



Creative Global Investments

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Daimler (EUR 54.21) – BUY

Target price: EUR 72.94; potential +35%

Previous target price: EUR 51.97 (April 16th).

At EUR 53.79, Daimler shares are currently valued at 9.4x prospective 2014E earnings and 7.5x prospective 2015E earnings; the latter is at a 28% discount to the 5-year average historic valuation of 10.5x and at a 15% discount to the 10-year low historic valuation of 8.9x. This is inconsistent with the implication that our estimates for 2015E EPS (EUR 7.20) are 75% above the 5-year average of EUR 4.11 and 99% above the 10-year average of EUR 3.62.

A valuation in line with the 5-year average historic valuation of 10.5x implies a share price of EUR 75.43 at year-end 2015E and time-discounted (yield of 10-year Bund) a target price of EUR 72.94 at year-end 2013E, which is 35% above the current share price and 40% above our previous target price of EUR 51.97 (April 16th). (See our latest company report 'Daimler: A sharp 2Q13 improvement points towards 2014E-15E earnings improvement' of August 9th.)

Daimler – Valuation summary

Current share price	Current P/E 2015E	Target P/E 2015E	Implied price Y/E 2015E	Target price Y/E 2013E	Potential TP vs. current price
EUR 54.21	7.5x	10.5x	EUR 75.43	EUR 72.94	34.6%

Share price close 08.08.2013. Source: Company data and CGI estimates

Daimler – share summary (2006-15E)

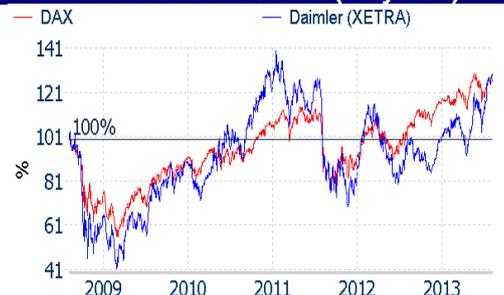
Current price (EUR)	54.21									
Market capitalisation (EUR bn)	57.95									
December year-end	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EPS (EUR)	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
CFPS (EUR)	16.0	13.7	6.4	0.0	7.7	8.4	8.1	6.7	8.1	9.8
BVPS (EUR)	35.9	36.2	33.7	29.5	34.1	37.2	41.1	44.6	48.1	52.4
DPS (EUR)	1.50	2.00	0.60	0.00	1.85	2.20	2.20	2.20	2.28	2.88
Free CFPS (EUR)	2.62	7.36	-4.09	2.70	5.17	0.93	1.36	1.59	2.45	4.39
P/E (x)	14.8	14.1	38.5	NM	12.7	10.2	9.5	9.5	9.5	7.5
PCF (x)	3.4	4.0	8.4	NM	7.0	6.4	6.7	8.1	6.7	5.5
Price/BV (x)	1.5	1.5	1.6	1.8	1.6	1.5	1.3	1.2	1.1	1.0
P/revenue (x)	0.58	0.57	0.59	0.73	0.59	0.54	0.51	0.49	0.47	0.44
Dividend yield (%)	2.8	3.7	1.1	0.0	3.4	4.1	4.1	4.1	4.2	5.3
Free CF yield (%)	4.8	13.6	-7.5	5.0	9.5	1.7	2.5	2.9	4.5	8.1

Share price close 08.08.2013. Source: Company data and CGI estimates

Daimler – share price (- 5 years)

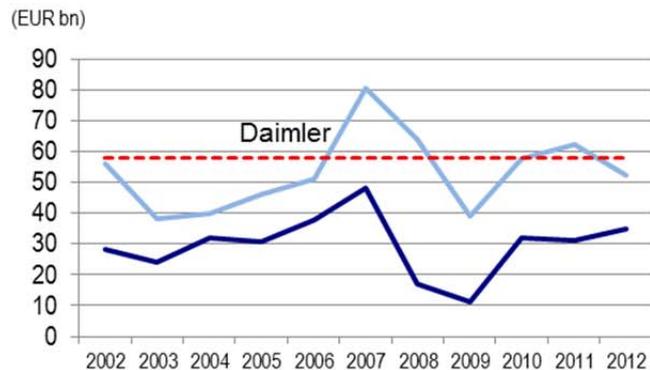


Daimler vs. DAX 30 Index (- 5 years)

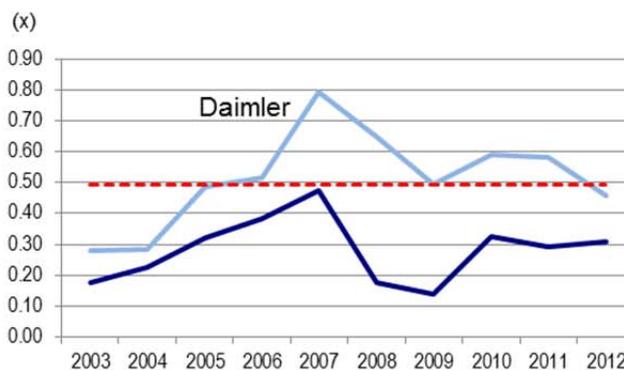


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Daimler – Market capitalisation – historic range (2002-12) vs. current valuation



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 (2004-2015E)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Daimler EPS (EUR)	2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
Current Daimler PE (x)	22.3	13.3	14.8	14.1	38.5	NM	12.7	10.2	9.5	9.5	9.5	7.5
% vs. 5-yr high	(13.5x)	66	-1	10	5	186	NM	-6	-24	-29	-30	-44
% vs. 5-yr low	(7.2x)	209	84	105	96	434	NM	76	41	32	31	32
% vs. 5-yr average	(10.5x)	113	27	41	35	268	NM	21	-3	-9	-10	-28
% vs. 10-yr high	(15.5x)	44	-15	-5	-9	148	NM	-18	-34	-39	-39	-52
% vs. 10-yr low	(8.9x)	150	49	66	59	332	NM	42	14	7	6	7
% vs. 10-yr average	(12.4x)	80	7	20	14	211	NM	2	-18	-23	-24	-39

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 2013E (0.49x) vs. historic highs/lows (%)		Current valuation p/revenue 2014E (0.47x) 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	6.3	-9.6	0.2	-14.8
Low	0.25x	0.22x	100.3	123.3	88.8	110.5

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

Daimler – share price (- 2 years)



Daimler vs. DAX 30 Index (- 2 years)

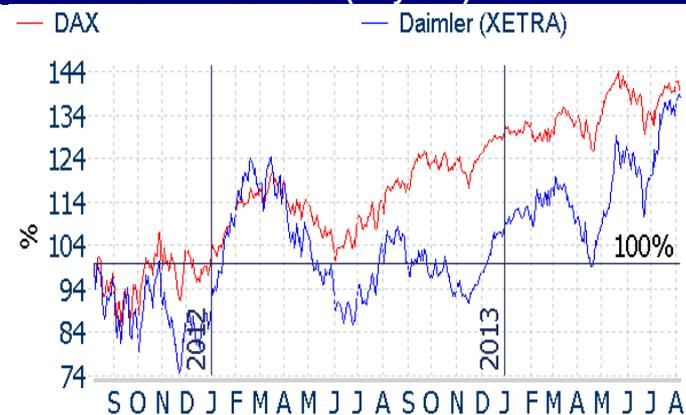


Chart technical view

Daimler shares are close to the upper long term trend channel. The 2011 high of EUR 57.83 acts as major resistance. In the short term, stochastics are turning. RSI, TSI and MACD are all rolling over, and 15-day MVA and 50-day MVA are also rolling over. Daimler has a short term support at EUR 49.67.

Short term

Our short-term price target for Daimler is EUR 58.



Long term

Our long-term price target for Daimler is EUR 75.



Overview

Daimler– overview (2006-15E)

Current price (EUR)	54.21									
Market capitalisation (EUR bn)	57.95									
Shares (m)	1,067.6									
Values per share (EUR)	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EPS	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
EPS – continuing operations	3.06	4.67	1.71	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
CFPS	16.02	13.68	6.43	0.02	7.71	8.44	8.10	6.66	8.06	9.78
BVPS	35.91	36.21	33.66	29.55	34.14	37.16	41.10	44.64	48.06	52.39
DPS	1.50	2.00	0.60	0.00	1.85	2.20	2.20	2.20	2.28	2.88
Free CFPS - industrial	2.62	7.36	-4.09	2.70	5.17	0.93	1.36	1.59	2.45	4.39
Stock market ratios (x)										
P/E	14.8	14.1	38.5	NM	12.7	10.2	9.5	9.5	9.5	7.5
P/E – continuing operations	17.7	11.6	31.7	NM	12.7	10.2	9.5	9.5	9.5	7.5
P/CF	3.4	4.0	8.4	NM	7.0	6.4	6.7	8.1	6.7	5.5
P/BV	1.5	1.5	1.6	1.8	1.6	1.5	1.3	1.2	1.1	1.0
P/revenue	0.58	0.57	0.59	0.73	0.59	0.54	0.51	0.49	0.47	0.44
Dividend yield (%)	2.8	3.7	1.1	0.0	3.4	4.1	4.1	4.1	4.2	5.3
Free CF yield (%)	4.8	13.6	-7.5	5.0	9.5	1.7	2.5	2.9	4.5	8.1
EV (EUR m)	38,730	42,160	51,720	47,561	42,727	42,761	42,956	42,232	42,540	40,074
EV/revenue – industrial (%)	42.5	46.5	59.8	71.1	50.3	45.3	42.6	40.9	38.9	34.9
EV/EBITDA - industrial	3.4	3.4	10.3	27.8	4.4	3.9	3.8	3.2	3.4	2.7
Group P&L (EUR m)										
Revenue	99,222	101,569	98,469	78,924	97,761	106,540	114,297	117,436	124,583	131,134
- Industrial operations	91,116	90,602	86,505	66,928	84,973	94,460	100,747	103,209	109,360	114,845
- Financial services	8,106	10,967	11,964	11,996	12,788	12,080	13,550	14,228	15,223	16,289
EBIT	4,992	8,710	2,730	-1,513	7,274	8,755	8,615	10,192	9,174	11,404
- Industrial business	4,185	8,080	2,053	-1,522	6,443	7,443	7,323	9,007	7,994	10,254
- Financial services	807	630	677	9	831	1,312	1,292	1,185	1,180	1,150
EBITDA	17,936	16,720	5,753	1,751	10,638	12,330	12,682	14,346	13,573	16,022
Net interest	-90	471	65	-785	-646	-306	-897	-710	-600	-600
Pre-tax profit	4,902	9,181	2,795	-2,298	6,628	8,449	7,718	9,482	8,574	10,804
Less tax charge/-credit	1,736	4,326	1,091	-346	1,954	2,420	1,223	1,569	2,459	3,082
Net profit - continuing operations,	3,166	4,855	1,704	-2,644	4,674	6,029	6,495	7,913	6,114	7,722
Less minorities	39	6	66	-4	176	362	400	1,790	20	30
Group NI - Daimler SHs (cont.ops)	3,127	4,849	1,638	-2,640	4,498	5,667	6,095	6,123	6,094	7,692
Combined net income – Daimler SHs	3,744	3,979	1,348	-2,640	4,498	5,667	6,095	6,123	6,094	7,692
CF - industrial business (EUR m)										
CF from operations	8,917	8,646	3,788	1,287	8,933	9,498	7,690	7,738	9,205	11,052
Working capital	-2,460	-3,058	-2,188	5,257	1,133	-2,152	-163	-500	-900	-900
CF from operating activities	6,457	5,588	1,600	6,544	10,066	7,346	7,527	7,238	8,305	10,152
Capital expenditure (excl. R&D)	-5,845	-4,206	-3,518	-2,409	-3,641	-4,137	-4,804	-5,151	-4,683	-4,467
Other	2,067	6,255	-1,997	-1,429	-993	-2,220	-1,271	-393	-1,000	-1,000
Free CF	2,679	7,637	-3,915	2,706	5,432	989	1,452	1,694	2,621	4,684
BS - industrial business (EUR m)										
Gross Liquidity	12,098	16,170	5,623	11,808	10,793	10,079	13,728	12,987	12,587	14,687
ST financing liabilities	1,793	6,886	6,057	7,874	4,525	12,525	8,067	6,800	7,000	7,200
LT liabilities	-4,447	-11,905	-10,505	-13,390	-3,480	-10,250	-10,950	-8,900	-8,900	-8,900
Financing liabilities	-2,654	-5,019	-4,448	-5,516	1,045	2,275	-2,883	-2,100	-1,900	-1,700
Market valuation/currency hedging	1,376	1,761	1,931	993	300	-373	663	0	0	0
Financial liabilities (nominal)	-1,278	-3,258	-2,517	-4,523	1,145	1,902	1,902	-2,100	-1,900	-1,700
Net liquidity	10,820	12,912	3,106	7,285	11,938	11,981	11,508	10,887	10,687	12,987
Shareholders' funds	28,525	33,840	28,092	27,157	33,088	35,964	39,357	41,729	44,936	48,971
Profitability and financial ratios (%)										
EBIT	5.0	8.6	2.8	-1.9	7.4	8.2	7.5	8.7	7.4	8.7
- Industrial business	4.6	8.9	2.4	-2.3	7.6	7.9	7.3	8.7	7.3	8.9
- Financial services	10.0	5.7	5.7	0.1	6.5	10.9	9.5	8.3	7.8	7.1
EBITDA	18.1	16.5	5.8	2.2	10.9	11.6	11.1	12.2	10.9	12.2
Pre-tax profit	4.9	9.0	2.8	-2.9	6.8	7.9	6.8	8.1	6.9	8.2
Net profit - continuing operations	3.2	4.8	1.7	-3.4	4.8	5.7	5.7	6.7	4.9	5.9
Tax rate (%)	35.4	47.1	39.0	15.1	29.5	28.6	15.8	16.6	28.7	28.5

Source: Company data and CGI estimates

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