



Hanon Systems

Feb. 2019

4Q 2018: Key Financial Metrics

(KRW in Billions)

	4Q18	4Q17	YoY Variance		3Q18	QoQ Variance	
Revenue	1,612	1,424	188	13.2%	1,420	193	13.6%
Gross Profit	282	274	8	3.1%	198	84	42.1%
Margin (%)	17.5%	19.2%			14.0%		
SG&A (Incl R&D)	126	136	-10	-7.0%	116	10	8.4%
% of Sales	7.8%	9.5%			8.2%		
EBITDA	227	190	36	19.1%	149	77	51.6%
Margin (%)	14.0%	13.4%			10.5%		
Operating Profit	156	138	18	13.0%	82	74	90.0%
Margin (%)	9.7%	9.7%			5.8%		
Net Income	90	79	11	14.2%	55	34	62.3%
Margin (%)	5.6%	5.5%			3.9%		

Record High Revenue and Profits on EV Sales and Successful Cost Management (SG&A)

2018: Key Financial Metrics

(KRW in Billions)

	2018	2017	YoY Variance	
Revenue	5,938	5,586	352	6.3%
Gross Profit	913	946	-34	-3.5%
Margin (%)	15.4%	16.9%		
SG&A (Incl R&D)	479	478	1	0.2%
% of Sales	8.1%	8.6%		
EBITDA	701	670	31	4.6%
Margin (%)	11.8%	12.0%		
Operating Profit	434	468	-35	-7.4%
Margin (%)	7.3%	8.4%		
Net Income	284	298	-15	-4.9%
Margin (%)	4.8%	5.3%		

OPM Declines due to Higher Depreciation and Slow China Business

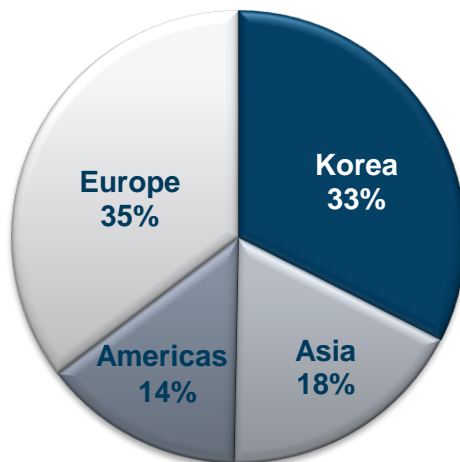
4Q 2018 Highlights

4Q18 Highlights

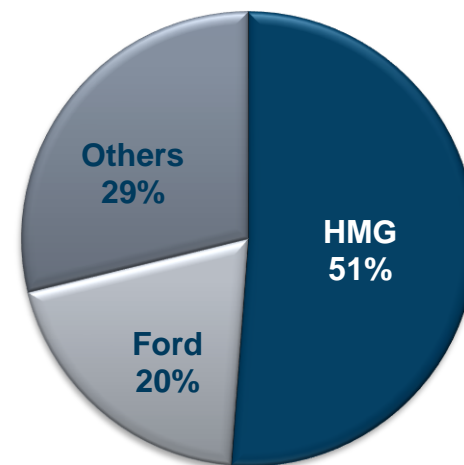
- ✓ Annual guidance achieved on EV sales, customer diversification, and cost management
- ✓ 2018 EV sales was 8.9% of total revenue on successful ramp-up of CAOEM and HMG
- ✓ New business wins surpassed annual target; xEV's account for 63% of new wins

2018 Sales Breakdown

By Region



By Customer

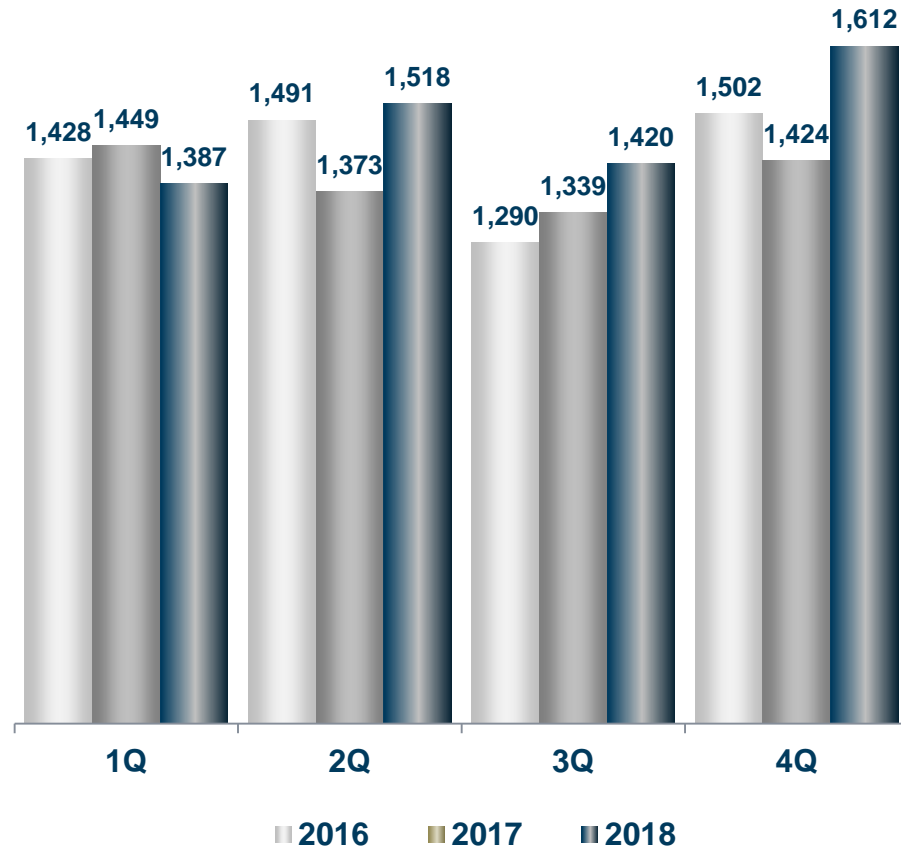


- Ford: Incl. Changan Ford & Ford Otosan

Quarterly Sales

Consolidated Sales

(KRW in Billions)



Comments

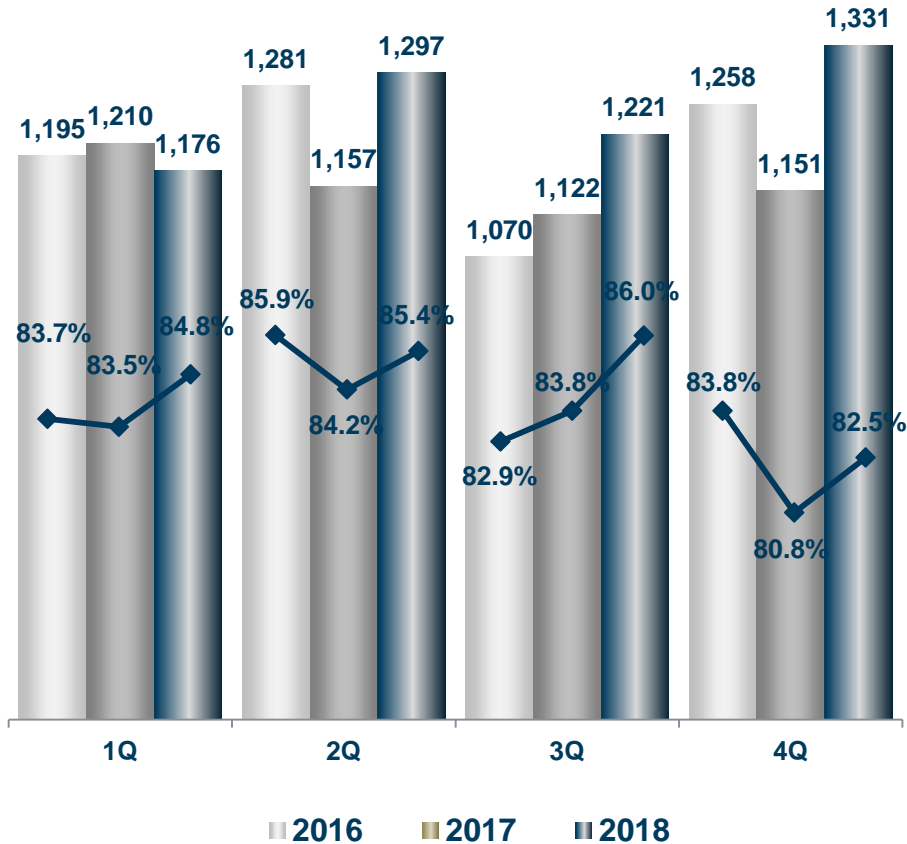
- Record high quarterly revenue
- 4Q18 Korea and Americas revenue both up by 26% respectively on low base supported SUV and EV growth
- 4Q18 Europe revenue up by 6% while China sales down by 24% driven by production volume
- 2018 sales to HMG up 7% on low base and SUV growth
- 2018 sales to Ford were down by 8%
- 2018 sales to diverse customers increased by 20% such as CAOEM (+43%), VW (+12%), FCA (+101%), JLR (+29%) etc.

Record High Revenue on EV Growth and Diverse Customer Base

Quarterly COGS

Quarterly Cost of Goods Sold

(KRW in Billions, % of sales)



Comments

- Positive factors:
 - ✓ European profitability improves on a diverse customer base
 - ✓ Profitability of eco-products improves on volume
- Negative factors:
 - ✓ D&A net increase: 8 bW
 - ✓ Low China volumes

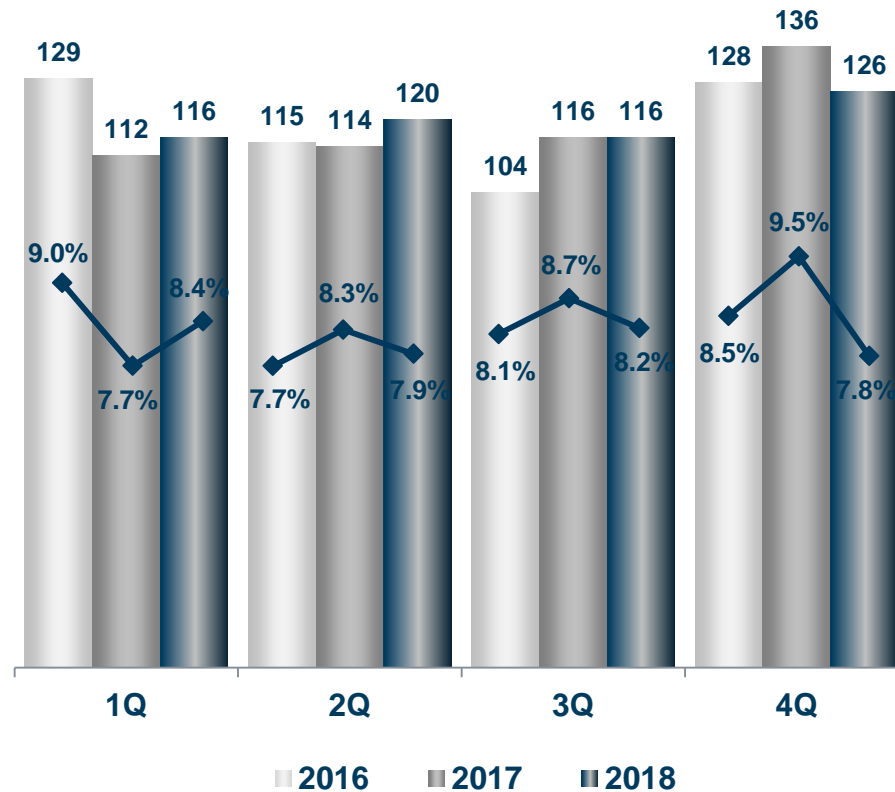
Business to Diverse Customers and on EVs Bolsters 4Q18 GPM

Quarterly SG&A

Quarterly SG&A Status

Comments

(KRW in Billions, % of sales)



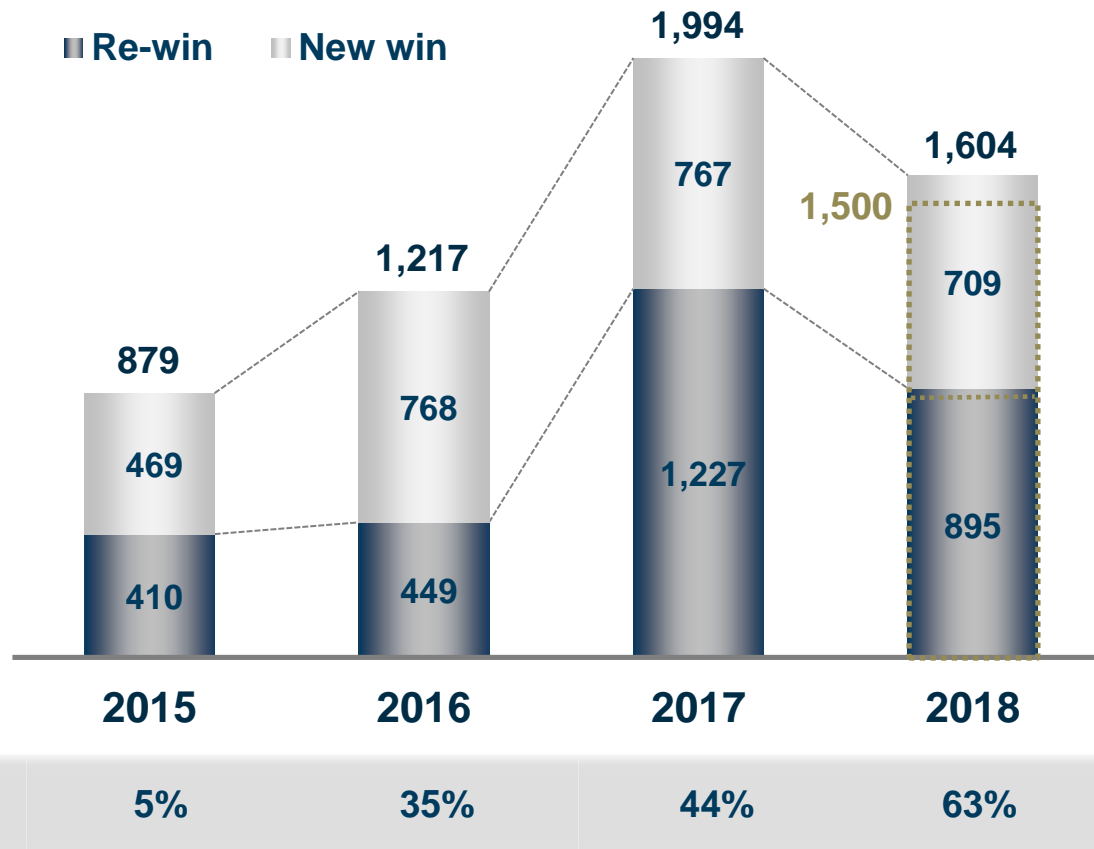
- 2018 SG&A spend: 8.1% of total revenue (-0.5%p YoY), a six year low
- 2018 R&D spend: 5.0% of total revenue (+0.4%p YoY), the highest since 2015

SG&A Spending Tightly Controlled While R&D Spending Increased

New Business Wins Update

FY 2018 New Business Wins

(USD in Millions)

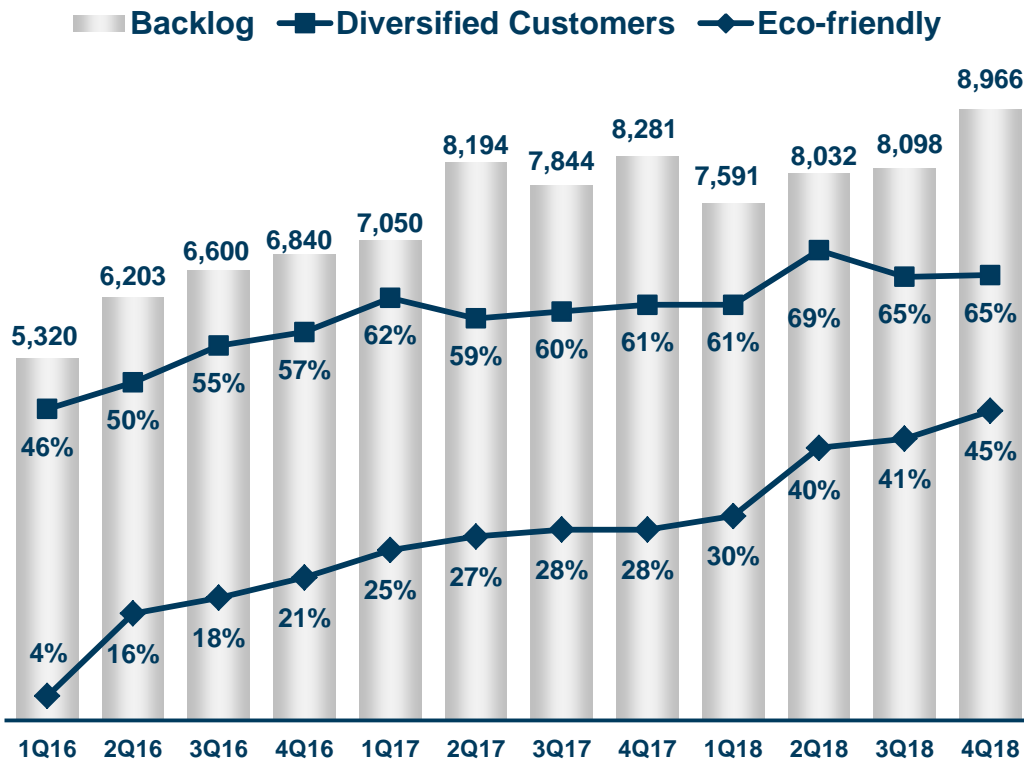


- New business wins represents average annual revenue (in USD million)
- Orders from diverse customers account for 67% of FY2018 new wins
- Eco-friendly vehicle orders account for 63% of FY2018 new wins
- 2019 New-win target is 760m\$ and Re-win target is 540m\$

Backlog Status Update

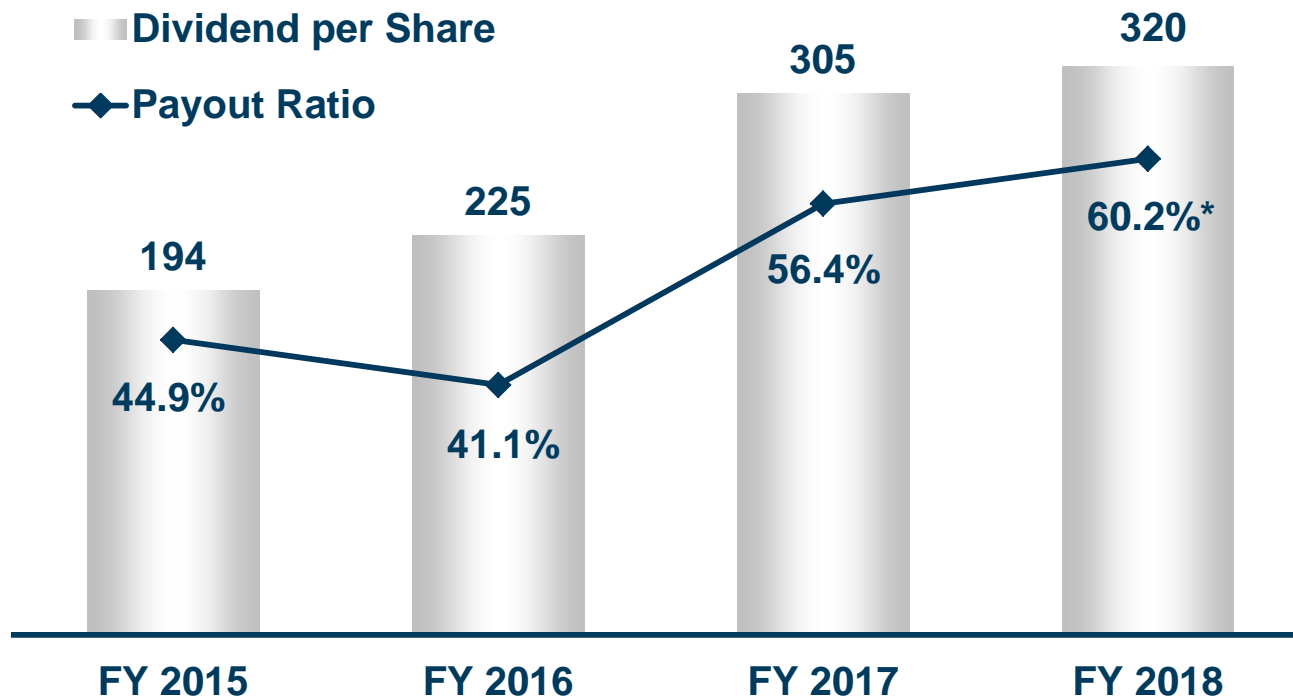
2018E Backlog (New Wins Only)

(USD in Millions)



- Backlog: defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diverse customers account for 65%
- Eco-friendly vehicle orders account for 45%

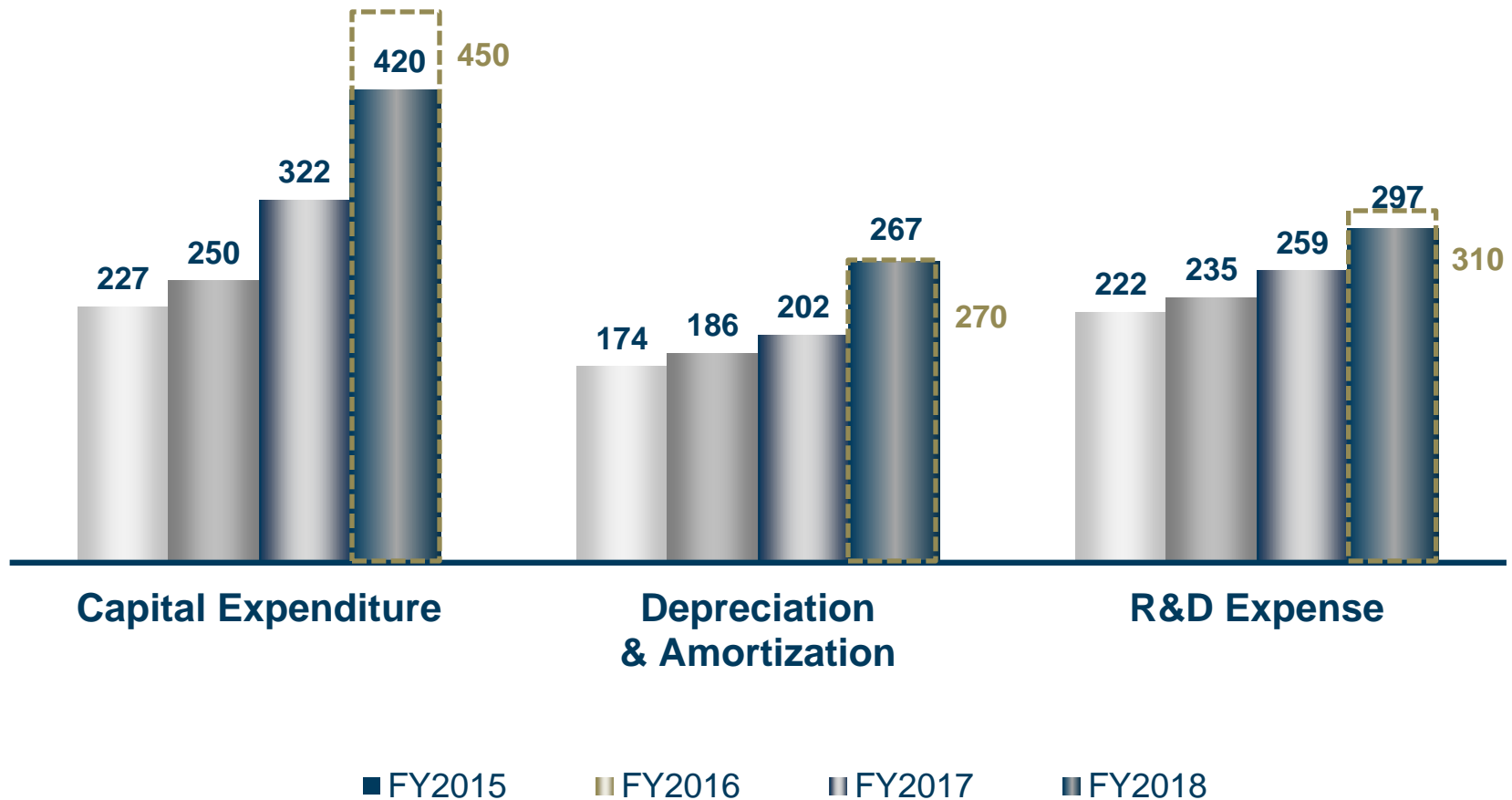
4Q18 Quarterly Dividend: 80 KRW per share



* Based on net income per share

FY 2018 Annual Dividend Increases 4.9%YoY

Trend of CapEx, D&A and R&D Expense



CapEx, D&A and R&D Spending Ended Mostly on Yearly Budget

YE 2018 Balance Sheet

(K-IFRS / KRW in Billions)

Balance Sheet

	YE 2018	YE 2017
Cash and cash equivalent	1,018	567
Account receivable	1,021	972
Inventories	506	469
Property and equipment	1,551	1,262
Intangible assets	564	438
Lease assets	181	-
Other assets	515	412
Total assets	5,356	4,120
Account payable	1,215	1,045
Debt	1,495	757
Other liabilities	514	286
Sharers' equity	2,037	1,979
Non-controlling	95	53
Total liabilities & shareholders' equity	5,356	4,120

Cash and Debt

Cash Balance	YE 2018	YE 2017
Net Debt	477	190
Net Debt Ratio	22.4%	9.3%
Debt to Equity	70.1%	37.3%

- 'Debt' and 'Net Debt' of YE2018 does not include Lease Debt (KRW 177b).

Leverage	YE 2018	YE 2017
Last 12M EBITDA	701	670
Debt / EBITDA	213.3%	113.0%
Net Debt / EBITDA	68.1%	28.3%

Strong Cash Position Reflects Corporate Bonds Issued to Support FP&C Acquisition

Thank You

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