



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 15<sup>th</sup> January to 21<sup>st</sup> January 2018

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

### News about the major automakers

#### **BMW** (history)

- Said that the iNext BEV (launching in 2021) will have up to 435 miles of range and the iVision Dynamics (launching in late 2021/early 2022) will have a 0-60 time of 4.0 seconds and a top speed of 200 km/h. ([BMW](#))
- CEO said BMW and will outsell Mercedes and regain top premium brand status by 2020. ([Manager Magazin](#))
- Acquired Parkmobile, in which it already had a stake, a leading provider of B2C parking services. Is Parkopedia next on BMW's list? ([BMW](#))
- Will begin charging for Apple CarPlay in the US on an annual basis rather than an upfront payment. ([The Verge](#))

#### **Daimler** (history)

- Daimler's CEO said he could not guarantee the company would meet the 2021 emissions targets set by the EU and may have to pay fines as a result. He said it was Daimler's intention to comply but worries that customers could make purchasing decisions that throw off the fleet average. ([Les Echos](#))
- Reportedly paid German dealers €600 per vehicle for each Mercedes-Benz trade-in during 2017 because residual values were far lower than those anticipated by Daimler's forecast models. ([Autohaus](#))

#### **FCA** (history)

- CEO Marchionne reiterated previous arguments against breaking up the company (saying that the rump brands would likely not survive if Jeep / Ram were spun off). He also said it makes more sense to buy back shares than pay dividends. ([Reuters](#))
  - Implication: The argument that FCA would not survive without Ram and Jeep seems slightly odd. Whilst probably true, doesn't it come with the turf when allocating capital efficiently? If it makes sense to phase out underperforming car lines, why not brands and regions?
- CEO Marchionne forecast that by 2025, less than 50% of new cars will have ICE-only powertrains. ([Bloomberg](#))
- Talking with Chinese manufacturer GAC about how FCA could help with a US expansion. ([New York Times](#))

#### **Ferrari**

- CEO Marchionne said that the SUV would be launched around the end of 2019 and would be the "fastest SUV" on the market. ([Auto Express](#))
- A leaked presentation indicates the company is working on a high performance 488 V8 with an upgraded engine and extensive use of carbon fibre to save weight. ([Auto Express](#))
- The new Ferrari business plan, due in the next six months, will include hybridisation and potentially a fully electric supercar. ([Bloomberg](#))

## Ford (history)

- Gave a presentation in which it guided that 2018 profits would be lower than 2017 levels (and the third consecutive annual decrease). Despite a forecast of improved industry volumes, Ford believes that commodity cost and currency headwinds are responsible (page 13 in the chart deck). As a salve, the company will start reporting “Mobility” as a distinct line item -- 2017 net loss is around \$(300) million (page 9). ([Ford](#))
- Having said that there will be 16 BEVs and 24 hybrid vehicles by 2022 (some of which could be the same nameplates), Ford said that there would be two platforms -- a Ford version and a low cost (Zotye-led) design. There will be: 13 BEVs in Asia; 7 BEVs in North America and; 3 BEVs in Europe. Although offering only a small range in Europe, Ford says this will be a “strong” BEV portfolio. ([Ford](#))
  - Implication: Ford’s intention to introduce fewer BEVs in Europe than the US is somewhat against contemporary orthodoxy -- most manufacturers expect China and Europe to be the largest market for the vehicles. The issue seems less that Ford is planning too many vehicles in North America and more that the offering could be too thin in Europe.
- In the Q&A after the presentation, executives said Ford is exploring “every option you would imagine” to improve the South America region. In addition, despite the announcements about \$11 billion being spent on electrified vehicles, total investment “is not moving a whole lot, it’s really shifting [between programs]”. Finally, there will be some “exciting” mobility announcements at the end of January. ([Ford](#))

## Geely (includes Volvo)

- The rollout of new PHEV cabs by the London Electric Vehicle Company has been hampered by problems with the meter that determines the correct fare. ([The Guardian](#))
- Volvo will build Lynk&Co vehicles in Europe and the brand could get its own factory in future. ([Caixin](#))
- Will hope to benefit from a \$156 million fund raising by electric car sharing start-up Caocao Zhuanche -- the company uses vehicles sourced exclusively from Geely. ([China Money Network](#))

## General Motors (history)

- Guided financial results for 2018 to be in line with 2017, after which they will improve (page 36). Interestingly, the company didn’t see currency and commodity prices as remarkable -- in contrast to Ford (page 35). ([GM](#))
- Said that material choice in the new full size pick-up truck had helped it achieve a 450 lb / 205 kg weight reduction “without a cost penalty” (page 29). ([GM](#))
- Announced the full-size Silverado pick-up will get a 3.0 litre diesel engine, joining offerings from Ram and the recently unveiled Ford F-150. ([Detroit Free Press](#))

## Honda (history)

- Joined the European manufacturers trade body, ACEA. ([ACEA](#))

## Hyundai / Kia

- The South Korean government announced that the Hyundai Group (including Hyundai and Kia) would invest \$21.6 billion in new technologies and create 45,000 jobs. Hyundai confirmed it had helped draft the press release but declined to offer independent confirmation of the impacts. ([ET News](#))

## Mazda

- Executives continued to make hawkish comments about electric vehicles saying that advances in ICE technology would be sufficient to meet emissions goals and doubting “the age for electric vehicles will ever come”. ([Bloomberg](#))
- Increased production at its Thailand engine plant from 30,000 to 100,000 units per annum. ([Mazda](#))

## Nissan (includes Mitsubishi)

- Chairman Ghosn is creating a new structure in the Renault-Nissan-Mitsubishi alliance to divide operations and strategy roles after he steps down. He believes that it was appropriate to combine these functions in a single person (himself) to form the alliance but that it could harm the continued running. ([Reuters](#))

- Nissan's Infiniti brand said it will start selling both hybrid and BEV vehicles in 2021 and that by 2025 over half of global sales will be vehicles with electrified powertrains. ([Nissan](#))

### PSA (includes Opel/Vauxhall) (history)

- After setting a target of 80% of vehicles would be electrified by 2023, PSA's CEO said all vehicles electrified by 2025. The company is planning for 80% of its vehicles to have a limited ability to navigate themselves and 10% to have L4/L5 capability by 2030. ([Les Echos](#))
- Sold 3,632,300 vehicles in 2017 -- including 403,900 Opel and Vauxhall units between August and December. ([PSA](#))
- CEO Tavares said production costs in UK plants are twice those of France and that the company is considering alliances in South America. Ford was specifically named as a potential partner. ([Reuters](#))
- PSA executives said that Opel's expansion into >20 new markets by 2022 would start with Ukraine and Chile. Russia will come some time after 2020. ([Les Echos](#))
- French unions detailed where some of the PSA job losses will take place: 200 at Poissy; 125 at Sochaux; 100 and Mulhouse; 92 at Vélizy; 34 at Metz; 57 at Trémery; 13 at Herimoncourt; 30 at SevelNord; 13 at Valenciennes and 17 at Douvrin. ([Journal Auto](#)). The severance terms are likely to be as follows: early retirees will get 70% of salary for between 2 and 3 years; voluntary redundancy will provide between 4 to 8 months salary, plus assistance in finding a new role. ([France 3](#))
- Will increase production at its Portuguese plant by adding a third shift in April, bringing forward a plan to implement the additional capacity from the end of 2018. The additional 225 jobs could become permanent. ([PSA](#))

### Renault (history)

- Sold 3.76 million vehicles in 2017, an increase of 8.5% on 2016. The company recorded growth of over 25% in both France and Russia -- its two largest markets. ([Renault](#))
- Chairman & CEO Ghosn is creating a new structure in the Renault-Nissan-Mitsubishi alliance to divide operations and strategy roles after he steps down. He believes that it was appropriate to combine these functions in a single person (himself) to form the alliance but that it could harm the continued running. ([Reuters](#))

### VW Group (history)

- The VW Group sold 10.74 million vehicles in 2017, a 4.3% increase on 2016. ([VW](#))
- Announced that it will start local production of VW Polo and Passat cars in Rwanda with longtime partner CFAO. The vehicles are intended for use in ride hailing and car sharing schemes that VAG will launch in 2018. ([VW](#))
- Launched the US market Jetta, saying that it would invest \$3.3 billion in North America by 2020. ([VW](#))
- Audi is running a trial V2G scheme, installing power generation and stationary storage batteries in customer's homes. In addition to managing the home needs, the hardware also sells surplus electricity to the grid. ([Audi](#))
  - Implication: Although such pilot schemes have become de rigeur, the Audi example could be interesting since the vehicles involved are PHEVs, not BEVs.

### Other

- **Subaru** sold 1.06 million vehicles in 2017 and said that it expects a 2% YoY improvement in 2018. ([Subaru](#))
- The **Welsh government** has taken a small shareholding in **TVR**. ([Auto Express](#))
- **GFG Alliance** has made a bid to acquire assets from the shuttered **Holden (GM)** factory in South Australia. The application envisages production of an electric vehicle. ([The Guardian](#))

## News about other companies and trends ...

### Economic / Political News

- **European** passenger car sales for 2017 were 15,631,687 units, an increase of 3.3% on 2016. Only five markets saw year-over-year drops: UK, Finland, Denmark, Ireland and Switzerland. ([ACEA](#))

## Suppliers

- **Adient** announced a joint venture with **Boeing** to make seats for aircraft ([Adient](#)). Adient also said that it had reduced the weight of its seats by over 20% in the last ten years and is aiming for a further 10kg reduction by 2022. ([Adient](#))
  - Implication: In a future of long distance travel via robo taxi rather than our own cars, seats could have more in common with aircraft cabins than the private vehicles of today. The move is an obvious adjacency but may also help Adient prepare better for the future.
- **Delphi** announced an investment in **PolyCharge**, a company with technology that improves inverter performance and cost for electric vehicles. ([Delphi](#))
- **Denso** acquired 20% of **Toshiba Information Systems**, a partner in connectivity solutions. ([Denso](#))
- **ZF's** acting CEO implied the company is looking for further acquisitions to cover portfolio gaps. ([Handelsblatt](#))
- **Dana** reported that its outlook for 2018 and 2019 was significantly better than previously expected. ([Dana](#))
- **Mitsubishi Electric** said it had developed a new type of camera fused with AI algorithms that could replace rear-view and side mirrors whilst also increasing the driver's situational awareness and reducing workload. ([Mitsubishi](#))
- **Magna** released guidance for the years through to 2020, forecasting increased profitability and revenue growth in all divisions. ([Magna](#))
  - Implication: It's easy to forget, but Magna's contract manufacturing business is as big -- in revenue terms -- as Tesla (Model 3 launch problems notwithstanding). Magna is the most OEM-like non-OEM and, although the company doesn't ever say it, the best placed to partner with the likes of Google should they choose to make their own vehicle.

## Dealers

- **Softbank** invested €460 million in German online car dealer **Auto1**. ([TechCrunch](#))

## Ride-Hailing, Car Sharing & Rental (history)

- **Lyft** said "hundreds of thousands" of passengers got rid of a car in 2017 because they use ridesharing. 83% said that they would request a ride in a self-driving vehicle when the service is available. ([Lyft](#))
- Ride hailing start-up Go-Jek is apparently part way through a \$1.2 billion funding round. ([Deal Street Asia](#))
- **Shell** has applied for an operating licence for the FarePilot app in London. At present it directs drivers for services such as Uber and myTaxi to likely hotspots of customer demand, but does not offer its own service. ([City AM](#))
- **VW** announced that it will launch ride hailing and car sharing schemes in Rwanda during 2018. ([VW](#))
- Chinese electric car sharing start-up **Caocao Zhuanche** raised \$156 million. ([China Money Network](#))
- **Lyft** said that it was expanding its concierge service and making it easier for companies to sign up. It is targeted at businesses that want to provide transport for their customers rather than employee travel. ([TechCrunch](#))

## Driverless / Autonomy (history)

- Self-driving start-up **Pony.ai** raised over \$112 million in funding. The company hopes to run a fleet of vehicles in Guangzhou, China, following the investment. ([TechCrunch](#))
- **Magna** released the Icon radar aimed at self-driving vehicles and developed in collaboration with Uhnder, a start-up still in stealth mode. Magna claims a range of more than 300 metres for the sensor. ([Magna](#))
- A **back-to-back comparison** of camera-based and lidar point cloud generation by the US Army Corps of Engineers found that, for sensors with similar resolutions, lidar data was much faster to process. ([GIM International](#))
  - Implication: The study indicates serious drawbacks for companies pursuing a camera-only solution over those using lidar (step-change advances in processing software notwithstanding). On the other hand, it does show that a camera-based approach can work and has its place in a system with multiple redundancies. Be careful about reading too much into the study findings -- the speeds involved and distance between probe and target are not highly representative of autonomous driving.
- **PSA** is planning for 80% of its vehicles to have a limited ability to navigate themselves and 10% to have L4/L5 capability by 2030. ([Les Echos](#))

## Electrification (history)

- Having said that there will be 16 BEVs and 24 hybrid vehicles by 2022 (some of which could be the same nameplates), **Ford** said that there would be two platforms -- a Ford version and a low cost (Zotye-led) design. There will be: 13 BEVs in Asia; 7 BEVs in North America and; 3 BEVs in Europe. Although offering only a small range in Europe, Ford says this will be a “strong” BEV portfolio. ([Ford](#))
- After setting a target of 80% of vehicles would be electrified by 2023, **PSA's** CEO said all vehicles will be electrified by 2025. ([Les Echos](#))

## Connectivity

- **Blackberry** announced a cybersecurity product called Jarvis that is designed to test the coding used by connected and autonomous vehicles. ([CNBC](#))

## Other

- **Shell** purchased a 43.83% stake in solar energy company **Silicon Ranch**. ([Press Release](#))
- **Alibaba** reportedly purchased a stake of ~30% in bike sharing company **Ofo** for \$3 billion. ([China Money Network](#))
- Bicycle sharing company **Social Bicycles** raised \$10 million and rebranded as **Jump Bikes**. ([TechCrunch](#))