



# DEUTZ

## H1 2019 results



August 1, 2019



# Disclaimer

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Unless stated otherwise, all the figures given in this presentation refer to continuing operations.

The details given in this document are based on the information available at the time it was prepared. This presents the risk that actual figures may differ from forward-looking statements. Such discrepancies may be caused by changes in political, economic, or business conditions, decreases in the technological lead of DEUTZ's products, changes in competition, the effects of movements in interest rates or exchange rates, the pricing of parts supplied, and other risks and uncertainties not identified at the time this document was prepared.

The forward-looking statements made in this document will not be updated.

# Agenda



## Strategy and operational highlights



Dr. Frank Hiller  
Chairman of the Board of Management

# Highlights of the first half of 2019

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## Positive revenue and earnings development

- Further increase in revenue (+5.9%), generated across all regions and main application segments. Particularly strong growth in the Americas (+15.8%) and Asia-Pacific (+15.5%)
- Further growth in the profitable service business, whose revenue is up by 7.9% to €179.9 million
- New orders exceed revenue
- Operating profit before exceptional items up by 41.3% to €47.2 million
- EBIT margin before exceptional items increased from 3.8% to 5.1%
- Group guidance for 2019 confirmed

## Good progress made in implementation of the growth strategy in China

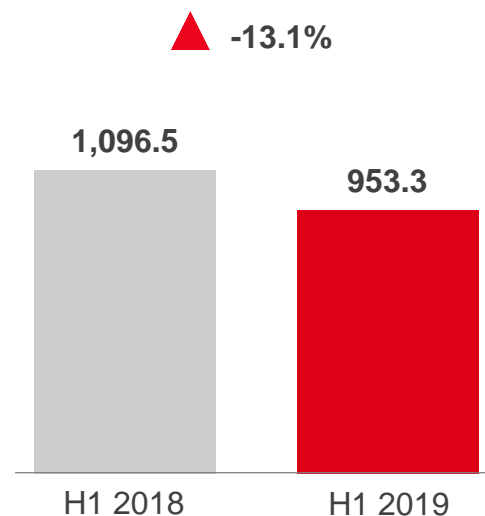
- DEUTZ and SANY sign joint venture agreement in June. DEUTZ will take over SANY's existing engine production activities/deliveries of DEUTZ engines from Q4 2020/steps to localize procurement have already been initiated
- Strategic alliance with BEINEI for local contract manufacturing. New factory in Tianjin to be completed in Q1 2020
- DEUTZ aims to generate revenue of around €500 million in China in 2022<sup>1)</sup>

# Sales figures



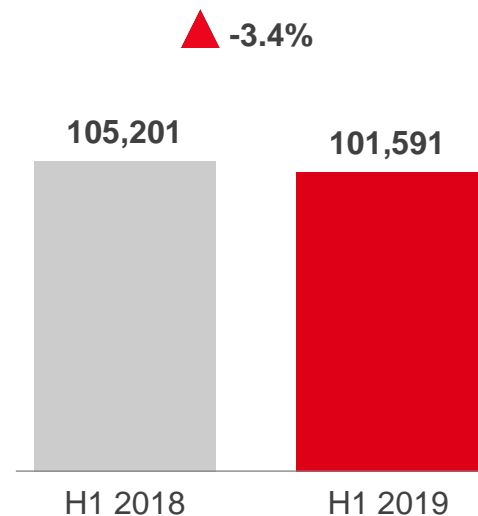
## New orders

€ million



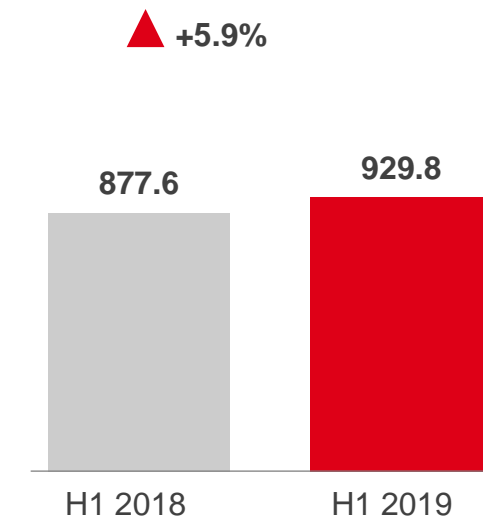
## Unit sales

Units



## Revenue

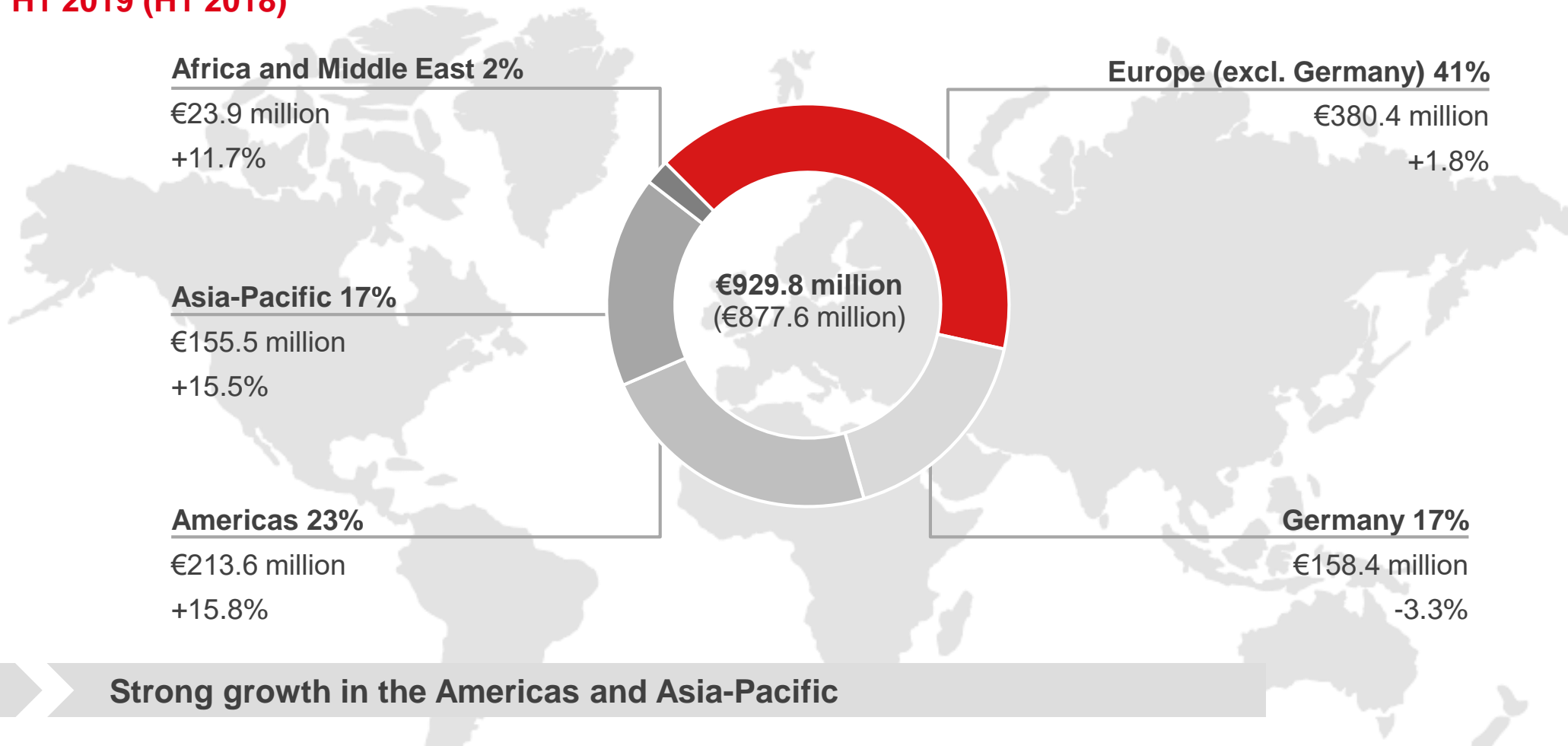
€ million



- New orders below exceptionally robust H1 2018, however, still on high level. H1 2018 influenced positively by a change in customer's ordering patterns
- Revenue outperforms unit sales because of positive effects of a shift in the product mix
- Torquedo sold 6,158 electric drive systems in H1 2019 (H1 2018: 6,345)

# Revenue by region<sup>1)</sup>

## H1 2019 (H1 2018)

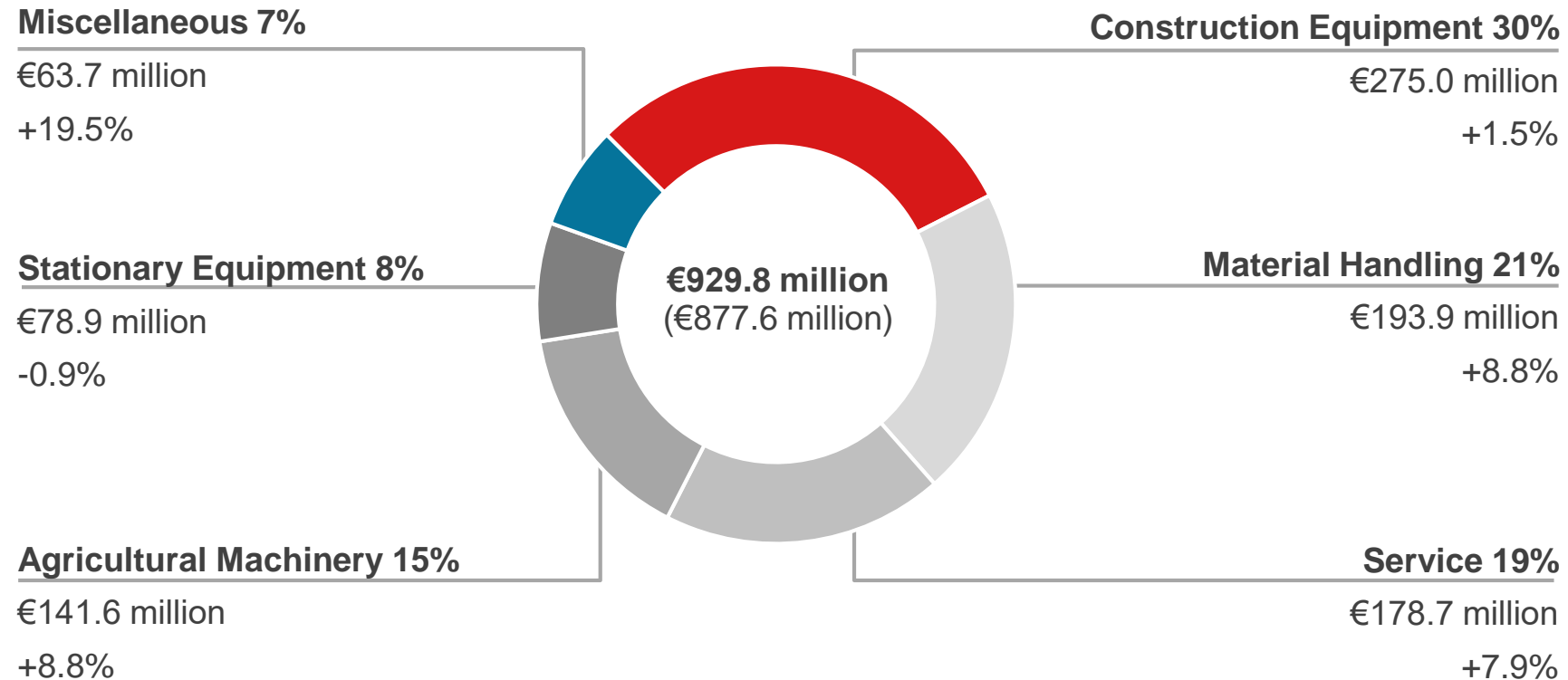


**Strong growth in the Americas and Asia-Pacific**

6 1) In Q1 2019, DEUTZ changed the regional assignment of one of its big-ticket customers. 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 application segment<sup>1)</sup>

H1 2019 (H1 2018)



**Further growth in the profitable service business**

7 1) From 2019 onwards, the revenue from automotive business is included in the Miscellaneous 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 detail



Dr. Andreas Strecker  
Chief Financial Officer

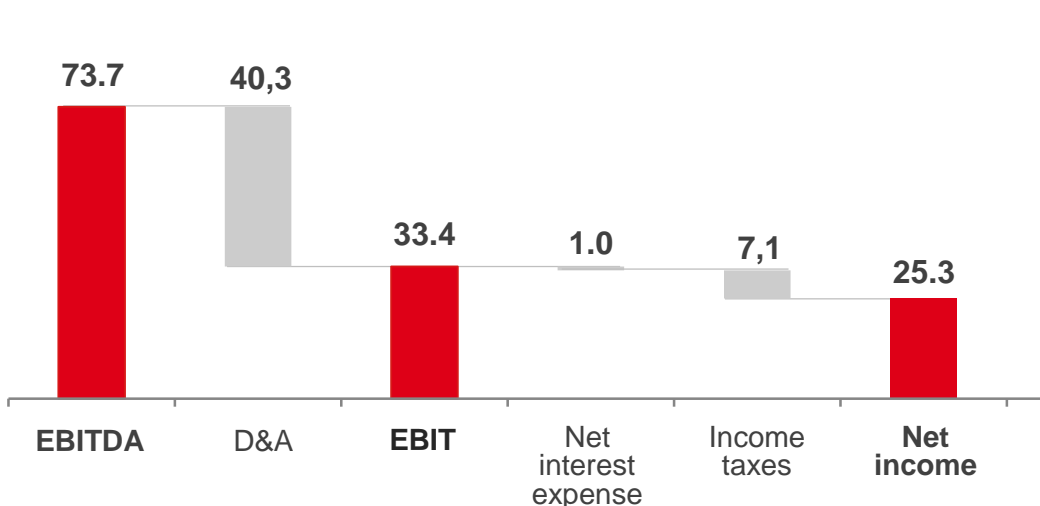


# Operating profit and net income



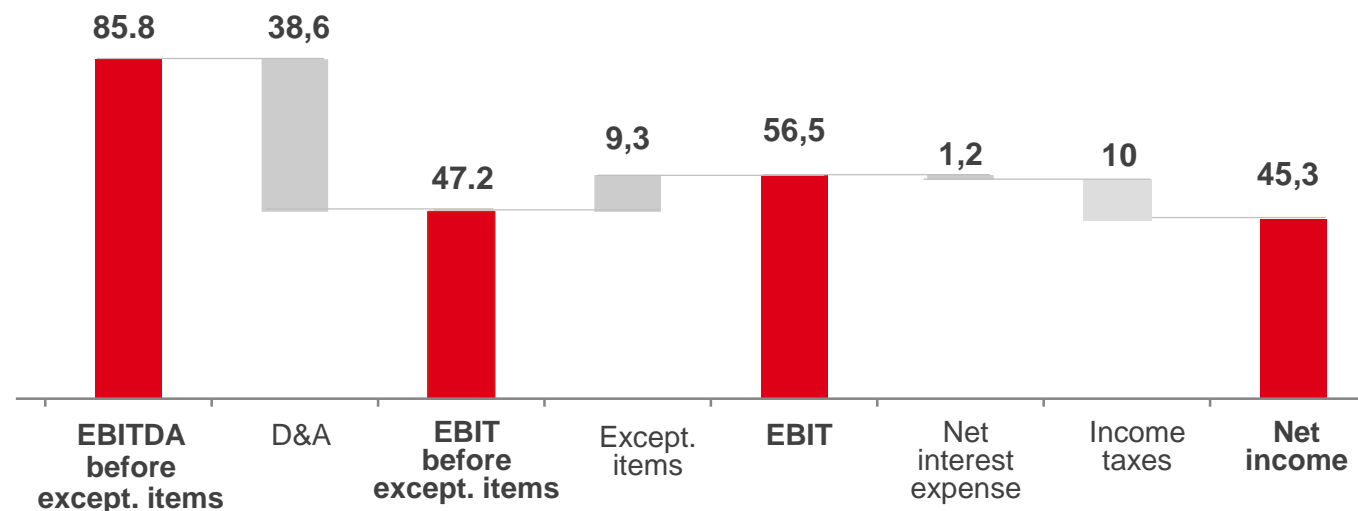
## H1 2018

€ million



## H1 2019

€ million



- EBITDA up by 29.0%; significant increase in EBIT by 69.2% year on year, due to the rise in revenue and, primarily, to a low figure being reported in H1 2018.  
H1 2018 had been significantly affected by a drag on earnings resulting from a joint venture that has since been sold
- Exceptional item had a positive impact of €9.3 million in Q2 2019 (proceeds from the disposal of land); significant increase in operating profit even before exceptional items – up by 41.3% to €47.2 million
- Interest expense and tax rate remain low
- Net income up by 79.1%; net income before exceptional items up by 48.2% to €37.5 million

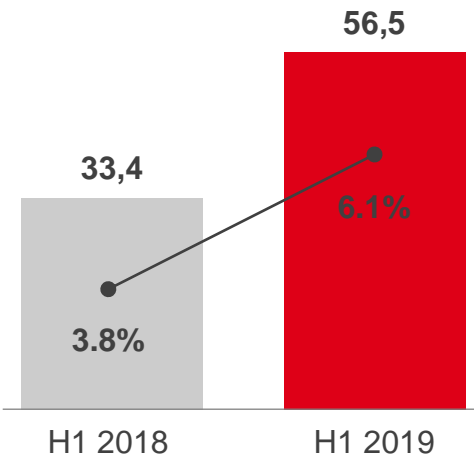
# EBIT



## EBIT and EBIT margin

€ million

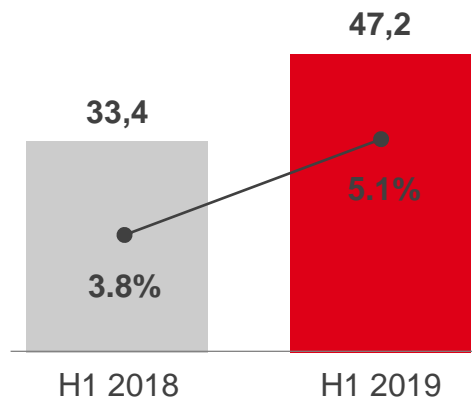
▲ +69.2% | +230bps



## EBIT and EBIT margin before exceptional items

€ million

▲ +41.3% | +130bps



- Significant increase in EBIT and EBIT margin year-on-year, even before exceptional items
- Excluding non-recurring effects (deconsolidation of Argentinian joint venture, recognition of a provision at Torqeedo, reversal of impairment loss on engine series), the EBIT margin stood at 5.5%
- Significant increase in EBIT in both the DEUTZ Compact Engines and DEUTZ Customised Solutions segments
- The Other segment's negative impact on earnings is higher because of the deconsolidation of the joint venture in Argentina (Q1 2019: €2.9 million) and the recognition of a provision at Torqeedo (Q2 2019: €2.5 million)

# DEUTZ Compact Engines (DCE)



€ million	H1 2019	H1 2018	YoY change (%)
New orders	<b>756.2</b>	930.4	-18.7
Unit sales (units)	<b>81,924</b>	94,463	-13.3
Revenue	<b>729.8</b>	737.7	-1.1
EBIT	<b>34.9</b>	20.7	+68.6
EBIT margin (%)	<b>4.8</b>	2.8	+200bps

€ million	Q2 2019	Q2 2018	YoY change (%)
New orders	<b>346.9</b>	437.5	-20.7
Unit sales (units)	<b>42,954</b>	49,900	-13.9
Revenue	<b>373.6</b>	385.7	-3.1
EBIT	<b>16.4</b>	3.7	>100
EBIT margin (%)	<b>4.4</b>	1.0	+340bps

- Revenue approx. on prior-year level despite reassignment of the 2011 engine series to the DEUTZ Customised Solutions (DCS) segment
- Revenue outperforms unit sales because of the positive effects of a shift in the product mix
- Sharp improvement in the EBIT margin, partly due to rise in proportion of higher-value engines and engine series reassignment
- Operating profit in Q2 2018 reduced by €14.1 million because of effects resulting from a joint venture that has now been sold

## DEUTZ Customised Solutions (DCS)



€ million	H1 2019	H1 2018	YoY change (%)
New orders	<b>180.5</b>	151.4	+19.2
Unit sales (units)	<b>13,509</b>	4,393	+207.5
Revenue	<b>185.0</b>	125.8	+47.1
EBIT	<b>23.6</b>	17.9	+31.8
EBIT margin (%)	<b>12.8</b>	14.2	-140bps

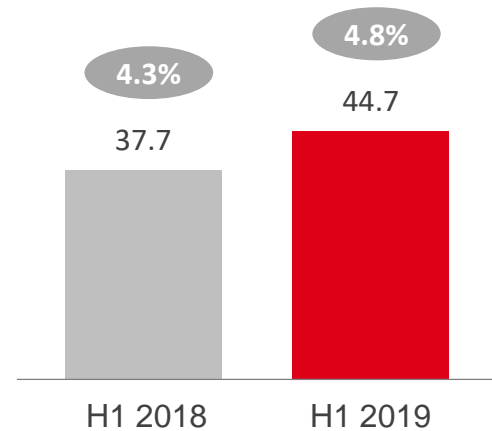
€ million	Q2 2019	Q2 2018	QoQ change (%)
New orders	<b>83.6</b>	74.4	+11.9
Unit sales (units)	<b>6,415</b>	2,631	+143.8
Revenue	<b>93.8</b>	68.1	+37.7
EBIT	<b>10.8</b>	10.2	+5.9
EBIT margin (%)	<b>11.5</b>	15.0	-350bps

- Business performance influenced by inclusion in this segment of the 2011 engine series; new orders rise sharply and unit sales three-fold
- Significant increase in operating profit for the segment (EBIT), mainly because of the greater proportion of earnings generated by the high-margin service business
- EBIT margin declines because the profit margin of the 2011 engine series is lower than that of the other series

# R&D spending and capital expenditure

## R&D expenditure

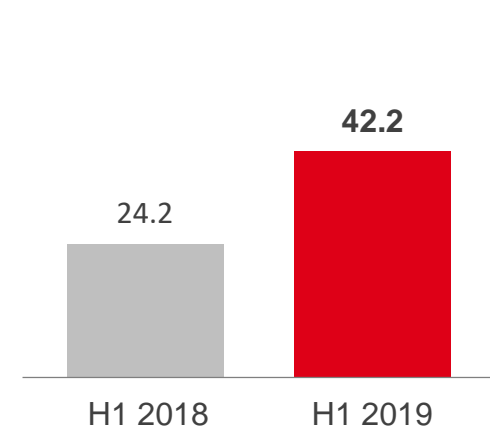
€ million



● R&D ratio<sup>1)</sup>

## Capital expenditure (excl. R&D)

€ million

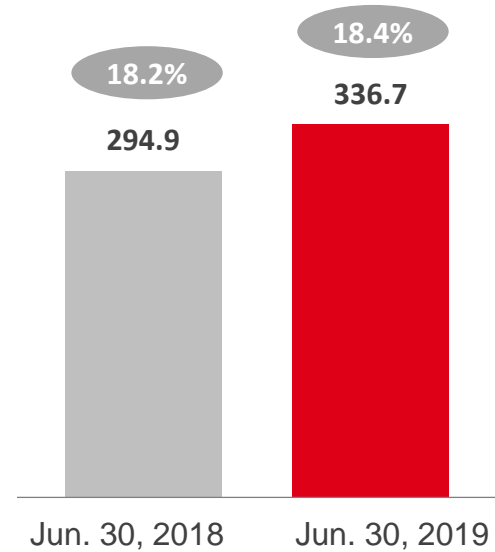


- R&D expenditure and capital expenditure increase as expected due to new engine projects and the implementation of the E-DEUTZ strategy to expand the engine portfolio
- Amount of net R&D expenditure capitalized in H1 2019: €9.6 million (H1 2018: €8.2 million)

# Working capital and cash flow from operating activities

## Working capital

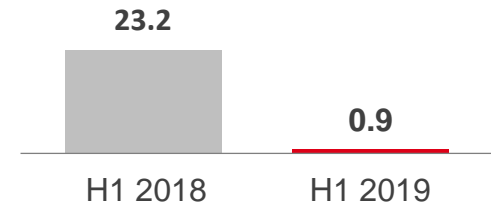
€ million



● Working capital ratio

## Cash flow from operating activities

€ million

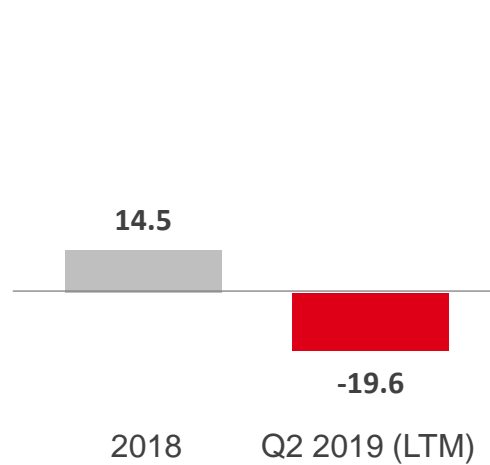


- Increase in working capital due to higher business volume and higher inventory levels
- Decline in cash flow from operating activities predominantly due to the repayment of current liabilities to factoring companies at the beginning of the year

# Free cash flow and net financial position

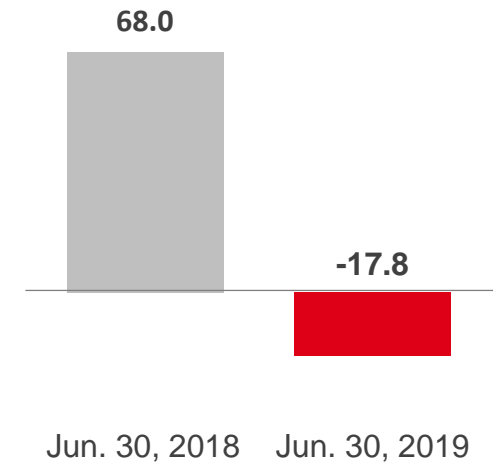
## Free cash flow<sup>1)</sup>

€ million



## Net financial position

€ million

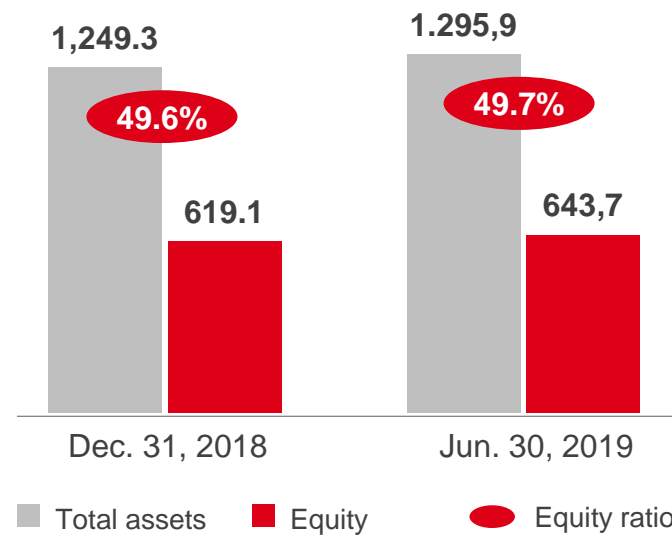


- Lower net financial position due to increase in capital expenditure and introduction of IFRS 16

# Equity ratio and funding

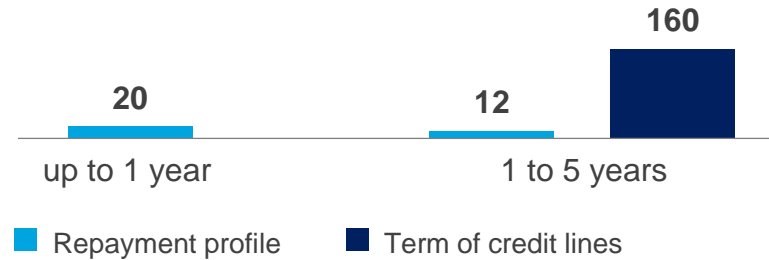
## Equity ratio

€ million



## Funding

€ million



- Stable financial position - equity ratio of 49.7%
- Medium- to long-term funding available:
  - Term of the credit line of €160 million extended by one year to June 2024



# Agenda



## Outlook



Dr. Frank Hiller  
Chairman of the Board of Management

# Group guidance for 2019



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

Group guidance for 2019 confirmed

18 1) Net of reimbursements.  
2) Excluding capital investment in connection with new Chinese growth strategy (mid double-digit million € amount).



# Annex

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## 2019 forecast for key end customer markets



Unit sales (units)	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%

# Summary of key financials



€ million	H1 2019	H1 2018	Δ YoY change (%)
EBITDA	<b>95.1</b>	73.7	+29.0
EBITDA margin (%)	<b>10.2</b>	8.4	+180bps
EBIT	<b>56.5</b>	33.4	+69.2
EBIT margin (%)	<b>6.1</b>	3.8	+230bps
Equity ratio (%)	<b>49.7</b>	48.3	
Free cash flow <sup>2)</sup>	<b>-46.2</b>	-12.1	>+100
Net financial position	<b>-17.8</b>	68.0	>-100
Working capital	<b>336.7</b>	294.9	+14.2
Basic earnings per share (€)	<b>0.37</b>	0.21	+76.2
Number of employees (FTEs)	<b>4,863</b>	4,389	+10.8

# Overview of segments



<b>New orders</b> € million	<b>H1 2019</b>	<b>H1 2018</b>	<b>Δ YoY change (%)</b>
DEUTZ Compact Engines	756.2	930.4	-18.7
DEUTZ Customised Solutions	180.5	151.4	+19.2
Other	18.6	15.0	+24.0
Consolidation	-2.0	-0.3	>+100
<b>Total</b>	<b>953.3</b>	<b>1,096.5</b>	<b>-13.1</b>

<b>Unit sales</b> Units	<b>H1 2019</b>	<b>H1 2018</b>	<b>Δ YoY change (%)</b>
DEUTZ Compact Engines	81,924	94,463	-13.3
DEUTZ Customised Solutions	13,509	4,393	>+100
Other	6,158	6,345	-2.9
Consolidation	0	0	--
<b>Total</b>	<b>101,591</b>	<b>105,201</b>	<b>-3.4</b>

<b>Revenue</b> € million	<b>H1 2019</b>	<b>H1 2018</b>	<b>Δ YoY change (%)</b>
DEUTZ Compact Engines	729.8	737.7	-1.1
DEUTZ Customised Solutions	185.0	125.8	+47.1
Other	17.0	14.4	+18.1
Consolidation	-2.0	-0.3	>+100
<b>Total</b>	<b>929.8</b>	<b>877.6</b>	<b>+5.9</b>

<b>EBIT</b> € million	<b>H1 2019</b>	<b>H1 2018</b>	<b>Δ YoY change (%)</b>
DEUTZ Compact Engines	34.9	20.7	+68.6
DEUTZ Customised Solutions	23.6	17.9	+31.8
Other	-11.3	-5.2	>+100
Consolidation	0.0	0.0	--
<b>Total</b>	<b>47.2</b>	<b>33.4</b>	<b>+41.3</b>

# Income statement



€ million	H1 2019	H1 2018	Δ YoY change (%)
<b>Revenue</b>	<b>929.8</b>	<b>877.6</b>	<b>+5.9</b>
Cost of sales	-757.0	-714.5	+5.9
Research & development costs	-44.0	-47.8	-7.9
Selling and administrative expenses	-78.5	-71.1	+10.4
Other operating income	18.2	13.3	+36.8
Other operating expenses	-12.2	-9.7	+25.8
Write-downs of financial assets	-0.2	-0.5	-60.0
Profit/loss on equity-accounted investments	0.4	-2.6	>-100
Write-downs of equity-accounted investments	0.0	-11.3	-100
<b>EBIT</b>	<b>56.5</b>	<b>33.4</b>	<b>+69.2</b>
<b>EBIT (before exceptional items)</b>	<b>47.2</b>	<b>33.4</b>	<b>+41.3</b>
Interest expenses, net	-1.2	-1.0	+20.0
Income taxes	-10.0	-7.1	+40.8
<b>Net income</b>	<b>45.3</b>	<b>25.3</b>	<b>+79.1</b>

## Balance sheet: assets



€ million	Jun. 30, 2019	Dec. 31, 2018	Δ YoY change (%)
Non-current assets (before deferred tax assets)	560.6	506.2	+10.7
Deferred tax assets	79.4	75.9	+4.6
Inventories	387.9	333.5	+16.3
Trade receivables	171.1	157.3	+8.8
Other receivables and assets	39.9	43.2	-7.6
Cash and cash equivalents	57.0	132.8	-57.1
Non-current assets classified as held for sale	0.0	0.4	-100
<b>Total assets</b>	<b>1,295.9</b>	<b>1,249.3</b>	<b>+3.7</b>



# Balance sheet: equity and liabilities



€ million

	Jun. 30, 2019	Dec. 31, 2018	Δ YoY change (%)
<b>Equity</b>	<b>643.7</b>	<b>619.1</b>	<b>+4.0</b>
Provisions for pensions and other post-retirement benefits	157.3	152.8	+2.9
Deferred tax liabilities	0.3	0.5	-40.0
Other provisions	37.3	36.2	+3.0
Financial debt	41.0	19.3	>+100
Other liabilities	2.6	3.5	-25.7
<b>Non-current liabilities</b>	<b>238.5</b>	<b>212.3</b>	<b>+12.3</b>
Provisions for pensions and other post-retirement benefits	13.0	13.0	0.0
Provisions for current income taxes and other provisions	73.8	83.3	-11.4
Financial debt	33.8	19.8	+70.7
Trade payables	222.3	214.6	+3.6
Other liabilities	70.8	87.2	-18.8
<b>Current liabilities</b>	<b>413.7</b>	<b>417.9</b>	<b>-1.0</b>
<b>Total equity and liabilities</b>	<b>1,295.9</b>	<b>1,249.3</b>	<b>+3.7</b>

# Cash flow statement (condensed)



€ million

	H1 2019	H1 2018
EBIT	56.5	33.4
<b>Cash flow from operating activities (total)</b>	<b>0.9</b>	<b>23.2</b>
Capital expenditure on intangible assets, property, plant and equipment and investments	-49.7	-34.1
Proceeds from the sale of non-current assets	4.1	0.0
<b>Cash flow from investing activities (total)</b>	<b>-45.6</b>	<b>-34.1</b>
<b>Cash flow from financing activities</b>	<b>-31.3</b>	<b>-17.5</b>
<b>Change in cash and cash equivalents</b>	<b>-76.0</b>	<b>-28.4</b>

# Financial calendar and contact details

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## Financial calendar

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Q1–Q3 2019 results	November 7, 2019
Results for 2019	March 12, 2020
2020 Annual General Meeting	May 14, 2020

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## Contact

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# Questions & answers

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**Thank you for  
your attention!**

