

|                                                                                      |                                                                                                                                                    |                                                                                                                                                                              |                                                                                           |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>Buy</b><br><b>EUR 49.00</b><br><br>Price <b>EUR 33.71</b><br>Upside <b>45.4 %</b> | <b>Value Indicators:</b> EUR<br>DCF 23e: 54.92<br>FCF-Value Potential 23e: 58.11<br>Peer group 23e: 42.89                                          | <b>Warburg ESG Risk Score: 4.7</b><br>ESG Score (MSCI based): 4.0<br>Balance Sheet Score: 5.0<br>Market Liquidity Score: 5.0                                                 | <b>Description:</b><br>Leading commercial vehicle manufacturer                            |
|                                                                                      | <b>Market Snapshot:</b> EUR m<br>Market cap: 27,742<br>No. of shares (m): 823<br>EV: 21,240<br>Freefloat MC: 18,032<br>Ø Trad. Vol. (30d): 44.01 m | <b>Shareholders:</b><br>Freefloat 65.00 %<br>Mercedes-Benz Group AG 30.01 %<br>Mercedes-Benz Pension Trust 4.99 %<br>Kuwait Investment Authority 4.98 %<br>BAIC Group 2.90 % | <b>Key Figures (WRE):</b> 2023e<br>Beta: 1.4<br>Price / Book: 1.2 x<br>Equity Ratio: 34 % |

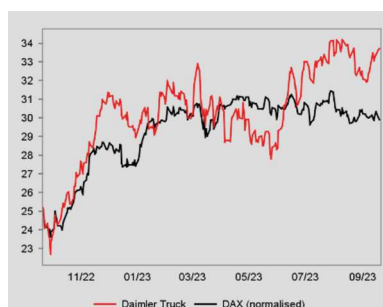
## Making mileage on returns; Initiation with Buy

We initiate our coverage of Daimler Truck with a Buy rating and a 50:50 EV/EBIT / DCF-based PT of EUR 49, indicating upside of around 45%. We think that the current share-price level does not sufficiently reflect the exceptional market position and earnings power of Daimler Truck. Since its public listing in FY21, the company has demonstrated steady advancement towards its profitability targets and maintains a strong commitment to high-quality execution. Coupled with a healthy balance sheet that leaves plenty of space for financial manoeuvrability and clear strategies for the industry's megatrends, we consider Daimler Truck a sound investment.

- Competitiveness:** Daimler Truck is among the world's leading truck and bus OEMs with a large service network comprising the aftersales market and financial services. The company is active globally with its seven core brands and has the highest exposure to the US market, where it is market leading (40%) with its brands Freightliner and Western Star. The US market is considered the industry's largest global profit pool. Furthermore, Daimler Truck is a close #3 in the European market, #2 in Brazil, and has decent exposure to the Asian market. The truck industry is characterised by high consolidation and is dominated by just a handful of players. Daimler Truck's competitive position will be solidified by holistic approaches to tackling drivetrain electrification and autonomous driving, the continued focus on TCO leadership, as well as the ongoing restructuring in the Mercedes-Benz segment. In that regard, we expect further cost savings that should support the company's structural margin profile.
- Returns:** The aftermarket/service business is the key earnings component for any truck OEM. At Daimler Truck, we estimate an adj. EBIT contribution of ~60% and sales contribution of ~30%. Supported by digitalization and electrification, the company aims to increase the sales share of services to 35% by FY25 and 50% by FY30 which would significantly improve earnings stability. In its OE business, Daimler Truck is still in the process of realigning the Mercedes-Benz and Buses segments, where profitability is still lagging behind, owing to inefficient production processes with high personnel expenses. The company has already shown significant progress, and is well on the way to raising sustainable profitability and cash generation to a competitive level similar to the already mature margins of the North American segment.
- Growth:** Besides the structural growth drivers of global transport, end-markets should also remain favourable for now. Even though the general economic environment seems to be deteriorating, there is still considerable pent-up demand for trucks following the production constraints of the last years. The current orderbook provides visibility into FY24. Over the medium term, the top-line development will be supported by the transition to BEV and FCEV, which come with higher input costs and thus, a heftier price tag.

The fact that >90% of brokers currently have a Buy rating (0% sell) on Daimler Truck shows that there is a disconnect between the attractiveness of the stock in theory, and the willingness to commit capital in practice. We think the market has not sufficiently acknowledged Daimler Truck's potential thus far for the following reasons:

continued on next page



|                                 |        |
|---------------------------------|--------|
| <b>Rel. Performance vs DAX:</b> |        |
| 1 month:                        | 0.8 %  |
| 6 months:                       | 8.1 %  |
| Year to date:                   | 7.6 %  |
| Trailing 12 months:             | 15.3 % |

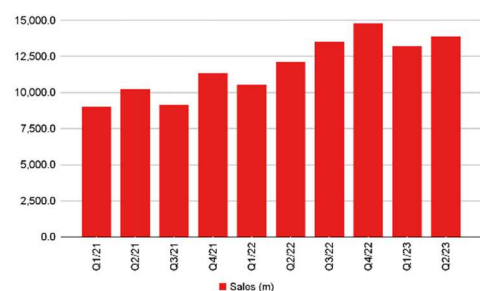
**Company events:**  
07.11.23 Q3

| FY End: 31.12. in EUR m    | CAGR (22-25e)                                                                 | 2019   | 2020    | 2021   | 2022   | 2023e  | 2024e  | 2025e  |
|----------------------------|-------------------------------------------------------------------------------|--------|---------|--------|--------|--------|--------|--------|
| <b>Sales</b>               | 4.8 %                                                                         | 46,244 | 36,012  | 39,763 | 50,945 | 57,211 | 56,362 | 58,643 |
| Change Sales yoy           |                                                                               | 5.8 %  | -22.1 % | 10.4 % | 28.1 % | 12.3 % | -1.5 % | 4.0 %  |
| Gross profit margin        |                                                                               | 18.7 % | 15.2 %  | 18.2 % | 18.5 % | 20.7 % | 20.0 % | 20.5 % |
| <b>EBITDA</b>              | 13.2 %                                                                        | 4,113  | 1,826   | 4,556  | 4,617  | 6,647  | 6,109  | 6,702  |
| Margin                     |                                                                               | 8.9 %  | 5.1 %   | 11.5 % | 9.1 %  | 11.6 % | 10.8 % | 11.4 % |
| <b>EBIT</b>                | 15.7 %                                                                        | 2,792  | 491     | 3,356  | 3,496  | 5,388  | 4,869  | 5,411  |
| Margin                     |                                                                               | 6.0 %  | 1.4 %   | 8.4 %  | 6.9 %  | 9.4 %  | 8.6 %  | 9.2 %  |
| <b>Net income</b>          | 11.4 %                                                                        | 1,731  | -143    | 2,346  | 2,665  | 3,633  | 3,317  | 3,681  |
| <b>EPS</b>                 | 11.4 %                                                                        | 2.10   | -0.17   | 2.85   | 3.24   | 4.41   | 4.03   | 4.47   |
| <b>EPS adj.</b>            | 7.2 %                                                                         | 2.10   | -0.03   | 2.17   | 3.63   | 4.41   | 4.03   | 4.47   |
| <b>DPS</b>                 | 19.8 %                                                                        | 0.00   | 0.00    | 0.70   | 1.30   | 2.21   | 2.02   | 2.24   |
| Dividend Yield             |                                                                               | n.a.   | n.a.    | 2.2 %  | 4.7 %  | 6.5 %  | 6.0 %  | 6.6 %  |
| <b>FCFPS</b>               |                                                                               | 0.28   | 4.15    | 1.53   | -1.84  | 1.76   | 3.05   | 3.97   |
| <b>FCF / Market cap</b>    |                                                                               | n.a.   | n.a.    | 4.8 %  | -6.7 % | 5.2 %  | 9.0 %  | 11.8 % |
| <b>EV / Sales</b>          |                                                                               | n.a.   | n.a.    | 0.6 x  | 0.3 x  | 0.4 x  | 0.4 x  | 0.3 x  |
| <b>EV / EBITDA</b>         |                                                                               | n.a.   | n.a.    | 5.0 x  | 3.4 x  | 3.2 x  | 3.5 x  | 3.0 x  |
| <b>EV / EBIT</b>           |                                                                               | n.a.   | n.a.    | 6.8 x  | 4.5 x  | 3.9 x  | 4.3 x  | 3.7 x  |
| <b>P / E</b>               |                                                                               | n.a.   | n.a.    | 11.2 x | 8.5 x  | 7.6 x  | 8.4 x  | 7.5 x  |
| <b>P / E adj.</b>          |                                                                               | n.a.   | n.a.    | 14.8 x | 7.6 x  | 7.6 x  | 8.4 x  | 7.5 x  |
| <b>FCF Potential Yield</b> |                                                                               | n.a.   | n.a.    | 10.0 % | 16.1 % | 17.6 % | 15.9 % | 18.6 % |
| <b>Net Debt</b>            |                                                                               | 4,300  | 1,980   | -3,912 | -7,344 | -7,329 | -7,699 | -8,962 |
| <b>ROCE (NOPAT)</b>        |                                                                               | 12.9 % | n.a.    | 21.1 % | 21.7 % | 26.4 % | 20.9 % | 21.7 % |
| <b>Guidance:</b>           | Group sales of EUR 56-58bn; IB sales of EUR 54-56bn at an adj. RoS of 8.5-10% |        |         |        |        |        |        |        |

- **Exaggerated fears of a market downturn:** Trucking is a cyclical industry, which may be a deterrent in itself. After three strong years in the global truck markets, investors have been anticipating deteriorating demand for some time now. While slowing momentum would certainly not put immediate upward pressure on the stock, we believe the majority has not yet realized the earnings potential of Daimler Truck, even under normal / more challenging conditions. Although demand is still holding up well, in this study we show that the market is currently pricing in a financial development that is way behind the company's ambitions under normal market conditions. This will eventually be corrected – to the benefit of the patient investor – in our view.
- **Doubts about Mercedes-Benz restructuring and margin expansion:** High fixed costs and inefficient processes have led to subdued profitability in the past. Daimler Truck has demonstrated high execution quality since its spin-off. The segment's margin has already increased to 9.3% in H1/23, from 4.8% in FY21. Going forward, this development should be supported by the transition to a higher share of service sales.
- **Technological change is an uncertainty that may shake up the industry:** With its holistic and dual-track approach to both electrification and autonomous driving, we consider Daimler Truck's starting position as above industry-average. Additionally, as all large truck OEMs (Daimler Truck, TRATON, Volvo, Paccar) are prioritizing value over volume by now, we do not expect major market-share shifts in the foreseeable future.
- **True valuation multiples are easy to miss:** Investors who conduct a rough multiples valuation might be left wondering where the upside compared to the peer group is to be found. In the "Valuation" section of this study, we show that Daimler Truck is significantly undervalued when excluding the financial services business (which is still in ramp-up after the spin-off) from the relevant industrial business.

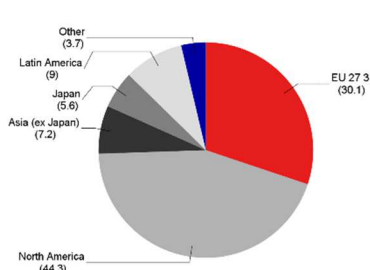
**Conclusion:** Daimler Truck is trading at an (industrial) EV/EBIT of only 4.2x, as a direct result of its strong net cash position. The P/E stands at 7.6x, and the dividend potential yield amounts to a solid 6.6%. Judging by this price level, the market appears to be anticipating a downturn in the capex cycle of fleet operators and a long-term margin profile significantly below the current company outlook (from the CMD in July 23). Therefore, we see an asymmetrically positive risk-return profile that should pay off for cool-headed investors. Buy.

## Sales development in EUR m



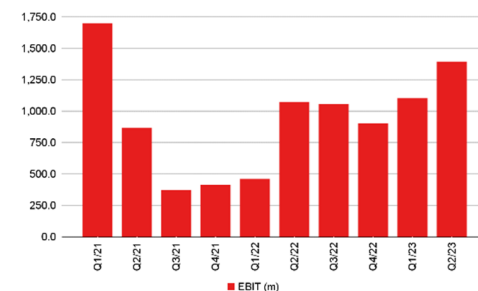
Source: Warburg Research

## Sales by regions 2022; in %



Source: Warburg Research

## EBIT development in EUR m



Source: Warburg Research

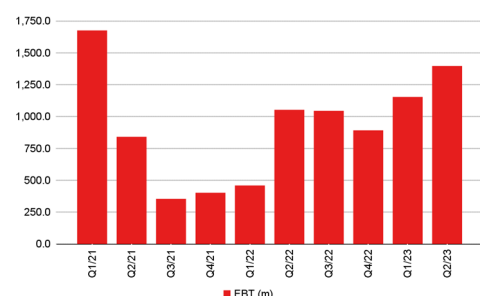
## Company Background

- Daimler Truck is a Germany-based manufacturer of commercial vehicles and buses. The company was formed from a spin-off of the Mercedes Benz Group in FY21.
- With its North American brands Freightliner and Western Star, the company is market leading in the US American truck market with a share of 40%.
- In the European market, Daimler Truck is operating with its Mercedes-Benz brand, which has a share of 19% and is therefore the largest single brand
- Additionally, the company has high exposure to the Brazilian (#2, 31% market share) and Asian markets (Japan: #4, 11% market share).

## Competitive Quality

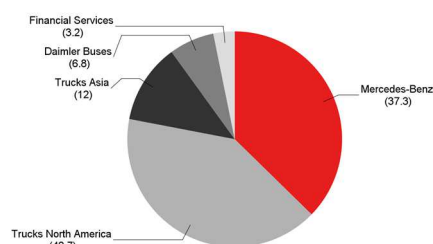
- Daimler Truck operates in a highly consolidated industry in which a handful of OEMs dominate 80-90% of the market.
- Comprehensive product portfolio from light to heavy-duty trucks and established reputation in each of the regional segments. Specific brands specialise in regional markets and customer-specific demands.
- Superior positioning due to market leadership in the US market which is considered the largest profit pool in the truck market due to the focus on the heavy-duty segment and a comprehensive dealer network.
- Large service infrastructure with financial services and a repair and maintenance network is crucial for the business and difficult to replicate.

## EBT development in EUR m



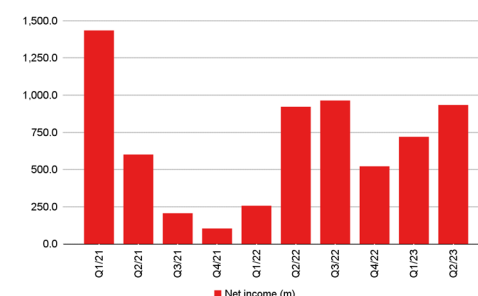
Source: Warburg Research

## Sales by segments 2022; in %



Source: Warburg Research

## Net income development in EUR m



Source: Warburg Research

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## Summary of Investment Case

### Investment triggers

- While headwinds from delivery bottlenecks and raw-material costs have eased, concerns about a possible slowdown in logisticians' capex cycle have been weighing on Daimler Truck's share price for some time now. So far this year, the share price has been supported by how surprisingly well demand has held up, despite decreasing freight rates and the tightening credit environment. Evidently, there is still a lot of pent-up demand in the market and fleet operators remain eager to replace their equipment. As of H2/23 reporting, all five major truck OEMs have full backlogs with long lead times. None of the OEMs are observing any adverse change to these conditions yet and indications for FY24 are clearly positive as well. Should circumstances worsen at some point, a short-sighted overreaction of the market would only increase the attractiveness of the Daimler Truck shares, as the long-term drivers of the industry are poised to stay intact, and major shifts in the industry are unlikely, given the current dynamic. The high sales volumes in recent years will support the profitable services segment in the next years.
- Daimler Truck operates in a saturated but nonetheless highly concentrated industry, with only a handful of established competitors. The structural growth of the global transportation industry in line with general economic growth is indisputable, but we do not expect any major gains from market-share shifts. **Instead, the potential upside is arising from (i) within the company, i.e. possible efficiency gains on the cost side and higher recurring "service" sales, as well as (ii) the relative undervaluation not only to peers but to its own earnings power.**
- Restructuring processes at Mercedes-Benz have already resulted in tangible improvements over the last quarters and years, as is visible in an EBIT margin of 8.1% in FY22 (9.3% in H1/23) vs. 4.8% in FY21. We expect those processes to be completed by FY25, and to be an important lever for group profitability. Overall, we see a high likelihood that Daimler Truck will close the gap to its competitors in terms of profitability. As the company is able to show gradual progress on profitability, the valuation should follow.
- Finally, the company's earnings potential compared to competitors does not seem to be fully priced in. When Daimler Truck and TRATON were still full subsidiaries of the Daimler Group and Volkswagen AG, transparency was limited and the focus on efficiency less pronounced. Now that each are publicly listed and are viewed as stand-alone entities, we note a clear change at both firms, with a much stronger push towards profitability. When looking at valuation multiples, it becomes clear that this is not yet priced in or that the market continues to have doubts about feasibility. With an industrial EV/EBIT of 4.2x and a P/E of 7.5x, Daimler Truck trades behind Volvo (6.4x and 9.6x) and Paccar (9.2x and 10.3x).

### Valuation

- DCF: Our DCF price target of EUR 49 is based on the industrial business with moderate revenue growth of 5.2% over the next years and a rather conservative CAGR of 2.7% in the transitional phase. For the aftermarket and financial services segments, we expect high sales growth in the upcoming years based on the full transition of the FS business from the Mercedes-Benz Group as well as the strong efforts of the company regarding the services' share of sales (FY21: 30%, FY25: 35%, FY30: 50%).
- Peer Group: The company is behind its peer group average in EV/EBIT of 4.2x (6.9x), and on par in EV/Sales of 0.8x (0.9x), P/E of 7.5x (7.3x).

### Growth

- In FY22, order books were already peaking and could not be fulfilled due to supply-chain strain. In FY23, constraints have eased, but replacement demand continues to boom. We therefore expect the company's sales to grow by 12.3% in FY23, based on the current market outlook.
- Our estimates for long-term growth prospects are rather conservative and only slightly exceed GDP expectations, owing to trends like a strong e-commerce market and the ongoing high reliance on road transport, as well as price increases due to the BEV/FCEV transition.
- We expect Daimler Truck's margins to expand slightly further in the medium term. Profitability drivers include a) the high share of sales in the US market, the world's largest truck profit pool, b) the successful restructuring of Mercedes-Benz acting as a key margin lever for the group and c) group-wide synergy effects regarding the common parts strategy, an increased service share, and economies of scale.

### Competitive quality

- Highly consolidated market with few major players due to significant entry barriers. Daimler Truck is leading in the US heavy-duty truck market and is Nr. 3 in the European and Nr. 2 in the Brazilian market. Additionally, the company has a high exposure to the Asian market where it is also active on the Chinese market in a JV with Foton.
- Competition is mainly driven by costs. Daimler Truck's brand portfolio focus is highly regional and demarcated to serve individual markets and customer needs. An ever-increasing customer focus on TCO along with a compelling financial services and highly profitable aftermarket business underpins the resilient business model.
- As the industry shifts towards alternative drive trains, Daimler Truck is following a clear strategy based on two pillars. Rather than focusing on BEV first, Daimler Truck is simultaneously developing FCEV and hydrogen combustion trucks, to cover all scopes of application

### Warburg versus consensus

We are more conservative in longer-term earnings forecasts, as we incorporate a decent margin of error to Daimler Truck's structural profitability targets. Midterm, the successful restructuring could put further upward pressure on WRe, which underpins the asymmetrically positive risk-return profile given our conservative estimates coupled with the still decent upside potential to our price target.

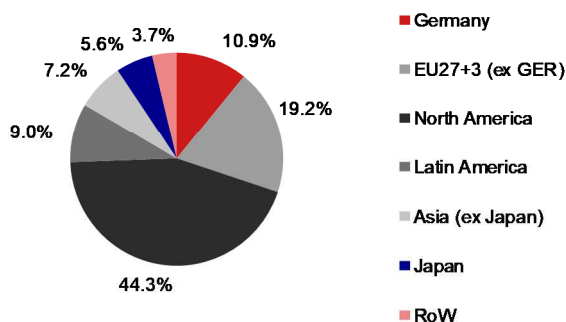


Company Overview

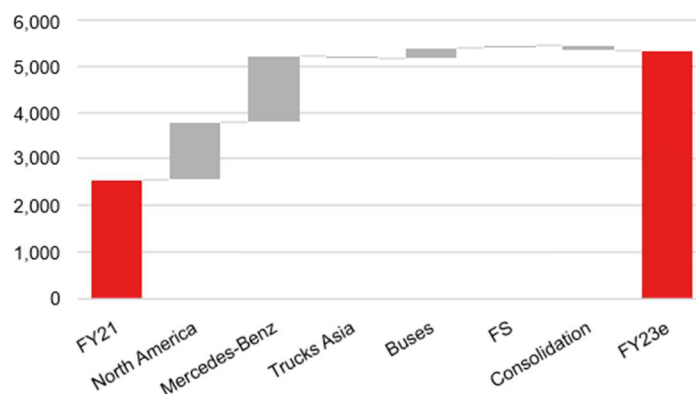
# DAIMLER TRUCK

| Segments*                              | Mercedes Benz                                                    | Trucks North America | Trucks Asia                                                            | Daimler Buses | Financial Services                                                   | Group (incl. Reconciliation) |
|----------------------------------------|------------------------------------------------------------------|----------------------|------------------------------------------------------------------------|---------------|----------------------------------------------------------------------|------------------------------|
| Units in k<br><i>in % of total</i>     | 166<br>32.0%                                                     | 187<br>35.9%         | 156<br>30.0%                                                           | 24<br>4.6%    |                                                                      | 520                          |
| Sales in EUR m<br><i>in % of total</i> | 20,213<br>39.7%                                                  | 22,039<br>43.3%      | 6,499<br>12.8%                                                         | 3,689<br>7.2% | 1,759<br>3.5%                                                        | 50,945                       |
| EBIT<br><i>EBIT Margin</i>             | 1188<br>5.9%                                                     | 2,376<br>10.8%       | 161<br>2.5%                                                            | -52<br>-1.4%  | 310<br>17.6%                                                         | 3,496<br>6.9%                |
| Brand Portfolio                        |                                                                  |                      |                                                                        |               |                                                                      |                              |
| Product Examples                       | <b>Heavy duty trucks</b><br>                                     |                      | <b>Medium / light trucks</b><br>                                       |               | <b>Buses</b><br>                                                     |                              |
| Services                               | Vehicle manufacturer                                             |                      | Aftermarket services                                                   |               | Financial & digital services                                         |                              |
| Aftermarket Sales share                | FY22: 30%                                                        |                      | FY25e: 35%                                                             |               | FY30e: 50%                                                           |                              |
| Market positions                       | #1 in US medium and heavy duty market<br><b>40% market share</b> |                      | #3 in European medium and heavy duty market<br><b>19% market share</b> |               | #2 in Brazil medium and heavy duty market<br><b>31% market share</b> |                              |
| Competitors                            |                                                                  |                      |                                                                        |               |                                                                      |                              |
| Market Growth 2023 - 2026e             | Europe<br>CAGR of 2%                                             |                      | North America<br>CAGR of 2-3%                                          |               | Brazil<br>CAGR of 5%                                                 |                              |

Sales by Regions in 2022



Operating Income adjusted bridge



\*all numbers relate to FY22

Source: Warburg Research

## Competitive Quality

- Daimler Truck is among the **leading truck and bus OEMs** operating in a highly consolidated industry.
- The company is **market leading in the US heavy-duty segment** with a share of 40% which is considered the **largest profit pool** of the industry.
- Competitive environment is driven by new technologies such as alternative drivetrains and autonomous driving. Daimler Truck is **well advanced in both technologies** and is currently pursuing a two-pillar strategy based on BEV and FCEV / Hydrogen Combustion.

Clear #1 in the industry's largest profit pool

## Highly consolidated market environment

### Industry is well protected by high entry barriers

The global truck industry is characterised by its highly consolidated competitive environment. Just a few players account for 90% of the market share in their regional markets. The competitive structure is based on high entry barriers, high capital requirements and long product development cycles.

| Force                                | Degree            | Factors to consider                                                                                                                                                                                                                                                                                                      |
|--------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Threat of substitutes</b>         | <i>Medium</i>     | <ul style="list-style-type: none"> <li>▪ Few viable alternatives for transporting goods on land</li> <li>▪ Challenges may arise from rail transport and especially autonomous vehicles</li> </ul>                                                                                                                        |
| <b>Rivalry</b>                       | <i>High</i>       | <ul style="list-style-type: none"> <li>▪ Daimler Truck, TRATON, Volvo and Paccar are holding ~90% of the total share in the relevant markets</li> <li>▪ Competition is strongly driven by price, efficiency and TCO focus</li> </ul>                                                                                     |
| <b>Bargaining power of suppliers</b> | <i>Low/medium</i> | <ul style="list-style-type: none"> <li>▪ Daimler Truck's supplier base is diversified with the most important suppliers accounting for merely a single-digit percent.</li> <li>▪ Common parts strategy also in purchasing</li> </ul>                                                                                     |
| <b>Bargaining power of buyers</b>    | <i>Medium</i>     | <ul style="list-style-type: none"> <li>▪ Buyers consider lowest Total Cost of Ownership (TCO)</li> <li>▪ Depending on the industry cycle, the purely economic approach of buyers usually means that customers have high bargaining power</li> <li>▪ Highly diversified customer portfolio</li> </ul>                     |
| <b>Threat of new entrants</b>        | <i>Low/medium</i> | <ul style="list-style-type: none"> <li>▪ Specific requirements and regulations per regional market</li> <li>▪ High capital requirements and long development times keep new entrants at bay</li> <li>▪ Alternative drive trains reduce entry barriers for new competitors by democratizing e-drive technology</li> </ul> |

The truck industry has consolidated significantly over the past decade as a result of high pressure on pricing, efficiency, and technological innovation. By leveraging shared architectural, engine, and technology platforms, as well as fixed-cost absorption, competition realised sustainable margin uplifts.



Currently, Volvo and Paccar are well advanced in their integration processes and can therefore deliver significantly higher margins, followed by Daimler Truck which has also implemented its common parts strategy, which has been further strengthened by the spin-off from Mercedes-Benz Group. TRATON on the other hand, is in the earlier stages of rolling out its common base engine across brands and in the midst of integrating Navistar.

## Main competitors at a glance

### Most competitors already benefit from economies of scale

#### ▪ TRATON:

- Active in all relevant regions, market leader in Europe and Brazil
- Main brands are Scania (Europe), MAN (Europe), VWCO (Brazil) and Navistar (US, acquisition in FY21)
- Scania is considered industry innovator and technology leader
- Scania technology typically passed on to MAN, VWCO and Navistar
- Uplift potential through recently initiated common parts strategy and technology sharing (introduction of new common base engine)

#### ▪ Volvo:

- Active in all relevant geographical regions with #3 and #2 position in the US and Europe respectively
- Main brands are Volvo Trucks (Global), Renault Trucks (Europe/Brazil), Mack Trucks (US/ Brazil)
- Already benefiting from its successful common parts strategy, industry-leading profitability
- Technologically leading along with Scania

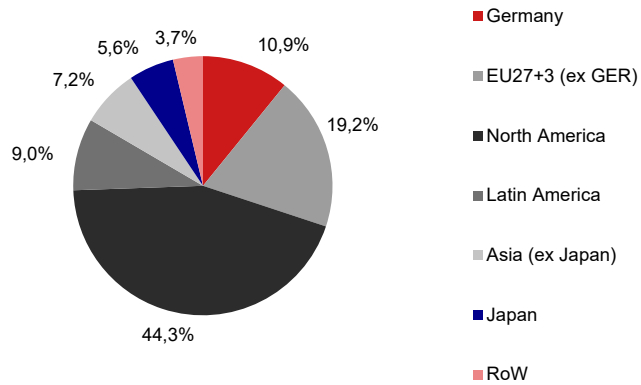
#### ▪ Paccar:

- Active in all relevant geographical regions with #2 and #4 position in US and Europe respectively
- Main brands are Kenworth and Peterbilt (US/ Brazil), DAF (Global)
- Already benefiting from its successful common parts strategy, industry-leading profitability alongside Volvo

### Truck player with global scale

With its core brands and subsidiaries, Daimler Truck is active in all of the main regional markets. Currently, the North American market accounts for almost half of company sales, followed by Europe, Asia and Latin America.

High exposure to North American market

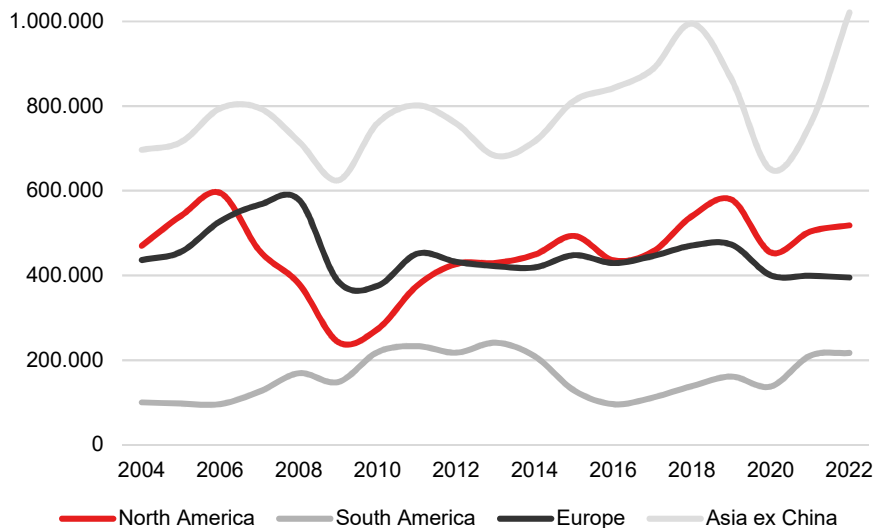


Sources: Daimler Truck, Warburg Research

Global truck markets work in cycles

Truck demand in the core global markets of the major OEMs is subject to significant fluctuations over the years, based on the industry’s sensitivity to economic conditions. Unit sales of medium- and heavy-duty trucks vary considerably, even though the long-term trend is stable to positive. Whereas developed regions like North America and Europe have shown rather flat development in unit sales since the beginning of the decade, developing regions like South America and especially Asia have enjoyed significant growth over the cycle. The underlying driver is the need for transportation. Fuelled by continuous population growth, global transportation volume is expected to grow at twice the rate of global GDP. The ongoing rise of e-commerce as well as urbanisation continue to increase demand for flexible solutions, and lay the groundwork for future growth.

Unit sales of medium and heavy-duty trucks fluctuate over the years



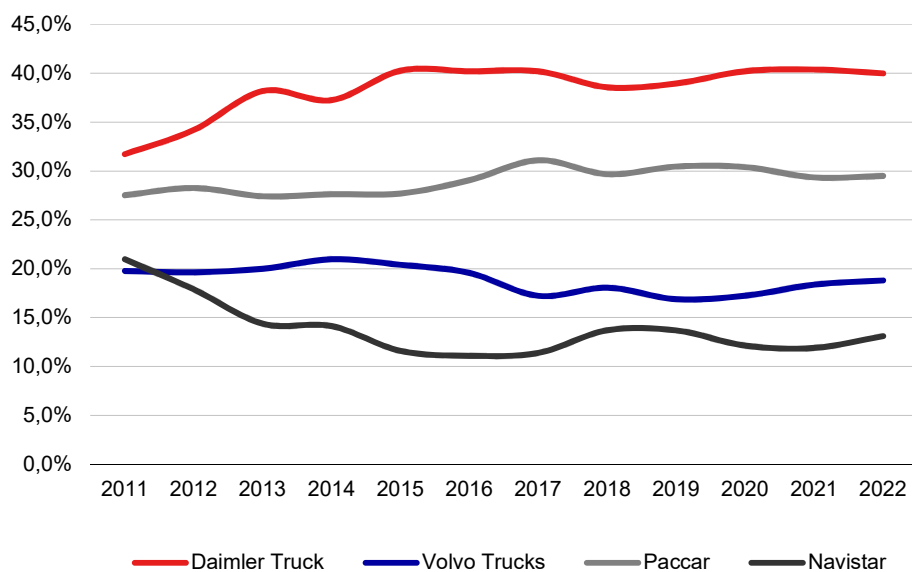
Sources: Marklines, Warburg Research

#1 in US heavy-duty truck market

With a share of ca. 40% Daimler Truck is market leading in the US truck market – the world’s largest profit pool for heavy trucks where WRe ~45% of the global industry earnings are generated. On account of the extensive interstate routes in the USA, large Class 8 (15,949kg and above) play a very important role in domestic transportation. As

per the latest commodity flow survey, approximately 72% of all US goods are transported by truck. As a rule-of-thumb, the larger the truck, the higher the profit margin.

**Undisputed market leader in world's largest profit pool**



Sources: Marklines, ACEA, Warburg Research

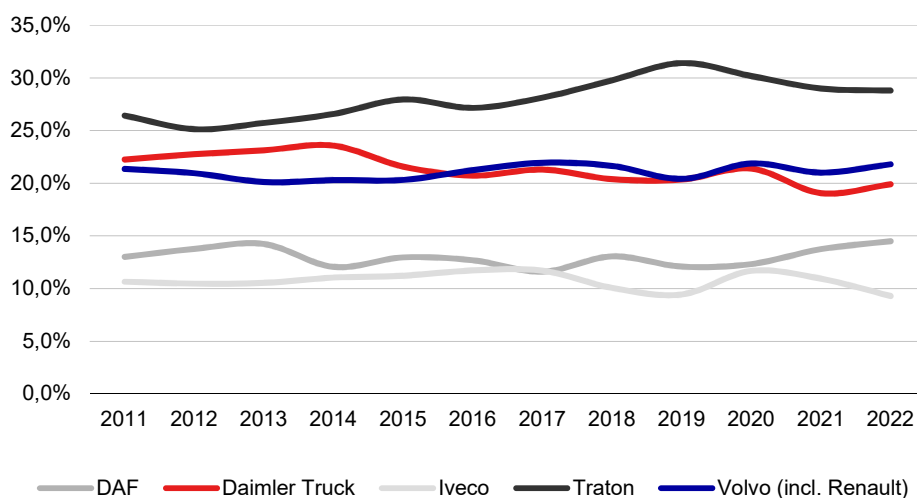
Daimler Truck has managed to further expand and stabilise its US position over the last decade with its core brand Freightliner. The brand has been part of the company since 1982 and today is the market leader in on-highway transportation for large fleet operators. Paccar, with its brands Peterbilt and Kenworth is the main local competitor with a share of approximately 30%. Their strengths lie more in the vocational segment, where Daimler Truck has some catch-up potential. Volvo and Navistar have slightly expanded their shares in recent years. Navistar was burdened by wrong decisions regarding emission regulations around the NOx-standards for the past couple of years but is on its way to recovery. In FY22, the acquisition of Navistar by TRATON in FY21 has begun to bear fruit, as shown by a 53% yoy revenue increase compared to FY21. Going forward, Navistar is expected to benefit further from the common parts strategy and technological know-how from Scania and the other TRATON brands. Since the integration of a US company into a German group is not without execution risk though, Daimler Truck still has head-start with its fully integrated American brands and long-standing customer relationships and service network.

**Upside potential in European market after Mercedes restructuring**

Currently, Daimler Truck well positioned as #3 in the European truck market with its Mercedes-Benz brand and a share of approximately 20%.

Due to operational inefficiencies at the brand which also led to the ongoing restructuring of the segment, the company lost some market share. The largest player in the European truck market remains TRATON with its Scania and MAN brands and a share of close to 30%, despite a sluggish performance by MAN in FY20 and FY21, similar to the performance at Mercedes-Benz. Daimler Truck is at a more advanced stage than MAN with respect to its margin recovery story though, as a result of the earlier initiation of the restructuring process at the Mercedes-Benz brand in FY19. We consider Daimler Truck to be roughly 12 to 18 months ahead in this regard. Due to the rather mature industry dynamics in Europe, we do not expect any major short-term shifts in market share however. We understand that Daimler Truck has moved away from primarily focusing on market share, and instead prioritizes price discipline and developing its own business.

**Solid position in Europe with catch-up potential**



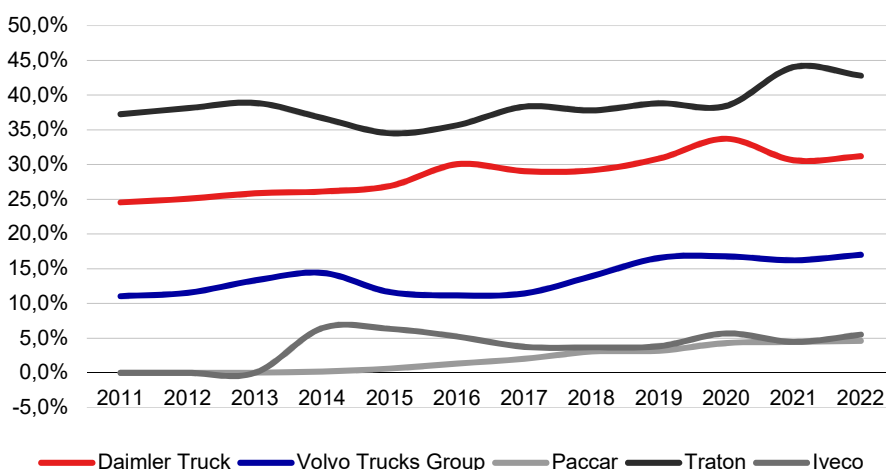
Sources: Marklines, ACEA, Warburg Research

**Catching up with the leader in Brazilian market**

In the fast-growing Brazilian truck market, Daimler Truck has historically also been slightly behind TRATON (with its core brand VWTB as well as Scania). Over the last decade, Daimler Truck has been able to narrow the gap significantly to its German peer and managed to increase its share from ca. 25% to 31%. This trend experienced a setback in FY21, as TRATON managed to outgrow its peers and solidify its position as the local market leader.

The Brazilian market was expanded by two new competitors Paccar and Iveco approximately 10 years ago, intensifying competition. Following the market entry, the existing players initially lost some market share, but were subsequently able to recover at the expense of other, smaller players. The Brazilian market is currently experiencing a trough, driven by strong demand in prior years and also due to pre-buy effects in regard to Euro VI emission standards last year. We do not expect this downcycle to have a major effect on the competitive landscape though, as it affects all OEMs equally.

**#2 in fast growing Brazilian market**



Sources: Marklines, ACEA, Warburg Research

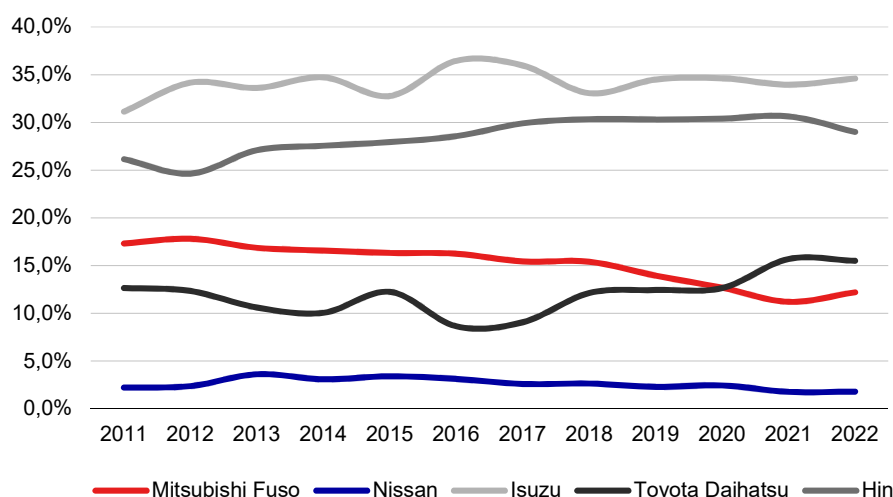
**Heterogeneous Asian market with significant potential**

The Asian truck market is highly diversified in terms of its country-specific market structures and regulations. Therefore, Daimler Truck has been operating with three individual brands to meet the customer-specific needs. In May FY23, Daimler Truck

announced the combination of its FUSO operations with Toyota's Hino, in search of scale effects. The deal is due to close by the end of FY24, and is likely to support Daimler Truck's margin profile over the long term. Pending antitrust approval, the two businesses will be bundled into a holding company listed on the Tokyo Stock Exchange, with Daimler Truck and Toyota each holding equal shares alongside new investors.

With its FUSO brand, Daimler Truck is active in Japan and Indonesia. Japanese sales accounted for 5.6% of company sales in FY22. Currently, Mitsubishi FUSO holds a market share of ca. 12% in the Japanese market which declined from former levels of 17-18% at the beginning of the decade. Hence, Daihatsu managed to gain market share from FUSO trucks, leaving the Daimler Truck brand as #4 in the Japanese market.

#### Nr. 4 on Japanese market



Sources: Marklines, Warburg Research

Isuzu and Hino are market-leading and dominate the market with a share of >60%. Each company announced a JV with Toyota in FY20 for the innovation and development of alternative drive trains and autonomous driving. Hino has been under pressure since early FY22 due to misconduct concerning the falsification of engine performance data in emissions durability testing as well as fuel consumption, across different engine models. As a result, the company had to suspend sales of five different models, which represented 15% of all unit sales in FY21. Hino has naturally lost some market share since. The ongoing repercussions will be factored into the valuation of Hino in the current merger process with Daimler Truck's FUSO.

In the Indian market, Daimler Truck's local brand, BharatBenz is the dominating company brand and is holding a market share of 9% according to company estimations. The Indian truck market has always been perceived as difficult and inefficient in terms of regulation in recent years, due to the road tax that was levied when trucks crossed state borders. However, this regulation has now been abolished and uniform taxation has been introduced, which should lead to a significant increase in the number of kilometres travelled and thus boost the market as a whole.

In the Chinese market, Daimler Truck operates in the 50:50 JV Beijing Foton Daimler Automotive and sells medium and heavy trucks under the Auman brand. The JV is one of the main truck manufacturers in the country, which is the world's largest regional market and has a network of >300 service dealers at its disposal.

In Q3/22, Daimler Truck started production of Mercedes-Benz trucks at a local site in China with a capacity of 60,000 units per year. The Mercedes-Benz trucks will cover the demand for premium trucks which is currently increasing in the country. Other truck manufacturers like Scania are currently also responding to the high demand and are also planning production sites in China. Scania started construction in FY22 which, again, implies that

Daimler Truck is 1-2 years ahead and can start serving the demand and securing market share.

## High standalone value

### State-of-the-art technology with new engine generation

Daimler Truck has been pursuing a common parts strategy for some time now, which is particularly evident in the area of engines. The world engine for heavy trucks, which was originally presented at the end of FY07, has since been produced by the subsidiary Detroit Diesel and installed in the US trucks. Shortly after, it was introduced in the Japanese FUSO trucks and a few years later also in the Mercedes-Benz models. Consequently, all the heavy trucks in the group are equipped with the same engines developed and produced in-house, unless the customer requests an engine from a third-party developer.

The second generation of the world engine followed in FY15 with significant improvements in efficiency (-3% fuel consumption) and higher maximum power. It already lowered consumption to 28.5 litres per 100km. In April FY22, the company presented the latest generation of its OM471 global engine. The engine has higher fuel efficiency, reduces consumption by 4% and hence, further reduces the TCO. With this further efficiency gain, it can be assumed that the engine will use about 27.4 litres per 100km on a par with the common base engine developed by TRATON. The new engine is being delivered since Q4/22 and will probably be the second-last major diesel engine from Daimler Truck. The final ICE evolution is currently in development, and will comply with the yet unspecified Euro VII regulations.

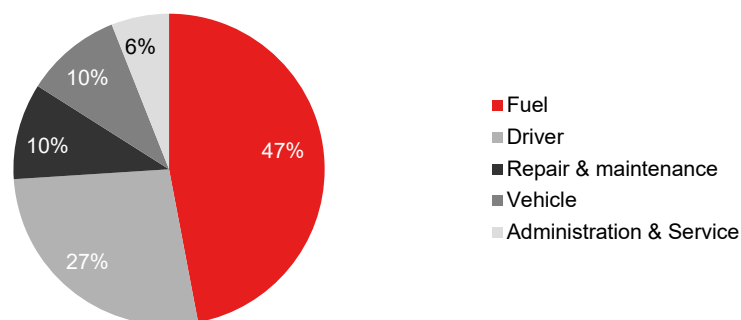
### TCO is by far the most important purchasing criterion...

Unlike light vehicles, commercial vehicles are not consumer goods but capital goods. Price, emotion, and prestige play subordinate roles in the purchasing decision. As such, the truck market is considered more rational than the light vehicle market, meaning customer interest is strongly driven by total cost of ownership ("TCO"). Currently, fuel costs account for almost half of the TCO. Considering the rising fuel costs triggered by the catch-up after the pandemic downturn and exacerbated by the war in Ukraine, this share is expected to have increased for FY22, but to have normalised since. In general, though, logistics companies will need to pay even closer attention to the efficiency and fuel consumption in their purchasing decisions going forward.

Hence, the focus lies on engine consumption and efficiency in the logisticians' purchase decisions. The ability to provide a fuel-efficient engine with industry-leading consumption is crucial for every OEM.

In the US, Daimler Truck has been enjoying an advantage over its peer Navistar which, after the problems concerning the NOx standards, needed to fully source its engines from the automotive supplier Cummins for the last years. The current Cummins heavy-duty engine generation provides less fuel efficiency and has higher consumption than the current engines used by Daimler Truck. This advantage is expected to dwindle now that TRATON will begin to equip Navistar trucks with its new common base engine ("CBE") (H2/23).

### Fuel cost is the main lever for TCO



Sources: Warburg Research

In the medium-duty segment, Daimler Truck announced a strategic partnership with Cummins in FY21. Daimler Truck decided to fully outsource the engine development and production to Cummins. Due to the changeover to EURO VII, new regulations arise and Daimler Truck would have to invest in its development capacities for medium-duty engines. With the outsourcing, these funds are freed up and can be assigned to long-term projects, such as electrification and autonomous driving. Deliveries of engines by Cummins will start in the second half of the decade in co-development with Daimler to ensure the highest standards.

### ... but it helps to know what the end-user values

To provide further insight on the perception of the different brands by the end-user (i.e. truckers), the following table compiles some anecdotal considerations on all the different brands in the North American market. These considerations have been sourced in various internet forums where drivers, mechanics, dealers, and other people discuss their opinions on issues related to trucking. Needless to say, this analysis is far from scientifically robust but provides some interesting insight into the strengths and weaknesses and the market perception of each truck manufacturer:

#### Daimler Truck

**Freightliner:** Overall, Freightliner seems to be the cheapest brand to own (=TCO), based on price, best-in-class fuel efficiency, and reliability. Freightliners have the largest dealer network and are the quickest to fix, which minimises downtime. Past models were known for not being the most comfortable for drivers, hence the nickname "Freightshaker", but nowadays the Freightliner Cascadias are considered the standard model, driven by almost half of all truckers, and this is the model most are happy with in terms of features, driveability, and quality. Being a jack-of-all-trades with TCO leadership is what makes this brand the most popular in the market by far and the top choice for the mega fleets.

**Western Star:** Modern Western Stars are "essentially better-equipped Freightliners", often used for speciality applications such as heavy-haul or off-road.

#### Volvo

**Volvo:** Many consider Volvos to be "comfortable to drive" and especially "live in", with the most extensive safety features. Drivers often name the brand's automatic transmission as "best-in class for driving comfort". Volvos typically have good fuel efficiency and the brand has an average dealer network. However, they are also "known for their complexity and issues with the electrical system in particular", which results in more expensive repairs.

**Mack:** Modern Macks seem to be perceived as "downgraded Volvos"



**Paccar**

**Kenworth:** Often favoured by truckers for their looks, ride-comfort, and interior build quality. Typically, Kenworth trucks come with a heftier price tag. Overall reliability and longevity seem to be above average, but the dealer network is by far the smallest. If equipped with the inhouse Paccar engine (lots of proprietary parts), only their dealers can service them, resulting in more expensive and longer downtimes. Thus, the brand is less common in larger fleets and usually found in specialised freight or used for harsher conditions.

**Peterbilt:** See Kenworth

**Navistar**

**International:** International is widely considered “the worst option” by US drivers. The brand seems to be the cheapest to purchase, so it is attractive to large fleet operators, but drivers often complain about comfort, quality, and reliability problems. Past models were known for their mechanical issues in relation with their inhouse MaxxForce engines. The dealer network is extensive, though, which makes the brand attractive from a TCO standpoint. Business-wise, the integration of Navistar into the TRATON group and its modular system, as well as the new 13l drivetrain developed by Scania should fix a lot of the brands’ shortcomings over the next years, which harbours a lot of potential.

**Daimler Truck is a first mover in autonomous driving**

With the spin-off from the Mercedes-Benz Group behind it, Daimler Truck is now in a better position to maximize its value potential. The focus on trucks and buses enables the company to intensify the cooperation among its segments. In particular, the establishment of its own R&D department for trucks marked an important motivation for the spin-off and is intended to position Daimler Truck favourably when it comes to innovations related to autonomous driving and alternative drive trains. These industry trends are amplified by new competitors such as Tesla or Nikola which, despite significant troubles in execution, challenge the conventional OEMs.

The development of shifting R&D resources was underscored by the aforementioned outsourcing of the medium-duty engine production to Cummins announced in FY21. The company additionally founded the Autonomous Technology Group to pool its capacities and abilities in the field of autonomous driving. In that regard, Daimler Truck has demonstrated advanced progress and innovation. The company already started working on the issue in FY14 with Level 2 autonomous driving – partly automated driving with lane keeping assists, braking and accelerating – and is therefore considered the first mover in the field. In FY15, the world-first licence for a partly autonomous driving truck was granted to Freightliner in Nevada.

In addition to its in-house solution Torc Robotics, Daimler Truck is collaborating with Waymo. The companies are sharing the hardware development of the chassis. Torc Robotics, a subsidiary of Daimler Truck since FY19, represents the captive solution and focuses on integrated pure-play trucking optimised for hub-to-hub applications. Waymo, a Google subsidiary, is the non-captive solution and has already developed an advanced technology in autonomous driving and agreed on its integration into the Freightliner Cascadia. The company recently announced it would focus more on autonomous taxis going forward, but remains committed to its programme with Daimler Truck. In Daimler Truck’s view, this dual-track approach with Torc and Waymo helps to lower development costs, provides strategic flexibility, and gives customer the option to choose the right solution for their business.

Torc Robotics is currently developing captive solutions for commercialised autonomous driving at Level 4 – fully automated driving (all driving tasks are carried out automatically, the truck can also cover longer distances without intervention). The next big milestone in

this development will be the abovementioned hub-to-hub transport, which will already present a significant increase in efficiency and reduce costs.

The US market with its long-haul focus in particular is ideally suited for this development. According to estimates by TuSimple, the market for autonomous driving in the USA is worth EUR 800bn. Daimler Truck, the undisputed market leader in the US with its Freightliner brand, is subsequently in a favourable position. Since FY19, autonomous trucks have been tested on public roads in southwest Virginia. Testing has been expanded to New Mexico with a new testing centre in Albuquerque.

Daimler Truck is striving to go into series production with a Level 4 autonomous truck (Cascadia series) by the end of the decade. TRATON has set itself the same target.

| Truck OEMs autonomous driving progress |                                                                                                                                                                                                                                                                                                                                                                                                      |                               |                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company                                | Developments                                                                                                                                                                                                                                                                                                                                                                                         | Partners                      | Future Targets                                                                                                                                                                                                                                                                                                           |
| <b>Daimler Truck</b>                   | <ul style="list-style-type: none"> <li>Torc started testing with industry first vehicle platform</li> <li>Ongoing pilots with major US carriers Schneider and C.R. England</li> <li>Expansion of AI, organically and through algolux acquisition</li> </ul>                                                                                                                                          | <p>dual strategy approach</p> | <ul style="list-style-type: none"> <li>Committed to bring SAE Level 4 autonomous trucks on the road in this decade</li> <li>Acquisition of Algolux to further strengthen Torc's virtual driver technology</li> <li>Developing a scalable autonomous truck platform (based on Freightliner Cascadia)</li> </ul>           |
| <b>Traton</b>                          | <ul style="list-style-type: none"> <li>Scania and Rio Tinto launched new trials on autonomous mining trucks</li> <li>Scania AXL autonomous concept vehicle</li> <li>Scania and HAVI start pilot of autonomous trucks carrying goods on public roads</li> <li>MAN start practical drives with autonomous trucks at a container depot</li> <li>Hamburg Truck Pilot project in 2018/21 (MAN)</li> </ul> |                               | <ul style="list-style-type: none"> <li>Hub-to-hub autonomous solutions are expected to be in series production by 2030</li> <li>TuSimple and Navistar: target launch of their fully integrated, autonomous vehicles in 2025</li> </ul>                                                                                   |
| <b>Volvo/ Renault</b>                  | <ul style="list-style-type: none"> <li>V.A.S. (Volvo Autonomous Solutions)</li> <li>Since 2018, operating autonomous transport missions in a limestone quarry in Brønnøy, Norway</li> <li>In 2022: permit by Norwegian authorities, allowing operation of autonomous trucks without safety drivers while personnel is working in the area where the truck operates</li> </ul>                        |                               | <ul style="list-style-type: none"> <li>Ensuring safety and scalability of its autonomous transport offering while also bolstering Volvo Group's leadership position</li> <li>24/7 operations in Hub-to-Hub</li> <li>Quarries, Mining &amp; Industrial Material Handling</li> <li>Ports &amp; Logistic centers</li> </ul> |
| <b>Paccar</b>                          | <ul style="list-style-type: none"> <li>PACCAR, Aurora and FedEx Launch Autonomous Truck Commercial Pilot in 2021</li> </ul>                                                                                                                                                                                                                                                                          |                               | <ul style="list-style-type: none"> <li>Aurora and Paccar aim to build new trucks that are produced with the startup's self-driving platform and sensors as part of the original hardware</li> <li>Approximately 20 trucks launched in the first half of 2024</li> </ul>                                                  |
| <b>Iveco</b>                           | <ul style="list-style-type: none"> <li>successful conclusion of ENSEMBLE project</li> <li>IVECO and Plus Successfully Complete Initial Phase of Autonomous Truck Pilot</li> <li>PlusDrive-powered IVECO S-WAY truck</li> <li>Public road testing starts in Germany</li> </ul>                                                                                                                        |                               | <ul style="list-style-type: none"> <li>More public road testing with the Plus Drive-powered IVECO S-WAY truck in Austria, Italy and Switzerland</li> </ul>                                                                                                                                                               |

Source: Company reports, Warburg Research

In general, all the major truck OEMs are pursuing a similar approach with respect to autonomous driving. They are all partnering with specialised software companies and are at approximately the same stage of development (Level 4). Nevertheless, Daimler Truck is in a favourable starting position, especially due to its first mover advantage and strong presence in the American market with high exposure to the on-highway mega fleets, which is highly suited to autonomous driving. In addition, resources and capacities are currently being reallocated within the company in order to drive development and become the first to hit the road.

## Well positioned with two-pillar strategy

When it comes to future drive technology, Daimler Truck is pursuing a strategy based on BEV and hydrogen. Currently, the company offers a line-up of six fully electric models, most notably the eCitaro bus which has been on the road in German cities since 2018, and the 27T eActros truck with a maximum range of 400km. Before the end of FY23, the company plans to have 10 zero-emission vehicles in series production. Daimler Truck has already announced and produced performance updates for its existing line-up as well as new BEV models such as the class 8 eCascadia for the US market (FY22) and the eActros Long-Haul (FY24), with ranges of 400km and 500km respectively. In general, the company expects that BEVs will be more efficient over short distances, whereas FCEVs are more suited to long-distance transportation. In addition, Daimler Truck is developing a hydrogen combustion engine, which it expects to be superior to BEV and FCEV for use-cases with high power demand at moderate mileages. By FY39, Daimler Truck's aim is that all the trucks it delivers will be carbon-neutral.

Meanwhile, Daimler Truck has received approval for its first FCEV truck, the Mercedes-Benz GenH2 Truck, tested on German roads in October 2021. It is planned to have a range of approximately 1000km, and the first trucks are scheduled to be handed over to customers in 2027. For the battery development, Daimler Truck and Volvo established the Cellcentric JV in March 2021 which intends to pool the experience and development in fuel cell technology. The goal is to become a leading manufacturer of fuel cells with Cellcentric. The use of Cellcentric fuel-cell units in heavy commercial vehicles of the parent companies Daimler Truck and Volvo Group is planned for the second half of the decade.

## There is no superior zero-emission technology at the moment

The current discussion about environmental sustainability, new regulations and increasing awareness on consumer side has led to a shift in the global automotive industry. BEV currently accounts for a 5% share of light vehicles but by FY 25 this share is set to rise to 20% fully electric and to 40% by FY30. For the truck industry, this development is likely to be a little slower, considering the technological feasibility of ranges. Even so, Daimler Truck is currently aiming for 60% of sales to be zero-emission vehicles by FY30. What is more, all truck companies are still assessing which sustainable technology to go for, BEV, FCEV or something else entirely. At the moment, the opinions of OEMs and scientists on the preferable technology seem to vary. Moreover, a central determining factor in the success of the different zero-emissions technologies will be the corresponding infrastructure. It only makes sense for carriers to adjust their fleets if it becomes financially and logistically feasible. Battery-electric technology is currently much more efficient in converting the electrical energy into kilometres on the road as it skips the intermediate step of converting hydrogen into electricity. Electric vehicles are currently providing an efficiency of approximately 90% which is significantly higher than the estimated 45% of fuel-cell vehicles. However, this leaves energy availability and usability out of the equation. Hydrogen trucks are faster to refill than battery trucks which can be a huge advantage in long-haul transportation. Additionally, fuel cells are -not as heavy and therefore can carry more payload and require less (scarce) raw material such as lithium, nickel or cobalt which are poised to continue increasing in price with rising demand around the globe.

With technological advances over time, batteries will become more efficient and will be able to store more energy, which will allow for longer distances and less refuelling. Similarly, the process of producing and transferring hydrogen into energy and kilometres on the road will also be developed further and become more efficient.

The source of the energy is another point of consideration. Many countries struggle to produce enough electricity to drive fleets of battery-powered trucks. Green / renewable energy is particularly scarce. Hydrogen, on the other hand, is potentially unlimited, even though most hydrogen energy is still sourced from gas, which goes against the effort of reducing pollution. Green hydrogen is produced with solar or water power and could be

produced in countries with a lot of sunlight using solar energy and shipped or sent by pipeline to the rest of the world. The use of hydrogen will be supported by the demand from steel, chemical and fertilizer producers who are under pressure to reduce emissions and will lead to an increased supply of green hydrogen overall.

Regarding the necessary infrastructure, BEV will require larger investments in high-voltage charging stations and other components whereas hydrogen trucks could use the existing infrastructure to a certain extent. The primary requirement here would be to ensure the production and transport of the green hydrogen to the filling stations.



Source: Daimler Truck, Warburg Research

Most recently, in early September FY23, Accelera was announced by Cummins, a 30/30/30/10 JV of Cummins, Daimler Truck, Paccar, and EVE Energy for the manufacture of LFP battery cells for BEV Trucks. The total investment is expected to be in the range of USD 2-3bn for the 21-gigawatt hour factory. The goal is to create economies of scale to be able to provide “the right battery cell technology at the right cost”.

Overall, it currently appears that BEV will be leading in the light and medium segment due to higher efficiency and also for heavy-duty trucks with limited ranges. For long-haul applications with heavy payloads needed, for example, for loads across Europe or the US, hydrogen offers advantages such as quicker refuelling, longer ranges, and an existing infrastructure.

When it comes to adoption rates per segment, current demand indicates that bus fleets will be electrified much faster than trucks. The latter are often purchased by logistics companies in comparably small quantities to slowly renew and replace their fleets, whereas bus operators replace entire public transport networks (and equip them with electric buses) at once. Daimler Truck’s current ambition for trucks includes ca. 40% adoption in the US and 60% in Europe by FY30, whereas European city buses might be 100% electrified by then.

### Different approaches among competitors

- TRATON (8TRA)** is aiming to enter the age of zero-emission drives with a focus on BEV. The subsidiary **MAN** presented its zero-emissions roadmap in FY20. While MAN’s strategy includes the development of H2 trucks, the company points out that a breakthrough is only possible with a massive expansion of the infrastructure for hydrogen technologies. MAN started testing the first hydrogen trucks in the summer of FY21. From FY23/24, the company plans to conduct the first long-haul and customer tests. By FY30, the brand wants 60% of sold short-distance and 40% of sold long-distance trucks to be fully electric. **Scania** is one of the few brands to have fuel cell trucks in use with customers in FY23. However, in general, it is apparent that the company is not promoting hydrogen technology in the same way as battery technology. This strategy is

characteristic for the TRATON Group. Scania currently offers one 29T electric model with a range of 250 km. According to the roadmap, 10% of delivered trucks are planned to be BEV by FY25, and 50% by 2030.

- Together, the two brands **Volvo and Renault (VOLVB)** currently offer the most extensive BEV line-up. Volvo's offering consists of six base models for different uses, such as container transportation, construction, or waste collection. Depending on the model, maximum range varies between 200 and 380km, with a total towing weight of up to 44T. Renault offers somewhat smaller models between 3.5 and 26T, which reach ranges of 120 to 400km. Volvo estimates that its current BEVs could theoretically cover 45% of all transport needs in Europe. As mentioned above, Volvo has established the Cellcentric joint venture with Daimler Truck. While Volvo led the European market for battery electric trucks with a 42% market share in FY22, the development of hydrogen cells needs to be further advanced before commercialisation. **Renault** already tested hydrogen trucks in FY15 in collaboration with the French Post Office. The 4.5T Renault Maxity H2 can travel 200km at up to 90km/h on a 350-bar tank. Renault is also continuing the development of H2 trucks in the form of a joint venture. A complete ecosystem will cover everything from production to storage and distribution of green hydrogen. For now, Renault is fully committed to BEV trucks, and is targeting 50% fully electric sales by FY30. Overall, Volvo Trucks will only produce zero-emission vehicles by FY40.
- The **Paccar (PCAR)** Group is also implementing the change to alternative drives. **DAF** has already brought two battery-electric truck models to the market, a 19T 280km version and a 37T 200km version. Hydrogen-powered trucks are currently under development. The company won the Truck Innovation Award in FY22 with its concept vehicle DAF XF H2. In the process, the parent company Paccar also entered a partnership with Toyota and Shell. Development at US subsidiaries **Kenworth** and **Peterbilt** play an important role, too. Peterbilt offers three BEV models from 15-37T with ranges of up to 350km and Kenworth offers two BEV models with a range of up to 300km. Additionally, Kenworth is developing a heavy-duty hydrogen truck. The Kenworth T680s, powered by a Toyota hydrogen fuel cell electric powertrain, has already been in testing since FY19. The truck is expected to have a range of 720km and will enter series production in FY25.
- The global #5, **Iveco (IVCGF)**, is currently still promoting its "natural power" natural gas line-up. The company aims to focus on BEV and FCEV development from FY23 onwards. The initial plan was to gain a foothold in the market for H2 trucks in partnership with Nikola. Together they opened a 50,000sqm plant for H2 and battery electric trucks in Ulm in September FY21. The first Nikola TRE models produced there were expected to be delivered to selected customers in the US in FY23. However, in July FY23 Nikola withdrew from the JV, leaving Iveco in full control. The company renamed the programme to EVCO, and is now concentrating on the continued development and promotion of BEV and FCEV.
- **Nikola (8NI)** was once considered one of the most promising candidates in the development of hydrogen trucks. In December FY16, the Nikola One, a hydrogen heavy-duty truck with a supposed range of over 1,000km was launched. This version of the truck and the associated vision hastily turned out to be inoperable. Nikola now continues to develop H2 trucks. The company is also developing a successor to the scandalous Nikola One model, the Nikola Two. This is to be launched on the market in FY24. This heavy-duty truck is supposed to have a range of over 1,400km.
- **Hyzon (HYZN)** is engineering exclusively zero-emission vehicles. Hyzon's hydrogen vehicles currently in testing include the Hyzon Class 8 heavy-duty truck with a range of 600 - 800km for the North American and Australian markets. For the European, Asian and Australian markets, Hyzon is developing the Hymax series, also a heavy-duty truck with a range of 400 to 680km in 24, 46 and 70T versions. With the Hyzon High-Floor Coach, Hyzon is also developing a hydrogen bus, which achieves ranges of between 320 and 400km. While Hyzon claimed to have sold 87 vehicles in FY21, it was later revealed that the large majority of them was not operable. Hyzon has not published updated delivery numbers since.

- **Quantron**, a spin-off of the Haller Group, was founded in FY19 for the development of commercial vehicles with alternative drives. Quantron develops battery electric and fuel vehicles. These include light and heavy commercial vehicles as well as buses and vehicles for the municipal economy. A light fuel cell truck with 3.5 to 4.2T and a range of up to 500km is currently being tested. A heavy-duty truck, the Q-Heavy, is also being developed. This has a load capacity of 27T and a range of up to 500km. In the form of a municipal vehicle, the underlying heavy-duty system has already been tested in over 20 waste management companies since FY20.

**Zero-emission strategies of the truck OEMs**

| Company              | Preferred technology                                        | # of BEV models | Current ranges in km (BEV) | # of FCEV models | Current ranges in km (FCEV) | Mid-term targets                                                                                                           |
|----------------------|-------------------------------------------------------------|-----------------|----------------------------|------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>Daimler Truck</b> | BEV for short distances<br>FCEV for long distances          | 9               | 100-400                    | 0                | n.a.                        | 60% of sales zero-emission vehicles by 2030 and 100% by 2039                                                               |
| <b>Traton</b>        | BEV                                                         | 4               | 130-320                    | 0                | n.a.                        | Scania: 10% of sales BEV by 2025 and 50% by 2030<br>MAN: 60% of short-distance and 40% of long-distance trucks BEV by 2030 |
| <b>Volvo</b>         | BEV for short distances<br>FCEV for long distances          | 10              | 120-450                    | 0                | n.a.                        | 35% of sales BEV by 2030; 100% zero-emission by 2040                                                                       |
| <b>Paccar</b>        | BEV for short distances<br>Hybrid / FCEV for long distances | 7               | 100-350                    | 0                | n.a.                        | n.a.                                                                                                                       |
| <b>Iveco</b>         | Natural gas, BEV, FCEV                                      | 1               | 400                        | 0                | n.a.                        | 100% of sales hybrid or BEV by 2030                                                                                        |
| <b>Nikola</b>        | BEV, FCEV                                                   | 1               | 400                        | 1                | 800                         | 100% of sales alternative technologies                                                                                     |
| <b>Hyzon</b>         | FCEV                                                        | 0               | n.a.                       | 7                | 200-800                     | 100% of sales FCEV                                                                                                         |
| <b>Faun</b>          | BEV, FCEV                                                   | 4               | 100-500                    | 2                | 500                         | 100% FCEV by 2030                                                                                                          |
| <b>Quantron</b>      | BEV, FCEV                                                   | 4               | 200-500                    | 2                | 300-700                     | n.a.                                                                                                                       |



| Company               | Available now                                                                                                                                                                                                                                                                                                                                                              | 2023                                                                                                                  | 2024                                                                                                                    | 2025                                                             | 2026+                                                                     |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------|
| <b>Daimler Truck</b>  | <ul style="list-style-type: none"> <li>eActros: 19-27T, 200km</li> <li>eCitaro Bus: 19.5T, 150km</li> <li>FUSO eCantier: 7.5T, 100km</li> <li>eEconic: 27T, 150km</li> <li>eCascadia: 37T, 400km</li> <li>E-FUSO Vision One: 23T, 350km</li> <li>Saf-T-Liner eC2-Schulbus: 8-15T, 217km</li> </ul>                                                                         | <ul style="list-style-type: none"> <li>eM2 Class 6: 8.8-11.8T, 290km</li> <li>eM2 Class 7: 11.8-15T, 400km</li> </ul> | <ul style="list-style-type: none"> <li>eActros Long-haul: 27T, 500km</li> </ul>                                         |                                                                  | <ul style="list-style-type: none"> <li>GenH2: 37T, 1000km</li> </ul>      |
| <b>Traton</b>         | <ul style="list-style-type: none"> <li>MAN eTGM: 26T, 190km</li> <li>Scania Elektro: 40T (64T), 320km (280km)</li> <li>Navistar eMV: 11.79-14.97T, 217km</li> </ul>                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Scania: Electric trucks in the 40-60T range</li> </ul>                         | <ul style="list-style-type: none"> <li>Scania: Longer distance BEV's</li> <li>MAN eTrucks: 20-28T, 600-800km</li> </ul> |                                                                  | <ul style="list-style-type: none"> <li>MAN Truck: 7T, 800km</li> </ul>    |
| <b>Volvo/ Renault</b> | <ul style="list-style-type: none"> <li>FH Electric: 44T, 300km</li> <li>FM Electric: 44T, 380km</li> <li>FMX Electric: 44T, 320km</li> <li>FE Electric: 27T, 275km</li> <li>FL Electric: 16.7T, 450km</li> <li>Volvo VNR: 240km</li> <li>D 4x2: 16T, 250-400km</li> <li>Dw 4x2: 19T, 130-250km</li> <li>Dw 6x2: 26T, 120-250km</li> <li>Master: 3.5T, 120-180km</li> </ul> |                                                                                                                       |                                                                                                                         |                                                                  | <ul style="list-style-type: none"> <li>FCEV Truck: 65T, 1000km</li> </ul> |
| <b>Paccar</b>         | <ul style="list-style-type: none"> <li>DAF CF Electric: 37T, 100km</li> <li>DAF LF Electric: 19T, 280km</li> <li>Peterbilt 220EV: 15T, 350km</li> <li>Peterbilt 579EV: 37T, 240km</li> <li>Peterbilt 520EV: 30T, 150km</li> <li>Kenworth 270E: small truck, 300km</li> <li>Kenworth T680E: 37T, 240km</li> </ul>                                                           |                                                                                                                       | <ul style="list-style-type: none"> <li>Kenworth T680FCEV: 37T, 480km</li> </ul>                                         | <ul style="list-style-type: none"> <li>Peterbilt FCEV</li> </ul> |                                                                           |
| <b>Iveco/ Nikola</b>  | <ul style="list-style-type: none"> <li>Nikola TRE: 37T, 400km</li> </ul>                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"> <li>Nikola TRE FCEV: 37T, 800km</li> </ul>                                         | <ul style="list-style-type: none"> <li>Nikola Two FCEV: 37T, 1400km</li> </ul>                                          |                                                                  |                                                                           |
| <b>Hyzon</b>          | <ul style="list-style-type: none"> <li>Hyzon class 8: 37T, 600-800km</li> <li>Hyzon Hymax: 24T, 400km / 46T, 680km / 70T, 600km</li> <li>Hyzon High-floor coach: 320-400km</li> <li>Hyzon Refuse Truck: 29T, 200km</li> <li>Hyzon HYHD-110: 7T, 560km</li> </ul>                                                                                                           | <ul style="list-style-type: none"> <li>Hyzon garbage truck: 320-400km</li> <li>Hyzon class 6: 320-400km</li> </ul>    | <ul style="list-style-type: none"> <li>Hyzon HYHD-200: 7T, 563km</li> </ul>                                             |                                                                  |                                                                           |
| <b>Faun</b>           | <ul style="list-style-type: none"> <li>Electric FM: 18-40T; 150-500km</li> <li>Electric FH: 18 &amp; 40T; 150-500km</li> <li>Electric FMX: 18-40T; 150-500km</li> <li>Electric low entry: 26T; 100-250km</li> <li>Bluepower truck</li> </ul>                                                                                                                               | <ul style="list-style-type: none"> <li>Citypower: 16T, 500km</li> </ul>                                               |                                                                                                                         |                                                                  |                                                                           |
| <b>Quantron</b>       | <ul style="list-style-type: none"> <li>Q light: 3.5-7T; 250km</li> <li>Q medium: 7.5-18T; 250km</li> <li>Q heavy: 18-44T; 200-500km</li> <li>Q bus: 19.5T; 370km</li> <li>Q light: 3.5-7T, 300-500km</li> </ul>                                                                                                                                                            | <ul style="list-style-type: none"> <li>Q heavy: 44T, 700km</li> </ul>                                                 |                                                                                                                         |                                                                  |                                                                           |

Source: ACEA, Bloomberg, JAMA, FTR, Warburg Research

## Industry trends are changing demand preferences

### TCO composition affected by autonomous driving and electrification

The shift towards alternative powertrains and autonomous driving will have a significant impact on the TCO of trucks. When comparing TCO for battery-electric trucks and diesel trucks, several studies (e.g. by ICCT RAP, ERM or TNO), indicate TCO-parity will be reached between FY25 and FY30, depending on the progress of energy infrastructure. Especially for medium-haul and last-mile delivery purposes, electric trucks will provide a real alternative to the diesel truck. With regard to long-haul routes, we also see the chance that FCEVs could become an alternative to conventional drive trains where we also expect TCO parity to be reached by FY30.

Overall, all forms of electric propulsion, whether battery-powered or FCEV, are dependent on economies of scale in production. Even if alternative drive trains are not yet competitive from a classic TCO point of view, ESG factors are becoming increasingly important, especially for larger fleet operators. These qualitative factors could lead fleet operators to partially bridge TCO disadvantages until a greater EV scale is achieved.

**Vehicle cost:** First, at approximately EUR 130,000, the cost of a diesel truck is currently less than the cost of a FCEV or BEV truck, which is approximately 2.5x to 3x the price of the respective diesel. The decreasing costs of batteries and the higher capacity together with lighter weight mainly contribute to the forecast that the costs of electric and fuel cell trucks will decrease significantly with time. Nonetheless, the recent rapid increase in demand for BEVs coupled with the insufficient pace of capacity expansion in battery production should not only lead to delays in delivery, but also to rising battery costs in the short term. On the other hand, costs for diesel trucks are increasing because of the



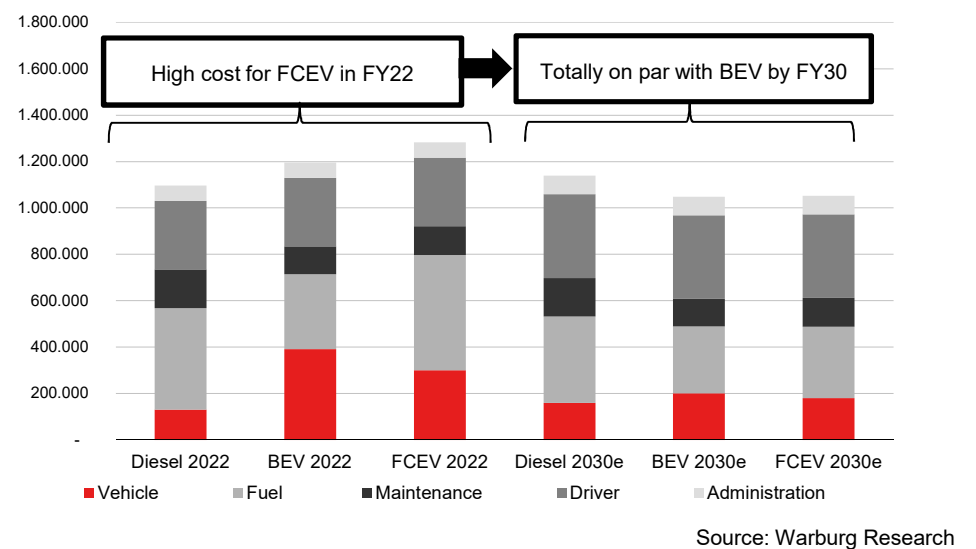
technology needed to improve fuel consumption and other innovations. Regarding autonomous trucks, we expect pricing to be 3x the current level of ICE trucks.

**Fuel / energy costs:** Fuel or energy costs are the biggest component of TCO and the price / efficiency development of key energy sources will be crucial in determining cost efficiency. For now, countless external and regional factors make it difficult to forecast the future development dynamics of the various energy sources. Generally, however, green energy is most likely to become cheaper in comparison to fossil fuels over time. Fuel costs currently account for almost half of TCO, and energy costs for BEV trucks are expected to be on the same level. Depending on the OEM, diesel trucks are undergoing their final substantial efficiency update with the new generation of engines. Daimler Truck’s new line-up requires only 27 l/km compared to the average of 30 l/km on the market.

**Maintenance cost:** Electric and fuel-cell trucks have no need for refills of AdBlue and changes of lubricants or oils. The costs of repair and preventive maintenance of BEV and FCEV trucks are expected to amount to two-thirds of the costs required for diesel trucks. In total this leads to a discount of approximately 25-30% on maintenance and repair costs for alternatively powered trucks. Autonomous driving is expected to further decrease maintenance costs due to lower wear and tear of components, as well as fewer accidents. On the flipside, the maintenance costs will rise on the software side on account of updates and other services that need to be performed. We expect a model where the fleet operators pay a recurring fee to the truck / truck service companies, which should ultimately support manufacturer resilience to market swings.

**Drivers:** While drivers already account for a substantial percentage of TCO, we expect this ratio to further increase going forward against the backdrop of ongoing driver shortages across regions. That is, until significant progress in autonomous driving has been made.

**Current cost advantage of diesel will likely melt away**



## Analysis of Return on Capital

- Daimler Truck offers **further structural margin uplift potential**, driven by an expansion of the company's service ecosystem as well as additional cost ("self-help") measures. The Mercedes-Benz segment is in the final throes of restructuring and these measures have already supported a significant margin increase in FY22.
- **The company manages capital efficiently**, and the solid balance sheet and cash received during the spin-off leave the company with a decent war chest for M&A activities and innovations.
- **Clear financial targets** are set for the medium term, driving operational profitability.

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Solid ROCEs delivered in previous years

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### A closer look at ROCE drivers

#### Business model based on two key pillars

Daimler Truck is market leading in the world's largest truck profit pool, the US, with a share of 40% in heavy-duty trucks and among market leaders in the European, Brazilian, and Japanese truck markets. With its binary business model of truck manufacturing and an aftersales / financial services component, Daimler Truck is operating in a highly capital-intensive business with a significant share of recurring revenues which are non-cyclical and yield higher margins. On average, Daimler Truck generated a ROCE of 14% in previous years, but the new normal seems to be above 20%.

In the following we examine the different ROCE drivers in more detail.

#### Slightly more asset-light than main peer

##### Nevertheless: resource-intensive in-house production

With its seven global core brands, Daimler Truck offers the full range of trucks including light-to-medium and heavy trucks as well as customised products such as municipal vehicles or construction vehicles. Furthermore, the company provides buses and chassis for the global passenger-coach market. To provide this large range of products, Daimler Truck currently operates more than 40 production sites globally and is striving to increase its global footprint further by ramping up a manufacturing site in China or shifting capacities to India. The localized set-up of production facilities helps to address risks related to manufacturing a product in a single country or region, such as labour costs, foreign exchange rates or trade barriers.

Ramping up and running these production sites requires a significant amount of capital. Subsequently, PP&E accounted for roughly 20% of company assets in recent years, demonstrating how costly the replication of the set-up would be. By comparison, TRATON's PP&E makes up approximately 15% of total assets, although this value is somewhat distorted by the company's recent acquisition of Navistar.

Intangibles make up only 4-5% of Daimler Truck's total assets which is mainly due to the low share of goodwill reflected on the balance sheet. Daimler Truck has been operating with its segments and core brands for several decades and there have not been any major acquisitions recently. Therefore, the company has no significant PPA-write-downs.

Considering all non-current assets, Daimler Truck manages to operate slightly more asset-light than TRATON with a ratio of 47% vs. 66%. This is, however, largely attributable to higher goodwill on competitors' books which limits comparability.

### Condensed common size balance sheet

| In % of Balance Sheet Total                       | 2019          | 2020          | 2021          | 2022          | 2023e         | 2024e         | 2025e         |
|---------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>ASSETS</b>                                     |               |               |               |               |               |               |               |
| Intangible assets                                 | 3.3%          | 3.4%          | 4.9%          | 4.3%          | 4.5%          | 4.8%          | 5.0%          |
| thereof other intangible assets                   | 2.1%          | 1.9%          | 3.4%          | 3.0%          | 3.3%          | 3.6%          | 3.8%          |
| thereof Goodwill                                  | 1.1%          | 1.3%          | 1.2%          | 1.1%          | 1.0%          | 1.0%          | 0.9%          |
| Property, plant & equipment                       | 23.0%         | 23.3%         | 20.8%         | 19.4%         | 18.4%         | 18.1%         | 17.5%         |
| Financial assets                                  | 19.3%         | 19.4%         | 20.2%         | 22.3%         | 21.3%         | 20.8%         | 20.1%         |
| Other Assets                                      | 21.8%         | 18.9%         | 18.7%         | 21.2%         | 20.2%         | 19.8%         | 19.1%         |
| Inventories                                       | 13.6%         | 12.6%         | 14.2%         | 13.8%         | 14.3%         | 13.7%         | 13.5%         |
| Accounts receivable                               | 7.3%          | 7.0%          | 7.2%          | 7.3%          | 7.5%          | 7.2%          | 7.2%          |
| Liquid assets                                     | 10.5%         | 15.0%         | 13.4%         | 11.0%         | 10.5%         | 9.7%          | 9.8%          |
| <b>Total assets</b>                               | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>       |               |               |               |               |               |               |               |
| Subscribed capital                                | 0.0%          | 0.0%          | 1.5%          | 1.3%          | 1.2%          | 1.2%          | 1.2%          |
| Additional paid-in capital                        | 0.0%          | 0.0%          | 26.1%         | 22.3%         | 21.3%         | 20.8%         | 20.1%         |
| Surplus capital                                   | 19.2%         | 19.4%         | 3.4%          | 9.1%          | 12.5%         | 14.5%         | 16.8%         |
| Other equity components                           | -1.4%         | -3.0%         | -1.9%         | -1.4%         | -1.3%         | -1.3%         | -1.3%         |
| <b>Shareholders' equity</b>                       | <b>17.8%</b>  | <b>16.5%</b>  | <b>29.1%</b>  | <b>31.3%</b>  | <b>33.7%</b>  | <b>35.2%</b>  | <b>36.8%</b>  |
| Provisions                                        | 13.4%         | 15.6%         | 13.1%         | 9.5%          | 9.3%          | 9.1%          | 8.9%          |
| Financial liabilities                             | 12.5%         | 11.9%         | 1.8%          | -2.2%         | -2.1%         | -2.1%         | -2.0%         |
| Accounts payable                                  | 5.5%          | 6.1%          | 8.0%          | 8.3%          | 8.2%          | 7.6%          | 7.6%          |
| Other liabilities                                 | 49.8%         | 49.0%         | 47.2%         | 52.2%         | 49.7%         | 48.7%         | 46.9%         |
| <b>Total liabilities and shareholders' equity</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

Source: Daimler Truck, Warburg Research

### Working-capital management is in line with industry peers

Currently, net working capital accounts for roughly 13% of the balance sheet, with ca.10-15% attributable to inventories and 5-10% to accounts receivable.

Overall, during the period of FY20-FY22 the inventory management deteriorated slightly, in line with the majority of industry peers. Days of inventory on hand rose from 75 to 87 down to 78, showing a lower turnover rate and more capital tied up in inventory stock, as a consequence of global supply-chain strain. Receivables turnover was relatively stable throughout. Daimler Truck collects its receivables after 35 days and pays its suppliers after roughly 47 days, which underscores the company's bargaining power. This is further affirmed by an improvement in the delta between DSO and DPO from -1 to -13 days in FY20-FY22. Thus, the cash conversion cycle currently amounts to 64 days. We expect this figure to normalize slightly, with continued pressure on inventories and reduced payment times.

### Working-capital management

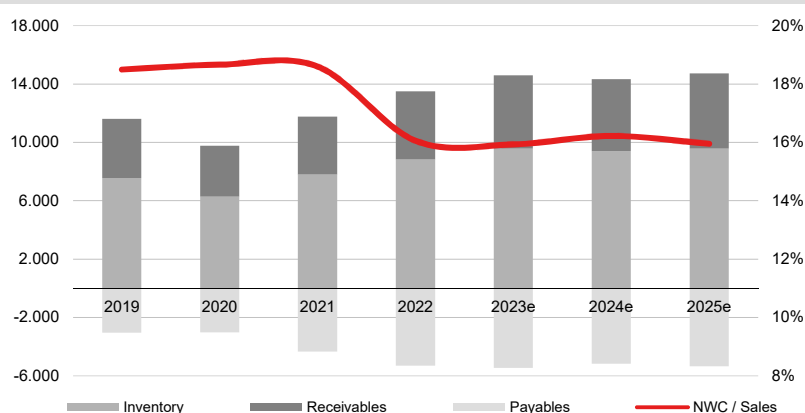
| Working Capital Management       | 2019  | 2020  | 2021  | 2022  | 2023e | 2024e | 2025e |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Net Working Capital              | 8,554 | 6,722 | 7,396 | 8,180 | 9,116 | 9,144 | 9,354 |
| Days Inventory Outstanding (DIO) | 73    | 75    | 87    | 78    | 77    | 76    | 75    |
| Days Sales Outstanding (DSO)     | 32    | 35    | 36    | 34    | 32    | 32    | 32    |
| Days Payable Outstanding (DPO)   | 30    | 36    | 49    | 47    | 44    | 42    | 42    |
| Cash-Conversion-Cycle            | 76    | 74    | 75    | 64    | 65    | 66    | 65    |

Sources: Daimler Truck, Warburg Research

Overall, net working-capital development reflects the issues currently faced by the entire sector. The main challenge will continue to be finding the right balance of security and supply capability on the one hand, and improving capital efficiency on the other.

In relation to sales, we observed a notable improvement in FY22, driven by the sharp increase in sales, but also stricter management. Thanks to more disciplined cost management coupled with sales growth opportunities, we do not expect NWC / sales to revert to the higher pre-pandemic levels in the medium term.

### Working-capital development



Sources: Daimler Truck, Warburg Research

### Industrial net-cash position reinforces financial strength and...

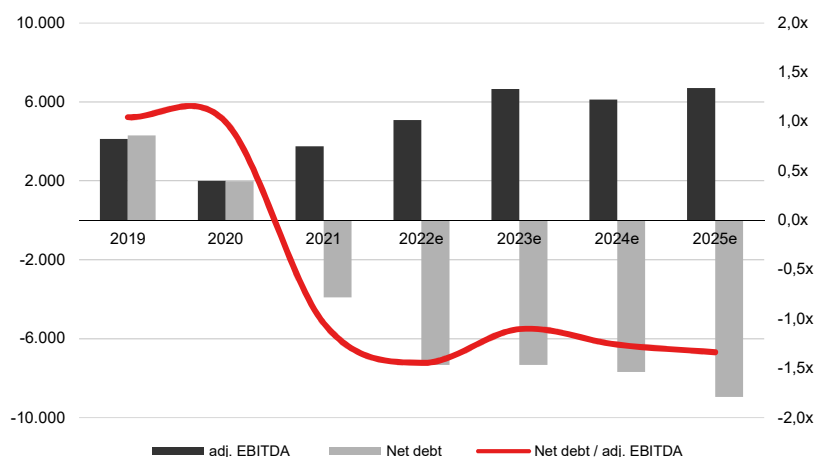
Net debt was strongly affected by the spin-off and IPO in FY21. Financial liabilities of the industrial business decreased from ca. 12% of total assets to roughly 2% over the course of the year. The company raised financing with a syndicated loan of EUR 18bn with EUR 5bn revolving credit facility and EUR 13bn as bridge financing which was already partly refinanced (EUR 6.7bn) before the public listing with two bonds placed on the US and Canadian markets. On group-level, Daimler Truck currently carries EUR 7.5bn in short-term and EUR 13.3bn in long-term financial liabilities. Taking the receivables and liabilities of the financial services out of the equation, Daimler Truck currently has a significant net cash position of approximately EUR 7bn.

### Financial debt management

| Financial debt management          | 2019         | 2020         | 2021          | 2022          | 2023e         | 2024e         | 2025e         |
|------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Financial Liabilities (industrial) | 6,943        | 5,927        | 966           | -1,423        | 77            | 577           | 1,077         |
| Pension Provisions                 | 3,178        | 3,530        | 2,471         | 1,147         | 1,259         | 1,296         | 1,349         |
| Liquid Assets                      | 5,821        | 7,477        | 7,349         | 7,068         | 8,664         | 9,573         | 11,387        |
| <b>Net Debt (industrial)</b>       | <b>4,300</b> | <b>1,980</b> | <b>-3,912</b> | <b>-7,344</b> | <b>-7,329</b> | <b>-7,699</b> | <b>-8,962</b> |
| <i>FS Receivables</i>              |              |              | 16,098        | 22,425        | 24,601        | 24,236        | 25,216        |
| <i>FS Liabilities</i>              |              |              | 15,633        | 22,262        | 24,422        | 24,060        | 25,033        |

Sources: Daimler Truck, Warburg Research

With the challenge of transferring the financial services business from the Mercedes-Benz Group to Daimler Truck now largely complete, Daimler Truck has more than enough scope to take on more financial debt in the upcoming years. Still, we expect the industrial business to continue to show a net cash position, with no major changes in the capital structure. Even if there are major changes, these will be made from a position of strength rather than distress in the medium term. In the financial services division, financial liabilities and financial receivables typically balance each other out.

**Leverage development (industrial business)\***


\*excluding effects from envisaged share buybacks of up to EUR 2bn

Sources: Daimler Truck, Warburg Research

**... also provides capacity for M&A or returns to shareholders**

The current solid balance sheet of Daimler Truck leaves the company in a good position for M&A activities in the future. In the context of the announced JV with Toyota (Hino), a further regional expansion towards Asia or Africa could be a good chance to enlarge and diversify the global footprint. Additionally, we expect Daimler Truck to continue increasing its activities in the sphere of autonomous driving and alternative drive trains. The acquisition of, or at least an investment in, smaller companies with already well-developed and innovative technologies in these areas would be a good opportunity to advance these issues, especially given that access to the Mercedes-Benz Group's R&D is more limited after the spin-off and the transfer of technology cannot be expected in the same way as between VW and TRATON, for example.

In the absence of suitable targets, Daimler Truck is in a good position to return excess cash to shareholders. In July FY23, the company announced an up to EUR 2bn buyback programme over two years, which we welcome, considering the current attractive share-price level. What is more, the dividend policy has been adjusted to 40-60% of net income, to ensure stable pay-out across the cycle

**Operating profitability shows promising upside potential**

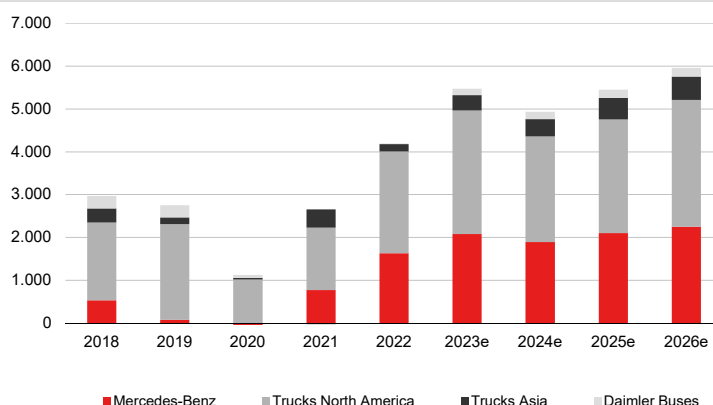
In the years before the pandemic, operating profitability was on a stable level of approximately 6%. After dropping to 2% in FY20, the company managed to recover and surpass earlier levels with 6.4% in FY21 and 7.8% in FY22.

Nevertheless, compared to peer OEMs, Daimler Truck is still midfield in terms of profitability, albeit on a slightly higher level than its main competitor TRATON. Both companies were struggling with profitability in their European brands – Mercedes-Benz and MAN, respectively. Problems at both companies are high fixed costs, high personnel costs due to production in high-income countries such as Germany and a weaker product mix with significant exposure to light and medium-duty vehicles, in Mercedes-Benz' case. At both companies, restructuring processes are in progress, but as Daimler Truck, already started restructuring in FY19, compared to FY21 at TRATON, we see Daimler Truck as being in an advanced position in terms of catching up to the profitability of competitors Volvo and Paccar.

Furthermore, programmes with clear targets have been set up for the remaining segments of Trucks North America, Trucks Asia and Daimler Buses which will also heavily contribute to the increased returns of the company. Overall, the company targets a fixed-cost

reduction of -15% from FY19 to FY25 as well as -15% on capex / R&D spending. This should leave the company with an adjusted EBIT margin of >10% in the best-case, 8-9% in the base-case and 6-7% in the worst-case scenario.

**Mercedes-Benz can be key lever for profitability (adj. EBIT by segment)**



Sources: Daimler Truck, Warburg Research

The restructuring activities at Mercedes-Benz started to pay off in FY22, although the exceptional demand situation and better parts-availability distorts comparability to some extent. Nevertheless, these developments underscore the outstanding long-term margin potential of the company’s operations, and demonstrate that management is steering the firm in the right direction. Given that the global truck industry has been enjoying rather favourable conditions for the past three years though, Daimler Truck was in a beneficial position to execute the realignment. Under gloomier conditions, this development could substantially slow down or even revert.

By FY25, the company expects to achieve an adjusted EBIT margin for the industrial business of 8-9% in the base-case scenario. This is still slightly behind industry leaders PACCAR and Volvo, but a significant improvement over historical levels nonetheless. For FY30, the base-case margin target for the industrial business lies at 10-11%. More importantly, with improved resilience, driven by a higher recurring revenues share, the company assumes an operating margin of 8-9% in the “cloudy” case by that point. While significantly ahead of past returns, we consider these ambitions realistic given the recent progress towards becoming a more efficient company. Besides, Paccar and to a lesser extent Volvo, have been showing that it is not impossible to sustain this level of profitability.

**Profitability ambitions of Daimler Truck**

| Adjusted RoS* (%) | Industrial Business | Trucks North America | Mercedes-Benz | Trucks Asia | Daimler Buses | Software | Financial Services |
|-------------------|---------------------|----------------------|---------------|-------------|---------------|----------|--------------------|
| +                 | >10                 | 12                   | 10            | 9           | 8             |          | >14                |
| 2025              | o 8-9               | 9-10                 | 8-9           | 7-8         | 4-6           |          | 10-12              |
| -                 | 6-7                 | 7-8                  | 5-7           | 5-6         | 2-4           |          | 6-8                |
| +                 | >12                 | >12                  | >12           | 9           | 9             |          | >17                |
| 2030              | o 10-11             | 11-12                | 10-11         | 7-8         | 6-8           | >30      | 13-15              |
| -                 | 8-9                 | 9-10                 | 8-9           | 5-6         | 3-5           |          | 9-11               |

\*compares to our EBIT-margin methodology

Sources: Daimler Truck, Warburg Research

### Profitability compared to industry leaders

| in EUR m                   | Sales         |               |               | Adjusted EBIT |              |              | Adjusted EBIT-m |             |             |
|----------------------------|---------------|---------------|---------------|---------------|--------------|--------------|-----------------|-------------|-------------|
|                            | 2022          | 2023e         | 2024e         | 2022          | 2023e        | 2024e        | 2022            | 2023e       | 2024e       |
| TRATON SE                  | 40,335        | 45,270        | 44,639        | 2,189         | 3,671        | 3,408        | 5.4%            | 8.1%        | 7.6%        |
| Volvo AB – trucks business | 44,518        | 44,136        | 40,434        | 4,704         | 5,943        | 4,545        | 10.6%           | 13.5%       | 11.2%       |
| PACCAR Inc                 | 27,440        | 30,202        | 27,352        | 3,494         | 4,856        | 3,546        | 12.7%           | 16.1%       | 13.0%       |
| <b>Daimler Truck</b>       | <b>50,945</b> | <b>57,260</b> | <b>54,995</b> | <b>3,959</b>  | <b>5,401</b> | <b>4,981</b> | <b>7.8%</b>     | <b>9.4%</b> | <b>9.1%</b> |

Sources: FactSet, Warburg Research

### ROCEs exceeding pre-pandemic levels

Having explored the components of capital usage and the drivers of profitability we now take a closer look at returns:

#### Detailed look at ROCE drivers

| In EUR m               | 2019   | 2020   | 2021   | 2022   | 2023e  | 2024e  |
|------------------------|--------|--------|--------|--------|--------|--------|
| +Equity                | 10,345 | 8,708  | 16,423 | 20,606 | 23,443 | 25,155 |
| +Pensions              | 3,178  | 3,530  | 2,471  | 1,147  | 1,259  | 1,296  |
| +Financial liabilities | 6,943  | 5,927  | 966    | -1,423 | -923   | -423   |
| -Liquid assets         | 5,821  | 7,477  | 7,349  | 7,068  | 7,564  | 7,674  |
| =Capital employed      | 14,645 | 10,688 | 12,511 | 13,262 | 16,214 | 18,355 |
| yoy                    |        | -27.0% | 17.1%  | 6.0%   | 22.3%  | 13.2%  |
| Capital turn           | 3.16x  | 3.37x  | 3.18x  | 3.84x  | 3.53x  | 3.07x  |
| EBIT                   | 2,792  | 657    | 2,551  | 3,959  | 5,388  | 4,869  |
| EBIT Margin            | 6.0%   | 1.8%   | 6.4%   | 7.8%   | 9.4%   | 8.6%   |
| Tax rate               | 33%    | 139%   | 27%    | 20%    | 28%    | 28%    |
| NOPAT                  | 1,263  | -257   | 1,716  | 3,017  | 3,701  | 3,318  |
| avg. CE                | 14,645 | 12,666 | 12,615 | 12,776 | 13,464 | 14,279 |
| ROCE (NOPAT)           | 8.6%   | -2.0%  | 13.6%  | 23.6%  | 27.5%  | 23.2%  |
| WACC                   | 9.8%   | 9.8%   | 9.8%   | 9.8%   | 9.8%   | 9.8%   |
| WACC multiple          | 0.88x  | -0.21x | 1.39x  | 2.41x  | 2.81x  | 2.37x  |

Sources: Daimler Truck, Warburg Research

ROCE development was strongly disrupted by the pandemic in FY20, leading to an overall negative NOPAT and hence, negative ROCE. Since then, Daimler Truck has been able to significantly increase its profitability, fuelled by high demand and internal cost optimisation processes, most notably the restructuring at Mercedes-Benz. Current ROCE significantly exceeds pre-pandemic levels.

Going forward, we expect a further increase in capital employed due to equity accumulation and reduction of the currently high liquid assets in the future. In addition, we expect the company to benefit strongly from the ongoing measures and thus, profitability should grow at relatively higher rates than capital employed leading to an overall increase in ROCEs at percentage rates in the low to mid 20s, which justify higher capital employed multiples.

### M&A profits with negative effects on adj. EBIT

Historically, Daimler Truck held back with EBIT adjustments. With the announced restructuring process in FY19, the company started to adjust for restructuring measures.

In FY21, Daimler Truck reported almost EUR 1bn of adjustments from M&A transactions which can be divided into gains from the sale of shares of the Cellcentric JV – which was formed out of a former 100% Daimler Truck subsidiary – with Volvo and costs that incurred during the spin-off and IPO process. Volvo acquired 50% in Cellcentric for EUR 634m. Another EUR 624m was recorded as other operating income due to the revaluation of the



JV. Hence, roughly EUR 1.2bn of M&A transaction adjustments can be attributed to one-off gains from the Cellcentric JV. Costs resulting from the spin-off and IPO balanced this out.

In FY22, Daimler Truck incurred adjustments of EUR 240bn, primarily related to the disposal of Daimler KAMAZ Trucks Holding GmbH for EUR 1.00 as a result of discontinuing Russian operations after Russia's invasion of the Ukraine.

Still, we do not assume Daimler Truck will be conducting major adjustments and remeasurements in the future. Besides the costs incurred from restructuring, we do not anticipate further adjustments.

| <b>Adjustment bridge</b>     |       |            |             |            |
|------------------------------|-------|------------|-------------|------------|
| In EUR m                     | 2019  | 2020       | 2021        | 2022       |
| EBIT                         | 2,792 | 491        | 3,357       | 3,496      |
| Mercedes-Benz: Restructuring |       | 166        | 141         | 169        |
| Daimler Buses: Restructuring |       |            |             | 56         |
| M&A transactions             |       |            | -946        | 240        |
| <b>Total adjustments</b>     |       | <b>166</b> | <b>-805</b> | <b>465</b> |
| EBIT adjusted                | 2,734 | 2,792      | 2,552       | 3,959      |

Sources: Daimler Truck, Warburg Research

## Aftermarket business as a key pillar for resilience

Daimler Truck's profitability is subject to fluctuations at group level. After deconstructing the earnings components, it becomes clear that the past swings were triggered by the OE business, especially at Mercedes-Benz and Daimler Buses. Even if the company does not report the profitability of the aftermarket business separately, based on our industry insights and cross-reads, we estimate that the profitability in the aftermarket business is in a steady state with established production efficiencies corresponding to a factor of around 2.5-3.0x the OE business.

This is also the reason Daimler Truck is striving to increase its service share of sales. Currently, approximately 25% of industrial group sales are coming from the aftermarket business and 30% when including the financial services segment. Daimler Truck plans to increase this share to 35% by FY25 and 50% by FY30, which should result in lower earnings volatility and higher profitability overall. This development is mainly enabled by the areas of digitalization and electrification. For example, Daimler Truck has named parts servicing optimized for ZEVs, infrastructure partnerships, as well as digital services such as applications or autonomous driving.

We currently assume the aftersales share will be distributed rather similarly within the individual segments. Nevertheless, Trucks North America should have the highest exposure to the service and parts business due to its more extensive dealer network and advanced and established e-commerce business around spare parts. With more focus on digital subscription models going forward, this implies additional upside for the other segments.

## Financial Services offers cross-selling potential

The financial services business is now in what the company calls the "foundation phase", where all regional operations have gone live, and the focus is now on ramp-up. Following the public listing, in FY21, Daimler Truck began transferring the North America business, Brazil and several other countries with small exposures. The corresponding transfer of EUR 19bn was fully conducted in FY21. In FY22, the company transferred the financial services business of the vast majority of European countries. In FY23, Daimler Truck plans to finish integrating the German and French business, as well as expand into new markets.

We expect the equivalent of the remaining credit portfolio at the former parent MBG to be reflected in Daimler Truck's financial services division in three to four years.

| <b>Financial services</b> |        |        |        |        |        |        |
|---------------------------|--------|--------|--------|--------|--------|--------|
| In EUR m                  | 2019   | 2020   | 2021   | 2022e  | 2023e  | 2024e  |
| Credit Book               | 18,679 | 15,269 | 16,098 | 22,425 | 24,601 | 24,236 |
| Sales TRATON Operations   | 44,853 | 42,500 | 44,853 | 34,805 | 38,641 | 49,187 |
| Conversion rate           | 42%    | 36%    | 36%    | 64%    | 64%    | 49%    |
| Equity                    | 1,637  | 1,338  | 1,565  | 2,218  | 2,394  | 2,579  |
| Equity ratio              |        | 13.5%  | 12.0%  | 11.1%  | 10.7%  | 11.6%  |
| Sales FS                  | 1,391  | 1,122  | 1,759  | 2,111  | 2,480  | 2,604  |
| EBIT FS                   | 192    | 193    | 193    | 211    | 248    | 260    |
| Margin                    | 13.8%  | 17.2%  | 11.0%  | 10.0%  | 10.0%  | 10.0%  |
| Net Income                | 0      | 97     | 249    | 150    | 176    | 185    |
| Return on Equity          | 0.0%   | 6.2%   | 11.2%  | 6.3%   | 7.4%   | 7.2%   |
| WACC                      | 9.0%   | 9.7%   | 9.7%   | 9.7%   | 9.7%   | 9.7%   |
| Justified P/B Multiple    | 0.0x   | 0.6x   | 1.2x   | 0.7x   | 0.8x   | 0.7x   |

Sources: Daimler Truck, Warburg Research

The example of the North American segment makes it clear how integral the financial lease business is to a successful truck OEM. Leasing vehicles are delivered to customers with fixed agreements. In addition to the extra source of income generated with interest, customers are also sold maintenance packages with fixed maintenance intervals, which further support the aftermarket business, not to mention knowledge about the customer which offers the opportunity to strengthen customer retention rates.

We expect the service business to strongly benefit from the shift towards alternative drive trains. Due to the higher prices for electric trucks which are approximately 2-3x the price of a conventional truck, the customer's need for financing increases along with the overall volume. Additionally, the potential lease of batteries is set to create another source of recurring revenue.

## Growth / Financials

- As the **definitive market leader in the US** truck market, Daimler Truck has strong exposure to the largest global profit pool.
- Daimler Truck should **benefit from the higher growth in emerging markets** due to its position as #2 in the Brazilian market and its activities in Asia.
- With the successful restructuring of Mercedes-Benz as well as the company's ambitions to become more service-oriented, we expect Daimler Truck to **increase its resilience and enhance its group-wide profitability**.

Potential to expand resilience and profitability

### High cyclicity as a key characteristic

#### Global market is categorised into two main regional segments

The truck market is characterized by high cyclicity and dependence on the overall economic cycle. The international truck market is split into two submarkets:

- The first includes Europe, North America, Japan, and other industrialized East Asian nations.
  - Characterized by a high level of environmental regulation and demand for sophisticated technological improvements
  - Rather slow growth market at rates of (WRe) ~2% per annum bound by high cost and tough competition
- The second includes the BIC countries (Brazil, India, China) and emerging market countries in Asia, Africa, and Latin America.
  - Environmental regulation in these markets is not as strict
  - Customers are more price sensitive
  - Markets are in development and therefore have higher growth rates of approximately WRe ~4% p.a.

The challenge for established truck manufacturers lies in catering to their domestic markets as well as entering and finding their place in these high-growth emerging markets.

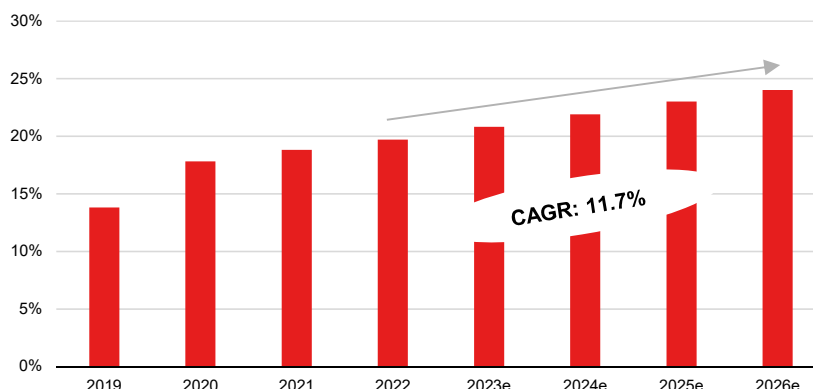
### Growth drivers: Megatrends affecting truck industry

#### Booming e-commerce supports demand

The following megatrends are driving the performance of Daimler Truck in all its regional markets and brands.

- E-commerce:
  - E-commerce as a percentage of global retail sales increased from approximately 7.5% in FY15 to 20% in FY22
  - The pandemic enhanced this trend
  - Market volume is expected to increase at a CAGR of 11.7% in the period from FY22 to FY26
  - Globally, >25% of total freight transport is by road and the trend is stable

**Strong growth of e-commerce market poised to continue**



Sources: Insider Intelligence, Warburg Research

- **Autonomous driving:**
  - Autonomous driving has already been partly implemented (level 3), with level 4 expected by the end of the decade
  - Impact on TCO: Lower repair and maintenance, higher utilisation of vehicles, reduction of fuel costs with optimised driving.
  - Fully autonomous driving to lower driver costs.
  
- **Alternative drive-trains:**
  - Emission regulations are a key driver of the strategic shift in the industry
  - Electrification comes with problems such as distance, density of charging infrastructure, additional weight per vehicle
  - Daimler Truck is developing both technologies, with electric vehicles considered advantageous for short and medium haul and fuel-cell trucks for long-haul use

**Regulatory emission requirements**

| Market             | Standards for heavy-duty trucks                                                                                                   | Long-term country target                                                                                                     |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <b>USA, Canada</b> | <ul style="list-style-type: none"> <li>▪ 2027 GHG phase 2 standards</li> <li>▪ -15-27% compared to 2018 reference year</li> </ul> | <ul style="list-style-type: none"> <li>▪ Net zero by 2050.</li> </ul>                                                        |
| <b>EU</b>          | <ul style="list-style-type: none"> <li>▪ 2025: -15% compared to 2019</li> <li>▪ 2030: -30% compared to 2019</li> </ul>            | <ul style="list-style-type: none"> <li>▪ 2050: Net zero target</li> </ul>                                                    |
| <b>Brazil</b>      | <ul style="list-style-type: none"> <li>▪ 2022: Adaption of Euro VI standards</li> </ul>                                           | <ul style="list-style-type: none"> <li>▪ 2025: -37% emissions, 2030: -43% compared to 2005</li> </ul>                        |
| <b>China</b>       | <ul style="list-style-type: none"> <li>▪ 2020: Fuel consumption standards</li> <li>▪ -15% compared to 2015</li> </ul>             | <ul style="list-style-type: none"> <li>▪ Emission peak expected between 2025-2030.</li> <li>▪ Neutrality by 2060.</li> </ul> |

Sources: Roland Berger, Warburg Research

## Strong demand in all core markets

### US preliminary orders remain elevated on the back of pent-up demand

The truck market in the US is subject to more pronounced cycles than in Europe, due to the more pro-cyclical capex behaviour of US fleet operators and the go-to-market strategy of truck manufacturers. Trucks in Europe are mainly purchased directly from manufacturers via financial leases and have fixed contract terms. The cycles are therefore alleviated by more reliable interaction between medium-term fleet planning and the adjustment of production capacities by OEMs. In the US, on the other hand, trucks are typically bought from local dealers. Fleet operators prefer to buy a truck and drive it directly off the dealer's yard. The purchasing behaviour of the dealers and their strategic pricing, which depends on the demand situation, increases the cyclical nature of the availability and demand for new trucks. The net order intake for heavy-duty trucks (class 8) clearly illustrates this cyclical nature.

Over the past couple of years, truck production in the US was heavily impacted by the limited parts availability. This applied also to trailers, albeit to a lesser extent, given the more complex composition of trucks. As the charts below illustrate, incoming class 8 orders were significantly ahead of factory shipments in FY21, because the manufacturers could not keep up with demand. Logisticians were desperate for new trucks and the challenge for OEMs was to book the maximum production possible without excessive overbooking. Around the half-year mark of FY22, conditions eased and OEMs were able to increase their output to about 30,000 units per month. With better visibility, incoming orders soared above 50,000 units in September FY22. Elevated levels continued in the following months, effectively pushing the backlogs to new record highs. Going into FY23, the OEMs became restrictive on order acceptance, because of their high backlogs and correspondingly long lead times as well as ongoing supply-chain uncertainty. This trend is ongoing and most of the orders currently being reported are specifications on past reservations from major customers. As a result, the current order numbers are not a true indicator of truck demand. Production numbers of FY23 are notably ahead of incoming orders because OEMs want to decrease their backlogs and improve lead times and flexibility.

Going forward, we identify competing forces at work. On the one side downward pressures are building on overall demand such as limited economic growth, rising borrowing costs as well as lower transport demand and freight rates. Lining up on the other side are comparably healthy carrier balance sheets and supportive pent-up demand, caused by past supply-chain difficulties but also general fleet age, which is poised to ensure continued steady production rates for at least the rest of FY23.

While US orderbooks remain closed until September at the earliest, OEMs have begun opening their FY24 books for European customers and are unanimously reporting positive first indications, with demand still on elevated levels. For the US market, the major OEMs, including Daimler Truck, expect a positive start to the next year as well. At the moment, the most pressing concern of manufacturers remains parts availability, although, as described above, conditions have already notably improved. Based on the developed state of the North American truck markets we anticipate long-term OE sales growth will be slightly above long-term GDP expectations of 2-3% per annum.

### European truck market more resilient than expected

Even if the European truck market is considered less cyclical than its US counterpart, it can also be subject to strong fluctuations. The cyclicity became particularly apparent in the drawdown of new trucks in FY08/09 and during the Covid-19 pandemic, which triggered a quick reduction in spending by fleet operators, which consequentially led to a sharp decline in new trucks on the roads. Following the peak of the pandemic, the truck market has made a very strong recovery in connection with an exposed macroeconomic revival in demand.

While the truck industry significantly reduced its orders for components during the pandemic (average lead times for components range from a few weeks to 12 months in some cases, e.g. semiconductors), the demand for new trucks soared quickly, leading to delivery problems in global supply chains. The tight delivery capacities had a positive effect on pricing, but lead times for orders increased. Since H2/22 however, supply chains have become more stable again. On the back of improved supply and more than two years of solid demand after the initial pandemic-trough, market participants were widely expecting first signs of a softening to materialise over the course of FY23. However, the European truck market has proved resilient so far, supported by continued pent-up demand. Truck OEMs are reporting record deliveries and are still restrictive on order acceptance given their high backlogs and long lead times. However, in Europe too, production levels have been ahead of incoming orders for a while now, which means that backlogs are slowly melting away. As the observed fleet age nears the historical average, the situation should normalise again. As long as pent-up demand and fleet age are still apparent, though, we expect high utilisation in the factories to continue. As of H1/23, all truck OEMs were unanimously reporting positive first indications regarding order intake towards FY24.

Considering the similarity of the driving forces behind European and US truck markets, we also expect overall growth in Europe to be slightly higher than GDP growth. We anticipate a long-term CAGR of 2% per annum.

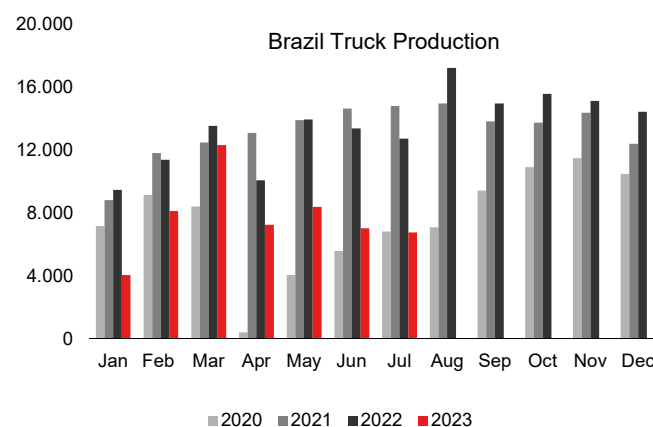
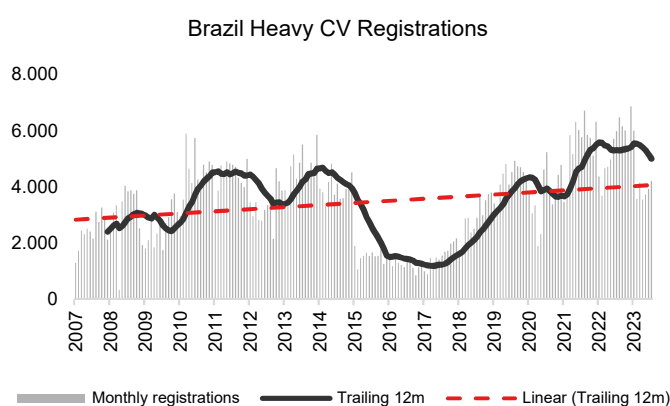
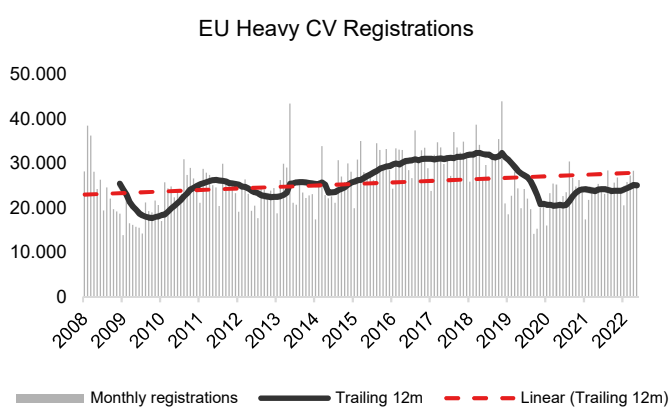
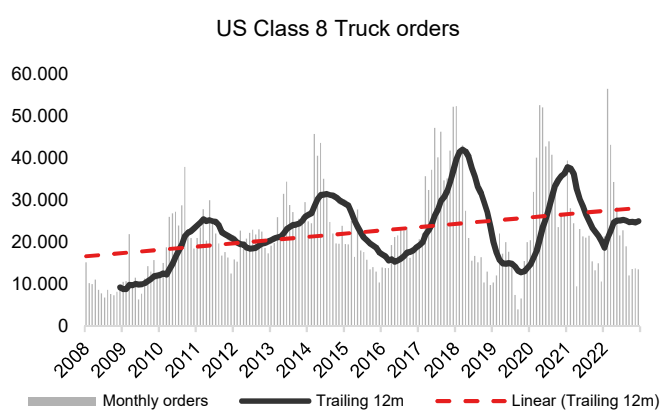
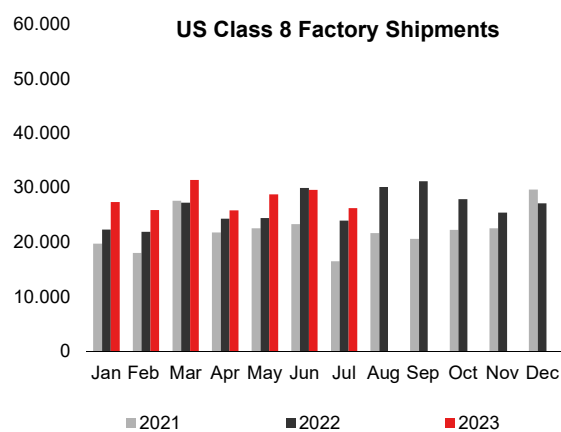
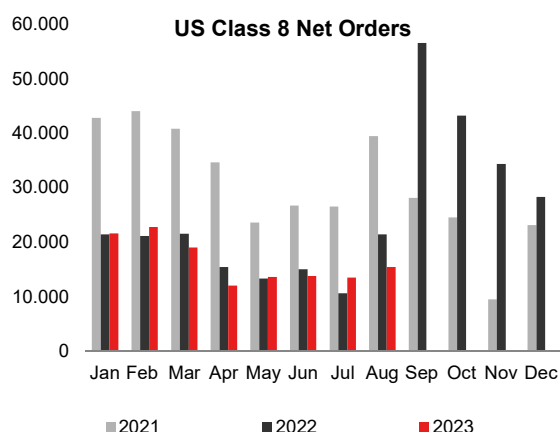
### **Strong demand also in relevant Asian markets**

Similar to the developments in the other primary truck markets, the Japanese market was hit by repeated lockdowns and supply-chain issues from FY20 to FY22. By now, the market has rebounded and has turned favourable, with high replacement demand continuing. Daimler Truck reports +40% sales in Japan, +21 sales in Indonesia, and +64% in India in H1/23 compared to the prior-year period. Particularly in India, demand for trucks and truck equipment is booming at the moment, driven by the government's infrastructure measures and the corresponding expansion of the transport sector. In other developing nations, such as Thailand, demand is currently softening but these markets are of less relevance for Daimler Truck's operations.

### **Brazilian market is in the midst of a trough**

Following the first year of the pandemic, new registrations for heavy-duty trucks in Brazil soared in FY21, with growth of 35% yoy, and a CAGR of 18% in the period from FY16-FY21. In FY22, this trend continued with additional catch-up effects. However, a decent chunk of the extraordinary post-covid demand was attributable to pre-buy effects ahead of the EURO VI regulation, which became effective in FY23. With that, demand and production was somewhat softer in H1/23 and deliveries to customers at the market-leading OEMs were down approximately 30% compared to the prior year. Even so, this trough should be temporary, and underlying economic growth points to a CAGR of 4% for the next 5 to 10 years, double the rate of the developed truck markets.

**Daimler Truck's core markets at a glance**



Source: ACEA, FTR, Bloomberg, Warburg Research

**Margin profile set to improve further**

In the pre-pandemic years FY18 and FY19, Daimler Truck's operating profitability was at a comparably stable 6%. The effects of the pandemic exposed the cyclical nature of the business along with operational inefficiencies in the segments and brought the adj. EBIT margin down to 1.8%. On the back of the favourable demand situation in the following years, the company managed to bring its adj. operating margin back to 6.4% and 7.8% in FY21 and FY22, respectively.



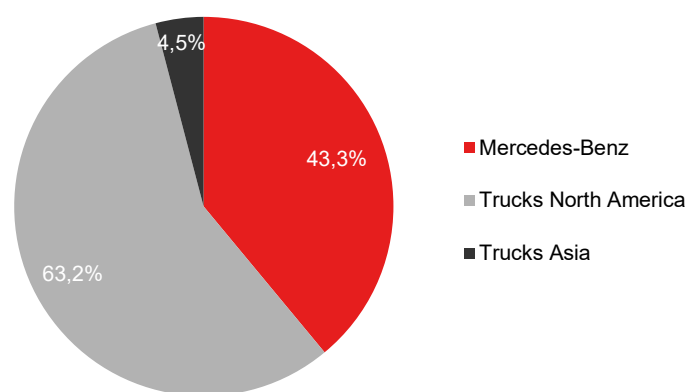
Going forward, Daimler Truck has set clear financial targets regarding fixed costs, capex and profitability on segment and group level. The profitability outlook is divided into three scenarios. In the best case, which is defined as truck sales of >500,000 in FY25 (for comparison: 535,000 in FY22), group profitability shall exceed 10%. In the base-case scenario, Daimler Truck expects an adjusted EBIT margin of 8-9% and in the worst case, a margin of 6-7%. The ambition for FY30 on the industrial business-level from the worst to best-case scenario lies at 8-9%, 10-11% and >12%.

Looking at the individual segments and their contribution to the overall profitability, a fragmented picture arises.

### North America: The company's largest profit pool

Even though the North American segment accounts for only 44.8% of FY22 sales, its profit share with respect to adj. EBIT is 63.2%. The corresponding adj. EBIT margin is 10.8%, coming from levels of 11% in FY18 and FY19.

### North America drives earnings of industrial business (FY22)



Source: Daimler Truck, Warburg Research

On the one hand, this is a result of the product mix, as the Freightliner and Western Star trucks are almost entirely heavy-duty trucks for the long-haul sector. As already mentioned, as a rule of thumb in the truck sector, the bigger the truck, the bigger the margin. The successful integration of the American brands into Daimler's portfolio, which took place more than 40 years ago, also contributes its share. Over the years, Daimler Truck has managed to build one of the most extensive dealer and service networks in the world including more than 1,100 franchised locations all over North America and more than 9,000 service bays. The segment can therefore fall back on a significant share of aftermarket sales, which are not only more profitable, but also less subject to the cyclicality of the industry. As mentioned earlier, on the back of its all-round product design, best in-class TCO and service network, Daimler Truck has established itself as the go-to option for large fleet operators. Given the nature of the industry, this should remain a virtuous cycle of growth for the time being. Further down the line, we would not discount the re-emergence of Navistar as a serious competitor. With the new common base engine from Scania, Navistar should not only be able to offer a more competitive product, but also operate at higher efficiency. With TCO-focus, mostly on-highway applications, and an extensive dealer network, the brand seems closest to the value offered by Freightliner.

To maintain its leading market position, between FY21 and FY23, Trucks North America invested USD 1,945m in the service network and added +30 locations and 500 bays. Besides the extensive store network, Daimler Truck developed an e-commerce platform for its aftermarket parts to further simplify the service structures and offer a more convenient solution. In addition to the traditional parts and services market, Daimler Truck

is also expanding its offering in terms of fleet management, e-consulting, and other non-vehicle applications.

Even though the segment already achieved competitive margins between 9-11% in the last years and is well positioned for the future, the company is striving to further improve cost structures and efficiencies.

By FY25, the group set a target of an EBIT margin of 9-10% in baseline market conditions. With good macroeconomic development, the company guides for a margin of 12%. These margins are to be achieved with strict cost discipline, which is expected to reduce fixed costs by 8% by FY25 (compared to FY19). The release of operational efficiencies with higher volumes and strict monitoring are expected to enable this reduction. The focus of the segment will remain on heavy-duty vehicles to maintain the exposure to the high-margin vocational market segment.

| <b>Trucks North America segment performance</b> |        |         |         |         |         |         |         |         |
|-------------------------------------------------|--------|---------|---------|---------|---------|---------|---------|---------|
| in EUR m                                        | 2018   | 2019    | 2020    | 2021    | 2022    | 2023e   | 2024e   | 2025e   |
| <b>Unit Sales</b>                               | -      | 206.226 | 141.560 | 162.156 | 186.779 | 199.854 | 187.862 | 191.620 |
| <b>Sales</b>                                    | 17,080 | 19,370  | 13,847  | 15,782  | 22,039  | 24,440  | 23,774  | 24,808  |
| <b>EBIT adj.</b>                                | 1,821  | 2,237   | 1,015   | 1,452   | 2,379   | 2,889   | 2,472   | 2,652   |
| <b>Margin</b>                                   | 10.7%  | 11.5%   | 7.3%    | 9.2%    | 10.8%   | 11.8%   | 10.4%   | 10.7%   |

Source: Daimler Truck, Warburg Research

### Mercedes-Benz as key lever for group profits

In contrast to the Trucks North America segment, the Mercedes-Benz brand has just overcome a longer phase of subdued profitability, which still leaves some room for upside. In the period from FY18 to FY21, the segment's operating margins fluctuated between only -1.7% and 4.8%. Hence, while the segment was responsible for ca. 38% of group sales in that period, it never contributed more than 30% of EBIT. However, with an operating margin of 8.1% in FY22 and 9.3% in H1/23, the company seems to have solved the core issues at the brand.

The reasons for the modest profitability were for one, the excessively high cost structures in the segment. Mercedes-Benz trucks are mainly produced in Germany, making personnel costs a significant cost driver. There were also structural reasons: (i) the product mix is less favourable, with a higher share of medium and light-duty trucks and (ii) Mercedes-Benz is not the market leader in its core markets Europe and Latin America, but only in third / second place (behind TRATON and Volvo).

The comprehensive restructuring programme was launched in FY19 and last officially updated in FY21. It includes the cost side as well as driving the aftersales business and thus higher recurring revenues with higher margins and reduced cyclicality. In order to bring Mercedes-Benz back on track, Daimler Truck has also engaged Karin Radström from its competitor Scania, where she was responsible for marketing and sales on the board of directors. Scania (a TRATON brand) is considered an innovation leader in the industry with very lean and efficient operations and is therefore highly profitable. The restructuring programme comprises the following areas:

| <b>Mercedes-Benz segment performance</b> |        |        |        |         |        |        |        |        |
|------------------------------------------|--------|--------|--------|---------|--------|--------|--------|--------|
| in EUR m                                 | 2018   | 2019   | 2020   | 2021    | 2022   | 2023e  | 2024e  | 2025e  |
| <b>Unit Sales</b>                        | -      | -      | -      | 141.331 | 166    | 168    | 161    | 163    |
| <b>Sales</b>                             | 16,724 | 16,806 | 13,790 | 16,113  | 20,213 | 22,655 | 22,258 | 23,048 |
| <b>EBIT adj.</b>                         | 524    | 72     | -232   | 770     | 1,629  | 2,072  | 1,885  | 2,098  |
| <b>Margin</b>                            | 3.1%   | 0.4%   | -1.7%  | 4.8%    | 8.1%   | 9.1%   | 8.5%   | 9.1%   |

Source: Daimler Truck, Warburg Research

**Personnel cost reduction (+2% EBIT margin, FY25 vs. FY19)**

The biggest cost savings potential at Mercedes-Benz are personnel costs, as the segment mainly produces in Germany. By FY23, the company plans a reduction of EUR 280m compared to FY19. More than 50% of these net savings, and thus +1% in EBIT margin, is already reflected in the financials in FY22

**Non-personnel cost reduction (+2% EBIT margin, FY25 vs. FY19)**

Besides personnel costs, Daimler Truck expects a reduction in non-personnel costs of EUR 200m by FY25 compared to FY19. 50% of net savings were delivered by the end of FY21. This development shall be driven by a cost controlling centre and budget planning from base zero.

**Portfolio, Material & Pricing strategies (+3% EBIT margin, FY25 vs. FY19)**

In concrete terms, this refers to a change in the portfolio. For instance, the number of low-volume models will be reduced from 140 to 100, which leads to a reduction of 15% in the range of purchased parts. These measures and the strengthening of the common parts strategy have already reduced variable costs for the segment by EUR 200m between FY19 and FY21.

On the materials side, the company plans to reduce its funding level. As per FY21, funding costs for materials already decreased by 18%.

There will also be a greater focus on pricing improvements, which will lead to a stronger focus on the high-margin models. Freed-up resources will put towards raising the product quality and optional extras with added value for customers.

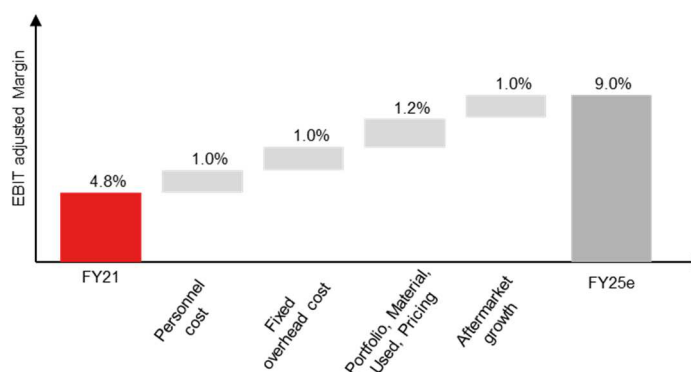
First measures in this regard have also been taken in the used-truck business, such as reducing the stock of trucks by >50% compared to FY19 and more restrictive buyback policies and extending the contract term from three to now four years.

**Aftersales (+1% EBIT margin, FY25 vs. FY19)**

Mercedes-Benz additionally plans to expand its higher-margin aftersales business and therefore also become less dependent on the cyclicity of the industry. Regarding the parts business and improved customer experience, the segment will strengthen its presence with 50 of its own retail and service locations by FY25 to also improve the process for parts accessibility.

New digital platforms such as *My TruckPoint* and Basic Service Bundle, to enable customers to easily manage their fleets, are expected to contribute to customer retention. Furthermore, the segment strives to increase the contract penetration with new service contract types and enhanced digital services.

**Mercedes-Benz segment EBIT margin recovery from FY21 to FY25**



Source: Daimler Truck, Warburg Research

The chart above refers to the structural margin improvements presented by Daimler Truck at its CMD in FY21. For comparison, the operating margin of the Mercedes-Benz segment already lies at 9.3% (H1/23), though we estimate roughly half of the margin delta between FY21 and H1/23 was achieved on the back of the current strong market environment, and is thus not structural yet.

Overall, ca. 50% of planned structural net savings (from FY19) were already achieved by FY21. We therefore expect a further 1% uplift from personnel and non-personnel cost reductions, 1.2% from the portfolio mix and materials funding and another 1% from the aftermarket growth in the segment. We further anticipate 0.5% margin recovery from other sources, such as new services in the e-Truck business. This results in an estimated EBIT margin for the Mercedes-Benz segment of approximately 8-9% under normal conditions.

By FY25e, the segment targets an EBIT margin of 10% assuming favourable overall market conditions, 8-9% in the base case and 5-7% in adverse scenarios. In comparison, we currently model an EBIT margin of 9.1% for FY25e, which puts us at the upper end of the base-case scenario. For full context, though, our forecasted margins decrease after FY25, to reflect the performance over the cycle and incorporate a significant margin of error.

### First visible results in Asian market excluding China

Daimler Truck Asia managed to recover somewhat after the setback caused by the pandemic achieving an adjusted EBIT margin of 2.6% in FY22 vs. 0.7% in FY20, but is evidently still burdened by the repercussions. After reaching a margin of 7.2% in FY21, the negative impact from BFDA (China) on at-equity results weighed on segment profitability. The further margin recovery is based on four key pillars:

#### Gaining back FUSO market share & cost optimisation

Daimler Truck has also been selling FUSO vehicles in the US and Canada and largely outsourced the service business. However, this is to be changed within the new initiatives. From FY21 onwards, sales in North America were discontinued and more focus will be placed on the segment's own retail and aftersales network in Japan.

In terms of cost optimisation, the segment plans to reduce indirect labour costs by -10% compared to FY19 and to lower fixed costs. More specifically, all fixed costs are expected to be covered by aftersales profits from FY25 onwards (FY21: 85%). An improved pricing mix and review of the product portfolio with a focus on high-margin products will further enhance the development. As mentioned earlier, the planned merger with Toyota's Hino offers further upside for efficiency improvements in the Japanese market. In terms of market coverage, Hino is strong in heavy-duty trucks, whereas Daimler Truck's FUSO operations have higher exposure to medium-duty vehicles. On the cost-side, the combined effort promises a significant advantage over the competition, such as the regional number one Isuzu, especially when it comes to investments in future technologies.

#### Growth in Indian market

In the Indian market, Daimler Truck is currently operating under its BharatBenz brand and holds a small market share behind the industry leaders Tata Motors, Ashok Leyland, Eicher and Mahindra. In the medium term, the segment plans to strengthen its competitive position in the market, also backed by the technologically superior product offering.

By expanding its service business and local dealer network as well as profiting from the overall estimated market growth of 12% p.a. between FY21-FY26, the company plans to achieve double-digit volume growth by FY25.

Furthermore, the company strives to benefit from operational leverage by establishing the Indian production as an export hub to emerging markets and leveraging common platforms with other regions. By shifting other indirect functions to India, Daimler Truck will further benefit from generally lower cost structures in the country.

### Enlarge footprint in Chinese market

Recently, the Chinese truck market has not been performing well. With 49,159 produced units in FY22, BFDA's volumes fell significantly short of the prior year's level (102,981). This is mainly a result of the introduction of Euro VI in FY22, as well as the overall economic situation in China, which is still burdened by lockdowns from the zero-Covid policy. Putting that aside, Daimler Truck plans to enlarge its footprint in the Chinese market – the world's largest truck market – by leveraging its JV with Foton. Using the already mature market position of Foton and large production capacities, Daimler Truck plans to increase its share in the advanced truck segment. In recent years, the Chinese market has seen accelerating demand for premium trucks.

This development is not only being addressed by Daimler Truck but also its European peers such as TRATON. TRATON wants to increase its influence in the Chinese market and is expanding its partnership with Sinotruk as well as ramping up a local production near Shanghai (ramp-up started in FY22). A similar strategy can be observed at Daimler Truck. The JV with Foton will be deepened and its production and aftersales capacities will be used to increase the exposure on the market. Furthermore, in FY20 Daimler Truck announced the set-up of a new production site near Beijing in cooperation with Foton where it plans to produce 60,000 Mercedes-Benz heavy-duty vehicles per year for the Chinese premium market. Production started in FY22, meaning that first truck deliveries are due to take place at least 2-3 years earlier than TRATON's.

### Targets for Trucks Asia

When it comes to EBIT adjusted, the company targets a margin of 9% in the Asian segment assuming good market conditions. In the base-case scenario, 7-8% adjusted EBIT margin is anticipated and 5-6% for worsening market conditions.

| Trucks Asia segment performance |       |       |       |         |         |         |         |         |
|---------------------------------|-------|-------|-------|---------|---------|---------|---------|---------|
| in EUR m                        | 2018  | 2019  | 2020  | 2021    | 2022    | 2023e   | 2024e   | 2025e   |
| <b>Unit Sales</b>               | -     | -     | -     | 143.411 | 155.967 | 166.885 | 165.216 | 168.520 |
| <b>Sales</b>                    | 6,744 | 6,638 | 5,579 | 5,969   | 6,499   | 7,234   | 7,264   | 7,575   |
| <b>EBIT adj.</b>                | 328   | 154   | 37    | 427     | 171     | 362     | 405     | 504     |
| <b>Margin</b>                   | 4.9%  | 2.3%  | 0.7%  | 7.2%    | 2.6%    | 5.0%    | 5.6%    | 6.6%    |

Source: Daimler Truck, Warburg Research

### Daimler Buses: Lagging recovery after pandemic

Daimler Buses is the leading brand in all its core markets, with a share of approximately 28% in Europe, 54% in Brazil, and 38% in Mexico. The segment was severely hit by the pandemic, leading to a sales decrease of 26% in FY20. Following an even worse FY21 with a negative earnings contribution, the segment stabilised in FY22 with an EBIT margin of 0.4%.

To get Daimler Buses back on track, the company relies on its common parts strategy as well as general cost optimisation and growing the sales and services business in North America with a dedicated product offering.

Currently, Daimler Buses, with its brands Setra and Mercedes-Benz, is barely active in the North American market, and instead serves the market with its own US brand Thomas Built Buses. This brand is mostly active in the public bus market with school buses, leaving a gap in the private motor coach market. Daimler Buses is planning to fill this gap with coaches specifically developed for the US market and thereby leverage its synergies with the North American business and Detroit Diesel in the parts and service network.

In addition, the segment aims for a fixed-cost reduction of EUR 300m by FY25 (vs. FY21) which shall be achieved by personnel cost reductions, production efficiencies and streamlining of the portfolio and geographic footprint.

Assuming good macroeconomic conditions, Daimler Buses expects an adjusted EBIT margin of 8% by FY25, 4-6% for the base case and 2-4% in an economic downturn.

### Buses segment performance

| in EUR m          | 2018  | 2019  | 2020  | 2021   | 2022   | 2023e  | 2024e  | 2025e  |
|-------------------|-------|-------|-------|--------|--------|--------|--------|--------|
| <b>Unit Sales</b> | -     | -     | -     | 18.736 | 24.041 | 24.041 | 23.320 | 23.786 |
| <b>Sales</b>      | 4,383 | 4,644 | 3,438 | 3,211  | 3,689  | 3,901  | 3,862  | 4,027  |
| <b>EBIT adj.</b>  | 295   | 284   | 67    | -77    | 14     | 145    | 169    | 192    |
| <b>Margin</b>     | 6.7%  | 6.1%  | 1.9%  | -2.4%  | 0.4%   | 3.7%   | 4.4%   | 4.8%   |

Source: Daimler Truck, Warburg Research

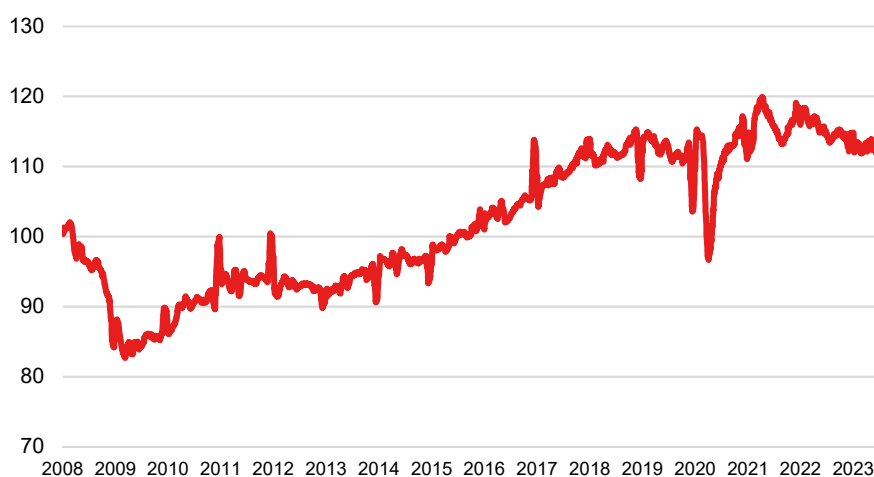
## Service business to reduce cyclicality and secure revenues

### Truck mileage index as a sufficient proxy for aftermarket sales

The truck mileage index published by the German Federal Office for Goods Transport measures truck activity on German roads with the help of truck toll data. We consider this performance index to be a good proxy for general trucking activity in Europe as Germany is geographically central with many supranational routes passing through. The demand situation for the aftermarket business can also be derived from general truck activity because the more vehicles are on the road, the more maintenance work is due, with a slight time lag.

The truck mileage index underpins that truck activities on the road are subject to far less severe cycles than new truck investments. For example, overall truck activity fell by just 17% in 2008, while new truck orders fell by 57% during the same period. A similar picture emerges from the slump at the peak of the Covid-19 pandemic with truck orders down 62% vs. 13% in the aftermarket. And since the aftermarket business is about three times more profitable than the OE business, a large part of the profit contribution is less cyclical than one might suspect at first glance.

### Truck mileage index underpins resilience of aftermarket business



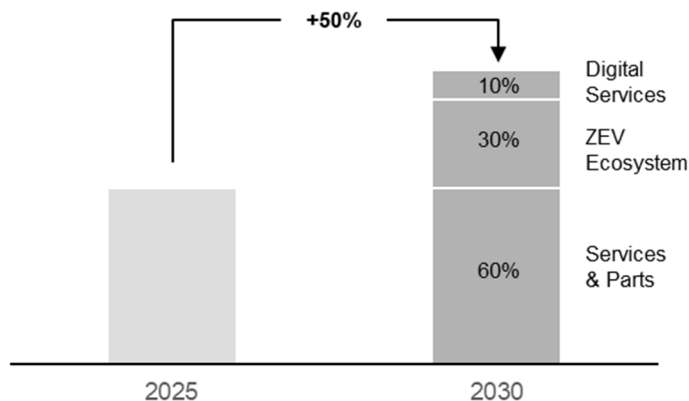
Sources: Destatis, Warburg Research

## Recurring sales to account for half of company revenues by FY30

Currently, the service share of sales which comprises the aftersales business as well as the financial service segment amounts to approximately 30% of revenues at Daimler Truck. It is planned to be increased to 50% by FY30. This development rests on three pillars. Roughly 60% of FY30 service revenues are attributable to service and spare parts, 30% to the ZEV ecosystem, and the remaining 10% to digital services. The parts business is planned to profit from a general expansion of the portfolio as well as the new global

parts centre in Halberstadt, Germany. The ZEV transition and the corresponding charging hardware installation and servicing as well as eConsulting are expected to further support this development. Third, Daimler Truck plans to leverage its long-term customer relationships into recurring revenues by expanding (digital) services and service monetisation. The goal is to reduce cyclicity and drive up margins.

**Service revenue ambitions**



Sources: Daimler Truck, Warburg Research

The same goes for the financial services business. At Daimler Truck, approximately every fifth vehicle is leased or financed by the financial services division. In FY21, the financial services operations in the US, Canada, Japan, and Brazil as well as some countries with lower exposure were transferred from Mercedes-Benz to Daimler Truck. In FY22, most European countries such as Italy, the Netherlands and Spain followed. Germany and France mark the final step of the transition, which is expected to be completed in FY23. By FY25, the company plans to extend the service share to 35% and then to 50% by FY30. As mentioned before, the remaining credit portfolio that is presently still operated by the former parent Mercedes-Benz Group should be reflected in Daimler Truck’s financial services division in three to four years. The margin targets of the financial services business for FY25 (FY30) are an adjusted return on equity of 14% (17%) assuming good market conditions, 10-12% (13-15%) in the base case and 6-8% (9-11%) in the rainy-day case. In FY22, the segment achieved an adj. ROE of 9.9%, down from 12.4% in FY21, primarily as a result of higher expenses due to the strong increase in business volume as well as the integration.



## Valuation

- Our DCF model points to FV of EUR 55, even though our assumptions are conservative with long-term sales growth below the rate of inflation and an EBIT margin of just 6%
- FV derived from FCVP model underscores this notion, with an FV indication of EUR 54 in FY24
- Peer group multiples (FY23) point to an FV of EUR 43. When considering the industrial business in isolation (and treating the FS business as a bank), we identify a clear undervaluation of Daimler Truck from an EV/EBIT perspective
- We derive our PT of EUR 49 using a 50:50 blend of our DCF and fair EV/EBIT model

Valuation models suggest significant upside

## Fundamental valuation

### DCF

Our DCF model considers the industrial business of Daimler Truck and is based on the following assumptions:

- **Sales growth:** Daimler Truck targets sales growth of 40-60% on group level from FY25 to FY30. As mentioned earlier, the company no longer steers by market share but instead focuses on value. Consequentially, the sales ambitions are planned to be reached with a mix of overall market expansion as well as the higher price level of ZEVs compared to ICE. We are a bit more conservative and calculate with a flattening growth curve, which equals a CAGR of 4.1% or total growth of 37.6% until FY30. In perpetuity we assume a slowdown in growth to 1%, reflecting the cyclical and mature status of the truck industry globally.
- **EBIT margin:** We forecast an EBIT margin expansion from 7.7% last year to 9.1% in FY25. With this, our assumption stands at the upper end of the “cloudy” (base case) scenario. From there on, we model flattening margins. Thus, our estimates consider a decent margin of error, which we consider appropriate not only due to the ongoing transformation activities at all segments except Trucks North America, but also the cyclical nature of the industry, where one difficult year is impossible to balance out with one good year. Our perpetual margin assumption lies at 6%, which is below the lower boundary in worst-case “rainy-day” conditions.
- **Capex/D&A:** Investment in future technologies will stay at a moderate level for the next years. With the business maturing and growth rates slowing towards the end of this decade, we expect the capex ratio to decline slightly and to converge with D&A.
- **Working Capital:** Following a period of supply-chain uncertainty, we assume a constant level of 16.5% of industrial sales going forward.
- **WACC:** We apply a qualitative beta of 1.38, taking into account the cyclical business environment to which Daimler Truck is exposed (rated 1.8), liquidity considerations (1.2) due to 58.5% free float, financial strength (1.0, net cash position in industrial business), transparency (1.4) and “other” (1.5). The long-term tax rate remains at 28%. An expected market return of 8.25% and a risk-free return of 2.75% combined with the financial net cash position (incl. pension debt) leads to a WACC of 9.59%.
- **Market value of investments:** For our projected cash flows, we consider only the industrial business, as the credit book of the financial services business would distort the debt of the industrial business. The financial services segment is valued at 0.8x book value, based on its average return on equity of 7.5% in recent years and the WACC of 9.8%. The at-equity result of BFDA is already considered in our EBIT estimates and therefore does not require an addition.



DCF model

| Figures in EUR m            | Detailed forecast period |        |        | Transitional period |        |        |        |        |        |        |        |        |        | Term. Value |
|-----------------------------|--------------------------|--------|--------|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|
|                             | 2023e                    | 2024e  | 2025e  | 2026e               | 2027e  | 2028e  | 2029e  | 2030e  | 2031e  | 2032e  | 2033e  | 2034e  | 2035e  |             |
| Sales                       | 54,731                   | 53,758 | 55,908 | 57,779              | 59,654 | 61,531 | 63,405 | 65,273 | 67,098 | 68,873 | 70,592 | 72,248 | 73,834 |             |
| Sales change                | 12.3 %                   | -1.5 % | 4.0 %  | 3.3 %               | 3.2 %  | 3.1 %  | 3.0 %  | 2.9 %  | 2.8 %  | 2.6 %  | 2.5 %  | 2.3 %  | 2.2 %  | 1.0 %       |
| EBIT                        | 5,140                    | 4,608  | 5,111  | 5,108               | 5,095  | 5,071  | 5,035  | 4,988  | 4,926  | 4,849  | 4,759  | 4,653  | 4,504  |             |
| EBIT-margin                 | 9.4 %                    | 8.6 %  | 9.1 %  | 8.8 %               | 8.5 %  | 8.2 %  | 7.9 %  | 7.6 %  | 7.3 %  | 7.0 %  | 6.7 %  | 6.4 %  | 6.1 %  |             |
| Tax rate (EBT)              | 28.0 %                   | 28.0 % | 28.0 % | 28.0 %              | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % |             |
| NOPAT                       | 3,701                    | 3,318  | 3,680  | 3,678               | 3,668  | 3,651  | 3,625  | 3,591  | 3,546  | 3,492  | 3,426  | 3,351  | 3,243  |             |
| Depreciation                | 1,298                    | 1,295  | 1,377  | 1,423               | 1,469  | 1,516  | 1,562  | 1,608  | 1,606  | 1,600  | 1,590  | 1,592  | 1,627  |             |
| in % of Sales               | 2.4 %                    | 2.4 %  | 2.5 %  | 2.5 %               | 2.5 %  | 2.5 %  | 2.5 %  | 2.5 %  | 2.4 %  | 2.3 %  | 2.3 %  | 2.2 %  | 2.2 %  |             |
| Changes in provisions       | 112                      | 38     | 52     | 74                  | 76     | 78     | 80     | 81     | 82     | 83     | 47     | 46     | 44     |             |
| Change in Liquidity from    |                          |        |        |                     |        |        |        |        |        |        |        |        |        |             |
| - Working Capital           | 936                      | 28     | 210    | 180                 | 309    | 310    | 309    | 308    | 301    | 293    | 284    | 273    | 262    |             |
| - Capex                     | 1,235                    | 1,330  | 1,384  | 1,430               | 1,458  | 1,486  | 1,512  | 1,537  | 1,560  | 1,580  | 1,599  | 1,636  | 1,672  |             |
| Capex in % of Sales         | 2.3 %                    | 2.5 %  | 2.5 %  | 2.5 %               | 2.4 %  | 2.4 %  | 2.4 %  | 2.4 %  | 2.3 %  | 2.3 %  | 2.3 %  | 2.3 %  | 2.3 %  |             |
| - Other                     | 0                        | 0      | 0      | 0                   | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |             |
| Free Cash Flow (WACC Model) | 2,939                    | 3,293  | 3,515  | 3,566               | 3,446  | 3,449  | 3,445  | 3,435  | 3,373  | 3,301  | 3,182  | 3,078  | 2,979  | 3,122       |
| PV of FCF                   | 2,873                    | 2,937  | 2,861  | 2,648               | 2,335  | 2,133  | 1,944  | 1,769  | 1,585  | 1,415  | 1,245  | 1,099  | 971    | 11,849      |
| share of PVs                | 23.02 %                  |        |        | 45.52 %             |        |        |        |        |        |        |        |        |        | 31.46 %     |

Model parameter

|                          |               |                     |             |
|--------------------------|---------------|---------------------|-------------|
| Derivation of WACC:      |               | Derivation of Beta: |             |
| Debt ratio               | 10.00 %       | Financial Strength  | 1.00        |
| Cost of debt (after tax) | 2.8 %         | Liquidity (share)   | 1.20        |
| Market return            | 8.25 %        | Cyclicality         | 1.80        |
| Risk free rate           | 2.75 %        | Transparency        | 1.40        |
|                          |               | Others              | 1.50        |
| <b>WACC</b>              | <b>9.59 %</b> | <b>Beta</b>         | <b>1.38</b> |

Valuation (m)

|                            |               |                              |              |
|----------------------------|---------------|------------------------------|--------------|
| Present values 2035e       | 25,816        |                              |              |
| Terminal Value             | 11,849        |                              |              |
| Financial liabilities      | 1,859         |                              |              |
| Pension liabilities        | 1,145         |                              |              |
| Hybrid capital             | 0             |                              |              |
| Minority interest          | 591           |                              |              |
| Market val. of investments | 1,870         |                              |              |
| Liquidity                  | 9,258         | No. of shares (m)            | 823.0        |
| <b>Equity Value</b>        | <b>45,198</b> | <b>Value per share (EUR)</b> | <b>54.92</b> |

Sensitivity Value per Share (EUR)

| Beta | WACC   | Terminal Growth |        |        |        |        |        |        | Beta | WACC   | Delta EBIT-margin |         |         |         |         |         |         |
|------|--------|-----------------|--------|--------|--------|--------|--------|--------|------|--------|-------------------|---------|---------|---------|---------|---------|---------|
|      |        | 0.25 %          | 0.50 % | 0.75 % | 1.00 % | 1.25 % | 1.50 % | 1.75 % |      |        | -1.5 pp           | -1.0 pp | -0.5 pp | +0.0 pp | +0.5 pp | +1.0 pp | +1.5 pp |
| 1.58 | 10.6 % | 49.85           | 50.12  | 50.39  | 50.69  | 51.00  | 51.32  | 51.67  | 1.58 | 10.6 % | 41.76             | 44.73   | 47.71   | 50.69   | 53.67   | 56.64   | 59.62   |
| 1.48 | 10.1 % | 51.71           | 52.02  | 52.35  | 52.69  | 53.06  | 53.44  | 53.85  | 1.48 | 10.1 % | 43.27             | 46.41   | 49.55   | 52.69   | 55.83   | 58.97   | 62.11   |
| 1.43 | 9.8 %  | 52.71           | 53.05  | 53.40  | 53.78  | 54.17  | 54.59  | 55.04  | 1.43 | 9.8 %  | 44.09             | 47.32   | 50.55   | 53.78   | 57.00   | 60.23   | 63.46   |
| 1.38 | 9.6 %  | 53.77           | 54.13  | 54.51  | 54.92  | 55.35  | 55.81  | 56.30  | 1.38 | 9.6 %  | 44.96             | 48.28   | 51.60   | 54.92   | 58.24   | 61.56   | 64.89   |
| 1.33 | 9.3 %  | 54.88           | 55.27  | 55.69  | 56.13  | 56.61  | 57.11  | 57.64  | 1.33 | 9.3 %  | 45.87             | 49.29   | 52.71   | 56.13   | 59.56   | 62.98   | 66.40   |
| 1.28 | 9.1 %  | 56.05           | 56.48  | 56.94  | 57.42  | 57.94  | 58.49  | 59.07  | 1.28 | 9.1 %  | 46.84             | 50.37   | 53.90   | 57.42   | 60.95   | 64.47   | 68.00   |
| 1.18 | 8.6 %  | 58.60           | 59.11  | 59.66  | 60.24  | 60.86  | 61.53  | 62.24  | 1.18 | 8.6 %  | 48.97             | 52.73   | 56.48   | 60.24   | 64.00   | 67.76   | 71.51   |

- Sales, earnings and cash flow figures refer exclusively to Daimler Truck Industrial Business
- Financial Services business considered at book value
- Long-term sales growth in line with potential growth of world truck market in perpetuity

**FCF Value Potential:**

Keeping maintenance capex at 90% of total investments and working capital constant leaves us with a value of EUR 58 for FY23e and EUR 54 for FY24e. We regard our underlying assumptions as conservative.

**Free Cash Flow Value Potential**

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

| in EUR m                                      | 2019          | 2020         | 2021          | 2022          | 2023e         | 2024e         | 2025e         |              |
|-----------------------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Net Income before minorities                  | 1,840         | -88          | 2,262         | 2,673         | 3,907         | 3,529         | 3,916         |              |
| + Depreciation + Amortisation                 | 1,321         | 1,335        | 1,200         | 1,121         | 1,259         | 1,240         | 1,290         |              |
| - Net Interest Income                         | -161          | -157         | -83           | -47           | 38            | 33            | 27            |              |
| - Maintenance Capex                           | 1,137         | 842          | 972           | 1,019         | 1,112         | 1,197         | 1,245         |              |
| + Other                                       | 0             | -279         | -276          | -283          | -284          | -186          | -209          |              |
| <b>= Free Cash Flow Potential</b>             | <b>2,185</b>  | <b>284</b>   | <b>2,297</b>  | <b>2,539</b>  | <b>3,732</b>  | <b>3,354</b>  | <b>3,725</b>  |              |
| FCF Potential Yield (on market EV)            | n/a           | n/a          | 10.0 %        | 16.1 %        | 17.6 %        | 15.9 %        | 18.6 %        |              |
| WACC                                          | 9.59 %        | 9.59 %       | 9.59 %        | 9.59 %        | 9.59 %        | 9.59 %        | 9.59 %        |              |
| <b>= Enterprise Value (EV)</b>                | <b>n.a.</b>   | <b>n.a.</b>  | <b>22,886</b> | <b>15,788</b> | <b>21,240</b> | <b>21,081</b> | <b>20,021</b> |              |
| <b>= Fair Enterprise Value</b>                | <b>22,797</b> | <b>2,957</b> | <b>23,962</b> | <b>26,489</b> | <b>38,929</b> | <b>34,984</b> | <b>38,857</b> |              |
| - Net Debt (Cash)                             | 1,122         | -1,550       | -6,383        | -8,491        | -8,587        | -8,996        | -10,310       |              |
| - Pension Liabilities                         | 3,178         | 3,530        | 2,471         | 1,147         | 1,259         | 1,296         | 1,349         |              |
| - Other                                       | 0             | 0            | 0             | 0             | 0             | 0             | 0             |              |
| - Market value of minorities                  | 494           | 483          | 503           | 554           | 827           | 1,039         | 1,274         |              |
| + Market value of investments                 | 1,637         | 1,338        | 1,565         | 2,218         | 2,394         | 2,579         | 2,792         |              |
| <b>= Fair Market Capitalisation</b>           | <b>19,640</b> | <b>1,832</b> | <b>28,936</b> | <b>35,497</b> | <b>47,824</b> | <b>44,224</b> | <b>49,336</b> |              |
| Number of shares, average                     | 823           | 823          | 823           | 823           | 823           | 823           | 823           |              |
| <b>= Fair value per share (EUR)</b>           | <b>23.87</b>  | <b>2.23</b>  | <b>35.16</b>  | <b>43.13</b>  | <b>58.11</b>  | <b>53.74</b>  | <b>59.95</b>  |              |
| premium (-) / discount (+) in %               |               |              |               |               | 72.4 %        | 59.4 %        | 78.1 %        |              |
| <b>Sensitivity Fair value per Share (EUR)</b> |               |              |               |               |               |               |               |              |
|                                               | 12.59 %       | 17.26        | n.a.          | 28.22         | 35.46         | 46.84         | 43.60         | 48.70        |
|                                               | 11.59 %       | 19.08        | n.a.          | 30.13         | 37.58         | 49.95         | 46.40         | 51.80        |
|                                               | 10.59 %       | 21.25        | 1.89          | 32.41         | 40.09         | 53.64         | 49.72         | 55.49        |
| WACC                                          | <b>9.59 %</b> | <b>23.87</b> | <b>2.23</b>   | <b>35.16</b>  | <b>43.13</b>  | <b>58.11</b>  | <b>53.74</b>  | <b>59.95</b> |
|                                               | 8.59 %        | 27.09        | 2.65          | 38.55         | 46.88         | 63.62         | 58.69         | 65.45        |
|                                               | 7.59 %        | 31.17        | 3.17          | 42.84         | 51.62         | 70.58         | 64.95         | 72.40        |
|                                               | 6.59 %        | 36.48        | 3.86          | 48.42         | 57.79         | 79.66         | 73.10         | 81.46        |

- Profit and cash flow figures solely from Daimler Truck industrial business
- Financial Services business considered at book value.

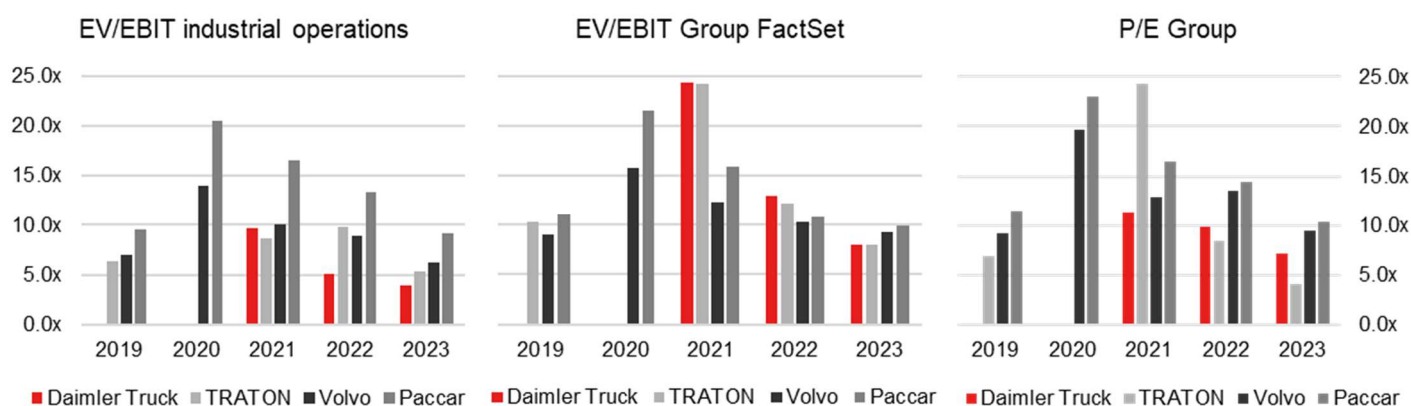
**Peer Group: Industrial business multiples point to undervaluation of German OEMs**

As mentioned before, at most automotive OEMs, the balance sheet of the financial services business consists primarily of financial receivables (e.g. vehicle loans, lease payments) and financial liabilities (e.g. borrowings, deposits), which balance each other out. Daimler Truck is no exception, which means that the consolidated balance sheet of the group is somewhat distorted. In our DCF model, we account for this by only discounting the industrial cash flows and adding the fair value of the financial services segment (book value multiple of 0.8x) in a second step. When comparing peer group multiples, the large data providers typically overlook this phenomenon too. As a result, EV multiples for the truck OEMs with more pronounced FS liabilities appear much larger than they would be when simply valuing the FS portion of the business as a bank, for example by a book value multiple. In the table below, we calculate the *industrial* EV/EBIT multiples of our peer group, i.e. without the net debt position of the FS segment at each company.

**Separating the financial services business from the EV-multiple calculation**

| local currency            | Daimler Truck |             |             | TRATON      |             |             | Volvo        |             |              | Paccar       |              |              |
|---------------------------|---------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|
|                           | 2021          | 2022        | 2023        | 2021        | 2022        | 2023        | 2021         | 2022        | 2023         | 2021         | 2022         | 2023         |
| Revenue                   | 39,763        | 50,945      | 58,194      | 30,620      | 40,334      | 45,064      | 372,216      | 473,479     | 528,238      | 23,522       | 28,820       | 32,976       |
| EBIT                      | 2,551         | 3,959       | 5,404       | 2,322       | 2,168       | 3,753       | 43,074       | 45,712      | 68,352       | 2,282        | 3,672        | 4,976        |
| FS share of revenue       | 2.8%          | 3.5%        | 4.4%        | 3.1%        | 3.2%        | 3.2%        | 3.6%         | 3.7%        | 3.8%         | 7.2%         | 5.2%         | 4.2%         |
| FS share of EBIT          | 7.6%          | 4.9%        | 4.7%        | 11.2%       | 14.0%       | 8.1%        | 7.6%         | 1.9%        | 5.1%         | 19.2%        | 16.0%        | 10.8%        |
| <b>EBIT margin</b>        | <b>6.4%</b>   | <b>7.8%</b> | <b>9.3%</b> | <b>7.6%</b> | <b>5.4%</b> | <b>8.3%</b> | <b>11.6%</b> | <b>9.7%</b> | <b>12.9%</b> | <b>9.7%</b>  | <b>12.7%</b> | <b>15.1%</b> |
| Net income                | 2,346         | 2,665       | 3,644       | 456         | 1,140       | 2,360       | 33,243       | 32,969      | 46,620       | 1,866        | 3,012        | 4,198        |
| Market Cap                | 26,573        | 27,330      | 27,330      | 11,070      | 9,275       | 9,275       | 427,626      | 454,925     | 454,925      | 30,642       | 43,539       | 43,539       |
| Net Debt industrial       | -3,912        | -7,344      | -5,660      | 6,793       | 8,724       | 8,887       | -30,029      | -45,406     | -50,205      | -134         | -2,425       | -2,515       |
| EV industrial             | 22,661        | 19,986      | 21,670      | 17,863      | 17,999      | 18,162      | 397,597      | 409,519     | 404,720      | 30,508       | 41,114       | 41,024       |
| EV FactSet                | 36,326        | 38,145      | 43,229      | 27,050      | 26,690      | 29,252      | 520,716      | 513,753     | 629,813      | 36,231       | 39,743       | 49,459       |
| <b>EV/EBIT Industrial</b> | <b>9.6x</b>   | <b>5.3x</b> | <b>4.2x</b> | <b>8.7x</b> | <b>9.7x</b> | <b>5.3x</b> | <b>10.0x</b> | <b>9.1x</b> | <b>6.2x</b>  | <b>16.5x</b> | <b>13.3x</b> | <b>9.2x</b>  |
| EV/EBIT FactSet           | 24.4x         | 13.0x       | 8.1x        | 16.6x       | 12.2x       | 7.9x        | 12.3x        | 10.3x       | 9.4x         | 15.9x        | 10.8x        | 9.8x         |
| P/E                       | 11.3x         | 10.3x       | 7.5x        | 24.3x       | 8.1x        | 3.9x        | 12.9x        | 13.8x       | 9.8x         | 16.4x        | 14.5x        | 10.4x        |

\*this table leaves out FY19-20 for sizing purposes



Source: Company reports, FactSet, Warburg Research

This analysis reveals that the industrial operations of Daimler Truck (and TRATON, to a smaller extent) are trading at huge discounts to their international peers. While the *easily accessible*, group-level EV/EBIT multiples of the four truck OEMs are roughly in the same 7.9x to 9.8x range for FY23, and imply comparable valuations, there is a much wider variation in our calculated *industrial operations* multiples from 4.2x to 9.2x. Of course, some variation may be justified based on the individual qualities and prospects of the different OEMs. However, the financial services segments alone, with a revenue contribution in the single-digit range, can hardly have as big of an impact on overall value as this multiple gap would imply, in our view. In addition, Daimler Truck's FS business is still in its ramp-up phase and will not be comparable to peers for at least three years.

Below, we show our derivation of a fair industrial multiple for Daimler Truck and the corresponding market value. The fair multiple is based on operating profitability. The peer group companies are equally-weighted. We add the current net cash position (H2/23) of the industrial business to the fair EV to arrive at a fair market cap of EUR 35.3bn, based on peer valuation alone.

**FY23 industrial EV/EBIT multiple reveals clear undervaluation**

| FY23                                 | Daimler Truck | Average | TRATON | Volvo | Paccar |
|--------------------------------------|---------------|---------|--------|-------|--------|
| EBIT-Margin                          | 9.4%          | 12.1%   | 8.3%   | 12.7% | 15.2%  |
| EV/EBIT Industrial                   | 4.2x          | 7.0x    | 5.3x   | 6.4x  | 9.2x   |
| <b>Fair multiple based on margin</b> | <b>5.5x</b>   |         |        |       |        |
| Fair EV                              | 29,634        |         |        |       |        |
| Fair market cap                      | 35,294        |         |        |       |        |
| <b>Fair value per share</b>          | <b>42.89</b>  |         |        |       |        |

Source: Warburg Research

Our analysis suggests an immediate upside to EUR 43 in FY23, without taking further EBIT-margin expansion or future growth into the equation, but just based on peer valuation alone.

Whereas current EV/EBIT and P/E multiples on group level suggest a fair valuation at first glance, excluding the financial services businesses from the comparison actually reveals a much more pronounced discount between Daimler Truck at the bottom and Paccar at the top of the range. We consider this result further validation for the upside our DCF-model suggests and factor it into the calculation of our price target. In addition, we show a vanilla peer group analysis below, which confirms that when looking at group EV/EBIT and P/E ratios, Daimler Truck seems about fairly priced. However, this is misleading as we have demonstrated above. When looking at EV/EBIT, one has to look at the industrial operations in isolation and when looking at P/E, the – in our view – too low P/E of TRATON drags down the comparison base.

| Standard peer-group comparison of Daimler Truck |           |                  |                 |                 |               |               |               |               |               |               |               |               |               |
|-------------------------------------------------|-----------|------------------|-----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Company                                         | PF weight | Price<br>in EUR  | MC<br>in EUR    | EV<br>in EUR    | EV/Sales      |               |               | EV / EBIT     |               |               | P/E           |               |               |
|                                                 |           |                  |                 |                 | 23e           | 24e           | 25e           | 23e           | 24e           | 25e           | 23e           | 24e           | 25e           |
| TRATON SE                                       | 30.0%     | EUR 18.61        | 9,305.0         | 29,282.0        | 0.6 x         | 0.7 x         | 0.6 x         | 8.0 x         | 8.6 x         | 7.7 x         | 3.8 x         | 4.0 x         | 3.4 x         |
| Volvo AB Class B                                | 30.0%     | EUR 19.27        | 39,185.7        | 54,107.8        | 1.2 x         | 1.3 x         | 1.3 x         | 9.1 x         | 11.8 x        | 11.0 x        | 8.7 x         | 11.4 x        | 11.0 x        |
| PACCAR Inc                                      | 30.0%     | EUR 80.83        | 42,258.3        | 47,693.3        | 1.6 x         | 1.7 x         | 1.6 x         | 9.5 x         | 12.7 x        | 11.3 x        | 9.9 x         | 12.9 x        | 11.2 x        |
| Iveco Group NV                                  | 10.0%     | EUR 8.85         | 2,399.7         | 5,412.4         | 0.3 x         | 0.3 x         | 0.3 x         | 6.5 x         | 6.9 x         | 5.9 x         | 6.9 x         | 7.1 x         | 5.5 x         |
| <b>Weighted average</b>                         |           |                  |                 |                 | <b>1.1 x</b>  | <b>1.1 x</b>  | <b>1.1 x</b>  | <b>8.6 x</b>  | <b>10.6 x</b> | <b>9.6 x</b>  | <b>7.4 x</b>  | <b>9.2 x</b>  | <b>8.2 x</b>  |
| Mean                                            |           |                  |                 |                 | 0.9 x         | 1.0 x         | 1.0 x         | 8.3 x         | 10.0 x        | 9.0 x         | 7.3 x         | 8.8 x         | 7.8 x         |
| Median                                          |           |                  |                 |                 | 0.9 x         | 1.0 x         | 0.9 x         | 8.5 x         | 10.2 x        | 9.4 x         | 7.8 x         | 9.2 x         | 8.3 x         |
| <b>Daimler Truck Holding AG</b>                 |           | <b>EUR 33.67</b> | <b>27,708.8</b> | <b>43,607.4</b> | <b>0.76 x</b> | <b>0.77 x</b> | <b>0.74 x</b> | <b>8.09 x</b> | <b>8.96 x</b> | <b>8.06 x</b> | <b>7.63 x</b> | <b>8.35 x</b> | <b>7.53 x</b> |
| <b>Potential to WA in %</b>                     |           |                  |                 |                 | <b>40%</b>    | <b>47%</b>    | <b>46%</b>    | <b>6%</b>     | <b>18%</b>    | <b>19%</b>    | <b>-3%</b>    | <b>10%</b>    | <b>9%</b>     |
| Potential to mean in %                          |           |                  |                 |                 | 24%           | 30%           | 29%           | 2%            | 12%           | 11%           | -4%           | 6%            | 3%            |
| Potential to median in %                        |           |                  |                 |                 | 23%           | 28%           | 27%           | 5%            | 14%           | 16%           | 2%            | 10%           | 10%           |
| <b>Fair value per share based on WA</b>         |           |                  |                 |                 | <b>47.04</b>  | <b>49.42</b>  | <b>49.22</b>  | <b>35.81</b>  | <b>39.90</b>  | <b>40.08</b>  | <b>32.76</b>  | <b>37.09</b>  | <b>36.81</b>  |
| Fair value per share based on mean              |           |                  |                 |                 | 41.75         | 43.70         | 43.50         | 34.34         | 37.56         | 37.48         | 32.35         | 35.66         | 34.81         |
| Fair value per share based on median            |           |                  |                 |                 | 41.37         | 42.93         | 42.89         | 35.47         | 38.34         | 39.16         | 34.35         | 37.19         | 36.94         |

Source: FactSet, Warburg Research

Leading global setup

## Company & Products

- Global truck and bus manufacturer founded by the spin-off from Mercedes-Benz Group in FY21 operating under seven core brands.
- High exposure to the North American market with a sales share of 41% and market leading in the US market with a 40% share.
- Large service network with aftermarket sales and financial services accounting for 30% of group revenue – expansion to 35% planned by FY25.

## Group structure

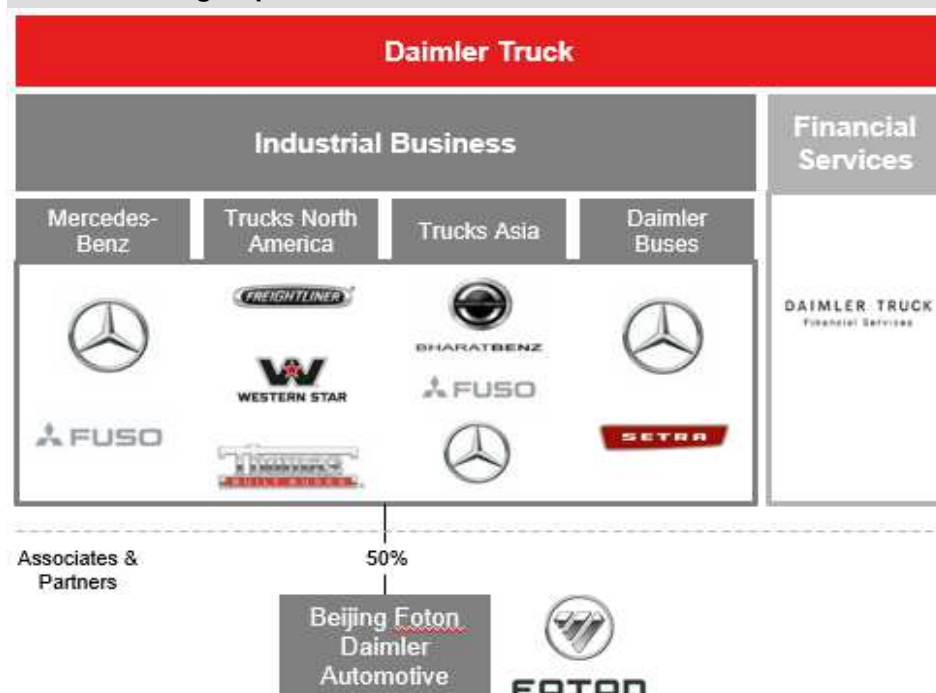
### Operations under seven global brands

Daimler Truck AG is headquartered in Stuttgart, Germany and combines seven global truck and bus brands within four operating segments as well as a financial services division.

Daimler Truck’s business is divided into five segments, of which the four automotive operations together with the reconciliation form the industrial business. The segmentation at Daimler Truck is not based on the individual brands, but on the regions in which the company is active. Daimler Truck’s financial services activities are in a separate Financial Services segment.

The truck portfolio of the company focuses on heavy-duty trucks, accounting for 66% of overall truck sales. Light- and medium-duty trucks which also comprises construction and other special purpose vehicles account for 34% of truck sales.

### Daimler Truck group and brand structure



Source: Daimler Truck, Warburg Research

Aside from its operations in the four core segments and seven core brands, Daimler Truck holds 50% in the Joint Venture Beijing Foton Daimler Automotive. This strategic partnership with Foton provides the company with access to the Chinese market, where it sells trucks under the Auman brand.

Brand portfolio worldwide

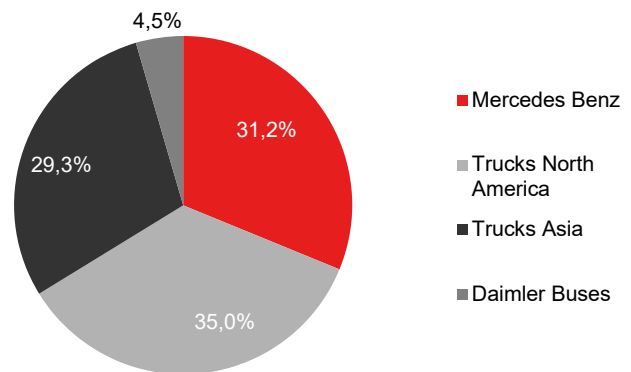


Source: Daimler Truck, Warburg Research

Under its seven brands, Daimler Trucks offers the full product range from trucks and buses to parts as chassis and aftersales products and services. Nevertheless, the company has a focus on the heavy-duty truck market, not least due to the higher margins that can be achieved in the heavy-duty markets and the high exposure to the US truck market which is largely comprised of heavy-duty long-haul trucks.

Even though Daimler Truck operates in an individual segment for buses, the North American division as well as the Asian division also sell buses under the respective core brands.

Unit sales per industrial business segment



Source: Daimler Truck, Warburg Research

Daimler Truck currently has the greatest exposure to the North American market, where it is represented by its brands Freightliner, Western Star and Thomas Built Buses and holds a market share of 40% in the US heavy-duty segment, the largest profit pool in the truck sector worldwide.

The second-largest market for Daimler Truck is the European market, where the company generates about 33% of its revenues and is mainly active with the Mercedes and Setra brands. The company holds a 19% share in the heavy-duty truck market. Daimler Truck is number two in the strong growing Brazil truck market after the VWCO brand of TRATON and market leading in the European bus market.

### First company strategy as standalone legal entity

After the spin-off, which was motivated by limited synergies between the car manufacturer and the truck group and the hope that significant value could be unleashed in each company, Daimler Truck AG now operates as an independent company.

In the long term, the company's focus lies in the industry transformation and exploitation of the full earnings potential:

- **Industry transformation:** Daimler Truck AG strives to actively shape the industry transformation to electrification and alternative drive trains. Therefore, the company engages heavily in the development of electric and fuel-cell trucks. By 2039, the company is aiming to be offering CO2-neutral products only.
- **Full earnings potential:** Currently, the company is lagging slightly behind competitors such as Scania or Volvo in terms of profitability. Subsequently, the company aims to reduce fixed costs and increase the service share of sales to 35% by FY25 and 50% by FY30 compared to 30% currently. The company will also put greater focus on higher-margin products, especially heavy-duty trucks.

### Broad product portfolio serves all needs

Daimler Truck is active on a worldwide basis with its core brands and strategic partnerships.

#### Simplified truck product portfolio by brands

| Category                           |                                     |                                                       |                                     |                                             |                                                    |
|------------------------------------|-------------------------------------|-------------------------------------------------------|-------------------------------------|---------------------------------------------|----------------------------------------------------|
| Light-duty (< 7.5t GVW)            | Atego                               |                                                       |                                     | Canter                                      |                                                    |
| Medium-duty (> 7.5t GVW < 16t GVW) | eActros<br>eEconic<br>Axor<br>Antos | M2 106<br>eM2                                         | 47X                                 | Canter<br>eCanter<br>Fighter<br>Super Great | 1015R<br>1215R<br>1217C<br>1415R<br>1617R<br>1917R |
| Heavy-duty (> 16t GVW)             | Actros L<br>Actros F<br>Actros      | Cascadia<br>eCascadia<br>M2 112<br>122 SD<br>EconicSD | 4700<br>4800<br>4900<br>6900<br>49X |                                             | 4028T<br>4023T<br>5028T<br>5428T<br>5528T          |

Source: Daimler Truck, Warburg Research

### Mercedes-Benz

The Mercedes-Benz segment comprises the sales of Mercedes trucks in Europe and Latin America as well as the sales of FUSO trucks in both continents. Trucks for the segment are produced in nine production sites in Europe and Latin America where the company also produces its own drive trains. Further, the company operates several assembly, or “knock-down” manufacturing sites in Africa, Asia and Europe. Overall, the segment employs 40,884 workers.

Mercedes Benz has a strong focus on heavy-duty trucks with its flagship product, the Mercedes-Benz Actros, which was initiated in 1996 and is one of the best-selling heavy-duty trucks worldwide. By FY11, a new generation was launched and by FY15, more than 1m units were produced and sold worldwide.

The Mercedes Benz Truck portfolio also includes trucks for construction transport such as the Arocs and Atego as well as special products such as unimogs. In FY22, the Mercedes



Benz segment sold 166,369 units (+18% yoy) and generated sales of EUR 20,213m (+25% yoy). Furthermore, the segment achieved a positive adjusted EBIT of EUR 1,629m and thus improved its EBIT margin from 4.8% in FY21 to 8.1% in FY22.

### Trucks North America

In the North American market, Daimler Truck operates under its brands Freightliner, Western Star and Thomas Built Buses in 15 production sites in the US and Mexico and has a service network with more than 1,150 franchised dealer and service locations which the company is continuously striving to expand.

The segment employs approximately 28,000 workers.

Freightliner is a US truck brand with a strong focus on long-haul and heavy-duty trucks and is also the market leader in the US market. The brand only has a few medium-duty models and hardly any light-duty trucks. Western Star, on the other hand, has Canadian origins but shares the strong focus on heavy-duty trucks. Western Star also develops and sells construction machinery and special-purpose vehicles. Thomas Built Buses is known for its iconic yellow school buses in North America.

Due to the superior product mix of predominantly heavy-duty vehicles and efficient production, the North American segment acts as the company's profit pool.

In FY22, the segment sold 186,779 vehicles (+15% yoy) and achieved a plus of 40% yoy in sales which amounted to EUR 22,039m compared to 15,782m in FY21. Daimler Truck North America accounts for 57% of adjusted EBIT but only 42% of revenues, leaving the segment with an adjusted EBIT margin of 10.8% (9.2% in FY21).

### Trucks Asia

The Daimler Trucks Asia segment combines the Mitsubishi FUSO Truck and Bus Corporation and Daimler India Commercial Vehicles and operates under the brands FUSO and BharatBenz. The latter is mostly active in the Indian market. Furthermore, the segment comprises distributional activities of Mercedes Benz trucks in several Asian countries.

The segment manufactures in a total of eight production sites in Japan, India, Indonesia and Europe and has various assembly plants ("complete knock-down" or CKD) worldwide. Daimler Truck China provides the segment and company with access to the Chinese market where it sells Mercedes-Benz trucks. Furthermore, in the Joint Venture with Beijing Foton Motor (JV: Beijing Foton Daimler Automotive), Daimler Truck manufactures and distributes trucks under the Auman brand in China. The JV also set up production of Mercedes-Benz in China.

Trucks Asia has a high focus on medium- and heavy-duty vehicles and a smaller exposure to buses. Additionally, the segment manufactures and sells chassis for buses.

In India, the BharatBenz service network ProServ can rely on a large network of dealerships with 222 strategic locations.

The segment sold 155,967 vehicles (+9% yoy) in FY22 and generated revenues of EUR 6,499 (+9% yoy) and an adjusted EBIT of EUR 171m leading to an adjusted EBIT margin of 2.6% (7.0% in FY21), mainly on account of the challenging economic situation in China.

### Daimler Buses

In the Daimler Buses segment, the company distributes buses and drive trains as well as chassis under the Mercedes-Benz and Setra brands. Mercedes-Benz is the high-volume brand and Setra the premium bus brand. Revenue is mostly generated in Europe. The service and aftermarket business are combined under the OMNIplus platform.



The company operates nine manufacturing sites in Europe, North America and Latin America and several assembly sites ("complete knock-down" or CKD) worldwide where it employs roughly 15,000 workers.

Due to the high commonality of truck and bus parts, Daimler Truck pursues a common parts strategy between both vehicle types including the powertrain platform, purchasing, customer service and parts as well as administrative functions.

Units sales in FY22 were 25% above prior-year levels with 24,041 units sold which led to revenue of EUR 3,689m (+15% yoy). Regarding profitability, the bus segment is lagging behind with an adjusted EBIT of EUR 14m.

### Financial Services

The financial services segment combines all leasing, insurance and financing activities of the individual segments and brands. It comprises ca. 2,000 workers and generated revenue of EUR 1,759m in FY22, 57% more than in FY21. The adjusted return on equity amounted to 9.9% in FY22, compared to 12.4% in FY21.

## Company history

Daimler Truck AG was created from a spin-off of the Truck and Buses division of Daimler AG in December 2021.

- 1981: Acquisition of Freightliner LLC.
- 1993: Cooperation with Detroit Diesel Cooperation to produce heavy-duty diesel engine.
- 1998: Merger between Daimler and Chrysler to DaimlerChrysler AG.
- 1995: The acquisition of Karl Kässbohrer Fahrzeugwerke GmbH, created the Setra bus and coach brand.
- 1998: Acquisition of Thomas Built Buses through DaimlerChrysler Trucks North America.
- 2000: Incorporation of Western Star Trucks Holding into truck portfolio.
- 2000: Daimler AG acquired 34% of Mitsubishi Motors Corporation.
- 2003: Spin-off by FUSO from Mitsubishi Motors Cooperation and resulting control of Daimler AG over FUSO trucks.
- 2008-2009: New truck production factories in Mexico.
- 2015: Initiation of JV H2 Mobility Deutschland with Air Liquide, Linde, OMV, Shell for hydrogen refuelling network.
- 2019: Launch of new corporate structure with separation of truck and bus business.
- 2021: Spin-off Daimler Trucks and Buses from Daimler AG and listing on Frankfurt Stock Exchange.
- 2023: Launch of *RIZON* Trucks in the U.S., starting with three fully electric models in the medium-duty segment (Classes 4 and 5)

The Mercedes-Benz Group (former Daimler AG) stays largest shareholder with a 35% stake.

## Management & Corporate Governance



### **Martin Daum (CEO, interim CFO)**

Martin Daum was appointed CEO of the Daimler Truck Holding AG in July, 2021. He has been CEO of Daimler Truck AG since 2019 and was a member of the Board of Management for Daimler Trucks and Buses at Daimler AG from 2017 to 2021. He joined the Daimler-Benz AG in 1987 and held several positions in sales and controlling in the following years before his appointment as Vice President of the Mercedes-Benz Trucks operations in 2006 and CEO of Daimler Trucks North America in 2009. He is currently (09/2023) interim CFO, following the unexpected death of Jochen Goetz.



### **Dr. Andreas Gorbach (CTO)**

Andreas Gorbach joined the management team of Daimler Truck Holding AG in December, 2021 where he is responsible for technology. He started his career at Daimler AG in 2005 as an engineer in the powertrain development. Gorbach also oversees the technological developments of alternative drive trains and in this capacity, was appointed a CEO of Cellcentric in 2021 which is the JV of Daimler Truck AG and Volvo AG for fuel-cell technology.



### **Jürgen Hartwig (Human Resources)**

Jürgen Hartwig is Head of Human Resources and was announced as a member of the Board of Management in December, 2021 after serving as Executive Vice President for human resources for Daimler Trucks within Daimler AG since 2016. He started his professional career in 1993 at Daimler AG. Hartwig held several positions in human resources as Director of Human Resources Daimler Research & Development Passenger Cars and Headquarters from 2005-2010 or Director for Human Resources for Greater China between 2013-2016



### **John O'Leary (Head of North America)**

John O'Leary is responsible for the North American business and therefore for the brands Freightliner, Western Star and Thomas Built Buses. He has been member of the Board of Management of Daimler Truck Holding since December, 2021. Before working for Daimler Trucks where he held several positions at Thomas Built Buses and Mercedes Benz, he gained experience in the industry at Paccar for eleven years in total.



### **Karin Radström (Head of Europe and Latin America)**

Karin Radström was appointed to the Board of Management in December, 2021 where she is responsible for Mercedes-Benz brand in the European and Asian market. She started her career at Scania in 2007 and held several managing positions in sales, marketing and product management. In 2016, she started as the Senior Vice President and Head of Buses & Coaches at Scania and joined the Executive Board from 2019-2020 where she was responsible for sales and marketing.



### Karl Deppen (Head of Asia)

Karl Deppen was announced as member of the Board of Management of Daimler Truck Holding AG in December, 2021 where he acts as head of the Asian business with the brands BharatBenz and FUSO. He joined the Daimler AG in 1990 where he was responsible for procurement and supply. Between 2014 and 2021, Karl Deppen held several management positions in the Daimler AG as for example Vice President for Finance & Controlling of Daimler for Greater China between 2014-2017 and Vice President for Cost Control, Finance & Controlling at Mercedes-Benz AG between 2017-2020.



### Stephan Unger (Head of Financial Services)

After serving as a member of the Board of Management at Daimler Mobility AG since 2012 where Unger was responsible for finance, controlling and risk management, he was appointed to the Board of Management of the Daimler Truck AG in 2021. Unger gained experience in controlling at Adtranz and Mitsubishi Motors Cooperation before becoming Director of Finance and Controlling for Mercedes in 2004.

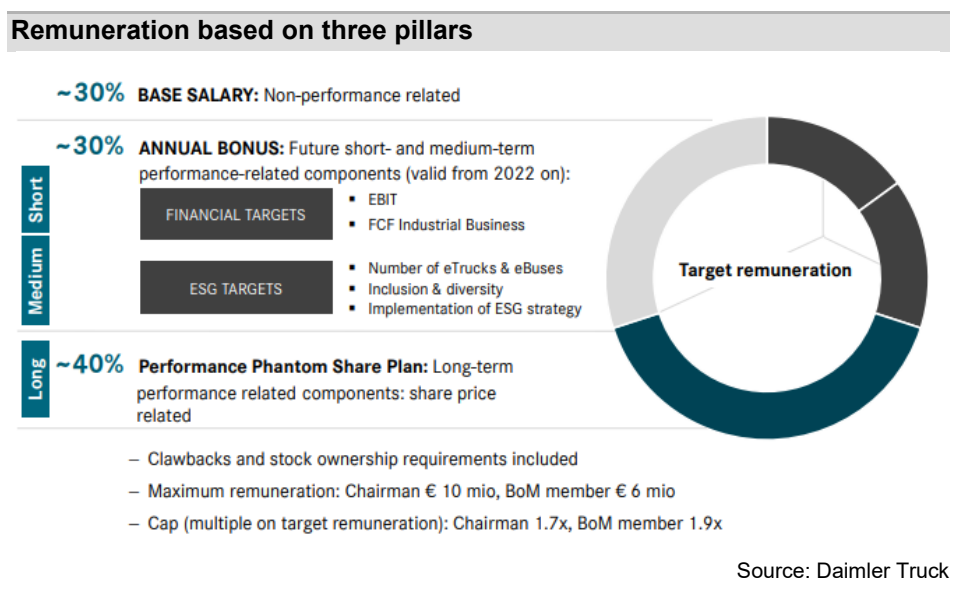
### Management remuneration

Remuneration of management is based on three key pillars.

Firstly, it comprises a fixed component, which is not performance-related, of roughly 30% of overall target remuneration and additional fringe benefits as security precautions or company cars and a retirement benefit commitment of 15% of base salary.

The annual bonus which accounts for another 30% of overall salary is dependent on short- and medium-term related components. Financial targets are related to the EBIT and free cash flow for the industrial business. Non-financial targets include ESG-related issues as the number of e-trucks and e-buses sold as well as indicators for inclusion and diversity and the implementation of the ESG strategy.

Another 40% include the long-term, share-price related performance components based on phantom shares. During the 3-year performance period, performance is measured using return on sales and determines the number of phantom shares granted to the members of the management board.

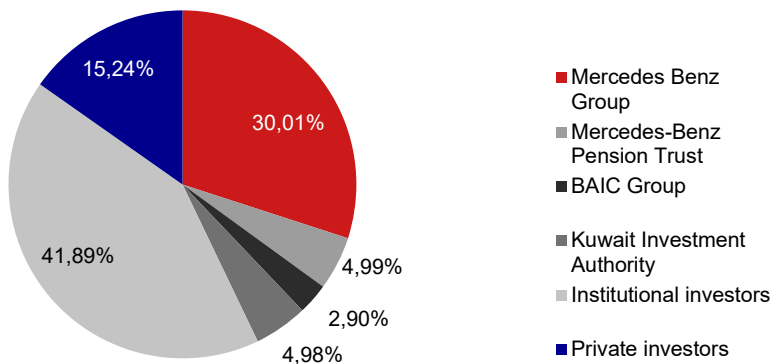


**Still a Mercedes-Benz company**

After the spin-off which was conducted in December FY21, the Mercedes-Benz Group is still the largest shareholder of Daimler Truck with a stake of 35%. Of this, roughly 5% are held in the company’s pension assets.

The BAIC Group represents one of the largest automotive OEMs in China and is also the partner of Daimler Truck in the JV on the Chinese market.

**Mercedes-Benz still holding the sceptre**



Source: Daimler Trucks, Warburg Research

**DCF model**

| Figures in EUR m            | Detailed forecast period |        |        | Transitional period |        |        |        |        |        |        |        |        |        | Term. Value |
|-----------------------------|--------------------------|--------|--------|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|
|                             | 2023e                    | 2024e  | 2025e  | 2026e               | 2027e  | 2028e  | 2029e  | 2030e  | 2031e  | 2032e  | 2033e  | 2034e  | 2035e  |             |
| Sales                       | 54,731                   | 53,758 | 55,908 | 57,779              | 59,654 | 61,531 | 63,405 | 65,273 | 67,098 | 68,873 | 70,592 | 72,248 | 73,834 |             |
| Sales change                | 12.3 %                   | -1.5 % | 4.0 %  | 3.3 %               | 3.2 %  | 3.1 %  | 3.0 %  | 2.9 %  | 2.8 %  | 2.6 %  | 2.5 %  | 2.3 %  | 2.2 %  | 1.0 %       |
| EBIT                        | 5,140                    | 4,608  | 5,111  | 5,108               | 5,095  | 5,071  | 5,035  | 4,988  | 4,926  | 4,849  | 4,759  | 4,653  | 4,504  |             |
| EBIT-margin                 | 9.4 %                    | 8.6 %  | 9.1 %  | 8.8 %               | 8.5 %  | 8.2 %  | 7.9 %  | 7.6 %  | 7.3 %  | 7.0 %  | 6.7 %  | 6.4 %  | 6.1 %  |             |
| Tax rate (EBT)              | 28.0 %                   | 28.0 % | 28.0 % | 28.0 %              | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % | 28.0 % |             |
| NOPAT                       | 3,701                    | 3,318  | 3,680  | 3,678               | 3,668  | 3,651  | 3,625  | 3,591  | 3,546  | 3,492  | 3,426  | 3,351  | 3,243  |             |
| Depreciation                | 1,298                    | 1,295  | 1,377  | 1,423               | 1,469  | 1,516  | 1,562  | 1,608  | 1,606  | 1,600  | 1,590  | 1,592  | 1,627  |             |
| in % of Sales               | 2.4 %                    | 2.4 %  | 2.5 %  | 2.5 %               | 2.5 %  | 2.5 %  | 2.5 %  | 2.5 %  | 2.4 %  | 2.3 %  | 2.3 %  | 2.2 %  | 2.2 %  |             |
| Changes in provisions       | 112                      | 38     | 52     | 74                  | 76     | 78     | 80     | 81     | 82     | 83     | 47     | 46     | 44     |             |
| Change in Liquidity from    |                          |        |        |                     |        |        |        |        |        |        |        |        |        |             |
| - Working Capital           | 936                      | 28     | 210    | 180                 | 309    | 310    | 309    | 308    | 301    | 293    | 284    | 273    | 262    |             |
| - Capex                     | 1,235                    | 1,330  | 1,384  | 1,430               | 1,458  | 1,486  | 1,512  | 1,537  | 1,560  | 1,580  | 1,599  | 1,636  | 1,672  |             |
| Capex in % of Sales         | 2.3 %                    | 2.5 %  | 2.5 %  | 2.5 %               | 2.4 %  | 2.4 %  | 2.4 %  | 2.4 %  | 2.3 %  | 2.3 %  | 2.3 %  | 2.3 %  | 2.3 %  |             |
| - Other                     | 0                        | 0      | 0      | 0                   | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |             |
| Free Cash Flow (WACC Model) | 2,939                    | 3,293  | 3,515  | 3,566               | 3,446  | 3,449  | 3,445  | 3,435  | 3,373  | 3,301  | 3,182  | 3,078  | 2,979  | 3,122       |
| PV of FCF                   | 2,873                    | 2,937  | 2,861  | 2,648               | 2,335  | 2,133  | 1,944  | 1,769  | 1,585  | 1,415  | 1,245  | 1,099  | 971    | 11,849      |
| share of PVs                | 23.02 %                  |        |        | 45.52 %             |        |        |        |        |        |        |        |        |        | 31.46 %     |

**Model parameter**

|                          |               |                     |             |
|--------------------------|---------------|---------------------|-------------|
| Derivation of WACC:      |               | Derivation of Beta: |             |
| Debt ratio               | 10.00 %       | Financial Strength  | 1.00        |
| Cost of debt (after tax) | 2.8 %         | Liquidity (share)   | 1.20        |
| Market return            | 8.25 %        | Cyclicality         | 1.80        |
| Risk free rate           | 2.75 %        | Transparency        | 1.40        |
|                          |               | Others              | 1.50        |
| <b>WACC</b>              | <b>9.59 %</b> | <b>Beta</b>         | <b>1.38</b> |

**Valuation (m)**

|                            |               |                              |              |
|----------------------------|---------------|------------------------------|--------------|
| Present values 2035e       | 25,816        |                              |              |
| Terminal Value             | 11,849        |                              |              |
| Financial liabilities      | 1,859         |                              |              |
| Pension liabilities        | 1,145         |                              |              |
| Hybrid capital             | 0             |                              |              |
| Minority interest          | 591           |                              |              |
| Market val. of investments | 1,870         |                              |              |
| Liquidity                  | 9,258         | No. of shares (m)            | 823.0        |
| <b>Equity Value</b>        | <b>45,198</b> | <b>Value per share (EUR)</b> | <b>54.92</b> |

**Sensitivity Value per Share (EUR)**

| Beta | WACC   | Terminal Growth |        |        |        |        |        |        | Beta | WACC   | Delta EBIT-margin |         |         |         |         |         |         |
|------|--------|-----------------|--------|--------|--------|--------|--------|--------|------|--------|-------------------|---------|---------|---------|---------|---------|---------|
|      |        | 0.25 %          | 0.50 % | 0.75 % | 1.00 % | 1.25 % | 1.50 % | 1.75 % |      |        | -1.5 pp           | -1.0 pp | -0.5 pp | +0.0 pp | +0.5 pp | +1.0 pp | +1.5 pp |
| 1.58 | 10.6 % | 49.85           | 50.12  | 50.39  | 50.69  | 51.00  | 51.32  | 51.67  | 1.58 | 10.6 % | 41.76             | 44.73   | 47.71   | 50.69   | 53.67   | 56.64   | 59.62   |
| 1.48 | 10.1 % | 51.71           | 52.02  | 52.35  | 52.69  | 53.06  | 53.44  | 53.85  | 1.48 | 10.1 % | 43.27             | 46.41   | 49.55   | 52.69   | 55.83   | 58.97   | 62.11   |
| 1.43 | 9.8 %  | 52.71           | 53.05  | 53.40  | 53.78  | 54.17  | 54.59  | 55.04  | 1.43 | 9.8 %  | 44.09             | 47.32   | 50.55   | 53.78   | 57.00   | 60.23   | 63.46   |
| 1.38 | 9.6 %  | 53.77           | 54.13  | 54.51  | 54.92  | 55.35  | 55.81  | 56.30  | 1.38 | 9.6 %  | 44.96             | 48.28   | 51.60   | 54.92   | 58.24   | 61.56   | 64.89   |
| 1.33 | 9.3 %  | 54.88           | 55.27  | 55.69  | 56.13  | 56.61  | 57.11  | 57.64  | 1.33 | 9.3 %  | 45.87             | 49.29   | 52.71   | 56.13   | 59.56   | 62.98   | 66.40   |
| 1.28 | 9.1 %  | 56.05           | 56.48  | 56.94  | 57.42  | 57.94  | 58.49  | 59.07  | 1.28 | 9.1 %  | 46.84             | 50.37   | 53.90   | 57.42   | 60.95   | 64.47   | 68.00   |
| 1.18 | 8.6 %  | 58.60           | 59.11  | 59.66  | 60.24  | 60.86  | 61.53  | 62.24  | 1.18 | 8.6 %  | 48.97             | 52.73   | 56.48   | 60.24   | 64.00   | 67.76   | 71.51   |

- Sales, earnings and cash flow figures refer exclusively to Daimler Truck Industrial Business
- Financial Services business considered at book value
- Long-term sales growth in line with potential growth of world truck market in perpetuity

## Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

| in EUR m                                      | 2019          | 2020         | 2021          | 2022          | 2023e         | 2024e         | 2025e         |              |
|-----------------------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Net Income before minorities                  | 1,840         | -88          | 2,262         | 2,673         | 3,907         | 3,529         | 3,916         |              |
| + Depreciation + Amortisation                 | 1,321         | 1,335        | 1,200         | 1,121         | 1,259         | 1,240         | 1,290         |              |
| - Net Interest Income                         | -161          | -157         | -83           | -47           | 38            | 33            | 27            |              |
| - Maintenance Capex                           | 1,137         | 842          | 972           | 1,019         | 1,112         | 1,197         | 1,245         |              |
| + Other                                       | 0             | -279         | -276          | -283          | -284          | -186          | -209          |              |
| <b>= Free Cash Flow Potential</b>             | <b>2,185</b>  | <b>284</b>   | <b>2,297</b>  | <b>2,539</b>  | <b>3,732</b>  | <b>3,354</b>  | <b>3,725</b>  |              |
| FCF Potential Yield (on market EV)            | n/a           | n/a          | 10.0 %        | 16.1 %        | 17.6 %        | 15.9 %        | 18.6 %        |              |
| WACC                                          | 9.59 %        | 9.59 %       | 9.59 %        | 9.59 %        | 9.59 %        | 9.59 %        | 9.59 %        |              |
| <b>= Enterprise Value (EV)</b>                | <b>n.a.</b>   | <b>n.a.</b>  | <b>22,886</b> | <b>15,788</b> | <b>21,240</b> | <b>21,081</b> | <b>20,021</b> |              |
| <b>= Fair Enterprise Value</b>                | <b>22,797</b> | <b>2,957</b> | <b>23,962</b> | <b>26,489</b> | <b>38,929</b> | <b>34,984</b> | <b>38,857</b> |              |
| - Net Debt (Cash)                             | 1,122         | -1,550       | -6,383        | -8,491        | -8,587        | -8,996        | -10,310       |              |
| - Pension Liabilities                         | 3,178         | 3,530        | 2,471         | 1,147         | 1,259         | 1,296         | 1,349         |              |
| - Other                                       | 0             | 0            | 0             | 0             | 0             | 0             | 0             |              |
| - Market value of minorities                  | 494           | 483          | 503           | 554           | 827           | 1,039         | 1,274         |              |
| + Market value of investments                 | 1,637         | 1,338        | 1,565         | 2,218         | 2,394         | 2,579         | 2,792         |              |
| <b>= Fair Market Capitalisation</b>           | <b>19,640</b> | <b>1,832</b> | <b>28,936</b> | <b>35,497</b> | <b>47,824</b> | <b>44,224</b> | <b>49,336</b> |              |
| Number of shares, average                     | 823           | 823          | 823           | 823           | 823           | 823           | 823           |              |
| <b>= Fair value per share (EUR)</b>           | <b>23.87</b>  | <b>2.23</b>  | <b>35.16</b>  | <b>43.13</b>  | <b>58.11</b>  | <b>53.74</b>  | <b>59.95</b>  |              |
| premium (-) / discount (+) in %               |               |              |               |               | 72.4 %        | 59.4 %        | 78.1 %        |              |
| <b>Sensitivity Fair value per Share (EUR)</b> |               |              |               |               |               |               |               |              |
|                                               | 12.59 %       | 17.26        | n.a.          | 28.22         | 35.46         | 46.84         | 43.60         | 48.70        |
|                                               | 11.59 %       | 19.08        | n.a.          | 30.13         | 37.58         | 49.95         | 46.40         | 51.80        |
|                                               | 10.59 %       | 21.25        | 1.89          | 32.41         | 40.09         | 53.64         | 49.72         | 55.49        |
| WACC                                          | <b>9.59 %</b> | <b>23.87</b> | <b>2.23</b>   | <b>35.16</b>  | <b>43.13</b>  | <b>58.11</b>  | <b>53.74</b>  | <b>59.95</b> |
|                                               | 8.59 %        | 27.09        | 2.65          | 38.55         | 46.88         | 63.62         | 58.69         | 65.45        |
|                                               | 7.59 %        | 31.17        | 3.17          | 42.84         | 51.62         | 70.58         | 64.95         | 72.40        |
|                                               | 6.59 %        | 36.48        | 3.86          | 48.42         | 57.79         | 79.66         | 73.10         | 81.46        |

- Profit and cash flow figures solely from Daimler Truck industrial business
- Financial Services business considered at book value.

| <b>Valuation</b>                    |      |      |        |        |        |        |        |
|-------------------------------------|------|------|--------|--------|--------|--------|--------|
|                                     | 2019 | 2020 | 2021   | 2022   | 2023e  | 2024e  | 2025e  |
| Price / Book                        | n.a. | n.a. | 1.7 x  | 1.1 x  | 1.2 x  | 1.2 x  | 1.1 x  |
| Book value per share ex intangibles | 9.74 | 7.95 | 16.06  | 20.99  | 24.04  | 25.80  | 28.19  |
| EV / Sales                          | n.a. | n.a. | 0.6 x  | 0.3 x  | 0.4 x  | 0.4 x  | 0.3 x  |
| EV / EBITDA                         | n.a. | n.a. | 5.0 x  | 3.4 x  | 3.2 x  | 3.5 x  | 3.0 x  |
| EV / EBIT                           | n.a. | n.a. | 6.8 x  | 4.5 x  | 3.9 x  | 4.3 x  | 3.7 x  |
| EV / EBIT adj.*                     | n.a. | n.a. | 9.0 x  | 4.0 x  | 3.9 x  | 4.3 x  | 3.7 x  |
| P / FCF                             | n.a. | n.a. | 20.9 x | n.a.   | 19.1 x | 11.1 x | 8.5 x  |
| P / E                               | n.a. | n.a. | 11.2 x | 8.5 x  | 7.6 x  | 8.4 x  | 7.5 x  |
| P / E adj.*                         | n.a. | n.a. | 14.8 x | 7.6 x  | 7.6 x  | 8.4 x  | 7.5 x  |
| Dividend Yield                      | n.a. | n.a. | 2.2 %  | 4.7 %  | 6.5 %  | 6.0 %  | 6.6 %  |
| FCF Potential Yield (on market EV)  | n.a. | n.a. | 10.0 % | 16.1 % | 17.6 % | 15.9 % | 18.6 % |

\*Adjustments made for: Restructuring, M&A adjustments

| <b>Company Specific Items</b> |        |        |        |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|
|                               | 2019   | 2020   | 2021   | 2022   | 2023e  | 2024e  | 2025e  |
| Mercedes-Benz                 | 16,806 | 13,790 | 16,113 | 20,213 | 22,655 | 22,258 | 23,048 |
| Trucks North America          | 19,370 | 13,847 | 15,782 | 22,039 | 24,440 | 23,774 | 24,808 |
| Trucks Asia                   | 6,638  | 5,579  | 5,969  | 6,499  | 7,234  | 7,264  | 7,575  |
| Daimler Buses                 | 4,644  | 3,438  | 3,211  | 3,689  | 3,901  | 3,862  | 4,027  |
| Financial Services            | 1,391  | 1,207  | 1,122  | 1,759  | 2,480  | 2,604  | 2,734  |
| Industrial Business           | 42,248 | 32,956 | 36,207 | 45,934 | 51,231 | 50,358 | 52,358 |
| Sales share aftermarket       | 24.9 % | 25.2 % | 28.6 % | 31.3 % | 31.6 % | 33.7 % | 34.0 % |
| EBIT adj. IB                  | 2,600  | 655    | 2,358  | 3,766  | 5,140  | 4,608  | 5,111  |
| Margin                        | 5.8 %  | 1.9 %  | 6.1 %  | 7.7 %  | 9.4 %  | 8.6 %  | 9.1 %  |



## Consolidated profit and loss

| In EUR m                                         | 2019          | 2020          | 2021          | 2022          | 2023e         | 2024e         | 2025e         |
|--------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Sales</b>                                     | <b>46,244</b> | <b>36,012</b> | <b>39,763</b> | <b>50,945</b> | <b>57,211</b> | <b>56,362</b> | <b>58,643</b> |
| Change Sales yoy                                 | 5.8 %         | -22.1 %       | 10.4 %        | 28.1 %        | 12.3 %        | -1.5 %        | 4.0 %         |
| COGS                                             | 37,596        | 30,531        | 32,519        | 41,513        | 45,347        | 45,114        | 46,593        |
| <b>Gross profit</b>                              | <b>8,648</b>  | <b>5,481</b>  | <b>7,244</b>  | <b>9,432</b>  | <b>11,864</b> | <b>11,249</b> | <b>12,050</b> |
| <i>Gross margin</i>                              | <i>18.7 %</i> | <i>15.2 %</i> | <i>18.2 %</i> | <i>18.5 %</i> | <i>20.7 %</i> | <i>20.0 %</i> | <i>20.5 %</i> |
| Research and development                         | 1,662         | 1,423         | 1,398         | 1,618         | 1,831         | 1,804         | 1,877         |
| Sales and marketing                              | 3,001         | 2,625         | 2,722         | 2,928         | 3,261         | 3,213         | 3,343         |
| Administration expenses                          | 1,686         | 1,472         | 1,635         | 1,957         | 2,174         | 2,142         | 2,228         |
| Other operating expenses                         | 214           | 200           | 348           | 177           | 199           | 196           | 204           |
| Other operating income                           | 797           | 726           | 2,029         | 880           | 988           | 974           | 1,013         |
| Unfrequent items                                 | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>EBITDA</b>                                    | <b>4,113</b>  | <b>1,826</b>  | <b>4,556</b>  | <b>4,617</b>  | <b>6,647</b>  | <b>6,109</b>  | <b>6,702</b>  |
| <i>Margin</i>                                    | <i>8.9 %</i>  | <i>5.1 %</i>  | <i>11.5 %</i> | <i>9.1 %</i>  | <i>11.6 %</i> | <i>10.8 %</i> | <i>11.4 %</i> |
| Depreciation of fixed assets                     | 1,045         | 1,052         | 876           | 935           | 1,050         | 1,034         | 1,076         |
| <b>EBITA</b>                                     | <b>3,068</b>  | <b>774</b>    | <b>3,680</b>  | <b>3,682</b>  | <b>5,597</b>  | <b>5,074</b>  | <b>5,625</b>  |
| Amortisation of intangible assets                | 276           | 283           | 284           | 186           | 209           | 206           | 214           |
| Goodwill amortisation                            | 0             | 0             | 40            | 0             | 0             | 0             | 0             |
| <b>EBIT</b>                                      | <b>2,792</b>  | <b>491</b>    | <b>3,356</b>  | <b>3,496</b>  | <b>5,388</b>  | <b>4,869</b>  | <b>5,411</b>  |
| <i>Margin</i>                                    | <i>6.0 %</i>  | <i>1.4 %</i>  | <i>8.4 %</i>  | <i>6.9 %</i>  | <i>9.4 %</i>  | <i>8.6 %</i>  | <i>9.2 %</i>  |
| <b>EBIT adj.</b>                                 | <b>2,792</b>  | <b>657</b>    | <b>2,551</b>  | <b>3,959</b>  | <b>5,388</b>  | <b>4,869</b>  | <b>5,411</b>  |
| Interest income                                  | 131           | 62            | 73            | 198           | 299           | 299           | 299           |
| Interest expenses                                | 292           | 219           | 156           | 245           | 261           | 266           | 272           |
| Other financial income (loss)                    | 0             | 47            | 106           | 0             | 0             | 0             | 0             |
| <b>EBT</b>                                       | <b>2,631</b>  | <b>334</b>    | <b>3,273</b>  | <b>3,449</b>  | <b>5,426</b>  | <b>4,901</b>  | <b>5,439</b>  |
| <i>Margin</i>                                    | <i>5.7 %</i>  | <i>0.9 %</i>  | <i>8.2 %</i>  | <i>6.8 %</i>  | <i>9.5 %</i>  | <i>8.7 %</i>  | <i>9.3 %</i>  |
| Total taxes                                      | 881           | 465           | 891           | 686           | 1,519         | 1,372         | 1,523         |
| <b>Net income from continuing operations</b>     | <b>1,750</b>  | <b>-131</b>   | <b>2,382</b>  | <b>2,763</b>  | <b>3,907</b>  | <b>3,529</b>  | <b>3,916</b>  |
| Income from discontinued operations (net of tax) | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Net income before minorities</b>              | <b>1,750</b>  | <b>-131</b>   | <b>2,382</b>  | <b>2,763</b>  | <b>3,907</b>  | <b>3,529</b>  | <b>3,916</b>  |
| Minority interest                                | 19            | 12            | 36            | 98            | 273           | 212           | 235           |
| <b>Net income</b>                                | <b>1,731</b>  | <b>-143</b>   | <b>2,346</b>  | <b>2,665</b>  | <b>3,633</b>  | <b>3,317</b>  | <b>3,681</b>  |
| <i>Margin</i>                                    | <i>3.7 %</i>  | <i>-0.4 %</i> | <i>5.9 %</i>  | <i>5.2 %</i>  | <i>6.4 %</i>  | <i>5.9 %</i>  | <i>6.3 %</i>  |
| Number of shares, average                        | 823           | 823           | 823           | 823           | 823           | 823           | 823           |
| <b>EPS</b>                                       | <b>2.10</b>   | <b>-0.17</b>  | <b>2.85</b>   | <b>3.24</b>   | <b>4.41</b>   | <b>4.03</b>   | <b>4.47</b>   |
| EPS adj.                                         | 2.10          | -0.03         | 2.17          | 3.63          | 4.41          | 4.03          | 4.47          |

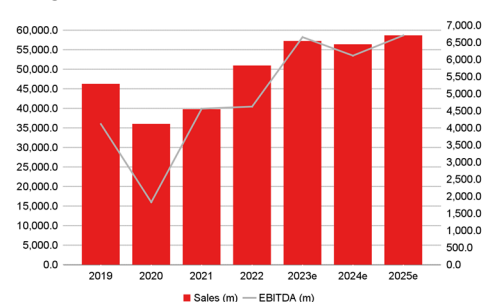
\*Adjustments made for: Restructuring, M&A adjustments

**Guidance: Group sales of EUR 56-58bn; IB sales of EUR 54-56bn at an adj. RoS of 8.5-10%**

## Financial Ratios

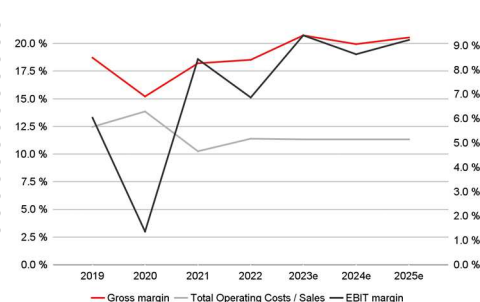
|                               | 2019    | 2020    | 2021    | 2022    | 2023e   | 2024e   | 2025e   |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Total Operating Costs / Sales | 12.5 %  | 13.9 %  | 10.2 %  | 11.4 %  | 11.3 %  | 11.3 %  | 11.3 %  |
| Operating Leverage            | 0.4 x   | 3.7 x   | 56.0 x  | 0.1 x   | 4.4 x   | 6.5 x   | 2.8 x   |
| EBITDA / Interest expenses    | 14.1 x  | 8.3 x   | 29.2 x  | 18.8 x  | 25.5 x  | 22.9 x  | 24.7 x  |
| Tax rate (EBT)                | 33.5 %  | 139.2 % | 27.2 %  | 19.9 %  | 28.0 %  | 28.0 %  | 28.0 %  |
| Dividend Payout Ratio         | 0.0 %   | 0.0 %   | 24.2 %  | 38.7 %  | 46.5 %  | 47.0 %  | 47.0 %  |
| Sales per Employee            | 467,012 | 366,422 | 398,231 | 510,220 | 539,781 | 535,747 | 546,370 |

### Sales, EBITDA in EUR m



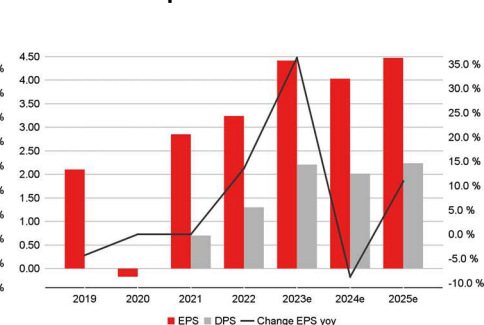
Source: Warburg Research

### Operating Performance in %



Source: Warburg Research

### Performance per Share



Source: Warburg Research

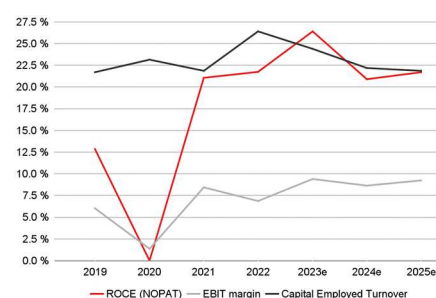
## Consolidated balance sheet

| In EUR m                                                | 2019          | 2020          | 2021          | 2022          | 2023e         | 2024e         | 2025e         |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Assets</b>                                           |               |               |               |               |               |               |               |
| Goodwill and other intangible assets                    | 1,839         | 1,682         | 2,700         | 2,779         | 2,833         | 2,886         | 2,941         |
| thereof other intangible assets                         | 1,141         | 949           | 1,890         | 1,938         | 1,992         | 2,045         | 2,100         |
| thereof Goodwill                                        | 622           | 626           | 634           | 674           | 674           | 674           | 674           |
| Property, plant and equipment                           | 12,762        | 11,625        | 11,402        | 12,426        | 12,349        | 12,385        | 12,423        |
| Financial assets                                        | 10,710        | 9,681         | 11,052        | 14,281        | 14,281        | 14,281        | 14,281        |
| Other long-term assets                                  | 529           | 328           | 309           | 364           | 2,281         | 3,482         | 4,151         |
| <b>Fixed assets</b>                                     | <b>25,840</b> | <b>23,316</b> | <b>25,463</b> | <b>29,850</b> | <b>31,743</b> | <b>33,034</b> | <b>33,796</b> |
| Inventories                                             | 7,551         | 6,278         | 7,793         | 8,815         | 9,566         | 9,394         | 9,574         |
| Accounts receivable                                     | 4,061         | 3,487         | 3,962         | 4,682         | 5,016         | 4,941         | 5,141         |
| Liquid assets                                           | 5,821         | 7,477         | 7,349         | 7,068         | 8,664         | 9,573         | 11,387        |
| Other short-term assets                                 | 12,094        | 9,430         | 10,233        | 13,554        | 13,554        | 13,554        | 13,554        |
| <b>Current assets</b>                                   | <b>29,527</b> | <b>26,672</b> | <b>29,337</b> | <b>34,119</b> | <b>36,800</b> | <b>37,462</b> | <b>39,656</b> |
| <b>Total Assets</b>                                     | <b>55,367</b> | <b>49,988</b> | <b>54,800</b> | <b>63,969</b> | <b>68,544</b> | <b>70,496</b> | <b>73,453</b> |
| <b>Liabilities and shareholders' equity</b>             |               |               |               |               |               |               |               |
| Subscribed capital                                      | 0             | 0             | 823           | 823           | 823           | 823           | 823           |
| Capital reserve                                         | 0             | 0             | 14,277        | 14,277        | 14,277        | 14,277        | 14,277        |
| Retained earnings                                       | 10,617        | 9,703         | 1,886         | 5,847         | 8,410         | 9,911         | 11,933        |
| Other equity components                                 | -766          | -1,478        | -1,066        | -895          | -895          | -895          | -895          |
| Shareholders' equity                                    | 9,851         | 8,225         | 15,920        | 20,052        | 22,615        | 24,116        | 26,138        |
| Minority interest                                       | 494           | 483           | 503           | 554           | 827           | 1,039         | 1,274         |
| <b>Total equity</b>                                     | <b>10,345</b> | <b>8,708</b>  | <b>16,423</b> | <b>20,606</b> | <b>23,443</b> | <b>25,155</b> | <b>27,413</b> |
| Provisions                                              | 7,444         | 7,817         | 7,161         | 6,096         | 6,208         | 6,245         | 6,298         |
| thereof provisions for pensions and similar obligations | 3,178         | 3,530         | 2,471         | 1,147         | 1,259         | 1,296         | 1,349         |
| Financial liabilities (total)                           | 6,943         | 5,927         | 966           | -1,423        | 77            | 577           | 1,077         |
| Short-term financial liabilities                        | 5,173         | 4,052         | -3,185        | -4,856        | -4,356        | -3,856        | -3,356        |
| Accounts payable                                        | 3,058         | 3,043         | 4,359         | 5,317         | 5,466         | 5,191         | 5,361         |
| Other liabilities                                       | 27,577        | 24,493        | 25,891        | 33,373        | 33,350        | 33,327        | 33,304        |
| <b>Liabilities</b>                                      | <b>45,022</b> | <b>41,280</b> | <b>38,377</b> | <b>43,363</b> | <b>45,101</b> | <b>45,340</b> | <b>46,040</b> |
| <b>Total liabilities and shareholders' equity</b>       | <b>55,367</b> | <b>49,988</b> | <b>54,800</b> | <b>63,969</b> | <b>68,544</b> | <b>70,496</b> | <b>73,453</b> |

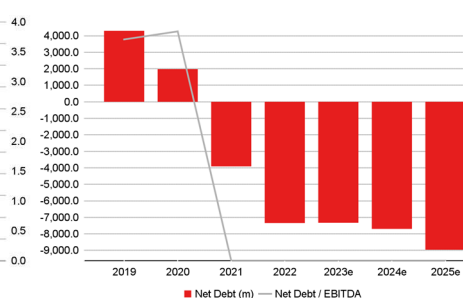
## Financial Ratios

|                                         | 2019   | 2020   | 2021    | 2022    | 2023e   | 2024e   | 2025e   |
|-----------------------------------------|--------|--------|---------|---------|---------|---------|---------|
| <b>Efficiency of Capital Employment</b> |        |        |         |         |         |         |         |
| Operating Assets Turnover               | 2.2 x  | 2.0 x  | 2.1 x   | 2.5 x   | 2.7 x   | 2.6 x   | 2.7 x   |
| Capital Employed Turnover               | 3.2 x  | 3.4 x  | 3.2 x   | 3.8 x   | 3.6 x   | 3.2 x   | 3.2 x   |
| ROA                                     | 6.7 %  | -0.6 % | 9.2 %   | 8.9 %   | 11.4 %  | 10.0 %  | 10.9 %  |
| <b>Return on Capital</b>                |        |        |         |         |         |         |         |
| ROCE (NOPAT)                            | 12.9 % | n.a.   | 21.1 %  | 21.7 %  | 26.4 %  | 20.9 %  | 21.7 %  |
| ROE                                     | 18.4 % | -1.6 % | 19.4 %  | 14.8 %  | 17.0 %  | 14.2 %  | 14.6 %  |
| Adj. ROE                                | 18.4 % | -0.3 % | 14.8 %  | 16.6 %  | 17.0 %  | 14.2 %  | 14.6 %  |
| <b>Balance sheet quality</b>            |        |        |         |         |         |         |         |
| Net Debt                                | 4,300  | 1,980  | -3,912  | -7,344  | -7,329  | -7,699  | -8,962  |
| Net Financial Debt                      | 1,122  | -1,550 | -6,383  | -8,491  | -8,587  | -8,996  | -10,310 |
| Net Gearing                             | 41.6 % | 22.7 % | -23.8 % | -35.6 % | -31.3 % | -30.6 % | -32.7 % |
| Net Fin. Debt / EBITDA                  | 27.3 % | n.a.   | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    |
| Book Value / Share                      | 12.0   | 10.0   | 19.3    | 24.4    | 27.5    | 29.3    | 31.8    |
| Book value per share ex intangibles     | 9.7    | 8.0    | 16.1    | 21.0    | 24.0    | 25.8    | 28.2    |

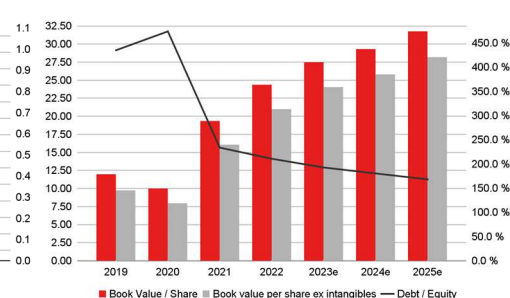
### ROCE Development



### Net debt in EUR m



### Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

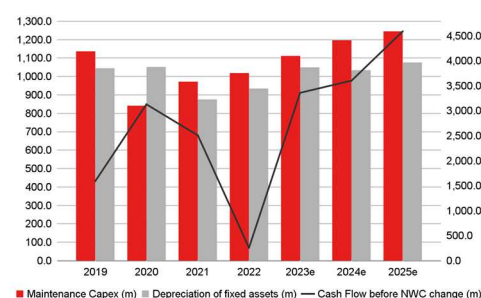
**Consolidated cash flow statement**

| In EUR m                                               | 2019          | 2020          | 2021         | 2022          | 2023e         | 2024e         | 2025e         |
|--------------------------------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|
| Net income                                             | 1,840         | -88           | 2,262        | 2,673         | 3,907         | 3,529         | 3,916         |
| Depreciation of fixed assets                           | 1,045         | 1,052         | 876          | 935           | 1,050         | 1,034         | 1,076         |
| Amortisation of goodwill                               | 0             | 0             | 40           | 0             | 0             | 0             | 0             |
| Amortisation of intangible assets                      | 276           | 283           | 284          | 186           | 209           | 206           | 214           |
| Increase/decrease in long-term provisions              | 715           | -352          | 1,059        | 1,324         | 112           | 38            | 52            |
| Other non-cash income and expenses                     | -2,287        | 2,236         | -2,017       | -4,861        | -1,917        | -1,201        | -669          |
| <b>Cash Flow before NWC change</b>                     | <b>1,589</b>  | <b>3,131</b>  | <b>2,504</b> | <b>257</b>    | <b>3,360</b>  | <b>3,606</b>  | <b>4,590</b>  |
| Increase / decrease in inventory                       | 199           | 870           | -1,307       | -1,143        | -751          | 173           | -180          |
| Increase / decrease in accounts receivable             | 435           | 350           | -348         | -631          | -334          | 74            | -200          |
| Increase / decrease in accounts payable                | -863          | -138          | 1,171        | 904           | 149           | -275          | 170           |
| Increase / decrease in other working capital positions | 0             | 0             | 0            | 0             | 0             | 0             | 0             |
| Increase / decrease in working capital (total)         | -229          | 1,082         | -484         | -870          | -936          | -28           | -210          |
| <b>Net cash provided by operating activities [1]</b>   | <b>1,360</b>  | <b>4,213</b>  | <b>2,020</b> | <b>-613</b>   | <b>2,425</b>  | <b>3,578</b>  | <b>4,380</b>  |
| Investments in intangible assets                       | 0             | 0             | 0            | 0             | -263          | -259          | -269          |
| Investments in property, plant and equipment           | -1,130        | -796          | -762         | -898          | -973          | -1,071        | -1,114        |
| Payments for acquisitions                              | 0             | 0             | 0            | -2,004        | 0             | 0             | 0             |
| Financial investments                                  | 1,870         | 1,528         | -4,496       | 1,150         | 0             | 0             | 0             |
| Income from asset disposals                            | -94           | 111           | 844          | 119           | 0             | 0             | 0             |
| <b>Net cash provided by investing activities [2]</b>   | <b>-3,227</b> | <b>-2,352</b> | <b>4,260</b> | <b>-4,167</b> | <b>-1,235</b> | <b>-1,330</b> | <b>-1,384</b> |
| Change in financial liabilities                        | 2,008         | -517          | 6,415        | 3,409         | 1,500         | 500           | 500           |
| Dividends paid                                         | -1,003        | -14           | -32          | -52           | -1,070        | -1,817        | -1,659        |
| Purchase of own shares                                 | 0             | 0             | 0            | 0             | 0             | 0             | 0             |
| Capital measures                                       | 0             | 0             | 0            | 0             | 0             | 0             | 0             |
| Other                                                  | 1,488         | -604          | -7,258       | -23           | -23           | -23           | -23           |
| <b>Net cash provided by financing activities [3]</b>   | <b>2,493</b>  | <b>-1,135</b> | <b>-875</b>  | <b>3,334</b>  | <b>407</b>    | <b>-1,340</b> | <b>-1,182</b> |
| <b>Change in liquid funds [1]+[2]+[3]</b>              | <b>626</b>    | <b>726</b>    | <b>5,405</b> | <b>-1,446</b> | <b>1,596</b>  | <b>908</b>    | <b>1,815</b>  |
| Effects of exchange-rate changes on cash               | 10            | -114          | 96           | 56            | 0             | 0             | 0             |
| Cash and cash equivalent at end of period              | 1,184         | 1,706         | 7,164        | 5,854         | 7,540         | 8,449         | 10,263        |

**Financial Ratios**

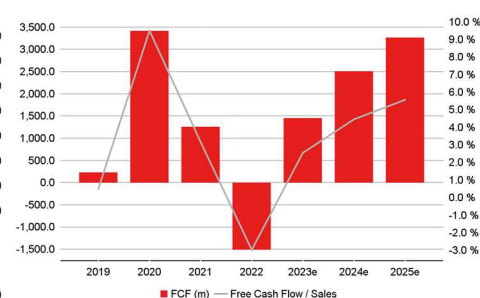
|                                      | 2019    | 2020      | 2021   | 2022     | 2023e   | 2024e   | 2025e   |
|--------------------------------------|---------|-----------|--------|----------|---------|---------|---------|
| <b>Cash Flow</b>                     |         |           |        |          |         |         |         |
| FCF                                  | 230     | 3,417     | 1,258  | -1,511   | 1,452   | 2,507   | 3,266   |
| Free Cash Flow / Sales               | 0.5 %   | 9.5 %     | 3.2 %  | -3.0 %   | 2.5 %   | 4.4 %   | 5.6 %   |
| Free Cash Flow Potential             | 2,185   | 284       | 2,297  | 2,539    | 3,732   | 3,354   | 3,725   |
| Free Cash Flow / Net Profit          | 13.3 %  | -2389.5 % | 53.6 % | -56.7 %  | 40.0 %  | 75.6 %  | 88.7 %  |
| Interest Received / Avg. Cash        | 2.8 %   | 0.9 %     | 1.0 %  | 2.7 %    | 3.8 %   | 3.3 %   | 2.9 %   |
| Interest Paid / Avg. Debt            | 4.5 %   | 3.4 %     | 4.5 %  | -107.2 % | -38.8 % | 81.4 %  | 32.8 %  |
| <b>Management of Funds</b>           |         |           |        |          |         |         |         |
| Investment ratio                     | 2.4 %   | 2.2 %     | 1.9 %  | 1.8 %    | 2.2 %   | 2.4 %   | 2.4 %   |
| Maint. Capex / Sales                 | 2.5 %   | 2.3 %     | 2.4 %  | 2.0 %    | 1.9 %   | 2.1 %   | 2.1 %   |
| Capex / Dep                          | 85.5 %  | 59.6 %    | 63.5 % | 80.1 %   | 98.1 %  | 107.2 % | 107.2 % |
| Avg. Working Capital / Sales         | 18.2 %  | 21.2 %    | 17.8 % | 15.3 %   | 15.1 %  | 16.2 %  | 15.8 %  |
| Trade Debtors / Trade Creditors      | 132.8 % | 114.6 %   | 90.9 % | 88.1 %   | 91.8 %  | 95.2 %  | 95.9 %  |
| Inventory Turnover                   | 5.0 x   | 4.9 x     | 4.2 x  | 4.7 x    | 4.7 x   | 4.8 x   | 4.9 x   |
| Receivables collection period (days) | 32      | 35        | 36     | 34       | 32      | 32      | 32      |
| Payables payment period (days)       | 30      | 36        | 49     | 47       | 44      | 42      | 42      |
| Cash conversion cycle (Days)         | 76      | 74        | 75     | 64       | 65      | 66      | 65      |

**CAPEX and Cash Flow**  
in EUR m



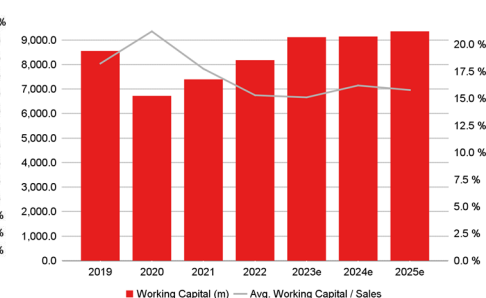
Source: Warburg Research

**Free Cash Flow Generation**



Source: Warburg Research

**Working Capital**



Source: Warburg Research

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| Company       | Disclosure | Link to the historical price targets and rating changes (last 12 months)                                                                              |
|---------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Daimler Truck | –          | <a href="https://www.mmwarburg.com/disclaimer/disclaimer_en/DE000DTR0CK8.htm">https://www.mmwarburg.com/disclaimer/disclaimer_en/DE000DTR0CK8.htm</a> |

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

|     |                          |                                                                                                           |
|-----|--------------------------|-----------------------------------------------------------------------------------------------------------|
| -B- | <b>Buy:</b>              | The price of the analysed financial instrument is expected to rise over the next 12 months.               |
| -H- | <b>Hold:</b>             | The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months. |
| -S- | <b>Sell:</b>             | The price of the analysed financial instrument is expected to fall over the next 12 months.               |
| “-“ | <b>Rating suspended:</b> | The available information currently does not permit an evaluation of the company.                         |

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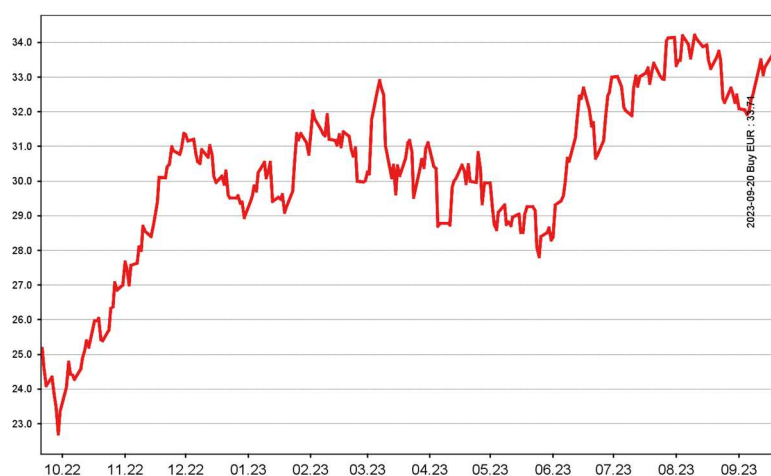
| Rating           | Number of stocks | % of Universe |
|------------------|------------------|---------------|
| Buy              | 157              | 75            |
| Hold             | 44               | 21            |
| Sell             | 6                | 3             |
| Rating suspended | 3                | 1             |
| <b>Total</b>     | <b>210</b>       | <b>100</b>    |

## WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

| Rating           | Number of stocks | % of Universe |
|------------------|------------------|---------------|
| Buy              | 44               | 86            |
| Hold             | 5                | 10            |
| Sell             | 0                | 0             |
| Rating suspended | 2                | 4             |
| <b>Total</b>     | <b>51</b>        | <b>100</b>    |

## PRICE AND RATING HISTORY DAIMLER TRUCK AS OF 20.09.2023



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.



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