



Rating
Hold

Europe
North America

Industrials
Machinery

Company
CNH Industrial

Reuters
CNHI.N

Bloomberg
CNHI US

Exchange
NYS

Ticker
CNHI

Date
7 November 2018

Company Update

Price at 7 Nov 2018 (USD)	10.52
Price Target	12.00
52-week range	15.50 - 9.68

Price/Cost Push Out

Overall Thoughts

CNHI's 3Q results were mixed, although the company beat 3Q expectations, the 4Q implied guidance disappointed. Material cost escalation and tariff headwinds are likely to continue pressuring margins through the balance of the year and into 2019, Commercial Vehicles are showing signs of slowing and the outlook towards ag has softened vs. the prior Q. On the positive end, mgmt recommitted to increasing structural margins across the business and will provide an update on the company's strategic direction within the next year. Against this backdrop, the risk/reward for CNHI remains balanced and we maintain our HOLD rating and \$12 PT.

3Q Results

CNHI reported 3Q18 Headline EPS of \$0.16, slightly above expectations (\$0.13 DBE/\$0.14 cons.). The beat was largely driven by Financial Products, as segment sales (\$469m, +11% vs cons.) and operating margins (26% vs cons. 19%) each outperformed. That said, core Industrial segment trends were somewhat mixed, notably on the top line. Sales across Ag equipment (-3% vs cons.), Commercial Vehicle (-11% vs. cons), and Powertrain (-13% vs cons.) each tracked below the Street, while Construction Equipment outperformed (+3% vs cons.). Core Industrial operating margins of 5.1% were in-line with consensus, driven by margin outperformance in Construction Equipment (3.6%, +100bps vs cons.) and Commercial Vehicle (2.8%, +80bps vs cons.). Incremental margins in Ag Equipment (26% vs cons. 21%) and Construction Equipment (22% vs cons. 19%) were encouraging, though trends were softer in Powertrain (6% vs cons. 16%) and Commercial Vehicles (-15% vs cons. 10%).

Key Takeaways

1) Reiterated 2018 revs/EPS guidance of \$28B/67c-71c, but mentioned that EPS would come in at high end of range, which implies 4Q EPS of 12c vs. street expectations of 17c; 2) Order book for ag equipment is up 10% on the quarter (expecting balanced production/sales in 4Q), with 3-6 months of forward visibility, but mgmt indicated that farmer sentiment has softened in the last quarter due to tariff concerns 3) Construction equipment orders are flat Y/Y, with heavy equipment up double digits and light equipment down significantly (partially driven by weakness in hay/foraging market); 4) 3Q Commercial vehicle orders are down ~35% Y/Y for medium/heavy duty and up 5% for light duty; 5) Indicated that CNHI will undertake a strategic review that includes continuing path towards structural margin expansion using the 80/20 approach/reducing complexity across business lines (product line/customer relationship rationalization); 6)

Valuation & Risks

Chad Dillard

Research Analyst

+1-212-250-8390

Key changes

EPS (USD)	0.71 to 0.70	↓	-1.3%
Revenue (USDm)	30,208 to 29,779	↓	-1.4%

Source: Deutsche Bank

7 November 2018

Machinery

CNH Industrial



Expecting \$50-100M of tariff-related margin headwinds next year, and indicated that 4Q run rate would be in the \$10-20M range; 7) expecting to stockpile \$80-100M of engine inventory ahead of the Stage V transition;

Forecasts and ratios

Year End Dec 31	2017A	2018E	2019E
FY EPS (USD)	0.46	0.70	0.84
DPS (USD)	0.12	0.19	0.15
Dividend yield (%)	1.1	1.8	1.4
Revenue (USDm)	27,701.0	29,779.2	30,542.6

Source: Deutsche Bank estimates, company data

Figure 1: Drivers - Industrial

YE 31 December (\$m)	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18e	2018e	2019e	2020e	2021e	2022e
Agriculture Equipment	16,763	15,204	11,025	9,690	2,240	2,766	2,547	3,130	10,683	2,579	3,312	2,636	3,188	11,715	12,464	12,876	13,301	13,742
Construction Equipment	3,258	3,346	2,542	2,206	502	650	618	760	2,530	682	799	726	801	3,008	3,110	3,204	3,284	3,365
Commercial Vehicle	11,278	10,888	9,542	9,628	2,125	2,598	2,573	3,266	10,562	2,495	2,889	2,404	3,287	11,075	10,775	10,652	10,884	11,121
Powertrain	4,412	4,464	3,560	3,707	1,001	1,136	1,074	1,158	4,369	1,186	1,218	972	1,170	4,546	4,632	4,724	4,857	4,994
Corporate/Eliminations	(3,050)	(2,704)	(1,992)	(2,015)	(578)	(625)	(574)	(598)	(2,375)	(642)	(639)	(493)	(604)	(2,378)	(2,436)	(2,483)	(2,553)	(2,625)
Sales	32,661	31,198	24,677	23,216	5,290	6,525	6,238	7,716	25,769	6,300	7,579	6,245	7,843	27,967	28,546	28,972	29,773	30,597
Agriculture Equipment	7%	-9%	-27%	-12%	5%	-1%	8%	11%	10%	15%	20%	3%	2%	10%	6%	3%	3%	3%
Construction Equipment	-14%	3%	-24%	-13%	-6%	9%	4%	31%	15%	36%	23%	17%	5%	19%	3%	3%	2%	2%
Commercial Vehicle	2%	-3%	-12%	1%	4%	0%	22%	17%	10%	17%	11%	-7%	1%	5%	-3%	-1%	2%	2%
Powertrain	17%	1%	-20%	4%	13%	11%	26%	22%	18%	18%	7%	-9%	1%	4%	2%	2%	3%	3%
Y/Y Growth	3%	-4%	-21%	-6%	4%	1%	14%	15%	11%	19%	16%	0%	2%	9%	2%	1%	3%	3%
Agriculture Equipment	2,277	2,058	1,255	904	194	337	255	320	1,106	265	472	272	331	1,340	1,474	1,542	1,613	1,688
Construction Equipment	(20)	164	160	25	(15)	23	18	23	49	16	48	41	31	136	159	179	196	214
Commercial Vehicle	259	238	481	491	142	203	177	213	735	206	239	216	217	878	818	765	785	806
Powertrain	346	367	309	357	104	128	120	136	488	129	141	113	134	517	523	522	523	524
Corporate/Eliminations	205	143	159	55	(32)	(48)	(31)	(64)	(175)	(40)	(44)	(24)	(55)	(216)	(242)	(242)	(242)	(242)
EBITDA	3,067	2,970	2,364	1,832	393	643	539	628	2,203	576	856	618	658	2,655	2,733	2,766	2,875	2,991
Agriculture Equipment	19%	-10%	-39%	-28%	16%	-11%	10%	-8%	22%	37%	40%	7%	3%	21%	10%	5%	5%	5%
Construction Equipment	-125%	-920%	-2%	-84%	-149%	-32%	0%	-280%	97%	-205%	106%	125%	-36%	177%	16%	13%	10%	9%
Commercial Vehicle	-64%	-8%	102%	2%	58%	34%	53%	16%	50%	45%	18%	22%	2%	20%	-7%	-6%	3%	3%
Powertrain	8%	6%	-16%	16%	24%	32%	45%	48%	37%	24%	10%	-6%	-2%	6%	1%	0%	0%	0%
Y/Y Growth	-2%	-3%	-20%	-23%	-8%	-9%	9%	-5%	20%	47%	33%	15%	5%	21%	3%	1%	4%	4%
Agriculture Equipment	2,008	1,770	952	595	115	261	173	242	791	186	396	196	255	1,033	1,183	1,265	1,350	1,438
Construction Equipment	(97)	79	90	(44)	(31)	7	2	6	(16)	-	33	26	16	75	101	124	144	165
Commercial Vehicle	74	29	283	283	17	72	43	63	195	49	92	68	69	278	248	224	270	318
Powertrain	187	223	186	233	74	97	88	101	360	95	108	82	103	388	401	405	412	419
Segment Income	2,172	2,101	1,511	1,067	175	437	306	412	1,330	330	629	372	443	1,774	1,933	2,018	2,176	2,339
Corporate/Eliminations	(77)	(113)	(79)	(94)	(34)	(41)	(48)	(64)	(187)	(69)	(58)	(51)	(64)	(242)	(242)	(242)	(242)	(242)
Core Operating Income	2,095	1,988	1,432	973	141	396	258	348	1,143	261	571	321	379	1,532	1,691	1,776	1,934	2,097
Agriculture Equipment	20%	-12%	-46%	-38%	28%	-13%	12%	-11%	33%	62%	52%	13%	5%	31%	15%	7%	7%	7%
Construction Equipment	1517%	-181%	14%	-149%	-321%	-59%	100%	-120%	-64%	-100%	371%	1200%	173%	-571%	34%	23%	16%	14%
Commercial Vehicle	-86%	-61%	876%	0%	-55%	-28%	-33%	-52%	-31%	188%	28%	58%	10%	43%	-11%	-10%	21%	18%
Powertrain	15%	19%	-17%	25%	40%	47%	69%	66%	55%	28%	11%	-7%	2%	8%	3%	1%	2%	2%
Segment Income Y/Y	-8%	-3%	-28%	-29%	-10%	-10%	13%	-5%	25%	89%	44%	22%	8%	33%	9%	4%	8%	7%
Operating Income Y/Y	-6%	-5%	-28%	-32%	-21%	-13%	4%	-16%	17%	85%	44%	24%	9%	34%	10%	5%	9%	8%
Agriculture Equipment	12.0%	11.6%	8.6%	6.1%	5.1%	9.4%	6.8%	7.7%	7.4%	7.2%	12.0%	7.4%	8.0%	8.8%	9.5%	9.8%	10.1%	10.5%
Construction Equipment	-3.0%	2.4%	3.5%	-2.0%	-6.2%	1.1%	0.3%	0.8%	-0.6%	0.0%	4.1%	3.6%	2.0%	2.5%	3.2%	3.9%	4.4%	4.9%
Commercial Vehicle	0.7%	0.3%	3.0%	2.9%	0.8%	2.8%	1.7%	1.9%	1.8%	2.0%	3.2%	2.8%	2.1%	2.5%	2.3%	2.1%	2.5%	2.9%
Powertrain	4.2%	5.0%	5.2%	6.3%	7.4%	8.5%	8.2%	8.7%	8.2%	8.0%	8.9%	8.4%	8.8%	8.5%	8.7%	8.6%	8.5%	8.4%
Segment Margin	6.7%	6.7%	6.1%	4.6%	3.3%	6.7%	4.9%	5.3%	5.2%	5.2%	8.3%	6.0%	5.7%	6.3%	6.8%	7.0%	7.3%	7.6%
Operating Margin	6.4%	6.4%	5.8%	4.2%	2.7%	6.1%	4.1%	4.5%	4.4%	4.1%	7.5%	5.1%	4.8%	5.5%	5.9%	6.1%	6.5%	6.9%

Source: Deutsche Bank, Company Data



Figure 2: Consolidated Income Statement

YE 31 December (\$m)	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18e	2018e	2019e	2020e	2021e	2022e
Sales	33,836	32,555	25,912	25,095	5,785	7,003	6,689	8,224	27,701	6,773	8,045	6,686	8,275	29,779	30,543	31,069	31,974	32,908
Y/Y Growth	3%	-4%	-2.0%	-3%	8%	4%	16%	18%	10%	17%	15%	0%	1%	8%	3%	2%	3%	3%
Gross Profit	7,285	7,021	5,555	5,675	1,303	1,610	1,460	1,756	6,129	1,517	1,857	1,524	1,741	6,570	6,980	7,215	7,570	7,938
Margin	21.5%	21.6%	21.4%	22.6%	22.5%	23.0%	21.8%	21.4%	22.1%	22.4%	23.1%	22.8%	21.0%	22.1%	22.9%	23.2%	23.7%	24.1%
SG&A	3,094	2,925	2,317	2,246	539	571	555	650	2,315	590	593	523	694	2,400	2,456	2,501	2,576	2,653
R&D	1,222	1,106	856	860	191	228	243	295	957	227	262	254	310	1,053	1,075	1,091	1,121	1,152
Interest Expense - Financial Products	658	705	576	521	131	137	141	147	556	136	136	138	127	537	509	507	500	500
Restructuring Expenses	71	184	84	44	12	12	53	16	93	3	5	8	9	25	-	-	-	-
Reported Operating Income	2,240	2,101	1,722	2,004	430	662	468	648	2,208	561	861	601	602	2,556	2,940	3,116	3,373	3,633
Margin	6.6%	6.5%	6.6%	8.0%	7.4%	9.5%	7.0%	7.9%	8.0%	8.3%	10.7%	9.0%	7.3%	8.6%	9.6%	10.0%	10.5%	11.0%
Adjustments	71	184	84	44	12	12	53	16	93	3	5	8	9	25	-	-	-	-
Core Operating Income	2,311	2,285	1,806	2,048	442	674	521	664	2,301	564	866	609	611	2,581	2,940	3,116	3,373	3,633
Margin	6.8%	7.0%	7.0%	8.2%	7.6%	9.6%	7.8%	8.1%	8.3%	8.3%	10.8%	9.1%	7.4%	8.7%	9.6%	10.0%	10.5%	11.0%
Other Expense/(Income)	328	399	625	1,521	263	247	250	405	1,165	251	302	199	253	1,005	985	990	998	1,006
EBIT	1,912	1,702	1,097	483	167	415	218	243	1,043	310	559	402	348	1,550	1,955	2,126	2,375	2,627
Margin	5.7%	5.2%	4.2%	1.9%	2.9%	5.9%	3.3%	3.0%	3.8%	4.6%	6.9%	6.0%	4.2%	5.2%	6.4%	6.8%	7.4%	8.0%
Interest Expense, Net	538	613	530	505	88	96	117	83	384	64	56	51	97	268	331	288	263	219
Pre-Tax Income	1,374	1,089	567	(22)	79	319	101	160	659	246	503	351	251	1,282	1,624	1,838	2,112	2,408
Taxes	671	467	360	297	51	110	62	234	457	63	118	131	81	393	503	570	655	746
Effective Rate	48.8%	42.9%	63.5%	-1350.0%	64.6%	34.5%	61.4%	146.3%	69.3%	25.6%	23.5%	37.3%	32.1%	30.6%	31.0%	31.0%	31.0%	31.0%
Post-Tax Income	703	622	207	(319)	28	209	39	(74)	202	183	385	220	170	889	1,121	1,268	1,457	1,661
Equity in Unconsolidated Affiliates	125	86	41	58	18	27	21	22	88	19	23	11	2	55	54	54	54	54
Minority Interest	(151)	2	5	(3)	(3)	(5)	(4)	(6)	(18)	(6)	(12)	(9)	(9)	(36)	(36)	(36)	(36)	(36)
Continuing Income	677	710	253	(264)	43	231	56	(58)	272	196	396	222	163	908	1,139	1,286	1,475	1,679
Disc Ops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net Income	677	710	253	(264)	43	231	56	(58)	272	196	396	222	163	908	1,139	1,286	1,475	1,679
Adjustments	119	231	226	731	9	19	91	237	356	2	(11)	(9)	-	(18)	-	-	-	-
Headline Income	796	941	479	467	52	250	147	179	628	198	385	213	163	890	1,139	1,286	1,475	1,679
Share Count	1,257	1,360	1,363	1,364	1,366	1,367	1,366	1,367	1,367	1,368	1,361	1,358	1,356	1,265	1,348	1,332	1,332	1,332
Headline EPS	0.63	0.69	0.35	0.34	0.04	0.18	0.11	0.13	0.46	0.14	0.28	0.16	0.12	0.70	0.84	0.97	1.11	1.26
Y/Y Growth	-13%	9%	-49%	-3%	NM	17% NM	-9%	-9%	34% NM	55%	46%	46%	-8%	53%	20%	14%	15%	14%
GAAP EPS - Diluted	0.54	0.52	0.19	(0.19)	0.03	0.17	0.04	(0.04)	0.20	0.14	0.29	0.16	0.12	0.72	0.84	0.97	1.11	1.26

Source: Deutsche Bank, Company Data



7 November 2018

Machinery

CNH Industrial



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
CNH Industrial	CNHI.N	10.61 (USD) 6 Nov 2018	2, 7, 14, 15

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002>. Investors are strongly encouraged to review this information before investing.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

2. Deutsche Bank and/or its affiliate(s) makes a market in equity securities issued by this company.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
14. Deutsche Bank and/or its affiliate(s) has received non-investment banking related compensation from this company within the past year.
15. This company has been a client of Deutsche Bank Securities Inc. within the past year, during which time it received non-investment banking securities-related services.

Important Disclosures Required by Non-U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

2. Deutsche Bank and/or its affiliate(s) makes a market in equity securities issued by this company.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>

Analyst Certification

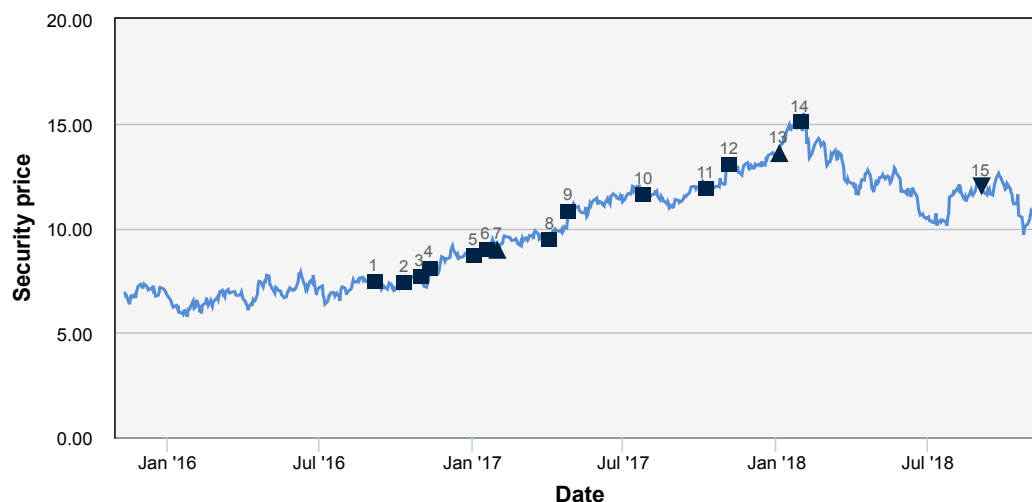
The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Chad Dillard

7 November 2018
Machinery
CNH Industrial



Historical recommendations and target price. CNH Industrial (CNHI.N)

(as of 11/07/2018)



Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	09/06/2016	Sell, Target Price Change USD 6.38 Nicole DeBlase	9.	04/27/2017	Hold, Target Price Change USD 10.87 Nicole DeBlase
2.	10/12/2016	Sell, Target Price Change USD 6.37 Nicole DeBlase	10.	07/26/2017	Hold, Target Price Change USD 12.81 Nicole DeBlase
3.	10/31/2016	Sell, Target Price Change USD 6.24 Nicole DeBlase	11.	10/09/2017	Hold, Target Price Change USD 13.20 Nicole DeBlase
4.	11/11/2016	Sell, Target Price Change USD 7.20 Nicole DeBlase	12.	11/06/2017	Hold, Target Price Change USD 12.81 Saree Boroditsky, CFA**
5.	01/04/2017	Sell, Target Price Change USD 7.75 Nicole DeBlase	13.	01/04/2018	Upgraded to Buy, Target Price Change USD 16.00 Nicole DeBlase
6.	01/18/2017	Sell, Target Price Change USD 8.04 Nicole DeBlase	14.	01/30/2018	Buy, Target Price Change USD 17.00 Nicole DeBlase
7.	02/01/2017	Upgraded to Hold, Target Price Change USD 10.01 Nicole DeBlase	15.	09/04/2018	Downgraded to Hold, Target Price Change USD 12.00 Chad Dillard
8.	04/05/2017	Hold, Target Price Change USD 9.97 Nicole DeBlase			

Equity Rating Key

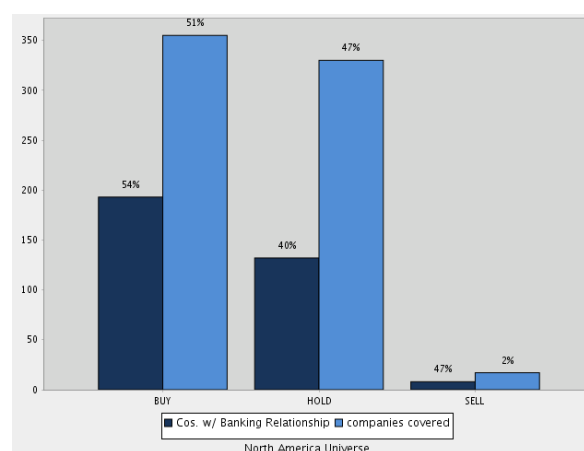
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships



7 November 2018

Machinery

CNH Industrial



Additional Information

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, Deutsche Bank makes no representation as to its accuracy or completeness. Hyperlinks to third-party websites in this report are provided for reader convenience only. Deutsche Bank neither endorses the content nor is responsible for the accuracy or security controls of those websites.

If you use the services of Deutsche Bank in connection with a purchase or sale of a security that is discussed in this report, or is included or discussed in another communication (oral or written) from a Deutsche Bank analyst, Deutsche Bank may act as principal for its own account or as agent for another person.

Deutsche Bank may consider this report in deciding to trade as principal. It may also engage in transactions, for its own account or with customers, in a manner inconsistent with the views taken in this research report. Others within Deutsche Bank, including strategists, sales staff and other analysts, may take views that are inconsistent with those taken in this research report. Deutsche Bank issues a variety of research products, including fundamental analysis, equity-linked analysis, quantitative analysis and trade ideas. Recommendations contained in one type of communication may differ from recommendations contained in others, whether as a result of differing time horizons, methodologies, perspectives or otherwise. Deutsche Bank and/or its affiliates may also be holding debt or equity securities of the issuers it writes on. Analysts are paid in part based on the profitability of Deutsche Bank AG and its affiliates, which includes investment banking, trading and principal trading revenues.

Opinions, estimates and projections constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank provides liquidity for buyers and sellers of securities issued by the companies it covers. Deutsche Bank research analysts sometimes have shorter-term trade ideas that may be inconsistent with Deutsche Bank's existing longer-term ratings. Some trade ideas for equities are listed as Catalyst Calls on the Research Website (<https://research.db.com/Research/>), and can be found on the general coverage list and also on the covered company ' s page. A Catalyst Call represents a high-conviction belief by an analyst that a stock will outperform or underperform the market and/or a specified sector over a time frame of no less than two weeks and no more than three months. In addition to Catalyst Calls, analysts may occasionally discuss with our clients, and with Deutsche Bank salespersons and traders, trading strategies or ideas that reference catalysts or events that may have a near-term or medium-term impact on the market price of the securities discussed in this report, which impact may be directionally counter to the analysts' current 12-month view of total return or investment return as described herein. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof if an opinion, forecast or estimate changes or becomes inaccurate. Coverage and the frequency of changes in market conditions and in both general and company-specific economic prospects make it difficult to update research at defined intervals. Updates are at the sole discretion of the coverage analyst or of the Research Department Management, and the majority of reports are published at irregular intervals. This report is provided for informational purposes only and does not take into account the particular investment objectives, financial situations, or needs of individual clients. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst ' s judgment. The financial instruments discussed in this report may not be suitable for all investors, and investors must make their own informed investment decisions. Prices and availability of financial instruments are subject to change without notice, and investment transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Performance calculations exclude transaction costs, unless otherwise indicated. Unless otherwise indicated, prices are current as of the end of the previous trading session and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is also sourced from Deutsche Bank, subject companies, and other parties.

The Deutsche Bank Research Department is independent of other business divisions of the Bank. Details regarding our organizational arrangements and information barriers we have to prevent and avoid conflicts of interest with respect to our research are available on our website (<https://research.db.com/Research/>) under Disclaimer.

7 November 2018

Machinery

CNH Industrial



Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed-rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. The index fixings may – by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps (swaptions) the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness of these products for use by investors depends on the investors' own circumstances, including their tax position, their regulatory environment and the nature of their other assets and liabilities; as such, investors should take expert legal and financial advice before entering into any transaction similar to or inspired by the contents of this publication. The risk of loss in futures trading and options, foreign or domestic, can be substantial. As a result of the high degree of leverage obtainable in futures and options trading, losses may be incurred that are greater than the amount of funds initially deposited – up to theoretically unlimited losses. Trading in options involves risk and is not suitable for all investors. Prior to buying or selling an option, investors must review the "Characteristics and Risks of Standardized Options", at <http://www.optionsclearing.com/about/publications/character-risks.jsp>. If you are unable to access the website, please contact your Deutsche Bank representative for a copy of this important document.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government-imposed exchange controls, which could affect the value of the currency. Investors in securities such as ADRs, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. Aside from within this report, important conflict disclosures can also be found at <https://research.db.com/Research/> on each company's research page. Investors are strongly encouraged to review this information before investing.

Deutsche Bank (which includes Deutsche Bank AG, its branches and affiliated companies) is not acting as a financial adviser, consultant or fiduciary to you or any of your agents (collectively, "You" or "Your") with respect to any information provided in this report. Deutsche Bank does not provide investment, legal, tax or accounting advice, Deutsche Bank is not acting as your impartial adviser, and does not express any opinion or recommendation whatsoever as to any strategies, products or any other information presented in the materials. Information contained herein is being provided solely on the basis that the recipient will make an independent assessment of the merits of any investment decision, and it does not constitute a recommendation of, or express an opinion on, any product or service or any trading strategy.

The information presented is general in nature and is not directed to retirement accounts or any specific person or account type, and is therefore provided to You on the express basis that it is not advice, and You may not rely upon it in making Your decision. The information we provide is being directed only to persons we believe to be financially sophisticated, who are capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, and who understand that Deutsche Bank has financial interests in the offering of its products

7 November 2018

Machinery

CNH Industrial



and services. If this is not the case, or if You are an IRA or other retail investor receiving this directly from us, we ask that you inform us immediately.

In July 2018, Deutsche Bank revised its rating system for short term ideas whereby the branding has been changed to Catalyst Calls ("CC") from SOLAR ideas; the rating categories for Catalyst Calls originated in the Americas region have been made consistent with the categories used by Analysts globally; and the effective time period for CCs has been reduced from a maximum of 180 days to 90 days.

United States: Approved and/or distributed by Deutsche Bank Securities Incorporated, a member of FINRA, NFA and SIPC. Analysts located outside of the United States are employed by non-US affiliates that are not subject to FINRA regulations.

Germany: Approved and/or distributed by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorized under German Banking Law and is subject to supervision by the European Central Bank and by BaFin, Germany ' s Federal Financial Supervisory Authority.

United Kingdom: Approved and/or distributed by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation are available on request.

Hong Kong: Distributed by Deutsche Bank AG, Hong Kong Branch or Deutsche Securities Asia Limited (save that any research relating to futures contracts within the meaning of the Hong Kong Securities and Futures Ordinance Cap. 571 shall be distributed solely by Deutsche Securities Asia Limited). The provisions set out above in the "Additional Information" section shall apply to the fullest extent permissible by local laws and regulations, including without limitation the Code of Conduct for Persons Licensed or Registered with the Securities and Futures Commission. .

India: Prepared by Deutsche Equities India Private Limited (DEIPL) having CIN: U65990MH2002PTC137431 and registered office at 14th Floor, The Capital, C-70, G Block, Bandra Kurla Complex Mumbai (India) 400051. Tel: + 91 22 7180 4444. It is registered by the Securities and Exchange Board of India (SEBI) as a Stock broker bearing registration nos.: NSE (Capital Market Segment) - INB231196834, NSE (F&O Segment) INF231196834, NSE (Currency Derivatives Segment) INE231196834, BSE (Capital Market Segment) INB011196830; Merchant Banker bearing SEBI Registration no.: INM000010833 and Research Analyst bearing SEBI Registration no.: INH000001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations. The transmission of research through DEIPL is Deutsche Bank's determination and will not make a recipient a client of DEIPL. Deutsche Bank and/or its affiliate(s) may have debt holdings or positions in the subject company. With regard to information on associates, please refer to the "Shareholdings" section in the Annual Report at: <https://www.db.com/ir/en/annual-reports.htm> .

Japan: Approved and/or distributed by Deutsche Securities Inc.(DSI). Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association and The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. We may also charge commissions and fees for certain categories of investment advice, products and services. Recommended investment strategies, products and services carry the risk of losses to principal and other losses as a result of changes in market and/or economic trends, and/or fluctuations in market value. Before deciding on the purchase of financial products and/or services, customers should carefully read the relevant disclosures, prospectuses and other documentation. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless Japan or "Nippon" is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of DSI are written by Deutsche Bank Group's analysts with the coverage companies specified by DSI. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan. Target prices set by Deutsche Bank's equity analysts are based on a 12-month forecast period..

7 November 2018
Machinery
CNH Industrial



Korea: Distributed by Deutsche Securities Korea Co.

South Africa: Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10).

Singapore: This report is issued by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, +65 6423 8001), which may be contacted in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated by Deutsche Bank in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), they accept legal responsibility to such person for its contents.

Taiwan: Information on securities/investments that trade in Taiwan is for your reference only. Readers should independently evaluate investment risks and are solely responsible for their investment decisions. Deutsche Bank research may not be distributed to the Taiwan public media or quoted or used by the Taiwan public media without written consent. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation to trade in such securities/instruments. Deutsche Securities Asia Limited, Taipei Branch may not execute transactions for clients in these securities/instruments.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may undertake only the financial services activities that fall within the scope of its existing QFCRA license. Its principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available only to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: The information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may undertake only the financial services activities that fall within the scope of its existing CMA license. Its principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are available only to Professional Clients, as defined by the Dubai Financial Services Authority.

Australia and New Zealand: This research is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act, respectively. Please refer to Australia-specific research disclosures and related information at <https://australia.db.com/australia/content/research-information.html> Where research refers to any particular financial product recipients of the research should consider any product disclosure statement, prospectus or other applicable disclosure document before making any decision about whether to acquire the product. In preparing this report, the primary analyst or an individual who assisted in the preparation of this report has likely been in contact with the company that is the subject of this research for confirmation/clarification of data, facts, statements, permission to use company-sourced material in the report, and/or site-visit attendance. Without prior approval from Research Management, analysts may not accept from current or potential Banking clients the costs of travel, accommodations, or other expenses incurred by analysts attending site visits, conferences, social events, and the like. Similarly, without prior approval from Research Management and Anti-Bribery and Corruption ("ABC") team, analysts may not accept perks or other items of value for their personal use from issuers they cover.

7 November 2018

Machinery

CNH Industrial



Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published without Deutsche Bank's prior written consent. Copyright © 2018 Deutsche Bank AG



David Folkerts-Landau

Group Chief Economist and Global Head of Research

Pam Finelli
Global Chief Operating Officer
Research

Michael Spencer
Head of APAC Research

Steve Pollard
Head of Americas Research
Global Head of Equity Research

Anthony Klarman
Global Head of
Debt Research

Kinner Lakhani
Head of EMEA
Equity Research

Joe Liew
Head of APAC
Equity Research

Jim Reid
Global Head of
Thematic Research

Francis Yared
Global Head of
Rates Research

George Saravelos
Head of FX Research

Peter Hooper
Global Head of
Economics Research

Andreas Neubauer
Head of Germany Research

Spyros Mesomeris
Global Head of Quantitative
and QIS Research

International Production Locations

Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500