



Strategic Global Advisors

MERCEDES - BENZ

Presented By **Peter Petersen**



UNLOCKING ~25 % UPSIDE IN A MIS-PRICED LUXURY CASH-MACHINE

Street fears peak ICE; we model a dividend + software super-cycle.

Recommendation: BUY with high conviction
€ 52.3 → € 65.2

(Triangulated median of AVM V.2, DCF @ 8 % WACC, DDM @ 9.6 %
ke)

Why Now

- MMA EV + MB.OS launch proves tech thesis, drives multiple expansions as Mercedes transitions to a tech company (i.e Tesla)
- China tariff easing removes volume overhang
- 8 % div + €5 B buy-back Q4-25 locks in cash yield



BUSINESS SNAPSHOT

WHAT? ●

- Premium/ultra-luxury cars + vans + integrated leasing, financing & insurance

WHO? ●

- Retail buyers and commercial fleets in 190 + countries

HOW? ●

- 130 yrs brand prestige, tech leadership in EV/ADAS, sticky finance ecosystem

PRODUCT LINES



TOP-END LUXURY

- Maybach, AMG, G-Class

Software, bespoke interiors, and subscription features add incremental EBIT. Central to the capital-return case.

CORE LUXURY

- E-Class, C-Class, GLE/GLC

Global volume backbone, fleet & corporate demand, scalable software (MB.OS). Electrified derivatives (EQE/EQC migrate to MB.EA). Drives absorption & brand retention.

ENTRY LUXURY

- CLA, A-Class, GLA/GLB

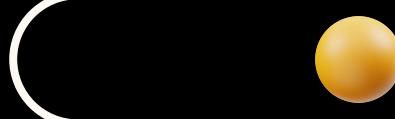
Brand on-ramp for younger & emerging-market buyers. Price elasticity is higher; margin is lower, but creates a lifetime funnel into Core & Top-End. Next-gen compact EVs will be key to defending share vs. Chinese OEMs.

PRODUCT LAUNCH TIMELINE

2025

2026

2027



CLA Sedan (EV & Hybrid)

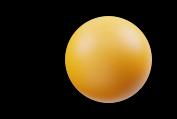
- Strategic EV relaunch with 400+ mile range

CLA Shooting Brake (EV Wagon)

- Stylish, performance-oriented EV

AMG CLE 63 Coupe (V8)

- Final wave of high-performance ICE AMG models



GLC EV (All-Electric Crossover)

- Positioned as a mainstream luxury EV SUV

S-Class Facelift + EV Variant

- Flagship luxury tech refresh adds electrification

GLB (Next-Gen Hybrid / EV)

- Expanded family SUV lineup with hybrid options



VLS (All-Electric Passenger Van)

- Enters electric luxury van segment

VLS Cargo Variant

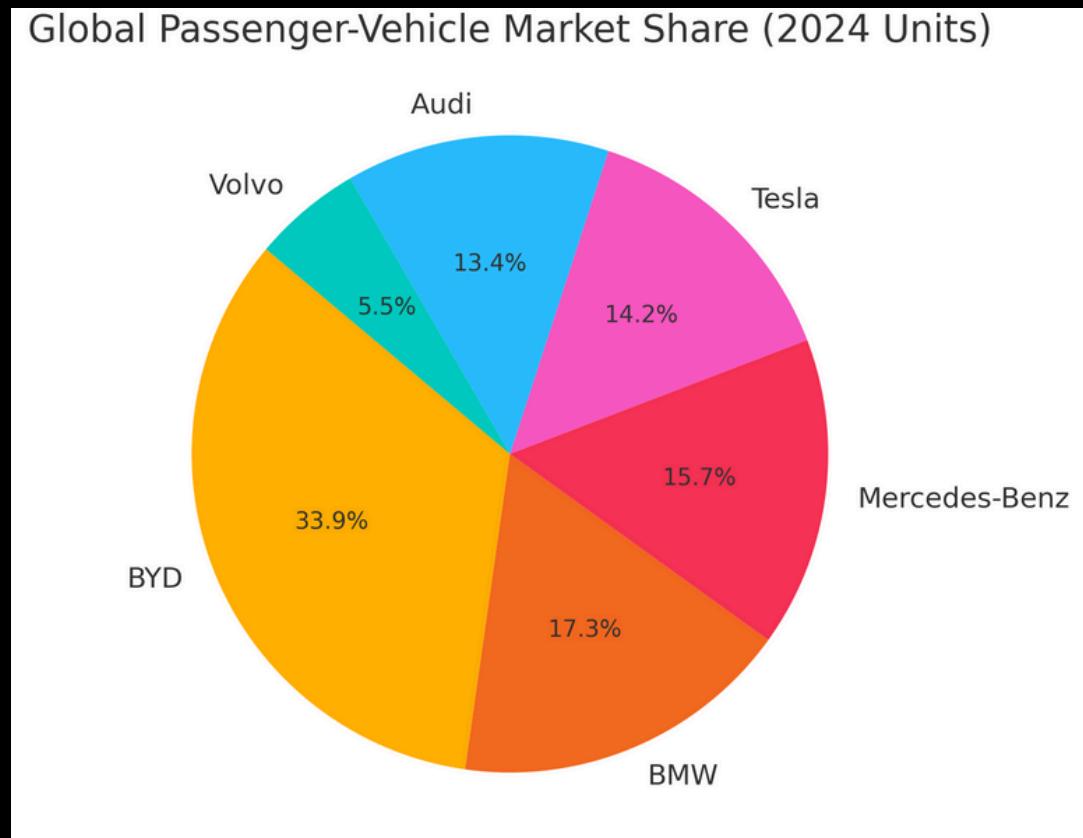
- Fleet & commercial EV rollout

Facelifted EQE & EQS SUVs

- Software & hardware upgrade to MB:EA platform

COMPETITIVE ANALYSIS

- **Deep value plus quality:** Mercedes trades at ~6x earnings, ½ Tesla's multiple, yet delivers double-digit margins and the highest cash yield in the group.
- **Tech leadership:** Only OEM with certified Level 3 autonomy today.
- **Income cushion:** 8 % dividend + buy-backs provide downside support while peers either pay little (BMW) or none (Tesla).
- **Risk delta:** China exposure similar to BMW/Audi but far lower than BYD; mitigated by premium positioning and its Chinese subsidiary, Beijing Benz.
- **Competitive verdict:** Best risk-adjusted combo of value, profitability, dividend, and tech edge among global auto peers.



	Valuation P/E (TTM)	Profitability EBIT Margin	Cash Yield FCF / M-Cap	Tech Edge Autonomy	China Risk Sales -%	Dividend
Mercedes	5.7x	10.50%	18%	Level 3 ✓	34%	8.10%
BMW	5.0x	9.80%	16%	L 2+	30%	7.20%
VW/Audi	4.7x	7.80%	13%	L 2+	32%	8.50%
Tesla	47.8x	19.30%	8%	L 2+ (FSD)	22%	0%
BYD	28.4x	22.10%	15%	L 2	70%	1.20%

SNAP VALUATION

Resilient Revenue

- stabilizing around €153B

Peak Profitability

- in 2022, with normalized margins at 9-10%

Free Cash Flow

- remains robust at €7-9B annually

EPS

- nearly tripled from 2020, reflecting both earnings & buybacks

Net industrial liquidity

- strong, enabling capital return flexibility

Financial Metric	2024	2023	2022	2021	2020
Revenue (€ millions)	153,218	153,223	150,038	168,797	154,309*
EBIT (€ millions)	14,206	15,207	20,523	16,028	6,603*
EBIT Margin (%)	9.30%	9.90%	13.70%	9.50%	4.3%*
Net Income (€ millions)	10,207	14,261	14,501	23,397	3,627*
EPS (€)	10.19	13.46	13.55	21.51	3.39*
Free Cash Flow - Industrial (€ millions)	7,307	7,870	7,675	8,606	8,259*

Metric	2024	2023	2022	2021	2020
Net Liquidity - Industrial (€ billions)	22.2	22.8	24.7	21	17.9*
Return on Net Assets (%)	16.60%	23.80%	25.50%	40.40%	7.0%*
Equity Ratio (%)	Not specified	35.30%	31.10%	Not specified	21.3%*

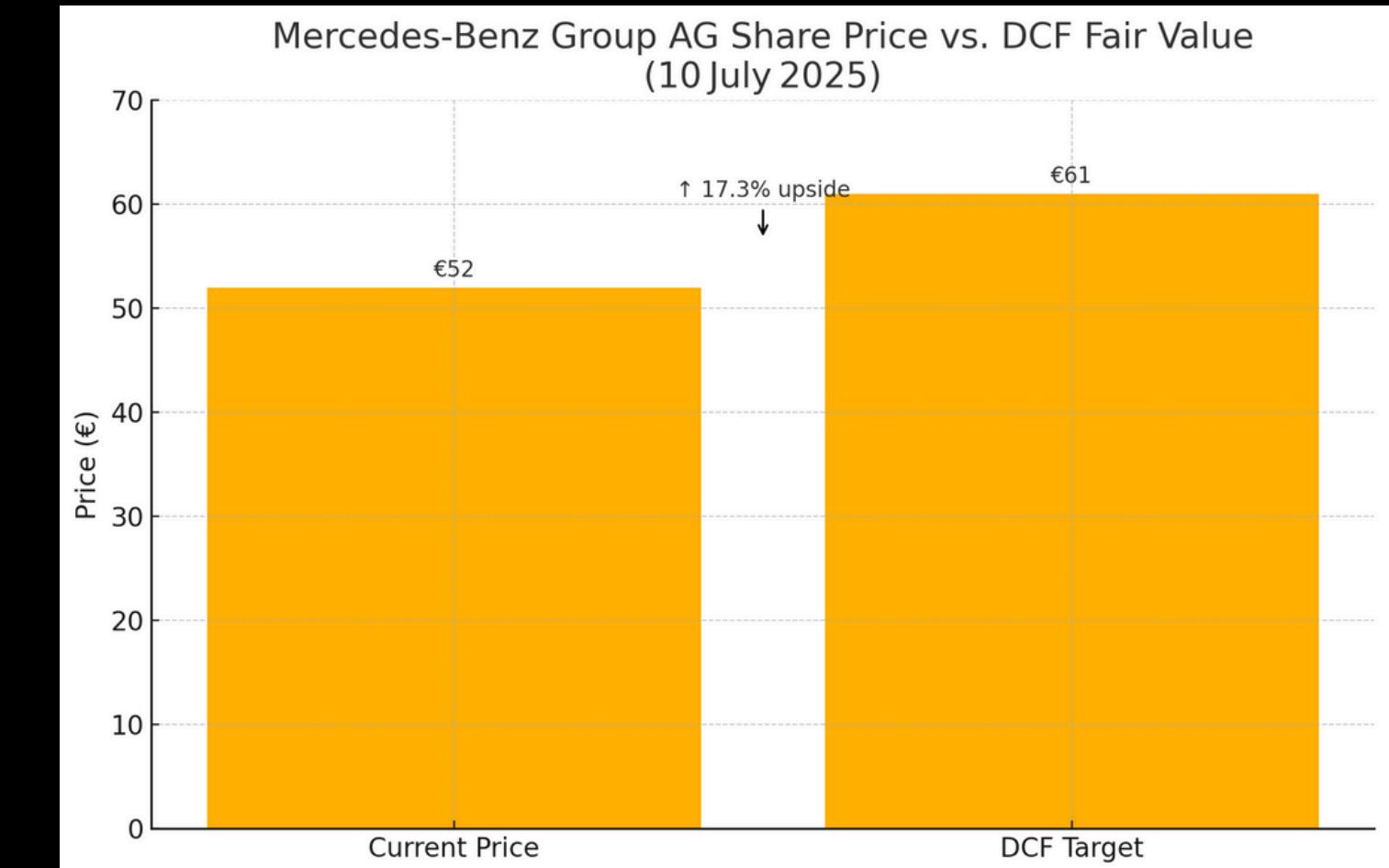
DCF MODEL

Fair value per share: €61.53

Equity value: €65.8 bn; Enterprise value: €96.8 bn

PV of forecast 5-yr FCF: €22.5 bn; PV of terminal value: €74.3 bn

Discount & terminal:
WACC 8.3 % (Rf 2.49 %, ERP 6 %, Beta 1.2, D/Cap 20 %)
Perpetual growth 2 %; exit multiple 6.0 × EBITDA



Operating assumptions (FY 2025-2029):
Revenue growth: 0 % → 3 % → 2.5 %
EBIT margin: 8.5 % → 9.4 %
CapEx: 6.5 % → 6.0 % of sales
Working capital: 2 % of sales

DDM MODEL

Intrinsic value \approx €66 per share (base case)

Primary Drivers

Forward DPS: €5.28

Years 1-3 growth: -0.4 %

Terminal (yr 11+) growth: 2 %

Forecast horizon: 10 years

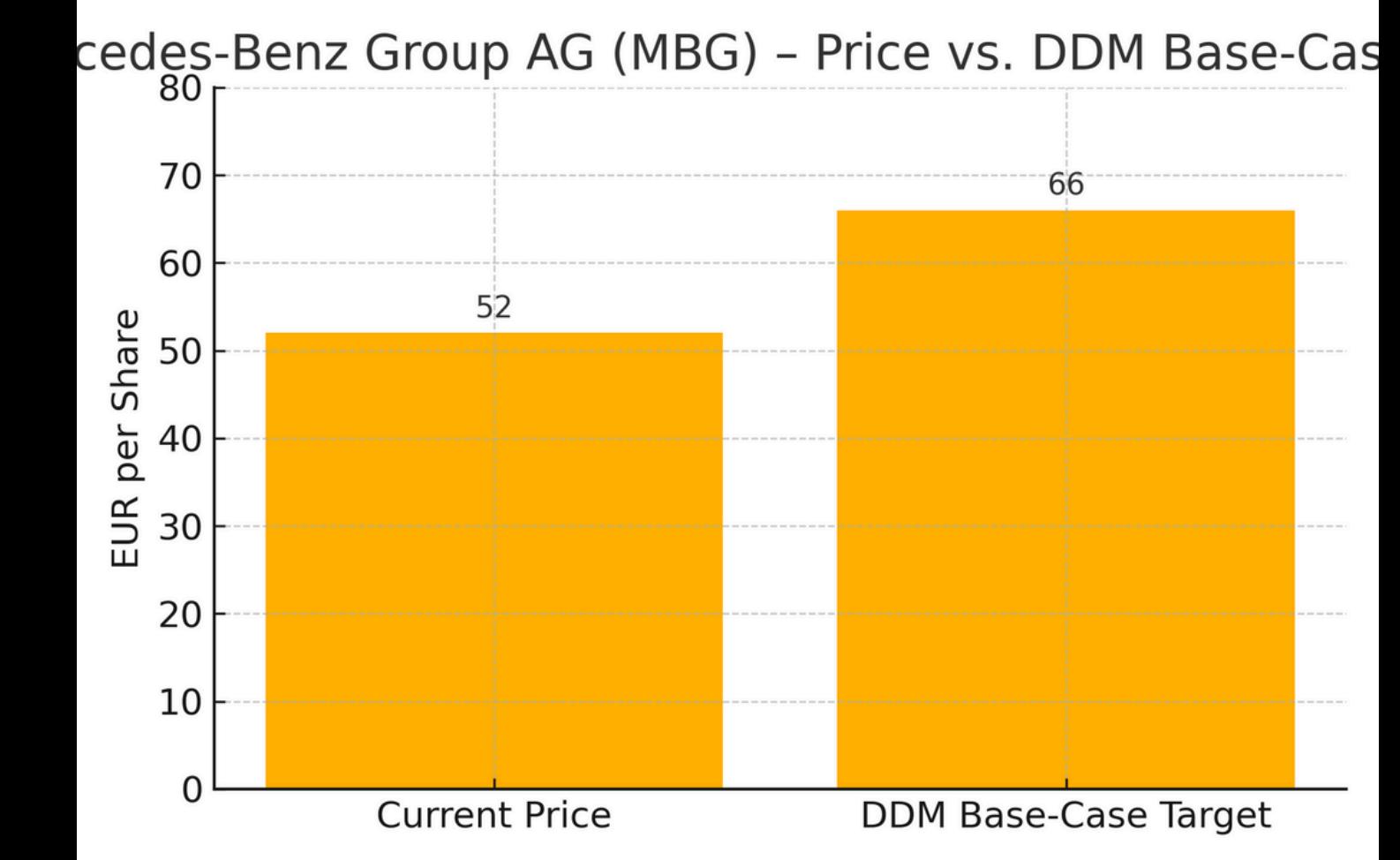
Cost of equity: 9.6 % (2.49 % risk-free + $1.3 \beta \times 5.7\%$ ERP)

Value Breakdown

Stage-1 PV of dividends (yrs 1-10): €34.2

Terminal (Gordon) value PV: €32.3

Total present value: €66.4



Mercedes-Benz's rich dividend stream, even with near-term stagnation, commands a mid-€60s fair value. Upside widens if management can deliver just a modestly higher perpetual growth rate.

A.V.M

Headline Finding

Implied fair value €65 – 70

Valuation Highlights

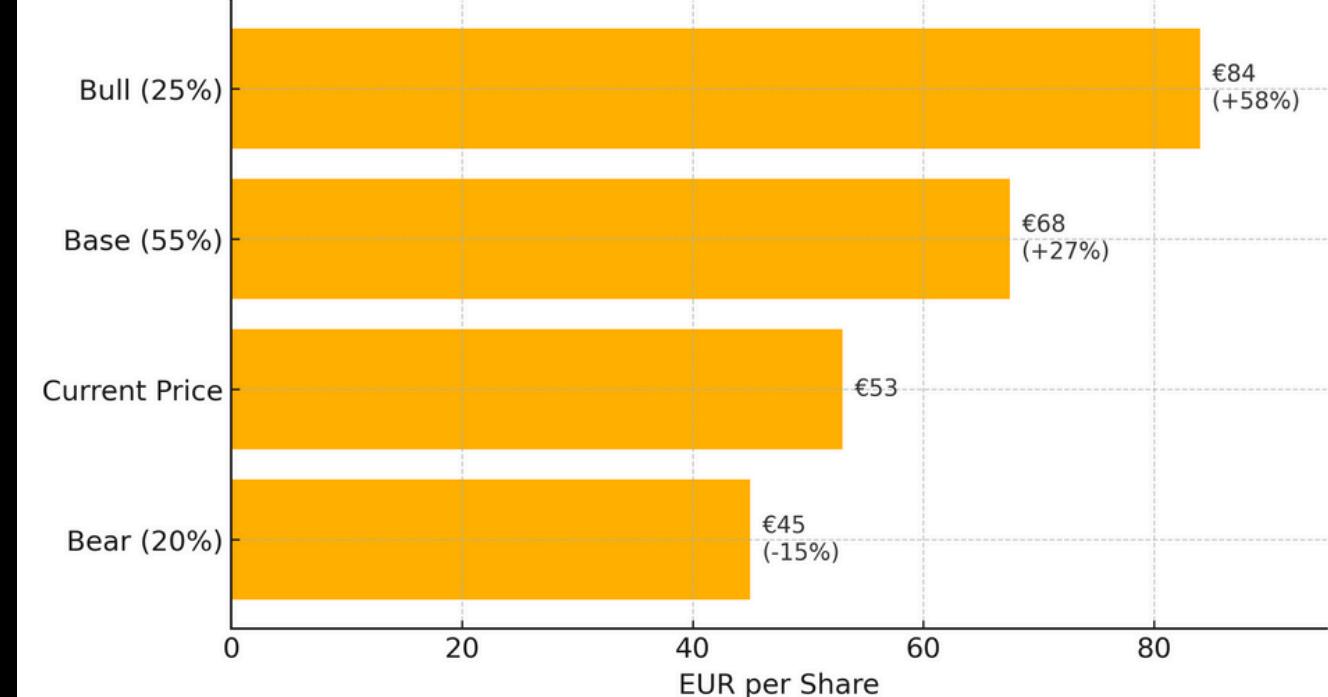
Scenario-weighted targets (1 yr):

- 55 % Base: €65 – 70
- 25 % Bull: €80 – 88
- 20 % Bear: €42 – 48

Takeaway

High cash yield, deep valuation discount, and technology catalysts create an asymmetric risk-reward profile; security weight should approach portfolio construction's issuer limits.

Mercedes-Benz Group AG (MBG) - Scenario Valuations
Adaptive Valuation Model V.2



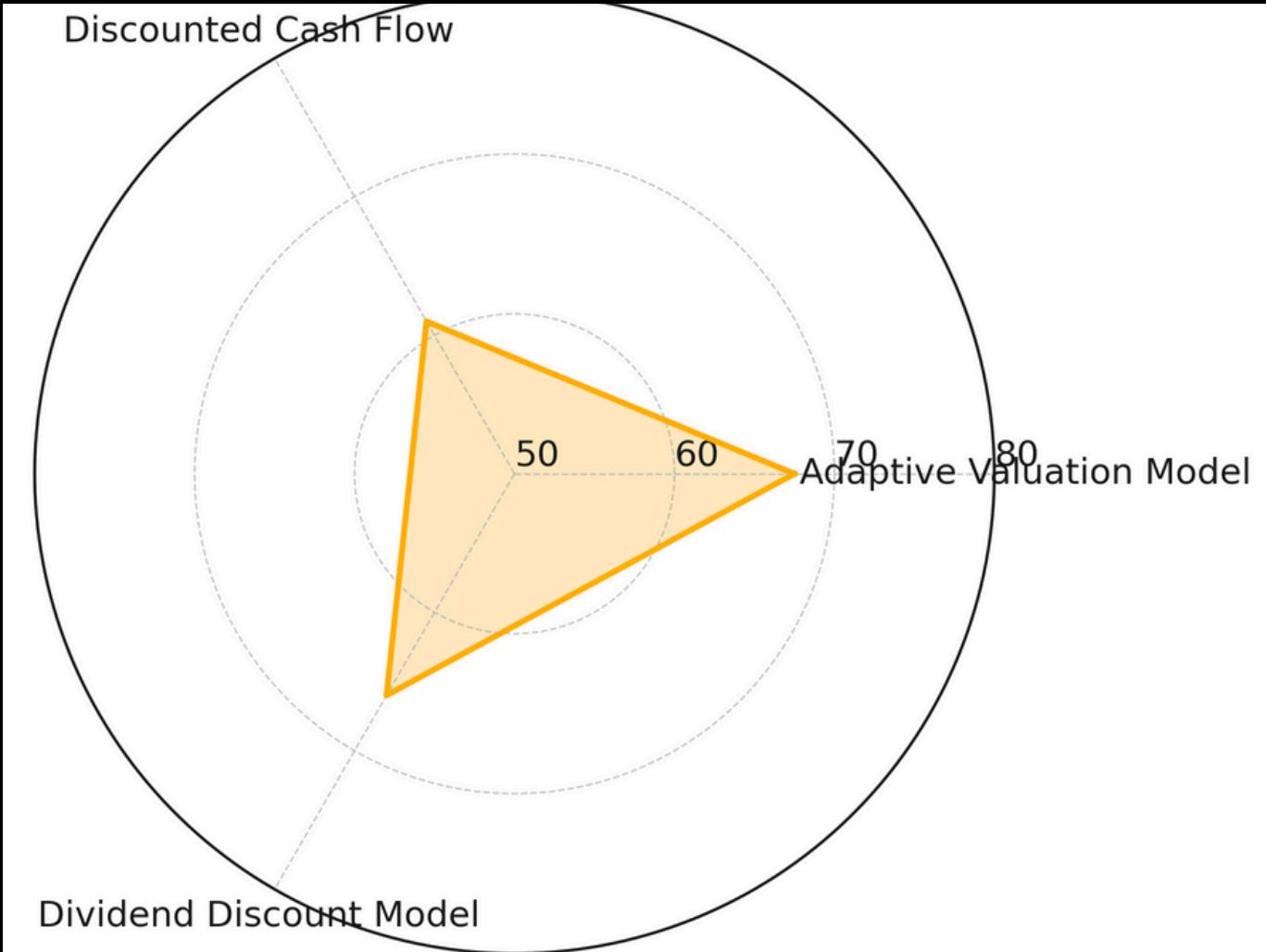
Core Assumptions

Base-case FY-25 economics: €155 B revenue, 8.8 % EBIT margin.

EV platform launches (MMA, MB.EA) & MB.OS rollout sustains mid-single-digit growth.

China stabilisation and gradual tariff relief recovery; bull case assumes faster EV adoption, bear case assumes trade escalation & margin squeeze.

VALUATION TRIANGULATION



All three frameworks anchor around €61 – 70, a 20 – 30 % intrinsic discount. AVM's scenario weightings and DDM's cash-return lens confirm the DCF core, building confidence that today's price embeds overly bearish multiples rather than fundamental decay.

Across cash flows, dividends, and market-driven scenarios, MBG screens a value of approximately €65 as its fair value, providing solid quarter-upside with catalysts in tech rollouts and multiple normalization.

CATALYST PATH



Mid 2025

2nd Half 2025

Q4 - 2025

2026-27



MB.OS and EV Launch

Validates Mercedes' software strategy and next-gen platform economics > supports a re-rating toward 7-8x P/E (~ €65).

China Tariff Easing

Lifts the largest volume & margin overhang; even a mid-single-digit China sales recovery can add €5-10 to FV.

8/9% Ebit Margin + Buyback

Proves cash-generation story; management's capital-return firepower anchors the €65-70 range.

Level 3 Automated Driving Rollout

High-multiple software revenue plus autonomy halo pull the equity narrative into the €80+ bull zone.

RED FLAG'S

Accounting: 6/10

- Prior period restatements, €45 B residual-value estimates vulnerable to EV shift

Leverage: 3/10

- Net debt trending downward, €24 B liquidity

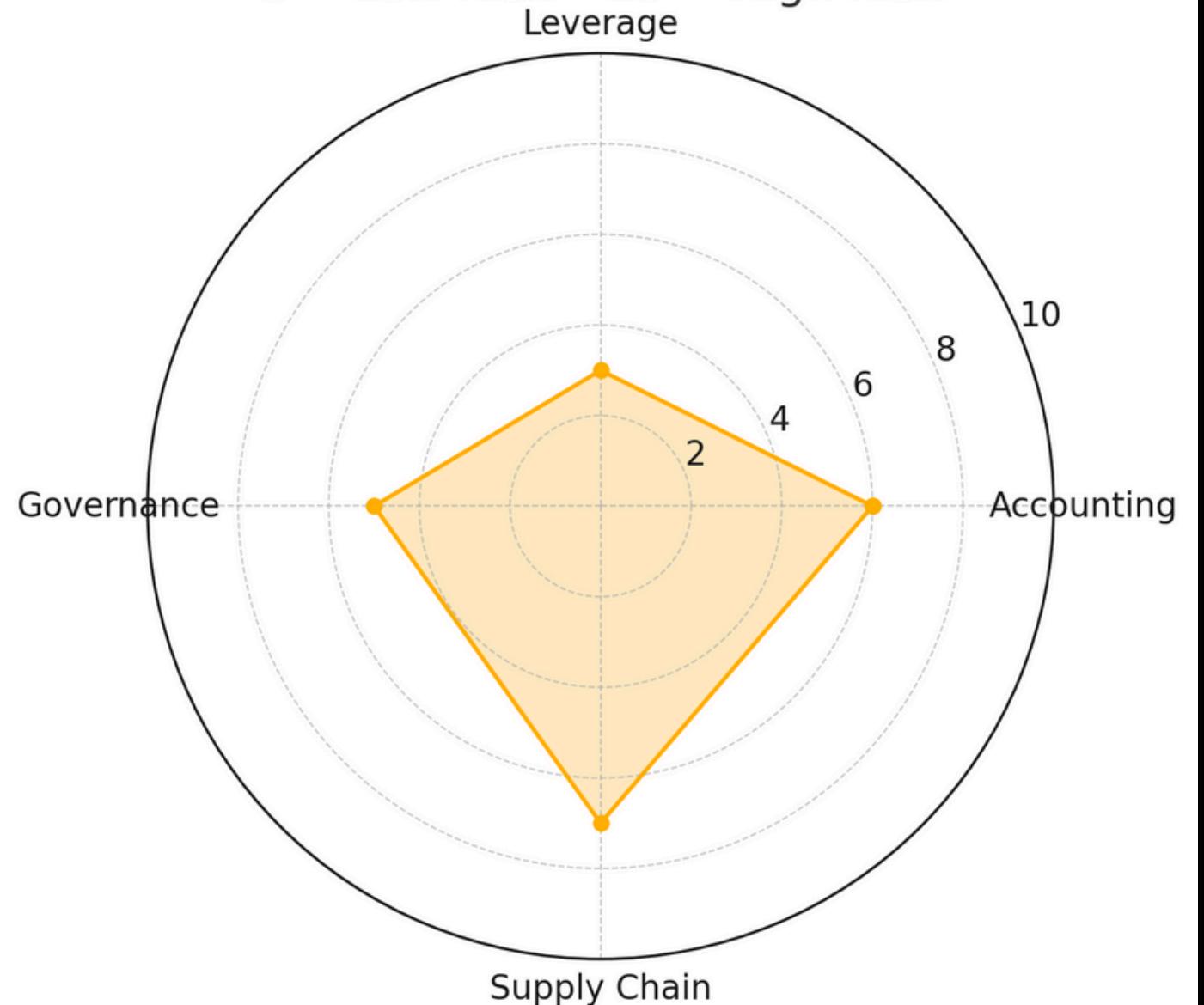
Governance: 5/10

- €2 B diesel settlements + 55 compliance cases in 2023, board-independence risk in the “Low” bucket.

Supply Chain: 7/10

- Chip shortages & China volume (734 K units) concentrate risk, 24 critical battery metals

Mercedes-Benz Group AG – Red-Flag Radar
0 = Low Risk • 10 = High Risk



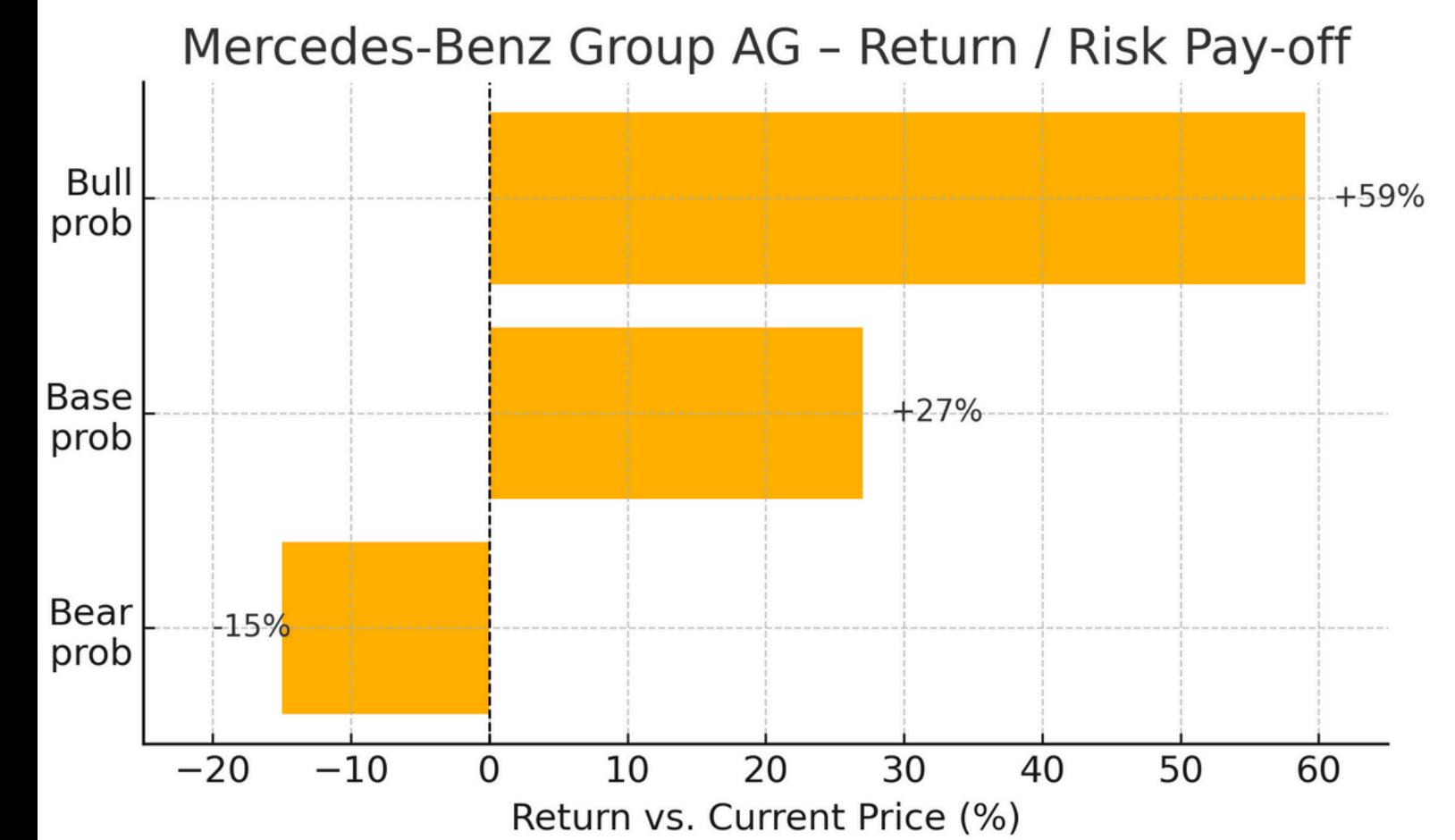
RETURN TO RISK

1.8× upside-to-downside skew

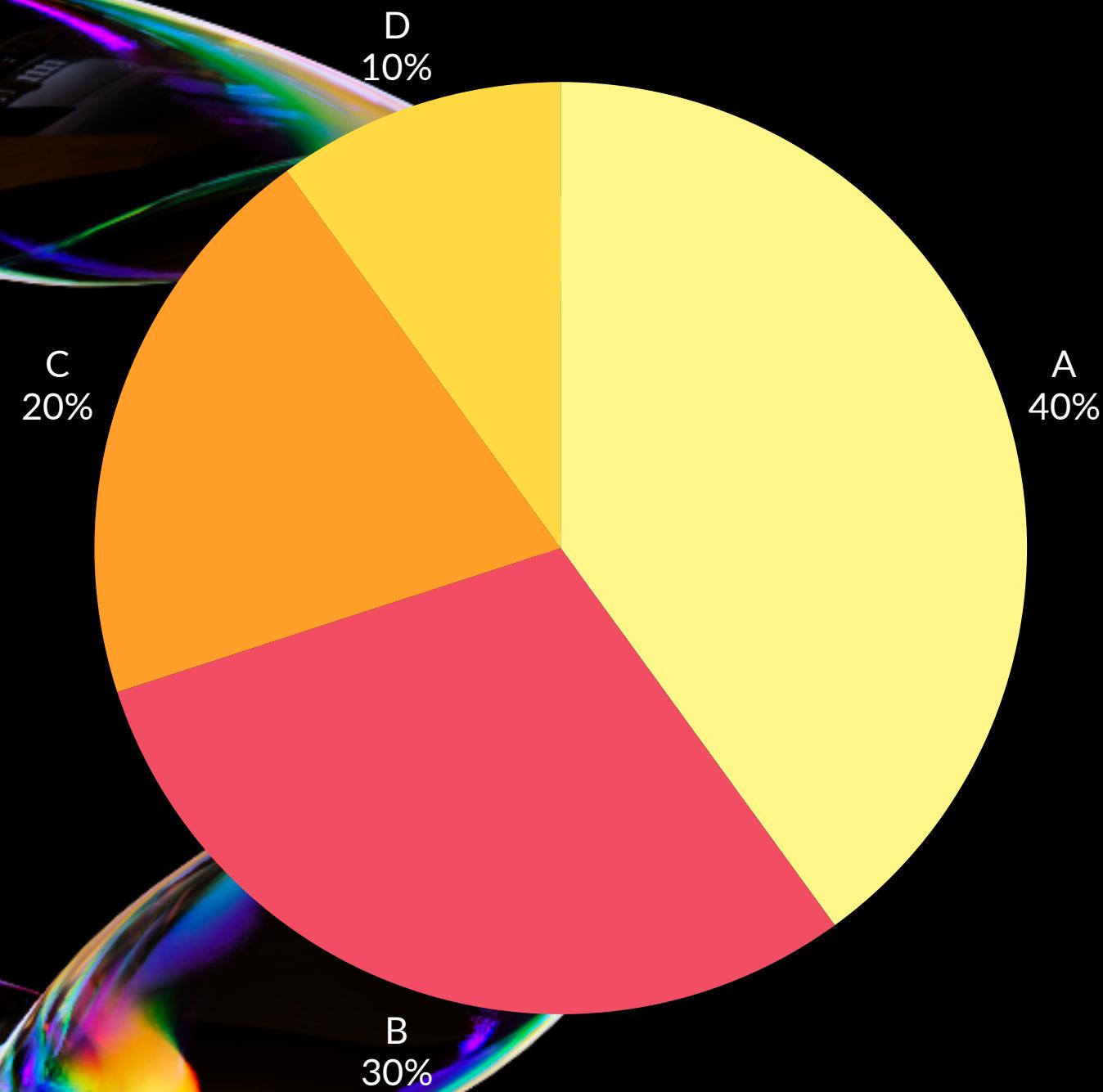
Catalysts lift the mean; balance sheet caps the floor.

- Mean return +26 % vs. -15 % tail → attractive skew at 1.8x
- 8 % dividend & €5 B buy-back soften any draw-down

Street sees low-growth ICE risk; we see high-yield luxury platform with tech-driven multiple expansion.



MANAGEMENT QUESTIONS



China is 34 % of unit sales. Which three levers will bring that to < 25 % by 2029?

How do you convert tech leadership into EBIT within 24 months?

Chinese EVs win on cost, what non-brand moat keeps your €30 k entry EV relevant in 2027?

INVESTMENT THESIS CHECKLIST

- Attractive Valuation: 5.7x P/E vs 8-10x historical average
- Technology Leadership: World's first SAE Level 3, MB.OS platform
- Strong Balance Sheet: €29B cash, A-level credit ratings
- Shareholder Returns: €5B buyback program, 8%+ dividend yield
- China Risk Resolution: Key downside risk requiring monitoring
- EV Transition Success: 2025-2026 platform launches critical
- Competitive Position: Market share defense is essential





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THANK YOU

Q&A

