

## PRESS RELEASE

### **DEUTZ generates further profitable growth in the third quarter and raises its full-year earnings guidance for 2023 – first H2 volume production order received**

- Revenue increases by around 10 % to €1.54 billion in the nine-month period
- Adjusted EBIT up by around 40 % to €92.7 million in the nine-month period – 2023 guidance for the adjusted EBIT margin raised to between 5.3 % and 5.8 % (previously: around 5 %)
- New orders hold steady in Q3 2023 (up by 0.5 % compared with Q3 2022)
- First volume production order for 100 hydrogen-powered gensets received from China

Cologne, November 9, 2023 – DEUTZ is maintaining its growth trajectory and can look back on a successful third quarter, with revenue rising by 11 percent and adjusted EBIT climbing by around 30 percent to approximately €30 million. In the first three quarters of this year, the drive manufacturer increased its revenue by around 10 percent, while adjusted EBIT advanced by around 40 percent to almost €93 million. The significant improvement in profitability can be seen from the growth of the EBIT margin before exceptional items from 4.7 percent to 6.0 percent.

“The strong results for the third quarter show that we are operating on an increasingly profitable basis as we forge ahead with the implementation of our Dual+ strategy. This has enabled us to raise our full-year guidance for the adjusted EBIT margin from around 5 percent to an anticipated range of between 5.3 percent and 5.8 percent. The improved performance of the Classic business – illustrated by a jump in the adjusted EBIT margin to 8.8 percent – enables us to finance both the expansion of our service business and the establishment of our green product portfolio while continuing to achieve profitable growth,” says DEUTZ CEO Dr. Sebastian C. Schulte.

Commenting on the Group's order situation, DEUTZ CFO Timo Krutoff adds: "Our new orders held steady in the third quarter, bucking the wider market trend. Pre-order effects in 2022 led to a year-on-year fall in new orders over the first three quarters of 2023 but, given the healthy level of orders on hand, we are nevertheless optimistic about the final quarter of the year and are confirming our revenue guidance of around €2.1 billion."

The ongoing implementation of the Dual+ strategy is delivering tangible success, and not simply from an operational perspective. In the Green segment, DEUTZ took its first volume production order for 100 hydrogen gensets from China. CEO Schulte: "The first volume production order for our new hydrogen-powered gensets represents a major strategic milestone in many regards. It shows that we can offer products that meet market demand also outside our existing drive portfolio. It will allow us, and our customer, to gain invaluable experience with this pioneering technology. And looking forward, it brings us another step closer to becoming climate-neutral."

The gensets will initially be powered by gray hydrogen, which is a by-product of industrial processes. This can reduce carbon emissions by up to 800 tonnes per year per genset compared with conventional electricity generation. These gensets are already creating a hydrogen technology infrastructure, which at a later point in time will be able to switch to using climate-neutral green hydrogen. Volume production of DEUTZ hydrogen engines for stationary applications is scheduled to begin at DEUTZ's Cologne-Porz site at the end of 2024.

The Company is also continuing to systematically implement the organizational changes in the Green segment that were initiated during the summer. These changes are primarily aimed at grouping together the development and sales activities relating to alternative drives in order to maintain an even sharper focus on the needs of the market and customers. The strategic realignment also affects the investment in DEUTZ subsidiary Torqeedo, which focuses on electric boat drives. DEUTZ is currently in advanced sales negotiations with a number of prospective buyers. The transaction is expected to be completed next year.

Furthermore, the Company has made progress with the global expansion of the service and parts business, the 'plus' in its Dual+ strategy. The acquisition of the Scandinavian Diesel Motor Nordic Group, which was completed at the start of October, represents another key milestone in the transition from traditional engine manufacturer to provider of on-highway and off-highway solutions. The revenue of the highly profitable service business grew by 7.2 percent to €360.5 million in the first three quarters of this year. The service business thus accounted for around 23 percent of consolidated revenue and now constitutes the second-largest area of business in terms of revenue.

**Fall in new orders, primarily due to spending brought forward in 2022;  
double-digit revenue growth**

New orders received by the DEUTZ Group amounted to €1,435.8 million in the first nine months of 2023, compared with €1,519.7 million in the same period of 2022. The year-on-year decrease of 5.5 percent was primarily due to implementation of the fixed-volume program for compact engines in the fourth quarter of 2022. The supply chain disruptions, resulting in longer delivery times during that period, had prompted customers to place orders early, with longer order horizons. This had boosted new orders in the fourth quarter of 2022, particularly in the Construction Equipment and Material Handling application segments. These pre-orders, along with the normalization of customers' ordering behavior as the supply chain difficulties gradually ease over the course of 2023, is bringing levels of new orders this year back in line with the average.

Orders on hand totaled €666.5 million as at September 30, 2023 (September 30, 2022: €828.8 million). This still represents a high level of orders on hand that is well above the volumes seen at the corresponding dates in the years prior to the pandemic and the supply chain crisis.

With a total of 137,559 DEUTZ engines<sup>1</sup> sold, DEUTZ registered an increase in unit sales of 5.1 percent in the reporting period. This growth was predominantly attributable to a sharp rise in unit sales in the Material Handling application segment.

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<sup>1</sup> Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

DEUTZ's revenue grew by 10.3 percent to €1,540.0 million. All regions and nearly all of the main application segments recorded increases in revenue. The stronger increase in revenue relative to unit sales was largely due to positive product mix effects, combined with a market-oriented pricing policy in the Classic business and the discontinuation of older engine series with lower average sales prices.

### **Further jump in earnings**

Adjusted EBIT (EBIT before exceptional items) amounted to €92.7 million in the first three quarters of 2023, a rise of €26.8 million or 40.7 percent compared with the prior-year period. DEUTZ achieved this despite the year-on-year increase in the loss reported by Torqeedo in the third quarter, unfavorable currency effects and higher procurement and employment costs. This significant improvement was due to the growth in the volume of business in the Classic segment, combined with market-oriented pricing and the focused implementation of the growth strategy in the service business. The adjusted EBIT margin also made a strong year-on-year improvement, rising from 4.7 percent to 6.0 percent.

Taking account of exceptional items amounting to an expense of €0.7 million, EBIT for the first nine months of 2023 amounted to €92.0 million (Q1–Q3 2022: €57.4 million<sup>2</sup>).

Due to the increase in adjusted EBIT, net income improved from €45.1 million in the first three quarters of 2022 to €65.9 million in the first three quarters of 2023. As a result, earnings per share increased from €0.37 to €0.53. Net income before exceptional items stood at €66.5 million and earnings per share before exceptional items at €0.53.

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<sup>2</sup> Taking account of exceptional items amounting to an expense of €8.5 million due to the recognition of provisions following several changes at senior management level.

### **Financial position remains comfortable**

Cash flow from operating activities amounted to a net cash inflow of €58.3 million in the first nine months of 2023, compared with a net cash outflow of €13.8 million in the prior-year period. This improvement was attributable to the smaller amount of net cash used for working capital and to the rise in operating profit. As a result, free cash flow improved from minus €69.8 million in the prior-year period to minus €13.4 million in the reporting period.

The equity ratio stood at 45.7 percent as at September 30, 2023, compared with 45.3 percent at the end of 2022. The DEUTZ Group's financial position therefore remains comfortable.

### **Full-year guidance for 2023 refined – improved profitability expected**

DEUTZ is refining its full-year guidance for 2023 as follows in view of its business performance in the first three quarters and on the basis of its existing planning for unit sales and production:

Having announced in April that unit sales would reach the upper end of the target range included in the original guidance of 175,000 to 195,000 DEUTZ engines<sup>3</sup>, the Company now anticipates unit sales of around 185,000 to 190,000 DEUTZ engines. This is still expected to result in an increase in consolidated revenue to around €2.1 billion.

As the measures to boost efficiency and profitability in the Classic segment continue to be implemented successfully, the Group's adjusted EBIT margin is anticipated to be between 5.3 percent and 5.8 percent, which is higher than the figure previously forecast of around 5.0 percent. Looking at the individual segments, the adjusted EBIT margin for the Classic segment is now expected to be between 8.0 percent and 8.5 percent (previously: 6.0 percent to 7.0 percent). Adjusted EBIT for the Green segment is likely to amount to a loss of around €55 million (previously: adjusted EBIT margin of minus 40 percent to minus 30 percent).

Free cash flow before mergers and acquisitions is predicted to be in the mid-double-digit millions of euros.

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<sup>3</sup> Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

## DEUTZ Group: Overview of key figures

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
New orders	1,435.8	1,519.7	-5.5%	444.1	442.1	0.5%
Group unit sales <sup>4</sup> (units)	165,067	169,352	-2.5%	57,722	60,611	-4.8%
thereof DEUTZ engines <sup>5</sup>	137,559	130,875	5.1%	46,108	40,413	14.1%
thereof Torqeedo	27,508	38,477	-28.5%	11,614	20,198	-42.5%
Revenue	1,540.0	1,395.8	10.3%	516.5	465.4	11.0%
EBIT	92.0	57.4	60.3%	30.2	21.9	37.9%
thereof exceptional items <sup>6</sup>	-0.7	-8.5	-91.8%	0.0	-1.4	-
Adjusted EBIT (EBIT before exceptional items)	92.7	65.9	40.7%	30.2	23.3	29.6%
EBIT margin	6.0%	4.1%	+1.9pp	5.8%	4.7%	+1.1pp
EBIT margin before exceptional items	6.0%	4.7%	+1.3pp	5.8%	5.0%	+0.8pp
Net income	65.9	45.1	46.1%	21.6	17.1	26.3%
Net income before exceptional items	66.5	52.2	27.4%	21.6	18.2	18.7%
Earnings per share (€)	0.53	0.37	43.2%	0.17	0.14	21.4%
Earnings per share before exceptional items (€)	0.53	0.43	23.3%	0.17	0.15	13.3%
Equity (Sep. 30/Dec. 31)	737.8	668.8	10.3%			
Equity ratio	45.7	45.3	+0.4pp			
Cash flow from operating activities	58.3	-13.8	-	9.4	-28.4	-
Free cash flow	-13.4	-69.8	80.8%	-21.7	-45.1	51.9%
Net financial position (Sep. 30/Dec. 31)	-205.7	-164.2	-25.3%			
Employees <sup>7</sup> (Sep. 30)	5,275	4,995	5.6%			

<sup>4</sup> From 2023, the unit sales included for the DEUTZ subsidiary Torqeedo consist not only of electric boat drives but also battery systems (Q1–Q3 2023: 3,624 units). The figure for the prior-year period has not been retrospectively adjusted.

<sup>5</sup> Excluding electric boat drives from DEUTZ subsidiary Torqeedo.

<sup>6</sup> Significant income generated or expenses incurred that, due to their timing and/or specific nature, are unlikely to recur and are outside the scope of the Company's ordinary business activities.

<sup>7</sup> Number of employees expressed in FTEs (full-time equivalents); excluding temporary workers.

### DEUTZ Classic segment: Overview of key figures

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
New orders	<b>1,392.6</b>	1,475.7	-5.6%	<b>428.4</b>	425.1	0.8%
Unit sales (units)	<b>137,531</b>	130,870	5.1%	<b>46,107</b>	40,411	14.1%
Revenue	<b>1,504.0</b>	1,344.4	11.9%	<b>507.0</b>	444.3	14.1%
Adjusted EBIT	<b>132.0</b>	92.5	42.7%	<b>45.3</b>	31.2	45.2%
Adjusted EBIT margin	<b>8.8%</b>	6.9%	+1.9pp	<b>8.9%</b>	7.0%	+1.9pp

### DEUTZ Green segment: Overview of key figures

€ million	Q1–Q3 2023	Q1–Q3 2022	Change	Q3 2023	Q3 2022	Change
New orders	<b>43.2</b>	44.0	-1.8%	<b>15.7</b>	17.0	-7.6%
Unit sales <sup>8</sup> (units)	<b>27,536</b>	38,482	-28.4%	<b>11,615</b>	20,200	-42.5%
Revenue	<b>36.0</b>	51.4	-30.0%	<b>9.5</b>	21.1	-55.0%
Adjusted EBIT	<b>-39.5</b>	-26.2	-50.8%	<b>-15.1</b>	-8.1	-86.4%
Adjusted EBIT margin	<b>-109.7%</b>	-51.0%	-58.7pp	<b>-158.9%</b>	-38.4%	-120.5pp

The quarterly statement for the first to third quarter of 2023 is available at

[www.deutz.com/en/investor-relations](http://www.deutz.com/en/investor-relations).

<sup>8</sup> Torqeedo boat drives and, from 2023, Torqeedo battery systems (Q1–Q3 2023: 3,624 units; the figure for the prior-year period has not been retrospectively adjusted), E-DEUTZ battery systems, E-DEUTZ drive systems, DEUTZ PowerTree, hydrogen engines.

The engine company.



## Upcoming financial dates

March 19, 2024: Publication of the 2023 annual report

May 8, 2024: Annual General Meeting

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## Forward-looking statements

This press release may contain certain forward-looking statements based on current assumptions and forecasts made by the DEUTZ management team. Various known and unknown risks, uncertainties, and other factors may lead to material differences between the actual results, the financial position, or the performance of the DEUTZ Group and the estimates and assessments set out here. These factors include those that DEUTZ has described in published reports, which are available at [www.deutz.com](http://www.deutz.com). The Company does not undertake to update these forward-looking statements or to change them to reflect future events or developments.

## 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](http://www.deutz.com).*