



AD PUNCTUM

Autos & Mobility Industry Briefing -- 4th May to 10th May 2020

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 financial results for Q1 2020. Automotive revenue of €18.0 billion fell (6.4)% versus Q1 2019 (group revenue rose slightly, thanks to financial services) whilst EBIT of €229 million was much improved versus a loss in the prior year. Although BMW refused to provide a detailed outlook for 2020, the firm still expects for the automotive division to be profitable on an EBIT basis (somewhere between 0% to 3% margin). ([BMW](#))
- Says it will save over €1.7 billion in capital expenditures this year and is confident of meeting European CO₂ targets regardless of how the economic situation develops. ([BMW](#))

FCA (history)

- Reported Q1 2020 revenue of €20.6 billion, down (16)% year-over-year, and a net loss of €(1.7) billion from continuing operations (which included €643 million of asset impairments). Even using FCA's preferred "adjusted" EBIT measure, operations outside the America's have cumulatively lost over €(200) million since Q3 2017. Maserati's €(444) million of losses in the last 12 months -- a stonking (32)% of revenue -- raise questions over FCA's earlier financial allocation methods that made the brand's performance look so rosy. ([FCA](#))
 - Significance: The weak performance in Europe and Asia highlight how much FCA needs the PSA deal to pass. Without it, a politically unpalatable restructuring beckons.

Ferrari

- Ferrari shipped 2,738 units in Q1 2020, up 5% on prior year despite closing the factory in the middle of March. Revenue of €932 million fell (1)%, blamed mostly on F1, whilst EBIT of €220 million fell (5)%. ([Ferrari](#))
- Proclaimed itself "back at full capacity" as of 8th May. ([Ferrari](#))

Ford (history)

- Ford's COO purchased \$1 million of Ford stock, in an apparent show of confidence in the recovery. Cynics suggested it was a move aimed at chairman Bill Ford rather than the stock market and that the executive's pay would soon be increased to refund the move. ([AutoExtremist](#))
- Releasing a package of data collected from self-driving test vehicles roaming the streets of Michigan, USA. Ford says the information is notable because it centres on the same routes over time and therefore allows third party researchers to explore the effects of changes in the local environment, and even sensor crossover when one or more of the cars was in the same location. ([Ford](#))

Geely (includes Volvo) (history)

- Volvo will use a roof mounted Luminar lidar on forthcoming SAE L3 to L4 self-driving features ("fully autonomous highway driving"). Volvo provided an image of how such an integrated system might look, without commenting on

possible aerodynamic drawbacks that have led to others mounting similar units in the grille. Volvo has an option to increase its stake in Luminar and expressed a vague aspiration to fit lidar as standard to vehicles on its next-generation platform (implying a ~2025 timeframe and lower specification unit). ([Volvo](#))

General Motors ([history](#))

- Reported Q1 2020 revenue of \$32.7 billion, down (6.2)% on a year-over-year basis, and net income of \$294 million, down (86.7)% versus 2019. The company said it was imposing cost cuts, whilst protecting spending on “key franchises”, GM-speak for high margin SUVs and future state bets (electric cars and autonomy). ([GM](#))
- Raised another \$4 billion in secured debt and expects a further \$2 billion credit facility to be formalised soon. GM is paying an interest rate of 5.4% - 6.8%, much lower than Ford’s recent, similar, offering. ([GM](#))

Hyundai / Kia ([history](#))

- Hyundai appears over-pleased with its in-house transmission engineering expertise, claiming (wrongly) that it is uncommon for car manufacturers to make their own and using language that suggests the business still views the product as a significant competitive advantage. ([Hyundai](#))
 - Significance: As long-time readers will recall seeing on many occasions, Ad Punctum’s analysis is that many manufacturers are already in a position where commoditising the transmission (and the engine) by sharing with third parties is an overdue step. The transmission is especially vulnerable because even if the world adopts plug-in hybrids more readily than fully electric vehicles, these use a transmission different to most conventional vehicles (and for series hybrids, it can be far simpler). Thus, transmission assets are likely to become a millstone around the neck of manufacturers who persevere with them.

Nissan and Mitsubishi ([history](#))

- Nissan reportedly plans to focus only on Japan, North America and China, with slimmed-down portfolios in European markets. ([Reuters](#))

PSA ([history](#))

- Opel lost a series of employment cases brought by disgruntled German engineers who had refused to switch to engineering services provider Segula when Opel offloaded much of its Rüsselsheim product development centre to the French firm. ([FAZ](#))

Renault ([history](#))

- Moves to restart production at the Sandouville, France, plant hit trouble when unions won a court judgement saying that safety measures were unclear. ([Reuters](#))

Tata (includes JLR) ([history](#))

- JLR’s InMotion VC team shared their thoughts on how investments by OEMs can help reduce the environmental impacts of the cars they build. ([JLR](#))

Tesla ([history](#))

- CEO Musk said, because of local government rules forcing Tesla’s Fremont factory to stay closed, he would move the businesses headquarters and future programs to locations in Texas and Nevada “immediately” and that the site’s future was in peril. It was not clear how the company would carry out such a move logistically, or whether this was a board-approved tweet. ([BBC](#))

VW Group ([history](#))

- Škoda’s new Enyaq all-electric SUV was unveiled (in camouflage at least). ([Škoda](#))
- Škoda says that it lost 100,000 vehicles in Q1 2020 because of coronavirus. ([Škoda](#))
- Volkswagen is going to own the buildings used by the battery-making joint venture the company has formed with Northvolt. ([VW](#))

- Audi plans to train all sales and service staff about the new A3 using digital tools, foregoing the normal method of delivering train-the-trainer sessions in person. ([Audi](#))
- Audi says it cannot get SAE L3 self-driving features working in the A8, despite saying at the car's launch that it was only a matter of time until legislative problems were resolved. ([Automotive News](#))

News about other companies and trends ...

Economic / Political News

- April US light vehicle SAAR of 8.58 million units fell (48)% from prior year. ([Wards](#))
- **French** passenger car registrations of 20,997 units fell (89)% versus 2019. ([CCFA](#))
- **German** registrations of 120,840 passenger cars in April, down (61)% versus prior year. ([KBA](#))
- **Italian** passenger car sales of 4,279 units in April fell (98)% on a year-over-year basis. ([UNRAE](#))
- **Spanish** passenger car registrations in April of 4,163 units dropped (97)% year-over-year. ([ANFAC](#))
- **UK** April passenger car sales of 4,321 units fell (97)% from prior year. ([SMMT](#))
- **Russia's** government plans to pull forward vehicle purchases planned for 2021 and 2022 to support the local automobile industry. ([IASS](#))
- A **UK consumer survey** suggests plenty of (retail) customers are still planning to buy a car when dealers reopen, with government advice to drive rather than use public transport reckoned to be a big plus. ([Motor Trader](#))

Suppliers

- **Lear** reported Q1 2020 revenue of \$4.5 billion and net income of \$76 million. ([Lear](#))
- **Delphi's** Q1 2020 revenue was \$945 million, with an operating loss of \$(20) million. The company said it was on track to be acquired by **BorgWarner** after resolving a disagreement over Delphi's use of a credit line. ([Delphi](#))
- **BorgWarner** reported Q1 2020 revenue of \$2.3 billion and EBIT of \$186 million. ([BorgWarner](#))
- **Adient** reported definitive financial results for Q1 2020 (after making a preliminary filing in April). Revenue was \$3.5 billion with EBIT of \$66 million. ([Adient](#))
- **American Axle (AAM)** reported Q1 2020 sales of \$1.34 billion and a net loss of \$(501) million, more than explained by a goodwill impairment of \$510 million. ([AAM](#))
- **Aptiv** reported Q1 2020 revenue of \$3.2 billion and adjusted net income of \$173 million (excluding the effect of the autonomous technology JV with **Hyundai**). ([Aptiv](#))
- **Tenneco** reported Q1 2020 revenue of \$3.8 billion and an adjusted net loss of \$(26) million. ([Tenneco](#))
- **Yazaki** is shedding 20% of its Mexican workforce (about 14,500 jobs), suggesting it doesn't share the rosier predictions for a recovery. ([Reuters](#))
- **Magna** reported Q1 2020 revenue of \$8.7 billion and net income of \$261 million. ([Magna](#)) The company's CEO expects consolidation in the supply base but is waiting to see how well the restart goes before making any big moves. Around 200 suppliers are under intensive monitoring because of concerns they are in financial distress. ([Motley Fool](#))

Dealers

- Chinese new and used car sales website **Cheheoduo** (formerly Guazi.com) raised \$200 million. ([Deal Street Asia](#))

Ride-Hailing, Car Sharing & Rental (history)

- **Uber** reported Q1 2020 financial results. With gross bookings of \$15.8 billion, Uber's take was \$3.5 billion, up 14% on a year-over-year basis. The net loss was \$(2.9) billion although Uber claims that on an "adjusted EBITDA" basis ride hailing made \$581 million in the quarter. The rate of cash burn suggests that, despite a bump in the stock price, Uber needs to do something drastic soon to remain financially stable. ([Uber](#))
- **Lyft** reported Q1 2020 revenue of \$956 million, up 23%, and a net loss of \$(398) million. ([Lyft](#))
- Rental firm **Hertz** is teetering on the edge of bankruptcy, winning a short reprieve for loan repayments due in late April to late May. The company now says it does not think it will need any new cars in 2020. ([Reuters](#))
- **Rental** businesses in the USA have reportedly slammed the brakes on new car purchases with various OEMs rumoured to be trying to reallocate stock, with **FCA** apparently hawking a list of 30,000 vehicles. ([Bloomberg](#))

- Confirming earlier rumours, **Intel** bought **Moovit** for \$900 million. ([Intel](#))
- **Uber** invested in scooter rental firm **Lime's** \$170 million round, handing over Jump (Lime's smaller rival owned by Uber). Although the move to shed scooter services might appear contrary to Uber's earlier praise of the vehicles, it would be explained by a reportedly secret pact giving Uber an option to buy Lime. ([TechCrunch](#))
- Investors are betting that massive increases in unemployment will see more people turning their hand to driving using apps like **Lyft** and **Uber** with the resulting supply increases allowing the companies to scale down on expensive driver incentives, whilst increasing revenue. It remains unclear whether this view is consistent with existing complaints by full time drivers that revenues in mature markets were barely keeping pace with costs. ([Reuters](#))
- As rumoured, Uber announced plans to make 3,700 employees redundant, with about one third of the job losses coming in [Egypt](#) and [Dubai](#) (Careem). ([Reuters](#))

Driverless / Autonomy (history)

- **Continental** says that deferring investments in autonomous technology by a few months won't hurt. ([Reuters](#))
- **Magna's** CEO thinks car companies will reduce spending on SAE L3 to L5 autonomous features but investment in driver assistance (up to L2) will be unaffected. He also implied that Magna and **Waymo** have held substantive discussions about making complete (white label) vehicles for the self-driving company ([Motley Fool](#))
- **Ford** is releasing a package of data collected from self-driving test vehicles roaming the streets of Michigan, USA. Ford says the information is notable because it centres on the same routes over time and therefore allows third party researchers to explore the effects of changes in the local environment, and even sensor crossover when one or more of the cars was in the same location. ([Ford](#))
- **Volvo** will use a roof mounted **Luminar** lidar on forthcoming SAE L3 to L4 self-driving features ("fully autonomous highway driving"). Volvo provided an image of how such an integrated system might look, without commenting on possible aerodynamic drawbacks that have led to others mounting similar units in the grille. Volvo has an option to increase its stake in Luminar and expressed a vague aspiration to fit lidar as standard to vehicles on its next-generation platform (suggesting a ~2025 timeframe and lower specification unit). ([Volvo](#))
- **Audi** says it cannot get SAE L3 self-driving features working in the A8, despite saying at the car's launch that it was only a matter of time until legislative problems were resolved. ([Automotive News](#))

Other

- **Google** pulled the plug on a plan to build smart technology into a neighbourhood in Toronto, Canada, that is being redeveloped. ([Reuters](#))