

Initiating Coverage:

Paccar

Open Road or Speed Bumps Ahead?

Key Take-away: Over the years, Paccar has demonstrated exquisite financial discipline and performance throughout the business cycle. Even in the current downturn in manufacturing fueled by policy and tariff uncertainty, supply chain disruptions, and rising input costs, Paccar has maintained its high-quality reputation, has shown consistent long-term growth in revenues and net income, and has preserved profitability. Additionally, the company continues to invest in research and development and capital investments because of a healthy, increasing operating cash flow which has averaged \$3.4 billion a year for the last five years. Paccar remains a robust competitor in the truck manufacturing industry, and with heavy and growing market share, most notably in Europe, Australia, and North America, the company represents consistency, control, investment, and expansion through business cycles, such as the trough currently being navigated.

Competitive Outperformance: As of Q4 2024, Paccar has maintained a considerable lead in notable fields when compared to peers. The firm had a net income as a percent of revenues of approximately 12%, while its next best peer, Volvo, dipped to roughly 8%. Moreover, the SG&A percent of sales for Paccar was around 2%, while competitors were in the 5-11% range, representing high-quality operating efficiency and financial discipline. Paccar also maintains the highest level of inventory turns in the industry and an in-class return on invested capital of 25.5% in 2024. While in close competition and navigating a tougher business environment, Paccar highlights high-quality production, efficient distribution, and crucial cost control.

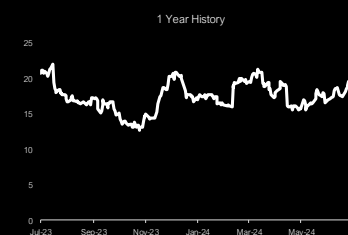
All Things Innovation: Since 2021, Paccar has placed a heavy amount of capital towards innovative technology and has made significant partnerships and investments in doing so. Amplify Cell Technologies, a joint venture with Accelera and Daimler Truck focused on domestic lithium-iron-phosphate (LFP) production, is a major investment (\$2-3 billion) designed to strengthen Paccar's electric vehicle manufacturing capabilities. Additionally, a partnership back in 2021 with Aurora has allowed autonomous trucking to become a large part of Paccar's future, and while the tech is still being developed, customer trials with major players, like FedEx and Uber, are still underway, with truck deliveries expected in upcoming years. Time will tell, but Paccar's market position coupled with the robust technological investments made are positive signs towards the company's future.

Valuation: We initiate coverage with a \$115 PT.

Consortium Equity Research
Industrials | Manufacturing
April 9th, 2025

Stock Rating:	Overweight
Price Target:	\$115
Price:	\$93.93
Potential Upside:	22.43%
Ticker:	\$PCAR

Market Cap:	\$49.3b
Shares Outstanding:	525mm
Free Float (%):	97.91%
Dividend Yield:	1.41%



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Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Cummins Inc. (NYSE:CMI)	\$ 40,770	\$ 47,230	10.5x	\$ 34,102	\$ 4,842	
Deere & Company (NYSE:DE)	\$ 122,839	\$ 183,197	20.0x	\$ 47,855	\$ 10,081	
Caterpillar Inc. (NYSE:CAT)	\$ 143,862	\$ 176,711	13.7x	\$ 64,809	\$ 15,646	
Weichai Power Co., Ltd. (SEHK:2338)	\$ 17,315	\$ 19,142	11.1x	\$ 29,346	\$ 3,720	
PACCAR Inc (NasdaqGS:PCAR)	\$ 49,307	\$ 55,666	11.9x	\$ 33,664	\$ 5,365	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Cummins Inc. (NYSE:CMI)	9.8x	25.1%	14.2%	11.1%	0.1%
Deere & Company (NYSE:DE)	18.2x	28.6%	21.1%	17.0%	(21.2%)
Caterpillar Inc. (NYSE:CAT)	11.3x	32.5%	24.1%	20.9%	(3.4%)
Weichai Power Co., Ltd. (SEHK:2338)	5.1x	21.9%	12.7%	7.5%	0.8%
PACCAR Inc (NasdaqGS:PCAR)	10.4x	17.6%	15.9%	14.8%	(4.2%)

High	18.17x	32.5%	24.1%	20.9%	0.8%
75th Percentile	11.29x	28.6%	21.1%	17.0%	0.1%
Average	10.95x	25.1%	17.6%	14.3%	-5.6%
Median	10.38x	25.1%	15.9%	14.8%	-3.4%
25th Percentile	9.75x	21.9%	14.2%	11.1%	-4.2%
Low	5.15x	17.6%	12.7%	7.5%	-21.2%

PACCAR Valuation		
Implied Enterprise Value (25th Percentile)	\$	52,329
Implied Enterprise Value (Median)	\$	55,666
Implied Enterprise Value (75th Percentile)	\$	60,591

Implied Share Price (25th Percentile)	\$	82.28
Implied Share Price (Median)	\$	88.64
Implied Share Price (75th Percentile)	\$	98.02

Source: S&P NetAdvantage

Company Overview

Company Description: Paccar is a global technological leader specializing in the design, manufacture, and customer support of premium, light, medium, and heavy-duty trucks. Paccar operates through three primary business segments: Trucks, Parts, and Financial Services. Under the nameplates of Kenworth, Peterbilt, and DAF, Paccar prides itself on an environmentally responsible business orientation, quality customer service providing parts and services at an expedited pace, and a healthy 2,200+ network of global dealers.

Trucks: The Truck segment of Paccar is the backbone of the firm and the root of all sales and revenues. The segment includes the design, manufacture, and distribution of trucks, and as stated prior, these come in three varieties: light, medium, and heavy. Paccar's trucks are built globally, with a production emphasis in the United States and Europe and later sold to independent dealers through their vast network. Simultaneously, the Truck segment utilizes functions like centrally managed purchasing, information technology, and research and testing to prioritize efficiency and quality.

Parts: The Parts segment is the supporting leg of the Truck “body” effective for the distribution of aftermarket parts for trucks and related commercial vehicles. Parts are primarily bought from an assortment of suppliers; however, Paccar still manufactures a robust amount in-house. Aftermarket parts are then sold and distributed to dealers from the company’s, 20 part distribution centers (PDCs) that are strategically placed throughout the globe for maximum responsiveness. Accounting for 20% of total 2024 net sales and revenues, Paccar’s parts segment plays a crucial role in overall company profitability and dependability.

Financial Services: Paccar Financial Services (PFS) operates through wholly owned finance companies in 26 countries globally. PFS runs its own full-service lease outlets while additionally providing its franchisees with equipment financing and administrative support. The primary responsibility of the segment is managing the sales of the company’s used trucks after their operating leases mature.

Industry Overview

New Emission Regulations: The global automotive industry is undergoing change due to new emission regulations. Both the European Union and the United States have created future compliance requirements, with some 2027 adjustments currently underway. For heavy-duty vehicles, EU regulators require a 15% reduction in CO₂ by 2025, compared to 2019 levels, and a 45% reduction by 2030. In the US, the Environmental Protection Agency (EPA) announced adjustments to the March 2024 emission standards due to concerns over the economic impact in the automotive industry. If changes to the prior regulations are made, more “wiggle room” would be provided for companies in the space possibly reducing the economic impact of a harsher regulation environment that is somewhat unfeasible. For trucking and engine manufacturers, like Paccar, who have taken early and crucial steps towards reduced emissions and zero emission trucks, the strength of emission regulation could make an impact.

Tariffs: On April 2nd, 2025, President Trump announced an intense new set of tariffs with the ambition to put the American economy first and restructure world trade. The most notable elements include a 10% baseline tariff on all imports to the US, specialized tariffs for the US’s “worst offenders” including the EU (20%), China, (54%), Japan (24%), and Taiwan (32%), no additional tariffs on Canada and Mexico including exception from the baseline 10%, and a 25% tariff on all foreign made automobiles. While these new tariff implementations are globally controversial to countries who have benefitted from trade surpluses, Trump’s long term tariff plan could benefit American companies, jobs, and investments, and/or start a trade war with countries who have profited heavily in the American market, ultimately hurting the American consumer. From a stock market perspective, these tariffs continue to leave vast amounts of uncertainty in the air and there will likely be a continued negative effect on stocks in the short term, especially for firms that rely heavily on US importation.

Replacement Demand: While the lifespan of trucks and diesel engines varies by make and model, overall, trucks roughly have a 10-year life, and engines last approximately 10-15 years. During the COVID-19 supply chain disruptions, many fleets delayed new truck purchases, meaning older trucks have been overdue for replacement for quite some time. While total demand was overly robust in 2022-2023, replacement demand in 2024 has provided a buffer for companies in the space, preventing an oversized downturn. Nonetheless, average fleet ages are still running at high levels and 2025-2026 is expected to show an increase in demand from the replacement of aging trucks. For parts, engines designed in

response to the 2010 EPA standards have entered the overhaul stage of their lifecycle and, like trucks, are in need of renewal. Coupled with the new emission compliance initiating in 2027, it is believed that truck manufacturers will profit from pre-buys ahead of the new emission milestone.

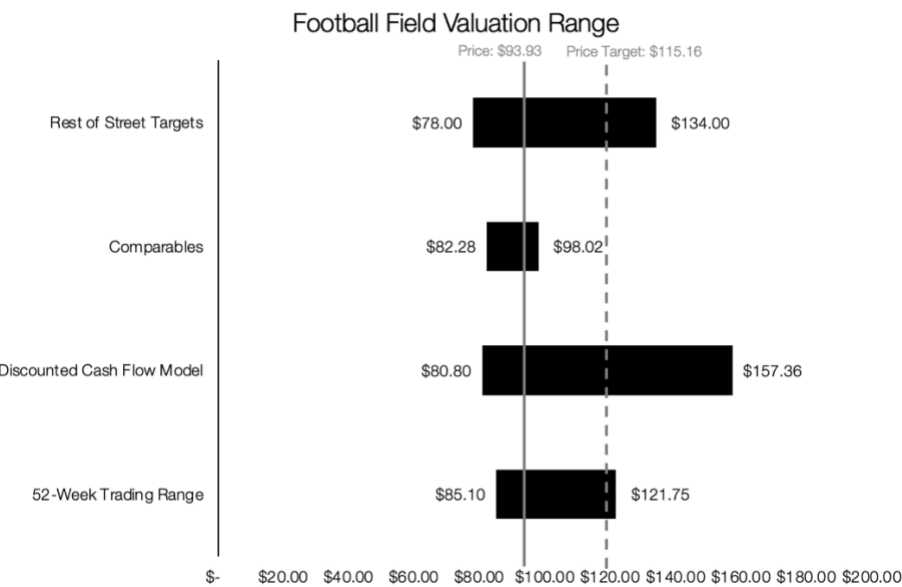
Investment Theses

Market Uncertainty: The effect of the Trump administration's new tariffs has been incredibly negative for the stock market as it creates vast uncertainty towards the future globally economy and trade. Many believe a recession is looming as countries retaliate or negotiate with the US. The rotation out of equities from April 2nd to April 4th alone has led to the S&P 500 suffering roughly 10% in market value losses, and the overall market lost trillions in value. Due to its low Beta, Paccar has endured superior compared to more volatile equities and competitors dropping approximately 8% in price while equities like Nvidia (NVDA) and Cummins (CMI), a tech stock and a peer, respectively fell roughly 15% and 13% over the same time frame. Market risk fueled by uncertainty has, of course, created these losses, but over the next few months as we expect uncertainty to diminish and global trade to find its footing, we should begin to see a return to equity purchasing, and well positioned, profitable companies with a strong market in the US, like Paccar, should see an increase in price. However, without global tariffs set in stone, the negative impact on the market could very well continue, thus extending the uncertain environment.

EPA 2027 Pre-Buys: Fleets in the trucking industry, as stated prior, are running at high ages and are in need of replacement in 2025 and 2026 prior to the EPA's emission regulation change. With a notable portion of truck manufacturing market share in North America (~30%) and some of the highest-quality, emission-friendly trucks and engines on the market, Paccar and its nameplates are strongly positioned to capture significant pre-buy demand during the cycle. Much of the current market has a more unfavorable outlook towards the company due to below-consensus guidance for profit margins and deliveries in 1Q 2025, but this was largely anticipated from the new US administration, which has been contributing heavily towards global trade uncertainty. As Paccar and the broader industry navigate a volatile 2025, we expect demand from pre-buy activity to exceed Street consensus, supporting upward momentum in stock price.

Price Target & Valuation

Our analysis gives \$PCAR a price target of \$115.00 and an overweight weight rating.



Potential Downsides to Our Rating

Lighter EPA 2027 Regulation (Downside): The EPA is currently undergoing revisions to their original 2022 emission rules due to industry concerns about over aggression and the technological challenges to meet the current timeline in place. Paccar, who has allocated significant capital towards meeting such standards, is positioned better than peers for the transition and too much de-regulation, while better for the overall truck manufacturing market, could result in a greater competitive environment.

Volatile Stock Market (Downside): While Paccar’s beta is lower than that of its competitors, indicating reduced systematic risk and helping limit the sharp losses seen in higher-beta equities as of late, the company is limited to the upside potential of other more volatile stocks if market conditions were to improve drastically and become more certain and bullish.

Intense Competitive Edge (Upside): Paccar boasts about its ability and desire to place a heavy amount of capital towards investment and research and development. If Paccar is able to create a vast competitive edge through their new tech and

Our Price Target: **\$115.00**

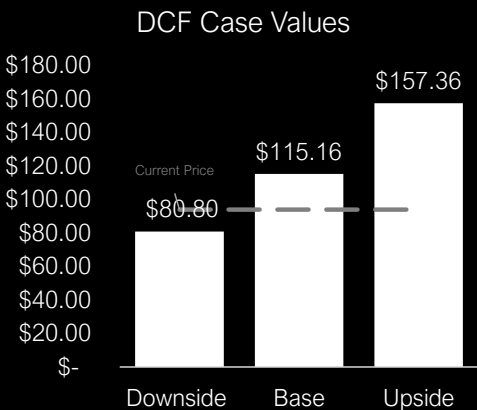
Our price target is based on better-than-expected truck and engine pre-buy demand from new global emission regulation, a competitive advantage in the new/pre-emission regulation environment from past and continued truck and engine investments through cyclicalit, and an uncertain market environment attributable to tariffs that becomes more definitive throughout 2025 providing market clarity in the short term.

Our Upside Case: **\$155.00**

Our upside case is based on notably increased truck and engine pre-buy demand from new global emission regulation coupled with an investment lead competitive edge allowing Paccar to continue to capture increased market share in major continents, charge premium pricing for high-quality, emission-friendly vehicles and engines, and recover QoQ and YoY revenue and profit margins. Additionally, the upside relies on a more stable trade and market environment that removes the majority of market uncertainty and prevents a recession and/or extreme inflation.

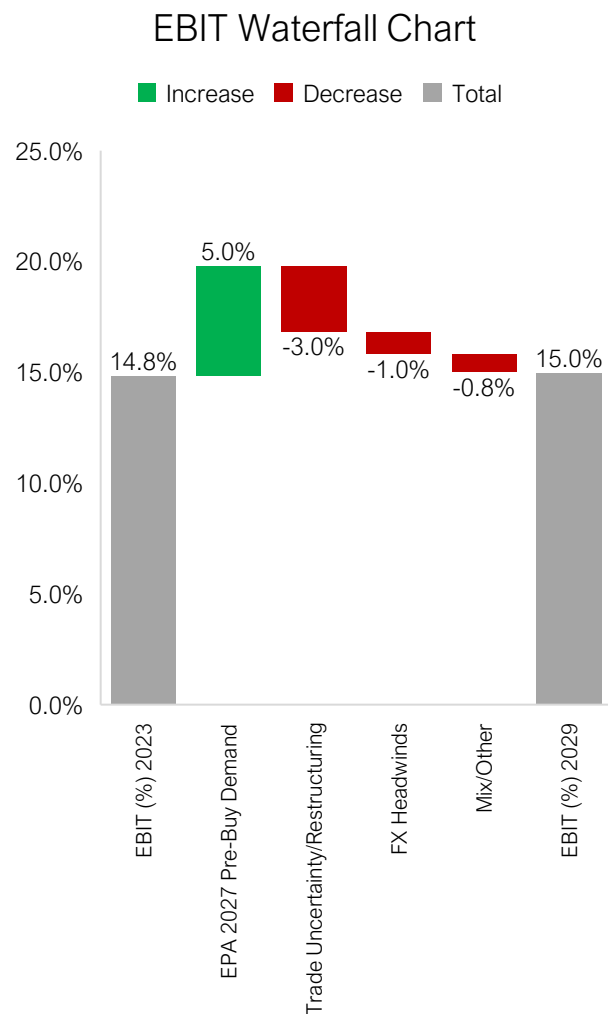
Our Downside Case: **\$80.00**

Our downside case is based on worse-than-expected pre-buy demand, a highly competitive new emission truck manufacturing market environment hurting market share and profitability, and a recessive or inflationary global economy from prolonged and worsened trade tension.



emission-friendly vehicles, we could see an extreme capture of global market share and demand as their vehicles and engines become the new standard for quality, sustainability, and innovation.

Projections



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	33,664	36,500	39,647	42,894	46,221	8.2%
EBITDA	5,365	5,800	6,406	7,075	7,778	9.7%
EBIT	4,993	5,500	5,947	6,434	6,933	8.6%
NOPAT	1,262	1,856	2,942	4,926	3,754	31.3%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	15.9%	15.9%	16.2%	16.5%	16.8%	16.3%
EBIT Margin	14.8%	15.1%	15.0%	15.0%	15.0%	15.0%
Revenue Growth	-4.2%	8.4%	8.6%	8.2%	7.8%	5.8%
EBIT Growth	-17.4%	10.2%	8.1%	8.2%	7.8%	3.4%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	106.9x	16.9x	14.9x	13.6x	12.4x	33.0x
EV/Sales	1.2x	1.1x	1.0x	0.9x	0.9x	1.0x
EV/EBITDA	7.4x	6.8x	6.2x	5.6x	5.1x	6.2x
FCF Yield	0.9%	5.9%	6.7%	7.3%	8.0%	8.8%

About \$PCAR

Paccar Inc. (\$PCAR), founded in 1905 and headquartered in Bellevue, Washington, is a leading global manufacturer of light-, medium-, and heavy-duty trucks under the Kenworth, Peterbilt, and DAF brands. The company operates across North America, Europe, and Australia, with additional global distribution and parts networks. Paccar’s business segments include Truck Manufacturing, Aftermarket Parts, and Financial Services, providing integrated solutions for fleet customers and independent operators. Focused on innovation, efficiency, and sustainability, Paccar invests in electric and autonomous vehicle technologies, aftermarket support, and premium truck performance to drive long-term growth.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry. **Underweight** means the team expects underperformance relative to the industry.

Appendix

PACCAR

Discounted Cash Flow

Active Case: 2 Base

Current Share Price \$93.93

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Stub						0.27	1.27	2.27	3.27	4.27	5.27
Discount Period						0.36	1.23	2.23	3.23	4.23	5.23
Revenue	18,728.50	23,522.30	28,819.70	35,127.40	33,663.80	36,500.00	39,647.00	42,893.69	46,220.57	49,605.62	53,024.61
Revenue Growth	0%	26%	23%	22%	-4%	8%	9%	8%	8%	7%	7%
Revenue Breakdown 1	17,154.30	21,834.50	27,314.30	33,315.50	31,564.30	34,500.00	37,467.00	40,539.29	43,701.36	46,935.26	50,220.73
Revenue Breakdown 2	1,574.20	1,687.80	1,505.40	1,811.90	2,099.50	2,000.00	2,180.00	2,354.40	2,519.21	2,670.36	2,803.88
Other Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	1,621.90	2,386.70	3,779.20	6,043.10	4,992.50	5,500.00	5,947.05	6,434.05	6,933.09	7,440.84	7,953.69
EBIT Margin	9%	10%	13%	17%	15%	15%	15%	15%	15%	15%	15%
Tax Expense	360.40	530.80	837.10	1,117.40	1,238.90	1,250.00	1,248.88	1,351.15	1,455.95	1,562.58	1,670.28
Effective Tax Rate	22%	22%	22%	18%	25%	23%	21%	21%	21%	21%	21%
NOPAT	1,261.50	1,855.90	2,942.10	4,925.70	3,753.60	4,250.00	4,698.17	5,082.90	5,477.14	5,878.27	6,283.42
D&A	1,049.00	903.30	790.20	435.30	372.20	300.00	458.93	640.47	845.27	1,073.66	1,325.62
Capex	1,638.40	1,632.80	1,390.50	1,262.50	1,745.60	1,600.00	1,747.18	1,900.25	2,058.40	2,220.70	2,386.11
Changes in NWC	759.50	517.80	270.60	1,176.90	(1,572.10)	200.00	292.74	398.38	517.29	649.63	795.37
UFCF	382.60	740.90	1,822.20	4,840.10	435.90	2,750.00	3,117.18	3,424.74	3,746.72	4,081.59	4,427.55
PV of FCF						2,672.90	2,832.15	2,877.99	2,912.19	2,934.32	2,944.08

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	5.25%
Beta	0.97
Risk Free Rate	4.40%
Cost of Equity	7.15%
Weighted Average Cost of Debt	5.00%
Tax Rate	21.00%
Cost of Debt	0.97%
Total Equity	\$49,307
Total Debt	\$16,009
Equity/Total Capitalization	75.49%
Debt/Total Capitalization	24.51%
WACC	8.12%

Terminal Value	
Perpetuity Growth Method	
2029 FCF	\$4,428
Growth	2.50%
Terminal Value	\$ 79,944
PV of Terminal Value	53370.90438
PV of Projection Period	\$17,212
PV of Terminal Value	\$53,371
Implied TEV	\$70,583
(-) Debt	\$16,009
(+) Cash	\$6,871
Implied Equity Value	\$61,445
Basic Shares Outstanding	525
Implied Share Price	\$ 117.05
Upside/Downside	32%

Implied BF EV/EBIT 8.87x

Blended Share Price	
Perpetuity Growth Method	100%
Exit Multiple Method	0%
Blended Share Price	\$117.05
Upside/Downside	31.9%