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# 1Q 2022 Earnings Release

May 11, 2022

**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.*

# 1Q 2022: Key Financial Metrics

(KRW in Billions)

	1Q22	1Q21	YoY %	4Q21	QoQ %
<b>Revenue</b>	<b>1,980</b>	<b>1,869</b>	5.9%	<b>1,926</b>	2.8%
<b>COGS</b>	<b>1,802</b>	<b>1,647</b>	9.4%	<b>1,722</b>	4.6%
% of Sales	91.0%	88.1%		89.4%	
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>148</b>	<b>128</b>	15.9%	<b>143</b>	3.5%
% of Sales	7.5%	6.8%		7.4%	
<b>EBITDA</b>	<b>162</b>	<b>222</b>	-26.8%	<b>194</b>	-16.2%
Margin (%)	8.2%	11.9%		10.0%	
<b>Operating Profit</b>	<b>30</b>	<b>94</b>	-67.6%	<b>61</b>	-49.8%
Margin (%)	1.5%	5.0%		3.2%	
<b>Net Income</b>	<b>22</b>	<b>60</b>	-62.9%	<b>98</b>	-77.4%
Margin (%)	1.1%	3.2%		5.1%	

**YoY Improvement in Revenue; Ongoing Cost Recovery Actions to Mitigate External Disruptions**

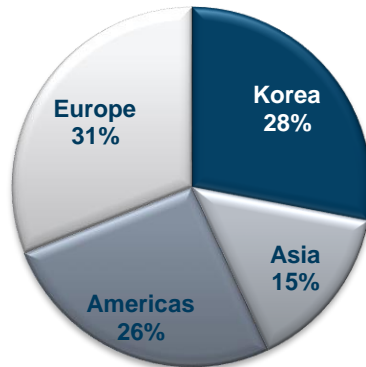
# 1Q 2022 Highlights

## 1Q22 Highlights

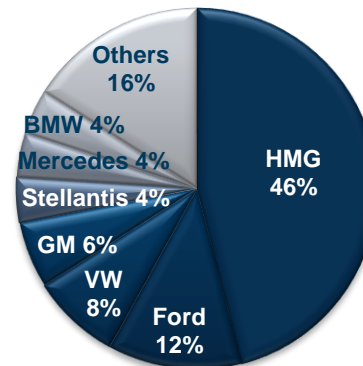
- Despite industry headwinds, Hanon Systems demonstrate robust growth on eco-friendly programs
- Deterioration of 1Q OPM due to unprecedented inflation; cost recovery realization from 2Q onwards
- Another thermal system order awarded from a premium customer in Europe for its major EV platform

## Sales Breakdown (1Q22)

By Region



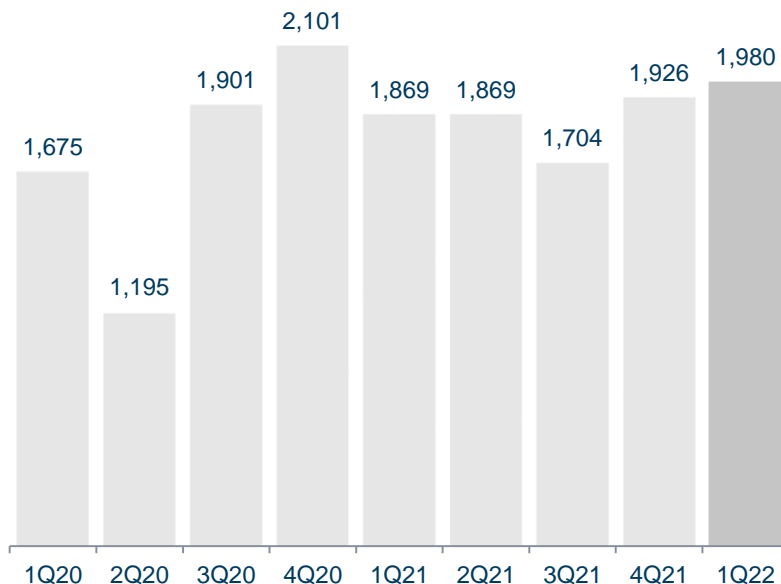
By Customer



# Quarterly Sales

## Consolidated Sales

(KRW in Billions)



## Comments

- Americas, Korea and Europe YoY revenue up by 16%, 10% and 2% respectively
  - YoY light vehicle production down in the Americas, Korea and Europe 3%, 7% and 18% respectively\*
- Increase in YoY revenue on EV growth with BMW (+14%), Stellantis (+12%) and HMG (+9%)
- Decrease in YoY revenue due to supply disruption and chip shortage with Renault/Nissan (-17%), Geely/Volvo (-14%), Mercedes (-7%), VW (-6%) and Ford (-2%)

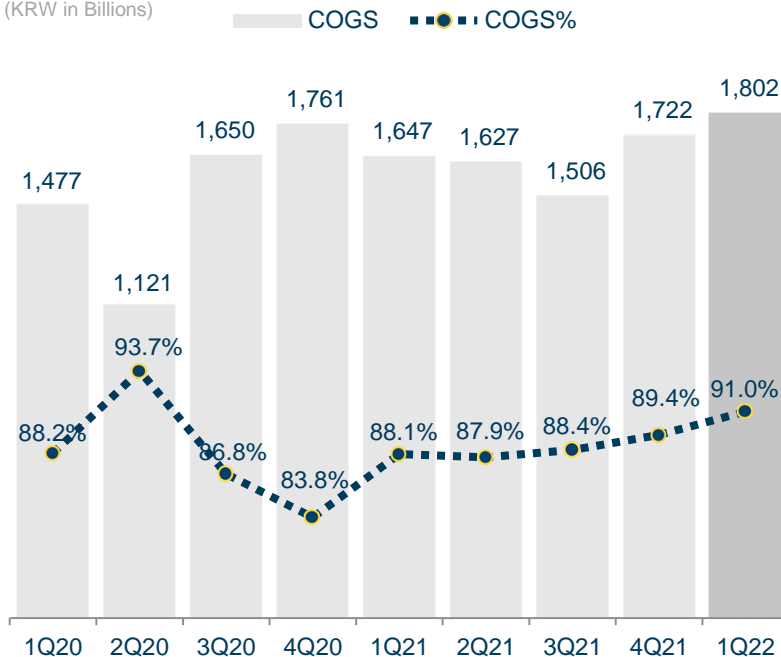
**1Q Revenue Increase of 6% YoY Driven by Eco-friendly Growth; 24% of 1Q Revenue from xEVs**

# Quarterly COGS

## Quarterly Cost of Goods Sold

## Comments

(KRW in Billions)



- Positive factors
  - Company mitigates supply chain headwinds through productive discussion with customers along with internal cost improvement actions
  - Electrified component profit margins continue to improve driven by higher eco-friendly vehicle volumes
- Negative factors
  - COGS% increased by 2.9%p YoY due to raw material, logistics and utility/labor costs surge
  - Volume loss due to chip shortage and production disruption in Europe/China

Temporary Margin Deterioration Due to Cost Recovery Time Lag; Expect to Reflect Results Beginning in 2Q

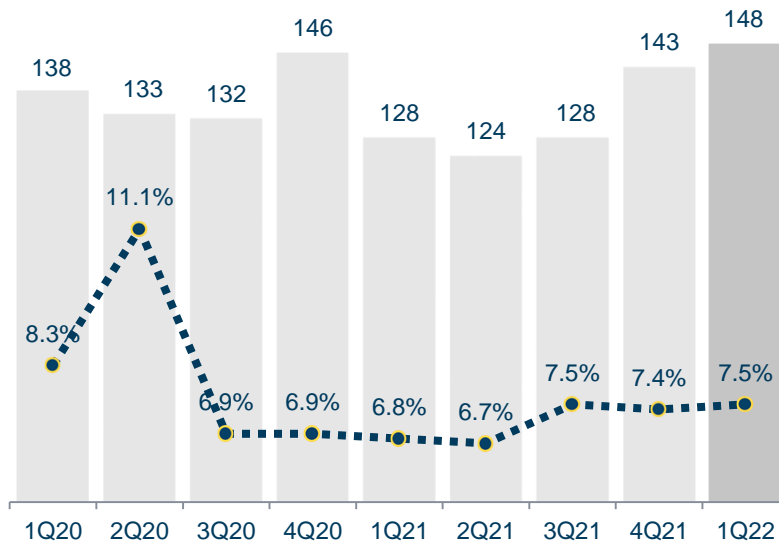
# Quarterly SG&A

## Quarterly SG&A Status

## Comments

(KRW in Billions)

SG&A    SG&A%



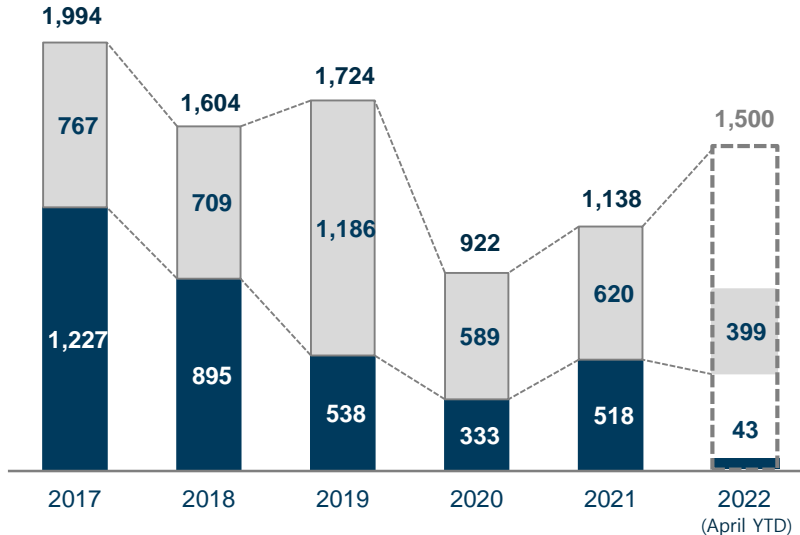
- SG&A expense: 7.5% of total revenue (+0.7%p YoY)
- R&D spend (incl. R&D capitalization): 4.4% of total revenue

Ongoing Internal and External Cost Improvement Actions Help Relieve Cost Burdens

# New Business Wins Update

## FY2022 New Business Wins

■ Re-win    ■ New-win  
 (Annual Average Revenue in USD Millions)



- Premium customer in Europe awarded major thermal system order for global EV platform
- Eco-friendly ratio is expected to reach 90% in 2022
- Ongoing focus to leading position in EV market with strong relationship with anchor and premium customers
- \$2.8 billion of program life revenue added to backlog in 1Q22

**Eco-friendly**  
 (% out of New win)

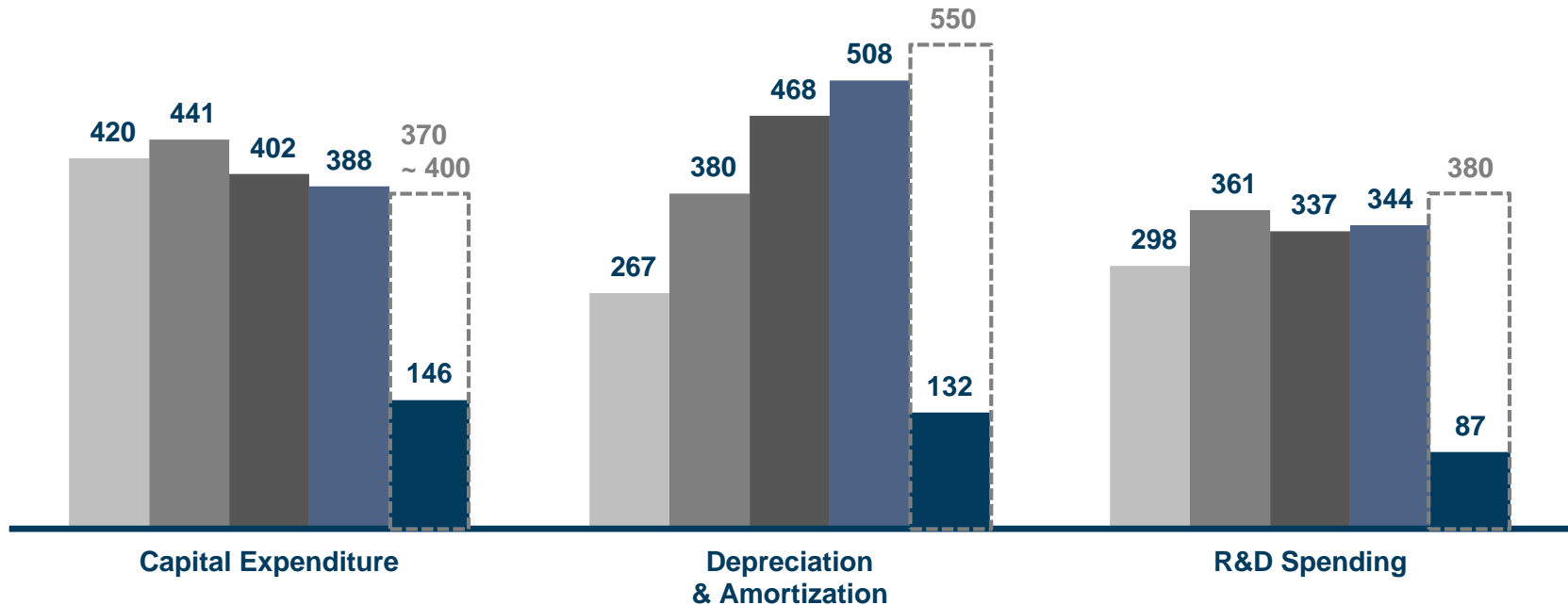
2017	2018	2019	2020	2021	2022 (April YTD)
36%	63%	73%	76%	81%	88%

**New Business Wins to Increase Significantly in 2022 Based on Market Leadership in xEV Thermal Systems**

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

(KRW in Billions)

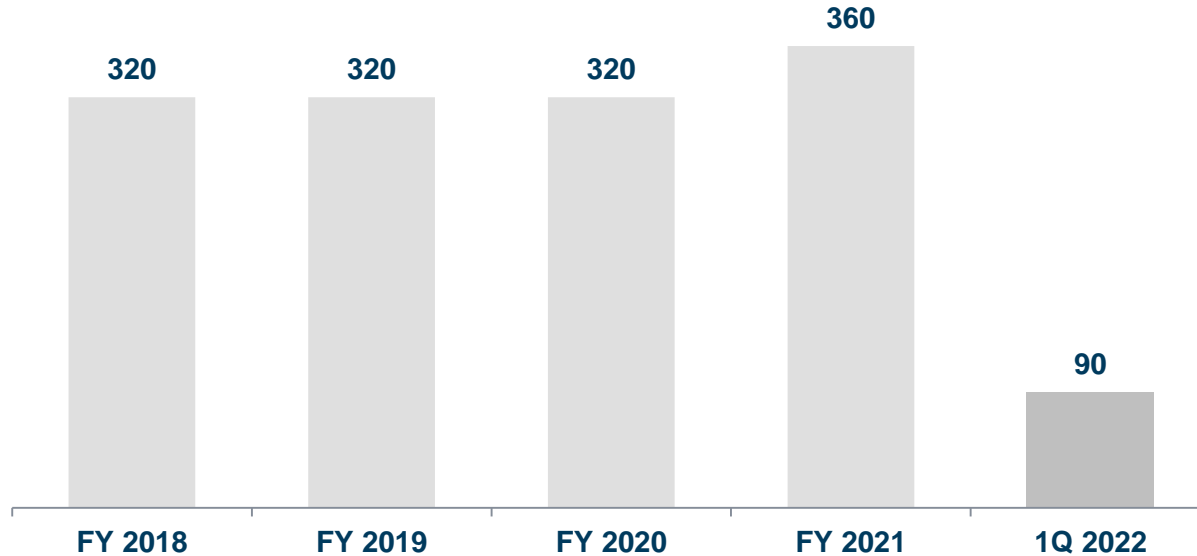
■ FY2018 ■ FY2019 ■ FY2020 ■ FY2021 ■ 1Q22



Efforts Ongoing to Balance R&D and CapEx Spending to Support Business Continuity and Future Growth



## 1Q22 Quarterly Dividend (KRW per share)



# 1Q 2022 Balance Sheet

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

## Balance Sheet

	Mar 2022	Dec 2021	Dec 2020
Cash and cash equivalent	1,175	1,404	1,325
Account receivable	1,105	1,025	1,202
Inventories	943	810	630
Property and equipment	2,332	2,336	2,224
Intangible assets	1,838	1,790	1,622
Lease assets	242	227	211
Other assets	742	642	593
<b>Total assets</b>	<b>8,377</b>	<b>8,234</b>	<b>7,807</b>
Account payable	1,665	1,475	1,581
Debt	3,631	3,723	3,430
Other liabilities	610	560	557
Shareholder's equity	2,333	2,343	2,117
Non-controlling	138	133	122
<b>Total liabilities &amp; shareholders' equity</b>	<b>8,377</b>	<b>8,234</b>	<b>7,807</b>

## Cash and Debt

Cash Balance	Mar 2022	Dec 2021	Dec 2020
Net Debt	2,456	2,319	2,104
Net Debt Ratio	1.0	0.9	0.9
Debt to Equity	1.5	1.5	1.5
<b>Leverage</b>		<b>2021</b>	<b>2020</b>
EBITDA		834	784
Debt / EBITDA		4.5	4.4
Net Debt / EBITDA		2.8	2.7
EBITDA / Net Interest Expenses		10.5	9.2



# Thank You

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