



moving value

DEUTZ CAPITAL MARKETS DAY 2023

Update on
our strategy and transformation

September 12, 2023 | Cologne

**moving
value**

DEUTZ CAPITAL MARKETS DAY 2023

Today's agenda



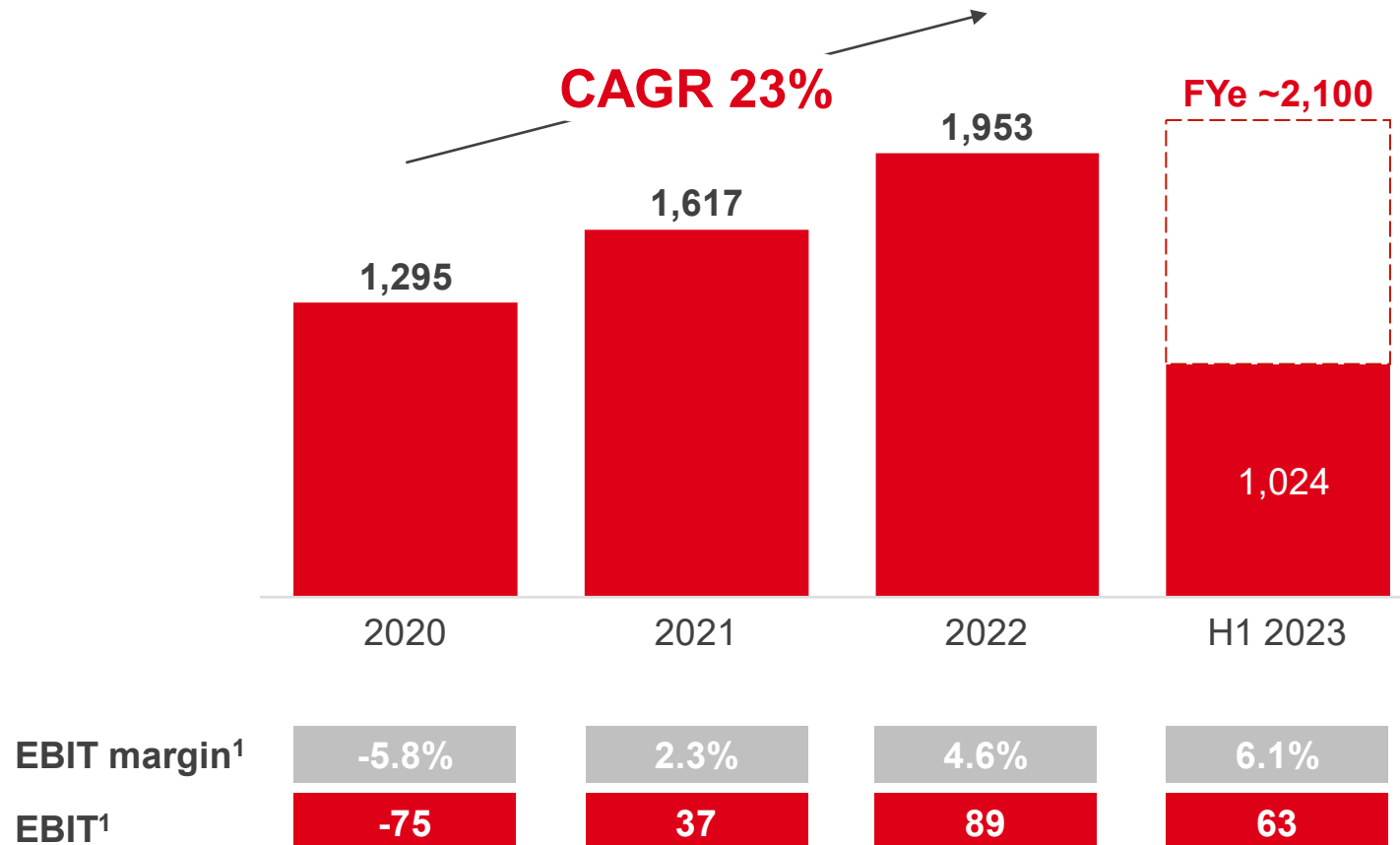
from 09:30	Registration & welcome coffee	
10:00	Official welcome	Christian Ludwig
10:05	Our DUAL+ strategy	Sebastian Schulte CEO
10:50	Coffee break	
11:10	Deep dive CLASSIC: Driving performance	Petra Mayer COO
11:30	Deep dive SERVICE & GREEN	Markus Müller CSO/CTO
11:50	CFO Perspective	Timo Krutoff CFO
12:10	Q&A	
12:40	Lunch	
13:30-16:00	CLASSIC: Shopfloor tour	Investor Relations
	CLASSIC: New engine concepts	
	GREEN: Hydrogen / Hydrogen test bench	
	GREEN: Test drive & machines in action	
	SERVICE: Telematics / Talpa Solutions	
16:00	Official ending / Farewell	

Our DUAL+ strategy

Sebastian C. Schulte | CEO

Track record: Top and bottom-line performance strongly improved

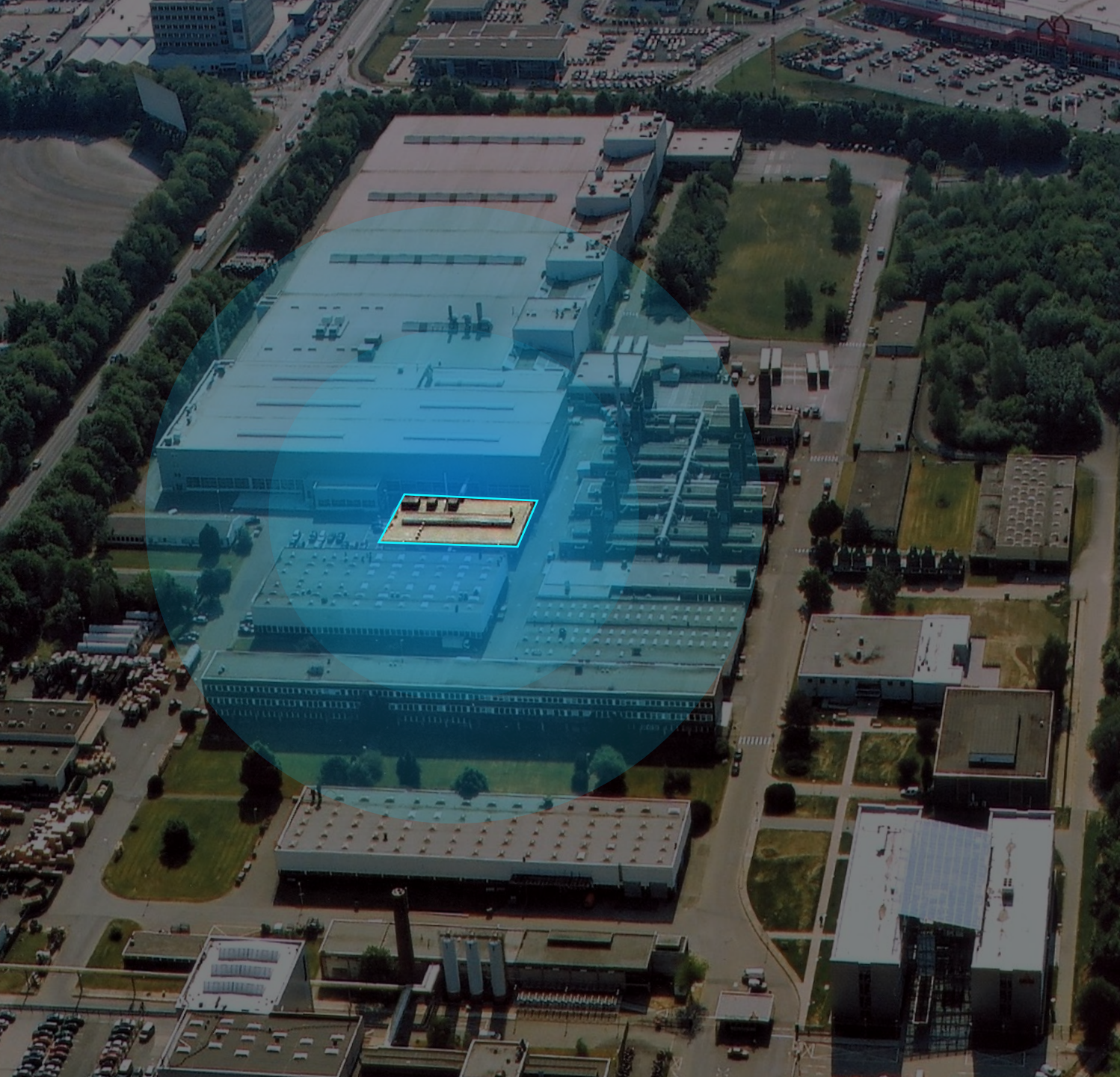
Top & bottom-line development in EUR million



- **Strong recovery** from “double dip” (Covid & Ukraine)
- **Doubling of margins 2021 to 2022** despite inflation pressures
- **Kept our performance promises**
 - Guidance 2021 – met
 - Guidance 2022 – met
 - Guidance 2023 – on track



4 1 Before exceptional items.



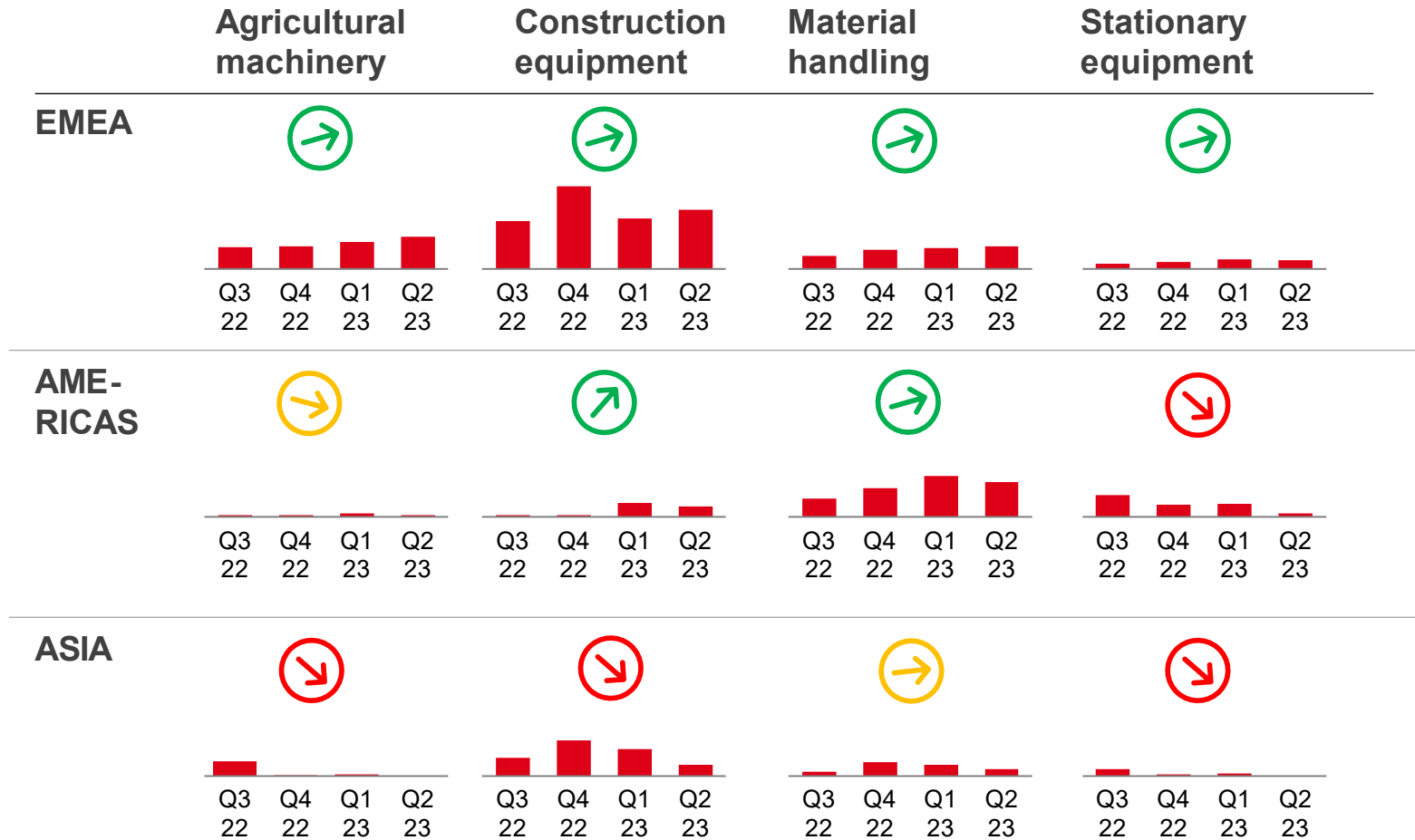
Welcome to our
Innovation Center
in Porz



Stable order intake outlook for H2 2023

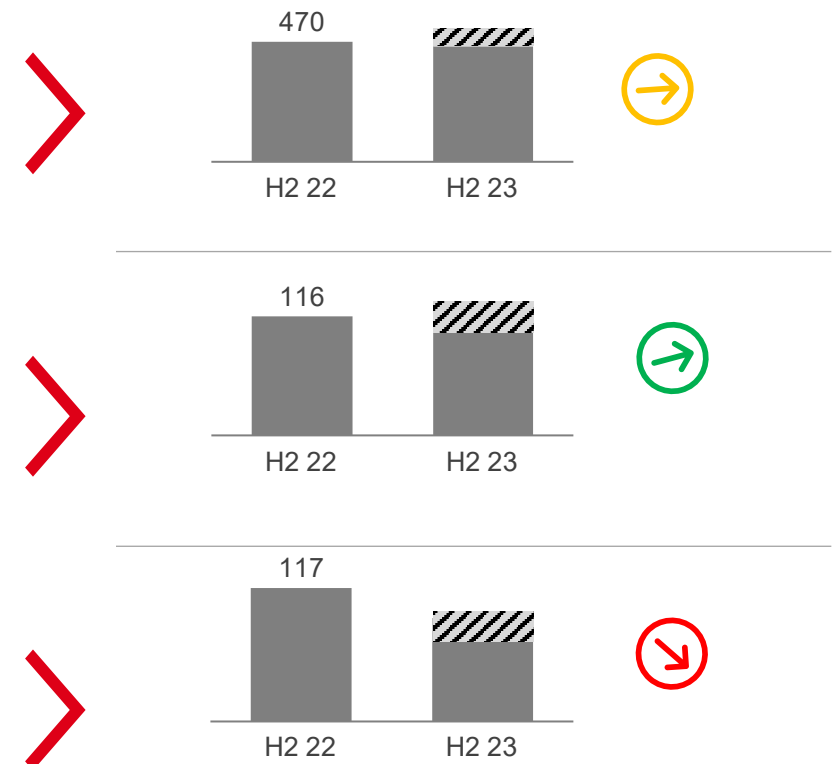
Order intake development by region & segment

in EUR million



Order intake outlook H2 2023

in EUR million

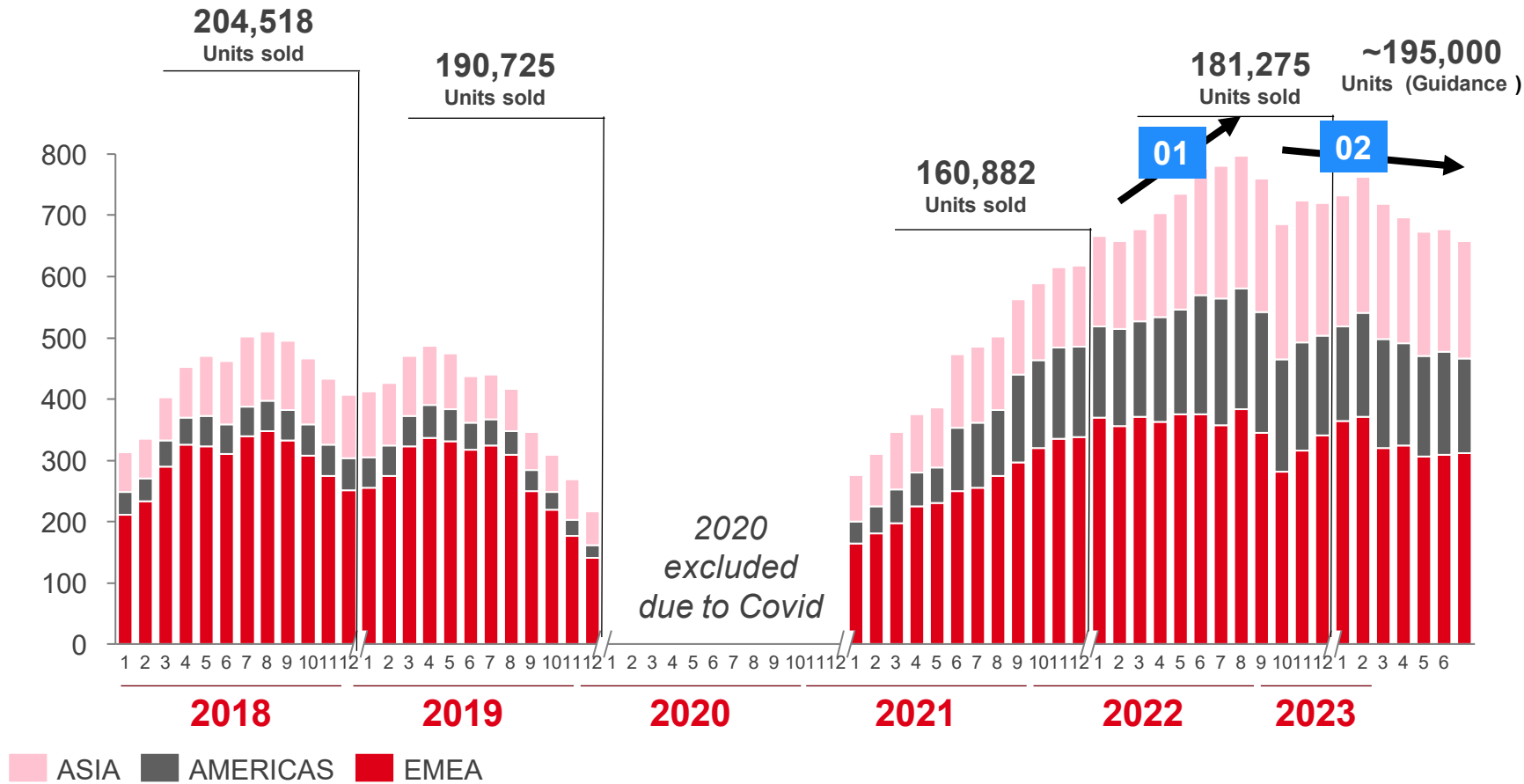


Order backlog on healthy level – considering order behaviour changes



Development of order backlog – pre and post Covid

in EUR million



01

Customers increased orders in order to secure units in times of constrained capacities

02

Stable backlog despite Asia headwinds driven by EMEA and Americas

Our value proposition going forward



Ambition

Become top 3 independent engine producer by 2030 with comprehensive on-highway and off-highway offering and adjacent markets

Investment for climate neutrality by 2050

Transform portfolio and help customers to achieve their climate goals for a CO₂-neutral economy

Cross-financing

Leverage strength in diesel engine business and grow service to finance transition to green

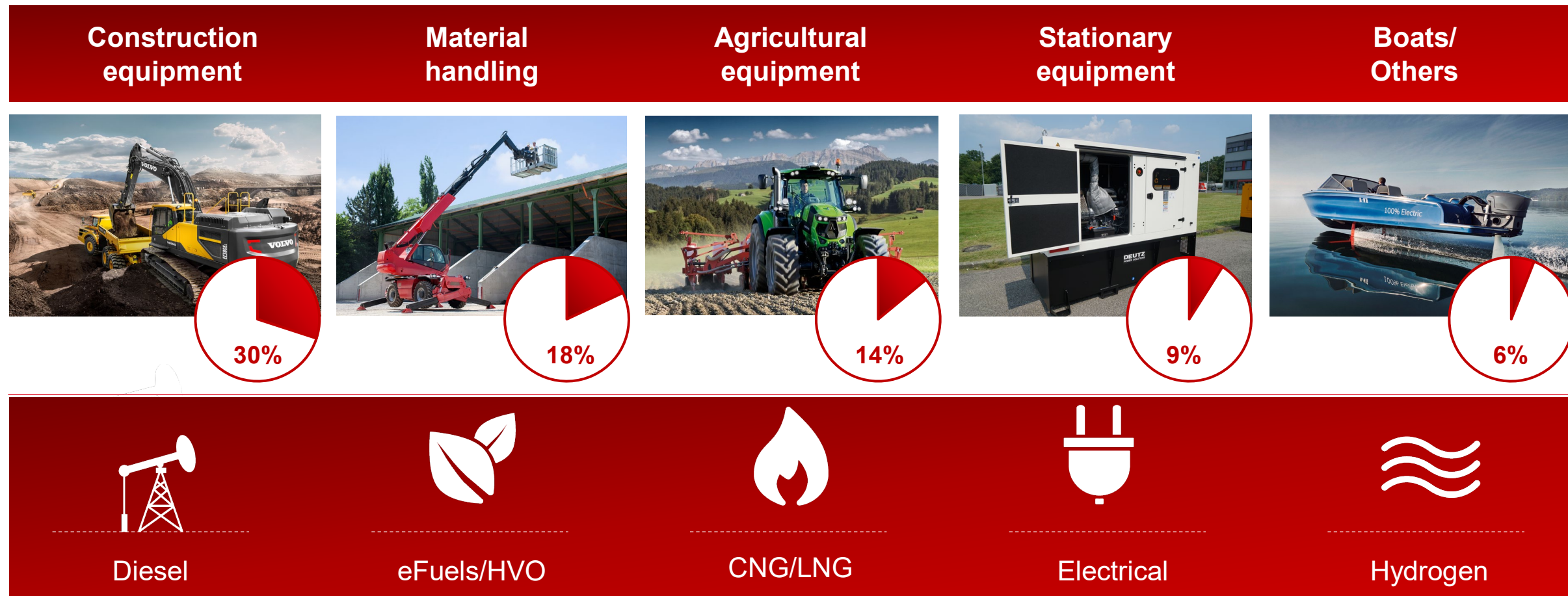
Profitable growth

Focus on performance & efficiency

Value play

Ensure sustainable dividend in transformation

We ensure the world keeps moving



We will strengthen our right to play in our markets



Key developments



Urbanization & population growth

World population peaking at **10bn in 2080**



Climate protection & changing energy mix

50% renewable energy **by 2050**



E-Commerce & digitalization

CAGR of 7.5% in material handling **2021 – 2030**

Opportunities for DEUTZ

- Increasing need for efficient farming – using **agricultural equipment**
- Continued **construction demand** (developing & developed world, e.g., changing urban infrastructure)
- **Increasing mobility need** on- and off-highway



- **Innovation opportunity** with high growth in new drive systems (electric, hydrogen) – partially driven by local regulatory environment
- **Need for alternative energy supply**, e.g., GenSets, microgrids, reFuels



- **Higher need for material handling**
- **Shorter, more localized supply chains**
- **Innovation opportunity** in adjacent ecosystems



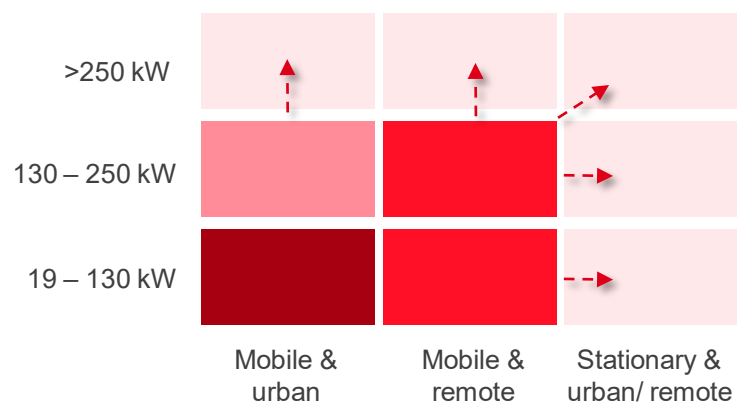
We expect our relevant customer markets to grow slightly above GDP 2023 – 2030

Technology paths yield significant potential for DEUTZ



Current portfolio: focus on lower power ranges

Current customer power range requirements

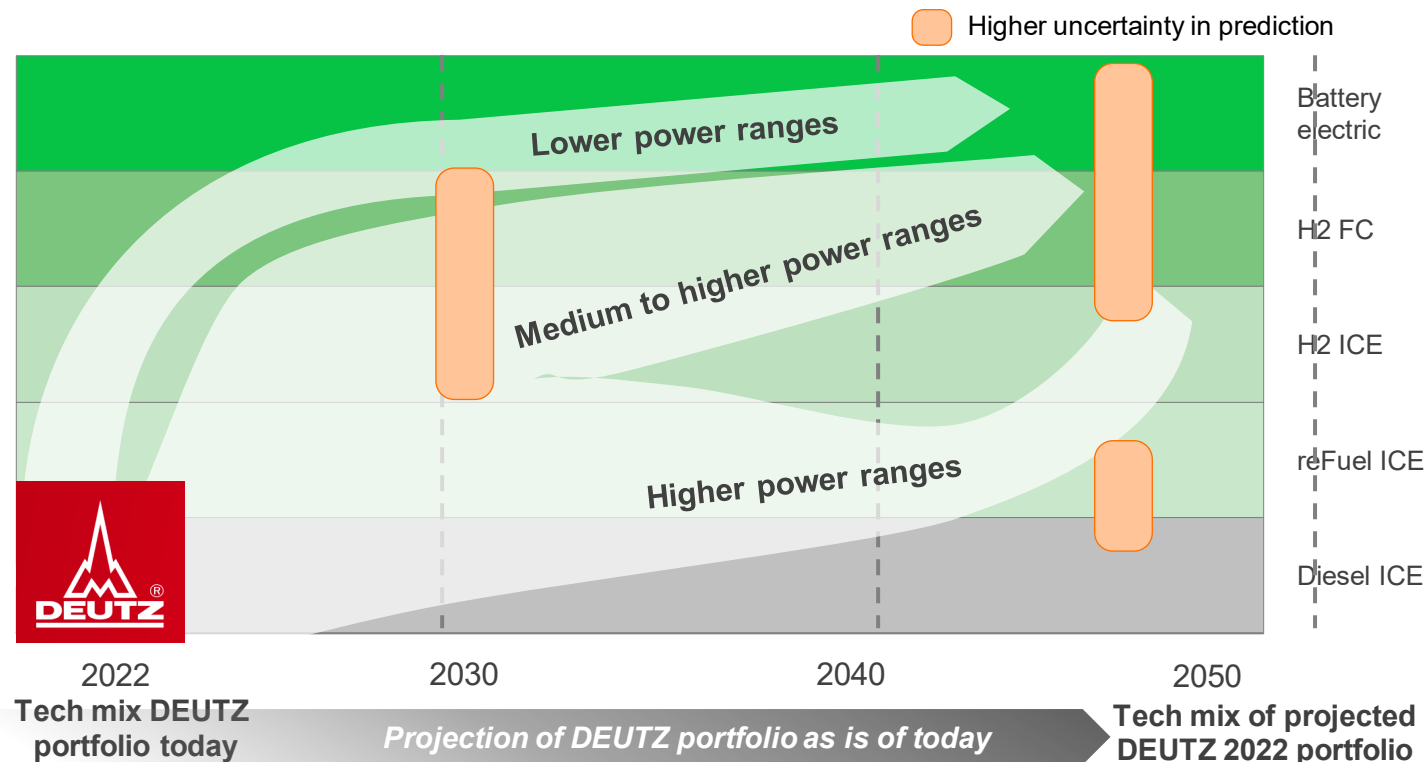


Current customer application infrastructure needs

Unit share in current DEUTZ portfolio



Technology trajectories (illustrative, scenario)



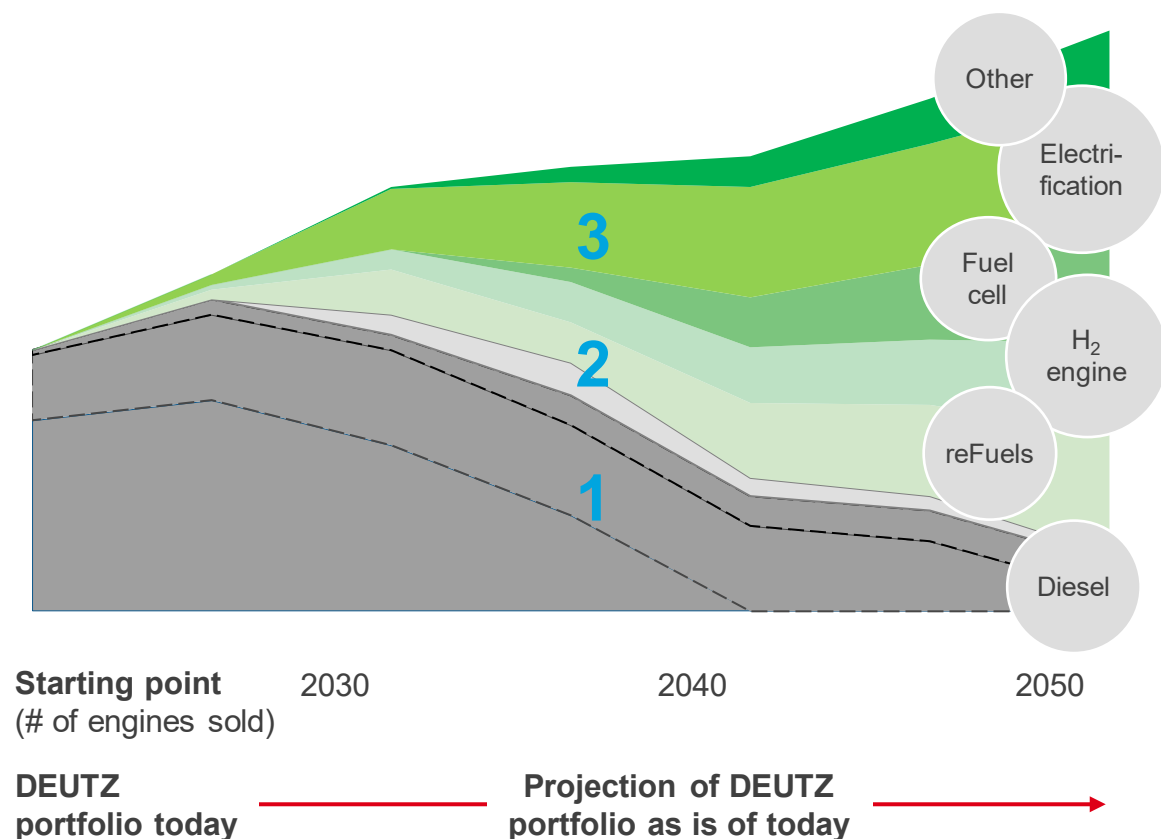
High potential in diversifying portfolio into various technologies – higher power ranges & application fields

We will transform our portfolio significantly over the next years



Technology trajectories in DEUTZ portfolio

(illustrative, scenario)



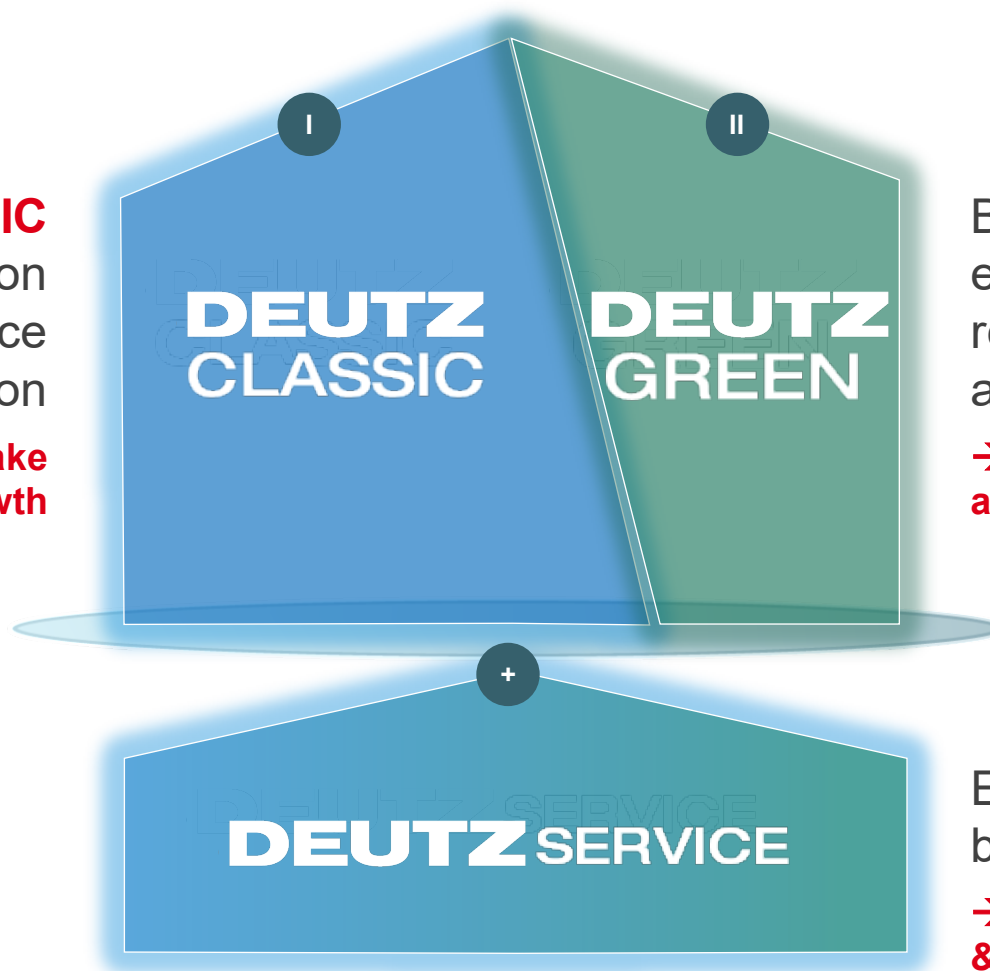
- 1 Active consolidation with combustion engine technology –**
relevant for the next 10 – 20 years at least
 - 2 Relevant role for decarbonization of combustion engines (reFuels & H₂)**
where we can leverage our strong ICE capabilities
 - 3 Need for electrical drive system offering**
given fast scale-up in key customer markets
- + Adjacencies**
Ability to capture additional value by serving customer ecosystems – esp. in emerging green tech fields; e.g., H₂, electrification, reFuels

Our DUAL+ strategy



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

→ margin uptake & inorganic growth



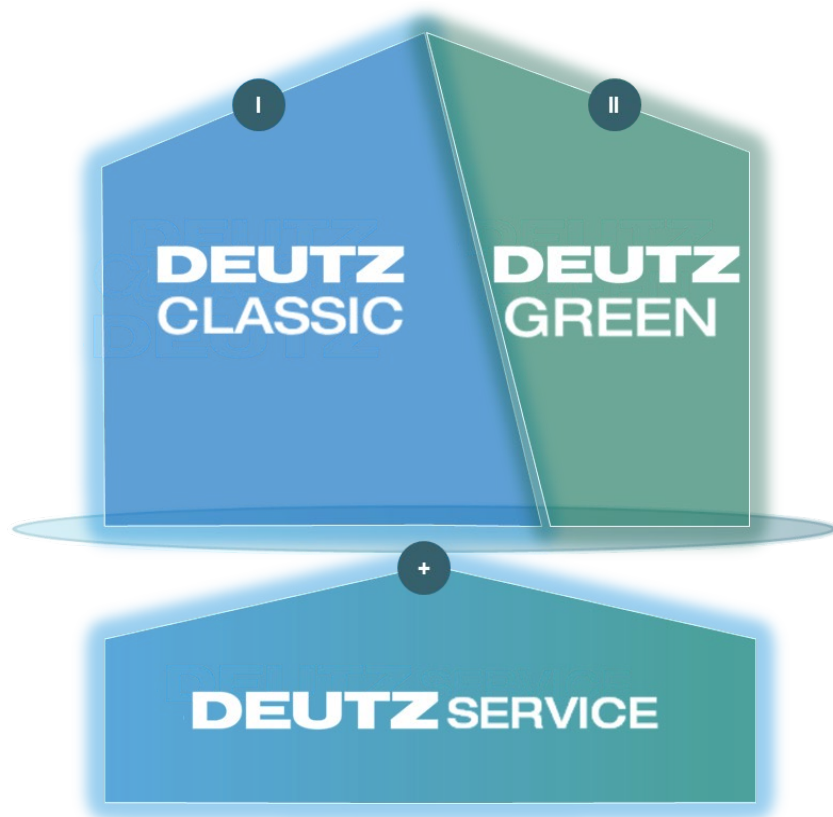
Build a **GREEN** ecosystem with relevant products and technologies

→ investment, growth and long-term viability

Expand profitable **SERVICE** business around the world

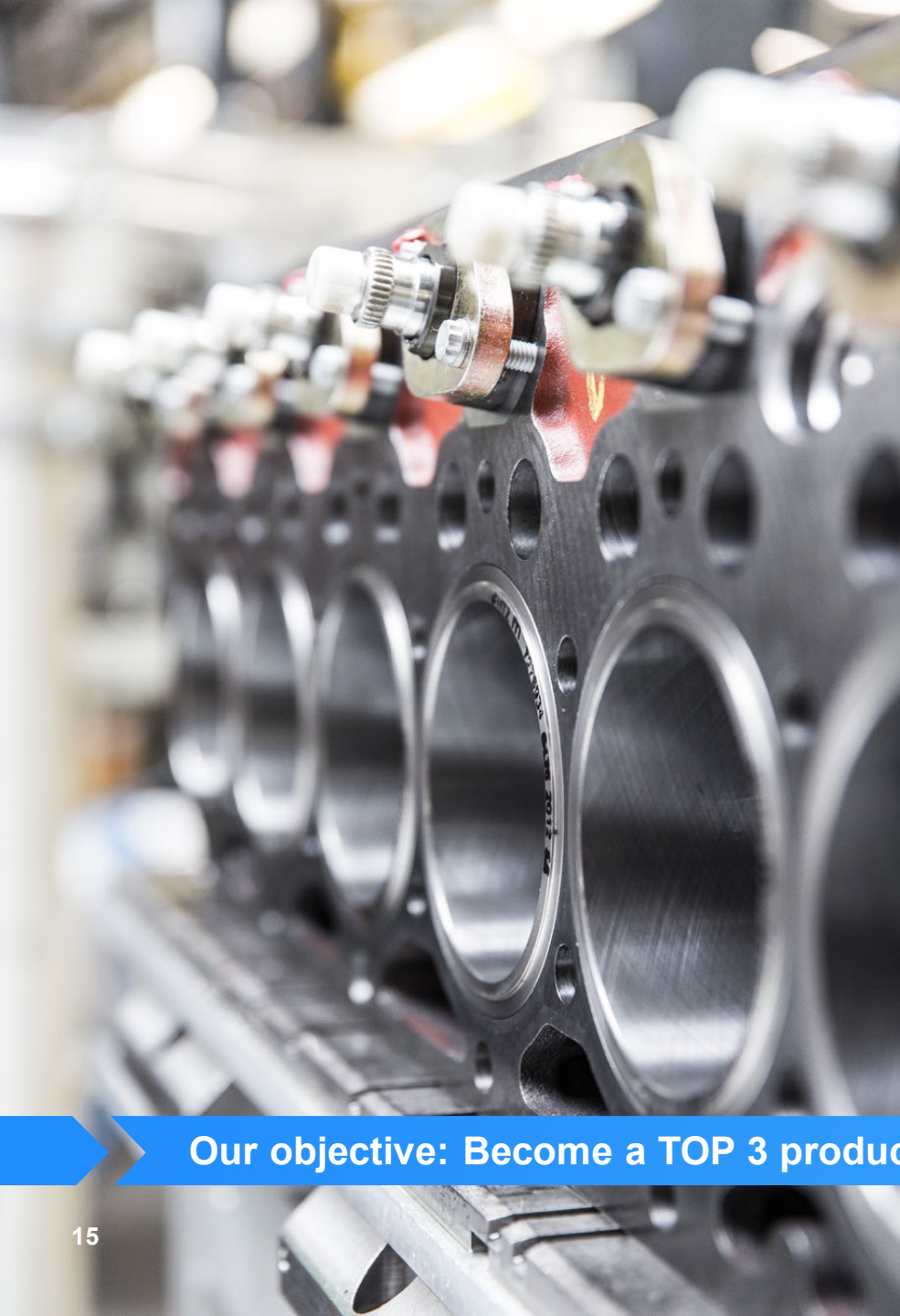
→ profitability with organic & inorganic growth

Our DUAL+ strategy reflects our value play



- **SERVICE** expansion leading to **P&L uplift** with quick return on investment for service M&A
- **Growing SERVICE** business helps to finance
 - **Consolidation in CLASSIC** business
 - **Investments in GREEN** (organic & inorganic)
- Profitable, consolidated business **contributing to green investments mid-term**

Cross-financing strategy of DUAL+ to ensure “profitable” transformation



CLASSIC: Objectives and approach



Consolidate & grow

Actively exploit the opportunities presented by a consolidating market: as some players leave the market, we will focus on targeted acquisitions and takeovers in order to continue our growth (sunset play).

Improve performance

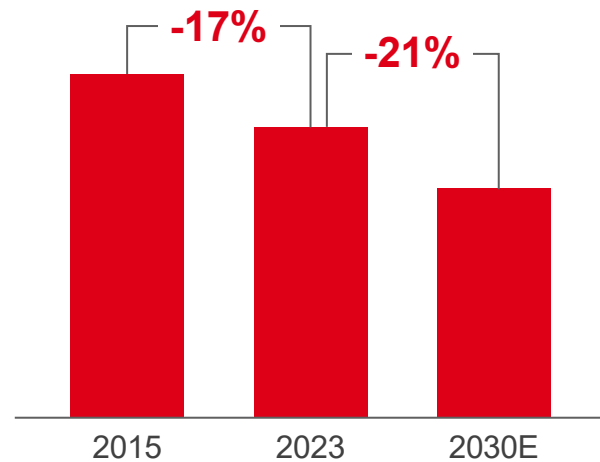
Boost our performance significantly, by making more efficient use of existing capacities, simplifying our internal processes and optimizing our portfolio – **and thereby improving financial performance.**

Our objective: Become a TOP 3 producer of non-captive combustion engines by 2030

We expect consolidation in the CLASSIC engine market

Consolidation already visible in on-highway market

Decreasing engine platforms¹



OEMs/OESs divest to re-focus

More & more OEMs/suppliers **outsourcing ICE engines** as volumes decrease to focus R&D, production resources and capability building on new technologies, e.g., **Renault** outsourcing ICE production to JV with **Geely**



- **Similar but slightly delayed trend in off-highway**, first examples e.g., Daimler/Volvo partly outsourcing their ICE engine production
- **Benefit for smaller scale producers** in consolidation scenario for sunset technologies

Opportunity for DEUTZ as niche player for smaller scale production to participate in market consolidation

How we approach consolidation options



M&A criteria for consolidation options

- **Fit to DEUTZ** portfolio and markets
- **Synergies** to improve output and performance
- Alignment with DEUTZ **culture and values**



Takeover of IP/licenses from Daimler Truck first consolidation proof point

Integration of Daimler Truck business: Initial example of how take part in consolidating the market



DAIMLER
TRUCK



Takeover of IP/licenses of medium-duty (MDEG) and heavy-duty (HDEP) engines for development & production to tap into new customer groups: on-highway and off-highway customers

- **Closing** completed
- Comprehensive **integration** efforts started, e.g., R&D, production, supply chain, procurement
- Production start of **medium-duty (MDEG)** and **heavy-duty (HDEP) engines** expected end of 2027/beginning of 2028
- **First P&L impact in 2028:** Additional high double-digit million annual revenues; triple-digit EUR million revenues expected in 2029

Performance: Top-line improvement based on market-oriented pricing



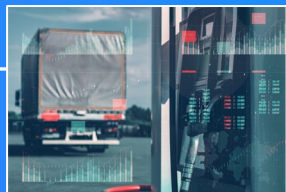
Environment 2022



Energy prices



Raw material prices



Logistics costs



Production costs



- **Early reaction** by management in February 2022 to systematically tackle challenging environment
- **Target of 8 – 12%** price increase achieved by end of 2022
- Outlook: for engines <4l, **“fixed volume approach” for 2023 implemented** with fixation ~75%

Very positive impact on profitability based on stringent approach

Operative performance indicators showing bottom-line improvement



>85%
**supplier delivery
performance**

Stable, despite global
supply chain disruptions

+10%
**customer delivery
performance p.a.**

Continuous improvement since
2021, but starting from low base

12%+
**efficiency
growth p.a.**

Since installation of line 5
(<4L engines) mid 2020

In line with doubling of EBIT margin, additional improvement potential



GREEN: Objectives and approach

Build on existing capabilities

We build on our existing capabilities (e.g., Futavis, E-DEUTZ, H2 engine, Torquedo) and explore how we can improve and scale to grow profitably.

Create right structure

We will adjust our structures to enable the right flexibility and speed for our GREEN business.

Explore market opportunities

We will develop market-oriented opportunities by systematic market screening as well as pursuing M&A and partnerships where necessary.

Build ecosystem

We will think beyond engines and start building a GREEN ecosystem.

DEUTZ will invest more than EUR 100 million into GREEN until 2025

We will push our GREEN transformation with a new organization

Rationale for GREEN focus organization



Strategic focus within dedicated organization – no distraction from operational issues



Customer-centric green solution development via accelerated cross-functional collaboration



More speed in decision-making and ramp-up of green business

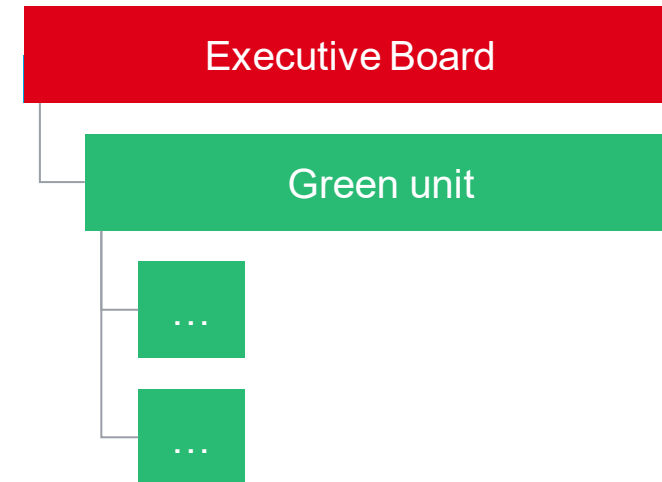


Higher flexibility to be responsive to changes in the market, customer preferences and regulation



Expertise with external CEO hire to accelerate DEUTZ's green business

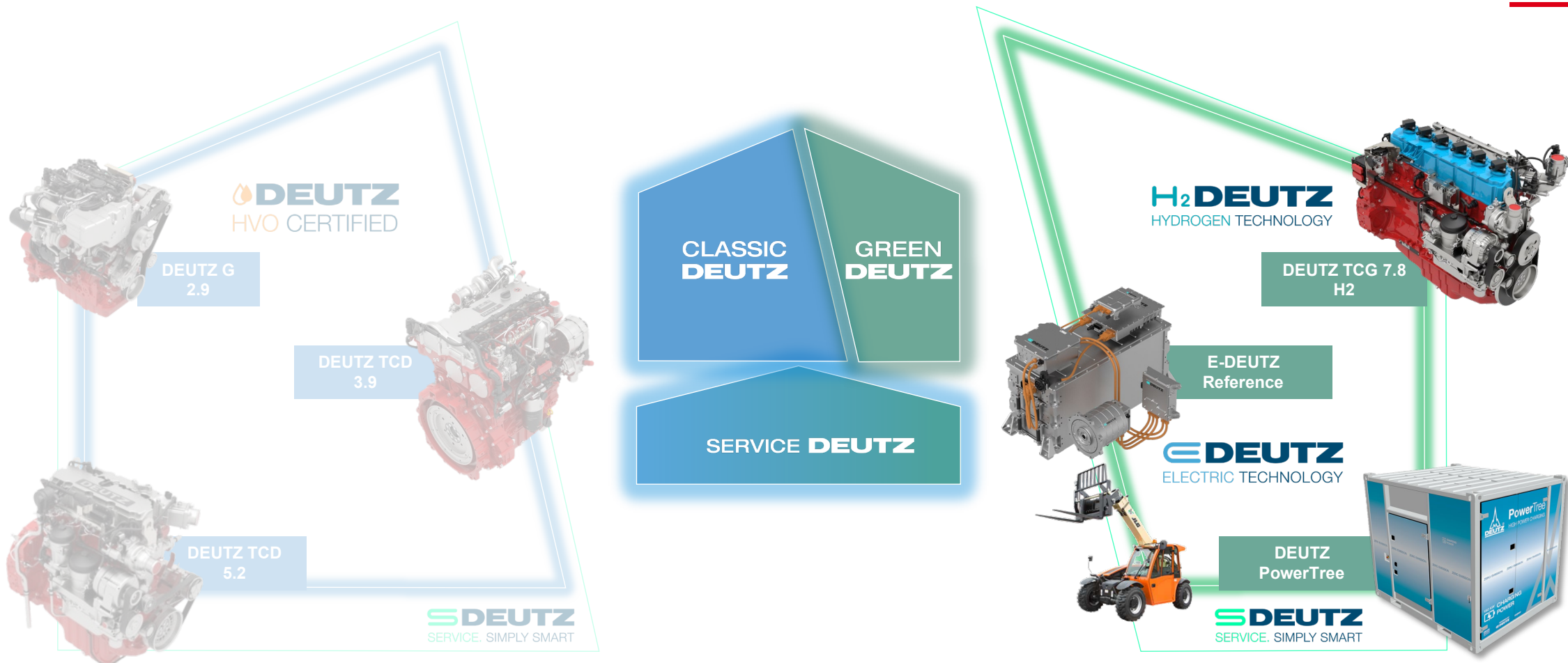
Set-up of GREEN within DEUTZ, starting 2024



- **Dedicated organization and CEO**, directly reporting to the Executive Board
- High **autonomy** incl. opportunity for disruptive approaches

We will approach the GREEN transformation with a dedicated, flexible and speedy GREEN organization

We have a broad technology base to capture opportunities in GREEN

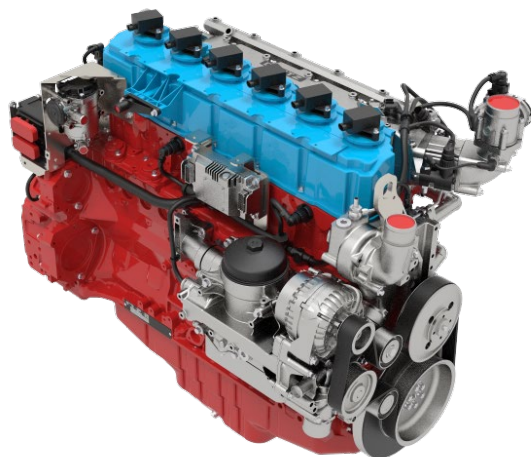


Current focus: Shift from pilot to serial production

We are ramping up production of our hydrogen engine, which offers a wide range of applications



H₂DEUTZ
HYDROGEN TECHNOLOGY



DEUTZ TCG 7.8

H₂

Stationary power generation



- Generators (GenSets)
- Block heat and power plants

Focus today

Rail applications



- Regional trains
- Special vehicles

Off-highway applications



- Excavators
- Tractors & agricultural machinery
- Mining

Development potential (on request)

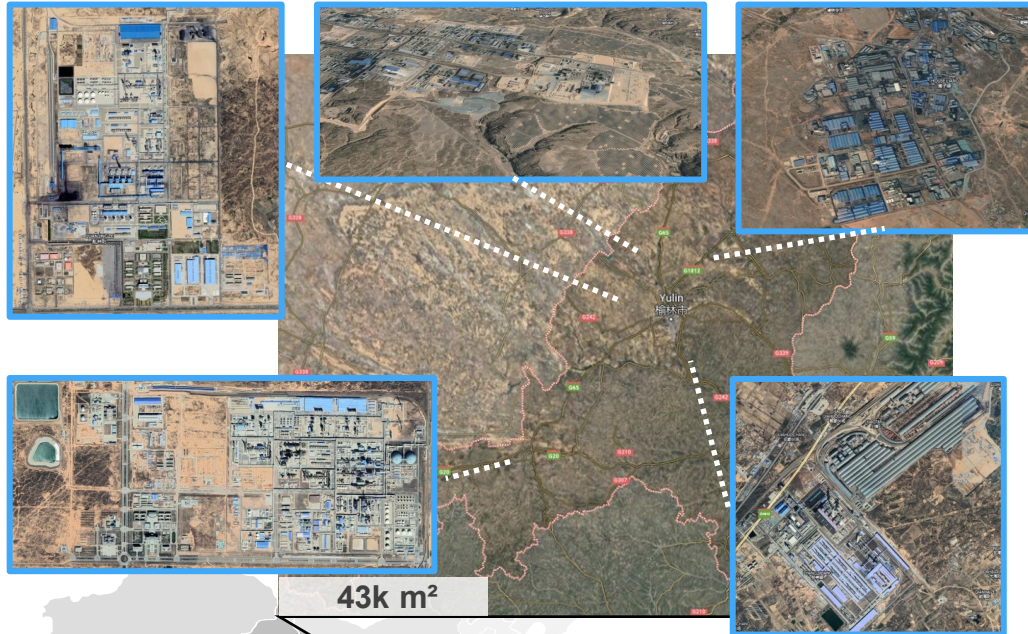


e.g., city and intercity buses, delivery trucks 16-18t

DEUTZ is negotiating the first serial order for 100 H2 engines to be applied in GenSets in an industrial park in China in Yulin



H2 as by-product in semi-coke production



Yulin hosts many Industry parks with alone more than 126 semi-coke plants

Rationale for H2 GenSet application

Abundant H2 as by-product

- Yulin accounts for 60% of **semi-coke production** in China with a total of **>113 mio. tons/a**
- During the semi-coke production approx. **8 mio. t of H2** can be separated per year¹

Governmental target setting

- China has set **ambitious targets for CO2 reductions**
- Use of **H2 is seen as big lever** since the H2 combustion is not causing additional CO2 emissions
- Besides usage in H2 Gensets the **exploration of further application fields is set as target** by the Government

¹ H2 with >98% purity, other by-products are e.g.; CH4, CO, N2 are separated during purification process.

Understanding our customer needs, we will use our capabilities to realize new opportunities arising from the GREEN transformation



Customer needs
in evolving GREEN
applications



DEUTZ's
capabilities



Opportunity for
DEUTZ's business model
innovation

- **Electrification competence**, especially for low- to medium-scale players
- **H2 competence** (ICE and Fuel Cell), beyond the engine (e.g. fueling, storage, ...)
- **Certainty** on stability in use-phase and commercial viability (TCO)
- **Wide range of products** (Low- to medium voltage BEV, H2)
- Deep **knowledge of customer needs** in terms of integration (system engineering capability)
- **Well-established service network** in DEUTZ's core customers markets
- **Extension of role in value chain** ("right to play")
- Development of **green ecosystem around off-highway** applications
- **Broader application range for service footprint** and value-added offerings
- Organic/inorganic tap into **adjacent playing fields**

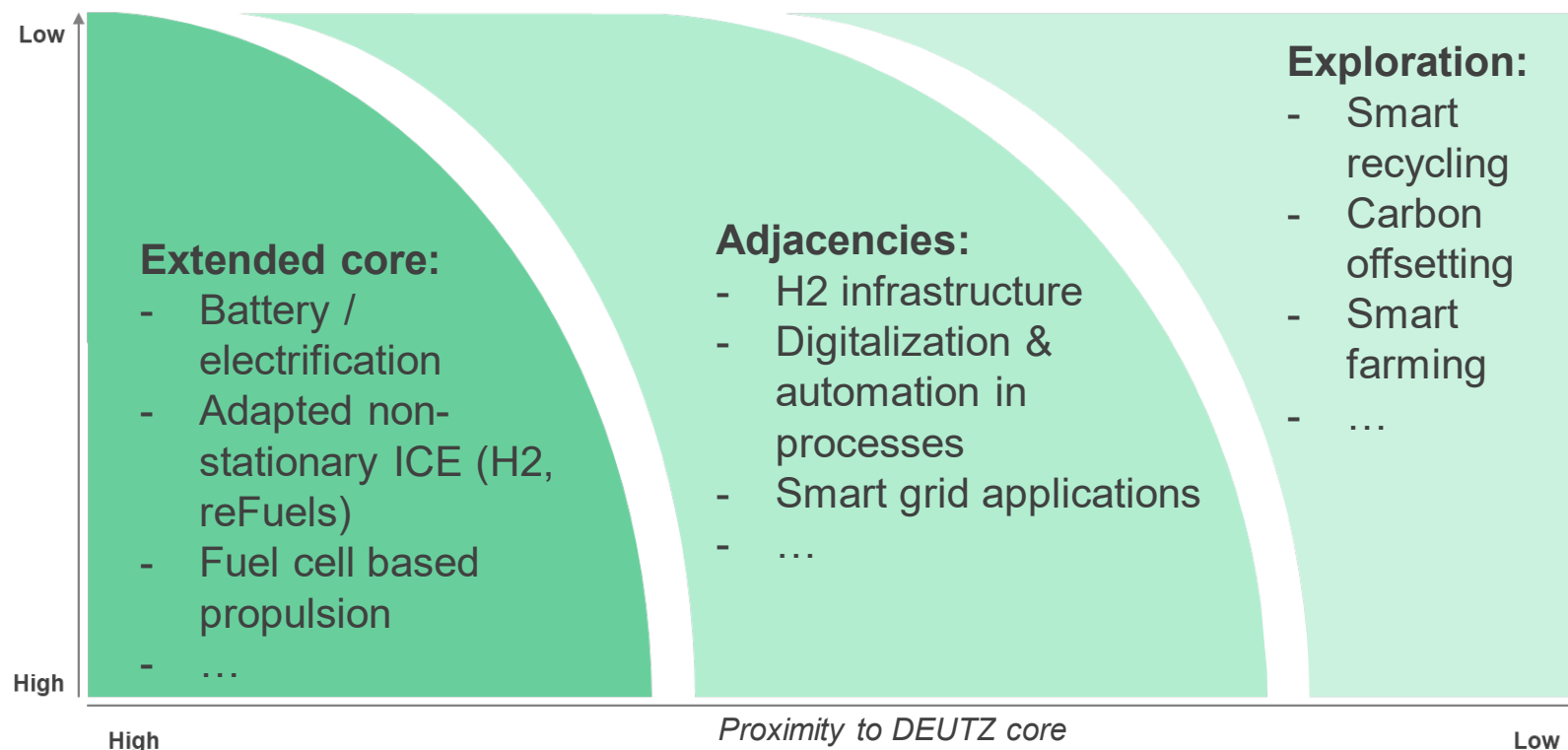
We are scouting adjacent opportunities where we have a right to play



Overview of technology opportunities

(Illustrative)

Market attractiveness

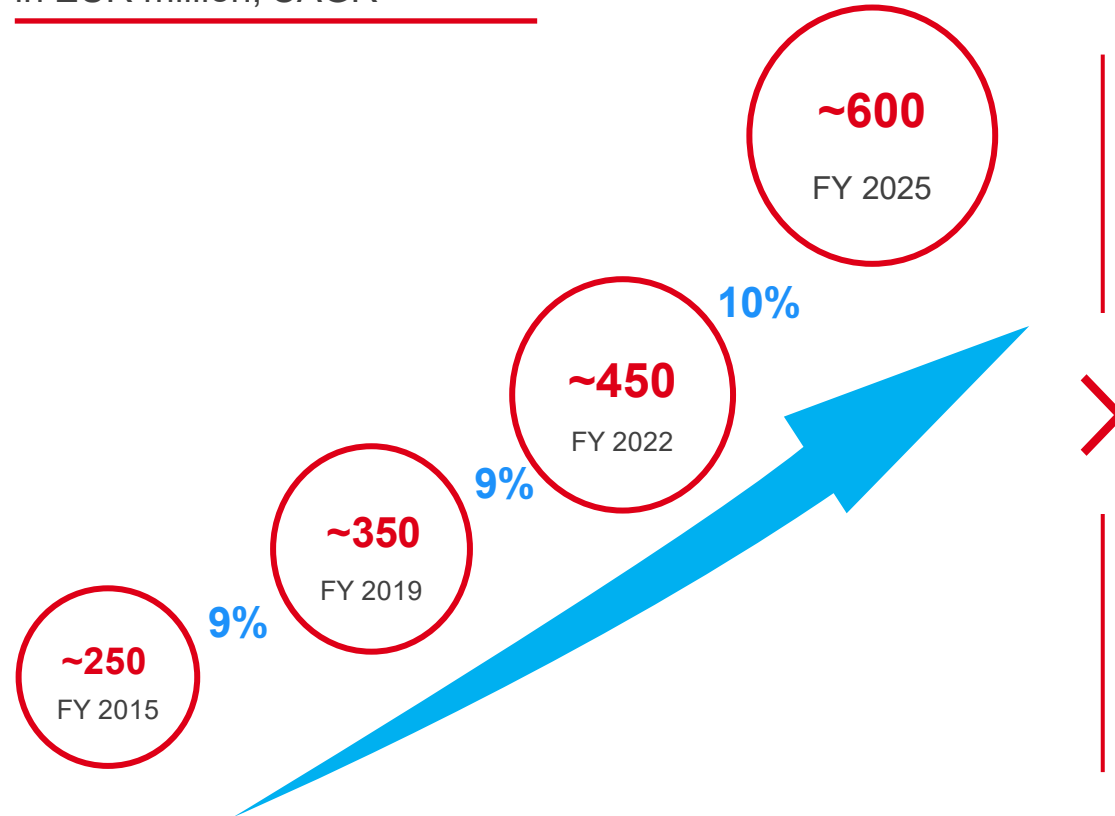


- Clear view on where we have a “right to play” & “right to win”
- Supplemented with a targeted M&A-driven approach to buy & build up required capabilities

SERVICE: Objectives and approach

Service growth targets

in EUR million, CAGR



Approach



Further push service M&A

- Continue to expand via M&A
- Broaden geographical reach
- Take over service activities (billable hours)



Continue organic expansion

- Ramp-up DEUTZ SERVICE network
- Build up one-stop shop SERVICE capabilities across regions, actively targeting 3rd party products
- Address growth opportunities in GREEN

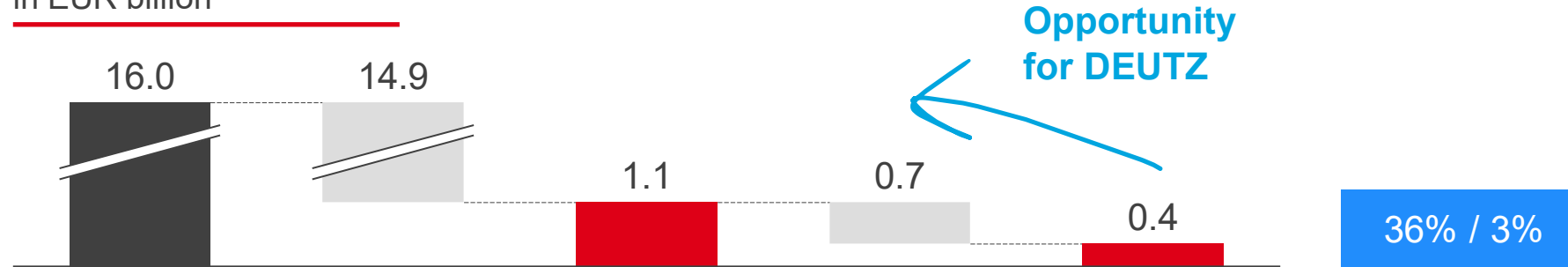
SERVICE growth finances investments in GREEN and consolidation in CLASSIC



There is significant growth potential for the DEUTZ service business

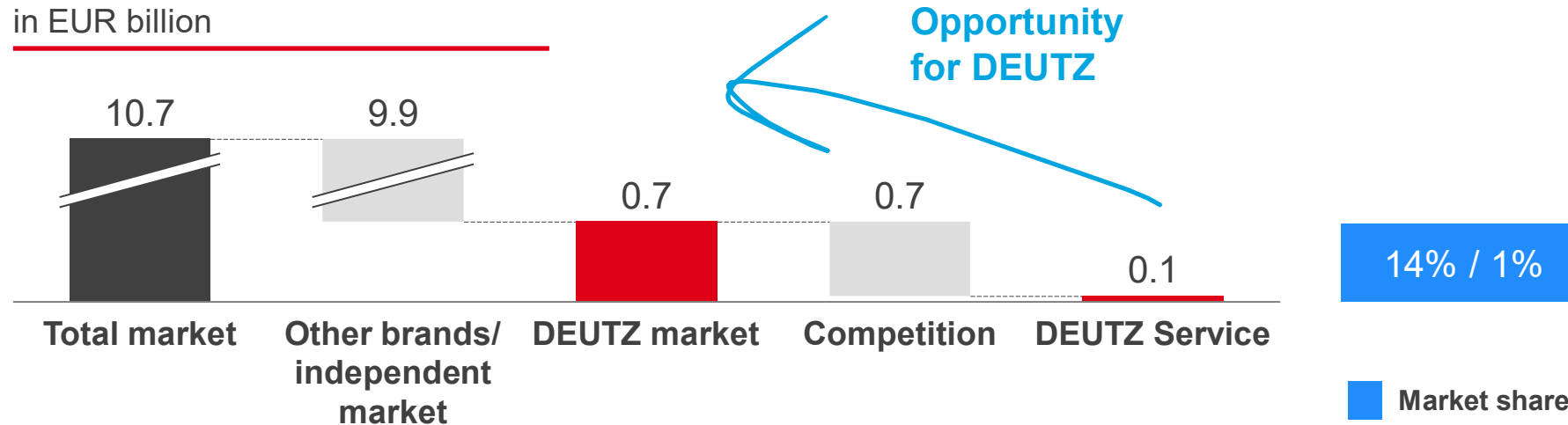
Spare parts

in EUR billion



Billable service / maintenance hours

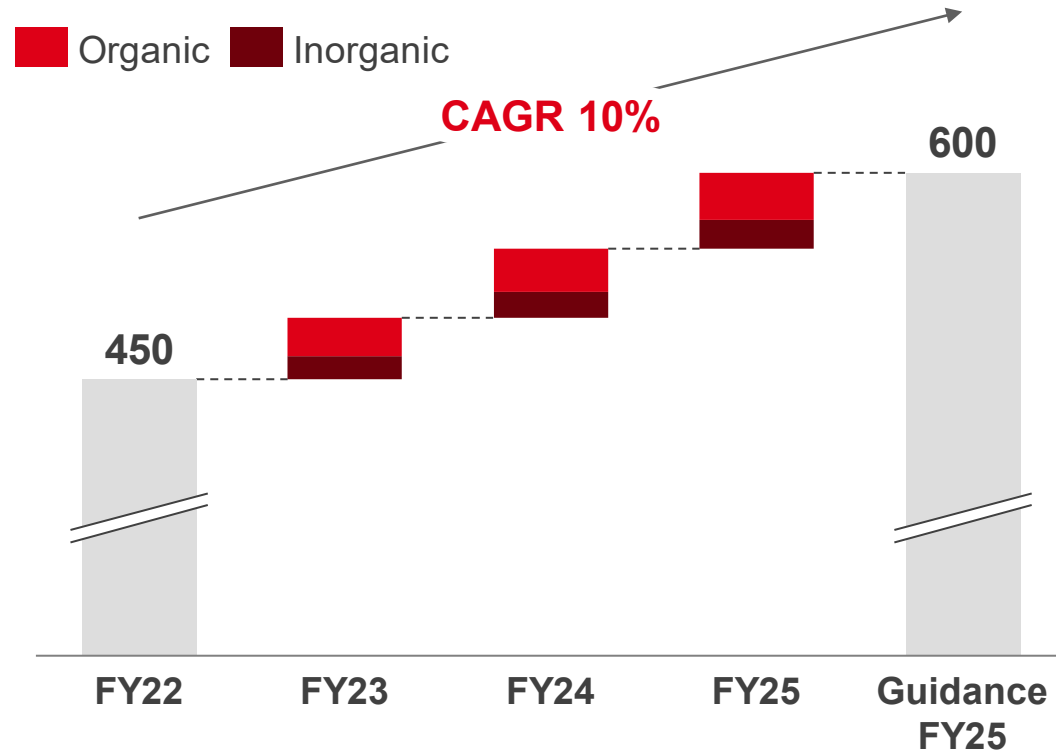
in EUR billion



High confidence to be able to capture additional market share given low penetration

We have a clear view how we will reach our target in FY25

Service sales growth in EUR million



Focus inorganic: Investment criteria

	Revenue	Sizable – aiming for 4 to 5 acquisitions till 2025
	# of technicians	High as required to achieve differentiation
	EBIT margin	Above DEUTZ
	Growth rate last 3 years	Positive
	Geography	Europe, Americas

4 to 5 major acquisitions expected

Our two recent acquisitions are in line with our criteria



M. Hochschule S.A., Chile
Closing end of July 2023



DIESEL MOTOR NORDIC Group
Signing end of July 2023



Revenue

✓ Expected revenue of approx. EUR 15 million p.a.¹

✓ Expected revenue of approx. EUR 10 million p.a.¹



of technicians

✓ 17 technicians in Chile & Peru

✓ 12 technicians



EBIT margin

✓ Above DEUTZ

✓ Well above DEUTZ



Growth rate last 3 years

✓ ~16%

✓ ~16%



Geography

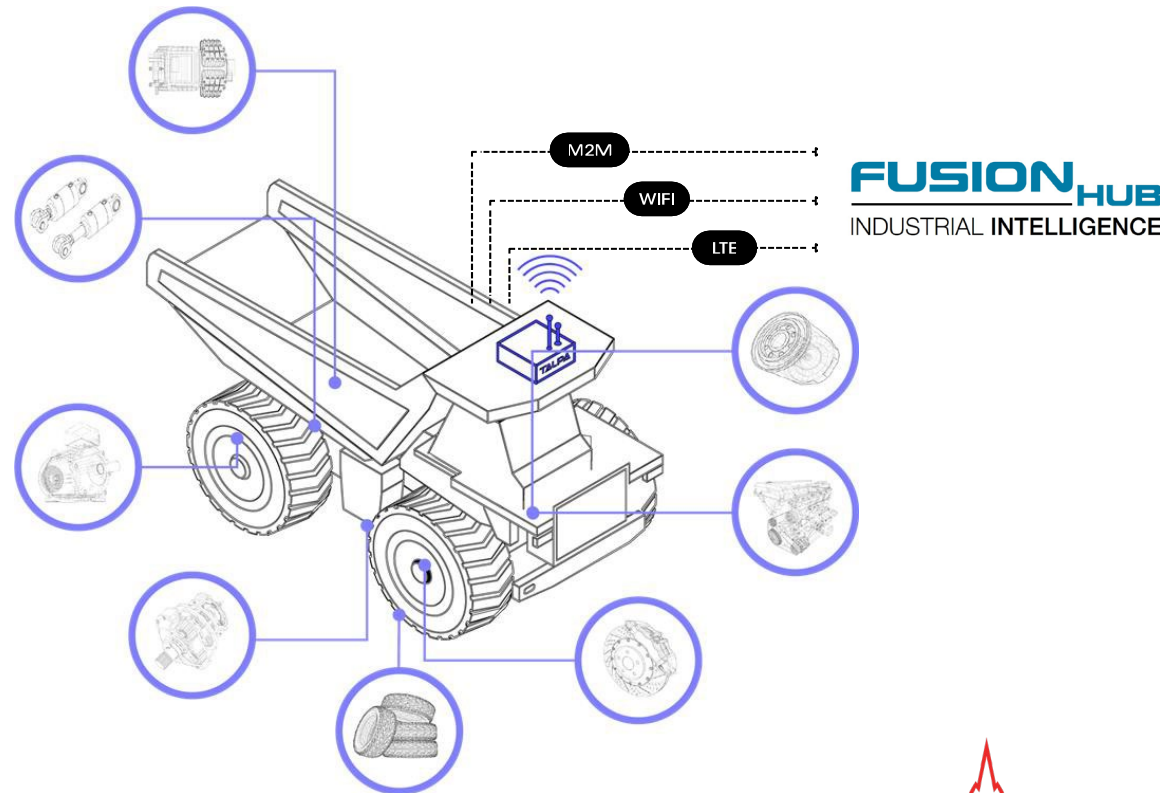
✓ Increasing foothold in South America

✓ Strengthening Nordics: Sweden, Denmark, Finland

With FUSIONHUB we are strengthening our digital business model competence



5% of heavy industry production is lost each year due to unplanned downtime – resulting in a 600 EUR billion industry problem



AI platform to ...

Decrease downtime

Maximize asset uptime and optimize asset performance

Minimize customer disruption

Maximize operational output and minimize operating & service costs

Improve the bottom-line

Create new revenue streams and build centralized knowledge base

powered by  

FUSIONHUB already has great traction in the market and opens up new business models for DEUTZ and its partners



Order intake of EUR 6 million in year 1 based on new data-driven business model, delivering value-add to our customers

Dedicated regional strategies

EMEA

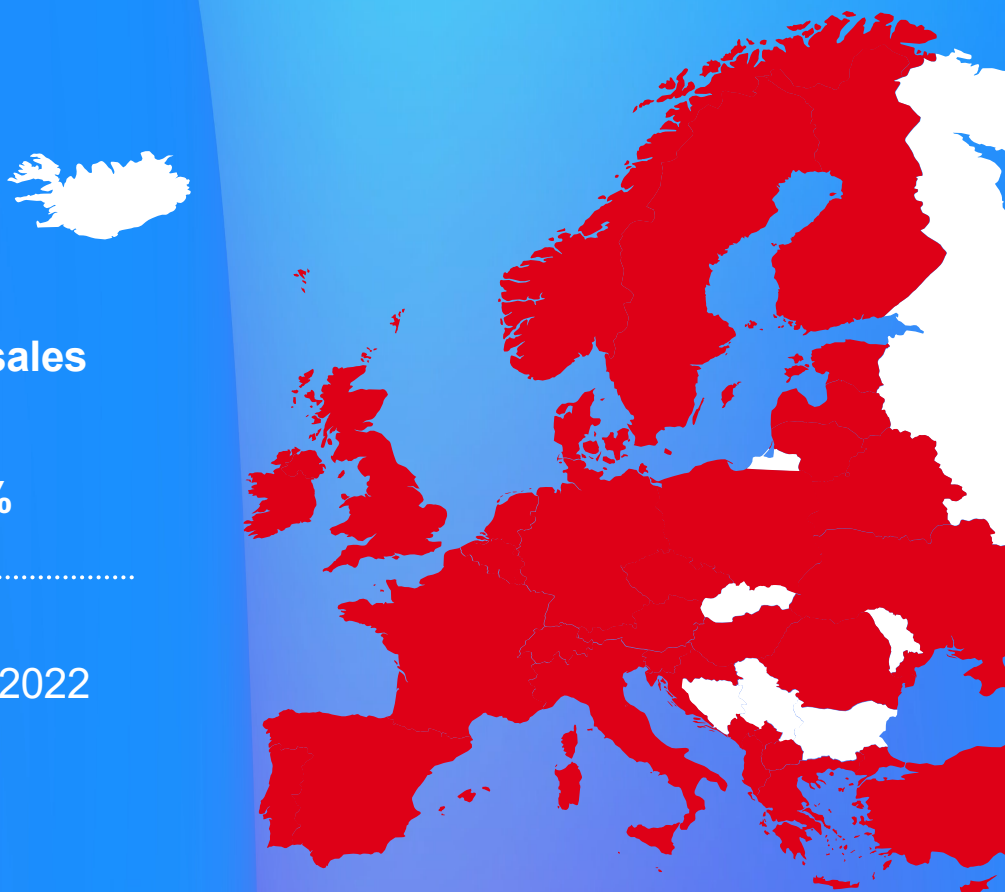
Share of sales
FY2022



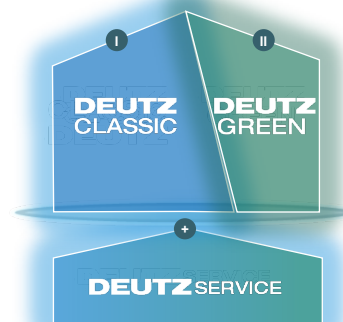
CAGR
FY2020 – 2022

20%

 DEUTZ activity



- Leveraging EMEA as strong homebase with strong production footprint and good profitability
- Fortifying stronghold in classic segments (construction, agriculture, material handling)
- Extending profitable service business
- Moving from green prototypes to first small scale series production



**Current
strategic focus:**
All aspects of DUAL+



Dedicated regional strategies

AMERICAS



Share of sales
FY2022

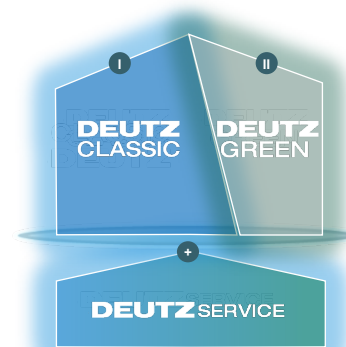


CAGR
FY2020 – 2022

40%

DEUTZ activity

- Stronghold in rental business/material handling
- Extending customer base in classic segments into additional applications
- Leveraging green tech and retrofitting opportunities
- Building on strong service footprint and expanding Xchange business



**Current
strategic focus:**

Focus on ramp-up CLASSIC
& regional coverage in
SERVICE



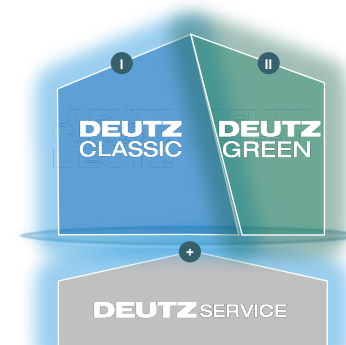
Dedicated regional strategies

ASIA-PACIFIC



■ DEUTZ activity

- Expanding limited presence in China and APAC leveraging high quality of DEUTZ engines for export applications
- Ramp-up localization of products for local markets
- Exploring growth opportunities related to green technologies



Current strategic focus:

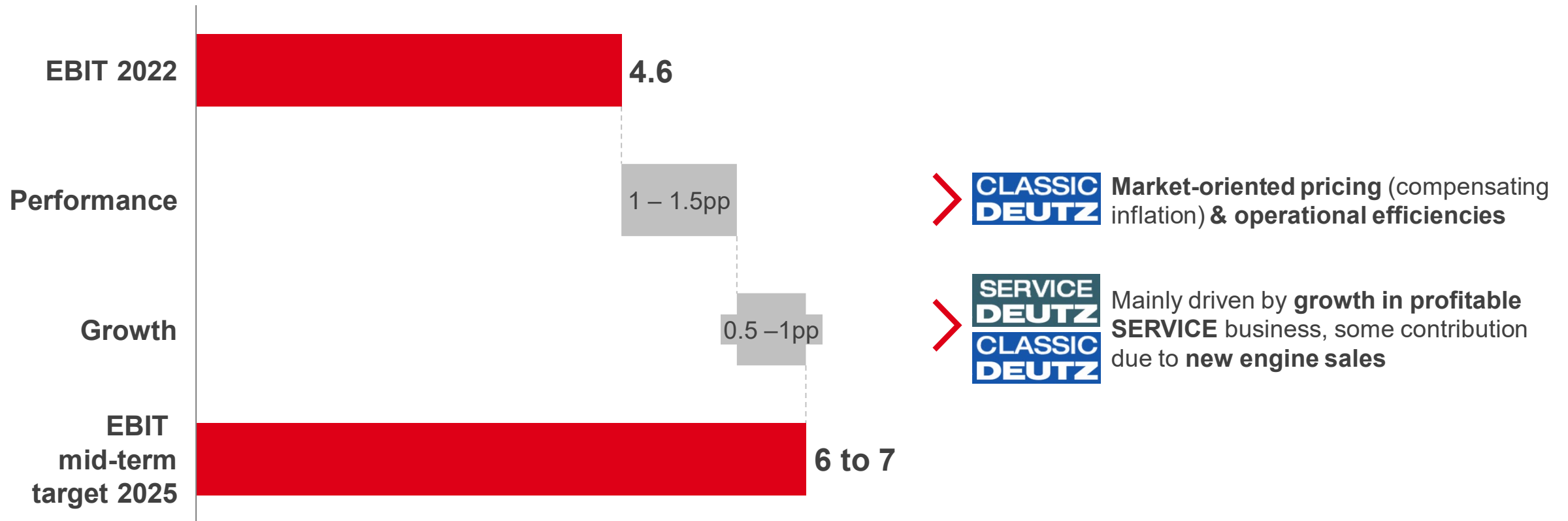
Ramp-up of business overall
+ exploring green opportunities

Confidence in our EBIT growth until 2025

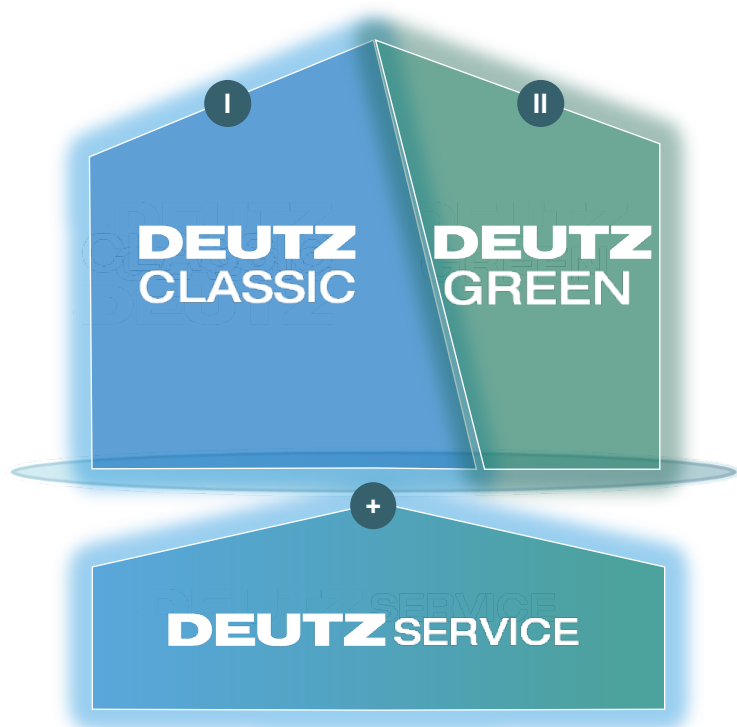


EBIT margin¹ bridge to mid-term guidance

in %



We are well on track in achieving our mid-term guidance



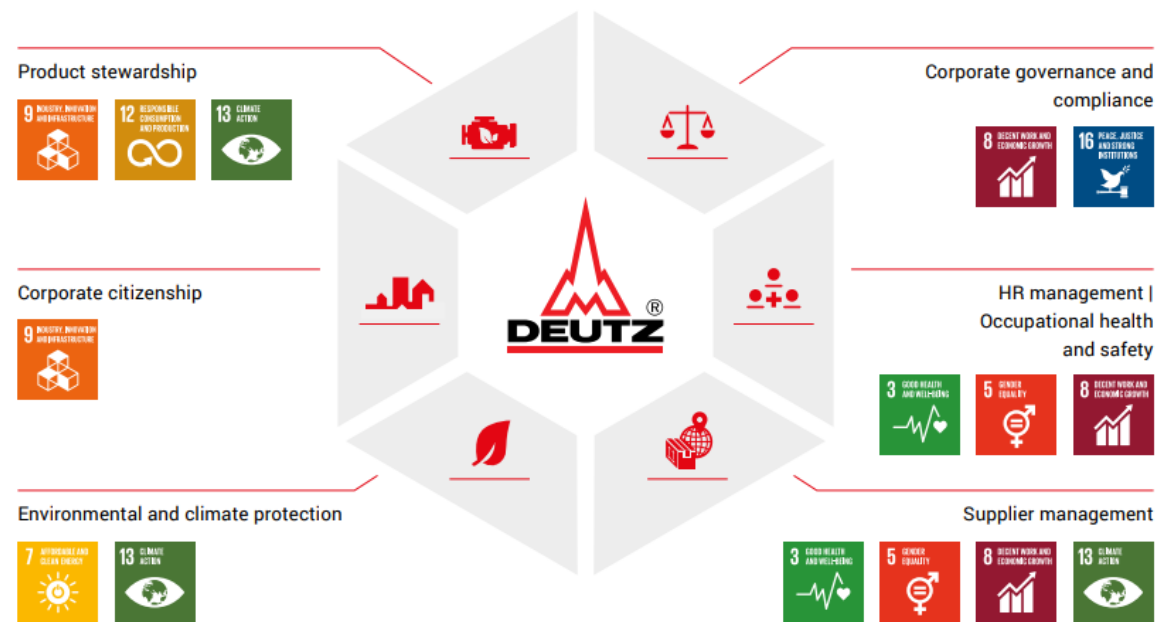
Guidance FY2025

Sales	↗	>EUR 2.5 billion
Service sales	↗	~EUR 600 million
Adjusted EBIT margin	↗	6 to 7%
FCF margin	↗	4 to 5%
Working capital ratio	→	16%
Dividend	→	Stable pay-out ratio

We are also progressing on our sustainability strategy, leading to improving ESG ratings



DEUTZ's sustainability strategy



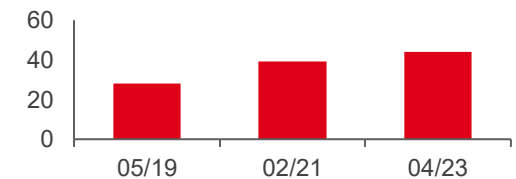
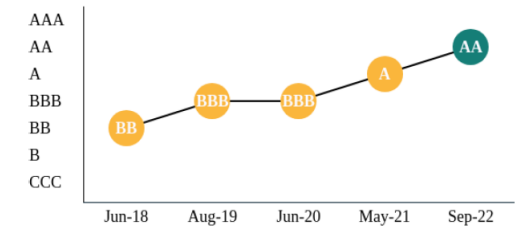
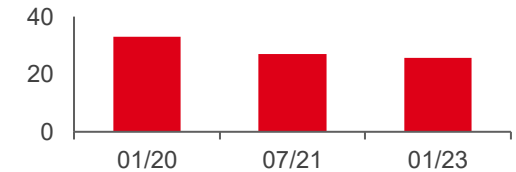
25.8 (March 2023)



AA (Sept. 2022)



44 (May 2023)



Our goal: To offer a fully carbon-neutral product and technology portfolio by no later than 2050

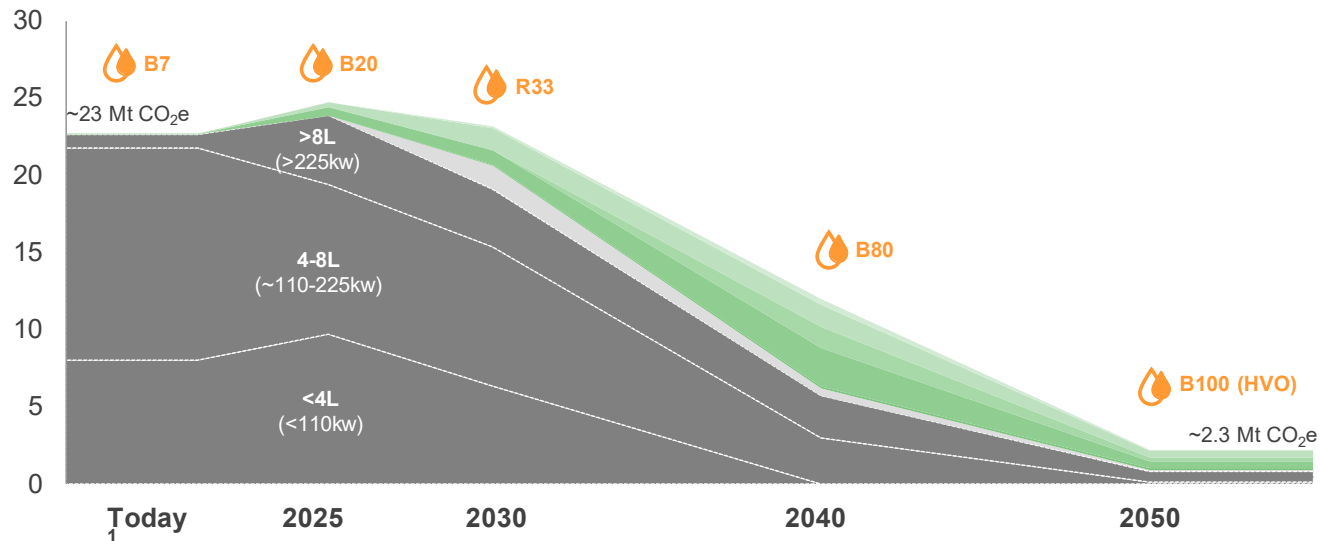
With our technology mix, we are moving our portfolio towards CO2-neutrality across scope 1, 2 and 3



Emission trajectory

(illustrative, scenario)

Use-phase emissions, in Mt CO₂
Scenario: 100% HVO by 2050



- We did our homework: all new engines are “reFuel ready” (biofuels, HVO) today
- The higher the reFuel share, the lower the CO₂ emissions
- If 100% reFuels were possible, we could reduce 90% of our emissions
- Jointly with our investment in alternative drive systems, we can ensure CO₂-neutrality

Focus areas and next steps in our transformation



SHORT-TERM until 2025

Ahead of schedule in reaching mid-term targets & tripling profitability vs FY 21



MID-TERM: 2026 – 2030

Starting to ensure GREEN ramp-up & becoming top 3 independent engine producer



2030+++

Full impact of DUAL+ strategy



CLASSIC

Consolidation moves, focus on performance

Consolidation, integration & performance

Pursue consolidation opportunities & increase market share

GREEN

Strategy & operating model, organic & inorganic ramp-up (H2/E-DEUTZ)

Ramp-up of serial production in E-DEUTZ and hydrogen, adjacencies

Scale green business significantly

SERVICE

Continuation to reach EUR 600 million, further increase 3rd party business

Launch 2nd wave of M&A, benefit from new (digital) business models

Shift focus to green business, maintain high margins in CLASSIC

BEYOND

Regional strategy & new segment growth focus in execution

Deliver on regional & segment growth and ramp-up adjacencies

Scale adjacent business

Coffee break

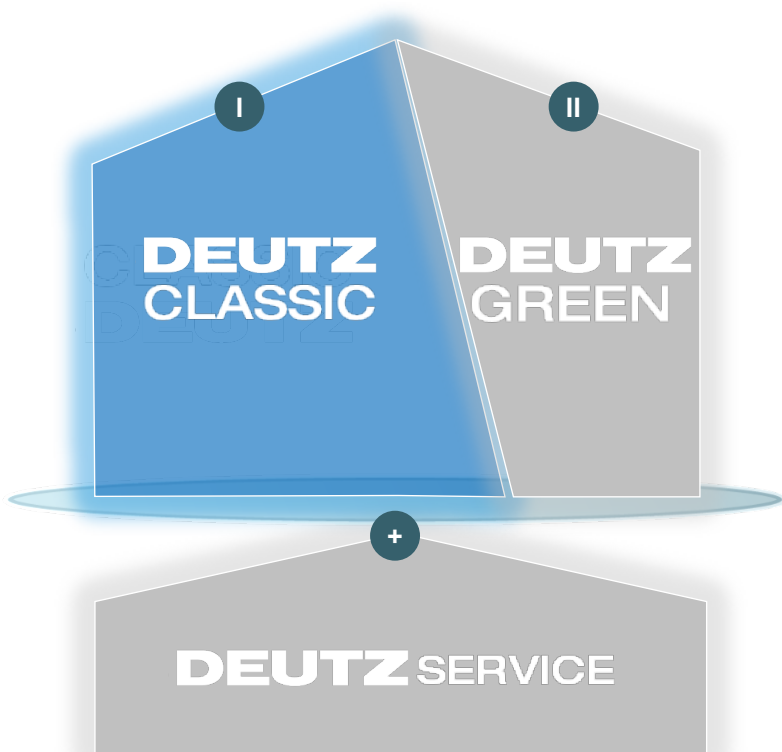


Deep-dive CLASSIC

Driving performance

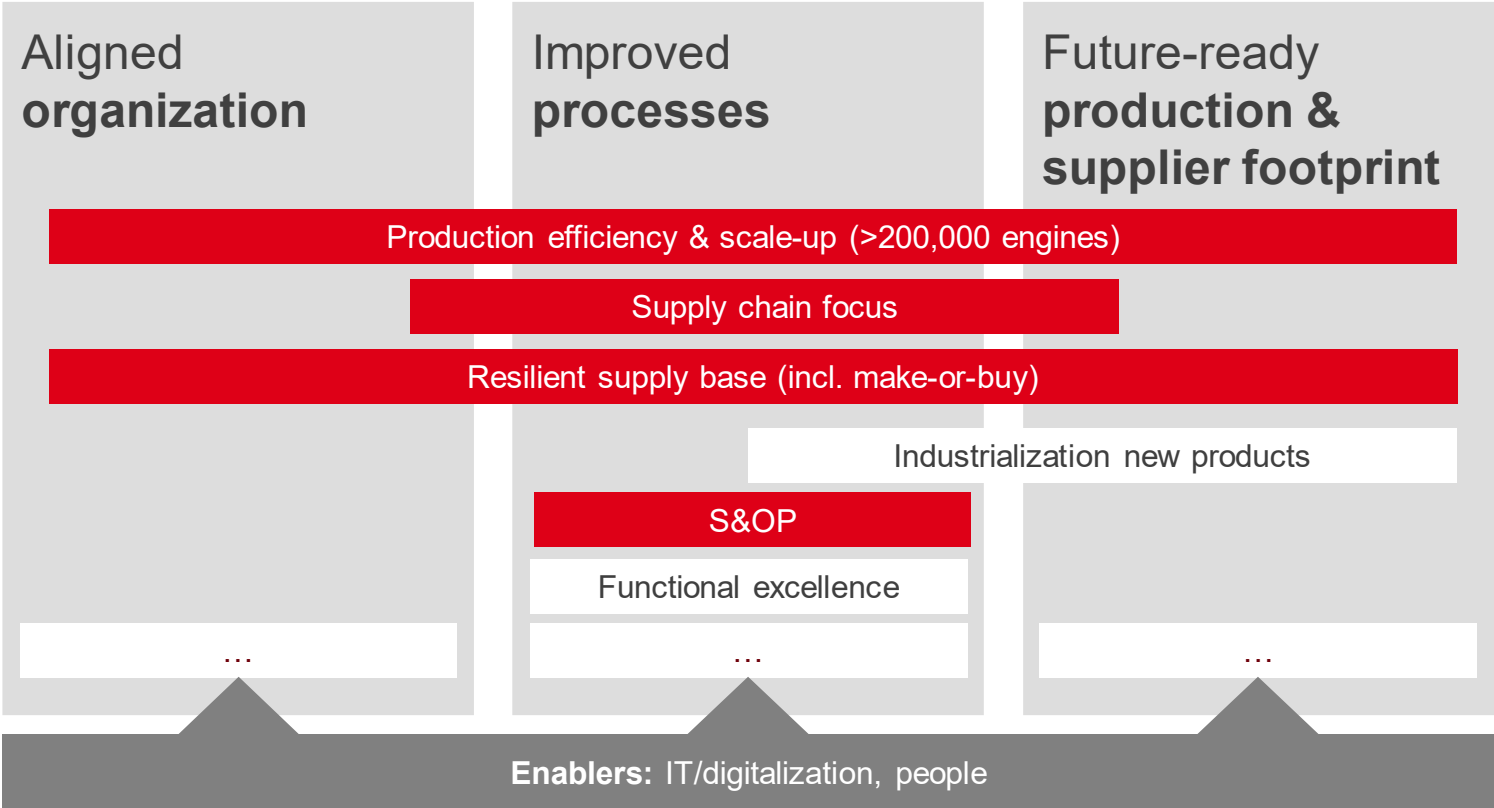
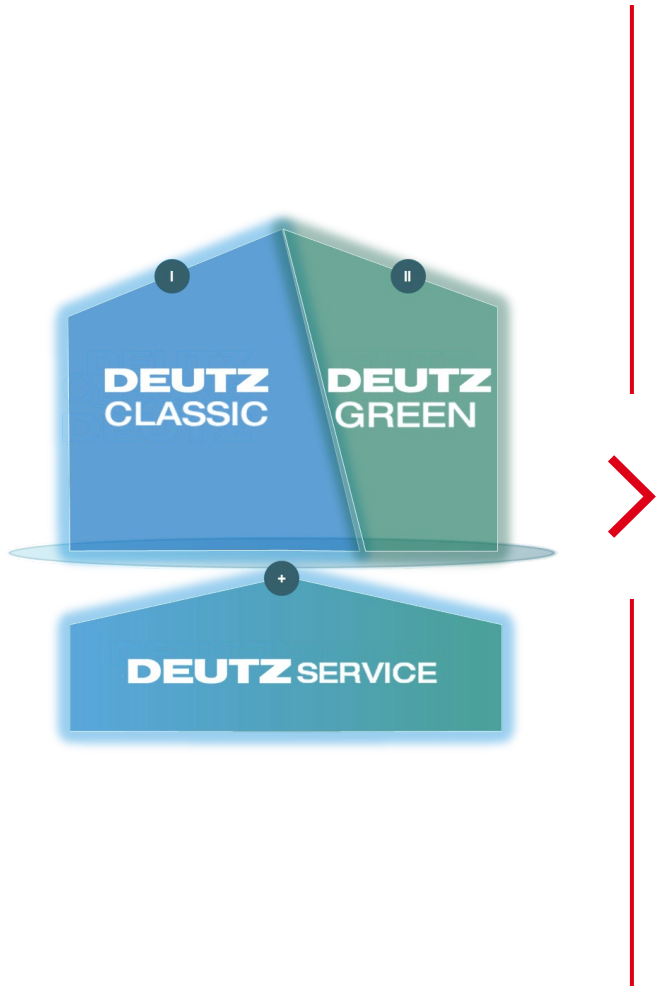
Petra Mayer | COO

DUAL+ strategy: Operations focus areas for driving performance



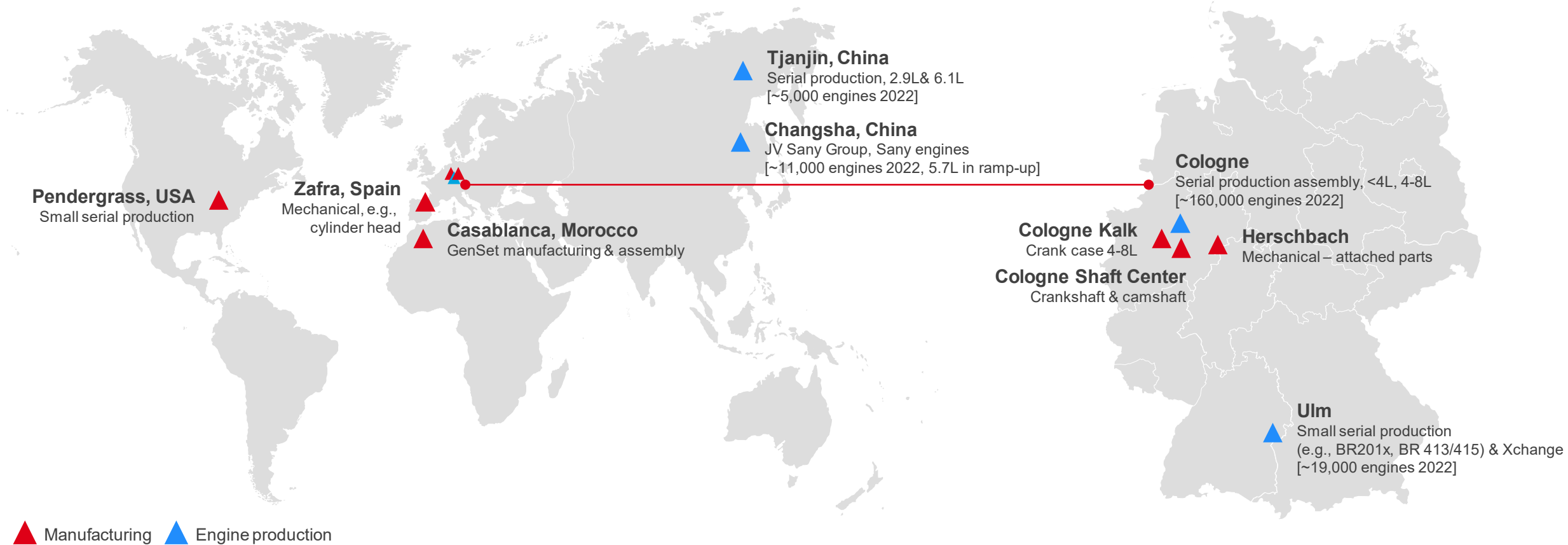
- Improving production performance/output to achieve **>200,000 engines p.a.**
- Improved sales & operations planning
- Optimized inventory management
- Increasing supply chain resilience, incl. procurement levers

How we want to move ahead: Operations roadmap



■ Focus today

Our production set-up today



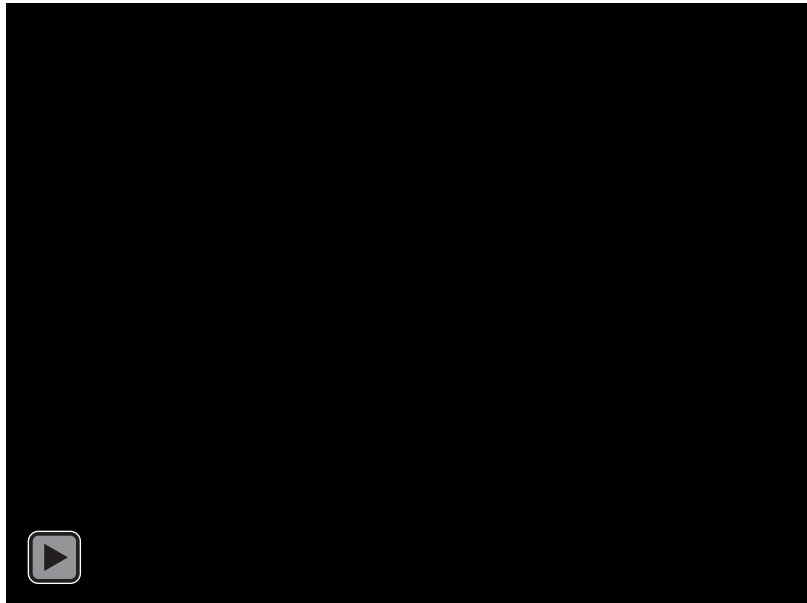
Strong footprint in high-cost countries – automation and digitalization is key

Leveraging automation and digitalization opportunities to realize efficiencies

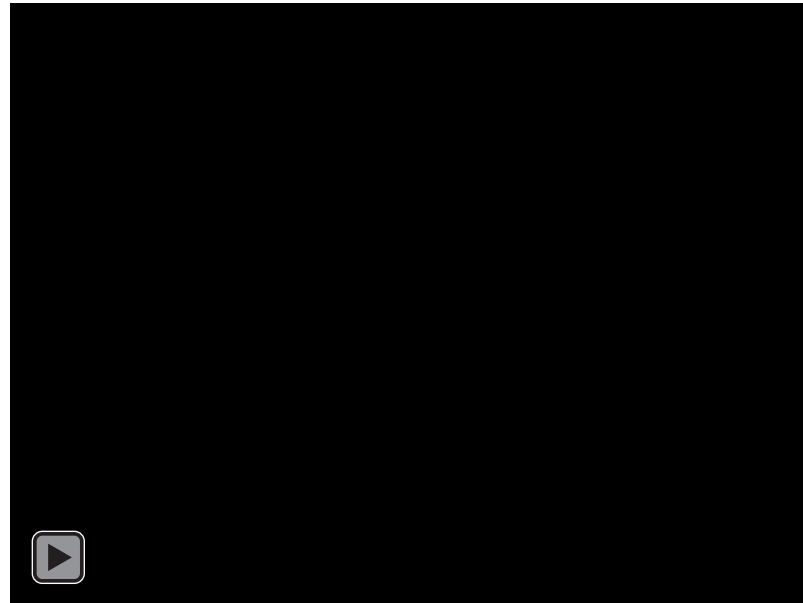


Impact of automation – example “Wellenzentrum”

BEFORE (video at 11x speed)



AFTER (video at 2.5x speed)

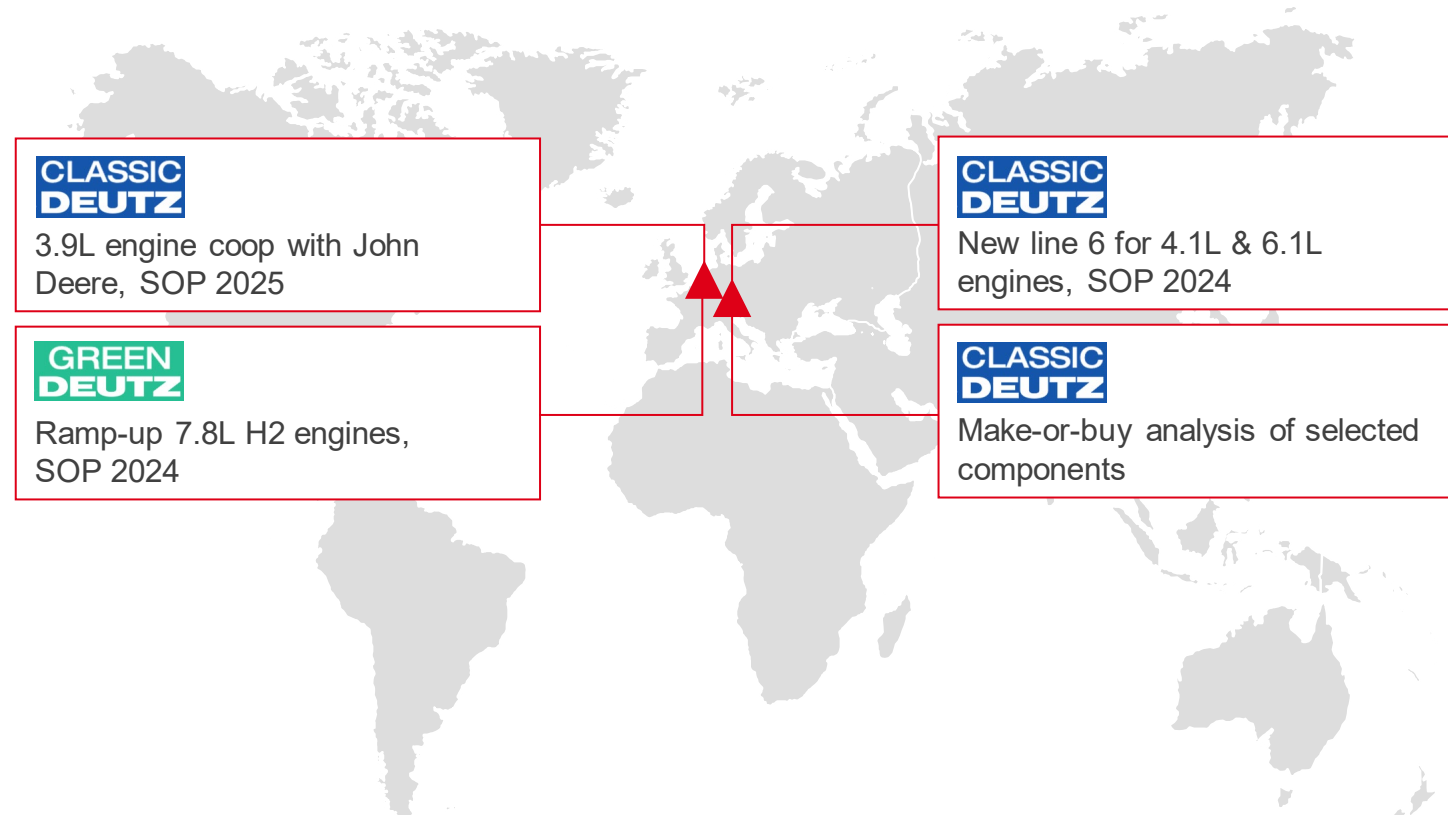


Impact: Productivity increase of 40% leading to reduction of 4 positions

- **Productivity increases of 20 – 40%**
- Typical **ROI of <2.5 years**
- Step-by-step **automation of lines in Porz**
- Additionally, **digitalization of production** to enable analytics and controls
- Investment of EUR 55 million in the past years, plan to **invest EUR ~25 million p.a. until 2025**

Strategic production project pipeline

Short-term



Mid-term

- Ramp-up of GenSet/H2 production
- Integration of Daimler Truck engines
- Integration of E-DEUTZ

Existing production capacity sufficient to cover new business

Strategic priority: Significant improvement of delivery performance



>85%

stable supplier
delivery performance

+10%

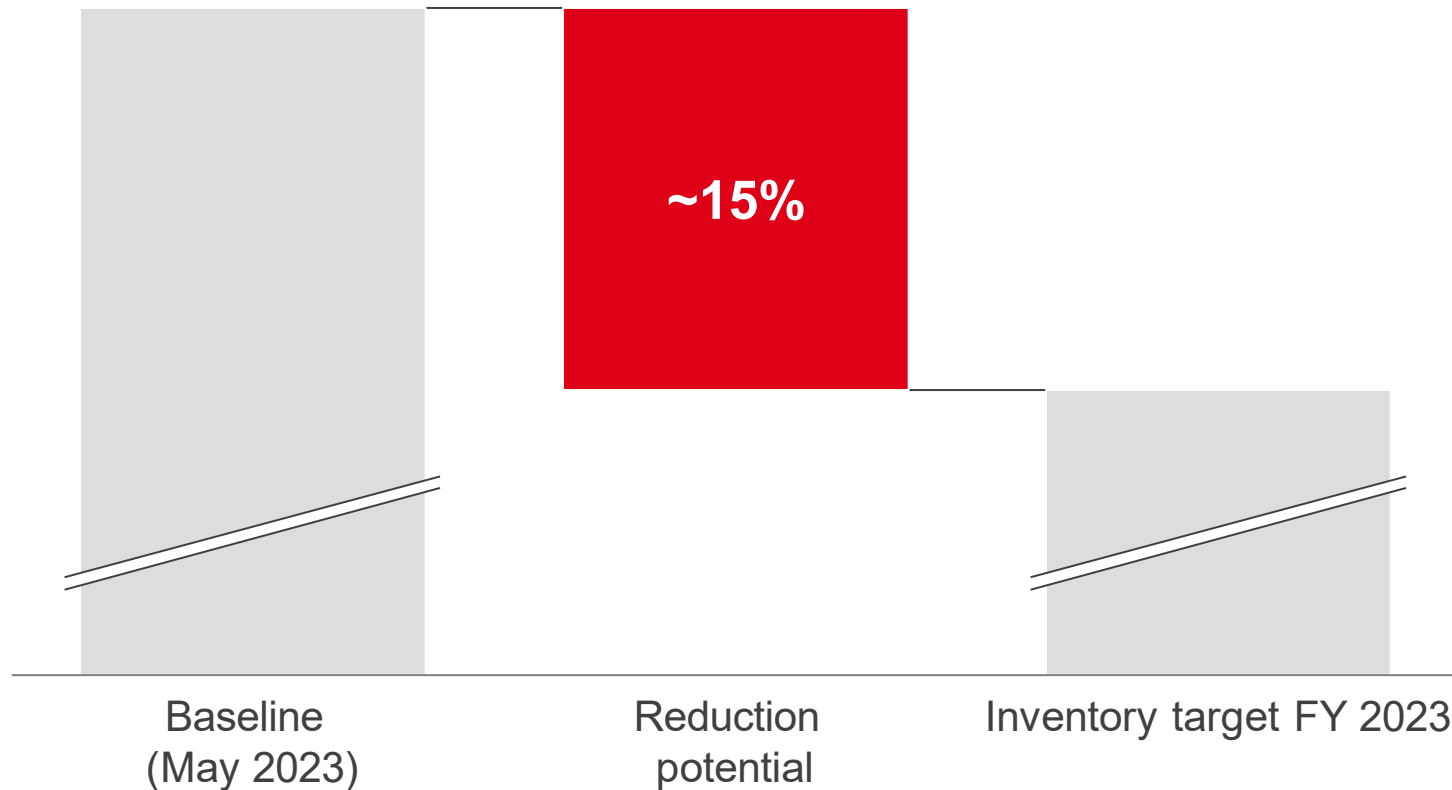
customer delivery
performance p.a.
since Covid disruptions

- **Supply Chain focus:** Supply Chain Management function with direct reporting line to COO
- **Sales & Operations Planning** process streamlined and strengthened e.g., balancing out demand and supply planning, monthly meeting schedule, frozen zone concept
- **Digitalization** (e.g., logistics platform) leading to better supply chain traceability and transparency
- Implementation further ongoing, further **impact** expected in **2024+**

Improving sales & operations planning and supply chain processes will have a positive impact on inventories



Inventory target FY 2023

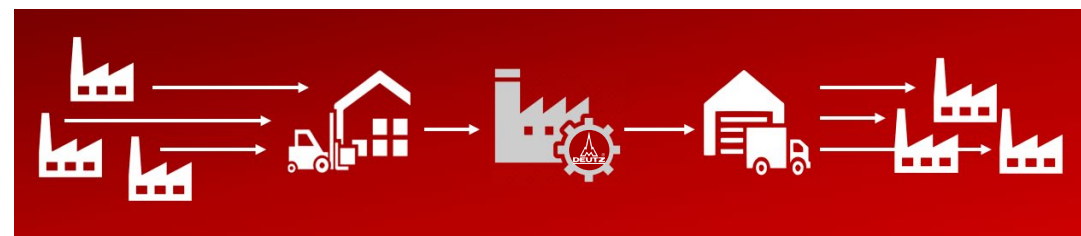
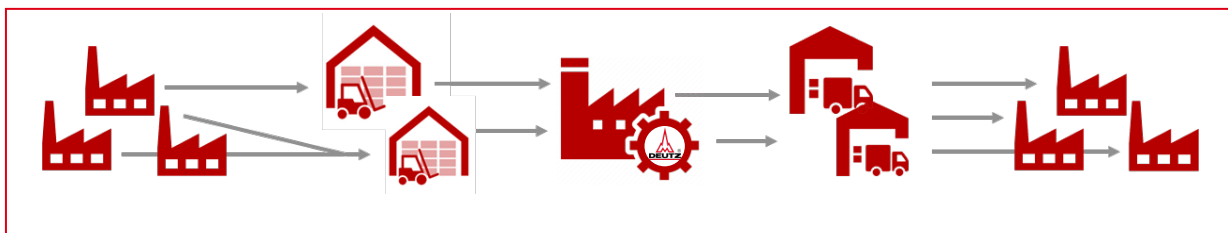


- Potential for inventory reduction based on **better sales forecasting** and S&OP processes
- **Targets specific** to engines and components
- Measures and **responsibilities allocated**
- **Global Inventory Governance Model** improved

We have significantly improved logistics at our main production site



- Reduction from 4 logistics locations to 1 location until 2024
- More efficient supply of assembly lines, e.g., to support 3rd shift
- Supports inventory reduction targets
- Better transparency on availability of materials and finished products



Integrated warehouse concept to improve site logistics

Given our changing environment, we need to make our supply base more resilient

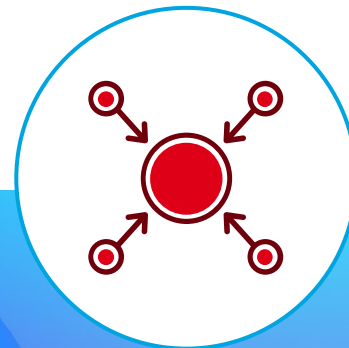


Market risk in supply base



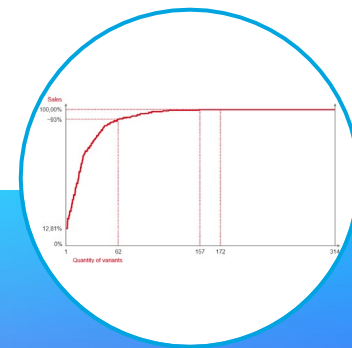
ICE to BEV transition drives strategic reorientation in industry, with increasing numbers of supplier insolvencies

Single source share



High concentration of spend in Germany and the rest of Europe with limited dual sourcing

High number of variances



High variance with low quantities in long-tail

Positive impact on delivery performance & production costs expected

How we will increase supply chain resilience



Doubling of dual source share
in the next two years



Leverage of the best cost country
sourcing potentials

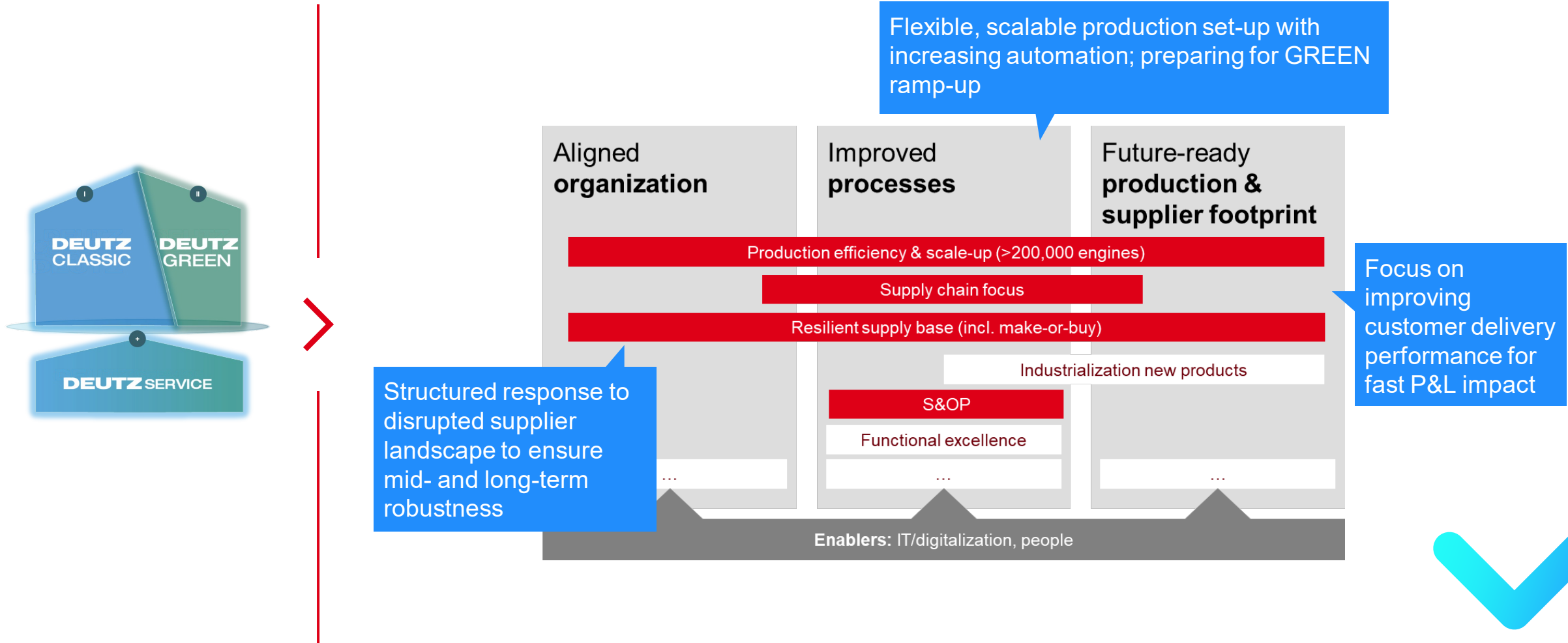


Proactive mitigation strategies for all critical
materials, e.g., re-engineering, customer-facing

RESILIENCE

Objective: Secure supply availability and ensure stable pricing in mid-term perspective

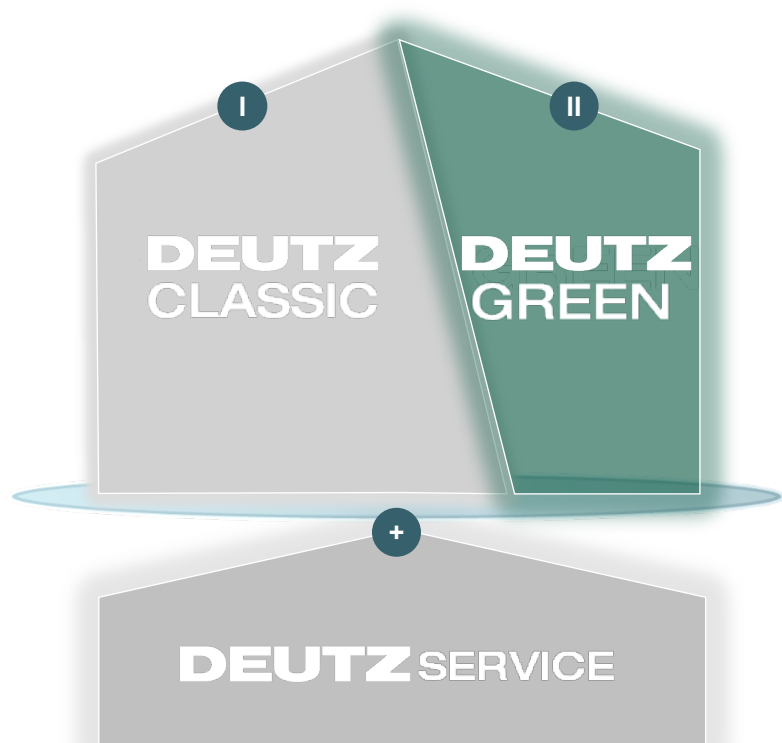
Operations enabling the DUAL+ strategy



Deep-dive GREEN and SERVICE

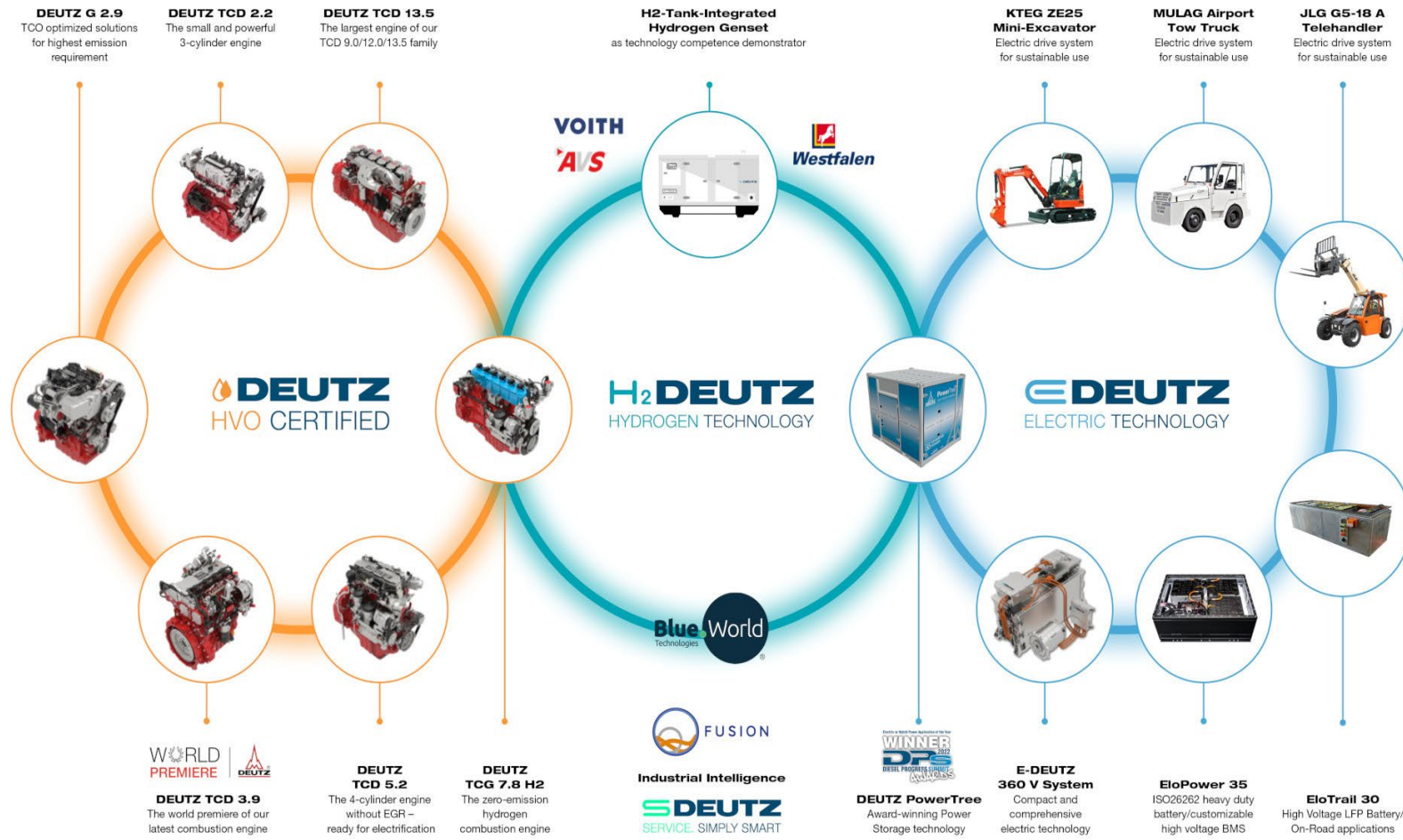
Markus Müller | CSO/CTO

DUAL+ strategy: How we contribute in DEUTZ GREEN



- Continuous build up and development of technology portfolio
- Update on hydrogen and E-DEUTZ ramp-up

Our technology portfolio has the sufficient breadth to capture opportunities



- Good breadth leveraging existing engineering know-how and partnerships
- Shift from pilot production to serial production

ReFuels: CO₂-neutral future for combustion engines is possible



HVO

Hydrotreated Vegetable Oil is a diesel-like fuel made by processing renewable waste lipids



Advanced Biofuel

100% regenerative sources with high share of waste and residues (>90%¹)



CO₂ reduction of up to 92%²



Pollutant reduction (NO_x, CO, particles)



Proven and widespread

availability at public filling stations in Germany expected from Dec 2023

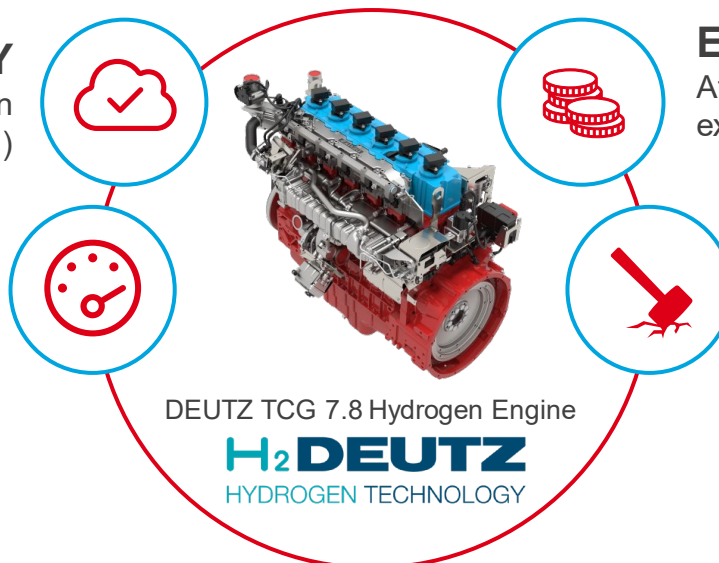
Strong growing market of low-carbon fuels enables CO₂-neutral operation of combustion engines

We are on track to starting hydrogen serial production in 2024



CO₂-FREE TECHNOLOGY
Meets current emission limits for zero emission heavy-duty vehicles (<1g CO₂/kWh)

HIGH PERFORMANCE
Power density and efficiency comparable to diesel engine



ECONOMICAL ALTERNATIVE
Attractive overall cost perspective, upgrade of existing fleets and quick industrialization possible

HIGH RELIABILITY
Based on well-known engine technology
Quick Industrialization possible



1st Engine on test bench

2021 ✓



1st Demonstrator

2022 ✓



LOI for small series of H₂ GenSets for China

2023 ✓



Field testing and prototypes

2023 – 2024 ✓



Serial production

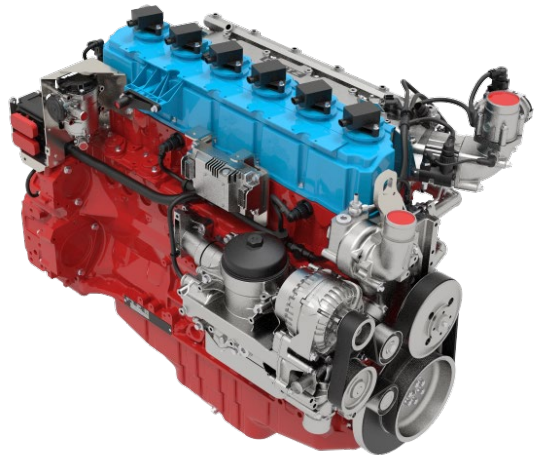
2024 ✓

Robust technology, easy to industrialize, short time to market

Customer projects across applications are on track



H₂DEUTZ
HYDROGEN TECHNOLOGY



DEUTZ TCG 7.8

H₂

Stationary power generation



H₂-GenSet

H₂-ICE GenSet for RheinEnergie

📅 Next milestone: First serial order from China

Rail applications



Train

Train with H₂ combustion engine

📅 Next milestone: Innotrans 2024

Delivery truck

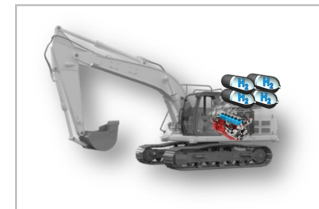


HyCET

H₂-ICE Distribution Truck

📅 Next milestone: prototype 2025

Off-highway applications



H2-MAM

H₂-ICE Hydraulic excavator

📅 Next milestone: prototype 2024

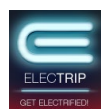
In E-DEUTZ we have achieved serial readiness



E-DEUTZ
ELECTRIC DRIVE SYSTEMS.



2017
Launch of
E-DEUTZ



2018
Start of E360 electric
drive system project

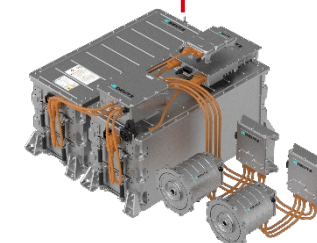
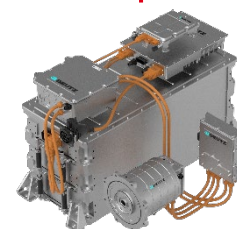
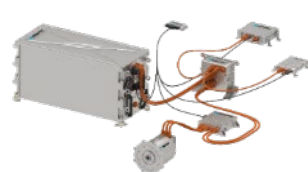
2020
Built up of first
prototype vehicles

2021
First field testing

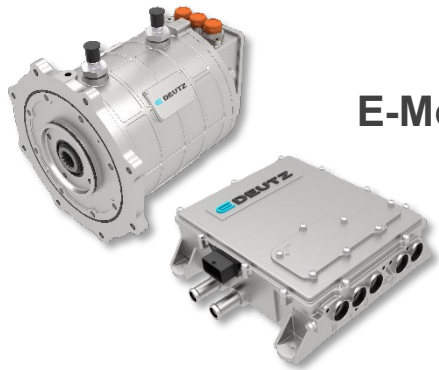
2022
Fully functional series-ready
systems (GATE F)

2023+
Increase of customer
acquisition & ramp-up

2023+
Extension of electric
product kit



System approach to offer easy customizable solutions



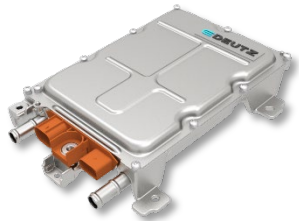
E-Motor + inverter

Cont. power:
40 kW / 136 Nm
Peak power:
80 kW / 273 Nm



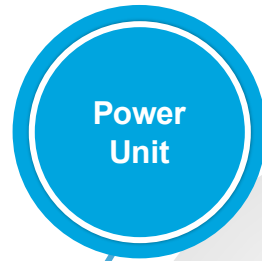
PDU

3 HV-Batteries +
2 Power Units +
DCDC + OBC +
DC-PTO



HBC

High voltage
board net converter
360V / 12V



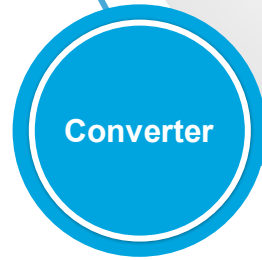
Power
Unit



HV-Battery

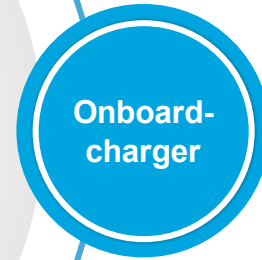


Power
Distribution
Unit



Converter

EDEUTZ
ELECTRIC DRIVE SYSTEMS.



Onboard-
charger



Powertrain
Control Unit

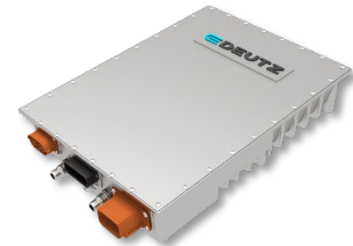
HVB

310 – 400 V range
42 kWh capacity
Up to 135 kW power



OBC

Up to 22 kW
Recharge in 2h



PCU

E-DEUTZ system
control and vehicle
communication



Good progress in customer projects



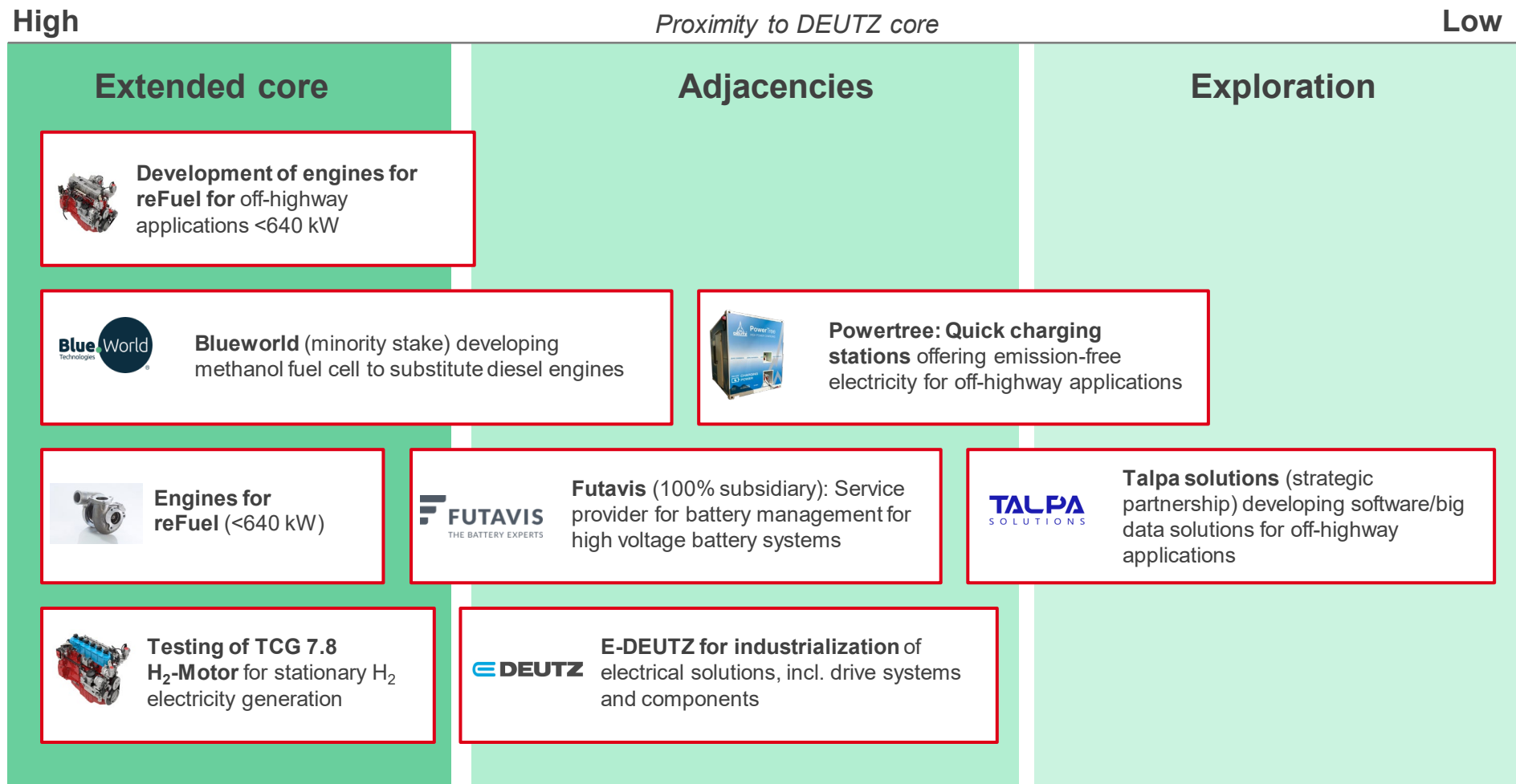
KÄRCHER



- Delivery of 39 kWh GEN2 battery for sweepers
- Start with 3 prototypes beginning of 2024
- Current potential of >200 p.a. with option for additional delivery scope (*e-system*)

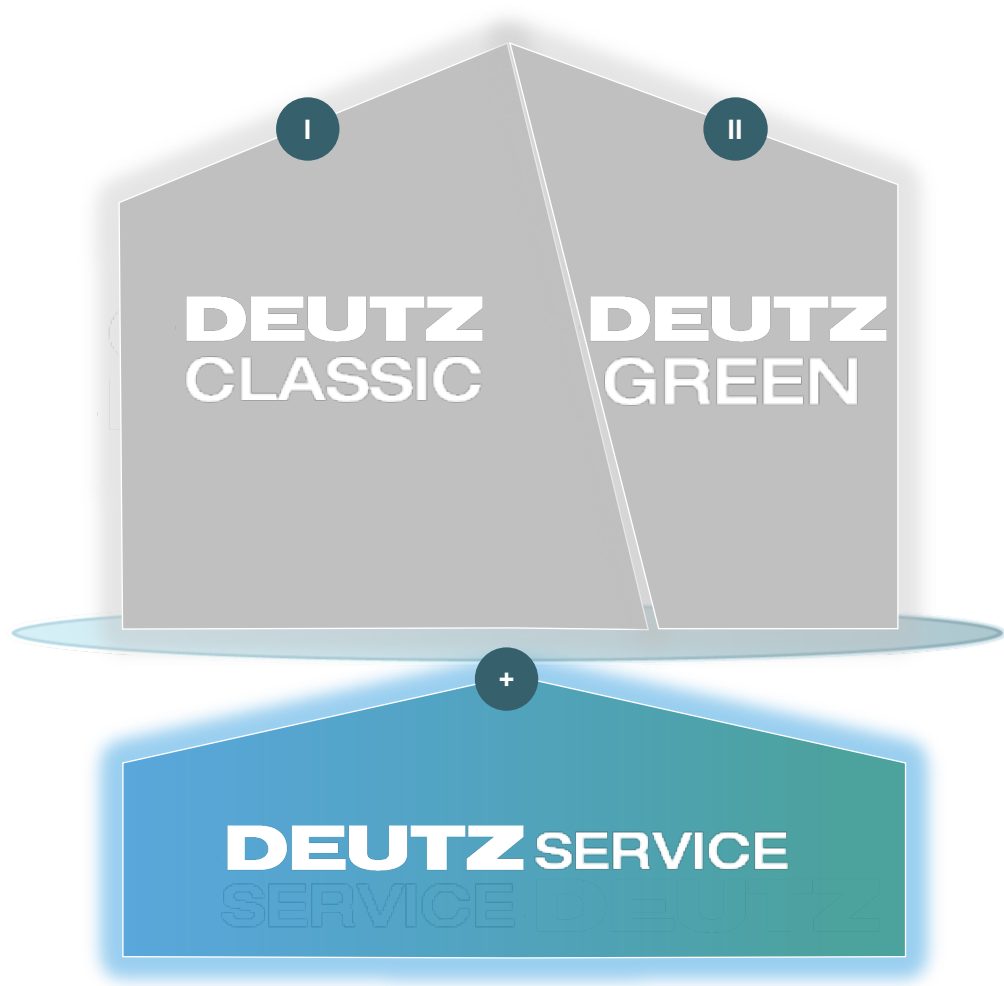
Growing customer base and solid, global sales pipeline

We have started to move into adjacencies giving us additional business opportunities and strengthening our core business



Continue to **evaluate organic and inorganic growth** opportunities to **further strengthen our core and capture adjacent businesses**

DUAL+ strategy: How we contribute in DEUTZ SERVICE



Expansion of our successful business model to increase our share



Our service business in a nutshell



Service sales 2022
EUR 450 million

925
DEUTZ service
dealers globally

Global presence
>130
countries

20,000,000
spare parts p.a.

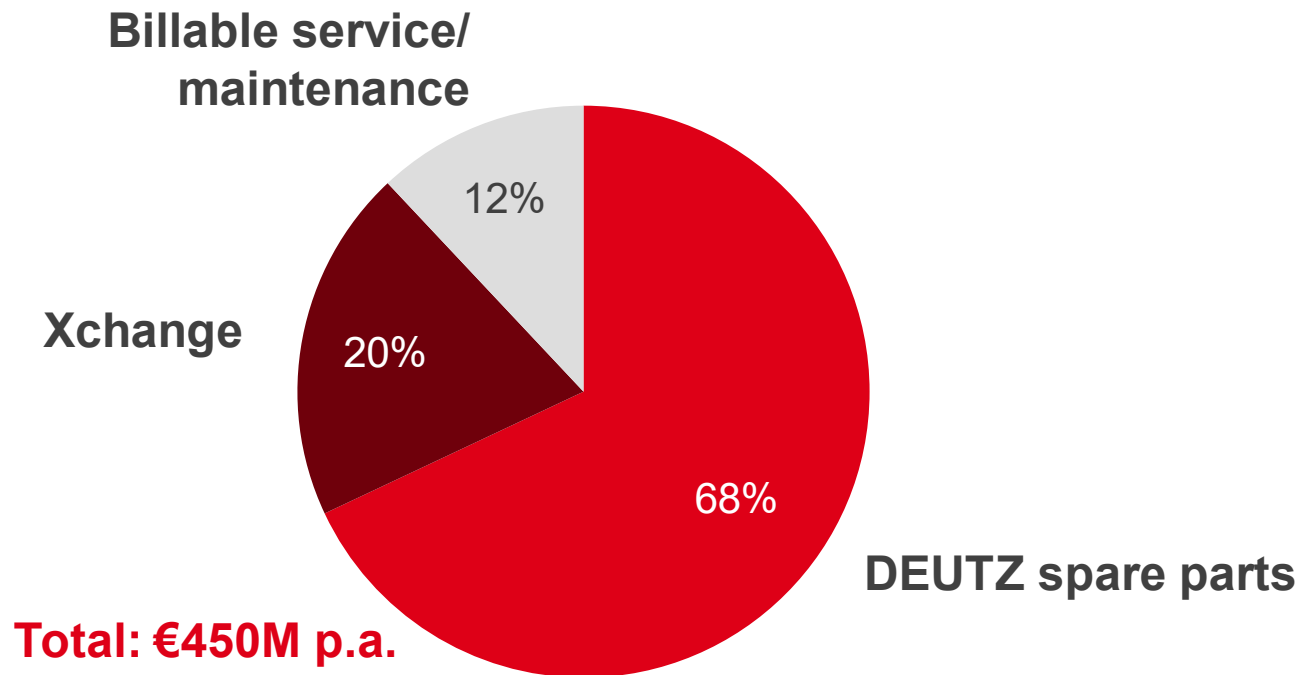
Xchange
engines p.a.
8,000

>165,000
deliveries

Majority of service business is in spare parts

DEUTZ service revenue by type

FY 2022



- Revenue currently mainly driven **by spare parts business**
- Share of profitable **billable hours business comparatively low** but **doubled share in last 5 years** - additional upside expected
- **Strong Xchange business** with potential to grow
- Current **installed base around 2.3 million DEUTZ engines**, requiring on average ~€750 in service revenue per engine p.a.

Solid set-up with growth potential

New concept for service expansion in the US: Technician in a van (TiV)



- 37 vans across the USA (target 40 by YE)
- Initial invest ~ \$200K
- ROI is less than two years

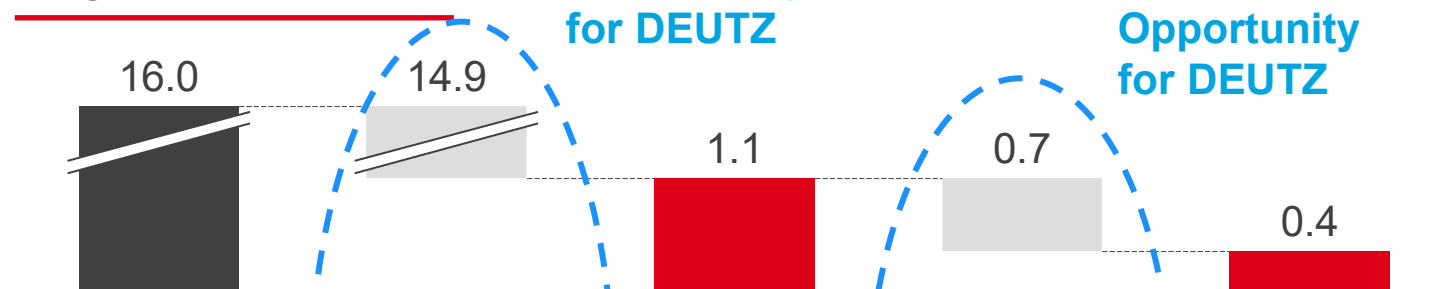
- Quarterly visit to DEUTZ service center for inventory replenishment & training
- Parts shipped to truck location as needed

There is significant growth potential for the DEUTZ service business



Spare parts

in EUR billion



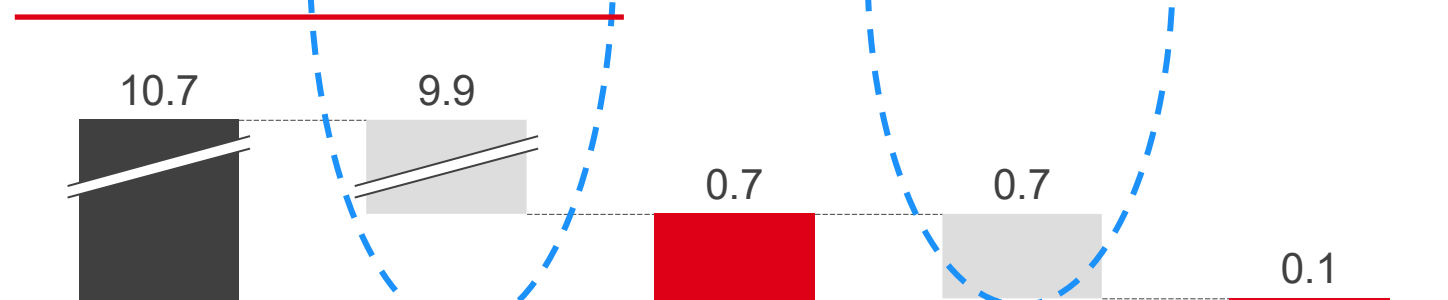
Opportunity for DEUTZ

Opportunity for DEUTZ

36% | 3%

Billable service / maintenance hours

in EUR billion



14% | 1%



- Every 1pp higher penetration gain of **DEUTZ market** is **EUR 18 million** growth
- Every 1pp gain of **3rd party market** is **EUR 250 million** growth

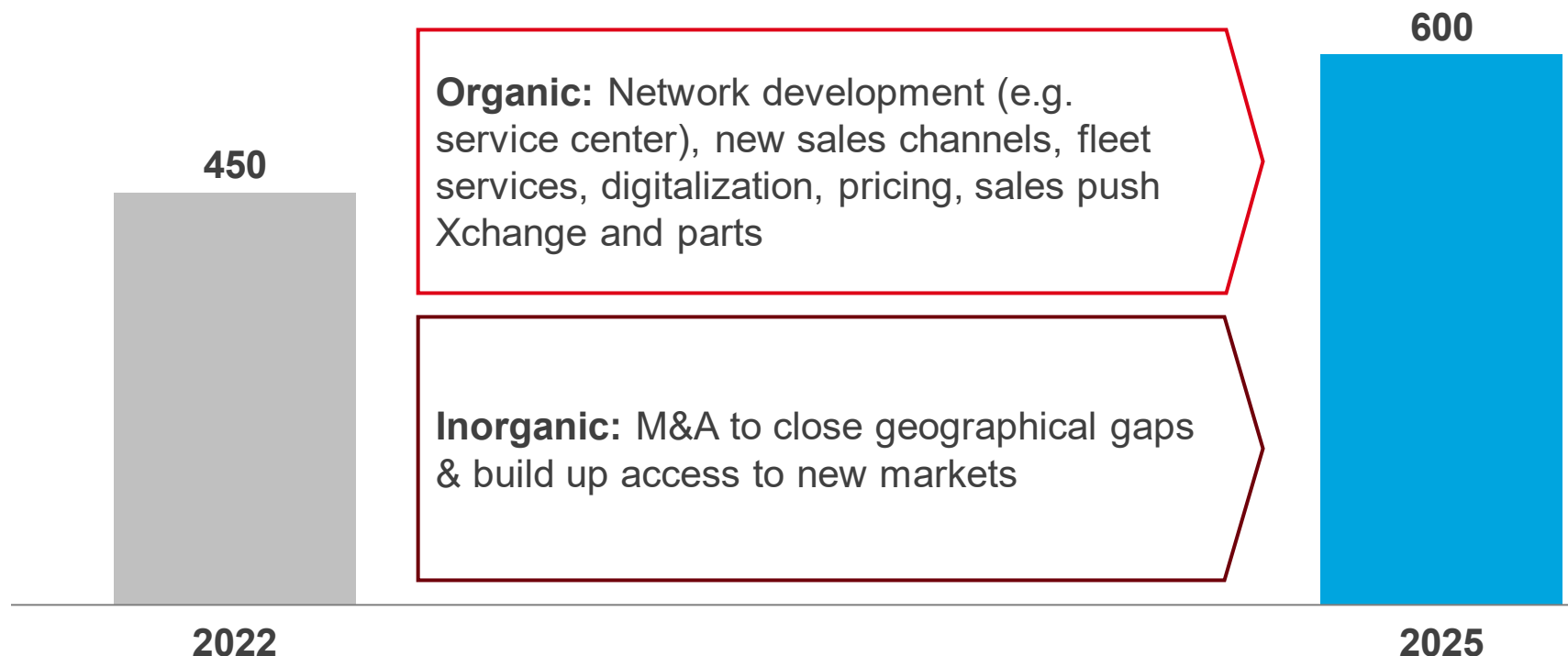
■ Market share DEUTZ (DEUTZ/Total market)



We are confident in achieving our €600M target and growing beyond



SERVICE sales

in EUR million





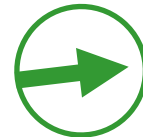

- 
- Fully capitalizing on M&A + starting second wave
 - Network expansion via service center and Technician-in-a-van concepts
 - Exploring GREEN opportunities
- 

CFO perspective

Timo Krutoff | CFO

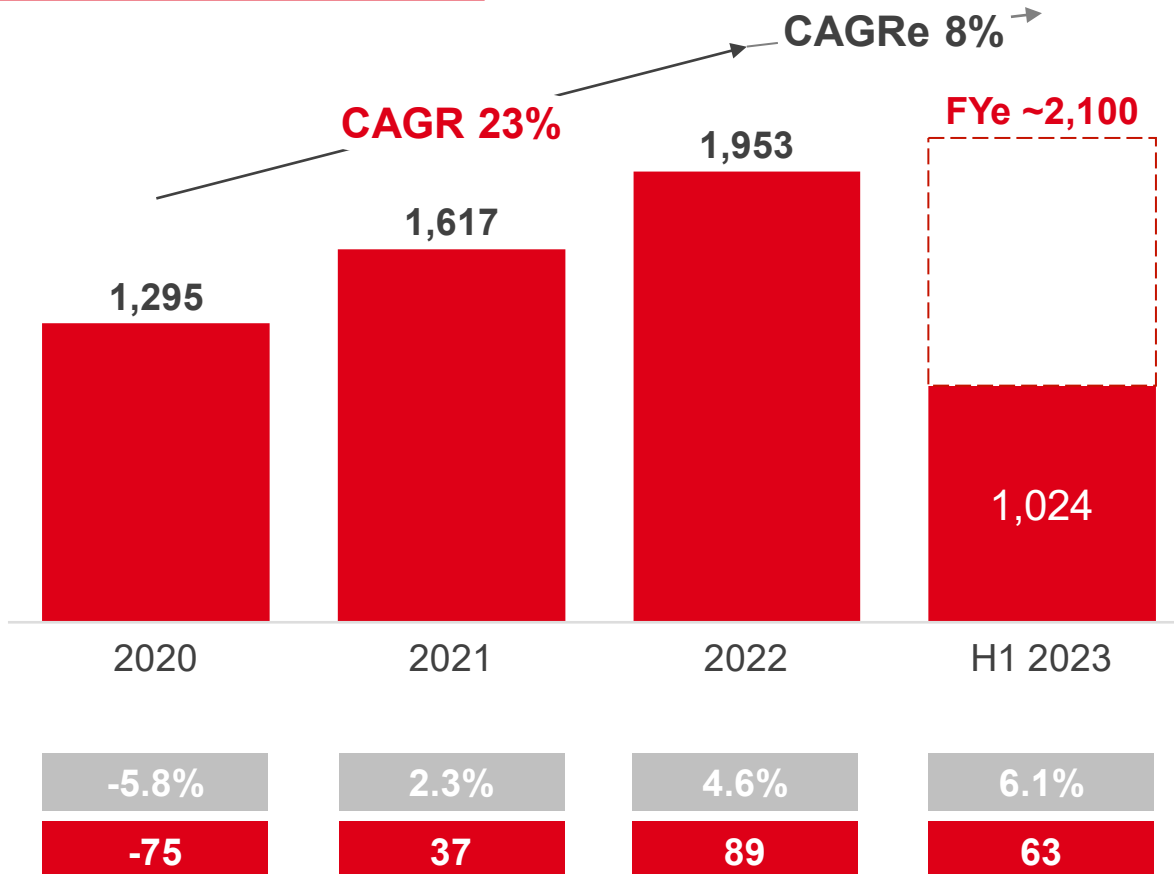
We are on track to achieving our guidance



	2022		2023e
Unit sales	181,268 DEUTZ engines ¹		~195,000 DEUTZ engines ¹
Revenue	EUR 1.95 billion		~EUR 2.1 billion
Adjusted EBIT margin ²	4.6%		~5.0%
Free cash flow	EUR 16.6 million		Mid double-digit EUR million amount ³

We have a strong track record in the last three years

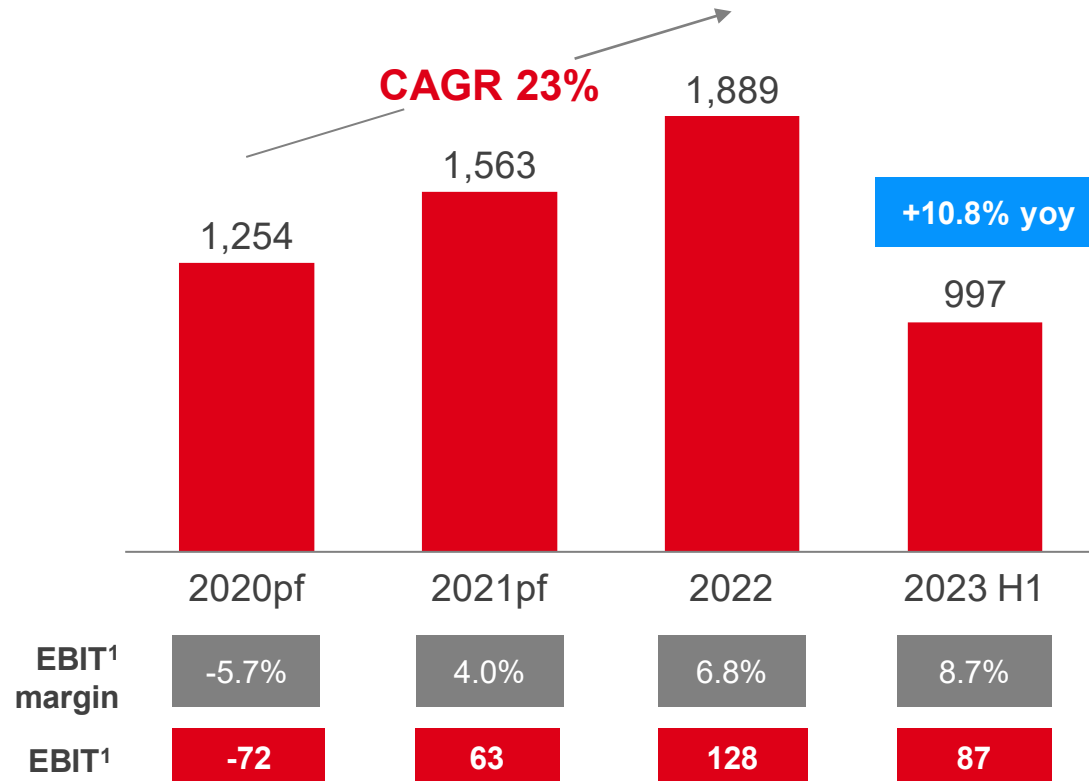
Top & bottom-line development in EUR million



- **Strong recovery** from “double dip” (Covid & Ukraine)
- **CAGR 2020-2023e around 17%**
- **Doubling of margins** 2021 to 2022 despite inflation pressures
- **EBIT¹ margin improved by 10.4pp** in past 3 years

CLASSIC as growth driver

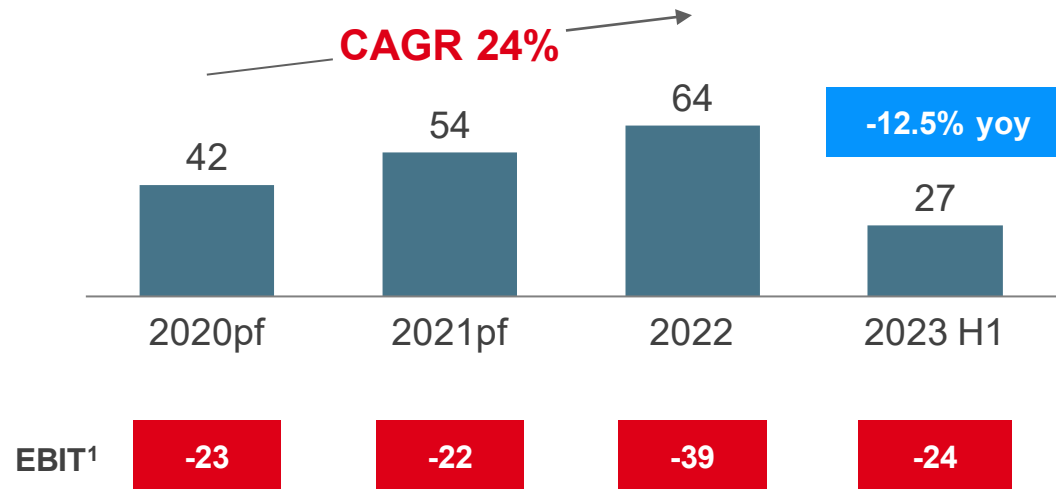
CLASSIC revenue & EBIT¹ margin development in EUR million



- **Strong recovery** of demand driven by all regions and application segments
- **Engine unit sales increased** by ~60k to 181k in 2022
- **Positive** price/mix effects
- **Expansion of service business**

CFO perspective on GREEN

GREEN revenue & EBIT¹ development in EUR million

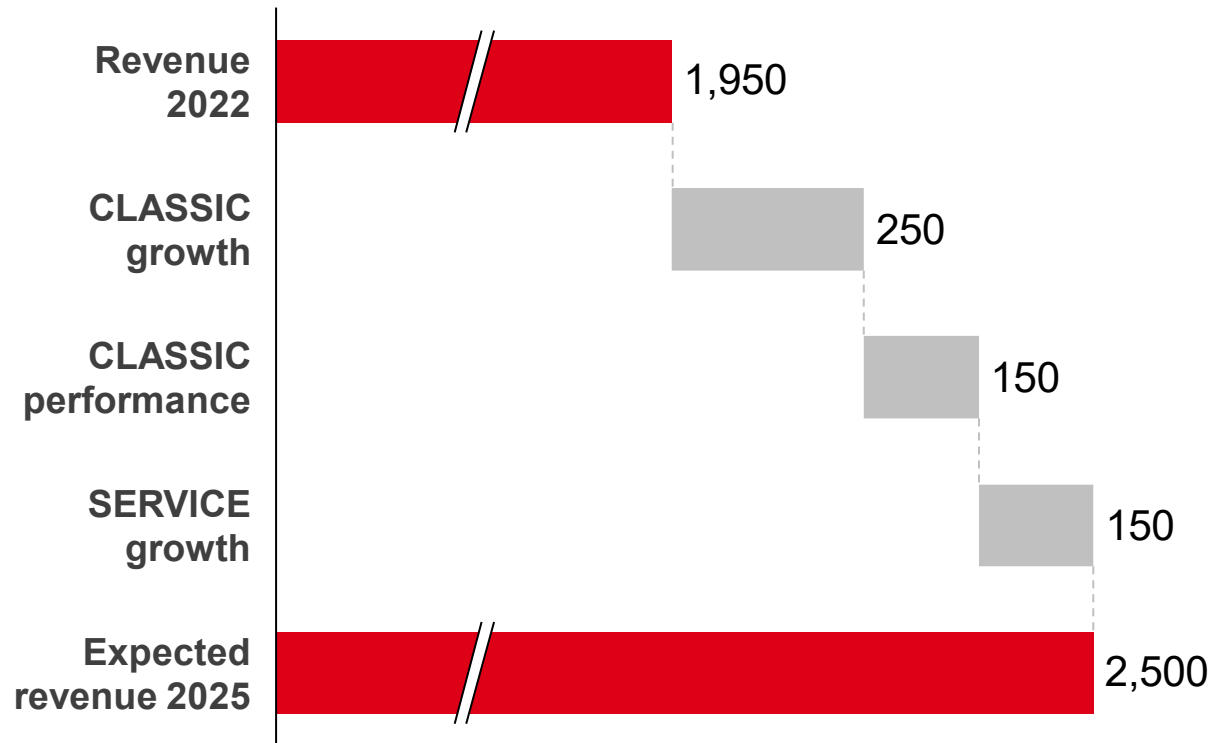


- GREEN segment reflects mainly **Torqueedo performance**
- EBIT includes **R&D costs for hydrogen and electrification** activities
- Divestiture process** for Torqueedo initiated

Where do we want to go: 3 building blocks are key for revenue

Revenue bridge to mid-term guidance

in EUR million



- Approx. 30k engines required
- Guidance for 2023 already includes 15k
- Performance driven by pricing and mix
- Organic & inorganic

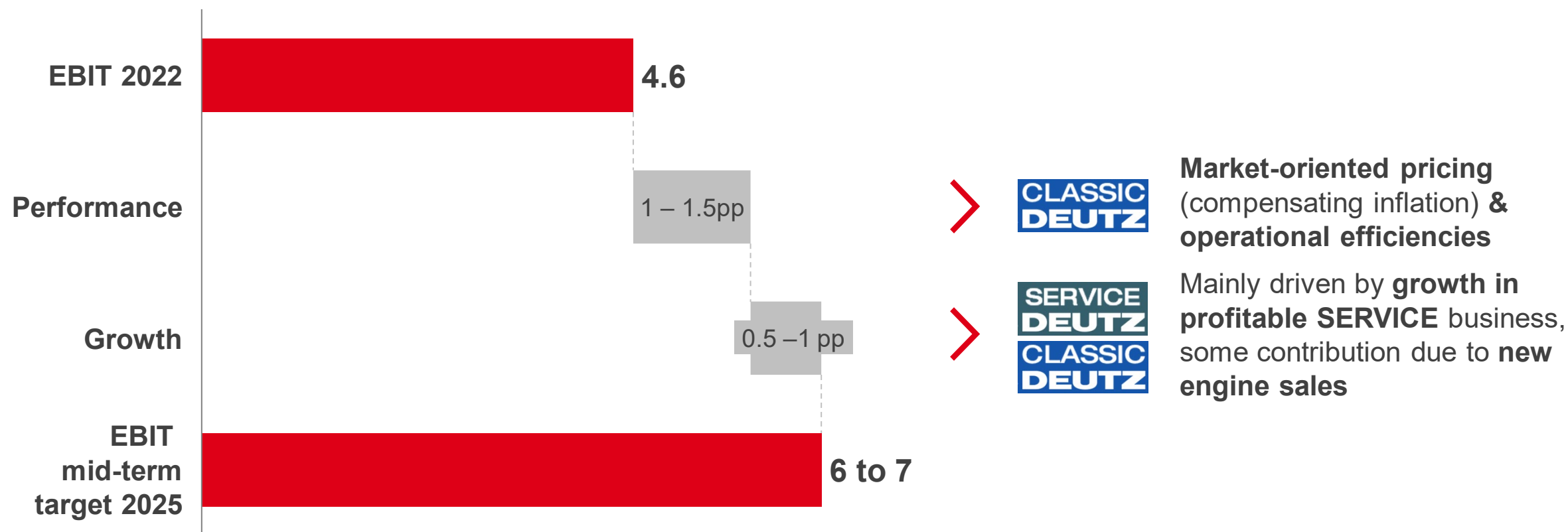
After 6 months into 2023 revenue at +10%

Where do we want to go: Two margin expansion areas for EBIT



EBIT margin¹ bridge to mid-term guidance

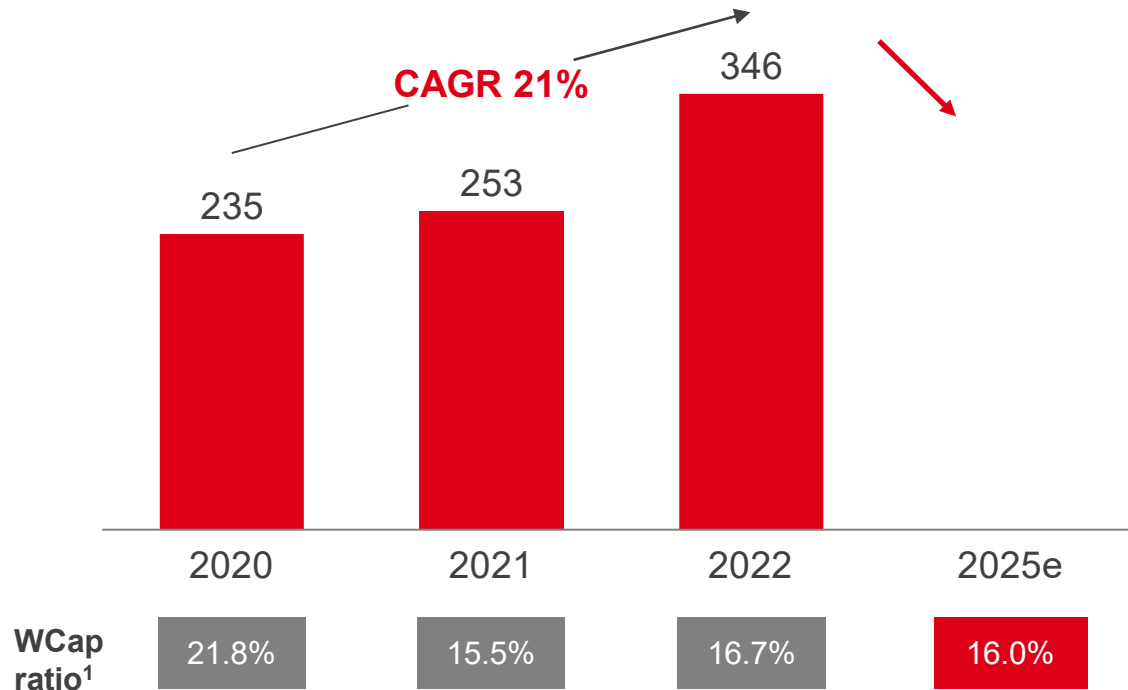
in %



How to further improve operating cash flow

WCap development

in EUR million

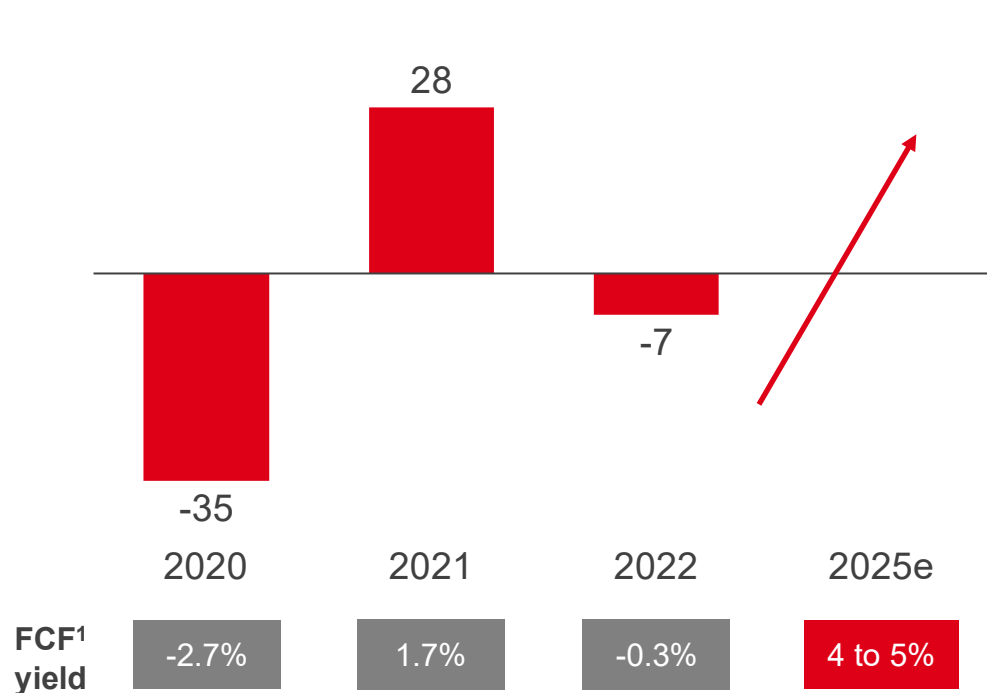


- Inventory **build-up due to supply chain issues** and top-line growth
- Cash conversion cycle (CCC) at 68 days after H1/2023
- To optimize CCC focus on:
 - Active **inventory management**
 - Consistent **management of payment targets for suppliers**
 - Further intensification of **factoring and supply chain finance**

Our goal: To optimize our working capital ratio to ~16% and the cash conversion cycle to <60 days until 2025

Our goal: a sustainable free cash flow margin of 4 to 5%

Free cash flow¹ development in EUR million



- **Improvement** until 2021
- **Cash flow** in FY 2022 burdened by WCap build up
- **Positive free cash flow** required for dividend payments
- **Pay-out ratio of 30%** of EPS remains target
- Free cash flow¹ margin of **4 to 5% mid-term target**

FY 2023 guidance for free cash flow¹ in double-digit EUR million range confirmed

Perspective on capital allocation



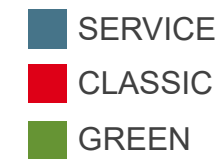
today



today



Multi-year average

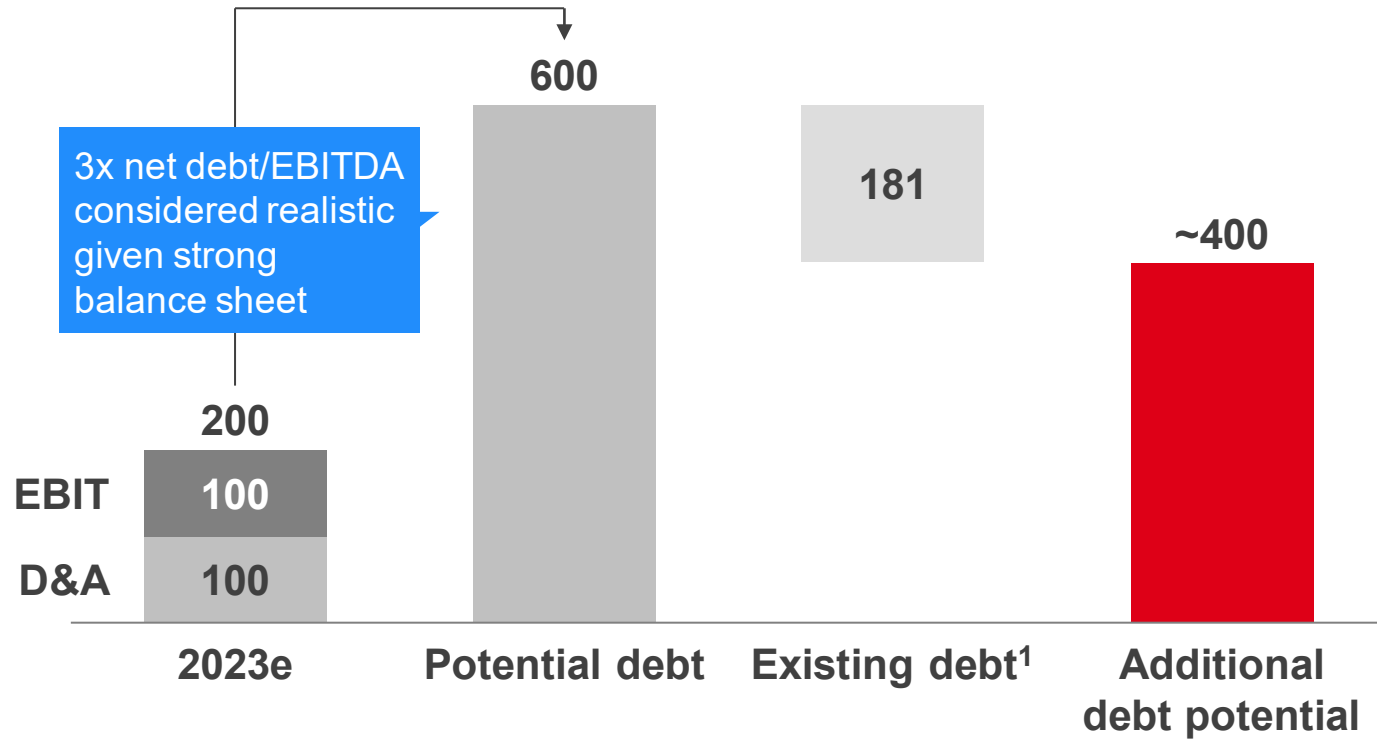


Sufficient firepower available for M&A to support DUAL+ strategy



Financing position

in EUR million



M&A criteria

Strategic direction

Proof points for future strategy

P&L uplift

Revenue, EBITDA, EBIT, FCF ...

Valuation uplift

EV/EBIT(DA), market cap, net debt ...

CFO perspective in summary



Return to solid performance

After 2020/2021 dip

CLASSIC EBIT margin approaching peer level

H1 2023 EBIT margin¹ at 8.7% for CLASSIC business

Sufficient funds for transformation

Ability to fund DUAL+ strategy based on strong financials and equity ratio

Outlook

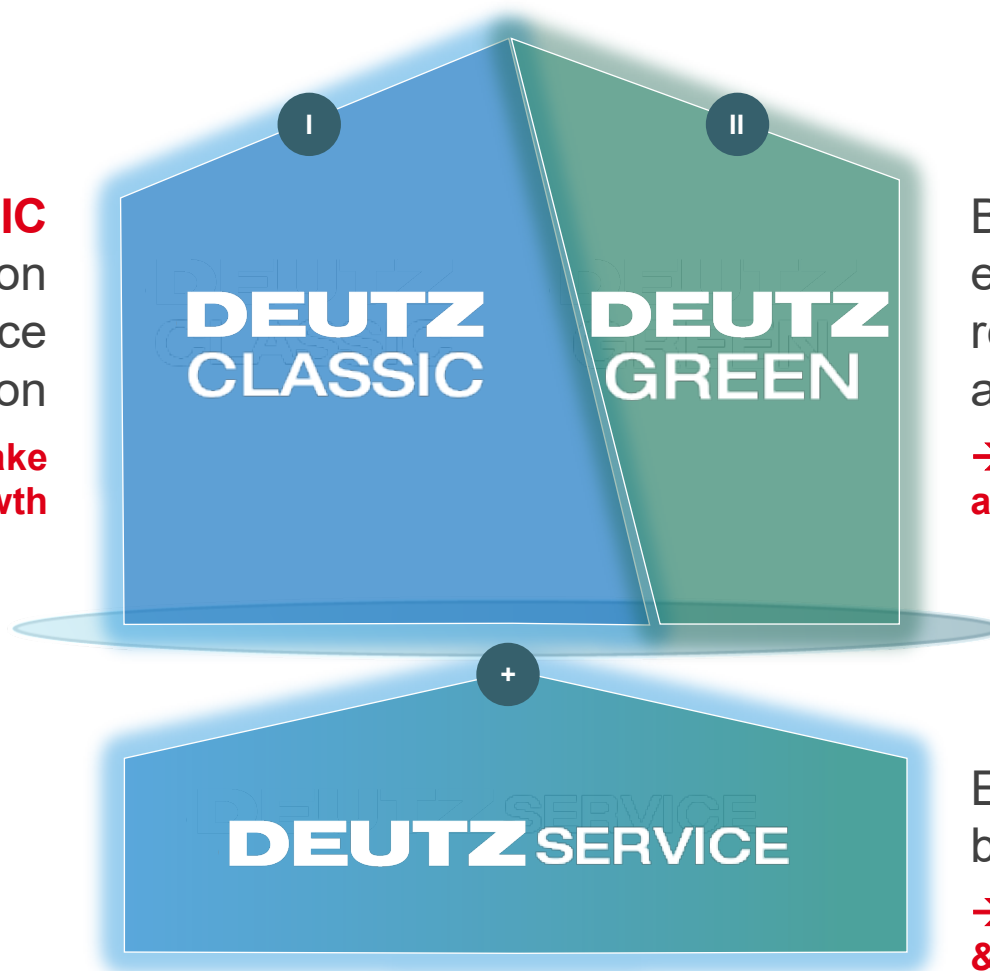
Sebastian C. Schulte | CEO

Our DUAL+ strategy



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

→ margin uptake & inorganic growth



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

→ investment, growth and long-term viability

Expand profitable **SERVICE** business around the world

→ profitability with organic & inorganic growth



Transformation is all about people



- Investment in **leadership**
- Development of our **talent**
- Complementing our team – new **expertise**
- Commitment to **diversity**

Our right to win



Strong brand

Global footprint

Engineering expertise,
innovation capability
and commitment to
quality

Sales and operations
excellence

Our value proposition



Ambition

Investment for climate neutrality by 2050

Cross-financing

Profitable growth

Value play

Disclaimer



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, a decrease 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.

Thank You!

Time for Q&A