



# 2024 2Q Earnings Release

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July 2024



# 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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# 1. 2Q24 Results

## 2Q24 Results

- Despite solid performance of the engine division, sales declined 16% YoY due to continued weakness in developed/emerging markets for construction equipment.
- EBIT also dropped 50% YoY in line with weakness in sales and retail promotion, as well as increase in costs such as freight.

(unit : KRW bn)

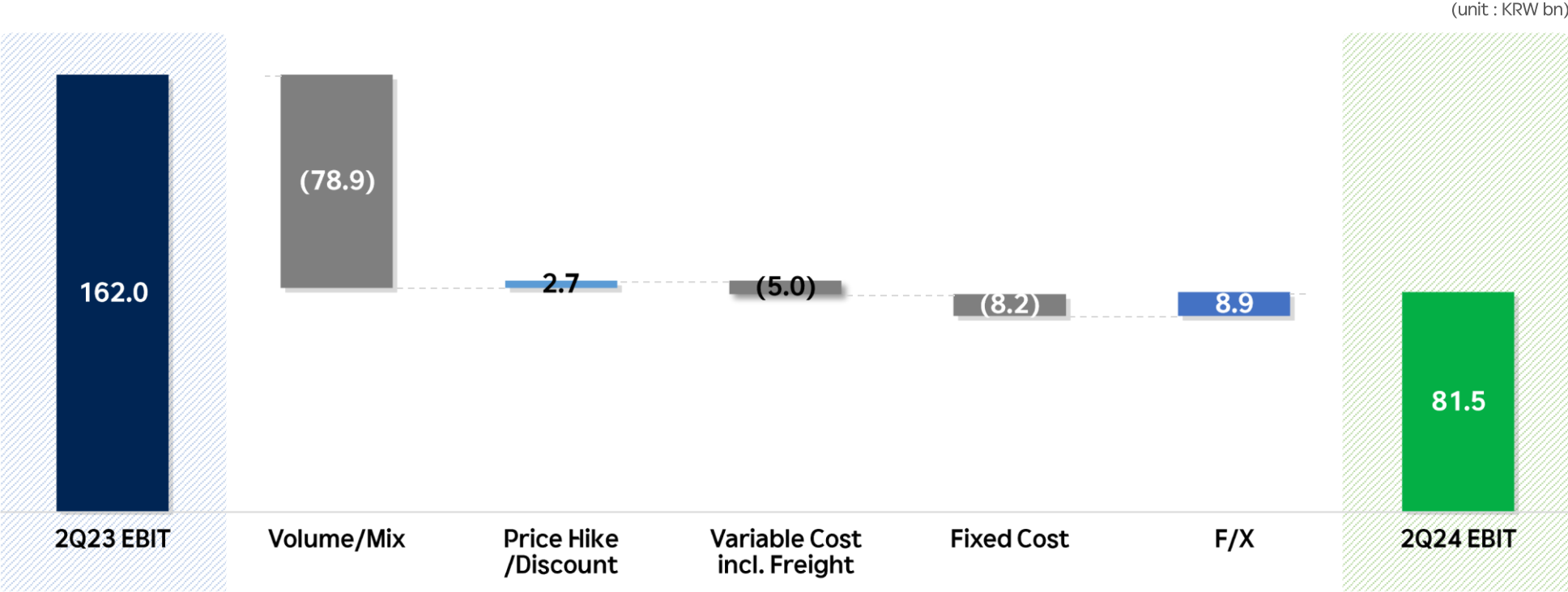
	2Q23	1Q24	2Q24	QoQ	YoY
Sales	1,314.0	1,157.3	1,108.2	-4.2%	-15.7%
EBIT	162.0	92.8	81.5	-12.1%	-49.7%
EBIT Margin(%)	12.3%	8.0%	7.4%	-0.6%p	-4.9%p
Net Financial Cost	15.9	12.6	13.1	+4.3%	-17.6%
F/X Gains/Losses	7.3	16.0	20.7	+29.2%	+181.3%
Pretax Profit	152.9	91.1	83.7	-8.2%	-45.3%
Net Profit	113.2	67.6	63.1	-6.6%	-44.3%
Profit attributable to owners of parent	113.1	67.6	63.1	-6.6%	-44.2%

Note. Based on K-IFRS consolidated financial statements

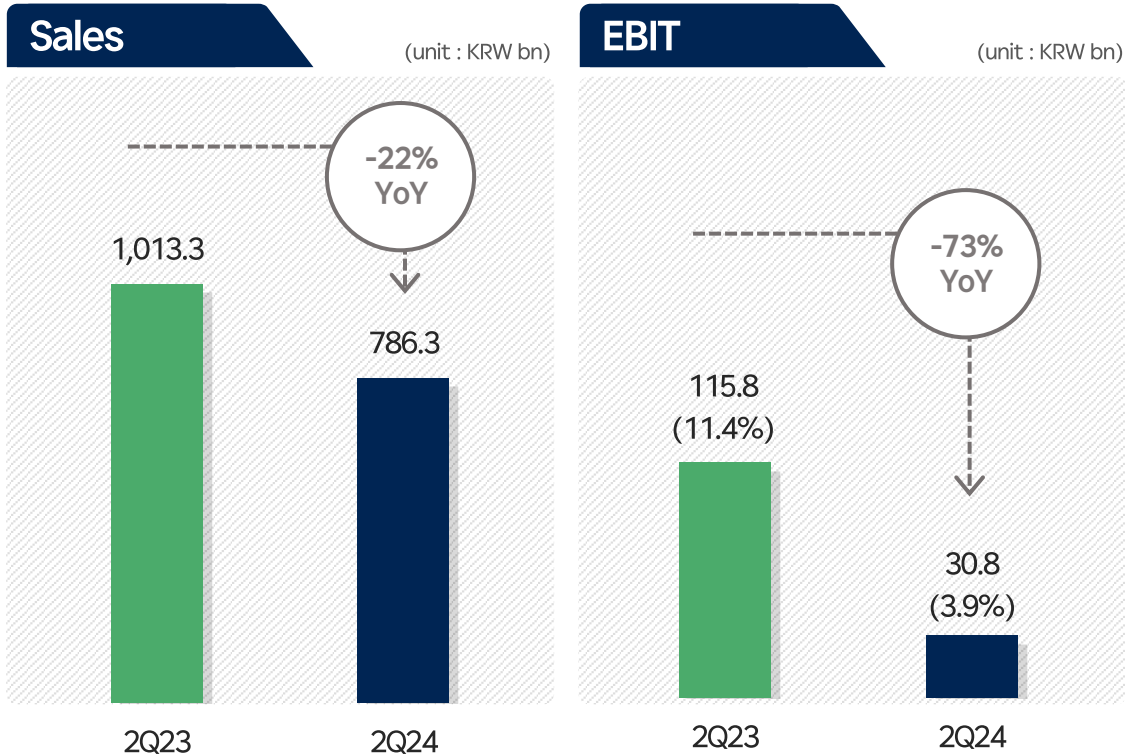
## 2. EBIT Analysis

### EBIT Analysis

✓ Steady performance from engine division, price hike and F/X worked in favor of EBIT.  
However, overall EBIT declined mainly due to weak sales from construction equipment division.



### 3. Analysis by Division – Construction Equipment



#### ✓ Sales : Continued impact from global tightening measures

- Sales declined 22% YoY due to slower demand from developed and emerging markets and high comparison base. (Note that logistics bottleneck and dealer restocking in 2Q23 created a high comparison base for the quarter).
- On a positive note, market demand in China, Korea and some countries in the emerging market are showing signs of rebound.

#### ✓ EBIT : EBIT declined due to increase in marketing expenses

- EBIT dropped -73% YoY due to lower volume, higher logistics and marketing expenses.

### 3. Analysis by Division – Construction Equipment (By Region)

(unit : KRW bn, YoY)

#### Emerging /Korea

535.1

2Q23

435.4

2Q24

-19%

- Market declined due to global tightening measures and high comparison base.
- We enhanced our sales channel and actively pursued key account orders. However, we experienced setback in sales during 2Q due to difficulty in securing shipment in key regions within the emerging markets.

#### North America /Europe

404.3

2Q23

275.9

2Q24

-32%

- Market demand continued to decline due to high comparison base of last year, budget cut following the impact from prolonged war between Russia-Ukraine and delay in interest rate cut.
- We focused on increasing market share in developed markets via new product launches and enhanced marketing efforts.

#### China

73.9

2Q23

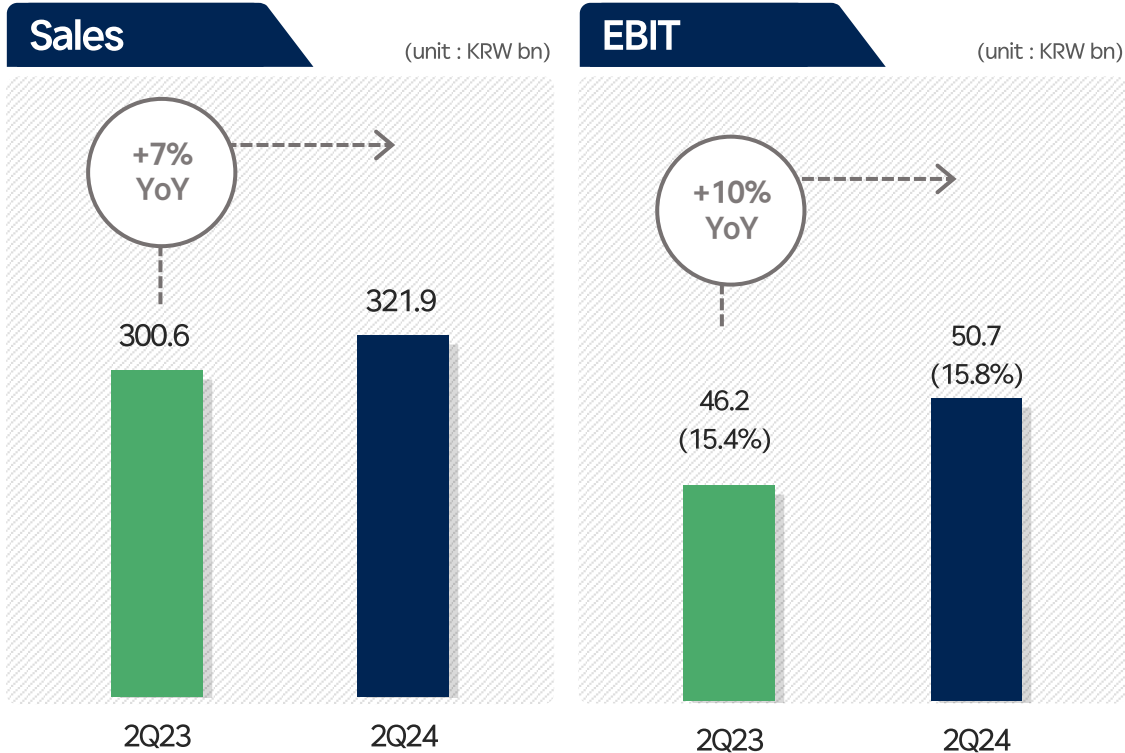
75.0

2Q24

+2%

- Market showed signs of gradual recovery, mostly in the category of small-sized equipment.
- With thorough preparation for market turnaround in China, we plan to further enhance our market presence going forward.

### 3. Analysis by Division – Engine



#### ✓ Sales : Growth across all product categories

- Sales grew evenly across product categories including industrial, defense and parts/materials.
- We anticipate steady sales for generator engine in line with demand from data centers or microgrid markets in North America, growing demand for electricity in emerging markets and infrastructure related demand in North America, Middle East and CIS. We also have a positive outlook on defense engine sales.

#### ✓ EBIT : Future profitability stemming from group synergy

- Double-digit EBIT margin was maintained thanks to price hike and enhanced product mix.
- We anticipate sales and profitability to further improve in line with 1) sales growth for profitable large electric and gas generator, as well as 2) full-fledged sales from defense engines and 3) accelerated synergy within HD Hyundai Group.



## 4. Financial Structure

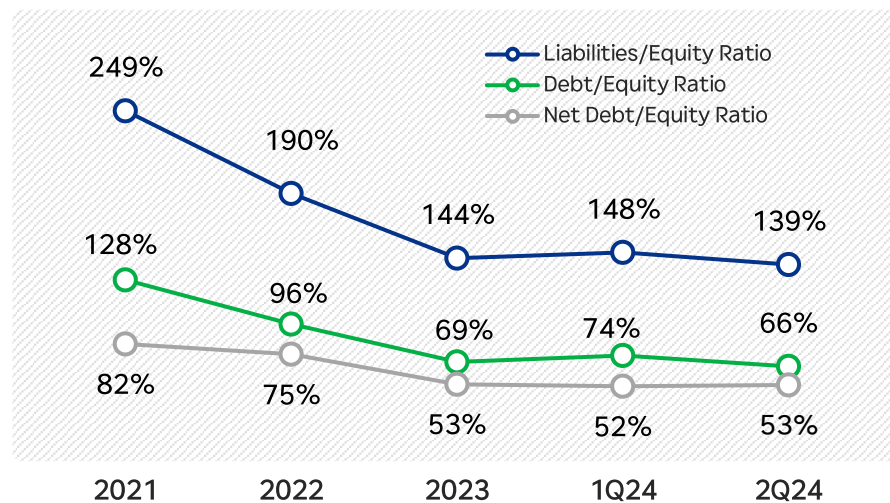
### Statement of Financial Position

(unit :KRW bn)

	2021	2022	2023	1Q24	2Q24
<b>Total Assets</b>	4,782.3	4,736.7	4,418.4	4,540.0	4,463.3
Cash & Cash Equivalent	625.4	352.4	286.2	403.2	245.6
Current Assets	3,239.9	3,130.9	2,833.4	2,968.3	2,869.5
Fixed Assets	1,542.4	1,605.8	1,585.0	1,571.7	1,593.8
<b>Total Liabilities</b>	3,412.5	3,101.6	2,605.1	2,705.9	2,593.6
Debt	1,750.2	1,572.7	1,254.6	1,352.5	1,237.2
Net Debt	1,124.8	1,220.3	968.3	949.2	991.6
<b>Total Shareholder's Equity</b>	1,369.8	1,635.1	1,813.3	1,834.1	1,869.7

Note. Based on K-IFRS consolidated financial statements

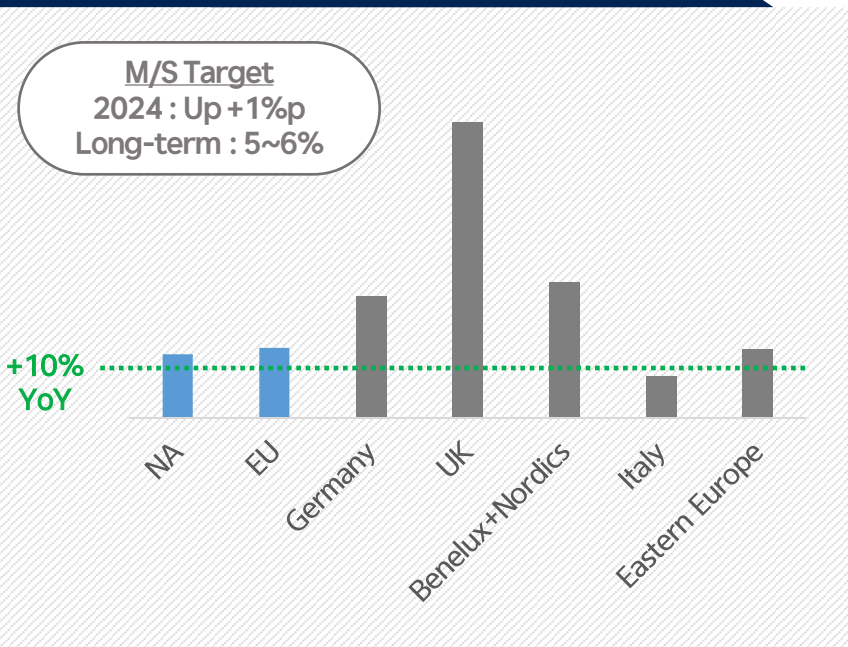
### Key Financial Ratios



✓ On top of investment for future growth and plans to enhance shareholders' return, we will endeavor to further improve our financial structure.

## 5. 2H24 Outlook – Construction Equipment(North America/Europe)

### 2H24 Wholesale(WHS) Sales Outlook



Note1. Company data

Note 2. Calculated as year-on year growth of wholesale unit sales volume

### ✓ 2H Outlook - North America & Europe

- Market should continue to remain weak due to slow economies in Europe and delayed purchasing decision in anticipation of rate cuts in North America. However, we anticipate recovery once 1) rate cuts occur in North America/Europe and 2) uncertainties over US Presidential Election dissipate.

### ✓ Strategy – North America

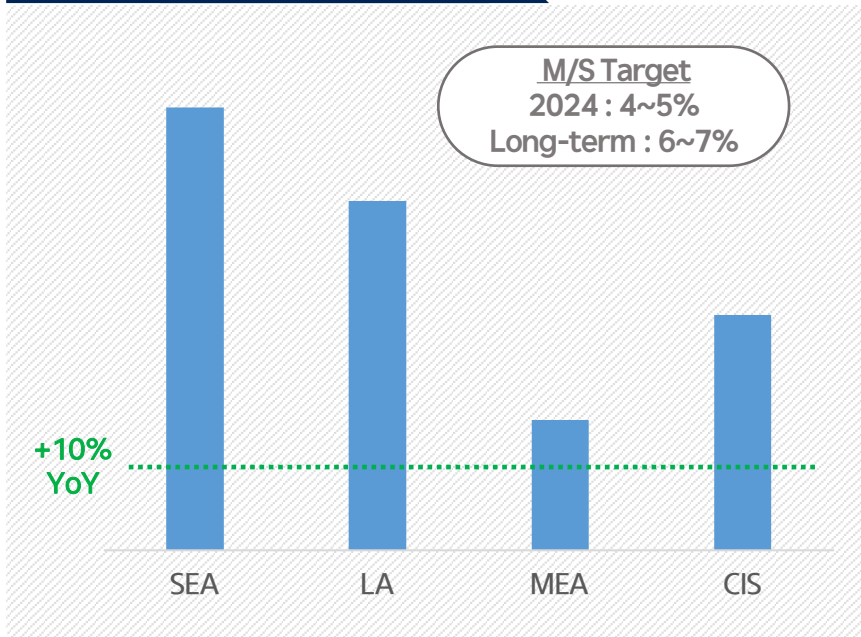
- We anticipate sales growth relative to 1H by striving for stronger channel competitiveness and launching Compact Track Loaders.

### ✓ Strategy – Europe

- Market-specific sales strategies and new product launches should be positive for the market. We also plan to implement marketing initiatives in strategic countries and secure orders from key accounts.

## 5. 2H24 Outlook – Construction Equipment(Emerging Markets)

### 2H24 WHS Sales Outlook



Note1. Company data

Note 2. Calculated as year-on year growth of wholesale unit sales volume

\* SEA : Southeast Asia, LA : Latin America, MEA : Middle East & Africa,

CIS : Commonwealth of Independent States

### 2H Outlook – Emerging Markets

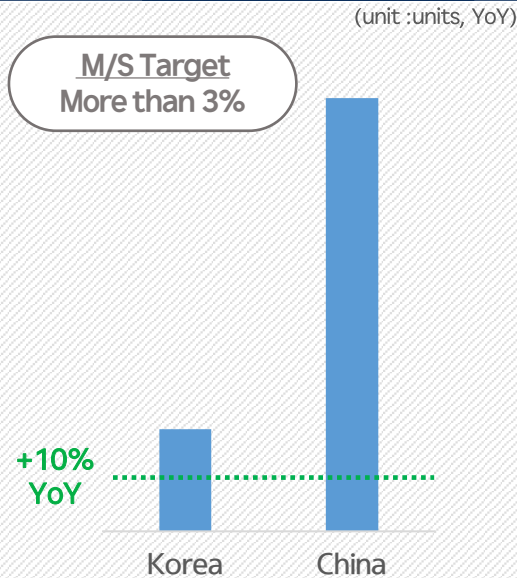
- Market should remain weak due to uncertainties surrounding global tightening measures. However, some regions such as Middle East and Africa showed better-than-expected trends compared to our business plan.
- Although external risks such as war and logistics delays may exist, we remain positive on continued infrastructure investment in Brazil and recovery in Indonesia.

### Strategy – Emerging Markets

- We plan to strengthen our market presence via  
1) enhanced sales capability of our overseas subsidiaries in key markets and 2) newly secured or reestablished dealer network with previously no/weak presence.
- We also expect to secure sales and profitability by  
1) pursuing orders from key accounts and 2) increasing sales contribution from large-sized equipment.

## 5. 2H24 Outlook – Construction Equipment(China/Korea)

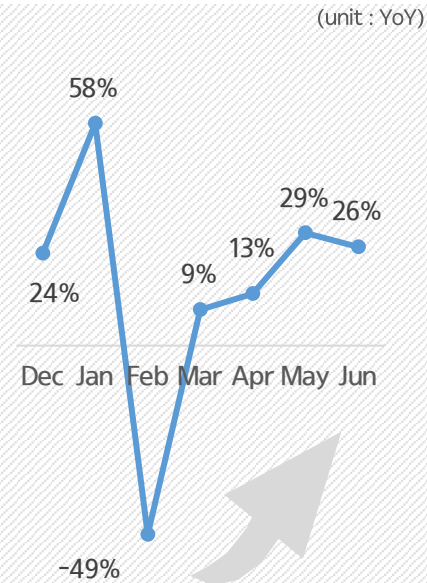
### 2H24 WHS Sales Outlook



Note1. Company data

Note 2. Calculated as year-on year growth of wholesale unit sales volume

### Monthly Market



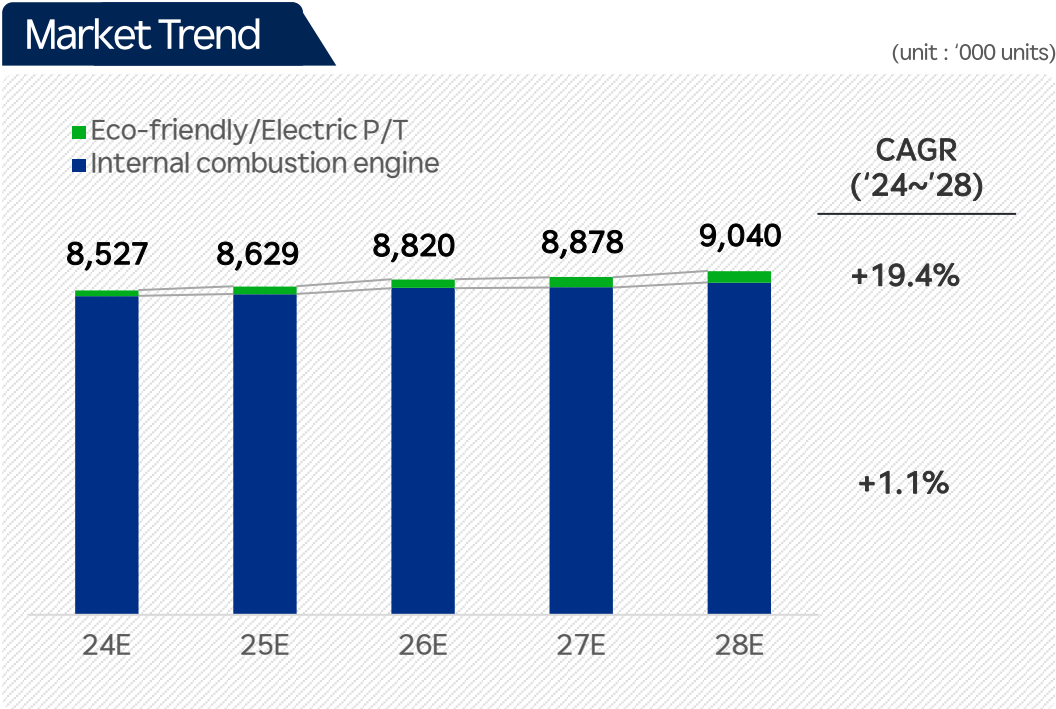
#### ✓ Outlook & Strategy – China

- We have started to see signs of bottoming out for 4 consecutive months on YoY comparison.
- We plan to recover market share as part of our strategy towards the continuation of our Chinese operation. Also, we plan to 1) implement market-specific marketing schemes as the market is growing for small/wheel type excavators and 2) secure profitability by focusing on fleet deals for mid/large equipment.

#### ✓ Outlook – Korea

- Korea is expected to remain stable in 2H thanks to 1) rising utilization at domestic construction sites and 2) recovery in exports of secondhand equipment.

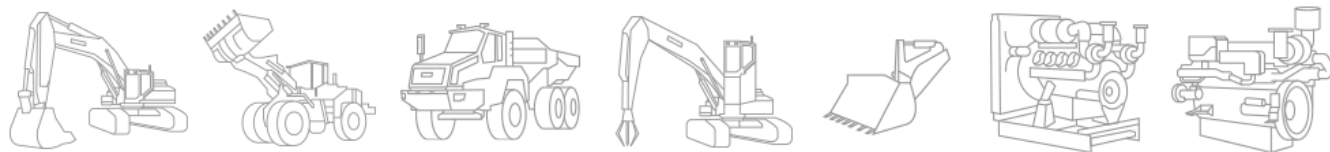
# 5. 2H24 Outlook – Engine



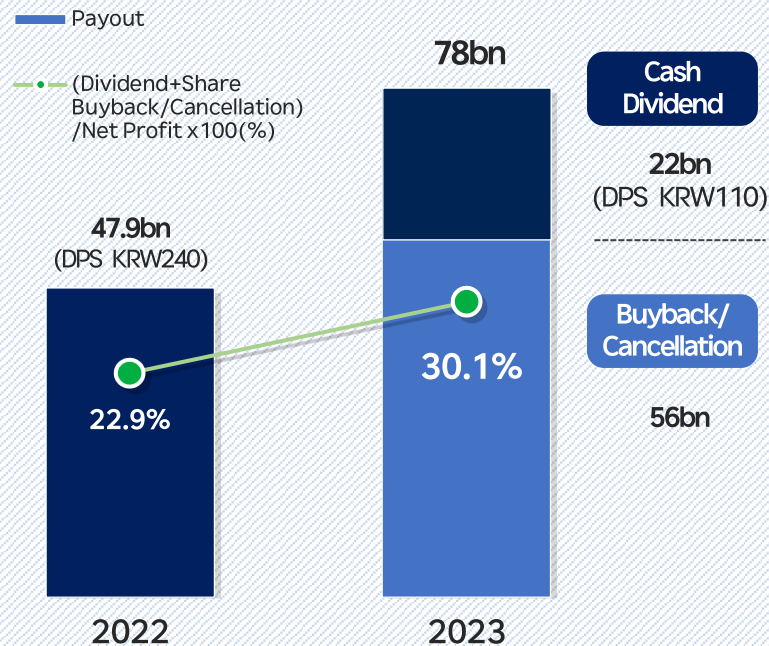
Note. Company data, Outlook provided as business plan in 2024

## ✓ Outlook & Strategy

- While we maintain our market outlook for the engine division, we also seek opportunities to expand our presence in 1) North America and 2) next-generation/eco-friendly technologies.
- In particular, we remain positive on 1) generator engine in North America in line with electricity demand from ESS(Electric-power Storage System) and data centers, 2) ship engines in Europe that comply with high-emission regulation, 3) eco-friendly bus engines including hydrogen-powered combustion engine and e-PP.
- We will endeavor to enhance sales and profitability by securing new customers in North America and emerging markets.
- Furthermore, we expect additional growth potential thanks to accelerated synergy within HD Hyundai Group after the launch of next generation new models next year.



Dividends & Buyback/Cancellation










\* Payout ratio(cash dividends + share buyback & cancellation) stands at 30.1% based on net profit (separate financial statement) in 2023 exclusive of one-time profit related to dividends worth KRW 200bn from the Chinese subsidiary.

LT Policy to Enhance Shareholder Value

- ✔ We seek to enhance predictability on shareholder return.
- ✔ Our 2024~2026 mid-term shareholder return policy aims to offer more than 30% of adjusted net profit\* towards the enhancement of shareholder value.
- ✔ Long-term shareholder policy includes cash dividends and share buyback/cancellation with consideration for business environment and investment plans.

\* Net profit adjusted for unrealized gains or one-time profits

2023 ESG Key Achievements

<p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p> <p><b>DJSI Korea</b></p> <p><b>Sustainability Yearbook Member</b></p> <p>S&amp;P Global Corporate Sustainability Assessment (CSA) Score 2023</p>	<p> <b>한국ESG기준원</b> Korea Institute of Corporate Governance and Sustainability</p> <p></p>	<p>ESG Information, Analytics &amp; Investment <b>SUSTINVEST</b></p> <p></p>	<p><b>MSCI</b> </p> <p></p>	<p> <b>CDP</b></p> <p></p>
<p>Included in DJSI Korea for 14 consecutive years</p> <p>S&amp;P Sustainability Yearbook Member</p>	<p>A Rating ESG evaluation from Korea Corporate Governance Service</p>	<p>A Rating By SUSTINVEST</p>	<p>BBB Rating By MSCI</p>	<p>A- Rating By CDP</p>



## [Reference] Sales & EBIT by Division

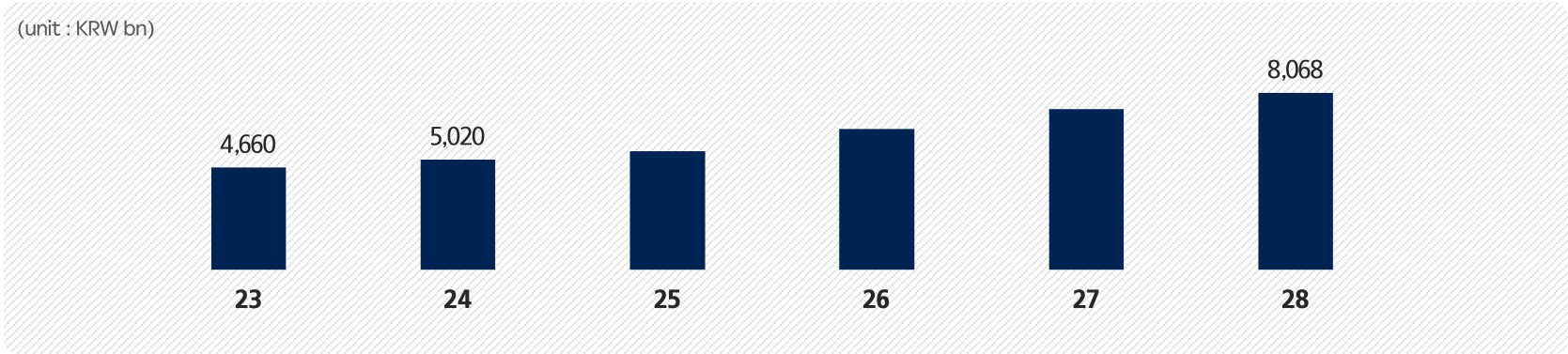
(unit : KRW bn)

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24
Sales	1,287.8	1,314.0	1,076.2	981.6	4,659.6	1,157.3	1,108.2
Construction Equipment	980.8	1,013.3	790.8	713.1	3,498.0	848.1	786.3
Emerging/Korea	547.6	535.1	378.3	324.1	1,785.1	466.9	435.4
North America/Europe	345.8	404.3	359.6	336.8	1,446.5	313.4	275.9
China	87.4	73.9	52.8	52.2	266.4	67.8	75.0
Engine	307.1	300.6	285.4	268.5	1,161.6	309.3	321.9
(Total Sales incl. Internal Sales)	369.9	356.2	328.7	304.8	1,359.7	354.3	365.3
(Internal Sales)	62.8	55.6	43.3	36.3	198.1	45.0	43.4
EBIT	152.6	162.0	89.7	14.0	418.3	92.8	81.5
Construction Equipment	103.2	115.8	50.3	-3.4	265.9	45.8	30.8
Engine	49.4	46.2	39.4	17.4	152.4	47.0	50.7

Note. Based on K-IFRS consolidated financial statements

# [Reference] Long-term Sales & EBIT Forecast

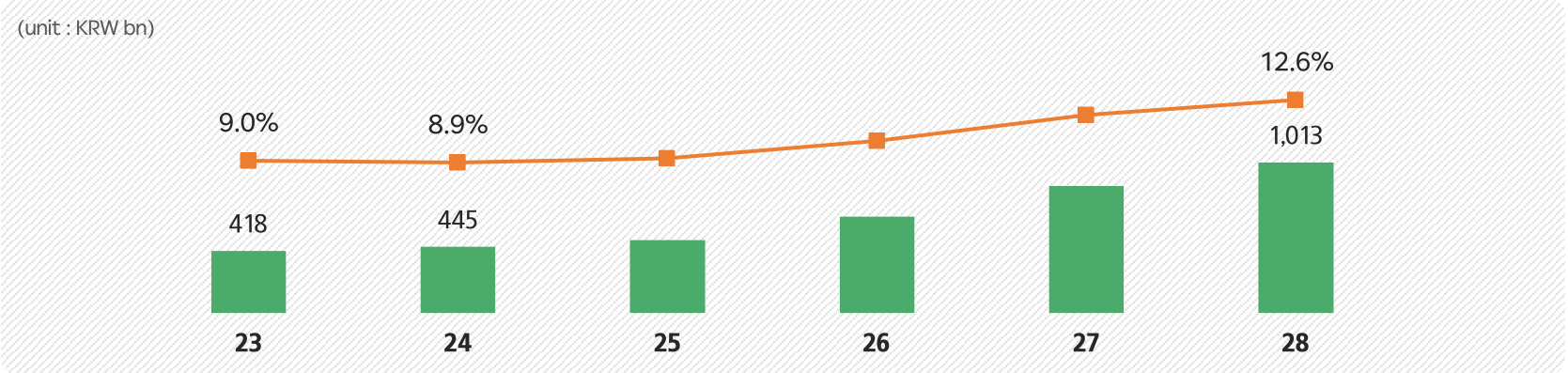
## Sales



CAGR  
(23~28)

+11.6%

## EBIT



+19.4%