



AD PUNCTUM

Autos & Mobility Industry Briefing -- 11th March to 17th March 2019

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)

- Released summary financial results for 2018. Automotive revenues of €97.5 billion was (0.8)% lower than 2017 despite a 1.1% increase in unit sales. Automotive EBIT of \$6.2 billion was down (21.6)% down versus the prior year, part of the explanation was capital expenditures rising from 4.8% of revenue to 5.2%. ([BMW](#))
- BMW and Daimler are rumoured to be in talks to share platforms for small and mid-size vehicles, believing that each could save around €1 billion per year by pooling efforts. The sources talk of an “electric first” approach, indicating that it may not be for purely electric products. ([Reuters](#))
 - Significance: The actual nomenclature quoted in the article is “electric first”, could this be a veiled reference to the Evercore ISI / Ad Punctum E-FIRST research piece from Q4 2018, or are we drinking our own Kool-Aid?
- CEO Kruger says that although BMW will continue to recruit, net hiring will be zero. ([Handelsblatt](#))
- Started production of the refreshed 7 Series. ([BMW](#))
- Announced a mini-restructuring of senior executives that will eliminate one of the sales roles. ([BMW](#))

Daimler (history)

- Mercedes’s performance sub-brand AMG will have plug-in versions of all products, ruling out 48V mild hybrids because emissions savings are too small. ([Autocar](#))
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FCA (history)

- More than 50% of Fiat 500s sold in 2018 had a retail price in the €22,000 - €24,000 range. ([Top Gear](#))
- Recalling around 48,000 vehicles to fix problems with the steering. ([FCA](#))
- Recalling 862,820 US gasoline-powered vehicles that do not meet emissions regulations. ([Reuters](#))
- Agreed a new four-year contract with Italian unions. ([FCA](#))

Ferrari

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Ford (history)

- Chairman Bill Ford expressed confidence in CEO Hackett, praising his ability to see the near and far term pictures. He also said that Ford is looking at options to secure reliable supplies of lithium. ([Reuters](#))
- Confirmed plans to cut 5,000 jobs in Germany and an unspecified number in the UK. Voluntary redundancy schemes are already open in both countries and this includes the Saarlouis shift reduction previously announced. ([Ford](#))

- Changan executives expressed confidence that new models will recover the market position of Ford's Chinese passenger car joint venture. ([Bloomberg](#))
- Spoke out against the UK Government's proposal for no deal tariffs that would see finished vehicles subject to rates of 10% - 22% of wholesale price. Ford said it risked paying tariffs on UK built engines twice. More likely, it is concerned about the potentially far higher bill for importing every vehicle sold in one of the company's largest markets globally. ([Detroit News](#))
- CEO Hackett saw an increase in pay for 2018 versus 2017, partly reflecting a full year of CEO duties. Reporters took a dim view of the bump in salary, especially because it came at the same time as news of further job cuts. ([FT](#))

Geely (includes Volvo) (history)

- Volvo restructured the leadership group, aiming to draw a distinction between traditional car making (e.g. factory builds and then franchise dealer retails) and emerging trends (e.g. factory sells or leases directly to the consumer. The CEO of Polestar will also no longer report to Volvo's management. ([Volvo](#))
 - Significance: separating the direct to consumer group from the rest of the business appears to be an attempt to give plausible deniability to dealer-facing personnel about their control over new consumer trends whilst the new function gets on with trampling over long-held norms, for instance with all inclusive leasing.
- Volvo will pay a dividend of about \$300 million to shareholders (mainly Geely). ([Volvo](#))
- Lotus's recently appointed CEO is working on an expanded line-up for the future but will start with a new sports car built on the existing architectures. He thinks Geely is prepared to invest billions in the right business plan. ([FT](#))
- Polestar's US pricing already takes into account potential US import tariff increases, so the launch plan will be unaffected -- perhaps they could get cheaper. ([Polestar](#))

General Motors (history)

- Aiming to double headcount at the Cruise self-driving division, to around 2,000 by the end of 2019. ([Reuters](#))

Hyundai / Kia (history)

- Showed off some details of the new platform that underpins the forthcoming Hyundai Sonata and others. ([Hyundai](#))
- The demands of an activist fund met resistance from South Korean institutional shareholders. ([Reuters](#))

Mazda

- Announced a series of management changes affecting the leadership of North America ([Mazda](#)) and Europe. ([Mazda](#))

Nissan (includes Mitsubishi) (history)

- Nissan announced a number of senior executive moves effective 1st April. ([Nissan](#))
- The Infiniti brand will no longer be sold in Western Europe after 2020 and production of vehicles in Sunderland will also cease as the company focuses on electric vehicles in China and North America. The cost of investing in technology to meet EU CO₂ regulations for 2020 and beyond was a key reason for the move. ([The Guardian](#))
- Mitsubishi announced a series of executive moves effective 1st April, including a new COO. ([Mitsubishi](#))
- Nissan and Mitsubishi launched four new kei cars (two each). ([Mitsubishi](#))
- Nissan is testing invisible-to-visible (I2V) technology that the company claims can create 3D images of objects, people or even cartoon characters in a vehicle cabin. ([Nissan](#))
- Renault, Nissan and Mitsubishi published an MoU for their new governance structure. Although the existing joint operating companies will not be dissolved, they will become vassals of a new supreme council made up of CEOs from each OEM, plus Renault's chairman. As part of the deal, Renault appear to have accepted a demotion: Renault's chairman will be a "natural candidate" to become vice chairman of Nissan. ([Nissan](#))

PSA (includes Opel/Vauxhall) (history)

- The Opel brand will return to Russia with a three vehicle line-up. The Grandland X SUV will be imported from Germany and the Vivaro and Zafira Life will be locally produced. An initial dealer body of 15 - 20 locations with a medium term plan to reach around 50 suggests either limited ambitions or high per-dealer expectations. ([PSA](#))
- Appointed a new sales and marketing boss, Renault exile Thierry Koskas. ([PSA](#))

Renault (history)

- Iranian ministers said that a “mechanism” had been found to allow Renault to reenter the country without falling foul of US sanctions. Renault didn’t comment. ([Radio Farda](#))
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Tata (includes JLR) (history)

- JLR will recall 44,000 cars in the UK that emit more CO2 than they are should. ([BBC](#))
- Postponed a planned £500 million investment in a new R&D campus for JLR. ([Solihull Observer](#))

Tesla (history)

- Unveiled the Model Y, an SUV based on the Model 3 (vloggers struggled to differentiate the cabins of the two models). Tesla says the starting price will be \$39,000 from 2021 onwards but more expensive versions will be available in 2020. Unlike the Model 3, the car will have a 7-seat option. ([Tesla](#))
- CEO Musk forecast that Model Y would outsell Models S, X and 3 combined [video at 34:20]. ([Tesla](#))
- Markets gave the Model Y unveil a lukewarm response, with some analysts suggesting it was a smokescreen to distract from ongoing problems with achieving profit and sales targets from existing products. ([Reuters](#))
- The release of the \$35,000 Model 3 has seen waiting times lengthen -- but only to around two months. ([Electrek](#))
- Leaked emails suggest CEO Musk can create bureaucratic slowdown with the best of them by revealing that all new hiring requests must be signed off by him personally. ([Business Insider](#))
 - Significance: In Ad Punctum’s experience, this type of move has an impact for a few weeks before the pace of requests overwhelms the affected executive and they resort to signing off requests in bulk via a pre-prepared spreadsheet that allows them to randomly refuse a subset of requests in order to satisfy their inner desire for control.

Toyota (history)

- Announced an additional \$789 million of investments in US plants. ([Toyota](#))
- Invested in connectivity company Airbiquity. ([Airbiquity](#))
- Patented a system that uses the in-car fragrance function to blow tear gas in the face of would-be thieves. ([CNET](#))
- Toyota employees in Japan received a smaller pay rise than they hoped. ([Reuters](#))
- Toyota and SoftBank are reportedly considering a \$1 billion investment in Uber’s self-driving unit that could value it at up to \$10 billion. ([Reuters](#))
- Developing a fuel cell powered lunar rover with the Japanese space agency. ([Toyota](#))

VW Group (history)

- VW upped the planned number of electric vehicles to around 70 by 2028 from a previous plan of 50 by 2025. Cumulative sales targets will rise from 15 million to 22 million units (about 3 million in 2025). By 2030, the Group forecasts that 40% of sales will be electric models. ([VW](#))
- VW now sees PHEV and BEV as more cost efficient for reducing CO₂ emissions than improving technology on engines [slide 5]. The firm also appears to be redistributing compliance costs and benefits across vehicle lines to better reflect “real” profits [slide 6]. VW expects costs of battery electric vehicles and those with internal combustion engines to meet before 2025. ([VW](#))
- VW believe that cost parity (customer view) between internal combustion engines and battery electric vehicles will only be achieved through including ownership costs. The firm is therefore exploring all-inclusive packages that ensure the customer realises the benefits. VW will put more effort into used car sales too -- having woken up to the dominance of retail customers in that market. ([VW](#))
- Reportedly considering leaving the German trade association, the VDA, over differences in strategy. ([FAZ](#))

- CFO Witter said the Group was failing to fully leverage the available synergies between different brands, mainly because it allowed too much independence when there was no financial benefit. ([Handelsblatt](#))
- Thinks that the Chinese market for electric vehicles will be 80% BEV and 20% PHEV by 2025. By then, VW hopes to have 40 products on sale, with annual volumes of 1.5 million units. ([VW](#))
- Lamborghini sold 5,750 units in 2018 and “evidenced” how it could be profitable. ([VW](#))
- Audi increased the 2025 target for all-electric and plug-in hybrid vehicles from “more than 20” to “about 30”. The brand also wants to share more with the rest of the VW Group, particularly Porsche. ([VW](#))
- CEO Diess found himself in hot water after saying that “[high] EBIT sets you free”, seemingly echoing the phrase used on the gates at Auschwitz. He apologised and said the similarity was unintentional. ([Handelsblatt](#))
- CEO Diess denied rumours that VW Group was interested in taking a stake in Waymo. ([Reuters](#)) He believes that 90% of future innovation will come from software -- without explaining how that is measured (software will apparently account for 50% of development costs in the 2030s). The next generation VW Golf will consolidate the 70 processors in today’s car into three units. ([Reuters](#))
- Recruiting 1,200 drivers for the fleet of 500 Moia vehicles in Hamburg, paying around €12 per hour. ([Handelsblatt](#))
- Will not proceed with the IPO of truck division Traton, citing market conditions. ([VW](#))
- The US SEC is seeking to sue former CEO Winterkorn over the diesel scandal. VW will help defend him. ([Reuters](#))
- Gave an overview of the production planning system used by Volkswagen to schedule smooth production. The downside is that with a four week planning horizon is needed. Build to order advocates look away now. ([VW](#))
- A glowing profile of Porsche boss Oliver Blume, suggested he is being backed as the next CEO of VW Group when Diess’s tenure expires. ([Handelsblatt](#))
- Porsche says that electric cars have €6,000 - €10,000 higher material cost than comparable conventionally powered cars. ([Porsche](#))
- Will cut 7,000 jobs to save money and because VW believes that electric vehicles have 30% lower labour hours per units than conventionally powered cars. ([Reuters](#))

Other

- **Sono Motors** unveiled the production version of the Sion, a plug-in hybrid that uses onboard solar panels to charge the battery. The 248 cells that cover the vehicle generate a peak 1.2 kW, which Sono says equates to 34 km of additional range per day. The firm shows over 9,500 pre-orders. ([Sono](#))
- **Ineos** will use **BMW**-sourced engines for the Projekt Grenadier SUV. ([Ineos](#))
- **WM Motor** raised \$446 million. ([China Money Network](#))
- **Fisker** released a teaser image of its entry level electric car and said the real thing will be on show soon. ([CNET](#))

News about other companies and trends ...

Economic / Political News

- **European** passenger car sales in February of 1,148,775 units were down (0.9)% on a year earlier. ([ACEA](#))
- **Egyptian** car sales continued to fall, despite the removal of tariffs on EU-built vehicles. ([Economic Times of India](#))
- **European** parliamentarians are considering mandating speed limiters on new cars. ([MEN](#))
- The **UK** Government published the intended import tariff regime in the event of a no-deal Brexit. Although the headline was that tariffs would drop to zero, this wasn’t true for the automotive industry. Finished vehicle tariffs would apply at the 10% - 22% level that non-EU products are currently subject to, but parts imports would be set to zero. The Government cautioned that the measures would only be temporary, for about a year. [The UK car industry trade body went nuts](#). The EU said they would be [illegal under WTO rules](#). ([UK Government](#))
 - Significance: The tariff schedule, whilst positioned as a temporary measure, confirms the worst fears of the market leaders, who just happen to be pure importers (e.g. VW, Ford, Renault). Not only would finished vehicles see large tariffs, but UK-built vehicles would have zero tariffs on imported parts, handing a 10%+ price advantage over imported products. If the tariff schedule became permanent, it would considerably strengthen the case for knock-down kit production in the UK.

Suppliers

- **ZF's** CEO says that transition to electric cars will take more than 20 years. ([Handelsblatt](#))
- **Mahindra CIE Automotive** acquired **Aurangabad Electricals** in a \$119 million deal. ([Live Mint](#))
- **Faurecia** and **Michelin** will merge their fuel cell divisions under the banner of **Symbio**. ([Michelin](#))
- **Hyundai Mobis** is investing \$5 million in Chinese object recognition company **Deep Glint**. ([Hyundai](#))
- **Denso** invested in connectivity company **Airbiquity**. ([Airbiquity](#))
- **Continental** announced a series of changes aimed at supporting the newly created automotive group. ([Continental](#))
- **Lear** invested in a fund to be managed by **Maniv Mobility**. ([Lear](#))

Ride-Hailing, Car Sharing & Rental (history)

- **Lyft** has started pre-IPO investor roadshows, apparently aiming for a valuation north of \$20 billion. ([Reuters](#))
- After recently closing a \$20 million round, car sharing firm **Drivezy** wants \$100 million more. ([Deal Street Asia](#))
- **Meshek** is creating a car sharing scheme for rural areas in Israel. ([CTech](#))

Driverless / Autonomy (history)

- **Google** is reportedly offering outside investors a stake in **Waymo**, with the twin aims of raising cash and justifying a dizzying valuation for the self-driving vehicle developer. ([The Information](#))
- **Uber** apparently hoped to have 13,000 robotaxis in service by 2019, growing to a fleet of 75,000 in 13 different cities by 2022. The targets appear to have been motivated by desperation to provide a path to profitability, rather than because of promising test results. ([FreightWaves](#))
- CEO Diess denied rumours that **VW Group** was interested in taking a stake in **Waymo**. ([Reuters](#))
- **Toyota** and **SoftBank** are reportedly considering a \$1 billion investment in **Uber's** self-driving unit that could value it at up to \$10 billion. ([Reuters](#))
- **GM** is aiming to double headcount at the Cruise self-driving division, to around 2,000 by the end of 2019. ([Reuters](#))

Electrification (history)

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- **Porsche** says that electric cars have €6,000 - €10,000 higher material cost than comparable conventionally powered cars. ([Porsche](#))

Connectivity

- The next generation **VW Golf** will consolidate the 70 processors in today's car into three units. ([Reuters](#))
- **Airbiquity** raised \$15 million from **Toyota** and **Denso**. ([Airbiquity](#))
- **Nissan** is testing invisible-to-visible (I2V) technology that the company claims can create 3D images of objects, people or even cartoon characters in a vehicle cabin. ([Nissan](#))

Other

- Flight hailing firm **Blackbird** raised \$10 million. ([TechCrunch](#))