The engine company. DEUTZ

PRESS RELEASE

Jump in profits for DEUTZ in the first half of 2023

- Adjusted EBIT rises by almost 50 percent to €62.5 million
- Revenue increases by 10.0 percent to €1.02 billion
- At €0.99 billion, new orders are down slightly compared with the high level in the prior-year period
- DEUTZ confirms it is likely to reach the upper end of the forecast ranges for 2023

Cologne, August 10, 2023 – DEUTZ maintained its growth trajectory in the first half of the year, with revenue rising by 10.0 percent year on year to reach €1,023.5 million. The drive manufacturer’s profitability also improved significantly, as can be seen from the increase in the EBIT margin before exceptional items from 4.6 percent to 6.1 percent. In view of this positive business performance, the Company confirms that its full-year results for 2023 are likely to be at the upper end of the forecast ranges published in March.

“Our results for the first six months of this year show that we are now operating much more profitably. This is hugely important to us because it is helping us to forge ahead with our Dual+ strategy and thus achieve our overarching strategic objectives,” says DEUTZ CEO Dr. Sebastian C. Schulte. “Underpinned by the improving performance of our Classic business in combination with the ongoing expansion of our service business and the shift toward alternative drives that is now under way, we are excellently positioned to continue on our long-term growth trajectory.”

Whereas DEUTZ registered sharp rises in revenue and earnings in the first half of 2023, new orders were down by 8.0 percent compared with the very high level recorded in the prior-year period. The latter was predominantly attributable to the Asia-Pacific region, where signs of saturation in the Chinese market and, in particular, high inventory levels at construction equipment manufacturers in China led to declining demand.

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Sitz und Registergericht / Domicile and Register Court: Köln / Cologne
Nr. des Handelsregisters / Commercial Register No.: 42 HRB 281
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“Our performance initiatives are not only boosting our earnings but also having a positive impact on our cash flow,” adds DEUTZ CFO Timo Krutoff, commenting on the Group’s financial position. “Cash flow from operating activities more than tripled compared with the first half of 2022, and our free cash flow improved by €33 million to €8.3 million.”

As well as its operational success, DEUTZ made further progress with implementing its Dual+ strategy, especially the global expansion of the service and parts business. Firstly, DEUTZ began the process of acquiring its long-standing service partner M. Hochschild S.A., based in Santiago, Chile, in the reporting period. The transaction was completed at the end of July. Secondly, DEUTZ signed an agreement in July concerning the acquisition of another service partner, the Diesel Motor Nordic Group, which is headquartered in Järfälla, Sweden. The transaction is expected to be completed at the start of the fourth quarter. As well as strengthening DEUTZ’s regional service networks in South America and northern Europe, these acquisitions will expand business involving the servicing of competitors’ engines. The two acquisitions should together contribute a total of around €25 million[1] to annual consolidated revenue. In the Green segment, DEUTZ signed a letter of intent for a small-scale production run of hydrogen-powered gensets in the second quarter. Then in mid-July, DEUTZ took a big step toward volume production of hydrogen engines when it chose automotive supplier MAHLE to supply hydrogen engine components. DEUTZ intends to start full production of hydrogen engines for stationary applications in 2024.

The Group’s key figures for the first half of 2023 in detail

New orders received by the DEUTZ Group in the first six months of 2023 amounted to €991.7 million, which was down by 8.0 percent compared with the prior-year period. From a regional perspective, this was due to the sharp fall in orders in the Asia-Pacific region. By contrast, new orders declined in the EMEA region only slightly and the Americas region recorded a significant increase. At application segment level, new orders went up year on year in the service business and the Miscellaneous application segment but went down in the other application segments.

[1] Additional consolidated revenue.

Orders on hand stood at €739.8 million as at June 30, 2023 (June 30, 2022: €768.9 million), which should provide stability for the business in the months ahead. Within the total figure, the orders on hand attributable to the service business amounted to €47.9 million (June 30, 2022: €36.6 million).

Unit sales of DEUTZ engines[2] stood at 91,451 in the first half of 2023, a year-on-year rise of 1.1 percent. By contrast, the Group's total unit sales decreased by 1.3 percent to 107,345 units compared with the first six months of 2022 owing to the sharp fall at DEUTZ subsidiary Torqeedo[3].

At regional level, unit sales edged up in the EMEA and Asia-Pacific regions but declined year on year in the Americas, mainly owing to the aforementioned reduction in unit sales of electric boat drives. From an application segment perspective, the decrease in unit sales was attributable to the Miscellaneous, Agricultural Machinery, and Construction Equipment application segments.

DEUTZ generated revenue of €1,023.5 million in the reporting period, an increase of 10.0 percent that was driven by all regions and application segments. The much faster rise in revenue than in unit sales was primarily due to market-oriented pricing in the Classic segment and positive product mix effects.

Strong improvement in profitability

EBIT before exceptional items (adjusted EBIT) improved markedly in the first half of 2023, advancing from €42.6 million in the prior-year period to €62.5 million. This increase was due to the higher volume of business combined with economies of scale and, in particular, positive price and product mix effects in the engine and service business. However, the Group's adjusted EBIT was once again squeezed by the loss reported by DEUTZ subsidiary Torqeedo, which has not yet managed to break even. The **EBIT margin before exceptional items** also made a strong year-on-year improvement, from 4.6 percent to 6.1 percent.

[2] Excluding electric boat drives from DEUTZ subsidiary Torqeedo.
[3] H1 2023: 15,894 electric units; H1 2022: 18,279 electric units.

Taking account of exceptional items amounting to an expense of €0.7 million, **EBIT** for the period under review amounted to €61.8 million (H1 2022: €35.5 million[4]). The **EBIT margin** came to 6.0 percent (H1 2022: 3.8 percent).

The improvement in adjusted EBIT meant that the Company's **net income** came to €44.3 million, compared with €28.0 million in the prior-year period. As a result, **earnings per share** rose from €0.23 to €0.36.

Financial position remains comfortable

Cash flow from operating activities increased to €48.9 million in the period under review (H1 2022: €14.6 million), primarily thanks to the improved earnings performance. This meant that **free cash flow** amounted to €8.3 million, an improvement of €33.0 million compared with the first half of 2022.

The **equity ratio** stood at 44.6 percent at the end of June. The DEUTZ Group's financial position therefore remains comfortable.

Full-year guidance for 2023 confirmed

Back in April, DEUTZ refined the guidance that it had published in mid-March. It expects its full-year results for 2023 to be at the upper end of the original forecast ranges. In view of its positive business performance in the second quarter, DEUTZ confirms its refined guidance. The Company therefore continues to anticipate unit sales of around 195,000 DEUTZ engines[5] in 2023, an accompanying rise in revenue to around €2.1 billion, and an adjusted EBIT margin of approximately 5.0 percent. Free cash flow before mergers and acquisitions is still predicted to be in the mid-double-digit millions of euros.

[4] The exceptional items in the first half of 2022 amounting to an expense of €7.1 million had resulted from the recognition of provisions following several changes at senior management level.

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

DEUTZ Group: Overview of key figures

€ million	H1 2023	H1 2022	Change
New orders	991.7	1,077.6	-8.0 %
Group unit sales (units)	107,345	108,741	-1.3 %
thereof DEUTZ engines	91,451	90,462	1.1 %
thereof Torqeedo	15,894	18,279	-13.0 %
Revenue	1,023.5	930.4	10.0 %
EBIT	61.8	35.5	74.1 %
thereof exceptional items	-0.7	-7.1	-90.1 %
Adjusted EBIT (EBIT before exceptional items)	62.5	42.6	46.7 %
EBIT margin	6.0 %	3.8 %	+2.2 pp
EBIT margin before exceptional items	6.1 %	4.6 %	+1.5 pp
Net income	44.3	28.0	58.2 %
Net income before exceptional items	44.9	34.0	32.1 %
Earnings per share (€)	0.36	0.23	56.5 %
Earnings per share before exceptional items (€)	0.36	0.28	28.6 %
Equity (Jun. 30/Dec. 31)	712.3	668.8	6.5 %
Equity ratio	44.6 %	45.3 %	-0.7 pp
Cash flow from operating activities	48.9	14.6	234.9 %
Free cash flow	8.3	-24.7	–
Net financial position (Jun. 30/Dec. 31)	-181.4	-164.2	-10.5 %
Employees[6] (Jun. 30)	5,147	4,946	4.1 %

[6] Number of employees expressed in FTEs (full-time equivalents), incl. trainees; excl. temporary workers.

DEUTZ Classic segment: Overview of key figures

€ million	**H1 2023**	**H1 2022**	**Change**
New orders	**964.2**	1,050.6	-8.2 %
Unit sales (units)	**91,424**	90,459	1.1 %
Revenue	**997.0**	900.1	10.8 %
Adjusted EBIT	**86.7**	61.3	41.4 %
Adjusted EBIT margin	**8.7 %**	6.8 %	+1.9 pp

DEUTZ Green segment: Overview of key figures

€ million	**H1 2023**	**H1 2022**	**Change**
New orders	**27.5**	27.0	1.9 %
Unit sales[7] (units)	**15,921**	18,282	-12.9 %
Revenue	**26.5**	30.3	-12.5 %
Adjusted EBIT	**-24.4**	-18.1	-34.8 %
Adjusted EBIT margin	**-92.1 %**	-59.7 %	-32.4 pp

The interim report for the first half of 2023 is available at www.deutz.com/investor-relations.

[7] Torqeedo boat drives and other electric drives, hybrid-electric drives, hydrogen drives, battery systems with a motor, DEUTZ PowerTree. From 2023, Torqeedo's unit sales also include battery systems (H1 2023: 2,686 units). The figure for the prior-year period has not been retrospectively adjusted.

Upcoming financial dates

September 12, 2023: Capital Markets Day, Cologne, Germany

November 9, 2023: Quarterly statement for the first to third quarter of 2023

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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 drive solutions in the power range up to 620 kW for off-highway applications. The current portfolio extends from diesel, gas, and hydrogen engines to hybrid and all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. DEUTZ has around 5,000 employees worldwide and almost 900 sales and service partners in more than 130 countries. It generated revenue of more than €1.9 billion in 2022. Further information is available at www.deutz.com.