

Doosan Enerbility

# Spin-off and merger with Doosan Robotics

July 2024



# Disclaimer

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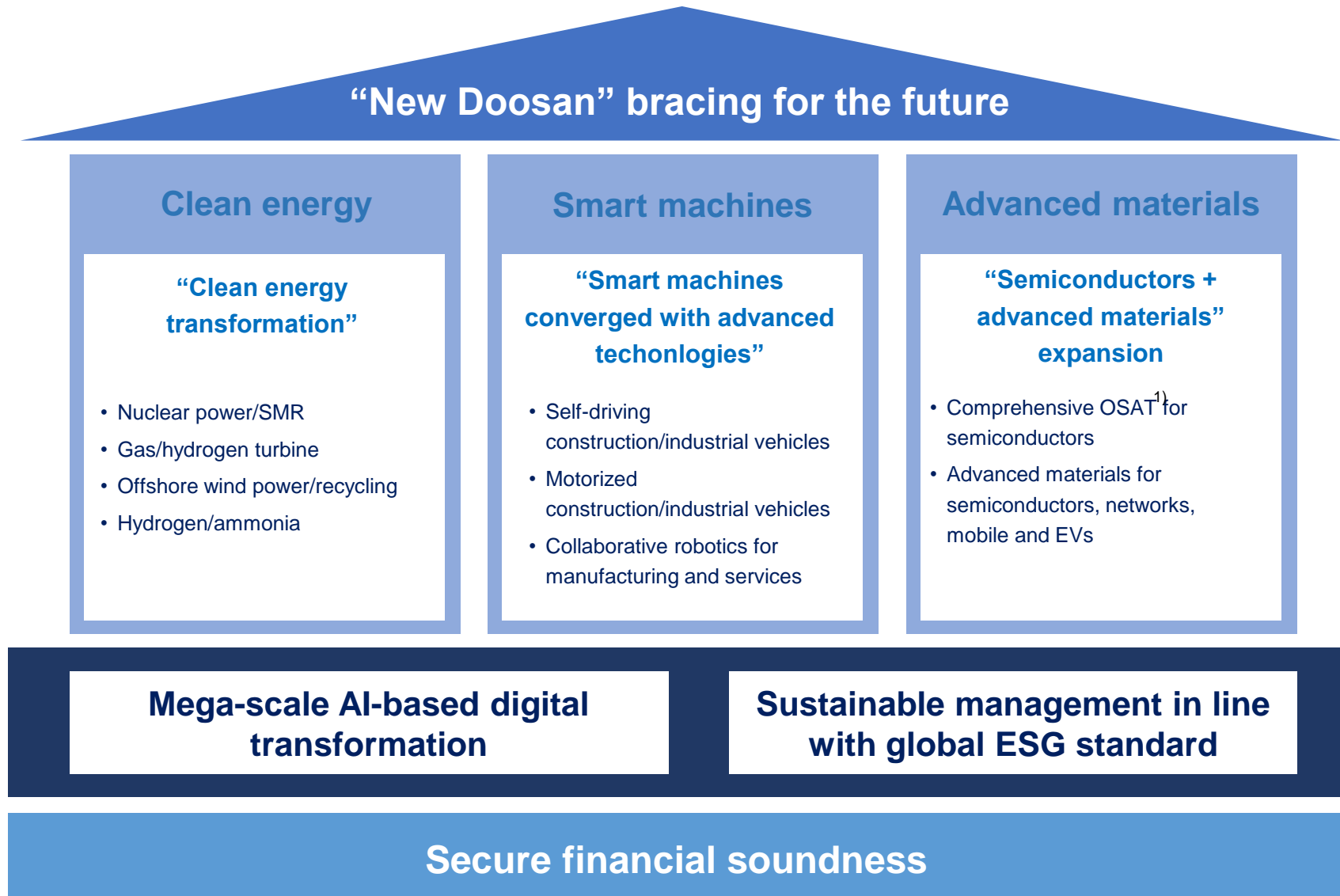
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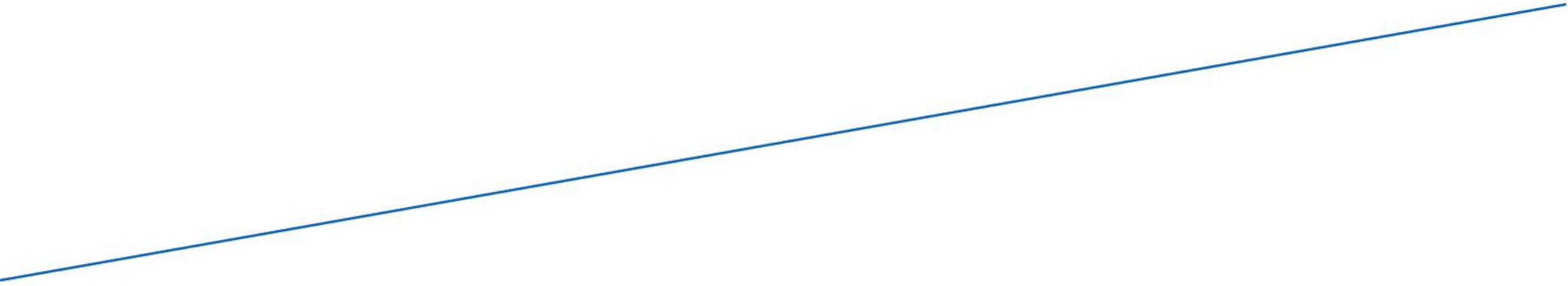
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# Doosan Group strategy for “New Doosan”



1) OSAT stands for outsourced semiconductor assembly and test

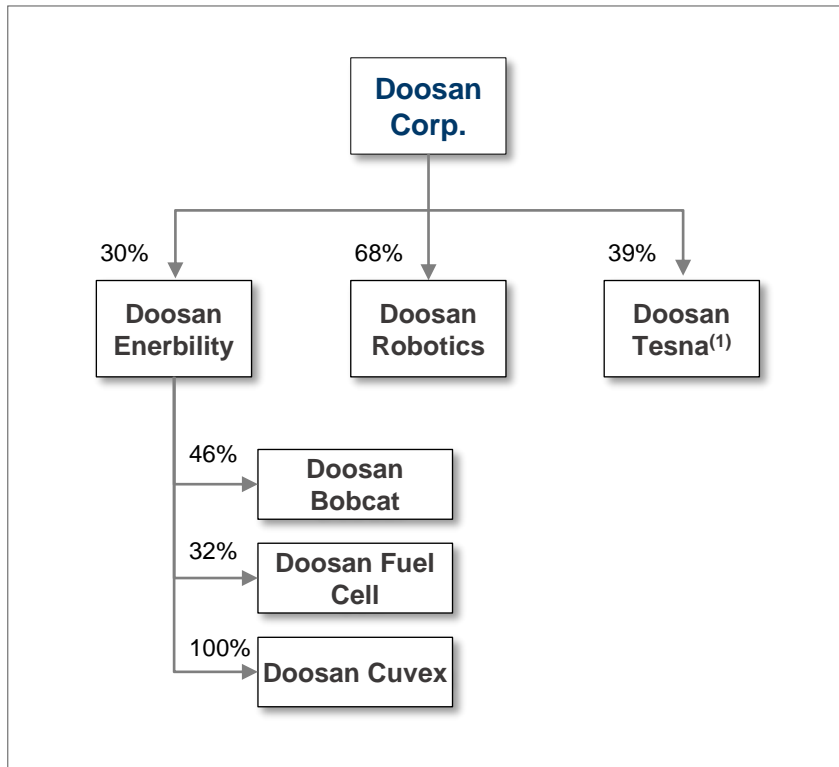


## **1. Overview for goverance restructuring**

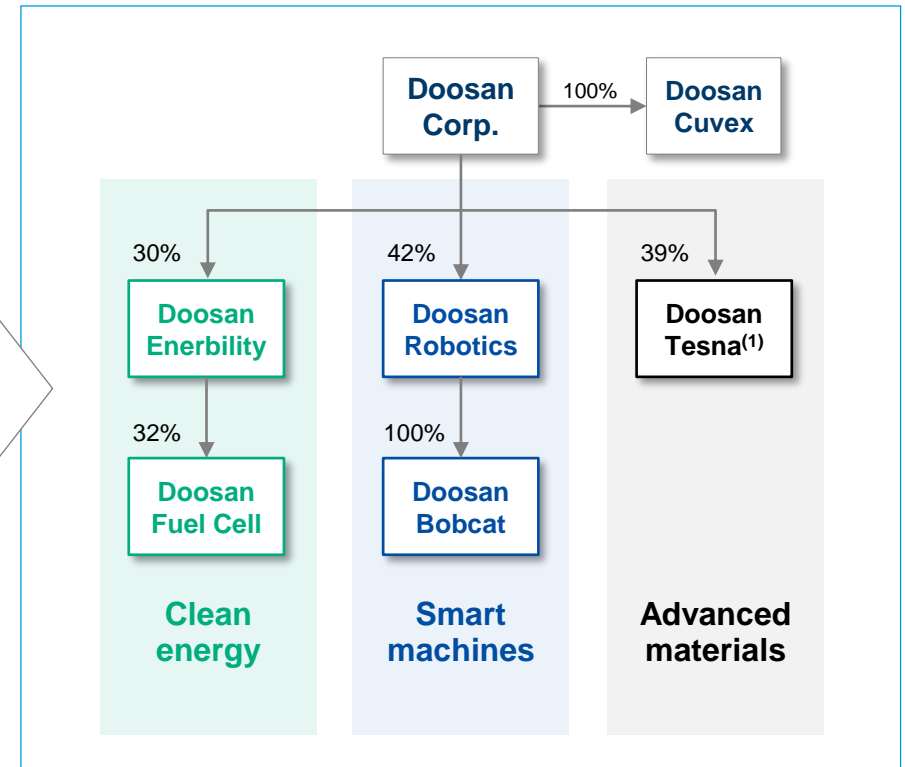
# Doosan Group restructuring overview

Categorized into three growth engines of “New Doosan” to maximize synergies among affiliates

## As-is



## To-be



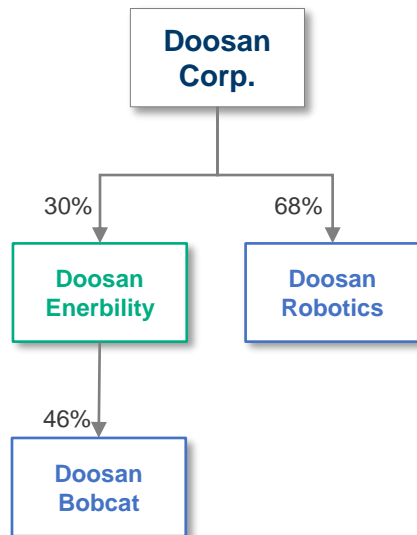
Note: Stake ratio based on voting rights, assuming that appraisal rights are not exercised;  
(1) Doosan Portfolio Holdings (financing vehicle) was excluded

- ① Dissipate **vertical governance risks** (heavy concentration under Doosan Corp.'s arms)
- ② Form clusters by business (**streamlining complex governance**)  
→ **Maximize synergies** (clean energy, smart machines)
- ③ **Respective subsidiaries focus on their own business**

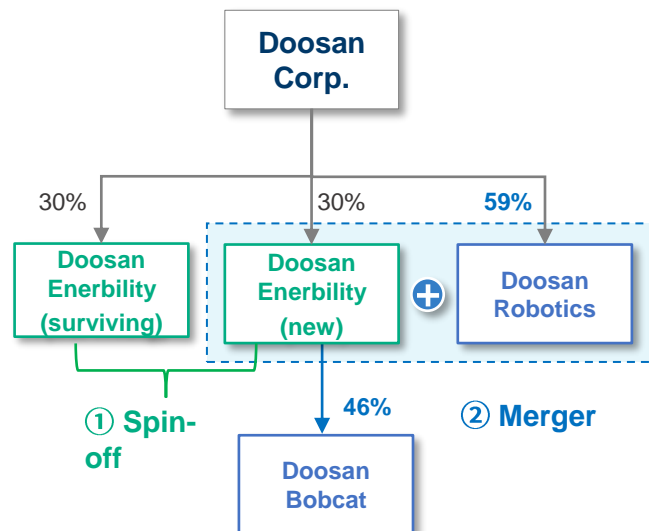
# Spin-off/merger and comprehensive stock exchange

Doosan Enerbility is split into an ongoing concern and a new entity that merges with Doosan Robotics. After that, Doosan Bobcat will become a wholly-owned subsidiary of Doosan Robotics through a comprehensive stock exchange

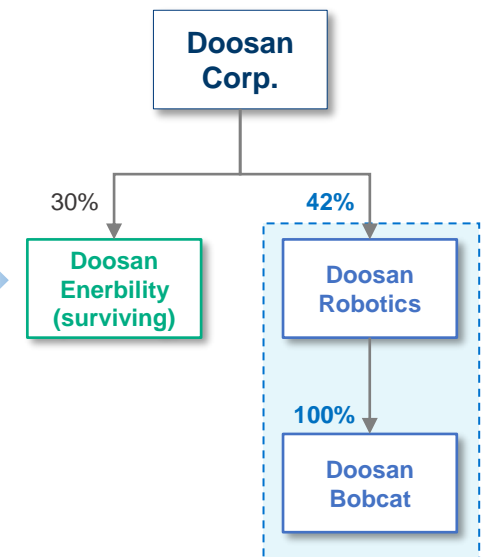
As-is



After spin-off/merger



After stock exchange



- Doosan Enerbility: 46% stake in Doosan Bobcat
- Doosan Corp.: 68% stake in Doosan Robotics

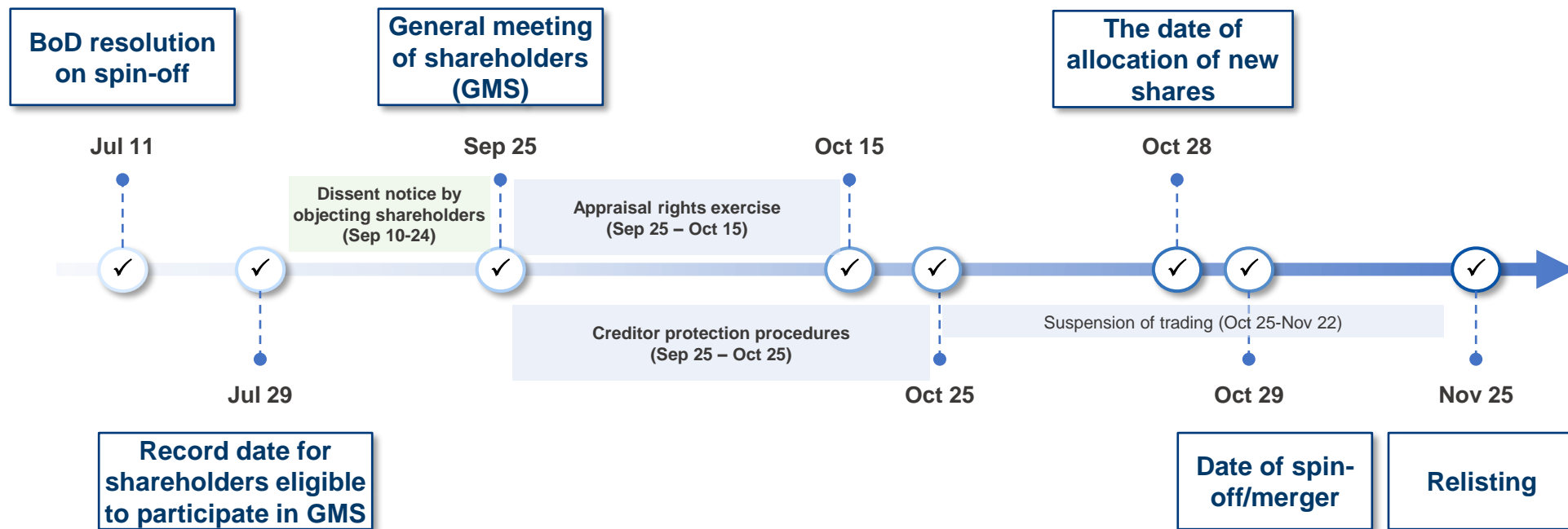
- Doosan Enerbility is split into an ongoing concern and a new entity with Doosan Bobcat stake and debt that merges with Doosan Robotics
- Doosan Corp.'s stake in Doosan Robotics drops to 59%
- Doosan Robotics owns 46% of Doosan Bobcat

- Doosan Corp.'s stake in Doosan Robotics drops to 42%
- Businesses are integrated as Doosan Robotics wholly owns Doosan Bobcat

# Key timeline

Scheduled to complete relisting in November 2024 after the BoD resolution on spin-off on July 11 and **the general shareholders' meeting on September 25.**

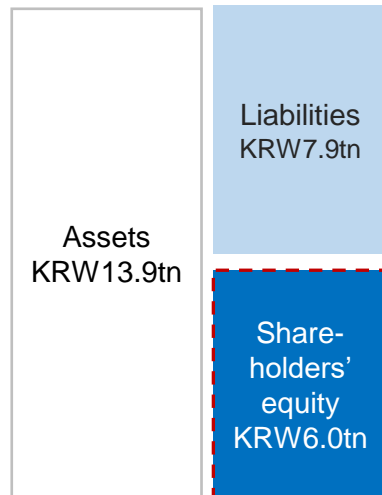
- Shareholders who **acquired shares prior to the disclosure of the BoD resolution (July 11) and by the next business day (July 12) following the disclosure** are eligible for the appraisal rights for dissenting shareholders
- Shareholders holding shares of Doosan Enerbility as of October 28 (the date of allocation of new shares) are eligible to receive shares of Doosan Robotics.
- Relisting of Doosan Enerbility shares and listing of new shares of Doosan Robotics on November 25



# Spin-off ratio

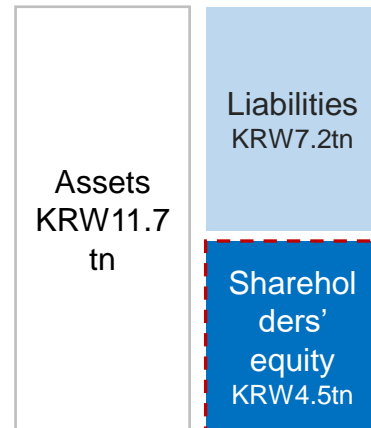
## Pre-spin

(1Q24, separate)

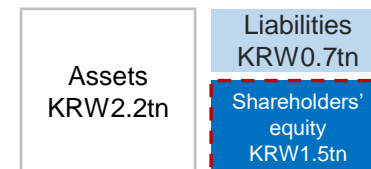


## Post-spin\*

### Surviving entity



### New entity\*



\* Pro forma financial statements after the spin-off; See disclosure for final figures

\*\* Subject to merger with Doosan Robotics

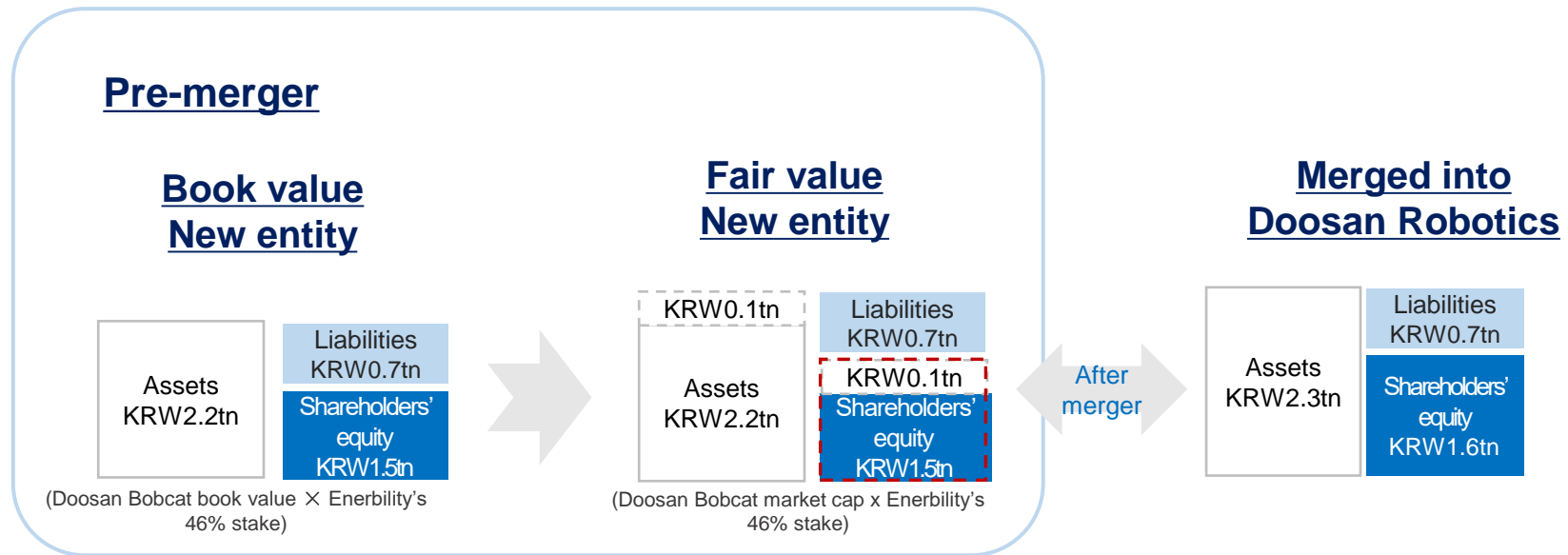
Spin-off ratio is based on the book value

→ 1:0.2474030



# Merger ratio

Instead of the book value (KRW 47,600/sh), Doosan Enerbility's 46% stake in Doosan Bobcat will be revalued based on the fair value (KRW 50,612/sh) for the merger. After excluding the transferred liabilities, the asset value of the merged entity is derived to be KRW1.6tn.



Market cap  
No. of shares  
Base price

KRW1.6tn  
158,476,749  
KRW10,221

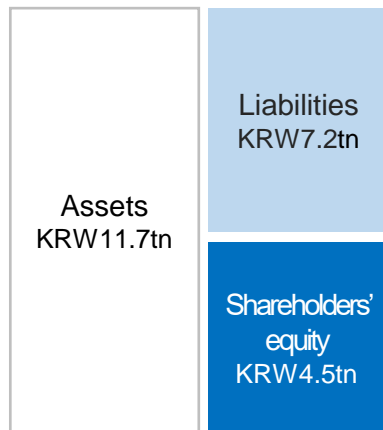
KRW1.6tn  
20,219,377  
KRW80,114

Merger ratio is based on the base price  
→ 1:0.1275856

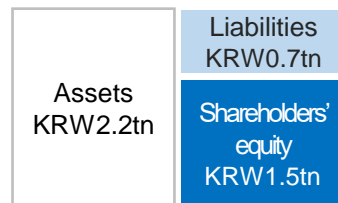
# Pre/Post-merger financial structure

## Pre-merger

### Surviving entity



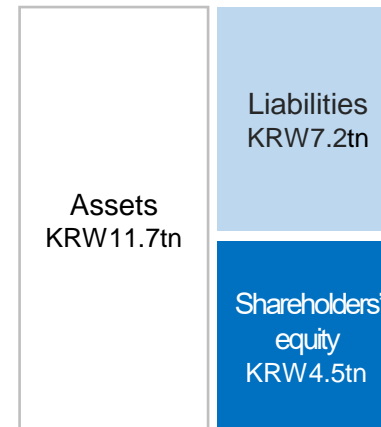
### Book value New entity



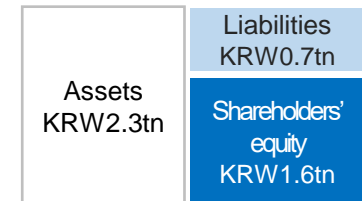
Market cap	KRW12.4tn	KRW1.6tn
No. of shares	482,084,397	158,476,749
Base price*	KRW25,673	KRW10,221

## Post-merger

### Surviving entity



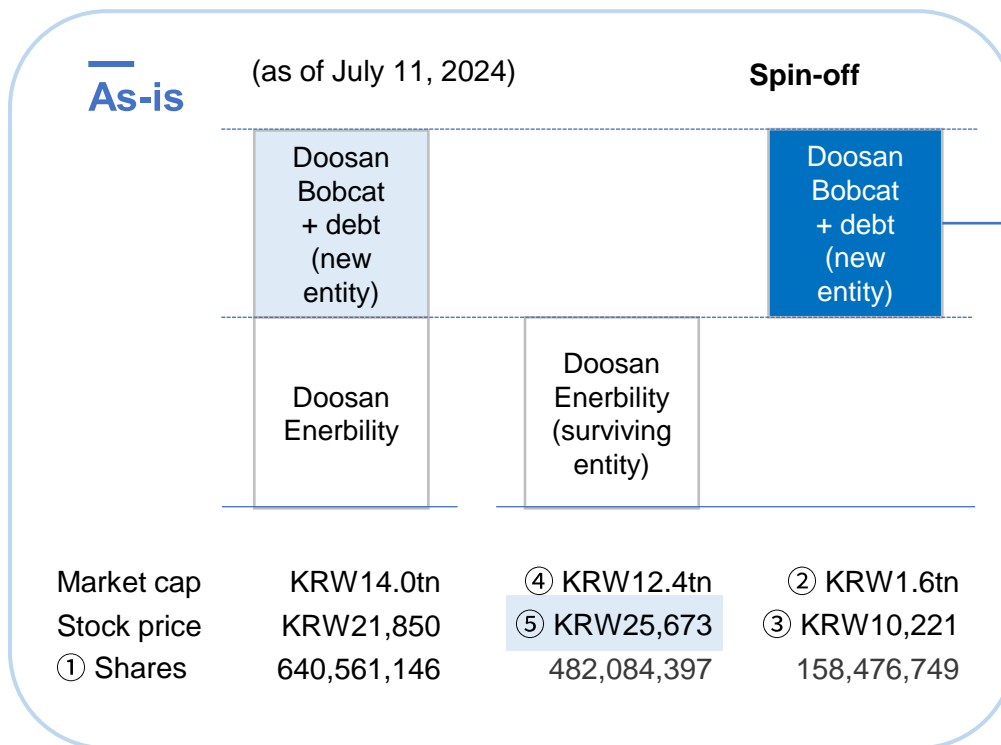
### Robotics



Market cap	KRW12.4tn	KRW1.6tn
No. of shares	482,084,397	20,219,377
Base price	KRW25,673	KRW80,114

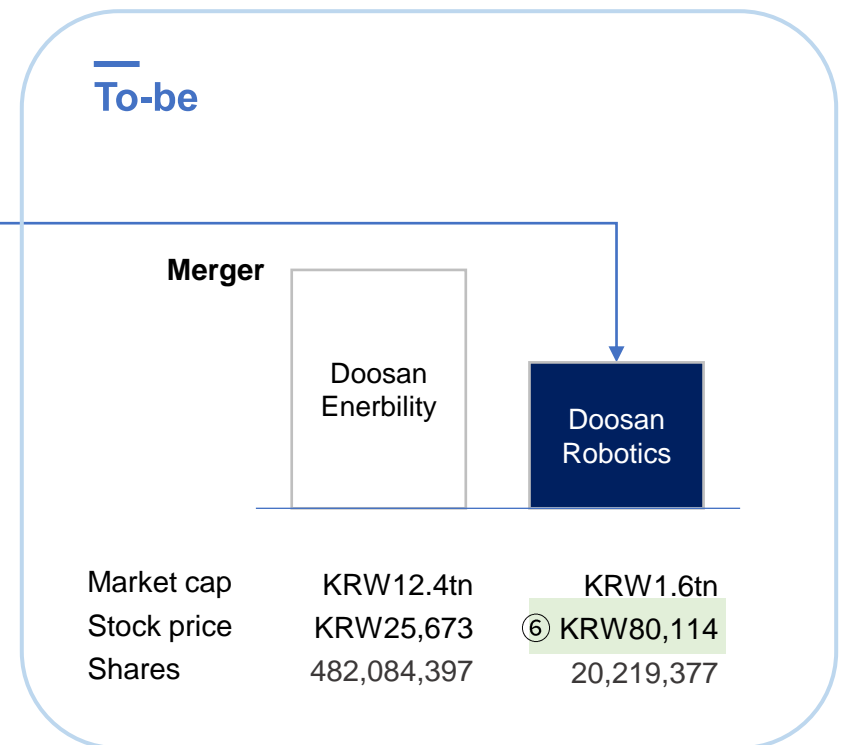
\* Base price for each entity is calculated based on June 10 close (KRW21,850), the day before the Board meeting

# Anticipated effects from merger



- ① Shares as % of net assets (surviving entity 75%, new 25%)
- ② (Doosan Bobcat market cap KRW5.03tn X Doosan Enerbility stake 46.1%) – transferred debt KRW0.7tn = KRW1.6tn
- ③ New entity market cap / shares = Stock price KRW10,221
- ④ Previous market cap KRW14.0tn – new entity market cap KRW1.6tn = KRW12.4tn
- ⑤ New entity market cap / shares = **KRW25,673**

Surviving entity's stock price up 17.5% via spin-off



- ⑥ Doosan Robotics July 12 closing price (KRW105,700) translates to ~KRW25,589 gain per share based on the stock price

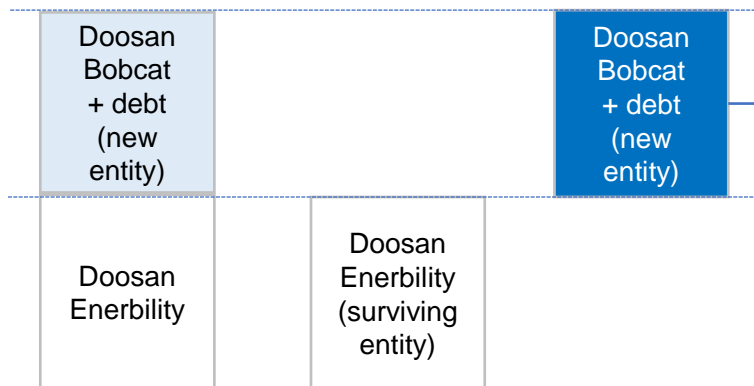
Doosan Robotics' stock price **above KRW80,114** translates to a gain

# Examples of anticipated effects

**As-is**

(as of July 11, 2024)

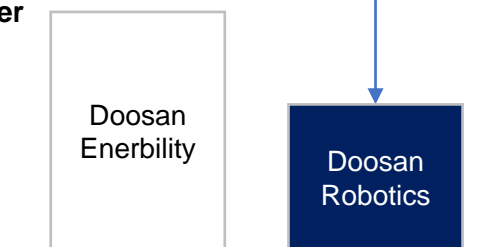
**Spin-off**



Market cap	KRW14.0tn	④ KRW12.4tn	② KRW1.6tn
Stock price	KRW21,850	⑤ KRW25,673	③ KRW10,221
① Shares	640,561,146	482,084,397 (~76%)	158,476,749 (~24%)

**To-be**

**Merger**



Market cap	KRW12.4tn	KRW1.6tn
Stock price	KRW25,673	⑥ KRW80,114
Shares	482,084,397	20,219,377

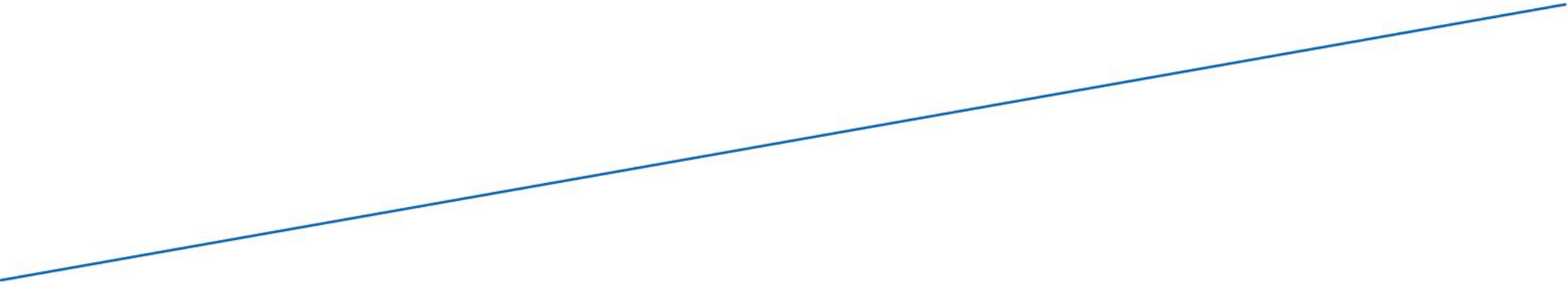
**Shareholder "A" has 100 shares in Doosan Enerbility.**

Shares held	100 shares	76 shares	24 shares
Stock price	KRW21,850	KRW25,673	KRW10,221
Value	KRW2,185,000	KRW1,951,148	KRW245,304

~KRW2,196,452

Shares held	76 shares	3 shares
Stock price	KRW25,673	KRW80,114
Value	KRW1,951,148	KRW240,342

~KRW2,196,452



## **2. Merger backdrop & anticipated effects**

# Backdrop to Doosan Enerbility's merger push

Doosan Enerbility can secure a favorable business environment and growth engines such as nuclear energy and gas turbine to sharpen the competitive edge of its proprietary operations

## Background

### Eco-friendly/high-margin business portfolio

- Large nuclear power plant projects: Won orders from Egypt/Shin Hanul nuclear power plant nos. 3 and 4; To keep winning orders at home and abroad
- Small modular reactors (SMR): Prepared and invested early to ink deals to supply SMR equipment & components to NuScale Power, etc.
- Gas turbines: Fifth in the world to develop gas turbines; To expand lucrative service business for gas turbine equipment & components

### Very sound power generation market at home and abroad

- Massive power shortage due to data center expansion for AI and other applications creates a favorable environment for orders
- More new demand for gas combined-cycle power plants in the US and other regions leads to more business opportunities early
- Trend for more carbon-free energy worldwide to accelerate growth of nuclear energy and SMR operations

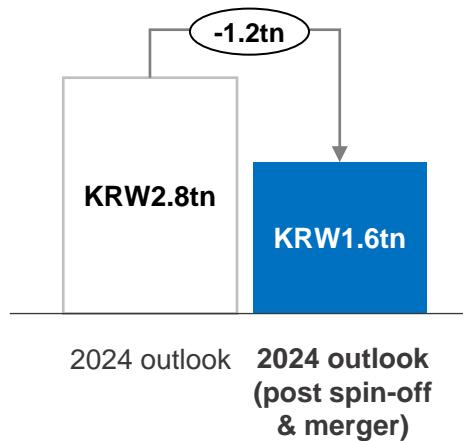
### Greater need for early investment to get a head start in the market

- Must invest early in production facilities and technologies to establish a solid foothold in the nuclear energy, SMR and gas turbine markets that are on track to grow faster than expected
- Must make a push to increase borrowing capacity

# Expected impacts

## Doosan Enerbility (on company-side)

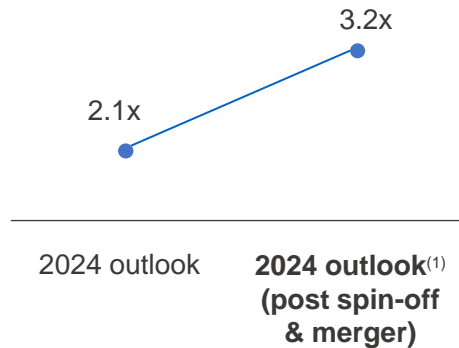
### Neb debt down KRW1.2tn



- Doosan Bobcat spin-off to transfer a portion of debt to spin-off company
- Equity stakes at non-core subsidiaries (Qbex, D20, Bundang REIT) where little synergy is expected to be sold off

### Annual financing costs down KRW66bn

EBITDA/financing costs



- Annual financing costs to be reduced on lighter net debt
- Improved EBITDA/financing costs ratio

- ✓ **Financial solvency improved** on governance restructuring
- ✓ **Rooms increased in credit line** (total KRW480bn~KRW780bn)
- ✓ **More concentrated on future growth engine** (nuclear power, gas turbine), enabling **early investments**
- ✓ **Mid-term business portfolio realigned**

(1) Assuming 12 months worth of financial cost savings

# Expected impacts

## Doosan Enerbility (on company-side)

### 1 Investment on nuclear power (large-scale, SMR) facilities and technologies

- Increased larger-scale nuclear and SMR projects at home and abroad maxed out capacity until 2025; Incremental capacity ramp-up to take place

⇒ SMR foundry targeting 2027 completion; Mass production system to be set

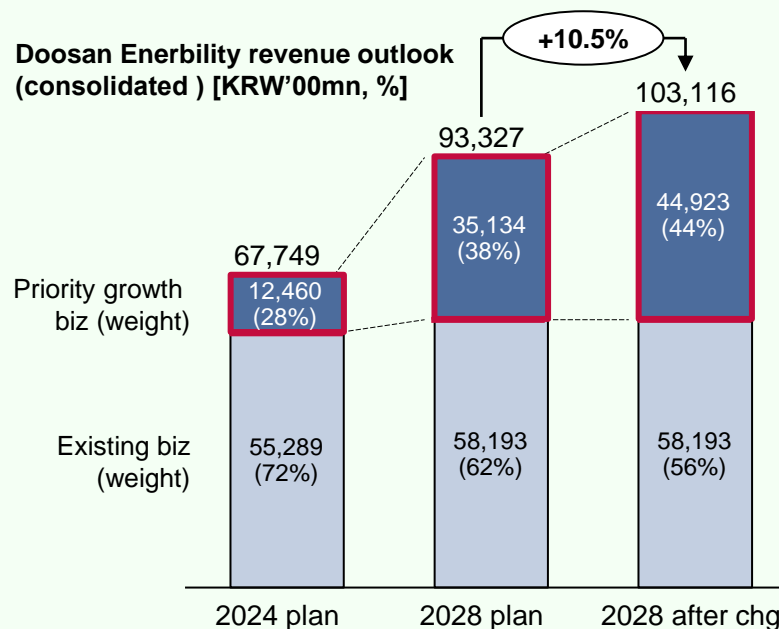
### 2 Expansion of gas turbine biz and related service

- Large gas turbines**
  - Successful operation of Gimpo CHP under rated load signaled the full-swing kick-off of the gas turbine businesses
- Gas turbine service**
  - Stable long-term source of income secured with the LTSA order for Boryeong new combined cycle power plant won

⇒ Capacity ramp-up to take place in tandem with order increases

## Realignment of mid-term business portfolio

- Top-line to be driven up by 10.5% (compared to previous plan) via investments focused on growth engines
- Larger weight of lucrative growth businesses to accelerate profitability upturn



\* Priority growth business: Large-scale reactor, SMR, GT/GT services

Existing business: Combined cycle power, casting & forging, defense, renewable (wind) energy, civil engineering, hydro power, etc.



# Expected impacts

## Doosan Enerbility (on company-side)

### Reduction in outstanding shares to boost EPS (earnings per share)

- Outstanding shares : Pre spin-off & merger 640,561,146 → post spin-off & merger 482,084,397
- Reduction in outstanding share count at Doosan Enerbility to boost EPS in case of future NP growth

### Restructured governance to allow Doosan Enerbility focus on core energy-related operations

- Doosan Bobcat removed from consolidated statement would mean smaller asset size for Doosan Enerbility but,...
- ... Doosan Enerbility may move away from the role of being an intermediate holdings company in the group, and focus on it core energy businesses along with its subsidiary Doosan Fuel Cell
- Doosan Enerbility would now be rated in the market based on separate earnings, and rerating could serve as a cornerstone of larger growth.

# Anticipated Benefits

## Doosan Enerbility (Shareholder's perspective)

**No impact on the value of shareholders' equity value due to the spin-off**

### **Shares of Doosan Robotics to be allocated according to the merger ratio.**

- Doosan Robotics shares will be allocated based on the spin-off ratio for shares held by Doosan Energy as of the date of allocation of spin-off shares
  - **For each share of Doosan Energy, 0.0315651 shares of Doosan Robotics common stock are allocated**  
(Split ratio 0.2474030 x Merger ratio 0.1275856)

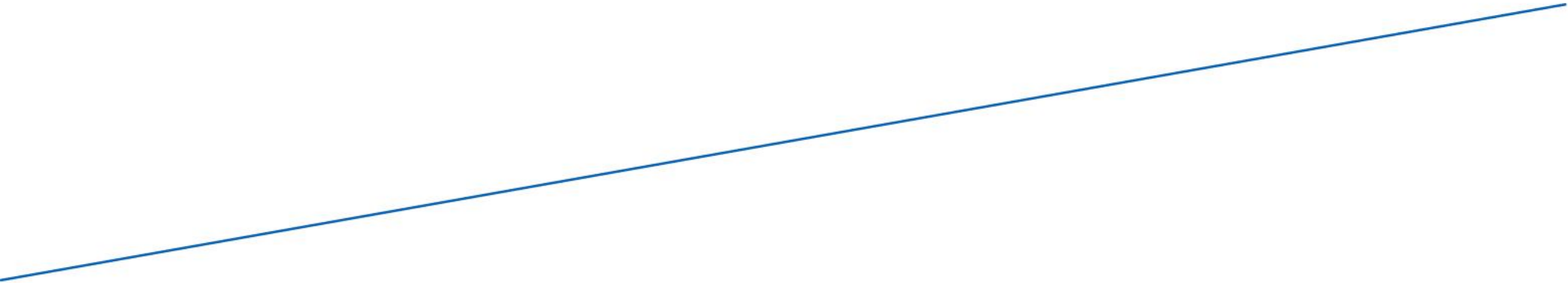
### **Effect of early acquisition of Doosan Robotics shares, with the company expected to grow after the spin-off merger**

- Corporate value increase anticipated attributable to business synergy between Doosan Bobcat and Doosan Robotics

### **Profits from sale of Doosan Bobcat to be returned to shareholders**

- Doosan Enerbility will allocate Doosan Robotics shares to shareholders, including the profits from the sale of Doosan Bobcat.

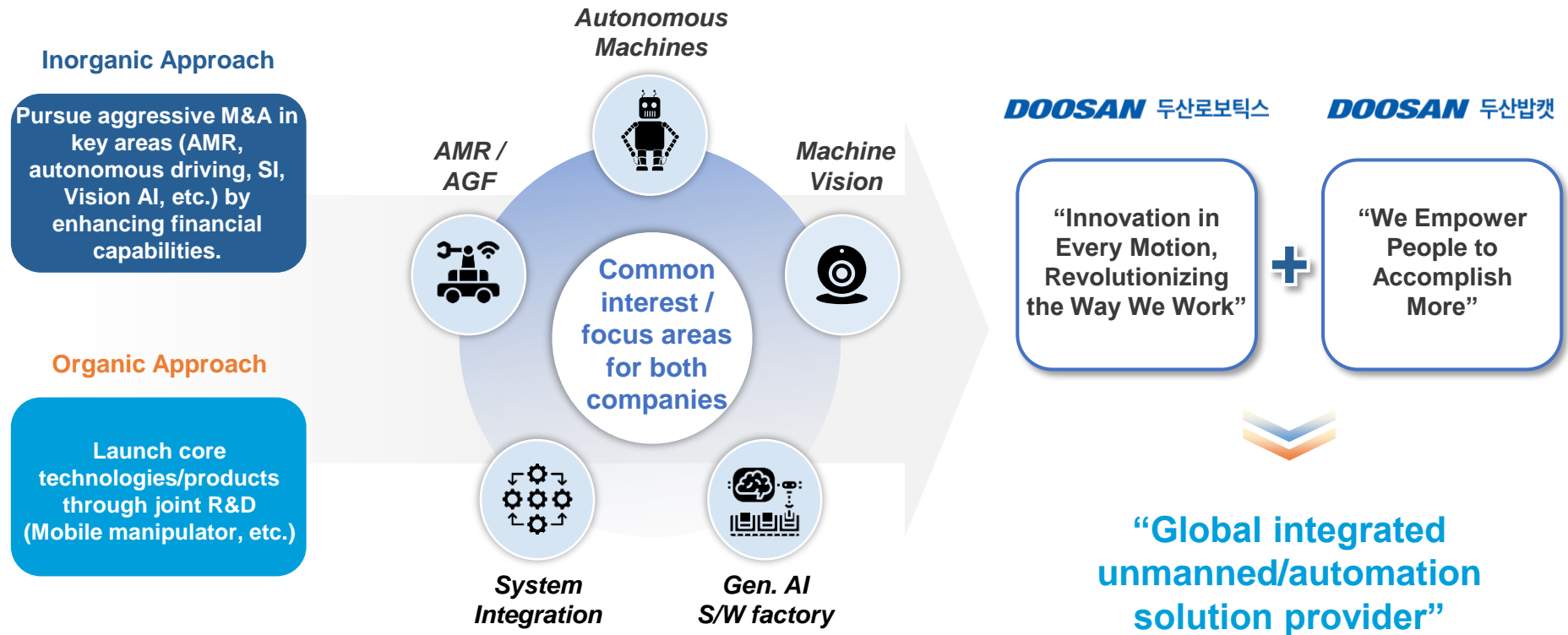
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**Appendix. Doosan Robotics Stock**

# Vision of Smart Machine Division

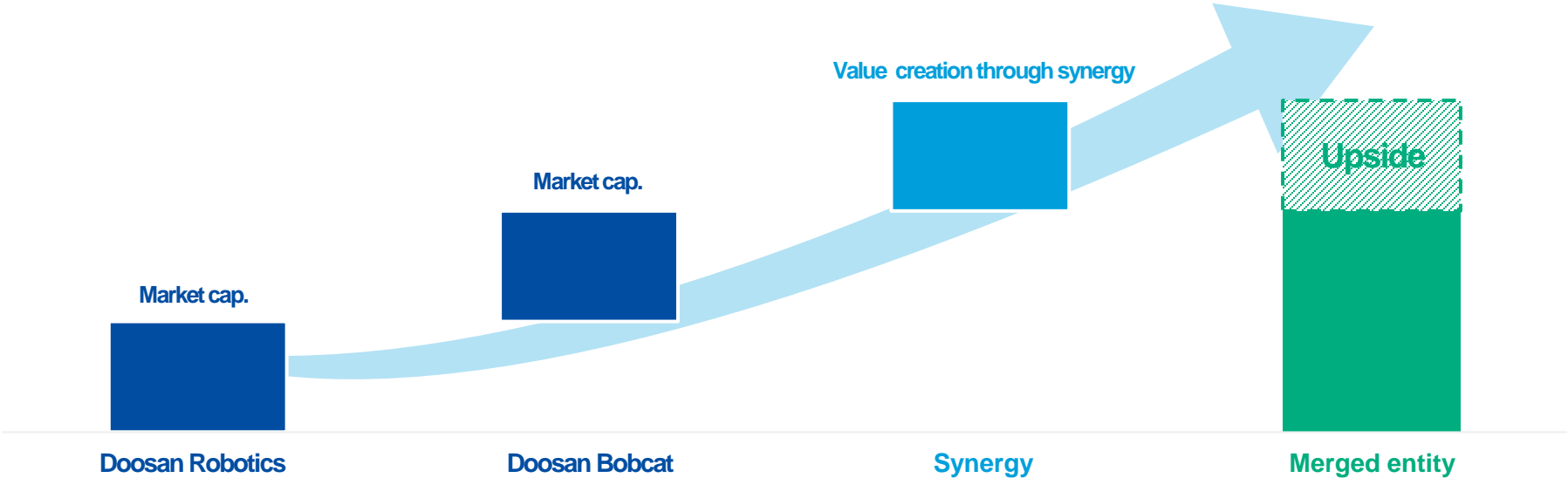
Aims to become a world-class leader in unmanned/automation solutions by actively expanding business areas through inorganic and organic growth.



# Future Value Creation Roadmap

## Creating value through synergy:

Grow into a global integrated unmanned/automation solution provider



## Key growth drivers



**End of document**