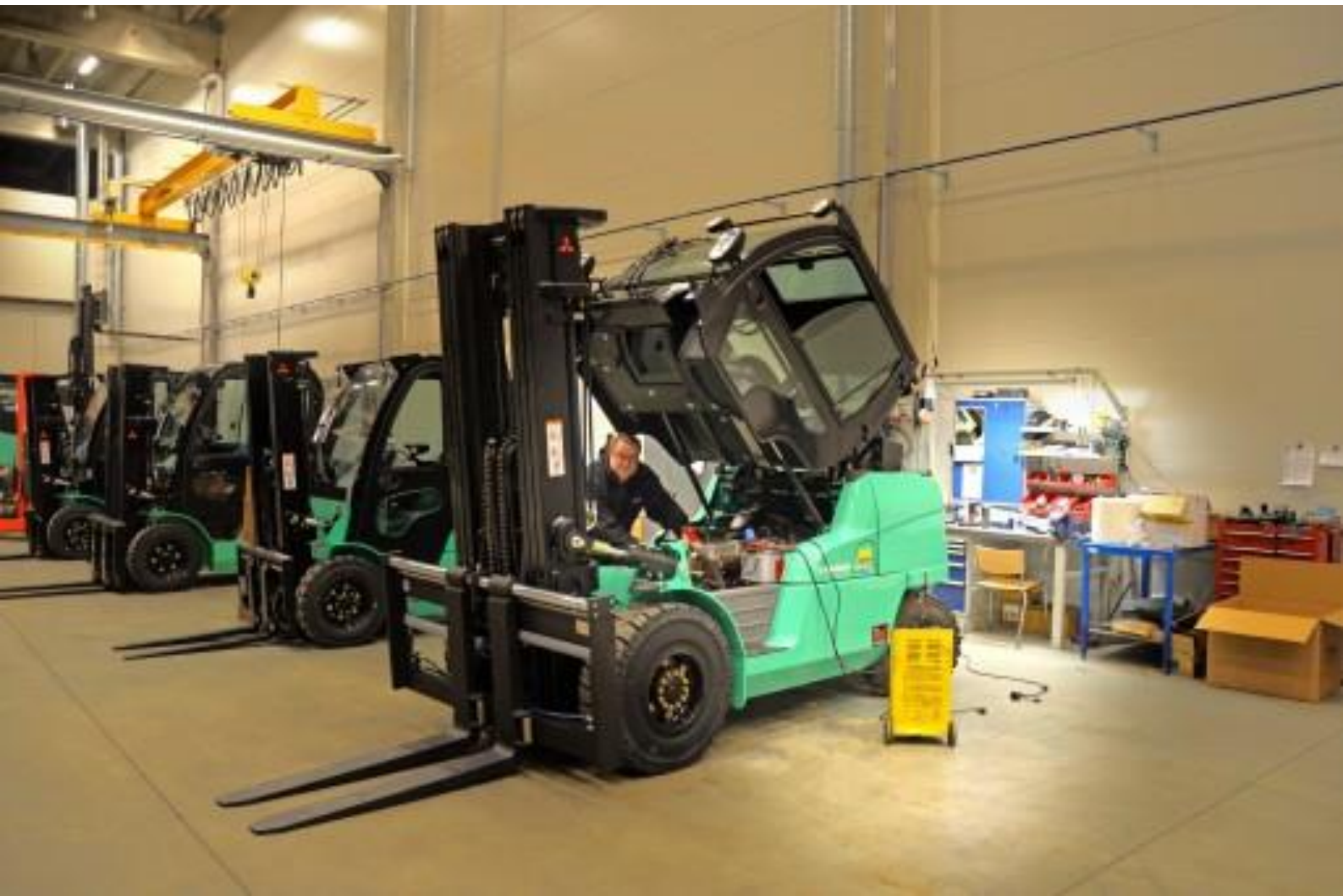


Global Industrial Trucks Analysis Report (2024)

WHITEPAPER REPORT (1 May 2024)

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Industrial Trucks Orders & Correlation with Economic Indicators

Historically, new industrial trucks/ forklifts orders have shown a very strong correlation with the performance of broad economic indicators, such as the volume of global trade, gross domestic product (GDP), and industrial output. Over the past four decades (from 2010 to 2020, excluding the COVID-affected year of 2020), the industrial trucks/ forklifts industry has experienced order intake growth ~1.6 times that of the global GDP growth.

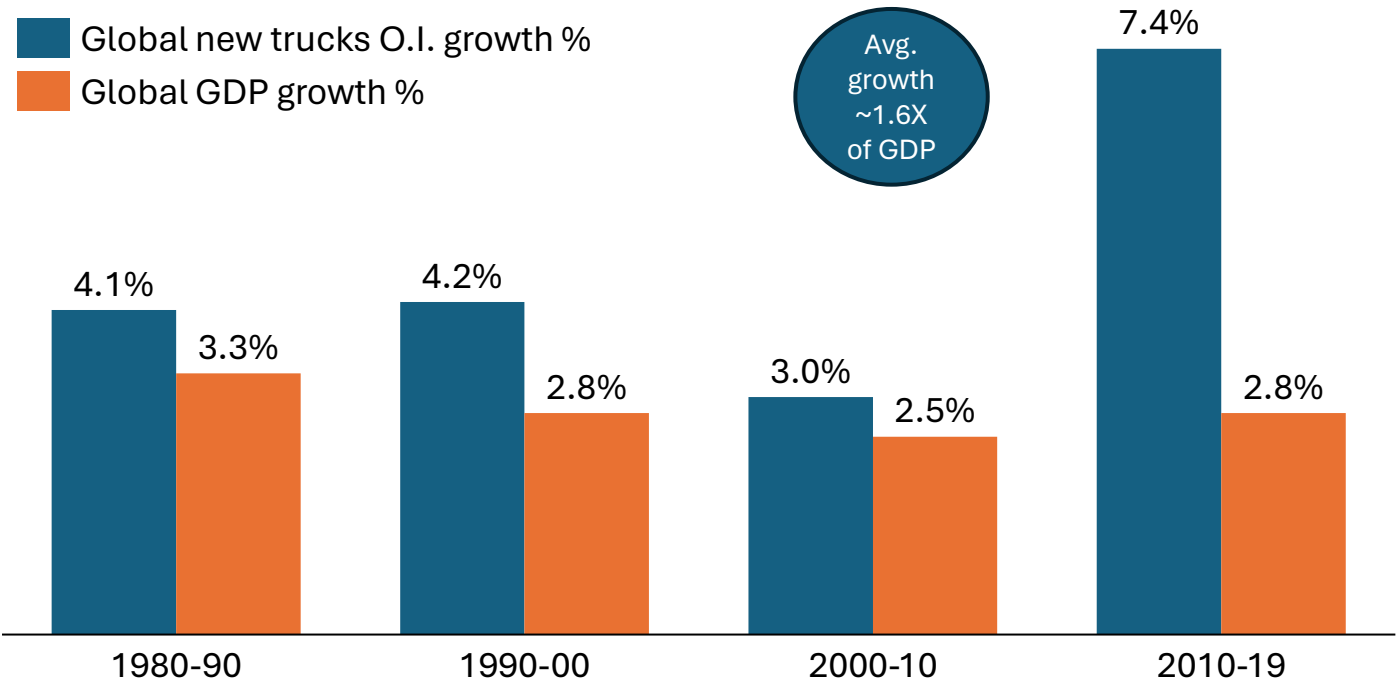


Figure 1 (Source: KION)

Post Pandemic Surge Normalised In Past Two Years

A surge in demand in 2021:

The industrial trucks market in 2021 saw a significant jump in order intake units (up ~43% y/y) due to the pent-up demand backlog of the pandemic hit 2020 further exacerbated by looming supply bottlenecks and anticipated price increases. All the regions contributed to significant growth in the industry. However, by the end of the second half, it was clear that the demand was not sustainable.

Marco events dented the demand in 2022:

Energy crises in Europe, the Russia-Ukraine war, supply chain bottlenecks, tighter monetary policies by Central Banks, and COVID-containing measures in China all added to the uncertainty in the industry. The second half saw a steep decline in the order intake numbers. End markets like e-commerce halted their capital expenditure due to overestimating the pent-up demand seen in 2021. Global order intake units declined by ~7% y/y.

Further normalisation in 2023:

The market for industrial trucks was affected by economic and political uncertainties, elevated interest rates, and a high level of inflation in 2023. However, orders on hand were processed more swiftly with the ease of supply chain issues. Overall, the global market saw a decline in line with what was seen in 2022. The decline was most significant in the Americas, followed by the EMEA region. APAC region on the other hand benefited from the expansion of new activities in China.

Slight recovery in Q4 data:

It is noteworthy, that by the end of 2023, order intake in Europe and Asia turned positive with our estimate suggesting significant growth in Asia and a slight increase seen in Europe. However, America, as per our estimates, continued to see a steep decline in order intake. The trend suggests we might see an increase in demand going ahead in EMEA and APAC.

Industrial Trucks Market Analysis (Region and Types)

To better understand the long-term trends and current situation of the industrial trucks market, we analysed the publicly available order intake units data for 2017 and 2022 from World Industrial Truck Statistics (WITS) along with our estimates.

WITS distinguishes between three categories of trucks: Electric Warehouse Trucks (WH trucks), electric rider trucks (E trucks), and internal combustion engine trucks (IC trucks). The WH trucks are typically smaller and more manoeuvrable and are best used in tight spaces e.g. warehouses. The Rider trucks can either be electric (E trucks) or internal combustion (IC trucks) and have a counterbalance at the rear to keep them from tipping over. They are typically used for heavy-duty applications, such as lifting and transporting pallets of goods.

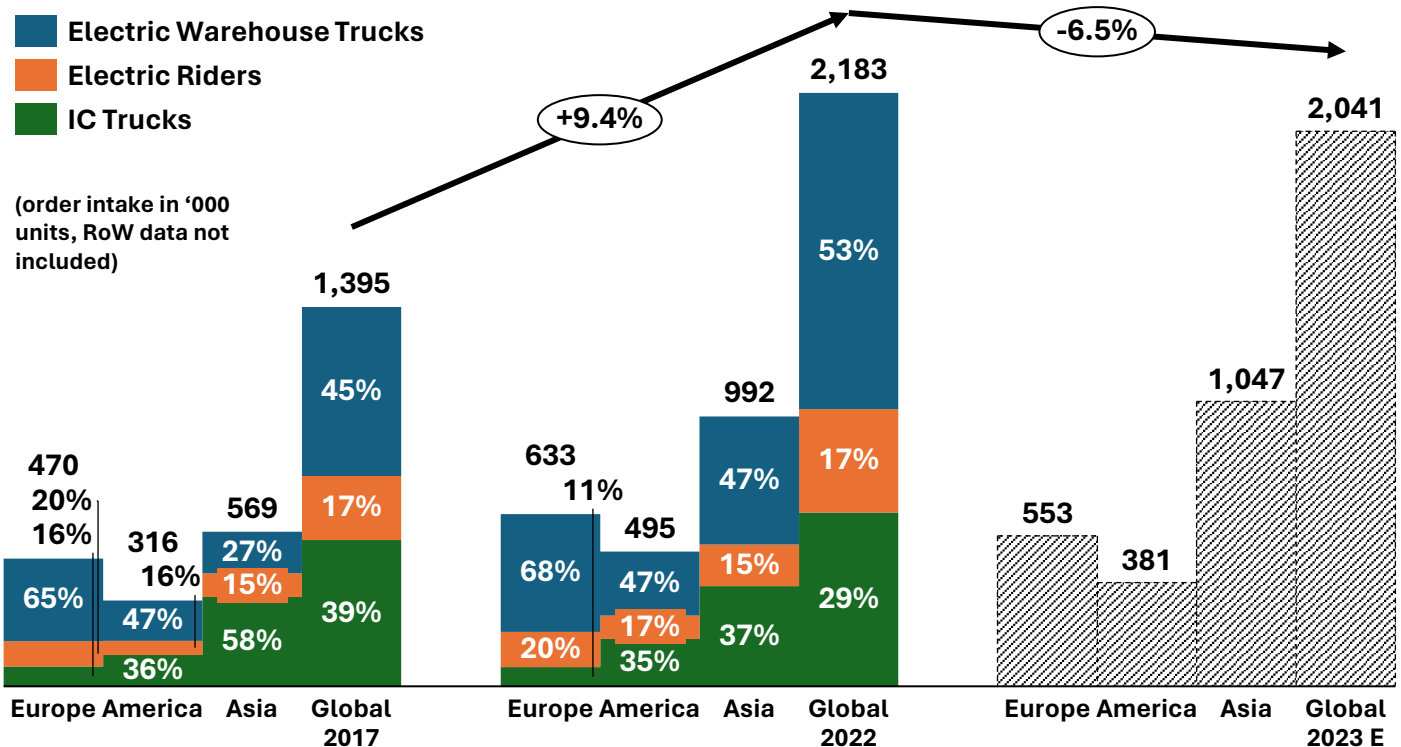


Figure 2 (Source: WITS, Hyster Yale, and SP2 Analytics estimates)

Key Observations

Order intake is driven by warehousing trucks and growth in Asia

5-year data (2017-22) demonstrates that healthy demand from the Asia region (~12% CAGR, China being the main contributor) has driven the order intake data for the industry (followed by America with ~9%, and Europe with ~6%). Additionally, customers are shifting away from the IC trucks (grew at 4% CAGR) and embracing the electrified range (warehouse and rider trucks, ~12% CAGR) highlighting the rapid development and adoption of lithium-ion batteries, increasing environmental awareness and stringent policies by the controlling agencies to move towards sustainability. A megatrend of growth in E-commerce and logistics has given rise to smart warehousing needs resulting in high demand for warehousing trucks, versus other categories. These trends are expected to continue in the long run.

The situation in 2023:

Economic and political uncertainties, elevated interest rates, and the high level of inflation dominated in 2023. Overall, we have estimated that the global market saw a decline of (>6%) in line with what was seen in 2022. Our estimates (on the date of preparing the report) suggest that the decline was most significant in America (>20%), followed by Europe (>12%). Asia, on the other hand, benefited from the expansion of new activities in China and is the only region we have estimated to increase its order intake of industrial trucks (>5% growth).

Understanding Regional Dynamics

Figure 3 illustrates our estimated regional split of industrial truck order intake units for 2023.

China accounts for ~40% of the global order intake and hence remains a major area of focus for key players like KION, Jungheinrich, Hyster Yale, etc. However, it is noteworthy that majority of the Chinese market is dominated by Chinese OEMs and is not readily accessible to non-Chinese OEMs. KION is one of the non-Chinese key players that enjoys a healthy market share in the region. We could further see major players focusing on growing capacity expansions and forming strategic partnerships with local OEMs.

Europe and America account for ~27% and ~19% of the global order intake respectively. However, higher pricing is a key advantage for operating in these developed markets.

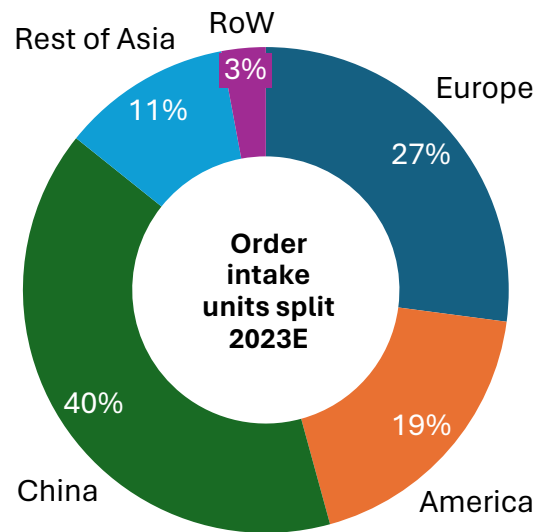


Figure 3 (Source: SP2 Analytics estimates)

Recent Regional Development

America and Europe continued their struggle:

Economic and political uncertainties, high input costs, elevated interest rates, and a high level of inflation dominated most of the quarters in Europe and America, resulting in customers delaying capital expenditure to drive the order intake. Normalisation from the high level of 2021 continued in 2023 as well. Major end markets like e-commerce suffered due to over-expanding their warehousing capacity for pent-up demand seen in 2021. As the demand normalised and got affected by a high inflation rate, e-commerce players had no choice but to stop their expansion activities hence majorly impacting order intake in their industry.

With supply chain issues majorly getting solved and high input costs having been passed on to customers, recent quarterly data suggest that the situation is expected to get better in Europe but recovery in America would need some more time.

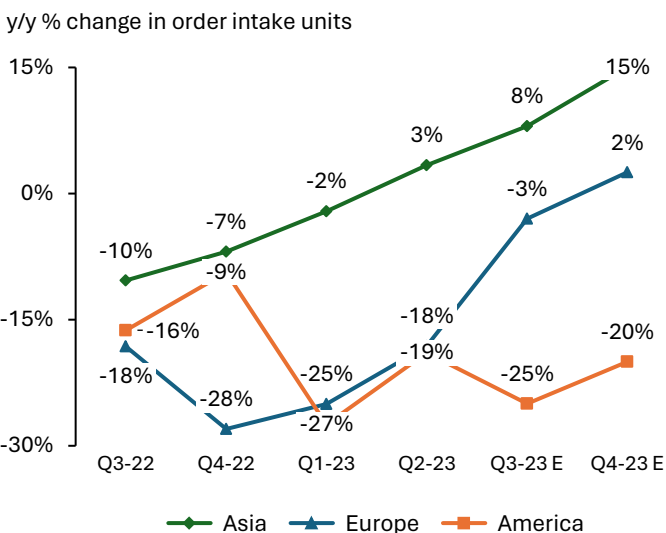


Figure 4 (Source: WITS, and SP2 Analytics estimates)

Asia continues to be driven by China:

The negative trend has reversed strongly in Asia from Q2-23 majorly because of strong economic activity in China. China and India have been among a handful of countries that showed good growth in macroeconomic factors and are expected to do well going ahead as well. Given the strong relationship between industrial trucks order intake and macroeconomic factors (e.g. GDP, PMI, etc.), Asia can be expected to continue to grow next year as well.

Oligopolistic Nature Of Market

The industrial trucks and service market is dominated by global players like Toyota Industries, KION, etc. making it an oligopolistic market with the top 5 players contributing to ~55% of the global industry revenue.

Figure 5 illustrates our estimate for market share of top players in industrial trucks and service market (based on revenue). To arrive at the split, we have taken comparable revenues as the basis of our data.

Toyota continues to dominate the top spot, followed by KION, Jungheinrich and Logisnext. While Toyota's regional focus seems balanced, KION and Jungheinrich are majorly focused on EMEA region, while Logisnext's main market are Americas and APAC regions.

Other major players are Hyster Yale, Anhui Forklift Truck, Hangcha, etc.

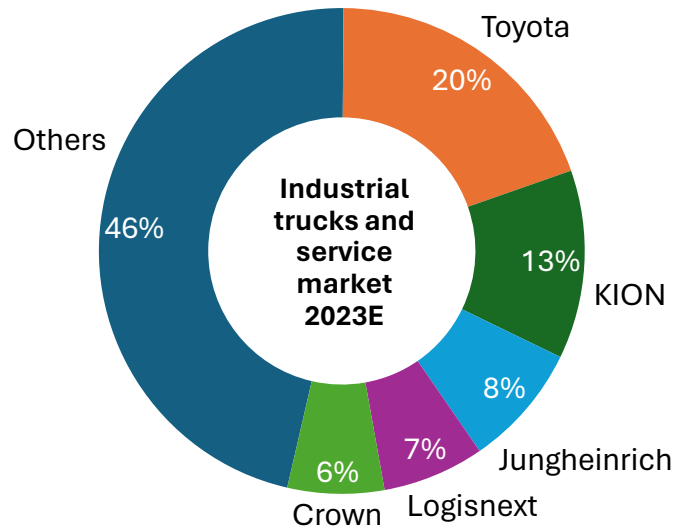


Figure 5 (Source: Company filings, SP2 Analytics)

Important Commentaries On Market

KION on 2023 situation: “The global market for industrial trucks registered falls in order numbers (as measured by order intake) during the reporting period. Orders on hand were processed at an accelerated rate in 2023 due, in KION’s view, to the easing of the supply chain disruption seen in the prior year. New orders slowed, however.”

2024 outlook: “KION Group expects the global material handling market to increasingly stabilize in 2024 following negative growth rates in the reporting year. KION Group is predicting slight growth in the market for new industrial trucks in 2024 based on order numbers. This will be driven mainly by an anticipated upturn in the APAC and EMEA regions, whereas demand is expected to decrease in the Americas region.”

Hyster Yale on 2023 situation: “Generally, the 2023 global economy performed better than anticipated. The Company's core lift truck market remains strong and above pre-pandemic levels in most regions. Nonetheless, some external market factors, including ongoing geopolitical instability, most recently evidenced by the tensions in the Red Sea, continue to create a significant amount of uncertainty within the global economic outlook.”

2024 outlook: “In 2024, global market bookings are expected to be generally comparable to 2023 levels. An anticipated first-half decline is expected to be offset by a second-half increase. For both full-years 2023 and 2024, market unit volumes are projected to remain strong”

Jungheinrich on 2023 situation: While there was no specific market commentary on the industrial trucks market, order intake units in ‘new business’ of Jungheinrich (which includes orders for both new forklifts and trucks for short-term rental) decreased by 5.4% in 2023, but the overall value of order intake increased by 9.3% suggesting a significant increase in price and passing on the high material cost to customers (in line with peers).

2024 outlook: “We assume that the geopolitical situation will not deteriorate further in the 2024 financial year and that economic conditions will improve in the second half of 2024 at the earliest.”

Long Term Growth Prospects Intact

Our estimates suggest that the market for industrial trucks and services should start to recover from second half of 2024. Beyond that, the market should be driven by megatrends like urbanisation, e-commerce boom, automation and sustainability measures. We have forecasted a CAGR of ~5% from 2023-2027 period for the industrial trucks and services market (based on industry revenue).

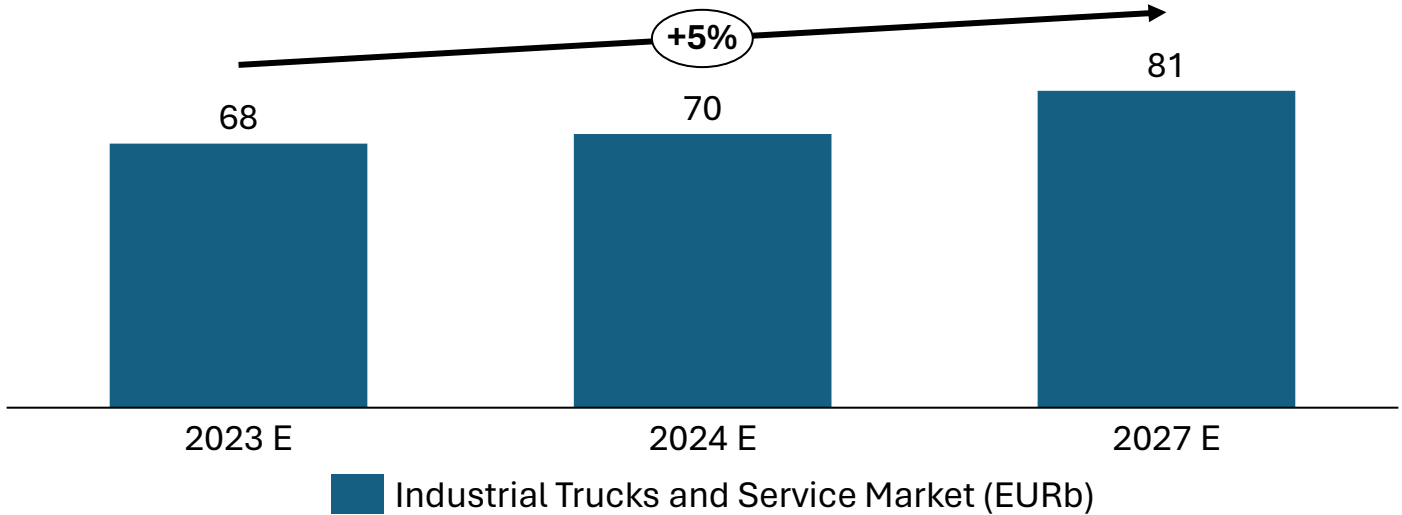


Figure 6 (Source: SP2 Analytics estimates)

Megatrends Drive Beyond 2024:

Urbanisation and labour shortage:

The continuous growth of cities and their ageing population are presenting logistical challenges. Urban environments often have limitations on space and infrastructure, necessitating compact and manoeuvrable industrial trucks for navigating tight spaces within warehouses and distribution centres. The ageing population also contributes to labour shortages, making automation through industrial trucks even more attractive for logistics providers seeking to optimise efficiency and productivity with a potentially shrinking workforce.

Sustainability:

Environmental concerns are prompting a shift towards sustainable practices. Companies are increasingly seeking electric and alternative fuel-powered industrial trucks to reduce their carbon footprint and comply with stricter environmental regulations. This trend is expected to propel the demand for electric and alternative fuel-powered vehicles within the industrial truck segment.

Continued E-commerce Growth:

A surge in e-commerce is expected to continue and fundamentally transform the logistics landscape. This necessitates specialised industrial trucks designed specifically for e-fulfillment operations. These trucks need to be adept at handling high volumes of smaller items, and efficiently picking and sorting goods to expedite order fulfillment. The burgeoning e-commerce sector will continue to drive demand for such specialised industrial trucks.

Automation:

Consumers' ever-growing expectations for fast delivery times are pushing the boundaries of logistics efficiency. This necessitates automation within warehouses and distribution centres. Advancements in automation technologies, coupled with the integration of autonomous guided vehicles (AGVs) and automated storage and retrieval systems (AS/RS), will significantly impact the industrial truck market. Industrial trucks that integrate with automation systems will be in high demand.

Conclusion:

We should start to see early signs of recovery from 2024. Beyond 2024, the industrial trucks and service industry should be back on the growth trajectory driven by strong megatrends. Geopolitical tensions, sustained hyperinflation and supply chain issues remain risks to our growth assumptions.

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