Corporate News

Wacker Neuson reports strong growth in first half of 2022

- **H1 revenue up 15.5 percent on previous year; double-digit growth across all reporting regions**
- **EBIT margin 8.2 percent (-2.6 pp yoy); profitability impacted by ongoing supply chain strains and persistently high costs for materials, energy and shipping; second quarter earnings develop positively relative to Q1 (+1.3 pp)**
- **Increase in net working capital due to limited material availability and to ensure security of supply**
- **Supply chains and price dynamics in procurement market remain biggest challenges**
- **Revenue guidance unchanged at EUR 1,900 to 2,100 million; earnings guidance narrowed with EBIT margin set between 9.0 and 10.0 percent**

Munich, August 9, 2022 – A leading manufacturer of light and compact equipment, the Wacker Neuson Group remained on its revenue growth path in the second quarter of 2022. Group revenue for the first half of 2022 reached a new record of EUR 1,072.5 million, which is a rise of 15.5 percent relative to the previous year (H1/21: EUR 928.3 million). Adjusted for currency effects, this corresponds to an increase of 13.2 percent. Profitability remained under pressure against the backdrop of ongoing supply chain strains and persistently high costs for materials, energy and shipping. Earnings before interest and tax (EBIT) fell 12.6 percent to EUR 87.5 million (H1/21: EUR 100.1 million). The EBIT margin amounted to 8.2 percent, which represents a decline of 260 basis points (H1/21: 10.8 percent). In the second quarter, the EBIT margin improved by 1.3 percentage points relative to the first quarter (Q2/22: 8.8 percent; Q1/22: 7.5 percent).

“Customer demand for our innovative and reliable products remains consistently strong. Order intake was already at a very high level in the first quarter and this positive momentum accelerated even further in the second quarter. We thus have an order backlog extending well beyond the current fiscal year. However, there are still no signs of improvement in the supply situation, and material, energy and shipping costs remain high – all of which has a negative impact on our profitability. On the other hand, we do expect our price increases to have a positive impact on gross margin from the third quarter onwards,” outlines Dr. Karl Tragl, Chairman of the Executive Board and CEO of the Wacker Neuson Group.

Double-digit growth across all reporting regions

Revenue in Europe (EMEA) for the first half-year rose 12.1 percent relative to the previous year, reaching EUR 826.3 million (H1/21: EUR 737.1 million). This growth was driven not only by the Group’s home market of Germany, but also by the major European construction equipment markets of the UK and France, which likewise recorded double-digit growth rates. The Group benefited from strong demand for wheel loaders and dumpers for the construction industry. Wacker Neuson’s own rental and service business also developed on a positive trajectory, as did the high-margin spare parts business. Compact equipment sold under the Kramer and Weidemann brands for the agricultural sector again performed well, with revenue rising 18.7 percent to reach EUR 207.4 million (H1/21: EUR 174.7 million).

The Americas recorded positive demand across all sales channels. Revenue rose significantly, climbing 28.0 percent to EUR 202.8 million in the first half-year (H1/21: EUR 158.4 million). This revenue momentum was accentuated by a weak euro relative to the US dollar. Adjusted for currency effects, revenue rose by 16.8 percent. As part of its plan to diversify its sales strategy, Wacker Neuson on-boarded additional authorized dealers in North America in the first half of 2022.

In Asia-Pacific, revenue increased relative to the previous year by 32.3 percent to EUR 43.4 million (H1/21: EUR 32.8 million). This upturn amounted to 26.8 percent when adjusted for currency effects. There was sustained strong growth in Australia here, but the Group faced a contracting construction equipment market in China. In contrast, the business situation in the Southeast Asian countries and in India developed positively. Machinery produced at the Chinese plant is now increasingly being distributed to export markets such as Africa and South America as well.

Material bottlenecks and ongoing high costs impact profitability

With the EBIT margin at 8.2 percent, profitability for the first half-year was 2.6 percentage points lower than the previous year (H1/21: 10.8 percent). Persistently high costs for materials, energy and shipping were the main drawdown factor for earnings. At the same time, productivity at the production plants was adversely impacted by machine rework efforts due to material bottlenecks. The increase in revenue levels and the positive development of operating costs were not sufficient to offset this.

Nevertheless, second quarter earnings already showed a clear improvement on the first quarter. At 8.8 percent, the EBIT margin was 1.3 percentage points above the Q1 figure (Q1/22: 7.5 percent). This positive development was evident in both the gross profit and operating costs. The gross profit margin improved 0.7 percentage points (Q2/22: 23.7 percent; Q1/22: 23.0 percent) and operating costs as a percentage of revenue improved 0.4 percentage points (Q2/22: 15.3 percent; Q1/22: 15.7 percent).

Increase in net working capital results in negative free cash flow

The net working capital ratio rose to 30.6 percent at the close of the first half-year (June 30, 2021: 26.7 percent; December 31, 2021: 26.1 percent).[1] Net working capital amounted to EUR 673.9 million at the closing date and was thus significantly above the previous year's value and the level at the beginning of the current fiscal year (June 30, 2021: EUR 528.9 million; December 31, 2021: EUR 497.6 million). This upturn stemmed from a rise in receivables fueled by dynamic business development, along with a build-up of inventory. The stock of unfinished machines, in particular, was much higher as a result of the deterioration in the supply chain situation due to the war in Ukraine. The stock of raw materials and components was also increased to ensure security of supply.

Free cash flow (before effects from the discontinuation of a fixed-term investment) thus amounted to EUR -123.8 million (H1/21: EUR 133.5 million).[2] Net financial debt[3] increased relative to year-end to reach EUR 211.1 million (December 31, 2021: EUR -0.8 million).

[1] Net working capital as a percentage of annualized revenue for the quarter.
[2] Before outflows into fixed-term investments amounting to EUR 100 million in H1/21 as well as inflows in the amount of EUR 130 million in H1/22.
[3] Net financial debt = long- and short-term borrowings + current portion of long-term borrowings - cash and cash equivalents - fixed-term investments with terms of less than one year. The definition of net financial debt as applied by the Wacker Neuson Group does not include lease liabilities in accordance with IFRS 16.

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2022 earnings guidance narrowed: EBIT margin set between 9.0 and 10.0 percent

In view of consistently strong demand, the Executive Board's fiscal 2022 revenue guidance remains unchanged in the EUR 1,900 to 2,100 million corridor. However, the expectation is that the challenging supply chain situation and ongoing pressures on material, energy and shipping costs will continue to have a negative impact on earnings development in the second half-year. In contrast, price increases implemented by the Group should produce a clear positive effect on profitability from the third quarter. Taking into consideration the development of business to date, the prevailing conditions and the opportunities and risks facing the Wacker Neuson Group, the Executive Board has accordingly narrowed its earnings guidance range for 2022 as a whole. It now expects the EBIT margin to lie between 9.0 and 10.0 percent (previous guidance: 9.0 to 10.5 percent).

Key indicators for the Wacker Neuson Group

Key figures in € million	H1/22	H1/21	Delta	Q2/22	Q2/21	Delta
Revenue	1,072.5	928.3	+15.5%	550.9	494.3	+11.5%
EBIT	87.5	100.1	-12.6%	48.4	56.5	-14.3%
EBIT margin (as a %)	8.2	10.8	-2.6PP	8.8	11.4	-2.6 PP
Profit for the period	66.1	70.0	-5.6%	37.5	40.9	-8.3%
Earnings per share in €	0.97	1.00	-3.0%	0.55	0.59	-6.8%
Free cash flow[1]	-123.8	133.5	–	-55.4	123.7	–

[1] Free cash flow before outflows from fixed-term investments amounting to € 100 m in Q1/21 as well as inflows of € 30 m in Q1/22 and € 100 m in Q2/22.

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The Wacker Neuson Group's complete half-year report is available at the following link:
https://wackerneusongroup.com/en/investor-relations/financial-reports-presentations

For press images relating to the Wacker Neuson Group, please see:
https://wackerneusongroup.com/en/news-media/press-images

About the Wacker Neuson Group:

The Wacker Neuson Group is an international network of companies, employing around 6,000 people worldwide. In fiscal 2021, the Group achieved revenue of EUR 1.87 billion. As a leading manufacturer of light and compact equipment, the Group offers its customers a broad portfolio of products, a wide range of services and an efficient spare parts service. Wacker Neuson Group is the partner of choice among professional users in construction, gardening, landscaping and agriculture, as well as among municipal bodies and companies in industries such as recycling and rail transport. The product brands Wacker Neuson, Kramer and Weidemann belong to the Group. 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.