

# NEXEN TIRE Q3 2023 Earnings Release

Oct 30, 2023

# Disclaimer

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The earnings release and the financial and business information for Q3 of 2023 in this document have been prepared in accordance with K-IFRS standards.

Please note that some of the contents provided in this document are for the convenience of investors, as the financial performance and operating results included herein have not yet been audited by external auditors for Nexen Tire Corporation and its subsidiaries.

Some of the information presented may be subject to change during the future accounting audit 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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# HIGHLIGHTS

## Profitability

KRW 692.6B Revenues In Q3

10.1% Operating Margin In Q3

## Marketing

MANCHESTER CITY Extends Sponsorship Agreement  
(For 9 Consecutive Seasons Since 2015)

Brand Marketing

NBA 7 Teams, NCAA Teams, MLB 6 Teams

Sponsorship Extension of NHL 3 Teams

(Chicago Blackhawks, New York Rangers, LA Anaheim Ducks)

CJ Super Race Championship : Achieved Triple Podium

## Global Sales & Operation

OE Supply Commenced in Q3



Mercedes-Benz : E-class  
KIA : EV 9



KCN : EV 5

## ESG



Awarded 'The Green Tire(Eco & Sustainability)'  
- NEXEN & Michelin Ranked 1st Place

Multi-year Supply Contract for  
National Police Vehicles in Spain

The 2<sup>nd</sup> RDC<sup>(1)</sup> Operation Started in Italy

(1) RDC : Regional Distribution Center



# HIGHLIGHTS

## Electric Vehicle OE Supply: KIA Motors

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SOUL

**N<sup>F</sup>ERA SU1**



NIRO

**N<sup>F</sup>PRIZ S<sub>EV</sub>**



**Milecap 2<sup>EV</sup>**



EV6

**ROADIAN GTX<sup>EV</sup>**



**N<sup>F</sup>ERA Sport EV**



EV9

**ROADIAN GTX<sup>EV</sup>**



**N<sup>F</sup>ERA Sport EV**



# HIGHLIGHTS

## Electric Vehicle OE Supply: HYUNDAI & KG MOBILITY

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IONIQ6

**N<sup>FERA</sup> AU7 EV**



**N<sup>FERA</sup> Sport EV**



KONA EV

**ROADIAN GTX EV**



PORTER

**CP321**



E-MOTION

**ROADIAN GTX EV**



# HIGHLIGHTS

## Electric Vehicle OE Supply: BMW & Others

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5-Series

**N'FERA** Sport EV



X1

**N'FERA** Sport EV



HOZON  
NEZHA V

**N'PRIZ** CX



LEAP  
MOTORS  
T03

**N blue** ECO



LEAP  
MOTORS  
C01

**N'FERA** Primus CX



## Q3 2023 Financial summary

- **Sales Revenue : KRW 692.6B / Operating Profit : KRW 69.7B**

- Sales of all-weather tires and stable ASP led to sales revenue similar to the previous quarter
- Operating profit improved significantly based on competitiveness in raw material prices and maritime freight, securing profitability at pre-pandemic levels

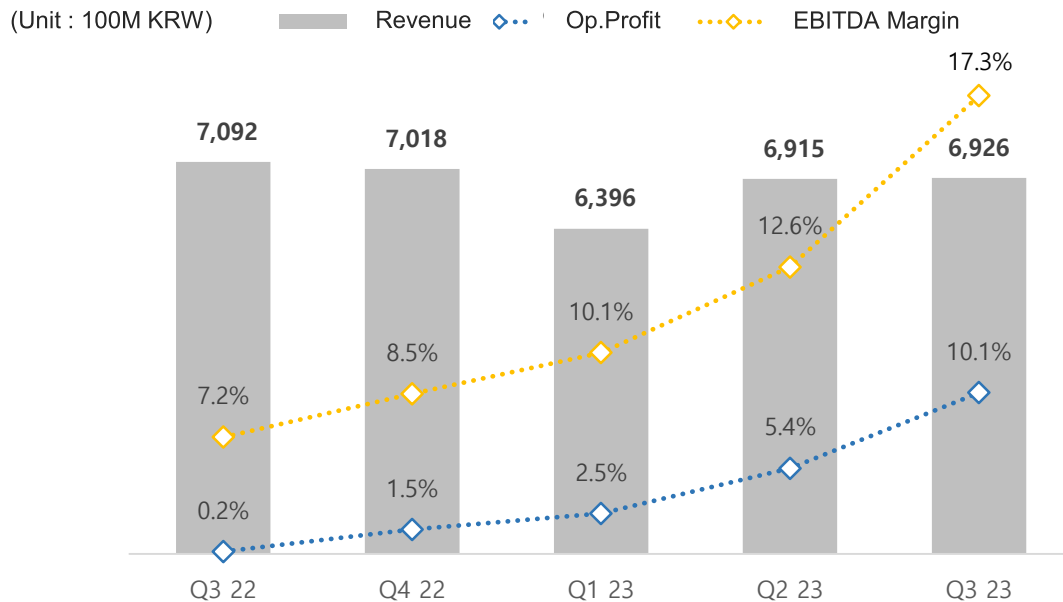
(Unit: 100M KRW)	Q3 2022	Q2 2023	Q3 2023	QoQ	YoY
<b>Revenues</b>	7,092	6,915	6,926	+ 0.2%	△2.3%
<b>Cost of Goods Sold (COGS)</b>	5,802	5,159	4,889	△5.2%	△15.7%
Rate of Sales Cost(%)	81.8%	74.6%	70.6%	△4.0%p	△11.2%p
<b>Operating Profit</b>	11	371	697	+ 87.9%	+ 6,214.8%
Profit Rate(%)	0.2%	5.4%	10.1%	+4.7%p	+9.9%p
<b>Income Before Income Taxes</b>	183	292	664	+ 127.6%	+ 263.0%
(%)	2.6%	4.2%	9.6%	+5.4%p	+7.0%p
<b>Depreciation &amp; Amortization</b>	497	500	504	+ 0.8%	+ 1.5%
<b>EBITDA</b>	508	871	1,201	+ 37.8%	+ 136.3%
(%)	7.2%	12.6%	17.3%	+4.7%p	+10.2%p



# Q3 2023 Financial summary

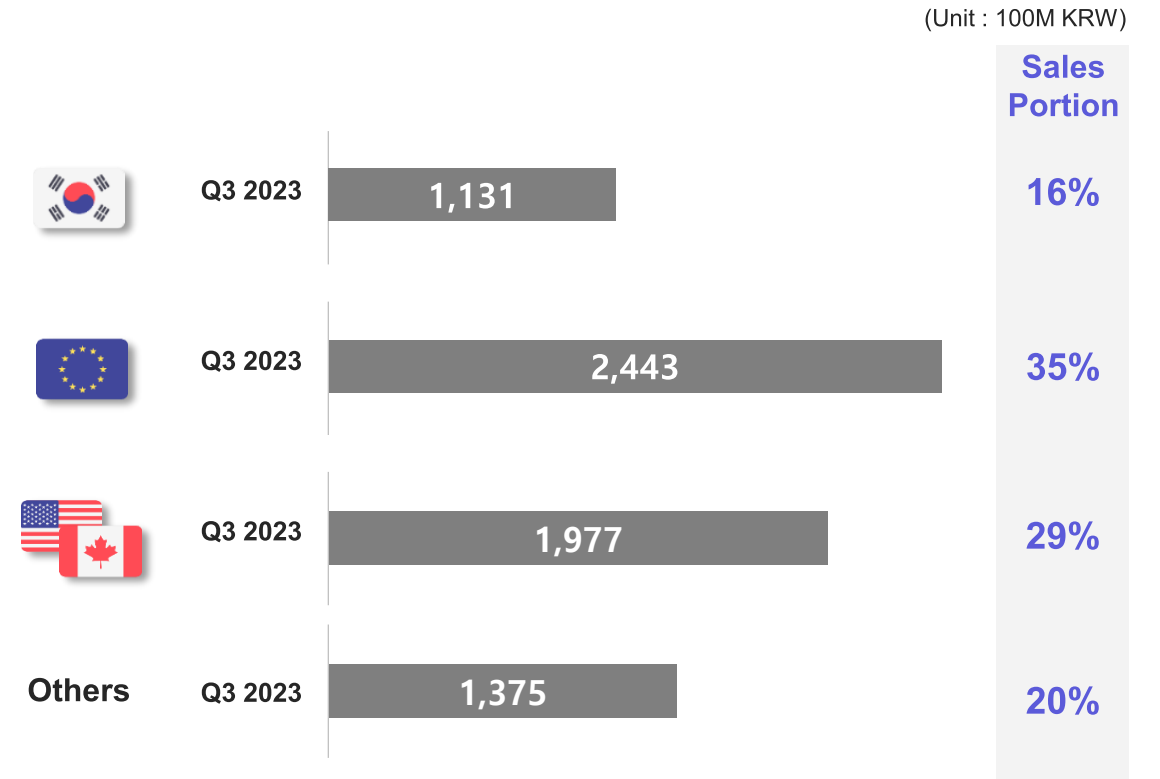
- Despite slowing automobile market growth compared to H1, '23, NEXEN sustained sales growth by expanding OE supply models
- The RE market experienced a slower recovery than anticipated as customers continued to de-stock
- The revenue breakdown consists of 35% from Europe, 29% from North America, 16% from South Korea and 20% from other regions

## Quarterly Profit



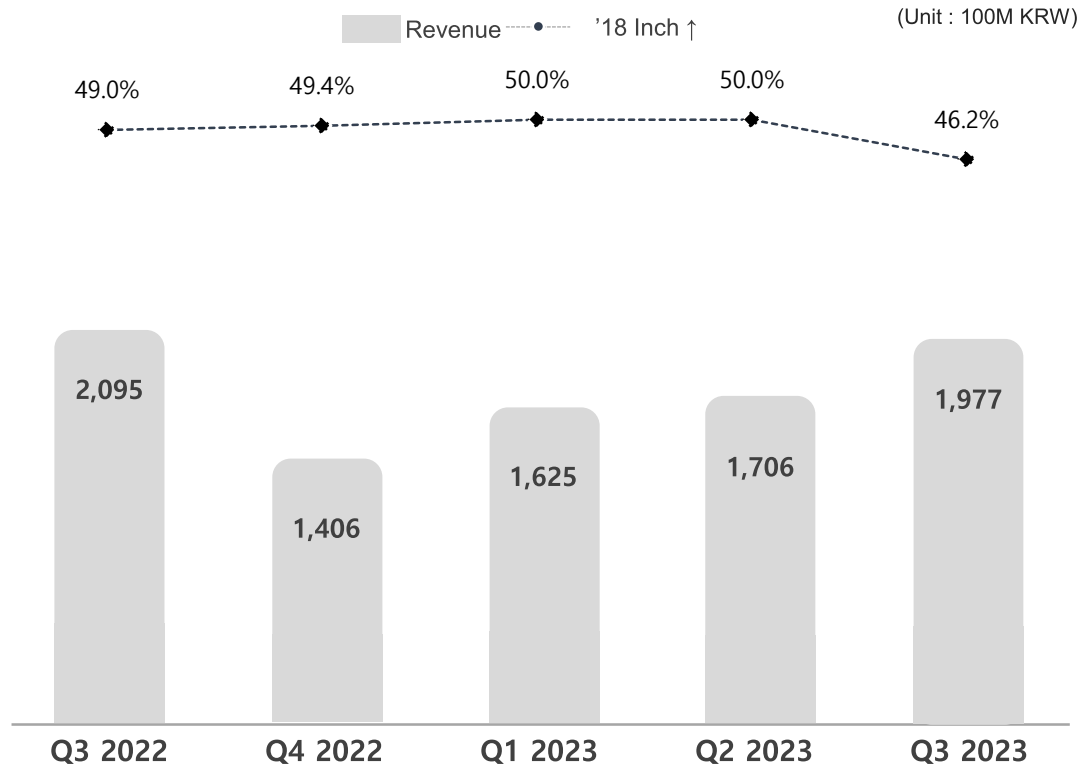
<b>EBITDA</b>	<b>508</b>	<b>596</b>	<b>644</b>	<b>871</b>	<b>1,201</b>
<b>Op.Profit</b>	<b>11</b>	<b>108</b>	<b>162</b>	<b>371</b>	<b>697</b>

## Sales by Region



# Q3 2023 Business Unit Highlights

## N.America

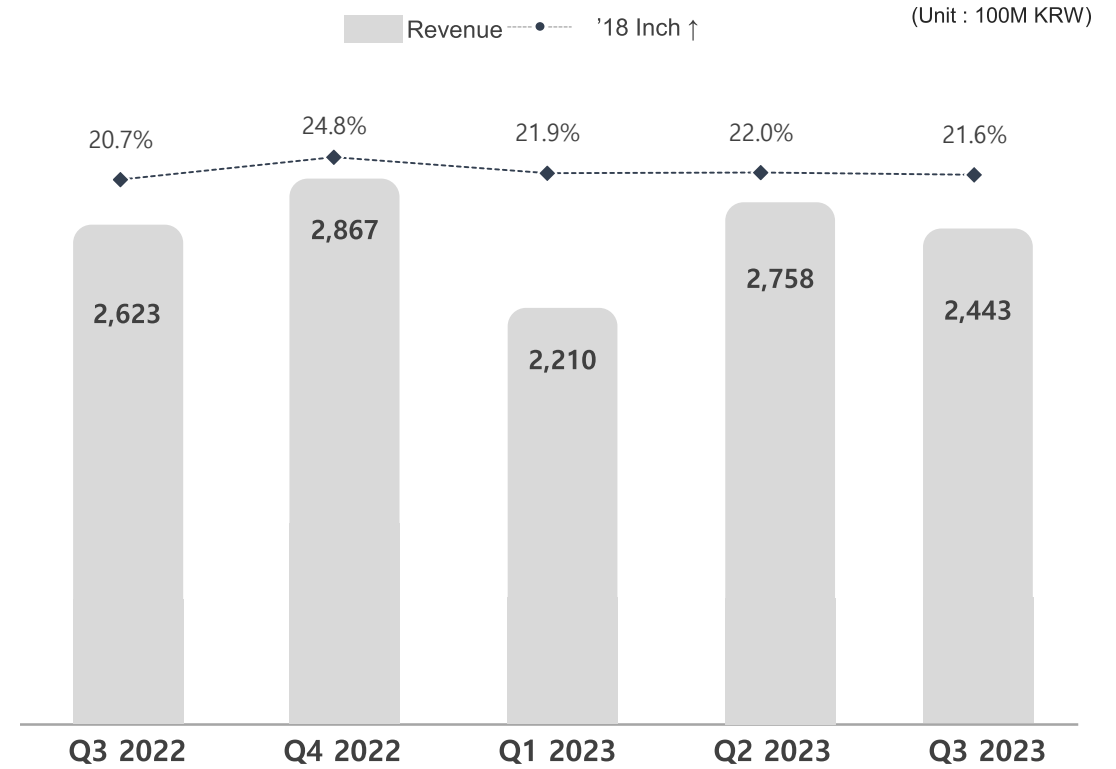


**(Market)** Market demand rebounded YoY since June 2023

**(RE)** Implementation of flexible pricing policies to counteract market forces with anticipation of demand recovery  
 - Supply to Walmart officialized

**(OE)** Increased revenue from strong pickup truck demand: Ram 2500/3500

## Europe



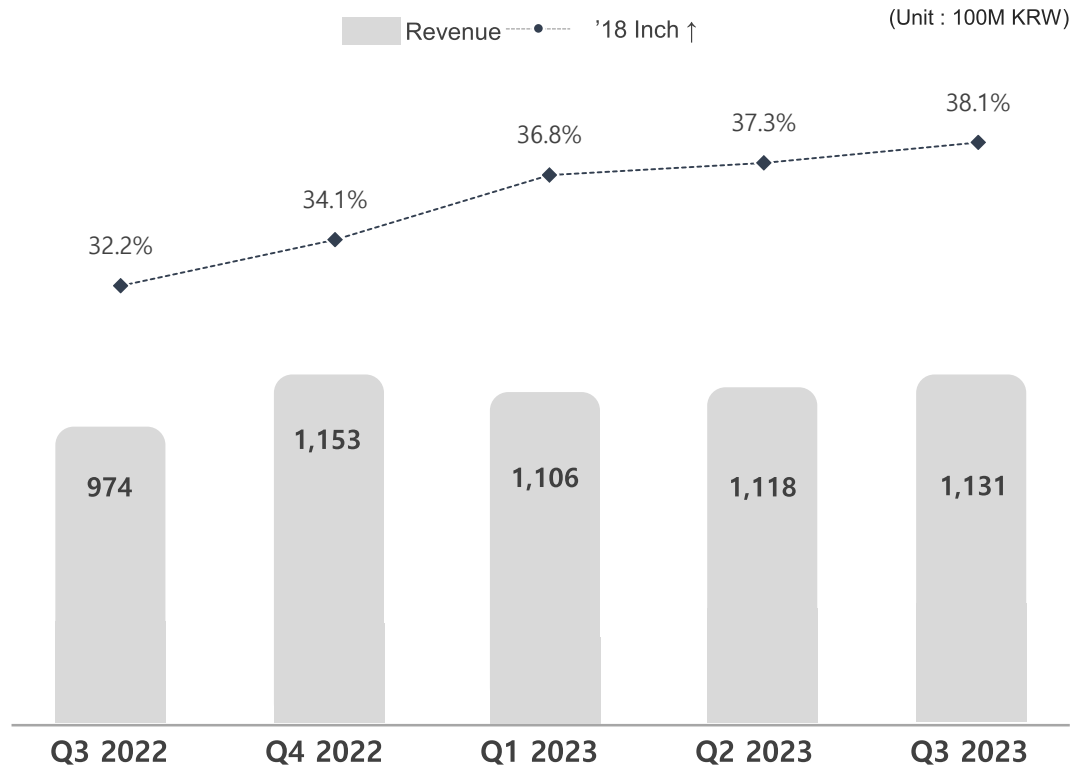
**(Market)** Low demand as purchasing power continues to fall due to economic downturn

**(RE)** Pushing transition from winter tires to all-weather tires to drive sales, company SOA up 0.5%p YoY despite decline in demand

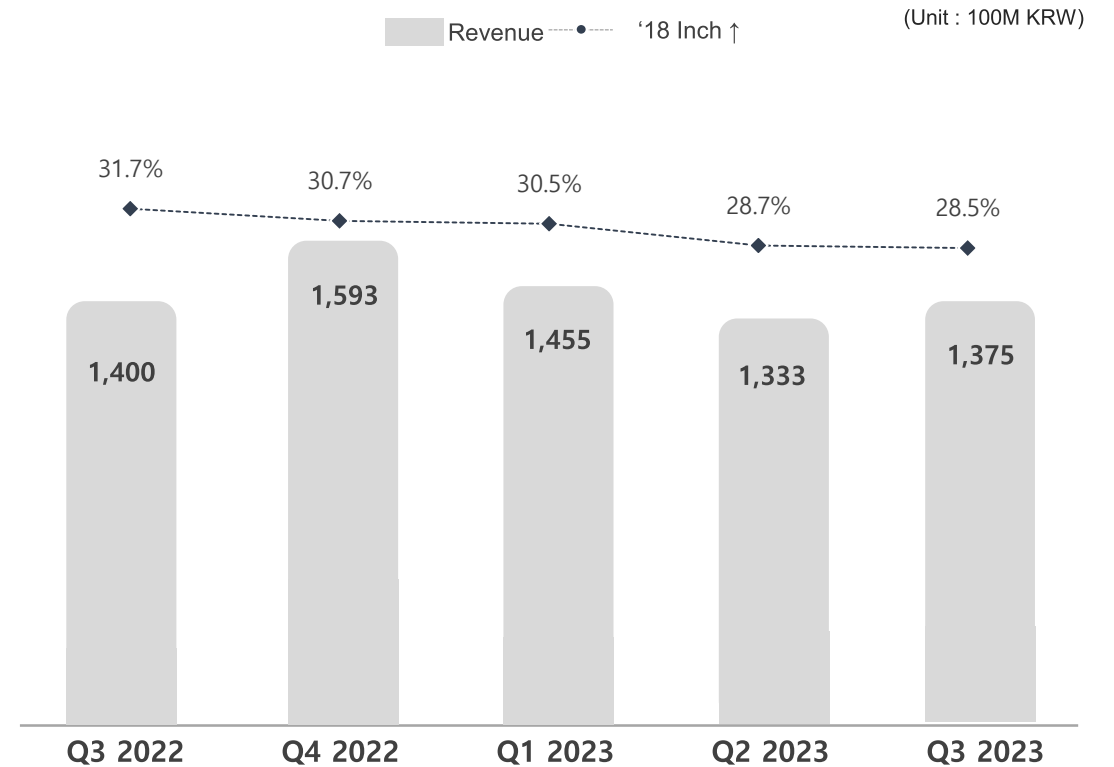
**(OE)** Supply expansion to VW group (Audi, SKODA, etc.)  
 increased awareness by supplying premium OE tires (BMW, Mercedes-Benz)

# Q3 2023 Business Unit Highlights

## Korea



## Others



**(Market)** Higher demand through peak summer and holiday season despite slowing economy

**(RE)** Gradual growth of rental distribution channel with a high proportion of 18 Inch (or higher) tires  
Sales of 18 inch or higher tires rose 5.9%p YoY, driving sales expansion

**(OE)** Continual expansion of supply to EV models such as IONIQ 6, EV6, EV9 to prepare for potential RE market

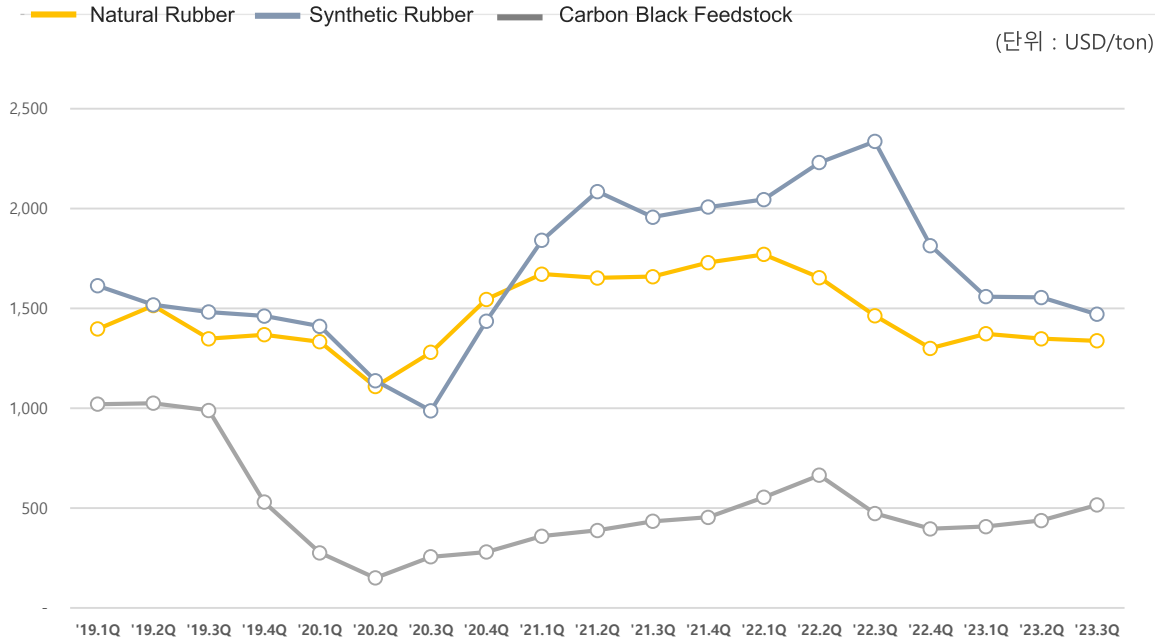
**(Market)** Competition intensifies as economy continues to slow and low-price Chinese/Southeast Asian supplies increase

**(RE)** Middle East: Sales control due to on-going geopolitical issues (payment)

**(OE)** Supplies of EV tires to local car manufacturers and KIA for market penetration into the Chinese market

# Q3 2023 Global Market Status

## Trends in Raw Materials

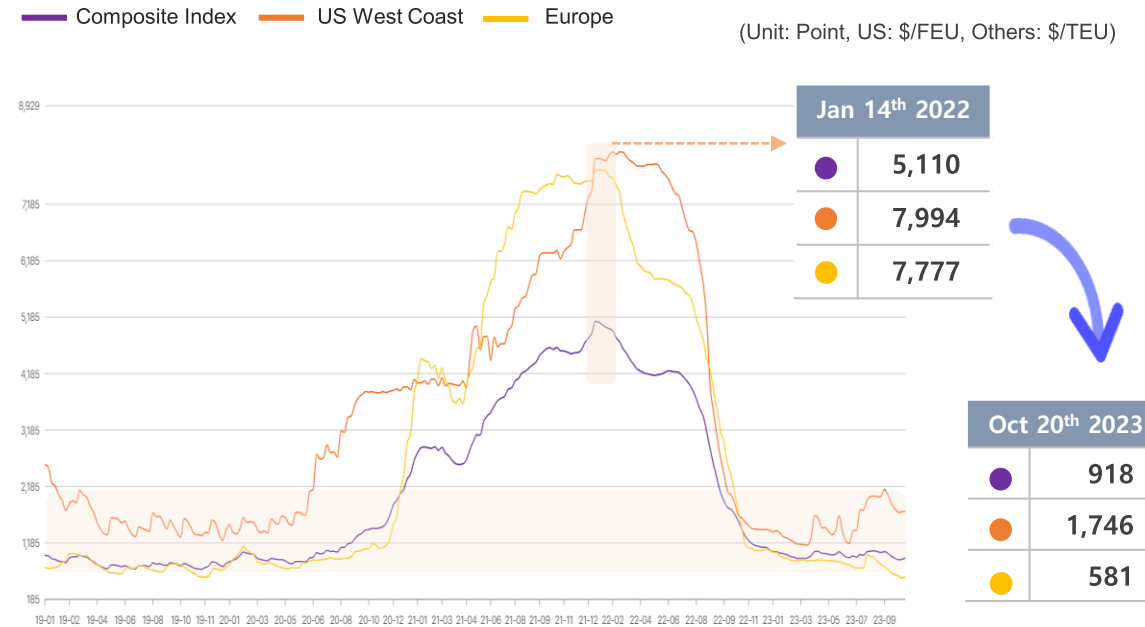


**(Natural Rubber)** The continued decline in futures prices amid weak demand was reversed in September due to reduced supply in Indonesia and Thailand as well as the expectation of demand recovery in China

**(Synthetic Rubber)** The price in Asia increased due to rising raw material prices (butadiene) and scheduled maintenance of manufacturers in China. The price in Europe fell due to the lack of demand in the auto industry (Rising oil prices vs. Lack of demand)

**(Carbon Black)** Downstream products reflect rising oil prices (WTI: +12% QoQ)

## Shanghai Containerized Freight Index (SCFI)



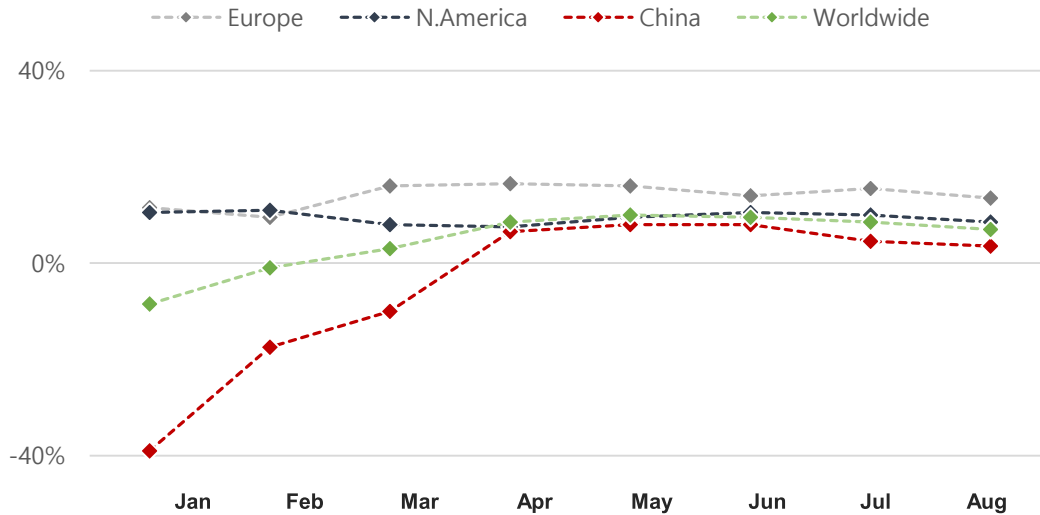
**(Europe)** Continued downward pressure due to oversupply, despite efforts to control expanding supply

**(US)** Amid weak global demand, the Panama Canal depth issue in eastern ports is a key variable

# Q3 2023 Global Market Status

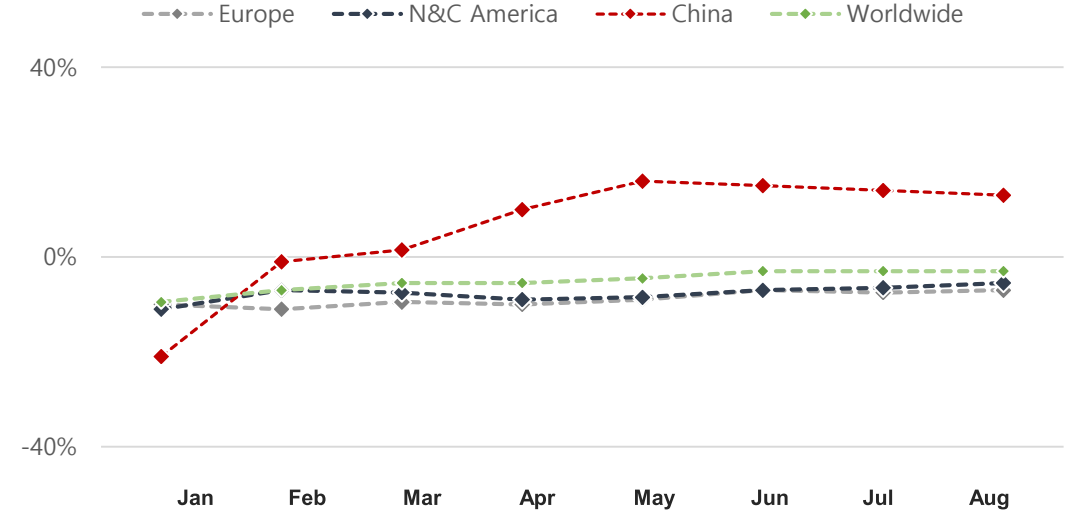
- (OE) Recovery continues with improved supply chain and pent-up demand.  
 However, the YoY growth rate in Q3 decreased slightly compared to H1 of '23  
 - United Auto Workers(UAW) strike in the US / Increasing concerns regarding slowing EV Market growth
- (RE) Although the economic downturn lingers due to geopolitical issues and interest rate hikes,  
 YoY decrease in demand can be observed in major regions

OE YTD\_2023



OE	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Europe	12%	10%	16%	17%	16%	14%	16%	14%
N.America	11%	11%	8%	8%	10%	11%	10%	9%
China	△39%	△18%	△10%	7%	8%	8%	5%	4%
Worldwide	△9%	△1%	3%	9%	10%	10%	9%	7%

RE YTD\_2023



RE	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Europe	△10%	△11%	△10%	△10%	△9%	△7%	△8%	△7%
N.America	△11%	△7%	△7%	△9%	△8%	△7%	△6.5%	△5.5%
China	△21%	△1%	2%	10%	16%	15%	14%	13%
Worldwide	△10%	△7%	△6%	△6%	△5%	△3%	△3%	△3%

※ Source: PC & LT Only, Estimation Based On Data Provided By Regional Tire Manufacturers' Associations And Research Firms



# Q&A





# Appendix 1. Global Production Capacity

- NEXEN plans to expand facilities and improve productivity in the second phase of its European factory in 2023, aiming to establish a global production capacity of 52 million units by 2025
- As a global tire company specializing in PC and LT, NEXEN is prepared to secure Volume and Profit

## Y2025 Total Capacity **52M**

### Europe Plant **11M**



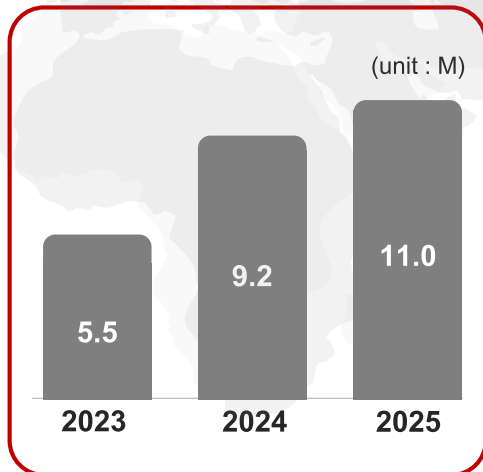
### Korea Plant **30M**



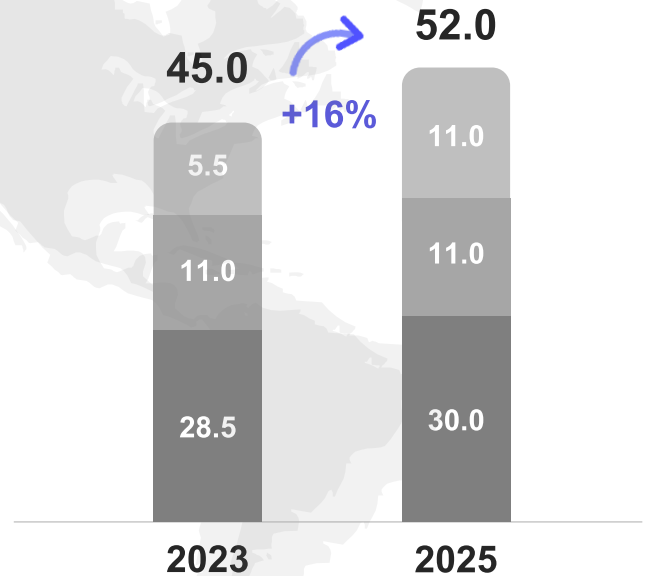
### The Capacity Expansion Plan

- Europe (Zatec)
  - China (Qingdao)
  - Korea (Yangsan, Changnyeong)
- (Unit : M)

### 2<sup>nd</sup> Phase Ramp-up Schedule



### China Plant **11M**



## Appendix 2. Consolidated Balance Sheet

Unit:100M KRW	2020	2021	2022	1H 2023	Q3 2023
<b>Assets</b>	<b>35,411</b>	<b>38,234</b>	<b>39,446</b>	<b>42,215</b>	<b>43,067</b>
<b>Current Assets</b>	<b>12,003</b>	<b>14,760</b>	<b>14,421</b>	<b>15,588</b>	<b>16,038</b>
Cash Equivalents	2,601	3,223	2,584	2,101	2,676
Trade Accounts and Notes Receivable	3,456	3,975	3,822	5,350	5,356
Inventories	3,465	4,971	6,492	6,467	6,338
<b>Non-Current Assets</b>	<b>23,408</b>	<b>23,474</b>	<b>25,022</b>	<b>26,627</b>	<b>27,029</b>
Tangible Assets	20,967	20,688	21,350	22,559	22,696
<b>Liabilities</b>	<b>19,941</b>	<b>22,235</b>	<b>23,481</b>	<b>25,698</b>	<b>25,970</b>
Current Liabilities	7,668	10,417	14,317	13,704	14,574
Non-Current Liabilities	12,274	11,818	9,164	11,994	11,396
(Debt)	13,768	13,558	16,396	18,881	18,608
<b>Equity</b>	<b>15,470</b>	<b>15,999</b>	<b>15,962</b>	<b>16,517</b>	<b>17,096</b>
<b>Net Debt</b>	<b>11,167</b>	<b>10,335</b>	<b>13,813</b>	<b>16,780</b>	<b>15,932</b>

## Appendix 3. Consolidated Income Statement

Unit: 100M KRW	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Revenue</b>	<b>7,092</b>	<b>7,018</b>	<b>6,396</b>	<b>6,915</b>	<b>6,926</b>
<b>COGS</b>	<b>5,802</b>	<b>5,643</b>	<b>4,975</b>	<b>5,159</b>	<b>4,889</b>
Rate of Sales Cost (%)	81.8%	80.4%	77.8%	74.6%	70.6%
<b>Gross Profit</b>	<b>1,290</b>	<b>1,375</b>	<b>1,420</b>	<b>1,755</b>	<b>2,037</b>
Profit Rate(%)	18.2%	19.6%	22.2%	25.4%	29.4%
<b>SG&amp;A</b>	<b>1,279</b>	<b>1,267</b>	<b>1,259</b>	<b>1,384</b>	<b>1,341</b>
(%)	18.0%	18.1%	19.7%	20.0%	19.4%
<b>Operating Profit</b>	<b>11</b>	<b>108</b>	<b>162</b>	<b>371</b>	<b>697</b>
(%)	0.2%	1.5%	2.5%	5.4%	10.1%
Non-operating / Other Income	<b>909</b>	<b>△30</b>	<b>498</b>	<b>358</b>	<b>332</b>
Non-operating / Other Expense	<b>737</b>	<b>308</b>	<b>472</b>	<b>436</b>	<b>364</b>
<b>Income Before Income Taxes</b>	<b>183</b>	<b>△232</b>	<b>187</b>	<b>292</b>	<b>664</b>
Profit Rate(%)	2.6%	△3.3%	2.9%	4.2%	9.6%