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# Wacker Neuson Group

## Quarterly report Q3/20

November 5, 2020, unaudited

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Left-to-right:  
Alexander Greschner (CSO),  
Martin Lehner (CEO, CTO),  
Wilfried Trepels (CFO),  
Felix Bietenbeck (COO).

## Overview Q3/20

### Revenue and profit clearly below prior year

- Revenue in Europe -8%; growth in services segment softens downturn in new equipment sales
- Revenue development in the Americas remains clearly negative at -39%<sup>1</sup>; Asia slightly up on previous year

### Free cash flow again at high double-digit figure

- Reduction in stock continues despite low sales volumes
- Clear reduction in working capital

## Dear Ladies and Gentlemen,

The coronavirus crisis continues to hold the world firmly in its grip. Rising infection numbers in Europe have prompted many governments to firmly tighten measures to stem the spread of the virus. As a result, uncertainty regarding the future development of the crisis is now again on the rise.

As infection rates fell over the summer months, hopes were high in Europe in particular that the coronavirus curve would flatten, paving the way for a rapid economic recovery. Now, however, it looks likely that the pandemic will continue to have a significant impact into fiscal 2021. As a result, we expect to meet our Strategy 2022 goals (revenue > EUR 2 billion, EBIT margin > 11 percent and net working capital ratio ≤ 30 percent) one to two years later than previously planned. This does not detract from our firm conviction that we are on the right track with the execution of our growth strategy. The long-term trend towards compact equipment in the construction and agricultural sectors remains unchanged and offers major opportunities for our Group. Eco-friendly solutions and alternative drives are gaining in importance for our customers, who have become much more open to the possibilities of digitalization and electromobility through the crisis.

Now more than ever, it is important that we focus on areas which we can actually influence. Above all, this means investing in our customers – in our sales structure, delivery speed, services, digital processes and the development of new, innovative products.

We are also better aligning our organization to ensure we continue to successfully navigate this crisis and secure our long-term success. As part of internal Group restructuring, the Executive Board has been expanded to include Felix Bietenbeck in October. In his capacity as COO, Mr. Bietenbeck's many years of international experience and expertise will be an invaluable asset to Wacker Neuson. We would like to warmly welcome him to the Group and we look forward to working together.

### The Executive Board team of Wacker Neuson SE

Q3/20		9M/20	
<b>Revenue</b>	<b>EBIT margin</b>	<b>Revenue</b>	<b>EBIT margin</b>
<b>€ 391 m</b>	<b>5.8%</b>	<b>€ 1,188 m</b>	<b>6.2%</b>
(-16.5% yoy)	(PY: 8.8%)	(-16.4% yoy)	(PY: 9.0%)
<b>Op. CF</b>	<b>FCF</b>	<b>Op. CF</b>	<b>FCF</b>
<b>€ 107 m</b>	<b>€ 87 m</b>	<b>€ 232 m</b>	<b>€ 179 m</b>
(PY: € 3 m)	(PY: € -16 m)	(PY: € -141 m)	(PY: € -200 m)

## September 30, 2020

**NWC ratio<sup>1</sup>: 40.7%**

(-7.3 PP yoy)

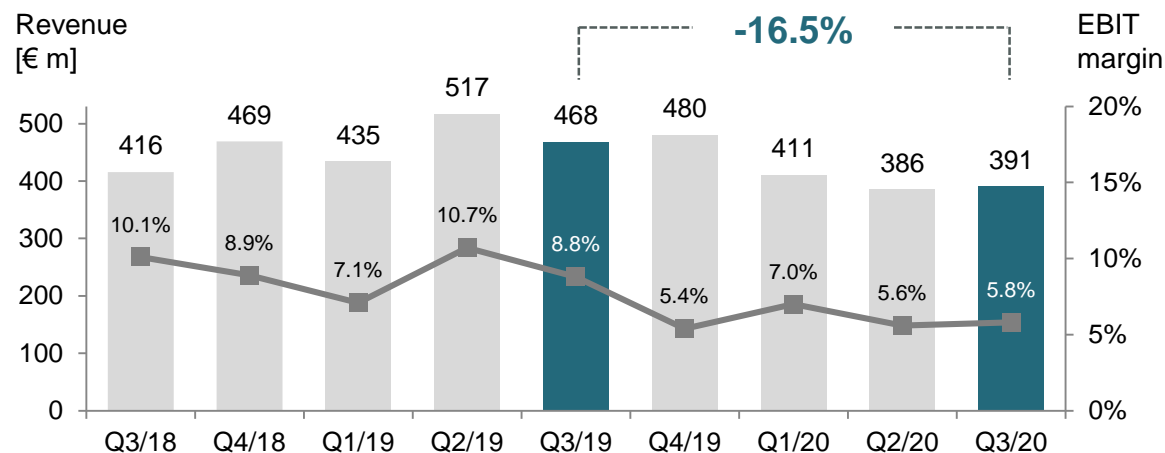
**DIO<sup>2</sup>: 148 days**

(-25 days yoy)

**Equity ratio: 58.0%**

(+4.0 PP yoy)

## Q3/20: Drop in revenue related to coronavirus crisis



## Income statement (excerpt)

€ million	Q3/20	Q3/19	9M/20	9M/19
<b>Revenue</b>	390.8	468.2	1,187.5	1,420.8
<b>Gross profit</b>	98.0	118.9	302.9	367.7
<i>as a % of revenue</i>	25.1%	25.4%	25.5%	25.9%
<b>Operating costs<sup>1</sup></b>	-77.0	-80.6	-227.4	-249.6
<i>as a % of revenue</i>	-19.7%	-17.2%	-19.1%	-17.6%
<b>EBIT</b>	22.8	41.2	73.2	127.4
<i>as a % of revenue</i>	5.8%	8.8%	6.2%	9.0%
Financial result	-5.6	-5.2	-19.4	-11.6
Taxes on income	-6.1	-10.3	-20.0	-35.7
<b>Profit for the period</b>	11.1	25.7	33.8	80.1
<b>Earnings per share (€)</b>	0.16	0.37	0.48	1.14

## Q3/20: Comments

### Revenue -16.5% yoy (adj. for FX effects: -15.0%)

- Single-digit revenue decline in Europe; significant double-digit drop in the Americas; Asia reports slight growth
- Services segment clearly above prior year; H1 growth continues

### Gross profit -17.6% yoy (gross profit margin -0.3 PP)

- Capacity utilization at production plants due to low sales volumes and significant inventory reduction below prior year's levels
- Favorable product mix driven by strong services segment, fueled in particular by higher sales of rental equipment (rent-to-sell)

### EBIT -44.7% yoy (EBIT margin: -3.0PP)

- Operating costs significantly below prior year; conversely bad debt allowances amounted to € 7.5 m (attributable to the Americas in particular); short-time work models cut back significantly relative to Q2/20
- Restructuring expenses linked to the cost reduction and efficiency enhancement program: € 1.7 m; EBIT before restructuring costs: € 24.5 m (margin: 6.3%)

### Earnings per share -56.8% yoy

- Financial result slightly below prior year; negative FX effects (€ -1.1 m yoy); in contrast less negative interest income (€ +0.7 m yoy)
- Tax rate at 35.5% (Q3/19: 28.6%); mainly due to losses reported by affiliates for which no deferred taxes could be capitalized; existing deferred tax assets were partly written down

# Business development by region and business segment



## Q3/20: Significant decline in sales in Americas

	Revenue [€ m]	Share	yoy	EBIT <sup>1</sup>
Europe	310.0	79%	-8%	27.1
Americas	65.9	17%	-43%	-12.3
Asia-Pacific	14.9	4%	+1%	-0.9
<b>Total Q3/20</b>	<b>390.8</b>	<b>100%</b>	<b>-17%</b>	<b>22.8</b>

## Q3/20: Services segment remains on growth path

	Revenue [€ m] <sup>2</sup>	Share	yoy
Light equipment	87.8	22%	-31%
Compact equipment	199.6	51%	-20%
Services	106.6	27%	+9%
<b>Total Q3/20</b>	<b>394.0</b>	<b>100%</b>	<b>-17%</b>

## Q3/20: Comments

### Revenue Europe -8.2% yoy (adj. for FX effects: -7.7%)

- Stable development in DACH region (Wacker Neuson brand), fueled in particular by gains in the services segment
- Growth in UK despite weak demand from major rental chains, continued market share gains with dumpers
- Double-digit decline in revenue in Scandinavia, Southern Europe and France
- Business with compact equipment for agriculture below prior year (revenue -12.2% yoy)

### Revenue Americas -43.1% yoy (adj. for FX effects: -38.8%)

- Willingness to invest remains very low among dealers, key accounts and rental chains due to market uncertainty
- Order intake again above prior year; US plant started to gradually ramp up at the end of Q3/20

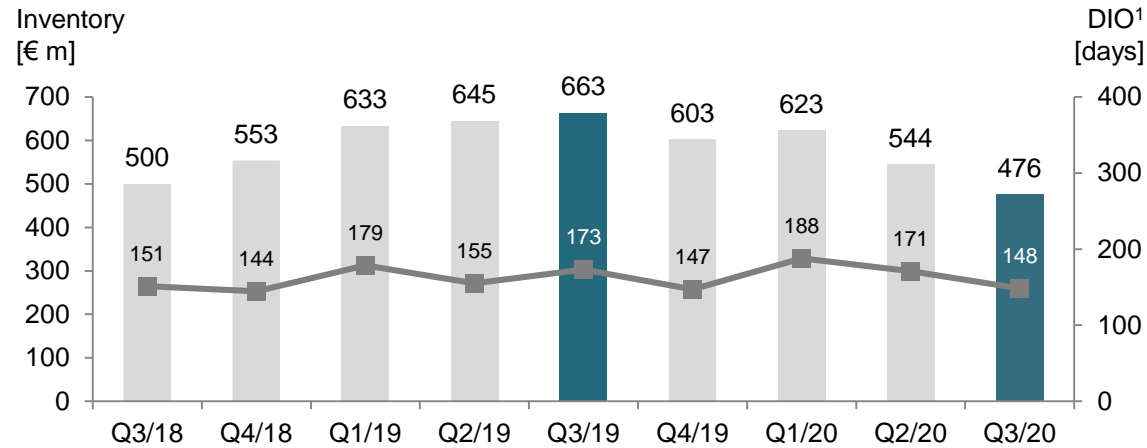
### Revenue Asia-Pacific +1.4% yoy (adj. for FX effects: +4.3%)

- Significant double-digit growth in China, demand for excavators and light equipment develops positively
- Single-digit growth in Australia/New Zealand despite challenging market conditions
- Revenue in Southeast Asia almost halved due to severe impact of the coronavirus pandemic

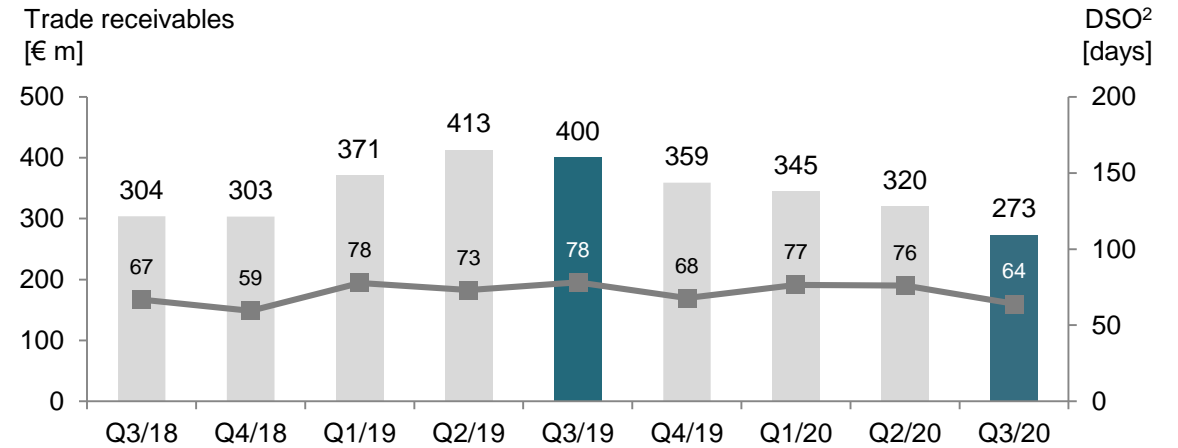
# Further decrease in net working capital



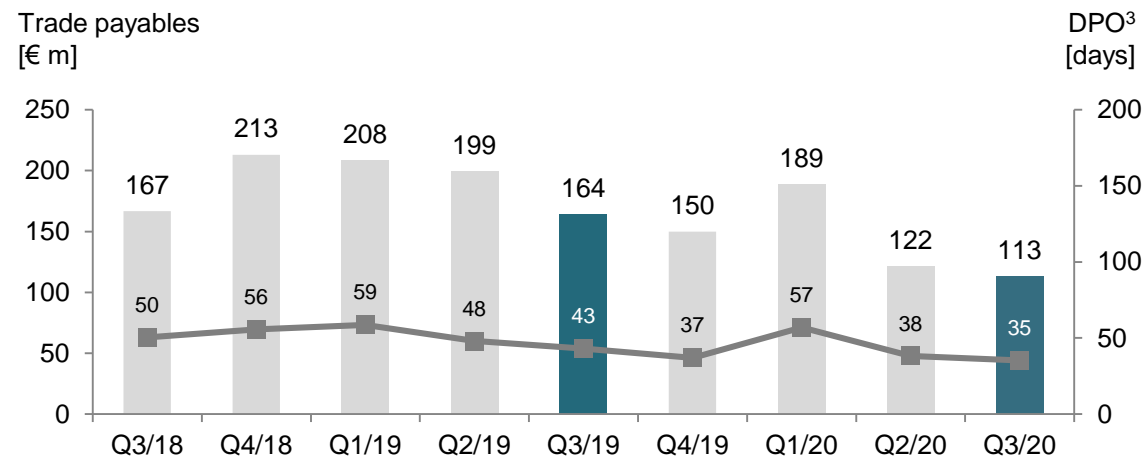
## Inventory



## Trade receivables



## Trade payables



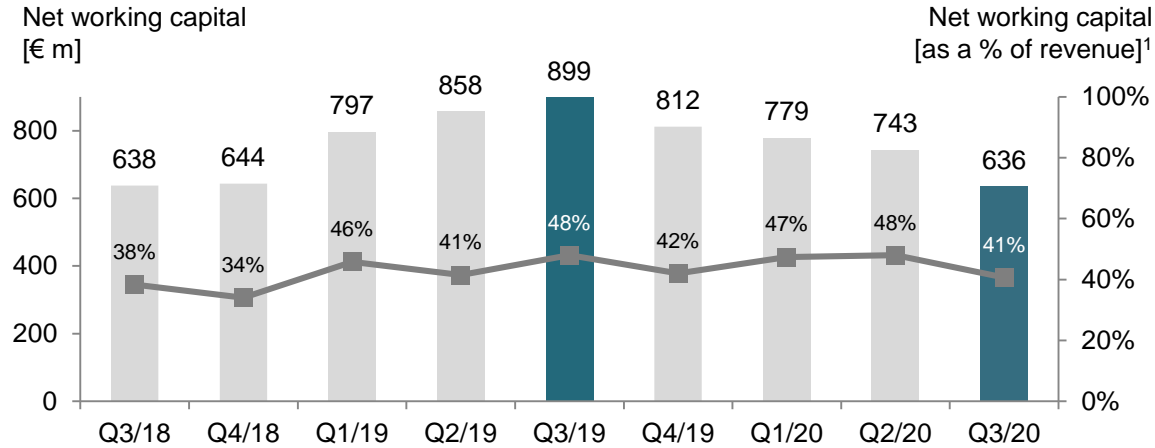
## Comments

- Further reduction of inventory levels; marked cut-back in production programs in response to the Covid-19 pandemic; further reduction in inventory planned by end of Q4; medium-term target: 25% of sales
  - Receivables continue to decrease; high levels in previous year partly due to strong revenue growth especially during the first half of the year
  - Trade payables at a low level, impacted by capacity reductions
- ➔ Reduction of net working capital continues (see next slide)

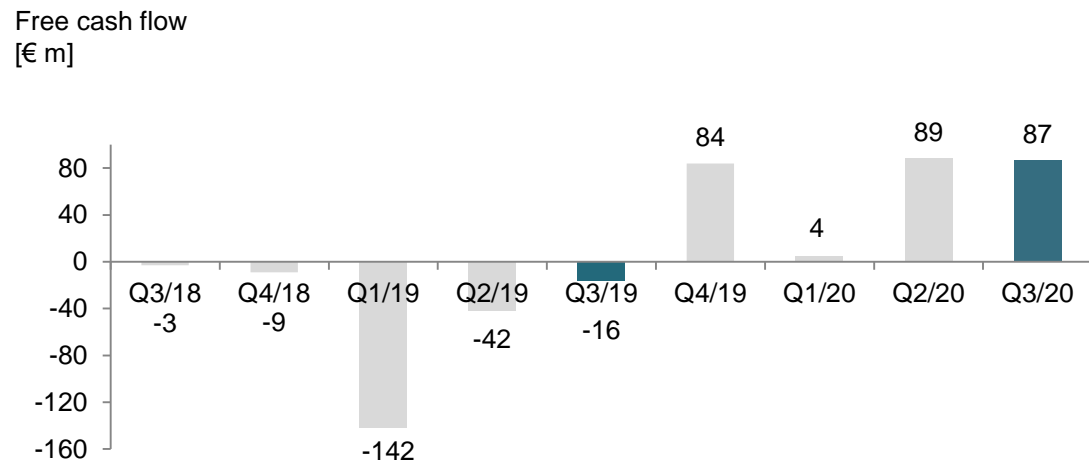
# Free cash flow in Q3 at € 87 million



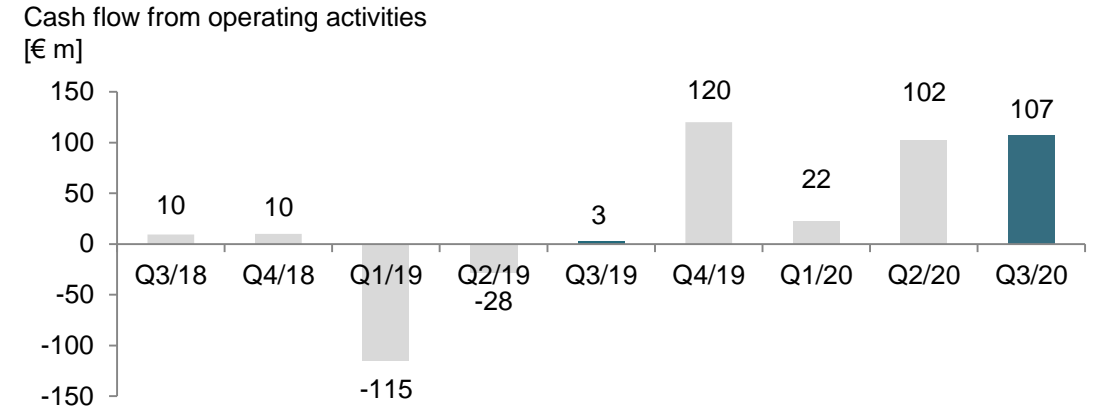
## Net working capital



## Free cash flow



## Cash flow from operating activities



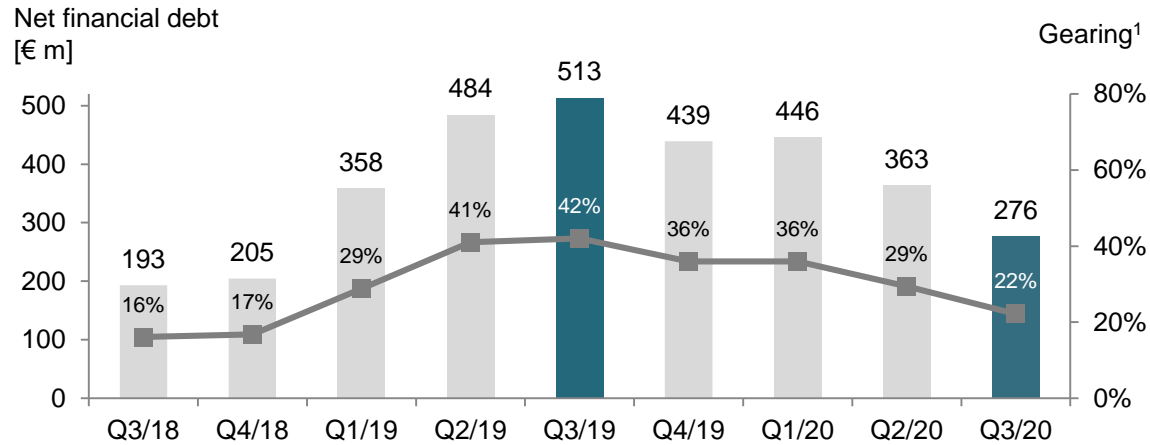
## Comments

- Reduction of net working capital continues (€ -106.7 m vs. Q2/20); at 40.7%, net working capital as a percentage of revenue<sup>1</sup> significantly below the previous year (48.0%) despite reduced business volume
  - By contrast, miscellaneous liabilities (related to deferred VAT liabilities and social security contributions from Q2/20) developed less favorably
  - Cash flow from investment activities amounted to € -20.7 m for Q3/20 and € -52.6 m for 9M/20 (Q3/19: € -18.0 m; 9M/19: € -59.5 m)
- ➔ Free cash flow amounted to € 86.5 m for Q3/20 and € 179.4 m for 9M/20 (Q3/19: € -15.5 m; 9M/19: € -200.0 m)

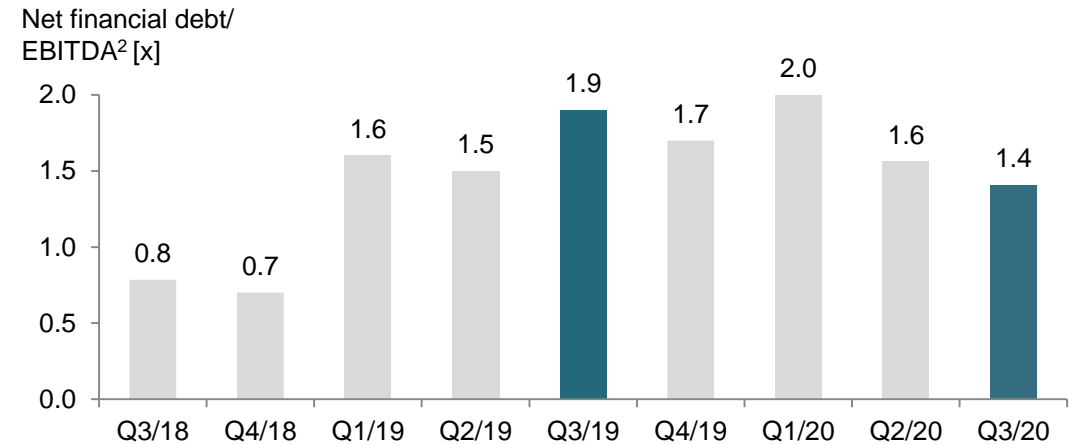
# Reduction in gearing, liquidity secured



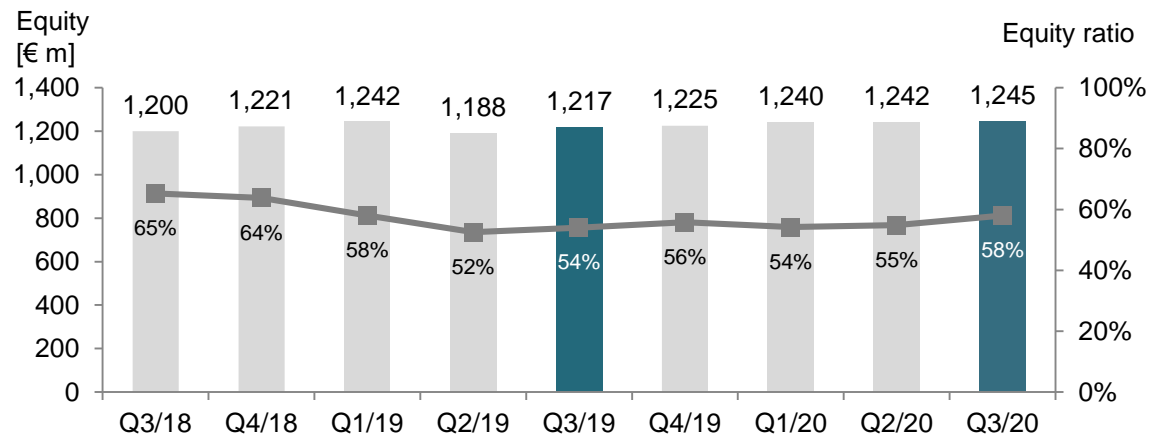
## Net financial debt and gearing<sup>1</sup>



## Net financial debt/EBITDA<sup>2</sup>



## Equity and equity ratio



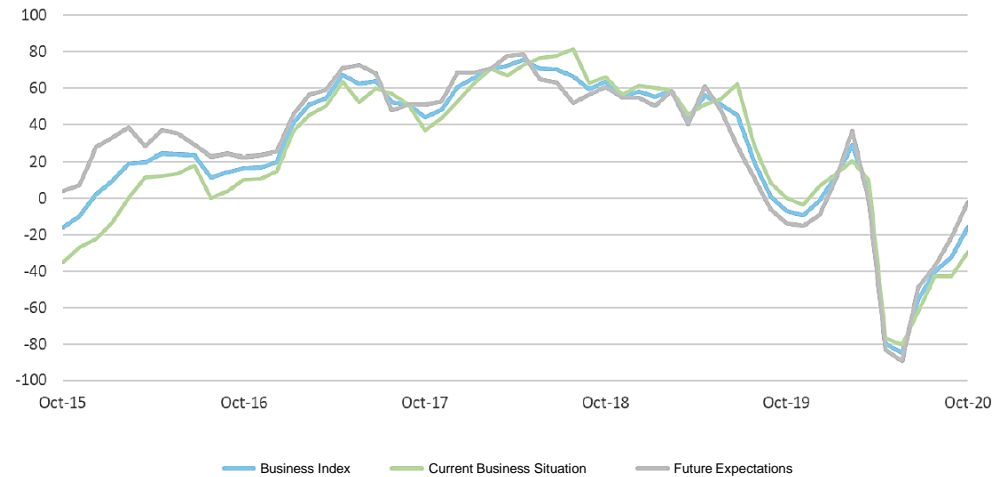
## Comments

- Accelerated reduction in net financial debt; gearing close to target of below 20%
- Ratio of net financial debt to EBITDA still above planned level due to low profitability
- Reduction in total debt; equity ratio increases to 58 percent
- Long-term financing: placement of a promissory note (Schuldscheindarlehen) in the amount of € 50 m in August 2020; short-term credit lines replaced

➔ Cash<sup>3</sup> at end of Q3/20: € 161.8 m (previous year: € 23.5 m)

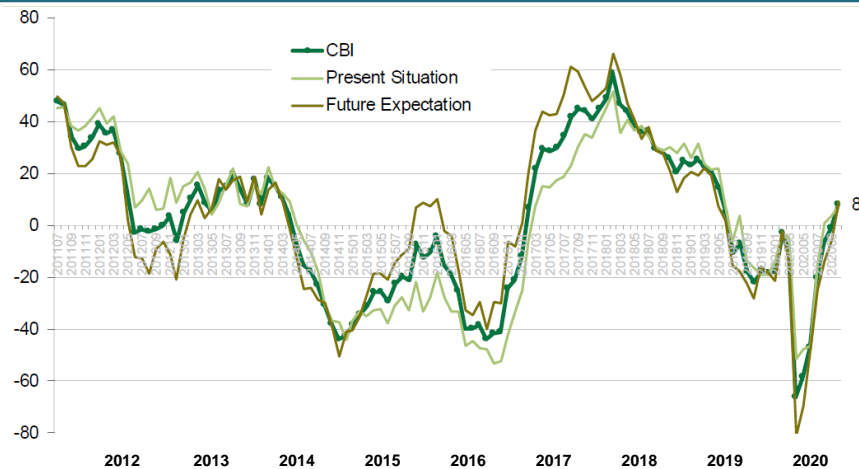


## Business index for construction



Source: CECE, October 2020.

## Business index for agriculture



Source: CEMA, October 2020.

## Guidance for fiscal 2020

- **Mood in the construction sector** continues to recover according to CECE; revenue in Europe declining at a slower rate than in previous months
- **Mood in the agricultural sector** back to positive for the first time since mid-2019 according to the CEMA barometer; the ratings for lawn, garden and municipal as well as livestock equipment remain negative however
- **High degree of uncertainty** due to renewed global rise in infection rates and tighter government restrictions
- **Due to existing uncertainties it is still not feasible to quantify revenue and earnings guidance published on August 5**
  - Revenue and EBIT margin expected considerably lower than the prior-year figures
  - Continued reduction of net working capital until end of year, albeit at a slower pace than in the previous months (previously: net working capital significantly lower than the prior-year figure)
  - Investments of around € 80 m planned
- **Corona pandemic is expected to continue to have a major impact into fiscal 2021**
- **Group expects to achieve Strategy 2022 goals one to two years later than planned**
  - Revenue > EUR 2 bn
  - EBIT margin > 11%
  - NWC ratio ≤ 30%

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# Consolidated Financial Statements

(unaudited)

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# Consolidated Income Statement



IN € MILLION	Q3/20	Q3/19 adjusted	9M/20	9M/19 adjusted
Revenue	390.8	468.2	1,187.5	1,420.8
Cost of sales	-292.8	-349.3	-884.6	-1,053.1
<b>Gross profit</b>	<b>98.0</b>	<b>118.9</b>	<b>302.9</b>	<b>367.7</b>
Sales and service expenses	-53.9	-53.6	-155.4	-164.4
Research and development expenses	-7.6	-9.2	-23.9	-28.6
General administrative expenses	-15.5	-17.8	-48.1	-56.6
Other income	2.6	3.1	9.1	10.2
Other expenses	-0.8	-0.2	-11.4	-0.9
<b>Profit before interest and tax (EBIT)</b>	<b>22.8</b>	<b>41.2</b>	<b>73.2</b>	<b>127.4</b>
Financial income	1.8	0.7	8.8	5.0
Financial expenses	-7.4	-5.9	-28.2	-16.6
<b>Profit before tax (EBT)</b>	<b>17.2</b>	<b>36.0</b>	<b>53.8</b>	<b>115.8</b>
Taxes on income	-6.1	-10.3	-20.0	-35.7
<b>Profit for the period</b>	<b>11.1</b>	<b>25.7</b>	<b>33.8</b>	<b>80.1</b>
<b>Earnings per share in € (diluted and undiluted)</b>	<b>0.16</b>	<b>0.37</b>	<b>0.48</b>	<b>1.14</b>

As of the end of fiscal 2019, there was a change in how figures are reported with regard to proceeds from customer financing. Interest income has been moved from the financial result and other income to the revenue line. Information on this is available on page 86 of the Annual Report 2019 and page 27 of the H1/2020 half-year report. Prior-year figures have been adjusted accordingly.

# Consolidated Balance Sheet



Wacker Neuson  
Group

IN € MILLION	Sep 30, 2020	Dec. 31, 2019 adjusted	Sep 30, 2019 adjusted	IN € MILLION	Sep 30, 2020	Dec. 31, 2019 adjusted	Sep 30, 2019 adjusted
<b>Assets</b>				<b>Equity and liabilities</b>			
Property, plant and equipment	391.9	400.3	375.1	Subscribed capital	70.1	70.1	70.1
Property held as financial investment	24.9	25.3	25.4	Other reserves	569.3	583.2	583.8
Goodwill	228.7	237.8	238.3	Net profit/loss	605.5	571.7	563.3
Other intangible assets	179.7	165.9	156.5	<b>Total equity</b>	<b>1,244.9</b>	<b>1,225.0</b>	<b>1,217.2</b>
Investments	6.8	11.5	11.9	Long-term financial borrowings	416.7	372.4	372.3
Deferred tax assets	40.7	38.3	47.6	Long-term lease liabilities	59.7	66.9	55.6
Other non-current financial assets	137.1	94.9	92.6	Deferred tax liabilities	41.7	36.8	36.3
Other non-current non-financial assets	0.1	0.1	0.1	Provisions for pensions and similar obligations	61.9	61.8	66.7
<b>Total non-current assets</b>	<b>1,009.9</b>	<b>974.1</b>	<b>947.5</b>	Long-term provisions	8.9	7.9	7.2
Rental equipment	165.3	166.1	176.6	Long-term contract liabilities	5.2	3.9	3.0
Inventories	475.8	602.5	663.1	<b>Total non-current liabilities</b>	<b>594.1</b>	<b>549.7</b>	<b>541.1</b>
Trade receivables	273.3	359.1	399.8	Trade payables	112.8	149.9	164.1
Tax offsets	12.2	4.3	1.6	Short-term liabilities to financial institutions	20.8	112.4	164.0
Other current financial assets	22.0	23.6	20.1	Current portion of long-term borrowings	0.4	0.5	0.3
Other current non-financial assets	21.2	19.7	22.6	Short-term lease liabilities	25.7	25.2	26.0
Cash and cash equivalents	161.8	46.3	23.5	Short-term provisions	19.1	17.6	18.7
Non-current assets held for sale	3.5	0.9	0.3	Short-term contract liabilities	3.6	5.5	4.5
<b>Total current assets</b>	<b>1,135.1</b>	<b>1,222.5</b>	<b>1,307.6</b>	Income tax liabilities	28.7	19.0	20.7
<b>Total assets</b>	<b>2,145.0</b>	<b>2,196.6</b>	<b>2,255.1</b>	Other current financial liabilities	34.4	41.7	44.4
				Other current non-financial liabilities	60.5	50.1	54.1
				<b>Total current liabilities</b>	<b>306.0</b>	<b>421.9</b>	<b>496.8</b>
				<b>Total liabilities</b>	<b>2,145.0</b>	<b>2,196.6</b>	<b>2,255.1</b>

The presentation of several items on the Consolidated Balance Sheet has been modified relative to the previous year as a result of changes in reporting, as well as new lines for shareholdings, contract liabilities and income tax liabilities. Further information on this is available on page 86ff of the Annual Report 2019 and page 26ff of the H1/2020 half-year report. Reference-year figures have been adjusted accordingly.

# Consolidated Cash Flow Statement (1)



IN € MILLION

	Q3/20	Q3/19 adjusted	9M/20	9M/19 adjusted
<b>EBT</b>	<b>17.2</b>	<b>36.0</b>	<b>53.8</b>	<b>115.8</b>
<i>Adjustments to reconcile profit before tax with gross cash flow:</i>				
Depreciation and amortization of non-current assets	16.4	15.9	60.0	46.9
Unrealized foreign exchange gains/losses	4.0	-12.0	6.8	-16.9
Financial result	5.6	5.2	19.4	11.6
Gains from the sale of intangible assets and property, plant and equipment	0.3	-0.7	-0.8	-0.8
Changes in rental equipment, net	6.7	-1.4	-0.2	-25.8
Changes in misc. assets	-12.4	-1.8	-49.1	-9.7
Changes in provisions	2.7	1.6	1.6	3.3
Changes in misc. liabilities	-19.1	4.7	3.8	16.1
<b>Gross cash flow</b>	<b>21.4</b>	<b>47.5</b>	<b>95.3</b>	<b>140.5</b>
Changes in inventories	61.2	-9.8	113.5	-98.3
Changes in trade receivables	41.3	19.4	75.3	-88.0
Changes in trade payables	-8.1	-36.1	-36.3	-50.6
<b>Changes in net working capital</b>	<b>94.4</b>	<b>-26.5</b>	<b>152.5</b>	<b>-236.9</b>
Cash flow from operating activities before income tax paid	115.8	21.0	247.8	-96.4
Income tax paid	-8.6	-18.5	-15.8	-44.1
<b>Cash flow from operating activities</b>	<b>107.2</b>	<b>2.5</b>	<b>232.0</b>	<b>-140.5</b>

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# Consolidated Cash Flow Statement (2)



IN € MILLION

	Q3/20	Q3/19 adjusted	9M/20	9M/19 adjusted
<b>Cash flow from operating activities</b>	<b>107.2</b>	<b>2.5</b>	<b>232.0</b>	<b>-140.5</b>
Purchase of property, plant and equipment	-11.8	-9.6	-28.0	-28.2
Purchase of intangible assets	-9.0	-9.4	-28.9	-24.5
Purchase of investments	-0.6	–	-0.6	-8.8
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	0.7	1.0	4.9	2.0
<b>Cash flow from investment activities</b>	<b>-20.7</b>	<b>-18.0</b>	<b>-52.6</b>	<b>-59.5</b>
<b>Free cash flow</b>	<b>86.5</b>	<b>-15.5</b>	<b>179.4</b>	<b>-200.0</b>
Dividends	–	–	–	-77.2
Cash receipts from short-term borrowings	-33.4	-4.2	30.0	161.4
Repayments from short-term borrowings	-100.2	0.5	-120.3	-30.7
Cash receipts from long-term borrowings	50.0	–	50.0	150.0
Repayments from long-term borrowings	–	–	–	–
Repayments from lease liabilities	-5.3	-5.6	-16.9	-15.9
Interest paid	-3.3	-3.3	-10.9	-9.8
Interest received	0.4	0.3	1.1	1.4
<b>Cash flow from financial activities</b>	<b>-91.8</b>	<b>-12.3</b>	<b>-67.0</b>	<b>179.2</b>
Change in cash and cash equivalents before effect of exchange rates	-5.3	-27.8	112.4	-20.8
Effect of exchange rates on cash and cash equivalents	3.9	0.4	3.1	0.5
<b>Change in cash and cash equivalents</b>	<b>-1.4</b>	<b>-27.4</b>	<b>115.5</b>	<b>-20.3</b>
Cash and cash equivalents at the beginning of the period	163.2	50.9	46.3	43.8
<b>Cash and cash equivalents at the end of period</b>	<b>161.8</b>	<b>23.5</b>	<b>161.8</b>	<b>23.5</b>

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## Geographical segments

IN € MILLION

Q3	Europe		Americas		Asia-Pacific		Consolidation		Group	
	2020	2019 adjusted	2020	2019 adjusted	2020	2019	2020	2019	2020	2019 adjusted
Total revenue	471.1	521.2	85.2	170.0	18.9	18.0			575.2	709.2
Revenue from external customers	310.0	337.6	65.9	115.9	14.9	14.7			390.8	468.2
EBIT <sup>1</sup>	27.1	36.0	-12.3	-0.9	-0.9	-1.3	8.9	7.4	22.8	41.2

9M	Europe		Americas		Asia-Pacific		Consolidation		Group	
	2020	2019 adjusted	2020	2019 adjusted	2020	2019	2020	2019	2020	2019 adjusted
Total revenue	1,496.5	1,736.4	295.2	524.5	47.5	53.9			1,839.2	2,314.8
Revenue from external customers	941.4	1,030.1	209.3	347.1	36.8	43.6			1,187.5	1,420.8
EBIT <sup>1</sup>	108.4	140.0	-33.5	6.6	-3.7	-2.4	2.0	-16.8	73.2	127.4

## Business segments

IN € MILLION

	Q3/20	Q3/19 adjusted	9M/20	9M/19 adjusted
Segment revenue from external customers				
Light equipment	87.8	127.1	264.0	374.2
Compact equipment	199.6	248.5	639.5	786.4
Services	106.6	97.9	294.0	275.3
	394.0	473.5	1,197.5	1,435.9
Less cash discounts	-3.2	-5.3	-10.0	-15.1
Total	390.8	468.2	1,187.5	1,420.8

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<b>November 5, 2020</b>	<b>Publication of nine-month report 2020, investors &amp; analysts call</b>
November 9, 2020	eRoadshow Jefferies, France & Switzerland
November 12, 2020	eRoadshow Metzler, Germany
November 25, 2020	eRoadshow Hauck & Aufhäuser, London
January 13, 2021	eConference Oddo BHF Forum
<b>March 25, 2021</b>	<b>Publication of the annual report 2020, analysts' &amp; investors' conference call</b>
	Numerous other roadshows and conferences

## Disclaimer

This report contains forward-looking statements which are based on current estimates and assumptions made by corporate management at Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and market players. The Company neither plans nor undertakes to update any forward-looking statements.

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