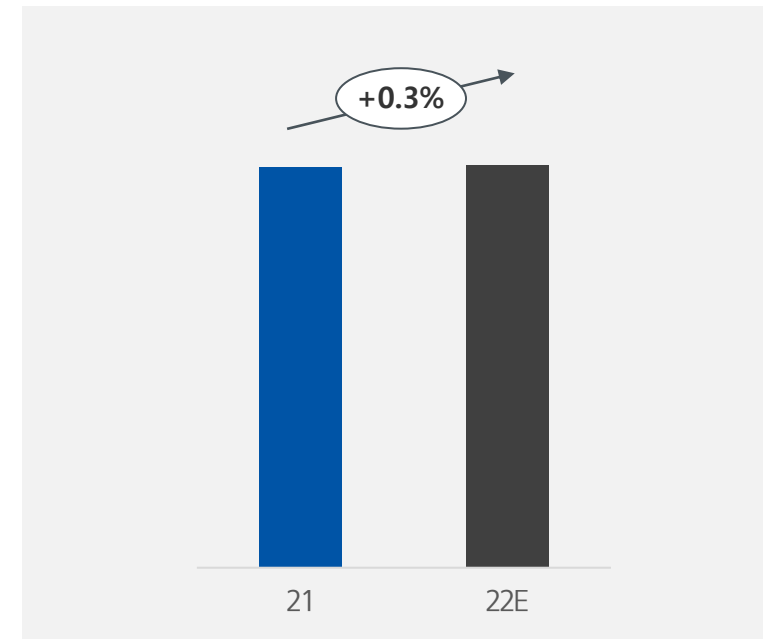
- Market is expected to decline due to stronger government regulations on real estate and environment, insufficient tax revenue at local government, and problems with coal supply. However, if China comes through with economic stimulus measure after the Beijing Olympics, we expect upside potential.
- Sales should grow marginally thanks to 1) enhanced sales of large and wheel-typed models, 2) launch of new products and special equipment, and 3) increased exports to emerging markets. We continue to focus our efforts to enhance sales of mid/large equipment and minimize risks of sales receivables.

Market Outlook for China

(Unit : '000 units)



HDI's Sales Outlook – China

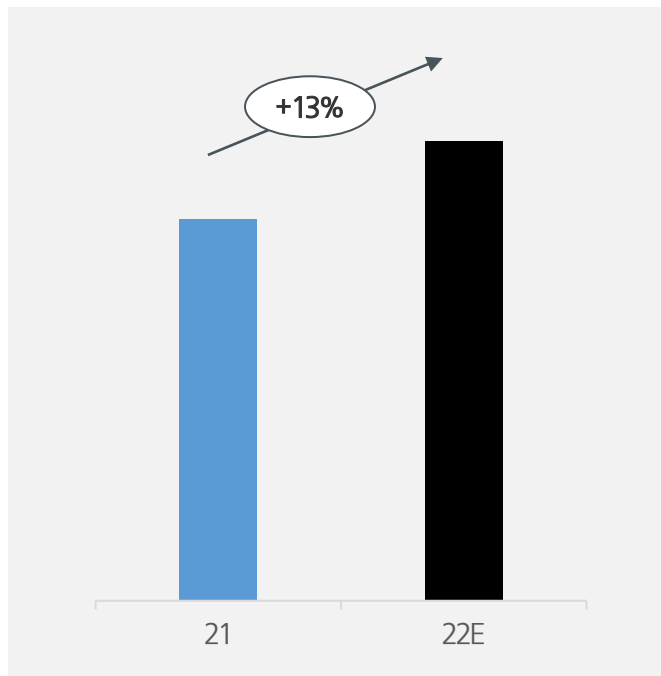


* Source: CCMA, company data

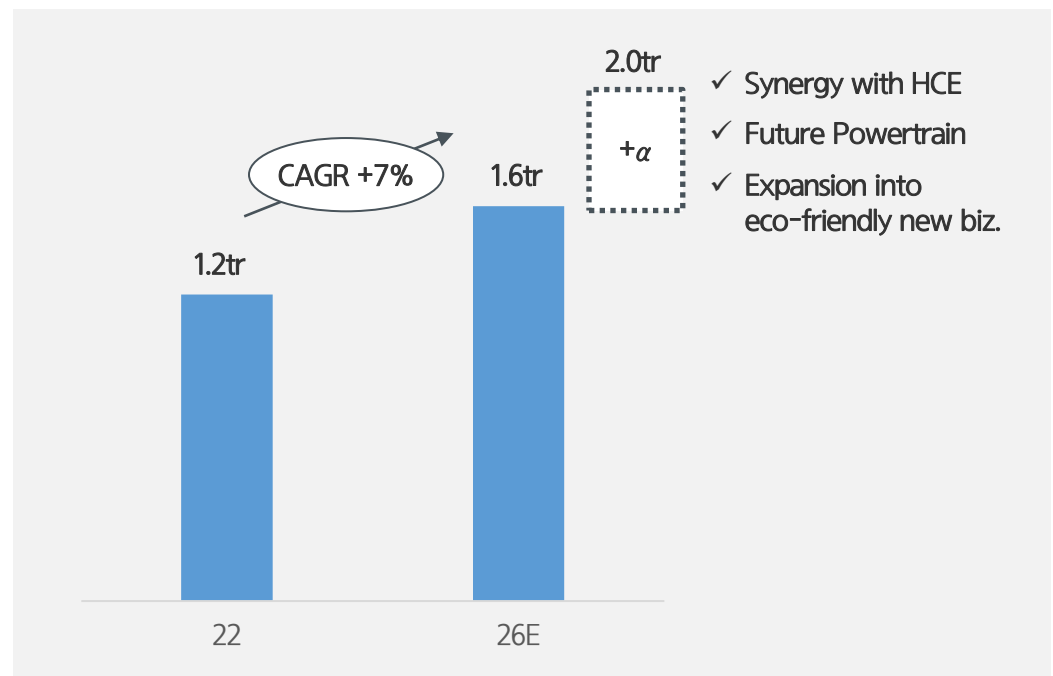
Engine

- Engine sales are expected to grow +13% YoY amidst global economic recovery and oil price hike. We anticipate sustainable growth via 1) expansion of product line-up to ultra-small and large-sized engines, 2) stronger competitiveness of electronic engines.
- HDI plan to strengthen its top-line by adding more 3rd party customer and after-market revenues in existing market. Also, 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's Sales Outlook - Engine



Mid/long-term Sales Outlook

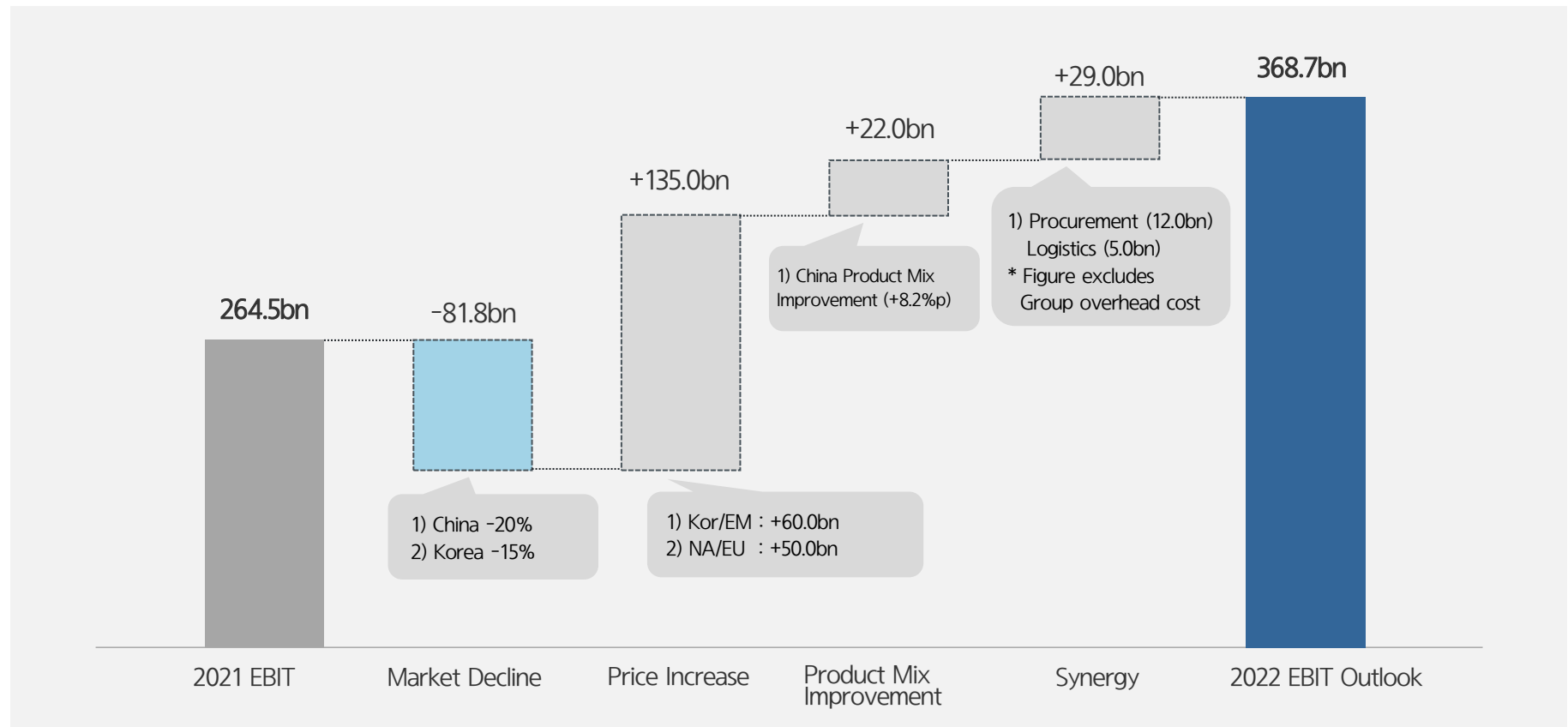


* Figures based on total sales

EBIT Target – Key Initiative

- EBIT to improve by KRW 104.2 bn through price hike (3~4% by region) and product mix improvement, despite sluggish market outlook.

EBIT Bridge



2021 ESG Key Activities & 2022 Strategic Initiatives



* RE100(Renewable Energy 100%) : Global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity by 2050



[Appendix] Business segment information

• China monthly sales volume & market

(Unit : unit)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
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
	HDI	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	26,342	16,717	12,409	10,171	11,536	13,162	14,869	17,149	17,230	208,869
	HDI	701	1,603	3,439	1,802	1,088	1,074	539	629	969	1,041	1,262	1,123	15,270
	M/S	6.9%	9.3%	8.2%	6.8%	6.5%	8.7%	5.3%	5.5%	7.4%	7.0%	7.4%	6.5%	7.3%
2020	Market	7,749	6,893	46,201	43,367	29,513	21,724	16,243	18,067	22,578	23,872	28,830	27,314	292,351
	HDI	370	482	3,151	3,239	2,166	1,320	943	1,126	1,551	1,418	1,692	1,228	18,686
	M/S	4.8%	7.0%	6.8%	7.5%	7.3%	6.1%	5.8%	6.2%	6.9%	5.9%	5.9%	4.5%	6.4%
2021	Market	16,019	24,547	72,968	41,093	22,066	16,954	12,318	12,346	13,931	12,599	14,014	15,422	274,277
	HDI	807	1,754	4,591	2,302	878	643	227	230	404	360	368	366	12,930
	M/S	5.0%	7.1%	6.3%	5.6%	4.0%	3.8%	1.8%	1.9%	2.9%	2.9%	2.9%	2.9%	5.1%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

	1Q20	2Q20	3Q20	4Q20	2020	YoY	1Q21	2Q21	3Q21	4Q21	2021	YoY
China	311.5	527.5	308.9	319.2	1,467.2	+17.0%	523.5	312.2	119.0	146.6	1,101.4	-24.9%
Emerging/Korea	337.5	241.8	241.4	239.5	1,060.1	-2.1%	422.1	427.0	372.2	383.2	1,604.5	+51.3%
NA/EU	198.7	181.1	197.5	171.9	749.2	-7.8%	227.7	291.4	266.5	247.4	1,033.1	+37.9%
Total	847.7	950.4	747.8	730.6	3,276.6	+4.1%	1,173.3	1,030.6	757.7	777.2	3,738.9	+14.1%