

**2Q 2020 Earnings Release**

# **Hyosung Corporation**

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**HYOSUNG CORPORATION**

**<http://www.hyosung.com>**

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2Q 2020 consolidated earnings and past consolidated earnings presented in this presentation are based on K-IFRS accounting standards. Historical data is provided for comparison purposes.

Information in this presentation has not been audited nor reviewed yet, and thus, is subject to change during the audit or review. Forward looking statements have been made with consideration of current status of the business environment and are also subject to change according to changes in the business environment, as well as the company's strategy.

# I. Profit & Loss

## Income Statement (Consolidated)

(Unit: Hundred Million KRW)

	2Q.2019 (reviewed/audited)	1Q.2020 (reviewed/audited)	2Q.2020 (posted)	QoQ	YoY
Sales Revenue	9,410	6,769	6,598	-2.5%	-29.9%
Gross Profit	1,799	873	905	3.7%	-49.7%
(Gross Profit Margin)	(19.1%)	(12.9%)	(13.7%)	(0.8%p)	(-5.4%p)
Operating Profit	1,049	125	176	40.9%	-83.3%
(Operating Profit Margin)	(11.1%)	(1.8%)	(2.7%)	(0.8%p)	(-8.5%p)
Interest Expense	90	82	81	-0.7%	-9.6%
Gain or Loss on Foreign Exchange/Derivatives	58	▲46	9	turnaround	-85.1%
Income before Tax	1,020	2	460	457	-54.9%
Net Income	859	▲29	368	turnaround	-57.2%
EBITDA	1,116	204	247	21.2%	-77.8%

## II. Balance Sheet

### Statement of Financial Position (Consolidated)

(Unit: Hundred Million KRW)

	March 2020 (reviewed/audited)	June 2020 (posted)	Change
Assets	66,440	65,734	-1.1%
Current Assets	15,326	15,523	1.3%
Cash & Cash Equivalents	2,920	3,618	23.9%
Non-Current Assets	51,114	50,211	-1.8%
Liabilities	40,482	39,708	-1.9%
Current Liabilities	25,386	24,316	-4.2%
Non-Current Liabilities	15,096	15,393	2.0%
Equity	25,958	26,026	0.3%
Debt	26,664	27,431	2.9%
Net Debt	23,744	23,812	0.3%
Debt Ratio	(156.0%)	(152.6%)	(-3.4%p)

### III. Profit & Loss by Company

#### Business Performance by Company

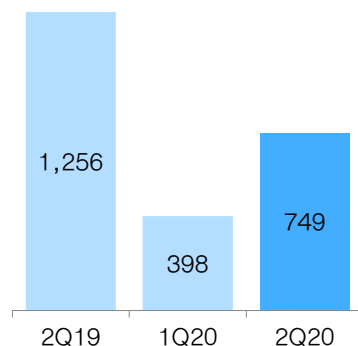
(Unit: Hundred Million KRW)

		2Q.2019		1Q.2020		2Q.2020	
		Sales Revenue	Operating Profit	Sales Revenue	Operating Profit	Sales Revenue	Operating Profit
Consolidated Object	Hyosung Corporation	1,256	638	398	▲165	749	153
	Hyosung TNS	2,618	384	2,160	211	2,316	315
	Hyosung Capital	545	102	470	72	466	83
	Others	5,964	181	4,213	80	3,967	17
Equity Method	Hyosung TNC	79	79	42	42	▲28	▲28
	Hyosung Advanced Materials	20	20	13	13	▲74	▲74
	Hyosung Chemical	58	58	2	2	▲26	▲26
	Hyosung Heavy Industries	110	110	▲192	▲192	89	89
Consolidated Adjustment		▲1,240	▲523	▲338	61	▲861	▲354
Total		9,410	1,049	6,769	125	6,598	176

## IV. Business Performance by Company

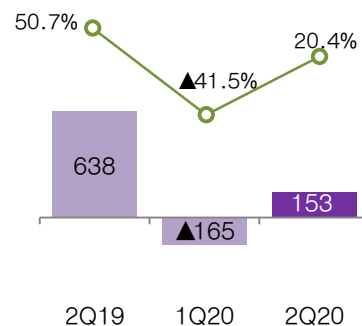
Hyosung Corp: Earnings increase including gains from equity method, brand royalties, etc. improved separate earnings in Q2 (+ increased performance on QoQ)

Sales Revenue



(Unit: Hundred Million KRW)

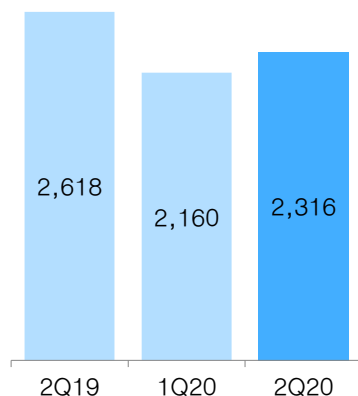
Operating Profit (Margin)



- Marked improved separate earnings in 2Q20 (↓ on YoY)
  - Q2 earnings down on YoY required by COVID-19
  - However Q2 earnings improved on QoQ (turnaround) : gains from equity method, brand royalties, etc.
- Consolidated earnings in Q2 down compared to estimated figures by both street and company guidance
  - Three operating companies' earnings down except Hyosung Heavy (TNC, Advanced Materials, Chemical)
  - Overseas trading companies' sales down by COVID-19

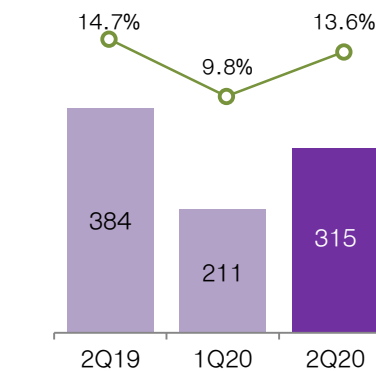
Hyosung TNS: ATM business in the States and Russia continued to retain profitability as well as remarkable results under COVID-19 (+ increased performance on QoQ)

Sales Revenue



(Unit: Hundred Million KRW)

Operating Profit (Margin)

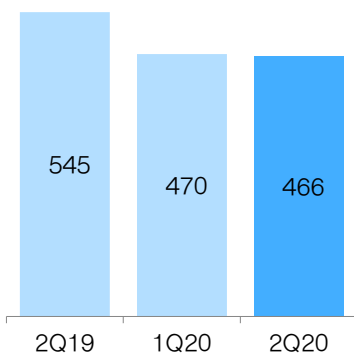


- Monopolized supply of ATM machines for Chase Bank
- Enlarged market share within U.S. financial sector (30%)
- Received exclusive orders for premium ATMs from Sber Bank in Russia (5,000 ATMs)
- First major inroad into Algerian market (200 ATMs)
- Received orders from two banks in India (2,000 ATMs)
- Received orders from a bank in Indonesia (1,500 ATMs)
- Software business promoting sales in U.S., SE Asia, etc.
- Automated cash registers operating for testing in emart

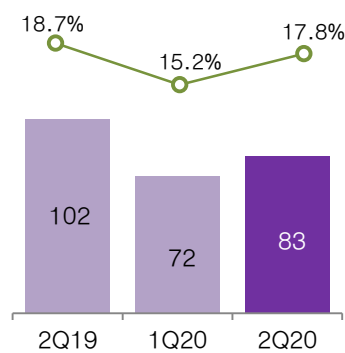
## IV. Business Performance by Company

Hyosung Capital: Efficient sales focused on financial health, profitability and return on investment was promoted (+ improved operating profit and operating profit margin on QoQ)

Sales Revenue



Operating Profit (Margin)

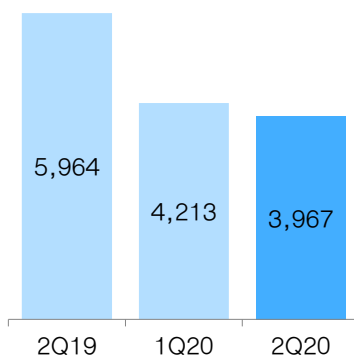


(Unit: Hundred Million KRW)

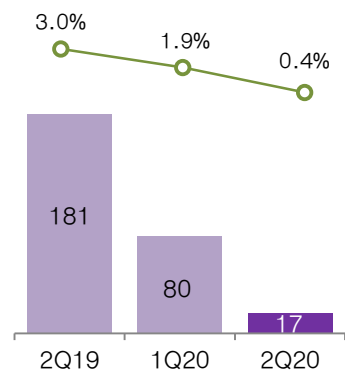
- Challenging more sales in business finance and retailing
- Pursuing efficient asset management → improved NIM : 4.03%(2Q19), 4.33% (1Q20), 4.83%(2Q20)
- Recession in primary industry and competition in equipment leasing market continue to intensify : breaking into market by others such as banking, etc.
- Management focusing on financial health and liquidity (None Performing Loan Ratio ↓, Long Term Debt ↑)
- Hyosung Capital now in bidding process open to public : must be sold in Dec 2020 by Market Intervention Act

### Others

Sales Revenue



Operating Profit (Margin)



(Unit: Hundred Million KRW)

- FMK: faced downturn in sales by absence of new models for Maserati under COVID-19
  - Significant drop in visitor numbers
  - Sales volume down in major cities, Pusan and Taegu
  - Maserati: 213 cars sold in 2Q20 (286 cars sold in 2Q19)
- Transworld: Sales down for both internal and external logistics services by COVID-19
- Goodsprings: Highly lucrative sales orders up in Q2 (2Q20 earnings up on QoQ)
- Overseas trading companies: business down by COVID-19 (2Q20 earnings down on both QoQ & YoY)

## Appendix 1. Financial Statement by Company

### Hyosung Corporation (Separate)

#### • P/L Summary (Unit: Hundred Million KRW)

	2Q.2019	1Q.2020	2Q.2020
Sales Revenue	1,256	398	749
Gross Profit	776	▲42	287
Operating Profit	638	▲165	153
Interest Expense	6	5	8
Gain or Loss on Foreign Exchange/Derivatives	2	2	▲1
Income before Tax	638	▲112	154
Net Income	680	▲97	165

#### • B/S Summary (Unit: Hundred Million KRW)

	Mar. 2020	Jun. 2020	Change
Assets	28,151	27,808	-1.2%
* Cash	362	199	-45.1%
Tangible/ Intangible Assets	5,753	5,745	-0.1%
Liabilities	4,297	4,090	-4.8%
Debt	1,034	868	-16.1%
Equity	23,854	23,719	-0.6%
Debt Ratio	18.0%	17.2%	-0.8%p

### Hyosung TNS

#### • P/L Summary (Unit: Hundred Million KRW)

	2Q.2019	1Q.2020	2Q.2020
Sales Revenue	2,618	2,160	2,316
Gross Profit	631	489	583
Operating Profit	384	211	315
Interest Expense	16	12	13
Gain or Loss on Foreign Exchange/Derivatives	▲5	7	▲7
Income before Tax	365	204	598
Net Income	262	156	466

#### • B/S Summary (Unit: Hundred Million KRW)

	Mar. 2020	Jun. 2020	Change
Assets	6,592	7,105	7.8%
* Cash	1,708	1,822	6.6%
Tangible/ Intangible Assets	1,339	1,378	2.9%
Liabilities	3,727	3,777	1.3%
Debt	1,636	2,148	31.3%
Equity	2,865	3,328	16.2%
Debt Ratio	130.1%	113.5%	-16.6%p



## Appendix 1. Financial Statement by Company

### Hyosung Capital

- P/L Summary (Unit: Hundred Million KRW)

	2Q.2019	1Q.2020	2Q.2020
Sales Revenue	545	470	466
Gross Profit	188	155	165
Operating Profit	102	72	83
Interest Expense	-	1	1
Gain or Loss on Foreign Exchange/Derivatives	-	-	-
Income before Tax	105	71	82
Net Income	80	55	63

- B/S Summary (Unit: Hundred Million KRW)

	Mar. 2020	Jun. 2020	Change
Assets	23,654	23,915	1.1%
* Cash	1,236	2,120	71.5%
Tangible/ Intangible Assets	189	188	-0.6%
Liabilities	19,702	19,900	1.0%
Debt	17,120	17,680	3.3%
Equity	3,953	4,015	1.6%
Debt Ratio	498.4%	495.7%	-2.8%p

### FMK

- P/L Summary (Unit: Hundred Million KRW)

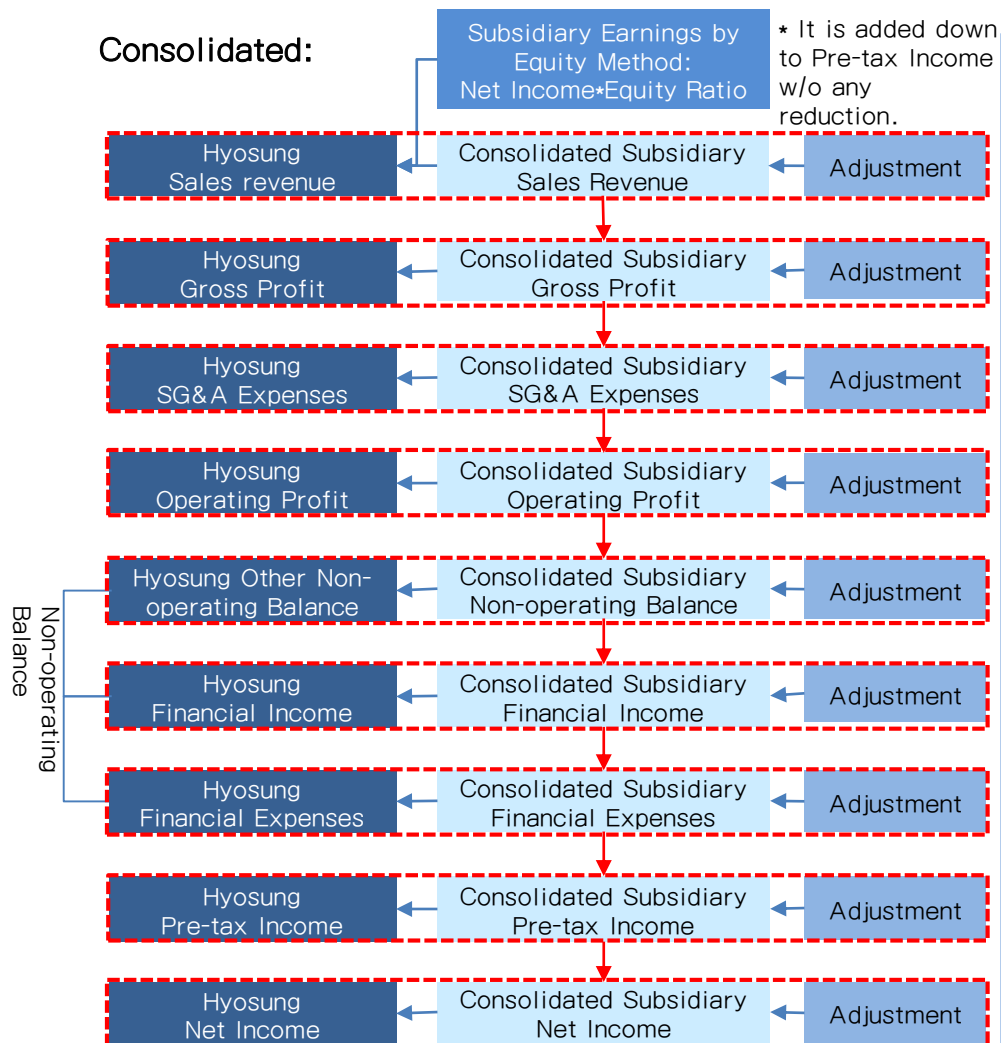
	2Q.2019	1Q.2020	2Q.2020
Sales Revenue	593	394	407
Gross Profit	132	103	96
Operating Profit	15	11	0.4
Interest Expense	6	5	3
Gain or Loss on Foreign Exchange/Derivatives	3	▲2	6
Income before Tax	18	8	24
Net Income	14	4	21

- B/S Summary (Unit: Hundred Million KRW)

	Mar. 2020	Jun. 2020	Change
Assets	1,543	1,332	-13.6%
* Cash	26	13	-50.0%
Tangible/ Intangible Assets	277	228	-17.8%
Liabilities	1,221	999	-18.2%
Debt	399	283	-29.2%
Equity	322	333	3.5%
Debt Ratio	379.3%	299.9%	-79.5%p

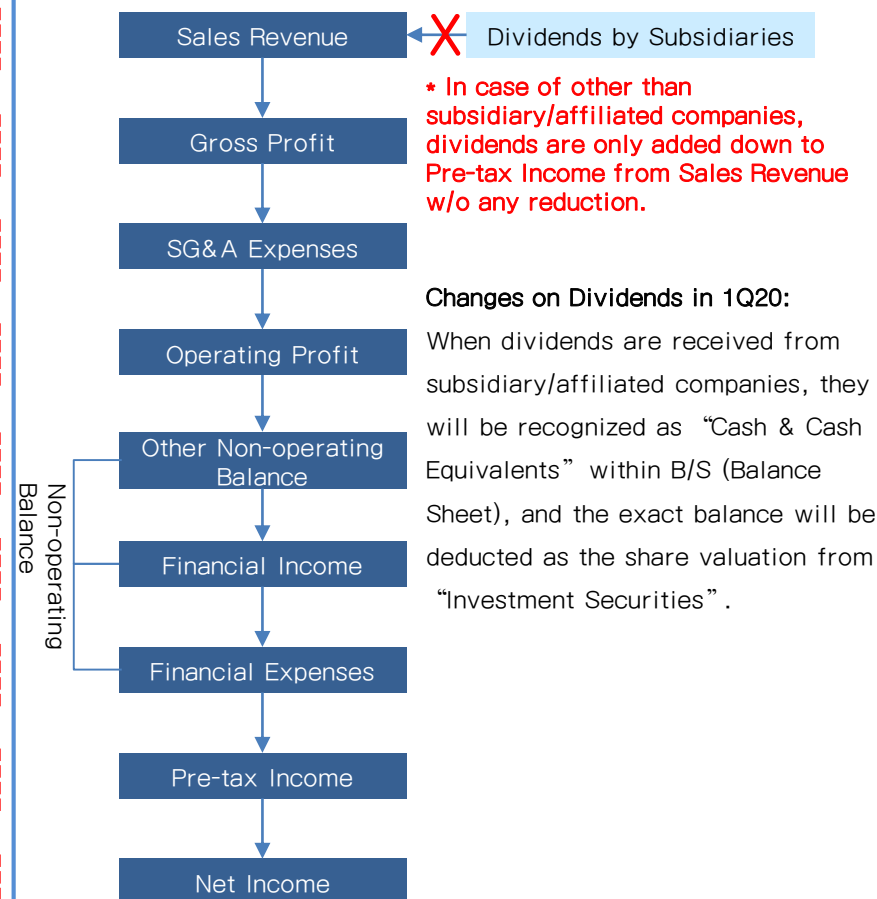
## Appendix 2. Hyosung P/L Analysis: Consolidated vs. Separate

### Consolidated:

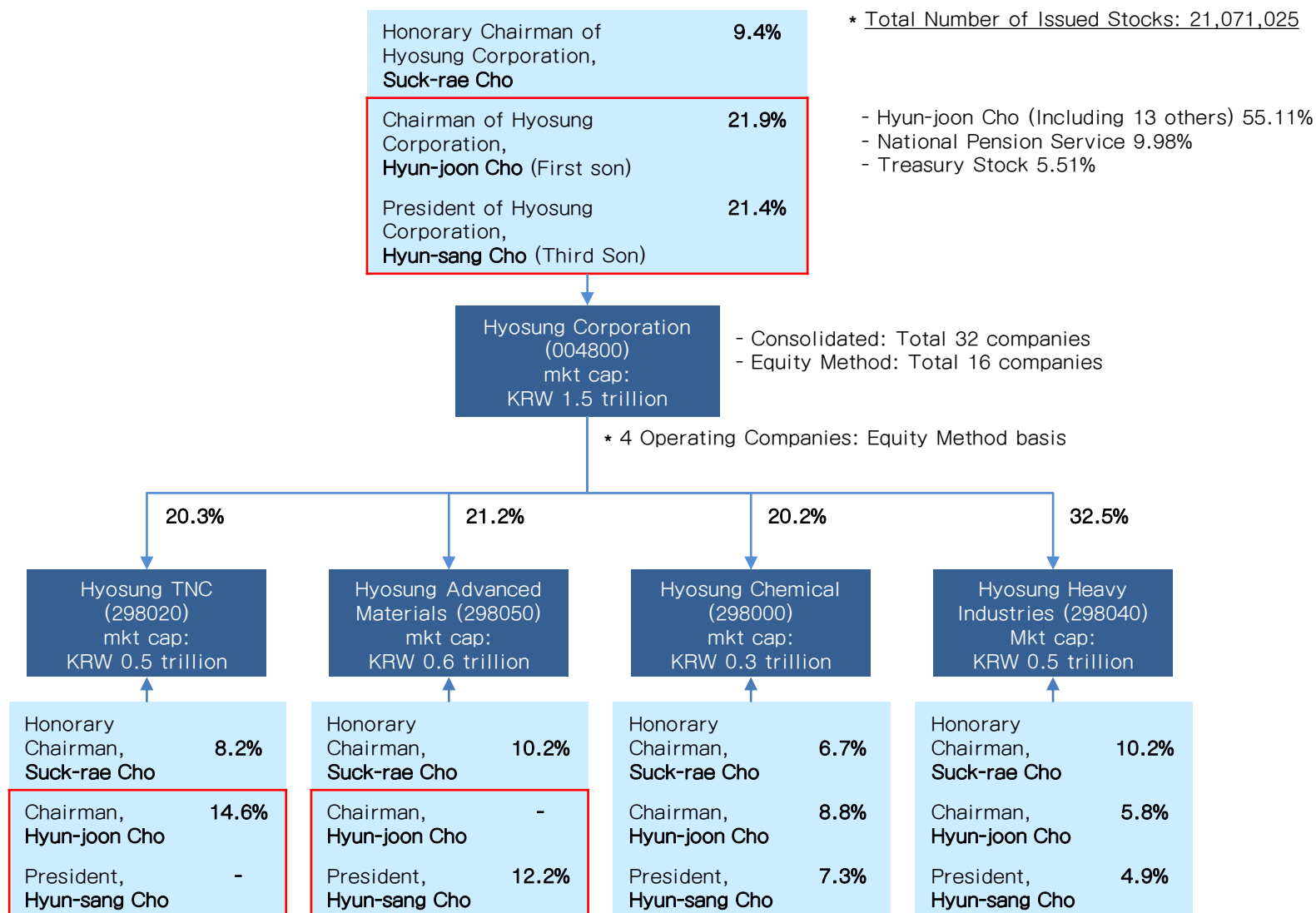


\* The amount of dividends, which is recognized as a part of sales revenue in separate financial statements, is fully removed in the case of consolidated financial statements.

### Separate:

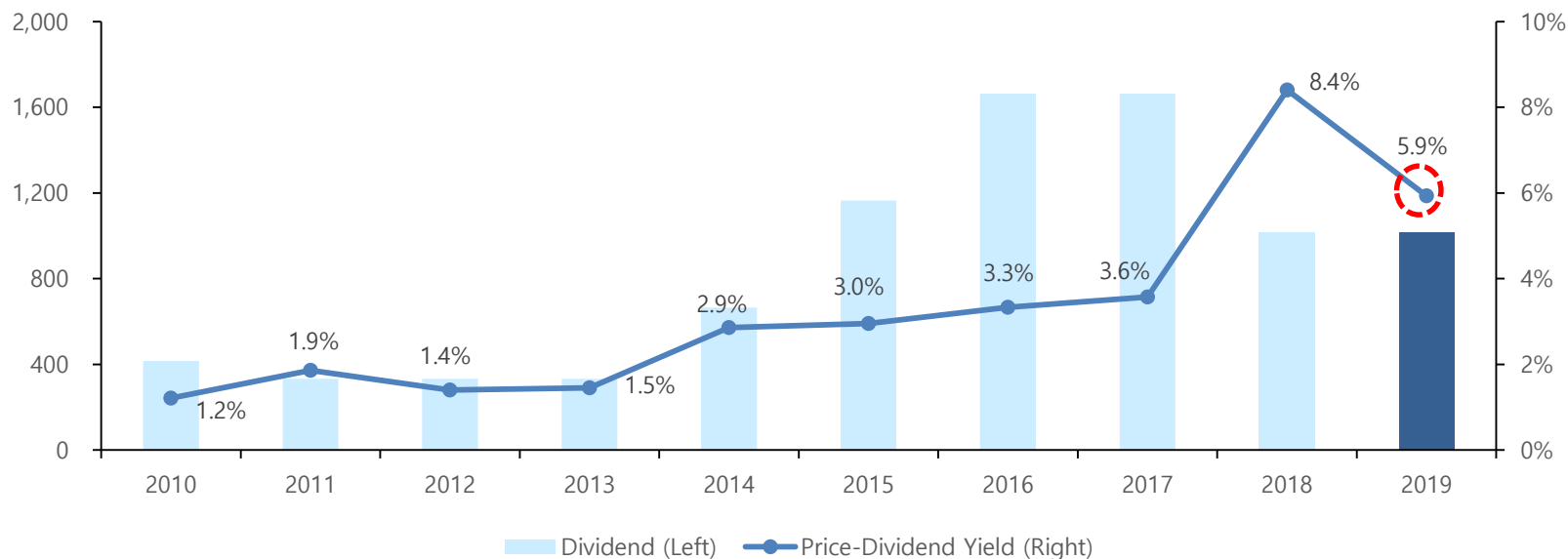


## Appendix 3. Governing Structure: Hyosung Split into Five Companies



## Appendix 4. Dividend & Price-Dividend Yield

(Hundred Million KRW)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Income (Hundred Million KRW)	3,057	▲ 450	1,566	▲2,292	2,692	4,927	4,555	3,256	4,022	1,037
DPS (KRW)	1,250	1,000	1,000	1,000	2,000	3,500	5,000	5,000	5,000	5,000
Dividend (Hundred Million KRW)	416	333	333	333	665	1,164	1,663	1,663	1,017	1,017
Payout Ratio	0.14	-	0.21	-	0.25	0.24	0.37	0.51	0.25	0.98
Market Price (KRW)	103,500	53,900	71,500	68,900	70,000	118,500	150,000	140,000	59,500	84,300
Market Cap (Hundred Million KRW)	36,347	18,928	25,109	24,196	24,582	41,614	52,676	49,164	12,537	17,763

\* Market Price: refers to the closing price fixed one day before the ex-dividend date