



Wacker Neuson Group – Q1/19 Conference Call

Martin Lehner (CEO), Wilfried Trepels (CFO)
May 7, 2019

Overview

01

Financials

02

Outlook

03

Q1/19	
Revenue yoy	EBIT yoy
+17%	+31%
(€ 435m)	(margin: 6.9%)
Op. CF	FCF
€ -116m	€ -143m
(Q1/18: € -41m)	(Q1/18: € -45m)

March 31, 2019		
NWC ratio ¹ : 45.8%	DIO ² : 179 days	Equity ratio: 57.7%
(+6.5PP yoy)	(+26 days yoy)	(-7.8PP yoy)

Overview

01

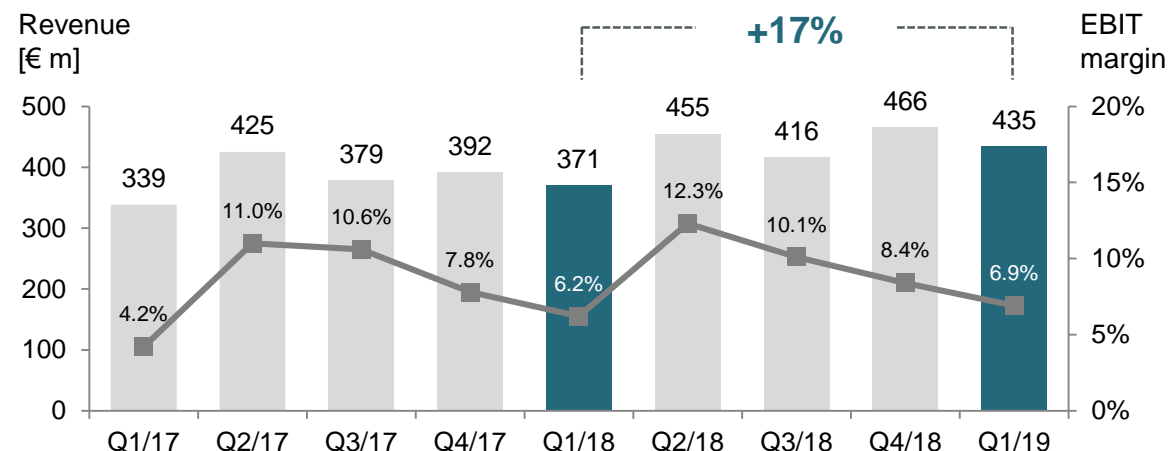
Financials

02

Outlook

03

Q1/19: Accelerated revenue growth continues from Q4/18



Income statement (excerpt)

€ million	Q1/19	Q1/18	Δ
Revenue	434.6	370.5	17.3%
Gross profit	110.9	96.2	15.3%
<i>as a % of revenue</i>	25.5%	26.0%	-0.5PP
SG&A incl. other income/expenses	-80.7	-73.2	10.2%
<i>as a % of revenue</i>	-18.6%	-19.8%	1.2PP
EBIT	30.2	23.0	31.3%
<i>as a % of revenue</i>	6.9%	6.2%	0.7PP
Profit for the period	20.8	14.6	42.5%
EPS (in €)	0.30	0.21	42.9%

Q1/19: Comments

Revenue +17.3% yoy (adj. for FX effects: +15.6%)

- Double-digit growth in all reporting regions
- Compact equipment for the agricultural sector grew at a significantly higher-than-average rate (+42% yoy)

Gross profit +15.3% yoy (gross profit margin -0.5PP)

- Restructuring at the plant in Wisconsin, USA, continued as planned
- Increased costs in production and logistics caused by changes in the product mix, additional shifts required to manage increased production volumes and handle unfinished machines

EBIT +31.3% yoy (EBIT margin: +0.7PP)

- Operating costs increased at a disproportionately low rate despite a moderate increase in headcount, wage increases and costs for Bauma trade show
- Operating costs as a share of revenue fell by 1.2PP on the prior year

Earnings per share +42.9% yoy

- The financial result was EUR 2.1m up on the previous year: Positive FX effects (EUR +2.9m yoy) in particular due to the appreciation of currencies in several emerging economies; interest income slightly below prior year (EUR -0.8m yoy), mostly due to the initial application of IFRS 16
- The tax rate increased slightly to 30.4% (Q1/18: 29.1%)

Business development by region and business segment



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Q1/19: Double-digit growth in all regions

	Revenue [€ m]	share	yoy	EBIT ¹
Europe	316.7	73%	+18%	46.1
Americas	104.5	24%	+14%	2.5
Asia-Pacific	13.4	3%	+22%	-1.7
Total Q1/19	434.6	100%	+17%	30.2

Q1/19: Compact equipment driving growth

	Revenue [€ m] ²	share	yoy
Light equipment	109.8	25%	+6%
Compact equipment	245.8	56%	+25%
Services	82.3	19%	+12%
Total Q1/19	434.6	100%	+17%

Q1/19: Comments

Revenue Europe +18.3% yoy (adj. for FX effects: +18.4%)

- Strong demand for compact and light equipment in all regions
- Rapid growth in the UK (significant gains with dumpers and excavators), above-average growth in France, Poland and Austria with increased market shares
- Revenue generated with Weidemann- and Kramer-brand compact equipment for the agricultural sector +42% yoy

Revenue Americas +14.0% yoy (adj. for FX effects: +6.7%)

- Worksite technology (especially generators and light towers) and compact equipment were key growth drivers
- Growth dampened by pre-buy effects in Q4/18 related to changes in emissions legislation in Canada
- Positive developments in South America, uncertainties remain
- Earnings bolstered by improved currency situation, restructuring in the US continued as planned

Revenue Asia-Pacific +21.8% yoy (adj. for FX effects: +20.9%)

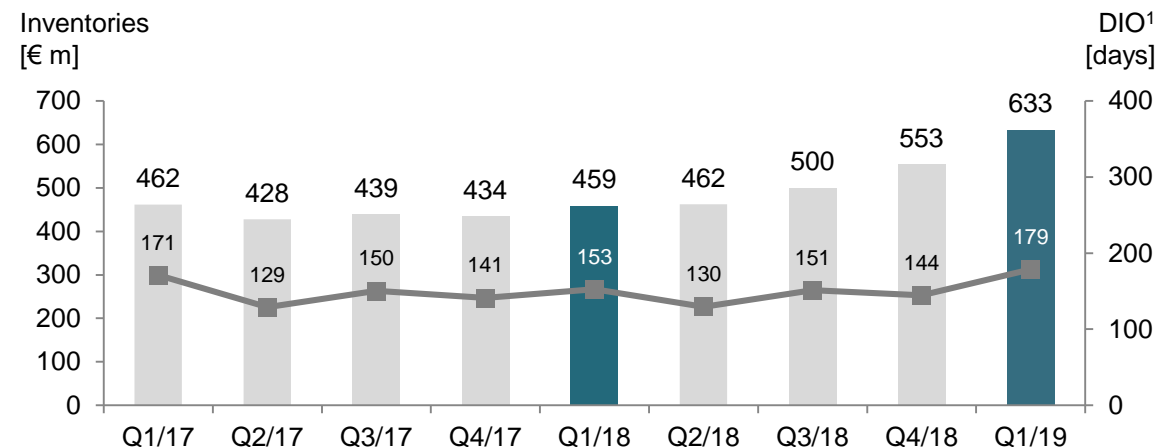
- Production in China ramped up on schedule, positive development with light equipment and excavators
- First mini and compact excavators delivered to John Deere

Rise in inventories and receivables drive up net working capital

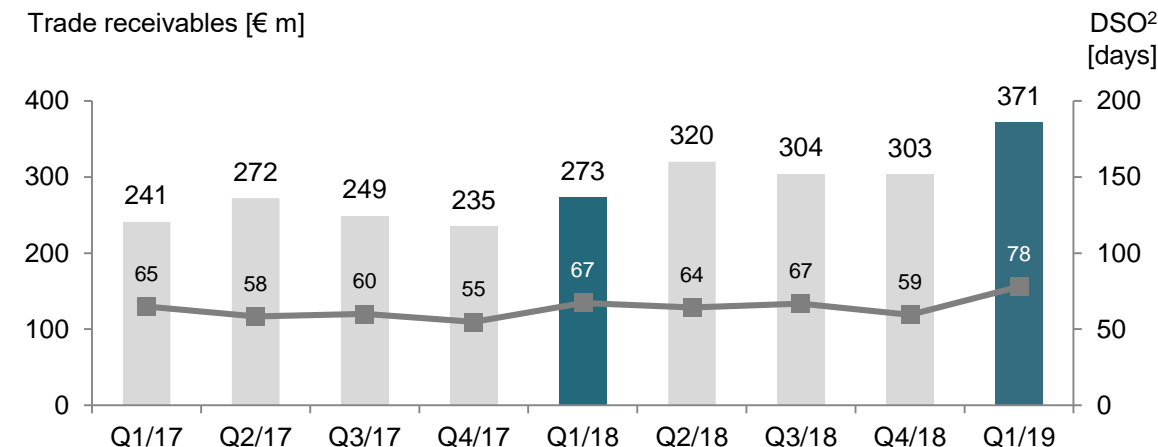


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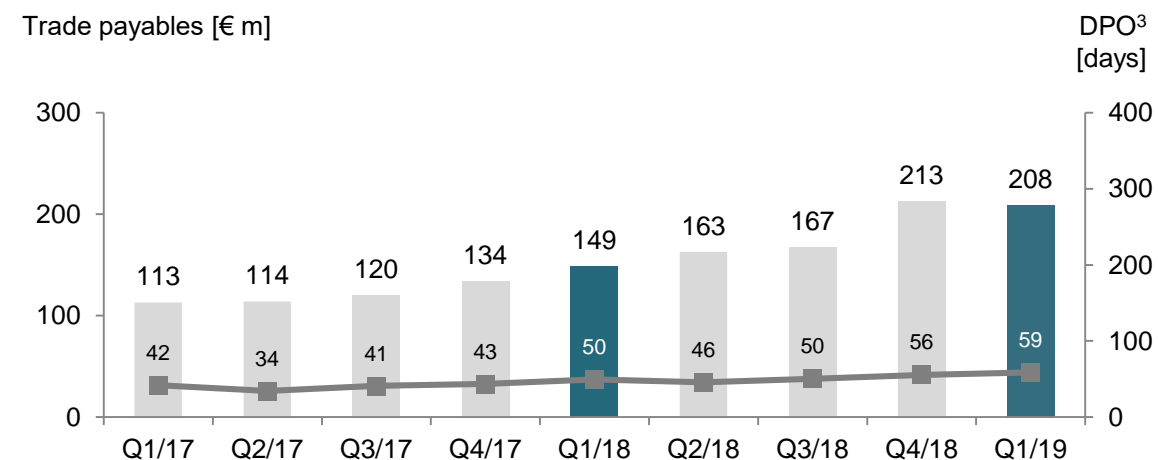
Inventories



Trade receivables



Trade payables



Comment

- Seasonal rise in inventories, further increase in pre-buy engines
- Rise in trade receivables due to the increased volume of business and expansion of the dealer network in North America
- Rise in trade payables due to the increased volume of business and an increase in inventory compared with the prior-year quarter.



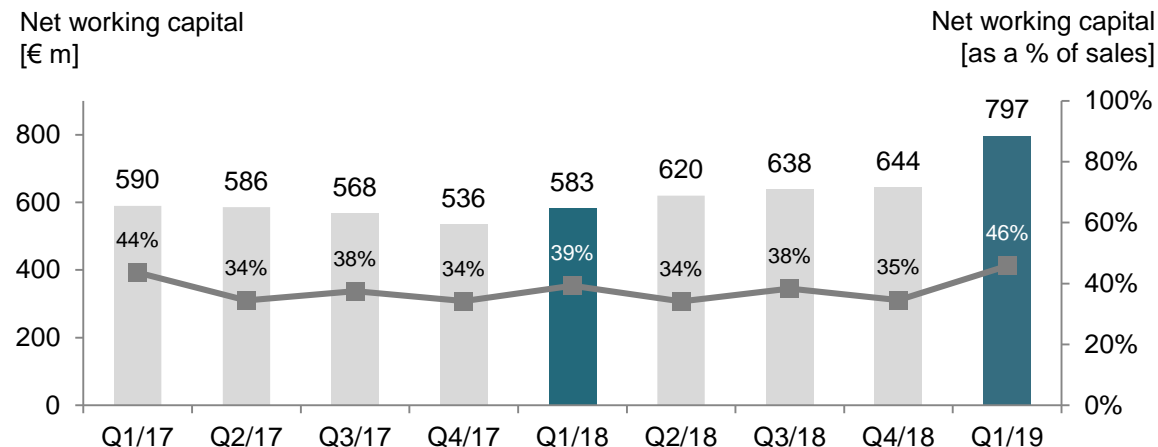
Significant, temporary rise in net working capital (see the following slide)

Cash flow impacted by a rise in net working capital



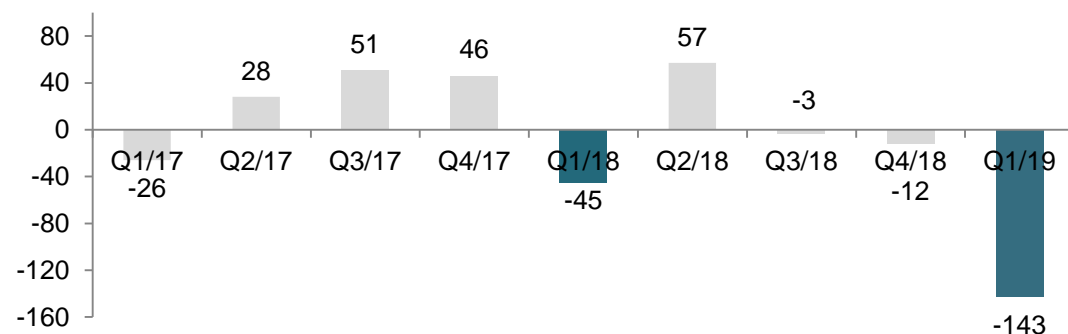
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Net working capital



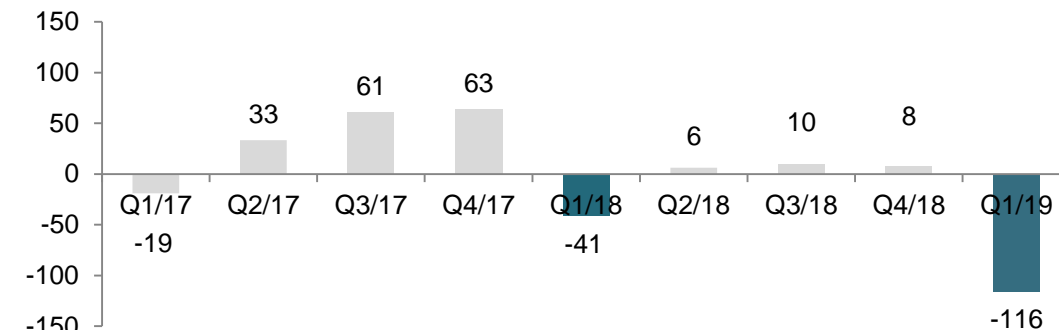
Free cash flow

Free cash flow
[€ m]



Cash flow from operating activities

Cash flow from operating activities
[€ m]



Comment

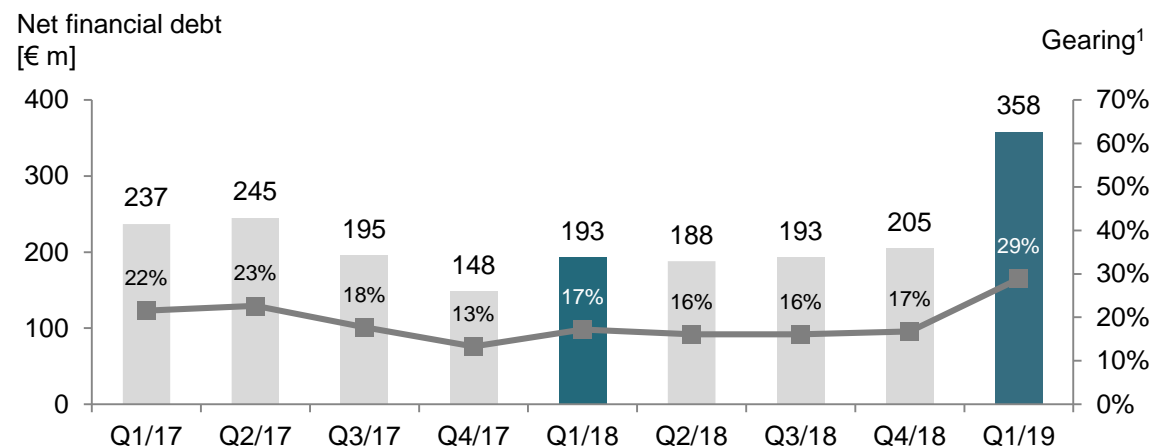
- Increase in net working capital due to a temporary rise in inventory and increased trade receivables (see previous slide)
 - Financing programs used to establish a network of anchor dealers in North America (rise in other assets)
 - Increased investments in growth
- ➔ Major yet temporary impact on free cash flow, normalization of inventory levels and reduction in trade receivables expected over the coming months

Increased gearing in balance sheet

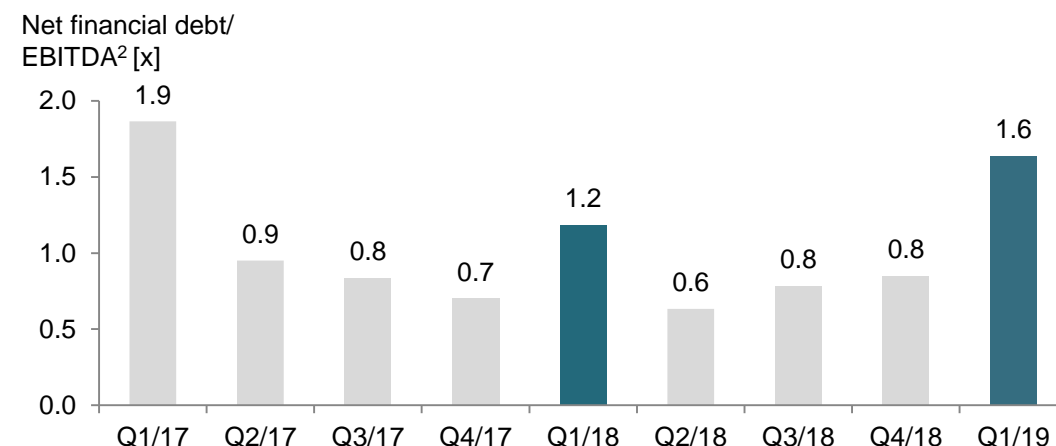


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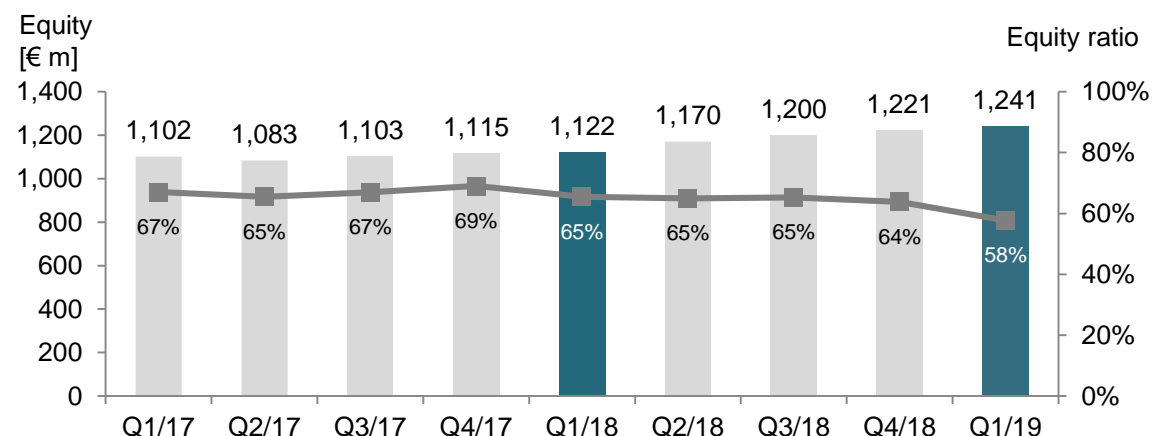
Net financial debt and gearing¹



Net financial debt/EBITDA²



Equity and equity ratio



Comment

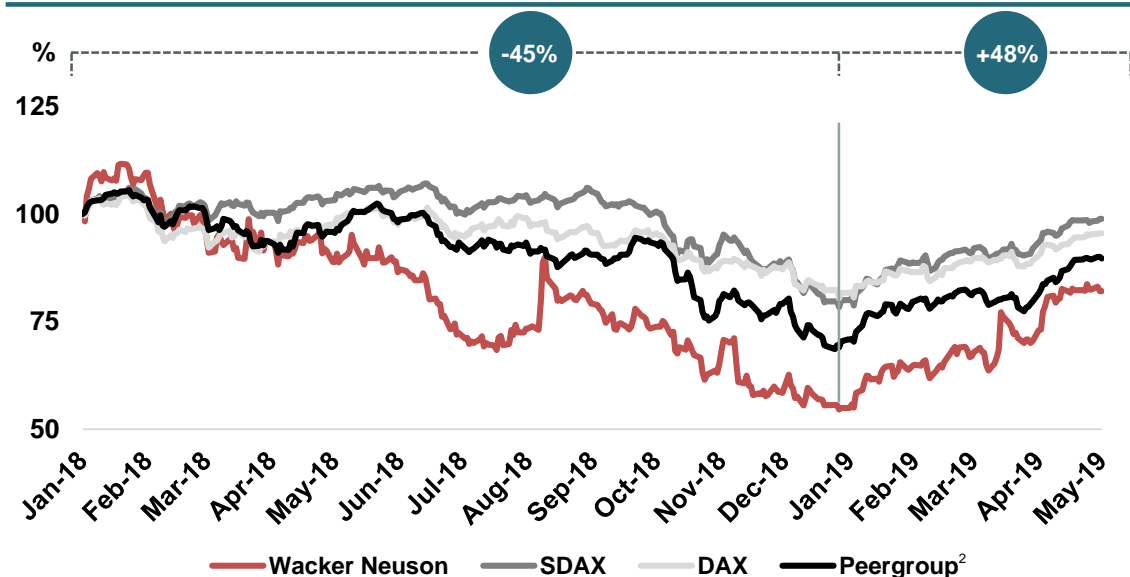
- Temporary reduction in equity ratio due to increased debt and a structural reduction of around 2PP due to the first-time application of IFRS 16
- Marked rise in net financial debt, gearing¹ increased to 29%
- May 2019: Promissory note (Schuldschein) successfully issued with attractive interest rates and terms of five and seven years to secure long-term funding for the Group's accelerated growth

Share Development

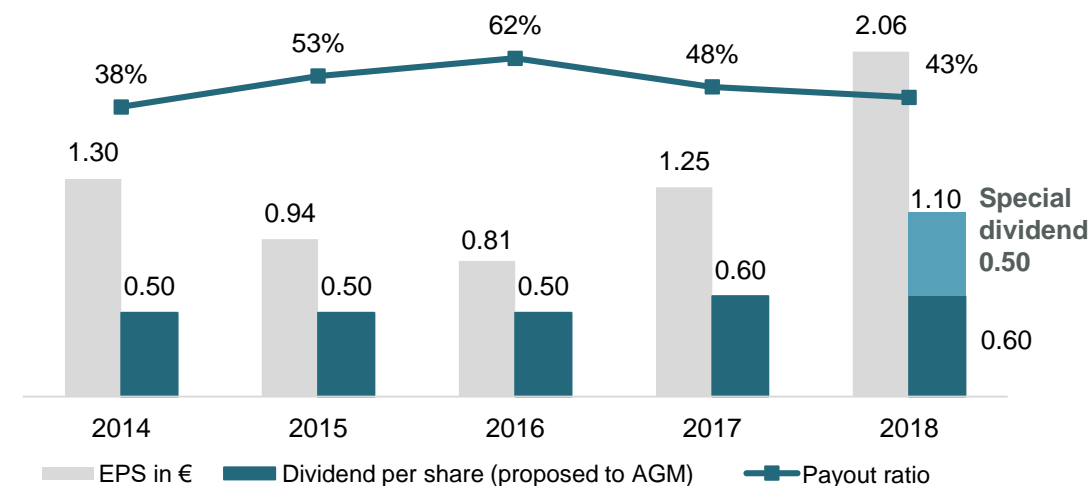


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The share in 2018/19¹



Special dividend proposed to AGM



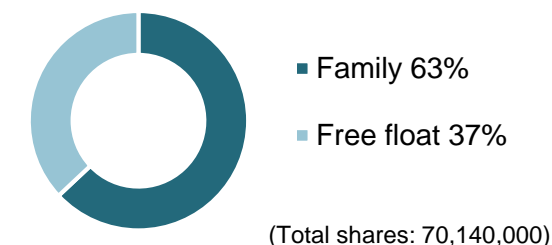
Key figures per share

in €	Q1/19	Q1/18
Earnings per share	0.30	0.21
Book value per share	17.69	16.00
Share price end of period	21.20	28.14
Market capitalization (€ m)	1,487.0	1,973.7

Coverage³

Bank	TP (€)	Recom.	Date
Hauck & Aufhäuser	36.50	Buy	Apr 29, 2019
Berenberg	27.00	Buy	Jan 20, 2019
Warburg	28.00	Buy	Apr 10, 2019
MainFirst	28.00	Buy	Apr 23, 2018
Commerzbank	25.80	Hold	Apr 29, 2019
Metzler	25.00	Buy	Mar 14, 2019
Bankhaus Lampe	23.00	Buy	May 03, 2019
Pareto	21.30	Hold	Apr 10, 2019
Kepler Cheuvreux	21.00	Hold	Mar 19, 2019

Shareholder structure



Overview

01

Financials

02

Outlook

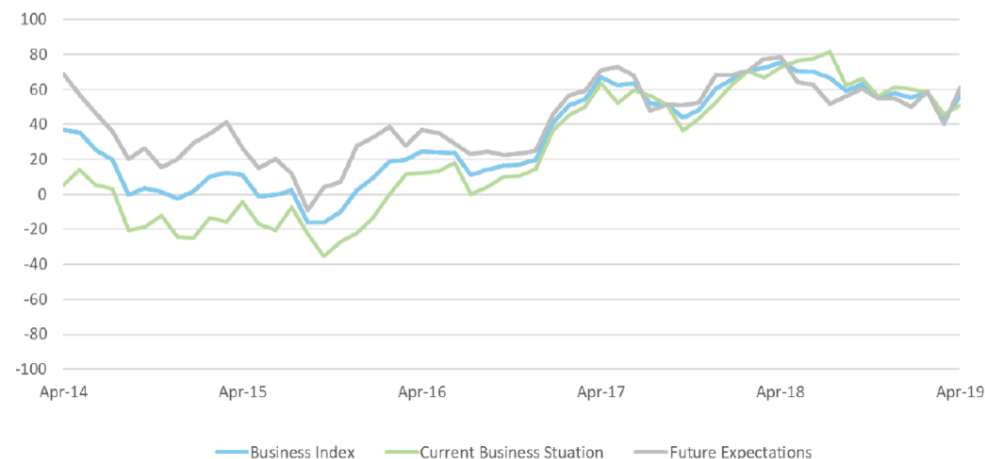
03

Outlook for 2019

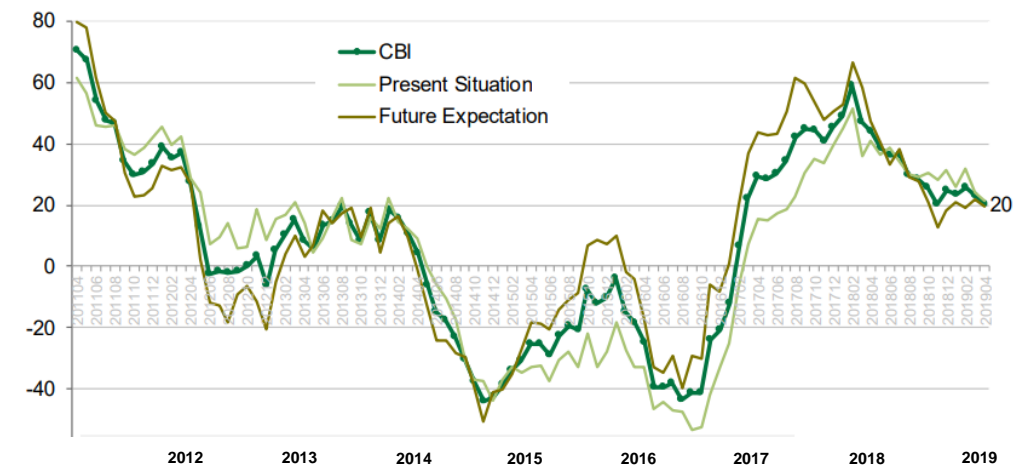


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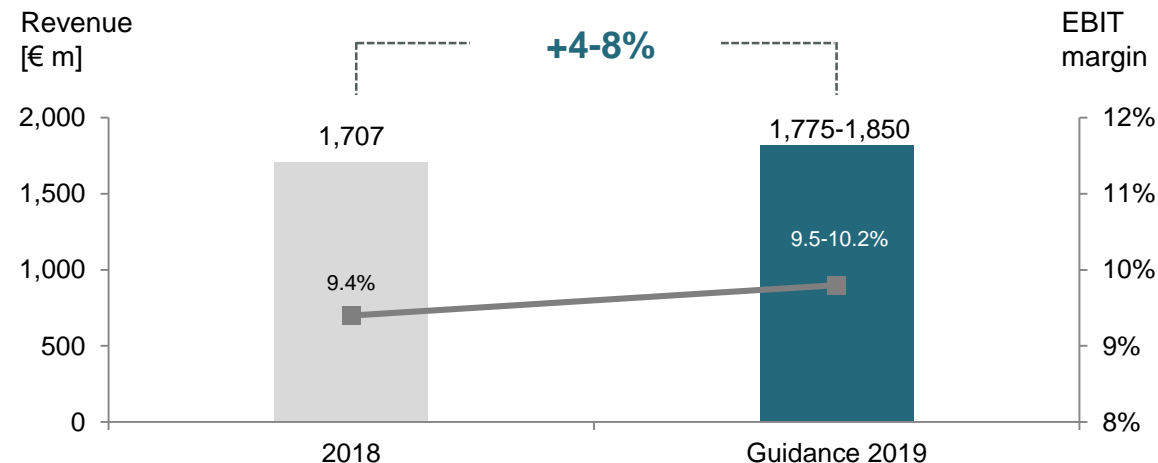
Business index for construction industry at a high level



Business index for agricultural industry subdued



Revenue and earnings guidance for 2019 confirmed



Comments

- CECE business index at a high level, slight decrease in order intake in April; expectations in the agricultural sector have cooled slightly according to CEMA, high inventory levels among dealers
- IMF lowered its economic outlook once again in April, macroeconomic uncertainties remain in place
- Situation in the supply chain has improved compared with 2018; however, the risk of delayed deliveries remains
- Revenue and earnings guidance for 2019 confirmed, with revenue expected in the upper half of the projected range
- Net working capital expressed as a percentage of revenue is expected to be slightly lower than the prior-year level



May 7, 2019	Publication of Q1 report 2019, analysts' & investors' conference call
May 14, 2019	Roadshow, Zurich
May 22, 2019	Berenberg USA Conference, New York
May 29, 2019	Annual General Meeting, Munich
June 12, 2019	Roadshow, London
June 13, 2019	Roadshow, Hamburg
July 1, 2019	Roadshow, Paris
August 6, 2019	Publication of half-year report 2019; analysts' & investors' conference call
November 7, 2019	Publication of Q3 report 2019; analysts' & investors' conference call

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Contact

Wacker Neuson SE

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

ir@wackerneuson.com

www.wackerneusongroup.com