

4Q 2019 Earnings Release

# HYUNDAI CONSTRUCTION EQUIPMENT



## Disclaimer

---

This report has been prepared by Hyundai Construction Equipment, Ltd., indicated as “Company” below, for the purpose of promoting understanding of the company’s business activities and it is prohibited to export, copy or redistribute the report.

“Predictive information” contained in this report is information that has not been subjected to individual verification. This refers to information related to future events, such as expected future management status and financial performance of the company. In terms of expressions, vocabulary such as ‘prediction,’ ‘forecast,’ ‘plan,’ ‘expectation,’ are included.

The above “forecast information” is influenced by changes in the future business environment and inherently contains uncertainties. As a result of such uncertainties, actual future performance may significantly differ from those stated or implied in the “forecast information”.

Furthermore, the outlook is based on current market conditions and the direction of the company management. Please be advised that changes may occur due to changes in the market environment and strategies, and are subject to change without notice.

Please note that the company and its employees do not bear any responsibility for any loss resulting from the use of this material. (Including negligence and other cases)

Please do not copy or distribute this material as it contains the confidential information of the company.

# 4Q 2019 Earnings Release

---

1. Summary of Financial Results
2. Operating Profit Analysis
3. Sales Results by Business
4. Sales Results by Region
5. Financial Statement



# 1. Summary of Financial Results

4Q

- Sales decreased 14.4% in YoY mainly due to the fall in India and EM.
- O/P decreased 80.0% in YoY due to the decreased sales volume and increased warranty repair costs.

2019

- Sales decreased 11.8% in YoY due to the continuous uncertainties in global economy.
- O/P decreased 24.4% in YoY due to the increased costs stemming from sales fall.
- Net-profit turned to red due to the one-off costs including amortization of development expenses.

(Unit: Billion KRW, %)

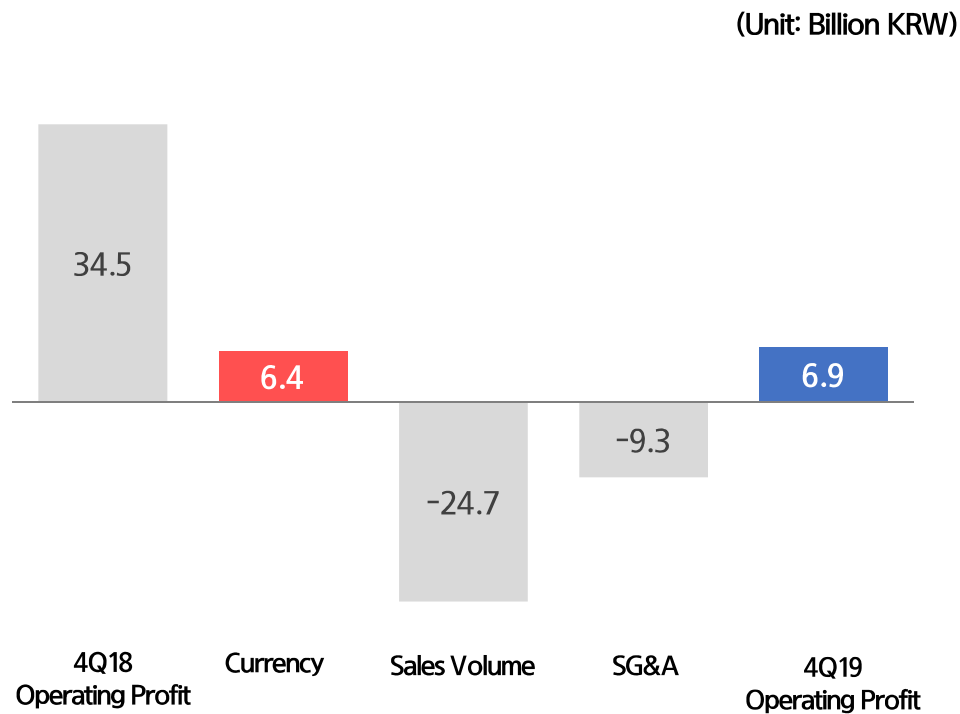
	'19.4Q	YoY	'18.4Q	2019	YoY	2018
Sales	574.1	-14.4	670.3	2,852.1	-11.8	3,233.9
Operating Profit	6.9	-80.0	34.5	157.8	-24.4	208.7
O/P Margin(%)	1.2	-3.9p	5.1	5.5	-1.0p	6.5
Non-Operating Profit	-38.5	-	-0.5	-87.3	-	-32.3
Interest income	-4.3	-	-5.0	-20.3	-	-17.7
Gains and Losses on Foreign exchange	-7.2	-	5.4	8.5	-	-3.7
Net Profit	-18.9	Turned (-)	32.6	50.9	-63.9	141.1
Profit attributable to owners of the Company	-36.7	Turned (-)	19.4	3.2	-96.4	89.9

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

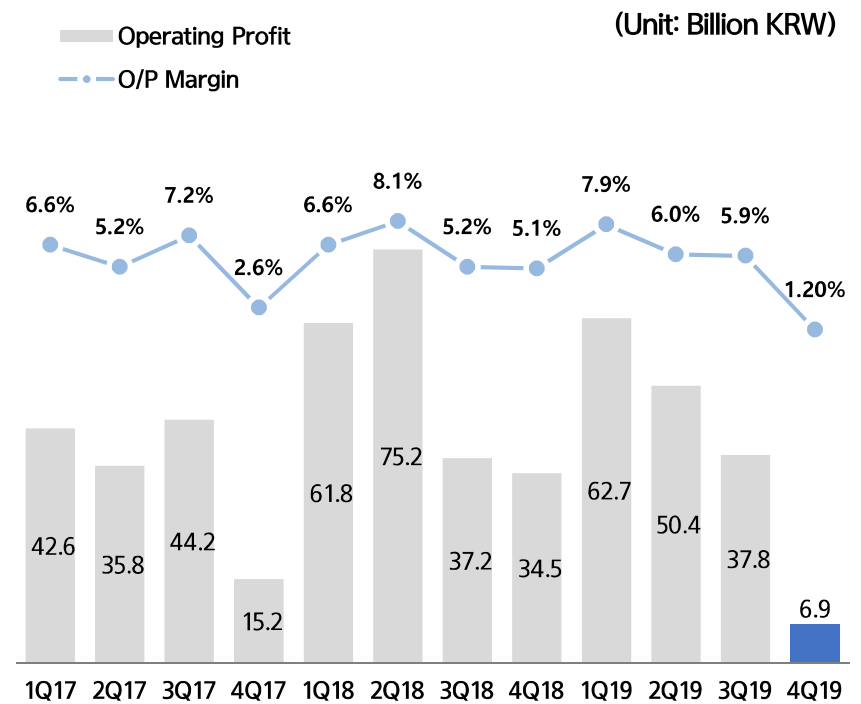
# 2. Operating Profit Analysis

- Reached O/P margin 1.2% due to the decreased sales volume and increased warranty repair costs. (-3.9%p yoy)

## Operating Profit Analysis



## Quarterly Changes of Profit

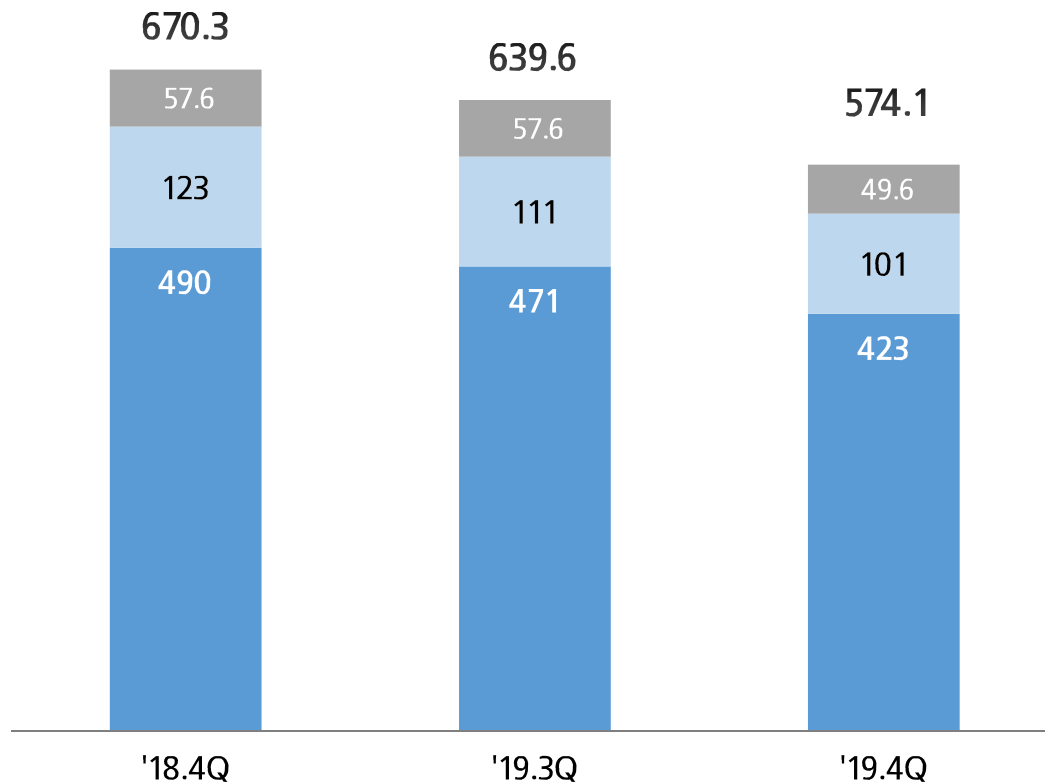


# 3. Sales Results by Business

## 4Q19 Sales by Business

■ CE ■ FL ■ Parts & Others

(Unit: Billion KRW)



- **Construction Equipment**

- QoQ -10.2%

- YoY -13.6%

- **Fork Lift (Industrial Vehicle)**

- QoQ -8.6%

- YoY -17.4%

# 4. Sales by Region

- Direct Exports/India: Sales decreased due to the delayed government policy and sluggish economy.
- Developed Market: Sales decreased due to the increased demand in Mini/Small excavators.
- Domestic Market: Sales increased despite the market is shrunken due to the improved product mix.

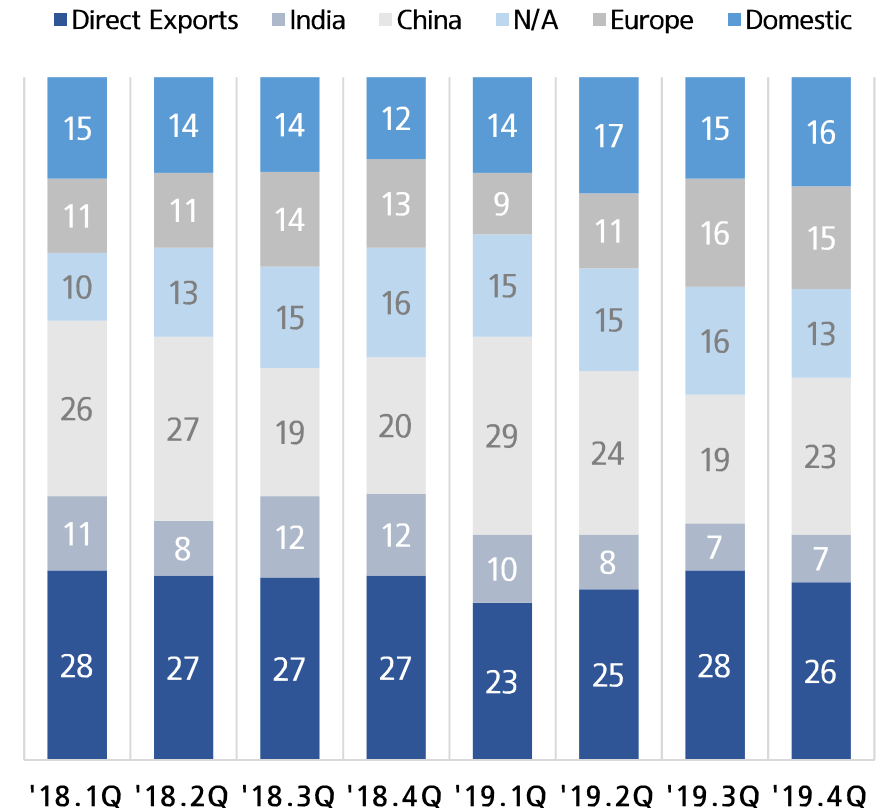
## Sales

(Unit: Billion KRW, %)

	'19.4Q	YoY	'18.4Q	2019	2018
Direct Exports	160.1	-14.0	186.3	763.6	889.4
India	44.9	-45.6	82.6	248.1	346.0
China	137.0	1.6	134.8	716.2	770.6
North America	81.3	-24.4	110.2	438.7	436.0
Europe	89.7	-1.5	91.1	362.8	394.0
Domestic	95.8	14.3	83.8	455.1	452.3

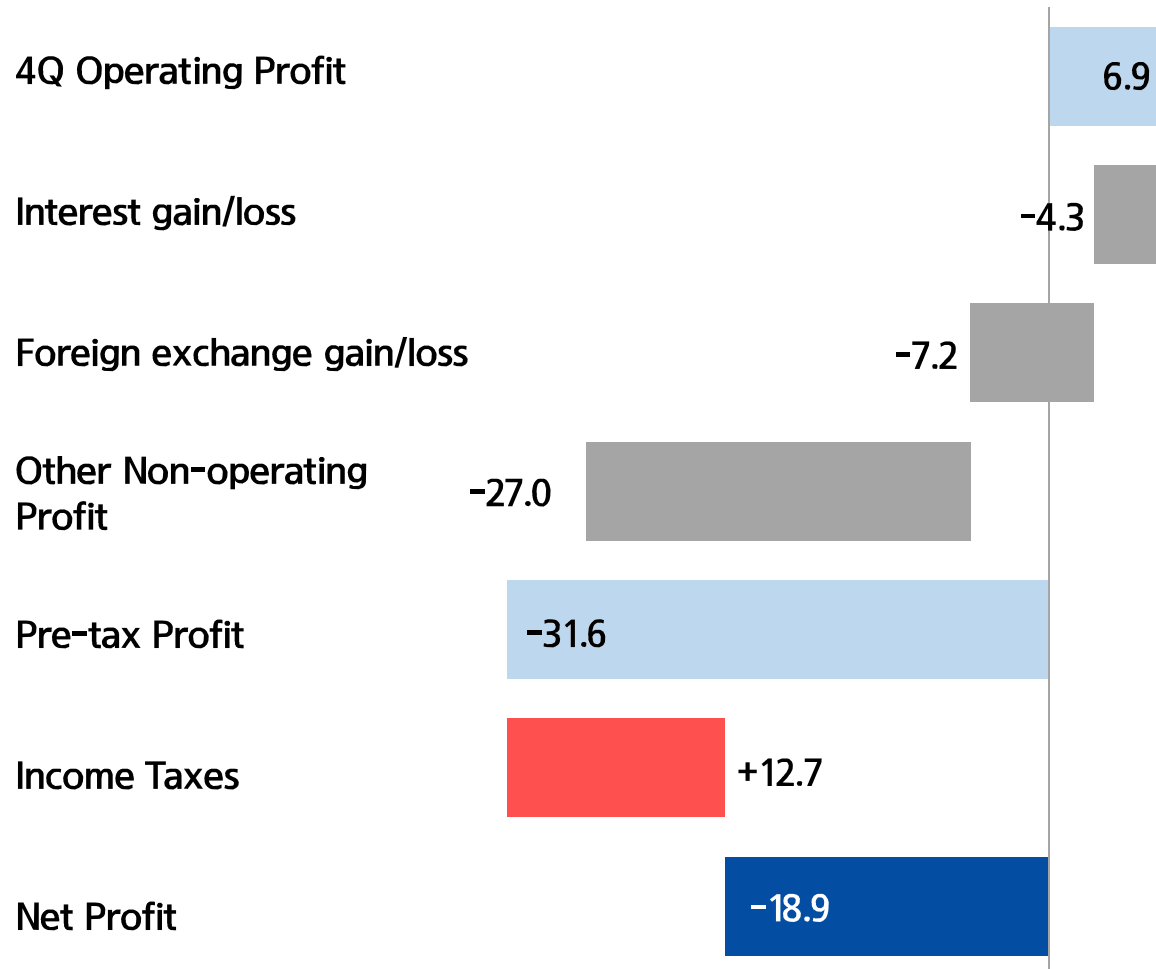
## Quarterly Sales Portion by Region

(Unit: %)



# 5. Non-operating Profit and Net Profit

(Unit: Billion KRW)



- Other Non-operating Profit

- Impairment losses on development costs amid a downturn in the global construction machinery market.

# 6. Financial Statement

## Consolidated Financial Statement

(Unit: Billion KRW)

	2019	2018	2017
<b>Total Assets</b>	<b>3,188.0</b>	<b>3,126.5</b>	<b>2,228.7</b>
Current Assets (accounts receivable and other bonds)	2,151.5 (747.7)	2,203.9 (595.9)	1,553.5 (425.5)
Cash and Cash Equivalents	637.5	522.2	426.0
Non-current Assets	1,036.5	922.7	675.2
<b>Total Liabilities</b>	<b>1,610.9</b>	<b>1,558.3</b>	<b>1,057.7</b>
Current Liabilities (accounts payable and others)	1,042.8 (310.7)	945.1 (410.1)	785.6 (278.6)
Non-current Liabilities	568.1	613.2	272.1
Borrowings	1,145.3	966.0	673.8
Net Borrowings	507.8	443.7	247.8
<b>Total Equity</b>	<b>1,577.1</b>	<b>1,568.2</b>	<b>1,170.9</b>

## Analysis

	2019	2018	2017
Current Ratio (Current Assets / Current Liabilities)	<b>206%</b>	<b>233%</b>	<b>198%</b>
Debt Ratio (Total Liabilities / Total Assets)	<b>102.1%</b>	<b>99.4%</b>	<b>90.0%</b>
Borrowing Ratio (Borrowings / Total Equity)	<b>72.6%</b>	<b>61.6%</b>	<b>57.5%</b>

# 2020 Outlook

---

1. 2020 Global CE Market Outlook
2. Global CE Market Trend
3. Market Outlook & Strategies
4. Highlights 2020

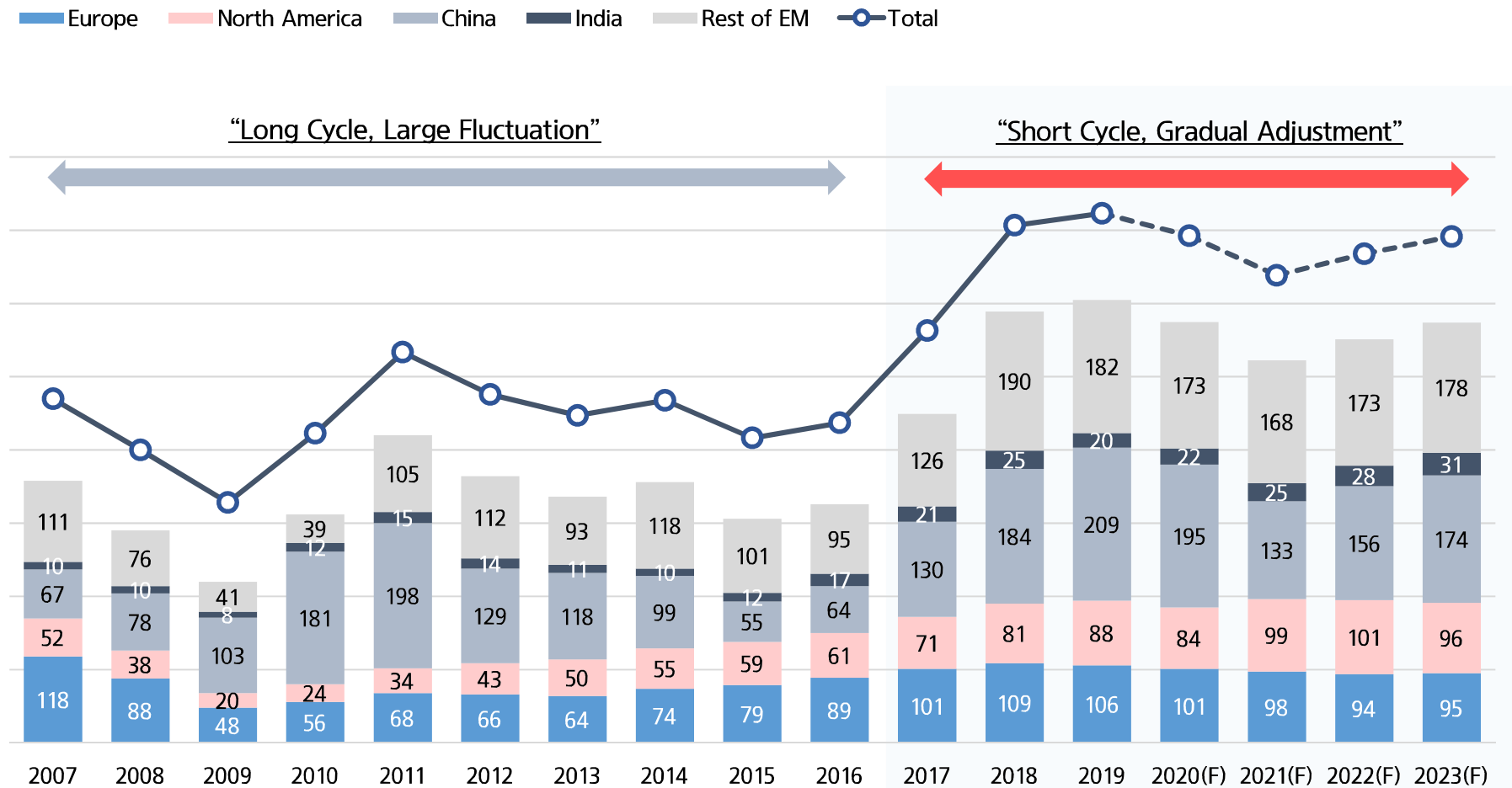


# 1. 2020 Global CE Market Outlook

- Global demand in 2020 is expected to fall by 5% yoy (dip in all except India) due to the sluggish global economy.

## Global CE Market Outlook

(Unit: thousand units)



Source: HCE data and Off Highway Research

# 2. Global CE Market Trend

- Stiff competition is expected in 2020 Global CE market due to slowing demand caused by the sluggish global economy and rapid growth of Chinese players.
- Environmental Regulations and Digital Innovations will accelerate the competition for New Tech.

## Global Market& Tech. Trend

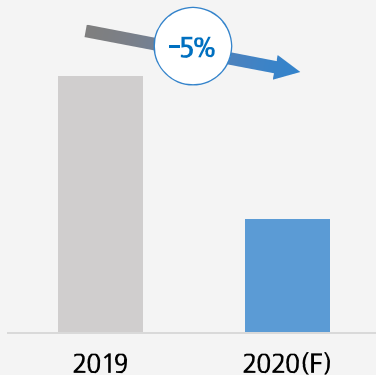


# 3. Market Outlook & Strategies

## China

### Outlook

(Unit: thousand units)

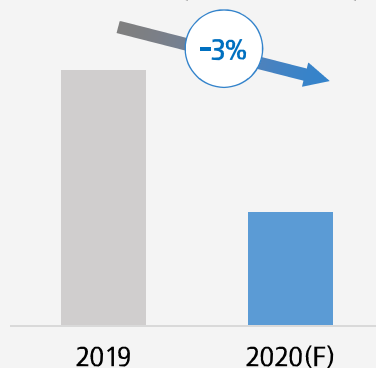


Source: HCE data, CCMA

- Market is expected to decline in 2020 due the rapid growth experienced during 2017~2019.
- Stiff competition amid Chinese player's aggressive promotions is expected.
- Moreover, there would be big impact on 1Q20 China market demand due to the coronavirus issues.

### Strategies

(Unit: Billion KRW)

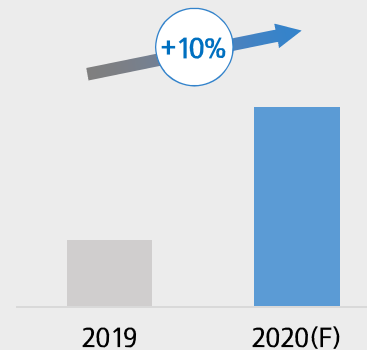


- Set the sales target conservatively considering the market condition.
- Focus on profitability with the risk management and expand the sales of high return products.

## India

### Outlook

(Unit: thousand units)

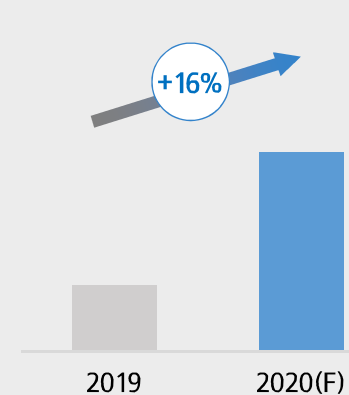


Source: HCE data

- Demand in India is expected to increase min. 10% yoy from a low base in 2019 and given the likely government measures to boost the economy.
- As the expectations on market growth, latecomers' aggressive participation in the market is expected.

### Strategies

(Unit: Billion KRW)



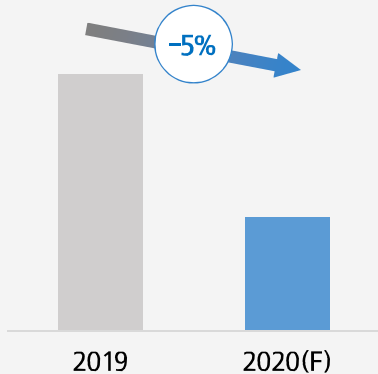
- Plan to focus our capabilities on strengthening our sales network, expanding financial support, and launching new models in order to improve our competitiveness.
- Keep focusing on profitability by expanding the number of local sourcing parts.
- Use India Factory as our global product facility to increase exports sales.

# 3. Market Outlook & Strategies

## Emerging Markets

### Outlook

(Unit: thousand units)

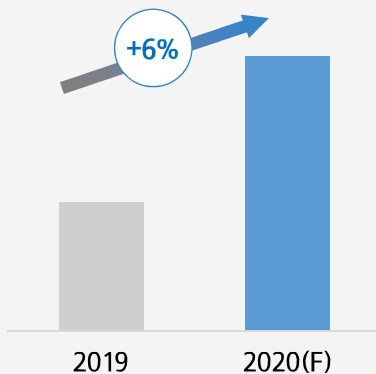


Source: HCE data, ISC

- EM market is expected to shrink due to slowing growth of the real economy and political instabilities.
- However, it is expected there will be no further sudden market fluctuations like last year.

### Strategies

(Unit: Billion KRW)

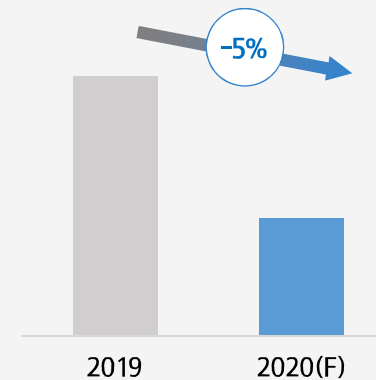


- Strengthen channel competitiveness and keep the market leading position.
- Launch New model and expand the product line up.
- Increase sales contribution from large equipment.

## Developed Markets

### Outlook

(Unit: thousand units)

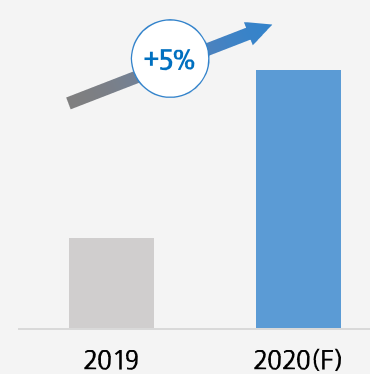


Source: HCE data, AEM, ISC

- Demand in North America and Europe should decline due to the sluggish global economy and politic issues. (i.e. Brexit in Europe)

### Strategies

(Unit: Billion KRW)

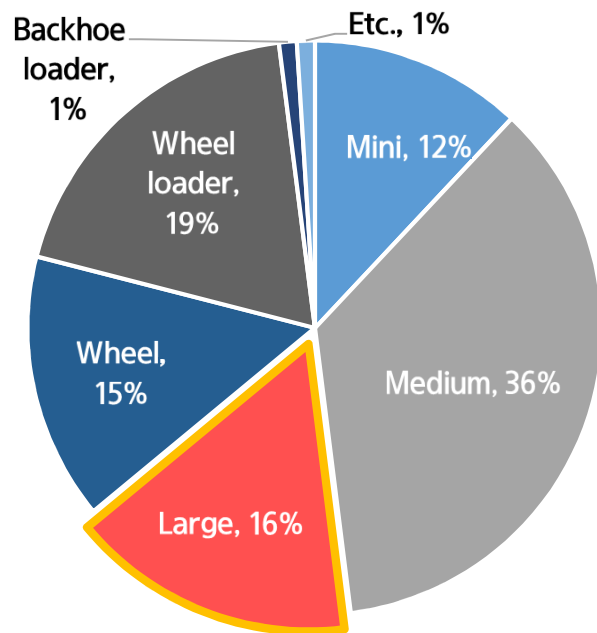


- Strengthen product support through Hi Care Service Center in North America
- Improve sales competitiveness by securing Key Accounts and New dealers.
- Enhance brand image power by launching Stage V New model.

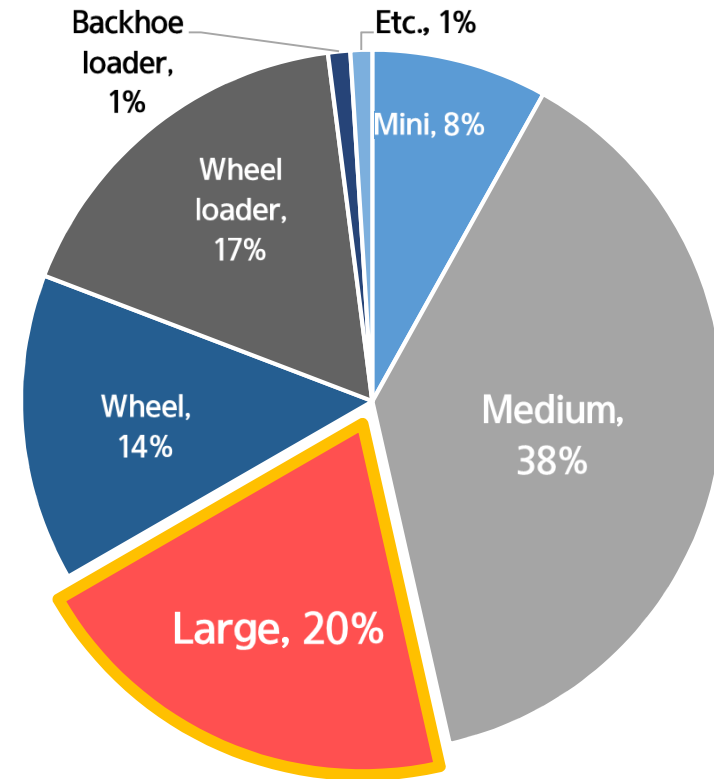
# 4. Highlights 2020 – Focus on Profitability

- Since strong competition between companies to expand M/S is expected, HCE plans to expand sales of high profitability products

## Focus on High Profitability Equipment Sales (Large Size & Special Purpose Equipment)



2019 Sales



2020 Sales Forecast

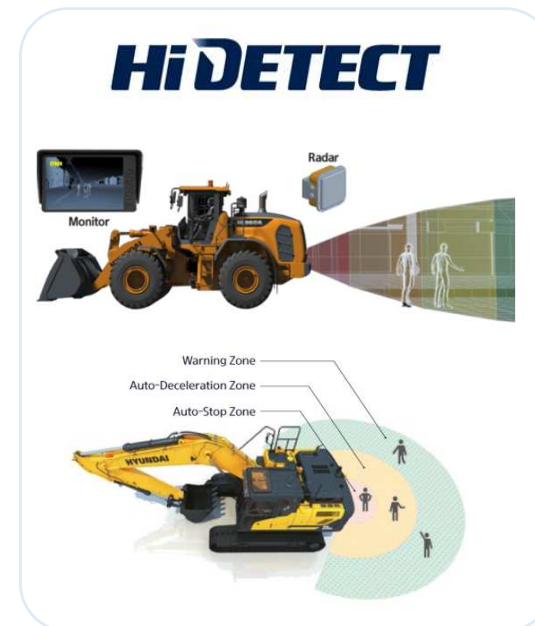
# 4. Highlights 2020 – SMART HYUNDAI

## HYUNDAI CONNECT

“HCE’s digital brand – Hyundai Connect is designed to realize a smarter and safer construction site by utilizing ICT, IoT, and AI technologies. Through it, HCE seeks to contribute to the business successes of our customers.”

- In response to the development of ICT and AI, the demand for SMART CONSTRUCTION to increase the productivity and enhance the safety.
- SMART CONSTRUCTION consists of drone survey, workshop management and intelligent construction. HCE is now focusing on developing technologies for Eco-systems, Intelligent construction equipment, Detection of surroundings, and Fault finding through collaboration with related professional companies.

- Advanced operator assistance system.
- Visualize equipment’s bucket tip and Semi-auto control.
- Increase productivity up to 40%



- Advanced around view monitoring system.
- Visualize anything around equipment in any condition.
- SGS: Smart Guard System

# 4. Highlights 2020 – Remote Management



## HiCARE

## HiMATE

“Advanced alerting system for trouble shooting and repair services with technology predicting failures to perform necessary actions before the customer recognizes them.”

- HiMATE : Cloud-based remote analysis and control system. Visualize equipment’s operation status in anytime, anywhere via Web and Mobile App.
- HiCARE service analyzes data collected by HiMATE and diagnoses conditions of equipment, and provides it to customers and dealers to reduce downtime of equipment and increase operation efficiency.

### Hi MATE Mobile App.



- Provide comprehensive information regarding your equipment location and operational information.
- Help to know Fuel Consumption, Machine Fault History, and Maintenance intervals by App. push alert.

### Hi CARE Service Contents



#### Direct SOS System

- If the user presses SOS button, a fault repair request will be directly forwarded to the dealers.



#### Remote Engine Diagnostic

- Remotely analyze engine faults and send real-time diagnostic reports.
- Show information on the root cause of failure and required part.
- Cooperate with Cummins Engine Inc.



#### Monthly Fleet Report

- Monthly analyze the operation status of idle time, fuel consumption, economic operation indicator.
- Reduce TCO, Provide customer value by improving used equipment price.

