Press release

DEUTZ sees significant growth of new orders

- Double-digit percentage increases in unit sales and revenue
- EBIT margin before exceptional items rises to 2.6 percent in the nine-month period
- Further milestones reached with the sustainability strategy

Cologne, November 10, 2021 – DEUTZ generated further growth in the third quarter of 2021, building on its success in the first half of the year. New orders climbed by 56.5 percent to €485.2 million on the back of continued strong demand in all of the main application segments. While unit sales jumped by 49.1 percent to 51,732 engines, revenue advanced by 30.8 percent to €403.2 million. EBIT before exceptional items improved to an operating profit of €14.1 million, compared with an operating loss of €15.7 million in the prior-year quarter. The book-to-bill ratio stood at 1.29 at the end of the nine-month period.

“We build the cleanest and most efficient engines for our customers. The sharp rise in unit sales shows that the market has confidence in our innovative drive technologies. As we move toward green off-highway drive solutions, we are stepping up our focus on hydrogen, electric, and e-fuels. This is the only way that we can achieve the Paris climate targets,” says DEUTZ CEO Dr. Frank Hiller.

As well as a healthy operating performance, DEUTZ reached further strategic milestones. In August, the Company unveiled its first market-ready hydrogen engine. DEUTZ plans to go into full production with the TCG 7.8 H2 in 2024. The first pilot project gets under way with utility company RheinEnergie at the start of 2022 and will involve using the TCG 7.8 H2 in combination with a generator to produce electricity. “What we are achieving here on a relatively small scale is delivering insights into the decentralized, sustainable, and greenhouse-gas-free supply of energy in urban centers,” explains Hiller.

DEUTZ had already signed a cooperation agreement with the German Aerospace Center (DLR) regarding a joint project focused on making construction sites more environmentally friendly. The aim of the project is to develop solutions for running construction-site vehicles and agricultural machinery on hydrogen. DEUTZ is also improving the environmental footprint of its engines for the EU Stage V emissions standard. For example, it approved its entire TCD engine portfolio for use with paraffinic diesel fuels at the end of August.

Double-digit percentage increases in new orders, unit sales, and revenue

New orders received by DEUTZ amounted to €1,514.0 million in the first three quarters of 2021, an increase of 62.2 percent compared with the prior-year period, which had been heavily affected by coronavirus. This growth can be explained by the fact that customers across all application segments and regions continued to be very willing to invest. The exceptionally strong rise was also attributable to **one-off effects of spending brought forward** in June and September, which amounted to more than €100 million. This situation came about mainly because of customer orders being brought forward in response to longer lead times resulting from global material shortages and logistics bottlenecks and also in view of price adjustments.

As at September 30, 2021, **orders on hand** totaled €616.4 million, which was up by 146.2 percent year on year.

With a total of 145,359 engines sold, the DEUTZ Group registered an increase in **unit sales** of 33.9 percent in the reporting period. The number of DEUTZ engines[1] sold rose by 37.6 percent to 116,273. The DEUTZ subsidiary Torqeedo sold 29,086 electric boat drives, which was 20.9 percent more than in the first three quarters of 2020. Almost all application segments saw big increases in unit sales. Only Stationary Equipment fell short of the level in the prior-year period due to a decrease in unit sales of gensets. The EMEA region, which is currently DEUTZ's largest sales market, saw the sharpest rise in absolute terms. Unit sales in this region climbed by 35.2 percent.

[1] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

Reflecting the growth in unit sales, DEUTZ generated **consolidated revenue** of €1,173.4 million in the period under review. All application segments contributed to this year-on-year growth of 26.4 percent. The lower rise in revenue, relative to the rise in unit sales, was mainly the result of the disproportionately sharp increase in demand for engines with a capacity of less than 4 liters. Service revenue swelled by 16.2 percent to €298.4 million, primarily due to the substantial growth of business from parts sales. This means that the revenue target of around €400 million for the service business in 2021 is in reach.

All regions contributed to the increase in revenue with double-digit percentage growth rates. The German sales market saw a particularly sharp rise of 32.4 percent. In China, the most important sales market for the regional growth strategy, DEUTZ advanced its revenue by 32.8 percent compared with the prior-year period to reach €116.9 million.

Further rise in profitability; efficiency program is paying off

EBIT before exceptional items (operating profit/loss) improved markedly from a loss of €65.6 million in the prior-year period to a profit of €30.9 million in the first three quarters of 2021. This improvement was mainly attributable to the growth in the volume of business and the associated economies of scale. Earnings were further boosted by the increasingly noticeable effect of cost savings resulting from the restructuring process. Similarly, the **EBIT margin before exceptional items** made a strong year-on-year improvement from minus 7.1 percent to plus 2.6 percent.

EBIT for the period under review stood at €27.8 million (Q1–Q3 2020: loss of €103.4 million). This figure takes account of exceptional items amounting to an expense of €3.1 million that related to the efficiency program initiated at the start of 2020. The **EBIT margin** came to 2.4 percent (Q1–Q3 2020: minus 11.1 percent).

The increase in operating profit meant that the Company generated **net income** of €23.7 million, compared with a net loss of €104.5 million in the prior-year period. As a result, **earnings per share** increased from minus €0.86 to plus €0.20. **Net income before exceptional items** stood at €26.8 million in the reporting period; **earnings per share before exceptional items** came to €0.22.

Positive free cash flow and a comfortable financial position

Compared with the prior-year period, when cash flow had been weakened by the pandemic, cash flow from operating activities improved from a net outflow of €19.4 million to a net inflow of €67.9 million. This was predominantly due to the improvement in operating profit combined with more rigorous management of working capital across the Group, especially with regard to receivables and liabilities. As a result of the improvement in cash flow from operating activities and the reduction in investing activities, **free cash flow** was up by €94.0 million year on year to €15.2 million.

Reflecting these changes in cash flow, **net financial debt** was slightly lower than at the end of 2020. It amounted to €83.1 million as at September 30, 2021 (December 31, 2020: €83.8 million).

“Our efficiency program and the cost savings achieved are increasingly paying off,” says DEUTZ CFO Dr. Sebastian C. Schulte, commenting on the DEUTZ Group’s financial position. “This can be seen from our earnings performance and improvement in cash flow.” At the beginning of September, in light of its improved business situation, DEUTZ ended the €150 million credit line that had been granted to it with the assistance of Germany’s KfW development bank. The term of this COVID-19 tranche had been due to finish in November 2021. In addition to the existing syndicated loan of €160 million with a term until June 2024, DEUTZ has also secured bilateral credit lines totaling €75 million from three banks for a duration of 18 months. “We have unused credit lines of €200 million at our disposal. This gives us sufficient financial headroom to be able to restructure the funding of our current and future growth projects and put it on a secure long-term footing,” adds Schulte. The Company’s equity ratio remains at a comfortable level at 45.0 percent.

Confirmation of raised full-year guidance for 2021

It can be assumed that global problems with the supply of input materials will continue to weigh on business performance and that supply issues for certain components will persist. Nevertheless, DEUTZ confirms its full-year guidance, which it raised in September, in view of its healthy business performance in the reporting period and the sustained upward trajectory of the industries in which the Company's customers operate.[2] It now expects unit sales of 155,000 to 170,000 DEUTZ engines[3] in 2021, which should result in an increase in revenue to between €1.6 billion and €1.7 billion. Service revenue is forecast to account for around €400 million of the total revenue figure. The anticipated increase in unit sales and revenue and the realization of further potential cost savings indicate that the EBIT margin before exceptional items is likely to be in a range of 2.0 percent to 3.0 percent. This is based on the assumption that the ongoing difficulties with the supply of components will not worsen significantly in the coming weeks. Reflecting the improved operating performance, DEUTZ is aiming for free cash flow to be neutral.

[2] See the ad hoc disclosure dated September 13, 2021.

[3] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

DEUTZ Group: overview of key figures

€ million	**Q1–Q3 2021**	**Q1–Q3 2020**	Change	**Q3 2021**	**Q3 2020**	Change
New orders	1,514.0	933.6	62.2%	485.2	310.0	56.5%
Group unit sales (units)	145,359	108,559	33.9%	51,732	34,700	49.1%
thereof DEUTZ engines[4]	116,273	84,502	37.6%	40,842	26,887	51.9%
thereof Torqeedo	29,086	24,057	20.9%	10,890	7,813	39.4%
Revenue	1,173.4	928.2	26.4%	403.2	308.2	30.8%
EBIT	27.8	-103.4	-	11.7	-53.5	-
thereof exceptional items	-3.1	-37.8	91.8%	-2.4	-37.8	93.7%
Operating profit/loss (EBIT before exceptional items)	30.9	-65.6	-	14.1	-15.7	-
EBIT margin (%)	2.4	-11.1	+13.5pp	2.9	-17.4	+20.3pp
EBIT margin before exceptional items (%)	2.6	-7.1	+9.7pp	3.5	-5.1	+8.6pp
Net income	23.7	-104.5	-	10.4	-52.2	-
Net income before exceptional items	26.8	-68.3	-	12.8	-16.0	-
Earnings per share (€)	0.20	-0.86	-	0.09	-0.43	-
Earnings per share before exceptional items (€)	0.22	-0.57	-	0.10	-0.14	-
Equity (Sep. 30/Dec. 31)	567.1	535.2	4.7%	567.1	535.2	4.7%
Equity ratio (%)	45.0	45.3	-0.3pp	45.0	45.3	-0.3pp
Cash flow from operating activities	67.9	-19.4	-	23.2	24.3	-4.5%
Free cash flow	15.2	-78.8	-	5.5	6.9	-20.3%
Net financial position (Sep. 30/Dec. 31)	-83.1	-83.8	0.8%	-83.1	-83.8	0.8%
Employees[5] (Sep. 30)	4,701	4,575	2.8%	4,701	4,575	2.8%

[4] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[5] FTEs, excluding temporary workers.

The full quarterly statement is available at https://www.deutz.com/investor-relations.

Upcoming financial dates

November 17, 2021: Capital Markets Day

March 14, 2022: 2021 annual report | annual results press conference

April 28, 2022: Annual General Meeting

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Forward-looking statements

This press release may contain certain forward-looking statements based on current assumptions and forecasts made by the DEUTZ management team. Various known and unknown risks, uncertainties, and other factors may lead to material differences between the actual results, the financial position, or the performance of the DEUTZ Group and the estimates and assessments set out here. These factors include those that DEUTZ has described in published reports, which are available at www.deutz.com. The Company does not undertake to update these forward-looking statements or to change them to reflect future events or developments.

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 diesel, gas, and electric drive systems for professional applications. It offers a broad range of engines delivering up to 620 kW that are used in construction equipment, agricultural machinery, material handling equipment, stationary equipment, commercial vehicles, rail vehicles, and other applications. DEUTZ has around 4,600 employees worldwide and over 800 sales and service partners in more than 130 countries. It generated revenue of almost €1.3 billion in 2020. Further information is available at www.deutz.com.