

4Q 2022 Earnings Release

# HYUNDAI CONSTRUCTION EQUIPMENT



## Disclaimer

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The financial information in this presentation are consolidated earnings results based on K-IFRS.

However, the transfer of forklift business (“discontinued operation”) is not reflected yet to compare with previous quarters and for your convenience. Therefore, the financial statement which reflects abovementioned discontinued operation will have different figures.

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# 4Q 2022 Business Results

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1. Financial Results Summary
2. Operating Profit Overview
3. Sales Overview by Business
4. Sales Overview by Region
5. Financial Statement and Key Indicators



# 1. Financial Results Summary

- Sales : Despite weakness in China, sales grew +10% YoY in 4Q22 and +7% YoY in 2022 thanks to strong demand in emerging markets driven by firm commodity prices and infrastructure investment in developed markets.
- Operating Profit : Operating profit increased YoY due to price increase, improvement in product and regional mix and F/X, despite continued increase in materials and logistics costs.

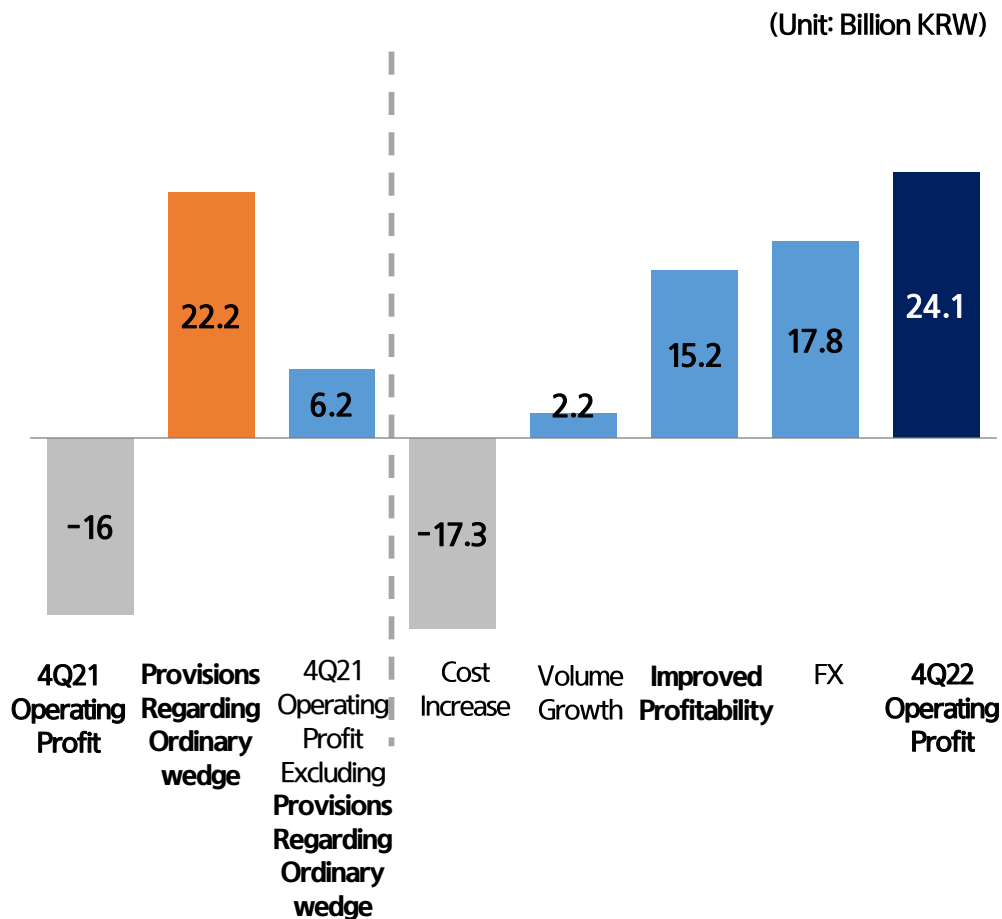
(Unit: Billion KRW, %)

	'22.4Q	YoY	'21.4Q	2022	YoY	2021
Sales	833	10.1	757	3,516	7.0	3,284
Operating Profit	24.1	TB	-16	171	6.2	161
OP Margin(%)	2.9	5.0p	-2.1	4.9	0.0p	4.9
Non-Operating Profit	-43.6	-	-17.6	-17.8	-	-3.1
Interest Income	-8	-	-4.4	-21	-	-17.5
Gain and Losses on Foreign exchange	-30	-	0	19	-	12.3
Net Profit	-22.1	-	-34	99	-9.5	109.8
Profit attributable to owners of the company	-15.6	-	-29.7	112	15.2	96.8

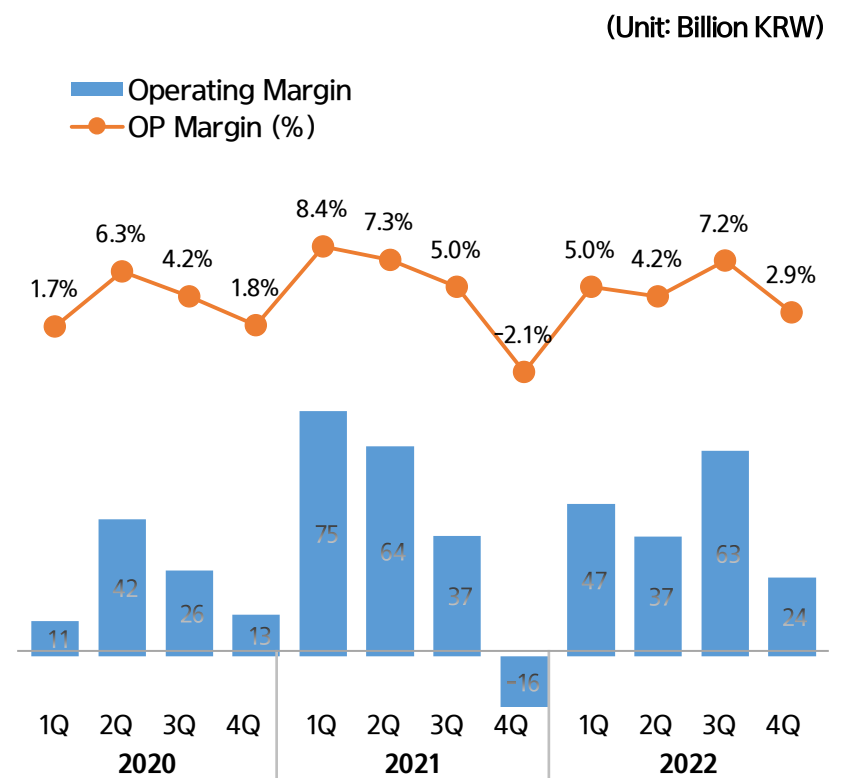
# 2. Operating Profit Overview

- Operating profit increased substantially thanks to price increase, improvement in product and regional mix and F/X, despite continued increase in materials and logistics costs.

## Operating Profit Analysis (YoY)



## Quarterly Changes in Operating Profit

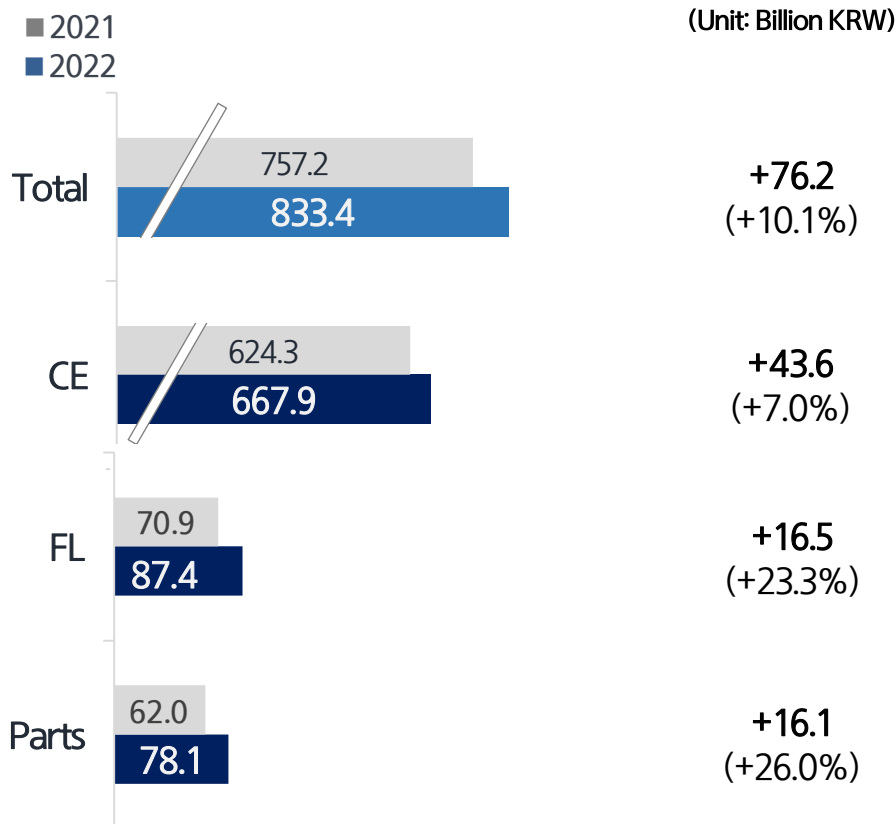


# 3. Sales Overview by Business

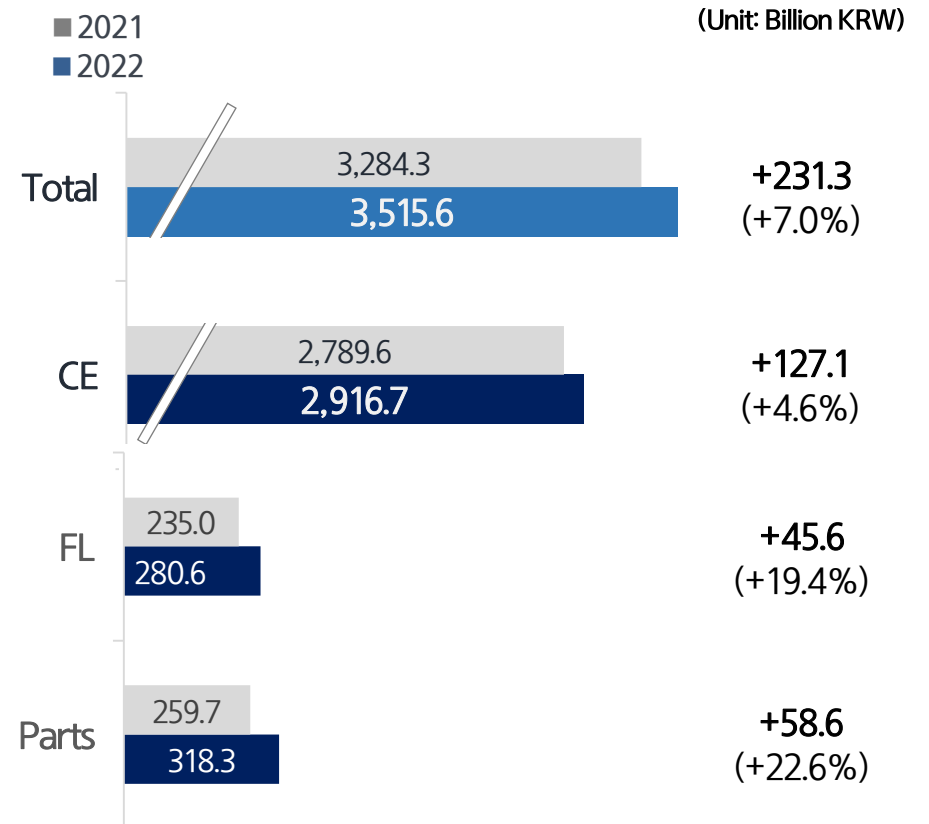


- CE : Sales grew +7.0% YoY in 4Q22 and +4.6% YoY in 2022, driven by strong demand in emerging and developed markets, which offset the weakness in China.
- FL: Sales grew +23.3% YoY in 4Q22 and +19.4% YoY in 2022, thanks to solid demand in developed markets
- Parts : Sales grew +26.0% YoY in 4Q22 and +22.6% YoY in 2022, thanks to growing direct exports and volume growth in developed markets

## 4Q22 Sales by Business



## 2022 Sales by Business



# 4. Sales Overview by Region



- Emerging : Demand remained strong mostly from resource-rich countries in line with infrastructure investment and rising raw material prices.
- India/Brazil : Sales continued to grow thanks to mining demand and strong sales in Latin America.
- Developed : Sales grew substantially due to infrastructure investment and rental demand.
- China : Demand declined due to China’s Zero-Covid policy and lack of stimulus measures.

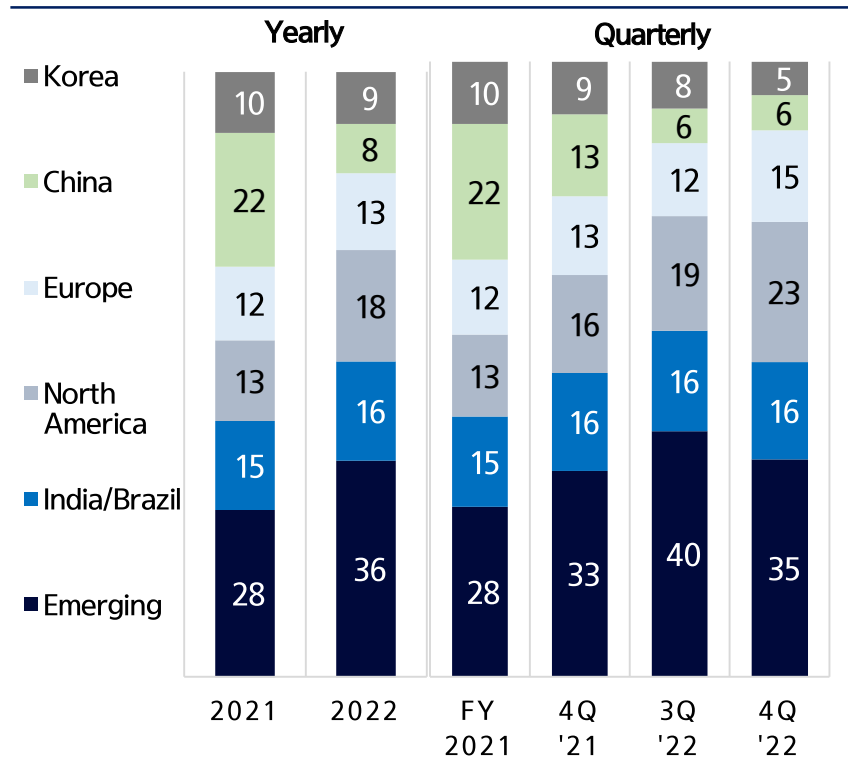
Sales by Region

(unit: Billion KRW, %)

	'22.4Q		'21.4Q	2022		2021
		YoY			YoY	
Emerging	294.5	16	253.6	1,256.1	39	906.5
India /Brazil	132.0	10	120.4	577.9	20	481.2
North America	189.7	57	120.9	645.6	47	438.5
Europe	124.0	28	96.6	446.5	11	400.7
China	48.1	-52	101.2	288.0	-60	726.7
Korea	45.1	-30	64.5	301.5	-9	330.7

Sales Contribution by Region

(unit : %)



# 5. Financial Statement and Indicators

- Stable financial status

## Consolidated Financial Statement

(Unit: Billion KRW)

	'22.4Q	2021	2020	2019
Total Assets	3,449	3,554	3,356	3,188
Current Assets	2,351	2,470	2,265	2,152
Non-current Assets	1,098	1,085	1,091	1,037
AR and others	708	877	740	748
Cash Equivalents & Financial Assets	488	525	893	638
Total Liabilities	1,781	2,007	1,768	1,611
Current Liabilities	1,374	1,499	1,157	1,053
Non-current Liabilities	408	507	612	558
AP and others	457	428	356	292
Borrowings	963	1,261	1,215	1,122
Net Borrowings	475	74	32	484
Total Equity	1,667	1,548	1,588	1,577

## Key Indicators for analysis

	'22.4Q	2021	2020	2019
Current Ratio (Current Assets / Current Liabilities)	171%	165%	196%	204%
Debt Ratio (Total Liabilities / Total Equity)	107%	130%	111%	102%
Borrowing Ratio (Borrowings / Total Equity)	58%	81%	76%	71%
Net Borrowing Ratio (Net Borrowings / Total Equity)	28%	5%	2%	31%

- Note) 22.3Q : Consolidated financial statement based on K-IFRS (Subsidiaries in Europe, North America, China, India, Indonesia and Brazil)
- 2022, 2021 : Consolidated financial statement based on K-IFRS (Subsidiaries in Europe, North America, China, India, Indonesia and Brazil, Discontinued forklift operation has been reflected)

# Market Outlook & Strategy

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1. Business Plan for 2023
2. Market Outlook for 2023
3. Mid-term Business Strategy



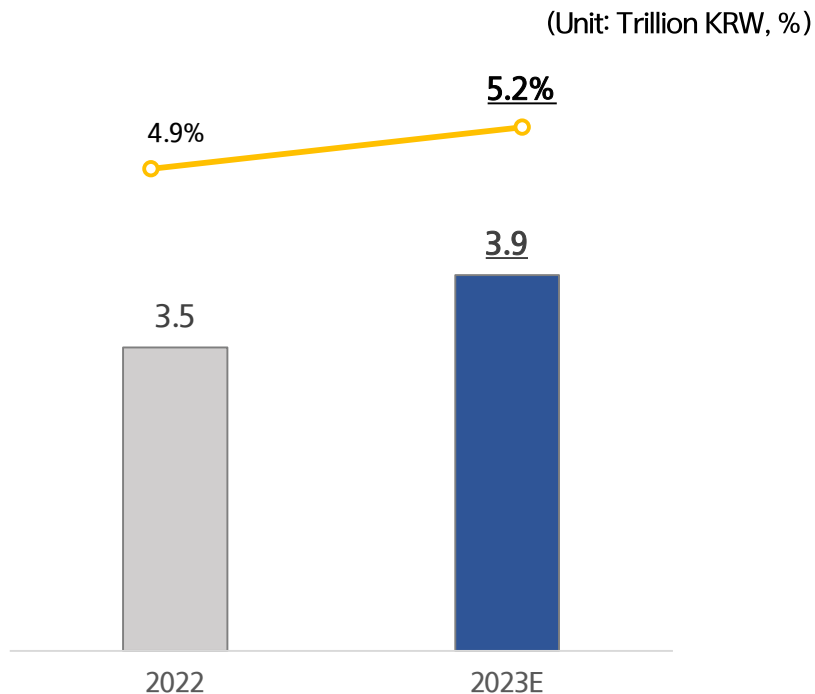
# 1. Business Plan for 2023

## Business Plan 2023

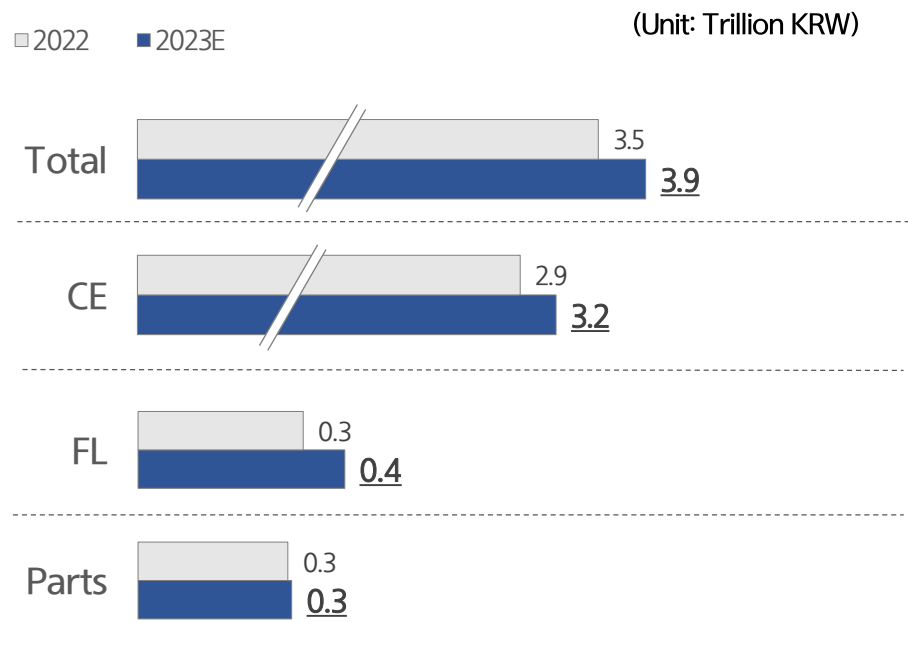
Sales 3,878.3 bil KRW, Operating profit 201.2 bil KRW (5.2%)

- Sales: +10% YoY thanks to growth in strategic markets and products + improvement in SCM (Supply Chain Management)
- Profit : +18% YoY due to improvement regional and product mix(focus on large and ex-large equipment sales), price hike and savings on material costs

### Sales/OP margin Forecast



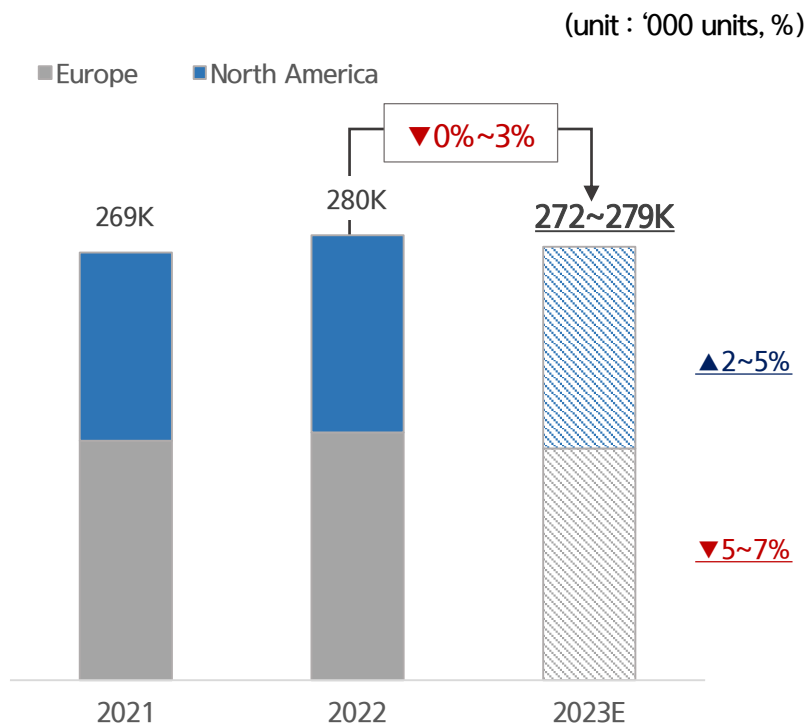
### Sales Breakdown by Business



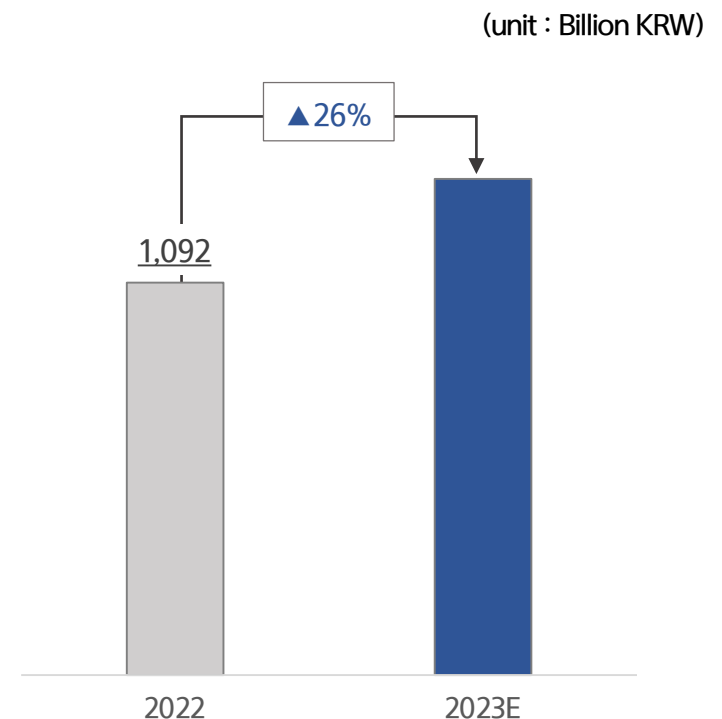
# 2-1. Market Outlook [Developed]

- [Market] Demand in North America should continue to grow due to continued non-residential construction. Demand in Europe is expected to decline marginally, however, we anticipate the market to stay above 140k units.
- [Sales] Sales and operating profit should increase substantially through improvement in SCM (enhancement in parts supply and logistics) and price hike. Growths in both heavy and compact equipment sphere is also enhancing our market position in developed markets.

## Market Outlook



## Sales Outlook

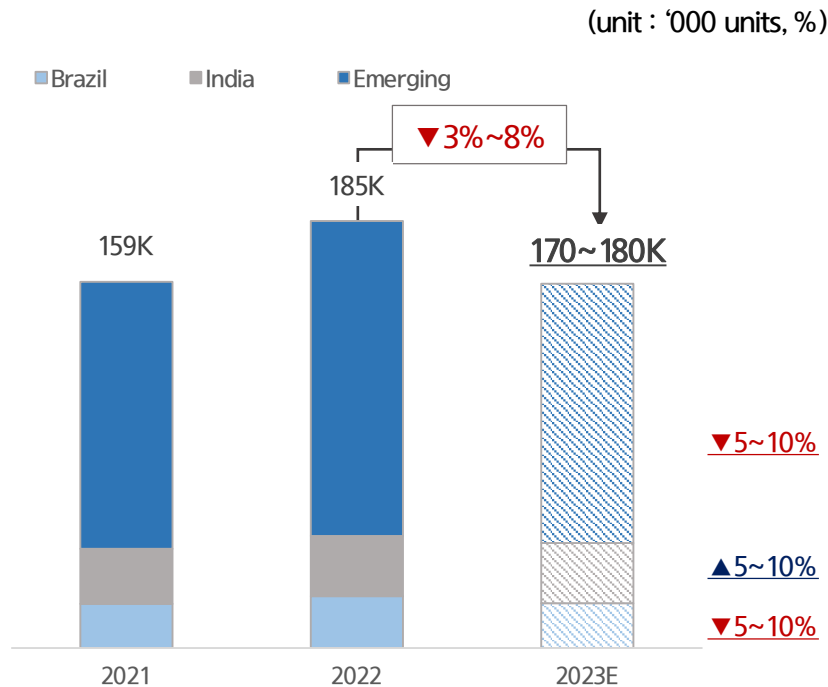


Note : Market volume based on excavators + mid/large wheel loaders. Sales includes industrial vehicles. Developed market based on North America and Europe.  
Source: Company data

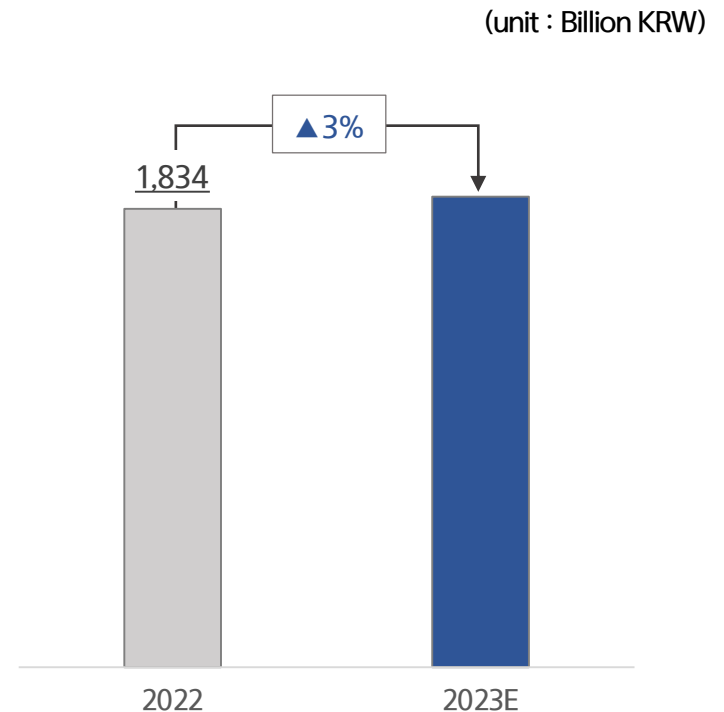
# 2-2. Market Outlook [Emerging]

- [Market] We expect to see demand polarization depending on the industrial structure of the region(dependency on natural resource) and government policies on infrastructure.
- [Sales] HCE’s focus will be on markets with volume and profitability. We expect to see growing sales in strategic countries such as resource-rich countries in Middle East/Latin America and post-war Ukraine. As such, we anticipate sales volume of ex-large excavators above 80 tons to grow +70% YoY in 2023.

## Market Outlook



## Sales Outlook



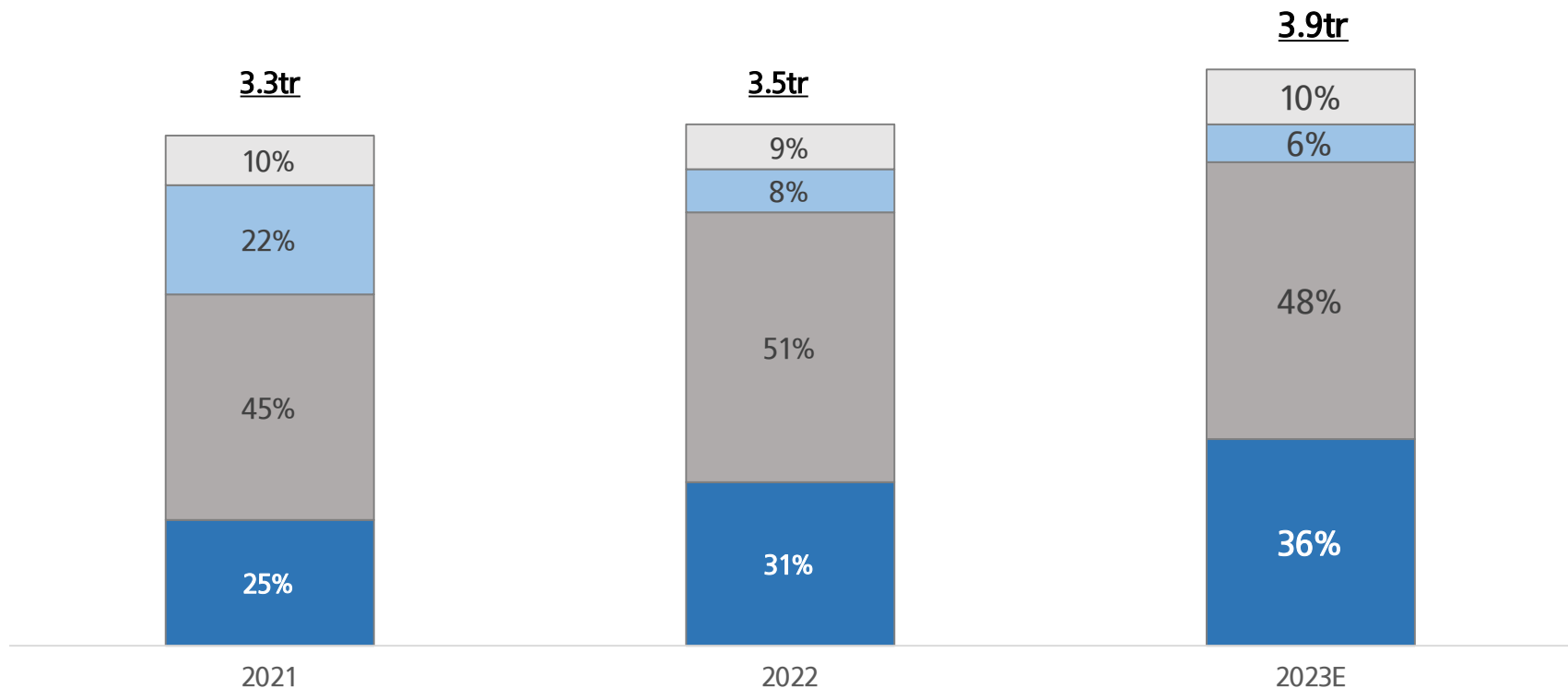
Note : Market volume based on excavators + mid/large wheel loaders (Indian market is only based on excavators). Sales includes industrial vehicles.  
 Emerging market includes direct exports, India and Brazil.  
 Source: Company data

# [Reference] Trend in Regional Mix

- Regional sales mix continues to improve : Increased sales contribution from developed market should lead to improvement in profitability.

## HCE Regional Sales Mix Trend

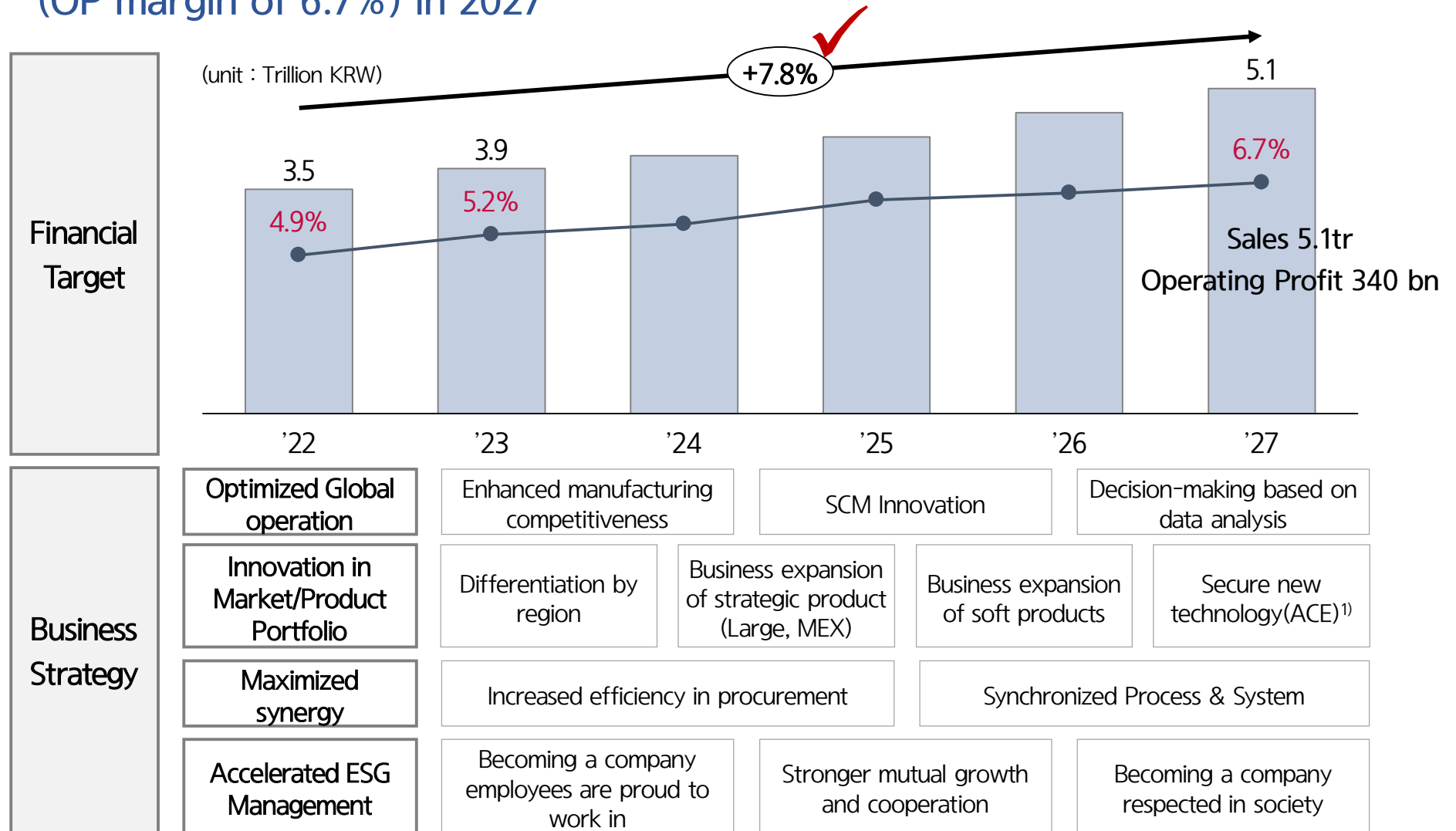
■ N.A/EU   ■ Emerging/India/Brazil   ■ China   ■ Korea (unit : Tillion KRW)



Note : Other internal sales is included in the total

# 3. Mid-term Business Strategy

Mid-term sales target of KRW5.1tr and operating profit of KRW340bn (OP margin of 6.7%) in 2027



\* ACE : AI Product, Connected Site Solution, E-Power



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