

AUTOMOTIVE

## Daimler presses on with sustainability mandate, starting with new Mercedes-Benz S-Class

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*The Mercedes-Benz S-Class is set for a major makeover to its green credentials, with new tech and electrification. Image credit: Mercedes-Benz*

By LUXURY DAILY NEWS SERVICE

German auto giant Daimler, maker of the Mercedes-Benz car, is pressing on with its strategy to be sustainable across its operations and vehicles even as it has suffered from the COVID-19 coronavirus fallout.

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The Stuttgart-based company said it is staying the course in the midst of challenging economic conditions, continuing to invest in technologies of the future to transform itself.

"Despite all the challenges presented by the corona pandemic, we must not neglect the key tasks of the transformation," said Manfred Bischoff, chairman of the supervisory board of **Daimler**, at the company's July 8 virtual annual meeting.

"Electrification and digitization in all their forms are the main technological tasks and continue to require high funding," he said. "Not least, COVID-19 has once again made it clear that we must be more careful with our environment if we want to avoid causing enormous damage to ourselves in the long term. Daimler's goal continues to be emission-free mobility."

The next generation of the S-Class, being presented in the fall, represents the future of Mercedes-Benz.

The flagship sedan encompasses the two strategic focuses of electrification and digitization. The company said 48-volt technology is standard with all engines, and the plug-in hybrid version is claimed to set new standards in this segment for electric range.

The S-Class' market debut will be followed next year by the EQS, the first fully electric luxury sedan from Mercedes-Benz based on an all-electric architecture.

At the same time, Mercedes-Benz is taking the next major step in terms of digitization, safety and automated driving functions with an updated version of the MBUX navigation and infotainment system, the company said.

"The S-Class is the world's best-selling luxury sedan, and with the latest generation, we want to offer our customers innovation, safety, comfort and quality like never before," said Ola Killenius, chairman of the board of management of Daimler and Mercedes-Benz, in his speech to shareholders.

"We are above all a luxury brand and there is great potential for further growth, especially at the upper end of the segments in which we are operating," he said.

"So we will systematically strengthen our brand portfolio and make it more attractive to a broader target group. We are focused on building the most desirable cars in the world. That is our promise and the best path towards more profitable growth."



*The Daimler annual meeting was livestreamed to its shareholders July 8. Image credit: Daimler*

#### Current situation

While the year started off on a positive note, the COVID-19 coronavirus pandemic and countermeasures such as lockdowns paused global economic activity. This has hurt Daimler, like it has other marketers.

Daimler said it proactively countered the drop in demand caused by the pandemic by suspending production in March, April and May, and by introducing short-time work.

Simultaneously, expenditure was reduced and investments were consequently focused on future-oriented projects. This safeguarded the company's financial strength, Daimler said.

At the end of the first quarter, Daimler's net liquidity of the industrial business was 9.3 billion. In addition, Daimler strengthened its reserves in April with an additional syndicated credit facility of 12 billion.

"The measures we took were aimed at dealing with the situation in the short term but were also designed to support our long-term course," Mr. Killenius said.

Daimler's board of management and the supervisory board proposed to the shareholders at the annual meeting a dividend of 0.90 per share for the past financial year versus 3.25 for 2018.

"The dividend proposal takes into account the careful and prudent balancing of the interests of all stakeholders to which the company is responsible as well as the current business situation, in particular liquidity and the business outlook," Mr. Bischoff said.

The proposed total dividend payout amounts to 1 billion compared to 3.5 billion for 2018.

Earnings declined in the past financial year, mainly due to substantial extraordinary expenses, while unit sales remained at the prior-year level, Daimler said.

Daimler in 2019 sold a total of 3.34 million cars and commercial vehicles versus 3.35 million in 2018.

Revenue increased by 3 percent to 172.7 billion (2018: 167.4 billion), and the Daimler Group achieved EBIT of 4.3 billion (2018: 11.1 billion). Adjusted EBIT reflects the ongoing business and amounted to 10.3 billion.

However, net profit dropped steeply to 2.7 billion compared to 2018's 7.6 billion. Net profit attributable to the shareholders of Daimler AG amounted to 2.4 billion (2018: 7.2 billion).

#### Going forward

As a result of the COVID-19 pandemic, global vehicle markets have suffered a massive slump in recent months.

In the first half of the year, unit sales of the Mercedes-Benz brand fell by nearly 19 percent to approximately 870,000 cars.

"Mercedes-Benz has already made up some ground in the second quarter," Mr. Klleinius said.

"In China, for example, Mercedes-Benz achieved its best second quarter ever in terms of unit sales," he said. "We are cautiously optimistic that other markets will follow this development step by step.

"As soon as demand picks up again, we can increase production quickly and efficiently."

Truck sales fell by 38 percent to around 150.000 vehicles in the first six months of 2020 as a result of the pandemic and the already weaker market environment, especially in Europe and North America.

Order intake shows positive signs in recent weeks in almost all key markets, Daimler said.

At Daimler Mobility, contract volume on June 30 was 2 percent lower at about 155 billion, compared to June 2019 and based on preliminary figures.

Also in China, things are already looking up again, the company said. The negative effects of the first quarter were offset in the second quarter.

Against the backdrop of the worldwide effects of the COVID-19 pandemic, Daimler expects negative adjusted Group EBIT and a negative free cash flow in the industrial business in the second quarter.

Also, as forecasted in the first quarter, revenue will decrease significantly, although the development of revenue in recent weeks, particularly in the passenger car business, gives cause for cautious optimism, Daimler said at the annual meeting.

The early adjustment of production and the measures introduced to limit costs and expenses had a positive effect on cash flow and liquidity, the company said.

"The necessary investments in the future can no longer be generated through increased revenue and 'normal' efficiency gains," Mr. Bischoff said. "The board of management has therefore adopted a program to improve the cost structure.

"Cost discipline covers all areas of the company and is an essential prerequisite for a financially successful future," he said.

To streamline processes and structures and to improve financial strength, Daimler launched a comprehensive initiative across all divisions and the group at the end of 2019.

The respective measures are being implemented at full speed and their positive effects are already being felt.

"Our previous efficiency goals covered the upcoming transformation, but not a global recession," Mr. Klleinius said. "That is why we are further refining our course."

With all the challenges, there is an air of optimism at Daimler.

"What makes me confident: There are plenty of reasons why Daimler can emerge from the current situation stronger than before," Mr. Bischoff said. "That is why we now have to set the right priorities quickly.

"Daimler's business model combined with the innovative spirit, expertise and the commitment of its employees has all the prerequisites to take mobility to the next level," he said.

"The supervisory board is fully aware of the complex tasks facing the board of management and supports all appropriate measures to shape the future successfully."

*The S-Class Digital: My MBUX*