



BERYLLS POINT OF VIEW

# **GLOBAL TRUCK PLAYERS: Q1 2022 REVIEW**

# THE GLOBAL TRUCK PLAYERS.

Truck manufacturers keep suffering from undersupply of essential components. Positive side effects of the demand overhang are sales price increases and favorable product mix developments.

## Latest Developments in Q1 2022

<b>DAIMLER</b>	<ul style="list-style-type: none"><li>» Availability of semi-conductors has affected production</li><li>» Daimler Truck sells 8% more vehicles than in Q1 2021</li><li>» Revenue of the industrial business grows by 17%</li><li>» Adjusted EBIT is up 9% leading to an average margin of 5.9%</li></ul>
<b>TRATON</b>	<ul style="list-style-type: none"><li>» Persistent supply bottlenecks impact unit sales negatively</li><li>» Ukraine war leads to shut-downs due to lack of cable harnesses</li><li>» Deliveries are up 12% and revenues up 30% (including Navistar<sup>1</sup>)</li><li>» Operating return on sales (adj.) of industrial business at 5.3%</li></ul>
<b>VOLVO</b>	<ul style="list-style-type: none"><li>» Demand still exceeds supply due to global material shortages</li><li>» Volvo is restrictive in order slotting because of increasing inflation</li><li>» Deliveries are up 15% and revenues up 31% versus Q1 2021</li><li>» Margin of 12.5% thanks to higher volumes and price realization</li></ul>
<b>PACCAR</b>	<ul style="list-style-type: none"><li>» Strong demand for Paccar products in Europe and South America</li><li>» Unit sales only 2% above Q1 2021 due to volume drop in the U.S.</li><li>» Revenue up 13% year-on-year with strong growth in parts sales</li><li>» Strong growth of net income, 10.3% margin for industrial business</li></ul>



## Insights

- » Massive supply bottlenecks still characterize the current state of the global truck industry
- » Materials mainly concerned by shortages are semi-conductors and cable harnesses
- » MAN was affected most negatively and had to shut-down the factories in Munich and Krakow for several weeks
- » Due to better price realization and positive product mix effects, revenues grow much stronger than unit sales

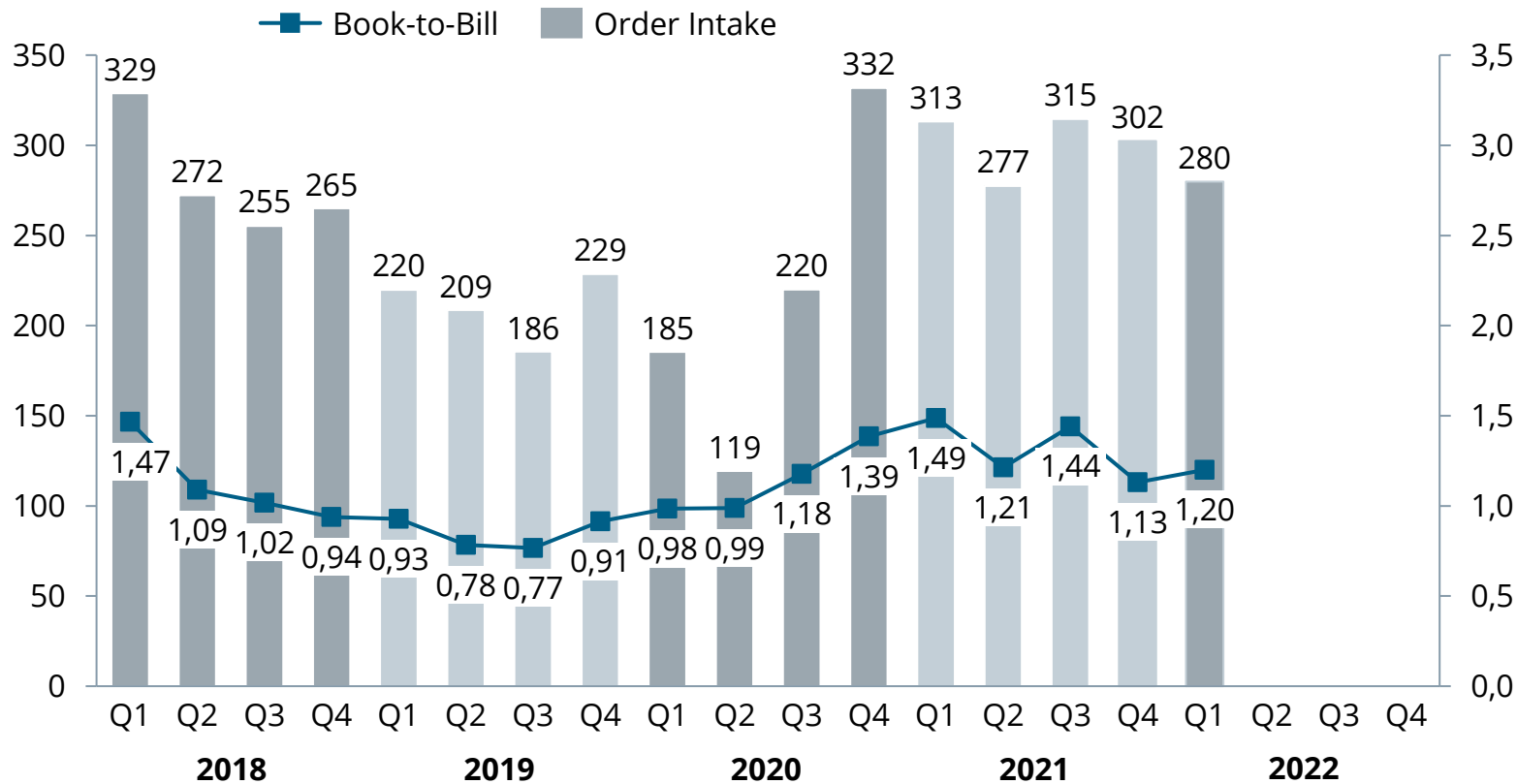
<sup>1</sup> w/o Navistar unit sales would have been down 16% and revenues would have decreased 2% versus Q1 2021  
Source: Quarterly Reports, Berylls Strategy Advisors



# GLOBAL TRUCK DEMAND

Truck demand has recovered quickly after the corona crisis. Cumulated order intake and average book-to-bill ratio were at an all-time high in 2021.

## Order Intake<sup>1</sup> & Book-to-Bill Ratio



## Insights

- » Order intake in Q1 2022 is down 11% year-on-year
- » Despite ongoing truck demand overhang, book-to-bill ratios have decreased compared to the first quarter of 2021
- » Manufacturers are quite reluctant to fill their order books due to uncertainties with regard to supply capacity looking forward
- » Purchase price inflation is still rather unpredictable causing additional cautiousness



<sup>1</sup> Daimler Truck + Traton + Volvo Group (Paccar does not publish incoming orders)  
Source: Quarterly Reports, Berylls Strategy Advisors



# ORDER INTAKE BY MANUFACTURER

After Q1 2021 had seen high levels of incoming orders and a book-to-bill ratio of 1.49 on average, the truck industry is now more cautious due to uncertain supply chains and massive inflation.

## Order Intake<sup>1</sup> & Book-to-Bill Ratio

	Order Intake Q1 2021	Order Intake Q1 2022	Delta 22 vs. 21	B-to-B Ratio Q1 2022
DAIMLER	151,100	138,700	-8.2%	1.27
TRATON	81,700	95,600 <sup>2</sup>	+16.9%	1.41
	80.400 <sup>3</sup>	45.600 <sup>3</sup>	-43.3%	0.82
	n.a.	n.a.	n.a.	n.a.



## Insights

- » Daimler's order intake is 8.2% lower year-on-year
- » Traton increases order intake by 16.9% – however, excluding Navistar there is a drop by 19.6% and a book-to-bill ratio of 1.30 instead of 1.41
- » Volvo is very restrictive with order slotting and has reduced book-to-bill ratio to 0.82, coming from 1.66 in Q1 2021
- » Paccar does not publish order intake, but Q1 report suggests high demand in all markets

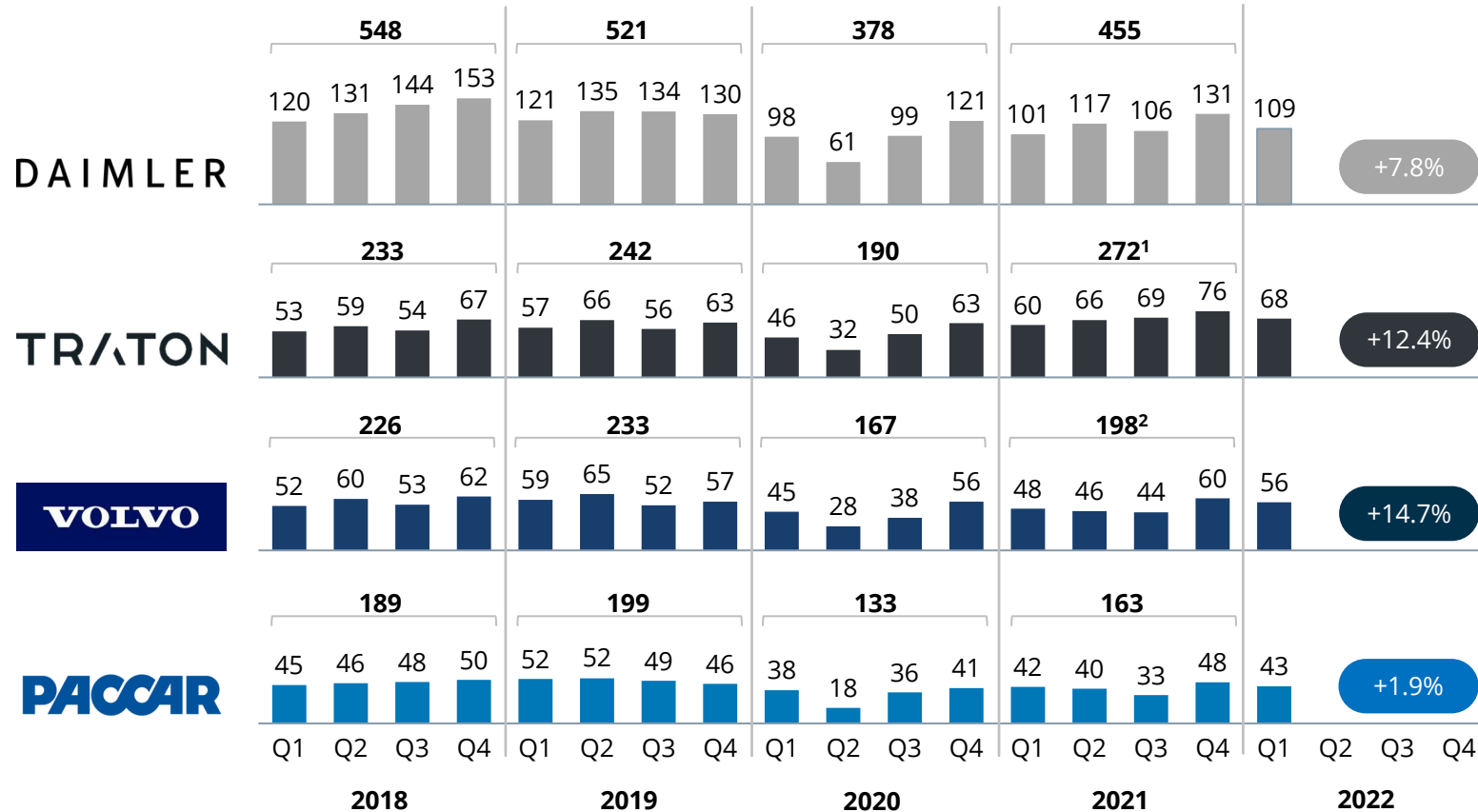
<sup>1</sup> Daimler Truck, Traton, Volvo Group (Paccar does not publish incoming orders) <sup>2</sup> incl. Navistar <sup>3</sup> excl. UD Trucks  
Source: Quarterly Reports, Berylls Strategy Advisors



# UNIT SALES DEVELOPMENT

Deliveries of the global truck players are up 9.2% year-on-year in Q1 2022. Volvo has the highest growth in unit sales, whereas Traton's deliveries grow mainly due to the consolidation of Navistar.

**Unit Sales**  
in 1,000 units



## Insights

- » Daimler's deliveries are 7.8% higher than in the first quarter of 2021
- » Traton has increased unit sales by 12% incl. Navistar despite lower volumes at Scania (-28%) and MAN (-17%)
- » Volvo has increased sales by 15%, growth driven mainly by Europe and the Volvo brand
- » Paccar has delivered only 2% more trucks year-on-year; growth in Europe and South America partly offset by 10% drop in the United States

<sup>1</sup> incl. Navistar from Q3 2021 <sup>2</sup> excl. UD Trucks from Q1 2021  
Source: Quarterly Reports, Berylls Strategy Advisors

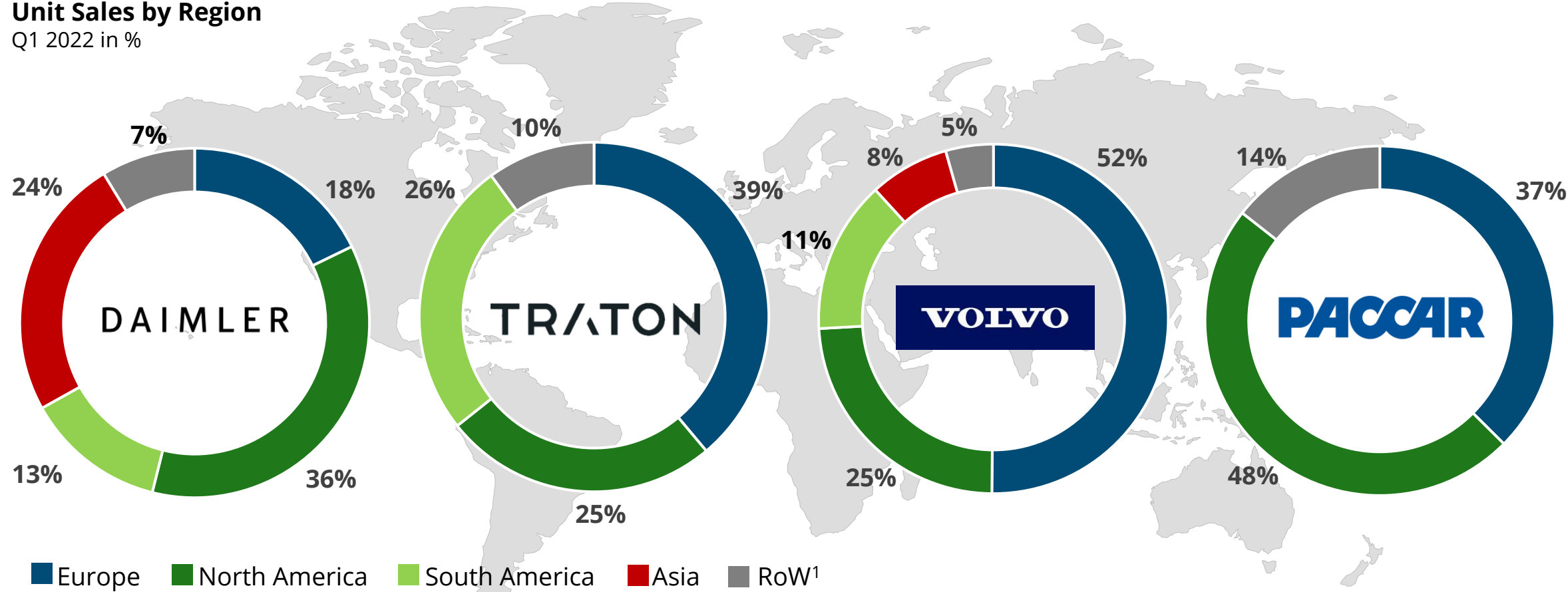


# REGIONAL SALES SPLIT

Traton has diversified their regional portfolio significantly through consolidation of Navistar. Daimler and Paccar have the highest shares of North American sales.

## Unit Sales by Region

Q1 2022 in %



Note: Daimler partly estimated, Traton incl. Navistar, Volvo excl. UD Trucks 1 Rest of World (for Traton incl. Asia, for Paccar incl. South America & Asia)  
 Source: Quarterly Reports, Berylls Strategy Advisors

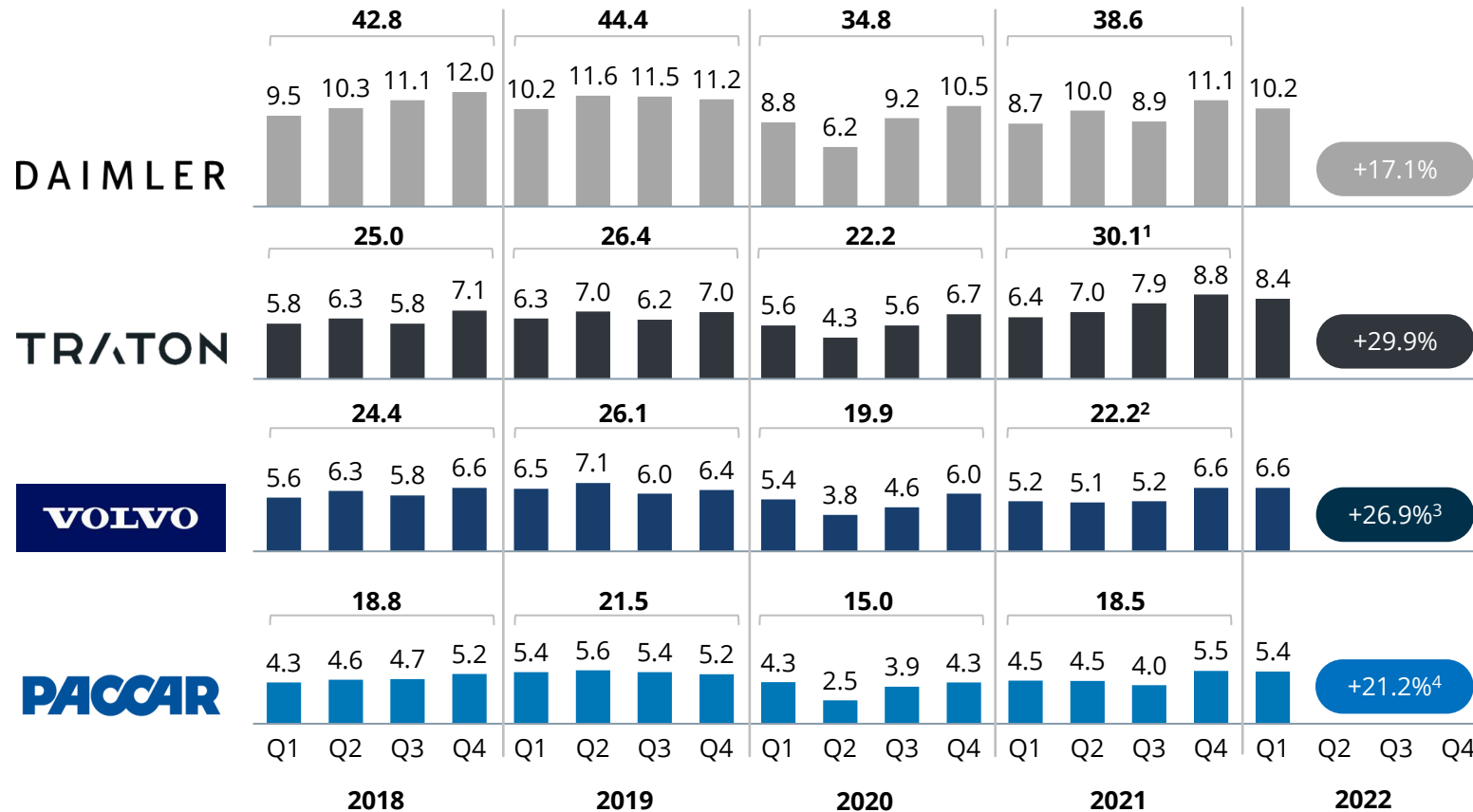


# NET REVENUE DEVELOPMENT

The global truck players increased their revenues of the industrial business by 23.2% compared to previous year. Without Navistar, Traton's revenue development would have been flat.

## Net Revenue (Industrial Business)

in bn Euro



## Insights

- » Daimler has grown revenues by 17% over last year's first quarter, which is below peer group average
- » Traton has achieved record Q1 revenues incl. Navistar and benefits from higher revenue per vehicle & after sales share
- » Volvo has increased revenue per vehicle by 18.3% (before currency effect) through price realization and product mix
- » Paccar has grown revenues per vehicle and benefits from USD appreciation

1 incl. Navistar from Q3 2021 2 excl. UD Trucks from Q1 2021 3 in SEK +31.4% 4 in USD +12.8%  
Source: Quarterly Reports, Berylls Strategy Advisors

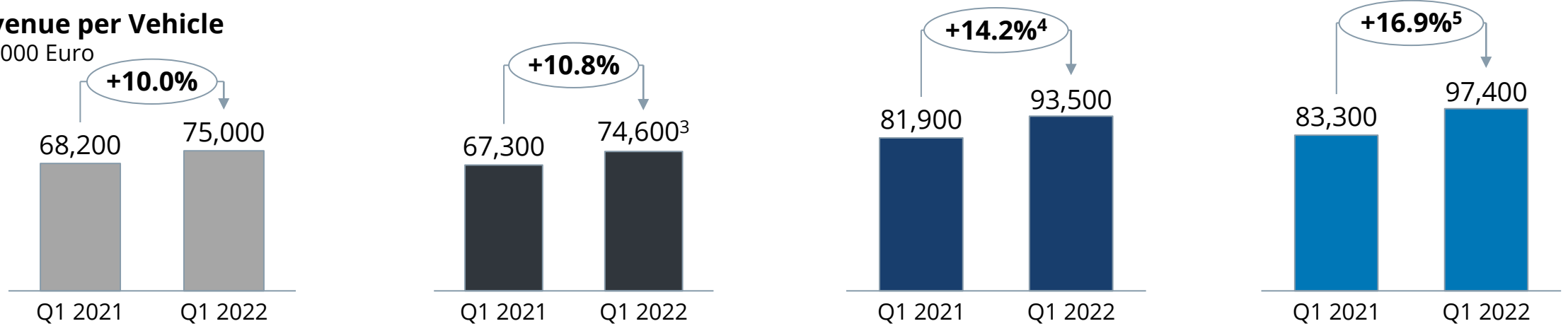


# NET REVENUE COMPOSITION

Price increases and positive product mix effects boost revenues per vehicle. Traton benefits significantly from the consolidation of Navistar.

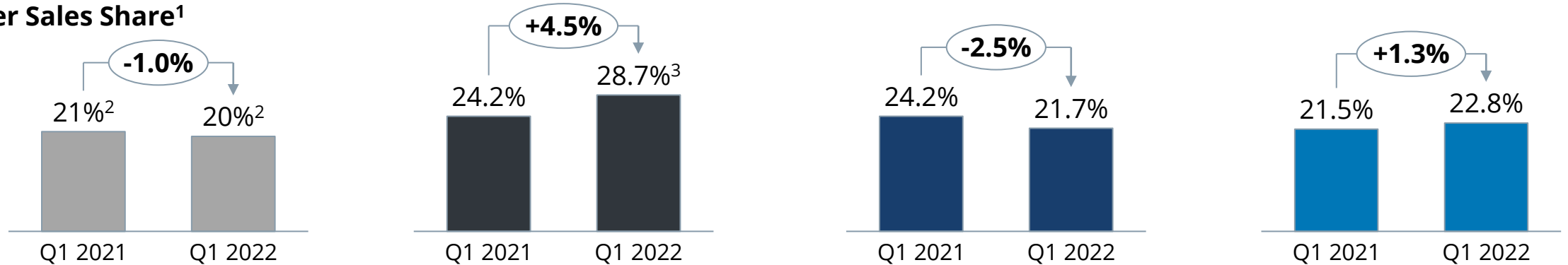
## Revenue per Vehicle

in 1,000 Euro



## After Sales Share<sup>1</sup>

in %



**DAIMLER**

**TRATON**

**VOLVO**

**PACCAR**

<sup>1</sup> Share determined excl. other revenues for better comparability <sup>2</sup> Expert assumption <sup>3</sup> incl. Navistar <sup>4</sup> in SEK +18.3% in USD +8.9%

Source: Quarterly Reports, Berylls Strategy Advisors



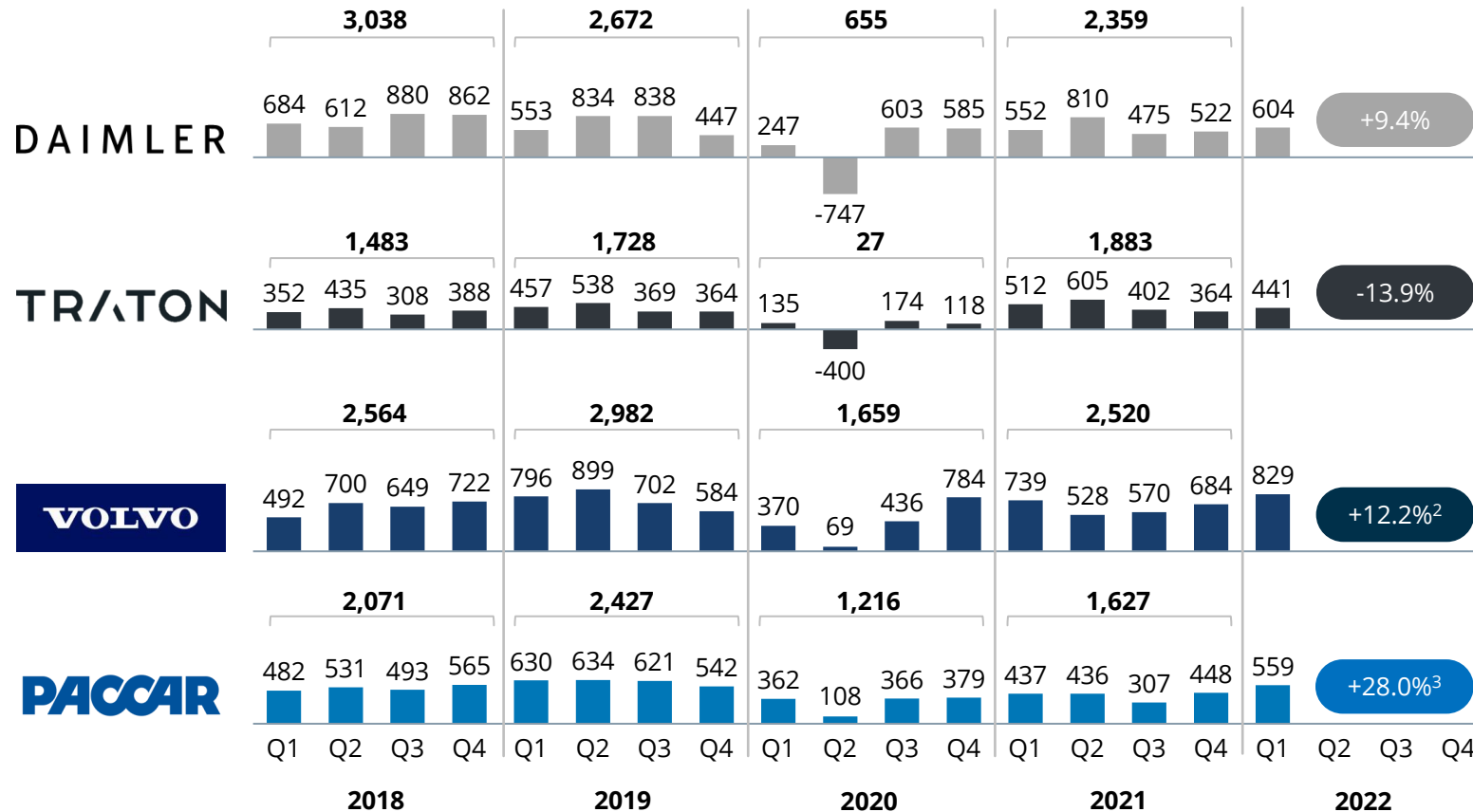


# OPERATING PROFIT DEVELOPMENT

Cumulated operating profit (adjusted) of the big 4 global truck manufacturers is 8.6% above Q1 2021. Volvo and Paccar perform above average, while Traton is still struggling,

## Operating Profit (adjusted)<sup>1</sup>

in mn Euro



## Insights

- » Daimler's EBIT (adj.) increased by 9.4% year-on-year, driven by North America and Europe
- » Traton has grown operating result from 151 to 424 mn EUR but significantly reduced adjustments
- » Volvo's record level first quarter operating income is driven by price and product mix
- » Paccar with record profit in parts business but net income from truck sales not yet back on pre-crisis level

<sup>1</sup> Daimler: EBIT adjusted – Traton: Operating Result adjusted – Volvo: Operating Income adjusted – Paccar: Income before Taxes <sup>2</sup> in SEK +16.2% in USD +19.2%  
 Source: Quarterly Reports, Berylls Strategy Advisors

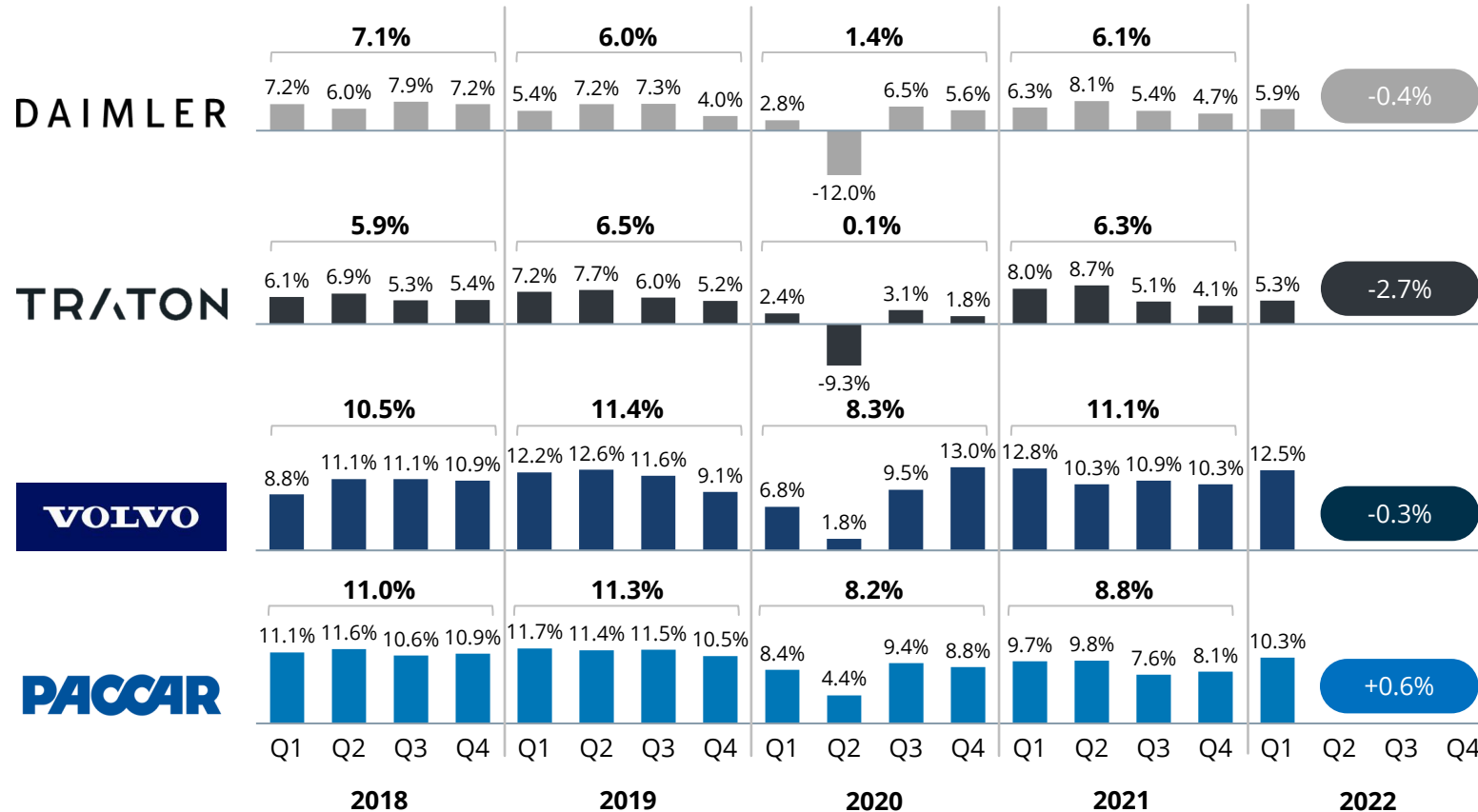


# MARGIN DEVELOPMENT

The average adjusted margin of the global truck players has deteriorated from 9.0% in Q1 2021 to 7.9% in Q1 2022. Volvo and Paccar keep playing in a different league than Daimler and Traton.

## Return on Sales (adjusted)<sup>1</sup>

in %



## Insights

- » Daimler shows solid margins in North America, Europe and Latin America, whereas Asia and the bus business are not satisfactory
- » Traton is suffering from weak deliveries and the low margins of MAN and Navistar
- » Volvo is the clear benchmark in profitability among the global truck players
- » Paccar has achieved double-digit margin in industrial business for the first time since 2019

<sup>1</sup> Daimler: EBIT adjusted – Traton: Operating Result adjusted (excl. Navistar) – Volvo: Operating Income adjusted – Paccar: Income before Taxes.  
Source: Quarterly Reports, Berylls Strategy Advisors

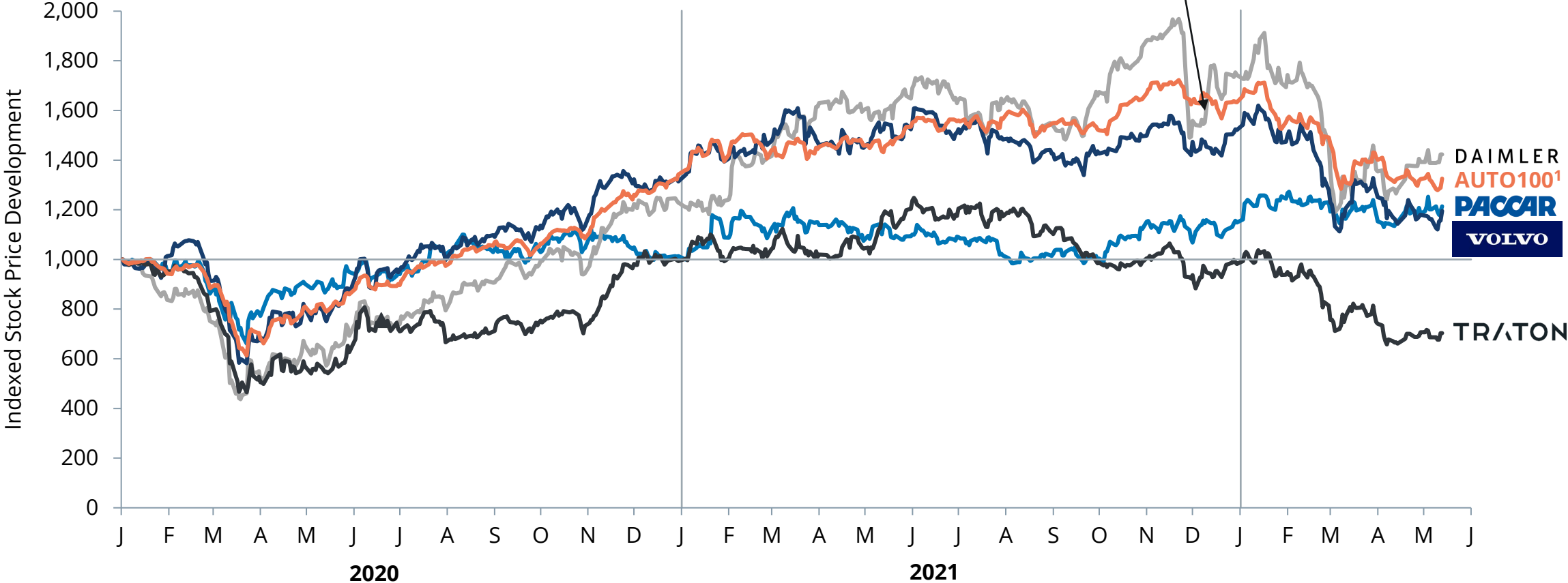


# STOCK PERFORMANCE

Daimler Truck showed the best stock price development of all global truck players since January 2020 and has even outperformed the Auto100 Index since the spin-off in December 2021.

## Stock Price Development

Indexed as of 01.01.2020



1 Berylls' proprietary stock index, covering the entire automobility industry  
Source: yahoo finance, Berylls Strategy Advisors

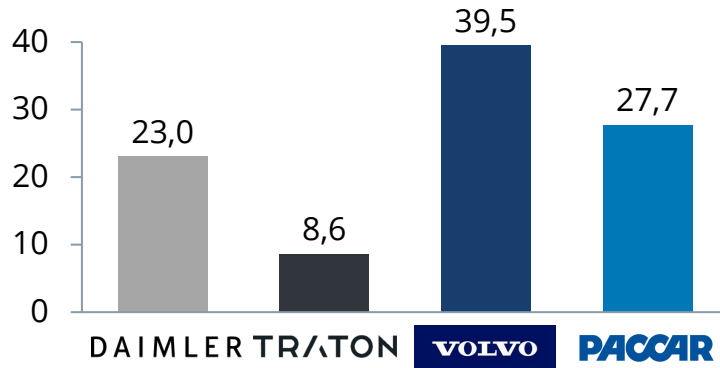


# VALUATION<sup>1</sup>

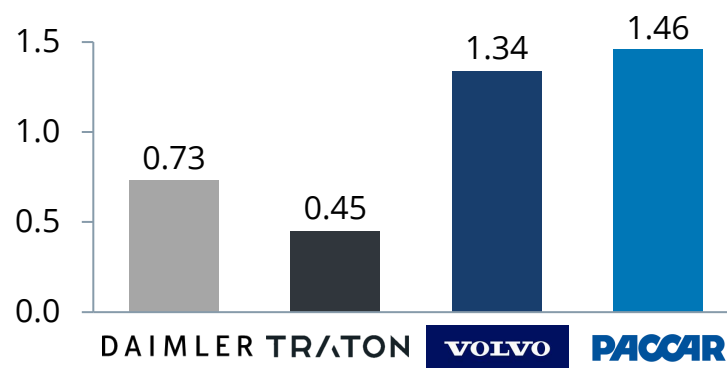
Driven by their superior profitability, Volvo and Paccar have much stronger valuations than their German counterparts Daimler and Traton.

## Market Cap

in bn Euro

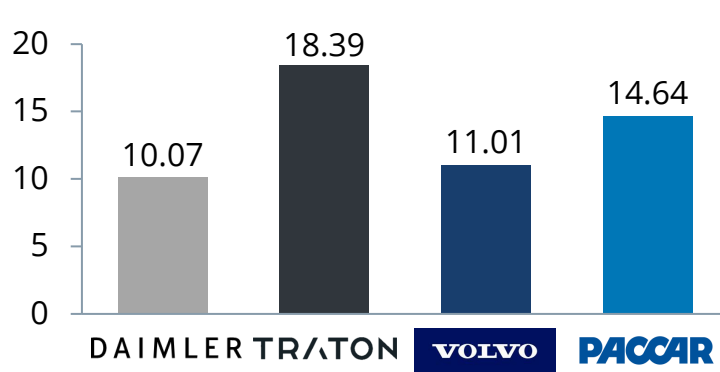


## Revenue Multiple<sup>3</sup>

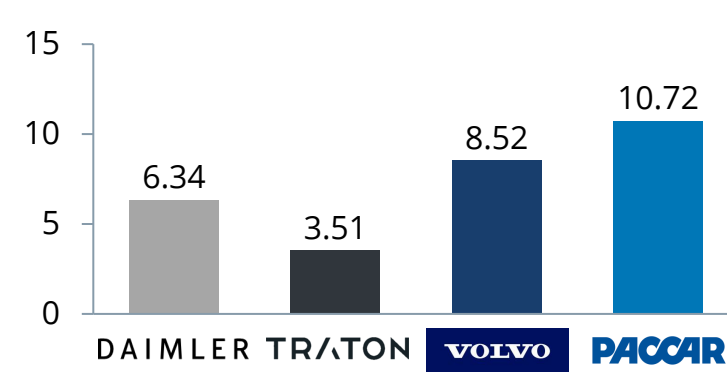


## Price/Earnings Ratio<sup>2</sup>

in %



## EBITDA Multiple<sup>4</sup>



## Insights

- » Daimler's market cap is currently about 9% lower than right after the spin-off in December 2021
- » Traton has lost 33% of its market cap since the IPO in July 2019 and shows by far the weakest valuation
- » Volvo is the most valuable truck manufacturer globally with very reasonable P/E and multiples
- » Paccar achieved the best market cap development year-on-year and outperforms Daimler Truck by factor 2 in terms of revenue multiple

<sup>1</sup> Market cap & valuation KPIs as of 16.05.2022 <sup>2</sup> PE Ratio (trailing twelve months) <sup>3</sup> Enterprise value/revenue <sup>4</sup> Enterprise value/EBITDA  
Source: yahoo finance, Quarterly Reports, Berylls Strategy Advisors



# BUSINESS AS UNUSUAL

The situation on the global truck markets remains unusual: Demand is much higher than supply and inflation has arrived on the sales side of the business. Basically, not the worst conditions to boost profits.

1

## Supply chains remain uncertain

The Ukraine war has added even more uncertainty to supply chains which have been under stress since the recovery from the sharp market decline in Q2 2020. With Shanghai being in lock-down, there are significant risks looking forward.

2

## No signs of weakness on the demand side

Although there are first signs of economic slow-down on the horizon, the need for new trucks is still considerably high. There is a massive pent-up demand and a huge order backlog – 2022 production is sold out.

3

## German OEMs have homework to do

While Volvo and Paccar are very profitable with double-digit margins, both Daimler and Traton need to improve performance, namely for Fuso, MAN and Navistar which are below 5% RoS.



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