Wacker Neuson Group – Q3/19 Conference Call

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

Agenda

Overview	01
Financials	02
Outlook	03

Key figures

Q3/19

Revenue yoy	EBIT yoy
+12%	**-4%**
(€ 467 m)	(margin: 8.6%)

Op. CF	FCF
€ 2 m	**€ -17 m**
(Q3/18: € 10 m)	(Q3/18: € -3 m)

9M/19

Revenue yoy	EBIT yoy
+14%	**+4%**
(€ 1,418 m)	(margin: 8.8%)

Op. CF	FCF
€ -143 m	**€ -203 m**
(9M/18: € -26 m)	(9M/18: € 9 m)

September 30, 2019

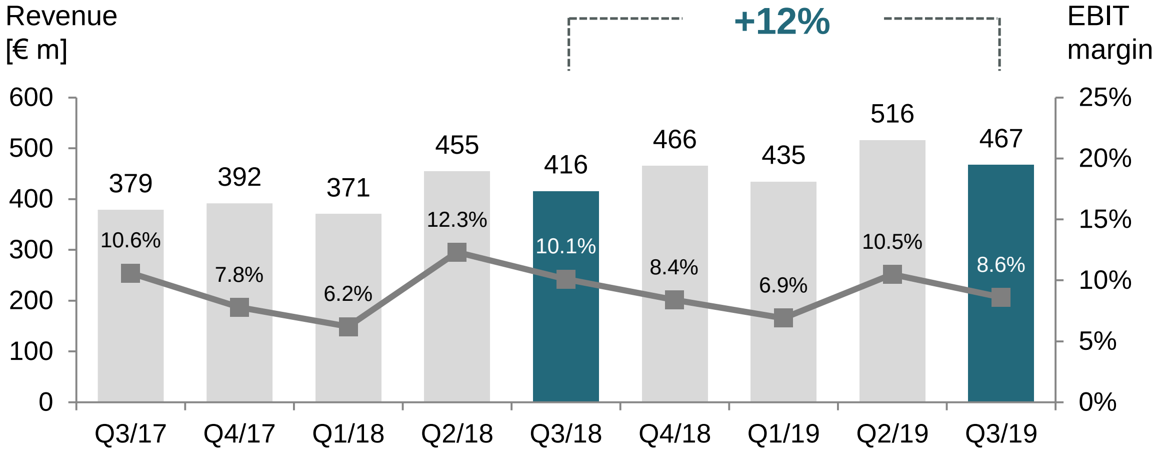
NWC ratio[1]: 48.1%	DIO[2]: 173 days	Equity ratio: 54.0%
(+9.8 PP yoy)	(+22 days yoy)	(-11.3 PP yoy)

[1] Net working capital/annualized revenue for the quarter.
[2] Days inventory outstanding: (inventory/annualized cost of sales for the quarter)*365.

Agenda

Revenue and earnings

Q3/19: Revenue remains on growth path



Income statement (condensed)

€ m	Q3/19	Q3/18	9M/19	9M/18
Revenue	467.2	415.8	1,417.9	1,240.9
Gross profit	117.9	113.9	364.8	339.0
as a % of revenue	*25.2%*	*27.4%*	*25.7%*	*27.3%*
SG&A incl. other income/expenses	-77.7	-72.1	-240.1	-218.6
as a % of revenue	*-16.6%*	*-17.3%*	*-16.9%*	*-17.6%*
EBIT	40.2	41.8	124.7	120.4
as a % of revenue	*8.6%*	*10.1%*	*8.8%*	*9.7%*
Financial result	-4.2	-2.6	-8.9	-7.9
Taxes on income	-10.3	-11.5	-35.7	-45.3
Profit for the period[1]	25.7	27.7	80.1	122.0
EPS (in €)	0.37	0.39	1.14	1.74
Adj. EPS (in €)[2]	0.37	0.39	1.14	1.09

Q3/19: Comments

Revenue +12.4% yoy (adj. for FX effects: +11.1%)

- Strong growth in all reporting regions
- Sustained above-average growth for compact equipment targeted at the agricultural sector (+23% yoy)

Gross profit +3.5% yoy (gross profit margin -2.2 PP)

- Cutbacks in production programs resulted in overcapacity, which impacted productivity at production plants
- Increase in profitability in the US could not be realized within the planned timeline
- Unfavorable product and customer mix for new equipment sales

EBIT -3.8% yoy (EBIT margin: -1.5 PP)

- Operating costs increased below average; their share of revenue decreased by 0.7 PP yoy
- Decrease in gross profit margin could not be compensated for

Earnings per share -5.1% yoy

- Financial result € 1.6 m down on prior year: Attributable to a rise in interest expenses caused by an increase in gearing and the initial application of IFRS 16
- Tax rate decreased slightly yoy to 28.6% (Q3/18: 29.3%)

[1] The 9M/2018 period includes an extraordinary earnings contribution of € 45.8 m after tax from the sale of a real estate company belonging to the Group. [2] Adjusted to discount the extraordinary earnings contribution.

Business development by region and business segment

Wacker Neuson Group

Q3/19: Double-digit growth in all regions

	Revenue [€ m]	share	yoy	EBIT[1]
Europe	337.6	72%	+10%	36.0
Americas	114.9	25%	+18%	-1.9
Asia-Pacific	14.7	3%	+32%	-1.3
Total Q3/19	467.2	100%	+12%	40.2

Q3/19: Above-average growth with light equipment

	Revenue [€ m][2]	share	yoy
Light equipment	127.1	27%	+17%
Compact equipment	248.5	53%	+13%
Services	96.9	21%	+6%
Total Q3/19	467.2	100%	+12%

Q3/19: Comments

Revenue Europe +10.0% yoy (adj. for FX effects: +9.9%)

- Continued above-average growth in England, France, Germany, Austria, the Czech Republic, Spain and Italy
- Gains in particular with dumpers, wheel loaders, telescopic handlers and compaction technology
- Revenue generated with Weidemann- and Kramer-branded compact equipment for the agricultural sector +23% yoy
- EBIT[1] was clearly lower than the prior year at € 36.0 m (Q3/18: € 47.9 m) due to, among other things, a drop in productivity; positive effect through consolidation

Revenue Americas +17.6% yoy (adj. for FX effects: +12.7%)

- Continued strong growth in worksite technology, esp. generators and light towers
- Significant gains with compact equipment imported from Europe
- EBIT[1] improved vs. PY (Q3/19: € -1.9 m; Q3/18: € -3.6 m); still affected by cutbacks in the production program and initial difficulties in rolling out new processes in the US

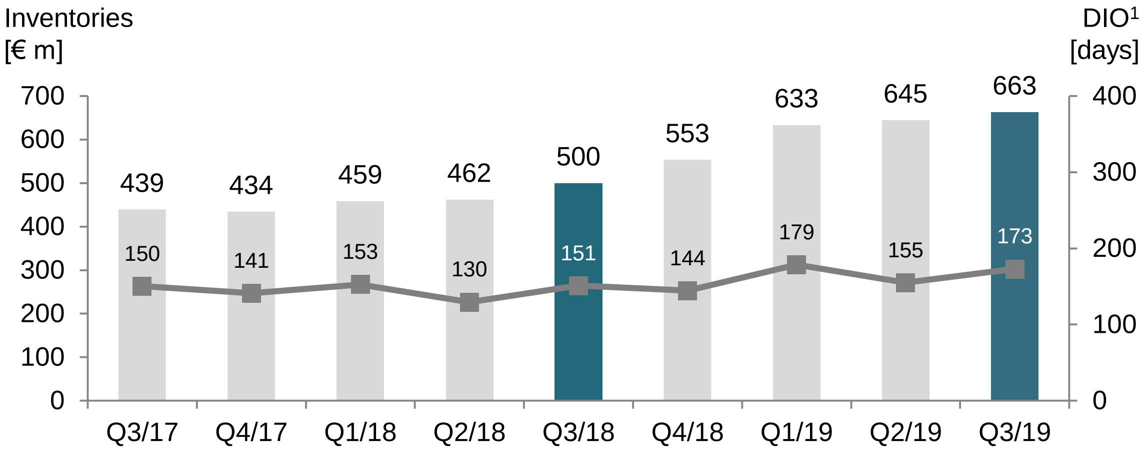
Revenue Asia-Pacific +32.4% yoy (adj. for FX effects: +32.4%)

- Despite the rise in revenue, earnings did not improve due to strong price pressure in China (among other things)
- Sale of equipment to OEM partner below planned figures due to difficult market dynamics in China

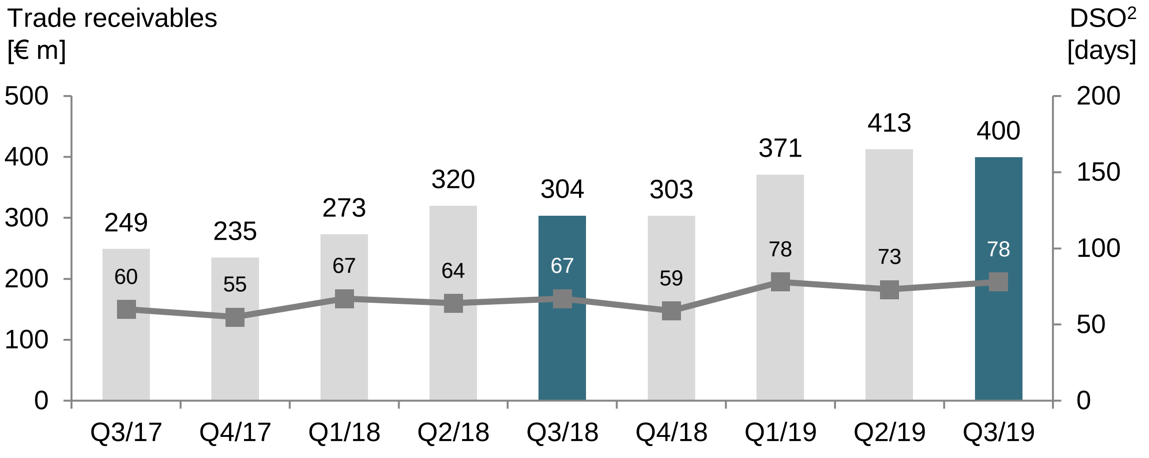
[1] EBIT for regions before consolidation.
[2] Revenue by business segment before cash discounts.

Inventory and receivables clearly above target, NWC elevated

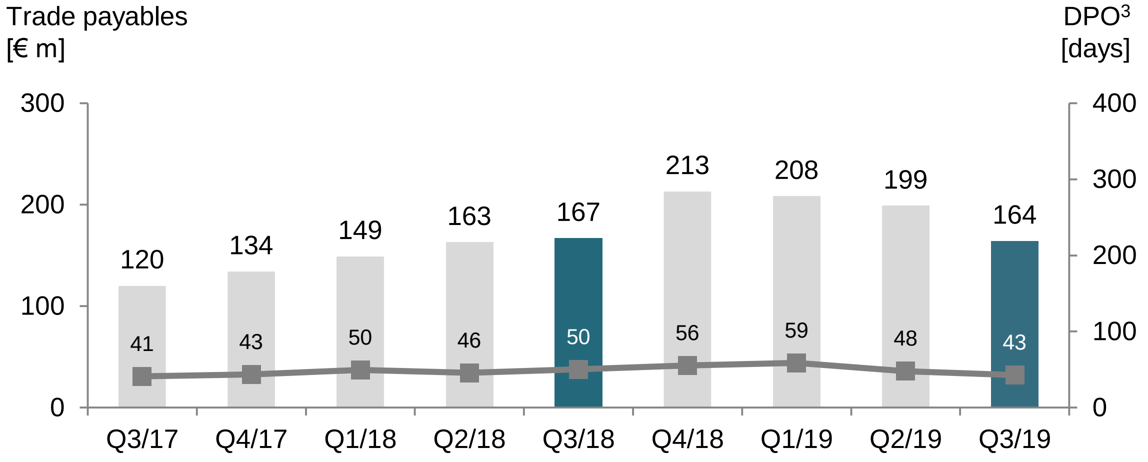
Inventories



Trade receivables



Trade payables



Comments

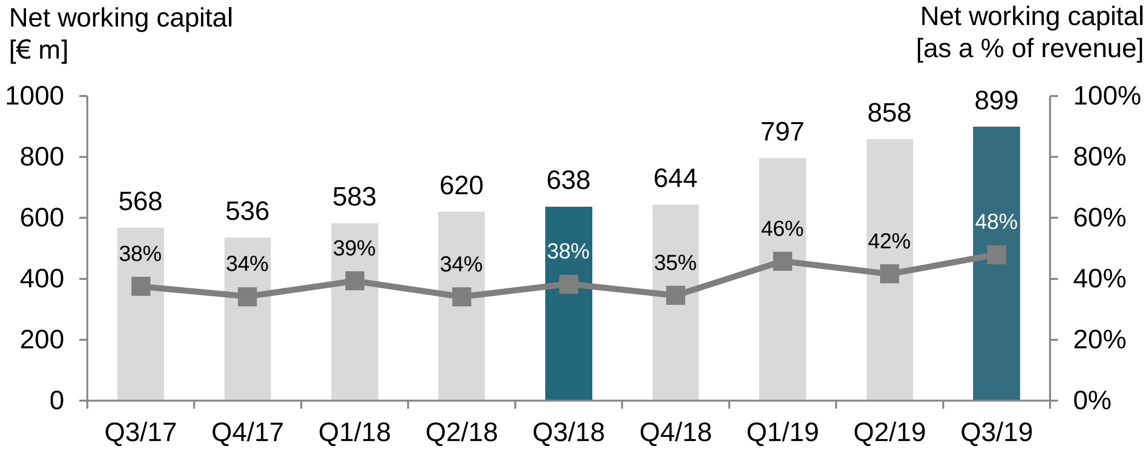
- Inventories and trade receivables remained significantly higher than planned
- Trade payables back at prior-year level after temporary rise in Q4/18 through Q2/19 (caused, among other things, by pre-buy engine stock-building)

➡ Significant rise in net working capital (see next slide)

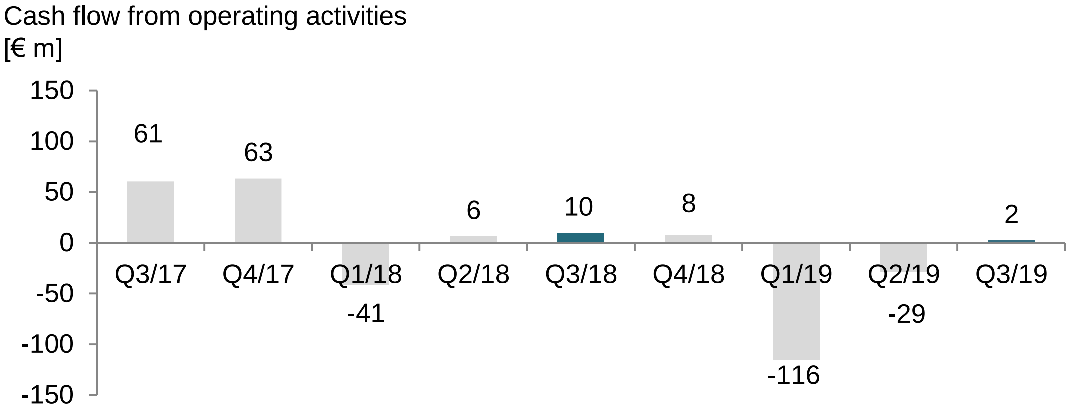
[1] Days inventory outstanding = (inventories/(cost of sales*4))*365 days; [2] Days sales outstanding = (receivables/(revenue*4))*365 days; [3] Days payables outstanding = (payables/(cost of sales*4))*365 days.

Free cash flow remains negative

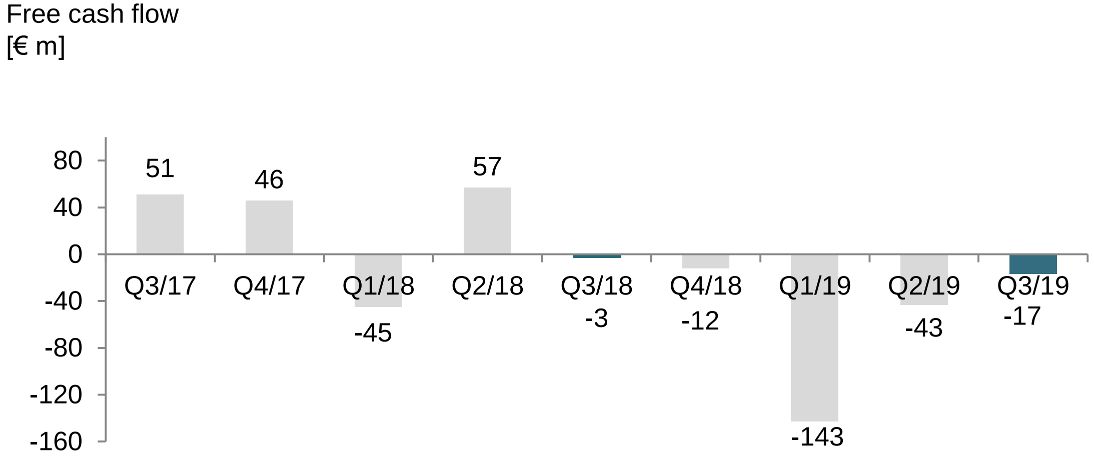
Net working capital



Cash flow from operating activities



Free cash flow



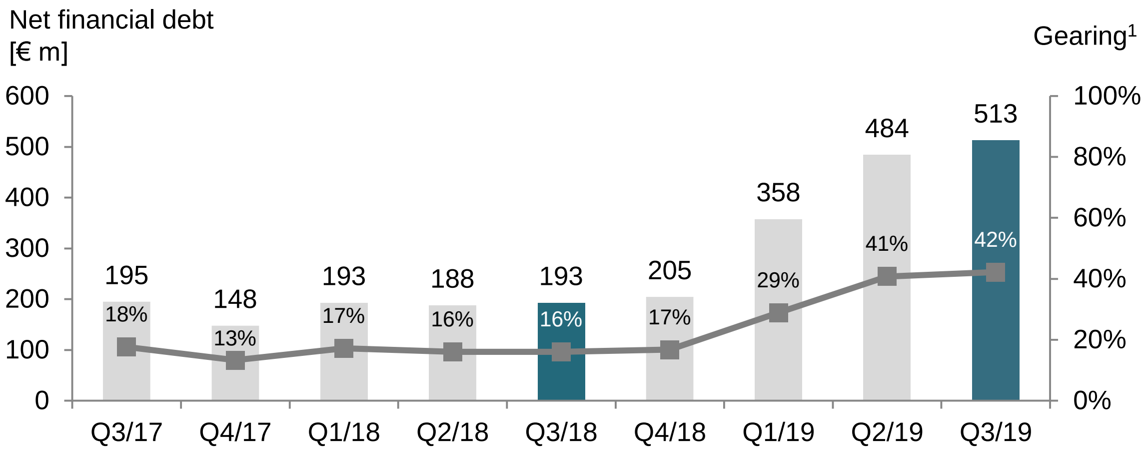
Comments

- Increase in net working capital due to high levels of inventory and trade receivables coupled with reduction in trade payables (see previous slide)
- Free cash flow at € -203 m after first three quarters of the year
- Production cutbacks were more extensive than planned in order to rapidly reduce inventory levels while minimizing impact on market prices

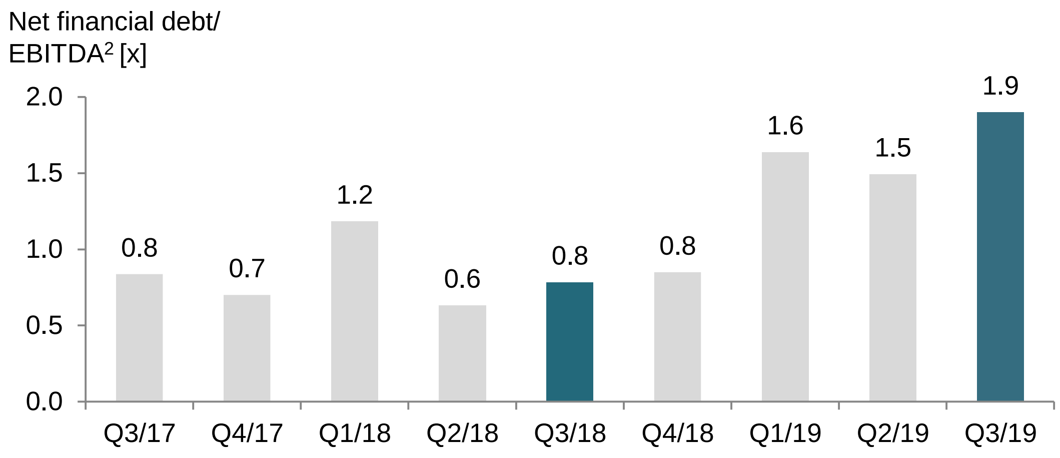
➡ Development of cash flow pushed net financial debt up further (see next slide)

Increased gearing in balance sheet

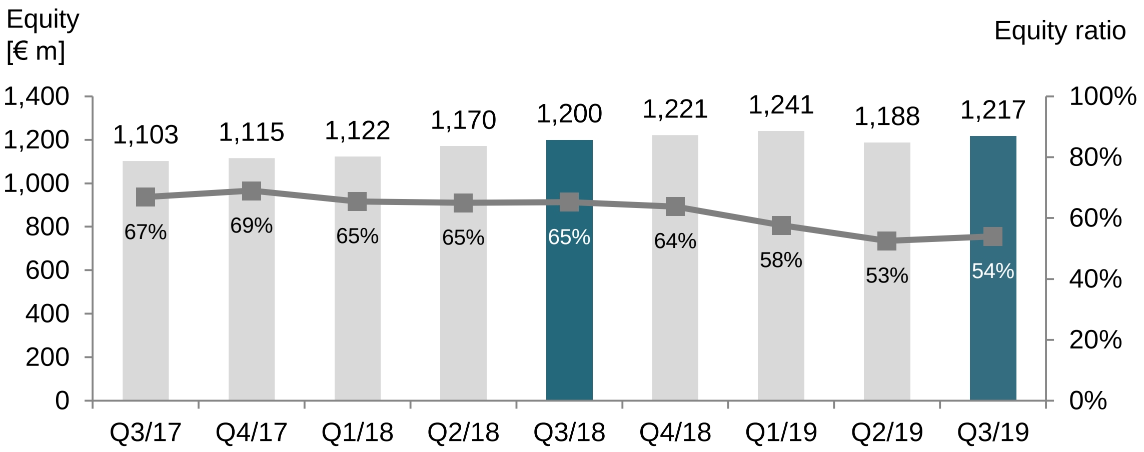
Net financial debt and gearing[1]



Net financial debt/EBITDA[2]



Equity and equity ratio



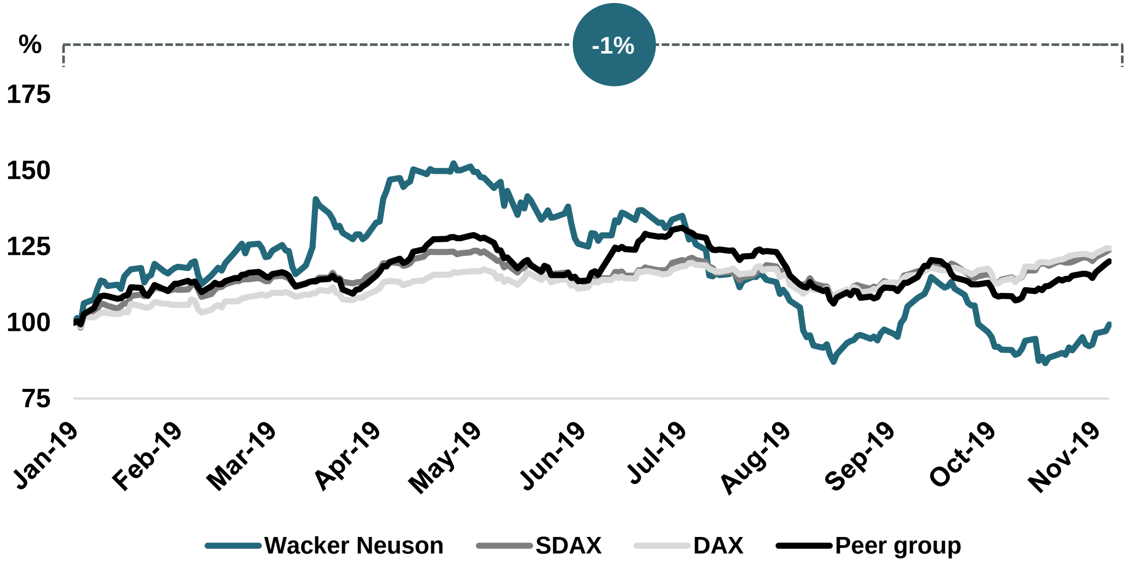
Comments

- Negative development of cash flow (see previous slide) pushes net financial debt up to € 513 m
- Gearing[1] up further at 42%
- Net financial debt / EBITDA[2] clearly above target corridor

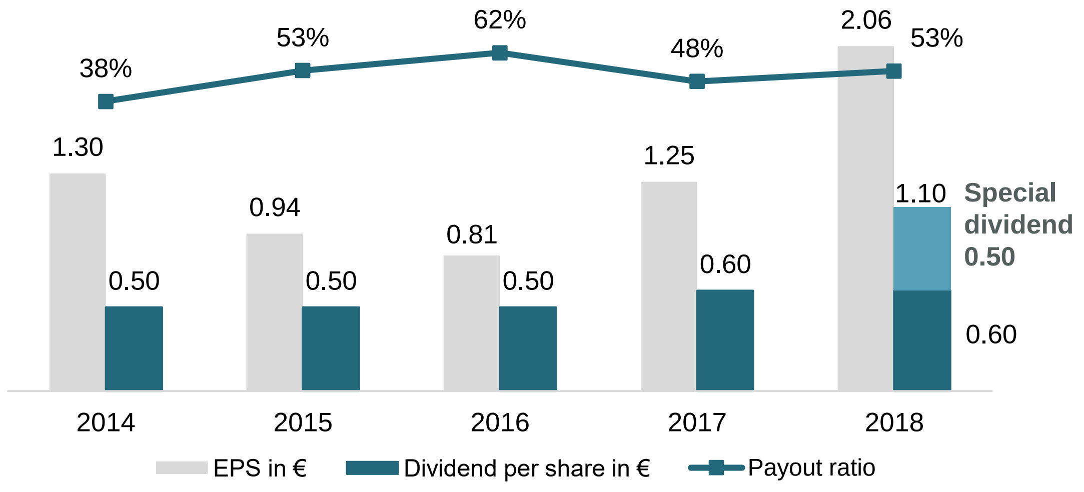
[1] Net financial debt/equity.
[2] Net financial debt/annualized EBITDA for the quarter.

Share Development

The share in 2019[1]



Dividend payout



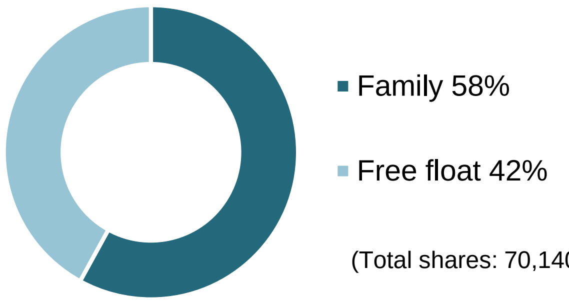
Key figures per share

in €	9M/19	9M/18
Adj. earnings per share	1.14	1.09
Book value per share	17.35	17.11
Share price at end of period	16.00	22.08
Market capitalization (€ m)	1,122.2	1,548.7

Coverage[1]

Bank	TP (€)	Recom.	Date
Metzler	27.00	Buy	July 04, 2019
Commerzbank	23.00	Buy	Oct 16, 2019
Warburg	22.90	Buy	Oct 17, 2019
Hauck & Aufhäuser	22.50	Buy	Oct 17, 2019
Bankhaus Lampe	18.00	Buy	Oct 31, 2019
MainFirst	17.00	Neutral	Oct 15, 2019
Kepler Cheuvreux	12.00	Reduce	Oct 16, 2019

Shareholder structure



(Total shares: 70,140,000)

[1] As at Nov. 5, 2019 [2] Peer group: Ashtead, Atlas Copco, Bauer, Caterpillar, Cramo, Deutz, DoosanBobcat, Haulotte, Husqvarna, John Deere, Komatsu, Manitou, Palfinger, Ramirent, Terex, United Rentals, Volvo.

Agenda

Overview	01
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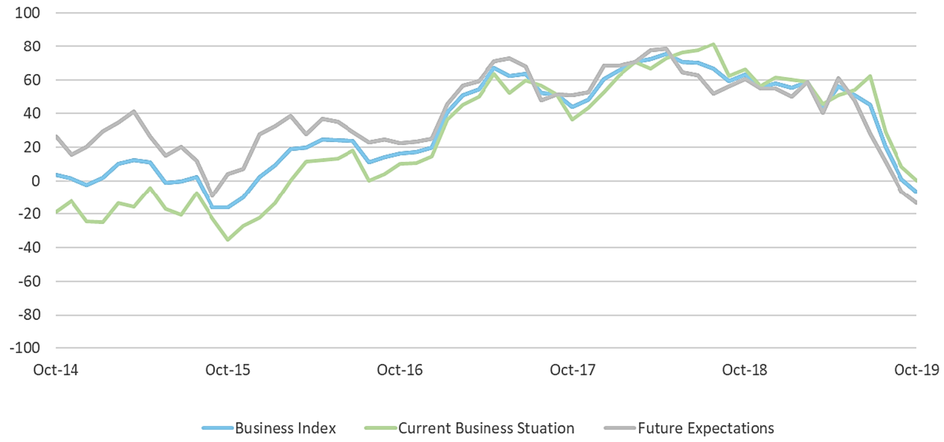
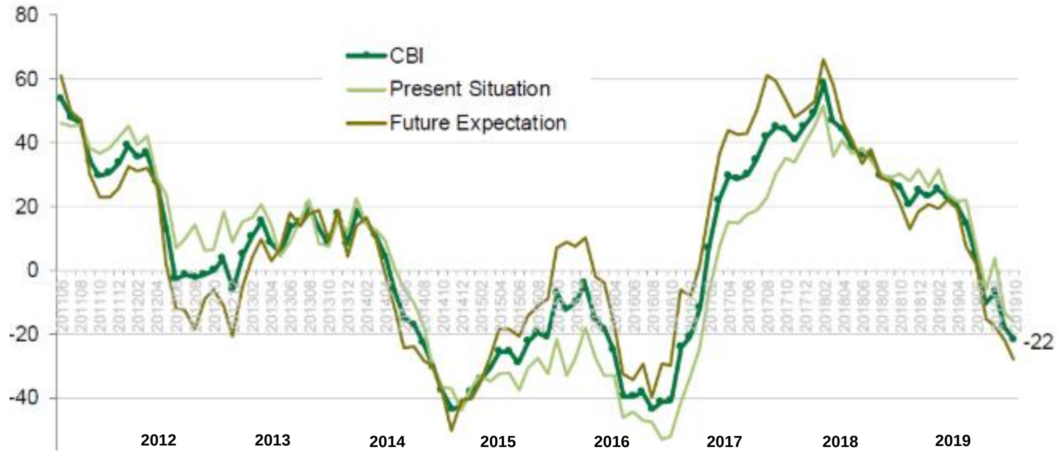
Outlook for 2019

Business index for construction sector is cooling markedly



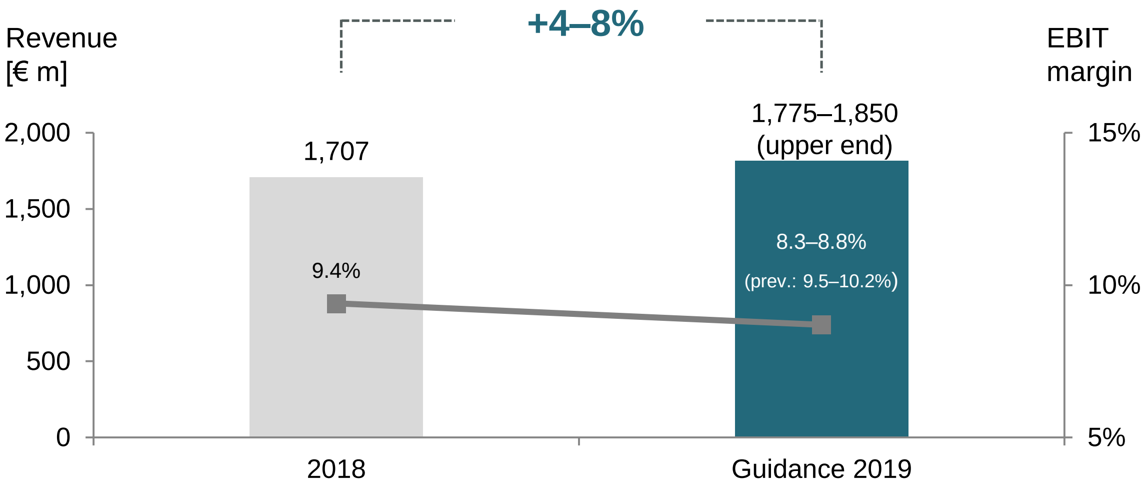
Source: CECE, October 2019

Business index for ag sector remains on downward path



Source: CEMA, October 2019

Earnings guidance for 2019 adjusted



Comments

- Recent order intake for the Wacker Neuson Group slightly below prior year
- Business indices from CECE and CEMA on a downward tilt, IMF has again lowered its economic outlook
- Revenue guidance for 2019 confirmed with revenue expected at the upper end of the projected range (previously: in the upper half) and EBIT margin set in the 8.3 to 8.8 percent range (previously: 9.5 to 10.2 percent range)
- At the close of the year, net working capital as a percentage of revenue expected to be significantly higher than prior year (prev.: slightly higher than prior year)
- Investments are expected at around € 90 m (previously: around € 100 m)

Financial calendar and contact

November 7, 2018	**Publication of nine-month report 2019, investors and analysts call**
November 11, 2019	Frankfurt roadshow
November 14, 2019	Paris roadshow
January 21, 2020	German Corporate Conference (KeplerCheuvreux), Frankfurt
February 4, 2020	Hamburg investors' day (Montega)
March 16, 2020	**Publication of the 2019 Annual Report, press conference, Munich**
March 25, 2020	Bankhaus Lampe German Conference, Baden-Baden
April 1, 2020	MainFirst Corporate Conference, Copenhagen

Disclaimer

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Contact

Wacker Neuson SE

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

ir@wackerneuson.com

www.wackerneusongroup.com