

Bulletin:

German Truck Manufacturer TRATON Sees Positive Route Ahead For 2023

March 9, 2023

This report does not constitute a rating action.

MILAN (S&P Global Ratings) March 9, 2023--S&P Global Ratings said today that German truck manufacturer TRATON SE (BBB/Stable/--) should see a marked improvement in its operating and financial performance in 2023, following 2022 results that were broadly in line with our expectations.

The anticipated improved performance should contribute to some deleveraging and ease the debt burden under TRATON's industrial business which, as of the end of December 2022, reached about €9.7 billion on a preliminary S&P Global Ratings-adjusted basis, up from €9.1 billion from the same period the previous year. As such, we now anticipate that the company's adjusted funds from operations to debt should start to materially improve to about 25%-35% in 2023, thanks to higher earnings and free cash flow generation, compared with 16% in 2022, based on preliminary adjusted figures.

2023 will be a cornerstone year for TRATON. We understand that the management is focused on expediting the pace of its brands' integration, which will be key to realizing material synergies, technological scalability, and a more stable and predictable operating performance. The company is engaged in several strategic projects, including the incremental realignment of MAN, which should start contributing positively to profitability and cash flow from the second half of 2023, with full benefits expected in 2024; creating a groupwide financial services business; and gradually rolling out the TRATON modular system.

Based on these plans, and absent any significant supply-chain hiccups, as experienced by the group in 2022, we anticipate that TRATON's industrial business sales could increase by about 5%-10% in 2023, supported by the company's disciplined list-price management as well as its order book, which already covers production for this year. In addition, we expect a marked EBITDA margin uptick of about 150-200 basis points from current levels as cost absorption should start to improve, which should support S&P Global Ratings-adjusted free operating cash flow generation of about €1 billion.

As of end-2022, TRATON's incoming orders reached 334,583 units, down by about 7% compared with the same period a year ago. Unit sales increased to 305,485 units, or about 12% versus 2021. The major contributor to volume growth is the full consolidation of Navistar in 2022, whereas in 2021 Navistar contributed for only six months. The group is also progressively rolling out its battery electric vehicle (BEV) fleet. In 2022, BEV vehicles (excluding MAN TGE) represented 0.4% of total unit sales, up from 0.1% in 2021.

Related Research

- Industry Top Trends 2023: Autos, Jan. 23, 2023
- TRATON SE, Dec. 14, 2022

PRIMARY CONTACT

Marta Bevilacqua
Milan
39-0272111298
marta.bevilacqua
@spglobal.com

SECONDARY CONTACT

Lukas Paul
Frankfurt
49-693-399-9132
lukas.paul
@spglobal.com

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- Corporate Defined Benefit Pension Schemes: U.K. Liquidity Crisis Masks A Positive Global Trend Thanks To Higher Discount Rates, Nov.19, 2022
- TRATON Tear Sheet, Nov. 9, 2022
- Research Update: German Truck Manufacturer TRATON SE Affirmed At 'BBB' Despite Weaker Margin Prospects In 2022; Outlook Stable, July 22, 2022
- Industry Top Trends Update: Autos EMEA, July 14, 2022
- Scania AB (publ.), June 30, 2022
- Global Heavy Truck Sales Forecast: COVID, War, And Supply Chain Woes Are Taking Their Toll In 2022, June 24, 2022
- Bulletin: TRATON's Deleveraging Prospects Affected By The €880.5 Million Antitrust Fine Imposed On Scania, Feb. 9, 2022

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