

# IR PRESENTATION

Q2 2024 Earnings Release

July 31, 2024



Excellence in every service

# Disclaimer

The financial and business information in this document is consolidated earnings results based on K-IFRS.

Please note that some of the contents provided in this document are for the convenience of investors only before the external review on our Q2 2024 financial results is completed. Some of the information presented in this document may be subject to change during the external review process.

This document is based on the facts as of the date of its preparation and should not be used as legal evidence for the investment outcomes under any circumstances.

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# Q2 2024 Highlights

## Global Market Status

**New Car Sales**  
-1.7%  
(2Q, YoY)

SW for US  
car dealers(CDK)  
was hacked in June

**OE**  
0%  
(YTD)

Surge in  
early 2024  
calms down

**RE**  
+3%  
(YTD)

Growth  
continues  
in major regions

## Financial Results

**Revenue**  
764bn KRW  
(YoY +11%)

Strong sales of  
winter tires and OE

**OP**  
63bn KRW  
(YoY +70%)

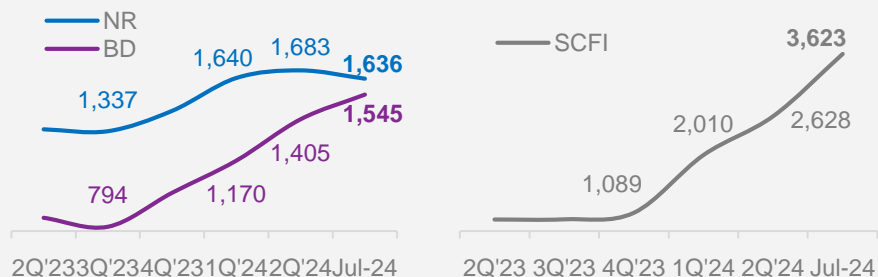
Sales mix  
improvement

**≥18"**  
35.8%  
(YoY +4.8%p)

Increasing share  
in all regions

## Raw materials - Maritime logistics

- Continued uptrend, mainly in the price of rubber
- Surge of SCFI due to an increase in global export volume



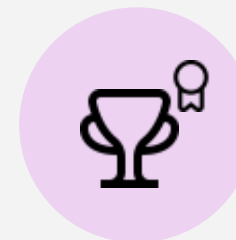
## Key Updates



The 2<sup>nd</sup> European plant  
operation is on track



Strengthening  
technical  
competency



Gold medal winner  
of EcoVadis  
(ESG evaluation)

## 2. Financial Results

## Q2 2024 Financial Results

- Record highest quarterly revenue of 764bn KRW through continued increase in sales volume and stable ASP
- Strategical maneuver by stable OE orders and improving sales mix despite the unfavorable business environment related to freight cost and securing container ships

(Unit: bn KRW)	Q2 2023	Q1 2024	Q2 2024	QoQ	YoY
<b>Revenue</b>	<b>691.5</b>	<b>678.1</b>	<b>763.8</b>	<b>+12.6%</b>	<b>+10.5%</b>
<b>Cost of Sales</b>	<b>515.9</b>	<b>500.6</b>	<b>539.8</b>	<b>+7.8%</b>	<b>+4.6%</b>
(%)	74.6%	73.8%	70.7%	-3.2%p	-3.9%p
<b>Operating Profit</b>	<b>37.1</b>	<b>41.6</b>	<b>62.9</b>	<b>+51.3%</b>	<b>+69.5%</b>
(%)	5.4%	6.1%	8.2%	+2.1%p	+2.9%p
<b>Income Taxes</b>	<b>0.9</b>	<b>8.0</b>	<b>22.2</b>	<b>+178.0%</b>	<b>+2,266.0%</b>
<b>Net Profit</b>	<b>28.3</b>	<b>41.0</b>	<b>44.4</b>	<b>+8.4%</b>	<b>+57.2%</b>
(%)	4.1%	6.0%	5.8%	-0.2%p	+1.7%p
<b>EBITDA</b>	<b>87.0</b>	<b>98.0</b>	<b>120.3</b>	<b>+22.7%</b>	<b>+38.2%</b>
(%)	12.6%	14.5%	15.8%	+1.3%p	+3.2%p

### Sales by Region



15%



40%



25%

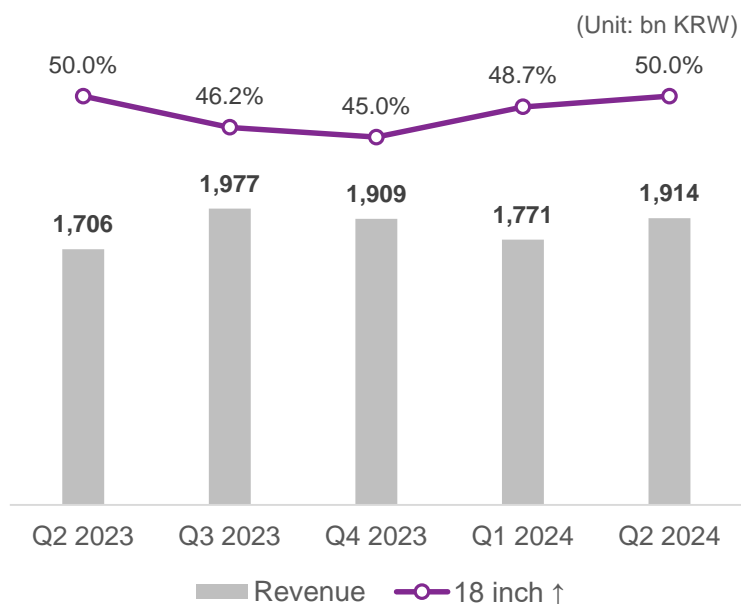
Others

20%

## Sales by Region (1/2)

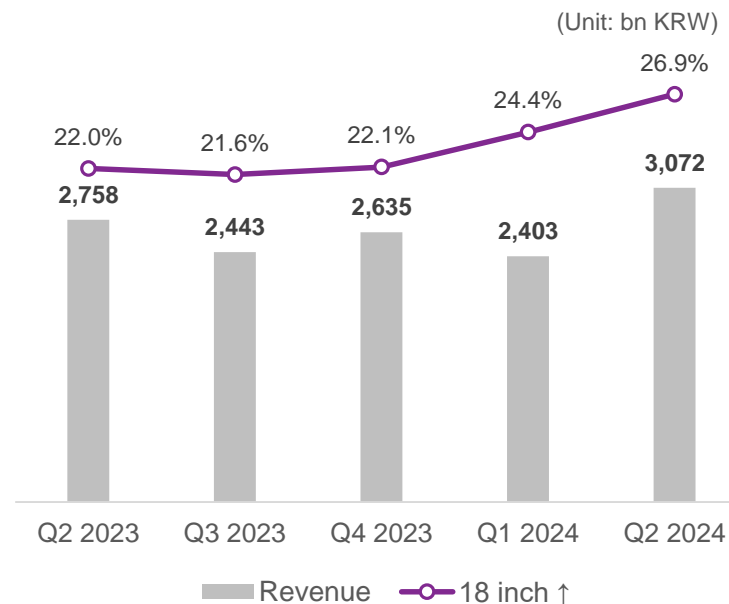
### North America

- (OE) Increased sales and proportion of 18 inch(or higher) following strong sales of RAM pickup trucks
- (RE) Carry-over of some sales due to shortages of container ships vs. strong sales in Canada
- Need to monitor the possible strike by the Teamsters Canada Rail Conference union and International Longshoremen's Association in USA



### Europe

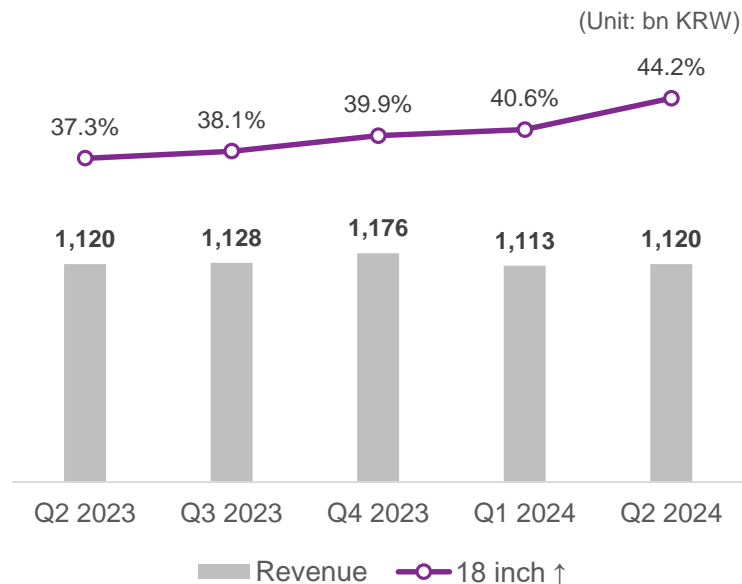
- (OE) Sales growth driven by solid new car sales, In particular, the company's tire supply to EV broke down concerns related to the chasm of EV market
- (RE) Secured stable pre-order volume of winter tire
- Target to expand sales focusing on OE and 18 inch(or higher) tires through the ramp-up at the 2<sup>nd</sup> Europe plant after summer holiday period



## Sales by Region (2/2)

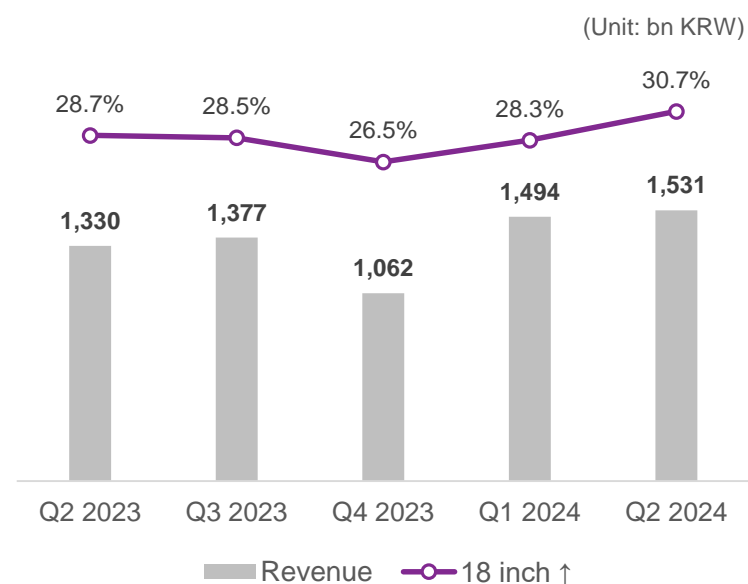
### Korea

- (OE) Large number of OE supplies to export car models / The greatest supply for EVs launched in domestic market
- (RE) Expansion through new agencies opening and rental sales
- Rising demand for premium and 18 inch(or higher) tires based on consumption polarization



### Others

- (OE) New orders for EV and supplies to export car models in China
- (RE) Maximizing sales despite difficulties in procuring container ships (Middle East, Latin America, etc.)
- Strengthening distribution competency by securing new customers and adding RDC<sup>(1)</sup> in Australia (3Q24~)



<sup>(1)</sup> Regional Distribution Center



## 3. Business Issues

## Gaining Ground in Europe (The 2<sup>nd</sup> European Plant Operation)

- Commenced the 2<sup>nd</sup> plant's operation in 2024 → Gradual growth by higher utilization rate and production of high-inch products during 2H
- Profit improvement by external growth and competitiveness in the European Market

### European Plant Overview

	Factory 1	Factory 2
Construction Completed	Aug. 2019	Dec. 2023
Investment	€ 900mn	
Capacity	5.5mn units	5.5mn units

“ Full-scale effect of state-of-the-art facilities through operation of the 2<sup>nd</sup> plant ”

#### Maximize Efficiency

- Logistics automation
- Reduce work area

#### Smart Factory

- Real-time control
- Digitalization of production data

#### Accident-free

- Blocking of fire factor
- Introduction of odor prevention facilities

### Major Benefits



- Reliable response to local demand in Europe
- Improvement of trust with key OEMs and retailers



- Redistribution of export volumes from Korean plants
- Even growth across the globe



- Part of the 2<sup>nd</sup> plant facilities established at the time of completion of the 1<sup>st</sup> plant  
→ Economies of scale as operating rate of 2<sup>nd</sup> plant rises



# OE Competency

- Supplying to 115 car models worldwide, including Middle East, Latin America and China as well as major regions
- OE supply expansion centered on global premium brands to raise brand awareness and establish a stable sales base

## New OE Supply from 2Q

PORSCHE	HYUNDAI	SKODA	BAIDU
			
CAYENNE	TUCSON	KAROQ	APOLLO RT6

## To be supplied

DODGE	
	
Charger	Challenger

## Global Project

### Jeep's Electrification Plans



- Development of exclusive products for Jeep's SUV EV
- Expected to commence OE supply in 2025 (Recon EV, Cherokee PHEV)

### Global Partnerships



# 'The Tire Cologne 2024'

- Increase brand awareness in Europe through participation in 'The Tire Cologne 2024(in Germany)', a global exhibition on tire industry
- Introducing flagship products and promoting technological competency by unveiling 2 new winter tires and displaying EV tires, etc.

## Major Exhibition Products

### New Winter Tires

#### WINGUARD Sport 3



**Wider Tread Pattern**

Improving traction by increasing contact area

**Braking Performance**

Enhancing braking by the center block grouping design

**'V Shape' Design**

Stable handling in winter road conditions



2D Kerf



NEXEN 3D Kerf

Shortening braking distance by uniquely designed 3D Kerfs

#### WINGUARD ice 3



Sidewall design points with the shape of snow & ice



Ice grip symbol based on ISO regulations

### Proven quality by Magazine Tests

#### N'FERA Sport



Representative OE product			
<b>Porsche</b> CAYENNE PANAMERA	<b>M-Benz</b> E-Class	<b>BMW</b> 5 Series X1	<b>AUDI</b> A3
<b>VW</b> Golf	<b>SEAT</b> LEON	<b>HYUNDAI</b> GRANDEUR	<b>KIA</b> K8

#### N'BLUE 4Season2



**'Green Tire' seal by AutoBild (German magazine)**

# Brand Marketing

- Successive award for an effort to provide superior products and innovative services from customers' view
- Improve brand value effectively through motorsports and sports marketing, one of the major marketing strategies of the tire industry

## Quality Management Performances



- Winning 'National Service Awards<sup>(1)</sup>' for 5 consecutive years
- Innovation with the first launch of tire rental service, 'NEXT LEVEL', in the industry



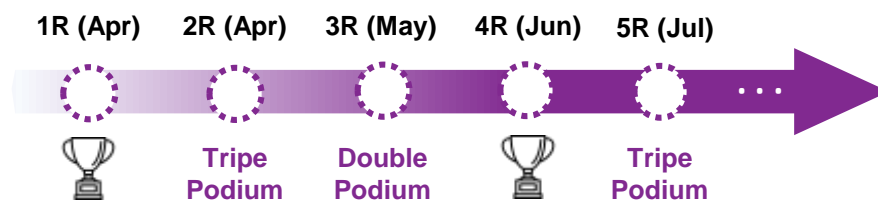
- No.1 tire manufacturer by 'Global Customer Satisfaction Index<sup>(2)</sup>' for 15 consecutive years

## Sport Marketing in Europe



- Brand presence with German BUNDESLIGA LED exposure
- Extended partnership with Czech football club

## 2024 O-NE SUPERRACE Championship



- 1~5R winning, securing an edge in competition with global top-tier
- The power of 'Tire Maker Champion<sup>(3)</sup>' in 2023
- Develop optimal tire performances through multi-faceted R&D

## Racing Tire



(1) Hosted by 'The Institute for Industrial Policy Studies' / (2) Hosted by 'Global Management Association' under 'Ministry of Trade, Industry and Energy'

(3) The season's champions to the tire maker who scored the most points by adding the points earned in each round by the top 5 players

# ESG

## 2024 EcoVadis<sup>(1)</sup>



- **Top 3%** of 130,000+ global companies in 180 countries
- 'Bronze' in 2021 → 'Sliver' in 2022 → '**Gold**' in 2024

## 2024 Sustainalytics<sup>(2)</sup>



**TOP 7%** of 16,216 global companies



Negl. (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)

## ESG Performances

EcoVadis <sup>(1)</sup>	Gold (Top 3%)
Sustainalytics <sup>(2)</sup>	Low Risk (12.9)
KCGS <sup>(3)</sup>	B+ (E: A / S: A / G: B)
MSCI <sup>(4)</sup>	BB
CDP <sup>(5)</sup>	B (Climate Change)

\* EcoVadis, Sustainalytics: as of May, 2024 / Others: as of 2023

## Initiatives and Awards



UN-affiliated initiative  
**UNGC** membership (2023)



Global platform for sustainable NR  
**GPSNR<sup>(6)</sup>** membership (2020)



Certification of information security by VDA<sup>(7)</sup>  
**TISAX<sup>(8)</sup>** (2022)

<sup>(1)</sup> Evaluate an enterprise's ESG impact based on international sustainability standards / <sup>(2)</sup> Conduct ESG risk assessment and research

<sup>(3)</sup> Korea institute of Corporate Governance and Sustainability / <sup>(4)</sup> Morgan Stanley Capital International / <sup>(5)</sup> Carbon Disclosure Project

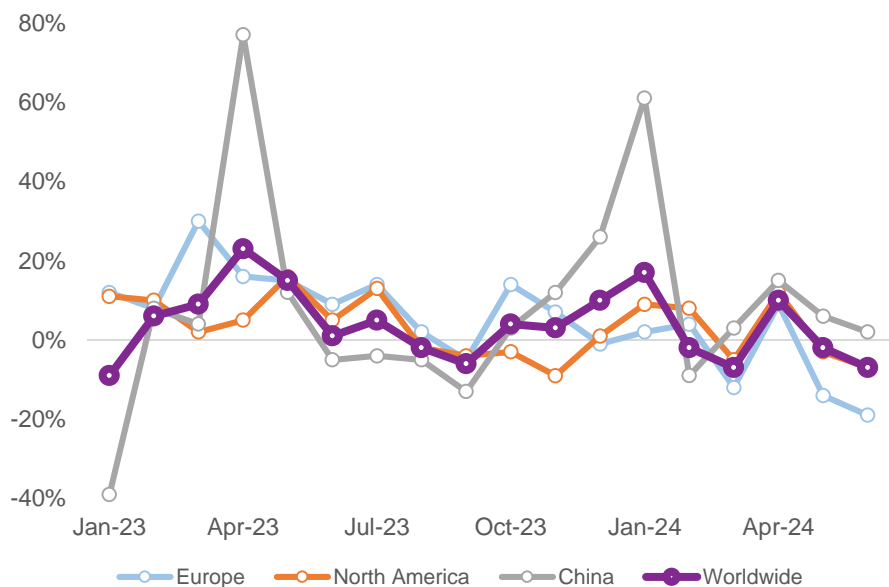
<sup>(6)</sup> Global Platform for Sustainable Natural Rubber / <sup>(7)</sup> Verband Der Automobilindustri / <sup>(8)</sup> Trusted Information Security Assessment eXchange

## 4. Market Status

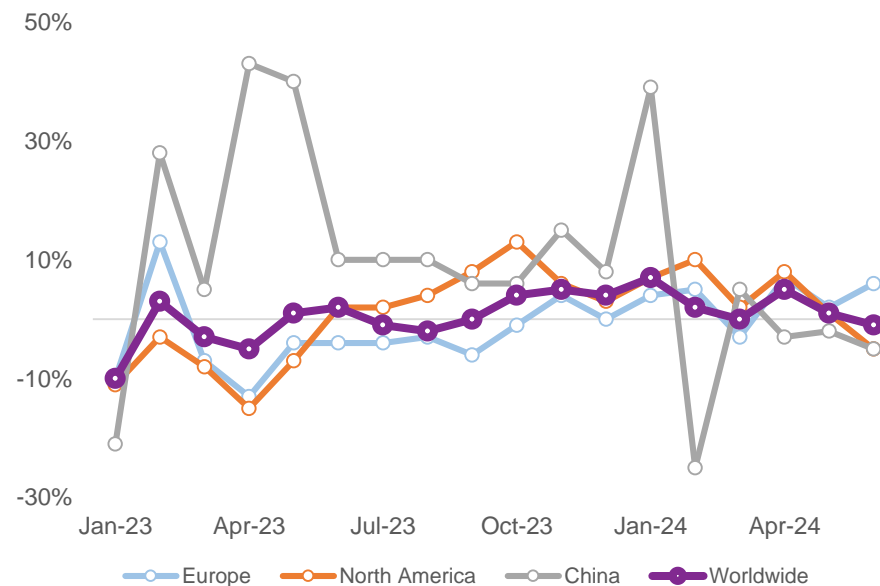
# Tire Market

- Cyber attack-led software outage for US auto dealers affects new car sales / Plummeting OE growth in Europe during May & June
- Overall RE demand is solid in Q2, excluding China with high base effect
- The transition of consumption to lower tiers is underway across the global market

## Growth Rate of OE (YoY)



## Growth Rate of RE (YoY)



\* Sources: PC & LT only, Estimation based on data provided by regional tire manufacturers' associations and research firms



# Raw Materials

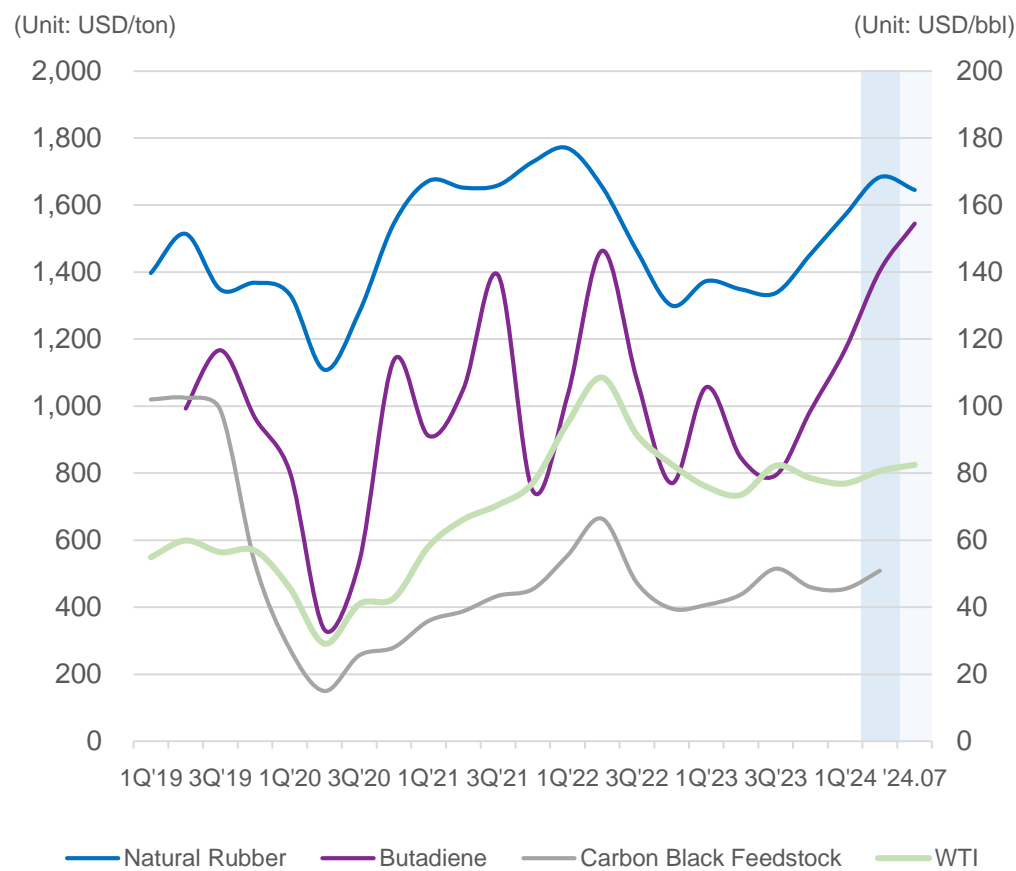
- Rubber prices continue to rise from the end of 2023 due to abnormal climate and supply control
- Prices may remain strong in H2 due to demand recovery by China's restoration policy and increasing demand of NR in line with EUDR<sup>(1)</sup>

## Natural Rubber

- Decrease in supply due to abnormal climate (drought in Apr. → heavy rains in Jun.) across Southeast Asia, the largest producer
- Dealers' short-covering to compensate for losses due to a prices surge in 2Q → Demand rebound

## Synthetic Rubber

- Adjusting supply volume to counter margin fall as raw material (Butadiene) price rises
- Demand could rebound on possible economic recovery in H2 based on interest rate cuts of US and PMI upturn of China



<sup>(1)</sup> EU Deforestation Regulation, effective from Dec. 30, 2024

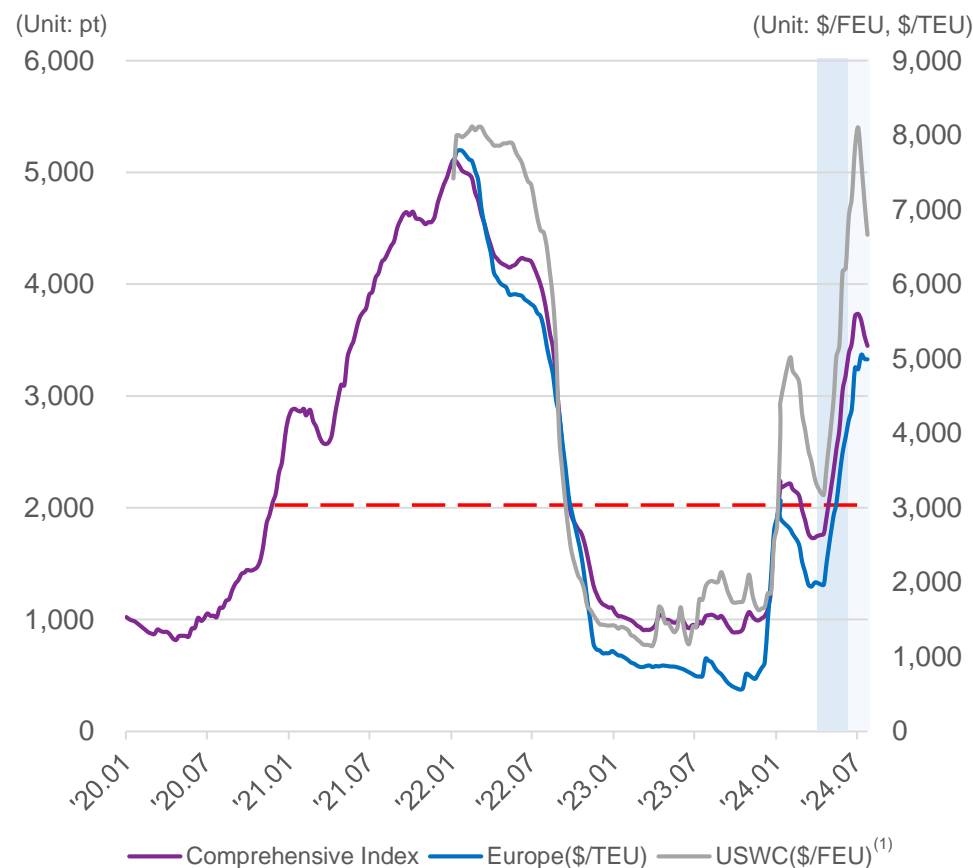
\* Sources: Natural Rubber(TSR20, SICOM), Butadien(FOB Korea), Carbon Black Feedstock(Means of Platts Singapore)

# Maritime Logistics

- Re-rising freight index from May, which led to increased freight costs in Q2 compared to Q1
- Watch closely for possible strikes that could affect Canadian and US port congestion

## SCFI (Shanghai Containerized Freight Index)

- Ship shortages and freight costs rise due to exports increase to US in preparation for higher tariffs on Chinese products (from Aug.) and improved demand-side fundamentals, etc.
- Expect gradual stabilization following summer vacation period of global manufacturing plants, application of US's upward tariffs on China, and delivery of new ships



\* Sources: Korea Customs Logistics Association

<sup>(1)</sup> West Coast

## 5. Appendix

# Global Production Capacity

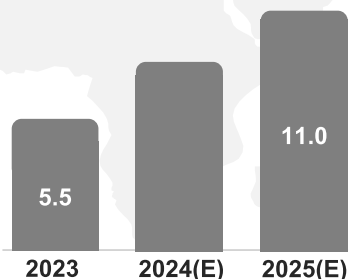
- Production capacity of 50mn+ units by 2025, through the 2<sup>nd</sup> phase expansion of Europe plant and productivity improvement
- As a global tire manufacturer specializing in Passenger Car and Light Truck, NEXEN is prepared to secure volume & profit

## Europe 11M



### 2<sup>nd</sup> phase Ramp-up

(Unit: mn Units)



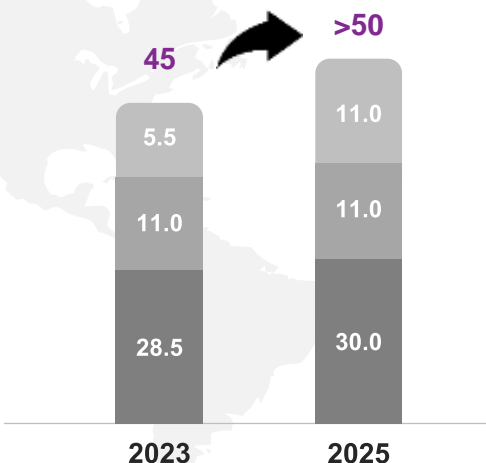
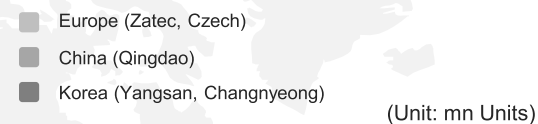
## Korea 30M



## China 11M



## Total Production Capacity



# Consolidated Balance Sheet

(Unit: bn KRW)

	2020	2021	2022	2023	2Q 2024
<b>Assets</b>	<b>3,541.1</b>	<b>3,823.4</b>	<b>3,944.3</b>	<b>4,232.7</b>	<b>4,495.4</b>
Cash Equivalents <sup>(1)</sup>	571.5	610.0	452.4	455.4	357.2
Account Receivable	345.6	397.5	382.2	430.1	622.3
Inventories	346.5	497.1	649.2	640.8	658.1
Tangible Assets	2,096.7	2,068.8	2,135.0	2,325.1	2,396.3
<b>Liabilities</b>	<b>1,994.1</b>	<b>2,223.5</b>	<b>2,348.1</b>	<b>2,527.8</b>	<b>2,680.5</b>
Debt	1,376.8	1,355.8	1,639.6	1,749.5	1,797.1
Account Payable	88.4	158.7	166.5	102.2	128.6
<b>Equity</b>	<b>1,547.0</b>	<b>1,599.9</b>	<b>1,596.2</b>	<b>1,704.9</b>	<b>1,814.8</b>
Net Debt	805.3	745.8	1,187.2	1,294.2	1,439.9

<sup>(1)</sup> Cash Equivalents = Cash Equivalents, Financial Assets Measured at Fair Value Through Other Comprehensive Income, Other Financial Assets

# Consolidated Income Statement

(Unit: bn KRW)

	2Q 2023	3Q 2023	4Q 2023	1Q 2024	2Q 2024
<b>Revenue</b>	<b>691.5</b>	<b>692.6</b>	<b>678.1</b>	<b>678.1</b>	<b>763.8</b>
<b>Cost of Sales</b>	<b>515.9</b>	<b>488.9</b>	<b>460.1</b>	<b>500.6</b>	<b>539.8</b>
(%)	74.6%	70.6%	67.8%	73.8%	70.7%
<b>Gross Profit</b>	<b>175.5</b>	<b>203.7</b>	<b>218.0</b>	<b>177.4</b>	<b>223.9</b>
(%)	25.4%	29.4%	32.2%	26.2%	29.3%
<b>SG&amp;A</b>	<b>138.4</b>	<b>134.1</b>	<b>153.9</b>	<b>135.9</b>	<b>161.1</b>
(%)	20.0%	19.4%	22.7%	20.0%	21.1%
<b>Operating Profit</b>	<b>37.1</b>	<b>69.7</b>	<b>64.1</b>	<b>41.6</b>	<b>62.9</b>
(%)	5.4%	10.1%	9.5%	6.1%	8.2%
<b>Non-operating Profit</b>	<b>(7.9)</b>	<b>(3.2)</b>	<b>(28.8)</b>	<b>7.4</b>	<b>4.0</b>
<b>Income Taxes</b>	<b>0.9</b>	<b>13.6</b>	<b>24.8</b>	<b>8.0</b>	<b>22.2</b>
<b>Net Income</b>	<b>28.3</b>	<b>52.8</b>	<b>10.6</b>	<b>41.0</b>	<b>44.4</b>
(%)	4.1%	7.6%	1.6%	6.0%	5.8%
<b>EBITDA</b>	<b>87.0</b>	<b>120.1</b>	<b>111.8</b>	<b>98.0</b>	<b>120.3</b>
(%)	12.6%	17.3%	16.5%	14.5%	15.8%