



## Wacker Neuson Group – H1/22 Conference Call

Dr. Karl Tragl (CEO), Christoph Burkhard (CFO)  
August 9, 2022



**Wacker Neuson**  
Group

# Agenda

1. **Overview H1/22**
2. Outlook
3. Appendix

# Overview Q2/22 // H1/22

Q2/22		
Revenue	EBIT margin	FCF (before fixed-term investment) <sup>1</sup>
€ 551 m	8.8%	€ -55 m
(+11.5% yoy)	(PY: 11.4%)	(PY: € 124 m)

H1/22		
Revenue	EBIT margin	FCF (before fixed-term investment) <sup>1</sup>
€ 1,073 m	8.2%	€ -124 m
(+15.5% yoy)	(PY: 10.8%)	(PY: € 134 m)



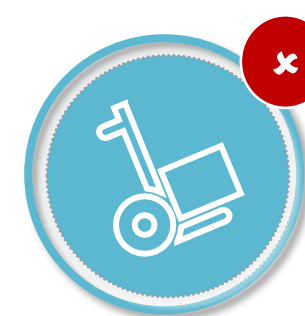
Revenue up 16% yoy, double-digit growth in all reporting regions



Inefficiencies due to repeatedly disrupted supply chains as well as continuously high input costs impact profitability



Increase in inventories due to high number of unfinished machines and to ensure delivery capability; increase in NWC results in negative FCF



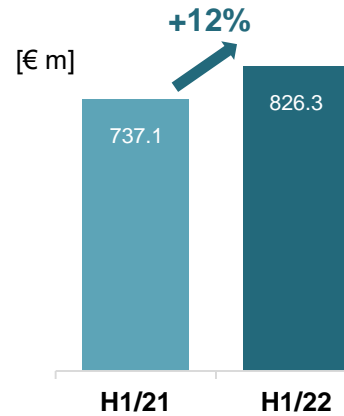
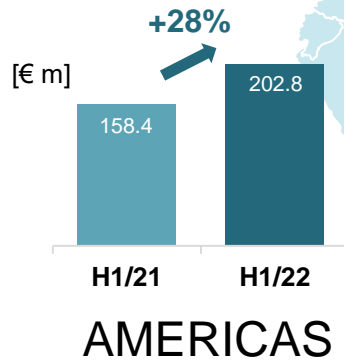
Supply chains and price dynamics in procurement market remain biggest challenges

<sup>1</sup> Free cash flow before outflows from fixed-term investments amounting to € 100 m in Q1/21 as well as inflows of € 30 m in Q1/22 and € 100 m in Q2/22.

# H1/22: Double-digit growth in all reporting regions

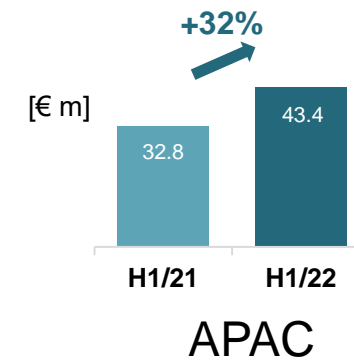


**19%**  
of Group sales<sup>1</sup>



**EUROPE**

**77%**  
of Group sales<sup>1</sup>



<sup>1</sup> H1/21: Americas 17%; Europe 79%; APAC 4%.

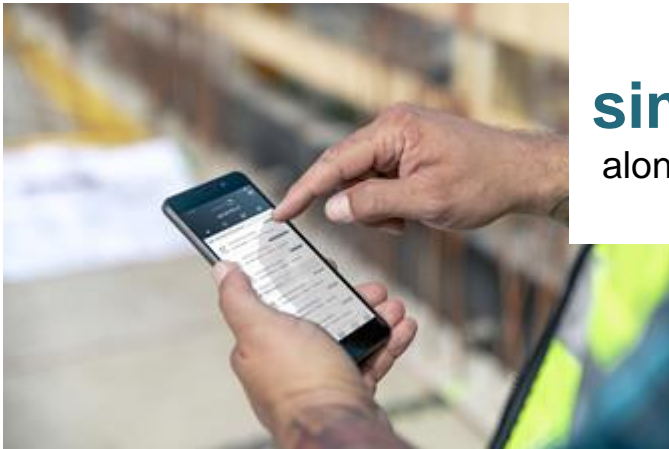


# Progress in digitization and electrification

Third partner in **Sequello**  
joint venture with PORR  
and Umdasch Group  
Ventures

The digital platform for  
**core processes**  
in construction logistics

**digitalizes and  
simplifies processes**  
along the entire value chain that were  
previously paper-based



## New electric plates



APS1030e



APS2050e



More information at  
**Bauma 2022**,  
Our trade show presence will focus  
on digital and electric innovations

# Long-term partnership between Wacker Neuson and John Deere

## Kramer<sup>1</sup> distributing through John Deere dealer network (since 2017)

- **Strategic partnership for telescopic handlers and wheel loaders** for the agricultural sector (EMENA, CIS<sup>2</sup>, Australia/New Zealand)



## New long-term agreement for mini and compact excavators: Wacker Neuson manufacturing for Deere construction (since 2022)

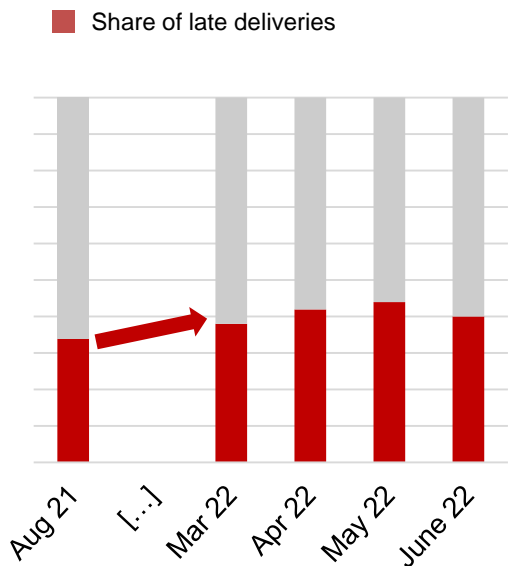
- **OEM sales of mini and compact excavators < 5 tons:**  
Global agreement with focus on North America: Wacker Neuson designs and manufactures machines, including battery electric excavators, at its facilities in Menomonee Falls, USA, and Linz, Austria, for the requirements of John Deere.
- Existing cooperation regarding OEM sales of mini and compact excavators for APAC transferred into this new agreement
- **License agreement for excavators > 5 tons:**  
Wacker Neuson sells design and technical IP to John Deere. John Deere will incorporate design and technical IP provided by Wacker Neuson to develop and produce its own models.



<sup>1</sup> Kramer "green line" only. <sup>2</sup> Commonwealth of Independent States.

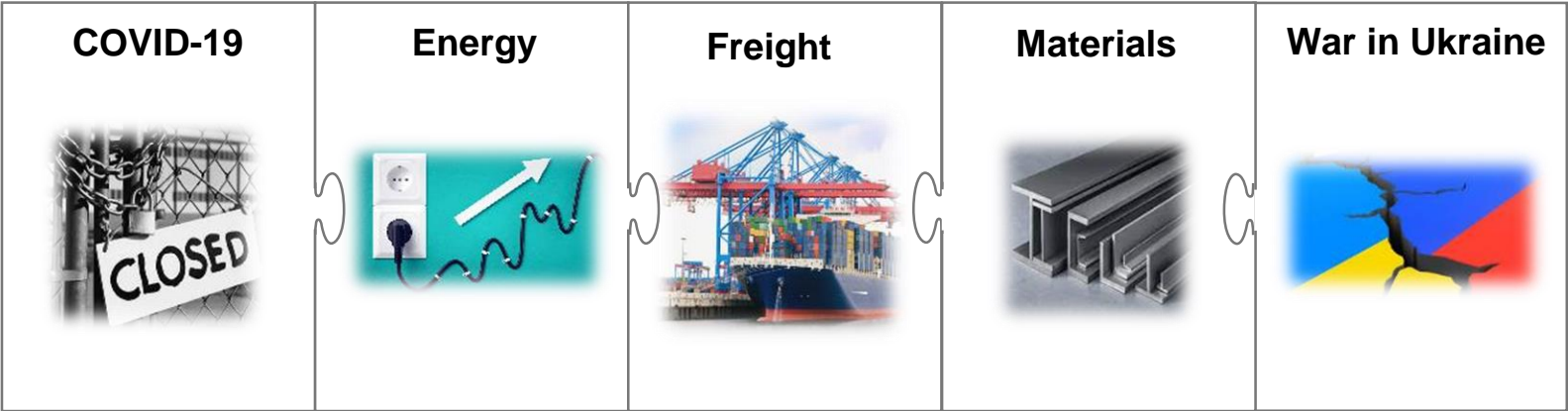
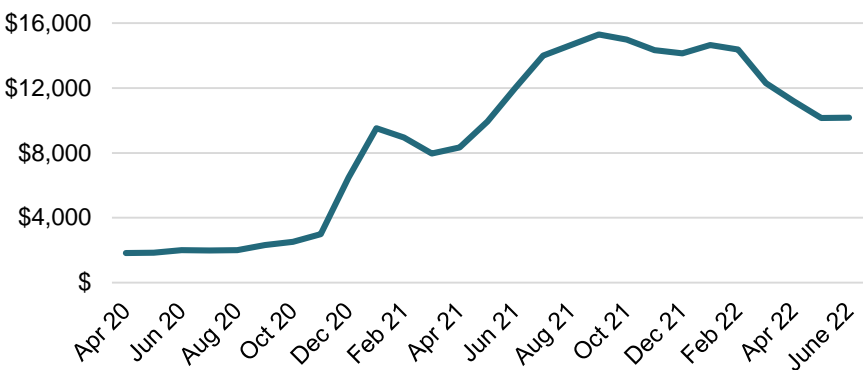
# No improvements in the supply situation

Supply chain  
**disruptions** could  
further increase in the short  
term



## Container rates still at very high levels

Development of transport prices for sea  
freight (Shanghai to Rotterdam) for a 40ft  
dry container



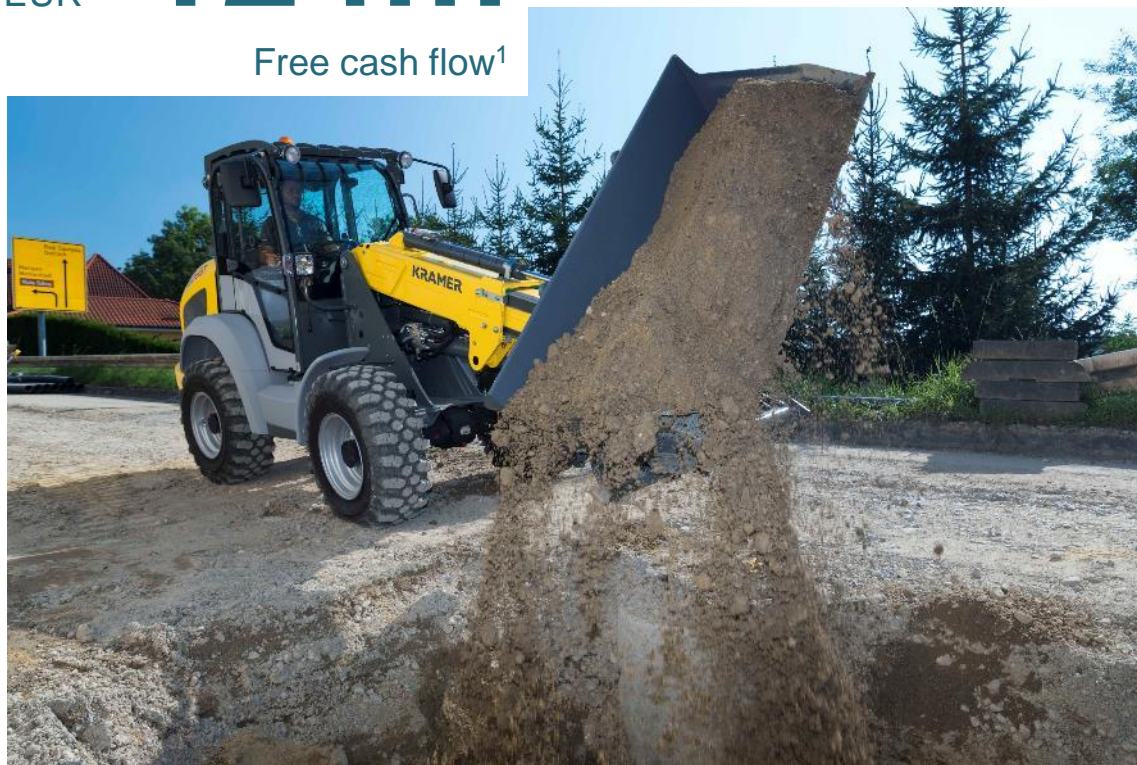
Further effects of  
the war in **Ukraine**, a potential  
**gas supply freeze** and  
China's **Zero-Covid** approach  
hard to assess



# Cash flow impacted by increase in net working capital

EUR **-124m**

Free cash flow<sup>1</sup>



EUR **211m**

Net financial debt<sup>2</sup>



**0.7**

Net financial  
debt/EBITDA<sup>3</sup>

<sup>1</sup> Free cash flow before inflows of € 130 m.

<sup>2</sup> Long-term borrowings + short-term borrowings from banks + current portion of long-term borrowings - liquid funds - fixed short-term financial investments.

<sup>3</sup> Net financial debt/annualized EBITDA for the quarter.





## CECE<sup>1</sup>

**business barometer** for the European construction equipment sector remains at a **high level**, but construction equipment manufacturers are **becoming less confident** about the economic situation due to a **mix of risks**.

Material, energy and shipping costs still at **very high levels**

**Order backlog** is well above average.

Against the backdrop of a gas supply freeze, supply chain **disruptions** could further increase.



**CEMA business barometer** for the European agricultural equipment sector rose **slightly** in July due to **improved expectations** and **solid market side**.

**Earnings guidance for 2022 narrowed**

- **Revenue** between € 1,900 and 2,100m
- **EBIT margin** between 9.0 and 10.0% (previous guidance: between 9.0 and 10.5%)
- **Investments** of approx. € 100m<sup>1</sup>
- **Net working capital** as a percentage of revenue at 30 percent or lower

<sup>1</sup> As at July 2022. <sup>2</sup> Investments in property, plant and equipment and intangible assets. The Group's own rental equipment, purchases of investments and investments in financial assets are not included.

# Financial calendar and contact

August 9, 2022	Publication of half-year report 2022, analysts' & investors' conference call
September 21, 2022	Berenberg German Corporate Conference, Munich
November 10, 2022	Publication of Q3 report 2022, analysts' & investors' conference call

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## Contact

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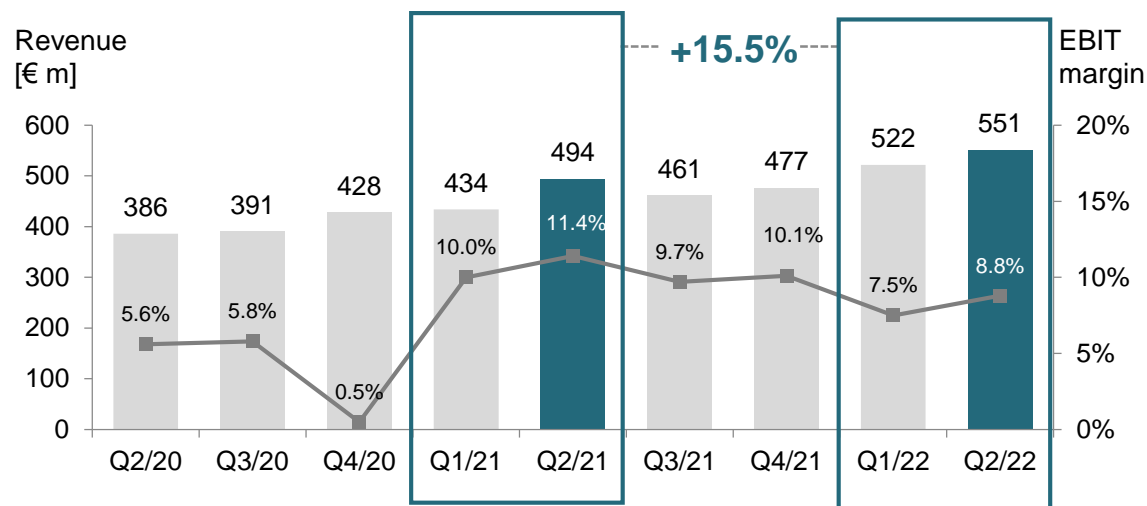
[www.wackerneusongroup.com](http://www.wackerneusongroup.com)

# Appendix



# Revenue and earnings

## Dynamic growth, profitability impacted



## Income statement (excerpt)

€ m	Q2/22	Q2/21	H1/22	H1/21
<b>Revenue</b>	550.9	494.3	1,072.5	928.3
<b>Gross profit</b>	130.8	132.3	250.6	250.8
<i>as a % of revenue</i>	23.7%	26.8%	23.4%	27.0%
<b>Operating costs</b>	-84.5	-76.5	-166.4	-153.8
<i>as a % of revenue</i>	-15.3%	-15.5%	-15.5%	-16.6%
<b>EBIT</b>	48.4	56.5	87.5	100.1
<i>as a % of revenue</i>	8.8%	11.4%	8.2%	10.8%
Financial result	2.7	-3.2	2.7	-3.1
Taxes on income	-13.6	-12.4	-24.1	-27.0
<b>Profit for the period</b>	37.5	40.9	66.1	70.0
<b>EPS (in €)</b>	0.55	0.59	0.97	1.00

## Comments on H1/22

### Revenue +15.5% yoy (adj. for currency effects: +13.2%)

- Revenue at new record level
- High demand from construction and agricultural industries sectors
- Positive development with double-digit growth across all reporting regions

### Gross profit -0.1% yoy (gross profit margin -3.6 PP)

- Impacted by
  - high costs for materials, energy and transport
  - inefficiencies in production and rework as a result of overstretched and repeatedly disrupted supply chains
- Sales price increases unable to compensate for negative input costs effects

### EBIT -12.6% yoy (EBIT margin: -2.6 PP)

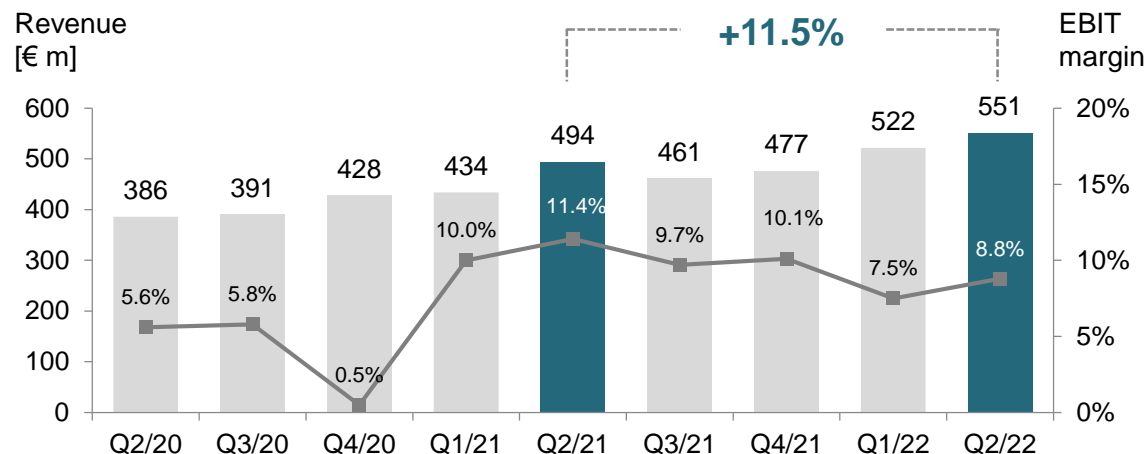
- Strong revenue growth with strict cost controls
- Operating costs (total sales, R&D and administrative expenses) as a share of revenue further reduced (-1.1 PP yoy)
- Negative effects on gross profit cannot be fully compensated for by cost reduction

### Earnings per share -3.0% yoy

- Financial result slightly positive
- Tax rate slightly lower than prior year at 26.7% (H1/21: 27.8%)

# Revenue and earnings

## Dynamic growth, profitability impacted



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<b>Profit for the period</b>	37.5	40.9	66.1	70.0
<b>EPS (in €)</b>	0.55	0.59	0.97	1.00

## Comments on Q2/22

### Revenue +11.5% yoy (adj. for currency effects: +8.7%)

- Revenue at new record level
- High demand from construction and agricultural industries sectors
- Positive development with double-digit growth across all reporting regions, accelerated growth in APAC in Q2

### Gross profit -1.1% yoy (gross profit margin -3.1 PP)

- Impacted by
  - high costs for materials, energy and transport
  - inefficiencies in production and rework as a result of overstretched and repeatedly disrupted supply chains
- Sales price increases unable to compensate for negative input costs effects

### EBIT -14.3% yoy (EBIT margin: -2.6 PP)

- Strong revenue growth with strict cost controls
- Operating costs (total sales, R&D and administrative expenses) as a share of revenue further reduced (-0.2 PP yoy)
- Negative effects on gross profit cannot be fully compensated for by cost reduction

### Earnings per share -6.8% yoy

- Financial result slightly positive
- Tax rate higher than prior year at 26.6% (Q2/21: 23.3%)

# Business development by region and business segment

## Double-digit growth in all reporting regions

	Revenue [€ m]	share	yoy	EBIT <sup>1</sup>
Europe	826.3	77%	+12%	81.6
Americas	202.8	19%	+28%	6.0
Asia-Pacific	43.4	4%	+32%	3.7
H1/22	1,072.5	100%	+16%	87.5

## Strongest growth in compact equipment segment

	Revenue [€ m] <sup>2</sup>	share	yoy
Light equipment	242.9	23%	+21%
Compact equipment	618.8	57%	+17%
Services	216.9	20%	+7%
H1/22	1,078.6	100%	+16%

## Comments on H1/22

### Revenue Europe (EMEA) +12.1% yoy (adj. for FX effects +11.8%)

- Double-digit growth rates in Germany, UK and France drive growth; strong growth also in the Northern and Eastern European and some Southern European countries
- High demand across all major product groups, especially wheel loaders and dumpers for the construction industry
- Positive development in Group's own rental and services business
- Consistently strong performance of the agricultural equipment business (+18.7%)

### Revenue Americas +28.0% yoy (adj. for FX effects +16.8%)

- Positive development in USA and Canada continues, high demand and strong order intake across all distribution channels
- Expansion of the contracted dealers to further diversify customer base
- Strong growth in worksite technology and concrete products as well as in compact equipment, esp. excavators, compact track loaders and wheel loaders

### Revenue Asia-Pacific +32.3% yoy (adj. for FX effects +26.8%)

- Continuation of strong growth in Australia, particularly in excavators and rollers
- Declining market in China

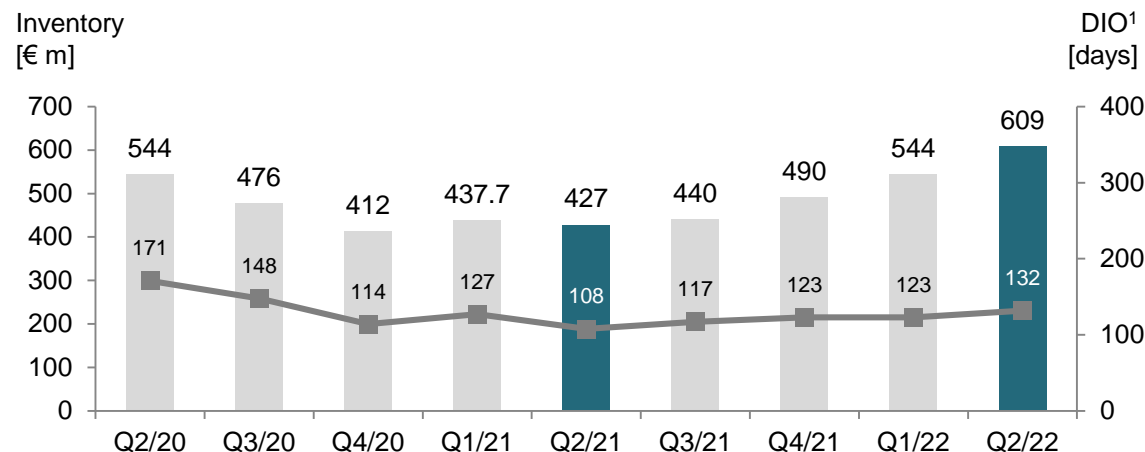
<sup>1</sup> EBIT for regions before consolidation.

<sup>2</sup> Revenue by business segment before cash discounts.

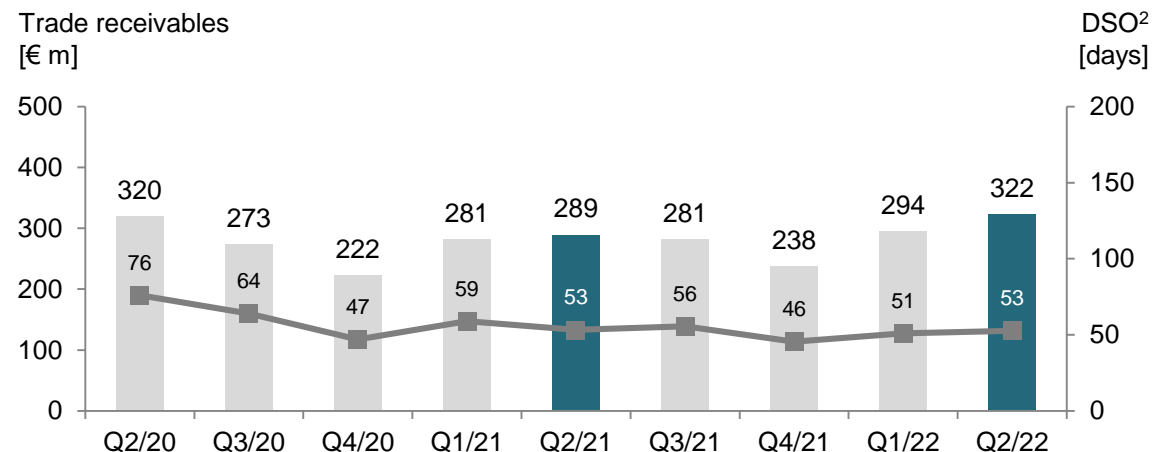


# Increase in inventory and receivables drive NWC

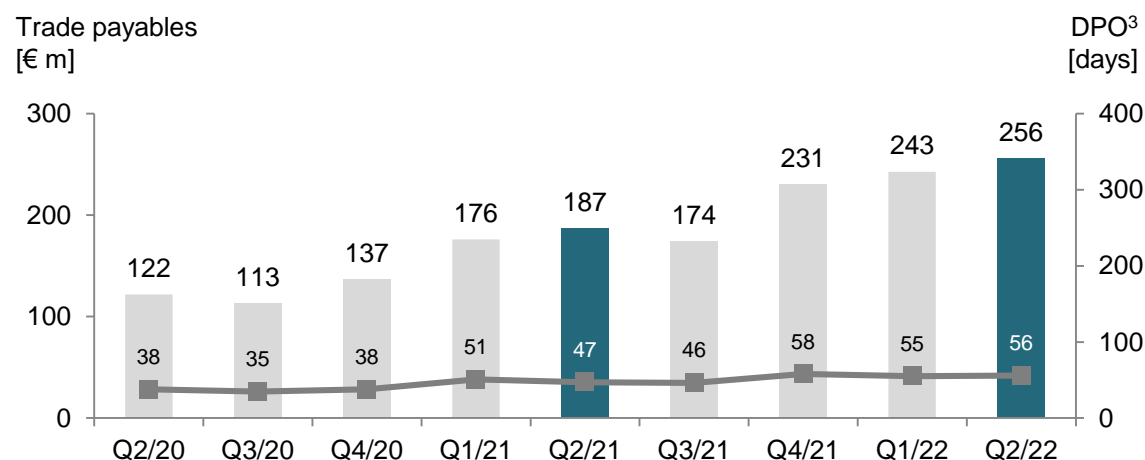
## Inventories



## Trade receivables



## Trade payables



## Comments

- Significantly higher inventory of unfinished machines as a result of overstretched and repeatedly disrupted supply chains; higher inventory of materials and components to ensure shipments to customers
- Increase in trade receivables due to strong revenue growth
- Trade payables at a high level
- Net working capital ratio<sup>4</sup> at 30.6%

<sup>1</sup> Days inventory outstanding = (inventory/(cost of sales\*4))\*365 days.

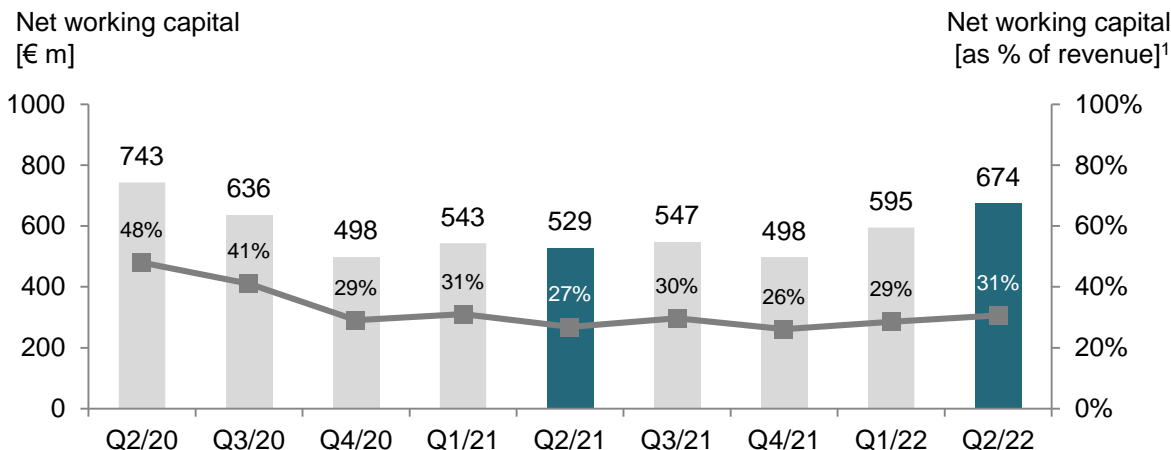
<sup>2</sup> Days sales outstanding = (receivables/(revenue\*4))\*365 days.

<sup>3</sup> Days payables outstanding = (payables/(cost of sales\*4))\*365 days.

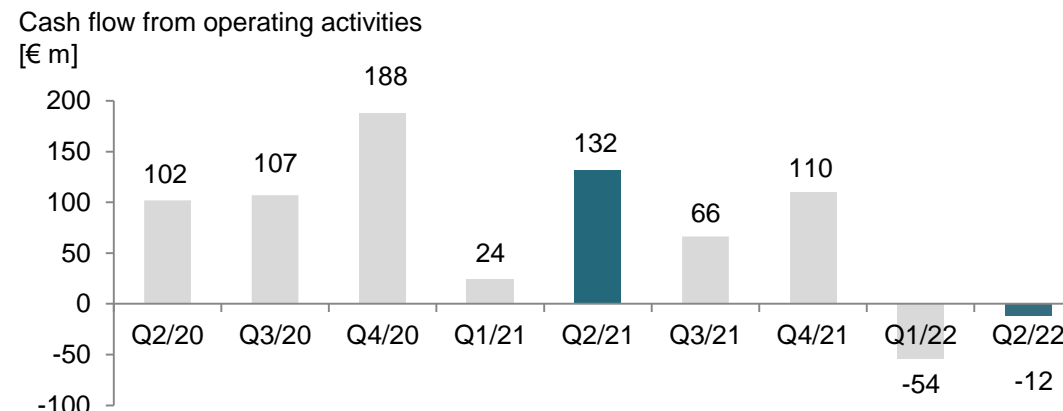
<sup>4</sup> Net working capital as a % of annualized revenue for the quarter.

# Cash flow impacted by increase in NWC

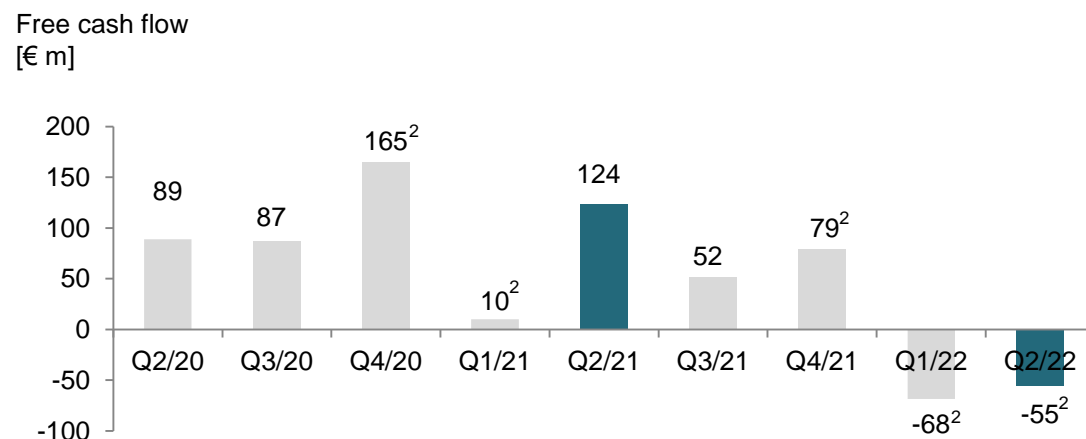
## Net working capital



## Cash flow from operating activities



## Free cash flow



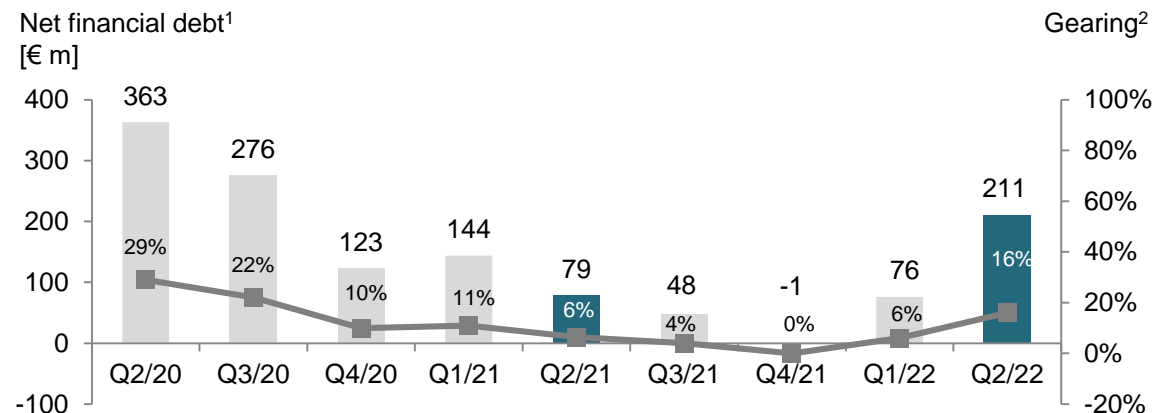
## Comments

- Net working capital ratio at 30.6% due to increased inventory and trade receivables
- Cash flow from investment activities impacted by the discontinuation of a fixed-term investment (inflows of € 130 m; H1/21: outflows of € 100 m)
- Expected increase in NWC impacts cash flow development in the first six months; free cash flow before above-mentioned fixed-term investment at € -123.8 m (H1/21: € 133.5 m); free cash flow (reported) at € 6.2 m (H1/21: € 33.5 m).

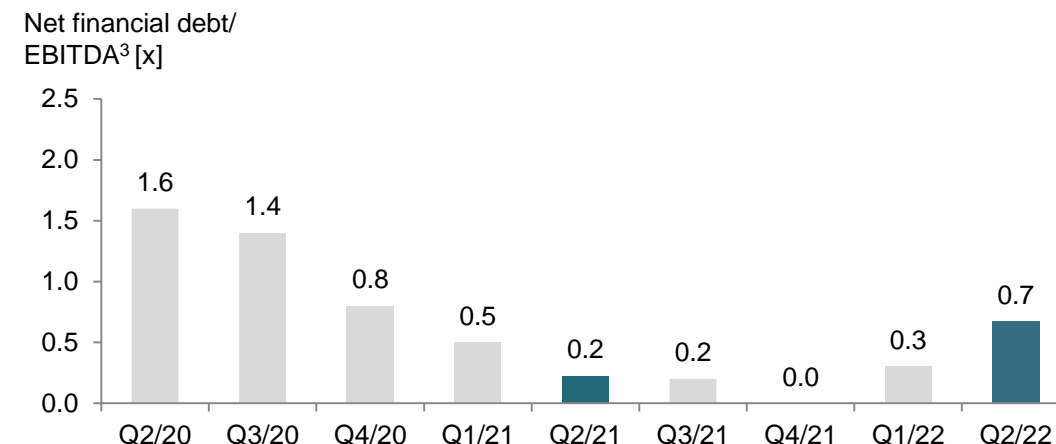
<sup>1</sup> Net working capital as a % of annualized revenue for the quarter. <sup>2</sup> Before outflows from fixed-term investments amounting to € 15 m in Q4/20, € 100 m in Q1/21 and € 15 m in Q4/21 as well as inflows of € 30 m in Q1/22 and € 100 m in Q2/22.

# Solid financing structure

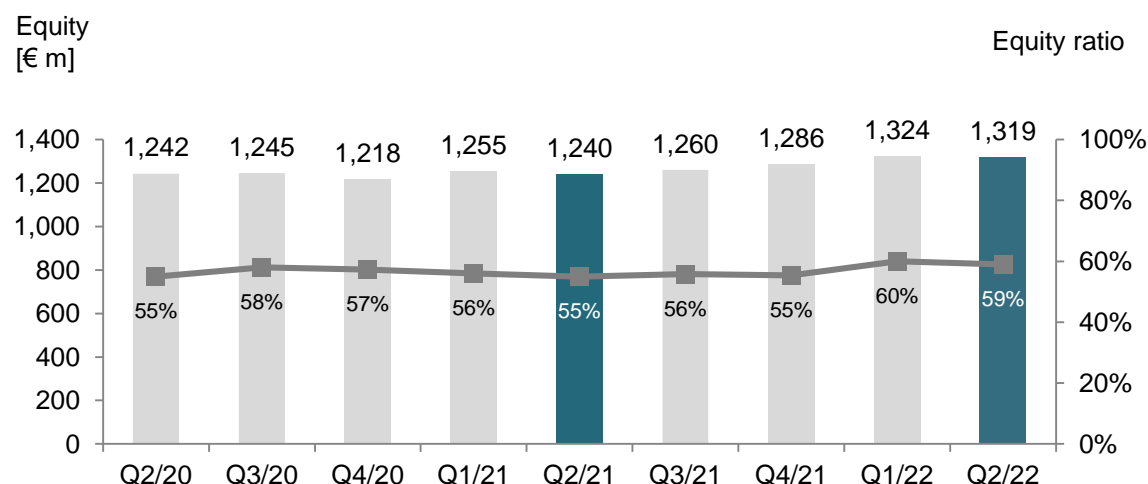
## Net financial debt and gearing



## Net financial debt/EBITDA<sup>3</sup>



## Equity and equity ratio



## Comments

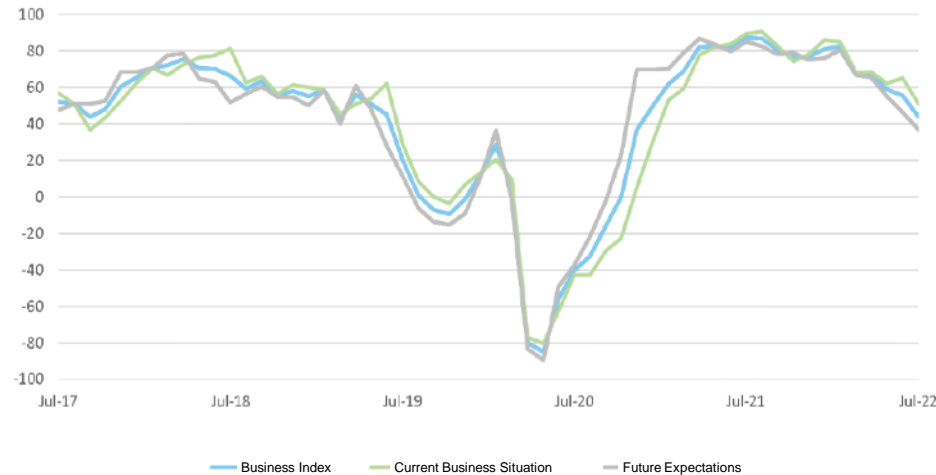
- Significant increase in net financial debt<sup>1</sup> due to net working capital build-up in the first half-year; gearing<sup>2</sup> at 16.0%
- Repayment of a euro promissory note (Schuldschein) in the amount of € 125 m as scheduled; early partial repayment of a USD promissory note in the amount of USD 40 m

<sup>1</sup> Long- and short-term borrowings + current portion of long-term borrowings - cash and cash equivalents - fixed term investments with terms of less than one year. <sup>2</sup> Net financial debt/equity. <sup>3</sup> Net financial debt/annualized EBITDA for the quarter.



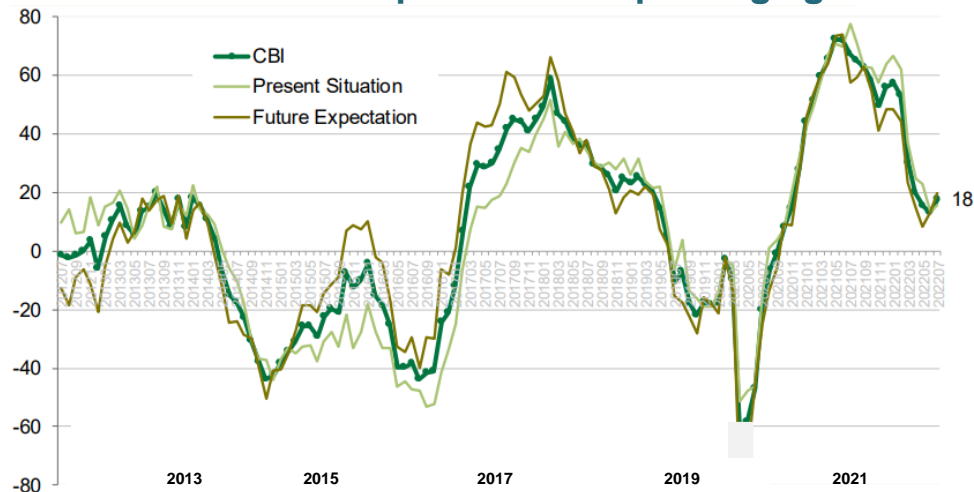
# Outlook: Dynamic demand, overstretched supply chains

## Construction: CECE business barometer with downward trend



Source: CECE (Committee for European Construction Equipment), July 2022.

## Agriculture: Short term expectations improving again



Source: CEMA (European Agricultural Machinery Industry Association), July 2022.

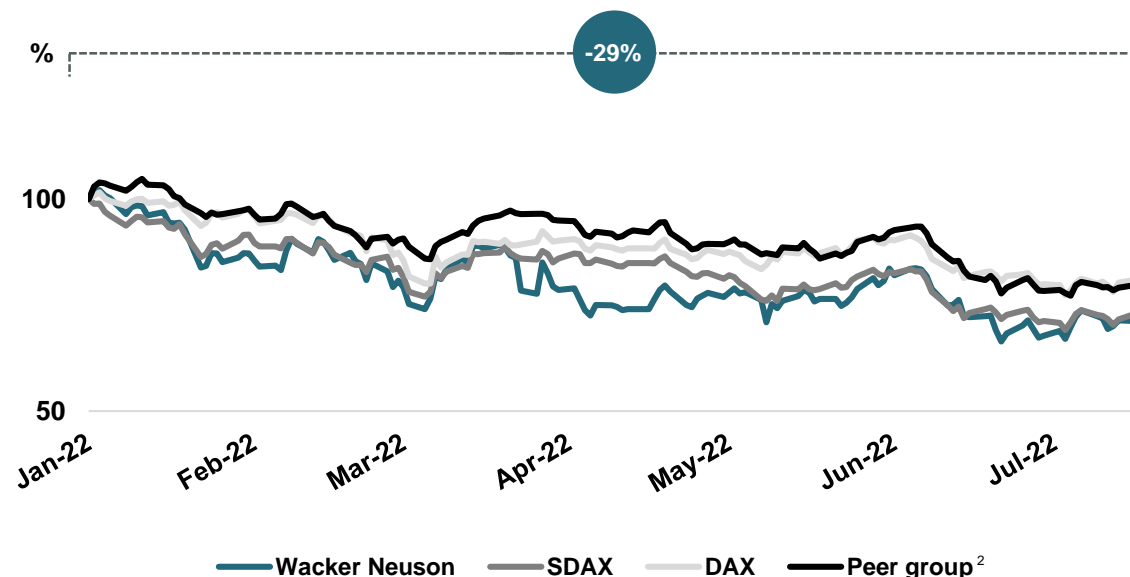
## Outlook

- **CECE business barometer** for the European construction equipment sector **at a high level** but construction equipment manufacturers are **becoming less confident** about the economic situation.
- **CEMA business barometer** for the European agricultural equipment sector rose slightly in July. Expectations for the coming six months have improved again. Price increases and bottlenecks on the supplier side seem to have eased further. Market side as a whole still appears solid from the manufacturers' perspective.
- **Mood in important end markets** for Wacker Neuson Group remains highly positive; dynamic development of **order intake**; **order backlog** is well above average.
- **Macro risks remaining at high level:**
  - Supply chain disruptions could further increase in the short term
  - Material, energy and shipping costs continuously at high levels
  - Further implications of war in Ukraine and coronavirus measures in China not predictable
- **Earnings forecast for 2022 narrowed**
  - **Revenue** between € 1,900 and 2,100 m
  - **EBIT margin** between 9.0% and 10.0% (previous guidance: between 9.0% and 10.5%)
  - **Investments** of approx. € 100 m<sup>1</sup>
  - **Net working capital** as a percentage of revenue at 30 percent or lower

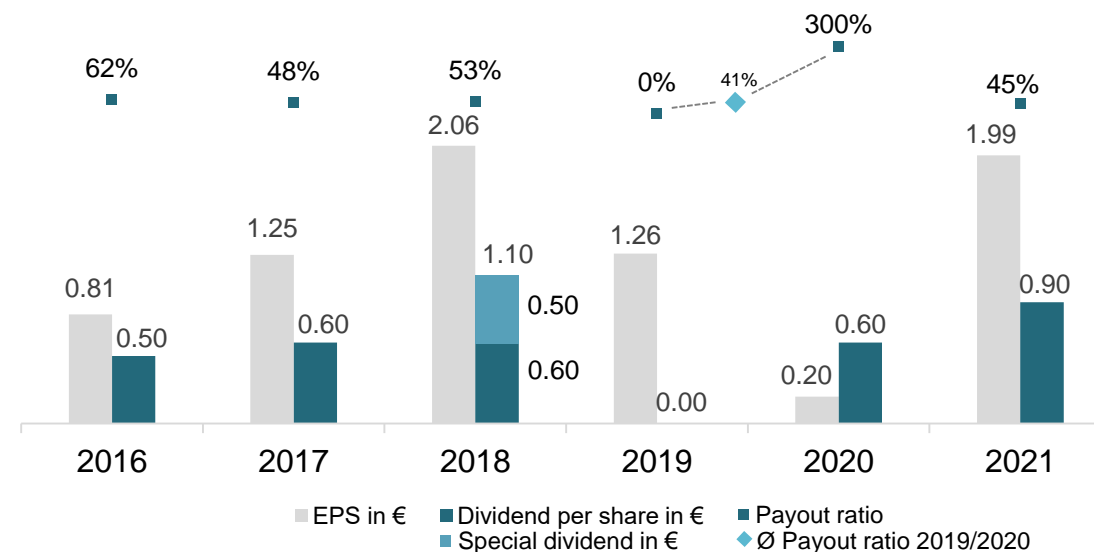
<sup>1</sup> Investments in property, plant and equipment and intangible assets. Investments in the Group's own rental equipment, purchases of investments and investments in financial assets are not included.

# Share development

## The share in 2022<sup>1</sup>



## Dividend payout



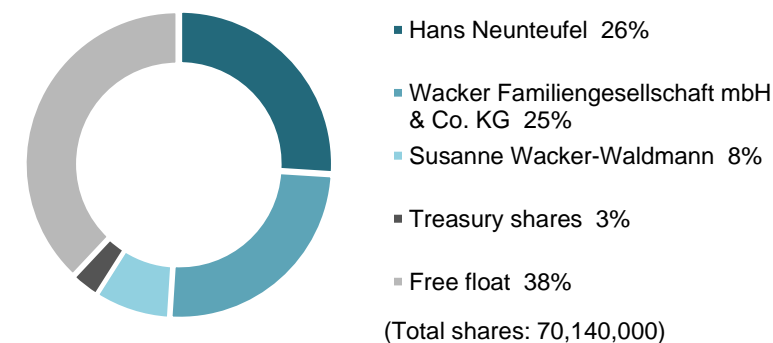
## Key figures per share

in €	H1/22	H1/21
Earnings per share	0.97	1.00
Book value per share	18.80	17.67
Share price at end of period	16,49	24.24
Market capitalization (€ m)	1,156,6	1,700.2

## Coverage<sup>3</sup>

Bank	TP (€)	Recom.	Date
Hauck & Aufhäuser	33.00	Buy	May 11, 2022
Jefferies	31.00	Buy	July 25, 2022
Warburg	30.00	Buy	July 26, 2022
Berenberg	29.00	Buy	May 11, 2022
Metzler	28.00	Buy	July 26, 2022
Kepler Cheuvreux	16.00	Reduce	July 26, 2022

## Shareholder structure<sup>4</sup>



<sup>1</sup> As at July 18, 2022 <sup>2</sup> Peer group: Agco, Ashtead, Atlas Copco, Bauer, Caterpillar, CNH Industrial, Deutz, DoosanBobcat, Hitachi, Husqvarna, John Deere, Komatsu, Kubota, Manitou, Sany, Takeuchi, United Rentals, Volvo. <sup>3</sup> As at July 26, 2022. <sup>4</sup> As of May 5, 2022 based on the latest publications in accordance with WpHG reporting requirements