

Working Project

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TRATON SE COMPANY REPORT

**Transforming Commercial Mobility**  
Driving the Future of Sustainable Transport

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Master in Finance  
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## Abstract

This report provides a detailed equity analysis of Traton SE, focusing on its financial outlook, valuation, and strategic positioning within the commercial vehicle industry. The analysis identifies key risks such as high investment requirements for electrification, supply chain disruptions, and competitive pressures, balanced by significant growth opportunities through geographic expansion, innovation, and a strong brand portfolio.

Revenue projections were derived by segmenting Traton's brands Scania, MAN, International Motors, and Volkswagen Truck & Bus across their respective markets, incorporating unit sales growth, price increases, and stable contributions from financial services. Capital expenditures were forecasted to rise, driven by investments in electrification, autonomous technology, and regulatory compliance. Valuation methodologies, including the Discounted Cash Flow model, Dividend Discount Model, and Comparable Company Analysis as well as Comparable Transactions Analysis indicate that Traton's stock is undervalued, with a target share price of €39.9, representing an upside potential of 28.4% compared to the current stock price of €31.1. Therefore, a buy recommendation was issued.

## Keywords (up to four)

Commercial vehicles, zero-emission transition, sustainable transport, financial valuation

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**This report is part of the Traton SE equity research report (annexed), developed by Nicolas Körner and Leon A. Wolff and should be read as an integral part of it.**

## Table of Contents

<b>Introduction</b> .....	<b>4</b>
Weaknesses and Threats.....	5
<b>ESG Analysis</b> .....	<b>6</b>
Environmental .....	6
Social.....	7
Governance .....	7
<b>Financial Projections</b> .....	<b>8</b>
<b>Valuation</b> .....	<b>10</b>
Intrinsic Valuation.....	10
▪ Discounted Cash Flow (DCF).....	10
▪ Dividend Discount Model (DDM).....	11
Relative Valuation .....	11
▪ Comparable Company Analysis (CCA).....	11
▪ Comparable Transaction Analysis (CTA) .....	12
Monte Carlo Simulation.....	13
<b>Final Recommendation</b> .....	<b>15</b>

# Introduction

This individual report is part of the joint equity research report on Traton and focuses on critical areas essential for assessing the company's outlook. The analysis begins with Weaknesses and Threats, addressing key risks such as market dependency, supply chain disruptions, and competitive pressures. This is followed by strengths and opportunities, highlighting Traton's diversified brand portfolio, strategic positioning, and potential for growth through electrification and geographic expansion.

The conclusions drawn from this report underscore Traton's strong strategic positioning and ability to capitalize on its leadership in sustainable transport solutions. While the company faces near-term risks such as high investment requirements, regulatory challenges, and market competition, its focus on innovation, geographic diversification, and operational resilience positions it for long-term success.

The joint report starts with a detailed company overview, examining Traton's key brands Scania, MAN, International, and Volkswagen Truck & Bus along with its service entities. It also explores powertrain technologies and transformation, focusing on Traton's shift toward electrification and sustainable transport. The ownership structure and stock analysis and a review of the board of directors provide insights into the company's governance and leadership. The report then moves into the broader macroeconomic and industry overview, covering product segmentation and geographical segmentation to highlight where Traton operates and what it offers. It also discusses key trends, political impacts, and key competitors, offering context on the industry landscape and Traton's strategic position. Lastly, the financial statement analysis breaks down the company's income statement, capital expenditures, profitability, and balance sheet, laying the groundwork for evaluating Traton's financial health and performance.

This individual analysis contributes to the joint equity research report by providing a comprehensive understanding of Traton's opportunities, risks, and valuation, ultimately supporting the buy recommendation based on its upside potential.

# 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 value<sup>1</sup>. 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

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 receives<sup>2</sup>. 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

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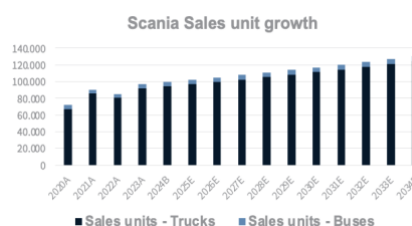
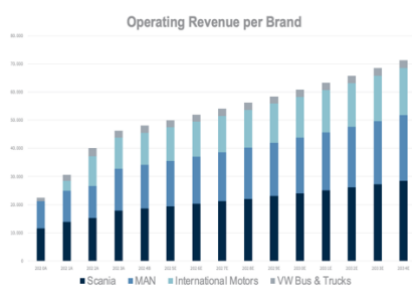
<sup>1</sup> Impact of board size and board diversity on firm value; Hoa Nguyen, Robert Faff; 2006

<sup>2</sup> Traton Remuneration Report 2023

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 (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 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

Implied share price

Terminal Value	WACC							
	€ 38,9	6,9%	7,9%	8,9%	9,9%	10,9%	11,9%	12,9%
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	
<b>60.779</b>	€ 59,7	€ 52,1	€ 45,2	<b>€ 39,9</b>	€ 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	

PV of Terminal value

LT Growth Rate	WACC							
	23.560	6,9%	7,9%	8,9%	9,9%	10,9%	11,9%	12,9%
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	
<b>1,3%</b>	47.734	36.895	29.214	<b>23.560</b>	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

Unlevered Beta	Equity Risk Premium							
	12,5%	4,5%	5,0%	5,5%	6,0%	6,5%	7,0%	7,5%
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%	
<b>1,35</b>	10,4%	11,1%	11,8%	<b>12,5%</b>	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%	

in the derived implied share value and terminal value.

## ▪ 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.

## Relative Valuation

### ▪ Comparable Company Analysis (CCA)

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

Implied share price		Cost of equity										
		10.0%	10.5%	11.0%	11.5%	12.0%	<b>12.5%</b>	13.0%	13.5%	14.0%	14.5%	15.0%
8.5%	€34.0	€46.0	€41.7	€38.2	€35.3	€32.7	<b>€30.5</b>	€28.6	€27.0	€25.5	€24.1	€22.9
9.0%	€47.8	€43.4	€39.7	€36.6	€34.0	€31.7	<b>€29.7</b>	€27.9	€26.4	€25.0	€23.7	€22.7
9.5%	€49.7	€45.1	€41.2	€38.0	€35.2	€32.8	<b>€30.7</b>	€28.9	€27.3	€25.8	€24.5	€23.5
<b>10.0%</b>	€51.7	€46.8	€42.8	€39.4	€36.5	<b>€34.0</b>	€31.9	€29.9	€28.2	€26.7	€25.4	€24.4
10.5%	€53.7	€48.6	€44.5	€40.9	€37.9	€35.3	€33.0	€30.9	€29.2	€27.6	€26.2	€25.2
11.0%	€55.8	€50.5	€46.2	€42.5	€39.3	€36.6	€34.2	€32.1	€30.3	€28.6	€27.1	€26.1
11.5%	€58.0	€52.5	€47.9	€44.1	€40.8	€37.9	€35.4	€33.3	€31.3	€29.6	€28.0	€27.0

Implied share price		Cost of equity										
		10.0%	10.5%	11.0%	11.5%	12.0%	<b>12.5%</b>	13.0%	13.5%	14.0%	14.5%	15.0%
3.5%	€43.1	€39.9	€37.1	€34.6	€32.5	<b>€30.6</b>	€28.9	€27.4	€26.0	€24.8	€23.7	€22.7
4.0%	€45.5	€41.8	€38.7	€36.0	€33.7	€31.6	<b>€29.8</b>	€28.2	€26.7	€25.4	€24.2	€23.2
4.5%	€48.3	€44.1	€40.6	€37.6	€35.0	€32.8	<b>€30.8</b>	€29.0	€27.4	€26.0	€24.7	€23.7
<b>5.0%</b>	€51.7	€46.8	€42.8	€39.4	€36.5	<b>€34.0</b>	€31.9	€29.9	€28.2	€26.7	€25.4	€24.4
5.5%	€55.8	€50.5	€46.4	€42.5	€39.3	€36.6	€34.2	€32.1	€30.3	€28.6	€27.1	€26.1
6.0%	€61.0	€54.1	€48.6	€44.1	€40.3	€37.2	€34.5	€32.2	€30.2	€28.4	€26.8	€25.8
6.5%	€67.6	€59.0	€52.4	€47.1	€42.8	€39.2	€36.1	€33.6	€31.3	€29.4	€27.6	€26.6

Terminal Value		Cost of equity										
		10.0%	10.5%	11.0%	11.5%	12.0%	<b>12.5%</b>	13.0%	13.5%	14.0%	14.5%	15.0%
3.5%	54.8	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	35.3
4.5%	74.6	68.3	63.0	58.5	54.6	51.1	48.1	45.4	43.0	40.9	38.9	37.3
<b>5.0%</b>	82.5	74.9	68.6	63.3	58.8	<b>54.8</b>	51.4	48.3	45.6	43.2	41.0	39.4
5.5%	92.2	82.9	75.3	69.0	63.6	59.0	55.1	51.6	48.6	45.8	43.4	41.7
6.0%	104.3	92.6	83.3	75.6	69.3	63.9	59.3	55.3	51.9	48.8	46.1	44.3
6.5%	120.0	104.8	93.1	83.7	76.0	69.6	64.2	59.6	55.6	52.1	49.0	46.9

Peer Group		EV/EBITDA
Extended Group 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

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 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

Implied share price

	€41,5	4,5x	5,0x	5,5x	6,0x	6,5x	7,0x	7,5x
EBITDA	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
	<b>7.239</b>	€19,8	€27,0	€34,3	<b>€41,5</b>	€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

	€10,6	8,0x	8,5x	9,0x	9,5x	10,0x	10,5x	11,0x
EBIT	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
	<b>2.916</b>	€1,9	€4,8	€7,7	<b>€10,6</b>	€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

Implied share price

	€52,6	5,2x	5,7x	6,2x	6,7x	7,2x	7,7x	8,2x
EBITDA	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
	<b>7.239</b>	€30,9	€38,1	€45,4	<b>€52,6</b>	€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

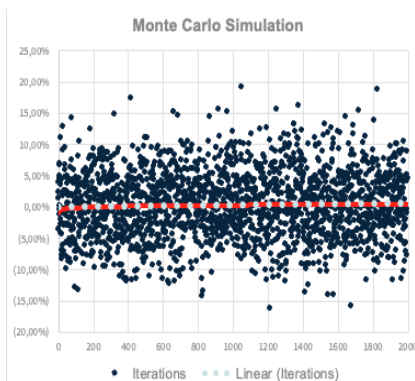
Implied share price

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

appropriate as it provides a clearer picture of Traton's operational performance and profitability.

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	<b>Undervalued</b>
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
<b>INCOME STATEMENT ITEMS</b>															
<b>Total revenue (excl. Financial services and recon.)</b>	<b>22.415</b>	<b>30.531</b>	<b>40.100</b>	<b>46.208</b>	<b>48.044</b>	<b>49.957</b>	<b>51.950</b>	<b>54.026</b>	<b>56.189</b>	<b>58.442</b>	<b>60.790</b>	<b>63.236</b>	<b>65.784</b>	<b>68.439</b>	<b>71.205</b>
<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%
<b>TRATON Financial Services</b>	<b>820</b>	<b>964</b>	<b>1.294</b>	<b>1.589</b>	<b>1.955</b>	<b>2.033</b>	<b>2.114</b>	<b>2.198</b>	<b>2.286</b>	<b>2.378</b>	<b>2.474</b>	<b>2.573</b>	<b>2.677</b>	<b>2.785</b>	<b>2.897</b>
<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%
<b>Total Revenue (excl. recon.)</b>	<b>23.235</b>	<b>31.495</b>	<b>41.394</b>	<b>47.797</b>	<b>49.999</b>	<b>51.990</b>	<b>54.063</b>	<b>56.224</b>	<b>58.475</b>	<b>60.820</b>	<b>63.263</b>	<b>65.809</b>	<b>68.461</b>	<b>71.224</b>	<b>74.102</b>
<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%
<b>Reconciliation</b>	<b>(656)</b>	<b>(876)</b>	<b>(1.060)</b>	<b>(924)</b>	<b>(1.162)</b>	<b>(1.208)</b>	<b>(1.257)</b>	<b>(1.307)</b>	<b>(1.359)</b>	<b>(1.414)</b>	<b>(1.470)</b>	<b>(1.530)</b>	<b>(1.591)</b>	<b>(1.655)</b>	<b>(1.722)</b>
<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%
<b>Total Revenue</b>	<b>22.579</b>	<b>30.619</b>	<b>40.334</b>	<b>46.873</b>	<b>48.837</b>	<b>50.781</b>	<b>52.807</b>	<b>54.917</b>	<b>57.116</b>	<b>59.407</b>	<b>61.793</b>	<b>64.279</b>	<b>66.869</b>	<b>69.568</b>	<b>72.380</b>
<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%
<b>Cost of Goods Sold</b>	<b>(19.121)</b>	<b>(25.083)</b>	<b>(33.482)</b>	<b>(37.632)</b>	<b>(40.069)</b>	<b>(41.738)</b>	<b>(43.342)</b>	<b>(44.915)</b>	<b>(46.482)</b>	<b>(48.061)</b>	<b>(49.666)</b>	<b>(51.307)</b>	<b>(52.993)</b>	<b>(54.729)</b>	<b>(56.522)</b>
<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%
<b>Gross Profit</b>	<b>3.458</b>	<b>5.536</b>	<b>6.852</b>	<b>9.241</b>	<b>8.768</b>	<b>9.043</b>	<b>9.465</b>	<b>10.002</b>	<b>10.634</b>	<b>11.345</b>	<b>12.127</b>	<b>12.972</b>	<b>13.877</b>	<b>14.839</b>	<b>15.858</b>
<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%
<b>Operating Expenses</b>	<b>(3.283)</b>	<b>(5.145)</b>	<b>(4.949)</b>	<b>(5.388)</b>	<b>(5.892)</b>	<b>(6.127)</b>	<b>(6.371)</b>	<b>(6.626)</b>	<b>(6.891)</b>	<b>(7.167)</b>	<b>(7.455)</b>	<b>(7.755)</b>	<b>(8.068)</b>	<b>(8.393)</b>	<b>(8.733)</b>
<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%
<b>Core result before taxes and OCI (EBIT)</b>	<b>175</b>	<b>391</b>	<b>1.903</b>	<b>3.853</b>	<b>2.876</b>	<b>2.916</b>	<b>3.093</b>	<b>3.376</b>	<b>3.742</b>	<b>4.178</b>	<b>4.671</b>	<b>5.216</b>	<b>5.809</b>	<b>6.445</b>	<b>7.125</b>
<i>as % of sales</i>	0,8%	1,3%	4,7%	8,5%	5,9%	5,7%	6,0%	6,1%	6,6%	7,0%	7,6%	8,1%	8,7%	9,3%	9,8%
<b>Adj. EBITDA</b>	<b>2.623</b>	<b>3.006</b>	<b>4.857</b>	<b>6.663</b>	<b>6.664</b>	<b>7.239</b>	<b>7.848</b>	<b>8.492</b>	<b>9.171</b>	<b>9.889</b>	<b>10.648</b>	<b>11.448</b>	<b>12.294</b>	<b>13.185</b>	<b>14.126</b>
<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%
<b>Taxes</b>	<b>(37)</b>	<b>(167)</b>	<b>(639)</b>	<b>(1.248)</b>	<b>(936)</b>	<b>(958)</b>	<b>(1.011)</b>	<b>(1.099)</b>	<b>(1.217)</b>	<b>(1.357)</b>	<b>(1.514)</b>	<b>(1.687)</b>	<b>(1.877)</b>	<b>(2.080)</b>	<b>(2.297)</b>
<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)
<b>Core Result</b>	<b>138</b>	<b>224</b>	<b>1.264</b>	<b>2.605</b>	<b>1.940</b>	<b>1.958</b>	<b>2.082</b>	<b>2.277</b>	<b>2.525</b>	<b>2.820</b>	<b>3.157</b>	<b>3.529</b>	<b>3.932</b>	<b>4.366</b>	<b>4.829</b>
<b>NON CORE BUSINESS</b>															
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)
<b>Non-core result before taxes</b>	<b>16</b>	<b>606</b>	<b>65</b>	<b>287</b>	<b>71</b>	<b>93</b>	<b>144</b>	<b>278</b>	<b>356</b>	<b>440</b>	<b>527</b>	<b>632</b>	<b>751</b>	<b>883</b>	<b>1.008</b>
<b>Taxes</b>	<b>(126)</b>	<b>(123)</b>	<b>90</b>	<b>162</b>	<b>56</b>	<b>99</b>	<b>97</b>	<b>62</b>	<b>12</b>	<b>(4)</b>	<b>(29)</b>	<b>(64)</b>	<b>(105)</b>	<b>(145)</b>	<b>(184)</b>
<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
<b>Non-core result</b>	<b>(368)</b>	<b>859</b>	<b>149</b>	<b>473</b>	<b>161</b>	<b>299</b>	<b>281</b>	<b>391</b>	<b>425</b>	<b>501</b>	<b>551</b>	<b>625</b>	<b>704</b>	<b>797</b>	<b>880</b>
<b>FINANCING</b>															
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)
<b>Taxes</b>	<b>72</b>	<b>111</b>	<b>130</b>	<b>283</b>	<b>307</b>	<b>307</b>	<b>346</b>	<b>392</b>	<b>441</b>	<b>493</b>	<b>556</b>	<b>624</b>	<b>698</b>	<b>777</b>	<b>863</b>
<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%
<b>Financial Result</b>	<b>(155)</b>	<b>(238)</b>	<b>(279)</b>	<b>(605)</b>	<b>(656)</b>	<b>(656)</b>	<b>(739)</b>	<b>(837)</b>	<b>(941)</b>	<b>(1.053)</b>	<b>(1.187)</b>	<b>(1.333)</b>	<b>(1.490)</b>	<b>(1.659)</b>	<b>(1.841)</b>



# Cash Flow Map

## Cash Flow Map

### CORE BUSINESS

Core Operational Result		274	1,264	2,605	1,940	1,958	2,082	2,777	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
<b>Core FCF</b>		<b>(1,612)</b>	<b>(436)</b>	<b>(145)</b>	<b>(877)</b>	<b>1,186</b>	<b>1,492</b>	<b>1,792</b>	<b>2,091</b>	<b>2,396</b>	<b>2,715</b>	<b>3,047</b>	<b>3,395</b>	<b>3,762</b>	<b>4,151</b>
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>NON-CORE BUSINESS</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0
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)
<b>Non-Core FCF</b>		<b>7,801</b>	<b>(5,432)</b>	<b>922</b>	<b>246</b>	<b>384</b>	<b>369</b>	<b>483</b>	<b>521</b>	<b>601</b>	<b>655</b>	<b>733</b>	<b>817</b>	<b>914</b>	<b>1,003</b>
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CORE + NON-CORE FCF</b>		<b>6,189</b>	<b>(5,868)</b>	<b>777</b>	<b>(630)</b>	<b>1,569</b>	<b>1,861</b>	<b>2,275</b>	<b>2,612</b>	<b>2,997</b>	<b>3,370</b>	<b>3,780</b>	<b>4,212</b>	<b>4,677</b>	<b>5,153</b>
		0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Financing</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	27,280
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
<b>Financing CF</b>		<b>20,142</b>	<b>3,369</b>	<b>(1,092)</b>	<b>2,075</b>	<b>(160)</b>	<b>(465)</b>	<b>(889)</b>	<b>(1,234)</b>	<b>(1,624)</b>	<b>(2,001)</b>	<b>(2,412)</b>	<b>(2,842)</b>	<b>(3,303)</b>	<b>(3,774)</b>

# 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)	(8,155)	(8,422)	(8,698)
DPO	53	62	60	56	56	56	56	56	56	56	56	56	56	56	56
<b>Trade working capital</b>	<b>3,462</b>	<b>3,648</b>	<b>4,404</b>	<b>5,550</b>	<b>7,556</b>	<b>7,845</b>	<b>8,167</b>	<b>8,518</b>	<b>8,895</b>	<b>9,295</b>	<b>9,719</b>	<b>10,165</b>	<b>10,633</b>	<b>11,124</b>	<b>11,638</b>
Other current receivables	851	1,240	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)	(276)	(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%)	(3,9%)	(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%)
<b>Other working capital</b>	<b>1,867</b>	<b>1,493</b>	<b>713</b>	<b>1,014</b>	<b>1,056</b>	<b>1,099</b>	<b>1,142</b>	<b>1,188</b>	<b>1,236</b>	<b>1,285</b>	<b>1,337</b>	<b>1,391</b>	<b>1,447</b>	<b>1,505</b>	<b>1,566</b>
<b>Net working capital</b>	<b>5,329</b>	<b>5,141</b>	<b>5,117</b>	<b>6,564</b>	<b>8,612</b>	<b>8,943</b>	<b>9,310</b>	<b>9,706</b>	<b>10,130</b>	<b>10,580</b>	<b>11,056</b>	<b>11,555</b>	<b>12,080</b>	<b>12,629</b>	<b>13,204</b>
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Noncurrent items</b>	<b>3,073</b>	<b>4,132</b>	<b>4,859</b>	<b>5,663</b>	<b>5,900</b>	<b>6,135</b>	<b>6,380</b>	<b>6,635</b>	<b>6,901</b>	<b>7,177</b>	<b>7,466</b>	<b>7,766</b>	<b>8,079</b>	<b>8,405</b>	<b>8,745</b>
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%	
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%	
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)	(2,491)	(2,590)	(2,694)	(2,801)	(2,914)	(3,031)	(3,153)	(3,280)	(3,412)	(3,550)
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%								

# 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%	
<b>Cost of equity</b>	<b>12,5%</b>	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%
<b>Kd (after tax cost of debt)</b>	<b>2,37%</b>
Current debt/equity	0,42
<b>Target debt/equity</b>	<b>0,33</b>
% 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
<b>Discounted Free Cash Flows</b>		<b>1.693</b>	<b>1.882</b>	<b>1.966</b>	<b>2.051</b>	<b>2.098</b>	<b>2.141</b>	<b>2.170</b>	<b>2.191</b>	<b>2.196</b>

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

# 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	€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%
<b>Present Value of Dividend</b>	<b>€1,65</b>	<b>€1,61</b>	<b>€1,58</b>	<b>€1,54</b>	<b>€1,51</b>	<b>€1,48</b>	<b>€1,45</b>	<b>€1,41</b>	<b>€1,38</b>	<b>€1,35</b>

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
<b>Implied Share Price</b>	<b>€34,0</b>
Actual Price	31,1€
Premium / Discount	9,6%
Analysis	<b>Undervalued</b>

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									
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
<b>Median</b>	<b>0,5x</b>	<b>6,7x</b>	<b>8,3x</b>
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
<b>Enterprise Value</b>	<b>48,794</b>
Net Debt (including debt equ)	22,537
Cash Like Items (2023)	53
<b>Implied Equity Value</b>	<b>26,310</b>
Shares Outstanding	500
<b>Implied Share Price</b>	<b>52,6€</b>
Actual Price	31,1€
Premium / Discount	69,9%
Analysis	<b>Undervalued</b>

# Comparable Company Analysis (CCA)

Overview of Comparable Company Analysis																									
		K5	K18	K66	K76	T7	U7	V7	T8	U8	V8	T9	U9	V9	T10	U10	V10	T11	U11	V11	T12	U12	V12		
(In EURm)	Company	Country	Mkt. Cap.	Adj. EV	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		
<b>Peer Group Selection</b>																									
	DAIMLER Truck	GERMANY	29.450	49.894	0,33x	0,3x	0,8x	8,6x	8,1x	6,9x	10,8%	11,2%	11,9%	11,2x	10,3x	8,7x	10,8x	9,3x	8,2x	8,7%	9,1%	10,0%	9,0x	8,2x	6,7x
	IVECO	ITALY	2.700	5.930	0,39x	0,4x	0,4x	4,0x	3,7x	3,2x	9,9%	10,5%	11,3%	11,3x	10,1x	7,6x	6,4x	6,1x	5,2x	6,2%	6,4%	7,0%	6,0x	5,4x	4,2x
	VOLVO	SWEDEN	38.652	54.721	1,21x	1,2x	1,1x	7,4x	7,4x	6,8x	16,4%	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	96.489	61.798	2,00x	2,0x	1,8x	12,7x	13,6x	11,1x	15,7%	14,6%	15,9%	15,3x	16,6x	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.	5,4x	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.	31,4x	21,2x	n.a.	16,4x	12,5x	n.a.	2,3%	2,8%	n.a.	(1,7x)	(7,7x)	n.a.
	ISUZU	JAPAN	9.915	12.411	0,61x	0,6x	0,6x	5,7x	5,7x	5,3x	10,8%	10,2%	10,5%	9,2x	9,5x	8,7x	7,6x	7,5x	6,8x	8,0%	7,9%	8,2%	10,2x	9,3x	8,2x
	<b>Average</b>				<b>0,9x</b>	<b>0,9x</b>	<b>0,9x</b>	<b>7,2x</b>	<b>7,1x</b>	<b>6,7x</b>	<b>11,9%</b>	<b>11,8%</b>	<b>13,9%</b>	<b>14,4x</b>	<b>12,8x</b>	<b>9,4x</b>	<b>10,7x</b>	<b>9,8x</b>	<b>8,1x</b>	<b>8,5%</b>	<b>8,7%</b>	<b>10,7%</b>	<b>8,8x</b>	<b>7,5x</b>	<b>8,3x</b>
	<b>Median</b>				<b>0,8x</b>	<b>0,7x</b>	<b>0,8x</b>	<b>6,8x</b>	<b>6,0x</b>	<b>6,8x</b>	<b>10,8%</b>	<b>11,2%</b>	<b>11,9%</b>	<b>11,3x</b>	<b>10,3x</b>	<b>8,7x</b>	<b>9,7x</b>	<b>9,5x</b>	<b>8,2x</b>	<b>8,0%</b>	<b>10,0%</b>	<b>10,2x</b>	<b>9,3x</b>	<b>8,2x</b>	

Valuation Analysis		Sensitivity Tables										
EBITDA												
EBITDA 2025E	7,239											
Median EBITDA Multiple	6,0x											
<b>Enterprise Value</b>	<b>43,243</b>											
Net Debt (including deb	22,537											
Cash Like Items (2023)	53											
<b>Implied Equity Value</b>	<b>20,759</b>											
Shares Outstanding	500											
<b>Implied Share Price</b>	<b>41,5€</b>											
Actual Price	31,1€											
Premium / Discount	33,7%											
Analysis	<b>Undervalued</b>											

Valuation Analysis		Sensitivity Tables										
Sales												
Revenue 2025E	50,781											
Median Sales Multiple	6,7x											
<b>Enterprise Value</b>	<b>36,109</b>											
Net Debt (including deb	22,537											
Cash Like Items (2023)	53											
<b>Implied Equity Value</b>	<b>13,625</b>											
Shares Outstanding	500											
<b>Implied Share Price</b>	<b>27,2€</b>											
Actual Price	31,1€											
Premium / Discount	(22,2%)											
Analysis	<b>Overvalued</b>											

Valuation Analysis		Sensitivity Tables										
EBIT												
EBIT 2025E	2,916											
Median EBIT Multiple	9,5x											
<b>Enterprise Value</b>	<b>27,801</b>											
Net Debt (including deb	22,537											
Cash Like Items (2023)	53											
<b>Implied Equity Value</b>	<b>5,317</b>											
Shares Outstanding	500											
<b>Implied Share Price</b>	<b>10,6€</b>											
Actual Price	22,2€											
Premium / Discount	(61,0%)											
Analysis	<b>Overvalued</b>											

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## Report Recommendations

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

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