

## Press release

### **DEUTZ significantly increases its profit in 2022 and pursues further growth with its Dual+ strategy**

- Revenue increases by more than 20 percent to €1.95 billion
- Classic business delivers its best result in ten years
- New medium-term guidance for 2025

Cologne, March 16, 2023 – Last year, DEUTZ maintained its course and achieved its targets in a challenging geopolitical and macroeconomic environment. The drive manufacturer's unit sales rose by 16.6 percent, while revenue climbed by 20.8 percent to €1.95 billion. Profitability also improved significantly, with EBIT before exceptional items more than doubling year on year to reach €89.4 million. The EBIT margin before exceptional items widened from 2.3 percent to 4.6 percent.

“Despite difficult conditions, we maintained our course and significantly improved our earnings, giving us a base on which to build. In January, we unveiled our Dual+ strategy in order to cater to the different needs in the market and lay the foundations for our continued growth in the years ahead. The shift to greener drive systems represents a huge business opportunity for us,” says DEUTZ CEO Dr. Sebastian C. Schulte.

#### **New medium-term targets based on the Dual+ strategy**

Aimed at additional growth and greater profitability, the Dual+ strategy adopted by DEUTZ at the start of this year encompasses both the optimization of its existing core business in internal combustion engines and the development of new zero-emission products. The two segments will be supported through the global expansion of the service business. The target under the new strategy is to increase revenue by almost 30 percent to more than €2.5 billion by 2025. The service business is to contribute around €600 million to this total. Over the same period, the aim is for a rise in the EBIT margin before exceptional items to between 6 percent and 7 percent. DEUTZ's long-term objective is to permanently establish itself among the top three independent drive manufacturers and to offer a fully climate-neutral product and technology portfolio by no later than 2050.

### **Classic segment provides foundations for growth**

In the Classic segment, DEUTZ increased its EBIT margin before exceptional items to around 7 percent, thereby recording its best performance in more than ten years. This business will continue to underpin DEUTZ's growth over the coming years. An optimized product portfolio, more efficient processes, and a significant improvement in performance should enable existing capacity to be utilized even more effectively. With this in mind, DEUTZ is intending to play an active role in a consolidating market: "Whereas some players are exiting the market, we are opting for growth by means of targeted purchases and acquisitions. The alliance with Daimler Truck is the first major step in this regard," explains Schulte. This partnership, which was announced a few weeks ago, will enable DEUTZ to modernize its product portfolio quickly and efficiently. The annual revenue to be generated through the alliance is expected to be in the mid-triple-digit millions of euros after the ramp-up of production in 2028.

### **Technology-neutral, market-oriented development in the Green segment**

DEUTZ is taking a fundamentally technology-open approach to the further development of its climate-neutral product portfolio in the Green segment. This means improving the carbon footprint of the internal combustion engine, for example through the use of hydrogen or synthetic fuels, and developing alternative drive systems such as electric drives. To this end, DEUTZ will analyze all its activities in the Green segment during the coming months in order to review their marketability. The Company previously announced that it plans to invest more than €100 million in these activities. DEUTZ's hydrogen engine is already being piloted in two projects in Germany and, in February 2023, a memorandum of understanding was signed regarding the delivery of a first small-scale production run of H2 gensets to China.

### **Global expansion of the service business**

DEUTZ will also continue to expand its profitable service business under the new Dual+ strategy. This includes the enlargement of regional sites, the repair and maintenance of non-DEUTZ engines, and the expansion of the service business through acquisitions and strategic partnerships. In 2022, companies were acquired in Ireland and the Netherlands.

## Transformation with a strong team at the helm

The Supervisory Board of DEUTZ AG has completed the reorganization of the Board of Management: Dr. Ing. Petra Mayer took up her post as the new Chief Operating Officer (COO) at the start of November 2022 and Timo Krutoff joined the Board of Management as the new CFO and Labor Director on December 1, 2022. To ensure continuity on the new executive team, the contracts of CEO Dr. Sebastian C. Schulte and CTO and CSO Dr. Ing. Markus Müller have both been extended by five years.

## The Group's key figures for 2022 in detail

In 2022, **new orders** received by the DEUTZ Group amounted to €2,033.6 million. This was around the high level of €2,012.6 million achieved in the previous year, which had been boosted by one-off effects of spending brought forward in an amount of more than €100 million.

The regional situation was mixed, with new orders rising significantly in the Americas and Asia-Pacific regions but declining slightly in the EMEA region during the reporting year. The application segments also presented a disparate picture. Whereas Material Handling, Agricultural Machinery, and the service business generated increases in new orders (with some of them reporting double-digit percentage growth), there was a small year-on-year decrease for Stationary Equipment and a sharp fall for Construction Equipment and Miscellaneous.

**Orders on hand** advanced by 14.3 percent to reach €773.5 million at the end of 2022 (December 31, 2021: €676.7 million). This points to a stable order situation in the months ahead. All regions reported growth. Of the total sum, orders on hand attributable to the service business rose by 22.1 percent to €43.6 million (December 31, 2021: €35.7 million).

With a total of 234,682 units sold, the DEUTZ Group registered an increase in **unit sales** of 16.6 percent in the reporting year. Within this total, the number of DEUTZ Classic engines<sup>1</sup> sold rose by 12.7 percent to 181,268. The DEUTZ subsidiary Torqeedo sold 53,414 electric boat drives, which was 32.2 percent more than in the previous year.

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<sup>1</sup> Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

The uptrend in unit sales was generated across all application segments. The region with the sharpest increase was the Americas, where the rise of 41.6 percent was primarily attributable to higher unit sales in the stationary equipment, electric boat drives, and material handling businesses. The EMEA region, which is DEUTZ's largest sales market, saw its unit sales climb by 8.4 percent.

Reflecting the growth in unit sales, DEUTZ's **revenue** grew by 20.8 percent to €1,953.4 million in the year under review. All regions and application segments recorded increases in revenue. Revenue rose by 20.9 percent to €1,889.4 million in the Classic segment and by 18.7 percent to €64.0 million in the Green segment. The revenue of the service business grew by 11.6 percent to €449.8 million and therefore accounted for 23.0 percent of consolidated revenue. Within this business, parts sales and DEUTZ Xchange performed particularly well.

### **Strong improvement in profitability**

**EBIT before exceptional items** (adjusted EBIT) improved from €37.2 million to €89.4 million in the year under review and thereby more than doubled. This improvement was attributable to the growth in the volume of business, combined with benefits from economies of scale, and cost-saving measures. Moreover, the market-oriented pricing policy proved effective in mitigating additional cost pressures that arose from persistent supply bottlenecks and higher prices for materials. The improvement was partly offset by higher impairment losses on trade receivables and negative contributions to earnings from the DEUTZ subsidiary Torqeedo and the Chinese joint venture Hunan DEUTZ Power.

The **adjusted EBIT margin** also increased significantly year on year, rising from 2.3 percent to 4.6 percent. In the high-revenue Classic segment, which encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business, the adjusted EBIT margin improved from 3.8 percent to 6.8 percent. As expected, the adjusted EBIT margin of the Green segment, which includes not only the DEUTZ subsidiaries Torqeedo and Futavis but also the activities related to new drive solutions and mobile rapid charging stations, decreased on the back of high levels of research and development cost, falling to minus 61.3 percent (2021: minus 41.6 percent).

**EBIT** for 2022 stood at €82.6 million (2021: €34.1 million). This figure takes account of exceptional items amounting to €6.8 million that related to the recognition of provisions following a number of changes at senior management level. The **EBIT margin** came to 4.2 percent (2021: 2.1 percent).

**Net income**, which was boosted by deferred tax income of €20.5 million in 2022, jumped by 109.9 percent to €80.2 million (2021: €38.2 million). **Earnings per share** increased from €0.32 to €0.66. **Net income before exceptional items** advanced by 108.5 percent to €86.1 million, while **earnings per share before exceptional items** increased from €0.34 to €0.71.

#### **Financial position remains comfortable**

**Cash flow from operating activities** amounted to €57.7 million in 2022, compared with €93.3 million in the previous year. This decline was largely attributable to the increase in working capital: The growth in the volume of business and delays in the supply chain led to a rise in inventories, especially finished goods and work in progress. Moreover, the procurement of certain items in the market remained extremely challenging, which resulted in a build-up of inventories of materials and components in order to safeguard production. The growth of inventories was only partly offset by the net cash inflow resulting from higher trade payables.

As a result of the decrease in cash flow from operating activities, **free cash flow** deteriorated year on year to stand at minus €16.6 million (2021: €21.6 million).

At 45.3 percent, the **equity ratio** was almost unchanged on the figure reported a year earlier (December 31, 2021: 45.6 percent). The DEUTZ Group's financial position thus remains comfortable.

### **Dividend of €0.15 per share proposed for 2022**

The intention is to propose a dividend of €0.15 per dividend-bearing share to the Annual General Meeting at the end of April 2023. This would give a dividend ratio of around 23 percent. The proposed dividend for 2022 deviates from the target of distributing 30 percent of net income. This is because of the non-recurring, non-cash effect of the deferred tax income reported.

### **Moderate growth expected in 2023**

DEUTZ is predicting unit sales of 175,000 to 195,000 DEUTZ engines<sup>2</sup> in 2023, which should result in an increase in revenue to between €1.9 billion and €2.1 billion. The adjusted EBIT margin is likely to be in a range of 4.0 percent to 5.0 percent. Free cash flow before M&A is expected to be in the mid-double-digit millions of euros.

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<sup>2</sup> Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

## DEUTZ Group: Overview of key figures

€ million	2022	2021	Change	Q4 2022	Q4 2021	Change
New orders	2,033.6	2,012.5	1.0%	513.9	498.6	3.1%
Group unit sales (units)	234,682	201,283	16.6%	65,330	55,924	16.8%
thereof DEUTZ engines <sup>3</sup>	181,268	160,882	12.7%	50,393	44,609	13.0%
thereof Torqeedo	53,414	40,401	32.2%	14,937	11,315	32.0%
Revenue	1,953.4	1,617.3	20.8%	557.6	443.9	25.6%
EBIT	82.6	34.1	142.2%	25.2	6.3	400.0%
thereof exceptional items	-6.8	-3.1	119.4%	1.7	0.0	-
Adjusted EBIT (EBIT before exceptional items)	89.4	37.2	140.3%	23.5	6.3	273.0%
EBIT margin (%)	4.2	2.1	+2.1pp	4.5	1.4	+3.1pp
EBIT margin before exceptional items (%)	4.6	2.3	+2.3pp	4.2	1.4	+2.8pp
Net income	80.2	38.2	109.9%	33.9	14.5	133.8%
Net income before exceptional items	86.1	41.3	108.5%	23.9	14.5	64.8%
Earnings per share (€)	0.66	0.32	106.3%	0.29	0.12	141.7%
Earnings per share before exceptional items (€)	0.71	0.34	108.8%	0.28	0.12	133.3%
Equity (Dec. 31)	668.8	588.4	13.7%	-	-	-
Equity ratio (%)	45.3	45.6	-0.3pp	-	-	-
Cash flow from operating activities	57.7	93.3	-38.2%	71.5	25.4	181.5%
Free cash flow	-16.6	21.6	-	53.3	6.4	732.8%
Net financial position (Dec. 31)	-164.2	-79.7	-106.0%	-	-	-
Employees <sup>4</sup> (Dec. 31)	4,975	4,751	4.7%	-	-	-

<sup>3</sup> Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

<sup>4</sup> Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

### DEUTZ Classic segment: Overview of key figures

€ million	2022	2021	Change	Q4 2022	Q4 2021	Change
New orders	1,981.1	1,947.7	1.7%	505.4	485.5	4.1%
Unit sales (units)	181,249	160,880	12.7%	50,379	44,607	12.9%
Revenue	1,889.4	1,563.4	20.9%	545.0	430.5	26.6%
Adjusted EBIT (EBIT before exceptional items)	128.1	58.7	118.2%	35.6	13.3	167.7%
EBIT margin before exceptional items (%)	6.8	3.8	+3,0 pp	6.5	3.1	+3.4 pp

### DEUTZ Green segment: Overview of key figures

€ million	2022	2021	Change	Q4 2022	Q4 2021	Change
New orders	52.5	64.9	-19.1%	8.5	13.1	-35.1%
Unit sales (units)	53,433	40,403	32.3%	14,951	11,317	32.1%
Revenue	64.0	53.9	18.7%	12.6	13.4	-6.0%
Adjusted EBIT (EBIT before exceptional items)	-39.2	-22.4	-75.0%	-13.0	-7.6	-71.1%
EBIT margin before exceptional items (%)	-61.3	-41.6	-19.7 pp	-103.2	-56.7	-46.5 pp

The 2022 annual report is available at [www.deutz.com/en/investor-relations](http://www.deutz.com/en/investor-relations).



## **Upcoming financial dates**

April 27, 2023: Virtual 2023 Annual General Meeting

May 4, 2023: Quarterly statement for the first quarter of 2023

August 10, 2023: Interim report for the first half of 2023

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## **Forward-looking statements**

This press release may contain certain forward-looking statements based on current assumptions and forecasts made by the DEUTZ management team. Various known and unknown risks, uncertainties, and other factors may lead to material differences between the actual results, the financial position, or the performance of the DEUTZ Group and the estimates and assessments set out here. These factors include those that DEUTZ has described in published reports, which are available at [www.deutz.com](http://www.deutz.com). The Company does not undertake to update these forward-looking statements or to change them to reflect future events or developments.

## **About DEUTZ AG**

*DEUTZ AG, a publicly traded company headquartered in Cologne, Germany, is one of the world's leading manufacturers of innovative drive systems. Its core competencies are the development, production, distribution, and servicing of drive solutions in the power range up to 620 kW for off-highway applications. The current portfolio extends from diesel, gas, and hydrogen engines to hybrid and all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. DEUTZ has around 5,000 employees worldwide and almost 900 sales and service partners in more than 130 countries. It generated revenue of more than €1.9 billion in 2022. Further information is available at [www.deutz.com](http://www.deutz.com).*