

2Q 2020 Earnings Release

# HYUNDAI CONSTRUCTION EQUIPMENT



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# 2Q 2020 Earnings Release

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1. Summary of Financial Results
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3. Sales Results by Business
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5. Financial Statement



# 1. Summary of Financial Results

2Q

- Sales decreased 20.5% in YoY mainly due to the downturn in the global construction machinery market.
- O/P decreased 16.7% in YoY due to reduced sales.

(Unit: Billion KRW, %)

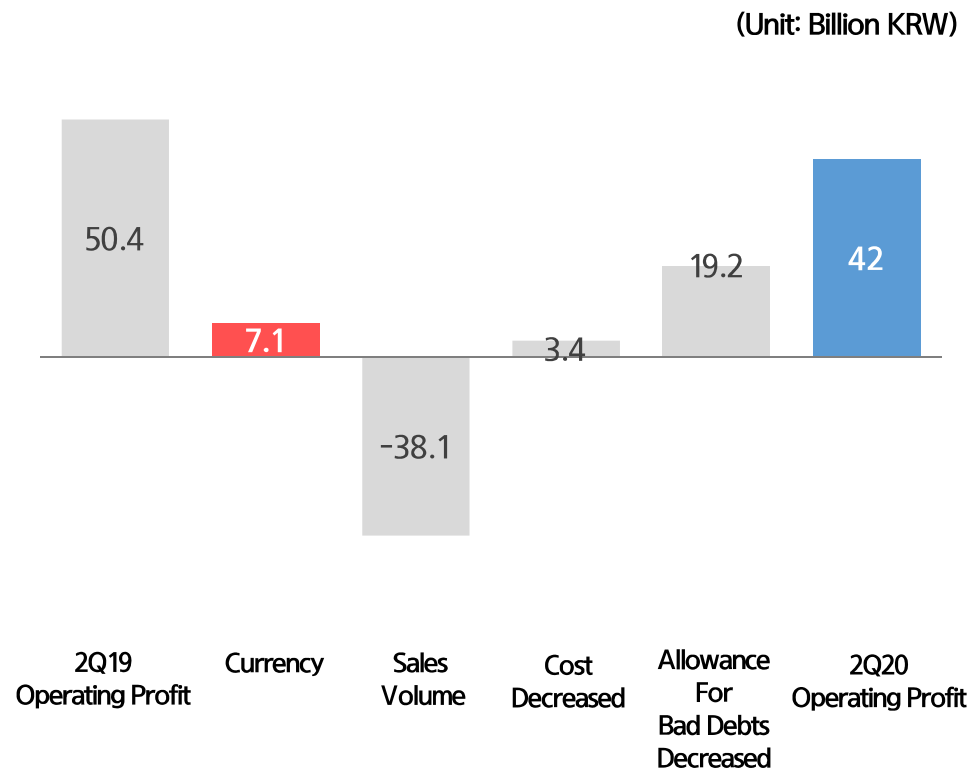
	'20.2Q		'19.2Q	'20.1Q
		YoY		
Sales	668.4	-20.5	840.4	636.3
Operating Profit	42.0	-16.7	50.4	10.7
O/P Margin(%)	6.3	0.3p	6.0	1.7
Non-Operating Profit	-14.6	-	-43.4	-7.7
Interest income	-6.2	-	-6.4	-3.2
Gains and Losses on Foreign exchange	-5.0	-	3.9	-1.9
Net Profit	19.1	(+)	-8.2	1.2
Profit attributable to owners of the Company	11.6	(+)	-19.5	-0.4

- Note) K-IFRS consolidated financial statements basis (consolidated with Belgium, Atlanta, Holding company and subsidiaries in China, India, Indonesia)

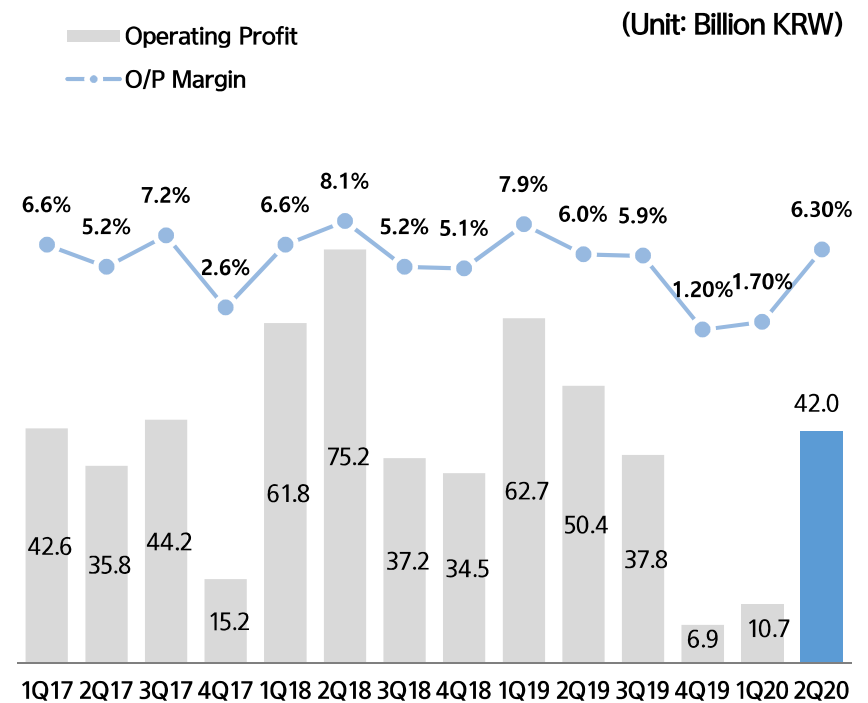
# 2. Operating Profit Analysis

- O/P decreased in YoY due to the reduced sales volume, but O/P margin reached 6.3% and recovered to the previous year's level. (YoY +0.3%p, QoQ +4.6%p)

## Operating Profit Analysis

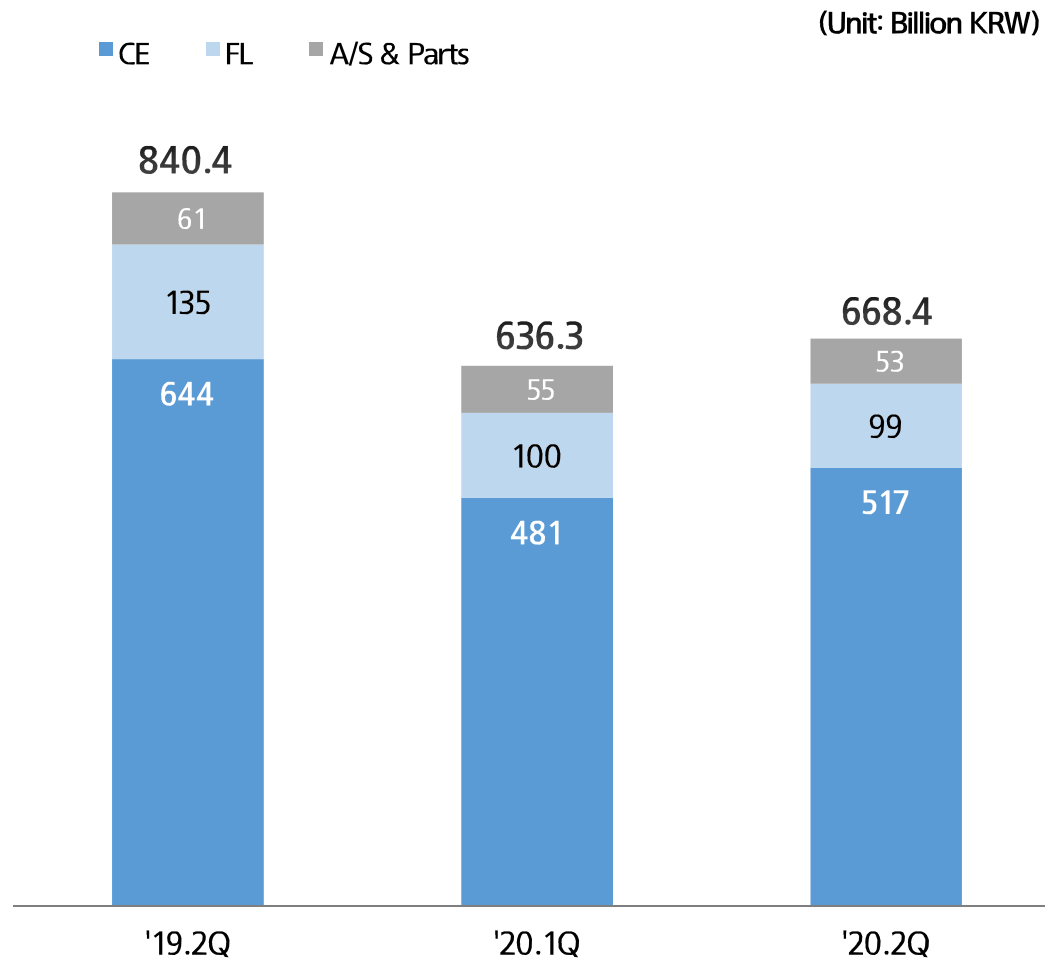


## Quarterly Changes of Profit



# 3. Sales Results by Business

## 2Q20 Sales by Business



- **Construction Equipment**

- QoQ +7.4%

- YoY -19.8%

- **Fork Lift (Industrial Vehicle)**

- QoQ -1.3%

- YoY -26.7%

# 4. Sales by Region

- Sales in China and major countries resumed, but it is still difficult to expect overall improvement in the market.
- Responding flexibly to regional COVID-19 mitigation conditions and government policies.

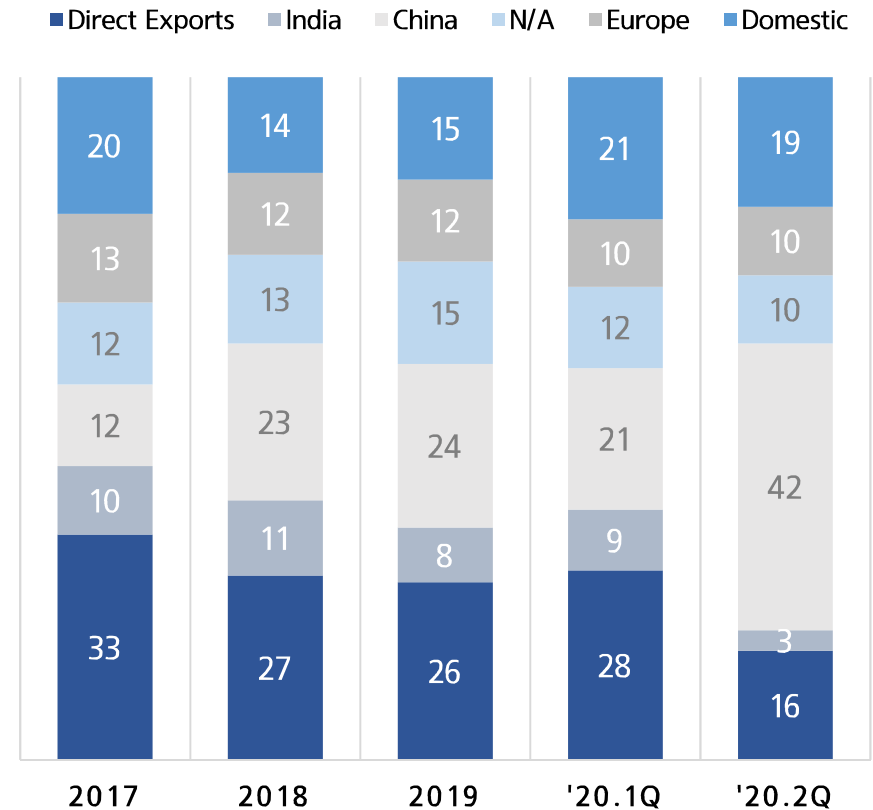
## Sales

(Unit: Billion KRW, %)

	'20.2Q	YoY	QoQ	'19.2Q	'20.1Q
Direct Exports	117.8	-47.9	-38.4	226.2	191.3
India	19.1	-72.6	-69.9	69.8	63.4
China	314.2	45.3	119.0	216.3	143.5
North America	70.8	-46.2	-14.0	131.6	82.3
Europe	75.4	-20.7	12.7	95.1	66.9
Domestic	143.1	-3.4	-2.1	148.1	146.1

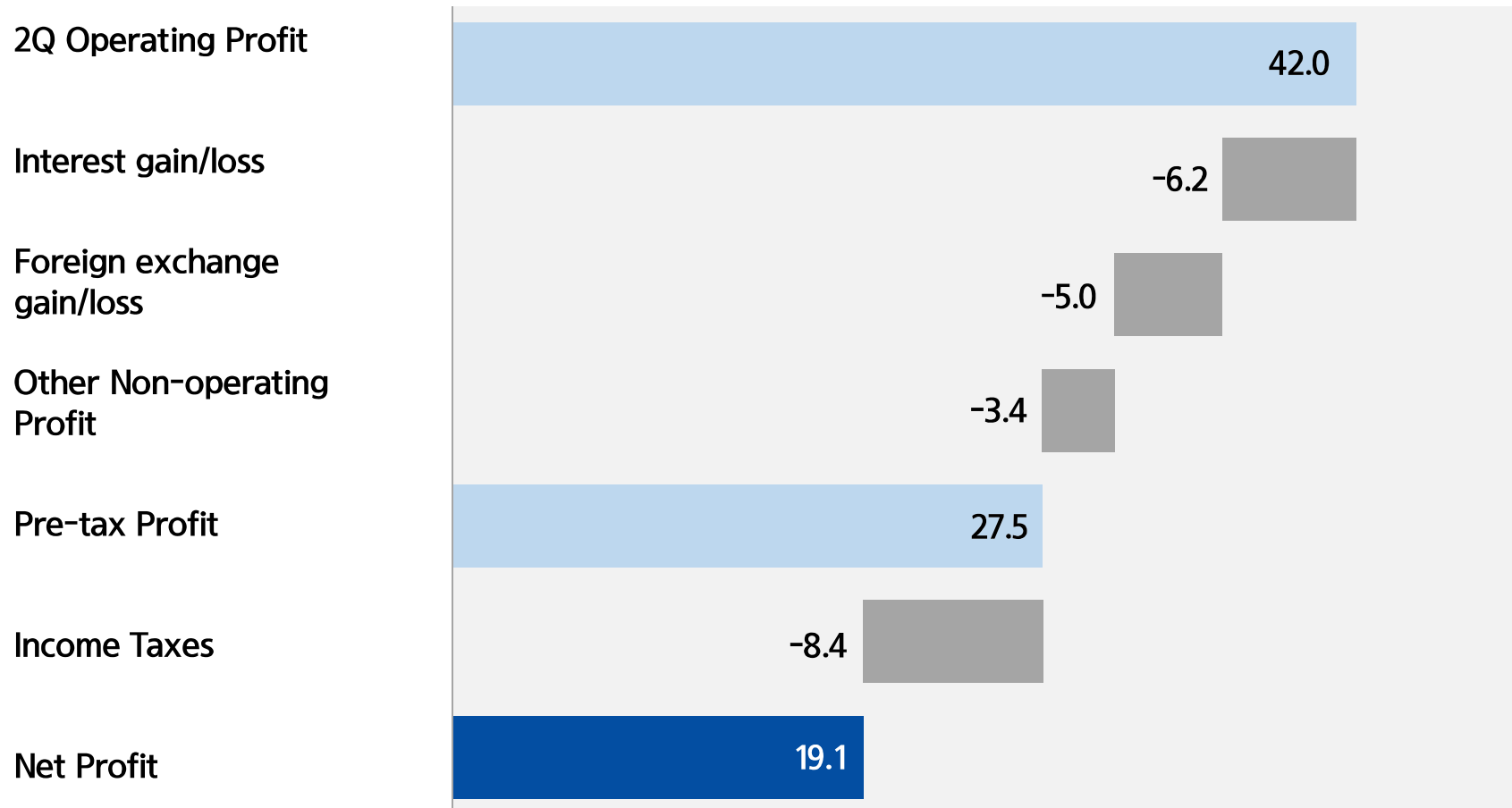
## Quarterly Sales Portion by Region

(Unit: %)



# 5. Non-operating Profit and Net Profit

(Unit: Billion KRW)



# 6. Financial Statement

- Preemptive financing to secure liquidity amid the global crisis.

## Consolidated Financial Statement

(Unit: Billion KRW) **Analysis**

	20.2Q	2019	2018	2017		20.2Q	2019	2018	2017
<b>Total Assets</b>	<b>3,648.8</b>	<b>3,188.0</b>	<b>3,126.5</b>	<b>2,228.7</b>					
Current Assets	2,575.8	2,151.5	2,203.9	1,553.5	Current Ratio (Current Assets / Current Liabilities)	<b>187%</b>	204%	233%	198%
AR and others	836.2	747.7	595.9	425.5					
Cash & Cash Equivalents	1,063.8	637.5	522.2	426.0					
Non-current Assets	1,073.0	1,036.5	922.7	675.2					
<b>Total Liabilities</b>	<b>2,050.7</b>	<b>1,610.9</b>	<b>1,558.3</b>	<b>1,057.7</b>	Debt Ratio (Total Liabilities / Total Assets)	<b>128.3%</b>	102.1%	99.4%	90.0%
Current Liabilities	1,379.3	1,052.8	945.1	785.6					
AP and others	320.3	292.3	410.1	278.6					
Non-current Liabilities	671.4	558.1	613.2	272.1					
Borrowings	1,507.7	1,121.8	966.0	673.8	Borrowing Ratio (Borrowings / Total Equity)	<b>94.3%</b>	71.1%	61.6%	57.5%
Net Borrowings	443.9	484.2	443.7	247.8					
<b>Total Equity</b>	<b>1,598.1</b>	<b>1,577.1</b>	<b>1,568.2</b>	<b>1,170.9</b>					

# Market Status

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1. 2020 Global CE Market
2. 2020 Global FL Market



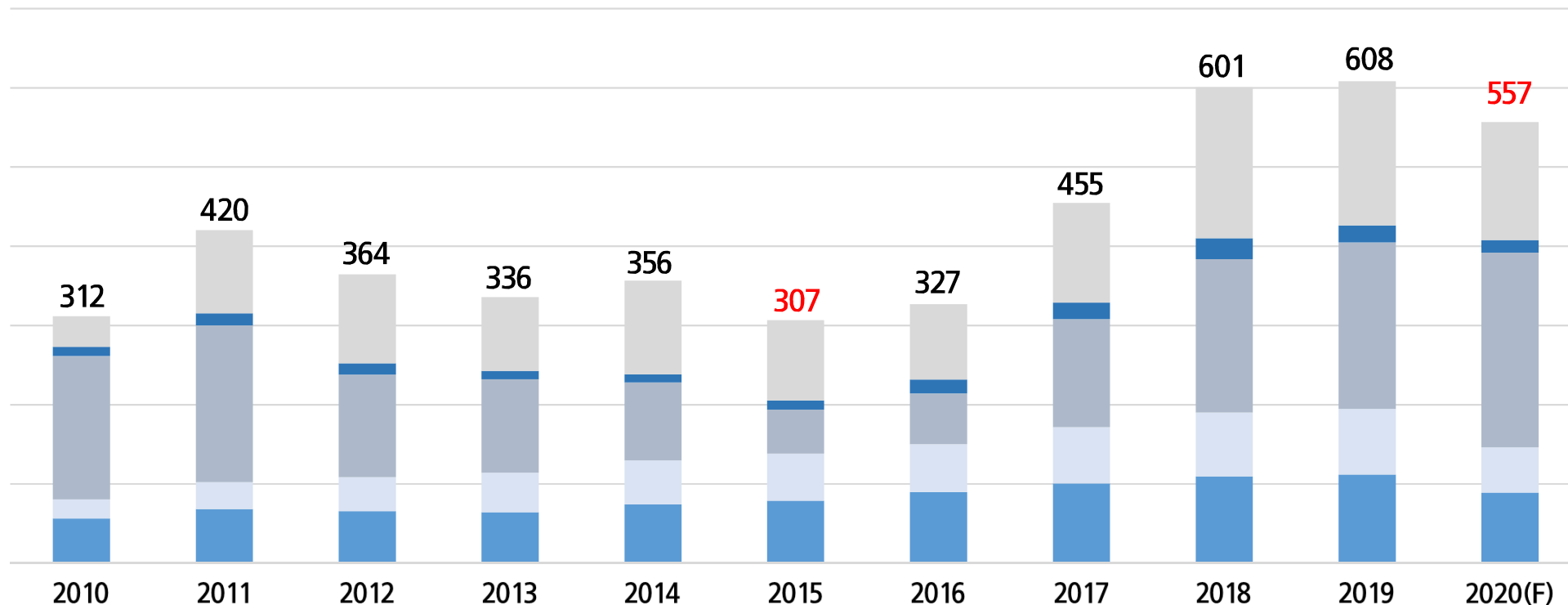
# 2020 Global CE Market Outlook

- 2020 Global CE market will be decreased slightly but looks moderate compared to a historic low.
- The market uncertainty is still expected to continue in the second half due to COVID-19.

## 2020 Global CE Market Outlook

(Unit: thousand units)

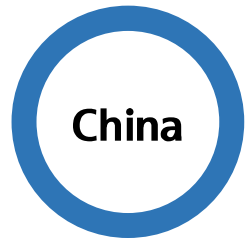
■ Europe ■ North America ■ China ■ India ■ Emerging Market



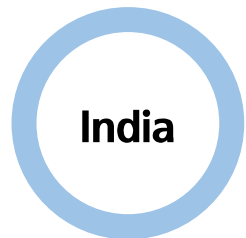
• Source: Off Highway Research & Company Data (Excavator)

# Major Market Issues - Global

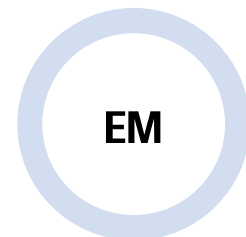
- Flexible response to the market resulted visible performance in some regions.



- Market grew year-on-year by 25% in the first six months.
- The industry is still faced by fierce completion, but HCE improved market share in 2Q.
- 2020 market is forecasted at 246,000 units. We also raised outlook from 210,000 units.



- Market demand fell year-on-year by 47% due to lockdown policy strictly controlled by Indian Gov't (5,797units), but it is expected to recover last year's level in 2H of 2020 due to gradual easing of the lockdown. (8,500units)
- HCEI has been restarting the factory since the lockdown was released and the market share is increasing by consistent dealer & customer management although the sales activities are still limited.



- New orders have recovered to 80% of last year's level by June (Gold mining equipment)
- HCE gained market share in Middle East & Russia despite weak market demand
- HCE will closely check the demand recovery.

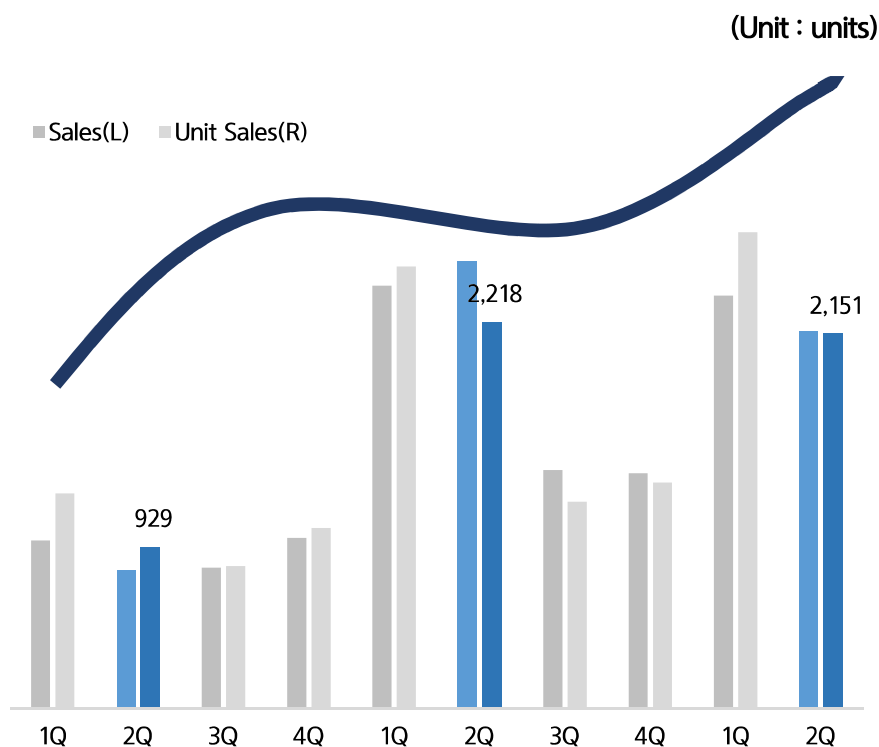


- In DM, Orders for Mini & Small equipment have been recovering since June, but the market uncertainties such as a second wave of COVID-19 are still existing.
- In Domestic, the market has recovered smoothly compared to last year and HCE market share is on the rise through strong sales of new models.

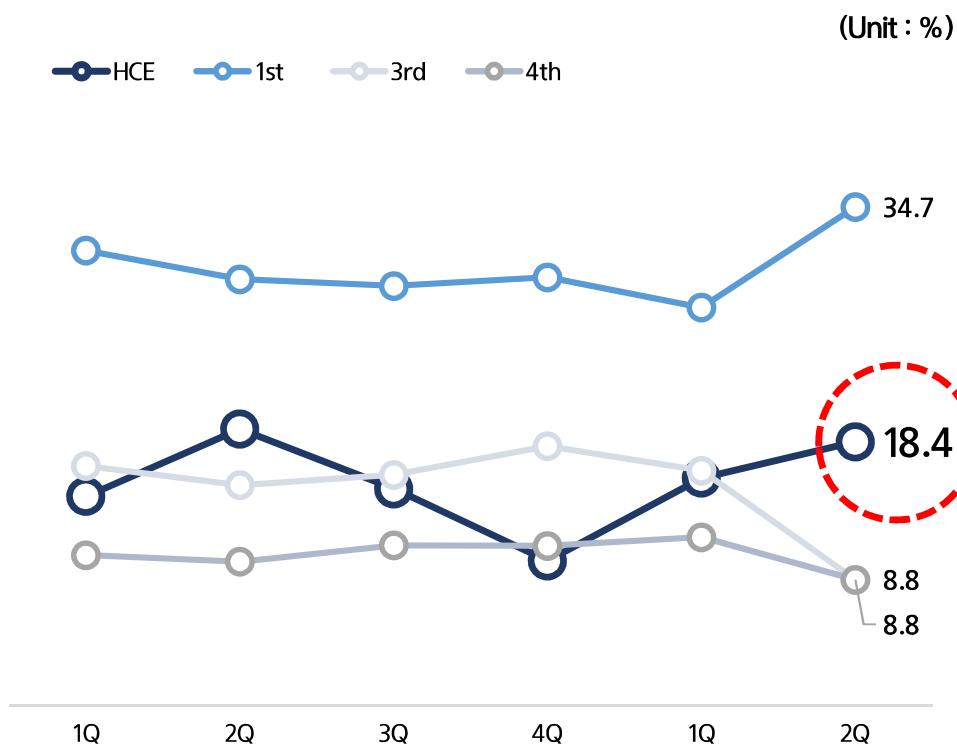
# Major Market Issues – China, India

- (China) Steadily growing in sales as we continue to expand the portion of Med-Large size equipment sales. (2017: 49% → 2020: 56%) We also plan to expand its overall market share through launching promotion of small size equipment.
- (India) Restarting the factory after releasing lockdown → Keeping the second position of market share and widening the gap with lower positioned competitors. Focusing on dealer & customer management and expecting a modest market recovery after 4Q and growth after 2021.

### China: 2017-2020 Quarterly Sales Trend



### India: 2019-2020 Quarterly M/S Trend



# 2020 Global FL Market Outlook

- 2020 Global FL market will be decreased year on year by 20% due to the impact of COVID-19 epidemic and politic uncertainty such as Brexit.
- Strong demand for electric vehicles (Class 1, Class 2) is expected with the upcoming tightening of environmental regulation in both domestic and overseas markets.
- Establish own production plant in Gunsan and produce low-cost ODM/OEM equipment in China.

## Sales Strategies

### Enhance Market Competitiveness

- Improve sales network and expand B2B sales.
- Increase M/S in domestic market  
2019.1H : 27% → 2020.1H : 31%

### Diversify Product Portfolio

- Enhance Autonomous & Rental business.
- Target the logistics industry through strategic partnership with logistic companies (Hyundai Robotics, Hyundai L&S)

### Secure Production Plant

- Establish own production plant in domestic (Reach & Large truck)
- Produce ODM/OEM truck in China  
→ Exports to emerging markets

