



Recommendation: Long

Terex Corporation (NYSE: TEX)

Investment Presentation

Ishaan Shanbhag
Texas A&M University

Aarnav Gakhar
*University of Texas
at Austin*

Gauravaram Ganesh
Sudhakar
Texas A&M University

Investment Thesis

Terex is best positioned to capitalize on powerful company and market trends that are revolutionizing the future of construction

Expansion into Developing Markets

- Terex already operates in many different locations but some markets worldwide, such as **Asia and Africa, are underpenetrated**
- **Currently developing facilities and custom tailored products** for the area
- Enacting a more **robust growth initiative** in these areas through **strategic partnerships**, Terex has proven they can compete with local brands and can keep this up for years to come, **taking advantage of this growing market**

ESG-Driven Operations

- Terex anticipates growth in its MP segments, aiming to capture a larger share of the approximately **\$5 trillion global infrastructure spending**
- Terex's industries are positioned to capitalize on emerging global trends through their offering of **sustainable alternatives**
- Terex's focus on ESG initiatives, coupled with a leading position in global screening markets through its Powerscreen and Finlay brands, positions the company to outpace competitors and drive growth sustainably

Strong Balance Sheet for Acquisitions

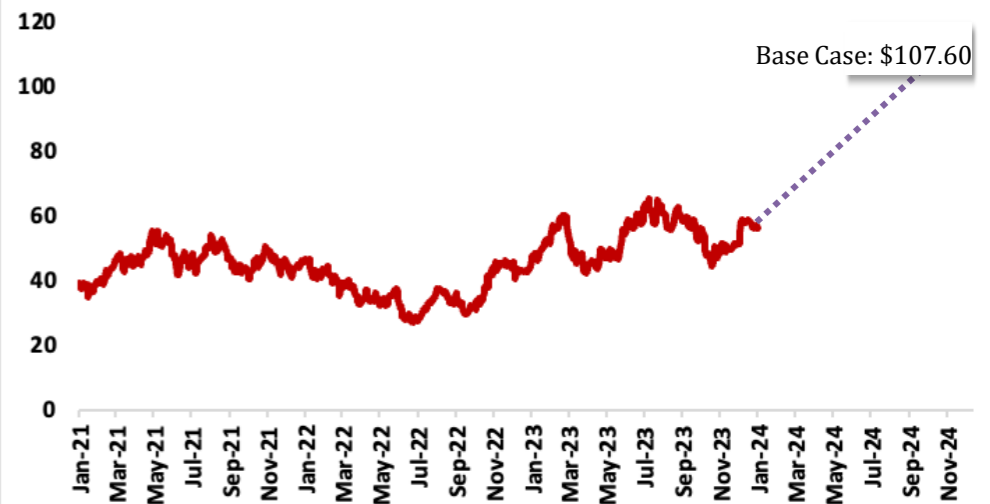
- With **\$352 million in cash and cash equivalents with no short-term debt**, TEX is capable of **taking advantage** of the high-interest rate environment with **mergers and acquisitions**
- Their additional access to **\$600 million in revolving credit** gives leeway for **larger transactions and efficient incorporation** of acquired companies' products

Attractive Setup

- We expect Terex to **continue to beat on expectations** financially and have a **positive growth when looking at projected share price** for 1-year time horizon and 4-year time horizon
- TEX is **trading at a discount** for many different multiples in both the AWP and MP industries, **indicating a cheap market price**

The ongoing global shift towards **sustainable infrastructure development** serves as a reliable growth driver, and Terex's prominent position in key industries and an increasing global market share positions the company to **enhance its value**, challenging Wall Street's view of a company susceptible to cyclical trends.

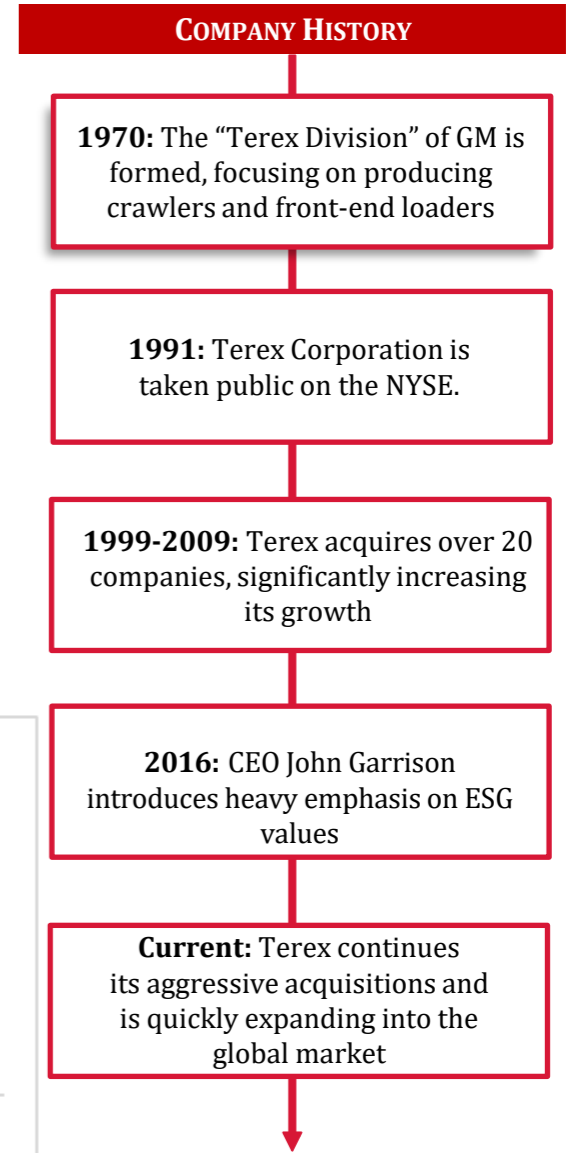
Historical Stock Price (\$TEX)



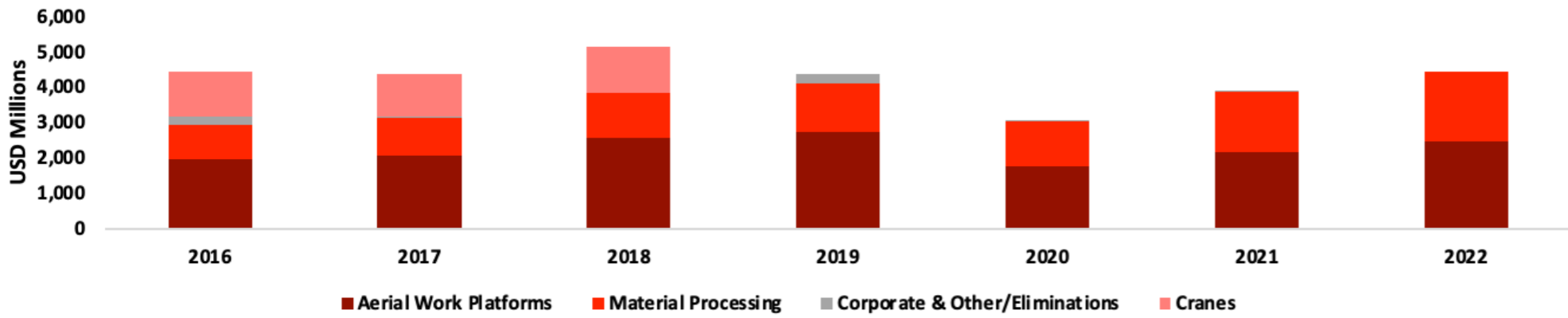
Business Overview

Terex is well diversified in different sectors with their main operations consisting in Aerial Work Platforms and Material Processing

	DESCRIPTION
AERIAL WORK PLATFORM	<ul style="list-style-type: none"> Platforms aiding quick movement of material and workers to elevated work areas Net sales up \$88.4 million YoY, 13.3%, as a result of heavy continued demand across multiple industries. Income from operations increased to \$93.6 million, up 12.5\$ YoY, as a result of higher sales volume, the ramp-up of the Monterrey facility, and price realization and cost reduction initiatives.
MATERIAL PROCESSING	<ul style="list-style-type: none"> Terex is continuously pursuing acquisitions, such as the recent purchase of Northern Ireland Steel Fabricator, to grow their material processing industry. Net sales reached \$541,1 million, up 18.2% YoY, driven by higher sales volume and improved manufacturing efficiencies.
CRANES AND OTHER OPERATIONS	<ul style="list-style-type: none"> Terex agreed to sell its cranes business, Demag Mobile, for an enterprise value of approximately \$215 million to Tadano Ltd. A corporate elimination is a process that removes the impact of transactions between companies in a group. (see 2019)



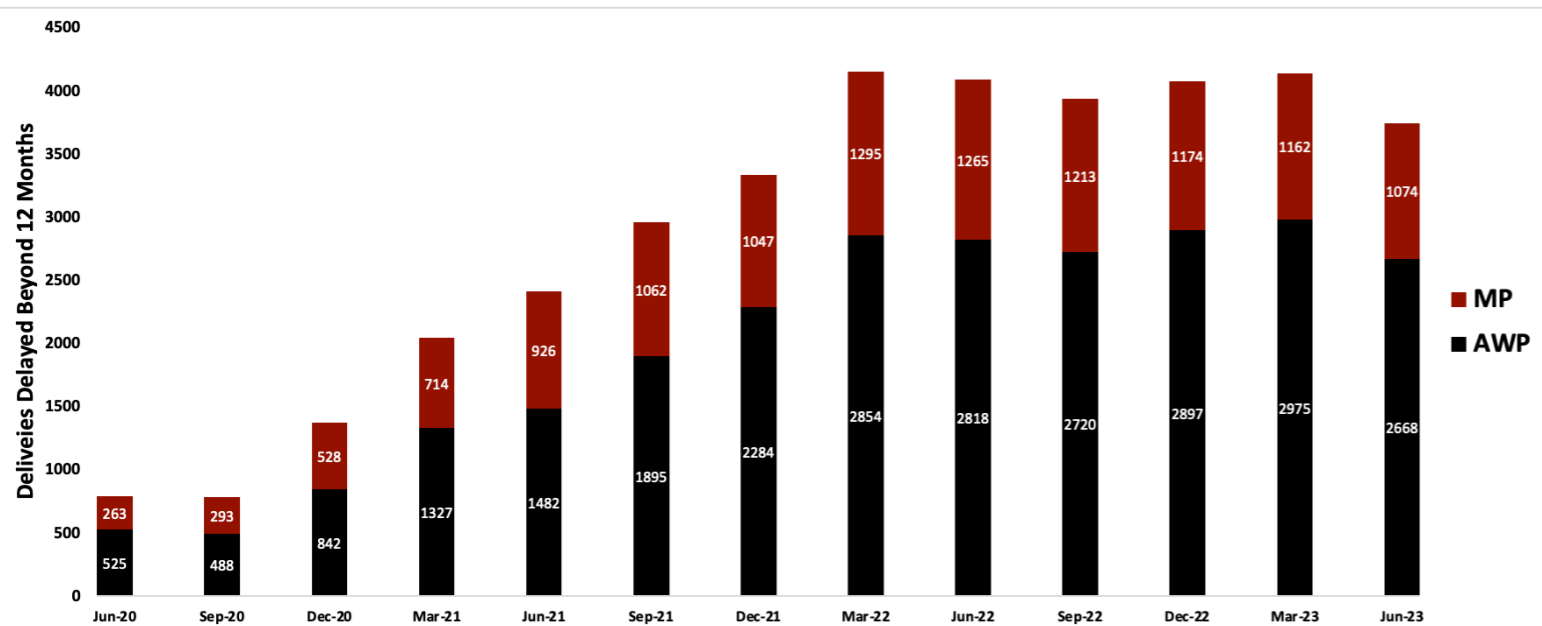
Terex Revenue by Segment



Business Overview

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BACKLOG TREND



- Terex Backlog was \$3.3 billion at the end of 3Q 2023
- Though it has decreased YoY, the backlog numbers still remain high historically compared the last 3 years
- Numbers have begun to decrease not due to slowing demand, but rather due to logistical and supply chain operations.
- Market demand and strong backlog numbers for orders delayed longer than 12 months can help predict future cash flows
- The Infrastructure Bill is expected to keep displaying itself as a catalyst for Terex's future due to the increased interest in spending

SUMMARY FINANCIALS

Market Data			
Market Cap	\$3,771	LTM Revenue Growth	22.80%
Enterprise Value	4,218.60	LTM Revenue	5,146.50
Net Debt	\$800	LTM EBITDA	687.4
Price	\$56.85	EV/Revenue	.82x
52 Week High	\$65.64	EV/EBITDA	6.12x
52 Week Low	\$41.89	P/E	8.05

BACKLOG STATISTICS

	Sequential		Year on Year	
	\$	%	\$	%
MP	-88	-18%	-191	-15%
AWP	-307	-10%	-150	-5%
Total	-395	-10%	-341	-8%

Competitive Landscape

Terex's strategic positioning within the market will allow them to grow and capture market share in the coming years

MAIN COMPETITORS



TEREX



MARKET DYNAMICS

- The broader Construction and Mining Equipment Industry faces a mixed outlook as overall order levels have weakened.
- Common growth drivers include infrastructure spending and the U.S. infrastructure bill provides a multi-year tailwind for construction and machinery companies.
- The focus on sustainability and green technologies is opening up new avenues for equipment manufacturers. Demand for electric and hybrid construction equipment is rising, benefiting companies
- Central bank actions to combat inflation by increasing interest rates could dampen demand for heavy machinery in the short term especially since the industry is cyclical. This would impact equipment purchases and potentially leading to project delays.
- Terex operates across several sub-sectors (construction, materials processing, utility) which reduces dependence on a single segment.
- Terex is continuing to tap into existing underdeveloped markets like Asia and Africa to drive growth.
- Steadily investing in R&D at about 55 million a year for electric/hybrid equipment, digital solutions and automation remains a necessity.

COMPETITIVE DYNAMICS

Caterpillar (~16% market share in construction equipment overall):

- Not specifically dedicated to AWP and MP spaces
- Leading construction manufacturer worldwide in 2022
- Focus on niche markets to avoid direct competition with more specialized firms
- By being such a large company (\$148 Bn) Caterpillar has a strong brand and service network

Metso Outotec (~22% market share in MP):

- Complete suite of MP products with around 200 products (crushers, screens, conveyors mineral processing tech)
- Operations in crushing and screening with similar market share of 22%

Skyjack (~13% market share in AWP):

- Predominantly focused on scissor lifts and not general AWP products and a ~50% market share in scissor lifts specifically
- 95% of new machines have new technology integration

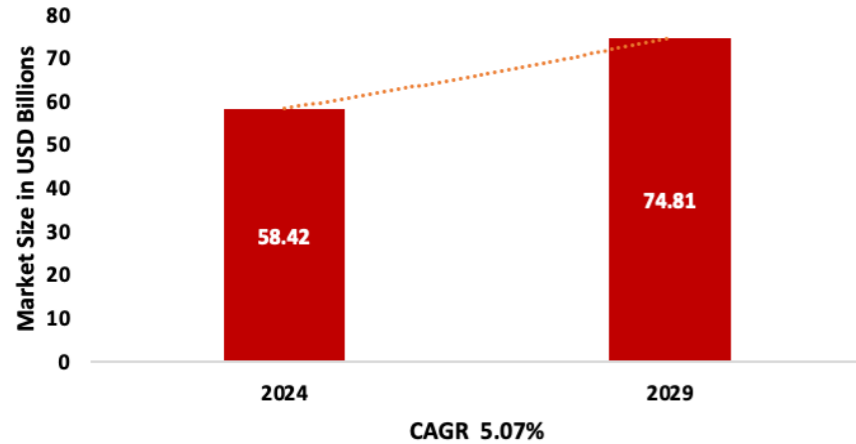
Terex (~25% market share in AWP and ~6% in MP):

- Terex has a separate company that works in AWP known as Genie which was acquired by Terex in 2002
- Have a rental market focus with relationships with rental companies which could fare well for them in the future as renting equipment becomes more popular
- Very open to strategic partnerships and acquisitions as Terex has acquired 11 companies and spent over \$138M in the process

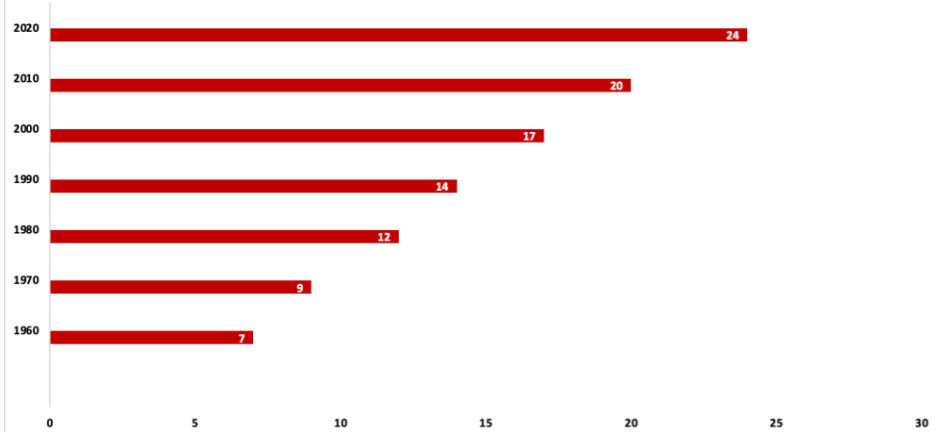
Expansion into Developing Markets

Terex is making a push to develop a brand in emerging countries with high-growth potential

African Construction Market



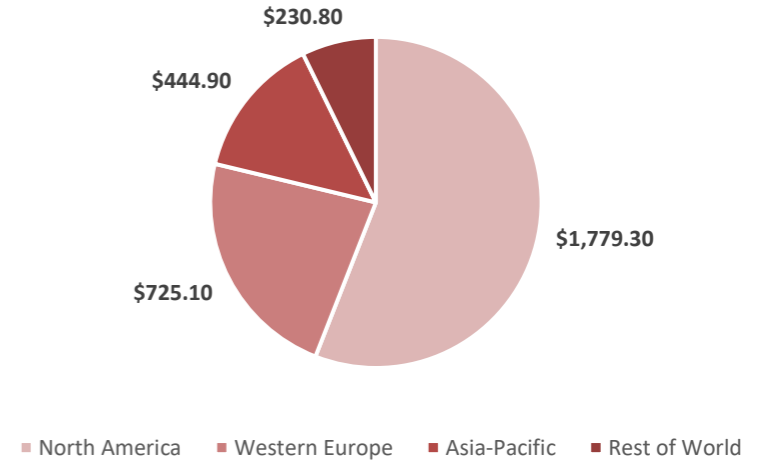
Share of urban population in East Africa 1960-2020 in %



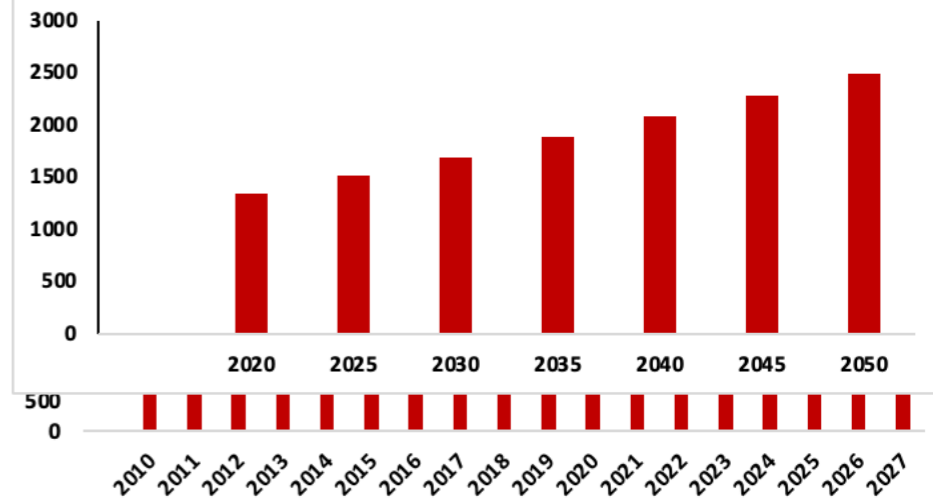
Africa

- Terex has been prioritizing key countries in Africa like South Africa, Kenya, Algeria, Morocco and Nigeria, where there are more construction and mining projects to drive demand
- In FY 2023, Terex secured a \$30 million order for crushing and screening equipment in Algeria and saw a 20% increase in AWP for sales across Africa
- By being able to secure strategic and local partnerships with local companies like Goscor Access Solutions (sales and distributor) and Concord Cranes Group (construction business), market penetration and brand recognition become easier hurdles to cross
- According to internal estimates from Terex and external market analysis, fueled by urbanization, population boom and increased infrastructure development, the AWP and MP industries are expected to reach \$5-\$10 billion in market size
- The overall construction market is expected to grow from ~\$58bn to ~\$74bn from 2024 to 2029 with a 5.07% CAGR

Net Sales by Region



Forecast of the total population of Africa 2020-2050



Expansion into Developing Markets

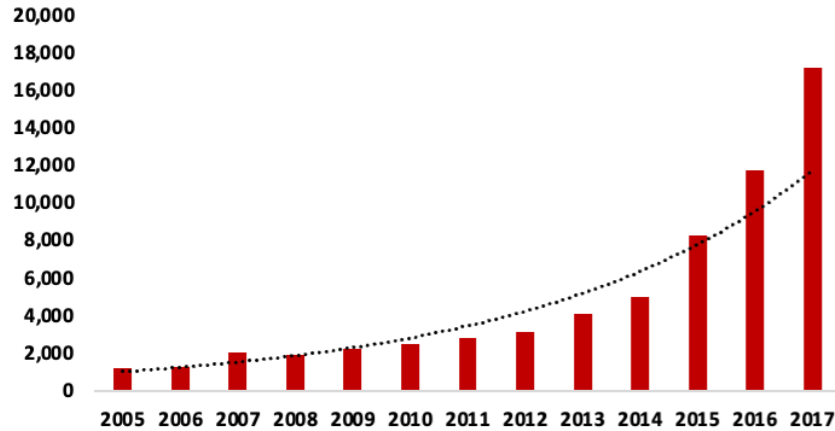
Terex is making a push to develop a brand in emerging countries with high-growth potential



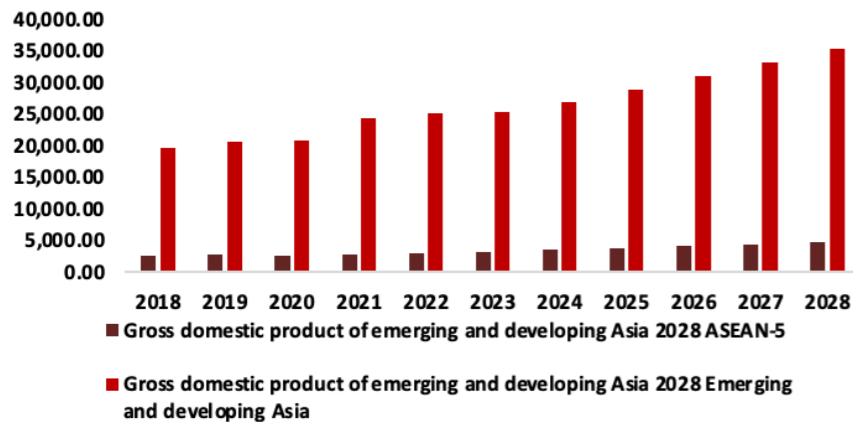
Asia

- Asia is the largest market for AWP and MP products and it has yet to be fully built out by Terex
- Internal estimates project the AWP market to be worth \$30 billion by 2025
- China has been a key area but Terex has expressed interest in SE Asia and India
- Establishing manufacturing facilities in China and India would allow for Terex to cater to local areas and increase production margins
- Terex launched 5 new MP models that were specifically designed for the Chinese market in 2023.
- Recorded a 15% increase in AWP sales in 2023 across Asia compared to the previous year
- Terex leverages telematics and automation to offer advanced tailored solutions
- Terex has already shown progress in beating local competition as they won out a \$100 million contract to supply a Chinese high speed rail project with cranes and material handling equipment

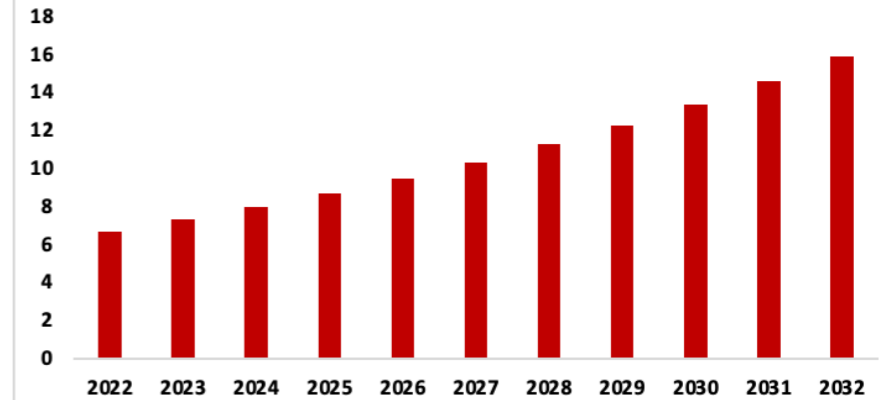
Sales Volume of AWP in China (in units)



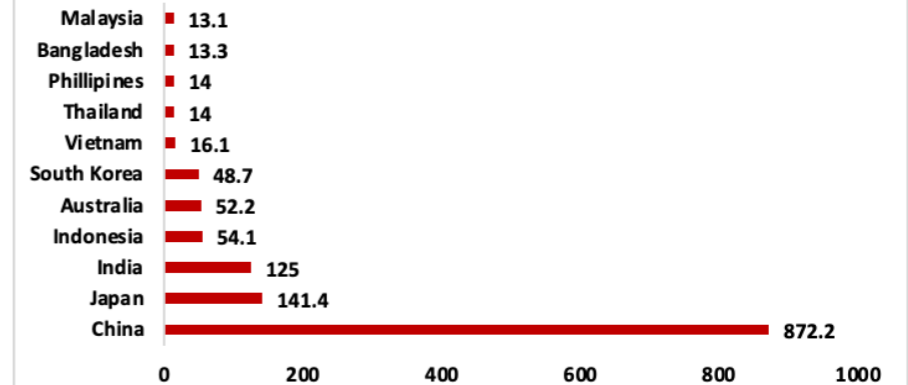
Gross Domestic Product of Emerging and Developing Asia up to 2028 (USD Billions)



India Construction Equipment Market Size (USD Billions)



Infrastructure Investment in Asian Countries in 2020 (USD Billions)



ESG-Driven Operations

Terex's sustainability strategy not only addresses immediate environmental concerns, but also positions the company strategically for long-term value creation

Terex has uniquely positioned itself to benefit from multiple global megatrends that many expect to drive industry growth throughout the coming years

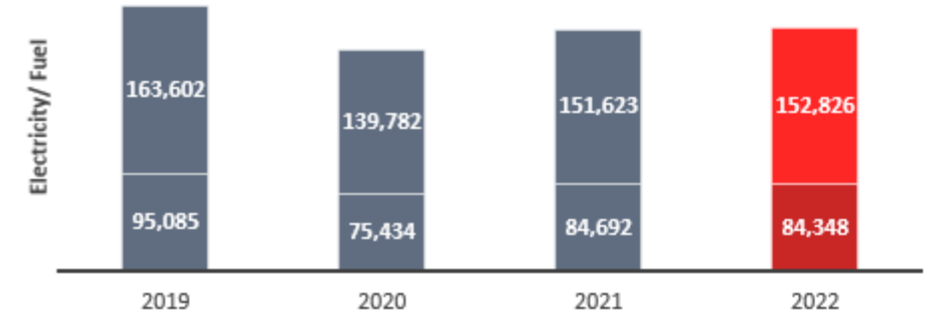
Global Trends

- Public and private sectors are making infrastructure investments to meet growing populations and increasing demands of urbanization
- Global annual spending on infrastructure construction projects is approximately \$5 trillion and spending is expected to further increase to advance climate resilience and stimulate economic growth.
- Investments have also recently increased in semiconductor manufacturing, clean energy, and EV batteries.

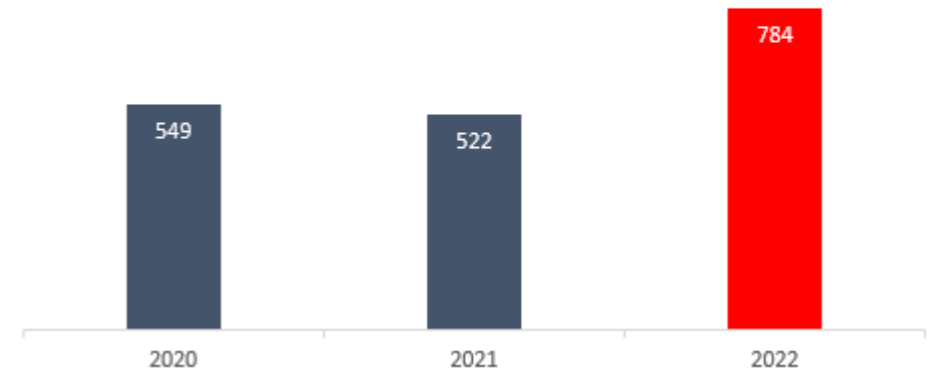
How is Terex in position to benefit from these trends?

- Terex's AWP and MP segments are well positioned to grow from this increase in infrastructure spending. Their MP Powerscreen and Finlay brands have a leading position in global screening markets and will heavily benefit from increasing demand.
- Terex's Genie business, which produces AWP's, will largely benefit from the growth in data warehousing and chip manufacturing projects.
- As of year-end 2022, approximately 70% of all MP and Genie machines offer electric and/or hybrid options, in comparison to 30% by Caterpillar Inc.
- In locations with strict environmental regulations, Terex has illustrated itself as the ideal choice, as many competitors do not offer a sustainable process from manufacturing to finished product.
- Terex's energy initiatives have been rewarded with \$8.3 million in funding by the UK Department for Energy Security and Net Zero.
- In comparison to competitors, Terex boasts much more emphasis on ESG initiatives, proving themselves with more sustainable products and production. Thus, putting themselves prime position to lead future industry growth.

Total Energy Consumption - MWh



Consumption of Self-Generated Non-Fuel Renewable Energy - MWh



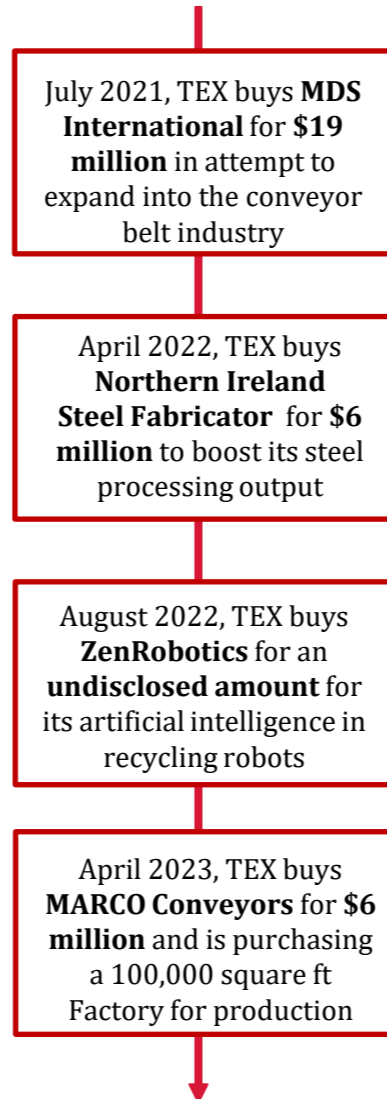
Strategic Acquisitions

Terex Corporation is well positioned to take advantage of the high-interest rate environment with easy acquisition and expansion.

FUNDING & STRATEGY

- Terex currently has \$352 million in cash to use towards these acquisitions with little to no debt in the short-term
- Terex Corporation additionally utilizes their \$600 million of revolving line of credit to fund their numerous acquisitions of smaller companies
- Utilizing the high-interest rate environment, TEX buys out struggling companies at cheap valuations and utilizes their intangible assets to gain an advantage in the competitive field
- TEX has utilized only \$170 million of this revolving debt on acquisitions between 2019 and 2023 at a 6.1% interest rate
- TEX additionally makes private investments and holds major stakes in many smaller companies within the same industry to influence future compatibility and possible acquisition

RECENT ACQUISITIONS

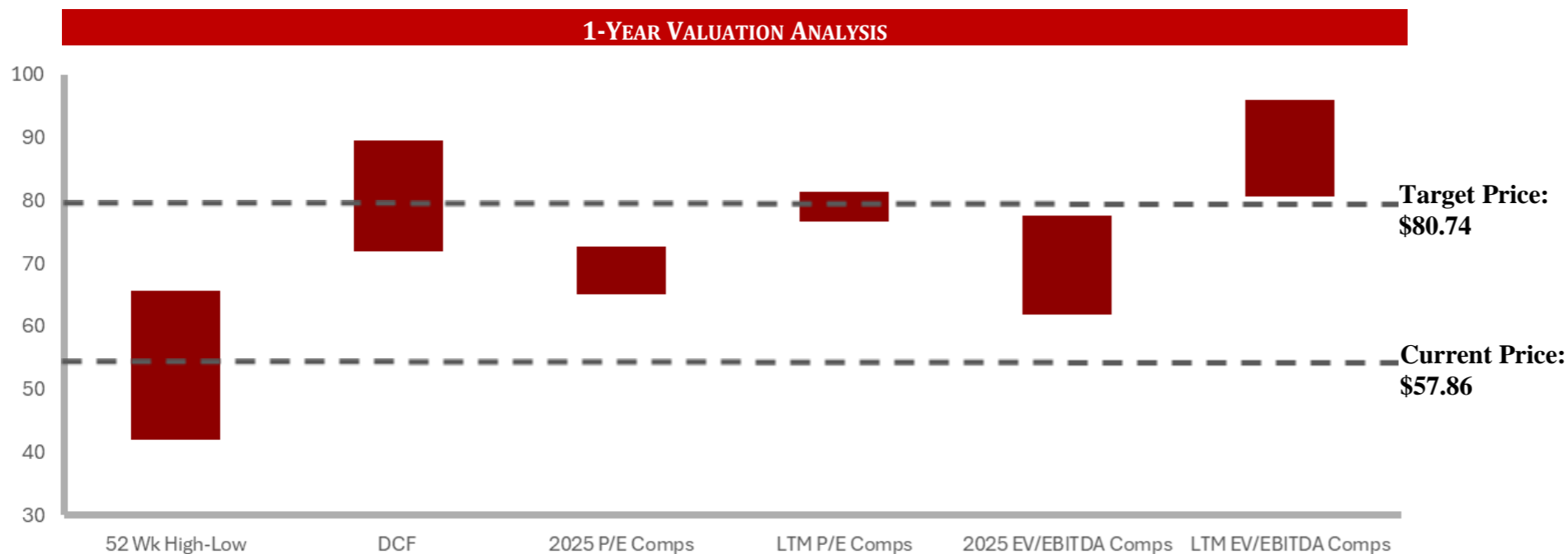


COMPETITIVE EDGE

- TEX's buyout of MDS International allowed for them to absorb new patents and technology including their recycling trommels and conveyor belts. MDS shared many of TEX's distributors with a few additions. Simultaneously, this became TEX's first presence in Ireland.
- TEX's buyout of ZenRobotics provides them with the leading technology in use of AI and robotics in the construction industry. With the addition of patents, production methods, and infrastructure, TEX will lead the industry in automated recycling and material processing.
- TEX's buyout of MARCO Conveyors was conducted to accommodate for the recent increase of demand for mobile conveying equipment in North America. Additionally, it provided manufacturing diversity and provided access to a new labor pool

Financial Summary + Valuation

Imminent beats to earnings should support multiple and drive outperformance vs. market indices.



4-YEAR BASE CASE

Base Case	
2027 EBITDA	720
2027 EV/EBITDA	6.0x
2027 Implied EV	\$7,194
2027 Implied Debt	\$500
2027 Implied Cash	\$350
2027 Implied Equity Value	\$6,994
2027 Shares Outstanding	65
2027 Implied Share Price (NYSE:TEX)	\$107.60
4-Year Upside	85.97%
Implied IRR	21.49%

BASE CASE ASSUMPTIONS

- Terex revenue grows to ~\$5.4 billion, slightly lower than analyst expectations of \$5.7 billion
- Terex continues to stay competitive through strategic acquisitions limiting the effects of external pricing pressure and margin contraction
- Free cash flow continued to be used to pay off senior notes, revolving credit, and continuing on share repurchase program extended in Q4 2022

Weighting	
DCF	60%
LTM P/E Comps	10%
2025 P/E Comps	10%
LTM EV/EBITDA Comps	10%
2025 EV/EBITDA Comps	10%

Weighted Values	
DCF	\$50.16
LTM P/E Comps	\$7.90
2025 P/E Comps	\$6.88
LTM EV/EBITDA Comps	\$8.83
2025 EV/EBITDA Comps	\$6.97
Implied Share Price	\$80.74

Current Share Price	57.86
Implied Share Price	80.74
Implied Upside	39.5%

Publicly Traded Comps

Terex trades at a discount relative to both industries whilst having higher margins in the aerial work platform industry and lower margins in the material processing industry.

Comparable Public Companies (in millions of \$)								Margins		TEV/2023			TEV/2025		
Company	01/05/2024	Share Count	EV	MC	2023	NTM	2025	EBITDA Margin	Profit Margin	Revenue	EBITDA	P/E	Revenue	EBITDA	P/E
Terex Corporation	\$57.60	64	\$4,288	\$3,840	\$ 5,155	\$5,209	\$ 5,056	13%	9%	0.8x	6.2x	7.9x	0.8x	6.3x	8.4x
Aerial Work Platforms															
Oshkosh Corporation	\$105.29	65	\$7,844	\$6,887	\$9,395	\$10,169	\$10,310	10%	6%	0.8x	8.3x	13.2x	0.8x	6.9x	9.7x
Wesco International Inc.	\$168.84	51	\$13,955	\$8,624	\$22,470	\$23,337	\$24,401	8%	4%	0.6x	8.2x	10.2x	0.6x	7.1x	9.0x
Zhejiang Dingli Machinery Co.	\$7.04	506	\$3,171	\$3,567	\$843	\$1,074	\$1,246	29%	20%	3.8x	13.0x	15.2x	3.0x	8.5x	11.7x
Caterpillar Inc.	\$288.93	509	\$175,823	\$147,090	\$66,587	\$67,461	\$69,569	24%	14%	2.6x	11.2x	16.1x	2.6x	11.4x	14.6x
Linamar Corporation	\$47.38	62	\$3,673	\$2,917	\$7,005	\$8,259	\$8,944	13%	5%	0.5x	4.1x	7.9x	0.4x	3.2x	6.4x
Zoomlion Heavy Industry Co.	\$0.93	8254	\$8,377	\$7,029	\$6,513	\$7,515	\$8,945	18%	6%	1.3x	16.2x	16.8x	1.1x	8.2x	9.3x
Median:								11.5%	6%	1.1x	9.7x	14.2x	0.9x	7.6x	9.5x
Material Processing															
Astec Industries Inc.	\$ 34.90	23	\$843	\$794	\$1,351	\$1,365	\$1,321	6%	1%	0.6x	11.3x	45.1x	0.6x	7.5x	11.9x
Deere & Company	\$ 395.96	280	\$179,015	\$110,970	\$61,222	\$47,948	\$49,815	27%	17%	2.8x	10.3x	10.9x	3.4x	14.0x	13.4x
Metso Oyj	\$10.04	826	\$9,243	\$8,297	\$6,284	\$5,808	\$6,075	17%	9%	1.5x	8.7x	8.7x	1.5x	8.2x	12.4x
Sandvik AB	\$20.74	1,254	\$30,642	\$26,012	\$12,297	\$12,445	\$12,923	22%	12%	2.5x	11.2x	11.2x	2.4x	9.7x	14.6x
Atlas Copco	\$15.80	4,873	\$76,124	\$73,805	\$16,402	\$17,299	\$18,312	25%	16%	4.6x	18.8x	18.8x	4.2x	15.7x	23.6x
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Median:								22%	12%	2.6x	11.2x	17.3x	2.4x	10.6x	14.0x

Key Insight: Terex, as macroeconomic conditions improve and construction companies continue to push for ESG, will see large earnings jumps and stock price movement.

Terex brings strong, new leaders to spearhead its team



Simon A. Meester

President and CEO

- Spent 14 years in senior roles at Caterpillar Inc.
- Managed global teams and operations for over 20 years with multiple companies
- Previously served as COO of Genie, subsidiary of Genie, driving operational excellence and better margin initiatives
- Extensive experience in CRM, Sales and Marketing due to previous experience of VP of Global Sales and Marketing Administration at Genie
- Led Genie to record profitability



Julie Beck

Senior Vice President and CFO

- Previous CFO roles at NOVA Chemicals Corporation and Joy Global Inc.
- Experience with scaling companies and transforming businesses through process improvements and innovation
- Experienced in M&A transactions and post-merger integrations
- Demonstrated ability to manage and optimize complex financial structures
- Leadership roles beyond finance, such as board memberships and industry involvement



Stacey Babson Kaplan

Senior VP and Chief Sustainability and Compliance Officer

- Collaborates with the rest of the Terex Executive Leadership team and others within Terex
- Liaises closely with the Terex Board of Directors on the execution of the Company's sustainability strategy, including measuring and monitoring progress.
- Kaplan has been with Terex for over 22 years, largely managing the ESG initiatives.
- Terex has catapulted itself as the industry leader in the ESG department.
- Named a Woman Worth Watching by Diversity Journal
- Terex Chairman's Excellence Award recipient

EARNINGS PERFORMANCE

Date	EPS	Revenue
Sep 2023	Beat 2.88%	Beat 2.28%
Jun 2023	Beat 41.31%	Beat 10.60%
Mar 2023	Beat 53.96%	Beat 9.19%
Dec 2022	Beat 19.65%	Beat 10.67%

Risks

Terex faces observable risks to its market position, though we believe many of them are already implied in the current share price.

	Description	Mitigants
1 Government Spending	<p>? Revenue exposure to infrastructure spending: Decreased government spending in infrastructure and construction projects could reduce top-line revenue.</p> <p>? Terex has contracts with government agencies, relying on consistent government spending.</p>	<ul style="list-style-type: none"> ✓ Manufacturing construction spending has increased 65.6% YoY as of August 2023, with further expected growth as a result of the CHIPS Act and funding from the IRA and IIJA. ✓ A majority of contracts with the United States Government are set to expire c. 2030 – 2035. Therefore, government spending will continue to remain consistent through expiry.
2 Macroeconomic Conditions	<p>? With high interest rates, companies tend to stray away from purchasing equipment, as it is more expensive for them to finance capital expenditures.</p> <p>? With developing conflict in the Middle East and smaller African economies, Terex may find problems expanding their manufacturing and business into these regions.</p>	<ul style="list-style-type: none"> ✓ As interest rates slowly declines from its peak, more equipment will be bought/financed. Lower financing costs is expected, resulting in increased investment in the construction industry. ✓ Africa has seen increasing growth in recent years, with real GDP growth increasing to 4% a year: a promising economy for Terex to enter. Furthermore, as Middle Eastern conflicts slowly resolve, Terex will see more expansion opportunity in the region.
3 Consolidation of Large Customers	<p>? Recently, large customers have been growing through acquisitions. If this is to continue, this would increase the concentration of these customers, leading to possible pricing pressure.</p>	<ul style="list-style-type: none"> ✓ Terex has placed emphasis on ESG as their value proposition and have demonstrated their near-monopoly of multiple key industries. With large customers, such as Deere and Co, placing emphasis on ESG as well, TEX should not see any pricing pressure without dramatic shifts in the materials processing and AWP industries. ✓ Terex's largest customer accounted for less than 4% of net sales ✓ Their top ten customers accounted for less than 14% of net sales

APPENDIX+Q&A

Appendix I: DCF Valuation

Imminent beats to earnings should support multiple and drive outperformance vs. market indices.

Discounted Cash Flow (\$TEX)

	2019	2020	2021	2022	2023	Projected				
						1	2	3	4	5
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	4353.1	3076.4	3886.8	4417.7	5146.5	5190.0	5056.4	5300.0	5400.0	5400.0
% Growth		(29.3%)	26.3%	13.7%	16.5%	0.8%	(2.6%)	4.8%	1.9%	0.0%
EBIT	335.1	72.6	332.7	420.1	638.0	661.5	624.2	583.0	594.0	594.0
% of revenue	7.7%	2.4%	8.6%	9.5%	12.4%	12.7%	12.3%	11.0%	11.0%	11.0%
Taxes	54.0	(3.5)	45.1	67.0	67.0	72.8	68.7	64.1	65.3	65.3
% of EBIT	16.1%	(4.8%)	13.6%	15.9%	10.5%	11.0%	11.0%	11.0%	11.0%	11.0%
D&A	49.6	49.7	50.2	47.2	49.4	50.0	50.0	50.0	50.0	50.0
% of sales	1.1%	1.6%	1.3%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%
CapEx	(108.9)	(64.5)	(59.7)	(109.6)	(102.4)	(129.7)	(126.4)	(132.5)	(135.0)	(135.0)
% of sales	(2.5%)	(2.1%)	(1.5%)	(2.5%)	(2.0%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)
Change in NWC	(228.9)	(121.1)	92.9	70.7	148.0	77.8	75.8	127.2	97.2	81.0
% of sales	(5.3%)	(3.9%)	2.4%	1.6%	2.9%	1.5%	1.5%	2.4%	1.8%	1.5%
Unlevered FCF						690.6	656.1	574.2	616.5	632.7
Present Value of FCF						613.8	518.3	403.2	384.8	351.0
Terminal Value										6854.74
PV of Terminal Value										3802.81
Enterprise Value										6073.92
Cash										352.30
Debt										800.10
Equity Value										5626.12
Shares										67.30
Share Price										\$83.60

WACC	12.5%
Debt	\$800.10
% Debt	17.0%
Cost of Debt	7.6%
Tax Rate	18.0%
Equity Value	\$3,894
% Equity	83.0%
Cost of Equity	13.8%
RFR	3.9%
Beta	1.65
MRP	6.0%
Debt + Equity	\$4,694.10

TGR	3.00%
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Appendix II: African Population growth 2020-2050

