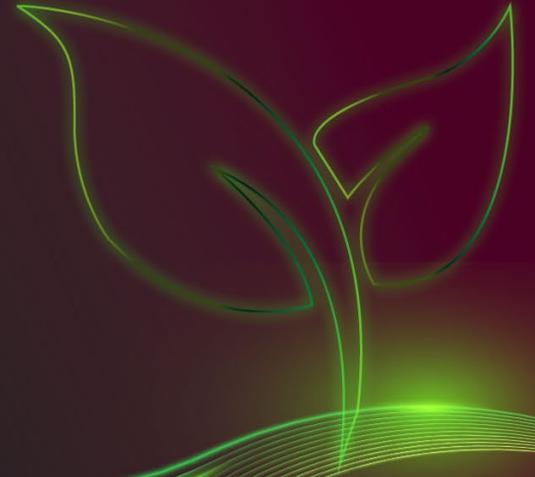


# DEUTZ DAYS 21



## Market Outlook and Strategic Positioning

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Michael Wellenzohn, CSO  
November 17, 2021 | Coreum

  moving the world sustainably



# 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.

# Market Outlook

## Upswing in all relevant business areas continues



Generally, we are in very cyclical & dynamic market, however experiencing positive trends in all relevant areas:

- **Construction:** Government initiated stimuli as e. g. Infrastructure bill will lead to increased demand for construction equipment
- **Material Handling:** Demand for consumer goods is expected to remain high and industrial goods will continuously be moving around the globe. This will support development in Material Handling segment
- **Agriculture:** As market prices for groceries are rising, farmers are more likely to invest in new equipment
- **Rental companies:** Forecasted investment for 2022 & 2023 shows significant growth which will boost their demand for equipment
- **Stationary Equipment:** Demand for generators, pumps, welders is on a high level and is expected to develop further due to the growth of different segments
- **Mining:** Increasing indices for commodity goods demand for mining equipment will remain high
- **Oil:** Since price is already on stable level and continuously rising due to global demand of energy, fracking and oil sand washing becomes interesting again and will require equipment

**Further governmental stimuli for infrastructures are in planning and will further drive demand**

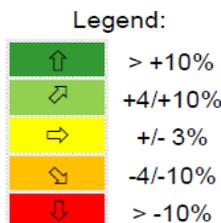
# Market Indices and Global Indicators

Indicators support the strong outlook for 2022

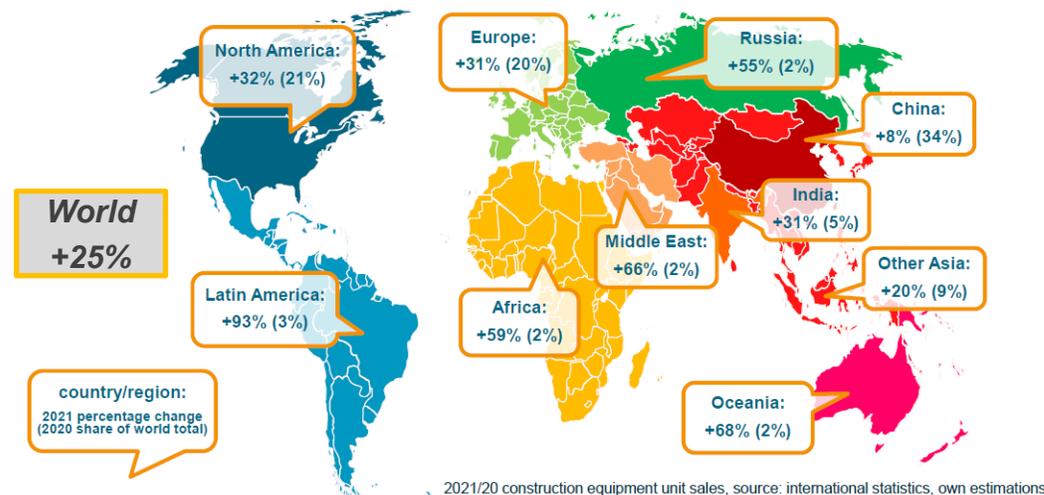


## Agricultural machinery sales<sup>1</sup>

	2018	2019	2020e	2021f	2022f
	%-change	%-change	%-change	Trend	Trend
World	5	-3	2	12	4
EU 27 plus 1	7	-1	-4	10	2
NAFTA (ex)	9	-4	8	↑	→
China	-10	-5	-4	→	↑
South America	10	-1	4	↑	↗
India	20	-7	13	↗	↑
Russia	-4	-16	7	↑	↗
Japan	3	6	-16	↑	→
Turkey	-41	-39	59	↑	↗



## Construction equipment sales Q1-Q3 2021/20<sup>2</sup>

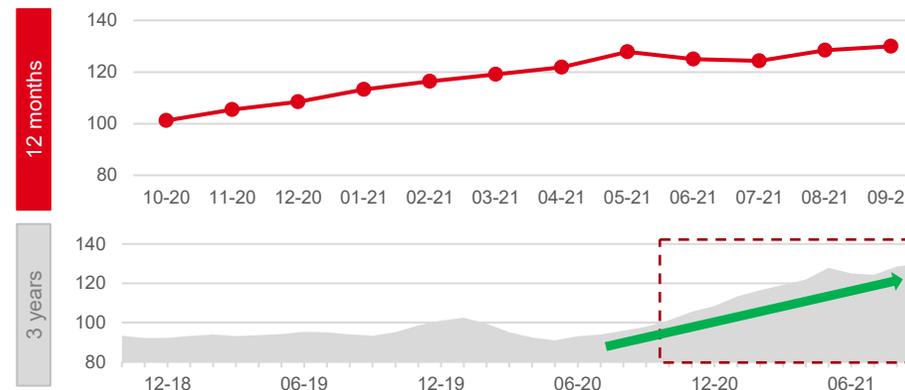


## Rental Companies<sup>3</sup>

### Capex outlook

	FY 2021-20	FY 2021-19	FY 2022-21
<b>United Rentals</b>	+186%	+29%	+75%
<b>Herc Rentals</b>	+230%	+21%	-

## Food Price Index<sup>4</sup>



# Some Headwinds remain, but manageable

CHINA | BARRON'S TAKE

## The EU Tariff Deal Doesn't Mean the Trade War With China Is Over

Trade War

HEALTH AND SCIENCE

## WHO warns that Europe is once again at the epicenter of the Covid pandemic

PUBLISHED THU, NOV 4 2021-11:26 AM EDT

Covid-19

## No end to global chip shortage before H1 2023, STMicro CEO says

Chip Shortage

HOME > TRANSPORTATION

## The supply chain crisis could last into 2023 unless governments boost spending in ports, railways, and warehouses, a shipping exec warns

International Logistic

Economics

## China's Growth Forecasts Cut as Property, Power Cuts Take Toll

Power-Cut

Macro Matters

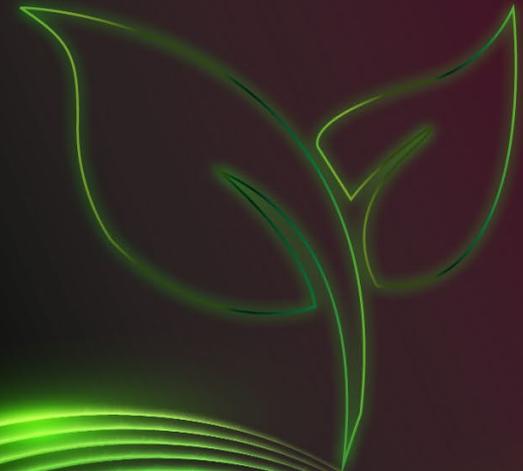
## U.S. homebuilding stumbles as supply constraints mount

Building Material

Despite the headwinds we see 2022 very positively

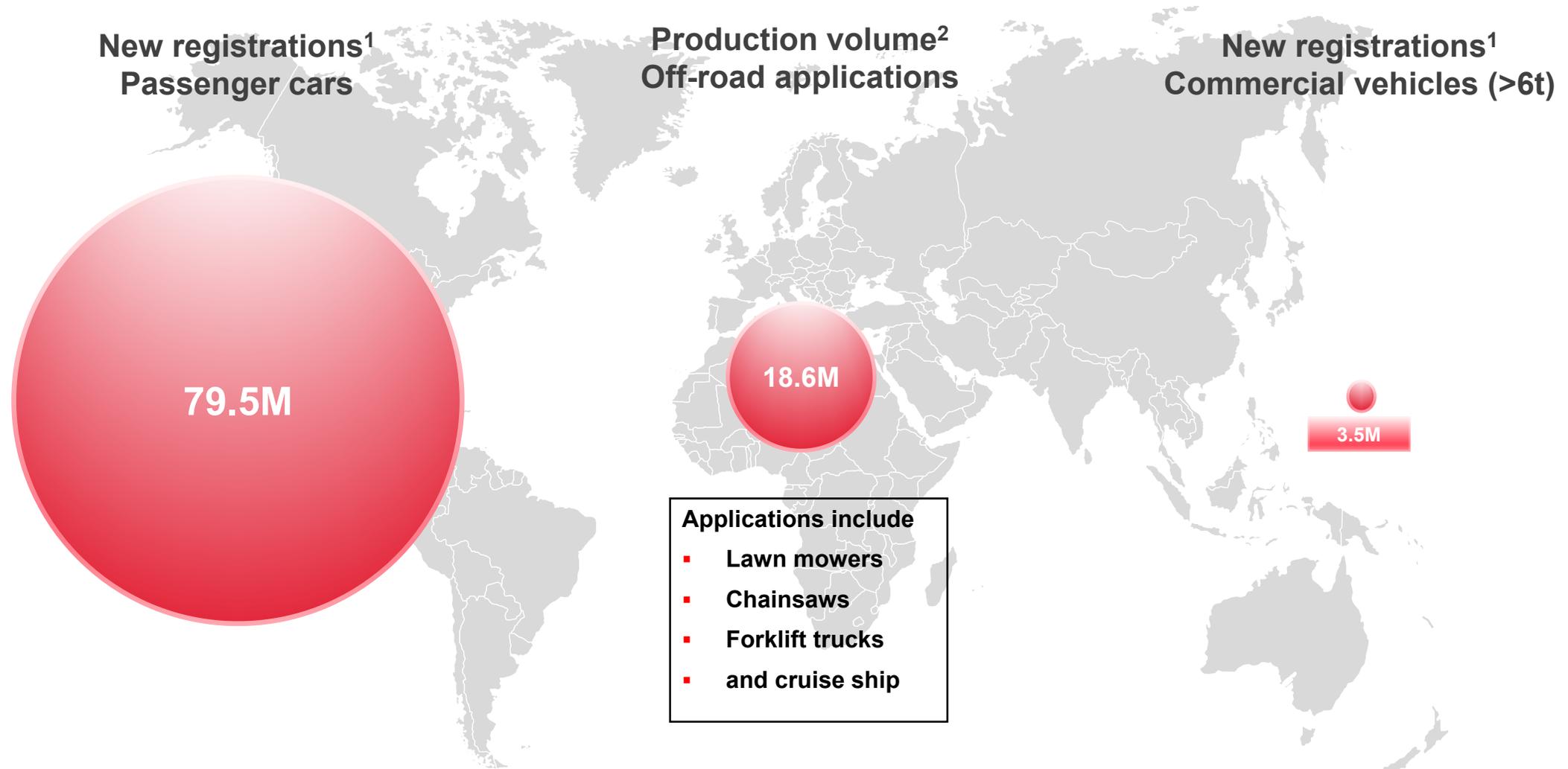


# Market Positioning



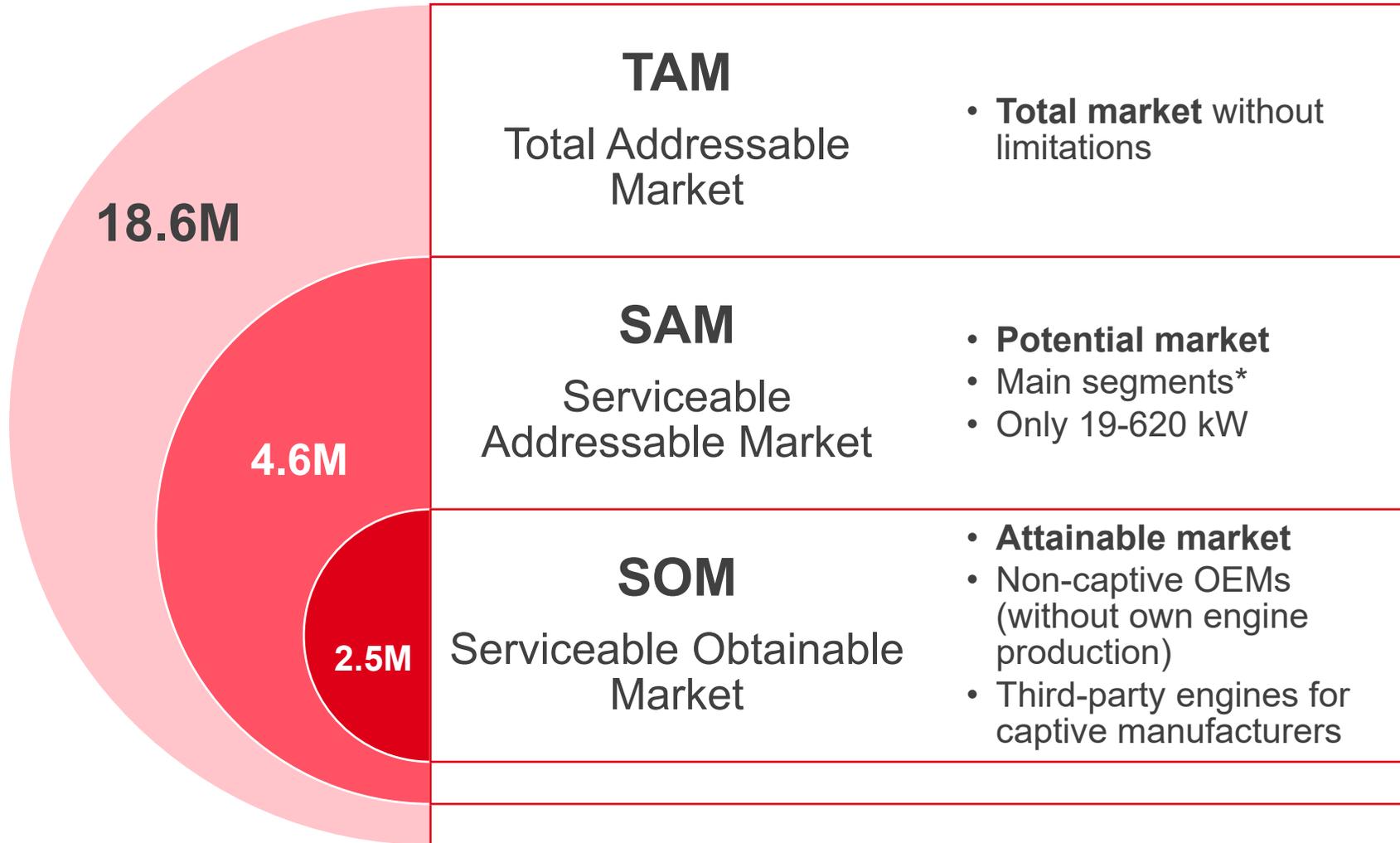
# World market sizes of industry-related segments

Passenger cars, off-road applications, commercial vehicles, base year 2019



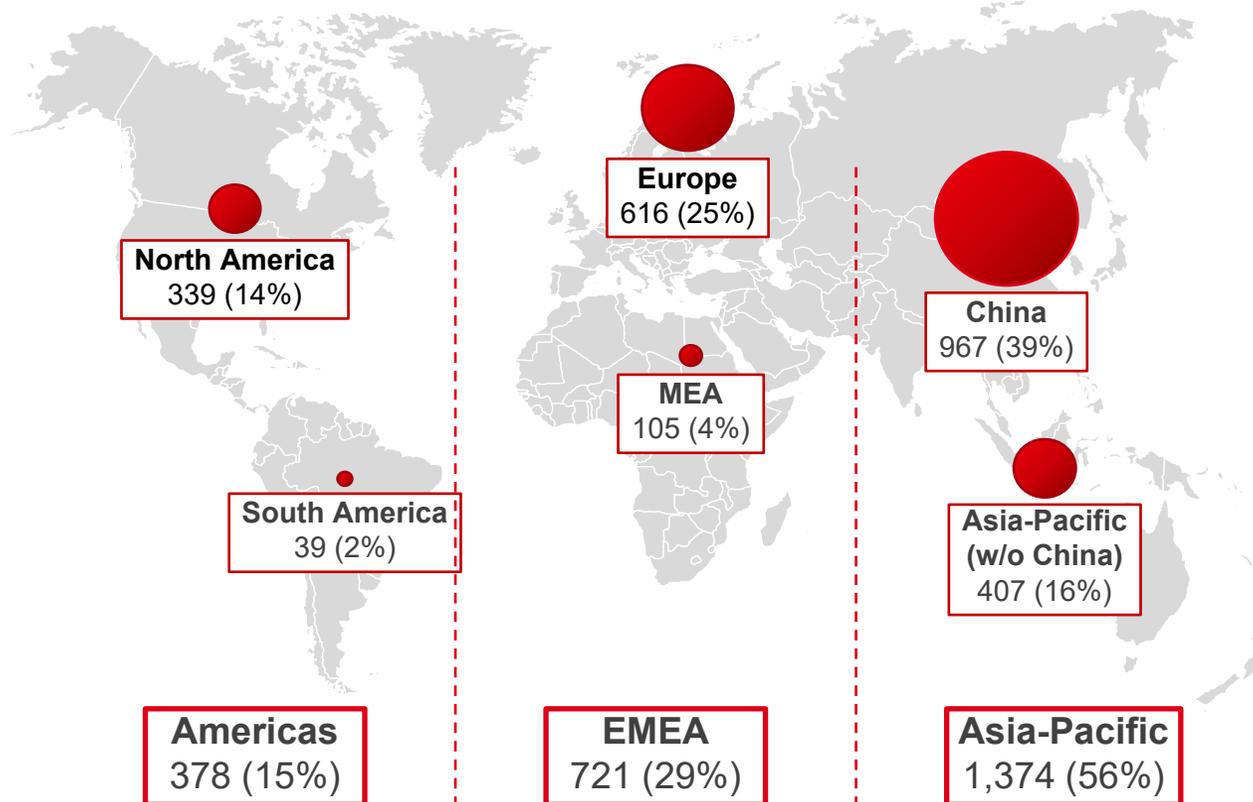
# Derivation of the DEUTZ-relevant off-road market

Total market - Potential market - Attainable market

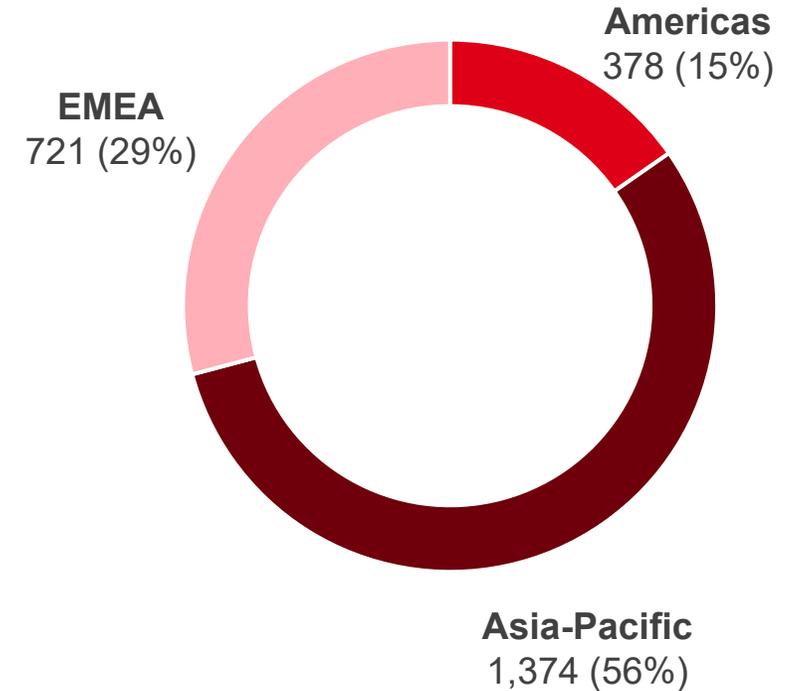


# Regional Split of DEUTZ attainable Market (2.5M Units)

## Geographical regions



## DEUTZ main regions

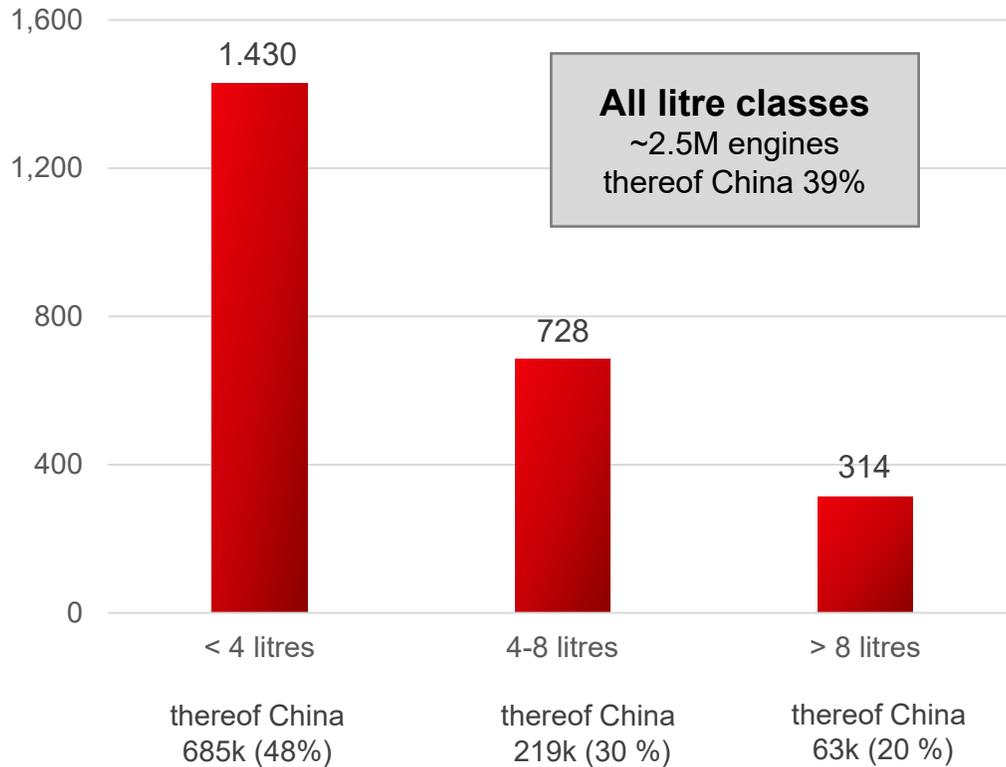


**China by far the largest single attainable end-market for DEUTZ**

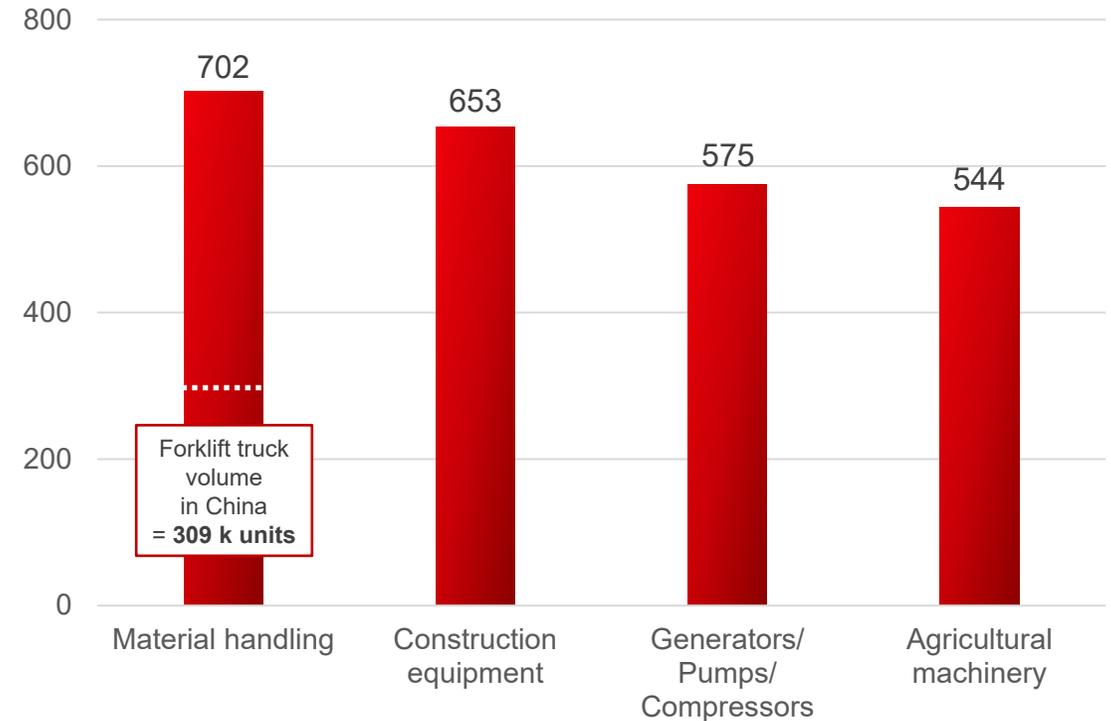
# Power Class/Segment Split of DEUTZ attainable Market (2.5M Units)



## Power classes



## Main segments

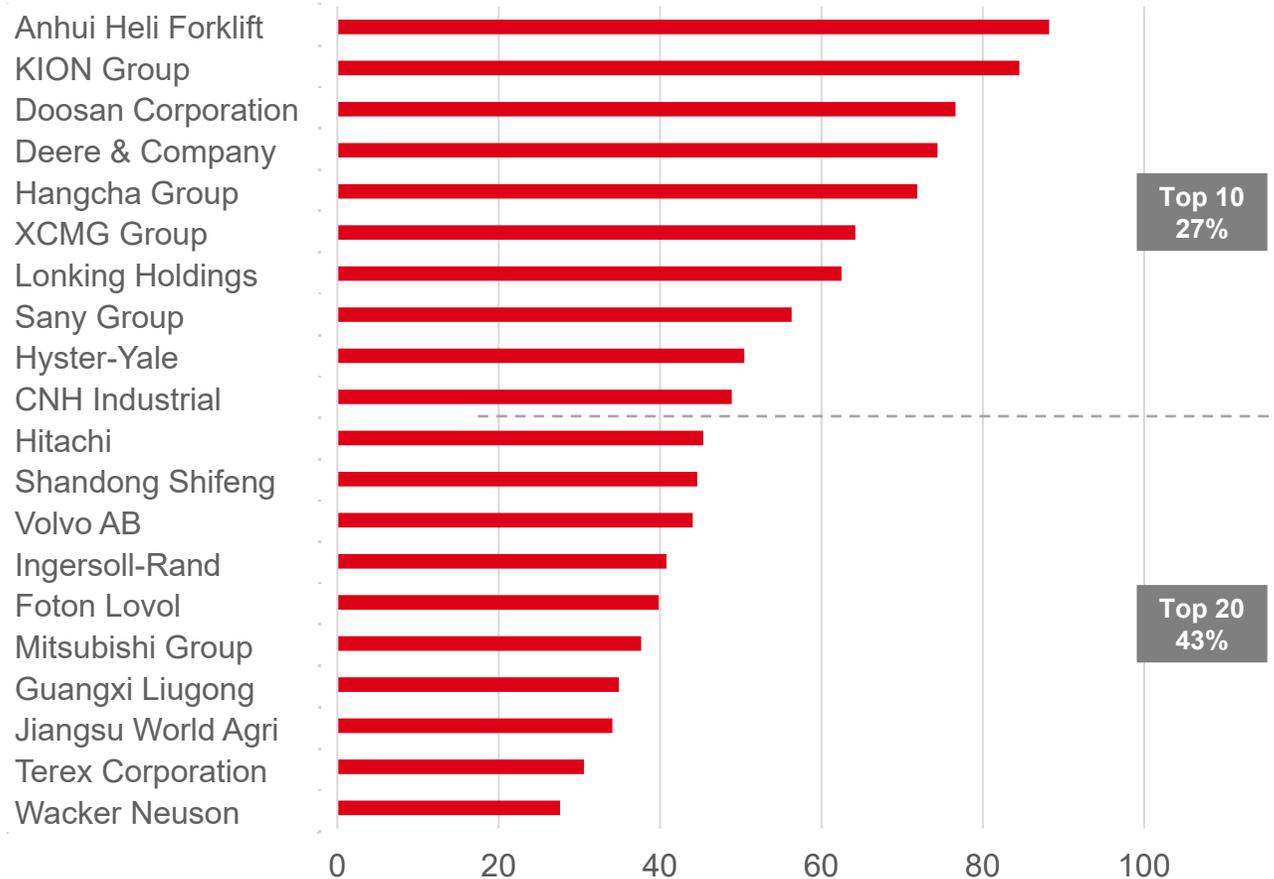


**China is the largest single market in all relevant power classes**

# Manufacturer Split of DEUTZ attainable Market (2.5M Units)



## Top 20 OEMs

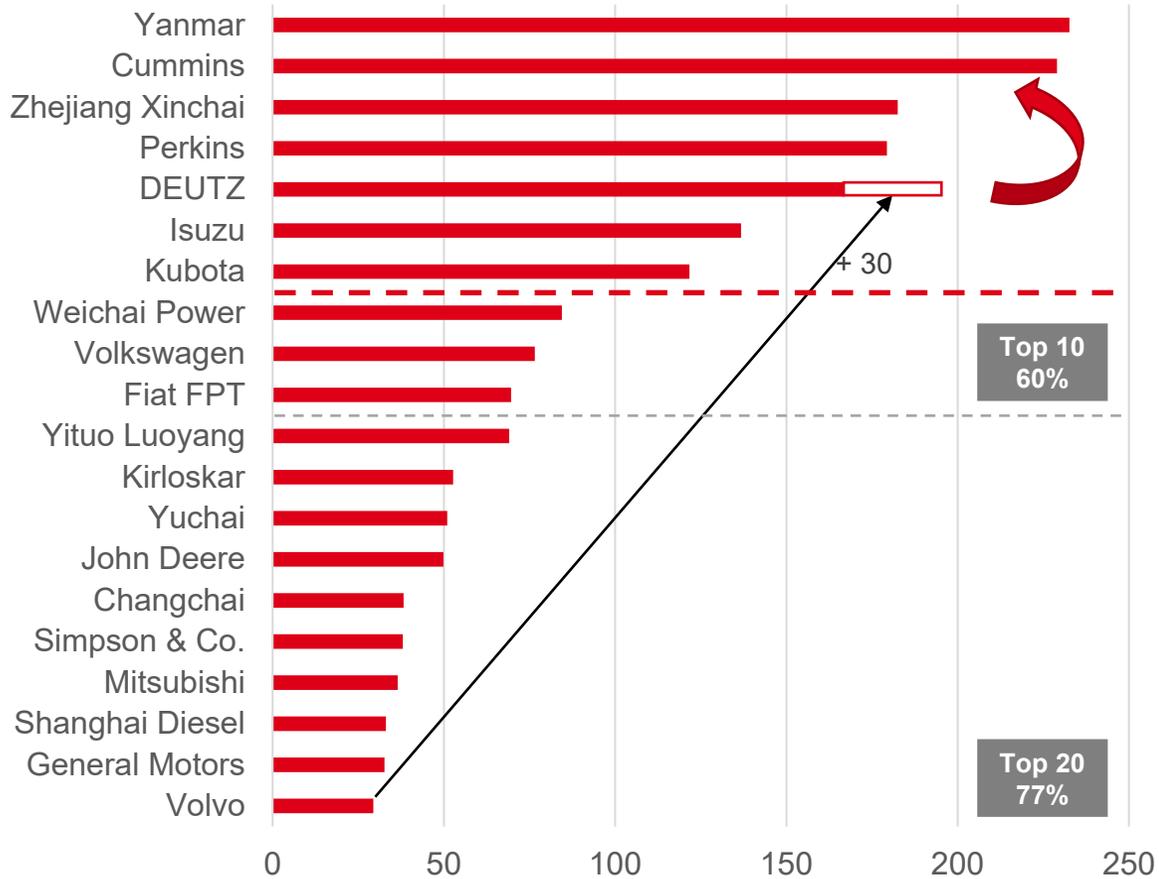


- **Top 10** off-road application manufacturer
  - Production volume of the biggest OEM is 88,000 units
  - Dominated by forklift trucks, mainly from China
  
- **Top 10-20** off-road application manufacturer
  - Represent 16% of the market
  - Production volume of the 11<sup>th</sup> biggest OEM is 45,000 units, of the 20<sup>th</sup> biggest 28,000 units
  - Dominated from construction equipment and agricultural machinery, also mainly from China
  
- **All other** off-road application manufacturer
  - Represent 57% of the market
  - Production volumes from 27,000 down to 2 units
  - Strongly fragmented market

# Engine Supplier of DEUTZ attainable Market (2.5M Units)



## Top 20 Engine Suppliers



## Top 7 Engine Suppliers

Total = 1.28 Mio. Units  
 Joined market share = 51.7%

DEUTZ ranks 5<sup>th</sup> according to PSR Database

By adding ~30,000 VOLVO branded engines to DEUTZ volume **DEUTZ ranks on 3<sup>rd</sup> position**

This corresponds to a **market share of ~8%** within the attainable market

# Development of Market Technology

## Anticipated Switch to New Technology



### Premises Emission

- 2028 new exhaust legislation USA and EU for off-road sector expected. Stricter requirements for NOX and CO2 emissions will apply
- China V eventually also expected in with legislation 2028
- Tier3 countries like Russia or Brazil go via an intermediate step similar to EU Stage V or even with a technology leap to new technology



### Premises Regulation

- Regulatory interventions encourage the use of New Technology, such as government construction projects with emission requirements for exhaust and noise
- Subsidies (capital goods or products) of New Technology for H2 and E drives anticipated, e. g. agricultural lobby at EU level
- Regional or local support initiatives at the level of future energy sources e. g. China's H2 initiative

### Premises System Level

- Rising system costs due to new emissions regulations
- Fossil fuel taxation will increase significantly and burden the TCO for conventional machinery
- Thereby, New Technology also becomes commercially an alternative compared to today's conventional technology



**Exogenous conditions will increasingly drive the transformation from Conventional to New Technology**



**S-DEUTZ – Service. Simply smart**

**—**

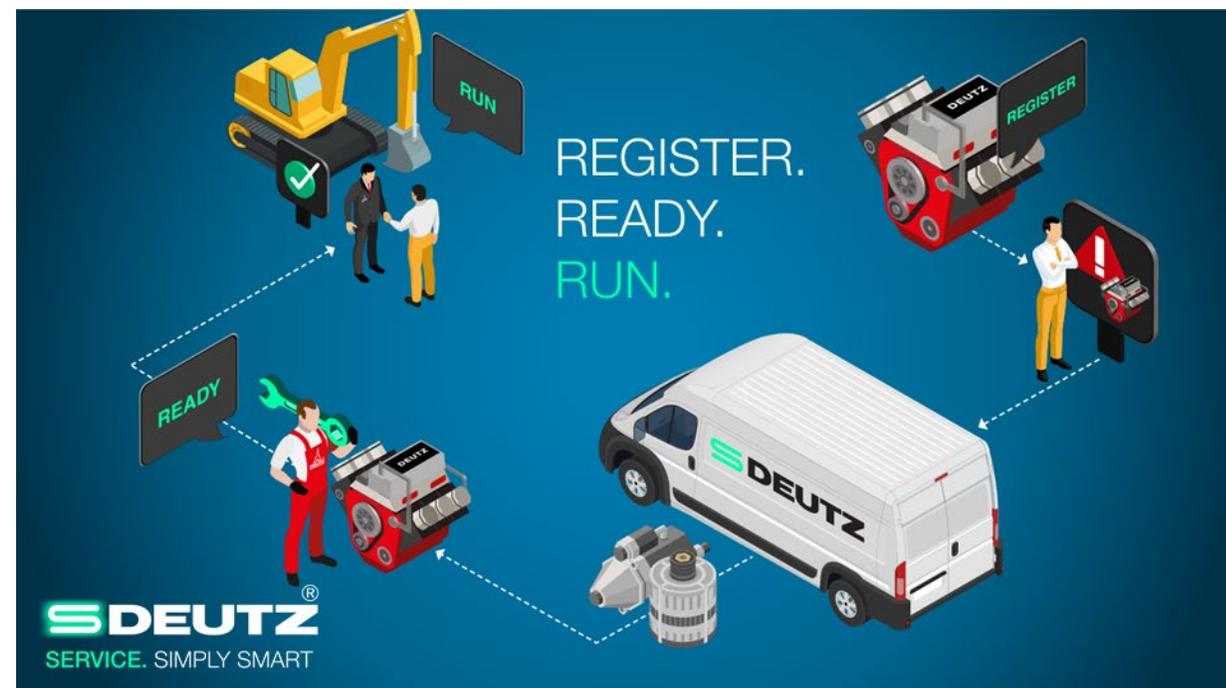


# S-DEUTZ Service initiative

Strategic further development of the service business



- Comprehensive further development of the service division
- Focus on digitalisation, customer loyalty and systematic expansion of the product portfolio
- Positioning as a sub-brand with a new image
- Multi-channel marketing campaign for the launch
- Objective: Significant increase in customer loyalty and market share in the service business



**S-DEUTZ stands for fully comprehensive service: flexible, customer-focused, digital**

# S-DEUTZ Service initiative

## Core elements



### PRODUCTS & SERVICES



- Comprehensive portfolio of repair and maintenance solutions
- Flexible accompanying offers such as Extended Engine Warranty and Lifecycle Solutions
- Focus on efficiency and economy

### SERVICE PORTAL



- Online portal for access to service information, S-DEUTZ products and services
- Lifetime Parts Warranty benefit program and detailed documentation for registered engines
- Focus on convenience and support

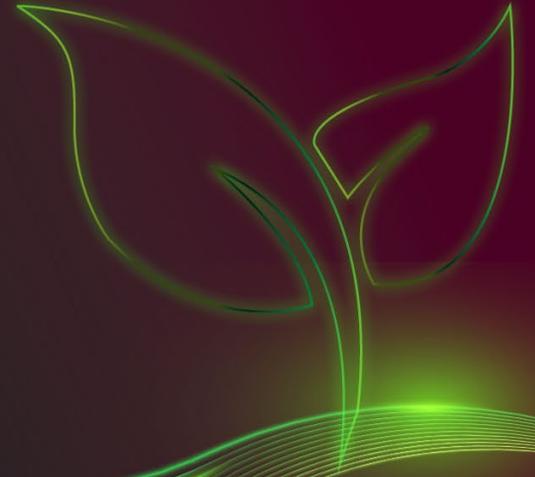
### TELEMATICS



- Optimised fleet management thanks to real-time monitoring and detailed engine and service information
- Anticipatory service notes with concrete solution advice and support from DEUTZ Service
- Focus on increasing productivity

***S-DEUTZ as enabler to a more digital Service approach***

# DEUTZ DAYS 21



# Thank you!

 moving the world sustainably

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## DEUTZ AG

Ottostr. 1

51149 Cologne, Germany

Phone: +49 (0) 221 822-0

E-mail: [info@deutz.com](mailto:info@deutz.com)

[www.deutz.com](http://www.deutz.com)

