



## **Wacker Neuson Group – Full Year 2018 Conference Call**

**Martin Lehner (CEO), Wilfried Trepels (CFO)**  
**March 14, 2019**



**Overview**

**01**

**Q4 and FY 2018**

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**Outlook**

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Q4 2018		
Revenue yoy	EBIT yoy	Adj. EBIT yoy
<b>+19%</b> (€ 466 m)	<b>+33%</b> (margin: 8.7%)	<b>+11%</b> (margin: 8.7%)
Op. CF	FCF	EPS
<b>€ 7.7 m</b> (Q4/17: € 63 m)	<b>€ -11.7 m</b> (Q4/17: € 46 m)	<b>€ 0.33</b> (Q4/17: € 0.24)

FY 2018		
Revenue yoy	EBIT yoy	Adj. EBIT yoy
<b>+11%</b> (€ 1,707 m)	<b>+22%</b> (margin: 9.4%)	<b>+11%</b> (margin: 9.4%)
Op. CF	FCF	EPS
<b>€ -18.1 m</b> (2017: € 138 m)	<b>€ -2.9 m</b> (2017: € 99 m)	<b>€ 2.06</b> (2017: € 1.25)

December 31, 2018		
<b>NWC<sup>1</sup> ratio: 37.7%</b> (+2.8 PP yoy)	<b>DIO<sup>2</sup>: 164 days</b> (+20 days yoy)	<b>Equity ratio: 63.8%</b> (-4.9 PP yoy)



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**Outlook**

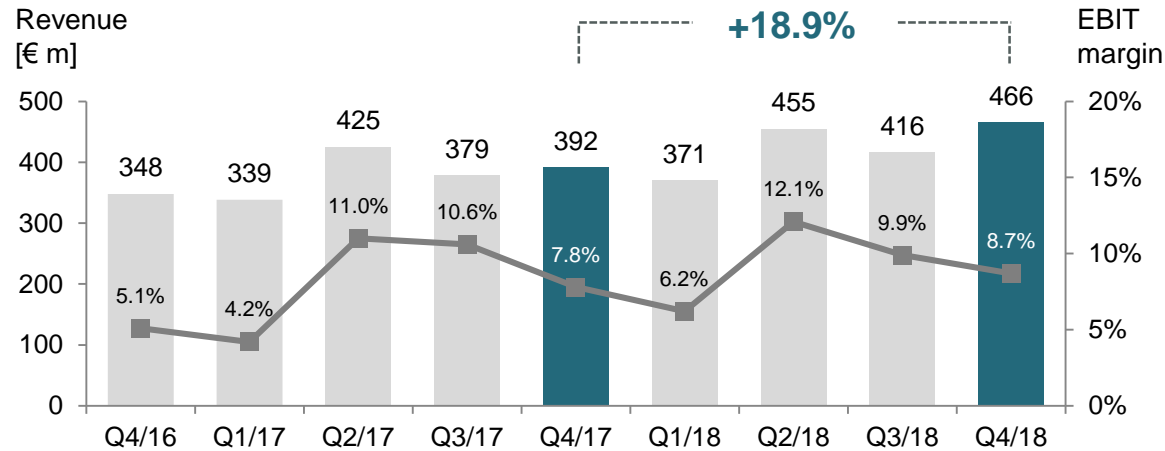
**03**



# Q4 2018: Growth in revenue accelerates



## Strong growth in the final quarter



## Income statement (condensed)

€ m	Q4/18	Q4/17	2018	2017
<b>Revenue</b>	465.6	391.5	1,706.5	1533.9
<b>Gross profit</b>	123.4	110.2	474.0	436.5
<i>as a % of revenue</i>	26.5%	28.1%	27.8%	28.5%
<b>Op. costs (excl. other income/expenses)</b>	-87.9	-80.1	-328.4	-311.5
<i>as a % of revenue</i>	-18.9%	-20.5%	-19.2%	-20.3%
<b>EBIT</b>	40.4	30.4	159.7	131.4
<i>as a % of revenue</i>	8.7%	7.8%	9.4%	8.6%
<b>Profit for the period</b>	23.4	16.5	144.6	87.5
<b>EPS (in €)</b>	0.33	0.24	2.06	1.25
<b>Adj. profit for the period<sup>1</sup></b>	23.4	16.5	98.8	87.5
<b>Adj. EPS (in €)<sup>1</sup></b>	0.33	0.24	1.41	1.25

## Comments on Q4/18

### Revenue +18.9% yoy (adj. for FX effects: +19.9%)

- End markets remained in good shape, strong development across Europe, Americas and Asia-Pacific
- Reduction of unfinished machines and old inventory supported revenue growth

### Gross profit +12.0% yoy (gross profit margin -1.6 PP)

- Productivity affected by restructuring measures in the USA
- Additional expenses for the completion of unfinished machines
- Sales of old stocks burden gross profit margin

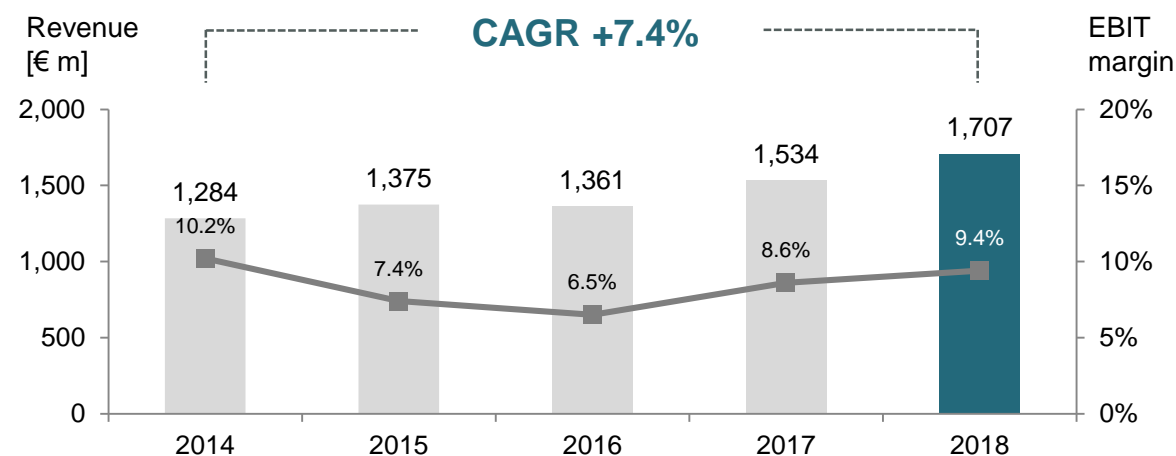
### EBIT +32.9% yoy (EBIT margin: +0.9 PP)

- EBIT benefited from a solid cost development (op. costs as a % of sales down 1.6PP)
- 2017's EBIT was burdened by one-off effects in the amount of € 6.0 m

### Earnings per share +37.5% yoy

# FY 2018: Continued growth in revenue and earnings

## Group revenue at new all-time high



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<b>Adj. EPS (in €)<sup>1</sup></b>	0.33	0.24	1.41	1.25

## Comments on FY 2018

### Revenue +11.3% yoy (adj. for FX effects: +13.3%)

- Continued growth in the global construction industry
- Positive development in the agriculture business
- High levels of investment among North American rental chains
- Sales of compact equipment on the rise in North America

### Gross profit +8.6% yoy (gross profit margin -0.7 PP)

- Supply chain bottlenecks and increased material prices
- Site closures with relocation of production (US, Philippines) and restructuring measures

### EBIT +21.5% yoy (EBIT margin: +0.8 PP)

- Positive volume effect
- Improved cost management: operating costs (sales, R&D, administration) as a % of sales -1.1PP
- 2017's EBIT was burdened by one-off effects in the amount of € 12.6 m (0.8 PP)

### Earnings per share +64.8% yoy (adj. +12.8%)

- Financial result € -11.5 m (2017: € -6.0 m), FX-losses (€ -5.6 m vs. PY)
- Extraordinary income from the sale of a site in Munich: € 45.8 m after tax, Group tax rate at 28.8% (2017: 30.2%)

# FY 2018: Development by Region and Business Segment

## Growth in all regions

Revenue [€ m]	share	△	EBIT <sup>1</sup>
Europe 1,248.9	73%	+11%	175.6
Americas 397.8	23%	+11%	-8.7
Asia-Pacific 59.8	4%	+28%	-5.0
<b>FY 2018 1,706.5</b>	<b>100%</b>	<b>+11%</b>	<b>159.7</b>

## Compact equipment continues to drive growth

Revenue [€ m] <sup>2</sup>	share	△
Light equipment 455.7	26%	+8%
Compact equipment 920.9	54%	+14%
Services 348.1	20%	+9%
<b>FY 2018 1,706.5</b>	<b>100%</b>	<b>+11%</b>

## Comments on FY 2018

### Revenue Europe +10.5% (adj. for FX effects +11.4%)

- Growth supported by most European countries
- Agriculture business (Kramer and Weidemann brands) +18.4%
- Cooperation with John Deere continues to develop positively
- Good development in services segment

### Revenue Americas +11.3% (adj. for FX effects +16.7%)

- High demand from the rental industry
- Focus on developing anchor dealers (exclusive distribution partners operating several branches with sales, service and rental)
- EBIT negatively impacted by consolidation and restructuring of production sites
- South America at previous year's level due to political uncertainties

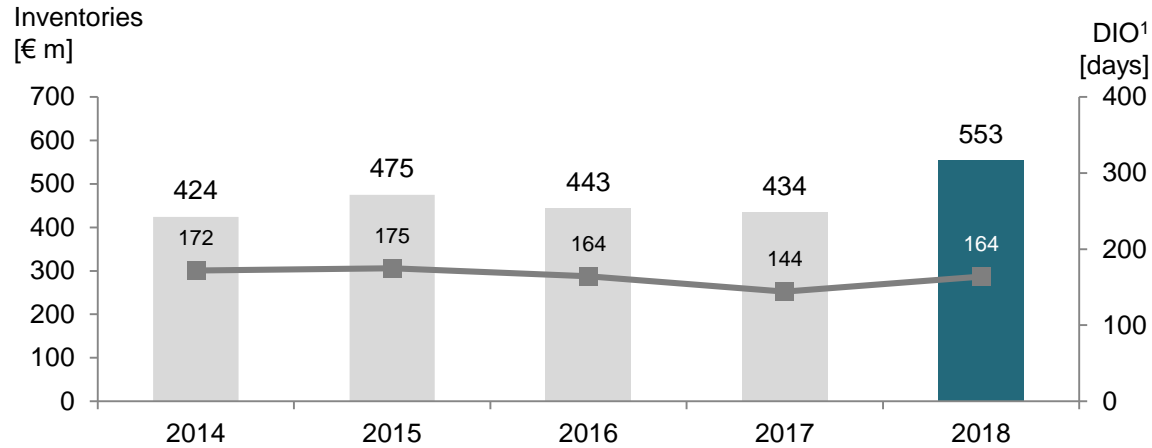
### Revenue Asia Pacific +28.3% (adj. for FX effects +35.0%)

- Start of production in the new plant in China in January 2018; range of machines produced has been expanded throughout the year
- EBIT negatively impacted by ramp-up costs in China, plant closure in Manila, Philippines, and relocation of production to China

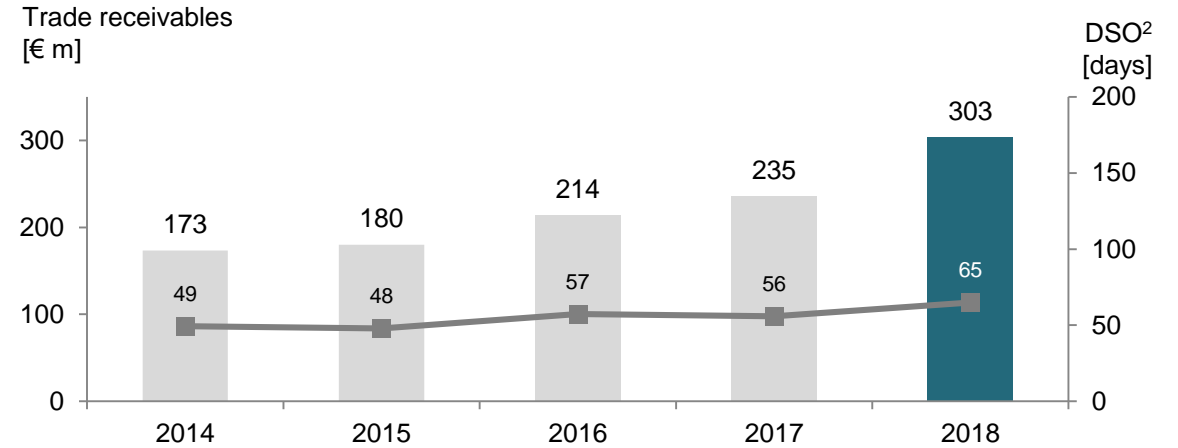
# FY 2018: Supply bottlenecks and receivables push NWC upwards



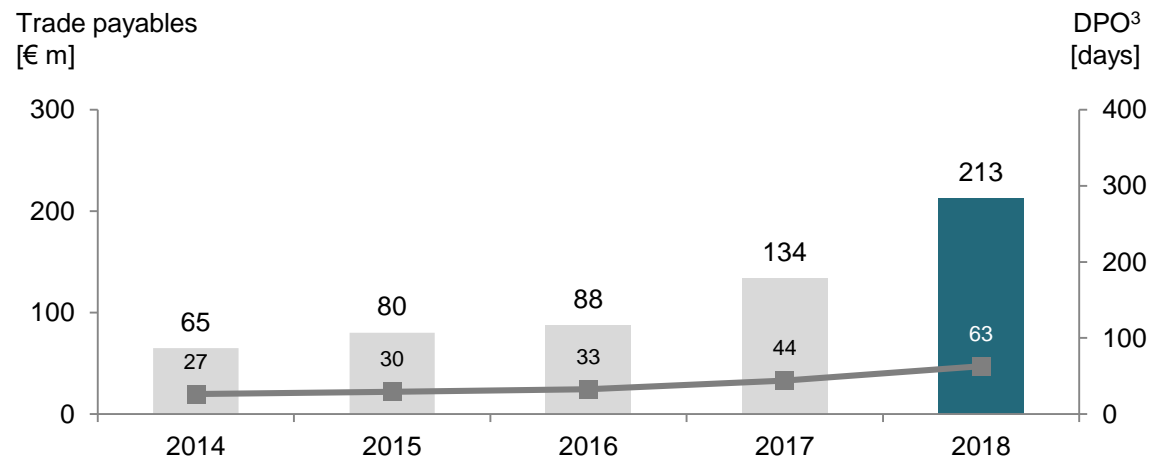
## Inventories



## Trade receivables



## Trade payables



## Comments

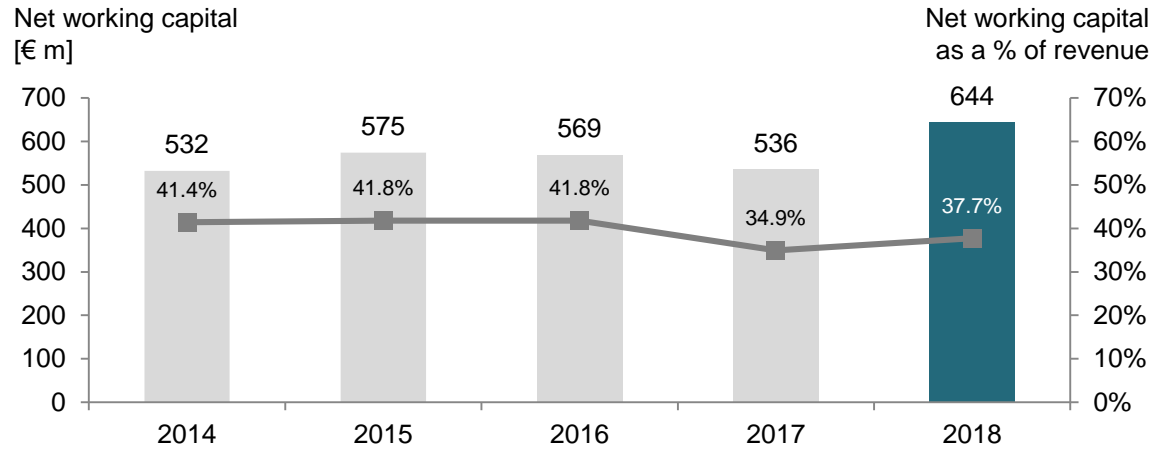
- Inventories increased due to supply chain bottlenecks (finished and unfinished machinery) and stocking up on pre-buy engines
  - Increase in trade receivables due to increased business volume and expansion of dealer network in North America
  - Increase in trade payables due to higher business volume and increased inventories
- ➔ Net working capital (NWC) as a % of sales +2.8 PP (see next slide)



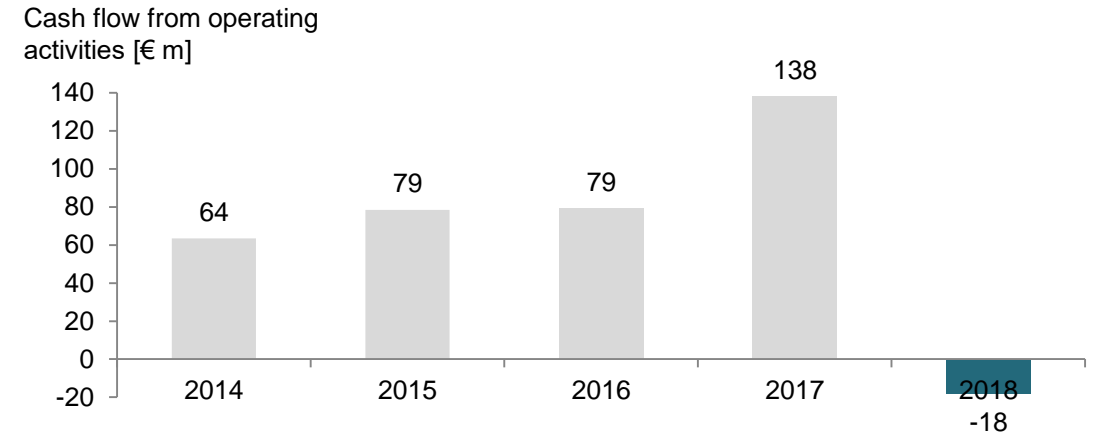
# Net Working Capital burdens cash flow development



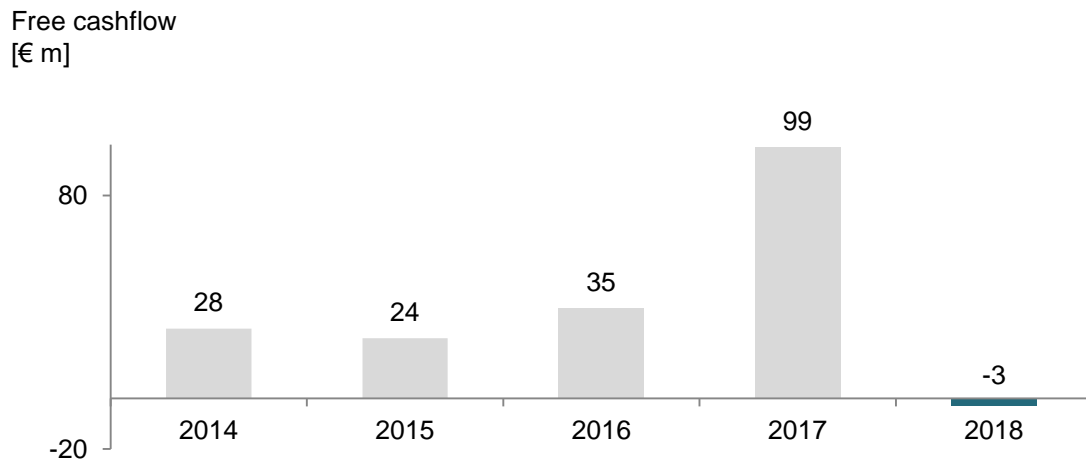
## Net Working Capital



## Operating cashflow



## Free cashflow



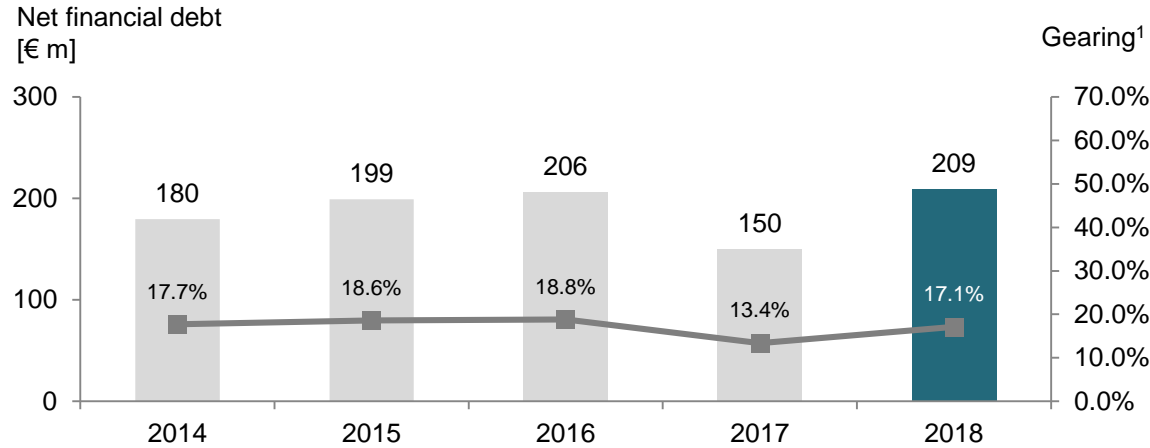
## Comments

- Increased net working capital due to increase in inventory and trade receivables (see previous slide)
- Support for the development of anchor dealers in North America through financing programs (other assets increased)
- Investments in Group rental fleet
- Cash inflow of € 60.0 m from the sale of a former factory site in Munich

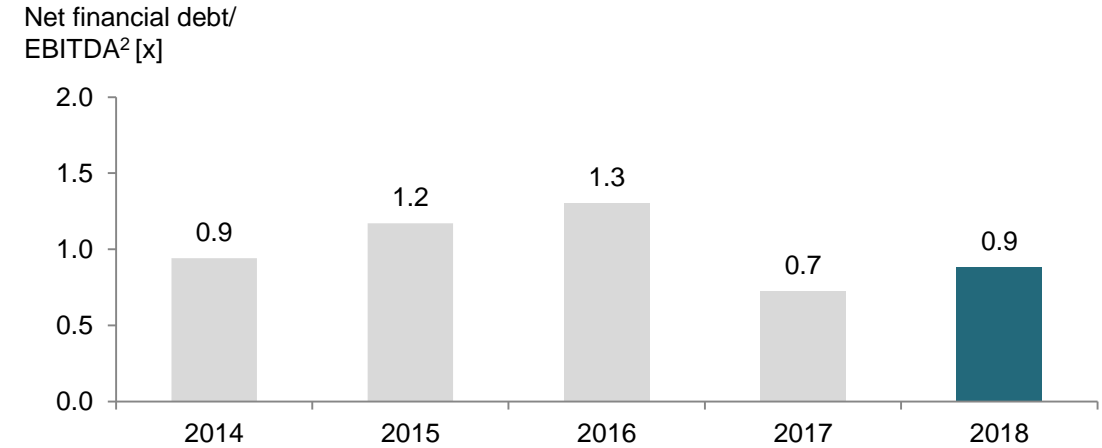
# Sound Balance Sheet Structure



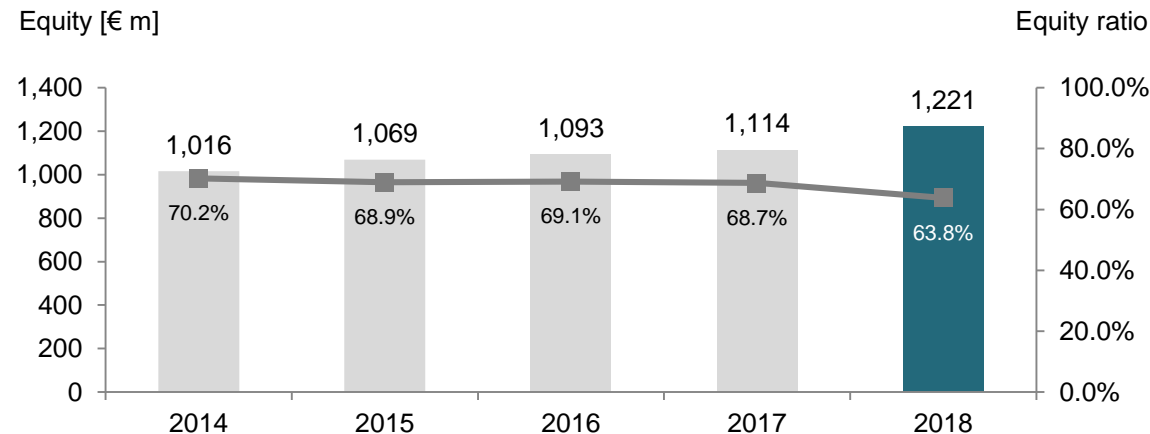
## Gearing<sup>1</sup> increased yoy



## Net financial debt/EBITDA<sup>2</sup> at low level



## High equity ratio



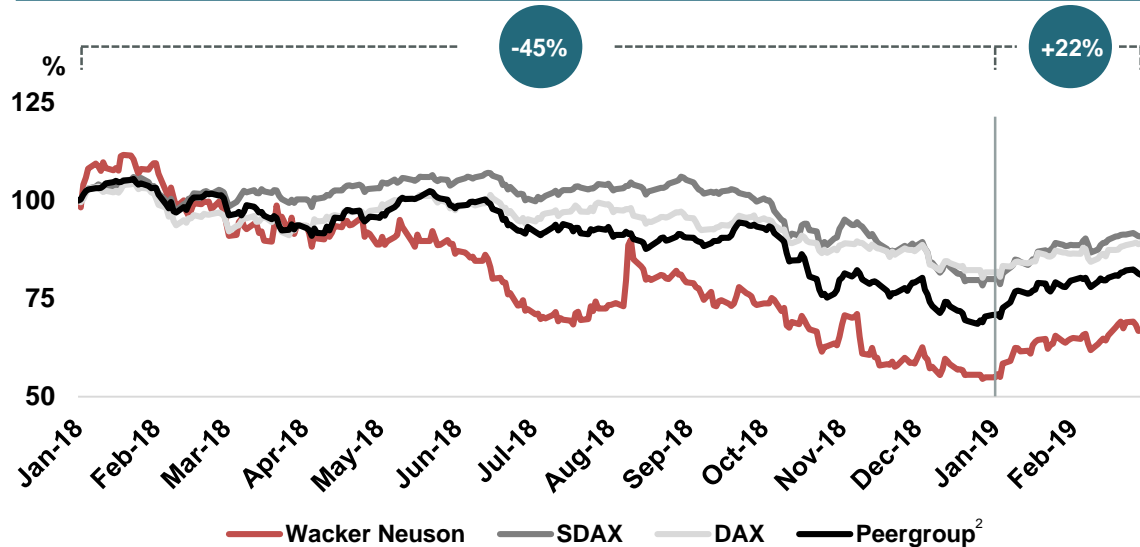
## Comments

- Net financial debt increased, gearing remains at a conservative level (17.1%)
- Promissory note (Schuldschein) of USD 100 m placed in February 2018
- Ratio of net financial debt to EBITDA remains low
- High equity ratio compared to peer group
- ➔ Excellent basis for further profitable growth

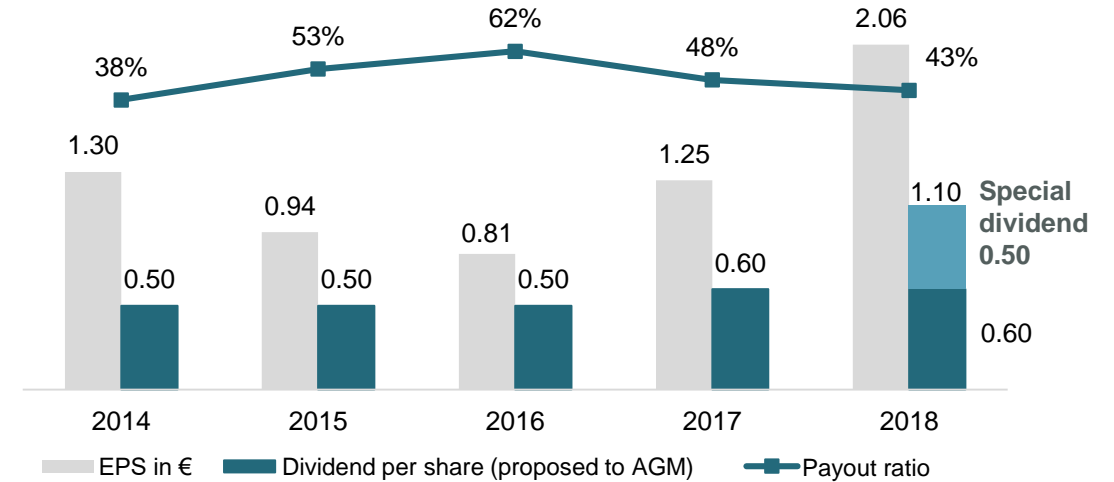
# Share Development



## The share in 2018<sup>1</sup>



## Special dividend proposed to AGM



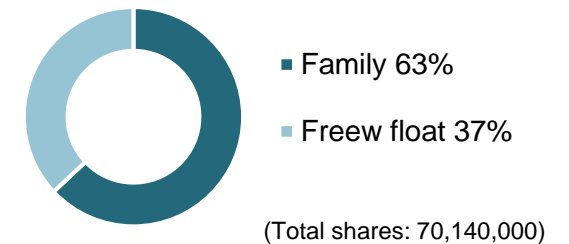
## Key figures per share

in €	2018	2017
Earnings per share	2.06	1.25
Book value per share	17.41	15.88
Share price end of period	16.52	30.08
Market capitalization (€ m)	1,158.7	2,109.5

## Coverage<sup>1</sup>

Bank	TP (€)	Recom.	Date
Hauck & Aufhäuser	36.50	Buy	Jan 09, 2019
Berenberg	27.00	Buy	Jan 20, 2019
Warburg	26.10	Buy	Nov 13, 2018
Commerzbank	25.60	Buy	Jan 22, 2019
Metzler	25.00	Buy	Jan 28, 2019
MainFirst	24.00	Buy	Nov 19, 2018
Bankhaus Lampe	23.00	Buy	Jan 17, 2019
Pareto	21.30	Hold	Jan 31, 2019
Kepler Cheuvreux	19.00	Hold	Nov 13, 2018

## Shareholder structure





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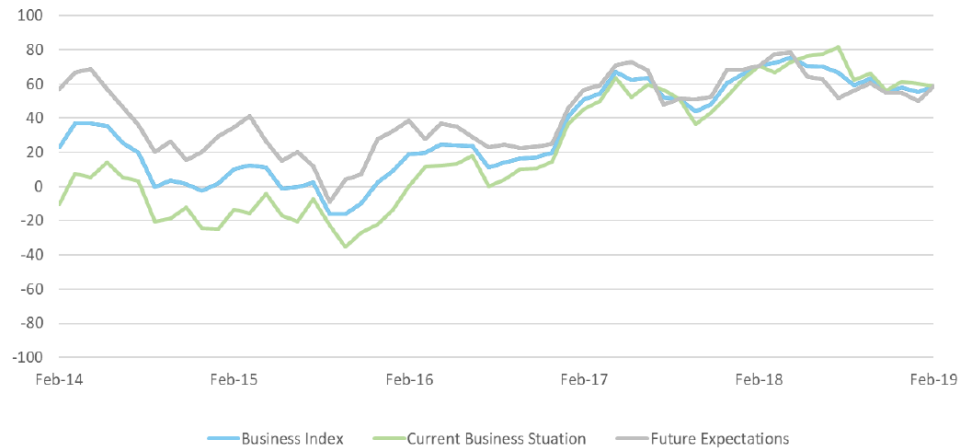
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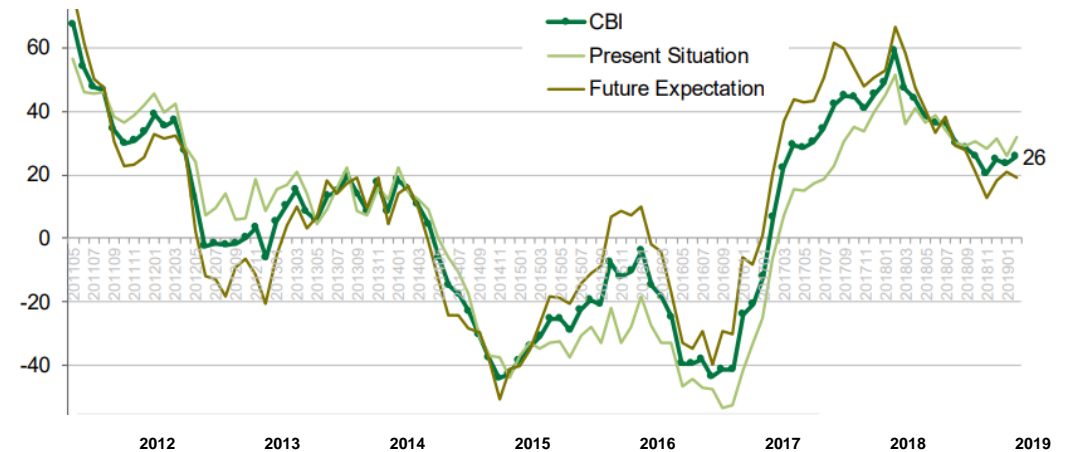
**03**

## Construction: Business barometer close to highest levels



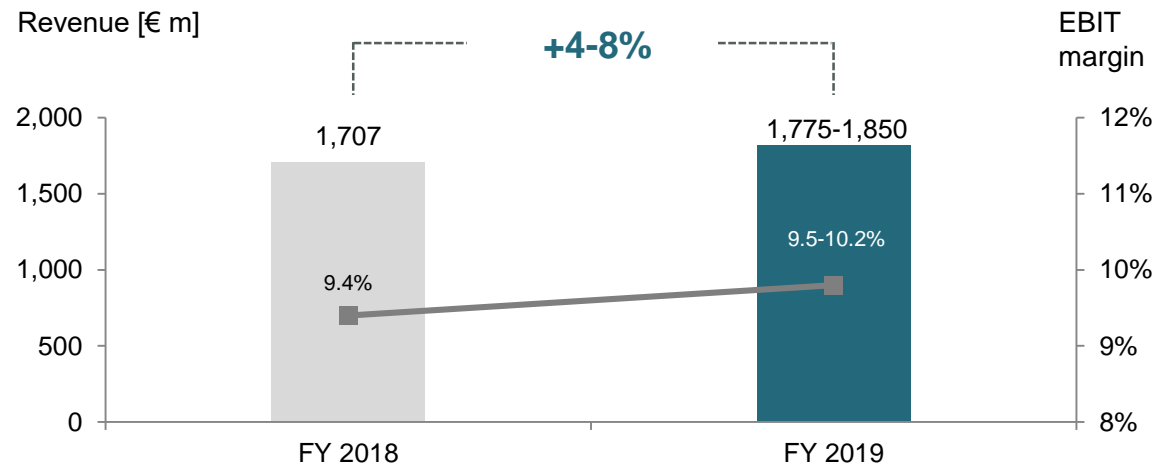
Source: CECE, February 2019.

## Agriculture: Business barometer at high level



Source: CEMA, February 2019.

## Revenue and earnings guidance for 2019



## Comments

- Global megatrends will provide medium- and long-term opportunities for the Wacker Neuson Group's business model
- Upbeat mood across the industry (CECE/CEMA) at the start of 2019 with expectations rising recently
- Risks: Brexit, the European debt crisis, trade conflicts, bottlenecks in the global supply chain, devaluation of the US dollar, etc.
- Order books well filled at start of 2019, positive mood among customers
- Guidance for 2019:** Revenue between € 1,775 and 1,850 million  
EBIT margin between 9.5 and 10.2%, investments of around € 100 m, nwc as a % of revenue slightly lower than in previous year





April 3, 2019	German Corporate Conference, Bankhaus Lampe, Baden-Baden
April 9, 2019	Capital Market Day, Munich
<b>May 7, 2019</b>	<b>Publication of Q1 report 2019, analysts' &amp; investors' conference call</b>
May 14, 2019	Roadshow, Zurich
May 22, 2019	Berenberg USA Conference, New York
May 29, 2019	Annual General Meeting, Munich
June 12, 2019	Roadshow, London
June 13, 2019	Roadshow, Hamburg
July 1, 2019	Roadshow, Paris
<b>August 6, 2019</b>	<b>Publication of half-year report 2019; analysts' &amp; investors' conference call</b>
<b>November 7, 2019</b>	<b>Publication of Q3 report 2019; analysts' &amp; investors' conference call</b>

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