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Autos & Mobility Industry Briefing -- 23rd July to 29th July 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)

- Confirmed that it is raising the prices of some US-manufactured models in China to partially recover recently announced tariff increases. ([Reuters](#))

Daimler (history)

- Reported financial results for Q2 2018. Revenue of €40.8 billion was (1)% lower than Q2 2017. EBIT of €2.6 billion dropped (30)% YoY. Daimler's 2018 full year guidance was reduced with the challenges of WLTP singled out as a contributing factor as the company believes customers will switch to lower margin units than wait for the vehicle they wanted -- the company wasn't clear whether this was because they will order different vehicles or because it will have to pay incremental variable marketing to keep the sale. ([Daimler](#))
- Hopes to have completed the legal steps necessary for its previously announced plan to separate the car and truck businesses by late 2019. Daimler will also rename financial services as Daimler Mobility. ([Daimler](#))
- Obtained employee agreement to the separation of its businesses by giving an employment guarantee that lasts until 2029 and a profit sharing agreement in place until 2025. The extensions will only come into force if Daimler shareholders approve the final split once all the legal arrangements are completed. ([Daimler](#))
- Unveiled the European version of the A-Class sedan, saying it will be on sale by the end of the year. ([Daimler](#))
- Signed a new agreement with Baidu that deepens the autonomous technology partnership and will see Baidu's services integrated into Mercedes' MBUX infotainment system. ([Daimler](#))
- Announced a new five year €11 billion credit line, which can potentially be extended to 2025. This replaces Daimler's previous €9 billion facility. ([Daimler](#))
- Adding battery production to vehicle plants in Sindelfingen and Untertuerkheim. ([Reuters](#))

FCA (history)

- Reported financial results for Q2 2018. FCA sold 1.3 million vehicles with net revenue of €28.993 billion. Adjusted EBIT of €1.655 billion was down (11)% on a year-over-year basis. A highlight was FCA reaching a positive net cash position for the first time as a combined entity. The company reduced full year guidance. ([FCA](#))
- Following the death of Sergio Marchionne shortly after being relieved of duty, questions were raised over unspecified treatment he had been receiving in the past 12 months and who knew what about his condition. ([Reuters](#))
- Said that it had not noticed any anti-American sentiment from Chinese customers, but that "we're going to have to see" whether it develops into a larger problem. ([Seeking Alpha](#))

Ford (history)

- Reported financial results for Q2 2018. Revenue of \$38.9 billion was down (3)% on a year-over-year basis, net income of \$1.1 billion was down (58)% YoY. The company blamed conditions in Europe and China for a full year earnings downgrade. ([Ford](#))
- Ford's earnings presentation contained several slides laying out what the company termed a comparison between the accretive (money making) and dilutive (money losing) parts of the business. Because of a "filtering for value creation", the company intends to undergo a major, yet unspecified, restructuring which will see a likely EBIT impact of \$11 billion and cash impact of \$7 billion over the next three to five years.
 - Implication: Whilst Ford executives expressed repeated confidence in their planning ability, with numerous references to the "Way Forward" restructuring in North America dating back to 2006 (including the CFO's admission that he might not be following corporate document retention policies), they failed to give analysts sufficient detail to gain their confidence. Ford was heavily criticised by investment analysts for its repeated failure to explain its future strategy. Executives refused to answer questions about the payback (justification for) on the restructuring sums that had been declared, the likely size of the company following restructuring, or how well specified the plan was.
- Postponed the investor day previously scheduled for September to an undetermined point in the future. ([Ford](#))
- CEO Hackett said there will be 16 BEVs by 2022, all of which are "additions to our portfolio". ([Ford](#))
 - Implication: Given the dearth of available product (Focus and large Transit), this is more of a statement of fact than insightful forecast, however it is likely that portfolio should be interpreted in terms of powertrain and body type combinations rather than an expectation of 16 fully differentiated vehicles by 2022.
- Said the European light commercial vehicle business had EBIT margins of 13% on a standalone basis and that Britain had been responsible for the majority of the \$1.2 billion of profit from the region in 2016. ([Ford](#))
- Announced the creation of a standalone business unit to hold its autonomous vehicle assets, including the company's stake in Argo AI. The CEO of the new company is the executive previously in charge of autonomous vehicle efforts. Ford pledged that \$4 billion will be invested in the unit by 2023, since this includes money already announced for Argo AI, it isn't clear how much of this is money already spent. ([Ford](#))
 - Implication: Not mentioned in the press release was the fate of Ford Smart Mobility LLC, the arms-length vehicle originally announced to coordinate Ford's investment in all things futuristic ([originally described as "complimenting" the Argo AI investment](#)). Ford also has yet to explain or demonstrate how it believes it can execute an entrepreneurial structure with greater success than GM did during its ownership of EDS (and fobbed off analysts who asked about it on the earnings call).
- Changed several executive reporting relationships, with product development reporting directly to the CEO again, having spent about a year reporting to the (then) newly created operations function. ([Ford](#))

Geely (includes Volvo) (history)

- Released further technical specifications for the BMA platform, saying it can accommodate vehicles with wheelbases between 2550mm - 2700mm long and a width of 1500mm - 1600mm. The platform uses "nearly 100" modules to achieve commonality levels of up to 70% between vehicles. ([Geely](#))
- Initial investor feedback on Volvo's IPO reportedly indicates a \$12 billion - \$18 billion range, rather than the \$16 billion - \$18 billion Geely had apparently been hoping for. Either would be a substantial return on the \$1.8 billion Geely paid to Ford in 2010. ([Deal Street Asia](#))

General Motors (history)

- Reported financial results for Q2 2018. Revenue of \$36.8 billion was slightly down versus Q2 2017, with deliveries of 2.1 million vehicles slightly up (excluding Opel / Vauxhall from the prior year number). Adjusted EBIT of \$3.195 billion was down by (20)%, more than explained by weaker mix and cost pressures. The company revised its full year guidance downwards. ([GM](#))
- Announced a peer-to-peer scheme for Maven that will let owners of 2015 or later GM vehicles add their cars to the service. GM suggested that owners of Camaros could make \$19,278 renting their car for 12 weeks of the year, and Cruze owners could make \$6,400. ([GM](#))
- Started trials with robo gloves in US factories. ([3D Printing](#))

Honda (history)

- Produced 2,681,341 vehicles globally in the first half of 2018, a 3.7% increase on a year-over-year basis. ([Honda](#))

Mazda

- Released global production figures for first half 2018 of 833,274 units, a 6.3% increase on a year earlier. ([Mazda](#))

Nissan (includes Mitsubishi) (history)

- Nissan reported net revenue of 2,716 billion yen (about \$24.5 billion) in Q2 2018 (Nissan's fiscal first quarter), down (1.6)% on a year over year basis. Operating Income of 109 billion yen (about \$1 billion) was down (28.8)%, which Nissan blamed on lower sales and unfavourable exchange. ([Nissan](#))
- Mitsubishi reported financial results for Q2 2018 (fiscal first quarter). Net sales of 560 billion yen (about \$5 billion) were up 19% versus the same period a year earlier. Operating profit of 28.1 billion yen (about \$250 million) was up 7.5%. ([Mitsubishi](#))
- Said it is on track for its Japanese electric car sharing venture to reach 500 sites by March 2019. ([Nissan](#))
- Dropped the slow-selling Juke in the US market. ([Car Buzz](#))
- Renault-Nissan-Mitsubishi collectively sold 5,538,530 vehicles in the first half of 2018, an increase of 5.1% on a year-over-year basis. ([RNA Alliance](#))

PSA (includes Opel/Vauxhall) (history)

- Reported financial results for first half of 2018 that markedly beat expectations. Automotive revenue of €32.1 billion was substantially up on a year-over-year basis, even accounting for the boost from Opel Vauxhall. Operating income in the Peugeot, Citroën and DS brands was €1,873 million, an increase of almost 30% on a year-over-year basis and a margin of 8.5% (excluding restructuring costs). For Opel and Vauxhall, a 5% margin (excluding restructuring costs) was reported, reversing many years of poor performance under GM, seemingly overnight. ([PSA](#))
 - Implication: The performance of both the core brands -- achieving margins normally received for well-honed premium brands -- and Opel / Vauxhall -- left analysts struggling to be anything other than effusive. Given that PSA complained about its own performance in several regions, the obvious insinuation is that the European business is performing even better.
- Said Opel / Vauxhall's 7.5% margin turnaround on a half-over-half basis was: 1.7% pricing; 4.6% cost reduction; 2.1% of lower D&A (post write-downs), partially offset by (0.9)% of unfavourable exchange. Although, on a half-over-half basis, volumes seem to be up by around 17%, this was absent from the explanation. ([Seeking Alpha](#))
- Said that average revenue for the DS7 Crossback in Europe is €45,000 and more than 53% of customers were specifying the driver assistance system. ([Seeking Alpha](#))
- Will make an announcement on the future portfolio for the Indian market "very soon". ([Seeking Alpha](#))
- Opel's CEO said the announcement that the brand's line-up would have electrified versions of all models by 2024 should be a "strong clue" that there will be no more GM-sourced products by that time. ([Autocar](#))
- Faurecia invested in stereo company Subpac. ([Faurecia](#))

Renault (history)

- Reported financial results for first half 2018. Revenue of €29.957 billion was up 1.4% on a year-over-year basis but EBIT was down (3)%. Net income of €2.040 billion was strongly down, reflecting lower profits at Nissan. ([Renault](#))
- Said that it expects to be able to price for around 2/3 of the currency devaluation it has experienced in emerging markets but, due to the scale of the drop and the market's inability to absorb rapid price increases, it has so far only recovered around 50% of the effect. ([Yahoo Finance](#))
- Renault-Nissan-Mitsubishi collectively sold 5,538,530 vehicles in the first half of 2018, an increase of 5.1% on a year-over-year basis. ([RNA Alliance](#))
- Said it was "likely" to leave Iran due to US sanctions, reversing earlier confidence in finding a way to continue operations in the country. ([Radio Farda](#))

Tata (includes JLR) (history)

- Experiencing delivery delays with I-Pace, depending on who you ask it is because of “manufacturing issues” (the dealers) or “prioritisation” to best meet market demand (Jaguar). ([Electrek](#))

Tesla (history)

- Saw widespread interest in a request by Tesla for retrospective rebates from some of its suppliers. ([WSJ](#))
 - Implication: Media interest appears to have been piqued by two things: an explicit mention in emails Tesla sent to suppliers to supporting the company’s profits and; the requests being retroactive. Seeking price adjustments that date back to the start of negotiations over any saving is standard practice throughout the industry and completely unremarkable. Although it is rarer for savings to be applied to earlier points in time, this is not unheard of if the OEM believes that there are pricing elements, for instance capital recovery, that now look artificially high and the supplier is taking excess profits on an item that was negotiated based on cost-plus pricing.
- CEO Musk said the company was “trying” to get rid of contracts and enable customers to return a vehicle “for any reason”, but with no comment forthcoming on timing, it wasn’t clear how hard they were trying. ([Business Insider](#))

Toyota (history)

- Announced 2018 first half sales of 5,209,000 units, a (1.6)% reduction from the same period in 2017. Production of 5,249,052 vehicles was (0.7)% lower. ([Toyota](#))
- Reportedly planning a wider portfolio of fuel cell vehicles in the mid-2020s, covering cars, SUVs and pick-ups, with ranges of up to 1,000km. ([Reuters](#))

VW Group (history)

- Announced the recruitment of BMW’s head of purchasing; he is expected to become the new CEO of Audi. ([VW](#))
- Reportedly hired thousands of car parking spaces to park cars that will be held for sale until WLTP certification is completed. ([Reuters](#))
- Showed the new Audi Q3, saying the car will be in European dealers by November 2018. The vehicle boasts a removable parcel shelf that can be stowed in the boot floor rather than having to be taken out of the car. ([Audi](#))
- Started production of SEAT Arona and Leon in Algeria. ([SEAT](#))
- Audi’s new electric motor plant in Hungary has a capacity of 400 electric axle motors per day on a one shift pattern and will soon move to three shifts. ([Audi](#))
 - Implication: The production rate suggests that Audi expects production in excess of 50,000 upa for the new e-tron, and possibly up to 140,000. Audi also suggest (unsurprisingly) far greater productivity for employees making electric motors than for internal combustion engines, even at relatively low volumes.

Other

- **Gyon** announced itself as a new luxury car company. The first cars from the Chinese-backed, US-designed range will be unveiled in August. ([Gyon](#))
- **McLaren’s** much-hyped new grand tourer, thus far dubbed BP-23, will be called the Speedtail. ([Autocar](#))
- **Scuderia Cameron Glickenhaus** will make 25 road-going examples of its SCG 007 LMP1 sports car. ([SCG](#))
- **BAIC** said it was on track to open its new South African plant in Q4 2018, with production equipment for semi-knocked-down kits already operational. ([Wheels24](#))
- Scooter maker **Micro** said the Microlino EV was on track to start sales in September. ([Micro](#))

News about other companies and trends ...

Economic / Political News

- EU researchers have allegedly found evidence of carmakers declaring **WLTP** emissions greater than the tested results, by an average of 4.5% in the vehicles tested. Their suspicion is this is a bid to overinflate the 2020 levels that will be used to set 2030 objectives. ([Handelsblatt](#))

Suppliers

- **Magna's** new Chinese joint venture with **BAIC** is reportedly in talks with **Didi** and **Singulato** to provide bespoke electric vehicles for both companies. ([Deal Street Asia](#))
- **Ningbo Jifeng** said it had won a takeover battle for **Grammer** against **Prevent**. ([Deal Street Asia](#))
- **Goodyear** reported Q2 2018 financial results; sales were \$3.8 billion and net income was \$157 million. ([Goodyear](#))
- **Veoneer's** Q2 2018 financial results were net sales of \$572 million and a \$(48) million operating loss. ([Veoneer](#))
- **Autoliv** released financial results for Q2 2018; sales were \$2.2 billion; operating income was \$230 million. ([Autoliv](#))
- **Lear** reported sales of \$5.6 billion and net income of \$331 million for Q2 2018. ([Lear](#))
- **Borg Warner's** net sales were \$2.7 billion in Q2 2018, with operating income of \$313 million. As a result, the company increased its full year earnings guidance. ([Borg Warner](#))
- **Dana** announced Q2 2018 sales of \$2.1 billion and net income of \$124 million. ([Dana](#))
- **Michelin** reported net sales of €10.6 billion in H1 2018, with €1.35 billion of operating income. ([Michelin](#))
- **Adient** reported financial results for Q2 2018 (Q3 in Adient's fiscal year). Revenue was \$4.494 billion and EBIT was \$99 million. ([Adient](#))
- **Valeo** reported sales of €9.9 billion and net income of €453 million in the first half of 2018. The company revised its earnings guidance downwards, citing raw material headwinds and production disruption from WLTP. ([Valeo](#))

Ride-Hailing, Car Sharing & Rental (history)

- **Uber** said it completed its 10 billionth trip in mid-June. ([Uber](#))
- **Careem** said it had completed 300 million trips, covering 3.019 billion km. ([Careem](#))
- **Ola's** CEO is hoping for an IPO in the next 3-4 years, saying the business is nearly cashflow positive. ([TechCrunch](#))
- **Uber** users have been warned to be aware of vomit fraud, an unseemly racket by drivers to charge passengers cleaning charges for being sick during the journey when they weren't. ([Gizmodo](#))
 - Implication: As Uber implicitly admits in its reply to the article, with a massive user base, nearly any and every cautionary tale is likely to be true in a few cases. If well organised trolls and bots can supposedly undermine democratic processes, how long before we see them being used against company reputations?

Driverless / Autonomy (history)

- **Waymo** is running a pilot scheme with **Walmart** where shoppers order goods online and then collect them from a local store in an autonomous vehicle. It isn't fully clear why the service isn't offering to simply transport the goods directly. Waymo also announced an increased series of tie-ups in Phoenix, USA aimed at funnelling easy to service customers from major corporate partners such as dealers, rental companies and hotels. ([Waymo](#))
- **Uber** restarted operations of its autonomous test fleet in Pittsburgh, USA but the cars will remain in manual mode, gathering data for simulation and mapping, for an unspecified period of time. ([Uber](#))

Electrification (history)

- After [earlier announcing trials in four regions](#), China said 17 cities will have trial EV battery recycling schemes and will work on a set of attractive policies to encourage uptake. ([Reuters](#))
- Charging network Volta, which uses advertising to fund electricity costs, raised \$35 million. ([TechCrunch](#))

Connectivity

- **Bosch** estimates that 20 million connected cars will be required to become self-sufficient in local weather data on European highways and therefore believes V2V infrastructure needs to be augmented with fixed sensors. ([Bosch](#))

Other

- SpotAngels, an app that helps people find parking, raised \$2.3 million. ([TechCrunch](#))