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# 2023 2Q Earnings Release

July 2023



**DEVELON**

# 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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# 2Q23 Results

- Sales increased +11% YoY thanks to solid growths from the construction equipment division in emerging and developed markets and engine division.
- EBIT grew 87% YoY thanks to price hike and improvement in cost structure as part of our company-wide effort towards enhanced profitability.

## Income Statement

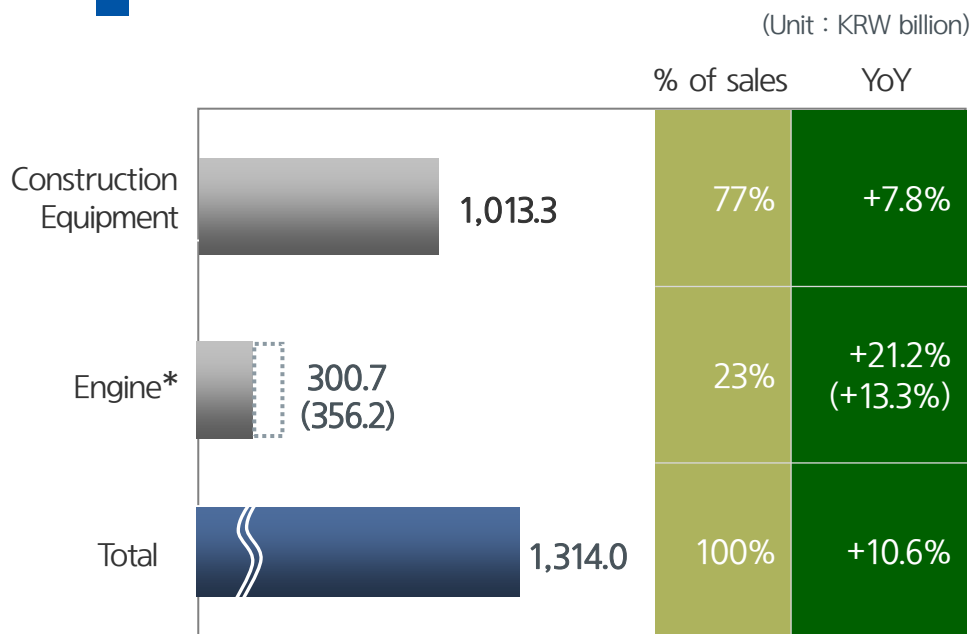
(Unit : KRW billion)

	1Q22	4Q22	1Q23	YoY	QoQ
Sales	1,188.0	1,287.8	1,314.0	+10.6%	+2.0%
EBIT	86.6	152.6	162.0	+87.0%	+6.2%
EBIT margin(%)	7.3%	11.8%	12.3%	+5.0%p	+0.5%p
(Net Financial Cost)	18.2	15.8	15.9	-12.6%	+0.4%
(F/X gains/losses)	13.1	15.0	7.3	-43.9%	-51.0%
Pretax Profit	78.8	145.6	152.9	+94.2%	+5.0%
Net Profit	57.5	112.3	113.2	+96.9%	+0.8%

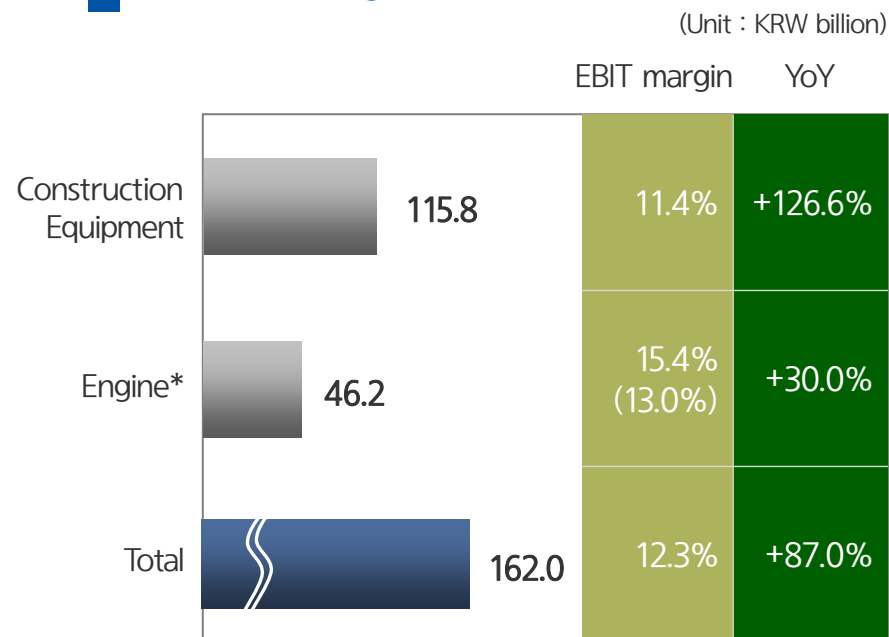
# 2Q23 Sales & EBIT by division

- Construction Equipment : Sales and EBIT grew year-on-year thanks to continued order flow from developed markets and enhanced profitability from emerging markets.
- Engine : Sales surged for generator, vehicle, ship and defense engines, while EBIT margin remained a stable double-digit in view of price hike and product mix improvement.

## Sales



## EBIT & Margin



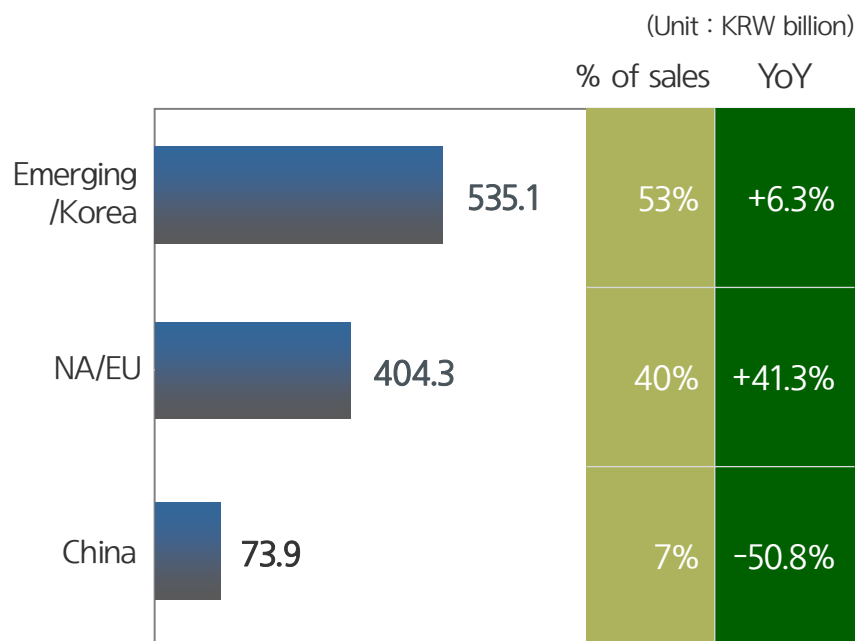
Note : Sales breakdown based on 3rd party revenue

\* Numbers in parenthesis are based on total sales of engine business, which includes internal sales

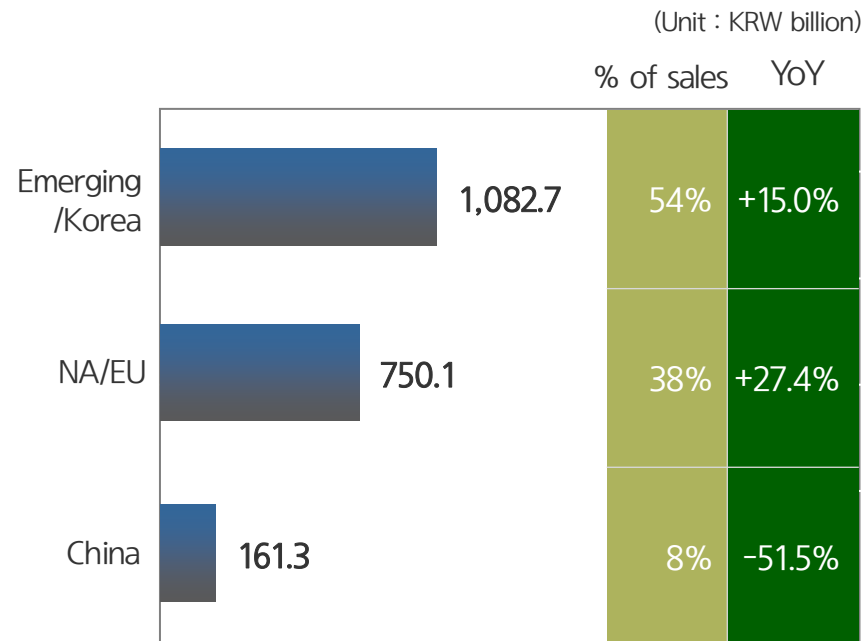
# Regional breakdown (Construction Equipment)

- Emerging/Korea : Market declined due to global tightening measures, however, sales continued to grow thanks to demand from resource-rich countries in Middle East, CIS, Latin America and Oceania.
- NA/EU : Sales grew double-digit thanks to solid demand from infrastructure investment and rental demand as well as internal efforts to resolve logistics issues.

## CE regional breakdown (2Q23)



## CE regional breakdown (1H23)



# Financial structure

- Net debt decreased by KRW39 billion compared to end-2022 thanks to increase in net profit.  
(Net debt-to-equity ratio improved by 9.1%p compared to end-2022)
- Going forward, we expect to lower net debt to less than KRW1tr at end-2023 in line with debt maturity schedule.

## Balance Sheet

(Unit : KRW billion)

	2021	2022	1H23	Compared to end-2022
Current Assets	3,239.9	3,130.9	3,244.6	+113.7
Fixed Assets	1,542.4	1,605.8	1,566.4	-39.4
<b>Total Assets</b>	<b>4,782.3</b>	<b>4,736.7</b>	<b>4,811.0</b>	<b>+74.3</b>
<b>Total Liabilities</b>	<b>3,412.5</b>	<b>3,101.6</b>	<b>3,006.1</b>	<b>-95.5</b>
- Net Debt	1,124.8	1,220.3	1,181.4	-38.9
<b>Total Shareholder's Equity</b>	<b>1,369.8</b>	<b>1,635.1</b>	<b>1,804.9</b>	<b>+169.8</b>
Liabilities/Equity Ratio	249.1%	189.7%	166.6%	-23.1%p
Net Debt/Equity Ratio	82.1%	74.6%	65.5%	-9.1%p

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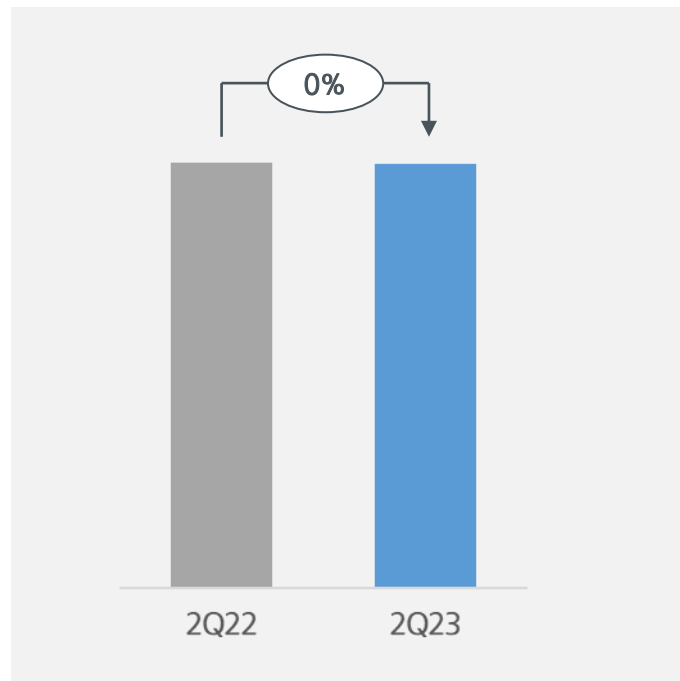


# Construction Equipment (NA/EU)

- Market size of developed market in 2Q remained similar to a year ago, as North American market continued to grow versus weakness seen in Europe.
- Sales in developed market during 2Q23 grew +41% YoY in view of enhanced product line-up and channel competitiveness. In particular, sales volume surged for mini and large/ex-large excavators as we executed our customized strategy for developed markets.

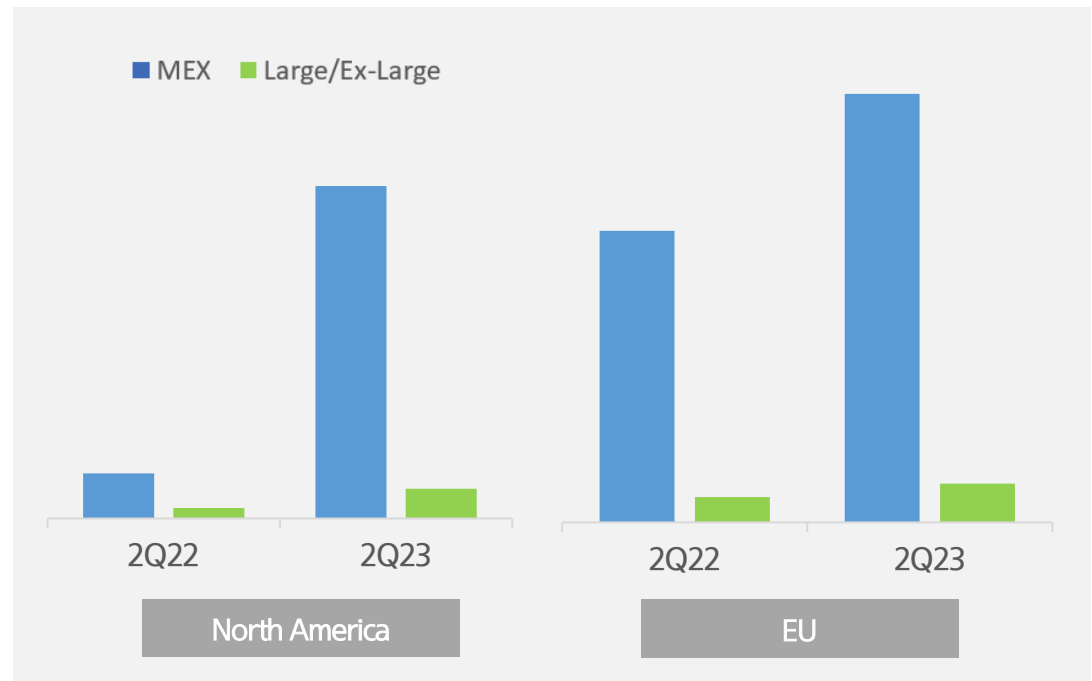
## NA/EU Market

(Unit : YoY)



\* Sales volume based on excavators, wheel loaders and ADT

## HDI – Sales Volume for MEX & Large/EX-Large



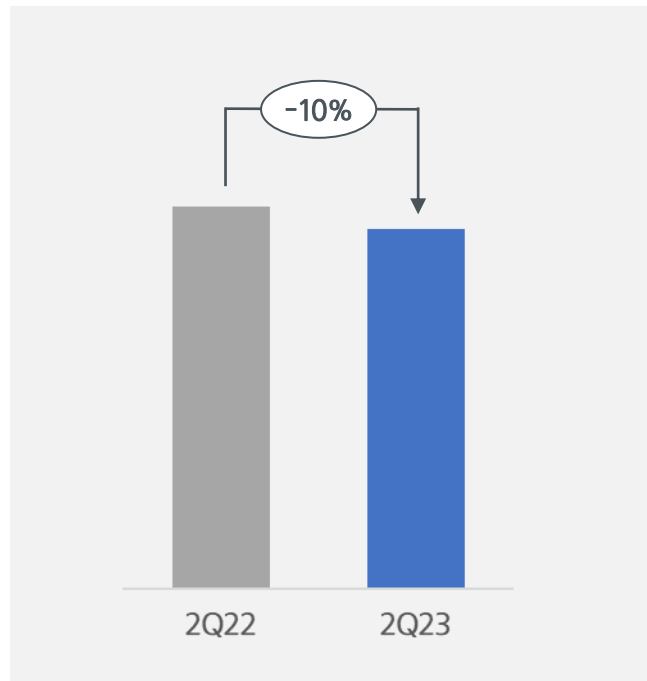
\* Sales volume based on excavators(wholesale). MEX(1~10 tons), Large/Ex-large(Above 34 tons)

# Construction Equipment (Emerging/Korea)

- In view of last year's high comparison basis and this year's global quantitative tightening, emerging market declined. However, resource-rich countries continued to see solid demand from infrastructure investment and mining.
- Sales in emerging markets during 2Q23 grew +6% YoY as we focused our sales efforts on growth markets within the region and strengthened channel competitiveness by securing new deals in countries such as Brazil and New Zealand. Profitability also improved due to price hike and enhanced product line-up that included cost-effective models.

## EM Market

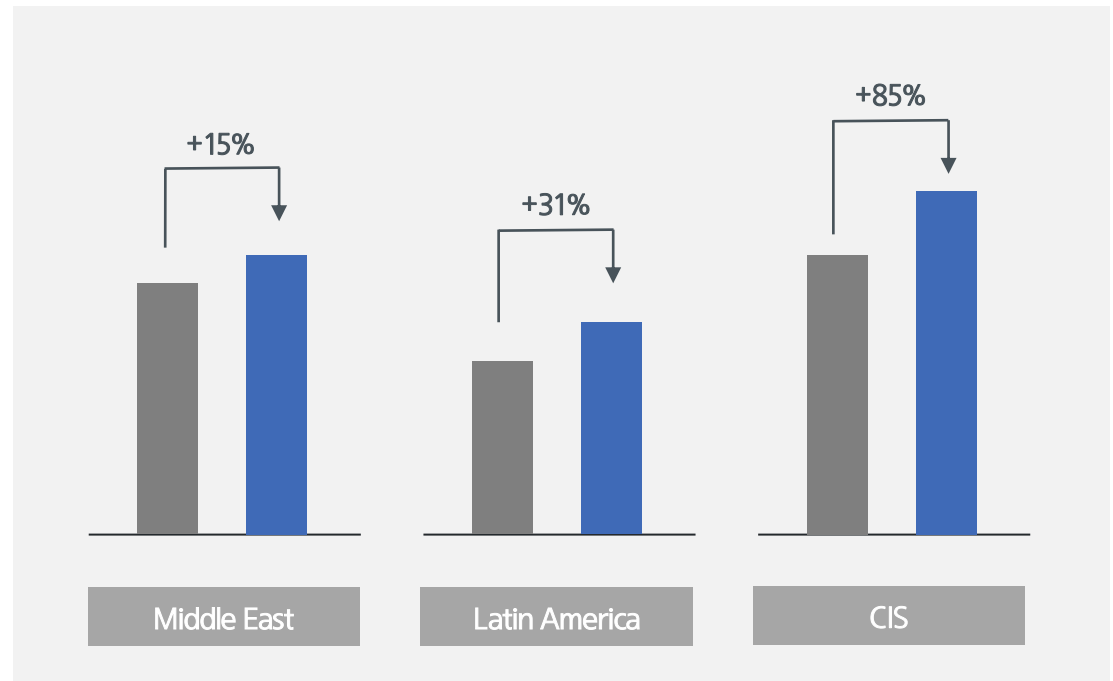
(unit : YoY)



\* Sales volume based on excavators, wheel loaders and ADT

## HDI – Sales Volume in 2Q23

(unit : YoY)



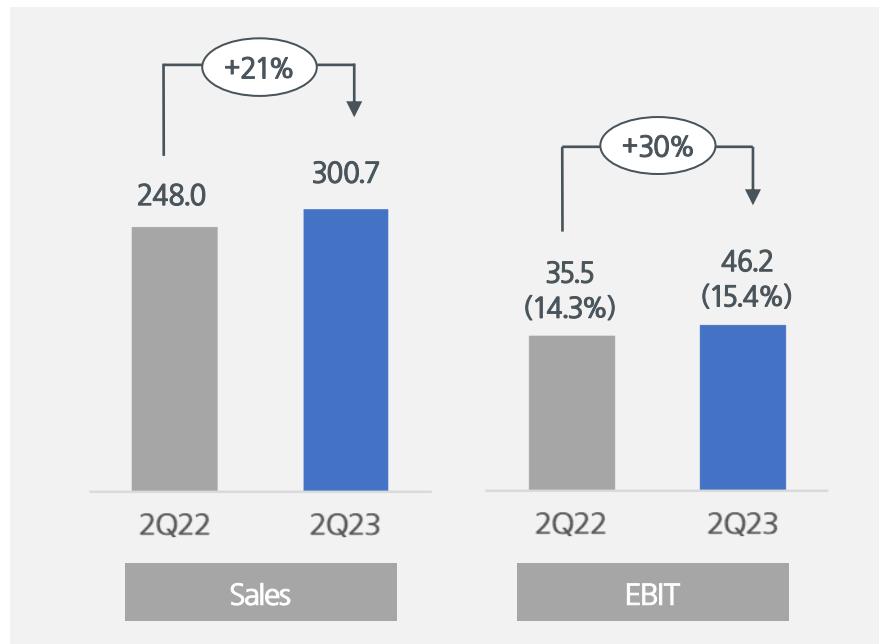
\* Based on wholesales volume

# Engine

- Engine sales in 2Q23 grew remarkably thanks to growth in various engine usages such as generator, vehicle and defense. EBIT margin remained double-digit as a result of price hike and improvement in product mix.
- From a mid-term view, we plan to grow within the internal combustion engine market by diversifying our customer and regional base. We will also actively penetrate the eco-friendly electric powertrain market (includes hydrogen internal combustion engine and hybrid powertrain), which has high growth potential. Moreover, we also anticipate improvement in both sales and profitability as we see 1) further progress in synergy within HD Hyundai Group and 2) sales recognition of defense engine orders.

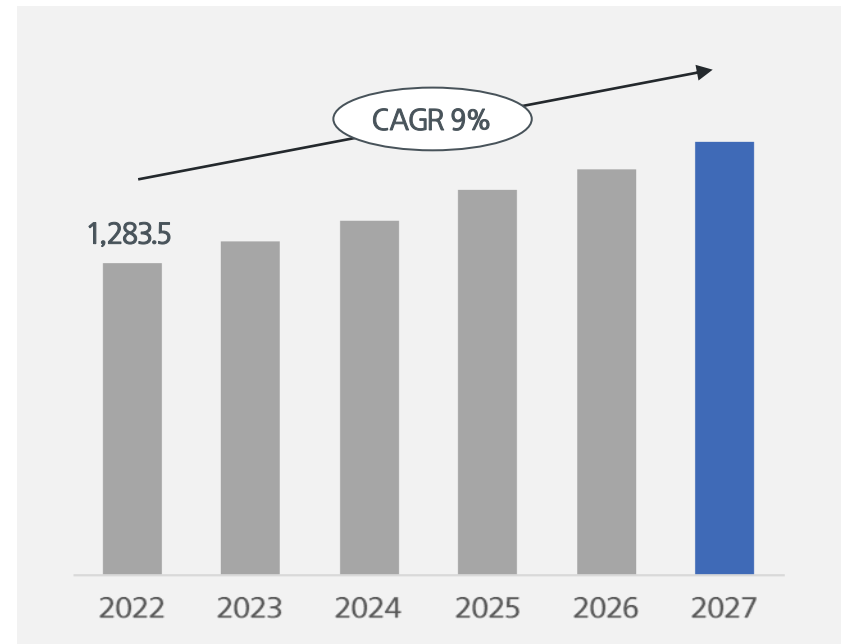
## HDI – Sales & Profitability

(unit : KRW bn, YoY)



## HDI – Mid-term Sales Outlook

(unit : KRW bn)



\* Based on total sales of engine business, which includes internal sales

