



Creative Global Investments

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Objectivity
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BMW (EUR 70.25) – BUY

Target price (YE 2013E): EUR 86.99; potential +24%

The current BMW share price of EUR 70.25 values BMW shares at 8.9x 2013E prospective earnings and at 8.2x prospective 2014E earnings; the latter is a 20% discount to the 10-year average historic valuation of 10.3x. This is inconsistent with the implication that our 2014E EPS estimates of EUR 8.61 are 11% above 2012's record EUR 7.77, 47% higher than the 5-year average of EUR 5.86 and 100% higher than the 10-year average of EUR 4.31.

A valuation in line with the 10-year average historic valuation of 10.2x implies a share price of EUR 88.05 at year-end 2014E and time-discounted (yield of 10-year Bund), a target price of EUR 86.99 at year-end 2013E, which is 23.8% above the current share price (EUR 70.25) and in line with our previous target price of EUR 87.24 (March 18th). (See our latest company reports 'BMW – 1Q13E preview of April 30th.)

BMW – Valuation summary

Current share price	Current P/E 2014E	Target P/E 2014E	Implied price YE 2014E	Target price YE 2013E	Potential TP vs. current price
EUR 70.25	8.2x	10.2x	EUR 88.05	EUR 86.99	23.8%

Close 04.29.2013 (1) All classes of shares. Source: Company data and CGI estimates

BMW – Share summary (2006-14E)

Current price (EUR)	70.25									
Market capital.¹ (EUR bn)	45.38									
December year-end	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	
EPS (EUR)	4.38	4.78	0.49	0.31	4.93	7.45	7.77	7.86	8.61	
CFPS (EUR)	15.34	18.23	18.32	12.95	7.20	11.19	5.07	15.32	16.37	
BVPS (EUR)	39.3	39.8	41.4	43.6	42.0	44.0	46.4	51.4	57.2	
DPS (EUR)	0.70	1.06	0.30	0.30	1.30	2.30	2.50	2.70	2.90	
Free CFPS (EUR)	1.43	3.22	-0.12	-1.12	3.89	3.56	5.42	2.88	4.49	
P/E (x)	16.1	14.7	142.1	226.6	14.3	9.4	9.0	8.9	8.2	
PCF (x)	4.6	3.9	3.8	5.4	9.8	6.3	13.9	4.6	4.3	
Price/BV (x)	1.8	1.8	1.7	1.6	1.7	1.6	1.5	1.4	1.2	
P/revenue (x)	0.93	0.81	0.85	0.90	0.75	0.66	0.59	0.56	0.51	
Dividend yield (%)	1.0	1.5	0.4	0.4	1.9	3.3	3.6	3.8	4.1	
Free CF yield (%)	2.0	4.6	-0.2	-1.6	5.5	5.1	7.7	4.1	6.4	

Close 04.29.2013 (1) All classes of shares. Source: Company data and CGI estimates

BMW – share price (- 5 years)

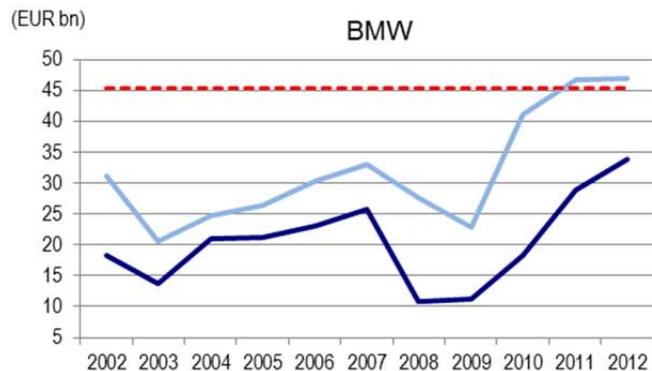


BMW vs. DAX 30 Index (- 5 years)

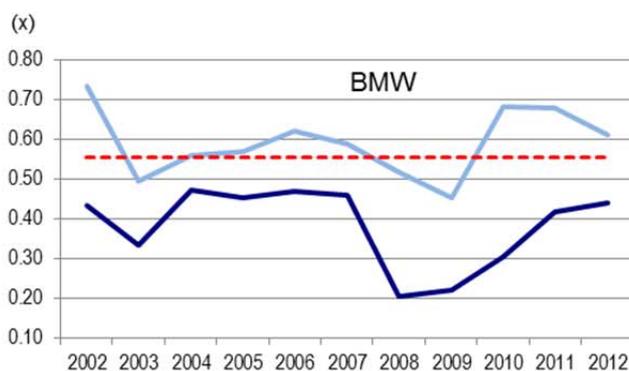


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BMW – Market capitalisation – historic range (2002-12) vs. current valuation



BMW – Price/revenue – historic range (2002-12) vs. current valuation (2013E)



BMW – Current valuation (price/revenue) put in context

	Historic average price/revenue (x)	Historic average price/revenue	Current valuation p/revenue 2013E (0.56x) vs. historic highs/lows (%)		Current valuation p/revenue 2014E (0.51x) vs. historic highs/lows (%)	
	10 years ¹	5 years ²	10-yr average	5-yr average	10-yr average	5-yr average
High	0.57	0.58	-2.3	-3.2	-2.3	-3.2
Low	0.34	0.29	60.9	92.7	60.9	92.7

(1) 2003-2012; (2) 2008-12. Source: Company data and CGI estimates

BMW – Historic valuation (1999-2012)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	5-yr average 2006-12	10-yr average 2000-12
EPS (EUR)	1.01	1.80	2.78	3.00	2.89	3.33	3.33	4.38	4.78	0.49	0.31	4.93	7.45	7.77	5.86	4.31
P/E -high	31.3	22.8	15.0	15.8	10.6	11.3	12.0	10.6	10.6	86.4	115.9	13.2	9.9	9.8	10.7	12.1
P/E -low	22.7	12.9	8.6	9.3	7.3	9.6	9.6	8.1	8.3	34.5	56.8	5.8	6.0	6.8	6.9	7.9
P/E -average	26.5	18.5	13.4	13.1	9.1	10.4	10.8	9.4	9.5	60.4	86.4	9.5	8.0	8.3	8.9	10.3

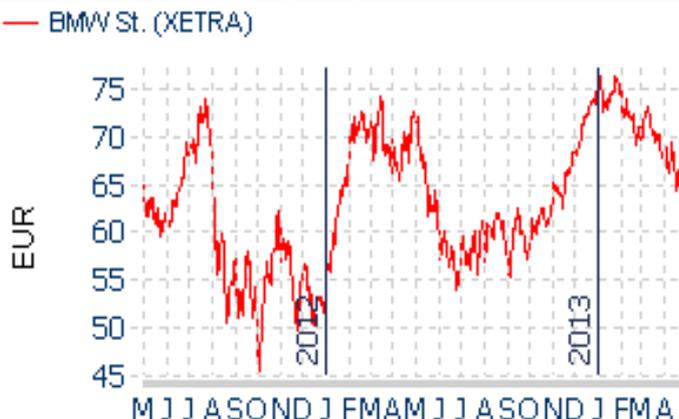
(1) Excl. 2008 & 09. Source: Company data and CGI estimates

BMW – Current valuation (2004-2014E)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
BMW EPS (EUR)	3.33	3.33	4.38	4.78	0.49	0.31	4.93	7.45	7.77	7.86	8.61
Current BMW PE (x)	21.1	21.1	16.1	14.7	142.1	226.6	14.3	9.4	9.0	8.9	8.2
% vs. 5-yr high (10.6x)	99	99	51	38	NM	NM	34	-11	-15	-16	-23
% vs. 5-yr low (6.9x)	207	206	133	114	NM	NM	107	37	31	30	19
% vs. 5-yr average (8.8x)	139	139	82	66	NM	NM	61	7	2	1	-8
% vs. 10-yr high (12.1x)	75	74	33	22	NM	NM	18	-22	-25	-26	-32
% vs. 10-yr low (7.9x)	168	167	104	86	NM	NM	81	20	15	13	4
% vs. 10-yr average (10.2x)	106	106	57	44	NM	NM	39	-8	-12	-13	-20

Source: Company data and CGI estimates

BMW – share price (- 2 years)



BMW vs. DAX 30 Index (- 2 years)

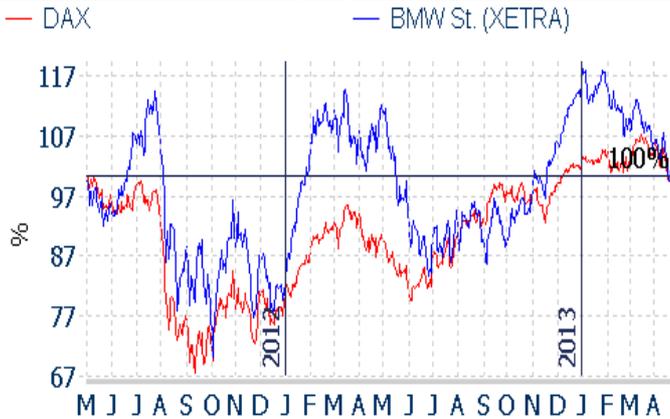


Chart technical view

Short term

Short-term technicals are intact. RSI, TRI are sloping upwards. BMW 50-day mva has broken support and has rolled over, next BMW short term support is at 200-day mva, at EUR 65.66, after that BMW has support at EUR 58.



Long term

The long-term technical outlook for BMW is intact. The weekly chart for BMW shows the 200-day mva at EUR 58.44 acting as major support.



Overview

BMW – overview (2006-14E)

Ordinary share price (EUR)	70.25									
Market capitalisation (EUR bn) ¹	45.38									
No of shares (m) ²	654.7									
	2006	2007	2008	2009	2010	2010R	2011	2012	2013E	2014E
Values per share (EUR)										
EPS	4.38	4.78	0.49	0.31	4.91	4.93	7.45	7.77	7.86	8.61
CFPS	15.34	18.23	18.32	12.95	7.20	7.20	11.19	5.07	15.32	16.37
BVPS	39.29	39.77	41.43	43.58	35.3	39.23	39.69	46.38	51.37	57.22
DPS - ordinary shares	0.70	1.06	0.30	0.30	1.30	1.30	2.30	2.50	2.70	2.90
Free CFPS	1.43	3.22	-0.12	-1.12	3.89	3.89	2.02	5.42	2.88	4.49
Stock market ratios (x)										
P/E	16.1	14.7	142.1	226.6	14.3	14.3	9.4	9.0	8.9	8.2
P/CF	4.6	3.9	3.8	5.4	9.8	9.8	6.3	13.9	4.6	4.3
P/BV	1.8	1.8	1.7	1.6	2.0	1.7	1.6	1.5	1.4	1.2
P/revenue	0.93	0.81	0.85	0.90	0.75	0.75	0.66	0.59	0.56	0.51
Dividend yield (%)	1.0	1.5	0.4	0.4	1.9	1.9	3.3	3.6	3.8	4.1
Free CF yield (%)	2.0	4.6	-0.2	-1.6	5.5	5.5	5.1	7.7	4.1	6.4
EV (EUR bn)	44.0	44.9	42.8	42.3	40.9	40.9	39.0	37.8	36.9	37.1
EV/ revenue – industrial (%)	89.8	81.5	85.6	94.5	73.7	73.7	60.3	52.7	48.4	44.2
EV/EBITDA - industrial	6.9	6.3	9.8	12.7	4.9	4.9	3.5	3.3	3.1	2.9
Group P&L (EUR m)										
Revenue ¹	48,999	56,018	53,197	50,681	60,477	60,477	68,821	76,848	81,729	89,364
Gross profit	8,795	9,266	6,049	5,325	10,915	10,915	14,545	15,494	17,163	19,660
EBIT	4,050	4,212	921	289	5,094	5,111	8,018	8,300	8,251	9,109
EBIT, full R&D	3,386	3,988	882	428	5,403	5,420	8,255	8,341	8,365	9,240
EBITDA	7,390	7,901	4,597	3,892	8,955	5,999	11,672	12,016	12,640	13,598
Profit before tax	4,124	3,873	351	413	4,836	4,853	7,383	7,819	7,808	8,666
Net profit	2,874	3,134	330	210	3,234	3,243	4,907	5,122	5,155	5,644
Less dividends	459	694	197	197	852	852	1,508	1,640	1,771	1,902
Retained profit	2,415	2,440	133	13	2,382	2,391	3,399	3,482	3,384	3,741
CF - automobiles (EUR m)³										
CF from operations	5,600	6,453	2,954	2,780	8,523	3,019	8,667	7,545	9,023	9,703
Working capital	-227	-207	1,517	2,141	-374	-943	-1,590	1,622	-300	-500
CF from operating activities	5,373	6,246	4,471	4,921	8,149	2,076	7,077	9,167	8,723	9,203
Capital expenditure (incl. R&D)	-4,272	-4,103	-4,114	-3,409	-3,183	-428	-3,565	-5,074	-5,974	-5,374
Other	-145	4	297	-2,266	-2,358	-14	-2,160	-456	-820	-820
Free CF after investment	956	2,147	654	-754	2,608	1,634	1,352	3,637	1,929	3,009
BS - automobiles (EUR m)³										
Net cash/-debt	980	380	346	465	4,594	4,594	4,441	6,625	6,925	8,125
Intra-group receivables	-	6,845	8,185	8,272	5,690	5,690	6,404	5,862	-	-
Net cash (BMW definition)	-	7,354	9,046	8,962	11,286	11,286	12,388	13,327	-	-
SHFs	15,315	21,583	22,481	22,101	23,993	23,993	26,154	28,105	37,191	41,451
Profitability and financial ratios (%)										
Gross profit margin	17.9	16.5	11.4	10.5	18.0	18.0	21.1	20.2	21.0	22.0
EBIT margin	8.3	7.5	1.7	0.6	8.4	8.5	11.7	10.8	10.1	10.2
Adj. EBIT margin - full R&D	6.9	7.1	1.7	0.8	8.9	9.0	12.0	10.9	10.2	10.3
Pre-tax profit margin	8.4	6.9	0.7	0.8	8.0	8.0	10.7	10.2	9.6	9.7
Tax rate	30.3	19.1	6.0	49.2	33.1	33.2	33.5	34.5	34.0	34.9
Net profit margin	5.9	5.6	0.6	0.4	5.3	5.4	7.1	6.7	6.3	6.3
Pay-out ratio	16.0	22.2	60.7	96.8	26.4	30.9	30.9	32.2	34.3	33.7
Return on equity	15.0	14.4	1.6	1.1	16.3	16.1	24.3	23.6	22.3	22.8
Automobile division										
Unit sales ('000)	1,374.0	1,500.7	1,435.9	1,286.3	1,461.2	1,461.2	1,669.0	1,845.2	1,959.9	2,156.0
% change	3.5	9.2	-4.3	-10.4	13.6	13.6	14.2	10.6	6.2	10.0
Revenue (EUR m) ³	47,767	53,818	48,782	43,737	54,137	54,137	63,229	70,208	74,853	82,446
% change	4.2	12.7	-9.4	-10.3	23.8	23.8	16.8	11.0	6.6	10.1
EBITDA (EUR m)	6,214	7,018	4,257	3,237	8,117	8,117	11,041	11,303	11,057	12,002
Margin (%)	13.0	13.0	8.7	7.4	15.0	15.0	17.5	16.1	14.8	14.6
EBIT (EUR m)	3,055	3,450	690	-265	4,355	4,355	7,477	7,624	7,410	8,410
Margin (%)	6.4	6.4	1.4	-0.6	8.0	8.0	11.8	10.9	9.9	10.2
Profit before tax (EUR m)	3,012	3,232	318	-588	3,887	3,887	6,823	7,195	6,960	7,960
Margin (%)	6.3	6.0	0.7	-1.3	7.2	7.2	10.8	10.2	9.3	9.7

R=restated. (1) All classes of shares. (2) 602.0m ordinary and 53.6m preferred. (3) Automobile division since 2007, industrial operations (Auto+motorcycles+other) 2006. (4) Preliminary figures are blue areas only. Source: Company data and CGI estimates

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