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Hyundai Doosan Infracore 2022 3Q Earnings Release

October 2022



 **HYUNDAI**
DOOSAN INFRACORE

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2 **Highlights**

3Q22 Results

- Despite continued issues of parts procurement and logistics, sales grew 21% YoY thanks to solid growth of both the construction equipment division(developed and emerging markets) and the engine division.
- As demand carried over from 1H due to parts procurement and logistics issues was recognized as revenue in 3Q, profitability from the construction equipment division in developed and emerging markets improved. Furthermore, EBIT margin from engine division continued to remain double-digit, contributing to the strong YoY improvement.

Income Statement

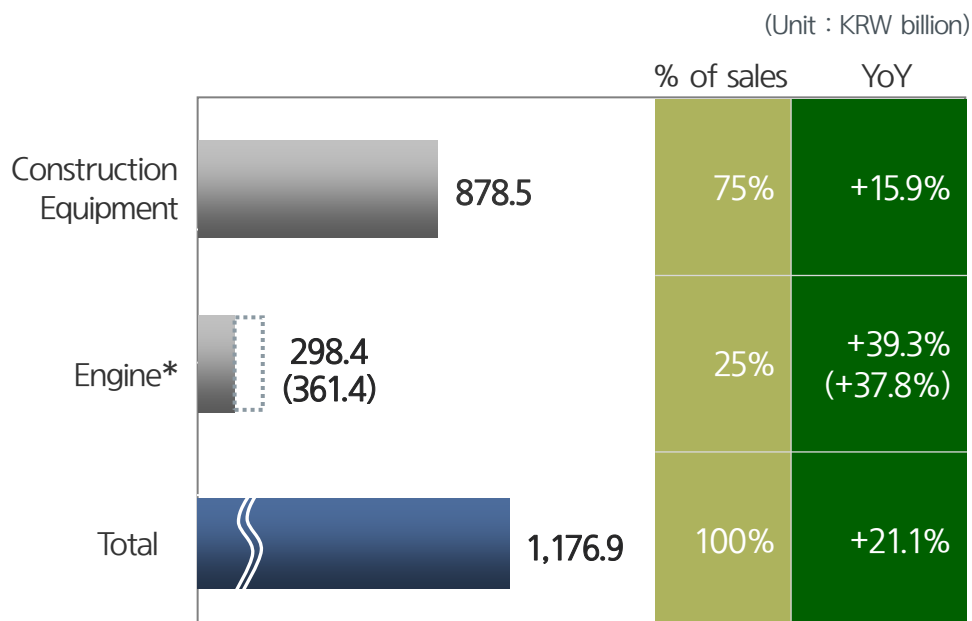
(Unit : KRW billion)

	3Q21	2Q22	3Q22	YoY	QoQ
Sales	971.9	1,188.0	1,176.9	+21.1%	-0.9%
EBIT	33.7	86.6	74.7	+121.7%	-13.8%
EBIT margin(%)	3.5%	7.3%	6.3%	+2.8%p	-1.0%p
(Net Financial Cost)	21.1	18.2	15.8	-25.1%	-13.2%
(F/X gains/losses)	22.3	13.1	38.3	+71.7%	+192.4%
Pretax Profit	33.6	78.8	89.9	+167.6%	+14.2%
Income/Loss from Discontinued Operations	21.5	0	0	-	-
Net Profit	45.9	57.5	65.1	+41.8%	+13.2%

3Q22 Sales & EBIT by division

- Construction Equipment : Sales and EBIT grew remarkably thanks to solid growths in emerging and developed markets related to infrastructure investment and mining demand, as well as demand carried over from 1H. China continued to be slow, however, negative impact from China lessened due to the low comparison basis last year.
- Engine : Sales surged as a result of strong demand for generator and small industrial engines thanks to global economic growth and increased infrastructure investment, while EBIT margin remained a strong double-digit.

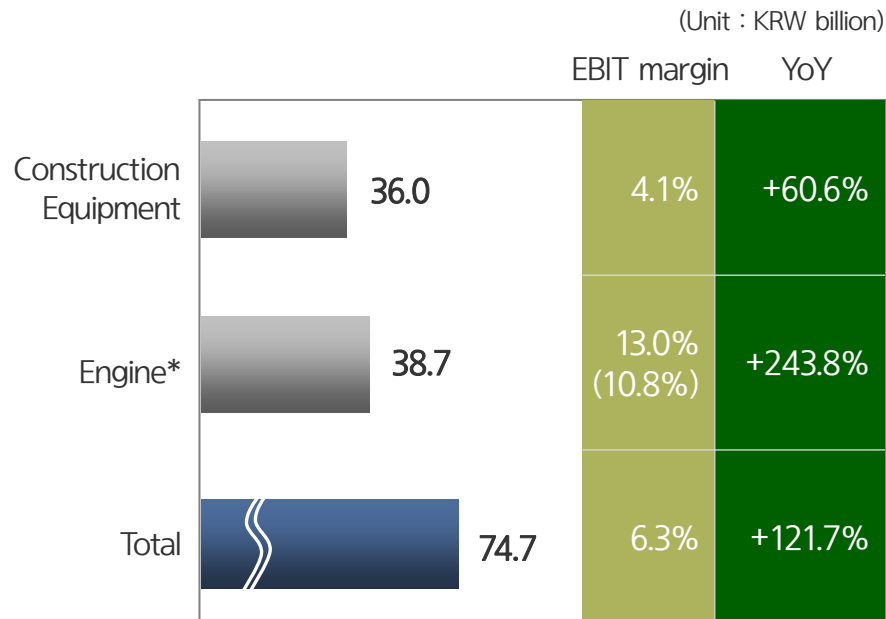
Sales



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



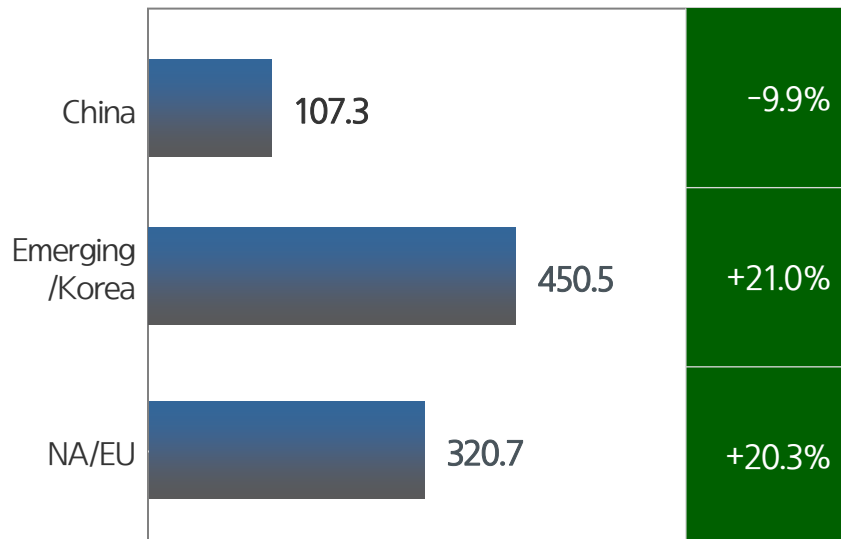
Regional breakdown (Construction Equipment)

- China : Sales continued to decrease due to slowing economy and Covid-linked lockdowns, but at a lesser degree than 1H. We anticipate gradual recovery in demand after the 20th National Congress of the Chinese Communist Party.
- Emerging/Korea : Sales grew thanks to solid raw material prices and government-led stimulus measures, despite the high comparison base in 2021.
- NA/EU : Demand remained strong due to favorable economic conditions and infrastructure investment/housing construction. Also, demand carried over from 1H contributed towards improvement in both sales and profitability.

CE regional breakdown (3Q22)

(Unit : KRW billion)

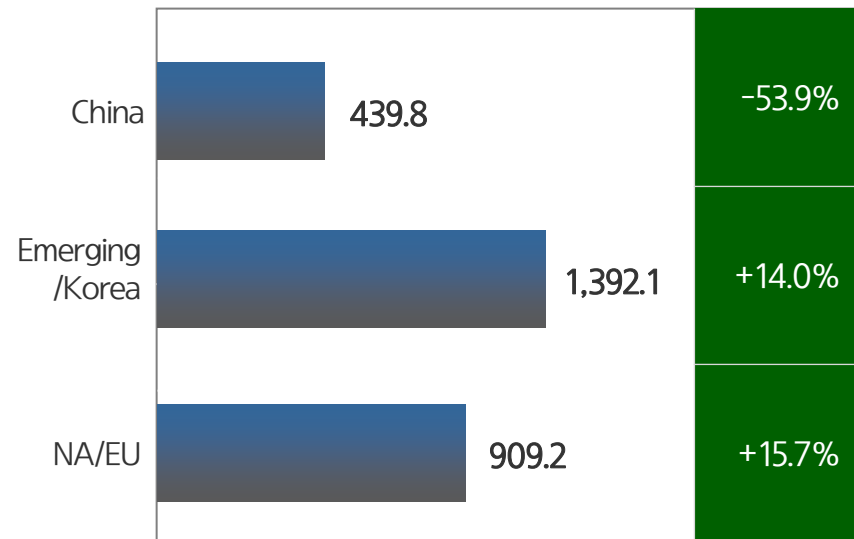
YoY



CE regional breakdown (3Q22 YTD)

(Unit : KRW billion)

YoY



Financial structure

- Liabilities-to-equity ratio fell from 249% at end-2021 to 210% at end-3Q22 thanks to increase in net profit.
- Net debt deteriorated marginally due to corporate taxes related to the spin-off merger(KRW210.5bn), however, if excluded, actual net debt decreased. Going forward, net debt should gradually decrease in line with the debt maturity schedule.

Balance Sheet

(Unit : KRW billion)

	2020	2021	3Q22	Compared to 2021
Current Assets	5,049.6	3,239.9	3,486.8	+247.0
Fixed Assets	6,977.3	1,542.4	1,479.6	-62.8
Total Assets	12,026.9	4,782.3	4,966.3	+184.0
Total liabilities	7,537.9	3,412.5	3,365.4	-47.1
- Net Debt	2,505.5	1,124.8	1,316.1	+191.3
Total shareholder's Equity	4,489.0	1,369.8	1,600.9	+231.1
Net Debt/Equity Ratio	167.9%	249.1%	210.2%	-38.9%p
Current Assets	55.8%	82.1%	82.2%	+0.1%p

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1 **3Q22 Results**

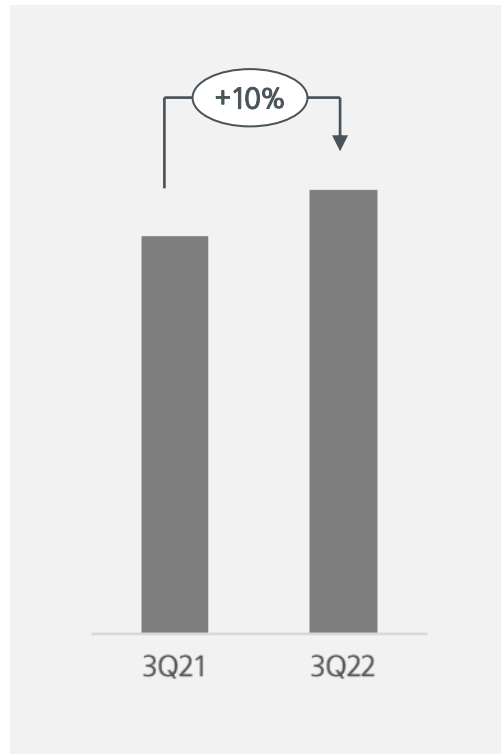
2 **Highlights**

Construction Equipment(Emerging/Korea)

- Emerging market grew double-digit in 3Q22 thanks to infrastructure investment and solid raw material prices.
- We have successfully won fleet deals in countries within Southeast Asia/Middle East and Latin America that are rich in natural resources. We are also continuing with our efforts to improve profitability by raising product prices and took efforts to enhance the sales mix by selling more large-sized equipment.

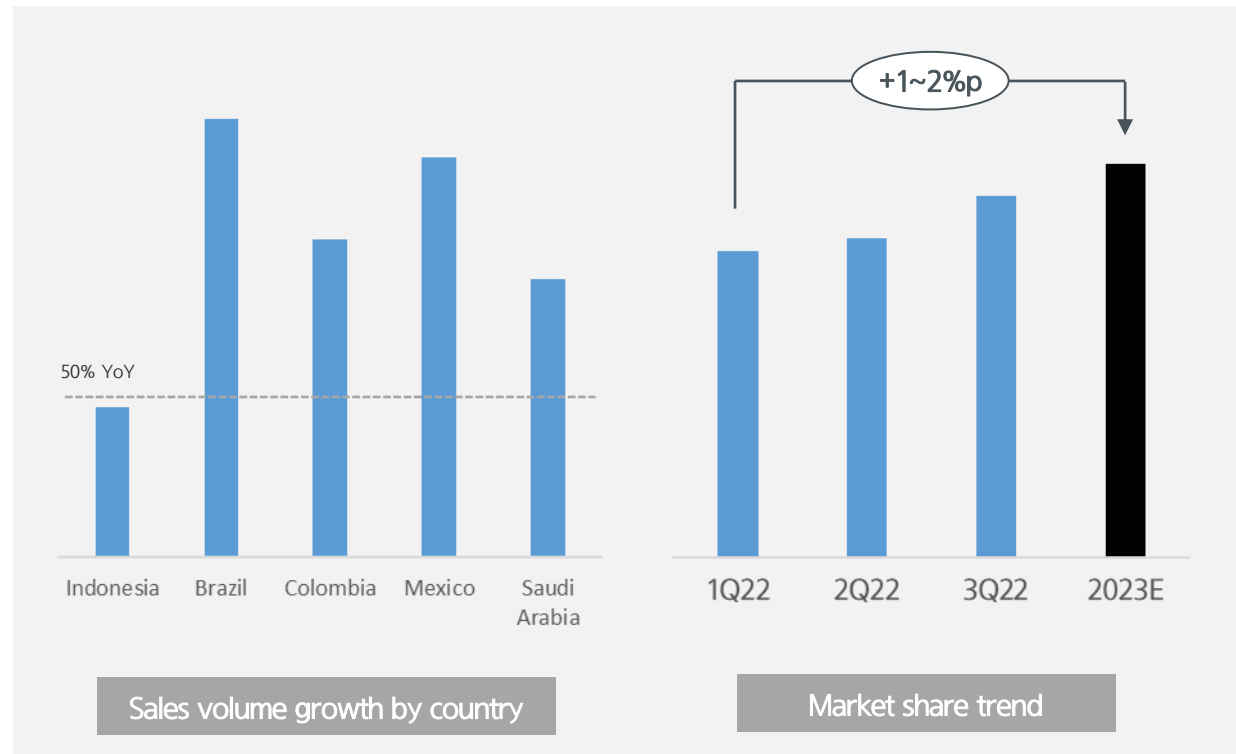
Growth of EM market

(Unit : YoY)



HDI – Sales volume growth by country & M/S trend

(Unit : YoY)

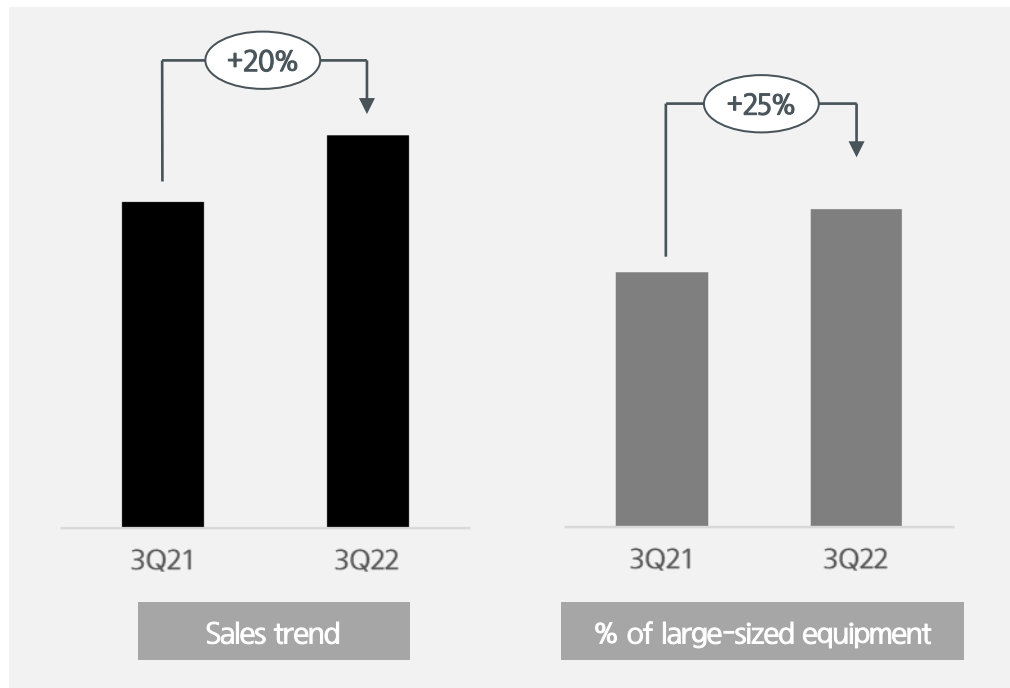


Construction Equipment(NA/EU)

- Developed market grew double-digit in 3Q22 thanks to demand from housing/infrastructure construction and rental demand. We have secured orders from key accounts and improved product mix by strengthening our channel competitiveness and launching new products such as mini excavators and compact wheel loaders.
- We expect demand in Europe to weaken, while demand in US remain solid next year. Amidst such market outlook, we will endeavor to outperform the market via efforts to secure additional dealers, launch new mini excavator models and execute strategies for new business opportunities in developed markets.

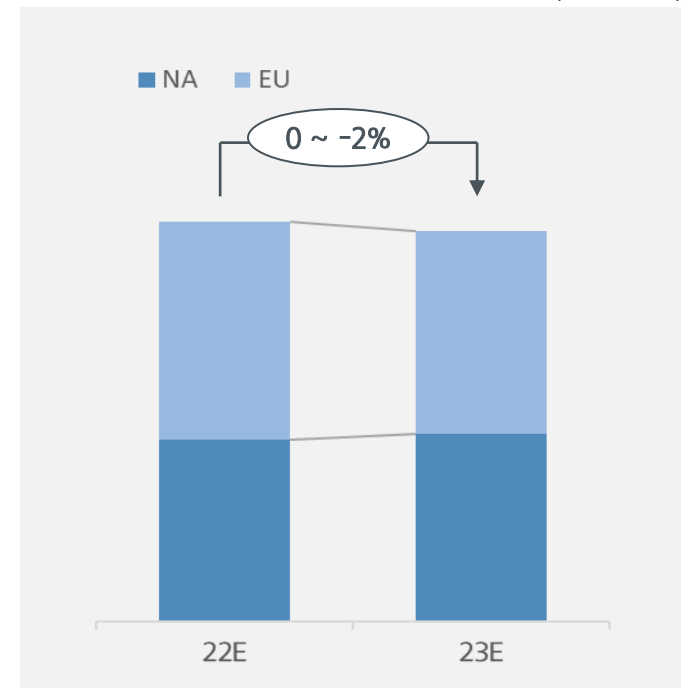
HDI - Sales trend & Change in product mix

(Unit : YoY)



Market outlook for NA/EU

(Unit : YoY)



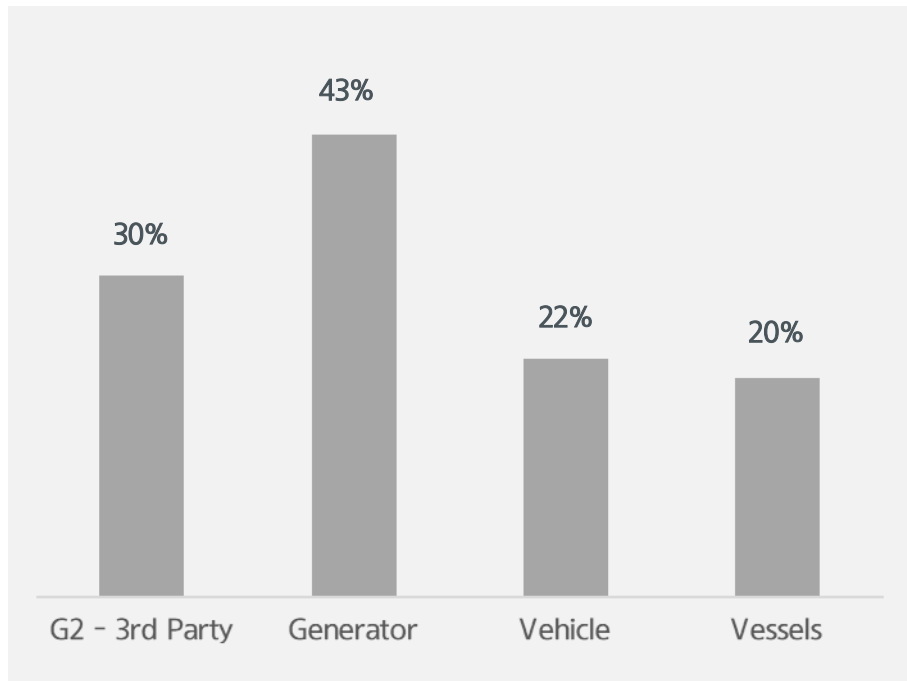
* Large-sized equipment : Above 34 tons

Engine

- Engine sales grew remarkably thanks to global economic growth and infrastructure investment. Operating leverage stemming from volume growth and profitable aftermarket sales also contributed towards improvement in profitability.
- Despite global tightening measures, opportunity to export specialty engines are providing new growth potential. Going forward, additional export contracts for specialty engines, diversification of customers in North America for profitable gas generator engines and full-fledged launch of green new businesses should support our topline growth.

HDI – Volume growth (3Q22 YTD)

(Unit : YoY)



HDI – Profitability trend

