Wacker Neuson Group

Press release

Wacker Neuson continues positive development in the third quarter

Munich, November 8, 2018

- **Growth in all regions and business segments**
- **Profitability slightly below previous year's level due to limited material availability and plant restructuring measures**
- **Guidance for full-year 2018 confirmed**

Revenue 10 percent higher than prior-year quarter

In the third quarter of 2018, the Wacker Neuson Group continued to build on the successful development evident during the first half of the year. Revenue increased 10 percent to EUR 416 million (Q3/17: EUR 379 million). Growth was fueled by continued strong demand in the core markets of Europe and North America as well as by positive developments in the Group's business with agricultural equipment. Bottlenecks in the global supply chain continued to have a dampening effect. Revenue for the first nine months of 2018 rose 9 percent. Adjusted for currency effects, this corresponds to 11 percent.

Growth in all regions and business segments

In Europe, which is the largest sales market for the Group, Q3 revenue increased 10 percent to EUR 307 million (Q3/17: EUR 280 million). The region's share of Group revenue remained unchanged at 74 percent. "In addition to robust growth in the European construction industry, our business with equipment for the agricultural sector had a disproportionately positive impact on regional development with revenue from our two Kramer and Weidemann brands increasing 21 percent," explains Martin Lehner, CEO of Wacker Neuson SE. In the Americas region, which accounts for around 23 percent of Group revenue, revenue for the third quarter rose 11 percent to EUR 98 million (Q3/17: EUR 88 million). "We benefited in particular from continued strong demand from the North American rental industry," adds Lehner. In contrast, the Group experienced a drop in revenue in South America. Revenue for Asia-Pacific rose 10 percent to EUR 11 million (Q3/17: EUR 10 million). This corresponds to 15 percent when adjusted for currency effects.

Profitability slightly below prior-year level

Profit before interest and tax (EBIT) for the third quarter amounted to EUR 41 million (Q3/17: EUR 40 million). At 9.9 percent, the EBIT margin decreased by 0.7 percentage points relative to the previous year (Q3/17: 10.6 percent). Higher material prices and bottlenecks in the global supply chain had a dampening effect here and significantly impacted production flows at company factories. As part of its efforts to optimize production capacities and logistics processes, the Group wound down operations and closed its factories in Norton Shores, USA, and Manila, Philippines. This further impacted productivity. The products previously manufactured at these sites will be produced in future at the existing factories in Menomonee Falls, USA, and Pinghu, China.

EBIT for the first nine months of the year amounted to EUR 119 million. This corresponds to a rise of 18 percent (9M/17: EUR 101 million). The EBIT margin improved 0.8 percentage points to 9.6 percent (9M/17: 8.8 percent).

Continued pressure on cash flow

Cash flow from operating activities for the first nine months of the year remained negative at EUR -26 million (9M/17: EUR 75 million). This is due to the expansion of the dealer network in the US and the associated increase in financing activities and, in particular, the rise in net working capital. Increased work-in-progress inventory caused by bottlenecks in the supply chain, a more conservative inventory strategy for raw materials and supplies, and growing stocks of pre-buy engines all had a negative impact here. Free cash flow for the first nine months of the year amounted to EUR 9 million (9M/17: EUR 53 million).

Guidance for 2018 confirmed

The company has confirmed its guidance for full-year 2018 and expects revenue to increase by between 8 and 11 percent to reach between EUR 1.65 and EUR 1.70 billion (2017: EUR 1.53 billion). The EBIT margin corridor is set at 9.0 to 10.0 percent. “Our order books are well filled and the most important target markets for our Group continue to develop positively,” highlights Lehner. “We are continually optimizing our internal structures and processes in response to rises in material prices, personnel costs and transport expenses. The positive market situation is also allowing us to adjust our sales prices although the impact of these adjustments will not be immediately evident.” The tense situation in the supply chain continues to be a source of uncertainty. At the close of the year, the Group expects net working capital expressed as a percentage of revenue to be slightly higher than in the previous year.

Table: Revenue and earnings

Key figures in € million	Q3/18	Q3/17	Δ	9M/18	9M/17	Δ
Revenue	415.8	378.7	+10%	1,240.9	1,142.4	+9%
EBIT (adjusted)[1]	41.1 (41.1)	40.0 (42.6)	+3% (-4%)	119.3 (119.3)	101.0 (107.6)	+18% (+11%)
EBIT margin (adjusted)[1]	9.9% (9.9%)	10.6% (11.2%)	-0.7 PP (-1.3 PP)	9.6% (9.6%)	8.8% (9.4%)	+0.8 PP (+0.2 PP)
Profit for the period	27.1	28.3	-4%	121.2	71.0	+71%
Earnings per share in €	0.39	0.41	-5%	1.73	1.01	+71%

[1] Expenses for one-off effects and restructuring measures in the amount of €2.6m (9M/17: €6.6m) were recognized in Q3/17. Adjusted EBIT reflects these effects.

The quarterly report for Q3/2018 is available at:
http://wackerneusongroup.com/en/investor-relations/financial-reports-presentations/.

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About Wacker Neuson

The Wacker Neuson Group is an international family of companies and a leading manufacturer of light and compact equipment with over 50 affiliates and 140 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, as well as among municipal bodies and companies in industries such as recycling, energy and rail transport. In 2017, the Group achieved revenue of EUR 1.53 billion, employing more than 5,500 people worldwide. www.wackerneusongroup.com