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1Q 2021 Earnings Release

May 11, 2021

Disclaimer

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1Q 2021: Key Financial Metrics

(KRW in Billions)

	1Q21	1Q20	YoY %	4Q20	QoQ %
Revenue	1,869	1,675	11.6%	2,101	-11.0%
COGS	1,647	1,477	11.5%	1,761	-6.5%
% of Sales	88.1%	88.2%		83.8%	
SG&A (Incl. R&D)	128	138	-7.6%	146	-12.2%
% of Sales	6.8%	8.3%		6.9%	
EBITDA	222	171	29.4%	318	-30.2%
Margin (%)	11.9%	10.2%		15.1%	
Operating Profit	94	60	57.5%	194	-51.6%
Margin (%)	5.0%	3.6%		9.2%	
Net Income	60	33	80.8%	90	-33.0%
Margin (%)	3.2%	2.0%		4.3%	

**1Q Revenue and OP Recovery from 2020;
Expect Profitability to Further Improve in 2H**

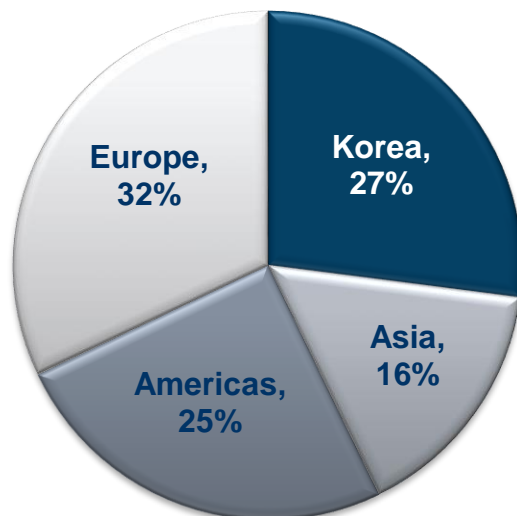
1Q 2021 Highlights

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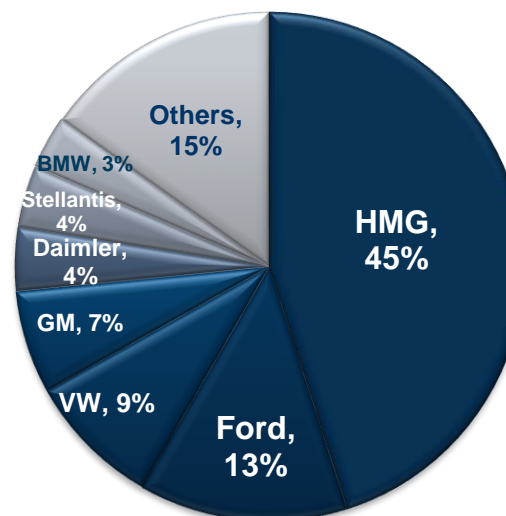
- 1Q21 OP recovered 58% YoY on volume growth especially from VW and GM
- A major NBW in 1Q – Thermal System on Electrified Platform from a Global OEM
- xEV Backlog accounts for 75% out of \$12.1B of New-Win Backlog*

Sales Breakdown (1Q21)

By Region



By Customer

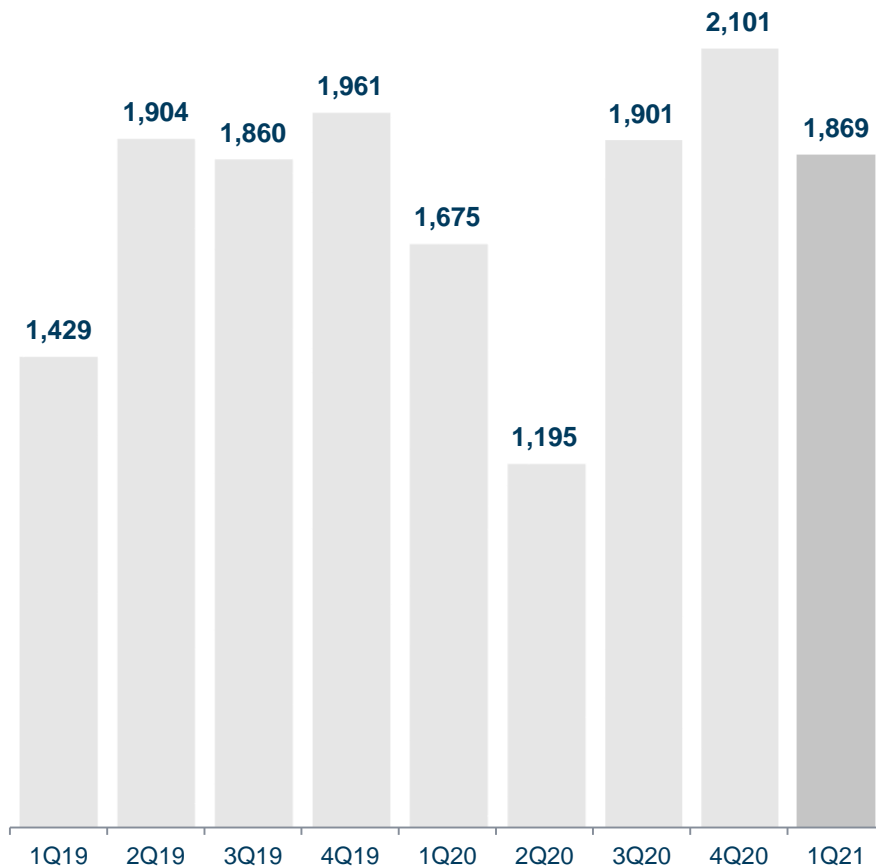


Quarterly Sales

Consolidated Sales

Comments

(KRW in Billions)



- China, Europe and Korea YoY revenue up by 72%, 28% and 8% respectively. Americas revenue flat.
- Increase in HMG (+19%), VW (+39%), GM (+28%), Stellantis (+20%), BMW (+18%) and Daimler (+14%) YoY revenue on EV growth
- Decrease in Ford (-8%) and Renault/Nissan (-12%) YoY revenue due to volume and chip shortage

12% YoY Revenue Increase in 1Q21 on Volume Growth and Favorable Product Mix

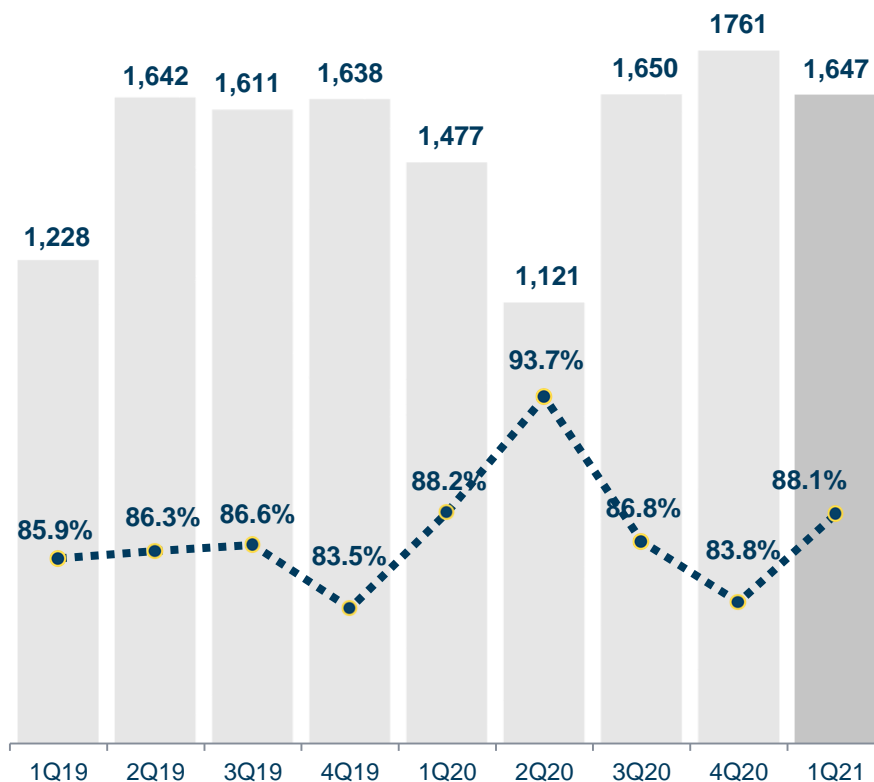
Quarterly COGS

Quarterly Cost of Goods Sold

Comments

(KRW in Billions)

COGS COGS%



- Positive factors:
 - Benefits from cost improvement actions
 - Volume recovery in Korea, Europe and China
- Negative factors:
 - Some OEM plant shutdowns due to chip shortage
 - Extra cost of 10 bW in high freight due to peak surcharge

Gross Margin Deterioration Due to Chip Shortage and High Freight Charges

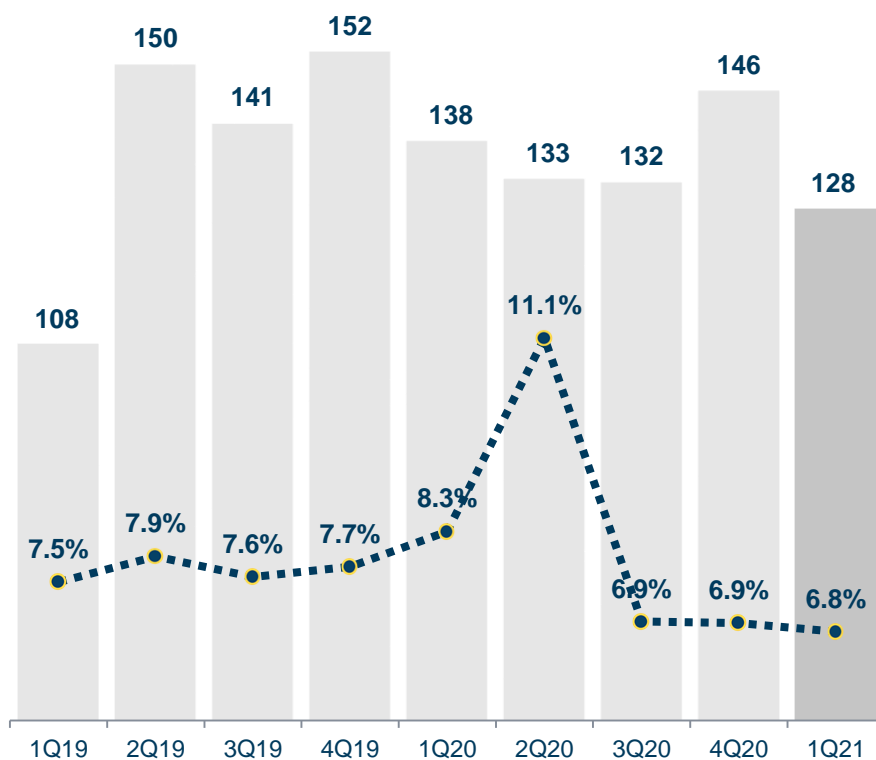
Quarterly SG&A

Quarterly SG&A Status

Comments

(KRW in Billions)

SG&A SG&A%

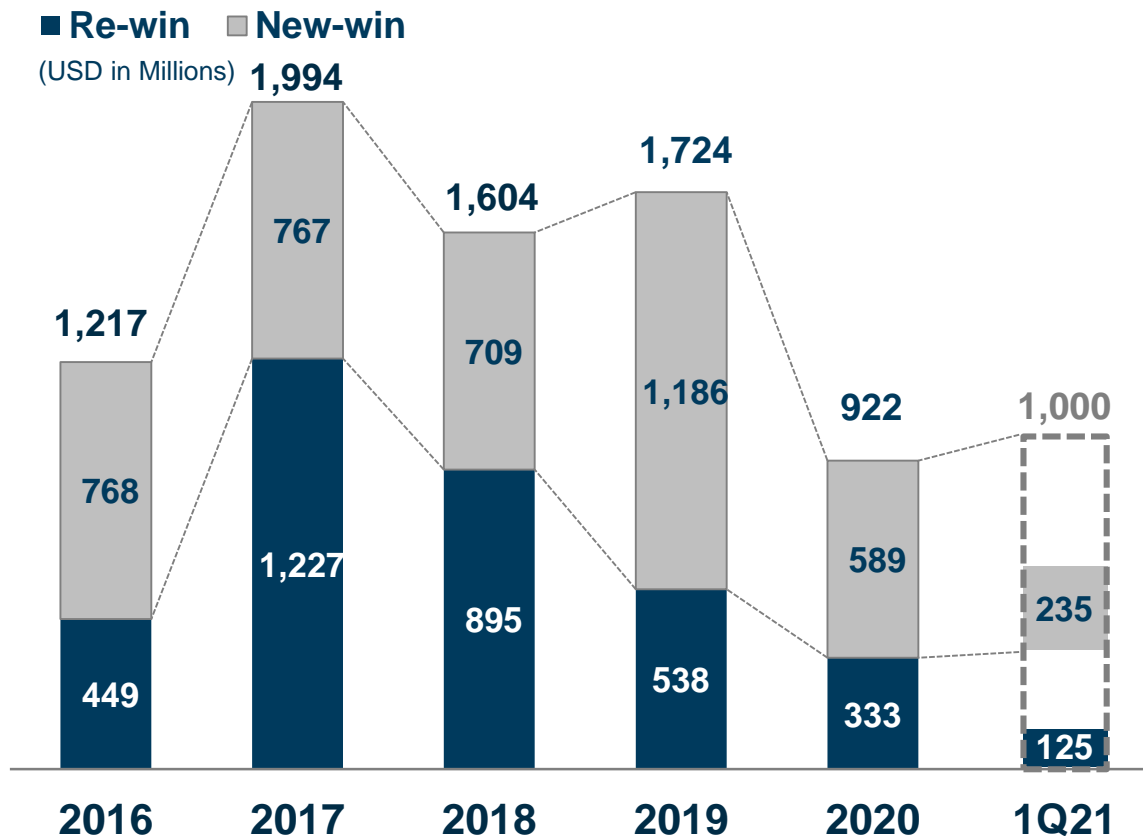


- 1Q21 SG&A expense: 6.8% of total revenue (-1.5%p YoY)
- 1Q21 R&D spend (incl. R&D capitalization): 3.7% of total revenue

Cost Improvement Actions Continue to Yield Benefits Since 3Q20

New Business Wins Update

1Q 2021 New Business Wins



- New business wins represents average annual revenue (in USD million)
- Awarded major Thermal System order for global EV platform in 1Q21
- Orders from diverse customers account for 100% of 1Q21 new wins
- 2021 New win target is \$650m and re-win target is \$350m for the consolidated entity

Eco-friendly
(% out of New win)

35%	36%	63%	73%	76%	97%
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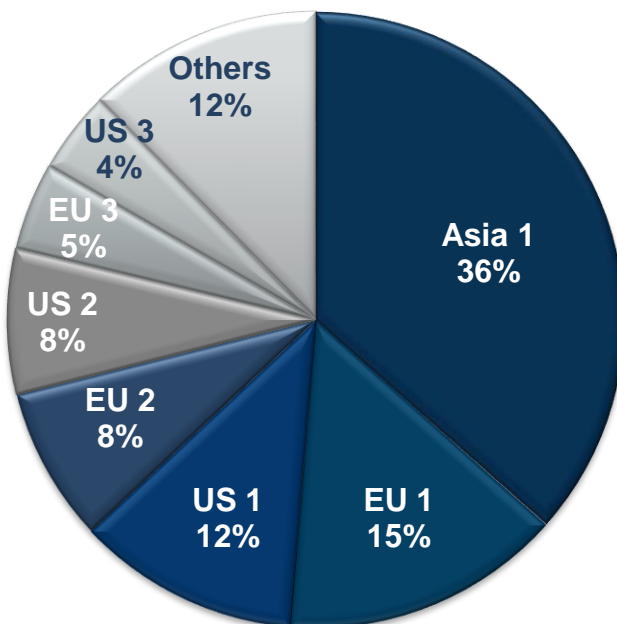
Backlog Status Update

1Q 2021 Backlog

(USD in Billions)

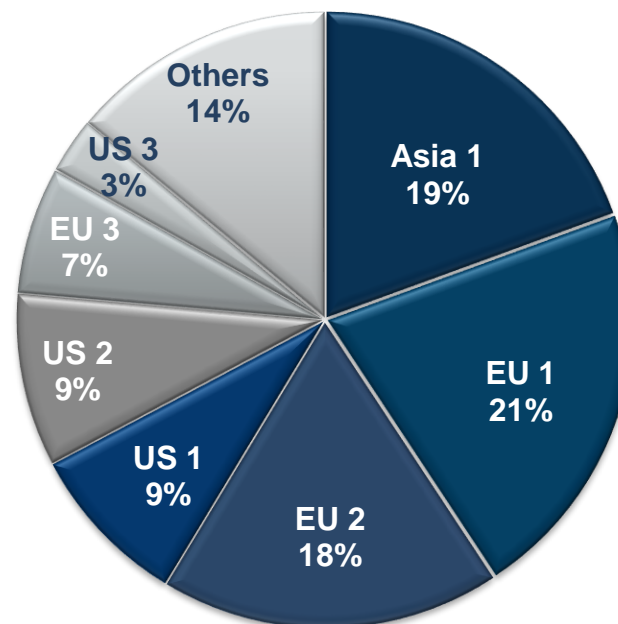
Total Backlog \$41.0B

xEV ~ 40%



New-win Backlog \$12.1B

xEV ~ 75%

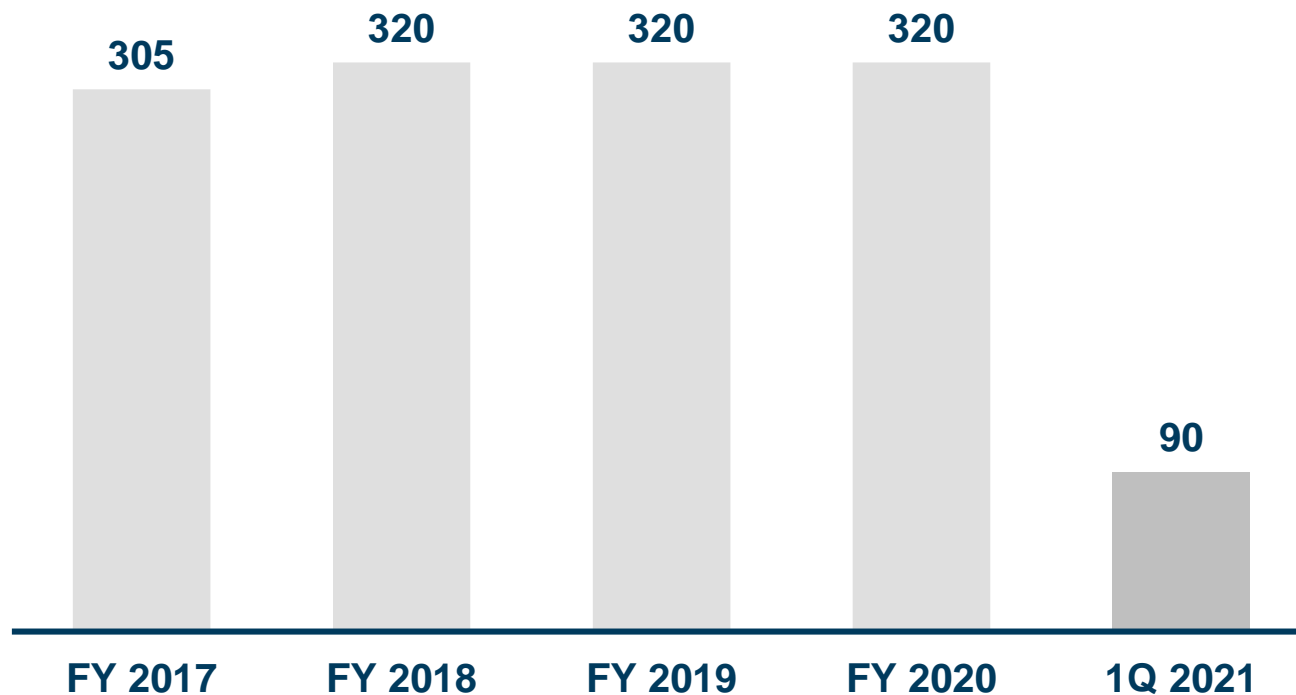


※ Total Backlog includes the followings;

- 1) In-production Backlog : Remaining life-cycle revenue from vehicles in production
- 2) Re-win Backlog : Program life-cycle revenue of Re-win vehicles to be launched
- 3) New-win Backlog : Program life-cycle revenue of New-win vehicles to be launched

1Q21 Quarterly Dividend: 90 KRW per Share

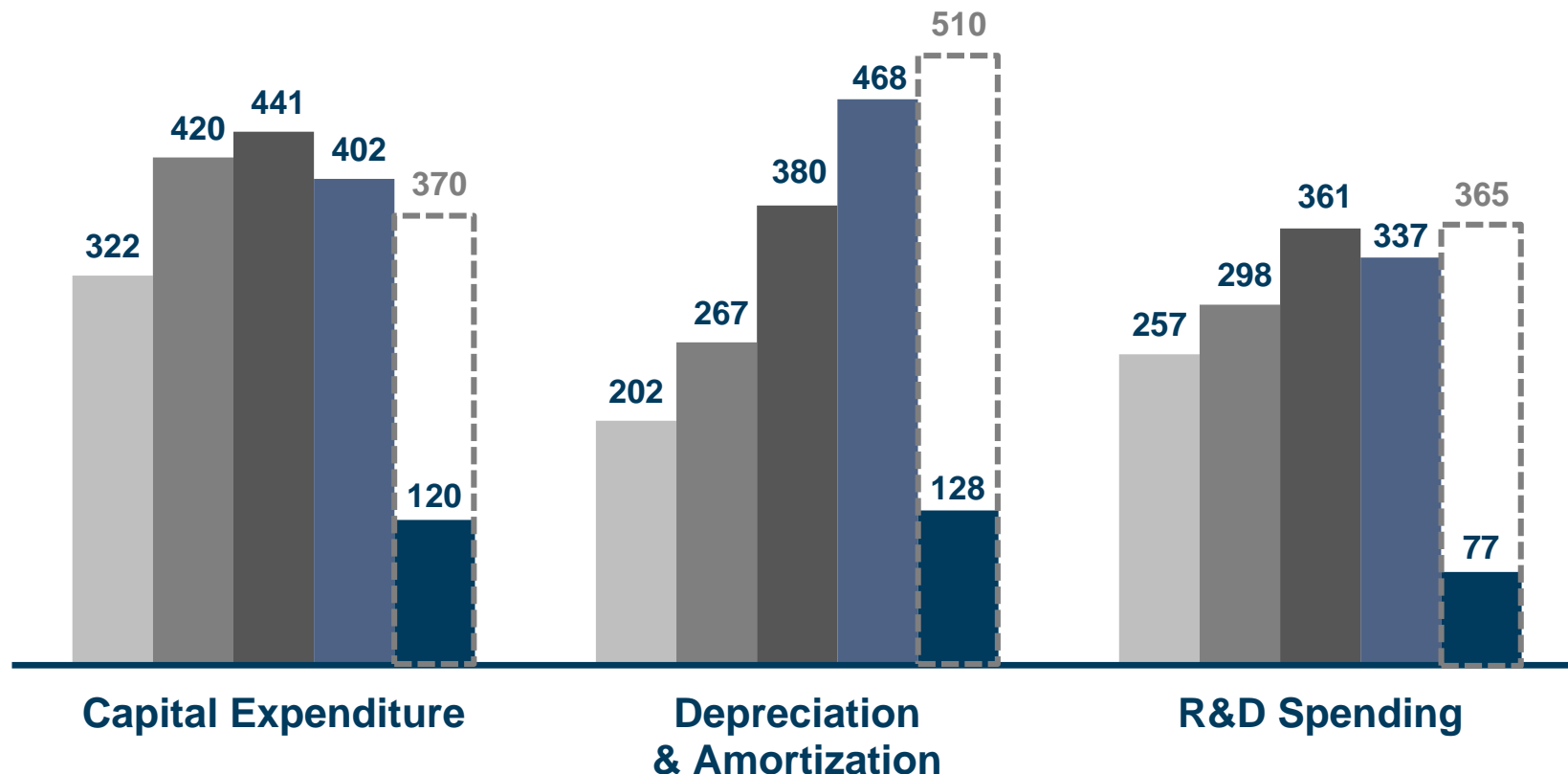
Dividend per Share



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

■ FY2017 ■ FY2018 ■ FY2019 ■ FY2020 ■ FY2021

(KRW in Billions)



**In 2021, R&D Spending and CapEx Will Be Balanced
for Business Continuity and Future Growth**

1Q 2021 Balance Sheet

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

Balance Sheet

	Mar 2021	Dec 2020	Dec 2019
Cash and cash equivalent	1,127	1,325	687
Account receivable	1,159	1,223	1,254
Inventories	766	630	613
Property and equipment	2,241	2,224	2,130
Intangible assets	1,634	1,622	1,593
Lease assets	254	211	205
Other assets	644	593	601
Total assets	7,825	7,807	7,082
Account payable	1,630	1,581	1,459
Debt	3,321	3,430	2,734
Other liabilities	604	557	552
Shareholder's equity	2,143	2,117	2,217
Non-controlling	127	122	121
Total liabilities & shareholders' equity	7,825	7,807	7,082

Cash and Debt

Cash Balance	Mar 2021	Dec 2020	Dec 2019
Net Debt	2,194	2,104	2,047
Net Debt Ratio	1.0	0.9	0.9
Debt to Equity	1.5	1.5	1.2

Leverage	2021	2020	2019
EBITDA	1,020 [*]	784	864
Debt / EBITDA	3.3	4.4	3.0 ^{**}
Net Debt / EBITDA	2.2	2.7	2.2 ^{**}
EBITDA / Net Interest Expenses	10.0	9.2	14.7 ^{**}

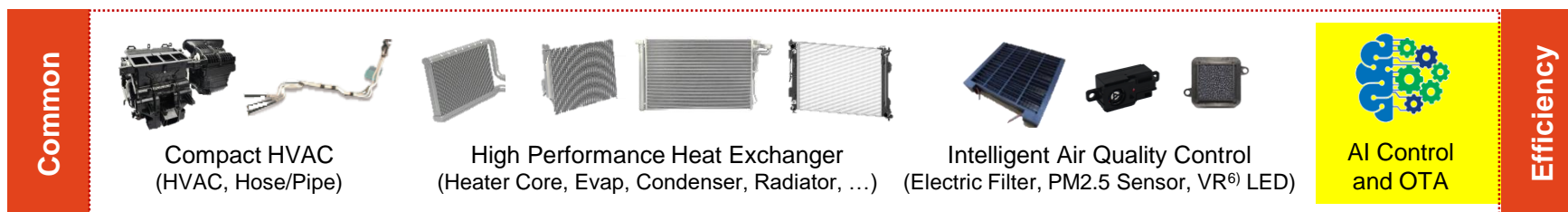
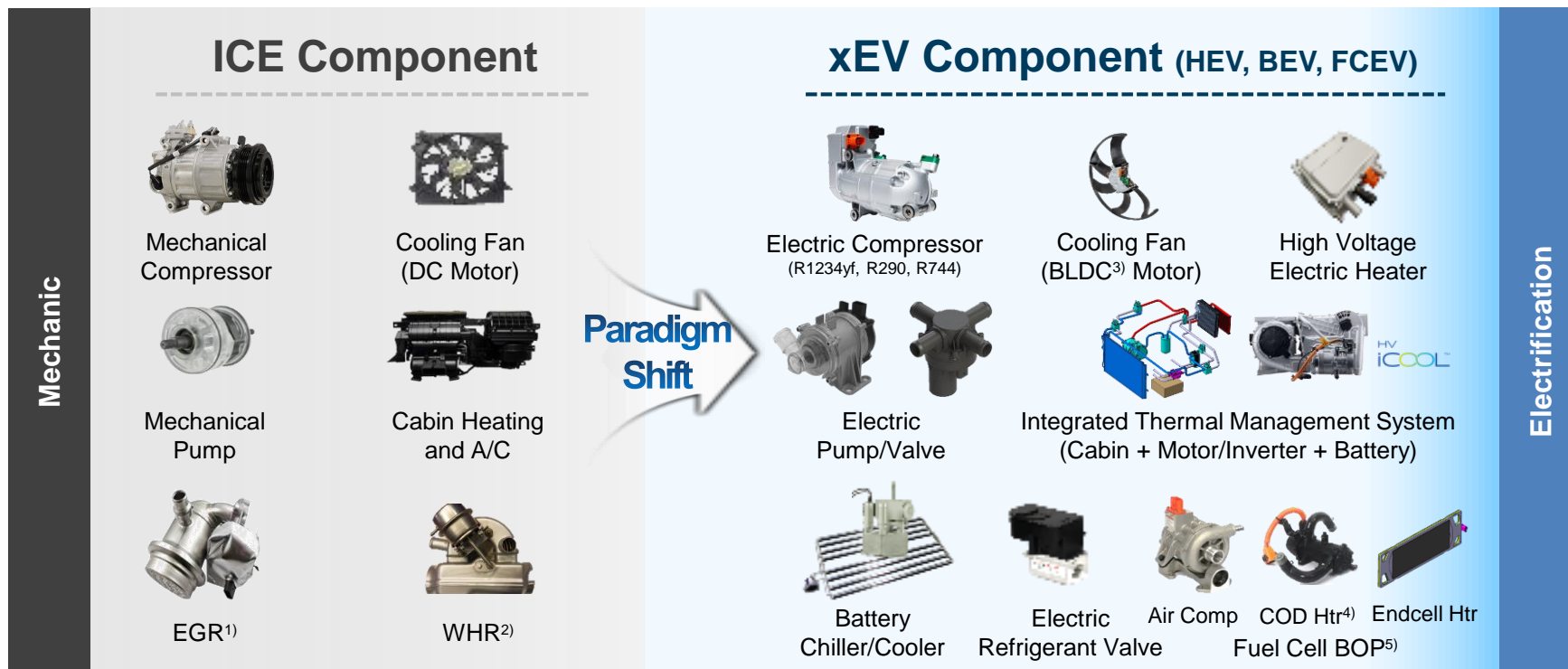
^{*} 2021 EBITDA Guidance

^{**} Annualized EBITDA

**Debt Decrease of 109 bW in 1Q21;
Net Debt to EBITDA Target is 1.95 by 2021E**

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Appendix Product Portfolio



Full Portfolio of Thermal and Energy Management Solutions including heat pump systems for Electrified Vehicles

OTA (Over The Air) Wireless Update

(OTA features and product launches)

Hanon
SYSTEMS

Continual product/feature updates

- The latest technology with regular updates



- ✓ Update vehicles software
- ✓ Update Performance/Function (fuel efficiency improvement, thermal interior comfort, etc.)

Intelligent cyber security

- Protect from external cyber hacking



- ✓ Detect external cyber hacking
- ✓ Protect the vehicles from cyber attacks
- ✓ Treat viruses caused by hacking

AI (Artificial Intelligence)

- Optimal control based on big data & machine learning



- ✓ Learn user behavior: taste, personality, experience (air volume, setting temp./mode, etc.)
- ✓ Recognize environmental change (road, building, tunnel, temp., air quality, etc.)

Intelligent vehicle maintenance

- Easy to apply improvement on quality issues



- ✓ Vehicle maintenance by improving SW algorithm of the controller without visiting the service center
- ✓ Repair product failure / software errors without replacing parts

OTA



Hanon Systems OTA Launches

2017

OEM 1 : e_Comp

2022

OEM 2 : e_Comp
OEM 3 : System

2023

OEM 3 : System

2024

OEM 3 : System

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Thank You

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