PRESS RELEASE

DEUTZ updates its growth strategy and reduces costs sustainably

- Greater diversification for more profitable growth and a more resilient setup
- Further strategic development of the portfolio with the new Solutions segment
- Revenue target of €4.0 billion by 2030, new mid-term targets defined
- Cost program with sustainable savings of €50 million set up

Cologne, October 8, 2024 – At its Capital Markets Day in Cologne today, DEUTZ presented an update of its Dual+ strategy and announced a cost-cutting program to counter the cyclically-induced decline in demand.

The core of the strategic development is a stronger diversification of the portfolio and a demand-oriented approach to alternative drives. DEUTZ is thus continuing the path it embarked on two years ago with its **Dual+ strategy** and building on the milestones it has achieved so far. These include initial steps towards market consolidation in the business with conventional combustion engines, major advances in the growth of the service business, and a realignment of the green portfolio.

“With our new segment Solutions, we will position ourselves much more strongly as a solution provider along the value chains we are familiar with – to grow profitably with relevant products and to make DEUTZ more resilient overall. At the same time, we see considerable potential for further profitable expansion of our business with classic combustion engines and in the service business,” explains DEUTZ CEO Dr. Sebastian C. Schulte

In the new segment **Solutions**, DEUTZ combines not only alternative drives but also businesses that go beyond the production and servicing of engines and are in markets in which DEUTZ masters technology and service. In the **New Technology** segment (formerly Green), the portfolio will be even more market-oriented and focused on the range of e-products and hydrogen combustion engines. The **Energy** segment, built up by the acquisition of Blue Star Power Systems, is expected to grow to over €500 million in revenue by 2030. DEUTZ acquired the US generator sets manufacturer this summer, positioning itself as a solution provider in the rapidly growing energy market.

Overall, DEUTZ is targeting revenue growth to around €4.0 billion by 2030. The Solutions segment is expected to grow at a compound annual growth rate (CAGR) of 30 percent by 2030. In addition to the expected revenue in the Energy business, the New Technologies business is expected to grow to more than €300 million – in both areas organically and inorganically. In 2030, the business with conventional combustion engines is expected to contribute around half of the revenue at €2.2 billion. The service business will contribute around 25 percent of revenue, with an even higher contribution to earnings. The level of ambition is reflected in the newly set **mid-term targets**: By 2028, revenue is expected to be between €3.2 and 3.4 billion, with an adjusted EBIT margin of 8 to 9 percent. The shareholders should benefit from this in the form of an increasing, but at least stable, dividend.

In the business with conventional internal combustion engines (**Classic**), market consolidation will continue and will primarily include areas of application that continue to rely on combustion technology. DEUTZ will continue to play an active role here to position itself more cost-effectively and to tap into further markets. Production will become more flexible through collaborations such as the partnership with the Indian TAFE Group.

In the high-margin **service business**, revenue is expected to grow to €1.0 billion by 2030. This will be achieved through targeted acquisitions in regions that have not yet been sufficiently developed and through better utilization of the existing service offering. This includes expanding the locations and branching out into new business models, such as smart and digitalized service offerings.

In addition to the further development of its Dual+ strategy, DEUTZ this week announced a **cost-cutting program** in response to the persistently difficult economic situation. In order to counter the cyclically induced decline in demand, costs are to be sustainably reduced by €50 million by the end of 2026. This cost program complements the short-term measures already initiated, which are expected to yield an effect of €10 to 15 million in Q4. These include, among other things, making production more flexible and introducing short time working.

“The result of our performance and, in particular, our portfolio measures over the last two years is that we are making money even in these difficult times. However, the current situation shows that additional structural measures are needed to successfully position ourselves for the future. These will include structural changes and thus job cuts. We will do all this in close consultation with the employee representatives,” explains Oliver Neu, Chief Financial Officer and Labor Director of DEUTZ AG.

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About DEUTZ AG

DEUTZ AG, a publicly traded company headquartered in Cologne, Germany, is one of the world’s leading manufacturers of innovative drive systems. Its core competencies are the development, production, distribution, and servicing of drive solutions in the power range up to 620 kW for off-highway applications. The current portfolio extends from diesel, gas, and hydrogen engines to all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, stationary equipment such as generator sets (gensets) as well as commercial and rail vehicles. With over 5,000 employees worldwide and around 1,000 sales and service partners in more than 120 countries, DEUTZ generated revenue of around €2.1 billion in the 2023 financial year. Further information is available at www.deutz.com.