

MONETISING DESIRE

Repositioning Mercedes-Benz for structurally higher profitability

Harald Wilhelm

Chief Financial Officer

Mercedes-Benz

The following presentation contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to many risks and uncertainties. If the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. For further details, please refer to the disclaimer at the end of the presentation.

Strategy execution at work

Think

and act
like a luxury
company

Focus

on
profitable
growth

Expand

customer base
by growing
top-end luxury

Embrace

customers
and grow
recurrent
revenues

Lead



in electric
drive and
car software

Lower

cost base
and improve
industrial
footprint

Strongly improved financials driven by strategy execution

Our progress and track record

	2019	2020	2021	Q1/22
Sales in k units	2,278	2,052	1,906	
ASP in k €	51.0	55.7	67.1	71.5
Mix				
Fixed Cost vs. 2019		-14%	-16%	
Investments vs. 2019		-12%	-16%	
RoS adj.	6.2%	6.9%	13.1%	16.4%
EBIT adj.	€ 5.9bn	€ 6.0bn	€ 12.7bn	
CFBIT adj.	€ 1.5bn	€ 6.7bn	€ 10.7bn	

Our game plan: generate returns consistent with our luxury status

What we are going to do

- Focus on **pricing power**
- Optimise product portfolio
- Tap full **potential of top-end segment**
- **Exit lower margin products and channels**
- **Control investment and capacity** while driving up contribution margins



The financial Impact

- Drive ASP higher
- Find a **superior operating equilibrium**
- Structurally higher **profitability and improved margin resilience**
- Higher return on invested capital

The power of pricing is part of our strategy

Key Levers

- Superior **brand** drives pricing power
 - Strong **products** enable ambitious **initial price setting** versus competition
 - Sustainable **price escalation**
 - Tight **discounts**: from sales push to lifecycle management
 - **Direct sales** model allows grip on pricing
-
- Clear objective to continually raise our net pricing yoy
 - Ambition to compensate raw material cost increases via pricing
 - We will continue to control pricing and supply even if competitors pursue a volume strategy



Reshaped model portfolio will drive profitable sales growth

Mercedes-Benz
Car Sales

2.3 m cars

1.9 m cars

2021-2026
CAGR approx. 5% p.a.

Change of
segment share in
2026 vs. 2019

Top-End Luxury

Around
+60%

Core Luxury

0%

Entry Luxury

-25%



2019



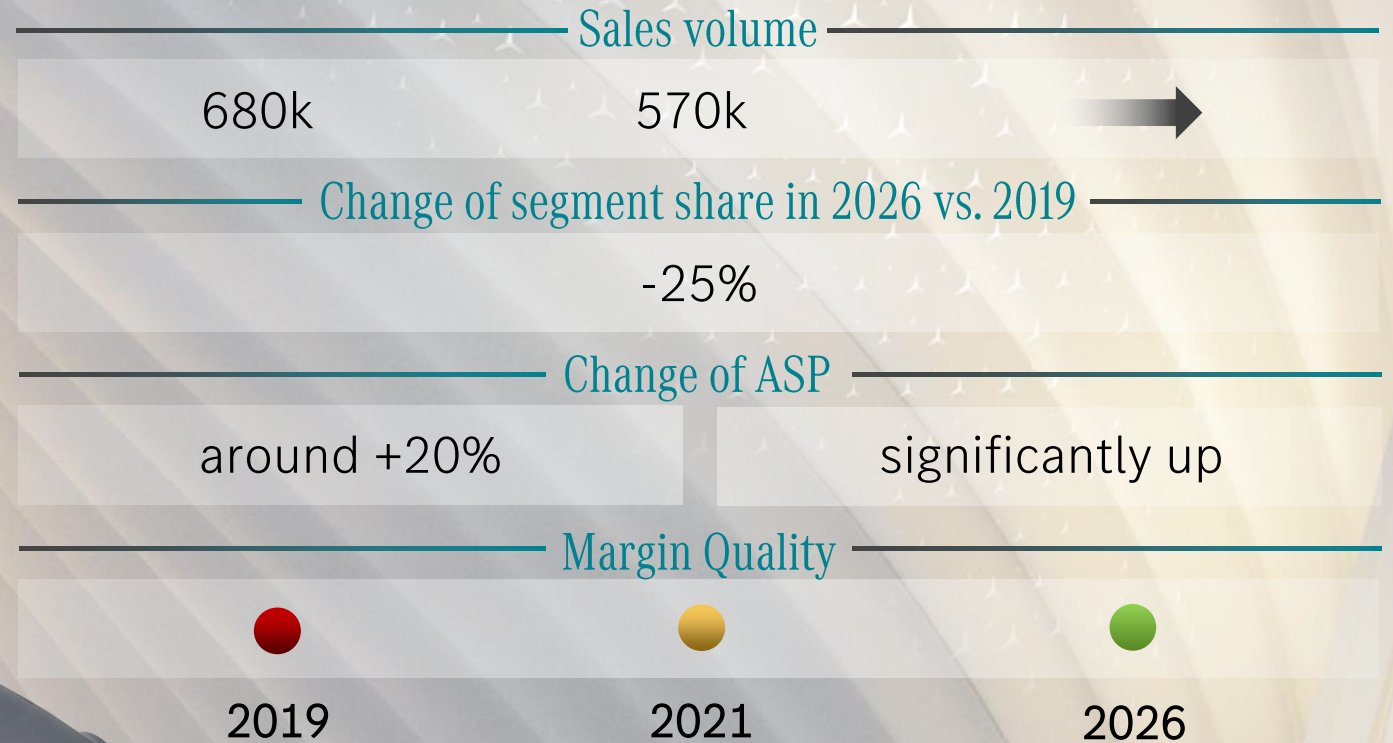
2021



2026

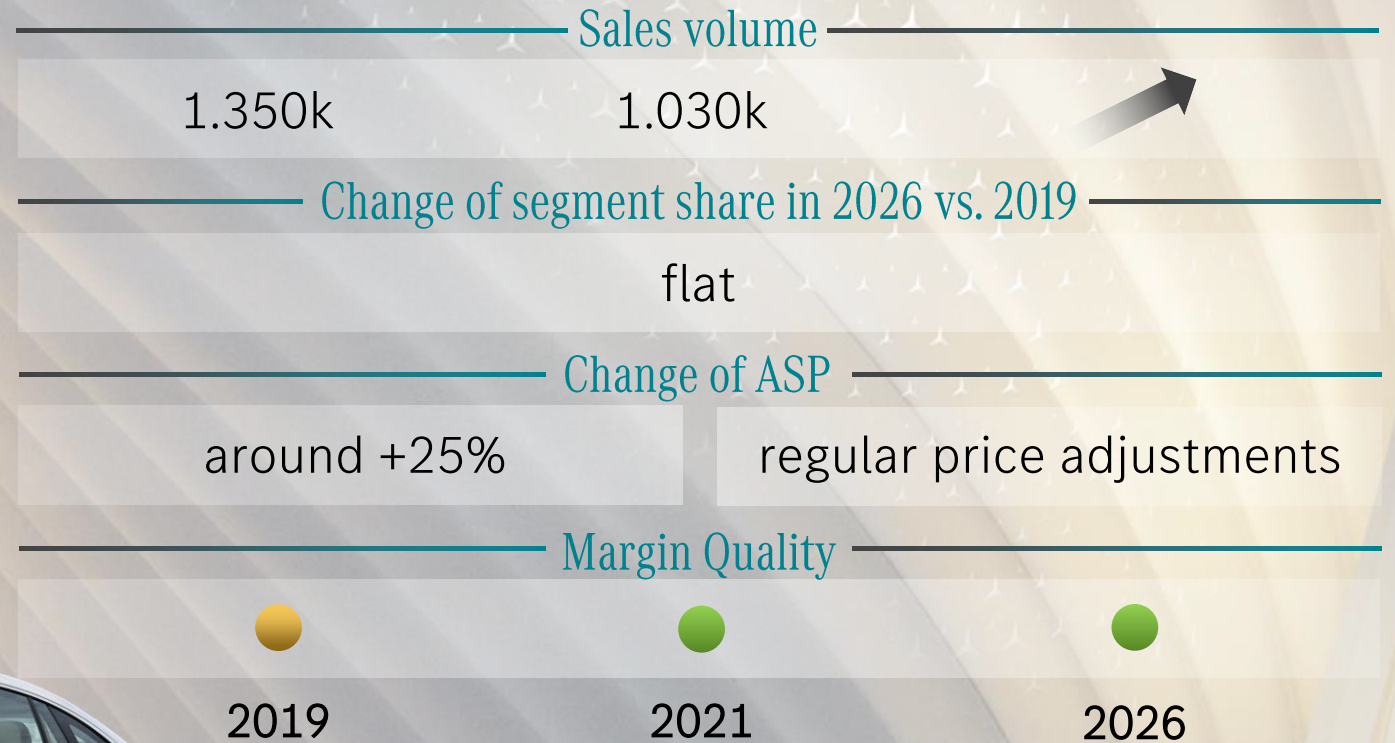
Entry Luxury - our plan

- Elevate to Entry Luxury
- Product range refocused on **fewer and more upscale portfolio positions**:
4 bodystyles instead of 7
- The **new entrance point of the portfolio is being redefined** with the next generation of vehicles
- **Margin threshold** supports Group margin ambition



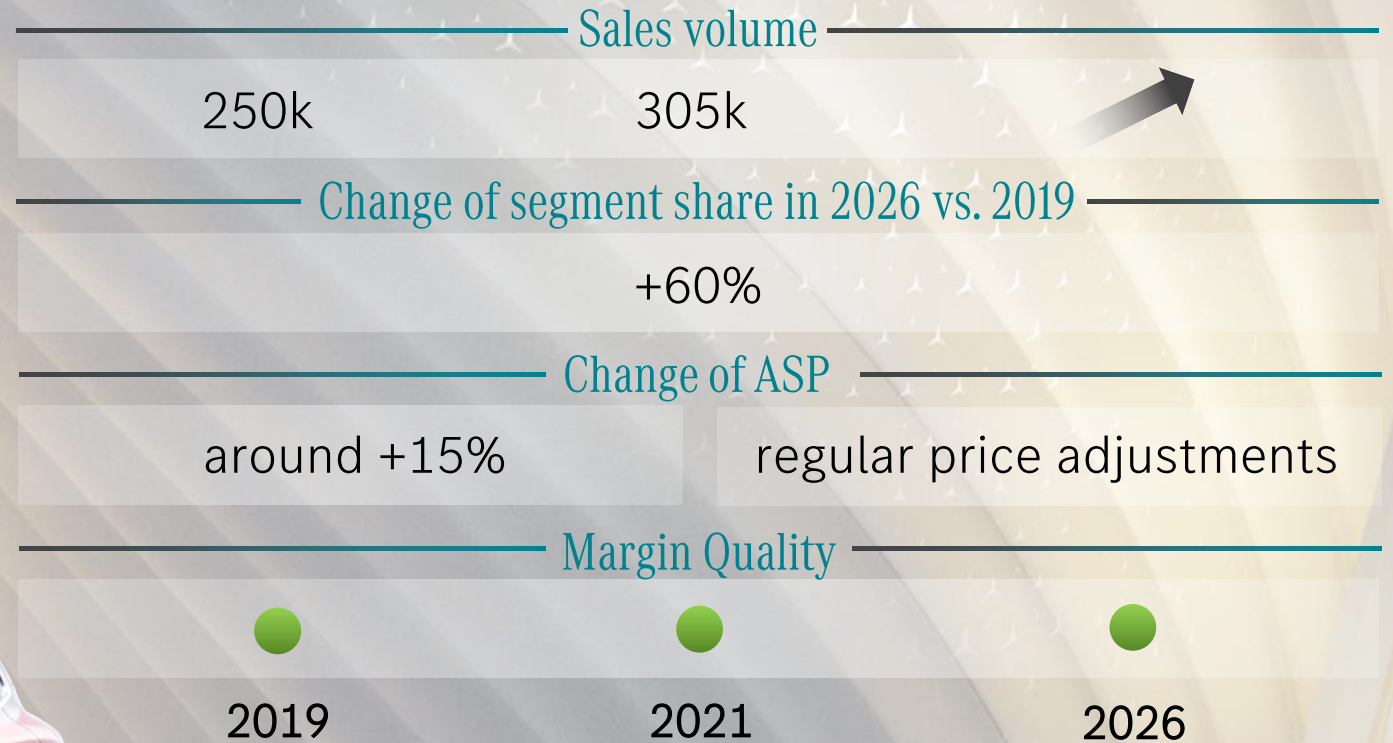
Core Luxury - our plan

- Core Luxury going electric on an accelerated timescale, leveraging EVA (EQE, EQE-SUV) and then MB.EA architectures
- Very attractive C-Class in the market
 - GLC to launch end of 2022
 - Brand new E-Class in 2023
- Protect healthy margins on the way to BEV



Top-End Luxury - our plan

- Starting point: Over 300k top-end luxury units with ASP of > € 100k and top-end profitability
- Sustainable segment growth
- Desirable products fueling growth: EQS, EQS-SUV, EQS-SUV Maybach, SL, GT, AMG-EA
- Ultra exclusive collectibles and luxury customer experience



Changing our economic equation

- Enhance ROIC: control the denominator while raising the numerator (operating and cash margins)
- Drive growth through high utilisation, 'reverse auction' of available capacity to build the most profitable models
- 75% of capital allocation focused on top-end and core segment where the returns are most promising
- Intelligent and careful capital allocation to build EV capabilities and supply chain



Our financial ambitions for Mercedes-Benz Cars in 2025: structurally higher profitability and lower margin volatility

Market Environment*

Market level, competitive actions,
commodity and raw material markets



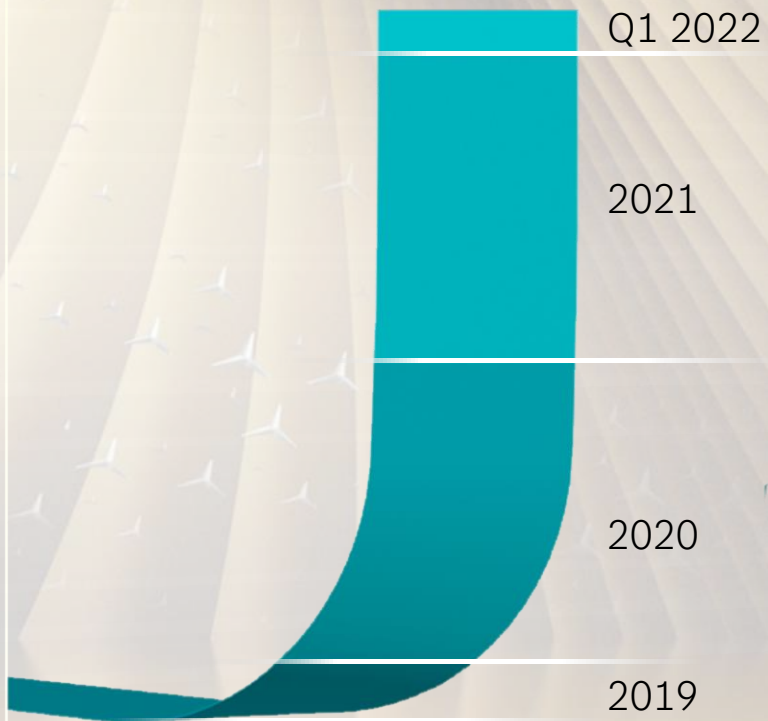
	Higher mix and strong pricing power		
Mix & Pricing	←		→
Fixed costs	> -20% vs. 2019	> -20% vs. 2019	> -20% vs. 2019
CAPEX and R&D (CF impact)	> -20% vs. 2019	> -20% vs. 2019	> -20% vs. 2019
RoS adjusted	approx. 8%/10%	approx. 12%	approx. 14%
Cash conversion	←	0.7 – 0.9x	→

* Market Environment comprises of the above listed external factors. There might also be situations, which are impossible for us to forecast and not covered within the weather chart e.g. „black swans“ like Covid-19 in 2020. Major tectonic shifts on raw material side or on the geo-political side might be further potential examples. By the nature of these events providing a margin forecast for such extreme scenarios is not possible.

Cash culture at work

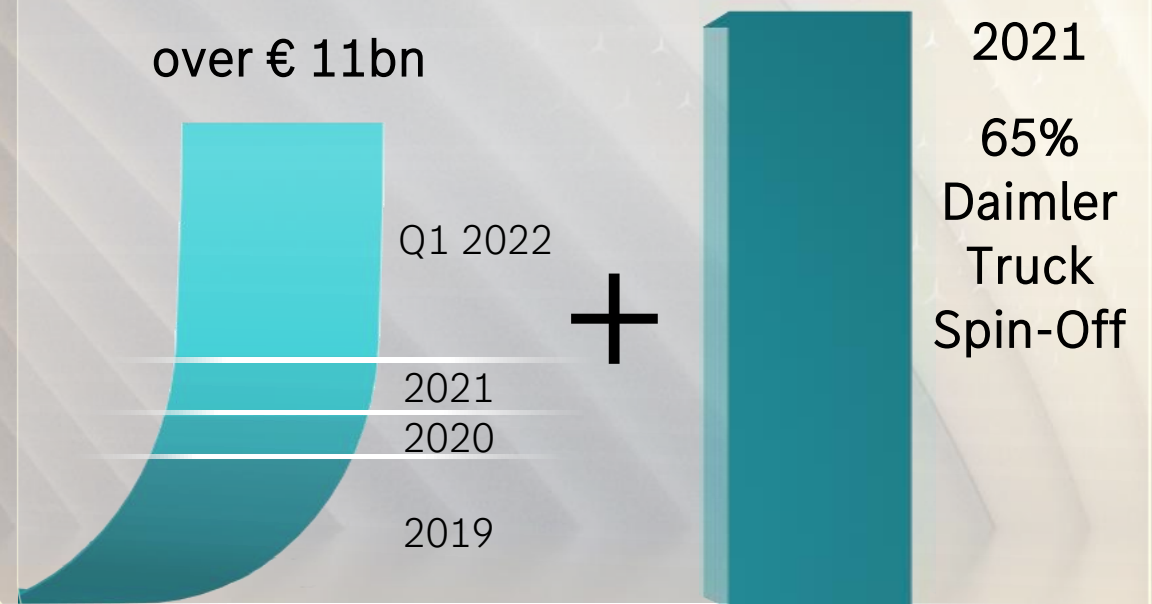
Cash generated since 2019

around € 20bn



Cash returned to shareholder

over € 11bn



Unleash Value

	10/2020 Mercedes-Benz Strategy Update	07/2021 Strategy Update: electric drive	YTD/2022	05/2022 Strategy Update: Economics of Desire
Adj. RoS	6.9%	13.1%	16.4%	
Market Cap*	44bn	67bn	72bn	New Weather Chart (from 2025)
P/E Multiple**	9.1x	6.6x	6.1x	



* Full year average values for 2020 and 2021

** P/E 12M forward multiple, periodic averages

Disclaimer

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates, customs and foreign trade provisions; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labour strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending governmental investigations or of investigations requested by governments and the outcome of pending or threatened future legal proceedings; and other risks and uncertainties, some of which are described under the heading “Risk and Opportunity Report” in the current Annual Report or in the current Interim Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.