



4Q 2019 Earnings Release

Feb 11, 2020

Disclaimer

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4Q 2019: Key Financial Metrics

(KRW in Billions)

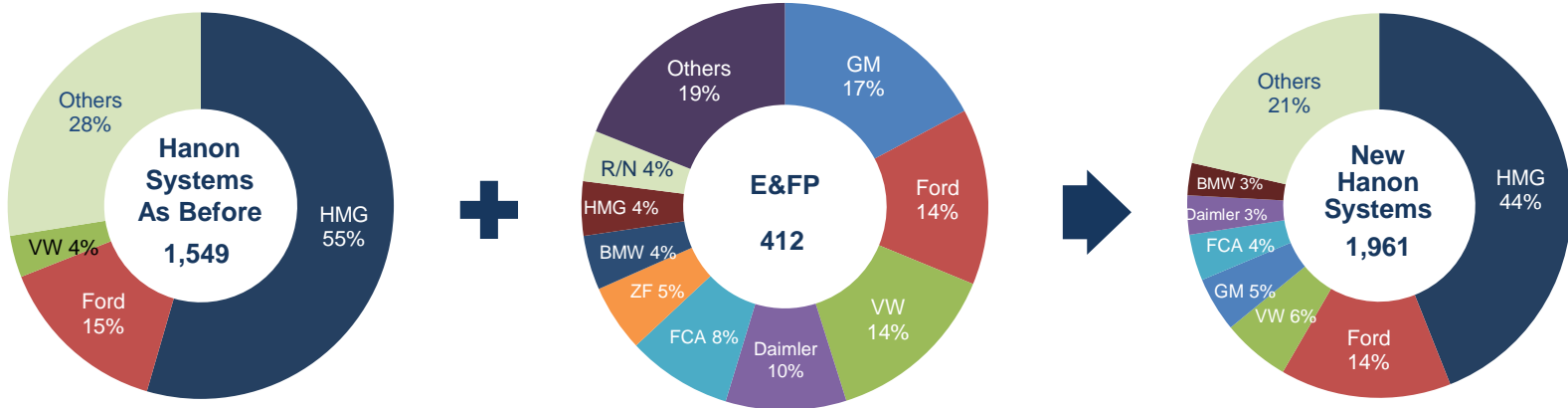
	4Q19	4Q18	YoY %	3Q19	QoQ %
Revenue	1,961	1,612	+21.6%	1,860	+5.4%
COGS	1,638	1,331	+23.1%	1,611	+1.7%
% of Sales	83.5%	82.5%		86.6%	
SG&A (Incl R&D)	152	126	+20.4%	141	+7.4%
% of Sales	7.7%	7.8%		7.6%	
EBITDA	276	227	+21.4%	210	+31.1%
Margin (%)	14.1%	14.1%		11.3%	
Operating Profit	171	156	+9.9%	107	+60.0%
Margin (%)	8.7%	9.7%		5.8%	
Net Income	119	90	+32.7%	76	+57.6%
Margin (%)	6.1%	5.6%		4.1%	

Record High Revenue and OP on E&FP Acquisition; 4Q19 Adj-OPM 9.1% before PPA

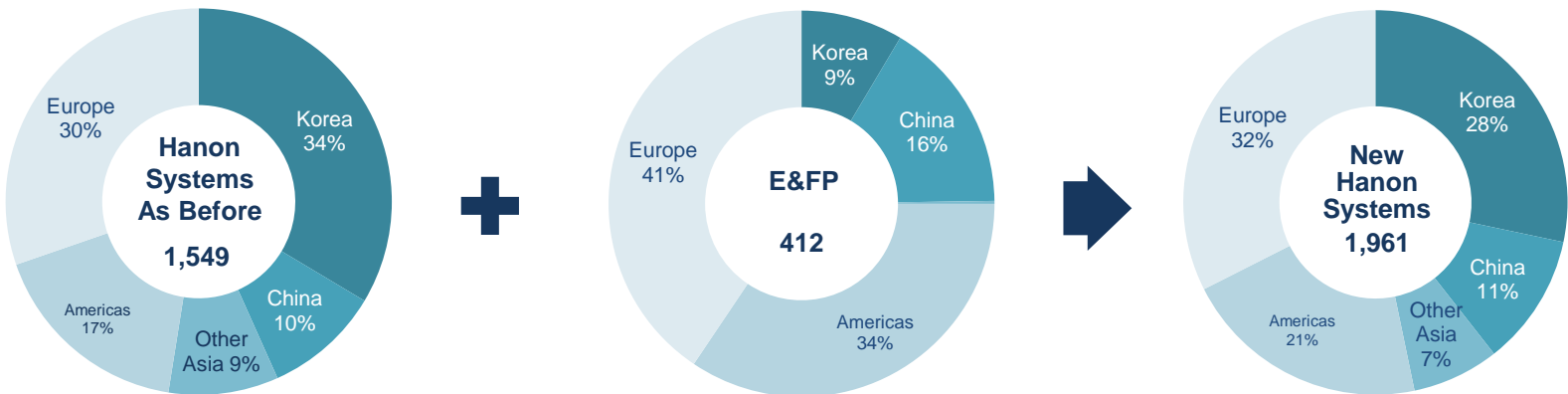
Customer/Region Mix

(KRW in Billions)

4Q19 Sales by Customer with E&FP



4Q19 Sales by Region with E&FP



FY 2019: Key Financial Metrics

(KRW in Billions)

	FY 2019	FY 2018	YoY Variance	
Revenue	7,154	5,938	+1,217	+20.5%
Gross Profit	6,120	5,025	+1,095	+21.8%
Margin (%)	85.5%	84.6%		
SG&A (Incl R&D)	550	479	+72	+14.9%
% of Sales	7.7%	8.1%		
EBITDA	864	701	+163	+23.2%
Margin (%)	12.1%	11.8%		
Operating Profit	484	434	+50	+11.5%
Margin (%)	6.8%	7.3%		
Net Income	323	284	+39	+13.7%
Margin (%)	4.5%	4.8%		

One-time M&A Costs in Non-OP are 32.0 bW in 2019; Annual Adj-OPM is 7.1% before PPA

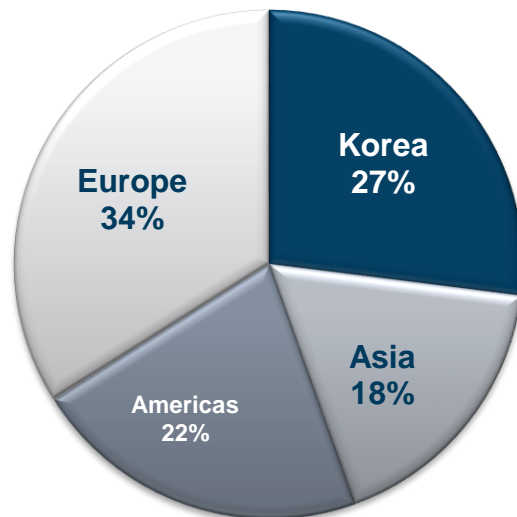
4Q 2019 Highlights

4Q19 Highlights

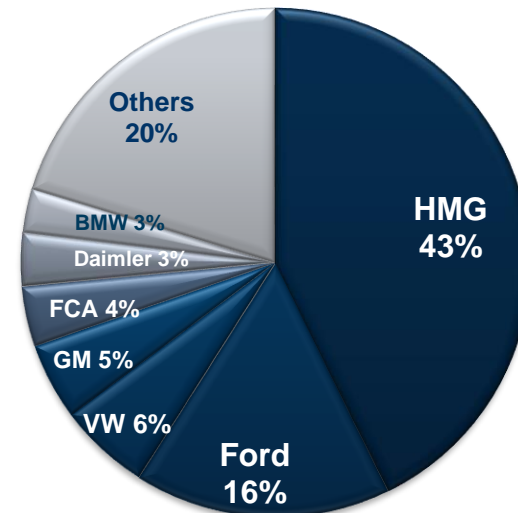
- ✓ Record High Quarterly OP on E&FP acquisition; 4Q Adj-OPM is 9.1% before PPA
- ✓ Eco-friendly/Electrified revenue increases to 15% on E&FP consolidation
- ✓ Net-Debt decreases to 2.1 times of 2020 EBITDA guidance

Sales Breakdown (2Q19 ~ 4Q19)

By Region



By Customer



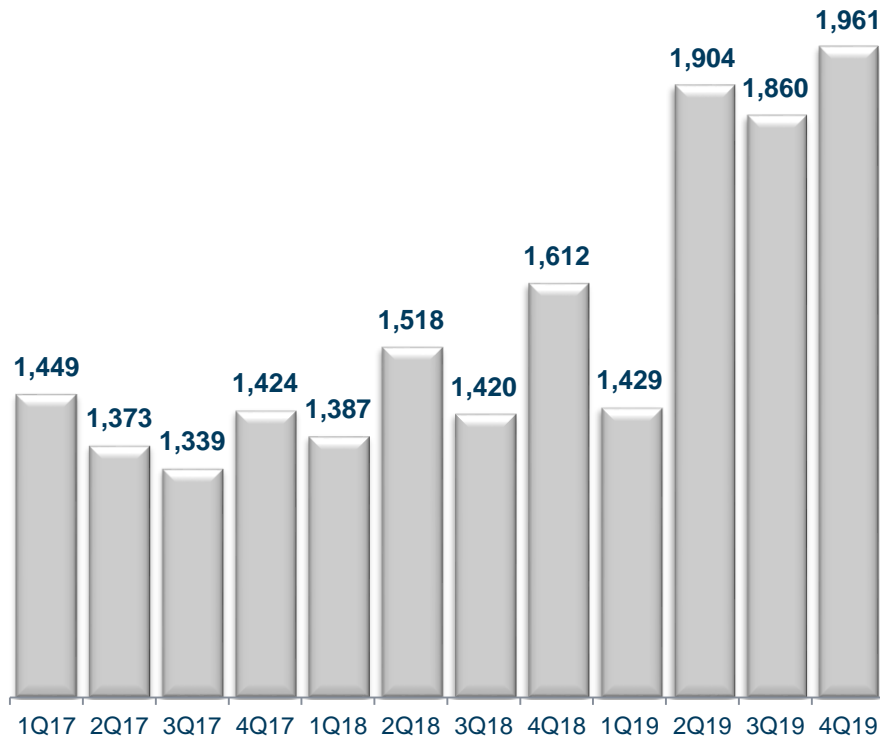
- Ford: Incl. Changan Ford & Ford Otosan

Quarterly Sales

Consolidated Sales

(KRW in Billions)

■ Sales



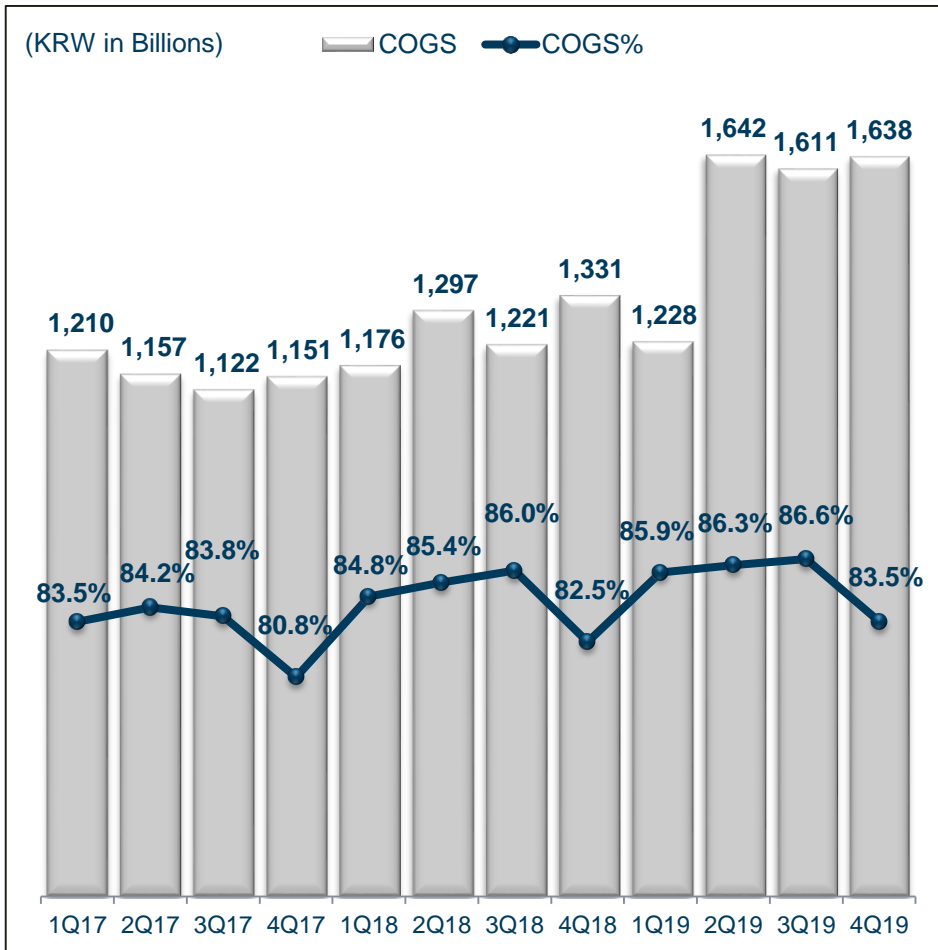
Comments

- 4Q19 Americas, China and Europe revenue are up by 54%, 43% and 30% YoY respectively on E&FP acquisition
- 4Q19 Korea revenue decreased by 2% YoY after E&FP acquisition; Hanon Systems-as-before revenue declined by 4% YoY in 4Q19
- 4Q19 HMG and Ford revenue decrease by 3% and flat YoY respectively
- 4Q19 VW (+150% YoY), GM (+310%), Daimler(+310%), FCA (+130%), BMW (+67%) increase revenue on E&FP
- 4Q19 CAOEM revenue increased by 2% YoY and will grow further on its Shanghai production

4Q Revenue is up 22% YoY on E&FP consolidation

Quarterly COGS

Quarterly Cost of Goods Sold



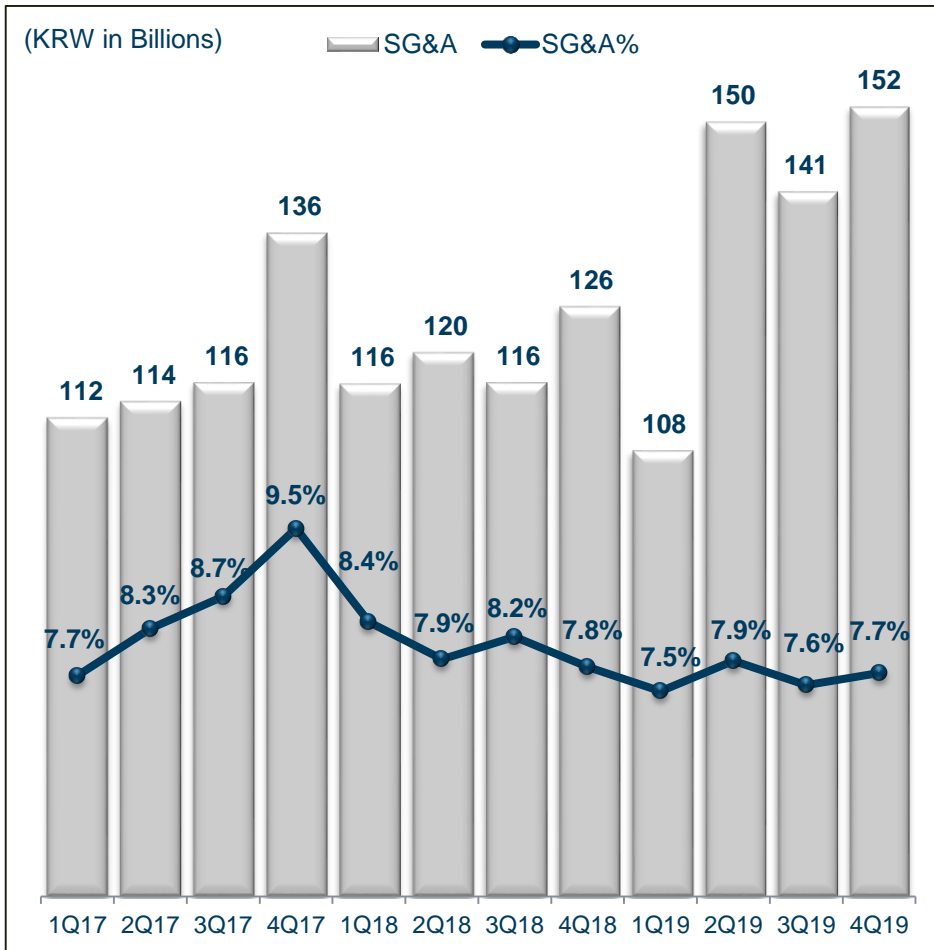
Comments

- Positive factors:
 - ✓ Hanon Systems-as-before protected profitability by ongoing cost improvement actions and EV growth
 - ✓ E&FP shows strong profitability on higher portion of electrified components and diverse customer base
- Negative factors:
 - ✓ Weak volume in Korea and China

4Q19 Gross profit margin is strong on seasonality

Quarterly SG&A

Quarterly SG&A Status



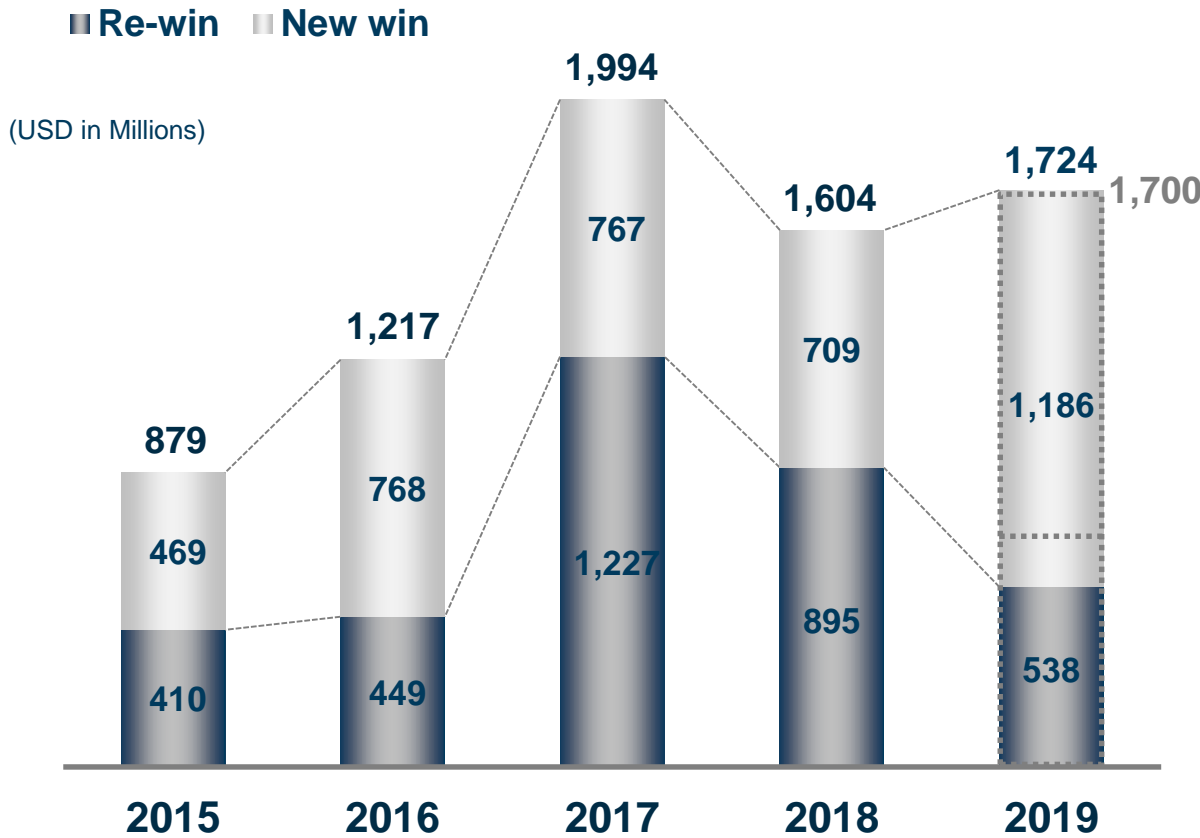
Comments

- 4Q19 SG&A spend: 7.7% of total revenue (-0.1%p YoY)
- 4Q19 R&D spend: 5.3% of total revenue (+0.2%p YoY)
- 4Q19 net income is up by 33% YoY

4Q OP and NP are record high in company history

New Business Wins Update

FY 2019 New Business Wins



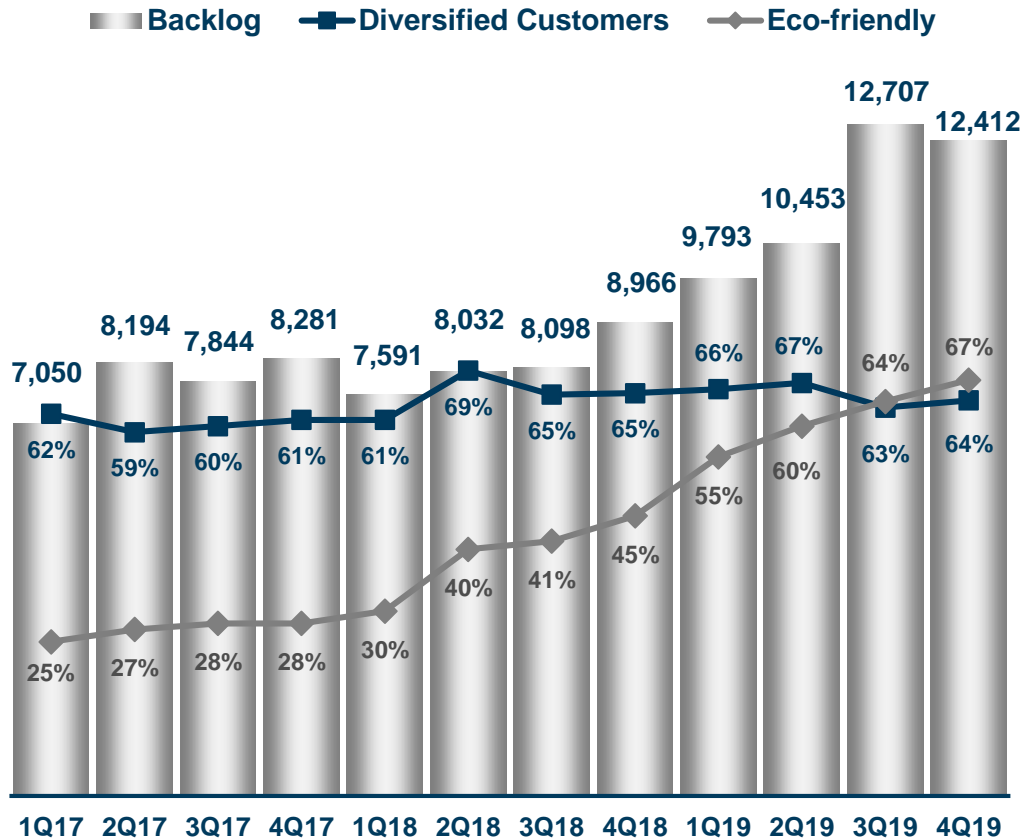
- New business wins represents average annual revenue (in USD million)
- Orders from diverse customers account for 56% of FY 2019 new wins
- Eco-friendly orders account for 71% of FY 2019 new wins

Eco-friendly	2015	2016	2017	2018	2019
	5%	35%	36%	63%	71%

Backlog Status Update

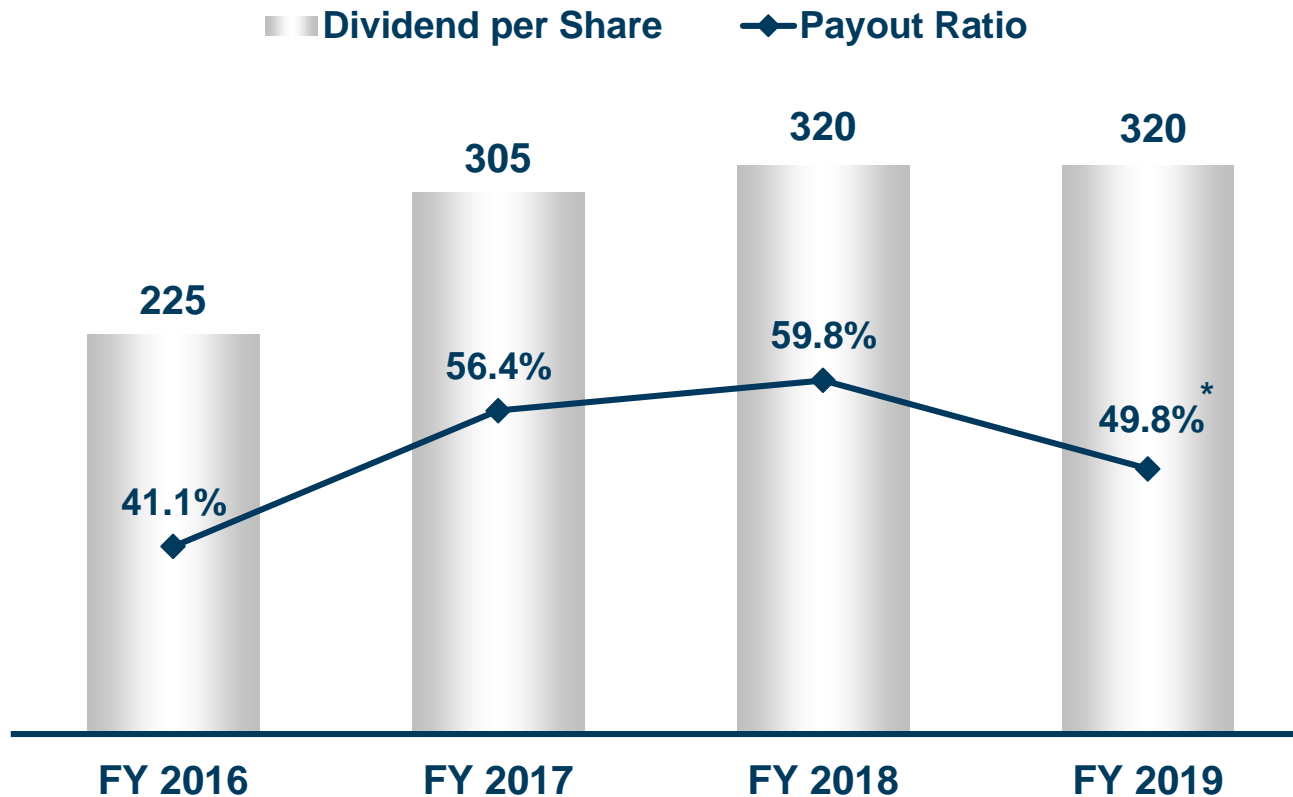
4Q 2019 Backlog (New Wins Only)

(USD in Millions)



- Backlog: Defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diverse customers account for 64%
- Eco-friendly orders account for 67%

4Q19 Quarterly Dividend: 80 KRW per share



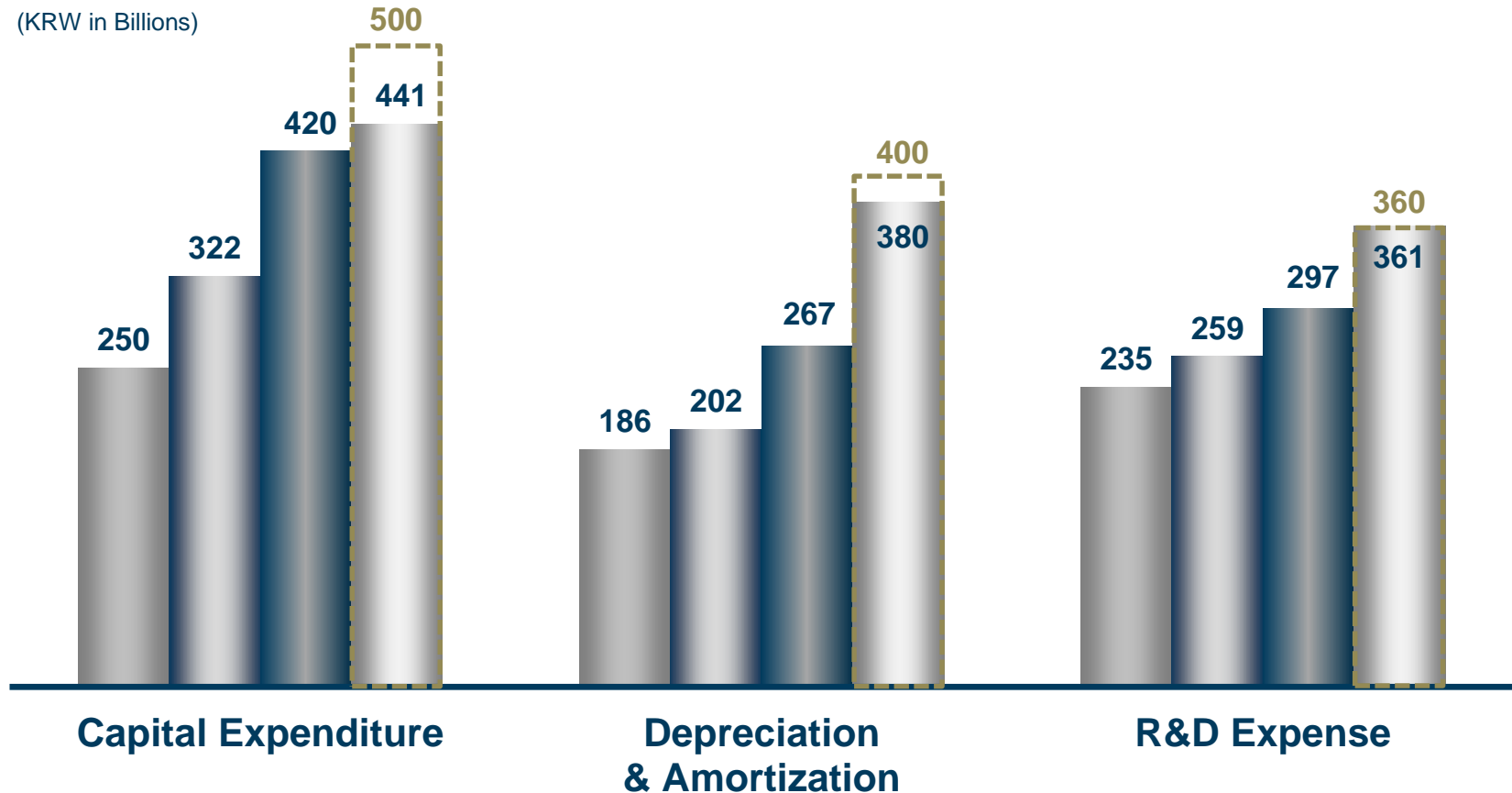
* Based on adjusted net income per share of FY2019

Management considers dividends increase for shareholder value maximization

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

■ FY2016 ■ FY2017 ■ FY2018 ■ FY2019

(KRW in Billions)



* FY2019 guidance includes EFP

CapEx is better optimized than original plan; 2020 CapEx guidance is 400 bW

YE 2019 Balance Sheet

(K-IFRS / KRW in Billions, x times)

Balance Sheet

	Dec 2019	Dec 2018	Dec 2017
Cash and cash equivalent	687	1,018	567
Account receivable	1,254	1,021	972
Inventories	613	506	469
Property and equipment	2,130	1,551	1,262
Intangible assets	1,593	564	438
Lease assets	205	181	-
Other assets	601	515	412
Total assets	7,082	5,356	4,120
Account payable	1,459	1,215	1,045
Debt	2,734	1,672	757
Other liabilities	552	337	286
Sharers' equity	2,217	2,037	1,979
Non-controlling	121	95	53
Total liabilities & shareholders' equity	7,082	5,356	4,120

Cash and Debt

Cash Balance	Dec 2019	Dec 2018	Dec 2017
Net Debt	2,047	654	190
Net Debt Ratio	0.9x	0.3x	0.1x
Debt to Equity	1.2x	0.8x	0.4x

- 'Debt' and 'Net Debt' **INCLUDE** Lease Debt in YE2019 and YE2018 (KRW 198b, KRW 177b) respectively due to the change of KIFRS 1116.

Leverage	2019	2018	2017
EBITDA	864	701	670
Debt / EBITDA*	3.0x	2.4x	1.1x
Net Debt / EBITDA*	2.2x	0.9x	0.3x
EBITDA* / Net Interest Expenses	14.7x	39.7x	60.2x

- Annualized EBITDA including Q1 performance of E&FP business

Net Debt is 2.1x on EBITDA guidance at the beginning of 2020

Guidance for 2020

(KRW in Billions)

	2020 Guidance
Revenue	7,800
EBITDA	1,000
Operating Profit	535
Capital Spending	400

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Thank You

Investor Relations Team

Chungkwan Shin
Head of IR
cshin1@hanonsystems.com

Jaehee Byun
Sr. Manager
jbyun2@hanonsystems.com

Jeffrey Lee
Sr. Manager
clee15@hanonsystems.com