



Doosan Infracore

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2020 1Q Earnings Release

April 2020



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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1Q20 Results

- Sales decreased 8% YoY due to global economic slowdown in the midst of COVID-19.
 - Heavy : Weakness is China due to COVID-19, but developed and emerging markets fared better than expected thanks to market share gains.
 - Engine : YoY growth based on 3rd party revenue.
- EBIT declined YoY due to sluggish demand in China.

Income Statement

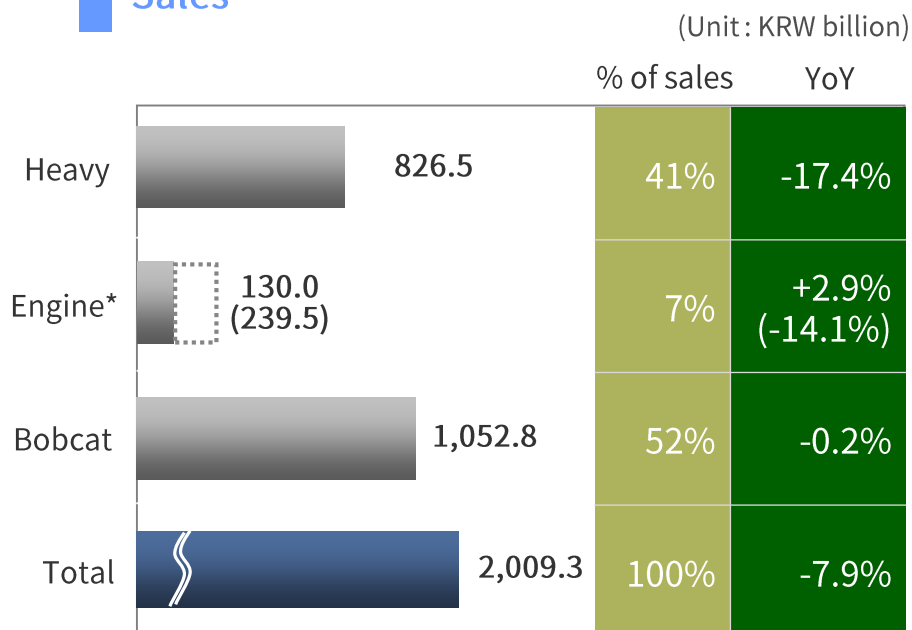
(Unit : KRW billion)

	1Q19	4Q19	1Q20	YoY	QoQ
Sales	2,182.6	1,946.6	2,009.3	-7.9%	+3.2%
EBIT	250	138.6	181	-27.6%	+30.6%
EBIT margin(%)	11.5%	7.1%	9.0%	-2.4%p	+1.9%p
(Net Financial Cost)	44.1	42.5	39.8	-9.8%	-6.4%
(F/X gains/losses)	7.5	-16.8	3.0	-59.9%	-
Pretax Profit	196.7	70.4	125.8	-36.1%	+78.7%
Net Profit	130.7	38.9	74.6	-42.9%	+92.0%

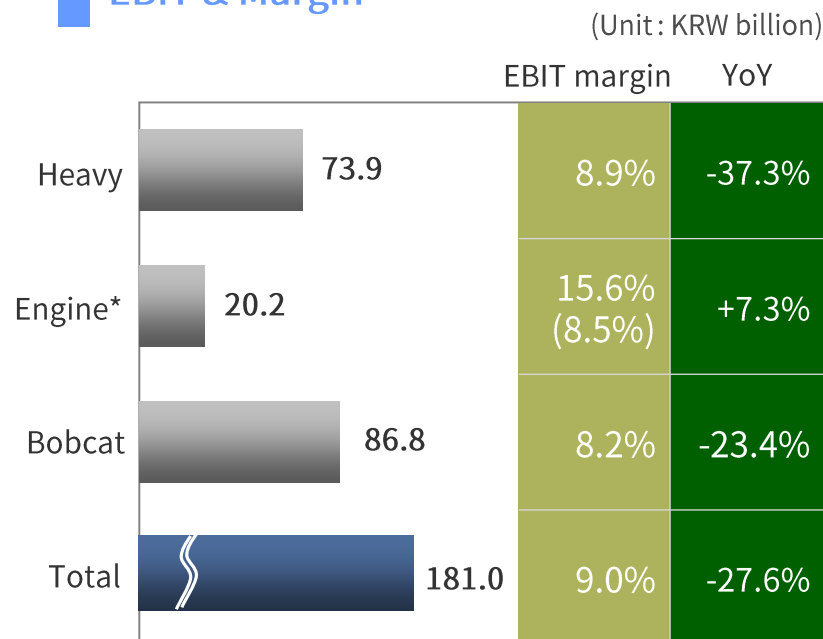
1Q20 Sales & EBIT by division

- Heavy : Chinese excavator market was affected by COVID-19 during January ~ February and then started V-shaped recovery from March. Also, market presence was enhanced in developed markets through market share expansion.
- Engine : Revenue and EBIT increased YoY thanks to growing sales contribution from external G2 engine contracts and absence of one-time cost which was present in 1Q19.
- Bobcat : Revenue decreased due to slow global demand, while EBIT declined due to cost related to launch of new products.

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

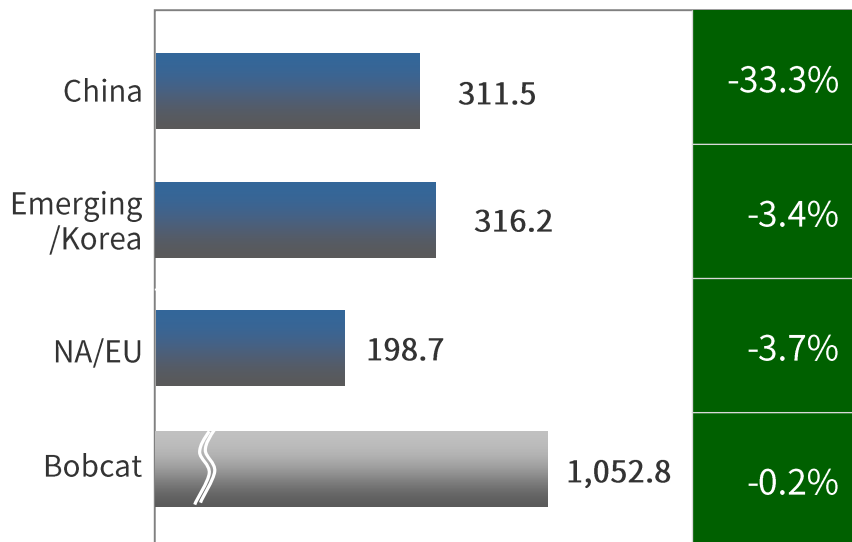
Regional breakdown (Construction equipment)

- China : Sales declined by 33% YoY due to COVID-19 that affected China earlier in the year. However, demand started to recover in full swing from March thanks to China's infrastructure investment.
- Emerging/Korea : Sales fell 3% YoY due to market slowdown. We continued to focus our efforts on profitability and risk management.
- NA/EU : Demand in developed markets were also effected, however, sales only dropped marginally thanks to increase in market share in the region.

CE regional breakdown (1Q20)

(Unit : KRW billion)

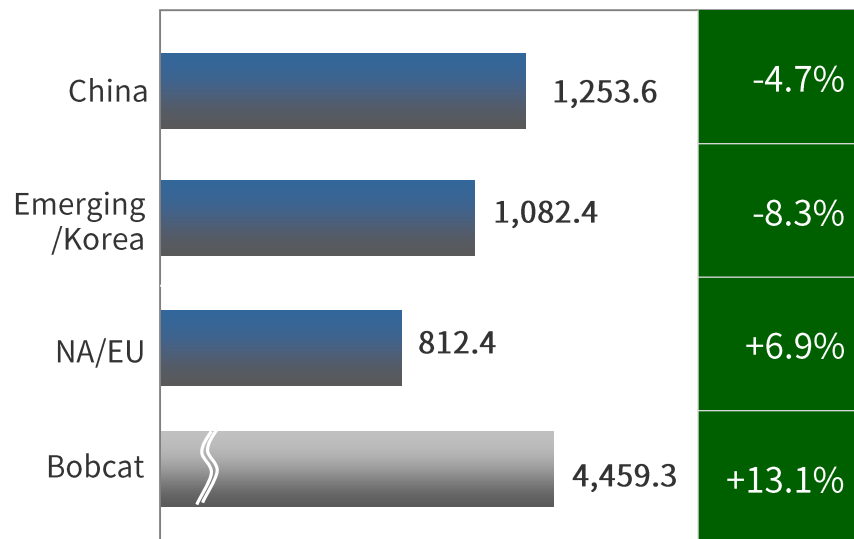
YoY



CE regional breakdown (2019)

(Unit : KRW billion)

YoY



Financial structure

- Net debt increased by KRW341bn due to unfavorable impact from currency (KRW82.8bn) and increase in working capital during the high demand season.
- Liability/equity ratio deteriorated due to seasonality, despite improvement in net income and resultant increase in shareholders' equity.

Balance Sheet

(Unit : KRW billion)

	2018	2019	1Q20	Compared to 2019
Current Assets	4,426.8	4,304.9	5,142.8	+837.9
Fixed Assets	6,602.3	7,033.7	7,312.9	+279.2
Total Assets	11,029.2	11,338.6	12,455.7	+1,117.1
Total liabilities	7,208.4	7,071	7,953	+881.9
- Net Debt	2,998.9	3,022.7	3,363.7	+341
Total shareholder's Equity	3,820.8	4,267.6	4,502.7	+235.2
Liabilities/Equity Ratio	188.7%	165.7%	176.6%	+10.9%p
Net Debt/Equity Ratio	78.5%	70.8%	74.7%	+3.9%p

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1 1Q20 Results

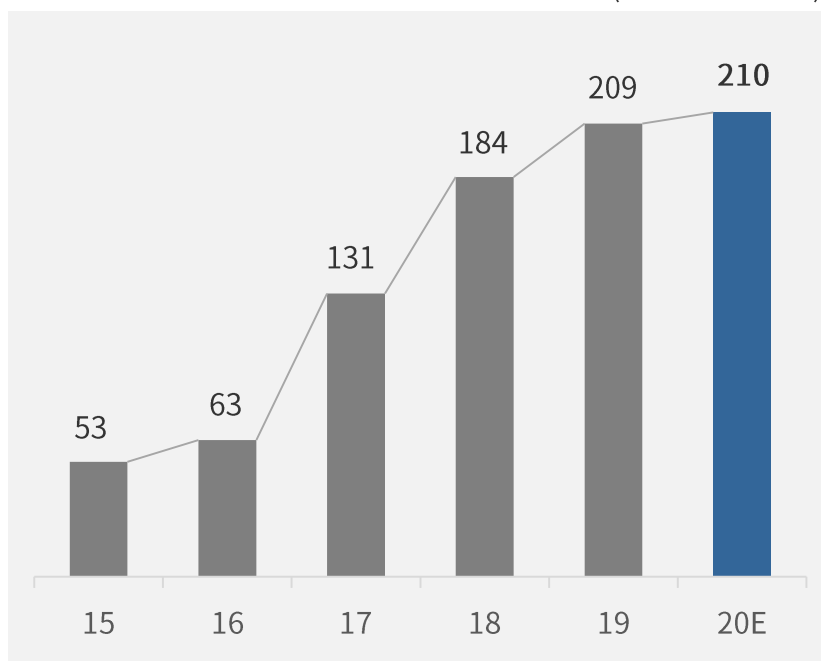
2 Highlights

Heavy (China) – Enhanced competitiveness amidst positive market outlook

- Despite impact from Covid-19, equipment utilization and market demand are quickly recovering.
- Excavator market in China should be similar or grow marginally YoY in view of stimulus measures.
- We have consistently gained market share amongst foreign brands, which mainly target financially sound customer base.
- We expect profitability to improve going forward, as local players have announced future price hikes in the range of 5~10%.

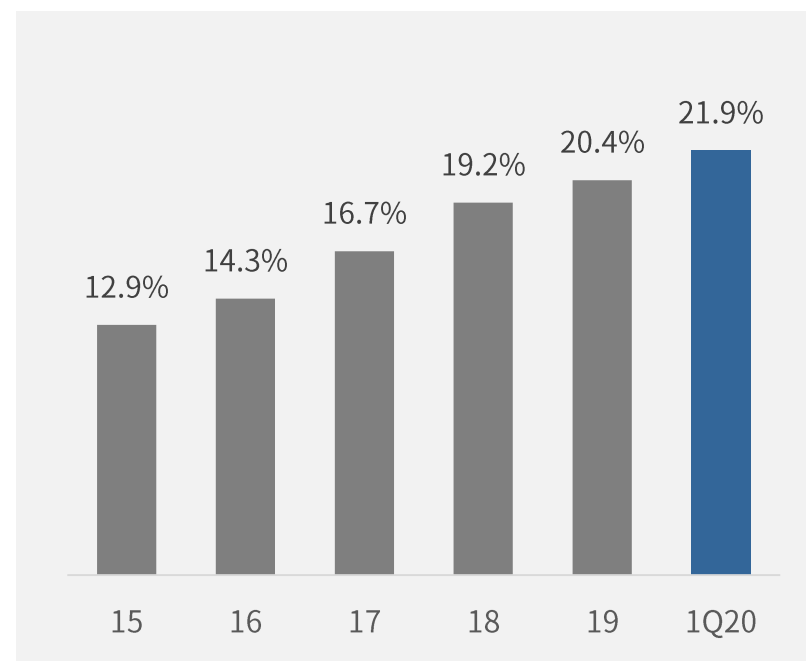
Revision of China's Outlook

(Unit : '000 units)



* Source: CCMA

DI's market share within foreign brands



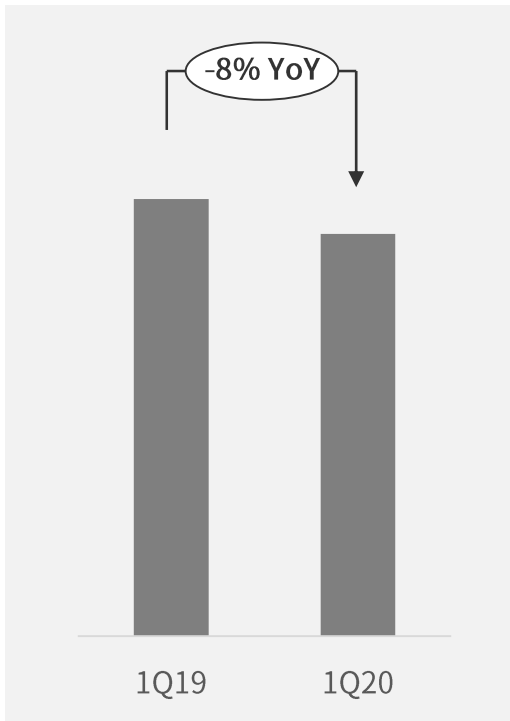
* Source: CCMA

Heavy (NA/EU) – Market share gains via growing contribution from MEX

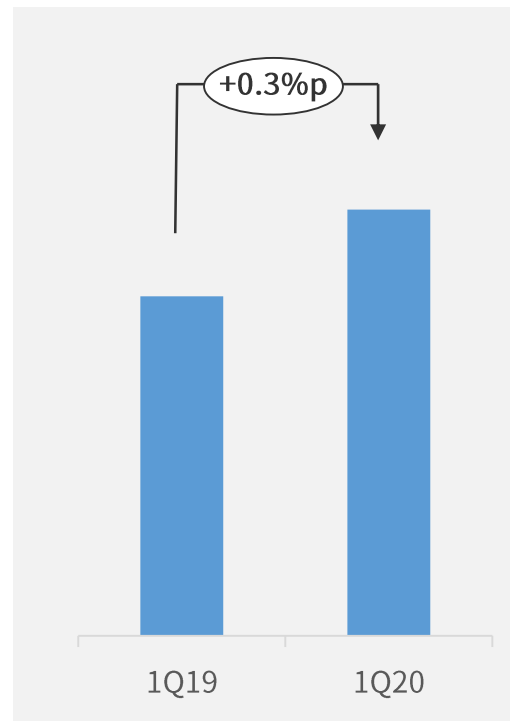
- NA/EU, which was impacted by COVID-19 in full swing from March, declined 8% YoY and is expected to start recovery from 3Q.
- We continue to make progress in our market share efforts through improvement in dealer network, volume growth in mini excavators(MEX) and launch of new models in Europe.

NA/EU Market

(Unit : units)

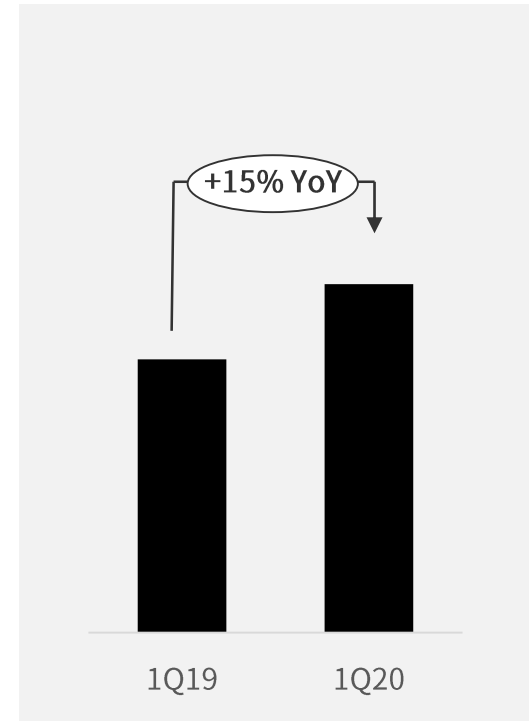


DI's market share



Sales volume of MEX*

(Unit : units)



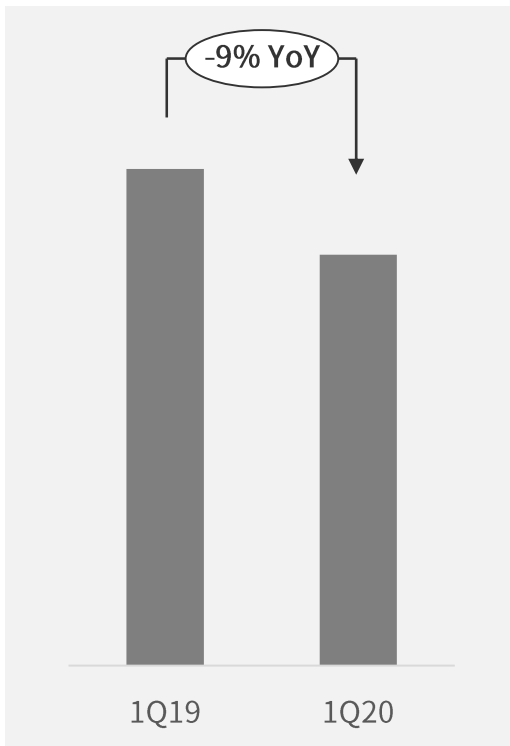
* Excavators below 8 tons

Heavy (Emerging/Korea) – Greater contribution from larger excavators

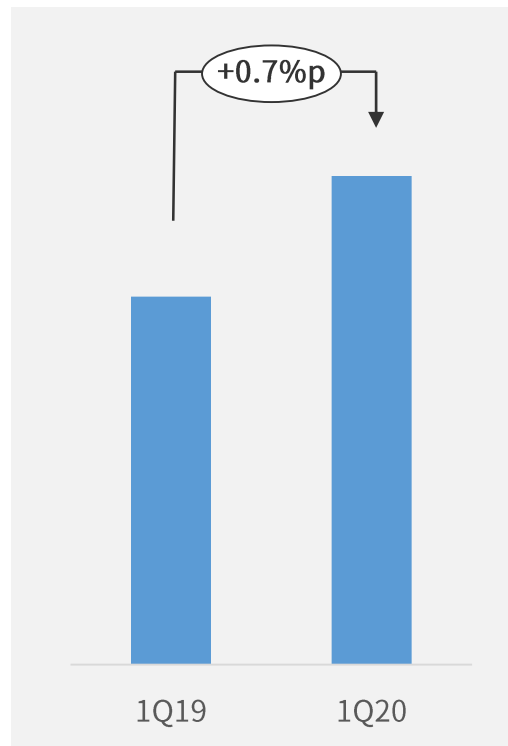
- Due to COVID-19, emerging and Korean markets declined 9% YoY.
- While we focus our efforts to manage receivable related risks in the midst of market volatility, we endeavor to increase sales contribution from large equipment and enhance our profitability.

Emerging/Korea Market

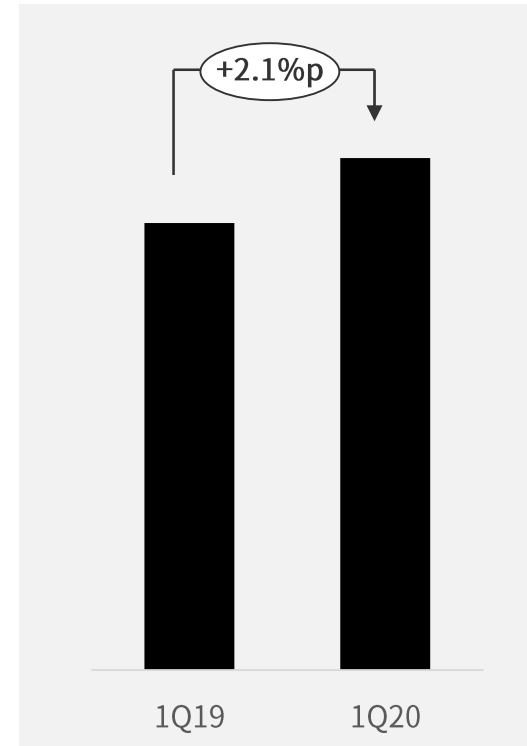
(Unit : units)



DI's market share



Sales contribution from large-sized excavators*



* Excluding Korea, Excavators above 34 tons



[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
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	26,342	16,717	12,409	10,171	11,536	13,162	14,869	17,149	17,230	208,869
	DI	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										60,843
	DI	370	482	3,151										4,003
	M/S	4.8%	7.0%	6.8%										6.6%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

	1Q19	2Q19	3Q19	4Q19	2019	YoY	1Q20	YoY
China	467.1	334.5	199.2	252.7	1,253.6	-4.7%	311.5	-33.3%
Emerging/Korea	327.4	297.5	232.4	225.1	1,082.4	-8.3%	316.2	-3.4%
NA/EU	206.4	237.2	169.8	199.0	812.4	+6.9%	198.7	-3.7%
Bobcat	1,055.4	1,182.0	1,107.3	1,114.6	4,459.3	+13.1%	1,052.8	-0.2%
Total	2,056.2	2,051.3	1,708.7	1,791.4	7,607.7	+5.7%	1,879.3	-8.6%

[Appendix] Doosan Bobcat – 1Q20 Results

- Sales increased marginally YoY thanks to Won's weakness, despite the high comparison basis in 1Q19 and sluggish portable power sales.
- EBIT decline due to weak demand and cost related to new product launches.
- Net profit decreased YoY due to lower EBIT and increased taxes related to dividends.

Income Statement

(Unit : KRW bn)

	1Q19	4Q19	1Q20	YoY	QoQ
Sales	1,062.4	1,128.5	1,064.2	+0.2%	-5.7%
EBIT	113.3	96.2	86.8	-23.4%	-9.8%
EBIT Margin	10.7%	8.5%	8.2%	-2.5%p	-0.4%p
EBITDA	137.8	118.5	116.7	-15.0%	-1.3%
Net Financial Cost	11.1	7.9	8.0	-28.1%	+1.1%
Profit before Tax	99.4	75.4	65.3	-34.3%	-13.4%
Net Profit	68.5	41.6	33.5	-51.0%	-19.5%
Net Profit Margin	6.4%	3.7%	3.2%	-3.3%p	-0.5%p

* F/X (KRW/USD) - 1Q19: KRW1,125.08/USD, 4Q19: KRW1,175.81/USD, 1Q20: KRW1,193.60/USD