Wacker Neuson Group

Press release

Wacker Neuson reports new revenue record for fiscal 2019, profit below the prior-year level

- **Double-digit growth in Group revenue to reach EUR 1,901.1 million (+11 percent)**
- **EBIT margin at 8.1 percent (-1.4 percentage points)**
- **Profitability impacted by inventory streamlining and restructuring in North America**
- **Introduction of EUR 50 million program to reduce costs and improve efficiency**
- **Far-reaching consequences of the spread of the coronavirus and the protective measures introduced by various states and institutions currently not quantifiable**

Munich, March 16, 2020 – Leading light and compact equipment manufacturer the Wacker Neuson Group saw revenue rise 11.2 percent to EUR 1,901.1 million in fiscal 2019 (2018: EUR 1,710.0 million). Adjusted for currency effects, this corresponds to an increase of 9.8 percent. Business grew across all regions and business segments. The Group benefited above all from positive trends in European and North American construction markets as well as strong demand for Kramer- and Weidemann-branded agricultural equipment.

“Last year, we once again managed to gain shares in many markets – challenging markets included – thanks to our innovative product developments,” explains Martin Lehner, CEO of Wacker Neuson SE. “Strong demand for our products confirms that we are in tune with our customers’ needs and that our services resonate strongly with the market.”

Profitability down on the previous year; program aimed at reducing costs and improving efficiency approved

While the Group exceeded its revenue guidance, it was unable to achieve its profitability goals. Profit before interest and tax (EBIT) decreased 5.7 percent to EUR 153.1 million (2018: EUR 162.3 million). The EBIT margin amounted to 8.1 percent (2018: 9.5 percent). This decrease was attributable to a number of factors including cutbacks in production programs related to inventory streamlining plans. Restructuring measures at the North American plant in Menomonee Falls also had a dampening effect here. As a consequence, the projected increase in profitability could not be realized within the planned timeline. In addition, inventory streamlining resulted in extensive volumes of equipment in North America and Scandinavia in particular being sold off. This squeezed profit levels further. In light of weaker profitability, the Executive Board has agreed on a program aimed at reducing costs and improving efficiency. This is expected to yield potential savings of around EUR 50 million relative to fiscal 2019, which should be achieved gradually over the course of 2020 and 2021. In addition to increasing productivity at the production plants, the Group plans efficiency-enhancing adjustments to the sales organization. Other initiatives include reducing material and procurement costs as well as optimizing outbound logistics.

“We are not satisfied with the development of our profit figures. The program that has now been approved will help improve Group profitability sustainably and enable us to achieve the goals set out in our Strategy 2022,” adds Wilfried Trepels, CFO of Wacker Neuson SE.

Growth in all reporting regions

Once again, Europe remained the most important target region in 2019, accounting for 72.5 percent of revenue (2018: 73.0 percent). Here, the Group reported a revenue uptick of 10.4 percent to reach EUR 1,379.0 million (2018: EUR 1,248.9 million). The majority of European countries contributed to this growth. In England, the Group reported clear double-digit gains against the backdrop of a challenging market environment and was able to win market shares with its new Dual View dumper. The agricultural equipment business also developed positively. The Group grew its revenue generated through Kramer- and Weidemann-branded machines by 21.2 percent to EUR 310.2 million (2018: EUR 256.0 million).

Revenue for the Americas rose 14.5 percent to EUR 459.5 million (2018: EUR 401.3 million). Adjusted for currency effects, revenue increased by 9.1 percent. Group business was bolstered here in particular by strong demand for worksite technology products. As a result of improved market penetration, sales of skid steer loaders manufactured in the US also increased along with sales of other compact equipment including excavators, dumpers and telescopic handlers.

In Asia-Pacific, revenue rose 4.7 percent to EUR 62.6 million (2018: EUR 59.8 million). As in the previous year, China and Australia were the Group’s largest markets in this region. However, both markets were subject to increased price pressures in 2019.

Cash flow impacted by a rise in net working capital

Cash flow from operating activities was again negative at EUR -20.9 million (2018: EUR -15.5 million). This was primarily due to the rise in net working capital, whereby inventories, trade receivables and trade payables all contributed to this increase. In absolute terms, net working capital amounted to EUR 811.7 million at year-end (2018: EUR 643.9 million) and thus accounted for 42.7 percent of revenue (2018: 37.7 percent). The expansion of the dealer network in North America and investments in the Group’s future growth also had a negative impact on the development of cash flow. Free cash flow amounted to EUR -115.7 million in fiscal 2019 (2018: EUR -0.3 million). In the previous year, the sale of a real-estate company belonging to the Group had a positive one-off effect on this item; the sale had generated a cash inflow of EUR 60.0 million.

Within the framework of Strategy 2022, the Wacker Neuson Group is aiming for a net working capital ratio of ≤ 30 percent. In 2019, the Group made extensive adjustments to its planning processes and associated systems in order to reduce days inventory outstanding to around 125. The introduction of a new software solution planned for the middle of 2020 will mark a key step towards the Group-wide integration of sales, production and inventory planning. In addition to this, the Group aims to intensify its collaboration with external financing partners, in particular in connection with its expansion in North America, in order to sustainably reduce days sales outstanding.

Targeted Strategy 2022 steps implemented

The aim of the Wacker Neuson Group's medium-term strategy, which it unveiled in March 2018, is to ensure that the company is fully aligned with its customers' needs. Building on the three strategic pillars of Focus, Acceleration and Excellence, the strategy is aimed at building a streamlined, agile organization and systematically further strengthening its market position moving forward. Further key steps were implemented in fiscal 2019 to achieve these goals. In line with its efforts to focus more strongly on its defined core markets, the Group closed its production facility in Itatiba, Brazil. In addition to this, the production of complementary products such as pumps, portable generators and trowels were either outsourced or sold. To meet evolving customer demand for digital services, the Group launched and expanded a number of digital solutions in 2019, including the "WeCare" service as well as the proactive, telematics-based fleet management service "EquipCare". This ability to complement traditional products with innovative business models is driving the Wacker Neuson Group's transition from equipment manufacturer to future-fit, all-round service provider. The Wacker Neuson Group made further progress in expanding its dealer network in North America in 2019.

Dividend proposal

The Executive Board and Supervisory Board will propose a dividend of EUR 0.60 per share at the Annual General Meeting on May 27, 2020 (2019: EUR 0.60 plus a special dividend payout in the amount of EUR 0.50 related to the sale of a real-estate company belonging to the Group).

Outlook for 2020

Order intake at the start of 2020 was below the strong baseline from the previous year. Significant uncertainties exist with respect to the continued spread of the coronavirus and the related effects on customer demand as well as the supply chains of the Group. The Executive Board assumes that the production numbers initially planned for the year 2020 can partially not be met due to bottlenecks in the supply chains. Furthermore, a severe weakening of individual markets can be expected.

On March 9, 2020, the Executive Board thus decided on the following cautious guidance: the revenue for fiscal 2020 is expected to amount to between EUR 1,700 and 1,900 million. The EBIT margin is expected to lie between 6.5 and 8.5 percent. The ranges put forth are larger than those of the previous year due to the currently persisting uncertainties.

Since the determination of this guidance and the Supervisory Board approving the financial statements, the situation as to the spread of the coronavirus has been decidedly exacerbated. The far-reaching consequences as well as the increasingly drastic protective measures by states and institutions alike are, to date, not quantifiable and are therefore not part of the guidance described above.

The Group has set up a cross-location task force which closely follows all developments. The primary goal is the coordination of measures to protect the health of all employees of the Group in the best possible way. Furthermore, a circle of managers in the areas of purchasing, production and sales has been defined in order to attempt to evaluate the operational impacts on the business situation of the Wacker Neuson Group, to define alleviating measures and to control their implementation.

Notwithstanding these risks and uncertainties, the Executive Board considers the long-term trend towards compact machines for the construction and agricultural industries to remain constant. The Group profits from opportunities provided by global megatrends such as global population growth, urbanization and an increasing climate awareness, which sustainably drive the demand for compact and environmentally friendly machines. Owing to a solid financial base and the strong position in many markets, the Executive Board continues to see the medium-term development of the Group to be positive and confirms the goals formulated as part of the Strategy 2022.

Key indicators for the Wacker Neuson Group

in EUR million	**2019**	**2018**	**Change**
Revenue	1,901.1	1,710.0	+11 percent
EBIT	153.1	162.3	-6 percent
EBIT margin as a %	8.1	9.5	-1.4 PP
Profit for the period (adjusted)[1]	88.5	144.6 (98.8)	-39 (-10) percent
Earnings per share in € (adjusted)[1]	1.26	2.06 (1.41)	-39 (-11) percent

[1] Adjusted to discount the sale of a real-estate company held by the Group.

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The Wacker Neuson Group is an international family of companies and a leading manufacturer of light and compact equipment with over 50 affiliates and 150 sales and service stations. The Group offers its customers a broad portfolio of products, a wide range of services and an efficient spare parts service. The product brands Wacker Neuson, Kramer and Weidemann belong to the Wacker Neuson Group. Wacker Neuson is the partner of choice among professional users in construction, gardening, landscaping and agriculture, among municipal bodies and recycling companies as well as rail transport and industrial enterprises. In 2019, the Group achieved revenue of EUR 1.9 billion, employing more than 6,000 people worldwide. Wacker Neuson SE shares are listed on the regulated Prime Standard segment of the Frankfurt Stock Exchange (ISIN: DE000WACK012, WKN: WACK01) and the SDAX index of the German stock exchange.