Wacker Neuson Group – H1/20 Conference Call

Martin Lehner (CEO), Wilfried Trepels (CFO)
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Agenda

Key messages H1/2020

H1/20

Revenue	EBIT margin	FCF
€ 797m	6.3%	€ 93m
(-16% yoy)	(PY: 9.0%)	(PY: € -185 m)

Q2/20

Revenue	EBIT margin	FCF
€ 386 m	5.6%	€ 89m
(-25% yoy)	(PY: 10.7%)	(PY: € -42 m)

Covid-19 impact most severe in April & May; growing demand for services

Profitability impacted by lower volumes and impairment of US goodwill

Free cash flow positive due to inventory reduction

CEP[1] in progress: first positive effects in procurement, production and sales

[1] Cost reduction and efficiency enhancement program.

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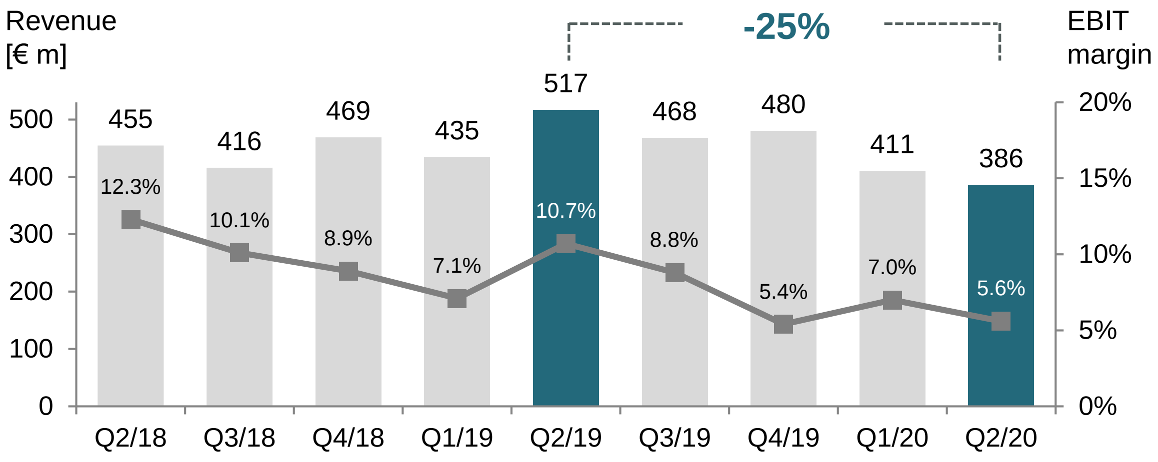
Revenue and earnings

Q2/20: Covid-19 pandemic leads to drop in revenue



Income statement (excerpt)

€ m	Q2/20	Q2/19	H1/20	H1/19
Revenue	385.9	517.2	796.7	952.6
Gross profit	95.8	137.1	204.9	248.8
as a % of revenue	*24.8*	*26.5*	*25.7*	*26.1*
Operating costs[1]	-67.8	-86.1	-150.4	-169.0
as a % of revenue	*-17.6*	*-16.6*	*-18.9*	*-17.7*
EBIT	21.5	55.2	50.4	86.2
as a % of revenue	*5.6*	*10.7*	*6.3*	*9.0*
Financial result	-1.6	-5.3	-13.8	-6.4
Taxes on income	-7.6	-16.3	-13.9	-25.4
Profit for the period	12.3	33.6	22.7	54.4
Earnings per share (€)	0.18	0.48	0.32	0.78

H1/20: Comments

Revenue -16.4% yoy (adj. for FX effects: -16.5%)

- Sales decline due to Covid-19, most severe impact in Americas
- DACH region with stable performance, services segment above prior year
- Slight growth in ag business

Gross profit -17.6% yoy (gross profit margin -0.4 PP)

- Lower volumes burden gross profit: measures adopted early to soften impact of Covid-19: cut in production programs, company holidays brought forward, various models of short-time work
- Favorable product mix thanks to strong services segment

EBIT -41.5% yoy (EBIT margin: -2.7 PP)

- Strict cost control: Operating costs 11.0% below prior year; savings especially in sales and administrative expenses
- EBIT before impairment on US goodwill (€ -9.5 m) and restructuring costs from CEP (€ -2.1 m) at € 62.0 m (≙ margin of 7.8%)

Earnings per share -59.0% yoy

- Financial result clearly negative: FX effects (€ -7.8 m) primarily attributable to valuation effects related to a sharp decline in the value of several currencies; interest result on PY level (€ -6.0 m)
- Tax rate at 38.0% (H1/19: 31.8%): Aforementioned negative FX effects and impairment loss are not tax deductible; write-offs or non-capitalization of deferred tax assets

[1] Excl. other income/expenses.

Business development by region and business segment

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H1/20: Divided picture in Europe, sharp decline in Americas

Revenue [€ m]		Share	yoy	EBIT[1]
Europe	631.4	79%	-9%	81.3
Americas	143.4	18%	-38%	-21.2
Asia-Pacific	21.9	3%	-24%	-2.8
Total H1/20	796.7	100%	-16%	50.4

H1/20: Growth in services segment

Revenue [€ m][2]		Share	yoy
Light equipment	176.2	22%	-29%
Compact equipment	439.9	55%	-18%
Services	187.4	23%	+6%
Total H1/20	803.5	100%	-17%

H1/20: Comments

Revenue Europe -8.8% yoy (adj. for FX effects: -8.9%)

- DACH region stable; in contrast, significant revenue losses in various regions including France, UK, Poland, Spain, Italy, Scandinavia
- Demand for agricultural compact equipment (revenue +1% yoy) had a balancing effect on development of sales in Europe
- Innovation-driven sales: revenue with dual view dumpers grew by >60%
- Significant decline in business with rental chains

Revenue Americas -38.0% yoy (adj. for FX effects: -38.6%)

- Strong decline in investment activity among dealers due to current uncertainty
- Key accounts (incl. rental chains) cancel postponed orders

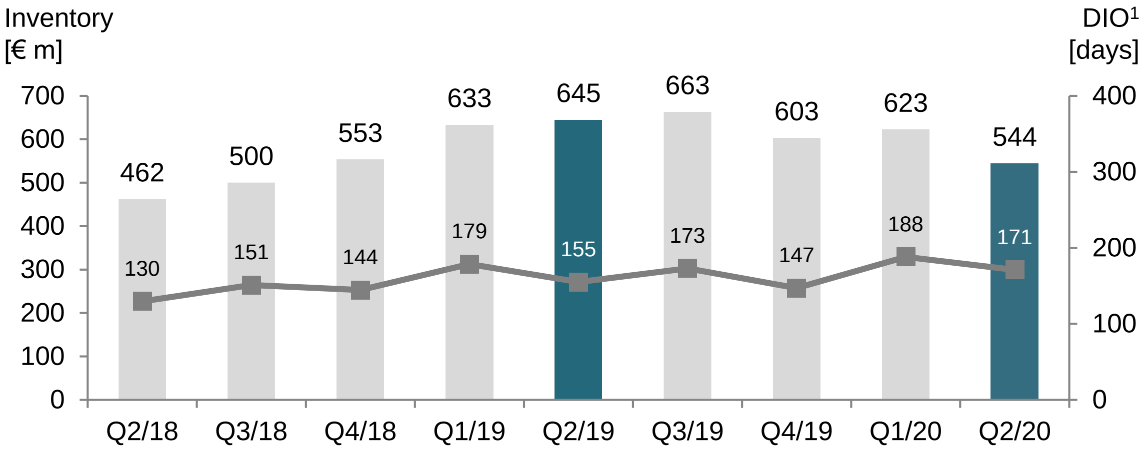
Revenue Asia-Pacific -24.2% yoy (adj. for FX effects: -22.1%)

- Chinese production facility and Chinese dealer organization brought to a temporary standstill in Q1 due to the rapid spread of the Covid-19 virus
- Situation eased leading to a gradual ramp-up in March, production without major interruptions from April onwards
- Q2 business volume above prior year in China, Australia negative throughout Q1 & Q2

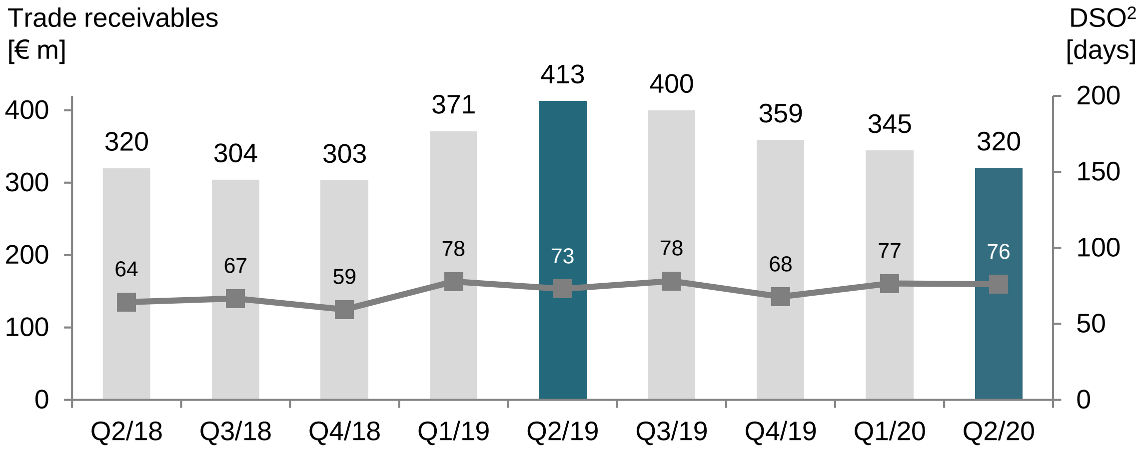
[1] EBIT for regions before consolidation.
[2] Revenue by business segment before cash discounts.

Decrease in inventory despite drop in sales

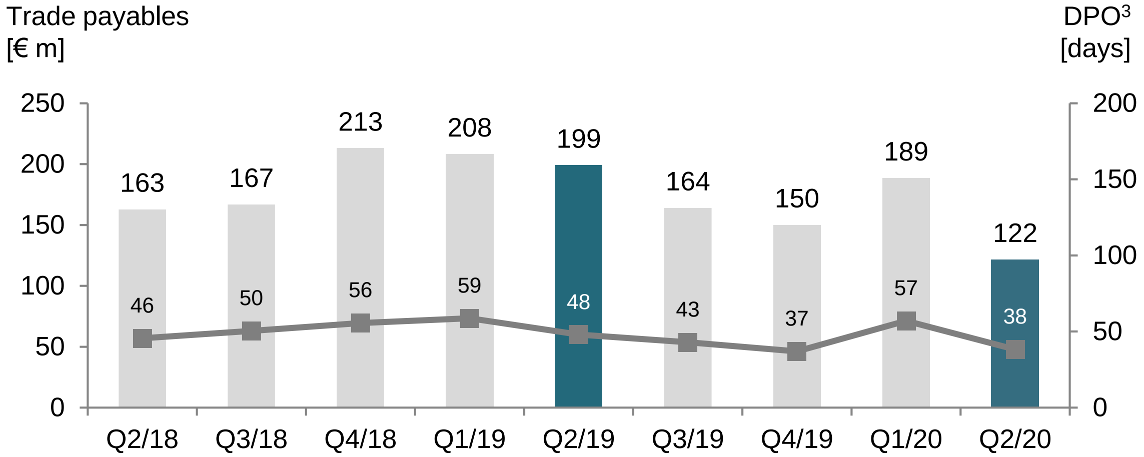
Inventory



Trade receivables



Trade payables



Comments

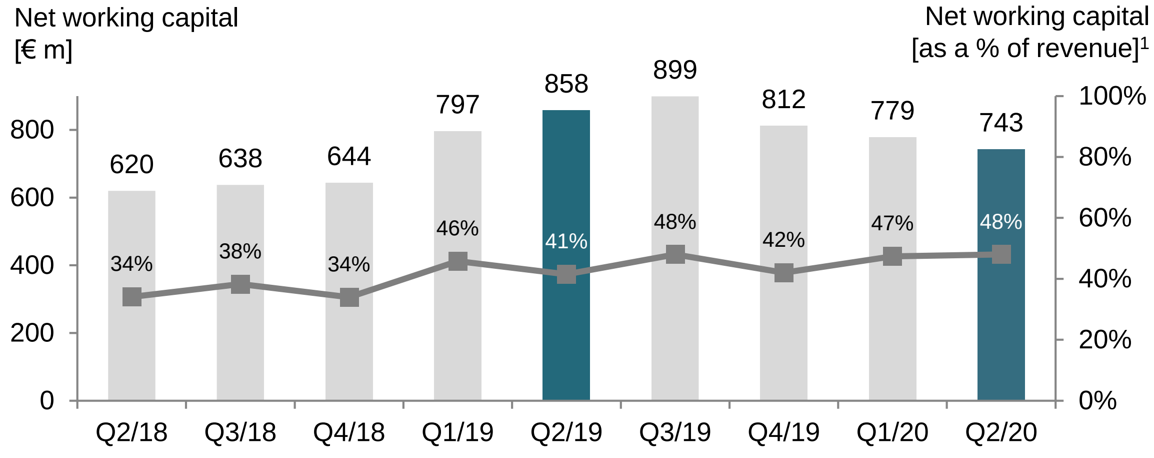
- Reduction of inventory levels despite decreased sales volume; marked cut-back in production programs in response to the Covid-19 pandemic; Target inventory level of € 500 m (end of FY) well in reach
- Trade receivables decreased with lower sales volume; high levels in previous year due to strong revenue growth especially in H1
- Trade payables decline alongside decreased production volumes

➡ Reduction of net working capital continues (see next slide)

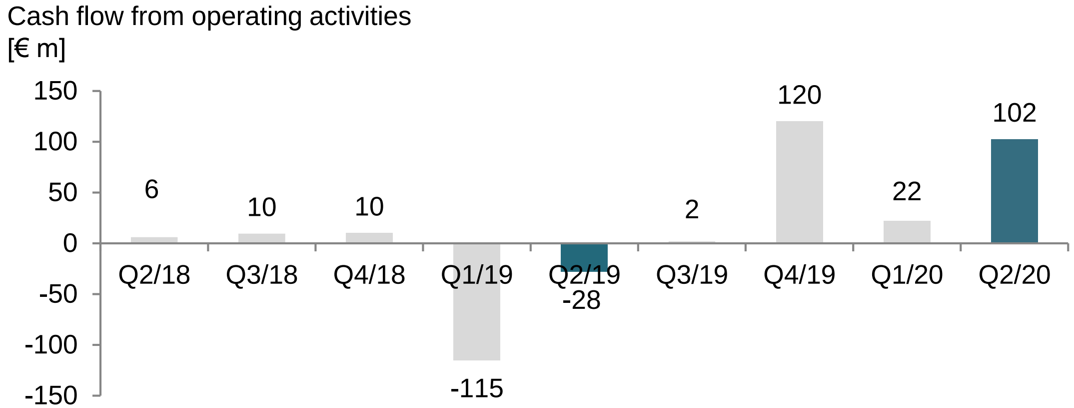
[1] Days inventory outstanding = (inventory/(cost of sales*4))*365 days; [2] Days sales outstanding = (receivables/(revenue*4))*365 days; [3] Days payables outstanding = (payables/(cost of sales*4))*365 days.

Strong cash generation in Q2

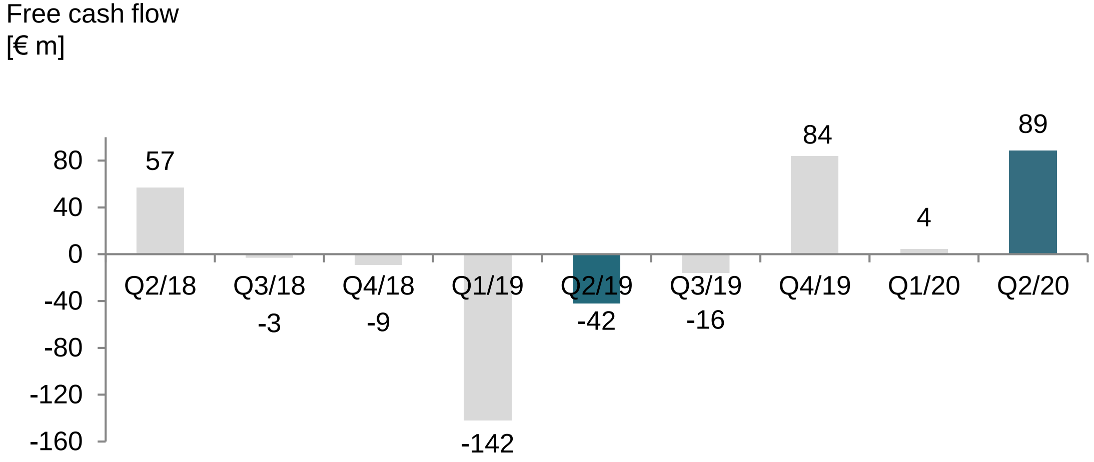
Net working capital



Cash flow from operating activities



Free cash flow



Comments

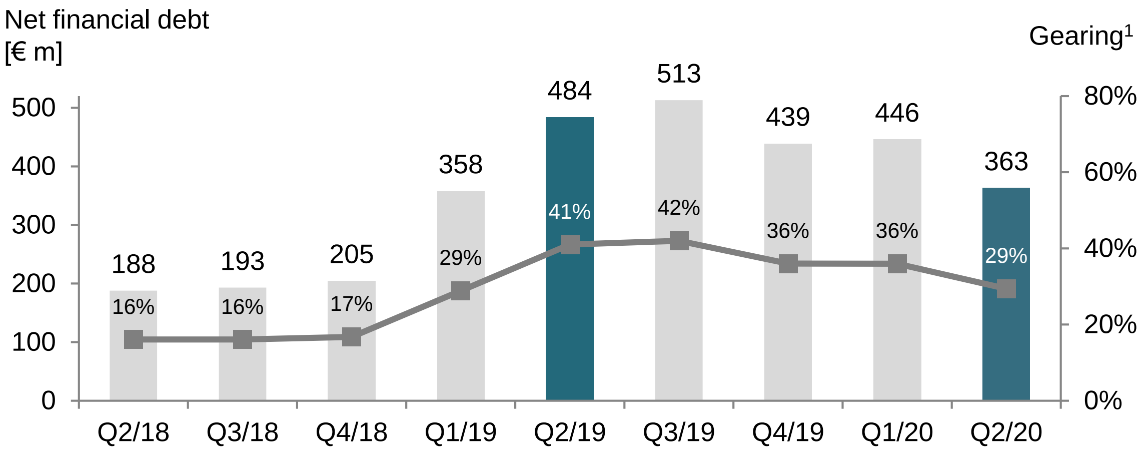
- Reduction of inventory continues (€ -58.2 m relative to end of FY 19) and fuels operating cash flow
- Restrictive CAPEX leads to cash flow from investment activities of € -31.9 m (H1/19: € -41.5 m)
- A change in miscellaneous liabilities (€ +22.9 m), primarily attributable to a rise in VAT liabilities and deferred social security contributions had a temporary positive impact

➡ Free cash flow of € 92.9 m (H1/19: € -184.5 m) leads to reduced net debt (see next slide)

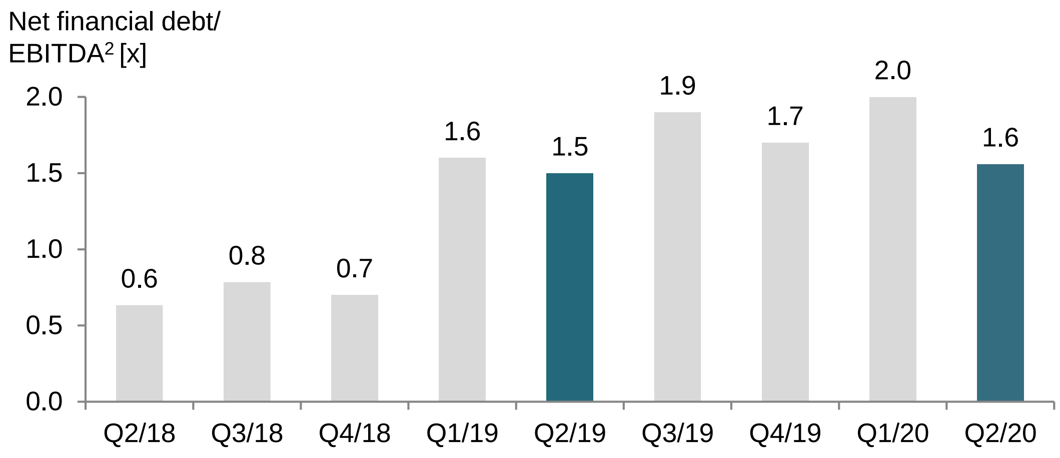
[1] Net working capital/annualized revenue for the quarter.

Gearing well below prior year, liquidity bolstered

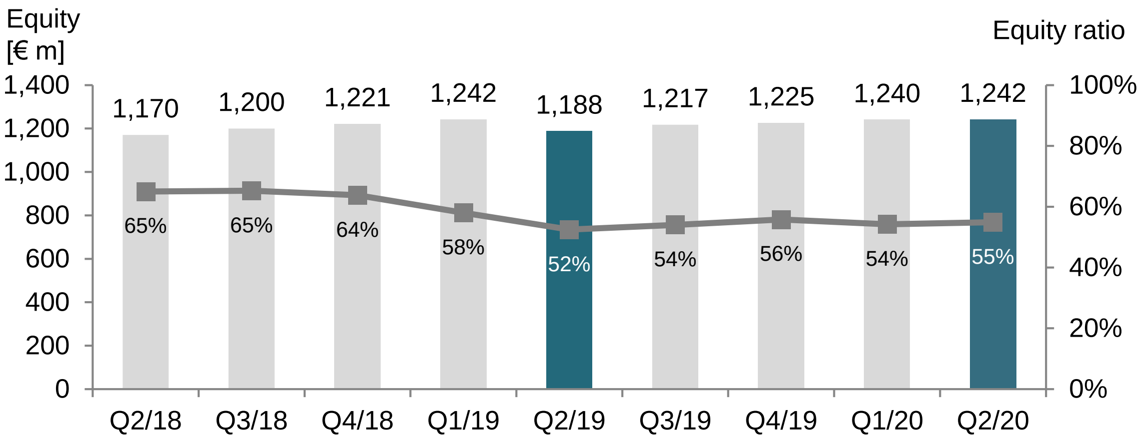
Net financial debt and gearing[1]



Net financial debt/EBITDA[2]



Equity and equity ratio



Comments

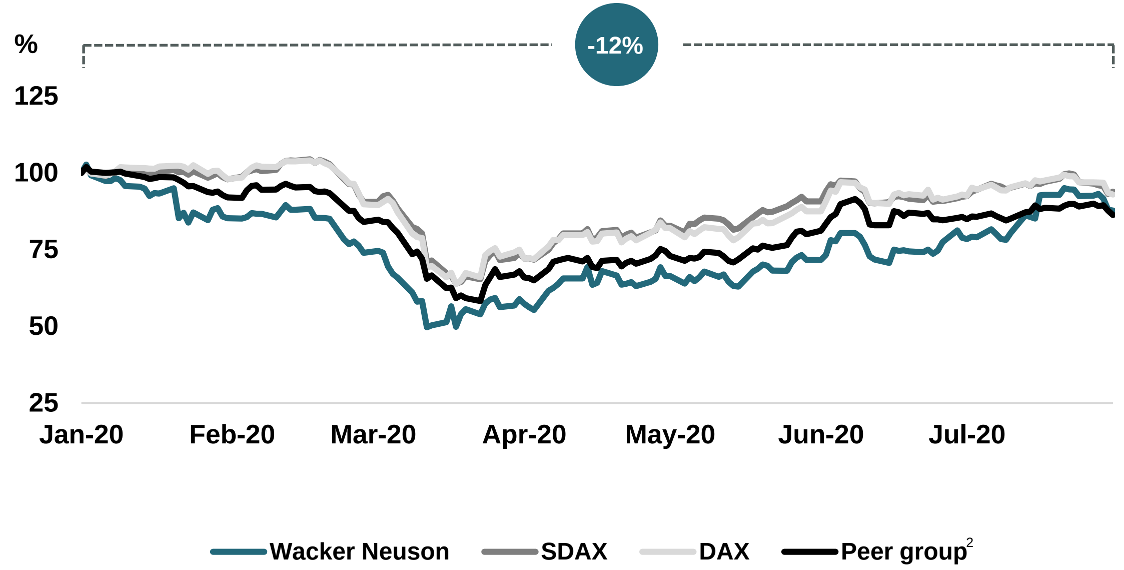
- Strong decrease in net financial debt since its peak level at end of Q3/19, further reduction through targeted decrease in net working capital planned
- Ratio of net financial debt to EBITDA reduced, but still above plan
- Liquidity bolstered by strong free cash flow and by drawing on short-term credit lines
- AGM: Suspension of dividend for fiscal 2019

➡ Cash at end of Q2/20: € 163.2 m (end of Q2/19: € 50.9 m)

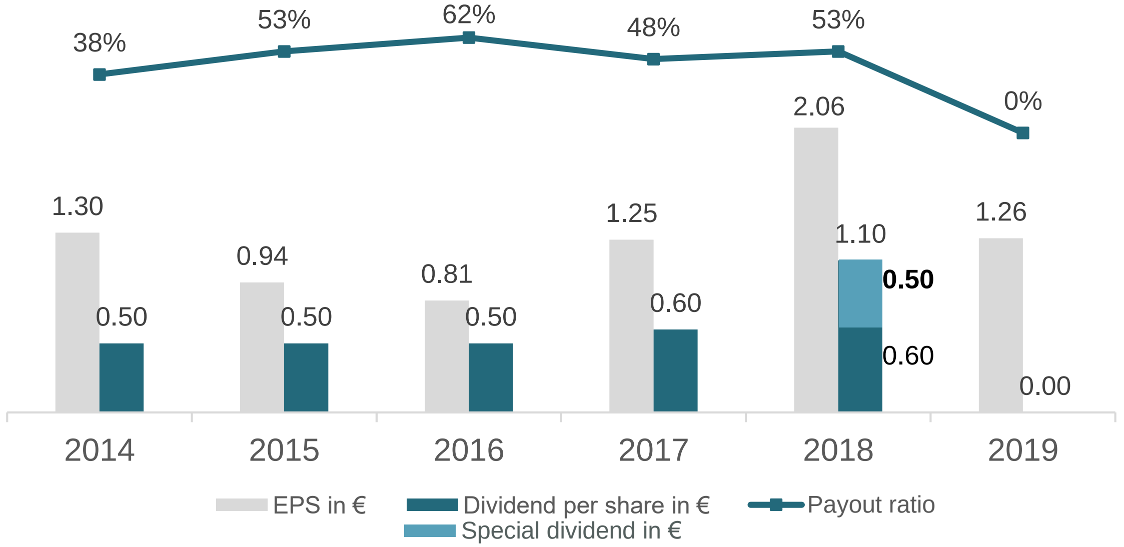
[1] Net financial debt/equity.
[2] Net financial debt/annualized EBITDA for the quarter.

Share development

The share in 2020[1]



Covid-19: Suspension of dividend payment



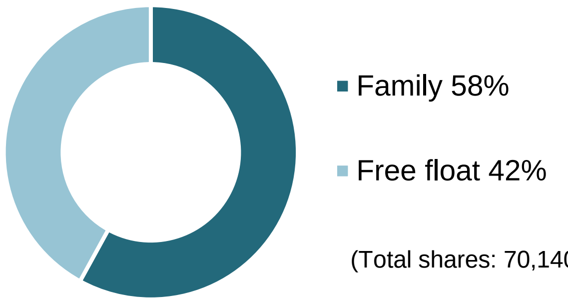
Key figures per share

in €	H1/20	H1/19
Earnings per share	0.32	0.78
Book value per share	17.70	16.93
Share price at end of period	13.44	22.12
Market capitalization (€ m)	942.7	1,551.5

Coverage[1]

Bank	TP (€)	Recom.	Date
Hauck & Aufhäuser	21.00	Buy	July 16, 2020
Warburg	20.00	Buy	July 16, 2020
Berenberg	18.00	Buy	July 20, 2020
Metzler	16.50	Buy	June 30, 2020
Bankhaus Lampe	16.00	Buy	July 31, 2020
Jefferies	15.50	Buy	May 15, 2020
Kepler Cheuvreux	11.00	Reduce	July 20, 2020
Commerzbank	10.00	Hold	July 16, 2020

Shareholder structure



(Total shares: 70,140,000)

[1] As at July 31, 2020 [2] Peer group: Ashtead, Atlas Copco, Bauer, Caterpillar, Deutz, DoosanBobcat, Haulotte, Husqvarna, John Deere, Komatsu, Manitou, Palfinger, Terex, United Rentals, Volvo.

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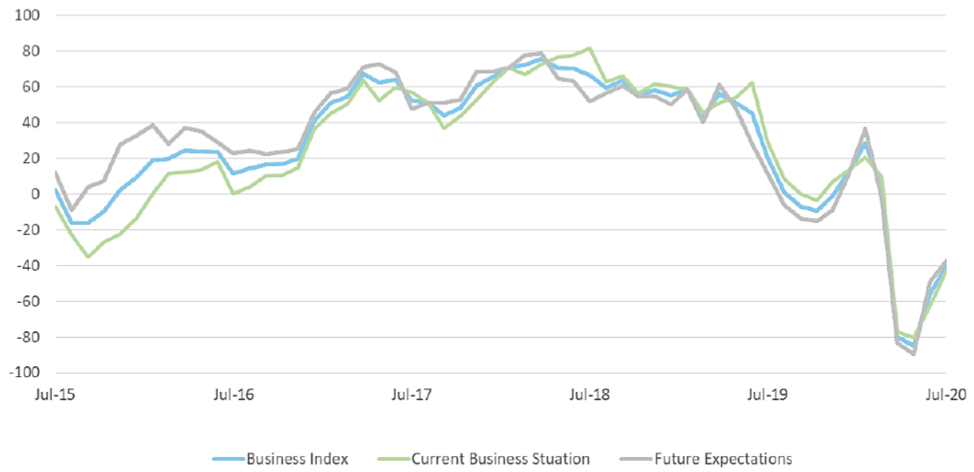
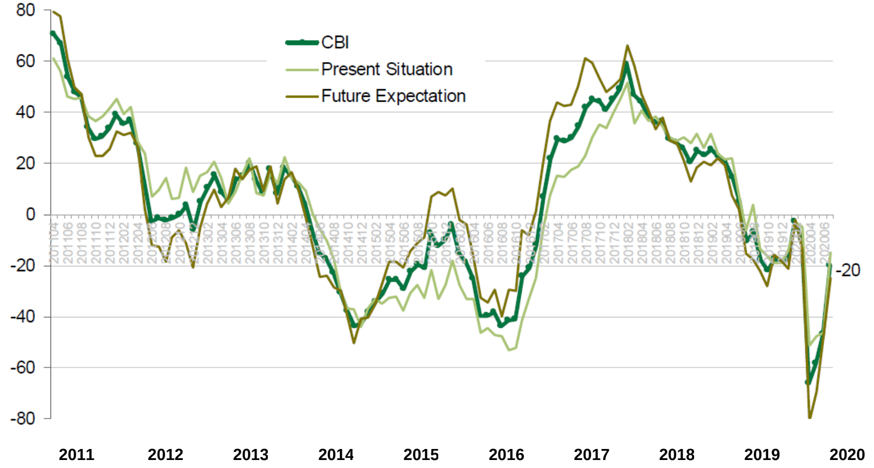
Outlook for 2020

Business index for construction



Source: CECE, July 2020.

Business index for agriculture



Source: CEMA, July 2020.

Guidance for fiscal 2020

- **Continued high uncertainty** regarding the further impact of the Covid-19 pandemic on global economy
- **Business climate in the construction sector** continued to bounce back in July, but at moderate pace
- **Mood in the agricultural sector** almost at pre-corona levels, but still negative according to the CEMA business index
- **April 21, 2020: Original guidance withdrawn**
  - Revenue between € 1,700 and € 1,900 m
  - EBIT margin between 6.5 and 8.5%
  - Investments of € 80 m to € 100 m
  - Net working capital as a % of revenue to be stagnant or to improve slightly relative to the end of 2019
- **Current guidance for FY 2020**
  - Reliable, precise forecast still not feasible in view of the unpredictable effects of corona pandemic
  - Revenue and EBIT margin for 2020 are expected to be considerably below previous year's levels
  - Investments of around € 80 million planned
  - Net working capital in absolute terms expected to be considerably below previous year

Financial calendar and contact

August 5, 2020	**Publication of half-year report 2020, investors & analysts call**
August 18, 2020	Bankhaus Lampe German Conference (eConference)
September 2, 2020	Commerzbank Corporate Conference (eConference)
September 21, 2020	Berenberg/Goldman Sachs German Corporate Conference 2020 (eConference)
November 5, 2020	**Publication of nine-month report 2020, investors & analysts call**

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Contact

Wacker Neuson SE

Contact IR: +49 - (0)89 - 354 02 - 427

ir@wackerneuson.com

www.wackerneusongroup.com