



**Wacker Neuson
Group**



Wacker Neuson SE Analyst and Investor Conference Call – Results Q3/17

Martin Lehner (CEO), Wilfried Trepels (CFO)

November 9, 2017



Agenda





Key figures

Q3/17		
Revenue	EBIT	Adj. EBIT
+20%	+96%	+111%
(378.7 m€)	(margin: 10.6%)	(margin: 11.4%)
Op. CF	FCF	EPS
+26%	+46%	+171%
(73.9 m€)	(50.4 m€)	(0.46 €)

9M/17		
Revenue	EBIT	Adj. EBIT
+13%	+42%	+63%
(1,142.4 m€)	(margin: 8.8%)	(margin: 9.5%)
Op. CF	FCF	EPS
+40%	+357%	+55%
(131.6 m€)	(46.6 m€)	(1.01 €)

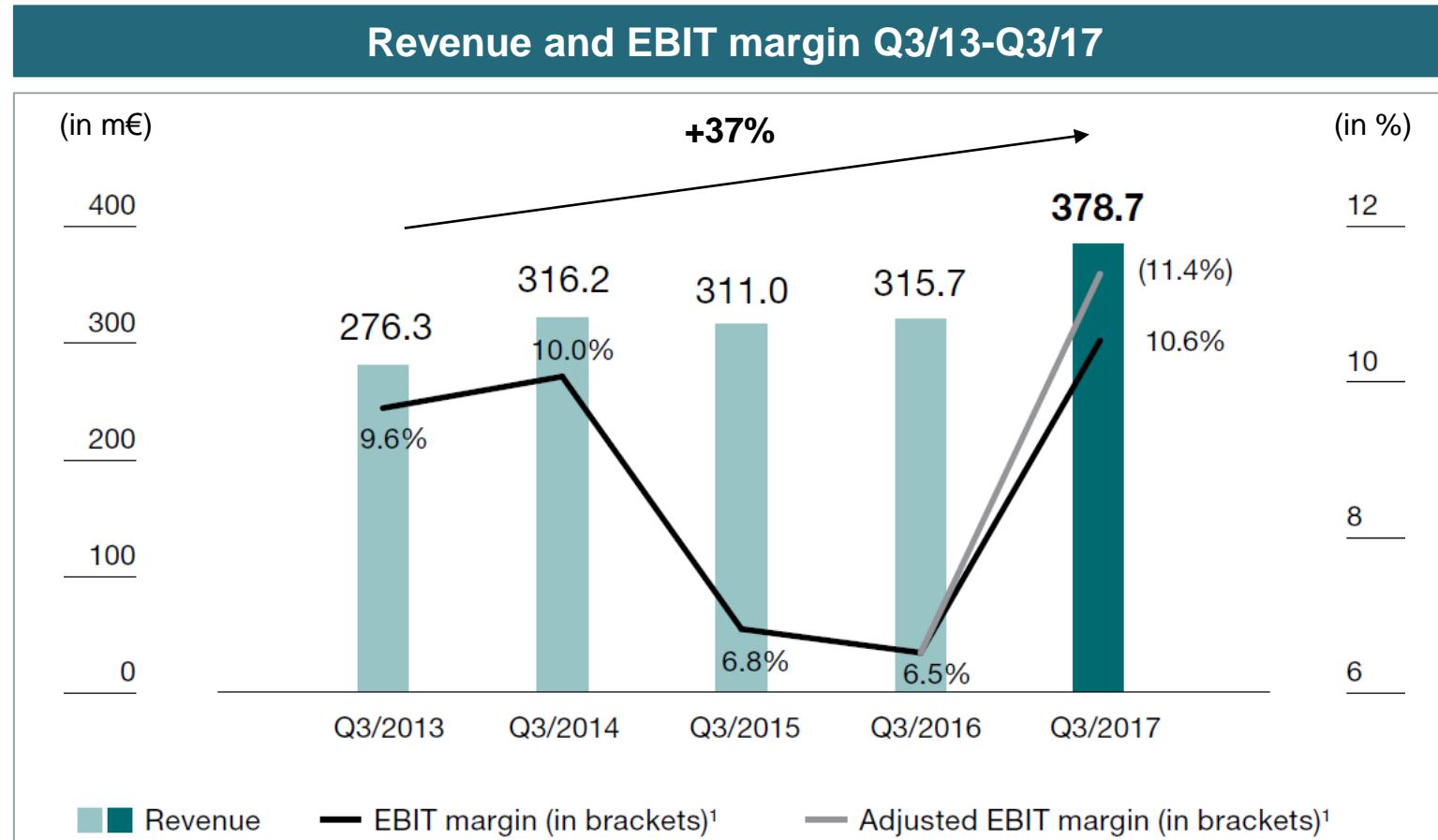
September 30, 2017		
NWC¹ ratio: 37.5%	DIO²: 151 days	Equity ratio: 66.8%
(-7.3 PP yoy)	(-29 days yoy)	(-0.8 PP yoy)

¹ Net Working Capital.

² Days Inventory Outstanding.



Revenue (Q3 comparison 2013-2017)



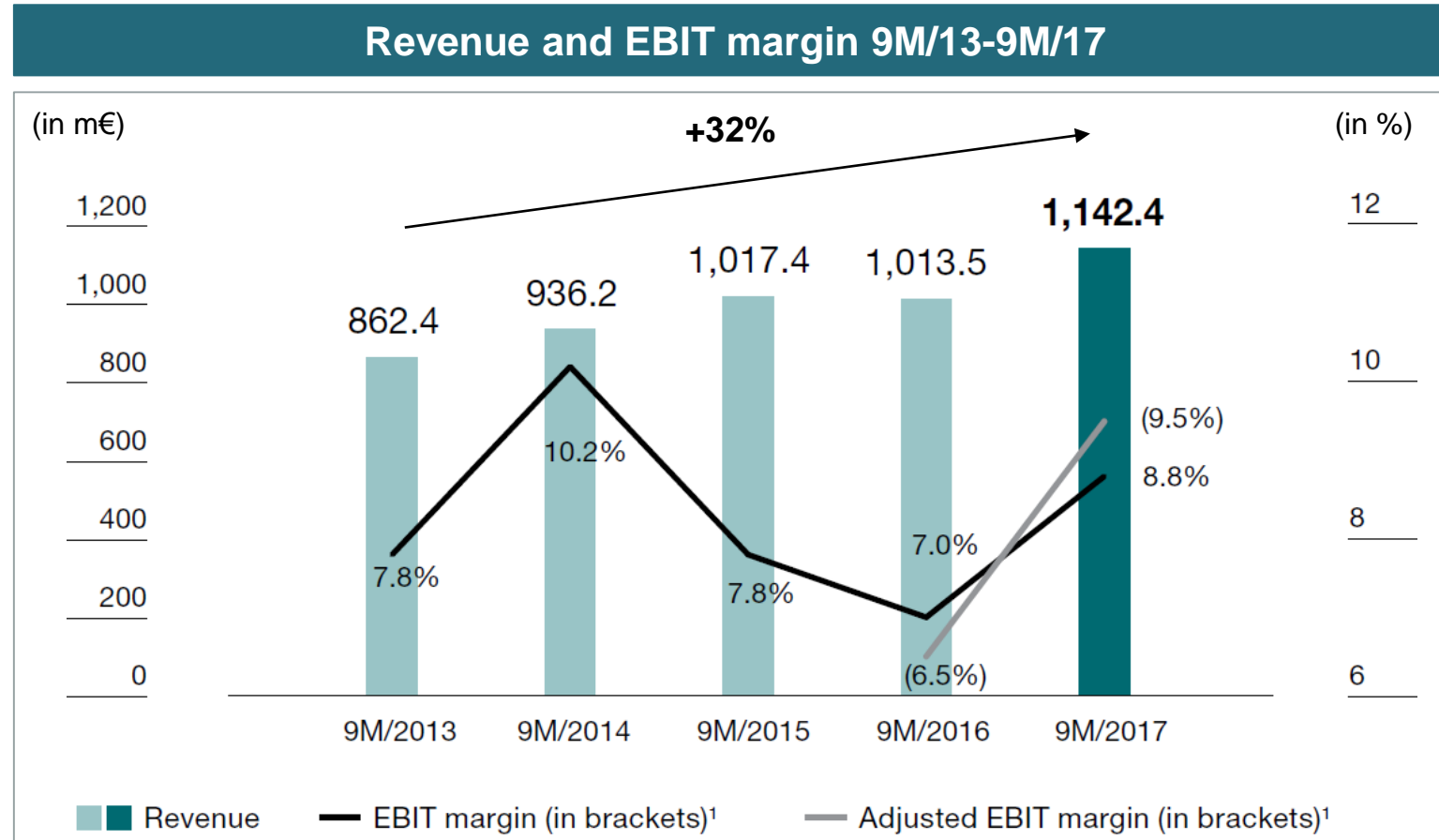
Best 3rd quarter in history, double digit EBIT margin despite one-offs

Note: Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017 (previously recognized under cost of sales as well as other income and/or other expenses). 2014 to 2016 have been adjusted accordingly.

¹ Adjusted for restructuring measures.



Revenue (9M comparison 2013-2017)



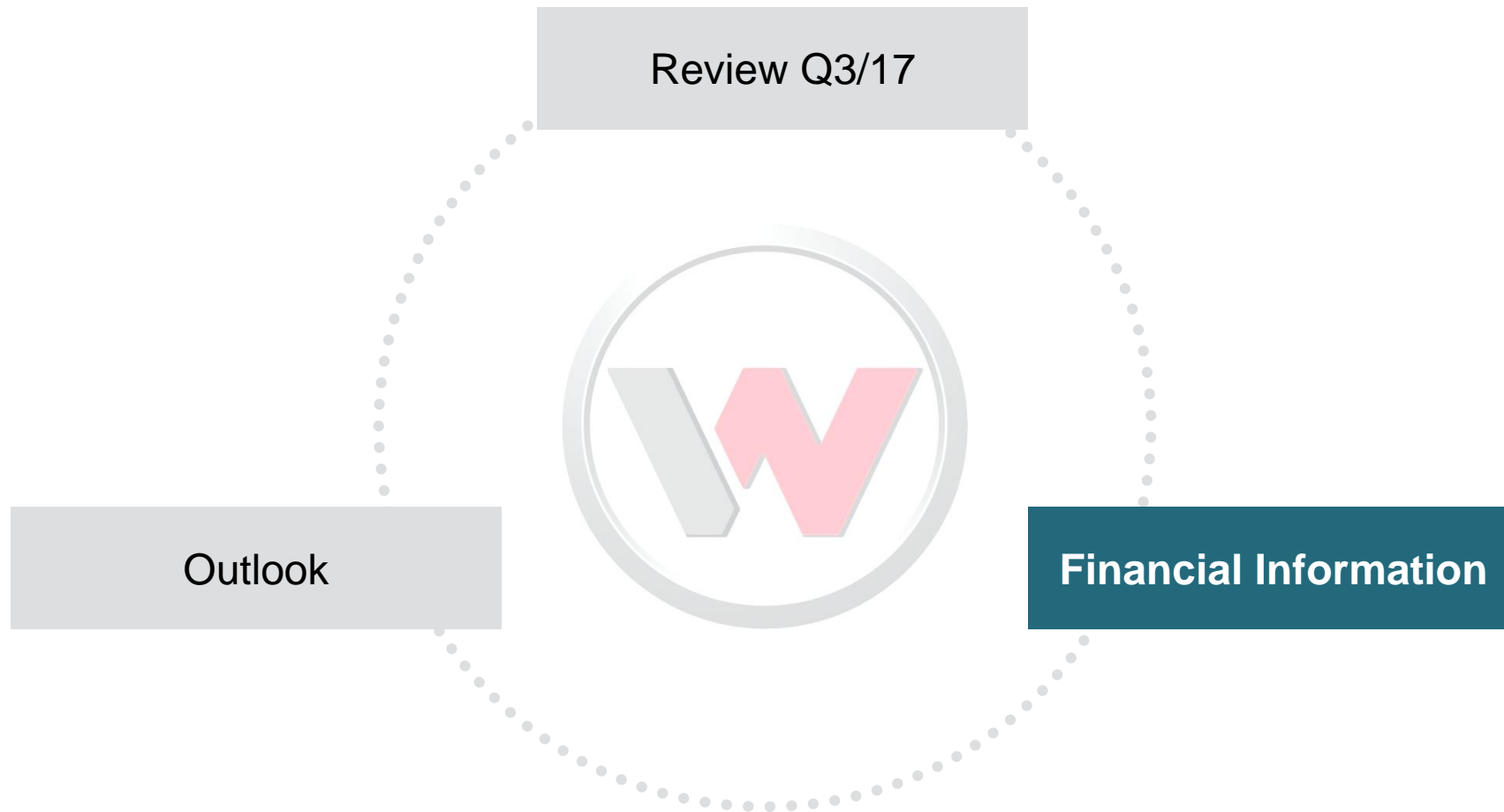
Record revenue in 9M/17, profitability increasing

Note: Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017 (previously recognized under cost of sales as well as other income and/or other expenses). 2014 to 2016 have been adjusted accordingly.

¹ Adjusted for changes of the evaluation method of inventories (FY 2016), restructuring measures and value adjustments of old inventory (FY 2017).



Agenda





Business performance – Revenue and EBIT by region

Revenue Q3/17

	m€	share	yoy	EBIT ¹
Europe	280	74%	+17%	40
Americas	88	23%	+32%	-0
Asia-Pacific	10	3%	+14%	-3
Total	379	100%	+20%	40

Revenue 9M/17

	m€	share	yoy	EBIT ¹
Europe	836	73%	+10%	111
Americas	273	24%	+26%	2
Asia-Pacific	33	3%	-4%	-6
Total	1,142	100%	+13%	101

- **Europe:** Strong growth in both construction and agriculture sector, Q3 growth especially in DACH, France, Benelux, Poland.
- **Americas:** Contribution to revenue and earnings from skid steer loaders manufactured in the US, strong development of other compact equipment and worksite technology, Latin America revenue growing double digit in 9M/17.
- **Asia-Pacific:** Positive one-off effect in China from Q1/16 not fully compensated yet (dealers had stocked up on compact equipment); costs related to new organization (facility of CE in China) and allowance of accounts receivables burden the EBIT.

¹ EBIT of single regions stated before consolidation.

Business performance – Revenue by business segment

Revenue ¹ Q3/17			
	m€	share	yoy
Light Equipment	103	27%	+14%
Compact Equipment	197	51%	+27%
Services	87	22%	+11%
Total	379	100%	+20%

Revenue ¹ 9M/17			
	m€	share	yoy
Light Equipment	326	28%	+11%
Compact Equipment	601	52%	+15%
Services	234	20%	+9%
Total	1,142	100%	+13%

- **Light Equipment:** Back on growth track after weak 2016, strong business with compaction equipment and worksite technology (US rental firms stocking up again), still difficult market environment in oil & gas.
- **Compact Equipment:** Positive development in agriculture business (Kramer and Weidemann), further internationalization of compact equipment, contribution to revenue and earnings from skid steer loaders manufactured in the US.
- **Services:** Central logistics project (bundling spare parts for compact machines), improvement program in progress. Success: Customer orientated service portfolio (“All it takes”, one-stop-shop).

Ag business (Weidemann, Kramer, Claas)

Revenue breakdown for 9M/17



	9M/17	9M/16
■ Construction and other industries	67%	66%
■ Agriculture	13%	13%
■ Services	20%	21%

Revenues ag business:

Q1/17 vs. Q1/16: -2%

Q2/17 vs. Q2/16: +9%

Q3/17 vs. Q3/16: +31%

Revenue 9M/17 vs. 9M/16

(in m€)

137.2

+11%

152.4

9M/16

9M/17



Development of revenue and profitability Q3/17

Income statement (extract) and number of employees

(in m€)	Q3/17	Q3/16	Change in %
Revenue	378.7	315.7	20.0
Gross profit (<i>as a % of revenue</i>)	111.9 (29.5)	89.6 (28.4)	24.9 (1.1 PP)
Sales and Service exp.	48.1	46.8	2.8
R&D expenses	8.0	8.3	-3.6
General admin. exp.	17.6	15.7	12.1
Operating expenses (<i>as a % of revenue</i>)	73.7 (19.5)	70.8 (22.4)	4.1 (-2.9 PP)
Other Income and Expenses	1.8	1.6	12.5
EBIT (<i>as a % of revenue</i>)	40.0 (10.6)	20.4 (6.5)	96.1 (4.1 PP)
Adj. EBIT (<i>as a % of revenue</i>)	43.1 (11.4)	20.4 (6.5)	111.3 (4.9 PP)
Financial result	3.2	-2.7	-
Taxes on income	11.3	5.6	101.8
Net profit	31.9	12.1	163.6
Net profit per share in €	0.46	0.17	170.6
Employees ¹	5,006	4,751	5.4

¹ w/o temporary staff.

Note: Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017 (previously recognized under cost of sales as well as other income and/or other expenses). 2016 has been adjusted accordingly.

- **Gross Profit**
 - Volume effect: +17.9 m€
 - Margin effect: +4.5 m€ → Capacity utilization improved at production sites
- **SG&A:** strict cost control, SG&A as percentage of sales -2.9 PP yoy
- **EBIT:** margin improved significantly despite provisions for restructuring (-3.1 m€)
- **Financial result:** Reclassification of a valuation result (related to an intercompany loan) into the OCI (+5.3 m€), negative FX-effects (-0.2 m€) and an improved interest result (+0.8 m€)
- **Tax rate:** 26.2% (Q3/16: 31.6%): lower tax rate in Europe relative to North America and the above-mentioned reclassification without tax effect



Development of revenue and profitability 9M/17

Income statement (extract) and number of employees

(in m€)	9M/17	9M/16	Change in %
Revenue	1,142.4	1,013.5	12.7
Gross profit <i>(as a % of revenue)</i>	326.3 (28.6)	284.6 (28.1)	14.7 (0.5 PP)
Sales and Service exp.	148.6	143.4	3.6
R&D expenses	26.7	26.8	0.4
General admin. exp.	56.0	49.6	12.9
Operating expenses <i>(as a % of revenue)</i>	231.3 (20.2)	219.8 (21.7)	5.2 (-1.5 PP)
Other Income and Expenses	6.0	6.3	-4.8
EBIT <i>(as a % of revenue)</i>	101.0 (8.8)	71.1 (7.0)	42.1 (1.8 PP)
Adj. EBIT <i>(as a % of revenue)</i>	108.1 (9.5)	66.3 (6.5)	63.0 (3.0 PP)
Financial result	-3.9	-6.0	-35.0
Taxes on income	26.1	18.9	38.1
Net profit	71.0	46.2	53.7
Net profit per share in €	1.01	0.65	55.4
Employees ¹	5,006	4,751	5.4

¹ w/o temporary staff.

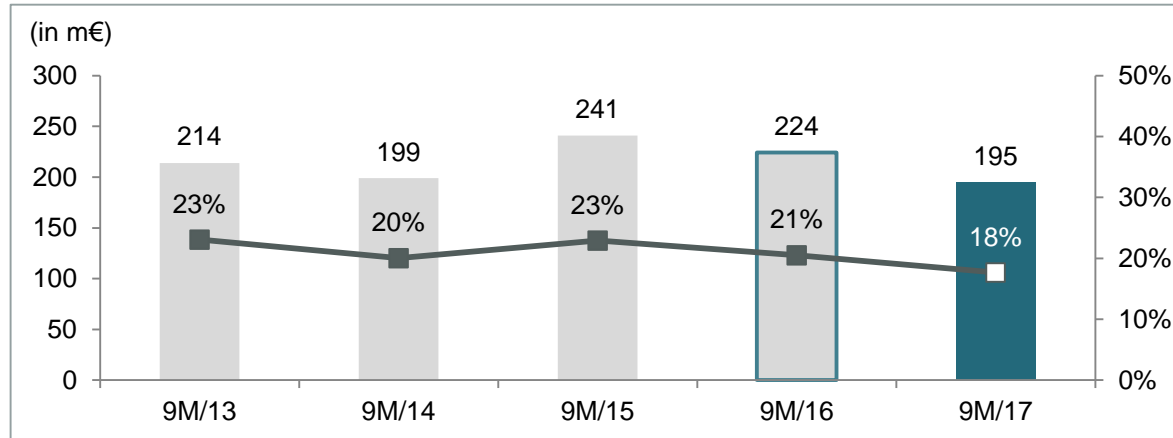
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- **Gross Profit**
 - Volume effect: +36.2 m€
 - Margin effect: +5.5 m€ → Capacity utilization improved at production sites
- **SG&A:** strict cost control, SG&A as percentage of sales -1.5 PP yoy
- **Strong EBIT development despite of one-offs**
- **Adjustments on EBIT:**
 - negative in 9M/17: restructuring measures, value adjustments of old inventory
 - positive in Q1/16: change in the evaluation method for inventories
- **Financial result:** improved interest result (+1.4 m€) and FX-effects (+0.7 m€)
- **Tax rate:** 26.8% (9M/16: 29.1%), lower tax rate in Europe relative to North America and the above-mentioned reclassification without tax effect

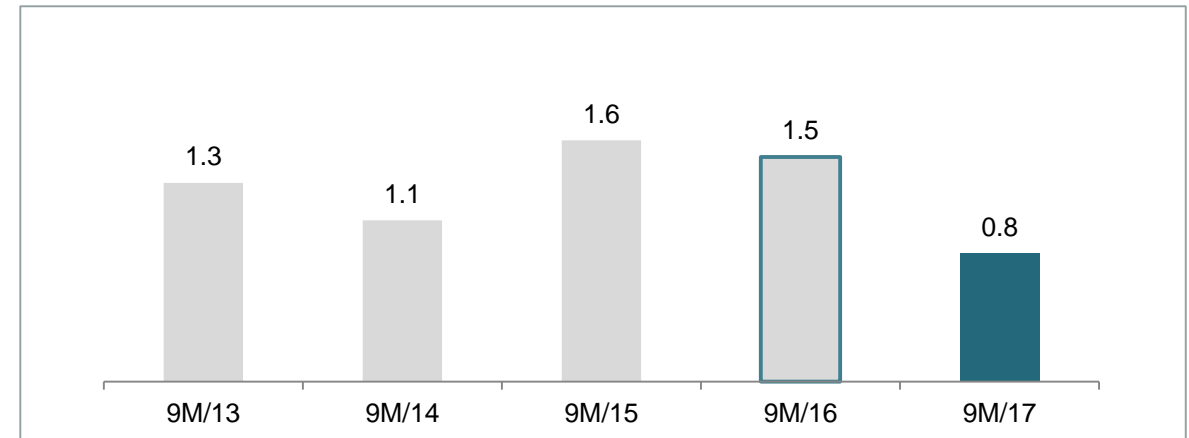


Key figures from balance sheet – excellent credit standing

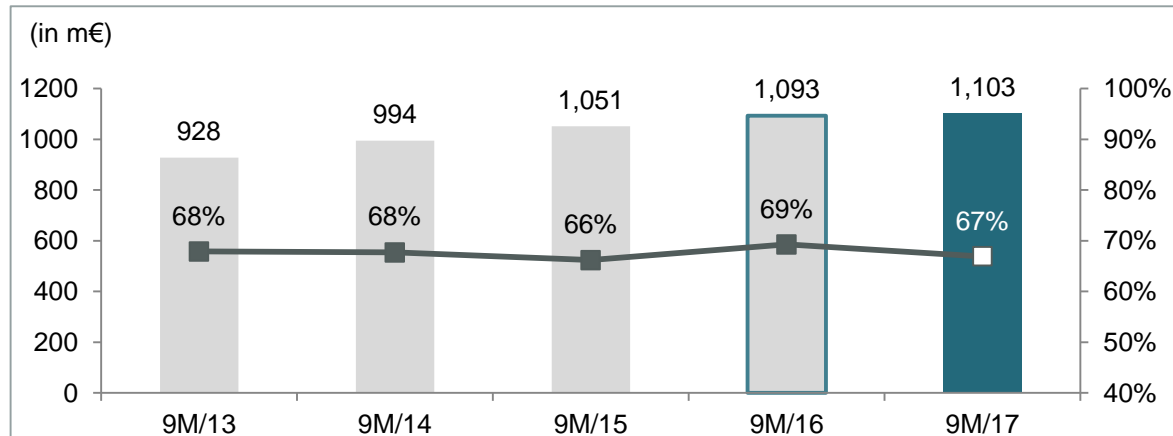
Net financial debt and gearing¹



Net financial debt/EBITDA²



Equity



9M/17

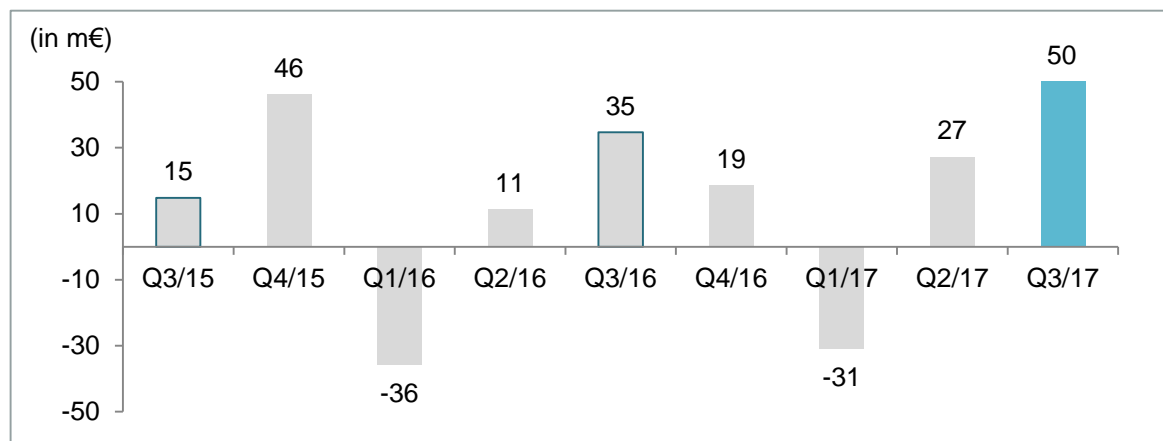
- Net financial debt -13% yoy (gearing¹ of 18% well below PY's level) due to increased Free Cash Flow
- Net financial debt/EBITDA² on low level
- Equity ratio decreased slightly by 2 PP yoy

February 2017: Refinance of Schuldschein loan from 2012 (90 m€), securing funds in the total amount of 125 m€ (5Y, low coupon of 0.69% p.a.)

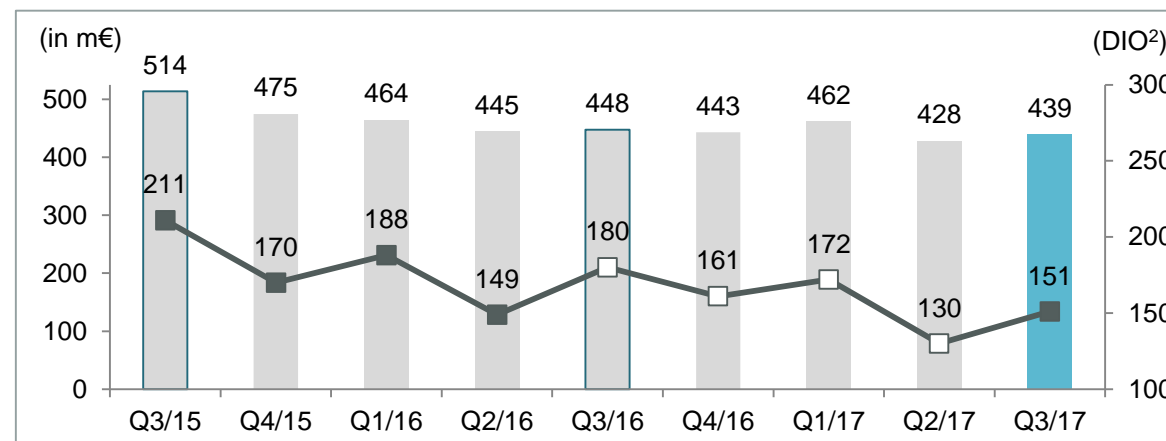
¹ Calculation: net financial debt/equity; ² calculation: net financial debt/annualized EBITDA.

Business performance: Increase of Free Cash Flow, reduction of inventory

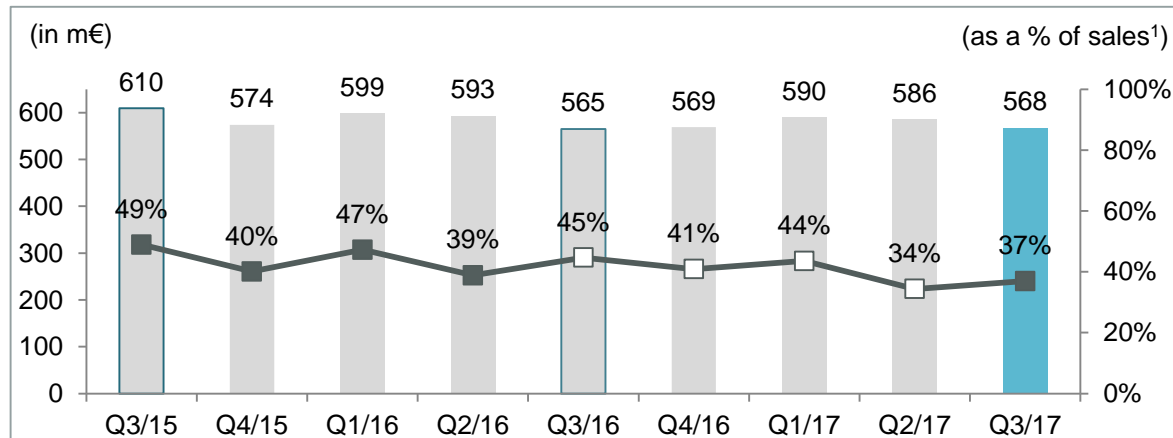
Free Cash Flow



Inventories



Net Working Capital



¹ Calculation: net working capital reported at closing date/annualized revenue of last quarter.

² Days inventory outstanding: (avg. inventory of last two months of reported period/annualized cost of sales) * 365.

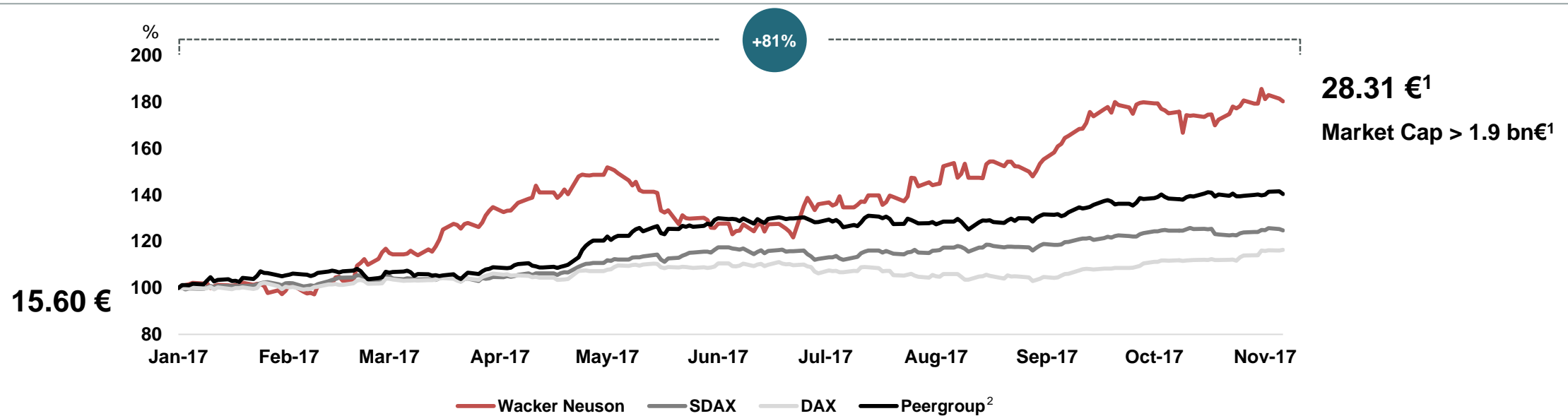
9M/17

- Operating Cash Flow +40% yoy to 132 m€ (9M/16: 94 m€)
- CapEx slightly increased to 91 m€ (9M/16: 88 m€)
- Free Cash Flow more than 3 times higher yoy to 47 m€ (9M/16: 10 m€)
- Decrease of inventories yoy by -2% despite increasing sales volume; significant reduction of DIO² by 29 days yoy and 10 days compared to Q4/16. Old stock reduced by appr. 50 m€ since Jan. 1, 17.
- Net Working Capital ratio decreased significantly 8 PP yoy



Share & Dividend

Share price development 2017



in €	9M/16	9M/17
Earnings per share	0.65	1.01
Share price end of period	12.97	28.07
Book value per share	15.22	15.72
Market capitalization (in m€)	909.7	1,968.8

ISIN / WK	DE000WACK012 / WACK01
Reuters / Bloomberg	WACGn.DE / WAC GR
Indices	SDAX, DAXplus family, CDAX, GEX, Classic All Shares
Share	Prime All Share
Total shares	70,140,000

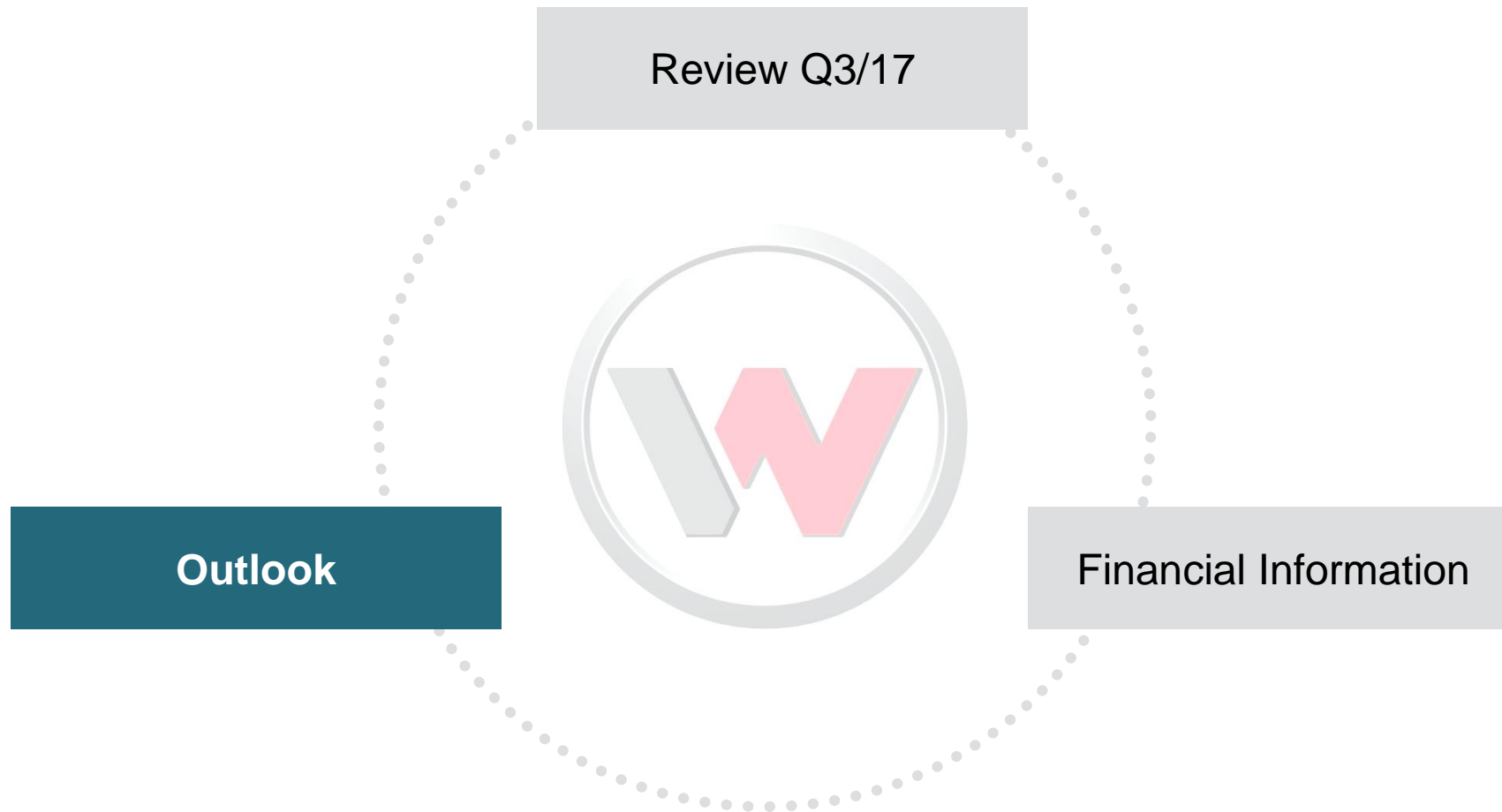
Shareholder structure



¹ as at November 6, 2017

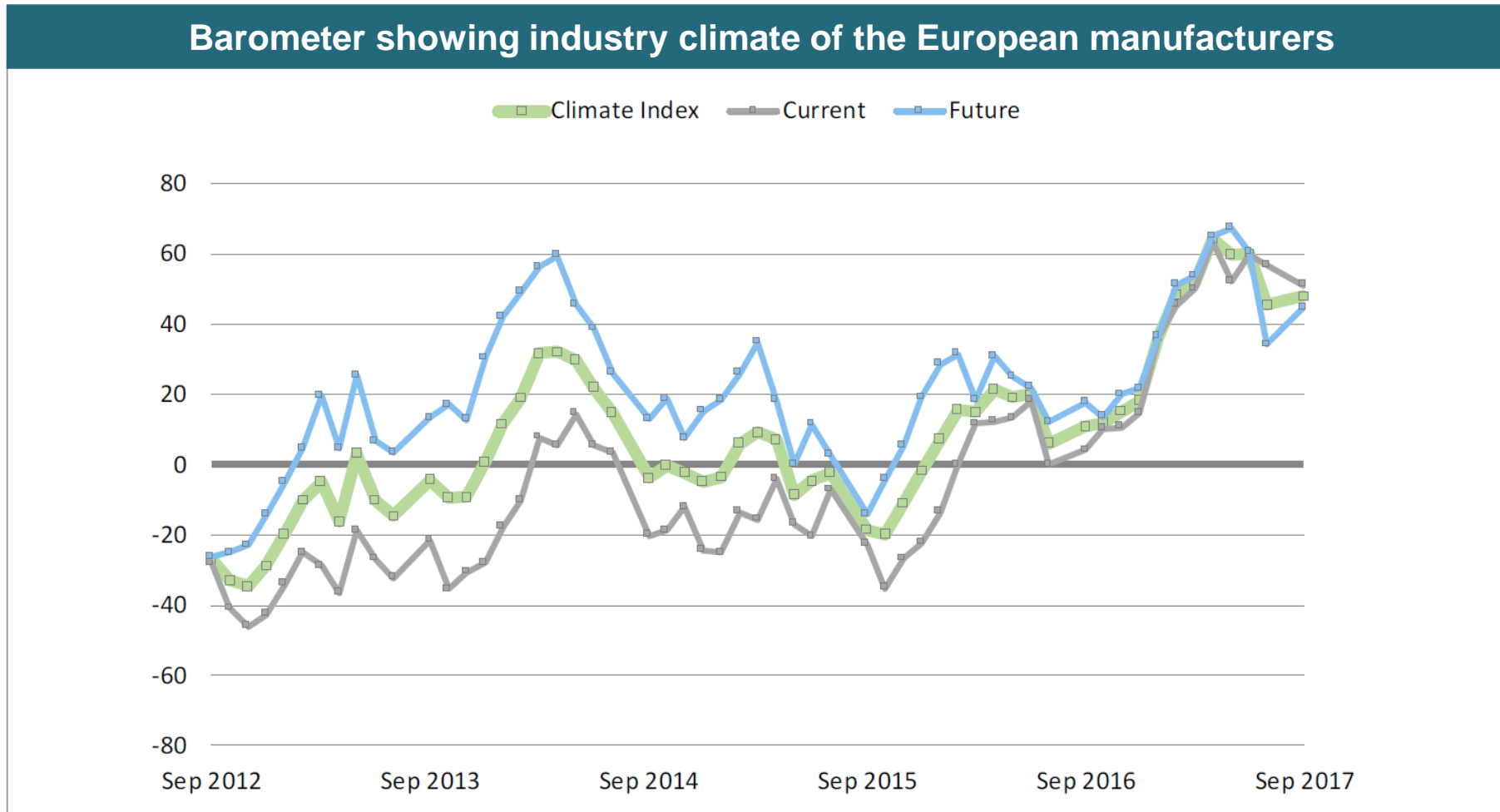


Agenda





Business climate in construction industry on high level

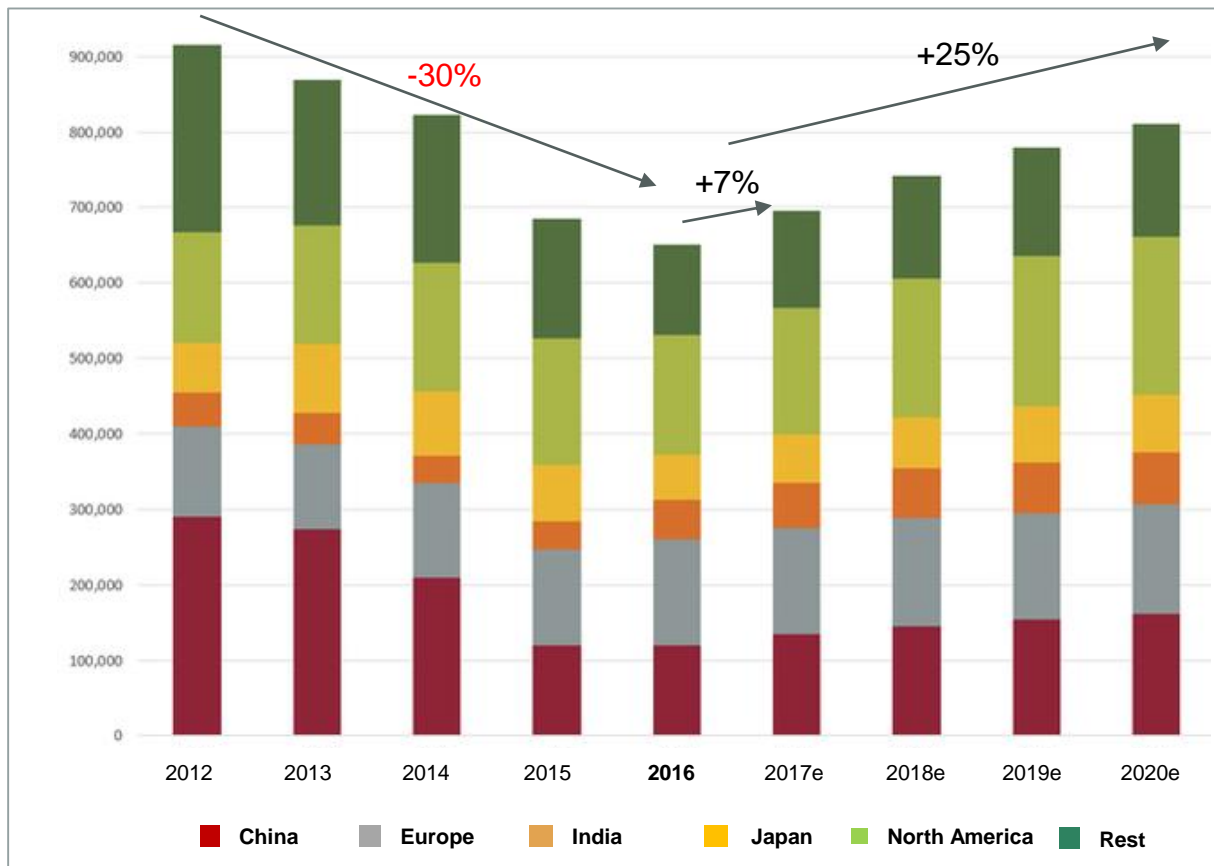


Source: CECE, September 2017.



Global sales of construction machinery back on growth path

2016–2020 machinery sales CAGR: 5,7%



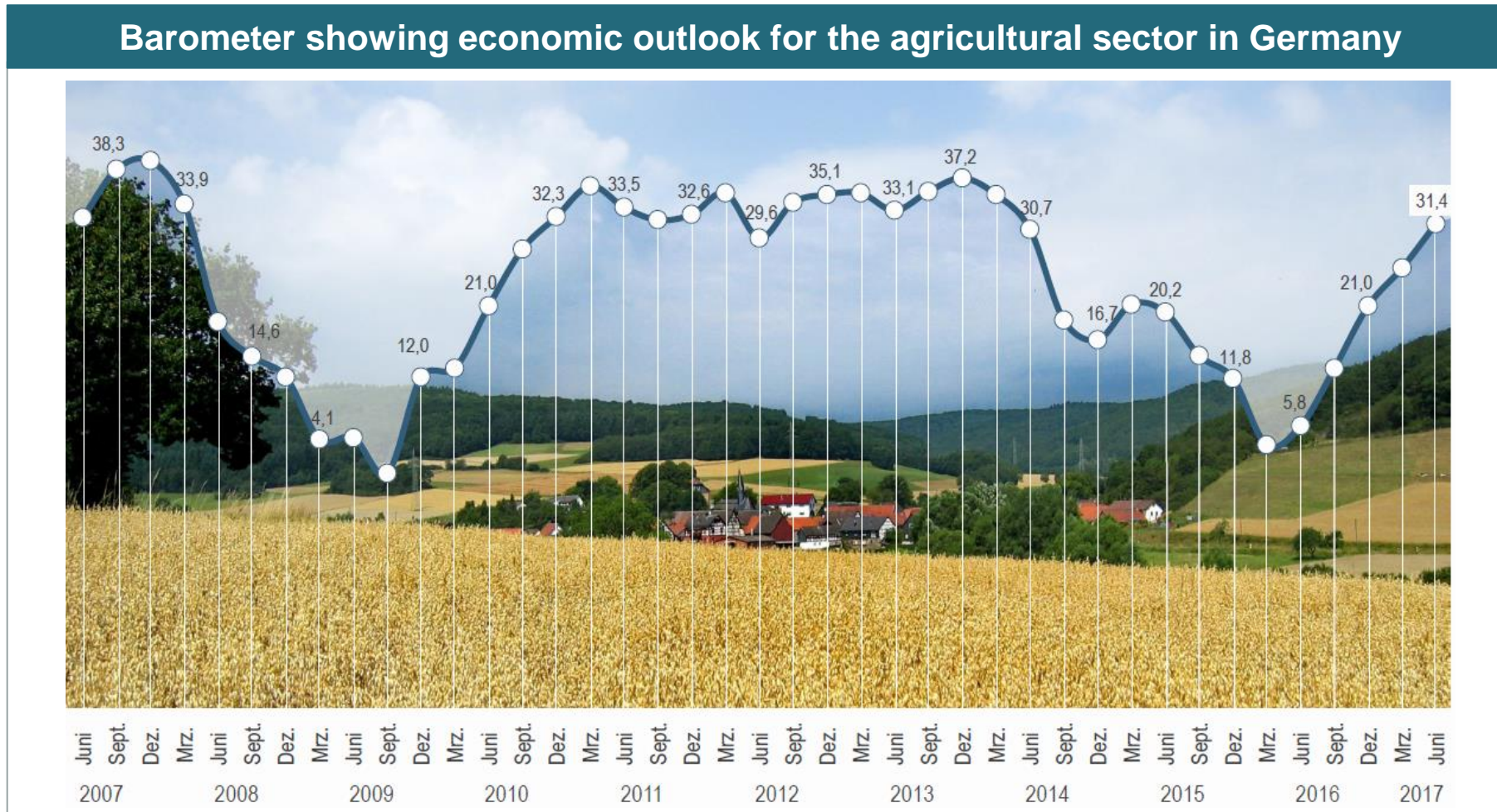
Source: Off-Highway Research, March 2017.

Wacker Neuson's expectations

- Europe and Americas main growth drivers
 - Europe: strong business in the construction sector, upbeat mood in the agricultural sector
 - North America: stronger revenue from skid steer loaders
 - Latin America: bottomed out → Growth driver: new product lines (generators, compact equipment)
- Asia-Pacific: Environment is recovering, strong growth market in mid term, growth of Australian business

Compared to CE sales (WN Group) 2012–2016: +38%

Recovery in the agricultural business continues



Index: 0 baseline corresponds to mean value for years 2000 to 2006.

Source: German Farmers' Association, June 2017.



Strategic alliances and partnerships leverage our sales

Core Markets

OEM (global)



CATERPILLAR®

Wacker Neuson produces for Caterpillar¹

OEM (global)



HAMM

HAMM produces for Wacker Neuson

Distribution (EMENA & CIS²)



JOHN DEERE

Kramer³ distributes via JD's dealer network

Latin America and Asia

OEM (Latin America)



RANDON

Randon produces for Wacker Neuson

Distribution (Korea)



EVERDIGM

Wacker Neuson via Everdigm's network

Distribution (Japan)



ISEKI
ISEKI & CO., LTD.

Weidemann via ISEKI's network

Distribution (ASEAN)



mhe DEMAG

Wacker Neuson via MHE's network

¹ Not in Japan.

² Commonwealth of Independent States. ³ Kramer "green line" only.



Setting the base for further growth in China and Asia

New plant – Start of production planned for 2018

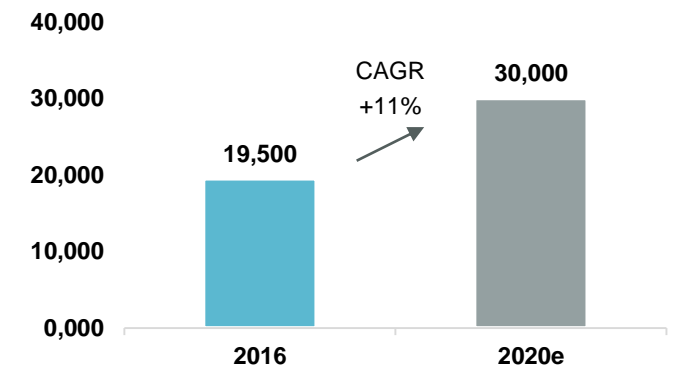


Located in Pinghu, 30 km from Shanghai city border.



Excavator: EZ17

Mini excavator market China 2016 – 2020e (units)



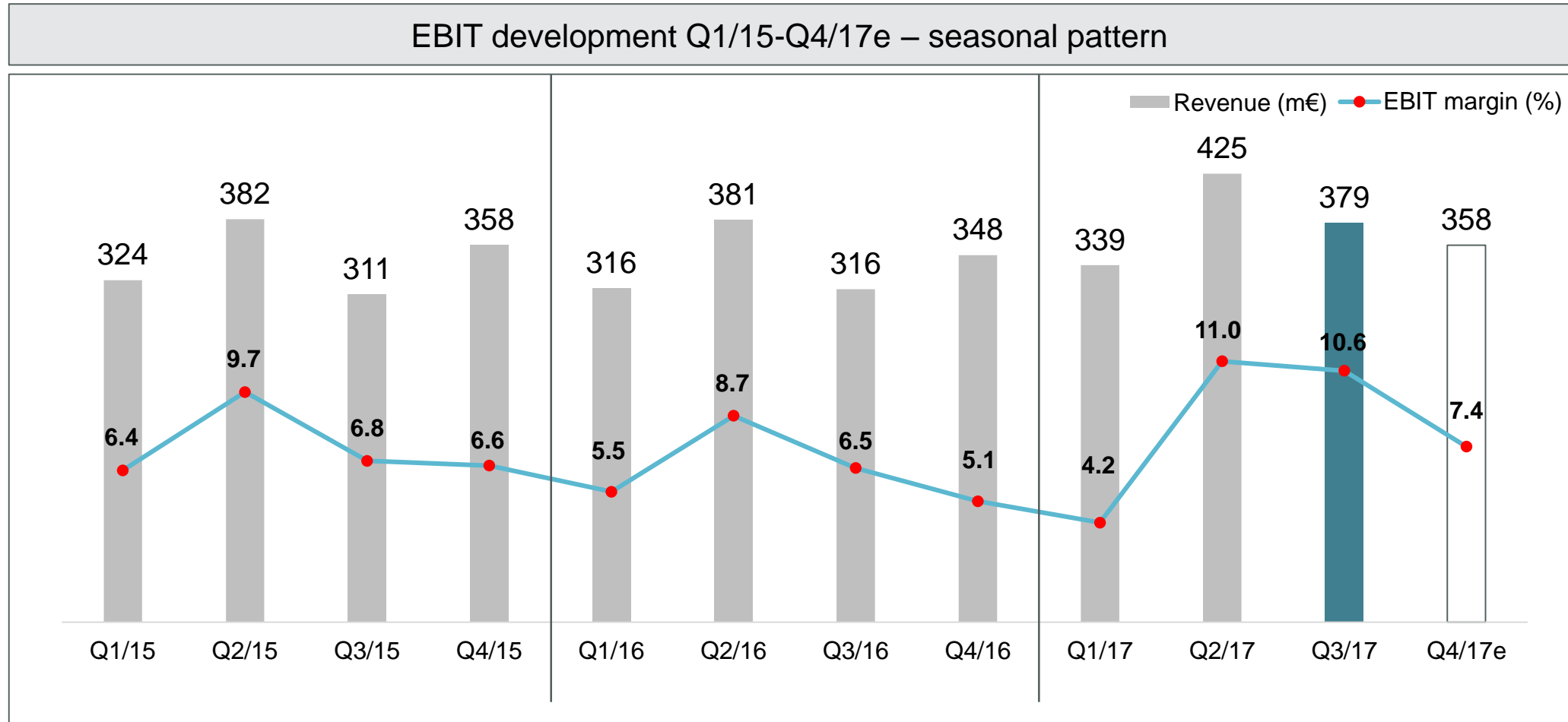
Source: Off-Highway.

- Plot of 130,000 qm, 33,000 qm for modern production, offices and logistic facilities
- Sustainability in focus: geothermal energy and solar panels
- Building on local/regional presence → Demand for repair and maintenance of infrastructure is growing, especially in megacities
- Starting with the production of compact excavators for China and the region



Current status, plant Pinghu.

Development of revenue and profit since Q1/15





Enhanced Forecast for 2017: more optimistic expectations

Financial forecast (FC) 2017e					
	2016	FC 2017e ¹ (March)	FC 2017e ¹ (Aug)	FC 2017e ¹ (Nov)	Mid term
Revenue in bn€	1.36	1.40 – 1.45	1.45 – 1.50	Upper end of 1.45 – 1.50	>2.0
EBIT margin as a % (operational)	6.5	7.5 – 8.5 ²	Mid of 7.5 – 8.5 ²	Upper end of 7.5 – 8.5 ²	>9.0
Net Working Capital as a % of revenue	42	<40	<40	<40	<40
CapEx in m€	107	120	120	120	Depending on growth
Free Cash Flow in m€	29	Improved	Improved	Improved	Improved

¹ Assumed there is no significant deterioration of political, economic or industry-specific environment during the course of the year.

² Excl. one-off earnings from a potential transaction of a real estate company held by the Group, expected to be realized in Q4/2017 or in 2018.



New Management will communicate an update on the company's strategy in spring 2018

Core aspects will be:

- Concentrate on actions that create **CUSTOMER BENEFIT**
- Organize and expand **AFTERSALES**
- Define concrete goals regarding **INTERNATIONALIZATION**
- Take advantage of **DIGITIZATION** in our processes as well as products, production and sales activities
- **STREAMLINE** our company's structure
- Dovetailing of **SALES** and **PRODUCTION**
- **NET WORKING CAPITAL** Management
- Strictly focus on our commitment to **MARGIN DEVELOPMENT**



Financial calendar and IR contact

Financial Calendar

November 9, 2017	Publication of nine-month report 2017; Analyst Conference Call
November 15, 2017	Roadshow London
November 16, 2017	Roadshow Duesseldorf & Cologne
November 29, 2017	Equity Forum, Frankfurt
December 19 & 20, 2017	Roadshow Copenhagen & Helsinki
January 17, 2018	Kepler Cheuvreux German Corporate Conference, Frankfurt
March 20, 2018	Publication of annual report 2017; Analyst Conference Call
April, 2018	Deutschlandkonferenz Bankhaus Lampe, Baden-Baden
May 8, 2018	Publication of Q1 report 2018; Analyst Conference Call
May 30, 2018	AGM, Munich

Numerous conferences and roadshows

IR contact

Investor Relations Department
Preussenstrasse 41, 80809 Munich, Germany
Phone: +49-89-35402-173, Fax: +49-89-35402-298
ir@wackerneuson.com



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