



# DEUTZ

## Company presentation

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April, 2021

# Disclaimer

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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, decreases 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.

# DEUTZ at a glance

Independent engine producer focusing on „off-highway“ applications



# Agenda

## Strategy



# Our challenge: a market environment with many moving parts...



Emissions reduction



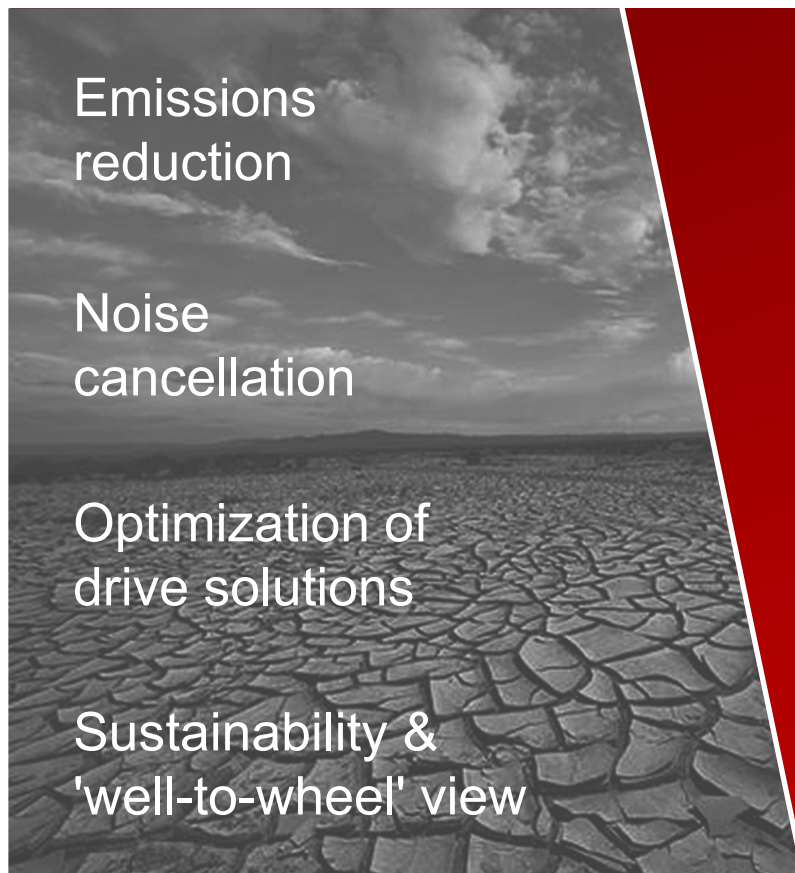
Noise cancellation



Optimization of drive solutions



Sustainability & 'well-to-wheel' view



Hybridization

Efficiency gains

Electrification

E-fuels

Downsizing

Hydrogen

LPG/CNG

Zero-emissions target

NO<sub>x</sub>



Need for sustainable drive systems, including in off-highway applications

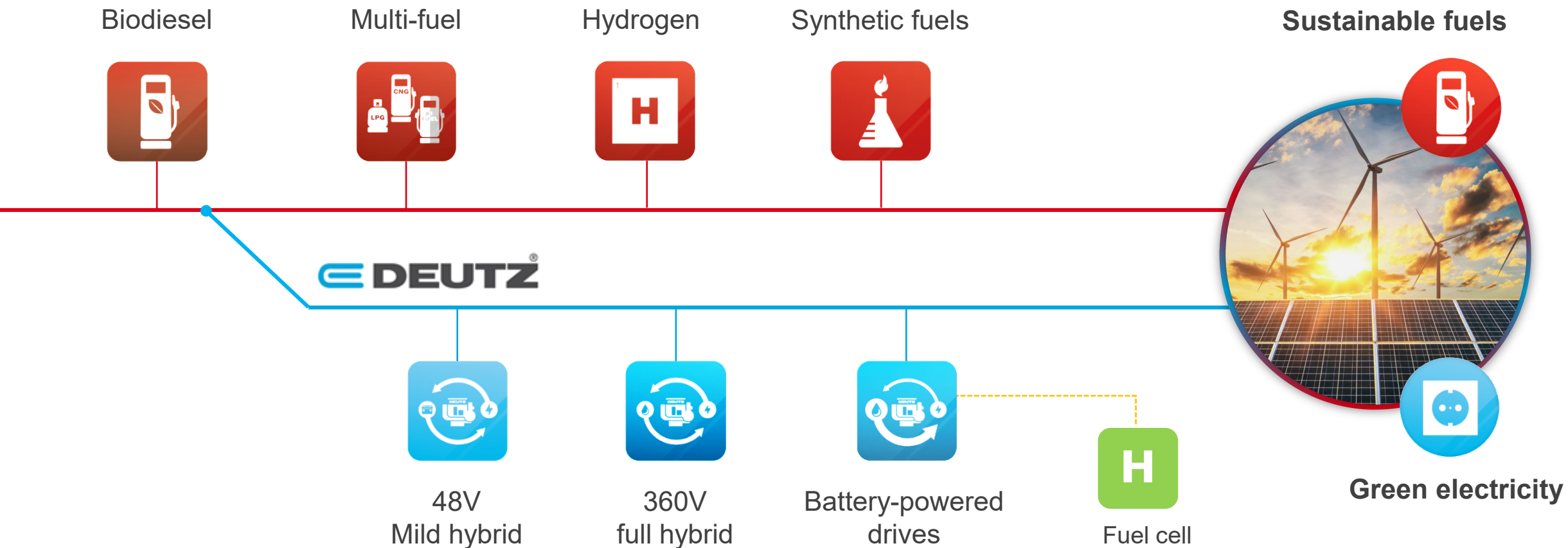


...meets a highly diversified customer base



Broad customer base with different power requirements

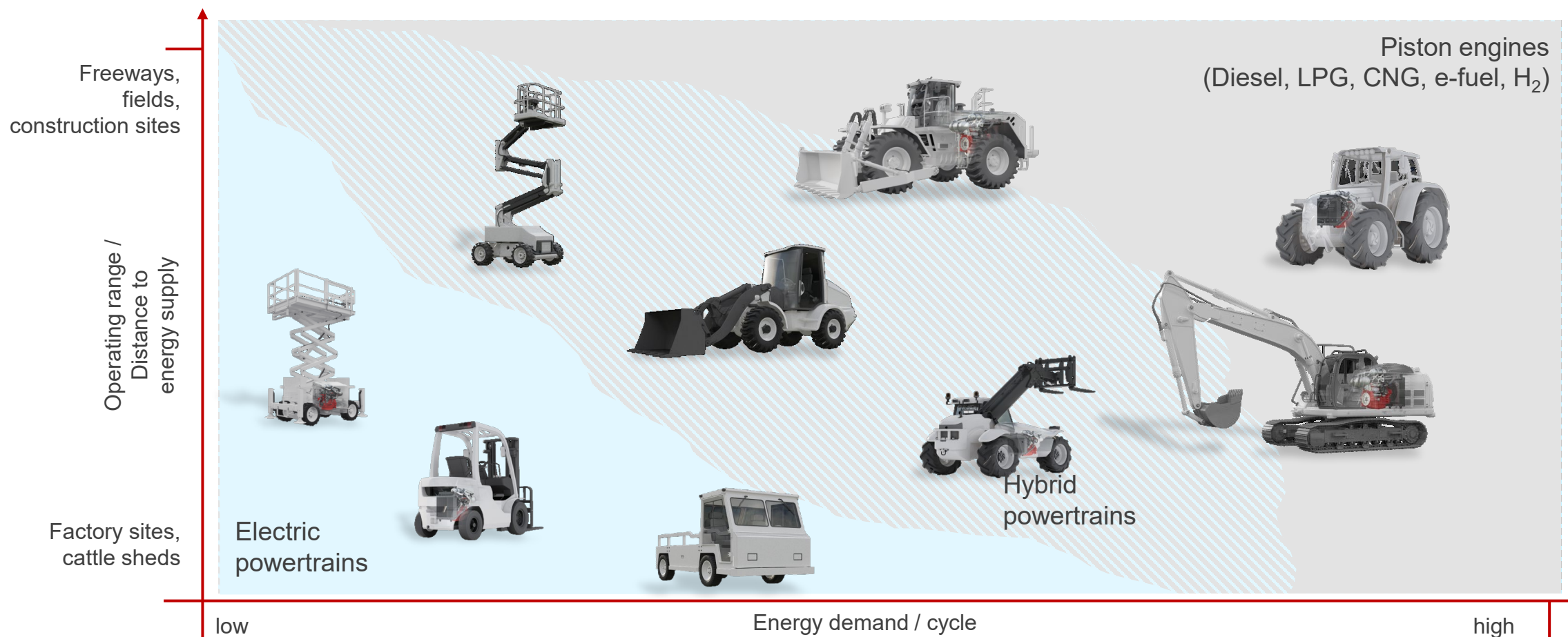
# Open-minded approach to technology



DEUTZ is tackling the challenges in off-highway applications by ensuring compatibility with different technologies



# Our goal: the optimal technology for each application



Competitive powertrains for all of our current off-highway markets



# Agenda

## Growth drivers

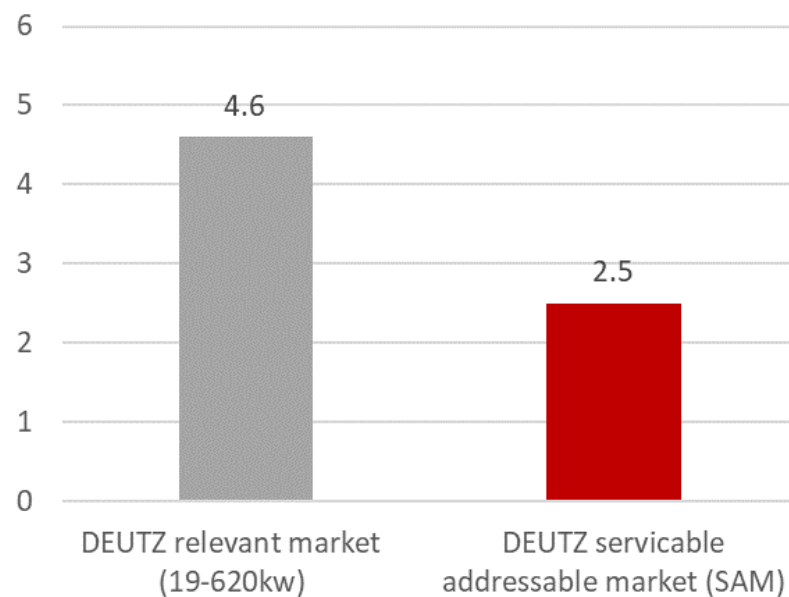


# Focus for growth: China



## Relevant off-highway market<sup>1</sup>

Units (millions)



## Serviceable addressable market, broken down by region<sup>1</sup>

**Americas**

15%

**EMEA**

29%

**Asia-Pacific**

56%

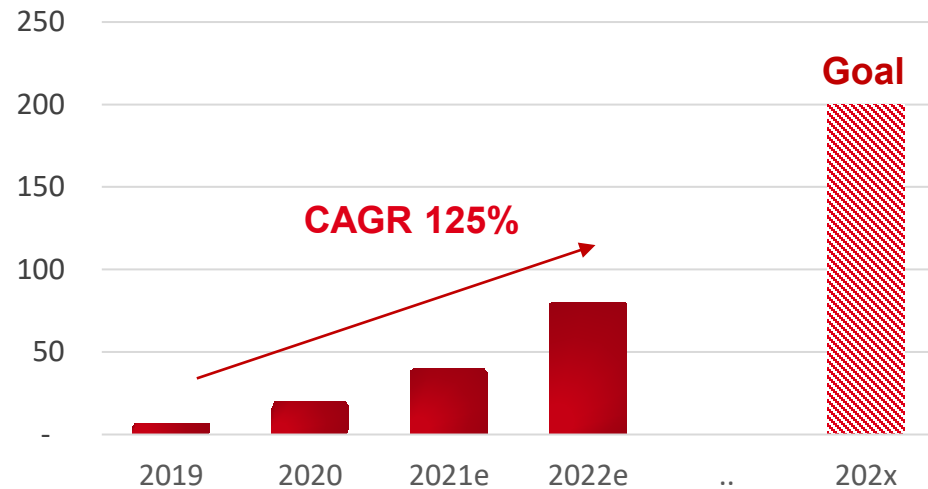
**China 39%**

**Markets relevant to DEUTZ: agriculture, construction, material handling, and stationary equipment**

# Ramp-up of capacity in China on track

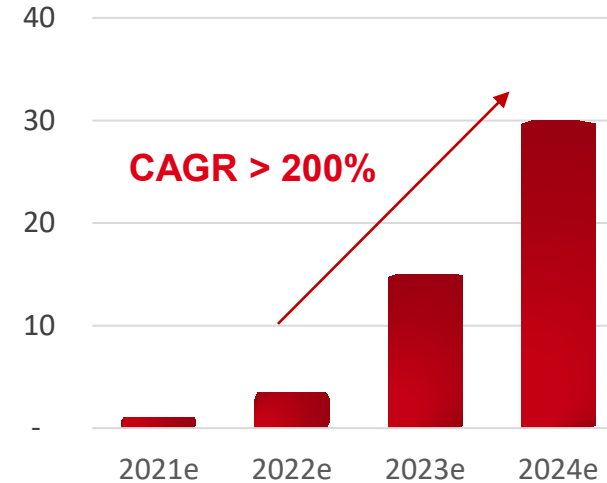
## DEUTZ Hunan (SANY JV) output planning

Units (thousands)

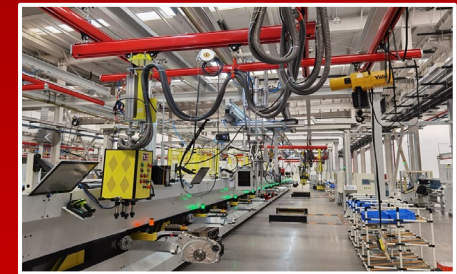


## DEUTZ Tianjin output planning

Units (thousands)



Our target for China:  
approx. **€800mn**  
revenue in 2022<sup>1</sup>



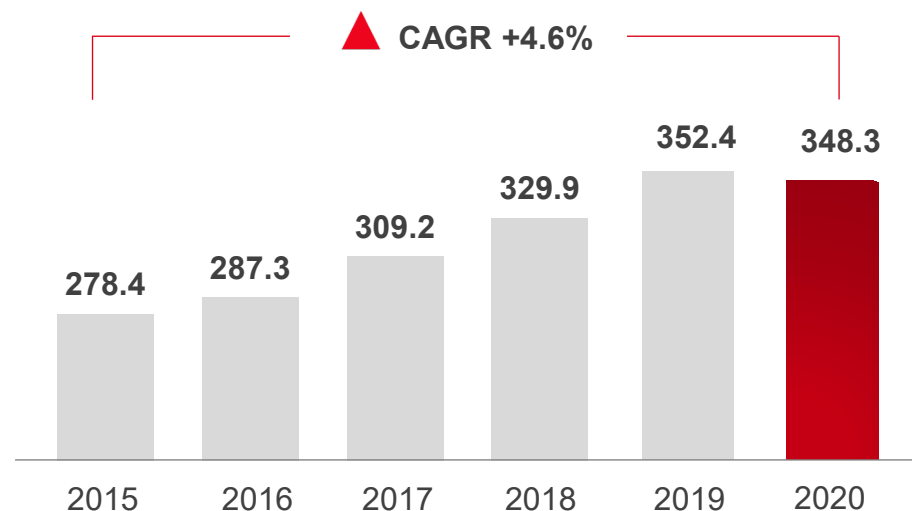
11 <sup>1</sup> The revenue target of approximately €800 million includes the revenue generated by the joint venture with SANY. Under the equity method, this revenue is not recognized in the consolidated financial statements.

# Ongoing expansion of the profitable service business

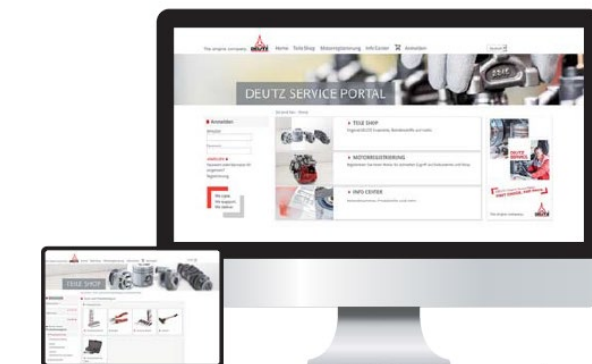


## Revenue from the service business

€ million



Our service target:  
approx. **€400mn**  
revenue in 2021



- **New distribution channels and expansion of existing network:** expansion of our own service centers, acquisition of DEUTZ Austria, Motorcenter Austria, Pro Motor Servis CZ in 2020
- **Digital services:** diagnostics and interpretation of errors, DEUTZ advanced service tool, digital service and repair checklist
- **New 'analog' service concepts and products:** expansion of Xchange, mobile service technicians, servicing and repair of non-DEUTZ engines, parts warranty, E-DEUTZ services



# Agenda

## Numbers



# Overview

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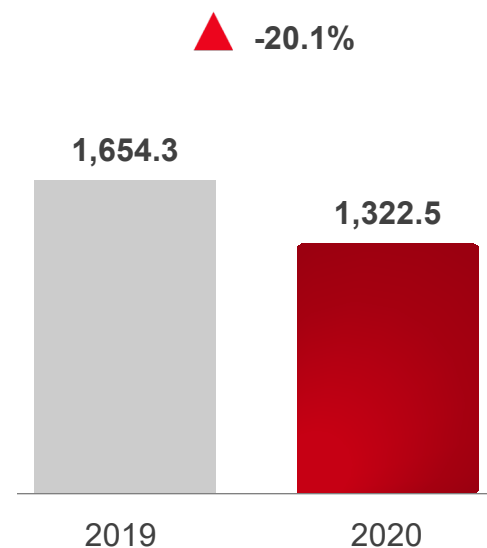
- Sharp decline in sales figures and EBIT before exceptional items in 2020 compared with 2019 due to coronavirus
- Noticeable upward trend in the market – significant improvement in business performance in the final quarter of 2020 compared with previous quarters
- Successful launch of the Transform for Growth efficiency program – restructuring costs totaling €31.9 million recognized as an exceptional item in 2020
- Focused implementation of the growth initiatives despite the coronavirus crisis
- Expansion of sustainability efforts
- Improved outlook for 2021

# Sales figures for 2020, yoy



## New orders

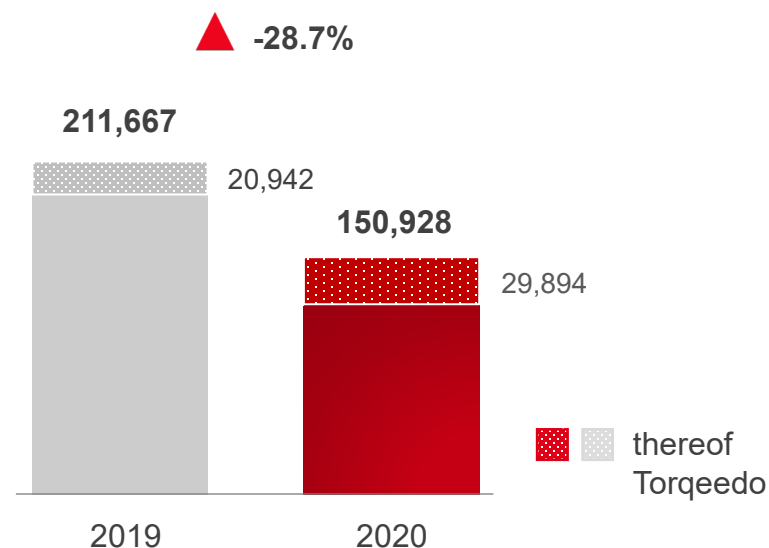
€ million



▲ Q4 vs Q3: +25.5%

## Unit sales

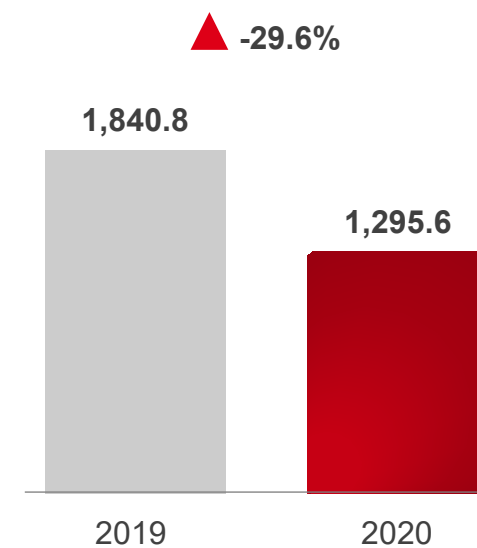
Units



▲ Q4 vs Q3: +22.1%

## Revenue

€ million



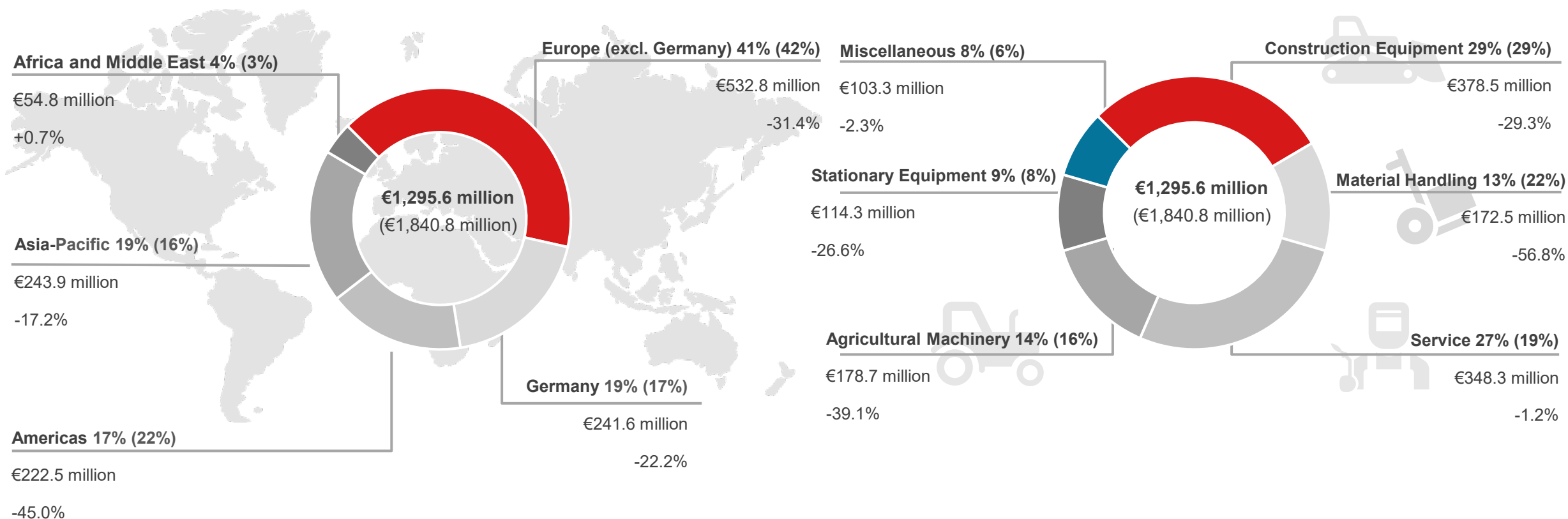
▲ Q4 vs Q3: +19.2%

- Huge fall in new orders due to the coronavirus crisis and the resulting reluctance to invest, and due to adverse effects relating to the advance production of engines
- Torqeedo's unit sales jumped by 43% compared with 2019, mainly due to ramp-up of smaller trolling motors
- Orders on hand of €269.0 million as at December 31, 2020 (December 31, 2019: €253.3 million)

# Coronavirus-related fall in revenue in all major regions and segments



2020 (2019)



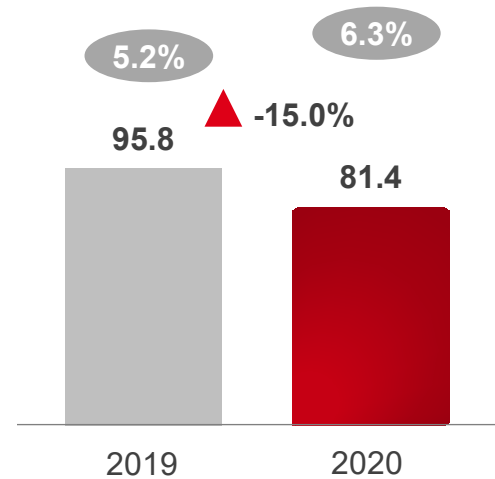
Disproportionately sharp decrease in the Americas due to a weak Material Handling application segment



# R&D: spending and capital expenditure

## R&D spending (after deducting grants)

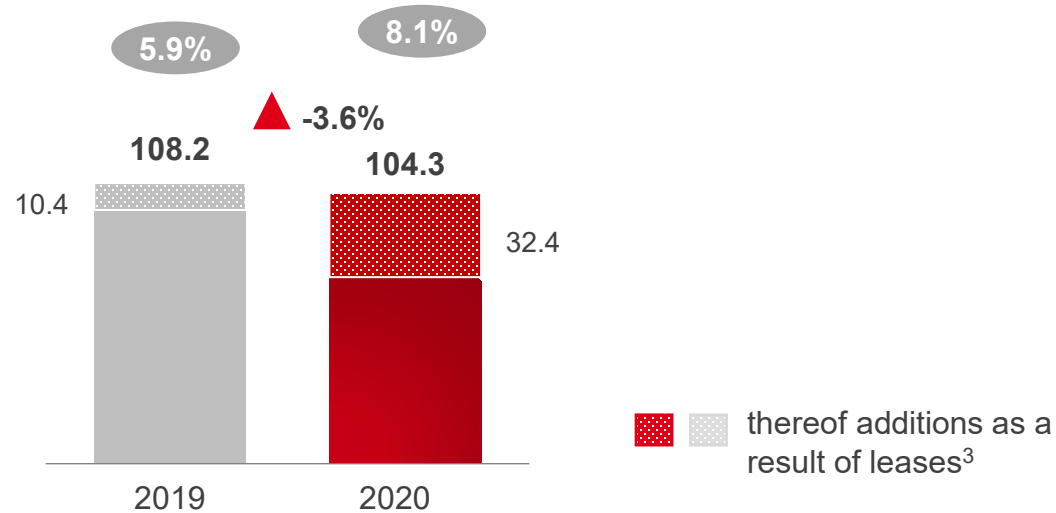
€ million



● R&D ratio<sup>1</sup>

## Capital expenditure (after deducting grants)<sup>2</sup>

€ million

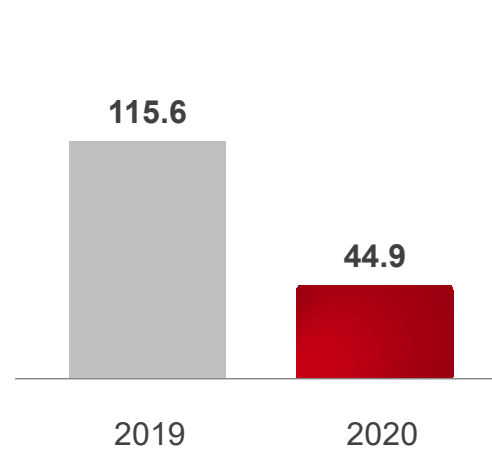


- Disproportionately strong rise in the R&D ratio caused by sharp fall in revenue
- Reduction in capital expenditure as a result of cost-cutting measures being implemented

# Cash flow from operating activities & working capital

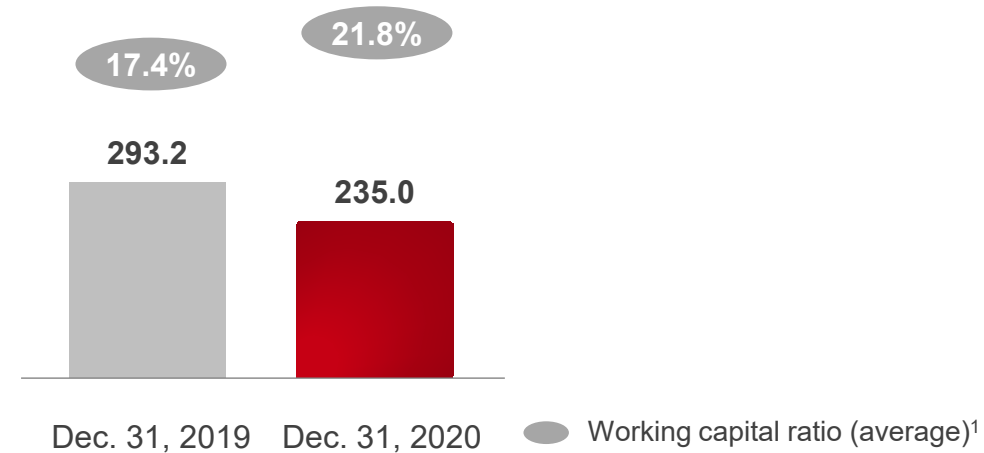
## Cash flow from operating activities

€ million



## Working capital

€ million

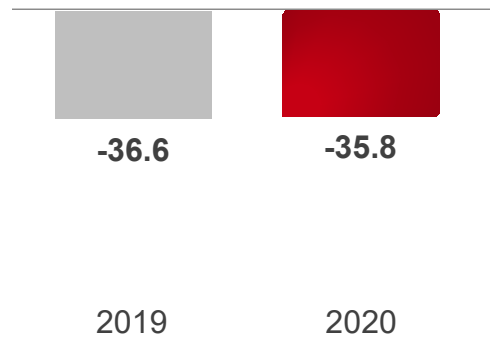


- Decrease in cash flow from operating activities caused by the sharp decline in operating profit as a result of coronavirus
- Significant reduction in working capital compared with the prior year, mainly due to the early adjustment of production and procurement activities and a further intensification of working capital management in response to the fall in demand resulting from coronavirus
- Increase in the working capital ratio due to the sharp fall in revenue

# Free cash flow and net financial position

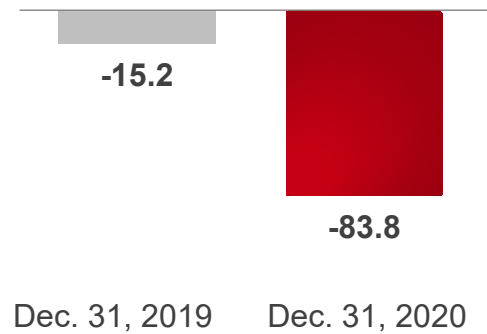
## Free cash flow<sup>1</sup>

€ million



## Net financial position

€ million

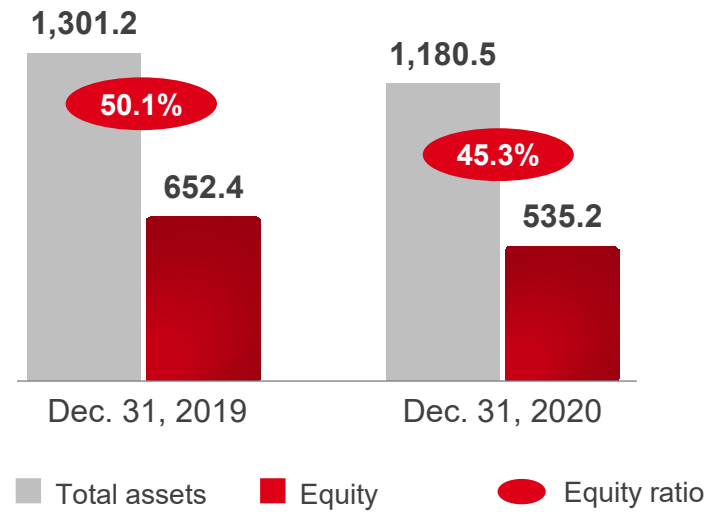


- Proactive management of capital expenditure and working capital clearly helped to offset the coronavirus-related decrease in cash flow from operating activities; reduction in investing activities compared with 2019
- In Q4 2020, free cash flow rose sharply to €43.0 million because of the higher volume of business, optimization of working capital, and the first positive effects from the efficiency program
- Deterioration in net financial position owing to the impact of the coronavirus crisis and a rise in lease liabilities to €58.0 million (December 31, 2019: €41.9 million)<sup>2</sup>

# Sufficient medium- and long-term funding options

## Equity ratio

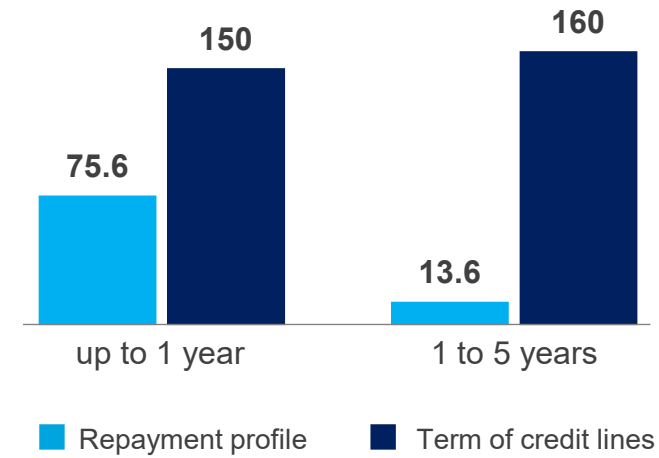
€ million



## Funding

€ million

Long-term bank loans and syndicated credit lines



- Syndicated credit lines totaling €310 million
  - €150 million maturing in November 2021, with an extension option (amount drawn down as at December 31, 2020: €0 million)
  - €160 million maturing in June 2024 (amount drawn down as at December 31, 2020: €65 million)



# Agenda

## Outlook



# Group guidance for 2021



	Actual 2020	Guidance for 2021
Unit sales	121,034 engines <sup>1</sup>	at least 130,000 engines <sup>1</sup>
Revenue	€1,295.6 million	at least €1.40 billion
EBIT margin (before exceptional items)	-5.8%	to at least break even
Free cash flow	minus €35.8 million	negative low- to mid-double-digit million euro amount <sup>2</sup>

- Difficulties with the supply of some components will have an adverse impact in the first half of the year and possibly longer
- Positive exceptional item from payment of the final installment of the purchase price for the sale of the Cologne-Deutz site, which is expected to be made in 2021<sup>2</sup>

## Medium-term targets for 2023/2024



- Technology-neutral approach to development of the product portfolio and expansion of the high-margin service business
- Implementation of regional growth initiatives
- Systematic implementation of the Transform for Growth efficiency program, with targeted gross cost savings of €100 million p.a. from the end of 2022
  - Adjustment of staff costs and operating costs
  - Optimization of the global production network
  - Reduction of complexity

Our targets for 2023/2024:

**> €2 billion**  
revenue

**7–8%**  
EBIT margin  
before exceptional items



**DEUTZ has taken the steps that are needed for sustained profitable growth**

Thank you for  
your attention!



# Financial calendar and contact details



## Financial calendar

2021

Annual General Meeting (virtual)	April 29
Quarterly statement for Q1 2021	May 6
Interim report for H1 2021	August 12
Quarterly statement for Q3 2021	November 10

## Contact

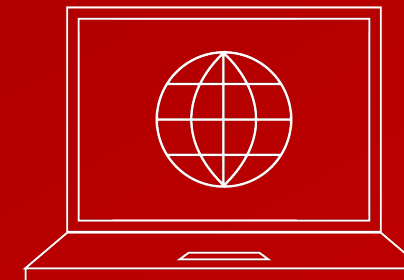
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## DEUTZ online annual report for 2020

Including a KPI tool and interactive features:

<https://annualreport.deutz.com/2020>



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