



AD PUNCTUM

News Review -- 31st July to 6th August

News is arranged by company and topic. Stories that apply to more than one company or topic are duplicated.

Company-by-company rundown

BMW

- Reported Q2 2017 financial results. Automotive revenue of €49.25 billion was up 7.4% on a year-over-year basis. Automotive EBIT of €2.24 billion was up 2.8%. ([BMW](#))
- Following the German diesel summit, BMW called for “objective discussions based on facts and scientific evidence”, it also launched a €2k additional trade-in “environmental bonus” for owners of E4 and earlier diesel vehicles. ([BMW](#))
- BMW’s CEO called on non-German carmakers to contribute a €500 million fund set up by German carmakers and the government as a result of the diesel summit. ([Reuters](#))
- Saw BMW’s partner in its carbon fibre joint venture, SGL Group, speculate that it might buy the automaker out of its stake in the company. ([Reuters](#))

Daimler

- Following the diesel summit, Daimler announced that it had “once again expanded” its package of measures to improve diesel emissions with a four-digit environment bonus for EU4 vehicles and an accelerated introduction of new powertrains (although it wasn’t clear what baseline this was against). ([Daimler](#))
- Has made an investment of €25 million in flying taxi company Volocopter. ([Reuters](#))
- Daimler subsidiary Moovel has purchased location sharing app Familionet. ([Handelsblatt](#))

Ford

- Ahead of taking part in the German diesel summit, Ford announced a trade-in incentive of up to €8,000 for EU3 vehicles (cars registered before 1st January 2003). Beyond the apparent generosity of the headline, Ford’s incentive offer looks like it is aimed at a small number of vehicles and the full incentive only applies to the most expensive vehicles in its range. ([Handelsblatt](#))
- Announced July sales figures for the US. Total sales of 200,212 units were down (7.5)% on a year-over-year basis. SUVs were the only segment where Ford gained sales with trucks as well as passenger cars down YoY. Ford blamed a stop-sale on Transit for the lower truck volumes. ([Ford](#))
- Following an interview with the CFO, Reuters wrote an article about Ford’s progress on its 100 day plan. India appears to be an area of considerable focus, with the company weighing future growth against current profitability. The timing and investment of Ford’s current commitment to bring a self-driving vehicle to market by 2021 are also said to be under review as well as possible cessation of Mondeo production in Europe. ([Reuters](#))

Geely (includes Volvo)

- Ford is reportedly preparing a case against Geely’s Lynk & Co brand saying that it sounds too similar to Lincoln. Ford has a mid-November deadline for filing a case. ([CCFA](#))
- Volvo reported July sales of 44,278 units, up 6.2% on a year-over-year basis. Sales are up 7.9% YTD. ([Volvo](#))

- Sources within Geely and Volvo said that arrangements for Geely vehicles to use Volvo sourced powertrains had been firmed up and the first product to be shared would be a 1.5 litre turbocharged gasoline engine (still under development), with sharing of the recently launched 2.0 litre engine to come later. ([Reuters](#))

General Motors

- Will recall 800,000 2014MY pick-up trucks due to problems with power steering. ([The Guardian](#))
- Announced the closure of the deal to sell the automotive business of Opel and Vauxhall to PSA (financial business sale is ongoing). The press release re-affirmed that PSA and GM will work together on electric propulsion. ([GM](#))

Honda

- Reported financial results for Q2 2017 (1Q of Honda's financial year). Revenue of 3.7 trillion yen was up 7% on a year-over-year basis. PBT of 335 billion yen was up 16% YoY. These results led to Honda increasing its full year forecast. ([Honda](#))

Hyundai / Kia

- Hyundai reported July sales of 333,180 units, down (1.8)% on a year-over-year basis and down (7.4)% YTD. ([Hyundai](#))
- Kia reported July sales of 216,118 vehicles, down (5.6)% on a year-over-year basis and down (8.9)% YTD. ([Kia](#))

Mazda

- Announced that it would deepen its existing cooperation with Toyota. As a part of the move, Toyota is taking a 5% stake in Mazda via newly issued shares and Mazda will take a 0.25% stake in Toyota. The cooperation will create a JV factory to produce 300,000 units in the US with start of production in 2021 as well as joint engineering projects and product sharing (currently confined to Japan). ([Mazda](#))
 - Very much in line with our earlier [M&A outlook](#)
 - Implication: this is an interesting investment decision given that within the last decade both Mazda and Toyota have ended JV manufacturing relationships in the US (Flat Rock and NUMMI respectively).
- Reported financial results for Q2 2017 (1Q of Mazda's financial year). Revenue of 802 billion yen was up 3% on a year-over-year basis whilst operating profit was 40 billion yen, down (24)% YoY. ([Mazda](#))

Nissan (includes Mitsubishi)

- The attempt by US union the UAW to organise the nearly 6,000 workers at Nissan's Mississippi plant failed. ([The Guardian](#))

PSA (includes Opel/Vauxhall)

- Announced the closure of the deal to buy automotive elements of Opel and Vauxhall (the financial business sale is still ongoing). The clock is now ticking on the 100 day plan. PSA also announced a series of executive management appointments, with PSA managers taking over the Finance and Manufacturing briefs. ([PSA](#))
 - Implication: although PSA have denied that cost cuts are necessary, expect at a minimum that the 100 day plan creates some tough options for the Opel and Vauxhall workforce (pay freeze plus some layoffs versus large scale redundancy). By appointing PSA staff to manufacturing and finance roles, CEO Tavares is ensuring that these discussions will be held with little sentimentality at the executive level.
- The press release for the sale of Opel and Vauxhall re-affirmed that PSA and GM will work together on electric propulsion. ([GM](#))

Suzuki

- Reported financial results for Q2 2017 (1Q of Suzuki's financial year). Net revenues of 869 billion yen were up 15.3% on a year-over-year basis. Operating income of 85.1 billion yen was up 43.8% YoY. ([Suzuki](#))

Tesla

- Released Q2 2017 financial results. Automotive revenue was almost doubled on a year-over-year basis, although down on the prior quarter. Automotive gross margin of 25.0% was up on a year-over-year basis, but down versus the prior quarter. Tesla expects to spend \$2 billion in the 2nd half of 2017 as the bill for Model 3 F&T comes due. ([Tesla](#))
- CEO Elon Musk said that although new orders for the Model 3 were being made at a rate of 1,800 per day, cancellations and conversions to Model S and X meant that the total order book now stood at 455,000 units. ([Business Insider](#))
- Said that Model Y will be very similar to Model 3 after all, reversing an earlier course of creating a new platform. ([TechCrunch](#))
- Confirmed that its director of battery technology has left the company. ([Bloomberg](#))
- Researchers forecast that Tesla batteries will take around 25 years for state of charge to degrade to 80% of new. The data was gathered from Model X and S vehicles on the road today. Note that in a recent Nissan Leaf trial, the time period was around 10 years (Tesla Roadster batteries also have a shorter lifespan). ([InsideEVs](#))

Toyota

- Announced that it would deepen its existing cooperation with Mazda. As a part of the move, Toyota is taking a 5% stake in Mazda via newly issued shares and Mazda will take a 0.25% stake in Toyota. The cooperation will create a JV factory to produce 300,000 units in the US with start of production in 2021 as well as joint engineering projects and product sharing (currently confined to Japan). ([Mazda](#))
 - Very much in line with our earlier [M&A outlook](#) and could be setting a template for Toyota's collaboration with Suzuki.
- Said that it was investing an additional 10.5 billion yen (about \$95 million) in deep-learning AI company Preferred Networks. ([Toyota](#))
- Will expand its EV sharing pilot program Ha:mo to Thailand. ([Economic Times](#))

VW Group

- Following the diesel summit, VW announced that it would offer a EU1 to EU4 trade in incentive on all VW Group models. ([VW](#))

Other

- **Ferrari** CEO Marchionne said that the company was undecided on whether to produce an SUV but that the brand would not be harmed if it did. ([Reuters](#))
- **Subaru** reported financial results for Q2 2017 (1Q of their financial year). Revenue of 855 billion yen was up 11.1% on a year-over-year basis. Operating income of 119.3 billion yen was up 17.5% YoY. ([Subaru](#))
- Comments by the **German** environment minister indicated that the diesel summit was just a first step ([The Guardian](#)) and that the government was still contemplating requiring physical retroactive changes to diesel vehicles saying that the topic was “not off the table at all”. ([Reuters](#))
 - Implications: OEMs and investors will likely be dismayed at these comments, having believed that the diesel summit put the issue to bed. In reality, physical changes to vehicles already in the field are limited by design constraints and the cost of repairs. At the present time, carmakers are trying to be seen to support activities to resolve emissions but they still hold in reserve the ability to challenge what they might see as excessive remedial actions on the basis that they were doing nothing illegal and it is the rules that were wrong (that isn't my definitive legal opinion on the outcome by the way).

And now for the other news...

Economic / Political News

- **US** light vehicle industry for July came in at a 16.7 million SAAR. ([Wards](#))
- **UK** sales for July showed a fourth consecutive monthly drop. 161,997 vehicles were registered, down (9.3)% on a year-over-year basis. One bright spot was growth in alternative fuel vehicles. ([SMMT](#))
- **German** passenger car sales in July reached 283,080 units, an increase of 1.5% on a year-over-year basis. YTD registrations are up 2.9%. ([KBA](#))
- **French** passenger car sales of 147,519 units in July were an increase of 10.9% on a year-over-year basis. Commercial vehicle sales of 32,314 units were up 13.7% YoY. ([CCFA](#))

Suppliers

- **Continental** reported financial results for the first half of 2017. Sales of €22 billion were up 10% on a year-over-year basis whilst operating profit of €2.3 billion was “slightly down” YoY. ([Continental](#))
- **Delphi** reported financial results for Q2 2017. Revenue of \$4.3 billion was up 5% on a year-over-year basis and adjusted operating income of \$587 million was up 1%. The company raised its full year guidance and said it was still on track to spin off its Powertrain division by the end of Q1 2018. ([Delphi](#))
- **ZF** reported financial results for the first half of 2017. Sales of €18.3 billion were up 2.7% on a year-over-year basis whilst adjusted EBIT of €1.2 billion was up over 5% YoY. ([ZF](#))
- **Dana** reported Q2 2017 financial results. Revenues of \$1.84 billion were up 19% on a year-over-year basis, in part due to acquisitions. Net income of \$71 million was up 53% YoY. ([Dana](#))
- The CEO of **Magna International** said that he believed electrification would grow far slower than many mainstream predictions. He forecast an EV share of 3% to 6% by 2025 with the upper end being dependent on success of Chinese efforts to encourage electrification. He was also bearish on the growth of autonomy. ([Automotive News](#))
 - Implication: In an environment of ever growing forecasts for EV share by OEMs and suppliers alike, Magna are bucking the trend. At the same time, they are positioning themselves to take advantage of EV growth by creating the infrastructure to build lower volume products (e.g. JLR I-Pace).

Ride-Hailing, Car Sharing & Rental

- Japanese company **Line**, best known for its messaging app, has launched a taxi booking service in Thailand as part of an on-demand platform it is continuing to build. ([TechCrunch](#))
- **Toyota** will expand its EV sharing pilot program Ha:mo to Thailand. ([Economic Times](#))
- **Uber** announced upgrades to its payload-to-driver matching service Uber Freight offering, expanding the markets covered and allowing drivers to be more specific about the type of jobs they are interested in. ([Uber](#))
- **Uber** came in for criticism after a report revealed that its Singapore operation had let cars subject to a recall remain on the road because of a shortage of parts (in part created by Uber’s use of grey imports). ([TechCrunch](#))
- **Lyft** announced a tie-up with (US train operator) **Amtrak** that will allow travellers to book a pick-up directly from the train company’s app at the same time as booking their ticket. ([Lyft](#))
 - Implication: Lyft’s fast-paced expansion of tie-ins continues. It will be interesting to see whether they find that this helps increase passenger usage significantly or becomes an unruly mess that is more trouble than its worth.
- Media profiled ride-hailing integration app **Mystro**, which lets drivers log into both Uber and Lyft and then helps them determine the most profitable jobs to accept. The company believes it has found a way around Lyft and Uber’s notorious efforts to shut out integration services by using accessibility software embedded within Android. ([TechCrunch](#))
- **Via** announced the launch of a new service called Shared Taxi in New York through a collaboration with **Curb**. It matches riders in NYC yellow cabs and gives discounts on shared portions of the ride. ([Via](#))

- Estonian ride hailing company **Taxify** is preparing to launch in London, assisted by an investment from **Didi Chuxing**. ([TechCrunch](#))
 - Didi's investment strategy isn't totally clear at this stage but it seems to be deploying substantial amounts of capital in stakes in other companies -- in return for sharing user bases -- rather than growing its own-branded network. The closest parallel appears to be code sharing relationships between airlines (e.g. Star Alliance), where shareholdings sometimes accompany group membership to encourage financially weaker players to join. If this is Didi's plan, they have yet to explain how they will manage territorial overlaps between companies fighting for market share and revenue growth.

Electrification

- **Faraday Future** said that it had signed a lease on a site in Hanford, California for a factory -- having earlier abandoned plans for a site near Las Vegas. Faraday said that there were planning to launch by late 2018 and were looking for at least \$1 billion in new funding. ([Business Insider](#))
- Researchers forecast that **Tesla** batteries will take around 25 years for state of charge to degrade to 80% of new. The data was gathered from Model X and S vehicles on the road today. Note that in a recent Nissan Leaf trial, the time period was around 10 years (Tesla Roadster batteries also have a shorter lifespan). ([InsideEVs](#))

Other

- Hong Kong bike sharing company **Gobee Bike** announced a \$9 million fund raising to allow it to test concepts prior to an international expansion effort ([TechCrunch](#)).
- Daimler subsidiary **Moovel** has purchased location sharing app **Familionet**. ([Handelsblatt](#))