



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 29<sup>th</sup> July to 4<sup>th</sup> August 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)

- Reported financial results for Q2 2019. Automotive revenue of €22.6 billion rose 1.9% on a year-over-year basis whilst EBIT of €1.47 billion fell (23.4)%. ([BMW](#))
- Lost the final appeal in a case that limited the amount of subsidy BMW was allowed to receive from the German government for a factory upgrade. ([Reuters](#))
- Outgoing CEO Krüger offered to meet new British prime minister Boris Johnson to tell him to his face that a no deal Brexit would be a bad idea. ([The Guardian](#))
- Invested in autonomous vehicle vision technology company Recogni. ([FINSMES](#))
- Although executives refused to be drawn on the exact profitability at Rolls-Royce, they described it as “very, very pleasant”. ([Seeking Alpha](#))

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

- Recently departed former CEO Zetsche said that engines are now less of a differentiator, but that there remain “lots of engineering proof points” where commoditisation would harm brands. ([Top Gear](#))
- Invested in car price comparison site Carwow. ([The Times](#))

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

- Reported Q2 2019 revenue of €26.7 billion, down (3)% on a year-over-year basis and net profit of €793 million, up 14%. North America performed strongly, despite lower sales resulting from a reduction in dealer inventory. Maserati performed poorly, losing €(119) million due to residual value misses and lower dealer stocks. ([FCA](#))
- Expects that 5% of European sales mix in 2020 will be BEV or PHEV and that customers will absorb about 60% of the cost. Overall, FCA says the cost of compliance will absorb about half a percentage point of operating margin. CEO Mike Manley also told analysts that 2019 year end emissions will fall significantly as the company introduces new engines. ([Seeking Alpha](#))
- FCA remains hopeful that Renault will reignite merger talks, but doesn't want to make the first move, and has struck up a broader range of partnership talks with European competitors. ([Seeking Alpha](#))

#### **Ferrari**

- Sold 2,671 units in Q2 2019, an increase of 8.4% on a year-over-year basis. Revenue of €984 million rose 9% and EBIT of €239 million also increased 9%. ([Ferrari](#))
- Will unveil three new models by the end of 2019 -- two at an event in September and one at an undisclosed point after that. ([Seeking Alpha](#))

- Said that initial customer feedback on the SF90 hybrid in electric drive mode was very positive because the lack of noise would be less antisocial in crowded neighbourhoods. The CEO says however than pure electric vehicles are “beyond 2022”. ([Seeking Alpha](#))
- CEO Camilleri pushed back strongly against suggestions that Ferrari might be interested in any form of M&A, after being asked specifically about other car companies and non-automotive luxury brands. ([Seeking Alpha](#))

### Ford (history)

- Acquired two companies to boost Ford’s mobility division -- transport app developer Journey Holding and robotics company Quantum Signal. ([Detroit News](#))

### General Motors (history)

- Reported Q2 2019 revenue of \$36 billion, down (1.9)% on a year-over-year basis, and income of \$2.4 billion, up 1.6%. GM said that a strong performance from North American trucks was to responsible for the higher profits, even as sales fell (particularly in China). ([GM](#))
- CEO Mary Barra said customer feedback about the Super Cruise driver assistance system was amongst the best she had ever experienced (85% of owners said it would affected their next purchasing decision), but GM wants to put it into all Cadillac products before it will start introducing the feature into other brands (but also that this would be done “as quickly as we can”). ([Seeking Alpha](#))
- GM wouldn’t be drawn on a new timeline for the launch of robotaxi services operating by Cruise, but did confirm that from GM’s perspective a market launch meant no safety drivers in the vehicles. ([Seeking Alpha](#))
- Closed the Warren Transmission factory. ([World Socialist Web Site](#))

### Honda (history)

- Honda reported Q2 2019 (fiscal Q1) revenues of 3.996 trillion yen (about \$37.6 billion) and operating profit of 252 billion yen (about \$2.4 billion), both down on the prior year. Despite the year over year drops, Honda said it was still confident in full year targets because of improvements being made to the business. ([Honda](#))
- Produced 2,692,175 units in the first six months of 2019, a 0.4% increase versus prior year. ([Honda](#))
- A security researcher found an unprotected file listing all of Honda’s computers and what was installed on them, something he says could have been used with malicious intent. ([TechCrunch](#))

### Hyundai / Kia (history)

- Kia says it will definitely meet 2020 and 2021 CO<sub>2</sub> targets, but since the brand reckons that will mean it has to sell 40,000 battery electric vehicles each year (up from about 15,000 now), there are several contingency plans in place that could force a higher mix if the retail demand doesn’t emerge. These include: making its car-sharing business all-electric, forcing the company service fleet and dealer demonstration cars to be electric-only and fitting low resistance tyres to all vehicles. ([Automotive News](#))
  - Significance: Kia’s approach is reflective of the challenge facing many carmakers in the European market in the early 2020s. CO<sub>2</sub> emissions compliance is not a matter of technology, it is one of cost and consumer demand, and many companies have openly said that they don’t want to sell any more electric cars than necessary. Expect all the other major manufacturers to have similar ideas for emergency mix forcing but, although this solves the new car sales challenge, how can they be confident that nearly new second hand values will hold up for a flood of electric vehicles?
- A sales campaign run by Hyundai in the US where customers receive \$50 if they take a test drive apparently ends up with half of participants buying a car. ([Automotive News](#))
- Hyundai now offers a solar roof on Sonata hybrid cars. According to Hyundai, between 30% - 60% of the hybrid’s 1.76 kWh battery capacity can be charged over a six hour period. ([Hyundai](#))

### Mazda

- Announced financial results for Q2 2019 (fiscal Q1). 353,000 units were sold, a drop of (12)%. Revenue of 849 billion yen (about \$8 billion) fell (3)% and operating profit of 7 billion yen (about \$66 million) was down (79)%. ([Mazda](#))

## **Nissan (includes Mitsubishi)** (history)

- According to leaked emails, Nissan and Renault are in the middle of intense negotiations to see whether Nissan would approve the proposed FCA / Renault merger if the French company reduced its current 43.4% stake in Nissan. ([WSJ](#))

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

- PSA's CEO says the company's worst case scenario for European fleet CO<sub>2</sub> is a sales mix of 10% diesel and 7% electric or hybrid vehicles. He also told reporters that he plans to leave sometime in the next few years, and certainly before 2030. ([FT](#))
- Citroen executives hinted that the next generation C4 would have an all-electric version and promised that the design would "shake the market". ([Auto Express](#))

## **Renault** (history)

- According to leaked emails, Nissan and Renault are in the middle of intense negotiations to see whether Nissan would approve the proposed FCA / Renault merger if the French company reduced its current 43.4% stake in Nissan. ([WSJ](#))

## **Suzuki**

- Produced 1,610,174 units in the first half of 2019, an (8.8)% drop on a year-over-year basis. ([Suzuki](#))

## **Tata (includes JLR)** (history)

- Tata Motors's chairman said partnerships are "the only way" to cope with the additional capital spending demands of mobility services and electrification, and that Tata was looking at both tactical and strategic options. ([Autocar](#))
- Tata is setting up a 300 station charging network in India with Tata Power. Planned charging speeds are modest, with power levels between 15 kW - 50 kW planned. ([Economic Times of India](#))
- Feedback from US customers suggest that Jaguar dealers are offering firesale prices on electric I-Pace models, despite the car having only recently launched. ([Inside EVs](#))

## **Tesla** (history)

- Tesla's Chinese factory lease depends on selling enough vehicles to raise 2.2 billion yuan (about \$320 million) in annual tax revenues by 2023. ([Bloomberg](#))
- Reinstated free supercharging for Model S and Model X buyers. ([TechCrunch](#))
- Announced a new battery product for power grids called the Megapack, essentially a much larger version (up to 3 MWh) of the existing powerpack. ([Tesla](#))

## **Toyota** (history)

- Reported financial results for Q2 2019 (fiscal Q1). Revenue of 7.65 trillion yen (about \$72 billion) rose 3.8% on a year-over-year basis whilst operating income of 741.9 billion yen (about \$7 billion) was up 8%. Nevertheless, Toyota cut full year forecasts, citing adverse exchange movements. ([Toyota](#))
- Says that shared platforms reduce development headcount and investment by 25%, whilst saving 10% of the vehicle material cost too. ([Toyota](#))
- Invested in autonomous vehicle vision technology company Recogni. ([FINSMES](#))

## **VW Group** (history)

- Porsche says that 30,000 customers have paid a €2,500 deposit for a Taycan electric car. ([Handelsblatt](#))
- Acquired "nearly a quarter" of charging station management company has.to.be and will help fund an expansion of the European network. ([VW](#))
- Porsche's digital team is around 120-strong and will grow further with the addition of a second US office. ([Porsche](#))
- Audi's former CEO has been charged with fraud relating to the dieselgate scandal. ([BBC](#))
- Audi will sell a cheaper version of the e-tron with a 71 kWh battery, but not in the USA. ([Electrek](#))

## Other

- **Aston Martin** sold 2,442 cars in the first half of 2019, up 6% on a year-over-year basis. Despite this, revenue fell (4)% to £407 million and there was a £(38) million operating loss -- about half of which related to an IP sale gone wrong. ([Aston Martin](#))
- **Human Horizons** revealed the HiPhi1, an all-electric large SUV with claimed L3 self-driving capability and rear doors reminiscent of the [Rolls-Royce 103EX concept](#). Although the car was said to be production ready, the launch date is unclear. ([Human Horizons](#))
- Russian's first locally developed electric car, from **Zetta**, is on target for a 2019 production launch. ([TASS](#))
- **VinFast** will use battery packs developed by Austrian firm **Kriesel** (it seems likely that the batteries themselves will come from **LG Chem**). ([Kriesel](#))
- **Atlis Motors** claims to have 11,000 reservations for its forthcoming electric pick-up truck. ([Core77](#))
- **Fresco Motors** plans to start building its Reverie electric sedan in 2021 and says 70 people have already made reservations. ([Inside EVs](#))

## News about other companies and trends ...

### Economic / Political News

- Donald Trump joked about 25% **tariffs** on German car imports. ([Detroit News](#))
- Trump gave a deadline of 1<sup>st</sup> September for increased **tariffs** on imports from China, urging Chinese government officials to pick up the pace on agreeing a trade deal. ([Reuters](#))
- US industry
- The UK automotive trade body said member companies spent £330 million on **Brexit** contingency plans, but since this figure includes increases in inventory (a method adopted almost universally), it is likely that the bill for remaining items (training, warehousing and the like) is far smaller. ([SMMT](#))
- **UK** passenger car sales in July of 157,198 units fell (4.1)% compared with a year earlier. ([SMMT](#))

### Suppliers

- **ZF** reported first half financial revenues of €18.4 billion and adjusted EBIT of €650 million and lowered the full year outlook, citing the “difficult” environment. ZF said the CFO “appears” confident that there won't be any problems getting financing to complete the acquisition of **Wabco**. ([ZF](#))
- **Eaton** is buying **Souriau-Sunbank** for \$920 million. ([Autocar](#))
- **Toyo Tire** is building a new 5 million capacity tyre factory in Serbia. ([Toyo](#))
- **Delphi** reported Q2 2019 revenue of \$1.1 billion and operating income of \$56 million. Citing the tough external environment, the company lowered full year guidance. ([Delphi](#))
- **AAM** reported Q2 revenue of \$1.7 billion and net income of \$52.5 million and lowered full year outlook. ([AAM](#))
- Manufacturing engineering supplier **Eisenmann** filed for insolvency. ([Reuters](#))
- **Stonebridge** reported Q2 revenue of \$222 million and maintained full year guidance, but only by focusing on earnings per share and including favourable tax rate and buyback effects (revenue and margin are both expected to be worse than prior forecasts). ([Stonebridge](#))
- **Meritor** reported Q2 2019 (fiscal Q3) revenue of \$1.166 billion and net income of \$86 million. ([Meritor](#))
- **Dana** reported Q2 revenue of \$2.3 billion and a net loss of \$68 million. ([Dana](#))
- **Denso** reported Q2 2019 (fiscal Q1) revenue of \$12.3 billion and profit of \$641 million. ([Denso](#))

### Dealers

- Although many UK car sales professionals have long said that retail-like experiences are the future, one **Hyundai** dealer is handing back the keys at one site in a well-trodden shopping centre. ([Motor Trader](#))
- UK car price comparison site **Carwow** raised £25 million from **Daimler** and other investors. ([The Times](#))

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

- **Uber** fired 400 members of the marketing team, saying that the teams had become too big. ([Business Insider](#))
- **Lyft's** COO is leaving. ([TechCrunch](#))

## Driverless / Autonomy (history)

- Self-driving developer **Wayve** is reportedly set to raise \$20 million. ([Telegraph](#))
- **GM** CEO Mary Barra said customer feedback about the Super Cruise driver assistance system was amongst the best she had ever experienced (85% of owners said it would affect their next purchasing decision), but GM wants to put it into all Cadillac products before it will start introducing the feature into other brands (but also that this would be done "as quickly as we can"). ([Seeking Alpha](#))
- **GM** wouldn't be drawn on a new timeline for the launch of robotaxi services operating by Cruise, but did confirm that from GM's perspective a market launch meant no safety drivers in the vehicles. ([Seeking Alpha](#))
- Autonomous vehicle vision technology company **Recogni** raised \$25 million from investors including **BMW**, **Faurecia** and **Toyota**. ([FINSMES](#))

## Electrification (history)

- **VW's** Electrify America charging network is trialling automated chargers from **Stable** in preparation for self-driving cars. ([VW](#))
- **India** slashed tax rates on electric cars to 5% (from 12%), conventionally powered vehicles remain at 28%. ([Reuters](#))
- **BP** and **Didi Chuxing** have teamed up to create a Chinese network of charging stations. ([BP](#))
- **Transition-One** says it can convert cars with internal combustion engines into fully electric operation for €8,500, and it will only take a day. The economics aren't completely clear since that isn't much more than carmakers are saying a battery pack and motor costs. ([Bloomberg](#))
- **Sumitomo** believes that it can develop tyres that harvest electricity. ([Inside EVs](#))
- **Nidec** and **GAC** are working on a Chinese joint venture that will produce electric motors. ([Nidec](#))
- **VW** acquired "nearly a quarter" of charging station management company **has.to.be** and will help fund an expansion of the European network. ([VW](#))
- **Ferrari** said that initial customer feedback on the SF90 hybrid in electric drive mode was very positive because the lack of noise would be less antisocial in crowded neighbourhoods. The CEO says however than pure electric vehicles are "beyond 2022". ([Seeking Alpha](#))

## Connectivity

- **Avis** will sell data from over 100,000 connected vehicles on **Otonomo's** platform. **JD Power** has signed on as an early customer to supplement its quality surveys. ([Reuters](#))

## Other

- **ParkMobile** now has 15 million registered users. ([ParkMobile](#))
- Electric scooter rental firm **Charge** says the answer to the woes of dockless scooters (e.g. trouble charging them and unused scooters cluttering pavements) is to have docking stations -- just like bicycle rental schemes of yore. ([Charge](#))