



BERYLLS POINT OF VIEW

GLOBAL TRUCK PLAYERS: Q2 2022 REVIEW

GLOBAL TRUCK PLAYERS

The supply side remains the bottleneck for growth of the global truck players in Q2 2022. However, effects on sales and revenues differ significantly between the big 4.

Latest Developments in Q2 2022

DAIMLER	<ul style="list-style-type: none">» Availability of semi-conductors influences production negatively» Major markets North America and Europe rather flat» Unit sales increased by 4% and net revenues by 18%» EBIT adjusted of the industrial business is up 16%
TRATON	<ul style="list-style-type: none">» Massive supply shortages for cable harnesses particularly at MAN» Six-week shutdown of the truck plants in Munich and Krakow» Deliveries increased by 5% and revenues by 33% incl. Navistar¹» Operating return (adj.) and return on sales dropped considerably
VOLVO	<ul style="list-style-type: none">» Continued strong demand for trucks across regions (except China)» Restrictive order intake due to large order books and high inflation» Record revenues in Q2 2022 at 78.6 bn SEK, 51% up year-on-year» Operating income 73% higher than in Q2 2021, RoS at 12.2%
PACCAR	<ul style="list-style-type: none">» Strong freight tonnage, truck utilization and customer demand» Paccar does not report any restrictions from the supply side» Unit sales are up 17% and revenues up 26% versus Q2 2021» Income before taxes 66% higher, backed by a strong dollar



Insights

- » Daimler grows unit sales slightly, but both revenues and profits quite considerably
- » Traton suffers from supply bottlenecks, lower capacity utilization and higher prices in procurement
- » Volvo reports all-time high in sales revenues and continues to be the profitability benchmark among the global truck players
- » Paccar achieves the highest quarterly revenue and profit in the history of the company

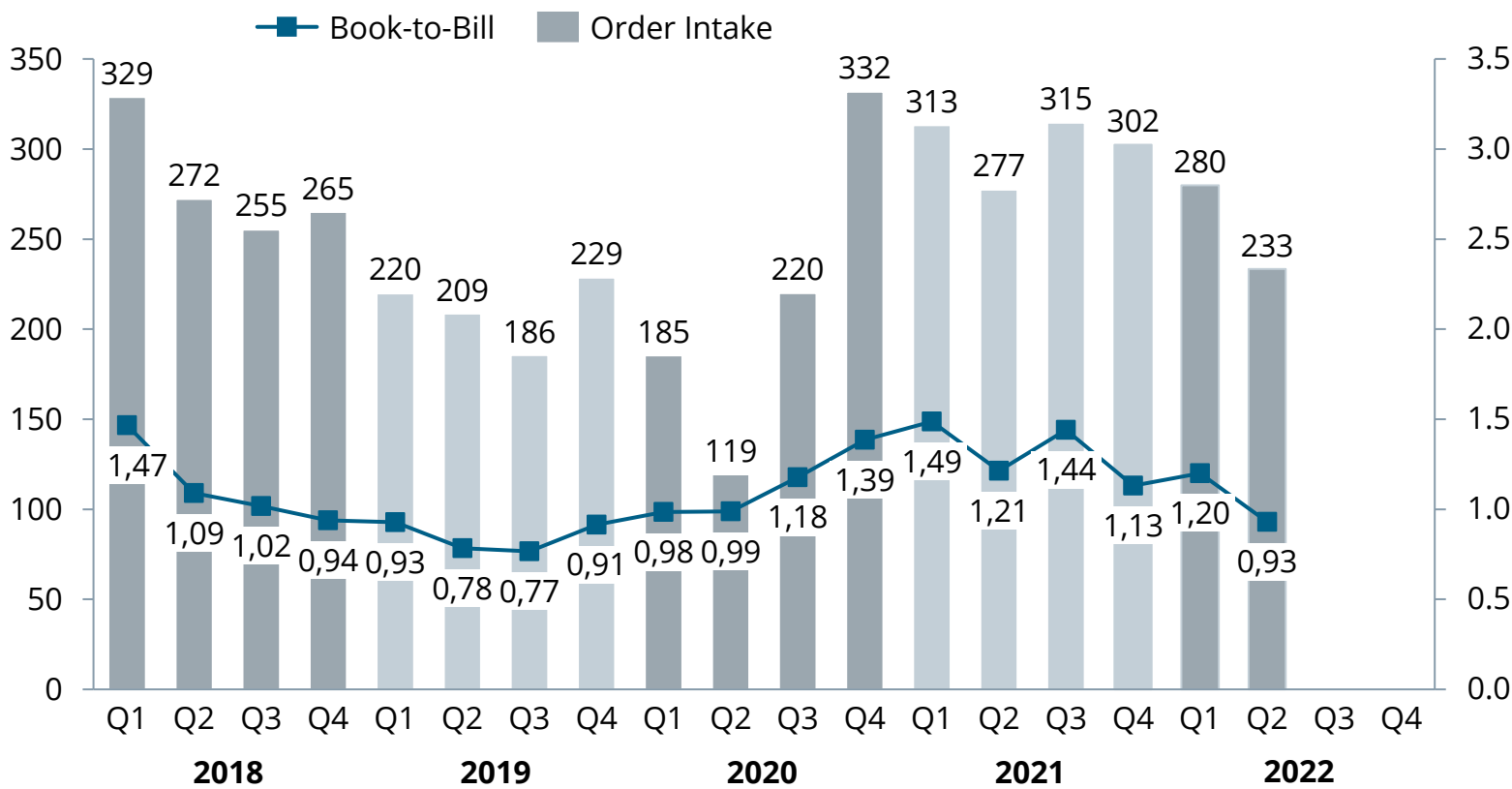
¹ w/o Navistar unit sales would have been down 25% and revenues would have decreased by 2% versus Q2 2021
Source: Quarterly Reports, Berylls Strategy Advisors



GLOBAL TRUCK DEMAND

For the first time since Q2 2020 the order intake of the global truck players drops below the number of deliveries. Reasons are the persistent shortages on the supply side and first signs of economic slowdown.

Order Intake¹ & Book-to-Bill Ratio



Insights

- » Order intake in Q2 2022 is down 16% year-on-year
- » Book-to-bill ratios have dropped below 1.00 for the first time since Q2 2020
- » Order backlogs are still very high, leading to restrictive order acceptance
- » Due to bottlenecks in the supply chain, there is simply not more production capacity available
- » Moreover, first signs of economic slowdown are on the horizon



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



ORDER INTAKE BY MANUFACTURER

All of the global truck players report decreasing order intake and book-to-bill ratios below 1.00 in Q2 2022. While Traton and Volvo mention their full order books as main reasons, Daimler sees the economic environment deteriorating.

Order Intake¹ & Book-to-Bill Ratio

	Order Intake Q2 2021	Order Intake Q2 2022	Delta 22 vs. 21	B-to-B Ratio Q2 2022
DAIMLER	130,300	111,400	-14.5%	0.92
TRATON	89,200	68,600 ²	-23.1%	0.97
	58,000	53,400	-7.9%	0.88
	n.a.	n.a.	n.a.	n.a.



Insights

- » Daimler received 14% less orders than in Q2 2021, driven by North America and Europe
- » Traton's order intake dropped significantly in Q2 2022, mainly due to highly restrictive order acceptance of Scania and MAN
- » Volvo reported lower order intake in Europe because of high order backlog and restrictive order-slotting
- » Paccar reports strong freight tonnage, excellent truck utilization and ongoing customer demand

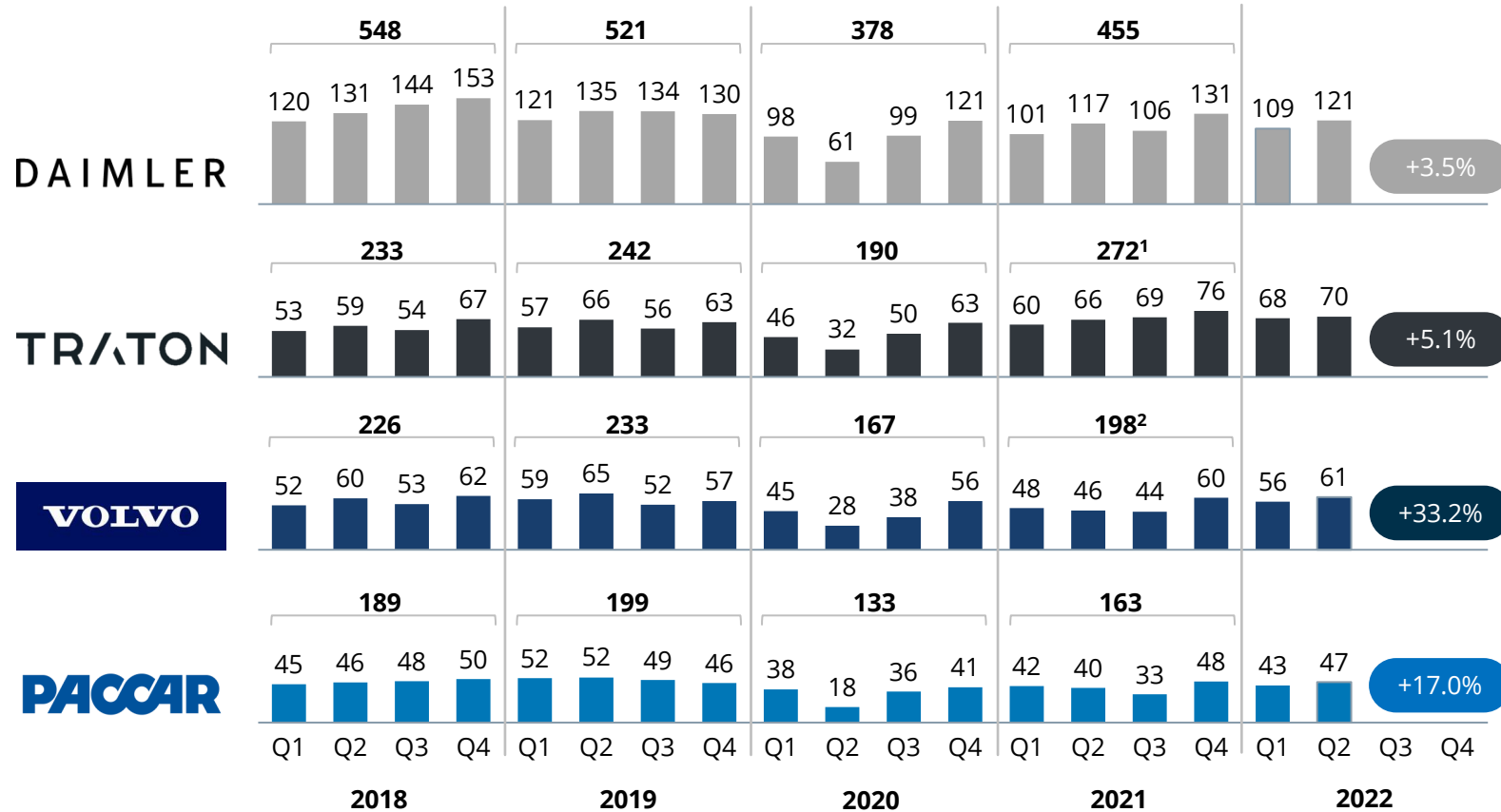
¹ Daimler Truck, Traton, Volvo Group (Paccar does not publish incoming orders)
Source: Quarterly Reports, Berylls Strategy Advisors



UNIT SALES DEVELOPMENT

Deliveries of the global truck players are up 11% year-on-year. Volvo and Paccar outperform their German competitors clearly in Q2 2022.

Unit Sales
in 1,000 units



Insights

- » Daimler increased unit sales slightly, mainly driven by higher volumes in Asia and in the bus segment
- » Traton delivered 5% more vehicles incl. Navistar, despite lower volumes at Scania (-23%) and MAN (-35%)
- » Volvo increased deliveries and strongly gained market share in Europe (Volvo +4.2% and Renault +1.2%)
- » Paccar reports 17% higher unit sales, driven by all regions and all brands

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

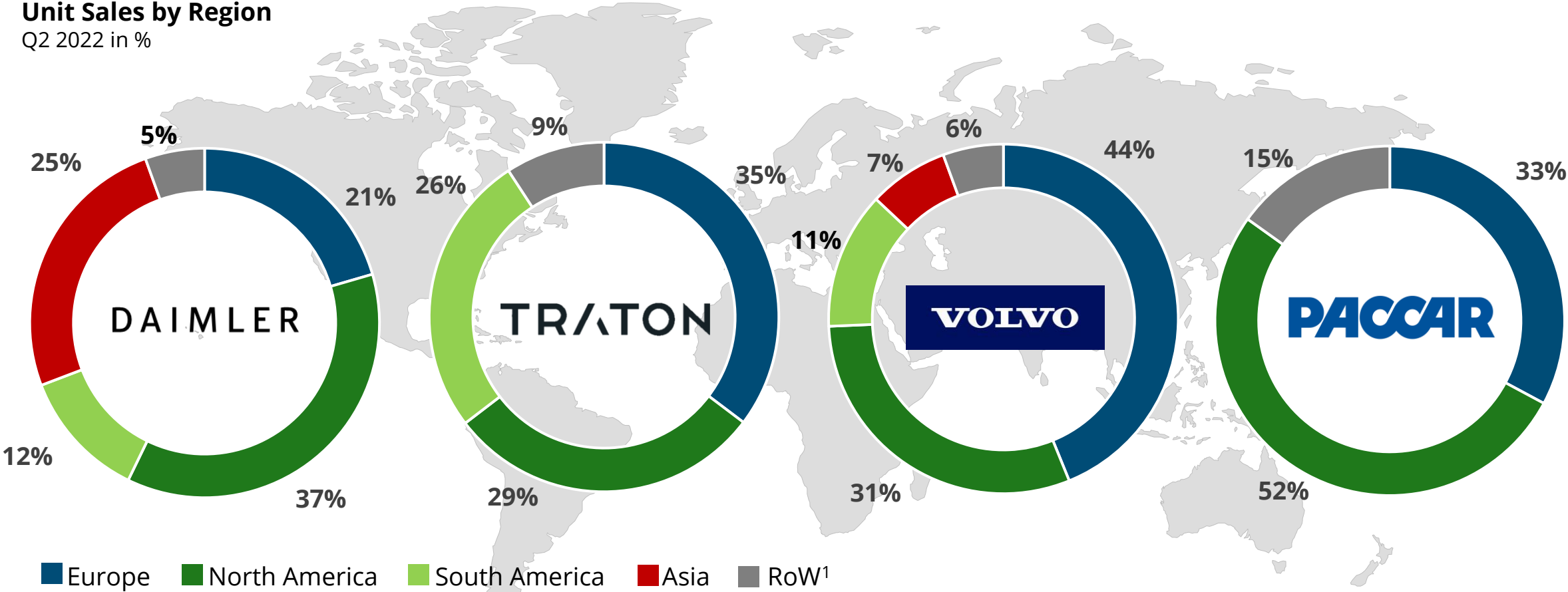


REGIONAL SALES SPLIT

North America is the leading region with an overall share of 36% in Q2 2022. Traton benefits from the integration of Navistar, Volvo and Paccar have increased their sales in the U.S. over proportionally.

Unit Sales by Region

Q2 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

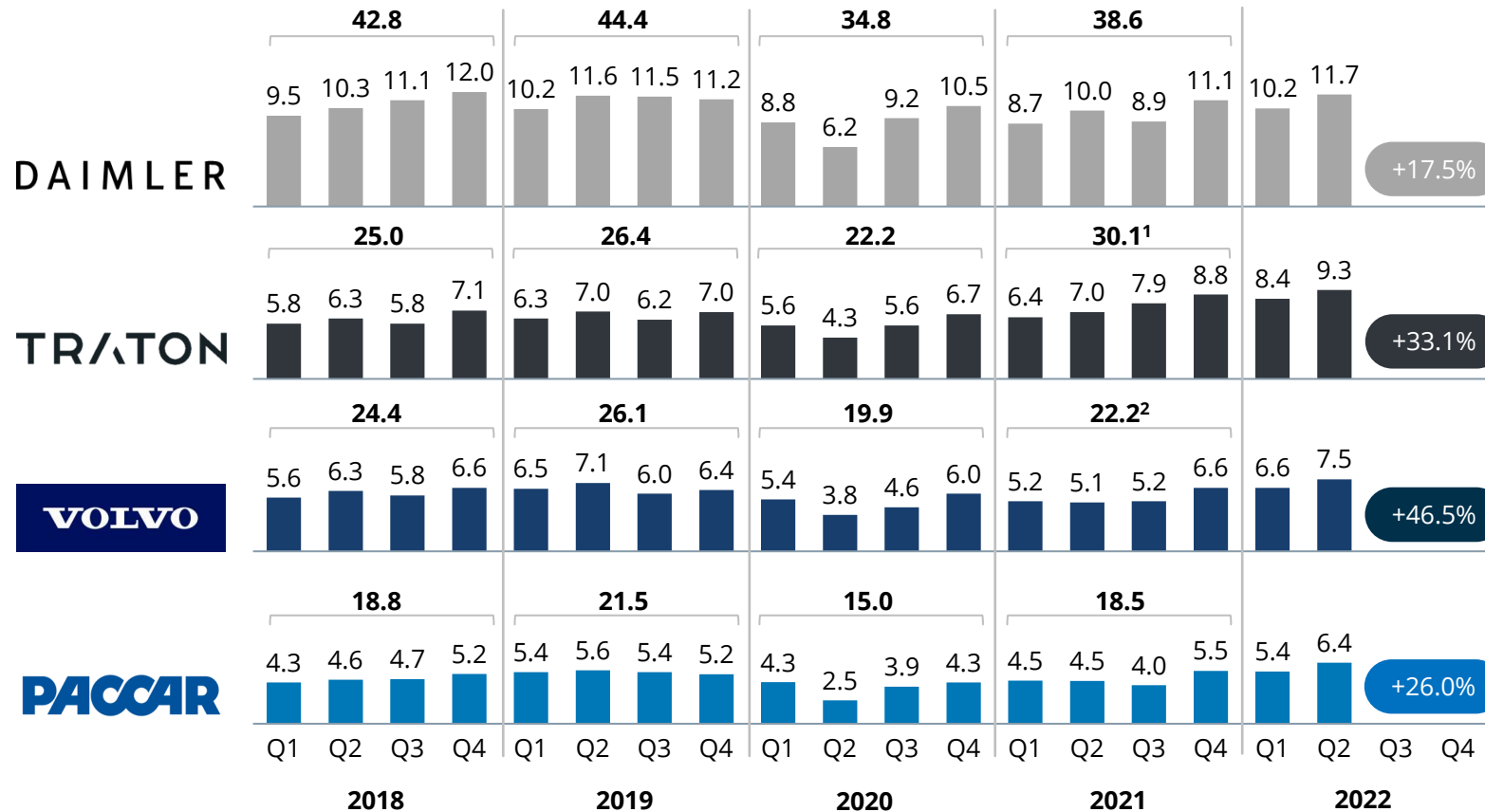


NET REVENUE DEVELOPMENT

The global truck players report another quarter of strong sales growth. On average, net revenues of the industrial business increased by 31%.

Net Revenue (Industrial Business)

in bn Euro



Insights

- » Daimler increased net revenue by 18%, which was backed by the strong dollar (exchange rate adjusted growth was 11%)
- » Traton achieved record sales revenues incl. Navistar; w/o the U.S. subsidiary, revenues would have declined by 1.8%
- » Volvo grew sales revenues by 47% and achieved an all-time high in Q2 2022
- » Paccar also reports highest sales revenues ever, driven by increased deliveries of trucks and record parts sales

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

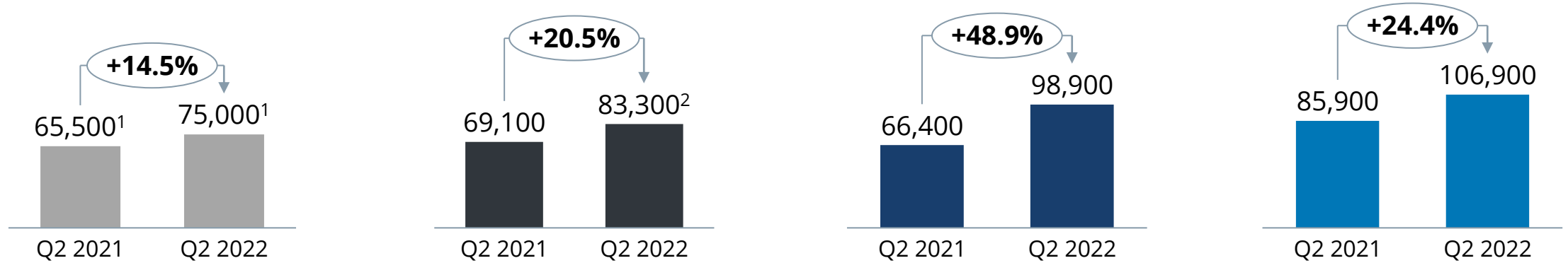


NET REVENUE COMPOSITION

Revenue per vehicle (in Euro) increased by 25% on average. Main drivers are significant price measures, favorable product mix effects, and the strong appreciation of the U.S. dollar.

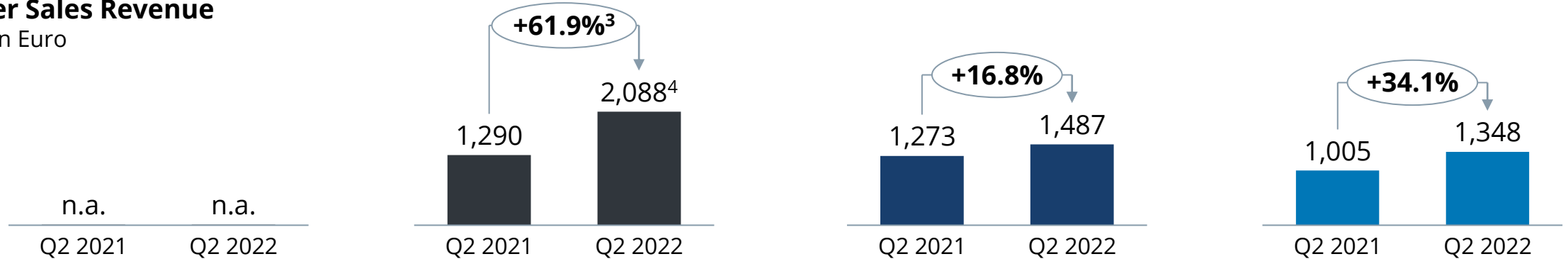
Revenue per Vehicle

in 1,000 Euro



After Sales Revenue

in mn Euro



DAIMLER

TRATON

VOLVO

PACCAR

¹estimated ²incl. Navistar ³w/o Navistar +15.2% ⁴thereof Navistar 602 mn Euro

Source: Quarterly Reports, Berylls Strategy Advisors

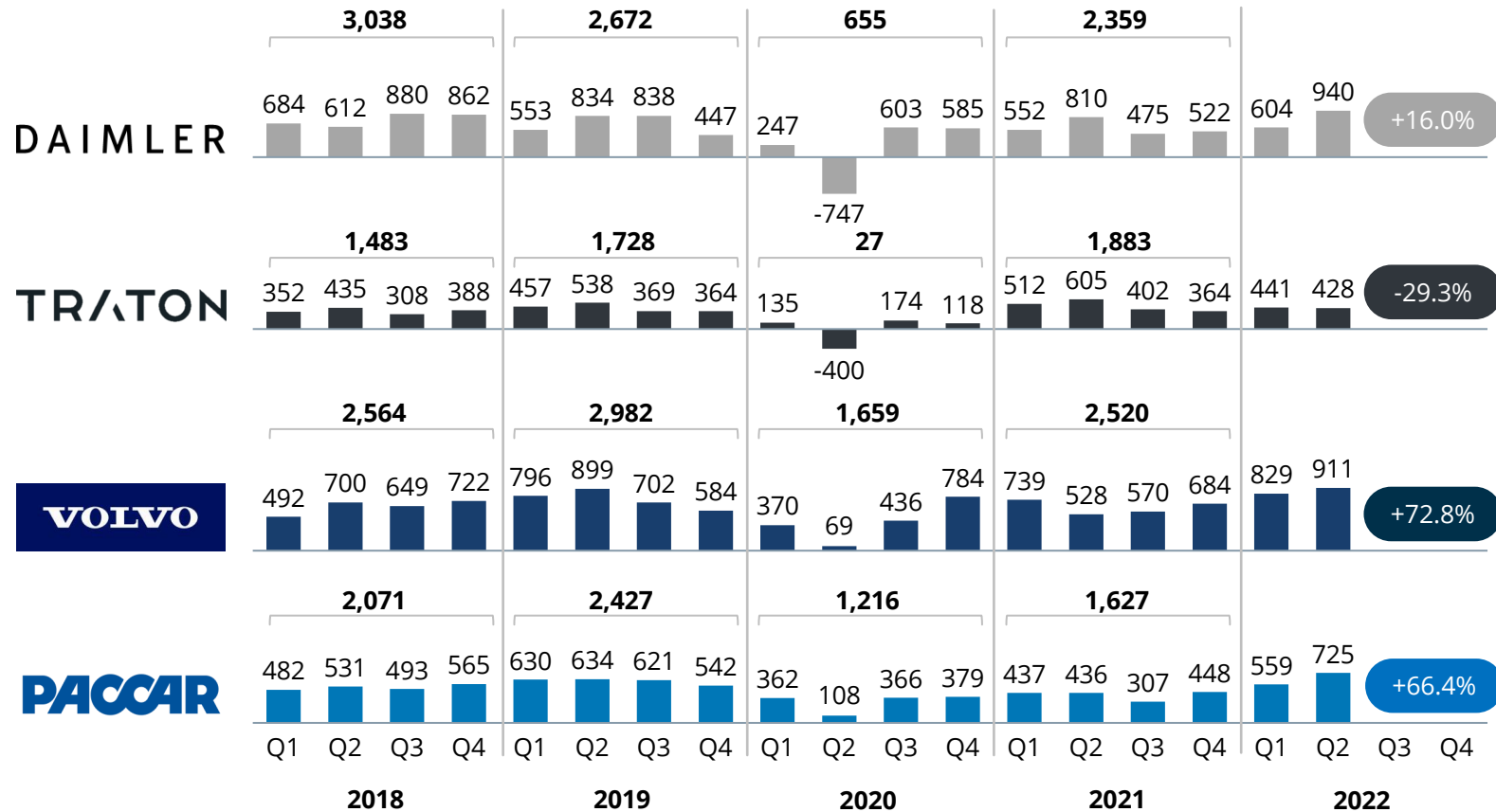


OPERATING PROFIT DEVELOPMENT

The big 4 generated an operating profit (adjusted) of 2.9 bn Euro in Q2 2022 which is 23% higher than previous year and the highest cumulated quarterly profit ever.

Operating Profit (adjusted)¹

in mn Euro



Insights

- » Daimler increased the adjusted EBIT by 16%, which is mainly accountable to the successful turnaround of Mercedes-Benz Trucks
- » Traton reports significantly lower operating results, due to Scania (-160) and MAN (-131)
- » Volvo's operating income is back on pre-crisis level and 73% higher than previous year
- » Paccar has also completely recovered from the crises and increased profit by 66% (backed by a strong dollar)

¹ Daimler: EBIT adjusted – Traton: Operating Result adjusted – Volvo: Operating Income adjusted – Paccar: Income before Taxes
Source: Quarterly Reports, Berylls Strategy Advisors

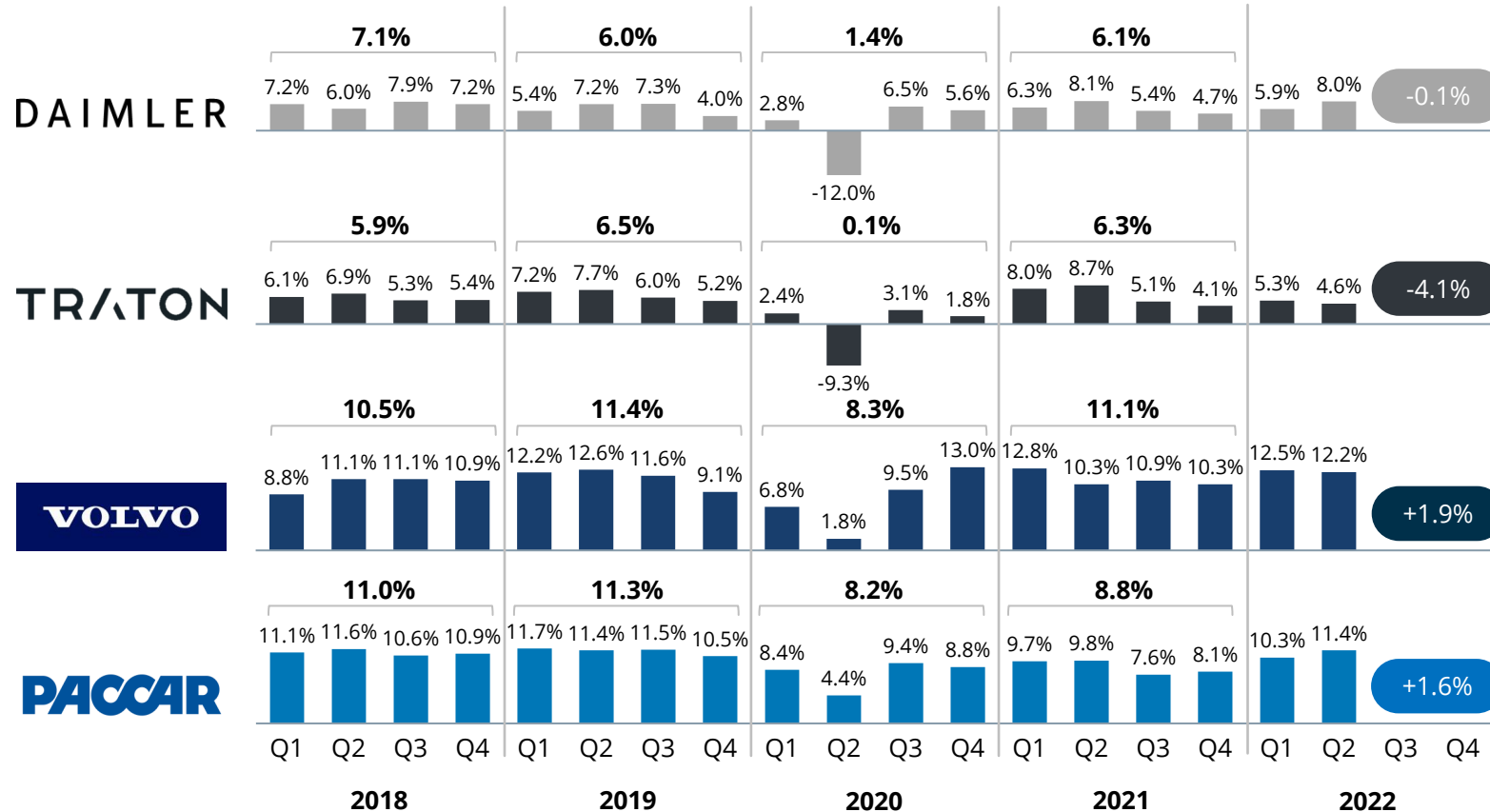


MARGIN DEVELOPMENT

In Q2 2022 the global truck players have achieved an average return on sales (adjusted) of 8.4% which is 0.6% lower than the year before. Traton keeps holding the taillight with regard to profitability.

Return on Sales (adjusted)¹

in %



Insights

- » Daimler's margin is on previous year's level – while Mercedes-Benz Trucks is back in double-digit profitability, the RoS of the Asia business is not satisfactory
- » Traton's RoS decreases sharply versus Q2 2021 and is still far from the strategic target of 9%
- » Volvo remains the most profitable truck manufacturer with a RoS of 12.2% in Q2 2022
- » Paccar's margin is back on pre-crisis level with a return on sales of 11.4%

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

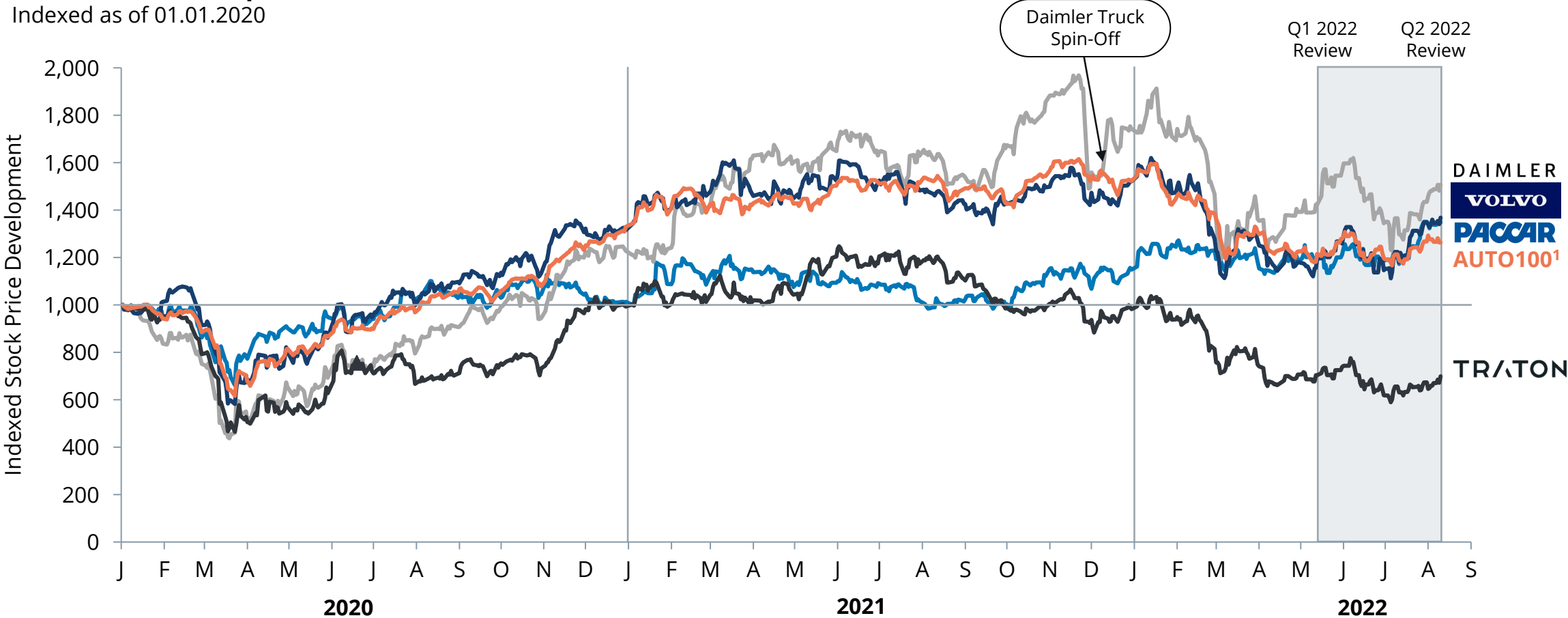


STOCK PERFORMANCE

Since our last quarterly review, Volvo and Paccar have gained 14% and 12% respectively. By contrast, Daimler and Traton share prices are more or less on the same level as before.

Stock Price Development

Indexed as of 01.01.2020



¹ Berylls LeanVal Automobility Leaders (AUTO100) Index
Source: yahoo finance, Berylls Strategy Advisors

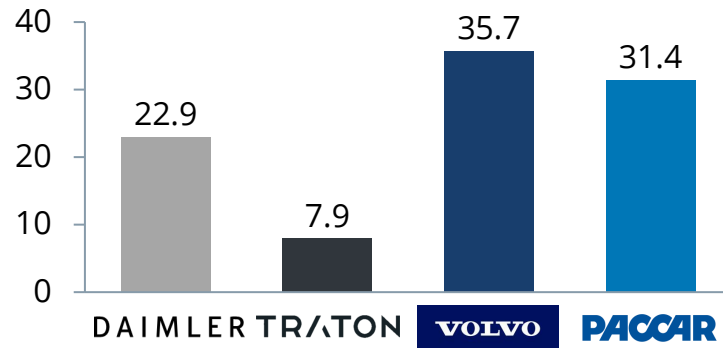


VALUATION¹

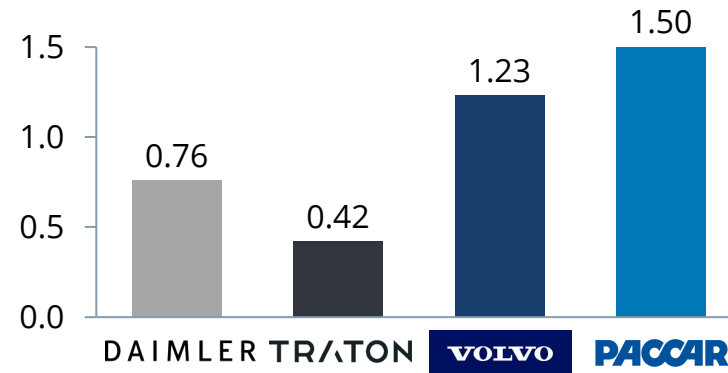
Paccar and Volvo have the highest valuations, Daimler seems to have the credibility to improve further going forward. Traton is an exceptional case still struggling to successfully manage the turnaround.

Market Cap

in bn Euro

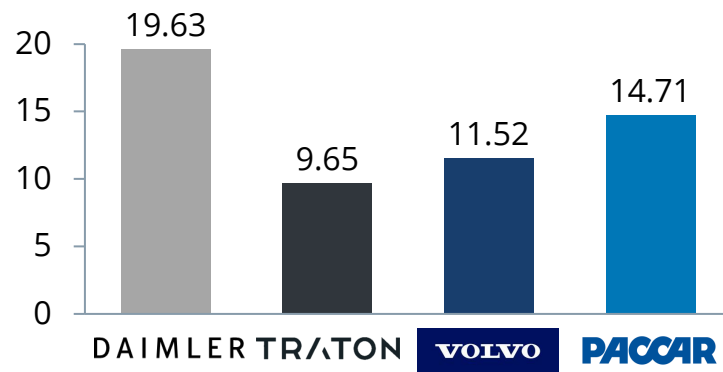


Revenue Multiple³

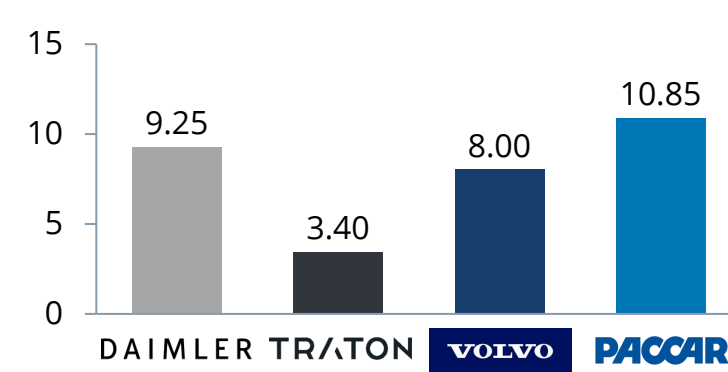


Price/Earnings Ratio²

in %



EBITDA Multiple⁴



Insights

- » Volvo is the most valuable truck manufacturer in the world with a market cap of 35.7 bn Euro (incl. construction equipment and engine business)
- » Paccar has the highest valuation from a pure truck perspective as well as regarding revenue and EBITDA multiples
- » Daimler shares are quite highly priced with a price/earnings ratio of nearly 20
- » Traton's valuation reflects the ongoing gap between target profitability and actuals

¹ Market cap & valuation KPIs as of 11.08.2022 ² PE Ratio (trailing twelve months) ³ Enterprise value/revenue ⁴ Enterprise value/EBITDA
Source: yahoo finance, Quarterly Reports, Berylls Strategy Advisors



TURNING SCARCITY INTO PROFIT

High demand in combination with supply restrictions drives vehicle prices and margins up. On top of that, excellent fleet capacity utilization leads to record after sales revenues for the truck industry.

1

Highest quarterly profit ever

The big 4 truck manufacturers have earned cumulated 2.9 bn Euro in Q2 2022 – more than ever before. Main drivers were significant price increases, a positive product mix development as well as favorable exchange rate effects.

2

Supply side remains key to success

Bottlenecks on the supply side, caused by the Ukraine war and the COVIC lockdown in China, limit production volumes and unit sales. There are significant differences in how truck OEMs cope with the current situation.

3

Book-to-bill ratio below 1.0

For the first time since Q2 2020 the incoming orders were below deliveries, meaning that the truck industry will probably lose pace next year – there are first signs for an economic slowdown.





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