



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 20<sup>th</sup> July to 26<sup>th</sup> July 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)

- Rolls-Royce's boss suggested that the yet-to-be-unveiled Ghost will contain design features reflecting the move towards "post-opulence" – a consumer trend identified by the firm's inhouse luxury trend research unit. Traditionalists fear not, there will still be "a sense of theatre and magic". ([BMW](#))

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

- Reported Q2 2020 financial results (after announcing preliminary figures last week). Group revenue of €30.2 billion fell (29)% on a year-over-year basis whilst EBIT of €(1.7) billion compared to a €(1.6) billion loss in the prior year. Free cash flow was positive and Daimler expects to make a profit in the full year. ([Daimler](#))
- Reorganising the manufacturing and research areas so that powertrain, covering all fuel types and electrification, will sit within a single group (which will report into the R&D head). ([Daimler](#))
  - Significance: It is unclear whether the move is to simplify reporting or something deeper -- perhaps in time a divestment? Grouping all powertrain activities into a single group is not new, having been implemented and sometime unwound by other manufacturers. What gives this significance is the impending transition to electrification (in countries with good infrastructure), and the difficult choices over capital allocation and labour that this raises.
- Reckons that by 2025, 25% of new Mercedes sales will take place online. Despite this, the brand is moving relatively slowly to digitalise sales systems so that customers can use the same order details at home or in the dealer (as they can with Tesla today): by 2021 Mercedes will only operate the system in three markets. ([Daimler](#))
- Colleagues are reportedly sniping at Daimler's head of in-car software, telling reporters writing a near puff piece on his efforts to overhaul Daimler's coding competence that he isn't good at managing people. ([Handelsblatt](#))

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

- Signed an agreement for self-driving vehicles with Waymo. FCA will be the exclusive provider of vans for Waymo to use in delivery services and FCA will exclusively use Waymo's self-driving technology for L4 (occasional self-driving) capabilities in all its vehicles. This calls into question the fate of FCA's collaborations with [BMW / MobilEye](#) and [Aurora](#) to develop self-driving technologies. ([FCA](#))
- FCA's offices were searched by German authorities investigating emissions cheating. ([Reuters](#))
- Images purporting to be of a near-production Alfa Romeo Tonale small all-electric SUV leaked online. ([Autocar](#))

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

- Will use Intel's MobilEye to supply camera sensors for safety features such as automatic headlights and adaptive cruise control. As part of the deal, Ford will sport MobilEye branding inside the infotainment system. ([Ford](#))

- Significance: The public co-branding of certain safety systems implies that Ford is interested in pursuing this route in future (e.g. Argo) and that MobileEye sees it as useful to build the brand. It will be interesting to see whether consumers notice, now or if and when the supplier changes.
- Recalling about 25,000 cars because the power seats could scrape against the wires underneath them, 1,330 trucks because they are missing some heat shielding that stops the floor becoming hot, and a small number of cars and vans to fix faulty airbags. ([Ford](#))
- Installing a new press line, costing \$30 million, at the Craiova, Romania plant. Ford said this was so the factory wouldn't have to import so many parts from other factories. ([SeeNews](#))
  - Significance: With coronavirus imposing spending freezes across much of the automotive world, going ahead with an investment in a press line suggests that either Ford needs the capacity in other press shops or that it wants to be in a position to restructure other plants without Craiova being affected.
- The rave reception for the new Bronco earned CEO Hackett a puff piece interview where he talked about what hard work the turnaround of Ford has been and how happy he is that the company is on the up. ([Business Insider](#))
- Secured a £500 million loan guarantee from the UK government. ([The Guardian](#))

### Geely (includes Volvo) (history)

- Volvo reported 1<sup>st</sup> half 2020 revenue of 111.8 billion SEK (about \$12.8 billion), down (14)% on a year-over-year basis. An EBIT loss of (989) million SEK (about \$(113) million) compared to a 5.5 billion SEK (about \$630 million) profit in 2019. The brand is expecting a fast recovery and thinks sales volumes in the second half of 2020 might match those of 2019. ([Volvo](#))
- Volvo and Geely's merger talks have been put on hold (Geely owns almost 100% of Volvo anyway) because of the need to finalise the latter's listing in Shanghai, which is consuming corporate resources. ([Reuters](#))

### General Motors (history)

- CEO Barra isn't worried that a second wave of coronavirus will shut factories in the USA because of the precautions her company is taking. She thinks that in 2021, sales will be at 90% of 2019 levels. ([Detroit News](#))

### Hyundai / Kia (history)

- Hyundai's Q2 2020 revenue was 21,859 billion KRW (about \$18.3 billion), down (19)% on a year-over-year basis. Profit before tax of 590 billion KRW (about \$49 million) fell (57)%. A strong improvement in mix partially offset the massive volume reductions due to coronavirus. ([Hyundai](#))
- Kia reported Q2 2020 revenue of 11,369 billion KRW (about \$9.5 billion), down (22)% versus 2019. Profit before tax of 211 billion KRW (about \$18 million) fell (68)%. Kia saw a similar positive mix to Hyundai, but not as strongly. In Q2 sales in South Korea accounted for 39% of all revenue (it was 22% in Q2 2019). ([Kia](#))

### Nissan and Mitsubishi (history)

- Mitsubishi reported fiscal Q1 2020/2021 (calendar Q2 2020) revenue of 229.5 billion JPY (about \$2.2 billion), down (57)% on a year-over-year basis. An operating loss of (53.3) billion JPY (about \$510 million) compared to a small profit in 2019. ([Mitsubishi](#))
- Mitsubishi announced a turnaround plan. The brand will concentrate on ASEAN and hopes to leverage experience in hybrids (including the plug-in kind) in increasing market share in the region to 11%. The next priority is Africa, Oceania and South America. There is also a target to cut fixed costs by (20)% compared with 2019. ([Mitsubishi](#))
- Mitsubishi said that the previous plan increased fixed costs by 30% but was largely successful in increasing revenue and sales (if you ignore coronavirus). The plant in Gifu, Japan, called Pajero Manufacturing, will be closed and the brand will not expand the portfolio in Europe. The plan calls for R&D spending to fall by about one third by 2022 (from 2019 levels) but capital spending will stay about the same. ([Mitsubishi – look at the presentation](#))
- Nissan is having trouble convincing workers at the Barcelona, Spain, plant to return for work after the impending closure of the factory was announced in May. ([Reuters](#))

## PSA (history)

- Acquired Portuguese parts reuse specialist Amanhã Global as part of PSA vertical integration strategy to cover more of the vehicle lifecycle, in this case by providing reused parts more cheaply than brand new. ([PSA](#))
- Opel is moving from a national sales company to an importer in Croatia, Slovenia and Bosnia-Herzegovina. ([Opel](#))

## Renault (history)

- Sold 672,962 vehicles in Q2 2020, a drop of (43)% versus Q2 2019. The sole highlight was the all-electric ZOE model which saw a 23% increase, despite coronavirus related shutdowns. ([Renault](#))

## Tesla (history)

- Reported financial results for Q2 2020. Automotive revenue of \$5.179 billion fell (4)% versus 2019 whilst operating income of \$327 million compared to a \$(167) million loss in 2019. Tesla has now reported positive operating income and net income for the past four quarters, although most of this is explained by sales of emissions credits. Although it remains high, at \$713 million, the value of advance customer deposits Tesla holds has started to fall again (it has been rising since Q3 2019). ([Tesla](#))
- On the earnings call CEO Musk confirmed that a small car and minibus are somewhere in the product plan. He also said that the self-driving software is developing quickly – although even on his well-worn route to work he still has to take the wheel sometimes. Austin was officially confirmed as the location for the next factory. ([Seeking Alpha](#))
- Filed a lawsuit against Rivian, accusing the firm of nicking employees and technology. ([Bloomberg](#))
- Rumours surfaced of a project codenamed “Palladium” -- said to be a powertrain overhaul for Model S and Model X, and possibly more... ([Electrek](#))

## Toyota (history)

- Reports that Toyota was asking for suppliers to reduce prices outside the normal negotiation window led to speculation that the company is acting in an uncharacteristically confrontational way. ([Nikkei](#))

## VW Group (history)

- Announced that selected partners will be able to interface with machines and IT systems at VW plants via a specialised app store created by VW, Amazon and Siemens. ([VW](#))
- Was embarrassed by leaked tapes of secret recordings made by an unknown mischief-maker inside VW’s project team tasked with solving the 2016 dispute with supplier Prevent (who threatened VW with parts shortages unless they were granted lucrative future contracts). VW dismissed the materials, which included a variety of strong arm tactics and anecdotes about well connected movers and shakers, as scenarios. Prevent said they had no idea who made the recordings and they had never heard them. ([Business Insider](#))
- VW Group’s executive shake-up is reportedly set to continue with the VW brand’s head of sales apparently next in the firing line. ([Handelsblatt](#))
- Audi is working with Hager Group on bi-directional charging with the aim of developing a home charging facility that could help smooth grid demand. ([Audi](#))

## Other

- **AM General**, famed maker of the US Army’s Humvee, is being sold to an investment firm. ([AM General](#))
- **Twisted** launched an all-electric version of the original **Land Rover** Defender (the company keeps a stock of bodies for rebuild). ([Twisted](#))
- The cycling team sponsored by **Ineos** will be renamed ahead of the Tour de France to the Ineos Grenadiers as part of a promotional push for the forthcoming model. ([Team INEOS](#))
- All-electric bus maker **Proterra** is reportedly considering an IPO. ([Reuters](#))
- **Nikola** is hoping to raise around \$260 million by compelling owners of share purchase options warrants to use them or lose them. ([Nikola](#))

- **AYLI** plans to raise \$100 million through an offering of cryptocurrency to fund the first stage of development for electric delivery trucks made of hemp and the rollout of a fleet of electric motorcycles. The cryptocurrency, called RevoltTOKEN is “entirely independent from ALYI and completely dedicated to ALYI”. ([AYLI](#))
- Electric commercial vehicle maker **Via Motors** reportedly hopes to raise \$250 million. ([Bloomberg](#))
- **Li Auto** (formerly CHJ Automotive) updated their IPO prospectus with a target of raising \$950 million, plus a further \$380 million from a private placement of shares. ([Nikkei](#))

## [News about other companies and trends ...](#)

### [Economic / Political News](#)

- The **French scrappage bonus** is becoming tougher to qualify for, from the beginning of August. The maximum household income will be lowered and only the lowest emitting non-electric models receive grants. ([Les Echos](#))
- **European** registrations of 758,166 light commercial vehicles in the first half of 2020 fell (33.8)% compared with the same period in 2019. ([ACEA](#))

### [Suppliers](#)

- **Bosch** reorganised its automotive electronics and software units into one division. ([Bosch](#))
- Battery maker **CATL** raised \$2.8 billion. ([Deal Street Asia](#))
- **CIE Automotive's** Q2 2020 revenue was €386 million, down (57)% vs 2019. EBIT was €(14) million. ([CIE](#))
- **Nidec's** Q2 2020 revenue was 337 billion JPY (about \$3.2 billion), down (7)% on a year-over-year basis. Profit before tax of 28 billion JPY (about \$263 million) fell (10)%. ([Nidec](#))
- **Veoneer** reported \$184 million of revenue in Q2 2020, down (62)% versus prior year. The operating loss of \$(64) million was actually an improvement on 2019. The company expects global industry will not make a full recovery until 2023. ([Veoneer](#))
- **Valeo** reported 1<sup>st</sup> half 2020 revenue of €7.1 billion and operating margin of €(840) million. The firm took a series of write-downs and has cut thousands of jobs. It will stop providing the indicator controls that sit behind steering wheels. ([Valeo](#))

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

- **Didi Chuxing** launched Huaxiaozhu, a new brand providing ride hailing for cost conscious consumers. Since Didi's existing infrastructure, drivers and standards are used, the basis for the savings is unclear. ([Auto Rental News](#))
- **Gett** raised an additional \$100 million. ([TechCrunch](#))
- Rental company fleet management service **Swoop** raised \$3.2 million. ([Swoop](#))
- Non-emergency medical transport marketplace **Roundtrip** raised \$4 million. ([FINSMES](#))

### [Driverless / Autonomy](#) (history)

- **Netradyne** says it has collected data from one billion miles of driving in North America. The company's system monitors the driver and the external environment and Netradyne believes knowledge of how drivers approach the same roads differently according to environmental conditions and physical constraints gives it the edge over others trying to understand how to teach machines to drive. ([Netradyne](#))
- **Velodyne** and **Hesai Photonics** settled a legal dispute through a licencing agreement. ([Velodyne](#))
- **Local Motors** is partnering with **Beep**, hoping that users of the latter's mobility as a service platform might be more likely to purchase a vehicle that can more easily be integrated into it. ([Beep](#))
- Radar developer **Beijing Qinglei** raised “millions of US dollars”. ([Deal Street Asia](#))
- **Ford** will use **Intel's** MobilEye to supply camera sensors for safety features such as automatic headlights and adaptive cruise control. As part of the deal, Ford will sport MobilEye branding inside the infotainment system. Ford hasn't committed to MobilEye's “Roadbook” map-building program, but will experiment with it. ([Ford](#))

- **FCA** signed an agreement for self-driving vehicles with **Waymo**. FCA will be the exclusive provider of vans for Waymo to use in delivery services and FCA will exclusively use Waymo's self-driving technology for L4 (occasional self-driving) capabilities in all its vehicles. This calls into question the fate of FCA's collaborations with [BMW / MobilEye](#) and [Aurora](#) to develop self-driving technologies. ([FCA](#))
  - Significance: The announcement leaves Aurora's vision of selling to multiple OEMs seemingly in tatters, although it is still working with **Hyundai-Kia**.

### Connectivity

- Connected vehicle software start-up **Sibros** raised \$12 million. ([Sibros](#))

### Other

- Scooter rental is becoming blasé. Now you can subscribe to an electric bike thanks to German start-up **DANCE**. The only downside is that you can't simply drop it on the pavement, because you're the only one using it. ([Reuters](#))