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4Q 2020 Earnings Release

February 9, 2021

Disclaimer

Hanon Systems does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Any information expressed herein on this date is for understanding purposes before the audit, and may be subject to change without notice.

4Q 2020: Key Financial Metrics

(KRW in Billions)

| | 4Q20 | 4Q19 | YoY % | 3Q20 | QoQ % |
|---------------------------------|--------------|--------------|--------|--------------|-------|
| Revenue | 2,101 | 1,961 | 7.1% | 1,901 | 10.5% |
| COGS | 1,761 | 1,638 | 7.5% | 1,650 | 6.8% |
| % of Sales | 83.8% | 83.5% | | 86.8% | |
| SG&A (Incl. R&D) | 146 | 152 | -4.2% | 132 | 10.2% |
| % of Sales | 6.9% | 7.7% | | 6.9% | |
| EBITDA | 318 | 276 | 15.2% | 239 | 33.1% |
| Margin (%) | 15.1% | 14.1% | | 12.6% | |
| Operating Profit | 194 | 171 | 13.6% | 120 | 62.5% |
| Margin (%) | 9.2% | 8.7% | | 6.3% | |
| Net Income | 90 | 119 | -24.8% | 51 | 76.2% |
| Margin (%) | 4.3% | 6.1% | | 2.7% | |

4Q Revenue and OP at Record High; Profitability Improved on Volume and Product Mix

Note:
EBITDA and Operating Profit has reflected reclassification of FTC penalty (11.5bW)

FY 2020: Key Financial Metrics

(KRW in Billions)

| | FY 2020 | FY 2019 | YoY Variance | |
|---------------------------------|--------------|--------------|--------------|--------|
| Revenue | 6,873 | 7,154 | -281 | -3.9% |
| COGS | 6,008 | 6,120 | -111 | -1.8% |
| % of Sales | 87.4% | 85.5% | | |
| SG&A (Incl. R&D) | 549 | 550 | -2 | -0.3% |
| % of Sales | 8.0% | 7.7% | | |
| EBITDA | 784 | 864 | -80 | -9.3% |
| Margin (%) | 11.4% | 12.1% | | |
| Operating Profit | 316 | 484 | -168 | -34.7% |
| Margin (%) | 4.6% | 6.8% | | |
| Net Income | 113 | 323 | -209 | -64.8% |
| Margin (%) | 1.7% | 4.5% | | |

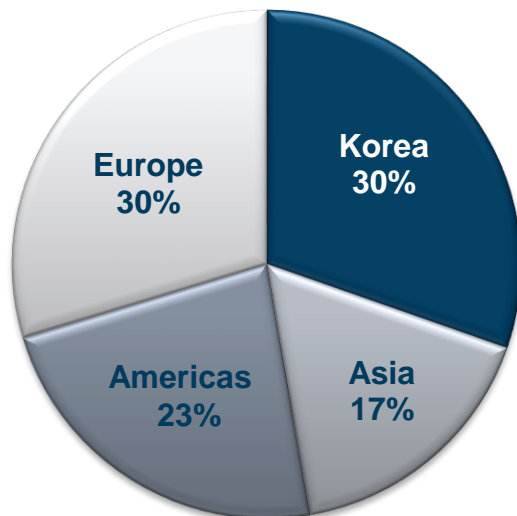
2020 Revenue Missed the Original Revenue Target (7.8tW) due to COVID-19

4Q20 Highlights

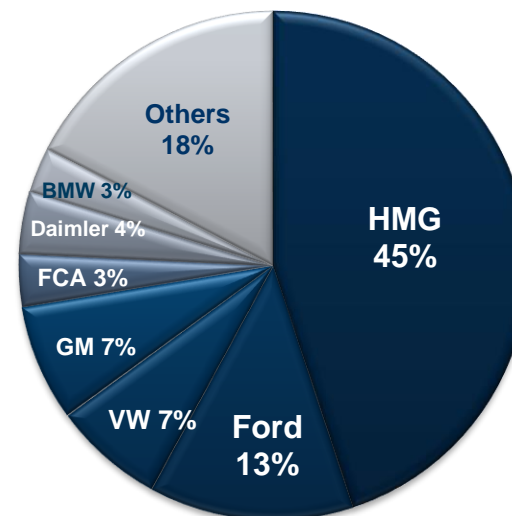
- 4Q adj-OPM recovered 8.7% on volume growth, favorable product mix and cost actions
- 4Q EV revenue ratio jumps to 22% with VW as the fastest growing EV customer
- Net debt improved 360 bW QoQ due to normalized operation and working capital management

Sales Breakdown (FY2020)

By Region



By Customer



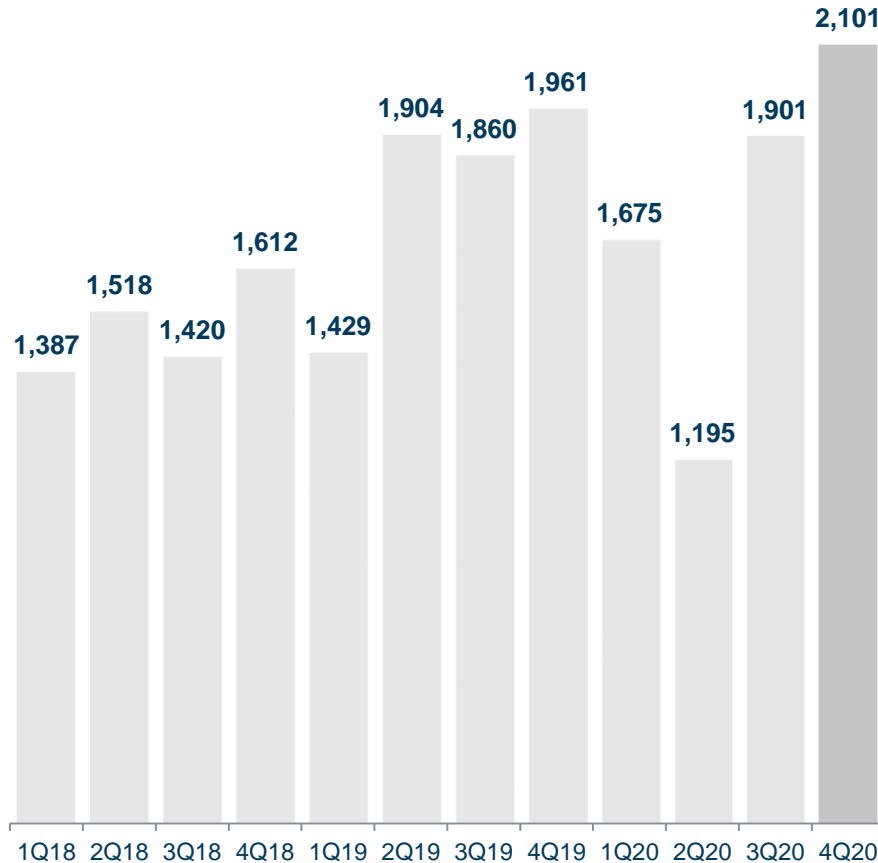
Note:

Regional revenue classified based on locations of manufacturing entities

Quarterly Sales

Consolidated Sales

(KRW in Billions)



Comments

- 4Q20 revenue is the highest quarterly sales in company history
- Korea, Europe and China revenues up by 5%, 11% and 10% YoY respectively
- Americas revenue down 5% YoY due to strong KRW/USD
- Hanon Systems as-before revenue increased 9% YoY, while EFP revenue decreased 1% YoY
- HMG (+10% YoY), VW (+46%), GM (+47%), Daimler (+20%) and BMW (+14%) revenues increased on EV growth
- FCA revenue remains flat (+2% YoY), while Ford (-9%) decreased based on volumes

4Q Revenue Jumps 7% YoY on Volume Growth and Favorable Product Mix

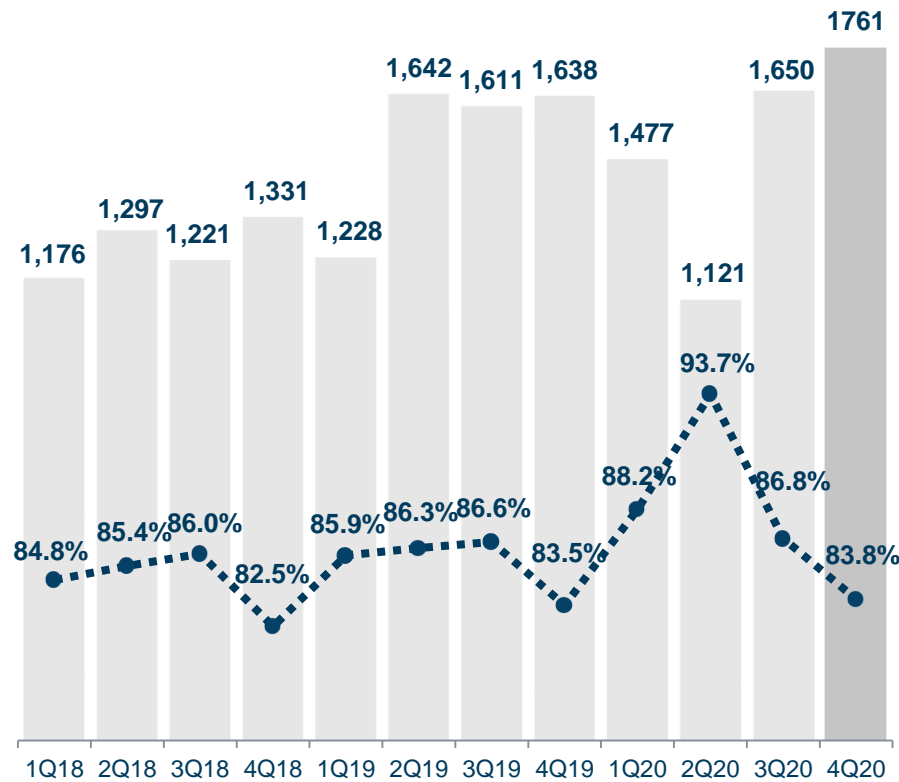
Quarterly COGS

Quarterly Cost of Goods Sold

Comments

(KRW in Billions)

COGS COGS%



- Positive factors:
 - Benefits from cost improvement actions
 - Korea, Europe and China volume recovered and turned profitable
- Negative factors:
 - Discontinuation of a number of ICE sedans in the Americas

Gross Margin Recovers to Pre-Pandemic Level

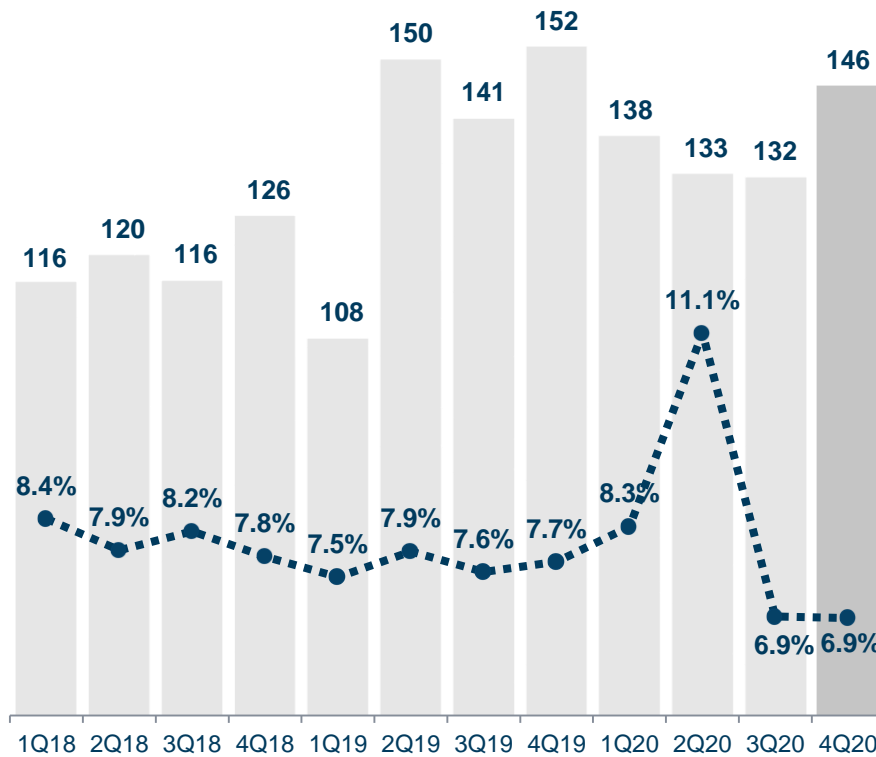
Quarterly SG&A

Quarterly SG&A Status

Comments

(KRW in Billions)

■ SG&A -●-●- SG&A%



- 2020 SG&A expense: 8.0% of total revenue (+0.3%p YoY)
- 2020 R&D spending (incl. R&D capitalization): 4.9% of total revenue (-0.2%p YoY)

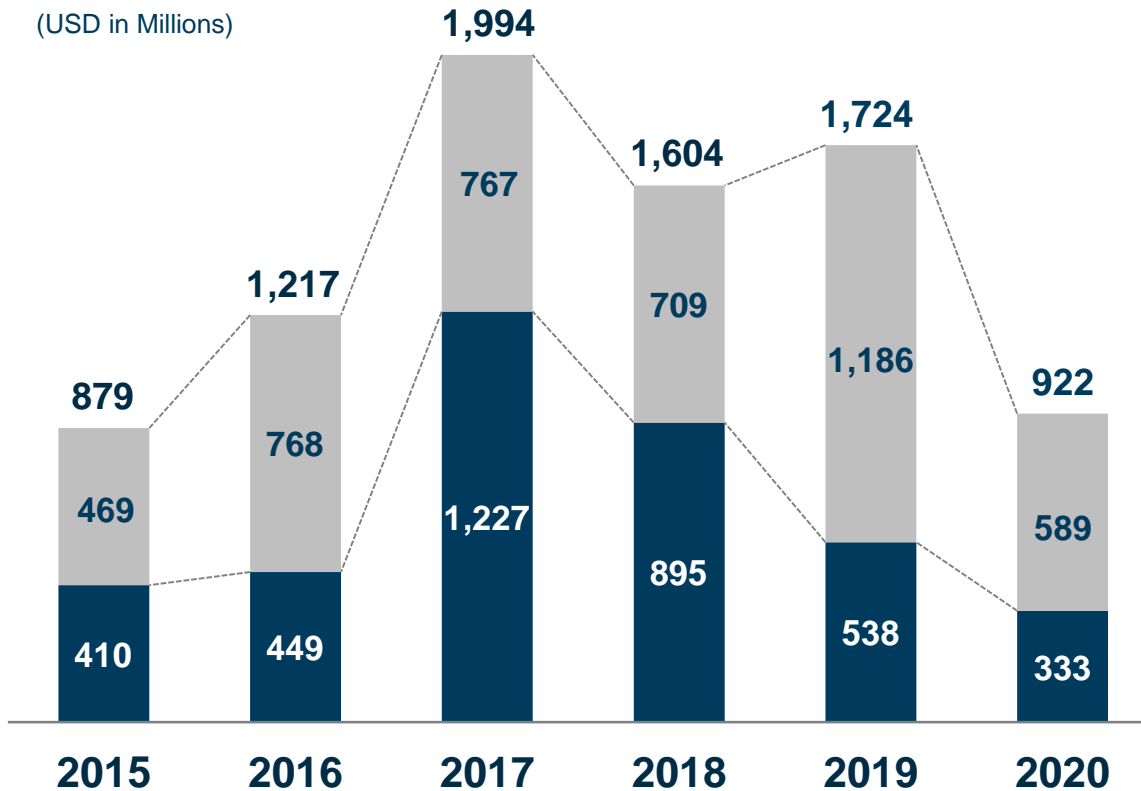
Successful Implementation of Cost Improvement Actions in 2H20

New Business Wins Update

FY2020 New Business Wins

■ Re-win ■ New win

(USD in Millions)



- New business wins represents average annual revenue (in USD million)
- Orders from diverse customers account for 63% of FY2020 new wins
- 2021 New win target is \$650m and re-win target is \$350m for the consolidated entity

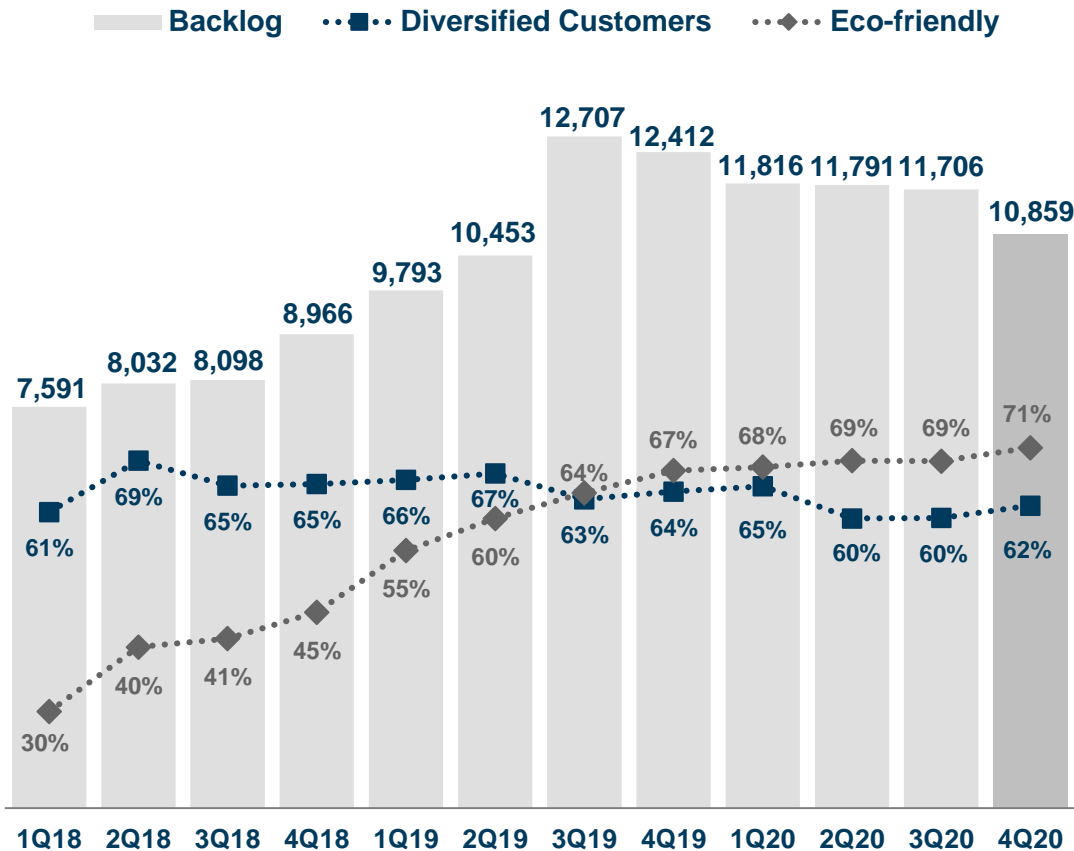
Eco-friendly
(% out of New win)

| | | | | | |
|------|------|------|------|------|------|
| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 5% | 35% | 36% | 63% | 71% | 76% |

Backlog Status Update

4Q20 Backlog (New Wins Only)

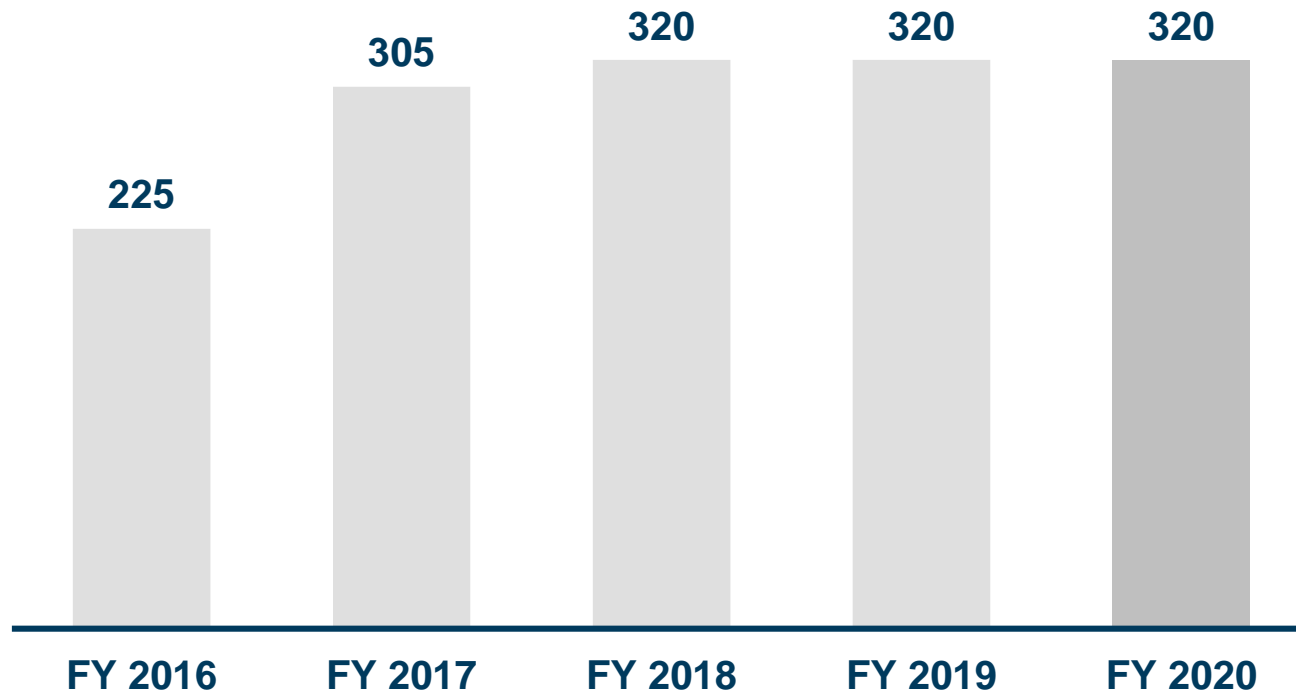
(USD in Millions)



- Backlog: Defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diverse customers account for 62%
- Eco-friendly orders account for 71%

4Q20 Quarterly Dividend: 116 KRW per share

Dividend per Share



- **Share Buyback Contract ended in December**

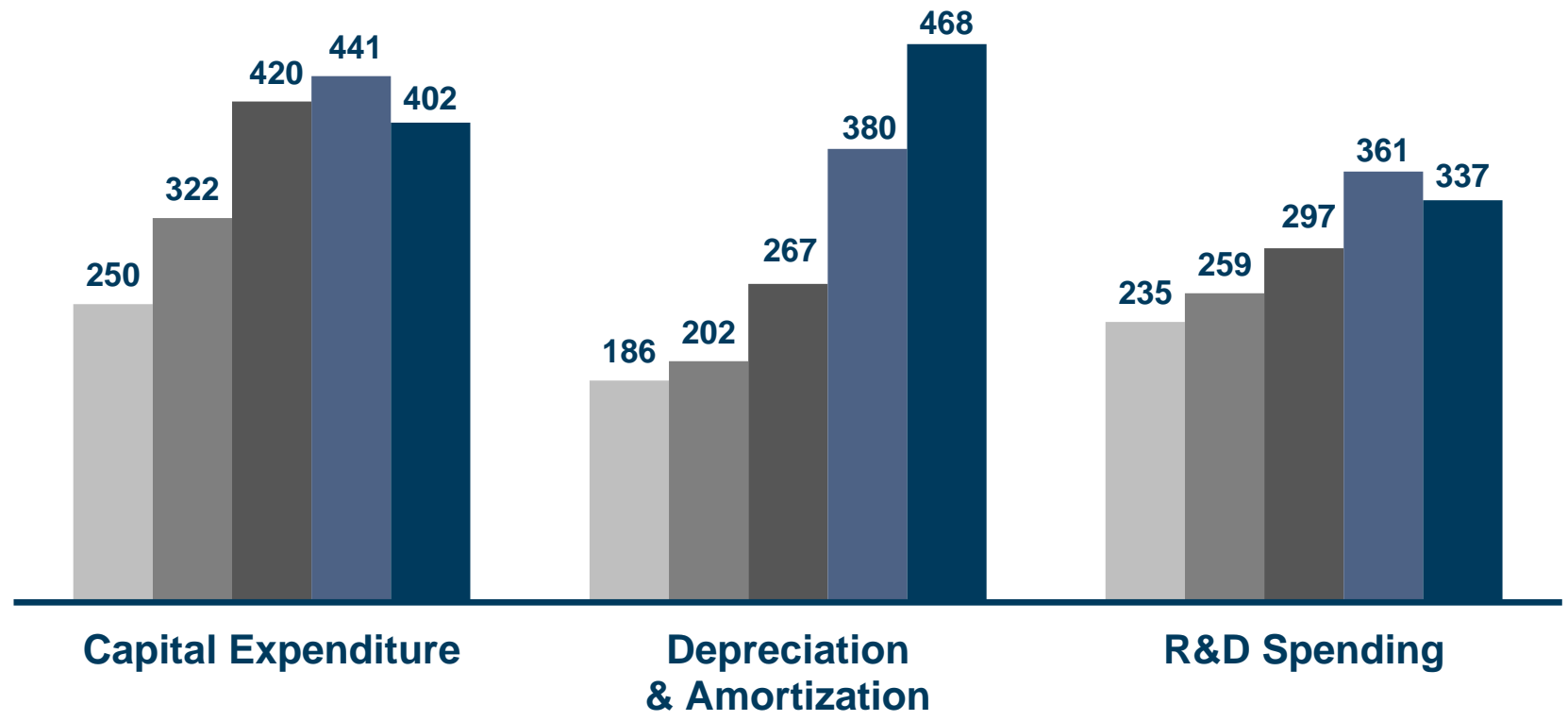
- **Period:** March 20 – Dec. 10, 2020
- **Total share buyback:**
131,570 shares in 1H, no additional share buyback in 3Q and 4Q
- **Fund Used:** 1.1bW

**Due to Stock Market Normalization in 2H20,
Only 3% of Total Share Buyback Fund Was Used**

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

■ FY2016 ■ FY2017 ■ FY2018 ■ FY2019 ■ FY2020

(KRW in Billions)



2020 CapEx Was Slightly Over Guidance due to Accelerated EV Launches

YE 2020 Balance Sheet

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

Balance Sheet

| | Dec 2020 | Dec 2019 | Dec 2018 |
|---|--------------|--------------|--------------|
| Cash and cash equivalent | 1,304 | 687 | 1,018 |
| Account receivable | 1,223 | 1,254 | 1,021 |
| Inventories | 630 | 613 | 506 |
| Property and equipment | 2,224 | 2,130 | 1,551 |
| Intangible assets | 1,622 | 1,593 | 564 |
| Lease assets | 211 | 205 | 181 |
| Other assets | 593 | 601 | 515 |
| Total assets | 7,807 | 7,082 | 5,356 |
| Account payable | 1,581 | 1,459 | 1,215 |
| Debt | 3,430 | 2,734 | 1,672 |
| Other liabilities | 557 | 552 | 337 |
| Shareholder's equity | 2,117 | 2,217 | 2,037 |
| Non-controlling | 122 | 121 | 95 |
| Total liabilities & shareholders' equity | 7,807 | 7,082 | 5,356 |

Cash and Debt

| Cash Balance | Dec 2020 | Dec 2019 | Dec 2018 |
|----------------|----------|----------|----------|
| Net Debt | 2,125 | 2,047 | 654 |
| Net Debt Ratio | 1.0 | 0.9 | 0.3 |
| Debt to Equity | 1.5 | 1.2 | 0.8 |

| Leverage | 2020 | 2019 | 2018 |
|-------------------------------|------|--------|------|
| EBITDA | 784 | 864 | 701 |
| Debt / EBITDA | 4.4 | 3.0 * | 2.4 |
| Net Debt / EBITDA | 2.7 | 2.2 * | 0.9 |
| EBITDA/ Net Interest Expenses | 9.2 | 14.7 * | 39.7 |

* Annualized EBITDA

Net Debt Improved 570 bW in 2H20; Net Debt to EBITDA Target is 1.95 by 2021E

Guidance for 2021

(KRW in Billions)

| | 2021 Guidance |
|------------------|---------------|
| Revenue | 7,800 |
| EBITDA | 1,020 |
| Operating Profit | 510 |
| Capital Spending | 370 |

Thank You

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