



Wacker Neuson Group – Q3/21 Conference Call

Dr. Karl Tragl (CEO), Christoph Burkhard (CFO)
November 10, 2021



Wacker Neuson
Group

Agenda

1. **Overview Q3 & 9M/21**
2. Outlook
3. Appendix

Key messages Q3 & 9M/21

Q3/21

Revenue	EBIT margin	FCF
€ 461 m	9.7%	€ 52 m
(+18.1% yoy)	(PY: 5.8%)	(PY: € 87 m)

9M/21

Revenue	EBIT margin	FCF (before fixed-term inv.) ¹
€ 1,390 m	10.4%	€ 186 m
(+17.0% yoy)	(PY: 6.2%)	(PY: € 179 m)



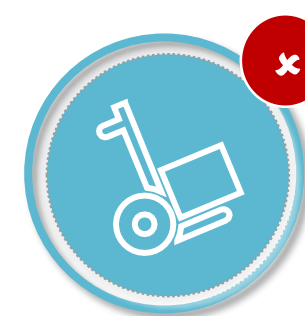
Q3 revenue 18% above previous year, massive supply chain disruptions prevent stronger growth



Profitability shaped by positive volume effect and strict cost control; Supply chains impact productivity



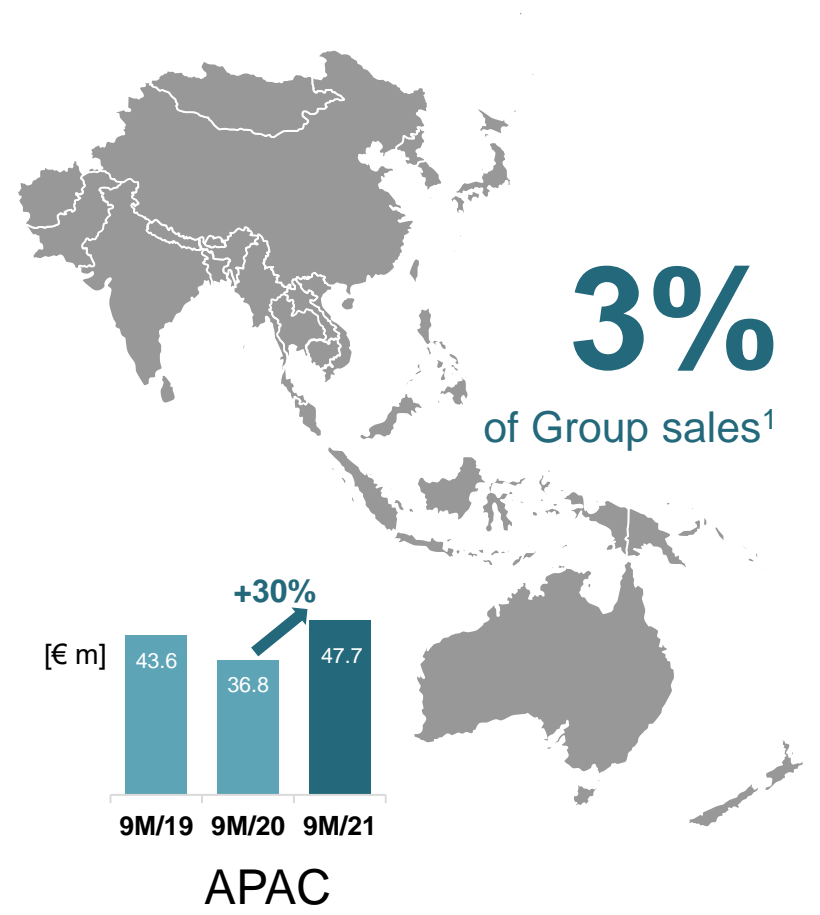
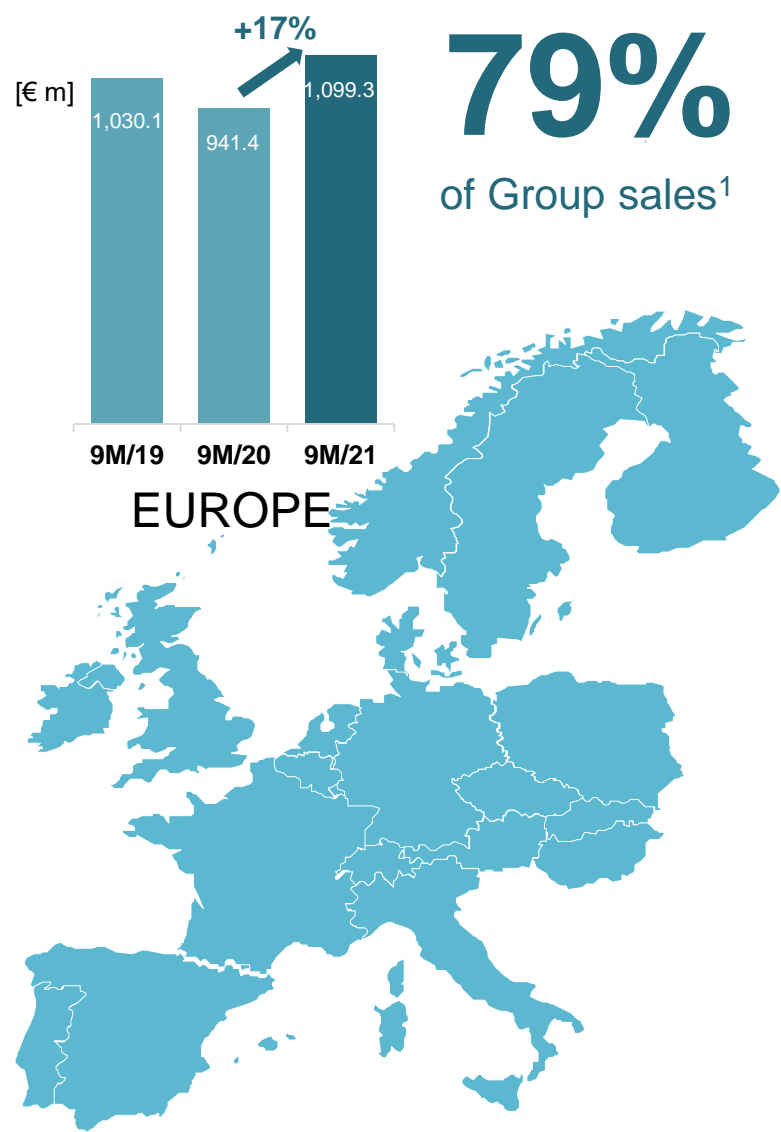
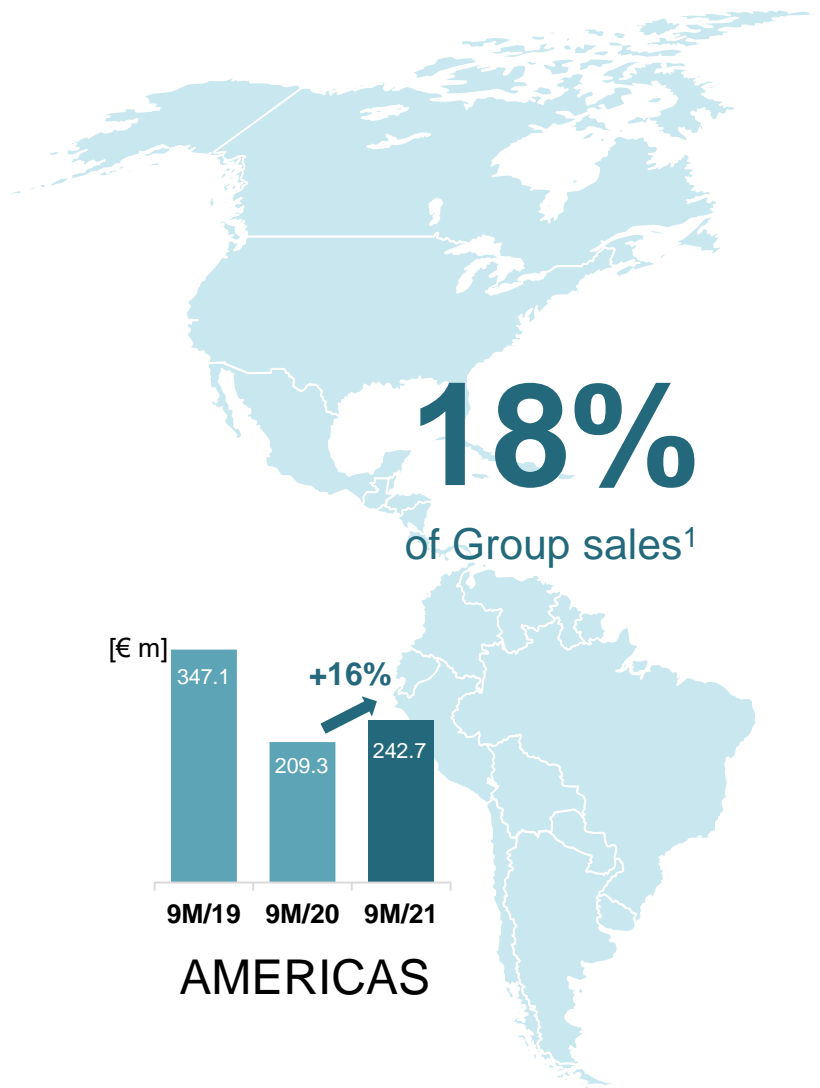
Strong cash generation, NWC ratio within the strategic target range of ≤ 30%



Supply chains and increased prices for materials, components and shipping remain the biggest challenges

¹ Free cash flow before fixed-term financial investments in the amount of EUR 100 m.

9M/21: Europe and Asia-Pacific exceed pre-crisis levels of 2019

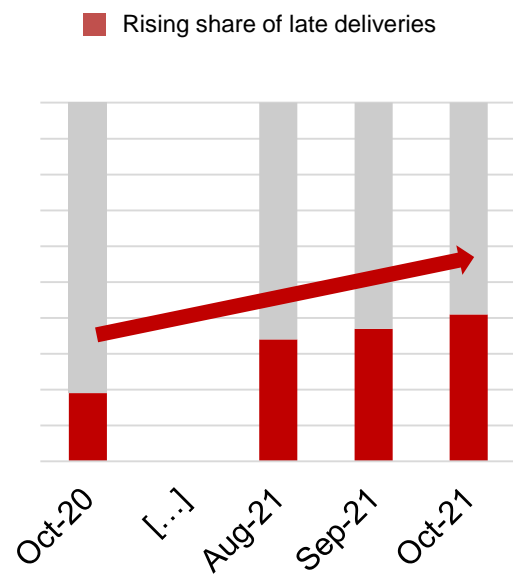


¹ 9M/20: Americas 18%; Europe 79%; APAC 3%.

Disrupted supply chains remain biggest challenge

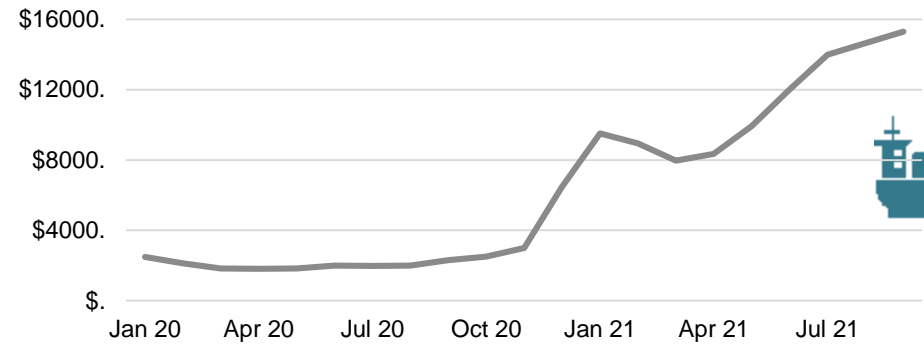
Serious supply chain
disruptions
at all Wacker Neuson plants.




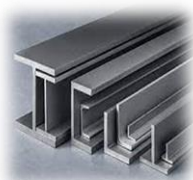

Conditions
deteriorated
further in Q3/into Q4.



Container rates on record high

Development of transport prices for sea freight (Shanghai to Rotterdam) for a 40ft dry container



<p>Corona</p> 	<p>Sea freight</p> 	<p>Semiconductor & granules</p> 	<p>Steel</p> 	<p>2022 Winter Olympics</p> 
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Plants are in
firefighting mode to secure material supplies.

9M/21: Strong cash generation, net debt decreased further



EUR **186m**
Free cash flow¹

EUR **48m**
Net financial debt²



0.2
Net financial
debt/ EBITDA³

¹ Free cash flow before fixed-term investment in the amount of EUR 100m.

² Long-term borrowings + short-term borrowings from banks + current portion of long-term borrowings - liquid funds - fixed short-term financial investments.

³ Net financial debt/annualized EBITDA for the quarter.

Share buyback program

As of September 30, 2021

Total number of shares repurchased
(pieces):

1,529,300

Volume (Euro):

36,571,171.48

Proportion of share capital (percent):

2.18

The treasury shares will be primarily used by way of consideration in connection with the acquisition of companies or to implement participation programs for Group employees and Executive Board members.



total purchase price¹ of a maximum of

EUR 53 m

Up to a total of **2,454,900** shares
(= up to 3.5 percent of the Company's share capital)

¹ Excluding incidental acquisition costs.

Outlook



CECE

business barometer for the European construction equipment sector remains at an **exceptionally high level** despite a **slight drop in October**

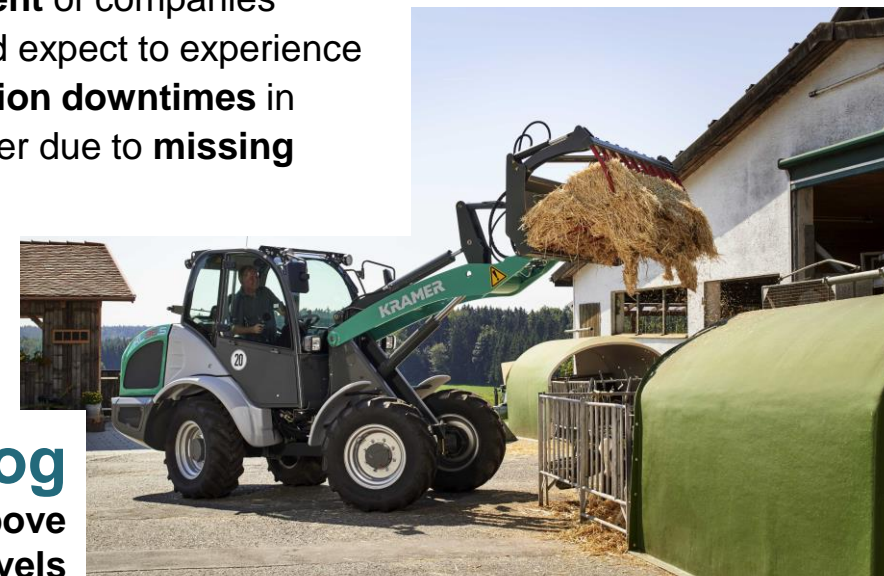
Overstretched and partly disrupted supply chains remain biggest challenge

Container rates on record high

Order backlog
Significantly above average levels

According to **CEMA**

45 percent of companies surveyed expect to experience **production downtimes** in November due to **missing parts**



Raised Guidance for 2021

- **Revenue** between € 1,775 and 1,825m (previously: between € 1,750 and 1,800m)
- **EBIT margin** between 9.3 and 9.7% (previously: between 8.75 and 9.50%)
- **Investments** in the amount of around € 90m¹ (previously: between € 100 and 110m)
- **Net working capital** as a % of revenue **to be stagnant or to improve slightly** relative to December 31, 2020 (30.8%)

¹ Investments in property, plant and equipment and intangible assets. The Group's own rental equipment, purchases of investments and investments in financial assets are not included.

Financial calendar and contact

November 10, 2021	Publication of Q3 report 2021, analysts' & investors' conference call
November 15, 2021	eRoadshow Warburg, Germany & Switzerland
November 22, 2021	eRoadshow Metzler
November 26, 2021	eRoadshow Jefferies, UK
March 29, 2022	Publication of the annual report 2021, analysts' & investors' conference call
	Numerous other roadshows and conferences

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Contact

Wacker Neuson SE

Contact IR: +49 - (0)89 - 354 02 - 427

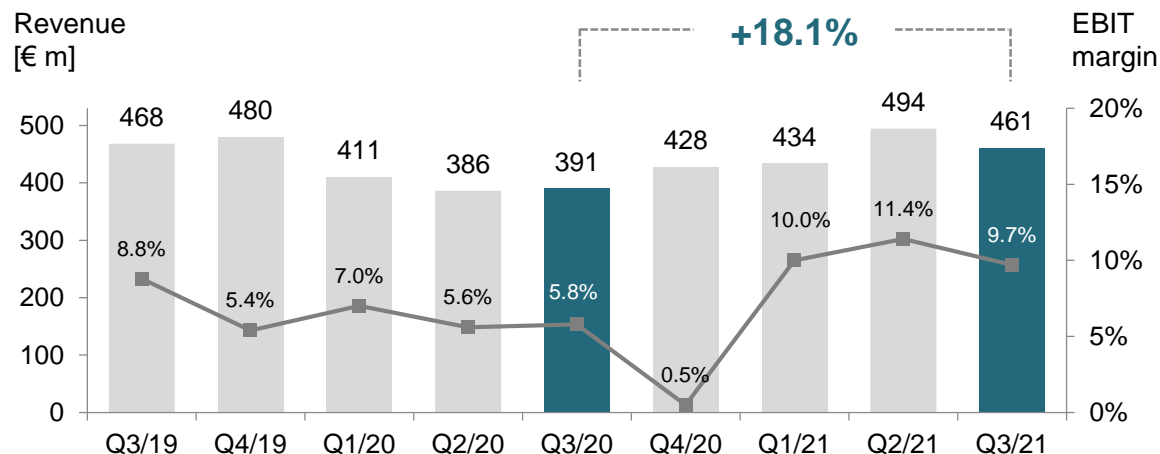
ir@wackerneuson.com

www.wackerneusongroup.com

Appendix

Revenue and earnings Q3/21

Improved profitability, revenue only slightly below pre-crisis level



Income statement (excerpt)

€ m	Q3/21	Q3/20	9M/21	9M/20
Revenue	461.4	390.8	1,389.7	1,187.5
Gross profit	119.2	98.0	370.0	302.9
<i>as a % of revenue</i>	25.8%	25.1%	26.6%	25.5%
Operating costs	-76.2	-76.9	-230.0	-227.3
<i>as a % of revenue</i>	-16.5%	-19.7%	-16.6%	-19.1%
EBIT	44.7	22.8	144.8	73.2
<i>as a % of revenue</i>	9.7%	5.8%	10.4%	6.2%
Financial result	-1.4	-5.6	-4.5	-19.4
Taxes on income	-12.1	-6.1	-39.1	-20.0
Profit for the period	31.2	11.1	101.2	33.8
EPS (in €)	0.45	0.16	1.46	0.48

Comments Q3/21

Revenue +18.1% yoy (adj. for currency effects: +17.5%)

- Positive trends in Europe and the Americas in particular
- Group revenue only slightly below pre-crisis level (-1.5% vs. Q3/19)
- Growth in construction and agriculture

Gross profit +21.6% yoy (gross profit margin +0.7 PP)

- Positive volume effect relative to previous year with improved cost recovery at plants
- In contrast, production downtime and rework resulting from supply chain strains and repeated disruptions as well as increased prices for raw material, components and shipping pushed the margin below the H1 figure

EBIT almost doubled (EBIT margin: +3.9 PP)

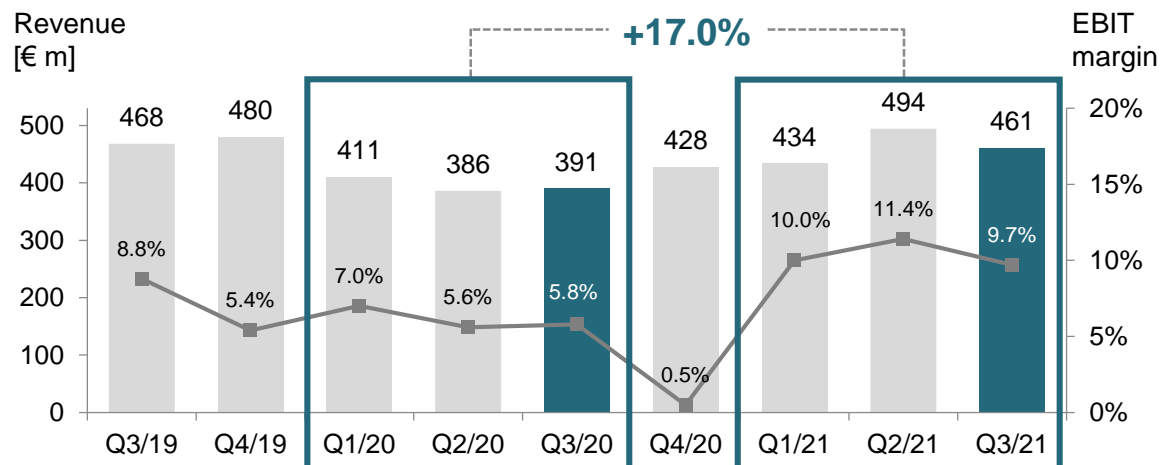
- Strong revenue growth with strict cost controls
- Operating costs (total selling, R&D and administrative expenses) expressed as a percentage of revenue amounted to -3.2 PP yoy; previous year impacted by bad debt allowances (EUR 7.5 m) and restructuring costs (EUR 1.7 m)

Earnings per share almost tripled

- At EUR -1.4 m, the financial result improved markedly (prev. year heavily impacted by currency effects)
- At 27.9%, the tax ratio aligns with the target value (Q3/20: 35.5%)

Revenue and earnings 9M/21

Improved profitability, revenue only slightly below pre-crisis level



Income statement (excerpt)

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Comments 9M/21

Revenue +17.0% yoy (adj. for currency effects: +17.9%)

- Group revenue only slightly below pre-crisis level (-2.2% vs. 9M/19)
- Europe and Asia already above pre-crisis levels (Europe +6.7% vs. 9M/19; Asia-Pacific +9.4% vs. 9M/19); Americas region still significantly below pre-crisis level following restructuring (-30.1% vs. 9M/19)
- Growth in construction and agriculture

Gross profit +22.2% yoy (gross profit margin +1.1 PP)

- Positive volume effect relative to previous year with improved cost recovery at plants
- In contrast, production downtime and rework resulting from supply chain strains and repeated disruptions as well as increased prices for raw material, components and shipping burdened earnings development

EBIT almost doubled (EBIT margin: +4.2 PP)

- Strong revenue growth with parallel cost controls
- Operating costs as a percentage of revenue at -2.5 PP yoy; prev. year impacted by bad debt allowances (EUR 12.1 m) and restructuring costs (EUR 3.8 m)
- Previous year impacted by goodwill impairment (EUR 9.3 m)

Earnings per share more than tripled

- At EUR -4.5 m, the financial result improved markedly (prev. year significantly impacted by currency effects)
- At 27.9%, the tax ratio aligns with target value (9M/20: 37.2%)

Business development by region and business segment

Q3/21: Growth driven by Europe and Americas

	Revenue [€ m]	share	yoy	EBIT ¹
Europe	362.2	79%	+17%	44,3
Americas	84.3	18%	+28%	2,6
Asia-Pacific	14.9	3%	+0%	0,4
Total Q3/21	461.4	100%	+18%	44,7

Q3/21: Compact equipment and services above pre-crisis levels

	Revenue [€ m] ²	share	yoy
Light Equipment	98.3	21%	+12%
Compact Equipment	258.4	56%	+29%
Services	108.0	23%	+1%
Total Q3/21	464.7	100%	+18%

Comments Q3/21

Revenue Europe +16.8% yoy (adj. for currency effects: +16.6%)

- Dynamic trends in UK, France, Southern and Eastern Europe; Germany, Austria and Switzerland grow from strong baseline for comparison in prev. year; pos. trends continue in Northern Europe on completion of sales restructuring
- Business with Kramer- and Weidemann-branded compact equipment for the agricultural sector +23.2% yoy

Revenue Americas +27.9% yoy (adj. for currency effects: +26.9%)

- Strong growth in the Americas but the region remained below 2019 levels after completed restructuring
- Worksite technology, excavators and wheel loaders developed particularly positively
- Strong growth in Canada with revenue already higher than pre-crisis level

Revenue Asia-Pacific +0.0% yoy (adj. for currency effects +3.0%)

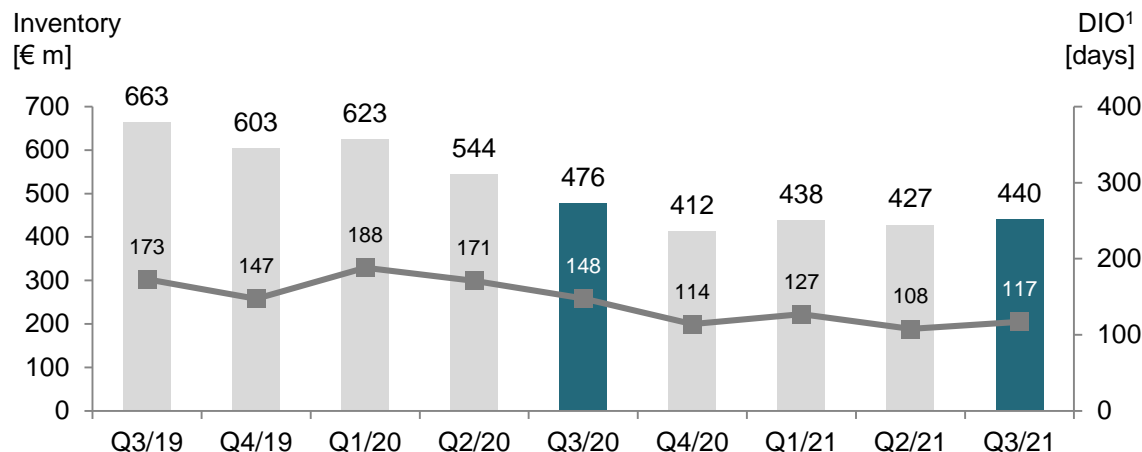
- Australia continued to develop exceptionally positively: Significant double-digit growth continued in Q3 fueled by expansion of dealer network, increased focus on rental companies and a product portfolio tailored to local needs; excavators, telescopic handlers and dumpers developed particularly well
- China: Challenging market dynamics (shrinking excavator market combined with high production capacities among domestic manufacturers) lead to drop in Q3 revenue

¹ EBIT for regions before consolidation.

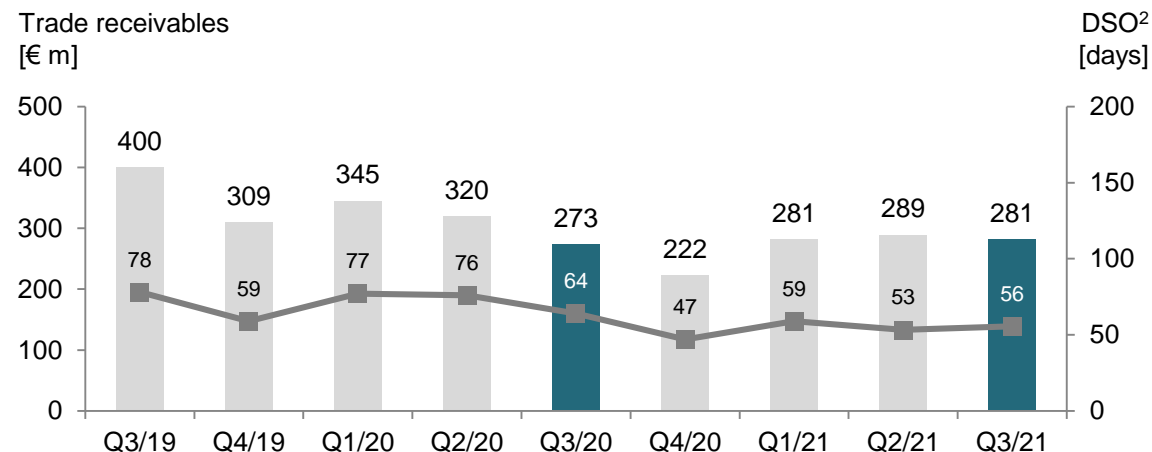
² Revenue by business segment before cash discounts.

Net working capital in target range of $\leq 30\%$

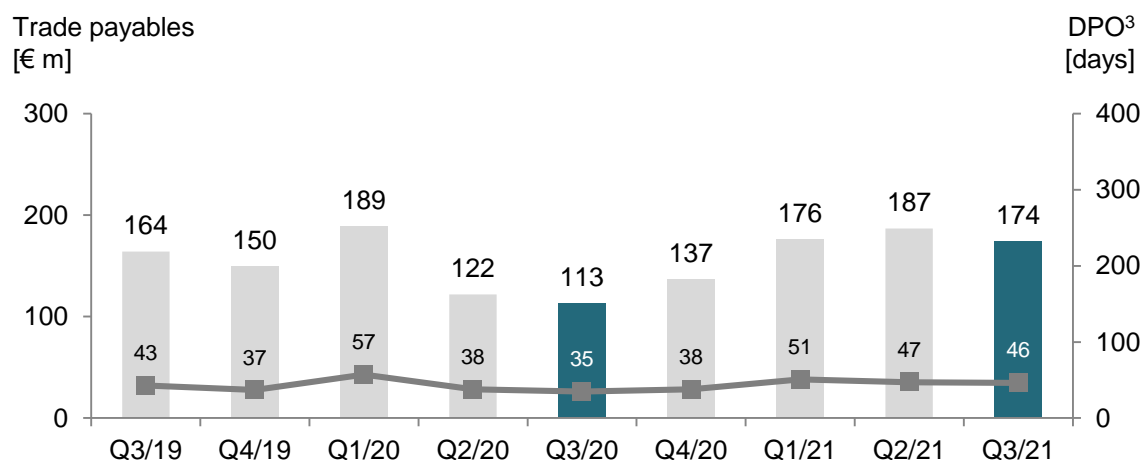
Inventories



Trade receivables



Trade payables



Comments

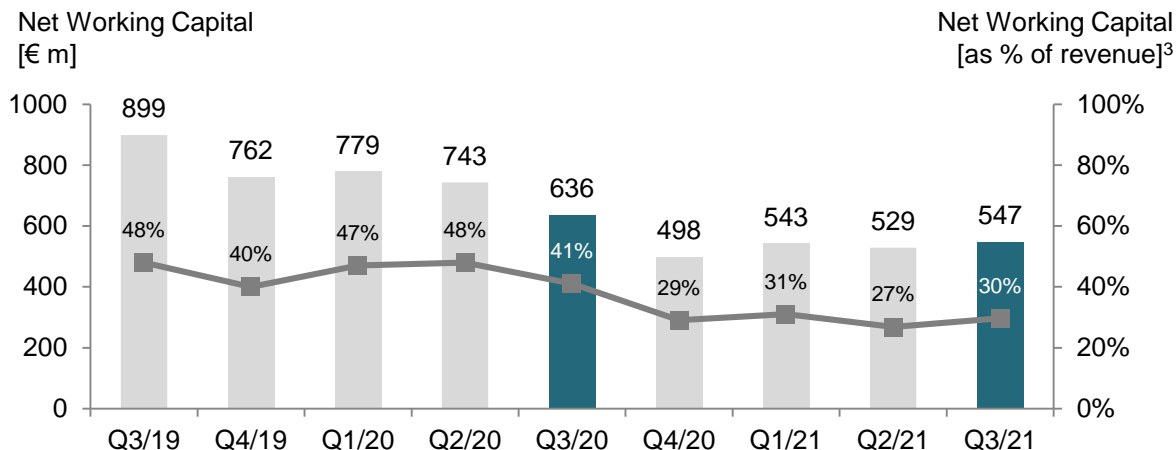
- Inventory below previous year: Numbers of finished machines fell due to strong market demand; in contrast, numbers of unfinished machines and components increased significantly due to overstretched and repeatedly disrupted supply chains
- Trade receivables and payables rose significantly since the start of the year due to a rise in revenue and production volumes

➡ At 29.7%, the NWC⁴ ratio is within the target range

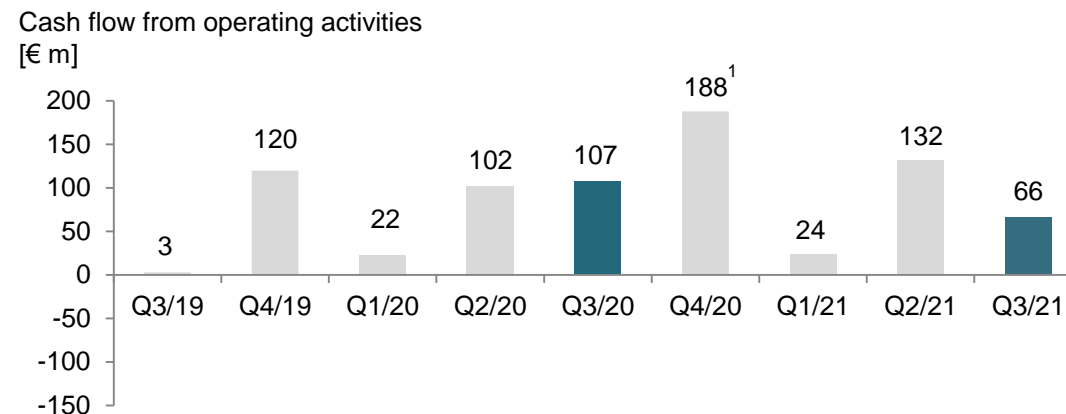
¹ Days inventory outstanding = (inventory/(cost of sales*4))*365 days; ² Days sales outstanding = (receivables/(revenue*4))*365 days;
³ Days payables outstanding = (payables/(cost of sales*4))*365 days. ⁴ Net working capital as a % of annualized revenue for the quarter.

Strong cash generation

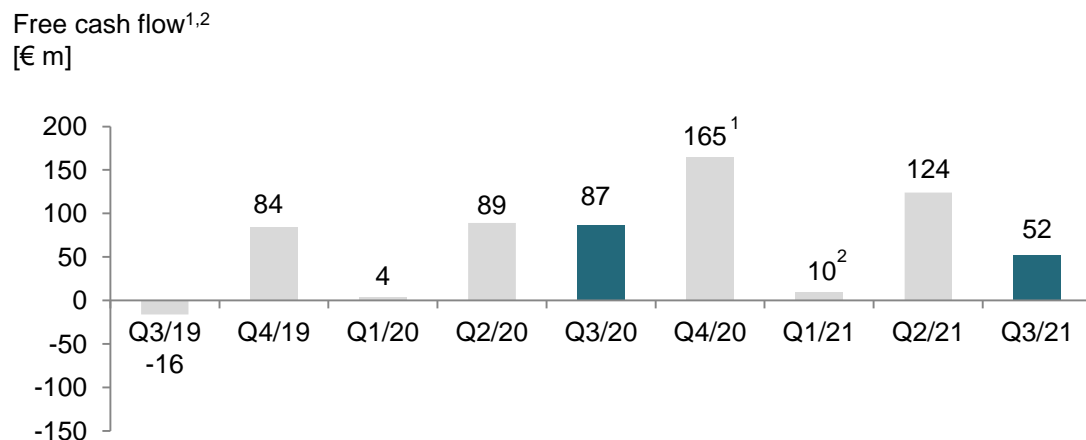
Net working capital



Cash flow from operating activities



Free cash flow



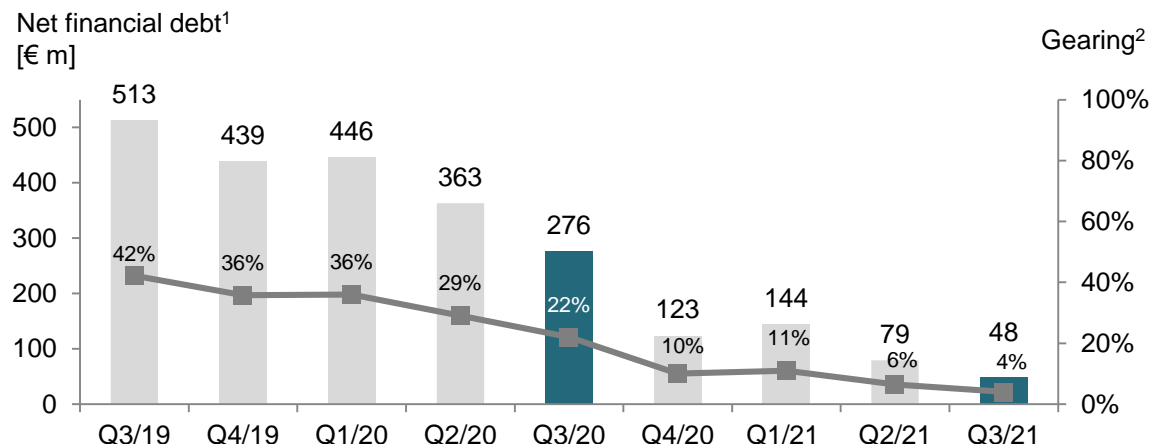
Comments

- At 29.7%, the NWC ratio³ remains within the target range despite higher numbers of unfinished machines and components
- Positive development of cash flow from operating activities shaped by increased profitability and a fall in non-current financial assets (prev. year marked by sharp reduction in NWC)
- Investments still below planned target with positive effect on free cash flow
- Free cash flow² at EUR 186 m after nine months (prev. year: EUR 179 m)

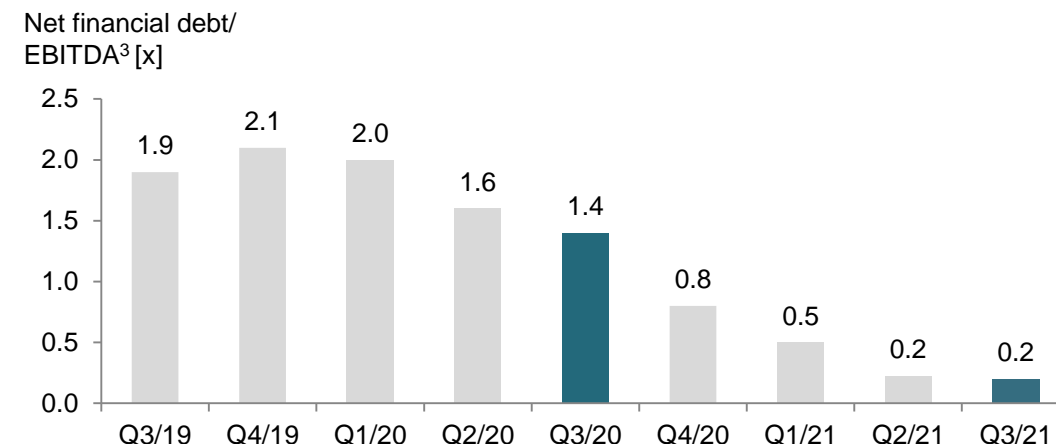
¹ Before fixed-term investment in the amount of EUR 15 m in Q4/20. ² Before fixed-term investment in the amount of EUR 100 m in Q1/21. ³ Net working capital as a % of annualized revenue for the quarter.

Strong financial structure

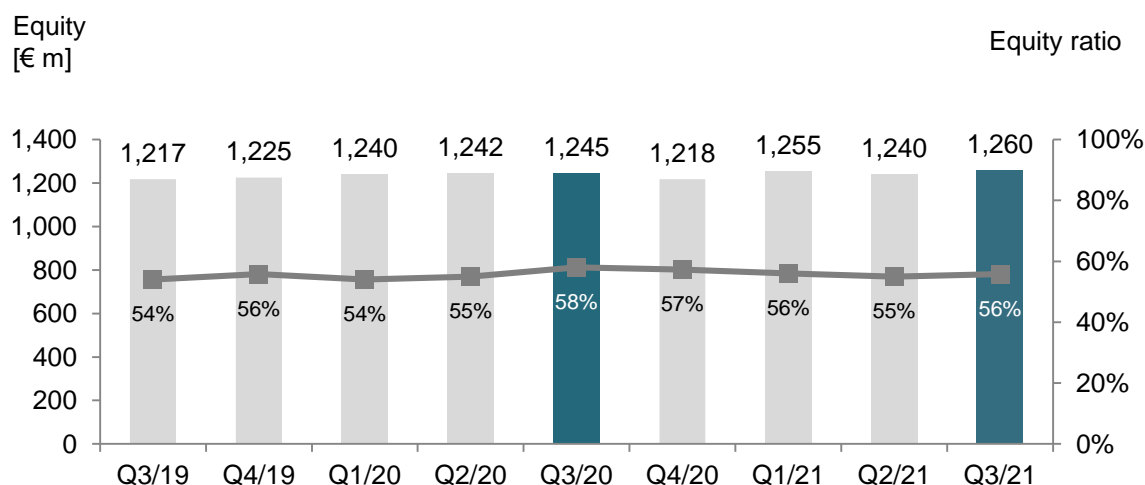
Net financial debt and gearing¹



Net financial debt/EBITDA³



Equity and equity ratio



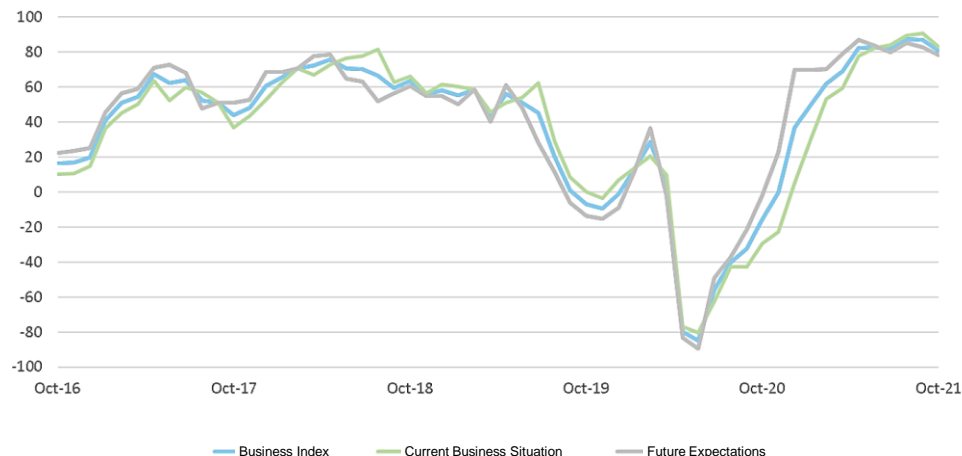
Comments

- Net financial debt¹ continues to fall due to positive cash flow developments; gearing² at 3.8%
- 1,529,300 treasury shares (2.2 percent of share capital) were repurchased for a total of EUR 36.57 m by the end of September as part of the share buyback program initiated in April 2021. Within the framework of the program, up to 2,454,900 treasury shares (3.5% of share capital) may be repurchased for a maximum total purchase price of EUR 53 m.
- Cash and cash equivalents incl. fixed, short-term investments with a term of less than one year: EUR 382.2 m
- The Group is in a strong position to actively shape the technological shift in the industry and make key investments in future growth.

¹ Non-current financial liabilities + short-term borrowings from banks + current portion of long-term borrowings - liquid funds - fixed short-term investments. ² Net financial debt/equity. ³ Net financial debt/annualized EBITDA for the quarter.

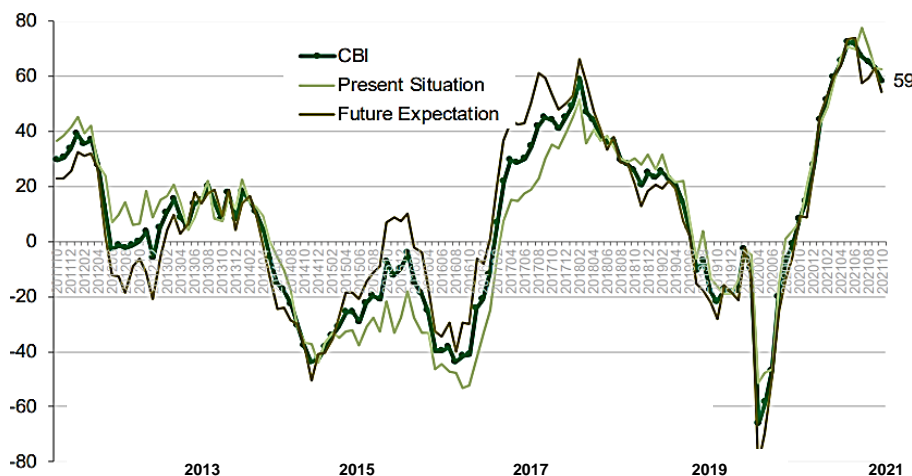
Outlook: Dynamic demand, overstretched supply chains

Construction: CECE business barometer recently down slightly



Source: CECE (Committee for European Construction Equipment), October 2021.

Agriculture: CEMA business barometer recently down slightly



Source: CEMA (European umbrella association for the agricultural machinery industry), October 2021.

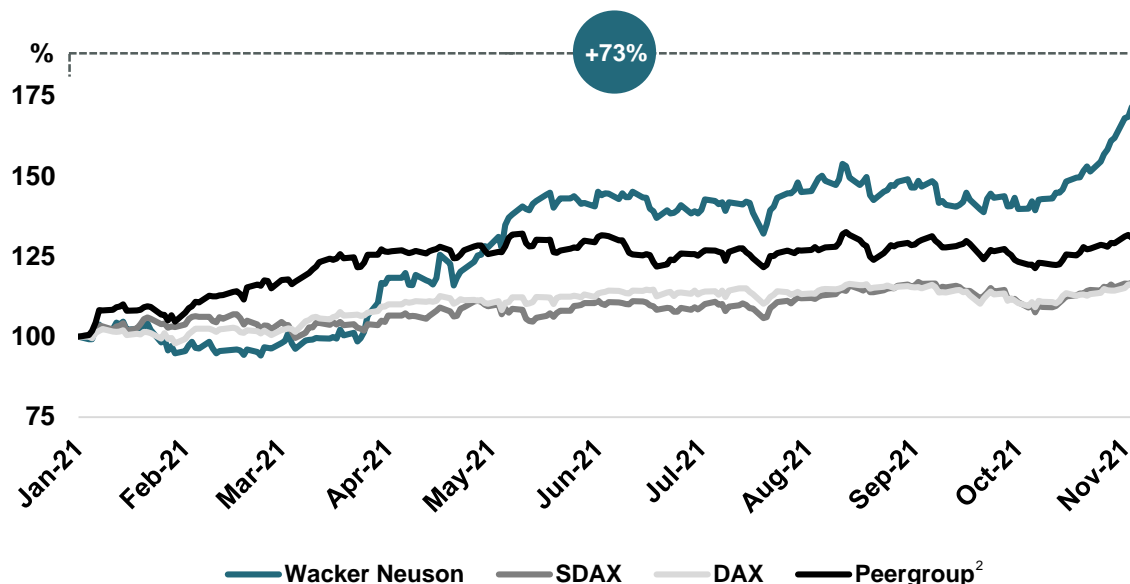
Outlook

- **CECE business barometer** for the European construction equipment sector remains at an **exceptionally high level despite a slight drop in October**.
- **CEMA business barometer** for the European agricultural sector has decreased slightly due to supply chain problems but still remains at a high level.
- **Mood in key target markets** for the Wacker Neuson Group remains very positive; dynamic trends in **order intake**; **order book** significantly higher than average.
- **Overstretched** and repeatedly **disrupted supply chains** remain the biggest challenge; no easing in sight. According to the German Engineering Federation (VDMA), 81% of engineering companies are experiencing noticeable or severe disruptions to their supply chains; prices for shipping containers at a record high.
- **Guidance for fiscal 2021 raised**
 - **Revenue** between € 1,775 and 1,825m (previously: between € 1,750 and 1,800m)
 - **EBIT margin** between 9.3 and 9.7% (previously: between 8.75 and 9.50%)
 - **Investments** in the amount of around € 90m¹ (previously: between € 100 and 110m)
 - **Net working capital** as a % of revenue **to be stagnant or to improve slightly** relative to December 31, 2020 (30.8%)

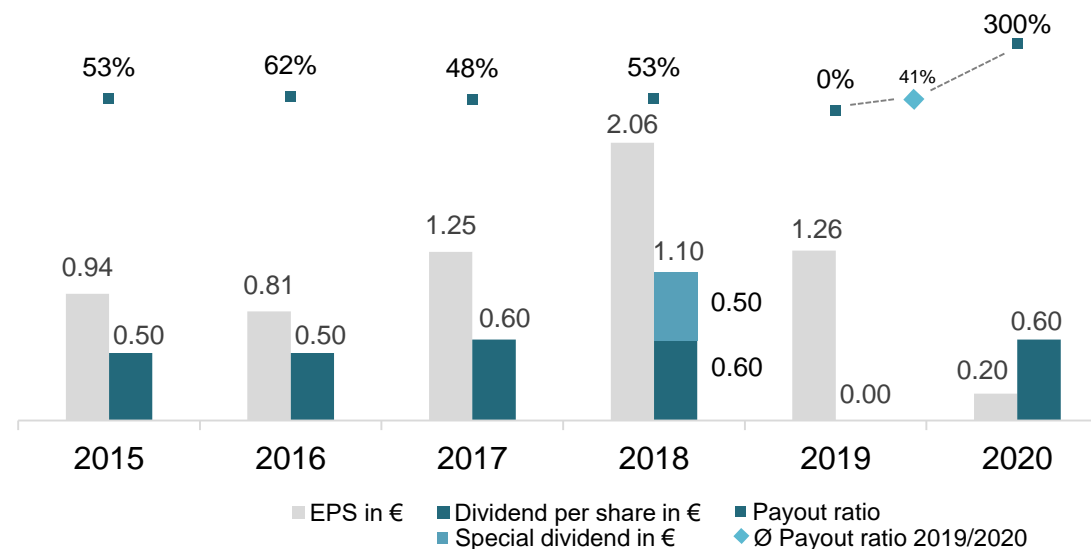
¹ Investments (property, plant and equipment and intangible assets). Investments in the Group's own rental equipment, purchases of investments and investments in financial assets are not included.

Share development

The share in 2021¹



Dividend payout



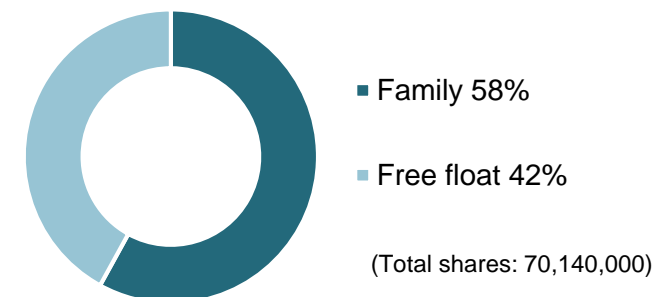
Key figures per share

in €	9M/21	9M/20
Earnings per share	1.46	0.48
Book value per share	17.96	17.75
Share price at end of period	25.08	17.44
Market capitalization (€ m)	1,759.1	1,223.2

Coverage³

Bank	TP (€)	Recom.	Date
Commerzbank	35.00	Buy	Aug 17, 2021
Hauck & Aufhäuser	32.00	Buy	Oct. 26, 2021
Montega	32.00	Hold	Oct. 26, 2021
Warburg	32.00	Buy	Oct. 29, 2021
Jefferies	31.00	Buy	Oct. 25, 2021
Metzler	31.00	Buy	Oct. 29, 2021
Berenberg	29.00	Buy	Oct. 21, 2021
Kepler Cheuvreux	19.00	Reduce	Oct. 28, 2021

Shareholder structure



¹ As at Nov. 5, 2021 ² Peer group: Agco, Ashtead, Atlas Copco, Bauer, Caterpillar, CNH Industrial, Deutz, DoosanBobcat, Hitachi, Husqvarna, John Deere, Komatsu, Kubota, Manitou, Takeuchi, United Rentals, Volvo. ³ As at Nov. 8, 2021.