

DEUTZ

Q1 2019 Results

7 May 2019



Disclaimer

This presentation contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. DEUTZ does not undertake any responsibility to update the forward-looking statements in this presentation.

Agenda



Strategy & operational highlights



Dr Frank Hiller | CEO



Highlights

Successful start to the year

- Ongoing strong demand – order intake (€514.5 million) sequentially above Q4 2018
- Revenue increased by +9.2% yoy – supported by growth in all regions and applications
- Operating profit grew significantly by 15.7% to €25.1 million
- EBIT margin improved by 30 bps yoy to 5.5%
- Full-year 2019 guidance confirmed

New products & cooperations

- Presentation of new engines and introduction of modular product kit at trade fair bauma in April
- Letter of intent signed with KEYOU on collaboration of developing hydrogen engines
- JV with SANY in China – signing expected in the coming weeks
- Ongoing expansion of service business – e.g. strengthening dealer and service network in the Middle East

gaining momentum



MANITOU
GROUP

KOBELCO

JLG

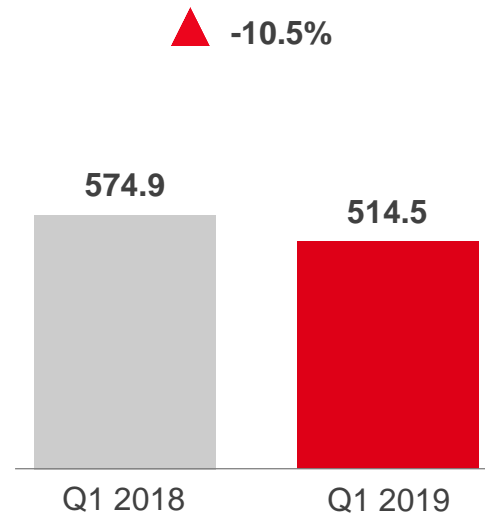
- Increasing number of customer projects
- Live presentation of different prototype machines at trade fair bauma in April
- KOBELCO mini excavator with all-electric drive paves way for emission-free operation – market launch in 2021

Fast execution of E-DEUTZ strategy

Sales figures

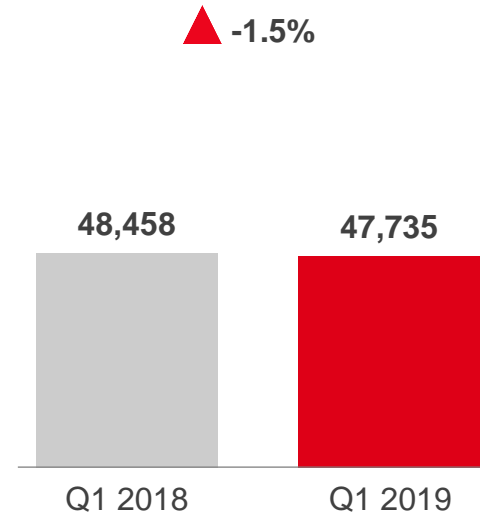
New orders

€ million



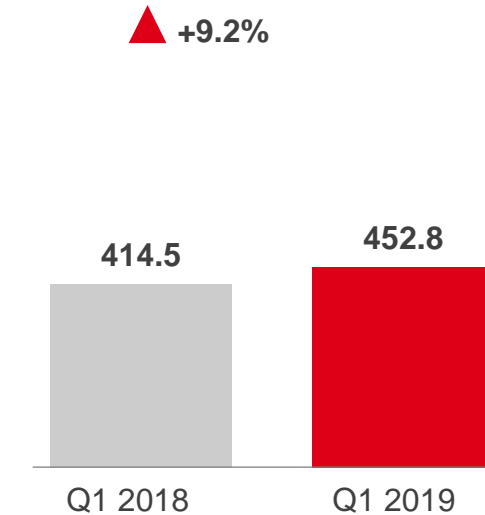
Unit sales

Units



Revenue

€ million



- New orders below Q1 2018, which had been positively influenced by exceptional items, but 27.4 % above Q4 2018
- Book-to-bill ratio of 1.1x ensures good capacity utilization
- Torquedo sold 1,671 electric drive systems in Q1 2019

Revenue by region¹⁾

Q1 2019 (Q1 2018)

Africa/Middle East 3%

€11.6 million
+27.5% yoy

Asia-Pacific 17%

€78.7 million
+18.3% yoy

Americas 22%

€101.2 million
+23.4% yoy

Europe (excl. Germany) 40%

€181.6 million
+1.3% yoy

Germany 18%

€79.7 million
+2.7% yoy

€452.8 million
(€414.5 million)

Growth in all regions

7 1) In Q1 2019, DEUTZ changed the regional assignment of one of its big-ticket customers in order to standardize how the regional breakdown of revenue is disclosed. Business with this customer is no longer allocated exclusively to the EMEA region. Instead, it can now also be allocated to the Americas and Asia-Pacific regions, depending on the location of the local subsidiary's registered office. The figures for the prior-year period have been restated accordingly.

Revenue by application¹⁾

Q1 2019 (Q1 2018)

Other 6%

€26.5 million

+23.8% yoy

Stationary Equipment 8%

€35.2 million

+1.4% yoy

Agricultural Machinery 16%

€73.3 million

+16.0% yoy

Construction Equipment 30%

€137.6 million

+6.1% yoy

Material Handling 20%

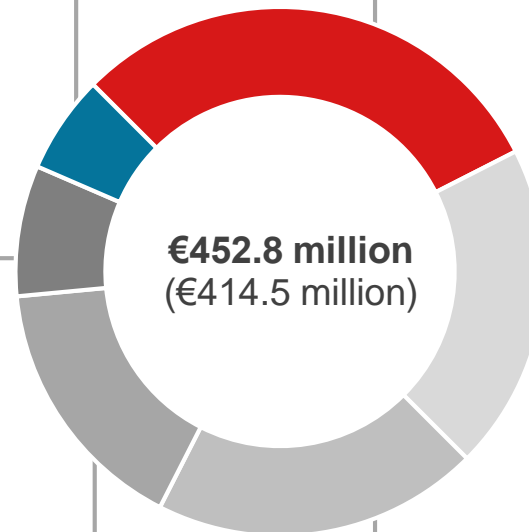
€90.4 million

+8.7% yoy

Service 20%

€89.8 million

+9.1% yoy



Positive development in all applications

8 1) From 2019 onwards, the revenue from automotive business is included in the Other application segment. Up to and including 2018, it was shown separately. The figures for the prior-year period have been restated accordingly.

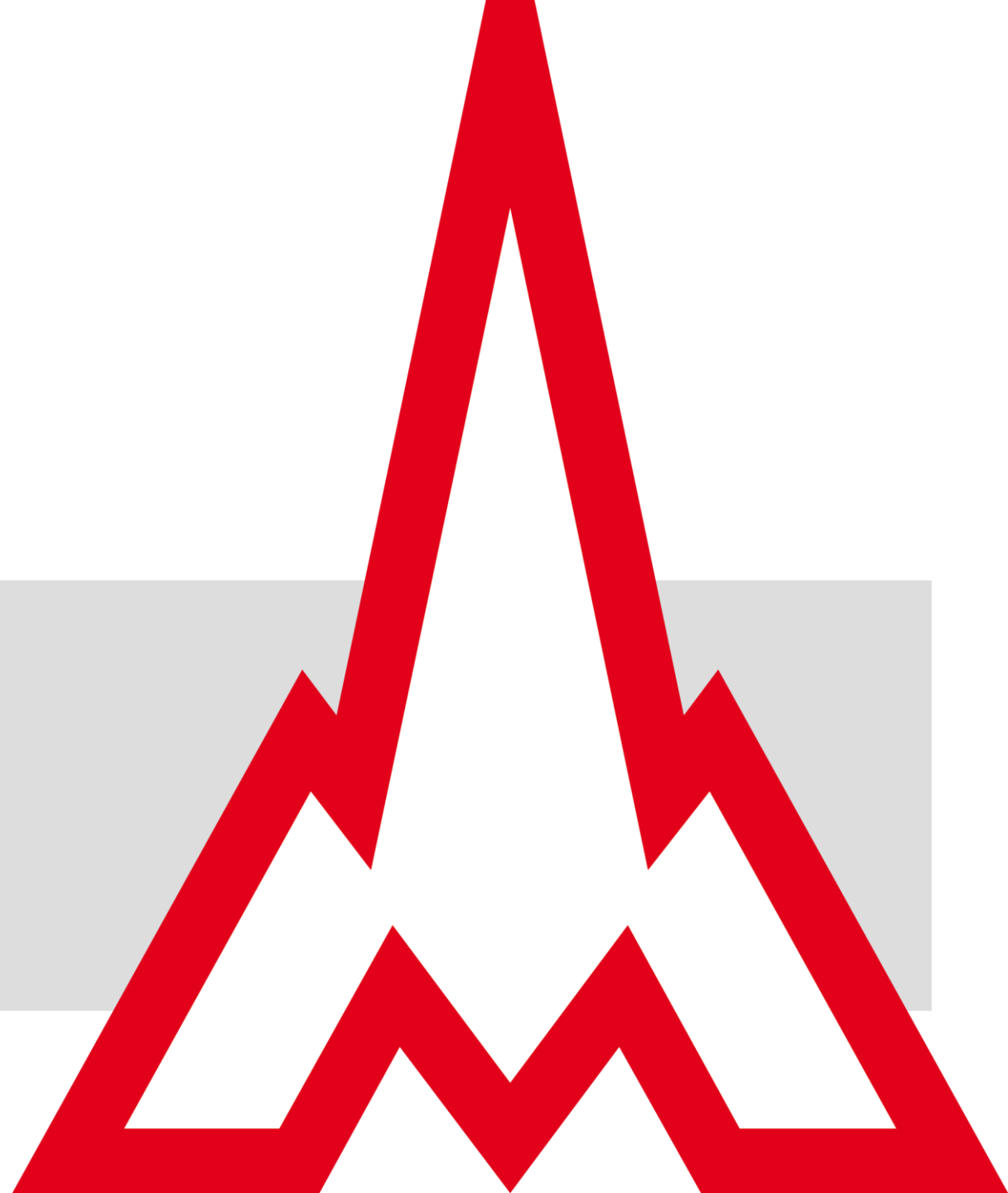
Agenda



Key financials in more detail



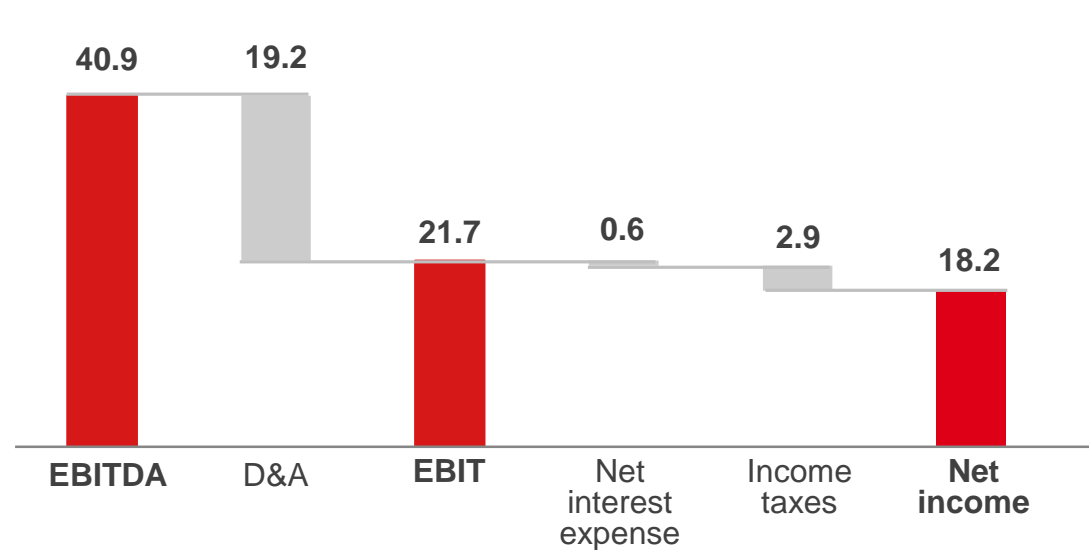
Dr Andreas Strecker | CFO



Operating profit & net income

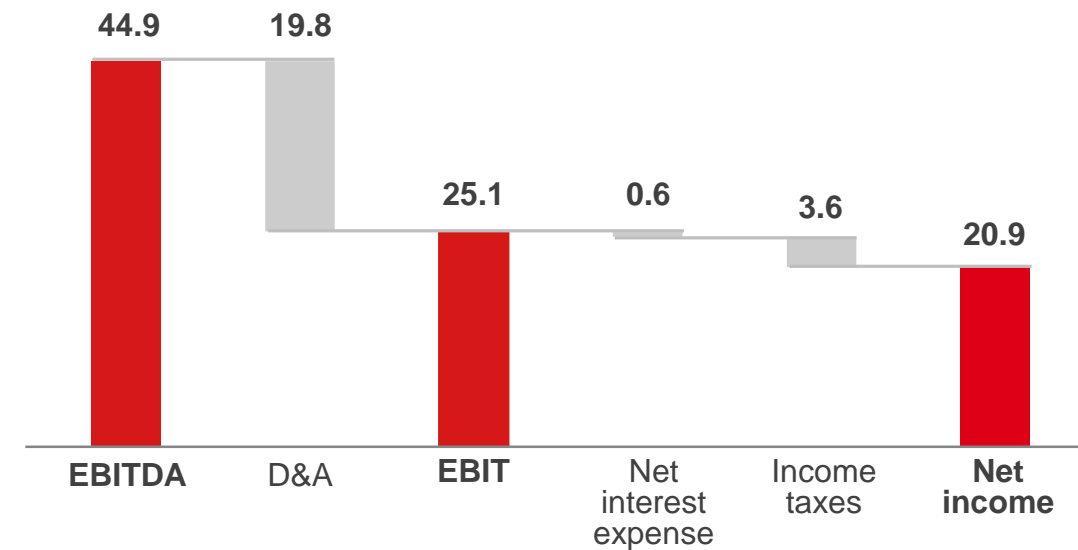
Q1 2018

€ million



Q1 2019

€ million

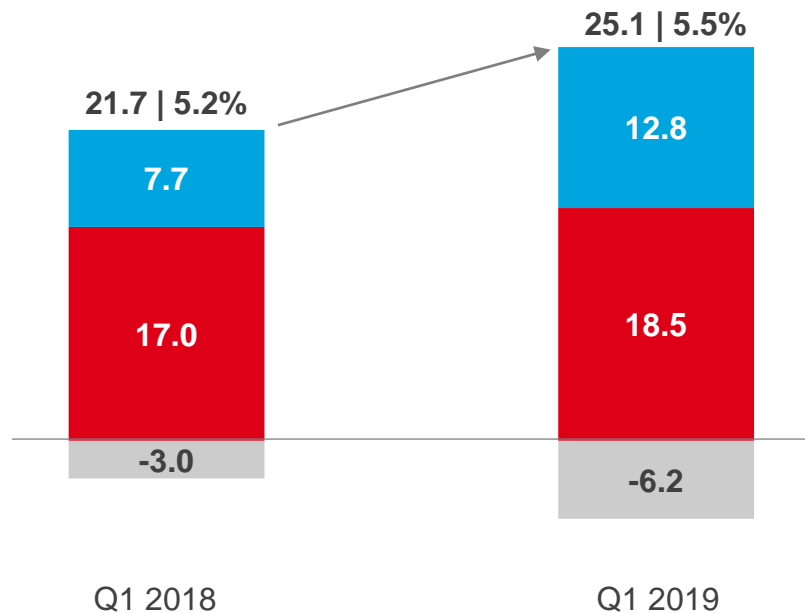


- EBITDA increased by 9.8% and EBIT improved by 15.7% mainly due to higher business volume and positive mix effects
- Interest expenses and tax rate remained on low level
- Net income up by 14.8%
- EPS increased by 13.3% to €0.17

EBIT

EBIT & EBIT margin

€ million



■ DEUTZ Compact Engines ■ DEUTZ Customised Solutions ■ Other

- Further improvement of profitability in DEUTZ Compact Engines (DCE) segment despite reassignment of an engine series. Improvement of profitability attributable to higher business volume of new engine series and FX-effects
- Substantial EBIT increase in DEUTZ Customised Solutions (DCS) mainly driven by reassignment of an engine series from segment DCE to DCS
- Increase of negative profit contribution from Other attributable to deconsolidation of JV in Argentina (€2.9 million)

DEUTZ Compact Engines

€ million	Q1 2019	Q1 2018	Δ yoy in %
New orders	409.3	492.9	-17.0
Unit sales (units)	38,970	44,563	-12.6
Revenue	356.2	352.0	1.2
EBIT	18.5	17.0	8.8
EBIT margin (%)	5.2	4.8	+40 bps

€ million	Q1 2019	Q4 2018	Δ qoq in %
New orders	409.3	326.0	25.6
Unit sales (units)	38,970	54,225	-28.1
Revenue	356.2	398.8	-10.7
EBIT	18.5	35.0	-47.1
EBIT margin (%)	5.2	8.8	-360 bps

- An older engine series was transferred to segment DEUTZ Customised Solutions in Q1 2019
- Revenue development better than unit sales due to positive mix effects
- In Q4 2018 operating profit was inflated by gains from exit of JV DEUTZ Dalian (€15.8 million)

DEUTZ Customised Solutions

€ million	Q1 2019	Q1 2018	Δ yoy in %
New orders	96.9	76.7	26.3
Unit sales (units)	7,094	1,762	302.6
Revenue	91.2	57.7	58.1
EBIT	12.8	7.7	66.2
EBIT margin (%)	14.0	13.3	+70 bps

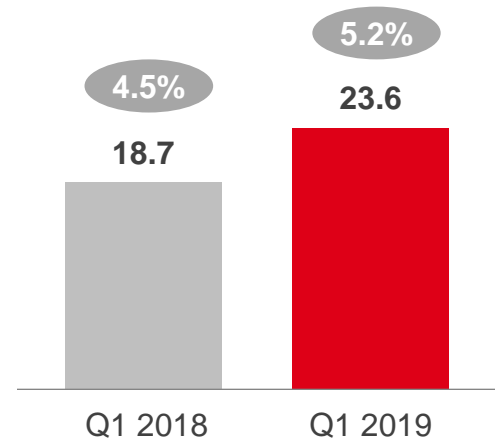
€ million	Q1 2019	Q4 2018	Δ qoq in %
New orders	96.9	70.7	37.1
Unit sales (units)	7,094	2,766	156.5
Revenue	91.2	79.4	14.9
EBIT	12.8	6.6	93.9
EBIT margin (%)	14.0	8.3	+570 bps

- Increase in new orders, unit sales and revenue due to reassignment of an engines series to DEUTZ Customised Solutions in Q1 2019 and underlying organic growth

R&D spending & capital expenditure

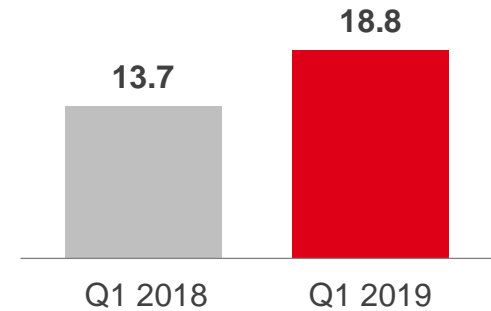
R&D expenditure

€ million



Capital expenditure (excl. R&D)

€ million



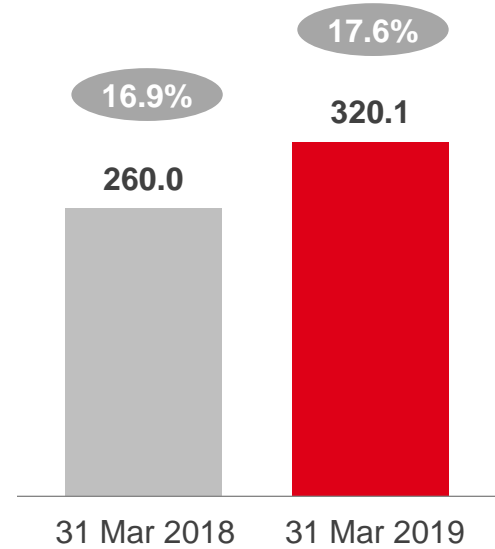
● Net R&D expenditure ratio¹⁾

- Increase of R&D spending and Capex due to execution of E-DEUTZ strategy and expansion of product range
- Proportion of capitalized net R&D expenditure: €5.4 million (Q1 2018: €4.3 million)

Working capital & cash flow from operating activities

Working capital

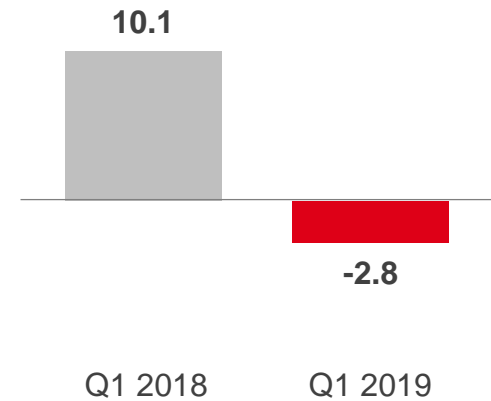
€ million



Working capital ratio

Cash flow from operating activities

€ million

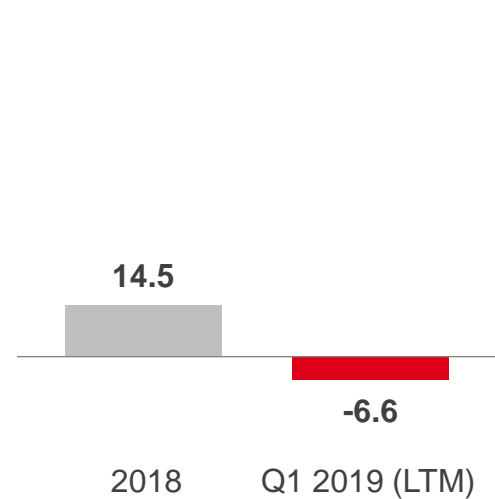


- Working capital increase attributable to higher business volume and inventory level
- Decline of cash flow from operating activities mainly due to the repayment of liabilities to factoring companies

Free cash flow & net financial position

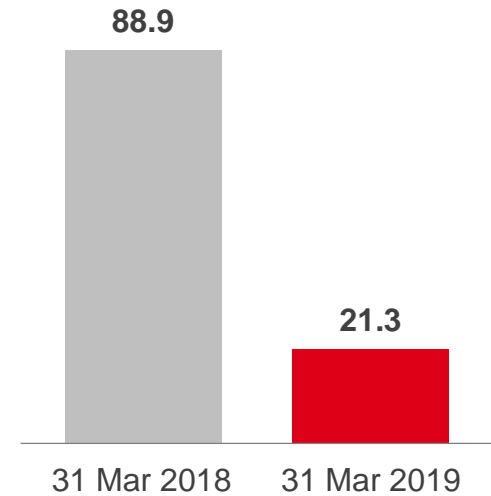
Free cash flow¹⁾

€ million



Net financial position

€ million

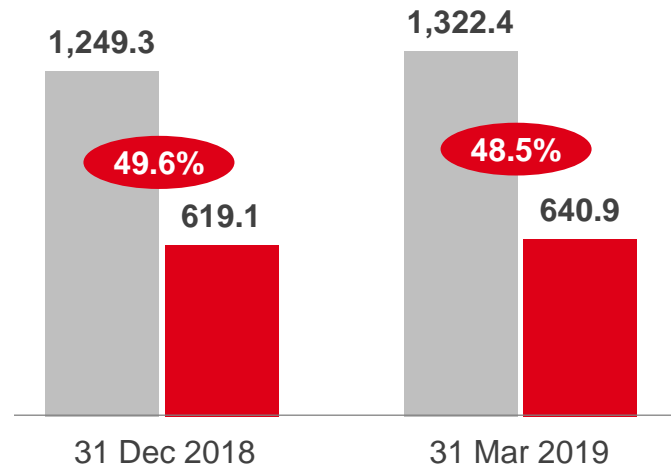


- Lower net financial position due to implementation of IFRS 16 and higher investments

Equity ratio & funding

Equity ratio

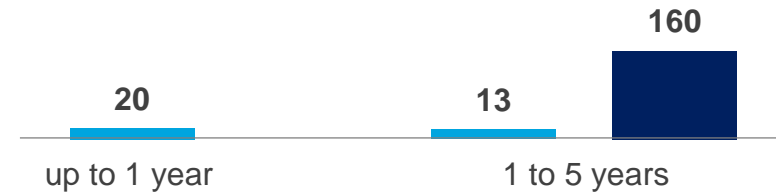
€ million



■ Total assets ■ Equity ● Equity ratio

Funding

€ million



■ Repayment schedule ■ Duration of credit line

- Healthy balance sheet – Equity ratio amounts to 48.5%
- Medium-to long-term financing with undrawn facilities available:
 - Credit line of €160 million until June 2023
 - Loan from European Investment Bank (€25 million) repayable by July 2020

Agenda



Outlook



Dr Frank Hiller | CEO



Financial outlook 2019

€ million	FY 2018	FY 2019 guidance
Revenue	1,778.8	> 1,800
EBIT margin (before exceptional items)	4.6%	≥ 5.0%
R&D expenditure ¹⁾	85.0	85–90
Capex (excl. R&D) ¹⁾	59.1	85–95 ²⁾

- Supportive market environment and ongoing strong demand
- Expected positive exceptional items in FY 2019: ~ €50 million on disposal of Cologne-Deutz site

Full-year guidance confirmed

19 1) Net of reimbursements.
2) Excluding investments for New Chinese Growth Strategy (mid double-digit million € amount).



Annex

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2019 forecast for key end-customer markets

Unit sales (equipment)	Europe	North America	China
Construction Equipment	0% to +5%	0% to +5%	0% to +5%
Material Handling	0% to +5%	0% to +5%	+5% to +10%
Agricultural Machinery	0% to +5%	0% to +5%	-5% to -10%

Supportive market environment

Summary of key financials

€ million	Q1 2019	Q1 2018	Δ yoy in %
EBITDA	44.9	40.9	9.8
EBITDA margin (%)	9.9	9.9	--
EBIT	25.1	21.7	15.7
EBIT margin (%)	5.5	5.2	+30 bps
Equity ratio (%)	48.5	49.0	-50 bps
Free cash flow ¹⁾	-30.2	-9.1	231.9
Net financial position	21.3	88.9	-76.0
Working capital	320.1	260.0	23.1
Basic earnings per share (€)	0.17	0.15	13.3
Number of employees (FTE)	4,732	4,200	12.7

Overview of segments

New orders € million	Q1 2019	Q1 2018	Δ yoy in %
DEUTZ Compact Engines	409.3	492.9	-17.0
DEUTZ Customised Solutions	96.9	76.7	26.3
Other	9.2	5.3	73.6
Consolidation	-0.9	0.0	- -
Total	514.5	574.9	-10.5

Unit sales Units	Q1 2019	Q1 2018	Δ yoy in %
DEUTZ Compact Engines	38,970	44,563	-12.6
DEUTZ Customised Solutions	7,094	1,762	302.6
Other	1,671	2,133	-21.7
Consolidation	0	0	- -
Total	47,735	48,458	-1.5

Revenue € million	Q1 2019	Q1 2018	Δ yoy in %
DEUTZ Compact Engines	356.2	352.0	1.2
DEUTZ Customised Solutions	91.2	57.7	58.1
Other	6.3	4.8	31.3
Consolidation	-0.9	0.0	- -
Total	452.8	414.5	9.2

EBIT € million	Q1 2019	Q1 2018	Δ yoy in %
DEUTZ Compact Engines	18.5	17.0	8.8
DEUTZ Customised Solutions	12.8	7.7	66.2
Other	-6.2	-3.0	106.7
Consolidation	0.0	0.0	- -
Total	25.1	21.7	15.7

Income statement

€ million	Q1 2019	Q1 2018	Δ yoy in %
Revenue	452.8	414.5	9.2
Cost of sales	-365.3	-335.5	8.9
Research & development costs	-22.7	-22.9	-0.9
Selling expenses	-25.9	-23.3	11.2
General & administrative expenses	-12.7	-11.1	14.4
Other operating income & expenses (net)	-1.5	-0.4	275.0
Equity-accounted income & other financial income	0.4	0.4	0.0
EBIT	25.1	21.7	15.7
EBIT (before exceptional items)	25.1	21.7	15.7
Interest expense, net	-0.6	-0.6	0.0
Income taxes	-3.6	-2.9	24.1
Net income	20.9	18.2	14.8

Balance sheet: assets

€ million	31 Mar 2019	31 Dec 2018	Δ yoy in %
Non-current assets (before deferred tax assets)	552.3	506.2	9.1
Deferred tax assets	78.2	75.9	3.0
Inventories	377.7	333.5	13.3
Trade receivables	174.4	157.3	10.9
Other receivables & assets	44.3	43.2	2.5
Cash & cash equivalents	95.1	132.8	-28.4
Non-current assets classified as held for sale	0.4	0.4	0.0
Total assets	1,322.4	1,249.3	5.9

Balance sheet: equity & liabilities

€ million	31 Mar 2018	31 Dec 2018	Δ yoy in %
Equity	640.9	619.1	3.5
Provisions for pensions & other post-retirement benefits	154.7	152.8	1.2
Deferred tax liabilities	0.5	0.5	0.0
Other provisions	37.6	36.2	3.9
Financial liabilities	42.6	19.3	120.7
Other liabilities	3.1	3.5	-11.4
Non-current liabilities	238.5	212.3	12.3
Provisions for pensions & other post-retirement benefits	13.0	13.0	0.0
Other provisions / Provisions for income taxes	92.7	83.3	11.3
Financial liabilities	31.2	19.8	57.6
Trade payables	232.0	214.6	8.1
Other liabilities	74.1	87.2	-15.0
Current liabilities	443.0	417.9	6.0
Total equity and liabilities	1,322.4	1,249.3	5.9

Cash flow statement (condensed)

€ million

	Q1 2019	Q1 2018
EBIT	25.1	21.7
Cash flow from operating activities (total)	-2.8	10.1
Capital expenditure on intangible assets, property, plant and equipment and investments	-26.9	-18.6
Proceeds from the sale of non-current assets	0.0	0.0
Cash flow from investing activities (total)	-26.9	-18.6
Cash flow from financing activities	-8.4	-5.9
Change in cash and cash equivalents	-38.1	-14.4

Financial calendar & contact

Financial calendar

H1 2019 results	1 August 2019
Q1-Q3 2019 results	7 November 2019
FY 2019 results	12 March 2020
AGM 2020	14 May 2020

Contact

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Questions & answers

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**Thank you for
your attention!**

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