



**Wacker Neuson**  
Group



**Wacker Neuson SE**

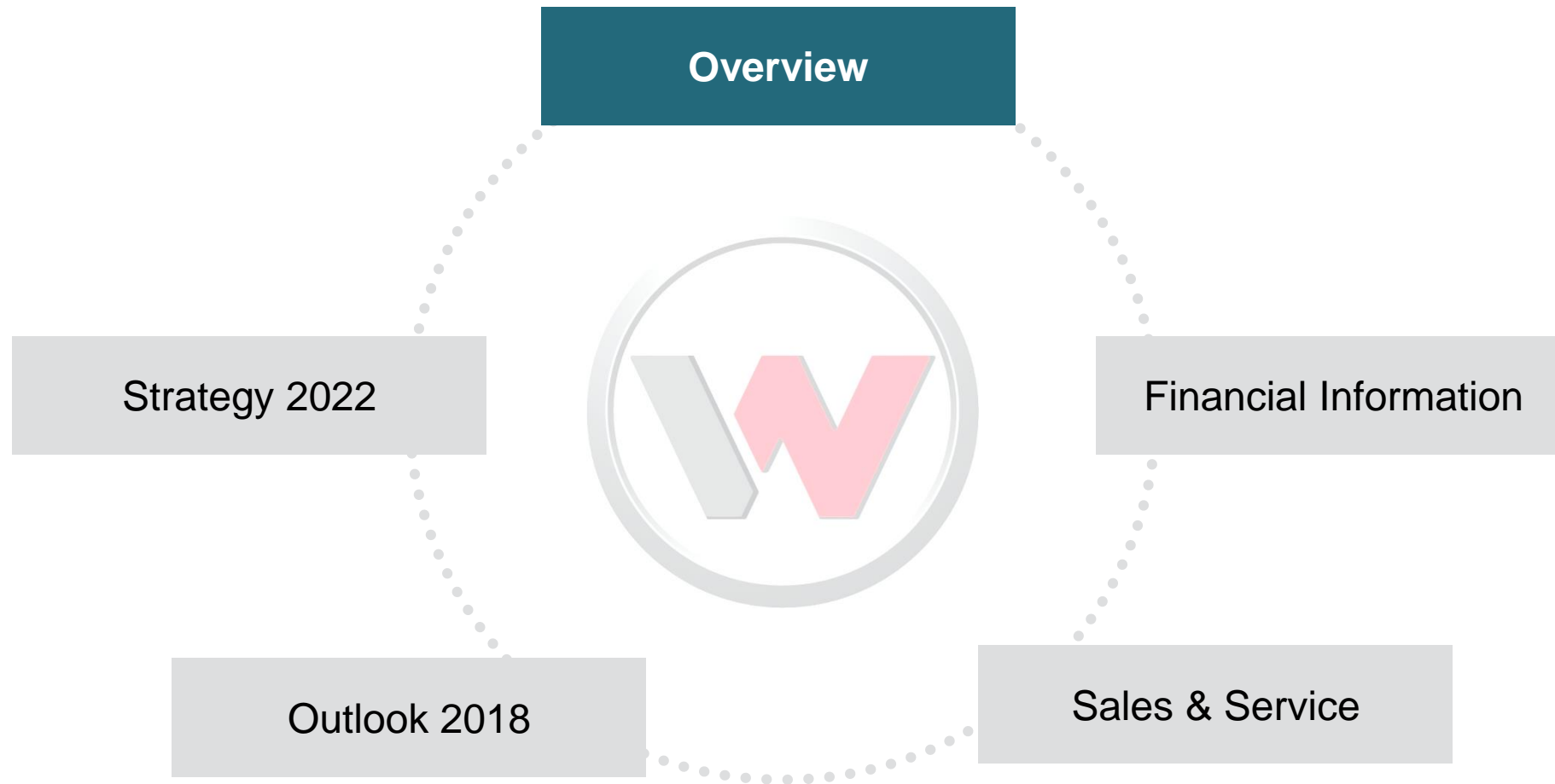
**Press Conference, Analysts' and Investors' Conference – Results FY 2017**

Martin Lehner (CEO), Wilfried Trepels (CFO), Alexander Greschner (CSO)


March 20, 2018




# Agenda



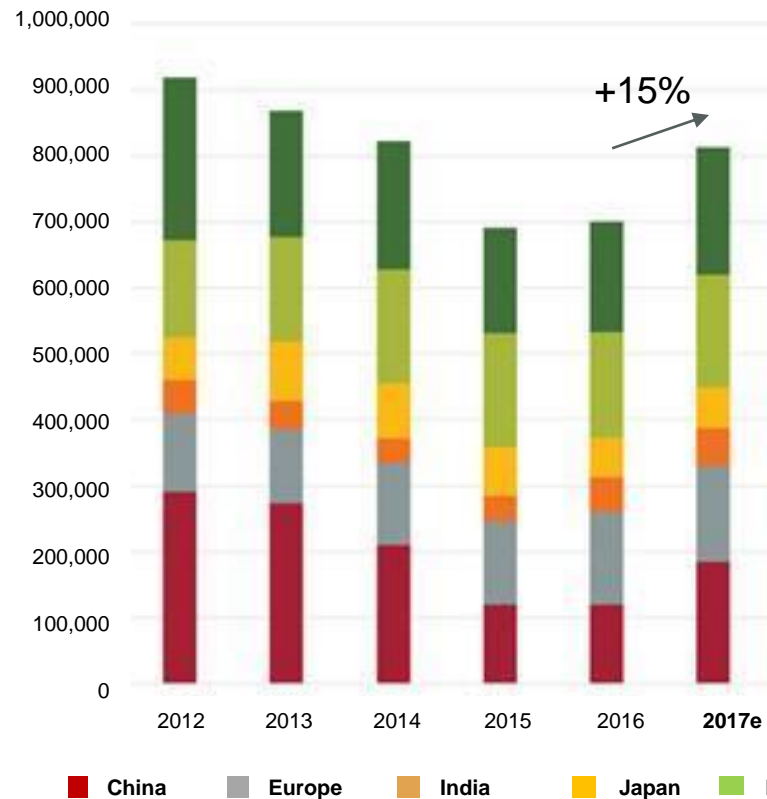
## Summary of FY 2017: Revenue and earnings in line with raised forecast

- 
- Favorable business climate and upswing in all key regions
  - Group revenue +13% yoy, substantial rise in EBIT (+48% yoy)
  - Strong growth in core region Europe (+11% yoy)
  - Products „fit“ into the market and generate positive customer feedback (e. g. new line of excavators, skid steer loaders, light towers and vibratory plates)
  - Pleasant development of revenue in agricultural sector (+17% yoy)
    - International expansion of Weidemann brand
    - Positive signals coming from cooperation with John Deere
  - Strong revenue growth in North America (+23% yoy) → relocation of skid steers production to the US pays off
  - Successful launch of cooperations with market leading companies
  - Active net working capital management, cutback of old stock according to plan
  - Free cash flow nearly trebled to 99 m€
  - Increase in productivity, economies of scale in production
  - Internal process improvement, e.g. sales-/production planning
  - Development of new “Strategy 2022”

- 
- Revenue Asia-Pacific -5% yoy, (e. g. drop in gasoline breakers, initial stocking of new dealers with CE in 2016)
  - Temporary material shortages due to delay in delivery burden productivity
  - Decrease in purchasing price not significant mostly because of increase in price of raw materials
  - Restructuring costs related to international affiliates and one-off-effects during the year impacted earnings

# 2017: Increasing demand for construction equipment worldwide

## Global construction equipment market

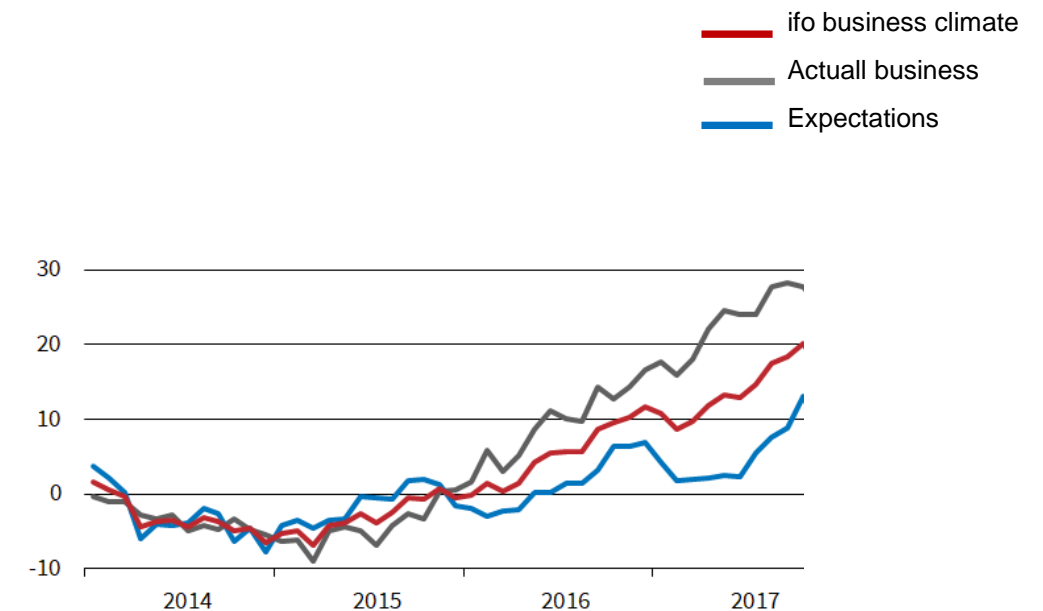


- Sales of construction equipment grew by 15% in 2017
- Ongoing recovery of Europe's construction industry, improved business in the mining sector worldwide
- Favourable economic environment with low interest rates
- Industry is still 20% below the 2007 peak

Source: Off-Highway Research, August 2017.

## Construction business climate Germany

### Business climate construction industry

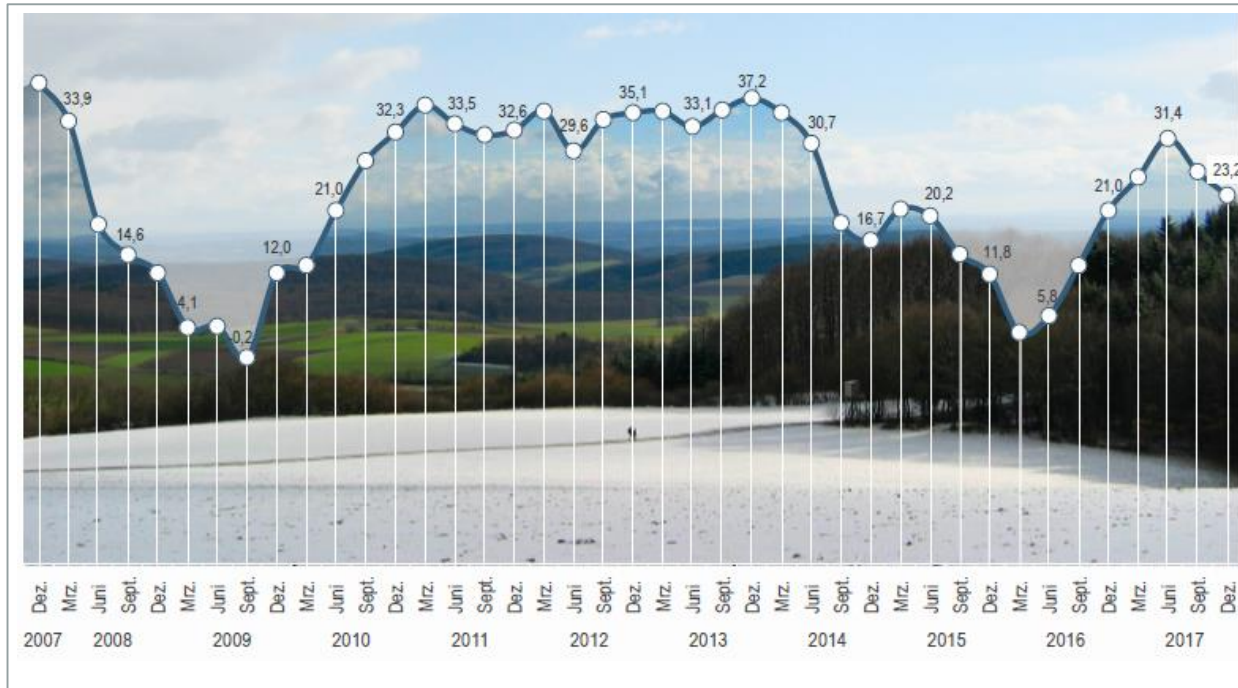


Source: ifo Institute survey, Februar 2018

© ifo Institut

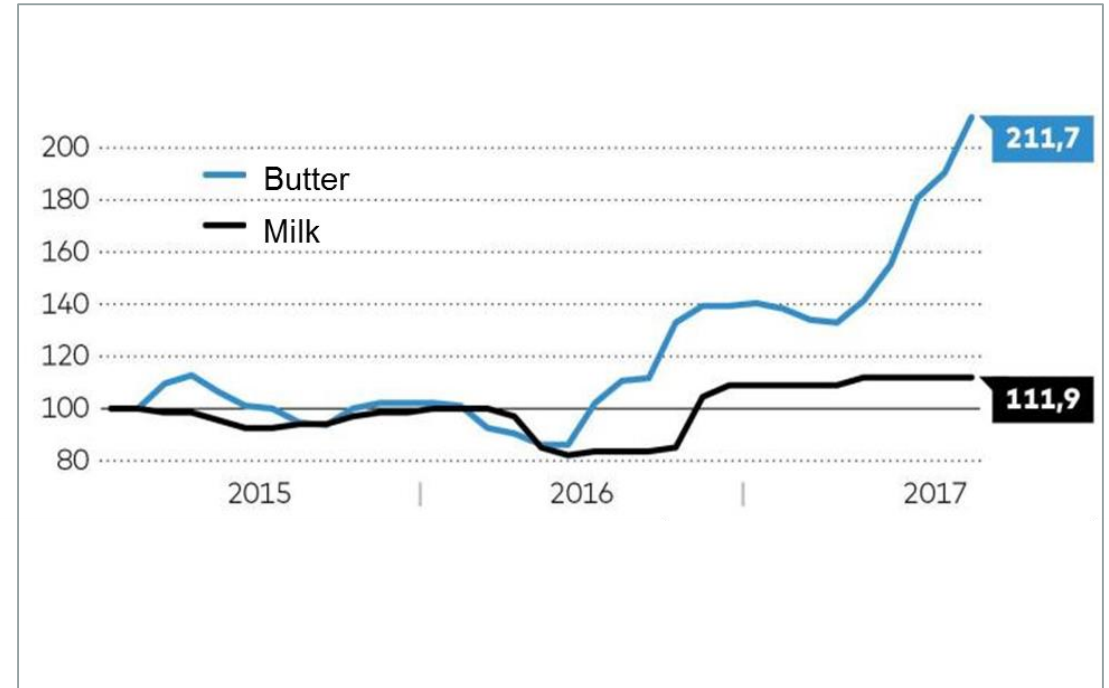
## 2017: Recovery of ag markets

### Development of agricultural sector in Germany



Index: 0 baseline corresponds to mean value for years 2000 to 2006. Source: German Farmers' Association, December 2017.

### Price developments for butter & milk in the EU



Source: Nilesen, Milchindustrieverband, Die Welt, 2017



## 2017: Wacker Neuson improved all relevant key figures

Q4/17		
Revenue	EBIT	Adj. EBIT
<b>+13%</b>	<b>+73%</b>	<b>+107%</b>
(391.5 m€)	(margin: 7.8%)	(margin: 9.3%)
Op. CF	FCF	EPS
<b>+96%</b>	<b>+141%</b>	<b>+50%</b>
(63.1 m€)	(46.2 m€)	(0.24 €)

FY 2017		
Revenue	EBIT	Adj. EBIT
<b>+13%</b>	<b>+48%</b>	<b>+70%</b>
(1,533.9 m€)	(margin: 8.6%)	(margin: 9.4%)
Op. CF	FCF	EPS
<b>+74%</b>	<b>+180%</b>	<b>+54%</b>
(138.0 m€)	(99.0 m€)	(1.25 €)

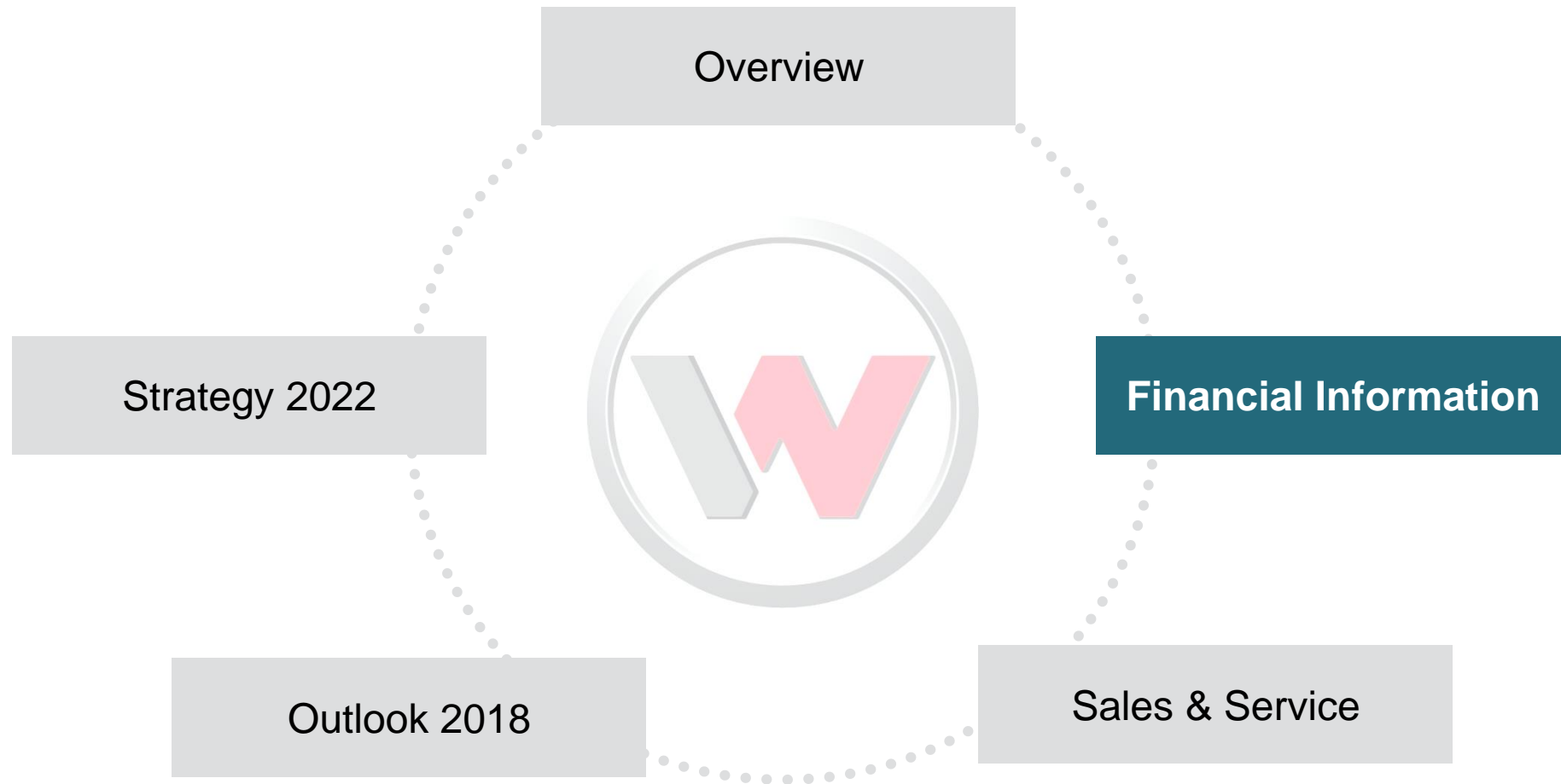
December 31, 2017		
<b>NWC ratio<sup>1</sup>: 36.1%</b>	<b>DIO<sup>2</sup>: 145 days</b>	<b>Equity ratio: 69.0%</b>
(-5.9 PP yoy)	(-25 days yoy)	(-0.1 PP yoy)

<sup>1</sup> Net Working Capital ratio = avg. NWC/revenue.

<sup>2</sup> Days inventory outstanding = (avg. inventory/cost of sales)\*365.



# Agenda



# Business performance: Revenue and EBIT by region<sup>1</sup>

## Revenue and EBIT Q4/17

	m€	share	yoy	EBIT <sup>1</sup>
Europe	294	75%	+14%	39
Americas	84	22%	+13%	-3
Asia-Pacific	13	3%	-7%	-4
Total	392	100%	+13%	30

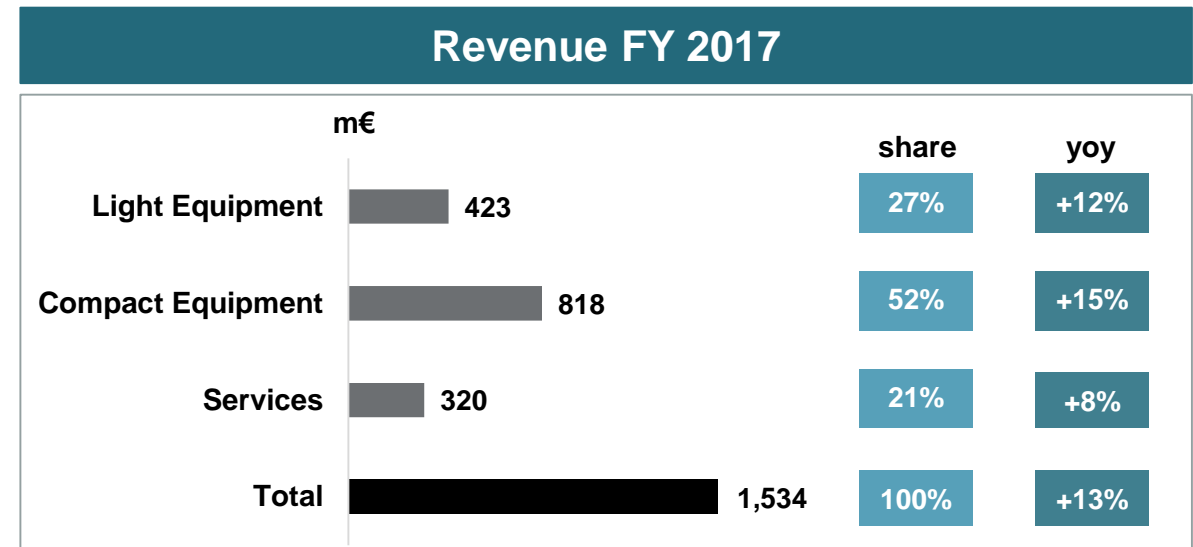
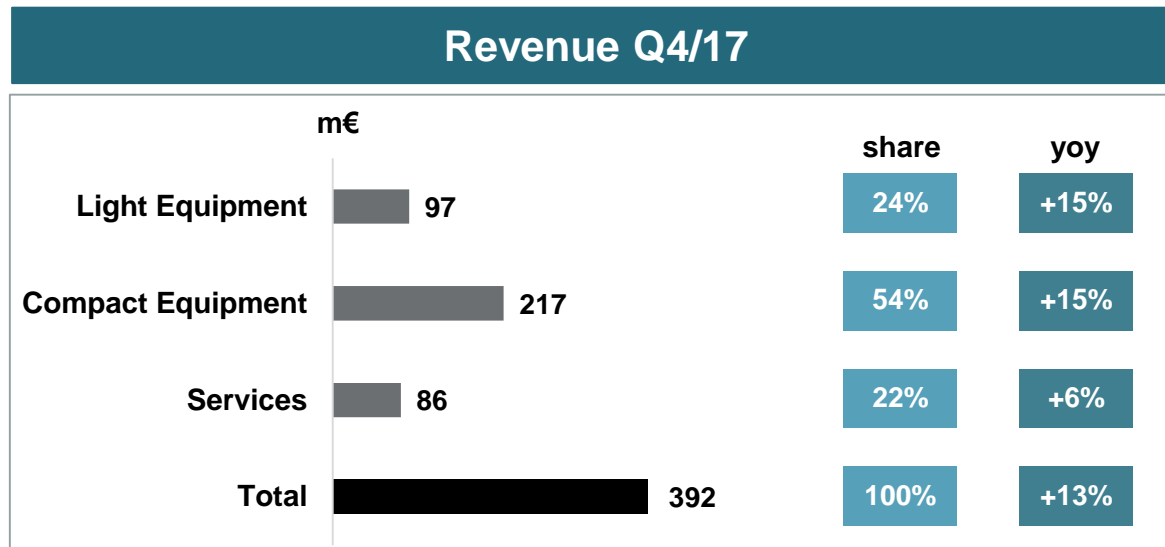
## Revenue and EBIT FY 2017

	m€	share	yoy	EBIT <sup>1</sup>
Europe	1,130	74%	+11%	150
Americas	358	23%	+23%	-1
Asia-Pacific	47	3%	-5%	-10
Total	1,534	100%	+13%	131

- **Europe:** Strong growth in construction sector, particularly in Germany, France, Poland and Austria. The mood in the European agricultural sector improved significantly thanks to rising food prices, especially for dairy products.
- **Americas:** Contribution to revenues and earnings from skid steer loaders manufactured in the US, strong development of other compact equipment and worksite technology. Restructuring costs and the sale of old inventory had a dampening effect on profit.
- **Asia-Pacific:** Positive one-off effect in China from Q1/16 not fully compensated (dealers had stocked up on compact equipment); costs related to new organization (facility of CE in China), a significant allowance for doubtful accounts receivables, restructuring costs in Australia as well as the sale of old inventory burden the EBIT.

<sup>1</sup> EBIT of single regions stated before consolidation. Differences attributable to rounding.

## Business performance: Revenue by segment<sup>1</sup>



- **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), promising start of partnership with John Deere; contribution to revenue and earnings from skid steer loaders manufactured in the US.
- **Services:** Successful repair business, however the Group was unable to meet its goals of increasing the availability of spare parts. The situation is expected to improve significantly in the second half of 2018 (Restructuring started Nov. 17).

<sup>1</sup> Revenue of single segments stated before cash discounts, total revenue stated after cash discounts.  
Differences attributable to rounding.



## Quarter-on-quarter comparison: Revenue and EBIT margin

### Acceleration of growth in H2/17





## Development of revenue and profitability Q4/17

### Income statement (extract) and number of employees

(in m€)	Q4/17	Q4/16	Change in %
<b>Revenue</b>	<b>391.5</b>	<b>347.9</b>	<b>12.5</b>
Gross profit <i>(as a % of revenue)</i>	110.2 (28.1)	92.9 (26.7)	18.6 (1.4 PP)
Sales and Service expenses	-50.5	-50.1	0.8
R&D expenses	-9.0	-8.1	11.1
General admin. expenses	-20.6	-19.0	8.4
<b>Operating expenses <i>(as a % of revenue)</i></b>	<b>-80.1 (20.5)</b>	<b>-77.2 (22.2)</b>	<b>3.8 (-1.7 PP)</b>
Other Income and Expenses	0.3	1.9	-84.2
<b>EBIT <i>(as a % of revenue)</i></b>	<b>30.4 (7.8)</b>	<b>17.6 (5.1)</b>	<b>72.7 (2.7 PP)</b>
<b>Adj. EBIT <i>(as a % of revenue)</i></b>	<b>36.4 (9.3)</b>	<b>17.6 (5.1)</b>	<b>106.8 (4.2 PP)</b>
Financial result	-2.1	-1.4	50.0
Taxes on income	-11.8	-5.3	122.6
<b>Net profit</b>	<b>16.5</b>	<b>10.9</b>	<b>51.4</b>
Net profit per share in €	0.24	0.16	50.0
Employees (incl. temp. workers)	5,546	5,183	7.0

**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: +11.6 m€
  - Margin effect: +5.7 m€ → Capacity utilization improved at production sites
- **SG&A:** strict cost control, SG&A as percentage of sales -0.7 PP yoy
- **Strong EBIT development despite of one-offs (+73%)**
- **Adjustments on EBIT:**
  - restructuring costs (-2.3 m€) related to sale of real estate in Australia and restructuring Americas
  - One-off effects (-3.7 m€) related to the reorganization of Executive Board and up-front costs for sale of a property (Munich)
- **Financial result:** improved interest result (+0.6 m€) and FX-effects (-1.3 m€)
- **Tax rate:** 41.7% (2016: 32.7%), tax rate impacted by US tax reform in Q4/17 and higher intercompany dividends



## Development of revenue and profitability FY 2017

### Income statement (extract) and number of employees

(in m€)	FY 17	FY 16	Change in %
<b>Revenue</b>	<b>1,533.9</b>	<b>1,361.4</b>	<b>12.7</b>
Gross profit ( <i>as a % of revenue</i> )	436.5 (28.5)	377.5 (27.7)	15.6 (0.8 PP)
Sales and Service expenses	-199.1	-193.5	-2.9
R&D expenses	-35.8	-34.8	2.9
General admin. expenses	-76.6	-68.6	11.7
<b>Operating expenses (<i>as a % of revenue</i>)</b>	<b>-311.5 (20.3)</b>	<b>-296.9 (21.8)</b>	<b>4.9 (-1.5 PP)</b>
Other Income and Expenses	6.4	8.2	-22.0
<b>EBIT (<i>as a % of revenue</i>)</b>	<b>131.4 (8.6)</b>	<b>88.8 (6.5)</b>	<b>48.0 (2.1 PP)</b>
<b>Adj. EBIT (<i>as a % of revenue</i>)</b>	<b>144.0 (9.4)</b>	<b>84.7 (6.2)</b>	<b>70.0 (3.2 PP)</b>
Financial result	-6.0	-7.4	-18.9
Taxes on income	-37.9	-24.2	56.6
<b>Net profit</b>	<b>87.5</b>	<b>57.2</b>	<b>53.0</b>
Net profit per share in €	1.25	0.81	54.3
Employees (incl. temp. workers)	5,546	5,183	7.0

**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: +47.8 m€
- Margin effect: +11.2 m€ → Capacity utilization improved at production sites
- Sale of “old inventory” cost appr. 8 m€ (GP: ~0.5 PP)

#### ■ SG&A: strict cost control, SG&A as percentage of sales -1.5 PP yoy

#### ■ Strong EBIT development despite of one-offs (+48%)

#### ■ Adjustments on EBIT:

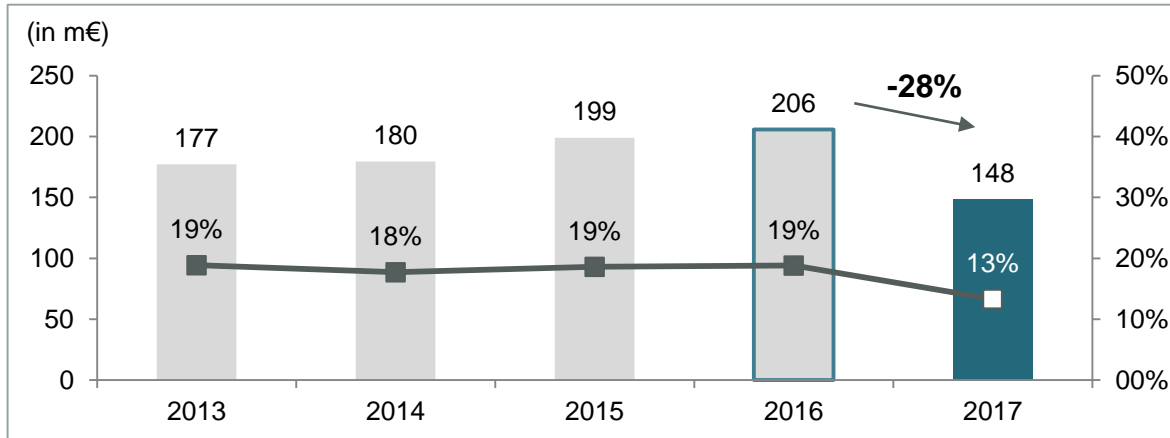
- restructuring costs (-4.4 m€) related to sale of real estate in Australia and restructuring Americas, prior year (-0.7 m€)
- One-time effects (-8.2 m€) related to impairment losses on old inventory, the reorganization of Executive Board and up-front costs for sale of a property (Munich), prior year positive one-time effect in Q1/16: change in the evaluation method for inventories (+4.8 m€)

#### ■ Financial result: improved interest result (+2.0 m€ yoy) but negative FX-effects (-0.6 m€ yoy)

#### ■ Tax rate: 30.2% (2016: 29.7%), tax rate impacted by US tax reform in Q4/17 and higher intercompany dividends

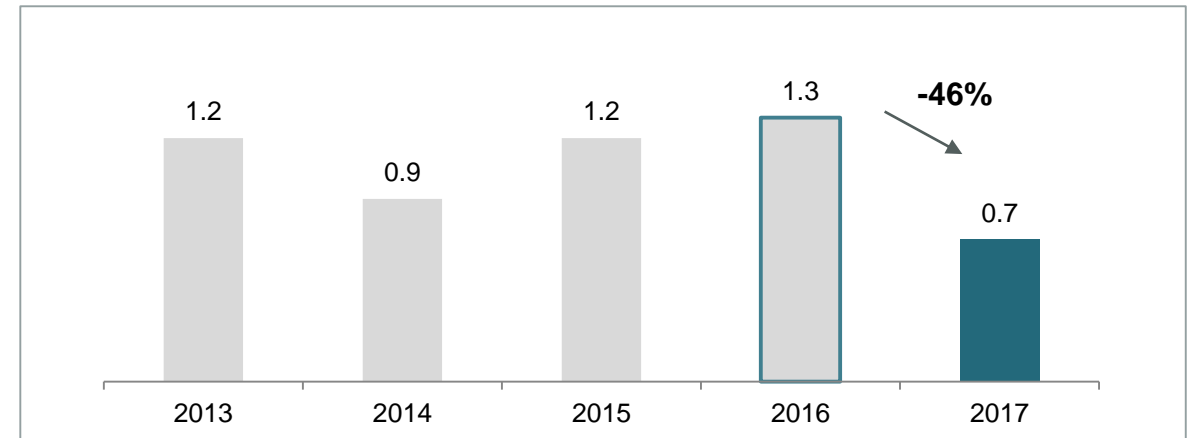
# Key figures from balance sheet – excellent credit standing

## Net financial debt and gearing<sup>1</sup>



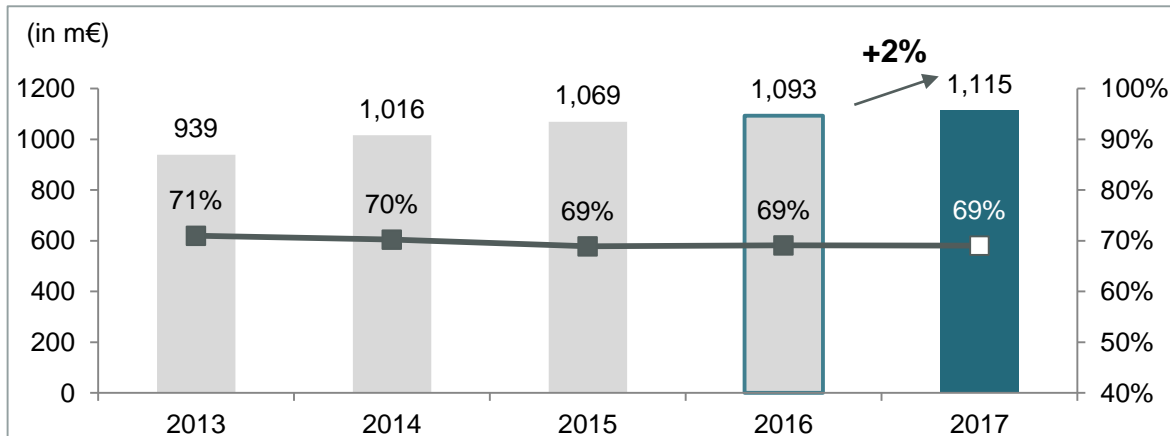
<sup>1</sup> calculation: net financial debt/equity.

## Net financial debt/EBITDA<sup>2</sup>



<sup>2</sup> calculation: net financial debt/EBITDA.

## Equity



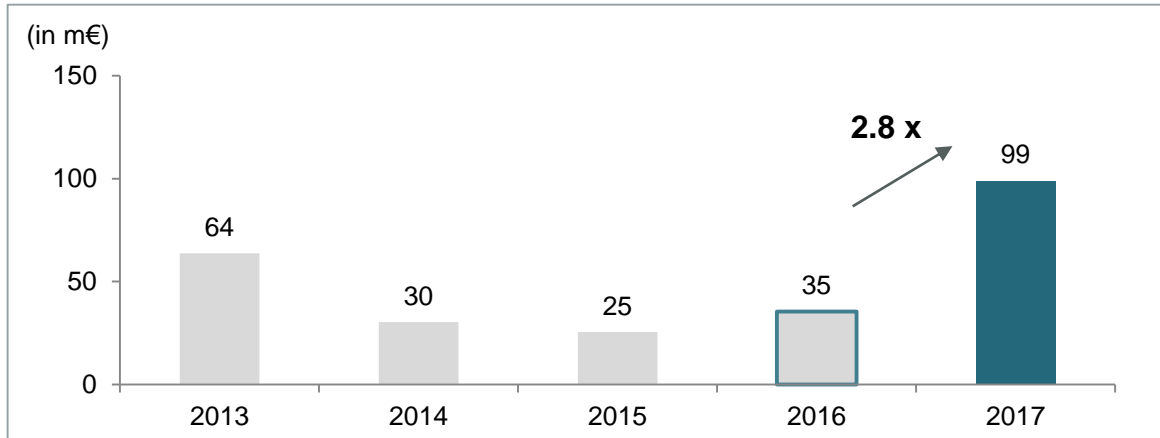
## FY 2017

- Net financial debt -28% yoy (gearing of 13% well below PY's level) due to increased Free Cash Flow
- Net financial debt/EBITDA on low level
- Equity ratio decreased stable at 69%

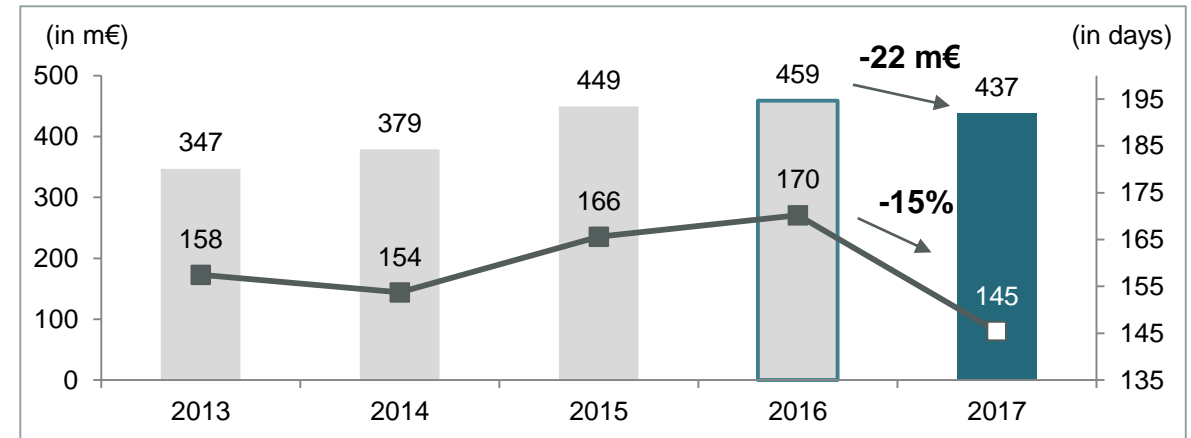
*February 2017: Refinance of Schuldschein loan from 2012 (90 m€), securing funds in the total amount of 125 m€ (5Y, low coupon of 0.69% p.a.)*

# Business performance: Increased Free Cash Flow – Reduced inventory & NWC

## Free Cash Flow

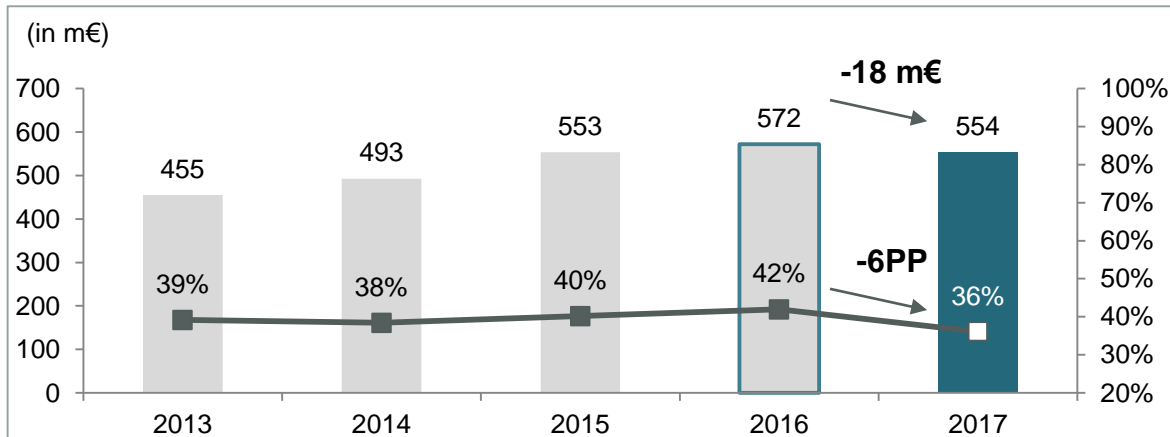


## Inventory / DIO<sup>1</sup>



<sup>1</sup> Average inventory; DIO = days inventory outstanding: (avg. inventory/cost of sales) \* 365;

## Net Working Capital<sup>2</sup>



<sup>2</sup> Avg. Net Working Capital, relative to revenue.

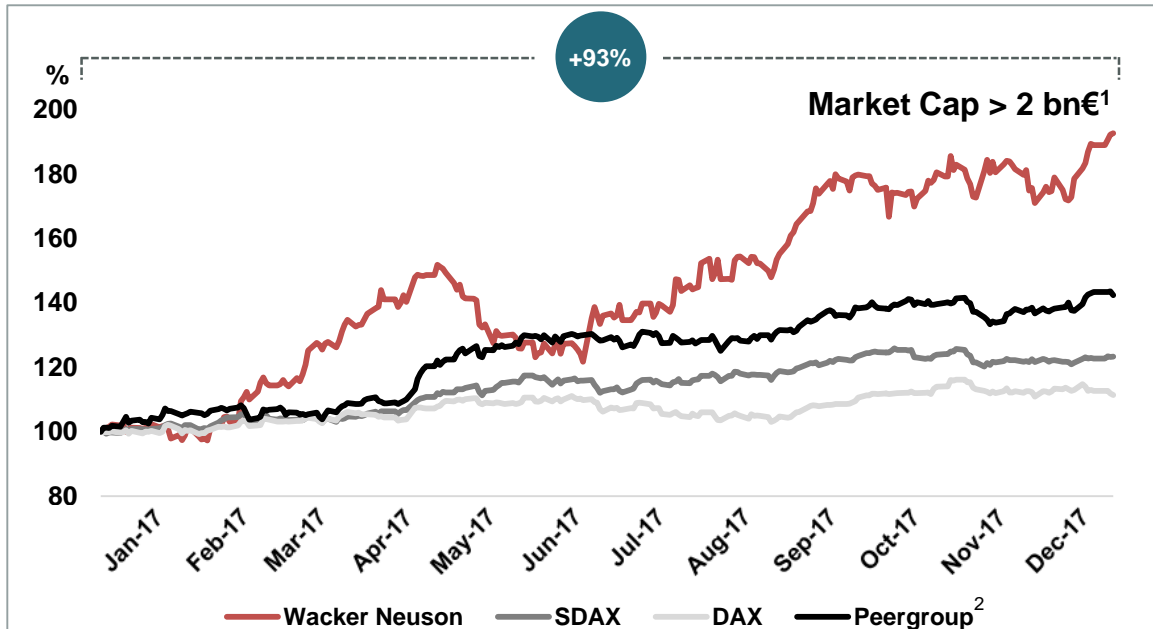
## FY 2017

- Operating Cash Flow +74% yoy to 138 m€ (2016: 79 m€)
- Cash Flow from investments decreased to -39 m€ (2016: -44 m€)
- Free Cash Flow almost tripled to 99 m€ (2016: 35 m€)
- Decrease of average inventories by -5% despite increasing sales volume +13%; significant reduction of DIO by 25 days (-15%). Old stock reduced by appr. 60 m€.
- Net Working Capital ratio decreased significantly to 36% (-6 PP).

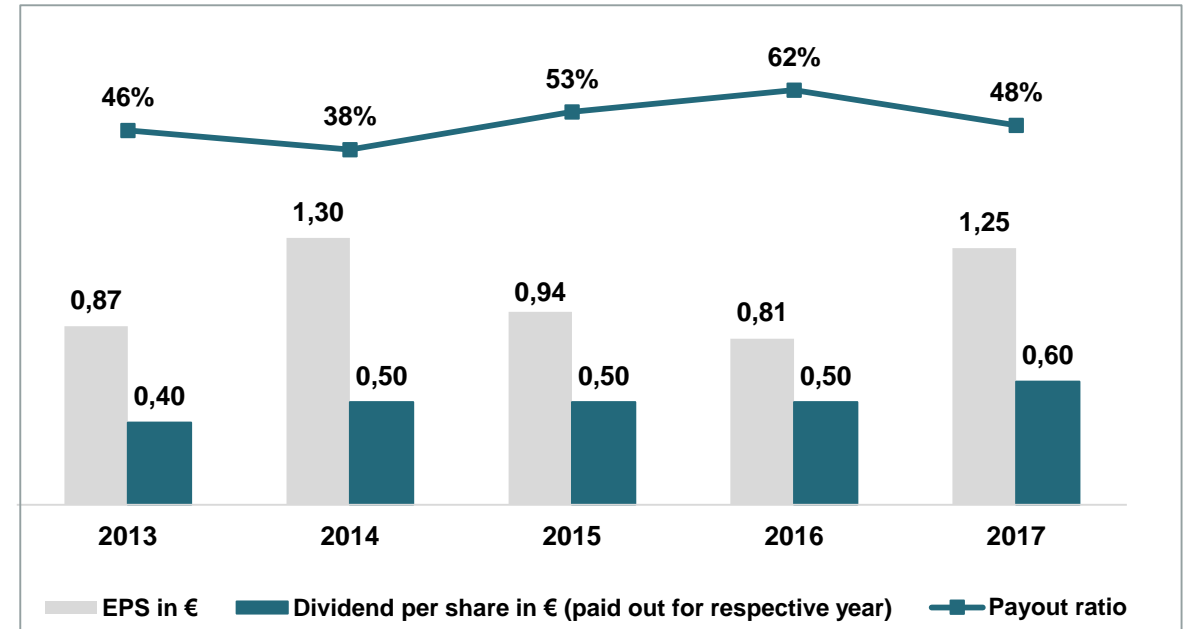


# Share & Dividend proposal to AGM on May 30, 2018

## 2017: Outperformance of market and peer group

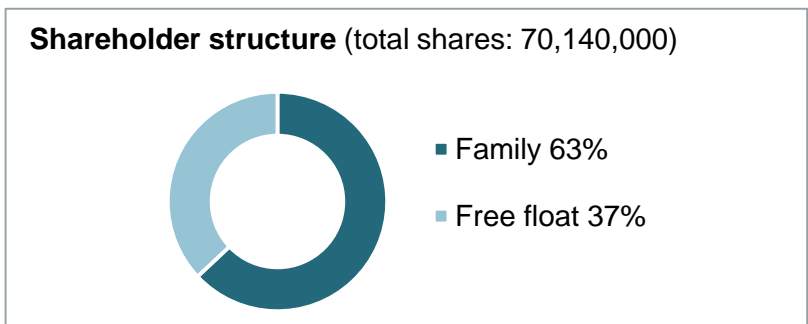


## Stable dividend policy (40 – 50% payout ratio)



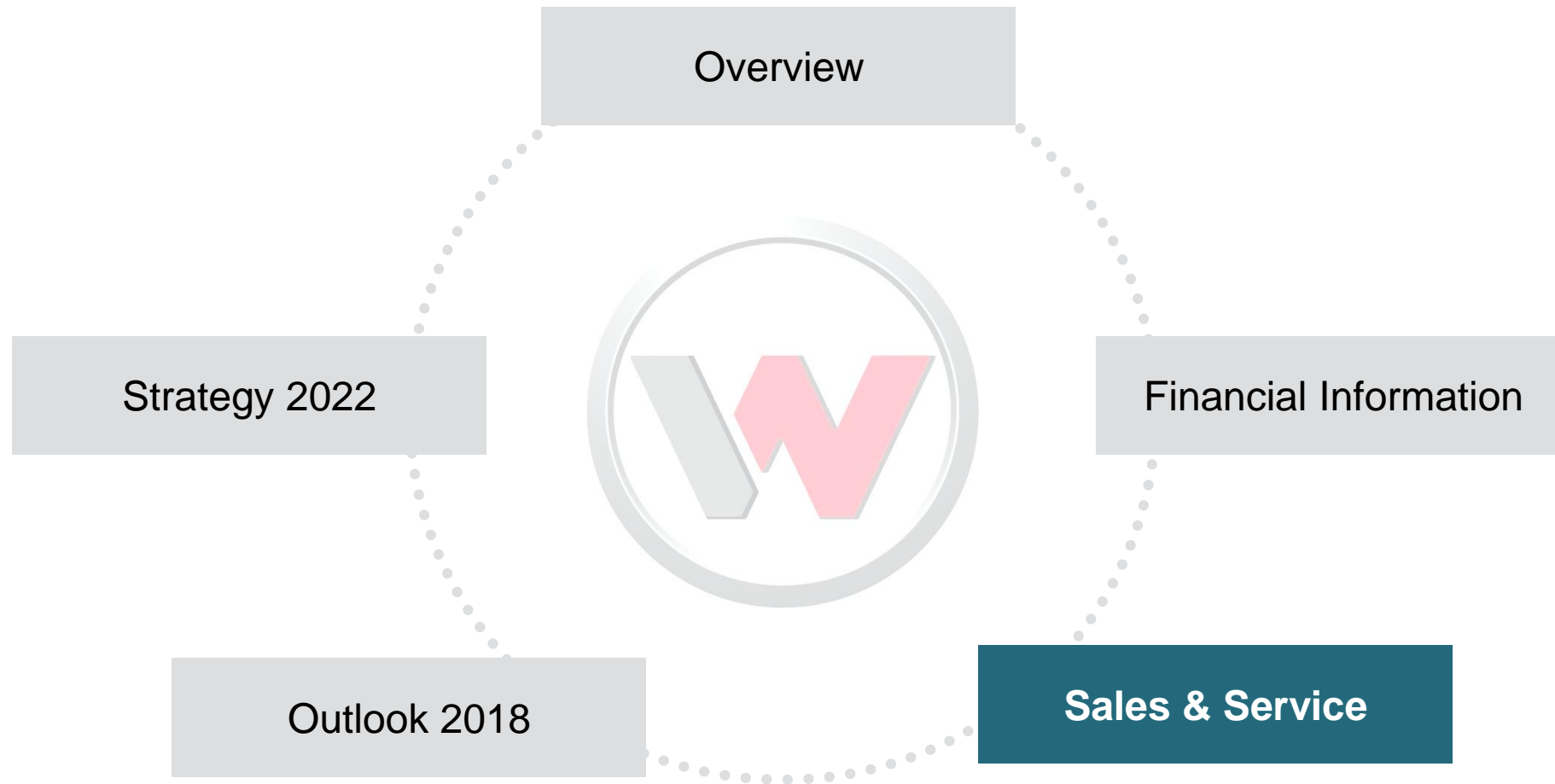
in €	2017	2016
Earnings per share	1.25	0.81
Share price end of period	30.08	15.42
Book value per share	15.89	15.50
Market capitalization (in m€)	2,109.5	1,081.6

Bank	TP (€)	Recom.	Date
Hauck & Aufhäuser	38.00	Buy	Mar 12, 18
Metzler	32.00	Buy	Dec 13, 17
Berenberg	31.00	Hold	Jan 09, 18
Lampe	33.00	Hold	Mar 16, 18
Warburg	28.00	Hold	Mar 09, 18
Equinet	27.20	Hold	Nov 24, 17
Deutsche Bank	26.50	Hold	Sep 13, 17
Kepler Cheuvreux	25.00	Reduce	Jan 18, 18





# Agenda



## 2017: Ag business was a growth driver (14% of group revenue)

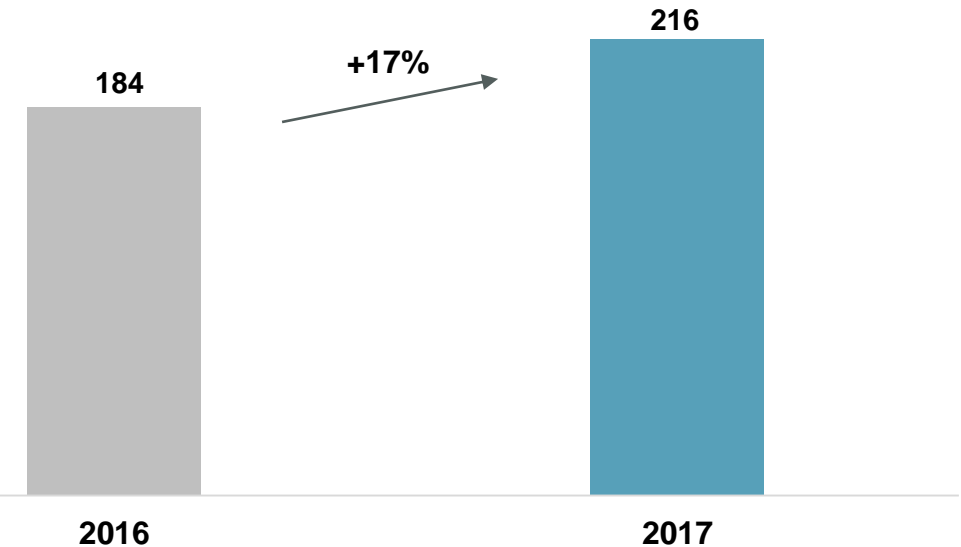
### Weidemann and Kramer



- New partnership with John Deere since Q3/17 (overcompensation of revenues with former alliance partner Claas)
- Weidemann with new dealer development strategy → market penetration and market entry NAM via Canada

### Ag business revenue<sup>1</sup> +17% yoy

(in m€)



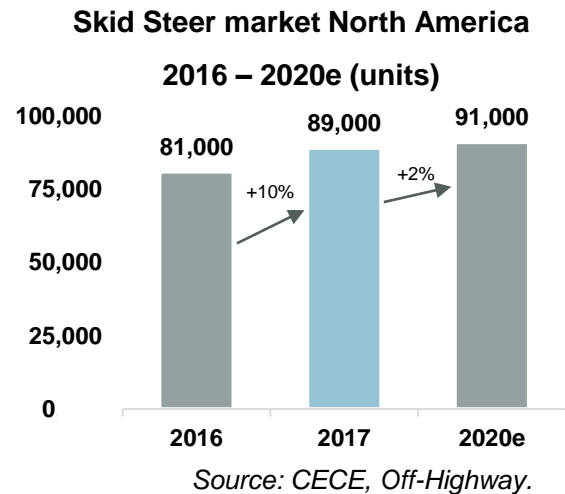
- After 3 difficult years upbeat mood in agricultural industry
- Rising food prices, above all for dairy products, fueled willingness to invest.

<sup>1</sup> incl. Weidemann, Kramer, Claas; Revenue stated before cash discounts; Differences attributable to rounding.



## 2017: Relocation of skid steers production to the US already pays off

### Skid steer as key product for North American market



- North American market for skid steers accounts for ~70% of world market
- Essential product to be attractive for dealers and rental companies
- Large potential for further compact equipment sales
- Expansion of plant in Wisconsin & integration of heaters and light towers from Norton Shores (closure of plant in 2018)

### Development of contracted dealers in North America



Roadshow Truck, Franklin Equipment.

- Extension of contracted dealer network for compact and light equipment
- Pro-active relationship management with key account rental customers and construction companies
- Focus on diversification of sales channels and industries
- Light equipment established in new retail channels

## 2017: Setting the base for further growth in Asia

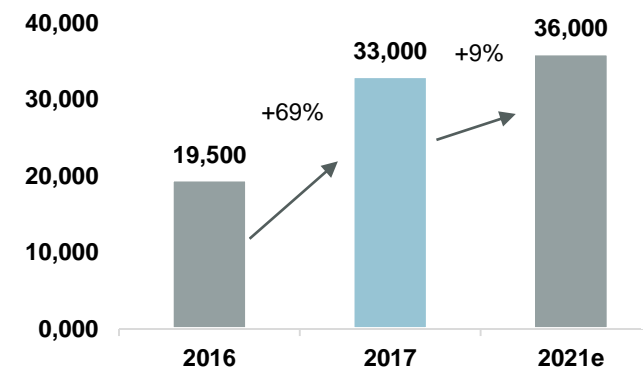
### Successful start of production of mini excavators in Pinghu (China)



New plant located in Pinghu, 30 km from Shanghai city border.

- Building on local/regional presence → Demand for repair and maintenance of infrastructure is growing, especially in megacities
- Mini excavators for China and the region
- Plot of 130,000 qm, 33,000 qm for modern production, offices and logistic facilities
- First prototypes built in December 2017 → Pilot ran December 2017
- Integration of light equipment production from the Philippines into Pinghu (closure of plant in 2018)

#### Mini excavator market China 2016 – 2021e (units)



Excavator: EZ17.



## 2017: Strategic alliances and partnerships leveraged our sales

### Core Markets: Europe & North America

OEM (global<sup>1</sup>)



**CATERPILLAR®**

*Wacker Neuson produces for Caterpillar<sup>1</sup>*

OEM (global)



**HAMM**

*HAMM produces for Wacker Neuson*

Distribution (EMENA & CIS<sup>2</sup>)



**JOHN DEERE**

*Kramer<sup>3</sup> 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*

<sup>1</sup> Not in Japan.

<sup>2</sup> Commonwealth of Independent States. <sup>3</sup> Kramer "green line" only.



# Leading alternative drive technologies





## New products & innovations 2018 (extract)

### zero emission



Battery plate AP1850e



One battery



two machines



New wheel loader Weidemann & Kramer

- New all-wheel steered Kramer and articulated steered Weidemann machines extend range on the upper end
- For heavy duty applications
- State-of-the-art design & technology



Dual view Dumper

- Wheel dumper with rotating seat for driving in both directions
- Platform dual view dumper from 6-10t
- Advantage in visibility & safety

## “Voice of customer”

Customer centric product development – Voice of customer, Frontloading, ...and more!

- Integrate our Customers in the **complete Product Development Process**
- **Contractors and Channels** (Dealers, Rentals, Service companies, etc.)



# Services

## Core Market segments and geographies - “Close to our Customers”

Contractors, rental companies, farms, railway, industrial groups, retailers ...

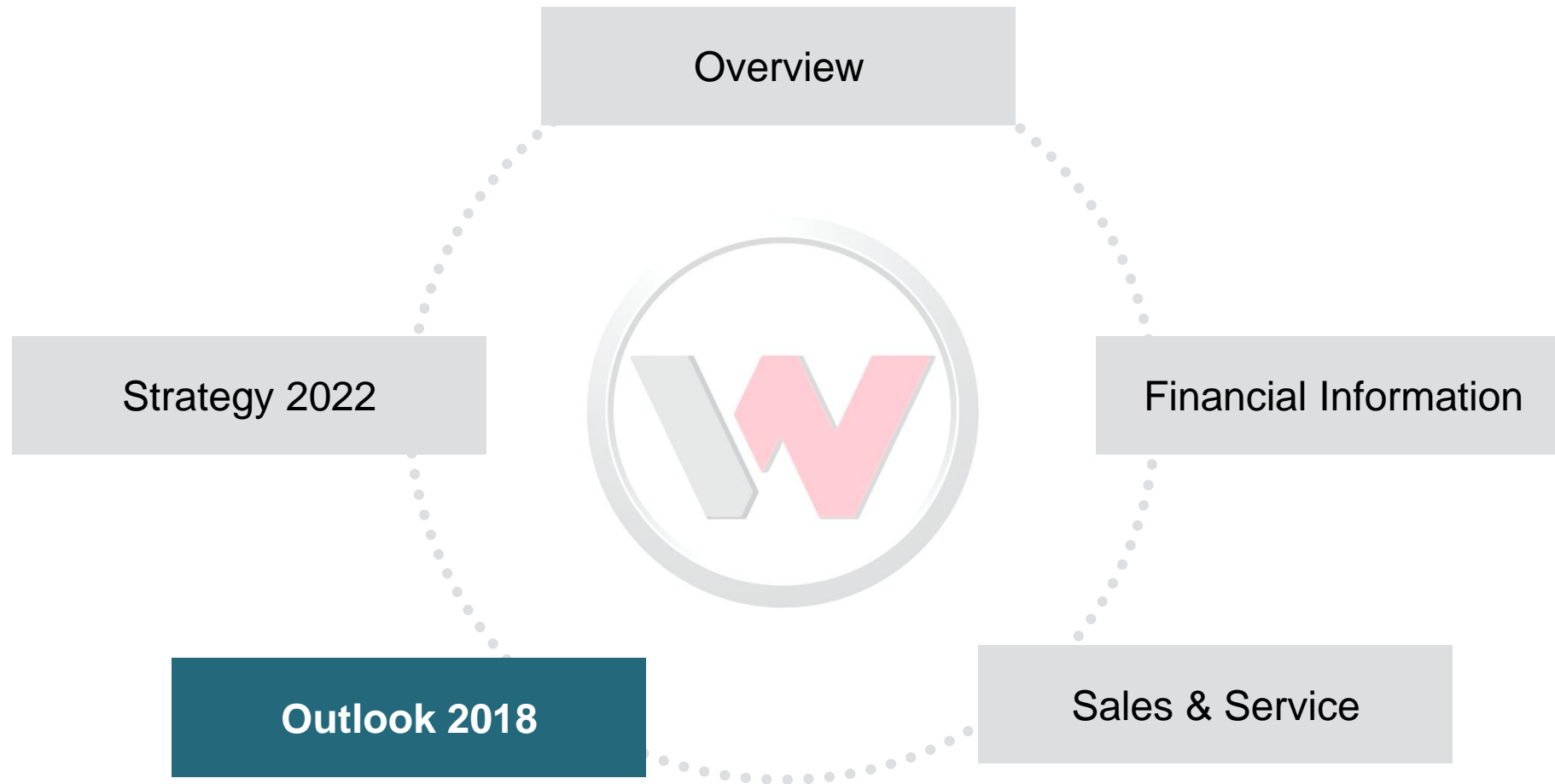


## We work in markets...

- ...where we provide a competitive **product & service package** to our customers
- ...where we have or will reach a **sustainably leading position**
- ...where we can be a “**first mover**” in fulfilling customer needs
- ...that support the groups overall **profitability**



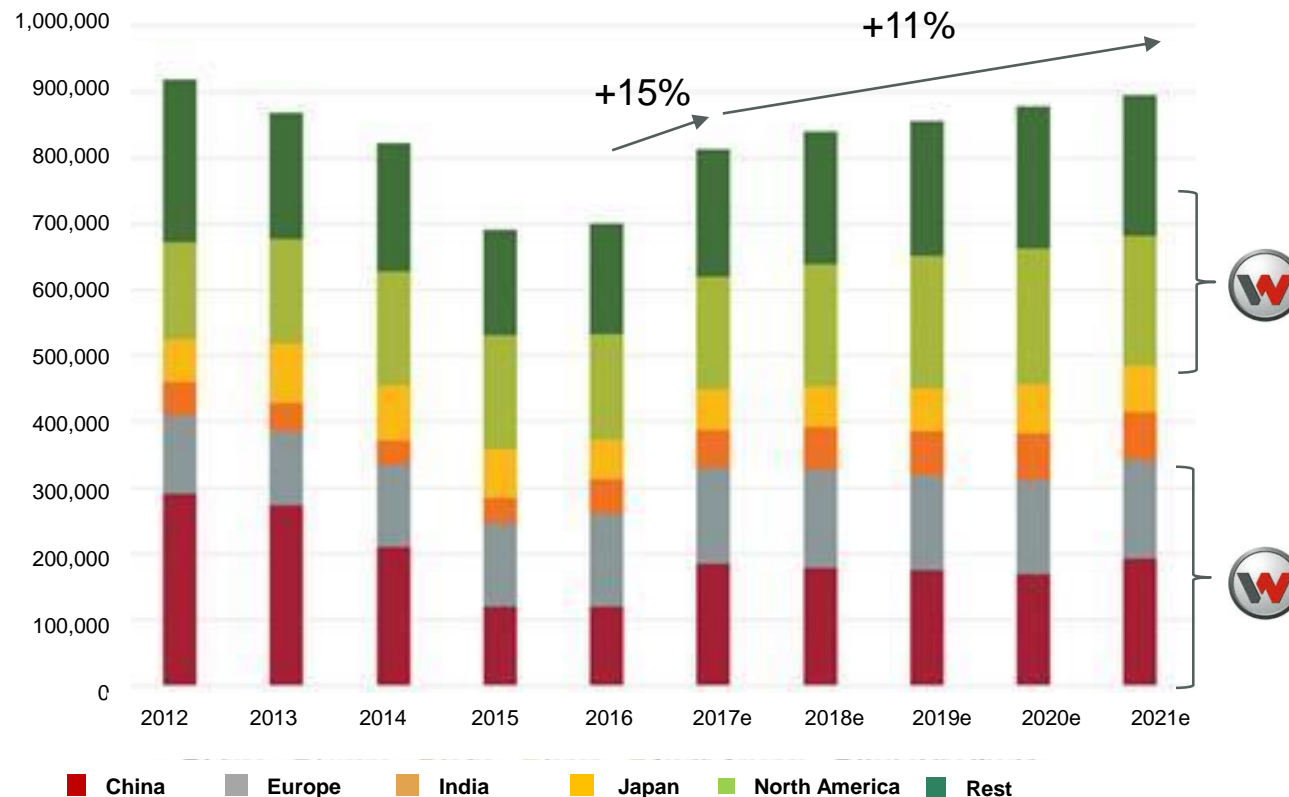
# Agenda





## Tailwind from global construction industry

2017–2021 machinery sales +11%



Source: Off-Highway Research, August 2017.

Wacker Neuson's expectations

- Most major regional equipment markets are expected to see growth in 2018
- 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 and other compact equipment
  - Latin America: bottomed out → Growth driver: new product lines (generators, compact equipment)
- Asia-Pacific: a key driver will be China



## Guidance: 2018 and mid-term (2022)

### Financial Forecast

	2017	2018e <sup>1</sup>	Mid-term goal (2022)
Revenue EUR bn	1.53	1.65 – 1.70	> 2
EBIT margin as a %	8.6	9.0 – 10.0 <sup>2</sup>	> 11
Net Working Capital ratio as a %	36.1	stable	≤ 30
CapEx <sup>3</sup> m€	47.4	60	Adapted to market developments

### Expectations for 2018

#### Challenges

- Rising prices of raw material due to high demand and trend to protectionism
- Possible supply shortage could lead to production delays
- Strong euro could affect exports
- Engine emissions regulations – lack of harmonization driving costs and consuming resources

#### Promising start into 2018

- Double-digit increased order income
- Market introduction of new innovations in Q2/18 (e.g. zero emission)

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

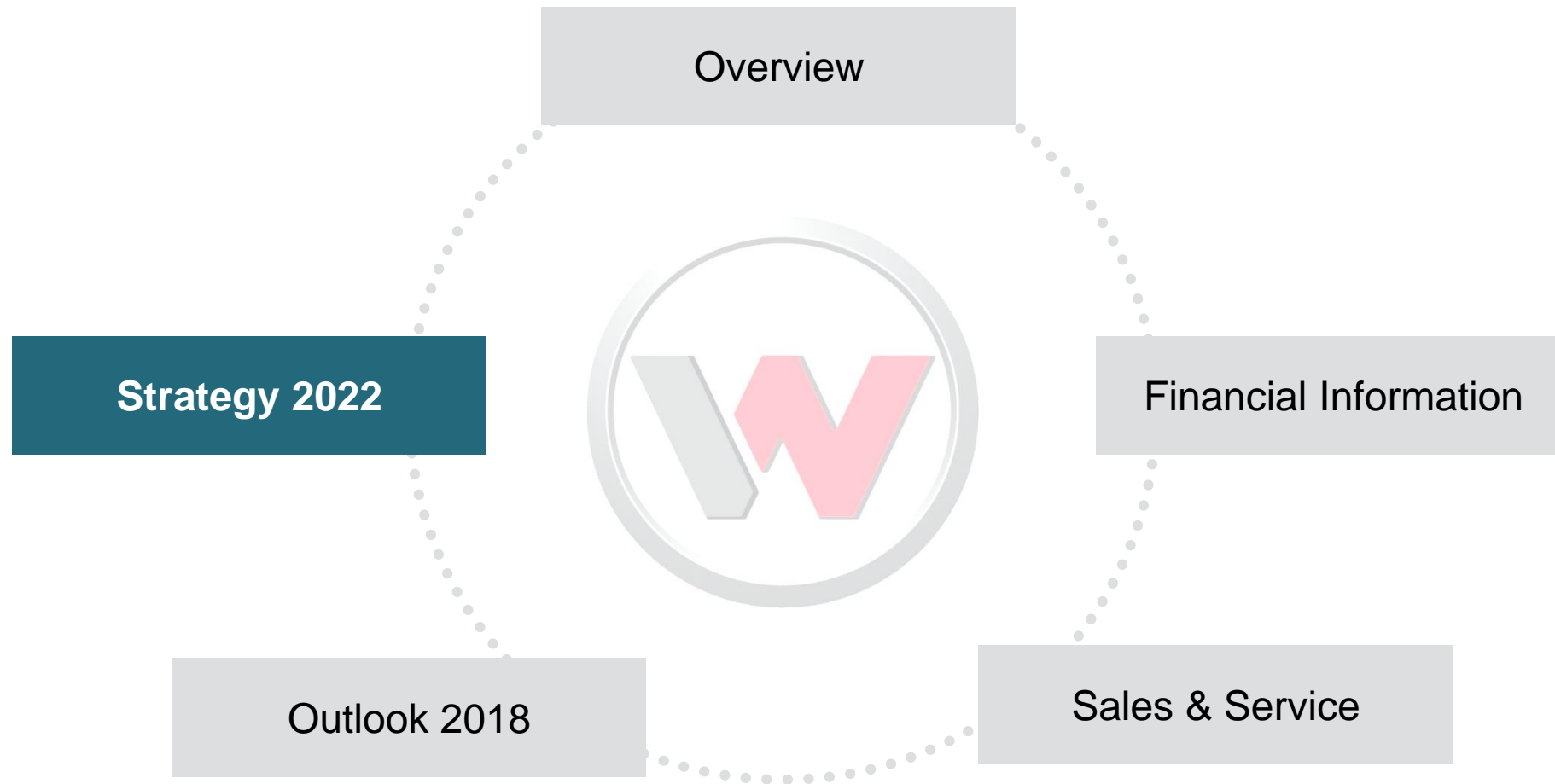
<sup>1</sup> Estimated

<sup>2</sup> Excl. one-off earnings from a potential transaction of a real estate company held by the Group.

<sup>3</sup> Investments in tangible and intangible assets; does not include the Group's own rental equipment.

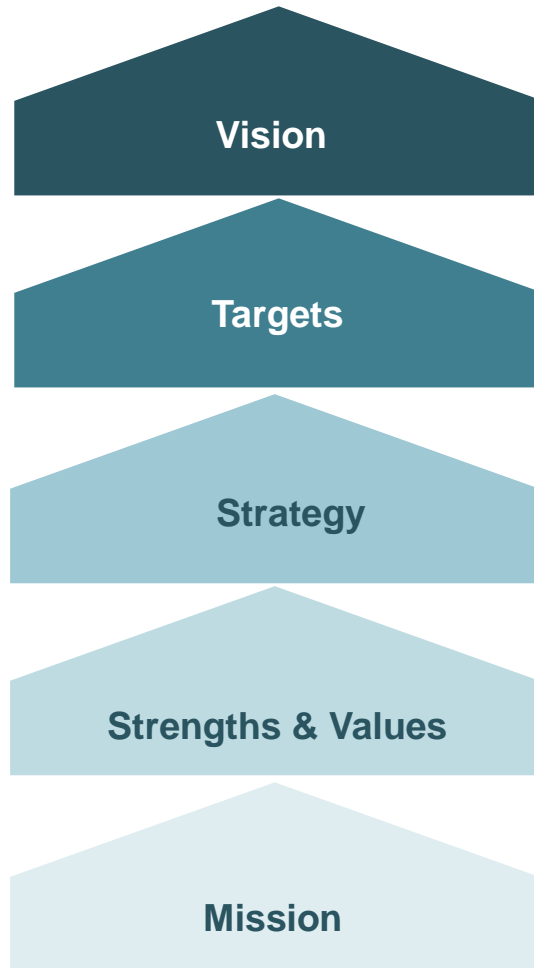


# Agenda





# Our Strategy Process



5. Where we are headed
4. How we measure success
3. What drives us forward
2. What we build on
1. What do we stand for



## Our Mission

### What do we stand for

Everything we do, think and learn is inspired by the success of our customers in the construction and agricultural sectors.

We stay close to our customers around the world so we are always getting quicker and better at understanding their regional needs, challenges and worksite processes.

As a specialist for light and compact equipment, we proactively offer innovative solutions, products and services that strengthen our customers' business success in the long term.



## Our Vision 2022

### Where we are headed

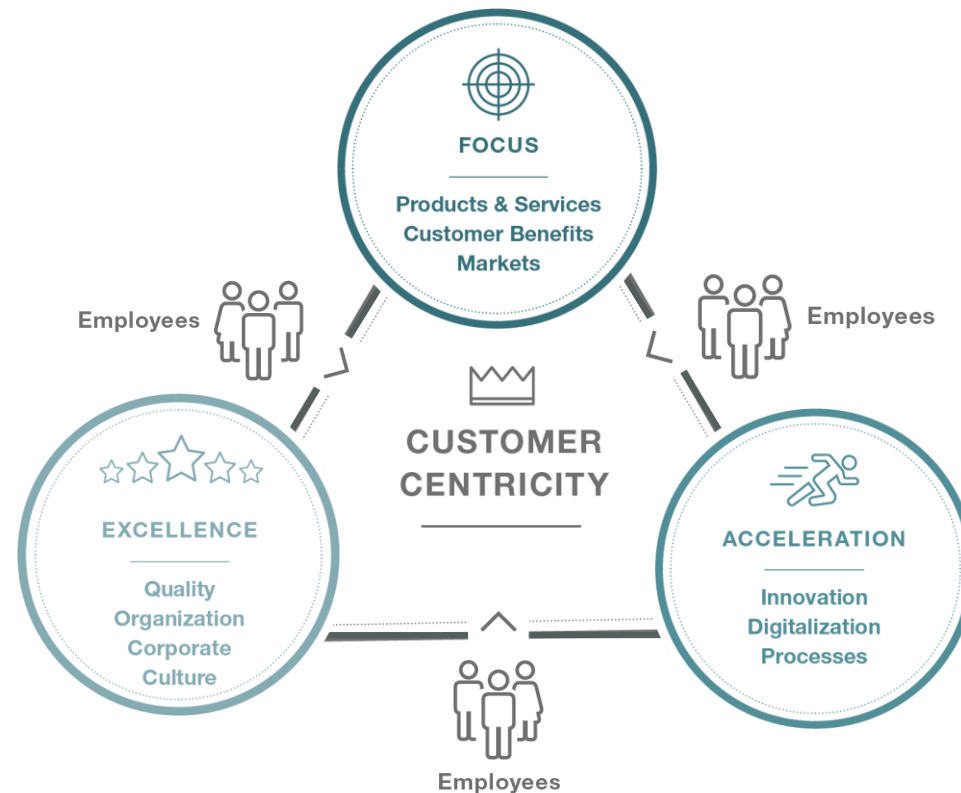
We are the most innovative trendsetter in the industry, growing twice as fast as the market.

We are the partner of choice for our customers. Our core strengths lie in closer customer ties, customer-centric product development, digitalization and product/service networking.

We maintain a corporate culture that values and respects individual effort and we channel our efforts into gaining a leading position in all areas.

# What will drive us forward?

To reach our goals 2022





## How we measure success

### Mid-term targets 2022



# STRATEGY 2022



**Wacker Neuson  
Group**

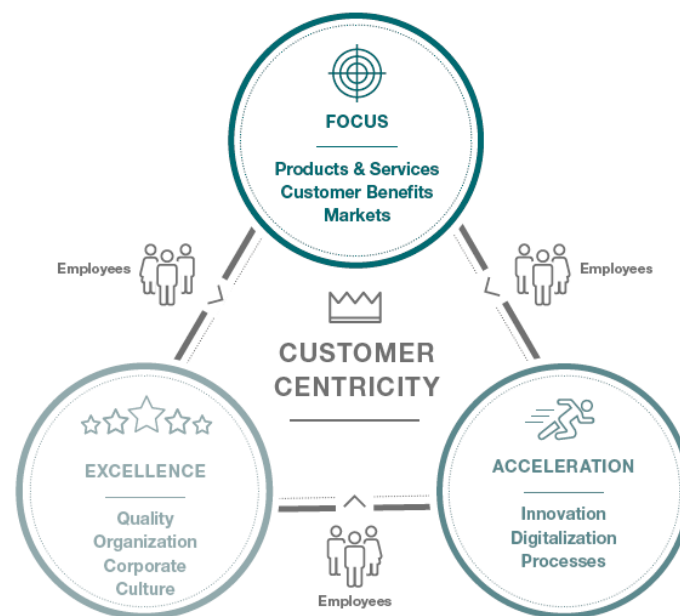
## 5 WHERE WE ARE HEADED

We are the most innovative trendsetter in the industry, growing twice as fast as the market. We are the partner of choice for our customers. Our core strengths lie in closer customer ties, customer-centric product development, digitalization and product/service networking. We maintain a corporate culture that values and respects individual effort and we channel our efforts into gaining a leading position in all areas.

## 4 HOW WE MEASURE SUCCESS

<b>Top 3</b> with core products	<b>2 times</b> market growth	<b>&gt;€ 2 bn</b> Revenue	<b>&gt;11%</b> EBIT margin	<b>≤30%</b> NWC
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## 3 WHAT DRIVES US FORWARD



## 2 WHAT WE BUILD ON

COMPANY VALUES	Expertise	Passion	Entrepreneurship	Agility
<b>STRENGTHS</b>	Talented employees	Established brands	Innovative Products	Diversified sales
				Solid financial position

## 1 WHAT DO WE STAND FOR

Everything we do, think and learn is inspired by the success of our customers in the construction and agricultural sectors. We stay close to our customers around the world so we are always getting quicker and better at understanding their regional needs, challenges and worksite processes. As a specialist for light and compact equipment, we proactively offer innovative solutions, products and services that strengthen our customers' business success in the long term.





# Disclaimer

## Cautionary note regarding forward-looking statements

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## Financial Calendar

<b>March 20, 2018</b>	<b>Publication of annual report 2017; Analysts' and Investors' Conference, Frankfurt</b>
April 20, 2018	Deutschlandkonferenz Bankhaus Lampe, Baden-Baden
<b>May 8, 2018</b>	<b>Publication of Q1 report 2018; Analyst Conference Call</b>
May 14, 2018	Roadshow London
May 15, 2018	Roadshow Zurich
May 16, 2018	Equity Forum (spring edition), Frankfurt
May 23, 2018	Berenberg Conference, New York
May 30, 2018	AGM, Munich
June 6, 2018	Deutsche Bank Access Conference, Berlin
June 21, 2018	Warburg Highlights Conference, Hamburg
<b>August 7, 2018</b>	<b>Publication of Q2 report 2018; Analysts' and Investors' Conference Call</b>

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