



Wacker Neuson Group – H1/19 Conference Call

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August 6, 2019



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Q2/19	
Revenue yoy	EBIT yoy
+14% (€ 516m)	-3% (margin: 10.5%)
Op. CF	FCF
€ -29m (Q2/18: € 6m)	€ -43m (Q2/18: € 57m)

H1/19	
Revenue yoy	EBIT yoy
+15% (€ 951m)	+7% (margin: 8.9%)
Op. CF	FCF
€ -145m (H1/18: € -35m)	€ -186m (H1/18: € 12m)

June 30, 2019

NWC¹ ratio: 41.6%

(+7.5 PP yoy)

DIO²: 155 days

(+25 days yoy)

Equity ratio: 52.5%

(-12.5 PP yoy)



Overview

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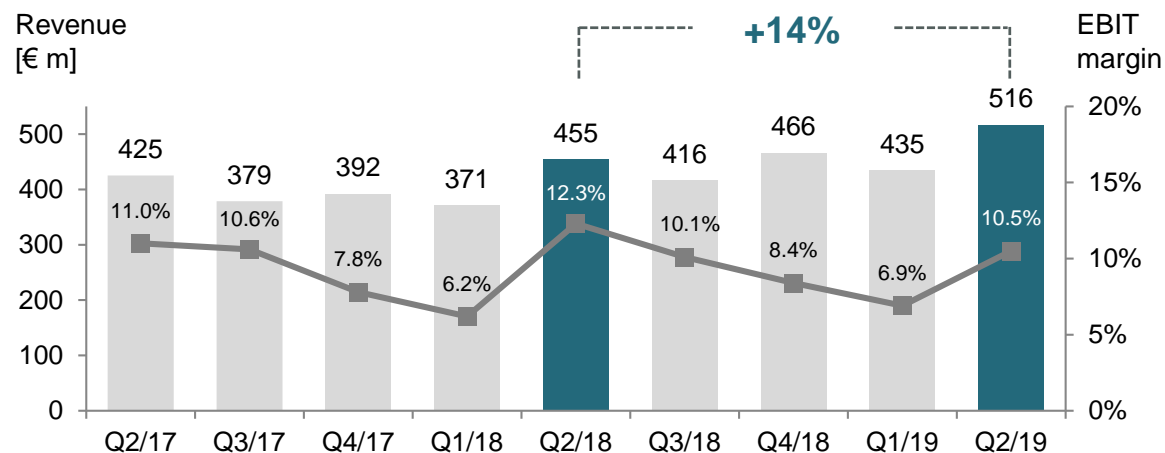
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Q2/19: Accelerated revenue growth continues



Income statement (excerpt)

€ m	Q2/19	Q2/18	H1/19	H1/18
Revenue	516.1	454.6	950.7	825.1
Gross Profit	136.0	128.9	246.9	225.1
<i>as a % of revenue</i>	26.4%	28.4%	26.0%	27.3%
SG&A incl. other income/expenses	-81.7	-73.2	-162.4	-146.4
<i>as a % of revenue</i>	-15.8%	-16.1%	-17.1%	-17.7%
EBIT	54.3	55.7	84.5	78.7
<i>as a % of revenue</i>	10.5%	12.3%	8.9%	9.5%
Financial result	-4.4	-2.9	-4.7	-5.3
Taxes on income	-16.3	-27.8	-25.4	-33.8
Profit for the period	33.6	79.8	54.4	94.4
EPS (in €)	0.48	1.14	0.78	1.35
Adj. EPS (in €)¹	0.48	0.48	0.78	0.69

Comments on H1/19

Revenue +15.2% yoy (adj. for FX effects: +13.7%)

- Growth across all reporting regions and segments
- Compact equipment for the agricultural sector grew at a significantly higher-than-average rate (+32% yoy)

Gross profit +9.7% yoy (gross profit margin -1.3PP)

- Increased costs in production and logistics (additional effort due to higher production and material volumes, handling and rework of unfinished machines, changes in product mix)
- Restructuring of US plant continued

EBIT +7.4% yoy (EBIT margin: -0.6PP)

- Operating costs increased at a disproportionately low rate despite a moderate increase in headcount, wage increases and costs for Bauma
- Operating costs as a share of revenue decreased by 0.6PP vs. H1/18

Adj. earnings per share¹ +13.0% yoy

- The financial result was EUR 0.6m up on the previous year: Positive FX effects (EUR +2.2m yoy), due e.g. to the appreciation of the USD and currencies in some emerging economies; interest income slightly below prior year (EUR -1.6m yoy), mostly due to the initial application of IFRS 16
- The tax rate increased to 31.8% (H1/18: 26.4%); the sale of a real-estate company had a positive impact on the tax rate in the previous year.

Business development by region and business segment



H1/19: Growth in all regions

	Revenue [€ m]	share	yoy	EBIT ¹
Europe	692.3	73%	+16%	104.0
Americas	229.5	24%	+14%	5.8
Asia-Pacific	28.9	3%	+20%	-1.1
Total H1/19	950.7	100%	+15%	84.5

H1/19: Compact equipment remains growth driver

	Revenue [€ m] ²	share	yoy
Light equipment	247.1	26%	+7%
Compact equipment	537.9	56%	+21%
Services	175.5	18%	+10%
Total H1/19	960.5	100%	+15%

Comments on H1/19

Revenue Europe +15.5% yoy (adj. for FX effects: +15.6%)

- Rapid growth in the UK (significant gains with dumpers and excavators), above-average growth in France, Poland, Germany, Austria, Italy and Spain, increased market shares in many product groups
- Revenue generated with Weidemann- and Kramer-brand compact equipment for the agricultural sector +32% yoy

Revenue Americas +13.7% yoy (adj. for FX effects: +7.2%)

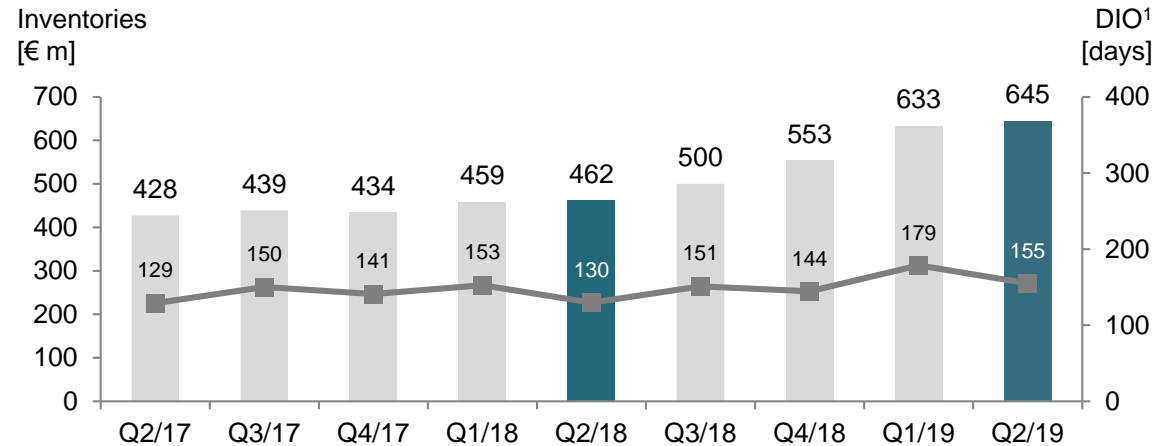
- Continued growth in the Group's business with anchor dealers
- Restrained demand in Canada, partially related to changes in emissions legislation, which had led to pre-buy effects in Q4/18
- Double-digit growth in South America, uncertainties remain
- Restructuring in the US continued as planned, Brazilian plant for generators was closed in H1

Revenue Asia-Pacific +19.9% yoy (adj. for FX effects: +19.5%)

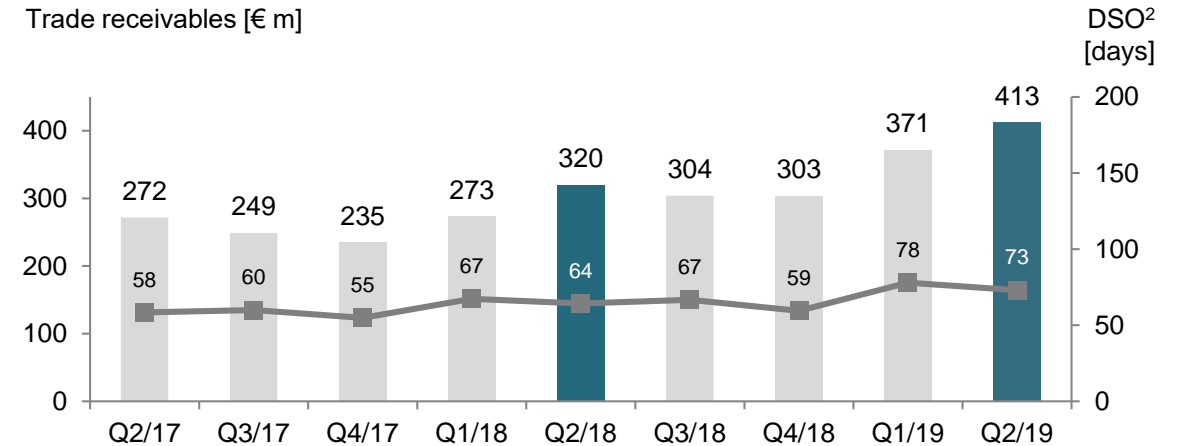
- Continued ramp up of production in China, strong growth especially with excavators, Australia below expectations
- First mini and compact excavators delivered to John Deere
- Increased price pressure in the Chinese mini excavator market

Rise in inventories and receivables drive up net working capital

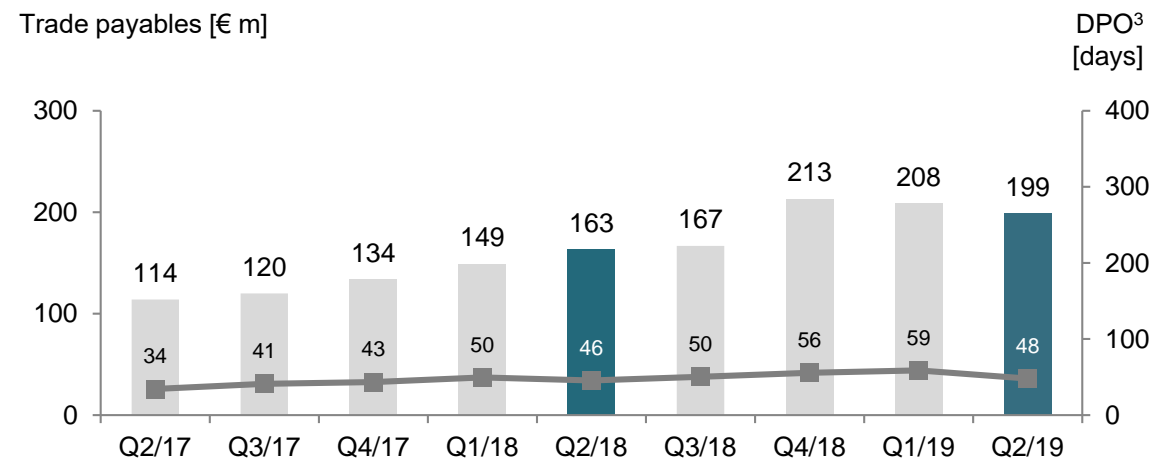
Inventories



Trade receivables



Trade payables



Comment

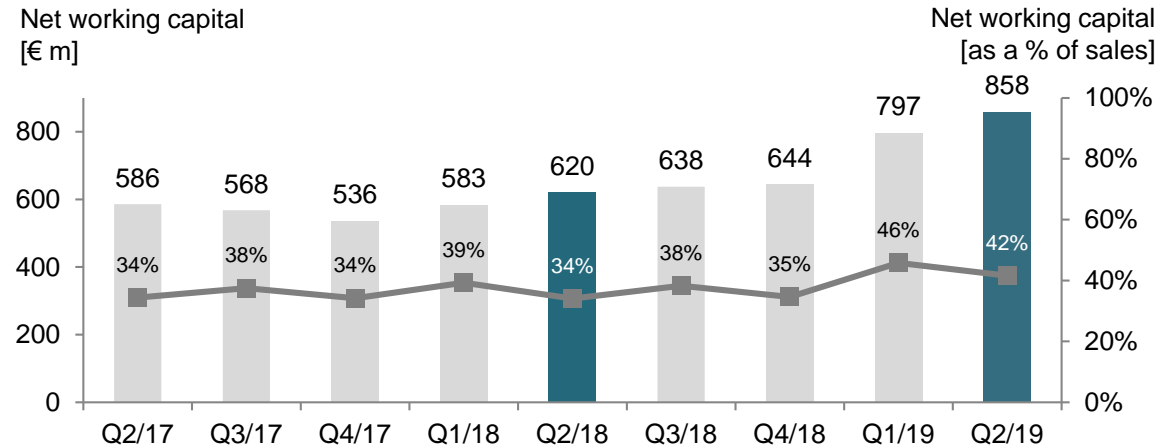
- High inventory levels, actions to reduce stocks have been taken (e.g. appropriate reduction of production output)
- Rise in trade receivables due to the increased volume of business and an unfavorable regional and customer mix (related to the expansion of the dealer network in North America)
- Rise in trade payables yoy due to the increased volume of business and an increase in inventory

➔ Significant, temporary rise in net working capital (see next slide)

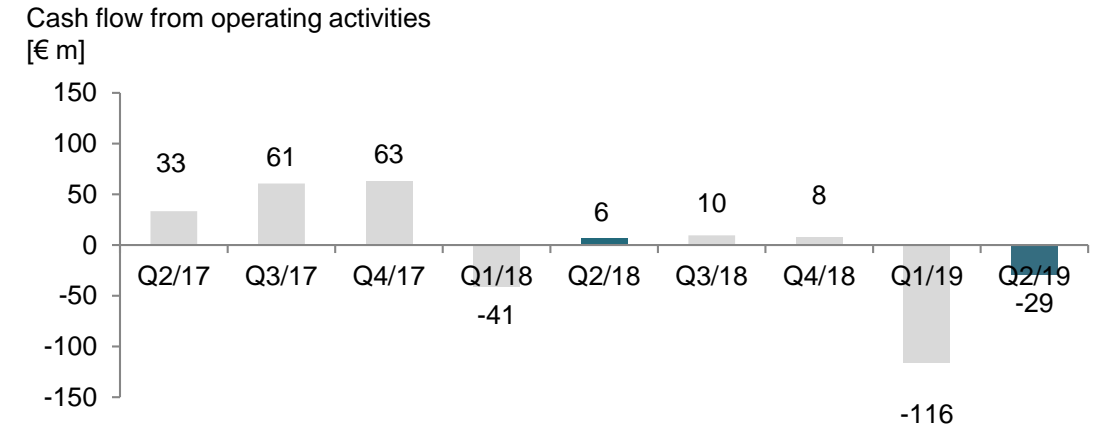
Cash flow impacted by a rise in net working capital



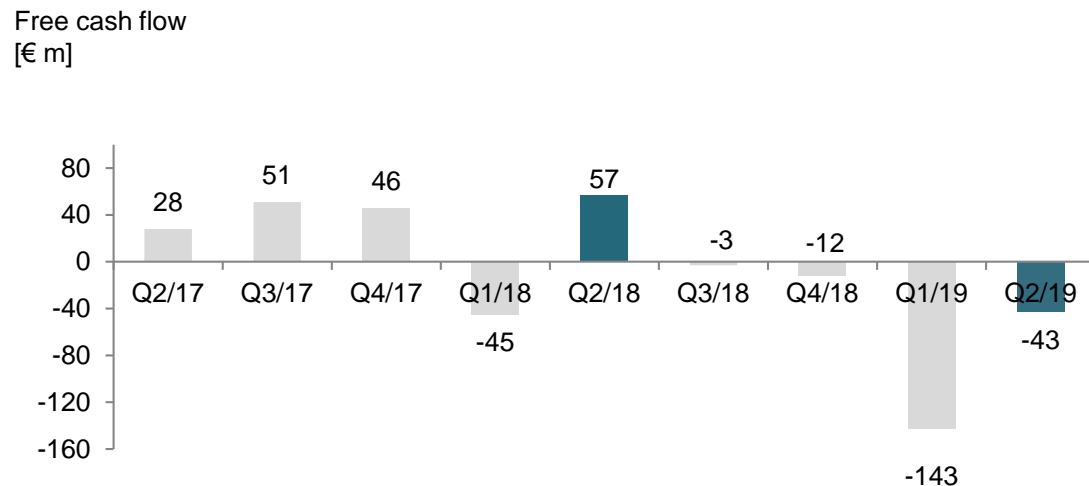
Net working capital



Cash flow from operating activities



Free cash flow



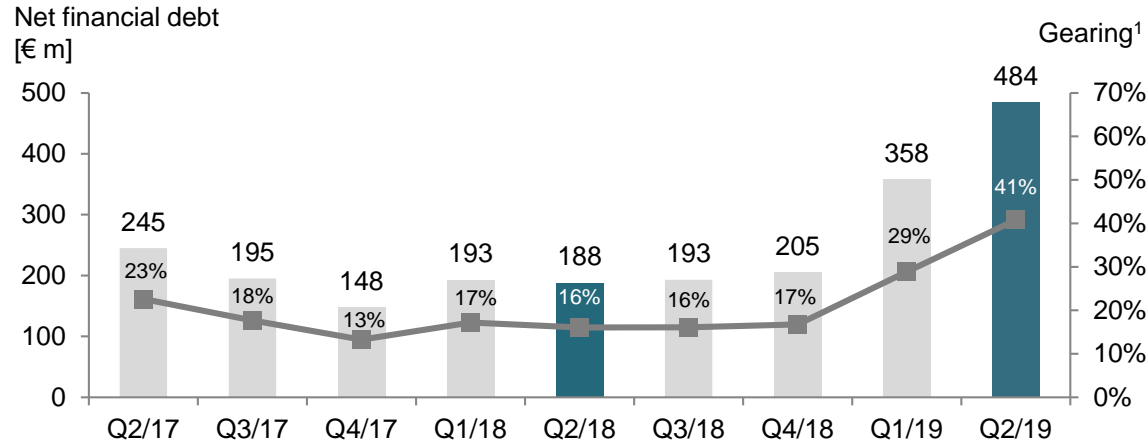
Comment

- Rise in net working capital due to high levels of inventory and trade receivables (see previous slide)
- CAPEX at EUR 42.5m (H1/18: EUR 27.3m), primarily attributable to expansion of production and logistics facilities
- Cash flow from operating activities and free cash flow significantly below prior-year levels
- Cash flow from financing activities at EUR 193.2m (H1/18: EUR 20.4m), placement of a promissory note of EUR 150m, increase in short-term bank loans (see next slide)

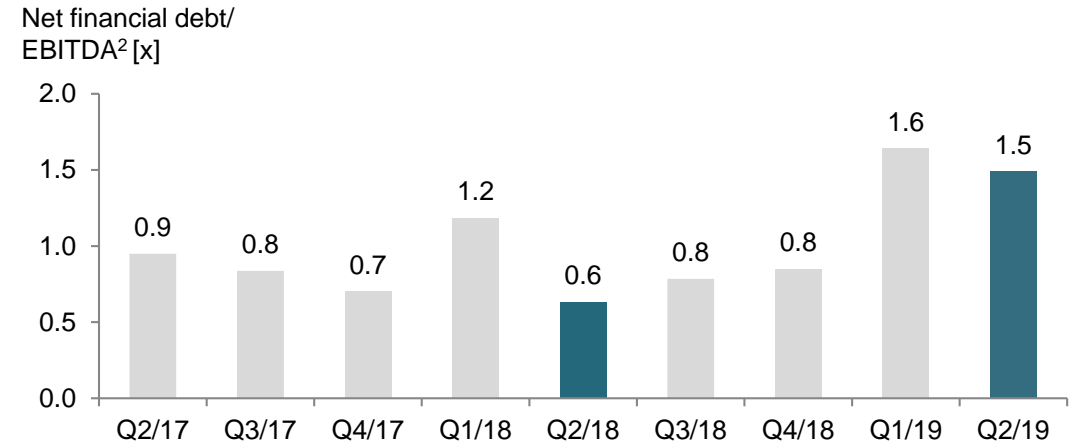
Marked rise in net financial debt



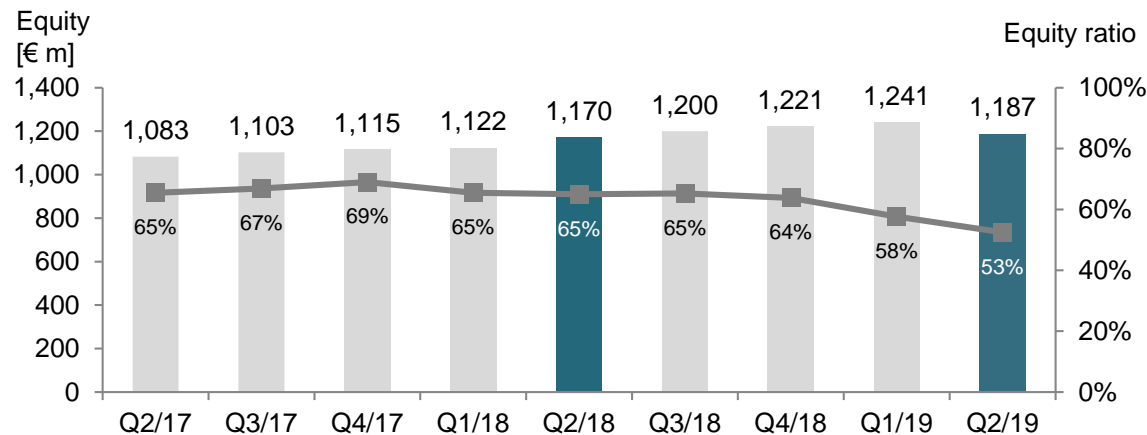
Net financial debt and gearing



Net financial debt/EBITDA



Equity and equity ratio



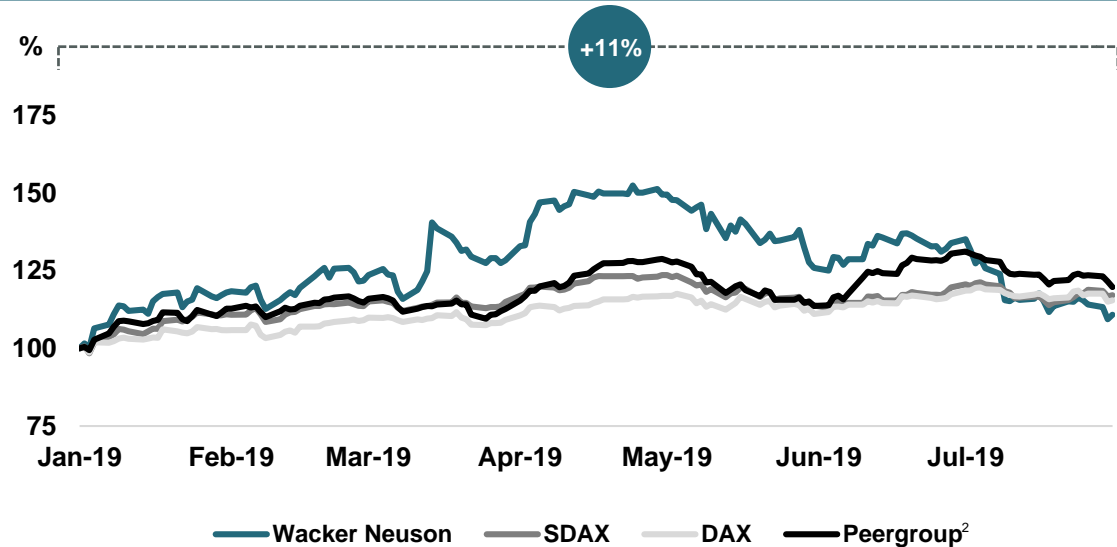
Comment

- Increase in both long- and short-term liabilities
- 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
- Marked rise in net financial debt, gearing¹ at 41%
- Equity ratio at 53% significantly below average for previous quarters

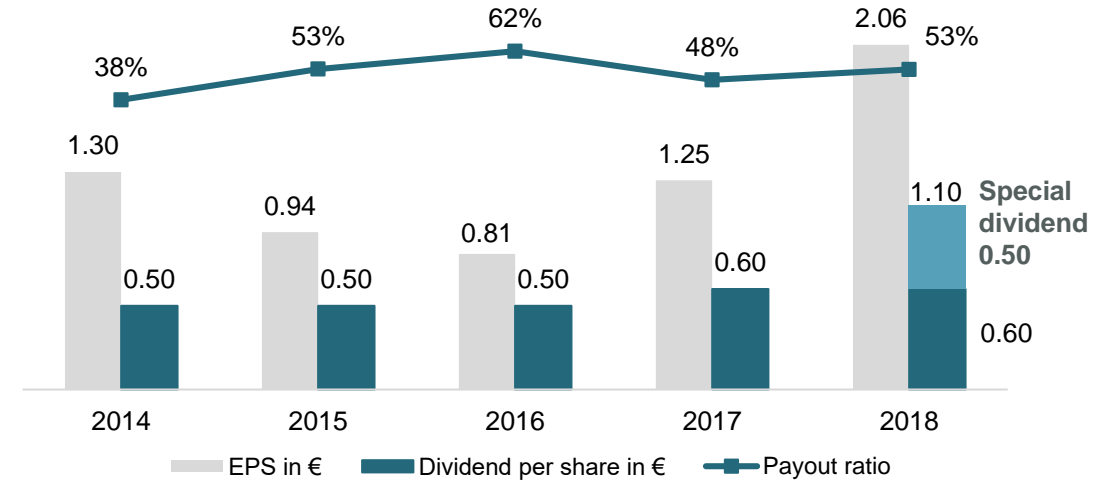
Share Development



The share in 2019¹



Dividend payout



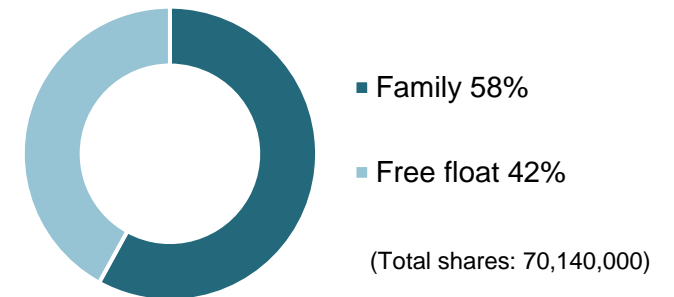
Key figures per share

in €	H1/19	H1/18
Earnings per share	0.78	1.35
Book value per share	16.93	16.69
Share price end of period	22.12	21.76
Market capitalization (€ m)	1,551.5	1,526.2

Coverage³

Bank	TP (€)	Recom.	Date
Hauck & Aufhäuser	36.50	Buy	July 11, 2019
Warburg	28.80	Buy	June 17, 2019
MainFirst	28.00	Outperform	Aug 02, 2019
Metzler	27.00	Buy	July 04, 2019
Berenberg	27.00	Buy	Jan 20, 2019
Bankhaus Lampe	24.00	Buy	July 11, 2019
Commerzbank	23.00	Hold	July 24, 2019
Kepler Cheuvreux	20.00	Hold	July 09, 2019

Shareholder structure





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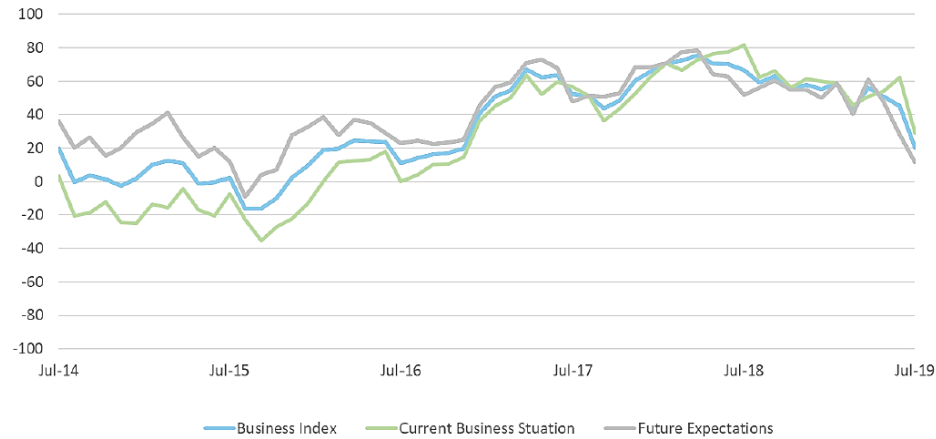
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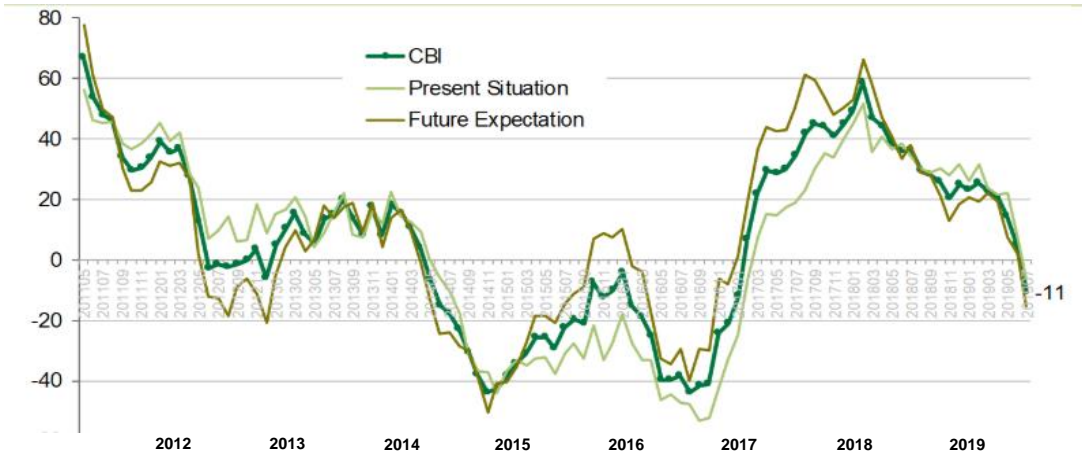
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Business index for European construction industry subdued



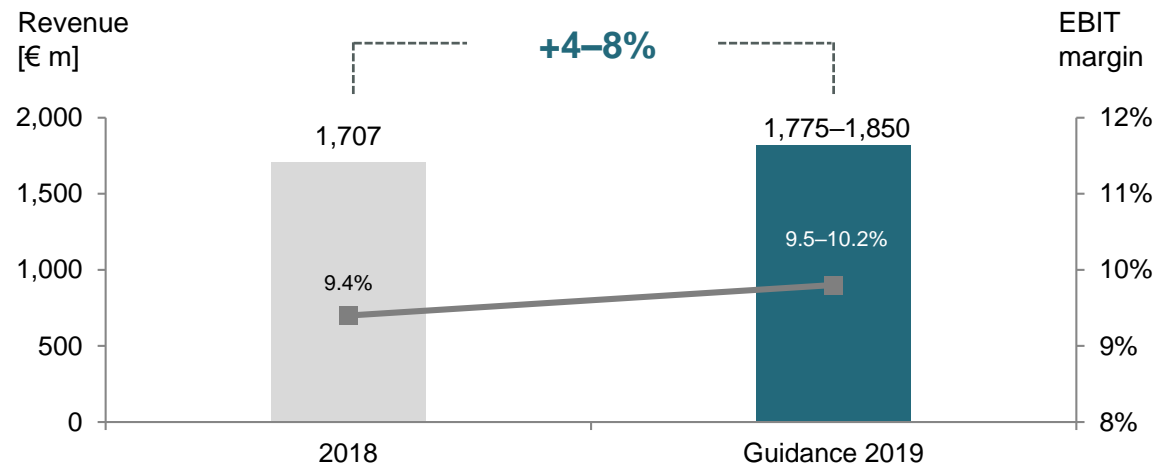
Source: CECE, July 2019

Business index for European ag industry decreases further



Source: CEMA, July 2019

Revenue and earnings guidance for 2019 confirmed



Comments

- Geopolitical risks and uncertainties regarding Brexit continue to have a negative impact on the global economic climate. Many institutions have revised their forecasts (e.g. IMF, World Bank)
- CECE and CEMA see weakening market environment in European construction and ag industry
- Order books continue to be at a high level thanks to strong demand from the construction industry in particular
- 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 higher than the prior-year level (previous guidance: “slightly lower”)



August 6, 2019	Publication of half-year report 2019; analysts' & investors' conference call
August 28, 2019	Commerzbank Sector Conference, Frankfurt
September 24, 2019	Berenberg/Goldman Sachs German Corporate Conference, Munich
November 7, 2019	Publication of Q3 report 2019; analysts' & investors' conference call
	Numerous other roadshows and conferences

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