



Doosan Infracore

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2019 2Q Earnings Release

July 2019



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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2Q19 Results

- Sales increased 3% YoY thanks to continued favorable trend in the heavy business from developed markets and growth in Bobcat.
- EBIT improved 9% YoY primarily due to our profit-oriented sales strategy and earnings contribution from Bobcat.
- Net profit increased 21% YoY due to favorable currency and decrease in interest expenses.

Income Statement

(Unit : KRW bn)

	2Q18	1Q19	2Q19	YoY	QoQ
Sales	2,144.1	2,182.6	2,200.0	+2.6%	+0.8%
EBIT	273.1	250.0	297.2	+8.8%	+18.8%
EBIT margin(%)	12.7%	11.5%	13.5%	+0.8%p	+2.0%p
(Net Financial Cost)	46.2	44.1	43.4	-6.1%	-1.6%
(F/X gains/losses)	-18.3	7.5	0.5	-	-93.3%
Net Profit	142.8	130.7	172.8	+21.0%	+32.3%

2Q19 Sales and EBIT by division

- Heavy : Despite weak sales in China and emerging markets, EBIT improved thanks to our profit-oriented sales strategy, lower servicing expenses in line with quality improvement and positive impact from currency.
- Engine : Revenue was stable thanks to favorable Heavy sales in developed markets and Bobcat, while EBIT declined due to one-time costs.
- Bobcat : Revenue continued to grow on the back of demand from developed markets. EBIT margin climbed to 13% level.

Sales

	(Unit : KRW bn)	% of sales	YoY
Heavy	869.0	40%	-8.6%
Engine*	148.9 (291.4)	6%	-7.2% (-0.4%)
Bobcat	1,182.0	54%	+14.4%
Total	2,200.0	100%	+2.6%

EBIT & Margin

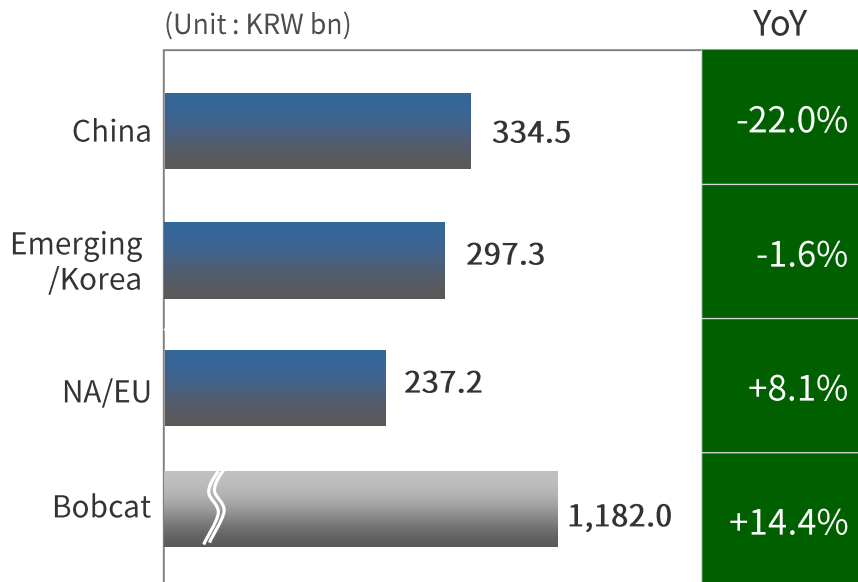
	(Unit : KRW bn)	EBIT margin	YoY
Heavy	112.9	13.0%	+15.8%
Engine*	27.1	18.2% (9.3%)	-26.0%
Bobcat	157.1	13.3%	+13.1%
Total	297.2	13.5%	+8.8%

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

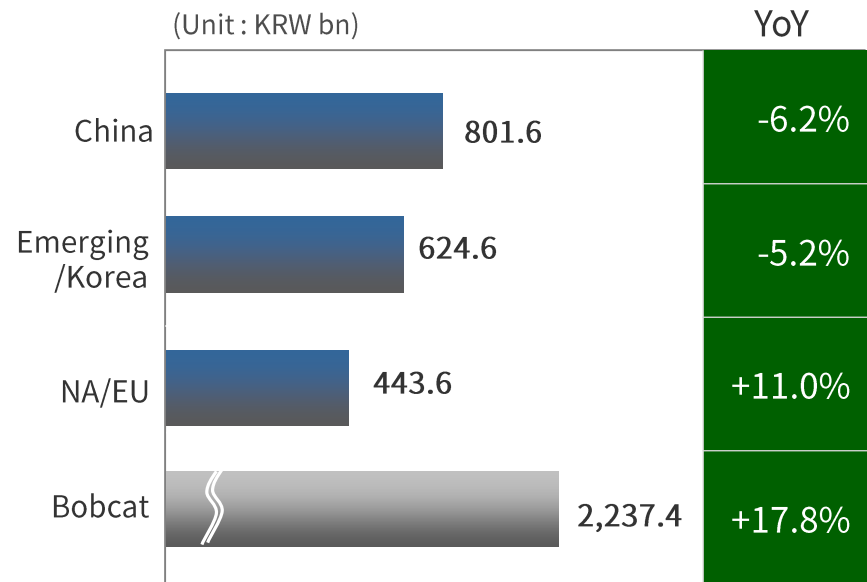
Regional breakdown (Construction equipment)

- China : Sales decreased YoY due to slowing demand and heightened competition. However, we remained focused on profitability.
- Emerging/Korea : Revenue decreased -2% YoY due to sluggish market conditions in the region. Profitability improved thanks to price hike and tight management of sales receivable.
- NA/EU : Sales increased 8% YoY in line with demand supported by economic recovery in developed markets.

CE regional breakdown(2Q19)



CE regional breakdown(1H19)



Financial structure

- Net debt increased by KRW191.8bn due to unfavorable impact from currency and increase in working capital during the high demand season.
- However, liability/equity ratio decreased thanks to improvement in net income and resultant increase in shareholders' equity.

Balance Sheet

(Unit : KRW bn)

	2018	1Q19	2Q19	Compared to 2018
Current Assets	4,426.8	5,392.9	4,769.4	+342.6
Fixed Assets	6,602.3	6,734.3	6,953.3	+351.0
Total Assets	11,029.2	12,127.2	11,722.7	+693.5
Total liabilities	7,208.4	8,135.5	7,479.0	+270.6
- Net debt	2,998.9	3,079.5	3,190.7	+191.8
Total shareholder's Equity	3,820.8	3,991.7	4,243.7	+422.9
Liabilities/Equity Ratio	188.7%	203.8%	176.2%	-12.5%p

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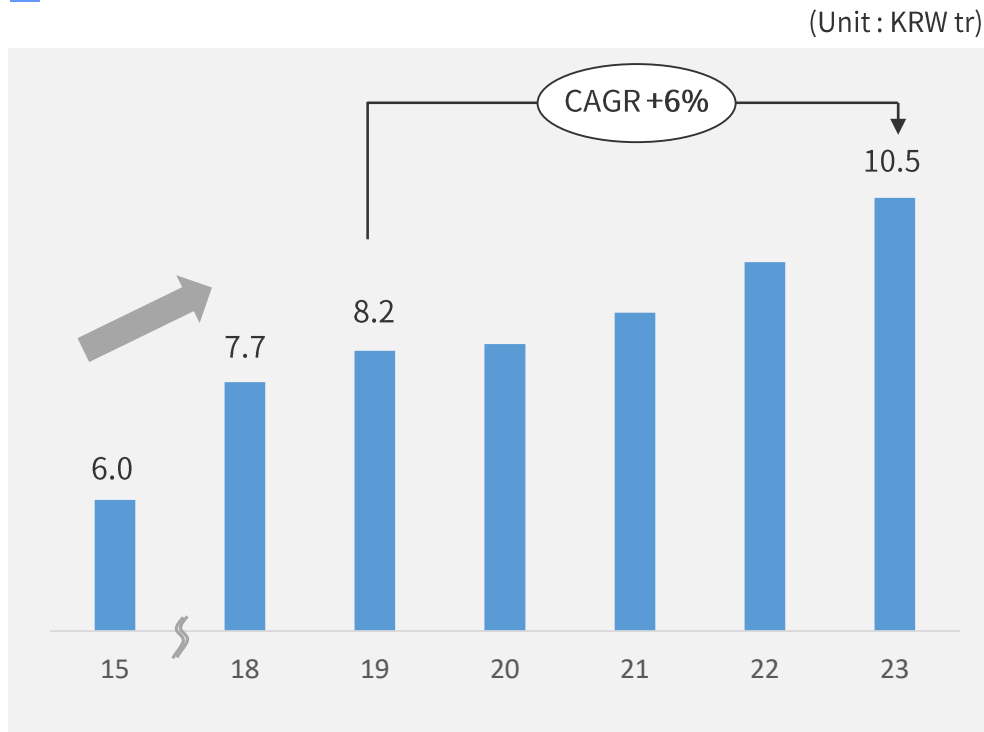
1 2Q19 Results

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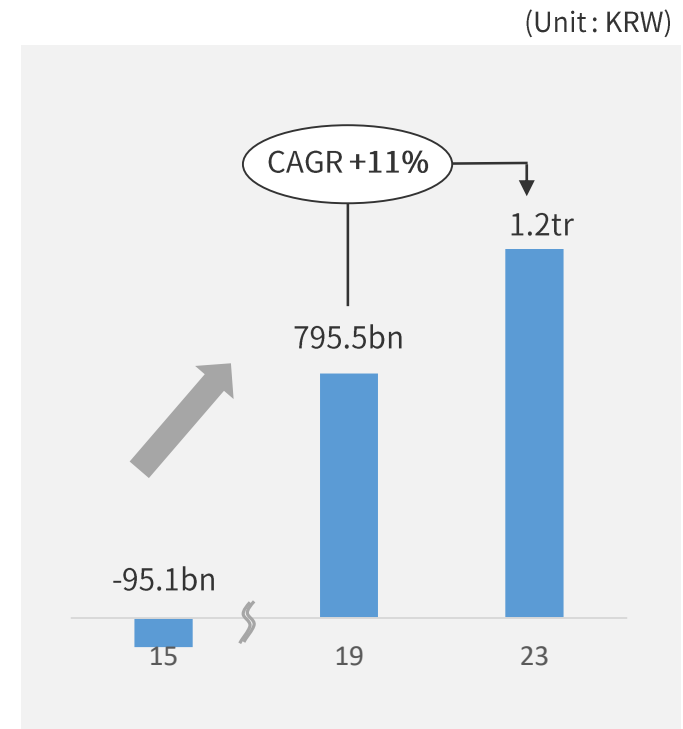
Steady mid-term growth based on past restructuring efforts

- Since our restructuring efforts in 2015, Doosan Infracore endeavored to achieve profitable growth in any market condition and to weather the cyclical nature of the industry.
- As a result of a slimmer cost structure, successful channel restructuring, enhanced sales capability and flexible production, we have turned around remarkably and continue to expect steady growth in the mid-term.

DI Sales Forecast



DI EBIT Forecast

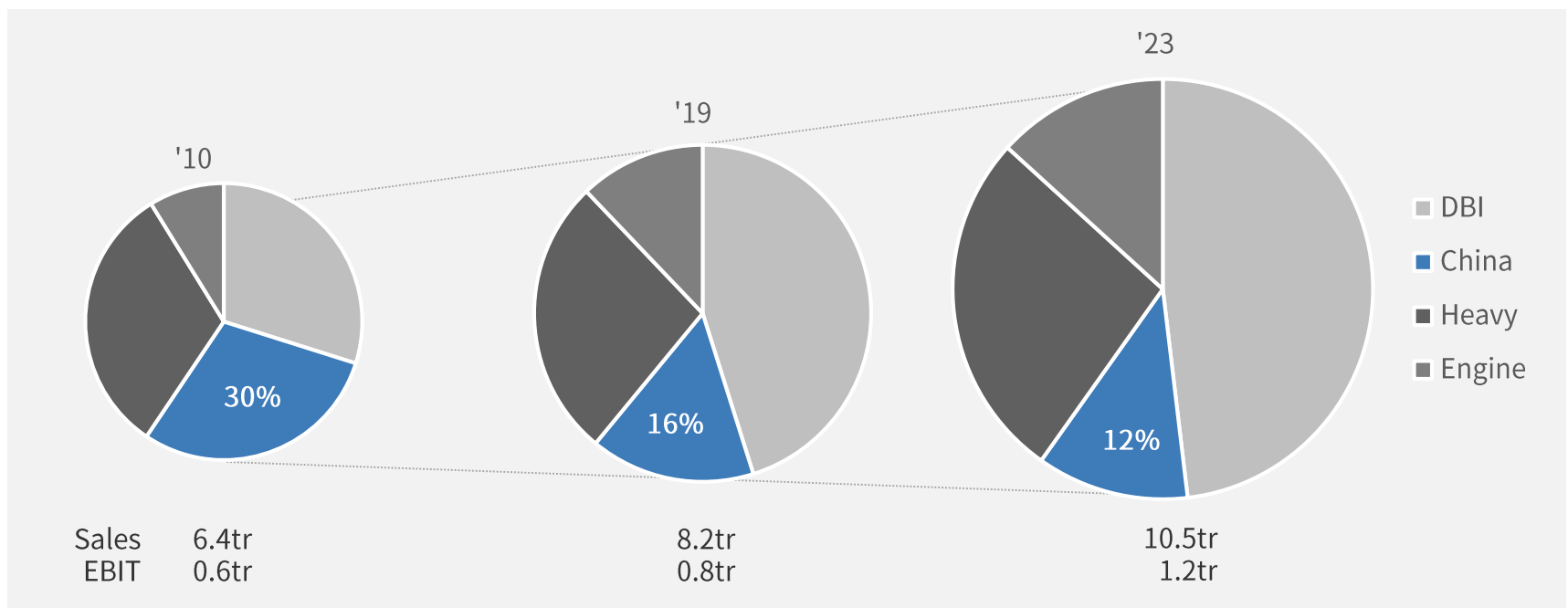


Regional diversification to lower our dependency on China

- During China's last peak in 2010, sales contribution from China reached 30%. Since then, we have worked towards regional diversification and contribution from China is projected to decline to 16% in 2019 and 12% in 2023.
- Heavy strategy : Increased contribution from more profitable markets and products, stronger penetration into MEX market, expand recurring business which tends to have less volatility
- Engine strategy : Lower dependency on internal sales due tgo pre-existing external clients such as KION, Baoli, Arbos from 2020, and continue our efforts to secure new long-term customers

Change in DI's regional/business mix

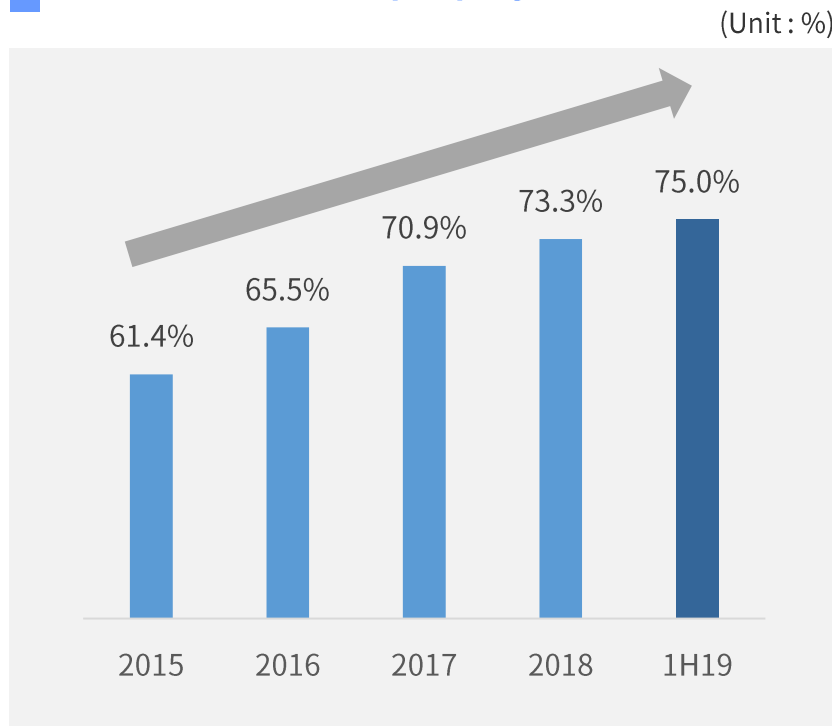
(Unit : KRW, %)



Heavy (China) – Efforts to remain competitive, despite slowdown

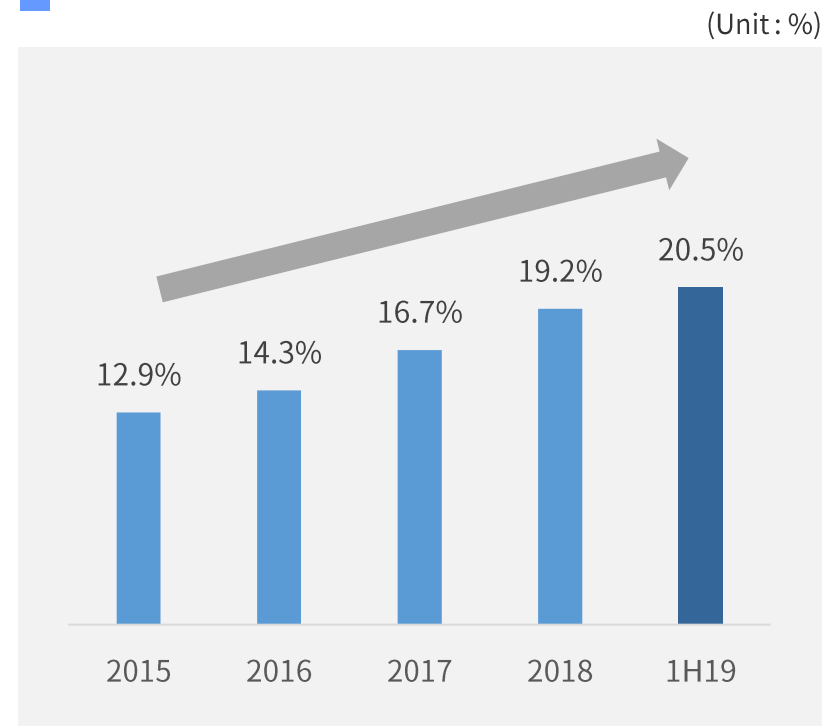
- Despite the slowdown in China, we continued to focus our efforts to enhance profitability and minimize risk of sales receivables.
- Amidst market consolidation, we have consistently gained market share amongst foreign brands, which target a more financially sound customer base.
- DI plans to gain product/price competitiveness in 2H with efforts such as new model launches.

Market share of Top 7 players



* Source: CCMA

DI's market share among foreign brands



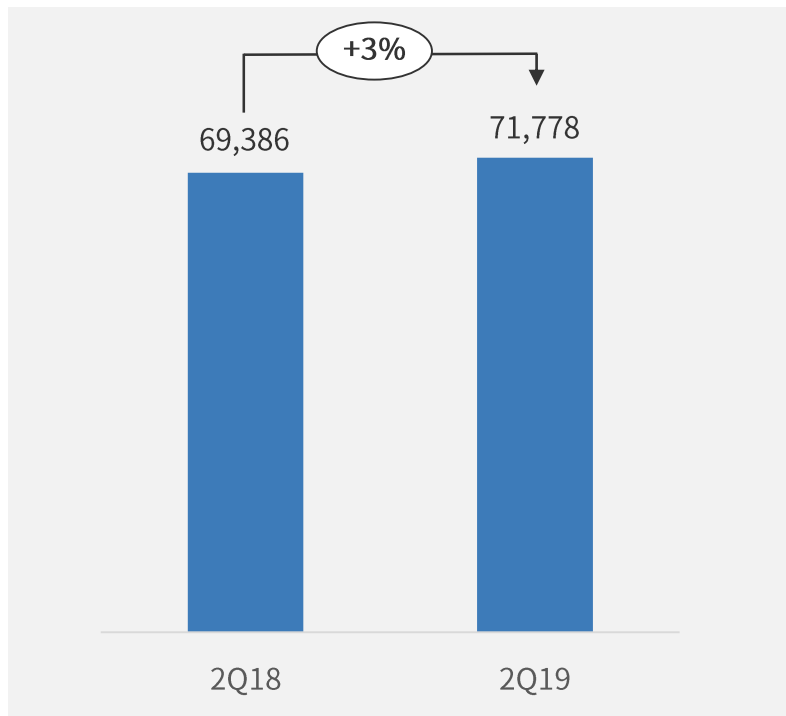
* Source: CCMA

Heavy (EU/NA) – Demand growth + Enhanced competitiveness

- Sales in North America and Europe continued to grow in 2Q backed by construction demand for non-housing and infrastructure.
- North America enhanced competitiveness with establishment of Customization Center and Part Distribution Center and expanding our presence within the MEX market.
- Europe gained market share by introducing customized sales programs by regions/products and stabilized operation at new dealers.

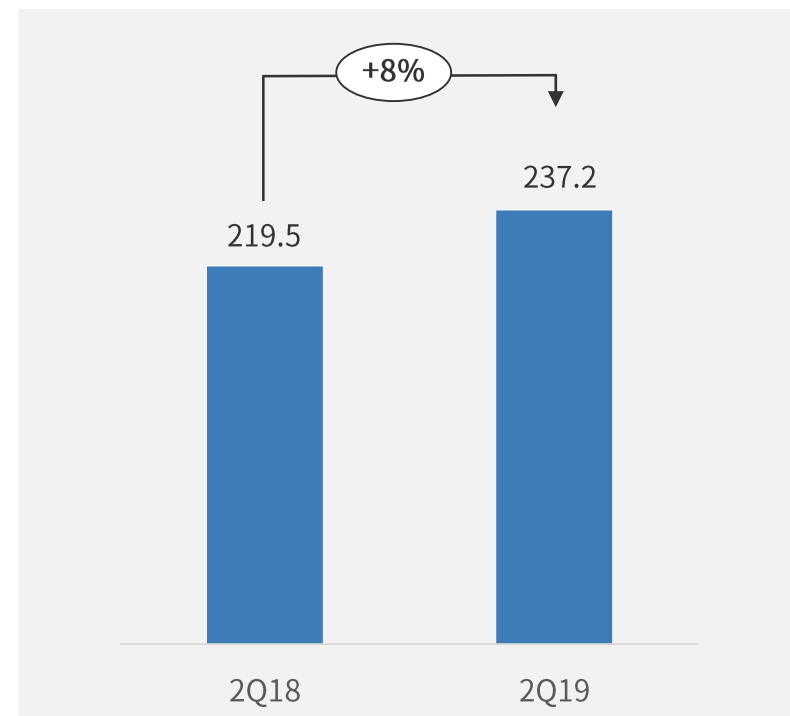
Market volume in EU/NA

(Unit: units, YoY)



DI's revenue in EU/NA

(Unit: KRW bn, YoY)

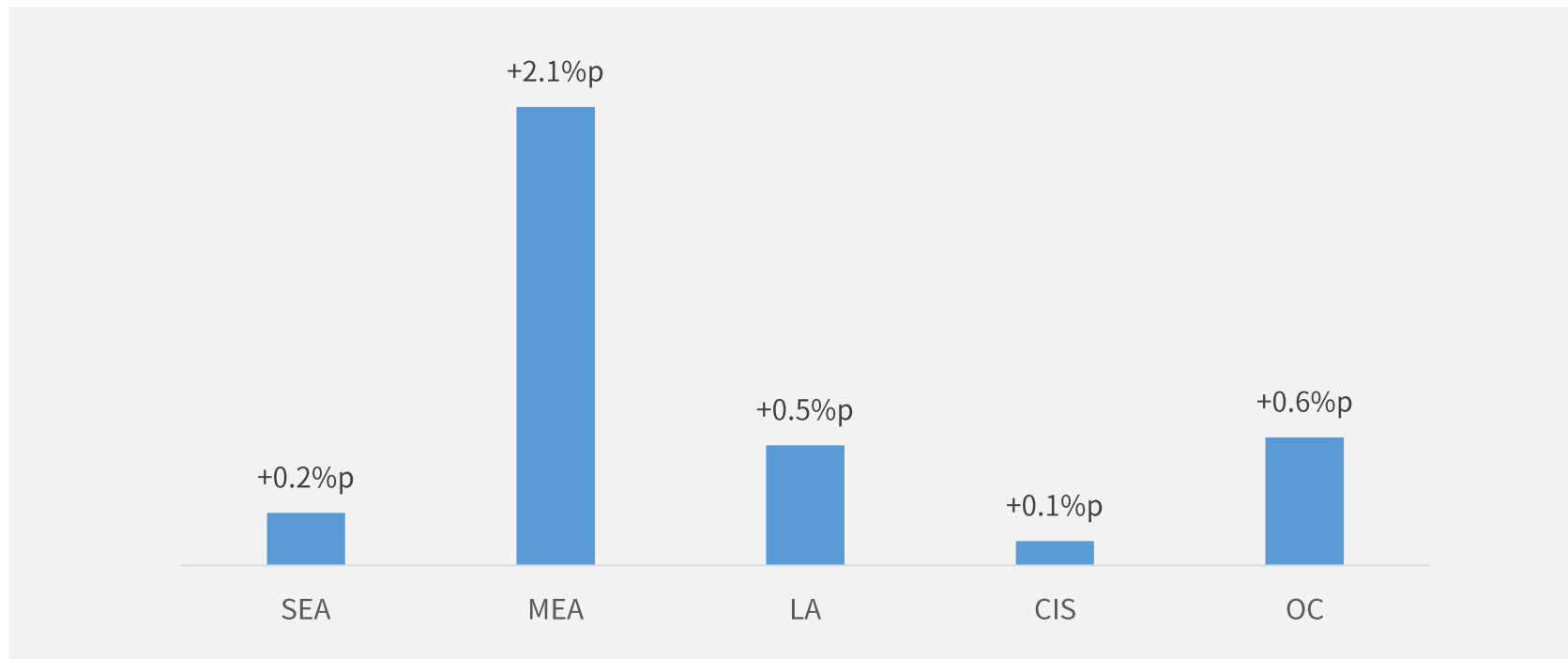


Heavy (Emerging Markets) – Market share gains in all regions

- Despite concerns over global economic slowdown and F/X risk, DI continued to gain market share in all regions during 2Q as a result of our efforts to improve sales channel, diversify our product portfolio and provide customized sales programs. We also successfully secured sizable orders in strategic countries.
- In addition, we continued to improve profitability by raising prices and tightly managed receivables to avert F/X and AR collection risks.

DI's market share change in emerging markets during 2Q

(Unit : %p YoY)





[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							124,752
	DI	701	1,603	3,439	1,802	1,088	1,074							9,707
	M/S	6.9%	9.3%	8.2%	6.8%	6.5%	8.7%							7.8%

• Construction Equipment : Regional sales breakdown

(Unit : KRW bn)

Region	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	YoY
China	425.1	429.1	207.1	253.7	1,315.1	467.1	334.5	-22.0%
Emerging + Korea a	357.2	302.0	278.1	242.7	1,180.0	327.6	297.3	-1.6%
NA/EU	180.2	219.5	193.6	166.5	759.8	206.2	237.2	+8.1%
Bobcat	866.0	1,033.0	1,030.4	1,013.4	3,942.8	1,055.4	1,182.0	+14.4%
Total	1,828.6	1,983.6	1,709.2	1,676.4	7,197.8	2,056.2	2,051.0	+3.3%

Doosan Bobcat – 2Q19 results

- Sales grew 15% YoY thanks to steady growth in key developed markets.
- EBIT margin also climbed 2.5%p QoQ due to sales growth and improved profitability in Europe, despite continued promotions and increase in raw material prices.
- Net profit grew YoY in line with EBIT growth and lower interest expenses.

Income Statement

(unit : KRW bn)

	2Q18	1Q19	2Q19	YoY	QoQ
Sales	1,038.5	1,062.4	1,190.6	+14.7%	+12.1%
EBIT	138.9	113.3	157.1	+13.1%	+38.7%
EBIT Margin	13.4%	10.7%	13.2%	-0.2%p	+2.5%p
EBITDA	162.5	137.6	182.6	+12.3%	+32.8%
Net Financial Cost	13.2	11.1	11.4	-13.8%	+2.5%
Pretax Profit	114.2	99.4	135.9	+19.1%	+36.7%
Net Profit	76.7	68.5	95.3	+24.2%	+39.2%
NP Margin	7.4%	6.4%	8.0%	+0.6%p	+1.6%p

* F/X rate for income statement (KRW/USD)
2Q18: KRW 1,078.02/USD, 2Q19: KRW 1,165.35/USD