



DEUTZ

– Results for Q1 2021 –

—

May 6, 2021



Disclaimer



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



Overview & highlights of Q1 2021



Dr. Frank Hiller | CEO

Overview of Q1 2021



- Noticeable upward trend in the market
- Significant new order growth; orders on hand up by around 48% year on year
- Strong improvement in profitability and free cash flow
- Further progress with implementing Transform for Growth; target exceeded for take-up of the voluntary redundancy program
- Rigorous implementation of strategic growth initiatives
- Full-year guidance for 2021 raised despite difficult supply situation¹
- Board of Management expanded to include R&D; Dr. Markus Müller appointed as Chief Technology Officer
- Further expansion of commitment to sustainability: DEUTZ has joined the UN Global Compact

Further progress with implementing Transform for Growth



- Successful conclusion of the voluntary redundancy program – taken up by a total of 361 employees
 - Thereof 96 employees already left the Company by the end of Q1 2021 having taken voluntary redundancy
 - Total of 171 will have left the Company by the end of 2021
- Total reduction of workforce¹ by 358 compared with the end of 2019 as a result of Transform for Growth, fixed-term contracts coming to an end, and natural attrition

Our target:

~ €100 million

gross cost savings p.a. from the end of 2022



Transform for Growth provides DEUTZ with basis for securing its long-term competitiveness

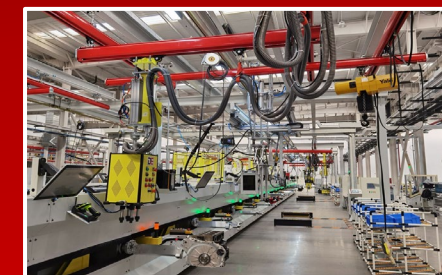
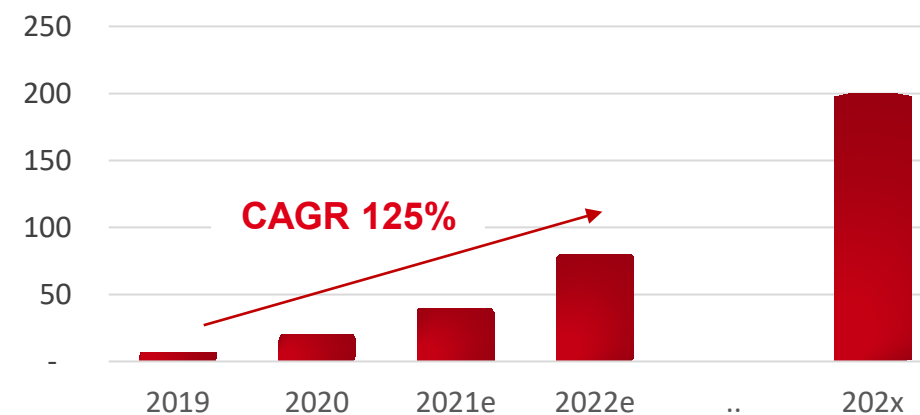
Continued successful implementation of China strategy



- Joint venture with SANY remains successful:
 - Planned increase in unit sales to between 35,000 and 40,000 engines in 2021; Q1 2021: approx. 8,000 engines
- Production of the 2.9 engine series with BEINEI at the Tianjin site ramped up on schedule
- Establishment of the purchasing organization in China also proceeding to schedule; intention is to achieve the highest possible localization rate and thus significantly lower costs for materials and logistics

DEUTZ Hunan (SANY JV) production planning

Units (thousands)



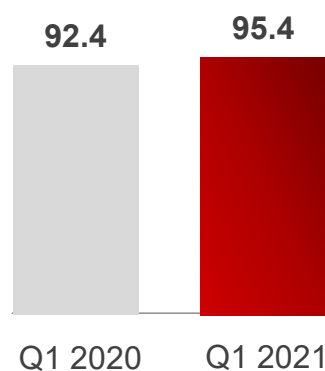
Expansion of the profitable service business is on track



Revenue

€ million

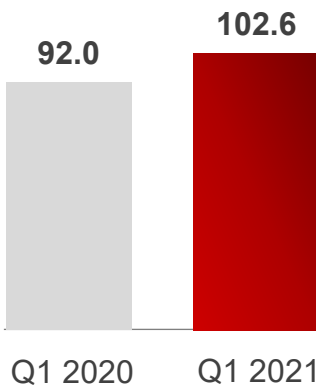
▲ +3.2%



New orders

€ million

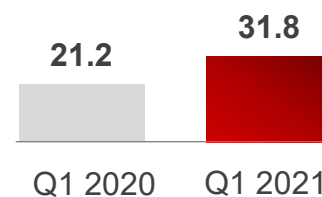
▲ +11.5%



Orders on hand

€ million

▲ +50.0%



Our service target:

~ **€400 million**

revenue in 2021

- Improvement in business performance in Q1 2021 compared with prior-year period
- Expansion of service business with existing customers: new agreement with SDF includes procurement of DEUTZ Xchange engines
- New 'analog' service concepts: introduction of Lifetime Parts Warranty
- Regional expansion of service network: establishment of new DEUTZ Power Center in the Dallas metropolitan area under way, with opening planned for second half of 2021

Agenda



Q1 2021 in numbers



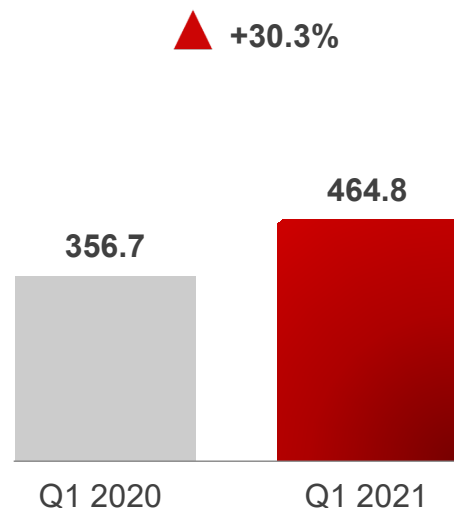
Dr. Sebastian C. Schulte | CFO

Results for Q1 2021



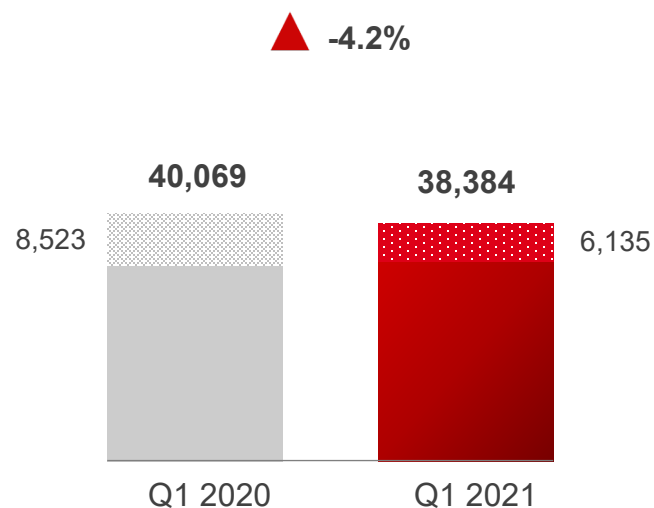
New orders

€ million



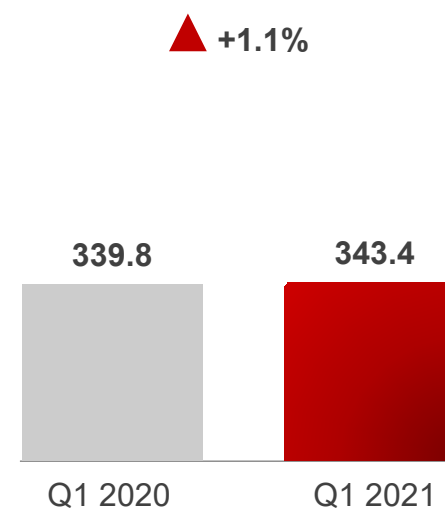
Unit sales

Units



Revenue

€ million

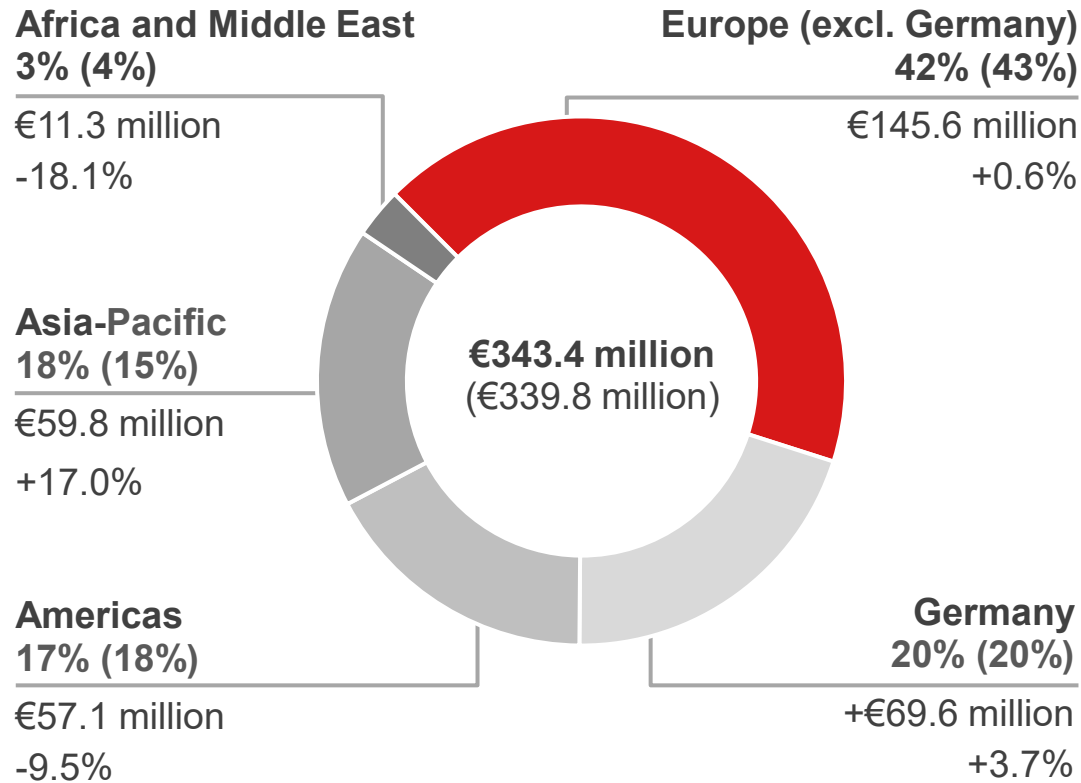


Thereof Torqeedo

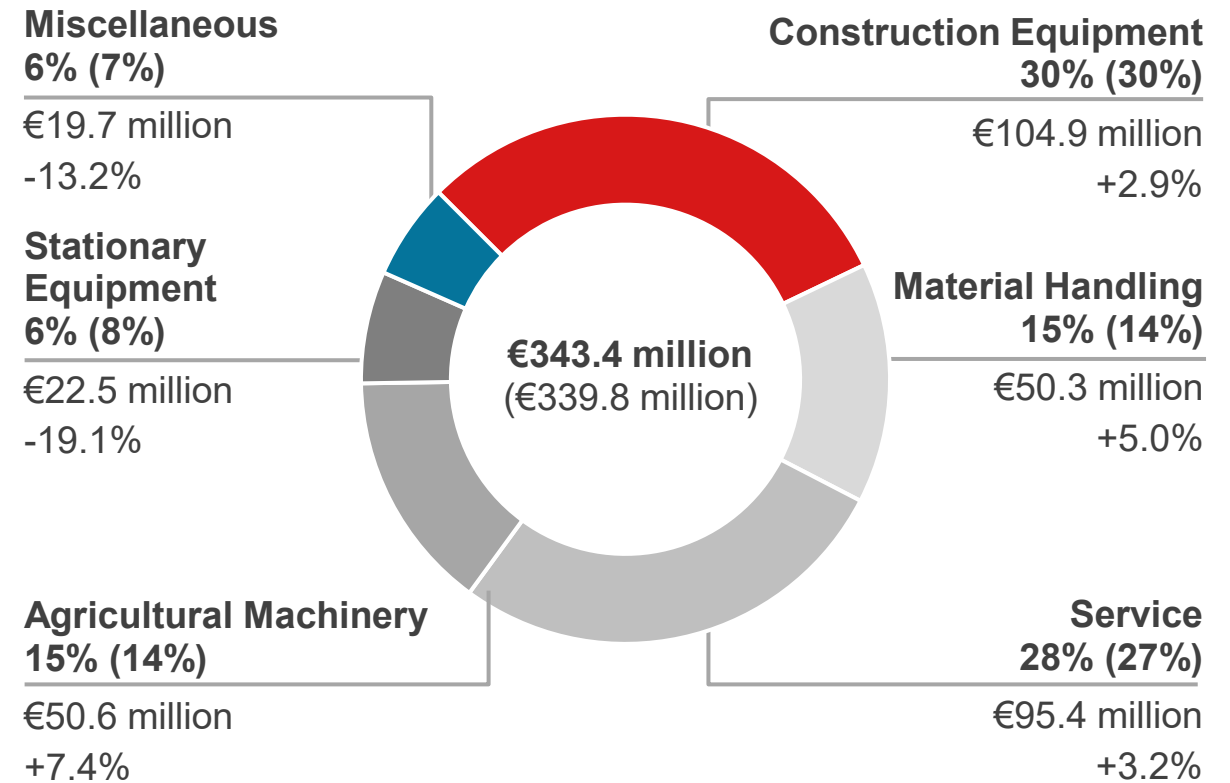
- Notable increase in customers' propensity to proceed with capital expenditure, resulting in a better start to the year than originally anticipated
- New orders up by around a third compared with Q1 2020; book-to-bill ratio of 1.35 (Q1 2020: 1.05)
- Unit sales of DEUTZ engines rise by 2.2%¹
- Orders on hand jump by 47.6% year on year to €394.3 million as at March 31, 2021

Revenue in detail

Revenue breakdown by region Q1 2021 (Q1 2020)

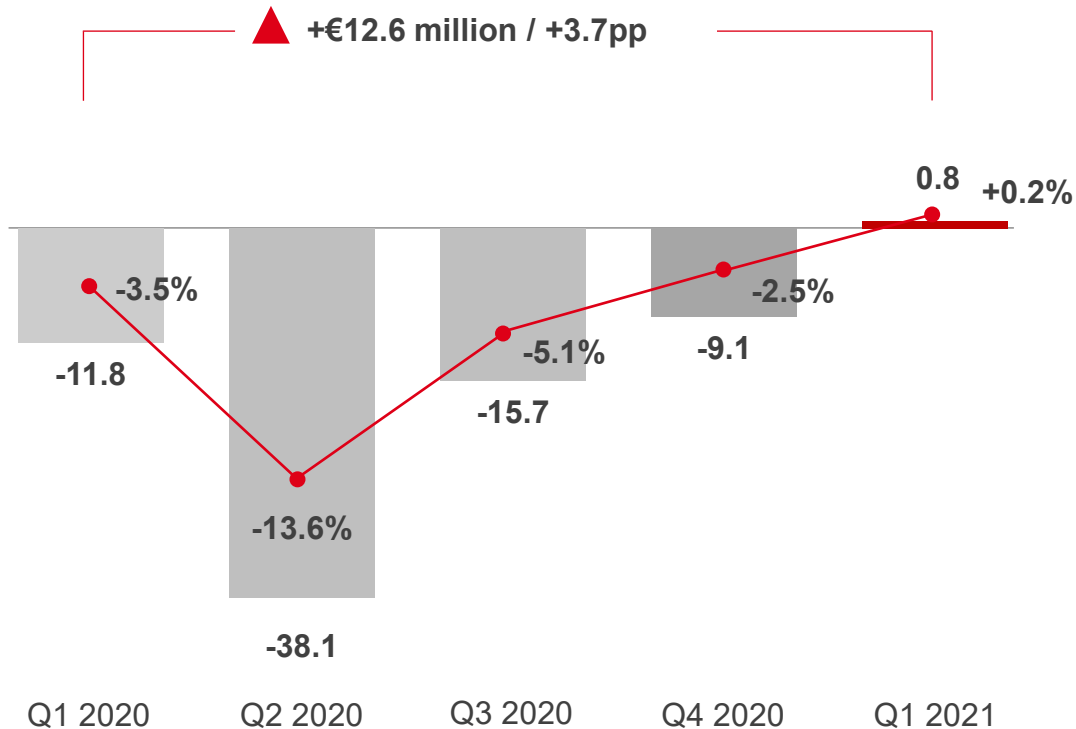


Revenue breakdown by application segment Q1 2021 (Q1 2020)



Significant improvement in earnings

Operating profit (EBIT before exceptional items) (€ million)
EBIT margin before exceptional items



- Market recovery and systematic implementation of the efficiency program are resulting in ongoing improvements in earnings since Q3 2020
- Significant improvement in operating profit¹ compared with Q1 2020 to €0.8 million owing to increasingly tangible cost savings and the absence of payments to suppliers going through insolvency proceedings
- Break-even point for 2021 of 130,000 DEUTZ engines² already achieved in Q1 2021
- Improvement in the net loss before exceptional items to €0.5 million (Q1 2020: €10.0 million) thanks to increase in EBIT; earnings per share before exceptional items at €0.00 (Q1 2020: minus €0.08)

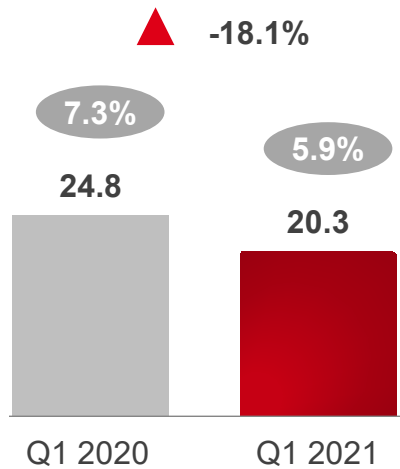
11 ¹ Exceptional item amounting to an expense of €0.4 million recognized due to target for take-up of the voluntary redundancy program being exceeded.

² Excluding electric boat motors from DEUTZ subsidiary Torqeedo.

R&D spending, capital expenditure, and working capital

Net R&D spending¹

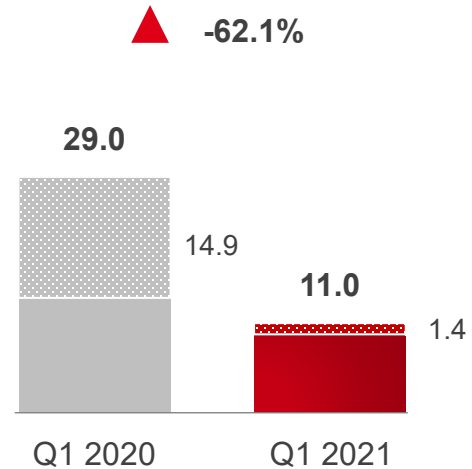
€ million



● R&D ratio¹

Capital expenditure^{1,2}

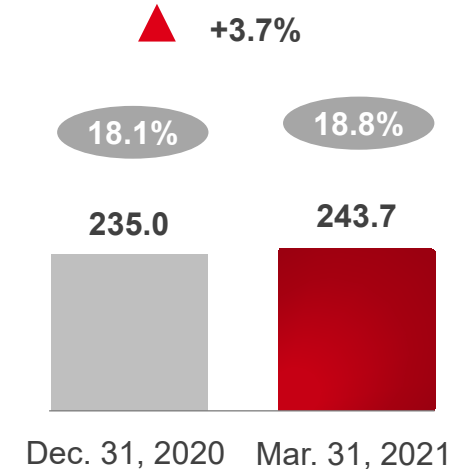
€ million



■ ■ Thereof additions as a result of leases³

Working capital

€ million



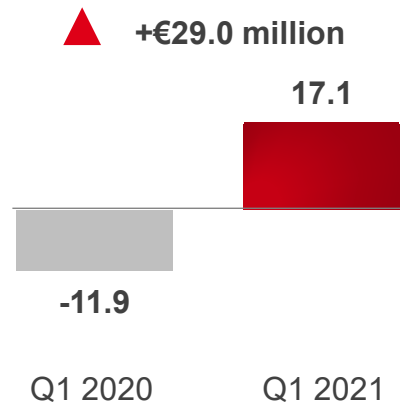
● Working capital ratio (as at the balance sheet date)⁴

- R&D ratio lower than in the prior-year period owing to reprioritization of R&D projects as a result of coronavirus
- Significantly less capital expenditure compared with the high level in Q1 2020, which had been influenced by the extension of leases and the replacement of expired leases
- Working capital was slightly higher than at the end of 2020 due to seasonal factors

Cash flow and net financial position

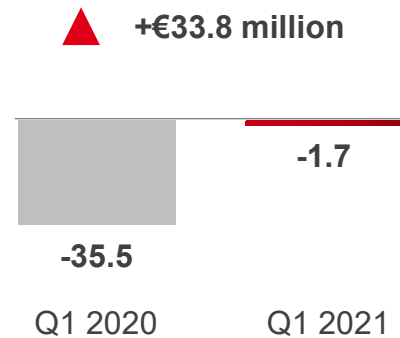
Cash flow from operating activities

€ million



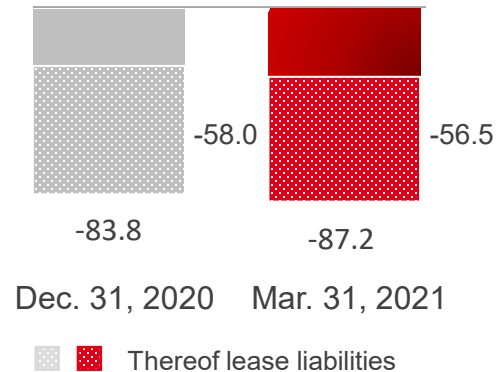
Free cash flow¹

€ million



Net financial position

€ million

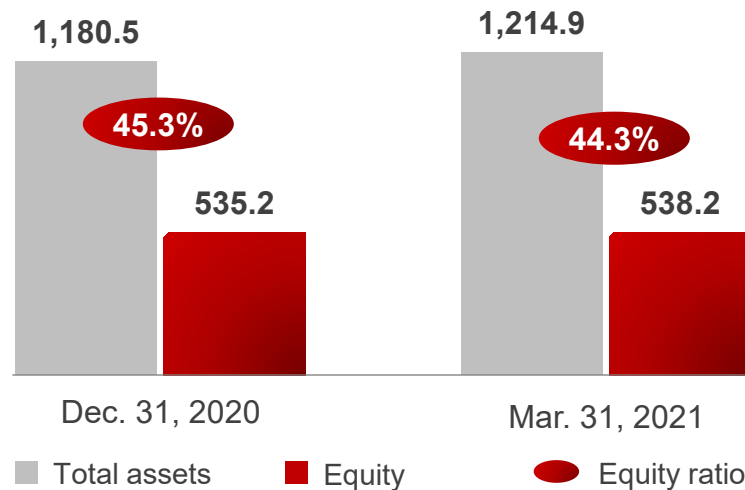


- Sharp rise in cash flow from operating activities compared with Q1 2020, mainly thanks to improved earnings performance and more favorable level of working capital
- Substantial year-on-year increase in free cash flow owing to improvement in cash flow from operating activities and reduction in investing activities
- Small rise in net debt as at March 31, 2021 compared with December 31, 2020

Sufficient medium- and long-term funding options

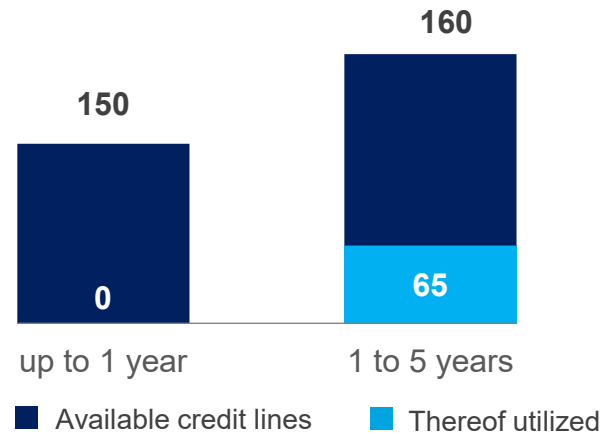
Equity and equity ratio

€ million



Syndicated credit lines

€ million / term



Long-term bank loans

€ million / repayment profile



- Unused credit lines totaling €245 million are available
 - €150 million with a term ending in November 2021, with an extension option
 - €160 million with a term ending in June 2024, of which €65 million has been utilized
- Positive exceptional item of around €60 million from payment of the final installment of the purchase price for the sale of land, which is expected to be made in 2021¹

14 ¹ The amount and the date of the payment depend on when the development plan for the site is formally approved by the City of Cologne and so cannot be precisely determined yet.

Agenda

Guidance



Dr. Frank Hiller | CEO

Group guidance for 2021



Guidance for 2021

Unit sales	140,000 to 155,000 engines ¹
Revenue	€1.5 billion to €1.6 billion
EBIT margin before exceptional items	1.0–2.0%
Free cash flow	negative low- to mid-double-digit million euro amount ²



- Difficulties with the supply of some components will continue until at least the third quarter
- Despite the difficult supply situation, the guidance for the Group has been raised in view of the successful start to the year³
- Positive exceptional item from payment of the final installment of the purchase price for the sale of the Cologne-Deutz site, which is expected to be made in 2021²

Medium-term targets for 2023/2024

- Technology-neutral approach to development of the product portfolio and expansion of the high-margin service business
- Implementation of regional growth initiatives
- Systematic implementation of the Transform for Growth efficiency program, with targeted gross annual cost savings of around €100 million in total from the end of 2022
 - Adjustment of staff costs and operating costs
 - Optimization of the global production network
 - Reduction of complexity
- Share of consolidated revenue attributable to E-DEUTZ of 5–10%

Our targets for 2023/2024:

> €2 billion

revenue

7–8%

EBIT margin
before exceptional items



DEUTZ has taken the steps that are needed for sustained profitable growth



Annex



Segment overview



New orders € million	Q1 2021	Q1 2020	YoY change
DEUTZ Compact Engines	360.1	255.3	+41.0%
DEUTZ Customized Solutions	89.1	92.5	-3.7%
Other	16.1	9.7	+66.0%
Consolidation	-0.5	-0.8	-37.5%
Total	464.8	356.7	+30.3%

Unit sales Units	Q1 2021	Q1 2020	YoY change
DEUTZ Compact Engines	29,267	26,993	+8.4%
DEUTZ Customized Solutions	2,982	4,553	-34.5%
Other	6,135	8,523	-28.0%
Consolidation	–	–	–
Total	38,384	40,069	-4.2%

Revenue € million	Q1 2021	Q1 2020	YoY change
DEUTZ Compact Engines	268.1	255.9	+4.8%
DEUTZ Customized Solutions	66.2	74.8	-11.5%
Other	9.6	9.9	-3.0%
Consolidation	-0.5	-0.8	-37.5%
Total	343.4	339.8	+1.1%

EBIT before except. items € million	Q1 2021	Q1 2020	YoY change
DEUTZ Compact Engines	-6.1	-16.7	+63.5%
DEUTZ Customized Solutions	8.6	8.3	+3.6%
Other	-1.7	-3.4	+50.0%
Consolidation	–	–	–
Total	0.8	-11.8	–

Income statement



€ million

	Q1 2021	Q1 2020
Revenue	343.4	339.8
Cost of sales	-284.3	-288.4
Research and development costs	-22.7	-24.1
Selling and administrative expenses	-38.4	-39.0
Other operating income	9.7	5.1
Other operating expenses	-8.5	-5.6
Impairment of financial assets and reversals thereof	0.1	0.0
Profit/loss on equity-accounted investments	1.1	0.4
EBIT	0.4	-11.8
thereof exceptional items	-0.4	0.0
thereof operating profit/loss (EBIT before exceptional items)	0.8	-11.8
Financial income, net	-1.4	-0.7
Income taxes	0.1	2.5
Net income	-0.9	-10.0
thereof attributable to shareholders of DEUTZ AG	-0.9	-10.0
thereof attributable to non-controlling interests	0.0	0.0
Earnings per share (basic/diluted, €)	-0.01	-0.08

Balance sheet: assets



€ million

	Mar. 31, 2021	Dec. 31, 2020
Property, plant and equipment	355.3	361.7
Intangible assets	193.5	197.2
Equity-accounted investments	53.6	50.3
Other financial assets	4.6	4.4
Non-current assets (before deferred tax assets)	607.0	613.6
Deferred tax assets	74.1	74.2
Non-current assets	681.1	687.8
Inventories	316.9	274.2
Trade receivables	110.6	113.8
Other receivables and assets	38.5	32.8
Receivables in respect of tax refunds	10.0	7.2
Cash and cash equivalents	57.8	64.7
Current assets	533.8	492.7
Total assets	1,214.9	1,180.5

Balance sheet: equity and liabilities



€ million

	Mar. 31, 2021	Dec. 31, 2020
Issued capital	309.0	309.0
Additional paid-in capital	28.8	28.8
Other reserves	-0.8	-3.9
Retained earnings and accumulated income	201.0	201.1
Equity attributable to shareholders of DEUTZ AG	538.0	535.0
Non-controlling interests	0.2	0.2
Equity	538.2	535.2
Provisions for pensions and other post-retirement benefits	144.5	148.5
Deferred tax liabilities	0.5	0.6
Other provisions	36.3	37.5
Financial debt	55.6	58.3
Other liabilities	5.8	5.9
Non-current liabilities	242.7	250.8
Provisions for pensions and other post-retirement benefits	11.8	11.9
Other provisions	86.7	83.3
Financial debt	89.4	90.2
Trade payables	183.8	153.0
Liabilities arising from income taxes	2.0	2.0
Other liabilities	60.3	54.1
Current liabilities	434.0	394.5
Total equity and liabilities	1,214.9	1,180.5

Cash flow statement (condensed)



€ million

	Q1 2021	Q1 2020
EBIT	0.4	-11.8
Cash flow from operating activities	17.1	-11.9
Capital expenditure on intangible assets, property, plant and equipment and investments	-17.8	-23.1
Proceeds from the sale of non-current assets	0.0	0.2
Cash flow from investing activities	-17.8	-22.9
Cash flow from financing activities	-6.9	20.8
Change in cash and cash equivalents	-7.6	-14.0

Questions & answers

Thank you for
your attention!

Financial calendar and contact details



Financial calendar

2021

H1 2021 interim report	August 12
Q3 2021 quarterly statement	November 10
2021 annual report	March 17, 2022
2022 Annual General Meeting	April 28, 2022

Contact

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