

# Acquisition of Blue Star Power Systems

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June 28, 2024

**160**  
YEARS



# 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, 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.

# Acquisition of Blue Star Power Systems



## **BLUE STAR** Power Systems Inc.

- North American manufacturer of gensets
- Privately run
- Based in North Mankato, Minnesota
- Founded in 2004

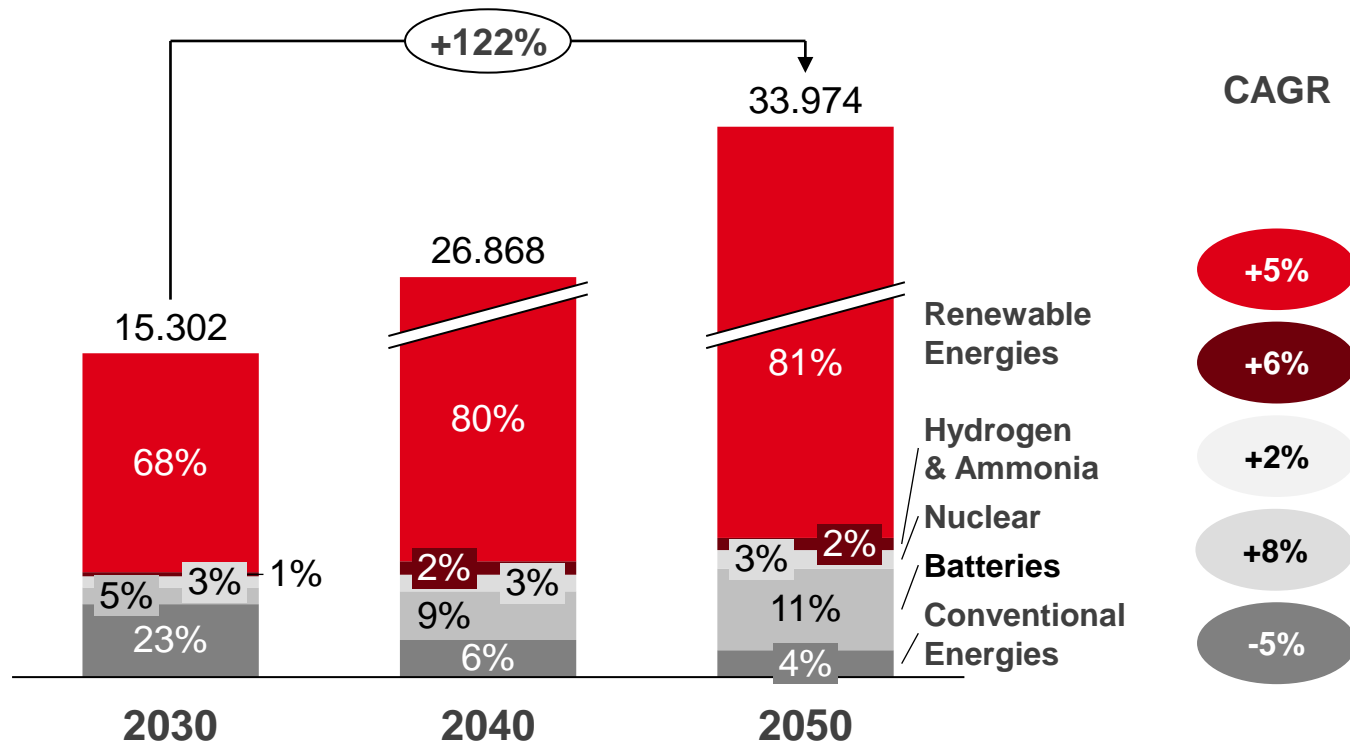
### Today's topics

- Market perspective decentralized energy supply
- Introduction Blue Star Power Systems
- Strategic rationale DEUTZ

# Doubling of global electricity demand & changes in the energy mix lead to growth in decentralized energy supply



## Global energy supply (in EJ)

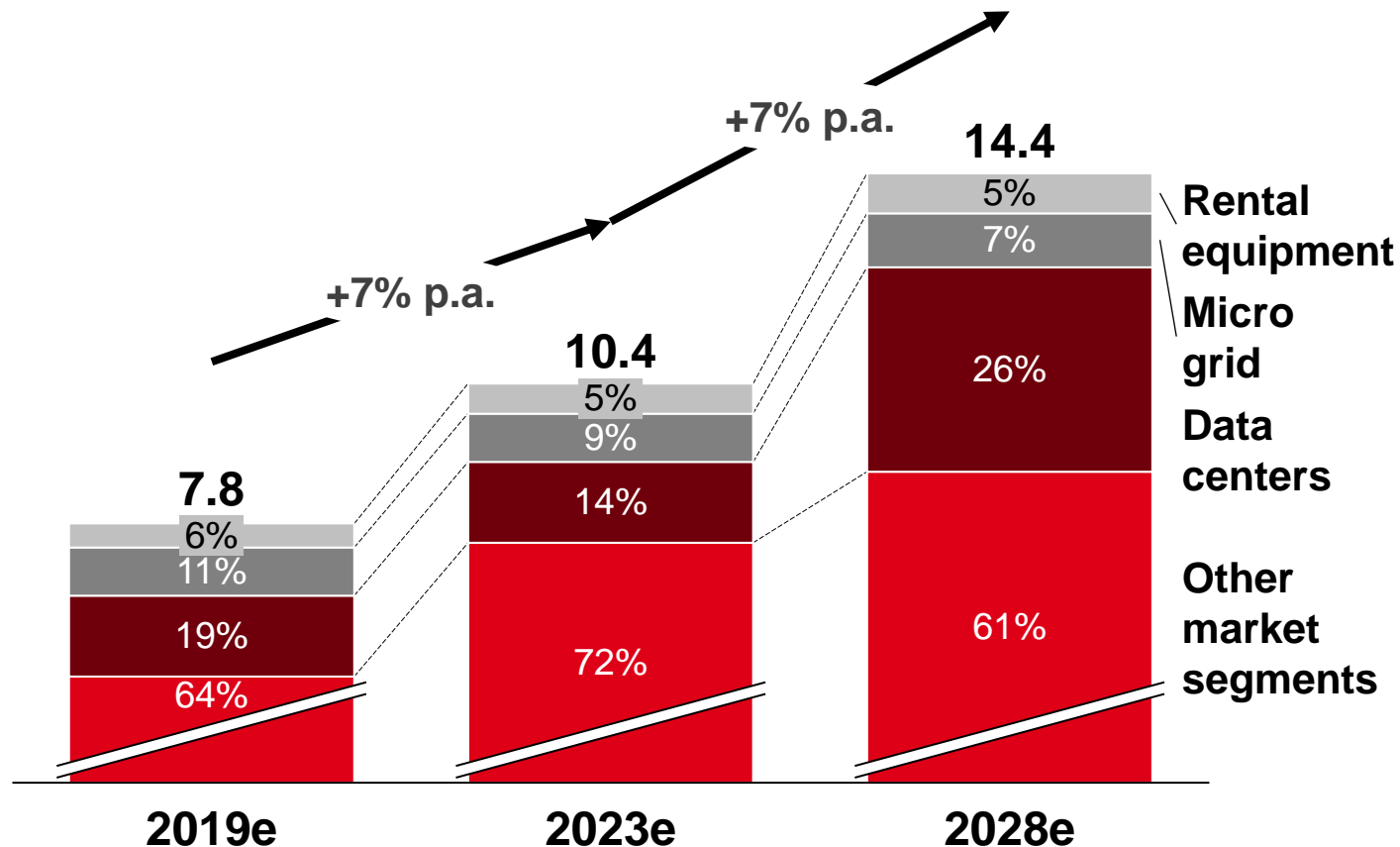


- **Doubling** of global electricity demand by 2050 and increasing share of renewable energies, but **no expansion of grids at the same pace**
- **Growth of renewable energies and instabilities in supply** due to mismatch between demand and grid capacity - relevant not only for developing countries, but increasingly also for **highly developed countries such as the USA**
- Solution: **More decentralized energy supply** and microgrids in which gensets play a key role and help to make **renewable energies suitable for widespread use**

# North America is a particularly attractive and relevant market for decentralized power supply



## Market for gensets in North America (in USD billion)



- **North American market** accounts for almost **half of the global genset market**, which will grow to USD 34.5 billion by 2030
- **Data centers** strongest growth driver with 11% growth p.a. until 2028
- **Other market segments** include single-family homes, gas supply, agriculture and production

# Growth driver for decentralized electricity supply



## Extreme weather events



More frequent occurrence of severe and more fluctuating weather events leads to longer power outages and thus requires independent energy solutions even for non-critical areas



## Insufficient infrastructure



Outdated power grids and increasing demand are leading to capacity overloads. Cybercrime and hybrid warfare are also threatening the stability of supply



## Renewable energies



Increasing demand for renewable energies leads to volatility in the power grid and a higher demand for hybrid solutions and decentralized energy systems, such as microgrids as a connection of different technologies



## Relocation of production



Relocation of production to the USA because of government subsidies; especially for high-tech sector (e.g. battery production, semiconductors); backup gensets for business-critical tasks




## (Public) investments



Increasing investments in digital infrastructure (e.g. data centers) lead to higher demand for backup solutions; among other things as a result of the "Bipartisan Infrastructure Law" (airports, water infrastructure, transit)

Legend

 Impact on the market for decentralized energy supply



# Blue Star Power Systems is one of the top 10 genset producers in the North American market

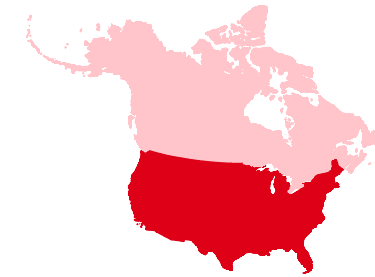


- Production and sales of **diesel and gas-powered gensets** from 20 to 2,000 kWe
- 110 employees**
- Expected revenues 2024: **>100 USD million**



## Revenue distribution 2023

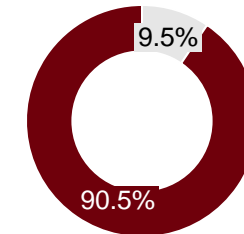
Region



Canada: 15%

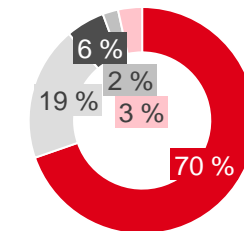
USA: 85%

Customer type



Direct customers  
Distributors

Product category



Gensets - Diesel  
Gensets - Gas  
Transfer switches  
Transportation  
Components

# Product portfolio of Blue Star Power Systems



## Products

## Revenue share



### Diesel gensets, 20–2,000 kWe

- Different engines according to customer requirements
- Partners include Perkins, Volvo Penta, John Deere & Mitsubishi
- At least EPA standards; Housing, fuel tanks and other accessories available

70%



### Gas, 20–1,250 kWe

- Versatile applications from basic power supply to emergency power supply
- Propulsion with gas engines from General Motors and Power Solutions International
- At least EPA standards; Housing, fuel tanks and other accessories available

19%



### Transfer switches, 30–4,000 Amp

- Transfer Switches from Schneider Electric ASCO Power Technologies
- Versatile application e.g. healthcare or data centers
- Possibility of monitoring and controlling the generator output

6%



### Components

- Wide range of parts and accessories for demand and maintenance beyond the purchase
- Additional products for service and maintenance of power systems and products from other manufacturers

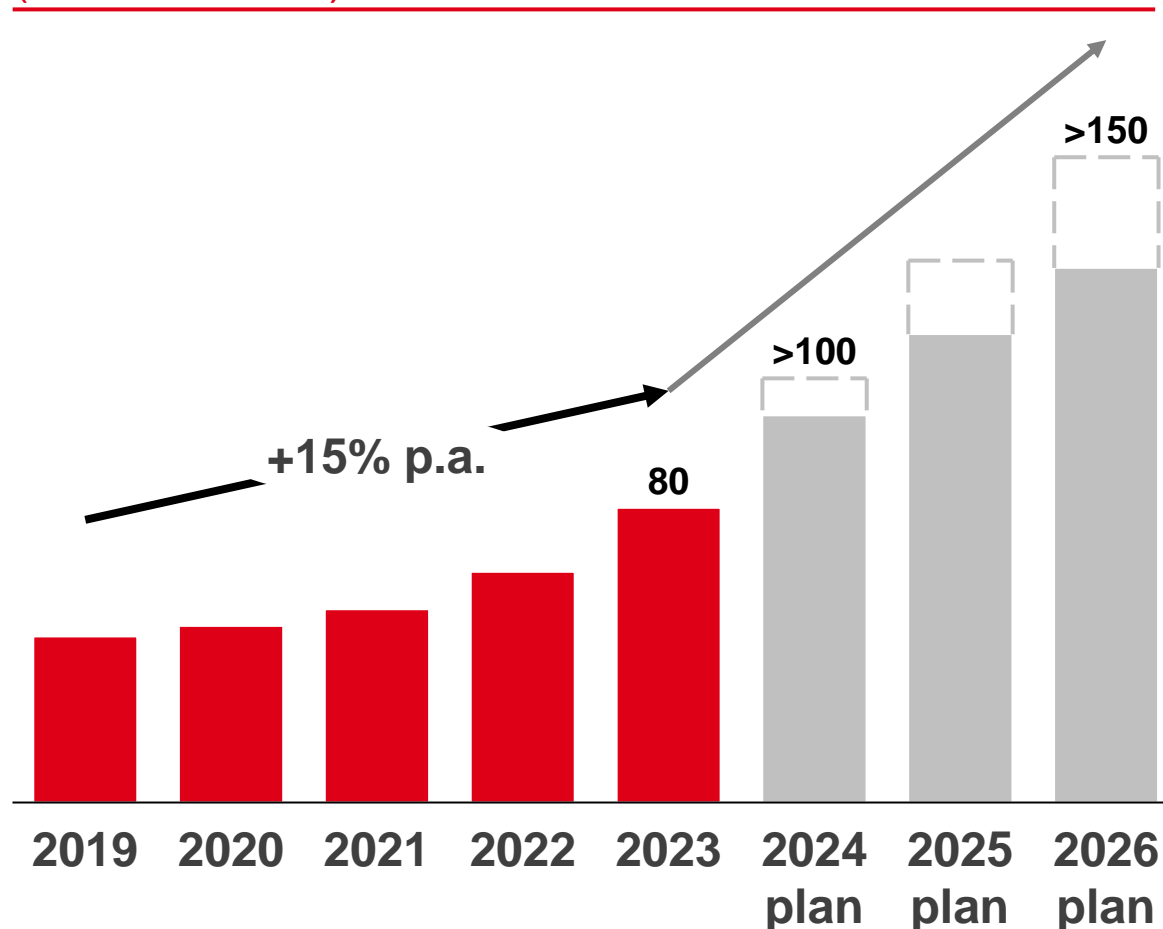
3%



# Blue Star Power Systems has achieved a strong development in recent years and has clear growth prospects



## Revenue development Blue Star Power Systems (in USD million)



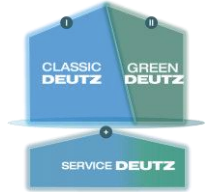
- **Growth** with 15% p.a. in recent years **above growth rate of the North American market**
- **Revenue almost doubled** since 2019, **EBITDA margin increased significantly more** in the double-digit range due to economies of scale
- Key drivers responsible for the **leap in growth** in recent years and the **positive outlook** in the coming years:
  - Entry into the distribution of gensets for microgrids with a strong customer as a partner
  - Growth in high power classes (>500 kWe) with applications in airports, hospitals, production and large industrial plants

## Key parameters of our agreement



- DEUTZ acquires **100% of the shares** in Blue Star Power Systems
- **Closing** of the transaction is expected in the **second half of 2024**
- The parties have agreed not to disclose the terms and conditions of the acquisition. The **valuation** is within the **usual market parameters** in the PowerGen business

# With the acquisition of Blue Star Power Systems, we are continuing to consistently implement our "DUAL+" strategy



## Why "Energy" for DEUTZ

- Tapping into the attractive and less cyclical energy market and establishment of an "Energy" business unit based on the existing business with gensets (e.g. MagiDEUTZ)
- Clear "right to win" for DEUTZ, as we have technology and service know-how,
- Access to the market and customers as well as new, complementary business models through the acquisition of Blue Star Power Systems

## Strengthening all areas of "DUAL+"

- **CLASSIC:** Further strengthening of the DEUTZ brand by leveraging existing competencies and expanding DEUTZ Energy business in the next step
- **GREEN:** Sales potential of gensets with hydrogen engines (pilot project in China)
- **SERVICE:** Takeover of service for gensets or integration into the existing service network

DEUTZ gains in size and relevance in "Energy" through the acquisition of Blue Star Power Systems

# Solution provider: We improve our position in the value chain



*DEUTZ currently operating opportunistically and on a small scale*



## Benefits of integrating the genset business

- Energy market more stable than cyclical markets such as construction and agricultural machinery
- Strong margins due to higher vertical integration

# The integration of Blue Star Power Systems opens up growth opportunities for DEUTZ



**BLUE STAR**  
Power Systems Inc.



**Strengthening  
US business**

Synergies and further expansion of DEUTZ's fast-growing business in the USA (e.g. access to customers and talents)

**Transfer to other  
regions**

Expansion of the genset business globally, e.g. in Asia and Africa, but also Europe

**New technologies &  
business models**

Development of "green" gensets, e.g. scaling hydrogen at Blue Star Power Systems customers, use of bio and synthetic fuels, development of hybrid gensets in combination with PV systems

# Specific examples of additional growth

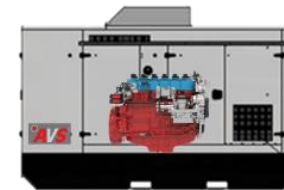


## Transfer to other regions

## New technologies & business models



Expansion of MAGIDEUTZ outside Morocco



Scaling of H2 gensets based on pilot projects in the USA and small series in China



Scaling in Southeast Asia based on existing partnerships in China/India



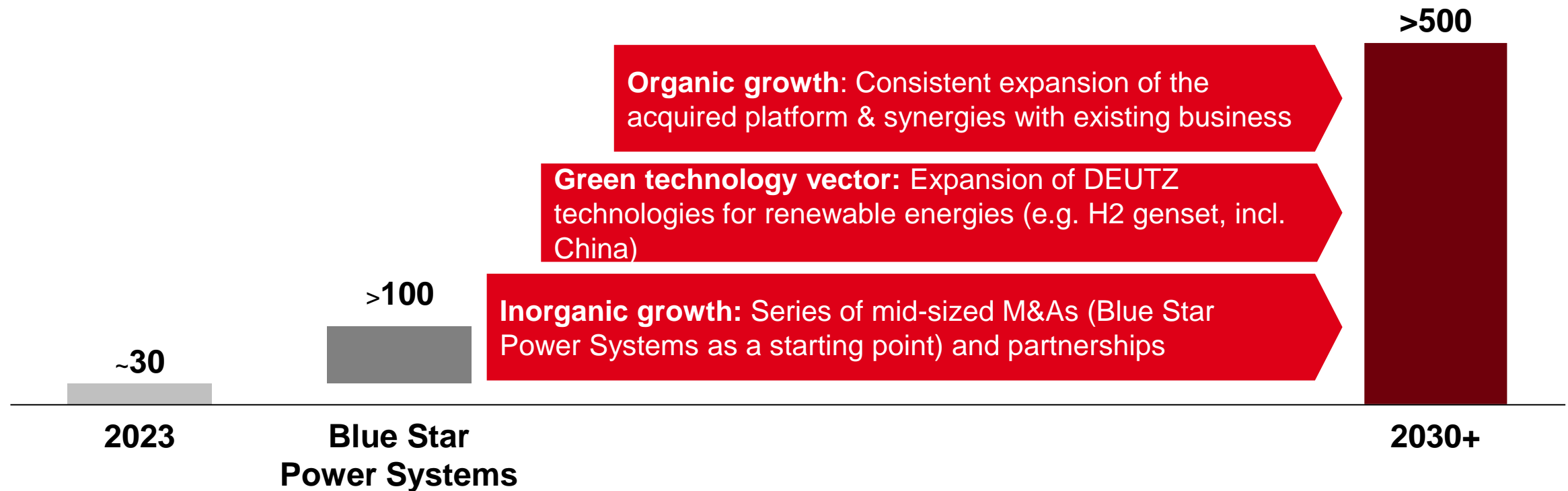
Development of new, hybrid solutions, e.g. solar PV + battery solution (BESS) or CO2-neutral fuel cells



# The acquisition of Blue Star Power Systems is the first step in the systematic development of the DEUTZ Energy business



Ambition for DEUTZ Energy (in EUR million, indicative)



Developing a relevant, profitable energy business by 2030 with a "buy & build" strategy



## Benefits for DEUTZ



### We are becoming more resilient

The gensets business is generally less cyclical than our other markets. In addition, we are strengthening our geographical diversification (North America) and we are increasing our vertical integration, thus securing a more stable business.

### We participate in profitable growth areas

Blue Star Power Systems' business is benefiting from sustainably stronger revenue and EBIT growth than the rest of our business. In this way, we are also increasing the value of DEUTZ as a whole.

### We are developing a portfolio that will continue to be relevant in the future and offers opportunities for innovation

With Blue Star Power Systems, we can participate more directly in the growth of renewable energies. Among other things, we can scale our hydrogen business faster. In addition, we can quickly bring hybrid systems and business models to success, e.g. gensets in combination with solar PV systems for decentralized energy supply in developing countries, but also countries such as Australia.



## Push for defense



### The idea

- Exploiting growth opportunities in defense given changed geopolitical outlook globally
- Leveraging our strong engine expertise and brand – we were in the defense market in the past
- Partnering where required to gain scale and specific know-how quickly
- Relevant for growth in Classic, Service and Green as well as our growing energy business

### Benefits for DEUTZ

- ✓ **Profitability** Increased demand with high quality requirements
- ✓ **Portfolio** Strengthens business with diesel engines and offers opportunities for aftermarket service as well as alternative drive systems
- ✓ **Resilience** Reduces cyclicity

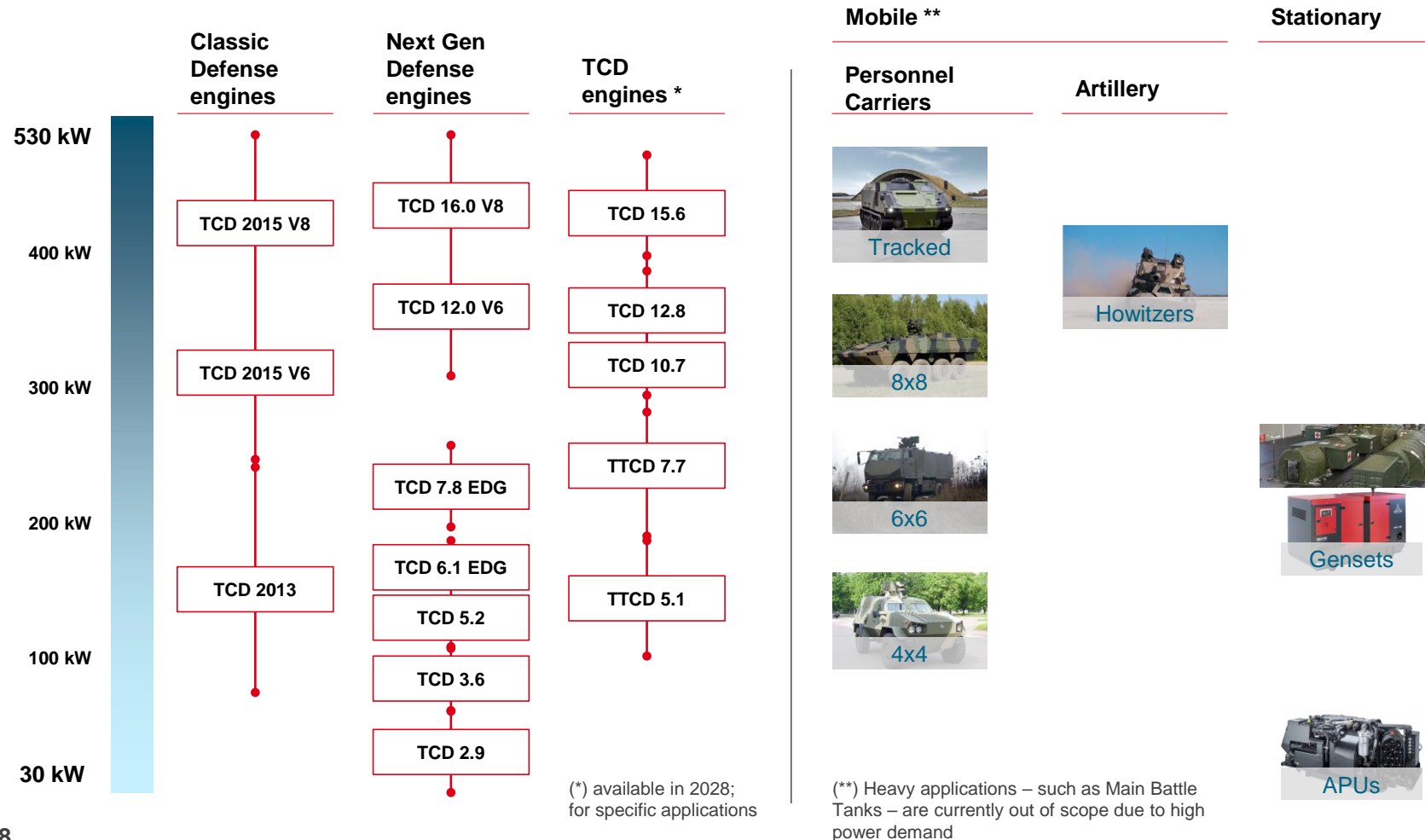


# Broad opportunities in defense with our portfolio



## Mapping the current and future DEUTZ defense portfolio with defense applications

## Defense Playing Fields



**Mobile applications** between 100 kW and 530 kW

**Stationary applications** (power generation, e.g. for field hospitals) between 20 kWe and 200 kWe

**Green mobility in defense** (Hybrid, Electrification)

**Defense innovation** (Autonomous Vehicles, Connected Mobility, Digital Services)

**Entering higher power ranges** (Main Battle Tanks)

Thank you.

Q&A



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