

# Hyundai Mobis

## 2019 3Q Business Results

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Oct. 24<sup>th</sup>, 2019

## Disclaimer

The financial numbers and statements included in the following presentation represent statements made before the accounting audit by external auditor for the financial results of 2019 3Q and are presented here today solely for the investors' convenience. Part of the presentation is subject to change in the process of final accounting audit.

Also, this document contains certain "forward-looking statements," and such forward-looking statements are made based on management's current expectations, beliefs or plans, as well as assumptions based on information currently available to the management. Forward-looking statements relate to future events and address our expected future business condition and financial performance, and often contain words such as "forecast," "proceed," "plan," "strategy." Moreover, forward-looking statements are subject to changes in business conditions and are inherently susceptible to uncertainties that may cause our actual future results to materially deviate from those expressed in or implied by the forward-looking statements. Any projections in this document are made as of the date hereof taking into account current market conditions and the business direction of the Company, and may change based on any changes in market conditions or the Company's strategies. The Company does not have any obligation to update or revise any forward-looking statements, regardless of the occurrence of new information, future events or otherwise.

## Highlights

## Financial Results

- Income Statement & Earnings by Business Division
- Expense & Gain/Loss
- Earnings by Region

## R&D & CAPEX

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- CAPEX

## Non-Captive Market Orders

- Non-Captive Market Orders

## Future Strategy for ADAS & AD

- Tech. Developments & Future Strategies for ADAS & AD

## Shareholder Value Maximization

- Implementation of Shareholder Policy(Purchase of Treasury Stocks)

## *Appendix*

- Balance Sheet
- Quarterly Income Statement & Quarterly Earnings by Division
- Quarterly Earnings by Region

## 2019 3Q Earnings

### Sales

**2019 3Q sales increased to ₩9.4 Tril., 12.1% ↑ YoY**

- Despite the volume decline in car manufacturing of 0.7%, module & core parts sales stood at ₩7.5 Tril.(12.5%, YoY), driven by strong sales in electrification(64.9%, YoY) and module assembly following the resumption of MNA-OH's operation
- Based on sales growths in America and Europe, overall A/S sales showed a 10.5%-growth (YoY), reaching at ₩1.9 Tril.

### Operating Profit

**2019 3Q operating profit reached at ₩603.9 Bil., 30.6% ↑ YoY**

- Base effect from additional sales provision in 2018 3Q and robust sales in core parts & A/S

## Non-Captive

### Non-Captive Order

- 2019 9-month orders from non-captive OEs stood at \$1,479 Mil. (70% of annual target of \$2,116 Mil.)
- The orders include head lamp and ICS<sup>1)</sup> for OEs in N. America, China and Japan

1) Integrated Center Stack, in-vehicle control part for multimedia & climate control

## R & D

### New Tech. Development

#### New Safety Technology Interworking with Autonomous Driving Sensor

- Enhanced passenger protection based on real-time data from radar sensors
- A combined single ECU(electronic control unit) for both electronic seatbelts and airbags
- Radar sensors enabling accident prediction, passenger warning and safety device deployment, adapting to passenger positions



#### Redundancy Brake System for Autonomous Driving

- Automatically engaging second brake system, when first one fails
- Two separate brake systems (ECU included) and a master software controlling the two ECUs



## M & A

### Equity Investment

#### Autonomous Driving Joint Venture

- Investment in a JV formed by Hyundai Motor Group and APTIV for Level 4 & 5 AD solution
- Pre-emptive measures against paradigm shift in the auto industry by acquiring competitive AD technologies
- \$400 Mil.-investment (₩478 Bil.) (HMG investment total of \$2Bil., 50:50 between HMG & APTIV)



#### Strategic Partnership with Velodyne Lidar

- \$50 Mil.-equity investment in Velodyne Lidar, in order to acquire level 3 lidar sensor technology
- Prepared to meet the future needs from both captive and non-captive OEs, by acquiring mass production technologies in time



# Income Statement

(in Bil. KRW)	2018		2019				YoY	
	3Q	1Q ~ 3Q	2Q	3Q	YoY	QoQ		1Q ~ 3Q
<b>Sales</b>	<b>8,427</b>	<b>25,505</b>	<b>9,462</b>	<b>9,445</b>	12.1%	-0.2%	<b>27,645</b>	8.4%
Gross Profit	1,083	3,292	1,321	1,309	20.8%	-0.9%	3,762	14.3%
<b>Operating Profit</b>	<b>462</b>	<b>1,443</b>	<b>627</b>	<b>604</b>	30.6%	-3.7%	<b>1,725</b>	19.5%
Margin	5.5%	5.7%	6.6%	6.4%	0.9%P	-0.2%P	6.2%	0.6%P
Pre-tax Profit	573	1,924	877	771	34.6%	-12.1%	2,365	22.9%
<b>Net Profit</b>	<b>450</b>	<b>1,468</b>	<b>645</b>	<b>582</b>	29.4%	-9.7%	<b>1,712</b>	16.6%
Margin	5.3%	5.8%	6.8%	6.2%	0.8%P	-0.7%P	6.2%	0.4%P

# Earnings by Business Division

(in Bil. KRW)		2018 3Q	2019 3Q	YoY
Module / Core Parts	Electrification	427	705	64.9%
	Core Parts	1,869	1,977	5.8%
	Module	4,381	4,829	10.2%
	<b>Sales</b>	<b>6,677</b>	<b>7,511</b>	12.5%
	<b>Operating Profit</b>	<b>9</b>	<b>110</b>	1,127.5%
	Margin	0.1%	1.5%	1.3%P
A/S	<b>Sales</b>	<b>1,750</b>	<b>1,934</b>	10.5%
	<b>Operating Profit</b>	<b>453</b>	<b>493</b>	8.9%
	Margin	25.9%	25.5%	-0.4%P
Total	<b>Sales</b>	<b>8,427</b>	<b>9,445</b>	12.1%
	<b>Operating Profit</b>	<b>462</b>	<b>604</b>	30.6%
	Margin	5.5%	6.4%	0.9%P

## Module and Core Parts

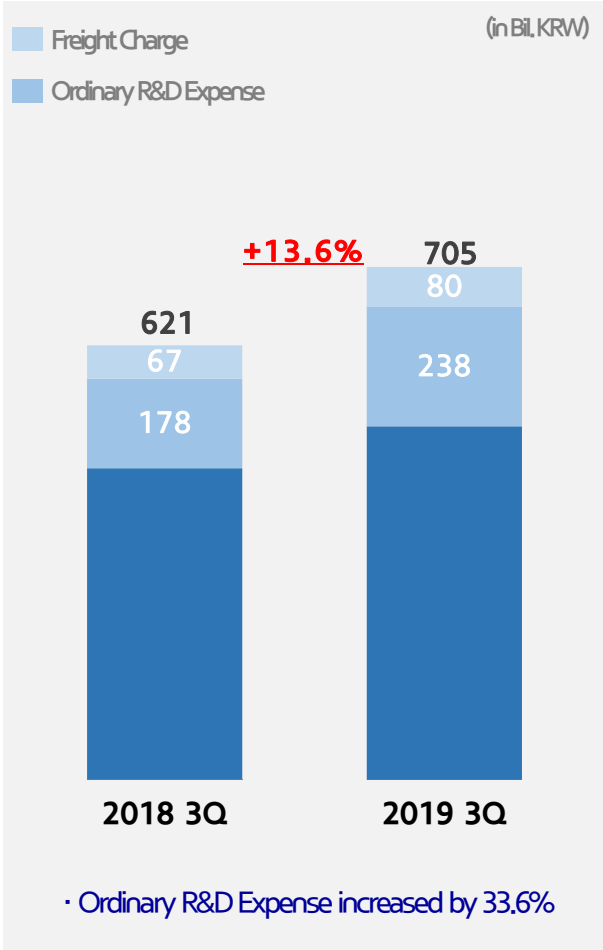
- Stronger Electrification Sales
  - Volume growth in EV production(46.4%)  
e.g. KonaEV and NiroEV
- Increase in Core Parts Sales
  - LED head lamp and Display Audio
- Sales Increase in Module Assembly, following the resumption of MNA-OH production
  - Shutdown from April 2018 to March 2019

## A/S Business

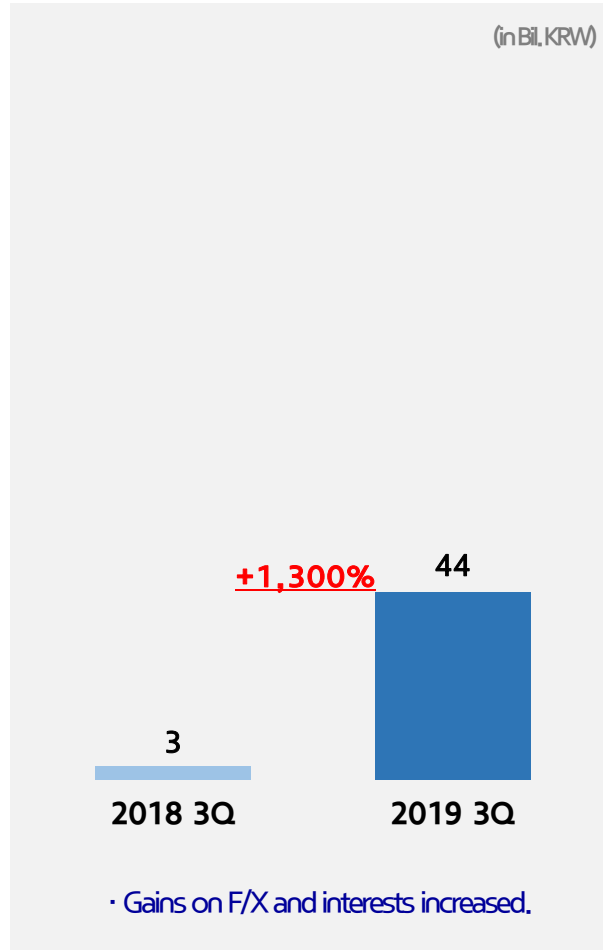
- Increase in Global A/S sales
  - UIS expansion
- Favorable F/X

# Expense & Gain/Loss

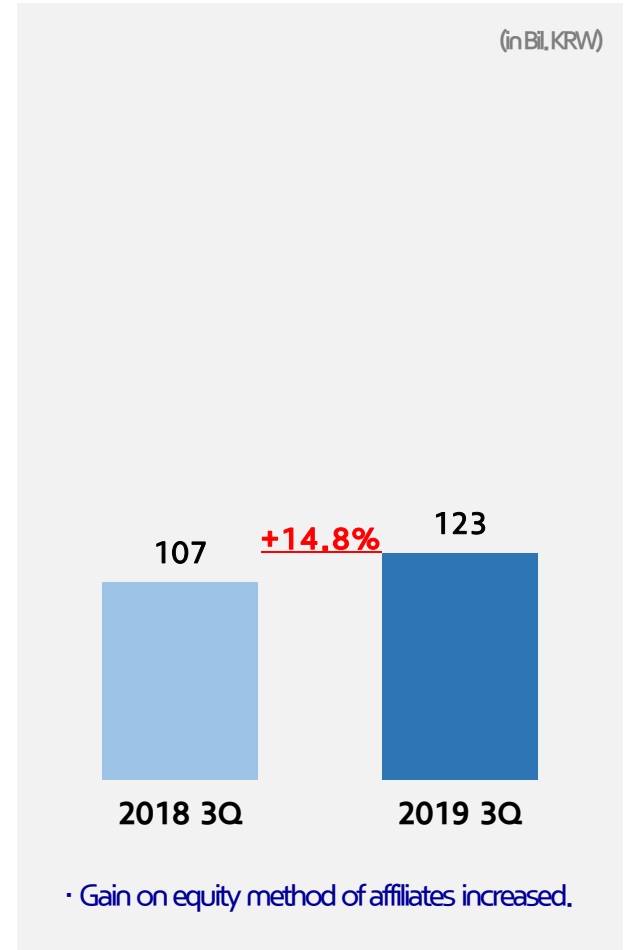
## SG&A



## Other & Financial Gain/Loss



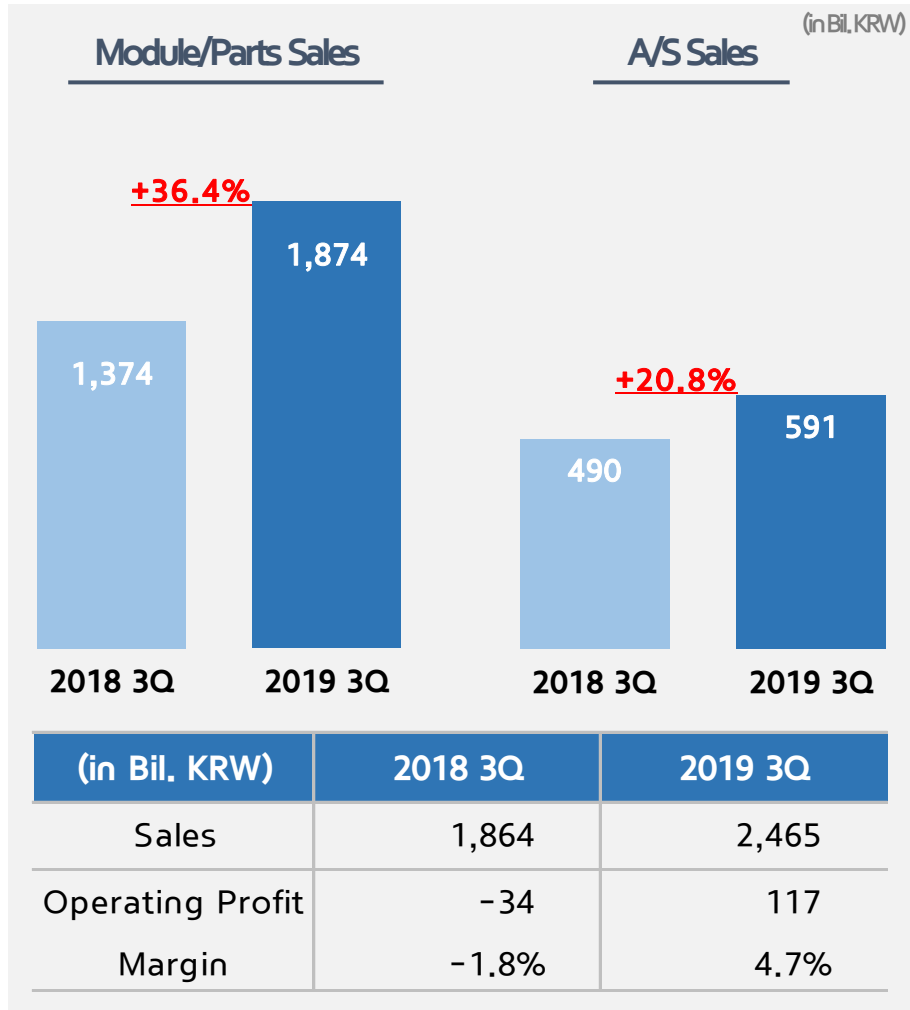
## Gain (Loss) on Equity Method



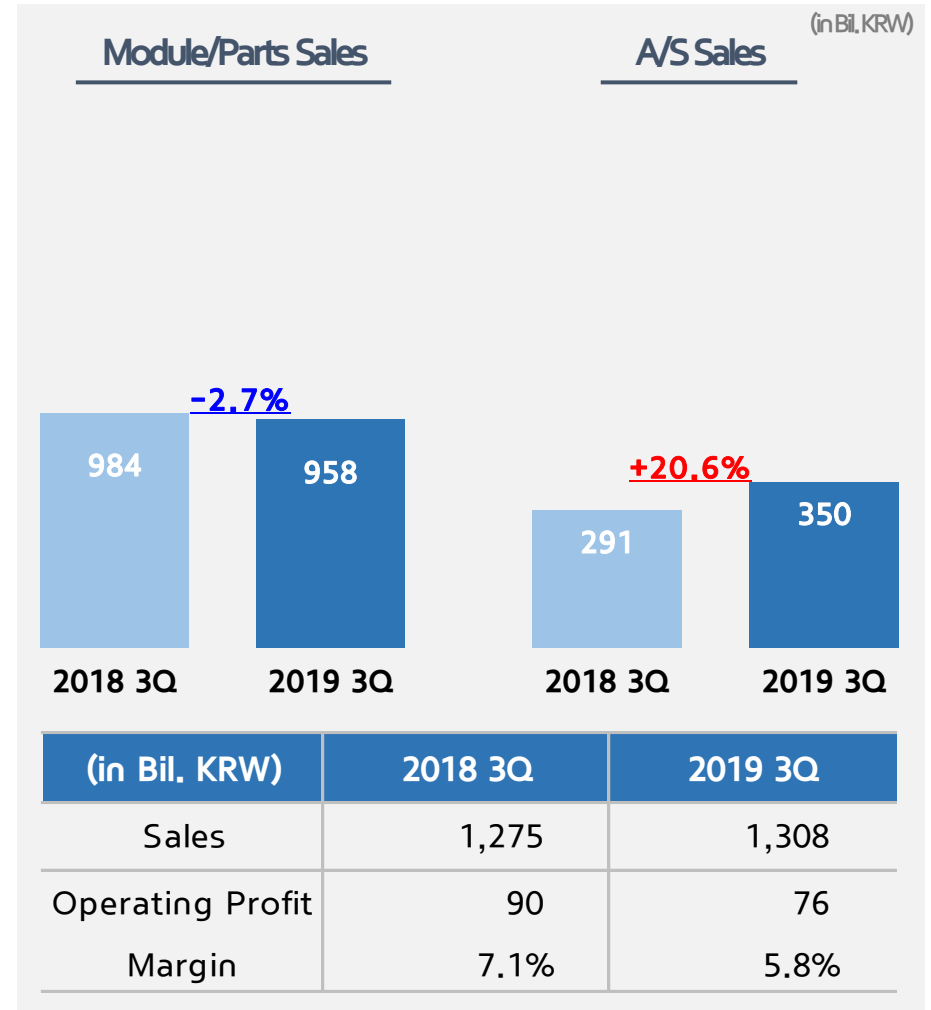


# Earnings by Region

## America



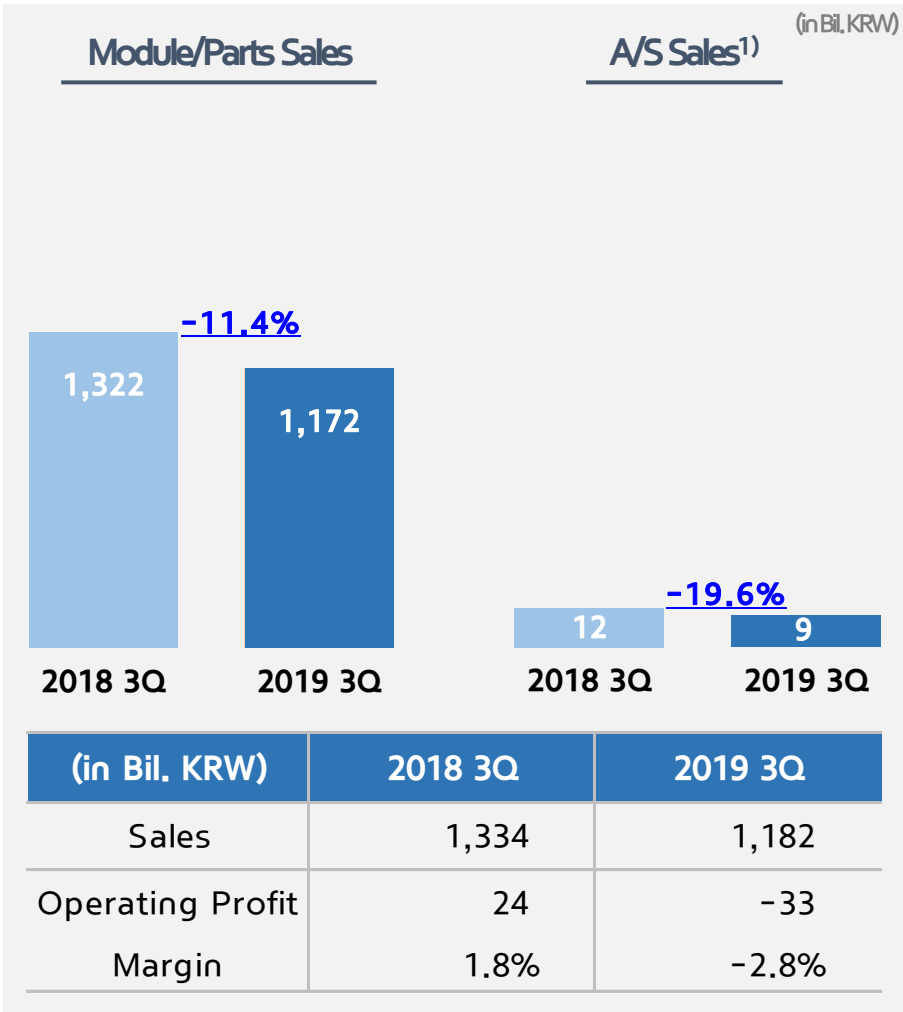
## Europe



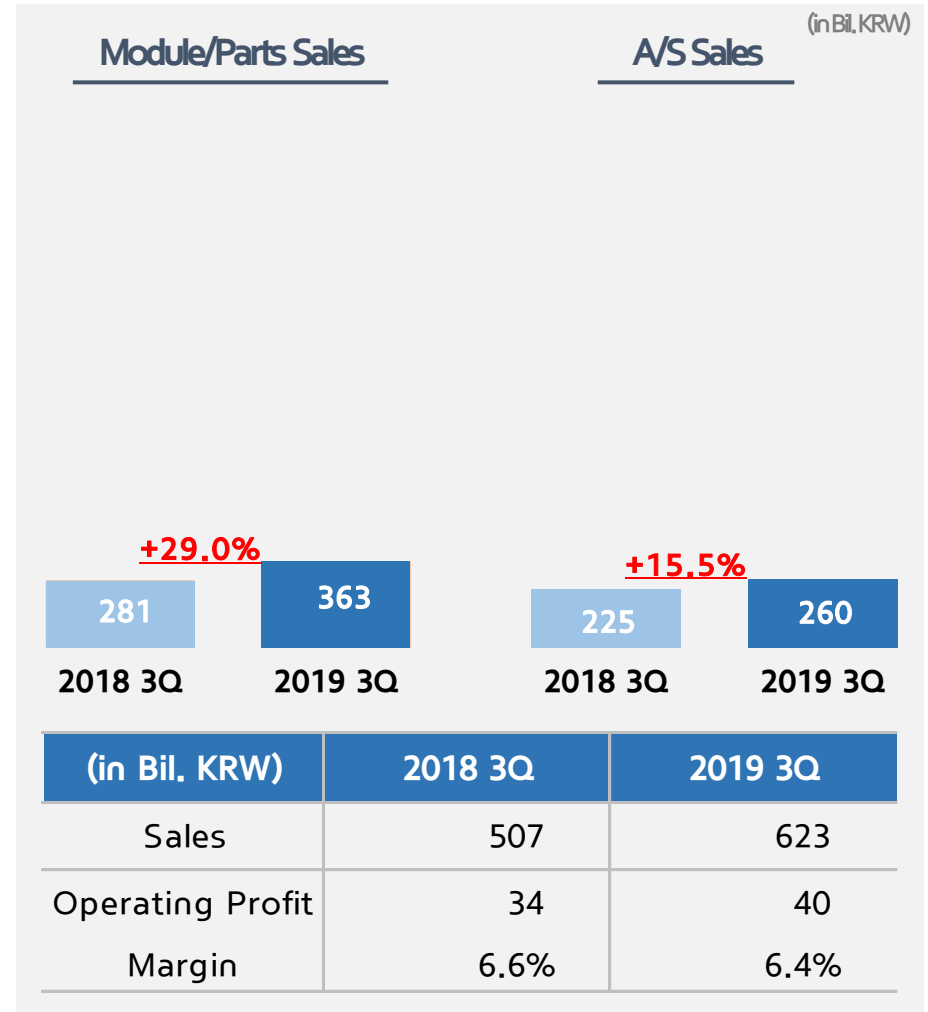
※ For regional operating profit, consolidation adjustments were not applied

# Earnings by Region

## China



## Others

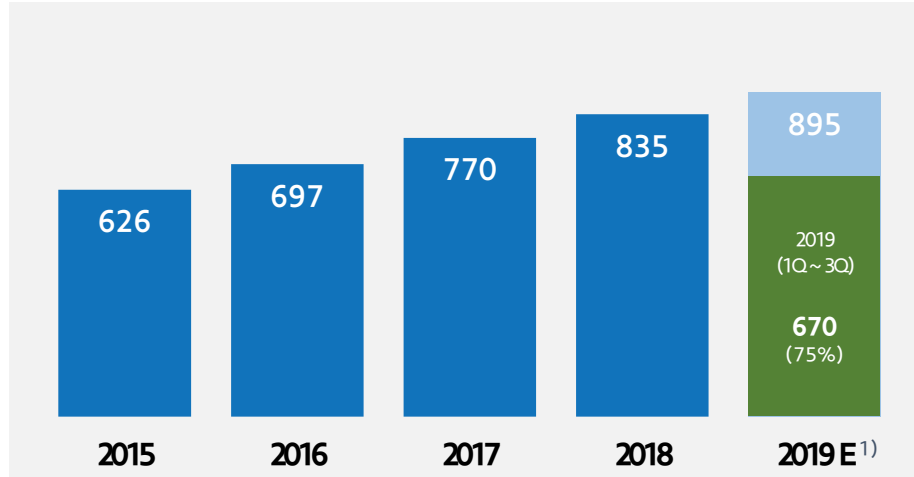


1) For A/S Sales for China region, equity-method companies (BMP, MPJY) are excluded

※ For regional operating profit, consolidation adjustments were not applied

## R&D Expenditure

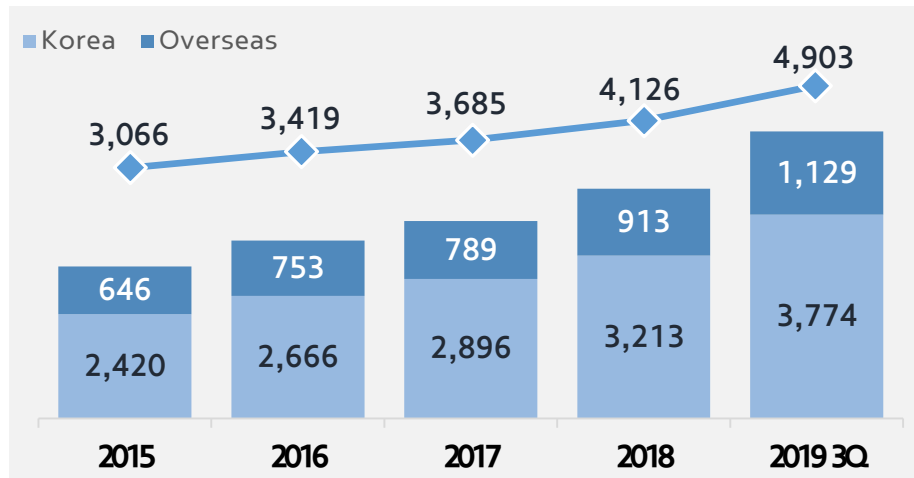
(in Bil. KRW)



## Global Footprint

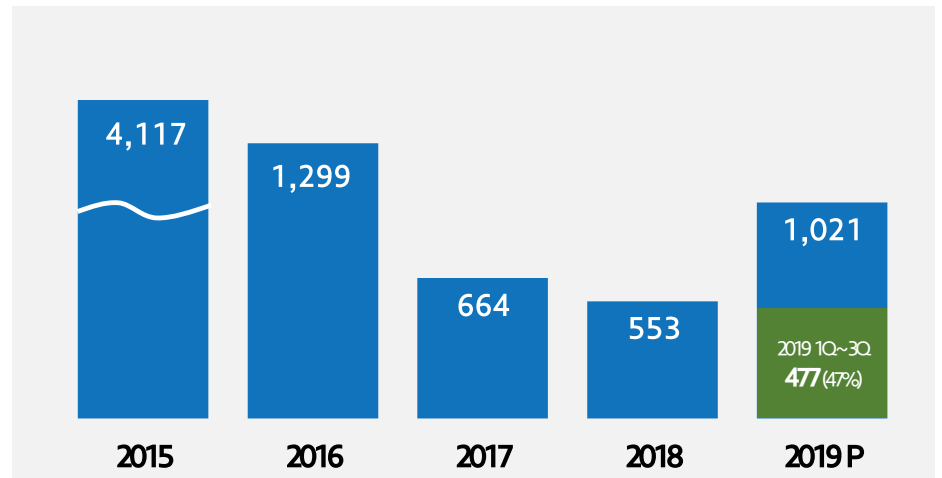
Region	Manufacturing facilities	PDC/RDC	R&D centers	Quality centers	Branches
Korea	12	4	1	-	-
China	8	3	1	1	-
America	5	5	1	1	-
Europe	4	8	1	1	-
Asia-Pacific/Others	2	4	1	2	3
<b>Total</b>	<b>31</b>	<b>24</b>	<b>5</b>	<b>5</b>	<b>3</b>

## Number of Engineers



## CAPEX

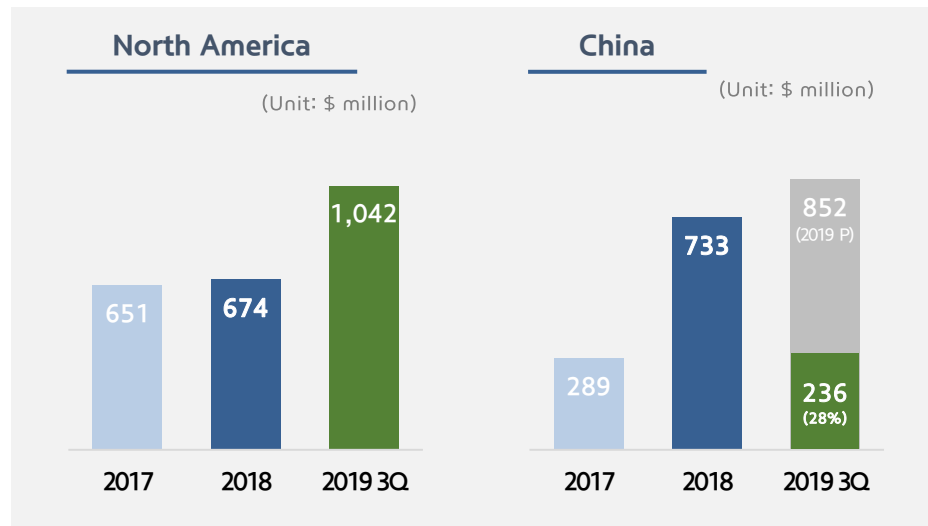
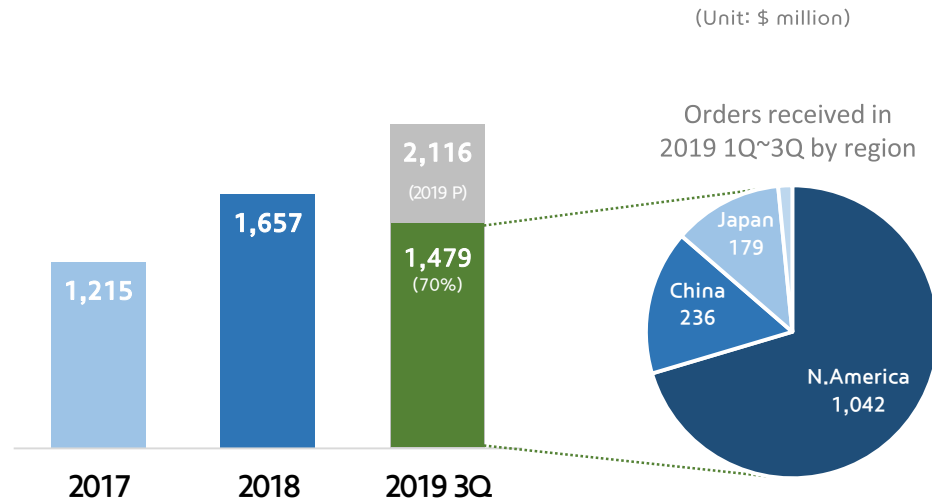
(in Bil. KRW)



1) Consolidated subsidiaries(IHL and GIT) are excluded.

# Non-Captive Market Orders

## Results and Plan for Orders of Core Parts



## Major Contracts Won in 2019 1Q ~ 3Q

### Expansion in Lamp Supply to Japanese OEs

- Japanese OE(A)
- Production Site : MMX(Mexico)



Front / Rear Combination Lamp

- New orders to supply front & rear combination lamps
- Gain in market share by supplying lamps to major Japanese OEs

### New Orders for Lamps to N. American EV Makers

- N. American EV maker (B)
- Production Site : Gimcheon, South Korea



Head Lamp

- New orders to supply head lamps to N. American EV makers
- Reinforced tech. tie-up with EV makers

### New Orders for IVI Parts to OEs in N. America

- N. American OE (C)
- Production Site : MMX(Mexico)



ICS

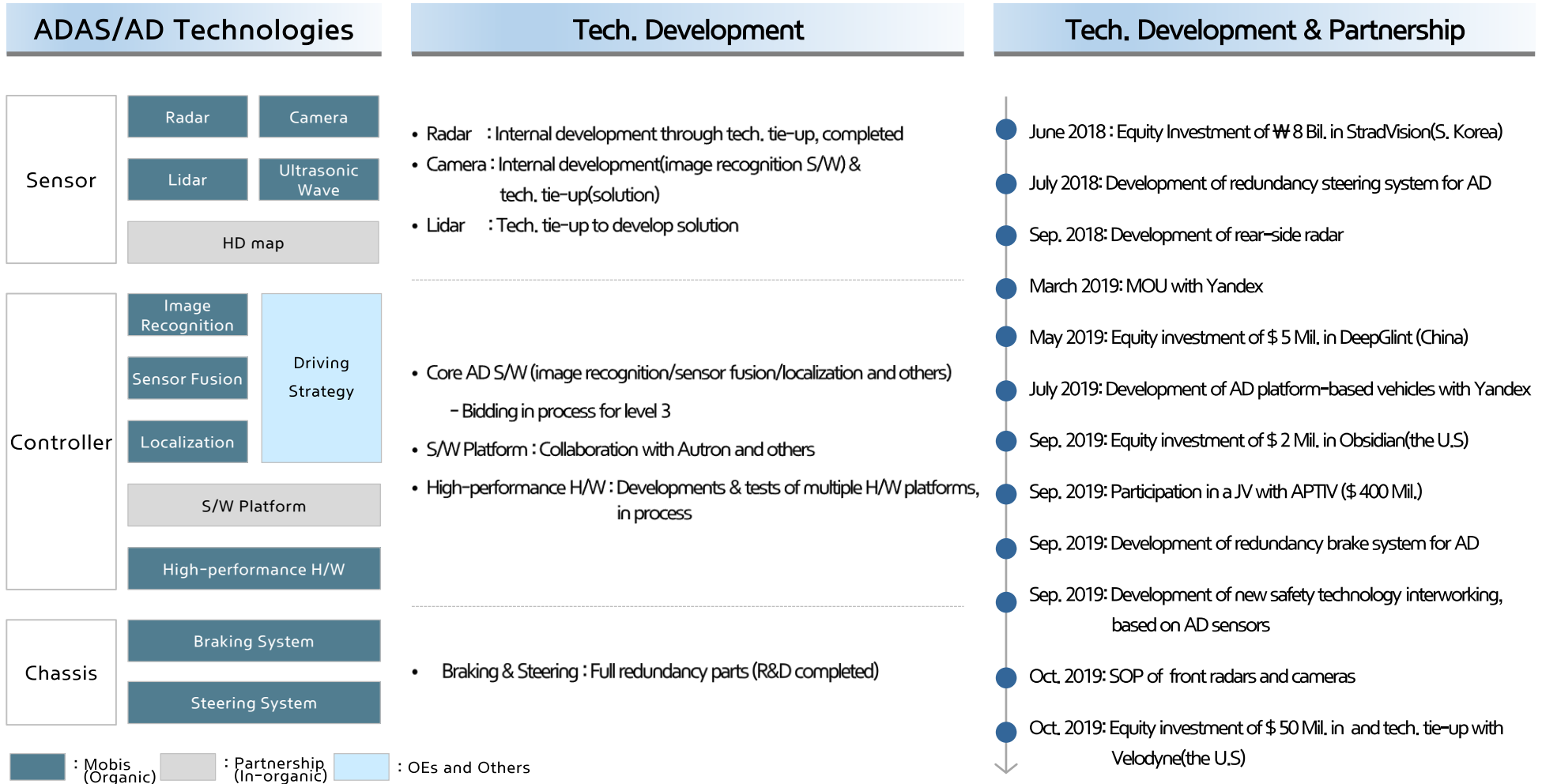
- M/S expansion to major OEs by supplying IVI parts
- MMX, a foundation to win subsequent orders to supply electronic parts in N. America

## 2019 4Q Plan

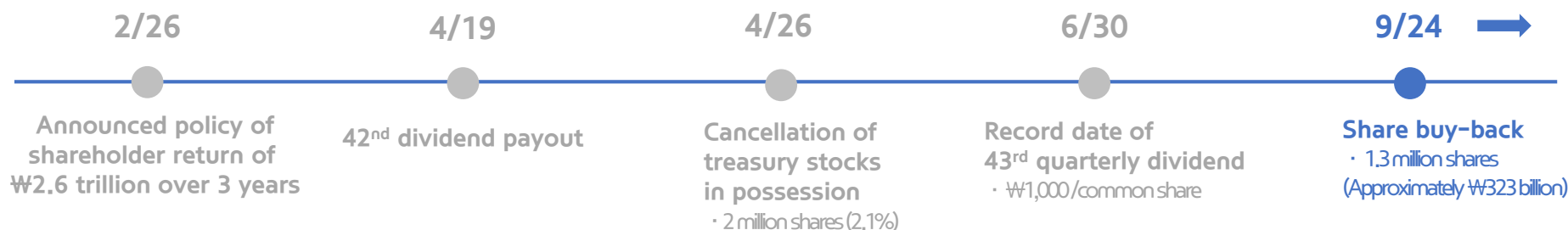
- Stronger marketing with global major OEs to supply new tech. parts
- Continued efforts for new entry into EV parts market

# Future Strategy for ADAS & AD

## Two-Track Strategies (Organic & In-organic) for Tech. Development & New Biz. Opportunity



# 2019 Plan for Implementation of Shareholder Value Maximization Policy



Classification	Shareholder Value Maximization Policy <sup>1)</sup>	Implementation Plan for 2019
<b>Dividend policy</b>	<ul style="list-style-type: none"> <li>○ Distribute 20~40% of free cash flow(FCF<sup>2)</sup>)</li> <li>○ Disclose FCF calculation formula</li> </ul>	<ul style="list-style-type: none"> <li>○ Performance in 2018 (42<sup>nd</sup>) : 25.2% of FCF (※ 2017: 26.8%)</li> <li>○ Operating income after tax + depreciation expense – variation in working capital** – facility investment (CAPEX excluding GBC)</li> <li>* Effective CIT rate applied. ** Accounts receivable, inventories and accounts payable</li> </ul>
<b>Year-end dividend (42nd)</b>	<ul style="list-style-type: none"> <li>○ Year-end dividend: KRW 4,000 per share</li> </ul>	<ul style="list-style-type: none"> <li>○ Total dividend: KRW 378.8 billion (Common stock based dividend payout ratio: 20.1%, 2017:21.3%)</li> </ul>
<b>Quarterly dividend (43rd)</b>	<ul style="list-style-type: none"> <li>○ Implement for the first time in the first half of 2019</li> </ul>	<ul style="list-style-type: none"> <li>○ Entitlement: Legally registered shareholders as of Jun. 30, 2019</li> <li>○ Dividend: ₩1,000 per share (1/4 of the dividend in 2018)</li> </ul>
<b>Cancellation of treasury stocks currently owned</b>	<ul style="list-style-type: none"> <li>○ Cancel 2 million stocks cancellable through the BOD resolution out of 2.6 million treasury stocks currently owned</li> </ul>	<ul style="list-style-type: none"> <li>○ Immediately cancel upon the BOD's resolution on Apr. 26                             <ul style="list-style-type: none"> <li>· Previously announced to be implemented in the second half of 2019.</li> <li>· Cancel 2.04 million stocks (2.1%) immediately to enhance transparency of the shareholder return policy</li> </ul> </li> </ul>
<b>Purchase of treasury stocks</b>	<ul style="list-style-type: none"> <li>○ Purchase treasury stocks worth a total of KRW 1 trillion over 3 years</li> <li>○ Purchase approximately 1.5% of issued shares every year</li> </ul>	<ul style="list-style-type: none"> <li>○ 1.3 million shares to be bought back from the market for 3 months from the next day of BOD resolution(Sep. 23)</li> <li>○ Of the 1.3 million shares, ₩62.5 billion-worth of shares to be canceled<sup>3)</sup></li> </ul>

1) Shareholder Value Maximization Policy publicly announced in Feb. 2019, 2) FCF, Free Cash Flow, 3) The Shareholder Return Policy publicly announced in May 2018

# Appendix

# Balance Sheet

(in Bil. KRW)	2017	2018	2019 3Q		
				Change	%
Current Assets	18,218	19,720	21,330	1,609	8.2%
(Cash & Equivalents)	(9,044)	(10,108)	(11,265)	(1,157)	(11.4%)
Non-current Assets	23,519	23,351	24,230	879	3.8%
<b>Total Assets</b>	<b>41,737</b>	<b>43,071</b>	<b>45,559</b>	2,488	5.8%
Current Liabilities	7,893	8,242	8,848	605	7.3%
(Short-term Borrowings)	(1,746)	(1,642)	(1,882)	(239)	(14.6%)
Non-current Liabilities	4,485	4,126	4,262	137	3.3%
(Long-term Borrowings)	(1,320)	(1,059)	(898)	(-161)	(-15.2%)
<b>Total Liabilities</b>	<b>12,378</b>	<b>12,368</b>	<b>13,110</b>	742	6.0%
(Capital Stock)	(491)	(491)	(491)		
<b>Total Equity</b>	<b>29,359</b>	<b>30,703</b>	<b>32,449</b>	1,746	5.7%
L/E Ratio	42.2%	40.3%	40.4%		



# Quarterly Income Statement

(in Bil. KRW)	2017			2018			2019		
	1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q
<b>Sales</b>	<b>9,268</b>	<b>8,282</b>	<b>8,773</b>	<b>8,194</b>	<b>8,884</b>	<b>8,427</b>	<b>8,738</b>	<b>9,462</b>	<b>9,445</b>
Gross Profit	1,269	1,089	1,204	1,058	1,150	1,083	1,133	1,321	1,309
<b>Operating Profit</b>	<b>669</b>	<b>492</b>	<b>544</b>	<b>450</b>	<b>531</b>	<b>462</b>	<b>494</b>	<b>627</b>	<b>604</b>
Margin	7.2%	5.9%	6.2%	5.5%	6.0%	5.5%	5.7%	6.6%	6.4%
Pre-tax Profit	963	690	738	615	737	573	716	877	771
<b>Net Profit</b>	<b>762</b>	<b>482</b>	<b>482</b>	<b>466</b>	<b>553</b>	<b>450</b>	<b>486</b>	<b>645</b>	<b>582</b>
Margin	8.2%	5.8%	5.5%	5.7%	6.2%	5.3%	5.6%	6.8%	6.2%

# Quarterly Earnings by Business Division

(in Bil. KRW)		2017			2018			2019		
		1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q
Module / Core Parts	Electrification	212	301	322	304	362	427	575	660	705
	Core Parts	1,717	1,594	1,682	1,535	1,795	1,869	1,886	1,986	1,977
	Module	5,583	4,762	4,980	4,612	5,044	4,381	4,468	4,932	4,829
	<b>Sales</b>	<b>7,512</b>	<b>6,657</b>	<b>6,984</b>	<b>6,450</b>	<b>7,201</b>	<b>6,677</b>	<b>6,929</b>	<b>7,578</b>	<b>7,511</b>
	<b>Operating Profit</b>	<b>250</b>	<b>84</b>	<b>93</b>	<b>27</b>	<b>115</b>	<b>9</b>	<b>39</b>	<b>141</b>	<b>110</b>
	Margin	3.3%	1.3%	1.3%	0.4%	1.6%	0.1%	0.6%	1.9%	1.5%
A/S	<b>Sales</b>	<b>1,756</b>	<b>1,625</b>	<b>1,789</b>	<b>1,744</b>	<b>1,683</b>	<b>1,750</b>	<b>1,809</b>	<b>1,884</b>	<b>1,934</b>
	<b>Operating Profit</b>	<b>418</b>	<b>409</b>	<b>451</b>	<b>423</b>	<b>416</b>	<b>453</b>	<b>455</b>	<b>486</b>	<b>493</b>
	Margin	23.8%	25.1%	25.2%	24.2%	24.7%	25.9%	25.1%	25.8%	25.5%
Total	<b>Sales</b>	<b>9,268</b>	<b>8,282</b>	<b>8,773</b>	<b>8,194</b>	<b>8,884</b>	<b>8,427</b>	<b>8,738</b>	<b>9,462</b>	<b>9,445</b>
	<b>Operating Profit</b>	<b>669</b>	<b>492</b>	<b>544</b>	<b>450</b>	<b>531</b>	<b>462</b>	<b>494</b>	<b>627</b>	<b>604</b>
	Margin	7.2%	5.9%	6.2%	5.5%	6.0%	5.5%	5.7%	6.6%	6.4%

# Quarterly Earnings by Region

(in Bil. KRW)		2017			2018			2019		
		1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q
Korea <sup>1)</sup>	<b>Sales</b>	<b>3,381</b>	<b>3,596</b>	<b>3,385</b>	<b>3,342</b>	<b>3,713</b>	<b>3,448</b>	<b>3,887</b>	<b>4,316</b>	<b>3,867</b>
	Operating Profit	429	301	350	314	331	348	325	442	404
	Margin	12.7%	8.4%	10.3%	9.4%	8.9%	10.1%	8.4%	10.2%	10.5%
America	<b>Sales</b>	<b>2,218</b>	<b>2,156</b>	<b>2,237</b>	<b>1,888</b>	<b>1,753</b>	<b>1,864</b>	<b>1,847</b>	<b>2,204</b>	<b>2,465</b>
	Operating Profit	74	99	93	74	67	-34	76	100	117
	Margin	3.4%	4.6%	4.2%	3.9%	3.8%	-1.8%	4.1%	4.5%	4.7%
Europe	<b>Sales</b>	<b>1,292</b>	<b>1,289</b>	<b>1,240</b>	<b>1,306</b>	<b>1,323</b>	<b>1,275</b>	<b>1,277</b>	<b>1,355</b>	<b>1,308</b>
	Operating Profit	76	84	72	75	84	90	93	93	76
	Margin	5.9%	6.5%	5.8%	5.8%	6.3%	7.1%	7.3%	6.9%	5.8%
China	<b>Sales</b>	<b>1,890</b>	<b>752</b>	<b>1,378</b>	<b>1,160</b>	<b>1,632</b>	<b>1,334</b>	<b>1,222</b>	<b>1,034</b>	<b>1,182</b>
	Operating Profit	65	-21	-6	-46	22	24	-37	-42	-33
	Margin	3.4%	-2.8%	-0.5%	-3.9%	1.3%	1.8%	-3.1%	-4.1%	-2.8%
Others	<b>Sales</b>	<b>487</b>	<b>490</b>	<b>533</b>	<b>498</b>	<b>463</b>	<b>507</b>	<b>504</b>	<b>553</b>	<b>623</b>
	Operating Profit	24	28	36	32	27	34	38	35	40
	Margin	5.0%	5.8%	6.7%	6.5%	5.9%	6.6%	7.5%	6.3%	6.4%

1) Including consolidation adjustments

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