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**CNH**

**Equity Research Division**

**CNH Industrial**

**Build big. Build to last.**

**Target Price: \$17.53**

**Current Price: \$13.02**

*Upside Potential: +34.63%*

**Recommendation: BUY**

**Investment Horizon: 5Y**

Vienna, 31st January 2025

# Team Overview

## Equity Research Division



**Laurenz Stempkowski**

Senior Associate

- Task Distribution
- Equity Story



BSc. (WU)



**Jan Berghänel**

Associate

- Financial Analysis
- Valuation



BSc. (WU) – 5th Sem.



**Luise Ploner**

Analyst

- Strategy
- Market

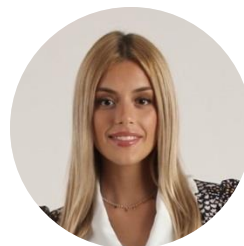
TRAUN CAPITAL

L'ORÉAL

ARTHUR LITTLE



MSc. (WU) – 3rd Sem.



**Dora Prkacin**

Fellow Analyst

- Business Model
- Strategy

Deloitte.



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Fellow Analyst

- Macro
- CCA
- Valuation



SCHAEFFLER



MSc. (WU) – 1st Sem.



**Martin Schwab**

Fellow Analyst

- Company Overview
- Geography

MUTARES

BSc. (WU) – 3rd Sem.



**Tobias Plank**

Fellow Analyst

- Company Overview
- Geography



Finadvice



BSc. (WU) – 3rd Sem.

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**CNH**

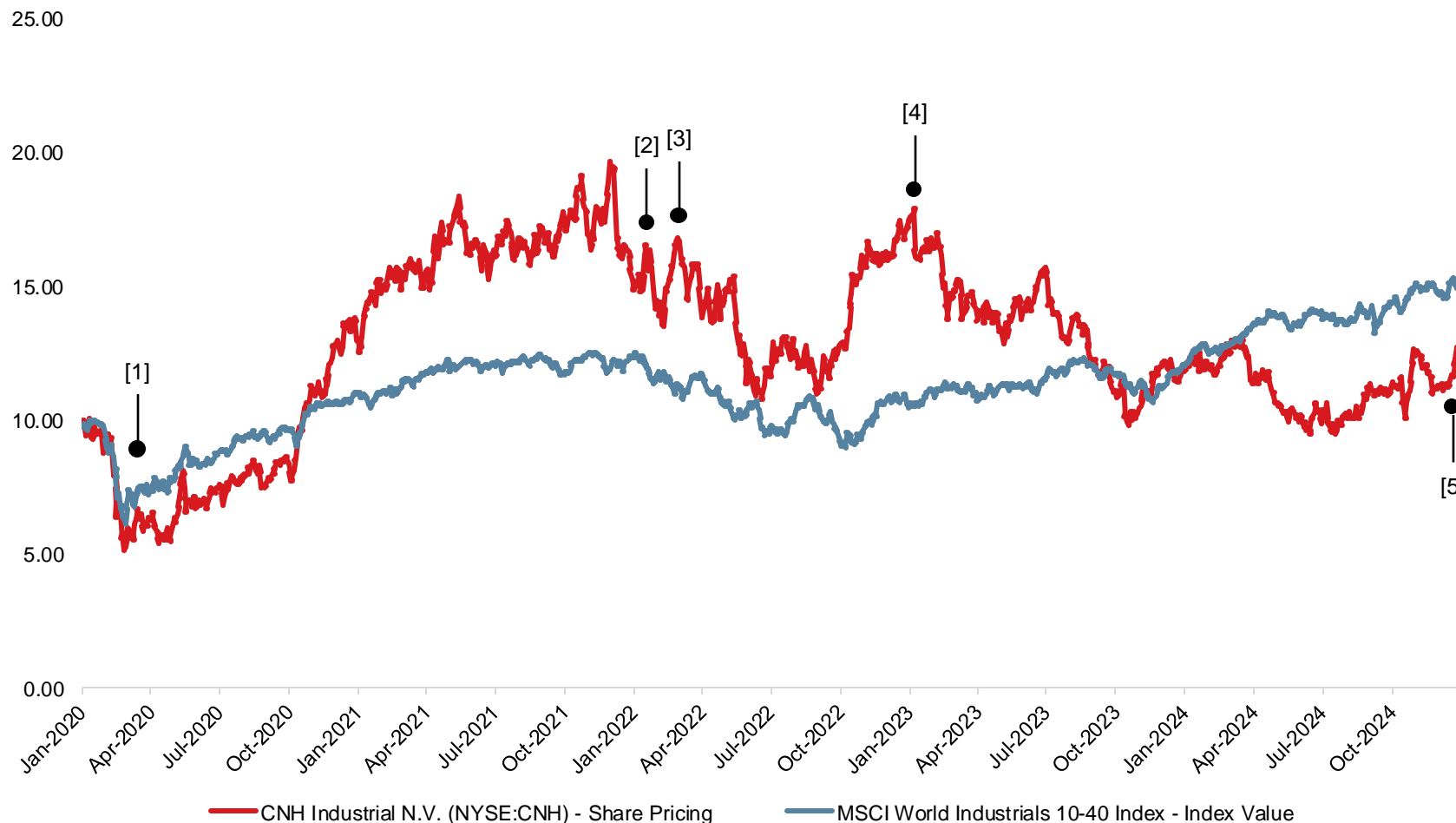
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## **Executive Summary**

# Executive Summary I – Market Sentiment

Recovering from macroeconomic challenges with upside potential.

## Share Price Performance in USD



## Share Price – Major Events

**[1] March 2020 (-40%)** – COVID-19 pandemic triggers global lockdowns.

**[2] January 2022 (-31%)** – Spin-off of Iveco Group from CNH Industrial.

**[3] February 2022 (-22%)** – Russian invasion of Ukraine drives global uncertainty and affects supply chains.

**[4] February 2023 (-14%)** – CNH Industrial delists from Euronext Milan and retains a single listing on the New York Stock Exchange.

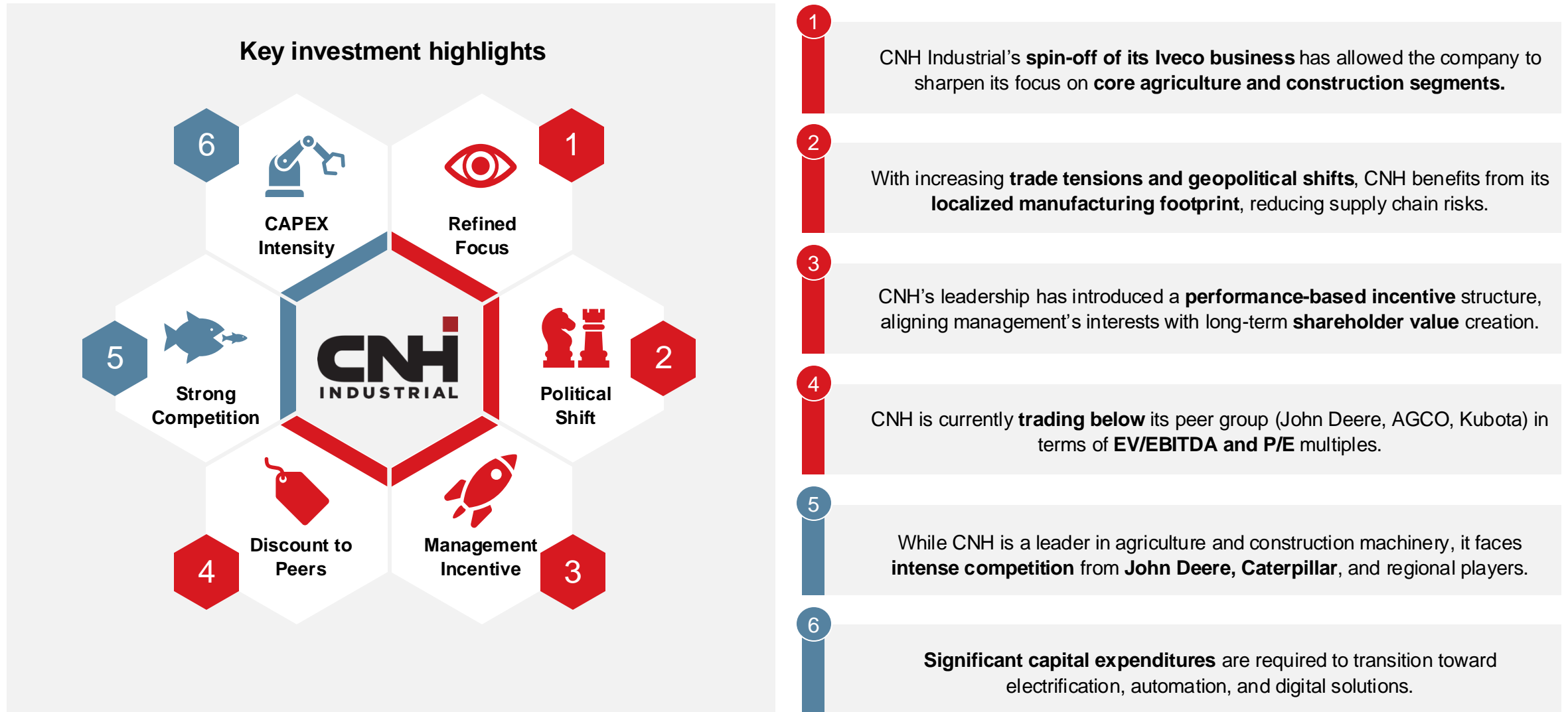
**[5] November 2024 (+7%)** – Greenlight Capital disclosed a stake in CNH, lifting share price.

## Equity Insights

- **IPO:** 30.09.2013
- **Ticker:** NYSE: CNH
- **Avg. Analyst target:** 13.99 USD
- **Price (Jan 28):** 13.02 USD
- **Market Cap:** 16.187 bn USD

# Executive Summary II - Investment Thesis

Reshaped for Market Leadership.





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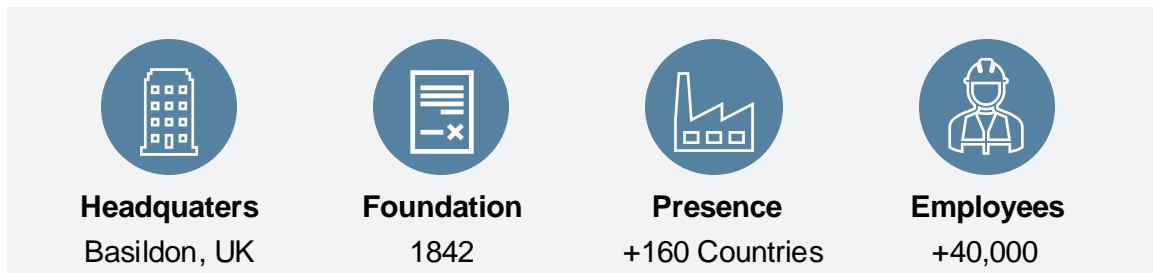
**Company Overview**

# Company Overview I – CNH at a Glance

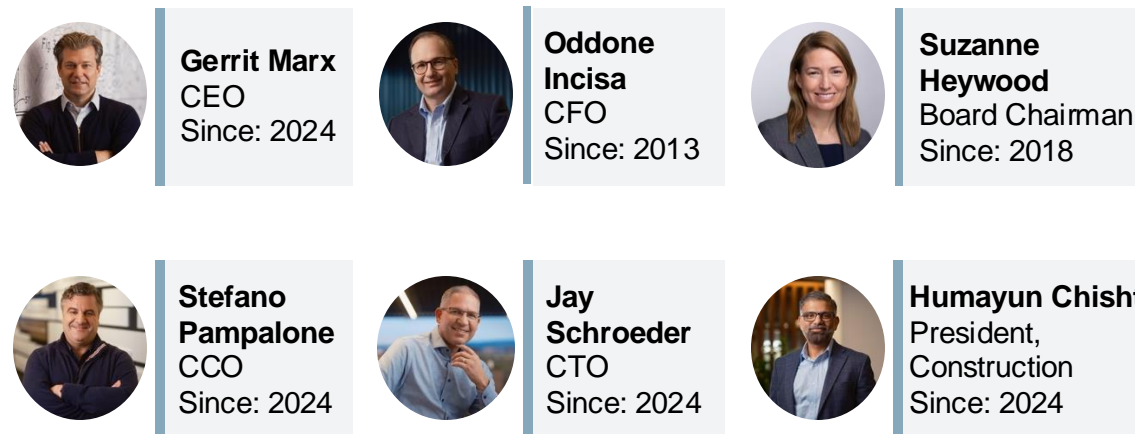
CNH Industrial is a global manufacturer of agricultural and construction equipment.

## Company Description

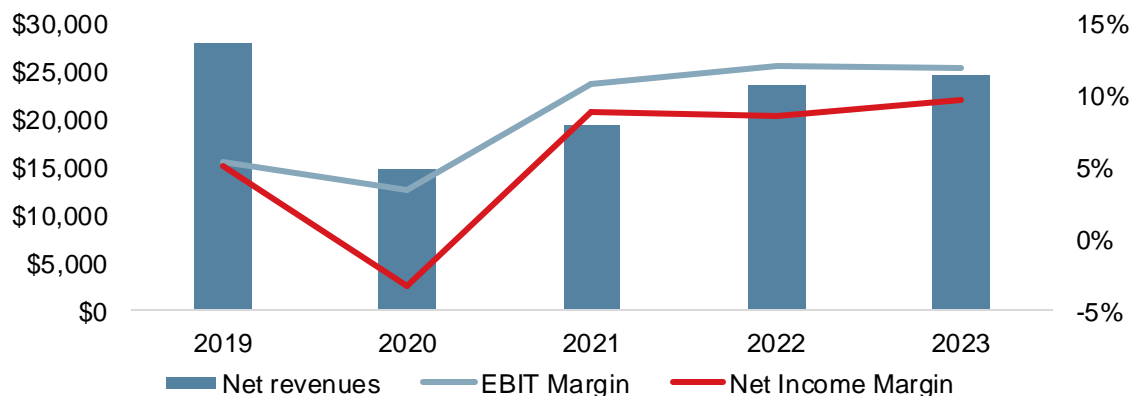
CNH Industrial is a global leader in agricultural and construction equipment, operating renowned brands like **Case IH**, **New Holland**, and **Steyr**, providing innovative solutions to farming, construction, and industrial sectors worldwide.



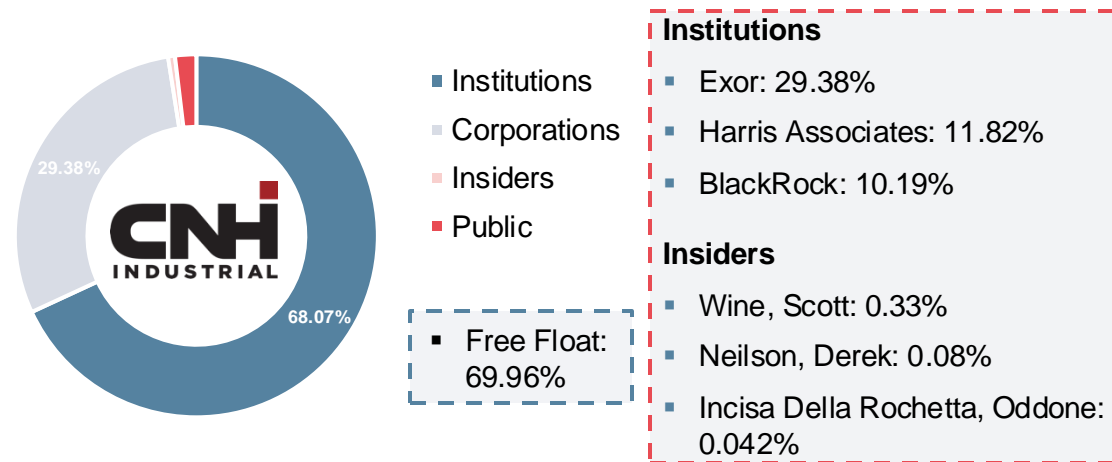
## Management Team



## Financial Performance in mn USD



## Shareholder Structure





# Company Overview II – Business Model

CNH combines in-house production, strategic outsourcing, and robust sales channels to ensure quality and efficiency.

## Production Materials Sourcing

### In-House

PARTS

ENGINES  
FUEL SYSTEMS  
TRANSMISSIONS  
HYDRAULICS  
ELECTRONICS



SYSTEMS

ENGINE AIR FILTERS  
FUEL FILTERS  
HEMISPHERE GNSS  
INTEGRATION



### Outsourced

**\$10 billion** in purchases from

**3,192** global suppliers



## Sales Channels and Customers

KEY CHANNELS



### CNH-OWNED DEALERSHIPS

Direct presence in key markets, facilitating closer **customer relationships** and **market feedback**



### INDEPENDENT LOCAL DEALERS

Over **2,500** worldwide, provided with a **Territory Sales Manager** by CNH to assist with business operations

KEY CUSTOMERS



**LARGE AGRIBUSINESSES**



**CONSTRUCTION FIRMS**



**GOVERNMENT AGENCIES**



**DEALERS & DISTRIBUTORS**

## Value Chain



Sourcing materials from a **network of global suppliers**



**Designing and engineering** components to improve existing products



Producing **proprietary components and systems** internally



**Non-core parts and commodity components** are outsourced



Integrating **lean manufacturing** to optimize processes and improve efficiency



Ensuring **highest level performance and quality** checks



**Local production** in strategic markets to serve regional customer needs



**Regional warehouses** to enhance speed to market



**Global network of freight**, including road, rail, and sea logistics

### ENGINEERING

### MANUFACTURING

### SUPPLY CHAIN AND LOGISTICS

# Company Overview III – Product Portfolio

A balanced portfolio drives innovation and value across its key segments globally.

	Industrial		Financial Services
DESCRIPTION	<b>Agriculture</b> Manufacturing and distribution of equipment for <b>large-scale farming</b> , row-crop farming, and livestock farming.	<b>Construction</b> Development and production of equipment for earthmoving, excavation, and <b>construction purposes</b> .	<b>Loans and Leases</b> Financing solutions for equipment purchases: loans, leases, and revolving credit lines
PRODUCTS			
BRANDS			
REV. SPLIT	74% Sales: 18.1bn USD	19% Sales: 4.7bn USD	7% Sales: 1.7bn USD



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**Strategy**

# Strategy I – Focusing on Operational Excellence

CNH positions itself at the forefront of technology and innovation.

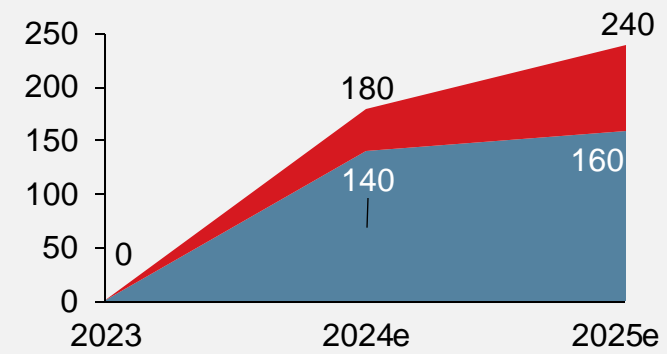
## Five Strategic Priorities of CNH aligned with Compensation

	Introduction	Key Objective	Strategic Importance	EBIT Margin	Sales	CC <sup>1</sup> Ratio	CO <sub>2</sub> Emission
 <b>Customer Inspired Innovation</b>	Developing innovation for efficiency and success of our customer comes first	<ul style="list-style-type: none"> <li>200+ product launches</li> <li>100% connected machines</li> </ul>	 <p>Competitive advantage, market needs</p>	X	X		X
 <b>Technology Leadership</b>	Merging exceptional machinery with most cutting-edge technology	<ul style="list-style-type: none"> <li>10+ alternative propulsion products</li> <li>Modular tech stack</li> </ul>	 <p>Cutting-edge product portfolio, modernization</p>	X	X		X
 <b>Brand and Dealer Strength</b>	Providing a strong family of global and regionally focused brands	<ul style="list-style-type: none"> <li>Brands as preferred local partner</li> <li>CASE and Case IH</li> </ul>	 <p>Market presence, less transformative</p>	X	X		
 <b>Sustainability Stewardship</b>	Integrating sustainability in the day-to-day activities	<ul style="list-style-type: none"> <li>-50% CO<sub>2</sub> / hour of production vs. 2018</li> <li>90% renewable electricity</li> </ul>	 <p>Regulatory compliance, brand perception</p>	X		X	X
 <b>Operational Excellence</b>	Finding new ways of to improve operations through efficient processes	<ul style="list-style-type: none"> <li>\$550mn operational efficiencies</li> <li>50% injury frequency rate reduction</li> </ul>	 <p>Efficiency and profitability, internal focus</p>	X	X	X	X

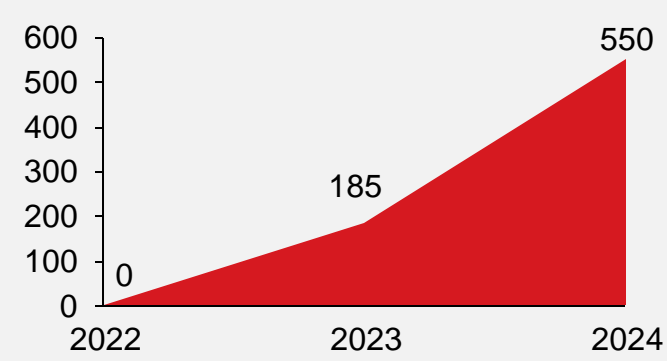


### Deep-Dive: Operational Excellence

#### SG&A Restructuring (in mn USD)



#### COGS Reduction (in mn USD)



Annual Bonus Composition

# Strategy II – Building a Sustainable Competitive Edge

Alternative propulsion is the fuel to sustainable growth of the business.

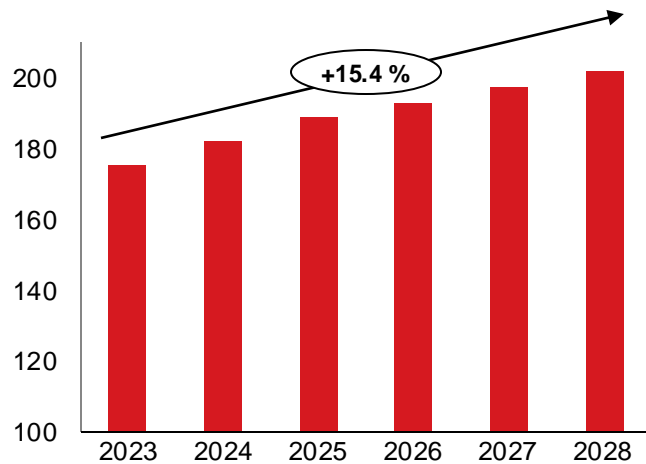
## Pioneering in Alternative Propulsion



World's 1<sup>st</sup>  
Bio Methane Tractor

- 80%** Less pollutants
- 30%** Lower operating costs<sup>1</sup>
- CO<sub>2</sub>** Net zero carbon impact

## Biofuel Market Forecast 2028 [in bn l]



## CNH Position

- **Acquisition of Bennamann** enables on-farm methane capture for fuel
- **Development of T7 Methane power** to reduce emissions
- **Expansion into different propulsion types** (e.g. electric)

## The Venture Capital Arm of CNH Supports Inorganic Growth

**CNH VENTURES**

- Builds on **successful innovation partnerships**
- Provides **access to capital and professionals**
- **Strategic, minority interest investments** in early-round ventures

Alternative propulsion

Digital, artificial intelligence & robotics

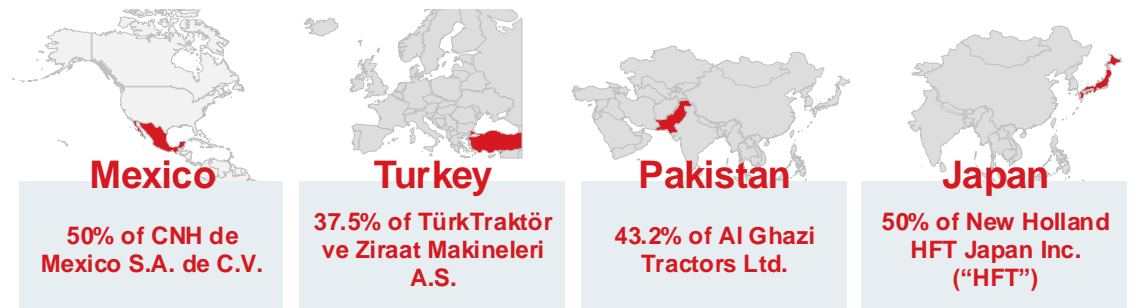
**Investment focus**

Automation & autonomy

Full value chain disruptors

## Strong Joint Venture Network for International Market Know-How

Part of the strategy to enter new markets consists of **entering into Joint Venture agreements to get the local market knowledge** and establish a strategic position worldwide.



# Strategy III – Innovation at CNH

Strategic acquisitions provide a competitive edge in innovation compared to competitors.

## Advanced Precision Farming Technology

### RAVEN INDUSTRIES

CNH Industrial acquired Raven Industries in 2021 to **strengthen** its position in **precision agriculture**, which led to integration of Raven's **advanced technology solutions** into CNH's product offerings.



#### Autonomy™ Driverless Tillage Solution

Tech package that enables growers to **automate** the tillage process, utilizing **easy-to-use** yet **sophisticated** precision tillage technology.



#### VSN® Visual Guidance

Feeds highly precise, instantaneous **crop row information** to the **auto-steering component**, adapts to row variances in real-time so **crops stay unharmed**.



#### Slingshot® Connectivity & Logistics

Data management, logistics software and tools **syncs** your agricultural operations **across machines, offices, and devices**.

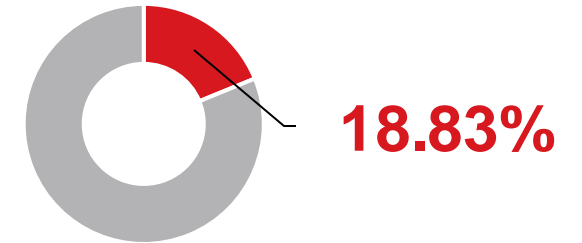


#### Augmenta® Field Analyzer

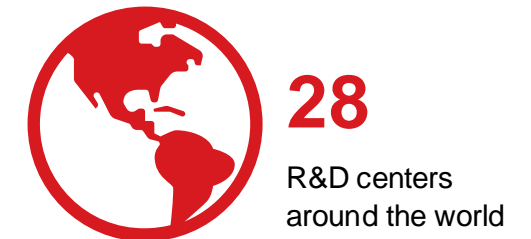
Translates **camera images** into **agronomic insights**, fine-tune prescriptions, and **implements variable applications** in real time.

## R&D Initiatives

- % EBITDA invested in R&D in FY23



- Global R&D Centers



- Focus on Sustainable Solutions

- Enhance resource efficiency
- Promote sustainable agricultural practices
- Reduce emissions in construction activities



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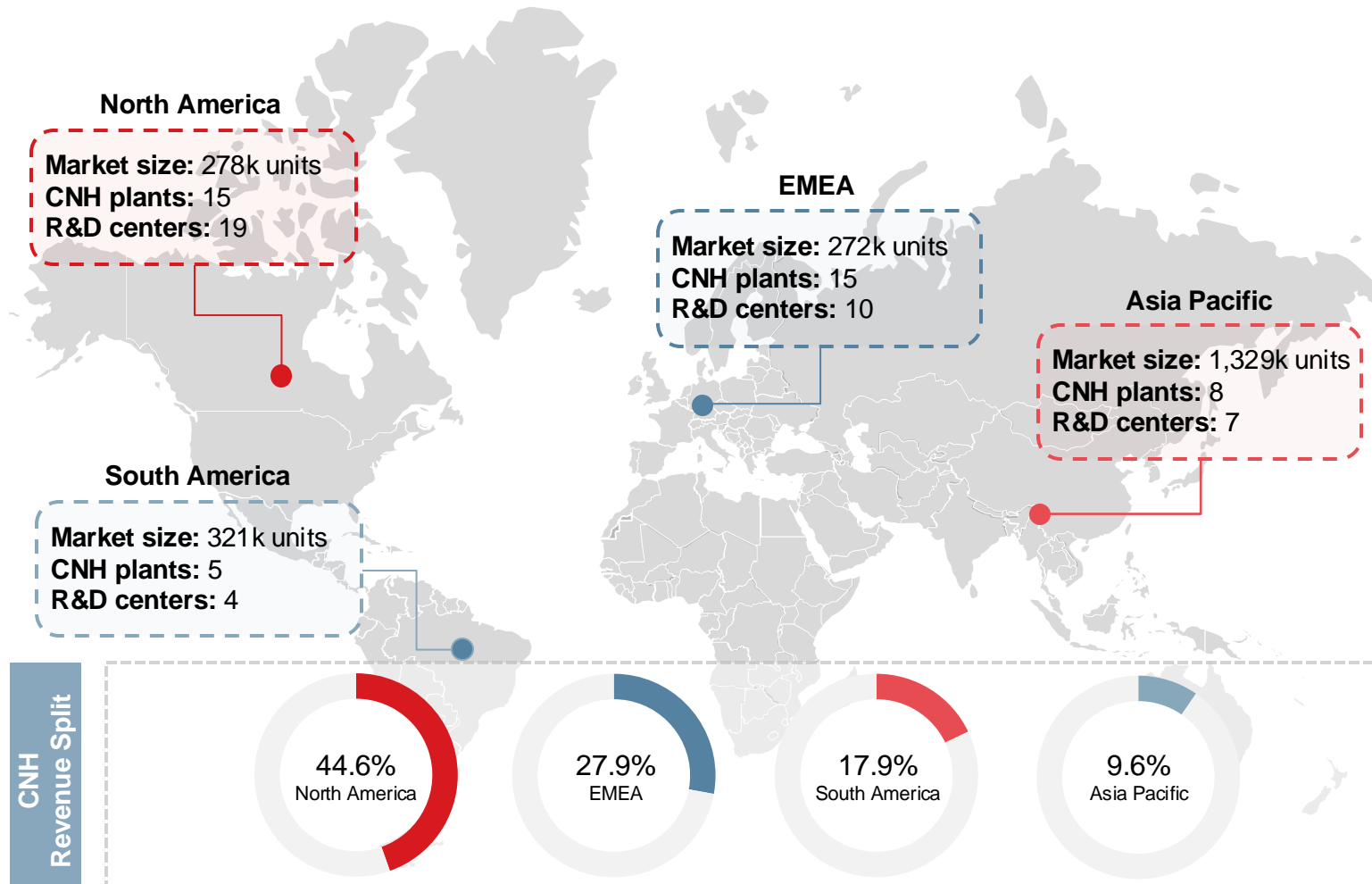
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**Market & Industry**

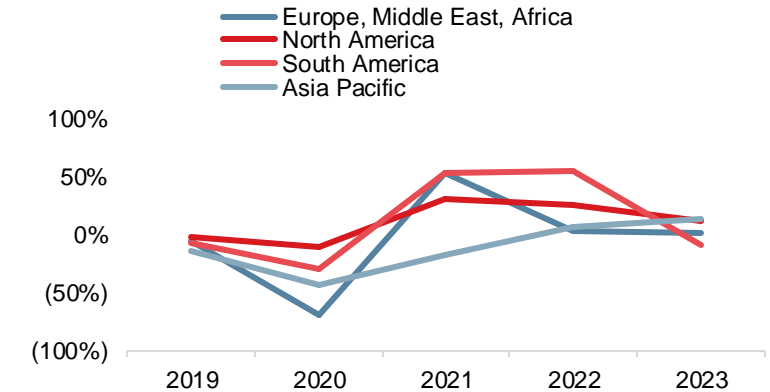
# Market & Industry I – Agricultural Market Size

CNH's strategic advantage in western-centric markets amidst Asian dominance.

## Global Tractor Market Sales in 2023 by Region (Total Units Sold: 2.2mn)



## CNH's YoY Revenue Growth by Region



## Geopolitical Advantages

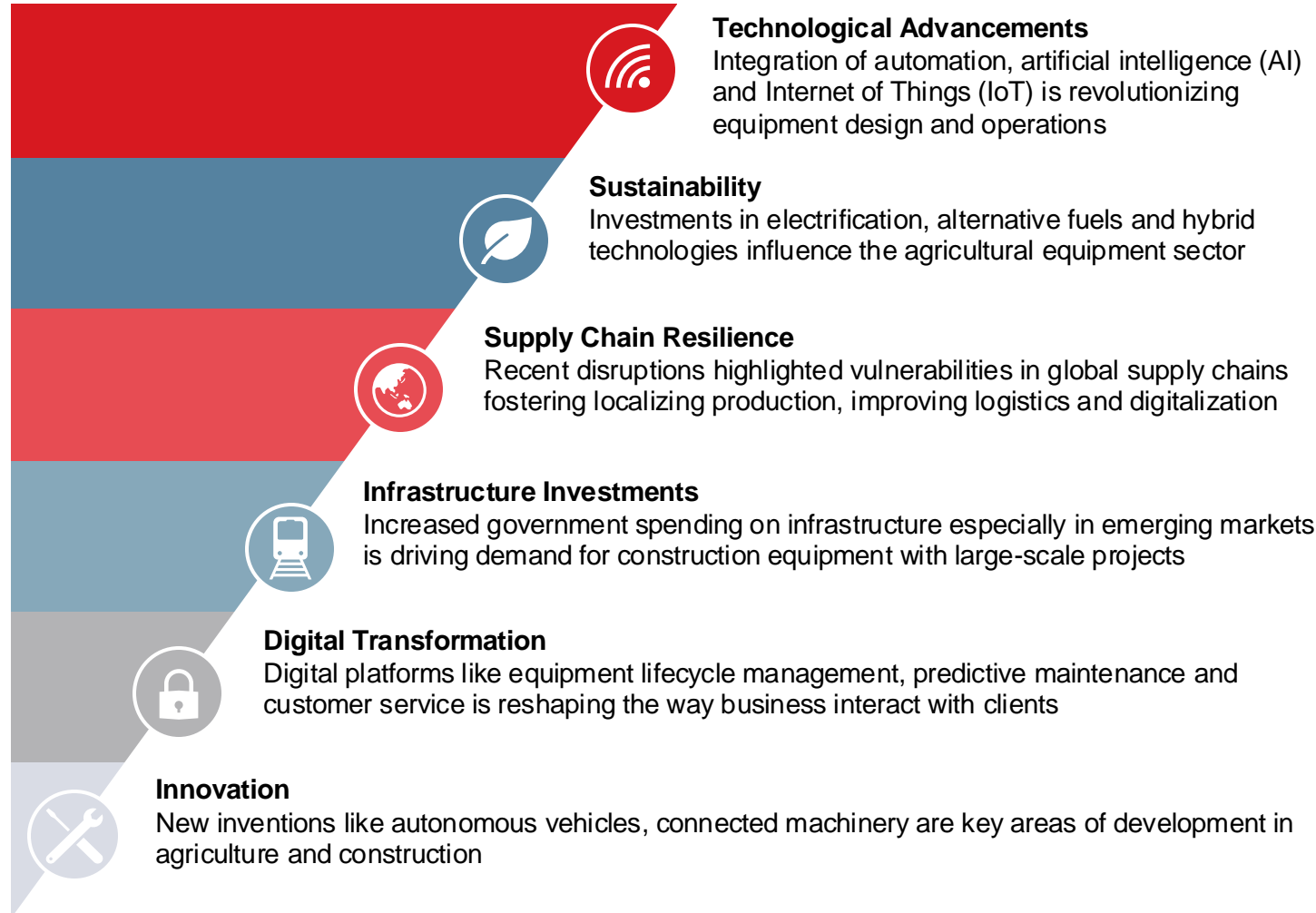
- Strategic Presence**  
 CNH's locations in key markets ensure resilience and efficient operations despite geopolitical challenges.
- Flexible Sales Network**  
 Strong dealer network and own dealerships adapt to changing trade conditions and customer needs.
- Robust Supply Chain**  
 Diversified sourcing and regional warehouses minimize disruptions and enhance global distribution efficiency.



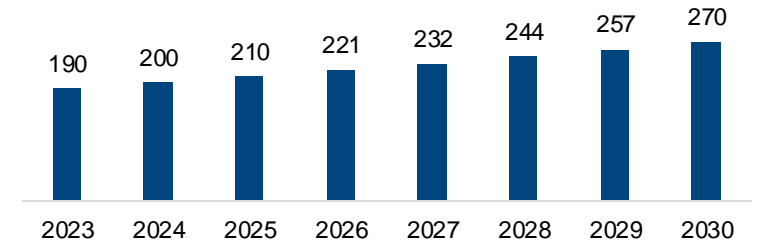
# Market & Industry II – Trends & Drivers

Industry trends favour dynamic growth of CNH.

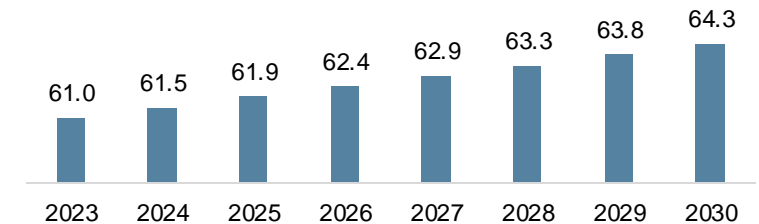
## Current Market Trends Driving Industry Growth



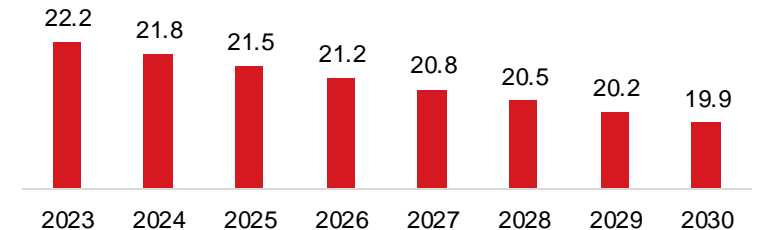
## Agriculture and Farm Machinery Market [bn USD]



## Avg. Size of Agricultural Holding [global, acres]



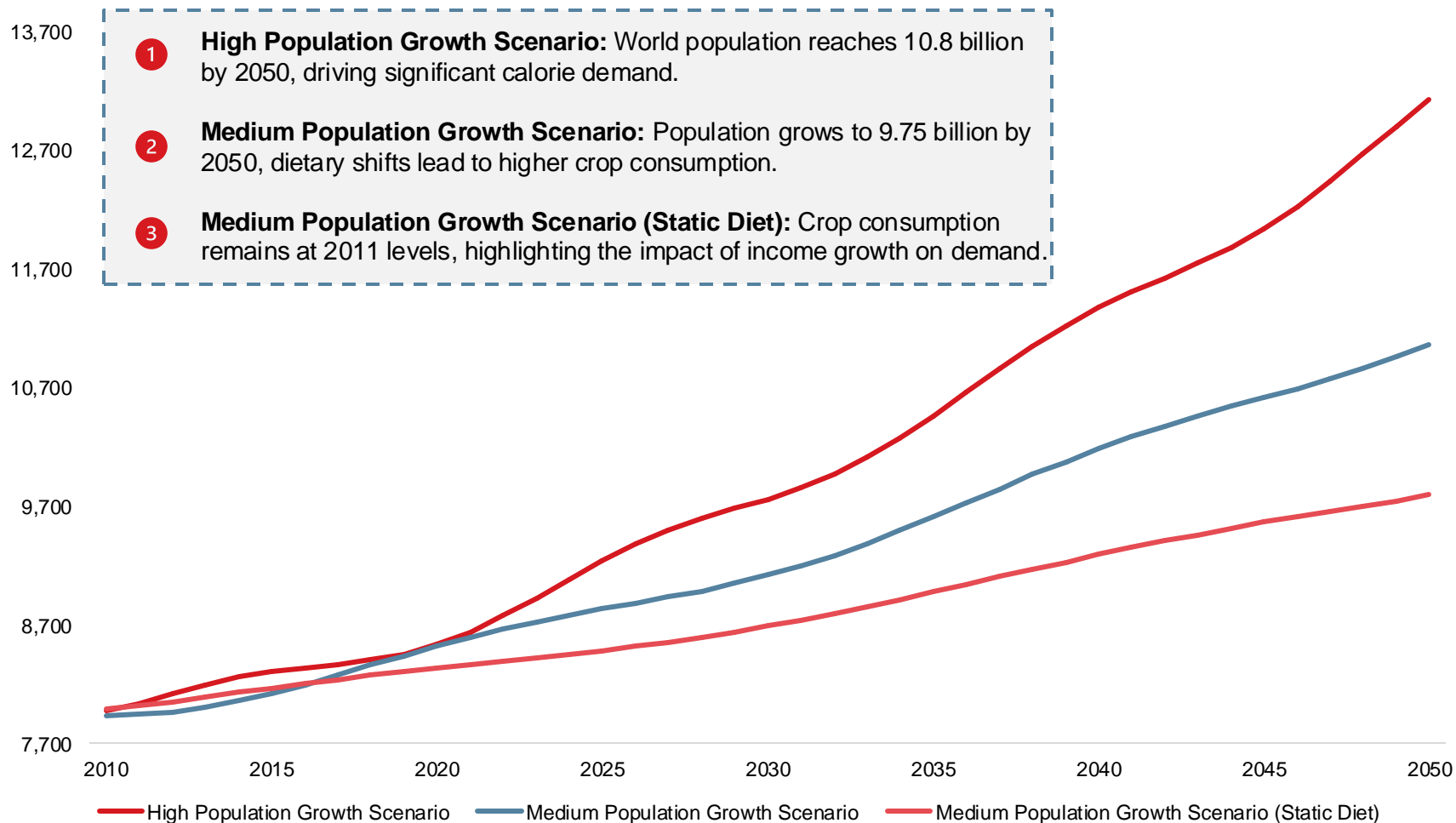
## Avg. Share of Employment in Agriculture [global, %]



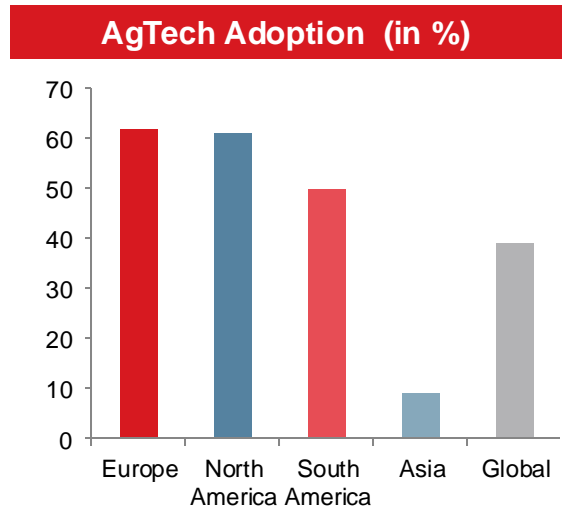
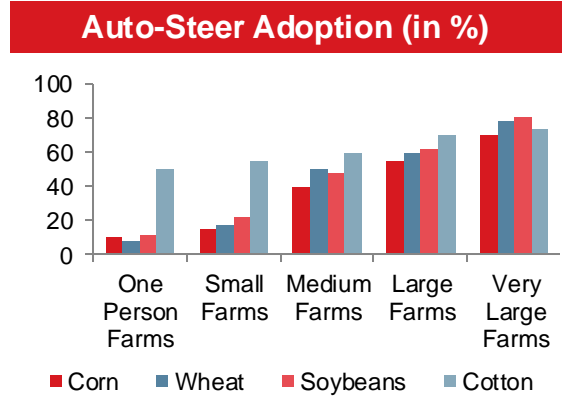
# Market & Industry III – Macroeconomic Trends

Agriculture's next challenge: more people, more food.

## Worldwide projection of demand for crop calories (in trillion calories)



## Agriculture Trends



# Market & Strategy IV – Competition & Peer Analysis

CNH maintains a balanced competitive position between profitability and innovation.

## Tier 1 Competitors – Core Group



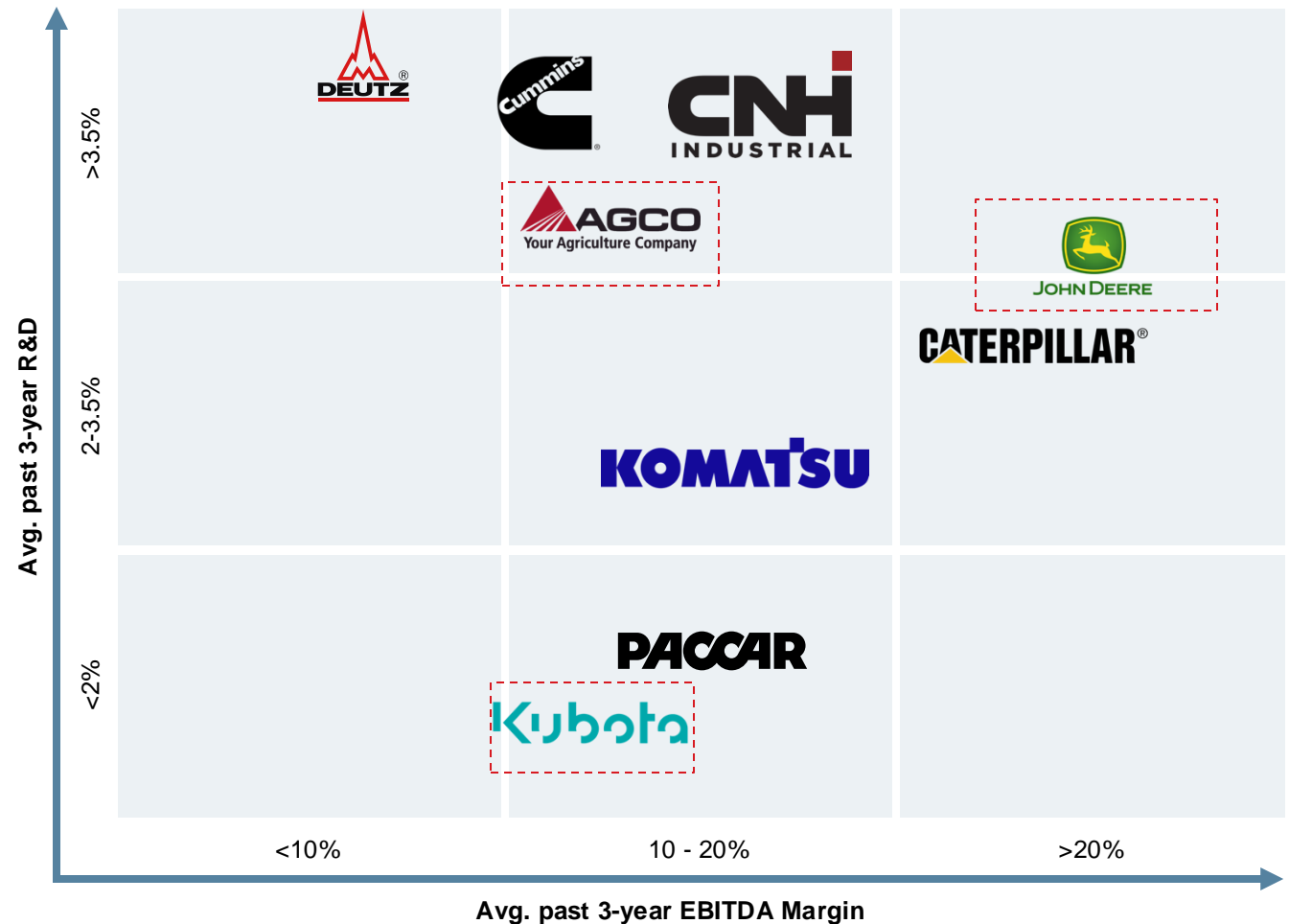
- High core market focus (direct competitors to CNH Industrial in its largest segments, Agriculture & Construction)
- Comparable global presence, market share and influence on industry trends

## Tier 2 Competitors – Extended Group



- Broader market engagement with partial/indirect overlap with CNH's core business areas
- Competition with CNH in at least one secondary market through adjacent product lines (e.g. construction equipment)

## Competitive Landscape



Red dashed box = Tier 1



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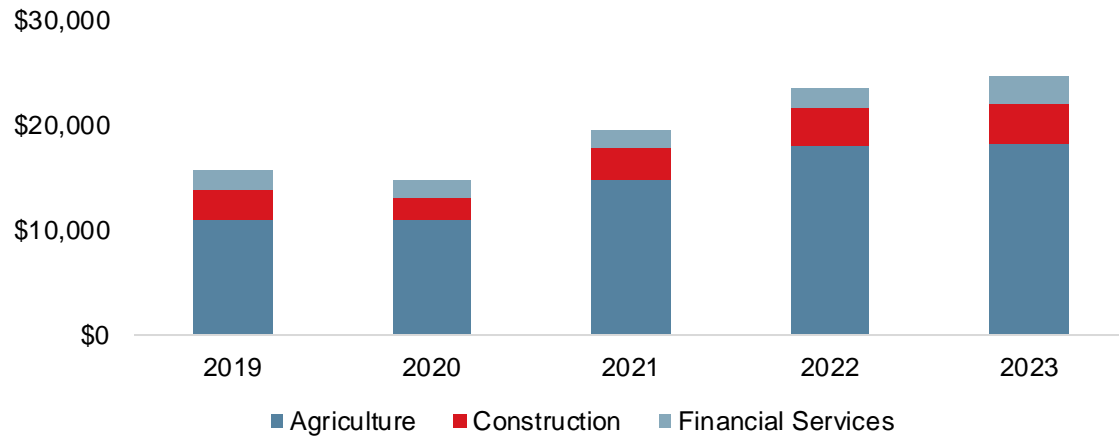
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**Financial Analysis**

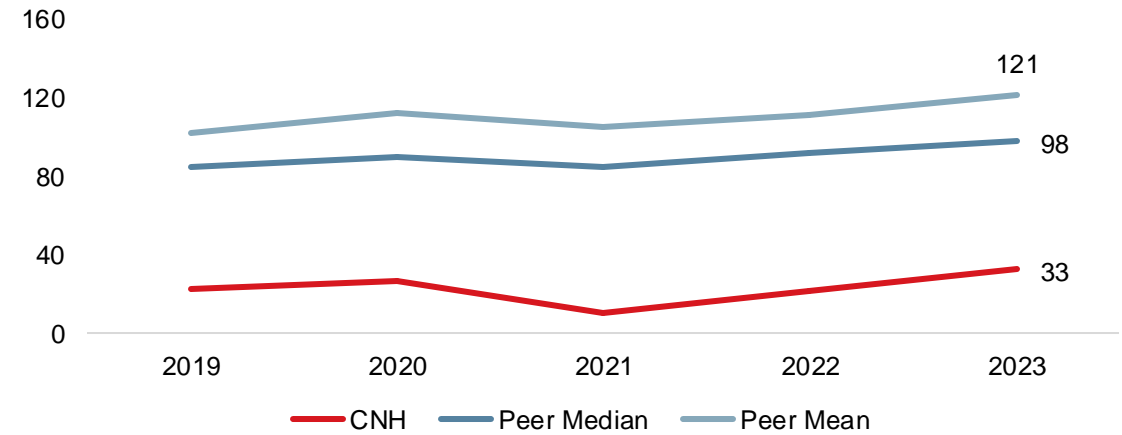
# Financial Analysis

Renewed focus on core segments is driving CNH's success.

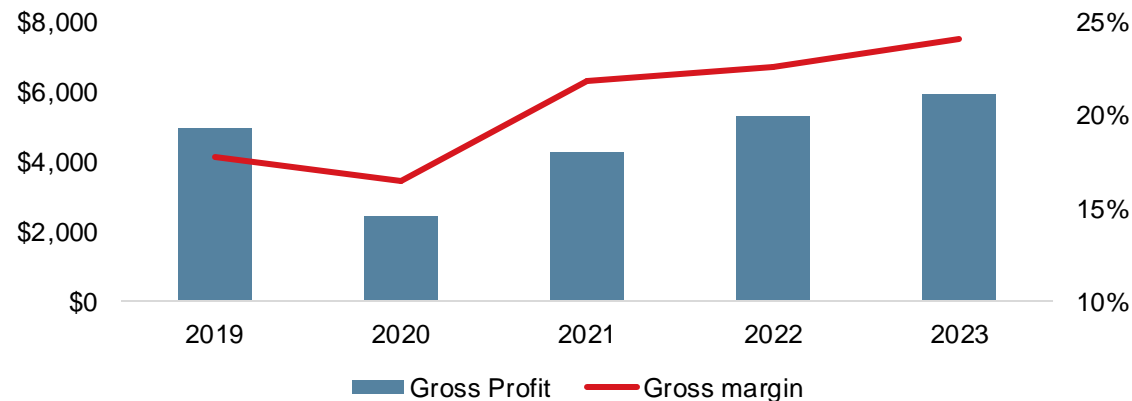
## Revenue Development [mn USD]






## Cash Conversion Cycle [in Days]



## Gross Profit [mn USD]



## Value Drivers

- 
**Leveraging Expertise**  
 By leveraging its strong expertise in core areas, CNH has driven positive revenue development while optimizing resource allocation.
- 
**Operational Excellence**  
 CNH's emphasis on their core segments has enabled them to increase efficiency and consistently decrease COGS.
- 
**Working Capital Efficiency**  
 CNH outperforms its peers with a low cash conversion cycle, primarily driven by efficient receivables management.



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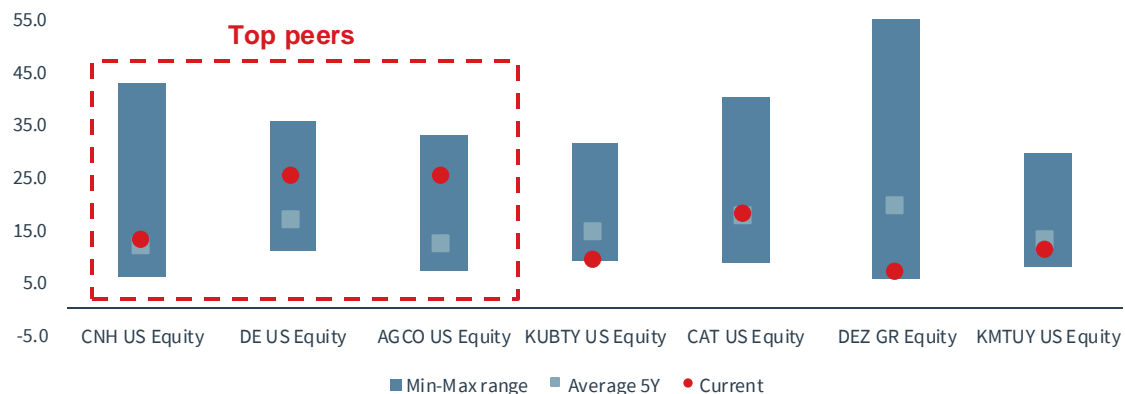
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**Valuation**

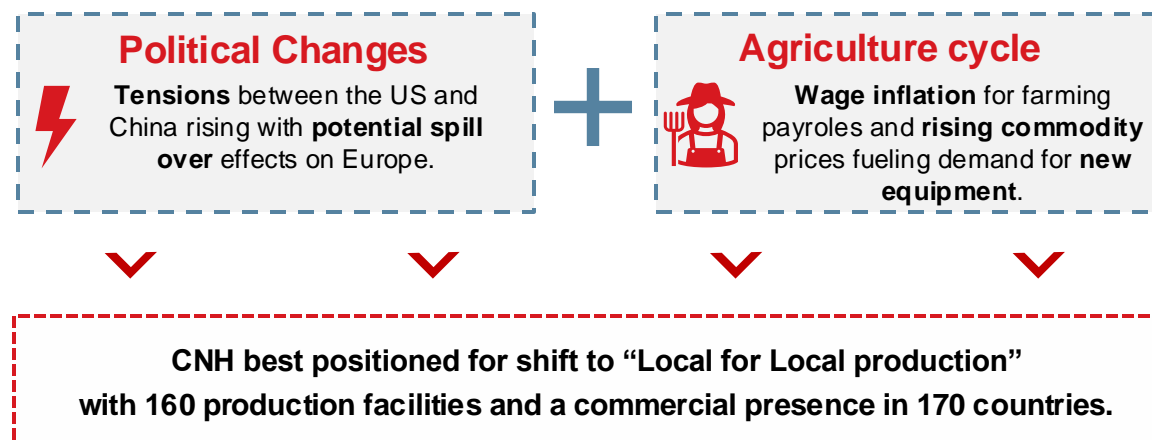
# Investment Timing - Shift to Local for Local

Undervalued to top peers while maintaining exposure to global trends.

## P/E Multiple Ranges



## Geopolitical Shifts



## Multiples Table

Company	Mcap (USDm)	P/E 2025E	P/E 2026E	EV/EBITDA 2025E	EV/EBITDA 2026E	EV/EBIT 2025E	EV/EBIT 2026E
<b>CNH Industrial</b>	15,325.0	13.0	11.0	11.2	9.4	13.4	11.1
<b>Deere &amp; Co</b>	124,039.5	20.3	17.5	15.2	13.0	17.7	15.5
<b>AGCO</b>	7,590.7	24.3	16.0	9.6	8.3	13.5	11.0
Kubota	13,511.3	9.1	Na	Na	Na	Na	Na
Caterpillar	186,371.4	17.5	16.1	12.5	11.6	14.2	13.2
Deutz	620.0	6.7	5.1	3.4	2.6	6.1	4.4
Komatsu	26,214.7	10.9	na	na	na	na	Na

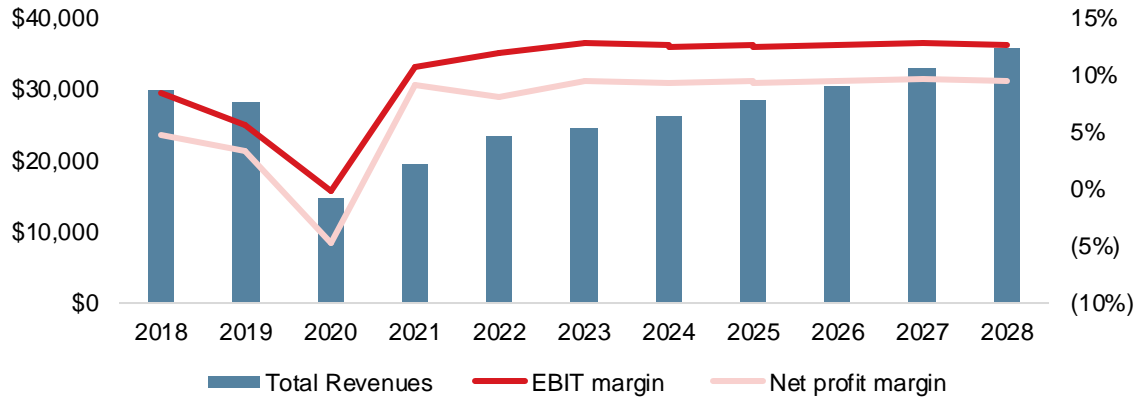
## Macro Outlook

- Uptick in US Bond yields**  
Between Q1/Q2 peak of bond yields resulting in volatility and market turbulences, higher yields driven by risk premium.
- Global food demand growth**  
CAGR of c. 1.6% until 2050 forecasted by the UN to keep up with population growth and diminishing crop yields → higher farmland area.
- Equity risk premia at low**  
Rise in premia driving corrections in EQRP sensitive securities, less sensitive low P/E and value stocks better positioned.

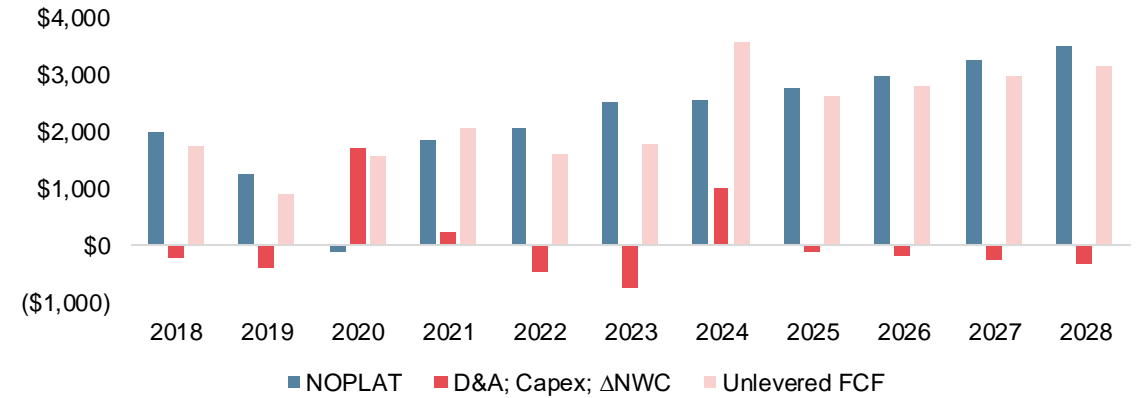
# Valuation I - Financials Development and Drivers

Outperforming revenue growth and cash conversion.

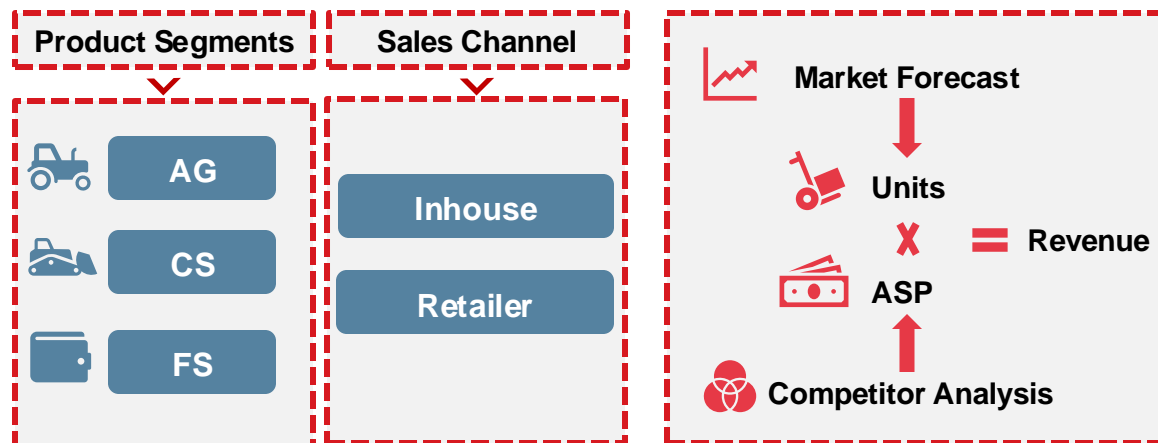
## P&L Development [mn USD]



## Free Cash Flow Composition [mn USD]



## Revenue - Forecasting Methods



## Value Drivers

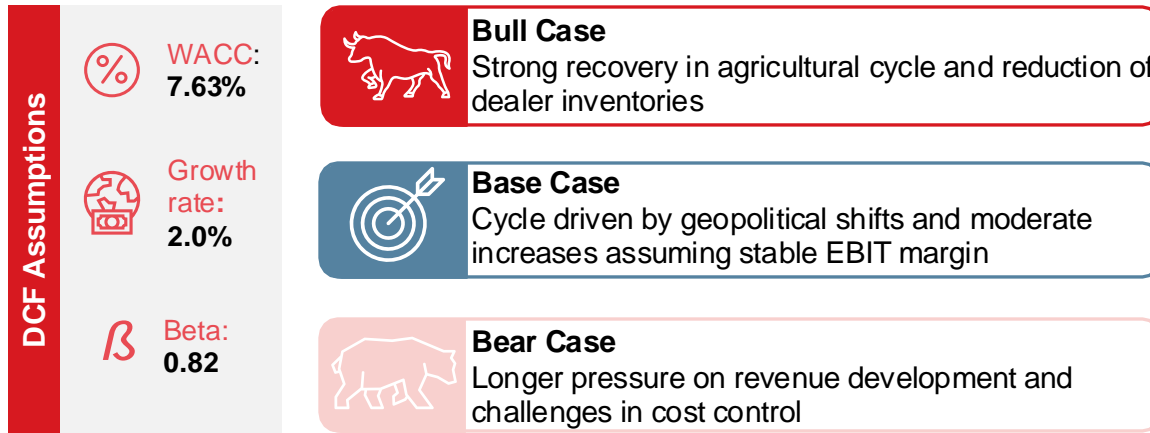
- Strongest Cash Conversion**  
Cash Conversion stronger and quicker compared to all peers and showing significant improvements during the past years.
- Low Capex profile**  
Comparable low Capex requirements to ramp up production exposure.
- Cycle hedges**  
Countercyclical financing business flattening out negative effects on agriculture revenues.



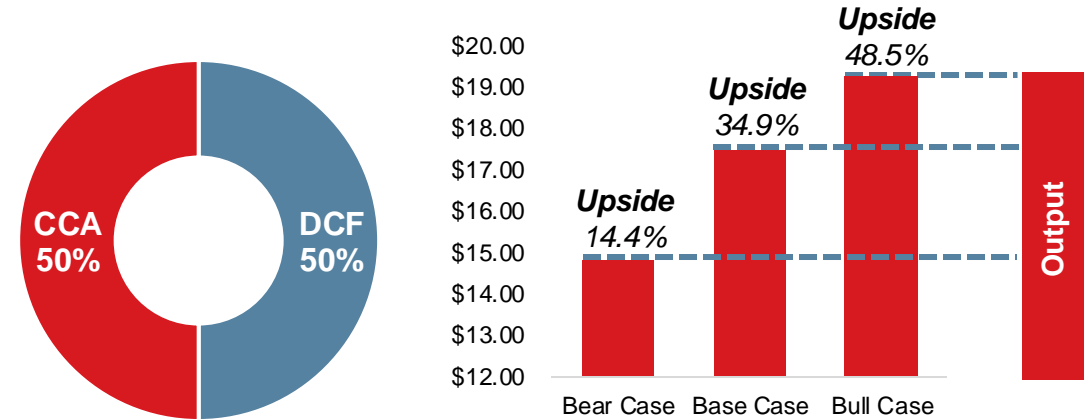
# Valuation II - Methods and Cases

Attractive upside with a balanced profile.

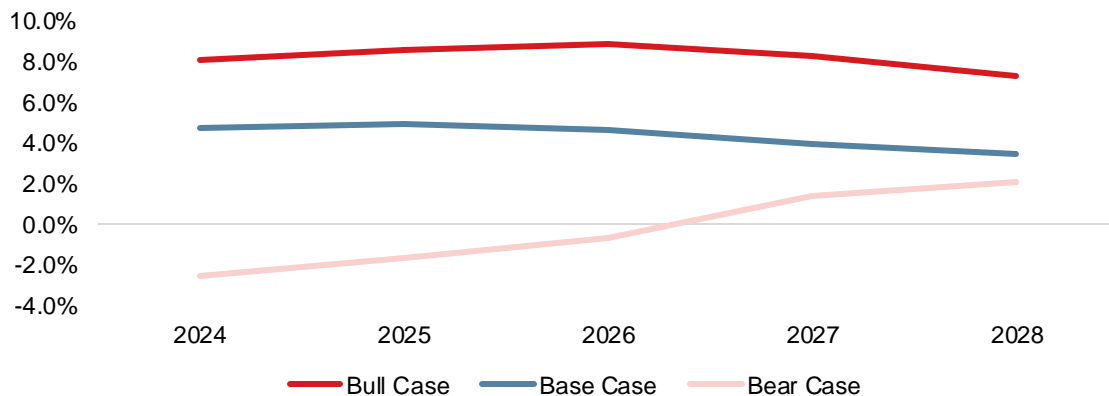
## Key Assumptions & Cases



## Valuation Methods & Target Price [USD, %]



## Revenue Development [%]

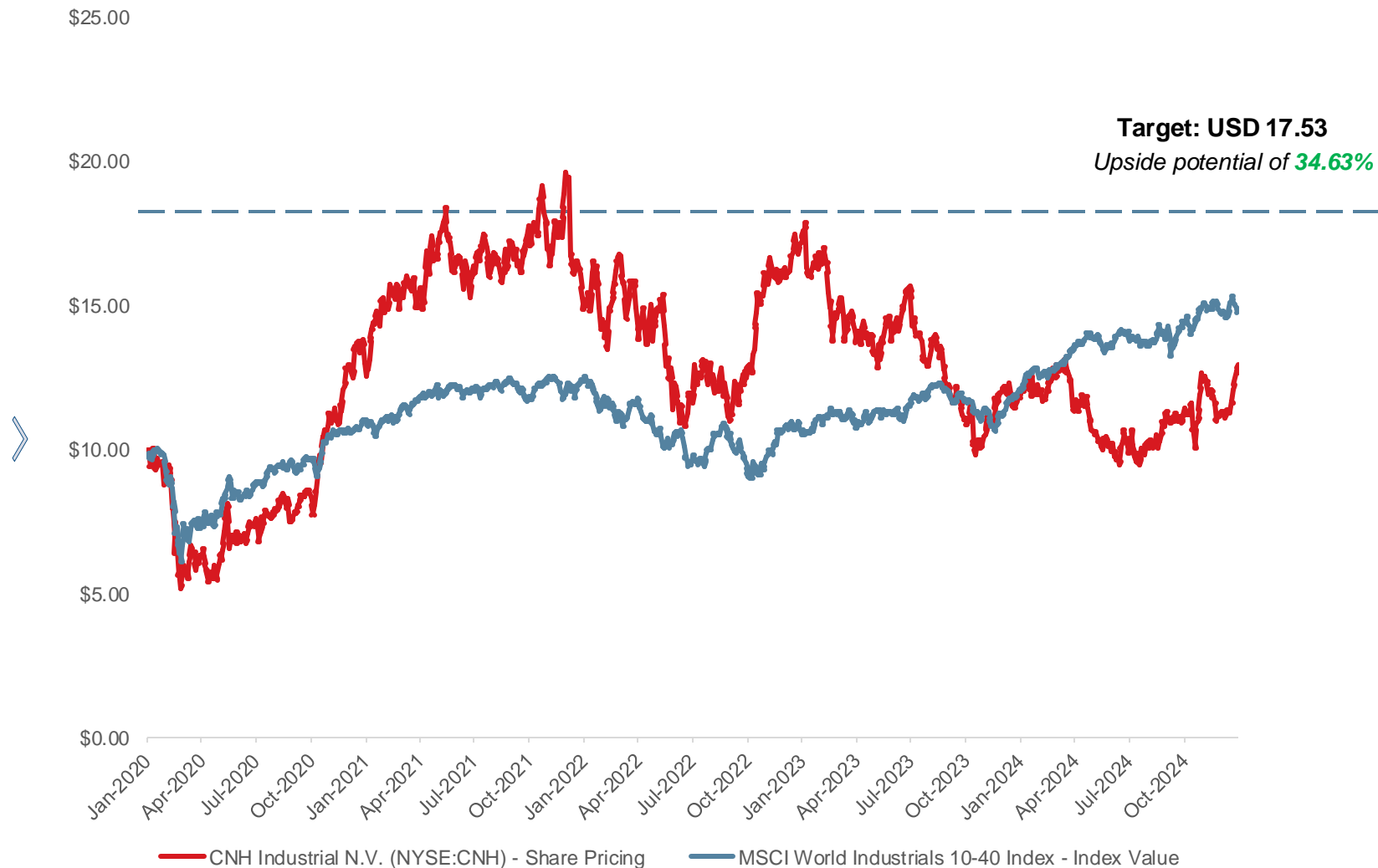
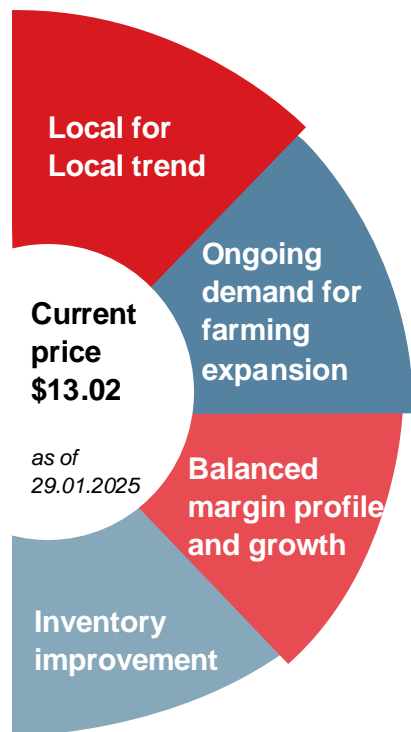


## DCF - Sensitivity Analysis

		Weighted Average Cost of Capital					
		\$17,75	7,13%	7,38%	7,63%	7,88%	8,13%
Growth-Rate	1,60%	19,07	17,35	15,77	14,31	12,97	
	1,80%	20,23	18,40	16,72	15,18	13,76	
	2,00%	21,49	19,53	17,75	16,11	14,61	
	2,20%	22,85	20,75	18,85	17,11	15,51	
	2,40%	24,32	22,07	20,03	18,17	16,48	

# Conclusion

Global exposure to face the trends and cycles of tomorrow.





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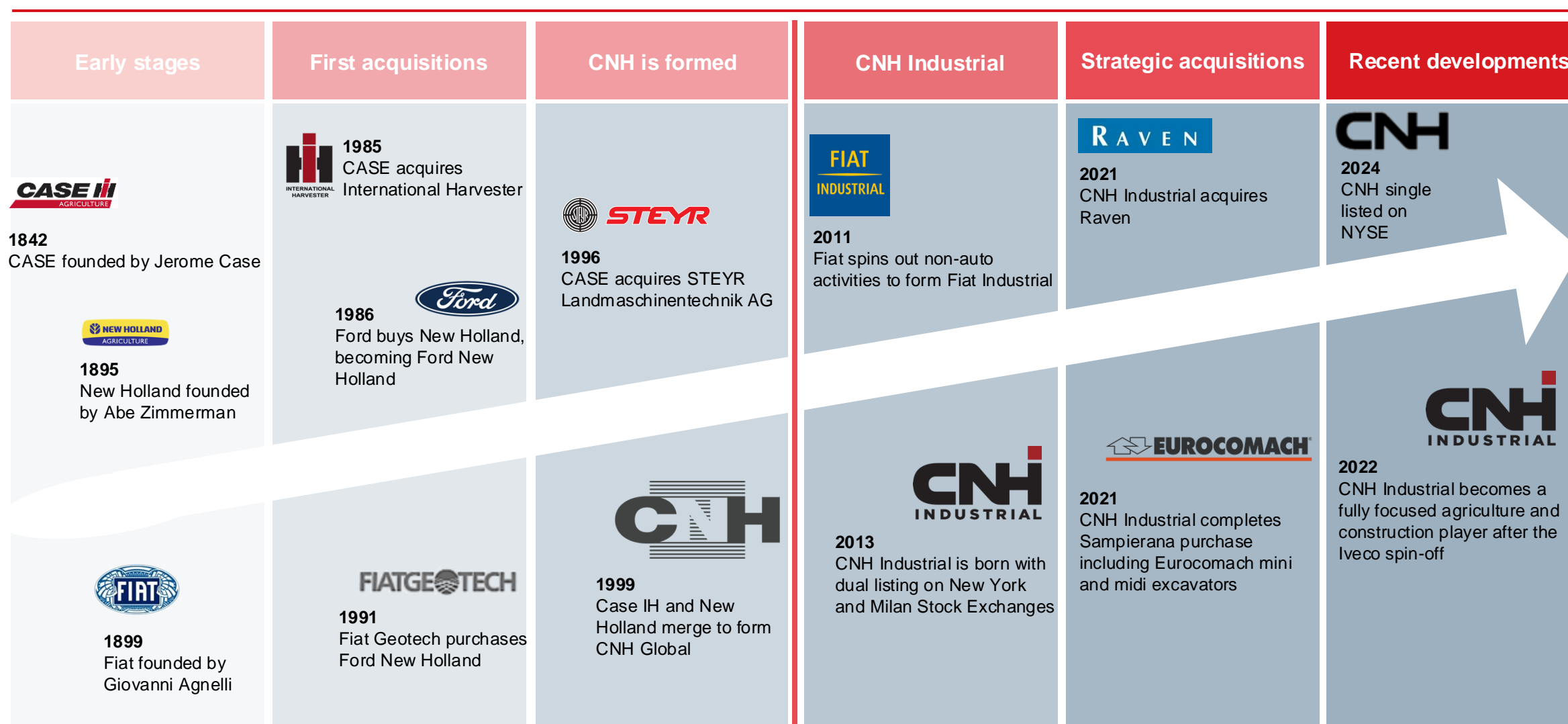
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**Appendix**

# Appendix – CNH’s History

Building upon a great tradition of historic achievements.

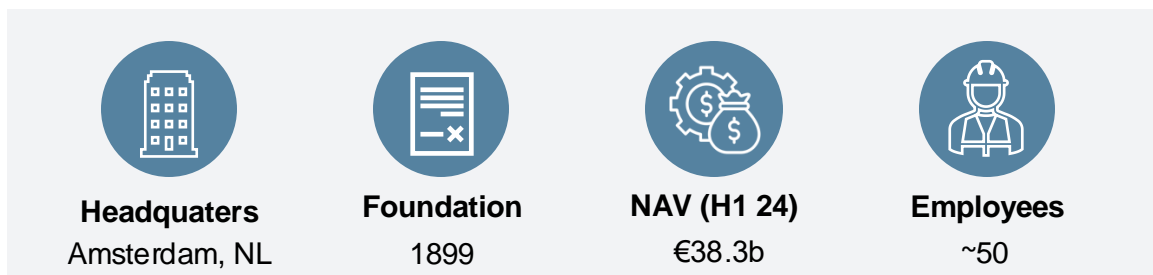


# Appendix – Shareholder Overview

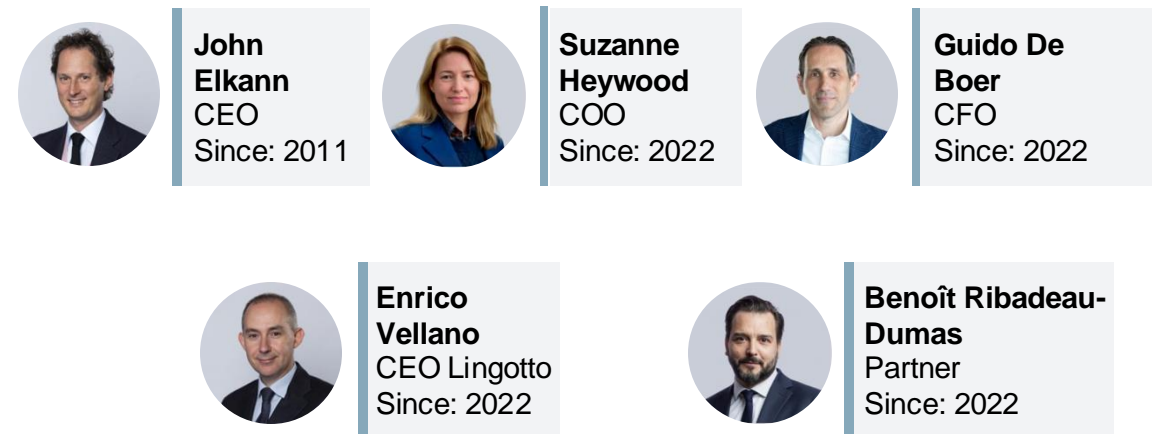
Exor: A Global Investment Company.

## Company Description

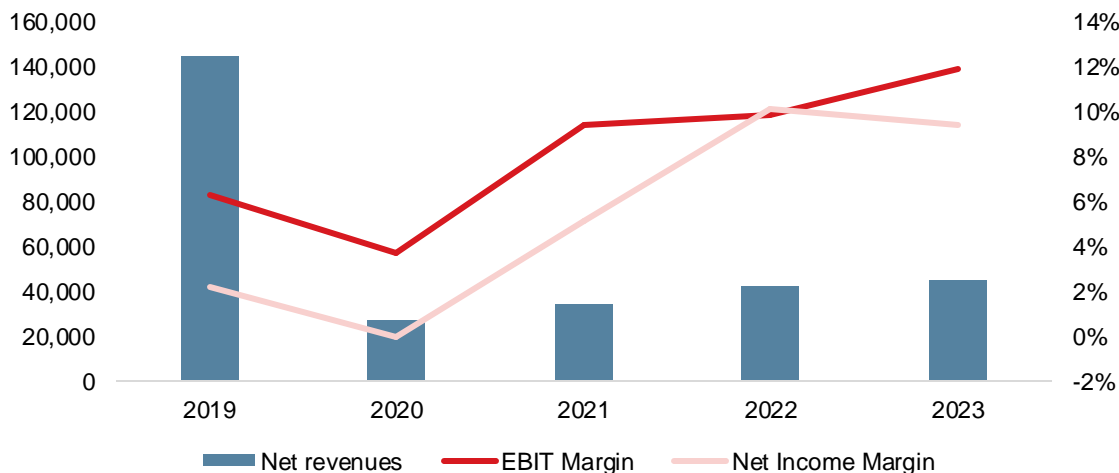
Exor is a global investment company with significant stakes across multiple sectors, including automotive, agriculture, insurance, and media. Key investments include Ferrari, CNH Industrial, The Economist Group, and PartnerRe.



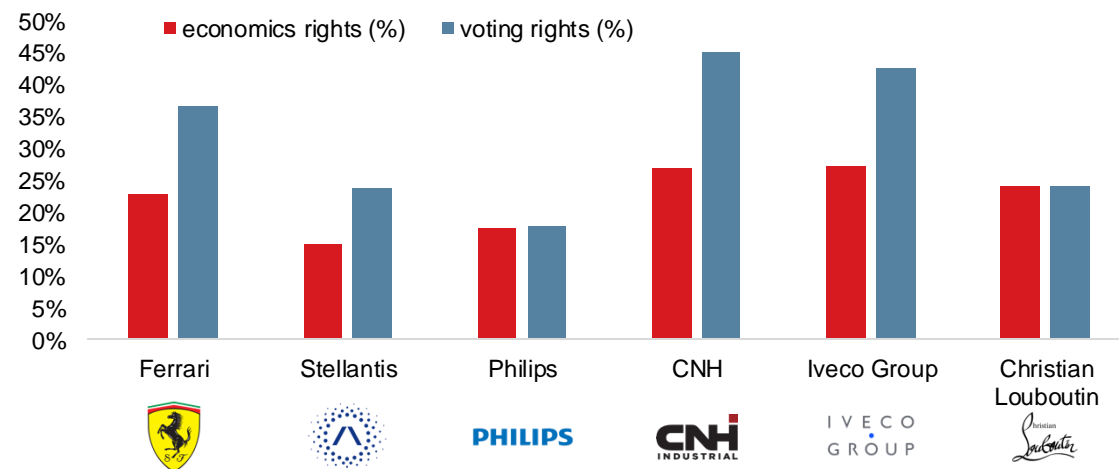
## Management Team



## Financial Performance [mn USD]



## Portfolio Companies



# Appendix – Emerging Markets

Emerging markets are a driver for infrastructure investments.

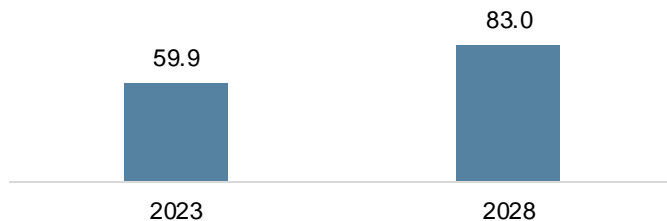
## 1 LATAM

Agriculture equipment market size [bn USD]



## 2 Asia

Agriculture equipment market size [bn USD]



## 3 Africa

Agriculture equipment market size [bn USD]



**Focus Market**

>40% market share of Brazil due to large number of farmers and increasing government support

Market Share	Value
Brazil	0.4
Other	0.6

Forecasted CAGR 2030: **6.2%**

**Tractor sales [k units]**

Year	Sales [k units]
2018	712
2019	788
2020	709
2021	899

Forecasted CAGR 2030: **7.8%**

**Market share by product type [%]**

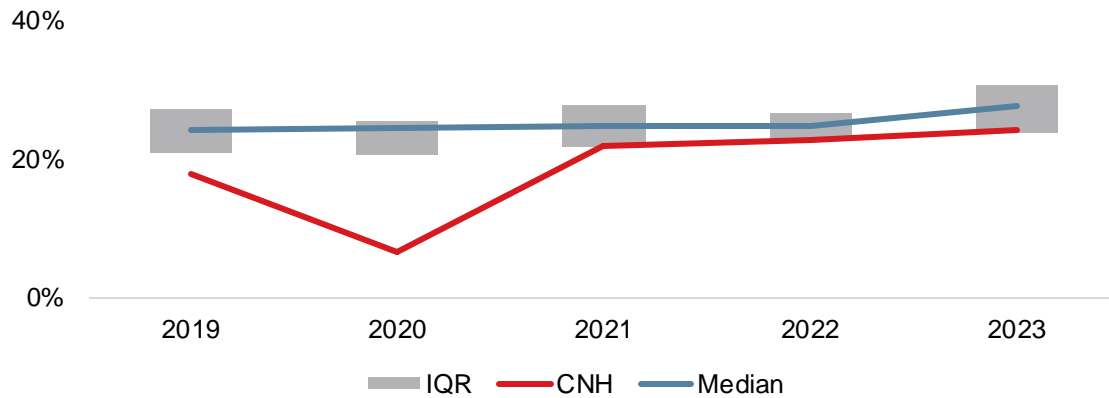
Product Type	Market Share [%]
Tractors	30%
Irrigation Machineries	20%
Harvesting Machinery	15%
Planting and Fertilizing Machinery	10%
Haying and Forage Machinery	10%
Plowing and Cultivating Machinery	10%
Other Product Types	5%

Forecasted CAGR 2030: **5.0%**

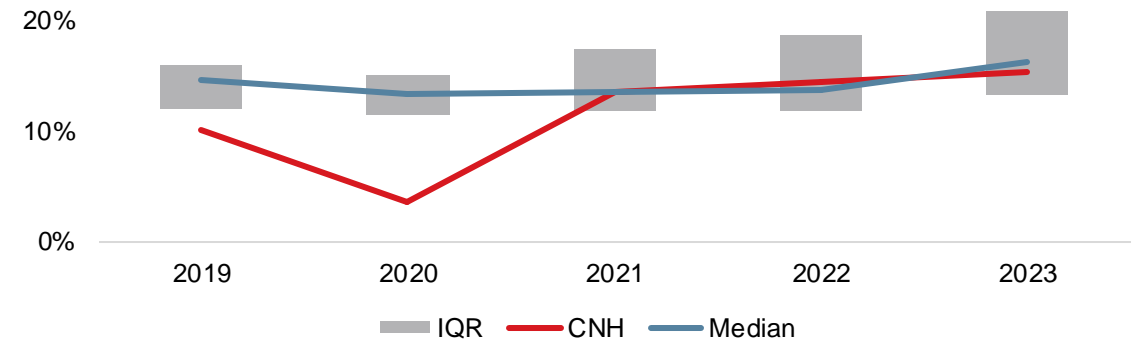
# Appendix – Financial Analysis I

## Margin analysis

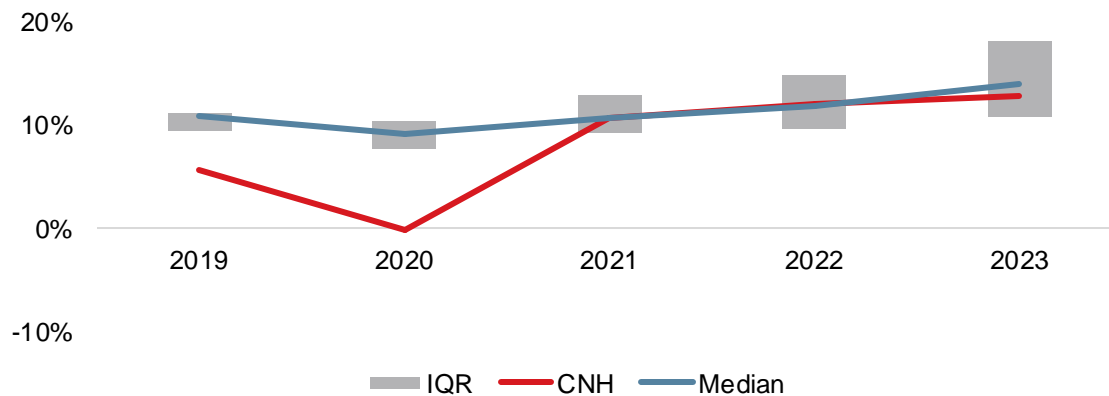
### Gross Profit Margin [%]



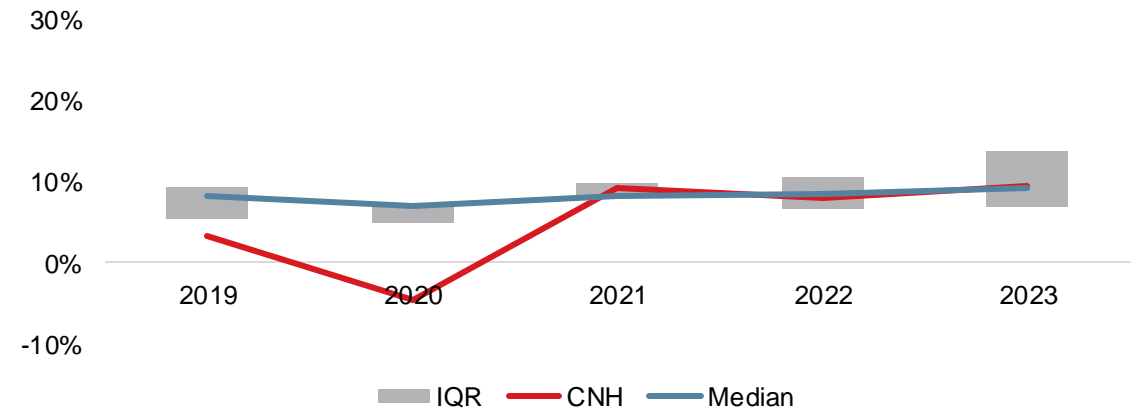
### EBITDA Margin [%]



### EBIT Margin [%]



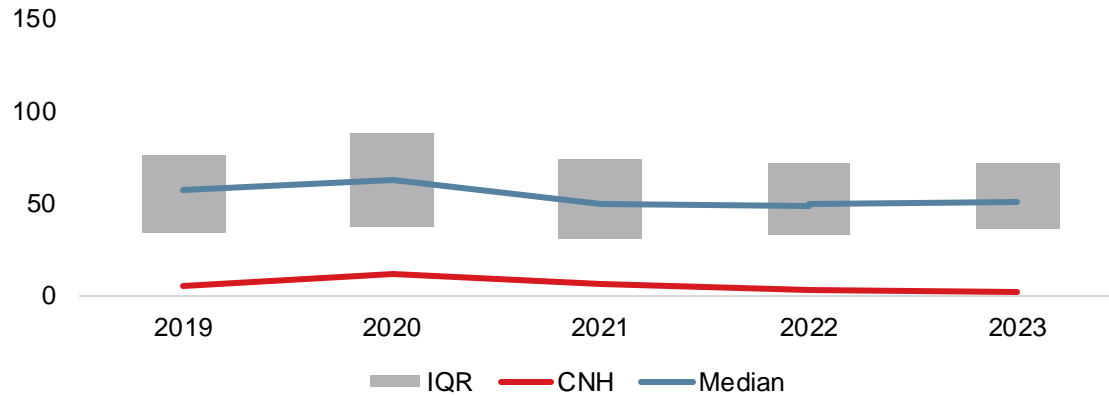
### Net Income Margin [%]



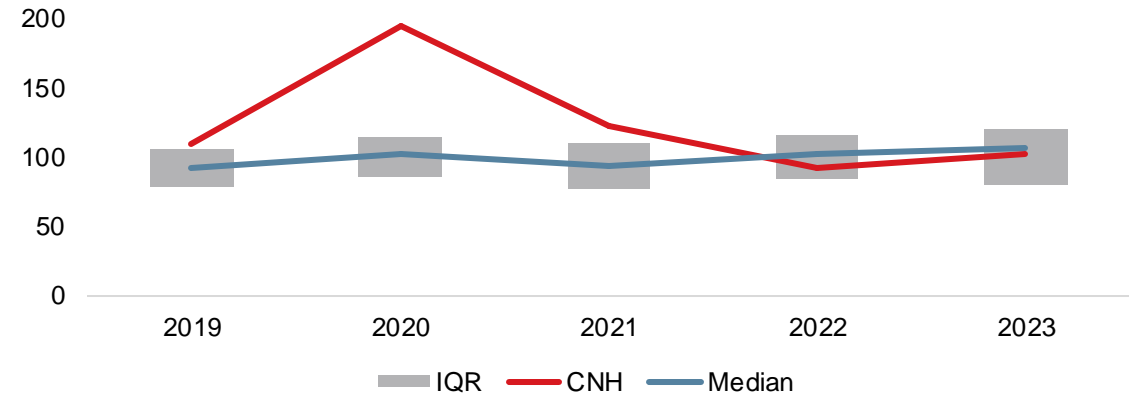
# Appendix – Financial Analysis II

## Working capital analysis

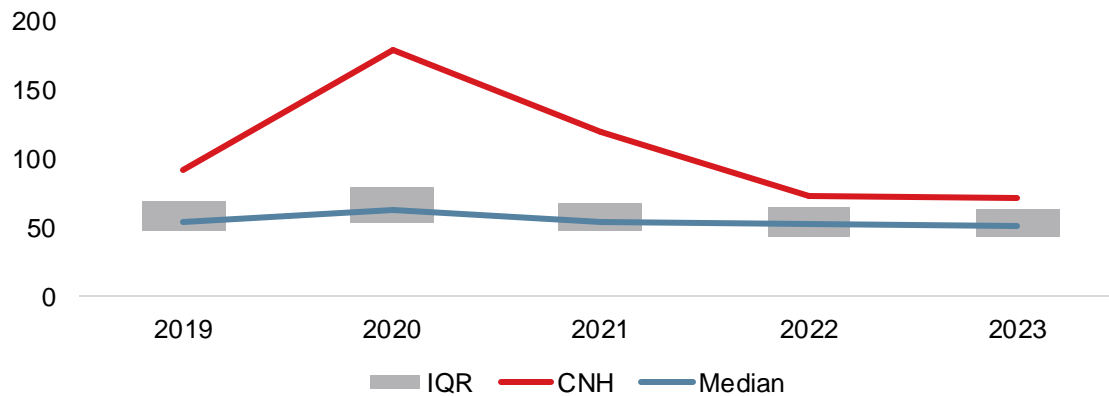
### Days Sales Outstanding [DSO]



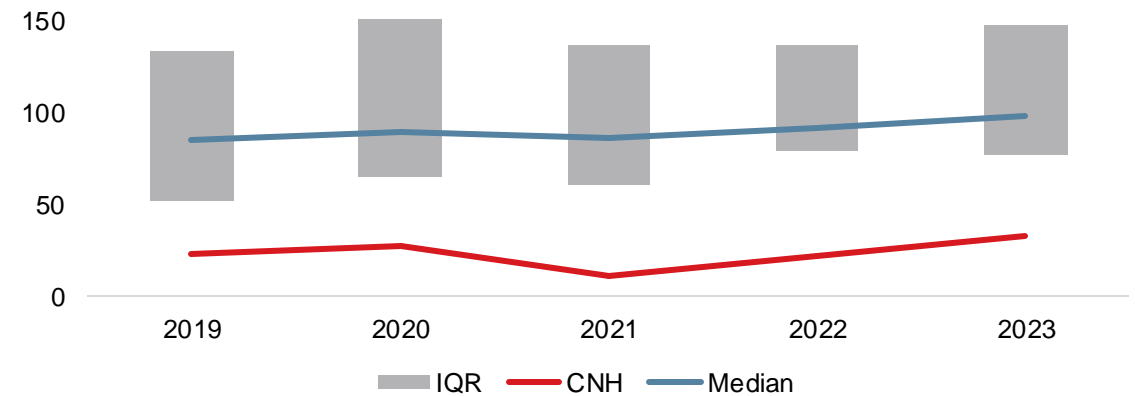
### Days Inventory On-Hand [DIO]



### Days Payables Outstanding [DPO]



### Cash Conversion Cycle [CCC]

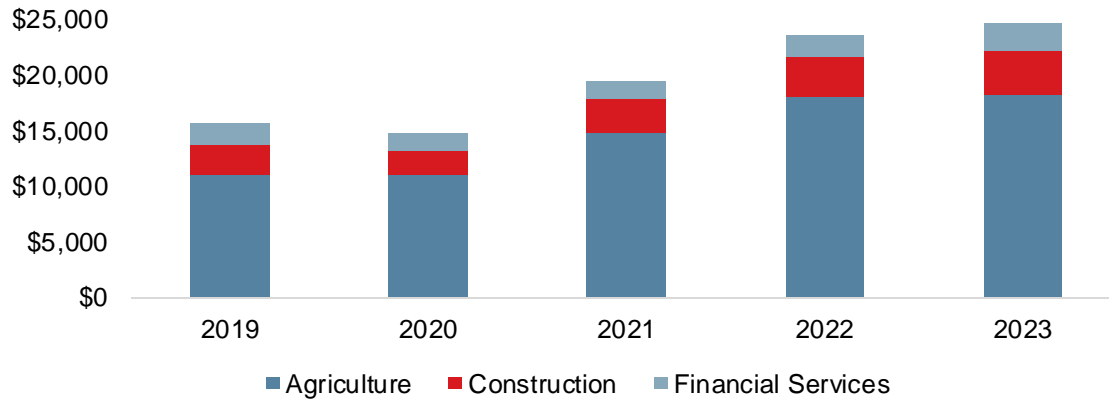




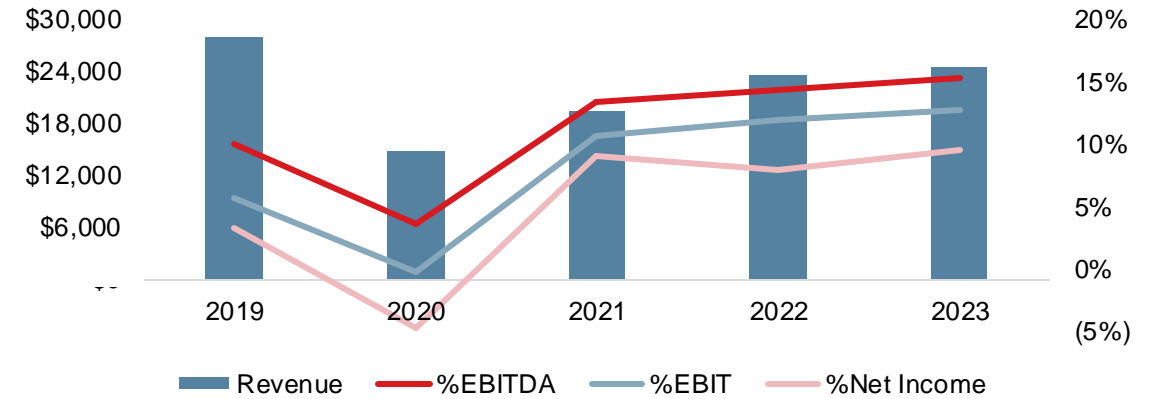
# Appendix – Financial Analysis III

## Revenue, funding, and cash flow performances

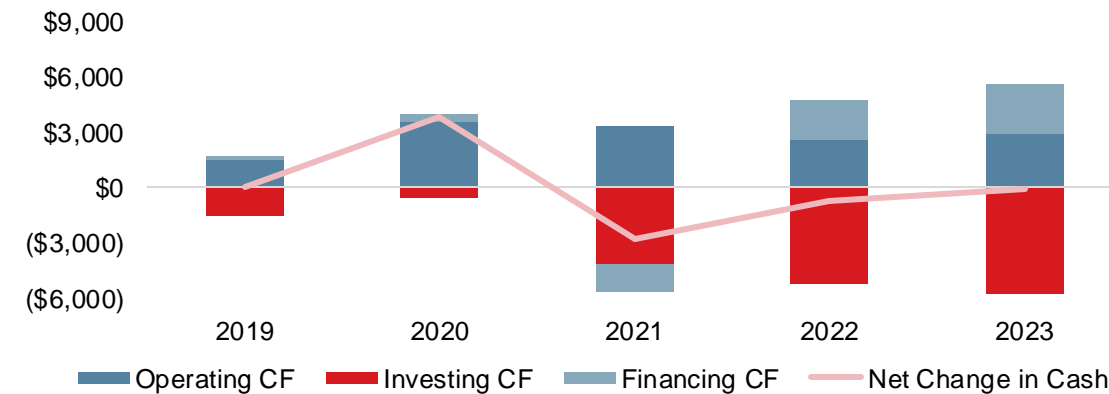
### Revenue Breakdown [mn USD]<sup>1</sup>



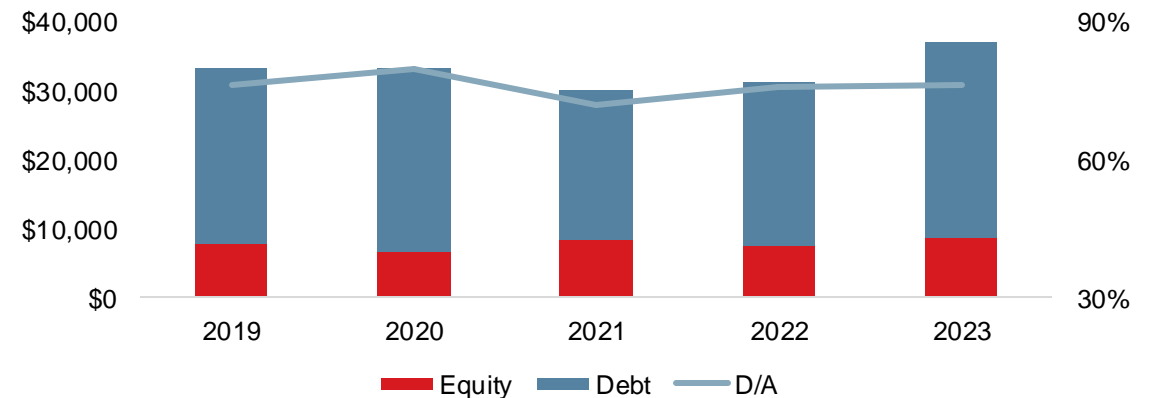
### Margin Development [mn USD]



### Cash Flow Development [mn USD]



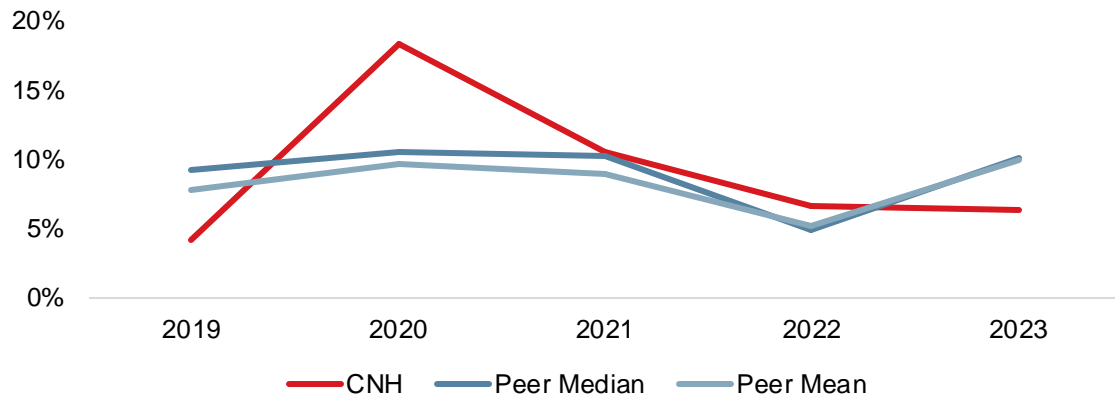
### Funding Structure [mn USD]



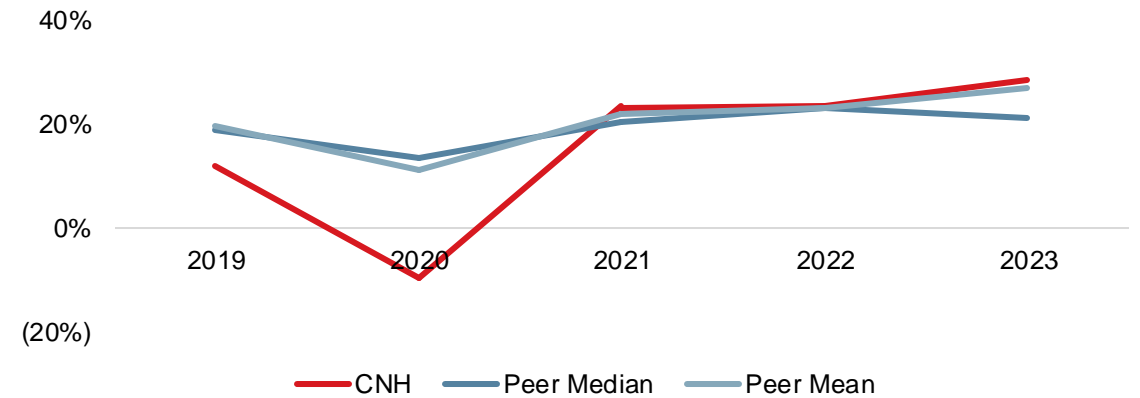
# Appendix – Financial Analysis IV

## Additional metrics

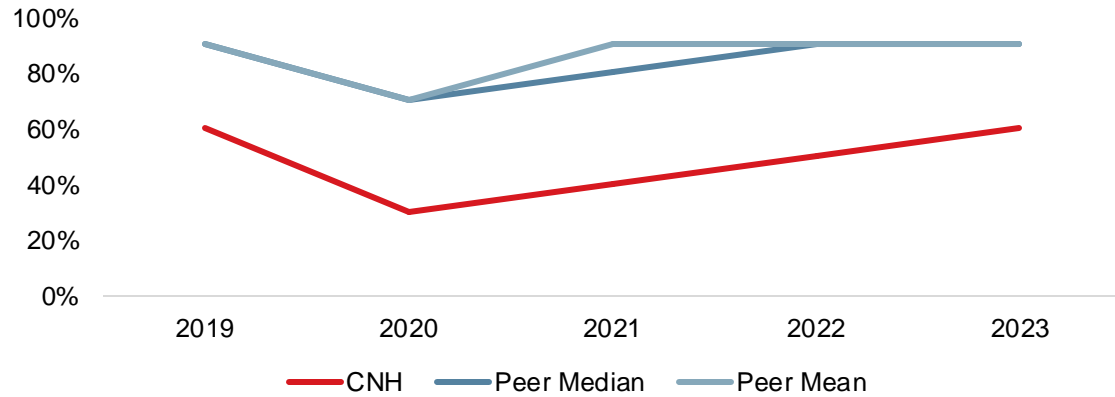
### Unlevered Free Cash Flow Margin [%]



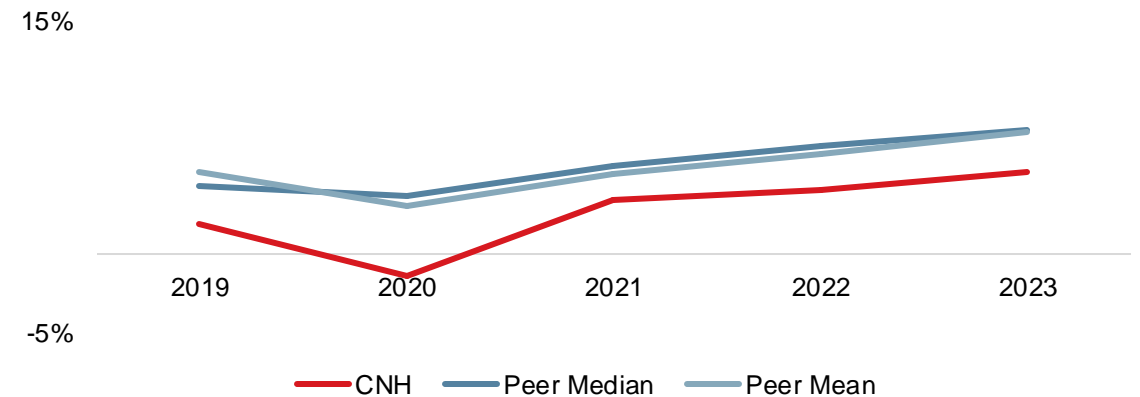
### Return on Equity [%]



### Total Asset Turnover [%]

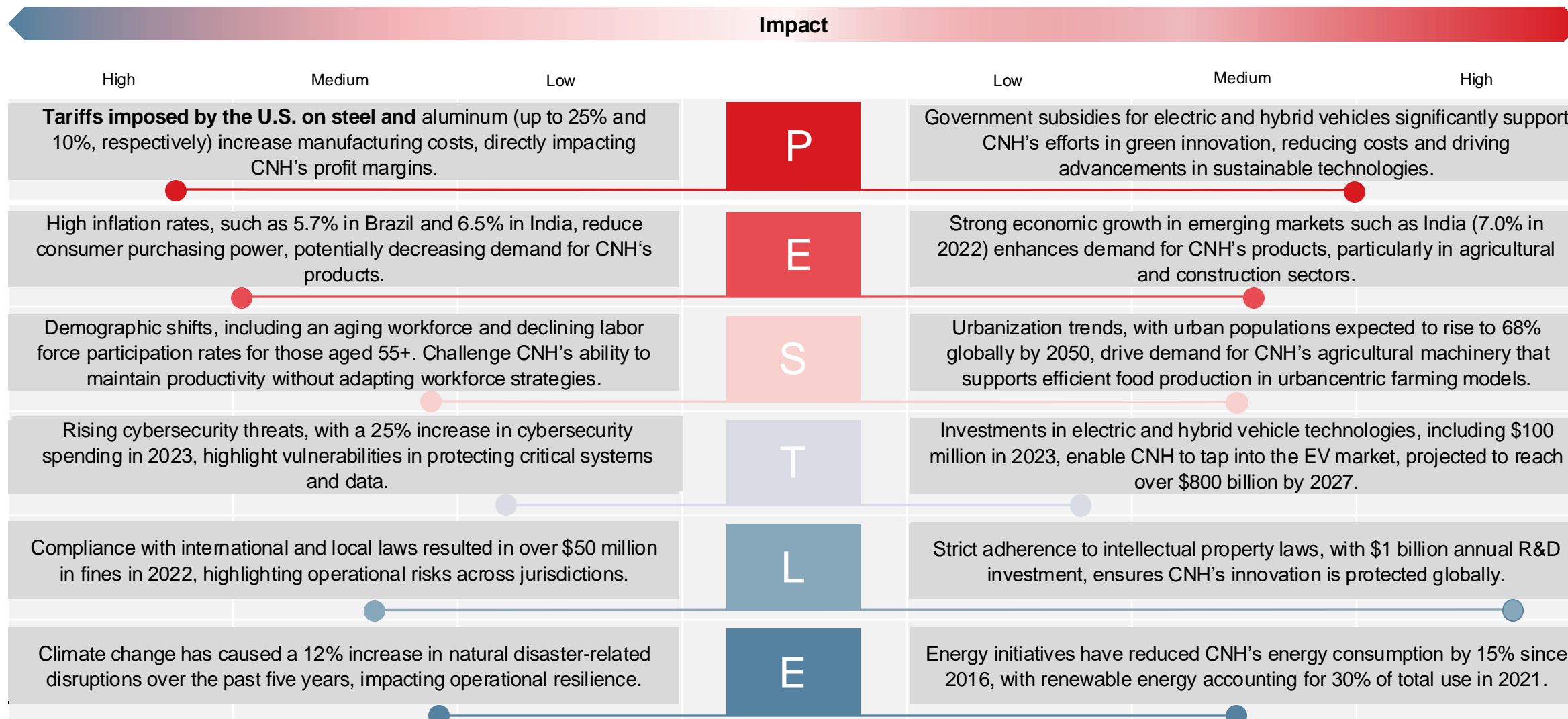


### Return on Assets [%]



# Appendix – PESTLE Analysis

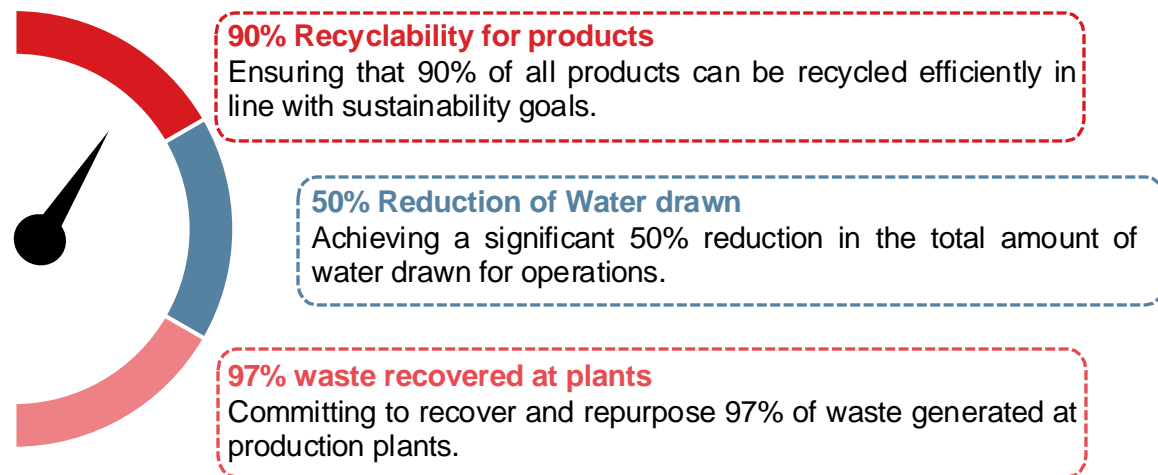
External factors driving risks and opportunities for CNH Industrial’s profitability and innovation.



# Appendix - ESG

## Environmental, Social, Governance

### Goals until 2030

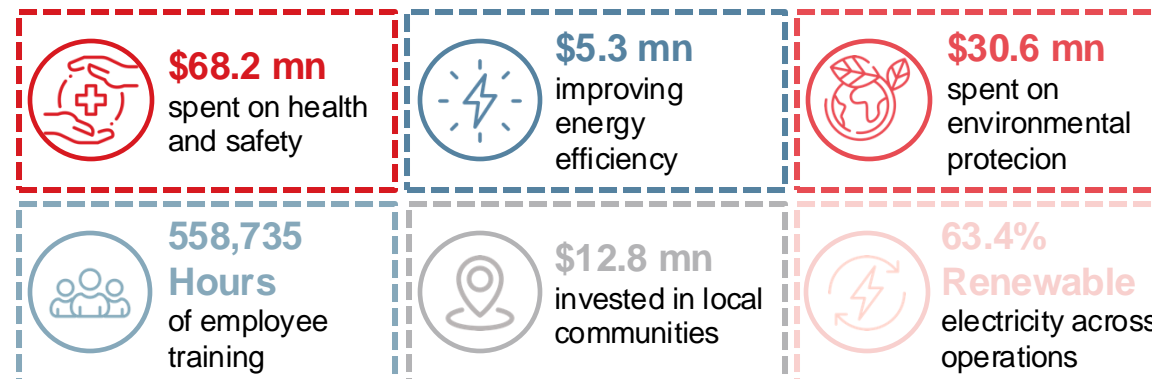


### CNH's Strategic SDG Alignment

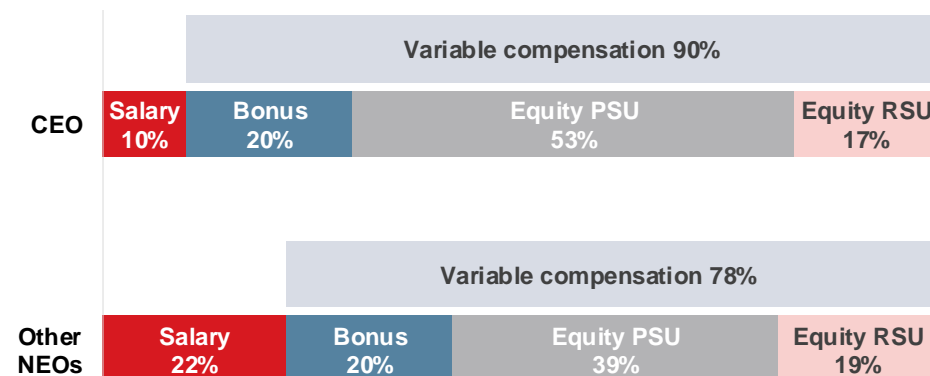


As an industry leader in machinery and technological innovation, CNH has prioritized six key **UN Sustainable Development Goals (SDGs)** as central to its strategic vision. By addressing these goals, the company aims to create meaningful economic, environmental, and social benefits.

### CNH's Commitment to Sustainability and Community Impact



### NEO 2022 Target Direct Compensation at a Glance



# Appendix – SWOT Analysis

CNH Industrial balances strengths to unlock opportunities and mitigate risks.

## STRENGTHS

- CNH Industrial NV's brand recognition and extensive dealer network build customer trust and loyalty, enabling strong market presence and competitive edge in customer retention.
- Investment in product innovation and technology integration, including precision agriculture and digital platforms, enhances operational efficiency and positions CNH favorably in markets with strict emission regulations.

## OPPORTUNITIES

- Emerging markets with new emission legislation in countries like India and China present growth potential, leveraging CNH Industrial's expertise in meeting stringent standards.
- Advancements in digital and precision agriculture, such as the AgDNA acquisition and development of AFS-PLM platforms, create opportunities to lead in data driven farming practices and expand revenue streams



- Supply chain and manufacturing risks, alongside inflationary cost pressures, create challenges in maintaining profitability and competitiveness.
- Impending labor negotiations in 2024 introduce potential risks to operational stability and labor relations.

- Intense competition with industry leaders like Deere & Company and Caterpillar Inc., alongside economic volatility and commodity price fluctuations, could impact market position and profitability.
- Global supply chain disruptions and inflationary pressures, compounded by rising interest rates and recession fears, pose threats to operational and financial stability.

## WEAKNESSES

## THREATS

# Appendix – Porter’s Five Forces

CNH Industrial's Competitive Edge in a Challenging Market.

(-) Intense competition from John Deere, AGCO and Kubota  
(-) Pressure to innovate in automation and sustainability

Industry rivalry – HIGH

Threat of substitutes – MEDIUM

Strong product differentiation (+)  
Growing use of robotics and autonomous systems (-)  
High switching costs for customers (+)

Bargaining power of suppliers – MEDIUM

(-) Critical components like electronics and engines  
(+) High purchase volumes improve CNH's position  
(-) Limited number of suppliers for specialized parts

Bargaining power of buyers – MEDIUM

Large buyer base with varying needs (+)  
Price sensitivity due to tight agricultural budgets (-)  
Dependence durable equipment (+)

Threat of new entrants – LOW

(+) High capital requirements  
(+) Strict government policies & licensing  
(+) Market maturity limits disruption from new players



# Appendix – Valuation

## Operating Model – P&L Statement

### Operating Model

in USDm (except per share items)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
<b>Live Case</b>	<b>Base Case</b>										
<b>Key Assumptions</b>											
Revenue growth rate Agriculture		(7.0%)	(0.4%)	35.2%	21.8%	1.0%	4.0%	4.5%	4.6%	3.5%	3.0%
Revenue growth rate Construction		(8.4%)	(21.6%)	42.0%	15.9%	10.1%	4.0%	4.0%	3.0%	2.5%	2.0%
Revenue growth rate Financial Services		–	(17.6%)	1.2%	19.1%	27.0%	9.0%	8.4%	7.3%	7.9%	8.0%
Eliminations & Other in % of sales	7.9%	7.4%	0.2%	0.1%	0.2%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%
Cost of sales	81.4%	82.3%	83.6%	78.2%	77.4%	75.9%	75.8%	75.8%	75.8%	75.8%	75.8%
Selling, general and administrative costs	7.8%	7.7%	8.1%	7.3%	7.1%	7.3%	7.6%	7.6%	7.6%	7.6%	7.6%
Research and development costs	3.7%	3.9%	4.3%	3.5%	3.8%	4.1%	3.9%	4.0%	4.0%	4.0%	4.0%
Other operating expenses		(0.2%)	(0.6%)	(0.6%)	(0.0%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)
Income tax rate	26.9%	25.0%	(40.6%)	12.3%	28.8%	20.5%	21.0%	21.0%	21.0%	21.0%	21.0%
<b>Income Statement</b>											
<b>Segments</b>											
Agriculture	11,786	10,958	10,916	14,754	17,969	18,148	18,881	19,740	20,638	21,367	22,013
Growth in %	n.a.	(7.0%)	(0.4%)	35.2%	21.8%	1.0%	4.0%	4.5%	4.6%	3.5%	3.0%
Construction	3,021	2,768	2,170	3,081	3,572	3,932	4,091	4,256	4,385	4,495	4,585
Growth in %	n.a.	(8.4%)	(21.6%)	42.0%	15.9%	10.1%	4.0%	4.0%	3.0%	2.5%	2.0%
Commercial and Specialty Vehicles	10,933	10,440	–	–	–	–	–	–	–	–	–
Growth in %	n.a.	(4.5%)	(100.0%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Powertrain	4,557	4,114	–	–	–	–	–	–	–	–	–
Growth in %	n.a.	(9.7%)	(100.0%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financial Services	1,996	1,996	1,644	1,664	1,982	2,518	2,744	2,974	3,192	3,446	3,721
Growth in %	n.a.	–	(17.6%)	1.2%	19.1%	27.0%	9.0%	8.4%	7.3%	7.9%	8.0%
Eliminations and Other	(2,557)	(2,252)	(34)	(25)	(50)	(94)	(61)	(64)	(67)	(70)	(72)
in % of Revenues	7.9%	7.4%	0.2%	0.1%	0.2%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%
<b>Total Revenues</b>	<b>29,736</b>	<b>28,024</b>	<b>14,696</b>	<b>19,474</b>	<b>23,473</b>	<b>24,504</b>	<b>25,654</b>	<b>26,906</b>	<b>28,148</b>	<b>29,238</b>	<b>30,246</b>
Growth in %		(5.8%)	(47.6%)	32.5%	20.5%	4.4%	4.7%	4.9%	4.6%	3.9%	3.4%
<b>Cost of Sales</b>	<b>(24,201)</b>	<b>(23,056)</b>	<b>(12,287)</b>	<b>(15,231)</b>	<b>(18,167)</b>	<b>(18,604)</b>	<b>(19,452)</b>	<b>(20,382)</b>	<b>(21,323)</b>	<b>(22,148)</b>	<b>(22,912)</b>
<b>Gross Profit</b>	<b>5,535</b>	<b>4,968</b>	<b>2,409</b>	<b>4,243</b>	<b>5,306</b>	<b>5,900</b>	<b>6,203</b>	<b>6,524</b>	<b>6,825</b>	<b>7,090</b>	<b>7,334</b>
in % of Sales	18.6%	17.7%	16.4%	21.8%	22.6%	24.1%	24.2%	24.2%	24.2%	24.2%	24.2%
Selling, general and administrative costs	(2,313)	(2,156)	(1,197)	(1,425)	(1,678)	(1,782)	(1,939)	(2,034)	(2,128)	(2,210)	(2,286)
Research and development costs	(1,110)	(1,093)	(634)	(677)	(881)	(1,012)	(997)	(1,072)	(1,136)	(1,180)	(1,220)
Share of the profit/(loss) of investees accounted for using equity method	61	19	68	92	108	185	–	–	–	–	–
Gains/(losses) on the disposal of investments	(1)	–	–	–	–	(21)	–	–	–	–	–
Restructuring costs	(63)	(116)	(19)	(36)	(34)	(65)	–	–	–	–	–
Goodwill impairment loss	–	–	(576)	–	–	–	–	–	–	–	–
Other income/(expenses)	383	(52)	(82)	(124)	(9)	(84)	(68)	(71)	(74)	(77)	(80)
<b>EBIT</b>	<b>2,492</b>	<b>1,570</b>	<b>(31)</b>	<b>2,073</b>	<b>2,812</b>	<b>3,121</b>	<b>3,199</b>	<b>3,347</b>	<b>3,488</b>	<b>3,623</b>	<b>3,747</b>
in % of Sales	8.4%	5.6%	(0.2%)	10.6%	12.0%	12.7%	12.5%	12.4%	12.4%	12.4%	12.4%
<b>Financial income/(expenses)</b>	<b>(578)</b>	<b>(362)</b>	<b>(161)</b>	<b>(151)</b>	<b>(177)</b>	<b>(194)</b>	<b>(307)</b>	<b>(298)</b>	<b>(299)</b>	<b>(285)</b>	<b>(292)</b>
<b>EBT</b>	<b>1,914</b>	<b>1,208</b>	<b>(192)</b>	<b>1,922</b>	<b>2,635</b>	<b>2,927</b>	<b>2,892</b>	<b>3,049</b>	<b>3,188</b>	<b>3,338</b>	<b>3,456</b>
in % of Sales	6.4%	4.3%	(1.3%)	9.9%	11.2%	11.9%	11.3%	11.3%	11.3%	11.4%	11.4%
Income tax (expense)/benefit	(515)	(302)	(78)	(236)	(758)	(600)	(607)	(640)	(670)	(701)	(726)
<b>Profit/(loss) for the period</b>	<b>1,399</b>	<b>906</b>	<b>(695)</b>	<b>1,777</b>	<b>1,877</b>	<b>2,327</b>	<b>2,285</b>	<b>2,409</b>	<b>2,519</b>	<b>2,637</b>	<b>2,730</b>
in % of Sales	4.7%	3.2%	(4.7%)	9.1%	8.0%	9.5%	8.9%	9.0%	8.9%	9.0%	9.0%

# Appendix – Valuation

## Operating Model – Balance Sheet

<b>Operating Model</b>											
in USDm (except per share items)											
	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>Balance Sheet</b>											
<b>Assets</b>											
Intangible assets	5,497	5,522	4,832	5,159	5,172	5,690	5,618	5,574	5,554	5,554	5,570
Property, plant and equipment	5,963	5,769	5,414	1,697	1,780	2,227	2,242	2,273	2,317	2,370	2,429
Investments and other non-current financial assets:											
Investments accounted for using the equity method	555	550	569	298	345	477	477	477	477	477	477
Equity investments measured at fair value through other comprehensive income	–	108	392	–	–	–	–	–	–	–	–
Other investments and non-current financial assets	37	49	60	57	63	128	128	128	128	128	128
Leased assets	1,774	1,857	1,978	1,738	1,501	1,417	1,417	1,417	1,417	1,417	1,417
Defined benefit plan assets	25	28	25	19	12	10	10	10	10	10	10
Deferred tax assets	853	806	1,061	367	343	841	841	841	841	841	841
<b>Total non-current assets</b>	<b>14,704</b>	<b>14,689</b>	<b>14,331</b>	<b>9,335</b>	<b>9,216</b>	<b>10,790</b>	<b>10,733</b>	<b>10,719</b>	<b>10,743</b>	<b>10,796</b>	<b>10,872</b>
Inventories	6,719	7,065	6,000	4,228	4,848	5,552	5,815	6,093	6,374	6,621	6,849
Trade receivables	395	408	503	192	168	132	368	385	403	419	433
Receivables from financing activities	19,175	19,429	18,529	15,443	19,611	24,671	24,671	24,671	24,671	24,671	24,671
Current tax receivables	356	260	160	63	54	39	39	39	39	39	39
Other current receivables and financial assets	1,488	1,302	1,041	747	747	453	453	453	453	453	453
Prepaid expenses and other assets	–	173	189	118	113	143	143	143	143	143	143
Derivative assets	–	73	160	184	189	135	135	135	135	135	135
Cash and cash equivalents	5,803	5,773	9,629	5,845	5,129	5,045	7,560	8,554	10,454	11,010	13,589
<b>Total current assets</b>	<b>33,936</b>	<b>34,483</b>	<b>36,211</b>	<b>26,820</b>	<b>30,859</b>	<b>36,170</b>	<b>39,184</b>	<b>40,473</b>	<b>42,672</b>	<b>43,491</b>	<b>46,313</b>
Assets held for sale	10	10	14	490	–	–	–	–	–	–	–
Assets held for distribution	–	–	–	14,477	–	–	–	–	–	–	–
<b>Total assets</b>	<b>48,650</b>	<b>49,182</b>	<b>50,556</b>	<b>51,122</b>	<b>40,075</b>	<b>46,960</b>	<b>49,917</b>	<b>51,193</b>	<b>53,415</b>	<b>54,287</b>	<b>57,185</b>
<b>Equity and Liabilities</b>											
Issued capital and reserves attributable to owners of the parent	7,443	7,819	6,651	8,393	7,559	8,745	10,443	12,275	14,186	16,188	18,253
Non-controlling interests	29	44	84	33	–	66	66	66	66	66	66
<b>Total equity</b>	<b>7,472</b>	<b>7,863</b>	<b>6,735</b>	<b>8,426</b>	<b>7,559</b>	<b>8,811</b>	<b>10,509</b>	<b>12,341</b>	<b>14,252</b>	<b>16,254</b>	<b>18,319</b>
Provisions:											
Employee benefits	1,763	1,701	1,864	939	694	691	691	691	691	691	691
Other provisions	3,112	3,086	3,375	2,113	2,352	3,274	3,274	3,274	3,274	3,274	3,274
Debt:											
Asset-backed financing	11,269	11,757	11,923	8,875	9,753	11,722	11,722	11,722	11,722	11,722	11,722
Other debt	13,274	13,656	14,695	12,814	13,899	16,533	16,533	15,744	15,821	14,484	15,126
Derivative liabilities	108	121	139	182	204	215	215	215	215	215	215
Trade payables	5,886	5,635	6,355	3,531	3,690	3,601	4,860	5,092	5,327	5,534	5,725
Tax liabilities	265	181	186	325	418	673	673	673	673	673	673
Deferred tax liabilities	251	274	203	212	155	40	40	40	40	40	40
Other current liabilities	5,250	4,908	5,081	1,721	1,351	1,400	1,400	1,400	1,400	1,400	1,400
Liabilities held for sale	–	–	–	125	–	–	–	–	–	–	–
Liabilities held for distribution	–	–	–	11,859	–	–	–	–	–	–	–
<b>Total liabilities</b>	<b>41,178</b>	<b>41,319</b>	<b>43,821</b>	<b>42,696</b>	<b>32,516</b>	<b>38,149</b>	<b>39,408</b>	<b>38,852</b>	<b>39,163</b>	<b>38,033</b>	<b>38,866</b>
<b>Total equity and liabilities</b>	<b>48,650</b>	<b>49,182</b>	<b>50,556</b>	<b>51,122</b>	<b>40,075</b>	<b>46,960</b>	<b>49,917</b>	<b>51,193</b>	<b>53,415</b>	<b>54,287</b>	<b>57,185</b>



# Appendix – Valuation

## Operating Model – Cash Flow Statement

### Operating Model

in USDm (except per share items)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>Cash Flow Statement</b>											
Profit/(loss) for the period	1,399	906	(270)	1,686	1,877	2,327	2,285	2,409	2,519	2,637	2,730
Depreciation and amortization (net of depreciation and amortization of assets under operating leases)	1,203	1,244	556	539	574	625	860	856	857	862	871
Other non-cash items	15	125	372	19	89	(15)	–	–	–	–	–
(Gains)/losses on disposal of non-current assets	2	(22)	6	–	(42)	10	–	–	–	–	–
Loss on repurchase /early redemption of notes	22	27	–	8	–	–	–	–	–	–	–
Goodwill impairment loss	–	–	576	–	–	–	–	–	–	–	–
Dividends received	47	15	32	61	35	63	–	–	–	–	–
Change in provisions	(493)	(228)	80	285	213	838	–	–	–	–	–
Change in deferred income taxes	146	88	(108)	(281)	(59)	(550)	–	–	–	–	–
Change in items due to buy-back commitments	(34)	(70)	–	–	–	–	–	–	–	–	–
Change in operating lease items	32	(31)	68	159	223	85	–	–	–	–	–
Change in working capital	(411)	(565)	1,529	199	(406)	(513)	761	(64)	(64)	(56)	(52)
Cash flows from/(used in) operating activities from Continuing Operations	1,928	1,489	2,841	2,675	2,504	2,870	3,905	3,201	3,312	3,443	3,549
Cash flows from/(used in) operating activities from Discontinued Operations	–	–	637	638	–	–	–	–	–	–	–
<b>Total cash flow provided/(used) by operating activities</b>	<b>1,928</b>	<b>1,489</b>	<b>3,478</b>	<b>3,313</b>	<b>2,504</b>	<b>2,870</b>	<b>3,905</b>	<b>3,201</b>	<b>3,312</b>	<b>3,443</b>	<b>3,549</b>
Investments in:											
Property, plant and equipment and intangible assets (net of assets under operating leases)	(1,033)	(1,063)	(390)	(521)	(635)	(852)	(803)	(842)	(881)	(915)	(947)
Consolidated subsidiaries and other equity investments	–	(53)	(8)	(2,177)	(34)	(312)	–	–	–	–	–
Other investments	–	(109)	–	(21)	(10)	(5)	–	–	–	–	–
Proceeds from the sale of non-current assets	12	61	–	11	463	74	–	–	–	–	–
Net change in receivables from financing activities	(542)	(538)	401	(842)	(4,224)	(4,832)	–	–	–	–	–
Change in other current financial assets	–	–	(9)	8	(295)	254	–	–	–	–	–
Other changes	247	115	(535)	(459)	(520)	(125)	–	–	–	–	–
Cash flows from/(used in) investing activities from Continuing Operations	(1,316)	(1,587)	(541)	(4,001)	(5,255)	(5,798)	(803)	(842)	(881)	(915)	(947)
Cash flows from/(used in) investing activities from Discontinued Operations	–	–	(33)	(121)	–	–	–	–	–	–	–
<b>Total cash flow provided/(used) by investing activities</b>	<b>(1,316)</b>	<b>(1,587)</b>	<b>(574)</b>	<b>(4,122)</b>	<b>(5,255)</b>	<b>(5,798)</b>	<b>(803)</b>	<b>(842)</b>	<b>(881)</b>	<b>(915)</b>	<b>(947)</b>
Bonds issued	1,083	1,421	2,028	1,022	1,260	1,774	–	–	712	–	694
Repayment of bonds	(1,975)	(1,569)	(600)	(1,700)	(710)	(1,733)	–	(789)	(636)	(1,336)	(53)
Issuance of other medium-term borrowings (net of repayment)	535	(72)	289	(29)	328	793	–	–	–	–	–
Net change in debt and other financial assets/liabilities	60	711	(707)	(552)	1,966	3,102	–	–	–	–	–
Dividends paid	(243)	(283)	(8)	(188)	(423)	(538)	(587)	(576)	(608)	(635)	(665)
(Purchase)/sale of treasury shares	(156)	(57)	–	–	(153)	(652)	–	–	–	–	–
(Purchase)/sale of ownership interests in subsidiaries	–	–	–	–	–	(11)	–	–	–	–	–
Cash flows from/(used in) financing activities from Continuing Operations	(696)	151	1,002	(1,447)	2,268	2,735	(587)	(1,365)	(532)	(1,972)	(23)
Cash flows from/(used in) financing activities from Discontinued Operations	–	–	(465)	(104)	–	–	–	–	–	–	–
<b>Total cash flow provided/(used) by financing activities</b>	<b>(696)</b>	<b>151</b>	<b>537</b>	<b>(1,551)</b>	<b>2,268</b>	<b>2,735</b>	<b>(587)</b>	<b>(1,365)</b>	<b>(532)</b>	<b>(1,972)</b>	<b>(23)</b>
Translation exchange differences	(313)	(83)	415	(407)	(233)	109	–	–	–	–	–
<b>Cash and cash equivalents BoY</b>	<b>6,200</b>	<b>5,803</b>	<b>5,773</b>	<b>9,629</b>	<b>5,845</b>	<b>5,129</b>	<b>5,045</b>	<b>7,560</b>	<b>8,554</b>	<b>10,454</b>	<b>11,010</b>
<b>Total change in cash and cash equivalents</b>	<b>(397)</b>	<b>(30)</b>	<b>3,856</b>	<b>(2,767)</b>	<b>(716)</b>	<b>(84)</b>	<b>2,515</b>	<b>994</b>	<b>1,899</b>	<b>556</b>	<b>2,579</b>
<b>Cash and cash equivalents EoY</b>	<b>5,803</b>	<b>5,773</b>	<b>9,629</b>	<b>5,845</b>	<b>5,129</b>	<b>5,045</b>	<b>7,560</b>	<b>8,554</b>	<b>10,454</b>	<b>11,010</b>	<b>13,589</b>

# Appendix – Valuation

## DCF

### DCF

in mn USD (except per share items)	2024E	2025E	2026E	2027E	2028E	TV
<b>Base Case</b>						
t	1	2	3	4	5	5
<b>Revenue</b>	<b>25,654</b>	<b>26,906</b>	<b>28,148</b>	<b>29,238</b>	<b>30,246</b>	
<b>EBIT</b>	<b>3,199</b>	<b>3,347</b>	<b>3,488</b>	<b>3,623</b>	<b>3,747</b>	
Tax	(607)	(640)	(670)	(701)	(726)	
<b>NOPLAT</b>	<b>2,592</b>	<b>2,707</b>	<b>2,818</b>	<b>2,922</b>	<b>3,022</b>	
+D&A	860	856	857	862	871	
-CAPEX	(803)	(842)	(881)	(915)	(947)	
+/- ΔNWC	761	(64)	(64)	(56)	(52)	
<b>FCF</b>	<b>3,409</b>	<b>2,657</b>	<b>2,730</b>	<b>2,813</b>	<b>2,894</b>	<b>52,474</b>
Discount factor	0.92	0.85	0.79	0.73	0.67	0.67
<b>Present value of FCF &amp; TV</b>	<b>3,149</b>	<b>2,267</b>	<b>2,152</b>	<b>2,048</b>	<b>1,947</b>	<b>35,294</b>

Key Assumptions	
WACC (forecasting period)	7.6%
WACC (Terminal Value)	7.6%
Perpetual growth rate	2.0%
Tax rate	21.00%

### DCF Output

Present value of future cash flows	11,563
Present value of Terminal Value	35,294
<b>Enterprise Value</b>	<b>46,857</b>
- net debt	24,626
- minority interest	66
<b>Equity Value</b>	<b>22,165</b>

### Target share price

Equity value	22,165
Shares outstanding	1249
Implied share price	17.75
Current share price	13.02
Implied upside/downside	36.3%

L T G R	WACC (planning period)					
	1.60%	7.13%	7.38%	7.63%	7.88%	8.13%
	19.07	17.35	15.77	14.31	12.97	
	20.23	18.40	16.72	15.18	13.76	
	21.49	19.53	17.75	16.11	14.61	
	22.85	20.75	18.85	17.11	15.51	
	24.32	22.07	20.03	18.17	16.48	

# Appendix – Valuation

## WACC

WACC Calculation		Comments
Financials as of Q3 2024		
<b>Cost of Equity</b>		
Risk-free Rate	4.92%	-> US 30y Bonds
Unlevered Beta ( $\beta_{UL}$ )	0.82	-> See Unlevered Beta Sheet
Implied D/E Ratio	152.14%	-> Net Debt as of Q3 2024 / Market Cap, as of 1200 dd, YYYY
Relevered Beta	2.06	-> Relevered $\beta$ = Unlevered $\beta$ * (1 + D/E)
Market Risk Premium	3.08%	-> Implied equity market risk premium
Country Risk Premium (CRP CoE)	0.00%	-> An additional CRP for CoE has been disregarded
Inflation Differential	0.00%	-> Inflation Differential has been disregarded
Size Premium	0.00%	-> An additional Size Premium has been disregarded
<b>Cost of Equity (CoE)</b>	<b>11.27%</b>	-> $R_f + \text{Relevered Beta} * \text{MRP} + \text{CRP} + \text{Inflation Diff.} + \text{Size Premium}$
<b>Cost of Debt</b>		
Risk-free Rate	4.92%	-> US 30y Bonds
Credit spread	1.70%	-> See Credit Spread Sheet
Country Risk Premium (CRP CoD)	0.00%	-> An additional CRP for CoD has been disregarded
Inflation Differential	0.00%	-> Inflation Differential has been disregarded
Size Premium	0.00%	-> An additional Size Premium has been disregarded
<b>Cost of Debt (CoD)</b>	<b>6.62%</b>	-> $R_f + \text{Credit Spread} + \text{CRP Debt} + \text{Inflation Diff.} + \text{Size Premium}$
Effective Tax Rate (t)	21.0%	-> US Corporate Tax Rate
<b>Cost of Debt (After-tax)</b>	<b>5.23%</b>	-> $\text{Cost of Debt} * (1 - t)$
<b>WACC Calculation</b>		
Net Debt (EoP)	24,626.0	-> Net Debt as of Q3 2024
Market Cap, as of 1200 dd, YYYY	16,186.8	-> Market Cap, as of 1200 dd, YYYY
<b>Implied EV</b>	<b>40,812.8</b>	-> $\text{Net Debt} + \text{Market Cap, as of 1200 dd, YYYY}$
Equity / Value (capped at 100%)	39.7%	-> $\text{Market Cap, as of 1200 dd, YYYY} / \text{Implied EV}$
Debt / Value	60.3%	-> $\text{Net Debt} / \text{Implied EV}$
<b>WACC (Modigliani Miller)</b>	<b>7.63%</b>	-> $\% \text{ Equity} * \text{CoE} + \% \text{ Debt} * \text{CoD (After-tax)}$

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