



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 6<sup>th</sup> August to 12<sup>th</sup> August 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)

- After a spate of engine fires in South Korea, BMW recalled European vehicles with diesel engines and EGR to inspect for EGR coolant leakages. Media reports put the number of affected vehicles at 324,000. ([BMW](#))
- Executives said that BMW test drives of autonomous cars often last 1,000 km, with an average of three driver interventions, and also expressed scepticism that fully autonomous driving will be allowed on public roads. ([Autocar](#))
- Reportedly won't replace the 3 Series GT model at the end of the current cycle. ([BMW Blog](#))

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

- Said it had ceased activities in Iran. ([Reuters](#))
- Reportedly in talks with BAIC to start making electric Smart cars in China. ([Bloomberg](#))

#### **Ford** (history)

- Ford's VP of product development and purchasing, Hau Thai-Tang gave a presentation outlining some of the company's plans and how they tied into recently announced cost saving targets. For example, Thai-Tang presented a chart (slide 7) showing average age of portfolio coming down in the new plan as evidence of greater understanding of consumer trends and the need to produce relevant vehicles. ([Ford](#))
  - Implication: Page 105 in [this presentation from September 2016](#) showed Ford had already learned this lesson and was boasting of a 2015 portfolio age of 2.6 years (even the new plan only gets to 3.3). [In 2014](#), Ford called its product refresh plan leading up to 2020 "industry leading". Is Ford failing to deliver on new products and then having to set itself back on track or is it taking credit for a pre-existing plan as new thinking?
- Ford Aims to save around 20% to 40% of the engineering bill for each program by sharing up to 70% of the vehicle parts through common modules across five platforms. Ford conceded that in some markets the global platforms may be too expensive, and they will look to collaborate with local partners to do things more cheaply. Ford's previous platform strategy restricted parts sharing to around 30% of vehicle content. ([Ford](#))
  - Implication: Ford's new platform strategy echoes the approach of VW, Renault-Nissan and PSA, and to a lesser extent Volvo and JLR. The claimed savings appear realistic since these other manufacturers have quoted similar numbers and, VW aside, financial performance seems consistent. Slightly concerning was that Ford presented its plan as ahead of the pack, rather than recognising some competitors are more than five years ahead (but not GM). To judge for yourself how much of the costing process is new, you may want to look at [this 2015 presentation](#) by then VP of Purchasing Hau Thai-Tang, paying close attention to slides 1, 5, 9, 10 & 11.
- Believes that the shift from passenger cars to utilities is permanent and the remaining car customers look for value and utility traits that "some of our competitors dominate". ([Ford](#))
  - Implication: There has long been an unwritten rule in the industry that you kept customers by offering a full portfolio of vehicles since customers tend to be more loyal to brands than nameplates or segments. In pursuit of

capital discipline, Ford is now eschewing this approach but is doing so without articulating (or potentially, realising) what changes need to be made to the selling model and branding to compensate for the narrower portfolio.

- Unveiled the China-only Territory, an entry-level SUV developed with joint venture partner JMC. ([Ford](#))
- Suggested that the time to create the Territory, from initial concept to mass production (but not first customer deliveries) was under 20 months. ([Ford](#))

#### **Geely (includes Volvo)** (history)

- Reportedly close to investing £1.5 billion in Lotus, that would add models and new production and R&D facilities. Geely would also look to increase its ownership from the current level of 51%. ([Bloomberg](#))

#### **General Motors** (history)

- GM executives said they had decided not to go all-aluminium for the latest generation Chevrolet Silverado and GMC Sierra full size pick up trucks after seeing Assembly challenges and looking at alternative materials. GM now says it has a cost advantage of “thousands of dollars” over F-150. ([Reuters](#))
  - Implication: With a history of crosstown trash talking every time one of them releases a new truck, GM’s comments on cost advantages merit consideration but should be seen in the context of GM’s product head saying he had been sent a box of the rivets used by Ford years ago and they were “still on my desk”, indicating that either: he has a massive desk; it is awfully untidy; or he keeps a special place for a box of rivets he doesn’t intend to use.

#### **Hyundai / Kia** (history)

- KIA unveiled a new technology, dubbed separated sound zone, which the company says can create individual sound zones within a vehicle through localised noise cancellation. ([KIA](#))
- Stopping production of diesel engines for Sonata, Grandeur, i30 and Maxcruz, citing low sales mixes. ([Yonhap](#))

#### **Mazda**

- Said that there was no improper emissions testing in Japan, although it had found some small issues which would be rectified through improved processes. ([Mazda](#))

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

- Mitsubishi is increasing production of the Xpander small crossover from 100,000 units annually to 150,000 units by 2019, citing wild sales success in the ASEAN region, particularly Indonesia. ([Mitsubishi](#))
- Nissan has trademarked “h-POWER”, leading to speculation that it could be used in hydrogen vehicles. ([Auto Guide](#))

#### **Suzuki**

- Was found to have passed vehicles with discrepancies in the emissions test. However, the issues with the test were minor and there is no impact on the consumer ([Reuters](#))

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

- Released its annual sustainability report. ([Tata](#))

#### **Tesla** (history)

- Tesla CEO Musk announced via Twitter and internal email that he was mulling whether to take the company private at a \$420 per share level. He believes that the stock market listing drives too much short term thinking but still wants to have a tradeable form of shareholding for employees and external investors, citing SpaceX as a precedent. ([Tesla](#))
  - Implication: Despite Musk’s misgivings about the stock market, Tesla has been able to post consistent losses whilst pointing to future growth (and maintaining a high valuation). Either the short term thinking is a phantom or the rest of the industry must be facing the same problem to an even greater extent.

- CEO Musk is reportedly under investigation because of how he released information about the possibility of Tesla going private. Speculation about legality concentrated on whether the statement “funding secured” was true and the use of Twitter is when some subscribers are blocked (precedent already says it is okay where there is no impediment to access and the company directs investors to the relevant channel -- as Tesla have done). ([Business Insider](#))
- Saw a large Saudi sovereign wealth fund take a stake of just under 5%, but they reportedly aren't interested in providing financing for the company to be taken private. ([Reuters](#))
- Information reportedly supplied by current and former Panasonic employees showed production of solar cells at around a quarter of Tesla's intended annual 1 GW target, and includes production that Panasonic is selling under its own brand, due to envisaged demand from Tesla not yet materialising. ([Reuters](#))

### VW Group (history)

- VW's credit company trumpeted its success in selling bonds in euros, Russian roubles and pounds, saying that euro and pound issues were more than three times oversubscribed, despite the low interest payments. ([VW](#))
- Bugatti said the yet-to-be-revealed Divo model will not be track-only. ([Autocar](#))
- Has around 300 employees engaged on various projects relating to blockchain use in cars. ([VW](#))
- May have to recall PHEVs and BEVs due to high levels of cadmium in the charging units. ([WirtschaftsWoche](#))

### Other

- **Subaru** announced financial results for Q1 of the 2018-2019 fiscal year. Revenue of 709.2 billion yen (about \$6.4 billion) was down (12.9)% on the prior year, explained by a (12.3)% drop in unit sales. Operating income of 57.6 billion yen (about \$520 million) was down (51.8)%. ([Subaru](#))
- **Gyon** held a brand launch, revealing the slogan “right is our niche” and saying that a concept car would be displayed in 2019. The only technical details disclosed were that Gyon's products (sedan., SUV and crossover) will have ~360 mile range batteries that can be 80% charged in 10 minutes and 100% charged in 15 minutes. ([Gyon](#))
- **Workhorse** lost \$(6.9) million on revenues of \$0.2 million in Q2 2018 ([Workhorse](#)) and said it would undertake a stock offering, seemingly aimed at improved liquidity. ([Workhorse](#))

## News about other companies and trends ...

### Economic / Political News

- UK July passenger car registrations were 163,898 units, up 1.2% on prior year, but still down (5.5)% YTD. ([SMMT](#))

### Suppliers

- **Magna's** Q2 2018 revenue was \$10.3 billion with operating income of \$819 million. ([Magna](#))
- **Delphi** reported Q2 2018 revenue of \$1.2 billion and operating income of \$122 million. ([Delphi](#))
- **Schaeffler** announced a 90/10 joint venture with **Paravan** that will acquire the latter's Space Drive drive by wire products and Schaeffler's Mover autonomous platform. ([Schaeffler](#))
- **Horiba** acquired battery and fuel cell testing expert **FuelCon**. ([Horiba](#))

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

- **New York** passed restriction measures that freeze the number of vehicles operators such as Lyft and **Uber** are permitted to operate in the city for 12 months. ([Digital Trends](#))
- **BlaBlaCar** acquired smaller Russia market rival **BeepCar**. ([TechCrunch](#))
- **Ola** is going to expand to the UK. ([BBC](#))

### Driverless / Autonomy (history)

- **Wipro** and **Genesys** will collaborate on software and maps for self-driving cars. ([Economic Times of India](#))
- Self-driving truck start-up **Kodiak** says it has raised \$40 million. ([IT News](#))

- Data labelling company **Scale**, which says it counts **GM, Lyft, Zoox, Voyage, NuTonomy** and **Embark** amongst its customers, raised \$18 million. ([TechCrunch](#))
- **Navya** sold 36 autonomous shuttles in the first half of 2018, for over €200,000 each. ([Navya](#))
- Driverless truck maker **Nikola** said it had already raised \$100 million of a \$200 million Series C target. ([Nikola](#))
- News of the hiring of **Tesla's** former engineering VP reignited interest in **Apple's** self-driving project. ([TechCrunch](#))
- **BMW** executives said test drives of autonomous cars often last 1,000 km, with an average of three driver interventions, and expressed scepticism that fully autonomous driving will be allowed on public roads. ([Autocar](#))

#### Electrification (history)

- **Gyon** said their products (sedan., SUV and crossover) will have ~360 mile range batteries that can be 80% charged in 10 minutes and 100% charged in 15 minutes. ([Gyon](#))

#### Other

- **Intel** said it sold \$1 billion of artificial intelligence chips in 2017, but the number should be taken with a pinch of salt, it is partly based on Intel's estimates of how much data centre workload is AI applications. ([Reuters](#))
- Per mile insurance provider **Metromile** licenced its platform to Japanese insurer **Tokio Marine**. ([Metromile](#))