



**Wacker Neuson  
Group**



## **Wacker Neuson SE Capital Market Day & Analyst and Investor Conference – Results Q1/17**

Cem Peksaglam (CEO), Wilfried Trepels (CFO)

May 11, 2017



# Today: Opening of new R&D center Reichertshofen

## New entire process chain at one location



### Engineering & Admin.

- Area: 1.200 m<sup>2</sup>
- Engineering, Purchasing, Product Management, Sales, Service, Administration



### Research & Testing

- Area: 3.000 m<sup>2</sup>
- Calculation, prototype construction, continuous running tests, heat and cold tests, noise and exhaust gas measurements, vibration measurements, etc.



### Production

- Area: 25.000 m<sup>2</sup>
- Production facility for light equipment
- Vibration & compaction technology



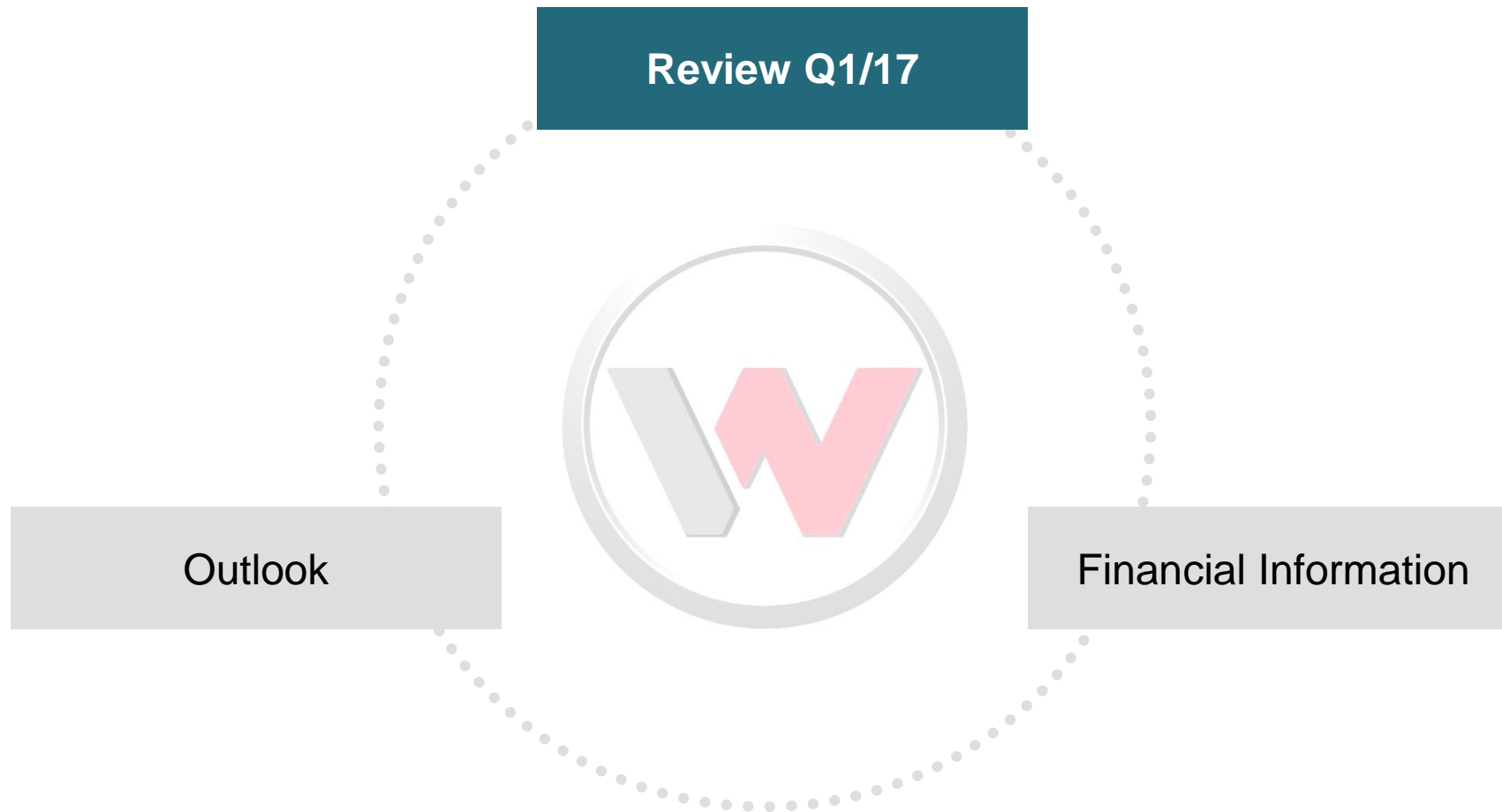
### Training facility

- Area: 4.500 m<sup>2</sup>
- Professional sales and service trainings for customers and employees
- Spacious infrastructure including workshop and demonstration area





# Agenda





## Review of Q1/17



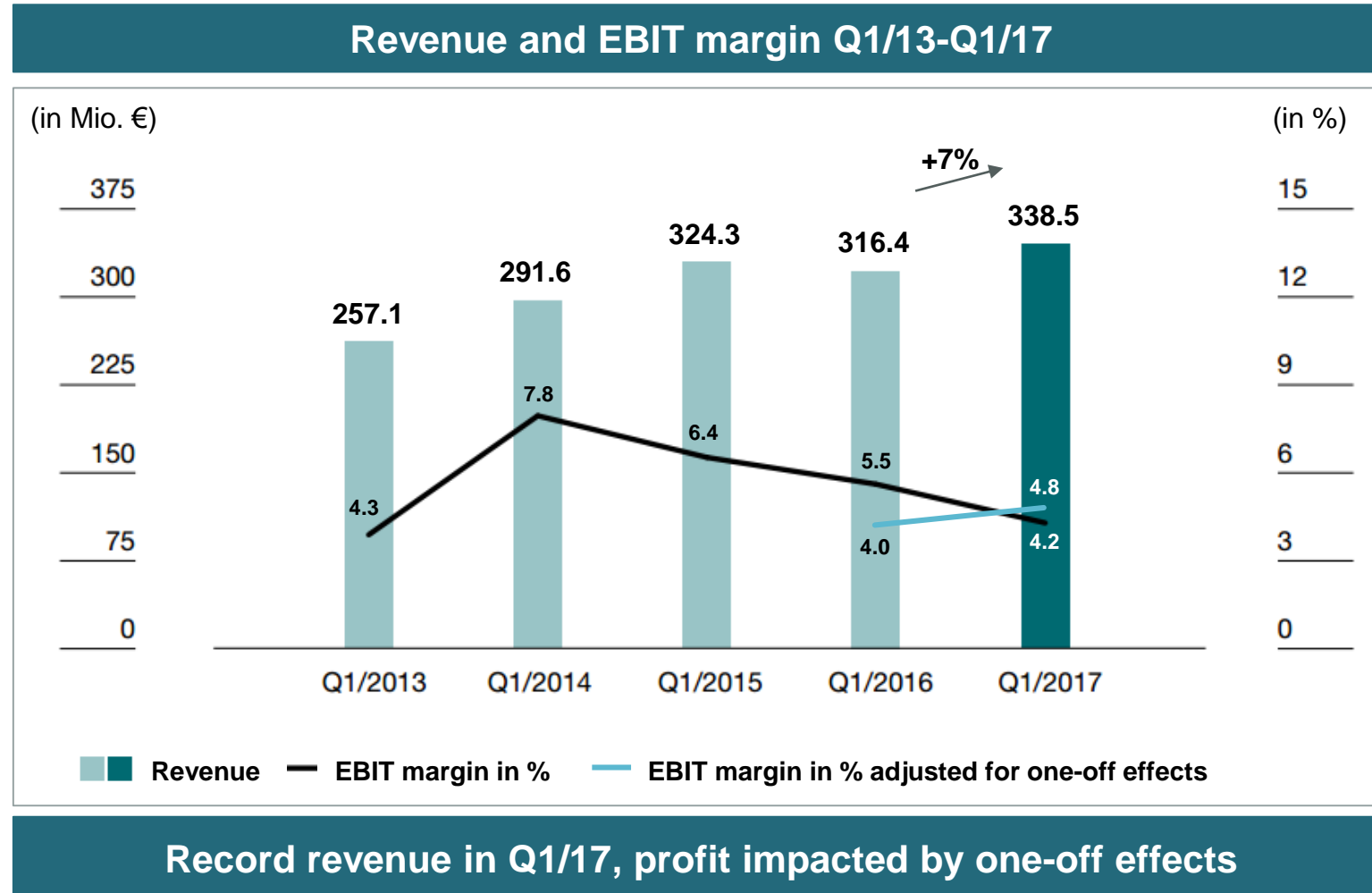
- Record revenue in Q1: +7 % yoy (€ 339m, currency adjusted +6%)
- Solid revenue growth in Europe (+9% yoy)
  - High demand from construction and ag industry
  - Double digit growth with key accounts
- Strong revenue growth in Americas (+13% yoy)
  - Latin America growing double digit again
  - Difficulties in ramp-up of skid steer production overcome
- Double digit revenue increase in ag business for Weidemann and Kramer (but total ag business -2% incl. OEM)
- Turnaround of Australian business with strong growth in Q1
- Light equipment growth back (+7% yoy), especially with compaction line
- Alliance with HAMM AG (rollers) with strong growth
- OEM partnership with Brazilian backhoe loader manufacturer Randon
- High order intake (+11% yoy) and high order backlog (+22% yoy)
- Positive operating cash flow (€ 2m; Q1/16: € -6m)
- Real estate → possible one-off profit in mid double-digit million euro range by end of FY 2017
- Successful placement of new promissory note (Schuldscheindarlehen) with a volume of € 125m, 5Y, and a low coupon of 0.69% p.a.



- Revenue in Asia/Pacific -45% yoy, due to one-off effect in China in Q1/16 (dealers stocking up compact equipment)
- Challenging market environment in energy sector (oil & gas) persistent, especially in North America
- Working capital with 44% of revenue still too high (but reduction of DIO\* -9% yoy to 172 days), further reduction ongoing
- Due to one-off effects, EBIT margin -1.3pp yoy resp. 4.2% (Q1/16: 5.5%), when adjusted EBIT +28% yoy  
→ operational profitability clearly increasing

\*Days Inventory Outstanding

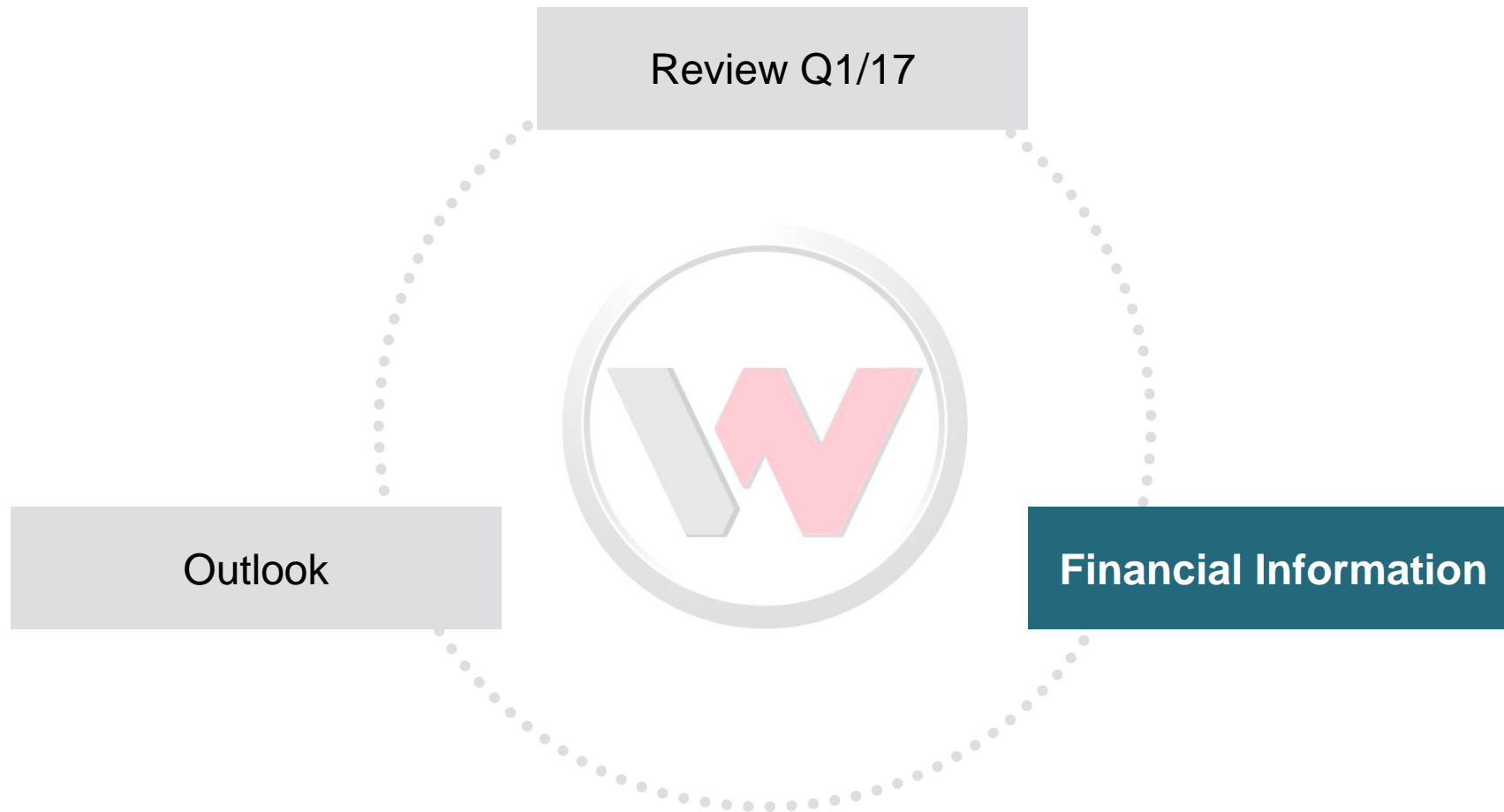
# Group revenue (Q1 year comparison 2013-2017)



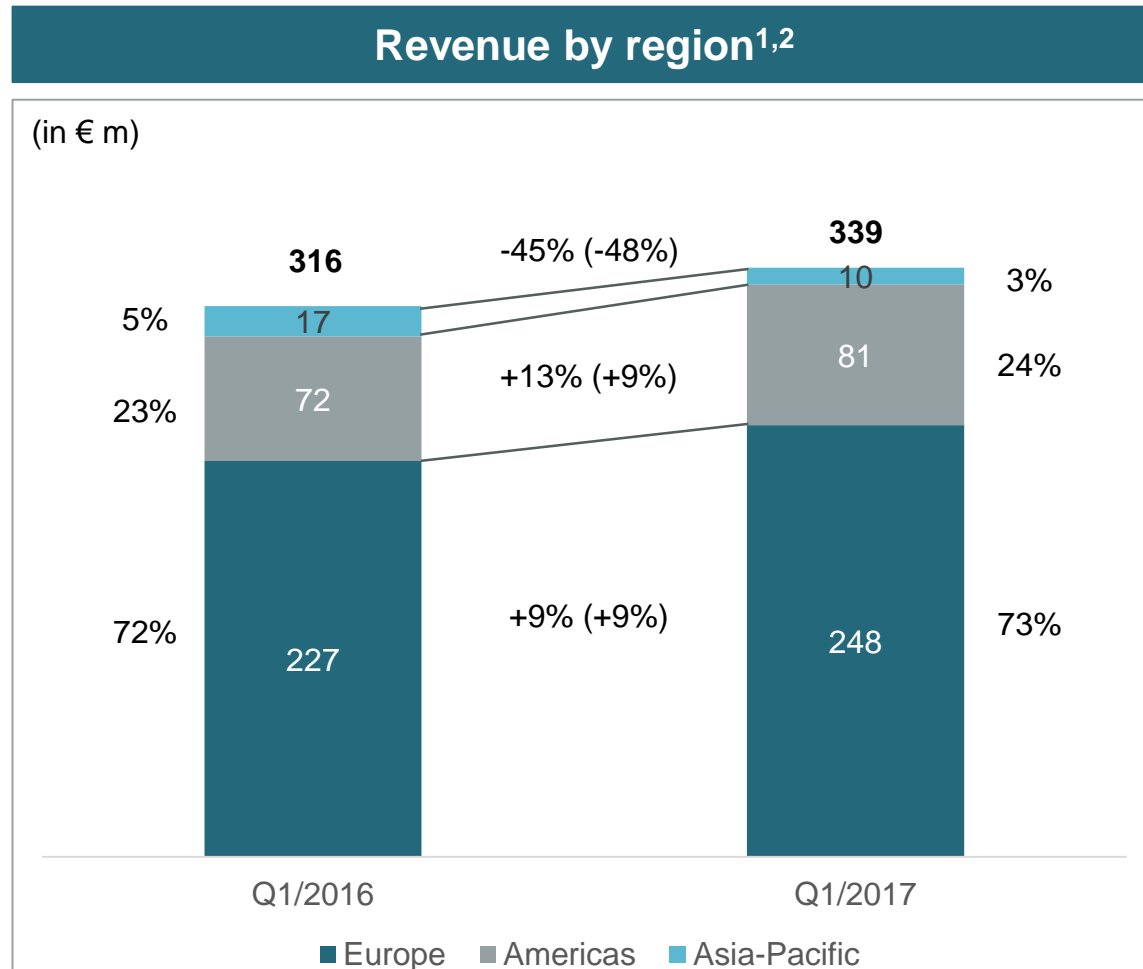
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# Agenda



# Business performance – sales split by region Q1/17



<sup>1</sup> In brackets: adjusted for currency effects; <sup>2</sup> Nominal, after cash discounts; <sup>3</sup> before consolidation

## Europe

- Revenue + 9% to € 248m
- Strong growth especially in German speaking countries, Scandinavia and France
- EBIT<sup>3</sup> of € 31.7m → EBIT margin of 12.8% (Q1/16: 9.0%)

## Americas

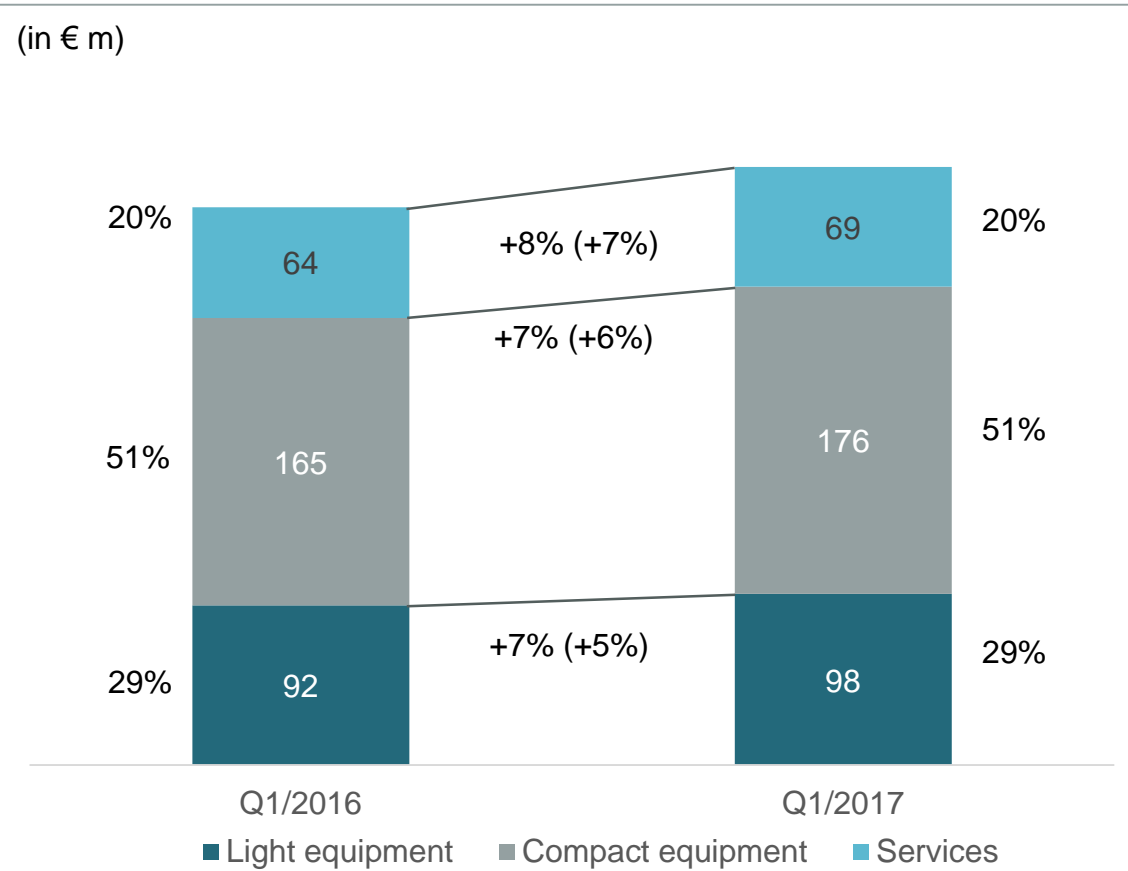
- Revenue +13% to € 81m
- Stronger market environment in NA and SA, problems regarding skid steer ramp up solved, strong business with compact machines
- EBIT<sup>3</sup> of € 1.9m → EBIT margin of 2.3% (Q1/16: -1.8%)

## Asia-Pacific

- Revenue -45% to € 10m
- Positive one-off effect in China Q1/16: dealers stocking up compact equipment
- Growth in Australia/New Zealand
- EBIT<sup>3</sup> of € -1.8m → EBIT margin of -18.9% (Q1/16: 1.1%)

# Business performance – sales split by business segments Q1/17

## Revenue by business segment<sup>1, 2</sup>



### Light equipment

- Revenue increase by 7% to € 98m
- Double-digit growth with compaction equipment
- Difficult market environment in oil & gas and emerging markets

### Compact equipment (incl. OEM)

- Revenue increase by 7% to € 176m
- Positive development in ag business (Kramer and Weidemann)

### Services

- Revenue increase by 8% to € 69m
- Central logistics project (bundling spare parts for compact machines) on good progress
- Success: Customer orientated service portfolio ("All it takes", one-stop-shop)

<sup>1</sup> In brackets: adjusted for currency effects; <sup>2</sup> Nominal, before cash discounts





# Development of revenue and profitability Q1/17

## Income statement (extract) and number of employees

(in € m)	Q1/17	in %	Q1/16	in %	Change in %
<b>Revenue</b>	<b>338.5</b>	<b>100.0</b>	<b>316.4</b>	<b>100.0</b>	<b>7.0</b>
Gross profit	91.9	27.1	87.0	27.5	5.6
Sales and Service exp.	49.8	14.7	46.0	14.5	8.3
R&D expenses	9.2	2.7	8.9	2.8	3.4
General admin. exp.	20.6	6.1	16.2	5.1	27.2
<b>Operating expenses</b>	<b>79.6</b>	<b>23.5</b>	<b>71.1</b>	<b>22.5</b>	<b>12.0</b>
Other Income and Expenses	1.9	0.6	1.5	0.5	26.7
<b>EBIT</b>	<b>14.3</b>	<b>4.2</b>	<b>17.5</b>	<b>5.5</b>	<b>-18.3</b>
Financial result	-1.2	-0.4	-1.8	-0.6	-33.3
<b>Net profit<sup>1</sup></b>	<b>9.3</b>	<b>2.7</b>	<b>11.3</b>	<b>3.6</b>	<b>-17.7</b>
Net profit <sup>2</sup> per share in €	<b>0.13</b>	–	<b>0.16</b>	–	<b>-18.8</b>
Employees <sup>3</sup>	4,883	–	4,646	–	5.1

<sup>1</sup> before minority interests, <sup>2</sup> after minority interests <sup>3</sup> w/o temporary workers

## Comparison of EBIT vs. Q1/16:

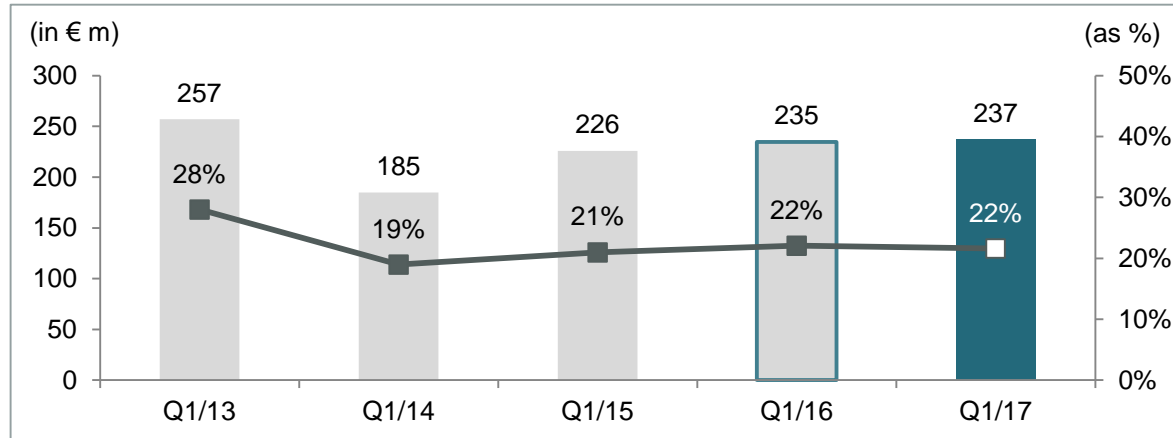
Gross profit:

- Volume effect: € +6.1m
- Margin effect: € -1.1m
- One-off effects on EBIT:
  - negative in Q1/17: increased expenses for the Executive Board
  - positive in Q1/16: change of the evaluation method for inventories in the context of intercompany profit elimination
  - *adj. EBIT: +28% yoy,*  
*adj. EBIT margin Q1/17: 4.8% (Q1/16: 4.0%)*
- Other income & expense: € +0.4m vs. Q1/16 (increased income from investment properties)
- Financial result: € +0.6 m vs. PY
- EPS: -19% yoy to € 0.13 (Q1/16: € 0.16)

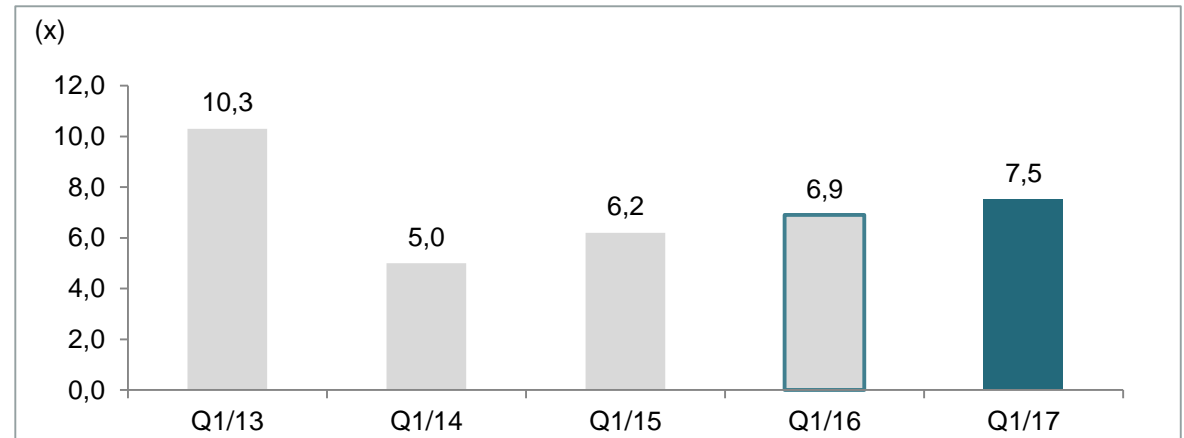
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# Key figures from balance sheet – excellent credit standing

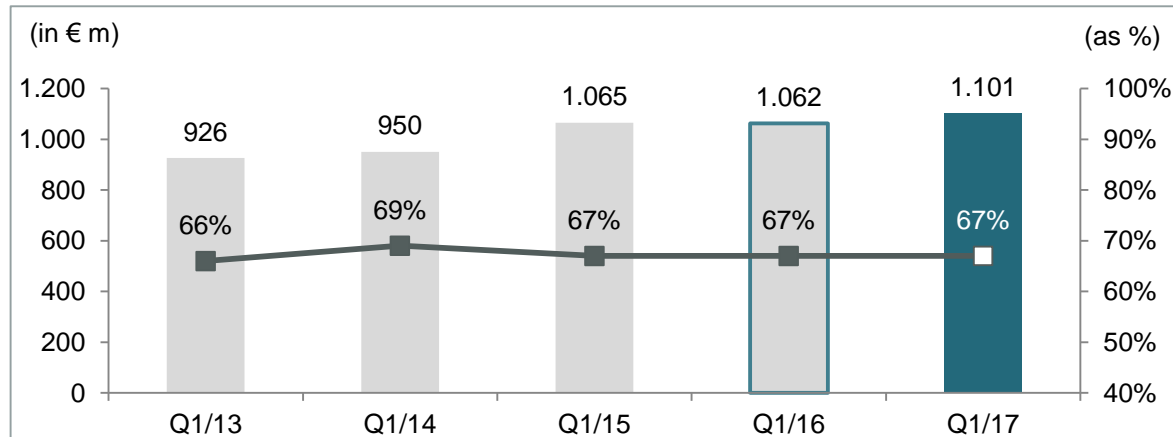
## Net financial debt and Gearing



## Net financial debt/EBITDA



## Equity (before minority interests)



## Q1/17

- Equity increased slightly by 4% to € 1,100.6m vs. Q1/16
- Equity ratio of 67%
- Net financial debt € 237m (Gearing of 22% slightly below PY's level)

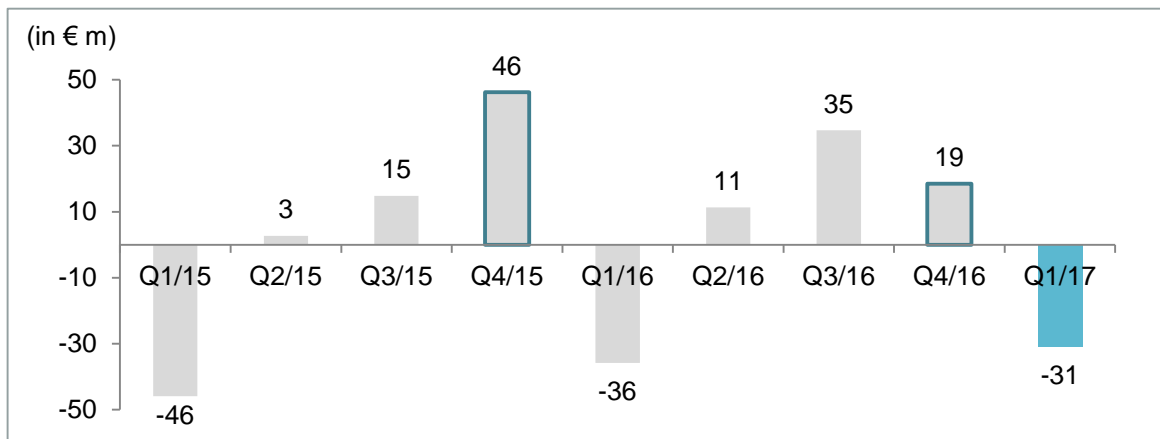
## 2017

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

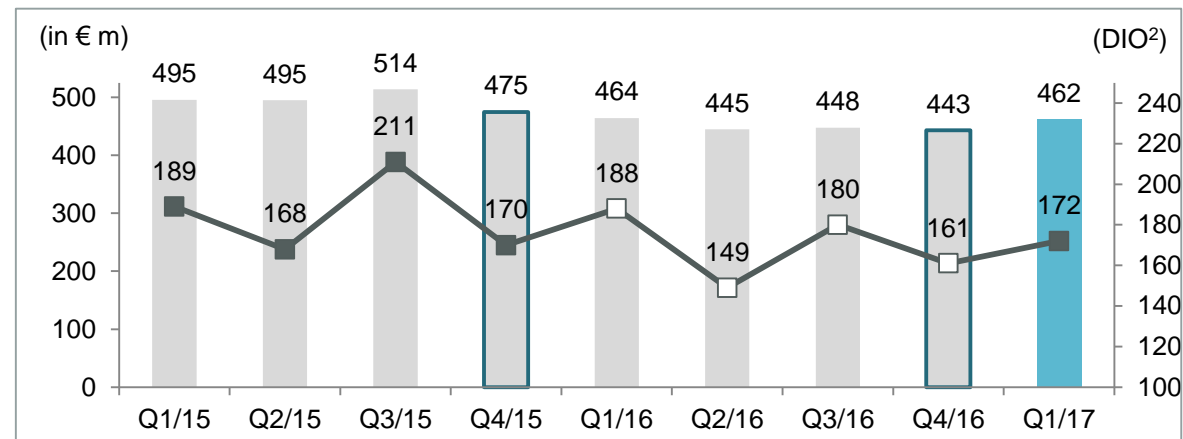
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# Business performance: Increase of free cash flow in Q1/17 yoy

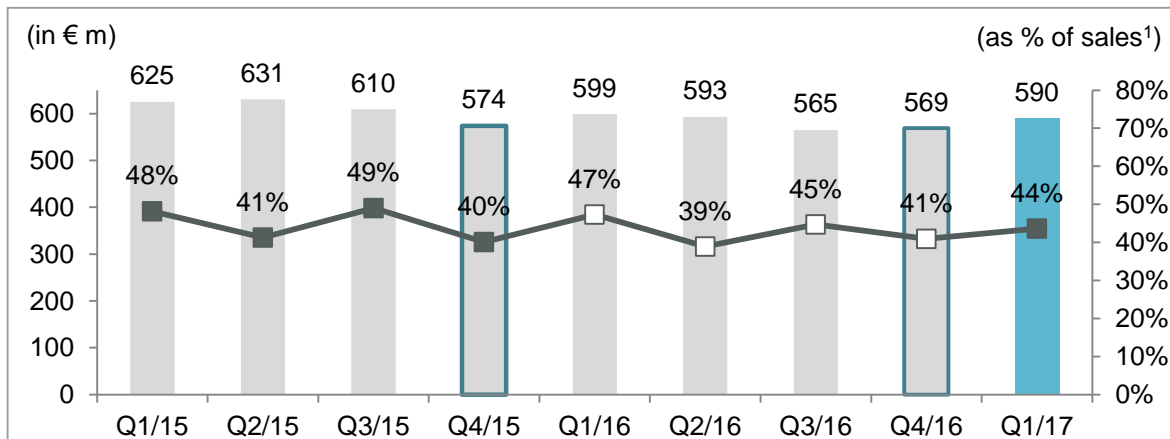
## Free cash flow (qoq 2015-2017)



## Inventories (qoq 2015-2017)



## Working Capital (qoq 2015-2017)



### Q1/17

- Positive operating cash flow of € 2m (Q1/16: € -6m)
- CapEx increased by 17% yoy to € 36m
- Free cash flow of € -31m (+5m to Q1/16)
- Slight decrease of inventories yoy
- Working Capital ratio decreased 3pp yoy (but reduction of DIO<sup>2</sup> -9% yoy)

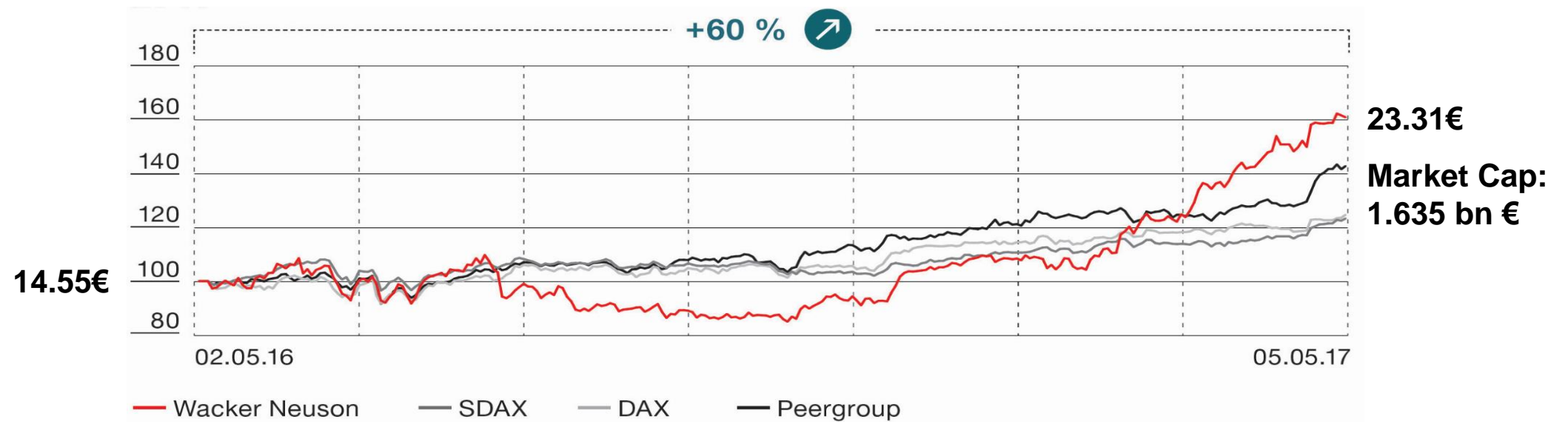
<sup>1</sup> calculation: working capital reported at the closing date/annualized revenue;

<sup>2</sup> days inventory outstanding: (avg. inventory of last two months of reported period/annualized cost of sales)\*365



## Share price

### Share price performance last 12 months



Peergroup: Atlas Copco, Bauer, Caterpillar, Cramo, Deutz, Haulotte, Manitou, Palfinger, Ramirent, Terex

in €	Q1/16	Q1/17
Earnings per share	0.16	0.13
Share price end of period	13.98	21.02
Market capitalization (in € m)	980.6	1,474.3

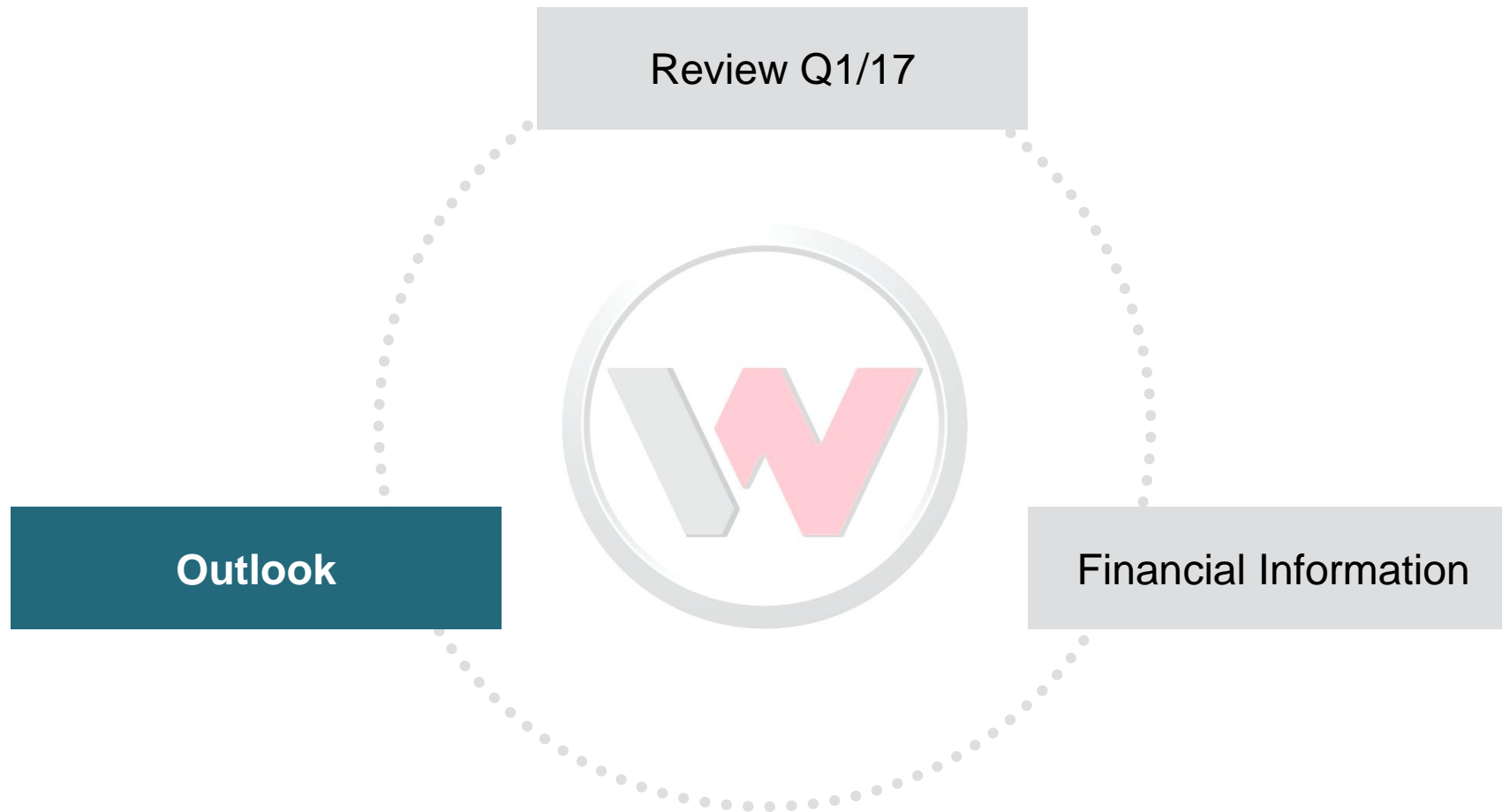


IPO of Wacker Construction Equipment AG

May 15, 2007



# Agenda

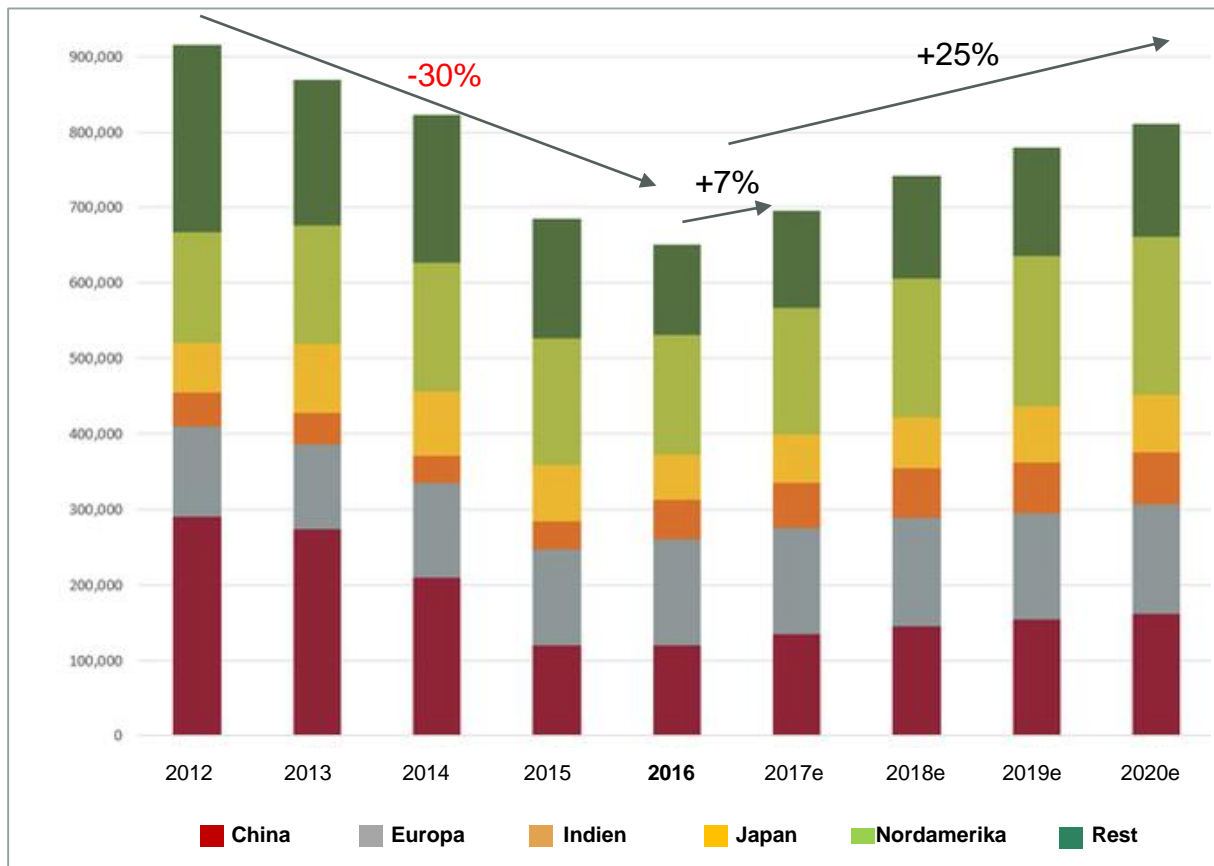






## Global construction machinery sales back on growth path: +7% for 2017

### 2016–2020 machinery sales CAGR: 5,7%



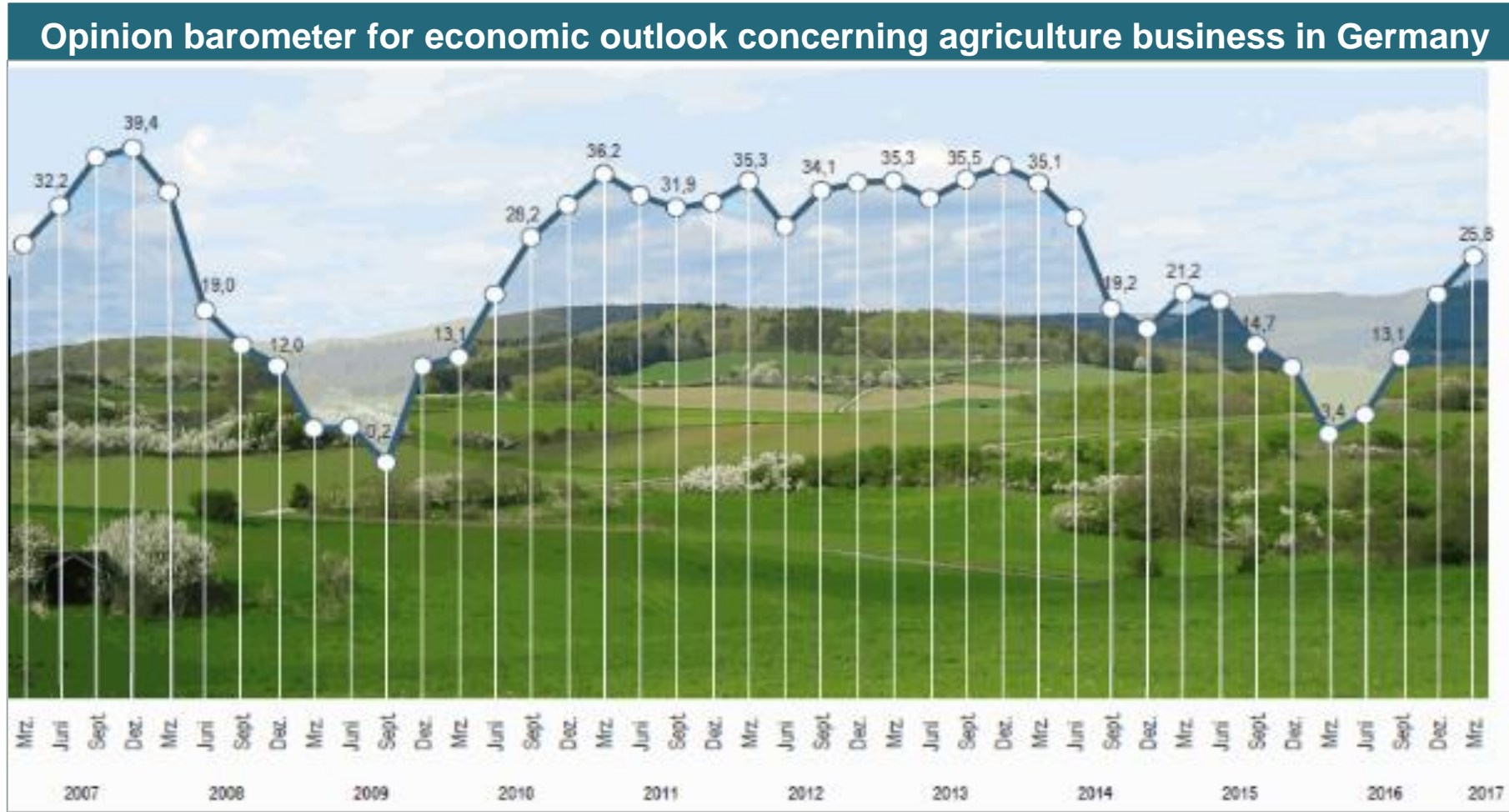
Source: Off-Highway Research, March 2017

### Wacker Neuson's expectations

- Europe main growth driver, esp. Central Europe
- Market recovery in North America → stronger revenues from SSL, no more one-off effects expected
- Latin America bottomed out → Growth driver: new product lines (generators, compact equipment)
- Asia-Pacific: Recovering environment, mid term strong growth market, turnaround of Australian business

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

# Positive signs of recovery in agricultural business after 3 difficult years



Source: German Farmers' Association, March 2017



## Alliance with HAMM AG – expansion of product line/international roll-out

Tandem rollers (1.8 – 4.5 t) and compactors (weighing up to 12 t)



DEVELOPED AND MANUFACTURED  
FOR WACKER NEUSON

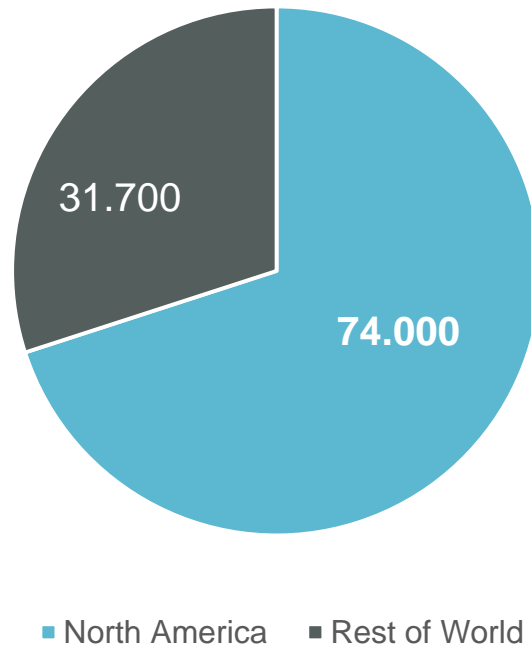




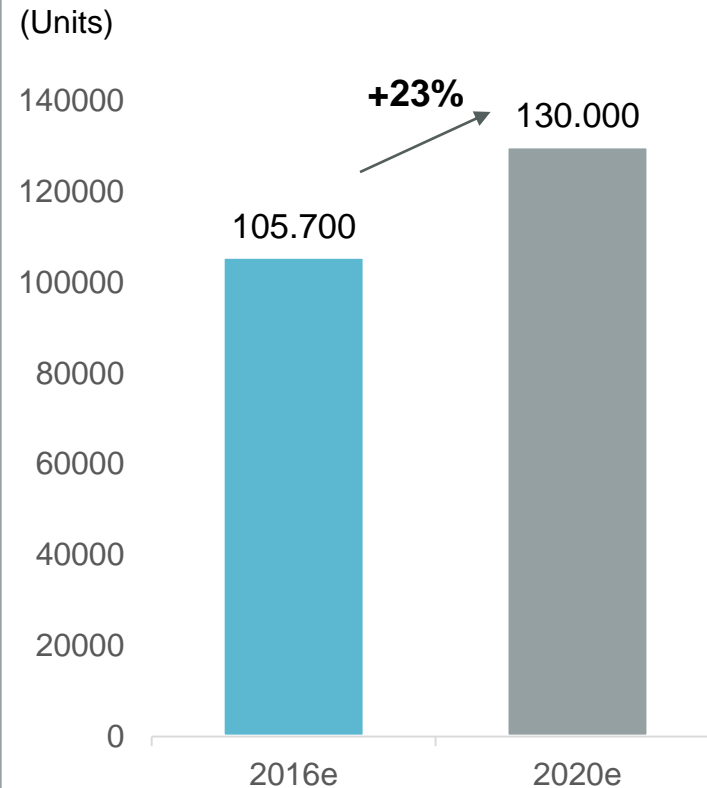
## North America biggest market for skid steer loaders (SSL)

Units-Split 2016e

(Global market 2016: 105.700)



Forecast 2016e – 2020e



- Globally, the North American markets accounts roughly for ~70% of the global units sold (2016e: 74,000 units)
- The global market will grow and reach 130,000 units in 2020
- The North American skid steer market is expected to reach 91,000 units by 2020.





## Cooperation between Randon and Wacker Neuson in Latin America

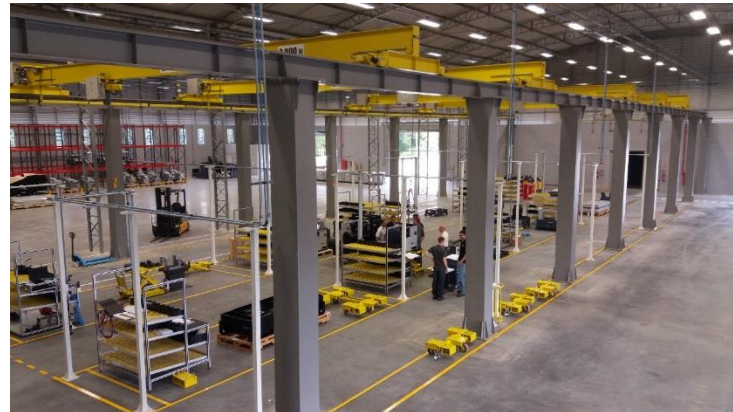


- Wacker Neuson launched two backhoe loader models (both 6 to 7 tons operating weight)
- Specifically developed to fit the needs of the Latin American market
- Manufacturing of backhoe loaders in Randon's factory located in Caxias do Sul, Brazil
- Wacker Neuson realizes the commercialization and sales via its dealer network
- Focusing on Latin America





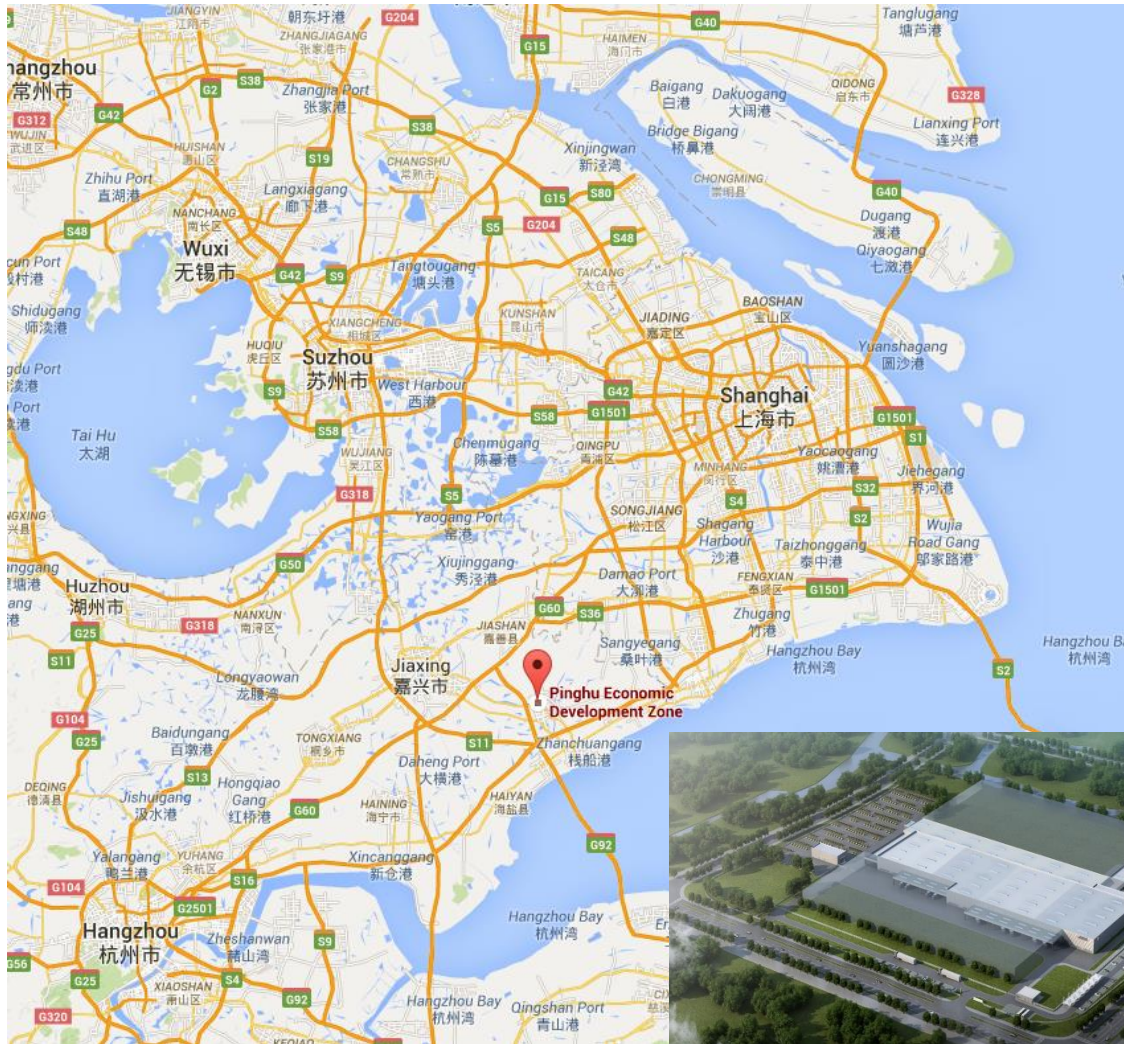
## New production of mobile generators in Brazil



- Located in Itatiba, São Paulo, Brazil
  - Building on local/regional presence, target market: Latin America
  - Products tailored to local market's need, engineering and production “in the region – for the region”
  - Generator production (models: 50-70 kilovolt-amps) successfully launched in April 2016
  - Additional models on the way (expanding to 150 kilovolt-amps)
  - Use of established sales and distribution network in Latin America
- Wacker Neuson is well prepared for pick-up of demand for mobile generators in Latin America



# New plant in China



- Located in Pinghu, 30 km from Shanghai city border
- Building on local/regional presence → demand for repair and maintenance work on infrastructure is growing, especially in megacities
- Starting with the production of compact excavators for local market, more products might follow
- Plot of 200,000qm, 33,000 qm for modern production hall, offices and logistics spaces, geothermal energy and solar panel systems
- Start of production: 2018

→ Growing strategic importance of China and Asia Pacific for Wacker Neuson







## Actual view on construction site of new plant in Pinghu



May 2017



## Confirmation of forecast for 2017

Financials Forecast 2017e			
	2016	FYe 2017 <sup>1</sup>	Mid term
Revenue EUR bn	1.36	1.40 – 1.45	>2.0
EBIT margin % (operational)	6.5	7.5 – 8.5 <sup>2</sup>	>9.0
Working Capital ratio %	42	<40	<40
CapEx EUR	107 m	120 m	Depending on growth
Free cash flow	29 m	better	better

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

<sup>2</sup> Excl. one-off earnings (by end of 2017) from a potential transaction of a real estate company held by the Group.



## Dividend proposal to AGM (May 30, 2017)

Dividend payouts			
	2014	2015	2016 <sup>1</sup>
Total payout (€ million)	35.07	35.07	35.07
<b>Payout ratio (as a %)</b>	<b>38.3</b>	<b>53.0</b>	<b>61.7</b>
Eligible shares (in m)	70.14	70.14	70.14
Dividend per share (in €)	0.50	0.50	<b>0.50</b>
Earnings per share (in €)	1.30	0.94	0.81
Dividend yield <sup>2</sup> (as a %)	2.9	3.5	3.2

<sup>1</sup> Proposal to AGM (May 30, 2017)

<sup>2</sup> As of Dec. 31 of each year

- € 0.50 per share  
(payout of € 35.07m on May 31, 2017)
- Keeping level of last two years, ensuring dividend continuity despite a difficult period (2015/2016)
- Confidence in the earnings potential and in the success of corporate strategy; also reflects optimistic outlook for 2017 and following years





## Financial calendar and IR contact

### Financial Calendar

May 30, 2017	AGM, Munich
June 13, 2017	Roadshow, Frankfurt
June 29, 2017	Roadshow, Paris
August 8, 2017	Publication of half-year report 2017; Analyst Conference Call
November 9, 2017	Publication of nine-month report 2017; Analyst Conference Call
	Numerous international trade fairs, roadshows and conferences

### IR contact

**Investor Relations Department**  
Preussenstrasse 41, 80809 Munich, Germany  
Phone: +49-89-35402-713, Fax: +49-89-35402-298  
[ir@wackerneuson.com](mailto:ir@wackerneuson.com)



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