



# 3Q 2020 Earnings Release

**November 10, 2020**

## **Disclaimer**

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# 3Q 2020: Key Financial Metrics

(KRW in Billions)

	3Q20	3Q19	YoY %	2Q20	QoQ %
<b>Revenue</b>	<b>1,901</b>	<b>1,860</b>	2.2%	<b>1,195</b>	59.1%
<b>COGS</b>	<b>1,650</b>	<b>1,611</b>	2.4%	<b>1,121</b>	47.2%
% of Sales	86.8%	86.6%		93.7%	
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>132</b>	<b>141</b>	-6.6%	<b>133</b>	-0.4%
% of Sales	6.9%	7.6%		11.1%	
<b>EBITDA</b>	<b>239</b>	<b>210</b>	13.6%	<b>56</b>	329.2%
Margin (%)	12.6%	11.3%		4.7%	
<b>Operating Profit</b>	<b>120</b>	<b>107</b>	11.8%	<b>-58</b>	Turned Positive
Margin (%)	6.3%	5.8%		-4.8%	
<b>Net Income</b>	<b>51</b>	<b>76</b>	-32.8%	<b>-60</b>	Turned Positive
Margin (%)	2.7%	4.1%		-5.1%	

**3Q Volume Increased and EBITDA Margin Improved Accordingly with Proactive Cost Actions**

Note:  
EBITDA and Operating Profit has reflected one-time impact in Q2 2020 and Q3 2020

# 3Q YTD 2020: Key Financial Metrics

(KRW in Billions)

	3Q YTD 2020	3Q YTD 2019	YoY Variance	
<b>Revenue</b>	<b>4,772</b>	<b>5,193</b>	-421	-8.1%
<b>COGS</b>	<b>4,247</b>	<b>4,482</b>	-235	-5.2%
% of Sales	89.0%	86.3%		
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>403</b>	<b>399</b>	5	1.1%
% of Sales	8.4%	7.7%		
<b>EBITDA</b>	<b>466</b>	<b>588</b>	-122	-20.8%
Margin (%)	9.8%	11.3%		
<b>Operating Profit</b>	<b>121</b>	<b>313</b>	-191	-61.2%
Margin (%)	2.5%	6.0%		
<b>Net Income</b>	<b>24</b>	<b>203</b>	-180	-88.3%
Margin (%)	0.5%	3.9%		

**2H Rebound Expected to Mitigate 1H Losses from Production Stoppage Caused by COVID-19**

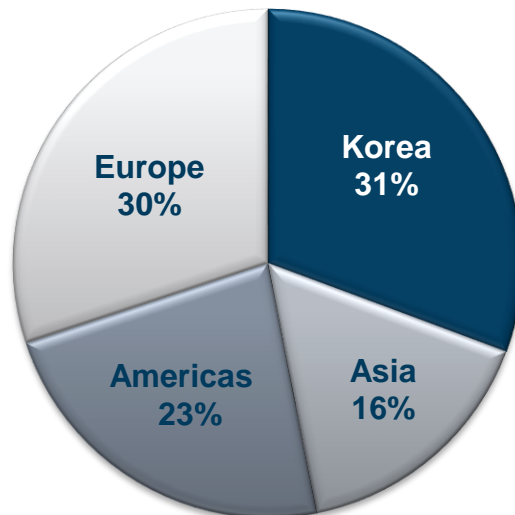
Note:  
EBITDA and Operating Profit has reflected one-time impact in Q2 2020 and Q3 2020

## 3Q20 Highlights

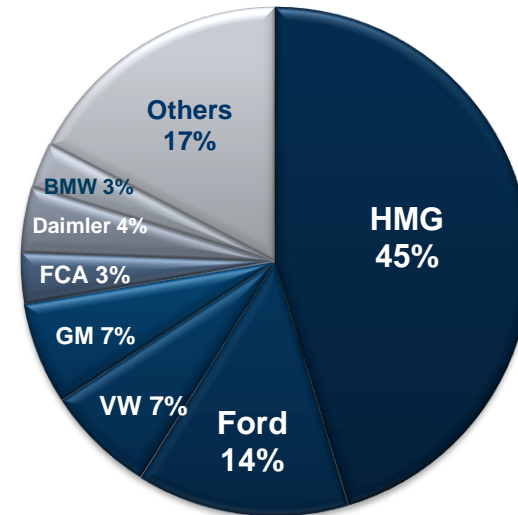
- EV revenue accounts for 19% of 3Q20, with VW and HMG as top 2 xEV customers
- 3Q Normalized OP margin recovered at 7.4% with volume recovery and proactive cost improvement actions
- Net debt has improved by 210 bW QoQ with normalized operation and working capital management

## Sales Breakdown (3Q20 YTD)

By Region



By Customer



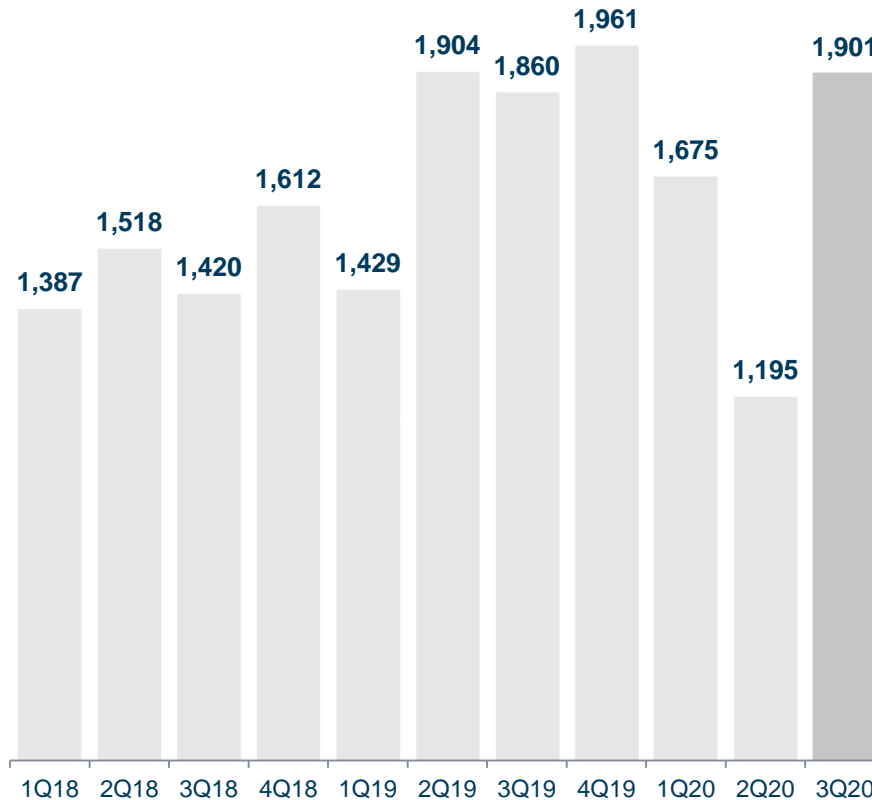
Note:

Regional revenue classified based on locations of manufacturing entities

# Quarterly Sales

## Consolidated Sales

(KRW in Billions)



## Comments

- 3Q20 revenue is the highest in company history as 3Q
- Korea, Europe and China revenues up by 16%, 5% and 8% YoY
- Americas revenue flat and Others areas revenue down by 11%
- Hanon Systems as-before revenue increased by 4% YoY, while EFP revenue decreased by 3% YoY
- HMG, VW, GM and Daimler revenues increased by 7%, 37%, 41% and 19% YoY
- Ford (-20% YoY), FCA (-6%), BMW (-6%), CAOEM (-9%) decreased revenue on volumes

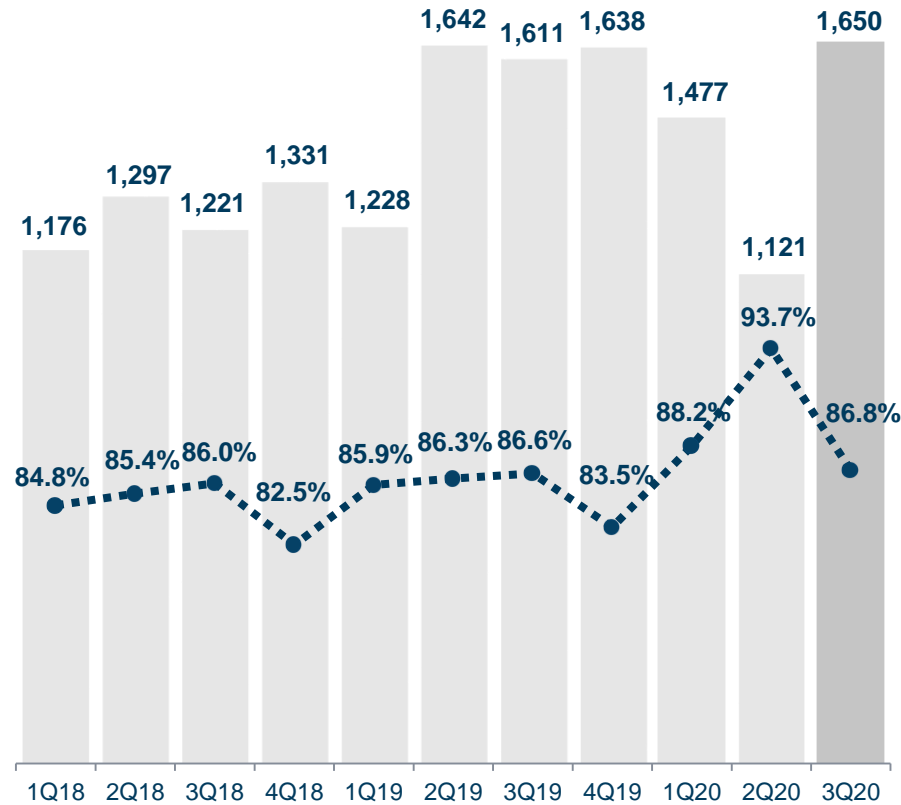
**3Q Revenue Jumps 59% QoQ Due to Re-opening Business and New Vehicle Launches**

# Quarterly COGS

## Quarterly Cost of Goods Sold

(KRW in Billions)

COGS COGS%



## Comments

- Positive factors:
  - Cost improvement actions
  - Korea, Europe and China volume recovered and turned profitable
- Negative factors:
  - Discontinuation of a number of ICE sedans in Americas
  - One-off costs 9 bW included

**Gross Margin Recovers to a Pre-COVID19 Level**

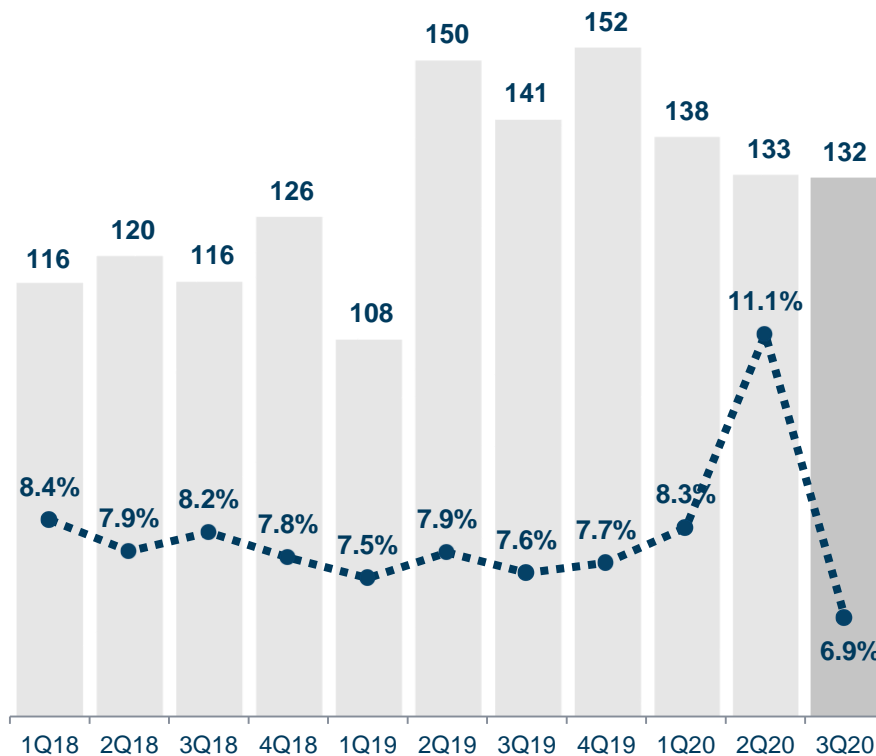
# Quarterly SG&A

## Quarterly SG&A Status

## Comments

(KRW in Billions)

■ SG&A    ●●● SG&A%



- 3Q20 SG&A expense: 6.9% of total revenue (-0.7%p YoY)
- 3Q20 R&D spending (incl. R&D capitalization): 4.1% of total revenue (-1.0%p YoY)
- One-off costs of 13 bW included

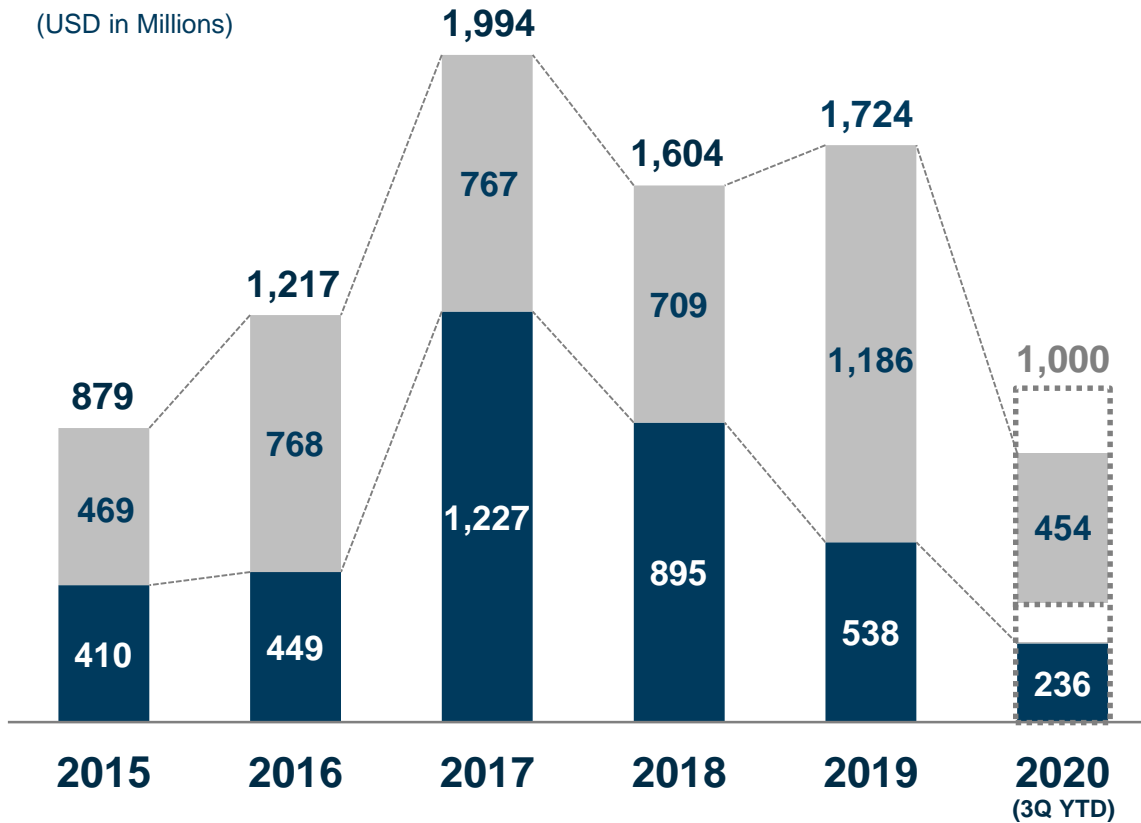
**Cost Improvement Actions are Successfully Implemented**

# New Business Wins Update

## 3Q YTD 2020 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 62% of 3Q YTD 2020 new wins
- 2020 New-win target is \$650m and Re-win target is \$350m for the consolidated entity
- New Business Wins are on track to achieve yearly target in 2020

Eco-friendly  
(% out of New win)

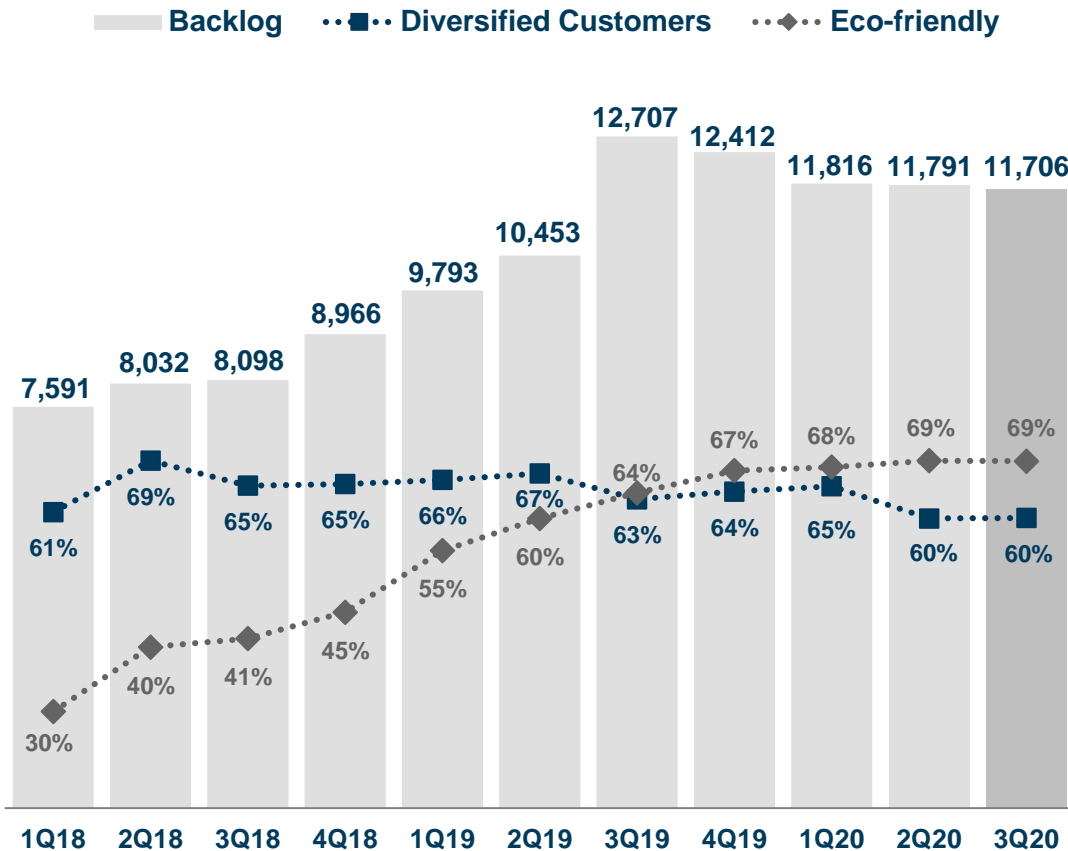
5%	35%	44%	63%	71%	83%
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# Backlog Status Update

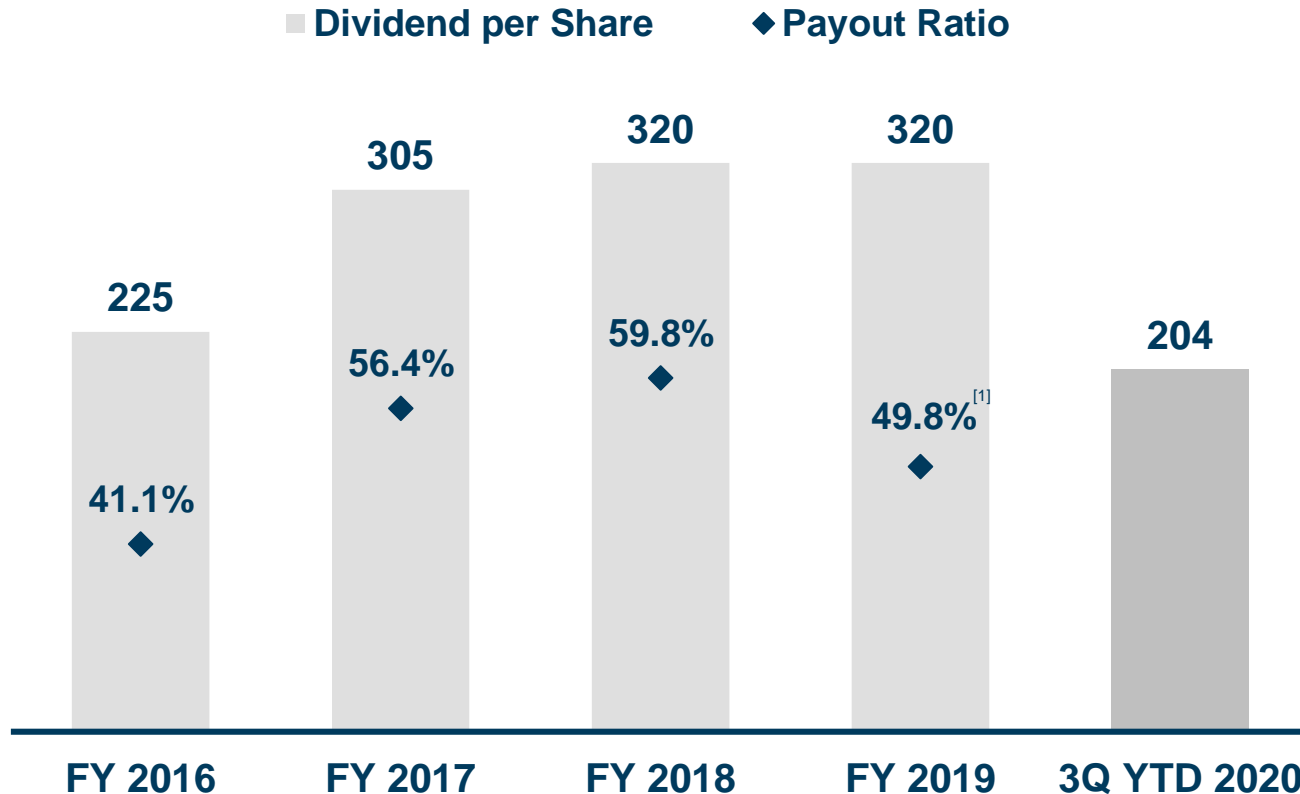
## 3Q20 Backlog (New Wins Only)

(USD in Millions)



- Backlog: Defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diverse customers account for 60%
- Eco-friendly orders account for 69%

## 3Q20 Quarterly Dividend: 68 KRW per share



Note:

10 [1] Based on adjusted net income per share of FY2019

- **Share Buyback initiated in March**

- Period: One year from March 20, 2020
- Fund: 40 bW

- **Current Status**

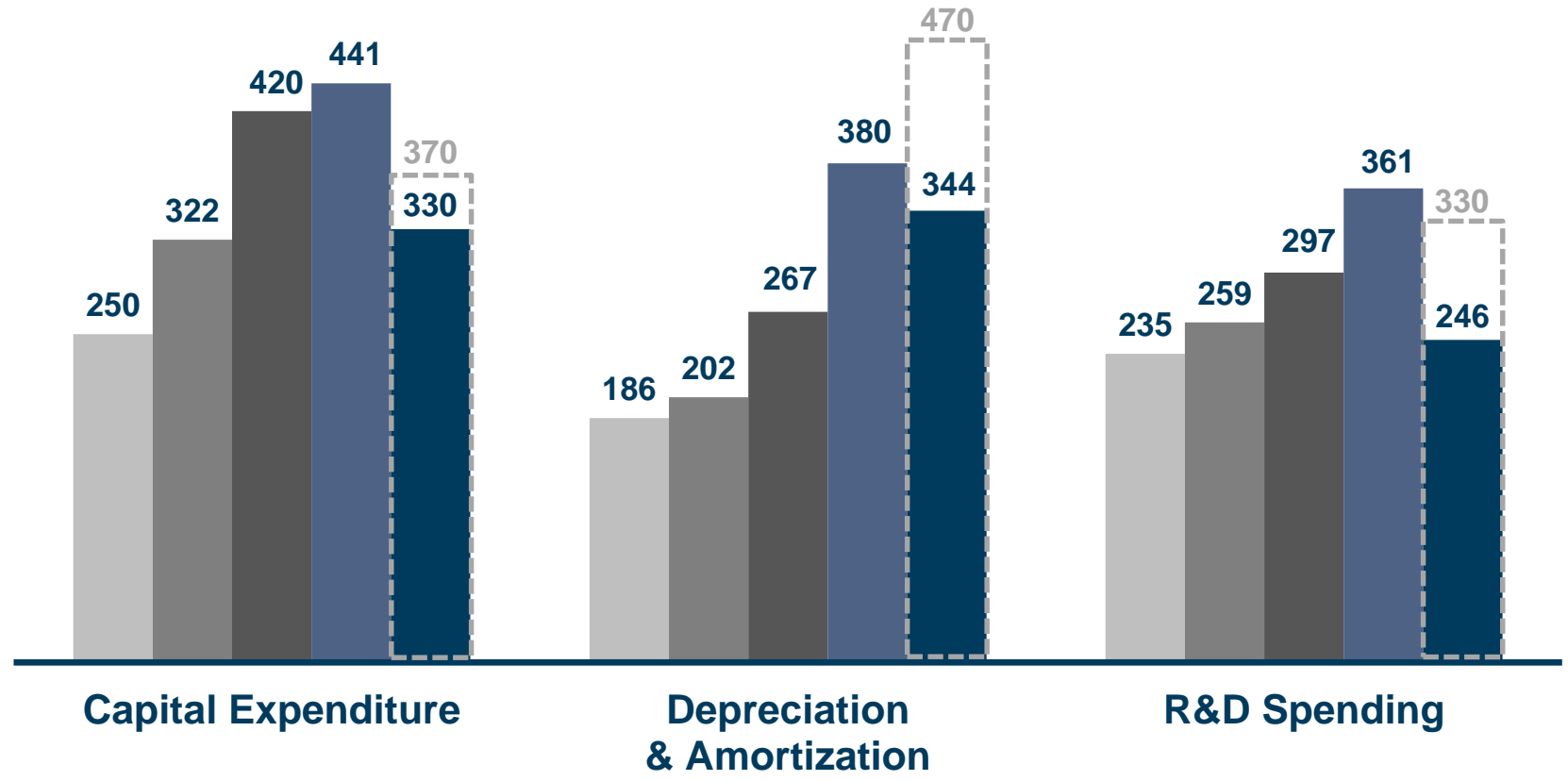
- Share buyback for 131,570 shares in 1H
- No additional share buyback in 3Q

**Less Than 3% of Total Fund Has Been Used for the First Eight Months**

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

■ FY2016 ■ FY2017 ■ FY2018 ■ FY2019 ■ FY2020

(KRW in Billions)



**Raised Guidance for 2020 CapEx by 20 bW due to Accelerated EV Launches**

# 3Q 2020 Balance Sheet

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

## Balance Sheet

	Sep 2020	Dec 2019	Dec 2018
Cash and cash equivalent	991	687	1,018
Account receivable	1,225	1,254	1,021
Inventories	693	613	506
Property and equipment	2,208	2,130	1,551
Intangible assets	1,685	1,593	564
Lease assets	216	205	181
Other assets	670	601	515
<b>Total assets</b>	<b>7,688</b>	<b>7,082</b>	<b>5,356</b>
Account payable	1,358	1,459	1,215
Debt	3,474	2,734	1,672
Other liabilities	590	552	337
Shareholder's equity	2,143	2,217	2,037
Non-controlling	122	121	95
<b>Total liabilities &amp; shareholders' equity</b>	<b>7,688</b>	<b>7,082</b>	<b>5,356</b>

## Cash and Debt

Cash Balance	Sep 2020	Dec 2019	Dec 2018
Net Debt	2,484	2,047	654
Net Debt Ratio	1.1	0.9	0.3
Debt to Equity	1.5	1.2	0.8

- 'Debt' and 'Net Debt' includes Lease Debt since YE2018 due to the change of KIFRS 1116.

Leverage	2019	2018
EBITDA	864	701
Debt / EBITDA*	3.0	2.4
Net Debt / EBITDA*	2.2	0.9
EBITDA* / Net Interest Expenses	14.7	39.7

- Annualized EBITDA including Q1 performance of E&FP business

**Net Debt Improved by 210 bW QoQ and Back on Track to Reduce Down to Ordinary Level**

# Thank You

## Investor Relations Team

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**Chungkwan Shin**  
Head of IR  
[cshin1@hanonsystems.com](mailto:cshin1@hanonsystems.com)

**Keyoun Park**  
Manager  
[kpark21@hanonsystems.com](mailto:kpark21@hanonsystems.com)