

Rating Action: Moody's assigns (P)A3 ratings to Daimler Truck's new EMTN programme

29 Mar 2022

Frankfurt am Main, March 29, 2022 -- Moody's Investors Service ("Moody's") has today assigned a (P)A3 rating on the new €10 billion guaranteed senior unsecured debt issuance programme of Daimler Truck AG (Daimler Truck, or DTAG) and its finance subsidiaries Daimler Truck International Finance B.V. and Daimler Truck Finance Canada Inc. Concurrently, Moody's has affirmed Daimler Truck's A3 issuer rating. The outlook on the ratings is stable.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

The provisional (P)A3 rating on the guaranteed senior unsecured debt issuance programme is aligned with Daimler Truck's A3 long-term issuer rating. Daimler Truck International Finance B.V. and Daimler Truck Finance Canada Inc. are both wholly-owned subsidiaries of Daimler Truck and do not have any subsidiaries of their own. They serve as finance vehicles for Daimler Truck. Notes issued by both finance subsidiaries under the program are backed by an unconditional and irrevocable guarantee of Daimler Truck and rank pari passu with all other senior unsecured debt of the company, including new notes issued under the program by Daimler Truck as the issuer. Notes issued under the program also benefit from a guarantee by Daimler Truck's parent company, Daimler Truck Holding AG.

In 2021, Daimler Truck increased its unit sales by 20% to 455,445 units, with industrial revenues up 11% to €38.6 billion. The company-adjusted return on sales increased to 6.1%, from 1.9% in 2020. For 2022, Daimler Truck expects revenues to increase to €44 billion to €46 billion and return on sales in a range of 7% to 9%.

The A3 long-term Issuer Rating of Daimler Truck reflects the group's substantial scale as the world's largest manufacturer of commercial vehicles (mainly trucks and busses) by revenues; its good diversification with seven individual brands, and leading positions in the US and European markets; the potential to grow margins from currently low levels via efficiency measures; and the group's conservative financial policy, including low leverage of around 1.0x debt/EBITDA (Moody's adjusted) and a strong liquidity profile.

The rating reflects as negative the group's exposure to highly competitive and highly cyclical end markets; a history of relatively low and volatile margins and execution risks related to targeted margin improvements; a still underrepresented market coverage in China, the world's largest truck market; and high investment needs to manage the technological transformations towards zero emission vehicles and autonomous driving.

The stable outlook on Daimler Truck reflects the continued recovery in truck markets globally, and the restructuring measures, which should improve margins towards the high single-digits in percentage terms (7-10%, Moody's adjusted EBITA) and keep leverage (debt/EBITDA, Moody's adjusted) in a range of 1.0x-1.5x.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Moody's would consider upgrading the rating in case of (1) improving profitability, evidenced by EBITA margins (Moody's adjusted) of at least 10% through the cycle; (2) strong Free Cash Flow on a sustainable basis (after dividends); (3) Debt/EBITDA (Moody's adjusted) consistently below 1.0x; as well as (4) a track record of conservative financial policy and maintenance of a strong liquidity profile.

Daimler Truck's ratings could be downgraded in case of (1) inability to improve operating efficiency and profit margins, leading to EBITA margin sustainably below 7%, (2) leverage (Debt/EBITDA) sustainably above 1.5x, (3) a weakening liquidity profile as well as (4) a negative Free Cash Flow generation.

LIQUIDITY

Daimler Truck's liquidity is strong. Liquidity sources comprise more than €6.9 billion cash and cash equivalents as of December 2021, and a €5 billion syndicated credit facility (not subject to financial covenants and a MAC

clause). Considering positive free cash flow of the industrial business, liquidity sources will comfortably exceed uses over the next four quarters, which include maturities of bonds, bank loans and financial leases. We assume that working cash needed to run the business amounts to around €1.2 billion (3% of industrial revenues).

LIST OF AFFECTED RATINGS

..Issuer: Daimler Truck AG

Assignments:

...BACKED Senior Unsecured Medium-Term Note Program, Assigned (P)A3

Affirmations:

.... LT Issuer Rating, Affirmed A3

.... ST Issuer Rating, Affirmed P-2

Outlook Actions:

....Outlook, Remains Stable

..Issuer: Daimler Truck International Finance B.V.

Assignments:

...BACKED Senior Unsecured Medium-Term Note Program, Assigned (P)A3

Outlook Actions:

....Outlook, Assigned Stable

..Issuer: Daimler Truck Finance Canada Inc.

Assignments:

...BACKED Senior Unsecured Medium-Term Note Program, Assigned (P)A3

Affirmations:

...BACKED Senior Unsecured Regular Bond/Debenture, Affirmed A3

Outlook Actions:

....Outlook, Remains Stable

..Issuer: Daimler Truck Finance North America LLC

Affirmations:

...BACKED Senior Unsecured Regular Bond/Debenture, Affirmed A3

Outlook Actions:

....Outlook, Remains Stable

PRINCIPAL METHDOLOGY

The principal methodology used in these ratings was Manufacturing published in September 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1287885 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

COMPANY PROFILE

Headquartered in Stuttgart (Germany), Daimler Truck AG (Daimler Truck, DTAG or the company) is the world's

largest manufacturer of commercial vehicles by revenues (€38.6 billion, excluding financial services in 2021), with a diverse portfolio of medium and heavy duty trucks and buses. In 2021, it sold 455,445 units, operated more than 40 production sites and employed nearly 100,000 people globally.

DTAG is a 100% subsidiary and the only asset of Daimler Truck Holding AG (DTHAG), which was spun-off from Mercedes-Benz Group AG (formerly known as Daimler AG) and has been listed at the Frankfurt Stock Exchange since December 10, 2021.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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