



3Q 2019 Earnings Release

Nov 6, 2019

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3Q 2019: Key Financial Metrics

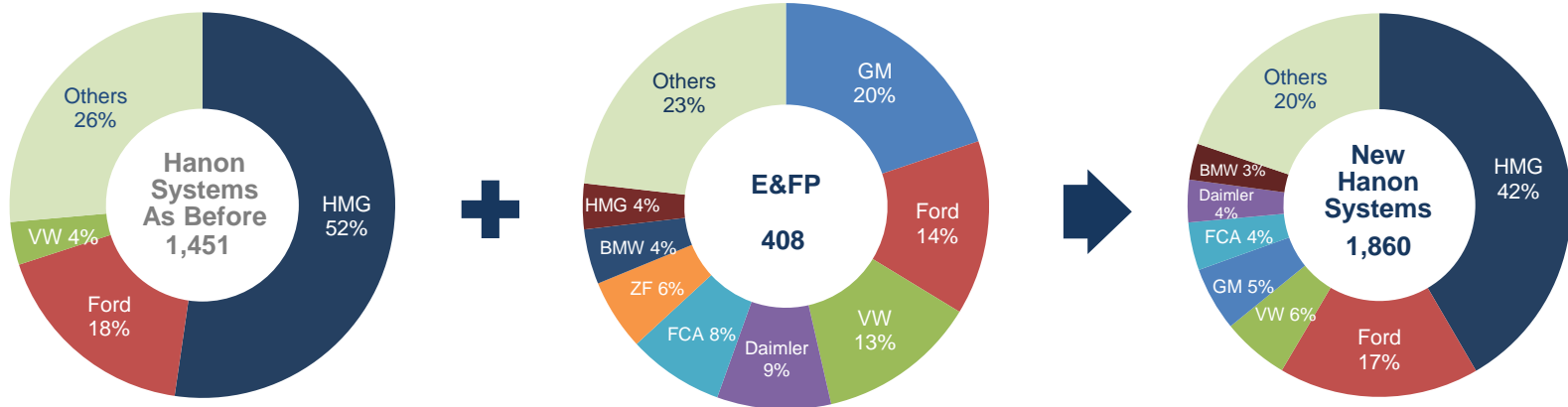
(KRW in Billions)

	3Q19	3Q18	YoY %	2Q19	QoQ %
Revenue	1,860	1,420	+31.0%	1,904	-2.3%
COGS	1,611	1,221	+31.9%	1,642	-1.9%
% of Sales	86.6%	86.0%		86.3%	
SG&A (Incl R&D)	141	116	+21.6%	150	-5.4%
% of Sales	7.6%	8.2%		7.9%	
EBITDA	210	149	+40.7%	212	-1.0%
Margin (%)	11.3%	10.5%		11.2%	
Operating Profit	107	82	+30.5%	112	-4.7%
Margin (%)	5.8%	5.8%		5.9%	
Net Income	76	55	+36.7%	71	+6.5%
Margin (%)	4.1%	3.9%		3.7%	

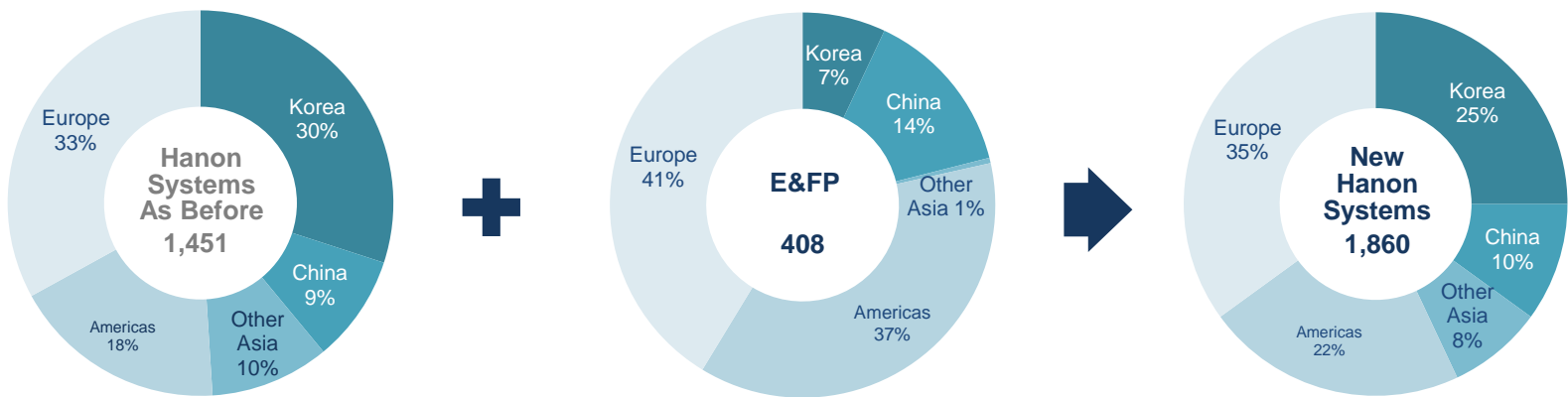
Accelerated Growth on E&FP Acquisition; Adjusted-OPM 6.2% Before PPA

Customer/Region Mix

3Q19 Sales by Customer with E&FP



3Q19 Sales by Region with E&FP



(KRW in Billions)

3Q YTD 2019: Key Financial Metrics

(KRW in Billions)

	3Q YTD 2019	3Q YTD 2018	YoY Variance	
Revenue	5,193	4,325	+868	+20.1%
Gross Profit	4,482	3,694	+787	+21.3%
Margin (%)	86.3%	85.4%		
SG&A (Incl R&D)	399	353	+46	+13.0%
% of Sales	7.7%	8.2%		
EBITDA	588	474	+114	+24.0%
Margin (%)	11.3%	11.0%		
Operating Profit	313	278	+35	+12.5%
Margin (%)	6.0%	6.4%		
Net Income	203	194	+9	+4.9%
Margin (%)	3.9%	4.5%		

One-time Impacts in Non-OP are 32.0 bW in 1H19, Which Covers Most of M&A Related Costs

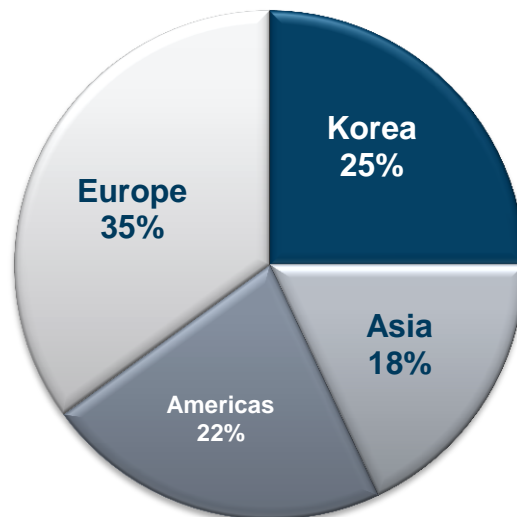
3Q 2019 Highlights

3Q19 Highlights

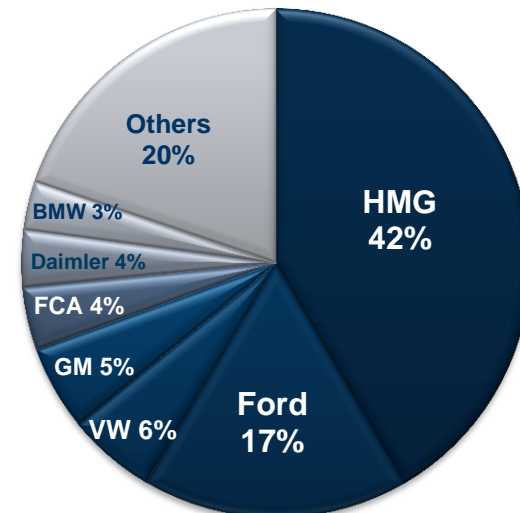
- ✓ Revenue and OP increase 31% on E&FP acquisition; Adj-OPM is 6.1% before PPA
- ✓ Customer diversification accelerates with E&FP; Largest customer accounts for 42%
- ✓ Eco-friendly/Electrified revenue increases to 14% on E&FP consolidation

Sales Breakdown (3Q19 Only)

By Region



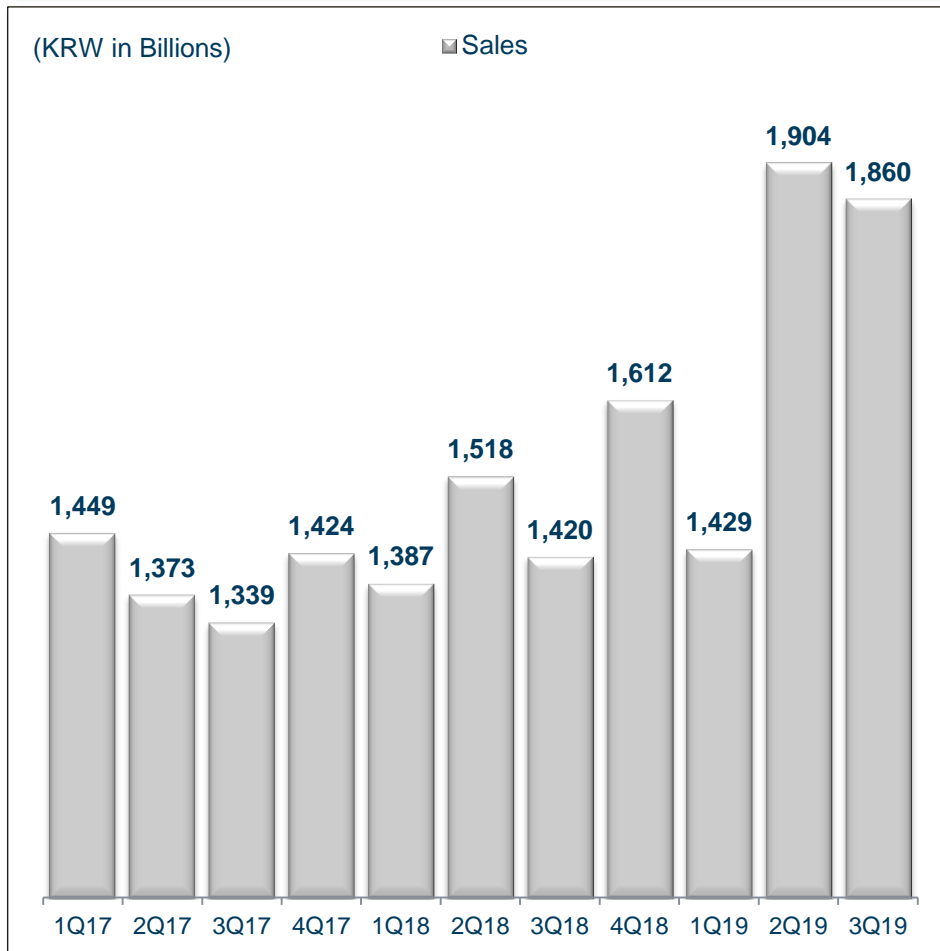
By Customer



- Ford: Incl. Changan Ford & Ford Otosan

Quarterly Sales

Consolidated Sales



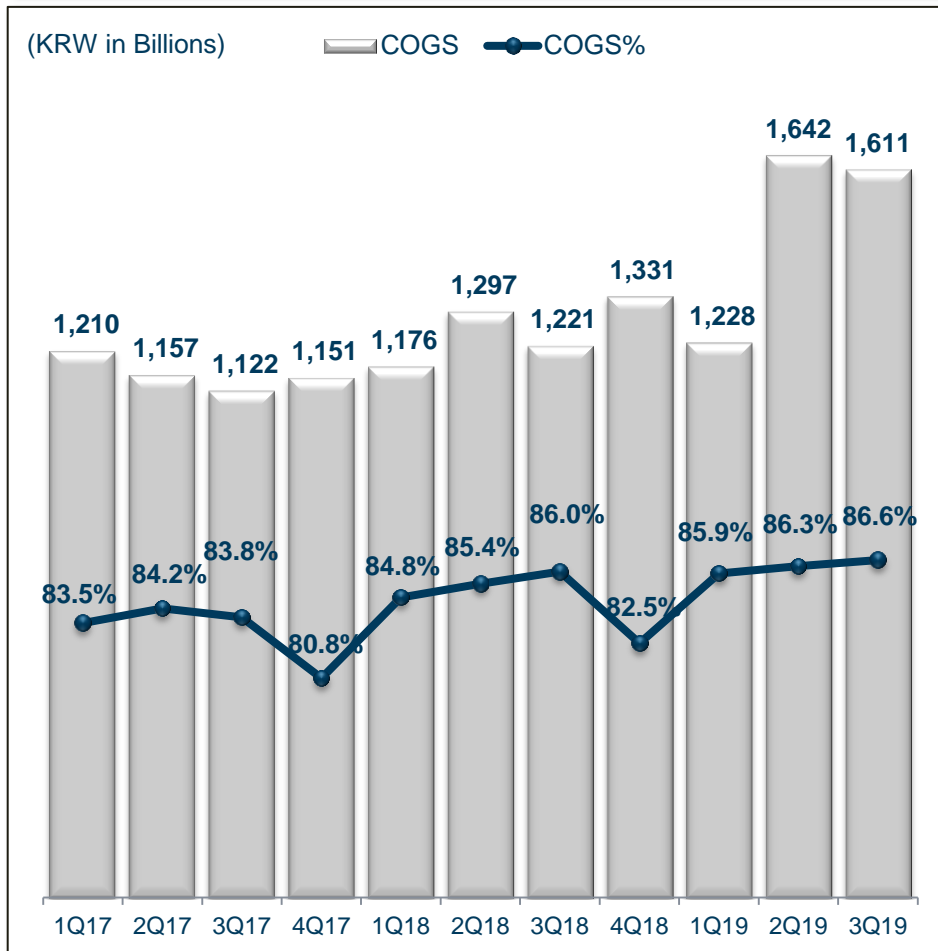
Comments

- 3Q19 Americas and Europe revenue up 70% and 47% YoY respectively with E&FP acquisition
- 3Q19 Korea and China revenue increase moderately by 5% and 16% YoY respectively after E&FP consolidation; Hanon Systems-as-before revenue in China declined by 21% YoY
- 3Q19 VW (+180% YoY), GM (+430%), Daimler(+340%), FCA (+120%), Renault (+100%) become sizable customers thanks to E&FP
- 3Q19 HMG and Ford revenue increase by 3% and 20% YoY respectively
- 3Q19 CAOEM revenue decreases by 13% YoY on mix change

3Q Revenue is up 31% YoY on E&FP Acquisition

Quarterly COGS

Quarterly Cost of Goods Sold

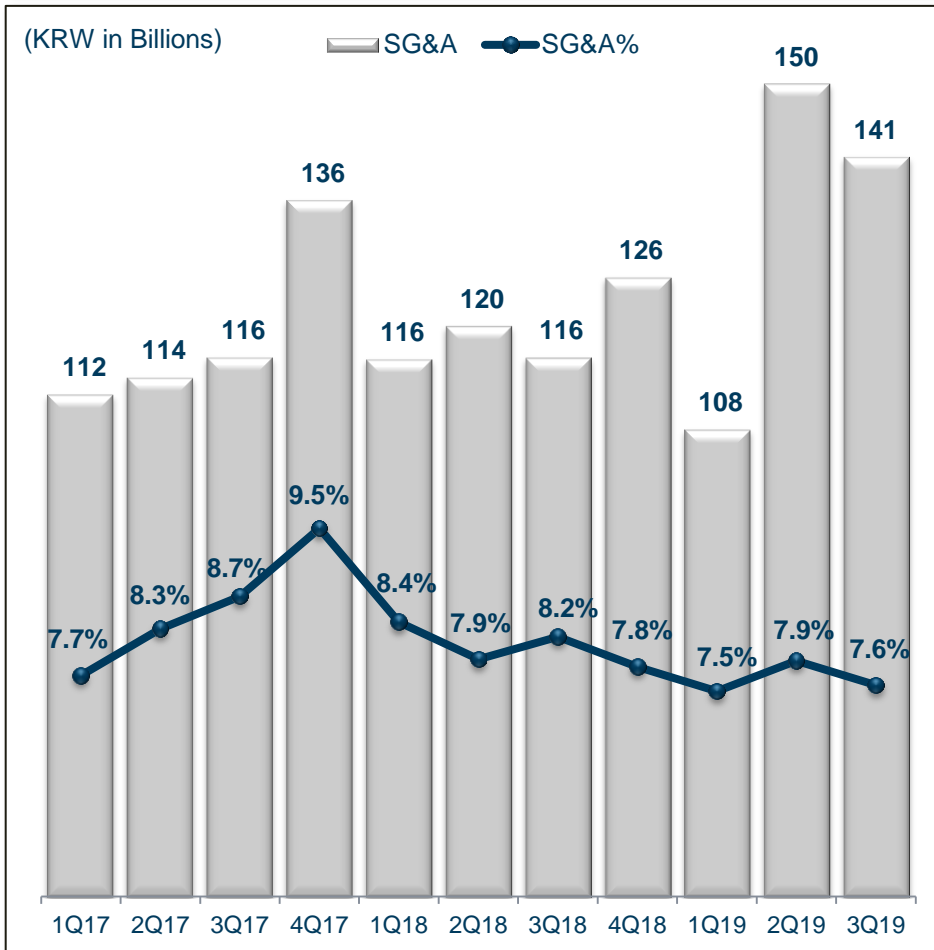


Comments

- Positive factors:
 - ✓ E&FP shows strong profitability on higher portions of electrified components and diverse customer base
 - ✓ Hanon Systems-as-before improves margins in Europe and Americas by ongoing cost improvement actions
- Negative factors:
 - ✓ Weak volume in China
 - ✓ Major launch delays from a core customer
 - ✓ 3Q19 D&A 103 bW (+54% YoY)

China Volume Continues to Remain Weak; Gross Profit Margin Remains In-Line

Quarterly SG&A Status



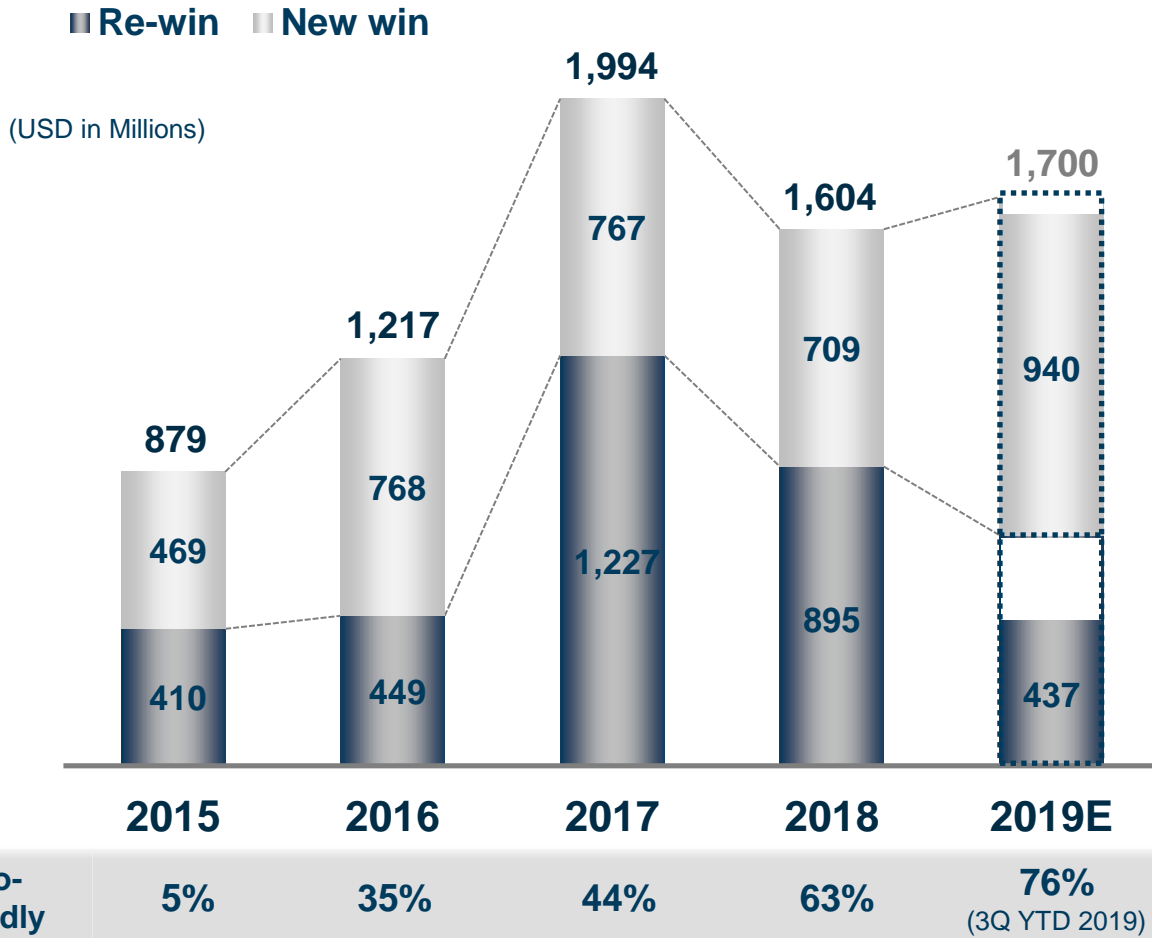
Comments

- 3Q19 SG&A spend: 7.6% of total revenue (-0.6%p YoY)
- 3Q19 R&D spend: 5.1% of total revenue (-0.1%p YoY)
- 3Q19 net income is up by 37% YoY as the acquisition costs are mainly reflected in 1H19.

SG&A Spending Ratio at Three-year Low

New Business Wins Update

3Q YTD 2019 New Business Wins

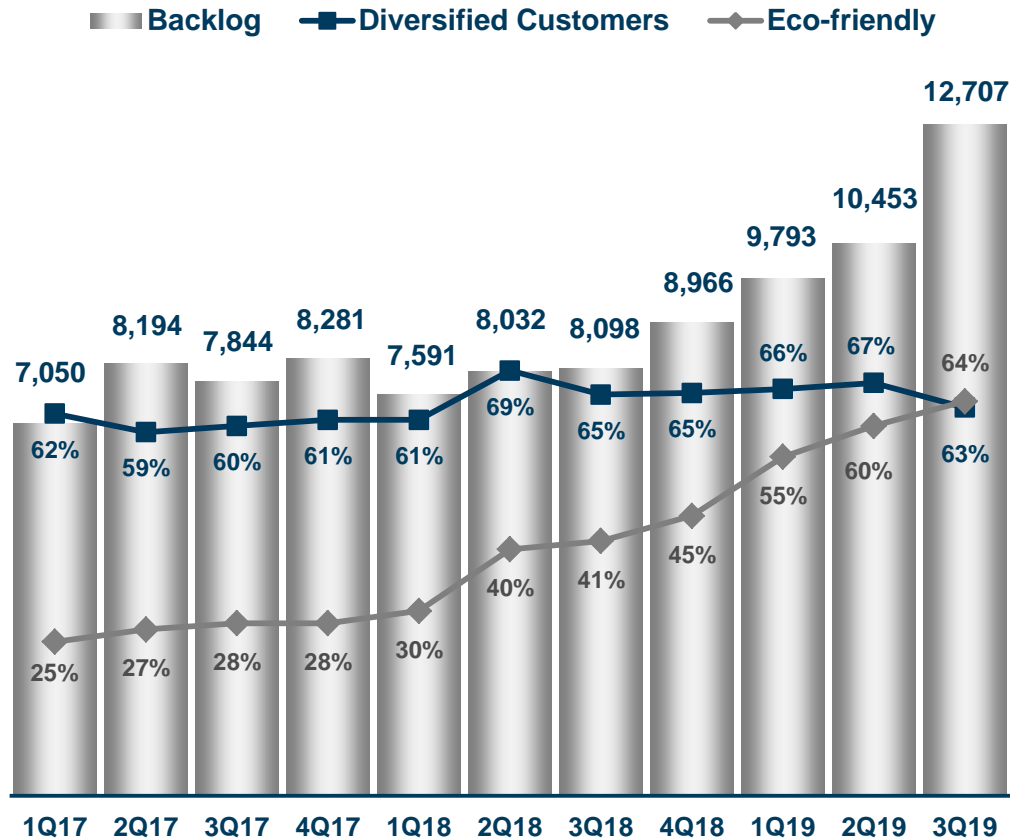


- New business wins represents average annual revenue (in USD million)
- Orders from diverse customers account for 75% of 3Q YTD 2019 new wins
- Eco-friendly orders account for 76% of 3Q YTD 2019 new wins

Backlog Status Update

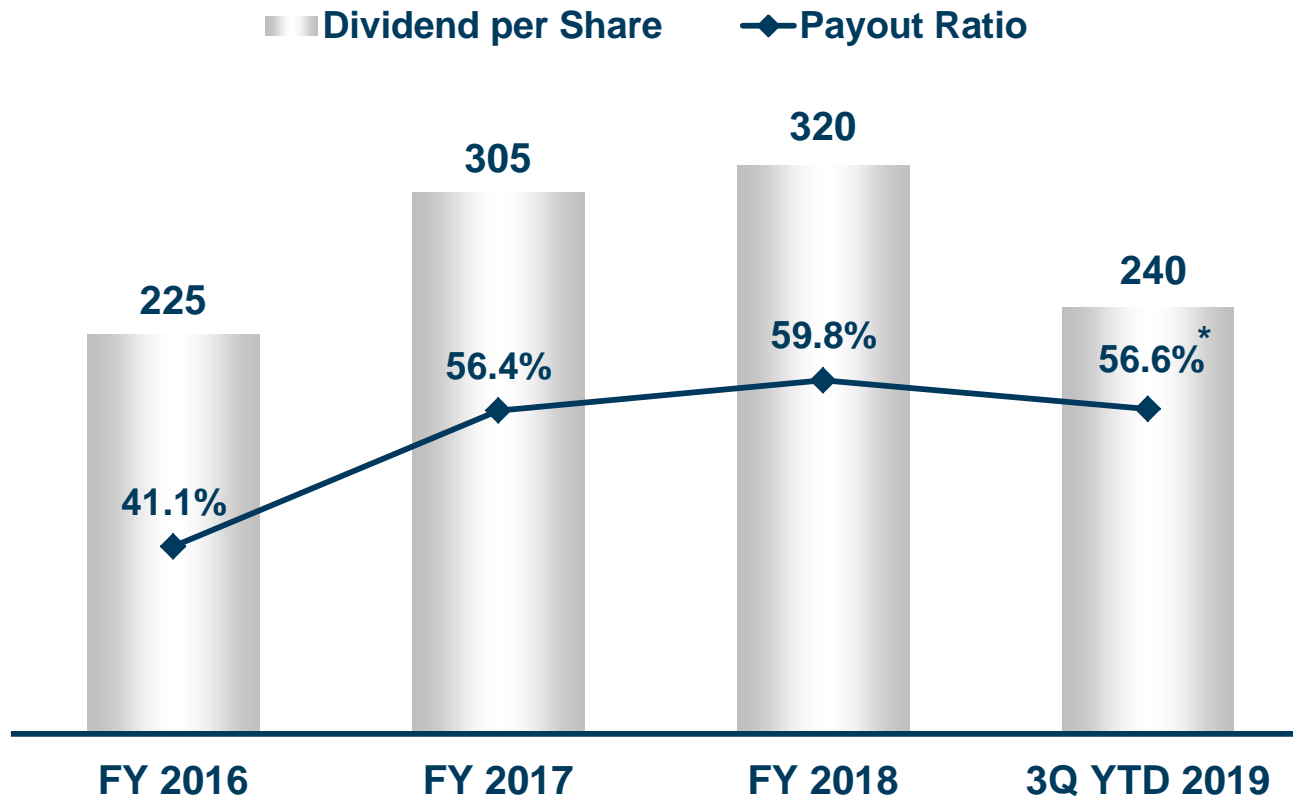
3Q 2019 Backlog (New Wins Only)

(USD in Millions)



- Backlog: Defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diverse customers account for 63%
- Eco-friendly orders account for 64%

3Q19 Quarterly Dividend: 80 KRW per share



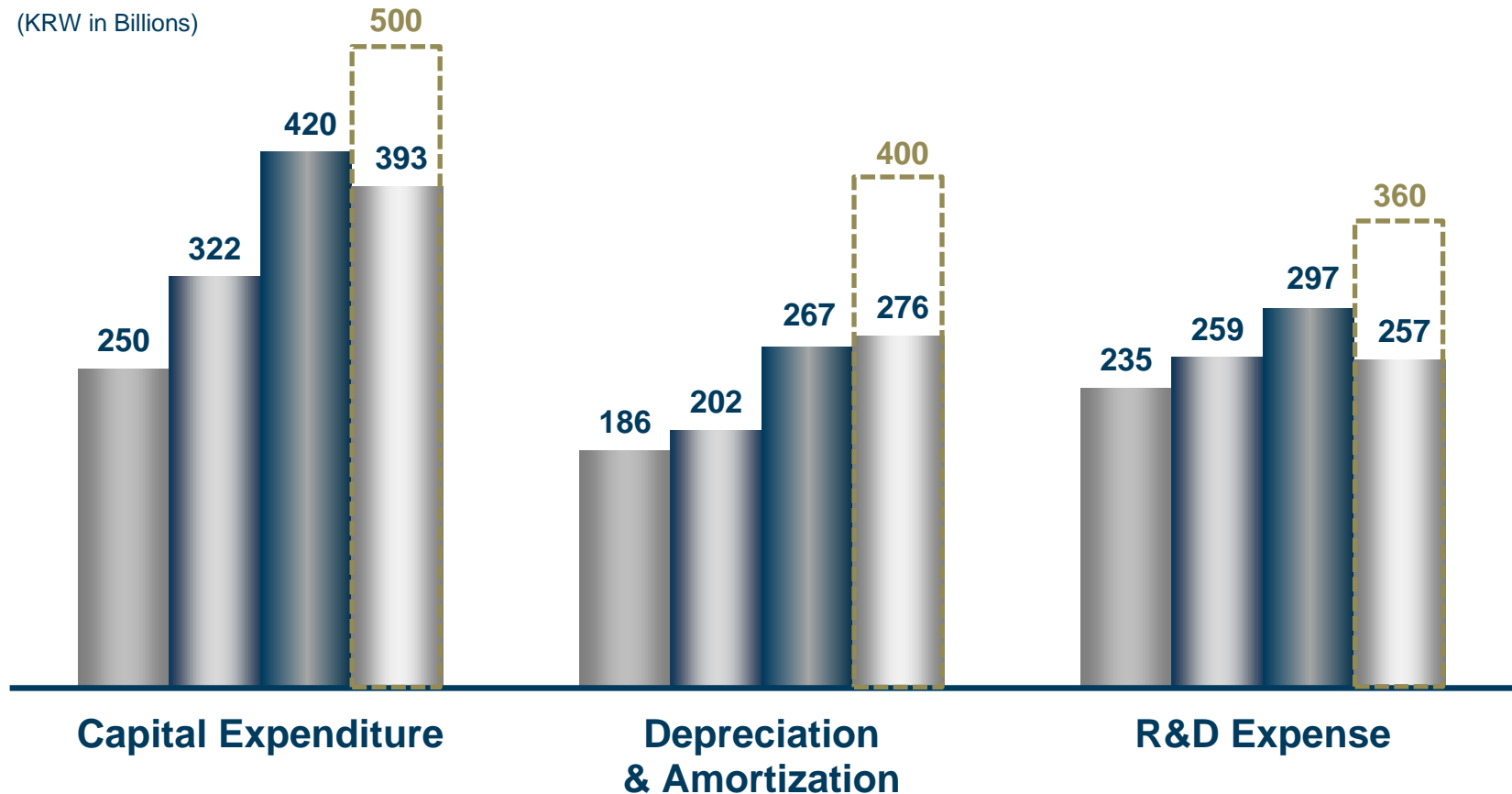
* Based on adjusted net income per share of 3Q YTD 2019

Maintaining Quarterly Dividend at Previous Level

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

■ FY2016 ■ FY2017 ■ FY2018 ■ FY2019

(KRW in Billions)



* FY2019 guidance includes EFP

CapEx, D&A and R&D Spend On-track to Meet Full-Year Target

3Q19 Balance Sheet

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

Balance Sheet

	Sep 2019	Dec 2018	Dec 2017
Cash and cash equivalent	512	1,018	567
Account receivable	1,348	1,021	972
Inventories	687	506	469
Property and equipment	2,082	1,551	1,262
Intangible assets	1,505	564	438
Lease assets	219	181	-
Other assets	610	515	412
Total assets	6,964	5,356	4,120
Account payable	1,233	1,215	1,045
Debt	2,856	1,672	757
Other liabilities	576	337	286
Sharers' equity	2,178	2,037	1,979
Non-controlling	120	95	53
Total liabilities & shareholders' equity	6,964	5,356	4,120

Cash and Debt

Cash Balance	Sep 2019	Dec 2018	Dec 2017
Net Debt	2,344	654	190
Net Debt Ratio	1.0x	0.3x	0.1x
Debt to Equity	1.2x	0.8x	0.4x

- 'Debt' and 'Net Debt' **INCLUDE** Lease Debt in E3Q19 and YE2018 (KRW 212b, KRW 177b) respectively due to the change of KIFRS 1116.

Leverage	2019E	2018	2017
EBITDA	900*	701	670
Debt / EBITDA	3.2x	2.4x	1.1x
Net Debt / EBITDA	2.6x	0.9x	0.3x
EBITDA / Net Interest Expenses	12.6x	39.7x	60.2x

* 2019 EBITDA guidance

Balance Sheet Items are Mostly Maintained Since 2Q19

Thank You

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