



DEUTZ

FY 2023 results

—

March 19, 2024

160
YEARS





Overview of FY 2023 & Strategy Update

Dr. Sebastian C. Schulte

Again, 2023 was a year of profitable growth for DEUTZ!



Solid growth			Profitability increase		
3.0%	7.6%	7.8%	5.7%	7.0%	8.8%
Growth in number of engines sold 186,718 engines (Classic segment)	Service revenue growth to €484 million	Group revenue growth ¹ to €2.1 billion	EBIT margin ² (Group): €120 million; +35% vs. 2022	EBIT margin ³ continued operations €144 million	Classic EBIT margin ³

DEUTZ with a track record of delivering our promises

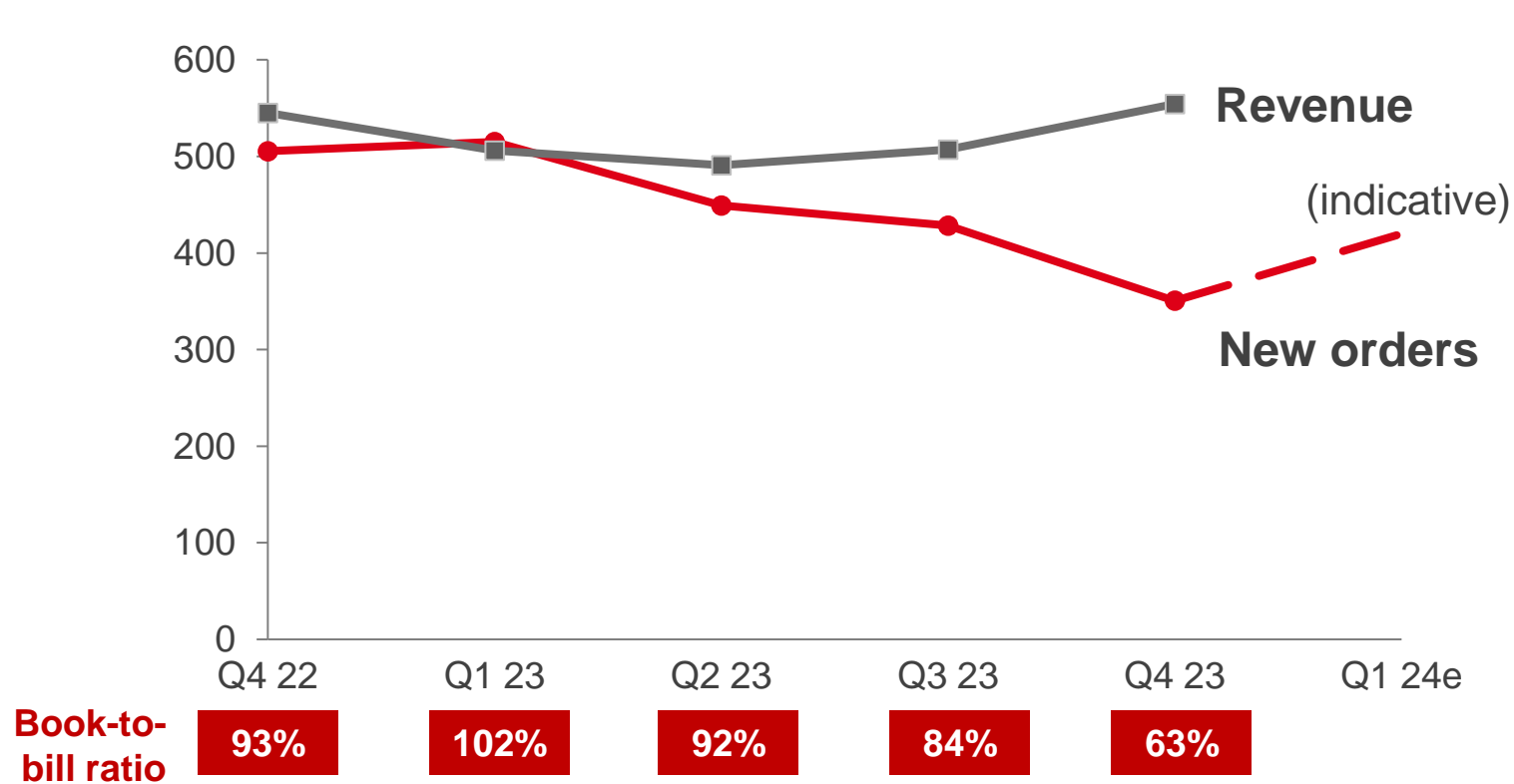


	Guidance vs. actual		Guidance		2023 actual	
	2021	2022	2023			
Unit sales Units ¹	✓	✓	185,000-190,000	>	186,718	✓
Revenue	✓	✓	~€2.1 billion	>	€2.1 billion	✓
EBIT margin²	✓	✓	5.3-5.8%	>	5.7%	✓
Free cash flow³	✓	✓	Mid double-digit-million-euro amount	>	€55.9 million	✓

Order intake with positive trend

Book-to-bill trend (DEUTZ Classic)

Revenue and new orders in € million



- Normalization after end of fixed-volume program and stabilization of supply chain
- Orders on hand of 3-4 months
- USA remains most dynamic region
- Positive trend in new orders foreseeable for Q1 2024

DUAL+ strategy



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

Enhance profitability
and growth <

I
**DEUTZ
CLASSIC**

II
**DEUTZ
GREEN**

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

> Investments, growth and
long-term profitability

+
DEUTZ SERVICE

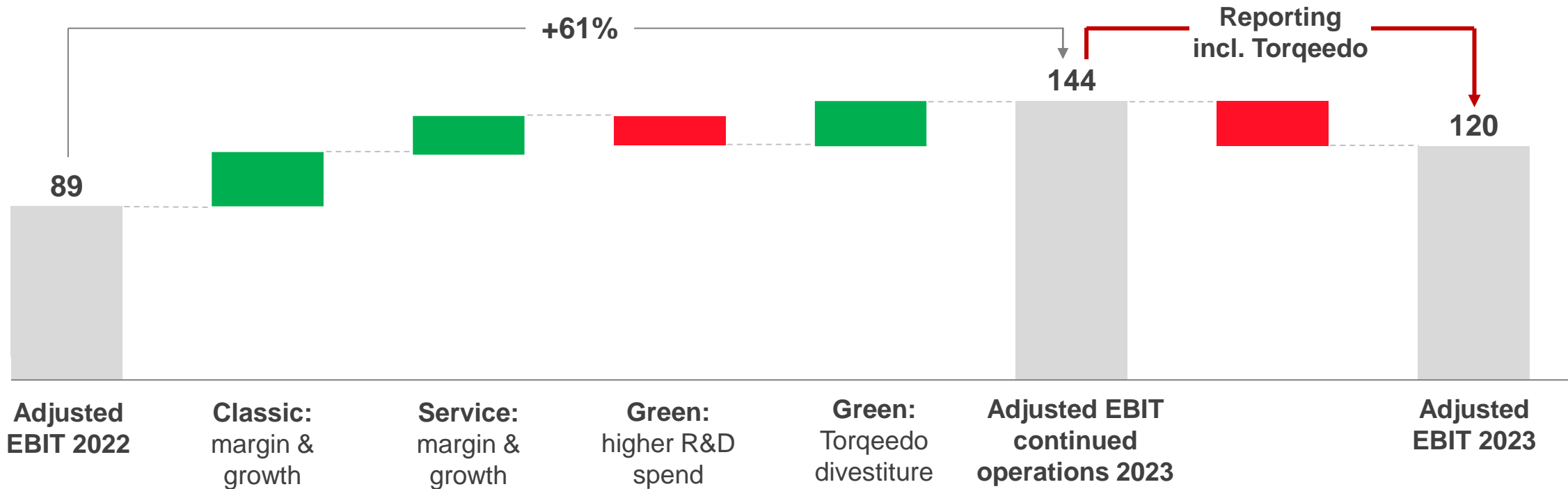
Expand profitable **SERVICE**
business around the world

> Profitability through organic and
inorganic growth

Implementation of strategy with positive impact on 2023 result

All pillars of our strategy contribute to sustainable performance improvement

€ million



Classic segment highlights

Strategic partnerships and focus on performance



Strategic partnerships

- **Active market consolidation initiated** – an important step closer to our goal of becoming one of the top 3 independent engine producers by 2030
- Partnership with **Daimler Truck** for HDEP and MDEG engines: implementation by 2028
- Partnership with **Rolls-Royce Power Systems**: earlier takeover of sales activities for HDEP and MDEG off-highway engines, start in 2024

DAIMLER
TRUCK



Performance improvements

- Continuation of our **successful pricing campaign**
- Efficiency enhancement in production, including **automation**
- **Flexible capacity management**: third shift established in summer 2023, reduction in February 2024
- **Successful management of suppliers' price increase requests**; focus on reducing material costs in 2024



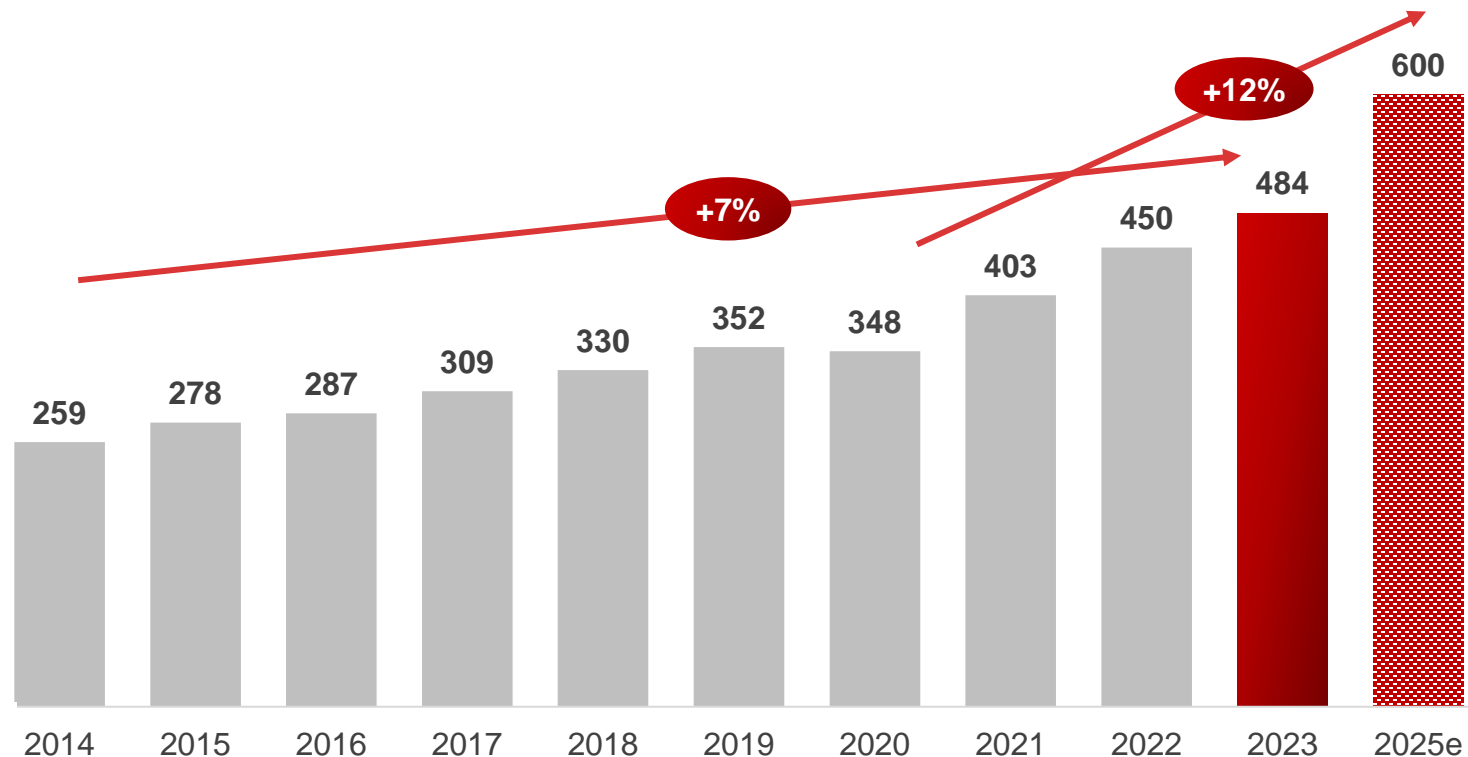
Service highlights | Implementation of growth strategy

10-year growth of >7% p.a., increased growth since 2021



Service revenue growth

€ million



- Consistent implementation of Service strategy (target: €600 million top line in 2025)
- Further development of existing business as key driver
 - Expansion of service center network (e.g. USA), innovative approaches (e.g. “Technician in a Van”)
- Growth contribution from acquisitions: FY contribution of South Coast and Ausma as well as first revenue from DEUTZ Nordic and Hochschild



Green highlights

Divestiture of Torqeedo



- Sale of Torqeedo to Yamaha Motors – as “best owner”
- Important step in ongoing process of repositioning and focusing Green segment
- Basis to focus on more customer-oriented approach towards green drivetrains
- Key aspects of the transaction:
 - Torqeedo EBIT loss in 2023 approx. -€23 million
 - Signing in January 2024, closing expected after Easter
 - Cash-in expected in high double-digit-million-euro range
 - Book gain expected in low double-digit-million-euro range

Divestiture of Torqeedo: important step in refocusing Green segment

Green highlights | R&D investments lead to first market success

Overview of selected projects



Order for hydrogen engines (GenSets)

- Major order for 100 hydrogen engines from China (October 2023)
- Serial production of DEUTZ TCG 7.8 H2 engine in Cologne
- First engines already being shipped

KÄRCHER



Customer projects

- Various pilot projects for electric drives
- Example: Kärcher – delivery of 39 kWh GEN2 batteries for sweeper vehicles
- Start with three prototypes at beginning of 2024, potential for >200 drives p.a.



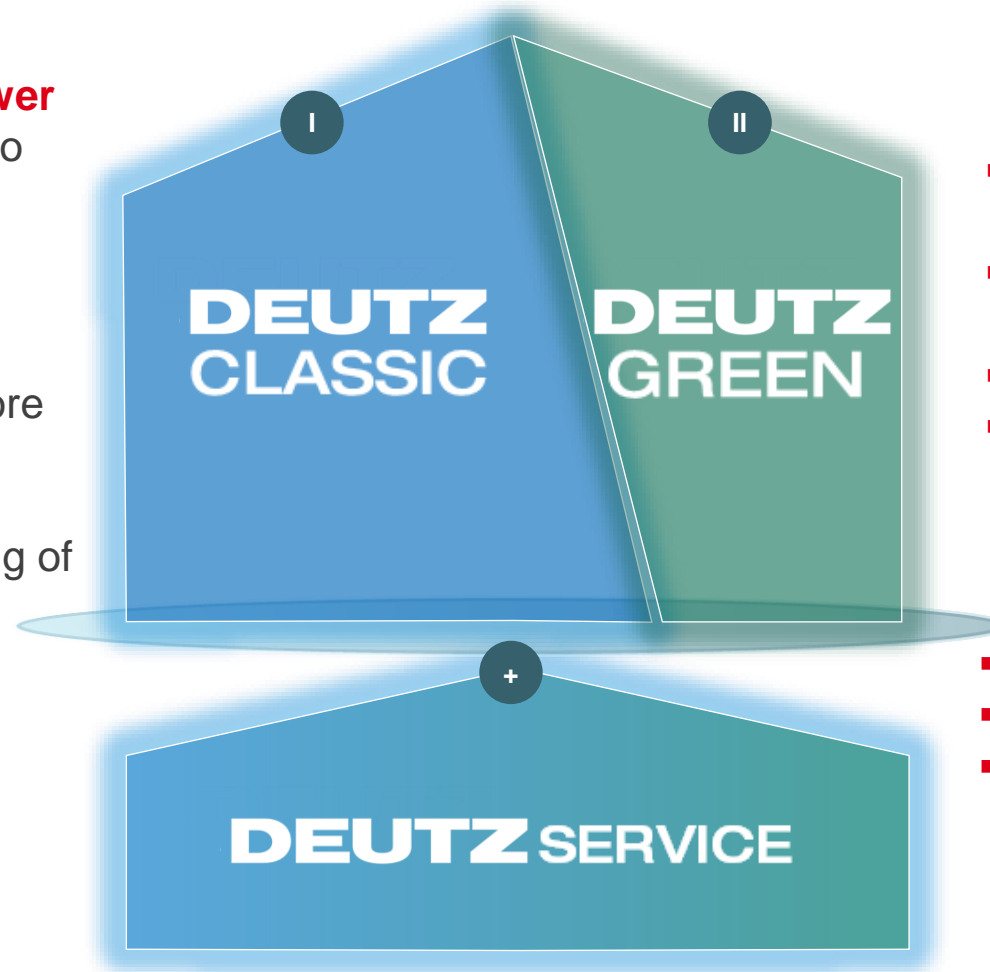
Further invest in R&D

- Continued high level of future investment: R&D expenditure of €104 million in 2023, of which ~36% Green
- R&D costs for Green are expensed rather than capitalized

Strategy implementation: focus for 2024



- **Integration of Rolls-Royce Power Systems business** – expected to boost earnings from mid-2024 onwards
- **Performance focus** (e.g. material cost reduction, capacity optimization through more flexible shift operation models in Cologne)
- **Market consolidation**: Screening of further **acquisition targets**
- Winning **new customers** for engines >4l



- Implementation of **China hydrogen GenSet order**
- Further **expansion** of new orders and customer projects
- Closing **Torqueedo** deal (M&A)
- **Focussing** on Green activities
- Continuing **organic growth**
- Further **M&A** in preparation
- Expand into new business models (e.g. telematics)



FY 2023 in numbers

Timo Krutoff

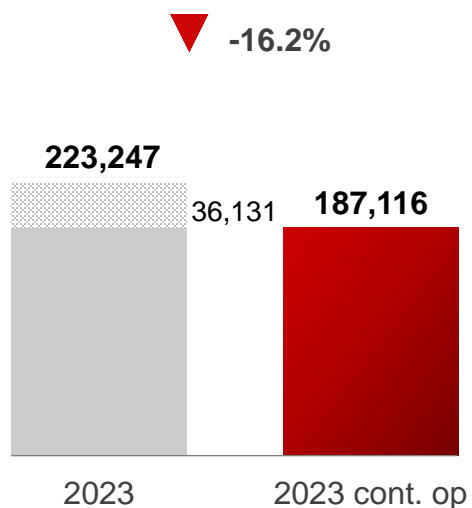
FY 2023 results

Comparison overall group / continued operations



Unit sales

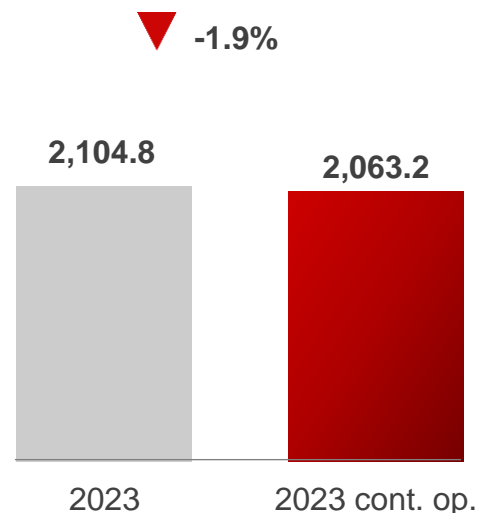
Units



thereof Torqeedo

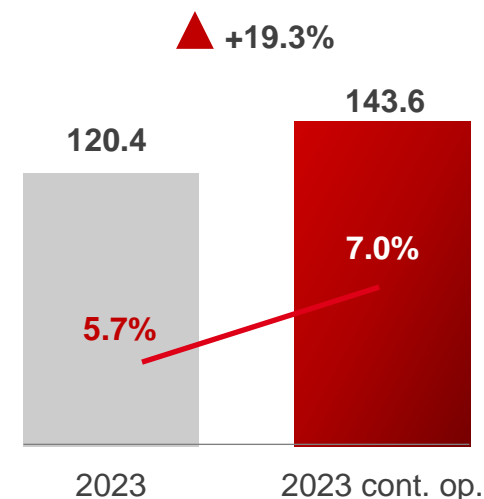
Revenue

€ million



Adjusted EBIT/margin

€ million

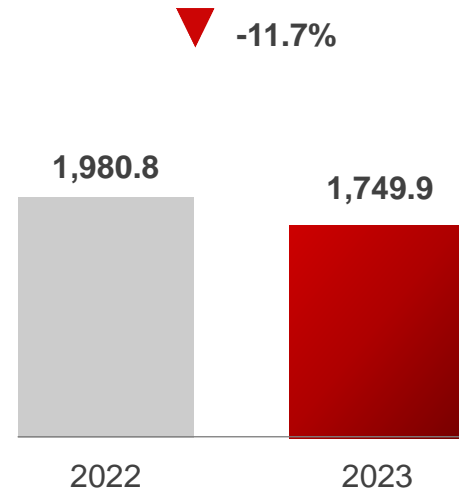


- Elimination of Torqeedo engine sales only with marginal impact on revenue
- Sustainable improvement of the adjusted EBIT due to discontinuation of Torqeedo business

FY 2023 results¹ compared with previous year

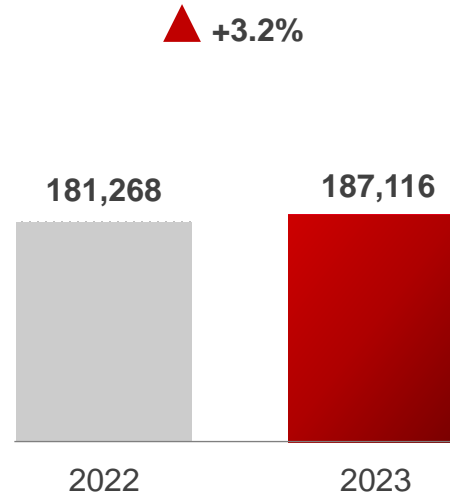
New orders

€ million



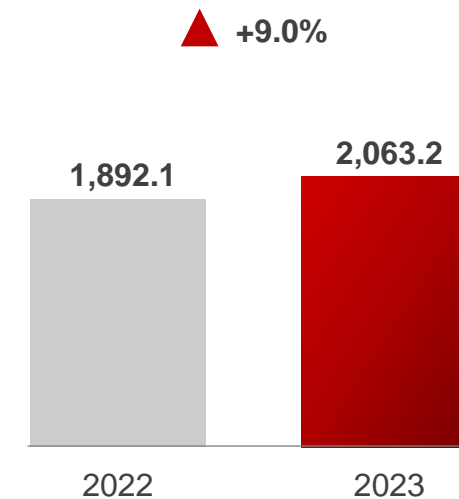
Unit sales

Units



Revenue

€ million



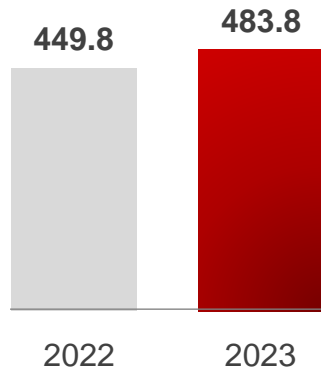
- New orders below previous year's high level – book-to-bill ratio 0.85 (2022: 1.05)
- Unit sales growth of 3.2% driven by growth of DEUTZ engines to 186.7k units
- Orders on hand normalized to a level of €450.4 million as of December 31, 2023 (December 31, 2022: €766.5 million)

Successful expansion of the Service business

Revenue

€ million

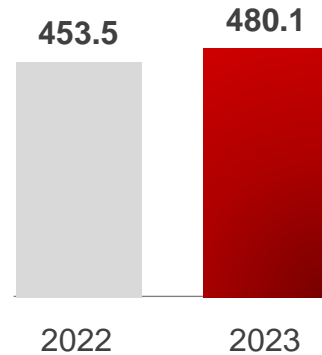
▲ +7.6%



New orders

€ million

▲ +5.9%



Our Service target:

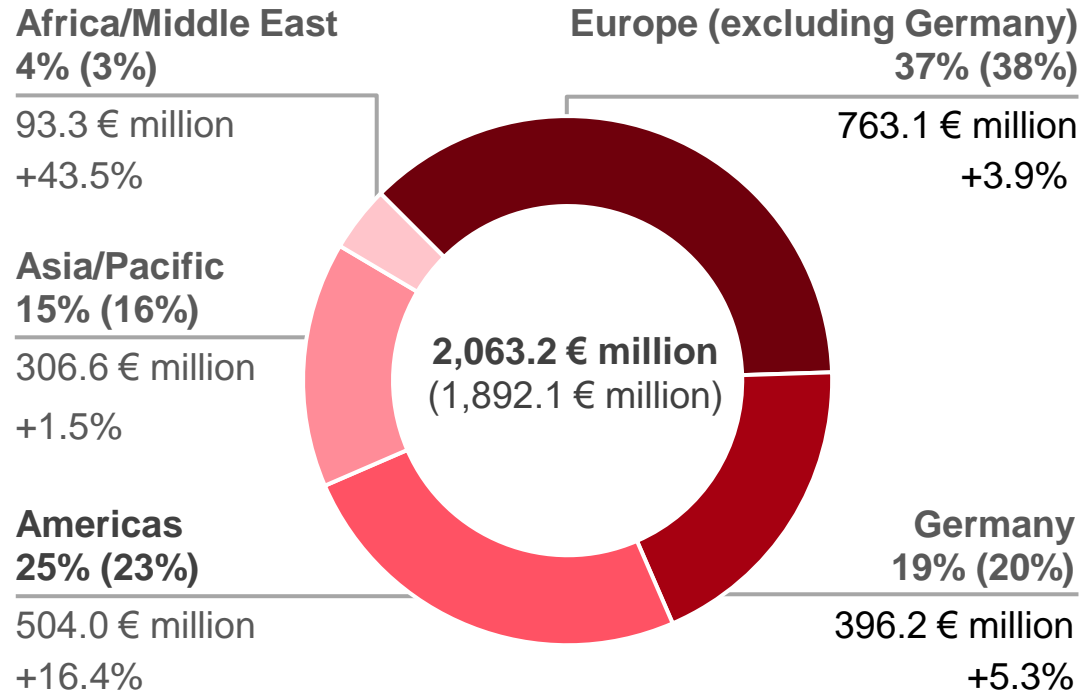
~ **€600 million**
revenue level in 2025

- Significant business expansion, particularly in parts sales and with DEUTZ Xchange engines
- Acquisition of Diesel Motor Nordic Group (Scandinavia) and Mauricio Hochschild Ingeniería y Servicios S.A. (Chile)

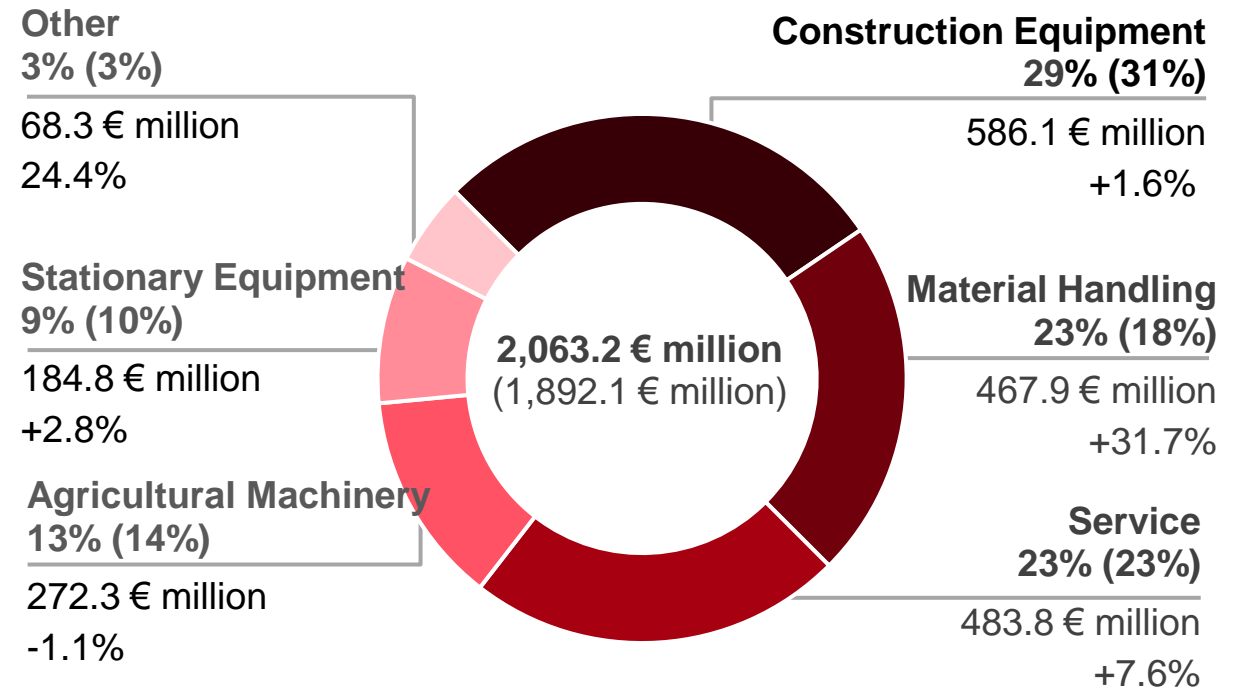
Further growth with M&A planned

FY 2023 revenue growth in detail¹

Revenue breakdown by region 2023 (2022)



Revenue breakdown by application segment 2023 (2022)

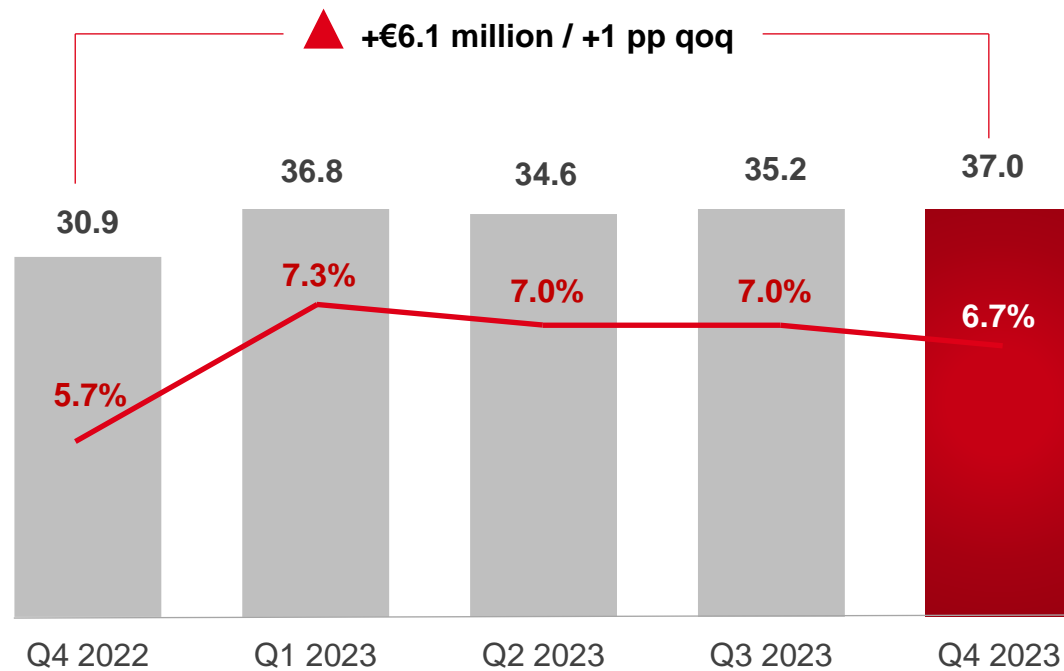


Positive revenue trend across all regions; US continues to be growth driver for DEUTZ

Significant profitability improvement¹ in continued operations

Adjusted earnings in € million

EBIT margin before exceptional items



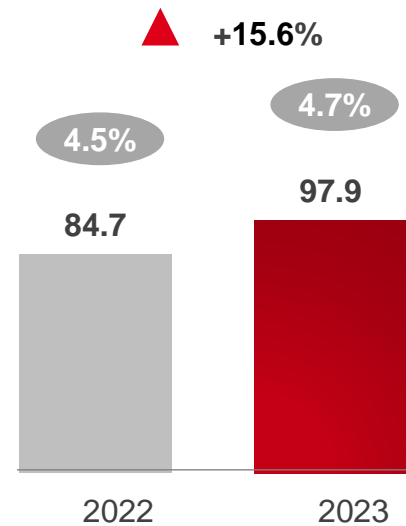
- Improvement in 2023 EBIT before exceptional items to €143.6 million (2022: €103.5 million) due to:
 - Expansion of profitable service business
 - Market-oriented pricing
 - Cost-saving measures
- EBIT margin before exceptional items increased to 7.0% (2022: 5.5%)
- Extraordinary items of -€20.1 million mainly due to impairments on capitalized R&D
- Consolidated net income of €81.9 million (2022: €80.2 million)
- Earnings per share of €0.66 (2022: €0.66)

Performance initiatives continuing to pay off

R&D spending, capital expenditure and working capital¹

Net R&D spend²

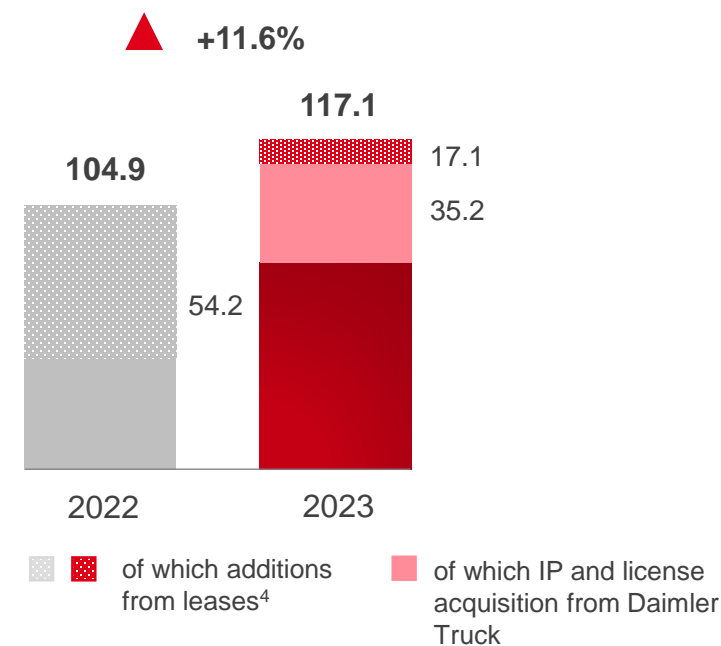
€ million



● R&D ratio²

Capital expenditure^{2,3}

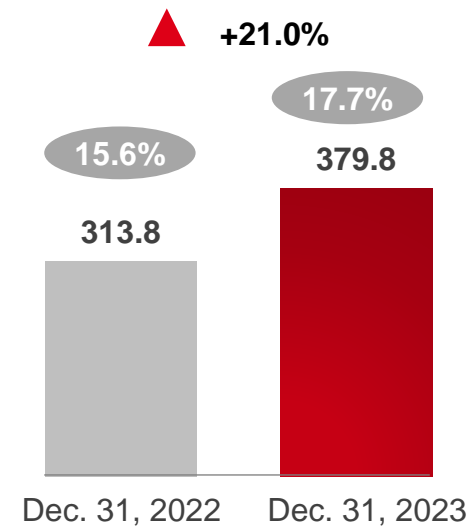
€ million



■ of which additions from leases⁴
 ■ of which IP and license acquisition from Daimler Truck

Working capital

€ million

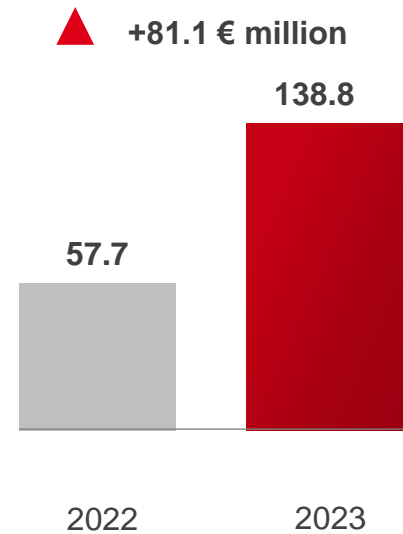


● Working capital ratio⁵

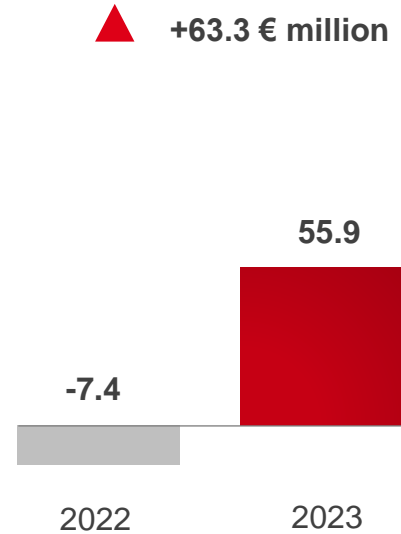
- Increase in R&D spending, mainly driven by expanding Green portfolio
- Higher capex particularly due to acquisition of IP and licenses from DTAG
- Higher working capital despite lower inventories reflecting lower trade payables due to lower year-end procurement levels

Cash flow and net financial position¹

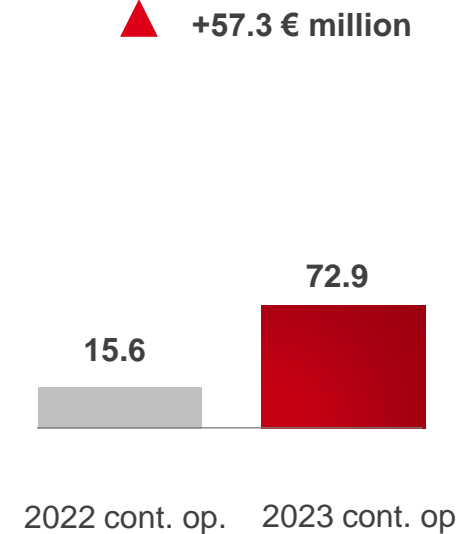
Cash flow from operating activities € million



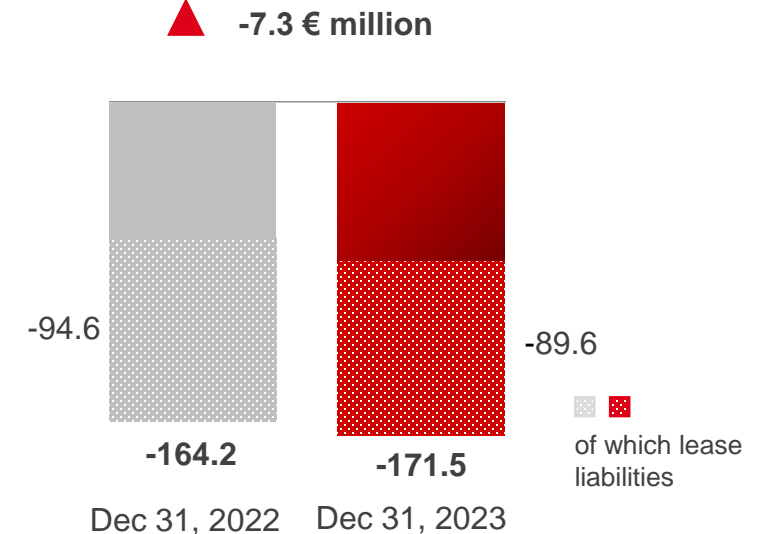
Free cash flow before M&A² € million



Free cash flow before M&A² Continued operations € million



Net debt € million



- Increase of operating cash flow due to improved earnings and lower increase in working capital
- Free cash flow before M&A in line with guidance
- Divestiture of Torquedo positive for cash situation
- Slight increase of net debt due to M&A activities

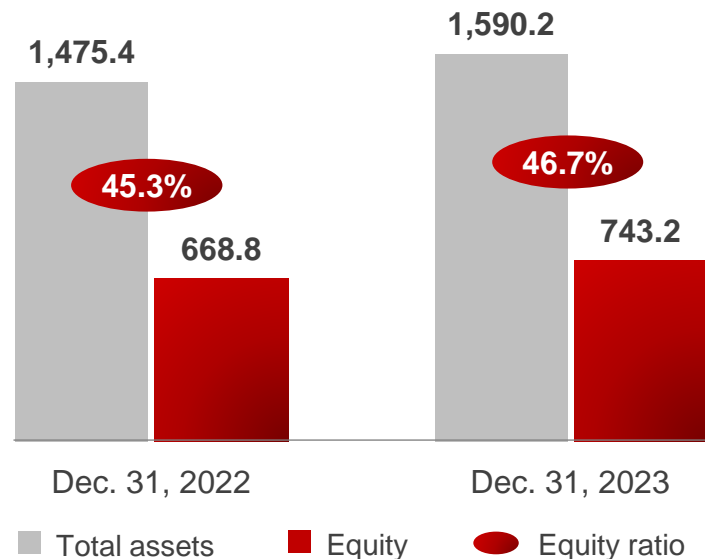
Solid balance sheet

Proposed increase of dividend to €0.17

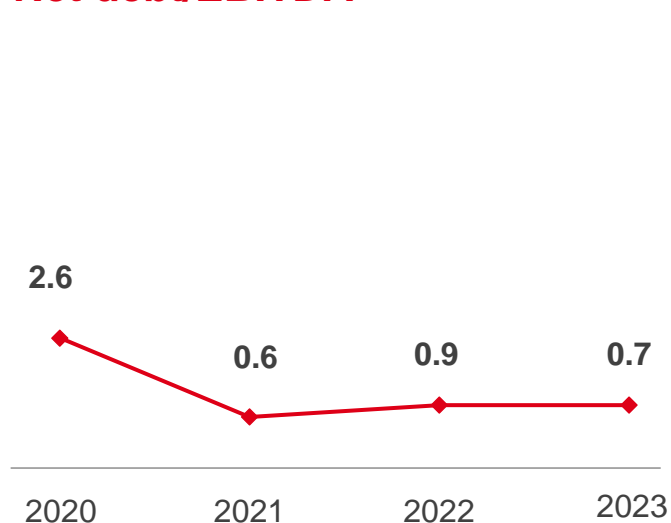


Equity and equity ratio

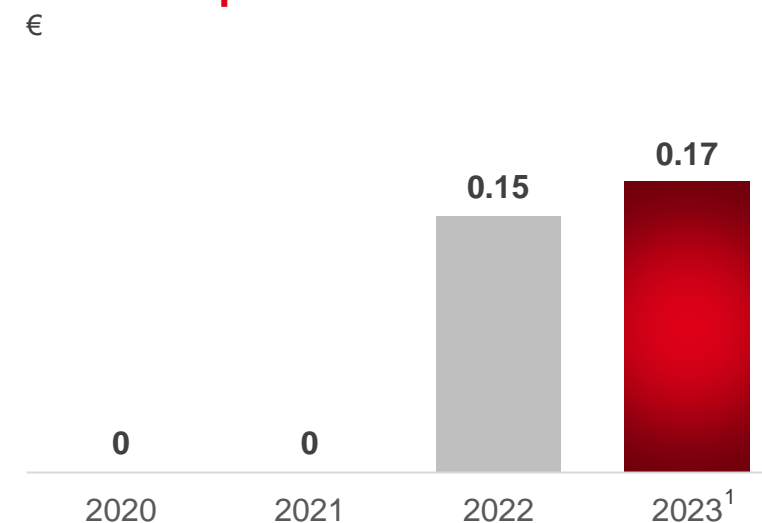
€ million



Net debt/EBITDA¹



Dividend per share²



- Improvement in equity ratio thanks to higher equity
- Solid net debt/EBITDA
- Dividend proposal provides for a further increase in line with the distribution policy to €0.17

Sufficient financial firepower for further inorganic growth

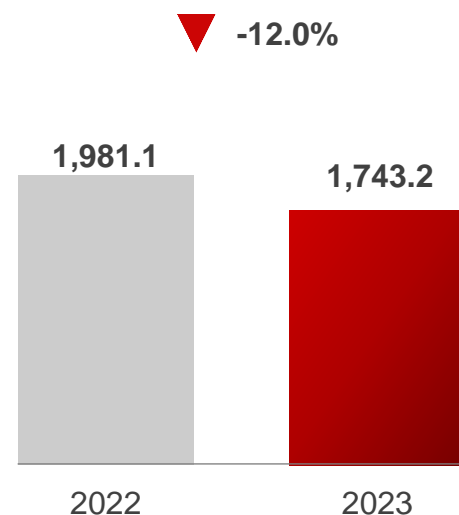
Results for 2023

Classic segment



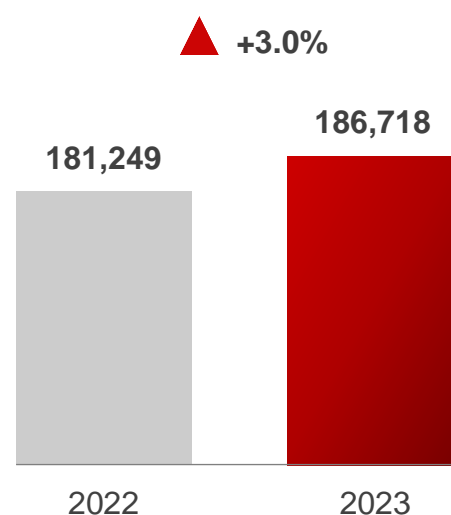
New orders

€ million



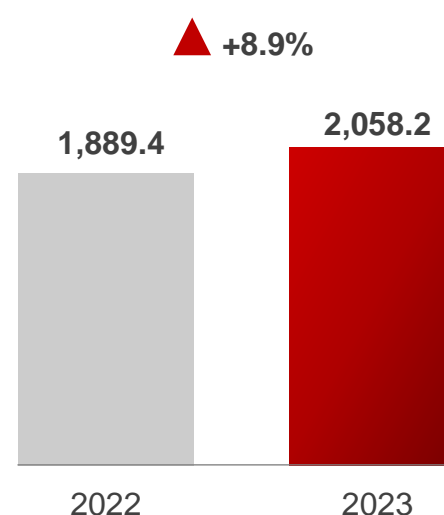
Unit sales

Units



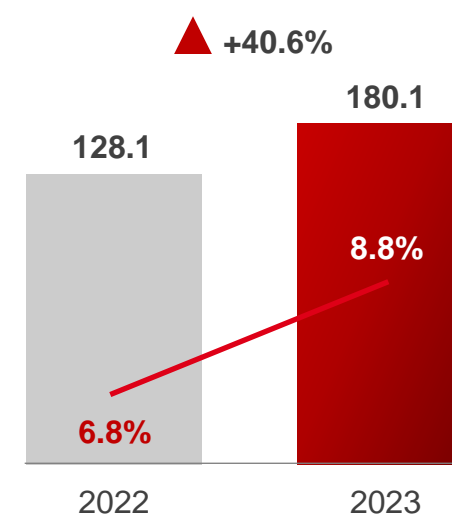
Revenue

€ million



Adjusted EBIT/margin

€ million



- New orders down year-on-year; unit sales and revenue up
- Adjusted earnings up significantly year-on-year – record result
- Higher adjusted EBIT margin especially thanks to market-oriented pricing, economies of scale, cost savings, positive FX effects, and optimization of existing portfolio

Results for 2023

Green segment



	Green (continued ops)		Green (incl. Torqeedo)	
	2022	2023	2022	2023
Order intake € million	-0.3	6.7	52.5	54.1
New orders Units	19	398	53,433	36,529
Revenue € million	2.7	5.0	64.0	46.6
R&D € million	25.6	31.4	31.7	37.4
Adjusted EBIT € million	-25.1	-37.1	-39.2	-60.3

- Sale of Torqeedo enables repositioning in Green segment
 - Reduction of losses
 - Focus on establishing a new business unit with initial successes in hydrogen area
- High R&D investments in the future
 - +22.7% to €31.4 million in 2023
 - €100 million by 2025 as part of our target to invest
 - Focus on hydrogen engines and battery-electric solutions



Guidance for 2024

Dr. Sebastian C. Schulte

Global market forecasts for 2024



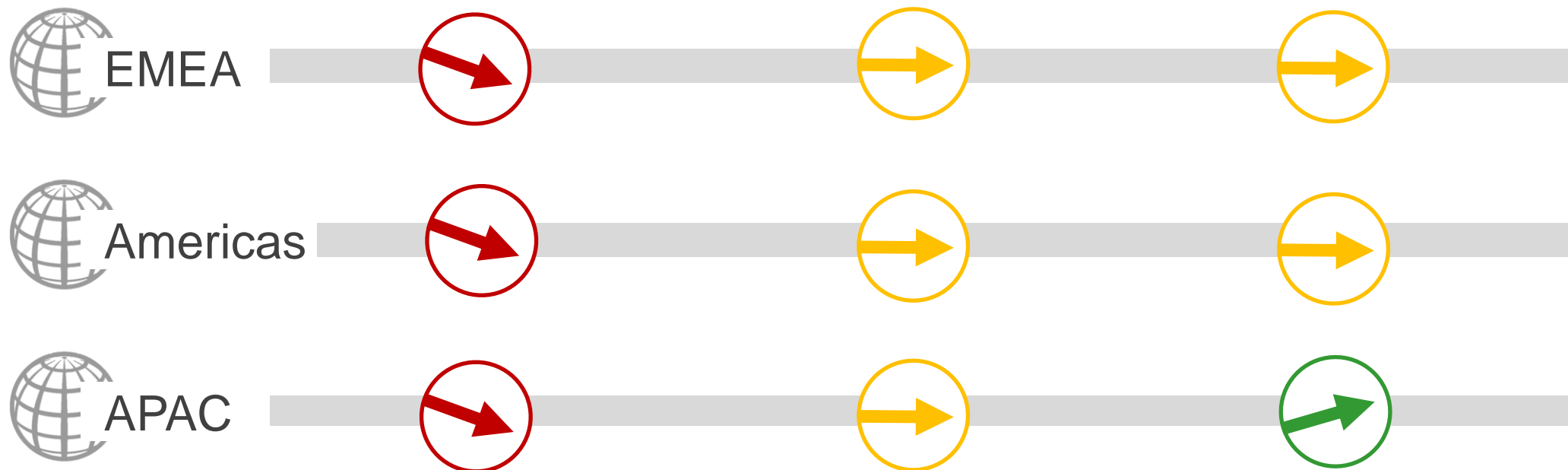
Agricultural
Equipment



Construction
Equipment



Material
Handling

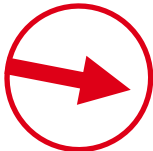
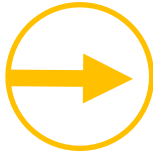
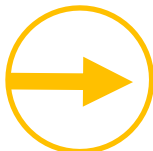
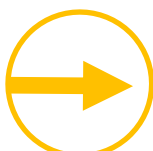


End markets expected slightly weaker or stable in 2024

Stable operating performance expected in FY 2024



Guidance 2024

Unit sales		160,000 to 180,000 DEUTZ engines
Revenue		€1.9 to €2.1 billion
Adjusted EBIT margin ¹		5.0 to 6.5%
Free cash flow ²		Mid double-digit-million-euro level

- Lower demand reflected in expectation for unit sales
- RRPS agreement expected to add positive revenue effect from mid-2024 onwards
- Significantly more robust pricing and cost structure offsets lower unit sales volumes
- Rolls-Royce Power Systems agreement and Torqeedo divestiture will lead to positive EBIT effect

2023 | Strong performance in a volatile environment



New orders



- 11.6%

€1.8 billion

Book-to-bill-ratio: 0.85

Unit sales



DEUTZ Classic engines

+ 3.0% to

186,718 units

Revenue



+ 7.8% to

€2.1 billion

Adjusted EBIT



+ €31.0 million to

€120.4 million

EBIT margin¹ 5.7% (+1.1 pp)

continued operations 7.0% (+1.5pp)

Free Cashflow before M&A



+ €63.3 million to

€55.9 million

Proposed dividend



€0.17 € per share

Dividend payout ratio ~26%

Continued portfolio development



DAIMLER TRUCK

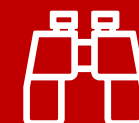


Rolls-Royce

Rolls-Royce Power Systems AG

TORQUEDO

Guidance 2024²



Revenue: €1.9 – 2.1 billion

EBIT margin¹: 5.0 – 6.5%



160
YEARS

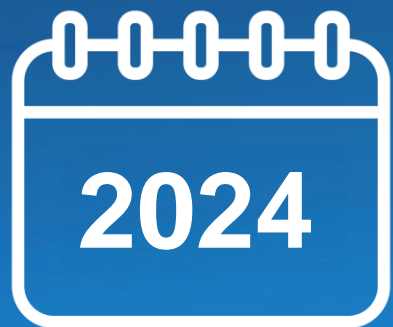


**Thank you for
your attention!**
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Any questions?

Financial calendar and contact details



160
YEARS



Financial calendar

Q1 2024 quarterly statement	April 30, 2024
2024 Annual General Meeting (virtual)	May 8, 2024
H1 2024 interim report	August 8, 2024
Q3 2024 quarterly statement	November 7, 2024

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