Wacker Neuson Group – H1/21 Conference Call

Dr. Karl Tragl (CEO), Christoph Burkhard (CFO),
Alexander Greschner (CSO)
August 9, 2021

Wacker Neuson Group

Agenda

1. **Overview H1/21 & News**
2. Outlook
3. Appendix

New Executive Board team complete

Dr. Karl Tragl
(CEO & Chairman of the Executive Board)

Christoph Burkhard (CFO)

Alexander Greschner (CSO)

Felix Bietenbeck
(CTO & COO)

Key messages H1/21

Wacker Neuson Group

Q2/21		
Revenue	**EBIT margin**	**FCF**
€ 494 m	**11.4%**	**€ 124 m**
(+28.1% yoy)	(PY: 5.6%)	(PY: € 89 m)

H1/21		
Revenue	**EBIT margin**	**FCF** (before fixed-term inv.)[1]
€ 928 m	**10.8%**	**€ 133 m**
(+16.5% yoy)	(PY: 6.3%)	(PY: € 93 m)

Back on growth track, massive supply chain disruptions prevent stronger development

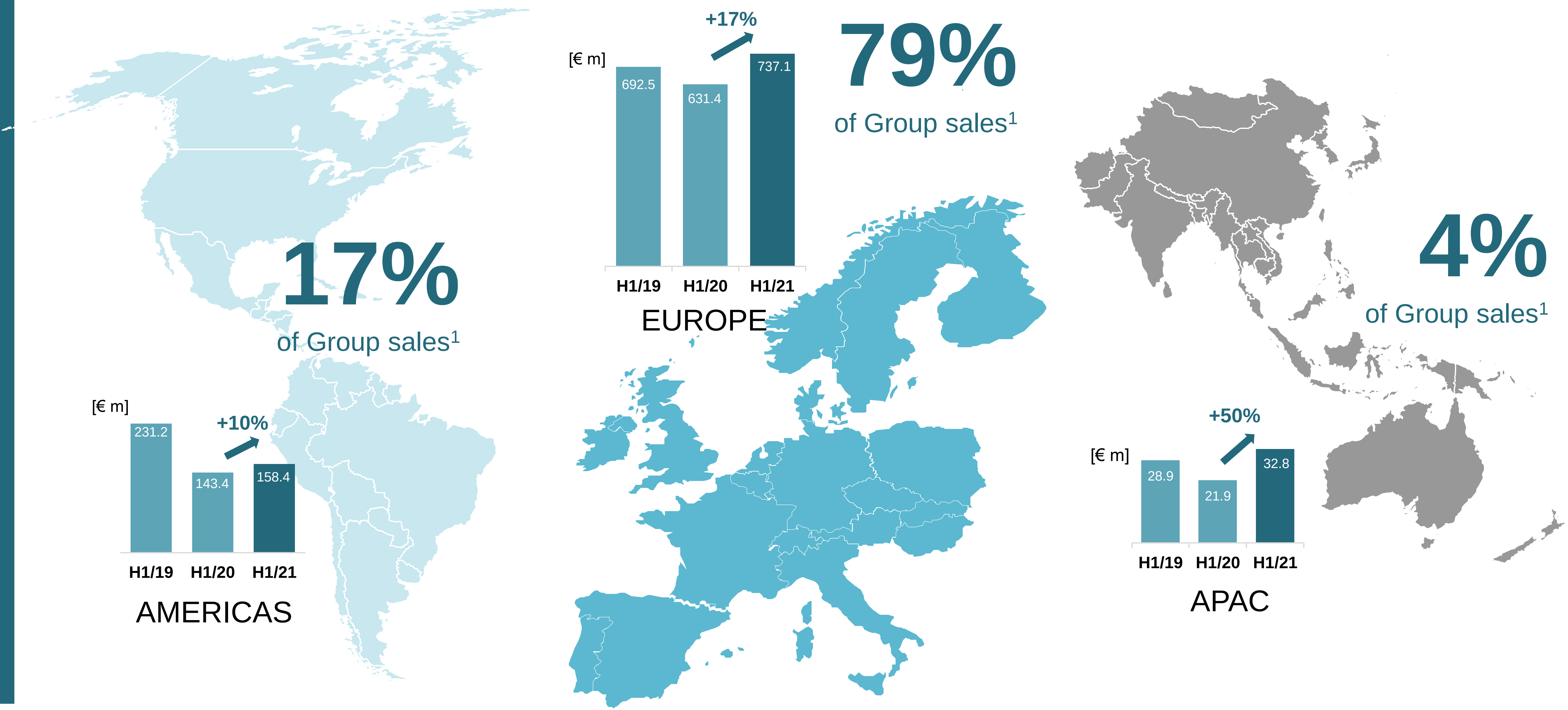
Profitability at good levels, condition of supply chains puts strain on production and logistics

Strong cash generation, NWC ratio as a % of revenue within target area of ≤ 30%

Overstretched and partly disrupted supply chains remain biggest challenge

[1] Free cash flow before fixed-term financial investment in the amount of EUR 100 m.

H1/21: Europe and Asia-Pacific exceed pre-crisis levels of 2019



[1] H1/20: Americas 18%; Europe 79%; APAC 3%.

H1/21: Strong cash generation, net debt at low levels

EUR **79m**

Net financial debt[2]

EUR **133m**

Free cash flow[1]

0.2

Net financial debt/ EBITDA[3]

[1] Free cash flow before fixed-term investment in the amount of EUR 100m.
[2] Long-term borrowings + short-term borrowings from banks + current portion of long-term borrowings - liquid funds - fixed short-term financial investments.
[3] Net financial debt/annualized EBITDA for the quarter.

H1/21: Update on Share buyback program 2021

As of June 30, 2021

Total number of shares repurchased (pieces):

872,400

Volume (Euro):

20,012,695.60

Proportion of share capital (percent):

1.24

The treasury shares will be primarily used by way of consideration in connection with the acquisition of companies or to implement participation programs for Group employees and Executive Board members.

total purchase price[1] of a maximum of

EUR 53 m

Up to a total of **2,454,900** shares

(= up to 3.5 percent of the Company‘s share capital)

[1] Excluding incidental acquisition costs.

Outlook: Strong demand meets overstretched supply chains

CECE

The Business climate index in **the construction sector reaches new high for the fourth time in a row in July.**

CEMA

Sentiment **in agricultural sector** in Europe has **risen to its highest levels since 2011**.

Order backlog

Significantly above average levels

Overstretched and partly disrupted

supply chains

remain biggest challenge

Container rates

on record high

Narrowed Guidance for 2021

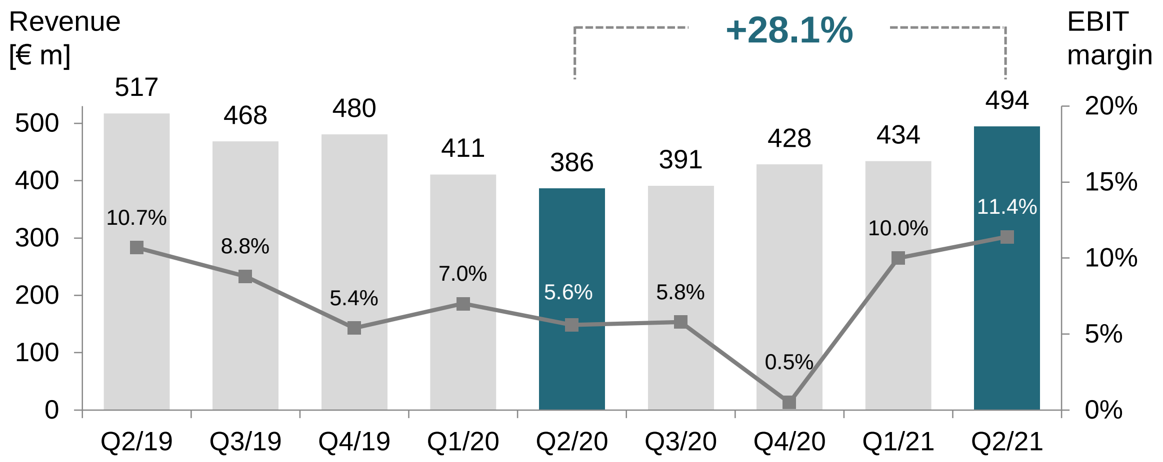
- **Revenue** between **€ 1,750 and 1,800m** (previously: between € 1,700 and 1,800m)
- **EBIT margin** between **8.75 and 9.50%** (previously: between 8.0 and 9.5%)
- **Investments** between € 100 and 110m[1]
- **Net working capital** as a % of revenue **to be stagnant or to improve slightly** relative to December 31, 2020

[1] 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.

Appendix

Revenue and earnings

H1/21: Sales just below pre-crisis levels, improved profitability



Income statement (excerpt)

€ m	Q2/21	Q2/20	H1/21	H1/20
Revenue	494.3	385.9	928.3	796.7
Gross Profit	132.3	95.8	250.8	204.9
as a % of revenue	*26.8%*	*24.8%*	*27.0%*	*25.7%*
Operativing costs	-76.5	-67.8	-153.8	-150.4
as a % of revenue	*-15.5%*	*-17.6%*	*-16.6%*	*-18.9%*
EBIT	56.5	21.5	100.1	50.4
as a % of revenue	*11.4%*	*5.6%*	*10.8%*	*6.3%*
Financial result	-3.2	-1.6	-3.1	-13.8
Taxes on income	-12.4	-7.6	-27.0	-13.9
Profit for the period	40.9	12.3	70.0	22.7
EPS (in €)	0.59	0.18	1.00	0.32

Comments on H1/21

Revenue +16.5% yoy (adj. for currency effects: +18.1%)

- Group revenue up 16.5% yoy, almost on pre-crisis levels (-2.6% vs. H1/19)
- Positive development across all regions: Europe clearly exceeded pre-crisis levels of H1/19 (+6.4%); Americas showed strong growth in Q2 with demand from rental companies picking up, however still below pre-crisis levels (-31.5%); revenue in Asia significantly above H1/19 levels (+13.5%).
- Services segment continues to grow after strong development in 2020.

Gross profit +22.4% yoy (gross profit margin +1.3 PP)

- Large volume effect yoy (H1/20 highly affected by COVID-19, related uncertainties and shutdowns; much less production output).
- Improved productivity at production plants yoy, however still below plan due to material bottlenecks and higher input costs.

EBIT +98.6% yoy (EBIT margin: +4.5 PP)

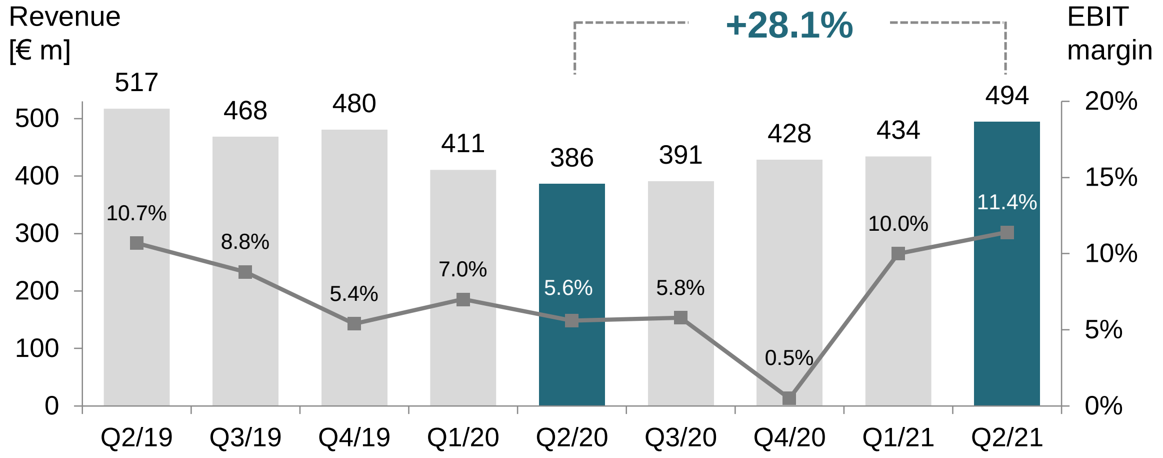
- Operating costs well under control (op. costs as a % of revenue 2.3PP below PY and even 1.1PP below H1/19).
- PY impacted by negative one-off effects (goodwill impairment in the Americas and restructuring costs).

Earnings per share more than tripled

- Financial result improved significantly yoy (EUR +10.7m; PY heavily impacted by negative currency effects), net interest income slightly up yoy.
- Tax rate at 27.8% (H1/20: 38.0%): PY impacted by reversal / non-recognition of deferred tax assets (among other factors).

Revenue and earnings

Q2/21: +28% yoy, supply chains prevent stronger growth



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Operativing costs	-76.5	-67.8	-153.8	-150.4
as a % of revenue	*-15.5%*	*-17.6%*	*-16.6%*	*-18.9%*
EBIT	56.5	21.5	100.1	50.4
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Profit for the period	40.9	12.3	70.0	22.7
EPS (in €)	0.59	0.18	1.00	0.32

Comments on Q2/21

Revenue +28.1% yoy (adj. for currency effects: +29.5%)

- Group revenue up 28.1% yoy, almost on pre-crisis levels (-4.4% vs. Q2/19)
- Very positive development across all regions: Europe with +27,2% yoy on new record high, exceeding Q2/19 by 3,2%; Americas with strong comeback in Q2 (+35,5% yoy; fx-adj. +43,9% yoy), however still 28.4% below Q2/19; revenue in Asia +13.2% yoy, exceeding Q2/19 by 5.2%.
- Services segment up 6.3% yoy vs. strong baseline (+9.3% vs. Q2/19).

Gross profit +38.1% yoy (gross profit margin +2.0 PP)

- Large volume effect yoy (Q2/20 highly affected by peak of COVID-19, related uncertainties and shutdowns; much less production output).
- Improved productivity at production plants yoy, however still below plan due to material bottlenecks and higher input costs.

EBIT +162,8% yoy (EBIT margin: +5.8 PP)

- Op. costs on low level (op. costs as a % of revenue 2.1PP below PY and 1.1PP below Q2/19); Q2/20 showed even lower op. costs (in abs. terms) due to numerous cost-cutting measures in connection with the rapid spread of COVID-19; bringing forward vacation periods, reducing flexitime and various models of short-time work also had a cost-dampening effect.
- PY impacted by goodwill impairment in the Americas.

Earnings per share more than tripled

- Financial result EUR -1.6m vs. PY.
- Tax rate at 23.3% much lower than PY (Q2/20: 38.2%).

Business development by region and business segment

Europe and Asia-Pacific fuel growth

Revenue [€ m]		Share	yoy	EBIT[1]
Europe	737.1	79%	+17%	98.8
Americas	158.4	17%	+10%	7.3
Asia-Pacific	32.8	4%	+50%	2.2
Total H1/21	928.3	100%	+17%	100.1

Compact equipm. with strong rebound, services continue to grow

Revenue [€ m][2]		Share	yoy
Light equipment	200.9	22%	+14%
Compact equipment	529.9	57%	+20%
Services	202.5	22%	+8%
Total H1/21	933.3	100%	+16%

Comments on H1/21

Revenue Europe +16.7% yoy (adj. for currency effects: +17.2%)

- Growth fueled by dynamic developments in Germany and Austria beating strong levels of 2020; continued high growth rates with innovative dumper models in UK; double-digit growth in Southern and Eastern Europe (albeit in some cases against a weak H1/20 baseline); positive development in Northern Europe after reorganization of sales structures in 2020.
- Business with compact equipment for the agricultural sector up 13.9% yoy against a strong H1/20 baseline.

Revenue Americas +10.5% yoy (adj. for currency effects: +18.1%)

- While customers' propensity to invest was still restrained at the beginning of the year, business situation brightened considerably towards the end of Q1, also driven by the gradual pick-up in demand from rental companies.
- Strong development in Canada with revenues exceeding pre-crisis levels.

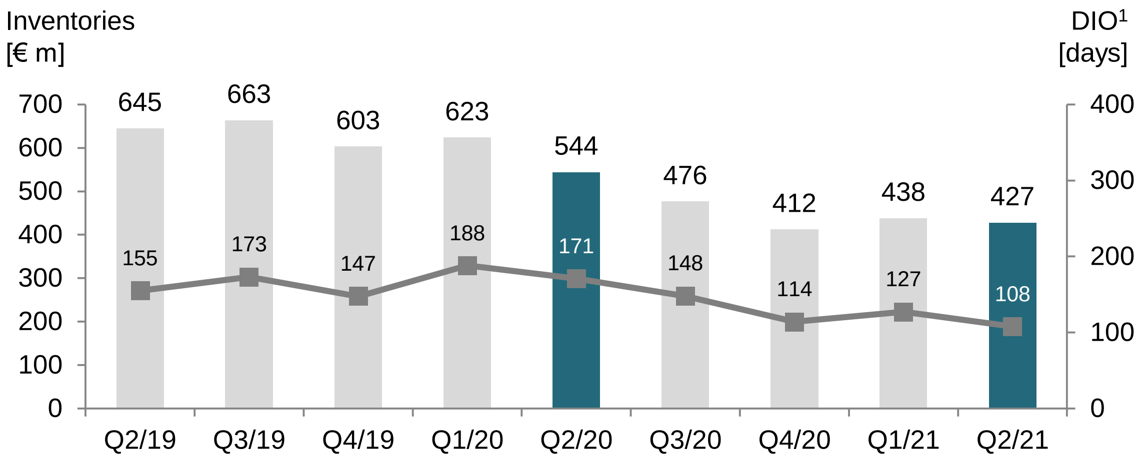
Revenue Asia-Pacific +49.8% yoy (adj. for curr. effects +44.3%)

- Exceptionally positive performance in Australia: Sales more than doubled yoy due to an expanded dealer network, a sharpened focus on larger rental companies and a product portfolio tailored to local needs; high double-digit growth compared to pre-crisis levels; significant contribution to positive earnings development in the region.
- Improved cost absorption in the Chinese plant; continued high price pressure in the Chinese market.

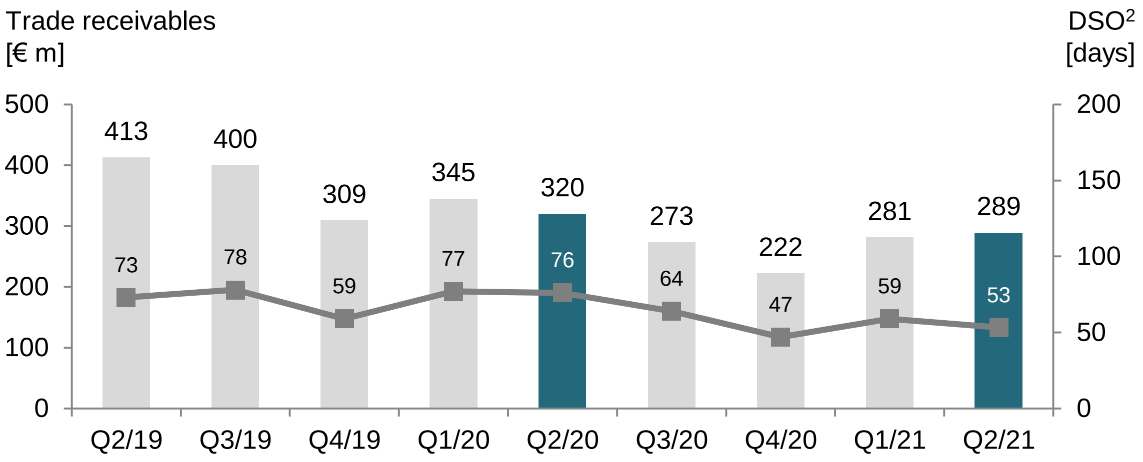
[1] EBIT for regions before consolidation.
[2] Revenue by business segment before cash discounts.

Net working capital ratio within target area ≤ 30%

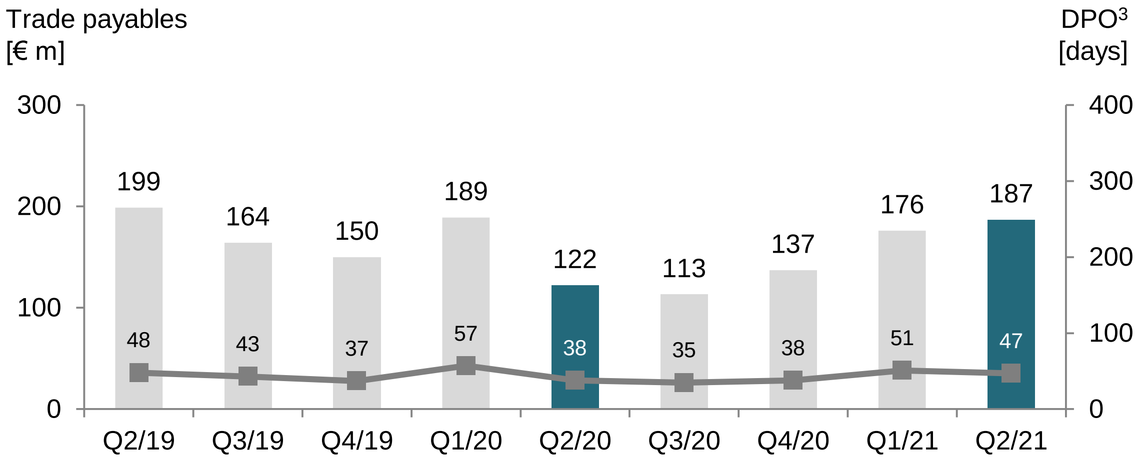
Inventories



Trade receivables



Trade payables



Comments

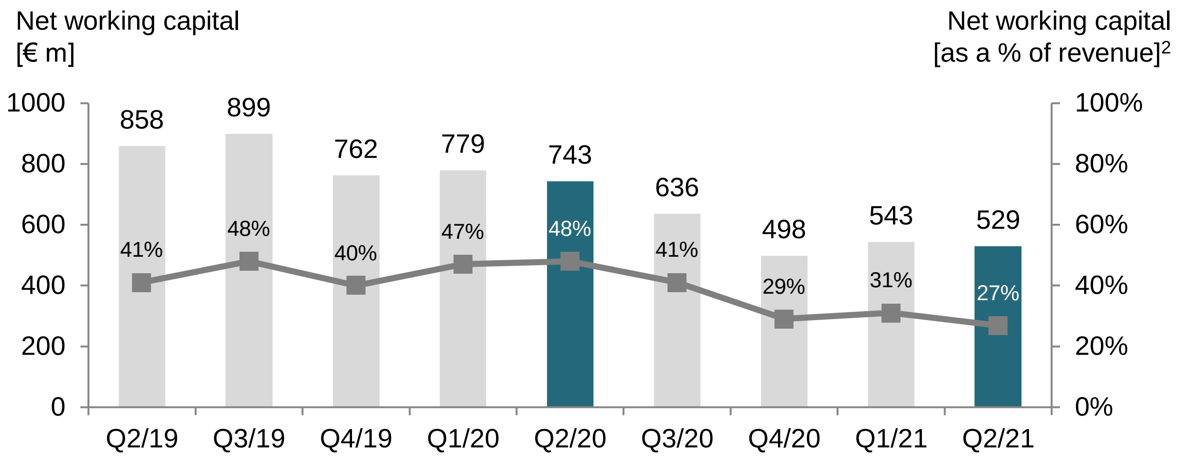
- Inventories well below prior-year figure; stock of finished machines decreased significantly due to high market demand while work in progress more than doubled since the beginning of the year as a consequence of overstretched and partly disrupted supply chains.
- Both trade receivables and trade payables have grown due to increased sales and production volumes since the start of the year.

➡ At 26.7%, NWC ratio reaches strategic target area (see also next slide).

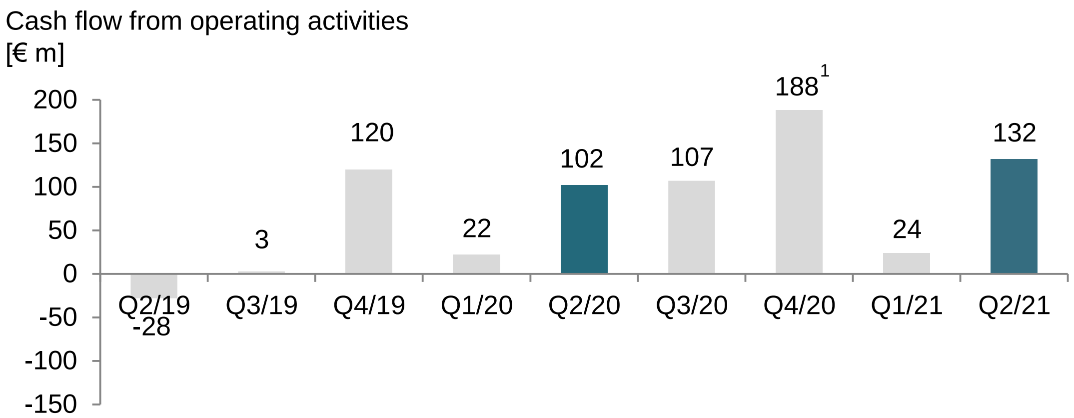
[1] Days inventory outstanding = (inventory/(cost of sales*4))*365 days; [2] Days sales outstanding = (receivables/(revenue*4))*365 days; [3] Days payables outstanding = (payables/(cost of sales*4))*365 days.

Strong cash generation

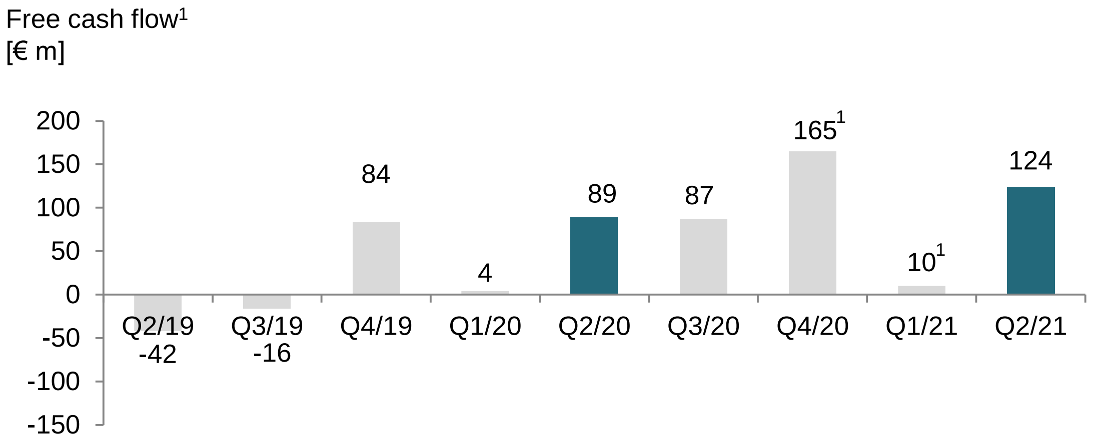
Net working capital



Cash flow from operating activities



Free cash flow



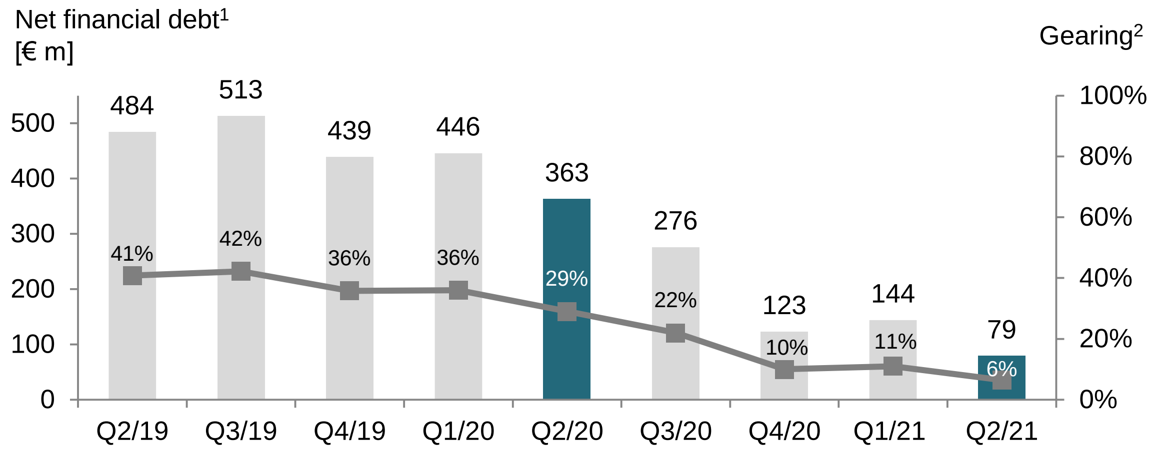
Comments

- At 26.7%, the net working capital ratio[2] is significantly lower than the prior-year figure and has reached the strategic target set at ≤ 30%.
- Cash flow from operating activities developed positively due to the improved profitability and the sale of long-term receivables.
- Investments in H1/21 remained below plan; cash flow from investment activities impacted by a fixed-term financial investment of EUR 100m in Q1/21.
- Free cash flow before the above-mentioned fixed-term investment amounts to EUR 133.5m in H1/21;
  free cash flow (reported) reaches EUR 33.5m (H1/20: EUR 92.9m).

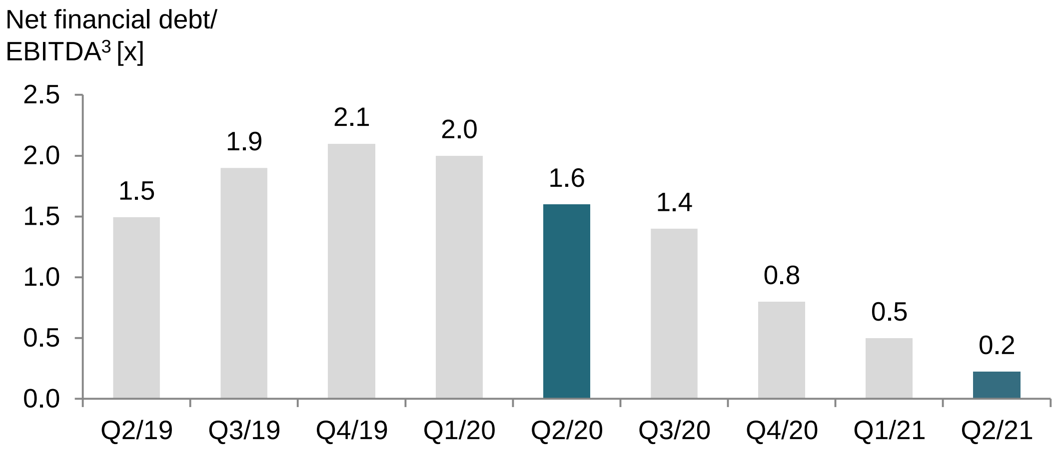
[1] Before fixed-term financial investments in the amount of EUR 15m in Q4/20 and EUR 100m in Q1/21.
[2] Net working capital as a % of annualized revenue for the quarter.

Strong financial structure

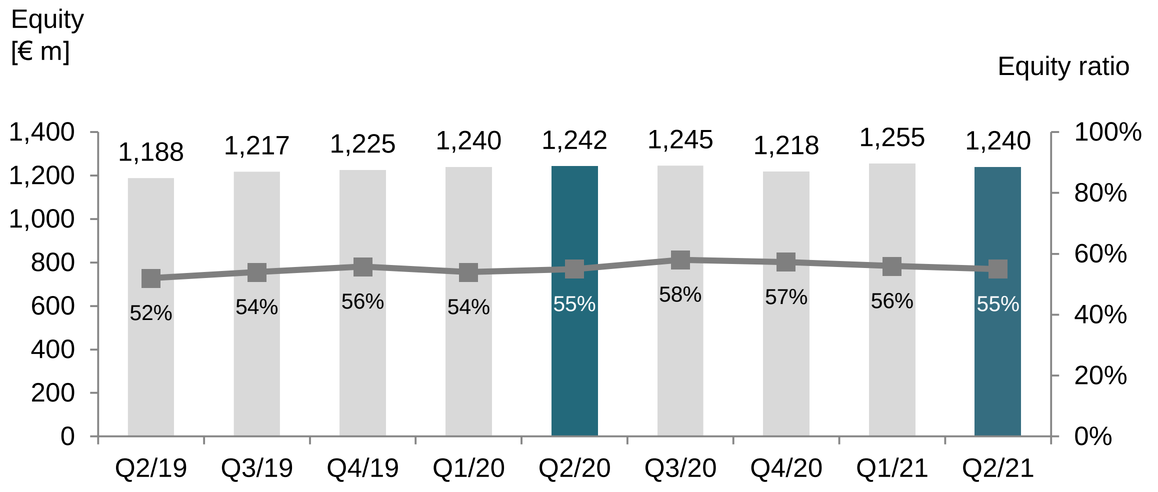
Net financial debt and gearing



Net financial debt/EBITDA[3]



Equity and equity ratio



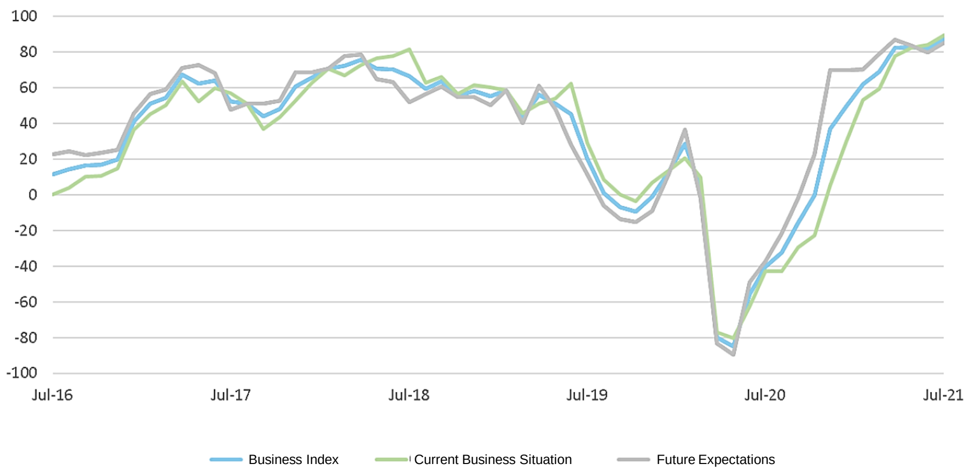
Comments

- Net financial debt[1] thanks to continued strong cash generation at low levels; gearing[2] at 6.4%.
- Long-term financing structure, next maturity: EUR 125m promissory note (Schuldschein) in February 2022.
- Within the share buyback program initiated in April 2021, up to 2,454,900 treasury shares (3.5 percent of share capital) may be repurchased for a maximum purchase price of EUR 53m. Until the end of Q2, 872,400 shares have been purchased for a total of EUR 20.0m.
- The comfortable liquidity and financial position (cash and cash equivalents incl. fixed-term-investments < 1 year: EUR 353.8m) enables the Group to make important investments into future growth and to actively shape technological change in the industry.

[1] Long-term borrowings + short-term borrowings from banks + current portion of long-term borrowings - liquid funds - fixed short-term financial investments. [2] Net financial debt/equity. [3] Net financial debt/annualized EBITDA for the quarter.

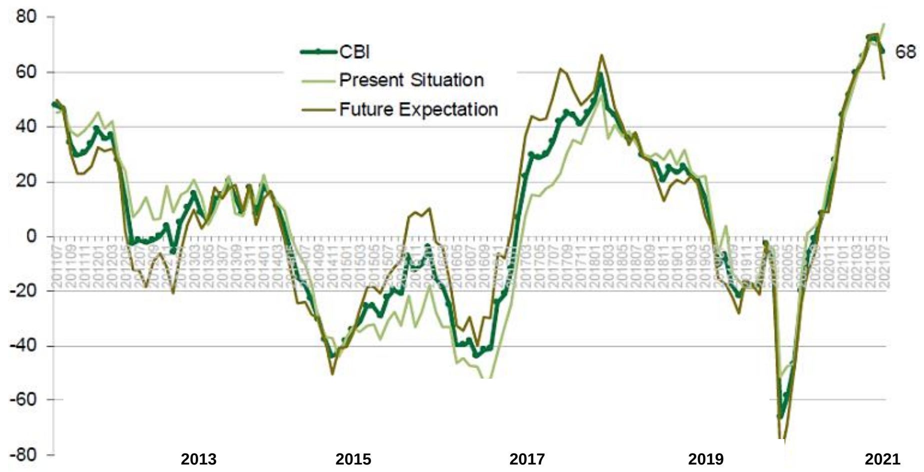
Outlook: Strong demand meets overstretched supply chains

Construction industry: CECE business barometer at all-time high



Source: CECE (Committee for European Construction Equipment), July 2021.

Agricultural industry: CEMA business climate on high levels



Source: CEMA (European Agricultural Machinery Industry Association), July 2021.

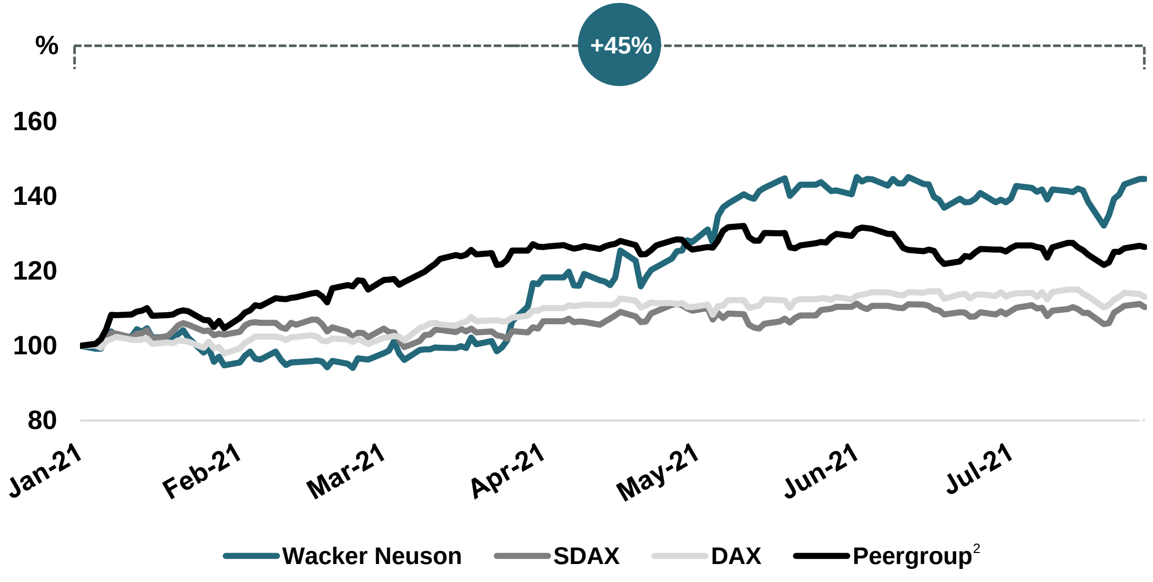
Outlook

- **CECE business barometer** for the European construction sector reaches **new high for the fourth time in a row in July.**
- **Business index** for the European agricultural sector has reached its temporary peak in June according to CEMA.
- **Mood in key target markets for** the Wacker Neuson Group remains very positive.
- Dynamic development of **order intake**, **order backlog** significantly above average levels.
- **Overstretched** and partly **disrupted supply chains** remain biggest challenge; German Mechanical and Plant Engineering Association (VDMA) describes the supply chain situation as "cause for concern"; container freight prices at record high.
- **Narrowed guidance for fiscal 2021**
  - **Revenue** between **€ 1,750m and 1,800m** (previously: between € 1,700m and 1,800m)
  - **EBIT margin** between **8.75% and 9.50%** (previously: between 8.0% and 9.5%)
  - **Investments** between € 100 and 110m[1]
  - **Net working capital** as a % of revenue **to be stagnant or to improve slightly** relative to December 31, 2020

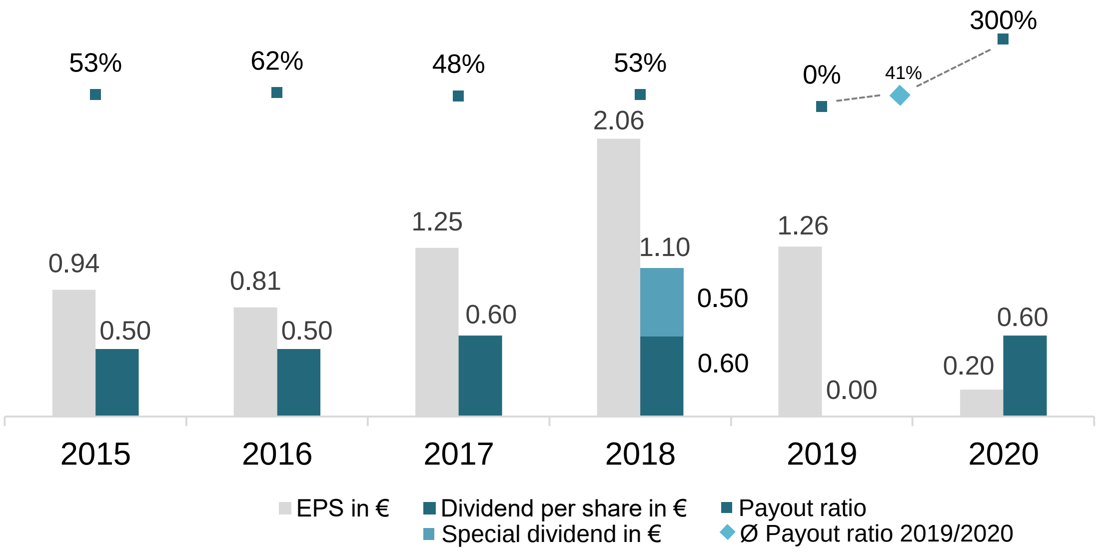
[1] Investments in property, plant and equipment and intangible assets. Investments in the Group's own rental equipment, purchases of investments and investments in financial assets are not included.

Share development

The share in 2021[1]



Dividend payout



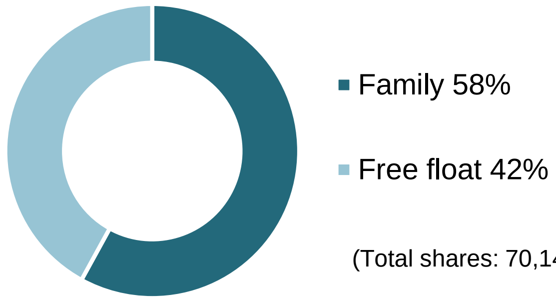
Key figures per share

in €	H1/21	H1/20
Earnings per share	1.00	0.32
Book value per share	17.67	17.70
Share price at end of period	24.24	13.44
Market capitalization (€ m)	1,700.2	942.7

Coverage[3]

Bank	TP (€)	Recom.	Date
Hauck & Aufhäuser	32.00	Buy	June 08, 2021
Commerzbank	32.00	Buy	May 10, 2021
Jefferies	31.00	Buy	May 17, 2021
Warburg	29.00	Buy	May 11, 2021
Metzler	27.50	Buy	May 07, 2021
Montega	26.00	Hold	June 04, 2021
Berenberg	24.00	Buy	May 10, 2021
Kepler Cheuvreux	17.50	Reduce	May 11, 2021

Shareholder structure



(Total shares: 70,140,000)

[1] As at July 27, 2021 [2] Peer group: Agco, Ashtead, Atlas Copco, Bauer, Caterpillar, CNH Industrial, Deutz, DoosanBobcat, Hitachi, Husqvarna, John Deere, Komatsu, Kubota, Manitou, Takeuchi, United Rentals, Volvo. [3] As at July 27, 2021.

Financial calendar and contact

August 9, 2021	**Publication of half-year report 2021, analysts‘ & investors‘ conference call**
September 21, 2021	**Berenberg/Goldman Sachs German Corporate Conference, Munich (virtual)**
November 10, 2021	**Publication of Q3 report 2021, analysts‘ & investors‘ conference call**

Disclaimer

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Contact

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