



DEUTZ

– Results for H1 2023 –

—

August 10, 2023



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, a decrease 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 H1 2023



Dr. Sebastian C. Schulte | CEO

Key operational and strategic developments



New orders



-8.0% to

€991.7 million

Book-to-bill ratio: 0.97

Unit sales



DEUTZ engines

+1.1% to

91,451 units

Revenue



+10.0% to

€1,023.5 million

Adjusted EBIT¹



+€19.9 million to

€62.5 million

EBIT margin¹ 6.1% (+1.5pp)

Classic segment 8.7% (+1.9pp)

Free cash flow



+€33.0 million to

€8.3 million

Guidance for 2023 confirmed



Revenue: approx.
€2.1 billion

EBIT margin¹: approx.
5.0%

Expansion of the service network



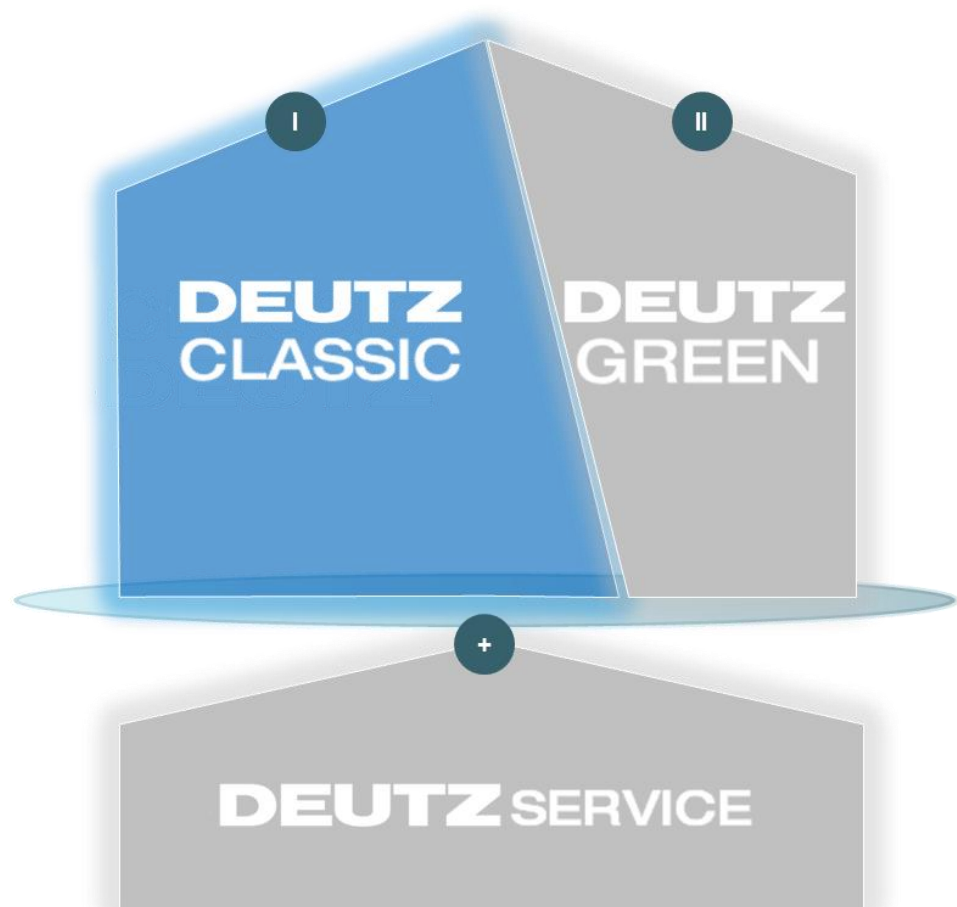
Acquisition of service partners M. Hochschild S.A. and Diesel Motor Nordic²

Progress with Green strategy



Project pipeline being added to all the time

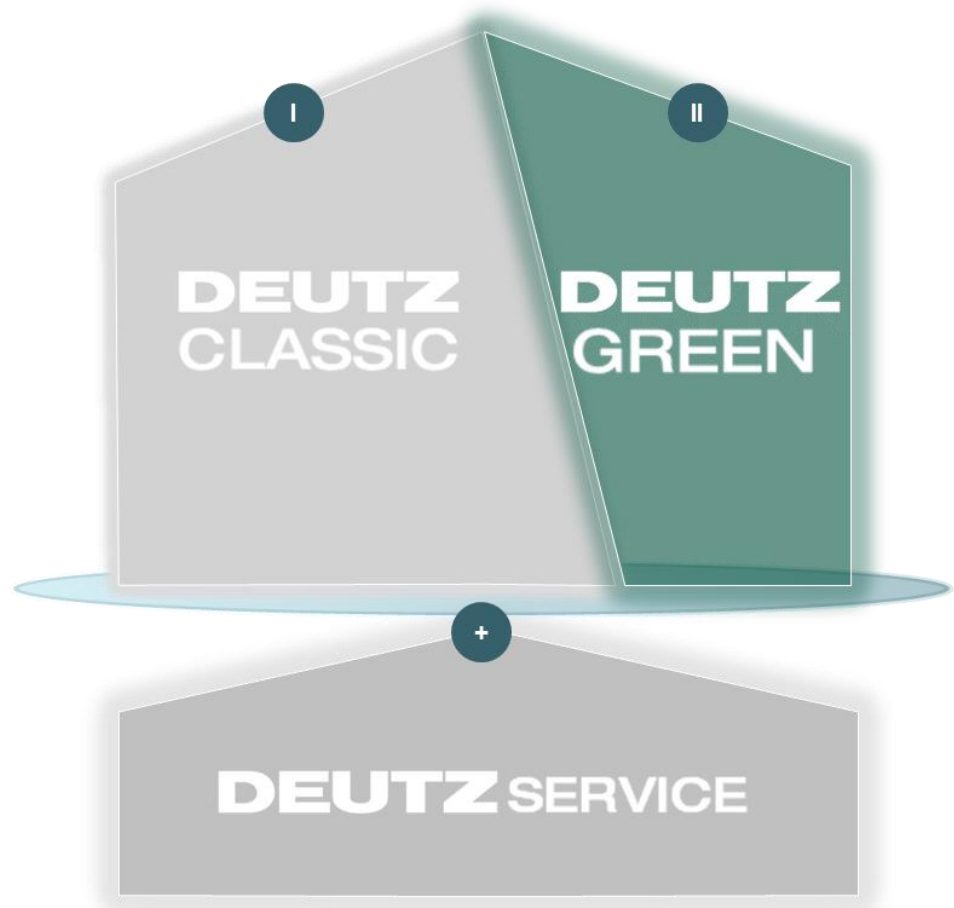
Strategy progress report: Classic



- Margin remains high thanks to success of performance initiatives
- New logistics concept established at headquarters in Cologne
 - Progress with warehouse consolidation
- Further stabilization of the supply chain and production processes
- Successful ramp-up of a third shift for the production of sub-4 liter compact engines
- Further roll-out of fixed-volume program: approx. 75% of the expanded sub-4 liter capacity that has been planned is now booked

Classic business provides strong foundation for the implementation of the Green strategy

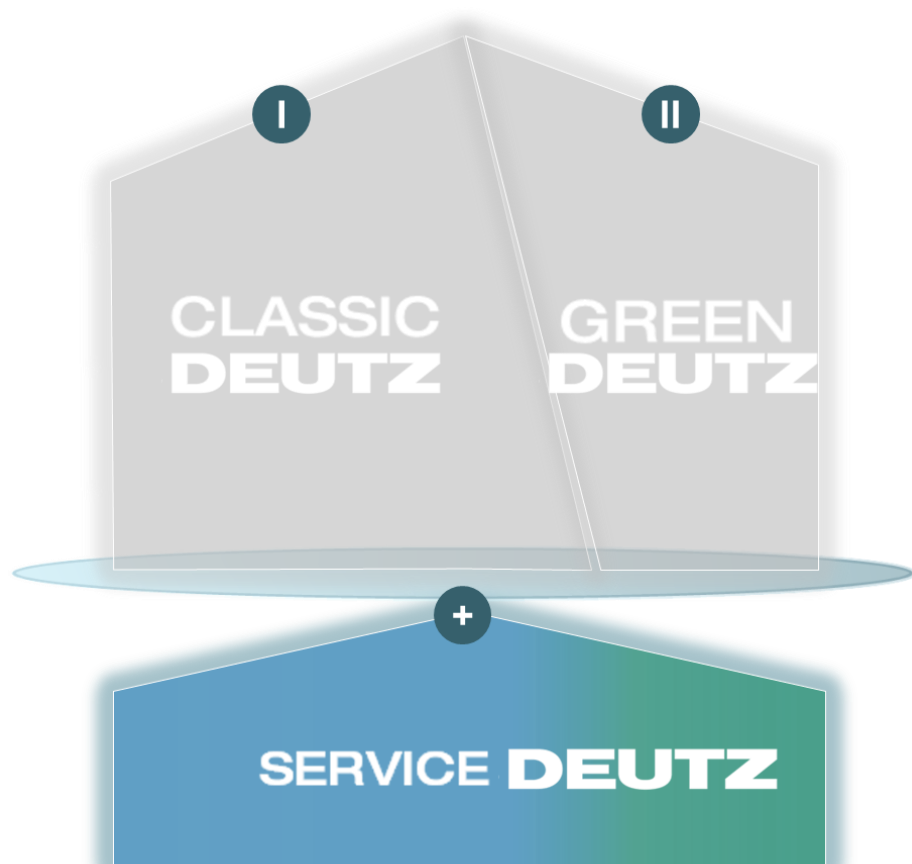
Strategy progress report: Green



- Project pipeline being added to all the time
 - Ten battery-electric system projects ongoing with OEM partners
 - Five H2 projects ongoing
 - LOI signed for small-scale production run of H2 gensets
- Ongoing process established to evaluate new business models and potential partnerships
- Automotive supplier MAHLE chosen to develop and supply power cell units
- Capital expenditure of over €100 million planned between 2023 and 2025

DEUTZ to be emission-free across the entire process chain by no later than 2050

Strategy progress report: Service



- Strong first half of the year:
 - Revenue rises to €237.5 million (+6.4%)
 - New orders increase to €241.5 million (+5.0%)
- Sharp rise in volume of business, particularly for parts sales and DEUTZ Xchange
- Ongoing expansion of the inhouse service network
- Acquisitions in South America and northern Europe in order to expand presence in the regions
- Further acquisition targets in the pipeline

DEUTZ on course to achieve the service business's €600 million annual revenue target by 2025

Expansion of service business in USA, Chile, and northern Europe



DIESEL MOTOR NORDIC



- Opening of the ninth DEUTZ service center (DPC) in the USA
- DPC service revenue 2023e: approx. €50 million

- Agreement signed to purchase service partner M. Hochschild S.A., based in Chile
 - Expected revenue growth of approx. €15 million p.a.¹
 - Transaction completed at the end of July

- Acquisition of the Diesel Motor Nordic Group (Sweden, Finland, Denmark)
 - Expected revenue growth of approx. €10 million p.a.¹
 - Contract signed at the end of July

Ongoing expansion of the global service network and third-party activities

Agenda



H1 2023 in numbers



Timo Krutoff | CFO

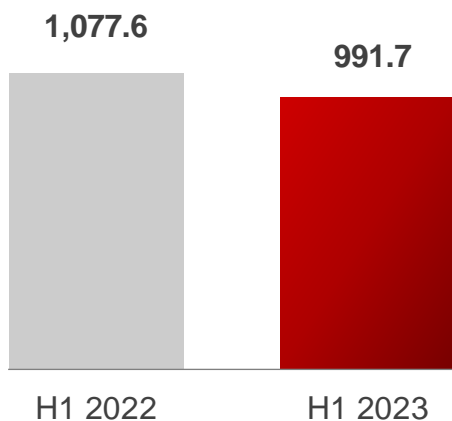
Results for H1 2023



New orders

€ million

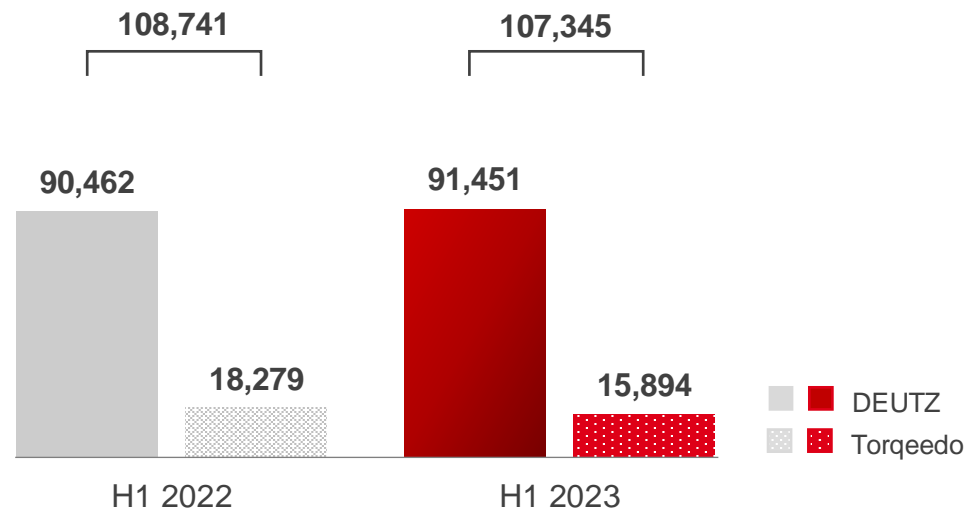
▲ -8.0%



Unit sales¹

Units

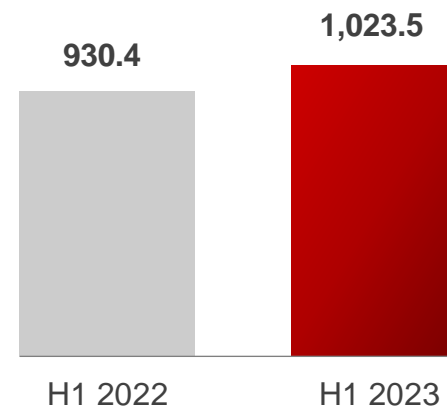
▲ -1.3%



Revenue

€ million

▲ +10.0%

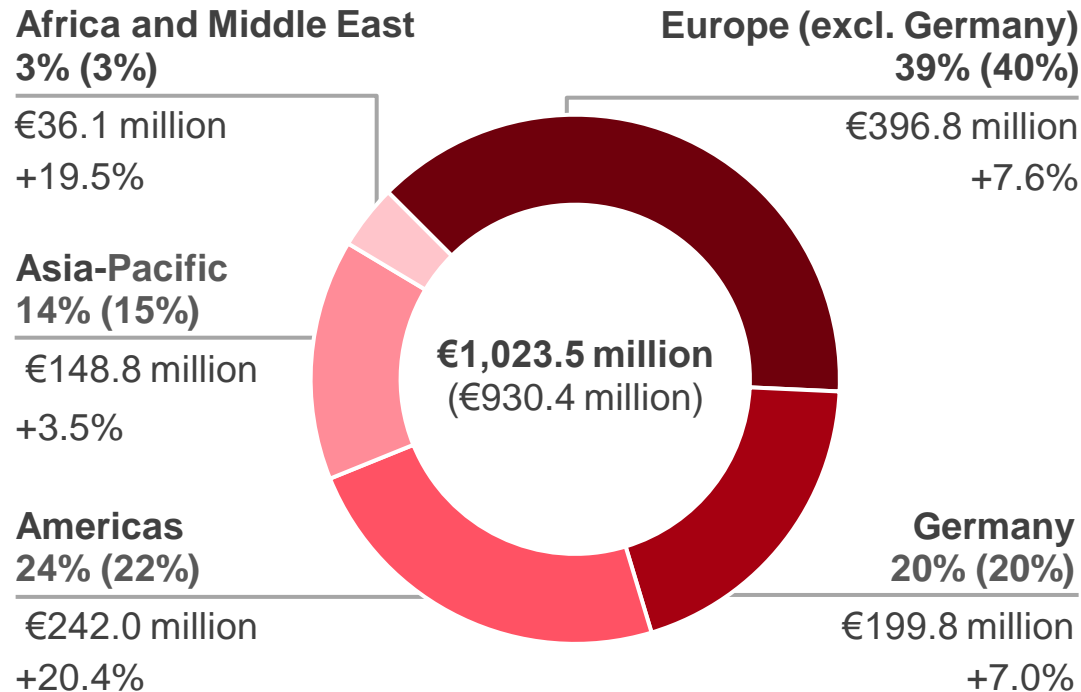


- New orders below the level achieved in the prior-year period due to slump in demand in the Asia-Pacific region – book-to-bill ratio of 0.97 (H1 2022: 1.16)
- Orders on hand remain at high level of €739.8 million as at June 30, 2023 (Jun. 30, 2022: €768.9 million)
- Increase in revenue attributable to all regions and application segments

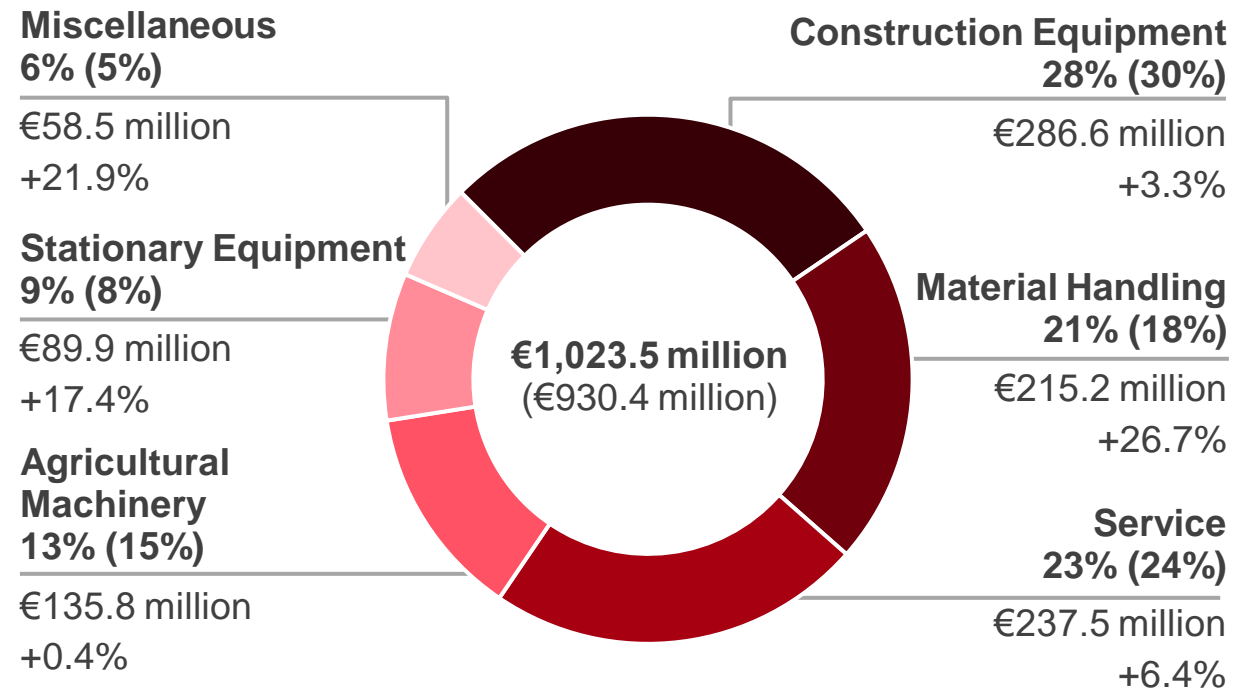
¹⁰ ¹ From 2023, the unit sales of DEUTZ subsidiary Torqeedo include battery systems in addition to electric boat drives (H1 2023: 2,686 units). The figure for the prior-year period has not been retrospectively adjusted.

Revenue for H1 2023 in detail

Revenue breakdown by region H1 2023 (H1 2022)



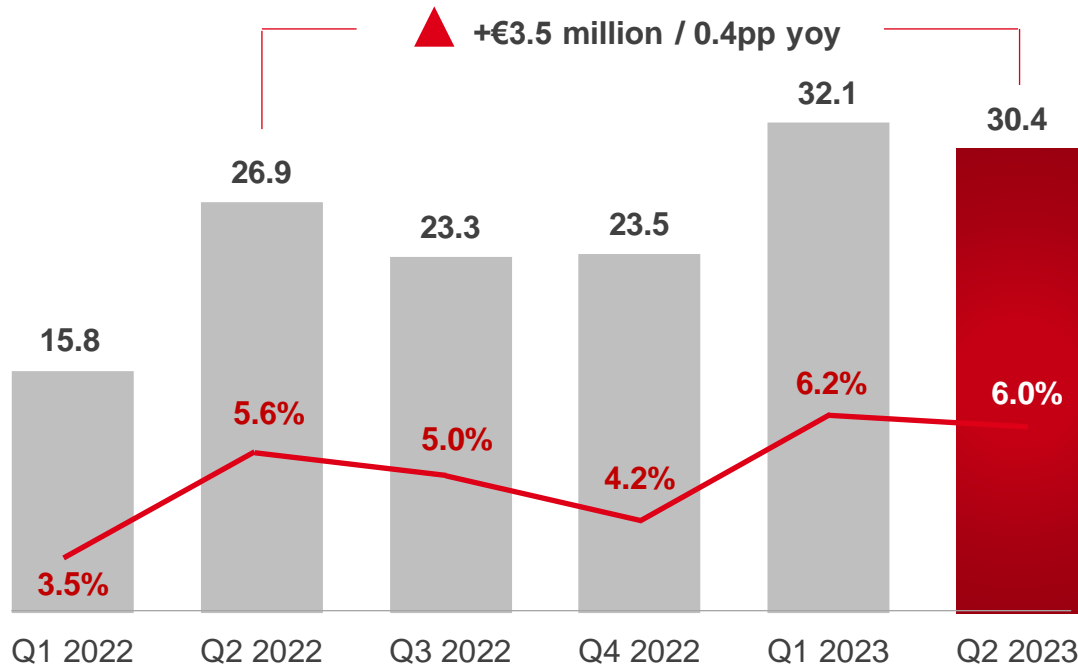
Revenue breakdown by application segment H1 2023 (H1 2022)



All regions and application segments record increases in revenue

Strong improvement in profitability

Adjusted EBIT (€ million)
EBIT margin before exceptional items



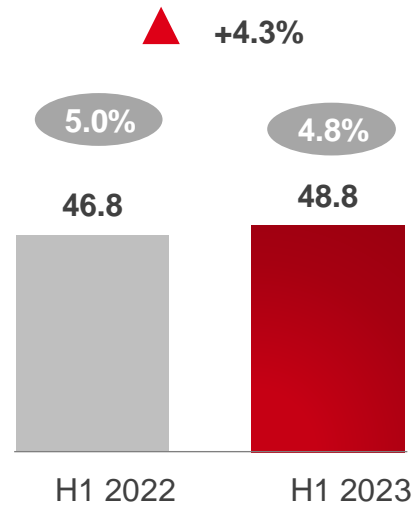
- Adjusted EBIT^{1,2} improved to €62.5 million (H1 2022: €42.6 million) due to:
 - Economies of scale thanks to increased business volume
 - Positive product mix effects
 - Market-oriented pricing policy
 - Expansion of the service business
- EBIT margin before exceptional items² increased to 6.1% (H1 2022: 4.6%)
- Net income before exceptional items² amounted to €44.9 million (H1 2022: €34.0 million)
- Earnings per share before exceptional items² came to €0.36 (H1 2022: €0.28)

Implementation of market-oriented pricing policy and performance initiatives continuing to bear fruit

R&D spending, capital expenditure, and working capital

Net R&D spending¹

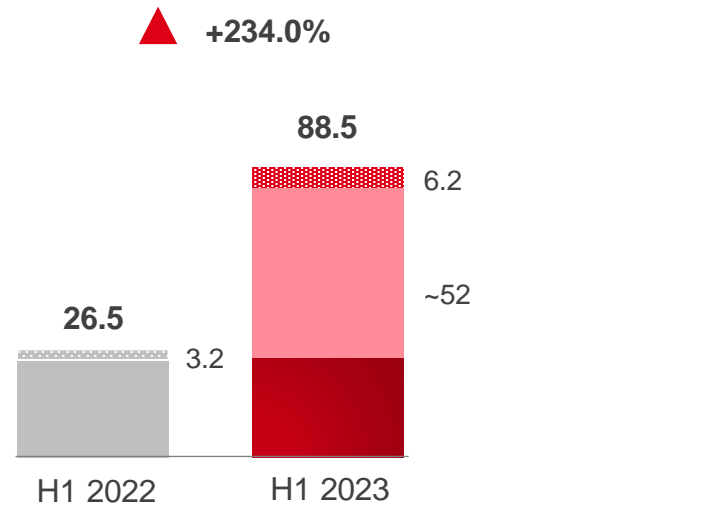
€ million



● R&D ratio¹

Capital expenditure^{1,2}

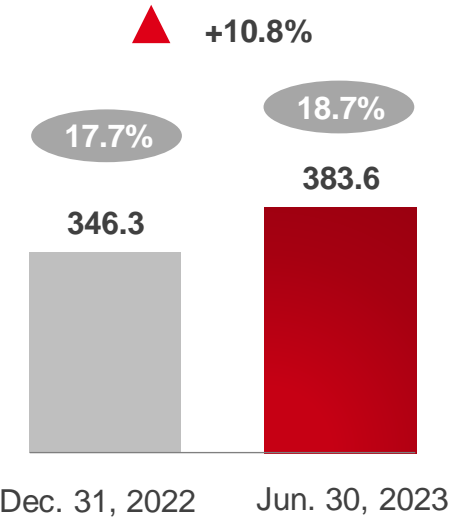
€ million



Thereof additions as a result of leases³
 Thereof IP and licenses acquired from DTAG

Working capital

€ million



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

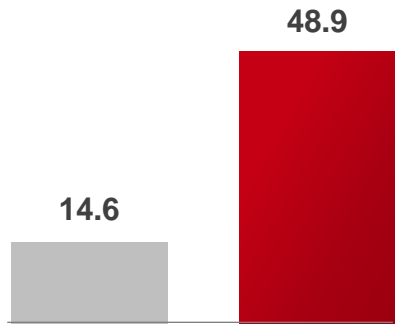
- Small rise in net R&D expenditure – year-on-year drop in the R&D ratio owing to disproportionately strong revenue growth
- Jump in investing activities, primarily as a result of the acquisition of IP and license rights in connection with the alliance with Daimler Truck (DTAG)
- Increase in working capital, mainly because of the build-up of inventories resulting from measures to safeguard production and the restructuring of logistics

Cash flow and net financial position

Cash flow from operating activities

€ million

▲ +€34.3 million

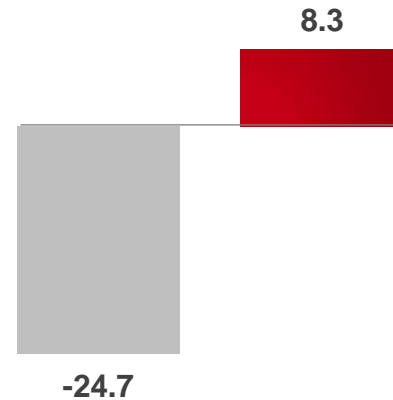


H1 2022 H1 2023

Free cash flow¹

€ million

▲ +€33.0 million

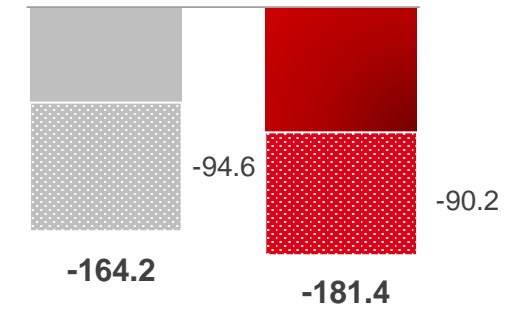


H1 2022 H1 2023

Net financial position

€ million

▲ -€17.2 million



Dec. 31, 2022 Jun. 30, 2023

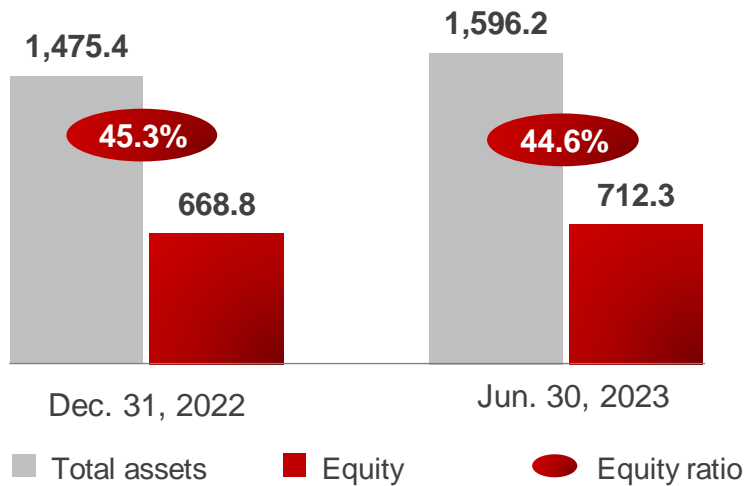
Thereof
lease liabilities

- Significant improvement in cash flow from operating activities compared with H1 2022, mainly due to increase in earnings
- Dividend payment results in higher net financial debt, despite free cash flow being in positive territory

Balance sheet remains solid

Equity and equity ratio

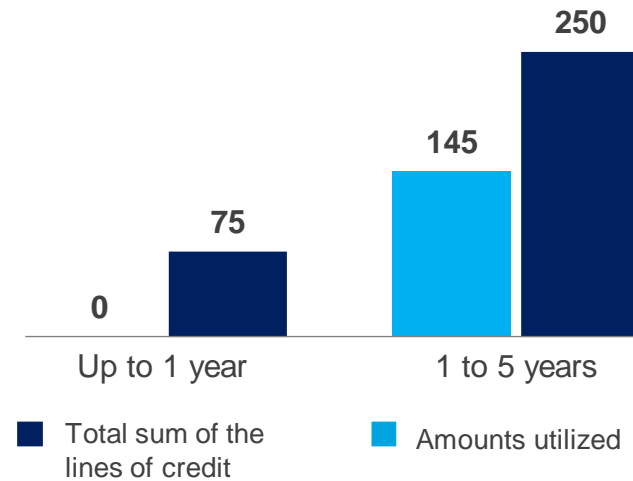
€ million



- Despite a rise in equity, the equity ratio fell slightly owing to stronger growth in total assets
- Unused lines of credit totaling around €180 million available

Lines of credit

€ million / term and repayment profile



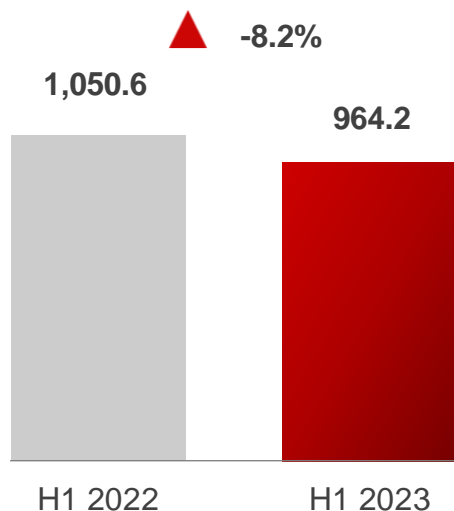
Sufficient funding available to finance the Company's transformation

Results for H1 2023 | Classic segment



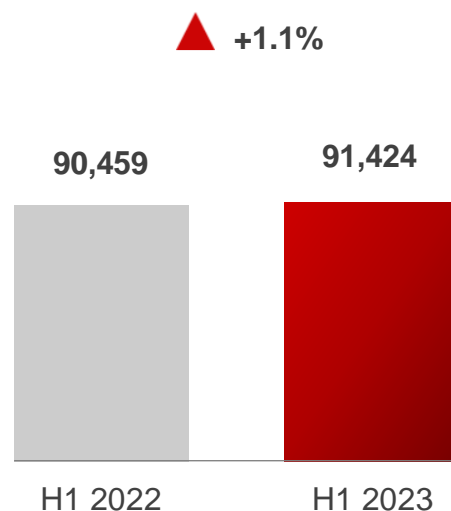
New orders

€ million



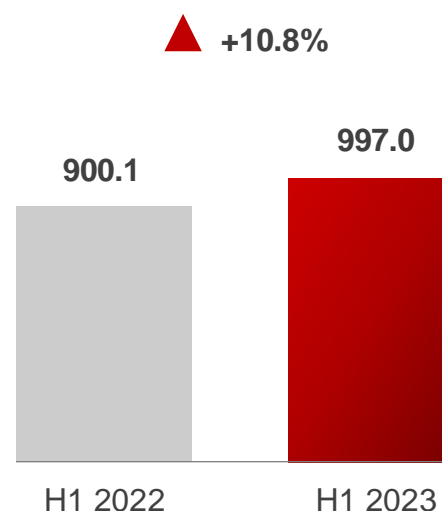
Unit sales

Units



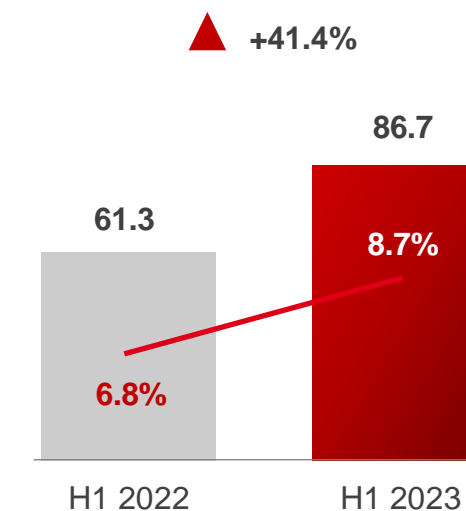
Revenue

€ million



Adjusted EBIT/margin

€ million



- New orders down compared with the robust level in the prior-year period owing to the high levels of inventory currently held by customers in Europe and declining demand in the Asia-Pacific region; orders on hand remain healthy at €727.0 million
- Disproportionately strong revenue growth owing to favorable pricing and product mix effects
- Significant improvement in adjusted EBIT due to higher volume of business and favorable pricing and product mix effects

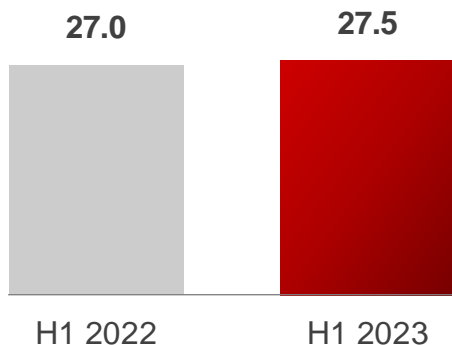
Results for H1 2023 | Green segment



New orders

€ million

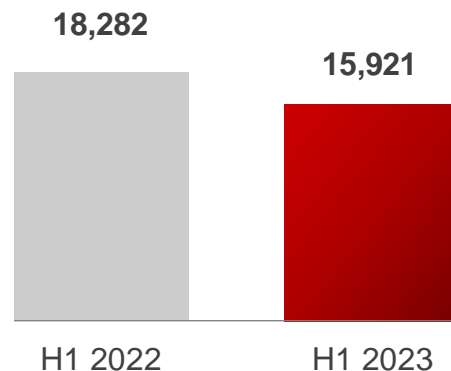
▲ +1.9%



Unit sales¹

Units

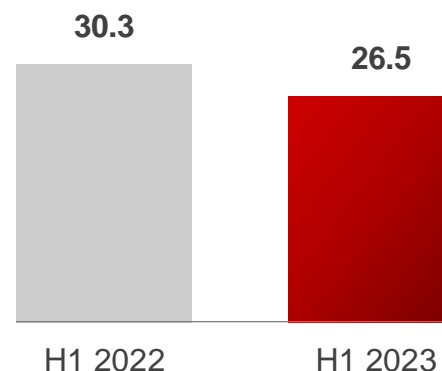
▲ -12.9%



Revenue

€ million

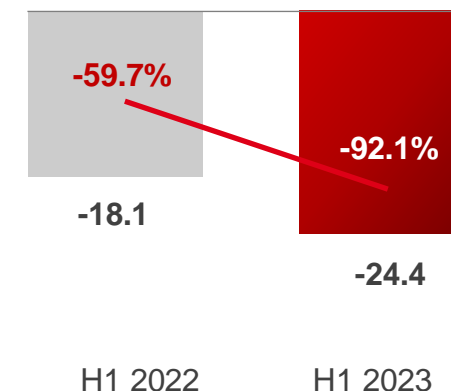
▲ -12.5%



Adjusted EBIT/margin

€ million

▲ -34.8%



- Stable new orders
- Fall in unit sales reflected in declining revenue
- Reduction in adjusted EBIT, mainly because of the negative contribution to earnings from Torqeedo

17 ¹ Torqeedo boat drives and other electric drives, hybrid-electric drives, hydrogen drives, battery systems with a motor, DEUTZ PowerTree. From 2023, Torqeedo's unit sales also include battery systems (H1 2023: 2,686 units). The figure for the prior-year period has not been retrospectively adjusted.

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Outlook



Dr. Sebastian C. Schulte | CEO

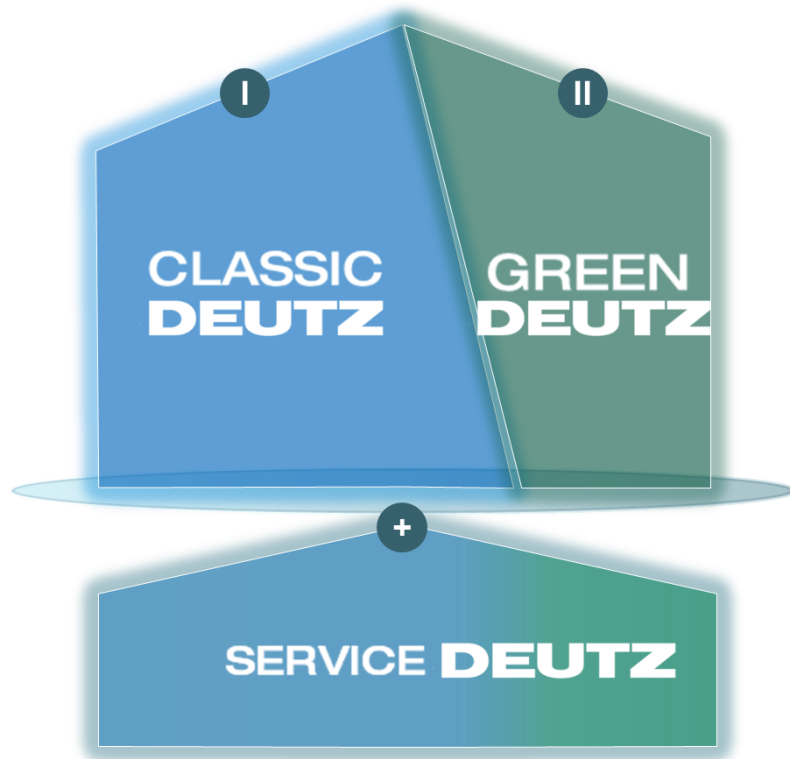
Full-year guidance for 2023



	2022		2023e
Unit sales	181,268 DEUTZ engines ¹		approx. 195,000 DEUTZ engines ¹
Revenue	€1.95 billion		approx. €2.1 billion
Adjusted EBIT margin ²	4.6%		approx. 5.0%
Free cash flow	minus €16.6 million		Mid-double-digit million euro amount ³

Full-year guidance for 2023 confirmed following successful first half of the year

Medium-term targets based on the Dual+ strategy



Outlook for 2025

Revenue



> €2.5 billion

Service business's share of revenue



approx. €600 million

Adjusted EBIT margin¹



6.0 to 7.0%

DEUTZ confirms its medium-term targets for 2025

2023 financial calendar & contact details

Upcoming financial dates

Roadshow virtual	August 28
DEUTZ Capital Markets Day	September 12
Berenberg & Goldman Sachs Conference Munich	September 19
Quirin European MidCap Conference Paris	October 10

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DEUTZ CAPITAL MARKETS DAY 2023

September 12, 2023

10 am – 4 pm

DEUTZ AG
Headquarter Cologne



**Thank you for
your attention!**

Any questions?

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