CREDIT OPINION
31 March 2025

Update

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RATINGS

TRATON SE

Domicile	Germany
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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TRATON SE

Credit opinion update

Summary

TRATON's Baa2 rating with a positive outlook is supported by (i) the group's strong market positions in Europe, North and South America in the heavy-duty truck segment, (ii) the expectation that TRATON will be able to maintain its profitability at around 7.0-7.5% (Moody's adjusted EBITA) even in more challenging market conditions, (iii) the company's commitment to preserve a capital structure in line with the requirements for a solid investment grade rating, as well as (iv) the ownership of its main shareholder Volkswagen Aktiengesellschaft (VW, Baa1 stable), which has provided liquidity support to TRATON and which is committed to remain a major shareholder.

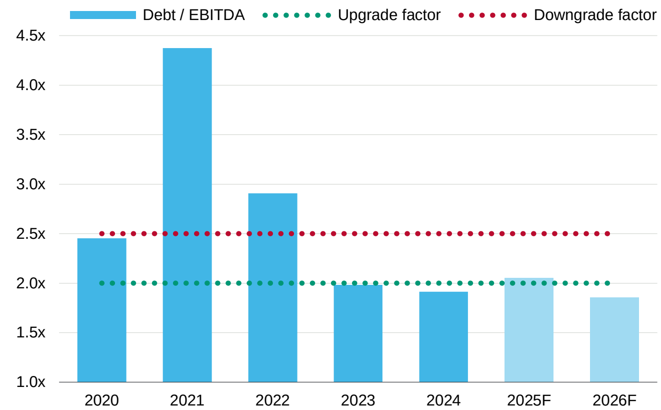
Conversely, the rating is constrained by (i) the cyclical and competitive nature of the truck market which is currently experiencing a cyclical downturn, (ii) the group's focus on medium- and heavy-duty trucks and buses with no other diversifying business operations and (iii) high investment needs to manage the technological transformations towards zero emission vehicles and autonomous driving.

TRATON performed well last year in a challenging market environment, in particular the company maintained a Moody's adjusted EBITA margin at 8.6%, higher than the 6-8% band required for the current Baa2 rating. We anticipate market conditions to remain challenging in 2025, in particular market volume to decline in the US and more so in Europe. On the back of this softer market conditions and additional expenses on strategic projects such as the new factory in China and the group modular system, we forecast TRATON's margin to decline to 7.1% in 2025 (Moody's adjusted EBITA margin). We forecast Moody's adjusted debt/EBITDA of 2.1x for 2025, at the low end of the current 2.0-2.5x range required for the Baa2 rating category. We anticipate continuous positive free cash flow in the next 12-18 months.

Given the expected decline in margin, and ongoing challenging market environment, upward rating pressure has softened. The rating remains nonetheless well positioned in the current Baa2 category.

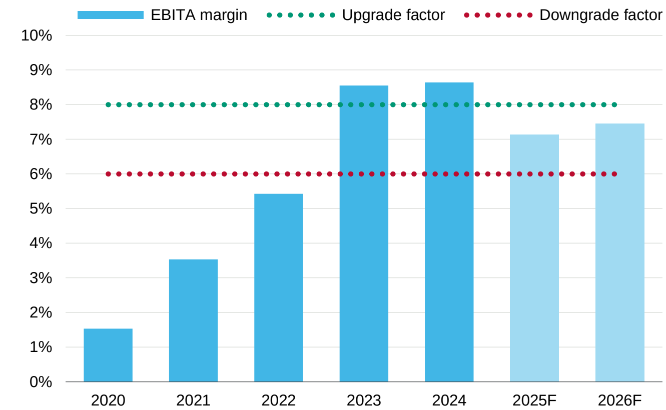
This report was republished on 1 April 2025 with updated ratings table

Exhibit 1
TRATON's leverage to remain at the low end of the Baa2 range
Moody's adjusted debt/EBITDA



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Exhibit 2
TRATON's margin to decrease but to remain around 7.0-7.5%
Moody's adjusted EBITA margin



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Heavy- and Medium-Duty Truck brands with leading market positions in Europe, North America and South America

» Conservative financial policy

» Long-term commitment from and strategic importance to its major shareholder VW

Credit challenges

» Exposure to the cyclicality of commercial vehicle markets, especially trucks, which are also highly competitive

» High investment needs to manage the technological transformations towards zero emission vehicles and autonomous driving

» Some execution risks linked to the realization of the full potential of synergies

Rating outlook

The positive outlook indicates that despite the more challenging market conditions ahead, we believe that an upgrade is likely providing that TRATON maintains its Moody's adjusted EBITA around 8%, its Moody's adjusted debt/EBITDA below 2x and positive free cash flow.

Factors that could lead to an upgrade

TRATON's ratings could be upgraded in case of

» EBITA margin of around 8% through the cycle;

» Positive free cash flow on a sustainable basis;

» Debt/EBITDA (Moody's adjusted) consistently below 2.0x;

» Building further track record of conservative financial policy including leverage and improvement of its liquidity position.

Factors that could lead to a downgrade

TRATON's ratings could be downgraded in case of

» EBITA margin sustainably below 6%;

» Debt/EBITDA (Moody's adjusted) sustainably and materially above 2.5x;

» Weakening liquidity profile;

» Negative free cash flow.

Key indicators

Exhibit 3
TRATON SE

(in € billion)	2019	2020	2021	2022	2023	2024	2025F	2026F
Revenue	26.4	21.8	29.7	39.0	45.3	45.5	45.5	46.3
EBITA Margin %	7.4%	1.5%	3.5%	5.4%	8.6%	8.6%	7.1%	7.4%
EBITA / Interest Expense	16.2x	3.1x	4.9x	6.8x	9.1x	10.6x	8.8x	10.1x
Debt / EBITDA	1.4x	2.5x	4.4x	2.9x	2.0x	1.9x	2.1x	1.9x
RCF / Net Debt	801.9%	34.9%	13.0%	23.5%	36.8%	37.8%	40.7%	50.3%
FCF / Debt	8.6%	-1.2%	2.6%	-11.8%	14.3%	14.5%	7.3%	8.5%

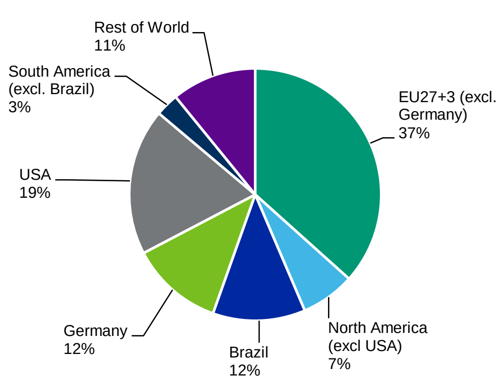
All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

Headquartered in Munich, Germany, TRATON SE (TRATON) is one of the world's largest manufacturer of medium- and heavy-duty trucks and buses sold under its strong brands Scania, MAN, International Motors (formerly Navistar) and VW Truck Bus (VWTB). Moreover, TRATON offers customer financing solutions through its TRATON Financial Services subsidiary.

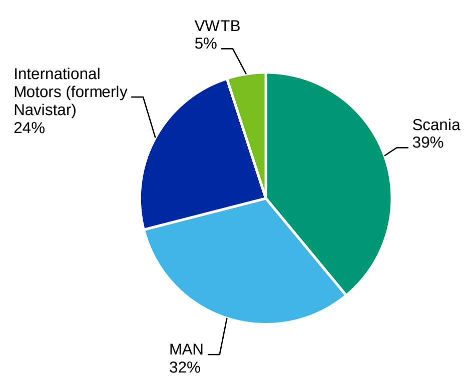
During 2024, TRATON's Industrial business (excluding financial services) generated revenues of €46.2 billion and a company-adjusted operating profit of €4.8 billion. TRATON is listed on the Frankfurt and Stockholm stock exchange. Volkswagen Aktiengesellschaft is TRATON's main shareholder with a stake of around 87.5%.

Exhibit 4
Unit sales breakdown by geography (2024)
TRATON SE



Source: Company filings

Exhibit 5
Revenue breakdown by brand (2024)
TRATON SE



Source: Company filings

Latest development

Despite a challenging market environment last year, with a decline in truck market volume due to weak macroeconomic conditions in Europe and a freight recession in the US, TRATON reported a solid performance. Revenue increased by 0.6%, supported by a resilient service business, although mix and pricing weakened in the latter half of the year. Unit sales dipped by 1%, driven by a shrinking European market, which was offset by a more resilient US market and growth in South America. The company's operating margin increased, supported by improvement at all brands except MAN, which remained flat facing weakened demand and pricing pressure in Germany during the second half of the year.

In 2025, we expect challenging market conditions and a contraction in market volume in the US and more so in Europe. We project that revenue will remain stable in 2025 and increase slightly in 2026, in line with GDP forecasts. The operating margin is anticipated to decline in 2025 due to soft market conditions, resulting in a weaker order book than one year ago, especially in Germany, and increased expenses for capacity expansion in China, the rollout of the group modular system, and investments in zero-emission vehicles and autonomous driving. Our forecast does not account for any escalation in global trade tensions, which could hurt sales and operating results.

TRATON is currently building a new factory in China, the largest market in the world. Production is expected to start in Q4 2025 (€2 billion investment in total, out of which €1 billion already done and the rest to be spent over the next 5 years). The rampup phase of the China production will weight on Scania margin.

Detailed credit considerations

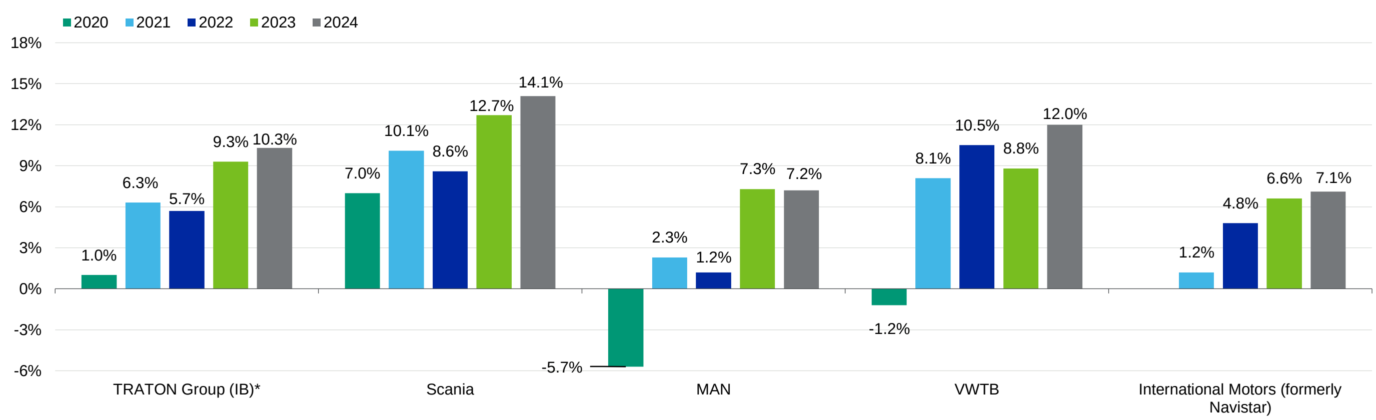
"TRATON Way Forward" strategy aims to improve value creation and ESG profile

The "TRATON Way Forward" strategy is based on four building blocks, (1) responsible company, (2) value creation, and (3) TRATON accelerated. The fourth building block is execution. The first building block has a particular focus on decarbonisation and circularity, and aims to improve governance and ethics within the company. The second block has a focus on improving performance, including the integration of International Motors (formerly Navistar), and the achievement of distinctive target returns for the individual brands. The targets include benefits from the MAN restructuring, growth and margin improvement for International Motors. It also includes an expansion in China, with Scania building a production site in the wider Shanghai region.

Exhibit 6

Adjusted return on sales across brands as reported by company

Based on segment return on sales in % for Industrial Business (excl. Financial Services)



* TRATON introduced a new reporting structure in 2021. TRATON GROUP excluding "Financial Services" corresponds to the "TRATON Operations" business area including "Corporate Items", which represents the former Industrial Business segment from a financing perspective.
Source: Company filings

In October 2024, TRATON held a capital market day to announce new 2029 targets in terms of revenue growth, margin expansion and associated investment needs. The company aims to increase its group adjusted return on sales (company defined) to 9-11% by 2029 from 9.2% in 2024.

Recent improvement in profitability, resilience to be tested in current cyclical downturn

While TRATON's profitability used to be materially weaker than its higher rated peers, it has significantly improved since 2023. The EBITA margin, adjusted by Moody's, rose to 8.6% in 2023, a significant increase from 5.4% in 2022 and 3.5% in 2021. While the profitability improvements benefitted from a cyclical upswing in the truck market in 2023, they were also a consequence of structural performance improvements. Structural performance improvements were driven by a strategic initiative aimed at boosting the group's performance through the realization of synergies and cost savings, also including the advantages of a restructuring program at MAN and the integration of International Motors (Navistar). Despite market condistions becoming more challenging in 2024, TRATON maintained good profitability with a Moody's adjusted EBITA margin stable at 8.6% in 2024.

TRATON has identified significant synergy potential among its operating units and is targeting long-term net cost savings driven by the TRATON Modular System. The first part of this will be the introduction of the common base engine (CBE) across TRATON's brands. Scania, International Motors and MAN have already introduced the engine. Given the long life cycles of trucks, we believe that it will take up to ten years until the full potential of synergies can be realized. Moreover, the effects of the sizeable restructuring programme at MAN initially agreed in 2021 started to be visible in 2023 as MAN reported a significant increase in margin and continued to support MAN margin in 2024. In 2025, we expect market conditions to remain challenging, in particular in Germany. As a result, we forecast TRATON's margin to decline towards 7.0-7.5% (Moody's adjusted EBITA margin) over the next 12-18 months.

Conservative financial policy

TRATON's financial policy is overall conservative but has been challenged by the debt-funded acquisition of Navistar (now International Motors) in July 2021. A combination of debt repayment and EBITDA improvement led to a decrease in Moody's adjusted leverage to 2.0x at December 2023 from 4.4x end of 2021 post Navistar (now International Motors) acquisition. Moody's adjusted debt/EBITDA remained broadly stable during 2024 reaching 1.9x. We do not expect a sizeable reduction of debt levels given TRATON's sizeable growth and technology investments planned (including the expansion in China). As a result, we expect leverage to remain around 2.0x in the next 12-18 months which is the low end of the 2.0x-2.5x range commensurate with the Baa2 rating. During the last capital market day in October 2024, TRATON announced its intention to reduce net financial debt to zero (in TRATON operations business area including corporate items) by 2029 at the latest.

In the years 2017-21, TRATON's free cash flow was in a low to mid three-digit million € area, reflective of lower levels of profitability. In 2022, there was a negative free cash flow of €1.2 billion (Moody's adjusted), driven by the one-off payment of an antitrust fine for Scania. In 2023 and 2024, TRATON generated €1.6 billion of Moody's adjusted free cash flow each year.

TRATON's dividend policy with a targeted pay-out ratio of 30% to 40% of net income is well in line with industry peers. Over the last years, management opted for the low end of this payout range.

Exposure to the highly cyclical and competitive truck market

We acknowledge that 19% (2024) of the group's industrial revenue is generated through its Services business (out of which 80% comes from parts replacement) which is typically less cyclical and exhibits higher margins. However, TRATON's substantial exposure to the highly competitive and cyclical market for medium- and heavy-duty trucks is a constraining factor to the rating.

After a strong rebound in 2023 fueled by aging truck fleets and pent-up demand from the pandemic combined with an easing of supply chain constraints, market demand normalized in 2024. In particular new vehicles sales of heavy duties decreased in both key market of North America that experiences a freight recession and in Europe driven by particular weak demand in Germany. In 2025, we expect market conditions to remain challenging including volume decline in the US and more so in Western Europe.

Technology transformation towards zero emission vehicles and autonomous driving requires high investments

Truck markets globally undergo substantial technological transformation in terms of propulsion systems, which transit from internal combustion engines (ICEs) to zero emission vehicles (ZEVs). ZEVs are battery-electric vehicles (BEVs) and fuel cell electric vehicles (FCEV). This trend is driven by stricter environmental regulation to reduce carbon emissions in all major markets. The other main technology trend is towards autonomous driving, which allows substantial cost reductions for the drivers of commercial vehicles.

In terms of ZEVs, TRATON has a clear focus on BEVs, where all its major brands, Scania, MAN, International and VWTB, have developed products and sold a total of 1,739 units in 2024, down from 2,107 units in 2023 but still up from 1,076 units sold in 2021. While vans were dominating the BEV portfolio in 2021 and 2022, since 2023 buses dominate the BEV portfolio ahead of trucks, vans coming last. BEV sales were still below 1% of TRATON's unit sales, but we expect the BEV share to grow throughout the decade, especially in the area of vans, buses and medium duty trucks (shorter distance). TRATON has already spent sizeable investments into BEVs, and we expect that investments – especially into R&D – will remain high over the next years to improve technologies to extend the range and energy efficiency as well as support the build-up of charging infrastructure.

TRATON has only minor FCEV developments (such as at Scania for Switzerland), given the relatively low energy efficiency compared to BEVs. However, FCEVs could be needed especially for long-distance heavy duty trucks, once economics improve. Whilst related technologies could be bought from suppliers once FCEVs are gaining market share, there is a risk that TRATON might lose market share versus competitors like AB Volvo and Daimler Truck, which are developing this technology.

The other main technological transformation in the truck market is towards advanced driving assistance systems and autonomous driving. We expect that the launch of related features will be a main driver for unit sales and revenues in the medium to long term, because of the substantial efficiency gains, which customers (such as transportation companies) have in terms of lowering personal expenses for drivers, higher safety standards/avoidance of accidents and improved utilization of vehicles due to lower standstill times for pauses of drivers. The technological transformation will, however, require ongoing high investments into R&D, which will weigh on profitability and cash flows in the next couple of years.

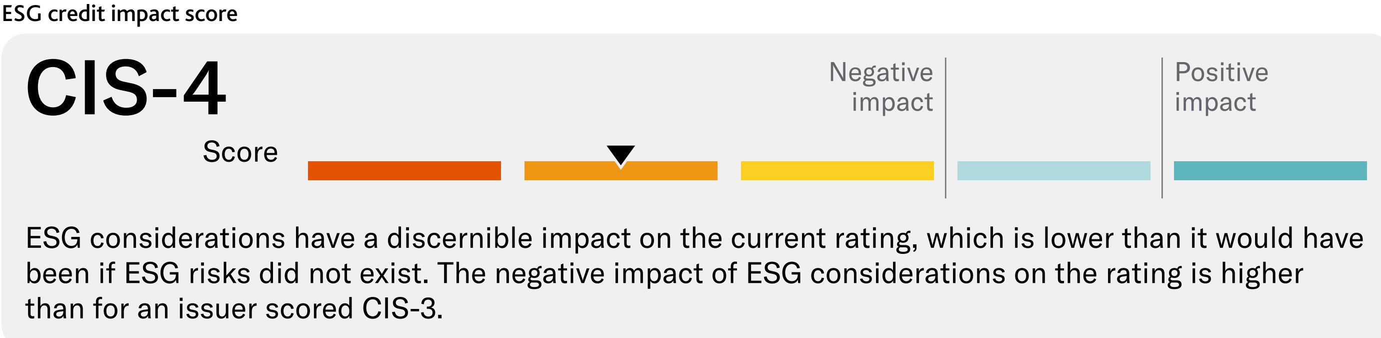
Volkswagen as major shareholder is supportive to TRATON's ratings

Since the floating of part of TRATON's shares on the stock market in June 2019, VW has remained TRATON's main shareholder, today holding with 87.5% of shares and voting rights. We assume that VW will remain the dominant shareholder with a stake of clearly above 50%. This is positively reflected in TRATON's rating, as VW has continuously provided liquidity support to TRATON.

ESG considerations

TRATON SE's ESG credit impact score is CIS-4

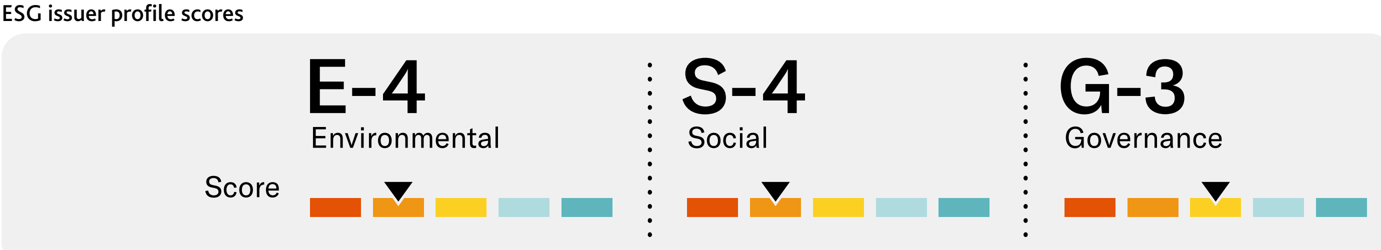
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

TRATON's **CIS-4** indicates the rating is lower than it would have been if ESG risk exposures did not exist. The main ESG risks relate to carbon transition and the high costs to manage it, and to company's relatively weak governance, which are both constraints to the rating.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental
TRATON's **E-4** is driven by Carbon Transition, which is a risk for the global transportation sector in terms of stricter environmental regulation and the trend towards low and zero emission vehicles, and related cost for truck makers to make their product portfolio compliant with stricter standards. As an example, EU emission regulation for trucks currently requires a 15% cut by 2025 and a 45% cut by 2030, both versus the 2020 benchmark. TRATON has, however, taken actions by developing and successfully launching electrified trucks and investing sizeable amounts into future technologies with a focus on BEVs that can mitigate risk exposure over time if uptake is successful and technology can be deployed without pressure on profit margins.

Social
TRATON's **S-4** is driven by industry-level Responsible Production risks. Global supply chains are highly complex and requirements for vehicle product quality and safety are very high. The truck manufacturing process has moderate health & safety risks. Human capital risks are overall moderate, but reflect the typically high degree of unionization in the truck manufacturing industry, which leads to heightened strike risks, and challenges to retain highly skilled workers and engineers to ensure high quality standards of the manufacturing process and to keep pace with technological change.

Governance
TRATON's **G-3** reflects the fact that management turnover has been historically relatively high for TRATON but has improved recently. Governance risks also relate to the company's board structure and policies, as these have to reflect the influence of various strong stakeholders, including Volkswagen AG as majority shareholder and the workers' unions. TRATON has been stock market listed since 2019 and has established an independent, state of the art organizational structure. In terms of compliance risks, we note that TRATON's subsidiary Scania discovered corruption issues in India during 2013-2017. Moreover, in February 2022, the General Court of the EU decided that Scania has to pay a fine of €881 million for antitrust issued during 1997 and 2011. We understand that TRATON has implemented stricter compliance standards to minimize governance risks going forward, in line with the strict governance rules of the Volkswagen Group. TRATON's governance is supported by a conservative Financial Strategy and Risk Management.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis
TRATON's liquidity relies on support from its parent company VW, a key credit weakness.

As of December 2024, TRATON's sources of liquidity included cash and cash equivalent of €2.5 billion at group level, and access to a fully available €4.5 billion revolving credit facility maturing in December 2028. Together with funds from operations that we estimate at around €5 billion for the next four quarters, total cash sources amount to around 12 billion.

Further liquidity needs include working cash (estimated at around €1.3 billion or 3% of revenue according to our standard assumption), capex (including capital development costs and leases repayment) of around €3.5 billion annually, working capital outflows as well as dividend payments. In our theoretical scenario of no access to the capital markets for its manufacturing and financial services activities, uses of liquidity includes upcoming debt maturities , including from financial services (excluding ABS maturities). At December 2024, the total debt maturities for 2025 amount to €8 billion.

As a result, TRATON relies on continued liquidity support from the parent company VW, which provides sizeable credit facilities to TRATON, in a framework agreement totaling €4.3 billion out of which €0.9 billion was drawn at December 2024.

Rating methodology and scorecard factors
The principal methodology used for this rating was the Global Manufacturing Companies rating methodology. Both the historic and forward scorecard-indicated outcome map to a A3, two notches above the actual rating assigned. The difference is explained by the inherent volatility of TRATON's end markets, and the relatively low margins.

Exhibit 9

Rating factors

TRATON SE

Manufacturing Industry Scorecard	Current FY 12/31/2024		Moody's 12-18 Month Forward View As of 3/31/2025 [3]	
Factor 1 : Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$49.3	Aa	$49.2 - $50	Aa
Factor 2 : Business Profile (25%)				
a) Business Profile	Baa	Baa	Baa	Baa
Factor 3 : Profitability and Efficiency (5%)				
a) EBITA Margin	8.6%	Ba	7.1% - 7.4%	Ba
Factor 4 : Leverage and Coverage (35%)				
a) Debt / EBITDA	1.9x	Baa	1.9x - 2.1x	Baa
b) Retained Cash Flow / Net Debt	37.8%	A	40.7% - 50.3%	Aa
c) Free Cash Flow / Debt	14.5%	Baa	7.3% - 8.5%	Ba
d) EBITA / Interest Expense	10.6x	A	8.8x - 10.1x	Baa
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		A3		A3
b) Actual Rating Assigned				(P)Baa2

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 10

Peer comparison

TRATON SE

	TRATON SE			PACCAR Inc			AB Volvo			Daimler Truck AG			CNH Industrial N.V.		
	(P)Baa2 Positive			A1 Stable			A2 Stable			A3 Stable			Baa2 Stable		
	FY	FY	FY	FY	FY	LTM	FY	FY	LTM	FY	FY	LTM	FY	FY	LTM
(in $ millions)	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Sep-24	Dec-22	Dec-23	Sep-24	Dec-22	Dec-23	Sep-24	Dec-22	Dec-23	Sep-24
Revenue	41,147	48,969	49,242	27,314	33,316	32,793	45,633	50,297	48,927	51,839	57,547	55,835	21,541	22,080	18,949
EBITA margin %	5.3%	9.2%	8.6%	11.6%	15.3%	16.3%	9.6%	13.4%	13.5%	6.9%	10.0%	8.9%	12.4%	13.4%	11.2%
EBITA / Interest Expense	7.3x	9.3x	10.6x	411.7x	541.3x	544.0x	26.7x	37.2x	37.7x	46.3x	153.8x	-69.5x	11.1x	9.6x	6.4x
Debt / EBITDA	2.9x	1.9x	1.9x	0.1x	0.1x	0.0x	0.6x	0.3x	0.4x	0.2x	0.1x	0.6x	1.5x	1.4x	2.0x
RCF / Net Debt	23.5%	36.8%	37.8%	-43.7%	-45.0%	-36.6%	-51.6%	-78.2%	-82.0%	-60.7%	-50.7%	-50.6%	258.1%	156.4%	33.5%
FCF / Debt	-11.8%	14.3%	14.5%	620.7%	705.2%	466.0%	18.9%	49.8%	14.2%	219.6%	283.4%	14.6%	25.1%	21.6%	-1.3%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted debt reconciliation

TRATON SE

(in € millions)	2019	2020	2021	2022	2023	2024
As reported debt	**3,641.0**	**3,718.0**	**9,700.0**	**10,400.0**	**9,600.0**	**9,300.0**
Pensions	1,759.0	1,817.0	2,636.0	1,777.0	1,838.0	1,891.0
Non-Standard Adjustments	0.0	-	880.5	-	-	-
Moody's-adjusted debt	**5,400.0**	**5,535.0**	**13,216.5**	**12,177.0**	**11,438.0**	**11,191.0**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
Source: Moody's Financial Metrics™

Exhibit 12

Moody's-adjusted EBITDA reconciliation

TRATON SE

(in € millions)	2019	2020	2021	2022	2023	2024
As reported EBITDA	**4,345.0**	**2,462.0**	**3,319.0**	**4,582.0**	**6,521.0**	**6,909.0**
Pensions	(1.0)	(1.0)	(5.0)	(5.0)	(7.0)	2.0
Capital Development Costs	(467)	(316)	(468)	(604)	(687)	(978)
Other Items	43.0	112.0	175.0	164.0	(55.0)	(87.0)
Moody's-adjusted EBITDA	**3,920.0**	**2,257.0**	**3,021.0**	**4,137.0**	**5,772.0**	**5,846.0**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
Source: Moody's Financial Metrics™

Ratings

Exhibit 13

Category	Moody's Rating
TRATON SE	
Outlook	Positive
Issuer Rating	Baa2
Senior Unsecured MTN	(P)Baa2
ST Issuer Rating	P-2
PARENT: VOLKSWAGEN AKTIENGESELLSCHAFT	
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility -Dom Curr	Baa1
Senior Unsecured MTN -Dom Curr	(P)Baa1
Commercial Paper -Dom Curr	P-2
TRATON FINANCE LUXEMBOURG S.A.	
Outlook	Positive
Bkd Senior Unsecured	Baa2

Source: Moody's Ratings

REPORT NUMBER 1429837

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454