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# 4Q 2022 Earnings Release

Mar. 21, 2023

**Disclaimer**

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# 4Q 2022: Key Financial Metrics



(KRW in Billions)

	4Q22	4Q21	YoY %	3Q22	QoQ %
<b>Revenue</b>	<b>2,345</b>	<b>1,926</b>	21.8%	<b>2,196</b>	6.8%
<b>COGS</b>	<b>2,081</b>	<b>1,722</b>	20.9%	<b>1,991</b>	4.5%
% of Sales	88.8%	89.4%		90.7%	
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>160</b>	<b>143</b>	11.5%	<b>142</b>	12.0%
% of Sales	6.8%	7.4%		6.5%	
<b>EBITDA</b>	<b>249</b>	<b>194</b>	28.5%	<b>205</b>	21.5%
Margin (%)	10.6%	10.0%		9.3%	
<b>Operating Profit</b>	<b>104</b>	<b>61</b>	71.7%	<b>62</b>	68.9%
Margin (%)	4.4%	3.2%		2.8%	
<b>Profit Before Tax</b>	<b>27</b>	<b>95</b>	- 71.7%	<b>26</b>	5.3%
Margin (%)	1.2%	5.0%		1.2%	
<b>* Net Income</b>	<b>7</b>	<b>98</b>	- 93.1%	<b>19</b>	- 64.2%
*Margin (%)	0.3%	5.1%		0.9%	

**Revenue and Operating Margin Improved based on Chip Supply and Cost Recovery**

Note: \*Net Income without one-time non-cash taxation of 36bW in 4Q 2022 due to tax law revision in South Korea

# FY 2022: Key Financial Metrics

(KRW in Billions)

	FY 2022	FY 2021	YoY Variance	
<b>Revenue</b>	<b>8,628</b>	<b>7,351</b>	1,276	17.4%
<b>COGS</b>	<b>7,781</b>	<b>6,502</b>	1,278	19.7%
% of Sales	90.2%	88.5%		
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>590</b>	<b>523</b>	67	12.9%
% of Sales	6.8%	7.1%		
<b>EBITDA</b>	<b>814</b>	<b>834</b>	- 20	- 2.4%
Margin (%)	9.4%	11.3%		
<b>Operating Profit</b>	<b>257</b>	<b>326</b>	- 69	- 21.2%
Margin (%)	3.0%	4.4%		
<b>Profit Before Tax</b>	<b>97</b>	<b>355</b>	- 257	- 72.6%
Margin (%)	1.1%	4.8%		
<b>* Net Income</b>	<b>63</b>	<b>311</b>	- 248	-79.8%
*Margin (%)	0.7%	4.2%		

**Increased Revenue as Supply Chain Disruptions Ease; One Timers Impacted Net Income Variance YoY**

Note: \*Net Income without one-time non-cash taxation of 36bW in 4Q 2022 due to tax law revision in South Korea

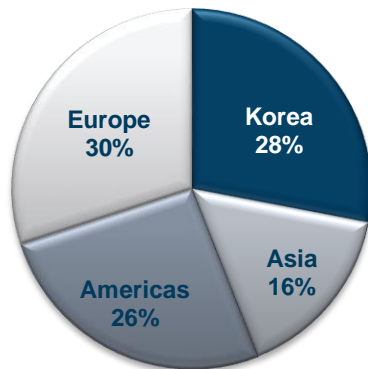
# FY 2022 Highlights

## 2022 Highlights

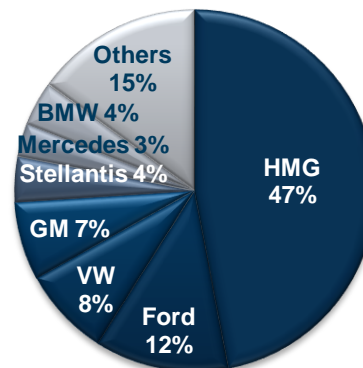
- Accelerated revenue growth based on higher EV production and improved chip supply
- Cost improvements and better pricing helped normalize profitability in 4Q 2022
- Achieved record-high New-win orders based on EV platform from global carmakers in Europe and the U.S.

## Sales Breakdown (FY2022)

By Region



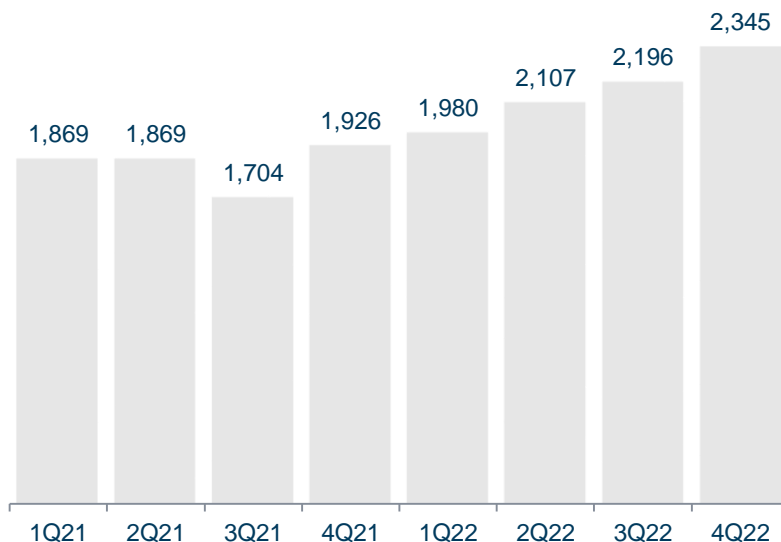
By Customer



# Quarterly Sales

## Consolidated Sales

(KRW in Billions)



## Comments

### • 4Q22 Quarterly Comments

- Americas, Europe, and Korea 4Q22 YoY revenue up by 37%, 34% and 7% respectively; China down 12% YoY
- Increase in GM (+81%), VW (+46%), Stellantis (+44%), BMW (+ 19%), HMG (+18%) and Ford (+11%) in 4Q22

### • 2022 Full Year Comments

- Americas, Europe, and Korea 2022 YoY revenue up by 36%, 19% and 6% respectively; China down 5% YoY
- Increase in GM (+35%), BMW (+ 28%), Stellantis (+24%), VW (+18%), HMG (+16%) and Ford (+15%) in 2022

**2022 Revenue Increase of 17% YoY Driven as Production Recovery and Favorable Foreign Exchange Rate**

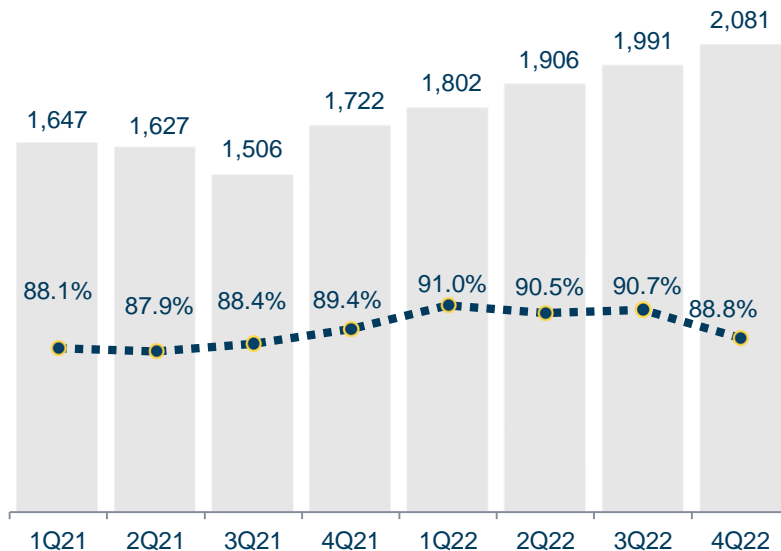
# Quarterly COGS

## Quarterly Cost of Goods Sold

## Comments

(KRW in Billions)

COGS COGS%



- Positive factors
  - COGS% decreased by 1.9%p QoQ and 0.6%p YoY due to production recovery, mitigation of supply chain disruptions and price stabilization
  - Expect COGS% improvement in 2023 with easing raw material and logistics costs
- Negative factors
  - Chip shortage continues to impact volume
  - Lower than planned production volume with residual impact on chip shortage and slower ramp up for some programs

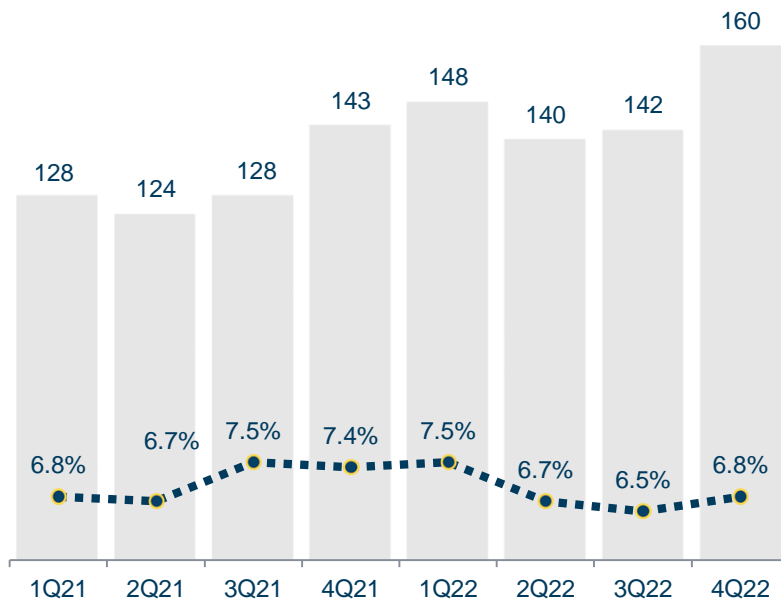
Improvements Expected in 2023 with Easing Commodity and Logistics Costs

# Quarterly SG&A

## Quarterly SG&A Status

(KRW in Billions)

SG&A SG&A%



## Comments

### • 4Q22 Quarterly Comments

- SG&A expense: 6.8% of total revenue (-0.6%p YoY)
- R&D spend (incl. R&D capitalization): 4.4% of total revenue

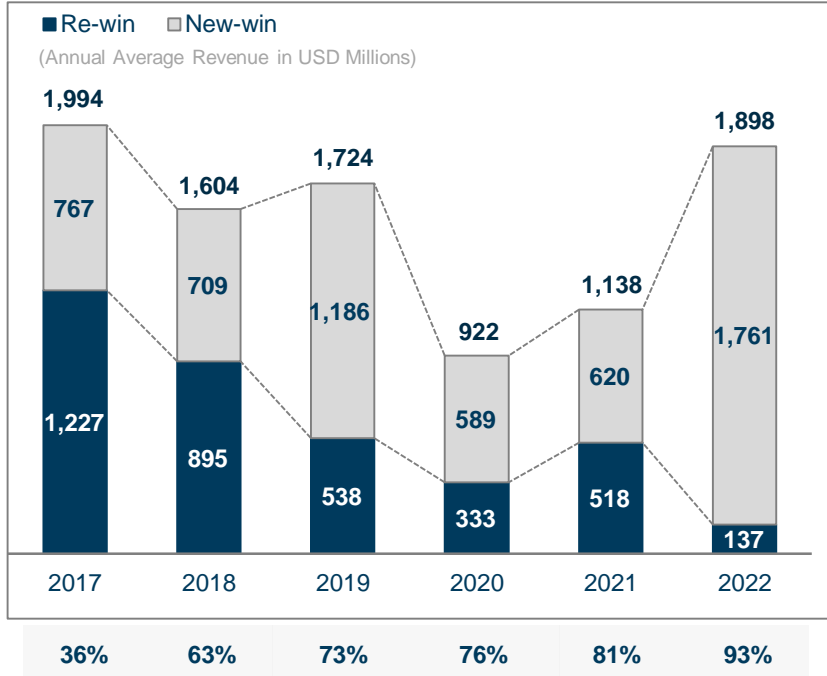
### • 2022 Full Year Comments

- SG&A expense: 6.8% of total revenue (-0.3%p YoY)
- R&D spend (incl. R&D capitalization): 4.5% of total revenue

**SG&A% Remains Stable Despite Cost Inflation**

# New Business Wins Update

## FY2022 New Business Wins



- Company overachieved 2022 NBW target of 1.5 billion dollars due to acceleration of electrification
- 1H22: major thermal system and refrigerant module award for global EV platform from Europe customers
- 2H22: major thermal system award for global EV platform in North America
- xEV ratio in New-win reached 93% in 2022
- Ongoing focus to strengthen leading position in EV market based on strong relationship with anchor and premium customers

**Exceeded NBW Target in 2022 Thanks to Global EV Platform Orders from Europe and the U.S.**

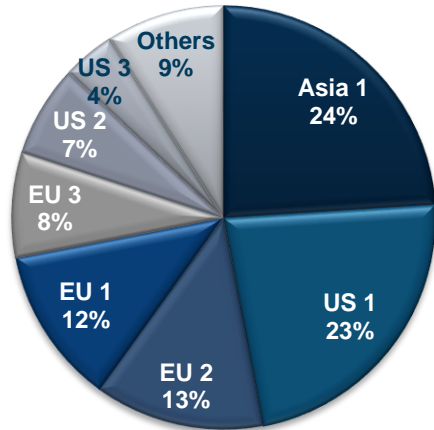


# Maintaining Solid Backlog

## 4Q 2022 Backlog

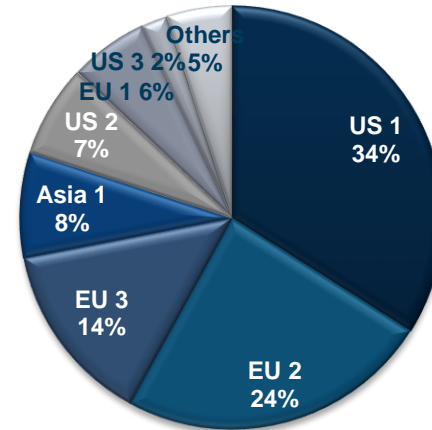
**Total Backlog \$49B**

**xEV ~60%**



**New-win Backlog \$20B**

**xEV ~90%**



Note: Total Backlog includes the followings

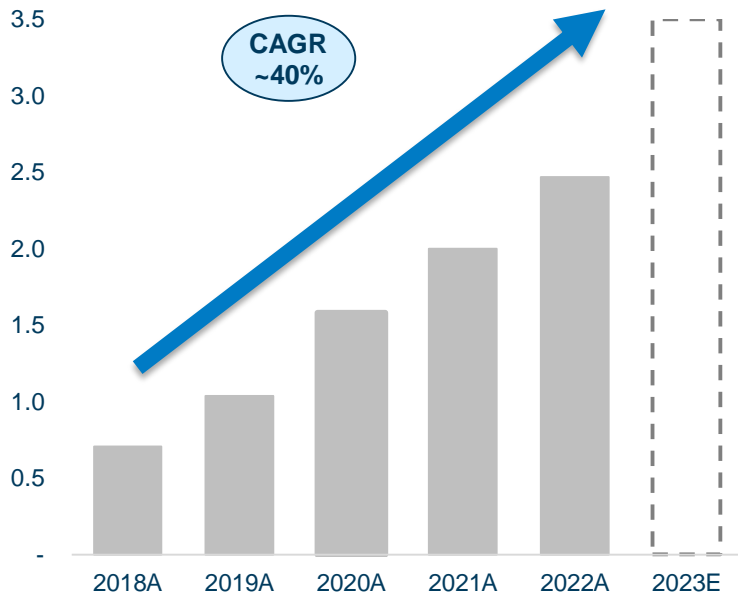
- 1) In-production backlog: Remaining life-cycle revenue from vehicles in production
- 2) Re-win backlog: Program life-cycle revenue of re-win vehicles to be launched
- 3) New-win backlog: Program life-cycle revenue of new-win vehicles to be launched

**Total Backlog and New-win Backlog Increased by 20% and 80% Respectively from 2021**

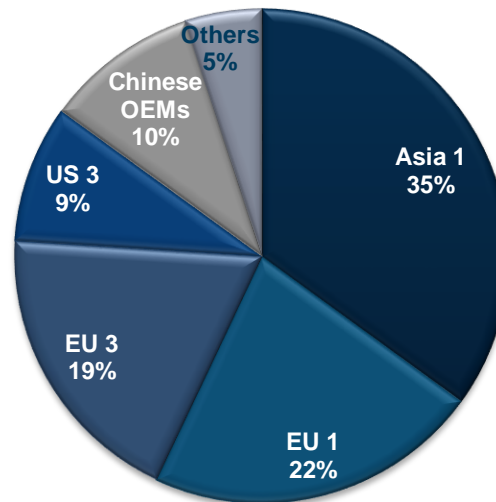
# Leading Supplier of eCompressor in Global BEV Market

## Hanon Systems: eCompressor Shipments

(Million Units)



## Hanon Systems: eComp Sales by Customer (2022)

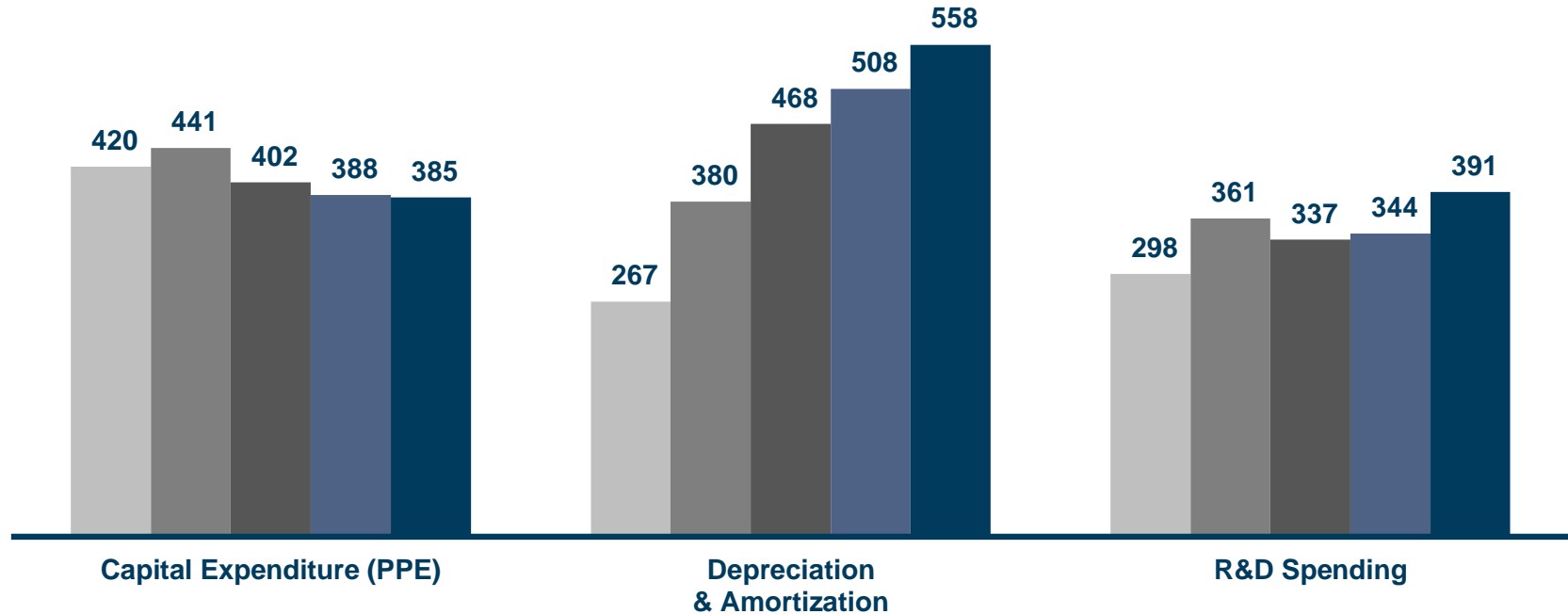


Hanon Systems is the Leading eCompressor Supplier with Clear Dominance in Europe

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

(KRW in Billions)

■ FY2018 ■ FY2019 ■ FY2020 ■ FY2021 ■ FY2022



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

# YE 2022 Balance Sheet

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

## Balance Sheet

	Dec 2022	Dec 2021	Dec 2020
Cash and cash equivalent	1,436	1,404	1,325
Account receivable	1,285	1,025	1,202
Inventories	972	810	630
Property and equipment	2,371	2,336	2,224
Intangible assets	1,923	1,790	1,622
Lease assets	249	227	211
Other assets	863	642	593
<b>Total assets</b>	<b>9,099</b>	<b>8,234</b>	<b>7,807</b>
Account payable	1,824	1,475	1,581
Debt	4,280	3,723	3,430
Other liabilities	624	560	557
Shareholder's equity	2,236	2,343	2,117
Non-controlling	134	133	122
<b>Total liabilities &amp; shareholders' equity</b>	<b>9,099</b>	<b>8,234</b>	<b>7,807</b>

## Cash and Debt

Cash Balance	Dec 2022	Dec 2021	Dec 2020
Net Debt	2,844	2,319	2,104
Net Debt Ratio	1.2	0.9	0.9
Debt to Equity	1.8	1.5	1.5
Leverage	2022	2021	2020
EBITDA	814	834	784
Debt / EBITDA	5.3	4.5	4.4
Net Debt / EBITDA	3.5	2.8	2.7
EBITDA / Net Interest Expenses	8.8	10.5	9.2

# Guidance for 2023

(KRW in Billions)

	2023 Guidance
Revenue	9,000
EBITDA	1,000
Operating Profit	400
Capital Spending (PPE)	400

Market Starts to Recover, on Course to Achieve Approximately 14% EBITDA Margin by 2025

# Conclusion: Key Takeaways in 2022

**Solid Revenue Growth Based on Electrification and Volume Recovery**

**Profitability Began to Improve in 4Q as Costs Stabilized and Recovered**

**Major NBW Platform in Europe and North America on More Diversified EV Segments**

**Focus to Support EV Production Growth in North America for the Next Three Years**



# Thank You

## Investor Relations Team

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