



Doosan Infracore

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2019 4Q Earnings Release

February 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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1 2019 Results

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2019 Results

4Q19

- Sales increased +9% YoY on the back of steady growth in all businesses.
- EBIT decreased -2% YoY due to increased costs at Bobcat. Excluding Bobcat, EBIT grew +9% YoY.

2019

- Sales grew +6% YoY thanks to favorable trends in the Engine business and Bobcat, despite slow demand in Heavy business.
- EBIT was similar to last year's historic high levels thanks to sales growth and efforts to enhance profitability.

Income Statement

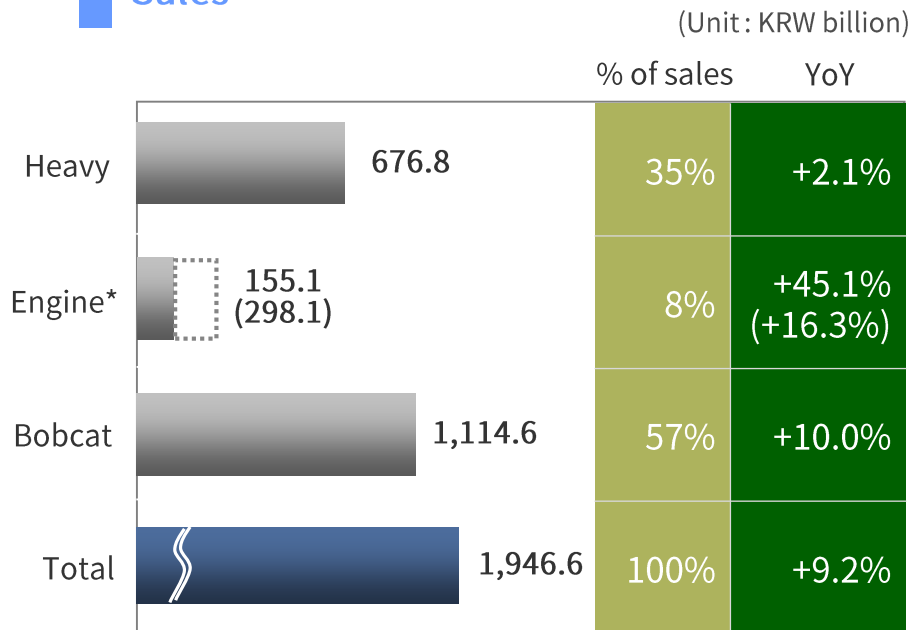
(Unit : KRW billion)

	4Q18	4Q19	YoY	2018	2019	YoY
Sales	1,783.3	1,946.6	+9.2%	7,730.1	8,185.8	+5.9%
EBIT	142.0	138.6	-2.4%	848.1	840.4	-0.9%
EBIT margin (%)	8.0%	7.1%	-0.9%p	11.0%	10.3%	-0.7%p
Net Financial Cost	41.0	42.5	+3.7%	181.4	172.2	-5.1%
F/X gains/losses	2.3	-16.8	-	-9.9	-9.4	-
Net Profit	21.1	38.9	+83.8%	394.2	395.7	+0.4%

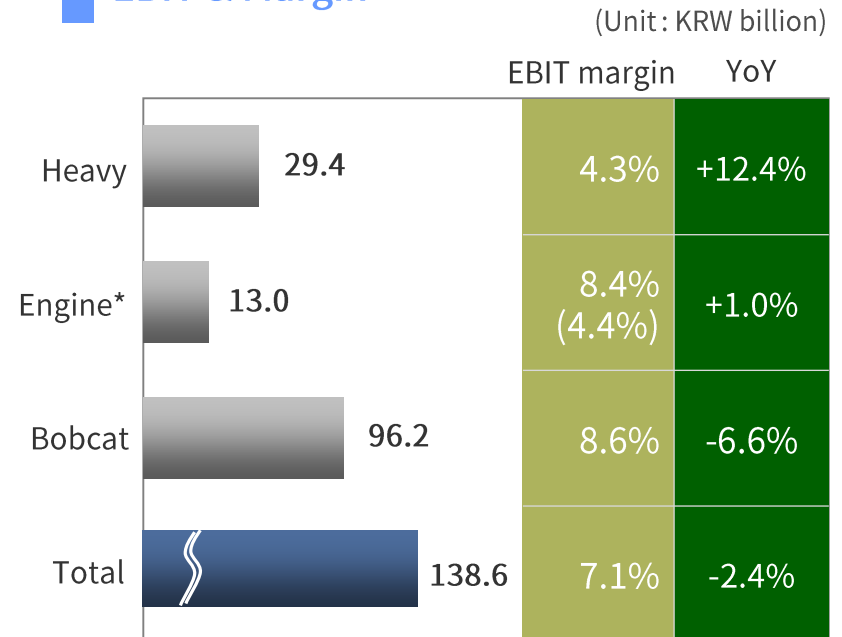
4Q19 Sales & EBIT by division

- Heavy : Revenue increased 2% YoY mostly in developed markets. EBIT grew +12% YoY thanks to our efforts to cut material costs.
- Engine : Revenue surged +45% YoY due increased volume to Heavy/Bobcat and favorable sales of generator engines.
- Bobcat : Revenue increased +10% YoY thanks to favorable market demand, however, EBIT declined due to raw material price hike and cost related to new product launches.

Sales



EBIT & Margin

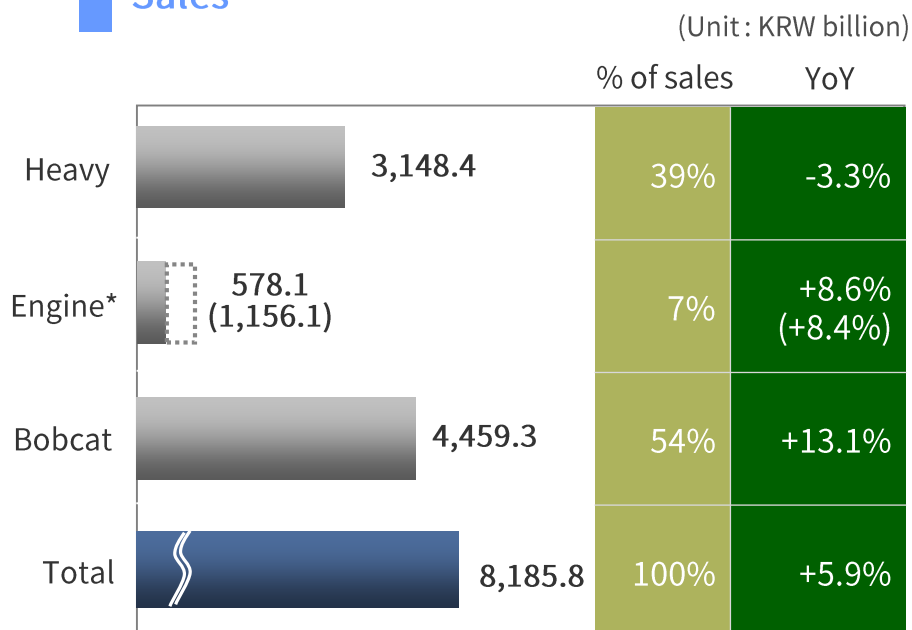


* Numbers in parenthesis are based on total sales of engine business, which includes internal sales
 Note : Sales breakdown based on 3rd party revenue

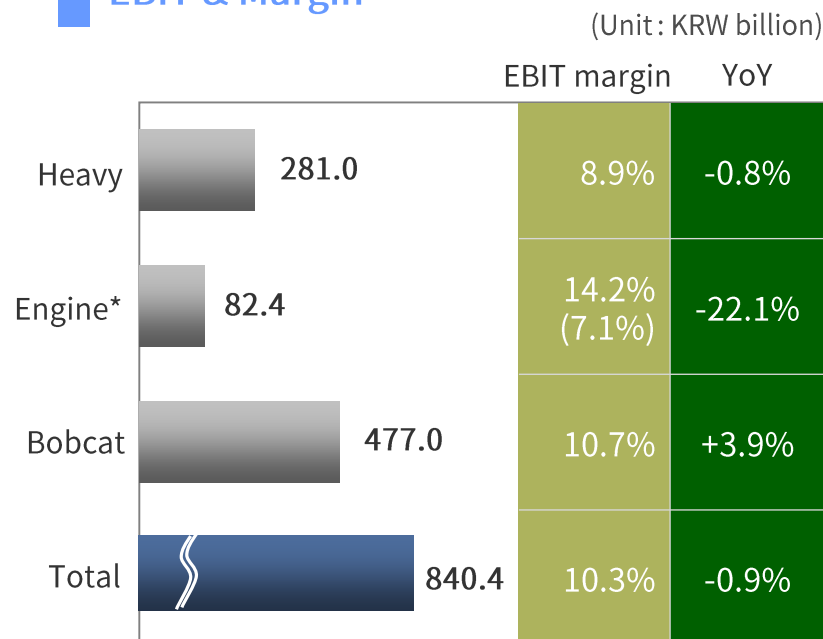
2019 Sales & EBIT by division

- Heavy : Revenue declined marginally due to downturn in Korea's construction market, decline in raw material prices in emerging markets, greater F/X risk and political unrest in certain countries. However, EBIT remained similar to a year ago thanks to our focus on profitability.
- Engine : Revenue increased thanks to Bobcat and generator engine sales, while EBIT decreased due to one-time costs and change in product mix.
- Bobcat : Revenue increased double-digit thanks to steady demand and EBIT margin also remained above 10% level.

Sales



EBIT & Margin



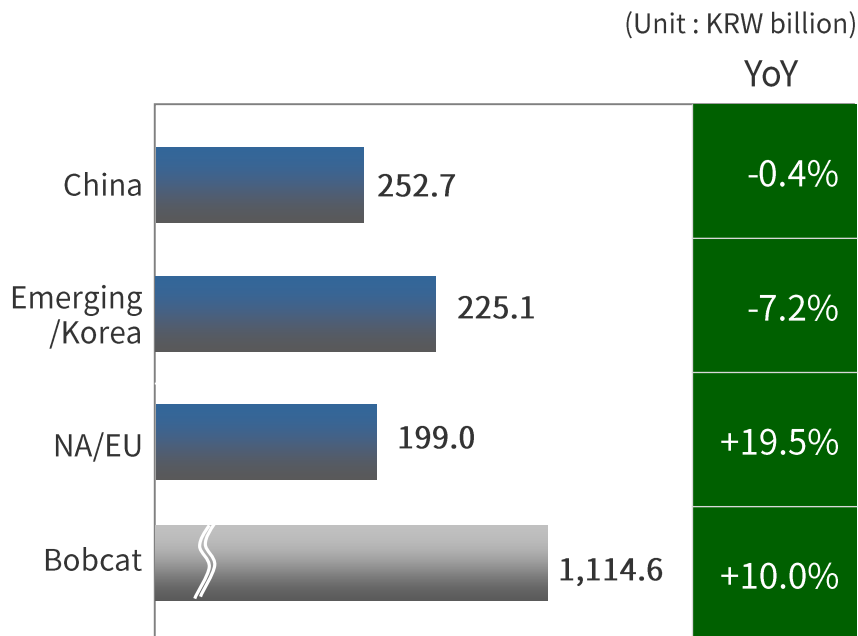
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Note : Sales breakdown based on 3rd party revenue

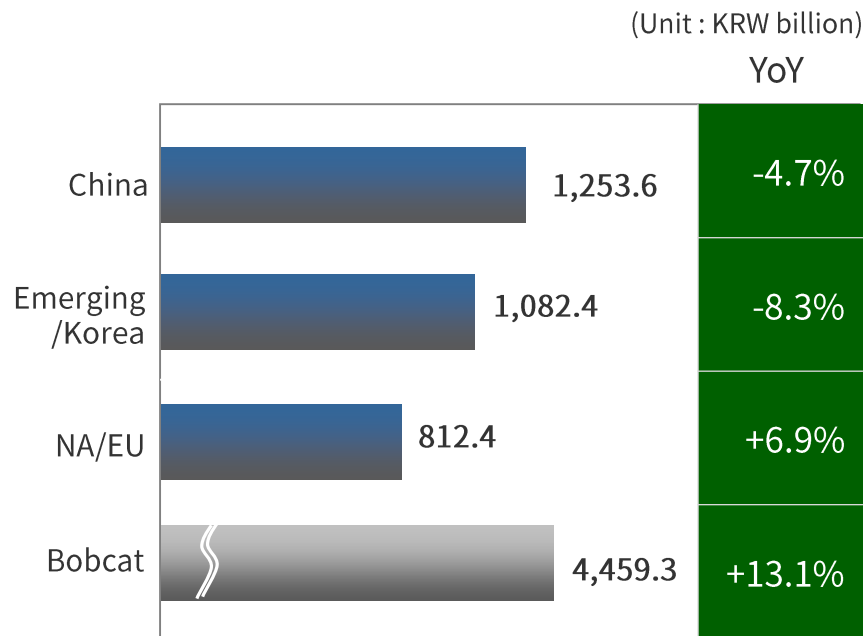
Regional breakdown (Construction equipment)

- China : Sales declined marginally due to sales strategy focused on profitability and cash flow.
- Emerging/Korea : Despite market slowdown due to weaker raw material prices and sluggish construction market condition in Korea, market share continued to improve in the region.
- NA/EU : Sales continued to grow thanks to demand growth and enhanced channel competitiveness.

CE regional breakdown (4Q19)



CE regional breakdown (2019)



Financial structure

- Net debt increased by KRW23.8bn due to unfavorable impact from currency (KRW42.1bn). If excluded, net debt would have marginally declined.
- Liability/equity ratio decreased by 23%p thanks to improvement in net income and resultant increase in shareholders' equity.

Balance Sheet

(Unit : KRW billion)

	2017	2018	2019	YoY
Current Assets	3,767.4	4,426.8	4,304.9	-121.9
Fixed Assets	6,508.7	6,602.3	7,033.7	+431.3
Total Assets	10,276.1	11,029.2	11,338.6	+309.4
Total liabilities	7,102.9	7,208.4	7,071.0	-137.3
- Net Debt	3,618.6	2,998.9	3,022.7	+23.8
Total shareholder's Equity	3,173.2	3,820.8	4,267.6	+446.8
Liabilities/Equity Ratio	223.8%	188.7%	165.7%	-23.0%p

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1 2019 Results

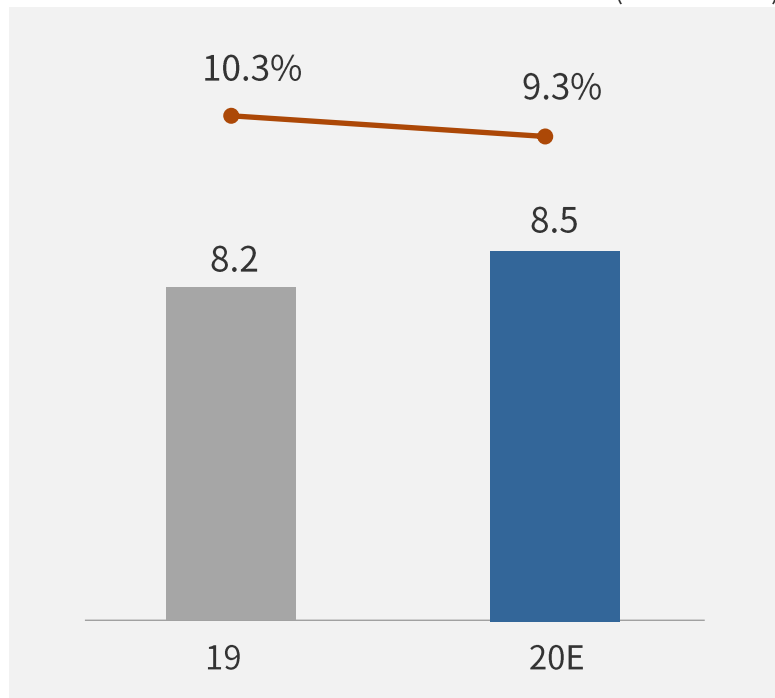
2 2020 Outlook

2020 Outlook

- Revenue is forecasted to grow by +4% YoY to KRW8.5 trillion, based on growth expectation in heavy division's developed markets, engine division and Doosan Bobcat.
- EBIT is projected to decline marginally by -6% YoY to KRW793.6 billion due to weak outlook on China and stronger risk management efforts.

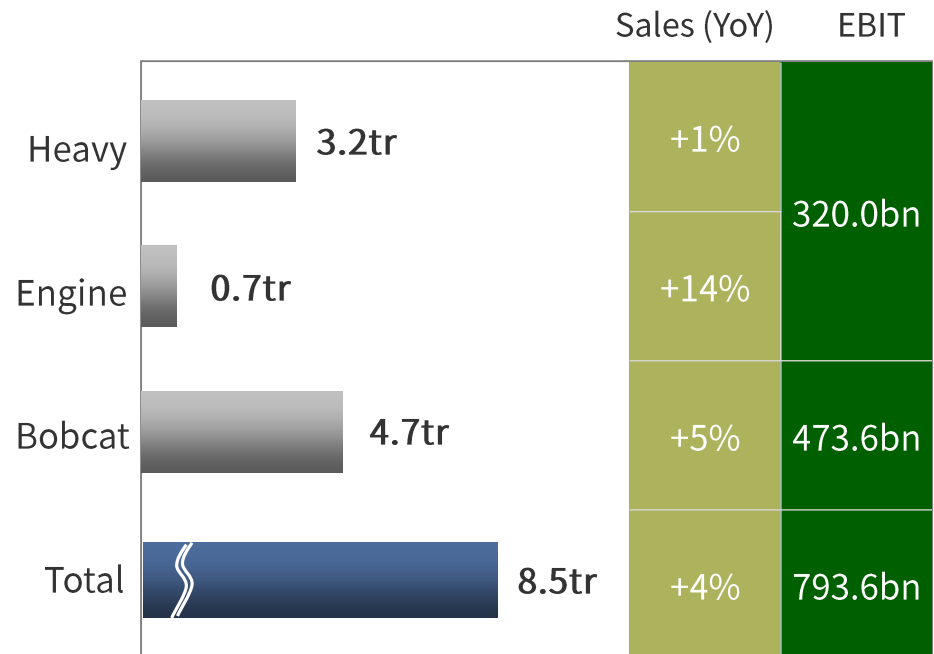
Sales & EBIT Margin

(unit: KRW tr)



Sales & EBIT Outlook

(unit: KRW)

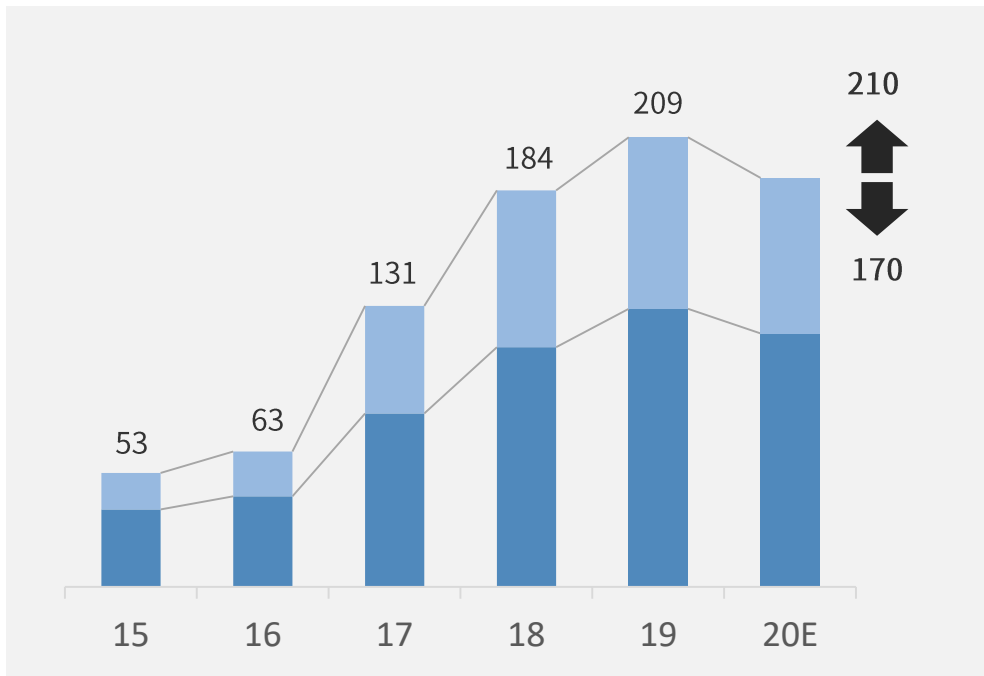


Heavy (China)

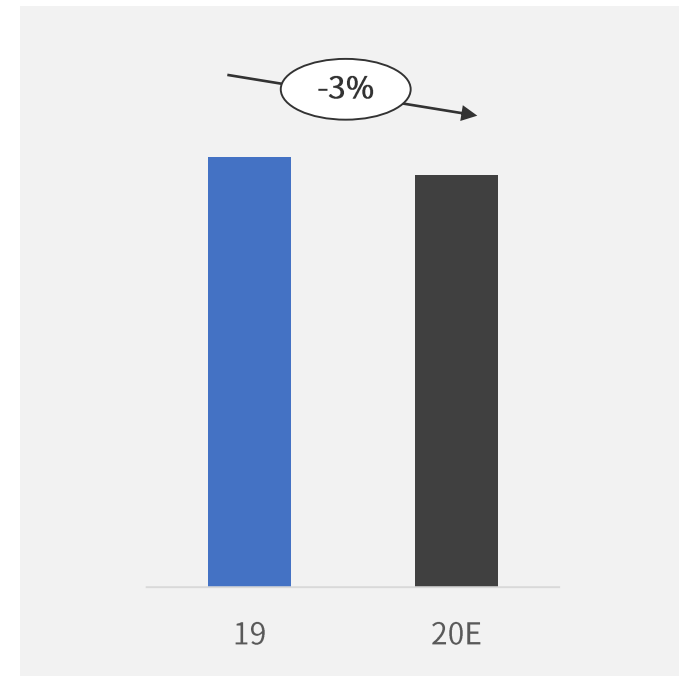
- Excavator market in China is expected to decline marginally in 2020 due to slower demand after the dramatic market growth experienced during 2016~2019 and impact from economic downturn in the aftermath of the trade dispute between US-China.
- In case of stronger-than-expected infrastructure spending to counter the economic slowdown, market could grow up to 210k units, whereas downside risk is projected at 170k units.
- We will continue to 1) focus on profitability and financial soundness of receivables to manage risks, 2) launch new products and 3) enhance channel competitiveness.

Market Outlook for China

(unit : '000 units)



DI's Sales Outlook - China

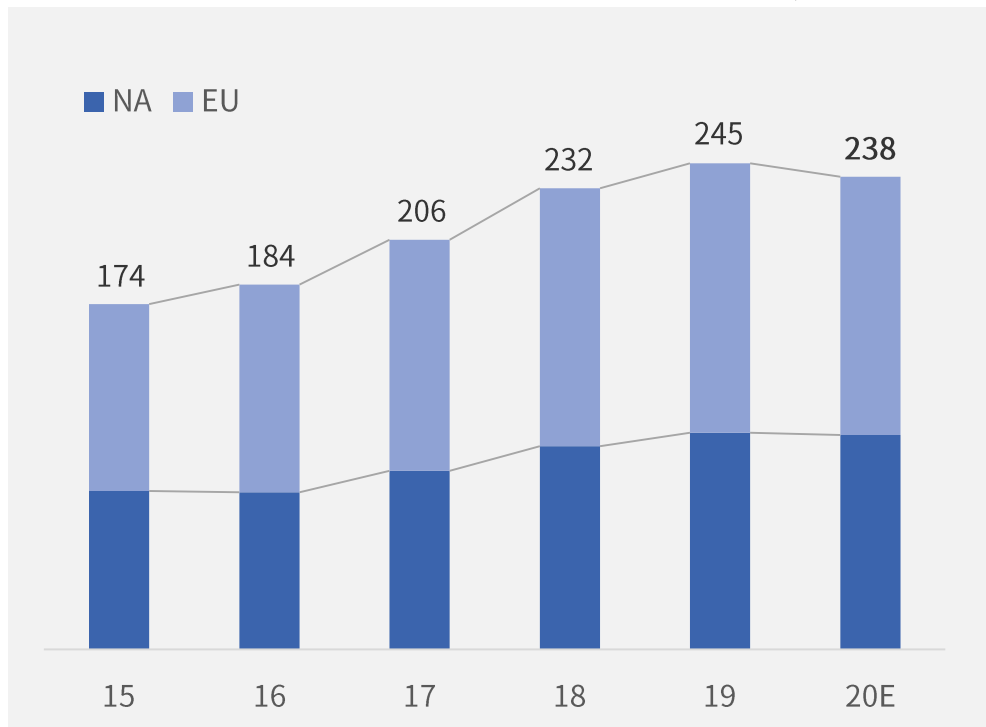


Heavy (Developed Markets)

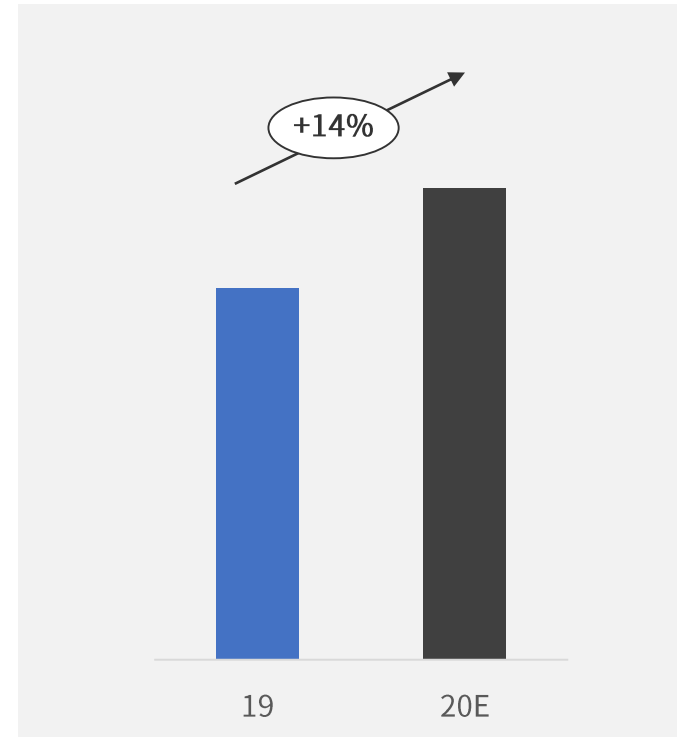
- Demand in developed market should decline marginally to reflect the sluggish global economy.
- We expect DM sales to grow +14% YoY through our endeavor to increase our market share in developed markets such as securing mega dealers and enhancing product competitiveness with the launch of Europe's Stage V wheel loader. Also, we plan to expand our business coverage to adjacent products and regions.

Market Outlook for Developed Markets (DM)

(unit : '000 units)



DI's Sales Outlook - DM

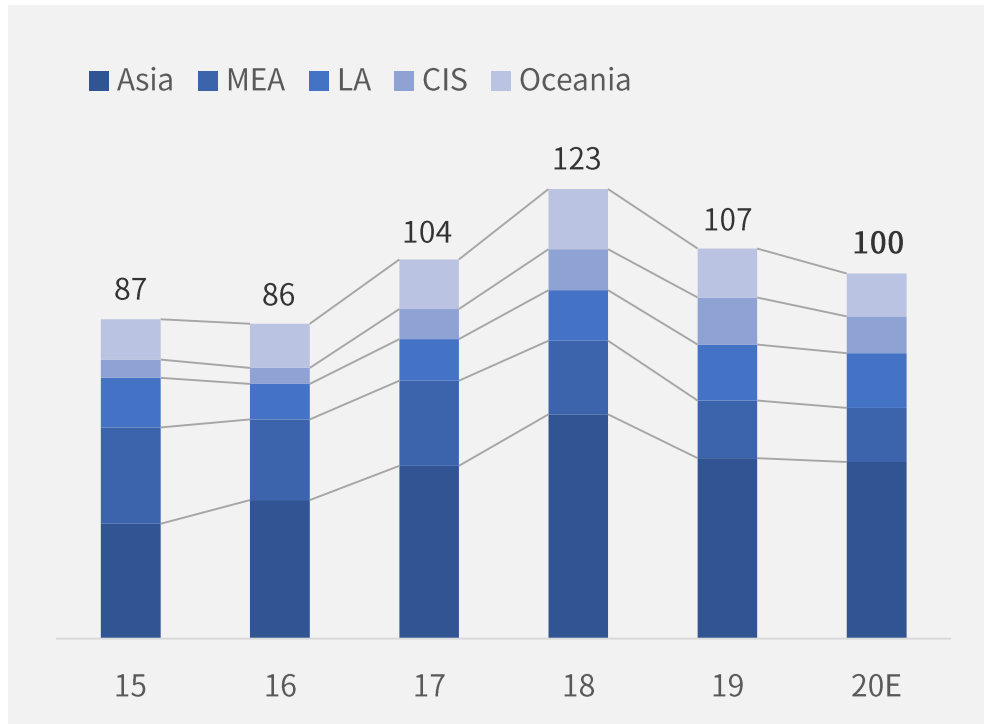


Heavy (Emerging Markets)

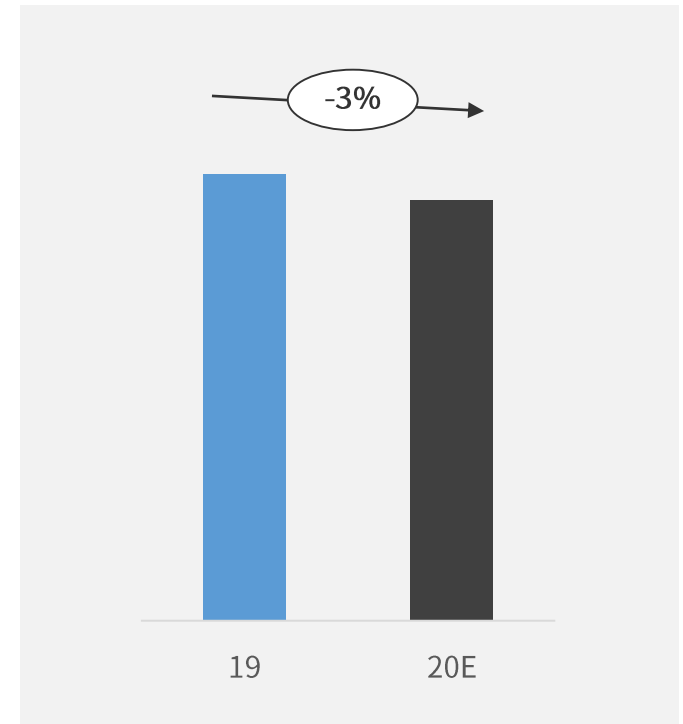
- Demand in emerging market is forecast to decline by -6% YoY reflecting slowdown in the global economy and lower demand from mining sector due to weak raw material prices.
- Despite the negative market outlook, we expect sales to decline by -3% YoY based on our efforts to strengthen channel competitiveness and increase sales contribution from large equipment.

Market Outlook for Emerging Markets (EM)

(unit : '000 units)



DI's Sales Outlook – EM/Korea

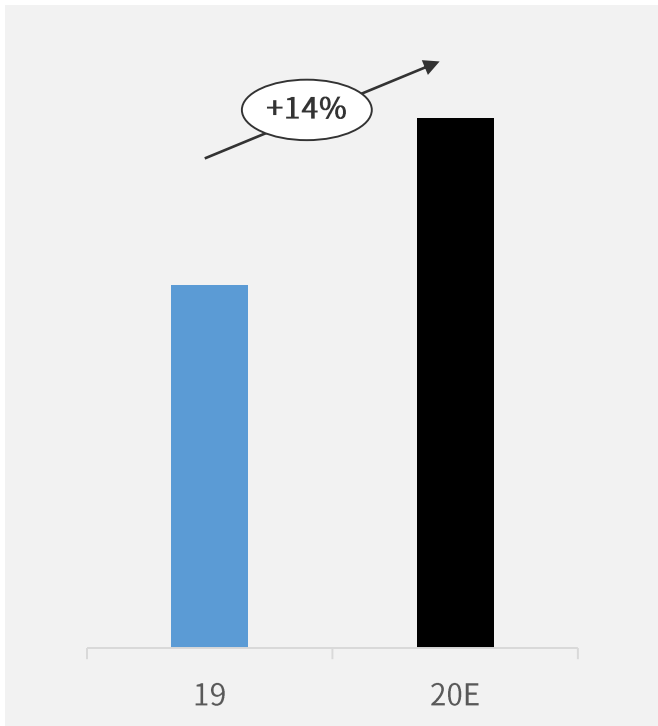


* Source: Company data, Excluding Korea

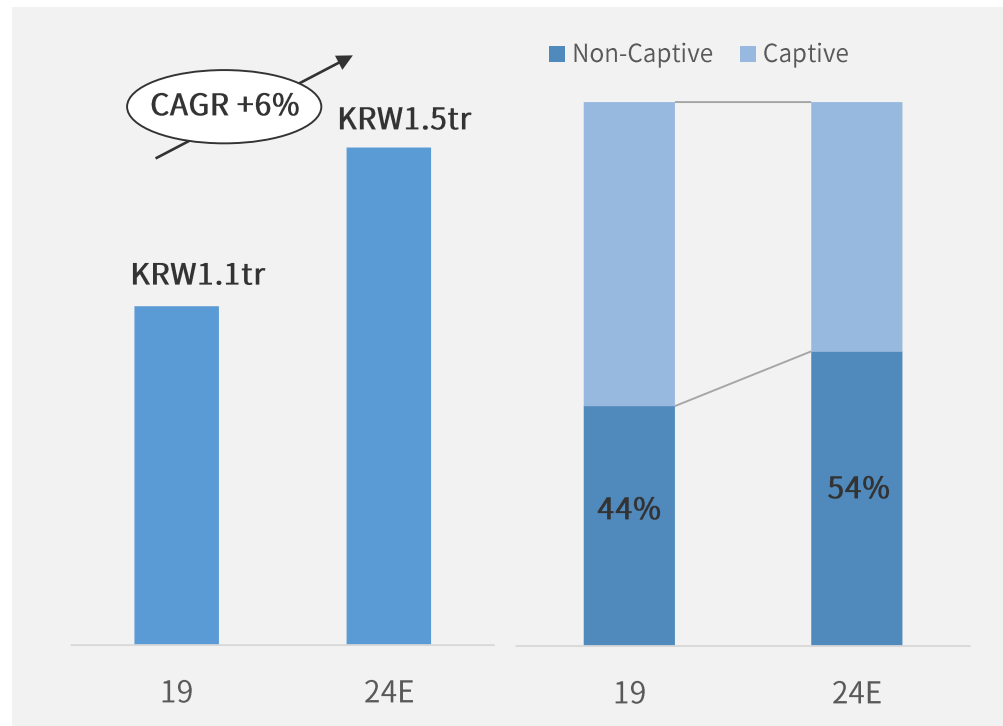
Engine

- We expect sales in the engine division to grow by +14% YoY thanks to volume growth to non-captive customers and our efforts to expand into new markets.
- Despite global economic uncertainties, we will work towards securing long-term growth engines via 1) efforts to expand our non-captive customer base and aftermarket revenue, 2) diversification of market and product offerings and 3) search for new business opportunities.

DI's Sales Outlook - Engine



Mid-term Sales Outlook & Change in Sales Mix*



* Figures based on total sales, which includes internal sales



[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	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%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019	YoY
China	425.1	429.1	207.1	253.7	1,315.1	467.1	334.5	199.2	252.7	1,253.6	-4.7%
Emerging/Korea	357.2	302.0	278.1	242.7	1,180.0	327.4	297.5	232.4	225.1	1,082.4	-8.3%
NA/EU	180.2	219.5	193.6	166.5	759.8	206.4	237.2	169.8	199.0	812.4	+6.9%
Bobcat	866.0	1,033.0	1,030.4	1,013.4	3,942.8	1,055.4	1,182.0	1,107.3	1,114.6	4,459.3	+13.1%
Total	1,828.6	1,983.6	1,709.2	1,676.4	7,197.8	2,056.2	2,051.3	1,708.7	1,791.4	7,607.7	+5.7%

[Appendix] Doosan Bobcat – 2019 Results

2019

- Sales and EBIT exceeded guidance based on strong performance in North America and Europe.
- Interest expense decreased due to debt repayment and repricing of interest rate.
- Net profit remained flat YoY if one-offs were removed.

4Q19

- Sales increased YoY thanks to launch of Compact Tractors in North America and increase in Portable Power sales.
- EBIT decreased due to raw material price hike and cost related to new product launch.

Income Statement

(Unit : USD M)

	2018	2019	YoY	4Q18	4Q19	YoY
Sales	3,609	3,869	+7.2%	910	959	+5.4%
EBIT	417	409	-1.9%	91	82	-10.2%
EBIT Margin	11.6%	10.6%	-1.0%p	10.0%	8.5%	-1.5%p
EBITDA	504	493	-2.2%	112	101	-10.4%
Net Financial Cost	40	34	-14.9%	8	7	-12.6%
Profit before Tax	367	347	-5.3%	80	64	-20.1%
Net Profit	240	233*	-2.9%	44	35	-20.1%
Net Profit Margin	6.7%	6.0%	-0.6%p	4.8%	3.7%	-1.2%p

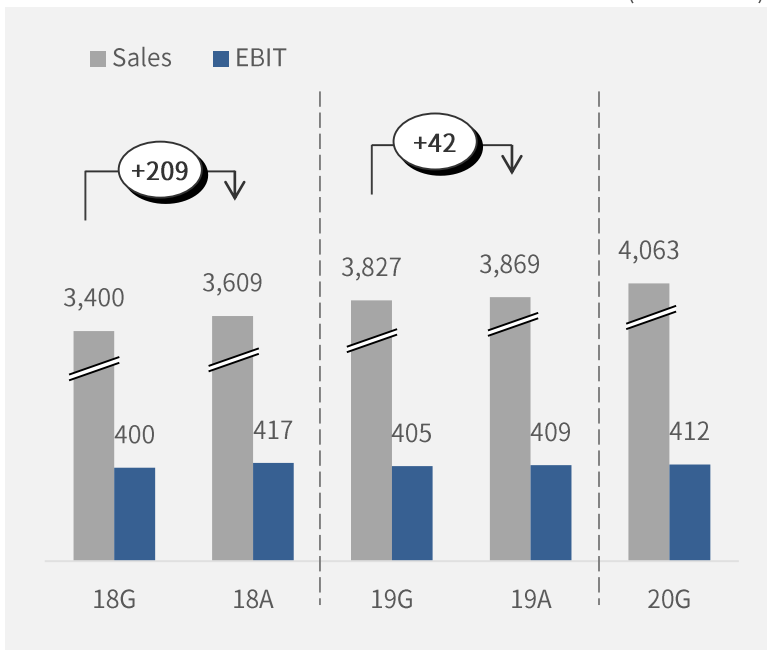
* Losses on development costs \$-4M, loss on F/X translation \$5M

[Appendix] Doosan Bobcat – 2020 Outlook

- Revenue is forecasted to grow +5% YoY based on greater sales contribution from new products (e.g. compact tractor, backhoe loader), launch of R-series loaders and enhanced competitiveness in EMEA.
- EBIT should continue to grow thanks to fixed cost reduction and cost innovation, despite additional costs related to new product launches and channel expansion.
- In the long run, we expect improvements in both revenue and profitability through greater synergy between core and new products.

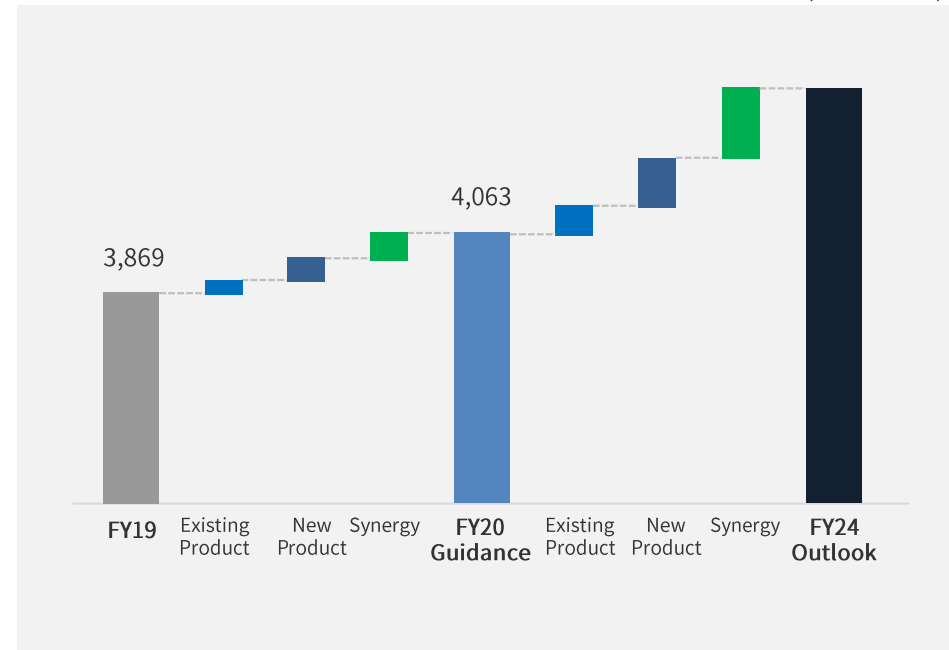
Annual Guidance vs. Result

(Unit: USD M)



Long-term Sales Forecast

(Unit: USD M)



* Source: Company data
 * Numbers excl. Mower Biz.

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