
MAN Up to the Euro Watchlist

By [Gareth Brown](#) in our one-man Vienna office

According to its web page, listed Bavarian truck and bus manufacturer MAN SE has a 17% market share in the sale of trucks in Europe greater than 6 tonnes in weight (and a 12.6% share in buses). But I suspect the category definition—which includes everything from quite small trucks right up to big rigs—hides something.

I don't see many (any) 6-tonne MAN trucks. But in the bigger trucks used for cross-city and cross-country haulage, and specialist heavy vehicles such as waste management, its share seems to be much larger. There is significant geographic diversity within European markets, but in and around Vienna I'd guess their share of the heavier truck market is closer to 50%, they really dominate. The number 2 player is probably Swedish company Scania SA.

Interestingly, German-listed Volkswagen AG, which also makes trucks, controls three-quarters of the outstanding capital of MAN SE. Volkswagen, itself controlled by Porsche Automobil Holding SE, also owns almost half the economic interest (and more than half the voting rights) of Scania SE. And MAN SE owns a further 13% of Scania.

MAN also owns a successful Latin American business, with even more dominant truck market share in Brazil than in Europe. And there is more to MAN than just trucks and buses, the group makes diesel and turbine engines for all sorts of heavy industrial use from power plants to marine uses to the chemical and petrochemical industries. These businesses outside of commercial vehicles provided 27% of MAN's 2012 revenue of €15.9bn, but more than half of operating profit.

Commercial vehicle making is clearly a cyclical business, sales in the commercial vehicles division fell 7% last year leading to operating profit falling by more than half. The contraction from 2008 to 2009 was significantly uglier.

And even if one was to look past the cycle to average earnings over a long period of time, I'm not yet convinced the business is any better than average. It earns 20%+ return on equity in the good years, but nothing or less than nothing in the bad. Considering that, the current price of more than two times book value doesn't scream cheap. And I'm also not sure that the Volkswagen/Porsche parent company can be considered a benign dictator (anyone remember the 2008 Volkswagen short squeeze?).

But when one company, or in this case an amalgam of truck makers, dominate to the extent that's apparent here on the streets and autobahns of central Europe, it's worth taking note. MAN and its sibling and parents are on my watch list.