

Creative Global Investments

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Daimler (EUR 39.44) – BUY

Target price: EUR 51.97; potential +32%

At EUR 39.44, Daimler shares are currently valued at 7.2x prospective 2013E earnings and 6.7x prospective 2014E earnings; the latter is at a 36% discount to the 5-year average historic valuation of 10.5x and at a 25% discount to the 10-year low historic valuation of 8.9x. This is inconsistent with the implication that our estimates for 2014E EPS (EUR 5.91) are 44% above the 5-year average of EUR 4.11 and 63% above the 10-year average of EUR 3.62.

A valuation in line with the 10-year low historic valuation of 8.9x implies a share price of EUR 52.63 at year-end 2014E and time-discounted (yield of 10-year Bund) a target price of EUR 51.97 at year-end 2013E, which is 32% above the current share price and 15% below our previous target price of EUR 60.91 (February 11th). (See our latest company report 'Daimler: 1Q13E preview' of April 16th.)

Daimler – Valuation summary

Current share price	Current P/E 2014E	Target P/E 2014E	Implied price Y/E 2014E	Target price Y/E 2013E	Potential TP vs. current price
EUR 39.44	6.7x	8.9x	EUR 52.63	EUR 51.97	31.8%

Share price close 04.15.2013. Source: Company data and CGI estimates

Daimler– share summary (2006-14E)

Current price (EUR)	39.44								
Market capitalisation (EUR bn)	42.11								
December year-end	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
EPS (EUR)	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.48	5.91
CFPS (EUR)	16.0	13.7	6.4	0.0	7.7	8.4	8.1	6.8	8.8
BVPS (EUR)	35.9	36.2	33.7	29.5	34.1	37.2	41.1	44.4	47.9
DPS (EUR)	1.50	2.00	0.60	0.00	1.85	2.20	2.20	2.20	2.36
Free CFPS (EUR)	2.62	7.36	-4.09	2.70	5.17	0.93	1.36	1.00	2.74
P/E (x)	10.8	10.3	28.0	NM	9.2	7.4	6.9	7.2	6.7
PCF (x)	2.5	2.9	6.1	NM	5.1	4.7	4.9	5.8	4.5
Price/BV (x)	1.1	1.1	1.2	1.3	1.2	1.1	1.0	0.9	0.8
P/revenue (x)	0.42	0.41	0.43	0.53	0.43	0.40	0.37	0.36	0.32
Dividend yield (%)	3.8	5.1	1.5	0.0	4.7	5.6	5.6	5.6	6.0
Free CF yield (%)	6.6	18.7	-10.4	6.8	13.1	2.4	3.5	2.5	7.0

Share price close 04.15.2013. Source: Company data and CGI estimates

Daimler– share price (- 5 years)

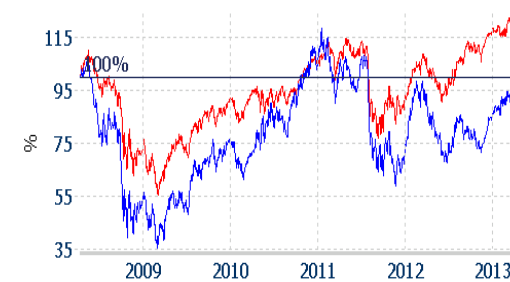
— Daimler (XETRA)



Daimler vs. DAX 30 Index (- 5 years)

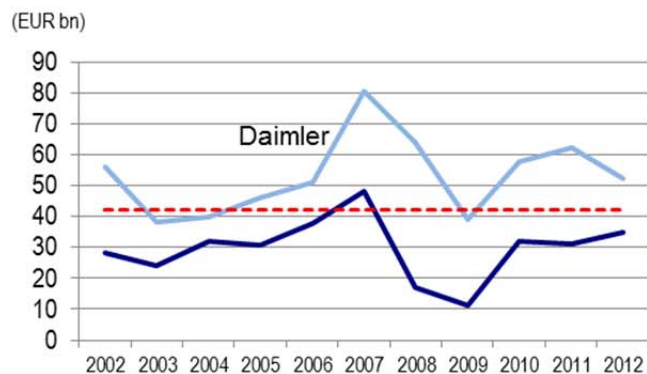
— DAX

— Daimler (XETRA)

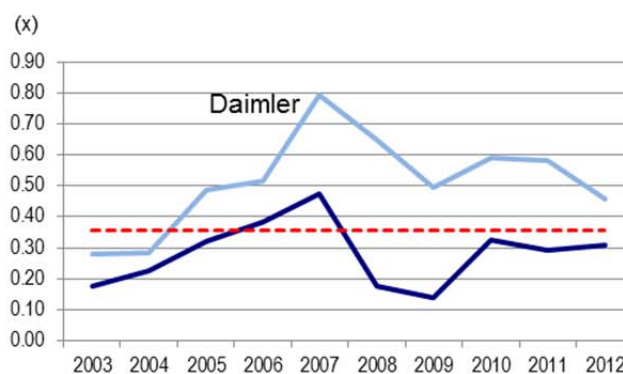


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Daimler – Market capitalisation – historic range (2002-12) vs. current valuation



Daimler – Price/revenue – historic range (2003-12) vs. current valuation (2013E)



Daimler – Historic valuation (2000-2012)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	10-yr average ¹	5-yr average ²
EPS (EUR)	7.87	-0.59	5.06	0.44	2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	3.62	4.11
P/E-high	10.2	NM	11.0	85.4	16.3	21.2	16.4	16.7	38.9	NM	12.8	11.0	8.6	15.5	13.5
P/E-low	5.4	NM	5.6	53.9	13.0	14.0	12.1	9.9	10.5	NM	7.1	5.5	5.7	8.9	7.2
P/E-average	7.8	NM	8.3	69.6	14.6	17.6	14.2	13.3	24.7	NM	10.0	8.2	7.2	12.4	10.5

(1) 10-year average: 2003-12, excl. 2009. (2) 5-year average 2007-12, excl. 2009. Source: Company data and CGI estimates

Daimler – Current valuation (2004-2014E)

	2004	2005	2006	2007	2008	2009	2010	2011	2012A	2013E	2014E
Daimler EPS (EUR)	2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.48	5.91
Current Daimler PE (x)	16.2	9.6	10.8	10.3	28.0	NM	9.2	7.4	6.9	7.2	6.7
% vs. 5-yr high	(13.5x)	21	-28	-20	-24	108	NM	-32	-45	-46	-50
% vs. 5-yr low	(7.2x)	125	34	49	43	289	NM	28	3	-4	-7
% vs. 5-yr average	(10.5x)	55	-8	3	-2	168	NM	-12	-29	-34	-36
% vs. 10-yr high	(15.5x)	5	-38	-31	-34	81	NM	-41	-52	-56	-57
% vs. 10-yr low	(8.9x)	82	8	21	16	215	NM	3	-17	-22	-25
% vs. 10-yr average	(12.4x)	31	-22	-13	-17	126	NM	-26	-40	-44	-46

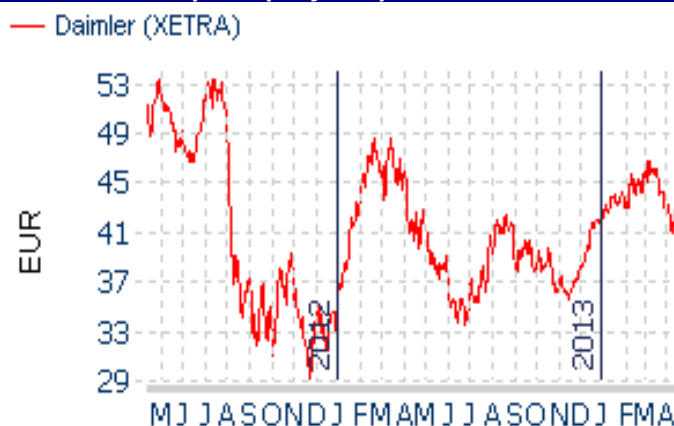
Source: Company data and CGI estimates

Daimler – Current valuation (price/revenue) put in context

	Historic average price/revenue (x)	Historic average price/revenue (x)	Current valuation p/revenue 2012E (0.36x) vs. historic highs/lows (%)		Current valuation p/revenue 2013E (0.32x) vs. historic highs/lows (%)	
	10 years ¹	5 years ²	10-yr average	5-yr average	10-yr average	5-yr average
High	0.46x	0.55x	-23.0	-34.5	-23.0	-34.5
Low	0.25x	0.22x	45.0	61.7	45.0	61.7

(1) 2003-2012; (2) 2008-12. Source: Company data and CGI estimates

Daimler– share price (- 2 years)



Daimler vs. DAX 30 Index (- 2 years)

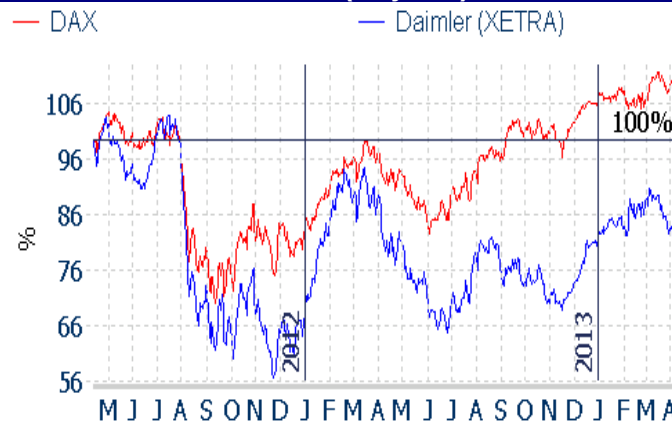


Chart technical view

Short term

RSI, MACD, 50-dayMVA and 200-dayMVA are all pointing downward. Daimler has support at the January 2012 trend line at EUR 37.80, next support levels are then at EUR 35.40 and at EUR 33.50.



Long term

The long-term technical outlook for Daimler is bullish. Daimler is still making lower lows, despite lower highs. Support is at EUR 37.80.



Overview

Daimler– overview (2006-14E)

Current price (EUR)	39.44								
Market capitalisation (EUR bn)	42.11								
Shares (m)	1,067.7								
Values per share (EUR)	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
EPS	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.48	5.91
EPS – continuing operations	3.06	4.67	1.71	-2.63	4.28	5.32	5.71	5.48	5.91
CFPS	16.02	13.68	6.43	0.02	7.71	8.44	8.10	6.81	8.77
BVPS	35.91	36.21	33.66	29.55	34.14	37.16	41.10	44.37	47.91
DPS	1.50	2.00	0.60	0.00	1.85	2.20	2.20	2.20	2.36
Free CFPS - industrial	2.62	7.36	-4.09	2.70	5.17	0.93	1.36	1.00	2.74
Stock market ratios (x)									
P/E	10.8	10.3	28.0	NM	9.2	7.4	6.9	7.2	6.7
P/E – continuing operations	12.9	8.4	23.1	NM	9.2	7.4	6.9	7.2	6.7
P/CF	2.5	2.9	6.1	NM	5.1	4.7	4.9	5.8	4.5
P/BV	1.1	1.1	1.2	1.3	1.2	1.1	1.0	0.9	0.8
P/revenue	0.42	0.41	0.43	0.53	0.43	0.40	0.37	0.36	0.32
Dividend yield (%)	3.8	5.1	1.5	0.0	4.7	5.6	5.6	5.6	6.0
Free CF yield (%)	6.6	18.7	-10.4	6.8	13.1	2.4	3.5	2.5	7.0
EV (EUR m)	22,890	26,320	35,880	31,721	26,887	26,921	27,116	27,292	26,550
EV/revenue – industrial (%)	25.1	29.1	41.5	47.4	31.6	28.5	26.9	26.2	23.0
EV/EBITDA - industrial	2.0	2.1	7.1	18.6	2.7	2.4	2.4	2.1	2.0
Group P&L (EUR m)									
Revenue	99,222	101,569	98,469	78,924	97,761	106,540	114,297	117,884	129,702
- Industrial operations	91,116	90,602	86,505	66,928	84,973	94,460	100,747	104,063	115,605
- Financial services	8,106	10,967	11,964	11,996	12,788	12,080	13,550	13,821	14,097
EBIT	4,992	8,710	2,730	-1,513	7,274	8,755	8,615	10,079	10,087
- Industrial business	4,185	8,080	2,053	-1,522	6,443	7,443	7,323	8,829	8,887
- Financial services	807	630	677	9	831	1,312	1,292	1,250	1,200
EBITDA	17,936	16,720	5,753	1,751	10,638	12,330	12,682	14,267	14,737
Net interest	-90	471	65	-785	-646	-306	-897	-600	-600
Pre-tax profit	4,902	9,181	2,795	-2,298	6,628	8,449	7,718	9,479	9,487
Less tax charge/-credit	1,736	4,326	1,091	-346	1,954	2,420	1,223	2,052	2,883
Net profit - continuing operations,	3,166	4,855	1,704	-2,644	4,674	6,029	6,495	7,427	6,604
Less minorities	39	6	66	-4	176	362	400	1,586	300
Group NI - Daimler SHs (cont.ops)	3,127	4,849	1,638	-2,640	4,498	5,667	6,095	5,841	6,304
Combined net income – Daimler SHs	3,744	3,979	1,348	-2,640	4,498	5,667	6,095	5,841	6,304
CF - industrial business (EUR m)									
CF from operations	8,917	8,646	3,788	1,287	8,933	9,498	7,690	7,846	9,932
Working capital	-2,460	-3,058	-2,188	5,257	1,133	-2,152	-163	-500	-900
CF from operating activities	6,457	5,588	1,600	6,544	10,066	7,346	7,527	7,346	9,032
Capital expenditure (excl. R&D)	-5,845	-4,206	-3,518	-2,409	-3,641	-4,137	-4,804	-5,176	-5,004
Other	2,067	6,255	-1,997	-1,429	-993	-2,220	-1,271	-1,100	-1,100
Free CF	2,679	7,637	-3,915	2,706	5,432	989	1,452	1,070	2,928
BS - industrial business (EUR m)									
Gross Liquidity	12,098	16,170	5,623	11,808	10,793	10,079	13,728	13,387	14,087
ST financing liabilities	1,793	6,886	6,057	7,874	4,525	12,525	8,067	6,800	7,000
LT liabilities	-4,447	-11,905	-10,505	-13,390	-3,480	-10,250	-10,950	-8,900	-8,900
Financing liabilities	-2,654	-5,019	-4,448	-5,516	1,045	2,275	-2,883	-2,100	-1,900
Market valuation/currency hedging	1,376	1,761	1,931	993	300	-373	663	0	0
Financial liabilities (nominal)	-1,278	-3,258	-2,517	-4,523	1,145	1,902	1,902	-2,100	-1,900
Net liquidity	10,820	12,912	3,106	7,285	11,938	11,981	11,508	11,287	12,187
Shareholders' funds	28,525	33,840	28,092	27,157	33,088	35,964	39,357	42,610	45,966
Profitability and financial ratios (%)									
EBIT	5.0	8.6	2.8	-1.9	7.4	8.2	7.5	8.6	7.8
- Industrial business	4.6	8.9	2.4	-2.3	7.6	7.9	7.3	8.5	7.7
- Financial services	10.0	5.7	5.7	0.1	6.5	10.9	9.5	9.0	8.5
EBITDA	18.1	16.5	5.8	2.2	10.9	11.6	11.1	12.1	11.4
Pre-tax profit	4.9	9.0	2.8	-2.9	6.8	7.9	6.8	8.0	7.3
Net profit - continuing operations	3.2	4.8	1.7	-3.4	4.8	5.7	5.7	6.3	5.1
Tax rate (%)	35.4	47.1	39.0	15.1	29.5	28.6	15.8	21.6	30.4

Source: Company data and CGI estimates

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