



## Wacker Neuson Group – Full Year 2019 Conference Call

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March 16, 2020

## Current situation and measures

- ▶ Employee health and safety are top priority
- ▶ Strong restrictions on business trips & events, limited access of third parties to the Wacker Neuson HQ and production plants
- ▶ Cross-location task force from areas procurement, production & sales defined
- ▶ Assurance of the operative business through:
  - Increased hygiene standards and safety precautions in production and administration
  - Shift models
- ▶ High inventory of machines and spare parts → Delivery capability currently assured
- ▶ Emergency plans for avoidance of delivery delays and reduction of impacts to a minimum
- ▶ Medium-term restrictions or delays in delivery capability due to the increasing government-imposed measures cannot be excluded

➡ **Consequences due to the number of influencing factors not quantifiable**

**Overview 01**

**Q4 and FY 2019 02**

**Program to save costs &  
improve efficiency 03**

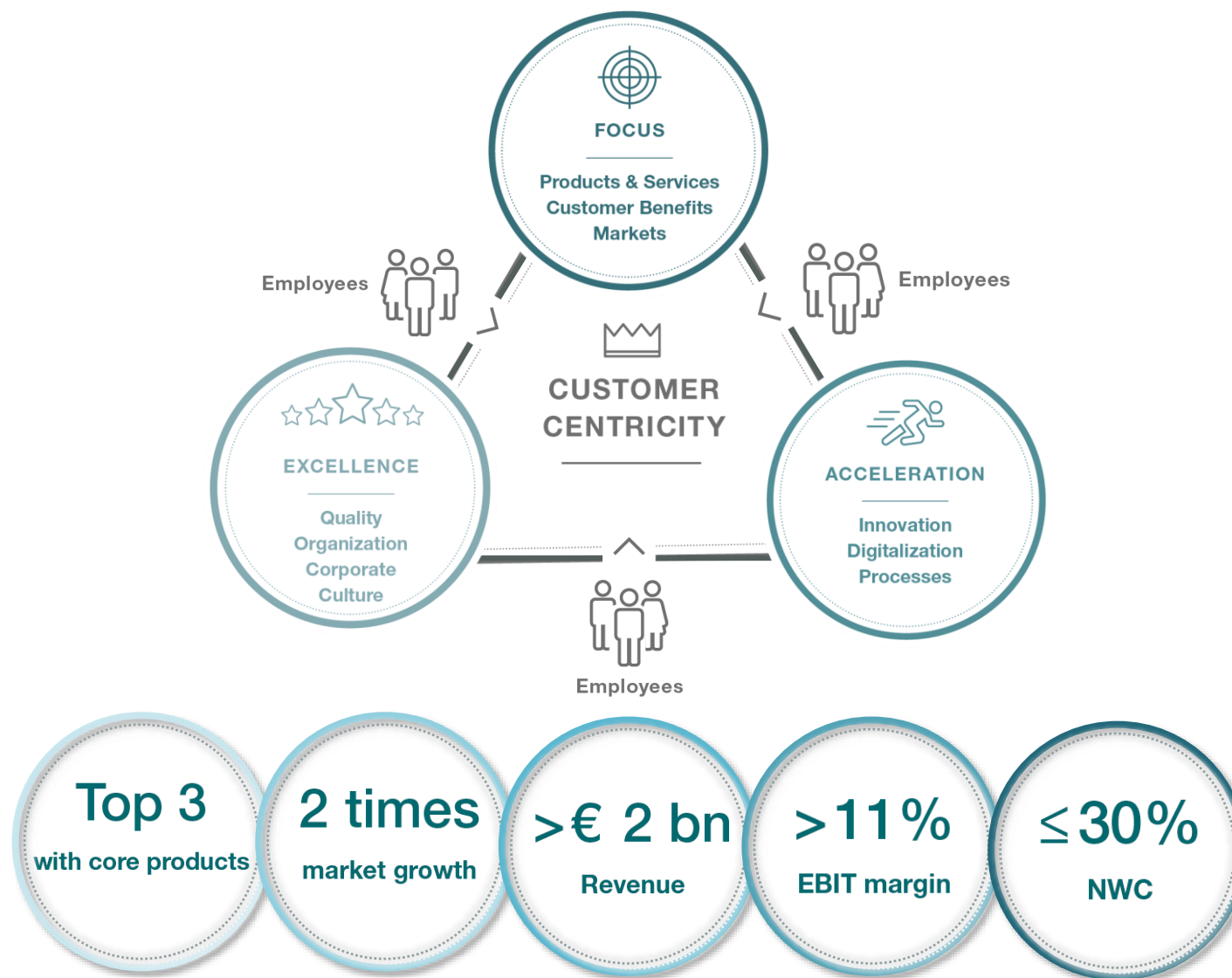
**Outlook 04**



Q4 2019	
Revenue yoy	EBIT yoy
<b>+3.0%</b>	<b>-32.2%</b>
(€ 483 m)	(margin: 5.9%)
FCF	EPS
<b>€ 87.0 m</b>	<b>€ 0.12</b>
(Q4/18: € -9.1 m)	(Q4/18: € 0.32)

FY 2019	
Revenue yoy	EBIT yoy
<b>+11.2%</b>	<b>-5.7%</b>
(€ 1,901 m)	(margin: 8.1%)
FCF	EPS
<b>€ -115.7 m</b>	<b>€ 1.26</b>
(2018: € -0.3 m)	(2018: € 1.41) <sup>3</sup>

December 31, 2019		
NWC <sup>1</sup> ratio: <b>42.7%</b>	DIO <sup>2</sup> : <b>154 days</b>	Equity ratio: <b>55.8%</b>
(+5.0 PP yoy)	(-7 days yoy)	(-8.0 PP yoy)



## Streamlining the production network

The number of production facilities was reduced from eight to seven.

## Focus on core competencies

Significant reduction in vertical integration at the plant in Menomonee Falls, USA.

## Focus on core products

Production of **complementary products** (pumps, portable generators and trowels) **outsourced** or **sold**.

**Intensive inclusion** of customers in the development of new products through

**„Voice-of-Customer“-**

and the newly introduced

**„Voice-of-Service“-Events.**



## Wacker Neuson eStore Plattform

rolled out to more countries.



### „New Business“

Service offerings WeCare and EquipCare **offer more added value** in service.

Expansion of the  
**fully electric product portfolio.**

### Spare parts availability

**raised by 8 PP to reach 95%** (between January and December 2019).



Encouraging results of the

## Employee Survey 2019

# 84,9%

of employees **are proud** to be  
employed at the Wacker  
Neuson Group.

Expansion of the

## Dealer network

in **North America** and **China**.



Progress in the **global roll-out** of the

## Spare parts and service organization.

Streamlining of the

## intra-Group supply chain

Through the integration of the Group's own logistics  
companies.





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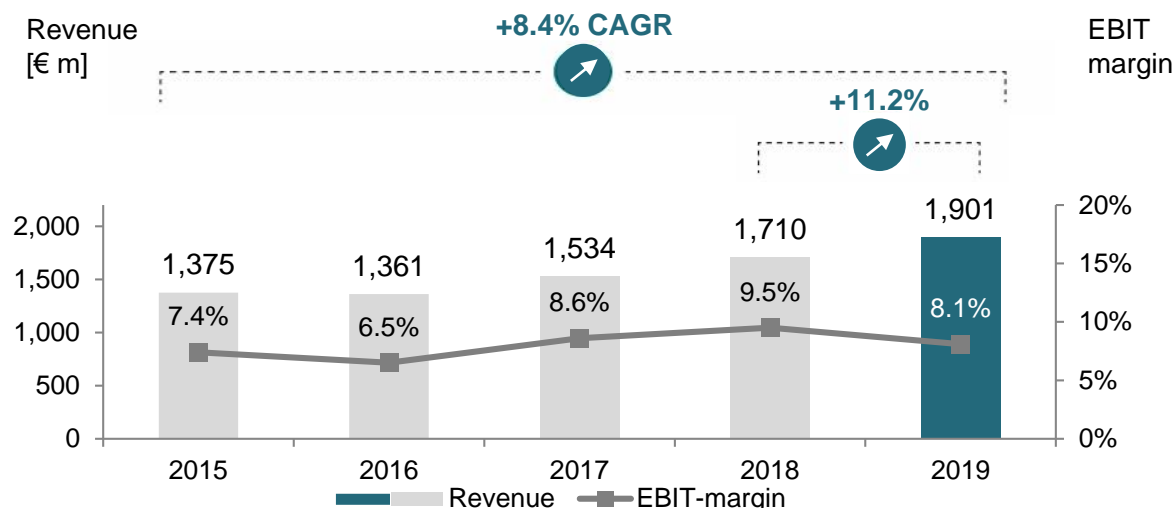
**04**

# FY 2019: Continued growth in revenue and earnings



Wacker Neuson  
Group

## Revenue remains on growth path



## Income statement (condensed)

€ m	Q4/19	Q4/18	2019	2018
<b>Revenue</b>	483.2	469.1	1,901.1	1,710.0
<b>Gross profit</b>	110.1	119.4	474.9	458.4
<i>as a % of revenue</i>	22.8%	25.5%	25.0%	26.8%
<b>Op. costs (excl. other income/expenses)</b>	-87.9	-81.6	-337.5	-309.3
<i>as a % of revenue</i>	-18.2%	-17.4%	-17.8%	-18.1%
<b>EBIT</b>	28.4	41.9	153.1	162.3
<i>as a % of revenue</i>	5.9%	8.9%	8.1%	9.5%
Financial result	-6.7	-6.2	-15.6	-14.1
Taxes on income	-13.3	-13.1	-49.0	-58.4
<b>Profit for the period</b>	8.4	22.6	88.5	144.6
<b>EPS (in €)</b>	0.12	0.32	1.26	2.06
<b>Adj. profit for the period<sup>1</sup></b>	8.4	22.6	88.5	98.8
<b>Adj. EPS (in €)<sup>1</sup></b>	0.12	0.32	1.26	1.41

## Comments on FY 2019

### Revenue +11.2% yoy (adj. for FX effects: +9.8%)

- Growth in all regions and segments
- Positive development in ag business

### Gross profit +3.6% yoy (gross profit margin -1.8 PP)

- Reduction of production programs due to the targeted inventory streamlining
- Restructuring of the North American production plant
- Inventory sell-offs, especially in the US and Scandinavia

### EBIT -5.7% yoy (EBIT margin: -1.4 PP)

- Increased sales and service expenses due to a higher business volume, increased personnel as well as trade fair costs
- Change in reporting in connection with income from customer financing: reallocation from financial result and other income to revenue line. Effect on EBIT 2019: € +3.5m, effect 2018: € +2.6m

### Earnings per share -38.8% yoy (adj. -10.6%)

- Financial result below PY with € -15.6m (2018: € -14.1m), primarily due to increased interest expenses
- Group tax rate at 35.6% (2018: 28.8%); increase as a result of depreciation or non-capitalization of deferred tax assets

# FY 2019: Development by Region and Business Segment



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## Growth in all regions

	Revenue [€ m]	share	△	EBIT <sup>1</sup>
Europe	1,379.0	73%	+10%	161.5
Americas	459.5	24%	+15%	-2.9
Asia-Pacific	62.6	3%	+5%	-1.9
FY 2019	1,901.1	100%	+11%	153.1

## Compact equipment continues to drive growth

	Revenue [€ m] <sup>2</sup>	share	△
Light equipment	485.3	25%	+6%
Compact equipment	1,052.8	55%	+14%
Services	382.5	20%	+9%
FY 2019	1,920.6	100%	+11%

## Comments on FY 2019

### Revenue Europe +10.4 % (adj. for FX effects +10.3%)

- Growth supported by most European countries; double-digit growth in England despite a difficult market environment
- Agriculture business revenue +21.2% (Kramer and Weidemann brands)
- EBIT development impacted by reduction of production program

### Revenue Americas +14.5% (adj. for FX effects +9.1%)

- High demand for products of worksite technology
- Significantly higher sales of skid steer loaders and other compact machines such as excavators, dumpers and telehandlers
- Progress in expanding dealer network
- Earnings above PY, however still negative as a result of restructuring costs as well as difficulties in rolling out newly developed processes and inventory sell-offs

### Revenue Asia-Pacific +4.7% (adj. for FX effects +4.7%)

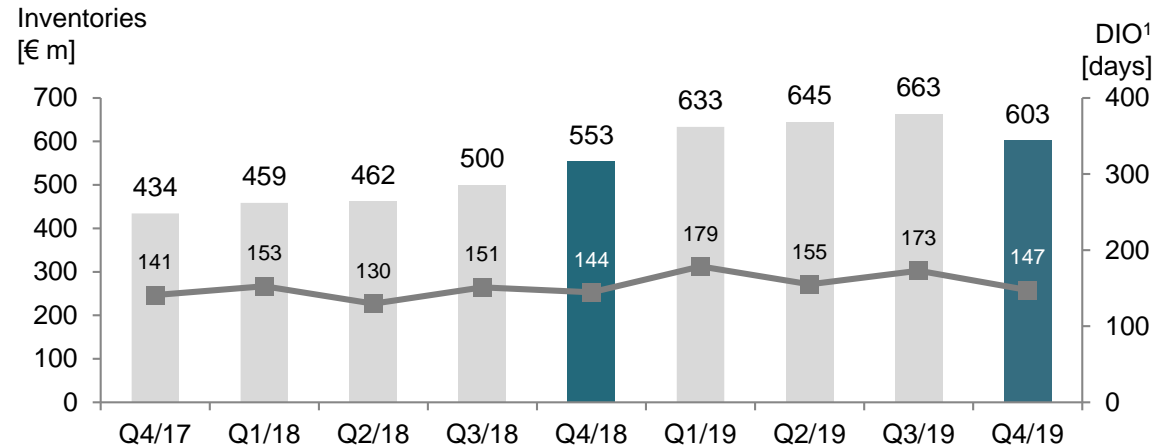
- Continuing expansion of portfolio of locally produced machines
- Higher pressure on prices China and Australia

# FY 2019: Net working capital increased significantly

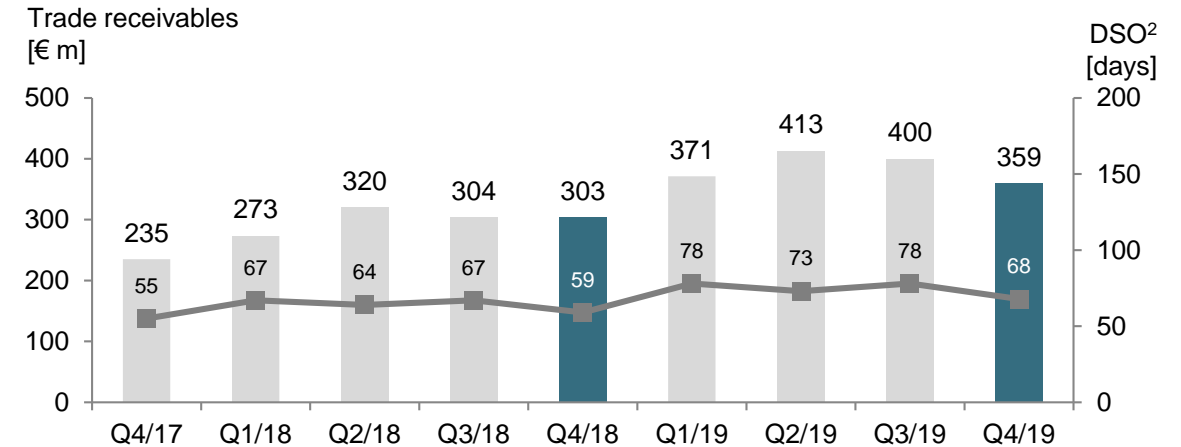


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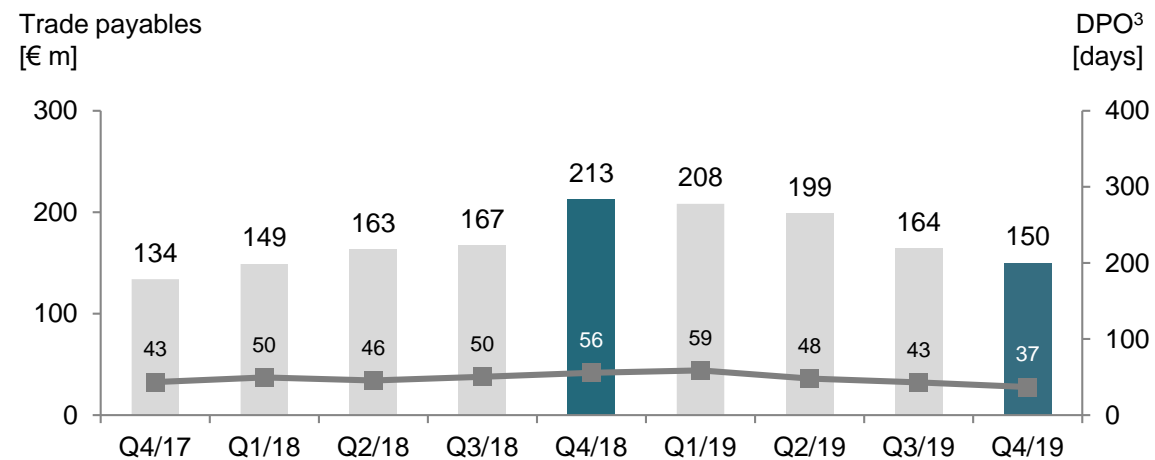
## Inventories



## Trade receivables



## Trade payables



## Comments

- Inventories remain above plan despite clear stock reduction in the fourth quarter
- Increase in trade receivables yoy due to increased business volume and expansion of dealer network in North America
- Decrease in trade payables in connection with reduced production output in the second half of the year

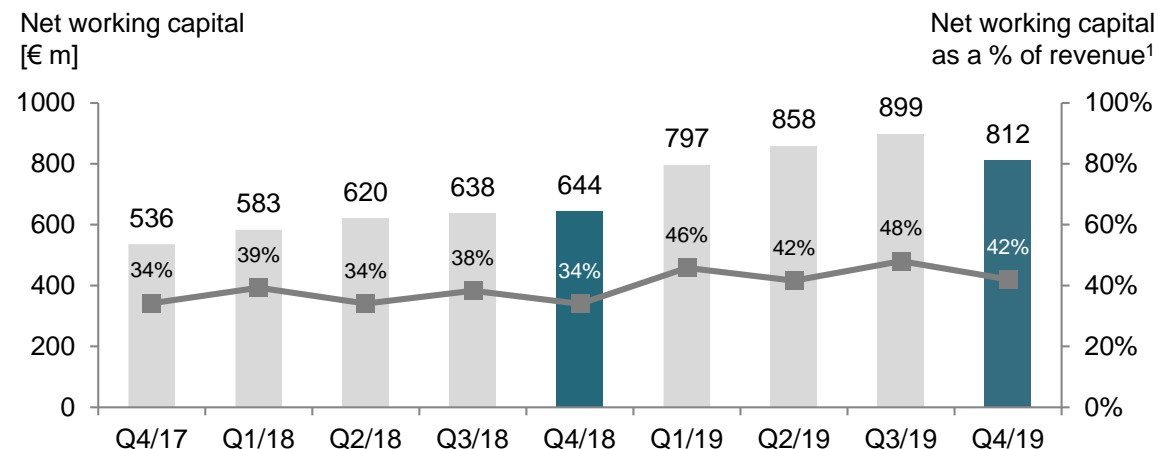
➡ Net working capital significantly increased (see next slide)



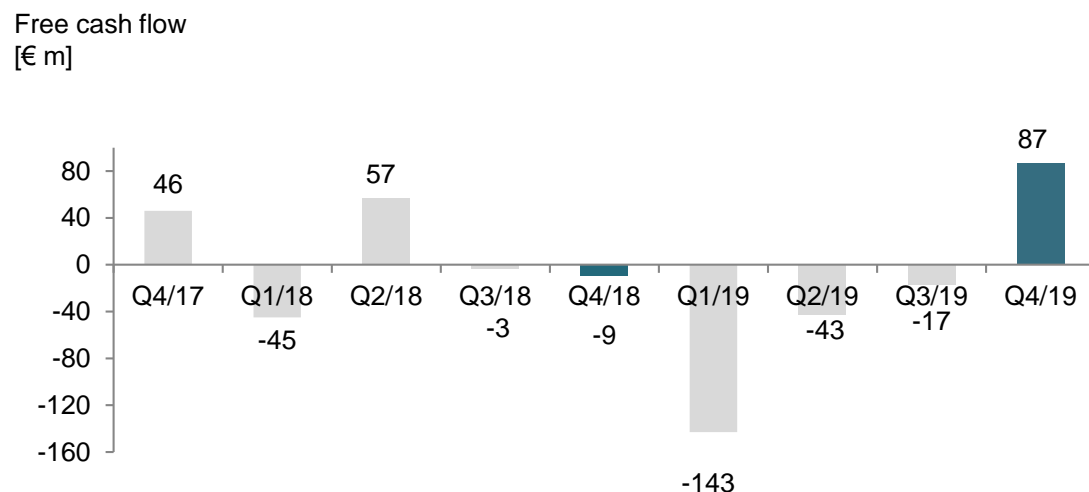
# FY 2019: Reversal of cash flow trends in Q4



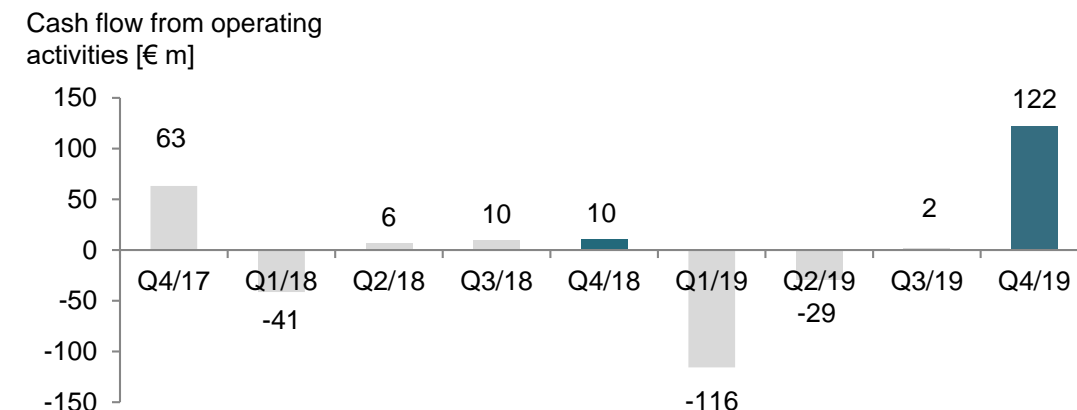
## Net Working Capital



## Free cash flow



## Cash flow from operating activities



## Comments

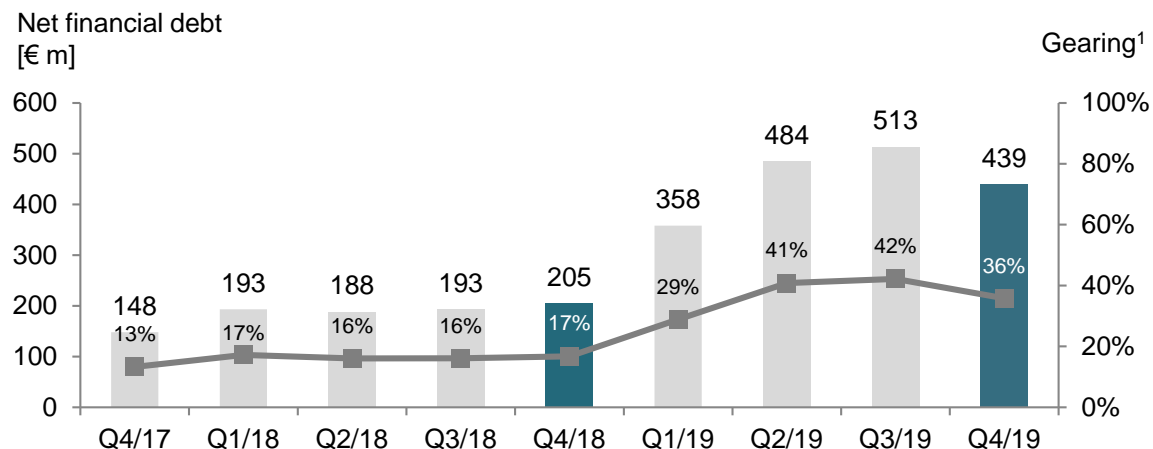
- Increased net working capital yoy due to increase in inventory and trade receivables as well as reduced trade payables (see previous slide)
- Clear improvement of free cash flow in Q4/19 due to progress in reduction of inventories and reduced trade receivables
- Investments<sup>2</sup> above PY at EUR 89.2m (2018: EUR 73.3m). Significant investments into future growth, most notably into the expansion of the European production sites

# Balance Sheet Structure

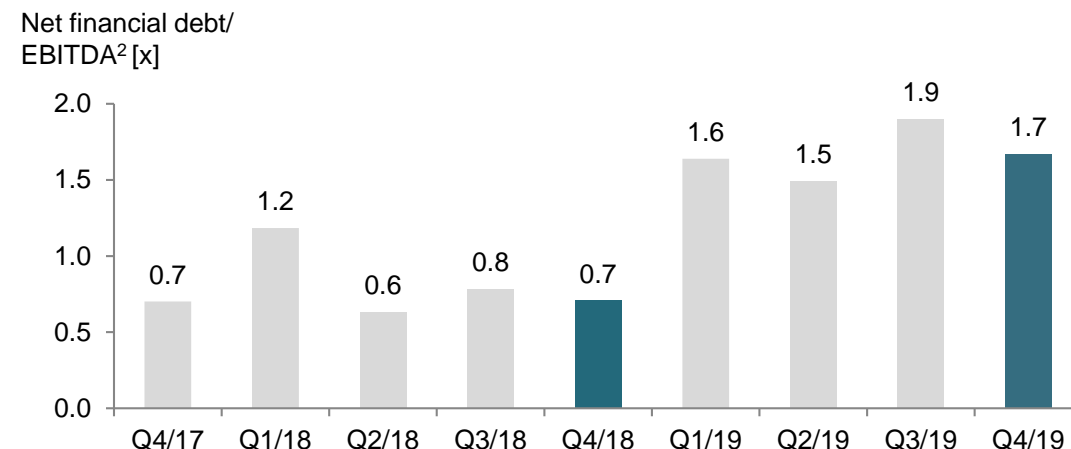


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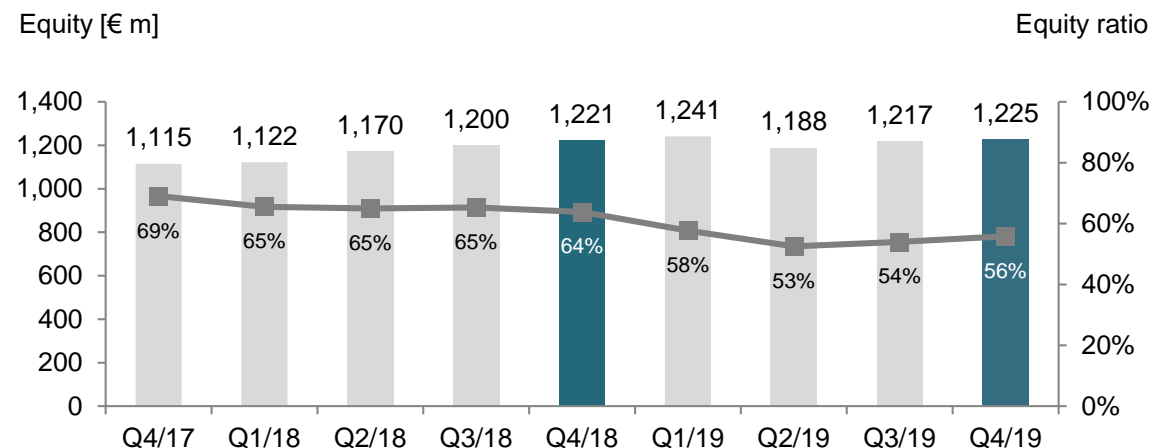
## Gearing<sup>1</sup> increased yoy



## Net financial debt/EBITDA<sup>2</sup>



## Equity ratio



## Comments

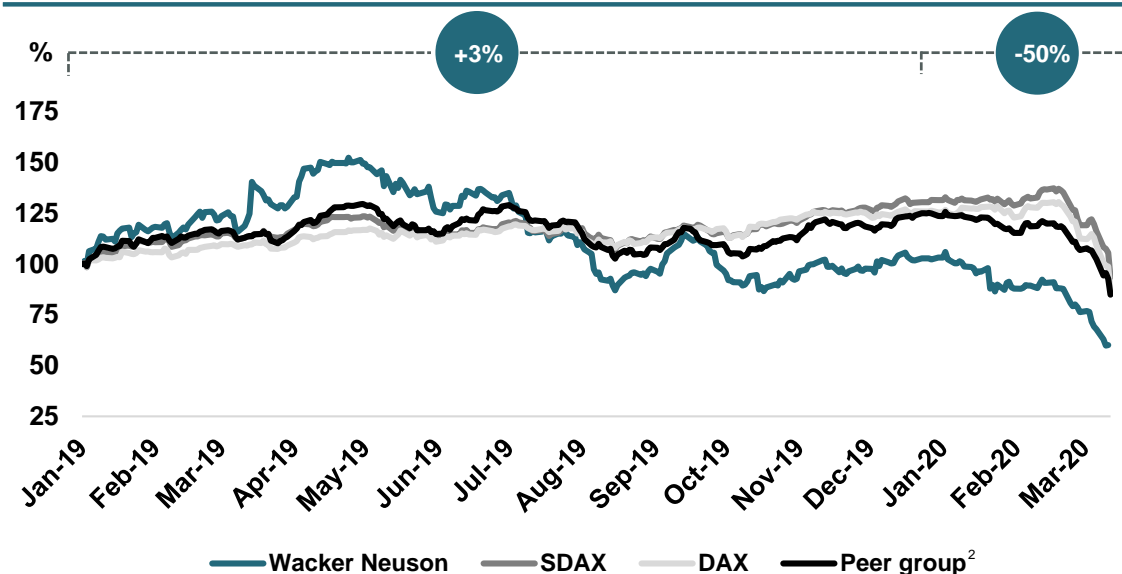
- Net financial debt and gearing have increased significantly yoy
- Promissory note (Schuldschein) of € 150m placed in Q2/19 at attractive conditions
- Ratio of net financial debt to EBITDA above plan
- Equity ratio reduced structurally by 2 percentage points due to the first-time application of IFRS 16

# Share Development

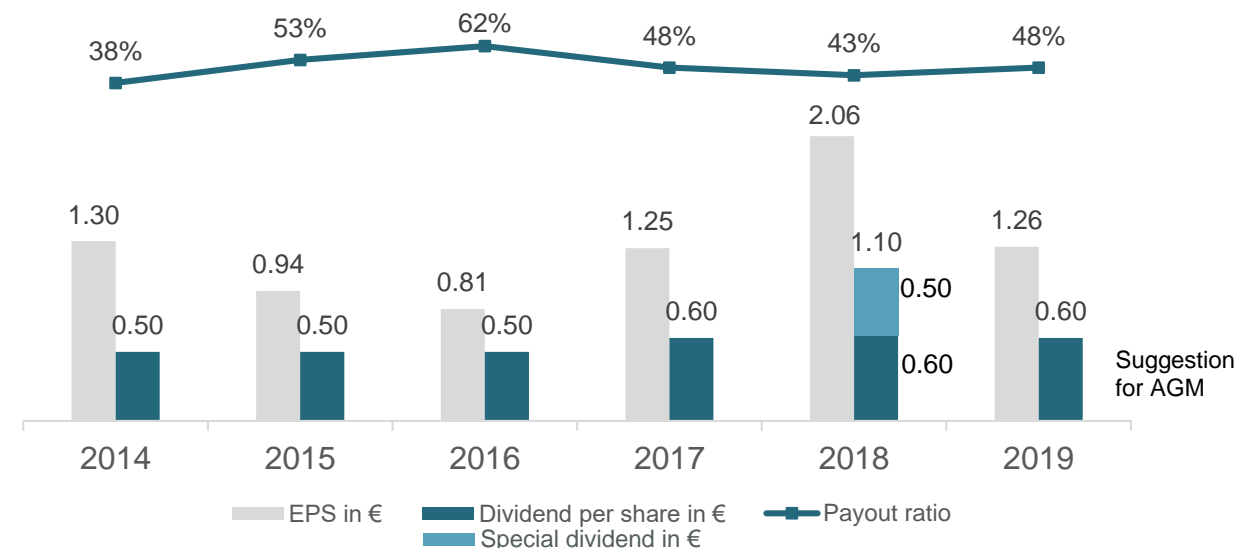


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## The share in 2019/2020<sup>1</sup>



## Dividend payout



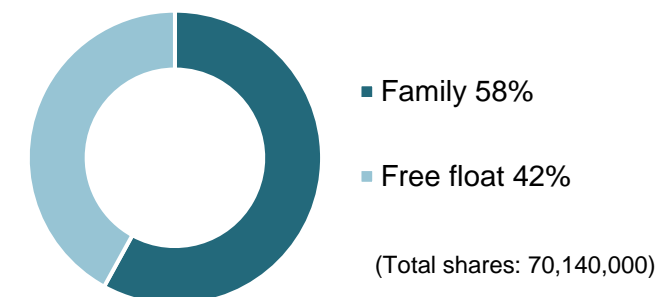
## Key figures per share

in €	2019	2018
Earnings per share	1.26	2.06
Book value per share	17.47	17.41
Share price at end of period	17.05	16.52
Market capitalization (€ m)	1,195.9	1,158.7

## Coverage<sup>3</sup>

Bank	TP (€)	Recom.	Date
Jefferies	21.00	Buy	Mar 09, 2020
Warburg	20.00	Buy	Mar 04, 2020
Hauck & Aufhäuser	17.00	Buy	Mar 09, 2020
Bankhaus Lampe	17.00	Buy	Jan 23, 2020
Commerzbank	13.00	Hold	Mar 05, 2020
Metzler	10.50	Hold	Mar 10, 2020
Kepler Cheuvreux	9.50	Reduce	Mar 12, 2020

## Shareholder structure



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**Outlook**

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## Key Topics

### Production & Purchasing

Material costs  
Underabsorption  
Purchasing costs  
Restructuring costs (production affiliate USA)<sup>1</sup>

### Sales & Administration

Discounts and impairment <sup>1</sup>  
Restructuring of sales organization  
Shipping costs  
Restructuring costs (sales affiliate USA)

### Reduction of inventory levels

**Cost reduction and efficiency enhancement program covers all Group divisions.**

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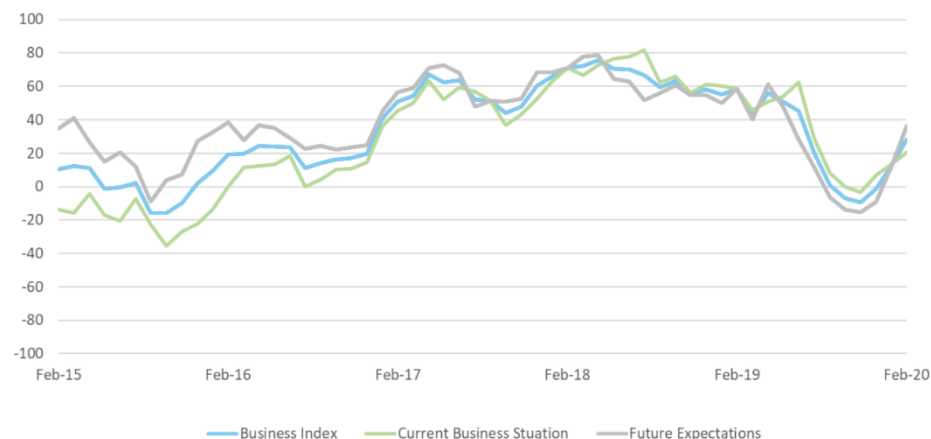
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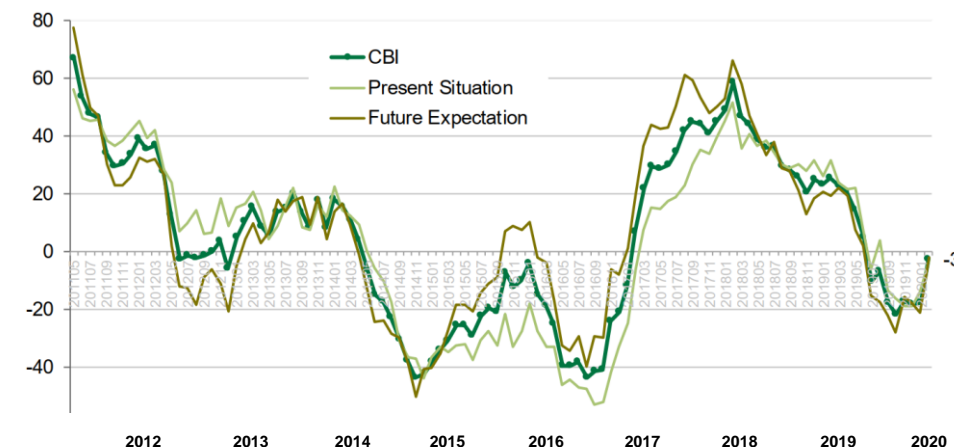
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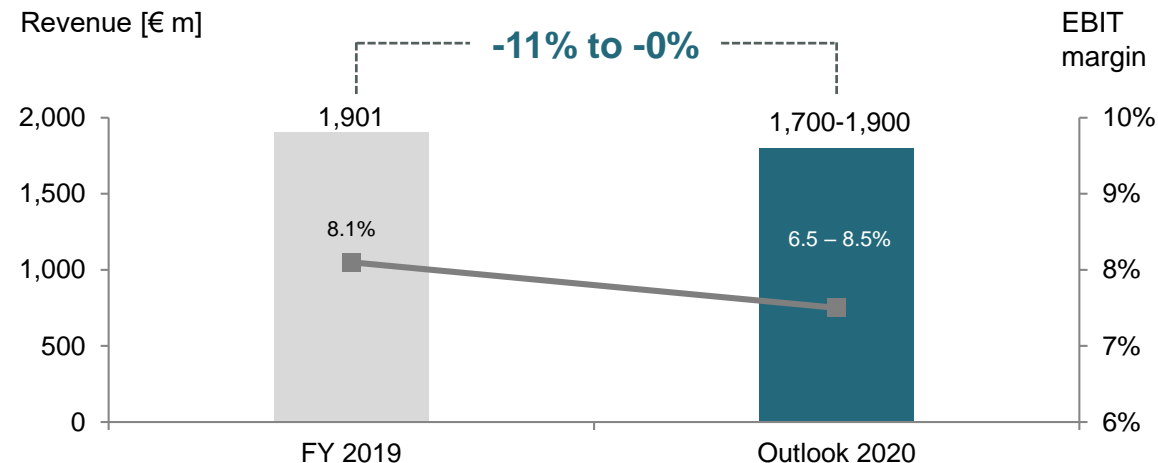
## Construction: Business barometer



## Agriculture: Business barometer



## Revenue and earnings guidance for 2020



## Comments

- **Large uncertainties** w.r.t. the continued spread of the coronavirus and the effects of the related measures by states and institutions alike
- Related consequences on customer demand as well as global supply chains of the Group not quantifiable
- **Approved guidance, as at March 9, 2020:**
  - Revenue between € 1,700 and 1,900m
  - EBIT margin between 6.5 and 8.5%
  - Investments of around € 80 to 100m
  - Net working capital as a % of revenue to be stagnant or to improve slightly relative to December 31, 2019



<b>March 16, 2020</b>	<b>Publication of the 2019 Annual Report, press conference, Munich</b>
<b>May 7, 2020</b>	<b>Publication of Q1 report 2020</b>
May 11, 2020	Metzler Roadshow, Frankfurt
May 12, 2020	Berenberg Roadshow, Benelux
<b>May 27, 2020</b>	<b>Annual General Meeting, Munich</b>
June 16, 2020	Commerzbank Roadshow, Zurich
June 17, 2020	Jefferies Roadshow, Milan/Lugano

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