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# Wacker Neuson Group

## Quarterly report Q1/20

May 7, 2020, unaudited

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## Overview Q1/20

### COVID-19 pandemic leads to 5.6% yoy decline in revenue

- Double-digit drops in revenue in the Americas and Asia-Pacific
- Positive development in Europe and the services segment

### Slight drop in profitability (EBIT margin 7.0%; -0.1 PP yoy)

- Strict cost control measures, improved productivity in production facilities
- Countered by initial expenses related to program to cut costs and improve efficiency

### Guidance withdrawn due to effects of the COVID-19 pandemic

## Dear Ladies and Gentlemen,

The coronavirus pandemic is changing the world on an unprecedented scale, presenting huge challenges to us both individually in our private lives and collectively as a business. At present, it is not possible to predict how the pandemic will affect customer demand moving forward, the robustness of global supply chains or our Group's production output. In light of this uncertainty, we recently had to withdraw our guidance for fiscal 2020.

Although construction sites have resumed activity in many countries in line with government roadmaps to ease restrictions, material shortages and employee absenteeism continue to hamper operations. Widespread uncertainty is negatively impacting investment activity among construction companies and rental chains, existing orders are being postponed to an extent.

To prepare our company as effectively as possible for the current situation, we have cut back on production programs, brought forward vacation-related shutdowns at production plants and introduced various short-time work models. In addition, we have also implemented numerous initiatives to cut costs and secure liquidity. In consultation with the Supervisory Board, we have thus decided to propose suspending the dividend payment at the Annual General Meeting.

Looking towards China, where we have been able to almost fully resume manufacturing activities, we feel optimistic. In addition to this, the order books of customers worldwide are well filled and several governments have announced infrastructure programs. All of this gives us reason to hope that our industry will return to a positive trajectory after the crisis.

As we navigate these challenging times together, we hope that you stay healthy and safe.

The Executive Board team of Wacker Neuson SE

Q1/20	
Revenue yoy	EBIT yoy
<b>-5.6%</b>	<b>-6.8%</b>
(€ 411 m)	(margin: 7.0%)
Op. CF	FCF
<b>€ 22 m</b>	<b>€ 4 m</b>
(Q1/19: € -115 m)	(Q1/19: € -142 m)

## March 31, 2020

**NWC ratio<sup>1</sup>: 47.4%**

(+1.7 PP yoy)

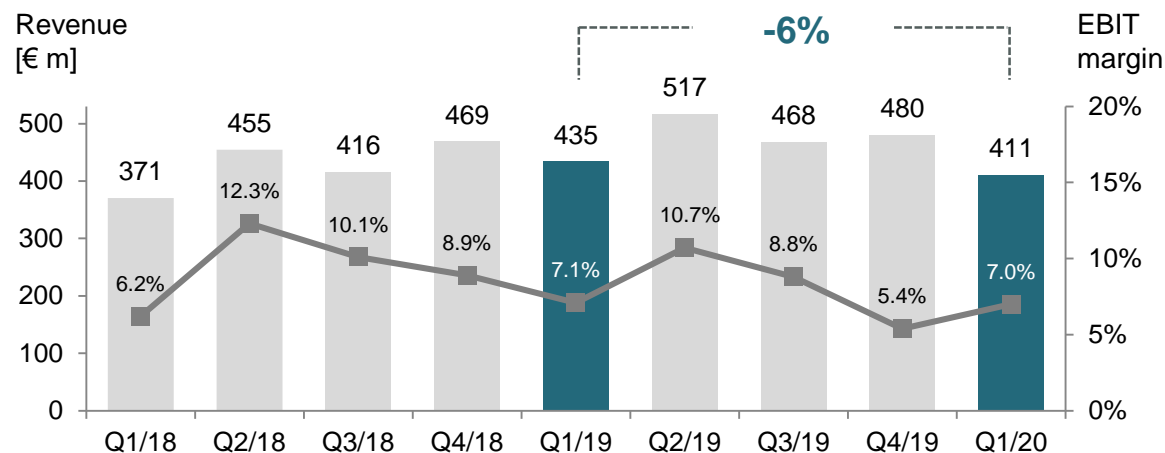
**DIO<sup>2</sup>: 188 days**

(+9 days yoy)

**Equity ratio: 54.0%**

(-3.7 PP yoy)

## Q1/20: COVID-19 pandemic leads to drop in revenue



## Income statement (excerpt)

€ million	Q1/20	Q1/19	Δ
<b>Revenue</b>	410.8	435.4	-5.6%
<b>Gross profit</b>	109.1	111.7	-2.3%
<i>as a % of revenue</i>	26.6%	25.7%	+0.9 PP
<b>Operating costs excl. other income/expenses</b>	-82.6	-82.9	-0.4%
<i>as a % of revenue</i>	-20.1%	-19.0%	-1.1 PP
<b>EBIT</b>	28.9	31.0	-6.8%
<i>as a % of revenue</i>	7.0%	7.1%	-0.1 PP
Financial result	-12.2	-1.1	>1000%
Taxes on income	-10.8	-9.1	18.7%
<b>Profit for the period</b>	5.9	20.8	-71.6%
<b>Earnings per share (€)</b>	0.08	0.30	-73.3%

## Q1/20: Comments

### Revenue -5.6% yoy (adj. for FX effects: -6.1%)

- Growth in Europe; Americas and Asia-Pacific significantly below prior year
- Services segment above prior year, rental and service business develop positively
- Sustained above-average growth for compact equipment targeted at the agricultural sector (+18% yoy)

### Gross profit -2.3% yoy (gross profit margin +0.9 PP)

- Improved productivity in production facilities
- Favorable product mix thanks to strong services segment

### EBIT -6.8% yoy (EBIT margin: -0.1 PP)

- Strict cost control measures: Operating costs 2.7% below prior year (does not include restructuring costs under program to cut costs and improve efficiency (CEP) in the amount of € 1.9 million)
- EBIT before restructuring costs from CEP: € 30.8 million ( $\triangle$  margin of 7.5%)

### Earnings per share -73.3% yoy

- Financial result clearly negative: FX effects (€ -10.7 million yoy) primarily attributable to valuation effects related to a sharp decline in the value of several currencies
- Tax rate at 64.7% (Q1/19: 30.4%): Aforementioned negative FX effects cannot be recognized as operating expense, reversal or non-capitalization of deferred tax assets, tax rate adjusted for these effects: 31.1%

# Business development by region and business segment

## Q1/20: Growth in Europe, revenue losses in NA and China

	Revenue [€ m]	Share	yoy	EBIT <sup>1</sup>
Europe	326.4	79%	+3%	49.1
Americas	76.9	19%	-27%	-5.2
Asia-Pacific	7.5	2%	-44%	-1.4
<b>Total Q1/20</b>	<b>410.8</b>	<b>100%</b>	<b>-6%</b>	<b>28.9</b>

## Q1/20: Growth in services segment

	Revenue [€ m] <sup>2</sup>	Share	yoy
Light equipment	96.2	23%	-12%
Compact equipment	227.4	55%	-7%
Services	90.4	22%	+9%
<b>Total Q1/20</b>	<b>414.0</b>	<b>100%</b>	<b>-6%</b>

## Q1/20: Comments

### Revenue Europe +3.1% yoy (adj. for FX effects: +2.8%)

- Demand for Weidemann- and Kramer-branded compact equipment for agriculture remained strong (revenue +18% yoy)
- Sustained significant double-digit growth with dumpers, strong demand for Dual View models
- DACH region develops positively; in contrast, significant revenue losses in various regions including Southern Europe, Poland, France and the UK as a result of the COVID-19 pandemic
- Several key accounts postpone orders, including rental chains

### Revenue Americas -27.0% yoy (adj. for FX effects: -28.3%)

- Decline in investment activity among dealers due to current uncertainty
- Several key accounts postpone orders, including rental chains

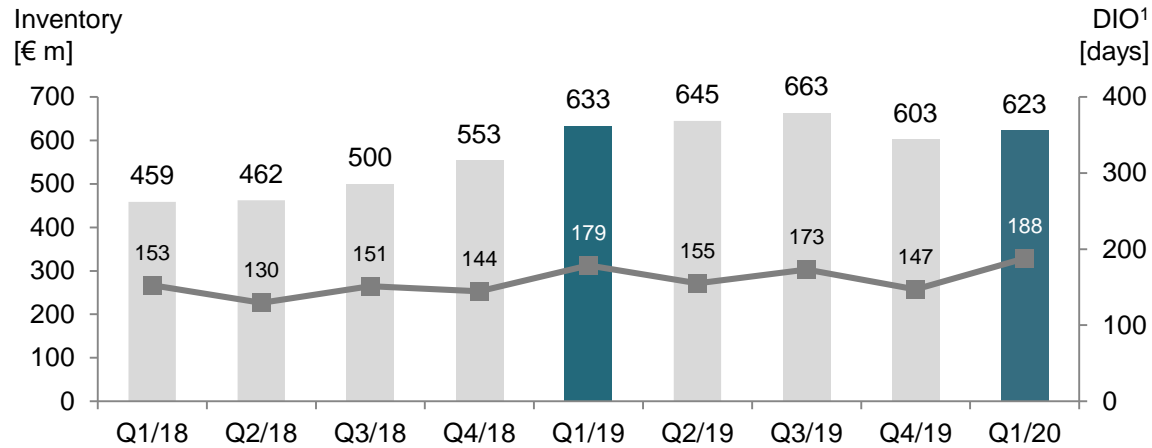
### Revenue Asia-Pacific -44.0% yoy (adj. for FX effects: -42.5%)

- Chinese production facility and Chinese dealer organization brought to a temporary standstill due to the rapid spread of the COVID-19 virus
- Situation eases leading to a gradual ramp-up in March

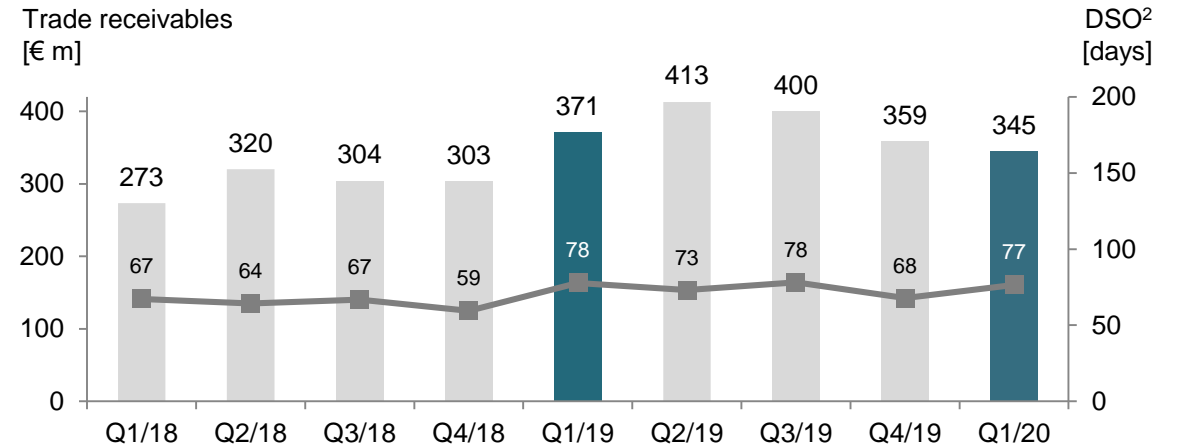
# Decrease in net working capital



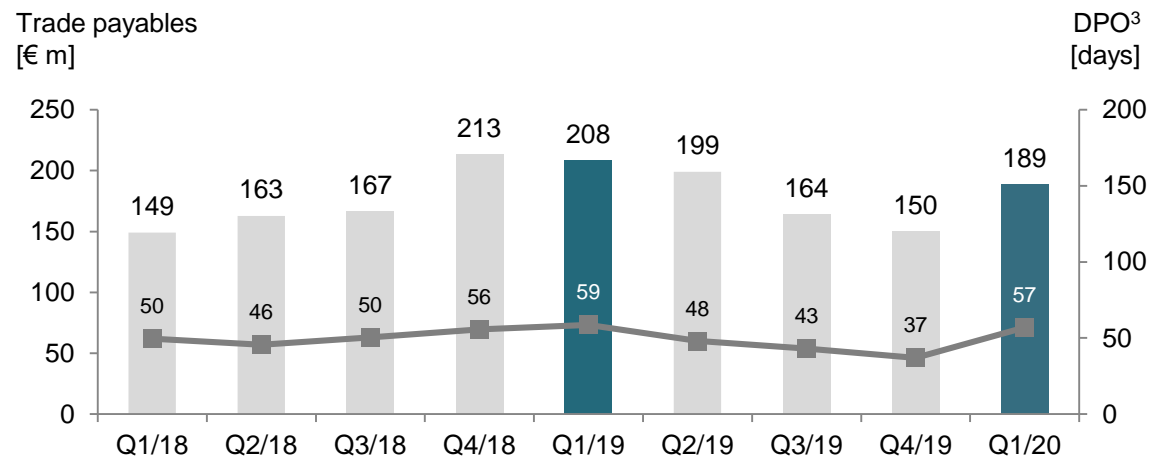
## Inventory



## Trade receivables



## Trade payables



## Comments

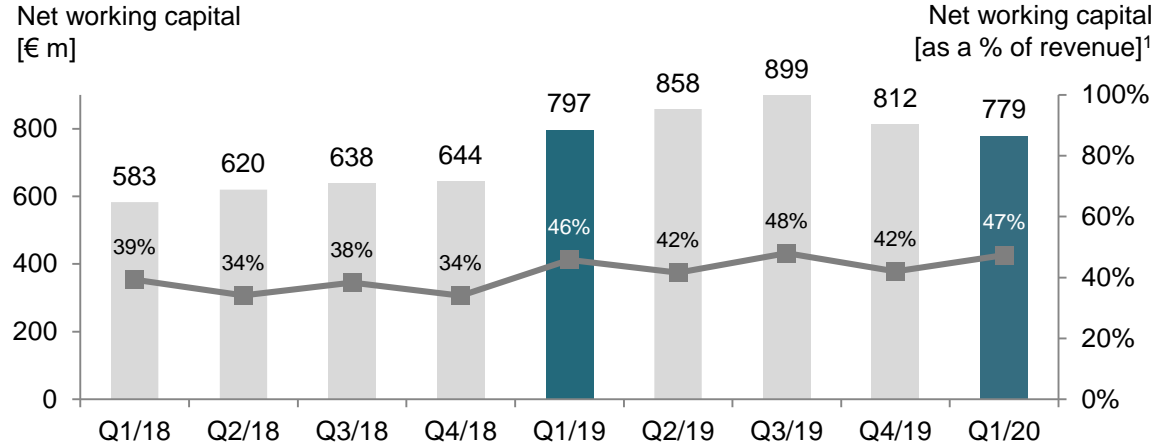
- Slight increase in inventory relative to the year-end due to a drop in revenue; marked cut-back in production programs in response to the COVID-19 pandemic; Group aims to reduce inventory by end of year
- Trade receivables continue to decrease; high levels in previous year partly due to strong revenue growth especially during the first half of the year
- Trade payables higher than year-end levels, Q3/19 and Q4/19 impacted by capacity reductions

➔ Reduction of net working capital continues (see next slide)

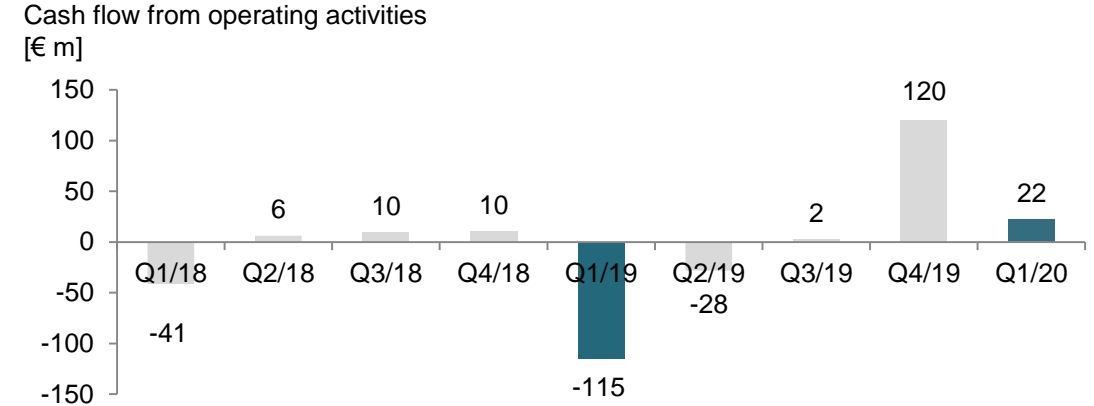
# Free cash flow slightly positive



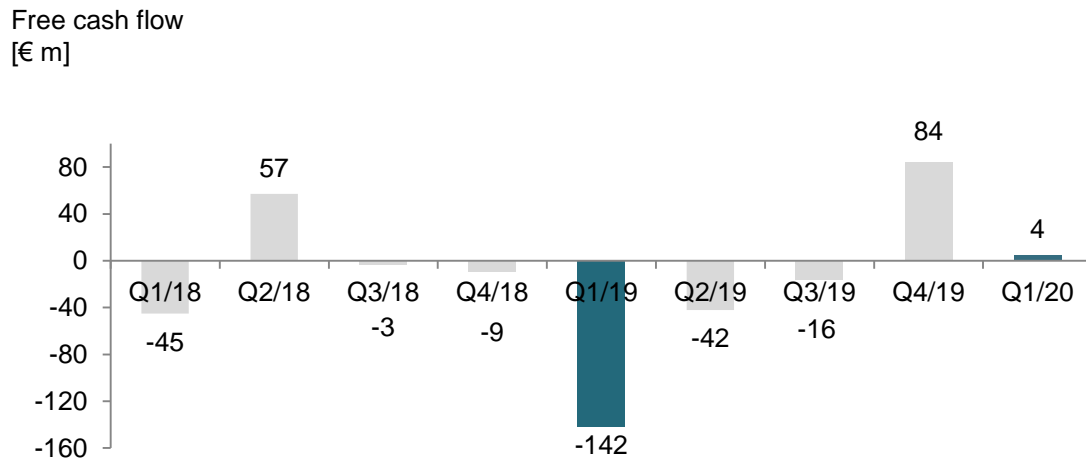
## Net working capital



## Cash flow from operating activities



## Free cash flow



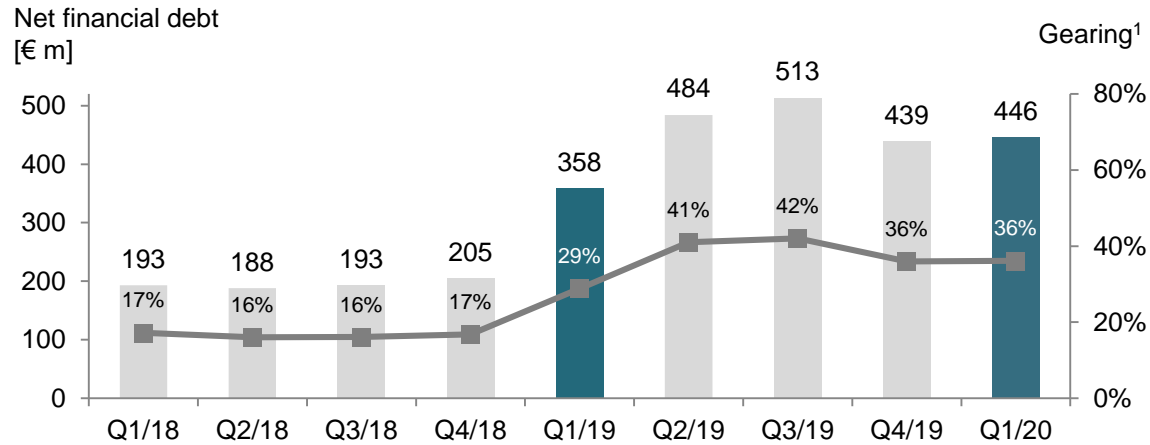
## Comments

- Reduction of net working capital continues (€ -33 m relative to Q4/19); net working capital as a percentage of revenue slightly above the previous year due to reduced business volume, +5 PP relative to Q4/19
- Positive free cash flow, normalization of inventory levels and further reduction in trade receivables expected over the coming months

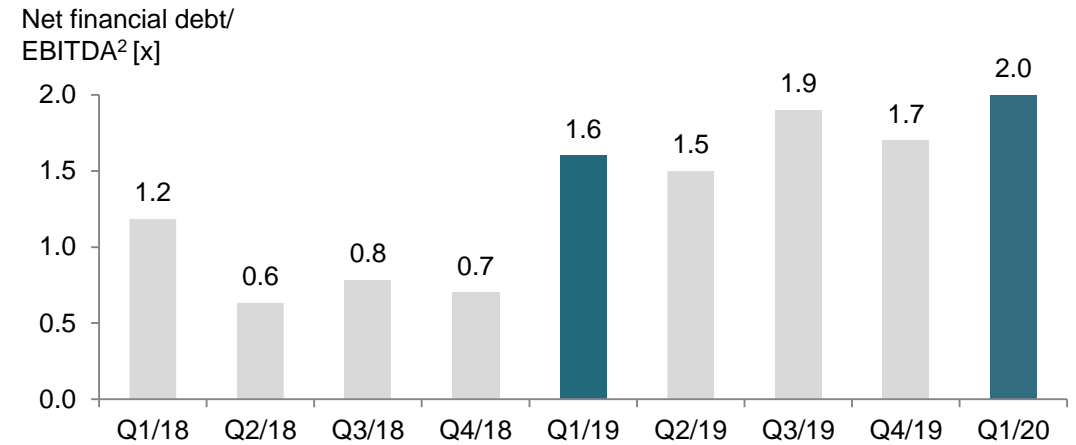
# Gearing above prior year, liquidity secured



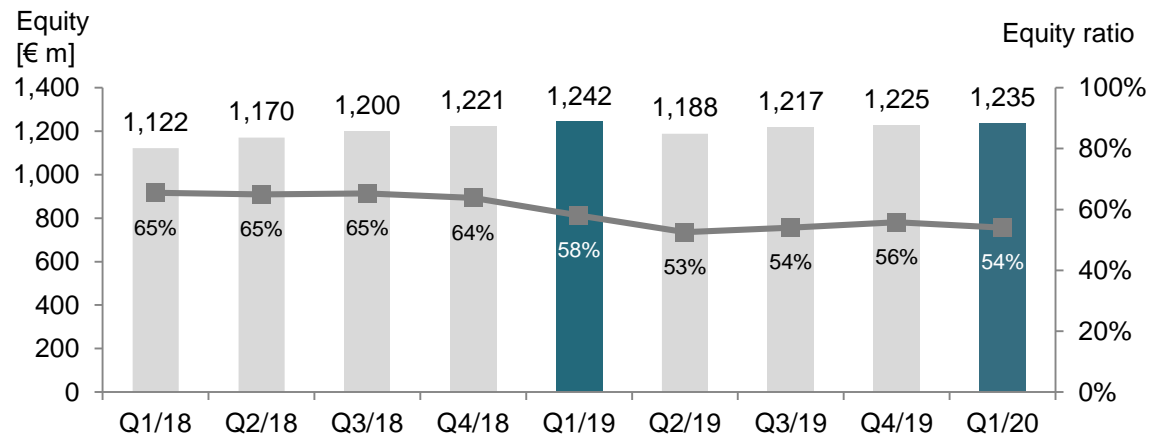
## Net financial debt and gearing<sup>1</sup>



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



## Equity and equity ratio

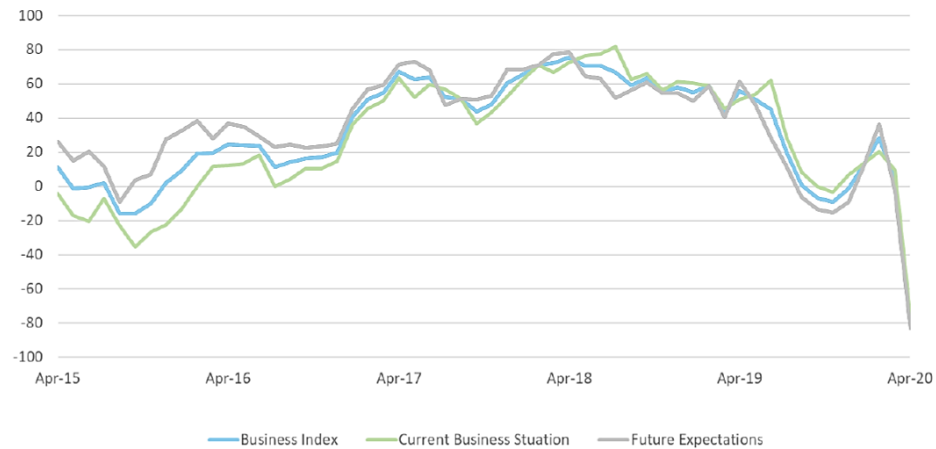


## Comments

- Slight rise in net financial debt since the start of the year, planned reduction through targeted decrease in net working capital over the year
- Ratio of net financial debt to EBITDA increased due to a rise in gearing relative to Q1/19
- Liquidity secured through existing credit lines
- Proposal to the Annual General Meeting: Suspension of dividend for fiscal 2019 to further strengthen financial stability

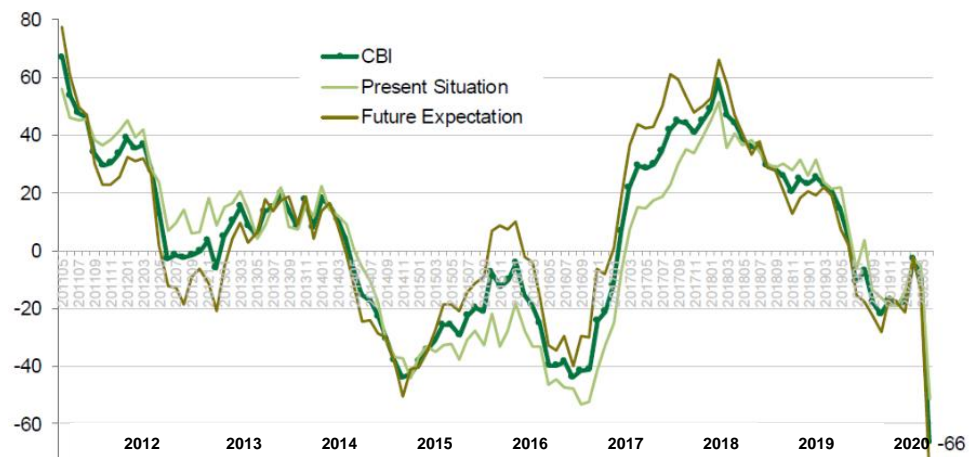


## Business index for construction



Source: CECE, April 2020.

## Business index for agriculture



Source: CEMA, April 2020.

## Guidance for fiscal 2020 withdrawn

- **Mood in the construction sector** at an all-time low according to the CECE business index
- **Mood in the agricultural sector** at its lowest point since the 2008/2009 financial crisis according to the CEMA business index
- **Major uncertainty** regarding the further spread of the coronavirus and the extent of safety measures imposed by governments; operational and financial risks have increased significantly
- **April 21, 2020: Guidance for fiscal 2020 withdrawn**
  - The economic situation deteriorated significantly towards the end of Q1/20; revenue and order intake significantly below prior-year levels in first half of April
  - Currently not possible to predict how the coronavirus pandemic will effect customer demand, robustness of global supply chains and the Group’s production output
  - ➔ Production programs have been cut back, vacation-related shutdowns at production plants have been brought forward and various short-time work models have been implemented
- **Original guidance, published on March 16, 2020:**
  - Revenue between € 1,700 and € 1,900 m
  - EBIT margin between 6.5 and 8.5%,
  - Investments of € 80 m to € 100 m,
  - Net working capital as a % of revenue to remain unchanged or be slightly below the previous year

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# Consolidated Financial Statements

(unaudited)

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# Consolidated Income Statement



IN € MILLION	Q1/20	Q1/19
Revenue	410.8	435.4
Cost of sales	-301.7	-323.7
<b>Gross profit</b>	<b>109.1</b>	<b>111.7</b>
Sales and service expenses	-55.4	-53.8
Research and development expenses	-9.5	-9.7
General administrative expenses	-17.7	-19.4
Other income	2.8	2.4
Other expenses	-0.4	-0.2
<b>Profit before interest and tax (EBIT)</b>	<b>28.9</b>	<b>31.0</b>
Financial income	7.9	0.3
Financial expenses	-20.1	-1.4
<b>Profit before tax (EBT)</b>	<b>16.7</b>	<b>29.9</b>
Taxes on income	-10.8	-9.1
<b>Profit for the period</b>	<b>5.9</b>	<b>20.8</b>
<b>Earnings per share in € (diluted and undiluted)</b>	<b>0.08</b>	<b>0.30</b>

As of 2019, there has been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. For further information on this, refer to page 86 of the 2019 Annual Report. Figures for Q1/19 have been adjusted accordingly.

# Consolidated Balance Sheet



IN € MILLION

	March 31, 2020	Dec. 31, 2019	March 31, 2019
<b>Assets</b>			
Property, plant and equipment	400.9	400.3	371.4
Property held as financial investment	25.2	25.3	25.7
Goodwill	238.0	237.8	238.0
Other intangible assets	172.3	165.9	147.4
Investments	11.7	11.5	11.9
Deferred tax assets	41.4	38.3	47.0
Other non-current financial assets	123.8	94.9	86.9
Other non-current non-financial assets	0.1	0.1	0.2
<b>Total non-current assets</b>	<b>1,013.4</b>	<b>974.1</b>	<b>928.5</b>
Rental equipment	169.6	166.1	151.8
Inventories	622.9	602.5	633.4
Trade receivables	344.5	359.1	371.3
Tax offsets	6.2	4.3	0.3
Other current financial assets	27.0	23.6	19.6
Other current non-financial assets	21.6	19.7	22.5
Cash and cash equivalents	84.0	46.3	23.2
Non-current assets held for sale	0.1	0.9	2.8
<b>Total current assets</b>	<b>1,275.9</b>	<b>1,222.5</b>	<b>1,224.9</b>
<b>Total assets</b>	<b>2,289.3</b>	<b>2,196.6</b>	<b>2,153.4</b>

IN € MILLION

	March 31, 2020	Dec. 31, 2019	March 31, 2019
<b>Equity and liabilities</b>			
Subscribed capital	70.1	70.1	70.1
Other reserves	587.9	583.2	590.8
Net profit/loss	577.6	571.7	581.2
<b>Total equity</b>	<b>1,235.6</b>	<b>1,225.0</b>	<b>1,242.1</b>
Long-term financial borrowings	373.8	372.4	216.5
Long-term lease liabilities	67.3	66.9	55.2
Deferred tax liabilities	40.0	36.8	34.4
Provisions for pensions and similar obligations	58.5	61.8	55.6
Long-term provisions	8.2	7.9	6.5
Long-term contract liabilities	3.9	–	2.4
<b>Total non-current liabilities</b>	<b>551.7</b>	<b>545.8</b>	<b>370.6</b>
Trade payables	188.5	149.9	208.2
Short-term liabilities to financial institutions	155.5	112.4	164.2
Current portion of long-term borrowings	0.8	0.5	–
Short-term lease liabilities	25.7	25.2	24.2
Short-term provisions	16.6	17.6	16.3
Short-term contract liabilities	4.7	9.4	4.5
Tax liabilities	17.8	19.0	30.2
Other current financial liabilities	34.1	41.7	36.9
Other current non-financial liabilities	58.3	50.1	56.2
<b>Total current liabilities</b>	<b>502.0</b>	<b>425.8</b>	<b>540.7</b>
<b>Total liabilities</b>	<b>2,289.3</b>	<b>2,196.6</b>	<b>2,153.4</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 the way investments, contract liabilities and income tax liabilities are reported. For further information on this, refer to page 86 ff in the 2019 Annual Report.

# Consolidated Cash Flow Statement



IN € MILLION

	Q1/20	Q1/19		Q1/20	Q1/19
<b>EBT</b>	<b>16.7</b>	<b>29.9</b>	<b>Cash flow from operating activities</b>	<b>22.4</b>	<b>-114.8</b>
<i>Adjustments to reconcile profit before tax with gross cash flows:</i>			Purchase of property, plant and equipment	-7.7	-11.3
Depreciation and amortization of non-current assets	16.9	14.8	Purchase of intangible assets	-10.6	-7.5
Unrealized foreign exchange gains/losses	5.3	-5.4	Purchase of investments	0.0	-8.8
Financial result	12.2	1.1	Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	0.2	0.1
Gains from the sale of intangible assets and property, plant and equipment	0.1	-	<b>Cash flow from investment activities</b>	<b>-18.1</b>	<b>-27.5</b>
Changes in rental equipment, net	-3.7	-2.2	<b>Free cash flow</b>	<b>4.3</b>	<b>-142.3</b>
Changes in misc. assets	-33.9	-10.5	Cash receipts from short-term borrowings	65.0	162.0
Changes in provisions	-1.0	0.8	Repayments from short-term borrowings	-22.0	-31.6
Changes in misc. liabilities	0.6	9.0	Cash receipts from long-term borrowings	0.0	0.0
<b>Gross cash flow</b>	<b>13.2</b>	<b>37.5</b>	Repayments from long-term borrowings	0.0	-5.1
Changes in inventories	-24.9	-73.5	Repayments from lease liabilities	-5.9	0.0
Changes in trade receivables	10.7	-63.1	Interest paid	-3.6	-4.1
Changes in trade payables	38.3	-5.7	Interest received	0.4	0.1
<b>Changes in net working capital</b>	<b>24.1</b>	<b>-142.3</b>	<b>Cash flow from financial activities</b>	<b>33.9</b>	<b>121.3</b>
Cash flow from operating activities before income tax paid	37.3	-104.8	Change in cash and cash equivalents	38.2	-21.0
Income tax paid	-14.9	-10.0	Effect of exchange rates on cash and cash equivalents	-0.5	0.4
<b>Cash flow from operating activities</b>	<b>22.4</b>	<b>-114.8</b>	<b>Change in cash and cash equivalents</b>	<b>37.7</b>	<b>-20.6</b>
			Cash and cash equivalents at the beginning of the period	46.3	43.8
			<b>Cash and cash equivalents at the end of period</b>	<b>84.0</b>	<b>23.2</b>

As of 2019, there has been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. For further information on this, refer to page 86 of the 2019 Annual Report. Figures for Q1/19 have been adjusted accordingly.

## Geographical segments

IN € MILLION

Q1	Europe		Americas		Asia-Pacific		Consolidation		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total revenue	574.7	578.1	129.4	168.8	10.3	16.0			714.4	762.9
Revenue from external customers	326.4	316.7	76.9	105.3	7.5	13.4			410.8	435.4
EBIT <sup>1</sup>	49.1	46.1	-5.2	3.3	-1.4	-1.7	-13.6	-16.7	28.9	31.0
EBIT-margin <sup>2</sup> (%)	15.0	14.6	-6.8	3.1	-18.7	-12.7			7.0	7.1

## Business segments

IN € MILLION

Q1	2020	2019
Segment revenue from external customers		
Light equipment	96.2	109.8
Compact equipment	227.4	245.8
Services	90.4	83.1
	414.0	438.7
Less cash discounts	-3.2	-3.3
Total	410.8	435.4

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<b>May 7, 2020</b>	<b>Publication of Q1 report 2020, investors &amp; analysts call</b>
May 11, 2020	Metzler eRoadshow, Germany
May 27, 2020	Berenberg eRoadshow, Spain
June 16, 2020	Commerzbank eRoadshow, Zurich
June 17, 2020	Jefferies eRoadshow, Milan/Lugano
June 23, 2020	Hauck & Aufhäuser eRoadshow, London
<b>June 30, 2020</b>	<b>Virtual Annual General Meeting 2020, Munich</b>
<b>August 5, 2020</b>	<b>Publication of half-year report 2020, investors &amp; analysts call</b>
August 18, 2020	Bankhaus Lampe German Conference, Baden-Baden
<b>November 5, 2020</b>	<b>Publication of nine-month report 2020, investors &amp; analysts call</b>

## 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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