



DEUTZ | FY 2022

– Analyst & Investor Presentation –

—

March 16, 2022

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



Highlights 2022 & Strategy Update



Dr. Sebastian C. Schulte | CEO

Strong performance in a volatile environment



New orders



+1.0% to

€2.03 billion

Book-to-bill ratio: 1.04

Unit sales



DEUTZ Classic engines

+12.7% to

181,249 units

Revenue



+20.8% to

€1.95 billion

Adjusted EBIT¹



+€52.2 million to

€89.4 million

EBIT margin¹ 4.6% (+2.3pp)

Classic segment 6.8% (+3.0pp)

Proposed dividend



€0.15 per share

Dividend ratio of 24%

New medium-term targets for 2025



Revenue: > €2.5 billion

EBIT margin¹: 6.0–7.0%

New Dual+ strategy unveiled²



Alliance with Daimler Truck²

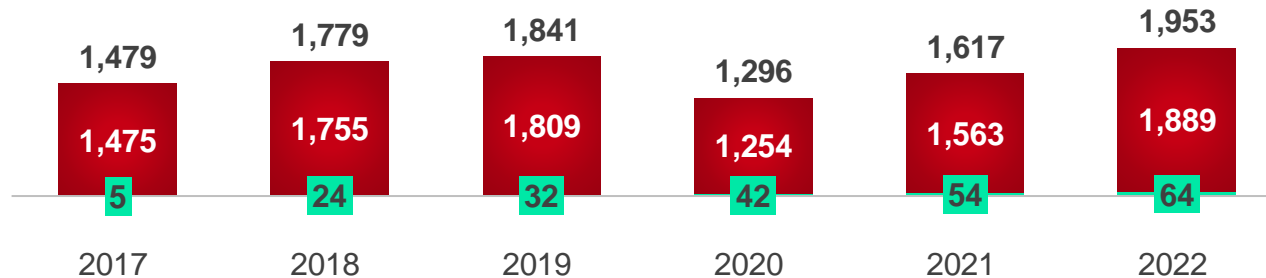


**Two engine platforms
5.1–15.6l engines**

Classic segment: best result in recent history

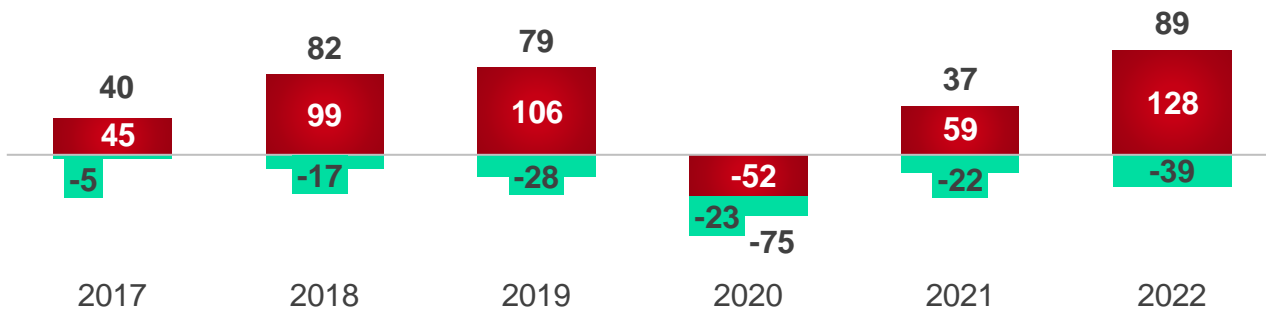
Revenue (pro forma)

€ million



EBIT before exceptional items (pro forma)

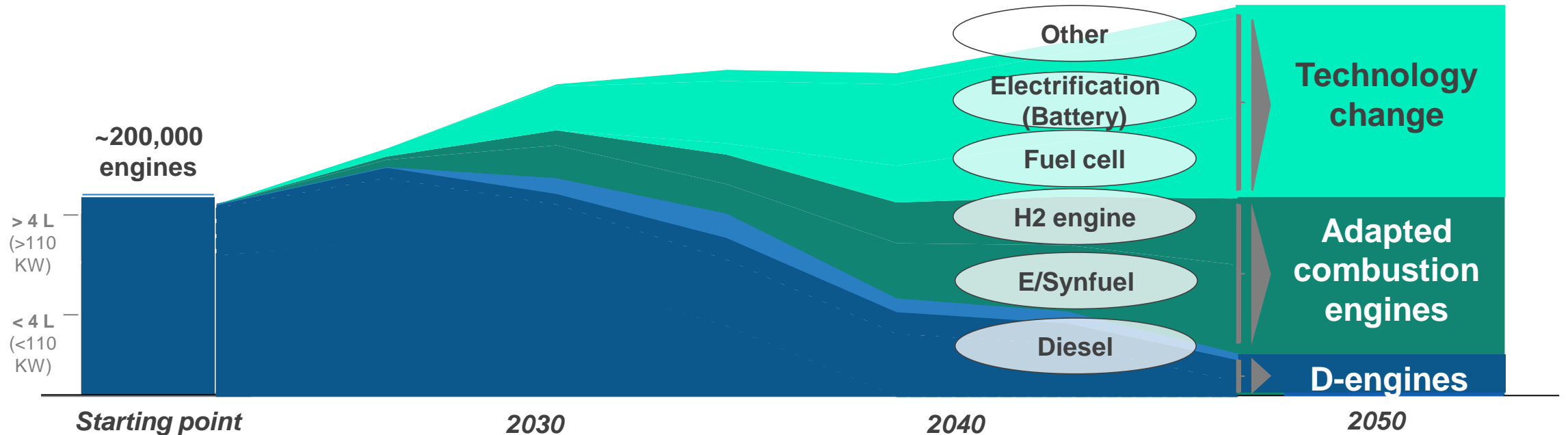
€ million



■ DEUTZ Classic ■ DEUTZ Green

- Classic segment with highest sales level in past 6 years
- Classic segment standalone with adjusted EBIT margin¹ of 6.8% – highest margin in past 10 years
- Green segment with increasing ramp-up costs due to higher R&D costs

Basis for our way forward: Market & technology perspective



Technology distribution DEUTZ engines until 2050 (illustrative)

Combustion engine technology will remain relevant for the next 20+ years – at least

Our positioning



Continue to **provide powertrains that move vehicles and machinery around the world**, on construction sites, roads and farmland – for which we will continue to need the combustion engine



Committed **to becoming climate-neutral by 2050**, enabling our **customers** to successfully transform

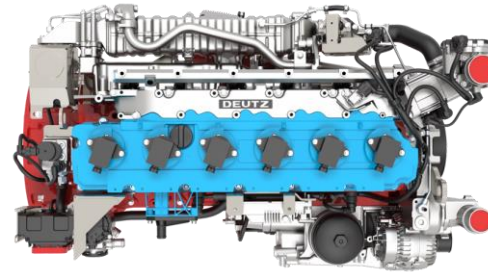
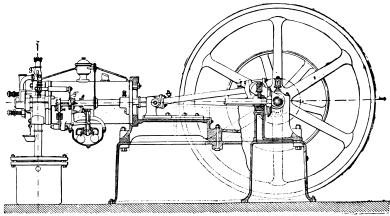


Use our **innovative strength** with an **open-minded approach to technology**



Grow as **an organization** and promote a culture that puts **entrepreneurial action and innovation first**

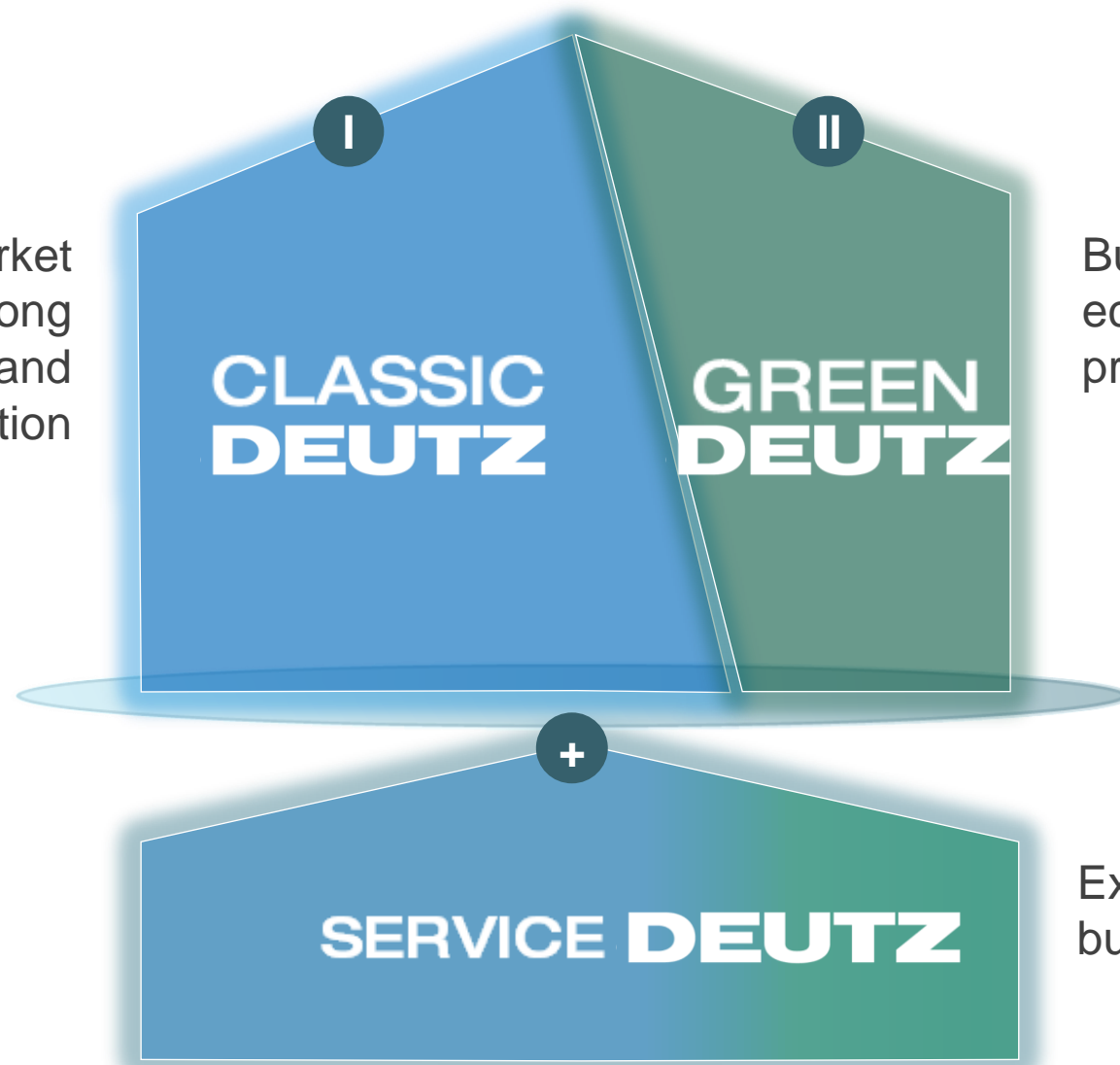
We ensure the world keeps moving – for 160 years and in the future



WE ENSURE THE WORLD KEEPS MOVING

Our way forward: the “Dual+” strategy

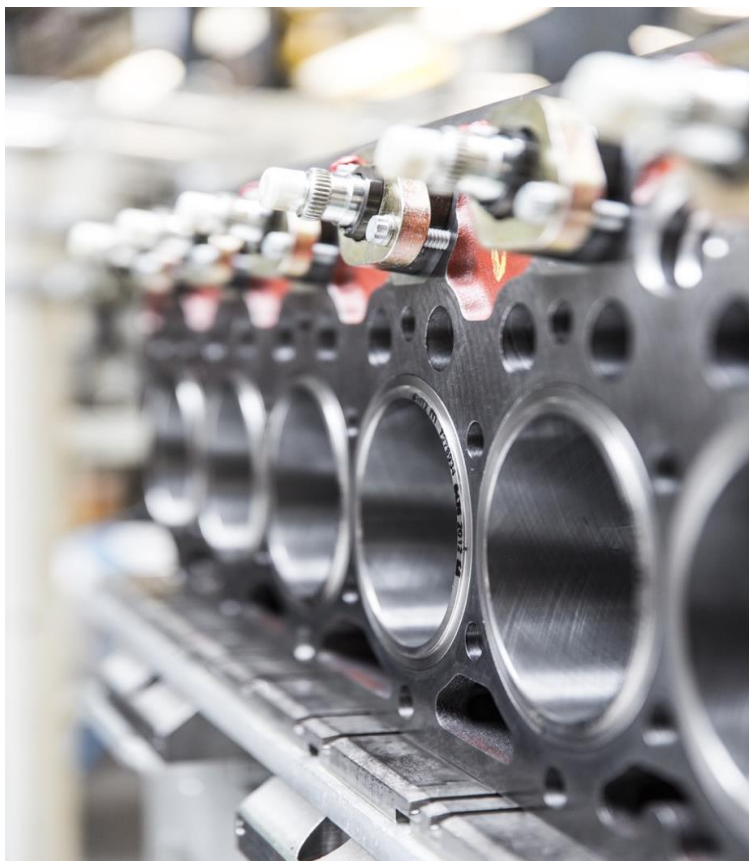
Grow **CLASSIC** market based on strong performance and consolidation



Build a **GREEN** ecosystem with relevant products and technologies

Expand profitable **SERVICE** business around the world

The goal of CLASSIC DEUTZ: performance and growth



Improve performance

Boost our performance significantly, by making more efficient use of existing capacities, simplifying our internal processes and optimizing our portfolio – thereby improving delivery performance and becoming an even more “trusted partner” for our customers.

Consolidate & grow

Actively exploit the opportunities presented by a consolidating market: as some players leave the market, we will focus on targeted acquisitions and takeovers in order to continue our growth

Our objective: Become a Top 3 producer of non-captive combustion engines by 2030

Performance: 2022 profitability hike based on market-oriented pricing



Environment 2022



Energy prices



Raw material prices



Logistics costs



Production costs



- **Early reaction** by management in February 2022 to systematically tackle this challenge
- **Target of 8-12%** price increase achieved by end of 2022
- Outlook: for engines <4l, “**fixed volume approach**” for **2023** implemented with fixation >70%

Stringent and structured approach in several waves to secure DEUTZ Classic profitability

Consolidation: Cooperation with Daimler Truck



Off-Highway



On-Highway



- DEUTZ takes over IP/licenses of medium-duty (MDEG) and heavy-duty (HDEP) engines for development & production
- Cooperation allows DEUTZ to tap into new customer groups: on-highway and off-highway customers
- Future-proof architecture and design: DEUTZ gets a proven, modern platform that can also be used for developments e.g., for H2 fuels
- Daimler to become shareholder with 4.19% stake

DEUTZ expects annual revenues in a mid-triple-digit million euro range after production ramp-up in 2028

The goal of GREEN DEUTZ: guarantee the future of DEUTZ



Build on existing capabilities

We build on our existing capabilities (e.g., Torqeedo, Futavis, E-DEUTZ, H2 engine) and explore how we can improve and scale to grow profitably.

Explore market opportunities

We will develop market-oriented by systematic market screening as well as pursuing M&A and partnerships where necessary

Create right structure & ecosystem

We will adjust our structures to make sure we have the right setup for a GREEN ecosystem

DEUTZ will invest more than €100 million into GREEN until 2025

Good progress in GREEN



First H2 GenSet in pilot application



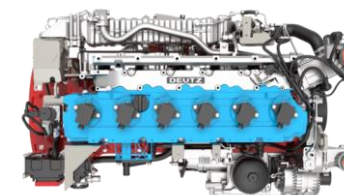
Joined HyCET project



First PowerTree serial order



Prototyp of first concrete e-pump

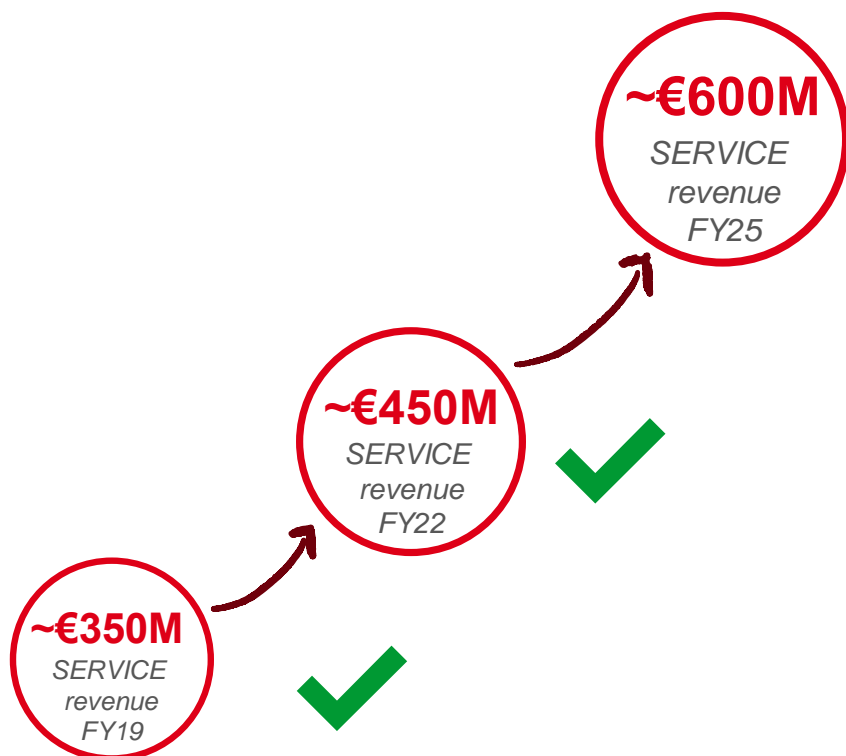


LOI for small series of H2 GenSets for China

How we will reach our ambitious service growth targets



Service growth targets



DEUTZ Service approach

Further push inorganic expansion



- Continue to expand via acquisitions and alliances
- Take over maintenance activities
- Acquisitions FY2022: Ireland (South Coast Diesel) and in the Netherlands (Ausma)

Continue organic expansion



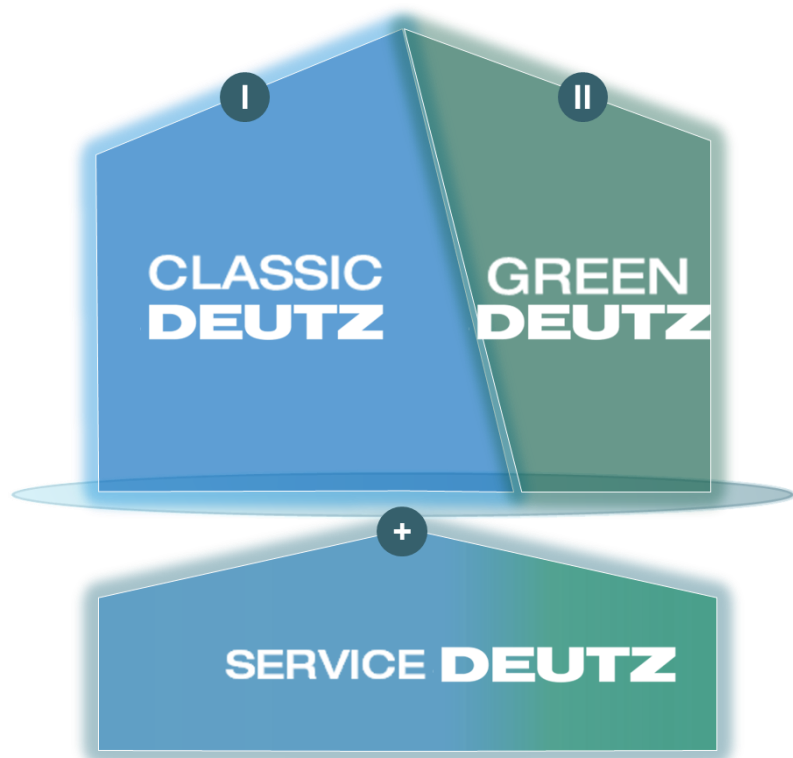
- FY 2022: launch of DEUTZ Deutschland GmbH
- Opening of new DPCs in the USA
- Ramp-up proprietary service network
- Build up one-stop shop service capabilities across regions

Address new areas for growth



- Identify demand for Service in Green
- Expand into new sales channels and solutions

New mid-term guidance based on our Dual+ Strategy



Guidance for FY2025

Revenue		> €2.5 billion
Service revenue		~ €600 million
Adjusted EBIT margin ¹		6.0% to 7.0%

Agenda



FY 2022 in numbers



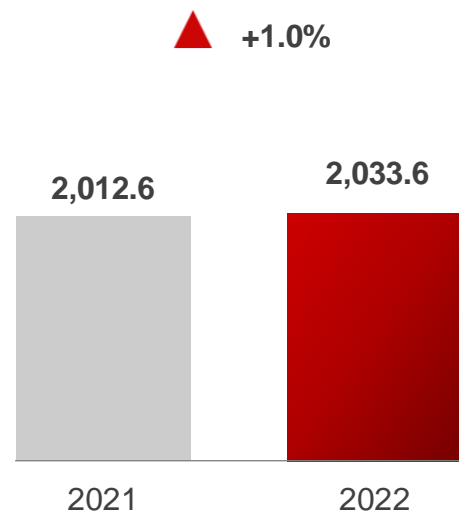
Timo Krutoff | CFO

Results for 2022



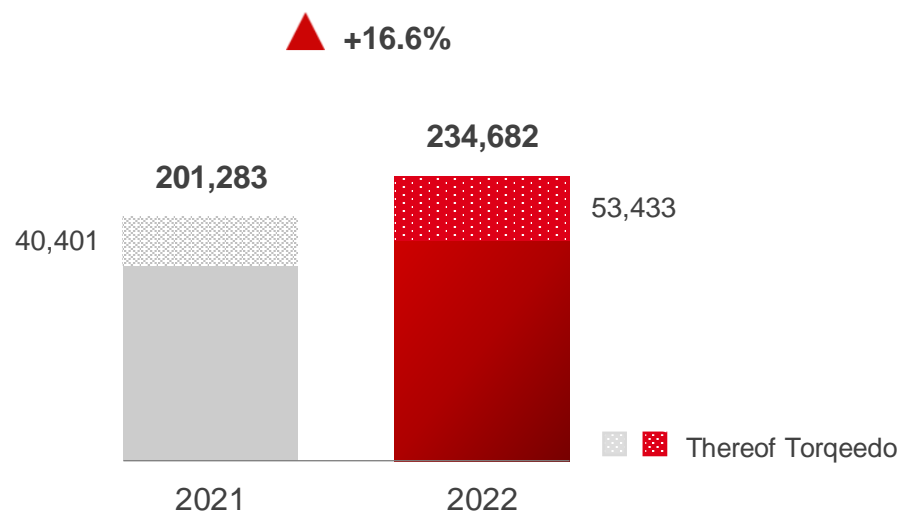
New orders

€ million



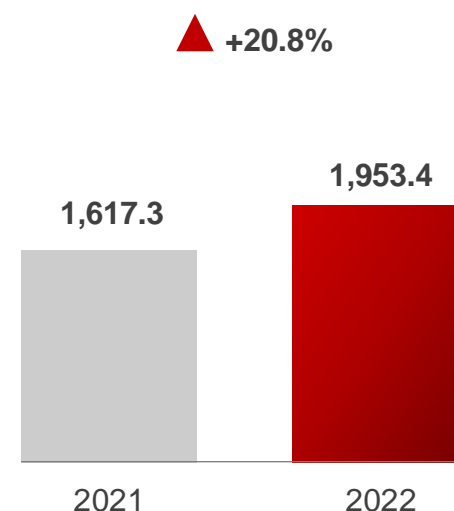
Unit sales

Units



Revenue

€ million



- New orders close to the high prior-year level – book-to-bill ratio of 1.04 (2021: 1.24)
- Increase in unit sales and revenue generated across all application segments and regions
- Orders on hand rise to €773.5 million as at December 31, 2022 (December 31, 2021: €676.7 million)

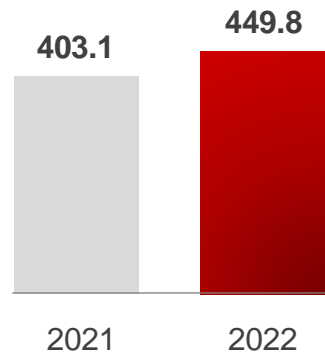


Further successful expansion of the service business

Revenue

€ million

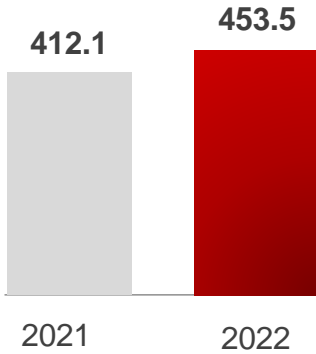
▲ +11.6%



New orders

€ million

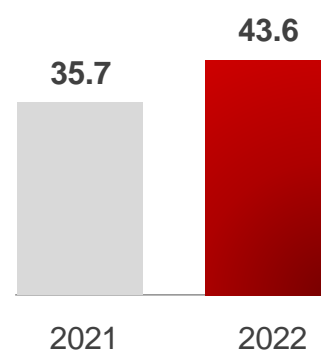
▲ +10.0%



Orders on hand

€ million

▲ +22.1%



Our new service target:

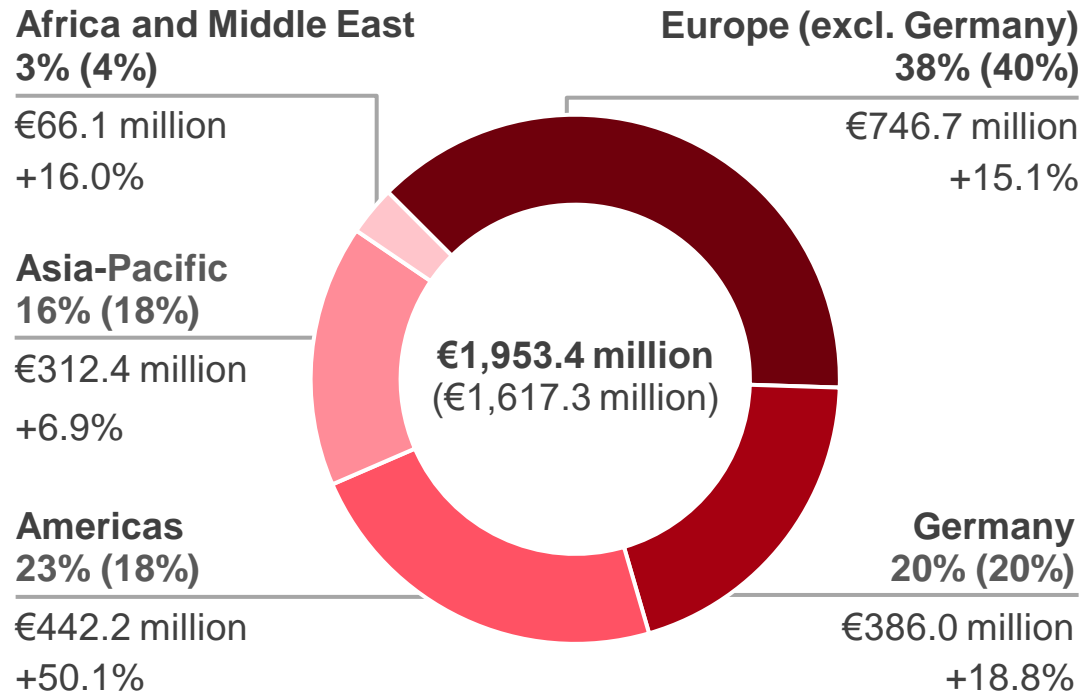
approx.
€600 million
revenue in 2025

- Particularly strong growth of business, particularly parts sales and DEUTZ Xchange in the EMEA and Americas regions
- DEUTZ service partners Ausma Motorenrevisie (Netherlands) and South Coast Diesels (Ireland) acquired in H1 2022

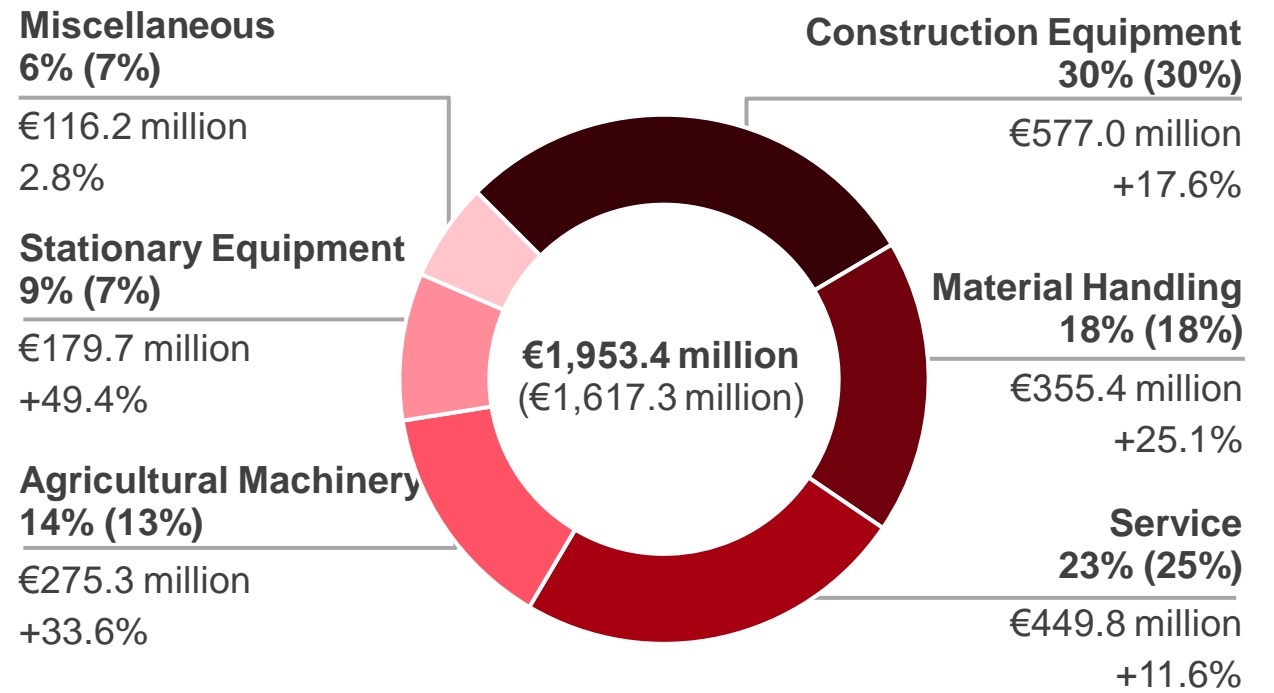
Further growth through acquisitions planned

Revenue for 2022 in detail

Revenue breakdown by region 2022 (2021)



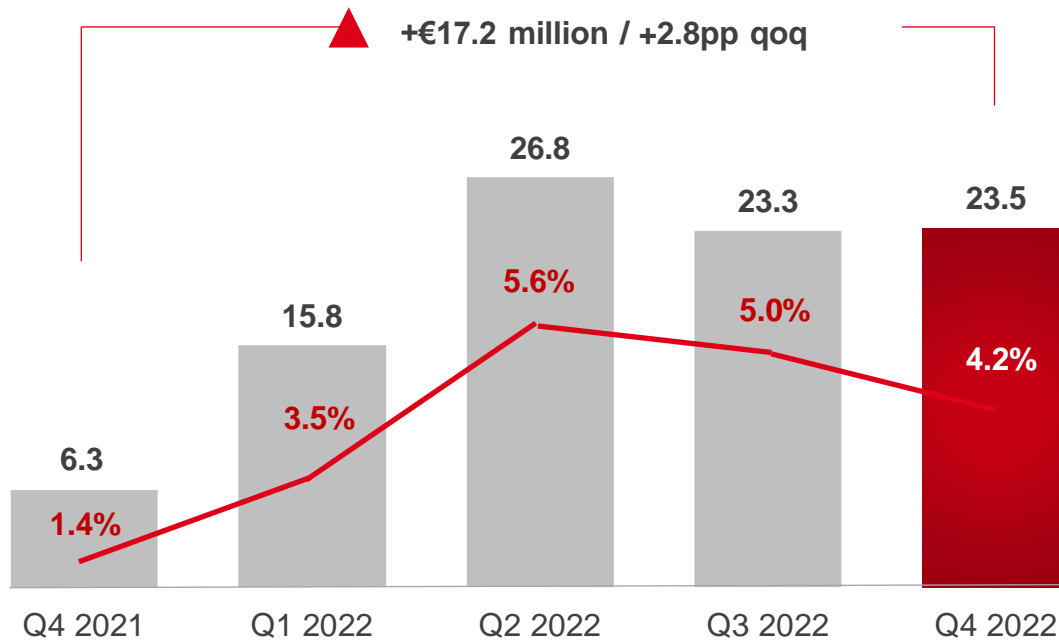
Revenue breakdown by application segment 2022 (2021)



All regions and application segments recorded increases in revenue

Strong improvement in profitability

Adjusted EBIT (€ million)
EBIT margin before exceptional items



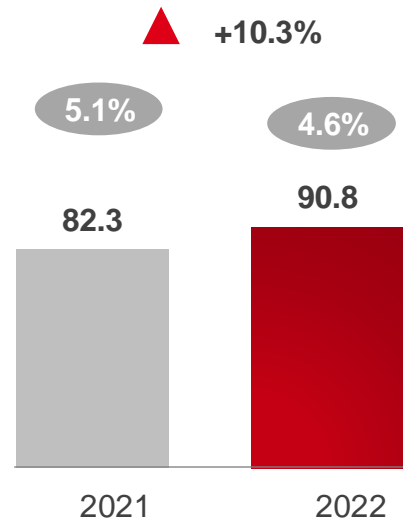
- Adjusted EBIT¹ improved to €89.4 million in 2022 (2021: €37.2 million) due to:
 - Economies of scale
 - Market-oriented pricing policy
 - Cost-saving measures
- EBIT margin before exceptional items increased to 4.6% (2021: 2.3%)
- Net income before exceptional items amounted to €86.1 million² (2021: €41.3 million)
- Earnings per share before exceptional items came to €0.71 (2021: €0.34)

Performance initiatives increasingly bearing fruit

R&D spending, capital expenditure, and working capital

Net R&D spending¹

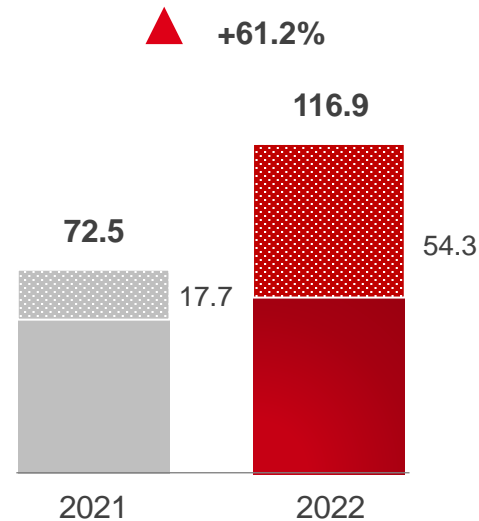
€ million



● R&D ratio¹

Capital expenditure^{1,2}

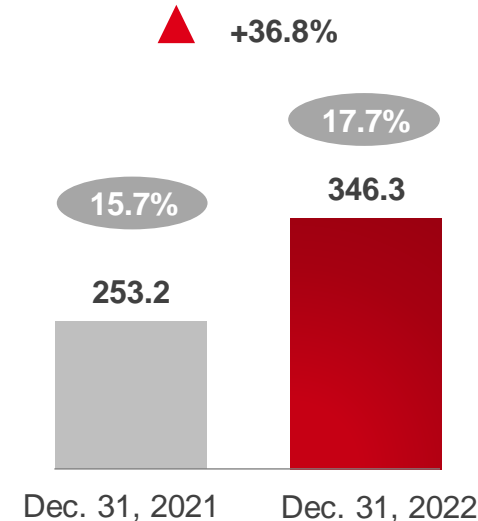
€ million



■ Thereof additions as a result of leases³

Working capital

€ million



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

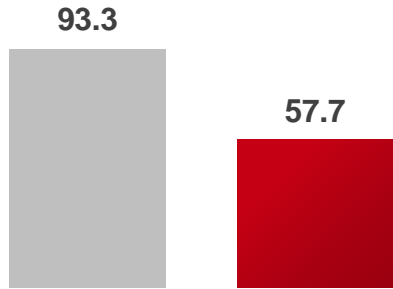
- Rise in R&D expenditure, mainly owing to the stepping up of activities to expand the Green portfolio
- Increase in capital expenditure, primarily as a result of a new lease taken out on a logistics center
- Growth of working capital owing to sharp rise in inventories due to higher capacity utilization and increased stockpiling, combined with higher procurement prices and supply chain delays

Cash flow and net financial position

Cash flow from operating activities

€ million

▲ -€35.6 million



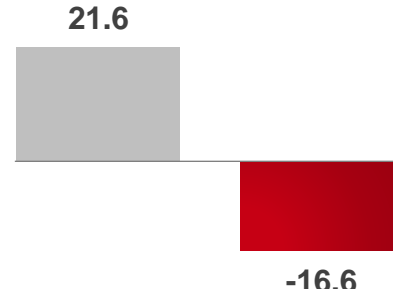
2021

2022

Free cash flow¹

€ million

▲ -€38.2 million



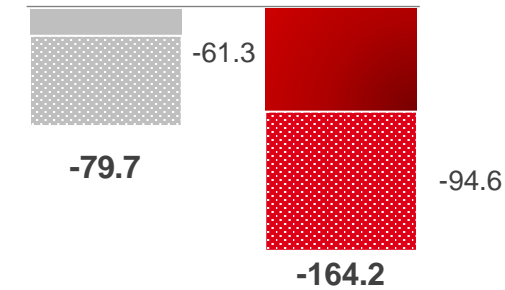
2021

2022

Net debt

€ million

▲ -€84.5 million



Dec. 31, 2021

Dec. 31, 2022

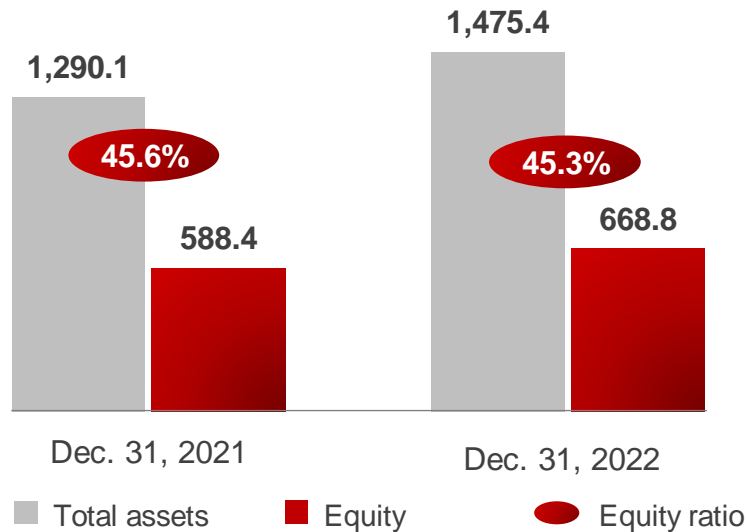
Thereof lease liabilities

- Fall in cash flow from operating activities compared with 2021 due to the rise in working capital
 - Increase in inventories due to significant growth in the volume of business, supply chain delays, and stockpiling aimed at securing production
- Rise in net financial debt, partly due to increased lease liabilities (logistics center) and the higher drawdown of lines of credit

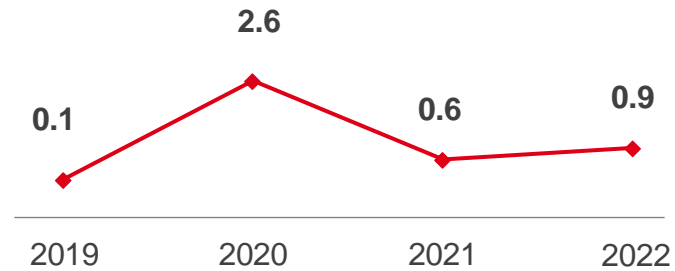
Solid balance sheet – proposed dividend of €0.15

Equity and equity ratio

€ million

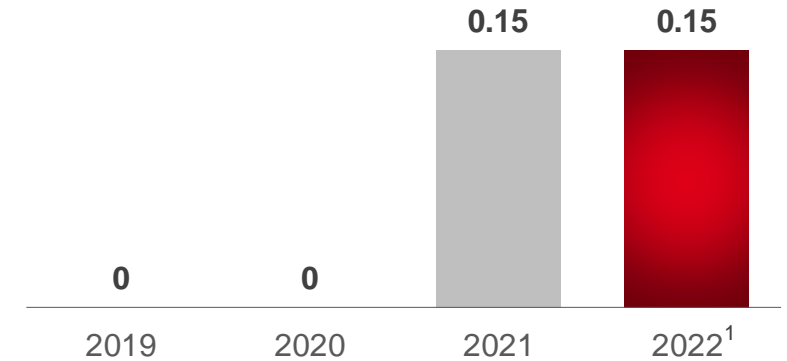


Net debt/EBITDA



Dividend per share

€



- Equity ratio down slightly despite the rise in equity, because the balance sheet grew at a faster rate than equity due to the increase in current assets and current liabilities
- An unused syndicated credit line totaling around €140 million is available; higher volume of cash tied up in current assets, which led to higher drawdowns from the credit line

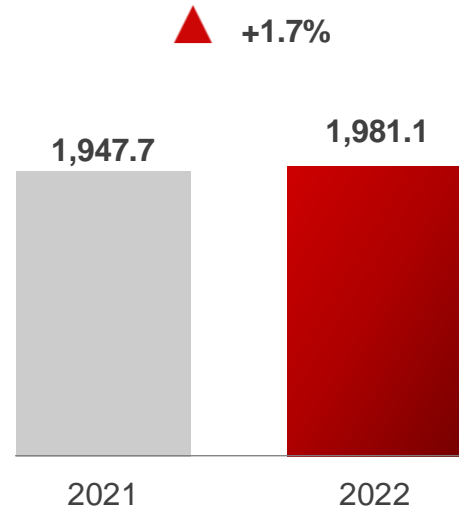
Sufficient financial headroom, including for growth by acquisition

Results for 2022 | Classic segment



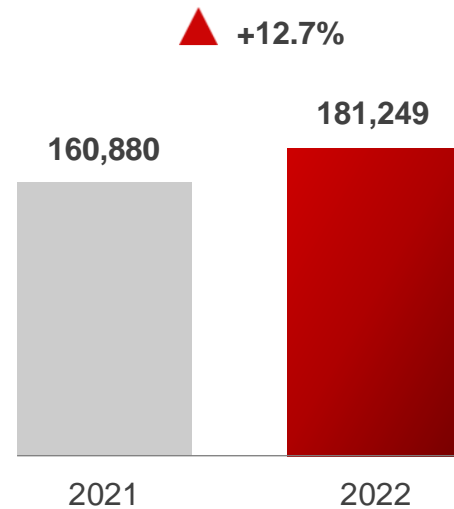
New orders

€ million



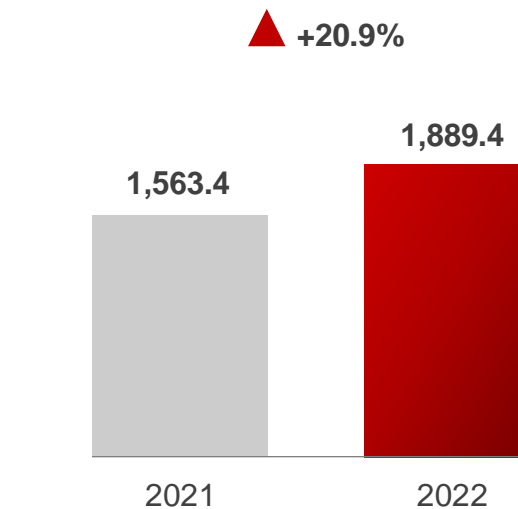
Unit sales

Units



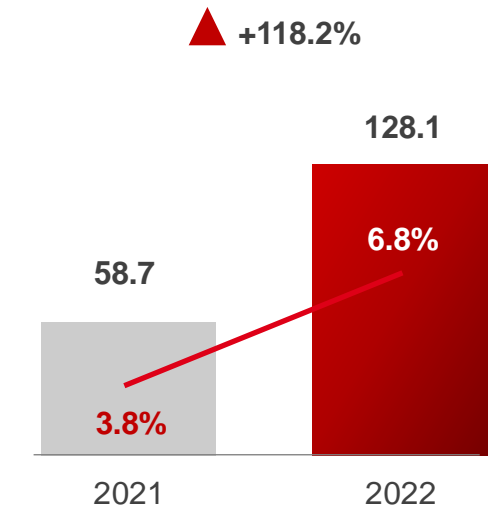
Revenue

€ million



Adjusted EBIT/margin

€ million



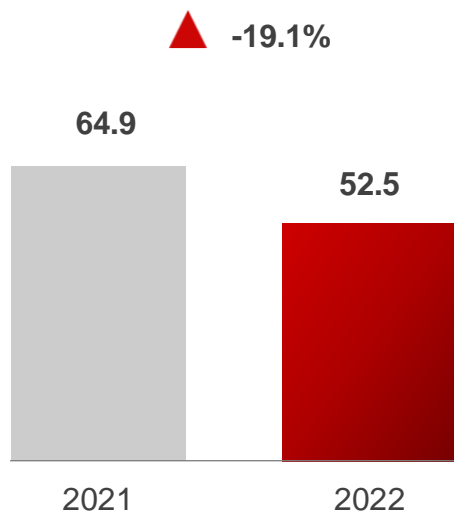
- Small year-on-year increase in new orders; sharp rises in unit sales and revenue
- Adjusted EBIT more than double compared with 2021
- Significant widening of the adjusted EBIT margin thanks to market-oriented pricing, benefits from economies of scale, cost savings, positive FX effects, and optimization of the existing portfolio – highest margin in past ten years

Results for 2022 | Green segment



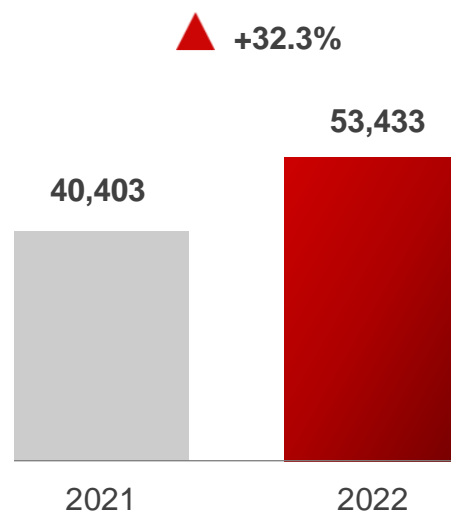
New orders

€ million



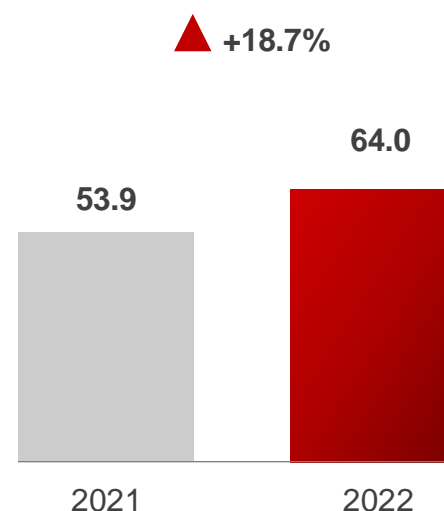
Unit sales¹

Units



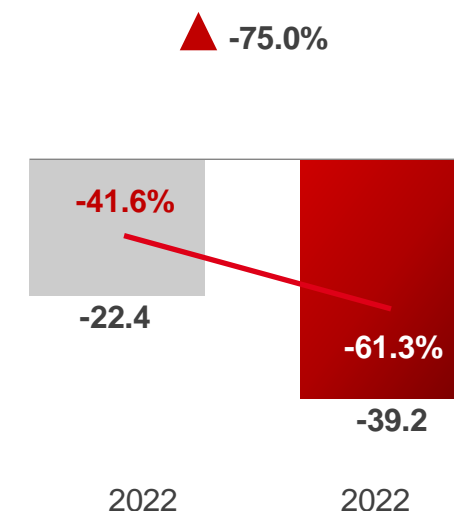
Revenue

€ million



Adjusted EBIT/margin

€ million



- Fall in new orders compared with the high volume in the comparative period as a result of lower demand, particularly for electric boat drives in the recreational sector
- Growth in unit sales and revenue thanks to higher demand from OEM customers in the Americas and Asia-Pacific
- Reduction in adjusted EBIT, mainly because of higher development expenditure for new drive technologies and the loss generated by Torqeedo

Agenda



Guidance for 2023



Dr. Sebastian C. Schulte | CEO

Global market growth in 2023



Agricultural machinery



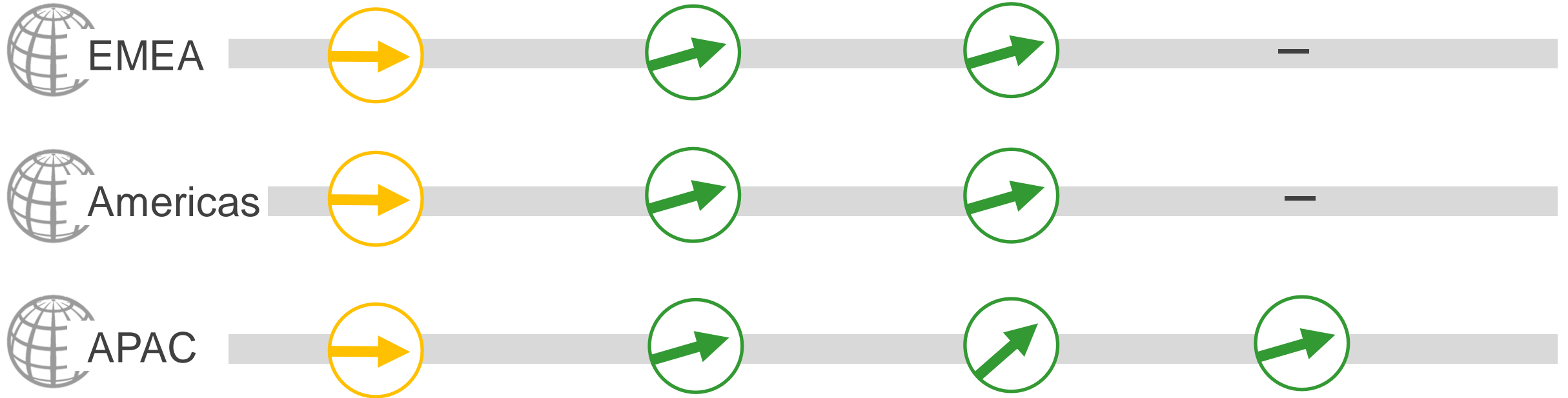
Construction equipment



Material handling



Heavy-duty trucks



Positive outlook underpinned by end markets

Moderate growth expected



Guidance for 2023

Unit sales		175,000 to 195,000 DEUTZ engines ¹
Revenue		€1.9 billion to €2.1 billion
Adjusted EBIT margin ²		4.0% to 5.0%
Free cash flow		Mid-double-digit million € amount ³

- Solid order backlog provides visibility for first 7-8 months
- Price increases in FY2022 should have a positive roll-over effect
- But cost increases in FY2022 will have a negative roll-over effect
- Energy prices and new wage agreements will burden cost base with a double-digit million € figure

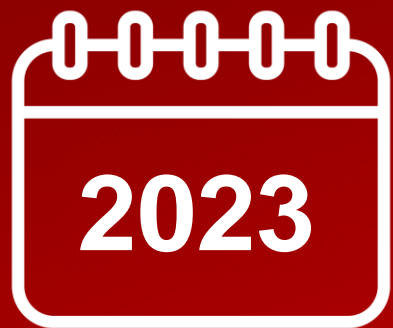


**Thank you for
your attention!**

Any questions?

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Financial calendar and contact details



Financial calendar

2022 Annual General Meeting (virtual)	April 27, 2023
Q1 2023 quarterly statement	May 4, 2023
H1 2023 interim report	August 10, 2023
Q3 2023 quarterly statement	November 9, 2023

Contact

Christian Ludwig, CFA
SVP Communications & IR

+49 (0)221 822 3600
christian.ludwig@deutz.com

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