







BERYLLS POINT OF VIEW

GLOBAL TRUCK PLAYERS: FY 2022 REVIEW

GLOBAL TRUCK PLAYERS

Best year ever for the Big 4 global truck players: 144 bn Euro revenues (+ 31%) and 12 bn Euro operating profit (+ 46%) lead to an average return on sales of 8.5%.

Important Developments in FY 2022

	<ul style="list-style-type: none"> » High order backlog & pent-up demand cause upward market trend » Unit sales significantly above previous year level (+ 14%) » Revenue of industrial business reaches nearly 50 bn Euro (+ 27%) » EBIT (adj.) almost 60% above previous year, leading to 7.7% RoS
	<ul style="list-style-type: none"> » Traton reports significant drop of order intake (- 22% excl. Navistar) » Six-week shutdown of the MAN truck plants in Munich and Krakow » Revenue increased to nearly 40 bn Euro, mainly driven by Navistar » Operating return (adj.) 20% above previous year with 5.7% RoS
	<ul style="list-style-type: none"> » Volvo reports market share gains both in Europe and the Americas » Record deliveries in all regions amounting to 232,600 units » Revenues reached an all-time high of 311 bn SEK (29 bn EUR) » Operating income 17% above previous year, adjusted RoS of 10.9%
	<ul style="list-style-type: none"> » Strong demand based on good freight markets and high fleet age » Paccar reports market share gains both in Europe and the Americas » Unit sales up 14% and revenues up 25% to 27 bn USD (26 bn EUR) » Income before taxes 66% above previous year, record RoS of 11.7%



Insights

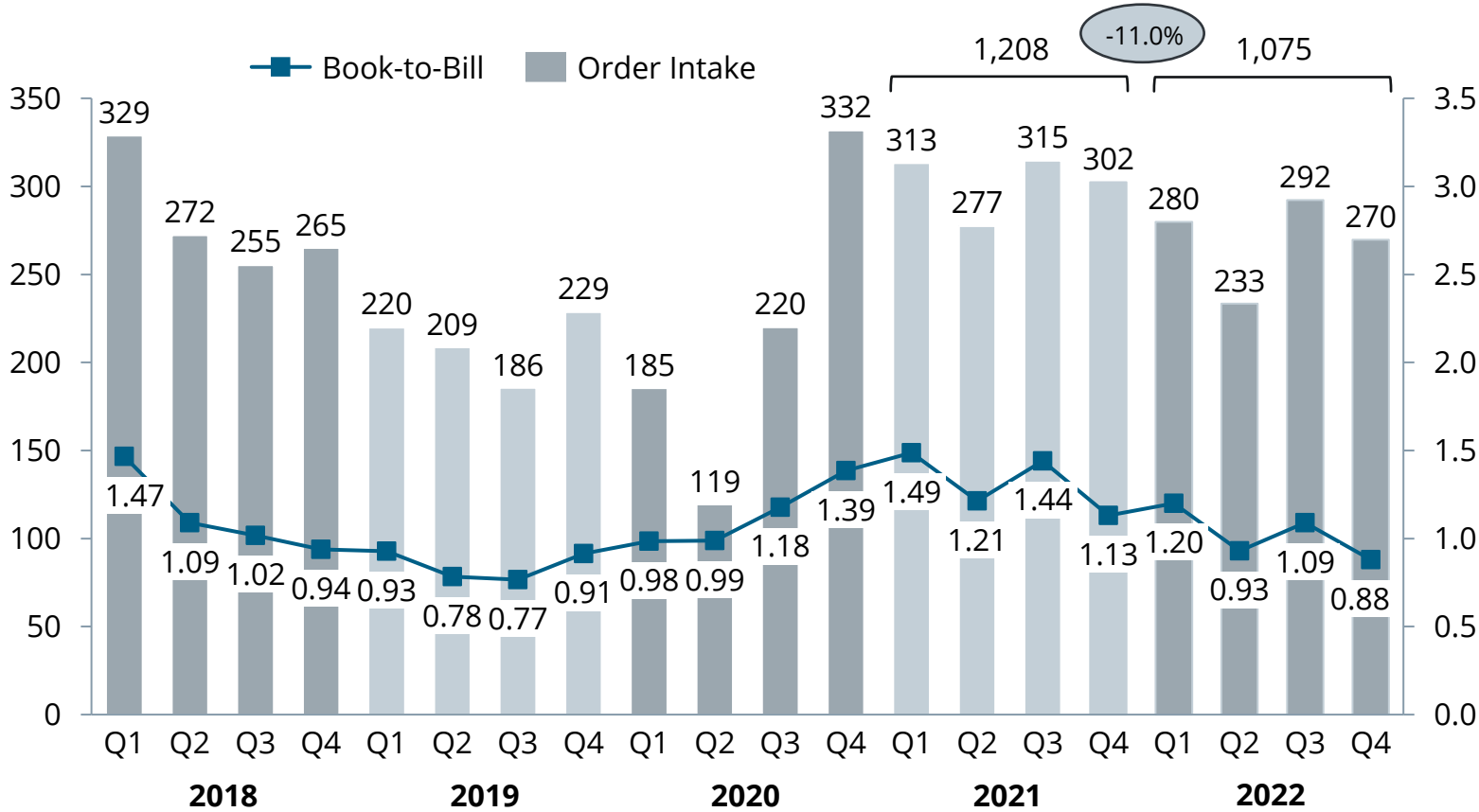
- » Daimler grows revenues and profit by higher unit sales, price increase and positive USD exchange rate effect
- » Traton's first full year including Navistar sees growing revenue and profit, but no margin improvement so far
- » Volvo reports all-time high in deliveries and sales revenues and achieves a new record operating income
- » Paccar achieves by far the highest revenue and profit in the history of the company



GLOBAL TRUCK DEMAND

Order intake shows a downward trend in 2022 (- 11.0% vs. previous year). Book-to-bill ratio remains volatile from quarter to quarter with an annual average of 1.02.

Order Intake¹ & Book-to-Bill Ratio



Insights

- » Order intake below previous year for five quarters in a row
- » Book-to-bill ratio has dropped below 1.00 for the first time since Q2 2020 last year
- » All manufacturers report high order backlogs
- » Shortages in the supply chain and high inflation lead to a restrictive order acceptance
- » Moderate market outlook: total heavy-duty truck market between 270,000 and 320,000 units expected for both North America and Europe



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



ORDER INTAKE BY MANUFACTURER

Markets continued to be supply-driven throughout 2022. Demand for trucks was strong in all regions except China, that suffered from low economic activity due to COVID lockdowns.

Order Intake¹ & Book-to-Bill Ratio

	Order Intake FY 2021	Order Intake FY 2022	Delta 22 vs. 21	B-to-B Ratio FY 2022
DAIMLER	590,000	522,800	-11.4%	1.00
TRATON	360,000	334,600	-7.1% ²	1.10
	257,900	217,800	-15.5%	0.94
	n.a.	n.a.	n.a.	n.a.



Insights

- » Daimler received 11% less orders than in 2021, order backlog relatively stable
- » Traton's order intake dropped significantly in 2022, mainly due to restrictive order acceptance of Scania and MAN, partly offset by Navistar
- » Volvo reports strong drop of order intake and book-to-bill ratio in Q4 due to restrictive order slotting
- » Paccar does not report order intake statistics but gives a positive outlook on 2023

¹ Daimler Truck, Traton, Volvo Group (Paccar does not publish incoming orders) ² Traton incl. Navistar – w/o Navistar: -21.7%
Source: Annual Reports, Berylls Strategy Advisors



UNIT SALES DEVELOPMENT

Deliveries of the global truck players sum up to 1.2 mn vehicles which is 14% above previous year and slightly higher than pre-crisis level.

Unit Sales

in 1,000 units



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



Insights

- » Daimler increased unit sales by 14%, positive development in all operating units
- » Traton delivered more vehicles despite decreasing volumes at Scania (-6%) and MAN (-10%), driven by Navistar
- » Volvo increased deliveries to pre-crisis level even though UD Trucks is no longer part of the group
- » Paccar reports unit sales 14% above previous year but not yet back on pre-crisis level

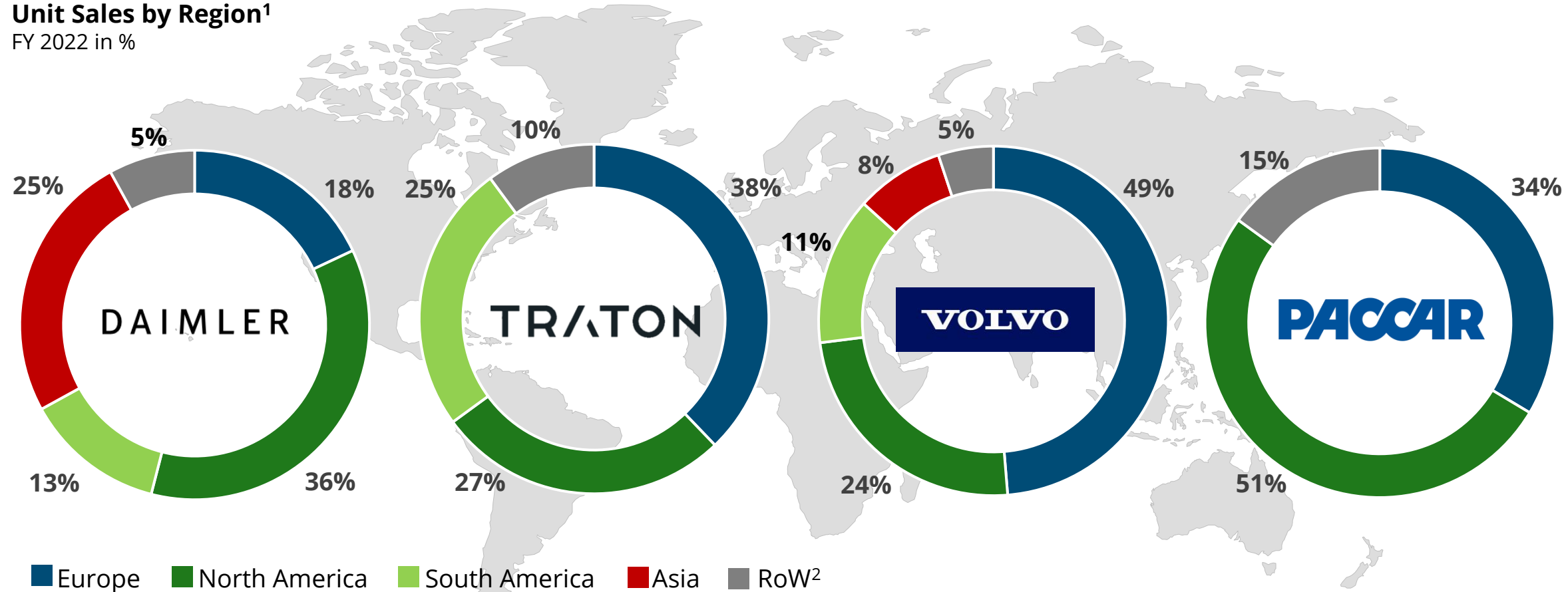


REGIONAL SALES SPLIT

North America and Europe represent 34% and 31% of the global truck player's sales. Daimler has the highest exposure to Asia, Traton is leading in South America.

Unit Sales by Region¹

FY 2022 in %



¹ Traton incl. Navistar, Volvo excl. UD Trucks ² Rest of World (for Traton incl. Asia, for Paccar incl. South America & Asia)
 Source: Annual Reports, Berylls Strategy Advisors



NET REVENUE DEVELOPMENT

The global truck players report another year of strong sales growth. On average, net revenues of the industrial business increased by 31% to an all-time high of 144 bn Euro.

Net Revenue (Industrial Business)

in bn Euro



Insights

- » Daimler increased net revenue by 27% year-on-year, driven by higher prices and backed by the strong dollar
- » Traton achieved record sales revenues including Navistar; w/o the U.S. subsidiary, they would have grown by 10% only
- » Volvo grew sales revenues by 30% and achieved an all-time high in 2022
- » Paccar also reports highest sales revenues ever, driven by increased unit sales and prices as well as record parts sales

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

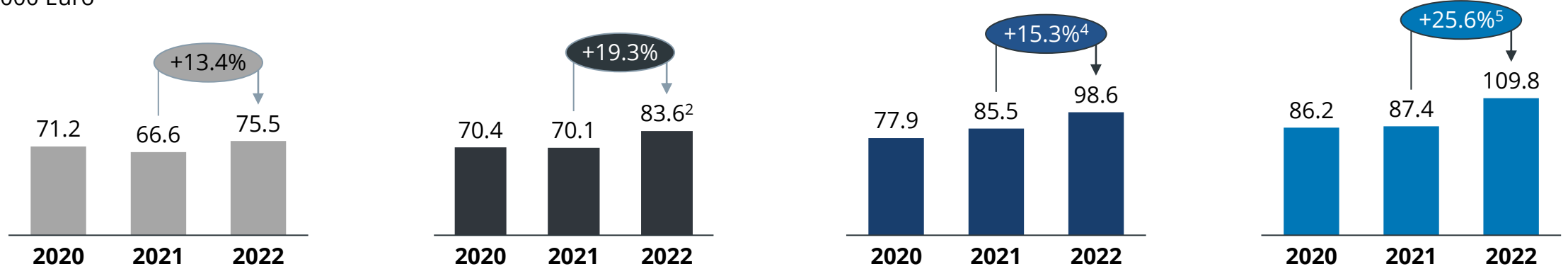


NET REVENUE COMPOSITION

Paccar achieves by far the highest revenue per truck, partly due to the high U.S. share of unit sales and the strong appreciation of the dollar in 2022. High fleet utilization drives after sales revenues up.

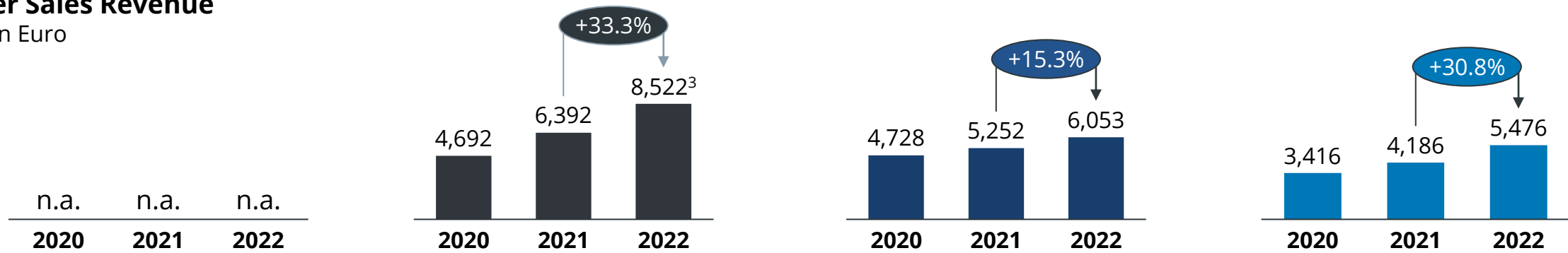
Revenue per Vehicle¹

in 1,000 Euro



After Sales Revenue

in mn Euro



DAIMLER

TRATON

VOLVO

PACCAR

¹Daimler estimated ²Traton incl. Navistar – no significant effect on average revenue/vehicle ³Traton incl. Navistar – w/o Navistar: 6,160 mn Euro (+15.2%) ⁴In local currency (SEK): +21.8% ⁵In local currency (USD): +11.9%
 Source: Annual Reports, Berylls Strategy Advisors



OPERATING PROFIT DEVELOPMENT

The Big 4 generated an operating profit (adjusted) of 12.3 bn Euro in 2022 which on average is 46% higher than previous year and the highest cumulated annual profit ever.

Operating Profit (adj.)¹
in bn Euro



Insights

- » Daimler increased the EBIT (adj.) by 60%, which is mainly due to North America and the successful turnaround of Mercedes-Benz Trucks
- » Traton reports record profit, but significant declines at Scania (-97 mn Euro) and MAN (-110 mn Euro)
- » Volvo's operating income (adj.) is on an all-time high: 200 mn Euro (7%) above pre-crisis level
- » Backed by a strong dollar, Paccar achieves a profit increase of 87% year-on-year

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



MARGIN DEVELOPMENT

In 2022 the global truck players have achieved an average return on sales (adjusted) of 8.5%. Paccar is the new leader in profit margin, Traton's profitability is not even half as high.

Return on Sales (adj.)¹ in %



Insights

- » Daimler's profitability is above pre-crisis level – but there is still a significant gap to margin ambition in Asia and in the bus business
- » Traton's RoS decreases versus 2021 and is still far from the strategic target of 9%
- » Volvo does not reach the RoS level of 2021 due to a relatively weak second half year
- » Paccar's margin of 11.7% sets a new benchmark among the Big 4 truck manufacturers

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

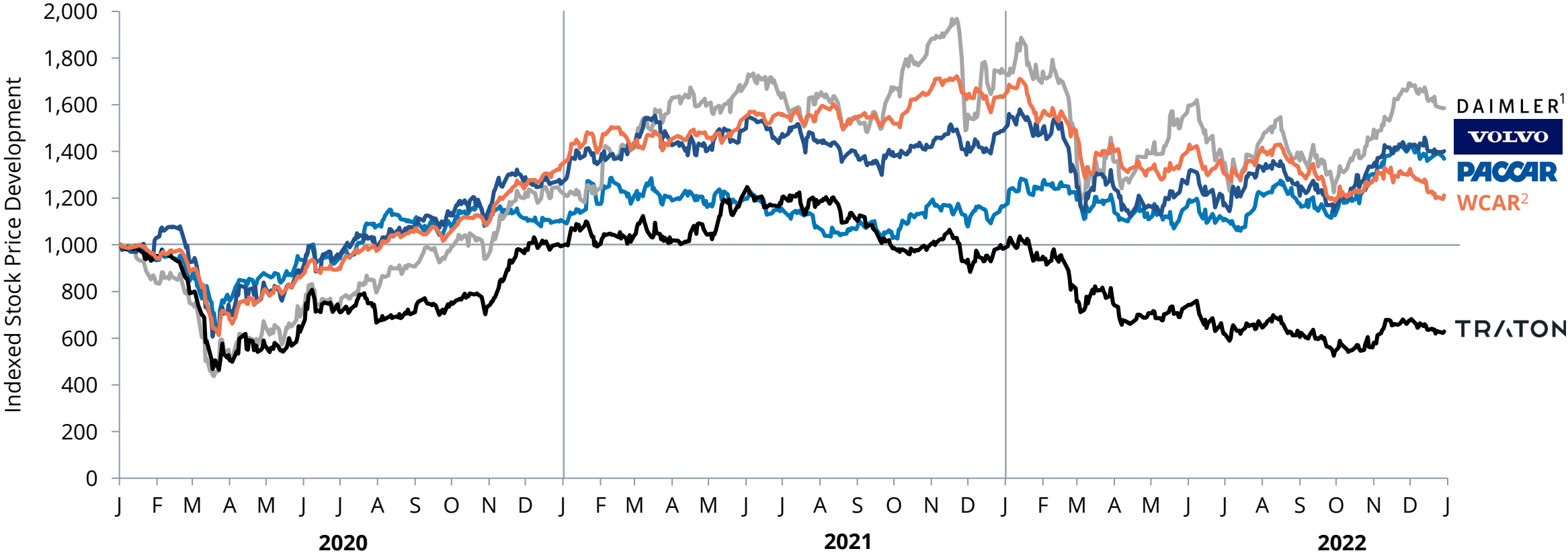


STOCK PERFORMANCE

Only Paccar with positive share price development (+16%) in 2022, defying the general downward trend. Daimler and Volvo with moderate declines (-8% and -7% respectively), while Traton lost 37% year-on-year.

Stock Price Development

Indexed as of 01.01.2020



1 Daimler: Daimler AG until 09.12.2021, Daimler Truck AG from 10.12.2021 2 WisdomTree Berylls LeanVal Global Automotive Innovators NTR Index
 Source: yahoo finance, Berylls Strategy Advisors

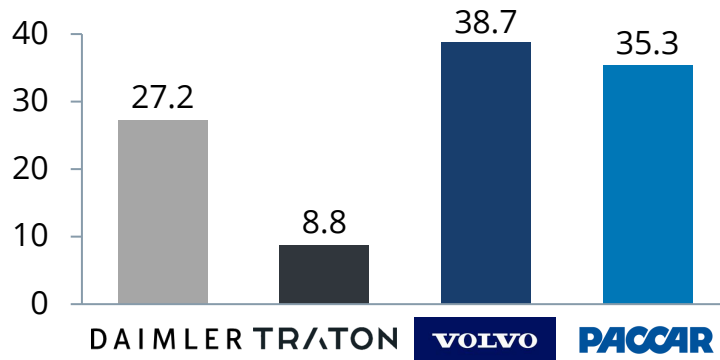


VALUATION¹

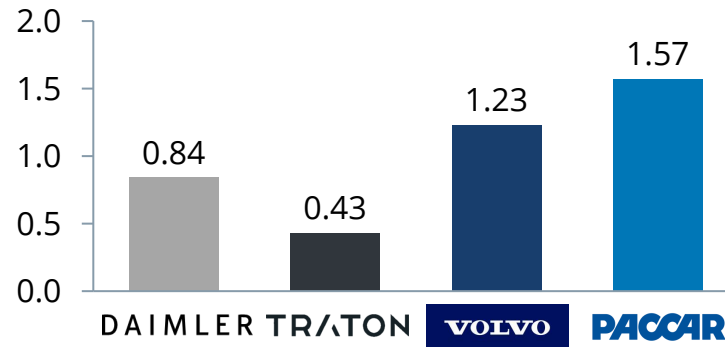
Paccar's business success is reflected in a constantly high valuation in terms of market cap and multiples. Traton holds the taillight, while Daimler is somewhere in between.

Market Cap

in bn Euro

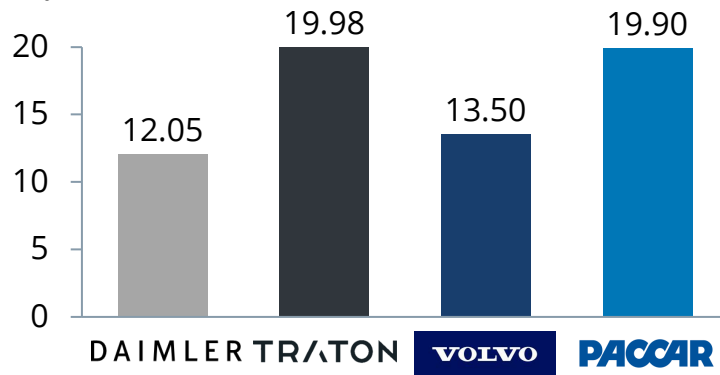


Revenue Multiple³

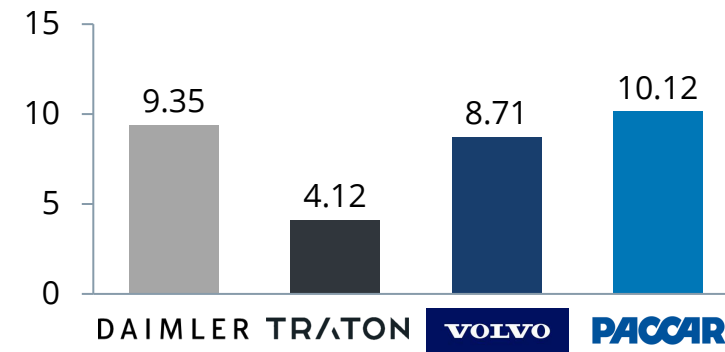


Price/Earnings Ratio²

in %



EBITDA Multiple⁴



Insights

- » Considering that Volvo includes also non-truck business, Paccar is currently the most valuable truck manufacturer in the world
- » Paccar has also the highest revenue and EBITDA multiples, followed by Volvo
- » Daimler shares are moderately priced with a price/earnings ratio around 12
- » Traton's valuation reflects the need for improvement: market cap and multiples significantly deviate from industry peers

¹ Market cap & valuation KPIs as of 14.03.2023 ² PE Ratio (trailing twelve months) ³ Enterprise value/revenue ⁴ Enterprise value/EBITDA
Source: yahoo finance, Berylls Strategy Advisors



A RECORD YEAR

Regarding unit sales, revenues and profits, 2022 was an absolute record year for the Big 4 global truck manufacturers. High demand for trucks and services in combination with supply bottlenecks drove prices and margins up.

1

Highest Annual Profit Ever

The Big 4 truck manufacturers have earned cumulated 12.3 bn Euro in 2022 – more than ever before. Main drivers were substantial price increases, excellent after sales revenues as well as favorable exchange rate effects.

2

The Paccar Story

There is a clear benchmark in performance and profitability: U.S. based Paccar group with its subsidiary DAF in Europe. Top products, customer centricity and lean management are the foundation of this success.

3

Moderate Outlook

Although order intake has declined and remains volatile, a recession is very unlikely. High pent-up demand and order backlog are positive signs for another good year for the truck industry.





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