트레이드 렌즈
TRADE LENS

Focus on investing.

COMPANY RESEARCH / No.10

Research on how corporate growth and earnings turn into cash

HD Hyundai Electric

Turning the boom into cash

Margins, backlog, capacity expansion and cash conversion

Q2 2026 consolidated operating margin

25.1%

Revenue KRW 1,141.8bn · company report

H1 cash after selected investment purchases

-16.0%

Year on year · TradeLens calculation

Orders and earnings establish the growth base.

Its quality depends on delivery, collection and cash after investment.

Quarterly results [2]; first-half consolidated cash flow [1]. The cash metric deducts only cash purchases of PPE and intangibles and is not company-reported FCF.

Analysis date 25 OCT 2026

Backlog · profitability · working capital · expansion · capital allocation

01 / RESEARCH VIEW

The next test of the boom is cash conversion

TradeLens view | Connect strong margins and backlog with delivery, collection and investment.

Core conclusion

Backlog, profitability and net cash support growth. Yet **first-half operating profit rose 27.6% while cash after selected investment purchases fell 16.0%.** Earnings and cash moved at different speeds. [1] [2]

Established strengths

Q2 operating margin was 25.1%; June backlog was USD 8.49bn. Net debt in the company IR presentation was negative KRW 895.5bn. [2]

Separate milestones

Orders, delivery, revenue recognition and collection occur on different timetables. New plants also need to progress from completion to production, shipment and payment.

Where cash is absorbed

Inventories, contract assets and cash purchases of PPE and intangibles grew. Contract liabilities and receivable collections provide a separate cash-flow effect. [1]

Evidence that changes the view

Deliveries, collections and actual contributions from new capacity would strengthen the thesis. Repeated delays and rising costs would weaken it.

Lower cash after investment does not by itself show weaker competitiveness. Inventory and capacity built for secured orders may be normal growth costs. Equally, calling every investment a growth project does not establish its value: funding needs and recovery timing still matter.

The central question

Will today's earnings remain as cash after the next investment cycle and delivery obligations? That question, rather than backlog size or short-term share-price direction, anchors the analysis.

Analysis date: 25 Oct 2026. The latest financial periods used are Q2 and H1; Q3 results are scheduled for 27 Oct. Unreleased results are not treated as actuals. [7]

02 / EARNINGS QUALITY

Separate the 25.1% margin from recurring returns

Company-reported results | Read consolidated quarterly earnings alongside their drivers.

Consolidated metrics	2Q25	1Q26	2Q26
Revenue · KRW bn	906.2	1,036.5	1,141.8
Operating profit · KRW bn	209.1	258.3	287.0
Operating margin	23.1%	24.9%	25.1%
New orders · USD mn	996	1,797	1,440
Backlog · USD mn	6,550	7,888	8,490

Source: 2Q26 presentation, p.4. Earnings and orders are quarterly flows; backlog is a quarter-end balance. Figures retain company rounding. [2]

Q2 revenue rose 26.0% year on year and operating profit rose 37.3%. Management cited better overseas transformer profitability, stronger domestic semiconductor-related switchboards and more profitable U.S. production volumes. Product and regional mix therefore matter. [2]

Disclosed benefit

Management cited a reciprocal-tariff refund benefit in rotating equipment. Its value was not reported separately, so this report does not calculate an adjusted margin. [2]

Still to be demonstrated

Further improvement from H2 price increases in low- and medium-voltage circuit breakers was a company outlook. Shipment mix, costs and expenses determine realization. [2]

TradeLens interpretation

Applying the whole quarterly margin indefinitely would freeze both product mix and the refund benefit. **Recurring profitability depends on volumes, commercial terms, manufacturing efficiency and the separation of non-recurring effects.**

03 / BACKLOG TO CASH

Backlog and framework ceilings are different

Date and commitment scope | Orders pass through different conditions before becoming cash.

Two distinct figures

June backlog was **USD 8.49bn**. The big-tech framework agreement announced on 2 July was worth **up to KRW 1,121.2bn**, with phased orders. Currency conversion and addition would not create a valid firm-backlog total. [2] [4]

Stage	What it represents	Next condition
Framework	Supply scope, ceiling and trading basis	Actual orders and delivery schedules
Firm orders / backlog	Contracted future supply	Price, specification, delivery and change terms
Production / shipment	Use of capacity and working capital	Acceptance, delivery and recognition
Revenue / collection	Accounting results and cash receipts	Payment dates, advances and receivables

This is a TradeLens analytical framework. Actual contract terms differ; not all contracts follow the same recognition sequence.

The annual report generally specifies revenue recognition at a point in time. Recognition over time applies where clear terms entitle the company to costs incurred and expected profit if the customer terminates. Made-to-order production alone does not imply progress-based recognition across all revenue. [3]

A contract asset is a right to consideration subject to further performance conditions. A contract liability reflects an obligation to supply against consideration received or due. Its entire balance is neither current-period cash advances nor freely available cash. [3]

Where backlog creates value

Margin and collection terms must improve together for backlog quality to strengthen. Changes in price, cost or timing can alter the cash contribution of the same backlog.

04 / CASH AFTER INVESTMENT

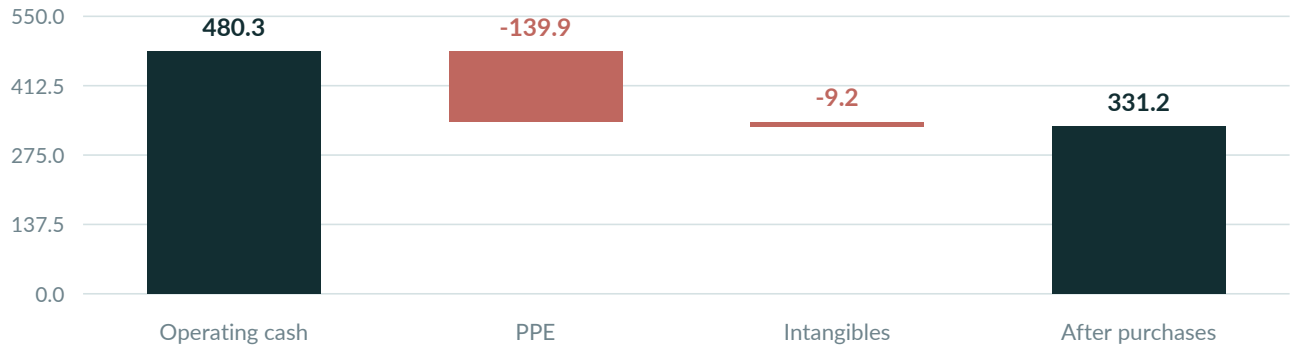
Profit rose; cash after investment declined

K-IFRS consolidated | Like-for-like comparison of January-June 2026 and 2025.

KRW bn, except growth	1H25	1H26	Change
Operating profit	427.32	545.30	+27.6%
Operating cash flow	457.00	480.27	+5.1%
Cash purchases: PPE + intangibles	62.76	149.04	+137.5%
Operating cash less those purchases	394.24	331.23	-16.0%

1H26 operating cash after selected asset purchases

KRW bn



Half-year cash-flow statement; TradeLens calculation. Metric = CFO - cash purchases of PPE - cash purchases of intangibles. Excludes lease repayments, acquisitions and financial investments. It is neither company-reported FCF nor distributable cash. [1]

Operating cash still exceeds those purchases. But the increase in purchases was larger than the increase in operating cash, reducing the residual. This shows funding demand; it does not establish future project returns or separate maintenance from growth investment.

Interpretation

One half-year decline does not mean cash exhaustion. **A temporary investment peak and better collection could reverse it; recurring investment and working-capital absorption would require more than strong accounting growth.**

05 / WORKING CAPITAL

Customer funding and production cash needs

Cash-flow note | Balance-sheet movements are not the same as cash-flow adjustments.

Cash-flow adjustments · KRW bn	1H25	1H26	Meaning
Trade receivables	+61.20	+146.97	Cash contribution
Contract assets	-149.69	-212.57	Cash absorption
Inventories	-103.86	-205.54	Cash absorption
Contract liabilities	+309.15	+287.01	Linked to delivery obligations
Selected four-item total	+116.79	+15.86	Not total working capital

Half-year consolidated cash-flow note 33. Positive adjustments contribute cash; negative adjustments absorb it. The contract-liability adjustment is not gross advances received. Totals use unrounded data. [1]

Contract assets and inventories absorbed KRW 418.12bn combined. Including positive receivable and contract-liability adjustments leaves a KRW 15.86bn contribution, KRW 100.92bn below the prior first half. This excludes payables, taxes and other adjustments and is not a complete working-capital bridge. [1]

Balance-sheet scale

June inventories were KRW 1,538.74bn and contract assets KRW 547.45bn. Their increases from December are not direct substitutes for cash expenditure. [1]

Cash-flow burden

Delivery, acceptance and payment conditions may delay cash relative to earnings. Customer advances support funding while leaving production costs and delivery obligations.

What to assess

Track collection, production and customer payment terms together. The test is whether inventory becomes deliveries and contract assets become billings and cash.

06 / CAPACITY & EXECUTION

Expansion must reach shipments and cash

Plans and spending | Investment periods, production capacity and revenue are different measures.

Major projects · KRW bn	Total plan	Spent	Remaining
Ulsan transformer plant	211.80	66.95	144.85
Cheongju distribution campus	116.56	115.94	0.63
Transformer core plant	35.06	34.82	0.24
Circuit-breaker automation	19.60	17.84	1.76
Second U.S. plant	385.21	70.15	315.06
Total	768.23	305.69	462.53

Half-year report, major investment plans at June-end. Remaining amounts are multi-year plan balances, not current-year cash outlays or fixed payment liabilities. Rows and totals use unrounded data. [1]

The company described existing U.S. capacity of 105 units a year and roughly 50% more capacity after the second plant. Its announced completion target is April 2027; the half-year filing shows an investment period ending December 2027. Completion and spending periods are different milestones. [1] [5]

Completion alone does not guarantee revenue growth. Staffing, process stabilization, specification-dependent production time, acceptance and delivery determine actual contribution. Disclosed utilization of 95.1% at the domestic headquarters and 88.8% in the U.S. is based on labor-hours, not a ratio of units produced. [1]

The economic sequence

Funding → usable capacity → shipments → recurring profit → cash collection. A shrinking investment-plan balance does not by itself complete that sequence.

07 / FINANCIAL CAPACITY

Net cash and the change in cash differ

Consolidated funding | Separate investment, dividends, debt repayment and exchange-rate effects.

1H26 cash movement · KRW bn	Amount	Interpretation
Operating activities	+480.27	Cash from operations and collections
Investing activities	-161.92	Includes more than asset purchases
Financing activities	-316.57	Dividends, debt, leases and other items
Subtotal of the three activities	+1.78	Before exchange-rate effects
Exchange-rate effect	+35.49	Separate from cash generation
Increase in cash balance	+37.27	June cash: KRW 988.05bn

Consolidated cash-flow statement. Totals and movements use unrounded data. Cash and cash equivalents exclude separately reported short-term financial assets. [1]

The June cash balance increased by KRW 37.27bn from December; KRW 35.49bn came from exchange-rate effects. Treating the balance increase as operating cash generation would mix funding allocation with currency translation. [1]

Payments and investment

H1 cash dividends paid were KRW 233.95bn. Comparison with cash after selected purchases is useful, but total cash movements also reflect other investing and financing items. [1]

What net cash means

IR net debt moved from negative KRW 782.7bn in December to negative KRW 895.5bn in June. Reversing the sign gives net cash, not the cash balance or immediately distributable funds. [2]

TradeLens view

Net cash and positive operating cash provide a buffer for expansion. **A strong funding base and rising investment and working-capital demands can coexist.** Neither fact alone describes the whole financial position.

08 / OPERATING RISKS

Separate the incident from unquantified effects

October 2026 disclosures | Do not infer project delays or financial losses from a partial stoppage.

Disclosed event

On 20 October the company disclosed a fatal industrial accident at subsidiary HD Hyundai Plaspo. One person died on 19 October in the condenser room at a new transformer-plant construction site. The disclosure said a mandated **partial work stoppage** had applied since the incident. [6]

Category	Boundary used in this report
Established facts	Incident and disclosure dates, one fatality, partial stoppage and official investigations.
Unquantified effects	Affected processes, restart date, link to any specific expansion plan, and delivery, profit or cash effects.
Avoided inference	No assumed delay at a named plant or estimated loss. A small subsidiary asset share does not establish immateriality.
Follow-up evidence	Further disclosures, prevention measures, scope of restart, and changes to schedules or supply obligations.

Source: subsidiary material-event disclosure, 20 Oct 2026. The table separates disclosed facts from TradeLens follow-up criteria. [6]

Operational disruption can change cash-conversion timing. Delayed production, acceptance or delivery may keep inventories and contract assets outstanding and introduce extra costs. This is a general transmission mechanism, not an established financial impact of this incident.

A future checkpoint

Q3 results are scheduled for **27 October at 14:00 KST**. This report does not mix pre-release expectations with actual results or assume that the incident's effects will be quantified in that presentation. [7]

09 / THESIS & MONITORING

Evidence that would change the growth thesis

Conclusion and counterevidence | One half-year investment burden is not a long-term verdict.

A plausible positive path

If inventory and capacity built for secured orders become deliveries and cash on schedule, lower cash after investment may be a temporary growth cost. Profitability and net cash provide support for that transition. [1] [2]

Measure	Evidence strengthening the view	Evidence weakening the view
Order conversion	Orders, delivery and customer acceptance	Delayed call-offs or revised schedules
Recurring profit	Mix and efficiency support earnings	Refund benefits fade as costs rise
Working capital	Faster inventory and contract-asset recovery	Repeated absorption and collection delays
Expansion	Actual output with stable costs	Low utilization and high start-up costs
Capital allocation	Cash recovery with funding headroom	Liquidity pressure after investment and returns
Operating risk	Clearer scope and timing of restart	Extended stoppage or changed obligations

The Q3 review should align accounting scope and reporting periods. If cash flow is reported for nine months, subtracting the comparable first half can isolate the third quarter. Quarterly earnings should not be directly compared with nine-month cash flow.

The table is a TradeLens analytical framework; not every measure is currently disclosed. It does not produce a valuation, price target or investor-specific trading decision.

Final assessment

HD Hyundai Electric combines strong backlog and profitability with funding capacity for growth. The next test goes beyond repeating those headline amounts. Delivery, collection and cash contributions from new capacity are what demonstrate financial durability.

10 / SOURCE REGISTER

Original evidence for earnings and execution

Teal citation numbers, document titles and OPEN SOURCE link to the same original materials.

01. HD Hyundai Electric / DART | 2026 Half-Year Report

OPEN SOURCE

14 Aug 2026 · Printed pp.28-31, 53-56, 93-95, 104-106: consolidated results, cash flow, investment plans and utilization. PDF order = printed page + 4.

02. HD Hyundai Electric | 2Q26 Earnings Presentation

OPEN SOURCE

28 Jul 2026 · pp.4, 6, 8, 12-13: quarterly results, backlog, management explanations and net debt.

03. HD Hyundai Electric / DART | 2025 Annual Report

OPEN SOURCE

16 Mar 2026 · Printed pp.69-71, 118: consolidated revenue recognition and contract-asset/liability policies. PDF order = printed page + 4.

04. HD Hyundai Electric | Power Infrastructure Supply Agreement with Global Big Tech

OPEN SOURCE

2 Jul 2026 · Up to KRW 1,121.2bn; framework agreement, phased orders and deliveries planned through 2028.

05. HD Hyundai Electric | 1,000th Extra-High-Voltage Transformer Produced in the U.S.

OPEN SOURCE

Posted 3 Aug 2026; announcement dated 2 Aug. Existing capacity of 105 units/year; second plant planned for Apr 2027, with about 50% more capacity.

06. HD Hyundai Electric / DART | Fatal Industrial Accident at a Subsidiary

OPEN SOURCE

20 Oct 2026 · HD Hyundai Plaspo accident on 19 Oct and partial work stoppage. Financial impact was not disclosed.

07. HD Hyundai Electric / DART | Investor Relations Event Notice

OPEN SOURCE

20 Oct 2026 · Q3 results presentation and IR material release scheduled for 27 Oct 2026, after the analysis date.

Printed DART pages are distinguished from PDF page order. Company plans and future dates are not actual outcomes. Published units and rounding are retained or explicitly converted.

11 / METHODOLOGY & USE

Methodology and terms of use

Distinguish reported facts, company plans, TradeLens calculations and unquantified effects.

Item	Basis
Date / scope	25 Oct 2026; K-IFRS consolidated. Quarterly IR: Q2. Cumulative earnings and cash flow: H1 2026/2025. Balance sheet: Jun 2026/Dec 2025.
Units / calculations	English amounts in KRW bn; Korean amounts in KRW 100mn. Growth = current/prior - 1. Calculations precede rounding; quarterly IR retains company rounding.
Cash metric	CFO less cash purchases of PPE and intangibles. Not company FCF; excludes leases, acquisitions and financial investments. Maintenance/growth split unavailable.
Working capital	Four selected cash-flow adjustments, not total working capital or gross advances. Balance-sheet movements do not substitute for cash flows.
Plans / events	Remaining investment is multi-year. Framework ceilings are not added to backlog. No assumed financial impact from the stoppage or unreleased Q3 results.

Net cash means the sign-reversed IR net-debt figure, not cash on hand or distributable funds. Table and chart totals and ratios are calculated before rounding.

Disclaimer

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