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Transforming Commercial Mobility
Traton SE Equity Research Report

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Abstract

This Report provides a comprehensive analysis of Traton SE, evaluating the company's strategic positioning, industry trends, and financial performance to determine its investment potential. Traton's focus on sustainable technologies, geographic expansion, and recurring revenue streams positions it as a strong player in the transforming commercial vehicle industry. Supported by robust revenue growth and its strategic presence in high-potential markets, the company is well positioned in its competitive landscape. Based on this, this report issues a **Buy recommendation**, reflecting Traton's ability to capitalize on growth opportunities and long-term value creation.

Keywords: Commercial Vehicles, Zero-Emission Transition, Sustainability

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This report is part of the Traton SE Equity Research report (annexed), developed by Nicolas Constantin Koerner and Leon A. Wolff and should be read as an integral part of it.

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Introduction

This report is part of the joint equity research work project evaluating the investment potential of Traton SE, a global leader in the commercial vehicle industry. By analysing the company's strategic positioning, industry trends, and financial performance, the report highlights the key factors driving Traton's growth and competitive advantages during a transformative period for the sector.

Traton is at the forefront of the industry's shift toward zero-emission technologies and transport-as-a-service (TaaS) models, supported by its diverse brand portfolio, which includes Scania, MAN, Navistar, and Volkswagen Truck and Bus (VWTVB). The company's strong presence in Europe, North America, and Latin America, combined with its leadership in electrification and digitalization, positions it well to capitalize on key market trends.

This individual report covers the first part of the joint report, hence the company overview, the macroeconomic and industry overview as well as the financial statement analysis. It lays the groundwork for understanding Traton's performance, strategy, and market environment, serving as the foundation for the second part of the joint report. The second part covers the Financial Projections, intrinsic and relative Valuation, a SWOT and ESG analysis, and Final Recommendation.

Together, these analyses present a holistic view of Traton SE's strategic strengths, financial health, and growth potential, underlining the company's ability to deliver long-term value to its shareholders in a rapidly evolving commercial vehicle market.

Overall, Traton's strategic alignment with global sustainability trends, its expanding geographical reach, and robust financial foundation underline the recommendation to BUY, offering strong growth potential in a transforming market.

Company Overview

Traton SE is a global commercial vehicle manufacturer headquartered in Munich, Germany. Founded in 2015 as part of the Volkswagen Group, Traton consists of the Brands Scania, MAN, Navistar, and Volkswagen Truck and Bus and has been publicly listed since 2019 (8TRA). This ownership structure provides Traton with significant strategic support, such as shared R&D resources, synergies in production, and supply chain efficiencies. With more than 103,000 employees Traton generated €46.9bn in revenue in 2023. The company operates 33 production and assembly sites worldwide across 12 locations in Europe, North America, Asia and Latin America. Sustainability stands at the core of Traton's long-term strategy, aligning with growing regulatory focus on emissions reduction and environmental impact. Traton's commitment to reduce CO2 emissions across all its products is underlined by its goal to achieve carbon-neutral operations by 2050¹.

The Company can be divided into Traton Operations, which mainly generates its revenues through the sale of new and used vehicles, genuine parts and the rental and leasing business. Traton Financial Services (FS) makes up the other part of the Business, which provides financing for customers, dealers and distributors as well as insurance solutions across the four Traton brands. Each brand targets a different customer base or geography. Therefore, it is important to look at each brand and its unique selling points to determine the potential growth of each of them. In addition to their four manufacturing brands and three service brands, Traton is involved in the establishment of the charging company Milence, which is a joint venture of Traton, Daimler Truck and Volvo.

Brands

▪ Scania

Scania is based in Södertälje Sweden and is the most premium focused brand within Traton. The Company produces premium trucks, busses and engines with an emphasis on quality and efficiency, making it a leading brand in the premium segment across Europe and Latin America. As part of Traton's overall strategy, Scania's focus lies on Research and Development, especially in the areas of autonomous driving, digitalization and renewable fuels. The Scania Sustainable Transport initiative was started to promote fossil-free transport systems and sustainability. Traton established the charging solutions company Erinion under the Scania brand to help customers transition to electric transport. This strategic move includes the construction of 40,000 private and semiprivate charging points at customer locations and will help to strengthen Traton's e-Mobility offer and make the transition to electric vehicles easier for their customers. Erinion will initially start building destination and depot charging points in Sweden, Norway, The United Kingdom, The Netherlands and Germany. Even though the company is part of Traton the charging point

Heavy R&D investments, focusing on autonomous driving, digitalization, and alternative powertrain solutions

¹ Traton Annual Report 2023

can be used by every vehicle brand, offering the customer additional flexibility. The overarching goal is to minimize the total cost of ownership (TCO) to make zero emission vehicles as attractive for customers as traditional combustion engine vehicles. Smart charging solutions can reduce TCO by optimizing energy usage and minimizing downtime. The company's ambition is to have 50% of their Sales volume in Europe be electric by 2030. Scania's focus on innovation furthermore led them to establish a research department in China to specifically tailor their product offering to the Chinese market, a market that is currently underserved by the Traton Group but promises high growth potential, especially in regard to alternative powertrain solutions. With a premium product offering and a focus on sustainability, Scania is most likely to benefit greatly from a transition to renewable energies in the transport sector. As markets evolve more towards autonomous logistics solution, Scania's investments in autonomous technologies present a long-term growth opportunity.

▪ MAN

MAN Truck & Bus SE is headquartered in Munich, Germany, and is the largest commercial vehicle manufacturer within the Traton Group. MAN's main market is Europe where it enjoys a strong reputation for its reliable and durable heavy and light duty trucks as well as buses. MAN focuses on offering the full range of solutions with the objective to simplify customers business. The brand is heavily investing in electric mobility and has already launched its eTGX Truck line, which is an all-electric semi-truck capable of ranges up to 800 km. MAN also offers regular Diesel powertrains for their TGX, TGL, and TGS Models. Additionally, their popular bus line "Lion" offers fully electric, hydrogen, and convention powertrains. All their products offer a high degree of customization, making them the one stop-shop for specialized customer requests. The Company also offers the TGE Van, which is built on the VW Crafter base and is targeted towards inter-city and last mile logistic use cases. As their main market is the EU, one of the main challenges includes navigating the strict regulatory standards to support clients with their transition to low emission fleets. With strong government support for green transportation across the EU as well as the largest product offering of the Traton Group, MAN is well situated for growth.

▪ International

International is Traton's North America brand, which was acquired in 2021 and is headquarter in Illinois, USA. The company produces semi-trucks under the international brand as well as school busses under the IC Bus brand. The manufacturing of the vehicles is entirely done in the United States, except for one IC Bus assembly line in Mexico. The acquisition allowed Traton to gain direct access to the North American market, with International's already well-established footprint, including their extensive dealership network. As the North American market is steadily evolving towards sustainability with

Offering Versatile Powertrain and Product Solutions for Diverse Customer Needs

International's integration within Traton enhances cost-efficiency and competitiveness through shared resources

regulatory pressures rising, the brand is also set to manufacture more zero-emission vehicles. International's cross brand strategy allows the company to enhance its operational efficiencies and reduce cost, helping to improve the company's competitiveness. Especially the strategic partnership with Scania is set to improve International's technical capabilities in sustainable technology and autonomous driving. This provides a competitive edge for International, as a lot of research and development has already been completed in Traton's EU focused brands. With the US being a highly competitive market with strong competition such as Volvo Group and Daimler Truck, International will require further significant investments to successfully manage the transition to zero emission vehicles. The North American Market has seen a lot of new zero-emission commercial vehicle manufacturers such as Bollinger Motors, Lion Electric and Tesla with their Semi Truck, making the market even more competitive.

▪ Volkswagen Truck and Bus (VWTB)

Based in Brazil, VWTB exclusively serves Traton's Latin American market producing a large variety of Trucks and buses ranging from minibuses to large semi-trucks, while offering excellent value for their customers in these growth markets. South America, with a focus on Brazil, represents a significant market for Traton. As one of the leading commercial vehicle providers in the region, VWTB has tailored its product offering to the unique demands of the South American market. The strategic focus lies on the manufacturing of affordable and robust vehicles that can handle the challenging road and climate conditions. The need for electric urban transport in the region presents an opportunity for Traton. With economic constraints in many of the Latin American countries, affordability and the flexible use for a large variety of use cases is crucial. However, political and economic volatility in Latin America may impact sales and operational stability presenting challenges for market growth. VWTB recently opened a new manufacturing plant in Argentina, employing 100 new employees, planning to produce a total of 800 units of Light commercial vehicles and buses. This investment underlines Traton's strategy to further expand its presence in the Latin American market and becoming the largest manufacturer in the region.

▪ Service entities

Aside from the Truck and Bus manufacturing brands, Traton has three service entities that offer additional services to customers. Traton Charging Solutions is present in 13 European countries and offers fast charging possibilities to customer at 120 charging point at 40 different locations. The Service also allows customers to access other charge point operators, alleviating the need for multiple service providers and allowing for an easier invoicing across the customers entire fleet. RIO is Traton's logistics software company,

**Introducing Traton FS
as the unified financing
arm, integrating Scania,
MAN, and VWTB
Financial services under
one umbrella**

offering products such as collaborative cloud solutions, transport management and driver communication. Their transport management system Cartright combines dispositioning, invoicing as well as personnel and fleet management, specifically targeted at small to medium sized businesses. The software was launched in 2022 and already sees 82,000 users as well as 210,000 connected vehicles. The largest and most important Service entity of the Traton Group is Traton Financial Services (FS). Traton FS was created through the integration of Scania Financial Services in 2023, which has been fully integrated by now. MAN FS as well as VWTB FS have been acquired by Traton FS in 2023 and are currently in the process of being integrated. Together with Volkswagen FS, Traton now has the ability to offer financing solutions for all of their brands under one brand.

Powertrain technologies and transformation

**Bridging to an Electric
Future While Driving
Strategic Integration**

Traton has collaboratively worked on the last ever internal combustion engine they will ever develop called the CEB (common base engine). This engine will be used in all heavy-duty commercial vehicles Traton produces, across their different brands. Even though Traton strongly believes that the future of drivetrain technology will be electric, they saw it as necessary to improve their internal combustion engine one more time to offer a more fuel efficient and reliable alternative to gap to time until fully electric vehicle vehicles are adapted across all product segments and geographies. This also positively impacts Traton's ambition to continually reduce emissions caused by their manufacturing.

Aside from this, Traton is undergoing a transformation to fully integrate all the different companies under the Traton Brand. MAN, Scania and VWTB mark the founding members of the company, with Navistar (now International) being acquired in 2021. The consolidation of the four brands was strategically challenging and resulted in significant cost for the Traton. While the integration of the manufacturing brands is now completed, the last major step of this transformation will be the full implementation of Traton Financial service and closure of the separate brand specific financial service companies, such as Scania Financial Services or MAN Financial Services.

Ownership Structure and Stock Analysis

The Volkswagen AG holds the majority of share of Traton SE with 89,72%. This majority stake allows Volkswagen to significantly influence all strategic and operational decision. The remaining 10,28% consist of free-floating shares which are publicly traded on the Frankfurt Stock Exchange and the Nasdaq Stockholm. By being listed at both exchanges, Traton benefits from increased capital access, Enhanced Liquidity, and a diversified Investor based. These two exchanges were chosen because of Traton two largest Brands (MAN and Scania) Headquarters are located in either Germany (Munich) or Sweden (Södertälje). The free-floating share is owned by a variety of institutional and retail

investors. As there is no additional filing on the ownership, it can be assumed that no other investor exceeds 3% of shares. The public listing provides Traton access to capital markets and allows to diversify its financing opportunities and leverage its independent market presence to attract investors worldwide.

Traton was first listed on the Frankfurt Stock exchange on June 28, 2019, at an IPO price of €27. With a Trading Volume of 57.5m shares offered, a Company valuation of €13.5bn was reached. Since then, the stock price has increased to €31.5 as of 13.12.2024 resulting in an increase of about 16.7%. Events that strongly effected the stock price include the proposal of the acquisition of all outstanding shares of U.S truck manufacturer Navistar in January 2020. This led to the share price rising by approximately 10%, indicating investors' confidence in Traton's expansion into the North American market. Upon completion of the Navistar acquisition in July 2021, shares rose again by about 8%, outperforming the MDAX at the time. Supply Chain and Inflation Pressures affected the share price negatively in the first quarter of 2022 with a drop of about 10%, which was also reflected in the broader market. On June 24, 2022, Traton was uplisted from the SDAX to the MDAX, a German Stock index which includes Germany's 40 largest companies and ranks immediately below the DAX 40. The inclusion into the MDAX had a positive impact on the share price, which increased by about 6% as more institutional investors and index funds demand for the stock grew. Lastly, in May 2024, Volkswagen group made the announcement that they were going to reduce their stake in Traton, increasing the amount of free-floating shares and improving liquidity. This created investor confidence which was reflected with an increase of the share price by about 5%.



Board of Directors

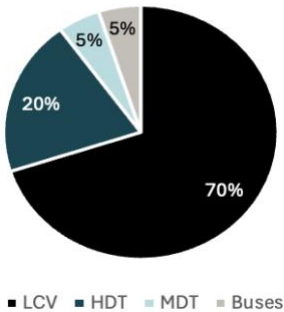
Traton's executive Board is led by Christian Levin who hold the position of Chairman and CEO of Traton as well as being the CEO of Scania. Levin oversees all of Traton's operational, management and strategic decisions. Furthermore, the board includes all other CEOs of the individual Truck brands that are part of Traton with Mathis Carlbaum being the CEO of Navistar, Alexander Valskamp being the CEO of MAN and Antonio Roberto Cortes being the CEO of Volkswagen Truck and Bus. The composition of the Board further demonstrates the integrated network of brands and the collaboration across them into a leadership framework. Additionally, Dr. Michael Jackstein is responsible for Finance, Business Development and Human Resources, while Catharina Modahl Nilsson is responsible for the Product management.

Name	Title
Christian Levin	CEO Traton SE + Scania
Dr. Michael Jackstein	CFO Traton SE + Business Development
Catharina Modhal	Group Product Management
Alexander Valskamp	CEO MAN
Mathias Carlbaum	CEO International Motors
Antonio Roberto Cortes	CEO Volkswagen Truck & Bus

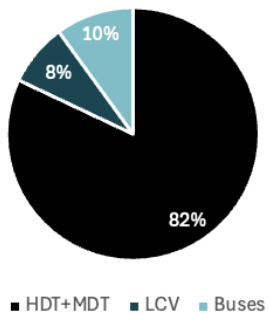
Macroeconomic and Industry Overview

Product Segmentation

Commercial Vehicle global Market Share



Tratons revenue by product category



The Commercial Vehicle market can be segmented into four broad groups namely Heavy-duty Trucks (HDT), Medium-duty Trucks (MDT), Light-duty Commercial Vehicles (LCV) and Busses. As Traton's largest market is the European market, this section will focus on European growth rates. The HDT segment includes all trucks above 15 tons which are designed for long-haul transport and account for about 20% of the industry's revenue in 2022 and is expected to grow at a CAGR of 2.8% from 2023 to 2030². This growth is mainly driven by the increasing logistics demand and infrastructure investments in emerging markets. The MDT segment includes all vehicles weight 3.5 to 15 tons and are often used for regional delivery and specialized applications such as garbage trucks. This segment is expected to grow at a CAGR of 2.4% from 2024 to 2030 and accounted for a total of 5% of the global commercial vehicle market. Traton's focus lies on the HDT and MDT segments with both segments combined accounting for roughly 82% of sold units.

The LCV segment includes trucks and vans under 3.5 tons, mainly used for urban and last mile delivery applications. This segment is expected to grow with a CAGR of 2.3% driven by the strong need to zero emission last mile logistics. In 2022, this segment accounted for the largest share of the global commercial vehicle market with about 70% of revenue. This is mainly due to their high-cost effectiveness and versatility. Traton is least represented in the LCV segment with the only product in this segment being the MAN TGE van, of which 26,600 units were sold in 2023, making up about 8% of total sales. This can be explained by the fact that Volkswagen Nutzfahrzeuge is one of the main players in the LCV market in Europe, which is part of the Volkswagen AG which owns the majority shares of Traton. Lastly the Bus segment covers all commercial passenger transport vehicles from vans to large coaches and is expected to grow at a CAGR of 2.1% from 2023 to 2030. In 2022 the Bus segment made up about 5% of the global commercial vehicle sales. Traton sold about 30,300 units of the bus segment in 2023, accounting for 10% of total sales.

Geographical Segmentation

The commercial vehicle Industry demonstrates regional variations in demand, and product offerings. The key geographies for the industry are Europe, North America, South America and Asia-Pacific.

The North American market is dominated by heavy-duty trucks (HDT) used in long haul freight and logistics, mainly due to the large distances that need to be covered and the missing transportation alternatives. The region has robust economic activities with a strong e-commerce growth and substantial investments into infrastructure. Regulations set by the Environmental Protection Agency (EPA) and the California Air Resources Board (CARB)

² Commercial Vehicles Market Share, Growth, Opportunities 2031; Growth Market Reports (2023)

are pushing manufacturers to speed up their production of zero-emission vehicles. Furthermore, North America leads in terms of autonomous and connected vehicle technologies, facilitating testing of powertrains and self-driving technologies. A modest economic growth for the United States, the most important North American Market for Traton is expected. The Federal Reserve forecasts GDP growth over the next 3 years for the United States to be at 2%³

The European market is focused on medium-duty trucks (MDT) as well as heavy-duty trucks (HDT) due to strong cross-border logistics, fuelled by the Schengen free trade area. Europe is the epicentre of the zero-emission vehicle revolution, with high adoption rates for electric and hydrogen powered trucks, in line with Europe's Green Deal mandating a 43% reduction in truck CO2 emissions by 2030. For Western Europe, a comparatively low rate of economic growth in 2024 and the years to follow is expected, because of the still inflated level of inflation and the high-interest rate environment, making the purchase of commercial vehicles relatively more expensive. The European Central Bank (ECB) forecasts a GDP growth of 1.1% over the next 3 years in the euro area⁴

The Asia Pacific Market is dominated by a demand for light commercial vehicles (LCV) and medium-duty trucks (MDT) due to rapid urbanization and e-commerce growth. While China is advancing their production of heavy-duty electric trucks aggressively, countries like South Korea and Japan are pushing more towards hydrogen fuel cell technologies. This market presents a key growth driver for the commercial vehicle industry with high volume production and quick adoption of alternative powertrain solutions.

The South American Market is focused on medium-duty and heavy-duty trucks finding their main use in agriculture and mining. Brazil presents the most important market here with Mexico and Argentina following in second and third place. The transition to zero-emission is notably slower in this market, however biofuels are widely used due to the natural abundance and cost advantage. As some of these emerging countries develop further, there is a real potential for growth. In terms of economic outlook for this region, the Brazilian economy is expected to experience modest growth, with the World Bank forecasting GDP growth to be at 2% over the next 3 years⁵. While Traton mentions in its annual report that the Argentinian output will decline further, suggesting that the economy will transition from recession to growth over the next 3 years with GDP growth around 1.9% according to the OECD⁶.

Key Trends

The single most important Trend in the truck and bus industry is the transition to Zero-Emission vehicles. The EU mandates a 43% reduction in emissions for medium-and heavy-

³ Summary of Economic Projections; Federal Reserve Board (2024)

⁴ Growth and inflation projections for the euro area; European Central Bank (2024)

⁵ Overview on Brazil; World Bank Group (2024)

⁶ OECD Economic Outlook (2023)

duty trucks by 2030 and 90% by 2040, with high penalties for non-compliance⁷. The U.S, Traton's second largest market, aims for 25-60% zero emission vehicle sales across different truck segments by 2032. Main challenges that this transition faces are the higher total ownership cost, and the infrastructure investments needed. Zero emission vehicles face a disadvantage of up to 40% when it comes to total cost of ownership compared to traditional internal combustion engine trucks, mainly due to the high cost of key components like battery packs and fuel cells. Additionally, it is estimated that \$30bn USD of investments into charging and refuelling infrastructure are needed to avoid bottlenecks when production picks up.

Another key trend is the Business Model Evolution with the "truck-as-a-service" (TaaS) trend emerging as the most profitable. It is estimated, that by 2035, up to 75% of truck manufacturers profits could come from recurring lifecycle services, such as leasing, financing, maintenance, and software services, shifting away from classic vehicle sales. Market pressure from Chinese and South Korean Manufacturers are increasing in Western Europe, as they are rapidly advancing in zero-emission technologies while being highly cost-competitive.

The transition to zero emission, will come with financial implications and Profit Pool shifts. With a decline in internal combustion engine sales and increasing zero emission truck production, it is estimated that by 2035 20% of all truck-related profits will come from zero emission trucks, mainly through recurring services rather than traditional fuel retailing and vehicle sales. Furthermore, the higher upfront cost of zero emission trucks will further drive the demand for manufacturer backed financing, as fleet operators such as logistic companies seek to minimize capital exposure and operational risk.

Collaborative efforts by manufacturers, energy providers, and governments to catalyse the transition to zero emission, are gaining popularity as they are exploring joint investments and partnerships to agree on standardized technologies, simplifying the charging process and improving the infrastructure at strategic locations. Governments are also changing regulations, such as vehicle length, allowing electric trucks to haul additional freight which reduces their total cost of ownership.

Political Impacts

Politics has always had a large impact on the adoption of electric vehicles. Environmental policies coupled with financial incentives provided by the government highly encourage the adoption of EVs⁸. Especially in the US, with the new Trump administration now elected, the future of subsidies for electric commercial vehicles in the US is uncertain. Currently, all Commercial vehicles with a weight over 14,000 pounds receives a \$40,000 subsidy in form of a tax credit from the federal government. All school buses and semi-trucks Traton sells

⁷ Traton Annual Report 2023

⁸ The Impact of state policies on electric vehicle adoption; Mekky, Collins (2024)

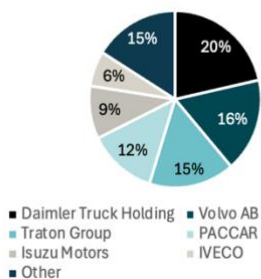
in the US exceed this weight limit, making them eligible for the subsidy. Trump has repeatedly mentioned that he wants to increase the fossil fuel production in the US and reduce the subsidies given to Electric Vehicles. This could majorly impact the total cost of ownership for new electric commercial vehicles in the US. The subsidy landscape in the EU is far more complex, with each country imposing their own regulations on how to subsidise commercial EVs. Subsidies can range from €9000 for the purchase of a new vehicle including up to €100,000 for the installation of new Charging stations, that must be made available to the public in Germany, to no subsidies at all in Norway. Additionally, protectionist trade restrictions as seen during the previous Trump administration can have a negative impact on global trade and slow down economic growth by increasing costs for businesses and consumers⁹. Contracting global trade and economic growth directly links to the amount of commercial vehicles needed.

Key Competitors

Peer Group		EV/EBITDA	
Core Group	1	Daimler Truck	8.1x
	2	Volvo AB	7.4x
	3	PACCAR	13.6x
	4	IVECO	3.7x
	5	Isuzu Motors	5.7x
	6	Hino Motors	6.0x
	7	Tata Motors	5.0x

The commercial vehicle industry is highly concentrated, with a few major players dominating the market. Traton's key competitors include Daimler Truck Holding, PACCAR, Volvo AB, and IVECO with these five companies collectively accounting for about 70% of the total global market share. Each key competitor has consolidated multiple brands to serve diverse segments and geographic regions, creating strong market positions with a relatively similar product offering. With Traton's four distinctive Brands, the company is geographically dependent on the European market with a smaller footprint in North and South America. Compared to PACCAR and Daimler truck, Traton also has lower profit margins mainly due to the restructuring cost and consolidation of the different companies into the Traton brand. However, Traton also shows some competitive strengths through their technological leadership in sustainability, especially through their Scania brand, which is regarded as the industry leader in electric and hybrid solutions. The synergies that are provided through the parent Volkswagen Group also provide the company with a strategic advantage such as economies of scale, battery technologies and autonomous driving. To get a better overview of the competitive market Traton operates in, a core and extended peer group was determined. With the core group being Traton's closest fit in terms of business model, geographical exposure and product offering. This group is led by the Daimler Truck Holding, which is the largest player globally, accounting for approximately 20% of the global market share. Daimler has the widest geographic footprint, with its Mercedes-Benz, Freightliner, Fuso and BharatBenz brands. The company also has a superior profitability compared to Traton. Volvo's brands, Volvo Trucks and Renault Trucks, hold approximately 16% of global market share with a strong base on Europe and growing presence in Asia. Similar to Traton, Volvo also invests heavily into areas like autonomous driving and connectivity solutions but also faces margin pressure in competitive markets. PACCAR is

Competitor Market Share Worldwide



⁹ Protectionism could make the world less resilient, more unequal, and more conflict-prone; Goldberg, Reed (2023)

primarily focused on North America and holds approximately 12% of the global market share through its Kenworth, Peterbilt and DAF brands. The company's strength lies in its premium product offering, which provides them with higher profitability margins. However, the company is largely reliant on the North American market which presents a regional concentration risk. IVECO is the smallest manufacturer in this group with a market share of about 9% the company is known for its strong presence in Europe and Latin America with a narrower geographic footprint than competitors. The company's strength lies in the production and development of hydrogen fuel vehicles.

Overall, while the market is highly competitive and controlled by few key players, Traton is well positioned to compete during this transformative time, focusing on innovation and sustainable drivetrain solutions

Strategic Implications for Traton

Considering the industry trends and competitive landscape, must focus on their research and development in battery and fuel cell technologies to further lower total cost of ownership and maintain a competitive position against new entrants. Geographic expansion into profitable areas such as India and East Asia should also be considered, to solidify the company's global footprint. Expanding their business in North America through their International Brand will also be a deciding factor going forward, as the North American market offers high profit margin. Offering the right products with tailored powertrain technology will help to capture distinct market segments. Transport as a service is gaining popularity, as customers seek more flexibility in their fleet management allowing them to cater to cyclical demand better. This creates an opportunity to develop a whole ecosystem around charging, maintenance, and fleet management services. Future Recurring Revenue streams also aid long term planning. Traton is already capitalizing on this by scaling their operations of Traton Financial Services. Traton is aware of these Trends and is aligning its strategy accordingly to best serve their key markets.

Financial Statement Analysis

Before the analysis, the core business operations were separated from non-core and financial segments which enables a clearer assessment of profitability from operations, core profitability, and value creation, serving as a robust adjustment for building the operating model to focus on the core business. Therefore, the historical income statement and balance sheet of Traton SE were reformulated to provide a clearer view of the company's financial performance and position by isolating the contributions from core operations, non-core activities, and financial results. In the income statement, the reformulation focused on

segmenting the results into core business, non-core business, and financial activities. The core business includes all revenue and expenses directly tied to Traton's operational activities, reflecting the underlying profitability of the trucks, buses, and related services segments. Taxes attributable to the core business were allocated accordingly to derive the core result. Non-core business activities, such as equity method investments and non-operating items, were separated to present the non-core result. Financial results, including interest expenses, cash flow hedges, cost of hedging, and statutory tax adjustments, were categorized under the financial segment. A similar approach was applied to the balance sheet, where the assets and liabilities were reclassified into core invested capital, non-core invested capital, and net financial assets. Core invested capital encompasses all assets and liabilities directly linked to Traton's core operations, such as property, plant and equipment, inventories, intangible assets, trade payables, deferred tax liabilities and more. Non-core invested capital includes investments and obligations outside the operational scope, such as equity method investments, assets held for sale, and associated liabilities, as well as other non-current provisions. Net financial assets reflect the company's financial position, comprising total debt, cash, marketable securities, investment deposits, and non-controlling interests.

Income Statement

▪ Revenue

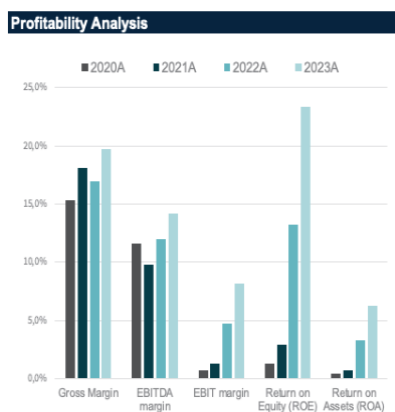
Between 2020 and 2023, Traton experienced exceptional revenue growth driven by several key factors. The company's revenue grew from €22.6bn in 2020 to €46.9bn in 2023 representing a CAGR of 27.3%, which can mainly be attributed to the acquisition of Navistar in 2021 that significantly expanded the Group's footprint in the North American market, contributing to a substantial increase in consolidated revenue. Additionally, the post-pandemic economic recovery fueled strong demand for commercial vehicles, with heightened activity in freight transportation and logistics sectors. This led to unit sales increasing across all major product categories and brands. Traton capitalized on sustainability trends by advancing its electrification strategy, meeting growing regulatory requirements and customer preferences for green solutions. The European and North American Market saw the strongest demand over the time period, while Latin America lagged. This is mainly due to the emission regulations that have been introduced on Brazil. Traton has since adapted to the new regulations and is now able to produce Vehicles that are in line with them. Therefore, sales are expected to recover sharply in 2024, as can already be seen in the first half year report.

▪ Capital Expenditures (CapEx)

Commercial Vehicle manufacturing is a capital-intensive business, mainly due to the strategic investments that are required stay competitive in his industry. Traton Invests heavily into their

Research and Development as well as modernizing and increasing their production facilities. The total amount of investments across the Traton group amounted to €2.59bn in 2023. Scania has the highest share with €1.13bn as a result of their investments into electric mobility, the construction of a new production site in China, as well as a new production line at their Swedish factory in Södertälje that was converted to handle the large production of electric trucks. Additionally, a completely new battery factory was also built at Scania's Södertälje site. MAN spent the second largest amount with €564m, which is mainly attributable to the structural measures and expansion of their Krakow, Poland plant, which is now able to handle twice the production capacity as before. The third largest investment of €488m occurred by Navistar as a result of their investments into the S13 Integrated powertrain as well as the expansions of their production sites in Escobedo, Mexico and San Antonio, USA. Traton Financial services spent €415m on the gradual acquisition of key aspects of MAN and VWTB Financial Services. Scania Financial Services was also fully integrated into Traton FS, which resulted in significant legal costs. VWTB spend the smallest amount on Investments with €91m, mainly attributable to their investments in electric mobility in compliance with recently tightened regulations.

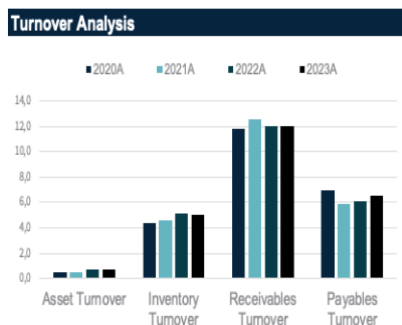
▪ Profitability Analysis



Traton's profitability shows a consistent upward trend from 2020 to 2023 across key metrics. Total Sales increased steadily over the period, growing from €22.6bn in 2020 to €46.9bn in 2023. This growth signals a strong market demand and the company's ability to capitalize on recovery and expansion opportunities post-pandemic. The Gross margin rose from 15.3% in 2020 to 19.7% in 2023, showing consistent improvement. With this, Traton outperformed its peer group median of 18.1% in 2023, highlighting improved cost management and operational efficiency, which contributed positively to profitability. The EBITDA margin also shows a recovery from 11.6% in 2020, with a decline to 9.8% in 2021 and a rebound to 14.2% in 2023. This margin also surpasses the median peer group level of 13.5%, showing the company's ability to increase earnings before interest, taxes, depreciation, and amortization despite cost pressures. The EBITDA increased from €2.6bn in 2020 to €6.7bn in 2023, driven by robust sales growth and improved operational leverage. The EBIT margin, which reflects the operating profitability has shown the most significant improvement over the time period, growing from 0.8% in 2020 to 8.2% in 2023. The EBIT figure increased from just €175m in 2020 to €3.85m in 2023. This is largely because of the incorporation in 2019 and the followed rapid growth in its operating result. While the margin saw a rapid growth, it is still slightly lower than the peer group average of 9%. This can be attributed to the fact that Traton has higher D&A expenses compared to its peers, due to significant investments in PPE. The Return on Equity (ROE) experienced substantial growth from 1.3% in 2020 and rising to 23.4% in 2023. This sharp increase reflects both higher profitability and effective utilization of equity capital. With a steady increase in equity from €13.2bn to €16.5bn, Traton is able to generate strong returns for its shareholders. Similarly, the Return on Assets (ROA) improved

from 0.4% in 2020 to 6.2% in 2023, This increase shows Traton's ability to generate earnings relative to its asset base, which expanded from €42.8bn in 2020 to €61.7bn in 2023. Overall, the profitability metrics have consistently improved over the analysed period. The company's performance has not only recovered but also outpaced the peer group median in the key areas Gross margin and EBITDA margin. This places Traton in a favourable position to maintain competitive profitability moving forward.

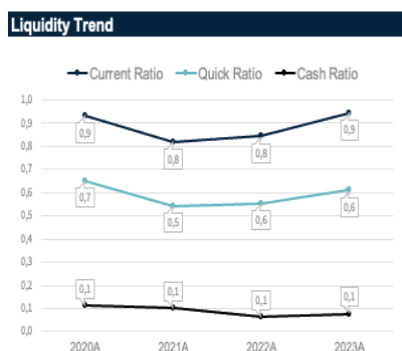
▪ Turnover Analysis



The Turnover ratios highlight the company's efficiency in managing its assets, inventory, receivables and payables over the period from 2020 to 2023 and can reveal improvements in the operational efficiency and working capital management. Traton's Asset Turnover improved consistently from 0.5x in 2020 to 0.8x in 2023. This shows an upward trend in the efficiency of utilizing assets to generate sales. This increase aligns with rising total sales, which almost doubled from €22.6bn in 2020 to €46.9bn in 2023, while total assets grew at a slower pace, reflecting improved operational efficiency and asset utilization. The Inventory Turnover ratio increased from 4.4x in 2020 to 5.1x in 2023, suggesting that Traton has improved its inventory management despite an increased inventory level from €4.3bn to €7.4bn over the period. A ratio of 5.1x indicates an efficient supply chain and sales process, ensuring that working capital tied up in inventory is managed effectively. The Receivables Turnover ratio slightly improved from 11.8x in 2020 to 12x in 2023, underlining the company's consistent collection practices as receivables grew from €1.9bn to €3.9bn in line with increased sales. A ratio of 12x reflects effective credit management and a strong focus on cash collection. Lastly, the Payable Turnover ratio declined from 6.9x in 2020 to 6.5x in 2023, reflecting how quickly the company settles its accounts payable relative to its COGS which increased from €19.1bn in 2020 to €37.6bn in 2023. The reduction may suggest extended payment terms with suppliers to conserve cash during volatile times.

Balance Sheet

▪ Liquidity Analysis



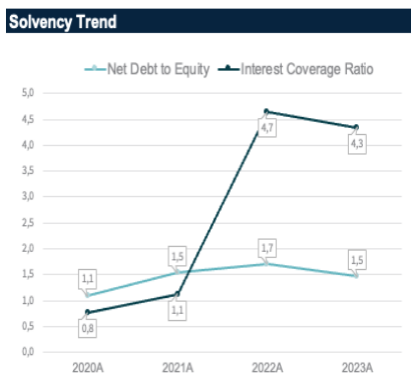
Traton The liquidity analysis assesses Traton's ability to meet its short-term obligation using various liquidity ratios, over the period from 2020 to 2023. While the company maintained its ability to meet short-term obligations, the ratios remain below the standard threshold of 1.0, suggesting improvements in the liquidity management may be necessary. The Current Ratio, which measured the ability to cover short-term liabilities with current assets, fluctuated between 0.8 and 0.9, remaining below the ideal level of 1.0, indicating that short-term liquidity is still constrained. The Quick Ratio excludes inventories from current assets, highlighting the company's ability to meet short-term liabilities with its most liquid assets. In 2020, the Quick ratio was 0.7, indicating moderate liquidity. The ratio declined to 0.5 in 2021 primarily

due to a strong increase in inventory levels from €4.3bn to €5.5bn. This suggests that more capital was tied up in inventory rather than liquid assets. The ratio consistently falls short of the standard benchmark of 1.0, indicating that Traton relies heavily on inventory to meet its working capital needs, which could pose risks in the event of a slowdown in inventory turnover. The Cash Ratio remained constant at 0.1 throughout the period. Cash and Cash equivalents remained low relative to current liabilities. Cash levels declined from €2.0bn on 2021 to €1.4bn in 2022, before recovering to €1.7bn in 2023. This ratio indicates that Traton has minimal cash reserves to immediately cover its short-term liabilities, which is typical in capital-intensive industries where cash is often reinvested into operations or tied up in working capital. Overall, the growing reliance on inventories and limited cash reserves highlight challenges in the liquidity management of Traton. The ability to effectively manage working capital and enhance cash flows will be critical to improving the liquidity position in the future.

▪ Solvency Analysis

The Solvency Analysis evaluates Traton's long-term financial stability and its ability to manage debt and interest obligation. While Traton demonstrates improved earnings and coverage ability over the period, its debt levels remain above the peer group median, indicating a higher reliance on leverage than its peers.

The Net Debt-to-Equity Ratio, which measures financial leverage, increased significantly from 1.1x in 2020 to 1.5x in 2023. Net Debt grew from €14.5bn in 2020 to a peak of €24.3bn in 2023. This can be mainly attributed to the substantial investment into the acquisition of Navistar. Nevertheless, the Net Debt-to-Equity ratio remains significantly higher than the 0.8x peer group median. This highlights Traton's relatively higher reliance on debt financing compared to peers, posing a challenge for long-term financial flexibility. The Interest Coverage Ratio reflects the company's ability to service its interest obligations from operating profits. The ratio has improved from a low of 0.8x which means that EBIT fell short of covering interest expenses to reaching 4.7x supported by a sharp increase in EBIT to €1.9bn while interest expense rose to €409m. Traton's solvency has significantly improved over the analysis period. Going forwards, reducing debt levels and managing financing costs will be critical for improving Traton's long-term financial stability and aligning its solvency metric with its peer group.



▪ Cash Conversion Cycle (CCC)

The Cash Conversion Cycle evaluates how efficiently Traton manages its working capital by measuring the time taken to convert investments into inventory and receivables into cash whole accounting for the time it takes to settle payables. Traton demonstrates improvements in its working capital efficiency, reducing the CCC from 83 days in 2020 to 72 days in 2023. This reflects efforts to optimize inventory management and streamline its supply chain.

The Average Collection Period, which measures how quickly Traton collects cash from customers, improved steadily from 46 days in 2020 to 42 days in 2023. This trend highlights

more efficient receivables management and stronger cash collection practices. The Average Payable Period measures the time taken to settle accounts payable. It stayed constant during over the observation period with 47 days. Total payables increased significantly from €2.9bn in 2020 to €6.0bn in 2023, reflecting higher production volumes and cost of sales.

Overall, Traton made significant improvements to their working capital efficiency, as seen by the consistent reduction in the Cash Conversion Cycle. The improvement in the Average Holding Period and Average Collection Period also demonstrates stronger operational performance and cash management practices. Moving forward, sustaining these efficiencies will be critical to maintain a competitive edge to support Traton's growth trajectory.

TRATON SE

COMPANY REPORT

“COMMERCIAL VEHICLE INDUSTRY”

13 DECEMBER 2024

LEON A. WOLFF, NICOLAS KOERNER

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Transforming Commercial Mobility

Driving the Future of Sustainable Transport

- Based on our comprehensive assessment of Traton's value, using both intrinsic and extrinsic valuation methods, we arrive at a **Buy** recommendation with a target price of **39.9 €**. This target implies an increase of **8.8 € (28,4% upside potential)** which is supported by a strong market positioning and a robust transition strategy for zero-emission vehicles
- Traton is among the **top three commercial vehicle manufacturers** globally, with a robust product offering in Europe and North America through its regionally targeted brands
- Traton is set to benefit from a **high CAGAR** of 20% for the zero-emission commercial vehicle industry by offering innovative products and infrastructure partnerships
- With the full implementation of Traton Financial services, recurring revenue streams from fleet management and leasing are expected to account for 60-70% of the revenue
- Traton leads the market with **sustainable transport solutions**, reducing carbon emissions and targeting 50% electric sales in Europe by 2023

Company description

Traton SE is a global leader in commercial vehicle manufacturing, specialized in trucks and busses. The company is a Volkswagen Group subsidiary which operates through the brands Scania, MAN, Navistar, and Volkswagen Truck & Bus. Traton focuses on sustainable transportation and logistics solutions and innovation regarding electrification and digital services. The company is aiming to become emission free and therewith drastically impact the global freight industry.

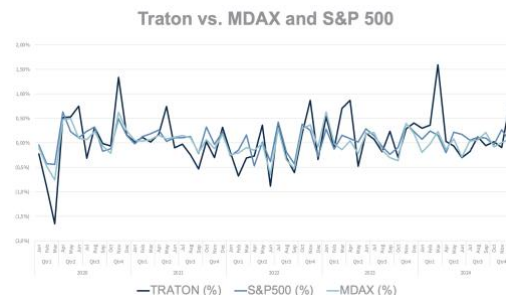
Recommendation: BUY

Price Target FY25: 39.9 €

Price (as of 13-Dec-24) 31.1 €

52-week range (€)	18.91-36.70
Market Cap (€m)	14.475
Outstanding Shares (m)	500
PE Ratio (TTM)	5,65
Beta (5Y)	1,65
Last Dividend per share (Jun 24)	€1,5

Source: S&P CapIQ



Source: FactSet

(Values in € millions)	2023A	2024E	2025E
Revenues	46,873	48,570	50,503
EBIT	3,853	3,884	3,959
EBITDA	6,663	6,864	7,137
NOPLAT	2,605	1,608	1,568
EPS	5.1	5.5	5.8

Source: Own Projections, Traton Financial Statements

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY [NICOLAS KOERNER, LEON WOLFF], A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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Company Overview

Traton SE is a global commercial vehicle manufacturer headquartered in Munich, Germany. Founded in 2015 as part of the Volkswagen Group, Traton consists of the Brands Scania, MAN, Navistar, and Volkswagen Truck and Bus and has been publicly listed since 2019 (8TRA). This ownership structure provides Traton with significant strategic support, such as shared R&D resources, synergies in production, and supply chain efficiencies. With more than 103,000 employees Traton generated **€46.9bn** in revenue in 2023. The company operates 33 production and assembly sites worldwide across 12 locations in Europe, North America, Asia and Latin America. Sustainability stands at the core of Traton's long-term strategy, aligning with growing regulatory focus on emissions reduction and environmental impact. Traton's commitment to reduce CO2 emissions across all its products is underlined by its goal to achieve **carbon-neutral operations by 2050¹**.

The Company can be divided into Traton Operations, which mainly generates its revenues through the sale of new and used vehicles, genuine parts and the rental and leasing business. Traton Financial Services (FS) makes up the other part of the Business, which provides financing for customers, dealers and distributors as well as insurance solutions across the four Traton brands. Each brand targets a different customer base or geography. Therefore, it is important to look at each brand and its unique selling points to determine the potential growth of each of them. In addition to their four manufacturing brands and three service brands, Traton is involved in the establishment of the charging company Milence, which is a joint venture of Traton, Daimler Truck and Volvo.

Brands

▪ Scania

Scania is based in Södertälje Sweden and is the most premium focused brand within Traton. The Company produces premium trucks, busses and engines with an emphasis on quality and efficiency, making it a leading brand in the premium segment across Europe and Latin America. As part of Traton's overall strategy, Scania's focus lies on Research and Development, especially in the areas of autonomous driving, digitalization and renewable fuels. The Scania Sustainable Transport initiative was started to promote fossil-free transport systems and sustainability. Traton established the charging solutions company Erinion under

Heavy R&D investments, focusing on autonomous driving, digitalization, and alternative powertrain solutions

¹ Traton Annual Report 2023

the Scania brand to help customers transition to electric transport. This strategic move includes the construction of 40,000 private and semiprivate charging points at customer locations and will help to strengthen Traton's e-Mobility offer and make the transition to electric vehicles easier for their customers. Erinion will initially start building destination and depot charging points in Sweden, Norway, The United Kingdom, The Netherlands and Germany. Even though the company is part of Traton the charging point can be used by every vehicle brand, offering the customer additional flexibility. The overarching goal is to minimize the total cost of ownership (TCO) to make zero emission vehicles as attractive for customers as traditional combustion engine vehicles. Smart charging solutions can reduce TCO by optimizing energy usage and minimizing downtime. The company's ambition is to have 50% of their Sales volume in Europe be electric by 2030. Scania's focus on innovation furthermore led them to establish a research department in China to specifically tailor their product offering to the Chinese market, a market that is currently underserved by the Traton Group but promises high growth potential, especially in regard to alternative powertrain solutions. With a premium product offering and a focus on sustainability, Scania is most likely to benefit greatly from a transition to renewable energies in the transport sector. As markets evolve more towards autonomous logistics solution, Scania's investments in autonomous technologies present a long-term growth opportunity.

▪ MAN

Offering Versatile Powertrain and Product Solutions for Diverse Customer Needs

MAN Truck & Bus SE is headquartered in Munich, Germany, and is the largest commercial vehicle manufacturer within the Traton Group. MAN's main market is Europe where it enjoys a strong reputation for its reliable and durable heavy and light duty trucks as well as buses. MAN focuses on offering the full range of solutions with the objective to simplify customers business. The brand is heavily investing in electric mobility and has already launched its eTGX Truck line, which is an all-electric semi-truck capable of ranges up to 800 km. MAN also offers regular Diesel powertrains for their TGX, TGL, and TGS Models. Additionally, their popular bus line "Lion" offers fully electric, hydrogen, and convention powertrains. All their products offer a high degree of customization, making them the one stop-shop for specialized customer requests. The Company also offers the TGE Van, which is built on the VW Crafter base and is targeted towards inter-city and last mile logistic use cases. As their main market is the EU, one of the main challenges includes navigating the strict regulatory standards to support clients with their transition to low emission fleets. With strong government support

for green transportation across the EU as well as the largest product offering of the Traton Group, MAN is well situated for growth.

▪ International

International's integration within Traton enhances cost-efficiency and competitiveness through shared resources

International is Traton's North America brand, which was acquired in 2021 and is headquarter in Illinois, USA. The company produces semi-trucks under the international brand as well as school busses under the IC Bus brand. The manufacturing of the vehicles is entirely done in the United States, except for one IC Bus assembly line in Mexico. The acquisition allowed Traton to gain direct access to the North American market, with International's already well-established footprint, including their extensive dealership network. As the North American market is steadily evolving towards sustainability with regulatory pressures rising, the brand is also set to manufacture more zero-emission vehicles. International's cross brand strategy allows the company to enhance its operational efficiencies and reduce cost, helping to improve the company's competitiveness. Especially the strategic partnership with Scania is set to improve International's technical capabilities in sustainable technology and autonomous driving. This provides a competitive edge for International, as a lot of research and development has already been completed in Traton's EU focused brands. With the US being a highly competitive market with strong competition such as Volvo Group and Daimler Truck, International will require further significant investments to successfully manage the transition to zero emission vehicles. The North American Market has seen a lot of new zero-emission commercial vehicle manufacturers such as Bollinger Motors, Lion Electric and Tesla with their Semi Truck, making the market even more competitive.

▪ Volkswagen Truck and Bus (VWTB)

Delivering Affordable and Robust Transport Solutions by balancing innovation and Cost

Based in Brazil, VWTB exclusively serves Traton's Latin American market producing a large variety of Trucks and buses ranging from minibuses to large semi-trucks, while offering excellent value for their customers in these growth markets. South America, with a focus on Brazil, represents a significant market for Traton. As one of the leading commercial vehicle providers in the region, VWTB has tailored its product offering to the unique demands of the South American market. The strategic focus lies on the manufacturing of affordable and robust vehicles that can handle the challenging road and climate conditions. The need for electric urban transport in the region presents an opportunity for Traton. With economic constraints in many of the Latin American countries, affordability and the flexible use for a large variety of use cases is crucial. However, political

and economic volatility in Latin America may impact sales and operational stability presenting challenges for market growth. VWTB recently opened a new manufacturing plant in Argentina, employing 100 new employees, planning to produce a total of 800 units of Light commercial vehicles and buses. This investment underlines Traton's strategy to further expand its presence in the Latin American market and becoming the largest manufacturer in the region.

▪ Service entities

Aside from the Truck and Bus manufacturing brands, Traton has three service entities that offer additional services to customers. Traton Charging Solutions is present in 13 European countries and offers fast charging possibilities to customer at 120 charging point at 40 different locations. The Service also allows customers to access other charge point operators, alleviating the need for multiple service providers and allowing for an easier invoicing across the customers entire fleet. RIO is Traton's logistics software company, offering products such as collaborative cloud solutions, transport management and driver communication. Their transport management system Cartright combines dispositioning, invoicing as well as personnel and fleet management, specifically targeted at small to medium sized businesses. The software was launched in 2022 and already sees 82,000 users as well as 210,000 connected vehicles. The largest and most important Service entity of the Traton Group is Traton Financial Services (FS). Traton FS was created through the integration of Scania Financial Services in 2023, which has been fully integrated by now. MAN FS as well as VWTB FS have been acquired by Traton FS in 2023 and are currently in the process of being integrated. Together with Volkswagen FS, Traton now has the ability to offer financing solutions for all of their brands under one brand.

Introducing Traton FS as the unified financing arm, integrating Scania, MAN, and VWTB Financial services under one umbrella

Powertrain technologies and transformation

Traton has collaboratively worked on the last ever internal combustion engine they will ever develop called the CEB (common base engine). This engine will be used in all heavy-duty commercial vehicles Traton produces, across their different brands. Even though Traton strongly believes that the future of drivetrain technology will be electric, they saw it as necessary to improve their internal combustion engine one more time to offer a more fuel efficient and reliable alternative to gap to time until fully electric vehicle vehicles are adapted across all product segments and geographies. This also positively impacts Traton's ambition to continually reduce emissions caused by their manufacturing.

Bridging to an Electric Future While Driving Strategic Integration

Aside from this, Traton is undergoing a transformation to fully integrate all the different companies under the Traton Brand. MAN, Scania and VWTB mark the founding members of the company, with Navistar (now International) being acquired in 2021. The consolidation of the four brands was strategically challenging and resulted in significant cost for the Traton. While the integration of the manufacturing brands is now completed, the last major step of this transformation will be the full implementation of Traton Financial service and closure of the separate brand specific financial service companies, such as Scania Financial Services or MAN Financial Services.

Ownership Structure and Stock Analysis

The Volkswagen AG holds the majority of share of Traton SE with 89,72%. This majority stake allows Volkswagen to significantly influence all strategic and operational decision. The remaining 10,28% consist of free-floating shares which are publicly traded on the Frankfurt Stock Exchange and the Nasdaq Stockholm. By being listed at both exchanges, Traton benefits from increased capital access, Enhanced Liquidity, and a diversified Investor based. These two exchanges were chosen because of Traton two largest Brands (MAN and Scania) Headquarters are located in either Germany (Munich) or Sweden (Södertälje). The free-floating share is owned by a variety of institutional and retail investors. As there is no additional filing on the ownership, it can be assumed that no other investor exceeds 3% of shares. The public listing provides Traton access to capital markets and allows to diversify its financing opportunities and leverage its independent market presence to attract investors worldwide.

Traton was first listed on the Frankfurt Stock exchange on June 28, 2019, at an IPO price of €27. With a Trading Volume of 57.5m shares offered, a Company valuation of **€13.5bn** was reached. Since then, the stock price has increased to €31.5 as of 13.12.2024 resulting in an increase of about **16.7%**. Events that strongly effected the stock price include the proposal of the acquisition of all outstanding shares of U.S truck manufacturer Navistar in January 2020. This led to the share price rising by approximately 10%, indicating investors' confidence in Traton's expansion into the North American market. Upon completion of the Navistar acquisition in July 2021, shares rose again by about 8%, outperforming the MDAX at the time. Supply Chain and Inflation Pressures affected the share price negatively in the first quarter of 2022 with a drop of about 10%, which was also reflected in the broader market. On June 24, 2022, Traton was uplisted from the SDAX to the MDAX, a German Stock index which includes Germany's 40 largest companies and ranks immediately below the DAX 40. The inclusion into



the MDAX had a positive impact on the share price, which increased by about 6% as more institutional investors and index funds demand for the stock grew. Lastly, in May 2024, Volkswagen group made the announcement that they were going to reduce their stake in Traton, increasing the amount of free-floating shares and improving liquidity. This created investor confidence which was reflected with an increase of the share price by about 5%.

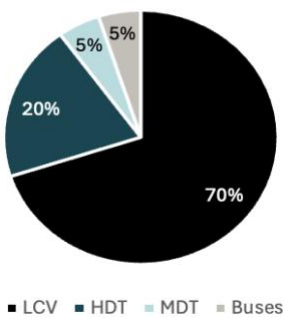
Name	Title
Christian Levin	CEO Traton SE + Scania
Dr. Michael Jackstein	CFO Traton SE + Business Development
Catharina Modhal	Group Product Management
Alexander Valskamp	CEO MAN
Mathias Carlbaum	CEO International Motors
Antonio Roberto Cortes	CEO Volkswagen Truck & Bus

Board of Directors

Traton's executive Board is led by Christian Levin who hold the position of Chairman and CEO of Traton as well as being the CEO of Scania. Levin oversees all of Traton's operational, management and strategic decisions. Furthermore, the board includes all other CEOs of the individual Truck brands that are part of Traton with Mathis Carlbaum being the CEO of Navistar, Alexander Valskamp being the CEO of MAN and Antonio Roberto Cortes being the CEO of Volkswagen Truck and Bus. The composition of the Board further demonstrates the integrated network of brands and the collaboration across them into a leadership framework. Additionally, Dr. Michael Jackstein is responsible for Finance, Business Development and Human Resources, while Catharina Modahl Nilsson is responsible for the Product management.

Macroeconomic and Industry Overview

Commercial Vehicle global Market Share

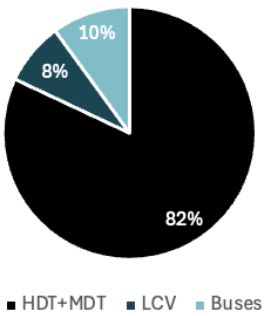


Product Segmentation

The Commercial Vehicle market can be segmented into four broad groups namely Heavy-duty Trucks (HDT), Medium-duty Trucks (MDT), Light-duty Commercial Vehicles (LCV) and Busses. As Traton's largest market is the European market, this section will focus on European growth rates The HDT segment includes all trucks above 15 tons which are designed for long-haul transport and account for about 20% of the industry's revenue in 2022 and is expected to grow at a CAGR of 2.8% from 2023 to 2030². This growth is mainly driven by the increasing logistics demand and infrastructure investments in emerging markets. The MDT segment includes all vehicles weight 3.5 to 15 tons and are often used for regional delivery and specialized applications such as garbage trucks. This segment is expected to grow at a CAGR of 2.4% from 2024 to 2030 and accounted for a total of 5% of the global commercial vehicle market. Traton's focus lies on the HDT and MDT segments with both segments combined accounting for roughly 82% of sold units.

² Commercial Vehicles Market Share, Growth, Opportunities 2031; Growth Market Reports (2023)

Tratons revenue by product category



The LCV segment includes trucks and vans under 3.5 tons, mainly used for urban and last mile delivery applications. This segment is expected to grow with a CAGR of 2.3% driven by the strong need to zero emission last mile logistics. In 2022, this segment accounted for the largest share of the global commercial vehicle market with about 70% of revenue. This is mainly due to their high-cost effectiveness and versatility. Traton is least represented in the LCV segment with the only product in this segment being the MAN TGE van, of which 26,600 units were sold in 2023, making up about 8% of total sales. This can be explained by the fact that Volkswagen Nutzfahrzeuge is one of the main players in the LCV market in Europe, which is part of the Volkswagen AG which owns the majority shares of Traton. Lastly the Bus segment covers all commercial passenger transport vehicles from vans to large coaches and is expected to grow at a CAGR of 2.1% from 2023 to 2030. In 2022 the Bus segment made up about 5% of the global commercial vehicle sales. Traton sold about 30,300 units of the bus segment in 2023, accounting for 10% of total sales.

Geographical Segmentation

The commercial vehicle Industry demonstrates regional variations in demand, and product offerings. The key geographies for the industry are Europe, North America, South America and Asia-Pacific.

The North American market is dominated by heavy-duty trucks (HDT) used in long haul freight and logistics, mainly due to the large distances that need to be covered and the missing transportation alternatives. The region has robust economic activities with a strong e-commerce growth and substantial investments into infrastructure. Regulations set by the Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) are pushing manufacturers to speed up their production of zero-emission vehicles. Furthermore, North America leads in terms of autonomous and connected vehicle technologies, facilitating testing of powertrains and self-driving technologies. A modest economic growth for the United States, the most important North American Market for Traton is expected. **The Federal Reserve forecasts GDP growth over the next 3 years for the United States to be at 2%³**

The European market is focused on medium-duty trucks (MDT) as well as heavy-duty trucks (HDT) due to strong cross-border logistics, fuelled by the Schengen free trade area. Europe is the epicentre of the zero-emission vehicle revolution, with high adoption rates for electric and hydrogen powered trucks, in line with

³ Summary of Economic Projections; Federal Reserve Board (2024)

Europe's Green Deal mandating a 43% reduction in truck CO2 emissions by 2030. For Western Europe, a comparatively low rate of economic growth in 2024 and the years to follow is expected, because of the still inflated level of inflation and the high-interest rate environment, making the purchase of commercial vehicles relatively more expensive. The European Central Bank (ECB) forecasts a GDP growth of **1.1% over the next 3 years in the euro area**⁴

The Asia Pacific Market is dominated by a demand for light commercial vehicles (LCV) and medium-duty trucks (MDT) due to rapid urbanization and e-commerce growth. While China is advancing their production of heavy-duty electric trucks aggressively, countries like South Korea and Japan are pushing more towards hydrogen fuel cell technologies. This market presents a key growth driver for the commercial vehicle industry with high volume production and quick adoption of alternative powertrain solutions.

The South American Market is focused on medium-duty and heavy-duty trucks finding their main use in agriculture and mining. Brazil presents the most important market here with Mexico and Argentina following in second and third place. The transition to zero-emission is notably slower in this market, however biofuels are widely used due to the natural abundance and cost advantage. As some of these emerging countries develop further, there is a real potential for growth. In terms of economic outlook for this region, the Brazilian economy is expected to experience modest growth, with the World Bank forecasting **GDP growth to be at 2% over the next 3 years**⁵. While Traton mentions in its annual report that the Argentinian output will decline further, suggesting that the economy will transition from recession to growth over the next 3 years with GDP growth around 1.9% according to the OECD⁶.

Key Trends

The single most important Trend in the truck and bus industry is the transition to Zero-Emission vehicles. The EU mandates a 43% reduction in emissions for medium-and heavy-duty trucks by 2030 and 90% by 2040, with high penalties for non-compliance⁷. The U.S, Traton's second largest market, aims for 25-60% zero emission vehicle sales across different truck segments by 2032. Main challenges that this transition faces are the higher total ownership cost, and the infrastructure investments needed. Zero emission vehicles face a disadvantage of up to 40% when it comes to total cost of ownership compared to traditional internal combustion engine trucks, mainly due to the high cost of key components like

⁴ Growth and inflation projections for the euro area; European Central Bank (2024)

⁵ Overview on Brazil; World Bank Group (2024)

⁶ OECD Economic Outlook (2023)

⁷ Traton Annual Report 2023

battery packs and fuel cells. Additionally, it is estimated that \$30bn USD of investments into charging and refuelling infrastructure are needed to avoid bottlenecks when production picks up.

Another key trend is the Business Model Evolution with the "truck-as-a-service" (TaaS) trend emerging as the most profitable. It is estimated, that by 2035, up to 75% of truck manufacturers profits could come from recurring lifecycle services, such as leasing, financing, maintenance, and software services, shifting away from classic vehicle sales. Market pressure from Chinese and South Korean Manufacturers are increasing in Western Europe, as they are rapidly advancing in zero-emission technologies while being highly cost-competitive.

The transition to zero emission, will come with financial implications and Profit Pool shifts. With a decline in internal combustion engine sales and increasing zero emission truck production, it is estimated that by 2035 20% of all truck-related profits will come from zero emission trucks, mainly through recurring services rather than traditional fuel retailing and vehicle sales. Furthermore, the higher upfront cost of zero emission trucks will further drive the demand for manufacturer backed financing, as fleet operators such as logistic companies seek to minimize capital exposure and operational risk.

Collaborative efforts by manufacturers, energy providers, and governments to catalyse the transition to zero emission, are gaining popularity as they are exploring joint investments and partnerships to agree on standardized technologies, simplifying the charging process and improving the infrastructure at strategic locations. Governments are also changing regulations, such as vehicle length, allowing electric trucks to haul additional freight which reduces their total cost of ownership.

Political Impacts

Politics has always had a large impact on the adoption of electric vehicles. Environmental policies coupled with financial incentives provided by the government highly encourage the adoption of EVs ⁸. Especially in the US, with the new Trump administration now elected, the future of subsidies for electric commercial vehicles in the US is uncertain. Currently, all Commercial vehicles with a weight over 14,000 pounds receives a \$40,000 subsidy in form of a tax credit from the federal government. All school buses and semi-trucks Traton sells in the US exceed this weight limit, making them eligible for the subsidy. Trump has repeatedly mentioned that he wants to increase the fossil fuel production in the US

⁸ The Impact of state policies on electric vehicle adoption; Mekky, Collins (2024)

and reduce the subsidies given to Electric Vehicles. This could majorly impact the total cost of ownership for new electric commercial vehicles in the US.

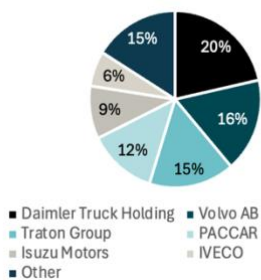
The subsidy landscape in the EU is far more complex, with each country imposing their own regulations on how to subsidise commercial EVs. Subsidies can range from €9000 for the purchase of a new vehicle including up to €100,000 for the installation of new Charging stations, that must be made available to the public in Germany, to no subsidies at all in Norway. Additionally, protectionist trade restrictions as seen during the previous Trump administration can have a negative impact on global trade and slow down economic growth by increasing costs for businesses and consumers⁹. Contracting global trade and economic growth directly links to the amount of commercial vehicles needed.

Key Competitors

Peer Group	EV/EBITDA
1 Daimler Truck	8.1x
2 Volvo AB	7.4x
3 PACCAR	13.6x
4 IVECO	3.7x
5 Isuzu Motors	5.7x
6 Hino Motors	6.0x
7 Tata Motors	5.0x

The commercial vehicle industry is highly concentrated, with a few major players dominating the market. Traton's key competitors include Daimler Truck Holding, PACCAR, Volvo AB, and IVECO with these five companies collectively accounting for about 70% of the total global market share. Each key competitor has consolidated multiple brands to serve diverse segments and geographic regions, creating strong market positions with a relatively similar product offering. With Traton's four distinctive Brands, the company is geographically dependent on the European market with a smaller footprint in North and South America. Compared to PACCAR and Daimler truck, Traton also has lower profit margins mainly due to the restructuring cost and consolidation of the different companies into the Traton brand. However, Traton also shows some competitive strengths through their technological leadership in sustainability, especially through their Scania brand, which is regarded as the industry leader in electric and hybrid solutions. The synergies that are provided through the parent Volkswagen Group also provide the company with a strategic advantage such as economies of scale, battery technologies and autonomous driving. To get a better overview of the competitive market Traton operates in, a core and extended peer group was determined. With the core group being Traton's closest fit in terms of business model, geographical exposure and product offering. This group is led by the **Daimler Truck Holding**, which is the largest player globally, accounting for approximately 20% of the global market share. Daimler has the widest geographic footprint, with its Mercedes-Benz, Freightliner, Fuso and BharatBenz brands. The company also has a superior profitability compared to Traton. **Volvo's** brands, Volvo Trucks and Renault Trucks, hold approximately 16% of global market share with a strong

Competitor Market Share Worldwide



⁹ Protectionism could make the world less resilient, more unequal, and more conflict-prone; Goldberg, Reed (2023)

base on Europe and growing presence in Asia. Similar to Traton, Volvo also invests heavily into areas like autonomous driving and connectivity solutions but also faces margin pressure in competitive markets. **PACCAR** is primarily focused on North America and holds approximately 12% of the global market share through its Kenworth, Peterbilt and DAF brands. The company's strength lies in its premium product offering, which provides them with higher profitability margins. However, the company is largely reliant on the North American market which presents a regional concentration risk. **IVECO** is the smallest manufacturer in this group with a market share of about 9% the company is known for its strong presence in Europe and Latin America with a narrower geographic footprint than competitors. The company's strength lies in the production and development of hydrogen fuel vehicles.

Overall, while the market is highly competitive and controlled by few key players, Traton is well positioned to compete during this transformative time, focusing on innovation and sustainable drivetrain solutions

Strategic Implications for Traton

Considering the industry trends and competitive landscape, must focus on their research and development in battery and fuel cell technologies to further lower total cost of ownership and maintain a competitive position against new entrants. Geographic expansion into profitable areas such as India and East Asia should also be considered, to solidify the company's global footprint. Expanding their business in North America through their International Brand will also be a deciding factor going forward, as the North American market offers high profit margin. Offering the right products with tailored powertrain technology will help to capture distinct market segments. Transport as a service is gaining popularity, as customers seek more flexibility in their fleet management allowing them to cater to cyclical demand better. This creates an opportunity to develop a whole ecosystem around charging, maintenance, and fleet management services. Future Recurring Revenue streams also aid long term planning. Traton is already capitalizing on this by scaling their operations of Traton Financial Services. Traton is aware of these Trends and is aligning its strategy accordingly to best serve their key markets.

Financial Statement Analysis

Before the analysis, the core business operations were separated from non-core and financial segments which enables a clearer assessment of profitability from operations, core profitability, and value creation, serving as a robust adjustment

for building the operating model to focus on the core business. Therefore, the historical income statement and balance sheet of Traton SE were reformulated to provide a clearer view of the company's financial performance and position by isolating the contributions from core operations, non-core activities, and financial results. In the income statement, the reformulation focused on segmenting the results into core business, non-core business, and financial activities. The core business includes all revenue and expenses directly tied to Traton's operational activities, reflecting the underlying profitability of the trucks, buses, and related services segments. Taxes attributable to the core business were allocated accordingly to derive the core result. Non-core business activities, such as equity method investments and non-operating items, were separated to present the non-core result. Financial results, including interest expenses, cash flow hedges, cost of hedging, and statutory tax adjustments, were categorized under the financial segment. A similar approach was applied to the balance sheet, where the assets and liabilities were reclassified into core invested capital, non-core invested capital, and net financial assets. Core invested capital encompasses all assets and liabilities directly linked to Traton's core operations, such as property, plant and equipment, inventories, intangible assets, trade payables, deferred tax liabilities and more. Non-core invested capital includes investments and obligations outside the operational scope, such as equity method investments, assets held for sale, and associated liabilities, as well as other non-current provisions. Net financial assets reflect the company's financial position, comprising total debt, cash, marketable securities, investment deposits, and non-controlling interests.

Income Statement

▪ Revenue

Between 2020 and 2023, Traton experienced exceptional revenue growth driven by several key factors. The company's revenue grew from €22.6bn in 2020 to €46.9bn in 2023 representing a CAGR of 27.3%, which can mainly be attributed to the acquisition of Navistar in 2021 that significantly expanded the Group's footprint in the North American market, contributing to a substantial increase in consolidated revenue. Additionally, the post-pandemic economic recovery fueled strong demand for commercial vehicles, with heightened activity in freight transportation and logistics sectors. This led to unit sales increasing across all major product categories and brands. Traton capitalized on sustainability trends by advancing its electrification strategy, meeting growing regulatory requirements and customer preferences for green solutions. The European and North American Market saw

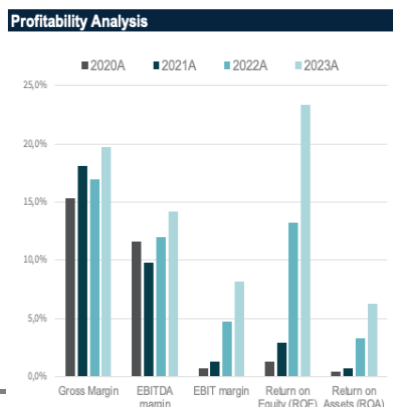
the strongest demand over the time period, while Latin America lagged. This is mainly due to the emission regulations that have been introduced on Brazil. Traton has since adapted to the new regulations and is now able to produce Vehicles that are in line with them. Therefore, sales are expected to recover sharply in 2024, as can already be seen in the first half year report.

▪ Capital Expenditures (CapEx)

Commercial Vehicle manufacturing is a capital-intensive business, mainly due to the strategic investments that are required stay competitive in his industry. Traton Invests heavily into their Research and Development as well as modernizing and increasing their production facilities. The total amount of investments across the Traton group amounted to **€2.59bn** in 2023. Scania has the highest share with **€1.13bn** as a result of their investments into electric mobility, the construction of a new production site in China, as well as a new production line at their Swedish factory in Södertälje that was converted to handle the large production of electric trucks. Additionally, a completely new battery factory was also built at Scania's Södertälje site. MAN spent the second largest amount with **€564m**, which is mainly attributable to the structural measures and expansion of their Krakow, Poland plant, which is now able to handle twice the production capacity as before. The third largest investment of **€488m** occurred by Navistar as a result of their investments into the S13 Integrated powertrain as well as the expansions of their production sites in Escobedo, Mexico and San Antonio, USA. Traton Financial services spent **€415m** on the gradual acquisition of key aspects of MAN and VWTB Financial Services. Scania Financial Services was also fully integrated into Traton FS, which resulted in significant legal costs. VWTB spend the smallest amount on Investments with **€91m**, mainly attributable to their investments in electric mobility in compliance with recently tightened regulations.

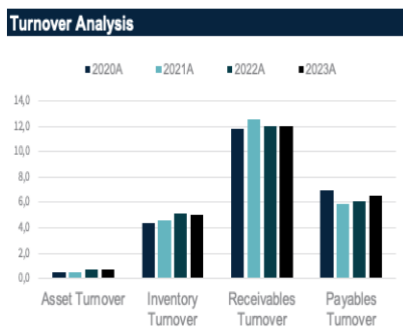
▪ Profitability Analysis

Traton's profitability shows a consistent upward trend from 2020 to 2023 across key metrics. **Total Sales** increased steadily over the period, growing from €22.6bn in 2020 to €46.9bn in 2023. This growth signals a strong market demand and the company's ability to capitalize on recovery and expansion opportunities post-pandemic. The **Gross margin** rose from 15.3% in 2020 to 19.7% in 2023, showing consistent improvement. With this, Traton outperformed its peer group median of 18.1% in 2023, highlighting improved cost management and operational efficiency, which contributed positively to profitability. The **EBITDA margin** also shows a



recovery from 11.6% in 2020, with a decline to 9.8% in 2021 and a rebound to 14.2% in 2023. This margin also surpasses the median peer group level of 13.5%, showing the company’s ability to increase earnings before interest, taxes, depreciation, and amortization despite cost pressures. The EBITDA increased from **€2.6bn** in 2020 to **€67bn** in 2023, driven by robust sales growth and improved operational leverage. The **EBIT margin**, which reflects the operating profitability has shown the most significant improvement over the time period, growing from 0.8% in 2020 to 8.2% in 2023. The EBIT figure increased from just €175m in 2020 to €3.85m in 2023. This is largely because of the incorporation in 2019 and the followed rapid growth in its operating result. While the margin saw a rapid growth, it is still slightly lower than the peer group average of 9%. This can be attributed to the fact that Traton has higher D&A expenses compared to its peers, due to significant investments in PPE. **The Return on Equity (ROE)** experienced substantial growth from 1.3% in 2020 and rising to 23.4% in 2023. This sharp increase reflects both higher profitability and effective utilization of equity capital. With a steady increase in equity from €13.2bn to €16.5bn, Traton is able to generate strong returns for its shareholders. Similarly, the **Return on Assets (ROA)** improved from 0.4% in 2020 to 6.2% in 2023, This increase shows Traton's ability to generate earnings relative to its asset base, which expanded from €42.8bn in 2020 to €61.7bn in 2023. Overall, the profitability metrics have consistently improved over the analysed period. The company's performance has not only recovered but also outpaced the peer group median in the key areas Gross margin and EBITDA margin. This places Traton in a favourable position to maintain competitive profitability moving forward.

▪ Turnover Analysis



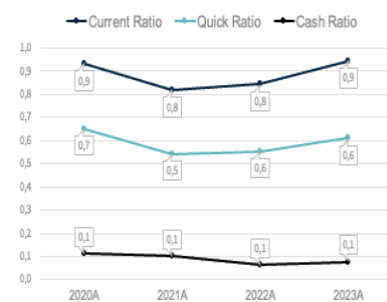
The Turnover ratios highlight the company’s efficiency in managing its assets, inventory, receivables and payables over the period from 2020 to 2023 and can reveal improvements in the operational efficiency and working capital management. **Traton's Asset Turnover** improved consistently from 0.5x in 2020 to 0.8x in 2023. This shows an upward trend in the efficiency of utilizing assets to generate sales. This increase aligns with rising total sales, which almost doubled from €22.6bn in 2020 to €46.9bn in 2023, while total assets grew at a slower pace, reflecting **improved operational efficiency and asset utilization**. The **Inventory Turnover ratio** increased from 4.4x in 2020 to 5.1x in 2023, suggesting that Traton has improved its inventory management despite an increased inventory level from €4.3bn to €7.4bn over the period. A ratio of 5.1x indicates an efficient supply chain and sales process, ensuring that working capital tied up in inventory is managed effectively. The **Receivables Turnover ratio** slightly improved from 11.8x in 2020 to 12x in 2023, underlining the company’s consistent collection practices as receivables grew from €1.9bn to €3.9bn in line with increased sales. A ratio of 12x

reflects effective credit management and a strong focus on cash collection. Lastly, the **Payable Turnover ratio** declined from 6.9x in 2020 to 6.5x in 2023, reflecting how quickly the company settles its accounts payable relative to its COGS which increased from €19.1bn in 2020 to €37.6bn in 2023. The reduction may suggest extended payment terms with suppliers to conserve cash during volatile times.

Balance Sheet

▪ Liquidity Analysis

Liquidity Trend



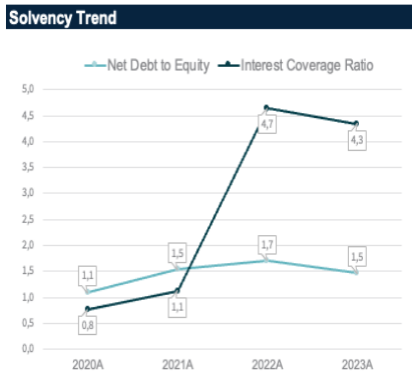
Traton The liquidity analysis assesses Traton's ability to meet its short-term obligation using various liquidity ratios, over the period from 2020 to 2023. While the company maintained its ability to meet short-term obligations, the ratios remain below the standard threshold of 1.0, suggesting improvements in the liquidity management may be necessary. The **Current Ratio**, which measured the ability to cover short-term liabilities with current assets, fluctuated between 0.8 and 0.9, remaining below the ideal level of 1.0, indicating that short-term liquidity is still constrained. The **Quick Ratio** excludes inventories from current assets, highlighting the company's ability to meet short-term liabilities with its most liquid assets. In 2020, the Quick ratio was 0.7, indicating moderate liquidity. The ratio declined to 0.5 in 2021 primarily due to a strong increase in inventory levels from €4.3bn to €5.5bn. This suggests that more capital was tied up in inventory rather than liquid assets. The ratio consistently falls short of the standard benchmark of 1.0, indicating that Traton relies heavily on inventory to meet its working capital needs, which could pose risks in the event of a slowdown in inventory turnover. The **Cash Ratio** remained constant at 0.1 throughout the period. Cash and Cash equivalents remained low relative to current liabilities. Cash levels declined from €2.0bn on 2021 to €1.4bn in 2022, before recovering to €1.7bn in 2023. This ratio indicates that Traton has minimal cash reserves to immediately cover its short-term liabilities, which is typical in capital-intensive industries where cash is often reinvested into operations or tied up in working capital. Overall, the growing reliance on inventories and limited cash reserves highlight challenges in the liquidity management of Traton. The ability to effectively manage working capital and enhance cash flows will be critical to improving the liquidity position in the future.

▪ Solvency Analysis

The Solvency Analysis evaluates Traton's long-term financial stability and its ability to manage debt and interest obligation. While Traton demonstrates improved

earnings and coverage ability over the period, its debt levels remain above the peer group median, indicating a higher reliance on leverage than its peers.

The **Net Debt-to Equity Ratio**, which measures financial leverage, increased significantly from 1.1x in 2020 to 1.5x in 2023. Net Debt grew from €14.5bn in 2020 to a peak of €24.3bn in 2023. This can be mainly attributed to the substantial investment into the acquisition of Navistar. Nevertheless, the Net Debt-to-Equity ratio remains significantly higher than the 0.8x peer group median. This highlights Traton's relatively higher reliance on debt financing compared to peers, posing a challenge for long-term financial flexibility. The **Interest Coverage Ratio** reflects the company's ability to service its interest obligations from operating profits. The ratio has improved from a low of 0.8x which means that EBIT fell short of covering interest expenses to reaching 4.7x supported by a sharp increase in EBIT to €1.9bn while interest expense rose to €409m. Traton's solvency has significantly improved over the analysis period. Going forwards, reducing debt levels and managing financing costs will be critical for improving Traton's long-term financial stability and aligning its solvency metric with its peer group.



▪ Cash Conversion Cycle (CCC)

The Cash Conversion Cycle evaluates how efficiently Traton manages its working capital by measuring the time taken to convert investments into inventory and receivables into cash while accounting for the time it takes to settle payables. Traton demonstrates improvements in its working capital efficiency, reducing the CCC from 83 days in 2020 to 72 days in 2023. This reflects efforts to optimize inventory management and streamline its supply chain.

The Average Collection Period, which measures how quickly Traton collects cash from customers, improved steadily from 46 days in 2020 to 42 days in 2023. This trend highlights more efficient receivables management and stronger cash collection practices. **The Average Payable Period** measures the time taken to settle accounts payable. It stayed constant during over the observation period with 47 days. Total payables increased significantly from €2.9bn in 2020 to €6.0bn in 2023, reflecting higher production volumes and cost of sales.

Overall, Traton made significant improvements to their working capital efficiency, as seen by the consistent reduction in the Cash Conversion Cycle. The improvement in the Average Holding Period and Average Collection Period also demonstrates stronger operational performance and cash management practices. Moving forward, sustaining these efficiencies will be critical to maintain a competitive edge to support Traton's growth trajectory.

Risks and Opportunities

Weaknesses and Threats

Traton's commitment to electrification and transformation to a provider of sustainable transport solutions is imperative but poses financial risks due to substantial investment required. There are high costs associated with development, building production lines, sourcing materials, and establishing charging infrastructure. While these investments are unavoidable for future growth, they may lead to short- and medium-term financial strain, particularly if EV sales grow slower than forecasted. A significant portion of Traton's revenue stems from Europe, particularly through their Brands MAN and Scania. This creates a high operational dependence on Europe and sensitivity to EU Regulations, making Traton vulnerable to regional economic fluctuation, regulatory changes, and industry-specific policies. Even though strict emission and sustainability regulations create growth opportunities for EVs, stringent compliance and labour requirements may increase operational cost and put pressure on profitability. The EU set the Target for 2025 that emissions of HDT vehicles need to be reduced by 15%. At the same time the emission target for 2030 aims for a reduction of 45% and 65% until 2035. North American regulations are more complicated as each state is able to impose own standards. Adhering to these regulations and emission standards in different jurisdictions is technologically challenging and costly. To meet European and North American standards require substantial investments into new technologies. Despite a strong presence in Latin America, through the Volkswagen Truck and Bus brand, Traton lacks a strong position in other Emerging markets, especially in Asia, where key competitors like Volvo and Daimler Truck are expanding aggressively. This limits Traton's growth potential and leaves a large and important market untapped.

One threat that Traton faces are global supply chain constraints as well as commodity price volatility, especially in regard to semiconductors and batteries, which can heavily impact production timelines and cost structures. As battery components remain a scarce resource, the company's ambitious electrification plans may be hindered as a result.

Additionally, Traton faces competitive pressure from established and new market entrants who are all investing aggressively in EV and autonomous vehicle technologies. Especially in North America EV- focused brands such as Tesla with its all-electric Semi truck or Daimler Trucks brand Rizon present a real threat to Traton's International brand. Established North American brands such as Daimler Trucks' brand "Freightliner" are introducing all electric trucks such as the

eCascadia. Freightliner is also likely benefitting from the same synergies and strategic benefits International is, as they are part of the Daimler group.

Considering the current political situation in both the United States and Europe, Tariffs and trade barriers present a relevant threat for Traton as well. Potential trade tensions between the U.S and the EU could disrupt supply chains and increase operational costs. Furthermore, China's focus on developing a domestic commercial vehicle sector could further hinder Traton's expansion ambitions in Asia, particularly as Chinese policies make local manufacturers more attractive for customers.

Strengths and Opportunities

Traton's well diversified portfolio of prominent brands, which are well-established across various geographic markets, provides the company with resilience and allows the company to target a wide range of target customers from a premium offering in Europe to a cost-effective offering in emerging markets like South America. Traton's connection to the Volkswagen Group provides great benefits regarding economies of scale in procurement, technology, and market penetration strategies. It also allows for reduced costs and technological support, strengthening Traton's ability to compete against larger global truck manufacturers, especially as they scale up their EV Production. With a fast urbanization and environmental awareness in emerging markets, demand for sustainable public transport solutions, especially electric buses are expected to grow. With its VWTB brand, Traton is well positioned to capture this demand in Latin America and could potentially expand its product offering to cater to similar needs in Asia. The recent integration of International creates a good opportunity in the North American market, which Traton has not served previously at all. The already established customer base and dealership network in combination with Traton's knowledge in manufacturing presents an opportunity to further expand their North American presence. Traton puts a strong focus on research and development which was also recently demonstrated by the successful international collaboration of Traton's MAN and Scania brands. They are partnering with the autonomous driving company plus.ai to offer their Level 4 SuperDrive technology across selected trucks. Level 4 is currently the most advanced level of autonomous driving technology and offers fully self-driving capabilities without a driver being present. The technology is currently undergoing real-life testing in Europe and the United States; however, the full implementation of the technology largely depends on government regulations regarding fully self-driving vehicles. This partnership marks a major step for the company's transition to autonomous and electric transportation solutions.

ESG Analysis

Environmental

The largest amount of emissions emitted by Traton are so called Scope 3 emissions, meaning that they result from activities in the value chain that are not directly controlled by the company. In this case, the use of their internal combustion engine vehicles by their customers. These Scope 3 emissions make up about 90% of the group's total emissions and are being reduced by the company's strategic shift to zero emission which also includes their investment into charging solutions companies such as Traton charging solutions and Milence, their joint venture with Volvo and Daimler Truck. Traton is also planning to reduce their Scope 1 emissions by partnering with H2 Green Steel and SSAB to use sustainably produced steel in their manufacturing. Traton's strategic commitment to 100% green steel by 2030 demonstrates an advantage in decarbonizing its entire supply chain faster than their competitors. While the entire industry is moving towards the production of zero emission vehicles and the overall reduction of emissions, Traton is a leader in this regard as it aims to decarbonize the entire supply chain, instead of just their own manufacturing activities.

Social

In addition to the Environmental Targets Traton has set for themselves, they are also focusing on social aspects such as gender diversity across their staff and employee satisfaction and engagement. The employee satisfaction is measured using an opinion index, measured through a survey, used as a metric to evaluate the performance of the management team and align, employee's interests with theirs. Even though gender diversity is highlighted in the annual report, the composition of the executive board suggests otherwise. Only one out of the board's six members is female, Catharina Modhal Nilsson, who also only joined the board in 2023. As found in various studies, the presence of woman on the board is directly associated with higher firm value¹⁰. Many institutional investors also require a certain diversity quota for the company to be included as an investment. While the appointment of Modhal Nilsson shows progress in the integration of diverse perspectives into the strategic decision making, a more diverse management would solidify Traton's commitment to diversity

Governance

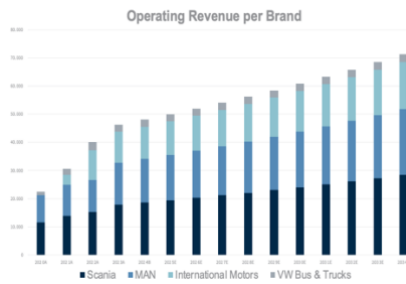
¹⁰ Impact of board size and board diversity on firm value; Hoa Nguyen, Robert Faff; 2006

An important aspect to consider as part of the Governance section of the ESG analysis is the Remuneration of the Board of directors for Traton. The publicly available Remuneration report gives an insight into how Remuneration is determined and how much each Board member receives¹¹. Executive Board salaries are made up of a Fixed component which includes the Base Salary, Fringe Benefits such as health insurance, company cars, and security measures and Pension Provisions, which are tied to the performance of specific indices and are equivalent to 40% of the base salary. The total amount of fixed salaries for all five board members amounted to **€4.28m in 2023**, with Christian Levin (CEO) receiving the largest fixed component of €1.85m. The Variable component consists of a Profit Bonus and a Long-Term Incentive (LTI). The Profit bonus is tied to financial, Environmental, Social and Governance targets. Each target receives a target amount at which the maximum compensation is capped. The two financial targets based on which the bonus is measured are Operating return on sales and return on investment. The Environmental sub target is being measured by the ratio of zero-emission vehicles sold to the total number of vehicles sold. The Social sub target is being measured by the opinion index, which reflects the employee satisfaction and corporate culture and is based on an employee survey. The Governance sub target is assessed based on the compliance and integrity of the Executive board. The LTI is made up of a performance share plan aimed at aligning board member incentives with long-term shareholder interests. Earnings Per Share is used as a key indicator of the share's performance. By including this component in the remuneration, the executive rewards are being aligned with shareholder returns. The total amount of variable compensation Traton paid to its executives is **€2.38m** with Christian Levin receiving the largest amount with €1.09m. These incentives show Traton's commitment to Long-Term growth and commitment to hold themselves accountable to the ambitious strategic goals they have set. While there are still areas that could be improved, our analysis shows Traton's commitment to Long-Term growth as well as holding themselves accountable to the ambitious strategic goals they have set for themselves. This has a positive impact on the valuation of the company as it provides investors with more confidence. These aspects further support our buy recommendation.

Financial Projections

Starting at the top-line, Traton SE's revenue was forecasted by segmenting the company's operations by brand and product line, considering the distinct markets each brand serves. Traton's four key brands Scania, MAN, International Motors

¹¹ Traton Remuneration Report 2023



(formerly Navistar), and Volkswagen Truck & Bus were analysed individually based on their product offerings and geographical market exposures. For Scania, revenue was projected based on the growth rates in the European truck and bus markets. MAN’s projections incorporated growth in the European truck and bus markets as well as the European light commercial vehicle (LCV) market, reflecting the TGE van segment. International Motors’ forecasts were driven by trends in the North American truck and bus markets while Volkswagen Truck & Bus revenue was linked to the South American truck and bus markets. Growth in unit sales is primarily influenced by demand in their respective markets, Europe, North America, and South America, alongside macroeconomic conditions, infrastructure development, and fleet renewal cycles. Therefore, historical sales units for trucks, buses, and LCVs were used as a baseline, with sales growth projections based on the respective CAGR of these markets. A scenario analysis was applied to account for varying market conditions. In the base scenario, growth was aligned with the respective market CAGR. The bull market scenario also factored in potential market share gains while the bear market scenario accounted for slower market growth and possible market share losses. Average revenue per unit, or ARPU, was calculated by taking the historical average over the past years and projecting it forward until 2034, incorporating a yearly price increase to reflect rising costs, technological advancements, and inflation. Moreover, it reflects maintenance and service revenue associated with the respective units, which forms a stable and recurring part of Traton’s business and can thus also be considered a critical growth driver. This further revenue stream covers genuine parts, engines-, powertrains- & parts deliveries, workshop services, and other. A further revenue component constitutes Traton’s Financial Services segment where revenues were forecasted as a percentage of total sales to reflect its strong correlation with the company’s core vehicle sales. The Financial Services revenue primarily comes from financing, leasing, and insurance solutions offered to customers purchasing trucks, buses, and light commercial vehicles. As vehicle sales increase, the demand for related financial products naturally grows, maintaining a proportional relationship with overall sales volumes. This method captures the recurring nature of financial services revenue which tends to remain stable and predictable, providing a reliable contribution to total revenue. The profitability and cost margins were assumed to remain stable throughout the forecast period to reflect a conservative approach, ensuring more realistic projections. Capital expenditures were projected to increase, driven by Traton’s strategic priorities to expand its global footprint, particularly in emerging markets. This expansion is combined with significant investments in advanced technologies such as electric and autonomous vehicles to maintain competitiveness and align with evolving market trends. The transition to electric vehicles requires substantial

upgrades to existing manufacturing facilities and infrastructure. Additionally, Traton's commitment to reducing carbon emissions and meeting stringent environmental regulations highlights the need for continuous investment in sustainable production processes. These strategic investments position Traton to address future market demands while maintaining regulatory compliance across its operating regions. To align the capital structure with industry standards, a yearly debt issuance was incorporated into the projections. This issuance is designed to converge the debt-to-equity ratio to the median of Traton's peer group over the long term, ensuring a competitive and balanced capital structure. Finally, depreciation & amortization were forecasted as a percentage of sales, reflecting their proportional relationship to the company's capital expenditures and asset base.

Valuation

Intrinsic Valuation

- Discounted Cash Flow (DCF)

The projection period of the DCF analysis spans ten years with the unlevered free cash flows being discounted at a reasonable WACC of **9.9%**, reflecting the company's general cost of capital and exposure to a variety of different markets. To account for the country-specific risk, the equity risk premiums of the specific markets, where Traton is active, were weighted according to the company's historical revenue split. This method allows for a fair calculation of the overall equity risk premium for Traton, thereby deriving a cost of equity of **12.5%**. Also reflected here is the cost of debt that was estimated using the Yield to Maturity of Traton's historical bond issuances. Given the company's global exposure, a US 10-year Treasury yield was used as the risk-free rate due to its status as a global benchmark, ensuring consistency and comparability in the valuation. To estimate the terminal value, the exit multiple method was chosen over the Gordon Growth Model. This approach leverages market data by incorporating information from the CCA, providing a more tangible and valuation by reflecting current market conditions. Thereby, it ensures that the terminal value is grounded in observable market data.

The implied 2025E EBITDA multiple for Traton stands at **5.8x**, resulting in an enterprise value of **€41.9bn**. After accounting for the equity bridge, the derived equity value is **€19.5bn**. With 500m shares outstanding, this translates to an implied share price of **€42.3**. Given the actual share price of **€31.1** as of

	€ 38,9	6,9%	7,9%	8,9%	9,9%	10,9%	11,9%	12,9%
Terminal value	44.308	€ 42,9	€ 36,8	€ 31,2	€ 26,2	€ 21,5	€ 17,2	€ 13,3
	49.231	€ 47,9	€ 41,4	€ 35,4	€ 30,0	€ 25,0	€ 20,4	€ 16,2
	54.701	€ 53,5	€ 46,5	€ 40,1	€ 34,2	€ 28,9	€ 24,0	€ 19,5
	60.779	€ 59,7	€ 52,1	€ 45,2	€ 38,9	€ 33,2	€ 27,9	€ 23,1
	66.857	€ 65,9	€ 57,8	€ 50,4	€ 43,6	€ 37,5	€ 31,8	€ 26,7
	73.543	€ 72,8	€ 64,0	€ 56,1	€ 48,8	€ 42,2	€ 36,2	€ 30,6
	80.897	€ 80,3	€ 70,9	€ 62,3	€ 54,5	€ 47,4	€ 40,9	€ 35,0

December 13, 2024, the DCF analysis suggests that Traton is undervalued, indicating a discount of **25.4%**.

The sensitivity analysis includes three key aspects: Implied Share Value, PV of Terminal Value and Cost of Equity. For the Implied Share Value, varying the WACC and terminal value growth rate shows that as the WACC decreases, the implied share value increases. For instance, with a WACC increase or decrease of 1%, the implied share price moves by approximately **5€** while the same for the terminal value leads to a change of approximately **3€**. The analysis shows that Traton's valuation is relatively insensitive to variations in the WACC, terminal value growth rates, exit multiples, equity risk premiums, and unlevered betas. This indicates that the valuation is robust and stable across different scenarios, providing confidence in the derived implied share value and terminal value.

PV of Terminal Value		WACC							
		23.560	6,9%	7,9%	8,9%	9,9%	10,9%	11,9%	12,9%
LT Growth Rate	0,7%	42.855	33.618	26.914	21.892	18.035	15.014	12.610	
	0,9%	44.373	34.648	27.643	22.423	18.433	15.318	12.846	
	1,1%	45.996	35.739	28.408	22.979	18.846	15.633	13.089	
	1,3%	47.734	36.895	29.214	23.560	19.277	15.959	13.342	
	1,5%	49.602	38.125	30.064	24.169	19.727	16.298	13.603	
	1,7%	51.614	39.433	30.960	24.808	20.195	16.651	13.873	
	1,9%	53.787	40.830	31.909	25.479	20.685	17.018	14.153	

Cost of Equity		Equity Risk Premium							
		12,5%	4,5%	5,0%	5,5%	6,0%	6,5%	7,0%	7,5%
Unlevered Beta	1,37	10,5%	11,2%	11,9%	12,6%	13,3%	14,0%	14,6%	
	1,47	11,0%	11,7%	12,5%	13,2%	13,9%	14,7%	15,4%	
	1,57	11,4%	12,2%	13,0%	13,8%	14,6%	15,4%	16,1%	
	1,35	10,4%	11,1%	11,8%	12,5%	13,1%	13,8%	14,5%	
	1,77	12,3%	13,2%	14,1%	15,0%	15,9%	16,8%	17,6%	
	1,87	12,8%	13,7%	14,6%	15,6%	16,5%	17,4%	18,4%	
	1,97	13,2%	14,2%	15,2%	16,2%	17,2%	18,1%	19,1%	

▪ Dividend Discount Model (DDM)

The Dividend Discount Model analysis for Traton is based on the most recent dividend payout of €1.5 in 2024. The model assumes a two-stage growth process. In Stage 1, dividends are projected to grow at a rate of **10%** per annum for the next 10 years. This assumption is supported by the company's strategic expansion into electric and autonomous vehicles, which are expected to drive significant revenue growth. Additionally, Traton's strong market position and robust cash flow generation provide the financial stability needed to sustain higher dividend payouts. In Stage 2, the terminal value growth rate is assumed to be **5%**, reflecting a more stable and mature growth phase.

The dividends are discounted at a cost of equity of **12.5%**, resulting in an implied share price of **€34**. Compared to the actual share price of €31.1 as of December 13, 2024, this implies a discount of **9.6%**, indicating that Traton is currently undervalued. The equity bridge used in this analysis is consistent with the one applied in the DCF model. Additionally, the implied 2025E EBITDA multiple is **5.5x**, further supporting the valuation derived from the DDM. The sensitivity analysis indicates that Traton's valuation shows limited sensitivity to variations in the equity risk premium and dividend growth rates. This suggests that the valuation is robust and relatively stable across different scenarios, providing confidence in the derived implied share price and terminal value.

Implied share price		Cost of equity											
		10,0%	10,5%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%	14,5%	15,0%	
Dividend growth rate (S1)	3,5%	€34,0	€46,0	€41,7	€38,2	€35,3	€32,7	€30,5	€28,6	€27,0	€25,5	€24,1	€22,9
	4,0%	€41,8	€43,9	€39,7	€36,6	€34,0	€31,7	€29,7	€27,9	€26,4	€25,0	€23,7	
	4,5%	€49,7	€45,1	€41,2	€38,0	€35,2	€32,8	€30,7	€28,9	€27,3	€25,8	€24,5	
	5,0%	€57,7	€46,8	€42,8	€39,4	€36,5	€34,0	€31,9	€29,9	€28,2	€26,7	€25,4	
	5,5%	€65,7	€46,6	€44,5	€40,9	€37,9	€35,3	€33,0	€31,0	€29,2	€27,6	€26,2	
	6,0%	€73,7	€50,5	€46,2	€42,5	€39,3	€36,6	€34,2	€32,1	€30,2	€28,6	€27,1	
	6,5%	€81,7	€58,0	€52,5	€47,9	€44,1	€40,8	€37,9	€35,4	€33,3	€31,3	€29,6	€28,0

Implied share price		Cost of equity											
		10,0%	10,5%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%	14,5%	15,0%	
Dividend growth rate (S2)	3,5%	€43,1	€39,9	€37,1	€34,6	€32,5	€30,6	€28,9	€27,4	€26,0	€24,8	€23,7	
	4,0%	€45,5	€41,8	€38,7	€36,0	€33,7	€31,6	€29,8	€28,2	€26,7	€25,4	€24,2	
	4,5%	€48,3	€44,1	€40,6	€37,6	€35,0	€32,8	€30,8	€29,0	€27,4	€26,0	€24,7	
	5,0%	€51,7	€46,8	€42,8	€39,4	€36,5	€34,0	€31,9	€29,9	€28,2	€26,7	€25,4	
	5,5%	€55,8	€50,1	€45,4	€41,6	€38,3	€35,5	€33,1	€31,0	€29,1	€27,5	€26,0	
	6,0%	€60,0	€54,1	€48,6	€44,1	€40,3	€37,2	€34,5	€32,2	€30,2	€28,4	€26,8	
	6,5%	€64,6	€59,0	€52,4	€47,1	€42,8	€39,2	€36,1	€33,6	€31,3	€29,4	€27,6	

Terminal Value		Cost of equity										
		10,0%	10,5%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%	14,5%	15,0%
Dividend growth rate (S2)	3,5%	62,4	57,9	54,0	50,6	47,6	45,0	42,6	40,5	38,5	36,8	35,2
	4,0%	68,0	62,7	58,2	54,3	50,9	47,9	45,2	42,8	40,7	38,7	36,9
	4,5%	74,6	68,3	63,0	58,5	54,6	51,1	48,1	45,4	43,0	40,9	38,9
	5,0%	82,5	74,9	68,6	63,3	58,8	54,8	51,4	48,3	45,6	43,2	41,0
	5,5%	92,2	82,9	75,3	69,0	63,6	59,0	55,1	51,6	48,6	45,8	43,4
	6,0%	104,3	92,6	83,3	75,6	69,3	63,9	59,3	55,3	51,9	48,8	46,1
	6,5%	120,0	104,8	93,1	83,7	76,0	69,6	64,2	59,6	55,6	52,1	49,0

Relative Valuation

▪ Comparable Company Analysis (CCA)

Extended Group	Peer Group		EV/EBITDA
	Core Group		
1	Daimler Truck		8,1x
2	Volvo AB		7,4x
3	PACCAR		13,6x
4	IVECO		3,7x
5	Isuzu Motors		5,7x
6	Hino Motors		6,0x
7	Tata Motors		5,0x

The CCA for Traton involves evaluating its valuation metrics against a selected group of peers in the commercial vehicle industry. The implied share price derived from this analysis is **€41.5** using the EBITDA multiple, indicating the current share price to be trading at a discount of **33.7%**. The company is compared to other companies with similar business models, size, and risk profiles, which should result in comparable valuation levels. As the commercial vehicle industry is capital-intensive and depreciation-heavy, the EV/EBITDA multiple provides the best comparison as it eliminates non-cash expenses that arise due to investment in PPE and provides a better overview of the operating performance.

In the compilation of the public peer group, the focus lies on commercial vehicle manufacturers that operate on a global scale and offer a similar product portfolio to that of Traton. Based on this, Traton's seven most fitting comparable companies are identified as Daimler Truck Holding, IVECO, Volvo AB, PACCAR, Tata Motors, Hino Motors, and Isuzu Motors.

It is important to note that there are limited pure players in the commercial vehicle industry that only produce trucks and buses. Many of the selected peers, such as Volvo, Tata, Hino and Isuzu also manufacture cars, which can introduce variability in the comparison. This limitation also given the difference in end-markets (logistics vs. consumers) should be considered when interpreting the results of the CCA, as it may affect the significance and accuracy of the valuation. Further comparable companies such as Ford Motor Company or Renault were excluded from the analysis given limited comparability due to factors relating to the business model/activity or its outlier position in terms of the multiples.

The sensitivity analysis shows that the implied share price is quite sensitive to changes in the EBITDA and EBIT multiples. Variations in these multiples significantly impact the implied share price. Conversely, the implied share price shows less sensitivity to changes in EBITDA and EBIT themselves, suggesting that the multiples used for comparison play a more critical role in determining the valuation.

▪ Comparable Transaction Analysis (CTA)

As another relative valuation method, precedent transactions from the commercial vehicle industry over a period of 8 years have been analysed. Five transactions have been identified that operate in the same or similar industries. These transactions were chosen based on how comparable the business model, market capitalization and target market of the acquirer or target company is to that of Traton. Given the high level of consolidation in the industry and limited number of transactions of a similar size to Traton, transactions in the broader automotive vehicle manufacturing industry and automotive components sector were also

Implied share price

EBITDA	Implied share price							
	€41,5	4,5x	5,0x	5,5x	6,0x	6,5x	7,0x	7,5x
6.489	€13,1	€19,6	€26,1	€32,6	€39,0	€45,5	€52,0	
6.739	€15,3	€22,1	€28,8	€35,5	€42,3	€49,0	€55,8	
6.989	€17,6	€24,6	€31,5	€38,5	€45,5	€52,5	€59,5	
7.239	€19,8	€27,0	€34,3	€41,5	€48,8	€56,0	€63,2	
7.489	€22,0	€29,5	€37,0	€44,5	€52,0	€59,5	€67,0	
7.739	€24,3	€32,0	€39,8	€47,5	€55,2	€63,0	€70,7	
7.989	€26,5	€34,5	€42,5	€50,5	€58,5	€66,5	€74,4	

Implied share price

EBIT	Implied share price							
	€10,6	8,0x	8,5x	9,0x	9,5x	10,0x	10,5x	11,0x
2.166	(€10,2)	(€8,0)	(€5,8)	(€3,7)	(€1,5)	€0,7	€2,8	
2.416	(€6,1)	(€3,7)	(€1,3)	€1,1	€3,5	€5,9	€8,4	
2.666	(€2,1)	€0,5	€3,2	€5,9	€8,5	€11,2	€13,9	
2.916	€1,9	€4,8	€7,7	€10,6	€13,6	€16,5	€19,4	
3.166	€5,9	€9,1	€12,2	€15,4	€18,6	€21,7	€24,9	
3.416	€9,9	€13,3	€16,8	€20,2	€23,6	€27,0	€30,4	
3.666	€13,9	€17,6	€21,3	€24,9	€28,6	€32,3	€35,9	

included, while outliers were excluded to maintain accuracy. One of the most relevant transactions includes Toyota's acquisition of a minority stake in Isuzu Motors, expanding their footprint in the commercial vehicle market.

The same multiple approach as used in the CCA analysis was applied here, focusing on the EV/EBITDA multiples of the transactions. This analysis resulted in a median multiple of **6.7x**. Using this multiple, an implied share price of **€52.6** is derived, presenting an upside potential for Traton's stock of **69.6%**. It is important to note that the implied share price from precedent transactions is typically higher due to the acquisition premium, which is considered in the overall valuation range. The sales multiple was not a primary focus in this analysis because it does not account for the varying profitability and cost structures across companies in the commercial vehicle industry as it does not reflect differences in operating efficiency, margins, and cost management. Therefore, the EV/EBITDA multiple is considered most appropriate as it provides a clearer picture of Traton's operational performance and profitability.

Implied share price

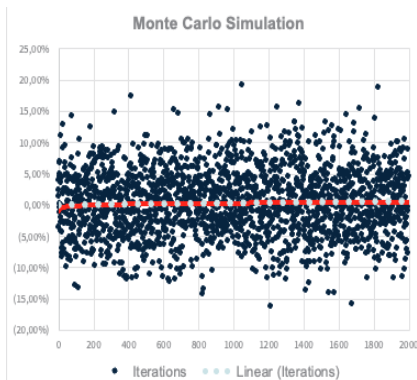
	€52,6	5,2x	5,7x	6,2x	6,7x	7,2x	7,7x	8,2x
6.489	€23,0	€29,5	€36,0	€42,5	€49,0	€55,5	€62,0	
6.739	€25,7	€32,4	€39,1	€45,9	€52,6	€59,4	€66,1	
6.989	€28,3	€35,3	€42,3	€49,2	€56,2	€63,2	€70,2	
7.239	€30,9	€38,1	€45,4	€52,6	€59,9	€67,1	€74,3	
7.489	€33,5	€41,0	€48,5	€56,0	€63,5	€71,0	€78,5	
7.739	€36,1	€43,9	€51,6	€59,4	€67,1	€74,8	€82,6	
7.989	€38,8	€46,8	€54,7	€62,7	€70,7	€78,7	€86,7	

Implied share price

	€3,3	6,8x	7,3x	7,8x	8,3x	8,8x	9,3x	9,8x
2.166	(€15,6)	(€13,4)	(€11,3)	(€9,1)	(€6,9)	(€4,8)	(€2,6)	€2,3
2.416	(€12,2)	(€9,8)	(€7,4)	(€5,0)	(€2,5)	(€0,1)	€4,5	€7,2
2.666	(€8,8)	(€6,1)	(€3,5)	(€0,8)	€1,9	€9,2	€12,1	€15,0
2.916	(€5,4)	(€2,5)	€0,4	€3,3	€6,2	€9,2	€12,1	€15,0
3.166	(€2,0)	€1,1	€4,3	€7,5	€10,6	€13,8	€17,0	€20,2
3.416	€1,4	€4,8	€8,2	€11,6	€15,0	€18,4	€21,9	€25,3
3.666	€4,7	€8,4	€12,1	€15,7	€19,4	€23,1	€26,7	€30,4

The sensitivity analysis shows that the implied share price is more sensitive to changes in the EV/EBITDA and EV/EBIT multiples than to changes in EBITDA and EBIT themselves. This indicates that the multiples used for comparison play a more critical role in determining the valuation.

Monte Carlo Simulation



A Monte Carlo simulation was conducted to model potential price movements for Traton's stock and to assess the probabilistic distribution of future returns. This approach quantifies the inherent uncertainty and volatility of the stock, offering a deeper understanding of its risk-reward profile. The simulation is based on key parameters derived from historical price data. Specifically, the average daily return of 0.05% and a daily standard deviation of 2.34% that were derived from Traton's historical stock data (02.01.2020 – 13.12.2024) and used as inputs to model future price movements. By iteratively simulating numerous daily returns under the assumption of a normal distribution, multiple potential price paths for the stock were generated, enabling an evaluation of its performance under a range of scenarios.

The results of the simulation provide meaningful insights into both the expected returns and the risks associated with Traton's stock. Over a simulated period with 2,000 iterations, the average weekly return was calculated at ~0.1-0.3%, while the daily standard deviation increased to ~5.2%, reflecting heightened uncertainty in future price behaviour relative to historical volatility. Notably, the probability of

significant downside movements far exceeded that of upward trends. Specifically, the probability of experiencing a return below 5% was ~81.0%, while the likelihood of returns exceeding 5% was only ~18%. This asymmetry underscores the importance of managing downside risks in the near term, particularly for investors with shorter investment horizons or exposure to leveraged positions. The inclusion of the Monte Carlo simulation serves two purposes. First, it complements the traditional valuation methods shown above by incorporating a probabilistic framework for the risk assessment. Second, it provides a more comprehensive perspective on future price behaviour, enabling investors to better understand the range of potential outcomes and the likelihood of extreme movements. For institutional investors and risk managers, the analysis highlights the need for caution in the short term given the pronounced downside risk, while also offering a quantitative basis for scenario-based decision-making and portfolio management. The Monte Carlo simulation reinforces the view that, while Traton's stock exhibits a small positive average return, significant short-term volatility remains a key consideration. The results emphasize the importance of closely monitoring the macroeconomic factors and company-specific developments that could intensify downside risks.

Final Recommendation

Our Equity research report arrives at a **BUY recommendation** for Traton SE, based on its strategic positioning, strong financial performance and leadership in sustainability, which together creates an attractive investment opportunity. Key highlights that support our recommendation include the acquisition of Navistar, which strengthens Traton's position in the high-margin North American market, while targeted growth in emerging markets like China and Latin America diversifies revenue streams and mitigate concentration risks. Traton's broad product portfolio from Scania's premium products to VWTB's cost-effective vehicles positions the company to serve a wide range of customer needs and across global markets.

Traton's position as an innovation leader in the transition to zero-emission, gives the company the competitive advantage to capture market share early on. Lastly, since Traton is backed by Volkswagen's resources, they benefit from synergies in R&D, economies of scale, and advanced technologies in autonomous driving and electrification. To determine a target share price for Traton both intrinsic and relative valuation methodologies, each providing unique insights into the company's value were used. In the evaluation of the reasonable valuation range, the CTA was considered, but its significance is moderated by the inclusion of acquisition premiums, which can inflate implied valuations. The CCA faced limitations due to the high consolidation within the vehicle manufacturing industry. Many peers also manufacture cars, introducing variability in comparisons. This limited comparability affects the significance and accuracy of the CCA results. Despite these challenges, the CCA still provides valuable context for Traton's valuation. The EV/Sales multiple was not emphasized in the analysis as it fails to account for differences in cost structures and operating efficiencies and can be overly generalist. The focus on EBITDA multiples, due to the capital-intensive nature of the industry, provides a reliable measure of operational performance. The limitations of the EV/Sales multiple and the moderated significance of the CTA due to acquisition premiums are acknowledged. Despite the high consolidation in the industry affecting the CCA, and the sensitivity of the DCF to various assumptions, the overall valuation suggests a significant upside potential for Traton's stock.

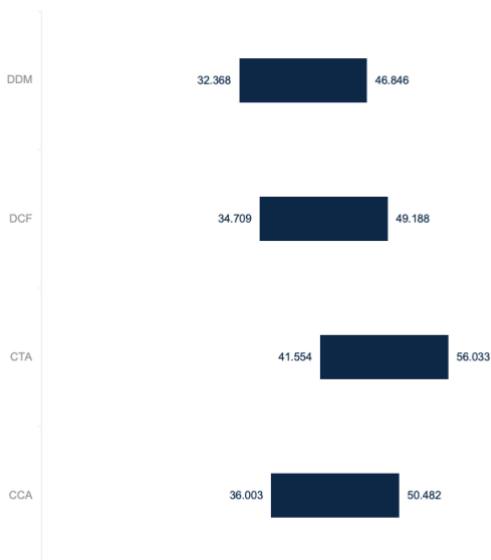
The DCF analysis, while comprehensive, is sensitive to a variety of assumptions, including discount rates and growth projections. These assumptions can significantly impact the implied valuation, highlighting the need for cautious interpretation. The DDM analysis, based on the most recent dividend payout and future growth projections, indicates that Traton is undervalued which further supports the buy recommendation by highlighting the company's strong dividend

growth potential and financial stability. However, also this analysis is sensitive to the Stage 1 & 2 growth projections.

The comprehensive football field analysis across multiple valuation methodologies indicates that Traton is currently undervalued. The overlap of the ranges of the different valuation methodologies supports the accuracy of the valuation approach and ensures providing a reasonable recommendation and target price which is derived by assigning weights to the various methods based on their strengths and limitations. The DCF analysis is given a weight of **50%** due to its detailed, long-term valuation based on future cash flows, despite its sensitivity to assumptions. The CCA is weighted at **20%** as it offers market-based insights by comparing Traton to similar companies, though it is limited by industry consolidation and variability in business models. The CTA receives a **10%** weight, reflecting actual market transactions and acquisition premiums, but its significance is moderated by the potential inflation of valuations and limited comparable transactions. Finally, the DDM is assigned a **20%** weight, focusing on dividend growth and financial stability, which is crucial for understanding shareholder returns, despite assumptions about consistent growth. The attributed weights ensure a balanced and comprehensive approach to derive a **final target share price of €39.9**, implying an upside potential of **28.4%**.

Appendix

Football Field Valuation



	Low	Range	High	Mid	Range	Weights	Target share price	€39,9
CCA	€27,0	29	€56,0	€41,5	0	20%	Premium / Discount	28,4%
CTA	€38,1	29	€67,1	€52,6	0	10%	Analysis	Undervalued
DCF	€24,5	29	€53,4	€38,9	0	50%		
DDM	€19,8	29	€48,7	€34,2	0	20%		
Valuation range	€25,7	29	€54,7	€40,2	0			

Financial Statements

Operating Model

Operating Model															
In €m	2020A	2021A	2022A	2023A	2024B	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
INCOME STATEMENT ITEMS															
Total revenue (excl. Financial services and recon.)	22.415	30.531	40.100	46.208	48.044	49.957	51.950	54.026	56.189	58.442	60.790	63.236	65.784	68.439	71.205
<i>sales growth</i>	-	36,2%	31,3%	15,2%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%
TRATON Financial Services	820	964	1.294	1.589	1.955	2.033	2.114	2.198	2.286	2.378	2.474	2.573	2.677	2.785	2.897
<i>Growth in %</i>	-	17,6%	34,2%	22,8%	23,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%
<i>As % of sales</i>	3,7%	3,2%	3,2%	3,4%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%
Total Revenue (excl. recon.)	23.235	31.495	41.394	47.797	49.999	51.990	54.063	56.224	58.475	60.820	63.263	65.809	68.461	71.224	74.102
<i>Revenue growth %</i>	-	35,5%	31,4%	15,5%	4,6%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4%
Reconciliation	(656)	(876)	(1.060)	(924)	(1.162)	(1.208)	(1.257)	(1.307)	(1.359)	(1.414)	(1.470)	(1.530)	(1.591)	(1.655)	(1.722)
<i>As % of sales</i>	2,8%	2,8%	2,6%	1,9%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%
Total Revenue	22.579	30.619	40.334	46.873	48.837	50.781	52.807	54.917	57.116	59.407	61.793	64.279	66.869	69.568	72.380
<i>sales growth</i>	-	35,6%	31,7%	16,2%	4,2%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%
Cost of Goods Sold	(19.121)	(25.083)	(33.482)	(37.632)	(40.069)	(41.738)	(43.342)	(44.915)	(46.482)	(48.061)	(49.666)	(51.307)	(52.993)	(54.729)	(56.522)
<i>as % of sales</i>	84,7%	81,9%	83,0%	80,3%	82,0%	82,2%	82,1%	81,8%	81,4%	80,9%	80,4%	79,8%	79,2%	78,7%	78,1%
Gross Profit	3.458	5.536	6.852	9.241	8.768	9.043	9.465	10.002	10.634	11.345	12.127	12.972	13.877	14.839	15.858
<i>Gross Profit Margin</i>	15,3%	18,1%	17,0%	19,7%	18,0%	17,8%	17,9%	18,2%	18,6%	19,1%	19,6%	20,2%	20,8%	21,3%	21,9%
Operating Expenses	(3.283)	(5.145)	(4.949)	(5.388)	(5.892)	(6.127)	(6.371)	(6.626)	(6.891)	(7.167)	(7.455)	(7.755)	(8.068)	(8.393)	(8.733)
<i>as % of sales</i>	14,5%	16,8%	12,3%	11,5%	12,1%	12,1%	12,1%	12,1%	12,1%	12,1%	12,1%	12,1%	12,1%	12,1%	12,1%
Core result before taxes and OCI (EBIT)	175	391	1.903	3.853	2.876	2.916	3.093	3.376	3.742	4.178	4.671	5.216	5.809	6.445	7.125
<i>as % of sales</i>	0,8%	1,3%	4,7%	8,2%	5,9%	5,7%	5,9%	6,1%	6,6%	7,0%	7,6%	8,1%	8,7%	9,3%	9,8%
Adj. EBITDA	2.623	3.006	4.857	6.663	6.664	7.239	7.848	8.492	9.171	9.889	10.648	11.448	12.294	13.185	14.126
<i>EBITDA Margin</i>	11,6%	9,8%	12,0%	14,2%	13,6%	14,3%	14,9%	15,5%	16,1%	16,6%	17,2%	17,8%	18,4%	19,0%	19,5%
<i>growth</i>	-	14,6%	61,6%	37,2%	0,0%	8,6%	8,4%	8,2%	8,0%	7,8%	7,7%	7,5%	7,4%	7,3%	7,1%
Taxes	(37)	(167)	(639)	(1.248)	(936)	(958)	(1.011)	(1.099)	(1.217)	(1.357)	(1.514)	(1.687)	(1.877)	(2.080)	(2.297)
<i>Statutory tax rate</i>	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%
<i>Tax Adjustments</i>	19	(42)	(32)	(19)	(19)	(28)	(24)	(22)	(23)	(24)	(24)	(23)	(24)	(24)	(24)
Core Result	138	224	1.264	2.605	1.940	1.958	2.082	2.277	2.525	2.820	3.157	3.529	3.932	4.366	4.829
NON CORE BUSINESS															
Interest Income and other, net	111	603	404	376	201	261	330	406	491	582	682	788	902	1.024	1.153
Net impaired losses on financial assets	(95)	3	(339)	(89)	(130)	(168)	(186)	(129)	(135)	(142)	(155)	(156)	(151)	(140)	(146)
Non-core result before taxes	16	606	65	287	71	93	144	278	356	440	527	632	751	883	1.008
Taxes	(126)	(123)	90	162	56	99	97	62	12	(4)	(29)	(64)	(105)	(145)	(184)
<i>Statutory taxes</i>	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%
<i>Tax Adjustments</i>	(121)	70	111	254	79	128	143	151	125	137	139	138	135	137	137
Other non-core items	(258)	376	(6)	24	34	107	40	51	58	64	53	57	58	58	56
Non-core result	(368)	859	149	473	161	299	281	391	425	501	551	625	704	797	880
FINANCING															
Interest Expense	(227)	(349)	(409)	(888)	(963)	(963)	(1.085)	(1.228)	(1.382)	(1.546)	(1.744)	(1.957)	(2.188)	(2.436)	(2.704)
Financing Result Before Taxes and OCI	(227)	(349)	(409)	(888)	(963)	(963)	(1.085)	(1.228)	(1.382)	(1.546)	(1.744)	(1.957)	(2.188)	(2.436)	(2.704)
Taxes	72	111	130	283	307	307	346	392	441	493	556	624	698	777	863
<i>Statutory Taxes</i>	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%	31,9%
Financial Result	(155)	(238)	(279)	(605)	(656)	(656)	(739)	(837)	(941)	(1.053)	(1.187)	(1.333)	(1.490)	(1.659)	(1.841)

Reformulated Balance Sheet

Reformulated Balance Sheet

In €m	2020A	2021A	2022A	2023A	2024B	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
CORE INVESTED CAPITAL	29.888	41.106	40.307	42.742	46.826	48.908	50.824	52.649	54.436	56.225	58.045	59.917	61.858	63.880	65.995
Assets	37.399	51.220	54.980	58.433	63.193	65.977	68.605	71.158	73.696	76.261	78.886	81.593	84.403	87.330	90.387
Operating cash	339	459	605	703	729	758	788	820	853	888	924	961	1.000	1.041	1.084
Goodwill	0	6.173	6.184	6.083	6.083	6.083	6.083	6.083	6.083	6.083	6.083	6.083	6.083	6.083	6.083
Intangible assets	6.766	7.173	7.195	7.114	7.209	7.306	7.404	7.503	7.604	7.705	7.809	7.913	8.019	8.127	8.236
Assets leased out	6.496	6.924	6.162	5.658	5.356	5.070	4.800	4.543	4.301	4.071	3.854	3.649	3.454	3.269	3.095
Property, plant, and equipment	6.908	7.993	8.354	8.964	10.927	12.550	13.944	15.188	16.339	17.438	18.516	19.594	20.688	21.812	22.974
Inventories	4.325	5.456	6.574	7.447	9.611	9.998	10.400	10.819	11.256	11.712	12.187	12.681	13.197	13.735	14.295
Trade receivables	1.906	2.437	3.348	3.894	4.035	4.197	4.366	4.542	4.725	4.917	5.116	5.324	5.540	5.766	6.001
Other current receivables	851	1.240	1.340	1.334	1.382	1.438	1.496	1.556	1.619	1.684	1.753	1.824	1.898	1.975	2.056
Current income tax receivables	86	188	153	172	178	185	193	201	209	217	226	235	245	255	265
Noncurrent income tax receivables	29	80	71	109	113	117	122	127	132	138	143	149	155	161	168
Current financial service receivables	2.957	4.102	5.061	5.554	5.755	5.986	6.227	6.478	6.740	7.013	7.297	7.593	7.902	8.224	8.560
Noncurrent financial service receivables	4.783	5.834	6.560	7.767	8.048	8.371	8.708	9.059	9.425	9.807	10.204	10.619	11.051	11.501	11.970
Other current financial assets	453	579	695	918	951	989	1.029	1.071	1.114	1.159	1.206	1.255	1.306	1.359	1.415
Other noncurrent receivables	269	435	404	350	363	377	392	408	425	442	460	479	498	518	539
Deferred tax assets	1.231	2.147	2.274	2.366	2.452	2.550	2.653	2.760	2.871	2.987	3.109	3.235	3.366	3.503	3.646
Liabilities	(7.511)	(10.114)	(14.673)	(15.691)	(16.367)	(17.068)	(17.780)	(18.509)	(19.260)	(20.036)	(20.841)	(21.676)	(22.545)	(23.450)	(24.392)
Trade payables	(2.769)	(4.245)	(5.518)	(5.791)	(6.109)	(6.398)	(6.681)	(6.962)	(7.246)	(7.536)	(7.834)	(8.141)	(8.460)	(8.791)	(9.134)
Current income tax payables	(117)	(195)	(236)	(226)	(234)	(244)	(253)	(264)	(274)	(285)	(297)	(309)	(322)	(335)	(348)
Current income tax provisions	(22)	(5)	(14)	(16)	(17)	(17)	(18)	(19)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
Noncurrent income tax provisions	(105)	(157)	(205)	(264)	(274)	(285)	(296)	(308)	(320)	(333)	(347)	(361)	(376)	(391)	(407)
Provisions for pensions and other post-employment benefits	(1.828)	(2.648)	(1.786)	(1.847)	(1.914)	(1.991)	(2.071)	(2.154)	(2.241)	(2.332)	(2.427)	(2.525)	(2.628)	(2.735)	(2.847)
Deferred tax liabilities	(767)	(804)	(690)	(681)	(706)	(734)	(764)	(794)	(826)	(860)	(895)	(931)	(969)	(1.008)	(1.050)
Other current liabilities	0	0	(4.253)	(4.567)	(4.732)	(4.922)	(5.120)	(5.327)	(5.542)	(5.766)	(6.000)	(6.244)	(6.498)	(6.763)	(7.038)
Other noncurrent liabilities	(1.903)	(2.060)	(1.971)	(2.299)	(2.382)	(2.478)	(2.578)	(2.682)	(2.790)	(2.903)	(3.020)	(3.143)	(3.271)	(3.404)	(3.543)
NON-CORE INVESTED CAPITAL	(4.455)	(6.942)	(1.361)	(1.810)	(1.884)	(1.969)	(2.058)	(2.150)	(2.247)	(2.347)	(2.452)	(2.561)	(2.675)	(2.793)	(2.917)
Assets	1.452	1.940	1.953	1.717	1.771	1.832	1.897	1.964	2.033	2.106	2.182	2.261	2.344	2.429	2.519
Equity-method investments	1.380	1.280	1.328	1.482	1.536	1.597	1.662	1.729	1.798	1.871	1.947	2.026	2.109	2.194	2.284
Other equity investments	72	660	204	235	235	235	235	235	235	235	235	235	235	235	235
Assets held for sale	0	0	421	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities	(5.907)	(8.882)	(3.314)	(3.527)	(3.655)	(3.801)	(3.954)	(4.114)	(4.280)	(4.453)	(4.634)	(4.822)	(5.018)	(5.223)	(5.436)
Other current provisions	(977)	(3.111)	(1.831)	(1.993)	(2.065)	(2.148)	(2.235)	(2.325)	(2.419)	(2.516)	(2.618)	(2.725)	(2.836)	(2.951)	(3.072)
Other noncurrent provisions	(1.304)	(1.549)	(1.462)	(1.534)	(1.590)	(1.653)	(1.720)	(1.789)	(1.862)	(1.937)	(2.015)	(2.097)	(2.183)	(2.271)	(2.364)
Liabilities directly associated with assets held for sale	(3.626)	(4.222)	(21)	0	0	0	0	0	0	0	0	0	0	0	0
NET FINANCIAL ASSETS	(12.494)	(20.723)	(24.582)	(24.449)	(24.176)	(21.470)	(18.249)	(14.588)	(10.530)	(6.105)	(1.345)	3.735	9.129	14.831	20.841
Excess Cash	1.375	1.543	834	1.027	1.300	2.277	13.932	21.200	29.045	37.446	46.380	55.844	65.840	76.375	87.459
Cash and cash equivalents	1.714	2.002	1.439	1.730	2.029	8.035	14.721	22.020	29.898	38.334	47.304	56.805	66.840	77.416	88.543
Noncontrolling interests	(230)	(3)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Other noncurrent financial assets	435	192	414	469	469	469	469	469	469	469	469	469	469	469	469
Marketable securities and investment deposits	2.105	226	73	53	53	53	53	53	53	53	53	53	53	53	53
Total Debt & Equivalents	(16.179)	(22.681)	(25.897)	(25.992)	(25.992)	(29.263)	(32.698)	(36.304)	(40.090)	(44.066)	(48.241)	(52.625)	(57.227)	(62.060)	(67.134)
Bonds	(7.170)	(9.553)	(10.136)	(11.576)											
Liabilities to banks	(3.001)	(5.310)	(5.915)	(5.920)											
Commercial paper	0	0	(1.209)	(1.181)											
Lease liabilities	(1.047)	(1.237)	(899)	(1.121)											
Loans and short-term borrowings from Volkswagen AG	(705)	(270)	(1.720)	(797)											
"Schildscheindarlehen"	0	(699)	(700)	(700)											
Loans from Volkswagen Group of America Inc.	0	0	0	(359)											
Loans from Volkswagen International Luxembourg	0	(1.049)	(500)	0											
Loans and miscellaneous liabilities	(80)	(88)	(53)	(50)											
Liabilities from buyback obligations	(3.439)	(3.438)	(3.064)	(2.672)											
Negative fair value of derivatives	(225)	(272)	(826)	(579)											
Interest rate liabilities	(45)	(78)	(94)	(172)											
Factoring liabilities	0	(113)	(105)	(86)											
Miscellaneous financial liabilities	(467)	(574)	(676)	(779)											
Equity attributable to shareholders of Traton SE	12.939	13.441	14.364	16.483	20.766	25.469	30.517	35.911	41.660	47.773	54.248	61.091	68.312	75.918	83.920
Check	TRUE	TRUE	TRUE	TRUE											

Cash Flow Map

Cash Flow Map															
CORE BUSINESS															
Core Operational Result		224	1,264	2,605	1,940	1,958	2,082	2,277	2,525	2,820	3,157	3,529	3,932	4,366	4,829
Capital expenditures		(4,265)	(3,898)	(4,414)	(4,599)	(4,806)	(5,023)	(5,249)	(5,487)	(5,736)	(5,996)	(6,268)	(6,553)	(6,852)	(7,165)
Δ Trade Working Capital		186	756	1,146	2,006	289	322	351	377	401	424	446	468	491	514
D&A		2,615	2,954	2,810	3,788	4,323	4,755	5,116	5,429	5,712	5,977	6,232	6,485	6,740	7,001
Core FCF		(1,612)	(436)	(145)	(877)	1,186	1,492	1,792	2,091	2,396	2,715	3,047	3,395	3,762	4,151
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
NON-CORE BUSINESS															
Non-Core Operational Result		859	149	473	161	299	281	391	425	501	551	625	704	797	880
Non-Core Invested Capital		(6,942)	(1,361)	(1,810)	(1,896)	(1,981)	(2,069)	(2,161)	(2,257)	(2,357)	(2,461)	(2,569)	(2,682)	(2,800)	(2,923)
Δ Investment		(6,942)	5,581	(449)	(86)	(85)	(88)	(92)	(96)	(100)	(104)	(108)	(113)	(118)	(123)
Non-Core FCF		7,801	(5,432)	922	246	384	369	483	521	601	655	733	817	914	1,003
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
CORE + NON-CORE FCF		6,189	(5,868)	777	(630)	1,569	1,861	2,275	2,612	2,997	3,370	3,780	4,212	4,677	5,153
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing															
Financial Result		(238)	(279)	(605)	(656)	(656)	(739)	(837)	(941)	(1,053)	(1,187)	(1,333)	(1,490)	(1,659)	(1,841)
Δ Net Financing Assets		(20,723)	(3,859)	133	(100)	2,528	3,219	3,840	4,422	4,980	5,512	6,038	6,564	7,094	7,632
Net Financing Assets		(20,723)	(24,582)	(24,449)	(24,549)	(22,021)	(18,802)	(14,961)	(10,539)	(5,559)	(48)	5,990	12,554	19,648	27,290
Δ Equity		502	923	2,119	4,076	4,625	5,118	5,619	6,138	6,677	7,220	7,780	8,358	8,953	9,567
Equity	12,939	13,441	14,364	16,483	20,559	25,184	30,302	35,921	42,059	48,736	55,956	63,735	72,093	81,046	90,614
Comprehensive Income		845	1,135	2,474	1,445	1,601	1,624	1,831	2,010	2,268	2,521	2,821	3,146	3,503	3,867
Financing CF		20,142	3,369	(1,092)	2,075	(160)	(465)	(889)	(1,234)	(1,624)	(2,001)	(2,412)	(2,842)	(3,303)	(3,774)

Working Capital Schedule

Working Capital schedule															
In €m	2020A	2021A	2022A	2023A	2024B	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Trade Receivables	1,906	2,437	3,348	3,894	4,057	4,219	4,387	4,562	4,745	4,935	5,133	5,340	5,555	5,779	6,013
DRO	31	29	30	30	30	30	30	30	30	30	30	30	30	30	30
Inventory	4,325	5,456	6,574	7,447	9,664	10,049	10,450	10,868	11,303	11,756	12,228	12,720	13,233	13,767	14,323
DIO	83	79	72	72	72	72	72	72	72	72	72	72	72	72	72
Trade Payables	(2,769)	(4,245)	(5,518)	(5,791)	(6,166)	(6,423)	(6,670)	(6,912)	(7,153)	(7,396)	(7,643)	(7,895)	(8,151)	(8,422)	(8,698)
DPO	53	62	60	56	56	56	56	56	56	56	56	56	56	56	56
Trade working capital	3,462	3,648	4,404	5,550	7,556	7,845	8,167	8,518	8,895	9,295	9,719	10,165	10,633	11,124	11,638
Other current receivables	851	1,740	1,340	1,334	1,390	1,445	1,503	1,563	1,626	1,691	1,759	1,829	1,903	1,980	2,060
as % of sales	3.8%	4.0%	3.3%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Current financial service receivables	2,957	4,102	5,061	5,554	5,787	6,017	6,257	6,507	6,768	7,039	7,322	7,616	7,923	8,243	8,576
as % of sales	13.1%	13.4%	12.5%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%
Current income tax receivables	86	188	153	172	179	186	194	202	210	218	227	236	245	255	266
as % of sales	0.4%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Current income tax payables	(117)	(195)	(236)	(226)	(235)	(245)	(255)	(265)	(275)	(286)	(298)	(310)	(322)	(335)	(349)
as % of sales	(0.5%)	(0.6%)	(0.6%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)
Current income tax provisions	(27)	(5)	(14)	(16)	(17)	(17)	(18)	(19)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
as % of sales	(0.1%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
Other current provisions	(977)	(3,111)	(1,831)	(1,993)	(2,077)	(2,159)	(2,245)	(2,335)	(2,429)	(2,526)	(2,627)	(2,733)	(2,843)	(2,958)	(3,078)
as % of sales	(4.3%)	(10.2%)	(4.5%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)
Provisions for pensions and other post-employment benefits	(1,828)	(2,648)	(1,786)	(1,847)	(1,924)	(2,001)	(2,081)	(2,164)	(2,251)	(2,341)	(2,435)	(2,533)	(2,635)	(2,741)	(2,852)
as % of sales	(8.1%)	(8.6%)	(4.4%)	(4.3%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)	(3.9%)
Deferred tax assets	1,231	2,147	2,274	2,366	2,465	2,563	2,666	2,772	2,883	2,999	3,119	3,245	3,375	3,512	3,653
as % of sales	5.5%	7.0%	5.6%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Other current financial assets	453	579	695	918	956	995	1,034	1,076	1,119	1,163	1,210	1,259	1,310	1,362	1,418
as % of sales	2.0%	1.9%	1.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Deferred tax liabilities	(767)	(804)	(690)	(681)	(710)	(738)	(767)	(798)	(830)	(863)	(898)	(934)	(972)	(1,011)	(1,052)
as % of sales	(3.4%)	(2.6%)	(1.7%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)
Other current liabilities	0	0	(4,253)	(4,567)	(4,758)	(4,948)	(5,145)	(5,351)	(5,565)	(5,788)	(6,021)	(6,263)	(6,515)	(6,778)	(7,052)
as % of sales	0.0%	0.0%	(10.5%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)	(9.7%)
Other working capital	1,867	1,493	713	1,014	1,056	1,099	1,142	1,188	1,236	1,285	1,337	1,391	1,447	1,505	1,566
Net working capital	5,329	5,141	5,117	6,564	8,612	8,943	9,310	9,706	10,130	10,580	11,056	11,555	12,080	12,629	13,204
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noncurrent items															
Noncurrent income tax receivables	29	80	71	109	114	118	123	128	133	138	144	149	156	162	168
as % of sales	0.1%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Noncurrent financial service receivables	4,783	5,834	6,560	7,767	8,092	8,415	8,750	9,100	9,464	9,844	10,239	10,651	11,080	11,528	11,994
as % of sales	21.2%	19.1%	16.3%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%
Other noncurrent receivables	269	435	404	350	365	379	394	410	426	444	461	480	499	519	540
as % of sales	1.2%	1.4%	1.0%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Noncurrent income tax provisions	(105)	(157)	(205)	(264)	(275)	(286)	(297)	(309)	(322)	(335)	(348)	(362)	(377)	(392)	(408)
as % of sales	(0.5%)	(0.5%)	(0.5%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)
Other noncurrent provisions	(1,304)	(1,549)	(1,462)	(1,534)	(1,598)	(1,662)	(1,728)	(1,797)	(1,869)	(1,944)	(2,022)	(2,104)	(2,188)	(2,277)	(2,369)
as % of sales	(5.8%)	(5.1%)	(3.6%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)	(3.3%)
Liabilities directly associated with assets held for sale	(3,626)	(4,222)	(21)	0	0	0	0	0	0	0	0	0	0	0	0
as % of sales	(16.1%)	(13.8%)	(0.1%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other noncurrent liabilities	(1,903)	(2,060)	(1,971)	(2,299)	(2,395)	(2,451)	(2,500)	(2,594)	(2,694)	(2,801)	(2,914)	(3,031)	(3,153)	(3,280)	(3,412)
as % of sales	(8.4%)	(6.7%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)	(4.9%)
Equity-method investments	1,380	1,280	1,328	1,482	1,544	1,606	1,670	1,736	1,806	1,878	1,954	2,032	2,114	2,200	2,288
as % of sales	6.1%	4.2%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

Valuations

Discounted Cash Flow Analysis (DCF)

Discounted Cash Flow Analysis

Discount Rate		Country	ERP	Sales	Weighted	Weighted ERP
Risk Free Rate	4,4%	Germany	6,8%	12,8%	0,9%	6,0%
Equity Risk Premium	6,0%	EU27+3 (excluding Germany)	4,5%	38,5%	1,7%	
Beta	1,65	USA	4,1%	20,4%	0,8%	
Unlevered beta	1,35	North America (excluding USA)	6,5%	5,2%	0,3%	
Cost of equity	12,5%	Brazil	7,8%	8,9%	0,7%	
		South America (excluding Brazil)	11,7%	2,8%	0,3%	
		Other	10,5%	11,4%	1,2%	

Bond Issuances:

Source: S&P CapIQ

CUSIP	YTM	Date	Coupon	Maturity	Volume	Price %	Price
L9308CEJ5	1,68%	20/06/2024	2,35%	20/06/2030	239	103%	247
L9308CEK2	1,43%	20/06/2024	2,15%	18/06/2027	293	102%	297
L9308CAG5	3,73%	10/11/2021	0,13%	10/11/2024	500	99%	497
L9308CAC4	3,48%	24/03/2021	0,75%	24/03/2029	1.250	89%	1.107
L9308CAB6	3,54%	24/03/2021	1,25%	24/03/2033	750	83%	623

Median 3,5%

Cost of debt	3,5%
Marginal Tax Rate	31,9%
Kd (after tax cost of debt)	2,37%
Current debt/equity	0,42
Target debt/equity	0,33
% debt	25%
% equity	75%

WACC 9,9%

Discounting Model and Implied Share Price Calculation

	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Unlevered Free Cash Flow	1.569	1.861	2.275	2.612	2.997	3.370	3.780	4.212	4.677	5.153
Terminal Value										60.779
Year Count		1,0	2,0	3,0	4,0	5,0	6,0	7,0	8,0	9,0
Discount Factor		0,9	0,8	0,8	0,7	0,6	0,6	0,5	0,5	0,4
Discounted Free Cash Flows		1.693	1.882	1.966	2.051	2.098	2.141	2.170	2.191	2.196

Present value of free cash flows 18.388

Weighted LT Growth Rate 1,3%

Present value of the Terminal value 23.560

Enterprise Value 41.949

Implied 2025E Sales Multiple 0,8x

Implied 2025E EBITDA Multiple 5,8x

Implied 2025E EBIT Multiple 14,4x

Implied Share Price Calculation

Revenue 2025E	50.781
EBITDA 2025E	7.239
EBIT 2025E	2.916
Enterprise Value	41.949
Net Debt (including debt equivalents)	22.537
Cash Like Items (2025E)	53
Implied Equity Value	19.465
Shares Outstanding	500
Implied Share Price	38,9€
Actual Price	31,1€
Premium / Discount	25,4%
Analysis	Undervalued

Dividend Discount Model (DDM)

Dividend Discount Model

	2020	2021	2022	2023	2024	Stage 1	Stage 2			
Dividends Per Share	€1,00	€0,25	€0,50	€0,70	€1,50	€1,50	€1,58			
Dividend Growth Rate (g):	-	(75%)	100,0%	40,0%	114,3%	10,0%	5,0%			

	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Dividends Per Share	0	1	2	3	4	5	6	7	8	9
Dividends Per Share	€1,65	€1,82	€2,00	€2,20	€2,42	€2,66	€2,92	€3,22	€3,54	€3,89
Cost of Equity	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%
Present Value of Dividend	€1,65	€1,61	€1,58	€1,54	€1,51	€1,48	€1,45	€1,41	€1,38	€1,35

Share Price Calculation

PV of Sum of Stage 1 Dividends	€15,0
Year 10 Dividend × (1 + Stage 2 Growth Rate)	€4,1
Stage 2 Terminal Value	€54,8
PV of Stage 2 Terminal Value	€19,1
Implied Share Price	€34,0
Actual Price	31,1€
Premium / Discount	9,6%
Analysis	Undervalued
Shares Outstanding	500
Equity value	17.017
Net Debt (including debt equivalents)	22.537
Cash Like Items (2025E)	53
Enterprise Value	39.607
EBITDA 2025E	7.239
Implied 2025E Multiple	5,5x

Comparable Transaction Analysis (CTA)

Precedent Transactions Analysis

x

Announced Date	Geography	Acquirer	Geography	Target	EV	EV/Sales	EV/EBITDA	EV/EBIT
24/03/2021	JP	Toyota Motor Corp	JP	Isuzu Motors	333	0,4x	5,4x	-
17/09/2019	CN	Seres Group	CN	Dongfeng Xiaokang Motor	492	0,3x	4,7x	6,7x
08/05/2017	USA	Federal Signal Corp	USA	Truck Bodies & Equipment International	246	1,3x	7,3x	-
27/06/2016	CN	CIMC Vehicles	UK	Retlan Manufacturing	111	0,5x	6,7x	8,3x
11/08/2015	USA	Terex Corp	FN	Konecranes	3.866	0,6x	7,3x	10,0x
Low						0,3x	4,7x	6,7x
25th Percentile						0,4x	5,4x	7,5x
Median						0,5x	6,7x	8,3x
75th Percentile						0,6x	7,3x	9,2x
High						1,3x	7,3x	10,0x

Valuation Analysis

EBITDA 2025E	7.239
Median EBITDA Multiple	6,7x
Enterprise Value	48.794
Net Debt (including debt equ)	22.537
Cash Like Items (2023)	53
Implied Equity Value	26.310
Shares Outstanding	500
Implied Share Price	52,6€
Actual Price	31,1€
Premium / Discount	69,5%
Analysis	Undervalued

Comparable Company Analysis (CCA)

Overview of Comparable Company Analysis

Company	Country	Mkt. Cap.	Adj. EV / Sales			Adj. EV / EBITDA			EBITDA Margin			Adj. EV / OpCF			Adj. EV / EBIT			EBIT Margin			P / E			
			2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	
Peer Group Selection																								
DAIMLER AG	GERMANY	29,450	49,884	0.33x	0.9x	0.8x	8.5x	8.1x	6.3x	10.8%	11.2%	11.9%	11.2x	10.3x	8.7x	10.6x	9.9x	8.2x	8.7%	3.1%	10.0%	3.0x	8.2x	6.7x
IVFCO	TAIWAN	7,700	5,930	0.39x	0.4x	0.4x	4.0x	3.7x	3.2x	9.9%	10.5%	11.3%	11.3x	10.1x	7.5x	6.4x	6.1x	5.2x	6.2%	6.4%	7.0%	5.0x	5.4x	4.2x
VOVO	SWEDEN	38,652	54,721	1.21x	1.2x	1.1x	7.4x	7.4x	6.8x	15.4%	16.3%	16.7%	9.4x	9.7x	8.8x	9.5x	9.5x	8.7x	12.7%	12.6%	13.0%	11.4x	11.3x	10.3x
PACCAR	UNITED STATES	56,489	61,798	2.00x	2.0x	1.8x	10.7x	13.6x	11.1x	15.7%	14.6%	15.9%	15.3x	15.6x	13.1x	14.5x	14.2x	11.7x	13.8%	14.0%	15.2%	14.2x	14.7x	12.3x
TATA MOTORS	INDIA	32,720	38,678	0.76x	0.7x	n.a.	3.4x	5.0x	n.a.	14.0%	14.1%	n.a.	13.1x	11.9x	n.a.	9.7x	8.9x	n.a.	7.8%	8.0%	n.a.	12.2x	11.5x	n.a.
HINO MOTORS	JAPAN	1,610	3,879	0.39x	0.4x	n.a.	6.8x	6.0x	n.a.	5.7%	5.9%	n.a.	3.4x	2.2x	n.a.	16.4x	10.5x	n.a.	2.3%	2.8%	n.a.	(1.7)	(1.7)	n.a.
ISUZU	JAPAN	9,915	17,411	0.61x	0.6x	0.6x	3.7x	5.7x	5.3x	10.8%	10.2%	10.5%	9.2x	9.5x	8.7x	7.5x	7.5x	6.8x	8.0%	7.9%	8.2%	10.2x	9.3x	8.2x
Average				0.9x	0.9x	0.9x	7.2x	7.1x	6.7x	11.9%	11.8%	13.3%	14.4x	12.8x	9.4x	10.7x	9.8x	8.1x	8.5%	8.7%	10.7%	8.8x	7.5x	8.3x
Median				0.8x	0.7x	0.8x	6.8x	6.0x	6.8x	10.8%	11.2%	11.9%	11.3x	10.3x	8.7x	9.7x	9.5x	8.2x	8.0%	8.0%	10.0%	10.2x	9.3x	8.2x

Valuation Analysis		EBITDA
EBITDA 2025E		7,239
Median EBITDA Multiple		6.0x
Enterprise Value		43,243
Net Debt (including deb)		22,537
Cash Like Items (2023)		53
Implied Equity Value		20,759
Shares Outstanding		500
Implied Share Price		41.34
Actual Price		31.16
Premium / Discount		33.7%
Analysis		Undervalued

Sensitivity Tables																		
Implied share price						Implied share price												
EBITDA	€ 41.5	4.5x	5.0x	5.5x	6.0x	6.5x	7.0x	7.5x	EBIT	€ 10.6	8.0x	8.5x	9.0x	9.5x	10.0x	10.5x	11.0x	
	6.489	€13.1	€19.6	€26.1	€32.6	€39.0	€45.5	€52.0		2.166	(€10.2)	(€8.0)	(€5.8)	(€3.7)	(€1.5)	€0.7	€2.8	€2.8
	6.739	€15.3	€22.1	€28.8	€35.5	€42.3	€49.0	€55.8		2.416	(€6.1)	(€3.7)	(€1.3)	€1.1	€3.5	€5.9	€8.4	€8.4
	6.989	€17.6	€24.6	€31.5	€38.5	€45.5	€52.5	€59.5		2.666	(€2.1)	€0.5	€3.2	€5.9	€8.5	€11.2	€13.9	€13.9
7.239	€19.8	€27.0	€34.3	€41.5	€48.8	€56.0	€63.2	2.916	€1.9	€4.8	€7.7	€10.6	€13.6	€16.5	€19.4	€19.4		
7.489	€22.0	€29.5	€37.0	€44.5	€52.0	€59.5	€67.0	3.166	€5.9	€9.1	€12.2	€15.4	€18.6	€21.7	€24.9	€24.9		
7.739	€24.3	€32.0	€39.8	€47.5	€55.2	€63.0	€70.7	3.416	€9.9	€13.3	€16.8	€20.2	€23.6	€27.0	€30.4	€30.4		
7.989	€26.5	€34.5	€42.5	€50.5	€58.5	€66.5	€74.4	3.666	€13.9	€17.6	€21.3	€24.9	€28.6	€32.3	€35.9	€35.9		

Valuation Analysis		Sales
Revenue 2025E		50,781
Median Sales Multiple		0.7x
Enterprise Value		36,109
Net Debt (including deb)		22,537
Cash Like Items (2023)		53
Implied Equity Value		13,625
Shares Outstanding		500
Implied Share Price		27.26
Actual Price		31.16
Premium / Discount		(12.2%)
Analysis		Overvalued

Valuation Analysis		EBIT
EBIT 2025E		2,916
Median EBIT Multiple		9.5x
Enterprise Value		27,801
Net Debt (including deb)		22,537
Cash Like Items (2023)		53
Implied Equity Value		5,317
Shares Outstanding		500
Implied Share Price		10.66
Actual Price		27.26
Premium / Discount		(61.0%)
Analysis		Overvalued

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Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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